AFROX

Interim financial results for the nine-month period ended 30 June 2007

- Revenue R3,3 billion
- Operating profit R605 million
- Core HEPS at 124,4 cents
- Dividend of 54,0 cents

Afrox's Pietermaritzburg plant where a new liquefier has been installed to increase product capacity of liquid oxygen and nitrogen.

PERFORMANCE SUMMARY

African Oxygen Limited (Afrox) continued to produce sound results in a buoyant market where demand for certain of our products outstripped supply.

During the year, the company changed its year-end from September to December in order to align itself with its holding company, The Linde Group, the world's foremost industrial gases and engineering company. As a result, the new interim period now ends 30 June 2007. However, in this commentary, the figures have not been compared as they are for the different periods of six and nine months.

The results for the nine-month period ended 30 June 2007, show revenue at R3,3 billion with profit from operations at R605 million and net profit at R362 million.

Headline earnings per share were 117,0 cents and core headline earnings per share were 124,4 cents. The board of directors believes that core headline earnings is an appropriate measure of operating performance as it adjusts for non-recurring and non-operational items.

The balance sheet remains strong with cash flow for the period at R560 million. Gearing is at an acceptable level of 24,5 percent, despite the current increased investment program.

The buoyant demand situation in the reporting period produced challenges for the business from a supply perspective. As previously announced, the company embarked on an extensive investment programme initiated during the 2006 financial year. The capital expenditure for the nine-month period was R607 million and three air separation plants have already been commissioned and they include Afrox's Pietermaritzburg plant and two customer on-site plants at Xstrata and Scaw Metals. The two customer on-site plants will also produce for the merchant market.The full benefit of the capex programme will be realised in the 2008 financial year. LPG shortages were addressed by the commissioning of a 3 600-ton importation and storage facility at Richards Bay in May, 2007. This will make a significant contribution to meeting growing demand into the future.

DIVIDEND

The board of directors declared an interim cash dividend of 54,0 cents per share (2006: 48,0 cents), which is an increase of 12,5 percent. The dividend is covered 2.30 times by core headline earnings

ANNUAL RATINGS

Afrox's credit rating remains unchanged for the third successive year at a high AA- for long-term, and A1+ for short-term. It has also improved its annual BEE rating from a BB to BBB, and is graded a level 5 contributor.

CHANGES TO THE BOARD

Tjaart Kruger (47) has joined the company as Managing Director, effective 1 April 2007. He joins Afrox from the Tiger Brands Group where he held several senior executive positions. He succeeds Rick Hogben, the previous Managing Director, who retired from the board at the end of March 2007. Alan Ferguson and Jim Ford, non-executive directors and Daniel Shook, an alternate director, resigned from the board with effect 30 March 2007, following their resignations from The Linde Group. James Cullens resigned from Linde and the Afrox board, effective 13 July 2007.

Alan Watkins and Jürgen Nowicki were appointed to the board as non-executive directors with effect from 4 April 2007. They both hold executive positions with The Linde Group. Nazmi Adams, from Linde, was appointed an alternate director. Mlawuli Manjingolo has joined Afrox as Company Secretary.

OUTLOOK

Afrox's current investment programme will go a long way to mitigating the supply situation and the company will also benefit from the expected high infrastructure spend in South Africa over the next few years. The company is, therefore, well positioned for real growth in earnings.

Kent Masters
Chairman

Tjaart Kruger
Managing Director

Johannesburg
26 July 2007

NOTICE OF INTERIM DIVIDEND DECLARATION AND SALIENT FEATURES

Notice is hereby given that an interim cash dividend of 54,0 cents (2006: 48,0 cents) per ordinary share, being the interim dividend for the period ended 30 June 2007, has been declared payable to all shareholders of African Oxygen Limited recorded in the register on Friday, 12 October 2007.

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

	2007
Last day to trade ordinary shares "cum" dividend	Friday, 5 October
Ordinary shares trade "ex" the dividend	Monday, 8 October
Record date	Friday, 12 October
Payment date	Monday, 15 October

Share certificates may not be dematerialised or rematerialised between Monday, 8 October 2007 and Friday, 12 October 2007, both days inclusive.

By order of the board

Mlawuli Manjingolo
Company Secretary

26 July 2007
Johannesburg

www.afrox.com

Condensed consolidated balance sheet

Rm	Unaudited As at 30 June 2007	Restated Unaudited As at 31 March 2006	Restated Audited As at 30 Sept 2006
ASSETS			
Non-current assets	**2 863**	2 400	2 337
Property, plant and equipment	**2 471**	1 741	2 029
Investment in associates	**11**	426	11
Other non-current assets	**381**	233	297
Current assets	**1 580**	1 137	1 618
Inventories	**596**	408	452
Trade and other receivables	**858**	660	718
Cash and cash equivalents	**126**	69	448
Total assets	**4 443**	3 537	3 955
EQUITY AND LIABILITIES			
Capital and reserves	**2 327**	1 848	2 299
Issued capital	**15**	15	15
Share premium	**537**	537	537
Accumulated profits and reserves	**1 748**	1 276	1 724
Minority interest	**27**	20	23
Non-current liabilities	**764**	644	476
Borrowings	**500**	507	311
Other non-current liabilities	**264**	137	165
Current liabilities	**1 352**	1 045	1 180
Current portion of borrowings	**423**	249	205
Trade and other payables	**900**	781	960
Bank overdraft	**29**	15	15
Total equity and liabilities	**4 443**	3 537	3 955

Condensed consolidated income statement

Rm	Unaudited 9 months to June 2007	Restated Unaudited 6 months to March 2006	Restated Audited 12 months to Sept 2006
Revenue	**3 288**	1 837*	3 897
Operating profit	**605**	376	749
Profit on sale of investment	**—**	—	362
Profit from operations	**605**	376	1 111
Finance costs	**(47)****	(14)	(30)
Income from associates	**—**	37	100
Profit before taxation	**558**	399	1 181
Income tax expense	**(196)**	(108)	(316)
Profit for the period	**362**	291	865
Attributable to:			
Equity holders of the company	**358**	289	858
Minority interest	**4**	2	7
Net profit for the period	**362**	291	865

*Refer to note 2 **Refer to note 3

Statistics and ratios

Rm	Unaudited 9 months to June 2007	Restated Unaudited 6 months to March 2006	Restated Audited 12 months to Sept 2006
Total net profit for the period attributable to equity holders of the company	**358**	289	858
Adjustments for headline earnings	**2**	1	(267)
Headline earnings	**360**	290	591
Adjustments for core headline earnings	**23**	(86)	(154)
Core headline earnings	**383**	204	437
Basic earnings per ordinary share (BEPS) – (cents)	**116,3**	93,5	278,1
Headline earnings per ordinary share (HEPS) – (cents)	**117,0**	93,7	191,4
Core HEPS – (cents)	**124,4**	66,2	141,6
Statistics			
Average number of ordinary shares in issue during the period and on which earnings per share are based ('000)	**308 568**	308 568	308 568
Dividend per share (cents)	**54,0**	48,0	148,0
Ratios			
Interest cover (times)	**12,9**	26,9	37,0
Effective tax rate (%)	**35,1**	27,1	26,8
Gearing (%)	**24,5**	26,1	3,3
Dividend cover (excluding special) – core headline earnings (times)	**2,30**	1,38	1,61

Geographical segments

Rm	South Africa	Rest of Africa	Restated Total
Nine months ended 30 June 2007			
– revenue	2 879	409	3 288
– operating profit	510	95	605
Six months ended 31 March 2006			
– revenue	1 598	239	1 837
– operating profit	327	49	376
Year ended 30 September 2006			
– revenue	3 395	502	3 897
– operating profit	631	118	749

Condensed consolidated cash flow statement

Rm	Unaudited 9 months to June 2007	Restated Unaudited 6 months to March 2006	Restated Audited 12 months to Sept 2006
Cash generated from operations	**560**	281	747
Finance costs and taxation paid	**(281)**	(304)	(436)
Dividends received	**—**	7	7
Cash available/(utilised) from operations	**279**	(16)	318
Dividends paid	**(309)**	(123)	(272)
Net cash (outflow)/inflow from operating activities	**(30)**	(139)	46
Acquisition of business	**(114)**	—	(5)
Disposal of business	**—**	—	801
Purchase of property, plant and equipment	**(568)**	(200)	(549)
Purchase of intangible assets	**(39)**	—	(34)
Other investing cash flows, net	**9**	(2)	20
Net cash (outflow)/inflow from investing activities	**(712)**	(202)	233
Minorities	**(2)**	—	—
Increase/(decrease) in borrowings	**408**	233	(8)
Net cash inflow/(outflow) from financing activities	**406**	233	(8)
Net (decrease)/increase in cash and cash equivalents	**(336)**	(108)	271
Cash and cash equivalents at beginning of period	**433**	162	162
Cash and cash equivalents at end of period	**97**	54	433

Reconciliation of restatement of prior year results due to change in accounting standards

BALANCE SHEET – Rm	As at 31 March 2006	As at 30 Sept 2006
Total assets		
As previously reported	**3 497**	3 915
Adjusted for retrospective adjustments		
– increase in finance leases	**83**	77
– decrease in property, plant and equipment	**(43)**	(37)
Restated total assets	**3 537**	3 955
Total equity and liabilities		
As previously reported	**3 497**	3 915
Adjusted for retrospective adjustments		
– increase in equity (accumulated profits and reserves)	**28**	28
– increase in other non-current liabilities	**12**	12
Restated total equity and liabilities	**3 537**	3 955

INCOME STATEMENT
The net effect on profit is nil for both periods.

Condensed consolidated statement of changes in equity

Rm – (Restated)	Issued share capital	Share premium	Other reserves	Accumulated profits	Minority interest	Total
Balance at 1 October 2006	15	537	78	1 646	23	2 299
Other movements	—	—	(23)	(2)	—	(25)
Net profit for the period	—	—	—	358	4	362
Dividend declared	—	—	—	(309)	—	(309)
Balance at 30 June 2007	**15**	**537**	**55**	**1 693**	**27**	**2 327**
Balance at 1 October 2005	15	537	122	958	12	1 644
Change in accounting policy	—	—	—	28	—	28
Other movements	—	—	6	(4)	6	8
Net profit for the period	—	—	—	289	2	291
Dividend declared	—	—	—	(123)	—	(123)
Balance at 31 March 2006	**15**	**537**	**128**	**1 148**	**20**	**1 848**

Notes to the condensed financial statements

1. Financial period

Afrox changed its year-end to December to align itself with the financial year-end of its holding company, The Linde Group. This financial year will therefore end on 31 December 2007 and will cover fifteen months. The interim results hereby presented are for nine months ended 30 June 2007 and the comparative period covers six months ended 31 March 2006.

2. Restatement of comparatives for the six-month period ended 31 March 2006

The comparative results as of 31 March 2006 have been adjusted by the discounting of credit sales in accordance with the accounting policy adopted from September 2006. The discounting has been effected with reference to the prime lending rate and average debtors collection period. The revenue as at 31 March 2006 has been decreased by R22 million. The operating profit is not affected.

Reconciliation of 2006 turnover

Rm	6 months to March 2006	12 months to Sept 2006
Turnover as previously reported	1 867	3 914
Discounting of credit sales (accounting policy change effected in September 2006)	(22)	—
	1 845	3 914
Effect of IFRIC 4 accounting policy change (accounting policy change effected this year)	(8)	(17)
Restated turnover	1 837*	3 897*

*See comparative analysis

3. Finance costs

In 2000, Afrox entered into a structured finance arrangement with a financial institution, the substance of which was a loan transaction. This arrangement has subsequently been challenged by the South Africa Revenue Service (SARS). SARS has disallowed certain interest deductions claimed by the financial institution, resulting in a settlement in the amount of R36 million being agreed as the full and final settlement to the financial institution of taxation consequences of the arrangement. In terms of the agreement, Afrox bore the risk of adverse taxation consequences emanating from the transaction.

Afrox has accounted for R9 million of the R36 million. The balance will be accounted for in the remainder of the financial year. Afrox is not exposed to any other structured finance transactions.

Company accounting policies

Basis of preparation

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and its interpretations adopted by the International Accounting Standards Board (IASB), the preparation and disclosure requirement of IAS 34 (Interim Financial Reporting) and the listing requirements of the JSE Limited and Schedule 4 of the South African Companies Act.

These financial statements do not contain all the information and disclosures required in the annual financial statements, and should be read in conjunction with the company consolidated annual financial statements as at 30 September 2006.

Significant accounting policies

The accounting policies applied in these condensed financial statements are compliant with IFRS and consistent with those used in the preparation of the financial statements for the year ended 30 September 2006, except for the first-time adoption of IFRIC 4 – Determining whether an Arrangement contains a Lease (Embedded Leases). IFRIC 4 requires reclassification of certain assets subject to embedded lease arrangements and recognition of long-term lease receivables.

Comparative analysis

Rm	9 months ended 30 June 2007 Core operations	Adjustment*	Total	Restated 6 months ended 31 March 2006 Core operations	Adjustment**	Total restated	Restated 12 months ended 30 September 2006 Core operations	Adjustment***	Total restated
Revenue	3 288	—	3 288	1 795	42	1 837	3 897	—	3 897
Operating profit	605	—	605	315	61	376	679	70	749
Headline earnings	383	(23)	360	204	86	290	437	154	591
BEPS (cents)	123,7	(7,4)	116,3	65,9	27,6	93,5	141,6	136,5	278,1
HEPS (cents)	124,4	(7,4)	117,0	66,2	27,5	93,7	141,6	49,8	191,4

Core operations
Core operations represent the sustainable business of the company. The results under core operations also exclude non-recurring and non-operational items.

*The adjustment relates to the following:

Finance costs
The company incurred R36 million additional finance costs in 2007, from a structured finance transaction challenged by the South African Revenue Services. This is further explained in note 3. To date, the company has accounted for R9 million of this finance cost.

Secondary tax and special dividend
A secondary tax charge of R14 million on a special dividend declared in October 2006 has been charged. The special dividend was based on the profits on disposal of the Life Healthcare business.

**The adjustment relates to the following:

The results of Life Healthcare
The results of the share of associate, Life Healthcare's profit have been excluded. This associate was disposed of in 2006. At operating profit level the adjustment was R19 million. The adjustment is a reduction in net profit of R56 million.

Restatement of cylinder rental income
The treatment of annual cylinder rental contracts has been changed to recognise rental income as revenue over the period of the rental, even though billed and received annually. Therefore revenue and operating profit for the period ended 31 March 2006, has been reduced by R42 million representing rental income not yet earned at that date. The net effect on profit is an adjustment of R30 million.

Discounting of credit sales
The treatment of credit sales has been adjusted by discounting these sales using the average debtors collection period and prime lending rate. This is in line with the accounting policy adopted from September 2006. The revenue has been decreased by R22 million. Operating profit is not affected.

***The adjustment relates to the following:

The results of Life Healthcare
The results of the share of associate, Life Healthcare's profit have been excluded. This associate was disposed of in 2006. At operating profit level the adjustment was R16 million. The adjustment is a reduction in net profit of R115 million.

Pension fund
Net gain on valuation of the company pension fund of R113 million pre tax and R81 million after tax was excluded for the period as it is a non-operational item.

Share appreciation rights
Cost of R59 million pre tax and after tax of R42 million relating to share appreciation rights vested early due to change in control.

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African Oxygen Limited
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Sponsor in South Africa: Barnard Jacobs Mellet Corporate Finance (Pty) Limited. **Sponsor in Namibia:** Namibia Equity Brokers (Pty) Limited.
Directors: JK Masters* (Chairman), TN Kruger (Managing Director), DM Lawrence, LA MacNair, DK Mokhele, J Nowicki**, SM Pityana, LL van Niekerk, CJPG van Zyl, AM Watkins***
Alternate director: MN Adams **Company secretary:** Mlawuli Manjingolo
*American **German ***British

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