



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

Investor relations

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Group company secretary and governance officer

Alyson D'Oyley, BCom, LLB, LLM

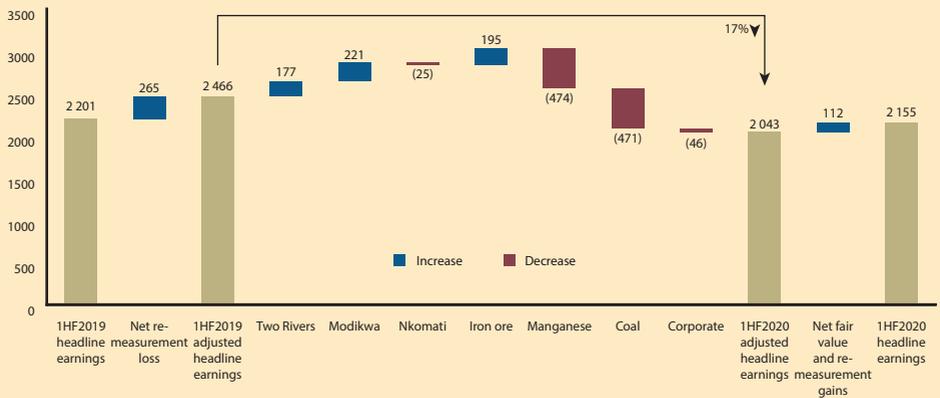
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Salient features

- **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 Coal¹	(101)	65	
Goedgevonden Mine ¹	(115)	(7)	(>200)
PCB operations ¹	14	72	(81)
ARM Corporate and other¹	(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.

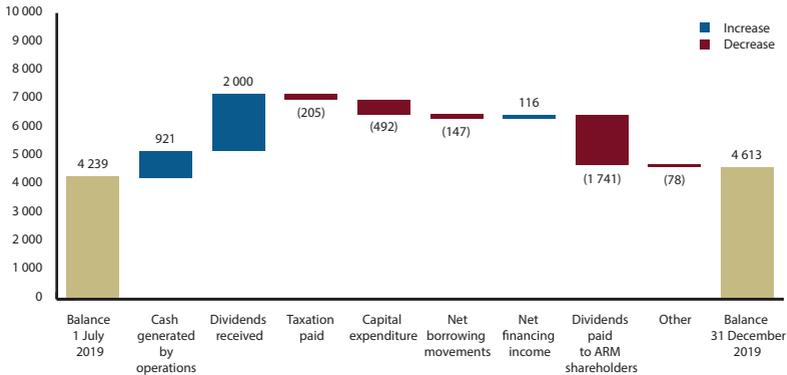
At 31 December 2019, ARM was in a net cash position of R2 869 million (30 June 2019: R2 601 million, 31 December 2018: R2 914 million). This amount excludes attributable cash and cash equivalents held at ARM Ferrous (50% of Assmang) of R3 107 million (30 June 2019: R3 053 million, 31 December 2018: R2 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)
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 floatation 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 Goedgevoonden (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: Goedgevoonden (GGV) Mine

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

Goedgevoonden 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 Ogie 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 Kusasaletu Mine and, to a lesser extent, Moab Khotsonq. 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

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Group statement of financial position

at	Note	Unaudited Six months ended 31 December		Audited Year ended 30 June
		2019 Rm	2018 Rm	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		Audited Year ended 30 June
		2019 Rm	2018 Rm	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
<i>Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods:</i>						
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)
<i>Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods:</i>						
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
<i>Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods:</i>						
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)
<i>Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods:</i>						
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
<i>Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods:</i>						
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)
<i>Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods:</i>						
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			Retained earnings Rm	Total shareholders of ARM Rm	Non-controlling interest Rm	Total Rm
			comprehensive income Rm	Share-based payments Rm	Financial instruments at fair value through other 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		Audited Year ended 30 June 2019
		2019 Rm	2018 Rm	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)
Dividends received from joint venture	7	832	593	1 998
Dividends received from other ¹		2 000	1 750	3 315
		–	8	8
Dividends paid to non-controlling interest – Impala Platinum		2 832	2 351	5 321
Dividends paid – equity holders of ARM		(77)	(44)	(241)
		(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
Overdrafts	11	4 613	2 914	4 239
		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 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	–

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

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
<i>Less:</i>	
Commitments relating to short-term leases	–
Commitments relating to leases of low-value assets	–
<i>Add:</i>	
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				Total R m	Lease liabilities R m
	Land & buildings R m	Plant & machinery R m	Furniture, equipment & vehicles R m			
	As at 1 July 2019	21	19	1		
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 from 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	27		27	88	–		88
Cost of sales	(37)	27		(10)			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		Audited
	Six months ended		Year ended
	31 December		30 June
	2019	2018	2019
	Rm	Rm	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 (1HF2019: 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		Audited Year ended 30 June 2019
	2019 Rm	2018 Rm	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
<i>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.</i>			
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		Audited Year ended 30 June
	2019 Rm	2018 Rm	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
<i>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).</i>			
10 CASH AND CASH EQUIVALENTS			
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		Audited Year ended 30 June
	2019 Rm	2018 Rm	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		Audited Year ended 30 June
	2019 Rm	2018 Rm	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		Audited Year ended 30 June
	2019 Rm	2018 Rm	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	2018	2019
	Rm	Rm	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

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:

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		Audited Year ended 30 June 2019
	2019 Rm	2018 Rm	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		Audited Year ended 30 June
	2019	2018	2019
	Rm	Rm	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			
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		Audited Year ended 30 June 2019
	2019 Rm	2018 Rm	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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Investec Bank Limited

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
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J C Steenkamp**
Z B Swanepoel*

* Independent Non-executive

** Non-executive



www.arm.co.za