IMPLATS
Distinctly Platinum

NEWS RELEASE

For immediate release

Implats delivers strong interim safety and operational performance

Johannesburg, 28 February 2019 – The Implats Group has delivered a strong safety and operational performance for the half-year ended 31 December 2018 and a welcome return to profitability and cash generation. Good progress was made on implementing key outcomes of the Impala Rustenburg strategic review. The period saw a higher PGM rand basket price - boosted by significant increases in palladium, rhodium and nickel, and aided by a weaker US$ exchange rate. These factors, combined with the strong Group-wide operational performance, resulted in headline earnings per share increasing to 310 cents from a loss of 21 cents in the prior interim period.

FINANCIAL HIGHLIGHTS

- Revenue was 36% higher at R23.5 billion, due to increased sales volumes, improved dollar metal prices and a weaker exchange rate.
- Rand revenue per platinum ounce sold increased by 16% to R30 118.
- EBITDA rose 112% to R5.9 billion (H1 FY2018: R2.8 billion).
- Basic earnings were up to R2.3 billion from a loss of R163 million in the prior comparable period.
- HEPS increased to 310 cents per share from a loss of 21 cents per share.
- All operations, other than Marula, contributed positively to headline earnings.
- Group capital expenditure reduced by 10% to R1.7 billion as replacement spend at Impala Rustenburg slowed.
- Group operating costs were well controlled with unit costs per tonne milled flat at R1 049 per tonne, and unit costs per platinum ounce refined, on a stock adjusted basis, reducing slightly to R22 715 per ounce.

SAFETY OVERVIEW

Regrettably, an employee at Impala Rustenburg 16 Shaft suffered fatal injuries in September 2018. Notwithstanding this tragic incident, the Group effected a step change in safety performance. Fatal injuries reduced from six in the prior comparable six-month period, to one in the period under review. The recent incident followed a seven-month continuous fatality free work period – a Group record. During calendar year 2018 the Group achieved the lowest fatality frequency rate amongst its peers and recorded the lowest-ever fatal injury frequency rate (FIFR) of 0.019 per million man hours worked over the period. The lost-time injury frequency rate (LTIFR) improved 15% over the six months to 5.12 per million man hours worked.

OPERATIONAL OVERVIEW

Implats CEO Nico Muller commented: *"The Group achieved encouraging period-on-period operational improvements in key areas over the past six months."*

Tonnes milled from managed operations (Impala Rustenburg, Zimplats and Marula) increased 3% to 10.2 million tonnes (H1 FY2018: 9.9 million tonnes), which together with contributions from our joint ventures at Mimosa and Two Rivers sustained mine-to-market platinum production in concentrate at 678 000 ounces. Notwithstanding, gross platinum in concentrate production reduced by 11% to 775 000 ounces principally as a result of a 49% reduction in third-party receipts, in line with market guidance, and as a result of a large once-off toll-refining contract concluded in the prior comparable period.

Gross refined platinum production for the six months improved by 10% to 799 800 ounces, compared to 726 700 last year assisted by the drawdown of some processing inventory during the period, compared to a build-up following scheduled furnace maintenance in the comparable period a year ago.

Impala Rustenburg: A vastly improved safety performance at the Impala Rustenburg operations facilitated a stable and productive operating period. Tonnes milled increased by 5% to 6.0 million tonnes (H1 FY2018: 5.7 million tonnes), with higher volumes from eight of the ten shafts in production, including the development shafts. These improvements more than offset the loss of production from 4 Shaft, which closed in January 2018, lower volumes from 1 Shaft (where a planned ramp-down in production is underway) and 11 Shaft (where poor geology impacted volumes in the period).

Impala Refining Services (IRS): IRS once again contributed significantly to the Group's bottom line, despite higher concentrate receipts in the previous comparable period as higher basket pricing and competitive processing costs bolstered profitability.

Zimplats: Zimplats sustained its operational performance and achieved a safety milestone of 9.75 million fatality free shifts. Tonnes milled of 3.3 million tonnes were consistent with the prior period, (H1 FY2018: 3.3 million tonnes), with all mining units delivering to plan. The current economic challenges in the country are being monitored closely.

Marula: Marula continues to deliver an improved operational performance after ongoing efforts to sustain operational continuity. Tonnes milled increased by 1% to 955 000 tonnes (H1 FY2018: 941 000 tonnes).

Mimosa: Mimosa sustained a strong production performance in line with its design capacity. Tonnes milled were maintained at 1.4 million tonnes.

Two Rivers: Two Rivers' mill grade continued to be impacted by mining low-grade split-reef areas and production was also impacted by community disruptions. Tonnes milled decreased 3% to 1.7 million tonnes.

EXECUTION OF THE IMPALA RUSTENBURG STRATEGIC REVIEW

Muller said: *"The Group continues to make strides towards eliminating loss-making production, which culminated in the decision to restructure Impala Rustenburg. The implementation of the Impala Rustenburg plan is being phased in over two years to ensure the transition occurs in a socially responsible way. This plan is expected to deliver a safer and more profitable Impala Rustenburg* *centred on assets which access a higher quality, long-life orebody with lower operating costs and capital intensity.*

"The implementation of the restructuring is governed by the overriding imperative to ensure that forced job losses are minimised through various avoidance measures. These include the transfer of employees to vacant positions at the 16 and 20 growth shafts, natural attrition, reskilling, voluntary separation, business improvement initiatives and exploring commercial options to exit shafts that do not fit the long-term portfolio.

"A multitude of stakeholder engagements were undertaken during the reporting period, all of which were constructive. We continue to engage with the union, government and community leadership to safeguard employment opportunities as far as possible through the restructuring process."

MARKET OVERVIEW

The market fundamentals for palladium and rhodium strengthened in 2018 and are expected to remain robust in 2019 and beyond as emerging markets apply stricter legislation and the impact of real-world driving test regimes is felt on auto demand. Conversely platinum continues to face near-term challenges including the residual level of light-duty diesel market share and the re-basing of the Chinese jewellery market.

The palladium market experienced a fundamental deficit of 270 000 ounces, with the platinum market recording a surplus of 580 000 ounces during calendar 2018. Fundamental deficits in palladium are expected to persist and expand while increasing rhodium use should drive a narrowing of the market balance.

While the near-term outlook for platinum remains subdued, strong industrial demand, coupled with the introduction of heavy-duty legislation in both India and China and growth from the nascent fuel cell sector indicate a tightening market in the medium-term. An increasing focus on the need to add platinum to gasoline autocatalyst formulations, expected growth in heavy duty diesel demand and the inherent potential for jewellery demand from the emerging markets of Asia all offer opportunities for meaningful structural demand growth.

KEY PROJECTS

16 Shaft: Mining flexibility has improved, production levels have been restored and raise lines were holed on target. An increase in production crews is planned for the rest of the financial year.

20 Shaft: The 20 Shaft ramp up is still being hampered by geological complexities. Additional technical and management resources have been mobilised to the shaft to oversee the planned ore ramp-up programme.

Mupani Mine: The development of Mupani Mine (the replacement for Ngwarati and Rukodzi mines at Zimplats) is running well, targeting ore contact three months ahead of schedule by August 2019, and full production in August 2025.

Waterberg project: Implats has a 15% participation in the Waterberg project. All work done on the study to date has confirmed our confidence in the project. Implats is actively participating with the other JV partners in a definitive feasibility study. All geological information from the exploration phase is now available in a resource model and the team is completing the mine design and scheduling.

OUTLOOK

The headwinds facing the South African PGM industry remain largely unchanged in 2019: rand volatility, wage negotiations, national elections and the operational and financial crisis at Eskom are all well-recognised challenges for the domestic producers. While the near-term outlook for platinum remains uncertain, the medium-term outlook has improved, and the current strength in both palladium and rhodium fundamentals are expected to persist for the foreseeable future.

Robust iridium and ruthenium pricing, due to growing industrial demand, has also resulted in pricing tailwinds. The Group believes the market is in a combined 3E PGM deficit and, more recently, industry discussions and debates have shifted from the need for supply rationalisation to potential areas of growth. As such, dollar metal prices are expected to remain well supported for palladium, rhodium and the minor metals, while the outlook for platinum remains more muted.

“Despite an improved market outlook, we remain committed to our long-term strategic intent to favour value over volume. We will therefore proceed with the steps outlined in our strategic review, premised on producing safely, productively and profitably from our key assets, while taking account of the changes in our operating environment,” said Muller.

Our primary FY19 guidance parameters remain unchanged:

The full-year refined production for the Group is estimated at 1.5 to 1.6 million platinum ounces.

Given the scheduled refurbishment of furnaces at Impala Rustenburg and Zimplats later in this financial year, we expect to release limited inventory through the refinery during the second half of FY2019, with the remainder to be released across the group during FY2020.

The Group’s operating cost is expected to be between R23 900 and R24 800 per platinum ounce on a stock-adjusted basis for the full financial year, with Group capital expenditure forecast at R4.1 to R4.3 billion.

Ends

For more information, please contact:

Johan Theron
E-mail: johan.theron@implats.co.za
T: 011 731 9013/43
M: 082 809 0166

Alice Lourens
E-mail: alice.lourens@implats.co.za
T: 011 731 9033/43
M: 082 498 3608