

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 Africa¹ 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

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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • Management and governance oversight
King III checklist	Afrox has disclosed its compliance and application of the King III principles as required.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • Internal controls • Management and governance oversight • External assurance providers
Supplementary reports	Providing additional information regarding: <ul style="list-style-type: none"> • Safety, health, environment and quality (SHEQ); • SHEQ award certification table; and • Leadership reports – a list of the qualifications held by our executive management. 	<ul style="list-style-type: none"> • Internal controls • Management and governance oversight

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.

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

