

# Audited Group financial results and dividend announcement for the year ended 31 December 2011

Revenue: R5 billion

Headline earnings per share: 91.6 cents

## Performance summary

For the year ended 31 December 2011 revenue increased 11% to R5,2 billion and EBITDA increased 28% to R774 million. Net profit including impairments was R183 million. Headline earnings per share were 91,6 cents for the year, up 65%. Afrox continued with its programme to invest in plant modernisation, additional capacity and efficiency enhancements, and for the year under review spent R416 million (2010: R294 million). The Group ended the year with net borrowings of R716 million and gearing of 17,4% (2010: 20,6%).

## Business review

At the heart of our improved financial performance in 2011 are operational efficiencies, cost management and effective procurement.

South Africa's manufacturing sector recovery, a key economic indicator for Afrox, did not consolidate on the path that began towards the end of 2010. As a result, Afrox was unable to achieve the projected growth in sales volumes.

A combination of scheduled maintenance closures and unplanned outages at South African oil refineries impacted negatively on Afrox's bulk and packaged LPG sales. As a result of these issues, demand far outstripped supply for several months, leaving the company unable to meet the needs of its diverse customer base. LPG had to be imported to correct the shortfall at significantly higher costs.

During 2011, industrial action by Unions affiliated to Cosatu spilled over into most sectors of the local economy and Afrox was unable to avoid being affected. During July, this had a negative impact on Afrox's transport fleet and consequently on production and distribution of product, despite our transport labour being spread across several unions/contractors.

The decision to impair the assets of the MIG plant at Brits and cease production at the end of December 2010 proved to be sound. Annual savings of R23 million were achieved. The full benefits from the change to our manufacturing strategy are still to be realised during 2012.

Afrox's Atmospheric Gases business came under pressure in 2011 and volumes were 3% down on 2010. In addition to maintenance and the upgrading of the company's air separation units (ASUs), Afrox has spent R71 million in 2011 on the new ASU to be built at its Pretoria site. The ASU will have Argon capability and will commence production in 2013.

Volumes in the welding consumables (hard goods) market, which is traditionally linked to infrastructure development, continued to be under pressure but managed to achieve a 3% growth in 2011.

African operations outside South Africa increased revenue to R815 million (2010 R731 million), with EBITDA of R203 million, contributing 26% to the Group EBITDA. This continued growth is backed not only by the demand for commodities and infrastructure, but also a regional population that is characterised by the rapid growth of a middle class. This has created demand for consumer products, beverages and healthcare, all areas served by Afrox.

As previously reported, an unforeseen structural failure at the Witbank air separation unit in 2010 resulted in the disruption of service delivery to Evraz Highveld Steel ("EHVS"), Witbank, and via pipeline to Columbus Stainless in Middelburg. EHVS has given Afrox notice that it would not renew the supply agreements with Afrox effective 20 December 2013 and a decision was taken to impair the R152 million Witbank plant.

## Dividend

The Board declared a final cash dividend of 23 cents per share (2010: 8 cents). Together with the interim cash dividend of 22 cents per share (2010: 19 cents), a total of 45 cents per share (2010: 27 cents) was declared for the year and is covered 2,0 times in headline earnings per share.

## Board of Directors

Kent Masters resigned as a Non-Executive Director and Chairman of the Afrox Board from 20 May 2011, Karen Oliver resigned as Non-Executive Director from 31 March 2011, Tjaart Kruger resigned as Managing Director from 31 August 2011, and Mike Huggon was appointed as a Non-Executive Director of Afrox from 11 April 2011 and as Chairman of the Afrox Board from 20 May 2011. Matthias von Plotho was appointed as a Non-Executive Director from 20 May 2011.

Sipho Pityana resigned as Independent Director from 31 December 2011.

At this challenging juncture in Afrox's history, it is vital that our company has a Managing Director who has the necessary industry experience and understands the Afrox culture, and has had the benefit of international management experience. Therefore, it is with pleasure that we can confirm that Brett Kimber, a South African and former senior Afrox employee has been appointed as Managing Director from 1 January 2012. Brett's appointment coincides with changes that have been made in the Linde global structure to reflect operations in three major time zones across the globe, bringing the UK/Ireland and Africa closer together and achieving this through sharing of applicable best practices, skills and competencies.

## Outlook

Many of the internal factors that restrained growth during 2010 have been resolved, clearing the way for an incremental return to operational and financial strength, barring unforeseen events. Continued low economic growth, which impact on manufacturing and infrastructure spend in South Africa, remain a real concern and as a result our outlook remains cautiously optimistic.

Mike Huggon Frederick Kotzee 23 February 2012  
Chairman Financial Director Johannesburg

## NOTICE OF DIVIDEND DECLARATION NUMBER 171 AND SALIENT FEATURES

Notice is hereby given that a final cash dividend of 23,0 cents per ordinary share, being the final dividend for the year ended 31 December 2011, has been declared payable to all shareholders of African Oxygen Limited recorded in the register on Friday, 20 April 2012.

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

Last day to trade ordinary shares "cum" dividend	Friday, 13 April 2012
Ordinary shares trade "ex" the dividend	Monday, 16 April 2012
Record date	Friday, 20 April 2012
Payment date	Monday, 23 April 2012

Share certificates may not be dematerialised or rematerialised between Monday, 16 April 2012 and Friday, 20 April 2012, both days inclusive.

By order of the Board

Carnita Low

Company Secretary

23 February 2012

Johannesburg

## Condensed consolidated income statement

R'million	Note	31 December 2011 Audited	31 December 2010 Audited
Revenue		5 246	4 721
Operating expense		(4 472)	(4 115)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		774	606
Depreciation and amortisation		(283)	(283)
Impairments		(153)	(104)
Earnings before interest and tax (EBIT)		338	219
Net finance expense		(46)	(63)
Income from associate		3	6
<b>Profit before taxation</b>		<b>295</b>	<b>162</b>
Taxation		(100)	(56)
<b>Profit for the period</b>		<b>195</b>	<b>106</b>
<b>Profit for the period attributable to:</b>			
Equity holders of the Company		183	94
Non-controlling interest		12	12
		<b>195</b>	<b>106</b>
Basic and diluted earnings per share – cents	4	59,2	30,5
Headline earnings per share – cents	4	91,6	55,5

## Condensed consolidated statement of comprehensive income

R'million	31 December 2011 Audited	31 December 2010 Audited
<b>Profit for the period</b>	<b>195</b>	<b>106</b>
<b>Other comprehensive income/(loss)</b>	<b>48</b>	<b>(117)</b>
Translation differences for foreign operations	23	(27)
Translation differences relating to non-controlling interest	5	(8)
Changes in fair value of cash flow hedges (net of tax)	10	(12)
Actuarial gains/(losses) on defined-benefit funds	13	(97)
Deferred tax relating to actuarial (gains)/losses	(3)	27
<b>Total comprehensive income/(loss) for the period</b>	<b>243</b>	<b>(11)</b>
<b>Total comprehensive income/(loss) attributable to:</b>		
Equity holders of the Company	226	(15)
Non-controlling interest	17	4
	<b>243</b>	<b>(11)</b>

## Statistics and ratios

	31 December 2011 Audited	31 December 2010 Audited
Average number of shares in issue during the period ('000)	308 568	308 568
Shares in issue ('000)	308 568	308 568
Net asset value per share excluding actuarial gain/loss (cents)	823	784
Dividends per share (cents)	45,0	27,0
Final	23,0	8,0
Interim	22,0	19,0
<b>Ratios</b>		
EBITDA margin (%)	14,8	12,8
Interest cover on EBITDA (times)	16,6	9,6
Effective tax rate (%)	33,9	34,6
Gearing (%)	17,4	20,6
Dividend cover based on headline earnings per share – (times)	2,0	2,1

## Condensed consolidated statement of changes in equity

R'million	Share capital and share premium	FCTR and hedge reserves	Actuarial gains	Re-tained earnings	Non-controlling interest	Total equity
Balance at 1 January 2011	552	(86)	277	1 952	32	2 727
Other comprehensive income	-	33	10	-	5	48
Profit for the period	-	-	-	183	12	195
Acquisition of additional interest in subsidiary	-	-	-	(1)	(1)	(2)
Dividends paid	-	-	-	(93)	(10)	(103)
<b>Balance at 31 December 2011</b>	<b>552</b>	<b>(53)</b>	<b>287</b>	<b>2 041</b>	<b>38</b>	<b>2 865</b>
Balance at 1 January 2010	552	(47)	347	1 975	32	2 859
Other comprehensive income	-	(39)	(70)	-	(8)	(117)
Profit for the period	-	-	-	94	12	106
Dividends paid	-	-	-	(117)	(4)	(121)
<b>Balance at 31 December 2010</b>	<b>552</b>	<b>(86)</b>	<b>277</b>	<b>1 952</b>	<b>32</b>	<b>2 727</b>

## Business segments

R'million	31 December 2011 Audited	31 December 2010 Audited
<b>Revenue</b>	<b>5 246</b>	<b>4 721</b>
Atmospheric gases	1 696	1 593
LPG	1 913	1 645
Hardgoods	822	752
Rest of Africa	815	731
<b>Gross profit after distribution (GPADE)</b>	<b>1 133</b>	<b>1 012</b>
Atmospheric gases	513	436
LPG	378	364
Hardgoods	242	212
<b>Reconciliation of GPADE to EBIT</b>		
GPADE for business segments	1 133	1 012
Other operating expenses	(831)	(882)
Impairments	(153)	(104)
EBIT Rest of Africa	189	193
Earnings before interest and taxation (EBIT)	338	219

## Condensed consolidated statement of financial position

R'million	Note	31 December 2011 Audited	31 December 2010 Audited
<b>ASSETS</b>			
Property, plant and equipment	3	2 657	2 637
Other non-current assets		880	859
<b>Non-current assets</b>		<b>3 537</b>	<b>3 496</b>
Inventories		678	663
Trade and other receivables and taxation		896	800
Cash and short-term deposits		243	327
<b>Current assets</b>		<b>1 817</b>	<b>1 790</b>
<b>Total assets</b>		<b>5 354</b>	<b>5 286</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders' equity		2 827	2 695
Non-controlling interest		38	32
<b>Total equity</b>		<b>2 865</b>	<b>2 727</b>
Long-term borrowings		446	871
Deferred taxation		524	514
<b>Non-current liabilities</b>		<b>970</b>	<b>1 385</b>
Short-term portion of long-term borrowings		502	263
Trade, other payables and provisions		981	848
Taxation payable		25	28
Bank overdrafts		11	35
<b>Current liabilities</b>		<b>1 519</b>	<b>1 174</b>
<b>Total equity and liabilities</b>		<b>5 354</b>	<b>5 286</b>

## Notes to the financial statements

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

### 1 Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), the presentation as well as disclosure requirements of IAS34 *Interim Financial Reporting*, the AC 500 standards as issued by the Accounting Practices Board and the Listing Requirements of the JSE Limited and the Companies Act of South Africa, as amended.

### 2 Basis of preparation

The financial statements are prepared in millions of South African Rands (R'million).

The accounting policies are those presented in the annual financial statements for the year ended 31 December 2011 and have been applied consistently to the periods presented in these condensed consolidated financial statements and by all Group entities, except adjustments where new or revised IFRS Statements have been adopted.

R'million	31 December 2011 Audited	31 December 2010 Audited
<b>3 Capital expenditure</b>		
<b>Property, plant and equipment</b>		
Opening carrying value	2 637	2 729
Additions	416	294
Impairments	(152)	(96)
Disposals	(3)	(14)
Depreciation	(253)	(252)
Translation differences	12	(24)
Closing carrying value	<b>2 657</b>	<b>2 637</b>

### 4 Earnings and headline earnings per share

• Earnings per share is calculated on earnings of R183 million (2010: R94 million).  
• Headline earnings per share is calculated on headline earnings of R283 million (2010: R171 million).

All of the above are based on a weighted average number of ordinary shares of 308 567 602 (2010: 308 567 602 million) in issue during the period.

### Reconciliation between earnings and headline earnings

	183	94
Profit for the period	183	94
(Profit)/loss on disposal of property, plant and equipment	(10)	2
Impairments (net of tax)	110	75
<b>Headline earnings</b>	<b>283</b>	<b>171</b>

### 5 Subsequent events

The directors are not aware of any material matter or circumstance arising since the end of the period and up to the date of this report, not otherwise dealt with in this report. The Group declared a final cash dividend of 23 cents per share on 23 February 2012.

Claim of approximately R207 million still remain against the Group. This claim refer to supply disruptions, predominantly as a result of power outages and equipment failure. The Group has sought legal advice and the Board of Directors is of the opinion that various robust defenses exist in respect of the claim and material success in the matter by the claimant is improbable.

### 6 Audit opinion

The independent auditors, KPMG Inc., have issued their opinion on the Group's financial statements for the year ended 31 December 2011. The audit was conducted in accordance with International Standards on Auditing. A copy of their unqualified audit report is available for inspection at the Company's registered office. These condensed financial statements have been derived from the Group financial statements and are consistent, in all material respects, with the Group financial statements.

## Corporate information

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

### Registered office

Afrox House, 23 Webber Street, Selby, Johannesburg 2001  
PO Box 5404, Johannesburg 2000  
Telephone +27 (11) 490 0400

### Transfer secretaries

Computershare Investor Services (Pty) Limited

### Sponsor in South Africa

One Capital

**Sponsor in Namibia**  
Namibia Equity Brokers (Pty) Limited

### Directors

BD Kimber (Managing Director)  
FT Kotzee (Financial Director), J Narayadoo (Director MPG Operations), MS Huggon (Chairman), M von Plotho (DM Lawrence, M Malebye, Dr KDK Mokhele, LL van Niekerk, DM Woodrow) "German" "British"

### Company Secretary

Carnita Low

### Auditors

KPMG Inc.