



WELCOME  
MUPANI TO  
MINE

04

# STRATEGY AND BUSINESS CASE

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# OUR STRATEGY

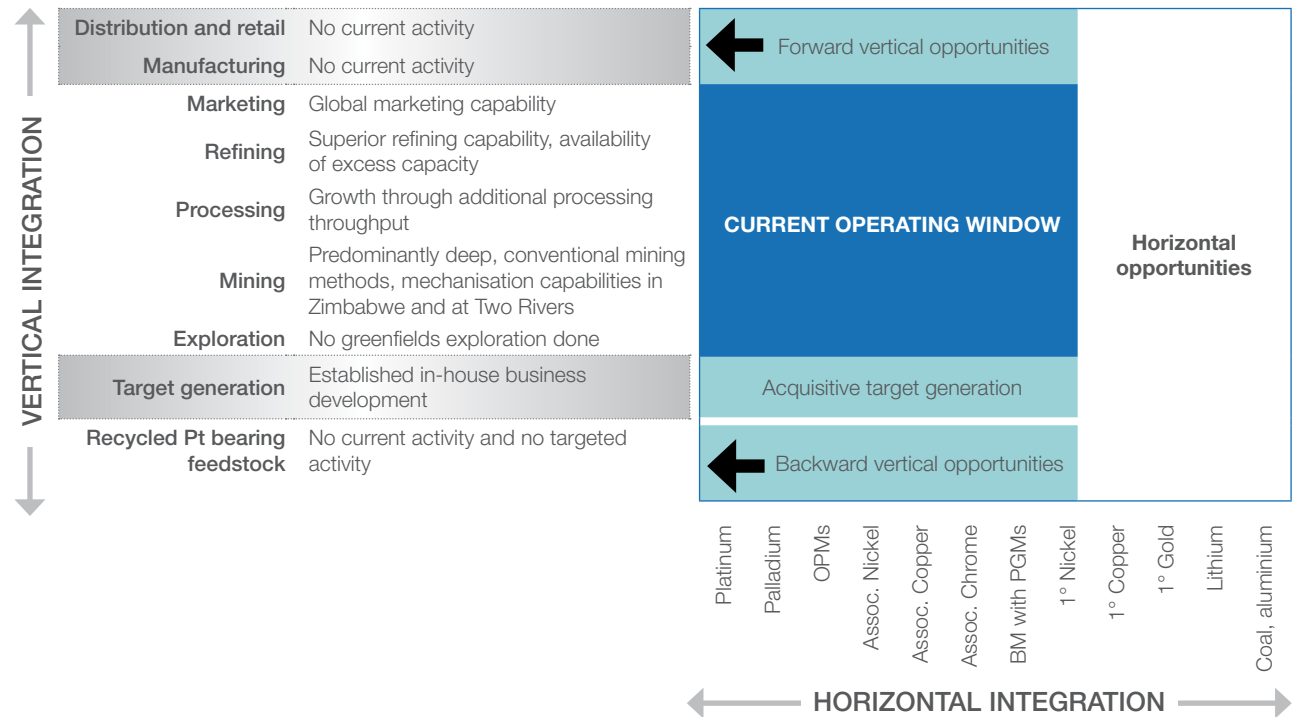
## IMPLATS' STRATEGY PRIORITISES VALUE OVER VOLUME IN A ZERO HARM ENVIRONMENT TO POSITION THE GROUP TO DELIVER SUSTAINABLE OUTCOMES AND BENEFITS FOR ALL STAKEHOLDERS

The strategy is influenced by the external macro-environment in which we operate, PGM markets, and the strategies of our key competitors.

In a low price environment the restructuring of the Impala Rustenburg operation to optimise and align the overhead structure to a smaller and more productive future mining footprint is essential as the Group reduces exposure to high-cost, deep-level conventional mining. The implementation of this strategy limits financial resources, as well as management capacity available for other initiatives.

In Zimbabwe, the Group is in a position to capitalise on its presence in the country. However, the current economic situation is highly volatile and uncertain.

The strategic envelope defines where Implats' domain of interest lies. It is informed by the implications of the external environment. The field of play is defined firstly by the Group's value chain and capability (vertical integration) and secondly, the suite of products (horizontal integration). Diversification in either the metals produced or the Group's capability will cause the envelope to expand or contract.



The modernisation strategy mission statement:

**“WE REDUCE COSTS, IMPROVE EFFICIENCIES AND INCREASE SAFETY BY ADOPTING NEW TECHNOLOGIES AND ACTIVELY DRIVING THE MODERNISATION AGENDA IN OUR OPERATIONS AND NEW PROJECTS.”**

### MODERNISATION STRATEGY

Implats is developing a coherent strategy at operations where modernisation is required and where there is an appropriate fit. Modernisation is an element of the optimisation of the value chain key focus area within the Group strategy and is supported by the following initiatives:

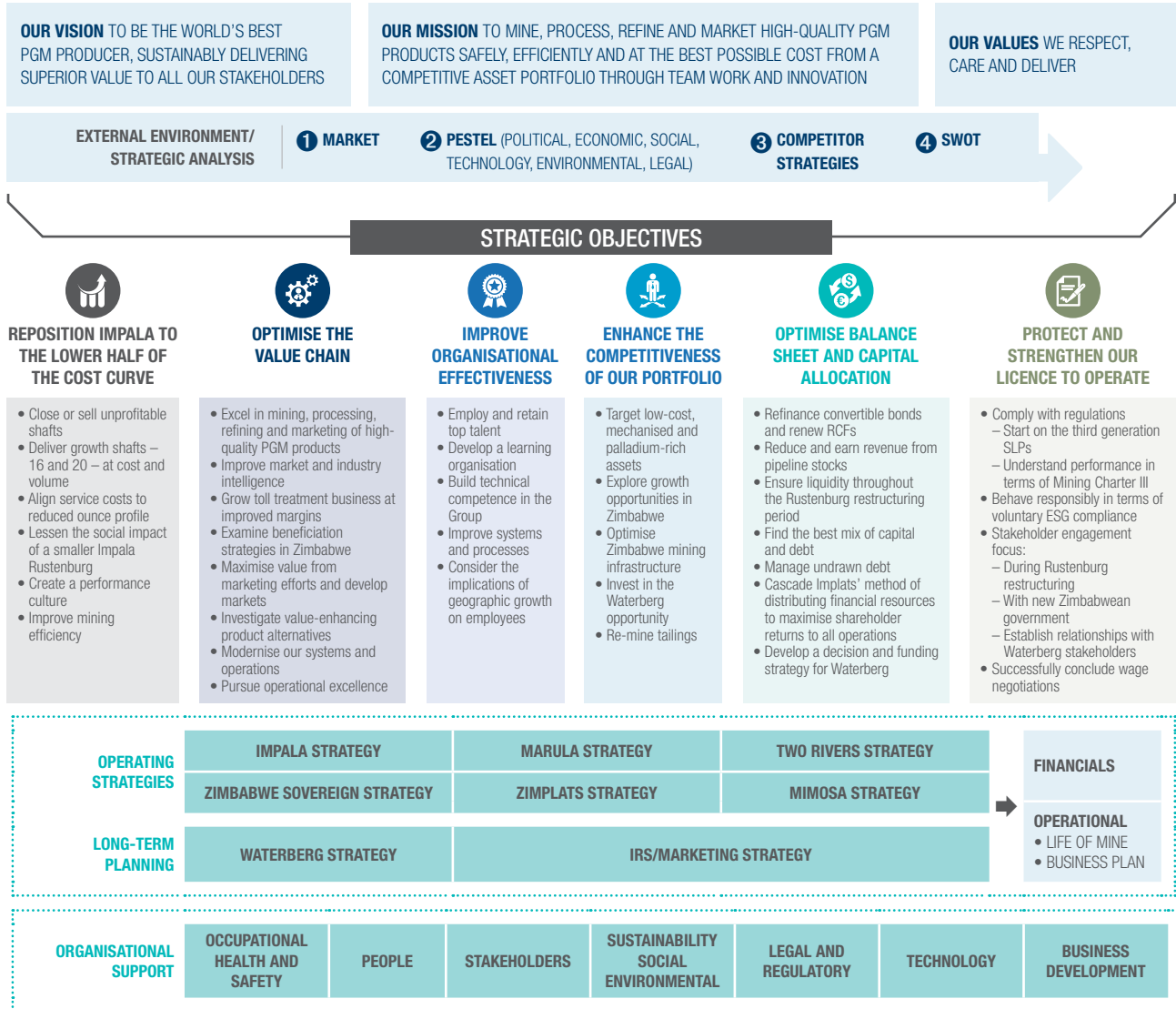
- Excellence in project execution
- A defined modernisation roadmap to drive operational improvement
- That modernisation be embedded into project design (eg Zimbabwe and Waterberg)
- A utility optimisation strategy

### MODERNISATION STRATEGIES

Modernisation (as opposed to mechanisation) is a process of utilising up-to-date methods and proven technologies to improve mine to metal operations. This is focused on:

1. Improvements in safety, health and the environment
2. Reductions in operational risk
3. Increased extraction, separation and purification efficiency
4. Reduction in the unit cost of production
5. Operation excellence

STRATEGIC OBJECTIVES AND STRATEGIES ARE CENTRAL TO THE REMUNERATION INCENTIVES SET OUT ON PAGE 26



**OPERATIONAL STRATEGIES**

The Group strategy comprises six focus areas, each housing numerous strategic initiatives supporting execution. Each operating unit and organisational support function has specific actions that support the achievement of the strategy. The strategic initiatives within the respective focus areas cascade into operational and organisational support function strategies. These form a key input for business planning.

- **FUNCTIONAL STRATEGY** – describes how each organisational support function contributes to the Group strategy and focus areas, including the achievement of KPIs (metrics) and the addressing of key risks
- **OPERATIONAL STRATEGY** – describes how each operating unit contributes to the Group strategy and focus areas, including the achievement of KPIs (metrics) and the addressing of key risks
- **LOM** – describes the Group's production profile based on life-of-mine plans for each asset, the implication of this profile on capital allocation and targeted production
- **FINANCIALS** – describes the key pricing and exchange rate assumptions for FY2020, including revenue baskets for each operating unit and the budgeted financial results based on these assumptions
- **RISKS** – describes the top 10 company risks and how the Group's strategy addresses these risks

**STRATEGIES – KEY PERFORMANCE INDICATORS**

**OPERATIONAL EXCELLENCE**

- Eliminate fatal injuries
- Improve LTIFR by 20%
- Improve efficiency and productivity – >410t/employee costed
- Achieve operating cost of R25 500 – R26 500/Pt oz (stock-adjusted)

**CAPITAL MANAGEMENT**

- Effective capital structure
  - Achieve internal net debt to EBITDA target
  - Appropriate liquidity to fund Group strategy
  - Operate well within debt covenants
- Effective capital allocation strategy – capital R4.2 billion – R4.5 billion

**BUSINESS DEVELOPMENT**

- Deliver Impala Rustenburg restructuring
- Implement decision on Waterberg
- Ongoing optimisation of portfolio prioritising low-cost, mechanised, Pd/Rh rich, cash generative assets
- Maximise market development and industry participation to increase demand

**ORGANISATIONAL DEVELOPMENT**

- Increase leadership capacity and capability
- Strengthen management reporting systems
- Implement culture transformation

**ESG EXCELLENCE**

- Compliance with statutory requirements including Mining Charter and SLPs
- Strengthen stakeholder engagement
- Promote host community employment and procurement
- Manage environmental impacts
- Zero level 4 and 5 incidents
- Effective waste, water and energy management strategies
- Implement occupational health and safety initiatives



## OUR STRATEGIES – TARGET KPIS SHORT AND MEDIUM TERM





## BUSINESS CASE

TO SUSTAINABLY IMPROVE ITS COMPETITIVE POSITION, PROFITABILITY AND FINANCIAL RETURNS, IMPLATS HAS COMMITTED TO A VALUE-FOCUSED STRATEGY. THE GROUP IS COMMITTED TO REDUCING ITS EXPOSURE TO HIGHER-COST, LABOUR-INTENSIVE OPERATIONS TO IMPROVE FLEXIBILITY, CAPACITY AND SUSTAINABLY GENERATE ATTRACTIVE RETURNS IN A VARIABLE MARKET AND OPERATING ENVIRONMENT

### MARKET

The outlook for global growth remains murky with no short-term resolution to uncertainties caused by trade wars, Brexit and rising geo-political tensions.

The structural underpin from technological developments and evolution, together with tightening legislation, is vital to maintain the trend of tightening demand and supply for platinum in the medium term:

- Market development activity has seen discussion on the partial substitution of platinum for palladium from meeting rooms to the research and development (R&D) labs of major fabricators with indicative volumes and timing now visible in the medium-term outlook
- Together with heavy-duty diesel, this has the potential to drive fundamental platinum demand growth/pull

Rest of PGMs enjoying strong supply/demand fundamentals, driven by:

- Palladium: Automotive
- Rhodium: Automotive and Industrial
- Limited potential to influence near-term supply

### IMPROVED PRICING AND PROFITABILITY

Stronger rand PGM pricing due to significant increases in palladium and rhodium resulted in much improved financial performance during the year.

### PORTFOLIO

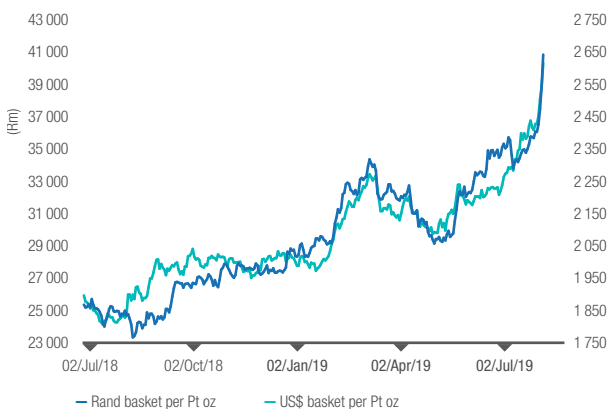
The Group's Mineral Resource portfolio is dominated by low-cost, mechanised orebodies with the exception of Impala Rustenburg. The focus is on growth from similar orebodies.

### PROCESSING CAPABILITY

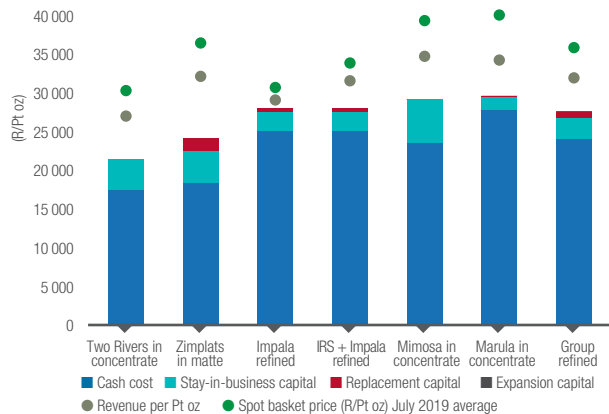
The Group delivers the best-in-sector purity (refining capability) for platinum and palladium.

World-class processing facilities are well positioned to extract mine-to-market margins for the Group while creating flexibility to influence supply through granting of tolling capacity.

Revenue per platinum ounce as at 30 June 2019



Revenue and cost of production as at 30 June 2019



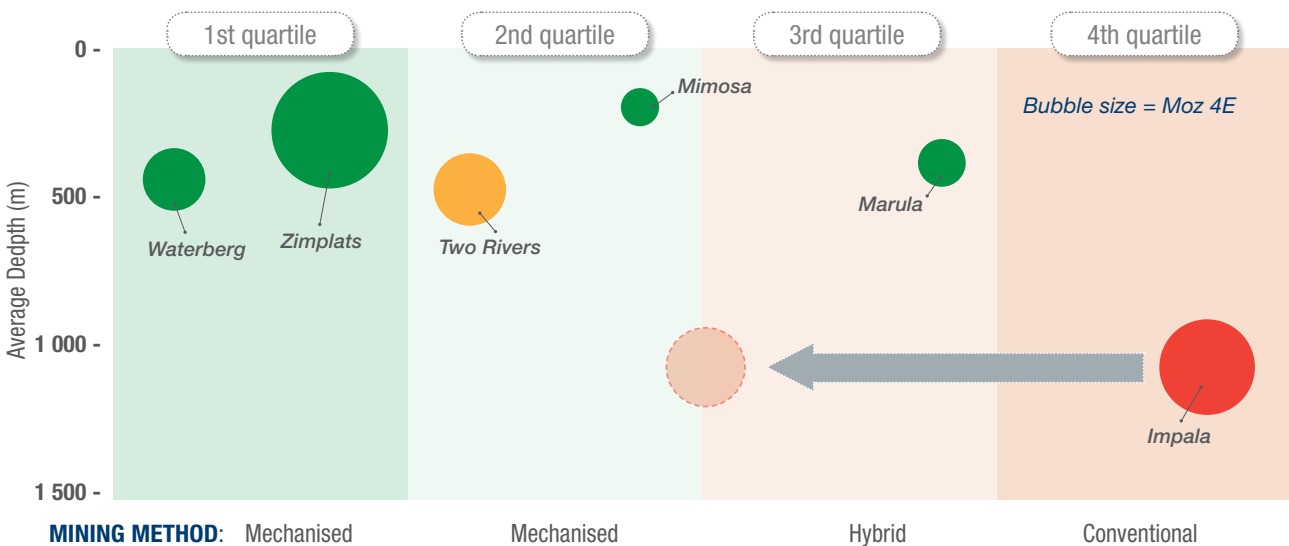
**MANAGEMENT ACTIONS**

- Implats is pursuing a portfolio that is more resilient to challenging operating and pricing environments. This portfolio will be positioned in the lower half of the cost curve, have increased exposure to palladium and rhodium and a greater diversified geographic exposure. The Impala Rustenburg restructuring, which is currently under way, supports this strategy
- Gains in productivity, safety and efficiency across the portfolio and specifically at Impala Rustenburg have boosted financial performance. Further improvements will be pursued
- Our operations are centred around growth from capital efficient, safe and low-cost operating units
- Early induced conversion of the US\$ convertible bonds has extinguished a material and long-dated debt liability

**BALANCE SHEET**

The improved operational and financial performance has substantially transformed the balance sheet. This increases Implats' ability to expedite capital priorities by considering value-accretive organic and acquisitive growth opportunities, while accelerating the journey towards delivering sustainable shareholder returns through dividend payments and the contemplation of share buybacks.

**Industry cost position – Mineral Resource size and depth**



17 Shaft and Afplats placed on care-and-maintenance in 2017 and 2015 respectively

**DELIVERING VALUE**

**R13.7 billion**  
in salaries and benefits for employees

**R1.7 billion** local-to-site procurement and  
**R140 million** in socio-economic development in our local communities

**244%** increase in share price

**Sustainable and reliable delivery of high-quality products**