

CHAIRMAN'S LETTER

"The gold mining industry remains a key contributor to the South African economy."



Dr Patrice Motsepe – Chairman

Dear shareholders and stakeholders

I am pleased to report a 19% increase in headline earnings per share for the 2019 financial year (FY19).

Harmony delivered on its strategic growth objectives embarked on during the 2016 financial year, which were to:

- increase to an approximately 1.5 million ounce producer
- mine additional ounces at an all-in-sustaining cost of below 950 US\$/oz

The recently acquired Moab Khotsong operations and reinvestment in Hidden Valley increased gold production for the group by 33% since 2016, reduced all-in-sustaining costs and contributed significantly to our improved financial and operational performance.

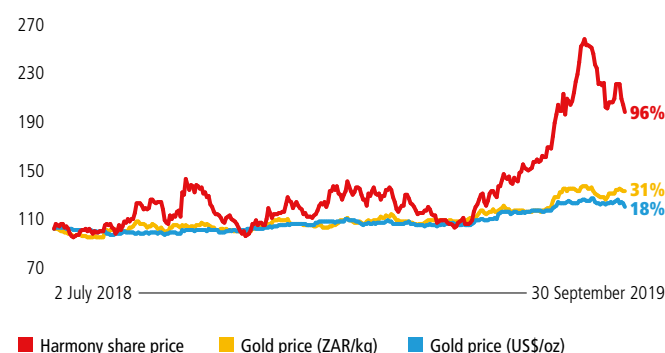
The growth we achieved in production volumes has positioned us well to benefit from a higher gold price, as reflected in the exceptional performance of our share price over the past 15 months.

Harmony's share price outperformed 80% of the major gold mining companies locally and abroad¹ as the share price increased from a low of R22.14 per share at the end of June 2018 to R43.30 per share at the end of September 2019. Harmony is a highly geared gold share and is well positioned to benefit from the uplift in the gold price.

We remain confident of gold's long-term fundamentals as a secure store of value.

¹ Peers include AngloGold Ashanti, Gold Fields, Sibanye-Stillwater, Centamin, Polyus, Newcrest, Kinross, Barrick, Newmont Goldcorp and B2Gold.
Source: Factset Research Systems Inc.

Price performance rebased to 100 as at 2 July 2018



Source: Factset Research Systems Inc.

The volatility in the gold price created the opportunity to hedge a portion of our gold production to increase our profit margin and strengthen our balance sheet. Our hedging programme contributed R477 million (US\$34 million) to the group's overall cash position during the 2019 financial year.

Further details of the company's operational and financial performance are provided in the *Chief executive's review* and the *Financial director's report*.

Maintaining a safe and healthy work environment

The safety and health of all our employees is our primary concern and our focus is to ensure that the work environment is safe. We are committed to ensuring that every employee goes home safe and healthy every day.

Harmony has the following strategic priorities to achieve a safe working place by focusing on:

- passionate and active leadership
- effective risk and critical control management
- effective safety management systems
- ongoing organisational learning
- proactive safety culture and an engaged workforce

Regrettably, 11 of our employees lost their lives at our mines during the year. I send my heartfelt condolences to their families, friends and colleagues.

We encourage employees to stop work when a workplace is considered unsafe. For further information in this regard, see the *Safety and health* section of this integrated annual report.

Silicosis and tuberculosis class action

In July 2019, the Johannesburg High Court approved an agreement settling the silicosis and tuberculosis class action lawsuit against gold mining companies². Harmony is party to establishing a trust that will assess and settle claims relating to silicosis and tuberculosis. We are proud to have played a part in finding a fair and just solution to the silicosis-related legacy challenges.

² Represented by Harmony, Gold Fields, African Rainbow Minerals, Anglo American SA, AngloGold Ashanti and Sibanye-Stillwater

Investing in our employees

Harmony provides work to approximately 37 400 employees in South Africa and 2 400 in Papua New Guinea. Our employees reside mainly in the communities neighbouring our mining operations.

We continue to build on the good relationships we have with our employees and contractors as well as the trade unions that represent them. In the financial year under review, Harmony invested R484 million (US\$34 million) in employee training and skills development in South Africa which included training in critical skills, hazard identification and risk assessment, mineral resource management, mining, technology efficiency, beneficiation and environmental conservation.

Harmony's commitment to host communities

We are committed to involve and to benefit the communities neighbouring our mines and to contribute to their development and growth. This is key to the long-term sustainability of our company.

In FY19, we invested R155 million on community development projects focused on infrastructure, enterprise development, agricultural job creation and participation by women and youth. We focused on the Welkom youth development centre and supported the development of small, medium and micro enterprises in informal communities.

Our community projects included rehabilitation of public roads in the Free State and implementing commercial agricultural programmes in South Africa and Papua New Guinea. For more information, we have included a detailed review on *Socio-economic development* in this integrated annual report and in our *ESG report 2019*.

Harmony paid R9.5 billion (US\$740 million) in salaries during the year, making a significant impact on the economic well-being of the host communities. We awarded 81 bursaries to deserving students studying at South African universities.

We also paid R248 million (US\$17 million) in taxes and royalties in South Africa and Papua New Guinea and spent R6.3 billion (US\$447 million) on local procurement.

Wafi-Golpu licensing update

Wafi-Golpu is a quality copper-gold ore body and tier one asset, which has the potential to contribute substantial benefits to all stakeholders. Licensing of the Wafi-Golpu project has been delayed due to a legal matter between the provincial and national governments of Papua New Guinea.

We are in contact with the provincial and national governments and are committed to finding a mutually beneficial solution. We will keep the market updated in this regard.

The South African gold mining industry

The gold mining industry remains a key contributor to the South African economy. It is a significant contributor to the country's economic growth and sustainable development.

In the 2018 calendar year, the gold mining sector contributed R48.1 billion to the South African Gross Domestic Product (GDP), and total gold sales amounted to R70 billion. The industry employs approximately 100 000 people and in 2018 paid R27.6 billion in employee wages, salaries and benefits³.

³ Statistics provided by the Minerals Council South Africa.

Harmony has successfully operated in South Africa for 70 years and will continue to invest in the country and its people. It is important that the South African mining industry continues to be globally competitive and attractive to domestic and international investment. We are a responsible and committed partner to our employees, host communities and all our other stakeholders.

Our commitment to the environment and its resources

Climate change poses one of the most serious threats to societies, economies and environments across the globe.

Our environmental initiatives focus on the responsible and efficient use of water and energy and on reducing carbon emissions. We continued with our rehabilitation processes, effected zero water discharge at many of our operations and linked our Papua New Guinea operation to hydropower.

See the *Environmental management and stewardship* section of this integrated report for more information.

Commitment to good governance

Our board, *inter alia*, approves our strategy and oversees its execution. The board also formulates and ensures that there are robust governance standards and that we conduct and operate our business ethically and in line with good global practice.

The range and depth of skills and expertise on our board has been invaluable as we navigate the current social, political, economic and environmental challenges and opportunities.

You can find more information in the *Corporate governance* section of this integrated annual report.

My gratitude

I wish to thank all our employees, our host communities and all other stakeholders for their support and cooperation during the past financial year.

I also extend my thanks to our chief executive officer, Peter Steenkamp and his management team for their leadership, hard work and contribution to the success and growth of Harmony.

Ms Grathel Motau and Ms Given Sibiyi were appointed to the board as non-executive directors during May 2019. Our board of directors remains committed to robust corporate governance and ethical conduct. I am grateful and value the guidance and advice provided by our directors.

I am confident that Harmony will build on the momentum achieved during this past year and will continue to create value for its shareholders and stakeholders.

Dr Patrice Motsepe
Chairman

24 October 2019