GETTING STRONGER

2016
INTEGRATED
REPORT

AFROX
A Member of The Linde Group

Contents

At Afrox, we are accountable for our actions and strive to be transparent in all decisions and activities that may impact the environment and society in general.

Afrox: At a glance

Who is Afrox?

African Oxygen Limited (Afrox) was founded in 1927 and is southern Africa's market leader in industrial gases, LPG and welding products. We operate in South Africa and eight other African countries. We manage various operations in five other African countries on behalf of The Linde Group (Linde) – our global gases, engineering and technology parent company.

Key market differentiators and core competencies

- We serve a diverse range of industries and well-established brands in Emerging Africa for industrial gases and welding products. Afrox's brands include, but are not limited to, Arcmate, Handigas, Saffire® and Vitemax®.
- We have extensive market coverage and distribution competencies, especially for Liquefied Petroleum Gas (LPG).
- Afrox is managed in accordance with The Linde Group global best practice and has access to The Linde Group's technology, innovation and plant capabilities (designing, building, operating and maintaining plant).
- We have an integrated product offering with a wide range of industrial gas and Hard Goods products, supply options and solutions.
- We provide tailored product packages for specific industries and expert engineering advice on the welding, fabrication and process solutions to help customers achieve productivity and quality targets as cost-effectively as possible.
- Our enabling functions include logistics and planning that enable distribution of our products across more than 25 million kilometres locally and throughout Emerging Africa.
- We provide customer training and advice on health, safety and environmental compliance.
- Our proactive business structure changes consider Afrox's key strengths, the economic operating environment, desired long-term results, customer needs and operational efficiencies.

Salient features

Getting stronger

Revenue up **1.2%** to **R5.537 billion** (2015: R5.473 billion)

EBITDA[1] up **23.5%** to **R1.237 billion** (2015: R1.004 billion)

ROCE[2] up **790bps** to **24.6%** (2015: 16.7%)

Strong LPG performance and **security of supply** achieved

Restructure programme **complete**

Intensified **training** and **development** under a renewed human resources (HR) strategy

Food Safety Systems Certification ISO 22000[3] achieved – making Afrox a **market leader**

The Afrox product reference manual contains our comprehensive range of products, and is available on our website: http://www.afrox.co.za/en/customer_service/publications/product_reference_manual/Index.html. Hard copies and a digital version are available on request.

[1] *Earnings before interest, tax, depreciation and amortisation.*
[2] *Return on capital employed.*
[3] *International Standards Organisation that promotes worldwide proprietary industrial and commercial standards.*

About this report

African Oxygen Limited presents its financial and non-financial performance for the financial year ended 31 December 2016 through this integrated report.

This report is intended for providers of financial capital and other key stakeholders, including employees, government, industry regulators, and current and prospective customers. In this report, 'Afrox', 'Company', 'the Group', 'us', 'our' and 'we' refer to African Oxygen Limited and/or its management.

Reporting approach

Our integrated report is based on material matters. These are matters that substantively influence Afrox's ability to create value:

- Persistent low demand leading to a lack of growth in the mining, iron, steel and general fabrication sectors in the South African market
- South African economic environment
- Emerging Africa[1] growth
- Customer value creation
- Supply chain reliability, efficiency and cost base
- Attracting, developing and retaining talent
- Transformation including Broad-Based Black Economic Empowerment (BBBEE) and employment equity
- Safety performance and culture
- Government regulation
- Competition challenges

Refer to page 22 for detailed information on each of Afrox's material matters.

Our performance report structure is based on our operating segments. This allows for complete and relevant performance reporting while remaining connected to the business's strategic core.

Frameworks and guidelines

The information provided in this integrated report is based on local and international requirements and frameworks. These include the:

- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework (<IR> Framework);
- King Report on Governance for South Africa 2009 (King III);
- International Financial Reporting Standards (IFRS);
- Companies Act of South Africa, 71 of 2008, as amended (Companies Act);
- Listings requirements of the Johannesburg Stock Exchange Limited (JSE Listings Requirements); and
- GRI G4 Sustainability Reporting Guidelines – specifically Core compliance.

Reporting suite

This integrated report is our primary form of communication, describing our strategy, future prospects, value creation and performance. The summarised audited financial statements included are derived from the audited consolidated financial statements for the year ended 31 December 2016.

The following supplementary information to our integrated report is available at www.afrox.co.za/en/investor_relations:

Reports and supplementary documents	Purpose and basis of preparation	Assurance of content
Group annual financial statements for the year ended 31 December 2016	Full financial statements in accordance with IFRS and the requirements of the Companies Act.	• Internal controls • Internal audit • Management and governance oversight • External audit opinion
GRI G4 index	This index provides a summary of disclosures on matters deemed material to Afrox per the GRI G4 index for core disclosure.	• Management and governance oversight
King III checklist	Afrox has disclosed its compliance and application of the King III principles as required.	• Internal controls • Management and governance oversight
Award and certification report	A report listing the various certifications and accreditations and the Afrox sites to which they pertain.	• Internal controls • Management and governance oversight • External assurance providers
Supplementary reports	Providing additional information regarding: • Safety, health, environment and quality (SHEQ); • SHEQ award certification table; and • Leadership reports – a list of the qualifications held by our executive management.	• Internal controls • Management and governance oversight

[1] *Emerging Africa is defined as all of Afrox's operations excluding South Africa, Lesotho and Swaziland.*

Scope and boundary

This report provides information on the performance of Afrox and its consolidated entities. Included in the report are Afrox's subsidiaries and operations in South Africa and Emerging Africa. Details of our subsidiaries and associate can be found in notes 3, 4, 36 and 38 to the Group annual financial statements. We operate in a value chain that includes a wide variety of stakeholders. Where these stakeholders influence our business substantially, Afrox reports on the real and potential impacts of such.

There have been no restatements to comparatives unless otherwise stated in the relevant section.

Assurance

A combined assurance model with three lines of defence is used to ensure the integrity and validity of the information included in our integrated report. This includes line management and managerial controls, functional areas, and independent, objective internal and external assurance providers. Refer to page 70 for further details.

Afrox does not obtain external assurance on sustainability data. The summarised audited consolidated financial statements contained in this report are a summary of the audited and consolidated financial statements for the year ended 31 December 2016, on which KPMG Inc. has expressed an unqualified audit opinion.

Forward-looking statements

Opinions expressed in this report are, by nature, subject to known and unknown risks and uncertainties. Changing information or circumstances may cause the actual results, plans and objectives of Afrox to differ materially from those expressed or implied in any forward-looking statements. Undue reliance should not be placed on such opinions, forecasts or data.

No representation is made on the completeness or correctness of opinions, forecasts or data in this report. Neither Afrox nor any of its affiliates, advisors or representatives accept any responsibility for any loss arising from the use of any opinions expressed, forecast or data in this report. Forward-looking statements apply only as of the date on which they are made and Afrox does not undertake any obligation to publicly update or revise any of its opinions or forward-looking statements, whether to reflect new data or future events or circumstances.

The financial information on which the forward-looking statements are based has not been audited or reported on by Afrox's independent external auditors.

Board responsibility

The Afrox Board and its sub-committees take ultimate responsibility for overseeing the integrity and completeness of this integrated report. The Board confirms that it applied its collective mind to the preparation and presentation of this report. Furthermore, it considered the accuracy and completeness of the material matters and the reliability of all data and information presented, and is satisfied with the information contained in this integrated report. The Board believes that it has sufficiently considered and materially presented these according to the IIRC <IR> Framework.

On 23 February 2017, the Board approved the 2016 integrated report.

Sue Graham Johnston
Chairperson

Schalk Venter
Managing Director

Dorian Devers
Financial Director

Feedback

Afrox continuously seeks to improve its reporting and provide valuable information to our stakeholders. We welcome your feedback to aid us in this process. Please send your queries and comments to corporate communications at investor.relations@afrox.linde.com.

About this report continued

Ratio definitions

The table below lists commonly used ratio definitions in this report.

Average capital employed
Equity (including non-controlling interests) + financial debt - cash, cash equivalents and securities - receivables from finance leases

Earnings per share (EPS)
Net income after tax for the period attributable to Afrox shareholders/number of shares in issue excluding treasury shares

EBIT
Earnings before interest and tax

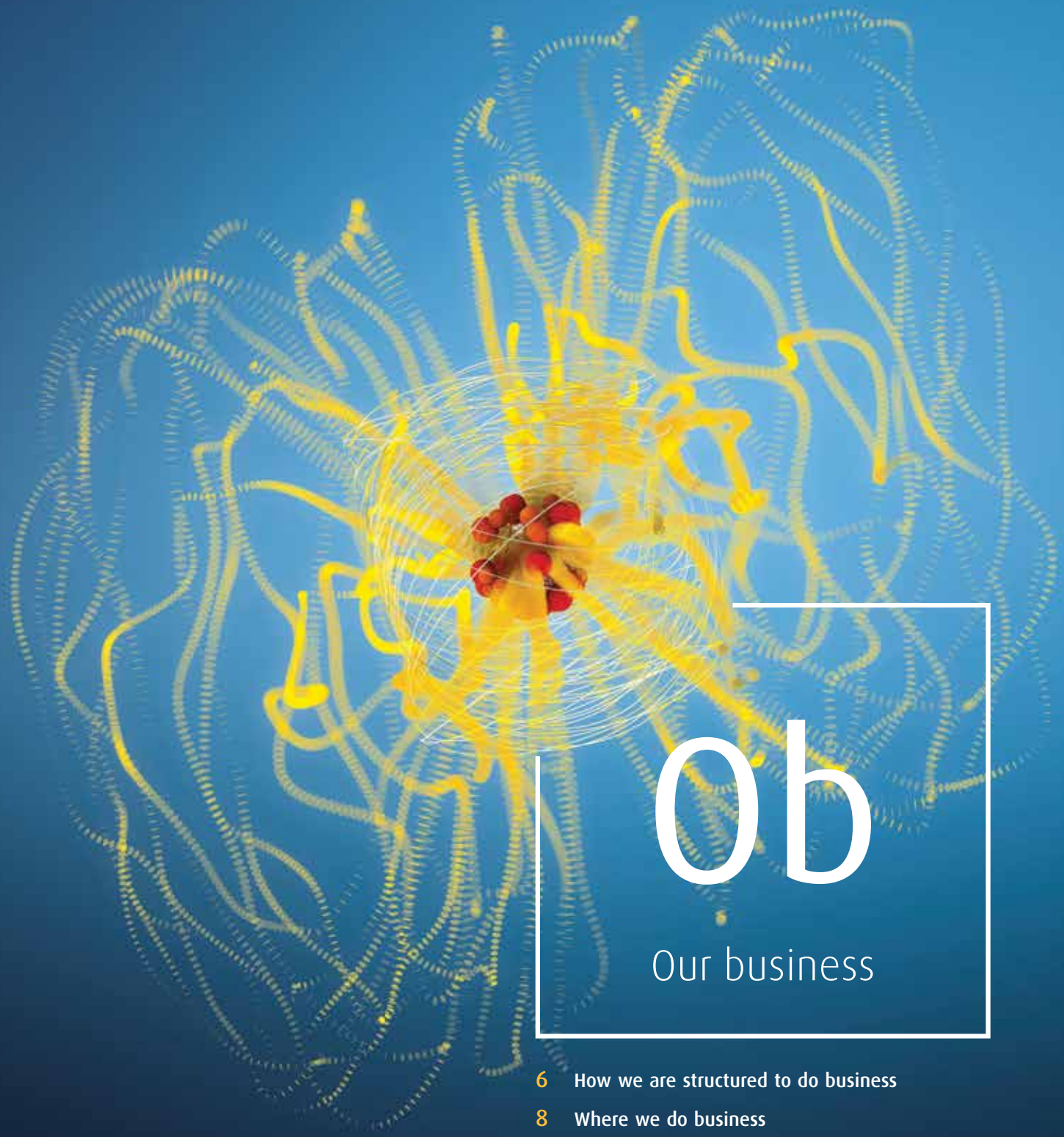
EBITDA
EBIT adjusted for depreciation of tangible assets and amortisation of intangible assets

GPADE
Gross profit after distribution expenses

Headline earnings per share (HEPS)
Net income after tax for the period before non-trading items, attributable to Afrox shareholders/number of shares in issue excluding treasury shares.

Lost-time injury rate (LTIR)
LTIR is a measure of the rate at which employees are unable to work due to injuries, using a base of 1 000 000 hours

Return on capital employed (ROCE)
EBIT/average capital employed



0b

Our business

How we are structured to do business

The Linde Group (owns 50.47% of Afrox)

The Linde Group is a global company, focused on gases, engineering and technology solutions.

Afrox

Afrox operates in South Africa and in eight other African countries, permanently employing 2 142 people across sub-Saharan Africa. We operate and report according to four business segments.

Corporate and enabling functions

Our business segments are supported by the enabling functions of finance, SHEQ, information systems, communications, procurement and human resources. Further support is provided by the South African-based support services, channels to market (marketing, sales and distribution), customer services, strategy and risk, and performance transformation.

Ag

Atmospheric Gases

Products and services: Atmospheric Gases are gaseous oxygen, nitrogen and argon supplied from various feed gas providers and our air separation units (ASUs). CO_2 is obtained via a limited pool of local feed gas suppliers.

Distribution channels: For Atmospheric Gases and CO_2, we use bulk liquid tanker distribution or dispatch cylinders via road freight to merchant consumers. We also use our Gas & Gear outlets for direct sales to the end-user. Linked pipelines are often used to service larger industrial customers.

Our merchant and packaged gases (MPG) business manages our supply chain, warehousing and distribution needs for Hard Goods, sale of LPG and the regional sales infrastructure. LPG and filling plants are managed within the MPG structure.

Markets served: Industrial, medical, hospitality and specialty.

Revenue
R2 319 million (2015: R2 110 million)

GPADE margin
37.4% (2015: 32.3%)

GPADE
R868 million (2015: R681 million)

Lpg

Liquefied Petroleum Gas (LPG)

Product and services: Packaged LPG, branded as 'Handigas', is supplied in smaller cylinders for lower volumes. Higher volume demand is met through larger cylinders or direct delivery to bulk end-users.

Distribution channels: Our cylinder gas is obtained from local refineries or imported directly and transported by cylinder or in bulk. Distribution is managed by our MPG operations.

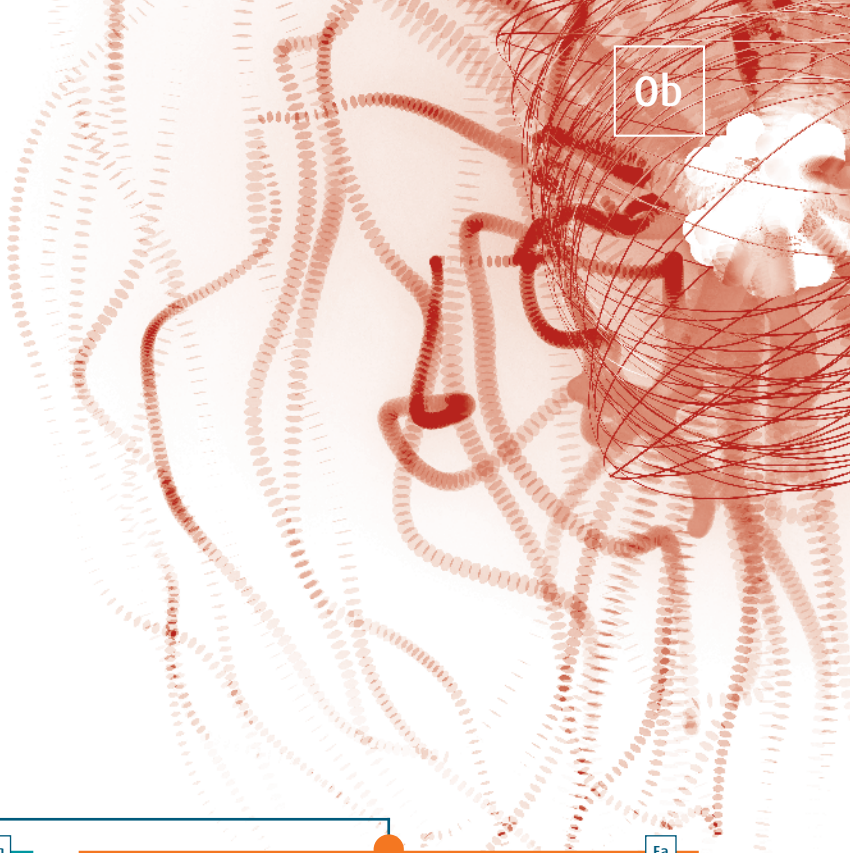
Markets served: Our smaller LPG cylinders have many industrial and domestic applications, including heating and cooking, making them versatile and useful in all major sectors of the South African economy. Our larger bulk options are primarily used in manufacturing, larger commercial activities, retail and hospitality.

Revenue
R1 797 million (2015: R1 820 million)

GPADE margin
20.5% (2015: 17.6%)

GPADE
R369 million (2015: R321 million)

[1] *Gas & Gear outlets are Afrox-owned distributor sites located in nine different provinces in South Africa, providing customers with direct product access.*



Hg

Hard Goods

Products and services: Arc equipment, gas equipment, welding consumables and a range of other products. Including strong brands such as Vitemax® and Saffire®.

Distribution channels: Manufactured and imported products are sold through direct and indirect Afrox sales infrastructure to normal and bulk customers. Products are exported throughout Emerging Africa via our network of partners and direct selling through Afrox facilities in-country. Our Gas & Gear outlets further ensure direct access for customers.

Markets served: Our markets include any industry where welding or component products are used. This includes light industry, manufacturing, mining, power generation and construction.

Revenue
R666 million (2015: R788 million)

GPADE margin
34.8% (2015: 34.5%)

GPADE
R232 million (2015: R272 million)

Ea

Emerging Africa

Products and services: Emerging Africa provides the full range of Afrox products and services to Emerging Africa, with the more significant products being LPG, CO_2, Atmospheric Gases, Medical Gases and Hard Goods components.

Distribution channels: Afrox subsidiaries and Linde-owned, Afrox-managed businesses outside of South Africa report to a centralised management structure for Emerging Africa. They are distributed via the most appropriate methods based on product and customer preference, be it cylinder or bulk.

Markets served: Industrial markets, including manufacturing, mining, medical, hospitality, retail and various other commercial activities in domestic markets.

Afrox's Emerging Africa subsidiaries and ownership levels are: Botswana (100%); Malawi (79%); Mozambique (100%); Namibia (100%); and Zambia (70%).

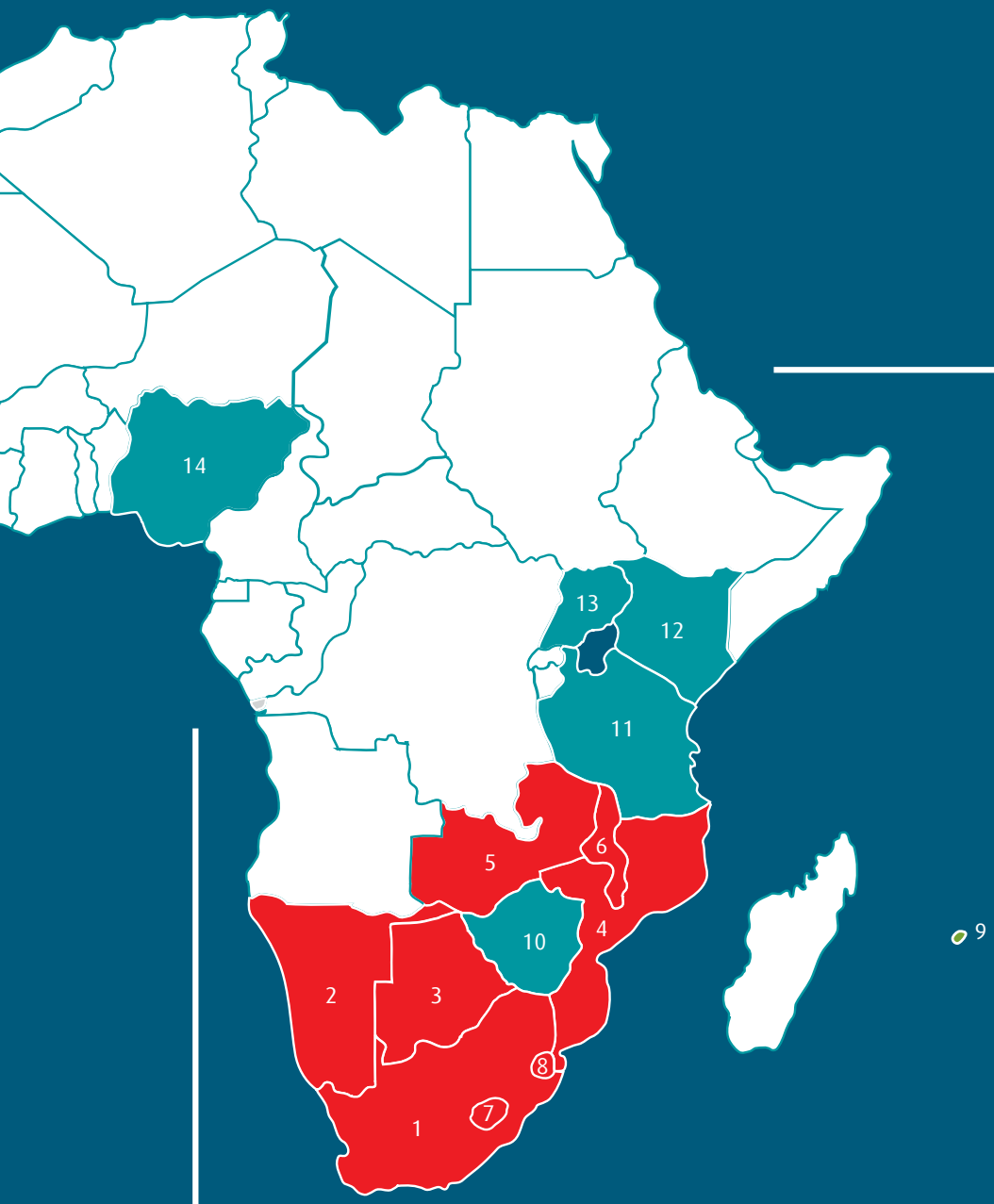
Revenue
R755 million (2015: R755 million)

GPADE margin
40.5% (2015: 41.2%)

GPADE
R306 million (2015: R311 million)

Where we do business

Afrox operates in South Africa and eight other countries on the continent.



Afrox-owned

1. South Africa
2. Namibia
3. Botswana
4. Mozambique
5. Zambia
6. Malawi
7. Lesotho
8. Swaziland

Associate company

9. Mauritius[1]

Linde-owned, managed by Afrox

10. Zimbabwe
11. Tanzania
12. Kenya
13. Uganda
14. Nigeria

[1] *Afrox shareholding 38%.*

Our safety culture, consistent governance and improved compliance have reduced risks and strengthened opportunities for growth in Africa.

Country	% of total revenue in 2016	% of total revenue in 2015	2016 revenue R'million	2015 revenue R'million
South Africa	83.2	82.6	4 604	4 522
Rest of Africa[1]	16.8	17.4	933	951
Angola	–	–	–	3
Namibia	4.9	4.7	271	276
Botswana	3.3	3.2	185	173
Mozambique	0.8	0.8	44	46
Democratic Republic of Congo	–	0.5	–	34
Malawi	1.2	1.3	69	72
Zambia	3.4	2.8	186	151
Lesotho[2]	1.4	1.5	78	84
Swaziland[2]	1.8	1.6	100	89

Afrox opened a new R60 million filling and engineering hub at Riverhorse Valley in Durban, without injury. The facility has a filling capacity of 22 000 cylinders per month, a 15% improvement on the previous plant.

Relocated from the leased site in Maputo to an owned property. This eliminated the currency risk from the US Dollar-based property rental arrangement, and will position Afrox to expand its operations in this key growth market.

Afrox exited Angola and the Democratic Republic of Congo as part of the restructure programme. For further details, refer to note 36 of the full annual financial statements.

Commissioned additional bulk LPG storage in Blantyre. This mitigated the supply risks associated with the long distances that need to be covered to deliver bulk LPG from South Africa to Malawi (including border delays).

Commissioned an oxygen micro-filling plant in Lusaka and an LPG filling plant in Ndola, leading to improved service levels, lower product cost and increased profitability.

	% change from 2015 to 2016	2016 R'000	2015 R'000
Revenue from South African operations' industries and sectors served			
Chemistry and energy	(1.5)	465 865	473 033
Food and beverages	4.0	651 637	625 741
Retail trade	(7.5)	802 805	867 941
Healthcare	6.2	360 014	337 361
Manufacturing	(4.1)	1 214 499	1 266 448
Metallurgy and glass	14.2	886 218	760 004
Other industries	(5.2)	367 343	387 343
Consolidation adjustment		(144 557)	(195 884)
Total	1.8	4 603 824	4 521 987

[1] *Rest of Africa encompasses all Afrox-owned countries outside South Africa. This excludes Linde-owned, Afrox-managed countries.*
[2] *Managed as part of Atmospheric Gases and LPG segments. Revenue does not form part of Emerging Africa.*

Our value creation process

Capital capabilities

Fc

Financial capital

Afrox is a capital-intensive and cash flow-generative business. Cash generated from operations is generally around 85% of EBITDA. These funds are used to meet the cost of replacing assets, dividends, finance costs and tax. Dividend cover is maintained at 50% of HEPS. Working capital management is crucial to keeping our cash-generative capacity. Particular attention is paid to managing imported inventory (Hard Goods, LPG and some special gases such as helium).

Significant cash holdings enhance the capacity to finance future growth opportunities. Gearing is managed within the financial covenants, which require that net interest-bearing borrowings do not exceed two-and-a-half times EBITDA and that the EBITDA interest cover ratio is not less than four times. Refer to page 41 for details of our financial performance.

Hsrc

Human, social and relationship capital

Our employees are a crucial conduit for a successful and sustainable business operation. We have a highly skilled workforce of 2 142 (2015: 2 336) employees at a cost of R764 million (2015: R884 million) per year. We spent R31 million (2015: R14 million) on training to enhance employee skills and R1.2 million (2015: R2.6 million) on employee wellness programmes to cater for various health and wellness needs. The average employment period for the Company is nine years (2015: 9.3 years), and we have a number of succession programmes in place to ensure continuity of relevant skills and expertise. Refer to pages 60 and 61 for details.

Afrox aims to:

- be an employer of choice;
- have the right employee in the right position;
- drive innovation and enhance customer solutions;
- learn, adapt and improve continuously;
- provide attractive careers;
- develop management and leadership capabilities;
- support line managers and their ability to lead employees; and
- manage and reward performance.

We are focused on grasping improvement opportunities and further embedding a high performance culture. Our Code of Ethics underpins all our engagements and additional information can be found on page 76.

Ic

Intellectual capital

We take advantage of the cutting-edge technologies and research available to us as a member of The Linde Group. Our strong brands and international distribution networks allow us to capitalise on our supply chain strengths. We believe our intellectual capital is key to delivering unique solutions that meet customers' requirements. Afrox continuously seeks to gain a deeper understanding of customer processes to add value through process optimisation, unique product service offerings (PSOs) and value-added services aimed at the improvement of delivery, reduction of failure rates, and attainment of higher returns.

This has resulted in unique PSOs in a range of industries such as environmentally friendly energy production (predominantly welding solutions) or leading food refrigeration techniques (refer the SHEQ award certification table for details of our unique certification and page 46 for details of our Linde Freezerpool rental agreement).

Our intellectual property is the basis of Hard Goods production and motivates our efforts in all the sectors in which we operate.

Mc

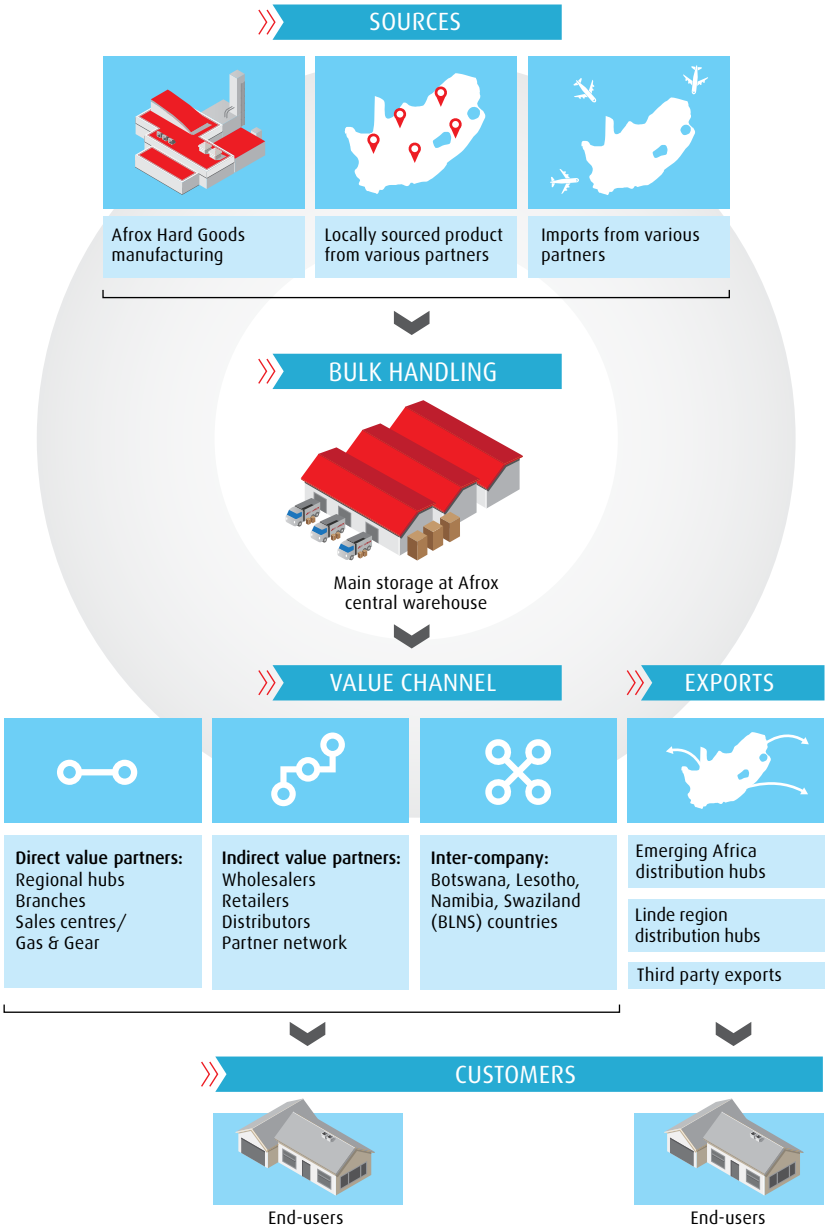
Manufactured capital	Manufacturing and filling of our gases as well as other products takes place on 48 (2015: 43) sites; 33 of which are manned, and 16 automated on-site plants. Some manufacturing sites host more than one operating unit. We have a network of strategically located Gas & Gear retail outlets and a national warehouse in Gauteng. The central scheduling centre deals with more than 20 000 customer deliveries per month. Our distribution capabilities include liquefied bulk deliveries throughout Emerging Africa and customer-specific on-site plants. This supply chain network is capable of sourcing, manufacturing and delivering over 3 000 products and gases in 700 000 high-pressure cylinders and 2.5 million LPG cylinders throughout South Africa. The Company's transport fleet covers more than 25 million kilometres per year locally and our Emerging Africa operations cover the rest of the continent, offering similar distribution excellence, speed and safety. Refer to page 52 for further detail on our improved Emerging Africa governance approach.

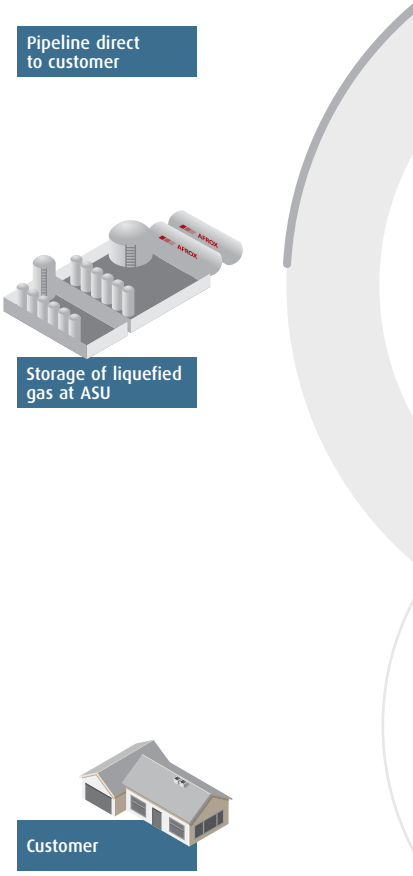
Nc

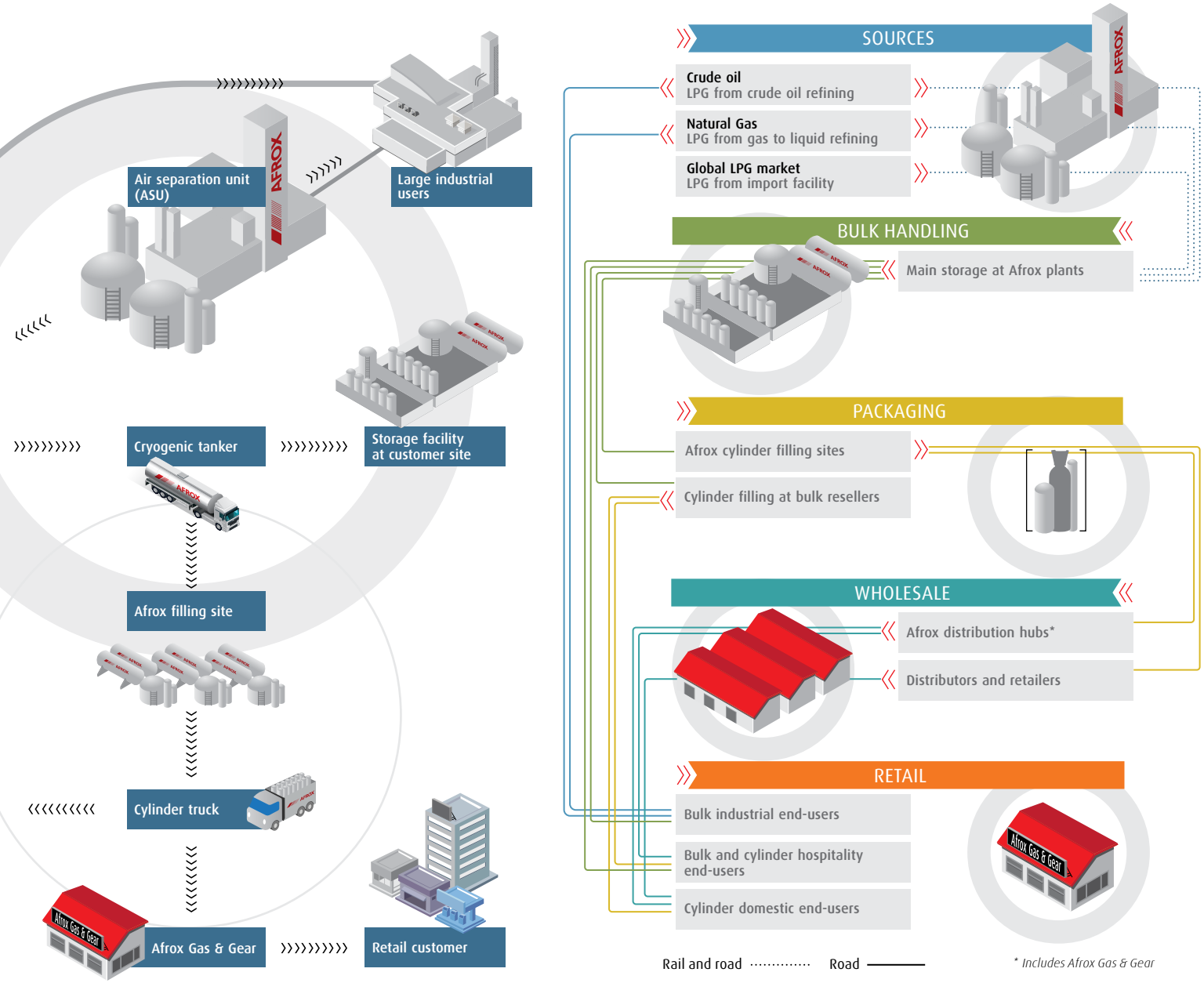
Natural capital	The direct environmental impact of our operations is limited to the consumption of electricity, water and fuel. Each area has efficiency programmes in place to conserve such resources and reduce greenhouse gases, while allowing the business to remain commercially effective. All Afrox's products are geared to ensure that its customers' environmental compliance is adhered to and their impact is as low as possible. Refer to page 55 for our environmental impact in 2016.

Our value creation process continued

Our value chain






Air separation unit (ASU)
AFROX
Large industrial users
Cryogenic tanker
Storage facility at customer site
Afrox filling site
Cylinder truck
Afrox Gas & Gear
Retail customer
SOURCES
Crude oil
LPG from crude oil refining
Natural Gas
LPG from gas to liquid refining
Global LPG market
LPG from import facility
BULK HANDLING
Main storage at Afrox plants
PACKAGING
Afrox cylinder filling sites
Cylinder filling at bulk resellers
WHOLESALE
Afrox distribution hubs*
Distributors and retailers
RETAIL
Bulk industrial end-users
Bulk and cylinder hospitality end-users
Cylinder domestic end-users
Rail and road
Road
* Includes Afrox Gas & Gear

Our value creation process continued

Our business model

We apply an integrated approach to value creation to ensure long-term value provision to all our stakeholders, while maintaining business productivity, profitability and sustainability.

External environment: Afrox operates in an environment with a range of factors that may have an impact on its operations.

Inputs

Refer to capital capabilities on page 10 for more detailed information.

Financial capital	Manufactured capital	Intellectual capital
• Cash-generative operations • Capital-intensive business supported by capital investment programmes • Appropriate funding	• Manufacturing sites in South Africa and Emerging Africa, close to established markets • National customer service centre and warehouse • Established and efficient transport fleet with logistics management	• Access to The Linde Group technology and expertise • Various patents and internally developed systems • Customer-centric product and service offerings with innovative solutions • A dynamic Board and management structure with a range of skills and expertise

Core business processes

Business segments

What we do in each segment and how we do it

Atmospheric Gases	LPG
Gaseous oxygen, nitrogen and argon are Atmospheric Gases that are produced by cryogenic distillation of air at Afrox-owned ASUs. In their gaseous form, these products are supplied to large industrial users through a direct pipeline. A portion of the output may be liquefied and either stored at the ASU for use in the event of a shortage to manage supply and demand, or directly transported in bulk by cryogenic tankers to storage facilities on customer premises. The product is also transported to Afrox filling sites where it is stored and later vaporised back into gas, compressed, and used to fill cylinders. CO_2 is produced from various sources, including the combustion of hydrocarbons, fermentation of alcohol, production of ethanol and from other agricultural output (e.g. fertilisers and sugars). Depending on the concentration of CO_2 liberated by these processes, it becomes commercially viable for Afrox to recover, purify and liquefy CO_2 through Afrox-owned production facilities. CO_2 and Atmospheric Gas cylinders are dispatched directly to the customer or to Afrox Gas & Gear outlets, where it is sold directly to the end-user. Empty cylinders are collected and/or returned to filling sites for maintenance and refilling.	LPG is produced as a by-product from the fuel refining processes. It is a mixture of hydrocarbons, which are vapour at room temperature but can be liquefied by compression. Afrox purchases LPG from local refineries and imports from global merchants to mitigate the impact of capacity constraints from local refineries. Bulk LPG is collected from the source and transported in road tankers or by 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 packaged into 9 kg, 19 kg and 48 kg 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. Only authorised Afrox Handigas dealers may fill Afrox-owned LPG cylinders, which carry the brand name Handigas and the Afrox Red Seal of Safety. The Department of Energy (DoE), which controls all energy matters in South Africa, regulates certain selling prices that affect the retail consumer, in particular, setting the maximum selling price for 9 kg cylinders of LPG at the refinery gate (maximum refinery gate price).

Output

Afrox products are widely used in industries such as healthcare services, production of iron and steel, fabrication and assembly of motor vehicles, industrial ceramics, food preservation, and water treatment

Atmospheric Gases	LPG
• **Industrial gases:** These include dissolved acetylene, oxygen, nitrogen, argon and CO_2 • **Special gases:** Refrigerants, chemicals and scientific gases • **Medical gases:** Include packaged medical gases and respiratory therapy equipment • **Hospitality gases:** Includes beverage dispensing and balloon gas	• **LPG:** Includes packaged LPG in a range of cylinder sizes • **Bulk supplies** to major industrial and hospitality users

Outcomes

Resultant impacts of transforming the capitals

Financial capital	Manufactured capital	Intellectual capital
• 1.2% increase in revenue • GPADE of R1.775 billion • Improved financial stability reflected in net cash of R153 million • EBITDA interest cover maintained in 2016 at not less than four times	• Increased operational sites • Improved logistics and distribution network • Enhanced security of LPG supply through imports	• Provision of unique sector-specific product solutions • Over 85% coverage for critical roles in the Company

Keys to success

Elements that guide our path

Strategic objectives	• Maintain and grow profitability and operating performance • Ensure sustainable growth while enhancing competitiveness • Embed advanced performance in areas of safety, health, environment and quality • Build a performance culture
Our mission	We provide engineering services and a focused range of performance-enhancing Atmospheric Gases, welding and safety products and LPG to valued customers, through excellence in operations, customer service, product delivery, and investment in infrastructure, employees and technology for the benefit of all stakeholders.

Ee

Examples include regulatory requirements, macroeconomic conditions, external risks and the needs and expectations of various stakeholders.
Refer to our material matters on page 22 for additional information.

Human capital	Social and relationship capital	Natural capital
• 2 142 employees • Training and development opportunities to further enhance effectiveness • Code of Ethics and SHEQ-based safety culture promote safe and ethical operations	• Social licence to operate supports business sustainability, and regular engagements allow Afrox to understand the needs and interest of its key stakeholders	• Primarily electricity, water and fuel consumption

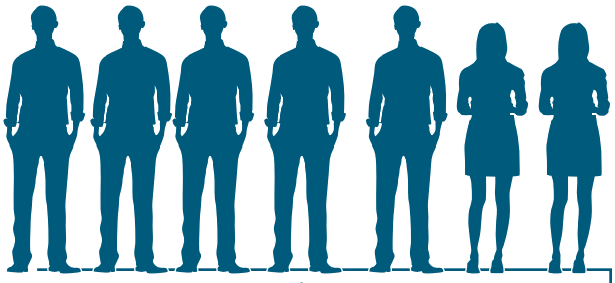
Business segments

Hard Goods	Emerging Africa
Three supply streams are used to source Hard Goods products: • manufacturing from Afrox-owned facilities; • procurement from local suppliers; and • imports. These supply streams are centralised at our national warehouse from which the customer demand is supplied. Products are distributed globally through our exports division, while 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 & Gear outlets and sales force. The indirect channel includes national retailers, distributors and partners conveniently situated close to the market.	A combination of all other segment products (Atmospheric Gases, LPG and Hard Goods businesses) are manufactured in the host country or supplied from South Africa to the rest of Emerging Africa.
• **Filler materials:** Include filler materials for manual metal arc (MMA), metal inert gas (MIG), tungsten electrode inert gas (TIG) and brazing, as well as fluxes and gouging carbons • **Arc equipment:** Includes arc accessories and MIG, MMA, and TIG equipment • Rescue packs • Regulators • Safety equipment	• All products listed for Atmospheric Gases, LPG and Hard Goods

Human capital	Social and relationship capital	Natural capital
• Improved leadership roles in safety • Embedded training and succession programmes	• Positively affected over 30 000 individuals through CSI initiatives • Positive interaction with unions	• 73 437 m^3 of water saved • 3% increase in carbon footprint • 3% increase in electricity usage

Our vision	We will be the leading gases and welding product company, admired for our employees by any measure.	
Our principles	Safety, integrity, sustainability and respect.	
Our values	• Passion to excel • Innovating for customers	• Empowering employees • Thriving through diversity

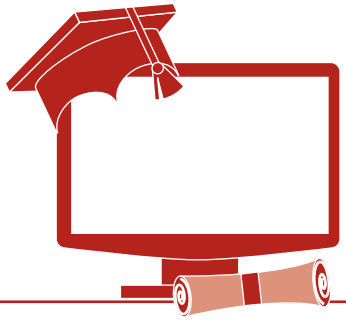
Our value creation process continued



79.4%
of our employees are black.

24.1%
of our employees are female.

Transport fleet travels over
25 million
kilometres annually, delivering products to where they are needed most.



R31 million
spent on training including bursaries.

126 353 metric tonnes
of LPG distributed in 2016 to a range of markets, including manufacturing, hospitality and retail.

An increase of
8 877
customers using our e-commerce platforms.

20%
improvement in LPG capacity to reduce the impact of shortages for customers.

Refer to the business model on page 12 for more outputs and outcomes of our value creation process.

Financial value-added statement

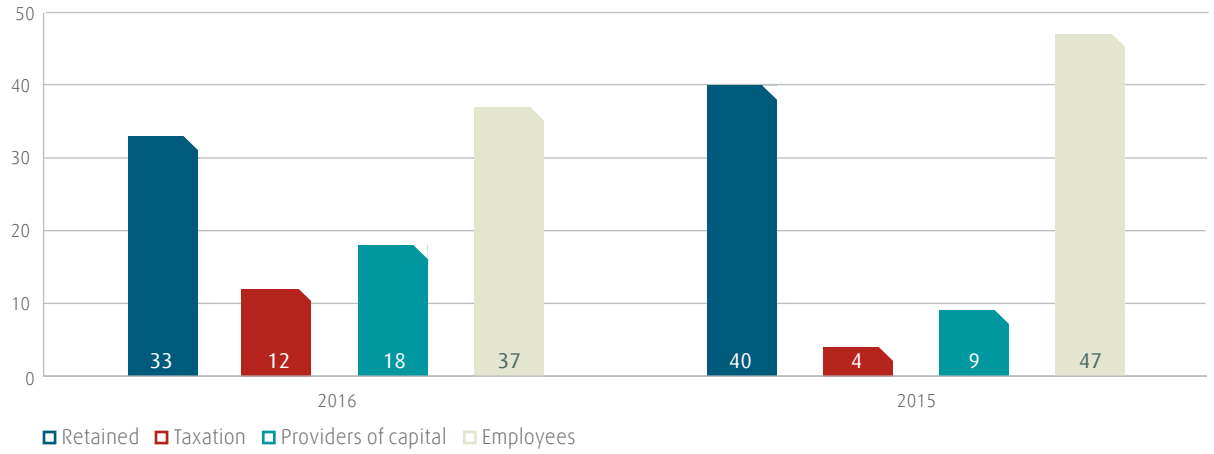
for the year ended 31 December 2016

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

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

	2016 R'm	2016 %	2015 R'm	2015 %
Wealth created				
Revenue	5 537		5 473	
Cost of goods and services	(3 544)		(3 689)	
Value added	1 993		1 784	
Finance income	126		87	
Income from investments	2		1	
	2 121	100	1 872	100
Wealth distributed and retained				
Employees				
Salaries and benefits	764	37	884	47
Community				
Donations	2	–	2	–
Providers of capital	390	18	163	9
Finance costs	112	5	96	5
Non-controlling interest	3	–	11	1
Ordinary dividends	275	13	56	3
Taxation	264	12	75	4
Retained in Group activities	701	33	748	40
Depreciation and amortisation	379	18	390	21
Retained income	322	15	358	19
	2 121	100	1 872	100
Value added ratios				
Number of employees	2 280		2 345	
Permanent	2 142		2 336	
Short-term and contractors	138		9	
Revenue per average permanent employee (R'000)	2 473		2 108	
Value added per average permanent employee (R'000)	947		721	

Wealth distributed and retained (%)



So

Strategy overview

Strategic objectives

The four strategic objectives maintained by Afrox are:

Maintain and grow profitability and operating performance

Remain profitable and continue to deliver efficiencies by focusing on ROCE, EBITDA and free cash flow.

Ensure sustainable growth while enhancing competitiveness

Enhance operational effectiveness to maintain competitive edge. Consumer-led growth opportunities (food and beverage, hospitality and healthcare) and maintain stable supply of LPG in all markets.

Embed advanced performance in areas of safety, health, environment and quality

Further advance our safety culture to the point where it is fully integrated into every aspect of the way we do business and is reflected in reduced major incidents reported (MIRs). Maintain and improve quality while mitigating our environmental impacts.

Build a performance culture

Develop our leaders and empower our employees in a way that promotes behaviour that results in excellent performance, adding customer value and providing business profitability.

These strategic objectives ensured that the business has improved profitability and stability after the restructure programme and is in a position to maintain performance in the presence of significant economic headwinds. The long-term sustainability of our business was considered at length in developing this strategy, in addition to external environment factors which are outlined in the Chairperson's review on page 32. Refer to page 25 for details on our top five risks and page 22 for our material matters. The strategy considers all material matters in our value creation process.

Turnaround Plan

To support these strategic objectives, Afrox has a roadmap for success, referred to as the Turnaround Plan. This plan details progression markers to confirm that the strategy is being realised, and was first implemented in 2015 as part of the business restructure, which is now complete.

The plan started with a comprehensive review of all aspects of our South African business and now guides our path to success. To date, the Turnaround Plan has resulted in a streamlined and capable workforce, improved financial performance and a renewed quality and customer-focused approach to business.

Turnaround Plan continued

Turnaround Plan status

1. Get healthy	2. Get strong	3. Get business
Complete	**In progress**	**In progress**
• Introduce a leaner organisation • Right-size operations[1] • Use assets more efficiently[1] • Focus on cost containment and margin management[1] • Outsource non-core operations • Create a more effective procurement process[1] • Best commercial practice (BCP) pricing composition • Closure of the gas equipment factory to rationalise our Hard Goods segment	• New customer-centric operating model and customer interaction • Refine the go-to-market approach • Improve flexibility of Hard Goods supply chain • Increase effectiveness and efficiency of traditional business channels and reduce supply chain cost • Introduction of e-commerce and electronic data interface (EDI) • Improve business segment management • BCP price cost recovery	• Grow Emerging Africa by attaining critical mass in each country while strengthening corporate governance structures. This will be bolstered by achieving an optimal investment structure for further growth. • Focus on growth areas and products such as LPG, CO_2 and Special Gases (medical gases, propellants and refrigerants).
	Link to strategy	
Ensure sustainable growth while enhancing competitiveness Maintain and grow profitability and operating performance	Ensure sustainable growth while enhancing competitiveness Embed advanced performance in areas of safety, health, environment and quality Build a performance culture	Ensure sustainable growth while enhancing competitiveness Build a performance culture

Our strategy in action

Examples of how our strategic objectives mitigate risks, seize opportunities and address the matters deemed most material to our business are as follows:

Maintain and grow profitability and operating performance

- New markets and product diversification is continuously monitored to ensure the future sustainability of Afrox as a whole.
- Afrox identified growth opportunities and reduced volatility by focusing on consumer-led markets that are less dependent on commodities. For example, gas for fast-food retailers or soft drink carbonation. The Company will focus on diversifying from traditional commercially driven markets to focus on consumer-oriented sectors.
- Afrox seeks to achieve a step change in the LPG sector through improved storage and supply to meet demand. We frequently interact with the DoE on market-related matters. The Company is monitoring the LPG market inquiry. We are cooperative and provide written submissions when requested to do so. More detail is available on page 25.

[1] *An activity deemed as integral to business success that will be continued or applied in each of the three stages.*

Ensure sustainable growth while enhancing competitiveness

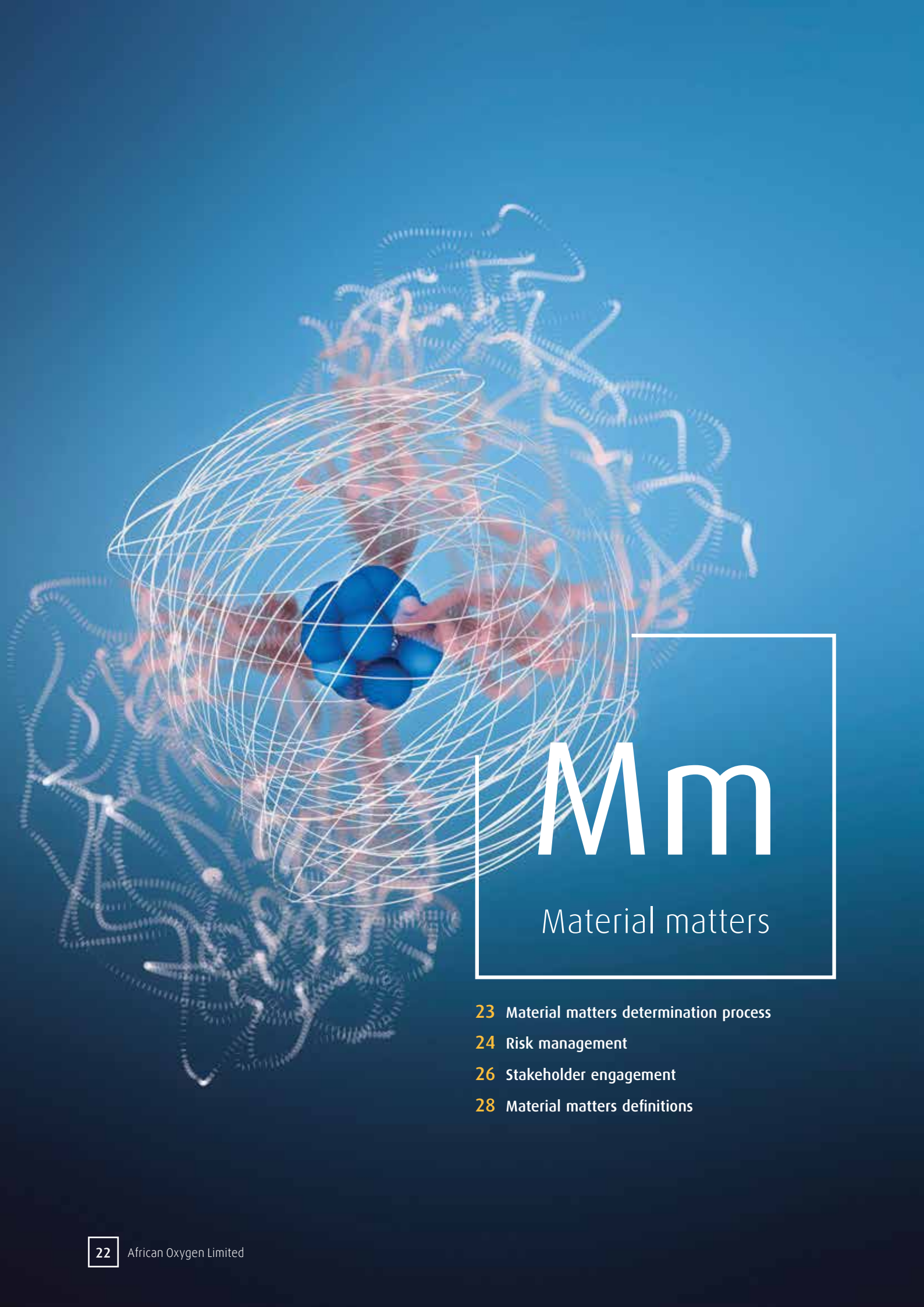
- The Company recently partnered with TETRA 4 in the Free State to provide helium from recently discovered gas reserves. Afrox will be the sole provider of this gas that was previously only available through import, and this gives us a distinct advantage in the industry. The gas is used in speciality medical functions such as X-rays. Refer to page 47 for more information.
- The Company traditionally used a small group of local suppliers to provide CO_2 to our South African and Emerging Africa operations. Demand for CO_2 is growing in the region, and security of supply is being addressed through increased storage opportunities and exploring the possibility of supply from sources outside South Africa to mitigate the high risk of shortage that has persisted for the last few years.
- The completion of the Riverhorse filling and engineering facility provides further production capabilities, namely filling and acting as an engineering hub.
- We are in the process of exploring rail transport to complement road freight inland. The prospect poses a reduced safety risk compared to tanker transport.
- Afrox concluded significant storage agreements to mitigate LPG shortages. Refer to page 48 for more details.
- The Company's BBBEE score decreased from level 3 to level 8 under the new BBBEE Codes of Good Practice (BBBEE Codes). Thus, the score and Company transformation levels are targeted for improvement. A process to manage each level of the BBBEE scorecard is underway, with internal capabilities being reviewed to ensure adequate management. Transformation is a Company-wide initiative; refer to page 59 for more information.
- The Company actively seeks to differentiate itself through product offerings and service excellence. Examples are the electronic customer engagement tool; e-channel; and the customer-centric go-to-market model on page 27. This has provided a platform for improved selling based on value and expertise that will enable Afrox to be a price leader and preferred provider.

Embed advanced performance in areas of safety, health, environment and quality

- Afrox applies a best-practice approach to safety. We continue to support training and safety awareness through a number of techniques and interventions that bolster a Company-wide culture of safety. We also strive to improve leadership capabilities so that a team focus on safety develops. Detail on the SHEQ strategy and our Golden Rules can be found on page 53.
- The Company seeks to safeguard all its stakeholders and participated in several engagements to train suppliers and end-users in the safe and correct use of our products. We see this as an enhancement of our social licence to operate and an opportunity to save lives and property while enhancing our reputation. Refer to page 55 for more on our partnership with the Road Accident Fund's (RAF) Arrive Alive campaign.
- The Company is exploring more efficient ways of securing sites, including technology and remote monitoring, which could be more cost-effective in the long term.

Build a performance culture

- Ensuring relevant, consistent, convenient and appropriately priced offerings to customers better positions the Company to retain and grow market share. Examples include expert advice, the Company's e-channel, and improved sales and marketing teams for customer engagements.
- The Company is committed to transparent communication with stakeholders through a range of channels. Refer to our stakeholder engagement section on page 26 for details.
- No industrial action occurred and we ascribe this to successful engagement with trade unions. A robust industrial action contingency plan is in place to ensure minimal disruption, should industrial action take place.
- The Company ensured a cover rate of over 85% for critical positions. Coaching and mentoring programmes are in place for adequate capability while enhancing career prospects and job security among employees. Read more on page 60.
- The Company secured a number of employment contract agreements with unions in Cape Town, Durban, Brits and the Gases Operation Centre so that workers are available during peak demand time, allowing them to be idle or on leave at reduced compensation during off-peak times – thus managing cost and productivity simultaneously.
- Development programmes at multiple employment levels ensure a holistic approach to improving our employees' capabilities, and our wellness activities help us remain an employer of choice. Personnel development is addressed on page 60. Employee wellness information can be found on page 61.
- Afrox prides itself in applying the Linde Group Code of Ethics consistently and maintains focus on developing a corporate culture with high ethical standards. The Company has a set of values that are promoted and considers best practice in all elements of governance and business operation.



Mm

Material matters

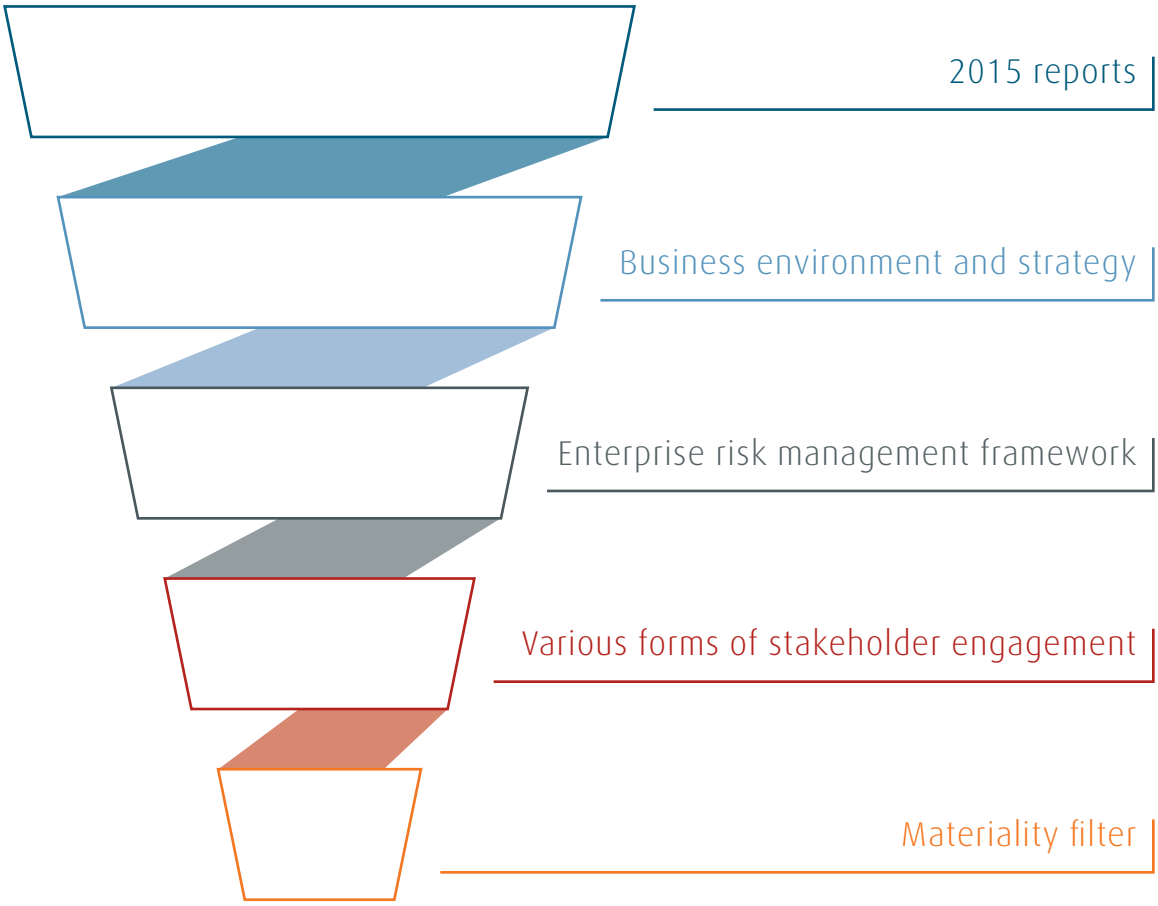
Material matters determination process

Afrox defines a material matter as a matter that substantially affects its ability to create and sustain value over the short, medium and long term.

The Company refined the material matters identified in the 2015 integrated report through an externally facilitated workshop. The process tested the validity of the material matters and ensured alignment to the business's integrated thinking approach and, in turn, our integrated report.

This workshop focused on:

- the business environment;
- Afrox's strategy and opportunities;
- relevant concerns raised by stakeholders; and
- key risks.



Our material matters

The names and definition for each material matter are on page 28.

Risk management

The Board, assisted by the Audit Committee, is responsible for risk management. The Afrox management team takes responsibility for the day-to-day design and implementation of risk management processes and systems. They are guided by the risk management policy, the enterprise-wide risk management framework and the risk management plan, which are reviewed regularly.

As part of their audit, information is provided to our external auditors to assess the effectiveness of the Company's risk management processes. The internal audit function reviews risk management practices as part of the internal audit cycle.

Risk management and assessment process

With the completion of our restructure programme, the Company applies a refreshed approach to risk management.

Risk management process

Active risk management database is updated through monthly risk reviews to reflect the risks most pertinent to the business.

Risks are assessed by impact and probability of defined criteria, in line with the risk tolerance set by the Board.

Each risk has a designated risk owner who monitors and tracks the evolution of the risk while developing mitigation plans to limit business impact.

All key risks are escalated to and reviewed by the Audit Committee, which reports to the Board.

Management of SHEQ risks

The responsibility for managing the effectiveness and efficiency of the SHEQ process rests with the Board. Our SHEQ department ensures that a policy is in place, and that the Company is proactive in its risk assessment and professional in its remediation. The most significant tool to measure our commitment to safe operations are the Company SHEQ Golden Rules.

To ensure relevance and proactive steps to the Company-wide policy and strategy, executive managers review the SHEQ policy regularly for improvements in monitoring techniques, investigation and controls. The policy states that Afrox will develop its SHEQ capabilities to world-class standards by manufacturing, marketing and supplying quality products that are safe and do not pose a risk to employees, customers or to the environment. The Company is committed to compliance with all external regulations, including ISO 9001, ISO 14001 and OHS 18001.

For more information on our SHEQ activities and strategy, refer to page 53.

SHEQ performance is governed by self-regulation, communication and adhering to safe practices.

Our top-five risks

The table below outlines Afrox's top-five risks. These are all incorporated into the material matters that follows on page 28.

Top five risks	2015 ranking	Impact (out of 5)	Probability (out of 5)
1. No significant recovery in volume demand Subdued economic growth leading to reduced demand for products and a risk of reduced revenue growth. Such conditions lead to increased competition for markets that are stagnant. This may lead to profit margin contraction in certain areas of the business.	1	3	4
2. Adverse outcome of LPG market inquiry Afrox's LPG operations constitute a significant part of the business (32.5% of revenue) and can potentially be adversely affected by the outcomes and recommendations of the Competition Commission's market inquiry into LPG market prices. Refer to page 48.	New	3	3
3. High exposure to commodity price cycles The Emerging Africa countries in which Afrox operates are highly exposed to commodity pricing and commodity cycles, which in turn influence currency strength and product demand. This impacts Afrox's revenue growth and margins.	New	2	5
4. South Africa's infrastructure constraints negatively impact operations Infrastructure constraints such as periodic lack of water and/or electricity have the potential to negatively impact Afrox's plant and manufacturing capabilities, leading to reduced productivity and reliability in product supply.	5	4	4
5. CO_2 source Afrox obtains CO_2 from a limited amount of local suppliers for Emerging Africa. Any disruption to product supply or lack of capacity to meet demand may lead to supply chain constraints.	2	2	2

Year-on-year movement in our key risks

Risk number three from the 2015 integrated report, *security of LPG supply*, is no longer considered a key risk. Through various efforts, such as storage improvements at Bidvest Tanker Terminals and an increase in Afrox logistics capabilities, filling infrastructure and vehicle network growth, Afrox is in a secure position with the capacity to meet South Africa's needs and sustain growth in Emerging Africa for the medium to long term. Refer to page 48 for more details.

Healthcare, risk number four from the 2015 integrated report, also diminished owing to improved relationships with business and partners, yet remains on our operational risk register.

Stakeholder engagement

Afrox operates in an environment that is inextricably linked to our stakeholders. We strive to be cognisant of these relationships in all our activities, acting with integrity, honesty and equality at all times. This is based on the understanding that our decisions and activities may have an impact on the stakeholders and environment in which we operate.

Stakeholder groupings

We classify stakeholders according to the following groupings:

1. **Shareholders, lenders and market analysts** are key as they provide financial capital.
2. **Customers** – meeting and exceeding customer requirements are key to our future sustainability.
3. **Business partners** form part of the driving force behind the development and delivery of products, technologies and support services we provide.
4. **Employees** are key to our ability to provide product offerings and customer-specific solutions.
5. **Trade unions** support our employees.
6. **Government and regulators** provide Afrox's legal licence to operate and regulate pricing of LPG.
7. **Communities and non-governmental organisations (NGOs)** provide Afrox's social licence to operate.

Stakeholder mapping

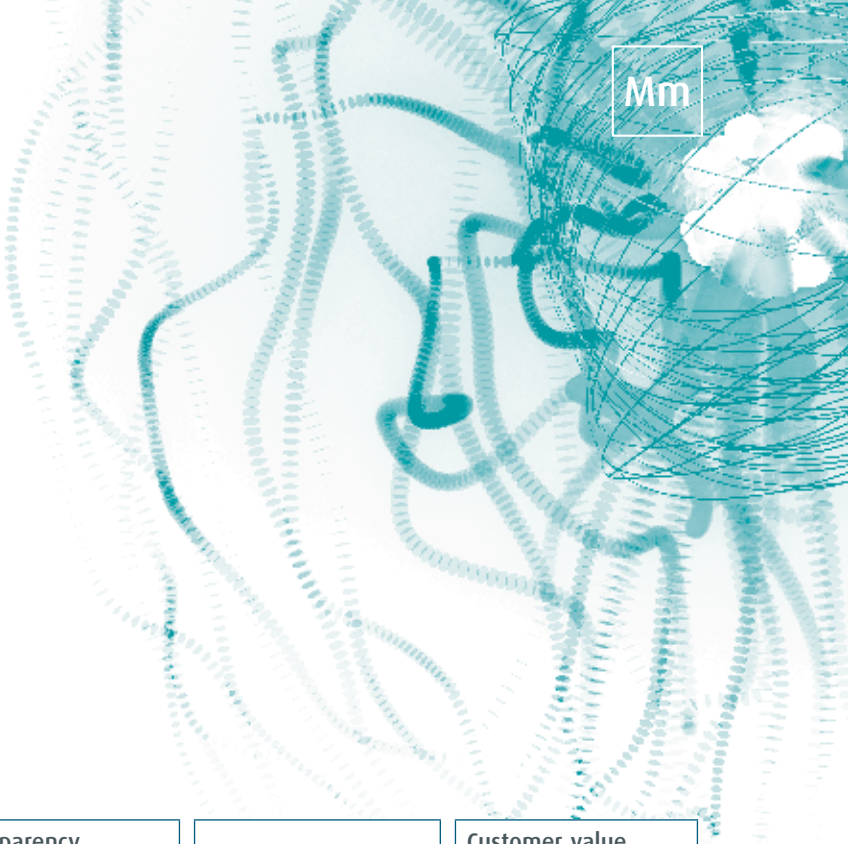
Afrox takes the legitimate needs and concerns of stakeholders into account when considering our value creation process. We mapped our stakeholders according to these concerns, with a corresponding response through our material matters. We achieved this by applying a process that assessed stakeholder concerns and expectations, and grouped these into categories of similar nature before refining them to create a list of material concerns.

Material concern	Future sustainability and growth	Financial results, including total shareholder return, HEPS and cash generation	Transformation, BBBEE compliance and the impact of the new BBBEE Codes
Affected stakeholders	• Shareholders, lenders and market analysts • Customers • Business partners • Employees • Trade unions • Government and regulators • Communities and NGOs	• Shareholders, lenders and market analysts	• Shareholders, lenders and market analysts • Customers • Business partners • Employees • Trade unions • Government and regulators
Response through related material matters	1 to 10	1 to 10	7 and 9
Stakeholder engagement methods	• Formal results presentations • Email communications from executives	• SENS announcements • Integrated report • Annual financial statements	• Ongoing interactions with shareholders, lenders and market analysts • Direct contact/community meetings and correspondence with communities

Legend

No	Material matter	No	Material matter
1	Persistent low demand leading to a lack of growth in the mining, iron, steel and general fabrication sectors in the South African market	6	Attracting, developing and retaining talent
2	South African economic environment	7	Transformation including BBBEE and employment equity
3	Emerging Africa* growth	8	Safety performance and culture
4	Customer value creation	9	Government regulation
5	Supply chain reliability, efficiency and cost base	10	Competition challenges

* *Emerging Africa is defined as all of Afrox's operations excluding South Africa, Lesotho and Swaziland.*



Safety for employees, contractors and customers	Employment security, fair pay, incentive structures and employee development	Transparency, appropriate information and effective communication	Innovation and product development	Customer value creation, service levels and the level of pricing/price increases
• Customers • Employees • Trade unions • Communities and NGOs	• Employees • Trade unions	• Shareholders, lenders and market analysts • Customers • Business partners • Employees • Trade unions • Government and regulators • Communities and NGOs	• Customers • Business partners	• Customers • Business partners
8	6	1 to 4	3, 4 and 10	4 and 10
• Internal newsletters and publications, and a DVD news programme • One-on-one meetings	• Specialist media publications • Quarterly meetings with trade unions	• Customer surveys • Direct contact with our current and prospective customers	• Monthly site shop steward meetings and regular shop floor talks • Afrox's website, electronic product brochures, product manuals and CDs	• Annual rating agency assessment of creditworthiness • Supplementary media releases covering internal developments

Customer-centric go-to-market model

Competitive pressure is increasing and the market growth in South Africa, Afrox's largest geography, will remain subdued and possibly negative. Our ability to combine offers for LPG, Hard Goods and industrial gases will continue to provide customers with value-added integrated offers.

Afrox revised its sales and marketing function during the restructure and instilled a focus on customer-driven solutions and excellent service. We have specialist teams in place to offer bespoke solutions according to customer segments, regardless of geographical location.

Large customers
Provide 80% of Afrox's revenue and are subdivided according to sectors such as food and beverage, energy and fabrication. Each sector has a dedicated team.

Special markets
Growth markets such as hospitality, refrigerants, propellant and helium customers.

Bulk gases process industries
Customers that traditionally use bulk gases in a manufacturing process receive process solutions and unique product package options.

Light industries and retail
More than 70% of our customer base falls into this category. These customers are not classified as 'large customers' and spend R500 000 or less on Afrox products annually.

Material matters definitions

Our material matters are defined in the table below, featuring risks and opportunities related to each. We linked these to the Company's related strategic objectives that are discussed on page 19.

No	Material matter	Contextualisation of risks and opportunities	Strategic objective	Term impact
1	Persistent low demand leading to a lack of growth in the mining, iron, steel and general fabrication sectors in the South African market	• Stagflation has the potential to affect customer demand levels of Afrox products widely used in the manufacturing industry. • Economic difficulty may lead to a reduction in customer market sizes and an increase in competition. • This may cause Afrox to absorb product costs to limit passing these on to consumers (the exception is the LPG sector, where a portion of the pricing is government regulated) and negatively impact margins and revenue growth. • Opportunities persist through consumer-led markets such as retail. See the Emerging Africa growth material matter for further contextualisation.	Maintain and grow profitability and operating performance Ensure sustainable growth while enhancing competitiveness	S, M
2	South African economic environment	• The South African economic environment is characterised by high interest rates, unemployment and inflation, which directly impact our customers. • The political environment influences the operating environment through policy and legislation causing various socioeconomic impacts. • Macroeconomic weakening and the lack of investment are exacerbated by potential credit rating downgrades that erode investor confidence. • Infrastructure constraints such as electricity and water shortages persist, leading to supply chain volatility. • Industrial action is predominantly linked to wage negotiations in South Africa and may affect Afrox customers and, in turn, product demand. • In terms of opportunities, Afrox has a healthy balance sheet that enables management of risk exposure and provides a degree of flexibility.	Maintain and grow profitability and operating performance Ensure sustainable growth while enhancing competitiveness	S, M
3	Emerging Africa[1] growth	• The collapse in commodity prices resulting from the slowdown in Chinese demand continues to have serious effects on commodity exporters in Emerging Africa. This leads to substantially reduced export revenues and an adverse impact on countries' trade balances. The net effect is often an increase in interest rates by central banks while governments cut spending and raise taxes, creating additional strain on the African consumer. • The growth of the middle-class segment of economies throughout the continent provides an opportunity to develop through consumer-led growth. In addition, the lack of electricity in certain areas continues to spur demand for alternative energy, often in the form of LPG. • The healthcare sector, light manufacturing and CO_2 speciality markets in Emerging Africa continue to grow, requiring a slight shift in service offerings to appropriately serve these markets. The Company experienced improved volume demand in the Emerging Africa geographies. • Afrox is still considering appropriate opportunities to expand operations into Emerging Africa.	Maintain and grow profitability and operating performance Ensure sustainable growth while enhancing competitiveness	M, L

S – Short term (2017); M – Medium term (2018 to 2020); L – Long term (Beyond 2020).

[1] *Emerging Africa is defined as all of Afrox's operations excluding South Africa, Lesotho and Swaziland.*

No	Material matter	Contextualisation of risks and opportunities	Strategic objective	Term impact
4	Customer value creation	• Afrox is exploring new methods of improving customer experiences and ensuring customer satisfaction. The Company intends to improve satisfaction levels through a focus on providing positive outcomes through a highly driven customer-centric performance culture and complete product solutions to meet customers' needs. • Opportunities exist to improve customer interaction through the Company's e-channel. This digital platform allows users to customise their purchase experience and make payments electronically at their convenience.	**Maintain and grow profitability and operating performance** **Ensure sustainable growth while enhancing competitiveness**	S, M
5	Supply chain reliability, efficiency and cost base	• The risk of inadequately and inconsistently supplying products may result in a loss of customers and market share. This could be caused by poor supply from Afrox's supplier base, industrial action, lack of electricity or water, for example. • Afrox obtains CO_2 from a limited number of local suppliers that may be unable to meet the future demand needs of the region. Additional suppliers are being sought to ensure security of supply.	**Ensure sustainable growth while enhancing competitiveness**	S, M
6	Attracting, developing and retaining talent	• The Company continuously seeks to recruit, develop and retain the right employees to maintain and improve its high-performance culture and deliver on the Company's strategy while ensuring a reliable pipeline of appropriate talent. • Appropriate talent aids us in obtaining and retaining market share, innovating to produce new products and services, and ultimately delivering exceptional customer service.	**Maintain and grow profitability and operating performance** **Build a performance culture**	S, M, L
7	Transformation including BBBEE and employment equity	• Afrox is required to comply with BBBEE legislation and sector charters. The Company's current level may adversely affect contract and government tender opportunities. • Transformation levels in the Company will gain greater attention in the year ahead in order to further align to the demographics of South Africa. This will allow Afrox to further participate in developing the previously disadvantaged component of our society and align with the national agenda of job creation.	**Maintain and grow profitability and operating performance**	M
8	Safety performance and culture	• Safety is a non-negotiable element of Afrox's operations. Unforeseen incidents and a lack of controls or appropriate procedure have the potential to negatively impact our business, employees, customers, the environment and the society we serve.	**Maintain and grow profitability and operating performance** **Embed advanced performance in areas of safety, health, environment and quality** **Build a performance culture**	M
9	Government regulation	• The Company is required to comply with all relevant regulations and laws set by government to avoid penalties and fines, or risk our licence to operate. • A portion of LPG costs are regulated and priced through reference to the crude oil price. Thus, exchange rate fluctuations and crude oil prices have significant impacts on the LPG input cost and a corresponding impact on sales prices. • The ongoing Competition Commission market inquiry into the LPG sector has the potential to influence the market and/or pricing.	**Maintain and grow profitability and operating performance**	S, M, L
10	Competition challenges	• Traditional and non-traditional competitors can challenge Afrox's market share. The environment is already characterised by low demand and a limited customer base. This is particularly true for the LPG market, which experienced an increase in smaller businesses challenging for market share.	**Ensure sustainable growth while enhancing competitiveness**	M

Material matters definitions continued

Year-on-year movement on our material matters

The restructure programme is no longer classified as a material matter, as the restructure of the business and various business segments is complete. Refer to the strategy overview chapter on page 18 for details on the business's approach to value creation post-restructure.

Material matters hierarchy

A visual representation of where the material matters rank on a scale of impact and likelihood.

Impact	Low	Medium	High
High		• Safety performance and culture • Customer value creation • Supply chain reliability, efficiency and cost base	• Persistent low demand leading to a lack of growth • South African economic environment • Competition challenges
Medium		• Attracting, developing and retaining talent • Government regulation	• Transformation including BBBEE and employment equity
Low			• Emerging Africa growth
Likelihood	Low	Medium	High

Lr

Leadership reviews

Chairperson's review

Sue Graham Johnston
Chairperson

Afrox operated with unrelenting focus and our 2016 results bear witness to the skill and determination of everyone in Afrox to deliver a motivated, competitive business, regardless of economic challenges.

We are at a pivotal time for Afrox. As head of The Linde Group's Region Africa, the UK and Ireland, I have been working closely with the Afrox management team since June 2015. In September 2016, I succeeded Bernd Eulitz as Chairperson of the Afrox Board and have strived to support the business to fully realise and sustain the benefits of the 2015 turnaround plan's restructure process.

The Company delivered positive financial results which reflect the benefits of our 2015 restructure. Reduced selling, general and administrative overheads, improved efficiency and an enhanced competitive position were evident in this performance and Afrox is in an advantageous position going into 2017.

The last year was a bedding-down period for the Company's new structures and operating model. Afrox now seeks to align its commercial practices, procurement processes, governance and compliance guidelines with the best practices of The Linde Group, our parent company.

Refer to the Managing Director's review on page 36 and Financial Director's review on page 40 for further detail.

Economic review

Afrox's leaner, more customer-focused approach, and benefits realised from the 2015 restructure (refer to the Turnaround Plan on page 19), have somewhat cushioned the economic shocks of low gross domestic product (GDP) and industrial demand in South Africa.

The outlook for 2017 is another year of subdued growth for South Africa, with a likelihood of further political uncertainty as an additional risk factor. This will be a real test of Afrox's abilities to deliver on the promise to shareholders of sustainable growth and results.

What growth occurs in Africa during 2017 is not expected to come from our traditional sectors. While we will continue to efficiently serve those sectors, we will be looking for new revenue streams to compensate for the changing business dynamics.

Strategic overview

Our cost-base has reduced substantially and firm controls are in place to ensure this remains the case.

As a strong proponent of technologies to drive efficiencies and to deliver innovative products, I am pleased to confirm our commitment to e-commerce, our Tag 'n Trace Individual Cylinder programme and the transfer of knowledge, best practices and latest product offers from The Linde Group to Afrox.

Our sales force, and in turn our customers, will benefit from global Linde support in rolling out a major training and sales development programme in 2017, supported by a new customer relationship management system. This will equip our sales teams with cutting-edge knowledge and the latest tools and technology available to serve our markets and deliver tailored solutions that add value to our customers.

Our focus on renewable energy, healthcare, hospitality, food and beverage and speciality gases as growth markets will continue, as will our drive to grow our share of the LPG sector and helium market through improved security of supply.

Our four strategic objectives remain unchanged this year, namely:

- Maintain and grow profitability and operating performance
- Ensure sustainable growth while enhancing competitiveness
- Embed advanced performance in areas of safety, health, environment and quality (SHEQ)
- Build a performance culture

1. Generating sustained financial returns by:

- identifying opportunities for growth;
- achieving growth in headline earnings; and
- delivering superior returns to shareholders.

2. Driving transformation by:

- achieving a positive shift in our BBBEE rating in South Africa in 2017; and
- promoting the ongoing transformation of Afrox's equity profile.

3. Optimising operations by:

- actively evaluating and mitigating risk, and maintaining effective governance systems;
- driving effectiveness and efficiency throughout our value chain; and
- attracting, developing and retaining the best available talent.

4. Build and maintain relationships by:

- delivering value to customers; and
- adhering to strict product quality standards.

Refer to page 19 for further details on our strategy.

Chairperson's review continued

Afrox continues to improve in all areas of its strategic objectives and tangible progress has been made in achieving a step change in profitability and operating performance. Our leaner, more focused organisation post-restructure adds a layer of confidence to our continued positive performance. It is now imperative to preserve the benefits achieved, build a performance culture, and endeavour to improve on the operating margins achieved during 2016.

Governance

We continued with in-house training across all divisions on ethics, anti-corruption, and business partner compliance. Good governance will always be at the heart of what we stand for as a business, an employer and as a socially responsible corporate citizen.

Afrox's Social, Ethics and Transformation Committee is in its fourth year of operation, achieving steady progress on our non-financial agenda, under the committee chairperson and lead independent director, Dr Khotso Mokhele.

BBBEE

A company's BBBEE rating is fast becoming the differentiating and deciding factor in the awarding of many South African government and government-linked contracts. As expected under the new BBBEE codes promulgated in 2016, Afrox fell from a level 3 status to a level 8. We are committed to achieving the highest possible rating in balance with business viability and the newly introduced BBBEE Codes in the short to medium term. Refer to page 60 for our BBBEE strategy.

Board

In September 2016, Bernd Eulitz stepped down as Afrox Chairman after serving in this position since 1 June 2015. We thank him for his dedication and commitment to Afrox and wish him well in the future. We also welcome Nolitha Fakude who joined us in February 2017 and brings a wealth of petrochemical and business acumen to our team. Refer to page 66 for our governance structure.

Outlook

In South Africa, our decision to reorganise and refocus our operations has produced positive results. However, the continued turbulence experienced in our traditional markets indicates that we must continue to be agile and resilient in these times of economic uncertainty.

With wages in South Africa growing at 8% a year, inflation quickening to 6.8% in December 2016 and GDP at 0.4% for 2016, there is no shortage of risk going into 2017. While economists forecast GDP growth of between 0.9 % to 1.5% for 2017, they also predict government debt to GDP rising to over 51%. This highlights the short-term risk to the economy of a sovereign downgrade by rating agencies. In the worst-case scenario a downgrade could precipitate a recession.

In the short term, we will have to leverage the solid progress in our restructure of the Company, management structure and our geographic footprint, channels to market, our distribution network as well as our business and product portfolios, to achieve our profit targets.

It remains incumbent on Afrox to drive continuous improvements and maximise efficiencies to ensure the Company profile mirrors customer needs and that our products are competitive, relevant and cost-effectively delivered.

Gratitude

I wish to thank my fellow Board members for their support and guidance. I would also like to thank our management team, employees and our suppliers for their dedication and commitment. Most importantly, I thank our customers, without whom we would not exist.

Sue Graham Johnston
Chairperson


AFROX
A Member of The Linde Group
The Professional's Choice
Premium Product Range
HANDIGAS

Managing Director's review

Schalk Venter
Managing Director

Sustained focus on cost efficiencies, right-sizing operations, improved logistics, market channels and leveraging the business with the help of committed and determined people brought benefits that will manifest in 2017.

Highlights

- Afrox successfully completed its 'get healthy' activities in the context of the Turnaround Plan
- Benefits from the Turnaround Plan were as expected, with EBITDA increasing by 23.2% to R1 237 million (2015: R1 004 million)
- Improvement in ROCE by 790bps from 16.7% to 24.6%
- Bulk industrial gases volumes improved in the second half of 2016
- Strong LPG performance in the second half of 2016 driven by improved supply chain, cost recovery, and volume growth
- Major, long-running legal claim settled

Challenges

- A sluggish first quarter including shortages of CO_2 and LPG, and an uncertain economic environment
- On-site business were negatively impacted by a fixed cost base, supplier shutdowns and reliability challenges at certain plants
- Hard Goods and industrial compressed gases attained lower volumes but bottomed out towards the fourth quarter due to slightly improved economic activity and higher commodity prices
- Currency exchange rate impacts, especially in Africa, as well as the challenges of a relatively high inflationary environment, made cost recovery through price increases to market challenging

Overall performance

Financial synopsis

Revenue increased to **R5.537 billion** (2015: R5.473 billion)

The EBITDA margin before restructuring costs incurred in 2015, increased by **400bps to 22.3%** (2015: 18.3%)

Headline earnings per share of **189.4 cents** (2015: 139.2 cents)

Basic earnings per share of **193.3 cents** (2015: 134.2 cents)

Overall, our performance was again positive. Low levels of capital expenditure, focused trade working capital management, optimisation of fixed assets and underlying EBITDA growth resulted in Afrox remaining strongly cash generative. Cash reserves increased by R301 million to R153 million from a net debt position of R148 million in 2015. ROCE improved 790bps to 24.6%, reflecting improved profitability and asset utilisation.

Refer to the Financial Director's review on page 40 for further details.

Performance and developments in the context of our environment

The first quarter of 2016 got off to very slow start and was further hampered by the early Easter period which curtailed business momentum. Afrox's high level of exposure to the weak South African manufacturing, mining and engineering sectors remains a key challenge. We will continue to robustly manage the balance between sales, gross margin and expenses, as well as position the Company to supply products and services to more robust, high-growth consumer-led markets like hospitality, food and beverage, LPG supply, healthcare, as well as Emerging Africa.

The underlying economy remains a difficult place to do business with price cost recovery a challenge. In general our markets continue to face commodity price pressure, an uncertain labour climate and increased competition. This, coupled with slowed infrastructure construction amid electricity shortages continues to hamper production and investments in sub-Saharan Africa.

We continue to drive the new customer-centric go-to-market model (refer to page 27 for further detail), increase effectiveness of traditional channels, drive best commercial practice on price cost recovery and target growth in the key markets mentioned.

In South Africa, we opened our latest state-of-the-art facility in Riverhorse Valley, KwaZulu-Natal. The filling and engineering services hub represents an investment of more than R60 million and is a sign of confidence in the KwaZulu-Natal economy. Our Afrox eShop continues to help reduce the cost to serve and to drive e-commerce sales, with online orders values up by 203% compared to last year.

We completed the Cornubia land disposal for R119.4 million and concluded a significant settlement agreement, receiving R165 million from ArcelorMittal South Africa Limited (AMSA) in settlement of an ongoing dispute. Afrox also signed an agreement with TETRA 4 and The Linde Group to exclusively market and supply helium from the Free State natural gas field from 2018. Refer to page 47 for further detail.

Business segment performance

LPG

LPG revenue decreased by **1.26%** mainly due to negative price movements

Two strategic LPG import deals in KwaZulu-Natal and the Western Cape mitigated customer run-outs during refinery shutdowns and peak winter demand. This improved security of supply will place us well ahead of competition going into 2017.

These initiatives also resulted in additional bulk sales to industrial customers, but, volumes were down compared to 2015 due to severe product shortages from local refineries in the first four months of the year.

Afrox continues to actively manage the illegal filling threat and we await the outcome of the Competition Commission LPG market inquiry, now expected in early 2017. Growing Afrox's LPG footprint into Emerging Africa is being actively pursued as part of our strategy.

Refer to page 100 for the segmental report.

Atmospheric Gases

Revenue from Atmospheric Gases was up **9.99%** at **R2.319 billion** (2015: R2.110 billion)

Difficult market conditions impacted demand in the steel, mining, and manufacturing sectors in South Africa. A two-month shutdown of a key CO_2 supplier severely constrained the market in the first half of 2016. Afrox is actively seeking new sources to supplement current supplies and grow market share. Over-capacity in the atmospheric gases market due to steel plant closures, a general market downturn, rising inflation and electricity costs, impacted sales.

Refer to page 100 for the segmental report that includes the contributions and performance of various sub-segments.

Hard Goods

Hard Goods revenue down **15.5%** (2015: 9.1%)

Hard Goods revenue continued to decline for the second consecutive year. Underlying performance was impacted by declines in the mining sector, export markets, and a slowdown of infrastructure projects in South Africa, all leading to increased price pressure.

Going forward Afrox will leverage Hard Goods as an integrated offer with gases, further reduce inventory, and seek options to right-size fixed costs to throughput. Growth opportunities in the light industry market exist today and Afrox has tailored offers to capitalise on these.

Refer to page 100 for the segmental report.

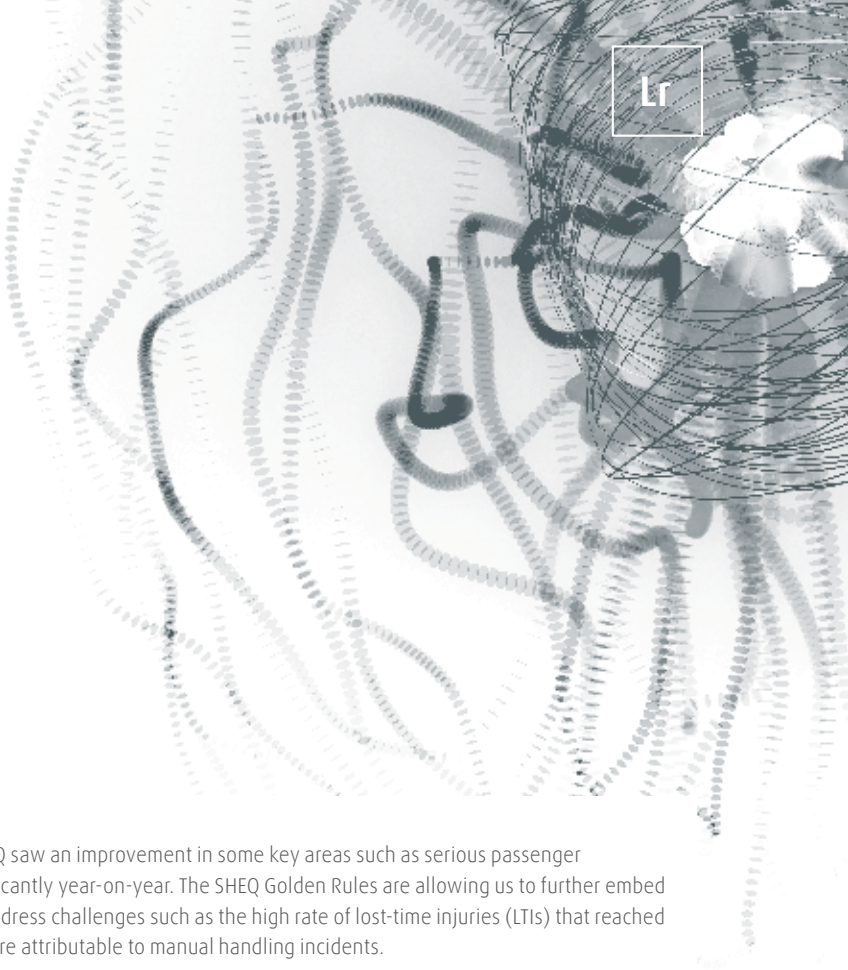
Emerging Africa

Revenue remained flat at **R755 million** (2015: R755 million)

Operations in Emerging Africa continue to face challenges and economic shocks stemming from global oil and commodity prices, currency fluctuations, rising national debt of certain countries and inflationary pressures.

Emerging Africa contributes 17.2% (2015: 19.6%) of the Group's GPADE. Afrox maintains a pragmatic approach to investment in Emerging Africa, but remains determined to participate in the African growth agenda over the coming years.

Refer to page 100 for the segmental report.



SHEQ

MIRs increased marginally to **9** (2015: 8)

From a safety perspective, SHEQ saw an improvement in some key areas such as serious passenger incidents that decreased significantly year-on-year. The SHEQ Golden Rules are allowing us to further embed a safety-focused culture and address challenges such as the high rate of lost-time injuries (LTIs) that reached 15 (2015: 9), of which 40% were attributable to manual handling incidents.

Afrox is moving towards further integrating our occupational health programme with our management system to reduce and prevent the contraction of occupational illnesses and diseases.

On the environmental front, improvements occurred in areas such as water consumption, however, CO_2 emissions increased marginally. Quality remains a focus area for continuous development, reflected in maintained and newly awarded accreditations such as the ISO 14001:2015 presented to the new Port Elizabeth ASU.

Dividends

The Company retains its policy whereby headline earnings cover the dividend twice. In compliance with this policy a final dividend for 2016 of 56 cents was declared, bringing the total dividend for 2016 to 94 cents.

Outlook

Afrox remains a profitable, robust and strongly cash-generative company. Our focus in 2017/18 remains our key business areas, aligning strategies in healthcare, special and bulk gases to retain and win profitable market share at sustainable margins. We will continue to seek and exploit new profitable opportunities and continue to drive greater operational efficiencies and customer service levels to higher standards. We expect 2017 to be another year of challenges and will require continued fiscal, operational, compliance and behavioural discipline. In the coming year we will strive to:

- at least maintain core Hard Goods and industrial gases business at current levels of activity;
- focus on price cost recovery;
- improve asset utilisation;
- grow Special Gases, CO_2 Healthcare, LPG and Emerging Africa; and
- maintain current ROCE levels of 20% or more.

Gratitude

I extend my sincere thanks to our customers, members of the Board and my colleagues for their unwavering commitment and support. It is only through this support that Afrox is able to achieve sustainable long-term growth and returns.

Schalk Venter
Managing Director

Financial Director's review

Dorian Devers
Financial Director

We reflect on another positive financial year supported by the effectiveness of our Turnaround Plan, which leaves us well positioned going forward.

Financial performance at a glance

Revenue
R5.537 billion
(2015: R5.473 billion)
1.2% increase

EBITDA
R1.237 billion
(2015: 1.004 billion)
23.2% increase

EBITDA margin
22.3%
(2015: 18.3%)
400bps increase

Operating cash flow
R573 million
(2015: R676 million)
15.2% decrease

EBIT
R848 million
(2015: R508 million)
66.9% increase

Earnings per share
193.3 cents
(2015: 134.2 cents)
44% increase

Headline earnings per share
189.4 cents
(2015: 139.2 cents)
36.1% increase

Cash generated from operations
R1.099 billion
(2015: R926 million)
18.7% increase

ROCE
24.6%
(2015: 16.7%)
790bps increase

Income statement analysis

Income statement comparison for the year ended 31 December

R'million	2016	2015	Variance %
Revenue	5 537	5 473	1.2
Operating expenses (excluding restructuring costs)	(4 300)	(4 469)	(3.8)
Earnings before interest, taxation, depreciation, amortisation and impairments (EBITDA)	1 237	1 004	23.2
Earnings before interest and taxation (EBIT) before restructuring costs	848	587	
Restructuring costs	–	(79)	
EBIT	848	508	66.9
Net finance income/(expense)	14	(9)	(256.0)
Income from associate	2	1	
Profit before taxation	864	500	72.9
Taxation	(264)	(75)	251.4
Non-controlling interests	(3)	(11)	
Attributable earnings	597	414	44.0
Adjustments	(12)	15	
Headline earnings	585	429	36.1
Number of shares in issue (millions)	309	309	
Basic and diluted earnings per share – cents	193.3	134.2	44.0
Headline earnings per share – cents	189.4	139.2	36.1

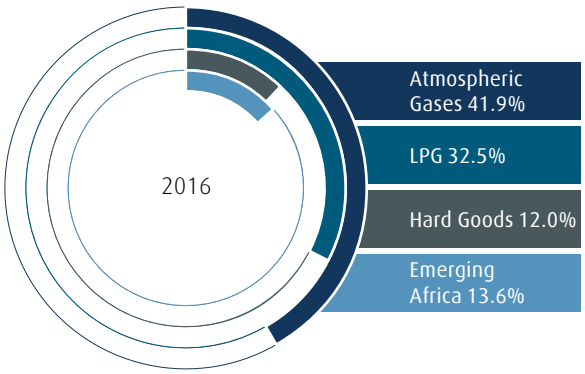
Financial Director's review continued

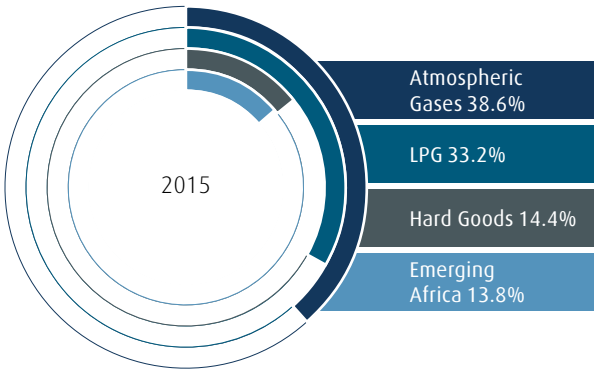
Trading performance

The benefits from the successful restructuring and litigation settlement (R165 million) with AMSA, a prominent steel supplier, resulted in revenue increasing by 1.2% and EBITDA increasing by 23.2%. This growth was achieved despite the weakness of the South African economy and supply constraints seen in CO_2 and LPG.

Year-on year increase in revenue was achieved in the Atmospheric Gases segment as a result of the litigation settlement and growth in some sectors, however, volumes remained under pressure during the first half of the year with a moderate recovery in the second half. LPG revenue was lower due to LPG market price developments. Supply constraints due to reduced volumes from local refineries during the first quarter were addressed by debottlenecking our import storage facility, and a new import supply agreement that will ensure security of supply in the future. A difficult trading environment with a marked decline in production at key customers resulted in reduced revenue in the Hard Goods segment. Despite a weak trading environment, largely as a result of depressed commodity prices, revenue in Emerging Africa remained stable.

Total revenue contribution by segment





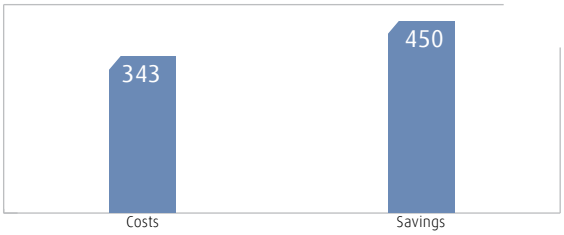
Operating expenses

Operating expenses reduced by 3.8% as a result of the successful restructuring activities. The reduction was achieved despite the impact of inflationary pressures on costs as well as negative currency impacts. Various savings initiatives as a result of the culmination of the restructuring activities contributed positively to the overall reduction in operating expenses.

EBITDA

The improvement in EBITDA is due to operational efficiencies and was further supported by the litigation settlement. There was no expenditure provided for in respect of restructuring activities, as these were fully provided for in prior years.

Restructure costs vs benefit

Costs		Benefit
Full costs posted and final for 'get healthy' phase of Turnaround Plan	Restructuring costs and total programme benefits impact from 2014 to 2016 Cost R343 million (includes restructuring and impairments) Savings R450 million	
Costs reflective of 2014 and 2015 restructuring expenses	R'million	
Restructuring costs covering: • redundancy • outsourcing • closure of operations • stock-keeping unit reduction • consultant support		 Delivered

Net finance income

The net finance income of R14 million (2015: net finance cost R9 million) was largely as a result of the interest earned on the significant cash balances on hand during 2016 as well as an increase in the net interest income from the retirement benefit asset.

Taxation

The effective tax rate is 30.5% (2015:15%). The increase is due to the impact of the additional tax allowances received in 2015 in respect of the Port Elizabeth ASU. Foreign taxes on dividends received from subsidiaries further increased the effective rate.

Non-controlling interest

Non-controlling interest of R3 million reduced mainly as a result of the reduction in the reported profit in Zambia due to the impairment of assets in the DRC.

Headline earnings

Group adjusted earnings increased by 36.1% to R585 million. The adjustments include the after-tax and non-controlling interest impact of the profit on sale of assets held for sale and the impairment of assets in the DRC.

The weighted average number of shares remained constant at 308 567 602 during the year.

This resulted in an increase in headline earnings per share of 36.1% at 189.4 cents (2015: 139.2 cents).

Cash flow analysis

Cash flow statement comparison for the year ended 31 December

R'million	2016	2015	Variance %
Cash generated from operations	1 099	926	18.7
Net finance expenses	(66)	(74)	(11.4)
Taxation paid	(177)	(116)	52.0
Dividends received	1	1	
Cash available from operating activities	857	737	
Dividends paid to owners of the parent	(275)	(56)	394.4
Dividends to non-controlling interest	(9)	(5)	
Operating cash flow	573	676	(15.2)
Additions to property, plant and equipment and intangibles	(389)	(377)	3.2
Proceeds from disposal of property, plant and equipment and intangibles	84	34	144.5
Other investing activities	33	22	
Net cash outflow from investing activities	(272)	(321)	(15.5)
Free cash flow	301	355	(15.2)
Cash and cash equivalents at the beginning of the year	852	497	
Cash and cash equivalents at the end of the year	1 153	852	

Cash generated from operations of R1 099 million increased by 18.7% as a result of the positive impact of the restructuring activities, a reduction in restructuring costs paid and the settlement received. Net finance expenses decreased due to the impact of increased interest earned on cash balances.

The cash taxation payments returned to normal levels after the reduced payments in the prior year as a result of the tax allowance received. Interim and final dividend payments resumed after the restructuring in 2015. This resulted in operating cash flow reducing by 15.2% to R573 million (2015: 676 million).

Cash utilised in investing activities reduced mainly due to inflows from the disposal of assets held for sale (R84 million) and a marginal increase in capital expenditure. Free cash flow of R301 million reduced by 15.2% and cash and cash equivalents increased by 35.3% to R1 153 million (2015: R852 million).

Dividends

A final gross cash dividend of 56 cents per share in respect of the Group's 2016 year-end was declared and the dividend will be paid on 10 April 2017. The dividend will be subject to a local dividend tax rate of 20% resulting in a net dividend of 44.8 cents per share to shareholders not exempt from dividend tax.

Refer to page 89 for our summarised audited consolidated financial statements and page 17 for our Valued Added Statement.

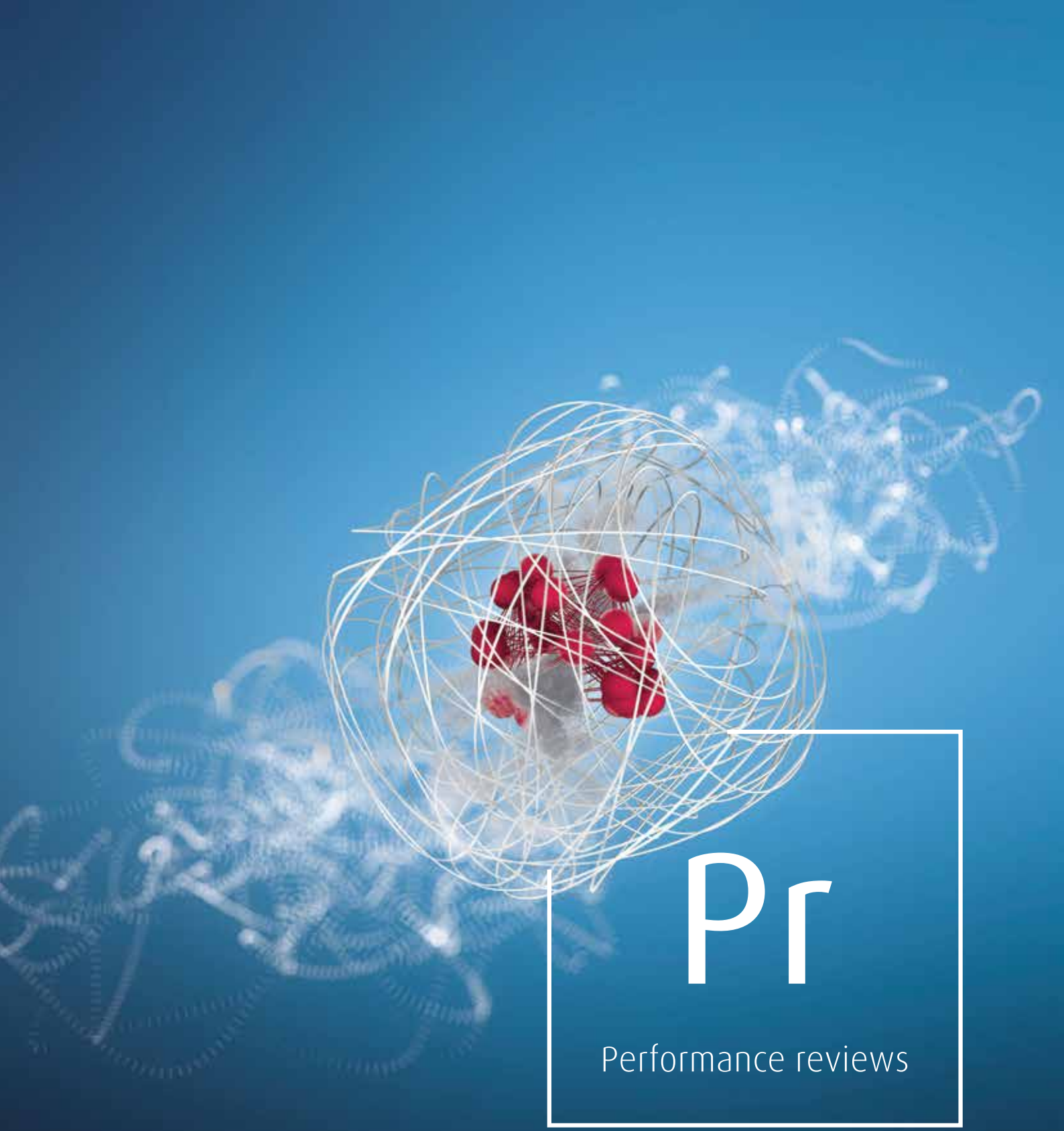
Looking ahead

The economic environment in South Africa is expected to remain subdued, however, Afrox will continue to focus on productivity improvements and opportunities to grow market share to enable growth.

Gratitude

I extend our gratitude to our shareholders, who continued to show confidence in our abilities, as well as our employees and leadership who continue to steer us on a path of positive operation and profitability in testing times.

Dorian Devers
Financial Director



Pr

Performance reviews

Atmospheric Gases

Key highlights

- CO_2 demand increases year-on-year
- Increase in bulk volumes despite product shortages
- Commissioned the new Durban filling plant
- Cost reductions through site consolidations and significant plant cost savings
- Significant supplier settlement led to additional revenue

Key challenges

- Extended shutdown of a key supplier resulted in unplanned CO_2 shortages
- Lower-than-desired reliability of bulk production with a high cost burden
- Risk of electricity and water shortages affecting plants

Performance review

Key performance indicators (KPIs)

KPI	Unit	2016 target	2016	2015
Revenue	R'm	2 194	2 319	2 110
GPADE	R'm	795	868	681
Margin	%	36.2	37.4	32.3
Run-out efficiency	Rate	0.5	0.29	0.39
CAPEX[1]/revenue	%	10.1	12.2	12.2
Reliability of plant ASU/CO_2	%	98.5/98.5	98/98	99/98
DIFOT[3]	%	95	89	91

Revenue is up 9.9% at R2 319 million (2015: R2 110 million) as a result of the litigation settlement and growth in certain sectors.

The business continues to experience growth in certain sectors benefiting from its diversification. However, poor economic conditions, particularly in the first quarter, CO_2 supply constraints, and the closure of a significant customer's steel plant led to reduced volumes.

Improved due to the litigation settlement and efficiencies from restructure activities in 2015.

Relatively consistent performance year-on-year for plant running time and reliability. Feedgas[2] availability as a result of a major supplier shutdown had an impact on plant reliability.

The Atmospheric Gases segment consists of three significant business streams:

Stream	Explanation	
Packaged Gas Products (PGP)	These products are distributed to smaller end-users such as retailers and filling stations through cylinder transports.	Through the year, volume levels fluctuated for various business streams, affecting each segment differently. Volume impacts per stream can be found in the relevant performance discussion.
Gas	Gas products are sent via pipeline to significant or anchor customers through a process that Afrox describes as tonnage.	
Liquid	These gases are distributed by truck to three different customers types, namely bulk, medical and cylinder customers.	

Refer to page 12 for details and other product processes and distribution.

PGP

The PGP business stream is a low-volume business with a significant revenue impact. PGP contributed 38.6% of Atmospheric Gases revenue and 46.2% to GPADE.

Volumes were impacted by a decline in market demand. This was caused by economic difficulty resulting in market shrinkage and customer closures leading to overcapacity of products in traditional markets (e.g. iron, steel and welding industries). Current market conditions are expected to persist and may adversely affect revenue growth and make margin improvement a challenge in future.

Gas

A risk area remains infrastructure, specifically electricity and water shortages that have the potential to adversely affect plants and production. Disruption to this portion of the business could cause chain reaction issues within the rest of the business. The resolution of a R165 million settlement with AMSA resulted in the tonnage portion of the segment exceeding planned revenue by 95.1% year-on-year.

[1] *Capital expenditure (CAPEX) refers to spending by Afrox in order to acquire or maintain fixed assets.*
[2] *Feedgas refers to essential gas stock inputs required to create products.*
[3] *Delivered in full and on time (DIFOT) is a measure of product delivery efficiency.*

Atmospheric Gases continued

Liquid

Bulk gases

The segment ended the year well, even though volumes are only marginally higher year-on-year (2% increase from prior year).

The development of new markets for our products, particularly in process industries, allows us to grow our customer base in new ways. An example is individually quick-frozen (IQF) food, for which Afrox is a market leader, providing unique resourcing opportunities through the Linde Freezerpool agreement (refer below for more information). The high-quality IQF process created a broader base for operations by offering a sought after product with excellent preservation technology.

The high fixed costs of operating plants that were formerly contracted to large supply schemes led to an increased cost burden on the bulk business. In addition, the overall reliability of bulk production facilities did not meet our expectations due to direct reliance on supplier manufacturing processes.

There continues to be high levels of demand for CO_2 as a by-product of various refinery processes by suppliers. Afrox's primary CO_2 feedgas supplier performs a statutory shutdown every four years for maintenance purposes. One such shutdown occurred in 2016 and continued for longer than anticipated, resulting in more unforeseen CO_2 shortages. It caused a significant shortfall against the Company's 2016 forecasts and proved to be irrecoverable. Despite this significant event, the bulk gases business was able to capitalise on various ad hoc projects to reduce the overall impact and was aided by the robust pipeline of opportunities developed through focused business development and optimisation of existing facilities. This will be supported by a strong drive to develop new product sources in Africa through an ability to liquefy and transport bulk products in large volumes.

The Linde Freezerpool rental agreement

The Linde Freezerpool agreement allows Afrox to import and use industrial-sized Linde freezers on demand for flexible time periods. This reduces the high capital outlay initially required by customers in previous years, where Afrox built freezers on an ad hoc basis for individual customers. The availability of freezers for all Linde-owned businesses reduced risk for Afrox and improved flexibility and convenience for customers.

Medical gases[1]

As a result of the increasing disease burden globally, the healthcare industry continues to grow in spite of adverse economic conditions. Many private hospitals continue to expand, increasing the number of patient beds and in turn, the demand for medical gases. This market is characterised by strong bargaining from private and state hospitals aiming for greater cost efficiencies.

Our healthcare segment and medical gas products performed well due to a state contract extension and growth in the medical gases pipeline portion of our market. An improvement in our Swaziland sales contributed positively to sales volumes (1.8% year-on-year), as did the number of first-time medical installation sales in South Africa.

A significant contract was extended in the year and positive negotiations continue. We remain focused on working with partners to improve the medical gases reticulation systems.

Afrox developed a unique cylinder called an integrated valve regulator (IVR) in 2015 to provide customers with an integrated cylinder and valve regulator product to provide additional value. Despite the closure of the gas equipment factory (GEF), IVR supply continued with minimal interruption in the year due to a supply agreement with a partner. Afrox secured an additional IVR supplier, providing improved security of supply and further opportunity for growth.

Hospitality and special gases

Hospitality gases (excluding LPG)

Afrox strives to ensure steady supply of products to retail franchises and hospitality based businesses as these were identified as a significant growth area for the business due to consistent demand, regardless of economic conditions. Examples include tourism markets, fast-food franchises and shopping centres. Hospitality gas volumes decreased by 10.1% year-on-year.

Special gases

Refrigerants, helium and aerosol gas products are examples of special gases. The 10.3% volume increase was mainly attributable to the positive movement of bulk chemicals and helium. Afrox is reviewing the higher costs incurred for products like helium in order to improve performance for the next financial year.

[1] *Although not strictly atmospheric in nature, manufactured medical gases are included and reported as part of atmospheric gases.*

Historic helium and natural gas agreement

Afrox recently entered into a milestone agreement with alternative energy company Renergen Limited, through its subsidiary TETRA 4 Proprietary Limited. The agreement will allow for commercialisation of the Free State helium and natural gas (NG) field.

The 187 000 hectare helium/NG field in Virginia, near Welkom, has 25 billion cubic feet of proven NG and helium reserves that Afrox will market and distribute through an exclusive offtake agreement. This is the first and only onshore reserve of its kind in South Africa, allowing Afrox to supply these products to numerous specialised and industrial markets instead of relying on imports for helium.

Tag 'n Trace

Afrox developed a class-leading individual cylinder control (ICC) solution to the business in recent years. The ICC is also referred to as Tag 'n Trace Individual Cylinder programme. Good progress was made in 2016 and the ICC will further reinforce our compressed value proposition by providing data on cylinder use to improve cylinder utilisation. The customer response to the solution has been positive and the rollout was extended to 2017. The ICC led to reduced cylinder holdings disputes, thus improving debt collection and providing a competitive advantage. This value-adding offering applies to all high-pressure cylinder-driven portions of our business.

A case study of biogas in energy progression

The availability of NG will impact LPG volumes in the long term. Afrox is seeking new opportunities to market and distribute clean energy products. We recently partnered with bio-tech start-up, New Horizons Energy, to turn organic waste destined for landfills into usable products for South African industries.

New Horizons Energy will turn organic waste into usable bio-methane at purity levels of over 90%. Although the methane-derived gas is not of a medical standard, its applications and purity levels make it ideal for a range of uses, including heating applications in food production, metal fabrication, and generating electricity.

Currently, South Africa is reliant on methane supplied from Mozambique, but New Horizons Energy plans to supply local bio-methane to businesses across South Africa. Afrox has plans to roll out more anaerobic digestion plants to other provinces in future, leveraging off our extensive supply chain and gases expertise.

Schalk Venter, Managing Director of Afrox, speaking at the Athlone New Horizon's Energy (Waste-to-Energy) launch on 25 January 2017.

One of the many WasteMart waste removal vehicles that will transport organic waste for sorting and digestion.

Future focus areas

- Afrox foresees the future base load coming from the bulk portion of the business as opposed to the tonnage side as traditionally experienced. We intend to continue our focus on developing applications to aid the food and beverage industry, as well as environmental processes to address the trend of volume decline we have experienced over the last three years. Traditional applications for gold recovery will also be prioritised and we will review a multichannel approach to serve our customers better. The development and rollout of ICC solution will further assist this focus, as will improved pricing performance in the next year.
- From a medical gases perspective, Afrox will focus on retaining current customers and negotiating for increased business. We will seek to cement relationships with key stakeholders and increase the percentage of contracted private businesses customers that we serve.
- In addition to pursuing more cost-saving initiatives on site, Afrox embarked on an analysis of our ASU plant footprint to optimise production requirements.
- Our customer service level was identified as an area for further improvement. In response, our specialised sales and marketing teams are engaging well with customers in this highly specialised technology-driven environment, harnessing knowledge of product and distribution to provide improved solutions for customer needs.

LPG

Key highlights

- Increased LPG import agreements reduced supply chain costs and dependence on unreliable sources, leading to improved customer service levels
- Price discipline ensuring recovery of cost movements
- Afrox supported peak demand during winter through proactive solutions
- Operating margin improvements through efficiency initiatives

Key challenges

- Supply constraints from local refineries during peak demand periods
- Initial draft recommendations from the Competition Commission remain a concern
- Ongoing concern over illegal cylinder-filling operations

Performance review

Key performance indicators

KPI	Unit	2016 target	2016	2015
Revenue	R'm	1 991	1 797	1 820
GPADE	R'm	385	369	321
Margin	%	19.3	20.5	17.6
Run-out efficiency	Rate	0.5	0.48	0.33
CAPEX/revenue	%	4.0	3.4	3.9
DIFOT	%	95	88	88

Margins were positively impacted by the LPG market price development locally, despite an overall decline of 3.8% in pricing year-on-year.

The 1.3% reduction in revenue was mainly due to the constrained market supply from local refineries in the first quarter.

Volumes were below expectation due to constrained supply experienced in the first quarter. Our core customer base has solidified in 2016.

GPADE improved by 15%. This is a result of operational efficiencies from the restructure programme, new import capability and lowered supply chain costs. The increased focus on this segment led to improvements in pricing discipline, ensuring cost increases are recovered through greater efficiencies, surcharges and favourable import deals.

More than one prominent LPG supplier experienced lower production or erratic supply in the year. Another ceased production altogether. These shortages were managed through our import agreements.

Afrox is confident that continued interaction and provision of information will aid the DoE to support the industry and address pricing concerns in the future.

Achieving security of supply

LPG supply is significantly impacted by refinery production. With import supply agreements concluded for Richards Bay and the Western Cape in mid-2016, Afrox is in a position to meet the bulk of demand for the South African market. This includes increased demand in Emerging Africa, which allows for improved volume growth.

The Richards Bay import facility will ensure regular import parcels are scheduled as storage space becomes available, thereby securing supply. This was previously imported on an ad hoc basis, depending on product shortages, which caused additional strain on Afrox resources, logistics and in turn, increased risk levels. These agreements now allow the business to receive LPG on a monthly basis, ensuring consistency. The new agreement will supplement LPG supply from local producers and ensure uninterrupted supply during planned maintenance shutdowns at suppliers and peak demand during winter months.

LPG accounts for 32% of the Afrox turnover and 21% of GPADE.

This security of supply established in the segment has allowed for improved planning across the business, leading to enhanced customer service levels while reducing the costs and risks associated with short-term supply interventions as required in previous years. We moved our focus to margin management and efficiencies to successfully reduce certain cost elements. With more volume available through filling plants, efficiencies improved while our fixed costs base reduced. We are tracking import costs and the associated logistics costs carefully while recouping these through surcharges levied on customers.

With such import agreements in place, the business is well positioned to capitalise on growth opportunities. Afrox will use the import solution on an ongoing basis, engaging in new and larger agreements to secure future supply. Imports accounted for 28% of supply in 2016, and we foresee this growing to beyond 35% in the coming year.

In terms of securing demand and market share, our sales and marketing teams have dedicated LPG sales members who identify cost, pricing, growth areas and strategic market opportunities while considering logistics. These employees liaise daily with logistics and distribution teams to optimise supply across operations and customers. This approach provided strategic business solutions during shortages and is now being redirected towards establishing long-term relationships.

Competition Commission market inquiry

Afrox made several submissions to the Competition Commission market inquiry into the LPG sector in response to the initial report issued on 10 May 2016. Information to support our submissions was obtained from the World LPG Association (WLPGA) and its various members.

The final report from the Competition Commission is expected to be published in March 2017. The inquiry began in September 2014, and Afrox will continue to monitor developments and evaluate the possible market impacts to ensure an appropriate response.

Illegal cylinder filling

A significant threat to safety is the continued operation of rogue operators and illegal LPG fillers who also contribute to competition in the sector. Such operations refill LPG cylinders regardless of brand and fail to comply with safety regulations in the process. As no industry-driven initiatives are in place, Afrox takes legal action where possible to halt such operations and potentially reduce ownership liability on the cylinders in the event of an incident. We provide customer and employee training on safe operation procedures pertaining to cylinders, in an attempt to reduce LPG-related incidents.

Future focus areas

- Defend existing market share through ongoing investments and efficiency improvements. This includes remaining agile and cost-effective through the use of imports and developing this solution further to support larger and longer-term imports
- Leverage our current strengths and brand equity to capitalise on new growth opportunities locally and in Emerging Africa
- Improve profitability through the application of best commercial practice principles, ongoing focus on asset utilisation and ROCE

Hard Goods

Key highlights

- Portfolio optimisation and product rationalisation delivered cost savings and improved investment in working capital
- Improved flexibility of workforce negotiated at production sites in order to meet current production volumes
- Outsourced production and partnerships provide agility and ability to adapt to volume changes
- Improved sales and marketing structure to better link customers and opportunities

Key challenges

- Key customers such as distribution, mining, energy and fabrication sectors have deferred expansion plans and all non-essential maintenance, leading to a difficult trading environment
- Competitive environment with lower volumes led to pressure on margins for a variety of products
- Loss of some technical skills primarily due to attrition

Performance review

Key performance indicators

KPI	Unit	2016 target	2016	2015
Revenue	R'm	835	666	788
GPADE	R'm	344	232	272
Margin	%	41.2	34.8	34.5
CAPEX/revenue	%	0.1	0.2	0.5
DIFOT	%	95	88	92

Segmental revenue declined by 15.5% compared to 2015 as a result of lower volumes. A contributor to the volume reduction was the purposeful release of low-margin business, due in part to a rationalisation of the number of stock-keeping units. Lower steel and mining sector demand also contributed, leading to reduced demand.

GPADE was negatively impacted by volume reduction and the limited ability to increase pricing in a competitive contracting market. The decision to close the GEF and enter into a supplier contract for these products has enabled the business to better cope with the volume requirements.

Overview

Hard Goods provides welding solutions and offers long-term partnerships to improve our customers' cost base by being a complete product provider for all their welding needs. Through strategic partnerships with key original equipment manufacturers worldwide (typically leaders in their areas for partner productions), we are able to meet such needs timeously.

Due to the nature of Hard Goods products and their use, the performance of the segment is directly related to economic activity. The decline in the local economic performance led to a reduction in customer purchases – mainly from the distribution, mining, energy and fabrication sectors. This is reflected in the 9% reduction in volumes year-on-year for the gas equipment division and a 10% reduction in units sold in our self rescue division. Consumables volumes remained flat year-on-year.

Optimising the product range allowed us to focus on the key revenue products, while releasing working capital to focus on new products for targeted sectors. As part of our restructure programme, Hard Goods streamlined its business to focus on agile and specialised sectors with significant opportunities for growth and operational stability. The disposal of the GEF was completed in 2016, and we are addressing initial teething problems that occurred as a result of the supply of product as part of the disposal agreement. The closure, as a result of the disposal agreement, had an adverse effect on our sales of gas equipment in the short term, exacerbated by the low demand in the mining sector due to economic strain.

The rationalisation of the Hard Goods segment was another step taken in on our path towards getting stronger.

The right-sizing of the business has enhanced the agility and speed of this segment, bolstered by the support of our direct and indirect partners. A small element of transition still exists, but we are now fully aligned to our business strategy in terms of product delivery. New products and service offers in the pipeline for 2017 will ensure we address the needs of our evolving customer base. A new product example is a popular Afrox-patented general purpose welding electrode that is both efficient and cost-effective.

We focused on selected countries to develop the Arcmate brand and offer base products to the market. Our dedicated sales team ensured we retained our key customer base during the restructure and regained others lost in the past.

Future focus areas

- The focus for 2016 was on understanding the changed Hard Goods landscape and appointing strategic distributors, partners and agents in selected areas to maximise our footprint to gain new business. This will continue in 2017.
- The new embedded sales and marketing structure has enabled the Hard Goods business to better interact and gain closer proximity to strategic segments with improved exposure to light industry segments, understanding their needs to provide value-adding solutions. We intend to defend and grow our customer base in key segments by providing solutions that improve their efficiencies. This will be achieved through customer engagement to create customised product service offerings and intelligent pricing initiatives.
- Focused growth in light industry markets with tailored offers delivered through our partners, Gas & Gear outlets, and national resellers to gain additional market share.
- Invest in resource development and upskilling of our sales and marketing team to enhance our growth opportunities and sell effective solutions knowledgeably.
- Continue to position Afrox appropriately for infrastructure requirements in respect of green energy initiatives such as wind and concentrated solar power.

Emerging Africa

Key highlights

- Revenue growth remained flat year-on-year in a difficult economic environment
- Commissioned more micro plants and additional bulk LPG storage facilities
- Relocated operations in Mozambique to Afrox-owned property from leased land
- Improved governance, compliance and processes across our geographies

Key challenges

- Depressed commodity prices resulting in a slowdown of major sectors, such as mining
- Inflationary pressure caused by the devaluation of local currencies
- Constrained LPG and CO_2 supply from South Africa due to refinery and production plant shutdowns
- Electricity volatility and an instance of plant reliability challenges in Zambia

Performance review

Key performance indicators

KPI	Unit	2016 target	2016	2015
Revenue	R'm	849	755	755
GPADE	R'm	348	306	311
Margin	%	41	40.5	41.1
CAPEX/revenue	%	5.2	2.2	6.1
Reliability of plant	%	95	44	77

Revenue remained flat, including adjustment for currency effects and LPG price changes. Packaged air gases and acetylene volumes decreased in the year. The reminder of our products increased or remained flat year-on-year.

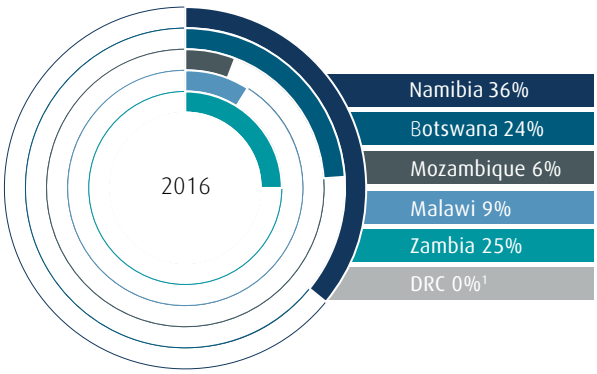
The business was impacted by LPG and CO_2 shortages from South Africa. However, alternative supply sources were obtained to maintain service levels until LPG supply improved in the second half of the year. The high dependency on one key source for CO_2 remains a key risk.

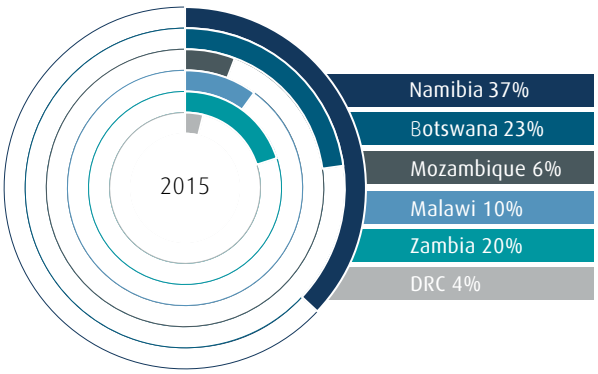
GPADE reduced by 1.6%. This was an adjustment from the one-time effects from the exit from Angola and changes to stock provisions. This reduction reflects the increased supply chain costs linked to the LPG and CO_2 shortages which were not fully recoverable from customers. Quality of LPG from a local refinery in Zambia was below specification, which resulted in an increased reliance on imports from South Africa and lower margins due to increased supply chain costs.

The ASU plant reliability in Zambia was a significant challenge. The plant was down for most of the first quarter due to a leak in the ASU cold box which was subsequently addressed.

Capital expenditure as a percentage of revenue decreased due to the limited growth opportunities as a result of the economic environment.

Revenue per country





Overview

At its current level of profitability, Emerging Africa achieves appropriate returns to warrant the higher risks associated with the countries in which we operate.

Despite adverse economic conditions, Emerging Africa volumes and revenue remained flat. We continued to experience an increase in demand for consumer-led products such as CO_2 and LPG. Volumes differed by product sector, often impacted by commodity prices and demand, but collectively, volume levels for Emerging Africa remained flat year-on-year. Revenue remained flat at R755 million. We foresee consumer-led demand trends continuing and we will capitalise on these further though our improved security of supply agreements through imports and various South African sources.

Emerging Africa experienced high currency devaluations that pushed up the cost inflation on imported products. Although the frequency of sales price adjustments was increased, we were unable to recover all the historic costs of inflation from customers. Additional strain was experienced from stretched and changing payment terms from customers seeking to manage cash flows and reduce their own costs, especially in Zambia.

[1] *Afrox exited the Democratic Republic of Congo as part of the restructure programme.*

Emerging Africa continued

Market impacts in the year

The first half of 2016 was negatively impacted by constrained bulk LPG and CO_2 supply from South Africa. In the second half of the year, LPG shortages were largely resolved while CO_2 challenges persisted. This was a direct result of refinery and CO_2 production plant shutdowns. However, alternate supply sources enabled Afrox to largely maintain customer service levels, the increased logistics costs were not all recoverable from customers due to contractual pricing arrangements. The agreement established through the Richards Bay terminal allows for increased throughput for improved LPG volumes into Emerging Africa, providing scope to further grow market share. Refer to page 48 for further information.

The business continues to invest in small mobile filling plants in various African countries. This reduces the reliance on imported products and reduces the level of currency risk in this business. Due to the current commodity price cycle, no large tonnage opportunities have materialised as yet. However, Afrox remains open to opportunities in this area and engages with stakeholders when such opportunities arise.

Electricity supply shortages pose a continuous challenge to our operations, especially in Zambia. To reduce volatility, we negotiated with the local electricity supplier, ZESCO, who is installing a dedicated 11 kVA cable from its depot to the substation that services Afrox Zambia. The arrangement will provide our facilities with a dedicated and continuous electricity supply. As part of the agreement, the facility will operate for only three weeks each month. This will not adversely impacted our operations, rather the electricity consistency will allow the plant to run more effectively over a continuous period as opposed to the strain caused from erratic stop and start in production previously.

For more country-specific highlights and developments, refer to page 9.

Governance

During the restructure, significant focus was placed on improving the governance culture and applying clear, consistent policies in geographies. Internal Control Steering Committees are now in place in all our operating countries to ensure that internal controls are adequate to safeguard the income and assets of Afrox, and that operation takes place according to standard. The committees also oversee and facilitate the closure of internal audit findings on a continuous basis.

Multinational customers expect a seamless extension of the Afrox South Africa product service offering.

The adherence to good corporate governance is strengthened by a local Board of directors in the majority of our operating countries and includes a number of independent non-executive directors. In most instances, these representatives chair various committees, most notably the Audit Committee.

Future focus areas

- Our strategy for this segment remains unaltered. Difficult economic conditions, driven by low international commodity and oil prices, are expected to persist in the short to medium term. Therefore, Emerging Africa's focus for 2017 will remain on consumer demand-driven growth areas such as healthcare, CO_2, LPG and special gases.
- Productivity and efficiency improvement initiatives remain important to ensure profitability is maintained and enhanced to act as a buffer to offset economic and currency headwinds.
- Efforts to standardise Emerging Africa country structures under the functional discipline model of The Linde Group Blueprint for small countries is underway. This model is well suited to the country-specific operations of Emerging Africa and provide a fit-for-purpose structure to weather the expected economic conditions of the future. Completion is targeted for early 2017.
- We will look to improve our sales pricing, including full cost recovery.
- Programmes are in place to continue building a performance culture in the sales and marketing teams across all Emerging Africa countries. These programmes will upskill sales teams to increase sales effectiveness and to be better equipped to identify and deliver tailored solutions that add value to customers doing business with Afrox.

Zambia micro-fill plant

Afrox Zambia Limited sells approximately 420 tons of compressed oxygen annually, 120 tonnes of which is transported to the southern region where Lusaka is located. A decline in volumes from our Ndola-based filling facility (320 km from Lusaka) due to inconsistent supply and long lead times for delivery developed into a challenge for us to resolve. The new location in Lusaka optimised the supply chain, reducing the need to transport cylinders over great distances and helped secure our market share in an oxygen sector full of opportunity, despite prevalent economic difficulty. Our improved customer service has resulted in increased sales revenue as a result of more competitive pricing and reduced distribution costs. There is less pressure on our cylinder population, reduced transport risk and improved customer retention.

Maputo development

The property purchase transaction has been completed and operations relocated to the new site at the end of 2016. The construction of the sales centre is nearing completion. This Afrox-owned property reduced the significant foreign currency exposure we experienced with the historical lease agreement. It will allow for scaleable expansion of operations and allows for increased strategic storage of bulk products.

Safety, health, environment and quality

Key highlights

- Significant decrease in the numbers of serious passenger incidents
- Risk-based behavioural focus on safety is leading to an interdependent culture
- Injury-free opening of the new Durban (Riverhorse) operations site
- Continued and new accreditation of certain ISO standards

Key challenges

- Safe contractor management remains a risk area and SHEQ priority
- Total number of recordable injuries remained relatively flat with a marked increase in the number of manual handling incidents
- Light vehicle and commercial truck incidents remain high on the agenda for further reduction
- Ensuring appropriate management competence for SHEQ following the restructure

The Golden Rules

To embed our safety culture, we encourage employees to remember that rules should not be blindly followed, but should be viewed as risk-based enforcements that protect us and our colleagues. We believe all incidents are preventable and continuously strive to attain zero harm.

Safety is not merely a key element in the Afrox value chain – it is a way of life.

The Golden Rules provide a roadmap to zero harm and are derived from The Linde Group's global safety standards within the Linde integrated management system and standards (LiMSS).

Golden Rule	Focus areas
Personal ownership for safety We will consistently demonstrate personal ownership and accountability for safety through actions and behaviours.	• Leadership development in the SHEQ programme • LeadSafe engagements, coaching and site visits to promote an understanding and application of personal ownership for safety. Personal responsibility is deemed critical and foremost in our risk assessments for achieving zero harm as it is a high-likelihood, critical severity risk
Driving vehicles We will operate our vehicles safely and responsibly at all times, and use the safety equipment provided.	• Transport and passenger car safety plans and programmes
Permit-to-work We will use the permit-to-work system where necessary to ensure hazards and risks are understood and controlled.	• Focused audit programme and review • Site visits
Working at height We will only work at height when the required safety measures to prevent falls are in place.	• Focused campaign, particularly customer engineering services (CES)[1] • Revisit ActSafe[2] for CES
Lifting operations We will ensure lifting operations using cranes or other lifting devices are carried out safely.	• Focused campaign, particularly CES • Revisit ActSafe[2] for CES
Contractor management We will select and manage our contractors so that they meet The Linde Group's safety requirements.	• Focused audit programme and review, including procurement • Site visits
Engineering management of change We only proceed with technical changes to process plants and process equipment when an engineering management of change process addressing the safety risks has been completed.	• Focused audit programme and review • Site visits
Incident reporting We will report and investigate incidents so that the causes can be identified and corrected, and learning shared.	• Senior-level incident reviews • Training

To ensure that the Golden Rules are accessible and understood, the rules will be translated into a number of local South African languages in 2017.

[1] *Afrox provides the services of a dedicated CES department for gas reticulation equipment installations.*
[2] *ActSafe is a behavioural programme focused on developing safe action by employees.*

SHEQ KPIs are a unique indicator of business health, profitability and sustainability

Evolving our safety mentality

By training employees to view safety as a priority, we assist them to shift their behaviour, and in turn the behaviour of their teams and the Company as a whole.

Stage 1: Personal safety		Step 2: A team mentality		Step 3: Organisational safety
		Current stage of activity		
At Afrox, safety starts with the individual. When an individual ensures that his/her acts and work are safe, he/she can aid co-workers to act safely. A shift from a dependent culture (being instructed on rules and viewing them as regulatory) to an independent culture ("I know and understand the rules") takes place here.	→	This stage marks a departure from seeing safety as a set of rules to understanding risks and knowing that rules guide safe behaviour for positive outcomes. There is movement to interdependence in safety mentality by applying a team approach to safety. All levels of management and employees are responsible for applying safe behaviour and considering the safety of others. Deploying leadership responsibility in the operations to aid line-of-sight support for safety, with continued focus on discipline and holding employees accountable for their actions.	→	Safety has become embedded as a way of life to protect everyone and attain zero harm, firm in the knowledge that all incidents are avoidable. Employees provide input and safety recommendations that Afrox considers for the business environment and implements where ideal to continue our safety evolution.

Performance review

Key performance indicators

Key performance area	KPI	Unit	2016 Target	2016	2015	2014
Safety and health	Lost-time injuries (LTIs)	Number	6	15	9	7
	LTIs	Lost days	0	116	104	146
	Commercial vehicle incidents (severity 1 and 2)[1]	Number	4	3	6	0
	Passenger and light vehicle incidents (severity 1 and 2)[1]	Number	5	1	8	0
	Third party fatalities	Number	0	6	4	2
	MIR	Number	0	9	8	6
	Total recordable injuries[1]	Number	20	25	24	22
	LeadSafe[3] engagements	Number	–	1 154	4 154	5 971
Environmental	Water consumption	m^2	792 499	808 673	882 110*	840 818
	Total carbon emissions[2]	tCO_2e	466 134	475 647	460 556*	391 890
	Waste	Tonnes	2 046	2 088	3 408*	3 723
	Electricity consumption	MWh	445 440	454 531	441 103*	401 187
	Adherence to quality standards, in particular for regulated products	%	100	100	100	100
Quality	Sites certified to ISO 9001	%	100	100	100	100
	Sites certified to ISO 14001	%	100	100	100	100
	Sites certified to ISO 18001	%	100	100	100	100

* *Restated*
[1] *In 2015, Afrox began recording all vehicle incidents, instead of only avoidable vehicle incidents.*
[2] *Includes direct and indirect emissions.*
[3] *LeadSafe engagements are leadership-driven safety interventions.*

Our total recordable injuries increased by a single unit, predominantly due to incidents involving manual handling. We had nine major incidents (five of which were security-related). As one of our Golden Rules, contractor safety performance shows room for improvement, which will be guided by our safe contractor management approach that outlines how they are selected, assessed and inducted. Overall, our safety performance held a positive line throughout our recent restructure programme and we continue to focus on activities that pose the highest risk to our business.

Safety and health

Total recordable injuries (lost time and medical treatment)

We experienced a significant increase in the number of LTIs and a slight increase in the number of lost working days of 116 (2015: 104), equally spread across employees and contractors. Five incidents were related to manual handling activities and the majority of these injuries point to unsafe behaviour by operators and drivers, and in some cases, a hindered management line of sight. The total recordable incidents were marginally higher from the previous year at 25 (2015: 24). We measure the recordable injuries of contractors in the same way as our own employees and the totals refer to both employees and contractors.

To raise awareness on manual handling risks, our internal standard was updated to include incident reporting and investigation guidelines. A training and assessment task was assigned to all employees, and a business-wide team stand-down programme was initiated to collect ideas from employees on how to improve performance.

Incidents

Transport safety is a significant component of our operations as Afrox distributes products across over 25 million kilometres every year. We strive to attain a target of no vehicle accidents and empower our drivers to operate vehicles safely. KPIs in vehicle safety rates are based on 1 000 000 kilometres and cover the entire business (including rental cars and any incidents that occurred during the performance of Company business in Company or personal vehicles). Considerable management attention was directed at reducing the number of significant and serious vehicle incidents compared to 2015.

Poor driver judgement resulted in our first roll-over incident[1] since 2013. A combination of physical implements called hard controls (these are drive-cams, driver and fatigue monitoring equipment) and behavioural programmes called soft controls help mitigate such incidents.

To promote transport safety, we continue to press the use of ActSafe training and apply DriveSafe behavioural safety training for passenger car safety. Refer to our online SHEQ supplementary report for further detail.

Potential severe injuries and fatalities

Potential severe injuries and fatalities are comparable with 2015 figures. Our approach to these incidents is to analyse and investigate events with the same rigour as major incidents to identify improvements and potentially save a life.

Visible leadership is a significant safety driver for our business. Through our LeadSafe engagement process, line managers are encouraged to intervene when unsafe acts or behaviour are witnessed. Interventions are logged and the trends analysed for preventive action. Afrox has evolved the process to include a mobile application which will facilitate remote logging of information.

We have not recorded an employee or contractor fatality since 2010. However, six unfortunate third party fatalities occurred this year. Five of these were vehicle incident-related, of which four occurred from a single incident involving third party passenger car collision with an Afrox truck. The incident occurred in February 2016, when the third party passenger vehicle departed from its lane and veered into an Afrox truck travelling in the opposite direction.

Partnering to enhance safety

Afrox recently partnered with Arrive Alive to promote safe driving awareness and exercise our social responsibility. Both parties share information on safe vehicle operation and use the Arrive Alive website and social media networks to provide the public with access to such data.

Process safety management

Process safety management refers to the management of major accident hazards at our plants. It remains a key focus area, as these low frequency safety risks could have potentially high impacts on our business. Our Golden Rules (e.g. permit-to-work) and process safety awareness workshops promote high levels of discipline and conformance. Deviations from protocol are revealed during the Company-wide integrated internal audits performed annually.

Environment

Afrox is committed to legal environmental compliance, such as ISO 14001 environmental accreditation, and will be paying increased attention to its carbon footprint going forward. As a manufacturing intensive business with a significant logistics component, carbon emissions, water usage and waste need to be managed effectively in line with sustainable operation.

We measure these parameters annually against improvement performance targets and experienced the following changes year-on-year:

- Purchased electricity increased by 3%.
- Carbon emissions increased by 3.5%.
- Water usage decreased by 9%.
- Total waste decreased by 39%.

[1] *A vehicular incident that leads to the vehicle overturning.*

Safety, health, environment and quality continued

Quality

FSSC ISO 22000 accreditations continued at our CO_2 plants. Afrox remains a market leader in South Africa for this food safety system accreditation. The new Port Elizabeth ASU obtained an ISO 14001:2015 accreditation as required by legislation. The ISO 9001 accreditations were aligned to our new operating model and the planned transition to the new 2015 version of this standard in 2017 at strategic sites will benefit from increased leadership and a risk-based approach to safety.

Our long-term plan is a Company accreditation which will assist alignment and process efficiency throughout Afrox, and we continue to explore this vision and develop a roadmap to guide our direction. Key stakeholders from our process chain engage through The Afrox Quality Council to create and improve quality programmes and construct action plans.

All our actions are driven by the needs of our customers. Quality is no different. Our desire to consistently add value is integrated into the sales and marketing team, who receives rigorous product training. In addition to undergoing customer audits for vital quality feedback, our quality improvement circles (consisting of customers and Afrox employees) collaborate to find solutions to quality performance issues while feedback mechanisms, such as Rant and Rave, provide a platform for direct customer input.

The electronic Rant and Rave platform allows customers to comment on and rate our service and products or air their discomfort, safe in the knowledge that they will receive feedback on negative posts within two hours. Updates can be viewed instantly by The Linde Group and Afrox.

Future focus areas

- The SHEQ roadmap will continue to be a focus area towards 2020. This performance review tool details standards and behaviour needed to reach zero harm and is integral to the SHEQ strategy. This includes quality, driver and vehicle safety, health and safety, environmental elements and our leadership and safety culture
- Further understanding the cost impacts of not reaching our quality targets
- Improving our safety culture across all areas of the business by driving interdependent behaviour and embedding required SHEQ behaviour and values at all levels. This includes occupational health and process safety
- Introducing risk management and associated training as a business discipline. We are aware that 100% right behaviour 100% of the time will make us a leading company, provided we retain our focus on customers, safety, collaboration and cooperation
- Our employees can help us find innovative solutions to new problems and safer ways of operating – provided we give them the platform to do so. Improving such engagements will be a priority
- From an environmental perspective, we will continue to focus on maintaining accreditations and compliance to our minimum standards throughout the business.

Human resources (HR)

Key highlights

- Successful business restructure programme
- Implemented improved talent management systems
- Sharper focus on organisational performance through individual and team alignment
- Reviewed and started the implementation of the BBBEE strategy
- Implemented more suitable HR policies
- Implemented a new sales incentive plan to enable focused growth

Key challenges

- Retention of critical skills
- Development of appropriate skills to ensure that our employees meet our business objectives
- Addressing the negative impact of the restructure programme on employee morale
- Embedding Company-wide adherence to HR policies

Performance review

Key performance indicators

Key performance area	KPI	Unit	2016 target	2016	2015	2014
Employee development and leadership capability	Leadership developments	Number	150	164	15	387
	Learners, apprentices, bursars and graduates	Number	60	123	65	52
Diversity and transformation	BBBEE level	Overall scorecard rating	7	8	3	3
	Employment equity				(see table on page 58)	
Employee retention	Employee turnover total	%	7	5	29	15

Afrox focused on the development of our employees as reflected in the year-on-year improvements. We are reviewing our transformation efforts and creating an HR infrastructure with good governance and compliance to achieve organisational discipline. The advantages of working with a global organisation are reflected in our HR developments, specifically through access to global best practice and the ability to leverage the support of The Linde Group's global HR management and planning systems.

Our HR journey

Afrox started this journey to engage, develop, promote and retain our best employees to create a strong pipeline of technical and leadership talent to deliver on our business plans now and in the future. This will ensure that employees are supported to become the best they can be, adding value to the Company and feeling valued in the process.

We will be the leading gases and welding products Company, admired for our employees by any measure.

Emphasis was placed on addressing legacy issues that existed as result of inconsistent HR policies and practices to support our drive for high performance and improve the ease of doing business with Afrox.

Human resources continued

Operational strategy stages	Get healthy	Get strong	Get business
From an HR perspective	What will make us successful?	How will we become a high-performing organisation with a high level of employee engagement?	
		Current stage of activity	
Core actions	• Business restructuring began which included right-sizing and retrenchments • Sales and marketing structures revamped • Operational structures reassessed and regrading of all roles completed • Rationalised aspects of distribution, finance and HR through outsourcing	• HR policy refinements • Building a centralised HR infrastructure • Accelerating organisational discipline • Streamlining allowances to achieve consistency, compliance and cost-effectiveness • Integrated talent management strategy created	• Re-introducing core HR processes such as succession planning and leadership development • Implementing employee-friendly policies and benefits to aid retention • Focus on enhancing employee engagement and productive work relations • Drive further organisational efficiencies
What changed?	Although difficult, the process ensured that we now have the right employees to develop and take the business forward.	We refined policies and created a centralised user-friendly tool to promote consistent application across our geographies. This created a platform for better compliance while aiding the resetting of the business's cost base to more competitive and sustainable levels. We know our employees better, thanks to improved talent analytics.	We are making an effort to let our employees know they are valued and are worth investing in (see page 60 for details of our development programmes, page 60 for succession planning and page 61 for our wellness activities). We achieved savings through HR-led initiatives since 2015. We now have an HR infrastructure with policies and a strategy to enable our future goals.

The remuneration philosophy was reviewed and communicated to the business, with plans for full implementation during 2017 (refer to page 84 for details).

A revised sales incentive plan was implemented with the aim of driving improvement in sales performance. The performance of sales representatives on an individual and team basis are now used to benchmark incentives as opposed to the broad Company-wide approach used previously. Key measures are margin, pricing, inventory and debtors of the Company and 240 sales employees are being assessed. The plan is aligned to the sales budget and business growth strategy. This provides an improved line of sight for enhanced sales and budget targeting.

Employee retention

Analysis of leavers		2016	2015	2014
Total number of voluntary and non-voluntary leavers	FTE[1]	348	751	424
Average length of service	Years	9.00	9.50	9.10

Overall, Afrox has a healthy retention rate and is gaining further stability post completion of the restructure. Various development, wellness and employee engagement initiatives are in progress to positively impact retention levels. To help make Afrox a better place to work, we record the reasons why employees leave and prioritise relevant improvement opportunities through our HR strategy.

Diversity and transformation

Employment equity

Employee level	Equity target (%)	2016 (%)	2015 (%)	2014 (%)
Top management (Managing and Financial Directors)	0	0	0	0
Senior management	50	47	30	33
Professionally qualified middle management	57	50	50	51
Skilled middle and junior management	68	68	65	64
Semi-skilled junior management	85	92	92	75
Unskilled and defined decision-making	58	98	99	99

[1] *Full-time employees.*

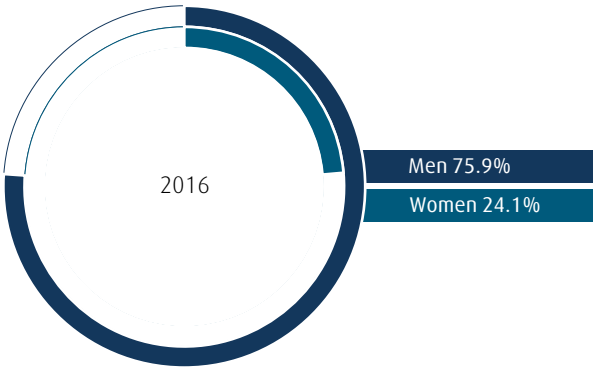
Afrox's diversity improved by 17% in the senior management representation to 47%. This is below target, but indicative of renewed efforts to improve employment equity. The Company's employment equity plan is under review to ensure that we continue to close identified gaps and improve representation across all levels.

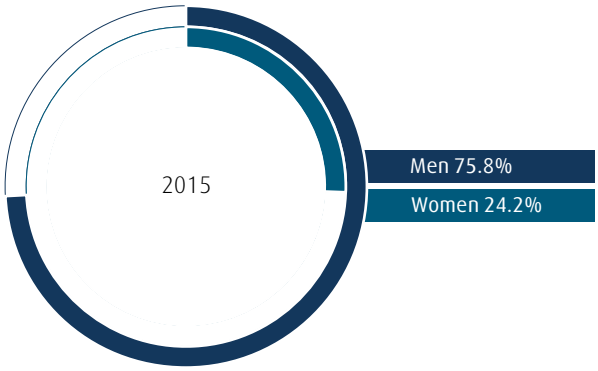
BBBEE profile (South Africa only)

Number of men	2016 Black	2016 White	2015 Black	2015 White	Number of women	2016 Black	2016 White	2015 Black	2015 White
Senior management	14	18	16	40	Senior management	6	3	4	6
Professional skilled	103	97	107	103	Professional skilled	38	33	39	39
Skilled	263	108	234	105	Skilled	113	62	111	78
Semi-skilled	409	11	509	22	Semi-skilled	121	28	145	31
Unskilled	318	2	376	2	Unskilled	22	1	28	1
Total	1 107	236	1 246	273	**Total**	300	127	329	158

Despite a change in employee numbers due to the restructure programme, the Company's overall black representation in South Africa improved to 79.4% (2015: 78.5%) and includes 24.1% (2015: 24.2%) female representation.

Employee gender analysis





A significant challenge remains the employment of more women across our operations. The Company applies a preferential recruitment approach to black individuals and females with special dispensation provided by the HR executive or the Managing Director as and when required. Our skills development initiatives and learnerships were integrated into this approach to support our employment equity plan and create a pipeline of learners and employees to improve female representation in the medium to long term.

BBBEE requirements

We developed a new strategy to improve the various elements of our BBBEE scorecard while considering the business strategy and customer requirements. The Company is regarded a level 8 contributor under the new BBBEE Codes (as compared to level 3 under the previous Codes). This position presents some contract risks for the Company, particularly for government-related contracts such as in the healthcare sector.

The strategy includes the following focus areas for 2016 and 2017:

Area	Action
Build	• Focus on enterprise and supplier development
Improve	• Target management control including employment equity • Utilise skills development • Effectively apply preferential procurement
Maintain	• Socioeconomic development

We will seek to engage further with businesses operated by previously disadvantaged individuals in our supplier value chain and focus on enterprise development. The Company has spent R6.2 million (2015: R6.0 million) to ensure we contribute towards significant empowerment of black-owned suppliers and enterprises.

Black-owned and Black women-owned

Our BBBEE strategy includes further integration of black-owned (BO) and black women-owned (BWO) spend and development. In addition to actively seeking the inclusion of BO and BWO suppliers where commercially viable and appropriate in our value chain, we increased our preferential procurement spend by R157 million to R357 million (2015: R200 million).

Unionisation

The Company believes in fair labour practices and ensured that these principles are reflected in our policies and processes. This includes the right of Afrox employees to join any organisation, forum or trade union.

Unionised employees

Trade union	2016	2015
CEPPWAWU	439	442
Metal Industries	1	1
NUMSA	116	152
SACWU	246	218
Solidarity	32	27
UASA	5	6
Total unionised	839	846

Afrox experienced no instances of industrial action during the year. Employee and trade union engagement take place regularly in forums that allow deliberation and sharing of opinions ahead of decision making. These include:

- **Formal bi-annual employee relations sessions:** Providing a platform for discussion of strategic issues while allowing the development of positive relationships between Afrox and unions.
- **Industrial relations forum meetings:** Such meetings take place three times a year to encourage and promote relationships between employee forums while providing an opportunity to exchange ideas, opinions and information.
- **Communication through various lines of business:** For example, monthly Shop Steward Committee meetings. These operational meetings provide a forum to discuss problems and improvements. Strategic interactions of a similar nature also take place throughout the Company.
- **Management communication sessions and employee education sessions:** Direct interaction with employees either individually or in groups.

All Afrox employees have access to grievance procedures and disciplinary processes.

Employee development and succession planning

Afrox conducts an annual review of its critical roles and possible successors through a defined process.

Succession planning process

Identify internal talent	Once data is verified and approved, transparent communication with employees begins	Key talent is identified
High-performing and high-potential individuals for possible career advancement and development	Individual development plan and career discussion between line management and the employee during annual performance management cycle	Employees are nominated for global roles within The Linde Group and upper levels of Afrox. This is discussed in a global talent review session with the Europe, Middle East and Africa (EMEA) top team

Afrox experienced significant success with the succession planning process. Our coverage rate for critical roles in the business is over 85%. The majority of our employee movement comprises internal promotions and our senior management teams primarily consist of long-standing Afrox employees. A higher number (approximately 70%) of Afrox's vacancies are filled from our succession pool rather than from external sources.

By considering diversity, our succession plans for future critical roles are largely populated by a diverse range of employees. This, in turn, has led to a larger number of leadership developments that positively impacts employment equity levels. Employment equity employees make up 61% of our talent pool.

Afrox continues to use various online training platforms to develop skills. LiMSS is such a system, placing procedures, standards and global business reference material at employees' fingertips. Individual learning management system[1] and an audit manager are incorporated in the system.

Employee training and talent pipeline

We provide our employees with opportunities to grow their scope of work and be exposed to a wider range of responsibilities. Training spend, including bursaries, increased to R31 million (2015: R26 million). In line with Afrox's skills development strategy, we employed 123 new learners on apprenticeship, learnership and internship programmes during 2016.

[1] *This system is a learning database linked to LiMSS called TRACCESS.*

A total of R1.7 million (2015: R1.1 million) was spent on employee bursaries and Afrox offered recognition of prior learning to aid existing employees in completing trade qualifications

Management development and training	First and second line managers take part in a leadership development programme focused on leadership capability improvement. We developed a recognition and consequences management training for the year to develop essential management tools for employees. The training is ongoing.
Adult education and training	During 2016, 20 (2015: 31) employees were enrolled for English literacy and computer training to bolster their capabilities.
Graduate training scheme	There were 13 (2015: 16) graduates from our 24-month graduate training scheme, which covers fields such as mechanical, chemical and industrial engineering, as well as marketing and econometrics.
Bursary scheme	The Company offers a bursary scheme for business-related areas of study, typically in the disciplines of metallurgical (physical), mechanical, chemical, industrial and electrical engineering (heavy current). Two (2015: three) black students benefited from the scheme, which allows financial assistance to second and final year students and gives them the opportunity to gain work experience at Afrox during the university holiday periods.
Learnerships and apprenticeships	Afrox spent approximately R15 million (2015: R6 million) on learnerships and apprenticeships. Afrox enrolled 14 men and 11 women (2015:13 men and 31 women) in various trade learnerships and apprenticeships. A total of 27 learners enrolled in the Customer Service Centre NQF 2 learnership programme and another 22 in Business Administration NQF 3. 20 learners participated in Wholesale and Retail NQF 3 learnerships and 25 female learners with disabilities in the Jewellery Manufacturing NQF 2 learnership.

Performance management

With the restructure complete, Afrox reinstated the normal performance management cycle using a process that is based on the outcome of an employees' contribution and display of The Linde Group's behavioural competencies in reaching these outcomes. The Company is applying greater emphasis to behaviour this year, as opposed to statistical achievements, to entrench a high performance culture. The use of individual development plans for each employee ensures a customised assessment of abilities by management before results are escalated to HR for guidance in career growth targets and training.

There is a greater focus on cascading targets to ensure that we remain focused on achieving the overall goals of the Company and not individually focused targets.

Recognition

Our annual long-service awards take place in November. In 2016, 30 recipients and their spouses were flown to Johannesburg for a centralised long-service award ceremony, acknowledging commitments from 15 to 30 years.

Employee wellness

We provide employees with access to the independent counselling and advisory service (ICAS) which assists employees to:

- enhance workplace productivity and performance;
- instil a corporate culture of wellness and caring;
- become empowered to take responsibility for their own wellbeing; and
- develop personal and organisational resilience.

The programme was relaunched in 2016 at all sites. To date Afrox's level of engagement with the service is 34% compared to the ICAS average of 18.6% usage. We conducted wellness days at five sites nationally, attended by 300 employees, and held health days where employees could have vital health checks performed on site at no charge. Our wellness programme was enhanced by incorporating wellness days and regular communications related to employee health.

Afrox employees are encouraged to participate in team building activities that positively impact our surrounding communities. Refer to page 63 for details on Bumbanani Day.

Remuneration

We updated our philosophy (refer to page 84 for details) to ensure that employees are fully aware that they are remunerated fairly on the basis of their capability, performance and behaviour. Our global performance management system allows managers to be assessed and remunerated according to a mix of target and performance-related statistics for the year. For details of variable remuneration structures, refer to page 85.

Additional support

We made a significant effort to display our philosophy of growth and support through three main channels of social benefit:

Home owners support	Afrox successfully expanded opportunities to the existing home loan grant support for first-time home owners. The programme currently includes bond subsidies with a total allocation of R100 000 (2015: R25 000), showing improved support from the previous year. The subsidy is secured by the balance of retirement savings of the employee.
Tertiary education assistance	We continued to support the tertiary studies of employees' children, providing R4.8 million (2015: R4.3 million) for them to further their education in any field at tertiary level. Refer to page 63 for more information.
Pension and provident fund	All our employees belong to either the Afrox pension fund, our defined benefit fund; or the Afrox provident fund, our defined contribution fund. Both are administered by trustees and external service providers on behalf of Afrox with governance applied according to the terms of the Pension Funds Act, 24 of 1956. For more information, refer to note 6 of our full annual financial statements.

Such contributions are made in addition to our legally mandated benefits such as paid maternity leave, family responsibility leave and disability grants. There are a range of benefits offered to employees that aim to make a tangible development impact in their lives, and not just a monetary one. We continue to look at opportunities to enhance our employee experience in the Company and set us apart as an employer of choice.

Future focus areas

- Attention to organisational efficiency will ensure that we maintain a culture of continuous improvement at all levels.
- Our BBBEE scorecard has a significant impact on our licence to trade. The BBBEE strategy in place will target areas that meet our scorecard improvement criteria, customer requirements and provide value to stakeholders in our value chain.
- We will continue to enable and upskill our leaders through our leadership coaching programme, mentorship programme and future manager programme. The programmes will enhance abilities while ensuring a suitable pipeline of talent to support our succession plans.
- We will remain focused on developing talent. Our robust succession planning process ensures adequate business support as we move towards the future.

Corporate social investment

Afrox focuses more on engagement and partnerships to support socioeconomic development than on financial investment, in order to make a sustainable difference in the lives of others.

Closely connected to our own internal development are a number of corporate social investment (CSI) projects that allow us to positively influence our external environment, stakeholders and surrounding communities. Afrox aims to be involved in and pioneer programmes that support education, job creation and income generation to create self-sustainability.

Although active during the restructure programme, CSI activities were reduced to allow focus on internal improvements. In 2016, the CSI strategy was reviewed and further aligned to the current economic and social challenges required for development in the country. Some activities were relaunched while others, such as the welding schools, were given more attention to create a solid foundation for future CSI activities and socioeconomic development. We spent R3.4 million (2015: R1.9 million) on CSI activities and maintained our target of donating at least 1% of our previous year's net profit after tax to social investment initiatives.

Objective	2016 R'000	2015 R'000	2014 R'000
Support of welding capability	1 150	1 840	1 400
Enterprise development	4 200	4 500	6 000
Supplier development	2 000	750	600
Post-tax profits invested in community initiatives	3 400	7 100	8 000

All social investments and CSI activities are governed by policies and approved by the Social, Ethics and Transformation (SET) Committee. The SET Committee reports to the Board on CSI matters, our sustainability compliance and high-level risks. We strive to apply good governance in all our processes and maintain ethical and responsible conduct in all the relationships with the communities in which we operate. Donations made are in line with our donations policy. As has been the case in previous years, Afrox made no political donations in 2016.

Our activities can be grouped into four main areas:

Bumbanani Day	Bumbanani is a traditional Zulu word meaning "Let's build together". This programme allows employees from our larger branches to partner with children's homes in nearby communities and offer support. An example is our involvement in the Afrika Tikkun home where an Afrox-led committee interacts with 150 children, helping with painting and cultural events, and donating LPG gas in addition to assisting with ad hoc requirements. To date, we have spent 15 000 hours interacting with 482 children at nine facilities.
Donations, support and sponsorships	Afrox provides support for growth through welding schools and skills development by forming various partnerships. In total, the Group has supported 123 learners, apprentices, graduates and interns, apprentices through active learning at our facilities. We engage with the NGOs and charities we support while providing product donations, such as free gas deliveries for heating and cooking. Nationally, approximately 40 crèches and feeding schemes benefited from such initiatives, allowing them to feed over 30 000 children and destitute people.
Enterprise supplier development	We spent R6.2 million (2015: R750 000) to help enhance and develop the stakeholders we do business with, particularly those from previously disadvantaged backgrounds.
Tertiary education sponsorship	Through direct sponsorship, 138 children of our employees obtained a tertiary qualification in a wide range of fields, contributing to national skills development.

Corporate social investment continued

Afrox partnered with **Scaw Metals** to set up the **welding portion** of their production school in Germiston. We identified synergies to aid their programmes for **people with disabilities** and other technical skills development initiatives.

We partnered with **LIV** to set up a **welding training school** in Durban. The organisation provides holistic residential **care for orphaned and vulnerable children.**

In addition to participation, **Afrox was one of the sponsors** of the **Pop Up Welding Centre** that was officially launched in Pretoria during July 2016.

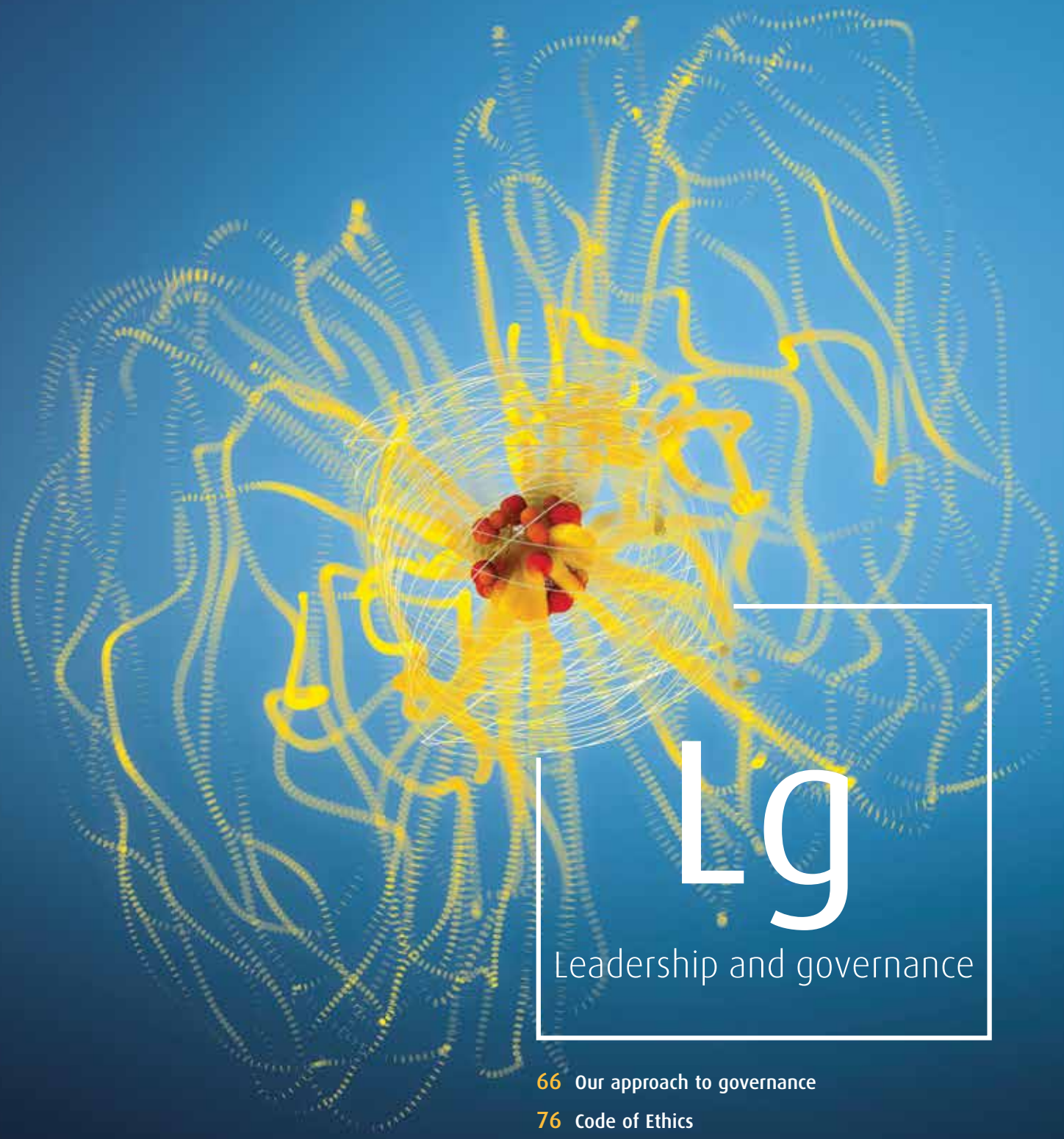
We **awarded two bursaries for learners** to obtain an international welding qualification with the South African Institute of Welders.

We support **socioeconomic development** and contribute to the realisation of our government's 2030 **New Development Plan** through CSI activities. A video clip detailing our projects is available at www.afrox.co.za.

We **sponsored numerous early childhood developments initiatives** with a reach of **30 000 children.**

Future focus areas

- We will continue our focus on finalising our enterprise development strategy to build more successes in our value chain and provide opportunities for entrepreneurs and existing suppliers.
- Increase the number of employees engaged in CSI activities through actively promoting participation.
- Afrox intends to continue growing the impact of community development initiatives and improve commitment from all stakeholders through effective interaction.
- Further develop and support welding schools. This includes skills related to welding and skills identified as key to community upliftment.



Lg

Leadership and governance

Our approach to governance

At Afrox, we are accountable for our actions and strive to be transparent in all decisions and activities.

Our business is uniquely South African, and we consider its diverse aspects while managing our business in accordance with The Linde Group global best practice, encompassing business processes, management, technology, environment, employment, relations with suppliers, customers and society.

Our integrated thinking and application of good corporate governance is embedded in our organisational culture and is exhibited in the manner in which the Company oversight is provided. Specifically through governance principles and policies that are integrated into our operations and reviewed frequently to ensure continuous compliance and application of best practice. A robust governance structure is in place, including the presence of a lead independent non-executive director.

King III supports the inclusion of sound leadership practices, such as sustainability and good corporate citizenship, in our business structures, policies and practices. Some of our governance activities are already aligned with the King IV™ Code of Corporate Governance for South Africa, and we are making progress in applying these principles further to achieve full compliance in the next year.

Afrox governance structure

Board

Three non-executive directors	Five independent non-executive directors	Two executive directors
• Sue Graham Johnston *Chairperson* • Matthias von Plotho • Richard Gearing	• Dr Khotso Mokhele *lead independent director* • Chris Wells • Lean (Giullean Johann) Strauss • Nomfundo Vuyiswa Lila Qangule • Nolitha Fakude	• Schalk Venter *Managing Director* • Dorian Devers *Financial Director*

Committees

Audit Committee
Nominations, Governance and Management of Resources (NGMR) Committee
Safety, Health, Environment and Quality (SHEQ) Committee
Social, Ethics and Transformation (SET) Committee

Executive management

Managing Director: Schalk Venter
Financial Director: Dorian Devers
General Manager Finance: Matthias Vogt
General Manager Operations: Jan Ntuli
General Manager Emerging Africa: Marius Kruger
General Manager Onsites: Ben Mabelane
General Manager Sales and Marketing: Vacant
Head of Healthcare: Vacant

Corporate function heads

Head of Human Resources: Ashley Soupen
Head of Procurement: Makhula Magaoga
Head of SHEQ: Stephen Moran
Head of Programme Management Office: Sanjay Misra
Head of Legal, Risk and Compliance and Company Secretary: Cheryl Singh
Head of Communications: Johann Cilliers
Head of Information Systems: Sandy Morris

Board of directors

Independent

Dr Khotso Mokhele (61)

Lead independent director

Khotso was appointed to the Afrox Board in December 2005. He 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 then President of the Foundation for Research and Development from 1992 to 1999, and president of the National Research Foundation from 1999 to 2006. He served on the Council for Higher Education, the National Advisory Council on Innovation, and the National Skills Authority. Khotso was the founder and president of the Academy of Science of South Africa.

Khotso holds eight honorary doctorates from South African higher education institutions and one honorary doctorate from Rutgers University in New Jersey (USA). He currently serves as special advisor to the Minister of Science and Technology. He is the chairman of two South African-listed companies (Tiger Brands Limited and AECI Limited). Khotso chairs the SET and SHEQ committees at Afrox and is a member of the NGMR Committee.

Khotso holds the following qualifications: BSc Agriculture (University of Fort Hare), MS and PhD in Microbiology (University of California Davis, USA).

Chris Wells (68)

Independent non-executive director

Chris was appointed to the Afrox Board in November 2012. Chris is Chief Executive Officer of Oakbrook Holdings (Pty) Ltd, a private investment company and chief executive officer of International Facilities Services (Pty) Ltd, a company focused on providing facilities services in sub-Saharan Africa. 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 has extensive experience in the retail and manufacturing sectors, having been both a CFO and CEO of various listed companies. He is a Chartered Accountant (SA). Chris chairs the Audit Committee.

Nomfundo Qangule (49)

Independent non-executive director

Nomfundo was appointed to the Afrox Board in July 2014. She was the chief financial officer of Harmony Gold Limited between 2004 and 2007. She is currently director of Hans Merensky Holdings, AfroCentric Health Limited, Rebosis Limited, and Nozala Investments (Pty) Ltd. She is both a CA(SA) and CAIB(SA). Nomfundo is a member of the Audit and SET committees.

Lean Strauss (58)

Independent non-executive director

Lean was appointed to the Afrox Board in May 2015. He joined Sasol in 1982. He spent most of his career with Sasol Oil, where he held the positions of general manager, manufacturing and supply as well as general manager, marketing. He was appointed as general manager of Sasol Gas in 1997 and managing director of Sasol Nitro in 2002. In 2005 Lean was appointed as a member of the group executive committee and as group general manager responsible for Sasol's international energy portfolio. From January 2010 he took over the group's responsibility for Sasol Oil and Sasol Gas. In July 2010 he was promoted to senior group executive, responsible for the Group's total growth portfolio, Sasol's international energy cluster, Sasol new energy and Sasol technology. He was also a director and chairman of several companies in the Sasol group. Lean has a BCom and BCom Honours Degree from the University of Stellenbosch and an MCom Business Management Degree from the Rand Afrikaans University (now University of Johannesburg). Lean chairs the NGMR Committee and is a member of the Audit and SHEQ committees.

Nolitha Fakude (52)

Independent non-executive director

Nolitha was appointed to the Afrox Board in March 2017 and bolsters our team with 25 years of experience across multiple organisations and diverse industries.

Nolitha held a number of senior positions prior to joining Afrox, including executive director at Sasol, chairperson of Sasol Mining, non-executive director for Harmony Gold, director and group executive member at Nedbank Limited as well as managing director at the Black Management Forum.

In April 2017, she will join the board of Anglo American Plc and previously served as a non-executive director on the boards of Datacentrix Holdings and Woolworths.

Nolitha holds a Bachelor of Arts Degree from the Walter Sisulu University and a BA Honours Degree, from the University of Fort Hare.

Non-independent directors

Sue Graham Johnston (47)

Chairperson

Sue was appointed as Chairperson of Afrox's Board of directors. She succeeds head of EMEA Bernd Eulitz, who was appointed to the Board on 1 June 2015. She assumed her role as Chairperson on 7 September 2016.

Sue joined The Linde Group in April 2015 after nearly two decades in the technology sector during which she held various executive positions at Oracle, most recently as vice-president business strategy and product operations for their telecommunications global business unit.

Prior to Oracle, Sue worked for Sun Microsystems, holding vice-president and director roles in new product introduction, grid solutions, quality, engineering and supply chain management. She was also a management consultant at Bain & Company in San Francisco and Hong Kong.

She holds degrees in mechanical engineering and product design, and a Master's Degree in Manufacturing Systems.

Richard Gearing (54)

Non-executive director

Richard was appointed to the Afrox Board in August 2012. He is the head of MPG operations at BOC UK, a subsidiary of The Linde Group. He joined BOC in 1985 and 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. He is a member of the SHEQ Committee.

Matthias von Plotho (47)

Non-executive director

Matthias was appointed to the Afrox Board in May 2011. He is The Linde Group's head of finance for EMEA. He joined The Linde Group in 2001 and was 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 worked with KPMG and AGIV AG in Germany. He holds a Master's Degree in Business Administration from the University of Würzburg, Germany. Matthias attends Audit Committee meetings by invitation.

Our highest decision-making authority rests with the executive directors who take responsibility for business oversight and governance based on sound governance practices that promote profitable sustainability for us and our stakeholders.

Executive directors

Schalk Venter (50)

Managing Director

Schalk was appointed to the Afrox Board on 18 May 2015 and assumed the role of Managing Director. He joined Chemserve Systems in 1991 as a junior sales representative and went on to serve as managing director of a number of subsidiaries of the group before he was promoted to chemical services executive and joined the board in 2006.

Thereafter, he was appointed chairman of a number of subsidiaries, including Nulandis, Resinkem, Duco Speciality Coatings and Chemfit. In 2010, he was promoted to executive for AECI and in 2012 he was promoted to managing director of AECI's biggest subsidiary, AEL Mining Services.

Schalk has a Higher National Diploma in Analytical Chemistry from Tshwane University of Technology and attended the Advanced Management Programme 107 at INSEAD Business School.

Dorian Devers (41)

Financial Director

Dorian was appointed to the Afrox Board on 28 May 2015 and assumed the role of Financial Director. He is currently the Region Africa and United Kingdom financial director for The Linde Group AG, the holding company of Afrox. Dorian joined BOC in 1997 and has held a number of senior posts since.

Dorian has significant corporate finance experience having successfully concluded various merger and acquisition opportunities as well as supporting the development of major projects across multiple sectors and geographies.

He has experience in the LPG industry, having been the chief financial officer for Elgas the largest LPG company in Australia and New Zealand.

Dorian took up his current role of Finance Director for Linde's region Africa UK and Ireland in 2013.

He holds a BSc Honours in Mathematics and Physics from the University of Manchester.

Refer to www.afrox.co.za for the curricula vitae of our executive management members.

Effective control is maintained through a well-developed governance framework that provides for delegation of authority and applicable duties. The Board delegates authority to relevant Board Committees and individuals with clearly defined mandates that are reviewed annually. These Committees discharge Board responsibilities and provide in-depth focus on specific areas according to their relevant skills and expertise.

The Board delegates authority to the executive directors to manage the business and affairs of Afrox. Our executive management assists the Managing Director, subject to statutory parameters and the Board's limits on the delegation of authority to the Managing Director. Delegated authorities are monitored and reviewed on an annual basis.

Our combined assurance model

Our approach to assurance includes three lines of defence:

- Afrox has documented policies and procedures for all functions. A number of these are ISO compliant. All policies and procedures are written by teams of experts and maintained in a central database.
- Process owners amend processes to incorporate legislative and other requirements and ensure implementation when needed.
- High-performance organisation maturity roadmaps are maintained for all areas aligned with The Linde Group's standards. The process is ongoing to ensure that Afrox's internal processes remain in line with these standards.
- Monthly performance reports are submitted to executive management on the control environment. These reports detail the progress on control improvement initiatives, and are also submitted to the various Board sub-committees and the Board.

- Afrox has a robust risk management process in place (refer to page 24 for further details).
- The legal department monitors regulatory compliance through reviews. This identifies changes required to policies and procedures to be updated by process owners in the functional areas.

- Internal audit is a function of The Linde Group and is considered to be independent from Afrox. Internal audits are conducted on financial systems, compliance with policies and business processes. Audit findings are reported to management and summarised findings are presented to the Audit Committee. Progress on resolving audit findings is monitored to ensure that they are appropriately closed out and that the associated risk is mitigated.

Board charter

Business conduct is regulated by means of a King III-aligned Board charter that is underpinned by principles of sound corporate governance. The Board charter is currently being revised to ensure alignment with better practice and provide further guidelines for responsibility. This revision is done annually and considers changes brought about by new legislation or the business environment.

Chairperson and Managing Director

The Chairperson is an executive of the controlling shareholder, The Linde Group, and the Chief Executive of Region Africa and the UK. The Chairperson provides overall leadership of the Board and its committees. She monitors and evaluates the performance of the Managing Director in conjunction with the NGMR Committee in order to ensure the achievement of Afrox's strategic and operational objectives. Dr Khotso Mokhele is the lead independent director, as the Chairperson is not independent.

The Board recognises that the roles of the Chairperson and the Managing Director should be separate to ensure a balance of power and authority, and applies this to ensure decision making is unfettered or polarised. The new Chairperson was appointed on 7 September 2016. Refer to page 77 for the compliance statement.

Board focus areas

After a challenging year with an increased workload as a result of oversight on the post-restructure governance, risk mitigations and business controls, the refreshed Board is set to take our business forward with a dynamic mix of expertise and talent that has proved invaluable in problem solving and oversight.

2016 focus areas

- Tracked the benefits in financial results from the restructure.
- Managed cost creep and accountability
- Implemented a sales incentive scheme to enhance the performance of sales and marketing
- BBBEE performance and transformation
- Safety drivers
- Competition Commission market inquiry
- The Board approved gender targets of 25% for women in respect of Board representation

In 2017, the Board aims to:

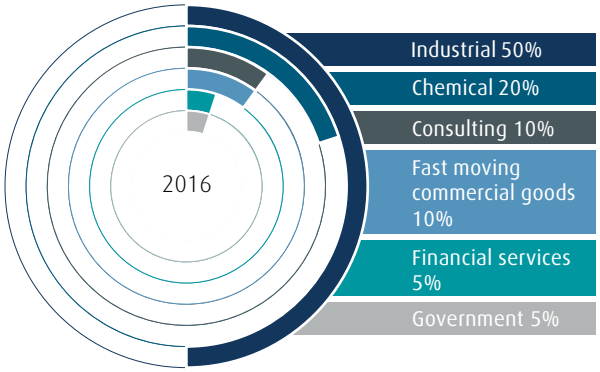
- Introduce a new risk management system to review the external environment for risks, opportunities and benefits. Thereafter, to apply these to our organisational culture from the employees up towards the Board to build a deeper understanding of sustainability.
- Review internal and external security and compliance risks.
- Enhance the efficiency of dedicated consults.
- Monitor financial performance and cost recovery.
- Build on our competitive advantages.
- Review sales and marketing performance.
- Drive the right culture and behaviours.

Competition Commission market inquiry feedback

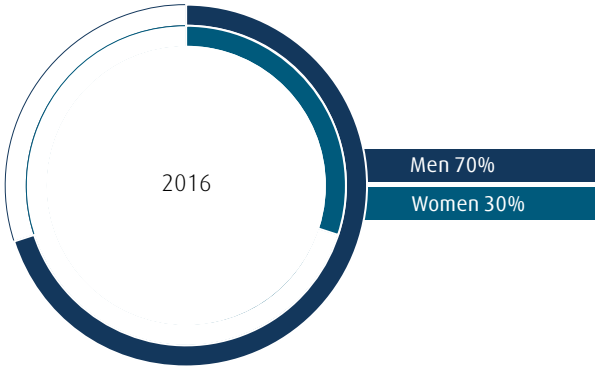
The Competition Commission market inquiry into the LPG sector is ongoing. Afrox continues to provide information upon request as well as supporting information to the inquiry. Refer to page 48 for further details.

Board composition and skills

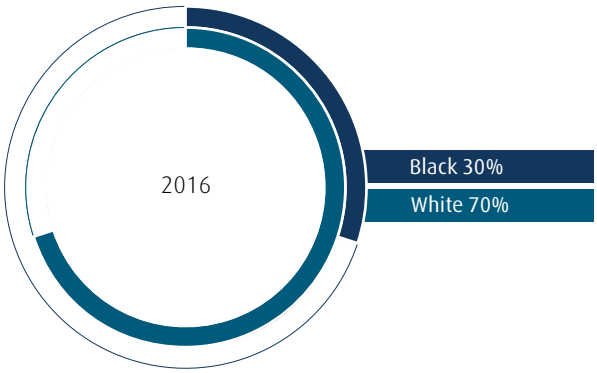
Areas of expertise



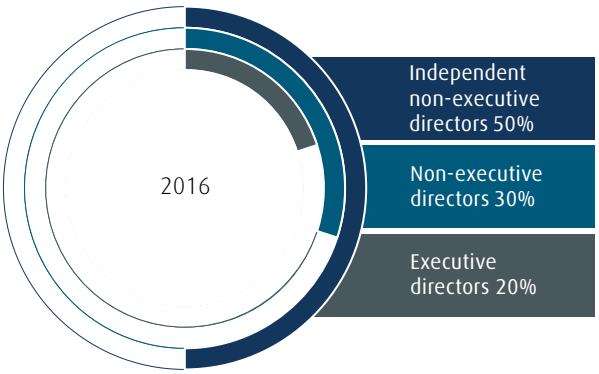
Gender composition



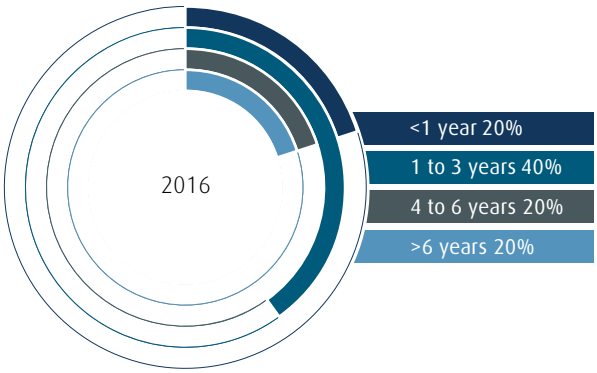
Diversity



Board balance



Tenure



Average non-executive board member age is 53.6 years compared to 57.2 years – SA Board index[1].

[1] *Spencer Stuart prepared the board 2015 analysis versus 2014 SA Board Index*

Board meetings and attendance

Afrox held four Board meetings. Ad hoc meetings are arranged as required. During 2016, there were four regular and no special meetings.

The agenda and relevant supporting documents are distributed to directors before each Board meeting. If directors are unable to attend Board meetings, they submit comments on the agenda and general items to the committee chairperson for raising and discussion. Directors based abroad have access to video or teleconferencing facilities for participation. During the meeting, the appropriate executive director explains and motivates business items that require decisions. Unrestricted access to all Company information and records is available to all directors.

Directors	Appointment date	Meetings attended
Executive directors		
Schalk Venter – Managing Director	18 May 2015	4/4
Dorian Devers – Finance Director	28 May 2015	4/4
Non-executive directors (The Linde Group)		
Sue Graham Johnston – Chairperson	7 September 2016	2/2
Matthias von Plotho	20 May 2011	4/4
Richard Gearing	10 September 2012	4/4
Bernd Eulitz – Former Chairperson (Resigned 7 September 2016)	1 June 2015	2/2
Independent executive directors		
Dr Khotso Mokhele – Lead independent director	1 December 2005	4/4
Chris Wells	22 November 2012	4/4
Nomfundo Vuyiswa Lila Qangule	22 July 2014	4/4
Lean Strauss	26 February 2015	4/4

Board appointments, training and evaluation

Rotation of directors and independence

Director rotations took place as per the Company's notice of annual general meeting (AGM). Sue Graham Johnston was appointed to the position of Chairperson of Afrox's Board of directors, succeeding head of EMEA, Bernd Eulitz, who was appointed to the Board on 1 June 2015. Ms Graham Johnston took up her role on 7 September 2016.

Dr Mokhele has been a lead independent director for more than 10 years. The Board has collectively discussed the character, material interests and performance of Dr Mokhele, and is comfortable that he remains a highly effective and independent member of the board.

Selection process and support

The NGMR Committee makes recommendations to the Board on executive and non-executive director appointments as well as Board composition. The Board considers the recommendations and makes appointments as it deems appropriate, subject to shareholder approval at the ensuing AGM.

Afrox uses skills, acumen, experience and actual or potential level of contributions as criteria for appointments. We further review possible impacts on Afrox's activities and racial and gender diversity. The Afrox Board approved a 25% female diversity representation target in 2016. We achieved this target by having three female directors on the Board.

All directors have access to information required to enable them to carry out their duties. They also have access to management and the Company Secretary in order to carry out their responsibilities fully and effectively.

Training and evaluations

Board members received external training on the Competition Act in September 2016, specifically on director's responsibilities and liabilities in fulfilment of their fiduciary duties.

All new Board members go through a detailed Board induction process and occasional site visits aid employee engagement while providing site-specific information for member edification. The next site visit will occur in May 2017.

External Board evaluations are performed once every three years and are dynamic, based on business circumstances. The next external evaluation will take place in 2019.

Internal Board evaluations for the periods 2015 and 2016 were completed in February 2017. The overall outcome demonstrated that the Board and the committees are functioning effectively with constructive and positive relationships being formed between board members and management. The process identified areas of enhancement which included organisational succession planning, bolstering of the risk management function and formalising stakeholder engagements. The Board Chairperson and the respective committee chairs will put action plans in place to address these areas and evaluate the progress made at the next board appraisal. The Board will also conduct an external skills gap analysis to ensure a balanced mix of skills going forward.

Company Secretary

Cheryl Singh was appointed Company Secretary in January 2014. The Company Secretary is not a member of the Board or a prescribed officer. The Afrox Board remains satisfied that an arm's-length relationship exists between it and the Company Secretary.

The Company Secretary provides the Board with guidance in discharging of directors' duties and responsibilities in the context of legislation, regulation, governance procedures and requirements. The Board has access to, and is aware of, the responsibilities and duties of the Company Secretary and has committed itself to ensuring that the Company Secretary is afforded support as and when required. The Company Secretary acts as secretary to all Board-appointed committees.

In line with the JSE Listings Requirements, the Board assessed the Company Secretary on the basis of competence, qualifications and experience. The Board concluded that the Company Secretary is competent to carry out her duties and remains responsible for the appointment and removal of the Afrox Company Secretary.

Board-appointed committees

The Board delegates certain management responsibilities to Board-appointed committees to assist in discharging its duties while remaining accountable for the performance and affairs of Afrox.

Each committee acts within agreed, written terms of reference. The Board receives minutes of committee meetings and reports from the Chairperson of each Board-appointed committee at the scheduled Board meetings.

The Chairperson of each Board-appointed committee is an independent non-executive director and members are non-executive directors. The only exceptions are the SHEQ and SET committees, where the Managing Director is an official member. Executive directors attend committee meetings by invitation.

The Audit Committee report for the year ended 31 December 2016 is included in the annual financial statements. The SET Committee report is available on page 79.

Committee members	Meeting attendance	Purpose
Audit Committee		
CF Wells (chairperson) NVL Qangule GJ Strauss	3/3 3/3 3/3	• The Audit Committee is an independent statutory committee appointed by the shareholders to fulfil the obligations contained in the Companies Act, and the requirements contained in King III. It also executes further duties delegated to the Audit Committee by the Board. • In addition to having specific statutory duties to the shareholders, in terms of the Companies Act, the committee assists the Board by advising and making submissions on financial reporting, overseeing 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. • During the year, the Audit Committee reviewed the expertise and skills of the Financial Director and is satisfied that the correct abilities, skills and knowledge are inherent to said member in the performance of their duties.
The Audit Committee report is available on page 2 of the full annual financial statements		

Committee members	Meeting attendance	Purpose
Nominations, Governance and Management of Resources Committee		
GJ Strauss (chairperson) Dr KDK Mokhele B Eulitz (Resigned on 7 September 2016) S Graham Johnston (Appointed as a committee member on 7 September 2016)	4/4 4/4 3/3 1/1	**Management of resources** • 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, retirement plans, training, succession plans and performance management are applied to senior employees of Afrox • Reviews the rules of any long-term incentive schemes operated by Afrox • Monitors and reviews Afrox's retirement funds to ensure compliance with current best practice standards, industry practices and legislation **Nominations and corporate governance** • Enforces policy on gender targets among others as well as nomination and appointments of directors • Monitors and reviews the Company's policies, practices and compliance with corporate governance principles and regulations • Serves as a Nominations Committee (chaired by Dr KDK Mokhele) and as part of its function, the committee: – reviews and makes recommendations on the retirement and re-election of directors, by rotation, prior to the AGM; – 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; and – reviews the size of the Board, committee structures and director assignments • The Board, through the committee, conducts self-performance evaluations
SHEQ Committee		
Dr KDK Mokhele (chairperson) SM Venter GJ Strauss	4/4 4/4 4/4	• Ensures that SHEQ management within Afrox is aligned with the overall business strategy, and is geared for compliance and fulfilment of its commitments and obligations in these fields • Reviews the policies and performance of Afrox and the implementation of SHEQ policies • Considers and provides guidance to the Board on major SHEQ projects • Ensures that the Board is informed of all significant impacts on the Company in the SHEQ field and how these processes and activities are managed • Considers substantive national and international regulatory and technical developments in the field of SHEQ • Monitors the Company's SHEQ performance progress on continuous improvement

Committee members	Meeting attendance	Purpose
Social, Ethics and Transformation Committee		
Dr KDK Mokhele (chairperson) NVL Qangule SM Venter The SET Committee report is available on page 79.	3/3 3/3 3/3	The committee has specific statutory duties in terms of provisions of the Companies Act, the Company's Memorandum of Incorporation and any other applicable law or regulatory provision: • To monitor the Company's activities, having regard to relevant legislation, other legal requirements, or prevailing codes of best practice • To draw matters within its mandate to the attention of the Board • To report to shareholders at the AGM on the following range of activities: – social and economic development; – good corporate citizenship; – consumer relationships; and – labour and employment • To formulate strategies and monitor a range of activities to ensure the successful transformation of Afrox, in the areas of BBBEE, 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; – transformation-sensitive procurement; and – supplier development

Code of Ethics

The Linde Code of Ethics is designed to build and enhance the ethical integrity of all its employees and directors. In that regard, the Code of Ethics supports the Linde corporate vision, values and principles.

The Board is responsible for the ethical governance of the Company and leads with the assistance of the executive team in ensuring sound governance. This philosophy of leadership-led excellence permeates the entire company and is reflected in the Linde Group Code of Ethics to which Afrox subscribes.

Our Ethics and Compliance Committee, a Board sub-committee, provides additional oversight by monitoring and managing ethics-related matters in the organisation. This committee receives valuable input from a diverse range of Afrox personnel including finance, internal audit, HR, forensics and legal.

What does the Code outline?

The Code sets clear behavioural and ethical expectations with regards to our customers, suppliers, operating markets, shareholders, employees, communities and society. A zero-tolerance approach is taken to deviations from this Code and it is a requirement that each employee learns and complies with the standards and laws that apply to their job. The Code sets minimum standards of behaviour expected within the Company and prescribes that local laws, policies and legislations are adhered to, relative to country of operation. All ethical non-conformances and breaches are reported to the Audit and SET committees for remedial action.

The detailed document sets out:

1.	Ethics and compliance requirements within Afrox	The Code applies to all employees, directors and officers. The standards set out in the Code determine how Afrox will maintain its relationships with customers, suppliers, governments, other businesses, the environment and people. These standards provide clear guidance on how we are expected to act in certain circumstances and ensure that our positive reputation is maintained and enhanced.
2.	Appropriate use of the integrity line	The Company's integrity line exists for employees to report contraventions of the Code of Ethics and to raise certain qualified concerns that cannot be appropriately addressed at a line management level. Electronic and telephonic access is provided.
3.	Guidance for making ethical decisions	Company assets, Company time, government interaction, confidential information, insider dealing, communication, products and financial reporting are some of the topics detailed and outlined for employee guidance.

Principles of honest communication, fair treatment and equal opportunities are entwined into the Code and support a fundamental respect for human rights.

To support a consistent ethical culture, training and guidance is offered for the additional policies in place to strengthen the governance environment, namely anti-corruption, business partner compliance guidance and our competition policy.

Supplier Code of Conduct

We apply the Linde Group's Code of Conduct for Suppliers which details requirements for legal compliance, health and safety, human rights, labour laws and standards, integrity, environmental protection and supply chain matters to which we hold our suppliers accountable. Of the suppliers that make up the top 80% of our procurement, 37.2% have confirmed agreement to this code. Conflict of interests between employees, affiliates and suppliers is detected through a specialised function in our procurement systems. Refer to page 82 for more information.

Other required disclosures

Dealing in securities

Trading in Afrox securities by directors, managers and employees is governed by the Afrox share trading policy, which is jointly managed by the Company Secretary and Group Finance. In compliance with the policy, the Company is timeously informed of all closed and prohibited periods and their obligations during such periods.

This policy complies with the Financial Markets Act and JSE Listings Requirements, which restrict 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. The policy requires a higher governance and legal standard than that stipulated in the JSE Listings Requirements and, in terms of the policy, the Chairperson approves all transactions in Company securities for both the Board members and executive management prior to any such transactions. The Board expects strict adherence to the policy.

The Company maintains a list of insiders, which is actively monitored and updated. The policy is reviewed from time to time to ensure continued compliance with applicable legislation. The Audit Committee and the Board review the policy on an annual basis.

Public and shareholder communications and treatment of stakeholders

Communication with the public and shareholders embodies the principles of balanced reporting, clarity and openness. Positive and negative aspects of both financial and material 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 Company's results.

The Board actively endeavours to fairly balance the interests of all shareholders and other stakeholders; the Board as a whole continuously challenges business decisions and judgements to ensure that all shareholder interests, particularly minority interests, are appropriately protected. In alignment with this obligation, the Board reviews all transactions and/or agreements between the Company and The Linde Group annually.

Refer to page 26 for more information regarding stakeholder engagement.

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. No conflicts of interest exist regarding directors' interests in contracts. 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.

Statement of compliance

The Board is of the opinion that Afrox is compliant with King III and the JSE Listings Requirements, except for the following instances:

King III principles and recommendation	Explanation
Principle 2.16: The board should elect a chairman of the board who is an independent non-executive director.	The Chairperson of the Afrox Board is Sue Graham Johnston, who is responsible for managing the Region Africa segment within the Linde Group. Accordingly, Ms Johnston cannot be classified as an independent director. Dr Khotso Mokhele is appointed to the Afrox Board as Lead independent director in compliance with Recommendation 38.
Recommendation 78: Independent non-executive directors may serve longer than nine years.	Despite the nine-year recommended board tenure as per King III, the Board is of the opinion that Dr Mokhele's independence of character and judgement is in no way affected or impaired by the length of service. Dr Khotso Mokhele has served on the Afrox Board since 2005 and plays a critical role in ensuring continuity of knowledge and experience on the Afrox Board.

Our approach to information technology governance

Our Board is responsible for the governance of information technology (IT) which defines the structures, processes, responsibilities and other mechanisms required to make decisions while considering various stakeholders. This form of governance is guided by the principles outlined in the African Oxygen Limited Board charter for information technology. According to its own analysis, Afrox continues to operate in compliance with King III Chapter 5 requirements.

There were no material changes to policies in 2016 and all major IT projects and initiatives were approved by the Board in adherence to the defined levels of authority for governance. Executive management received regular management reports on progress, risks and deliverables to monitor and align IT activities with the Group's performance and sustainability objectives. Various projects were executed as part of ongoing cost efficiency and service maintenance programmes which were monitored closely by management committees. The effectiveness of IT and programmes to leverage benefits from the existing IT platform are examples of assessments and actions made.

As part of our continuity planning, Afrox tested our IT disaster recovery in 2016 and it remains compliant with all IT-relevant legislation in South Africa and Emerging Africa.

Ongoing focus continues in the area of IT security and governance. Additional measures introduced in 2015 and user awareness programmes were stabilised in 2016 to support the data security environment. Global security monitoring and compliance intensified through vulnerability assessment programmes, none of which led to material risk areas.

Our IT function received multiple audits in the year, both internal and external, with findings reported to the Audit Committee. No major material findings were reported.

Social, Ethics and Transformation Committee report

Our guiding principles for responsible corporate behaviour

In order to operate successfully and create value for our stakeholders, Afrox considers social, ethical, transformational and environmental aspects into our business strategy, supporting our intention to remain a responsible social citizen that considers the sustainability of our Company, our country, our society and the environment. We remain aligned with local legislation, global legislation and various other requirements to ensure that its status maintained and improved.

Afrox has measurable corporate responsibility policies coupled with a strict reporting and review cycles. We strive to continuously develop specific metrics for each of our defined goals and keep the Board informed of sustainability compliance and high-level risks through reports and presentations to the SET Committee.

We support the development and transformation goals of the South African government and apply good governance in a manner that promoted the highest standards of integrity for all interactions and processes.

The Company retains the corporate responsibility focus areas that have served us well in prior years. These are aligned to the Afrox strategy which is below. The governance approach for addressing these focus areas has been updated and is detailed post after the overview.

Corporate responsibility focus areas

Sustainable economic growth

- Competitive market presence
- Support stakeholder requirements
- Continuously strive to create shared value

Social environment

- Ensure sustainable social investments
- Protect the rights of individuals
- Citizenship is core to our values

Sustainable workplace

- Competent, engaged employees
- Excellent employee health and wellbeing
- Sustainable transformation

Ethics and compliance

- Ethical performance
- Corporate Governance in all processes
- Compliance to legislative requirements

Environment

- Sustainable use of resources
- Providing sustainable product and services
- Incorporating SHEQ as a life value

Social, Ethics and Transformation Committee report continued

An overview of sustainability governance

The sustainability governance structure was simplified from a collaborative-based (Linde Group in conjunction with Afrox), six-pronged process to a collaborative three level one, allowing for greater levels of accountability and improved speed in decision making.

Sustainability governance structure

Afrox Board

The Linde Group

Linde business unit heads
Responsibility for the Company's overall sustainability performance rests with Afrox's Managing Director. Through use of the Afrox corporate responsibility policy, our Managing Director has delegated authority to the executive management responsible for ensuring economic, social, environmental and employee sustainability performance through Company standards, directives and strategic direction.

SET Committee
The SET Committee performs continuous governance and management reviews. The committee provides the Board with reports, presentations and information on the Company's sustainability compliance, and high-level risks to keep them informed of such matters.

Afrox executive management
Implementation of governance directives is the responsibility of executive management. At the core of these implementation efforts is the Corporate Responsibility and Transformation Committee that provides a platform for identifying opportunities, taking action and sharing learnings, both within and outside Company. The committee also tracks progress on agreed projects.

African Oxygen Limited

Effective sustainability governance

The year in review

According to its formal terms of reference, the SET Committee successfully discharged its responsibilities in 2016 and ensured that no duplication or inefficiencies existed in allocated roles or responsibilities across the various Board committees.

Oversight and monitoring of board committees is reflected in the Board committee matrix alongside, ensuring that roles and responsibilities were discharged according to applicable regulations, such as the Companies Act of South Africa and various codes of good practice.

The SET Committee continues to use an annual work plan to cover all matters requiring attention during the planned year. Our accountability road map has five areas that each person is accountable for in terms of performance against agreed KPIs and targets. Refer to the corporate responsibility focus areas on page 79 for details.

The Committee has made progress on its prior year agenda, focusing on:

- enterprise development and securing LPG supply;
- preferential procurement and scorecard development;
- our evolving ownership story and the positioning of the business (specifically media messaging); and
- BBBEE compliance (including skills development and succession planning, among others).

Scope of matters	SHEQ	Audit	NGMR	SET
Companies Act, 2008				
Social economic development and Company's standing in terms of:				
• 10 Principles of UNGC				X
• OECD guidelines on corruption				X
• EE Act				X
• BBBEE				X
The International Labour Organisation Protocol on decent work and working conditions			X	
Good corporate citizenship including:				X
• promotion of equality, prevention of discrimination				X
• corruption				
• contribution to development of communities				X
• record of sponsorships, donations and charitable giving				X
The environment	X			
Health and public safety	X			
Impact of Company's activities and products and services on communities/environment in which the Company operates	X			
Consumer relationships, including policies and records relating to advertising and public relations				X
Compliance with consumer protection laws			X	X
Labour and employment matters				
Health and public safety				
King III				
• Ethical leadership and ethical behaviour				
• Review adequacy and effectiveness of Company's engagement with stakeholders				X
• Review Company strategy and policy for corporate social investment				X
• Determining Code of Ethics and ensuring Company adherence				X
Governing stakeholder relations				
• Review Stakeholder report on Company's reputation				X
• Feedback on stakeholder engagements				X
• Consider stakeholder material issues				X
Sustainability reporting				
• Review of the sustainability section of the integrated report				X
• Compliance with GRI				X
• Compliance with ISO 26000				X
• Compliance with the JSE SRI Index				X
• Independent assurance of sustainability content				
• JSE Listings Requirements		X		
• Disclosure in Integrated Report on Company's compliance with the King III and areas of non-compliance with explanations			X	

Social, Ethics and Transformation Committee report continued

Ethics and human rights

Code of Ethics

As outlined in the Linde Code of Ethics, Afrox is committed to high standards of corporate responsibility. Sustainability in the supply chain is becoming a key aspect, Afrox's stakeholders, especially customers and investors, are increasingly incorporating sustainability considerations into their investment decisions. They are not only interested in how we manage sustainability in our own operations, but also require evidence of how we include sustainability aspects in our procurement practices. Governments worldwide have enacted stricter laws and regulations while intensifying the enforcement of these rules.

We employ people based on their ability to perform to or exceed desired levels and believe that our diverse workplace reflects principles of equality and fairness. We encourage tolerance and sensitivity to other cultures as set out in our Code of Conduct. The Group remains committed maintaining a workplace free from any form of discrimination, including reasons of race, creed, culture, nationality, gender, sexual orientation or marital status.

Refer to page 76 for the Code of Ethics.

Supply chain

We expect our suppliers to share our responsible practices and support our commitment to sustainable development, as defined in our ethical-legal principles procurement as well as in the Code of Conduct for Suppliers of The Linde Group.

Our suppliers are required:

- to comply with all applicable laws and regulations;
- to meet adequate health and safety standards;
- to adhere to internationally agreed labour standards;
- not to engage in any form of corruption or bribery;
- to protect the environment to the best of their ability; and
- to encourage their own suppliers to meet minimum sustainability requirements.

The Supplier Code of Conduct was approved by the Linde Executive Board. Of the 2 036 suppliers used in 2016, 759 have confirmed adherence to this Code of Conduct. Refer to page 76 for more information.

Anti-corruption

A total of 1 135 employees were trained on anti-corruption practices and are now comfortable in implementing the guidance principles learned. Our business partner compliance guide course was completed by 502 employees.

The senior management team of each Emerging Africa country received training on both anti-corruption and business partner compliance policies and 96% of computer users in the Company completed a electronic Code of Ethics refresher training.

In addition:

- All office-based employees completed digital training on anti-corruption with a 97% completion rate.
- Eligible employees obtained a 100% completion rate for digital training on business partner compliance, covering agent and intermediary corruption risk.
- Emerging Africa: Performed a review of specific compliance risks and provided tailored guidance for interactions with public bodies. Also performed are compliance, antitrust and bribery/corruption risk assessment exercises in nine Emerging Africa countries. The projects began in 2015 and remain ongoing.

Human rights

We believe that all people are entitled to treatment in line with the fundamental human rights within South Africa's constitution and are committed to upholding these rights, labour laws and standards across our business. Our human rights statement is available at http://www.afrox.co.za/en/corporate_responsibility/Index.html.

We strive to attain a workforce composition that is representative of our countries diverse demographics and stand for equal opportunity and fair treatment in all our operations and interactions with employees. Refer to page 58 of for transformation statistics and information.

We ensure that all managers and consultative forums are familiar with the Employment Equity Act. Consultative forums in partnership with the SET Committee manage employment equity issues, legislative compliance and set numerical targets for the Company. Senior management is held responsible for reaching equity targets.

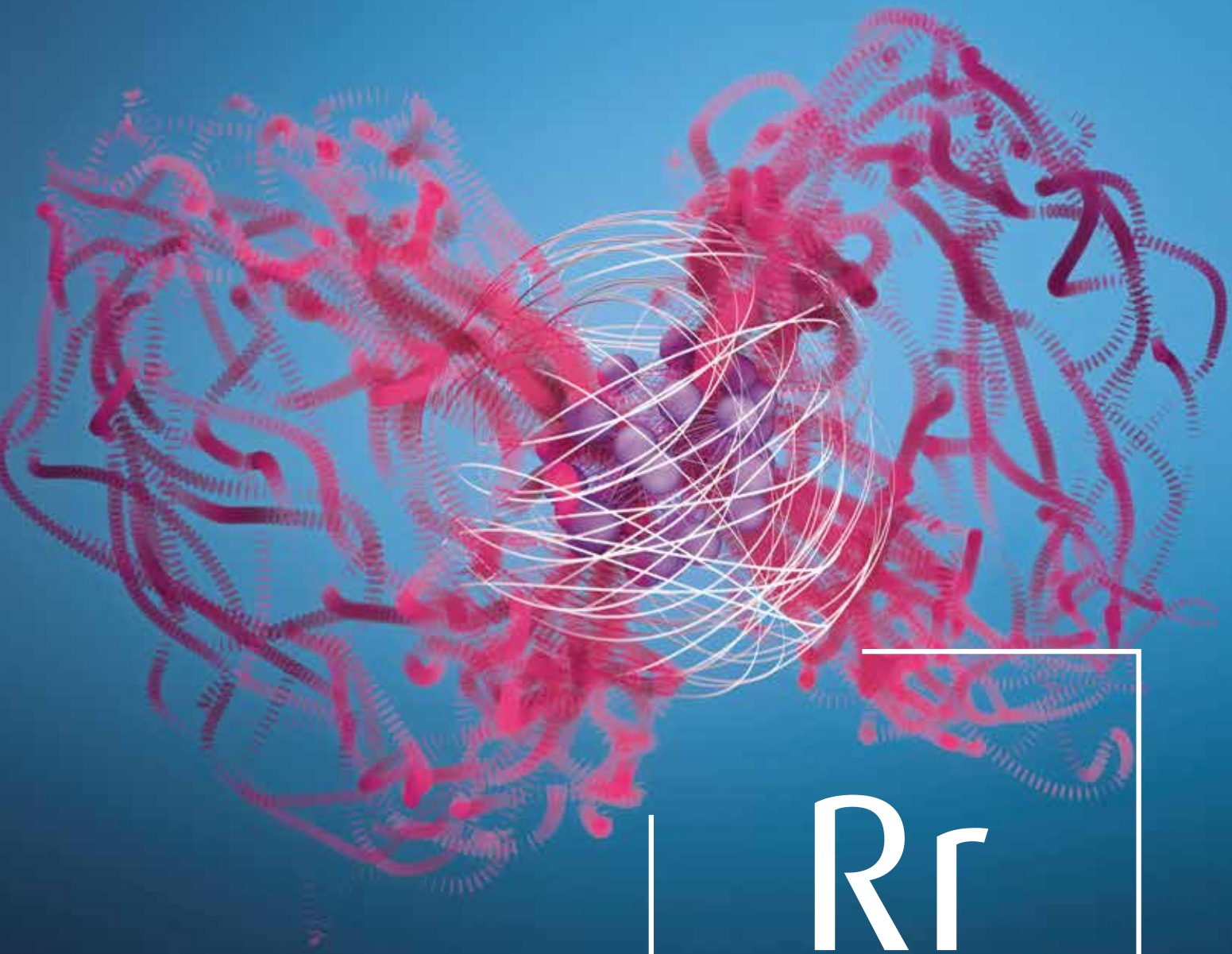
All acts of discrimination brought to the Company's attention are reviewed and such incidents are dealt with firmly. No claims of discrimination were made in the year.

Conclusion

The SET Committee confirms believes that there has been no substantive non-compliance or non-adherence to legislation, regulation, codes of best practice, relevant to the committee's mandate in the year.

The Committee is proud to share that progress against the prior year has been made in line with expectations and in line with our new operating structure. We will continue to align our business reaction to the promulgated BBBEE Codes as best as possible and maintain our socially responsible reputation. Afrox was once again included in the JSE Socially Responsible Index (SRI) and looks forward to conquering the challenges in its future with all relevant stakeholders.

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



Rr

Remuneration report

Remuneration philosophy

Our remuneration philosophy for executive management, non-executive directors and other employees is benchmarked against manufacturing industry standards and we strive to remunerate our employees competitively within the relevant occupational ranges. External consultants aid us in establishing market-related salary benchmarks. Through annual HR budget reviews, we consider both employee performance and business affordability to reach an appropriate remuneration figure.

The philosophy is balanced and recognises differences in individual performance, value and contribution to the organisation through a framework that is consistent to ensure equitable pay levels and defensible remuneration decisions. A rigorous objective-setting process at all levels to ensure shareholder expectations are met and/or exceeded.

Remuneration and our strategy

Remuneration is structured in a manner that supports our 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 as contained in the business strategy; and
- aligning the economic interests of employees with those of other stakeholders.

Afrox considers the 50th percentile of a selection of peer companies (primarily from the manufacturing sector) for base pay setting. This is supported by a bouquet of relevant employee benefits. Where applicable, such as in attracting people with relevant skills, the Company will remunerate above this benchmark.

Responsibility for governing remuneration and developing relevant policy

Final responsibility for the remuneration policy rests with the Board who in turn appoints the NGMR Committee to aid it is fulfilling its duties. The NGMR Committee is primarily responsible for providing input into and approving the reward strategy when remuneration is concerned.

The Linde Group also provides significant input into the establishment of Afrox's remuneration practices and a number of advisors are used to assist in tracking market trends where relevant.

Service contracts

There are no director service contracts with the Company that have a notice period exceeding one month or that provide for compensation and benefits (excluding share-linked benefits vesting in terms of the applicable rules of the scheme) in excess of one month's salary. An exception may occur under mutual separation arrangements.

An employment contract with a notice period of one month is in place to retain the services of our Managing Director. The Financial Director's services are secured through an employment contract with BOC Holdings PLC (a member of The Linde Group). The Company recovers a portion of his remuneration from Afrox in lieu of management services that he renders.

Remuneration for senior management and employees

Various components are involved in the remuneration packages for senior management and employees. These include the following:

Guaranteed component

All permanent employees not employed in a sales function receive a guaranteed remuneration, based on their position, the 50th percentile of the market and the skills of the specific employee. This guaranteed portion is based on cost to Company and comprises a fixed basic salary and compulsory benefits (as per executive directors). Market movements and individual performance determine the level of increases to the guaranteed component.

Sales employees receive a guaranteed component and a variable bi-annual reward linked directly to the achievement of specific targets.

Short-term incentives

Short-term incentives are paid annually and are used to encourage achievement of annual objectives at management level. This ensures that this significant and variable portion of pay is linked to performance. Short-term incentives for senior management are based on both Company financial and non-financial KPIs and individual performance. Short-term incentives are typically up to 30% of base salary. The split between Company and individual performance is typically 90% and 10%.

The primary bonus pools are approved by the NGMR Committee, which also oversees principles applied in allocating said pools to business segments and individuals.

Long-term incentives

Both senior management and executive directors participate in the Company's share-based incentive scheme. The NGMR Committee decides on allocation after Company and individual performance is taken into account.

The committee is of the view that the incentive scheme is a direct link to the Company performance through the share price. The Company's Share Appreciation Rights (SARs) scheme and Forfeitable Share Plan (FSP) are equity-settled long-term incentive schemes. These schemes are utilised as a mechanism to attract and retain competent employees.

Share Appreciation Rights scheme

According to the rules of the various share schemes, no one individual may hold in excess of the equivalent of 1% of the Company's issued share capital and the aggregate number of SARs shall not exceed the equivalent of 10% of the Company's issued ordinary share capital. At the date of exercising the option, the SARs are converted into ordinary shares (providing performance conditions are met by the vesting date) using this formula:

$$\frac{\text{Share price at exercise date} - \text{Share price at grant date}}{\text{Share price at exercise date}} \times \text{Number of rights exercised}$$

The total interest of executive directors who held office on 31 December 2016 is 56 000 SARs. This is granted at an average price of R13.55 per share.

Forfeitable Share Plan

Executive directors who held office on 31 December 2016 had an indirect interest in 214 000 forfeitable shares. The vesting of certain shares is conditional only upon the employee being employed by the Company at the vesting date and for other shares granted both on continued employment and on reaching predetermined performance conditions. All dividends paid accrue to the employee during the vesting period.

Review of long-term incentives

The NGMR Committee reviews the long-term incentive scheme regularly, considering relevant changes in tax legislation while ensuring alignment with our long-term objectives.

Guaranteed component

Executive directors receive a guaranteed element of remuneration based on cost to company. This comprises a fixed-base salary and benefits such as medical aid, retirement fund membership, travel and life cover and disability cover. The remuneration considers market-related levels as well as the position and responsibilities of the individual.

Short-term incentives

A significant portion of executive directors' cost is variable as a result of exercising short-term incentives to promote performance that attains stipulated strategic annual objectives.

The base used for executive directors' short-term incentives are Company financial and non-financial KPIs and individual performance. This is typically a 90% Company, 10% individual performance. Short-term incentives are typically between 30% and 50% of base salary.

Long-term incentives

Long-term incentives are used as mechanism to encourage executive directors to successfully execute the Company's long-term strategy. Executive directors take part in the share-based incentive scheme. Refer to pages 86 to 88 for details of executive director remuneration.

Remuneration for non-executive directors

The NGMR Committee reviews the fees annually and makes recommendations to the Board for consideration. After receiving these recommendations, the Board proposes the non-executive director fees for shareholder approval at the AGM.

The Chairperson of the Board is entitled to receive a fixed retainer. No other fees or retainer for attendance at Board or committee meetings is provided for. The current Chairperson holds this position by virtue of her executive position in The Linde Group, as a result, no retainer is currently payable.

The fee structure for 2016 and that proposed for the 2017 financial year are reflected below.

Independent non-executive directors' remuneration

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

		2016 current practice		2017 proposed payment			
Category	Role	Retainer fee R	Fee per meeting R	Retainer fee R	Retainer fee increase %	Fee per meeting R	Fee per meeting increase %
Lead independent director		392 200	11 130	403 966	3	12 020	8
Board	Director	224 720	11 130	231 462	3	12 020	8
Audit Committee	Chairperson	151 580	11 130	156 127	3	12 020	8
	Member	75 260	11 130	77 518	3	12 020	8
NGMR Committee	Chairperson	100 700	11 130	103 721	3	12 020	8
SHEQ Committee SET Committee	Member	50 880	11 130	52 406	3	12 020	8

Director and executive management emoluments (R'000) – 2016

Name	Months paid	Fees	Re-muneration	Pension/ payment contri-butions	Performance bonus[1]	Benefits, allowances and gains on share incentives	Total
Non-executive directors[2]		2 424	–	–	–	–	2 424
Current directors							
Dr KDK Mokhele	12	834	–	–	–	–	834
NVL Qangule	12	474	–	–	–	–	474
GJ Strauss	12	652	–	–	–	–	652
CF Wells	12	464	–	–	–	–	464
Executive directors		1 000	3 135	456	1 575	1 033	7 199
Current directors							
SM Venter – Managing Director	12	–	3 135	456	1 575	1 033	6 199
DKT Devers[3]	12	1 000	–	–	–	–	1 000
Total emoluments		3 424	3 135	456	1 575	1 033	9 623

[1] *In respect of 2015 financial performance.*
[2] *The Linde Group's non-executive directors are not reflected as they do not receive emoluments from the Company.*
[3] *Fees paid to BOC Holdings PLC.*

Director and executive management emoluments (R'000) – 2015

Name	Months paid	Fees	Re-muneration	Pension/ payment contri-butions	Performance bonus	Benefits, allowances and gains on share incentives	Total
Non-executive directors[1]		2 719	–	–	–	–	2 719
Former directors							
DM Lawrence	5	609	–	–	–	–	–
Current directors							
NVL Qangule	12	402	–	–	–	–	–
Dr KDK Mokhele	12	787	–	–	–	–	–
GJ Strauss	10	436	–	–	–	–	–
CF Wells	12	485	–	–	–	–	–
Executive directors		1 000	2 947	429	1 157	8 645	14 178
Current directors							
SM Venter	7		1 869	272	325	601	3 067
DKT Devers[2]	7	1 000	–	–	–	–	1 000
Former directors							
BD Kimber	1	–	–	–	–	7 385	7 385
NA Thomson	5	–	1 078	157	832	659	2 726
Total emoluments							

Share Appreciation Rights and forfeitable shares granted during the year

Name	Fair value at options at issue date R'000	Number of SARs	Number of forfeitable shares with performance conditions	Number of forfeitable shares without performance conditions
2016				
Executive directors				
SM Venter	606	24 000	27 000	9 000
DKT Devers	–	–	–	–
Total SARs and forfeitable shares granted during the year	606	24 000	27 000	9 000
2015				
Executive directors				
SM Venter	2 442	32 000	61 000	117 000
DKT Devers	–	–	–	–
Total SARs and forfeitable shares granted during the year	2 442	32 000	61 000	117 000

Vested and non-vested number of rights[3]

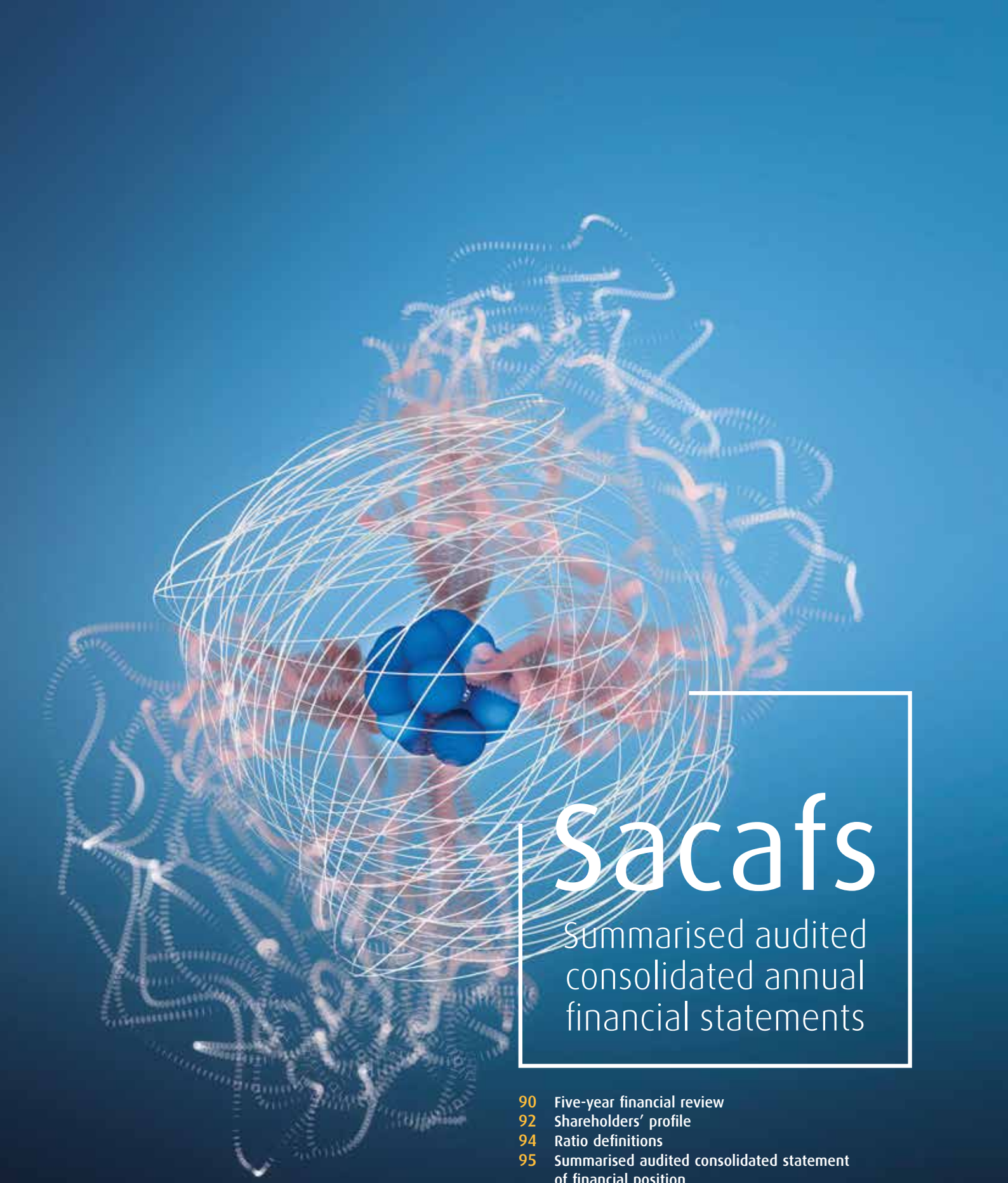
Name	2016 Vested number of rights (exercisable)	2016 Non-vested number of rights (not yet exercisable)	2015 Vested number of rights (exercisable)	2015 Non-vested number of rights (not yet exercisable)
Executive directors				
SM Venter	–	270 000	–	210 000
DKT Devers	–	–	–	–
Total vested and non-vested number of rights	–	270 000	–	210 000

[1] *The Linde Group's non-executive directors are not reflected as they do not receive emoluments from the Company.*
[2] *Fees paid to BOC Holdings PLC.*
[3] *Includes: FSP without performance criteria, FSP with performance criteria and SARs.*

Remuneration for non-executive directors continued

Shareholding of directors and executive management

Name	2016 Beneficial	2016 Non-beneficial	2015 Beneficial	2015 Non-beneficial
Executive directors				
SM Venter – Managing Director	–	–	–	–
DKT Devers	–	–	–	–
Non-executive independent directors				
NVL Qangule	–	100	–	100
GJ Strauss	–	–	–	–
Dr KDK Mokhele	–	100	–	100
CF Wells	100	–	100	–
Non-executive directors				
S Graham Johnston – Chairperson	–	–	–	–
R Gearing	–	100	–	100
M van Plotho	–	100	–	100



Sacafs

Summarised audited consolidated annual financial statements

These summarised audited consolidated annual financial statements are a summary of the audited consolidated annual financial statements as at and for the year ended 31 December 2016, that were approved by the Board on 23 February 2017. The preparation of these condensed consolidated annual financial statements was supervised by the Financial Director, Dorian Devers.

The audited consolidated annual financial statements are available for inspection at the Company's registered office and on the Afrox website at www.afrox.co.za.

Five-year financial review

Group	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm
SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Non-current assets					
Property, plant and equipment	2 952	2 988	3 166	3 034	2 854
Retirement benefit assets	406	538	475	552	348
Deferred taxation assets	15	19	15	9	15
Other non-current assets	124	141	163	199	241
Current assets (excluding cash and cash equivalents)	1 775	1 609	1 564	1 833	1 588
Borrowings (including cash and cash equivalents)	153	–	–	–	–
Assets held for sale	–	120	–	–	44
Total assets	5 425	5 415	5 383	5 627	5 090
Equity and liabilities					
Total equity attributable to the equity holders of the parent Company	3 657	3 431	3 019	3 202	2 804
Non-controlling interests	27	37	28	37	27
Borrowings (including cash and cash equivalents)	–	148	503	649	615
Other long-term financial liability	26	–	–	–	–
Deferred taxation liabilities	553	518	512	570	528
Current liabilities (excluding borrowings)	1 162	1 281	1 321	1 169	1 116
Total equity and liabilities	5 425	5 415	5 383	5 627	5 090
SUMMARISED CONSOLIDATED INCOME STATEMENT					
Revenue	5 537	5 473	5 834	5 825	5 558
Operating expenses (excluding restructuring costs)	(4 300)	(4 469)	(5 016)	(4 945)	(4 760)
Earnings before interest, taxation, depreciation, amortisation and impairments (EBITDA)	1 237	1 004	818	880	798
Depreciation and amortisation	(379)	(390)	(381)	(366)	(328)
Impairment of tangible assets	(10)	(27)	(35)	–	(31)
Impairment of intangible assets	–	–	(17)	–	–
Earnings before interest and taxation (EBIT) before restructuring costs	848	587	385	514	439
Restructuring costs	–	(79)	(185)	–	–
EBIT	848	508	200	514	439
Net finance expense	14	(9)	(12)	(47)	(35)
Income from associate	2	1	1	1	4
Profit before taxation	864	500	189	468	408
Income taxation expense	(264)	(75)	(93)	(144)	(133)
Profit for the year	600	425	96	324	275
Owners of the Company	597	414	83	309	262
Non-controlling interests	3	11	13	15	13
Owners of the Company	597	414	83	309	262
Dividends declared	(275)	(56)	(136)	(139)	(154)
Retained income/(loss)	322	358	(53)	170	108

Group	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm
CASH FLOW SUMMARY					
EBIT	848	508	200	514	439
Cash generated from operations	1 099	926	986	833	936
Total capital expenditure (tangible)	379	362	514	505	546
Acquisition of intangible assets	10	15	13	–	12
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)	193.3	134.2	26.8	100.1	84.9
Headline earnings per share (cents)	189.4	139.2	36.2	95.3	88.5
Dividends declared per share (cents)	94.0	69.0	24.0	47.0	45.0
Dividend cover – basic earnings (times)	2.1	1.9	1.1	2.1	1.9
Dividend cover – headline earnings (times)	2.0	2.0	1.5	2.0	2.0
Net asset value per share (cents)	1 245	1 159	1 158	1 263	1 170
Profitability and asset management					
EBITDA margin (%)	22.3	18.3	14.0	15.1	14.4
EBIT margin (%)	15.3	9.3	3.4	8.8	7.9
Return on net assets (%)	22.9	14.2	5.4	13.7	12.4
Net asset turn (times)	1.5	1.5	1.6	1.6	1.6
Return on shareholders' equity (%)	16.9	12.8	2.7	10.3	9.3
Return on capital employed (%)	24.6	16.7	4.7	12.2	10.9
Effective rate of taxation (%)	30.5	15.0	49.3	30.8	32.5
Liquidity and leverage					
Interest cover (times)	–	57.7	17.4	10.9	12.5
Liability ratio	0.5	0.6	0.7	0.6	0.6
Current ratio	1.5	0.7	1.2	1.6	1.4
Gearing (%)	(4.4)	3.6	12.4	14.6	15.5
Value added					
Number of permanent employees	2 142	2 336	2 856	2 930	3 248
Revenue per average permanent employee (R'000)	2 473	2 108	2 016	1 886	1 701
Profit before taxation per average permanent employee (R'000)	386	194	66	152	125

Shareholders' profile

for the year ended 31 December 2016

SHAREHOLDER SPREAD

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

	2016				2015			
	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	4	0.13	209 821 185	61.20	5	0.17	210 201 239	61.31
Insurance, investment and trust companies	92	3.09	31 439 904	9.17	62	2.17	23 038 592	6.72
Pension, provident funds and trusts	197	6.62	37 371 907	10.90	211	7.38	34 472 096	10.05
Banks and nominee companies	47	1.58	58 937 588	17.18	61	2.13	69 782 973	20.35
Individuals and deceased estates	2 519	84.68	4 549 023	1.33	2 402	84.02	4 499 808	1.32
Corporate bodies	64	2.15	470 309	0.14	68	2.38	529 148	0.15
Private companies	52	1.75	262 994	0.08	50	1.75	329 054	0.10
Total	2 975	100.00	342 852 910	100.00	2 859	100.00	342 852 910	100.00
Shareholder type								
Public shareholders	2 964	99.63	132 966 488	38.78	2 849	99.65	132 650 371	38.69
Non-public shareholders (within the Linde AG Group)	11	0.37	209 886 422	61.22	10	0.35	210 202 539	61.31
Strategic holdings (more than 10%)	1	0.03	173 046 413	50.47	1	0.03	173 046 413	50.47
Directors' holdings	5	0.17	500	0.00	5	0.18	1 300	0.00
Own holdings and share incentive scheme	5	0.17	36 839 509	10.75	4	0.14	37 154 826	10.84
Total	2 975	100.00	342 852 910	100.00	2 859	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 were:

	2016		2015	
	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
BNP Paribas (Custodian)	20 974 571	6.12	19 514 389	5.69
Government Employees Pension Fund (previously Public Investment Corporation)	18 723 775	5.46	18 447 898	5.38
State Street Bank (Custodian)	18 605 259	5.43	26 642 780	7.77
Sanlam Group	7 135 974	2.08	3 766 291	1.10
JP Morgan (Custodian)	6 093 948	1.78	7 128 481	2.08
Allan Gray	6 018 945	1.76	5 994 867	1.75
Investec Asset Management	5 739 119	1.67	3 780 876	1.10
Eskom Pension & Provident Fund	4 934 356	1.44	–	–
CitiGroup (Custodian)	4 784 921	1.40	9 955 393	2.90
	300 342 589	87.60	302 562 696	88.24
Other shareholders	42 510 321	12.40	40 290 214	11.76
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	**2016 Amount per share (cents)***	2015 Amount per share (cents)
177	27 August 2015	2 October 2015	5 October 2015	9 October 2015	12 October 2015		18.0
178	26 February 2016	7 April 2016	8 April 2016	14 April 2016	19 April 2016		51.0
179	7 September 2016	11 October 2016	12 October 2016	14 October 2016	17 October 2016	38.0	
180	23 February 2017	4 April 2017	5 April 2017	7 April 2017	10 April 2017	56.0	
						94.0	69.0

* *Before taxation on dividends at 20% (2015: 15%).*

Statistics	**December 2016**	December 2015	December 2014	December 2013	December 2012
Share price (cents)					
– Closing	1 900	1 300	1 604	2 200	2 350
Ordinary shares in issue at financial year-end ('000)	342 853	342 853	342 853	342 853	342 853
Number of shares traded ('000)	36 964	36 273	44 869	46 220	46 658
Value of shares traded (R'000)	664 641	500 448	878 493	1 013 911	899 409
Number of shares traded as a percentage of shares issued	10.8	10.6	13.1	13.5	13.6
Earnings yield (%)	10.2	10.3	1.7	4.6	3.6
Ordinary dividend yield (%)	4.9	5.3	1.5	2.1	1.9
Price:basic earnings ratio	9.8	9.7	59.9	22.0	27.7
Price:headline earnings ratio	10.0	9.3	44.4	23.1	26.6

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

Ratio definitions

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

Summarised audited consolidated statement of financial position

as at 31 December 2016

R'million	Note	2016 Audited	2015 Audited
ASSETS			
Property, plant and equipment	3	2 952	2 988
Retirement benefits assets		406	538
Deferred taxation asset		15	19
Lease receivables		72	88
Other non-current assets		52	53
Non-current assets		3 497	3 686
Inventories		611	604
Trade and other receivables		1 044	864
Lease receivables		16	19
Derivative financial instruments		–	15
Receivables from fellow subsidiaries of the holding company		66	54
Taxation receivable		38	53
Cash and cash equivalents		1 175	880
Assets held for sale	6	–	120
Current assets		2 950	2 609
Total assets		6 447	6 295
EQUITY AND LIABILITIES			
Equity holders of the parent company		3 657	3 431
Non-controlling interests		27	37
Total equity		3 684	3 468
Long-term borrowings		1 000	1 000
Other long-term financial liability		26	–
Deferred taxation liabilities		553	518
Non-current liabilities		1 579	1 518
Provisions		16	73
Trade, other payables and financial liabilities		1 109	1 186
Taxation payable		26	22
Derivative financial instruments		11	–
Bank overdrafts		22	28
Current liabilities		1 184	1 309
Total equity and liabilities		6 447	6 295

Summarised audited consolidated income statement

for the year ended 31 December 2016

R'million	2016 Audited	2015 Audited
Revenue	5 537	5 473
Operating expenses (excluding restructuring costs)	(4 300)	(4 469)
EBITDA	1 237	1 004
Depreciation and amortisation	(379)	(390)
Impairment of tangible assets	(10)	(27)
EBIT before restructuring costs	848	587
Restructuring costs	–	(79)
EBIT	848	508
Net finance expense	14	(9)
Income from associate	2	1
Profit before taxation	864	500
Taxation	(264)	(75)
Profit for the year	600	425
Attributable to:		
Owners of the Company	597	414
Non-controlling interests	3	11
Profit for the year	600	425
Earnings per share		
Basic and diluted earnings per ordinary share – cents	193.3	134.2

Summarised audited consolidated statement of comprehensive income

for the year ended 31 December 2016

R'million	2016 Audited	2015 Audited
Profit for the year	600	425
Other comprehensive (loss)/gain after taxation	(106)	49
Items that are or may be reclassified to profit or loss	(51)	21
Translation differences on foreign operations	(43)	13
Translation differences relating to non-controlling interests	(4)	3
Changes in fair value of cash flow hedges (net of taxation)	(4)	5
Items that will never be reclassified to profit or loss	(55)	28
Actuarial (losses)/gains on defined-benefit funds	(77)	39
Deferred taxation relating to actuarial losses/(gains)	22	(11)
Total comprehensive income for the year	494	474
Total comprehensive income attributable to:		
Owners of the Company	495	460
Non-controlling interests	(1)	14
	494	474

Summarised audited consolidated statement of changes in equity

for the year ended 31 December 2016

R'million	Share capital and share premium	Incentive scheme share and share-based payment reserves	FCTR and hedging reserves	Actuarial (losses) /gains	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2015	552	(8)	(68)	289	2 254	28	3 047
Total comprehensive income	–	–	18	28	414	14	474
Profit for the year	–	–	–	–	414	11	425
Other comprehensive income	–	–	18	28	–	3	49
Shares purchased on behalf of employees	–	(11)	–	–	–	–	(11)
Share-based payments, net of taxation	–	19	–	–	–	–	19
Dividends paid	–	–	–	–	(56)	(5)	(61)
Balance at 31 December 2015	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	–	–	(47)	(55)	–	(4)	(106)
Share-based payments, net of taxation	–	6	–	–	–	–	6
Forfeited shares	–	(11)	–	–	11	–	–
Dividends paid	–	–	–	–	(275)	(9)	(284)
Transfer to retained earnings	–	5	–	(262)	257	–	–
Balance at 31 December 2016	552	–	(97)	–	3 202	27	3 684

Summarised audited consolidated statement of cash flows

for the year ended 31 December 2016

R'million	2016 Audited	2015 Audited
EBIT	848	508
Adjustments for:		
Depreciation, amortisation and impairments	389	417
Other non-cash movements	(67)	88
Operating cash flows before working capital adjustments	1 170	1 013
Working capital adjustments	(11)	82
Cash generated from operations before restructuring costs	1 159	1 095
Restructuring costs paid	(60)	(169)
Cash generated from operations	1 099	926
Net finance expenses	(66)	(74)
Taxation paid	(177)	(116)
Dividends received	1	1
Cash available from operating activities	857	737
Dividends paid to owners of the parent	(275)	(56)
Dividends to non-controlling interests	(9)	(5)
Net cash inflow from operating activities	573	676
Additions to property, plant and equipment and intangibles	(389)	(377)
Proceeds from disposal of property, plant and equipment and intangibles	84	34
Other investing activities	33	33
Net cash outflow from investing activities	(272)	(310)
Incentive share scheme shares purchased on behalf of employees	–	(11)
Net cash outflow from financing activities	–	(11)
Net increase in cash and cash equivalents	301	355
Cash and cash equivalents at the beginning of the period	852	497
Cash and cash equivalents at the end of the period	1 153	852

Segmental report

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.

Atmospheric Gases	Air gases separated into their main components
LPG	Liquefied Petroleum Gas
Hard Goods	Electrodes and welding equipment
Emerging Africa	All operations outside South Africa, Lesotho and Swaziland

R'million	2016 Audited	2015 Audited
Revenue*	5 537	5 473
Atmospheric Gases	2 319	2 110
LPG	1 797	1 820
Hard Goods	666	788
Emerging Africa	755	755
Gross profit after distribution expenses (GPADE) before restructuring costs	1 775	1 585
Atmospheric Gases	868	681
LPG	369	321
Hard Goods	232	272
Emerging Africa	306	311
Reconciliation of GPADE to EBIT		
GPADE for business segments before restructuring costs	1 775	1 585
Other operating expenses	(917)	(971)
Impairments	(10)	(27)
Atmospheric Gases	–	(27)
Emerging Africa	(10)	
Restructuring costs	–	(79)
Earnings before interest and taxation (EBIT)	848	508
Geographical representation		
Revenue	5 537	5 473
South Africa	4 782	4 718
Emerging Africa#	755	755
Non-current assets	3 497	3 686
South Africa	3 242	3 439
Emerging Africa#	255	247

* *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.*

Selected notes to the summarised audited consolidated financial statements

for the year ended 31 December 2016

African Oxygen Limited (Afrox or the Company) is a South African registered company. The summarised audited 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. STATEMENT OF COMPLIANCE

The summarised audited consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements (JSE Listings Requirements) for summarised reports, and the requirements of the Companies Act of South Africa, 71 of 2008, as amended (Companies Act) applicable to summary financial statements. The JSE Listings Requirements require summarised reports 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 summarised audited consolidated financial statements were derived, are in terms of IFRS.

2. BASIS OF PREPARATION

The summarised audited consolidated financial statements do not include all the information and disclosures required for the audited consolidated financial statements. The summarised audited consolidated financial statements should be read in conjunction with the audited consolidated financial statements. The audited consolidated financial statements for the Group as at and for the year ended 31 December 2016 were prepared on the going-concern basis, and are available for inspection at the Company's registered office and will be available on the Afrox website at www.afrox.co.za.

The accounting policies applied in the presentation of the summarised audited consolidated financial statements are consistent with those applied for the year ended 31 December 2015.

The summarised audited 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.
- Share-based payment awards are measured at fair value. The fair value of the equity instruments granted is estimated using industry-accepted techniques.
- Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs of to sell.

The directors take full responsibility for the preparation of these summarised audited 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 Dorian Devers, Financial Director.

3. PROPERTY, PLANT AND EQUIPMENT

R'million	**2016 Audited**	2015 Audited
Opening carrying value	2 988	3 166
Additions, net of transfers from assets under construction	379	379
Transfer to assets held for sale	(7)	(120)
Impairments	(10)	(27)
Disposals	(15)	(28)
Depreciation	(367)	(369)
Translation differences	(16)	(13)
Closing carrying value	2 952	2 988

Impairment write-down

The Group's plant and equipment was impaired by R10 million (2015: R27 million). The impairment losses have been recognised in profit and loss as impairment of tangible assets. The DRC subsidiary assets were impaired in line with the abandonment of operations. The recoverable amount for the assets was determined based on the value in use of Rnil.

Change in estimate

During the year, the Company conducted a review of expected useful lives of plant and machinery based on IAS 16. As a result, the expected useful lives of these assets increased. The effect of these changes on actual and expected depreciation expense, included in depreciation expenses, in current and future years respectively is as follows:

R'million	**31 December 2016 Audited**	31 December 2017 Audited	31 December 2018 Audited	31 December 2019 Audited	31 December 2020 Audited
Decrease in depreciation	36	28	15	9	5

Selected notes to the summarised audited consolidated financial statements continued

for the year ended 31 December 2016

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 2016	
Financial liabilities measured at fair value	
Derivative financial instruments	11
31 December 2015	
Financial assets measured at fair value	
Derivative financial instruments	15

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 reflects the actual transactions in similar instruments.

5. EARNINGS AND HEADLINE EARNINGS PER SHARE

Headline earnings per share are calculated on headline earnings of R585 million (2015: R429 million), and a weighted average number of ordinary shares of 308 567 602 (2015: 308 567 602).

Reconciliation between earnings and headline earnings

R'million	2016 Audited	2015 Audited
Profit for the year	597	414
Adjusted for effects of:		
Impairment of goodwill in subsidiaries	–	–
Profit on disposal of property, plant and equipment	(26)	(6)
Impairment of property, plant and equipment	10	27
	581	435
Taxation	4	(6)
Headline earnings	585	429
Basic and diluted earnings per share – cents	193.3	134.2
Headline earnings per share – cents	189.4	139.2

6. ASSETS HELD FOR SALE

The sale of the Group's land, situated in Cornubia, Durban has been completed. The sale of unutilised properties and assets at gas equipment factory have also been completed as at 31 December 2016. The assets held for sale related to the Atmospheric Gases segment.

Opening net assets held for sale	120	–
Transfer to net assets held for sale	7	120
Disposals	(127)	–
Total assets held for sale	–	120

7. RELATED-PARTY TRANSACTIONS

As part of the restructuring , a decision was taken to divisionalise Afrox Safety (Pty) Ltd and distribute all its assets to Afrox as at 29 February 2016 as a liquidation distribution. Afrox has assumed all the liabilities of Afrox Safety as at 29 February 2016. Afrox Safety was deregistered on 21 July 2016. The investment in subsidiary of R4 million was impaired in the current year.

The following table summarises the recognised amounts of assets and liabilities assumed at the date of liquidation.

R'million	2016
Property, plant and equipment	4
Finance leases	15
Deferred taxation	3
Inventories	10
Trade and other receivables	11
Provisions	(10)
Trade and other payables	(1)
Taxation receivable	1
Net assets transferred	33

8. UPDATE ON KEY LITIGATION MATTERS

The Group and AMSA reached a settlement in 2016. The full proceeds of the settlement amounting to R165 million was received during the year. As at the date of this report, there is no outstanding litigation of a material nature against the Group. 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.

9. SUBSEQUENT EVENTS

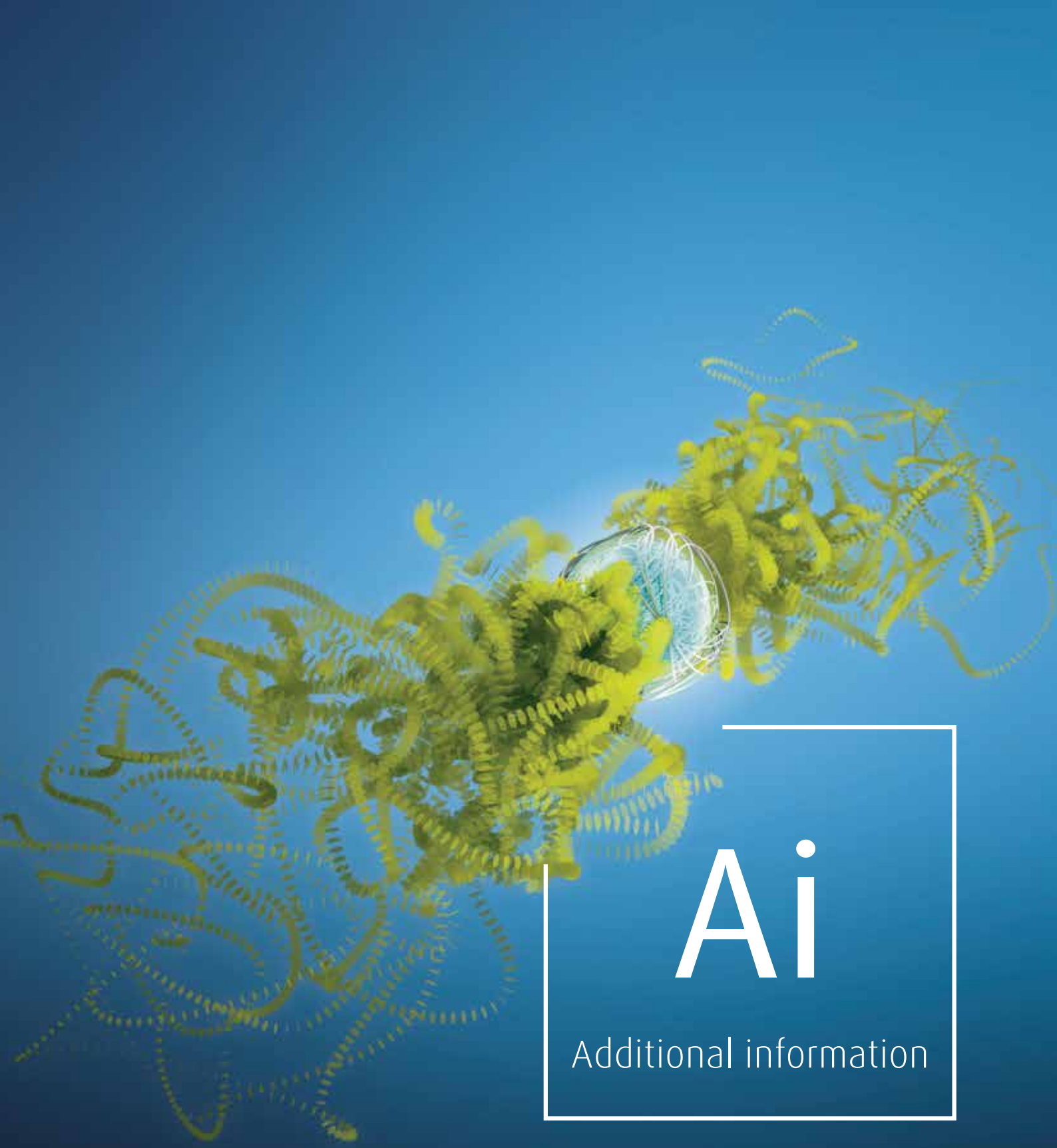
The directors are not aware of any material matter or circumstance arising between the end of the year and up to the date of this report, not otherwise dealt with in this report.

The proceeds of the disposal of certain properties amounting to R84 million were received subsequent to the year end, but before the date of this report.

10. SUMMARY FINANCIAL STATEMENTS INCLUDED IN THE SUMMARISED REPORT

The summary financial statements have been derived from the audited consolidated financial statements on the basis set out in note 2.

The summary financial statements have not been separately audited. For a better understanding of the Company's financial position, financial performance and cash flows in accordance with IFRS, the full audited consolidated financial statements and auditor's report thereon are available from the Company's registered office. The Company's auditor, KPMG Inc., issued an unqualified auditor's report on the financial statements.



Ai

Additional information

Glossary

TERM	DEFINITION
Afrox	African Oxygen Limited
AGM	Annual general meeting
Arcmate	Brand of Afrox
ASU	Air separation unit
BBBEE	Broad-Based Black Economic Empowerment
BBBEE Codes	BBBEE Codes of Good Practice
BCP	Best commercial practice
BO	Black-owned
BWO	Black women-owned
CAPEX	Capital expenditure
CES	Customer engineering services
Companies Act	Companies Act of South Africa, 71 of 2008, as amended
CNG	Compressed natural gas
CO_2	Carbon dioxide
CSI	Corporate social investment
CSP	Concentrated solar plant
DIFOT	Delivered in full and on time
DoE	Department of Energy
DPS	Dividends declared per share
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation, amortisation and impairment losses
EDI	Electronic data interface
EMEA	Europe, Middle East and Africa
EMOC	Engineering management of change
FSSC	Food Safety Systems Certification
FSP	Forfeitable Share Plan
Gas & Gear	Gas & Gear outlets are Afrox-owned distributor sites located in nine different provinces, providing customers with direct product access
GOC	Gases Operation Centre
GPADE	Gross profit after distribution expenses
GRI	Global Reporting Initiative
Handigas	Brand of Afrox
HEPS	Headline earnings per share
ICAS	Independent Counselling and Advisory Service
ICC	Individual cylinder control
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IQF	Individually quick-frozen
<IR> Framework	The IIRC's Integrated Reporting Framework
IT	Information technology
JSE Listings Requirements	Listings requirements of the Johannesburg Stock Exchange Limited
King III	King Report on Governance for South Africa 2009

Glossary continued

TERM	DEFINITION
KPI	Key performance indicator
LiMSS	Linde integrated management system and standards
LPG	Liquefied Petroleum Gas
LNG	Liquefied natural gas
LTI	Lost-time injury
LTIR	Lost-time injury rate
MIG	Metal inert gas
MIR	Major incidents reported
MMA	Manual metal arc
MPG	Merchant and packaged gases
NCSC	National Consumer Service Centre
NERSA	National Energy Regulator of South Africa
NG	Natural gas
NGMR	Nominations, Governance and Management of Resources
NGO	Non-governmental organisations
PPE	Personal protective equipment
PSIF	Potential severe injury and fatalities
PSOs	Product service offerings
Rest of Africa	Rest of Africa encompasses all Afrox-owned countries outside South Africa and excludes Linde-owned, Afrox-managed countries
ROCE	Return on capital employed
Saffire®	Brand of Afrox product
SARs scheme	Share Appreciation Rights scheme
SAP	SAP SE is a German software corporation that makes enterprise software to manage business operations and customer relations
SENS	Stock Exchange News Service
SET	Social, ethics and transformation
SHEQ	Safety, health, environment and quality
Emerging Africa	All of Afrox's operations excluding South Africa, Lesotho and Swaziland
The Linde Group or Linde	Afrox's global gases, engineering and technology parent company
TIG	Tungsten electrode inert gas
Vitemax®	Brand of Afrox product

Notice to shareholders

Shareholders of the Company entitled to attend and vote at the annual general meeting are entitled to appoint proxies to attend, participate and vote at the annual general meeting in place of shareholders. A proxy need not be a shareholder of the Company. Meeting participants are required to provide adequate identification before being allowed to participate in the annual general meeting.

AFRICAN 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)

Notice is hereby given that the 88th 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, 25 May 2017 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 Friday, 17 March 2017, being the notice record date used to determine which shareholders are entitled to receive 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, 19 May 2017, 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 Tuesday, 16 May 2017.

In terms of section 63(1) of the Companies Act, Act 71 of 2008 (the Companies Act), any person attending or participating in the annual general meeting must present reasonably satisfactory identification and the person presiding at the annual general 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. A green barcoded identity document or smart-card issued by the South African Department of Home Affairs, a driver's licence or valid passport will be accepted as satisfactory identification.

SOCIAL AND ETHICS COMMITTEE

In accordance with Regulation 43(5)(c) of the Companies Regulations, 2011 promulgated under the Companies Act, a member of the Social and Ethics Committee (the Committee) is required to report to shareholders on the matters within the mandate of the Committee. The Committee's report is contained on page 79 of the Afrox 2016 integrated report.

1. ORDINARY RESOLUTION NUMBER 1

Adoption of the annual financial statements

Resolved as an ordinary resolution that the annual financial statements of the Company and its subsidiaries (the Group) for the financial year ended 31 December 2016, including the directors' and independent auditors' reports and the Audit Committee report therein, be and are hereby adopted.

2. ORDINARY RESOLUTION NUMBERS 2.1 TO 2.5

Re-election/confirmation of directors

To elect directors of the Company in accordance with the Companies Act and the Company's Memorandum of Incorporation (MOI), 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; and
- any director appointments made by the Board of directors (Board) since the previous annual general meeting require ratification.

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

2.1 Ordinary resolution number 2.1

Resolved that the appointment of SPG Johnston as a director of the Company on 7 September 2016 is hereby confirmed.

2.2 Ordinary resolution number 2.2

Resolved that the appointment of VN Fakude as a director of the Company on 28 February 2017 is hereby confirmed.

2.3 Ordinary resolution number 2.3

Resolved that GJ Strauss, who retires by rotation and being eligible, and who offers himself for re-election as a director, be re-elected.

2.4 Ordinary resolution number 2.4

Resolved that CF Wells, who retires by rotation and being eligible, and who offers himself for re-election as a director, be re-elected.

2.5 Ordinary resolution number 2.5

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

A brief CV in respect of each director appears on pages 67 to 69 of the 2016 integrated report.

3. ORDINARY RESOLUTION NUMBER 3

Re-appointment of auditors

Resolved that KPMG Inc. be re-appointed as the independent auditors of the Company, 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 NUMBERS 4.1 TO 4.3

Appointment of Audit Committee members

Resolved that the appointment of the following directors as members of the Audit Committee be and is hereby confirmed until the conclusion of the next annual general meeting.

Ordinary resolution number 4.1

Resolved that CF Wells be and is hereby elected as a member of the Company's Audit Committee subject to his re-election as a director pursuant to ordinary resolution number 2.4.

Ordinary resolution number 4.2

Resolved that GJ Strauss be and is hereby elected as a member of the Company's Audit Committee.

Ordinary resolution number 4.3

Resolved that NVL Qangule be and is hereby elected as a member of the Company's Audit Committee.

A brief CV in respect of each director appears on pages 67 to 69 of the 2016 integrated report.

5. ORDINARY RESOLUTION NUMBER 5

Non-binding vote on the remuneration policy

Resolved to approve, through a non-binding advisory vote, the remuneration philosophy of the Company detailed on page 84 of the 2016 integrated report.

Explanation: *This ordinary resolution number 5 is required, in accordance with the King III recommendations that the Company obtain an advisory vote by its shareholders in a 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 non-executive directors.*

6. SPECIAL RESOLUTION NUMBER 1

Independent non-executive directors' remuneration

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

		2016 current practice		2017 proposed payment			
Category	Role	Retainer fee R	Fee per meeting R	Retainer fee R	Retainer fee increase %	Fee per meeting R	Fee per meeting increase %
Lead independent director		392 200	11 130	403 966	3	12 020	8
Board	Director	224 720	11 130	231 462	3	12 020	8
Audit Committee	Chairperson	151 580	11 130	156 127	3	12 020	8
	Member	75 260	11 130	77 518	3	12 020	8
NGMR Committee	Chairperson	100 700	11 130	103 721	3	12 020	8
SHEQ Committee SET Committee	Member	50 880	11 130	52 406	3	12 020	8

7. SPECIAL RESOLUTION NUMBER 2

General authority to repurchase shares

Resolved, subject to compliance with the Companies Act, the Company's MOI and the Listings Requirements of the JSE Limited (JSE Listings Requirements), that the Company and its subsidiaries be and are 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:

7.1 the Company and its subsidiaries are enabled by their MOI to repurchase such shares;

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

7.3 the Company and its subsidiaries are authorised by its shareholders, 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 meeting or for 15 (fifteen) months from the date of this special resolution, whichever is the earlier date;

7.4 an announcement be made giving such details as may be required in terms of the Listings Requirements when the Company has cumulatively repurchased 3% (three per cent) of the initial number (the number of that class of share 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;

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

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

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

7.7.1.1 exceed 20% (twenty per cent) of the Company's issued share capital; or

7.7.1.2 exceed 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;

7.8 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 5 (five) business days immediately preceding the date on which the transaction is effected; and

7.9 a resolution by the Board that it has authorised the repurchase, that the Company and the 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.

Explanation: *This special resolution number 2 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. This authority is subject to the Companies Act and the Listings Requirements. 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.*

OTHER DISCLOSURES REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS

In terms of the Listings Requirements, the following disclosures are required with reference to the repurchase of the Company's shares as set out in 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.

Directors' responsibility statement

The directors, whose names are given on pages 67 to 69 of the 2016 integrated report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution number 2 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 number 2 contains all information required.

Other disclosures contained in the 2016 integrated report in terms of paragraph 11.26 of the Listings Requirements

- Major shareholders of the Company (refer to page 92)
- Share capital of the Company (refer to page 92)
- Material change (refer to page 110).

8. SPECIAL RESOLUTION NUMBER 3:

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

Resolved, subject to compliance with the Listings Requirements 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 for 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.*

9. 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 Board be and is hereby empowered to authorise the Company, at any time during the period of two years commencing on the date of this special resolution number 4, 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 shares in the market required for settlement under the share incentive plans operated by the Company from time to time, provided that the Board is 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 for 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 shares on the market, which shares are to be applied in settlement of the Company's obligations to deliver Company shares to executives and other Company or Group employees as it may exist under such share incentive plans that the Company may operate from time to time.*

Material changes

Other than the facts and developments reported on in the 2016 integrated report, there have been no material changes in the affairs, financial or trading position of the Group since the signature date of the 2016 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 own 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 Tuesday, 23 May 2017. On a poll, ordinary shareholders will have one vote in respect of each share held.

In terms of section 58 of the Companies Act, shareholders have rights to be represented by proxy as herewith stated. An extract of section 58 of the Companies Act is included in the form of proxy.

Electronic participation by shareholders

Should any shareholder (or a representative or proxy for a shareholder) wish to participate in the annual general meeting 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 secretaries at the address provided in this notice. The application is to be received by the transfer secretaries at least seven business days prior to the annual general meeting in order for the transfer secretaries to arrange for the shareholder for the purposes of section 63(1) of the Companies Act, and for the transfer secretaries to provide the shareholder with details as to how access to the annual general meeting by means of electronic participation. 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 at least 75% (seventy-five per cent) 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% + 1 (fifty per cent plus one) vote of the voting rights exercised on the resolution.

Cheryl Singh
Company Secretary
23 February 2017

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.
KPMG Crescent, 85 Empire Road, Parktown, Johannesburg 2193
Telephone +27 (0) 11 647 7111

Company Secretary

Cheryl Singh (BProc LLB MBA)
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

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 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
17 Fricker Road, Illovo 2196
Telephone +27 (0) 11 550 5011
Fax +27 (0) 86 718 4524

Sponsor in Namibia

Namibia Equity Brokers Proprietary Limited

Website

www.afrox.co.za

Stakeholder enquiries

Stakeholder enquiries may be addressed per email to: corporate.communication@afrox.linde.com

Form of proxy

AFRICAN 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)

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 Thursday, 25 May 2017.

If you are a shareholder entitled to attend and vote at the above mentioned annual 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 (full name(s) in block letters)

of (address in block letters)

Telephone (work) Telephone (mobile)

Telephone (home) Email

being a shareholder/shareholders of ordinary shares in the Company and entitled to appoint (see note 3):

1. or failing him/her

2. or failing him/her

the chairperson of the annual general meeting, as my/our proxy to act on my/our behalf at the annual general meeting, to be held at the boardroom of the Company, Afrox House, 23 Webber Street, Selby, Johannesburg, South Africa on Thursday, 25 May 2017 at 10:00 and at any adjournment thereof, as follows:

		Number of Afrox shares		
		In favour	Against	Abstain
	Ordinary resolutions:			
1.	Adoption of the annual financial statements			
2.	Re-election/confirmation of directors:			
2.1	SPG Johnston			
2.2	VN Fakude			
2.3	GJ Strauss			
2.4	CF Wells			
2.5	RJN Gearing			
3.	Re-appointment of auditors			
4.	Appointment of Audit Committee members:			
4.1	CF Wells			
4.2	GJ Strauss			
4.3	NVL Qangule			
5.	Non-binding vote on the remuneration policy			
	Special resolutions:			
1.	To approve the independent non-executive directors' fees			
2.	General authority to repurchase shares			
3.	General authority to provide financial assistance to related or inter-related companies			
4.	Authority to provide financial assistance in connection with the purchase of Company securities on the market			

Signed at on 2017

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 or faxed to Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, fax +27 11 688 5238), so as to reach the Company by no later than 10:00 on Tuesday, 23 May 2017.
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 person/s 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 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 custody agreement between the shareholder and the CSDP or the broker.
11. Shareholders who wish to attend and vote at the annual general meeting must ensure that their letters of authority from their CSDP or broker reach the transfer secretaries not later than 10:00 on Tuesday, 23 May 2017.
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/she shall not accept a proxy unless he/she is satisfied as to the manner in which a shareholder wishes to vote.

Transfer secretaries' office
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2001
(PO Box 61051, Marshalltown, 2107)

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- a shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
- a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
- irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
- any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
- if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by:
  – cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  – delivering a copy of the revocation instrument to the proxy and to the relevant company;
- a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise; and
- if the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
  – the relevant shareholder; or
  – the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing; and (ii) paid any reasonable fee charged by such company for doing so.

www.afrox.co.za