Ongoing commitment

Implats has a long tradition of leadership in addressing sustainability challenges.

Lac des Iles at Impala Canada

Implats continued to deliver robust EBITDA, earnings and free cash flow in FY2022 despite lower rand PGM pricing and the need to navigate several operational challenges.

Meroonisha Kerber
Chief financial officer

Implats' strong and flexible balance sheet allowed the Group to pursue value-accretive organic and acquisitive growth, while maintaining its stated commitment to sustainable shareholder returns.

Overview

Implats delivered strong financial results despite facing several operational challenges and ended the financial year with a strong and flexible balance sheet.

As part of our purpose to create a better future through the way we do business, Implats remained committed to creating value for its various stakeholders. This included cash dividends of R14.8 billion paid to shareholders during the year, R12.8 billion taxes and state royalties paid to government and inclusive procurement of R3.2 billion spent on mine community businesses.

Marula's strong operating performance and dividend distributions during the year resulted in the Marula BEE loan being repaid. With the minorities now holding a debt-free shareholding in Marula, their share of the net assets of Marula has been reflected in minority interests and going forward, the full share of future minority dividends will flow to them.

Of the adjusted free cash flow of R29.9 billion generated during the year, R11.5 billion was spent on growth and investment, R13.9 billion was allocated to shareholders through cash dividends and R4.5 billion was retained to strengthen the Group's balance sheet and support the guarantees in place for the Royal Bafokeng Platinum (RBPlat) mandatory offer.

Acquired a 37.83% shareholding in RBPlat for R9.9 billion cash and issue of 33 million Implats shares

Gross profit	EBITDA	Headline earnings	Robust free cash flow	Free cash flow	Final dividend
R41.3bn	R53.4bn	R32.0bn	R28.8bn	48%	R10.50 per share
Gross margin of 35%	EBITDA margin of 45%	R38.53 per share	Closing net cash of R26.5 billion	Allocated to shareholder returns	Total FY2022 dividend R15.75 per share

Financial performance

Lower revenue and higher cost of sales reduced gross profit by 23% to R41.3 billion for the year. As a result, the gross profit margin decreased to 35% from 41% in the prior year, while EBITDA of R53.4 billion at an EBITDA margin of 45% was recorded.

Earnings in the prior year were impacted by:
- The reversal of prior impairments of R14.7 billion (pre-tax)
- The R1.5 billion Marula IFRS 2 BEE charge included in other expenses.

Other net expenses decreased by R1.5 billion to R0.4 billion mainly due to the once-off R1.5 billion Marula IFRS 2 BEE charge and the costs associated with the ZAR bond repurchases of R169 million recorded in the prior year, which were partially offset by R97 million of acquisition-related costs on RBPlat incurred during the year.

Following the accelerated repayment of debt and the purchase and conversion of ZAR convertible bonds during the prior year, net finance costs decreased by R421 million to net finance income of R243 million. Included in finance costs are fees of R170 million incurred on the guarantees provided to the Takeover Regulation Panel (TRP) in terms of the mandatory offer for the remaining RBPlat shares not already held.

		2022 Rm	2021 Rm
Revenue		**118 332**	129 575
Cost of sales		**(77 047)**	(76 120)
Gross profit		**41 285**	53 455
Reversal of impairment		**—**	14 728
Other net expenses		**(439)**	(1 961)
Net finance income/(costs)		**243**	(178)
Net foreign exchange transaction losses		**(161)**	(1 336)
Share of profit of equity-accounted entities		**4 311**	3 212
Profit before tax		**45 239**	67 920
Income tax expense		**(12 100)**	(20 065)
Profit for the year		**33 139**	47 855
GP margin	%	**35**	41
EBITDA		**53 375**	61 442
Headline earnings		**32 028**	36 359
Group unit costs (stock-adjusted)	R/oz 6E	**17 364**	14 840

The net loss on foreign exchange transactions reduced to R0.2 billion from R1.3 billion in the prior year, with the rand closing the period at R16.27/US$ (2021: R14.32/US$).

The share of profit from equity-accounted entities increased by 34%, or R1.1 billion, to R4.3 billion, benefiting from the reversal of unrealised profits in inventory at both Mimosa and Two Rivers, mostly due to lower closing 6E rand prices. The Group also accounted for a maiden earnings contribution of R825 million from its 37.83% shareholding in RBPlat.

The tax charge of R12.1 billion for the year resulted in an effective tax rate of 26.7% (2021: R20.1 billion and 29.5%). The tax charge in the prior year was elevated by the deferred tax charge of R4.1 billion raised on the impairment reversal, while in the current year it was reduced by a deferred tax credit of R0.2 billion following the change in the South African statutory tax rate.

The underlying financial performance is discussed in more detail in the following sections.

Open pit at the Lac des Iles mine, Impala Canada

Revenue

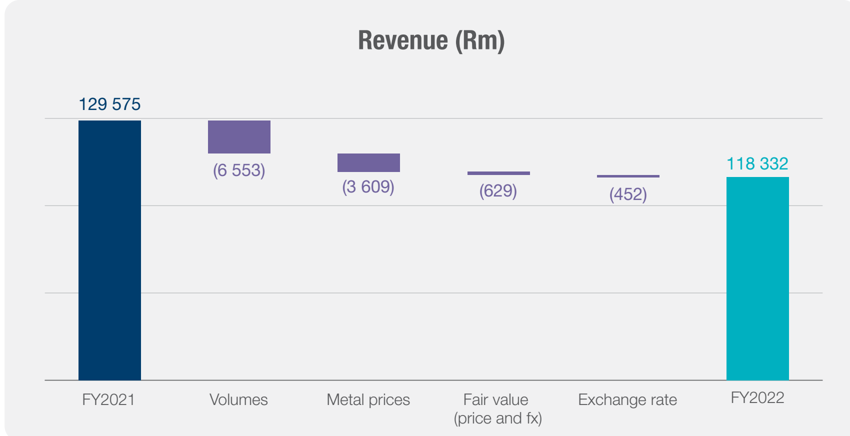
Revenue of R118.3 billion was 9%, or R11.2 billion lower than the prior year:
- 6E sales volumes decreased by 4% to 3.15 million ounces, resulting in a 5%, or R6.6 billion, reduction in revenue. Sales were impacted by lower production volumes and extended furnace maintenance, despite the release of refined platinum and palladium inventories. Sales volumes in the prior year benefited from the release of minor PGMs
- Lower dollar metal prices received resulted in a 3% or R3.6 billion reduction in revenue. Weaker achieved palladium, rhodium and platinum prices accounted for a R3.5 billion, R2.9 billion and R0.8 billion decline in revenue, respectively. Stronger pricing for the minor PGMs and base metals helped offset these declines
- The average exchange rate achieved of R15.22/US$ (2021: R15.26/US$) strengthened slightly compared to the prior year, resulting in a further 0.3% or R0.5 billion decrease in revenue.

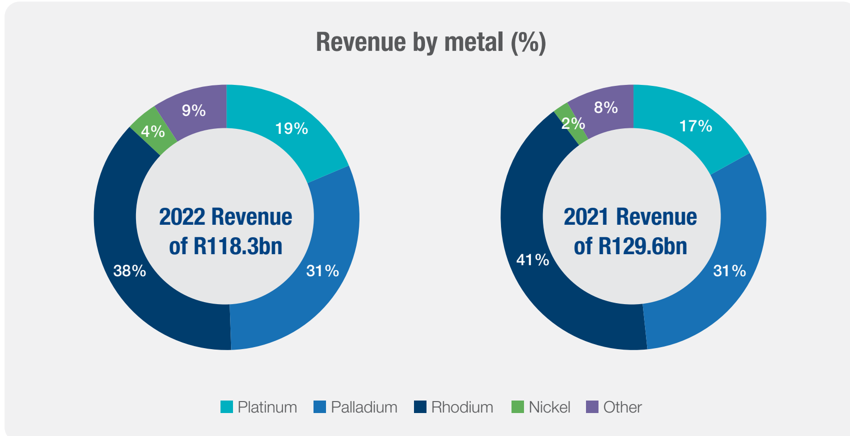
Total dollar revenue per 6E ounce sold benefited from changes in the sales mix, with higher platinum sales and lower ruthenium sales in the period, and declined by 4% to US$2 481 per 6E ounce (2021: US$2 587 per 6E ounce). The rand revenue per 6E ounce sold decreased by 4% to R37 703 (2021: R39 478).

FY2023 outlook

Sales volumes are expected to be in line with estimated refined production. The estimated refined production will be impacted by the scheduled rebuild of the next furnace (refer page 107).

Metals sold during the year	Unit	2022	2021	% Change
Sales volumes achieved				
6E	000 oz	**3 147**	3 274	(3.9)
Platinum	000 oz	**1 493**	1 397	6.9
Palladium	000 oz	**1 088**	1 093	(0.5)
Rhodium	000 oz	**177**	200	(11.4)
Nickel	tonnes	**13 094**	13 111	(0.1)
Average prices achieved				
Platinum	US$/oz	**1 008**	1 043	(3.4)
Palladium	US$/oz	**2 211**	2 419	(8.6)
Rhodium	US$/oz	**16 544**	17 610	(6.1)
Nickel	US$/t	**21 150**	15 621	35.4
Average rate achieved	R/US$	**15.22**	15.26	(0.3)
Revenue per 6E ounce sold	US$/oz	**2 481**	2 587	(4.1)
Revenue per 6E ounce sold	R/oz	**37 703**	39 478	(4.5)





Cost of sales

Cost of sales of R77.0 billion increased by 1% or R0.9 billion for the year, mainly due to increased production costs and a lower credit from movement in metal inventories, offset by a decrease in cost of metals purchased and lower royalty expenses.

Mining inflation of 8.3%, the payment of the once-off discretionary employee bonus and a higher average labour complement resulted in a 12% or R4.2 billion increase in cash costs.

Depreciation increased by 6% to R5.8 billion, with the impact of lower production fully offset by the higher carrying value of Impala Rustenburg's assets following the impairment reversal in the prior year.

The costs associated with metals purchased decreased by 21%, or R7.0 billion, due to the combination of lower volumes purchased from joint ventures and third parties and softer rand metal pricing. Volumes in the prior year were elevated by the deferred receipt of concentrates accumulated during the Covid-related lockdowns in FY2020.

Royalty expenses decreased by R1.3 billion to R3.5 billion. The impact of lower profitability was partially offset by the R261 million (2021: R178 million) unwinding of the prepaid Royal Bafokeng Nation royalty.

The credit to cost of sales arising from the movement in metal inventories reduced to R0.02 billion from R5.3 billion in the prior year. Lower levels of refined metal inventories were offset by the higher cost of mined production and higher Impala in-process stock levels at the smelter due to the impact of the extended furnace maintenance.

	2022 Rm	2021 Rm	% Change
On-mine operations	**27 607**	24 709	11.7
Processing operations	**8 550**	7 739	10.5
Refining and selling	**2 252**	1 927	16.9
Corporate costs	**1 580**	1 368	15.5
Cash costs	**39 989**	35 743	11.9
Depreciation of operating assets	**5 821**	5 475	6.3
Metals purchased	**26 939**	33 903	(20.5)
Royalty expenses	**3 453**	4 740	(27.2)
Increase in metal inventories	**(21)**	(5 288)	(99.6)
Other	**866**	1 547	(44.0)
Cost of sales	**77 047**	76 120	1.2

Cost of sales (Rm)

Movement in excess 6E in-process inventory

The Group started the financial year with approximately 80 000 ounces of excess 6E in-process inventory comprising 45 000 6E ounces at Zimplats and 35 000 6E ounces at the South African processing operations. In line with expectations, the existing excess inventory was processed by the end of December 2021 due to improved smelting and milling rates, together with lower than planned receipts in the first half of the year. As a result of the unplanned full rebuild of Number 3 furnace during January to May 2022, the Group ended the year with approximately 40 000 ounces excess 6E in-process inventory. Due to the planned full rebuild of Number 4 furnace in H2 FY2023, the excess in-process inventory is likely to increase further as a result of the constrained furnace capacity.

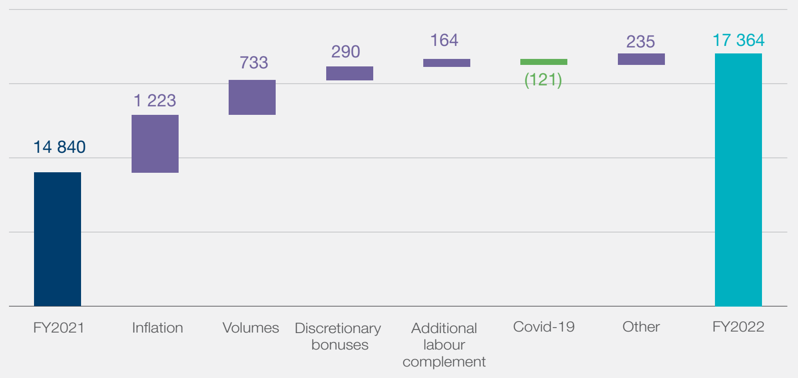
Employees, government and mine-host communities are essential to maintaining our legal and social licence to operate, as illustrated in the respective proportions of labour and royalties in our cost of sales, and their impact on net profit. Implats contributes economic value to the government and host communities in South Africa, Zimbabwe and Canada, with taxes paid through the life-cycle of our operations and across our value chain. Our tax contribution and value-added statement are disclosed in the stakeholder outcomes section on page 36.

Stock-adjusted unit costs

Group stock-adjusted unit costs increased by 17% or R2 524 per 6E ounce to R17 364 per 6E ounce:

- Group mining inflation of 8.3% at managed operations contributed R1 223 per 6E ounce to the increase. Inflation in South Africa and Zimbabwe increased to 8.9% (2021: 6.4%) and 5.4% (2021: 1.9%) respectively in the current year. Inflation at Impala Canada was exacerbated by retention and recruitment initiatives and exposure to energy pricing, resulting in Canadian inflation increasing to 8.5% from the 2.3% recorded in the prior year
- Tonnes milled at managed operations declined by 4% from the prior year while gross refined 6E PGM volumes declined by 6%. These lower production volumes accounted for R733 per 6E ounce, or 5% of the recorded unit cost increase
- The 5% increase in average working cost employee numbers at managed operations accounted for R164 per 6E ounce, or 1% of the stock-adjusted unit costs increase, while the discretionary employee bonus contributed R290 per 6E ounce, or 2%, to the recorded increase.

Stock-adjusted unit costs (R/oz 6E)



FY2023 outlook

	Unit	2022	2023 Outlook
Refined production	6E koz	**3 087**	3 000 – 3 150
Concentrate production	6E koz	**3 171**	3 100 – 3 300
Group stock-adjusted unit costs	R/oz 6E	**17 364**	18 200 – 19 200
Exchange rate assumptions	R/US$	**15.22**	16.00
	C$/US$	**1.27**	1.26

We are expecting inflationary pressures, particularly on consumables and utilities, to persist in the year ahead, thus impacting on our unit cost guidance for FY2023.

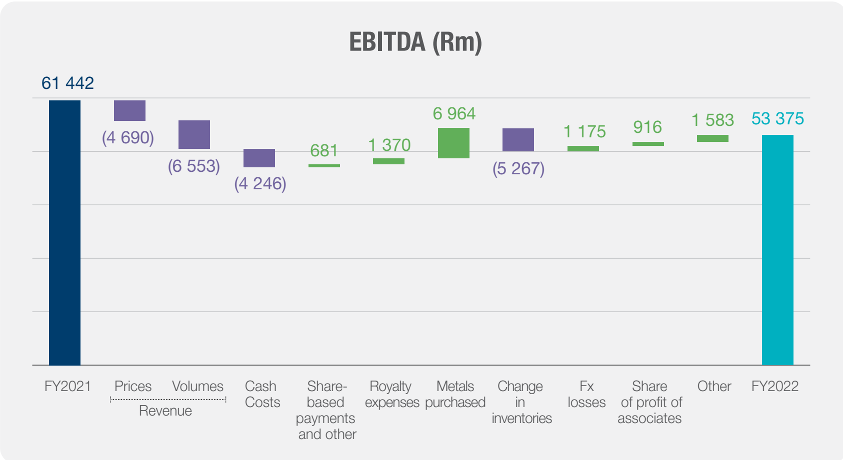
Mine-to-market concentrate volumes in FY2023 will be supported by growth from Zimplats and Two Rivers and the expected improvement in operating momentum at Impala Rustenburg and Impala Canada. The conclusion of two contracts at IRS will result in lower third-party receipts. Group 6E refined production is expected to be impacted by the scheduled rebuild of the next furnace during the year. Group unit costs are forecast to rise by between 5% and 11% per 6E ounce on a stock-adjusted basis.

Chief financial officer's review (continued)

EBITDA

The Group delivered earnings before interest, tax, depreciation and amortisation (EBITDA) of R53.4 billion at an EBITDA margin of 45% (2021: R61.4 billion EBITDA and 47% EBITDA margin). This includes the Group's portion of the EBITDA adjustments on equity-accounted entities.

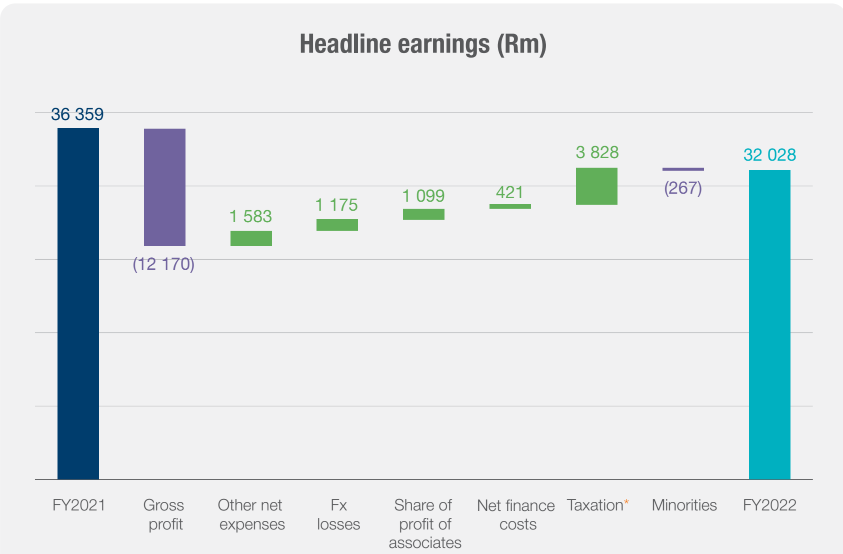
The decrease in profitability as a result of lower revenue and higher cash costs was partially offset by the reduction in the cost of metals purchased, royalties and foreign exchange losses.



Headline earnings

Headline earnings reduced by R4.3 billion to R32.0 billion, resulting in headline earnings per share of R38.53 (2021: R46.35). The effect of the R12.2 billion decrease in gross profit was partially offset by a reduction in taxes (R3.8 billion including tax effects of headline earnings adjustments), net foreign exchange transaction losses (R1.2 billion) and the increase in the share of profits of equity-accounted entities (R1.1 billion).

The weighted average number of shares in issue increased to 831.25 million from 784.43 million in the prior year. Implats issued 32.95 million shares, with a fair value of R6.5 billion, in part consideration for the 37.83% shareholding acquired in RBPlat.



* Includes the tax effects of the headline earnings adjustments.

Key financial risks

The Group's normal day-to-day activities expose it to a variety of financial risks, market risk, credit risk and liquidity risk. Market risk also includes currency risk, fair value and cash flow interest rate risk and price risk.

Implats has a formal financial risk management framework, and management actively and continuously monitors and reports on compliance.

For further information on Implats' financial risk management, refer to note 33.2 of the consolidated financial statements for the year ended 30 June 2022, pages 84 to 91.

Currency or exchange rate risk due to the continued devaluation of the Zimbabwean dollar remains a concern and is ranked fourth in the Group's top 10 strategic risks. Both Zimplats and Group management closely monitor the environment and continuously consider mitigating actions. The effectiveness of Implats' response is heavily reliant on proactive engagement with authorities as a key stakeholder. The impact, mitigation and long-term strategy are discussed in more detail in appendix A and B.

Financial position

Implats ended the financial year with a strong and flexible balance sheet.

Non-current assets increased by R26.1 billion due to increased capital expenditure, acquisition of the 37.83% shareholding in RBPlat and translation gains due to the weakening of the rand.

Net working capital increased during the year. The increase in metal inventories from the higher smelter in-process inventories due to the Number 3 furnace rebuild and higher production costs was partially offset by the decrease in the cost of metals purchased and lower refined metal inventories. Lower rand metal prices contributed to the decrease in trade receivables and trade payables.

Non-controlling interests increased by R1.7 billion due to the recognition of the minorities in Marula following the repayment of their BEE loans and the minority share of Zimplats profit for the year after accounting for the dividends received by them.

	2022 Rm	2021 Rm
Assets		
Property, plant and equipment	**64 513**	57 709
Investments in equity-accounted entities	**26 804**	7 748
Other non-current assets	**4 590**	4 346
Non-current assets	**95 907**	69 803
Inventories	**23 899**	22 711
Trade and other receivables	**6 209**	7 308
Cash and cash equivalents	**26 505**	23 474
Other current assets	**3 567**	3 179
Current assets	**60 180**	56 672
Total assets	**156 087**	126 475
Equity		
Equity attributed to owners of the Company	**114 697**	87 829
Non-controlling interests	**4 594**	2 847
Total equity	**119 291**	90 676
Liabilities		
Deferred tax	**16 795**	14 405
Other non-current liabilities	**3 414**	3 601
Non-current liabilities	**20 209**	18 006
Trade and other payables	**15 428**	16 190
Other current liabilities	**1 159**	1 603
Current liabilities	**16 587**	17 793
Total equity and liabilities	**156 087**	126 475

Cash flow and net cash position

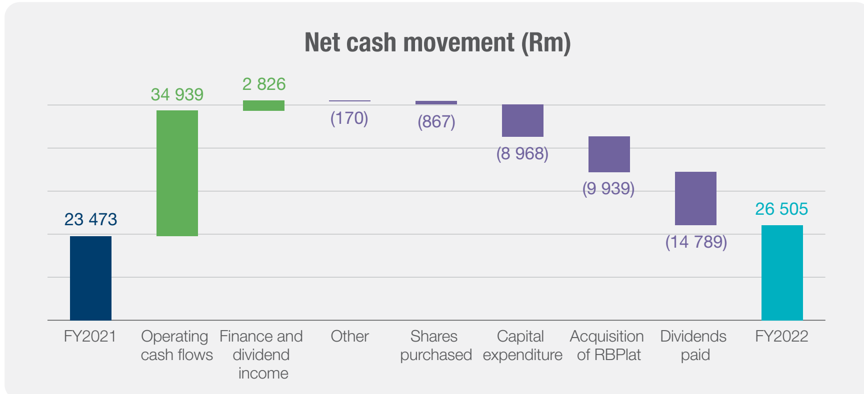
The Group remained debt free and ended the year with net cash (excluding finance leases of R1.2 billion) of R26.5 billion, an increase of R3.0 billion compared to the R23.5 billion at the end of the prior year.

At 30 June 2022, cash of R19.4 billion was held by South African operations, R6.1 billion was held by Zimplats and R1.0 billion was held by Impala Canada. At year-end, Zimplats only had R7 million in ZWL, with the remaining cash held in US dollars.

The Group generated R34.9 billion from operating activities for the year. The 16%, or R6.9 billion decrease was due primarily to lower sales volumes delivered into weaker average rand pricing.

During the year, the Group:
- Paid R9.9 billion cash to acquire 37.83% shareholding in RBPlat
- Incurred capital expenditure of R9.0 billion (2021: R6.3 billion)
- Received dividends of R2.1 billion from its equity-accounted investments (2021: R1.8 billion), including R551 million from RBPlat.

Dividend payments of R14.4 billion and R0.4 billion were made to Implats shareholders and Zimplats minorities, respectively. In addition, the Group paid R0.9 billion to acquire 5.07 million shares for the Implats share incentive schemes (2021: R1.6 billion and 9.5 million shares).



Capital expenditure

Capital expenditure increased by 41% to R9.1 billion (2021: R6.4 billion). Capital expenditure in the prior year was constrained by Covid-19-related factors.

Capital expenditure at Impala increased by 35% to R3.4 billion. Stay-in-business expenditure at Impala Rustenburg increased by 38% to R3.1 billion due to investment in several mining and processing projects, to improve asset and infrastructure integrity. R796 million (2021: R224 million) of the total capital expenditure incurred was invested in the Rustenburg smelters and the base and precious metal refineries in Springs.

Capital expenditure at Zimplats increased to R4.1 billion from R2.5 billion in the prior year due to increased spend on the Mupfuti Mine replacement project, housing development, the third concentrator plant and the new smelter. During the year, the board approved the construction of a 38MW furnace and SO_2 abatement plant for US$521 million.

Capital expenditure at Impala Canada increased to R1.3 billion from R1.1 billion in the prior year and was incurred mostly on developing the underground expansion project, the tailings storage facility, the mill decoupling project and strengthening critical infrastructure at Lac des Iles.

	2022 Rm	2021 Rm	% Change
Total capital expenditure			
Stay in business	**6 318**	4 865	29.9
Replacement	**1 413**	1 288	9.7
Expansion	**1 350**	284	375.4
	9 081	6 437	41.1

FY2023 outlook

	Unit	2022	2023 Outlook
Group capital expenditure	Rm	**9 081**	11 500 – 12 500
Exchange rate assumptions	R/US$	**15.22**	16.00
	C$/US$	**1.27**	1.26

The capital expenditure guidance for FY2023 reflects the increased investment in processing assets at both Zimplats and South African operations in the next year. Group capital expenditure is forecast inclusive of growth capital of between R2.9 and R3.3 billion.

Impact of climate change metric on enterprise value

In support of Implats' ESG framework and its long-term goal to increase the contributions to the UN SDGs, Implats currently holds R1.4 billion in rehabilitation investments, also has provided R2.3 billion for its environmental rehabilitation liabilities and has issued R2.6 billion guarantees. Specific key projects are planned over the next five years to ensure each operation has access to renewable energy. This will assist in the Group's efforts to combat climate change and strengthen energy security. Refer to the chief operating officer's review on page 104 for more detail on these key projects.

Strategic focus

Maintaining an optimal capital structure is one of the strategic objectives to deliver on Implats' value-focused strategy. The balance sheet is strong, with substantial cash reserves and funding flexibility to pursue its strategic objectives. The Group is well positioned to continue to deliver meaningful shareholder returns whilst funding the sustainable and efficient growth of its asset base.

Reflecting on FY2022 key performance indicators

Capital management

The two focus areas for the year were to create and maintain an effective capital structure and an effective capital allocation strategy. Refer to the Group performance against KPIs/targets on page 48 for more detail.

Capital structure and liquidity

- Net cash, excluding leases, increased from R23.5 billion to R26.5 billion
- Liquidity headroom increased from R30.9 billion to R34.5 billion
- Declared and paid an interim dividend of R4.6 billion
- Declared a final dividend of R8.9 billion.

Strategic focus continued

The Group provided guarantees of R16.8 billion to the TRP in terms of the mandatory offer for the remaining 62.17% in RBPlat at year-end. The mandatory offer included a liquidity covenant to fully cover the quantum of the guarantee. Subsequent to year-end, the guarantees were reduced to R16.2 billion in line with outstanding shares in RBPlat subject to the offer.

With the undrawn committed revolving credit facility of R6 billion and US$125 million in place, liquidity headroom increased by R3.6 billion to R34.5 billion at the end of June 2022.

Capital allocation strategy

The Group generated free cash flow of R28.8 billion during the year. After adjusting for the R0.9 billion incurred on the purchase of Implats shares to settle the share scheme liabilities, a gain of R559 million on the translation of our offshore cash to year-end closing rates, and R1.4 billion incurred on growth capital, adjusted free cash flow of R29.9 billion was available for capital allocation by the board.

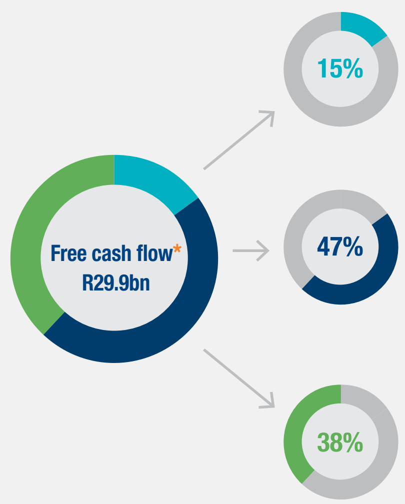
Of this adjusted free cash flow, 38% was allocated to growth and investments by:

- Funding the cash consideration for the Group's 37.83% investment in RBPlat
- Investing R1.4 billion in growth projects at our processing operations
- Contributing R0.2 billion to AP Ventures.

After considering the Group's cash and liquidity obligations under the RBPlat mandatory offer, R13.9 billion or 47% of the available free cash was allocated to shareholder returns in the form of interim and final cash dividends. This was well above the 30% minimum dividend policy and reflects the strong cash generation during the financial year and the board's commitment to prioritising shareholder returns.

The remaining free cash flow of R0.3 billion was used to fund the Group's long-term rehabilitation obligations, and R4.2 billion was retained to meet the Group's liquidity requirements in terms of the TRP guarantees and fund its potential obligations under the RBPlat mandatory offer.

Cash from operations of	**R46.0bn**
Other net income	R2.8bn inflow
Interest paid	R0.4bn outflow
Taxes paid	R10.6bn outflow
CAPEX	R9.0bn outflow
Free cash flow of	**R28.8bn**
Non-discretionary outflows*	R0.3bn outflow
Add back: Growth capital	R1.4bn inflow
Adjusted free cash flow of	**R29.9bn**



Balance sheet strength — **R4.5bn**
- Future rehabilitation obligations (R0.3 billion)
- Cash retained (R4.2 billion)

Returns to shareholders
Cash dividends — **R13.9bn**
- Interim dividend (R4.6 billion)
- Final dividend (R8.9 billion)
- Zimplats minorities (R0.4 billion)

Growth and investment — **R11.5bn**
- Investment in RBPlat (R9.9 billion)
- Growth capital (R1.4 billion)
- Investment in AP Ventures (R0.2 billion)

* *Free cash flow adjusted for outflows relating to growth capital, foreign exchange translation adjustments on cash and cost of purchasing shares for Implats shares incentive schemes.*

Significant post-balance sheet events

Shareholding in RBPlat

As disclosed in the consolidated financial statements for the year ended 30 June 2022, 1 612 308 RBPlat shares were acquired after year-end for a total consideration of R145 million paid in cash and the issue of 438 692 Implats shares. Since 30 August 2022, Implats acquired a further 6 095 952 RBPlat shares, comprising R549 million in cash and 1 828 785 Implats shares issued. Subsequent to year-end, Implats' shareholding in RBPlat increased to approximately 40.49%.

Acknowledgment

Lastly, I extend my gratitude to the dedicated finance team for supporting the business through the operational challenges faced in an ever-changing landscape while maintaining overall high standards of governance, compliance and financial reporting.

Meroonisha Kerber
Chief financial officer