

# NEWS RELEASE

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## IMPLATS DELIVERS STELLAR RESULTS

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**Johannesburg, 05 September 2019** – The Implats Group has achieved stellar results for the full year to end 30 June 2019. A strong operational performance in key areas allowed the Group to harness the benefit of improving market conditions and rising rand PGM pricing during the year and deliver a substantially improved financial result with healthy free cash flow generation and a return to a closing net cash position at year-end.

The Group's strategic imperative to re-position the business as a high-value, profitable and competitive PGM producer was meaningfully advanced through an operational and financial turnaround at Impala Rustenburg. Gains in productivity, safety and efficiency at the Impala Rustenburg complex significantly boosted Implats' financial performance, clearly demonstrating the considerable value still to be derived from this operation.

### FINANCIAL HIGHLIGHTS

- Revenue improved by 36% to R48.6 billion as a result of the higher sales volumes, higher realised dollar metal prices for rhodium, palladium, iridium and ruthenium, and the weaker rand
- Rand revenue per platinum ounce sold rose by 22% to R31 765
- Gross profit reached R6.8 billion for the year, a five-fold or R5.7 billion gain from R1.1 billion achieved in FY2018
- EBITDA improved by 90% to R10.5 billion
- Headline earnings increased to R3.0 billion from a loss of R1.2 million in the prior year
- The balance sheet remains strong with undrawn revolving credit facilities of R4.0 billion available until June 2021
- The combination of cash balances and undrawn facilities results in headroom of R12.2 billion, ensuring adequate liquidity and flexibility in an uncertain pricing and operating environment
- Post year-end, Implats successfully incentivised the early conversion of its 2022 US\$ convertible bonds, further improving balance sheet flexibility and positioning

### SAFETY OVERVIEW

The Group delivered unprecedented improvements in its safety performance but experienced a disappointing regression during the last quarter of the year. Implats achieved its best-ever safety

performance and led the PGM industry in fatality free safety rates at the end of the third quarter. The Group's fatal injury frequency rate improved by 28% from the prior year to 0.047 per million man hours worked, with the lost-time injury frequency rate improving by 12% to 5.30 per million man hours worked. Nine of the Group's operations achieved millionaire and/or multi-millionaire fatal-free status at the close of the reporting period.

It is with deep sadness and regret, however, that the Group reported five work-related fatalities during the year at managed operations. Implats offers ongoing support to the families in recognition of the severe impact of their loss. Each tragic incident was subject to a rigorous independent investigation, with learnings shared across the Group and remedial action taken to improve controls and prevent reoccurrence. Safety remains the foremost priority and Implats is committed to working with all stakeholders to arrest the recent retracement in safety performance and to achieve its vision of zero harm.

## **OPERATIONAL OVERVIEW**

Implats CEO Nico Muller commented: *"The Group made material strides in delivering its stated strategy to prioritise value over volume. The execution of the Impala Rustenburg restructuring was advanced to plan during the year with the successful completion of the first phase. In addition to structural changes at Impala Rustenburg, and to enhance the competitiveness of the Group's portfolio, management continues to explore ways to improve safety, productivity and cost efficiency at all other operations. To this end, the Group successfully maintained the recalibration of operations at Marula, while sustaining industry leading productivity and safety performances at Mimosa, Two Rivers, Zimplats and Impala Refining Services (IRS)."*

The Group delivered a strong performance during the year, anchored by the operational turnaround at Impala Rustenburg, which represents circa 50% of the Group's mine-to-market production. A 3% increase in concentrate production at Impala Rustenburg, despite the contraction of the mining footprint, together with maintained delivery from Zimplats, Mimosa and Marula, offset a weaker contribution from Two Rivers. Consequently, Group mine-to-market platinum in concentrate volumes were stable at 1.3 million ounces.

Costs were well controlled despite the inflationary pressures of rising labour and utility spend and the impact of a weaker rand on translated costs from the Zimbabwean subsidiaries. Unit costs increased by 4% on a stock-adjusted basis to R23 942 per platinum ounce.

Each of the Groups' operations delivered positive free cash flows in FY2019 except Mimosa, where working capital changes impacted sales receipts and hence free flow cash. Higher received pricing drove margin expansion at all operations and the Group received higher dividend flow from its joint ventures.

**Impala Rustenburg:** The year was characterised by a step-change in operational momentum at Impala Rustenburg as the implementation of restructuring initiatives yielded gains. Despite the closure of 4 Shaft and the scaling down of production at 1 Shaft (collectively -554 000 tonnes), mill throughput increased by 2% to 11.21 million tonnes (FY2018: 10.95 million). This was due to improved delivery at both 12 and 14 shafts, (+504 000 tonnes) and supported by the ramp-up in volumes from 16 (+ 294 000 tonnes) and 20 (+91 000 tonnes) shafts.

**Impala Refining Services (IRS):** IRS delivered another significant financial contribution to the Group, aided by higher rand PGM pricing for its basket of production and sales. Long-term concentrate purchase agreements are dominated by ore feeds from Great Dyke and UG2 sources, the bulk of which is sourced from mine-to-market operations. Revenue benefited from improved palladium and rhodium prices and their presence in these reef types, increasing by 17% to R25.7 billion (FY2018: R22.0 billion).

**Zimplats:** The Zimplats team delivered another year of consistent, efficient and profitable production, as well as industry leading safety performances. This operation has operated for several years without a fatal incident. An unfortunate fatal injury during the final quarter of the financial year has only renewed management's resolve to regain its delivery of the Group's zero-harm objectives. Zimplats operated for its first year under the conditions of new converted mining rights, which came into effect on 31 May 2018, yielding free cash benefits from reduced average taxation, despite higher royalty rates.

**Marula:** The operational performance for the year under review was marred by a particularly weak third quarter, during which a seven-day community stoppage impacted both mined and milled volumes. Gross tonnes milled declined by 4% to 1.77 million tonnes (FY2018: 1.84 million). Management made good progress towards securing a lasting resolution to intermittent community disruptions at Marula, where the capital footprint, staffing levels and mine planning are all in place to support annual production of more than 90 000 ounces of platinum in concentrate.

**Mimosa:** Mimosa delivered another stable operating performance, a commendable achievement given its maturity, its limited scope for volume and efficiency gains and the challenges presented by the Zimbabwean operating environment.

**Two Rivers:** Despite pleasing absolute cost controls and reasonable delivery against targeted development, mining and milling volumes, the impact of continued mining into low-grade, split-reef areas and consequential lower recoveries, resulted in a disappointing platinum production and unit cost performance in FY2019. Given its still competitive industry position, the operation is expected to remain a valuable cash contributor to the Group.

## **MARKET OVERVIEW**

While platinum pricing continues to struggle, its discount to both palladium and rhodium has continued to spur efforts to reconsider the mix of metals used in gasoline light duty catalysis. As the world focuses on the challenges of decarbonisation, the opportunity presented by fuel cells and a hydrogen economy is gaining growing recognition.

Jewellery remains a key source of platinum demand. Implats continues to work with Platinum Guild International (PGI) on initiatives aimed at reigniting growth in the Chinese market, where several challenges and constrained funding have limited the reach of promotional efforts. The PGI has delivered programmes and initiatives which have resulted in continued growth in demand in India, the US and Japan.

The fundamentals for both palladium and rhodium have strengthened over the past year as the benefit of stronger demand from Europe and accelerated demand from China resulted in a step-change in expected global loadings for gasoline light duty vehicles. Northern Hemisphere refining

constraints also impacted the release of secondary supply and pricing has remained robust despite headwinds from weak auto sales data in the first half of 2019.

Despite some signs of a supply response, as evidenced by an announced project release in Russia at the beginning of 2019, it is Implats' view that while palladium supply growth is likely to outstrip that of platinum and rhodium over our forecast horizon, the market is likely to remain in a deep and structural deficit in the medium term.

## KEY PROJECTS

Implats' key projects and business development activities are focused on assets which are low-cost, predominantly mechanised and have the ability to deliver defensive cash generation. These assets will entrench and enhance the Group's competitive position and sustain profitability well into the future.

The construction phase of Impala Rustenburg's **20 Shaft** capital project was concluded during the year, while the **16 Shaft** project reached 92% completion at year-end. Both shafts are producing more than 50% of targeted steady-state production and management focus has moved to creating the required mineable face length to complete the production ramp-up.

The **Mupani** declines at Zimplats intersected reef horizon during the final quarter of the financial year. The project remains comfortably ahead of schedule and is well placed to provide the required future production capacity to replace two older shafts as they approach the end of their mine lives.

## OUTLOOK

*"FY2019 was a transformational year for Implats with progress made on several strategic imperatives and aspirations. A safer and more efficient operating result was delivered to plan - and into better-than-expected rand PGM pricing. This allowed Implats to generate substantial free cash flow and opportunistically induce early conversion of the US\$ bond, extinguishing a material debt liability in a cost-effective and value-accretive way. This substantially expedited the objective of strengthening the Group balance sheet and improving Implats' financial position as it continues to implement the key steps of restructuring its operations,"* said Muller.

Despite the improved market outlook, Implats remains committed to its long-term strategic intent to favour value over volume in a zero-harm environment, embed operational improvements and build sustainability by consistently producing in a safe, productive, responsible and profitable way.

*"The focus in 2020 will be on advancing the phased restructuring of Impala Rustenburg while taking advantage of the operational improvements realised over the past year and maintaining delivery from all other Group operations. Our project focus will be centred on 20 Shaft, ensuring that the continued commitment to invest and operate is matched with improved project delivery and accountability. The focus on organisational effectiveness and stakeholder engagement remains key to navigating the successful conclusion of wage agreements and the planned reduction in Implats' workforce in a socially responsible way, while limiting the potential for operational interruptions. In Zimbabwe, efforts to maintain open and constructive engagement with the government will continue amid a challenging economic and political environment."*

Production volumes will be supported through the continued release of in-process inventory and Implats estimates Group refined production at 1.45 to 1.55 million platinum ounces for FY2020. Group operating costs are expected to be between R25 500 and R26 500 per platinum ounce on a stock-adjusted basis, with Group capital expenditure forecast at R4.2 to R4.5 billion.

**Ends**

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