INTERIM RESULTS AND DIVIDEND DECLARATION

For the six months ended 30 June

2020

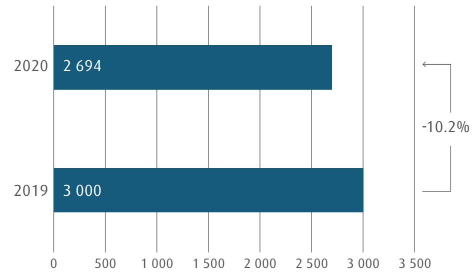
AFROX

A Member of The Linde Group

Contents

PERFORMANCE AT A GLANCE

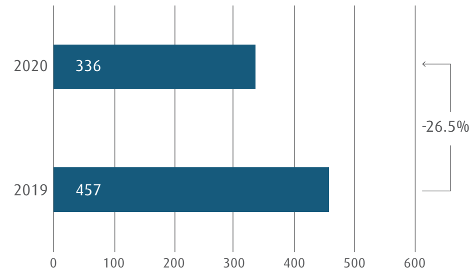
Revenue (R'million)



R2 694 million

Decrease of 10.2%
from R3 000 million for the period ended
30 June 2019

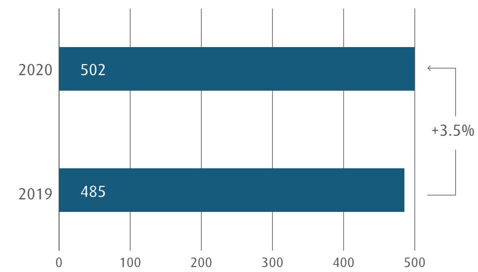
Earnings before interest and taxation (R'million)



R336 million

Decrease of 26.5% from
R457 million for the period ended
30 June 2019

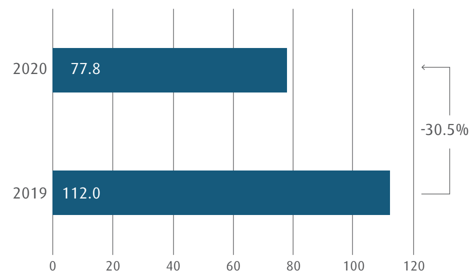
Operating cash flow (R'million)



R502 million

Increase of 3.5%
from R485 million for the period ended
30 June 2019

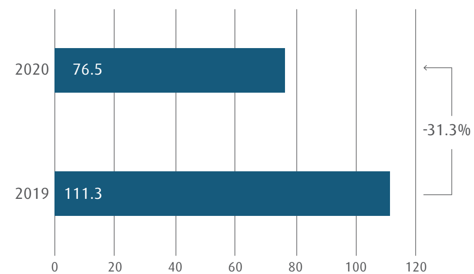
Basic earnings per share (cents)



77.8 cents

Decrease of 30.5%
from 112.0 cents for the period ended
30 June 2019

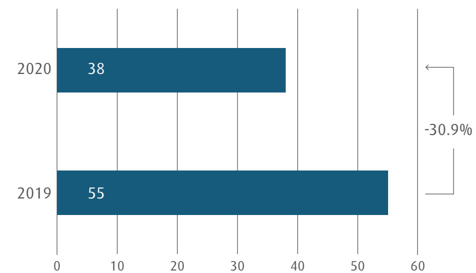
Headline earnings per share (cents)



76.5 cents

Decrease of 31.3%
from 111.3 cents for the period ended
30 June 2019

Dividend per share (cents)



38 cents

Decrease of 30.9%
from 55.0 cents for the period ended
30 June 2019

PERFORMANCE HIGHLIGHTS

Revenue of R2 694 million (2019: R3 000 million) decreased by 10.2%, or by 7.5% when adjusted for changes in Liquefied Petroleum Gas (LPG) market prices, from lower volumes across all segments related to the COVID-19 lockdown restrictions. This was mitigated by a stable Healthcare business and the successful recovery of cost inflation, particularly in the Atmospheric Gases and Hard Goods segments.

Earnings before interest and taxation (EBIT) at R336 million (2019: R457 million) decreased by 26.5%. This decrease was mainly a result of lower volumes related to COVID-19 lockdown restrictions and increased sourcing costs for LPG resulting from the shutdown of local refineries. This could partially be mitigated by further efficiencies from restructuring activities and strong focus on cost containment initiatives.

The EBIT of our operating segments reduced by R147 million or 25.7% to R424 million (2019: R571 million). Atmospheric Gases EBIT improved by 6.5%, LPG reduced by 63.4% and Hard Goods reported a 63.8% reduction in EBIT for the first six months of the year. The operating margin reduced overall by 270bps to 12.5% (2019: 15.2%) mainly as a result of lower economies of scale and inefficient plant modes considering lower volumes across all segments. While both Hard Goods and LPG reported a reduction in margin compared to previous period levels, Atmospheric Gases margin improved by 280bps. Corporate expenses decreased by R26 million largely because of foreign exchange differences.

Headline earnings per share decreased by 31.3% to 76.5 cents (2019: 111.3 cents) and basic earnings per share decreased by 30.5% to 77.8 cents (2019: 112.0 cents).

Operating cash flow of R502 million (2019: R485 million) increased by R17 million compared to June 2019, mainly as a result of better trade working capital management.

Capital expenditure of R248 million (2019: R180 million) increased as a result of investments into cylinders for LPG and the Healthcare business. Additional cash utilised on acquiring shares in respect of the share incentive scheme of R14 million (2019: R22 million) resulted in a net cash position of R1 167 million (2019: R1 222 million).

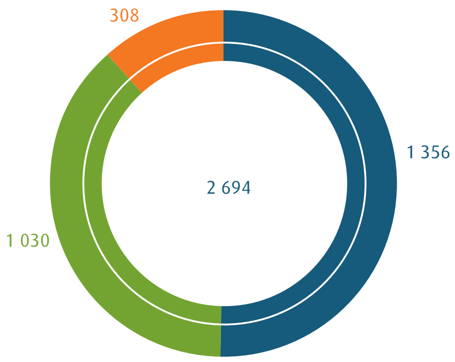
As a result of lower earnings return on capital employed (ROCE) reduced by 510bps to 16.3% (2019: 21.4%).

BUSINESS REVIEW

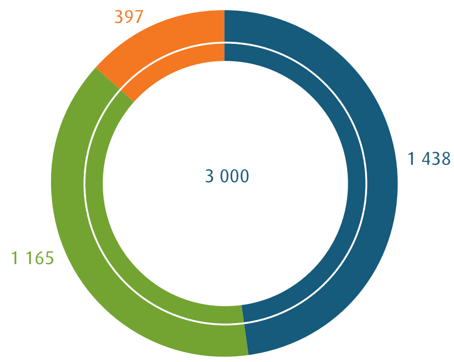
Segmental analysis (before corporate expenses)

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

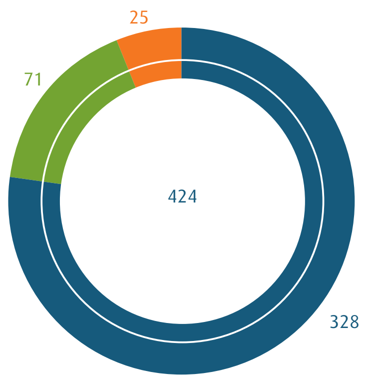
2020 Revenue (R'million)



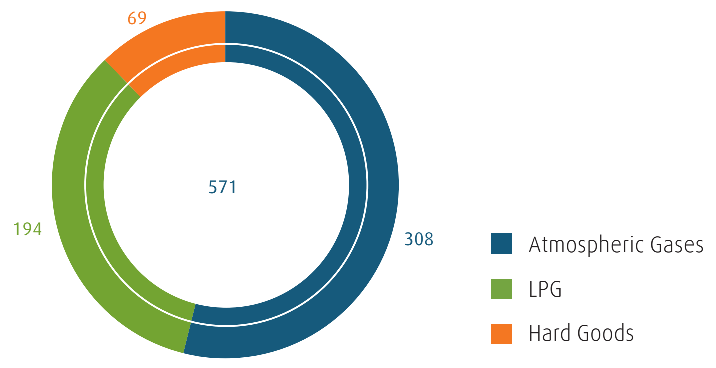
2019 Revenue (R'million)



2020 EBIT (R'million)

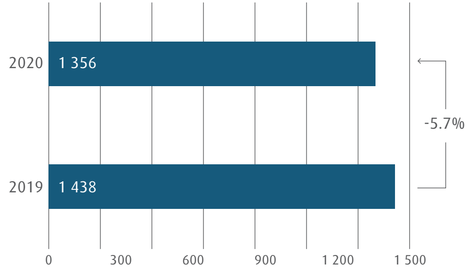


2019 EBIT (R'million)

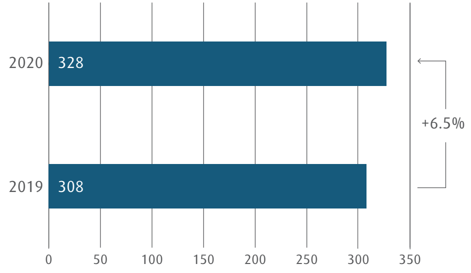


Atmospheric Gases

Revenue (R'million)



EBIT (R'million)

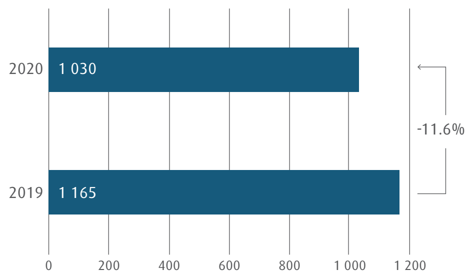


Revenue at R1 356 million (2019: R1 438 million) declined by 5.7% compared to June 2019 reflecting lower bulk and packaged volumes to the Steel and Automotive Industries. This was mitigated by the positive impact from Healthcare with additional proceeds from temporary field hospital installations for the treatment of COVID-19 patients, effective pricing in line with inflation and increased volumes to the Food & Beverages market sector. We achieved satisfactory revenue in our Medical Gases business despite non-critical operations being postponed at hospitals during the COVID-19 pandemic leading to lower oxygen off-take. The new investment and roll out of an inhouse designed and toll manufactured integrated valve for medical oxygen cylinders delivered additional gains on a rental business basis. Approximately 21 000 units have been installed in the South African Healthcare sector since 2018.

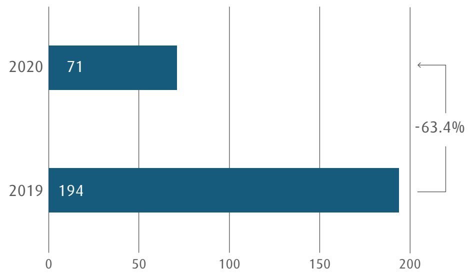
EBIT at R328 million (2019: R308 million) increased by 6.5% in the main as a result of strong Healthcare contributions, restructuring savings and the effective recovery of inflationary cost increases.

LPG

Revenue (R'million)



EBIT (R'million)



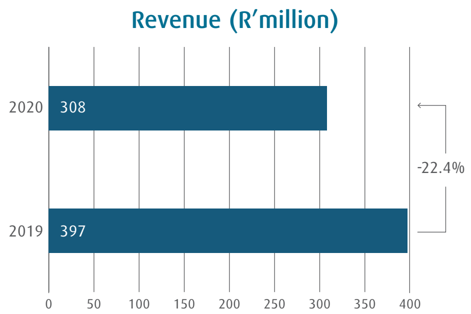
Revenue for LPG decreased by 11.6% to R1 030 million (2019: R1 165 million) or 4.7% on a comparable basis, adjusted for the change in LPG market prices. Total volumes reported for the entire Group contracted by 10.9% to 64.000 tons (2019: 71.800 tons). Cylinder volumes increased by 0.6% despite lower sales to the Hospitality Industry as a result of COVID-19 related lockdown restrictions. More than 70 000 additional LPG cylinders arrived in South Africa by end of June 2020 to further support growth, especially in the domestic sector.

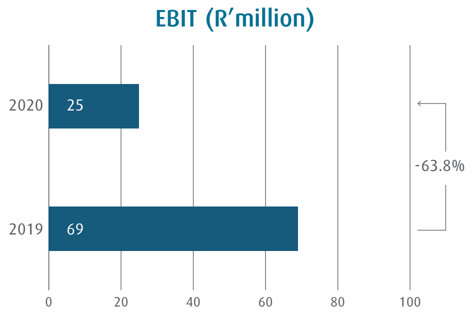
LPG bulk business volumes declined by 20.5% adjusted for a once-off sale to a strategic partner in 2020. This is mainly related to a reduction in demand from industrial customers heavily impacted by COVID-19 related lockdown restrictions, especially the steel and automotive industry. Our subsidiaries reported stable LPG revenue with good pricing management.

EBIT declined by 63.4% to R71 million (2019: R194 million). EBIT margin reduced by 980bps from 16.7% in 2019 to 6.9% in 2020 (6.4% adjusted for LPG market price changes) driven by lower economies of scale and the unfavourable Maximum Refinery Gate Price levels as a result of low crude oil prices.

The trend of increased imports for LPG continued in the first six months of 2020. This initiative remains a key strategic focus in growing the domestic market by providing access to imported product thereby ensuring consistent supply at competitive prices.

Hard Goods





Revenue in the Hard Goods operating segment decreased by 22.4% to R308 million (2019: R397 million) despite effective recovery of cost inflation from imported products *via* pricing and solid growth in sales to the sugar industry. In addition to the underlying negative economic trends impacting business performance, the segment was severely impacted as customers in the construction, manufacturing and mining sectors were not deemed as essential service providers during the COVID-19 related lockdown.

Afrox aims to embark on a strategic partnership to strengthen its manufacturing hub north of Johannesburg. Initiatives to maintain profitability include continued focus on cost containment, efficiencies in the factories and improved, just in time delivery and price management in line with cost inflation.

EBIT decreased by 63.8% to R25 million (2019: R69 million). The decline in EBIT margin by 930bps to 8.1% is a result of reduced economies of scale considering lower volumes.

BOARD OF DIRECTORS

Mr. Matthias Vogt resigned as Group Financial Director on 31 March 2020.

Mr. Magnus Stenglin was appointed as Group Financial Director on 14 April 2020.

Dr. Nolulamo (Lulu) Gwagwa was appointed an independent non-executive director on 31 January 2020.

Dr. Gwagwa has also been appointed as a member of the Company's Nominations, Governance and Management of Resources (NGMR) Committee and the Social, Ethics and Transformation (SET) Committee.

DIVIDEND

It is the Company's policy to consider dividends twice annually. The Board of directors have declared a cash dividend of 38 cents per share (2019: 55 cents), declared out of the after-tax income for the six months ended 30 June 2020. Based on Afrox's policy the dividend is covered two times by headline earnings per share.

NOTICE OF INTERIM DIVIDEND DECLARATION NUMBER 187 AND SALIENT FEATURES

Notice is hereby given that a gross cash dividend of 38 cents per ordinary share, being the interim dividend for the six months ended 30 June 2020, has been declared payable to all shareholders of Afrox recorded in the register on Friday, 2 October 2020.

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

Last day to trade ordinary shares "*cum*" dividend	Tuesday, 29 September 2020
Ordinary shares trade "*ex*" the dividend	Wednesday, 30 September 2020
Record date	Friday, 2 October 2020
Payment date	Monday, 5 October 2020

Shares may not be dematerialised or rematerialised between Wednesday, 30 September 2020 and Friday, 2 October 2020, both days inclusive.

The local net dividend amount is 30.4 cents (2019: 44 cents) per share for shareholders liable to pay Dividends Tax and 38 cents (2019: 55 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

Given the impact of the lockdown and subsequent reduced economic activities, Afrox will continue to focus on optimising revenue opportunities, effective price cost recoveries, fixed cost containment, cash preservation and liquidity to mitigate the lower level of economic activity. The Group's cash balance of R1 167 million places Afrox in a strong position to take advantage of future opportunities.

By order of the Board

Cheryl Singh
Company Secretary

11 September 2020
Johannesburg

Condensed consolidated statement of profit or loss

for the six months ended 30 June 2020

R'million	30 June 2020 6 months Reviewed	30 June 2019 6 months* Reviewed	31 December 2019 12 months Audited
Revenue	2 694	3 000	6 086
Other income	9	5	8
Production expenses and material purchases	(1 332)	(1 488)	(3 021)
Employee benefit expenses	(407)	(477)	(893)
Electricity and water expenses	(237)	(227)	(493)
Other expenses	(153)	(127)	(370)
Impairment loss on trade and other receivables	(29)	(27)	(41)
Depreciation and amortisation	(209)	(202)	(409)
Earnings before interest and taxation (EBIT)	336	457	867
Finance expense	(50)	(77)	(143)
Finance income	53	68	134
Profit before taxation	339	448	858
Taxation	(95)	(101)	(224)
Profit for the period	244	347	634
Attributable to:			
Owners of the company	240	345	631
Non-controlling interests	4	2	3
Profit for the period	244	347	634
Earnings per share – cents			
Basic earnings per ordinary share – cents	77.8	112.0	204.4
Diluted earnings per ordinary share – cents	77.4	111.3	202.8

** Restated due to reclassification: Refer to note 4.*

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2020

R'million	30 June 2020 6 months Reviewed	30 June 2019 6 months Reviewed	31 December 2019 12 months Audited
Profit for the period	244	347	634
Other comprehensive income net of taxation	(23)	(11)	(20)
Items that are or may be reclassified to profit or loss	27	(20)	(35)
Translation differences on foreign operations	19	(16)	(32)
Translation differences of foreign operations relating to non-controlling interests	4	(2)	(1)
Cash flow hedges – effective portion of changes in fair value	5	(3)	(3)
Deferred taxation relating to cash flow hedges	(1)	1	1
Items that will not be reclassified to profit or loss	(50)	9	15
Remeasurement of retirement benefits	(70)	12	21
Deferred taxation relating to remeasurement of retirement benefits	20	(3)	(6)
Total comprehensive income for the period	221	336	614
Total comprehensive income attributable to:			
Owners of the company	213	336	612
Non-controlling interests	8	0*	2
	221	336	614

** Amount below R1 million.*

Condensed consolidated statement of financial position

as at 30 June 2020

R'million	Notes	30 June 2020 6 months Reviewed	30 June 2019 6 months Reviewed	31 December 2019 12 months Audited
ASSETS				
Property, plant and equipment	5	3 119	3 013	3 047
Right of use assets		239	256	269
Retirement benefits assets		375	401	426
Deferred tax assets		9	9	8
Lease receivables		39	53	36
Other non-current assets		33	37	35
Non-current assets		3 814	3 769	3 821
Inventories		622	699	649
Trade and other receivables		1 433	1 735	1 476
Lease receivables		11	12	20
Receivables from fellow subsidiaries of holding company		40	178	31
Current tax receivable		71	31	49
Cash and cash equivalents		1 167	1 312	1 184
Current assets		3 344	3 967	3 409
Total assets		7 158	7 736	7 230
EQUITY AND LIABILITIES				
Shareholders equity		4 381	4 210	4 304
Non-controlling interests		17	11	9
Total equity		4 398	4 221	4 313
Long-term borrowings		600	600	600
Lease liability		287	298	311
Other long-term liability		22	30	21
Deferred tax liabilities		598	567	592
Non-current liabilities		1 507	1 495	1 524
Trade, other payables and provisions		1 065	1 331	1 139
Current tax payable		32	34	23
Payables to fellow subsidiaries of holding company		109	121	173
Derivative financial instruments	6	3	5	12
Short-term portion of long-term borrowings		–	400	–
Short-term portion of lease liability		44	39	46
Bank overdrafts		–	90	–
Current liabilities		1 253	2 020	1 393
Total equity and liabilities		7 158	7 736	7 230

Condensed consolidated statement of cash flows

for the six months ended 30 June 2020

R'million	30 June 2020 6 months Reviewed	30 June 2019 6 months Reviewed	31 December 2019 12 months Audited
Earnings before interest and taxation (EBIT)	336	457	867
Adjustments for:			
Depreciation and amortisation	209	202	409
Movements in trade receivables and inventory impairment allowances and provisions	17	49	41
Movement in revaluation (gain)/loss on derivative financial instruments	(3)	5	10
Other non-cash movements	37	(22)	11
Operating cash flows before working capital adjustments	596	691	1 338
Working capital adjustments	(94)	(206)	65
Cash generated from operations	502	485	1 403
Interest paid#	(35)	(70)	(117)
Interest received	13	33	62
Tax paid	(81)	(97)	(231)
Cash available from operating activities	399	351	1 117
Dividends paid to owners of the parent	(142)	(77)	(247)
Dividends paid to non-controlling interests	–	–	(4)
Net cash inflow from operating activities	257	274	866
Additions to property, plant and equipment	(248)	(180)	(403)
Proceeds from disposal of property, plant and equipment	3	3	8
Other investing activities	9	12	21
Net cash outflow from investing activities	(236)	(165)	(374)
Long-term debt repaid	–	–	(400)
Lease payments#	(24)	(18)	(39)
Shares purchased – forfeitable share plan	(14)	(22)	(22)
Net cash outflow from financing activities	(38)	(40)	(461)
Net (decrease)/increase in cash and cash equivalents	(17)	69	31
Cash and cash equivalents at the beginning of the period	1 184	1 153	1 153
Cash and cash equivalents at the end of the period	1 167	1 222	1 184
Comprising:			
Cash and cash equivalents	1 167	1 312	1 184
Bank overdrafts	–	(90)	–
	1 167	1 222	1 184

Interest paid of R17 million for the interim period ended 30 June 2019 which related to IFRS 16 was reclassified from lease payments to interest paid to provide more relevant and reliable information.

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2020

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 2019	552	(88)	3 516	11	3 991
Total comprehensive income	–	(18)	354	0	336
Profit for the period	–	–	345	2	347
Other comprehensive income, net of taxation	–	(18)	9	(2)	(11)
Transactions with owners					
Shares purchased#	–	–	(22)	–	(22)
Share based payments, net of taxation	–	–	(7)	–	(7)
Dividends	–	–	(77)	–	(77)
Balance at 30 June 2019	552	(106)	3 764	11	4 221
Balance at 1 January 2019	552	(88)	3 516	11	3 991
Total comprehensive income	–	(34)	646	2	614
Profit for the period	–	–	631	3	634
Other comprehensive income, net of taxation	–	(34)	15	(1)	(20)
Transactions with owners					
Shares purchased#	–	–	(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
Balance at 1 January 2020	552	(122)	3 874	9	4 313
Total comprehensive income	–	23	190	8	221
Profit for the period	–	–	240	4	244
Other comprehensive income, net of taxation	–	23	(50)	4	(23)
Transactions with owners					
Shares purchased#	–	–	(14)	–	(14)
Share based payments, net of taxation	–	–	20	–	20
Dividends	–	–	(142)	–	(142)
Balance at 30 June 2020	552	(99)	3 928	17	4 398

** Foreign currency translation reserve.*
 # Shares purchased in respect of the employee share incentive scheme.

Statistics and ratios

for the six months ended 30 June 2020

	30 June 2020 6 months Unreviewed	30 June 2019 6 months Unreviewed	31 December 2019 12 months Unaudited
Average number of shares in issue during the period ('000)	308 568	308 568	308 568
Shares in issue ('000)	308 568	308 568	308 568
Dividends per share (cents)	38.0	55.0	101.0
Final			55.0
Interim	38.0	55.0	46.0
Ratios			
Return on capital employed (%)	16.3	21.4	21.5
Effective taxation rate (%)	28.1	22.5	26.1
Gearing (%)	(5.8)	2.7	(5.6)
Dividend cover on headline earnings (times)	2.0	2.0	2.0

Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2020

African Oxygen Limited ("Afrox" or the "Company") is a South African registered company. The condensed consolidated interim 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 condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for interim financial reporting, and the requirements of the Companies Act No. 71 of 2008 of South Africa applicable to condensed financial statements. The JSE Listings Requirements require interim financial statements to be prepared in accordance with and containing the information required by IAS 34: Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Group during the interim reporting period.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements, are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the annual financial statements for the year ended 31 December 2019.

The condensed consolidated interim 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.
- 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 the Monte Carlo option pricing model.

The directors take full responsibility for the preparation of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements were compiled under the supervision of Magnus Stenglin, the Group Financial Director and were authorised for issue by the board of directors on 10 September 2020.

1.1 Going concern

In March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. Measures taken by governments to contain the spread of the virus, such as the national lockdowns and the closing of ports of entry, affected economic activity. The Group has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (including social distancing and working from home) and securing the supply of materials that are essential to our production process and business operations.

Although the measures taken by the government to contain the pandemic had a negative impact on the Group's business activities and interim financial performance, an assessment made by the directors indicates that the Group would continue to operate as a going concern in the foreseeable future. The Group's total assets exceeded total liabilities by R4 398 million (2019: R4 221 million) and the Group's current assets exceeded current liabilities by R2 091 million (2019: R1 947 million). The Group ended the period in a cash position of R1 167 million (2019: R1 222 million).

Based on the solvency and liquidity analyses, together with forecasts and budgets, the board is satisfied that the Group's liquidity position is sufficient to sustain its operations in the foreseeable future. For this reason these condensed consolidated interim financial statements are prepared on a going concern basis.

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

New accounting standards, amendments to accounting standards and interpretations issued which are relevant to the Group, but not yet effective on 30 June 2020, have not been adopted. The Group continuously evaluates the impact of these standards and amendments.

3. SEGMENTAL REPORTING

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 (CODM) 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 and earnings before interest, corporate expenses and taxation. Assets and liabilities are centrally managed at a corporate level and therefore not used in the decision to allocate resources to operating segments. Due to the nature of the business, there is no customer that represents more than 10% of revenue. Business segments have been determined based on: Atmospheric Gases, Liquefied Petroleum Gas (LPG) and Hard Goods.

R'million	30 June 2020 6 months Reviewed	30 June 2019 6 months Reviewed	31 December 2019 12 months Audited
Revenue*	2 694	3 000	6 086
Atmospheric Gases	1 356	1 438	2 886
LPG	1 030	1 165	2 412
Hard Goods	308	397	788
Operating expenses#	(2 061)	(2 227)	(4 586)
Atmospheric Gases	(918)	(1 033)	(2 105)
LPG	(883)	(893)	(1 855)
Hard Goods	(260)	(301)	(626)
Earnings before interest, taxation, depreciation and amortisation (EBITDA), before corporate expenses	633	773	1 500
Depreciation and amortisation	(209)	(202)	(409)
Atmospheric Gases	(110)	(97)	(194)
LPG	(76)	(78)	(162)
Hard Goods	(23)	(27)	(53)
EBIT before corporate expenses	424	571	1 091
Atmospheric Gases	328	308	587
LPG	71	194	395
Hard Goods	25	69	109
Corporate expenses	(88)	(114)	(224)
EBIT	336	457	867

** Revenue from external customers and includes cylinder rentals.*

 # Depreciation and amortisation previously included in other operating expenses for the interim period ended 30 June 2019 has been separately disclosed to provide more relevant and reliable information.

3. SEGMENTAL REPORTING (continued)

R'million	30 June 2020 6 months Reviewed	30 June 2019 6 months Reviewed	31 December 2019 12 months Audited
Geographical representation			
Revenue	2 694	3 000	6 086
South Africa	2 309	2 618	5 322
Southern African Development Community (SADC) countries excluding South Africa**	385	382	764
Non-current assets	3 814	3 769	3 821
South Africa	3 531	3 485	3 554
SADC countries excluding South Africa**	283	284	267

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

Reconciliation of EBITDA to profit before taxation (PBT)#

R'million	30 June 2020 6 months Reviewed	30 June 2019 6 months Reviewed	31 December 2019 12 months Audited
EBITDA before corporate expenses	633	773	1 500
Corporate expenses	(88)	(114)	(224)
EBITDA	545	659	1 276
Depreciation and amortisation	(209)	(202)	(409)
EBIT	336	457	867
Net finance income/(expense)	3	(9)	(9)
PBT	339	448	858

 # The presentation of EBITDA is not an IFRS requirement but is a measure used by the CODM.

4. RECLASSIFICATION OF PRIOR PERIOD

Operating expenses that was previously presented as an aggregate amount on the face of the statement of profit or loss was reclassified as it provides more relevant and reliable information. The amount has been reclassified into the following statement of profit or loss items:

R'million	30 June 2019 6 months
Other income	5
Production expenses and material purchases	(1 488)
Employee benefit expenses	(477)
Electricity and water expenses	(227)
Other expenses	(127)
Operating expenses presented on the statement of profit or loss	(2 314)

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

5. PROPERTY, PLANT AND EQUIPMENT

R'million	30 June 2020 6 months Reviewed	30 June 2019 6 months Reviewed	31 December 2019 12 months Audited
Opening carrying value	3 047	3 006	3 006
Additions	248	180	403
Disposals	(1)	(0)*	(5)
Depreciation	(179)	(174)	(352)
Translation differences	4	1	(5)
Closing carrying value	3 119	3 013	3 047

** less than R1 million.*

6. FAIR VALUE CLASSIFICATION AND MEASUREMENT

Accounting classification and fair value

The classification of each class of financial asset and liability, and their fair values are:

R'million	Fair value
30 June 2020	
Financial liability measured at fair value	
Derivative financial instruments	3
31 December 2019	
Financial liability measured at fair value	
Derivative financial instruments	12
30 June 2019	
Financial liability measured at fair value	
Derivative financial instruments	5

The derivatives are a 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. The carrying value of all other financial instruments closely approximates their fair value due to the short-term nature or market related terms.

7. EARNINGS AND HEADLINE EARNINGS PER SHARE

Basic and diluted earnings per share are calculated based on earnings of R240 million (2019: R345 million). A weighted average number of ordinary shares of 308 567 602 (2019: 308 567 602) in issue during the period is used to calculate earnings. Diluted earnings per share is calculated based on 309 838 694 (2019: 310 573 309) shares as 1 271 092 (2019: 2 005 707) shares had a dilutive impact.

Headline earnings and diluted headline earnings per share are calculated based on headline earnings of R236 million (2019: R343 million). A weighted average number of shares of 309 838 694 (2019: 310 573 309) is used to calculate diluted headline earnings per share as 1 271 092 (2019: 2 005 707) shares had a dilutive impact.

Reconciliation between earnings and headline earnings

R'million	30 June 2020 6 months Reviewed	30 June 2019 6 months Reviewed	31 December 2019 12 months Audited
Profit for the period attributable to the owners of the company	240	345	631
Adjusted for the effects of:			
Profit on disposal of property, plant and equipment	(5)	(3)	(4)
Taxation on profit on disposal of property, plant and equipment	1	1	1
Headline earnings	236	343	628
Basic earnings per share – cents	77.8	112.0	204.4
Diluted earnings per share – cents	77.4	111.3	202.8
Headline earnings per share – cents	76.5	111.3	203.5
Diluted headline earnings per share – cents	76.2	110.6	202.0

8. RELATED PARTY TRANSACTIONS

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

9. UPDATE ON KEY LITIGATION MATTERS

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

10. SUBSEQUENT EVENTS

Except for the declaration of a dividend of 38 cents per share on 10 September 2020, the directors are not aware of any material matter or circumstance arising since the end of the interim reporting period and the date of this report.

11. INDEPENDENT REVIEW BY THE AUDITORS

The condensed consolidated interim financial statements for the six months ended 30 June 2020 have been reviewed by the company's auditor, PricewaterhouseCoopers Inc., who issued an unmodified review report. The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's review report together with the accompanying financial information from the issuers registered office.

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 Stenglin* (Group Financial Director), JM Panikar** (Chairman), M von Plotho*, CF Wells***, NVL Qangule, GJ Strauss, NN 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

AFROX
A Member of The Linde Group