



OMNIA

OMNIA HOLDINGS LIMITED

An aerial photograph of a vast green agricultural field, possibly corn, with a small red and white airplane flying over it, leaving a white contrail. The field is divided into rows, and there are some darker, irregular shapes scattered throughout, possibly representing different crop types or irrigation patterns.

CREATING CUSTOMER WEALTH BY LEVERAGING KNOWLEDGE

AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2016

OMNIA HOLDINGS LIMITED (Incorporated in the Republic of South Africa)
Registration number 1967/003680/06 • JSE code OMN • ISIN ZAE000005153 ("Omnia" or "the Group")

FINANCIAL FEATURES



Revenue remained flat at

R16.8bn



Profit after tax of

R702m

down 25%



Operating profit down 19% to

R1 189m



Headline earnings per share down 29% to

1 033 cents



Profit before tax of

R1 012m

down 24%



A-CREDIT RATING

affirmed by Global Credit Rating in July 2015 at A- (long-term) and A1- (short-term), with a positive ratings outlook



UNGEARED BALANCE SHEET

at year-end compares favourably with the 12% gearing recorded at FY2015



Cash generated from operations increased to

R2.3bn

up R1.3 billion year-on-year

SUMMARY CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

Rm	Audited 2016	%	Audited 2015
Revenue	16 774	–	16 835
Cost of sales	(13 369)	4	(12 898)
Gross profit	3 405	(14)	3 937
Distribution expenses	(1 400)	(8)	(1 524)
Administrative expenses	(802)	(12)	(907)
Other operating expenses	(93)	3	(90)
Other operating income	79	32	60
Operating profit	1 189	(19)	1 476
Finance expenses	(239)	24	(192)
Finance income	60	28	47
Share of profit of investments accounted for using the equity method	2		–
Profit before taxation	1 012	(24)	1 331
Income tax expense	(310)	(22)	(397)
Profit for the year	702	(25)	934
Attributable to:			
Owners of Omnia Holdings Limited	701	(25)	939
Non-controlling interest	1		(5)
Profit for the year	702	(25)	934
Earnings per share from profit attributable to owners of Omnia Holdings Limited			
Basic earnings per share (cents)	1 042	(26)	1 402
Diluted earnings per share (cents)	988	(24)	1 308
Headline earnings per share (cents)	1 033	(29)	1 465
Diluted headline earnings per share (cents)	979	(28)	1 366

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

Rm	Audited 2016	%	Audited 2015
Profit for the year	702	(25)	934
Other comprehensive income, net of tax			
Currency translation differences	682	86	367
Total comprehensive income for the year attributable to:	1 384	6	1 301
Owners of Omnia Holdings Limited	1 383	6	1 306
Non-controlling interest	1		(5)
	1 384	6	1 301

SUMMARY CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2016

Rm	Audited 2016	%	Audited 2015
ASSETS			
Non-current assets	4 701	5	4 473
Property, plant and equipment	4 060	3	3 927
Intangible assets	543	5	519
Investment accounted for using the equity method	26	30	20
Trade and other receivables	64	100	–
Deferred income tax assets	8	14	7
Current assets	7 677	3	7 431
Inventories	3 850	(1)	3 886
Trade and other receivables	3 167	3	3 077
Derivative financial instruments	67	63	41
Income tax assets	21	(22)	27
Cash and cash equivalents	572	43	400
Total assets	12 378	4	11 904
EQUITY			
Capital and reserves attributable to the owners of Omnia Holdings Limited	7 672	15	6 653
Stated capital	1 500	–	1 500
Treasury shares	(121)		(70)
Other reserves	1 787	74	1 028
Retained earnings	4 506	7	4 195
Non-controlling interest	(10)		(11)
Total equity	7 662	15	6 642
LIABILITIES			
Non-current liabilities	621	3	605
Deferred income tax liabilities	565	13	502
Trade and other payables	19	(49)	37
Debt	37	(44)	66
Current liabilities	4 095	(12)	4 657
Trade and other payables	3 606	4	3 478
Debt	45	(18)	55
Derivative financial instruments	182	628	25
Bank overdrafts	262	(76)	1 099
Total liabilities	4 716	(10)	5 262
Total equity and liabilities	12 378	4	11 904
Net (cash)/debt	(228)		820
Net asset value per share (Rand)	114		98
Capital expenditure			
Depreciation	333		322
Amortisation	40		31
Incurred	494		587
Authorised and committed	293		92
Authorised but not contracted for	68		96

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

Rm	Audited 2016	Audited 2015
Operating profit	1 189	1 476
Depreciation and amortisation	373	353
Adjustment for non-cash items	484	17
Generated from/(utilised) by working capital	258	(878)
Cash generated from operations	2 304	968
Interest paid	(263)	(208)
Interest received	60	47
Taxation paid	(245)	(341)
Net cash inflow from operating activities	1 856	466
Cash outflow from investing activities	(469)	(578)
Cash outflow from financing activities	(432)	(466)
Net increase/(decrease) in cash and cash equivalents	955	(578)
Net cash and cash equivalents at beginning of year	(699)	(131)
Exchange rate movements on cash and cash equivalents	54	10
Net cash and cash equivalents at end of year	310	(699)

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

Rm	Attributable to the owners of Omnia Holdings Limited				Non- controlling interest	Total
	Stated capital	Treasury shares	Other reserves	Retained earnings		
At 31 March 2014	1 289	(6)	655	3 980	(6)	5 912
Recognised income and expenses						
Profit for the year ended 31 March 2015				939	(5)	934
Currency translation difference			367			367
Change in functional currency of subsidiary			11	(12)		(1)
Transactions with shareholders						
Ordinary shares issued	211		(37)	(405)		(231)
Ordinary dividends paid				(322)		(322)
Treasury shares purchased		(66)		15		(51)
Treasury shares sold		2	18			20
Share-based payment – value of services provided			14			14
At 31 March 2015	1 500	(70)	1 028	4 195	(11)	6 642
Recognised income and expenses						
Profit for the year ended 31 March 2016				701	1	702
Currency translation difference			682			682
Change in functional currency of subsidiary			67	(66)		1
Transactions with shareholders						
Ordinary dividends paid				(324)		(324)
Treasury shares purchased		(51)				(51)
Share-based payment – value of services provided			10			10
At 31 March 2016	1 500	(121)	1 787	4 506	(10)	7 662

RECONCILIATION OF HEADLINE EARNINGS

FOR THE YEAR ENDED 31 MARCH 2016

Rm	Audited 2016	%	Audited 2015
Profit for the year attributable to owners of Omnia Holdings Limited	701	(25)	939
Adjusted for (profit)/loss on disposal of fixed assets/ intangible assets	(6)		3
Adjusted for impairment of available-for-sale financial asset	–		39
Headline earnings	695	(29)	981

SEGMENTAL ANALYSIS

FOR THE YEAR ENDED 31 MARCH 2016

	Revenue Rm* 2016	Operating profit Rm 2016	Revenue Rm* 2015	Operating profit Rm 2015
Agriculture RSA	4 650	452	4 274	450
Agriculture Trading	1 632	(1)	1 055	32
Agriculture Other	1 936	43	1 958	174
Total Agriculture	8 218	494	7 287	656
Mining RSA	1 875	253	2 286	378
Mining Other	2 676	273	3 065	342
Total Mining	4 551	526	5 351	720
Chemicals RSA	3 822	179	3 979	90
Chemicals Other	183	(10)	218	10
Total Chemicals	4 005	169	4 197	100
Total	16 774	1 189	16 835	1 476

*Revenue, net of inter-segmental sales

OTHER RESERVES

AS AT 31 MARCH 2016

Rm	Audited 2016	Audited 2015
Share-based payment reserve	111	101
Foreign currency translation reserve	1 655	906
Gain on treasury shares sold	18	18
Net discount arising on acquisition of shares of subsidiaries	3	3
	1 787	1 028

ADDITIONAL INFORMATION

FOR THE YEAR ENDED 31 MARCH 2016

000's	Audited 2016	Audited 2015
Weighted average number of shares in issue	67 277	66 970
Weighted average number of diluted shares in issue	70 975	71 799
Number of shares in issue (excluding treasury shares)	67 173	67 471

NOTES

BASIS OF PREPARATION

These provisional summarised financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, presentation and disclosures as required by IAS 34 Interim Financial Reporting, the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The summarised financial statements do not include all of the information required by IFRS for full annual financial statements. The preparation of these financial statements was supervised by the Group finance director, WG Koonin CA(SA).

The financial statements have been prepared using accounting policies that comply with IFRS and which are consistent with those applied in the preparation of the financial statements for the year ended 31 March 2015, unless otherwise stated.

The accounting standards, amendments to issued accounting standards and interpretations, which are not yet effective as at 31 March 2016, have not been adopted by the Group.

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

AUDIT OPINION

The Group's auditors, PricewaterhouseCoopers Inc., have issued their opinion on the Group's financial statements for the year ended 31 March 2016. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. These summarised financial statements have been derived from the Group financial statements and are consistent in all material respects with the Group financial statements. A copy of their audit report is available for inspection at the company's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the auditors.

COMMENTARY

INTRODUCTION

Omnia is a diversified provider of specialised chemicals products and services used in the agriculture, mining and chemical sectors. Omnia's corporate office is based in Johannesburg, South Africa and its main production facility in Sasolburg, some 70 kilometres south of Johannesburg. The Group has a physical presence in 23 countries and its operations extend into 18 countries on the Africa continent, including South Africa, with focused operations also in Australasia, Brazil and China. Omnia's client base extends across southern and West Africa and to other regions such as Europe, South America and South East Asia. Omnia differentiates itself from other commodity chemical providers by adding value at every stage of the supply and service chain through technological innovation and by deploying the company's intellectual capital. The sustainability of the business model is based on and strengthened by the Group's targeted backward integration through installing technologically advanced plants to manufacture core materials such as nitric acid and explosives emulsions. In addition to securing sources of supply, this also enabled Omnia to improve operational efficiencies throughout the product development and production chain. Omnia provides customised, knowledge-based solutions through its Agriculture, Mining and Chemicals divisions. The Group's proven business model makes Omnia a market leader in the distribution of industrial chemicals. Omnia continues to grow and prosper, offering extraordinary value to the Group's customers by tailoring solutions to their business needs through product and service innovation, with the expert application thereof.

GLOBAL ECONOMIC ENVIRONMENT

The past year's global macro-economic environment was characterised with metals and minerals remaining in oversupply, with most metal prices continuing to fall during the year under review. Mines and mining groups are under significant pressure to reduce debt and restructure their businesses to face the harsh new realities of lower commodity prices. Downsizing and large-scale retrenchments in the mining industry have been occurring on a global basis and most mineral exploration projects have been halted or significantly reduced. As a result, there is little growth in the mining industry with few, if any, greenfield start-ups. This has the potential to create supply shortages in the medium- to long-term, which should support a recovery in metal and mineral prices.

Omnia's business model, to a large extent, depends on commodity prices – those of ammonia, its principal bulk feedstock on the cost side, and those of agricultural and minerals products on the demand side. Feedstock prices declined steadily during the first three quarters of the past financial year in response to falling natural-gas prices. Although the free-on-board (FOB) price of ammonia dropped to a low of \$265/tonne in March 2016 from \$405/tonne at the start of April 2015, urea prices also moved in line with those of ammonia. As a result Omnia did not gain any particular advantage from changes in the ammonia price. Urea prices were also affected in calendar 2015 by the significant increase in supply from Chinese manufacturers into the global market seeking to dispose of their production surplus to domestic demand. Omnia continues to evaluate market conditions and apply the hedging policy to mitigate these risks wherever applicable.

FINANCIAL REVIEW

INCOME STATEMENT

Group revenue marginally decreased to R16 774 million (2015: R16 835 million) based on an improved performance by the Agriculture division which was offset by weaker performances by the Mining and Chemicals divisions due to a general slowdown in both sectors.

Gross profit decreased by 14% to R3 405 million (2015: R3 937 million) due to lower volumes in all three divisions and competitive pricing that affected the performance of the Mining division. The gross margin percentage decreased from 23% in FY2015 to 20% in the current year.

Distribution expenses decreased by 8% to R1 400 million (2015: R1 524 million), due to sales volumes decreasing in all three divisions resulting in lower distribution expenses.

Administrative expenses of R802 million (2015: R907 million) were 12% lower year-on-year, with the decrease in costs partially attributable to the prior year's write-offs and once off restructuring charges relating to both the West Africa business unit's in the Mining division and the Angolan and Mozambique business units in the Agriculture division. Included in administrative expenses is the impairment of available-for-sale financial assets of nil (2015: R39 million).

Other operating expenses of R93 million (2015: R90 million) included R53 million (2015: R59 million) in foreign exchange losses, largely driven by the weaker US dollar exchange rate and volatility of the local currencies of various African countries in which Omnia operates, that fix their currencies against the US dollar. Amortisation of intangible assets of R40 million (2015: R31 million) for the year includes the amortisation of that portion of the new Microsoft Dynamics AX ERP system that came into operation in the current financial year.

Other operating income of R79 million (2015: R60 million) was higher year-on-year.

Operating profit of R1 189 million (2015: R1 476 million) was down 19% year-on-year. The **Agriculture division** had a challenging year due to the effect of the El-Niño weather phenomena, with a decrease of 25% in operating profit to R494 million (2015: R656 million) due to several factors. This included the lower production volumes achieved at the nitric acid 2 complex due to the decreased sales to the Mining division as a result of the slowdown in mining activities. The lower production volumes at the downstream granulation plants were due to higher levels of stock at the beginning of the year that resulted in a planned reduction in volumes produced for the year. As a result, these factors reduced the overhead recovery cost at the Sasolburg factory. Overall the Agriculture division's volumes were down by only 4% despite a 27% reduction in the maize hectares planted and the overall reduction of summer hectares planted in South Africa. The **Mining division** returned a lower operating profit of R526 million (2015: R720 million), down 27% year-on-year with continued low commodity market prices resulting in lower volumes being mined and price pressures leading most mines

FINANCIAL REVIEW

INCOME STATEMENT *continued*

to reduce output volume and expenditure on explosives and services across all markets. Market oversupply and customer focus on pricing has led to increased price competition which in turn has resulted in lower margins. To counteract these effect on margins, various internal initiatives and projects were implemented to reduce overall cost elements in the final products sold to customers. The **Chemicals division's** operating profit of R169 million (2015: R100 million) was 69% higher year-on-year which is commendable when considering the poor economic environment in South Africa where the manufacturing sector remains under pressure. Despite the poor market conditions, steps taken to counter this affect were implemented from January 2015 with the successful restructuring and simplification of the business as well as the focus on the revamp of the IT systems and business process. Collectively this has resulted in a more focused operation with better controls over pricing of product and service delivery.

Operating profit margin of 7.1% (2015: 8.8%) for the year under review was lower year-on-year, with the comparison of the divisional operating margins in percentage terms mixed. The Agriculture division was down at 6.0% (2015: 9.0%), the Mining division down at 11.6% (2015: 13.5%) and the Chemicals division up at 4.2% (2015: 2.4%). With reference to the past year's guidance on operating profit margin and the outlook for the 2017 financial year, the guidance for Agriculture remains unchanged at 7.0% – 9.0%, Mining revised downwards due to the prevailing market conditions at 12.0% – 14.0% and Chemicals revised upwards at 4.0% – 5.0% as this business continues to rebuild.

Net finance expenses of R179 million (2015: R145 million) increased year-on-year due to the cost of hedging the US dollar equity position of R86 million (2015: R47 million), the high stock levels in the Agriculture divisions and the higher funding rates due to the increased cost of borrowing in South Africa. Finance expenses of R239 million (2015: R192 million) are net of the capitalisation of R24 million (2015: R16 million) of interest costs relating to capital projects under construction during the current financial year. Finance income of R60 million (2015: R47 million) increased as a result of higher cash balances on hand during the year and at year-end.

Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) was lower at R1 562 million (2015: R1 829 million), with the year-on-year reduction attributable to the operating profit decreasing by R287 million and partially due to depreciation and amortisation charges of R20 million being higher at R373 million (2015: R353 million).

Profit before tax of R1 012 million (2015: R1 331 million) was R319 million or 24% lower year-on-year.

Taxation of R310 million (2015: R397 million) decreased by 22% or R87 million lower year-on-year. The **effective tax rate** of 30.6% (2015: 29.8%) remained higher than normal, with the marginal percentage increase due to a combination of the losses made by separate legal entities in various countries that could not be offset against profits made elsewhere in the Group, the mix of profits, varying tax rates and the year-on-year changes to the tax formulas in the various countries in which Omnia operates. This was countered in part by the Section 12I tax incentives claimed in the current financial year of R16 million (2015: R2 million), that related to the expenditure on the qualifying capital project, namely the new Dryden HEF plant and distribution centre.

Profit after tax of R702 million (2015: R934 million) was 25% lower year-on-year, due to the lower operating profit, which is still commendable under the tough macro-economic environment and prevailing weather conditions.

Total comprehensive income was higher year-on-year at R1 384 million (2015: R1 301 million), due to the higher foreign-currency translation differences of R682 million in the 2016 financial year (2015: R367 million), because of the 21% decrease year-on-year of the year-end rand:US dollar exchange rate. The majority of the foreign-currency translation reserve relates to the revaluation of the US dollar denominated equity.

Headline earnings per share of R10.33 (2015: R14.65) was down 29% year-on-year.

LONG-TERM INCENTIVE PLAN CHARGES

The current year's long-term incentive plan (LTIP) charges resulted in an income of R1 million (2015: R18 million charge) which consists of: R3 million (2015: R8 million) for the new cash-and equity-settled Partnership with Management 5 Share Scheme (Partner 5), reversal of R10 million (2015: R1 million) for the Share Appreciation Rights scheme due to the year-on-year decrease in share price and R6 million (2015: R11 million) for the equity-settled Sakhile 1 and Sakhile 2 schemes. This compares to an estimated charge in the order of R75 million for the current year, if the target for year two of the five-year plan was met. The lower charge in the current year is due to the cumulative shortfall in the profit before tax for year one and two of the new five-year plan that commenced on 1 April 2014. The R10 million year-on-year reduction in the LTIP charge for the Share Appreciation Rights scheme, is due to the year-on-year decrease in the share price from R172.50 at 31 March 2015 to R136.50 at 31 March 2016.

FINANCIAL REVIEW

BALANCE SHEET

The balance sheet continues to strengthen with **total assets** increasing by 4% or R474 million to R12 378 million (2015: R11 904 million). The increase in **current assets** of R246 million was largely attributable to the R172 million increase in cash and cash equivalents as a result of the emphasis on cash generation and working capital management in recent years resulting in a net debt-free balance sheet at year-end, a first for the past decade. The net increase in **non-current assets** of R228 million is largely attributable to the capital expenditure of R494 million (2015: R587 million) based on capital projects planned for the year which are offset by the higher depreciation charges of R333 million (2015: R322 million) together with trade and other receivables, with an increase of R64 million which consist of the financial assistance provided for the emerging farmers project.

Total liabilities at financial year end were R4 716 million (2015: R5 262 million), down R546 million or 10%. **Current liabilities** decreased by R562 million or 12% to R4 095 million (2015: R4 657 million), with trade and other payables increasing to R3 606 million (2015: R3 478 million) and bank overdrafts falling from R1 099 million to R262 million, largely due to the strong emphasis on cash generation and working capital management throughout the year.

Non-current liabilities increased by R16 million to R621 million (2015: R605 million), with the increase in deferred tax of R63 million, offset by the decrease in trade and other payables of R18 million and long-term debt of R29 million.

Net debt was eliminated at year-end with a net cash positive position of R228 million (2015: negative R820 million) resulting in a debt free balance sheet at year-end. The **ungeared** balance sheet at year-end compares favourably with the 12% gearing recorded at the end of the prior year. The net cash positive position is expected to continue to increase as the market conditions improve and the underlying assets continue to generate higher levels of profitability and cash flow with an emphasis on strict working capital management.

Total equity increased to R7 662 million (2015: R6 642 million), a R1 020 million or 15% net movement year-on-year, due to the net profit after tax of R702 million and the total increase in the foreign currency translation reserve of R682 million. This was offset by dividends paid of R324 million, treasury shares having been purchased in the open market for the new Partner 5 scheme of R51 million and R11 million for other items. The increase in the foreign currency translation reserve is due to the weakening of the rand: US dollar exchange rate at financial year-end that is used to translate the net assets denominated in US dollars at financial year-end from R12.14 at 31 March 2015 to R14.72 at 31 March 2016. At year-end, the total foreign currency translation reserve was R1 655 million (2015: R906 million).

FINANCIAL REVIEW

CASH FLOW STATEMENT

Cash flow generated from operations rose by R1 336 million to R2 304 million (2015: R968 million) with the year-on-year increase largely attributable to the positive R258 million (2015: negative R878 million) net cash funding released for working capital which normalised in the 2016 financial year compared to the 2015 financial year.

Cash flow from investing activities of R469 million (2015: R578 million) was lower due to the reduction in expenditure on major capital projects, which remained in line with the business plan.

Cash flow from financing activities of R432 million (2015: R466 million) was lower due to slight increase in dividend payments of R324 million (2015: R322 million), the net settlement of debt amounting to R57 million (2015: R83 million) and treasury shares purchased for R51 million (2015: R61 million).

The net increase in **cash and cash equivalents** for the year was R955 million (2015: R578 million net decrease) and net borrowings and cash on hand at year end totalled R310 million (2015: R699 million borrowings and overdrafts).

DIVISIONAL REVIEW



AGRICULTURE

Omnia's Agriculture division comprises of Omnia Fertilizer and Omnia Specialities and is the market leader in its field in South Africa and southern Africa.

The division produces and trades in granular, liquid and speciality fertilizers for a broad customer base of farmers, co-operatives and wholesalers throughout South Africa, southern and East Africa and to select markets in Australasia, Brazil and Mauritius.

The Agriculture division's competitive edge lies in Nutriology®, or what Omnia calls the "science of growing". The science of growing is Omnia's business philosophy and involves more than just selling fertilizer to farmers – it is about optimising yield and crop quality to maximise returns while reducing farming and environmental risk. Achieving this, entails becoming intricately involved in the producers' businesses to better understand their objectives and targets. Nutriology® also includes cutting-edge research and development that results in the development of new products, services and farming practices. The Omnia Nutriology® brand is highly regarded in the regional market and strongly supports management's vision of creating wealth through knowledge.

Omnia Fertilizer services the South African market through regional sales offices and a comprehensive network of agents and representatives supported by qualified agronomists and state of the art research facilities located at the Sasolburg site. The rest of the southern Africa market is supported from Omnia's regional offices located in Mauritius, Mozambique, Zambia and Zimbabwe, while other markets such as Botswana, Democratic Republic of the Congo (DRC), Kenya, Lesotho, Tanzania, Malawi, Namibia and Swaziland are supported from South Africa.

Omnia Specialities supplies a comprehensive range of water-soluble and foliar products, trace elements and organic soil conditioners to the South Africa and southern African markets and through offices in Australia, New Zealand and Brazil. Selected speciality products are exported to Europe, Asia and South America.

The Agriculture division achieved good growth in revenue of 13% to R8 218 million (2015: R7 287 million) on the back of a 4% decrease in total volumes. South Africa volumes were down only 1% despite a 27% reduction in the maize total hectares planted and an overall reduction of 22% in the summer crop hectares planted. The international volumes were down 3% due to lower sales in Mozambique, Botswana, the DRC and Namibia as the impact of the drought was felt.

Despite difficult market conditions, the **Agriculture Trading segment** showed solid volume growth into Africa. However, margins were negatively impacted by losses in Australia due to a poor inventory position carried forward from the previous year, resulting in a 100% or R33 million reduction in operating profit. This is a 1.5% reduction in the overall operating margin of the Agriculture division.

The total operating profit margin of 6.0% is lower than the previous year's margin of 9.0%, and was below the current year's guidance of 7.0% to 9.0%. The 3.0% year-on-year decrease in margin was attributable to the 1.5% reduction in the Agriculture Trading segment, the continued unfavourable ammonia to urea ratio that negatively impacted the conversion margins at the production facilities and the reduction in production throughput volumes at Sasolburg, resulting in a reduction in overhead cost recoveries at the Sasolburg factory and higher unit costs. Downstream sales of ammonia nitrates to the Mining division also decreased due to the slowdown in mining activities and related volumes sold to customers. To counter the effect in part is the improved performance on reducing raw material costs which depend on the timing of purchases, strong price negotiations, hedging and management of exchange rate risks. Overall, this resulted in the current year's operating profits decreasing by 25% to R494 million (2015: R656 million).

Net working capital increased by 12% to R2 036 million (2015: R1 821 million) due to the impact of the year-on-year increase in exchange rates, increasing the rand unit costs of raw materials, work in progress and finished goods.



MINING

Omnia's Mining division services the mining industry through BME and Protea Mining Chemicals.

BME operates throughout Africa with a strong presence in South Africa, southern and West Africa. BME is a market leader in bulk emulsion and blended bulk explosives formulations for the opencast mining industry; it produces electronic delay detonators and shocktube initiating systems; it has its own range of explosive boosters, and it manufactures packaged explosives for underground mining and specialised surface blasting operations. BME adds value to its products through its world-class blasting consultancy service. Omnia's industry experts, experienced mining engineers and geologists advise and support customers in the planning and execution of blasting operations.

DIVISIONAL REVIEW

MINING *continued*

This is achieved by using BME's unique and proprietary BlastMap™ software solution in combination with the accuracy of the AXXIS® electronic delay detonators that is used to control the electronic delay detonators in the blasting process.

Protea Mining Chemicals provides a suite of value-added services to complement a wide range of chemicals and reagents supplied for use by the processing plants on mines in South Africa and Africa. This includes Protea Process®, a comprehensive service that covers the design of equipment, logistics and on-site management and make up of chemicals and reagents.

The Mining division's total revenue decreased by 15% to R4 551 million (2015: R5 351 million) on the back of a 17% reduction in volumes with the continued low commodity market prices and price pressures leading most mines to seek price reduction through renegotiations with current suppliers or via tender with potentially new suppliers, reduce output volume and expenditure on explosives and services across all markets. Market oversupply and customer focus on pricing has led to increased price competition which in turn has impacted and resulted in lower margins. Overall, market conditions remain challenging and some of the key factors affecting market conditions are as follows: softer demand in mining commodity and mineral markets throughout Africa, especially in gold, platinum, copper and iron ore; reduced mining activity in metals and minerals such as coal, uranium, vanadium, gold and platinum; reduced greenfield mining project activity in sub-Sahara Africa, as well as brownfield expansion opportunities on existing mines. However despite these market conditions the division continues to find opportunities and has recently been successful in securing large volumes in the copper belt of Zambia.

Despite the downturn in world mining revenues and volumes, the Mining division has been remarkably resilient and continues to forge ahead in maintaining its position as a leading player in the open cast mining industry on the African continent. The operating profit of R526 million was at an operating margin of 11.6% (2015: 13.5%), which was 1.9% down on the previous year. This is below the current year's guidance of 13.0%–15.0%. This can be attributable to the weakening rand that was positive for BME's South African-sourced and manufactured products sold into Africa, also negatively impacted on product categories where the inputs are purchased in US dollars. Average sales prices increased by 2% year-on-year mainly due to the weaker rand. Volumes decreased by 17%, largely attributable to two major contracts that were lost during the last quarter of FY2015 with the full effect realised in FY2016. If the contracts were excluded in FY2015 the volume decrease would have been 5% year-on-year.

Net working capital was well controlled and decreased to R842 million (2015: R1 090 million), due to the reduction in overall sales revenue causing a reduction in total net working capital.



CHEMICALS

The Chemicals division's main business, Protea Chemicals, is a long-established and well-known manufacturer and distributor of specialty, functional and effect chemicals and polymers. It has a significant presence in every sector of the broader chemicals distribution market throughout South Africa, southern and East Africa. Protea Chemicals represents many leading domestic and international chemical producers, providing cost-effective and efficient distribution channels for Omnia's products into the African market. Protea Chemicals continues to be rated as the largest chemical distributor in Africa by the respected industry journal, ICIS Chemical Business. Protea Chemicals also manufactures and distributes chemicals for the treatment of water to render it potable, a function mostly undertaken through municipalities.

Revenue decreased by 5% to R4 005 million (2015: R4 197 million) with a 5% decrease in volumes sold. The operating margin increased by a commendable 1.8% to 4.2% (2015: 2.4%) and was above the current year's target of 3.0% – 4.0%, with the exchange rate assisting the rand/kg selling prices to an extent. Disciplined management of selling prices effectively minimised the decline in US dollar-denominated unit prices of chemical products partially offsetting the weaker rand: US dollar exchange rate. As a result, the net impact has not been as marked as the decline in the oil price alone would suggest. Overall, Protea Chemicals saw an unchanged unit price over the past year, whilst total turnover declined mostly due to lower volumes as a result of rationalised product range.

The strategy to divert the division's marketing and sales efforts in addition to South Africa to neighbouring countries and throughout Africa has started to produce encouraging results, though oil based economies continue to struggle under poor liquidity of US dollars caused by the sustained drop in oil prices. Further developments beyond Protea Chemicals' existing operations will continue to be explored, to allow for sustainable growth in the geographic areas within which the division operates and the broader chemicals distribution sector. The strategy to develop a realigned business model to effectively provide an improved product and service offering to meet customer expectations has progressed well throughout FY2016 and is on its way to deliver further benefits in the coming financial year.

Significant restructuring of the division's resources required to service the business took place in the second half of the financial year. These savings assisted in further reducing overhead costs and providing a robust platform for the new financial year, where the full impact will be seen in the income statement. The conclusion of the strategy to move away from a product-based model to a customer-based model has been well managed and has provided a trimmed down but effective product range sufficient to meet customer expectations. Further improvements

DIVISIONAL REVIEW

CHEMICALS *continued*

to information technology systems have also assisted the already successfully restructured business to respond to market dynamics. Such development has improved margin control and provides a solid platform from which to further grow the business. All of this has resulted in gross profit percentage increasing from 11.4% in FY2015 to 14.8% in the current year contributing significantly to the improvement in operating margin.

Net working capital was well controlled and decreased to R533 million (2015: R575 million).

PROSPECTS

The domestic and international Agriculture divisions are poised for a good performance with record high agriculture produce prices and the prospect of the drought receding, favouring a normal planting season this coming year. Gains made in establishing new fertilizer markets in the course of last year are likely to drive volume growth.

The international mining sector has gone through very difficult times since late 2014, but the prices for commodities appear to be stabilising for the moment and showing modest signs of recovery. Going forward, with the prospect of a better balance between demand and supply for most commodities, the price recovery in the near term is more likely and the business is well placed to respond to the improvement in market conditions. Although the demand for explosives in South Africa and in Africa has been hard hit over the last two years, with BME's very competitive offering, a number of large contracts have been secured which will have a favourable impact the new financial year. This will ensure that the division is well placed to restore its level of profitability and also have a positive impact on the Agriculture division due to higher production throughput and lower unit costs per unit produced.

Protea Mining Chemicals continues to perform above expectation as it increases its footprint in regional Africa and is budgeted to have another year of growth.

The Chemicals division has undoubtedly turned a corner and is expected to build on the considerable improvement in earnings achieved in the FY2016. This will be done in the face of considerable pressure on margins and volumes in the market place.

The Business Development team is focusing on raw material backward integration opportunities, potential acquisitions and energy projects of which a number have been assessed, and a few of which are in the process of receiving further consideration.

The Group's balance sheet is very strong with a positive cash position. This has positioned the company to investigate a number of investment opportunities, of which a certain number are at an advanced stage of investigation and analysis.

DIVIDENDS

The board has declared a final gross cash dividend of 180 cents (2015: 300 cents) per ordinary share payable from income in respect of the year ended 31 March 2016. Together with the interim dividend of 180 cents (2015: 190 cents) per share, this provides shareholders with a total dividend this financial year of 360 cents (2015: 490 cents) per ordinary share. The number of ordinary shares in issue at the date of this declaration is 68 293 352 (including 1 120 640 treasury shares held by the Group). The gross dividend is subject to local dividends tax of 15% for those shareholders to which local dividends tax is applicable. The resultant net dividend amount is 153 cents per share for those shareholders subject to local dividends tax and 180 cents share for those shareholders not subject to local dividends tax. The company's tax reference number is 9400087715.

The salient dates for the final dividend are as follows:

Last day to trade cum dividend	Tuesday, 19 July 2016
Shares trade ex-dividend	Wednesday, 20 July 2016
Record date	Friday, 22 July 2016
Payment date	Monday, 25 July 2016

Share certificates may not be dematerialised or materialised between Wednesday, 20 July 2016 and Friday, 22 July 2016, both dates inclusive.

DIVIDENDS

continued

CHANGES TO THE BOARD

Mr Noel Fitz-Gibbon retired as non-executive director with effect from 22 June 2015 and Ms Khumo Shongwe resigned as independent non-executive director with effect from 17 July 2015.

Ms Tina Eboka was appointed as an independent non-executive director with effect from 26 February 2016.



NJ Crosse

Chairman

28 June 2016



RB Humphris

Group managing director



WG Koonin

Group finance director

Directors: RC Bowen (British), FD Butler, NJ Crosse (Chairman), TNM Eboka, R Havenstein, HH Hickey, RB Humphris* (Group managing director), WG Koonin* (Group finance director), Prof SS Loubser, Dr WT Marais, HP Marais (alternate), SW Mncwango, D Naidoo **Executive directors*

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Transfer secretaries: Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein

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