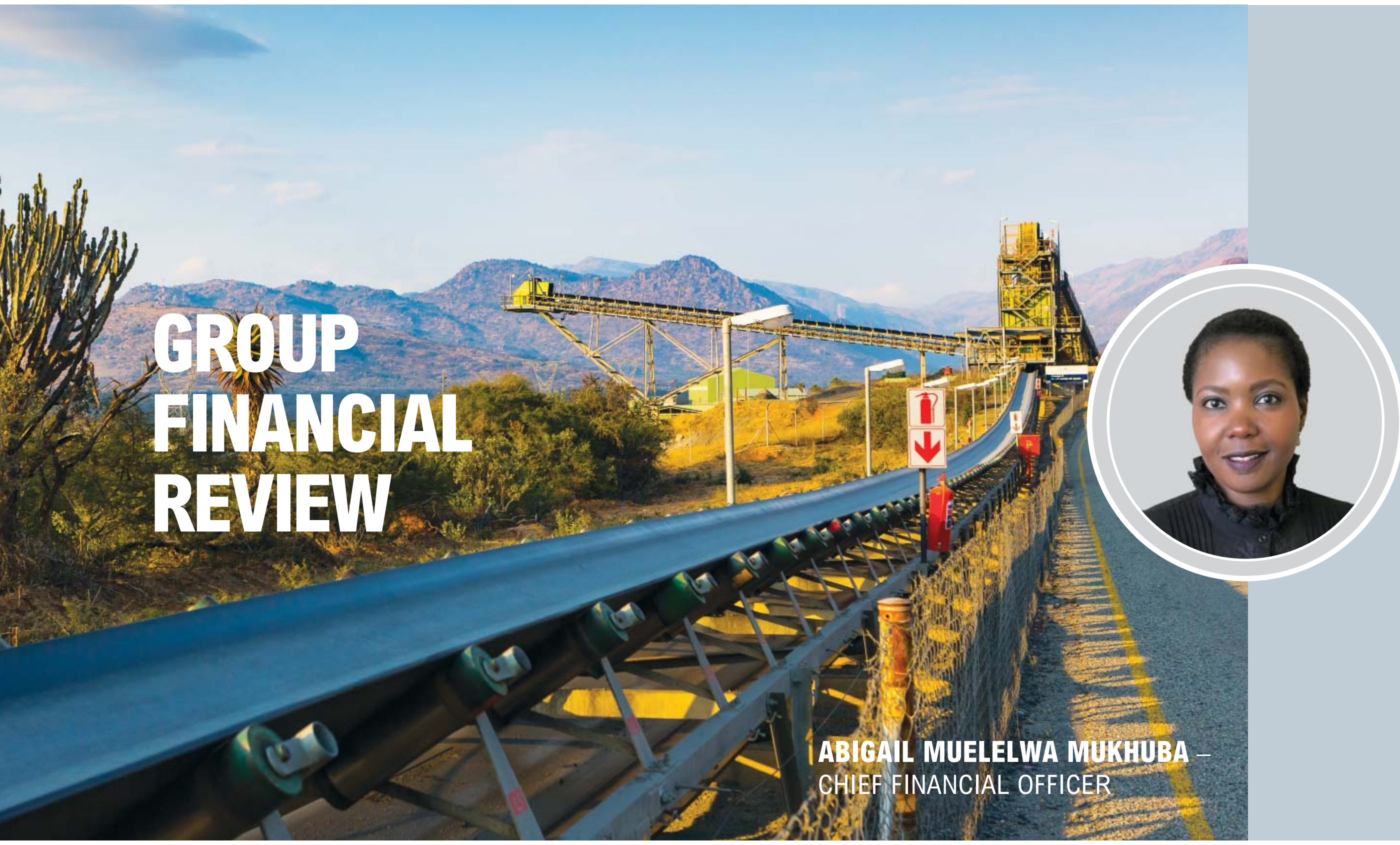
GROUP FINANCIAL REVIEW



ABIGAIL MUELELWA MUKHUBA – CHIEF FINANCIAL OFFICER

KEY FEATURES FOR F2017

HEADLINE EARNINGS:
R3 196 million
(F2016: R1 051 million)

DIVIDENDS DECLARED:
650 cents per share
(F2016: 225 cents per share)

CASH GENERATED FROM OPERATIONS:
R1 611 million
(F2016: R1 225 million)

CAPITAL EXPENDITURE:
R1 022 million
(F2016: R930 million)

MATERIAL MATTERS	RISKS, OPPORTUNITIES AND CHALLENGES
ZAR/US$ exchange rate volatility	Continued strengthening of ZAR/US$
Commodity price volatility	Regulatory uncertainty
Asset impairments	Impact of commodity price outlook on asset valuation
Provision raised for possible silicosis and tuberculosis claims and related costs	Capital allocation efficiencies
Preparation for the implementation of upcoming major accounting standards	

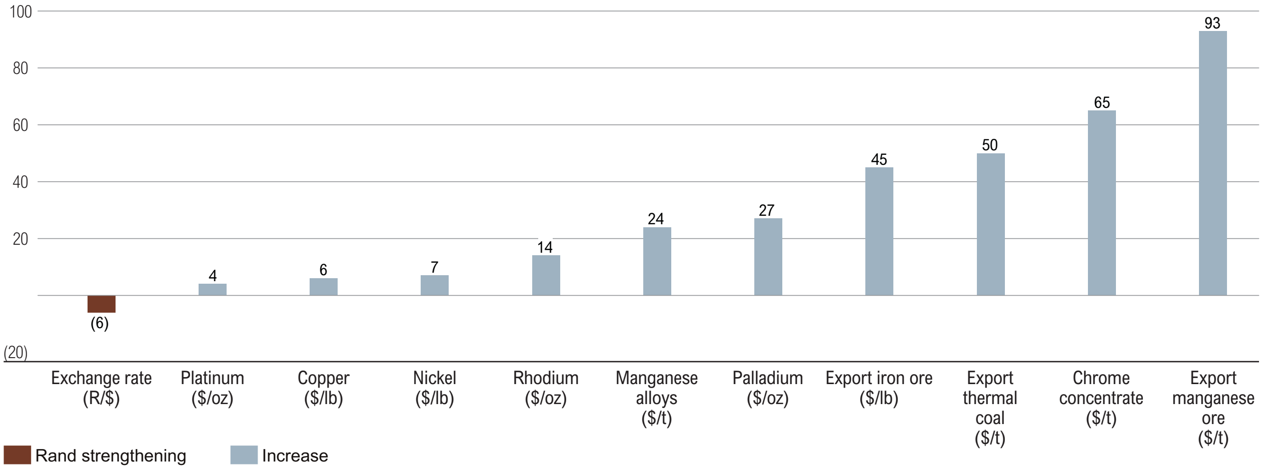
The Financial Review should be read in conjunction with the audited Annual Financial Statements 2017 which are available on ARM's website at **www.arm.co.za**. The Financial Review does not contain sufficient information to allow for a complete understanding of the financial results and state of affairs of the Group, which is provided by the detailed audited Group and Company Annual Financial Statements. The Board has used its discretion in determining the material matters to be reported in this review.

TRADING ENVIRONMENT

Average realised US Dollar commodity prices for F2017 were significantly higher than in F2016. This complemented management's cost reduction, containment and efficiency improvement initiatives. However, the strength of the Rand exchange rate against the US Dollar partially offset the positive impact of the price and cost efficiency initiatives.

The F2017 average Rand/US Dollar exchange rate of R13.60/US$ was 6% stronger than the average of R14.51/US$ for F2016. For reporting purposes, the closing exchange rate at 30 June 2017 was R13.05/US$ (30 June 2016: R14.68/US$).

F2017 VERSUS F2016 AVERAGE US DOLLAR REALISED PRICES AND AVERAGE EXCHANGE RATE CHANGES (%)



FINANCIAL PERFORMANCE

Headline earnings increased by 204% to R3 196 million (F2016: R1 051 million) which equates to headline earnings per share of 1 684 cents (F2016: 494 cents).

The weighted average number of shares at 30 June 2017 was 189.77 million shares (30 June 2016: 212.99 million shares). As a result of the restructuring of the ARM BBEE Trust, the shares owned by the Trust (15.9 million ARM shares) and held by Opilac (Pty) Ltd, a wholly-owned subsidiary of ARM (12.7 million ARM shares) are excluded in the calculation of the weighted average number of shares for a full year in F2017, and for a proportionate period in F2016, as the change only occurred on 22 April 2016.

ARM's basic earnings for F2017 were R1 372 million (F2016: R565 basic loss) and were negatively impacted by special items of R1 824 million loss after tax and non-controlling interest (F2016: R1 616 million loss after tax and non-controlling interest).

The special items largely comprise attributable impairments of the Nkomati Mine assets of R711 million after tax and the Modikwa Mine assets of R734 million after tax and non-controlling interests. The F2016 comparative special items comprised largely of the attributable impairment of the Lubambe Copper Mine ("Lubambe") assets of R1 404 million after non-controlling interest.

The negative impact on earnings was compounded by:

> the unrealised foreign exchange losses on the revaluation of the US Dollar loans advanced by ARM to Lubambe, which entity's functional currency is US Dollar;

> the operational losses at Lubambe; and

> a R330 million provision raised at ARM Corporate for the possible settlement of the silicosis and tuberculosis class action claims and costs.

The reconciliation of basic earnings to headline earnings is provided in the additional comments note on page 121 of this report.

Lubambe has been classified as an operation held for sale and a discontinuing operation at 30 June 2017. The Dwarsrivier Chrome Mine, which was sold to Assore in July 2016, has also been reflected as a discontinued operation in the ARM Ferrous segment information.

Attributable sales from continuing operations for the year were unchanged at R8.16 billion (F2016: R8.16 billion).

The remainder of this review focuses on the analysis and comparison of the total numbers, with discontinuing and continuing operations aggregated.

Earnings before interest, tax, depreciation and amortisation (EBITDA), excluding special items and income from associates and joint ventures were R922 million, which is 35% lower than in F2016 (F2016: R1 415 million). The Assmang joint venture reported a 94% increase in attributable EBITDA of R5 469 million (F2016: R2 817 million).

The EBITDA margins achieved at each division may be ascertained from the detailed segment reports provided in the primary segment performance analysis on pages 113 to 114 of this report.

GROUP FINANCIAL REVIEW continued

AVERAGE GROSS PROFIT MARGINS FOR THE INDIVIDUAL OPERATIONS ON A SEGMENTAL BASIS

	Financial year ended 30 June	
	2017 (%)	2016 (%)
ARM Ferrous	**44**	24
ARM Platinum		
– Two Rivers	**27**	28
– Modikwa	**(8)**	(10)
– Nkomati	**8**	(7)
ARM Coal		
– GGV	**5**	–
– PCB	**24**	4
ARM Copper		(37)
Total	**32**	16

The **ARM Ferrous** contribution to ARM's headline earnings amounted to R3 709 million (F2016: R1 441 million). This is an increase of 157% compared to the F2016 result and is largely due to a R963 million higher contribution from the manganese division and R972 million higher contribution from the iron division.

For accounting purposes, the disposal of the Dwarsrivier Chrome Mine became effective on 1 July 2016. The accounting result for ARM of this disposal was as follows:

> The attributable equity profit realised in Assmang amounted to R5 million which includes an impairment of R373 million before tax (tax: nil). Subsequent to 31 December 2016, a reduction of R49 million in the attributable impairment, raised at 30 December 2016 for the disposal of the Dwarsrivier Chrome Mine, was recorded;

> Attributable contribution to headline earnings amounted to R378 million;

> Cash dividend received from Assmang amounting to R238 million and an in specie dividend of R316 million;

> Proceeds of R238 million received from Assore by ARM for the sale resulting in a loss amounting to R79 million before tax (tax: nil).

The **ARM Platinum** contribution, which includes the results of Nkomati Mine, was headline earnings of R350 million and represents a turnaround from the R10 million headline loss contribution for F2016. The increased contribution is mainly due to a R335 million higher contribution from Nkomati. The Two Rivers Mine maintained a strong positive contribution to headline earnings of R325 million (F2016: R318 million).

ARM Coal contributed headline earnings of R82 million (F2016: R297 million headline loss) largely as a result of the equity-accounted headline earnings contribution of the PCB Coal business of R181 million (F2016: R210 million headline loss), partially offset by higher finance charges in GGV and PCB. Refer section on ARM Coal on pages 54 to 59.

The **ARM Copper** result was a headline loss of R203 million (F2016: R361 million headline loss – re-presented). This result includes interest on shareholders' loans of R56 million (F2016: R36 million – re-presented).

Following the announcement of the disposal of ARM's interest in Lubambe, the inter-company interest accrued to ARM Company from Lubambe of R219 million (F2016: R194 million) has been eliminated from both the ARM Copper and Corporate and Other segments.

The **ARM Exploration** costs were R28 million (F2016: R23 million).

The **ARM Corporate, other companies and consolidation** segment reflects a headline loss of R778 million for the year (F2016: R301 million earnings – re-presented). This is largely due to unrealised foreign exchange losses of R269 million (F2016: R347 million gains) on US Dollar loans advanced by ARM to Lubambe Mine, resulting from the Rand versus the US Dollar exchange rate strengthening from R14.68/US$ at 30 June 2016 to R13.05/US$ at 30 June 2017. The ARM Company loans to Lubambe Mine amounted to US$183 million at 30 June 2017 (30 June 2016: US$158 million).

Also included in the ARM Corporate, other companies and consolidation segment headline loss is a provision of R330 million for the possible settlement of the silicosis and tuberculosis class action claims and related costs. As a consequence of the progress made by the industry working group on occupational lung disease (of which ARM is party) in the negotiations between the Group and affected stakeholders, ARM is now in a position to reliably estimate within an acceptable range the Company's share of a possible settlement of the class action claims and related costs. The nominal amount of the provision is R417 million. Refer page 106 of this report for further details.

Further details of the ARM divisional segment financial performance may be obtained on page 113 to 115 of this report. In addition, each division's report under the Operational review contains detailed information on operational performance.

FINANCIAL POSITION

The Group remains in a strong and robust financial position.

The consolidated net debt (cash and cash equivalents less overdrafts less long-term borrowings) at 30 June 2017 amounts to R1 271 million, representing 5% of total equity, and is lower in comparison to the net debt position of R4 235 million at 30 June 2016 (17% of total equity).

Cash and cash equivalents exclude the attributable cash and cash equivalents balance held at ARM Ferrous (50% of Assmang) of R3 165 million (30 June 2016: R2 399 million).

The decrease in gross interest-bearing borrowings at 30 June 2017 is largely due to the repayment of the ARM Corporate facility of R1 400 million and R623 million reduction of the overdraft and short-term borrowings. There are no interest-bearing borrowings at ARM Ferrous.

Other investments, which largely comprise ARM's 14.5% stake in Harmony, decreased to R1 380 million (F2016: R3 339 million). The Harmony share price at 30 June 2017 was R21.68 (F2016: R52.47). ARM owns 63.6 million shares in Harmony.

CASH FLOWS

Cash generated from operations was R1 611 million (F2016: R1 225 million) and is reported after an R274 million increase in working capital requirements (F2016: R80 million).

Dividends received from the ARM Ferrous joint venture were higher at R2 488 million (F2016: R875 million). ARM received R1 000 million from Assmang in August 2017 (August 2016: R750 million).

Net cash outflow from investing activities reduced to R640 million (F2016: R799 million), mainly as a result of proceeds on disposal of the Dwarsrivier investment.

The net increase in cash and cash equivalents was R364 million for the year (F2016: R748 million decrease).

FINANCIAL CAPITAL

ARM's operational cash flows, net of tax, together with cash and cash equivalent balances and external funding sources constitute its primary financial capital. This capital is used to:

> maintain existing operations;
> expand new and existing operations;
> fund working capital; and
> make new investments.

The Board of directors balances the utilisation of financial capital against ARM's commitment as a globally competitive company to return capital to shareholders through dividends and ensure capital growth in the long run.

Financial capital needs are responsibly managed to ensure that the funding of the Company is not unduly stressed thereby ensuring a sound financial basis for ARM's continued operation and future growth plans. The financial capital of ARM is impacted by many factors including:

> the robustness and accuracy of initial mining project evaluations;
> the subsequent effectiveness and efficiency of mining operations;
> the volatility of commodity prices and exchange rates;
> global supply and demand for the commodities mined;
> global macroeconomic events;
> the need to mine responsibly, safely and sustainably; and
> changes in mining and fiscal laws and regulations.

CAPITAL ALLOCATION FOR THE YEAR

The following were the key capital allocations during F2017:

> dividend payments to shareholders of R426 million reduced from R761 million in F2016;
> capital expenditure increased to R949 million, from R852 million in F2016; and
> the amount of R1 400 million drawn from the ARM Corporate facility at 30 June 2016 was repaid in F2017.

Capital allocation to new projects is reviewed rigorously to ensure that funding is only applied to projects that are expected to provide returns in excess of ARM's risk-adjusted hurdle rates.

For a detailed analysis of the capital expenditure profile per operation, refer to the individual division report under the operational review section of this report.

The value-add statement as reflected on page 28 shows the wealth created and distributed in F2017.

NET GEARING AND BORROWINGS

At 30 June 2017, total interest-bearing borrowings amounted to R2 759 million or 11% of total equity. These borrowings comprise:

> R512 million external bank debt (F2016: R2 694 million);
> R528 million external debt in the ARM BBEE Trust (F2016: R501 million); and
> R1 719 million partner loans (F2016: R2 356 million).

The restructuring of the ARM BBEE Trust resulted in a wholly-owned subsidiary of ARM acquiring 12.7 million ARM shares from the Trust at a cost of R51.19 per share and also in the cancellation of R850 million in guarantees which ARM had provided to the bank lenders to the Trust in the prior year.

ARM does not have high levels of bank debt at either consolidated or segmental level.

At an entity level, however, the ARM Coal investment into GGV and PCB is highly geared by shareholder funding provided by Glencore Operations South Africa (GOSA). These high debt levels impact on the bottom line profitability of the Coal Division.

ARM and GOSA are in discussions on the restructuring of the ARM Coal partner loans.

SEGMENT ANALYSIS

The detailed segmental results, which include the income statement, statement of financial position and cash flows information are provided in note 2 to the Annual Financial Statements 2017.

MATERIAL ACCOUNTING MATTERS

Adoption and implementation of amended and new accounting standards

New accounting standards and amendments issued to accounting standards and interpretations which are relevant to ARM, but not yet effective on 30 June 2017, have not been adopted.

We continuously evaluate the impact of these standards and amendments, the most prominent being IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. In summary, the following are the current expectations in relation to IFRS 9, IFRS 15 and IFRS 16.

IFRS 9 Financial Instruments

We have decided not to adopt IFRS 9 until it becomes mandatory for annual periods beginning on or after 1 January 2018 (*i.e.* for the financial year beginning 1 July 2018 for ARM). The actual impact of adopting IFRS 9 on ARM's financial statements is not currently known and cannot be reliably estimated, as the impact will be dependent on the financial instruments that ARM holds and economic conditions prevailing at that time, as well as accounting elections and judgements which ARM make in the future. The new standard may require ARM to revise its accounting processes and internal controls related to reporting financial instruments and these possible changes have not yet been ascertained. We have embarked on the process of determining the impact that the new impairment model, on the basis of expected credit losses, will have on the impairment provisions. As part of this process, we will finalise the impairment

GROUP FINANCIAL REVIEW continued

methodologies it will apply under IFRS 9. Disclosure requirements and changes in presentation are expected to change the nature and extent of ARM's disclosures about its financial instruments particularly in the year of the adoption of the new standard. We are in the process of identifying changes to systems and controls that may be necessary to capture the required data.

IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2018 (*i.e.* for the financial year beginning 1 July 2018 for ARM). We have developed a detailed project plan for the implementation of IFRS 15 and in line with this plan we are in the process of:

> identifying all significant contracts with customers, in the various entities in the Group, in line with the IFRS 15 five-step model;

> evaluating the different sale contracts in place with its customers, which vary per entity and commodity – there are various contracts with complex terms including consignment sales, various shipping terms and provisional pricing;

> engaging various partners on their interpretation of the various contracts;

> evaluating practical expedients to be used;

> evaluating the changes required to controls, IT systems and processes relating to revenue; and

> evaluating whether a full retrospective or a modified retrospective transition will be adopted – this will be determined once the impact of the various contracts is ascertained.

The new standard may well have an impact on revenue recognised arising from any or all of these contracts. The impact has not yet been ascertained however, this is expected to be ascertained in the first half of F2018.

IFRS 16 Leases

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted, provided that IFRS 15 is adopted at or before the date of initial application of IFRS 16. We continue with the initial assessment of the potential impact of this standard on ARM's financial statements but we have not yet reached a conclusion regarding whether this standard will be early adopted with the implementation of IFRS 15. We must still make a decision on the transition method to be applied, as well as the practical expedients to be used, if elected.

Silicosis and tuberculosis class action provision

In November 2014, a gold mining industry Working Group was formed to address issues relating to the compensation and medical care for occupational lung diseases in the gold mining industry in South Africa. The Working Group comprises ARM, Harmony Gold Mining Company Limited, Anglo American South Africa Limited, AngloGold Ashanti Limited, Gold Fields Limited and Sibanye Gold Limited (collectively the Working Group).

The Working Group engaged different stakeholders including government, organised labour, other mining companies and legal representatives of claimants who have filed legal suits against the companies. These engagements have sought a comprehensive solution to address legacy compensation issues and future legal frameworks that are fair to past and current employees and enable companies to continue to be sustainable over the long term.

As a consequence of the progress of negotiations between the Working Group and affected stakeholders, ARM is now in a position to reliably estimate, within an acceptable range, the Company's share of a possible settlement of the class action claims and related costs. As a result, ARM has recorded a provision of R330 million at 30 June 2017 (discounted) in the results for the year ended 30 June 2017. The nominal amount of the provision is R417 million.

The Working Group continues to defend the legal proceedings filed against them and are appealing the ruling that has been set for hearing from 19 to 23 March 2018. Notwithstanding the provision raised, the companies do not believe that they are liable in respect of the claims brought. They do, however, believe that they should work together to seek a solution to this South African mining industry legacy issue.

The negotiations with the claimants' lawyers are confidential and the Working Group companies are accordingly not able to provide any details of the negotiations.

EVENTS AFTER REPORTING DATE

Further to announcements that the Lubambe Copper Mine was under review, ARM announced on 15 August 2017 that an agreement for the disposal of ARM and Vale's 80% indirect interest in Lubambe Mine to EMR Capital had been concluded. The indirect interest sold includes the equity holding in Lubambe Mine as well as loans to Lubambe Copper Mine.

The purchase consideration for the 80% indirect interest is US$97 million. The final amount receivable is subject to, among others, the following adjustments, which will be finalised on completion of the disposal:

> Settlement of Lubambe Mine's general banking facility;

> Additional funding provided to Lubambe Mine by ARM and Vale between 1 May 2017 and the completion date.

Completion of the disposal is subject to the fulfilment of conditions precedent.

Two Rivers received consent during August 2017 to:

> to transfer the Tamboti rights to it, and

> to have its mining right amended accordingly. The amended mining right is expected to be issued to Two Rivers imminently, at which point ARM's interest in Two Rivers will increase to 54%.

Since the year-end, ARM received a dividend of R1 billion from Assmang.

The Company paid a dividend of R1 422 million on 2 October 2017.

Guarantees to Transnet Freight Rail in relation to the Coal operations amounting to R36 million (ARM share) were issued (F2016: nil).

There are no other matters or circumstances arising since 30 June 2017, not otherwise dealt with in the Annual Financial Statements 2017.

CONTINGENT LIABILITIES

Assmang has issued a guarantee to the Sarawak Energy Board amounting to US$100 million. Sponsor indemnities amounting to US$45.46 million have been received by Assmang in respect of this guarantee. The net effect for Assmang is therefore US$54.54 million.

ARM's 50% interest in Assmang would equate to R356 million (US$27.27 million).

There have been no other significant changes in the contingent liabilities of the Group as disclosed in the 30 June 2016 Integrated Annual Report.

RISK MANAGEMENT KEY FINANCIAL RISKS AND UNCERTAINTIES AFFECTING PERFORMANCE

IAR ARM has an established risk management process, which is described on pages 14 to 15.

Factors that affect the delivery of sustainable value to key stakeholders include currency, commodity price, diesel price and interest rate volatility risks, counterparty, credit, investment, and capital allocation risks.

AFS For a detailed analysis of ARM's approach to these risks, please refer to note 39 to the Annual Financial Statements 2017.

A sensitivity analysis is provided in note 39 to the financial statements. In particular, the sensitivity analysis includes the closing prices used in the provisional valuation at year-end of accounts receivable for the ARM Platinum and Nkomati Nickel operations.

ARM has an established Treasury Risk Management Policy to continuously manage these risks on a non-speculative basis. Among other things, this Policy also allows ARM the flexibility to introduce limited hedging for companies that are controlled by ARM, with the prior approval of the Audit and Risk Committee and the Board of Directors. No hedging was entered into in F2016 nor F2017.

Various governance structures, which support the Investment Committee, the Executive Committee and the Board of Directors, rigorously screen all capital investment projects, and ensure a stringent process is in place for the optimal allocation of capital.

The Company is not risk averse. ARM targets a net gearing threshold of 30% for external funding, subject to the ability to meet debt service requirements. At 30 June 2017, the net debt to equity ratio was 5% (30 June 2016: 17%).

Commitments in respect of capital expenditure reduced to R137 million at 30 June 2017 (F2016: R185 million). It is anticipated that this expenditure, which mainly relates to mine development and plant and equipment, will be financed from operating cash flows and utilising available cash and borrowing resources.

ARM continuously reviews its tax risk management framework to:

> Promote governance;
> Address and reduce tax risks; and
> Create value by proactively evaluating legislative changes and the potential impact on business and ensuring that tax strategies, policies and processes are standardised.

LOOKING AHEAD

While average realised US Dollar commodity prices for F2017 were higher than in F2016, they have generally reduced from recent highs and remain volatile. In addition, although the Rand/US Dollar exchange rate strengthened during F2017 there are still divergent views on the outlook for the exchange rate.

As a result of the abovementioned volatility, there remains an increased degree of forecasting risk in the mining industry. The sustainability of the F2017 level performance is uncertain and will depend on many factors, including the overall local and global economic performance going forward, and the level of policy certainty in the South African mining sector. The ARM response to this uncertainty in prices and exchange rate is to:

> Continue addressing operations that are loss-making and require shareholder funding;
> Improve operational efficiencies; and
> Contain and reduce unit costs at operations.

ARM remains confident in the long-term outlook for commodities.

The robust statement of financial position, which is relatively ungeared, will enable us to withstand the macroeconomic uncertainties and volatile markets for the financial year ahead, while delivering on sustainable returns for all key stakeholders.

DIVIDEND

Dividends are declared after consideration of the solvency and liquidity of the Company in accordance with the requirements of the Companies Act 71 of 2008, as amended, and with due regard to the current funding status of the Company, future funding requirements and estimated cash flows.

The 11th annual dividend declared by ARM on 7 September 2017 of 650 cents per share (F2016: 225 cents per share) is consistent with ARM's commitment as a globally competitive company to pay dividends to shareholders while simultaneously maintaining the ability to fund efficiency improvements and sustain production volumes.

Abigail Muelelwa Mukhuba
Chief Financial Officer

10 October 2017

GROUP FINANCIAL REVIEW continued

GROUP STATEMENT OF FINANCIAL POSITION

at 30 June

	Additional comment notes	F2017 Rm	F2016 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	1	**7 801**	10 966
Intangible assets		**130**	137
Deferred tax assets		**656**	151
Loans and long-term receivables		**34**	40
Investment in associate		**1 334**	1 153
Investment in joint venture		**14 860**	14 623
Other investments		**1 573**	3 521
		26 388	30 591
Current assets			
Inventories		**663**	759
Trade and other receivables		**2 096**	2 453
Taxation		**6**	4
Financial assets		**–**	1
Cash and cash equivalents	2	**1 488**	1 316
		4 253	4 533
Assets held for sale	3	**1 605**	3
Total assets		**32 246**	35 127
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital		**11**	11
Share premium		**4 279**	4 217
Treasury shares		**(2 405)**	(2 405)
Other reserves		**1 326**	3 395
Other reserves discontinuing operation	3	**730**	–
Retained earnings		**19 556**	18 601
Equity attributable to equity holders of ARM		**23 497**	23 819
Non-controlling interest		**543**	762
Total equity		**24 040**	24 581
Non-current liabilities			
Long-term borrowings	4	**2 002**	4 171
Deferred tax liabilities		**1 297**	2 014
Long-term provisions		**1 166**	665
		4 465	6 850
Current liabilities			
Trade and other payables		**1 307**	1 787
Short-term provisions		**393**	355
Taxation		**112**	174
Overdrafts and short-term borrowings	4	**757**	1 380
		2 569	3 696
Liabilities directly associated with assets held for sale	3	**1 172**	–
Total equity and liabilities		**32 246**	35 127

The reduction from F2016 to F2017 is mainly due to the impairment of assets at Modikwa and Nkomati, as well as the reclassification of Lubambe assets to assets held for sale.

The increase from F2016 to F2017 is mainly due to the deferred tax asset recognised on the revaluation of the Harmony Mining Company Limited listed investment.

Comprise ARM's interest in Assmang (Pty) Ltd, which is reported in the ARM Ferrous segment.

Largely comprise the 14.5% interest in Harmony Mining Company Limited.

The investment was valued lower than F2016 as the closing share price was R21.68 against R52.47 in F2016.

Exclude the attributable cash and cash equivalents balance held at ARM Ferrous (50% of Assmang) of R3 165 million (30 June 2016: R2 399 million).

Lubambe Copper Mine has been classified as an operation held for sale at 30 June 2017.

The decrease at 30 June 2017 is largely due to the repayment of the ARM Corporate facility of R1 400 million in 2017.

The consolidated net debt (cash and cash equivalents less overdrafts less long-term borrowings) at 30 June 2017 amounts to R1 271 million, and represents 5% of total equity, R4 235 million at 30 June 2016 (17% of total equity).

The decrease from F2016 to F2017 is largely due to impairments and provisions recognised in F2017.

The increase in provision from F2016 to F2017 is largely due to a provision of R330 million raised for the possible settlement of the silicosis and tuberculosis class action claims and related costs as well as the Two Rivers Platinum Dwarsrivier Sterilisation Provision which is impacted by the long-term outlook of the chrome price.

GROUP INCOME STATEMENT

for the year ended 30 June

	Additional comment notes	F2017 Rm	Re-presented* F2016 Rm
CONTINUING OPERATIONS			
Revenue		**9 019**	9 019
Sales		**8 158**	8 164
Cost of sales		**(6 951)**	(7 353)
Gross profit		**1 207**	811
Other operating income		**757**	1 140
Other operating expenses		**(1 750)**	(1 298)
Profit from operations before special items		**214**	653
Income from investments		**238**	160
Finance costs		**(423)**	(313)
Profit/(loss) from associate		**181**	(210)
Income from joint venture**		**3 265**	1 301
Profit before taxation and special items		**3 475**	1 591
Special items before tax	5	**(2 322)**	(106)
Profit before taxation from continuing operations		**1 153**	1 485
Taxation		**409**	10
Profit for the year from continuing operations		**1 562**	1 495
DISCONTINUING OPERATIONS			
Loss for the year from discontinuing operations		**(130)**	(2 252)
Profit/(loss) for the year		**1 432**	(757)
Attributable to:			
Equity holders of ARM			
Profit for the year from continuing operations		**1 431**	1 199
Loss for the year from discontinuing operations		**(59)**	(1 764)
Basic earnings/(loss) for the year		**1 372**	(565)
Non-controlling interest			
Profit for the year from continuing operations		**131**	296
Loss for the year from discontinuing operations		**(71)**	(488)
		60	(192)
Profit/(loss) for the year		**1 432**	(757)
Earnings per share	6		
Basic earnings/(loss) per share (cents)		**723**	(265)
Basic earnings per share from continuing operations (cents)		**754**	563
Basic loss per share from discontinuing operations (cents)		**(31)**	(828)
Diluted basic earnings/(loss) per share (cents)		**703**	(262)
Diluted basic earnings per share from continuing operations (cents)		**733**	556
Diluted basic loss per share from discontinuing operations (cents)		**(30)**	(818)

* *Re-presented as a result of IFRS 5 – Non-current Assets Held for Sale and discontinued operations accounting for Lubambe. Refer note 3.*

** *Impairment loss included in income from joint venture of R470 million before tax of R27 million (F2016: R202 million before tax of R56 million).*

Decrease from F2016 to F2017 mainly due to lower foreign exchange gains (R347 million) as a result of the strengthening ZAR/US$ exchange rate.

Increase from F2016 to F2017 mainly due to higher foreign exchange losses (R269 million) as a result of the strengthening ZAR/US$ exchange rate as well as a provision of R330 million raised for the possible settlement of the silicosis and tuberculosis class action claims and related costs.

Mainly comprises interest received on cash balances and dividends received from the Harmony Gold Mining Company Limited investment.

Finance costs were higher than those incurred in F2016, largely due to interest on ARM BBEE Trust, ARM Coal and Two Rivers Platinum.

Mainly relates to the investment in PCB Coal Operations.

The equity-accounted income from the Assmang joint venture (ARM Ferrous) includes the negative impact of special items and is significantly higher than last year (F2016: R1 301 million) resulting from the increase in the US Dollar commodity prices, iron ore sales volumes as well as management's cost reduction and containment initiatives. Further performance details on Assmang are detailed in the ARM Ferrous section of this report.

The F2017 special items largely comprise attributable impairments of the Nkomati Mine assets of R711 million after tax and the Modikwa Mine assets of R734 million after tax and non-controlling interests.

Lubambe has been classified as an operation held for sale at 30 June 2017. In addition, it has been classified as a discontinuing operation.

Increase from F2016 to F2017 mainly due to an increase in deferred tax to R783 million (F2016: R303 million) mainly as a result of the impairments at Modikwa and Nkomati.

GROUP FINANCIAL REVIEW continued

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

	Available-for-sale reserve Rm	Other Rm	Retained earnings Rm	Total share-holders of ARM Rm	Non-controlling interest Rm	Total Rm
For the year ended 30 June 2016 (Re-presented*)						
Loss for the year to 30 June 2016	–	–	(565)	(565)	(192)	(757)
Profit for the year to 30 June 2016 from continuing operations	–	–	1 199	1 199	296	1 495
Loss for the year to 30 June 2016 from discontinuing operations	–	–	(1 764)	(1 764)	(488)	(2 252)
Other comprehensive income that may be reclassified to the income statement in subsequent periods						
Net impact of revaluation of listed investment	1 934	–	–	1 934	–	1 934
Revaluation of listed investment**	2 347	–	–	2 347	–	2 347
Deferred tax on above	(448)	–	–	(448)	–	(448)
Deferred tax rate change	35	–	–	35	–	35
Foreign currency translation reserve movement continuing operations	–	188	–	188	–	188
Foreign currency translation reserve movement discontinuing operation	–	(87)	–	(87)	–	(87)
Total comprehensive income/(loss) for the year	1 934	101	(565)	1 470	(192)	1 278
For the year ended 30 June 2017						
Profit for the year to 30 June 2017	**–**	**–**	**1 372**	**1 372**	**60**	**1 432**
Profit for the year to 30 June 2017 from continuing operations	**–**	**–**	**1 431**	**1 431**	**131**	**1 562**
Loss for the year to 30 June 2017 from discontinuing operations	**–**	**–**	**(59)**	**(59)**	**(71)**	**(130)**
Other comprehensive income that may be reclassified to the income statement in subsequent periods						
Net impact of revaluation of listed investment	**(1 520)**	**–**	**–**	**1 520**	**–**	**1 520**
Revaluation of listed investment**	**(1 959)**	**–**	**–**	**(1 959)**	**–**	**(1 959)**
Deferred tax on above	**439**	**–**	**–**	**439**	**–**	**439**
Foreign currency translation reserve movement continuing operations	**–**	**(365)**	**–**	**(365)**	**–**	**(365)**
Foreign currency translation reserve movement discontinuing operation	**–**	**403**	**–**	**403**	**–**	**403**
Total comprehensive (loss)/income for the year	**(1 520)**	**38**	**1 372**	**(110)**	**60**	**(50)**

* *Re-presented as a result of IFRS 5 Non-current Assets Held for Sale and Discontinuing Operations accounting for Lubambe. Refer additional comment note 3.*

** *Share price of Harmony decreased from R52.47 per share at 30 June 2016 to R21.68 at 30 June 2017, and increased from R15.59 at 30 June 2015 to R52.47 per share at 30 June 2016. Investment in Harmony is based on level 1 fair value hierarchy level.*

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Share capital and premium Rm	Treasury shares Rm	Available-for-sale reserve Rm	Other* Rm	Retained earnings Rm	Total Share-holders of ARM Rm	Non-controlling interest Rm	Total Rm
Balance at 30 June 2015	4 194	–	–	1 212	20 113	25 519	1 386	26 905
Total comprehensive income/(loss) for the year	–	–	1 934	101	(565)	1 470	(192)	1 278
Loss for the year to 30 June 2016	–	–	–	–	(565)	(565)	(192)	(757)
Other comprehensive income	–	–	1 934	101	–	2 035	–	2 035
Bonus and performance shares issued to employees	34	–	–	(34)	–	–	–	–
Changes due to insurance restructuring – net of tax**	–	–	–	–	(195)	(195)	–	(195)
Dividend paid	–	–	–	–	(761)	(761)	–	(761)
Dividend paid to Impala Platinum	–	–	–	–	–	–	(370)	(370)
Restructuring of ARM BBEE Trust	–	(2 405)	–	–	–	(2 405)	(62)	(2 467)
Share-based payments	–	–	–	191	–	191	–	191
Transfer	–	–	–	(9)	9	–	–	–
Balance at 30 June 2016	**4 228**	**(2 405)**	**1 934**	**1 461**	**18 601**	**23 819**	**762**	**24 581**
Total comprehensive (loss)/income for the year	**–**	**–**	**(1 520)**	**38**	**1 372**	**(110)**	**60**	**(50)**
Profit for the year to 30 June 2017	**–**	**–**	**–**	**–**	**1 372**	**1 372**	**60**	**1 432**
Other comprehensive (loss)/income	**–**	**–**	**(1 520)**	**38**	**–**	**(1 482)**	**–**	**(1 482)**
Bonus and performance shares issued to employees	**62**	**–**	**–**	**(58)**	**–**	**4**	**–**	**4**
Dividend paid	**–**	**–**	**–**	**–**	**(426)**	**(426)**	**–**	**(426)**
Dividend paid to Impala Platinum	**–**	**–**	**–**	**–**	**–**	**–**	**(279)**	**(279)**
Share-based payments	**–**	**–**	**–**	**201**	**–**	**201**	**–**	**201**
Dividend reserve reversed in ARM BBEE Trust	**–**	**–**	**–**	**–**	**9**	**9**	**–**	**9**
Balance at 30 June 2017	**4 290**	**(2 405)**	**414**	**1 642**	**19 556**	**23 497**	**543**	**24 040**

* *Other reserves consist of the following:*

	F2017 Rm	*F2016 Rm*	*F2015 Rm*
Dilution in Two Rivers	***(26)***	*(26)*	*(26)*
Foreign currency translation on loans discontinuing operation	***61***	*61*	*61*
Foreign currency translation reserve – Assmang	***(121)***	*103*	*–*
Foreign currency translation reserve – other entities	***28***	*164*	*77*
Foreign currency translation reserve – discontinuing operation	***669***	*266*	*355*
General reserve	***28***	*28*	*28*
Insurance contingency	***–***	*5*	*14*
Premium paid on purchase of non-controlling interest	***(14)***	*(14)*	*(14)*
Share-based payments	***1 017***	*874*	*717*
Total	***1 642***	*1 461*	*1 212*

** *Reversal of the inter-company elimination as a result of insurance restructuring.*

GROUP FINANCIAL REVIEW continued

GROUP STATEMENT OF CASH FLOWS

for the year ended 30 June

	Additional comment notes	F2017 Rm	F2016 Rm
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		**9 779**	9 671
Cash paid to suppliers and employees		**(8 168)**	(8 446)
Cash generated from operations		**1 611**	1 225
Interest received		**122**	111
Interest paid		**(247)**	(163)
Dividends received from joint venture		**2 488**	875
Dividend paid to non-controlling interest – Impala Platinum		**(279)**	(370)
Dividend paid to shareholders		**(426)**	(761)
Taxation paid		**(401)**	(308)
Net cash inflow from operating activities		**2 868**	609
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment to maintain operations		**(949)**	(804)
Additions to property, plant and equipment to expand operations		**–**	(48)
Dividends received from investments		**64**	1
Proceeds on disposal of property, plant and equipment		**7**	36
Proceeds on disposal of investment		**238**	8
Investment in RBCT		**(6)**	(10)
ARM BBEE Trust cash consolidated following trust restructuring			10
Loans and receivables received		**6**	8
Net cash outflow from investing activities		**(640)**	(799)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds on exercise of share options		**4**	–
Long-term borrowings raised		**–**	1 463
Long-term borrowings repaid		**(1 475)**	(881)
Repurchase of ARM shares		**–**	(651)
Short-term borrowings repaid		**(394)**	(489)
Net cash outflow from financing activities		**(1 865)**	(558)
Net increase/(decrease) in cash and cash equivalents		**363**	(748)
Cash and cash equivalents at beginning of year		**667**	1 445
Foreign currency translation on cash balance		**1**	(30)
Cash and cash equivalents at end of year	2	**1 031**	667
Cash generated from operations per share (cents)		**849**	575

The value add statement as reflected on page 28 shows the wealth created and distributed in F2017.

Record dividends received from Assmang in F2017 mainly as a result of a combination of higher US Dollar commodity prices and management's cost containment initiatives.

F2017 comprises dividend received from the Harmony investment.

Relates to the sale of Dwarsrivier.

Largely due to the repayment of the ARM Corporate facility of R1 400 million in 2017, following the receipt of cash dividends of R2 488 million from Assmang.

PRIMARY SEGMENT PERFORMANCE

For management purposes, the Group is organised into the following operating divisions: ARM Platinum (which includes platinum and nickel), ARM Ferrous, ARM Coal, ARM Copper and ARM Corporate. ARM Strategic Services and Exploration, Corporate and other and Gold are included in ARM Corporate and tabled below.

	Continuing operations							Dis-continuing operation
Attributable	ARM Platinum Rm	ARM Ferrous Rm	ARM Coal Rm	ARM Corporate Rm	Total Rm	IFRS Adjust-ment* Rm	Total per IFRS financial state-ments Rm	ARM Copper Rm
Year to 30 June 2017								
Sales	**7 247**	**13 140**	**911**	**–**	**21 298**	**(13 140)**	**8 158**	**600**
Cost of sales	**(6 097)**	**(7 405)**	**(866)**	**40**	**(14 328)**	**7 377**	**(6 951)**	**(601)**
Other operating income	**78**	**35**	**37**	**595**	**745**	**12**	**757**	**4**
Other operating expenses	**(276)**	**(1 214)**	**(4)**	**(1 470)**	**(2 964)**	**1 214**	**(1 750)**	**(238)**
Segment result	**952**	**4 556**	**78**	**(835)**	**4 751**	**(4 537)**	**214**	**(235)**
Income from investments	**30**	**537**	**–**	**208**	**775**	**(537)**	**238**	**–**
Finance cost	**(70)**	**(48)**	**(215)**	**(138)**	**(471)**	**48**	**(423)**	**(19)**
Finance cost ZCCM: Shareholders' loan Vale/ARM joint operation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(56)**
Finance cost ARM: Shareholders' loan Vale/ARM joint operation**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Profit from associate	**–**	**–**	**181**	**–**	**181**	**–**	**181**	**–**
Income from joint venture***	**–**	**(23)**	**–**	**–**	**(23)**	**3 288**	**3 265**	**–**
Special items before tax	**(2 243)**	**(471)**	**–**	**(79)**	**(2 793)**	**471**	**(2 322)**	**180**
Taxation	**376**	**(1 272)**	**38**	**–**	**(858)**	**1 267**	**409**	**–**
(Loss)/profit after tax	**(955)**	**3 279**	**82**	**(844)**	**1 562**	**–**	**1 562**	**(130)**
Non-controlling interest	**(140)**	**–**	**–**	**9**	**(131)**	**–**	**(131)**	**71**
Consolidation adjustment	**–**	**(14)**	**–**	**14**	**–**	**–**	**–**	**–**
Contribution to basic earnings	**(1 095)**	**3 265**	**82**	**(821)**	**1 431**	**–**	**1 431**	**(59)**
Contribution to headline earnings	**350**	**3 709**	**82**	**(742)**	**3 399**	**–**	**3 399**	**(203)**
Other information								
Segment assets, including investment in associate	**8 234**	**19 249**	**3 785**	**3 763**	**35 031**	**(4 389)**	**30 642**	**1 604**
Investment in associate			**1 334**		**1 334**		**1 334**	
Investment in joint venture						**14 860**	**14 860**	
Segment liabilities	**1 819**	**1 617**	**1 848**	**1 958**	**7 242**	**(1 617)**	**5 625**	**1 172**
Unallocated liabilities (tax and deferred tax)					**4 181**	**(2 772)**	**1 409**	
Consolidated total liabilities					**11 423**	**(4 389)**	**7 034**	
Cash inflow/(outflow) generated from operations	**1 419**	**4 933**	**222**	**54**	**6 628**	**(4 933)**	**1 695**	**(84)**
Cash inflow/(outflow) from operating activities	**868**	**4 396**	**222**	**(555)**	**4 931**	**(1 908)**	**3 023**	**(155)**
Cash (outflow)/inflow from investing activities	**(727)**	**(1 142)**	**(181)**	**300**	**(1 750)**	**1 142**	**(608)**	**(32)**
Cash outflow from financing activities	**(15)**	**–**	**(40)**	**(1 806)**	**(1 861)**	**–**	**(1 861)**	**(4)**
Capital expenditure	**783**	**1 361**	**196**	**2**	**2 342**	**(1 361)**	**981**	**41**
Amortisation and depreciation	**546**	**913**	**159**	**3**	**1 621**	**(913)**	**708**	**107**
(Impairment)/reversal before tax	**(2 243)**	**(470)**	**–**	**–**	**(2 713)**	**470**	**(2 243)**	**180**
EBITDA	**1 498**	**5 469**	**237**	**(832)**	**6 372**	**(5 450)**	**922**	**(128)**

There were no significant inter-company sales.

* *Includes IFRS 11 – Joint Arrangements – adjustments related to ARM Ferrous.*

** *Inter-company interest of R219 million receivable by ARM Corporate and accrued by ARM Copper is presented in terms of IFRS 5.*

*** *Impairment included in income from joint venture R470 million before tax of R27 million.*

GROUP FINANCIAL REVIEW continued

	Continuing operations							Dis-continuing operation
Attributable	ARM Platinum Rm	ARM Ferrous Rm	ARM Coal Rm	ARM Corporate Rm	Total Rm	IFRS Adjust-ment* Rm	Total per IFRS financial state-ments Rm	ARM Copper Rm
Year to 30 June 2016 (Re-presented)**								
Sales	7 367	10 327	797	–	18 491	(10 327)	8 164	581
Cost of sales	(6 563)	(7 870)	(798)	37	(15 194)	7 841	(7 353)	(794)
Other operating income	33	164	70	970	1 237	(97)	1 140	8
Other operating expenses	(426)	(770)	(3)	(869)	(2 068)	770	(1 298)	(229)
Segment result	411	1 851	66	138	2 466	(1 813)	653	(434)
Income from investments	32	208	–	128	368	(208)	160	–
Finance cost	(48)	(31)	(188)	(77)	(344)	31	(313)	(26)
Finance cost ZCCM: Shareholders' loan Vale/ARM joint operation	–	–	–	–	–	–	–	(36)
Finance cost ARM: Shareholders' loan Vale/ARM joint operation***	–	–	–	–	–	–	–	–
Loss from associate	–	–	(210)	–	(210)	–	(210)	–
Income from joint venture****	–	(9)	–	–	(9)	1 310	1 301	–
Special items before tax	(125)	(194)	–	19	(300)	194	(106)	(1 754)
Taxation	(85)	(497)	35	71	(476)	486	10	(2)
Profit/(loss) after tax	185	1 328	(297)	279	1 495	–	1 495	(2 252)
Non-controlling interest	(285)	–	–	(11)	(296)	–	(296)	488
Consolidation adjustment	–	(27)	–	27	–	–	–	–
Contribution to basic earnings	(100)	1 301	(297)	295	1 199	–	1 199	(1 764)
Contribution to headline earnings	(10)	1 441	(297)	278	1 412	–	1 412	(361)

There were no significant inter-company sales.

* *Includes IFRS 11 – Joint Arrangements – adjustments related to ARM Ferrous.*

** *Re-presented as a result of IFRS 5 Non-current Assets Held for Sale and Discontinuing Operations accounting for Lubambe. Refer additional comment note 3.*

*** *Inter-company interest of R194 million receivable by ARM Corporate and accrued by ARM Copper is presented in terms of IFRS 5.*

**** *Impairment included in income from joint venture R202 million before tax of R56 million.*

Attributable	Continuing operations ARM Platinum Rm	ARM Ferrous Rm	ARM Coal Rm	ARM Corporate Rm	Dis-continuing operation ARM Copper Rm	Total Rm	IFRS Adjust-ment* Rm	Total per IFRS financial state-ments Rm
Year to 30 June 2016 (Re-presented) continued**								
Other information								
Segment assets, including investment in associate	10 059	18 897	3 553	5 199	1 692	39 400	(4 273)	35 127
Investment in associate			1 153			1 153	–	1 153
Investment in joint venture							14 623	14 623
Segment liabilities	2 075	1 653	1 778	3 240	1 265	10 011	(1 653)	8 358
Unallocated liabilities (tax and deferred tax)						4 773	(2 585)	2 188
Consolidated total liabilities						14 784	(4 238)	10 546
Cash inflow/(outflow) generated from operations	947	2 927	241	168	(131)	4 152	(2 927)	1 225
Cash inflow/(outflow) from operating activities	331	2 588	236	(1 303)	(155)	1 697	(1 088)	609
Cash (outflow)/inflow from investing activities	(553)	(1 796)	(226)	45	(65)	(2 595)	1 796	(799)
Cash outflow from financing activities	(68)	–	–	(467)	(23)	(558)	–	(558)
Capital expenditure	667	1 422	185	3	75	2 352	(1 422)	930
Amortisation and depreciation	614	966	143	5	204	1 932	(966)	966
Impairment before tax	(122)	(202)	–	–	(1 755)	(2 079)	202	(1 877)
EBITDA	1 025	2 817	209	143	(230)	3 964	(2 779)	1 185

There were no significant inter-company sales.

* *Includes IFRS 11 – Joint Arrangements – adjustments related to ARM Ferrous.*

** *Re-presented as a result of IFRS 5 Non-current Assets Held for Sale and Discontinuing Operations accounting for Lubambe. Refer additional comment note 3.*

The ARM Platinum segment is analysed further into Two Rivers Platinum Mine, ARM Mining Consortium (which includes Modikwa Platinum Mine) and Nkomati Nickel Mine.

GROUP FINANCIAL REVIEW continued

ADDITIONAL COMMENTS NOTES

1. IMPAIRMENTS

1.1 Nkomati Nickel Mine

At 31 December 2016, an impairment loss of the Nkomati Nickel Mine cash-generating unit was recognised, largely as a result of:

> a revision of the mine plan with a resultant lower metal output profile; and

> a significant decline from the prior year forecast long-term price of nickel and a further strengthening of the R/US$ exchange rate.

ARM's attributable share of the impairment charge amounted to R988 million before tax and R711 million after tax.

The recoverable amount of the cash-generating unit was determined based on the value-in-use calculation performed in terms of International Financial Reporting Standards.

A pre-tax discount rate of 20.72% was used for the impairment calculation, together with the following metal prices and exchange rate assumptions.

	2H F2017 Nominal	F2018 Nominal	F2019 Nominal	F2020 Nominal	Long-term Real
Nickel – US$/tonne	**11 053**	11 561	12 606	14 029	16 475
Platinum – US$/ounce	**986**	1 073	1 171	1 247	1 270
Palladium – US$/ounce	**712**	751	805	825	790
Gold – US$/ounce	**1 221**	1 260	1 295	1 307	1 194
Copper – US$/tonne	**5 356**	5 362	5 555	5 803	5 975
Cobalt – US$/lb	**14.00**	13.89	13.51	13.58	11.86
Chrome concentrate – US$/tonne	**235**	180	160	165	175
Exchange rate – R/US$	**13.84**	14.24	14.22	14.30	14.00

	F2017 Rm	F2016 Rm
The assets related to the underground operations at Nkomati (included in the ARM Platinum segment) were impaired following the decision to cease operations in this area.	**–**	122

At 30 June 2017 there were no further impairments.

1.2 Modikwa Platinum Mine

At 31 December 2016, an impairment loss of the Modikwa Platinum Mine cash-generating unit attributable to ARM, was recognised largely as a result of:

> lower forecast PGM output over the short to medium term;

> higher forecast unit cost of production; and

> a reduction in the forecast long-term platinum price and a further strengthening of the R/US$ exchange rate.

ARM's attributable share of the impairment amounted to R1 255 million before tax, R890 million after tax and R734 million after non-controlling interest and tax.

The recoverable amount of the cash-generating unit was determined based on the value-in-use calculation performed in terms of International Financial Reporting Standards.

A pre-tax discount rate of 18.72% was used for the impairment calculation, together with the following metal prices and exchange rate assumptions.

		2H F2017 Nominal	F2018 Nominal	F2019 Nominal	F2020 Nominal	Long-term Real
Platinum	– US$/ounce	**986**	1 073	1 171	1 247	1 270
Palladium	– US$/ounce	**712**	751	805	825	790
Rhodium	– US$/ounce	**845**	800	800	850	850
Gold	– US$/ounce	**1 221**	1 260	1 295	1 307	1 194
Iridium	– US$/ounce	**500**	500	500	500	500
Ruthenium	– US$/ounce	**40**	40	50	50	55
Nickel	– US$/tonne	**11 053**	11 561	12 606	14 029	16 475
Copper	– US$/tonne	**5 356**	5 362	5 555	5 803	5 975
Cobalt	– US$/lb	**14.00**	13.89	13.51	13.58	11.86
Exchange rate	– R/US$	**13.84**	14.24	14.22	14.30	14.00

At 30 June 2017 there were no further impairments.

1. IMPAIRMENTS continued

1.3 Lubambe Copper Mine

At 31 December 2015, an impairment of Lubambe Copper Mine (included in the ARM Copper segment) assets was recognised largely as a result of:

> a decline in the forecast of the short- to medium-term copper price;
> a revision to the mine plan; and
> an increase in the discount rate used in the valuation of the mine.

ARM's attributable share of the impairment amounted to R1 404 million. For the impairment calculation a pre-tax discount rate of 24.43% and the following real copper prices were used.

	2H F2016	F2017	F2018	F2019	Long-term
US$/tonne	4 569	4 615	4 939	5 427	6 369

The recoverable amount to determine the impairments was calculated using a combination of a value in use and a fair value less cost to sell model. At year end there was an impairment reversal following the classification of Lubambe as an asset held for sale (refer to note 3).

	F2017 Rm	F2016 Rm
2. CASH AND CASH EQUIVALENTS		
– African Rainbow Minerals Limited	**233**	129
– ARM BBEE Trust	**2**	2
– ARM Coal Proprietary Limited	**–**	1
– ARM Finance Company SA	**7**	12
– ARM Platinum Proprietary Limited	**82**	32
– ARM Treasury Investments Proprietary Limited	**36**	35
– Two Rivers Platinum Proprietary Limited	**10**	12
– TEAL Minerals (Barbados) Incorporated*	**1**	–
– TEAL Exploration and Mining Incorporated*	**13**	–
– TEAL Exploration and Mining Incorporated*	**1**	–
– Vale/ARM joint operation discontinued operation		27
– Venture Building Trust Proprietary Limited	**4**	2
– Restricted cash	**1 099**	1 064
Total as per statement of financial position	**1 488**	1 316
Less: Overdrafts (refer note 4)	**(292)**	(649)
Less: Overdrafts relating to asset held for sale (refer notes 3 and 4)	**(168)**	–
Plus: Cash relating to asset held for sale (refer note 3)	**3**	–
Total as per Group statement of cash flows	**1 031**	667

* *Entities remaining after the proposed Vale/ARM discontinuing operation.*

GROUP FINANCIAL REVIEW continued

	F2017 Rm	F2016 Rm
3. ASSETS HELD FOR SALE		
3.1 Asset held for sale and discontinuing operation		
A sale agreement was entered into to sell the Lubambe operation in Zambia. The effective date for classification as an asset held for sale was 9 June 2017. The assets, liabilities and certain other reserves at 30 June 2017 to be disposed of are as follows:		
Property, plant and equipment	**1 392**	
Inventories	**130**	
Trade and other receivables	**79**	
Cash and cash equivalents	**3**	
Assets held for sale	**1 604**	
Other reserves	**730**	
Long-term borrowings	**656**	
Long-term provisions	**85**	
Trade and other payables	**215**	
Short-term provisions	**33**	
Overdrafts and short-term borrowings	**183**	
Liabilities directly associated with assets held for sale	**1 172**	
The cash flows were as follows:		
Cash outflow from operating activities	**(155)**	
Cash outflow from investing activities	**(32)**	
Cash outflow from financing activities	**(4)**	
The income statement effect is as follows:		
Sales	**600**	581
Cost of sales	**(601)**	(794)
Other operating income	**4**	8
Other operating expenses	**(238)**	(229)
Segment result	**(235)**	(434)
Finance cost	**(19)**	(26)
Finance cost ZCCM: Shareholders' loan Vale/ARM joint operation	**(56)**	(36)
Special items before tax	**180**	(1 754)
Taxation	**–**	(2)
Loss after tax	**(130)**	(2 252)
Non-controlling interest	**71**	488
Contribution to basic earnings	**(59)**	(1 764)
Contribution to headline earnings	**(203)**	(361)
Basic loss per share from discontinuing operations (cents)	**(31)**	(828)
Diluted basic loss per share from discontinuing operations (cents)	**(30)**	(818)
An impairment reversal (refer additional comments note 1.3) of R180 million was recorded by determining the fair value less cost to sell.		
3.2 The underground operations at Nkomati were classified as held for sale following the decision to cease operations in the undergound area	**1**	3
Total asset held for sale	**1 605**	**3**

4. BORROWINGS

	F2017 Rm	F2016 Rm
Long-term borrowings are held as follows:		
– African Rainbow Minerals Limited	**–**	1 400
– ARM BBEE Trust	**528**	501
– ARM Coal Proprietary Limited (partner loan)	**1 433**	1 423
– ARM Finance Company SA	**–**	88
– Nkomati	**13**	23
– Two Rivers Platinum Proprietary Limited	**28**	24
– Vale/ARM joint operation		16
– Vale/ARM joint operation – ZCCM (partner loan)		696
	2 002	4 171
Short-term borrowings		
– Anglo Platinum Limited (partner loan)	**114**	114
– ARM Coal Proprietary Limited (partner loan)	**172**	123
– ARM Finance Company SA	**78**	426
– Nkomati	**64**	12
– Two Rivers Platinum Proprietary Limited	**37**	39
– Vale/ARM joint operation		17
	465	731
Overdrafts (refer note 2)		
– African Rainbow Minerals Limited	**–**	3
– ARM Mining Consortium Limited	**–**	29
– Nkomati	**11**	24
– Two Rivers Platinum Proprietary Limited	**261**	354
– Vale/ARM joint operation		219
– Other	**20**	20
	292	649
Overdrafts and short-term borrowings	**757**	1 380
Total borrowings	**2 759**	5 551
Discontinuing operation (refer note 3)		
Long-term borrowing	**656**	
Short-term borrowing	**15**	
Overdraft	**168**	

GROUP FINANCIAL REVIEW continued

5. SPECIAL ITEMS

	F2017 Rm	Re-presented* F2016 Rm
Profit on sale of property, plant and equipment	**–**	12
Profit on sale of subsidiary	**–**	4
Impairment loss of property, plant and equipment – Modikwa	**(1 255)**	–
Impairment loss of property, plant and equipment – Nkomati	**(988)**	(122)
Loss on disposal of investment	**(79)**	–
Special items per income statement before taxation effect	**(2 322)**	(106)
Impairment loss on property, plant and equipment accounted for directly in joint venture – Assmang	**(470)**	(202)
Impairment reversal/(loss) on property, plant and equipment – Lubambe (discontinuing operation)	**180**	(1 755)
Profit on sale of property, plant and equipment – Lubambe (discontinuing operation)	**–**	1
(Loss)/profit on sale of property, plant and equipment accounted for directly in joint venture – Assmang	**(1)**	8
Special items before taxation effect	**(2 613)**	(2 054)
Taxation accounted for in joint venture – impairment loss at Assmang	**27**	56
Taxation accounted for in joint venture – profit on sale at Assmang	**–**	(2)
Taxation – impairment loss of Modikwa assets	**365**	–
Taxation – impairment loss of Nkomati assets	**277**	33
Special items after taxation effect	**(1 944)**	(1 967)
Non-controlling interest – impairment (reversal)/loss of assets at Lubambe (discontinuing operation)	**(36)**	351
Non-controlling interest – impairment loss of assets at Modikwa	**156**	–
Total	**(1 824)**	(1 616)

* *Re-presented as a result of IFRS 5 Non-current Assets Held for Sale and discontinuing operations accounting for Lubambe. Refer additional comment note 3.*

6. EARNINGS PER SHARE

	F2017	F2016
Headline earnings (R million)	**3 196**	1 051
Headline earnings from continuing operations (R million)	**3 399**	1 412
Headline loss from discontinuing operations (R million)	**(203)**	(361)
Headline earnings per share (cents)	**1 684**	494
Headline earnings per share from continuing operations (cents)	**1 791**	663
Headline loss per share from discontinuing operations (cents)	**(107)**	(169)
Basic earnings/(loss) per share (cents)	**723**	(265)
Basic earnings from continuing operations per share (cents)	**754**	563
Basic loss from discontinuing operations per share (cents)	**(31)**	(828)
Diluted headline earnings per share (cents)	**1 638**	487
Diluted headline earnings per share from continuing operations (cents)	**1 742**	654
Diluted headline loss per share from discontinuing operations (cents)	**(104)**	(167)
Diluted basic earnings/(loss) per share (cents)	**703**	(262)
Diluted basic earnings from continuing operations per share (cents)	**733**	556
Diluted basic loss from discontinuing operations per share (cents)	**(30)**	(818)
Number of shares in issue at end of year (thousands)	**218 702**	218 022
Weighted average number of shares (thousands)	**189 768**	212 990
Weighted average number of shares used in calculating diluted earnings per share (thousands)	**195 112**	215 825
Net asset value per share (cents)	**10 744**	10 925
EBITDA (R million)	**794**	1 185
EBITDA from continuing operations (R million)	**922**	1 415
Dividend declared after year end (cents per share)	**650**	225

6. EARNINGS PER SHARE continued

Reconciliation to headline earnings (R million)

	F2017	F2016
Basic earnings/(loss) attributable to equity holders of ARM	**1 372**	(565)
– (Reversal)/impairment loss on property, plant and equipment – Lubambe	**(180)**	1 755
– Impairment loss on property, plant and equipment – Modikwa	**1 255**	–
– Impairment loss on property, plant and equipment – Nkomati	**988**	122
– Impairment loss of property, plant and equipment in joint venture – Assmang	**470**	202
– Profit on sale of subsidiary	**–**	(4)
– Loss/(profit) on sale of property, plant and equipment in joint venture – Assmang	**1**	(8)
– Profit on sale of property, plant and equipment Lubambe (discontinuing operation)	**–**	(1)
– Profit on disposal of property, plant and equipment	**–**	(12)
– Loss on disposal of investment	**79**	–
	3 985	1 489
– Taxation accounted for in joint venture – impairment loss at Assmang	**(27)**	(54)
– Taxation – impairment loss of Modikwa assets	**(365)**	–
– Taxation – impairment loss of Nkomati assets	**(277)**	(33)
	3 316	1 402
Non-controlling interest – impairment reversal/(loss) of assets at Lubambe (discontinuing operation)	**36**	(351)
Non-controlling interest – impairment loss of assets at Modikwa	**(156)**	–
Headline earnings	**3 196**	1 051

GROUP FINANCIAL REVIEW continued

FINANCIAL SUMMARY AND STATISTICS

for the year ended and as at 30 June

R million, unless stated otherwise	Group Compounded annual growth rate over 10 years %	F2017 Rm	Re-presented* F2016 Rm	F2015 Rm
Income statement (for the year ended 30 June)				
Sales	3	**8 158**	8 164	9 263
Basic earnings/(loss)		**1 372**	(565)	104
Headline earnings	10	**3 196**	1 051	1 744
Basic earnings/(loss) per share (cents)		**723**	(265)	48
Headline earnings per share (cents)	11	**1 684**	494	803
Dividend declared after year end per share (cents)		**650**	225	350
Statement of financial position (at 30 June)				
Total assets	6	**32 246**	35 127	35 283
Cash and cash equivalents	3	**1 488**	1 316	2 257
Total interest bearing borrowings	(4)	**2 759**	5 551	3 882
Shareholders' equity	8	**24 040**	24 581	26 905
Statement of cash flows (for the year ended 30 June)				
Cash generated from operations	(4)	**1 611**	1 225	2 508
Net cash outflow from investing activities	(13)	**(640)**	(799)	(1 980)
Net cash (outflow)/ inflow from financing activities		**(1 865)**	(558)	(304)
Exchange rates				
Average rate for the year ended 30 June US$1 = R	7	**13.60**	14.68	11.45
Closing rate at 30 June US$1 = R	6	**13.05**	14.51	12.16
JSE Limited performance				
Ordinary shares (Rands)				
– high	(1)	**127**	116	203
– low	2	**67**	35	81
– year end	(4)	**84**	92	83
Volume of shares traded (thousands)	18	**212 900**	202 914	124 582
Number of ordinary shares in issue (thousands)	–	**218 702**	218 022	217 491
Financial statistics	Definition number			
Liquidity ratios (times)				
Current ratio	1	**1.7**	1.2	1.7
Quick ratio	2	**1.4**	1.0	1.5
Cash ratio	3	**5.0**	1.8	4.0
Profitability (%)				
Return on operational assets	4	**1.8**	4.2	5.8
Return on capital employed	5	**12.3**	5.8	6.9
Return on equity	6	**13.6**	4.4	6.8
Gross margin	7	**14.8**	9.9	15.2
Operating margin	8	**2.6**	8.0	11.2
Debt leverage				
Interest cover (times)	9	**9.2**	6.1	9.3
Gross debt to equity ratio (%)	10	**11**	23	14
Net debt to equity ratio (%)	11	**5**	17	6
Other				
Net asset value per share (R/share)	12	**107**	109	118
Market capitalisation	13	**18 371**	20 058	17 993
Dividend cover (times)	14	**2.59**	2.19	2.29
EBITDA	15	**794**	1 185	2 087
EBITDA margin (%)	16	**10**	14	23
Effective tax rate (%)	17	**(35)**	(1)	83
Effective tax rate excluding special items (%)	18	**7**	2	23

The financial information above is in accordance with International Financial Reporting Standards.

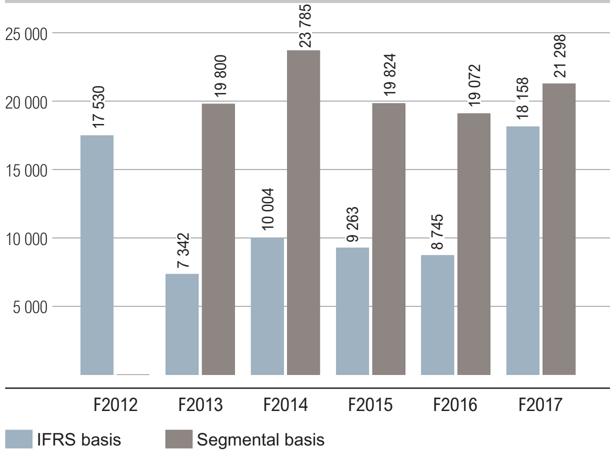
Various corporate transactions were entered into during the past ten years and restatement due to IFRS 11 in 2013, for example, makes direct comparison for years not always meaningful. The definitions can be found on page 124.

* *Re-presented as a result of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations accounting for Lubambe (refer note 3).*

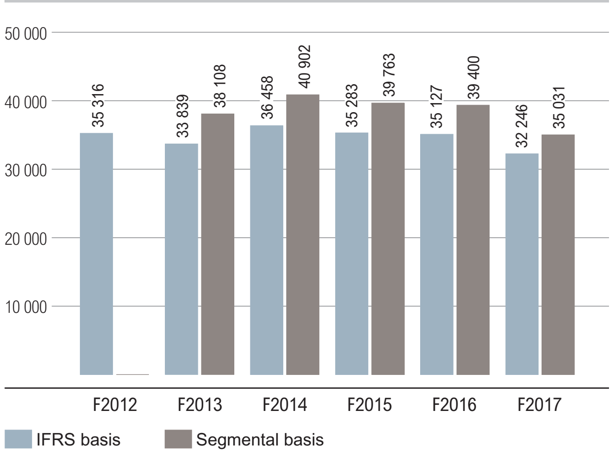
Group							
F2014 Rm	F2013 Rm	F2012 Rm	F2011 Rm	F2010 Rm	F2009 Rm	F2008 Rm	F2007 Rm
10 004	7 342	17 530	14 893	11 022	10 094	12 590	6 152
3 289	1 634	3 438	3 366	1 812	2 868	4 487	1 220
4 108	3 737	3 451	3 374	1 714	2 317	4 013	1 207
1 521	759	1 609	1 581	854	1 355	2 131	586
1 900	1 735	1 615	1 585	807	1 094	1 906	580
600	510	475	450	200	175	400	150
36 458	33 839	35 316	32 386	28 233	25 499	24 878	18 144
2 150	1 965	3 564	3 668	3 039	3 513	2 660	1 063
3 502	3 992	3 237	3 069	3 346	3 744	3 978	4 044
28 199	25 463	24 405	22 170	18 529	16 751	15 676	11 218
2 073	1 565	5 969	5 988	3 430	6 678	5 175	2 537
(1 222)	(1 720)	(4 077)	(3 382)	(2 324)	(3 135)	(2 427)	(2 691)
(759)	474	179	(588)	(729)	(171)	(175)	1 562
10.36	8.83	7.77	6.99	7.59	9.03	7.30	7.20
10.63	9.93	8.16	6.76	7.67	7.72	7.83	7.07
240	209	199	236	206	291	307	138
143	139	159	146	117	76	103	53
187	150	166	189	161	130	280	123
110 911	113 003	98 740	121 051	138 241	113 690	84 678	40 203
216 748	215 625	214 852	213 133	212 692	212 068	211 556	209 730
1.9	1.9	2.4	2.4	2.2	1.5	1.8	1.5
1.6	1.5	1.8	1.8	1.7	1.1	1.5	1.1
3.6	6.5	5.2	12.6	5.9	1.6	1.6	0.8
9.3	7.1	20.1	24.1	15.2	20.4	39.6	25.1
15.0	14.1	17.7	19.8	12.0	18.2	36.3	16.4
15.4	15.5	14.9	15.9	9.6	14.3	27.0	11.1
24.7	20.1	34.6	40.4	32.1	40.1	56.2	45.7
16.7	16.0	29.8	36.3	26.5	36.7	53.0	40.3
19.1	21.9	23.7	25.4	16.0	11.1	16.7	6.9
12	16	13	14	18	25	25	36
5	8	n/a	n/a	2	1	8	27
123	112	108	99	84	76	70	52
40 538	32 292	35 670	40 176	34 243	27 548	59 236	25 900
3.17	3.40	3.40	3.52	4.04	6.25	4.76	3.87
2 620	1 982	6 531	6 517	3 907	4 484	7 229	2 887
26	27	37	44	35	44	57	47
13	(5)	31	32	34	39	30	36
14	10	31	32	35	44	30	36

GROUP FINANCIAL REVIEW continued

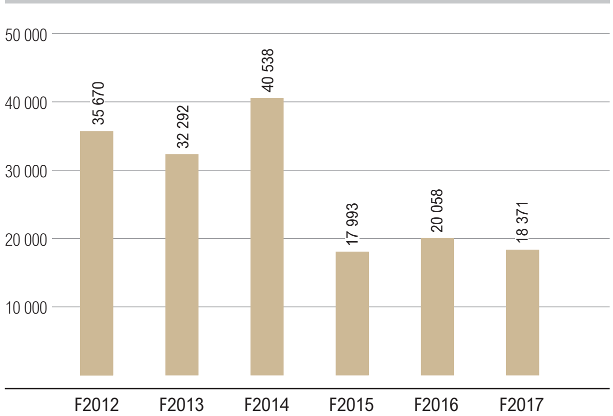
SALES
(R million)



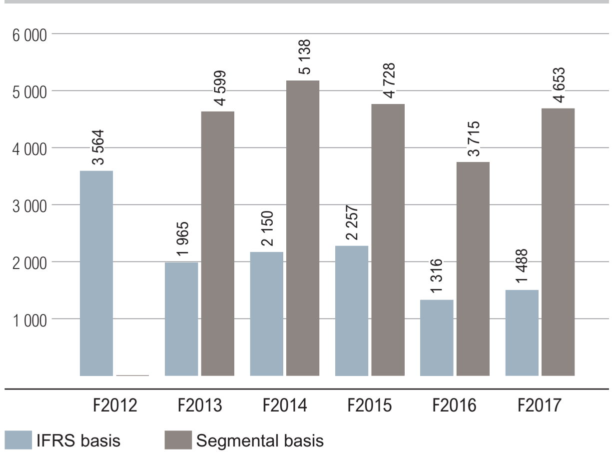
TOTAL ASSETS
(R million)



MARKET CAPITALISATION
(R million)



CASH AND CASH EQUIVALENTS
(R million)



DEFINITIONS

1 **Current ratio (times)**
Current assets divided by current liabilities.

2 **Quick ratio (times)**
Current assets less inventories divided by current liabilities.

3 **Cash ratio (times)**
Cash and cash equivalents divided by overdrafts and short-term borrowings less overdrafts.

4 **Return on operational assets (%)**
Profit from operations divided by tangible assets (property, plant and equipment and current assets) excluding capital work in progress.

5 **Return on capital employed (%)**
Profit before special items and finance costs, divided by average capital employed. Capital employed comprises non-current and current assets less trade and other payables and provisions.

6 **Return on equity (%)**
Headline earnings divided by ordinary shareholders' interest in capital and reserves.

7 **Gross margin (%)**
Gross profit divided by sales.

8 **Operating margin (%)**
Profit from operations before special items divided by sales.

9 **Interest cover (times)**
Profit before special items and tax and finance costs divided by finance costs.

Note: All ratios except return on capital employed use year end balances. Return on capital employed is a two-year average.

10 **Gross debt to equity ratio**
Total debt divided by total equity. Total debt comprises long-term borrowings, overdrafts and short-term borrowings. Total equity comprises total shareholders' interest.

11 **Net debt to equity ratio**
Total debt less cash and cash equivalents divided by total equity. Total debt comprises long-term borrowings, overdrafts and short-term borrowings. Total equity comprises total shareholders' interest.

12 **Net asset value per share (Rands)**
Ordinary shareholders' interest in capital and reserves divided by number of shares in issue.

13 **Market capitalisation (R million)**
Number of ordinary shares in issue multiplied by market value of shares at 30 June.

14 **Dividend cover (times)**
Headline earnings per share divided by dividend per share.

15 **EBITDA (R million)**
Earnings before interest, taxation, depreciation, amortisation, income from associate, income from joint venture and special items.

16 **EBITDA margin (%)**
EBITDA divided by sales.

17 **Effective tax rate**
Taxation in the income statement divided by profit before tax.

18 **Effective tax rate excluding special items**
Taxation in the income statement less tax on special items divided by profit before tax and special items.