“Headline earnings increased by 13% to R2.2 billion.
Interim dividend of R4.00 per share declared.
The net cash position improved to R1.2 billion.”

Patrice Motsepe
Executive Chairman
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Overview and group performance
Patrice Motsepe, Executive Chairman
ARM’s effective interest in Modikwa Mine is 41.5%, local communities hold 8.5%.

On 6 February 2019 the Competition Commission of South Africa approved the acquisition by ARM of the Machadodorp Works business.
Salient features: Earnings

Headline earnings

by 13% to

R2.2 billion

(1H F2018: R1.9 billion)

Headline earnings per share

to R11.49 per share

(1H F2018: R10.23 per share)

EBITDA*

to R4.2 billion

(1H F2018: R3.7 billion)

Basic earnings

to R1.3 billion**

(1H F2018: R1.8 billion)

*On a segmental basis

**Includes an attributable impairment of Nkomati Mine of R892 million after tax.
Salient features: Dividends and financial position

Interim dividend declared

- by 60% to R4.00 per share
  (1H F2018: R2.50 per share)

Dividends received from Assmang

- to R1.8 billion
  (1H F2018: R1.0 billion)

ARM attributable coal debt

- to R2.0 billion
  from R3.2 billion as at 31 December 2017 (before the debt restructuring)

Net cash

- to R1.2 billion
  (as at 30 June 2018: R1.0 billion)
There were no fatalities at the ARM operations in 1H F2019

The above safety statistics include only those operations where ARM has direct or joint management and do not include the ARM Coal, Sakura and Harmony operations.
Six-monthly headline earnings (R million)

*In the second half of F2018 headline earnings were R2 869 million including a fair value net gain of R977 million on restructuring of the coal loans. The adjusted headline earnings excluding the fair value net gain were R1 892 million.

**The 1H F2019 headline earnings include a re-measurement loss of R265 million on the valuation of the coal loans.
Headline earnings and dividends (cents per share)

*The F2018 headline earnings include a fair value net gain of R977 million (or 513 cents per share) on restructuring of the coal loans. The adjusted headline earnings per share excluding the fair value net gain were R3 837 million (or 2 013 cents per share).

**The 1H F2019 headline earnings include a re-measurement loss of R265 million (138 cents per share) on the valuation of the coal loans.
Operational and financial review
Mike Schmidt, Chief Executive Officer
Headline earnings analysis

Headline earnings changes by division (R million)

*1H F2019 includes a re-measurement loss of R206 million at ARM Coal and a re-measurement loss of R59 million at ARM Corporate on the valuation of the loans between ARM, ARM Coal and Glencore which were restructured in F2018. The coal operations delivered improved operational cash flows which has resulted in accelerated loan repayments. Where the repayment profile is expected to accelerate compared to expectations in the previous reporting period, a re-measurement loss is recognised.
### Headline earnings / (loss) by division / operation

<table>
<thead>
<tr>
<th>Division / Operation</th>
<th>Six months ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td><strong>ARM Platinum</strong></td>
<td>167</td>
</tr>
<tr>
<td>Two Rivers Mine</td>
<td>180</td>
</tr>
<tr>
<td>Modikwa Mine</td>
<td>173</td>
</tr>
<tr>
<td>Nkomati Mine</td>
<td>(186)</td>
</tr>
<tr>
<td><strong>ARM Ferrous</strong></td>
<td>2 127</td>
</tr>
<tr>
<td>Iron ore division</td>
<td>1 230</td>
</tr>
<tr>
<td>Manganese division</td>
<td>919</td>
</tr>
<tr>
<td>Chrome division</td>
<td>(4)</td>
</tr>
<tr>
<td>Consolidation adjustment</td>
<td>(18)</td>
</tr>
<tr>
<td><strong>ARM Coal</strong></td>
<td>65</td>
</tr>
<tr>
<td>Goedgevonden Mine</td>
<td>(7)</td>
</tr>
<tr>
<td>PCB Operations</td>
<td>72</td>
</tr>
<tr>
<td><strong>ARM Copper</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>ARM Corporate and other</strong></td>
<td>(158)</td>
</tr>
<tr>
<td><strong>Headline earnings</strong></td>
<td>2 201</td>
</tr>
</tbody>
</table>

*1H F2019 includes a re-measurement loss of R206 million at ARM Coal and a re-measurement loss of R59 million at ARM Corporate on the valuation of the loans between ARM, ARM Coal and Glencore which were restructured in F2018. The coal operations delivered improved operational cash flows which has resulted in accelerated loan repayments. Where the repayment profile is expected to accelerate compared to expectations in the previous reporting period, a re-measurement loss is recognised.
Strong EBITDA margins

Divisional EBITDA margins (%)

- **Iron Ore**: 38% (2018) 43% (2019)
- **Manganese**: 41% (2018) 40% (2019)
- **Coal (GGV)**: 43% (2018) 34% (2019)
- **PGMs**: 26% (2018) 33% (2019)
- **Nickel**: (29%) (2018) 12% (2019)
Cost curve position

ARM is focused on maximising margins at each operation.

Percentile on cost curve (based on cumulative production)
Operational and financial review

ARM Ferrous
**Unaudited attributable profit before tax variance analysis (R million)**

<table>
<thead>
<tr>
<th>Changes in ZAR:USD</th>
<th>Changes in USD Prices</th>
<th>Changes in Volumes</th>
<th>Changes in Cash costs</th>
<th>Changes in Non-cash costs</th>
<th>1HF2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2175</td>
<td>423</td>
<td>1 066</td>
<td>-306</td>
<td>-335</td>
<td>2 175</td>
<td>2 784</td>
</tr>
</tbody>
</table>

**Changes in on-mine unit production costs (%)**

- Sakura: 23%
- Cato Ridge Works: 14%
- Manganese ore: 14%
- Iron ore: 6%

Mining PPI at 6% (South African Mining Producer Price Inflation).

**Changes in sales volumes (%)**

- Iron ore*: 4%
- Manganese alloys**: 1%
- Manganese ore*: 3%

* External sales only
** Includes Sakura Ferroalloy sales

**Changes in average realised US Dollar prices (%)**

- Manganese alloys ($/t)**: 15%
- Export iron ore ($/t): 15%
- Export manganese ore ($/t): 15%
Iron ore (100% basis)

Lump sales as a percentage of total export sales increased from 52% to 58%.

Production volumes decreased by 4%. The operations remain on track to meet sales volume targets for F2019.

Capital expenditure increased mainly as a result of higher capitalised waste stripping.

<table>
<thead>
<tr>
<th></th>
<th>1H F2019</th>
<th>1H F2018</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export sales volumes</td>
<td>7 246</td>
<td>7 387</td>
<td>(2)</td>
</tr>
<tr>
<td>Local sales volumes</td>
<td>1 507</td>
<td>1 743</td>
<td>(14)</td>
</tr>
<tr>
<td>Change in on-mine unit production costs</td>
<td>6</td>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>1 028</td>
<td>609</td>
<td>69</td>
</tr>
</tbody>
</table>

Sales volumes (million tonnes)
Iron ore lump premiums

Spot lump premium for 65% Fe iron ore (US$/t)

Average $7.80
Average $7.38
Average $13.34
YTD $21.19

Source: S&P Global Platts Index
Manganese ore (100% basis)

Manganese ore sales volumes increased by 3% to 1.61 million tonnes.

On-mine unit production costs increased by 14% mainly due to lower production volumes, in line with the planned shut down of the decline shaft at Gloria Mine.

Capital expenditure increased as part of the Gloria Mine modernisation project.

<table>
<thead>
<tr>
<th></th>
<th>1H F2019</th>
<th>1H F2018</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export sales volumes</td>
<td>1 531</td>
<td>1 516</td>
<td>1</td>
</tr>
<tr>
<td>Local sales volumes *</td>
<td>74</td>
<td>40</td>
<td>85</td>
</tr>
<tr>
<td>Change in on-mine unit production costs</td>
<td>14</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>950</td>
<td>557</td>
<td>71</td>
</tr>
</tbody>
</table>

* Excluding intragroup sales

Sales volumes (000 tonnes)
Manganese alloys (100% basis)

Sakura continued to produce at higher than design capacity.

Unit costs at Sakura were impacted by higher manganese ore input prices. Sakura purchases manganese ore from Black Rock Mine at market prices.

Sales volumes at Cato Ridge were 9% higher at 62 thousand tonnes.

<table>
<thead>
<tr>
<th>Sales volumes:</th>
<th>1H F2019</th>
<th>1H F2018</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>South African operations</td>
<td>64,000 tonnes</td>
<td>57,000 tonnes</td>
<td>14</td>
</tr>
<tr>
<td>Sakura</td>
<td>100,000 tonnes</td>
<td>105,000 tonnes</td>
<td>(5)</td>
</tr>
</tbody>
</table>

Change in unit production costs

South African operations

Sakura

Sales volumes (000 tonnes)
Operational and financial review

ARM Platinum
Unaudited attributable profit before tax variance analysis (R million)

Changes in unit production costs (R/t milled)

Changes in average realised US Dollar prices (%)

Revenue contribution per commodity (%)
The average basket price for Modikwa and Two Rivers each increased by 20% to R452 307 and R437 441 per 6E kilogram, respectively.

Modikwa achieved a 3% decrease in unit costs per 6E PGM ounce due to improved productivity and cost saving initiatives.

Two Rivers unit production costs were negatively impacted by a 5% decline in head grade.

An accelerated sinking programme is under way to address the face length flexibility at Two Rivers Mine. The mine head grade is expected to improve from F2020 onwards.
**Nickel (100% basis)**

Nkomati recorded a headline loss of R186 million mainly as a result of lower sales volumes, higher unit costs and a negative mark-to-market adjustment.

An attributable impairment of R892 million after tax was recorded for Nkomati.

We are in discussions with our partner on the future of the mine.

**Nickel C1 cash costs net of by-products**

<table>
<thead>
<tr>
<th></th>
<th>1H F2019</th>
<th>1H F2018</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-mine cash cost*</td>
<td>US$/lb</td>
<td>11.69</td>
<td>10.38</td>
</tr>
<tr>
<td>Off-mine cash cost</td>
<td>US$/lb</td>
<td>0.64</td>
<td>0.79</td>
</tr>
<tr>
<td>By-product credits</td>
<td>US$/lb</td>
<td>(4.46)</td>
<td>(6.23)</td>
</tr>
<tr>
<td><strong>C1 cash cost net of by-products</strong></td>
<td>US$/lb</td>
<td>7.87</td>
<td>4.95</td>
</tr>
<tr>
<td>On-mine cash cost*</td>
<td>R/t milled</td>
<td>401</td>
<td>339</td>
</tr>
<tr>
<td>Off-mine cash cost</td>
<td>R/t milled</td>
<td>12</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total unit cost</strong></td>
<td>R/t milled</td>
<td>413</td>
<td>365</td>
</tr>
</tbody>
</table>

* On-mine unit production costs including capitalised waste stripping costs.

**Nickel production volumes (tonnes)**

![Graph showing nickel production volumes from F2013 to F2021e]
Operational and financial review
ARM Coal
ARM Coal

Unaudited attributable profit variance analysis (R million)

<table>
<thead>
<tr>
<th>Component</th>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices</td>
<td>23</td>
<td>49%</td>
</tr>
<tr>
<td>Volumes</td>
<td>-44</td>
<td>(21)%</td>
</tr>
<tr>
<td>Costs</td>
<td>-49</td>
<td>(21)%</td>
</tr>
<tr>
<td>Other*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1HF2019</td>
<td>116</td>
<td></td>
</tr>
</tbody>
</table>

*Other includes a re-measurement loss on loans of R53 million.

Changes in on-mine unit production costs (%)

- PCB: 18%
- GGV: 9%

Changes in sales volumes* (%)

- Export coal: -13%
- Domestic coal: 18%

*Includes GGV Mine and PCB operations.

ARM attributable debt (R million)

- Before debt restructuring:
  - F2014: 2,869
  - F2015: 3,096
  - F2016: 3,346
  - F2017: 3,284
  - F2018: 1,959
  - 1H F2019: 2,033

- Post-restructuring

*Increase  Decrease
GGV and PCB (100% basis)

Average realised US Dollar export coal prices increased by 9% for both GGV and PCB. More than 80% of GGV's export sales volumes were high quality coal.

GGV saleable production was 9% higher while PCB saleable production was 9% lower (impacted by industrial action in July 2018).

On-mine unit production costs at PCB were negatively impacted by the lower production volumes.

The coal operations delivered improved operational cash flows resulting in accelerated repayments under the coal loans.
Financial position and allocation of capital

Abigail Mukhuba, Finance Director
Disciplined capital allocation

**SOURCES OF FUNDS:**
CASH GENERATED FROM OPERATIONS (INCLUDING CASH DISTRIBUTIONS RECEIVED) | DEBT | EQUITY

**APPLICATION OF FUNDS:**

**INVEST IN EXISTING BUSINESS**
- Maintenance and efficiency improvement, capital expenditure, balancing re-investment, profitability and returns
- Grow existing business

**DEBT REPAYMENT**
- Remaining within acceptable gearing levels and utilising leverage to enhance shareholder returns

**MERGERS AND ACQUISITIONS**
- External growth capital

**DIVIDEND PAYMENTS**
- Maintain the declaration of interim and final dividends

**SHARE REPURCHASE AND/OR SPECIAL DIVIDENDS**
- Dependent on the price that ARM would pay for its shares and best use of excess funds

**APPLICATION OF FUNDS:**
- We build onto long-term investor confidence in ARM’s ability to implement transformative growth and value creation.

Underpinned by metrics that measure the sustainability of value creation for stakeholders (minimum rate of return; other hurdle rates; payback periods; return on assets; return on capital employed; dividend pay-out/cover ratio, etc.)
## Net cash position

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>30 June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents (before short term borrowings)</strong></td>
<td>3 297</td>
<td>3 291</td>
</tr>
<tr>
<td><strong>Total borrowings</strong></td>
<td>(2 132)</td>
<td>(2 296)</td>
</tr>
<tr>
<td><strong>Long-term borrowings</strong></td>
<td>(1 679)</td>
<td>(1 744)</td>
</tr>
<tr>
<td><strong>Short-term borrowings</strong></td>
<td>(453)</td>
<td>(552)</td>
</tr>
<tr>
<td><strong>Net cash</strong></td>
<td>1 165</td>
<td>995</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>27 881</td>
<td>27 378</td>
</tr>
<tr>
<td><strong>Net cash to equity ratio</strong></td>
<td>4.2%</td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>Less:</strong> Partner loans</td>
<td>(1 212)</td>
<td>(1 345)</td>
</tr>
<tr>
<td>ARM Coal loans from Glencore</td>
<td>(1 117)</td>
<td>(1 231)</td>
</tr>
<tr>
<td>Modikwa loan from Anglo Platinum</td>
<td>(95)</td>
<td>(114)</td>
</tr>
<tr>
<td><strong>Less:</strong> ARM BBEE Trust loans (Nedbank; Harmony)</td>
<td>(398)</td>
<td>(470)</td>
</tr>
<tr>
<td><strong>Adjusted net cash</strong></td>
<td>2 775</td>
<td>2 810</td>
</tr>
<tr>
<td><strong>Attributable cash and cash equivalents at ARM Ferrous</strong></td>
<td>2 186</td>
<td>2 507</td>
</tr>
</tbody>
</table>

*Includes restricted cash of R1 200 million (30 June 2018: R1 131 million)

**Since the end of 31 December 2018 Assmang paid an attributable dividend to ARM of R1 500 million (30 June 2018: R1 750 million).
Cash flow analysis

Cash flow from 1 July 2018 to 31 December 2018 (R million)

- Cash and cash equivalents at 1 July 2018: 2,910 million
- Cash generated: 781 million
- Dividends received: 1,750 million
- Tax paid: (264) million
- Other: 97 million
- Sustaining capex: (505) million
- Borrowings repaid: (167) million
- Investment in Harmony: (211) million
- Dividend paid: 1,477 million
- Cash and cash equivalents at 31 December 2018: 2,914 million

Increase: 1,750, 97
Decrease: (264), (505), (167), (211), 1,477
Re-investment growth funded by internal cash flows (R million)*

- Capital expenditure includes (i) deferred stripping at Nkomati and Khumani mines, (ii) Eskom sub-station as a finance lease at Nkomati Mine (iii) financed fleet replacement and sustaining capital expenditure but excludes the Sakura Ferroalloys Project.

- The forecasted capital expenditure for F2020 to F2021 is an estimation based on approved projects and projects under consideration.

** Actual
1H F2019: R1 565 million
1H F2018: R1 147 million
Thank you

We do it better