ANNUAL RESULTS AND DIVIDEND DECLARATION

For the year ended 31 December

2019

AFROX

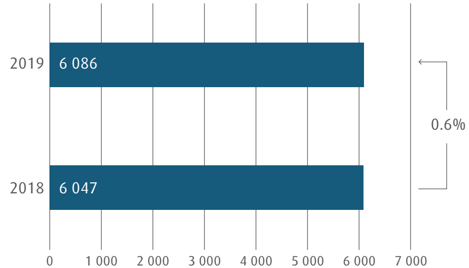
A Member of The Linde Group

Contents

Commentary

PERFORMANCE AT A GLANCE

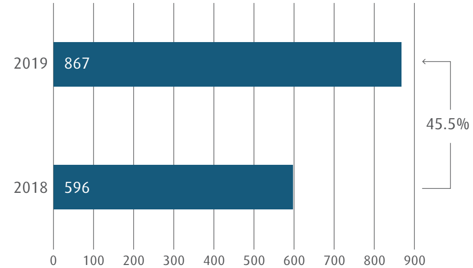
Revenue (R'million)



R6 086 million

Increase of 0.6%
from R6 047 million for the year ended
31 December 2018

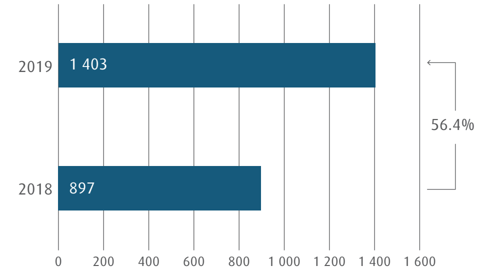
EBIT (R'million)



R867 million

Increase of 45.5% from
R596 million for the year ended
31 December 2018

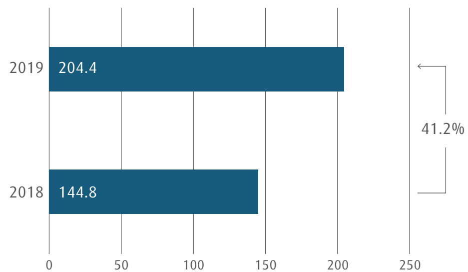
Operating cash flow (R'million)



R1 403 million

Increase of 56.4%
from R897 million for the year ended
31 December 2018

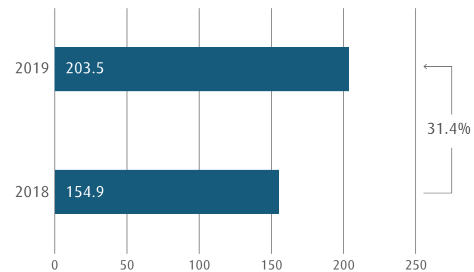
Earnings per share (cents)



204.4 cents

Increase of 41.2%
from 144.8 cents for the year ended
31 December 2018

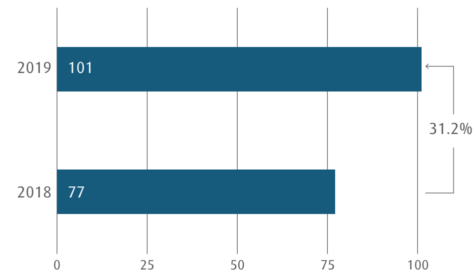
HEPS (cents)



203.5 cents

Increase of 31.4%
from 154.9 cents for the year ended
31 December 2018

Dividend per share (cents)



101 cents

Increase of 31.2%
from 77 cents for the year ended
31 December 2018

PERFORMANCE HIGHLIGHTS

Afrox increased its revenue by 0.6% to R6 086 million (2018: R6 047 million) as a result of volume growth in certain sectors of the business and successful recovery of cost inflation from effective pricing management. Adjusted for the impact from the change in Liquefied Petroleum Gas (LPG) market prices of R96 million, total revenue growth was 2.3%. Earnings before Interest and Taxes (EBIT or Group Operating Profit) at R867 million (2018: R596 million, increased by 45.5%. This increase in EBIT resulted from growth in the Healthcare business, recovery of cost inflation via pricing, efficiencies from restructuring and improved plant performance.

After adjusting for the 2018 non-recurring item, Afrox's EBIT increased by 23.3% as a result of growth in strategic markets, solid price cost inflation recovery, continued productivity gains from various efficiency projects and the positive impact of the restructuring activities. Despite the deterioration in the socio-economic environment, load shedding in late Q4 and a shortage in supply during Q2, the Company showed its resilience during the year.

Within the Atmospheric Gases operating segment, Afrox benefited from the additional Healthcare business during the reporting period. Afrox invested a total of R143 million by the end of 2019 in order to meet the requirements of the tender awarded to Afrox for the public hospital business. Afrox delivers medical gases and regulators in all nine provinces within the public healthcare sector of South Africa.

Reduced levels of South African business activity led to a continued volume erosion in the Hard Goods segment, lower volumes in the Industrial Packaged Gas business and a reduction in the LPG Bulk volumes at industrial customers.

However, with growth of more than 3% from the LPG cylinder business, the total EBIT of the operating segments increased by R174 million or 19% to R1 091 million (2018: R917 million) (this positive variance includes the 2018 non-recurring impairment of R55 million). Corporate cost has decreased by R45 million due to a R28 million reduction in employee share scheme expenses and other non-trading income. The subsidiaries have contributed with satisfactory results from better pricing and growth in the LPG cylinder business despite continued subdued economic conditions.

Headline earnings per share (HEPS) increased by 31.4% to 203.5 cents (2018: 154.9 cents) and basic earnings per share increased by 41.2% to 204.4 cents (2018: 144.8 cents). Diluted earnings per share increased by 40.8% to 202.8 cents (2018: 144 cents).

Operating cash flow of R1 403 million (2018: R897 million) increased by R506 million (or 56.4%). The increase was a result of a decrease in trade and other working capital due to R124 million increase in trade and other payables; a reduction in inventory of R38 million partially offset by a R97 million increase in trade and other receivables. Capital expenditure of R403 million was R88 million lower than the R491 million of 2018. Despite the repayment of R400 million of long-term borrowings, the net cash position of R1 184 million improved by R31 million from the 2018 R1 153 million.

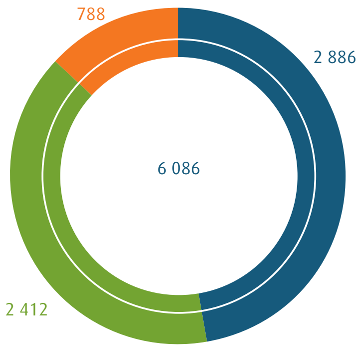
Return on capital employed (ROCE) improved by 740 bps to 23.1% (2018: 15.7%). Adjusting for the impact of IFRS 16, ROCE improved by 580 bps.

BUSINESS REVIEW

Segmental analysis (before corporate expenses)

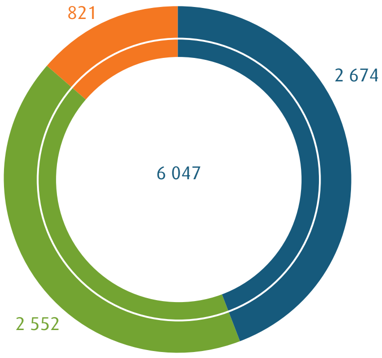
The operating segments revenue and EBIT numbers in millions (before corporate expenses) are included in the charts below.

2019 Revenue (R'million)

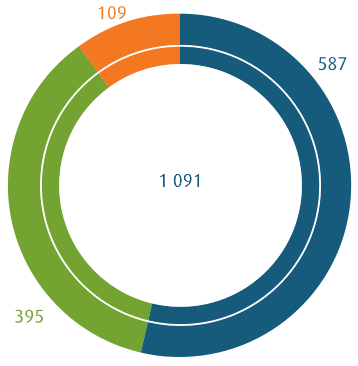


+0.6%

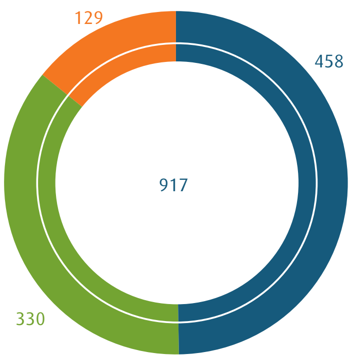
2018 Revenue (R'million)



2019 EBIT (R'million)

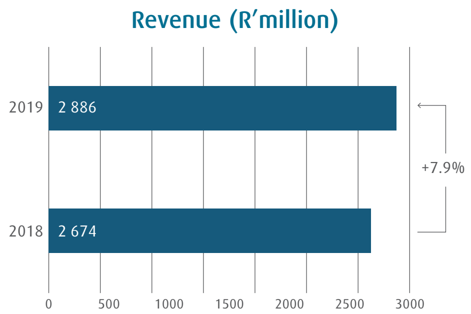


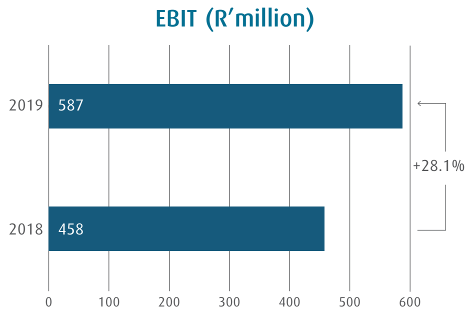
2018 EBIT (R'million)



Atmospheric Gases
LPG
Hard Goods

Atmospheric Gases





Revenue increased by 7.9% compared to 2018, reflecting growth in the Healthcare business and the impact from higher prices in order to recover cost inflation. Most market sectors have improved compared to 2018. Volumes reduced marginally; however, this was countered by effective pricing in line with inflation. Healthcare revenue increased significantly due to an increase of 33% largely from higher volumes of Liquid Oxygen. This growth was achieved despite challenging economic conditions. We experienced improved plant performance delivering higher efficiencies and better plant utilisation, with only limited buy-in of product being necessary for the security of supply to our customers.

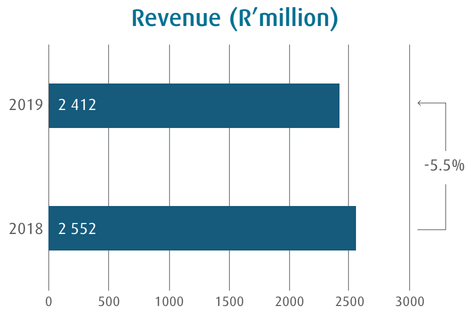
Afrox Atmospheric Gases supplies a diverse and broad portfolio of products to the sub-Saharan industry. Our Gas business has demonstrated high levels of resilience with positive nominal growth in most sectors which demonstrated Afrox's ability to successfully compete in its core segment. Within Industrial Gases (acetylene, oxygen, nitrogen and argon) the demand for our bulk products was above the prior year with good volumes in CO_2 supplied to a major beverage producer across sub-Saharan Africa and higher demand at South African refineries. On-site revenue improved the pass-through of higher electricity costs and volume growth from various customers, mainly stainless steel.

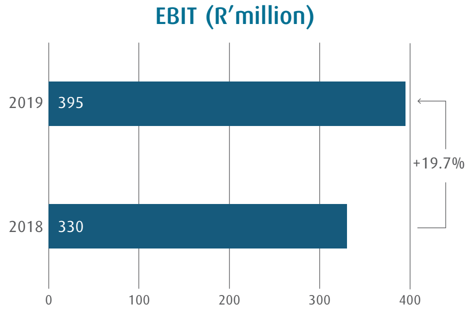
Afrox benefited from its new installations at public hospitals in the additional four provinces. Afrox now supplies all public hospitals in South Africa for at least another four years as part of the Government tender awarded, with an estimated R1 billion revenue over the term. Afrox will invest in "high-tech" equipment and its installation to meet the growing demand within the sector.

Our Industrial Packaged Gases volumes were slightly below prior year levels. The marginal volume erosion was, however, offset by improved recovery of cost inflation due to effective pricing.

EBIT increased by 28.1% to R587 million (2018: R458 million). This increase was as a result of price cost recoveries, higher volumes in Healthcare and the 2018 non-recurring R55 million plant impairment, the EBIT margin improved by 320 bps to 20.3% (2018: 17.1%) (adjusted for the 2018 non-recurring item, EBIT margin for 2019 improved by 110 bps).

LPG





Revenue for LPG decreased by 5.5% to R2 412 million (2018: R2 552 million) or 1.7% on a comparable basis, adjusted for the change in LPG market prices. Total volumes reported for the Group declined by 6.1% to 148 400 tons (2018: 158 000 tons). Cylinder volumes increased by 3.0% from growth in lower-income households, a strategic South African market. This smaller 5 kg cylinder delivers an affordable alternative energy solution to a large group of the sub-Saharan population who requires a more convenient, safer and environmentally friendly energy substitute.

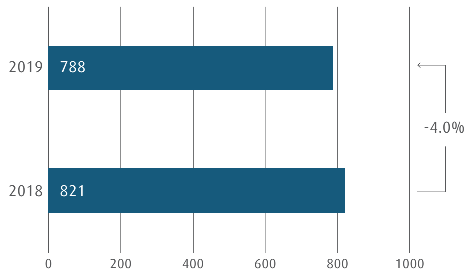
LPG bulk business volumes reduced by 6% from lower demand at various industrial customers. Revenue was negatively impacted by the change in LPG market prices throughout the year. Due to demand, Afrox can pass on changes in product cost from its imports into the South African market. Excluding the 2018 once-off bulk trading, Afrox's total LPG volumes are down by 1.0%. Our subsidiaries reported increases in LPG revenue largely from better volumes and improved supply into Botswana and Namibia from the Sunrise Import Terminal located in the Western Cape.

EBIT increased by 19.7% to R395 million (2018: R330 million). The EBIT margin improved from 12.9% in 2018 to 16.4% in 2019 (15.7% adjusted for the LPG market price change). This improvement in profitability was as a result of higher cylinder volumes at better margins, the non-recurrence of the 2018 once-off maintenance cost, inventory adjustments and the adverse effects from the 2018 Q3 MRGP price adjustments that were not done. Afrox increased its share of imported product compared to the prior year.

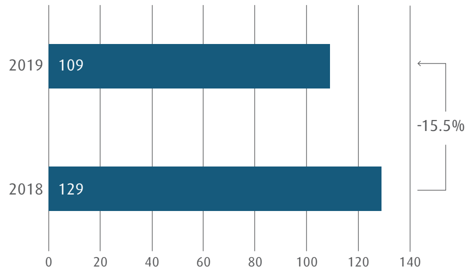
The additional investments during 2019 in LPG cylinders added to this positive development and our business partnerships with selected BBBEE distributors unlocked growth in the domestic and hospitality markets.

Hard Goods

Revenue (R'million)



EBIT (R'million)



Revenue in the Hard Goods operating segment decreased by 4.0% as a result of lower volumes in the welding consumable business despite effective recovery of cost inflation from imported products via pricing. The continued lower demand from mining, steel and manufacturing resulted in this top line reduction. The overall trend in reduced business activity in the South African mining sector and lower output levels in the manufacturing industry mainly affected this business segment. Whilst we experienced reduction in volumes in welding and gas equipment, the Self-Rescue Pack business, however, reported growth in sold units due to increased take-off from the mining sector. The continued growth in sub-Saharan Africa was encouraging.

We aim to embark on a strategic partnership to strengthen the manufacturing hub north of Johannesburg. Continued focus on cost containment, efficiencies in our factories and improved, just-in-time delivery and price management in line with cost inflation assisted the business overall to mitigate the underlying negative market trends.

EBIT decreased by 15.5% to R109 million (2018: R129 million). The decline in the EBIT margin by 190 bps to 13.8% is as a result of lower volumes due to the continued contraction in demand across most sectors and products.

BOARD OF DIRECTORS

Ms NV Fakude resigned with effect from 31 December 2019.

Mr M Vogt resigned with effect from 31 March 2020.

Ms N Gwagwa was appointed with effect from 31 January 2020.

DIVIDEND

The Company's policy is to consider dividends twice annually. The Board of directors has declared a final cash dividend of 46.0 cents per share (2018: 25.0 cents), declared out of the after-tax income for the year ended 31 December 2019. This brings a total dividend for the year to 101 cents (2018: 77 cents). Based on Afrox's policy, the dividend is covered twice by HEPS.

NOTICE OF FINAL DIVIDEND DECLARATION NUMBER 186 AND SALIENT FEATURES

Notice is hereby given that a gross cash dividend of 46 cents per ordinary share, being the final dividend for the year ended 31 December 2019, has been declared payable to all shareholders of Afrox recorded in the register on Friday, 3 April 2020.

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

Last day to trade ordinary shares "cum" dividend	Tuesday, 31 March 2020
Ordinary shares trade "ex" the dividend	Wednesday, 1 April 2020
Record date	Friday, 3 April 2020
Payment date	Monday, 6 April 2020

Shares may not be dematerialised or rematerialised between Wednesday, 1 April 2020 and Friday, 3 April 2020, both days inclusive.

The local net dividend amount is 36.8 cents (2018: 20 cents) per share for shareholders liable to pay dividends tax and 46.0 cents (2018: 25 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%, subject to double tax agreement;
- Afrox currently has 308 567 602 ordinary shares (excluding treasury shares of 34 285 308) in issue; and
- Afrox's income tax reference number is 9350042710.

OUTLOOK

The South African economy remains weak, and no significant turnaround is expected in the short term. However, Afrox will continue to focus on specific growth opportunities and effective price cost recoveries.

By order of the Board

Cheryl Singh
Company Secretary

3 March 2020
Johannesburg

Summarised consolidated statement of profit or loss

for the year ended 31 December 2019

R'million	31 December 2019	31 December 2018*
Revenue	6 086	6 047
Other income	8	24
Production expenses and material purchases	(3 021)	(3 147)
Employee benefit expenses	(893)	(1 004)
Electricity and water expenses	(493)	(425)
Other expenses	(370)	(411)
Impairment loss on trade and other receivables	(41)	(7)
Depreciation and amortisation	(409)	(374)
Impairment of property, plant and equipment	–	(55)
Restructuring costs	–	(52)
Earnings before interest and taxation (EBIT)	867	596
Finance expense	(143)	(111)
Finance income	134	152
Profit before taxation	858	637
Taxation	(224)	(180)
Profit for the year	634	457
Attributable to:		
Owners of the company	631	447
Non-controlling interests	3	10
Profit for the year	634	457
Earnings per share – cents		
Basic earnings per ordinary share – cents	204.4	144.8
Diluted earnings per ordinary share – cents	202.8	144.0

** Restated due to reclassification: Refer to note 10.*

Summarised consolidated statement of comprehensive income

for the year ended 31 December 2019

R'million	31 December 2019	31 December 2018
Profit for the year	634	457
Other comprehensive income net of taxation	(20)	(39)
Items that are or may be reclassified to profit or loss	(35)	1
Translation differences on foreign operations	(32)	5
Translation differences relating to non-controlling interests	(1)	(6)
Cash flow hedges – effective portion of changes in fair value	(2)	2
Items that will not be reclassified to profit or loss	15	(40)
Actuarial gains/(losses) on retirement benefit assets	15	(40)
Total comprehensive income for the year	614	418
Total comprehensive income attributable to:		
Owners of the company	612	414
Non-controlling interests	2	4
	614	418

Summarised consolidated statement of financial position

at 31 December 2019

R'million	Notes	31 December 2019	31 December 2018
ASSETS			
Property, plant and equipment	4	3 047	3 006
Right of use assets	2	269	–
Retirement benefits assets		426	472
Other non-current assets		35	49
Lease receivables		36	54
Deferred taxation assets		8	10
Non-current assets		3 821	3 591
Inventories		649	687
Trade and other receivables		1 476	1 271
Lease receivables		20	18
Derivative financial instruments	5	–	1
Receivables from fellow subsidiaries of holding company		31	172
Taxation receivable		49	36
Cash and cash equivalents		1 184	1 174
Current assets		3 409	3 359
Total assets		7 230	6 950
EQUITY AND LIABILITIES			
Shareholders' equity		4 304	4 012
Non-controlling interests		9	11
Total equity		4 313	4 023
Long-term borrowings		600	1 000
Lease liability		311	–
Other long-term liabilities and provisions		21	45
Deferred taxation liabilities		592	579
Non-current liabilities		1 524	1 624
Trade, other payables and provisions		1 139	1 176
Taxation payable		23	23
Payables to fellow subsidiaries of holding company		173	83
Derivative financial instruments	5	12	–
Short-term portion of lease liability		46	–
Bank overdrafts		–	21
Current liabilities		1 393	1 303
Total equity and liabilities		7 230	6 950

Summarised consolidated statement of cash flows

for the year ended 31 December 2019

R'million	31 December 2019	31 December 2018
Earnings before interest and taxation (EBIT)	867	596
Adjustments for:		
Depreciation and amortisation	409	374
Impairment of property, plant and equipment	–	55
Restructuring costs	–	52
Movements in trade receivables and inventory allowances and provisions	41	4
Movement in revaluation loss/(gain) on derivative financial instruments	10	(19)
Other non-cash movements	11	(57)
Operating cash flows before working capital movements	1 338	1 005
Working capital movements	65	(108)
Cash generated from operations	1 403	897
Interest paid	(117)	(108)
Interest received	62	71
Taxation paid	(231)	(173)
Cash from operating activities	1 117	687
Dividends paid to owners of the company	(247)	(327)
Dividends paid to non-controlling interests	(4)	(5)
Net cash inflow from operating activities	866	355
Additions to property, plant and equipment	(403)	(491)
Proceeds from disposal of property, plant and equipment	8	19
Other investing activities	21	24
Net cash outflow from investing activities	(374)	(448)
Long-term debt repaid	(400)	–
Acquisition of non-controlling interest	–	(41)
Lease payments	(39)	–
Shares purchased – forfeitable share plan	(22)	(57)
Net cash outflow from financing activities	(461)	(98)
Net increase/(decrease) in cash and cash equivalents	31	(191)
Cash and cash equivalents at the beginning of the year	1 153	1 344
Cash and cash equivalents at the end of the year	1 184	1 153

Summarised consolidated statement of changes in equity

for the year ended 31 December 2019

R'million	Share capital and share premium	FCTR* and hedging reserves	Retained earnings	Non-controlling interests	Total equity
	Attributable to owners of the Company				
Balance at 1 January 2018, as previously reported	552	(87)	3 536	33	4 034
Adjustment on initial application of IFRS 9 (net of taxation)	–	–	8	1	9
Adjusted balance at 1 January 2018	552	(87)	3 544	34	4 043
Total comprehensive income	–	7	407	4	418
Profit for the year	–	–	447	10	457
Other comprehensive income, net of taxation	–	7	(40)	(6)	(39)
Transactions with owners of the company					
Shares purchased- forfeitable share plan#	–	–	(57)	–	(57)
Transfer of NCI on acquisition of minority interest	–	(8)	(11)	(22)	(41)
Share-based payments, net of taxation	–	–	(8)	–	(8)
Dividends	–	–	(327)	(5)	(332)
Balance at 31 December 2018	552	(88)	3 548	11	4 023
Balance at 1 January 2019, as previously reported **	552	(88)	3 548	11	4 023
Adjustment on initial application of IFRS 16 (net of taxation)	–	–	(32)	–	(32)
Adjusted balance at 1 January 2019	552	(88)	3 516	11	3 991
Total comprehensive income	–	(34)	646	2	614
Profit for the year	–	–	631	3	634
Other comprehensive income, net of taxation	–	(34)	15	(1)	(20)
Transactions with owners of the company					
Shares purchased- forfeitable share plan#	–	–	(22)	–	(22)
Share-based payments, net of taxation	–	–	(19)	–	(19)
Dividends	–	–	(247)	(4)	(251)
Balance at 31 December 2019	552	(122)	3 874	9	4 313

* *Foreign currency translation reserve.*
** *The group has adopted IFRS 16 at 1 January 2019. Under the transaction method chosen, comparative information is not restated.*
# *Shares purchased in respect of the employee share incentive scheme.*

Summarised consolidated segmental report

for the year ended 31 December 2019

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 segments and assess its performance. The performance of the segments is managed and evaluated using revenue, operating expenses, depreciation, earnings before interest, corporate expenses, restructuring costs and tax. Assets and liabilities are centrally managed at a corporate level and therefore not used in the decision to allocate resources to operating segments. Business segments have been determined as Atmospheric Gases, LPG and Hard Goods.

R'million	31 December 2019	31 December 2018
Revenue*	6 086	6 047
Atmospheric Gases	2 886	2 674
LPG	2 412	2 552
Hard Goods	788	821
Operating expenses	(4 586)	(4 756)
Atmospheric Gases	(2 105)	(2 051)
LPG	(1 855)	(2 064)
Hard Goods	(626)	(641)
Earnings before interest, tax, depreciation and amortisation (EBITDA), before corporate expenses and restructuring costs	1 500	1 291
Depreciation and amortisation	(409)	(374)
Atmospheric Gases	(194)	(165)
LPG	(162)	(158)
Hard Goods	(53)	(51)
Earnings before interest and tax (EBIT), before corporate expenses and restructuring costs	1 091	917
Atmospheric Gases	587	458
LPG	395	330
Hard Goods	109	129
Corporate expenses	(224)	(269)
Restructuring costs	–	(52)
EBIT	867	596
Geographical representation		
Revenue	6 086	6 047
South Africa	5 322	5 276
Southern African Development Community (SADC) countries excluding South Africa **	764	771
Non-current assets	3 821	3 591
South Africa	3 554	3 321
SADC countries excluding South Africa **	267	270

* *Revenue from external customers.*

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

Due to the nature of the business, there is no customer that represents more than 10% of the revenue.

Statistics and ratios

for the year ended 31 December 2019

	31 December 2019	31 December 2018
Average number of shares in issue during the year ('000)	308 568	308 568
Shares in issue ('000)	308 568	308 568
Dividends per share (cents)	101.0	77.0
Final	46.0	25.0
Interim	55.0	52.0
Ratios		
EBIT margin (%)	14.2	9.9
Return on capital employed	21.5	15.7
Effective taxation rate (%)	26.1	28.2
Gearing (%)	(5.6)	(4.0)
Dividend cover on headline earnings (times)	2.0	2.0

Notes to the summarised consolidated financial statements

for the year ended 31 December 2019

African Oxygen Limited ("Afrox" or the "Company") is a South African registered company. The summarised 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. BASIS OF PREPARATION

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listing Requirements (Listing Requirements) for summary reports, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The Listing Requirements require a summary to be prepared in accordance with the framework concepts and the measurements and recognition requirements of the International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of IFRS and, except as described in note 2, are consistent with those applied in the annual financial statements for the year ended 31 December 2018. The summarised consolidated financial statements should be read in conjunction with the Group annual financial statements as at and for the year ended 31 December 2019, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The summarised consolidated 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 other comprehensive income and profit and loss.
- Retirement benefit assets measured at the fair value of the planned assets less the present value of the defined benefit obligation.
- 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 summarised consolidated financial statements. The summarised consolidated financial statements were compiled under the supervision of Matthias Vogt, Group Financial Director, and were approved on 03 March 2020.

2. NEW ACCOUNTING STANDARDS AND RELATED CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has adopted a number of new and amended standards for the current reporting period, and the Group had to change its accounting policy as a result of adopting IFRS 16 *Leases*. The impact of the adoption of the leasing standard and the new accounting policy is disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

The Group adopted IFRS 16 *Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provision in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

The Group has recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' in terms of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental rate of borrowing as of 1 January 2019. The incremental rate of borrowing varied depending on the duration of the lease.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial applications;
- Using hindsight in determining the lease terms whether the contract contains options to extend or terminate the lease;
- Relying on previous assessment on whether leases are onerous as an alternative to performing an impairment review. There were no onerous contract as at 1 January 2019; and
- Low value assets comprising of office equipment with a cost price R0.1 million and below.

The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

(ii) Measurement of lease liabilities

The table below shows the reconciliation between operating lease commitments (disclosed under IAS 17) at 31 December 2018 and lease liabilities recognised on 1 January 2019.

R'million	
Operating lease commitments disclosed as at 31 December 2018	560
Discounted using the incremental borrowing rate as at the date of initial application	449
Less: short-term leases not recognised as a liability	(14)
Less: low-value leases not recognised as a liability	(9)
Less: non-lease component previously disclosed under operating lease commitments (such as maintenance and service costs)	(72)
Lease liability recognised as at 1 January 2019	354
Of which are:	
Non-current lease liabilities	319
Current lease liabilities	35
	354

(iii) Measurement of right-of-use assets

The associated right-of-use assets for the identified leases were measured on a retrospective basis as if the new rules had always been applied. The carrying amount of the right-of-use assets were determined using the present value of all remaining lease payments at the commencement date of the lease, but discounted at the incremental borrowing rate of 1 January 2019. Restoration costs and any initial direct costs are excluded from the carrying amount of the right-of-use assets. The accumulated depreciation was measured from the commencement date of the lease until 1 January 2019. The opening balance on 1 January 2019 was determined as the carrying amount, less accumulated depreciation.

R'million	31 December 2019	1 January 2019
Land and buildings	154	171
Motor vehicles	99	97
Forklifts	8	12
Call centre system	8	–
Total right-of-use assets	269	280

(iv) **Adjustments recognised in the statement of financial position on 1 January 2019**

The change in the accounting policy affected the following items in the statement of financial position on 1 January 2019:

R'million	
– Increase in right-of-use assets	280
– Increase in lease liabilities	(354)
– Decrease in straight-lining accrual	30
– Increase in deferred tax assets	12
Net impact on retained earnings at 1 January 2019	(32)

3. IMPACT OF NEW, AMENDED OR REVISED STANDARDS ISSUED BUT NOT YET EFFECTIVE

New accounting standards, amendments to accounting standards and interpretation issued which are relevant to the Group, but not yet effective on 31 December 2019, have not been adopted. The Group continuously evaluates the impact of these standards and amendments.

R'million	31 December 2019	31 December 2018
4. PROPERTY, PLANT AND EQUIPMENT		
Opening carrying value	3 006	2 964
Additions, net of transfers from assets under construction	403	491
Disposals	(5)	(7)
Depreciation	(352)	(367)
Impairment	–	(55)
Translation effects and reclassifications	(5)	(20)
Closing carrying value	3 047	3 006

5. FAIR VALUE CLASSIFICATION AND MEASUREMENT

The classification of each class of financial asset and liability measured at fair value

R'million	Fair value
31 December 2019	
Financial liability measured at fair value	(12)
Derivative financial instruments	
31 December 2018	
Financial asset measured at fair value	1
Derivative financial instruments	

The derivatives and forward exchange contracts, are 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 quote reflect the actual transactions in similar instruments.

6. EARNINGS AND HEADLINE EARNINGS PER SHARE

Group earnings per share is calculated based on earnings of R631 million (2018: R447 million) and a weighted average number of ordinary shares of 308 567 602 (2018: 308 567 602) in issue during the period. Diluted earnings per share is calculated based on 310 857 780 (2018: 310 140 952) shares as 2 290 178 (2018: 1 573 350) had a dilutive impact.

Headline earnings per share is calculated on headline earnings of R628 million (2018: R478 million). A weighted average number of ordinary shares of 308 567 602 (2018: 308 567 602) in issue during the year was used to calculate diluted headline earnings per share and 310 857 780 (2018: 310 140 952) for dilutive earnings per share as 2 290 178 (2018: 1 573 350) shares had a dilutive impact.

Reconciliation between earnings and headline earnings

R'million	31 December 2019	31 December 2018
Profit for the year attributable to the owners of the company	631	447
Adjusted for the effects of:		
Profit on disposal of property, plant and equipment	(4)	(12)
Impairment of property, plant and equipment	–	55
Taxation on adjusted items	1	(12)
Headline earnings	628	478
Basic earnings per share – cents	204.4	144.8
Diluted earnings per share – cents	202.8	144.0
Headline earnings per share – cents	203.5	154.9
Diluted headline earnings per share – cents	202.0	154.1

7. RELATED PARTY TRANSACTIONS

During the year, Afrox, in the ordinary course of business, entered into various sale, purchase and service transactions with its associate, receivables from fellow subsidiaries of the holding company, receivables from group companies, payables to fellow subsidiaries of holding company and payables to group companies.

8. UPDATE ON KEY LITIGATION MATTERS

As at the date of this report, there is no outstanding litigation of a material nature against the Group.

9. SUBSEQUENT EVENTS

Except for the dividend of 46 cents per share declared on 3 March 2020, the directors are not aware of any matter or circumstance of significance arising between 31 December 2019 and the date of this report.

10. RECLASSIFICATION OF PRIOR PERIOD

Operating expenses that was previously presented as an aggregate amount on the face of the summarised consolidated statement of profit or loss was reclassified as it provides more relevant and reliable information.

The amount has been reclassified into the following summarised consolidated statement of profit or loss items:

R'million	
Other income	24
Production expenses and material purchases	(3 147)
Employee benefit expenses	(1 004)
Electricity and water expenses	(425)
Other expenses	(411)
Operating expenses presented in summarised consolidated statement of profit or loss on 31 December 2018	(4 963)

The reclassification did not have any impact on the summarised consolidated statement of profit or loss.

11. SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The summarised consolidated financial statements are extracted from audited consolidated financial statements, but is not itself audited. The consolidated financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited consolidated financial statements and the auditor's report thereon are available for inspection at the Company's registered office also available on Afrox's website: http://www.afrox.co.za/en/investor_relations/financial_results/financial_results/index.html. The directors take full responsibility for the preparation of these summarised consolidated financial statements and that the financial information has been correctly extracted from the underlying annual 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

Transfer secretaries: Computershare Investor Services Proprietary Limited

Sponsor in South Africa: One Capital

Sponsor in Namibia: Namibia Equity Brokers Proprietary Limited

Directors: S Venter (Managing Director), M Vogt* (Group Financial Director), JM Panikar** (Chairman), M von Plotho*, CF Wells***, NVL Qangule, GJ Strauss (Lead Independent Director), N Gwagwa
German **American * British*

Company Secretary: C Singh

Auditors: PricewaterhouseCoopers Inc.

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

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