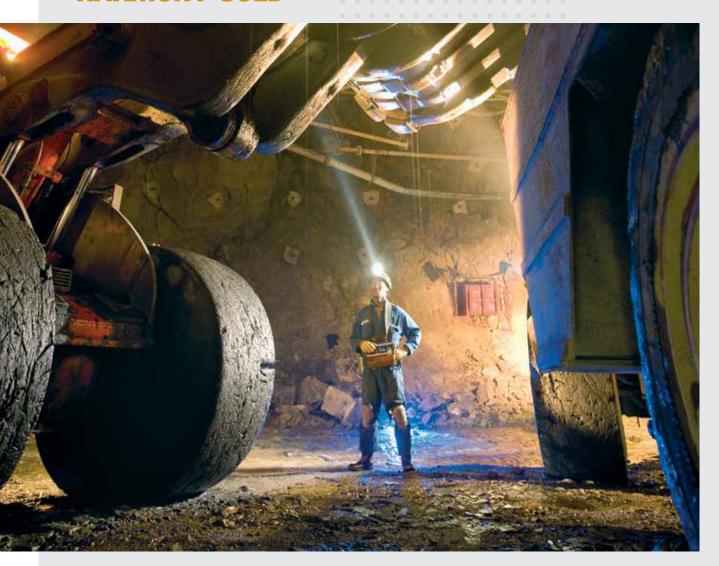
# **HARMONY GOLD**



## Harmony Gold Mining Company Limited (ARM owns 12.4%)

	Unit	F2020	F2019
Gold produced	kg	37 863	44 734
	000oz	1 217 323	1 438 231
Cash operating costs	R/kg	553 513	439 722
	US\$/oz	1 099	965
Financial performance			
Revenue	R million	29 245	26 912
Costs of sales	R million	(25 908)	(28 869)
Impairment of assets	R million	_	(3 898)
Gross profit/(loss)	R million	3 337	(1 957)
Net loss for the year	R million	(850)	(2 607)
Total headline (loss)/earnings	Cents per share	(154)	204
Total capital expenditure	R million	3 610	5 036
Market performance			
Average gold price received	R/kg	735 569	586 653
	US\$/oz	1 461	1 287
Market capitalisation	R billion	43.3	17.1

## **SHAREHOLDING**

ARM's investment in Harmony was revalued positively by R2 325 million (net of deferred capital gains tax) in F2020 (F2019: R627 million) as the Harmony share price increased by 126% from R31.74 at 30 June 2019 to R71.86 per share at 30 June 2020. The Harmony investment is therefore reflected on the ARM statement of financial position at R5 366 million based on the Harmony share price at 30 June 2020.

ARM's shareholding in Harmony reduced from 13.8% at 30 June 2019 to 12.4% at 30 June 2020. On 25 June 2020, Harmony concluded an equity raise in the form of a rights issue. ARM did not follow its rights under the issuance, marginally diluting its shareholding in Harmony.

# OPERATIONAL AND FINANCIAL PERFORMANCE

### Revenue

Revenue increased by R2 333 million or 9% to R29 245 million, mainly due to the higher gold price received. The average gold price received increased by 25% to R735 569/kg from R586 653/kg in F2019.

#### **Production costs**

Production costs increased by R1 724 million or 8% to R22 billion during F2020 mainly due to annual labour and electricity rate increases in South Africa.

## **Amortisation and depreciation**

Amortisation and depreciation decreased by R546 million or 13% to R3 508 million for F2020 mainly due to the impact that the South African national lockdown had on production levels.

### Other operating expenses

Other operating expenses for F2020 include an unrealised foreign exchange translation loss on the US dollar borrowings of R967 million compared to a R99 million loss in F2019. The foreign exchange translation loss is mainly a result of the weakening of the US dollar to the rand during the year.

#### **Net loss**

Harmony's net loss decreased to R850 million in F2020, compared to a loss of R2 607 million in F2019. The headline loss decreased to 154 cents per share, compared with headline earnings of 204 cents per share for F2019.

#### Net debt

In June 2020, Harmony raised US\$200 million (R3 466 million) by way of a share placement to fund the US\$200 million cash portion of the consideration price relating to the acquisition of the Mponeng mine and Mine Waste Solutions from AngloGold Ashanti Limited. The cash from the placement, combined with the cash generated by the operations, resulted in net debt decreasing by R3 561 million to R1 361 million at the end of June 2020.

## **Derivatives and hedging**

Harmony continued to enjoy favourable commodity and foreign exchange pricing on the unhedged portion of its exposure, while locking in current higher prices as part of its derivative programme. Since the inception of the derivative programmes in F2016, these programmes have realised net gains of R2 168 million.

The South African Covid-19 lockdown resulted in reduced gold production in the June 2020 quarter. As a result, Harmony restructured the derivative programme and rolled forward some transactions, which assisted in matching the derivatives to the changed gold production profile during the lockdown. The US dollar gold and US dollar silver derivatives were not restructured as they relate to the Hidden Valley mine which continued operating during this time.

The weakening of the rand against the US dollar during the year negatively impacted on the valuation of the foreign exchange derivatives. The increase in the gold price – both in US dollar and in rand terms – negatively impacted on the valuation of the gold derivatives. Derivatives recorded a net realised negative cash flow of R1 778 million in F2020, principally due to a R1 492 negative cash flow on R/gold derivatives.



Harmony's results for the financial year ended 30 June 2020 can be viewed at www.harmony.co.za.