# INTERIM RESULTS

## for the six months ended 31 December 2019

ARM
African Rainbow Minerals

# Shareholder information

| | |
|---|---|
| Issued share capital at 31 December 2019 | 223 879 043 shares |
| Market capitalisation at 31 December 2019 | ZAR36.6 billion |
| Market capitalisation at 31 December 2019 | US$2.6 billion |
| Closing share price at 31 December 2019 | R163.66 |
| Six-months high (1 July 2019 – 31 December 2019) | R193.27 |
| Six-months low (1 July 2019 – 31 December 2019) | R135.55 |
| Average daily volume traded for the six months | 476 454 shares |
| Primary listing | JSE Limited |
| JSE Share Code | ARI |

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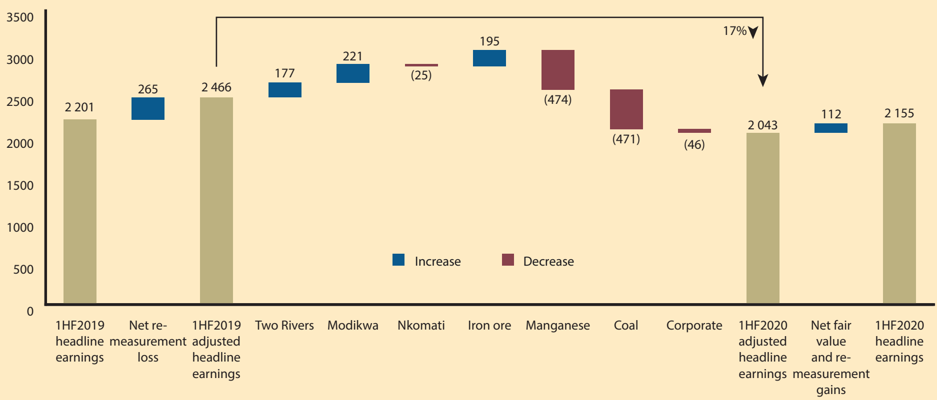
# Salient features

- **Headline earnings decreased marginally to R2 155 million or R11.14 per share (1H F2019: R2 201 million or R11.49 per share).**
- **ARM Platinum increased headline earnings by 193% to R489 million (1H F2019: R167 million).**
- **Segmental earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 10% to R4 593 million (1H F2019: R4 171 million).**
- **An interim dividend of 500 cents was declared (1H F2019: 400 cents per share).**
- **Basic earnings were 63% higher at R2 132 million (1H F2019: R1 306 million which included an attributable impairment of Nkomati Mine assets of R892 million after tax).**
- **A robust financial position was maintained as the net cash position increased to R2 869 million (30 June 2019: R2 601 million).**

**Analysis of headline earnings by operation/division (R million)**




*Adjusted headline earnings exclude re-measurement gains and losses. The table included on page 43 summarises the re-measurement gains and losses for the review period and the corresponding period.*

# Operating safely and sustainability

## Safety

We are committed to creating and maintaining a safe work environment for all our employees. Regrettably three colleagues were fatally injured in separate accidents at our operations.

On 8 September 2019, Mr Mpedi Ishmael Malatji, a load haul dump operator at Two Rivers Mine was fatally injured in an accident involving moving machinery. At Nkomati Mine Mr Makoti Marks Tshwale, a water truck operator employed by a contractor, was fatally injured on 31 October 2019 when he lost control of the truck he was driving which overturned. At Tweefontein Coal Mine, Mr Simon Sandamela was fatally injured in a blasting accident on 10 November 2019.

We extend our deepest condolences to the families of Mr Malatji, Mr Tshwale and Mr Sandamela and to their colleagues and friends.

Initiatives are ongoing at the operations to ensure that safety training continues and safety standards are strictly upheld.

A total of 52 lost time injuries (LTIs) occurred in the six months under review (1H F2019: 40) of which 41 were reportable injuries (1H F2019: 37). The group's lost time injury frequency rate per 200 000 man-hours was 0.48 compared to 0.36 in the corresponding period.

**Safety achievements in the review period:**

- Beeshoek Mine achieved 16 years and 5 months without a fatality. On 9 September 2019, the mine also recorded 365 successive days without an LTI.
- Beeshoek Mine received first prize for best safety performance, and second prize for most-improved safety performance in the base metals category at the 10th annual South African Mining Industry SHE Awards.
- Khumani Mine achieved 3 million fatality-free shifts on 29 November 2019.
- Modikwa Mine achieved 1 million fatality-free shifts on 6 January 2020.

*Lost time injuries and lost time injury frequency rates are presented on a 100% basis and are reported for those operations where ARM has direct or joint management and exclude the ARM Coal, Sakura and Harmony operations.*

## Tailings storage facilities (tailings facilities)

ARM is committed to ensuring the stability of our tailings facilities and a professional engineer performs this specialised function for each of our facilities. The latest structural stability studies in 2019 confirm that the tailings facilities at the ARM-managed operations are stable. In line with global best practice, an independent external review of our tailings dams has been commissioned for completion by the end of June 2020. In addition, dam-breach scenario analysis is under way to ensure a comprehensive understanding of the potential impact on stakeholders (including communities), the environment and infrastructure. This will inform enhanced emergency response planning.

As a member of the International Council on Mining and Metals (ICMM), we support the Global Tailings Review (GTR). This is an independent initiative convened by the ICMM, the United Nations Environment Programme and the Principles for Responsible Investment.

The purpose of the GTR, which was launched in 2019 following the Brumadinho tailings-dam failure in Brazil, is "establishing an international standard that aims to prevent catastrophic failures by creating a step-change for the industry in the safety and security of tailings facilities".

ARM actively participates in the stakeholder consultation process via the ICMM. Finalisation of the standard and endorsement by the co-convening partners is planned for February 2020, to publish the standard by March 2020.

# Financial results overview

## Headline earnings

ARM continued to benefit from its commodity portfolio diversification as higher palladium, rhodium, platinum and iron ore prices offset the decline in manganese ore, manganese alloys and thermal coal prices. Headline earnings were therefore only marginally lower at R2 155 million or R11.14 per share (1H F2019: R2 201 million or R11.49 per share). A 4% weakening of the average realised Rand/US Dollar exchange rate to R14.69/US$ (1H F2019: R14.19/US$) contributed positively to earnings. The closing exchange rate was R14.00/US$ (31 December 2018: R14.09/US$).

### Headline earnings/(loss) by operation/division

| R million | 1H F2020 | 1H F2019 | % change |
|---|---|---|---|
| **ARM Ferrous** | **1 848** | 2 127 | (13) |
| Iron ore division | **1 426** | 1 230 | 16 |
| Manganese division | **441** | 919 | (52) |
| Chrome division | **–** | (4) | |
| Consolidation adjustment | **(19)** | (18) | (6) |
| **ARM Platinum** | **489** | 167 | 193 |
| Two Rivers Mine | **357** | 180 | 98 |
| Modikwa Mine[1] | **343** | 173 | 98 |
| Nkomati Mine | **(211)** | (186) | (13) |
| **ARM Coal**[1] | **(101)** | 65 | |
| Goedgevonden Mine[1] | **(115)** | (7) | (>200) |
| PCB operations[1] | **14** | 72 | (81) |
| **ARM Corporate and other**[1] | **(81)** | (158) | 49 |
| **Headline earnings** | **2 155** | 2 201 | (2) |

1. *Adjusted headline earnings exclude re-measurement gains and losses for the period. The table below summarises the re-measurement gains and losses for the review period and the corresponding period.*

### Summary of re-measurement gains and losses (impact on headline earnings)

| R million | 1H F2020 | 1H F2019 | change | F2019 |
|---|---|---|---|---|
| **ARM Mining Consortium (Modikwa)** | **(51)** | (4) | (47) | (156) |
| **ARM Coal** | **104** | (202) | 306 | 245 |
| Goedgevonden Mine | **1** | (50) | 51 | 190 |
| PCB operations | **103** | (152) | 255 | 55 |
| **ARM Corporate and other** | **59** | (59) | 118 | (40) |
| ARM Mining Consortium (Modikwa) | **59** | – | 59 | 175 |
| Goedgevonden Mine | **–** | (59) | 59 | (215) |
| **ARM Group** | **112** | (265) | 377 | 49 |

Headline earnings for **ARM Ferrous** were 13% lower at R1 848 million (1H F2019: R2 127 million) as a 16% increase in headline earnings in the iron ore division was more than offset by a 52% decline in headline earnings in the manganese division. The iron ore division's improved profitability was driven mainly by higher average realised US Dollar iron ore prices due to supply disruptions in the global seaborne iron ore market coupled with better-than-expected steel production in China. Conversely, manganese ore prices declined sharply in the latter part of the review period as increased seaborne manganese ore supply put prices under pressure. The negative impact of lower manganese ore prices on headline earnings was partially offset by a 13% increase in export sales volumes as ramp-up of Black Rock Mine progressed on schedule and within budget. The manganese ore operations decreased on-mine unit production costs which also contributed positively to headline earnings. Headline earnings for the manganese alloy operations were 153% lower, primarily due to lower alloy prices and sales volumes, increased production costs, as well as inventory net realisable value adjustments at period end.

**ARM Platinum** headline earnings increased by 193% to R489 million as both the Two Rivers and Modikwa mines doubled headline earnings compared to the corresponding period. Average realised platinum, palladium and rhodium prices were up 9%, 58% and 97% respectively and Modikwa Mine benefited from its almost 1:1 platinum to palladium ratio. Production volumes were lower at both operations as Two Rivers Mine continued to be affected by lower grades due to mining a split reef. Installation of 40 000 tonnes per month of additional milling capacity at Two Rivers Mine has been approved and is expected to increase production volumes to between 360 000 to 380 000 PGM ounces per annum. Construction and installation of this milling capacity is expected to take 18 months from May 2020 and ramp-up to steady state within six months thereafter. At Modikwa Mine lower-grade material was blended with higher-grade fines to optimise plant milling capacity, which negatively impacted the grade. Production volumes are expected to improve slightly for 2H F2020 at Two Rivers Mine, while volumes are expected to recover to an annualised rate of approximately 320 000 tonnes at Modikwa Mine.

Nkomati Mine headline loss was impacted by the following charges (100% basis):

- a provision relating to South African Revenue Services (SARS) diesel rebates (and related interest) currently under dispute of R271 million;
- a provision for restructuring costs of R84 million;
- an inventory adjustment of R96 million; and
- penalty and treatment charges of R63 million.

Scaling down this loss-making operation is progressing on schedule. As previously reported, production at Nkomati Mine will cease from end-September 2020, after which the mine will be placed on care and maintenance in preparation for closure. Engagement with affected employees, communities and suppliers is continuing. An assessment of total closure and rehabilitation costs for the operation is under way and expected to be completed by end of March 2020.

**ARM Coal** reported a headline loss of R101 million which includes a re-measurement gain of R104 million (1H F2019: R202 million re-measurement loss) on the ARM Coal loans which were restructured in F2018. Excluding the re-measurement gain, ARM Coal headline loss was R209 million, mainly due to a sharp decline in seaborne thermal coal prices (as lower natural gas and renewable energy prices in the United States and Europe put seaborne thermal coal prices under pressure). In addition, lower volumes owing to weather-related mining challenges and above-inflation unit cost increases negatively affected headline earnings. Seaborne thermal coal prices have improved in recent months and production volumes are expected to recover to normal annualised levels at both the Goedgevonden (GGV) and Participative Coal Business(PCB).

**ARM Corporate** and other headline loss was R81 million compared to R158 million in 1H F2019. The decrease is mainly due to higher interest income (R60 million), higher ARM Mining Consortium and ARM Coal intercompany loan re-measurement gains (R118 million), partially offset by lower fee income (R26 million), higher operating expenses (R25 million), higher taxation (R30 million) and Machadodorp Works operating expenses which are included in the Corporate and other segment (R11 million) since acquiring this business from Assmang. The intercompany loans re-measurement are partially eliminated at group level.

**Basic earnings** were R2 132 million (1H F2019: R1 306 million). Comparative basic earnings included an attributable impairment of Nkomati Mine assets of R892 million after tax.

## Financial position

ARM maintained a robust financial position which allows continued investment in our existing business while giving us flexibility to pursue growth and pay dividends in line with our dividend guiding principles.

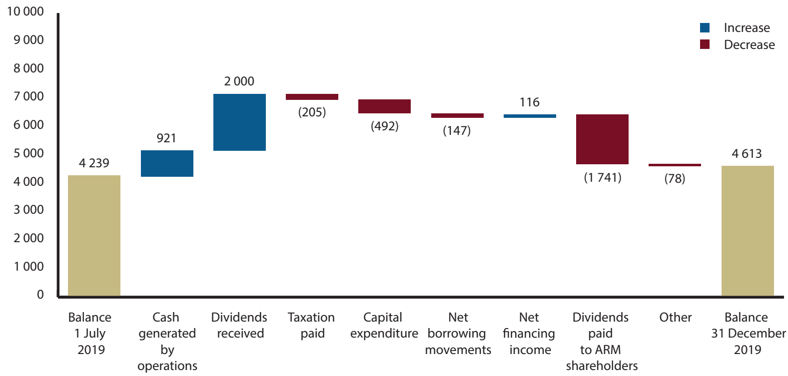
At 31 December 2019, ARM was in a net cash position of R2 869 million (30 June 2019: R2 601 million, 31 December 2018: R2 914 million). This amount excludes attributable cash and cash equivalents held at ARM Ferrous (50% of Assmang) of R3 107 million (30 June 2019: R3 053 million, 31 December 2018: R2 186 million). Total borrowings of R147 million (1H F2019: R167 million) were repaid in the period, reducing gross debt to R2 024 million (31 December 2018: R2 132 million) which mostly relates to the ARM Coal debt. The ARM Broad-based Economic Empowerment (BBEE) Trust loan from Nedbank was fully repaid in October 2019. There was no debt at ARM Ferrous in either of the two reporting periods.

## Cash flow

Cash generated from operations increased by R140 million to R921 million (1H F2019: R781 million) despite a R1 280 million increase in working capital requirements (1H F2019: R570 million increase). Dividends received from the Assmang joint venture were R2 000 million (1H F2019: R1 750 million). Capital expenditure for the period was R492 million, all for sustaining capital (1H F2019: R505 million). Dividends paid to ARM shareholders in 1H F2020 include R1 741 million paid in October 2019 as a final dividend (1H F2019: R1 433 million).

Net cash outflow from investing activities was R492 million (1H F2019: R715 million). The corresponding period included ARM's R211 million participation in a Harmony rights issue.

### Analysis of movements in net cash and cash equivalents (R million)[1]




[1] *Cash and cash equivalents including overdrafts.*

## Capital expenditure

Segmental capital expenditure (attributable basis) was R1 573 million for the review period and included R215 million (H1 F2019: R242 million) of capitalised waste stripping at the iron ore operations. Waste is no longer capitalised at Nkomati Mine as the operation scales down.

### Capital expenditure by operation/division (attributable to ARM)

| R million | 1H F2020 | 1H F2019 |
|---|---|---|
| **ARM Ferrous** | **982** | 946 |
| Iron ore division[1] | **432** | 514 |
| Manganese division | **594** | 475 |
| Consolidation adjustment | **(44)** | (43) |
| **ARM Platinum** | **451** | 451 |
| Two Rivers Mine | **292** | 247 |
| Modikwa Mine | **159** | 76 |
| Nkomati Mine | **–** | 128 |
| **ARM Coal** | **139** | 165 |
| Goedgevonden Mine | **139** | 165 |
| **ARM Corporate** | **1** | 3 |
| **Total** | **1 573** | 1 565 |

[1] *Includes capitalised waste stripping of R215 million (1H F2019: R242 million)*

# Changes to Mineral Resources and Mineral Reserves

There has been no material change to ARM's Mineral Resources and Mineral Reserves as disclosed in the integrated annual report for the financial year ended 30 June 2019, other than depletion due to continued mining activities at the operations. An updated Mineral Resources and Mineral Reserves Statement will be issued in our F2020 integrated annual report.

# Changes to board of directors

ARM announced the following changes to its board of directors, effective from 18 December 2019:

- Mr Andre Wilkens stepped down as an executive director of ARM. Mr Wilkens served for many years as an executive director, including a long and successful tenure as the company's Chief Executive Officer (CEO).
- Mrs Jongisa Magagula was appointed as Executive Director for Investor Relations and New Business Development.

*These results have been achieved in conjunction with ARM's partners at the various operations: Anglo American Platinum Limited, Assore Limited, Impala Platinum Holdings Limited (Implats), Norilsk Nickel Africa Proprietary Ltd and Glencore South Africa.*

*The interim results for the six months ended 31 December 2019 have been prepared in accordance with IFRS and disclosures are in line with IAS 34: Interim Financial Reporting.*

*Rounding may result in minor computational discrepancies in tables.*

# Operational results overview

## ARM Ferrous: Iron ore division

**Prices**

ARM Ferrous' average realised US Dollar prices for export iron ore were 23% higher on a free-on-board or (FOB) equivalent basis at US$85/t (1HF2019: US$69/t). This increase was driven mainly by higher index prices, partially offset by a reduction in the lump to fines ratio at 56:44 in the period (1H F2019: 58:42). The current lump:fines ratio represents a more sustainable production split going forward.

**Volumes**

Total iron ore sales volumes decreased by 11% to 7.8 million tonnes (1H F2019: 8.8 million) mainly due to logistical challenges. These included unplanned rail maintenance, weather delays and abnormal breakdowns at Saldanha Port Terminal which reduced train slots due to full stockpiles at the port. Export sales volumes are expected to recover in the second half subject to rail and port performance and reliability. Stockpiles were full at both Khumani Mine and Saldanha Port at the end of December 2019, which is expected to support accelerated sales for the second half.

Production volumes increased by 7% to 9.3 million tonnes. Assmang continues to participate in a collaborative team effort with the Sedibeng Water Board to ensure sufficient capacity and sustainability of the water supply system.

**Unit costs**

On-mine unit production costs at Khumani Mine increased above inflation at 15% to R253 per tonne (1H F2019: R218 per tonne) as more waste stripping tonnes were expensed and less tonnes capitalised in accordance with IFRIC 20. In addition, a capital user charge on water of R6/t became effective in August 2019 as the Vaal Gamagara water system, which supplies water to Khumani Mine, is upgraded.

Beeshoek Mine on-mine unit production costs rose 9% to R227 per tonne (1HF 2019: R209 per tonne) mainly due to increased working cost waste tonnes and inflation.

Unit cost of sales were 15% higher mainly as a result of increased sales and marketing costs per tonne due to higher US Dollar iron ore prices (sales and marketing costs are determined as a percentage of revenue). In addition, US Dollar freight rates increased by 9%. Insurance rates were significantly higher due to increased mining industry claims over the past few years.

**Logistics**
Lower railed volumes from Khumani Mine reflected major equipment breakdowns at the Saldanha Port Terminal, together with abnormal weather which halted port functions from time to time. Railed volumes from the mine were reduced as emergency maintenance on the rail tracks was introduced in May 2019 and continued from June to December 2019.

**Capital expenditure**
Capital expenditure (100% basis) decreased from R1 028 million to R863 million. This was mainly as a result of relatively lower waste stripping capitalised in accordance with IFRIC 20 coupled with lower replacement capital at Khumani Mine. This was partially offset by increased replacement capital expenditure at Beeshoek Mine.

**Iron ore division operational statistics (100% basis)**

| | unit | **1H F2020** | 1H F2019 | % change |
|---|---|---|---|---|
| **Prices** | | | | |
| Average realised price FOB | US$/t | **85** | 69 | 23 |
| **Volumes** | | | | |
| Export sales | 000t | **6 189** | 7 246 | (15) |
| Domestic sales | 000t | **1 561** | 1 507 | 4 |
| Total sales | 000t | **7 750** | 8 752 | (11) |
| Production | 000t | **9 345** | 8 742 | 7 |
| Export lump/fines split | % | **56:44** | 58:42 | |
| Export sales CIF/FOB split | % | **49:51** | 48:52 | |
| **Unit costs** | | | | |
| Change in on-mine production unit costs | % | **15** | 6 | |
| Change in unit cost of sales | % | **15** | 6 | |
| **Capital expenditure** | | | | |
| Iron ore | R million | **863** | 1 028 | (16) |

# ARM Ferrous: Manganese division

**Manganese division ore and alloys split (100% basis)**

| | unit | **1H F2020** | 1H F2019 | % change |
|---|---|---|---|---|
| **Manganese ore** | | | | |
| Sales | R million | **5 088** | 6 037 | (16) |
| Operating profit | R million | **1 421** | 2 288 | (38) |
| Contribution to headline earnings | R million | **960** | 1 685 | (43) |
| Capital expenditure | R million | **1 173** | 939 | 25 |
| Depreciation | R million | **304** | 304 | – |
| EBITDA | R million | **1 725** | 2 591 | (33) |

| | unit | **1H F2020** | 1H F2019 | % change |
|---|---|---|---|---|
| **Manganese alloy** | | | | |
| Sales | R million | **1 133** | 1 133 | – |
| Operating profit | R million | **84** | 225 | (63) |
| Contribution to headline earnings | R million | **(80)** | 152 | (>100) |
| Capital expenditure | R million | **15** | 11 | 36 |
| Depreciation | R million | **24** | 37 | (35) |
| EBITDA | R million | **108** | 263 | (60) |

## Manganese ore

### Prices

Manganese ore prices declined steeply in the latter part of 1H F2020. Index prices for 44% manganese ore (CIF Tianjin) decreased by 23% from US$5.74/mtu on 1 July 2019 to US$4.37/mtu at the end of December 2019. Prices were under pressure mainly due to increased production from a number of countries, including South Africa.

### Volumes

Manganese ore sales volumes increased by 11% from 1.6 million tonnes in 1H F2019 to 1.8 million tonnes in 1H F2020, of which 97% was exported.

Production volumes at Black Rock Mine rose 17% to 2 million tonnes as the Black Rock project progresses on schedule and within budget. The project to modernise and expand the mine is increasing volumes and flexibility to produce different products as well as improving efficiencies, which was evident in improved unit cost performance in the review period. Ramp-up of the mine is being closely synchronised with Transnet's rail availability and is informed by prevailing market conditions.

### Unit costs

Black Rock on-mine unit production costs decreased by 3% from R608/t in 1H F2019 to R591/t in 1H F2020, mainly on improved efficiencies and increased production volumes as part of the Black Rock project.

Unit costs of sales were 1% lower due to lower sales and marketing costs (owing to lower realised manganese ore prices), partially offset by higher US Dollar freight rates.

### Logistics

Black Rock Mine exported 1.73 million tonnes of manganese ore in 1H F2020 (1H F2019: 1.53 million). Rail and port capacities have been secured through the ports of Port Elizabeth and Saldanha in line with ramp-up of the mine until 2023. Engagement with Transnet on rail allocation beyond the current contractual period is ongoing.

### Capital expenditure

Total capital expenditure for the manganese division was R1 188 million (1H F2019: R950 million), of which R401 million (1HF 2019: R713 million) related to the modernisation and optimisation of Gloria Mine within Black Rock Mine as approved in F2018. The Gloria project is on schedule and forecast to be completed within budget by January 2022. At 31 December 2019, 40% of the approved capital of R2.7 billion was spent.

Mining works in all project areas are progressing as well as earthworks and civil works for the new surface processing plant. Plant commissioning is expected to begin in November 2020.

**Manganese ore operational statistics (100% basis)**

| | unit | **1H F2020** | 1H F2019 | % change |
|---|---|---|---|---|
| **Volumes** | | | | |
| Export sales | 000t | **1 729** | 1 531 | 13 |
| Domestic sales[1] | 000t | **53** | 74 | (28) |
| Total sales | 000t | **1 782** | 1 605 | 11 |
| Production | 000t | **2 034** | 1 737 | 17 |
| **Unit costs** | | | | |
| Change in on-mine production unit costs | % | **(3)** | 14 | |
| Change in unit cost of sales | % | **4** | 11 | |

[1] *Excluding intragroup sales of 127 000t sold to Cato Ridge Works (1HF2019: 101 000t)*

## Manganese alloys

### Volumes

High carbon manganese alloy production at Sakura Ferroalloys (on 100% basis) decreased marginally to 128 000 tonnes (1H F2019: 129 000 tonnes). High carbon manganese alloy production at Cato Ridge Works increased by 13% to 77 000 tonnes. Medium carbon manganese alloy production at Cato Ridge Alloys (100% basis) increased by 3% to 34 000 tonnes.

High carbon manganese alloy sales volumes at Sakura Ferroalloys (on 100% basis) increased by 10% to 110 000 tonnes (1H F2019: 100 000 tonnes). High carbon manganese alloy sales at Cato Ridge Works increased by 6% to 78 000 tonnes. Medium Carbon manganese alloy sales at Cato Ridge Alloys (100% basis) decreased by 15% to 23 000 tonnes.

### Unit costs

Unit costs were 18% lower at Sakura Ferroalloys mainly due to the decline in manganese ore prices (which resulted in lower input costs) as well as use of stock that had previously been written down. Initiatives to improve unit costs include feeding of fines to the plant through the Brex Plant and the use of better quality coke and anthracite.

**Manganese alloy operational statistics (on 100% basis)**

| | unit | **1H F2020** | 1H F2019 | % change |
|---|---|---|---|---|
| **Volumes** | | | | |
| Cato Ridge Works sales[1] | 000t | **38** | 34 | 12 |
| Cato Ridge Alloys sales | 000t | **23** | 27 | (15) |
| Sakura sales | 000t | **110** | 100 | 10 |
| Cato Ridge Works production | 000t | **77** | 68 | 13 |
| Cato Ridge Alloys production | 000t | **34** | 33 | 3 |
| Sakura production | 000t | **128** | 129 | (1) |
| **Unit costs – Cato Ridge Works** | | | | |
| Change in on-mine production unit costs | % | **(3)** | 11 | |
| Change in unit cost of sales | % | **5** | 21 | |
| **Unit costs – Cato Ridge Alloys** | | | | |
| Change in on-mine production unit costs | % | **(6)** | 2 | |
| Change in unit cost of sales | % | **3** | 17 | |
| **Unit costs – Sakura** | | | | |
| Change in on-mine production unit costs | % | **(18)** | 24 | |
| Change in unit cost of sales | % | **(13)** | 16 | |

[1] *Excluding intragroup sales of 40 000 tonnes sold to Cato Ridge Alloys (1H F2019: 40 000 tonnes)*

*The ARM Ferrous operations, held through its 50% investment in Assmang, comprise the iron ore and manganese divisions. Assore Limited, ARM's partner in Assmang, owns the remaining 50%.*

## ARM Platinum

**Prices**

Higher metal prices, particularly palladium (58%) and rhodium (97%), contributed significantly to the Modikwa and Two Rivers mines' 1H F2020 results. Stronger prices coupled with the weaker Rand/US Dollar exchange rate, resulted in the average Rand per 6E kilogram basket price for both mines increasing by 51% and 46% to R682 945/kg (1H F2019: R452 307/kg) and R638 305/kg (1H F2019: R437 441/kg) respectively.

US Dollar nickel prices were 18% higher, while a 21% decrease in Nkomati's Rand chrome price adversely affected the mine's results.

**Average US Dollar metal prices**

| | unit | **1H F2020** | 1H F2019 | % change |
|---|---|---|---|---|
| Platinum | US$/oz | **895** | 818 | 9 |
| Palladium | US$/oz | **1 666** | 1 055 | 58 |
| Rhodium | US$/oz | **4 710** | 2 391 | 97 |
| Nickel | US$/t | **15 317** | 13 030 | 18 |
| Copper | US$/t | **5 805** | 6 390 | (9) |
| Cobalt | US$/lb | **16** | 36 | (56) |
| UG2 chrome concentrate – Two Rivers (CIF*) | US$/t | **137** | 157 | (13) |
| High sulphur chrome concentrate – Nkomati (FOT**) | US$/t | **51** | 66 | (24) |

* *Cost, insurance and freight*

** *Free on truck*

**Average Rand metal prices**

| | unit | **1H F2020** | 1H F2019 | % change |
|---|---|---|---|---|
| Average exchange rate | R/US$ | **14.69** | 14.19 | 4 |
| Platinum | R/oz | **13 142** | 11 610 | 13 |
| Palladium | R/oz | **24 480** | 14 967 | 64 |
| Rhodium | R/oz | **69 196** | 33 932 | 104 |
| Nickel | R/t | **225 014** | 184 896 | 22 |
| Copper | R/t | **85 273** | 90 679 | (6) |
| Cobalt | R/lb | **229** | 505 | (55) |
| UG2 chrome concentrate – Two Rivers (CIF*) | R/t | **2 012** | 2 227 | (10) |
| High-sulphur chrome concentrate – Nkomati (FOT**) | R/t | **743** | 940 | (21) |

* *Cost, insurance and freight*

** *Free on truck*

## ARM Platinum: Two Rivers Mine

Attributable headline earnings at Two Rivers Mine rose 98% to R357 million (1H F2019: R180 million) on a 46% increase in the Rand PGM basket price.

**Volumes:**

Lower PGMs produced were mainly due to operational challenges in July 2019 in the floatation circuit which resulted in PGMs being deposited into spillage containment dams. The problem was resolved by changing flotation reagents. Reclamation of the spillage is progressing well. Lower tonnes milled, combined with lower head grades, also contributed to the decline in PGM volumes from 160 971 6E ounces in 1H F2019 to 138 199 6E ounces in 1H F2020.

Flexibility in obtaining the optimal blend of ore from split and normal reef sources at the Main decline remains a constraint and affected feed grade to the plant. The accelerated sinking programme for Main decline is progressing well and is expected to produce an additional four levels by the end of the third quarter of F2020, which is expected to improve mining flexibility. Undercutting the thick internal waste in the split reef where practically possible is expected to contribute marginally to an improved grade at Main decline.

Milled production capacity will be increased by 40 000 tonnes of ore per month, with construction planned to begin on 1 July 2020 after the concentrator plant expansion project was approved in 1H F2020. This project is planned to be completed 18 months from May 2020, in tandem with completion of the new tailings facility in 1H F2021. The plant expansion will increase PGM output to between 360 000 to 380 000 6E ounces per annum.

Chrome concentrate sales volumes declined 7% to 96 857 tonnes on lower chrome yield, resulting in chrome cash operating profit declining by 38% to R49 million (1H F2019: R79 million).

**Unit costs**
Unit production costs on a Rand per tonne milled basis increased by 19% to R847 per tonne (1H F2019: R709 per tonne). The Rand per PGM ounce cost increased by 37% to R10 083 per 6E ounce (1H F2019: R7 338 per 6E ounce), as a direct result of lower 6E production volumes.

**Capital expenditure:**
Of the R292 million capital spent at Two Rivers Mine, 21% was for fleet replacement and refurbishment. Deepening the Main and North declines with respective electrical and mechanical installations comprised 45% of total capital expenditure.

**Two Rivers Mine operational statistics (100% basis)**

| | unit | **1H F2020** | 1H F2019 | % change |
|---|---|---|---|---|
| Cash operating profit | R million | **1 241** | 707 | 76 |
| PGMs | R million | **1 192** | 628 | 90 |
| Chrome | R million | **49** | 79 | (38) |
| Tonnes milled | Mt | **1.65** | 1.67 | (1) |
| Head grade | g/t, 6E | **3.45** | 3.53 | (2) |
| PGMs in concentrate | Ounces, 6E | **138 199** | 160 971 | (14) |
| Chrome concentrate sold | Tonnes | **96 857** | 104 555 | (7) |
| Average basket price | R/kg, 6E | **638 305** | 437 441 | 46 |
| Average basket price | US$/oz, 6E | **1 351** | 959 | 41 |
| Cash operating margin | % | **44** | 34 | |
| Cash cost | R/kg, 6E | **324 190** | 235 930 | 37 |
| Cash cost | R/tonne | **847** | 709 | 19 |
| Cash cost | R/Pt oz | **21 369** | 15 615 | 37 |
| Cash cost | R/oz, 6E | **10 083** | 7 338 | 37 |
| Cash cost | US$/oz, 6E | **686** | 517 | 33 |
| **Headline earnings attributable to ARM** | R million | **357** | 180 | 98 |

## ARM Platinum: Modikwa Mine

Modikwa Mine delivered attributable headline earnings of R343 million (1H F2019: R173 million). It continued to benefit from the temporarily improved purchase-of-concentrate agreement concluded between Anglo American Platinum and Modikwa Mine in F2018 which expired on 31 December 2019.

**Volumes**
Tonnes milled declined by 4% and combined with a 6% decrease in head grade reduced PGM production by 9% to 155 812 6E ounces (1H F2019: 171 704 6E ounces). The decline in head grade was mainly due to lower-grade material being blended with higher-grade fines to optimise plant capacity. Production is expected to recover in the second half of the year.

The South 2 shaft system hoisted an average of 57 700 tonnes for 1H F2020, 15% above the target of 50 000. This system has consistently delivered over 50 000 ore tonnes per month for the review period.

**Unit costs:**

Unit production costs increased by 31% to R11 222 per 6E PGM ounce (1H F2019: R8 560 per 6E PGM ounce) and were 24% higher on a Rand per tonne basis at R1 477 per tonne (1H F2019: R1 189) due to lower production and specific focus on maintenance.

**Capital expenditure**

Capital expenditure at Modikwa Mine (100% basis) increased by 109% to R317 million (1H F2019: R152 million). Of the capital spent, 41% related to fleet refurbishment and critical spares, 15% to the construction of the chrome recovery plant, another 15% for the North shaft project and 4% for the South shaft project.

To maintain the current production profile and ramp-up, Modikwa Mine initiated the North shaft and South 2 shaft projects:

- North shaft project – deepening the shaft from level 7 to level 9 to establish three new mining levels. Levels 7 and 8 are complete and currently operational. Level 9 decline belt extension and bulkhead infrastructure is complete. Development and equipping of level 9 is on track against the revised schedule; with anticipated handover for the ore transfer system in 2H F2020.
- South 2 shaft – scope included establishing a decline system south of the current South 1 shaft infrastructure. The first phase is expected to enhance mining flexibility while contributing to the overall production build-up of the mine. Phase 1 has been completed and South 2 shaft is ramping-up to steady-state production.

The chrome recovery plant (CRP) project was approved for construction in 1H F2020. This comprises constructing a chrome spiral plant to recover chrome concentrate from the UG2 concentrator plant tailings stream. Nameplate capacity of the CRP will be 288 000 tonnes of chrome concentrate per annum. Construction is progressing on schedule, for expected completion in 2H F2021.

**Modikwa Mine operational statistics (100% basis)**

| | unit | **1H F2020** | 1H F2019 | % change |
|---|---|---|---|---|
| Cash operating profit/(loss) | R million | **1 362** | 708 | 92 |
| Tonnes milled | Mt | **1.18** | 1.24 | (4) |
| Head grade | g/t, 6E | **4.77** | 5.07 | (6) |
| PGMs in concentrate | Ounces, 6E | **155 812** | 171 704 | (9) |
| Average basket price | R/kg, 6E | **682 945** | 452 307 | 51 |
| Average basket price | US$/oz, 6E | **1 446** | 991 | 46 |
| Cash operating margin | % | **44** | 33 | |
| Cash cost | R/kg, 6E | **360 811** | 275 207 | 31 |
| Cash cost | R/tonne | **1 477** | 1 189 | 24 |
| Cash cost | R/Pt oz | **28 944** | 21 867 | 32 |
| Cash cost | R/oz, 6E | **11 222** | 8 560 | 31 |
| Cash cost | US$/oz, 6E | **764** | 603 | 27 |
| **Headline earnings attributable to ARM** | R million | **343** | 173 | 98 |

## ARM Platinum: Nkomati Mine

Nkomati Mine continues to scale down production volumes in preparation for care and maintenance, as announced in the last reporting period.

One-off items affecting Nkomati headline earnings in the review period include:

- a provision relating to a tax diesel rebate currently under dispute of R271 million;
- a provision for restructuring costs of R84 million;
- an inventory write-down of R96 million; and
- penalty and treatment charges of R63 million.

**Volumes**
Nkomati Mine tonnes milled decreased by 11% to 3.65 million tonnes (1H F2019: 4.12 million). Nickel production volumes declined 19% to 5 386 tonnes (1H F2019: 6 624 tonnes). The mine had 8 000 tonnes of nickel concentrate in stock at 31 December 2019 (30 June 2019: 13 000 tonnes).

Chrome concentrate sales declined by 11% and combined with a 24% reduction in average realised US Dollar chrome prices resulted in cash operating profit from chrome decreasing to R45 million (1H F2019: R112 million).

**Unit costs**
On-mine unit production costs (excluding capitalised waste stripping costs) in 1H F2020 increased by 8% to R375 per tonne (1H F2019: R346 per tonne) on reduced milling throughput due to low stockpile levels.

C1 unit cash costs net of by-products per nickel produced (including capitalised waste stripping cost) in 1H F2020 were 16% lower at US$6.65/lb (1H F2019: US$7.87/lb). The decrease in C1 unit cash costs was due to improved by-product revenue, particularly palladium.

**Nkomati Mine operational statistics (100% basis)**

| | unit | **1H F2020** | 1H F2019 | % change |
|---|---|---|---|---|
| Cash operating profit | R million | **85** | (260) | – |
| – Nickel | R million | **39** | (373) | – |
| – Chrome | R million | **45** | 112 | (60) |
| Cash operating margin | % | **5** | (24) | |
| Tonnes milled | Mt | **3.65** | 4.12 | (11) |
| Head grade | % nickel | **0.24** | 0.25 | (3) |
| Nickel on-mine cash cost per tonne milled | R/tonne | **375** | 346 | 8 |
| Nickel on-mine cash cost per tonne milled (including capitalised waste stripping costs) | R/tonne | **375** | 401 | (7) |
| Cash costs net of by-products* | US$/lb | **6.65** | 7.87 | 16 |
| **Contained metal** | | | | |
| Nickel | Tonnes | **5 386** | 6 624 | (19) |
| PGMs | Ounces | **40 947** | 52 174 | (22) |
| Copper | Tonnes | **2 895** | 3 222 | (10) |
| Cobalt | Tonnes | **303** | 386 | (22) |
| Chrome concentrate sold | Tonnes | **142 926** | 160 769 | (11) |
| **Headline loss attributable to ARM** | R million | **(211)** | (186) | (13) |

* *This reflects US Dollar cash costs net of by-products (PGMs and chrome) per pound of nickel produced.*

*The ARM Platinum division comprises three operating mines:*

- *Modikwa – ARM has an effective 41.5% interest in Modikwa and local communities hold an 8.5% effective interest. The remaining 50% is held by Anglo American Platinum.*
- *Two Rivers – an ARM subsidiary in which ARM has a 54% shareholding and Implats 46%.*
- *Nkomati – a 50:50 partnership between ARM and Norilsk Nickel Africa which is scaling down to be placed on care and maintenance.*

## ARM Coal

**ARM Coal attributable headline earnings analysis**

| R million | 1H F2020 | 1H F2019 | % change |
|---|---|---|---|
| Cash operating profit | **231** | 873 | (74) |
| Imputed interest expense | **(136)** | (141) | 4 |
| Amortisation and depreciation | **(337)** | (302) | (12) |
| Re-measurement gain (loss) | **104** | (202) | |
| Other adjustments | **(7)** | 3 | |
| (Loss)/Profit before tax | **(143)** | 232 | |
| Plus/(Less) other adjustments | **6** | (3) | |
| Taxation | **36** | (164) | |
| Headline (loss)/earnings attributable to ARM | **(101)** | 65 | |

ARM Coal reported an attributable headline loss of R101 million (1H F2019: headline earnings of R65 million) as a result of lower seaborne thermal coal prices and saleable production.

Thermal coal demand in America and Europe was adversely affected by the reduced price of gas and renewable energy. Seaborne coal prices remained under pressure, with lower Chinese demand resulting in some coal producers producing a higher-quality thermal coal. The impact of lower US Dollar prices was partially offset by a weakening of the average realised Rand/US Dollar exchange rate. Realised Rand prices for export coal decreased by 27% from R1 154 per tonne in 1H F2019 to R846 per tonne in 1H F2020.

Around 79% of export volumes at Goedgevonden (GGV) Mine were high-quality coal while some 75% of PCB exports were high-quality. This resulted in PCB's average received export price of US$57 per tonne being marginally lower than GGV Mine's US$58 per tonne.

ARM attributable saleable tonnes produced of 2.12 million in 1H F2020 were 16% lower than the 2.51 million tonnes produced in 1H F2019, mainly due to weather-related production challenges.

A gain on re-measurement of the ARM Coal loans restructured in F2018 totalled R104 million in 1H F2020 compared to the re-measurement loss of R202 million in the comparable period.

## ARM Coal: Goedgevonden (GGV) Mine

GGV Mine reported a headline loss attributable to ARM of R115 million (1H F2019: loss of R7 million).

**Goedgevonden Mine attributable headline earning analysis**

| R million | 1H F2020 | 1H F2019 | % change |
|---|---|---|---|
| Cash operating profit | **38** | 247 | (85) |
| Imputed interest expense | **(74)** | (72) | (3) |
| Amortisation and depreciation | **(97)** | (84) | (15) |
| Re-measurement gain (loss) | **1** | (50) | – |
| (Loss)/Profit before tax | **(132)** | 42 | – |
| Add/(less): Tax | **17** | (49) | – |
| **Headline loss attributable to ARM** | **(115)** | (7) | (>200) |

**Prices**

Average received export US Dollar prices decreased significantly by 33% from US$87.18 in 1H F2019 to US$58.22 in 1H F2020. This impact was partially offset by a 4% weakening of the Rand/US Dollar exchange rate.

**Volumes**

Total saleable production declined by 11% while sales volumes were marginally lower (by 1%) compared to 1H F2019. The mine was affected by inclement weather in the latter part of the review period, resulting in some pits being flooded. On-mine unit production costs per saleable tonne increased by 34% to R458 per tonne. The decline in saleable production, together with inflationary increases in diesel costs and higher repairs and maintenance expenditure, contributed to the above-inflation unit production cost increases.

**Goedgevonden Mine operational statistics**

| | unit | **1H F2020** | 1H F2019 | % change |
|---|---|---|---|---|
| **Total production and sales (100% basis)** | | | | |
| Saleable production | Mt | **3.19** | 3.59 | (11) |
| Export thermal coal sales | Mt | **1.84** | 1.42 | 29 |
| Domestic thermal coal sales | Mt | **1.36** | 1.81 | (25) |
| **ARM attributable production and sales** | | | | |
| Saleable production | Mt | **0.83** | 0.93 | (11) |
| Export thermal coal sales | Mt | **0.48** | 0.37 | 29 |
| Domestic thermal coal sales | Mt | **0.35** | 0.47 | (25) |
| **Average received coal price** | | | | |
| Export (FOB)[1] | US$/tonne | **58.22** | 87.18 | (33) |
| Domestic (FOT)[2] | R/tonne | **368.14** | 259.00 | 42 |
| On-mine saleable cost | R/tonne | **457.69** | 342.54 | 34 |
| **Cash operating profit** | | | | |
| Total | R million | **146** | 948 | (85) |
| Attributable (26%) | R million | **38** | 246 | (85) |
| **Headline loss attributable to ARM** | R million | **(115)** | (7) | (>200) |

1. *FOB refers to free on board.*
2. *FOT refers to free on truck.*

## ARM Coal: Participative Coal Business (PCB)

Headline earnings attributable to ARM was R14 million (1H F2019: headline earnings of R72 million).

**PCB attributable headline earnings analysis**

| R million | 1H F2020 | 1H F2019 | % change |
|---|---|---|---|
| Cash operating profit | **193** | 626 | (69) |
| Interest expense | **(62)** | (69) | 10 |
| Amortisation and depreciation | **(239)** | (218) | (10) |
| Re-measurement gain (loss) | **103** | (152) | |
| (Impairment)/ reversal | **(6)** | 3 | |
| (Loss)/Profit before tax | **(11)** | 190 | |
| Less: impairment | **6** | (3) | |
| Add/(less): tax | **21** | (116) | |
| Plus: tax on impairment/impairment reversal | **(2)** | 1 | |
| **Headline earnings attributable to ARM** | **14** | 72 | (81) |

**Prices**

Average received export US Dollar prices decreased by 27% compared to 1H F2019. The impact of the lower price was partially offset by a slight weakening of the Rand/US Dollar exchange rate.

Contracts were concluded with Eskom to provide high quality coal to assist in stabilising the provision of electricity nationally.

**Volumes**

Export sales volumes were 37% lower than 1H F2019. Domestic sales volumes rose, largely due to increased sales to Eskom.

The PCB operation was affected by the underperformance of a mining contractor. Inclement weather in the latter part of 1H F2020 that resulted in some pits being flooded, and safety related stoppages further reduced saleable production.

Saleable production decreased by 19% from 1H F2019. Attributable cash operating profit declined 69% to R193 million (1H F2019: R626 million).

**Unit costs**

Unit production costs per saleable tonne increased by 28% from R395 in 1H F2019 to R507 in 1H F2020. This was largely due to a decline in saleable production and above-inflation increases in diesel costs.

**PCB operational statistics**

| | unit | 1H F2020 | 1H F2019 | % change |
|---|---|---|---|---|
| **Total production sales** (100% basis) | | | | |
| Saleable production | Mt | **6.38** | 7.84 | (19) |
| Export thermal coal sales | Mt | **3.72** | 5.86 | (37) |
| Domestic thermal coal sales | Mt | **2.96** | 1.39 | 113 |
| **ARM attributable production and sales** | | | | |
| Saleable production | Mt | **1.29** | 1.58 | (19) |
| Export thermal coal sales | Mt | **0.75** | 1.18 | (37) |
| Domestic thermal coal sales | Mt | **0.60** | 0.28 | 113 |
| **Average received coal price** | | | | |
| Export (FOB)[1] | US$/tonne | **56.78** | 77.69 | (27) |
| Domestic (FOT)[2] | R/tonne | **667.89** | 458.94 | 46 |
| On-mine saleable cost | R/tonne | **507.36** | 395.11 | 28 |
| **Cash operating profit** | | | | |
| Total | R million | **956** | 3 100 | (69) |
| Attributable (20.2%) | R million | **193** | 626 | (69) |
| **Headline earnings attributable to ARM** | R million | **14** | 72 | (81) |

1. *FOB refers to free on board.*
2. *FOT refers to free on truck.*

*ARM's economic interest in PCB is 20.2%. PCB consists of two large mining complexes in Mpumalanga. ARM has a 26% effective interest in the Goedgevonden Mine near Ogies in Mpumalanga.*

*Attributable refers to 20.2% of PCB while total refers to 100%.*

## Harmony Gold Mining Company Limited (Harmony)

Harmony's revenue increased by R1.7 billion (or 12%) mainly due to a 19% increase in its average gold price received, from R572 898/kg in 1H F2019 to R683 158/kg in 1H F2020.

Total gold produced in the review period was 8% lower at 21 411kg, largely reflecting a 6% reduction in underground recovered grade to 5.29g/t. This is attributable mainly to grade issues at Kusasalethu Mine and, to a lesser extent, Moab Khotsong. Production costs were 9% higher at R962 million, mainly due to annual and inflationary increases. Major contributors to cost increases included:

- Labour costs rose by R380 million (8%)
- Electricity costs increased by R220 million (13%) (Eskom approved increase was 14%)
- Consumable stores were R215 million (8%) higher.

Harmony recorded a net gain of R157 million on derivative financial instruments (including forex and commodity contracts) for 1H F2020 compared to a net gain of R20 million in the previous period. Increased gains in the review period were primarily the result of a stronger closing rand/US$ exchange rate at 31 December 2019 (US$1: R13.99) compared to 31 December 2018 (US$1: R14.38).

Harmony reported a net profit for 1H F2020 of R1.3 billion compared to a loss of R19 million for the comparative period. Headline earnings were R1 331 million (or 249 cents per share) compared with a loss of R21 million (or 4 cents per share) for 1H F2019. Harmony's operating free cash flow margins improved from 8% to 13%.

On 26 September 2019, Harmony and a syndicate of lenders concluded a new US$400 million facility, replacing the previous US$350 million facility. Borrowings at 31 December 2019 include US$200 million (R2.8 billion) used on the US$200 million term facility and US$100 million (R1.4 billion) used on the US$200 million revolving credit facility (RCF). During the six months to December 2019, Harmony repaid R500 million and used R200 million on the R2.0 billion RCF. The balance outstanding at 31 December 2019 was R1.2 billion.

On 12 February 2020, Harmony entered into a definitive agreement with AngloGold Ashanti (AngloGold) to acquire AngloGold's South African business. Harmony will pay US$200 million in cash on completion of the acquisition, as well as a deferred compensation of US$260 per ounce on underground gold production from the Mponeng, Savuka and TauTona mines that exceeds 250 000 ounces per annum for a period of six years commencing on 1 January 2021; and a deferred compensation of US$20 per ounce in relation to underground production sourced within the West Wits mineral rights below infrastructure.

The acquisition represents an opportunity to acquire a portfolio of South African gold assets which have an excellent strategic, financial, operational and geographical fit with Harmony's current operations.

Harmony's results for the interim period ended 31 December 2019 appear on its website at **www.harmony.co.za**.

*ARM owns 13.77% of Harmony's issued share capital.*

# Outlook

The volatility in commodity markets in the review period is expected to persist in the short to medium term, driven by global events including trade and geopolitical tensions, global growth expectations and changes in monetary policies, over and above demand and supply dynamics for various commodities. Coming into the second half of F2020, commodity prices have been affected by the outbreak of the Coronavirus in China, which has affected economic activity by restricting the movement of people to contain the virus.

In this environment of ongoing volatility, management continues to prioritise strengthening and enhancing our diversified portfolio to capitalise on opportunities that may arise from increased volatility while simultaneously managing our risks. A key focus area remains cost containment. In the review period, many of our operations came under immense unit cost pressure, mostly from volume declines. Initiatives have been approved and are being implemented to restore volumes and address above-inflation unit cost escalations going forward. The reintroduction of loadshedding by national power utility Eskom poses a risk to achieving production volume and unit cost targets, as unreliable electricity supply and high energy cost increases remain a serious concern. Management continues to prioritise energy-saving initiatives and is engaging internally and externally for sustainable solutions.

While maintaining a focus on efficiencies at our operations, we continue to assess external and organic growth opportunities to augment our diversified portfolio. Our strong financial position gives us the flexibility to respond to value-enhancing and strategically aligned opportunities for ARM.

We continue to have absolute confidence in the future of our business.

# Dividends

ARM aims to pay ordinary dividends to shareholders equal to approximately 40-70% of annual dividends received from its group companies.

Dividends remain at the discretion of the board of directors and consider the company's capital allocation principles as well as other relevant factors such as financial performance, commodities outlook, investment opportunities, gearing levels as well as solvency and liquidity requirements of the Companies Act.

ARM aims to pay an interim and a final dividend. The weighting between the interim and final dividends is likely to result in the final dividend being higher than the interim dividend. ARM does not borrow funds to pay dividends.

For the review period, the board has approved and declared an interim dividend of 500 cents per share (gross) (1H F2019: 400 cents per share). The amount to be paid is approximately R1 119 million.

The dividend declared will be subject to dividend withholding tax. In line with paragraphs 11.17(a) (i) to (x) and 11.17(c) of the JSE Listings Requirements the following additional information is disclosed:

- The dividend has been declared out of income reserves
- The South African dividends tax rate is 20%
- The gross local dividend is 500 cents per ordinary share for shareholders exempt from dividends tax
- The net local dividend is 400.00000 cents per share for shareholders liable to pay dividends tax
- At the date of this declaration, ARM has 223 879 043 ordinary shares in issue, and
- ARM's income tax reference number is 9030/018/60/1.

A gross dividend of 500 cents per ordinary share, being the dividend for the six months ended 31 December 2019, has been declared payable on Monday, 23 March 2020 to those shareholders recorded in the books of the company at the close of business on Friday, 20 March 2020. The dividend is declared in the currency of South Africa. Any change in address or dividend instruction applying to this dividend must be received by the company's transfer secretaries or registrar not later than Tuesday, 17 March 2020. The last day to trade ordinary shares cum dividend is Tuesday, 17 March 2020. Ordinary shares trade ex-dividend from Wednesday, 18 March 2020. The record date is Friday, 20 March 2020 while the payment date is Monday, 23 March 2020.

No dematerialisation or rematerialisation of share certificates may occur between Wednesday, 18 March 2020 and Friday, 20 March 2020, both dates inclusive, nor may any transfers between registers take place during this period.

## Review by independent auditors

The financial results for the six months ended 31 December 2019 have not been reviewed nor audited by the company's registered auditors, Ernst & Young Inc.

## Basis of preparation

The Group financial statements for the period have been prepared under the supervision of the Finance Director, Miss AM Mukhuba CA(SA). The Group financial statements for the six months ended 31 December 2019 have been prepared on the historical cost basis, except for certain financial instruments, which include listed investments, and unlisted investments that are fair valued. The accounting policies used are consistent with those in the most recent annual financial statements and comply with IFRS. Please refer to note 1 to the financial statements.

Signed on behalf of the board:

**P T Motsepe**
Executive Chairman

**MP Schmidt**
Chief Executive Officer

Johannesburg

28 February 2020

# Financial statements

## Contents

# Group statement of financial position

| at | Note | Unaudited Six months ended 31 December 2019 Rm | 2018 Rm | Audited Year ended 30 June 2019 Rm |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 4 | **7 330** | 6 981 | 7 062 |
| Intangible assets | | **119** | 115 | 114 |
| Deferred tax assets | | **204** | 525 | 485 |
| Loans and long–term receivables | 5 | **283** | 406 | 283 |
| Investment in associate | 6 | **1 872** | 1 628 | 1 837 |
| Investment in joint venture | 7 | **16 540** | 15 904 | 16 702 |
| Other investments | 8 | **4 097** | 2 165 | 2 648 |
| | | **30 445** | 27 724 | 29 131 |
| **Current assets** | | | | |
| Inventories | | **615** | 806 | 676 |
| Trade and other receivables | | **3 476** | 2 649 | 2 743 |
| Taxation | | **39** | 258 | 34 |
| Cash and cash equivalents | 10 | **4 893** | 3 297 | 4 632 |
| | | **9 023** | 7 010 | 8 085 |
| **Total assets** | | **39 468** | 34 734 | 37 216 |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and reserves** | | | | |
| Ordinary share capital | | **11** | 11 | 11 |
| Share premium | | **4 996** | 4 689 | 4 700 |
| Treasury shares | | **(2 405)** | (2 405) | (2 405) |
| Other reserves | | **2 890** | 1 517 | 1 958 |
| Retained earnings | | **24 300** | 22 452 | 23 909 |
| **Equity attributable to equity holders of ARM** | | **29 792** | 26 264 | 28 173 |
| Non-controlling interest | | **1 828** | 1 617 | 1 530 |
| **Total equity** | | **31 620** | 27 881 | 29 703 |
| **Non-current liabilities** | | | | |
| Long-term borrowings | 11 | **1 536** | 1 679 | 1 095 |
| Deferred tax liabilities | | **1 900** | 1 543 | 1 517 |
| Long-term provisions | | **1 583** | 1 193 | 1 599 |
| | | **5 019** | 4 415 | 4 211 |
| **Current liabilities** | | | | |
| Trade and other payables | | **1 773** | 1 654 | 1 608 |
| Short-term provisions | | **463** | 252 | 648 |
| Taxation | | **105** | 79 | 110 |
| Overdrafts and short-term borrowings | 11 | **488** | 453 | 936 |
| | | **2 829** | 2 438 | 3 302 |
| **Total equity and liabilities** | | **39 468** | 34 734 | 37 216 |

# Group statement of profit or loss

| | Note | Unaudited Six months ended 31 December 2019 Rm | 2018 Rm | Audited Year ended 30 June 2019 Rm |
|---|---|---|---|---|
| **Revenue** | 3 | **5 907** | 4 524 | 9 596 |
| Sales | | **5 546** | 4 147 | 8 834 |
| Cost of sales | | **(4 058)** | (3 346) | (7 449) |
| **Gross profit** | | **1 488** | 801 | 1 385 |
| Other operating income | | **488** | 496 | 974 |
| Other operating expenses | | **(802)** | (797) | (1 575) |
| **Profit from operations before special items** | | **1 174** | 500 | 784 |
| Income from investments | | **202** | 130 | 334 |
| Finance costs | | **(174)** | (145) | (309) |
| Income from associate | 6 | **10** | 75 | 276 |
| Income from joint venture | 7 | **1 835** | 2 121 | 4 502 |
| **Profit before taxation and special items** | | **3 047** | 2 681 | 5 587 |
| Special items | 12 | **(6)** | (1 166) | (1 491) |
| **Profit before taxation** | | **3 041** | 1 515 | 4 096 |
| Taxation | 17 | **(534)** | (19) | (242) |
| **Profit for the period** | | **2 507** | 1 496 | 3 854 |
| **Attributable to:** | | | | |
| Equity holders of ARM | | | | |
| Profit for the period | | **2 132** | 1 306 | 3 554 |
| **Basic earnings for the period** | | **2 132** | 1 306 | 3 554 |
| Non-controlling interest | | | | |
| Profit for the period | | **375** | 190 | 300 |
| | | **375** | 190 | 300 |
| **Profit for the period** | | **2 507** | 1 496 | 3 854 |
| **Earnings per share** | 13 | | | |
| Basic earnings per share (cents) | | **1 102** | 682 | 1 848 |
| Diluted basic earnings per share (cents) | | **1 085** | 667 | 1 815 |

# Group statement of comprehensive income

| | Financial instruments at fair value through other comprehensive income Rm | Other Rm | Retained earnings Rm | **Total share holders of ARM Rm** | Non-controlling interest Rm | **Total Rm** |
|---|---|---|---|---|---|---|
| **Six months ended 31 December 2019 (Unaudited)** | | | | | | |
| Profit for the period | – | – | 2 132 | **2 132** | 375 | **2 507** |
| **Total other comprehensive income** | 1 128 | 1 | – | **1 129** | – | **1 129** |
| *Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods:* | | | | | | |
| Net impact of revaluation of listed investment | 1 128 | – | – | **1 128** | – | **1 128** |
| Revaluation of listed investment [1] | 1 453 | – | – | **1 453** | – | **1 453** |
| Deferred tax on above | (325) | – | – | **(325)** | – | **(325)** |
| *Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods:* | | | | | | |
| Foreign currency translation reserve movement | | 1 | | **1** | – | **1** |
| **Total comprehensive income for the period** | 1 128 | 1 | 2 132 | **3 261** | 375 | **3 636** |
| **Six months ended 31 December 2018 (Unaudited)** | | | | | | |
| Profit for the period | – | – | 1 306 | **1 306** | 190 | **1 496** |
| **Total other comprehensive income** | 248 | 41 | – | **289** | – | **289** |
| *Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods:* | | | | | | |
| Net impact of revaluation of listed investment | 248 | – | – | **248** | – | **248** |
| Revaluation of listed investment [1] | 320 | – | – | **320** | – | **320** |
| Deferred tax on above | (72) | – | – | **(72)** | – | **(72)** |
| *Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods:* | | | | | | |
| Foreign currency translation reserve movement | – | 41 | – | **41** | – | **41** |
| **Total comprehensive income for the period** | 248 | 41 | 1 306 | **1 595** | 190 | **1 785** |
| **Year ended 30 June 2019 (Audited)** | | | | | | |
| Profit for the year | – | – | 3 554 | **3 554** | 300 | **3 854** |
| **Total other comprehensive income** | 627 | 16 | – | **643** | – | **643** |
| *Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods:* | | | | | | |
| Net impact of revaluation of listed investment | 627 | – | – | **627** | – | **627** |
| Revaluation of listed investment [1] | 808 | – | – | **808** | – | **808** |
| Deferred tax on above | (181) | – | – | **(181)** | – | **(181)** |
| *Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods:* | | | | | | |
| Foreign currency translation reserve movement | – | 16 | – | **16** | – | **16** |
| **Total comprehensive income for the year** | 627 | 16 | 3 554 | **4 197** | 300 | **4 497** |

[1] *The share price of Harmony Limited at 31 December 2019 was R51.20, R31.74 at 30 June 2019, R25.20 at 31 December 2018, and R21.22 at 30 June 2018 per share. The valuation of the investment in Harmony is based on a level 1 fair value hierarchy level in terms of IFRS.*

*ARM shareholding at 31 December 2019 was 13.77% (31 December 2018: 14.03%, 30 June 2019: 13.83%)*

# Group statement of changes in equity

| | Share capital and premium Rm | Treasury share capital Rm | Other reserves: Financial instruments at fair value through other compre-hensive income Rm | Other reserves: Share-based payments Rm | Other reserves: Other Rm | Retained earnings Rm | **Total share-holders of ARM Rm** | Non-controlling interest Rm | **Total Rm** |
|---|---|---|---|---|---|---|---|---|---|
| **Six months ended 31 December 2019 (Unaudited)** | | | | | | | | | |
| **Balance at 30 June 2019** | 4 711 | (2 405) | 1 019 | 1 003 | (64) | 23 909 | **28 173** | 1 530 | **29 703** |
| Total comprehensive income for the period | – | – | 1 128 | – | 1 | 2 132 | **3 261** | 375 | **3 636** |
| Profit for the period | – | – | – | – | – | 2 132 | **2 132** | 375 | **2 507** |
| Other comprehensive income | – | – | 1 128 | – | 1 | – | **1 129** | – | **1 129** |
| Bonus and performance shares issued to employees | 296 | – | – | (296) | – | – | **–** | – | **–** |
| Dividend paid | – | – | – | – | – | (1 741) | **(1 741)** | – | **(1 741)** |
| Dividend paid to Impala Platinum | – | – | – | – | – | – | **–** | (77) | **(77)** |
| Share based payments | – | – | – | 99 | – | – | **99** | – | **99** |
| **Balance at 31 December 2019** | 5 007 | (2 405) | 2 147 | 806 | (63) | 24 300 | **29 792** | 1 828 | **31 620** |
| **Six months ended 31 December 2018 (Unaudited)** | | | | | | | | | |
| **Balance at 30 June 2018** | 4 409 | (2 405) | 392 | 1 107 | (80) | 22 484 | **25 907** | 1 471 | **27 378** |
| **Restatements** | | | | | | | | | |
| Fair value adjustment ARM Coal RBCT (Richards Bay Coal Terminal) | – | – | – | – | – | 72 | **72** | – | **72** |
| Re-measurement adjustment Modikwa | – | – | – | – | – | 23 | **23** | – | **23** |
| **Opening balance restated 1 July 2018** | 4 409 | (2 405) | 392 | 1 107 | (80) | 22 579 | **26 002** | 1 471 | **27 473** |
| **Total comprehensive income for the period** | – | – | 248 | – | 41 | 1 306 | **1 595** | 190 | **1 785** |
| Profit for the period | – | – | – | – | – | 1 306 | **1 306** | 190 | **1 496** |
| Other comprehensive income | – | – | 248 | – | 41 | – | **289** | – | **289** |
| Bonus and performance shares issued to employees | 291 | – | – | (291) | – | – | **–** | – | **–** |
| Dividend paid | – | – | – | – | – | (1 433) | **(1 433)** | – | **(1 433)** |
| Dividend paid to Impala Platinum | – | – | – | – | – | – | **–** | (44) | **(44)** |
| Share based payments | – | – | – | 100 | – | – | **100** | – | **100** |
| **Balance at 31 December 2018** | 4 700 | (2 405) | 640 | 916 | (39) | 22 452 | **26 264** | 1 617 | **27 881** |
| **Year ended 30 June 2019 (Audited)** | | | | | | | | | |
| **Balance at 30 June 2018** | 4 409 | (2 405) | 392 | 1 107 | (80) | 22 484 | **25 907** | 1 471 | **27 378** |
| Fair value adjustment ARM Coal RBCT | – | – | – | – | – | 52 | **52** | – | **52** |
| Fair value adjustment gross | – | – | – | – | – | 72 | **72** | – | **72** |
| Deferred tax | – | – | – | – | – | (20) | **(20)** | – | **(20)** |
| Re-measurement adjustment Modikwa | – | – | – | – | – | 25 | **25** | – | **25** |
| **Opening balance restated 1 July 2018** | 4 409 | (2 405) | 392 | 1 107 | (80) | 22 561 | **25 984** | 1 471 | **27 455** |
| Total comprehensive income for the year | – | – | 627 | – | 16 | 3 554 | **4 197** | 300 | **4 497** |
| Profit for the year 30 June 2019 | – | – | – | – | – | 3 554 | **3 554** | 300 | **3 854** |
| Other comprehensive loss | – | – | 627 | – | 16 | – | **643** | – | **643** |
| Bonus and performance shares issued to employees | 302 | – | – | (302) | – | – | **–** | – | **–** |
| Dividend paid | – | – | – | – | – | (2 206) | **(2 206)** | – | **(2 206)** |
| Dividend paid to Impala Platinum | – | – | – | – | – | – | **–** | (241) | **(241)** |
| Share based payments | – | – | – | 198 | – | – | **198** | – | **198** |
| **Balance at 30 June 2019** | 4 711 | (2 405) | 1 019 | 1 003 | (64) | 23 909 | **28 173** | 1 530 | **29 703** |

# Group statement of cash flows

| | Note | Unaudited Six months ended 31 December 2019 Rm | 2018 Rm | Audited Year ended 30 June 2019 Rm |
|---|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | |
| Cash receipts from customers | | **5 218** | 4 412 | 9 611 |
| Cash paid to suppliers and employees | | **(4 297)** | (3 631) | (7 488) |
| Cash generated from operations | 18 | **921** | 781 | 2 123 |
| Interest received | | **166** | 111 | 264 |
| Interest paid | | **(50)** | (35) | (80) |
| Taxation paid | | **(205)** | (264) | (309) |
| | | **832** | 593 | 1 998 |
| Dividends received from joint venture | 7 | **2 000** | 1 750 | 3 315 |
| Dividends received from other[1] | | **–** | 8 | 8 |
| | | **2 832** | 2 351 | 5 321 |
| Dividends paid to non-controlling interest – Impala Platinum | | **(77)** | (44) | (241) |
| Dividends paid – equity holders of ARM | | **(1 741)** | (1 433) | (2 206) |
| **Net cash inflow from operating activities** | | **1 014** | 874 | 2 874 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | | |
| Additions to property, plant and equipment to maintain operations | | **(492)** | (505) | (931) |
| Proceeds on disposal of property, plant and equipment | | **–** | 1 | 1 |
| Investment in Harmony | 8 | **–** | (211) | (211) |
| Acquisition of Machadodorp Works | | **–** | – | (130) |
| **Net cash outflow from investing activities** | | **(492)** | (715) | (1 271) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from exercise of share options | | **–** | – | 4 |
| Long-term borrowings raised | | **–** | – | 295 |
| Long-term borrowings repaid | | **(98)** | (137) | (595) |
| Short-term borrowings raised | | **–** | – | 15 |
| Short-term borrowings repaid | | **(49)** | (30) | – |
| **Net cash outflow from financing activities** | | **(147)** | (167) | (281) |
| **Net increase/(decrease) in cash and cash equivalents** | | **375** | (8) | 1 322 |
| Cash and cash equivalents at beginning of period | | **4 239** | 2 910 | 2 910 |
| Foreign currency translation on cash balances | | **(1)** | 12 | 7 |
| **Cash and cash equivalents at end of period** | 10 | **4 613** | 2 914 | 4 239 |
| **Made up as follows:** | | | | |
| – Available | | **3 325** | 1 714 | 3 004 |
| – Restricted | | **1 288** | 1 200 | 1 235 |
| | | **4 613** | 2 914 | 4 239 |
| **Overdrafts** | 11 | **280** | 383 | 393 |
| **Cash and cash equivalents per the statement of financial position** | | **4 893** | 3 297 | 4 632 |
| **Cash generated from operations per share (cents)** | | **476** | 408 | 1 104 |

[1] *Reallocated from investing activities in 1HF2019.*

# Notes to the financial statements

## for the six months ended 31 December 2019

**1. STATEMENT OF COMPLIANCE**

The Group financial statements for the six months ended 31 December 2019 have been prepared in accordance with and contain the information required by IAS 34 – Interim Financial Reporting, requirements of the South African Companies Act 2008, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE Limited.

**BASIS OF PREPARATION**

The Group financial statements for the six months ended 31 December 2019 have been prepared on the historical cost basis, except for certain financial instruments, which include listed investments, and unlisted investments that are fair valued. The accounting policies used are consistent with those in the most recent annual financial statements except for those listed below and comply with IFRS.

The Group financial statements for the period have been prepared under the supervision of the Finance Director, Miss A M Mukhuba CA(SA).

The presentation and functional currency is the South African Rand and the Group financials statements are rounded to the nearest R million.

**ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**

The Group has adopted the following new and /or and revised standards and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) of the IASB during the period under review. The date of initial application for the ARM Group being 1 July 2019.

| Standard | Subject | Effective date |
|---|---|---|
| IFRS 3 | Business Combinations – Previously held Interests in a joint operation | 1 January 2019 |
| IFRS 9 | Prepayment Features with Negative Compensation – Amendments | 1 January 2019 |
| IFRS 11 | Joint Arrangements – Previously held Interests in a joint operation | 1 January 2019 |
| IFRS 16 | Leases | 1 January 2019 |
| IAS 12 | Income Taxes – Income tax consequences of payments on financial instruments classified as equity | 1 January 2019 |
| IAS 19 | Plan Amendment, Curtailment or Settlement – Amendments to IAS 19 | 1 January 2019 |
| IAS 23 | Borrowing Costs – Borrowing costs eligible for capitalisation | 1 January 2019 |
| IAS 28 | Long-term Interests in Associates and Joint Ventures – Amendments | 1 January 2019 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |

Apart from IFRS 16 the adoption of the other standards had no significant effect on the Group Financial Statements.

**IFRS 16 LEASES**

The ARM Group adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative initial adoption effect recognised at the date of initial application.

The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases') and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adopting IFRS 16 as at 1 July 2019 was as follows:

| | Rm |
|---|---|
| **Assets** | |
| Property, plant and equipment | **41** |
| Deferred tax asset | **11** |
| Prepayments | **–** |
| **Total assets** | **52** |
| **Liabilities** | |
| Interest–bearing loans and borrowings | **41** |
| Deferred tax liabilities | **11** |
| Trade and other payables | **–** |
| **Total liabilities** | **52** |
| **Total adjustment on equity:** | |
| Retained earnings | **–** |
| Non-controlling interests | **–** |

The ARM Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

**Leases previously classified as finance leases**
The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 July 2019.

**Leases previously accounted for as operating leases**
The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- Not to separate lease and non-lease components from determining the lease liability.

**Based on the foregoing, as at 1 July 2019:**
- Right-of-use assets of R41 million were recognised and presented separately in the statement of financial position.
- Additional lease liabilities of R41 million (included in interest-bearing loans and borrowings) were recognised.
- Both deferred tax assets and liabilities increased by R11 million because of the deferred tax impact of the changes in assets and liabilities.
- These adjustments had no effect on retained earnings and non-controlling interest.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

| | |
|---|---|
| **Operating lease commitments as at 30 June 2019** | **R62 million** |
| Weighted average incremental borrowing rate as at 1 July 2019 | **8.3% – 10.9%** |
| Discounted operating lease commitments at 1 July 2019 | **R41 million** |
| *Less:* | |
| Commitments relating to short-term leases | – |
| Commitments relating to leases of low–value assets | – |
| *Add:* | |
| Commitments relating to leases previously classified as finance leases | – |
| Payments in optional extension periods not recognised as at 30 June 2019 | – |
| **Lease liabilities as at 1 July 2019** | **R41 million** |

# Notes to the financial statements
## for the six months ended 31 December 2019

### IFRS 16 ACCOUNTING POLICY

**Right-of-use assets**
The Group recognises right-of-use assets at the lease commencement date (i.e. the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The right-of-use assets are disclosed under property, plant and equipment on the statement of financial position.

**Lease liabilities**
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in – substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period on which the event or condition that triggers payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**Short-term leases and leases of low-value assets**
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of certain classes of assets. Lease payments on short- term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**Significant judgement in determining the lease term of contracts with renewal options**
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

# Notes to the financial statements
## for the six months ended 31 December 2019

Set out below, are the carrying amounts of the Group's right-of-use assets, which are included in the property, plant and equipment on the statement of financial position and lease liabilities and the movements during the period:

| | Right-of-use assets | | | | |
|---|---|---|---|---|---|
| | Land & buildings R m | Plant & machinery R m | Furniture, equipment & vehicles R m | **Total R m** | Lease liabilities R m |
| As at 1 July 2019 | 21 | 19 | 1 | **41** | 41 |
| Additions | 86 | – | – | **86** | 86 |
| Depreciation expense | (4) | (10) | – | **(14)** | – |
| Interest expense | – | – | – | **–** | 8 |
| Payments | – | – | – | **–** | (19) |
| As at 31 December 2019 | 103 | 9 | 1 | **113** | 116 |

**NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The following amendments, standards or interpretations have been issued but are not yet effective for the ARM Group. The effective date refers to periods beginning on or after, unless otherwise indicated.

| Standard | Subject | Effective date |
|---|---|---|
| IFRS 3 | Business Combinations – Amendment | **1 January 2020** |
| IAS 1 | Presentation of financial statements – Amendment | **1 January 2020** |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors – Amendment | **1 January 2020** |
| IFRS 9, IFRS 7 and IAS 39 | Interest Rate Benchmark Reform – Amendments | **1 January 2020** |
| IFRS 17 | Insurance contracts | **1 January 2021** |

The Group does not intend early adopting any of the above amendments or standards.

ARM continuously evaluates the impact of these standards and amendments, the adoption of which, are not expected to have a significant effect on the Group Financial Statements.

# Notes to the financial statements

## for the six months ended 31 December 2019

**2 SEGMENTAL INFORMATION**

**Primary segmental information**

For management purposes the Group is organised into operating divisions. The operating divisions are ARM Platinum (which includes platinum and nickel), ARM Ferrous, ARM Coal, Corporate and other (which includes Corporate, Machadodorp Works, gold and other) in the table below.

| | ARM Platinum[1] Rm | ARM Ferrous[2] Rm | ARM Coal Rm | ARM Corporate Rm | **Total Rm** | IFRS adjust-ment[3] Rm | **Total per IFRS financial statements Rm** |
|---|---|---|---|---|---|---|---|
| **2.1 Six months ended 31 December 2019 (Unaudited)** | | | | | | | |
| Sales | 5 002 | 7 813 | 539 | 5 | **13 359** | (7 813) | **5 546** |
| Cost of sales | (3 444) | (4 600) | (587) | (10) | **(8 641)** | 4 583 | **(4 058)** |
| Other operating income | 44 | 120 | 7 | 393 | **564** | (76) | **488** |
| Other operating expenses[4] | (269) | (721) | (13) | (520) | **(1 523)** | 721 | **(802)** |
| **Segment result** | 1 333 | 2 612 | (54) | (132) | **3 759** | (2 585) | **1 174** |
| Income from investments | 33 | 169 | 4 | 165 | **371** | (169) | **202** |
| Finance cost | (47) | (14) | (82) | (45) | **(188)** | 14 | **(174)** |
| Income from associate[5] | – | – | 10 | – | **10** | – | **10** |
| (Loss)/income from joint venture | – | (71) | – | – | **(71)** | 1 906 | **1 835** |
| Special items before tax | – | (18) | – | (6) | **(24)** | 18 | **(6)** |
| Taxation | (456) | (824) | 17 | (87) | **(1 350)** | 816 | **(534)** |
| **Profit/(loss) after tax** | 863 | 1 854 | (105) | (105) | **2 507** | – | **2 507** |
| Non-controlling interest | (374) | – | – | (1) | **(375)** | – | **(375)** |
| Consolidation adjustment[6] | – | (19) | – | 19 | **–** | – | **–** |
| **Contribution to basic earnings/(losses)** | 489 | 1 835 | (105) | (87) | **2 132** | – | **2 132** |
| **Contribution to headline earnings/(losses)** | 489 | 1 848 | (101) | (81) | **2 155** | – | **2 155** |
| **Other information** | | | | | | | |
| Segment assets including investment in associate and joint venture | 9 556 | 21 885 | 4 992 | 8 380 | **44 813** | (5 345) | **39 468** |
| Investment in associate | | | 1 872 | | **1 872** | | **1 872** |
| Investment in joint venture | | | | | | 16 540 | **16 540** |
| Segment liabilities | 2 270 | 2 128 | 1 420 | 2 153 | **7 971** | (2 128) | **5 843** |
| Unallocated – Deferred taxation and taxation | | | | | **5 222** | (3 217) | **2 005** |
| Consolidated total liabilities | | | | | **13 193** | (5 345) | **7 848** |
| Cash generated from operations | 1 024 | 3 705 | 88 | (191) | **4 626** | (3 705) | **921** |
| Cash inflow/(outflow) from operating activities | 933 | 3 133 | 90 | (2 009) | **2 147** | (1 133) | **1 014** |
| Cash outflow from investing activities | (399) | (1 069) | (93) | – | **(1 561)** | 1 069 | **(492)** |
| Cash (outflow)/inflow from financing activities | (56) | (9) | 6 | (88) | **(147)** | – | **(147)** |
| Capital expenditure | 451 | 982 | 139 | 1 | **1 573** | (982) | **591** |
| Impairment loss | – | – | 6 | – | **6** | – | **6** |
| Amortisation and depreciation | 233 | 488 | 107 | 6 | **834** | (488) | **346** |
| EBITDA | 1 566 | 3 100 | 53 | (126) | **4 593** | (3 073) | **1 520** |

*There were no significant inter-division sales*

1 *Refer note 2.4 for more detail on the ARM Platinum segment.*
2 *Refer note 2.7 and note 7 for more detail on the ARM Ferrous segment.*
3 *Includes IFRS 11 – Joint Arrangements – adjustments related to ARM Ferrous.*
4 *Included in Modikwa is R62 million re-measurement loss, partially offset with a R59 million re-measurement gain in ARM Corporate (refer note 14).*
5 *Re-measurement gain on ARM Coal loans of R103 million.*
6 *Relates to capitalised fees in ARM Ferrous.*

# Notes to the financial statements

## for the six months ended 31 December 2019

**2 SEGMENTAL INFORMATION** (Continued)

| | | ARM Platinum[1] Rm | ARM Ferrous[2] Rm | ARM Coal Rm | ARM Corporate Rm | **Total Rm** | IFRS adjust-ment[3] Rm | **Total per IFRS financial statements Rm** |
|---|---|---|---|---|---|---|---|---|
| **2.2** | **Six months ended 31 December 2018 (Unaudited)** | | | | | | | |
| | Sales | 3 550 | 7 999 | 597 | – | **12 146** | (7 999) | **4 147** |
| | Cost of sales | (2 920) | (4 516) | (437) | 27 | **(7 846)** | 4 500 | **(3 346)** |
| | Other operating income | 44 | 86 | 11 | 398 | **539** | (43) | **496** |
| | Other operating expenses | (155) | (786) | (55) | (587) | **(1 583)** | 786 | **(797)** |
| | **Segment result** | 519 | 2 783 | 116 | (162) | **3 256** | (2 756) | **500** |
| | Income from investments | 19 | 138 | 6 | 105 | **268** | (138) | **130** |
| | Finance cost | (28) | (19) | (80) | (37) | **(164)** | 19 | **(145)** |
| | Income from associate[4] | – | – | 75 | – | **75** | – | **75** |
| | Income from joint venture | – | (47) | – | – | **(47)** | 2 168 | **2 121** |
| | Special items before tax | (1 166) | (7) | – | – | **(1 173)** | 7 | **(1 166)** |
| | Taxation | 120 | (709) | (49) | (81) | **(719)** | 700 | **(19)** |
| | **(Loss)/Profit after tax** | (536) | 2 139 | 68 | (175) | **1 496** | – | **1 496** |
| | Non-controlling interest | (189) | – | – | (1) | **(190)** | – | **(190)** |
| | Consolidation adjustment[5] | – | (18) | – | 18 | **–** | – | **–** |
| | **Contribution to basic (losses)/earnings** | (725) | 2 121 | 68 | (158) | **1 306** | – | **1 306** |
| | **Contribution to headline (losses)/earnings** | 167 | 2 127 | 65 | (158) | **2 201** | – | **2 201** |
| | **Other information** | | | | | | | |
| | Segment assets including investment in associate and joint venture | 8 368 | 20 744 | 3 639 | 6 823 | **39 574** | (4 840) | **34 734** |
| | Investment in associate | | | 1 628 | | **1 628** | | **1 628** |
| | Investment in joint venture | | | | | | 15 904 | **15 904** |
| | Segment liabilities | 1 948 | 1 946 | 1 391 | 1 892 | **7 177** | (1 946) | **5 231** |
| | Unallocated liabilities – Deferred taxation and taxation | | | | | **4 516** | (2 894) | **1 622** |
| | Consolidated total liabilities | | | | | **11 693** | (4 840) | **6 853** |
| | Cash generated from operations | 620 | 2 831 | 155 | 6 | **3 612** | (2 831) | **781** |
| | Cash inflow/(outflow) from operating activities | 507 | 2 320 | 158 | (1 549) | **1 436** | (570) | **866** |
| | Cash outflow from investing activities | (392) | (890) | (109) | (206) | **(1 597)** | 890 | **(707)** |
| | Cash outflow from financing activities | (30) | – | (42) | (95) | **(167)** | – | **(167)** |
| | Capital expenditure | 451 | 946 | 165 | 3 | **1 565** | (946) | **619** |
| | Amortisation and depreciation | 303 | 526 | 84 | 2 | **915** | (526) | **389** |
| | Impairment loss/(reversal) before tax | 892 | 14 | (3) | – | **903** | (14) | **889** |
| | EBITDA | 822 | 3 309 | 200 | (160) | **4 171** | (3 282) | **889** |

*There were no significant inter-division sales*

1 *Refer note 2.5 for more detail on the ARM Platinum segment.*
2 *Refer note 2.8 and note 7 for more detail on the ARM Ferrous segment.*
3 *Includes IFRS 11 – Joint Arrangements – adjustments related to ARM Ferrous.*
4 *Re-measurement loss on ARM Coal loans of R152 million.*
5 *Relates to capitalised fees in ARM Ferrous.*

# Notes to the financial statements

## for the six months ended 31 December 2019

**2 SEGMENTAL INFORMATION** (Continued)

| | | ARM Platinum Rm | ARM Ferrous[1] Rm | ARM Coal Rm | ARM Corporate Rm | **Total Rm** | IFRS adjust-ment[2] Rm | **Total per IFRS financial statements Rm** |
|---|---|---|---|---|---|---|---|---|
| 2.3 | **Year ended 30 June 2019 (Audited)** | | | | | | | |
| | Sales | 7 584 | 17 807 | 1 162 | 88 | **26 641** | (17 807) | **8 834** |
| | Cost of sales | (6 345) | (9 223) | (1 019) | (53) | **(16 640)** | 9 191 | **(7 449)** |
| | Other operating income | 78 | 158 | 201 | 600 | **1 037** | (63) | **974** |
| | Other operating expenses | (530) | (1 856) | (12) | (1 033) | **(3 431)** | 1 856 | **(1 575)** |
| | **Segment result** | 787 | 6 886 | 332 | (398) | **7 607** | (6 823) | **784** |
| | Income from investments | 51 | 296 | 11 | 272 | **630** | (296) | **334** |
| | Finance cost | (87) | (38) | (167) | (55) | **(347)** | 38 | **(309)** |
| | Profit from associate | – | – | 276 | – | **276** | – | **276** |
| | Profit form joint venture[3] | – | (506) | – | – | **(506)** | 5 008 | **4 502** |
| | Special items before tax | (1 344) | (180) | (1) | (146) | **(1 671)** | 180 | **(1 491)** |
| | Taxation | (68) | (1 911) | (38) | (118) | **(2 135)** | 1 893 | **(242)** |
| | **(Loss)/Profit after tax** | (661) | 4 547 | 413 | (445) | **3 854** | – | **3 854** |
| | Non-controlling interest | (297) | – | – | (3) | **(300)** | – | **(300)** |
| | Consolidation adjustment[4] | – | (45) | – | 45 | **–** | – | **–** |
| | **Contribution to basic (losses)/earnings** | (958) | 4 502 | 413 | (403) | **3 554** | – | **3 554** |
| | **Contribution to headline (losses)/earnings** | 112 | 4 960 | 411 | (257) | **5 226** | – | **5 226** |
| | **Other information** | | | | | | | |
| | Segment assets including investment in associate | 8 444 | 22 268 | 4 962 | 7 108 | **42 782** | (5 566) | **37 216** |
| | Investment in associate | | | 1 837 | | **1 837** | | **1 837** |
| | Investment in joint venture | | | | | | 16 702 | **16 702** |
| | Segment liabilities | 2 411 | 2 422 | 1 319 | 2 156 | **8 308** | (2 422) | **5 886** |
| | Unallocated liabilities – Deferred taxation and taxation | | | | | **4 771** | (3 144) | **1 627** |
| | Consolidated total liabilities | | | | | **13 079** | (5 566) | **7 513** |
| | Cash inflow generated from operations | 1 739 | 7 177 | 281 | 103 | **9 300** | (7 177) | **2 123** |
| | Cash inflow/(outflow) from operating activities | 1 298 | 5 913 | 284 | (2 023) | **5 472** | (2 598) | **2 874** |
| | Cash outflow from investing activities | (713) | (2 053) | (214) | (344) | **(3 324)** | 2 053 | **(1 271)** |
| | Cash (outflow)/inflow from financing activities | (237) | – | (63) | 19 | **(281)** | – | **(281)** |
| | Capital expenditure | 885 | 2 108 | 244 | 5 | **3 242** | (2 108) | **1 134** |
| | Amortisation and depreciation | 524 | 1 037 | 163 | 5 | **1 729** | (1 037) | **692** |
| | Impairment loss before tax | 1 344 | 528 | 3 | 146 | **2 021** | (528) | **1 493** |
| | EBITDA | 1 311 | 7 923 | 495 | (393) | **9 336** | (7 860) | **1 476** |

*There were no significant inter-company sales.*

1 *Refer to ARM Ferrous segment note 2.9 and note 7 for more detail.*
2 *Includes IFRS 11 – Joint Arrangements – adjustments related to ARM Ferrous .*
3 *Impairment loss included in income from joint venture R528 million before tax of R6 million.*
4 *Relates to fees capitalised in ARM Ferrous and reversed upon consolidation.*

# Notes to the financial statements
## for the six months ended 31 December 2019

2 **SEGMENTAL INFORMATION (**Continued)

**Additional information**
The ARM platinum segment is analysed further into Nkomati, Two Rivers Platinum Proprietary Limited and ARM Mining Consortium Limited which includes 50% of the Modikwa Platinum Mine.

| | | Two Rivers Rm | Modikwa Rm | Nkomati Rm | **ARM Platinum Rm** |
|---|---|---|---|---|---|
| 2.4 | **Six months ended 31 December 2019 (Unaudited)** | | | | |
| | Sales | 2 665 | 1 555 | 782 | **5 002** |
| | Cost of sales[1] | (1 612) | (927) | (905) | **(3 444)** |
| | Other operating income | 12 | 22 | 10 | **44** |
| | Other operating expenses[2] | (115) | (74) | (80) | **(269)** |
| | **Segment result** | 950 | 576 | (193) | **1 333** |
| | Income from investments | 4 | 26 | 3 | **33** |
| | Finance cost | (22) | (3) | (22) | **(47)** |
| | Taxation | (271) | (186) | 1 | **(456)** |
| | **Profit/(loss) after tax** | 661 | 413 | (211) | **863** |
| | Non-controlling interest | (304) | (70) | – | **(374)** |
| | **Contribution to earnings/(losses)** | 357 | 343 | (211) | **489** |
| | **Contribution to headline earnings/(losses)** | 357 | 343 | (211) | **489** |
| | **Other information** | | | | |
| | Segment and consolidated assets | 5 736 | 3 452 | 368 | **9 556** |
| | Segment liabilities | 1 349 | 481 | 440 | **2 270** |
| | Cash inflow/(outflow) from operating activities | 560 | 454 | (81) | **933** |
| | Cash outflow from investing activities | (240) | (159) | – | **(399)** |
| | Cash outflow from financing activities | (53) | – | (3) | **(56)** |
| | Capital expenditure | 292 | 159 | – | **451** |
| | Amortisation and depreciation | 184 | 49 | – | **233** |
| | EBITDA | 1 134 | 625 | (193) | **1 566** |
| 2.5 | **Six months ended 31 December 2018 (Unaudited)** | | | | |
| | Sales | 1 912 | 1 089 | 549 | **3 550** |
| | Cost of sales | (1 367) | (788) | (765) | **(2 920)** |
| | Other operating income | 11 | 22 | 11 | **44** |
| | Other operating expenses[2] | (74) | (31) | (50) | **(155)** |
| | **Segment result** | 482 | 292 | (255) | **519** |
| | Income from investments | 5 | 11 | 3 | **19** |
| | Finance cost | (16) | (6) | (6) | **(28)** |
| | Special items before tax (refer to note 12) | – | – | (1 166) | **(1 166)** |
| | Taxation | (137) | (89) | 346 | **120** |
| | **Profit/(loss) after tax** | 334 | 208 | (1 078) | **(536)** |
| | Non-controlling interest | (154) | (35) | – | **(189)** |
| | **Contribution to basic earnings/(losses)** | 180 | 173 | (1 078) | **(725)** |
| | **Contribution to headline earnings/(losses)** | 180 | 173 | (186) | **167** |
| | **Other information** | | | | |
| | Segment and consolidated assets | 5 035 | 2 597 | 736 | **8 368** |
| | Segment liabilities | 1 134 | 331 | 483 | **1 948** |
| | Cash inflow/(outflow) from operating activities | 323 | 273 | (89) | **507** |
| | Cash outflow from investing activities | (188) | (76) | (128) | **(392)** |
| | Cash outflow from financing activities | (27) | – | (3) | **(30)** |
| | Capital expenditure | 247 | 76 | 128 | **451** |
| | Amortisation and depreciation | 157 | 51 | 95 | **303** |
| | Impairment loss before tax | – | – | 892 | **892** |
| | EBITDA | 639 | 343 | (160) | **822** |

[1] *1HF2020 for Nkomati includes R48 million as a result of the write down of inventories, R41 million retrenchment cost, R121 million relating to a diesel rebate currently under dispute and penalty charges of R32 million.*
[2] *Included in the Modikwa segment is a R62 million (1HF2019: R4 million) re-measurement loss in terms of IFRS 9, which is partially offset with a R59 million re-measurement gain in ARM Corporate (refer to note 14).*

# Notes to the financial statements

## for the six months ended 31 December 2019

**2 SEGMENTAL INFORMATION (Continued)**

| | | Two Rivers Rm | Modikwa Rm | Nkomati Rm | **ARM Platinum Rm** |
|---|---|---|---|---|---|
| **2.6** | **For the year ended 30 June 2019 (Audited)** | | | | |
| | Sales | 3 994 | 2 067 | 1 523 | **7 584** |
| | Cost of sales | (2 949) | (1 652) | (1 744) | **(6 345)** |
| | Other operating income | 20 | 48 | 10 | **78** |
| | Other operating expenses[1] | (159) | (231) | (140) | **(530)** |
| | **Segment result** | 906 | 232 | (351) | **787** |
| | Income from investments | 12 | 32 | 7 | **51** |
| | Finance cost | (70) | (3) | (14) | **(87)** |
| | Special items before tax | – | – | (1 344) | **(1 344)** |
| | Taxation | (251) | (134) | 317 | **(68)** |
| | **Profit/(loss) after tax** | 597 | 127 | (1 385) | **(661)** |
| | Non-controlling interest | (275) | (22) | – | **(297)** |
| | **Contribution to basic earnings/(losses)** | 322 | 105 | (1 385) | **(958)** |
| | **Contribution to headline earnings/(losses)** | 322 | 105 | (315) | **112** |
| | **Other information** | | | | |
| | Segment and consolidated assets | 5 168 | 2 756 | 520 | **8 444** |
| | Segment liabilities | 1 465 | 435 | 511 | **2 411** |
| | Cash inflow/(outflow) generated from operations | 1 229 | 599 | (89) | **1 739** |
| | Cash inflow/(outflow) from operating activities | 761 | 623 | (86) | **1 298** |
| | Cash outflow from investing activities | (436) | (131) | (146) | **(713)** |
| | Cash outflow from financing activities | (66) | (164) | (7) | **(237)** |
| | Capital expenditure | 587 | 130 | 168 | **885** |
| | Amortisation and depreciation | 319 | 95 | 110 | **524** |
| | Impairment loss before tax | – | – | 1 344 | **1 344** |
| | EBITDA | 1 225 | 327 | (241) | **1 311** |

[1] *IFRS 9 re-measurement loss on Modikwa loans amounted to R187 million.*

# Notes to the financial statements

## for the six months ended 31 December 2019

**2 SEGMENTAL INFORMATION (**Continued)

**Analysis of the ARM Ferrous segment at 100% basis**

| | Iron ore division Rm | Manganese division Rm | **ARM Ferrous Total Rm** | **ARM share Rm** | IFRS Adjust-ment[1] Rm | **Total per IFRS financial statements Rm** |
|---|---|---|---|---|---|---|
| **2.7 Six months ended 31 December 2019 (Unaudited)** | | | | | | |
| Sales[2] | 9 405 | 6 221 | **15 626** | **7 813** | (7 813) | – |
| Cost of sales | (4 899) | (4 302) | **(9 201)** | **(4 600)** | 4 600 | – |
| Other operating income | 382 | 227 | **609** | **120** | (120) | – |
| Other operating expenses | (1 166) | (641) | **(1 807)** | **(721)** | 721 | – |
| **Segment result** | 3 722 | 1 505 | **5 227** | **2 612** | (2 612) | – |
| Income from investments | 327 | 10 | **337** | **169** | (169) | – |
| Finance cost | (17) | (12) | **(29)** | **(14)** | 14 | – |
| (Loss)/income from joint venture | – | (141) | **(141)** | **(71)** | 71 | – |
| Special items before tax | (30) | (6) | **(36)** | **(18)** | 18 | – |
| Taxation | (1 173) | (476) | **(1 649)** | **(824)** | 824 | – |
| **Profit after tax** | 2 829 | 880 | **3 709** | **1 854** | (1 854) | – |
| Consolidation adjustment[3] | | | **–** | **(19)** | 19 | – |
| **Contribution to basic earnings** | 2 829 | 880 | **3 709** | **1 835** | – | **1 835** |
| **Contribution to headline earnings** | 2 853 | 882 | **3 735** | **1 848** | – | **1 848** |
| **Other information** | | | | | | |
| Segment assets | 22 271 | 22 896 | **45 167** | **21 885** | (5 345) | **16 540** |
| Segment liabilities | 5 259 | 5 822 | **11 081** | **2 128** | (2 128) | – |
| Cash (outflow)/inflow from operating activities[4] | (204) | 2 469 | **2 265** | **3 133** | (3 133) | – |
| Cash outflow from investing activities | (857) | (1 282) | **(2 139)** | **(1 069)** | 1 069 | – |
| Cash (outflow)/inflow from financing activities | (18) | – | **(18)** | **(9)** | 9 | – |
| Capital expenditure | 863 | 1 188 | **2 051** | **982** | (982) | – |
| Amortisation and depreciation | 682 | 328 | **1 010** | **488** | (488) | – |
| EBITDA | 4 404 | 1 833 | **6 237** | **3 100** | (3 100) | – |
| **Additional information for ARM Ferrous at 100%** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | | | **25 938** | | (25 938) | – |
| Investment in joint venture | | | **1 267** | | (1 267) | – |
| Other non-current assets | | | **919** | | (919) | – |
| **Current assets** | | | | | | |
| Inventories | | | **5 572** | | (5 572) | – |
| Trade and other receivables | | | **5 022** | | (5 022) | – |
| Financial asset | | | **235** | | (235) | – |
| Cash and cash equivalents | | | **6 214** | | (6 214) | – |
| **Non-current liabilities** | | | | | | |
| Other non-current liabilities | | | **7 837** | | (7 837) | – |
| **Current liabilities** | | | | | | |
| Trade and other payables | | | **2 037** | | (2 037) | – |
| Short-term provisions | | | **1 002** | | (1 002) | – |
| Taxation | | | **141** | | (141) | – |

*Refer note 2.1 and note 7 for more detail on the ARM Ferrous segment*

1 *Includes consolidation and IFRS 11 – Joint Arrangements – adjustments.*

2 *Includes fair value loss of R1 007 million.*

3 *Includes consolidation adjustment for capitalised fees.*

4 *Iron ore division includes dividend paid amounting to R4 billion included in cash flows from operating activities.*

*The Chrome division was sold to ARM during F2019 and is no longer included in the ARM Ferrous segment (refer note 9).*

# Notes to the financial statements

## for the six months ended 31 December 2019

**2 SEGMENTAL INFORMATION (**Continued)

| | Iron ore division Rm | Manganese division Rm | Chrome division Rm | **ARM Ferrous Total Rm** | **ARM share Rm** | IFRS Adjust-ment[1] Rm | **Total per IFRS financial statements Rm** |
|---|---|---|---|---|---|---|---|
| **2.8 Six months ended 31 December 2018 (Unaudited)** | | | | | | | |
| Sales[2] | 8 828 | 7 170 | – | **15 998** | **7 999** | (7 999) | – |
| Cost of sales | (5 031) | (3 981) | (21) | **(9 033)** | **(4 516)** | 4 516 | – |
| Other operating income | 356 | 251 | – | **607** | **86** | (86) | – |
| **Other operating expenses** | (1 089) | (927) | 11 | **(2 005)** | **(786)** | 786 | – |
| **Segment result** | 3 064 | 2 513 | (10) | **5 567** | **2 783** | (2 783) | – |
| Income from investments | 270 | 5 | – | **275** | **138** | (138) | – |
| Finance cost | (7) | (32) | – | **(39)** | **(19)** | 19 | – |
| Loss from joint venture | – | (95) | – | **(95)** | **(47)** | 47 | – |
| Special items before tax | 22 | (36) | – | **(14)** | **(7)** | 7 | – |
| Taxation | (917) | (501) | 3 | **(1 415)** | **(709)** | 709 | – |
| **Profit/(loss) after tax** | 2 432 | 1 854 | (7) | **4 279** | **2 139** | (2 139) | – |
| Consolidation adjustment[3] | | | | | **(18)** | 18 | |
| **Contribution to basic earnings/(loss) and total comprehensive income/(loss)** | 2 432 | 1 854 | (7) | **4 279** | **2 121** | – | **2 121** |
| **Contribution to headline earnings/(losses)** | 2 459 | 1 837 | (7) | **4 289** | **2 127** | – | **2 127** |
| **Other information** | | | | | | | |
| Segment assets | 22 529 | 19 713 | 519 | **42 761** | **20 744** | (4 840) | **15 904** |
| Segment liabilities | 6 453 | 3 158 | 428 | **10 039** | **1 946** | (1 946) | – |
| Cash (outflow)/inflow from operating activities[4] | (1 630) | 2 769 | – | **1 139** | **2 320** | (2 320) | – |
| Cash outflow from investing activities | (994) | (786) | – | **(1 780)** | **(890)** | 890 | – |
| Cash (outflow)/inflow from financing activities | (4) | 4 | – | **–** | **–** | – | – |
| Capital expenditure | 1 028 | 950 | – | **1 978** | **946** | (946) | – |
| Amortisation and depreciation | 743 | 341 | – | **1 084** | **526** | (526) | – |
| EBITDA | 3 807 | 2 854 | (10) | **6 651** | **3 309** | (3 309) | – |
| **Additional information for ARM Ferrous at 100%** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | | | | **23 555** | | (23 555) | – |
| Investment in joint venture | | | | **2 779** | | (2 779) | – |
| Other non-current assets | | | | **748** | | (748) | – |
| **Current assets** | | | | | | | |
| Inventories | | | | **4 788** | | (4 788) | – |
| Trade and other receivables | | | | **6 288** | | (6 288) | – |
| Financial asset | | | | **230** | | (230) | |
| Cash and cash equivalents | | | | **4 372** | | (4 372) | – |
| **Non-current liabilities** | | | | | | | |
| Other non-current liabilities | | | | **7 149** | | (7 149) | – |
| **Current liabilities** | | | | | | | |
| Trade and other payables | | | | **1 750** | | (1 750) | – |
| Short-term provisions | | | | **1 130** | | (1 130) | – |
| Taxation | | | | **9** | | (9) | – |

*Refer note 2.2 and note 7 for more detail on the ARM Ferrous segment*

1 *Includes consolidation and IFRS 11 – Joint Arrangements – adjustments.*

2 *Includes fair value gain of R213 million.*

3 *Includes consolidation adjustment for capitalised fees.*

4 *Iron ore division includes dividend paid amounting to R3.5 billion included in cash flows from operating activities.*

# Notes to the financial statements

**for the six months ended 31 December 2019**

**2 SEGMENTAL INFORMATION** (Continued)

| | Iron ore division Rm | Manganese division Rm | Chrome division Rm | **ARM Ferrous Total Rm** | **ARM share Rm** | IFRS Adjust-ment[1] Rm | **Total per IFRS financial statements Rm** |
|---|---|---|---|---|---|---|---|
| **2.9 For the year ended 30 June 2019 (Audited)** | | | | | | | |
| Sales[2] | 20 827 | 14 786 | – | **35 613** | **17 807** | (17 807) | – |
| Cost of sales | (10 151) | (8 295) | 1 | **(18 445)** | **(9 223)** | 9 223 | – |
| Other operating income | 750 | 544 | 5 | **1 299** | **158** | (158) | – |
| **Other operating expenses** | (2 599) | (2 083) | (11) | **(4 693)** | **(1 856)** | 1 856 | – |
| **Segment results** | 8 827 | 4 952 | (5) | **13 774** | **6 886** | (6 886) | – |
| Income from investments | 583 | 31 | – | **614** | **296** | (296) | – |
| Finance cost | (44) | (52) | – | **(96)** | **(38)** | 38 | – |
| Loss from joint venture | – | (1 012) | – | **(1 012)** | **(506)** | 506 | – |
| Special items before tax (refer note 12) | (2) | (358) | – | **(360)** | **(180)** | 180 | – |
| Taxation | (2 569) | (1 254) | – | **(3 823)** | **(1 911)** | 1 911 | – |
| **Profit/(loss) after tax** | 6 795 | 2 307 | (5) | **9 097** | **4 547** | (4 547) | – |
| Consolidation adjustment[3] | | | | | **(45)** | 45 | – |
| **Contribution to basic earnings/(loss) and total comprehensive income/(loss)** | 6 795 | 2 307 | (5) | **9 097** | **4 502** | – | **4 502** |
| **Contribution to headline earnings/(losses)** | 6 795 | 3 221 | (5) | **10 011** | **4 960** | – | **4 960** |
| **Other information** | | | | | | | |
| Consolidated total assets | 24 113 | 21 793 | – | **45 906** | **22 268** | (5 566) | **16 702** |
| Consolidated total liabilities | 6 865 | 4 672 | – | **11 537** | **2 422** | (2 422) | – |
| Cash (outflow)/inflow from operating activities[4] | 2 856 | 5 654 | – | **8 510** | **5 913** | (5 913) | – |
| Cash outflow from investing activities | (2 040) | (2 065) | – | **(4 105)** | **(2 053)** | 2 053 | – |
| Capital expenditure | 2 097 | 2 310 | – | **4 407** | **2 108** | (2 108) | – |
| Amortisation and depreciation | 1 457 | 681 | – | **2 138** | **1 037** | (1 037) | – |
| EBITDA | 10 284 | 5 633 | (5) | **15 912** | **7 923** | (7 923) | – |
| **Additional information for ARM Ferrous at 100%** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | | | | **24 823** | | (24 823) | – |
| Investment in joint venture | | | | **1 412** | | (1 412) | – |
| Other non-current assets | | | | **919** | | (919) | – |
| **Current assets** | | | | | | | |
| Inventories | | | | **4 961** | | (4 961) | – |
| Trade and other receivables | | | | **7 473** | | (7 473) | – |
| Financial asset | | | | **188** | | (188) | |
| Cash and cash equivalents | | | | **6 105** | | (6 105) | – |
| **Non-current liabilities** | | | | | | | |
| Other non-current liabilities | | | | **7 522** | | (7 522) | – |
| **Current liabilities** | | | | | | | |
| Trade and other payables | | | | **2 664** | | (2 664) | – |
| Short-term provisions | | | | **983** | | (983) | – |
| Taxation | | | | **308** | | (308) | – |

*Refer note 2.3 and note 7 for more detail on the ARM Ferrous segment*

[1] *Includes consolidation and IFRS 11 – Joint Arrangements – adjustments.*

[2] *Includes fair value gain of R1 586 million.*

[3] *Includes consolidation adjustment for capitalised fees.*

[4] *Dividend paid amounting to R3.3 billion included in cash flows from operating activities.*

# Notes to the financial statements
## for the six months ended 31 December 2019

**2 SEGMENTAL INFORMATION** (Continued)

**ARM Corporate as presented in the table on page 71 to 73 is analysed further into the ARM Corporate and other, Gold and Machadodorp Works.**

| | Machadodorp Works Rm | Corporate and other[1] Rm | Gold Rm | **1H F2020 Total ARM Corporate Rm** | Corporate and other[1] Rm | Gold Rm | **1H F2019 Total ARM Corporate Rm** | Machadodorp Works Rm | Corporate and other[1] Rm | Gold Rm | **June 2019 Total ARM Corporate Rm** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2.10 Six months ended 31 December 2019 (Unaudited)** | | | | | | | | | | | |
| Sales | 5 | – | | **5** | | | | 88 | – | | **88** |
| Cost of sales | (37) | 27 | | **(10)** | 27 | | **27** | (103) | 50 | | **(53)** |
| Other operating income | 4 | 389 | | **393** | 398 | | **398** | 1 | 599 | | **600** |
| Other operating expenses[2] | (68) | (452) | | **(520)** | (587) | | **(587)** | (39) | (994) | | **(1 033)** |
| **Segment result** | (96) | (36) | | **(132)** | (162) | | **(162)** | (53) | (345) | | **(398)** |
| Income from investments | – | 165 | | **165** | 105 | | **105** | – | 272 | | **272** |
| Finance cost | (1) | (44) | | **(45)** | (37) | | **(37)** | (6) | (49) | | **(55)** |
| Special item (refer note 12) | – | (6) | | **(6)** | – | | **–** | (146) | – | | **(146)** |
| Taxation | 24 | (111) | | **(87)** | (81) | | **(81)** | 23 | (141) | | **(118)** |
| **Loss after tax** | (73) | (32) | | **(105)** | (175) | | **(175)** | (182) | (263) | | **(445)** |
| Non-controlling interest | – | (1) | | **(1)** | (1) | | **(1)** | – | (3) | | **(3)** |
| Consolidation adjustment[3] | – | 19 | | **19** | 18 | | **18** | – | 45 | | **45** |
| **Contribution to basic (losses)/ earnings** | (73) | (14) | | **(87)** | (158) | | **(158)** | (182) | (221) | | **(403)** |
| **Contribution to headline (losses)/ earnings** | (73) | (8) | | **(81)** | (158) | | **(158)** | (36) | (221) | | **(257)** |
| **Other information** | | | | | | | | | | | |
| Segment assets | 181 | 4 376 | 3 823 | **8 380** | 4 941 | 1 882 | **6 823** | 208 | 4 530 | 2 370 | **7 108** |
| Segment liabilities | | 2 153 | | **2 153** | 1 892 | | **1 892** | 268 | 1 888 | | **2 156** |
| Cash inflow/(outflow) from operating activities | 3 | (2 012) | | **(2 009)** | (1 549) | | **(1 549)** | 5 | (2 028) | | **(2 023)** |
| Cash (outflow)/ inflow from investing activities | – | – | | **–** | (206) | | **(206)** | – | (344) | | **(344)** |
| Cash (outflow)/ inflow from financing activities | – | (88) | | **(88)** | (95) | | **(95)** | – | 19 | | **19** |
| Capital expenditure | – | 1 | | **1** | 3 | | **3** | – | 5 | | **5** |
| Amortisation and depreciation | 1 | 5 | | **6** | 2 | | **2** | 2 | 3 | | **5** |
| Impairment before tax | | | | | | | | 146 | – | | **146** |
| EBITDA | (95) | (31) | | **(126)** | (160) | | **(160)** | (51) | (342) | | **(393)** |

[1] *Corporate, other companies and consolidation adjustments.*

[2] *Included in ARM Corporate is a R59 million re-measurement gain on the Modikwa intercompany loan (loss in Modikwa) 1H F2020 (Refer note 14).*

[3] *Consolidation adjustment on fees capitalised in ARM Ferrous.*

# Notes to the financial statements

**for the six months ended 31 December 2019**

**3 REVENUE**

| | Unaudited Six months ended 31 December 2019 Rm | 2018 Rm | Audited Year ended 30 June 2019 Rm |
|---|---|---|---|
| Revenue | **5 907** | 4 524 | 9 596 |
| Fair value adjustments to revenue | **329** | 267 | 353 |
| Revenue from contracts with customers | **5 578** | 4 257 | 9 243 |
| Sales of commodities | **5 451** | 4 052 | 8 850 |
| Penalty and treatment charges[1] | **(234)** | (172) | (369) |
| Fees received | **361** | 377 | 762 |

[1] *Penalty and treatment charges for 1HF2020 comprise of R171 million (1HF2019: R143 million; F2019: R305 million) for Two Rivers and R63 million (1H F2019: R29 million; F2019: R64 million) for Nkomati.*

**4 PROPERTY, PLANT AND EQUIPMENT**

**4.1 Nkomati Nickel Mine**

ARM's attributable share of the impairment charge in the period ended 31 December 2018 amounted to R1 166 million before tax and R892 million after tax (refer note 12), ARM's attributable share of the total impairment charge for the year ended 30 June 2019 amounted to R1 344 million before tax and R1 070 million after tax (refer note 12).

Details of both these were included in the financial results ended 31 December 2018 and 30 June 2019, which can be found on www.arm.co.za.

**4.2 Goodwill**

At 30 June 2019, the goodwill for Machadodorp Works was tested for impairment. Since exploratory work for Machadodorp Works is still ongoing, future economic benefits and the recoverable amount could not be reliably estimated or measured, an impairment loss amounting to R146 million was recognised in ARM Company at 30 June 2019 (refer note 9 and 12).

**4.3 ARM Ferrous**

An impairment loss was recognised in F2019 on property plant and equipment for R21 million before tax of R6 million (Refer note 2.9 and 12). This is accounted for in the income from joint venture line in the statement of profit or loss in the statement of profit or loss.

An impairment loss of R1 013 million after tax was recognised on Assmang's investment in its equity-accounted investment, Sakura Ferroalloys Sdh Bhd. ARM's attributable share of the impairment loss amounted to R313 million for the property, plant and equipment and R194 million for the investment after tax (refer note 12).

Details of both these were included in the financial results ended 31 December 2018 and 30 June 2019, which can be found on www.arm.co.za.

# Notes to the financial statements

## for the six months ended 31 December 2019

| | | Unaudited Six months ended 31 December 2019 Rm | 2018 Rm | Audited Year ended 30 June 2019 Rm |
|---|---|---|---|---|
| 5 | **LOANS AND LONG – TERM RECEIVABLES** | | | |
| | ARM Coal | **–** | 60 | – |
| | Glencore South Africa | **283** | 346 | 283 |
| | **Total** | **283** | 406 | 283 |
| 6 | **INVESTMENT IN ASSOCIATE** | | | |
| | Opening balance | **1 837** | 1 798 | 1 798 |
| | Income from associate per statement of profit or loss | **10** | 75 | 276 |
| | (Loss)/profit for the period | **(93)** | 227 | 221 |
| | Re-measurement gains/(losses) on loans | **103** | (152) | 55 |
| | Movement in loans | **25** | (245) | (237) |
| | Closing balance | **1 872** | 1 628 | 1 837 |
| 7 | **INVESTMENT IN JOINT VENTURE** | | | |
| | This investment relates to ARM Ferrous and comprises Assmang as a joint venture which includes iron ore, manganese and chrome operations (Until the disposal of Machadodorp Works)(refer to note 9). | | | |
| | Opening balance | **16 702** | 15 504 | 15 504 |
| | Net income for the period | **1 835** | 2 121 | 4 502 |
| | Income for the period | **1 854** | 2 139 | 4 547 |
| | Consolidation adjustments | **(19)** | (18) | (45) |
| | Foreign currency translation reserve | **3** | 29 | 11 |
| | Less dividends received for the period | **(2 000)** | (1 750) | (3 315) |
| | Closing balance | **16 540** | 15 904 | 16 702 |
| | *Refer to notes 2.1; 2.2; 2.3; 2.7; 2.8 and 2.9 for further detail relating to the ARM Ferrous segment.* | | | |
| 8 | **OTHER INVESTMENTS** | | | |
| | Harmony | **3 823** | 1 882 | 2 370 |
| | Opening balance | **2 370** | 1 351 | 1 351 |
| | Fair value in other comprehensive income | **1 453** | 320 | 808 |
| | Additional shares acquired – refer statement of cash flow | **–** | 211 | 211 |
| | Guardrisk | **26** | 30 | 26 |
| | Preference shares | **1** | 1 | 1 |
| | RBCT | **247** | 252 | 251 |
| | Closing balance | **4 097** | 2 165 | 2 648 |

# Notes to the financial statements
## for the six months ended 31 December 2019

**9 ACQUISITION OF MACHADODORP WORKS**

On 28 February 2019, ARM acquired 100% of the Machadodorp Works business from Assmang, for a cash amount of R130 million. A subsequent purchase price adjustment of R17 million which was received after 30 June 2019, reduced the amount to R113 million. This resulted in ARM's effective ownership increasing to 100% from the previous indirect 50%. ARM acquired Machadodorp Works to use its existing infrastructure for alternative smelting technology, to commercialise more efficient and cost effective ways of smelting, particularly in so far as energy (which is one of the biggest cost inputs in smelting) is required. Building a new facility for test work would have been more expensive than using existing Machadodorp Works facility.

**Assets acquired and liabilities assumed**

ARM has measured the identifiable assets and liabilities of Machadodorp Works at their acquisition-date fair values.

| | **Unaudited Six months ended 31 December 2019 Rm** | Unaudited Six months ended 31 December 2018 Rm | Audited Year ended 30 June 2019 Rm |
|---|---|---|---|
| **ASSETS** | | | **162** |
| Non-current assets | | | 42 |
| Current assets | | | 120 |
| **LIABILITIES** | | | **232** |
| Non-current liabilities | | | 217 |
| Current liabilities | | | 15 |
| Total identifiable net liabilities at fair value | | | (70) |
| Deferred tax asset raised on acquisition | | | 37 |
| Purchase price adjustment | | | 17 |
| Goodwill arising on acquisition | | | 146 |
| Cash outflow on acquisition | | | 130 |
| *Goodwill of R146 million was recognised at acquisition. Goodwill represents the value paid in excess of the fair value of the net assets acquired (refer note 4.2).* | | | |

**10 CASH AND CASH EQUIVALENTS**

| | **2019 Rm** | 2018 Rm | 2019 Rm |
|---|---|---|---|
| Total unrestricted | **3 605** | 2 097 | 3 397 |
| – African Rainbow Minerals Limited | **2 449** | 1 447 | 2 562 |
| – ARM BBEE Trust | **2** | 1 | 1 |
| – ARM Coal | **–** | 7 | – |
| – ARM Finance Company SA | **237** | 238 | 236 |
| – ARM Platinum Proprietary Limited | **814** | 307 | 519 |
| – ARM Treasury Investments Proprietary Limited | **41** | 39 | 40 |
| – Nkomati | **29** | 16 | – |
| – Two Rivers Platinum Proprietary Limited | **13** | 11 | 11 |
| – Other non-restricted cash | **20** | 31 | 28 |
| Total restricted | **1 288** | 1 200 | 1 235 |
| – Mannequin Cell Captive | **937** | 866 | 891 |
| – Rehabilitation trust funds | **198** | 184 | 191 |
| – Other restricted cash[1] | **153** | 150 | 153 |
| Total as per statement of financial position | **4 893** | 3 297 | 4 632 |
| Less – Overdrafts (refer note 11) | **(280)** | (383) | (393) |
| Total as per statement of cash flows | **4 613** | 2 914 | 4 239 |

[1] *This relates largely to guarantees to the Department of Mineral Resources at respective operations.*

# Notes to the financial statements
## for the six months ended 31 December 2019

**11 BORROWINGS**

| | Unaudited Six months ended 31 December 2019 Rm | 2018 Rm | Audited Year ended 30 June 2019 Rm |
|---|---|---|---|
| **Long-term borrowings are held as follows:** | | | |
| – Anglo Platinum Limited (partner loan) | **–** | 95 | – |
| – ARM BBEE Trust[1] | **301** | 398 | – |
| – ARM Coal Proprietary Limited (partner loan) | **1 069** | 1 117 | 1 023 |
| – African Rainbow Minerals Limited (lease liability)[2] | **4** | – | – |
| – Nkomati | **–** | 2 | – |
| – Two Rivers Platinum Proprietary Limited | **70** | 67 | 72 |
| – Two Rivers Platinum Proprietary Limited (lease liability)[2] | **92** | – | – |
| | **1 536** | 1 679 | 1 095 |
| **Short-term borrowings are held as follows:** | | | |
| – ARM BBEE Trust[1] | **–** | – | 368 |
| – Anglo Platinum Limited (partner loan) | **104** | – | 101 |
| – ARM Coal Proprietary Limited (lease liability)[2] | **10** | – | – |
| –African Rainbow Minerals Limited (lease liability)[2] | **3** | – | – |
| – Nkomati | **2** | 7 | 6 |
| – Two Rivers Platinum Proprietary Limited | **82** | 63 | 68 |
| – Two Rivers Platinum Proprietary Limited (lease liability) [2] | **7** | – | – |
| | **208** | 70 | 543 |
| **Overdrafts are held as follows:** | | | |
| – Nkomati | **–** | 42 | 16 |
| – Two Rivers Platinum Proprietary Limited | **260** | 322 | 357 |
| – Other | **20** | 19 | 20 |
| | **280** | 383 | 393 |
| **Overdrafts and short-term borrowings** | **488** | 453 | 936 |
| **Total borrowings** | **2 024** | 2 132 | 2 031 |

1 *The maturity date of the ARM BBEE Trust loan was extended to 31 December 2022. The other terms and conditions remain unchanged.*

2 *As a result of the adoption of IFRS 16 (refer note 1).*

# Notes to the financial statements

**for the six months ended 31 December 2019**

## 12 SPECIAL ITEMS

| | Unaudited Six months ended 31 December 2019 Rm | 2018 Rm | Audited Year ended 30 June 2019 Rm |
|---|---|---|---|
| Impairment loss on property, plant and equipment – Nkomati (refer note 4.1) | **–** | (1 166) | (1 344) |
| Impairment loss of goodwill – Machadodorp Works (refer note 4.2) | **–** | – | (146) |
| Loss on sale of Lubambe – other | **(6)** | – | – |
| Loss on sale of property, plant and equipment – ARM Coal | **–** | – | (1) |
| **Special items per statement of profit or loss before taxation effect** | **(6)** | (1 166) | (1 491) |
| Impairment loss on investment in Sakura accounted for directly in joint venture – Assmang | **–** | – | (194) |
| Impairment loss on property, plant and equipment accounted for directly in joint venture – Assmang | **–** | (20) | (21) |
| Impairment loss on property, plant and equipment on Sakura accounted for directly in joint venture – Assmang | **–** | – | (313) |
| Impairment (loss)/reversal on property, plant and equipment accounted for directly in associate – PCB | **(6)** | 4 | 3 |
| Profit on sale of Machadodorp Works accounted directly in joint venture – Assmang (refer note 9) | **–** | – | 91 |
| (Loss)/Profit on sale of property, plant and equipment accounted for directly in joint venture – Assmang | **(18)** | 12 | (2) |
| **Special items before taxation effect** | **(30)** | (1 170) | (1 927) |
| Taxation accounted for directly in associate ARM Coal – impairment loss/(reversal) at ARM Coal | **2** | (1) | (1) |
| Taxation accounted for in joint venture – impairment loss in Assmang | **–** | 6 | 6 |
| Taxation accounted for in joint venture – Loss/(profit) on sale of property, plant and equipment in Assmang | **5** | (4) | 1 |
| Taxation accounted for in joint venture – Loss/(profit) on disposal of Machadodorp Works at Assmang | **–** | – | (26) |
| Taxation – impairment loss of Nkomati assets (refer note 4.1) | **–** | 274 | 274 |
| Taxation loss on sale of property ARM Coal | **–** | – | 1 |
| Taxation – sale of Lubambe | **–** | – | – |
| **Total amount adjusted for headline earnings** | **(23)** | (895) | (1 672) |

# Notes to the financial statements
## for the six months ended 31 December 2019

### 13 EARNINGS PER SHARE

| | **Unaudited Six months ended 31 December 2019 Rm** | Unaudited Six months ended 31 December 2018 Rm | Audited Year ended 30 June 2019 Rm |
|---|---|---|---|
| Headline earnings (R million) | **2 155** | 2 201 | 5 226 |
| Headline earnings per share (cents) | **1 114** | 1 149 | 2 718 |
| Basic earnings per share (cents) | **1 102** | 682 | 1 848 |
| Diluted headline earnings per share (cents) | **1 097** | 1 123 | 2 669 |
| Diluted basic earnings per share (cents) | **1 085** | 667 | 1 815 |
| Number of shares in issue at end of the period (thousands) | **223 879** | 221 934 | 222 008 |
| Weighted average number of shares (thousands) | **193 444** | 191 575 | 192 269 |
| Weighted average number of shares used in calculating diluted earnings per share (thousands) | **196 448** | 195 919 | 195 800 |
| Net asset value per share (cents) | **13 307** | 11 834 | 12 690 |
| EBITDA (R million) | **1 520** | 889 | 1 476 |
| Interim dividend declared (cents per share) | **500** | 400 | 400 |
| Dividend declared after period end (cents per share) | **–** | – | 900 |
| **Reconciliation to headline earnings** | | | |
| Basic earnings attributable to equity holders of ARM | **2 132** | 1 306 | 3 554 |
| Loss on sale of Lubambe – other | **6** | – | – |
| Impairment loss on property, plant and equipment – Nkomati | **–** | 1 166 | 1 344 |
| Impairment loss of property, plant and equipment in joint venture – Assmang | **–** | 20 | 21 |
| Impairment loss of property, plant and equipment in Sakura in joint venture – Assmang | **–** | – | 313 |
| Impairment on Goodwill – Machadodorp Works | **–** | – | 146 |
| Impairment on investment in Sakura in joint venture – Assmang | **–** | – | 194 |
| Impairment loss/(reversal) of property, plant and equipment in associate – ARM Coal | **6** | (4) | (3) |
| Profit on sale of Machadodorp Works – Assmang | **–** | – | (91) |
| Loss on disposal of investment | **–** | – | 1 |
| Loss/(profit) on sale of property, plant and equipment in joint venture – Assmang | **18** | (12) | 2 |
| | **2 162** | 2 476 | 5 481 |
| Taxation accounted for directly in associate ARM Coal – impairment (loss)/reversal at ARM Coal | **(2)** | (1) | 1 |
| Taxation accounted for in joint venture – (loss)/profit on disposal of fixed assets at Assmang | **(5)** | – | 25 |
| Taxation accounted for in joint venture – impairment loss at Assmang | **–** | – | (6) |
| Taxation – impairment loss of Nkomati assets | **–** | (274) | (274) |
| Taxation loss on sale of property ARM Coal | **–** | – | (1) |
| **Headline earnings** | **2 155** | 2 201 | 5 226 |

# Notes to the financial statements

## for the six months ended 31 December 2019

**14 RE–MEASUREMENT GAINS AND LOSSES**

**ARM Coal**

Included in other operating income and profit from associate for 1HF2020 are re-measurements attributable to ARM of R1 million (tax nil) and R103 million (tax nil) respectively relating to the GGV and PCB loans. The gain and loss is as a result of a re-measurement of debt between ARM and Glencore Operations South Africa Proprietary Limited (GOSA) and ARM Coal Proprietary Limited. The ARM Corporate effect for 1HF2020 is nil, 1HF2019: R59 million loss and for F2019: R215 million.

| | **Unaudited Six months ended 31 December** | | Audited Year ended 30 June |
|---|---|---|---|
| | **2019 Rm** | 2018 Rm | 2019 Rm |
| **The re-measurement adjustments are as follows:** | | | |
| Other operating income increase (re-measurement gain on loans) – ARM coal segment | **1** | (50) | 190 |
| ARM Corporate (re-measurement loss) | **–** | (59) | (215) |
| Re-measurement gain/(loss) in operating income/(expenses) | **1** | (109) | (25) |
| Income from associate (re-measurement/gain on loans) – (refer note 6) | **103** | (152) | 55 |
| **Net ARM Coal re-measurement gain/(loss)** | **104** | (261) | 30 |
| The re-measurements are as a result of changes in the future repayment cash flows applied to the net present value calculations. The discount rate used in the calculation of the re-measurement is 10%. | | | |
| **Modikwa**<br>Included in other operating expenses for 1HF2020 is a re-measurement loss attributable to ARM of R3 million (tax nil). The re-measurement loss in Modikwa of R62 million (1HF2019: R4 million and F2019: R187 million) is partially eliminated against a re-measurement gain in ARM Company of R59 million (1HF2019: Rnil and F2019: R175 million). | | | |
| The re-measurement adjustments are as follows:<br>Other operating expense increase (re-measurement loss on loans) – ARM platinum segment | **(51)** | (4) | (156) |
| Re-measurement | **(62)** | (4) | (187) |
| Non-controlling interest | **11** | – | 31 |
| ARM Corporate (re-measurement gain) | **59** | – | 175 |
| **Net Modikwa re-measurement gain/(loss)** | **8** | (4) | 19 |

# Notes to the financial statements

## for the six months ended 31 December 2019

| | | Unaudited Six months ended 31 December 2019 Rm | 2018 Rm | Audited Year ended 30 June 2019 Rm |
|---|---|---|---|---|
| **15** | **OTHER OPERATING INCOME** | | | |
| | Management fees | **351** | 377 | 762 |
| | Insurance income | **41** | 37 | 74 |
| | Realised foreign exchange gains | **5** | 10 | 18 |
| | Royalties received | **18** | 19 | 41 |
| | Re-measurement gains | **5** | 4 | – |
| | Other | **68** | 49 | 79 |
| | **Total** | **488** | 496 | 974 |
| **16** | **INCOME FROM ASSOCIATE** | | | |
| | (Loss)/profit (before re-measurement/fair value on loans) | **(93)** | 227 | 221 |
| | Re-measurement (refer note 14) | **103** | (152) | 55 |
| | **Total** | **10** | 75 | 276 |
| **17** | **TAXATION** | | | |
| | South African normal tax – current year | **195** | 87 | 384 |
| | – mining | **115** | 18 | 228 |
| | – non-mining | **80** | 69 | 156 |
| | – prior year | **–** | – | 4 |
| | Deferred tax – current year | **339** | (68) | (146) |
| | **Total taxation** | **534** | 19 | 242 |
| **18** | **CASH GENERATED FROM OPERATIONS** | | | |
| | Cash generated from operations before working capital movement | **2 201** | 1 351 | 2 678 |
| | Working capital outflow | **(1 280)** | (570) | (555) |
| | Movement in inventories outflow | **(23)** | (216) | (64) |
| | Movement in payables and provisions outflow | **(442)** | (83) | (294) |
| | Movement in receivables outflow | **(815)** | (271) | (197) |
| | Cash generated from operations (per statement of cash flows) | **921** | 781 | 2 123 |

# Notes to the financial statements

## for the six months ended 31 December 2019

**19 RELATED PARTIES**

The Group in the ordinary course of business enters into various sale, purchase, service and lease transactions with subsidiaries, associated companies, joint ventures and joint operations. Transactions between the Company, its subsidiaries and joint operations relate to fees, insurances, dividends, rentals and interest and are regarded as intra-Group transactions and eliminated on consolidation.

| | **Unaudited Six months ended 31 December 2019 Rm** | **Unaudited Six months ended 31 December** 2018 Rm | Audited Year ended 30 June 2019 Rm |
|---|---|---|---|
| **Amounts accounted in the statement of profit or loss relating to transactions with related parties** | | | |
| **Sales** | | | |
| Anglo American Platinum | **1 555** | 1 089 | 2 067 |
| Impala Platinum | **2 665** | 1 912 | 3 994 |
| **Joint venture** | | | |
| Assmang Proprietary Limited | | | |
| – Provision of services | **346** | 336 | 762 |
| – Dividends received | **2 000** | 1 750 | 3 315 |
| **Amounts outstanding at year–end (owing to)/receivable by ARM on current account** | | | |
| **Joint venture** | | | |
| Assmang – debtor | **80** | 42 | 38 |
| **Joint operations** | | | |
| Anglo American Platinum – debtor | **956** | 732 | 644 |
| Norilsk Nickel – creditor | **(2)** | (7) | (3) |
| Norilsk Nickel – debtor | **79** | 51 | 97 |
| Anglo American Platinum – long-term borrowing | **–** | 95 | – |
| Anglo American Platinum – short-term borrowing | **(104)** | – | (101) |
| Glencore Operations SA – long-term borrowing | **(1 069)** | (1 117) | (1 023) |
| Glencore Operations SA – debtor | **224** | 510 | 224 |
| **Subsidiary** | | | |
| Impala Platinum – debtor | **1 801** | 1 221 | 1 289 |
| Impala Platinum – dividend paid | **77** | 44 | 241 |

**20 PROVISIONS**

| | **2019 Rm** | 2018 Rm | 2019 Rm |
|---|---|---|---|
| **Silicosis and tuberculosis class action provision** | | | |
| **Long-term provisions** | | | |
| The provision movement is as follows: | | | |
| Opening balance | **319** | 330 | 330 |
| Settlement payments | **(68)** | – | – |
| Settlement term changes | **–** | (13) | (27) |
| Interest unwinding | **13** | 13 | 26 |
| Demographic assumptions changes | **–** | – | (10) |
| Transfer to short-term provisions | **(48)** | – | – |
| Closing balance | **216** | 330 | 319 |
| **Short-term provisions** | | | |
| Transfer from long–term provisions | **48** | – | – |
| **Total silicosis and tuberculosis class action provision** | **264** | 330 | 319 |

ARM has a contingency policy in this regard which covers environmental site liability and silicosis liability with Guardrisk Insurance Company Limited (‘Guardrisk’). In turn, Guardrisk has reinsured the specified risks with Mannequin Insurance PCC Limited – Cell AVL 18, Guernsey which cell captive is held by ARM.

Following the High Court judgement previously reported, the Tshiamiso Trust was registered in November 2019. As part of the settlement a guarantee of R304 million was issued by Guardrisk on behalf of ARM in favour of the Tshiamiso Trust on 13 December 2019.

Details of the provision were discussed in the 30 June 2019 financial results, which can be found on www.arm.co.za.

# Notes to the financial statements
## for the six months ended 31 December 2019

| | | Unaudited Six months ended 31 December 2019 Rm | Unaudited Six months ended 31 December 2018 Rm | Audited Year ended 30 June 2019 Rm |
|---|---|---|---|---|
| 21 | **COMMITMENTS** | | | |
| | Commitments in respect of future capital expenditure which will be funded from operating cash flows and by utilising debt facilities at entity and corporate levels, are summarised below: | | | |
| | Approved by directors | | | |
| | – contracted for | **181** | 237 | 188 |
| | – not contracted for | **93** | 16 | 4 |
| | **Total commitments** | **274** | 253 | 192 |

**22 CONTINGENT LIABILITIES**

An additional guarantee has been issued by Assmang to United Overseas Bank (UOB) in December 2019, of which $16 million is attributable to ARM. This guarantee is for Sakura debt funding, however the debt has not been drawn down by Sakura at reporting date.

AEL Mining Limited's claims against Assmang, details of which were included in the financial results ended 30 June 2019, which can be found on www.arm.co.za, has been dismissed by the Arbitration panel.

The Nkomati mine closure may have a potential exposure regarding rehabilitation and management of water post closure. This is as a result of uncertainties regarding the assessment of long-term water management measures, and anticipated amendments to the existing Water Use Licence (WUL) [issued by the Department of Water and Sanitation (DWS)]. Technical studies towards providing an Integrated Water Management Plan are under way. The WUL conditions are not yet known and the potential water resource impact liability as part of the mine rehabilitation and closure process (to which DWS is an important participant and decision-maker) is uncertain. The obligation will be recognised when it is probable and can be reliably estimated.

There have been no other significant changes in the contingent liabilities of the Group as disclosed since 30 June 2019 integrated annual report.

For a detailed disclosure on contingent liabilities, refer to ARM's integrated annual report for the year ended 30 June 2019 available on the group's website (www.arm.co.za).

**23 EVENTS AFTER REPORTING DATE**

Assmang received a summons from Eskom on 9 January 2020 for R89 million relating to energy efficiency/load management agreement entered into in a previous year between Eskom and Machadodorp Works.

Since the period end ARM received a dividend of R1 750 million from Assmang.

On 22 January 2020, ARM Corporate received R67 million insurance reimbursement from Guardrisk via Mannequin for ARM's obligation in terms of the Silicosis class action settlement.

# Contact details and administration

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# Forward-looking statements

Certain statements in this report constitute forward-looking statements that are neither reported financial results nor other historical information. They include but are not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Such forward-looking statements may or may not take into account and may or may not be affected by known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include among others: economic, business and political conditions in South Africa; decreases in the market price of commodities; hazards associated with underground and surface mining; labour disruptions; changes in government regulations, particularly environmental regulations; changes in exchange rates; currency devaluations; inflation and other macro-economic factors; and the impact of the HIV and Aids epidemic in South Africa. These forward-looking statements speak only as of the date of publication of these pages. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these pages or to reflect the occurrence of unanticipated events.

**Directors**
P T Motsepe (Executive Chairman)
M P Schmidt (Chief Executive Officer)
F Abbott*
M Arnold**
Dr M M M Bakane-Tuoane*
T A Boardman*
A D Botha*
J A Chissano (Mozambican)*
W M Gule*
A K Maditsi*
J Magagula
H L Mkatshana
A M Mukhuba
D C Noko*
Dr R V Simelane*
J C Steenkamp**
Z B Swanepoel*

* *Independent Non-executive*
** *Non-executive*

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