

NEWS RELEASE

For immediate release

Implats announces results for the 2018 financial year

Advancing key strategies to sustain and grow the business in a low metal price environment

Salient Features:

Financial

- Gross profit improved by R2.1 billion to R1.6 billion.
- Earnings impacted by impairments, mainly due to the restructuring of Impala Rustenburg
- Zimplats declares R820 million dividend

Operational

- Tonnes milled rose 6% and platinum in concentrate ounces were 1% higher following strong operational performances across the Group
- Refined platinum ounces declined by 4%, impacted by a temporary build-up in pipeline stocks of 77 000 platinum ounces due to furnace maintenance

Market

- Platinum market remains well supplied, but there is strong demand for palladium and rhodium

Prices achieved

- 4% decline in the US\$ platinum price
- 35% increase in the US\$ palladium price
- 90% increase in the US\$ rhodium price
- 6% stronger ZAR:US\$ exchange rate
- Net 5% increase in the rand basket price per platinum ounce to R25 935

Safety

- Seven fatalities in the earlier part of the year regrettable and unacceptable
- Corrective measures contributed to a seven-month fatality-free period

Strategic response

- Strong advances made towards eliminating loss-making production
- Dramatic turnaround of Marula, which delivered a 25% increase in output
- Restructuring at Impala Rustenburg underway
- Strategy to rebalance portfolio toward lower-cost, shallow, mechanisable assets progressed through the acquisition of a 15% interest in the Waterberg project

“Strategically, our objective to reduce exposure to high-cost, deep-level, conventional mining is moving forward following the changes being implemented at Impala Rustenburg, operational improvements at Marula, the acquisition of the Waterberg project and exciting new opportunities in Zimbabwe.”

Nico Muller, Chief Executive Officer, Implats

Johannesburg, 13 September 2018 – The past year has been pivotal for Implats as it embraced and advanced key strategies to align with the Group’s evolving geopolitical and macro-economic landscape. Both jurisdictions in which the company operates have witnessed reassuring political changes, which will positively influence the industry and the Group’s business interests in the future.

The Group achieved encouraging operational improvements over the past year. Tonnes milled rose 6% to 19.4 million compared to last year’s 18.3-million tonnes. Platinum ounces in concentrate were 1% higher at 1.57-million platinum ounces (FY2017: 1.56 million). This was mainly due to improved operational performances from Impala, Marula, Mimosa and Impala Refining Services (IRS), while Zimplats and Two Rivers reported lower contributions as a result of fewer production days in the current period and grade challenges at Two Rivers.

Refined platinum production was, however, impacted by the 77 000-platinum ounce temporary stock build-up at Impala Rustenburg, following furnace maintenance undertaken during the first half of the financial year and an electrical failure at the No. 5 furnace in February 2018.

Despite higher rand basket prices, revenue for the year declined by 3% to R35.9 billion (FY2017: R36.8 billion), impacted by lower sales volumes. The lower sales volumes, due to the build-up in process stock, resulted in a negative variance of R3.4 billion. Overall, dollar metal prices were 12% higher year-on-year, resulting in a positive variance to the revenue of R4.7 billion but this was partially offset by a negative variance of R2.3 billion arising on a 6% stronger rand.

Cost of sales was well contained and reduced by 8% to R34.3 billion.

Gross profit improved by R2.1 billion to R1.6 billion (FY2017: loss of R529 million). Group unit costs on a stock-adjusted basis were well managed, increasing marginally from R22 838 to R22 931 per platinum ounce as approximately R1.0 billion was realised from various cost-saving initiatives.

The Group spent R4.6 billion (FY2017: R3.4 billion) on capital projects during the year, which is 34% higher than last year. This was largely due to higher spend on Impala Rustenburg’s 16 and 20 Shafts and Zimplats’ Mupani mine.

IRS maintained its significant cash generation to the Group, delivering more than R1 billion free cash.

For full details of the operational and financial performances of each individual operation, please consult the SENS on the company’s website (www.implats.co.za)

Financial review

Despite the Group’s increase in gross profit, earnings for the year were adversely impacted by impairments of R13.6 billion, R13 billion relating to the impairments of assets at Impala Rustenburg following the outcome of the strategic review and R611 million relating to the Afplats assets due to lower forward looking price assumptions.

The loss after tax increased by 33% to R10.8 billion from a loss of R8.1 billion in the previous year.

Free cash outflow for the year was R4.2 billion, as an additional R3.2 billion was locked up in working capital, largely due to the inventory build-up of 77 000 ounces of platinum and associated metals. Impala Rustenburg used R6.6 billion of cash for funding of the additional inventory build-up of R3.1 billion, separation costs and R2.8 billion of capital expenditure, of which R1.4 billion was focused on the new 16 and 20 Shafts.

At year end, the Group had adequate headroom of R6.2 billion, comprising gross cash on hand of R3.7 billion (FY2017: R7.8 billion) and R2.5 billion in unutilised bank debt facilities.

While Platinum Group Metals (PGM) rand basket pricing remains depressed, the increase in US dollar palladium and rhodium prices during the past year has been encouraging. Implats remains confident in the long-term fundamentals for PGM demand with future opportunities for palladium back-substitution with platinum in the manufacture of catalytic converters. However, platinum price support in the near term is not expected and the Group has aligned company strategies accordingly.

Priority focus areas

The focus on the Group's strategic priorities has yielded some pleasing results:

- A much-improved safety performance during the second half of FY2018
- Higher output at most operations
- Strategic review at Impala Rustenburg completed and restructuring plan initiated
- A pleasing operational and financial turnaround at Marula
- Securing profitable, third-party PGM toll treatment through IRS by positioning the business within Impala where the processing assets are housed
- The release of ground at Zimplats and the conversion of the Special Mining Lease (SML) into two mining leases, enabling the asset to sustain and grow future financial returns
- Partial relief on the Zimbabwean export levies on unbeneficiated metal
- Acquisition of a 15% interest in the Waterberg development project to advance the Group strategy towards lower-cost, shallow, mechanisable assets
- Recently declared dividend payment of R820 million from Zimplats

Impala Rustenburg strategic restructuring plan underway

The most significant step in the transformation of the Implats Group, however, was announced after year end when the findings and recommendations of the Impala Rustenburg strategic review were released. Taking account of the current operating environment and macro-economic realities, the outcome concluded that a radical and urgent transition into a leaner, more concentrated and profitable Rustenburg operation is critical to support the future success of the Group.

The implementation of the Impala Rustenburg plan will be phased over the next two years to ensure the transition occurs in a socially responsible manner. The key outcomes of the restructuring are expected to be concluded by the end of the 2021 financial year.

This plan is expected to deliver a safer and profitable Impala Rustenburg centred on its best assets, with higher quality, long-life ore bodies and lower operating costs and capital intensity. Importantly, it secures employment for 27 000 employees and surrounding communities can continue to participate in Implats' procurement, training and local economic development activities.

Safety

The safety and health of employees remain a priority and it is with deep sadness and regret that the Group reported seven work-related fatalities during the year, six at Impala Rustenburg and one at Marula. The Implats Board and management extend their sincere condolences to the families, colleagues and friends of the deceased and will continue to provide support to dependants where possible.

A renewed level of focus on safety resulted in a better performance during the second half of the year and the Group operated for seven months without a fatal accident, which is an Implats record.

Regrettably, a fatal accident, which remains the subject of an investigation, occurred at the Impala Rustenburg 16 Shaft after year end, in September 2018.

The continued effort and focus on improving safety conditions has resulted in a 6.3% improvement in the Group's lost-time injury frequency rate (LTIFR) and a 9.2% improvement in the Group's total injury frequency rate (TIFR). At year end, 11 of Implats' 17 operations had achieved "millionaire" status, which is a million man-hours or more without a fatality.

Prospects and outlook

The South African PGM industry continues to face unprecedented challenges and uncertainties. Consensus forecasts remain for softer platinum demand for at least the next three years, with the introduction of stricter heavy-duty diesel emission regulations and a recovering global economy presenting upside for platinum. The immediate fundamentals for both palladium and rhodium remain strong, largely due to expected growth in the global internal combustion engine automotive market and tighter emissions regulations.

Sustained lower metal prices and a weak rand have had a significant impact on the industry. It is imperative that Implats becomes viable at current PGM prices and it has, therefore, been bold in its actions to create and share value sustainably with all stakeholders in a lower platinum pricing environment. Recent rand weakness has resulted in material increases in the rand revenue basket and, if sustained, will significantly improve the financial performance of the Group.

Implats' focus in the short to medium term is to continue its strategic journey to transform into a PGM producer mining mechanised, low-cost ore bodies with more appropriate metal mixes. This includes the determined and necessary repositioning of Impala Rustenburg to ensure the operation can contribute to the long-term success of the Group and its local communities. Prudent management of Implats' cash resources during the two-year restructuring process remains a key priority. The implementation of the strategic review will not only strengthen Impala Rustenburg's position in the prevailing price environment but will also significantly improve the strategic position of the Implats Group to sustainably deliver improved returns to all stakeholders in the medium to long term.

Longer-term, Implats' minority interest in the Waterberg project, with an option to acquire majority ownership, provides additional geographic and commodity diversity for the Group, away from deep, labour-intensive, conventional operations.

Both South Africa and Zimbabwe have seen positive changes in political leadership, which have resulted in meaningful dialogue with the regulators. Signals of greater policy consistency have provided confidence in decision making, and opportunities for capital growth and expenditure plans.

Implats' approach to maintaining its social license to operate is firmly underpinned by the Group's belief that sustainable businesses operate in a harmonious, supportive and beneficial manner for all key stakeholders. Implats will continue to deliver effectively on its social and labour plan commitments in South Africa and targeted corporate social investments in Zimbabwe.

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