INTERIM RESULTS PRESENTATION 2017

for the period ended 30 June 2017

90 YEARS

AFROX
A Member of The Linde Group

Contents

POSITIONED FOR **GROWTH**

African Oxygen Limited

INTERIM RESULTS PRESENTAION 2017

90 YEARS

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Presentation Outline

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PERFORMANCE SUMMARY

INTERIM RESULTS PRESENTATION 2017

H1 2017 Financial Performance
Top 10 Highlights

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1. Reported revenue up 6.8% (R179m) from volume and price; 5.3% excl. change in LPG market prices
2. Good recovery of cost inflation across all segments
3. EBITDA of R578m up 10.5% or R55m with margin improvement of 70bps to 20.7%
4. Operating Cash Flow improved by R89m (523.5%) to R106m
5. HEPS of 93.3 cents increases by 22.0% and EPS of 94.4 cents by 21.3% vs. PY of 77.8 cents
6. ROCE improved by 380bps from 18.6% to 22.4%[1)]
7. Atmospheric Gases revenue up by 8.3% with improvements in all sectors, missed opportunities in CO_2
8. LPG shows strong volume growth (6.3%) from imports and cylinder investment at good margins
9. Hard Goods revenue growth up 1.5% from full recovery of cost inflation and new export business
10. Emerging Africa impacted by currency and overall lower volumes, however, GPADE margin improved

1) Annualised and excludes AMSA settlement in H2 2016

SHEQ Performance

Significant MIR reduction since 2009

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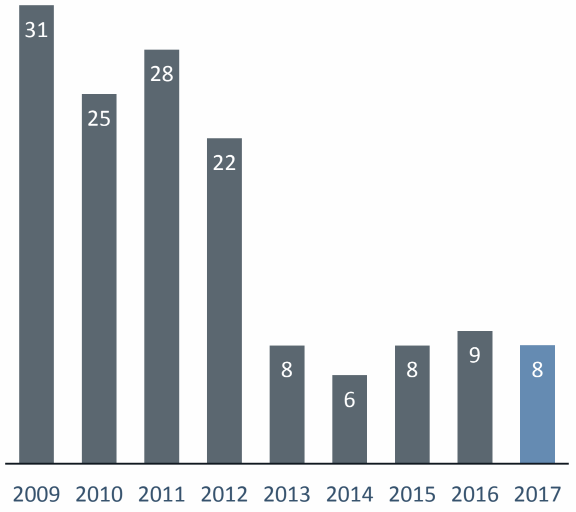
MIR trend[1)]



- MIRs have reduced significantly since 2012
- 50% of the incidents for H1 2017 are related to security
- We believe our continued efforts in Safety Awareness Training support the positive trend noted since 2012

1) 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

INTERIM RESULTS PRESENTATION 2017

Progress Against Strategic Topics

By business segment

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	Prev.	Latest	
Atmospheric Gases	Completed	Completed	Improve Profitability
	Work-in-progress	Work-in-progress	New CO_2 sources
	Work-in-progress	Work-in-progress	Increase asset utilisation and reliability
	Completed	Completed	Go-to-market strategy
	Completed	Completed	Growth in new applications
	Not started	Completed	Price Cost Recovery 100% of cost inflation
LPG	Completed	Completed	Leading margin management
	Completed	Completed	Security of supply
	Completed	Completed	Return on investment in cylinders
	Completed	Completed	Go-to-market model relative to industrial gases
	Work-in-progress	Work-in-progress	Ongoing focus on controlling illegal fillers and risk
Emerging Africa	Work-in-progress	Completed	Reduce supply chain costs and increase customer supply security
	Completed	Completed	Infrastructure in place for growth
	Completed	Completed	Ensure critical mass per country and improvement in governance
	Work-in-progress	Completed	Sales capability development
Hard Goods	Work-in-progress	Completed	Explore new markets
	Work-in-progress	Completed	Right size fixed costs to throughput
	Work-in-progress	Work-in-progress	Grow and defend local volumes

● Not started ● Work-in-progress ● Completed


FINANCIAL RESULTS ANALYSED
INTERIM RESULTS PRESENTATION 2017

Performance 30 June 2017
Highlights

ZARm	H1 2017	H1 2016	YoY
Revenue	**2 795**	2 616	+6.8%[1)]
GPADE	**856**	796	+7.5%
EBITDA	**578**	523	+10.5%
EBITDA margin	**20.7%**	20.0%	+70bps
Operating Cash Flow	**106**	17	+523.5%
Headline EPS (cents)	**93.3**	76.5	+22.0%
Reported EPS (cents)	**94.4**	77.8	+21.3%
ROCE	**22.4%**[2)]	18.6%	+380bps

- Revenue growth from increase in volumes and improved pricing in Atmospheric Gases and LPG
- EBITDA improved from flow-through of volumes, higher prices and increased efficiencies
- Operating Cash Flow improved as a result of PY property sales and higher profits
- HEPS/EPS increased from higher profits and interest earned
- ROCE at 22.4% due to business performance and asset optimisation[2)]

1) Without effects from LPG market prices (R41m), underlying revenue improved by +5.3%
2) Annualised and excludes AMSA settlement in H2 2016

Financial Performance: Key indicators
Strong financial position with negative debt and improved ROCE

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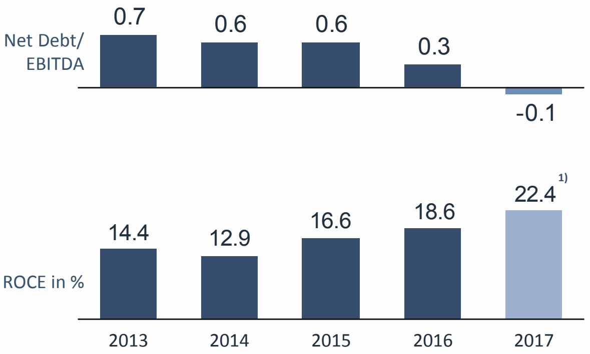
Cash Flow 2017 vs. 2016

ZAR m	2017	2016	Δ in %
Operating cash flow	**106**	17	+523.5%
Investments	**(65)**	(112)	+42.0%
Free cash flow	**41**	(95)	+143.2%
Cash at the end of the period	**1,194**	757	+57.7%

H1 Financial KPIs



- Free Cash Flow reflects underlying business growth and cash inflow from sale of properties
- Net debt relative to EBITDA declines from continued lower investment levels
- ROCE improvement from higher profits and Balance Sheet optimisation

1) Annualised and excludes AMSA settlement in H2 2016

Business Performance

Improved performance in H1 2017 across most businesses

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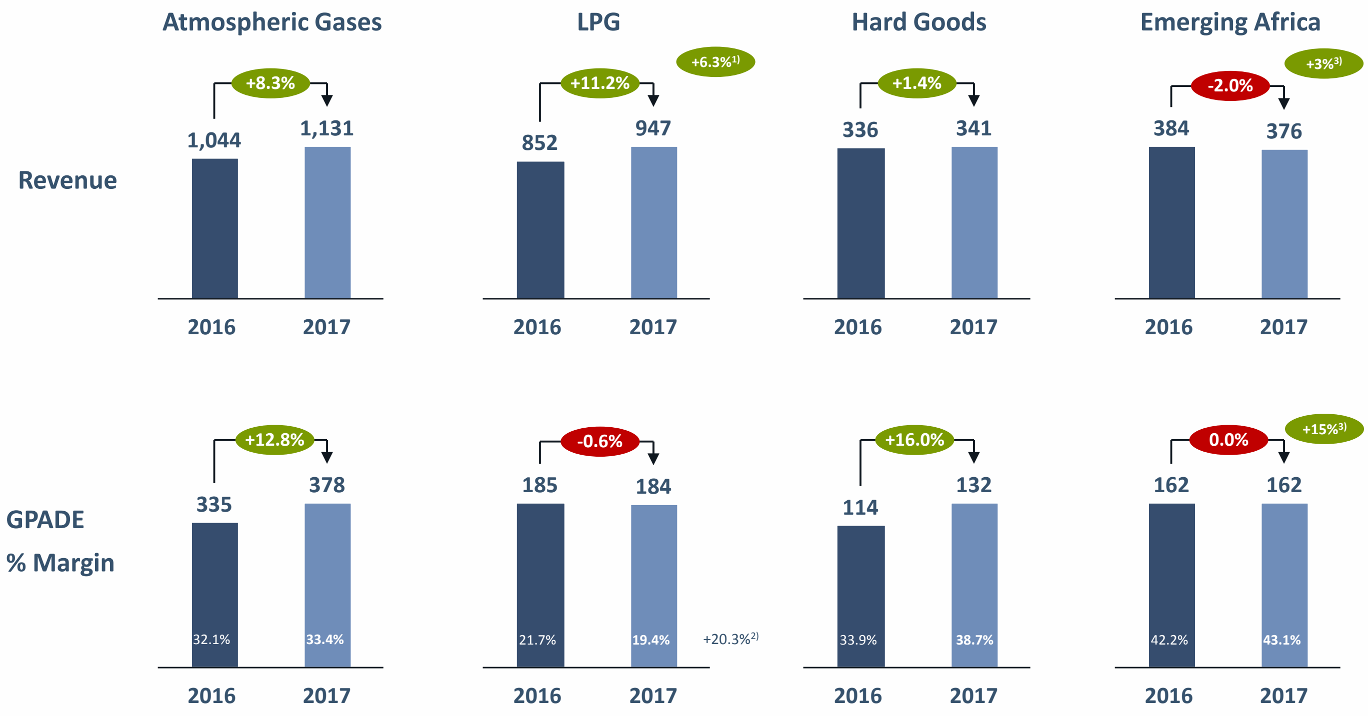
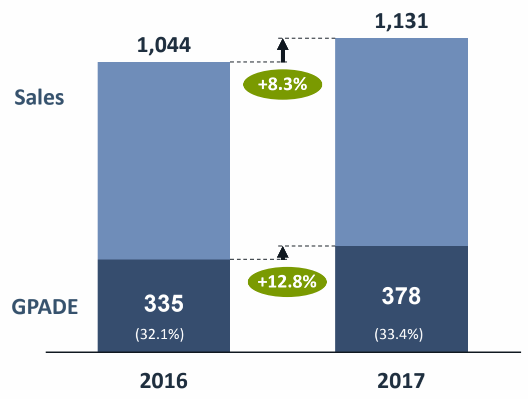


1)Excluding change in LPG market prices
2)GPADE % Margin at 2016 prices
3)Excluding effects from currency and changes in LPG market prices

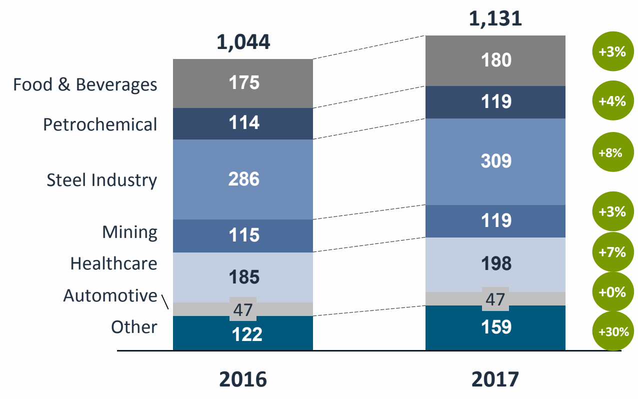
Atmospheric Gases
Growth from volume and price

Financials



- Bulk volumes improved relative to H1 2016 except for CO_2
- Recovery of Inflation from better pricing
- Margin improve despite underlying increase in production cost from unplanned plant shutdown

Atmospheric Sales by Market Sector

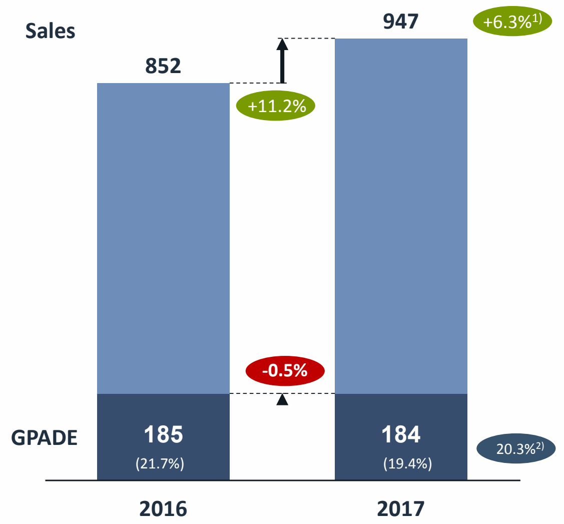


- Food sector growth supported by new applications
- H1 shows continued recovery in Mining, Steel and Petrochemical
- Strong Healthcare growth reflects macro trend
- New business with various IG customers (i.e. paper industry)

LPG

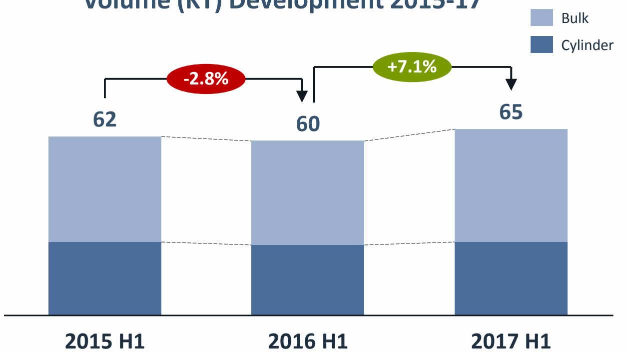
Strong performance with improved supply chain in H1

Financials

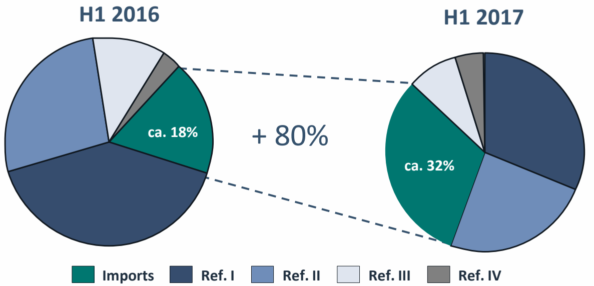


- Combination of higher imports and additional investment in cylinders
- Underlying demand and reliable supply drove volume growth
- Revenue up by 6.3% at comparable market prices
- Margin impacted by revaluation of inventory at end of the period

Volume (KT) Development 2015-17



Imports vs. Local Refineries



1)Excluding change in LPG market prices
2)GPADE % Margin at 2016 prices
Ref. = Refinery

Hard Goods

H1 with better pricing and focused product management

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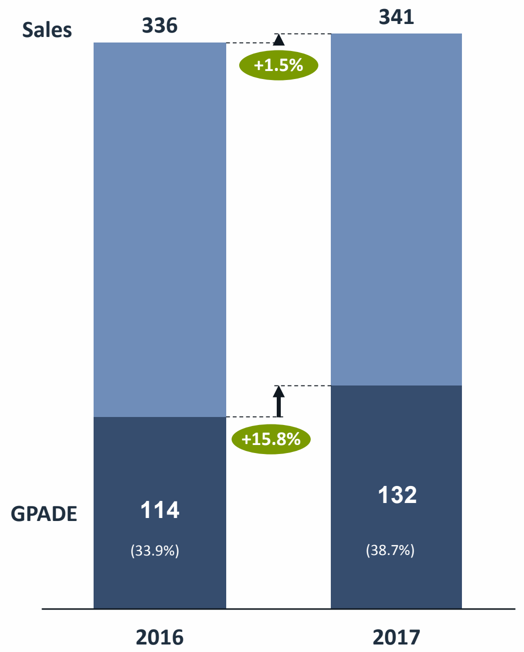
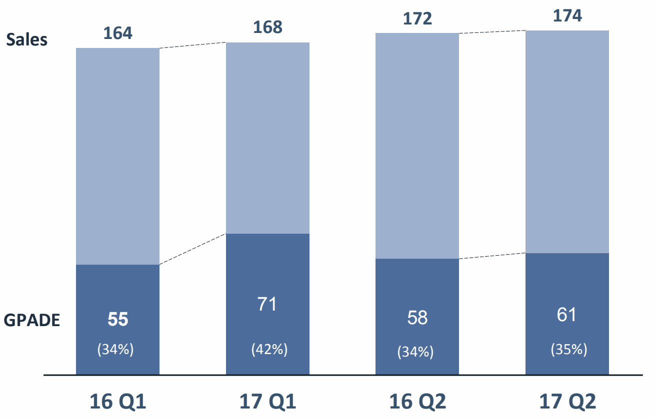
Financials



Development



- Revenue growth from better pricing and new business
- Efficiencies from production at factories
- Positive contributions from new export deals
- Lower supply chain costs

Emerging Africa

Performance impacted by currency movements and product availability

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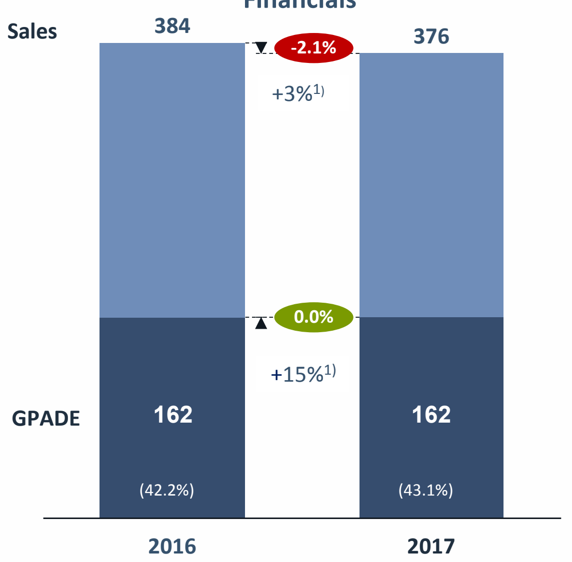
Financials



- Reported financials impacted by currency effects, LPG pass-through
- Underlying Sales up 3% & GPADE up 15%

Underlying Performance

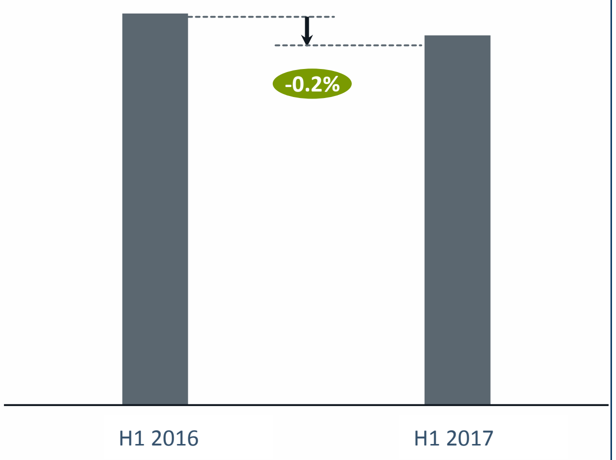
- Continued impacts from currency headwinds
- Improved cost recovery across all countries
- Mixed development in volumes
- Most countries improved revenue and GPADE on underlying basis [1)]
- Supply constraints in LPG & CO_2 during Q1 2017
- Reduced cost base from organisational efficiencies

1)Underlying financials excluding the impact of LPG pass through, currency translation

Other Operating Expenses & FTE Development

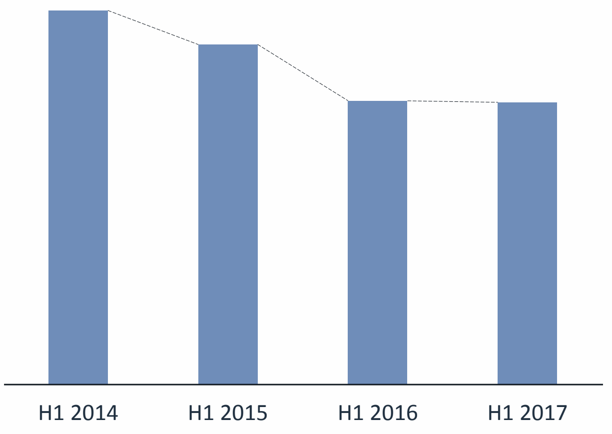
Effect of turnaround materialised

Other operating expenses 1)



- Other operating expenses remained flat despite inflation
- Continued gains from efficiencies and better productivity

FTE Development



- FTE reduction delivered in line with SWIFT turnaround plan
- Continued efforts to maintain organisational efficiencies

1)Excluding impairments and restructuring cost

EBITDA Development H1 2016 to H1 2017

A combination of higher volume and better pricing

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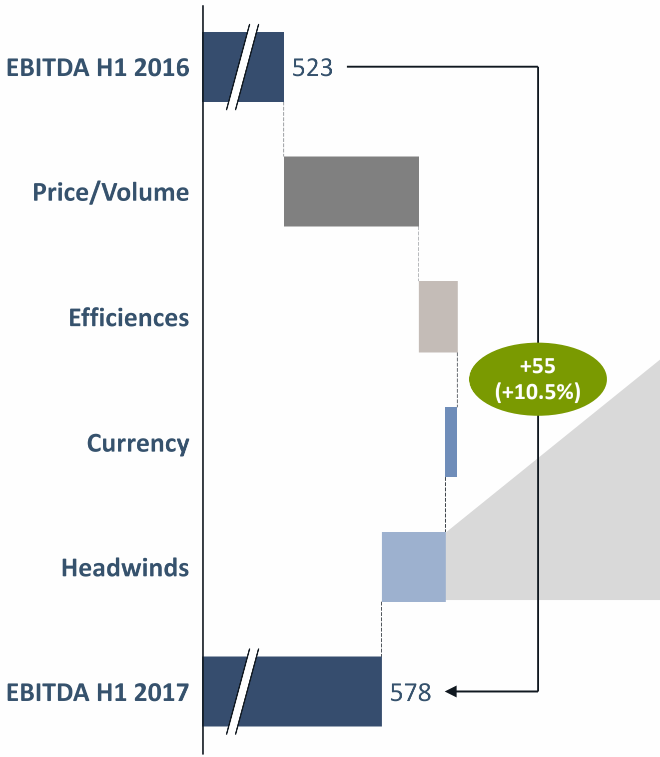

Headwinds as presented for Dec 2016 results

Headwinds	Impact in 2016	Impact in H1 2017
Political instability	●	●
CO_2 supply chain issues	◐	◐
LPG supply chain issues	◐	◔
Poor plant reliability	◐	◐
Not recovering cost inflation	●	○
Slump in commodity prices	●	◕

● High ◗ Medium ○ Low

Summarised Equity Story

Integrated Offer around our applications, products & services

African brand with strong footprint in Sub-Saharan Africa

- Stable and efficient operating model enabling our business strategy
- Strongest footprint of all gas companies in Africa especially SADC
- Secured LPG supply chain covering 'last mile to the customer'
- Well adjusted cost base plus ability to recover cost inflation via combined product offering
- Diverse, less cyclical portfolio realising pockets of growth despite tough economy
- Strong Balance Sheet, cash generative business and net debt positive
- Attractive dividend policy
- Geared for growth with low-cost and consolidated asset base delivering economies of scale

Outlook

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- Maintain core Hard Goods and Industrial Gas business ■■■■■
- Recover cost inflation ■■■■■
- Improve asset utilisation ■■■□□
- Continue growth in bulk Atmospheric Gases and LPG ■■■■□
- Maintain current ROCE levels of 20%+ ■■■■■

□□□□□ Not confident

■■■■■ Very confident

KEY PROJECT UPDATE

INTERIM RESULTS PRESENTATION 2017

eShop Update

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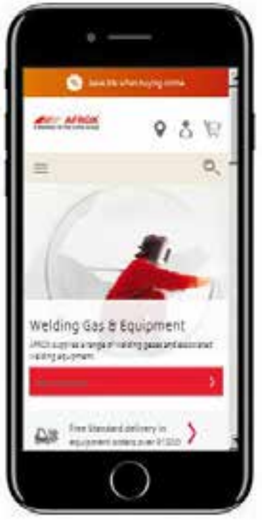
Year-to-date Overview

- 3305 additional registered customers
- YTD Revenue +18%
- Recent Technical Updates
- Introduced more user-friendly experience
- Launched customer order tracking feature

Upcoming Development and Functionality

- Online Credit Account Opening
- Online Quotation
- Piloting Domestic Deliveries



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THANK YOU

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PRESENTAION 2017

90 YEARS

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Definition of Key Financial Figures

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GPADE	SG&A	EBITDA
Gross Profit after Distribution Expenses	Selling, marketing and general administration costs	EBIT before non-recurring items adjusted for amortisation of intangible assets and depreciation of tangible assets

Return on Capital Employed (ROCE)	Headline Earnings per Share (HEPS) before non-recurring items	Earnings per Share (EPS)
EBIT before non-recurring items	Profit for the period before non-trading items attributable to Afrox shareholders	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

Appendix. I

Investor Calendar 2017

AGM	25 May 2017
2016 Year-end Results Released	23 February 2017
2016 Year-end Investor and Analyst Presentation	23 February 2017
2017 Interim Investor and Analyst Presentation	8 September 2017

Contact

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APPENDICES

INTERIM RESULTS PRESENTATION 2017

Commentary

PERFORMANCE HIGHLIGHTS

During the six months under review, Afrox managed to increase both revenue and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) as a result of an increase in volumes, recovery of cost inflation from pricing and continued effective cost containment.

As a result of the improvement in volumes in certain sectors of the business, revenue increased by 6.8% to R2 795 million (2016: R2 616 million). The growth in revenue was achieved despite the continued weakness in the South African economy. The volume improvement, supported by effective cost management, led to an increase of 10.5% in EBITDA to R578 million (2016: R523 million).

The EBITDA margin improved by 70 basis points (bps) to 20.7% (2016: 20%). The improvement in EBITDA contributed to headline earnings per share increasing by 22% to 93.3 cents (2016: 76.5 cents), and basic earnings per share increasing by 21% to 94.4 cents (2016: 77.8 cents).

The improvement in profitability and the continued focus on balance sheet optimisation resulted in a net cash position of R194 million (December 2016: R153 million). Capital expenditure of R169 million (2016: R146 million) is in line with prior years, and reflects the lack of growth in demand in the current economic climate and the adequate production capacity of the Group.

Return on capital employed improved by 380 bps to 22.4% (2016: 18.6%) from higher profits and asset optimisation.

Financial features

at 30 June 2017

Revenue
R2 795 million
Increase of 6.8% from R2 616 million

EBITDA
R578 million
Increase of 10.5% from R523 million

Earnings before interest and taxation
R399 million
Increase of 18% from R338 million

Earnings per share
94.4 cents
Increase of 21.3% from 77.8 cents

Headline earnings per share
93.3 cents
Increase of 21.9% from 76.5 cents

Cash generated from operations
R423 million
Increase of 43.48% from R295 million

Revenue
Up by 8.3%
R1 131 million

GPADE[1]
Up by 12.8%
R378 million

Achievements

- Better pricing allows recovery of cost inflation
- Increase in bulk volumes despite challenging environment
- Healthcare shows strong growth in line with business plan
- Various new business wins and growth in all sectors

Key challenges

- Difficult trading environment and political uncertainty
- Constrained CO_2 supply from major source
- Plant outage impacts bottom line and requires additional investment
- Electricity supply and water shortages affecting production sites

[1] *Gross profit after distribution expenses.*

KPI	Unit	H1 2017	H1 2016
Revenue	Rm	1 131	1 044
GPADE[1]	Rm	378	335
Margin	%	33.4	32.1

Overall revenue increased by 8.3% compared to 2016 as a result of volume growth in most sectors, combined with effective price management.
The growth in revenue was achieved, despite difficult economic conditions, as a result of leveraging the unique Afrox offering from a broad range of innovative products and solutions. New and regained business demonstrated Afrox's ability to successfully compete in its core segment. Within Industrial Gases (acetylene, oxygen, nitrogen and argon), the demand for our bulk products was above the comparative period, resulting in increased volumes in most sectors. On-site revenue increased from new business and expansion at existing customers, despite the impact of major plant outages. Packaged Gases volumes were at prior-year levels, with small recoveries in demand for oxygen for various applications. The successful introduction of Afrox's new cylinder management system "Track & Trace" and the implementation of more effective pricing management, resulted in an improvement in revenue compared to the comparative period. The growth in Medical Gases revenue was as a result of Afrox's strong combined product and service offering and tailor-made solutions for the increasing demand in the public and private hospital sector, as well as the growing Homecare market. Hospitality Gases and Special Gases experienced reduced revenue due to volume decline in some areas. Carbon dioxide (CO_2) bulk supply was constrained due to limited product availability at our major source, resulting in supply shortages to large customers.

Gross profit after distribution expenses (GPADE) margins further improved from efficiencies in operations and distribution. Improved cost recoveries across most businesses, coupled with the contribution from higher volumes, resulted in the 130 bps improvement in margin.

LPG

Revenue
Up by 11.2%
R947 million

GPADE[1]
Down by 0.6%
R184 million

Achievements

- Debottlenecking import facility to secure Afrox supply position
- Leverage benefits from higher imports with supply chain efficiencies
- Improved customer service levels at periods of peak demands
- Better pricing with full recovery of product and distribution cost

Key challenges

- Logistical challenges regarding LPG supply in the Western Cape
- First half of year supply constraints from local refineries
- Proposed new regulations of the competition commission
- Illegal Cylinder fillings of rogue operators

[1] *Gross profit after distribution expenses.*

KPI	Unit	H1 2017	H1 2016
Revenue	Rm	947	852
GPADE[1]	Rm	184	185
Margin	%	19.4	21.7

Effective cost management, combined with our efficient Liquefied Petroleum Gas (LPG) supply chain, resulted in strong GPADE levels, with an underlying margin of 20.3%. Adjusted for the change in market prices, GPADE remained at R184 million. Total volumes sold increased by 7% compared to the same period last year, demonstrating Afrox's ability to grow the market. Increased production from local refineries and an increase in imported products resulted in increased volumes sold. This ability to reduce supply constraints in the domestic market, as a direct result of increased imports, combined with a strong sales offering in various segments of our customer base, further improved Afrox's position in the African LPG market.

Revenue grew by 11.2%, or 6.3% at comparable LPG market prices. The investment in additional LPG cylinders added to this positive development and enabled renewed focus on the domestic and hospitality markets. Afrox focuses on efficient supply of LPG for various applications and industry sectors, which results in a very reliable, environmentally friendly and cost-effective alternative source of energy. The investments of the past years significantly reduced the supply constraints throughout the regions.

GPADE decreased marginally by 0.5% to 19.4% or 20.3% at comparable LPG market prices. LPG inventory revaluation at the end of the reporting period resulted in the reduced margins. The segment profitability is a result of continued efforts throughout the supply chain and improved price cost recovery. This is the prerequisite for future volume growth while maintaining industry-leading service levels. The final report from the Competition Commission of South Africa (Competition Commission) was issued in March 2017. Afrox continues to cooperate with, and is in the process of, introducing the recommendations of the Competition Commission.

Hard Goods

Revenue
Up by 1.4%
R341 million

GPADE[1]
Up by 16.0%
R132 million

Achievements

- Production outsourcing allowed costs to flex better with demand
- Improved production cost from workforce flexibility at production sites
- Cost savings from portfolio optimisation and product rationalisation

Key challenges

- Difficult trading environment with strong decline in production at key customers and the mining, energy and fabrication sector
- Competitive environment with pressure on prices in combination with lower volumes led to compressed margins for a variety of products

[1] *Gross profit after distribution expenses.*

KPI	Unit	H1 2017	H1 2016
Revenue	Rm	341	336
GPADE[1]	Rm	132	114
Margin	%	38.7	33.9

Total revenue increased by 1.4% compared to 2016 due to improved pricing and business retention with underlying growth in our premium product ranges. Volumes in welding and gas equipment are still being negatively impacted by the continued downturn in mining, iron and steel and manufacturing. The Afrox Gas Equipment business volumes reduced further compared to 2016, reflecting lower economic activity.

Various initiatives to strengthen supply, production and logistics, in particular the outsourcing of our Gas Equipment production facility; the continued focus on overseas exports (coupled with strong focus on cost containment); and improved price management, integrated offer of Hard Goods, welding consumables and welding gases as well as the required technical know-how and safety requirements, stabilised the overall business. This led to top line growth in difficult market conditions.

GPADE: The reported improvement of 480 bps to 38.7% GPADE margin is a result of higher efficiencies and improved price cost recovery. The focus on key products and the leveraging of the reputation of the Afrox Hard Goods product offering were key achievements during the reporting period.

The business segment experienced steep declines in GPADE and revenue in 2016. Continued investment in innovation and the introduction of new applications demonstrate the tangible benefits this brings to sub-Saharan Africa and the key players in the respective sectors.

Emerging Africa

Revenue
Down by 2.1%
R376 million

GPADE[1]
Unchanged
R162 million

Achievements

- Stable revenue despite difficult economic environment
- Cost savings from relocation of operational site in Mozambique
- Additional LPG storage facilities and more micro plants commissioned

Key challenges

- Difficult trading environment as a result depressed commodity prices resulting in a slowdown in market growth
- Constrained LPG and CO_2 supply from South Africa from refinery/production plant shut downs
- Local droughts, electricity shortages, inflationary pressure and devaluation of local currencies

[1] *Gross profit after distribution expenses.*

KPI	Unit	H1 2017	H1 2016
Revenue	Rm	376	384
GPADE[1]	Rm	162	162
Margin	%	43.1	42.2

Underlying revenue grew by 3% to R394 million from improved pricing. Adverse effects from currency translation and LPG market price changes of R18 million resulted in reported revenue reducing by 2% compared to 2016. For the reporting period, Emerging Africa was confronted with continued weaker economic conditions and the lack of investment in infrastructure projects. This negatively impacted sales volumes in the majority of geographies. Initial supply constraints during Quarter 1 2017 for LPG and CO_2, from South Africa into our Emerging African subsidiaries further impacted sales volumes.

Despite the headwinds, Malawi, Mozambique and Botswana managed to achieve underlying top line growth. However, sales volumes in Zambia remain under pressure due to lower economic growth.

Underlying GPADE, excluding currency effects, increased by 90 bps compared to June 2016 to R183 million. This was achieved mainly as a result of improved price cost recovery and the initial implementation of our group wide SWIFT programme, allowing the business to benefit from proven cost reduction and operational efficiency measures.

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

BOARD OF DIRECTORS

Sue Graham Johnston resigned as Chairperson with effect from 1 September 2017 and Bernd Eulitz was reappointed as Chairman with effect from 1 September 2017. Dorian Devers resigned as Chief Financial Officer (CFO) and executive director on 9 May 2017. The Board would like to express their gratitude to Ms Johnston and Mr Devers for their valuable contribution to Afrox.

Matthias Vogt was appointed as CFO and executive director with effect from 1 August 2017.

Nolitha Fakude was appointed as a non-executive director with effect from 1 March 2017.

DIVIDENDS

It is the Company's policy to consider dividends bi-annually. The Board has declared a cash dividend of 46.0 cents per share (2016: 38.0 cents), declared out of the after-tax profits for the six months ended 30 June 2017. Based on Afrox's policy, the dividend is covered two times by headline earnings per share.

OUTLOOK

The South African economic environment is expected to remain weak in the foreseeable future, with Emerging Africa impacted by lower economic growth, and lack of investment in infrastructure projects. Despite the economic headwinds, Afrox will continue its endeavours to develop specific growth opportunities in Atmospheric Gases and LPG and to focus on recovery of cost inflation plus various initiatives to improve productivity.

Bernd Eulitz	Schalk Venter	8 September 2017
Chairman	*Managing Director*	Johannesburg

NOTICE OF INTERIM DIVIDEND DECLARATION NUMBER 181 AND SALIENT FEATURES

Notice is hereby given that a gross cash dividend of 46.0 cents per ordinary share, being the interim dividend for the six months ended 30 June 2017, has been declared payable to all shareholders of Afrox recorded in the register on Friday, 6 October 2017.

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

Last day to trade ordinary shares 'cum' dividend	Tuesday, 3 October 2017
Ordinary shares trade 'ex' the dividend	Wednesday, 4 October 2017
Record date	Friday, 6 October 2017
Payment date	Monday, 9 October 2017

Shares may not be dematerialised or rematerialised between Wednesday, 4 October 2017 and Friday, 6 October 2017, both days inclusive.

The local net dividend amount is 36.8 cents (2016: 32.3 cents) per share for shareholders liable to pay Dividends Tax and 46.0 cents (2016: 38.0 cents) per share for shareholders exempt from Dividends Tax.

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

- The dividend has been declared out of income reserves.
- The local Dividends Tax rate is 20% (2016: 15%), subject to double tax agreement.
- Afrox currently has 308 567 602 ordinary shares (excluding treasury shares of 34 285 308) in issue.
- Afrox's income tax reference number is 9350042710.

By order of the Board

Cheryl Singh	8 September 2017
Company Secretary	Johannesburg

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

Condensed consolidated interim statement of financial position

as at 30 June 2017

R'million	Note	30 June 2017 reviewed	30 June 2016 reviewed	31 December 2016 audited
ASSETS				
Property, plant and equipment	4	2 945	2 935	2 952
Retirement benefits assets		439	503	406
Deferred taxation asset		14	17	15
Lease receivables		71	81	72
Other non-current assets		47	51	52
Non-current assets		3 516	3 587	3 497
Inventories		610	574	611
Trade and other receivables		1 138	1 068	1 044
Lease receivables		12	16	16
Derivative financial instruments		1	–	–
Receivables from fellow subsidiaries of holding company		90	58	66
Taxation receivable		53	107	38
Cash and cash equivalents		1 194	757	1 175
Assets held for sale		–	119	–
Current assets		3 098	2 699	2 950
Total assets		6 614	6 286	6 447
EQUITY AND LIABILITIES				
Equity holders of the parent company		3 804	3 451	3 657
Non-controlling interests		33	40	27
Total equity		3 837	3 491	3 684
Long-term borrowings		400	1 000	1 000
Other long-term financial liability		24	–	26
Deferred taxation liability		571	569	553
Non-current liabilities		995	1 569	1 579
Provisions		15	51	16
Trade, other payables and financial liabilities		1 095	1 047	1 049
Taxation payable		21	14	26
Payables to fellow subsidiaries of holding company		51	104	60
Derivative financial instruments		–	10	11
Short-term portion of long-term borrowings		600	–	–
Bank overdrafts		–	–	22
Current liabilities		1 782	1 226	1 184
Total equity and liabilities		6 614	6 286	6 447

Condensed consolidated interim income statement

for the period ended 30 June 2017

R'million	30 June 2017 6 months reviewed	30 June 2016 6 months reviewed	31 December 2016 12 months audited
Revenue	2 795	2 616	5 537
Operating expenses	(2 217)	(2 093)	(4 300)
Earnings before interest, taxation, depreciation, amortisation and impairments (EBITDA)	578	523	1 237
Depreciation and amortisation	(179)	(185)	(379)
Impairment of tangible assets	–	–	(10)
Earnings before interest and taxation (EBIT)	399	338	848
Finance expense	(53)	(56)	(112)
Finance income	66	57	126
Income from associate net of tax	–	1	2
Profit before taxation	412	340	864
Taxation	(116)	(96)	(264)
Profit for the period	296	244	600
Attributable to:			
Owners of the Company	291	240	597
Non-controlling interests	5	4	3
Profit for the year	296	244	600
Earnings per share – cents			
Basic and diluted earnings per ordinary share – cents	94.4	77.8	193.3

Condensed consolidated interim statement of comprehensive income

for the period ended 30 June 2017

R'million	30 June 2017 6 months reviewed	30 June 2016 6 months reviewed	31 December 2016 12 months audited
Profit for the period	296	244	600
Other comprehensive income	41	(73)	(106)
Items that are or may be reclassified to profit or loss	28	(32)	(51)
Translation differences on foreign operations	25	(25)	(43)
Translation differences relating to non-controlling interests	1	(1)	(4)
Cash flow hedges – effective portion of changes in fair value (net of taxation)	2	(6)	(4)
Items that will never be reclassified to profit or loss	13	(41)	(55)
Actuarial gains/(losses) on defined-benefit funds (net of taxation)	13	(41)	(55)
Total comprehensive income for the period	337	171	494
Total comprehensive income attributable to:			
Owners of the Company	331	168	495
Non-controlling interests	6	3	(1)
	337	171	494

Condensed consolidated interim statement of cash flows

for the period ended 30 June 2017

R'million	30 June 2017 6 months reviewed	30 June 2016 6 months reviewed	31 December 2016 12 months audited
Earnings before interest and taxation (EBIT)	399	338	848
Adjustments for:			
Depreciation, amortisation and impairments	179	185	389
Other non-cash movements	(24)	(5)	(67)
Operating cash flows before working capital adjustments	554	518	1 170
Working capital adjustments	(131)	(206)	(11)
Cash generated from operations before restructuring costs	423	312	1 159
Restructuring costs paid	–	(17)	(60)
Cash generated from operations	423	295	1 099
Interest paid	(51)	(57)	(104)
Interest received	31	22	38
Taxation paid	(124)	(86)	(177)
Dividends received	–	–	1
Cash available from operating activities	279	174	857
Dividends paid to owners of the parent	(173)	(157)	(275)
Dividends to non-controlling interests	–	–	(9)
Net cash inflow from operating activities	106	17	573
Additions to property, plant and equipment	(169)	(146)	(379)
Intangible assets acquired	(1)	(2)	(10)
Proceeds from disposal of property, plant and equipment	93	21	84
Other investing activities	12	15	33
Net cash outflow from investing activities	(65)	(112)	(272)
Net increase/(decrease) in cash and cash equivalents	41	(95)	301
Cash and cash equivalents at the beginning of the period	1 153	852	852
Cash and cash equivalents at the end of the period	1 194	757	1 153

Condensed consolidated interim statement of changes in equity

for the period ended 30 June 2017

R'million	Share capital and share premium	Incentive scheme share and share-based payment reserves	FCTR* and hedging reserves	Actuarial gains/ (losses)	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2016	552	–	(50)	317	2 612	37	3 468
Total comprehensive income	–	–	(31)	(41)	240	3	171
Profit for the period	–	–	–	–	240	4	244
Other comprehensive income, net of taxation	–	–	(31)	(41)	–	(1)	(73)
Transactions with owners							
Forfeited share-based payments	–	(20)	–	–	20	–	–
Share-based payments, net of taxation	–	9	–	–	–	–	9
Dividends	–	–	–	–	(157)	–	(157)
Balance at 30 June 2016	552	(11)	(81)	276	2 715	40	3 491
Balance at 1 January 2016	552	–	(50)	317	2 612	37	3 468
Total comprehensive income	–	–	(47)	(55)	597	(1)	494
Profit for the period	–	–	–	–	597	3	600
Other comprehensive income, net of taxation	–	–	(47)	(55)	–	(4)	(106)
Share-based payments, net of taxation	–	6	–	–	–	–	6
Forfeited shares	–	(11)	–	–	11	–	–
Dividends	–	–	–	–	(275)	(9)	(284)
Transfer to retained earnings	–	5	–	(262)	257	–	–
Balance at 31 December 2016	552	–	(97)	–	3 202	27	3 684
Balance at 1 January 2017	552	–	(97)	–	3 202	27	3 684
Total comprehensive income	–	–	27	–	304	6	337
Profit for the year	–	–	–	–	291	5	296
Other comprehensive income, net of taxation	–	–	27	–	13	1	41
Transactions with owners							
Share-based payments, net of taxation	–	–	–	–	(11)	–	(11)
Dividends	–	–	–	–	(173)	–	(173)
Balance at 30 June 2017	552	–	(70)	–	3 322	33	3 837

* *Foreign currency translation reserve.*

Segmental report

for the period ended 30 June 2017

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

R'million	30 June 2017 6 months reviewed	30 June 2016 6 months reviewed	31 December 2016 12 months audited
Revenue*	2 795	2 616	5 537
Atmospheric Gases	1 131	1 044	2 319
LPG	947	852	1 797
Hard Goods	341	336	666
Emerging Africa	376	384	755
Gross profit after distribution expenses (GPADE)	856	796	1 775
Atmospheric Gases	378	335	868
LPG	184	185	369
Hard Goods	132	114	232
Emerging Africa	162	162	306
Reconciliation of GPADE to EBIT			
GPADE for business segments	856	796	1 775
Other operating expenses	(457)	(458)	(917)
Impairments (Emerging Africa)	–	–	(10)
Earnings before interest and taxation (EBIT)	399	338	848
Geographical representation			
Revenue	2 795	2 616	5 537
South Africa	2 419	2 232	4 782
Emerging Africa^	376	384	755
Non-current assets	3 516	3 587	3 497
South Africa	3 283	3 382	3 242
Emerging Africa^	233	205	255

* *Revenue from external customers.*

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

Statistics and ratios

for the period ended 30 June 2017

	30 June 2017 6 months reviewed	30 June 2016 6 months reviewed	31 December 2016 12 months audited
Average number of shares in issue during the period (‘000)	**308 568**	308 568	308 568
Shares in issue (‘000)	**308 568**	308 568	308 568
Dividends per share (cents)	**46.0**	38.0	94.0
Final			56.0
Interim	**46.0**	38.0	38.0
Ratios			
EBITDA margin (%)	**20.7**	20.0	22.3
Return on capital employed	**22.4**	18.6	24.6
Effective taxation rate (%)	**28.2**	28.2	30.5
Gearing (%)	**(5.4)**	3.9	(4.4)
Dividend cover on headline earnings (times)	**2.0**	2.0	2.0

Notes to the condensed consolidated interim financial statements

for the period ended 30 June 2017

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

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with, and contain the information required by the International Financial Reporting Standard (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

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

The directors take full responsibility for the preparation of the these condensed consolidated interim financial statements.

This report was compiled under the supervision of Matthias Vogt, CFO.

2. CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2017:

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

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

3. FORTHCOMING CHANGES IN ACCOUNTING POLICIES

IFRS 15 *Revenue from Contracts with Customers*

The Group has begun an initial assessment of the potential impact of the adoption of IFRS 15 on the financial statements.

Based on this assessment, there is unlikely to be any impact on the measurement and timing of revenue recognition from the sale of Hard Goods.

With respect to the sale of LPG and Atmospheric Gases, the impact of IFRS 15 will differ depending on the arrangement with the customer. The Group has selected a sample of key contracts with customers and are in the process of reviewing these contracts to:

1) identify the relevant performance obligations – specifically whether ancillary services such as delivery, collection and quality and safety services are distinct from the sale of the gas;
2) determine how to allocate the transaction price where more than one performance obligation is identified and the customer is charged a single price; and
3) determine whether revenue should be recognised at a point in time or over time.

The Group does not expect any contracts to include a significant financing component.

The Group plans to adopt IFRS 15 in its financial statements for the year ended 31 December 2018, using the modified retrospective approach.

IFRS 9 *Financial Instruments*

The Group has begun an initial assessment of the potential impact of the adoption of IFRS 9 on the financial statements.

Given the basic nature of the financial instruments held by the Group, it is unlikely that there will be any significant impact on the measurement of these instruments as a result of the adoption of IFRS 9. The Group is still reviewing the new hedge accounting requirements and determining the impact on the Group's risk management objectives and strategy.

The Group is currently assessing the impact on the impairment of financial assets as a result of the new 'expected-loss' model. However, the impairment methodologies that will apply under IFRS 9 have not yet been finalised.

The Group plans to take advantage of the exemption allowing it not to restate comparative information with respect to classification and measurement changes. Any differences will be recognised in retained income as at 1 January 2018. The new hedge accounting requirements will be applied prospectively.

IFRS 16 *Leases*

The Group has begun an initial assessment of the potential impact of the adoption of IFRS 16 on the financial statements.

Based on this assessment, the Group is expecting to recognise significant right-of-use assets and lease liabilities relating to current properties and vehicle operating leases.

The Group is in the process of evaluating whether certain items of property, plant and equipment, that are not leased items in terms of IAS 17 and IFRC 4, may qualify as leased items in terms of IFRS 16.

This standard will not be early adopted.

R'million	30 June 2017 6 months reviewed	30 June 2016 6 months reviewed	31 December 2016 12 months audited
4. PROPERTY, PLANT AND EQUIPMENT			
Opening carrying value	2 952	2 988	2 988
Additions, net of transfers from assets under construction	169	146	379
Transfer to assets held for sale	–	(7)	(7)
Transfer from assets held for sale	–	1	–
Impairments	–	–	(10)
Disposals	(3)	(8)	(15)
Depreciation	(172)	(180)	(367)
Translation differences	(1)	(5)	(16)
Closing carrying value	2 945	2 935	2 952

5. 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
30 June 2017	
Financial asset measured at fair value	
Derivative financial instruments	1
31 December 2016	
Financial liability measured at fair value	
Derivative financial instruments	11
30 June 2016	
Financial liability measured at fair value	
Derivative financial instruments	10

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 quotes reflect the actual transactions in similar instruments.

6. EARNINGS AND HEADLINE EARNINGS PER SHARE

Headline earnings per share is calculated on headline earnings of R288 million (2016: R237 million), and a weighted average number of ordinary shares of 308 567 602 (2016: 308 567 602) in issue during the period.

Reconciliation between earnings and headline earnings

R'million	30 June 2017 6 months reviewed	30 June 2016 6 months reviewed	31 December 2016 12 months audited
Profit for the period	291	240	597
Adjusted for the effects of:			
Profit on disposal of property, plant and equipment	(5)	(5)	(26)
Impairment of property, plant and equipment	–	–	10
	286	235	580
Taxation	2	2	4
Headline earnings	288	237	584
Basic and diluted earnings per share – cents	94.4	77.8	193.3
Headline earnings per share – cents	93.3	76.5	189.4

7. UPDATE ON KEY LITIGATION MATTERS

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 with respect to the LPG sector. Afrox is cooperating fully with the investigation.

8. SUBSEQUENT EVENTS

The directors are not aware of any material matter or circumstance arising between the 30 June 2017 and the date of this report on which comment is required.

9. INDEPENDENT REVIEW BY THE AUDITORS

These condensed consolidated interim financial statements for the six months ended 30 June 2017 have been reviewed by the company's auditors, KPMG Inc., who expressed an unmodified review conclusion. The auditors' review report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' review report together with the accompanying financial information from the Company's registered office.

Corporate information

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

Transfer secretaries: Computershare Investor Services (Pty) Limited

Sponsor in South Africa: One Capital

Sponsor in Namibia: Namibia Equity Brokers (Pty) Limited

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

** German ** British*

Company Secretary: C Singh

Auditors: KPMG Inc.

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GREYMATTER & FINCH # 11127

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