O_2

Oxygen

90 YEARS

African Oxygen Limited
Year-end Results Presentation 2016

STRONGER

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Presentation Outline

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1. Performance Summary
2. Performance Drivers
3. Afrox Financial Results Analysed
4. Turnaround Update
5. Key Project Update & Outlook
6. Appendices

Performance Summary

H_2

Hydrogen

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2016 Highlights
Top 10 topics

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1. Reported revenue up 1.2%; excluding ArcelorMittal South Africa Limited (AMSA) (+R165m) and LPG pass through (-R47m) revenue declined 1.0% driven by lower volumes and supply constraints in H1
2. EBITDA of R1 237m up 23.2% with margin improvement of 400bps to 22.3%, reflecting litigation settlement, benefits of turnaround and countermeasures against strong headwinds
3. Atmospheric gases saw improvements in all sectors in H2, however, Price Cost Recovery (PCR) for SA remains an area of focus
4. LPG maintains strong price discipline with higher GPADE (+15.1%) in spite of overall lower volumes from refinery shut downs
5. Hard Goods business saw some stabilisation in H2 from improvements in some key sectors
6. Emerging Africa impacted by currency effects, however, overall performance at PY levels
7. Completion of Cornubia land disposal, pension contribution changes, and business growth supported Operating Cash Flow. Overall decline in Operating Cash Flow was due to higher dividend payments year-on-year
8. HEPS increased by 36.1% and EPS by 44% vs. PY
9. ROCE, with significant improvement from EBIT, grew 790bps from 16.7% to 24.6%
10. Capex to Sales ratio reduced from 6.9% to 6.8%

SHEQ Performance
Significant MIR reduction since 2009

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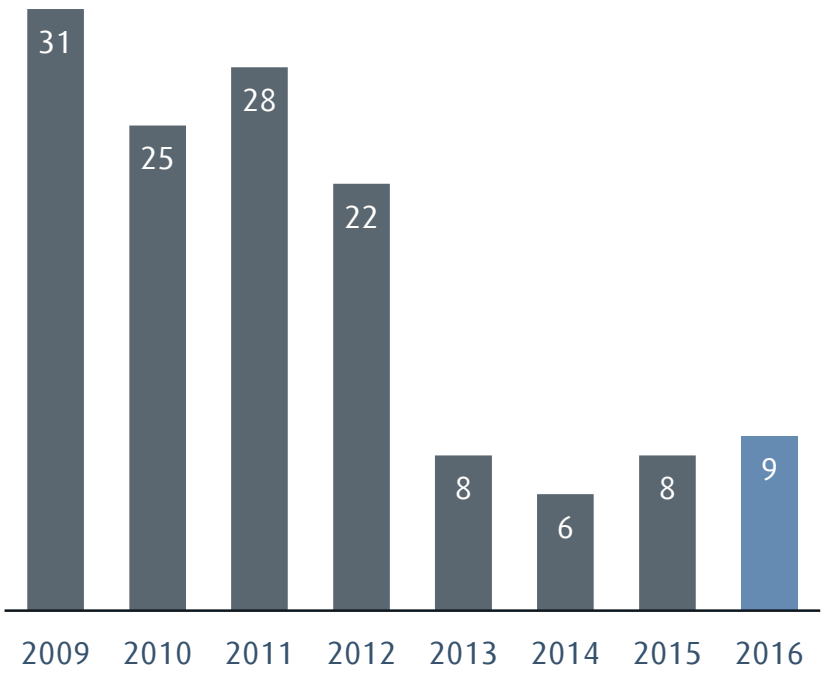
MIR trend*

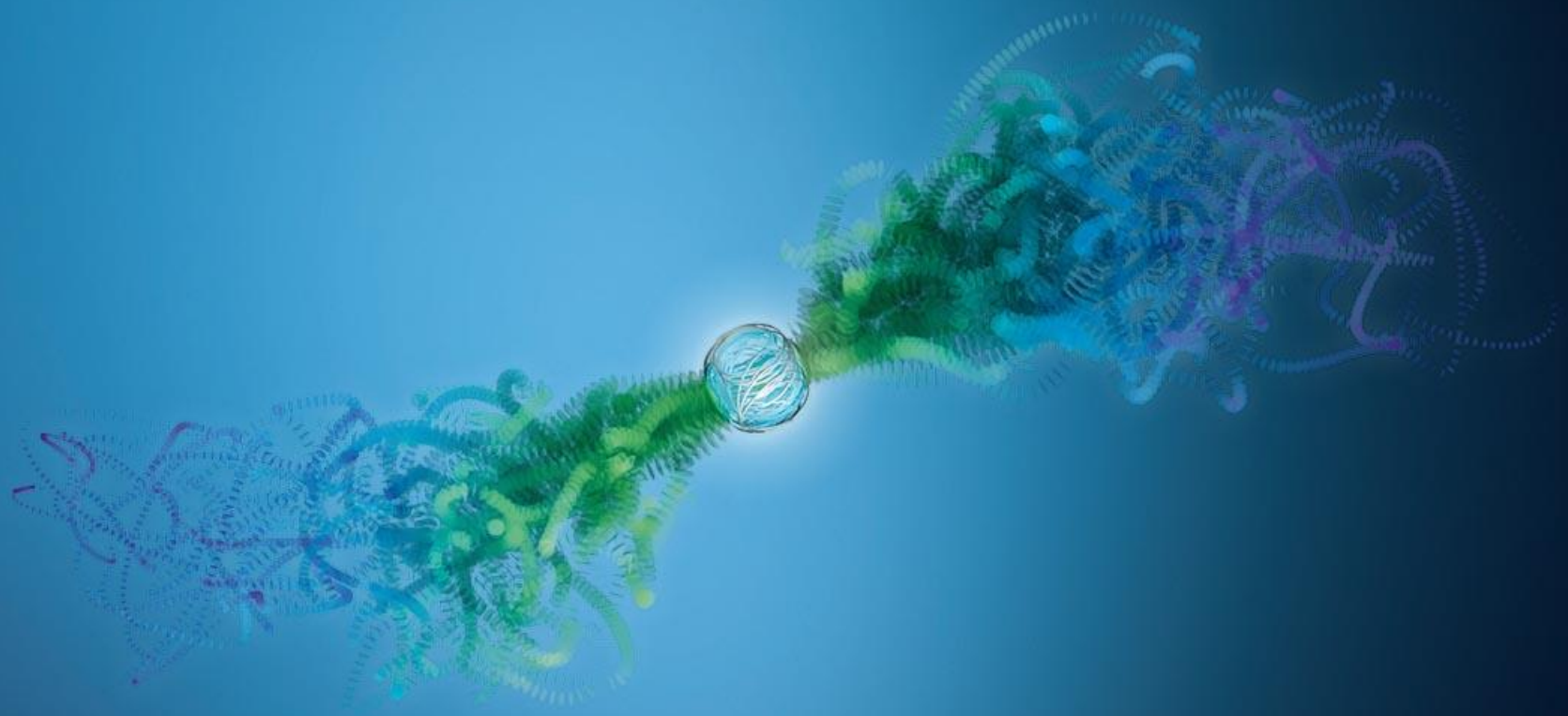


Comments

- Maintained reduced MIRs of 70% during the period 2013-2016 compared to the period 2009-2012
- Over 55% of the MIRs in 2016 were related to security incidents
- Lost Time Injury (LTI) increased from 9 in 2015 to 15 in 2016
- 40% of the LTIs in 2016 were related to manual handling
- Truck Severity level 1 and 2 decreased by 50% from 6 incidents in 2015 to 3 incidents in 2016
- Passenger Car Severity level 1 and 2 decreased significantly by 87% from 8 incidents in 2015 to 1 incident in 2016
- Our SHEQ programmes continue to be monitored and adapted to focus on improvement in safe driving, manual handling and security

* A MIR is an incident with a major outcome and consequences which represents a significant non-compliance with Afrox's Safety, Security, Health, Environment and Quality (SHEQ) Policy

Performance Drivers



He

Helium

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Progress Against Strategic Topics
By business segment

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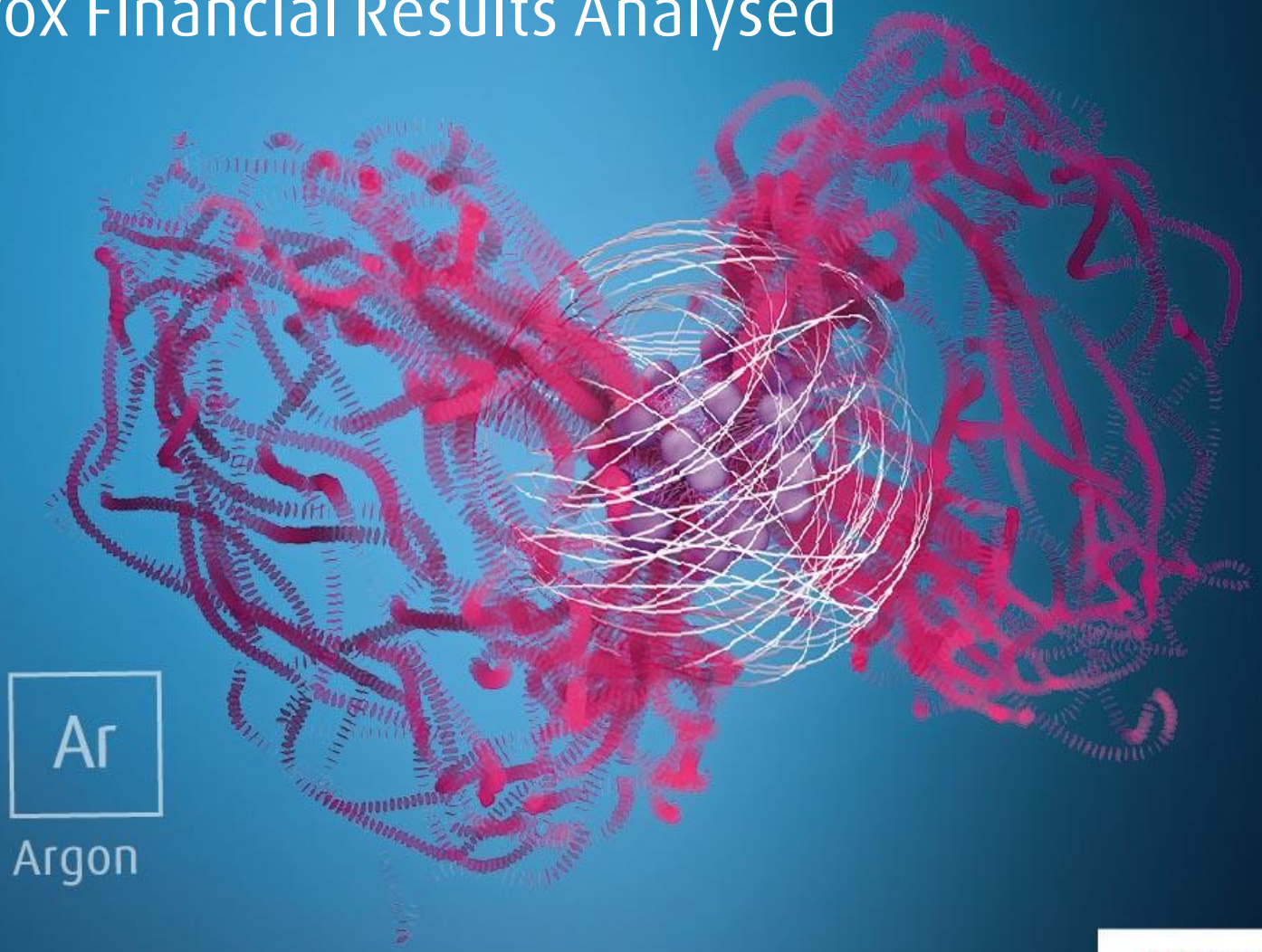
	Prev.	Latest	
Atmospheric Gases	🟢	🟢	Increase EBITDA from restructure
	🟠	🟠	New CO_2 sources
	🟡	🟠	Increase asset utilisation and reliability
	🟢	🟢	Go-to-market strategy
	🟢	🟢	Growth in new applications
	🔴	🔴	Price Cost Recovery 100% of cost inflation
LPG	🟢	🟢	Leading margin management
	🟢	🟢	Security of supply
	🟢	🟢	Return on investment in cylinders
	🟡	🟢	Go-to-market model relative to industrial gases
	🟡	🟠	Ongoing focus on controlling illegal fillers and risk
Emerging Africa	🟠	🟠	Reduce supply chain costs and increase customer supply security
	🟢	🟢	Infrastructure in place for growth
	🟢	🟢	Ensure critical mass per country and improvement in governance
	🟡	🟠	Sales capability development
Hard Goods	⚪	🟡	Explore new markets
	🟡	🟡	Right size fixed costs to throughput
	🔴	🟡	Grow and defend local volumes

🔴 Not started 🟠 Work in progress 🟢 Complete ⚪ New

Afrox Financial Results Analysed



Ar

Argon

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Performance 31 December 2016
Highlights

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ZARm	2015	**2016**	YoY
Revenue	5 473	**5 537**	+1.2%[1]
EBITDA	1 004	**1 237**	+23.2%
EBITDA margin	18.3%	**22.3%**	+400bps
Operating Cash Flow	676	**573**	-15.2%
Headline EPS (cents)	139.2	**189.4**	+36.1%
Reported EPS (cents)	134.2	**193.3**	+44.0%
ROCE	16.7%	**24.6%**	+790bps

- Revenue supported by R165m AMSA settlement, however, adverse market conditions and supply chain constraints have continued to impact revenue development
- EBITDA growth reflects restructuring initiatives delivered as planned, with R161m from AMSA settlement helping to offset market conditions and supply chain challenges
- Operating Cash Flow remains strong but reflects higher dividend payments and return to normal effective tax rate
- Business performance and asset optimisation drove ROCE up to 24.6% (21.4% exclude AMSA settlement)

[1] Without adverse effect from LPG market prices (-R47m), underlying revenue improved by +2.0%

Business Performance

Improved performance in H2 2016 across most businesses

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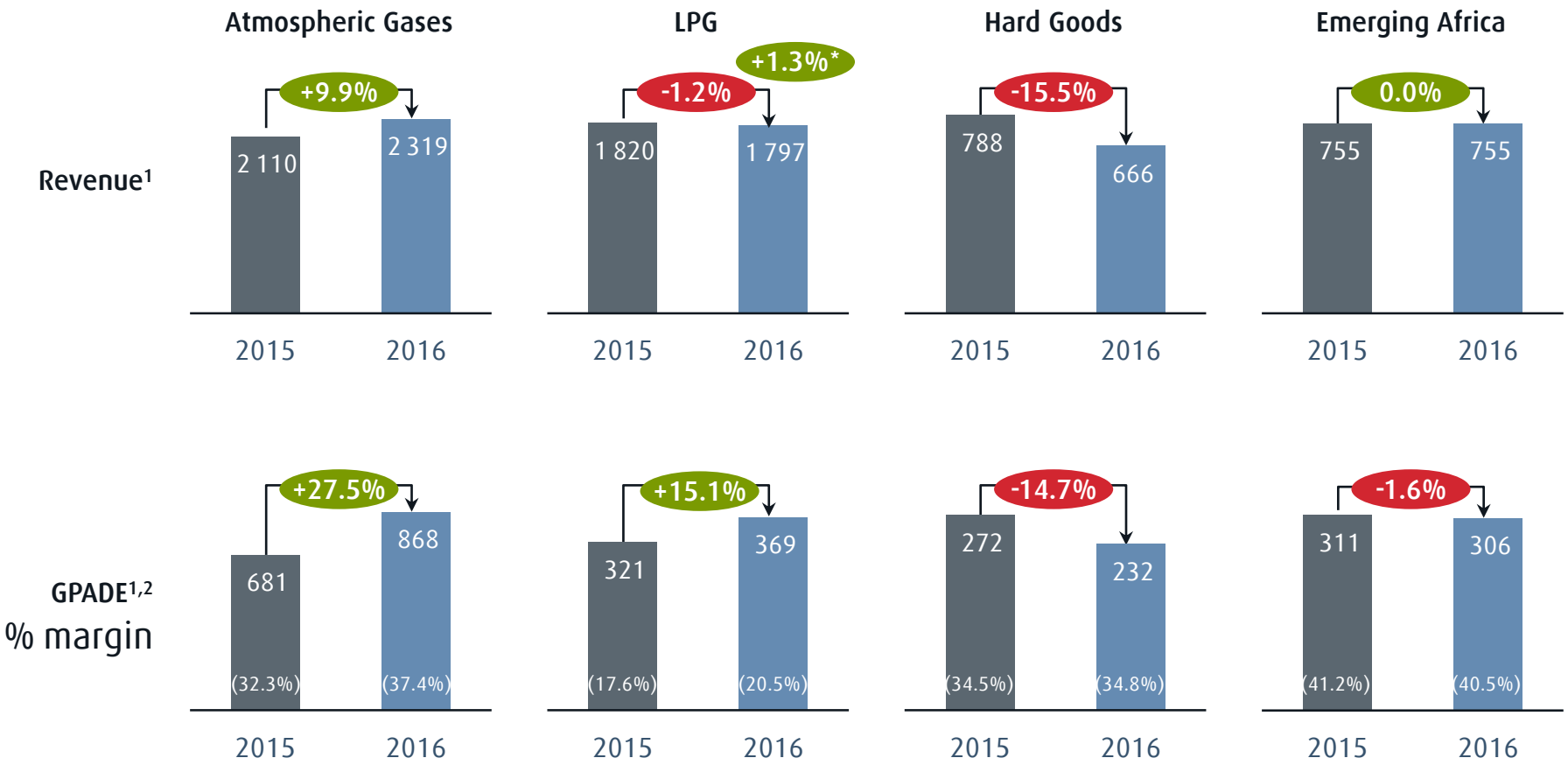

[1] Numbers shown on an adjusted basis with segments adjusted to align with how businesses are managed, and allocation of costs between businesses have been updated to better reflect the split of operational costs | [2] GPADE is gross profit after distribution expenses

* Excluding change in market LPG prices

Atmospheric Gases
Challenging market and supply conditions

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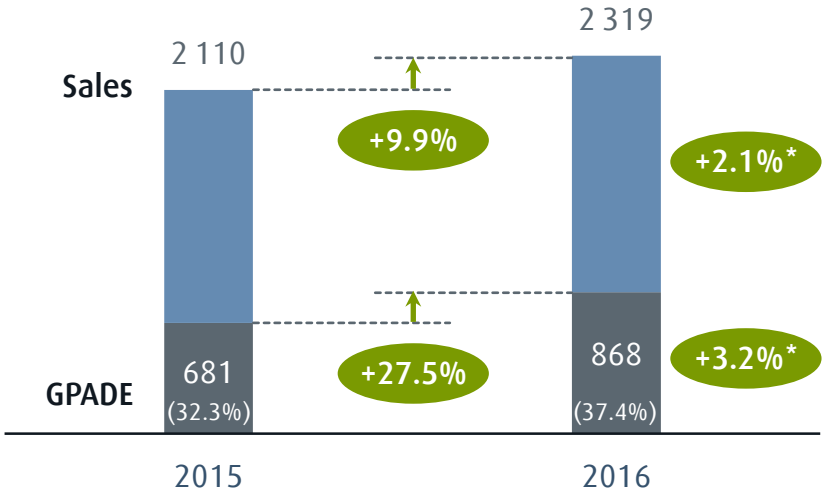
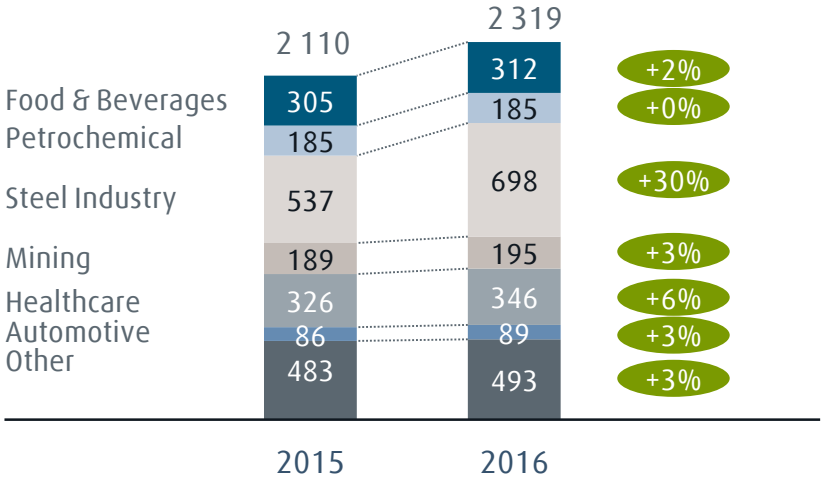
Financials



- Once-off AMSA settlement FY impact R165m
- Market conditions improved and supply constraints eased in H2
- Recovery of cost inflation from customers challenging
- Underlying improvement in margins due to productivity benefits from 'SWIFT' turnaround

Atmospheric sales by market sector



- Diversification supports sales in tough economic conditions
- Food sector growth supported by new applications
- H2 improvements seen in Mining, Steel and Petrochemical
- Strong Healthcare growth reflects macro trend
- Once-off AMSA settlement impact of R165m incl. 2016 Steel Industry sales (-1% excl. AMSA settlement)

* Excluding AMSA

LPG
Strong performance with improved supply chain

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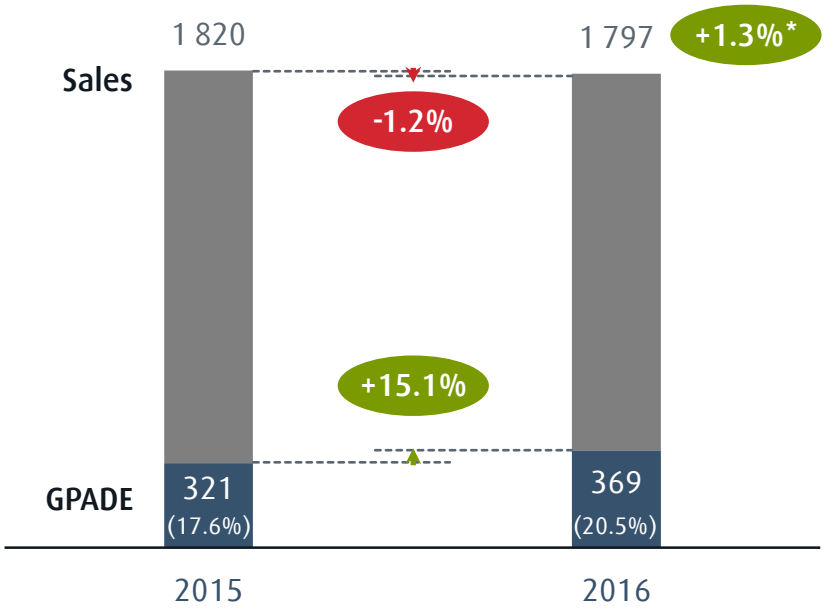
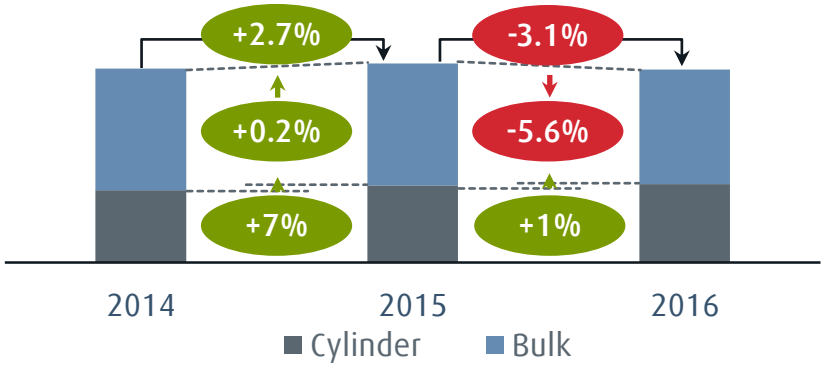
Financials

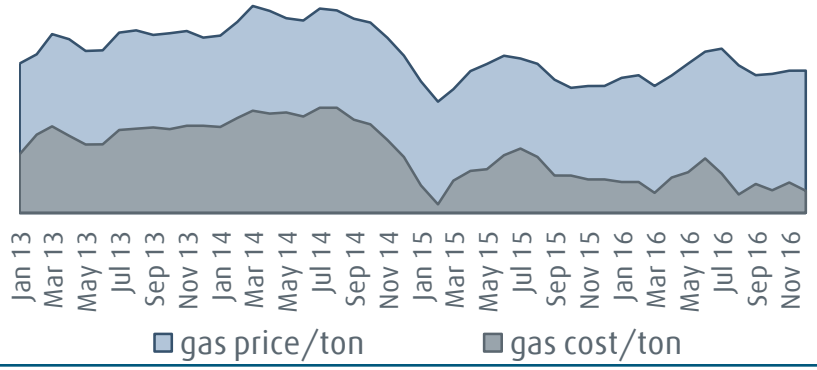


- Underlying demand continues to grow, with volumes impacted by H1 supply chain issues
- Changes mean confidence in supply chain going forward
- Strong margin management discipline established

Volume (KT) development 2014-16



Margin per ton development Jan-13 to Dec-16



* Excluding change in LPG market prices

Hard Goods
Market stabilised in H2

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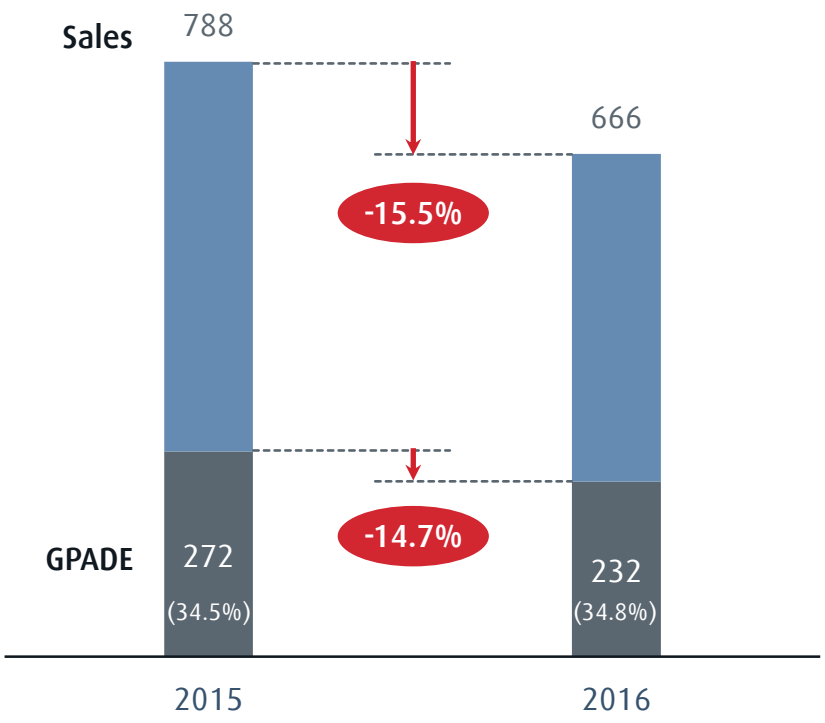
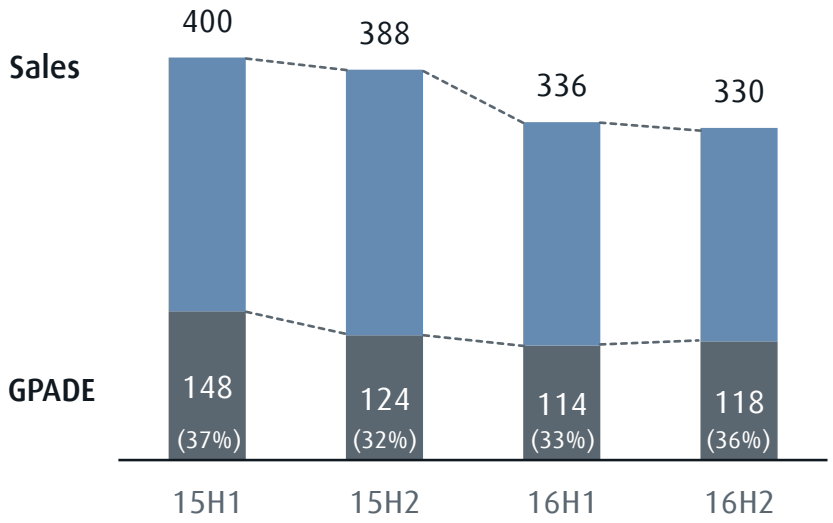
Financials



Development



- Volumes impacted by lower demand in manufacturing and mining sectors
- Pricing pressures impacted margins
- Volumes into some key sectors stabilised in H2
- Margins started to benefit from the stronger ZAR

Emerging Africa
Performance impacted by currency movement & LPG shortages

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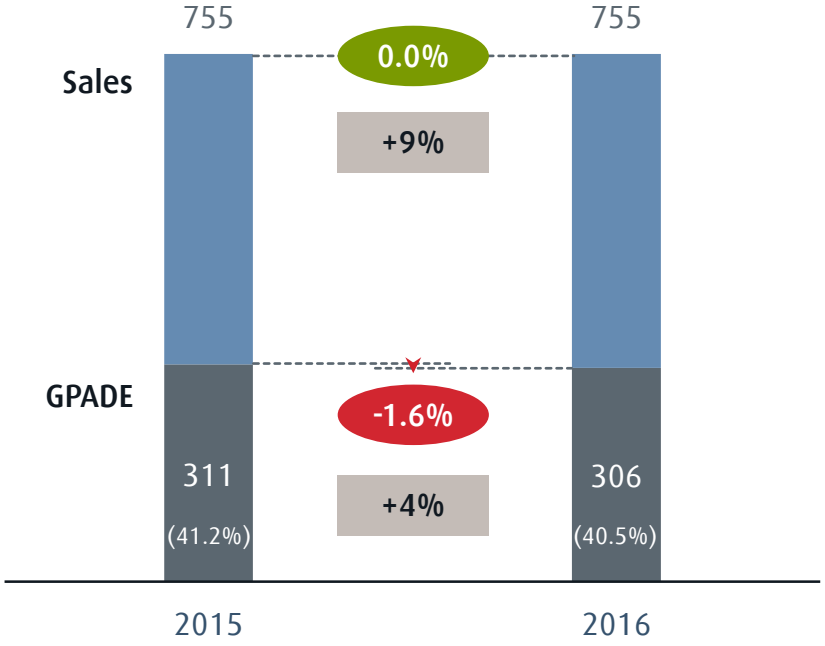
Financials*



- Reported financials impacted by currency effects, LPG pass through and DRC exit
- Underlying sales up 9% & GPADE up 4%

Underlying performance

- Volumes still growing but impacted by weaker market conditions
- CO_2 and LPG shortages in H1
- Currency devaluations leading to high imported inflation and frequent price increases
- Outlook is improving with increase in commodity prices
- Strong footprint across Africa provides for opportunities

*Underlying financials excluding the impact of LPG pass through, currency translation, and exit from DRC

Other Operating Expenses & FTE Development
Effect of turnaround materialised

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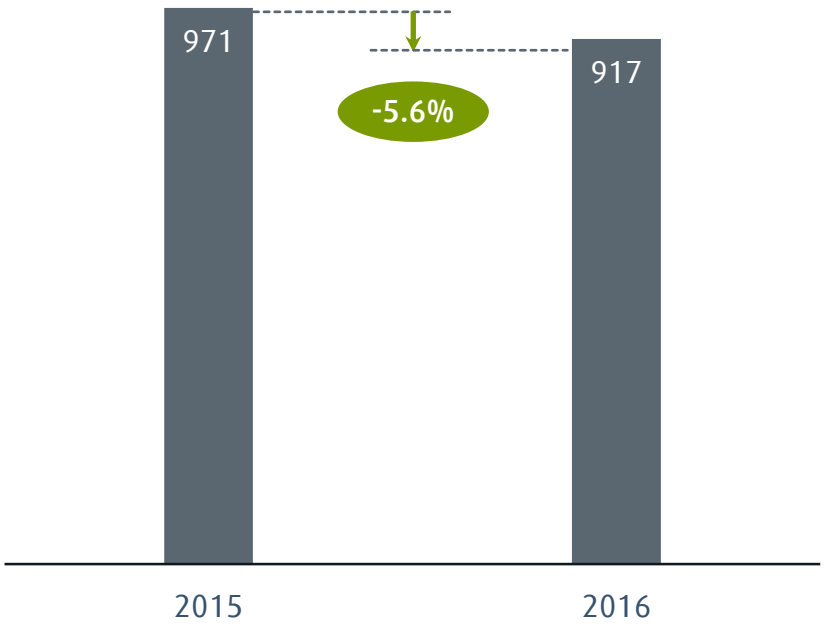
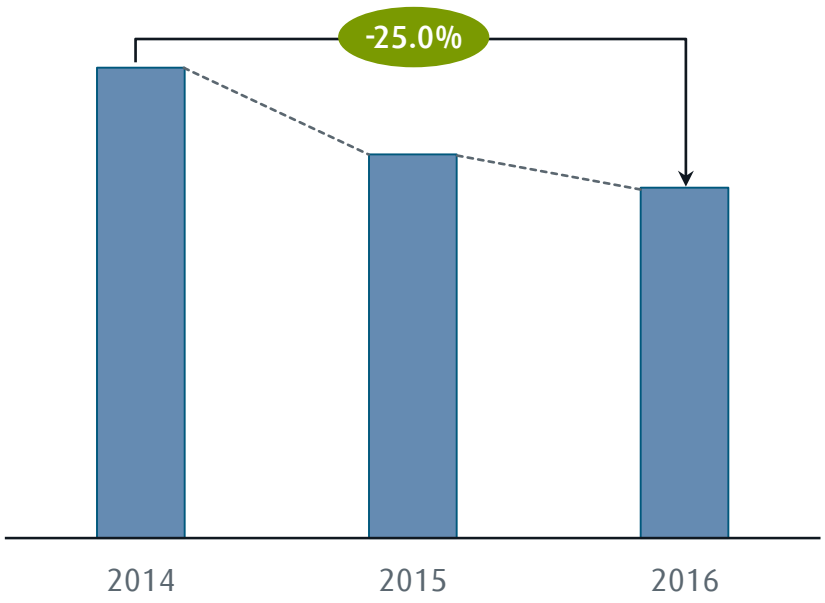
Other operating expenses*



- H2 16 vs. H2 15 impacted adversely by effects from currency

FTE development



- FTE reduction delivered in line with 'SWIFT' turnaround plan
- FTE replacements deferred aligning to external environment

* Excluding impairments and restructuring cost

Financial Performance: Key indicators

Strong financial position with net cash and improved ROCE

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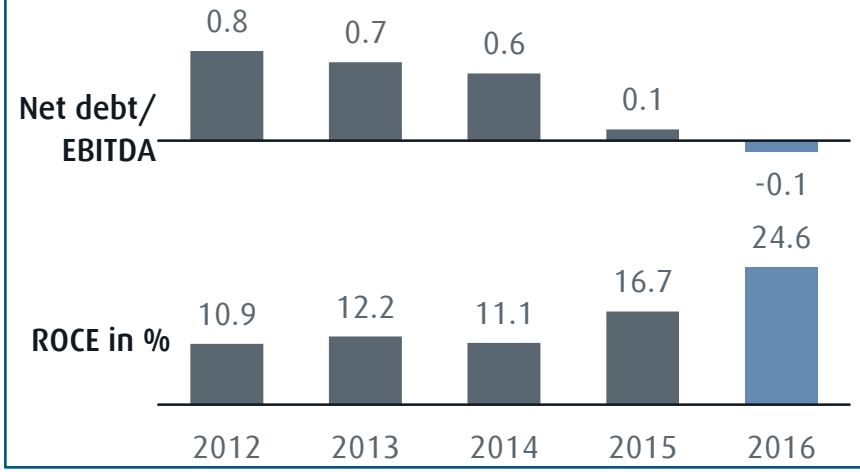
Cash Flow 2015 vs. 2016

ZARm	2015	**2016**	Δ in %
Operating Cash Flow	676	**573**	-15.2
Investments & Financing	(321)	**(272)**	+12.2
Free Cash Flow	355	**301**	-15.2
Cash at the end of the period	852	**1 153**	+35.3

Financial KPIs



- Free cash flow reflects increase in dividend payments and increased tax payments
- Net debt continued to fall relative to EBITDA due to significant EBIDTA growth and capital efficiencies
- ROCE improvement has now exceeded our mid-term guidance

Turnaround Update

CO_2

Carbon Dioxide

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Restructure Costs and Benefits
Delivered as planned

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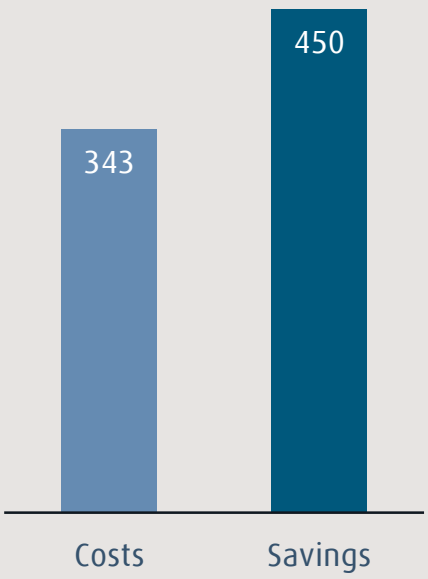
Costs

- Full costs posted and final for 'Get Healthy' phase of turnaround
- Costs reflective of 2014 and 2015 restructuring expenses
- Restructuring costs covering
  - redundancy
  - outsourcing
  - closure of operations
  - SKU reduction
  - consultant support

Restructuring[1] costs & total programme benefits

ZARm impact from 2014 to 2016



Benefits

Delivered

[1] Restructuring includes impairment charges

EBITDA Development 2014 to 2016
Strong headwinds expected to reduce

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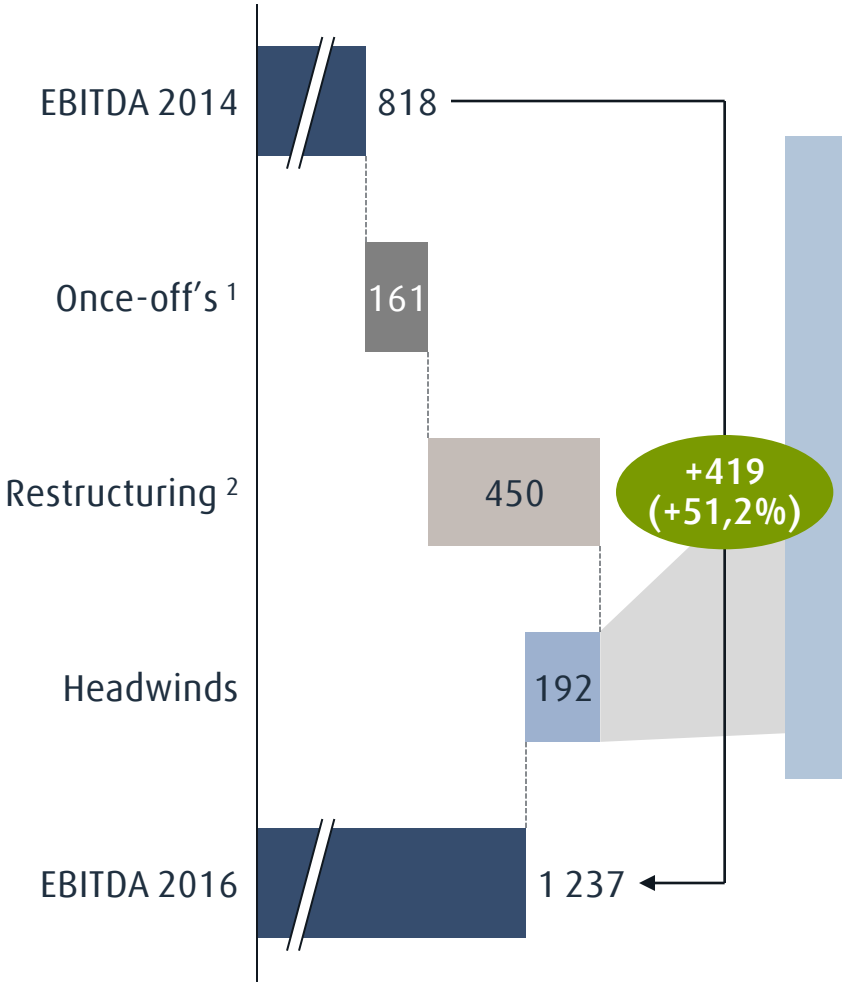


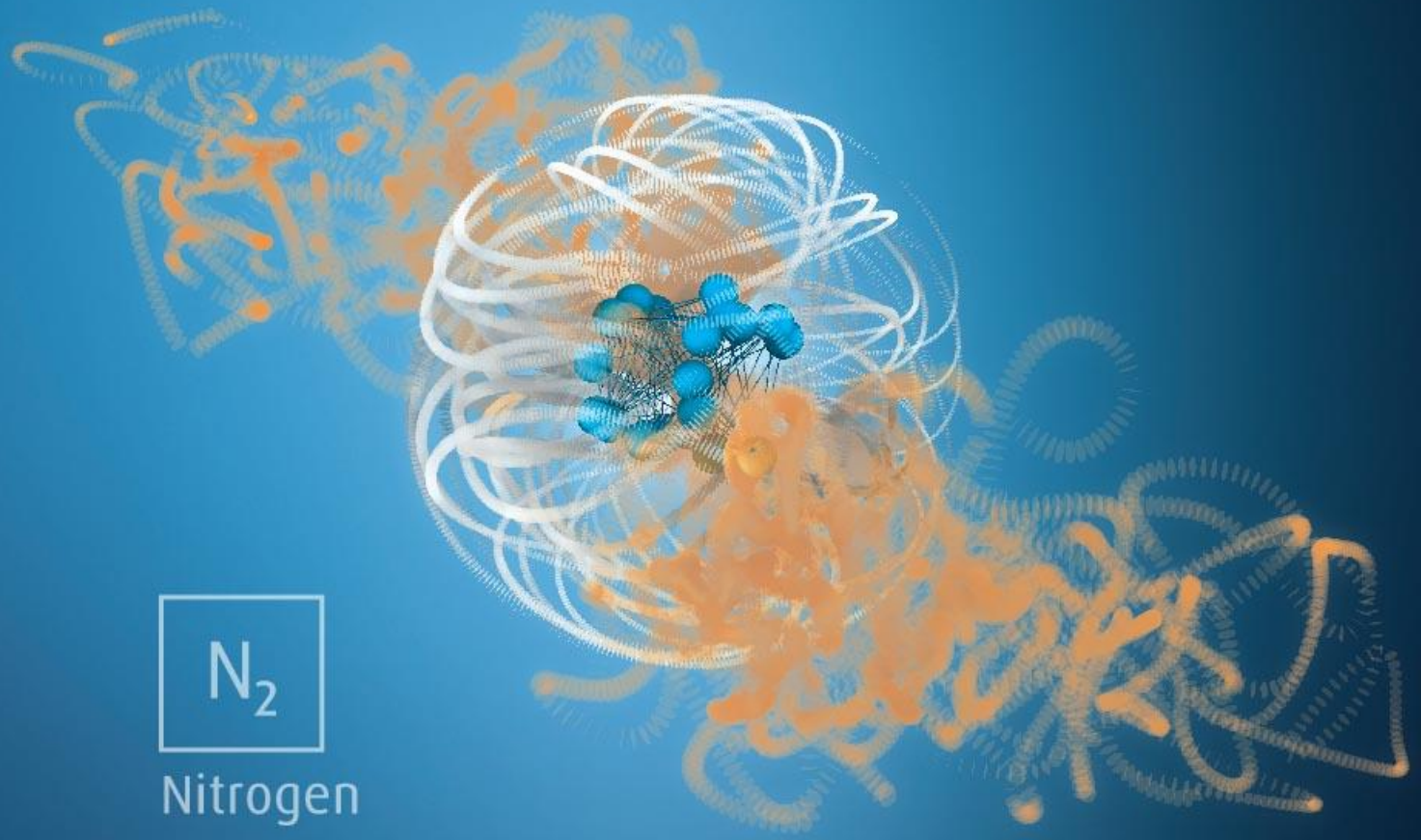
Headwinds	Impact in 2014-2016	Impact in 2017
Political instability	High	Medium
CO_2 supply chain issues	Medium	Medium
LPG supply chain issues	Medium	Low
Poor plant reliability	Medium	Medium
Not recovering cost inflation	High	Medium
Slump in commodity prices	High	Low

Headwinds expected to reduce in 2017

High Medium Low

[1] Litigation settlement with AMSA
[2] Restructuring savings from a 2 year programme

Key Project Update & Outlook



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Key Project Update

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Durban Filling Plant

- Project completed
- Afrox successfully disposed of all 3 portions of the Cornubia land

Port Elizabeth ASU

- The PE ASU performing as expected and recent contract expansion with additional volumes

Key Project Update
Cont.

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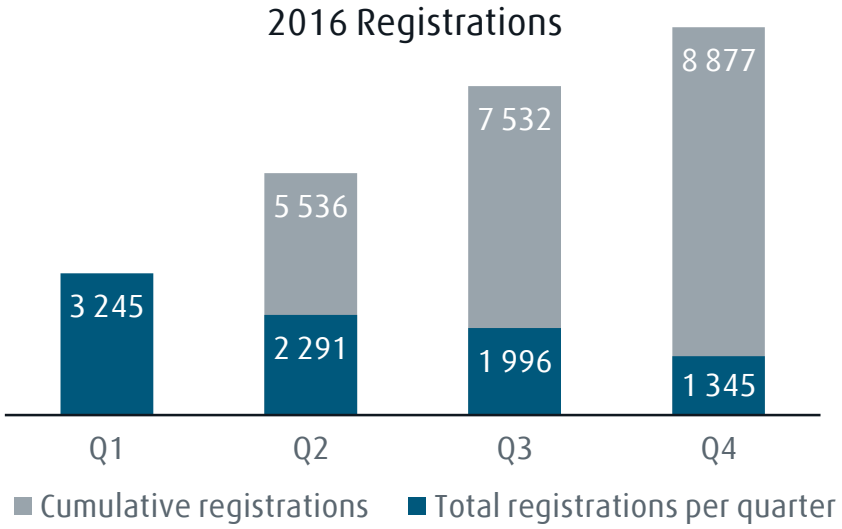
Waste to Biogas Project

- Afrox signed take-off agreement with bio-tech start-up, New Horizons Energy
- Useable CNG will be extracted in the form of Methane as well as CO_2 for use in industry, agriculture and waste-water treatment

eCommerce Platform Update



- 9% of all delivered orders via eCommerce platform
- 8 877 legal entities registered for eCommerce YTD
- 103 353 total registered users, 232 407 total visitors and 1.2 million pages viewed

Outlook

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- Maintain core Hard Goods and Industrial Gas business
- Focus on Price Cost Recovery (PCR)
- Improve asset utilisation
- Grow Special Gases, CO_2, Healthcare, LPG and Rest of Africa
- Maintain current ROCE levels of 20%+

Not confident

Very confident

THANK YOU

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Definition of Key Financial Figures

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GPADE

Gross Profit after Distribution Expenses

SG&A

Selling, marketing and general administration costs

EBITDA

EBIT before non-recurring items adjusted for amortisation of intangible assets and depreciation of tangible assets

Return on Capital Employed (ROCE)

EBIT
before non-recurring items

Headline Earnings per Share (HEPS) before non-recurring items

Profit for the period
before non-trading items
attributable to Afrox shareholders

Earnings per Share (EPS)

Profit for the period
attributable to Afrox shareholders

Average Capital Employed

Equity (incl. non-controlling interests)
+ financial debt
+ liabilities from finance leases
- cash, cash equivalents & securities
- receivables from finance leases

Number of
weighted average
outstanding shares

Number of
weighted average
outstanding shares

Investor Calendar 2017

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AGM	25 May 2017
Year-end Results Released	23 February 2017
Year-end Investor and Analyst Presentation	23 February 2017
2017 Interim Investor and Analyst Presentation	7 September 2017

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