CHIEF EXECUTIVE OFFICER'S REVIEW

Chris Griffith
Chief executive officer

Our results in 2017 largely mark the position we have been working towards over the past five years. The foundations of a solid operational performance, repositioned portfolio, healthy balance sheet and restored dividend are now all set, positioning us strongly for a sustainable future.

In early 2013, given structural changes we had analysed in the PGM market, we announced a strategy founded on the vision of modernising the company and focused on delivering value, not simply on the volume of ounces produced.

Our strategy has three key pillars: extracting the full potential from our operations through our people; repositioning and investing in our portfolio of assets to extract value; and developing the market for PGMs to increase demand, all delivered in a values-driven and socially responsible way.

I am pleased with the definitive and significant progress we have made in 2017 in all but one aspect.

SAFETY AND SUSTAINABILITY

Our safety performance in 2017 was simply unacceptable. It did not meet the standards we set for ourselves nor those that society and our employees deserve. It is a blemish on our record, for which we are collectively accountable. On behalf of the group, I extend our heartfelt condolences to the families, friends and colleagues of the six employees who died in work-related incidents in 2017: Mr Nkoliseko Jikumlambo was seriously injured in a fall-of-ground incident at Amandelbult's Tumela Mine on 8 April, and sadly passed away on 21 April in hospital; Mr Kagiso Ramokgatla was fatally injured in a loader incident on 7 June at Amandelbult's Dishaba Mine; Mr Douw Swart suffered chemical burns on 21 August at the precious metals refinery (PMR) and succumbed to his injuries on 5 September; Mr Tlou Abel Keetse passed away on 9 October in a winch-related incident at Amandelbult's Dishaba Mine; Mr Arlindo Sumbe was fatally injured in a fall-of-ground on 31 October at Union Mine; and Mr Samuel Jele passed away in a surface transport-related incident at Waterval Smelter on 21 December.

From the thorough investigations of each incident, we have taken time to reflect on our safety strategy and have already put in place a revised safety strategy and the framework for a comprehensive safety turnaround plan that will be built on in 2018.

More positively, we have made progress on overall safety behaviour in 2017, with key indicators such as the LTIFR down to 0.63, while total recordable cases improved to 0.90.

Against the other key sustainability-related metrics we use to track performance, we made encouraging progress in 2017 with a further significant reduction in the number of employee tuberculosis deaths due to the active employee wellness programmes we have put in place. With our HIV/Aids programmes, aligned to the UNAIDS goal of 90:90:90 by 2020 (90% know their status, 90% of those infected are on antiretroviral treatment and 90% on viral load suppression), 96% of our employees have been counselled, 80% were tested and 86% of those who are HIV-positive are on antiretroviral treatment. On the environmental side, we achieved our energy and water efficiency targets and we have had no major environmental incidents (categorised as level 3 to 5) since 2013.

SOLID FOUNDATION LAID BY EXTRACTING FULL POTENTIAL FROM OPERATIONS

We recorded a good operational performance in 2017 owing to our focus on numerous efficiency improvements across the portfolio. Our total platinum production, at 2,397,500 ounces, exceeded the upper end of revised market guidance of 2,350,000 ounces despite our decision, in line with our strategy to focus on value not volume (with specific initiatives detailed in the chairman's letter). Total PGM production was

5,007,700 ounces (expressed as 5E + gold metal in concentrate), platinum at 2,397,500 ounces (2016: 2,381,900) and palladium at 1,557,300 ounces (2016: 1,538,600).

For the **mines we own and manage** – Mogalakwena, Amandelbult, Unki and Union – operational efficiencies drove total PGM production up 5% to 2,431,000 ounces (2016: 2,325,000), while platinum produced was 3% higher at 1,130,900 ounces (2016: 1,096,200) and palladium up 7% to 847,200 ounces (2016: 789,600).

Mogalakwena Mine in particular had a stellar performance in 2017, producing a record 1,098,500 PGM ounces, up 12% (2016: 980,100), with platinum production up 13% to 463,800 ounces (2016: 411,900) and palladium by 13% to 508,900 ounces (2016: 452,000). This was achieved by mining a higher-grade area in the current mining cut, in line with its long-term plan, as well as optimising the North concentrator plant which improved concentrator throughput and recoveries. Mogalakwena is our largest cash-generating asset, producing a return on capital employed of 32%, up from 22% in 2016.

Total PGM **production from joint ventures** was down 2% to 1,096,100 PGM ounces (2016: 1,124,100), while platinum production was down 3% to 490,600 ounces (2016: 505,600) and palladium was down 1% to 323,100 ounces (2016: 327,800) owing primarily to delayed production from Mototolo Mine while the Helena tailings facility was stabilised.

There were strong production performances from Modikwa, which produced 10% more at 325,600 PGM ounces (2016: 295,800), and Kroondal with 585,800 PGM ounces (2016: 576,300) due to improved underground efficiencies and concentrator recoveries. Platinum production from Modikwa was up 10% to 126,700 ounces while Kroondal's platinum production was up 2% to 278,600 ounces.

Total PGM purchase of concentrate from associates was down 7% to 484,000 ounces (2016: 517,900) after Bokoni was placed on care and maintenance in the third quarter. Total PGM purchase of concentrate from third parties rose substantially due to the sale of the Rustenburg mining and concentrating operations to Sibanye and subsequent reclassification on these ounces to 'purchased' from 1 November 2016.

Refined PGM production increased 7% year-on-year to 5,116,200 ounces (2016: 4,787,200) after refined production in the prior year was materially affected by a section 54 safety stoppage at the PMR, and the run-out at the Waterval Smelter in September 2016. Annual production, as well as the backlog from the prior year, was all successfully smelted and refined in the period. Refined platinum production increased 8% to 2,511,900 ounces (2016: 2,334,700), and refined palladium production by 14% to 1,668,400 ounces (2016: 1,464,200).

Total PGM sales volumes rose 6% to 5,382,200 ounces (2016: 5,058,100). Platinum sales volumes were 4% higher at 2,504,600 ounces (2016: 2,415,700), while palladium sales volumes increased 3% to 1,571,700 (2016: 1,532,100), in line with higher refined production.

PEOPLE ARE THE KEY TO EXTRACTING THE FULL POTENTIAL FROM OUR OPERATIONS

We achieve our goals through our people. We are committed to their wellbeing and development, and focused on maintaining a work environment where they can develop and thrive. The profile of our workforce has changed profoundly due to repositioning the portfolio over the past five years, with large-scale reductions in the number of employees from some 56,400 in 2012 to around 23,000 people in January 2018 after transferring Union Mine to Siyanda. With the shift to modernisation, mechanisation and automation, we have found that, in addition to the continued development and training of our workforce, it is important to recruit the appropriate skills for our mines. In 2017, we spent R10 million on training and development, on top of recruiting the best mining skills to supplement our talent pool. Since the repositioning, our smaller but more skilled workforce has ensured that we work more efficiently, with productivity improving 16%.

In terms of transformation, we continue to make progress. In 2017, historically disadvantaged South African (HDSA) representation at senior management level rose from 45% in 2016 to 51%, middle management from 64% to 67%, junior management 78% to 80%, and female representation from 15% to 16%.

While we were making progress in providing accommodation and access to decent healthcare programmes, in 2014 we identified a gap in our programmes to address the financial wellbeing of our employees, many of whom were falling prey to so-called loan sharks. In response, we initiated a financial wellness programme, Nkululeko, which to date has reached around 12,000 employees via individual consultations on financial matters and implemented numerous debt relief solutions. From 2018, we are expanding this programme to include a broader range of financial issues.

Our organisational cultural transformation journey is creating a common purpose aligned with our strategy, focused on values, leadership and engagement. We have made great progress at managerial levels and, in 2018, the programme will begin addressing aspects at the lowest level in the organisation to ensure alignment.

SOCIALLY RESPONSIBLE OPERATIONS, BUILDING A FOUNDATION FOR LONG-TERM SUSTAINABILITY

Owing to South Africa's past, there is a significant legacy of underdevelopment and high unemployment around our operations. We continued to improve our engagement with communities in 2017, as they ultimately grant us our social licence to operate and have become key stakeholders in the longevity of our mines.

CHIEF EXECUTIVE OFFICER'S REVIEW
continued

In 2017, no production days were lost to community protests around our operations and we successfully completed and handed over 16 social and labour plan 2 (SLP2) projects. A further 73 projects are either being implemented or will be completed by the 2020 SLP2 deadline. Our total spend on community development in 2017 was R301 million (excludes overhead costs), representing 6% of normalised net profit after tax and supporting a range of education, health, community upliftment and development projects. In addition, we have transferred R142 million in community trust funds to the various community benefit structures set up around our operations.

We are focusing on local supplier development to ensure our host communities benefit from mining. In 2017, we achieved a 53% increase in host community spend with R1.2 billion directed at local businesses, representing 7% of our addressable spend (up from 3% in 2016). Increasing local procurement will remain a focus.

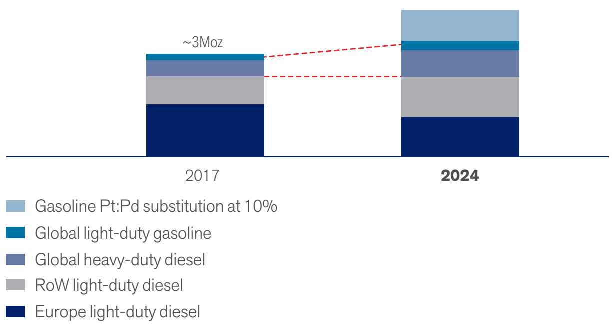
While the general policy and regulatory environment remains uncertain in South Africa, our existing mining rights are secure and not at risk. Recent developments under a new president and mining minister are most encouraging. With renewed political commitment to ensure the viability of the industry, we are hopeful that a negotiated settlement can be reached, one that is practical to implement, and that preserves and enhances investment. We reiterate our commitment to transformation in the industry and we will continue to engage through the Chamber of Mines on these matters.

DIFFICULT MARKET CONDITIONS CONTINUE; MARKET DEVELOPMENT REMAINS A KEY PILLAR OF STRATEGY

The platinum price ended the year down 1.3% at US$928 per ounce, with the average for the year softening 4% to US$950 (2016: US$989). The other PGMs had a much more impressive year, driven primarily by strong gasoline auto demand, contributing to the 12% rise in the dollar PGM basket price. Despite negative press on the decline of diesel cars in Western Europe, automotive platinum demand remains robust and we expect continued growth in global automotive demand, for our basket of metals. A 9% stronger rand meant the rand basket price increased by 2% year-on-year. Contributing factors and movements in the PGM market are detailed on page 16 and summarised by the chairman. Salient features for the key PGMs are shown below.

Platinum	Palladium	Rhodium
Gross demand ↓ 4.5% Mine production ↓ 1.6% China jewellery demand ↓ but Indian demand ↑ Net investment demand ↓	Price ↑ 42% to 16-year high and at premium to platinum Demand ↑ 9%	Price ↑ 60% supported by tighter emissions standards

Forecast platinum auto demand



We continue with in-depth market analysis for the range of PGMs we sell. We are currently evaluating whether the shifts in market dynamics in 2017 are simply cyclical or represent a longer-term structural change to the market.

Despite these dynamics, we continue to focus on developing the market for platinum with Platinum Guild International (PGI) focusing on the four major platinum jewellery markets of China, Japan, India and the USA while the World Platinum Investment Council (WPIC) focuses on increasing investor demand. We also operate the PGM investment programme, which provides start-up or early-stage capital to companies commercialising technology that uses or enables the use of PGMs. These investments are primarily focused on hydrogen, fuel cells, energy storage and the clean energy transition (see page 20).

REPOSITIONING THE PORTFOLIO FOR A SUSTAINABLE FUTURE

I am pleased with the key strategic successes we have delivered in 2017 in repositioning our portfolio. We aim to own and operate the best assets in the PGM industry, consisting of Mogalakwena, Amandelbult, Unki, the joint-venture operations BRPM (Bafokeng Rasimone Platinum Mine), Mototolo and Modikwa, and downstream processing assets.

As noted by the chairman, corporate activity in the last two years has allowed us to focus on our most competitive assets, comprising largely open-pit and more mechanised operations which will result in higher-margin production, a smaller and more highly skilled workforce, safer operations and a less complex organisation.

Our core operations will benefit from dedicated management attention and technical expertise, as well as disciplined capital allocation.

The 2017 sale of Mineral Resources in the Amandelbult mining right (excluded from current life-of-mine plans) generated cash proceeds of R1 billion, used to reduce net debt.

STRONG OPERATIONAL FOUNDATION AND ONCE-OFF FROM SALES DELIVER SOLID FINANCIAL RESULTS

Amplats delivered a strong financial performance in 2017 by improving cost structures and optimising working capital and asset sales in protracted difficult market conditions.

We are now seeing the benefits of exiting the high-cost Rustenburg operations, as well as strict cost control, with unit costs down 2% to R19,203 per produced platinum ounce (2016: R19,545). This performance is detailed in the financial director's report on page 46). Salient features of 2017 include:

- Reported EBITDA (earnings before interest, taxation, depreciation and amortisation) rose 32% to R12.0 billion (2016: R9.1 billion)
- Capital expenditure rose 18% to R4.0 billion, mostly for safety-critical and business continuity projects. Our focus remains on investing in low-capex, fast-payback, value-accretive projects
- Headline earnings rose 108% to R3.9 billion (2016: R1.9 billion), with headline earnings per share (HEPS) of 1,482 cents (2016: 713 cents)
- Net debt dropped to R1.8 billion from R7.3 billion in 2016
- Gearing is down to 4.3% and net debt to EBITDA has improved to 0.2
- As a result, the board has restored dividend payments of R0,9 billion (R349 per share).

OUTLOOK

In view of current and expected market conditions for PGMs, we remain focused on our strategy to build a solid foundation for a sustainable future. We have restructured our business and repositioned our portfolio to become resilient, despite protracted volatility of the PGM pricing environment.

Underlying cash flow generation will remain our focus, and project capital will therefore be prioritised on quick-return projects that generate meaningful incremental value. No major project capital will be committed in 2018, although we continue with study plans for potential future projects at Mogalakwena and Der Brochen, to position Amplats to implement these should market conditions improve.

We are committed to maintaining a strong balance sheet through the cycle, only focusing on high-returning and quick pay-back projects. We have therefore committed to allocating capital to pay a sustainable dividend based on a payout ratio of 30% of normalised headline earnings.

In terms of outlook our guidance is as follows:

- **Market outlook** – looking at the three major PGMs, forecasts suggest that platinum, palladium and rhodium will again collectively be in deficit in 2018. Rising vehicle production volumes and a healthy global economy should drive higher demand while primary mine production is likely to be relatively unchanged on the previous year. Platinum is likely to be in a small surplus again in 2018, with demand exceeded by overall supply, while palladium should remain in a substantial deficit even if disinvestment of physical palladium continues. Rhodium demand should continue to climb in 2018.
- **Operational outlook** – PGM production guidance (metal-in-concentrate) is 4.75 – 5.00 million ounces for 2018 and 2.3 to 2.4 million ounces platinum. Refined production and sales volumes will be in line with production, but lower than the review period, which benefited from the 2016 smelter run-out backlog and 2017 stockcount gain of some 100,000 ounces platinum.
- **Financial outlook** – The global economic outlook remains uncertain, with volatility in metal prices and exchange rates expected to continue. Management's efforts to reposition the portfolio, removing loss-making ounces, implementing strict cost control and focusing on operational efficiencies should enhance margins and generate sustainable cash flow. Capital discipline will continue, with capital expenditure projected at R4.7 billion to R5.2 billion, of which R3.9 billion to R4.2 billion will be on sustaining capex to maintain asset integrity and meet compliance requirements.

In closing, I thank my executive team and all our people for their hard work in 2017. Other than our poor safety performance, this is a set of results we can be proud of. I assure our stakeholders we are well on the path to successfully entrenching the foundations needed for a sustainable future.

Chris Griffith
Chief executive officer

15 February 2018

PERFORMANCE AGAINST OPERATIONAL TARGETS

Operational targets are set to collectively deliver on our strategic goals, aligned with the broader group's seven pillars of sustainable value (column 1). Terms are defined in the glossary in our supplementary report.

PILLAR	COMMENT	
Safety and health **DO NO HARM TO OUR WORKFORCE OR HOST COMMUNITIES** For more information see our supplementary report	**Number of work-related fatal injuries** **Total recordable case frequency rate (TRCFR)** – number of fatal injuries, lost-time injuries and medical treatment cases for employees and contractors per 200,000 hours worked. From 2018, we will measure this per 1,000,000 hours to align with best practice.	**Lost-time injury frequency rate (LTIFR)** – number of lost-time injuries for employees and contractors per 200,000 hours worked **TB cases** (new cases per 100,000 employees)**, HIV status and treatment*** ** As per UN targets, 90% of employees to know their status and 90% to be enrolled on treatment.*
Environment **MINIMISE HARM TO THE ENVIRONMENT** For more information see our supplementary report	**Energy use/unit production** – measured in million gigajoules (mGJ) **Greenhouse gas (GHG) emissions** – measured in million tonnes of CO_2 equivalent emissions (Mt CO_2e)	**Total new water (mega m³)** – total withdrawals or abstractions (total inflow excluding estimate of surface run-off or precipitation harvested)
Socio-political **PARTNER IN THE BENEFITS OF MINING WITH LOCAL COMMUNITIES AND GOVERNMENTS** For more information see our supplementary report	**Corporate social investment** Community development spend = >1% net profit after tax (NPAT)	**BEE/HDSA procurement** Procuring goods and services from black economic empowerment (BEE) companies
People **RESOURCE THE COMPANY WITH AN ENGAGED AND PRODUCTIVE WORKFORCE** For more information see our supplementary report	**Productivity definition** **HDSAs in management** – percentage of designated groups (mining charter)	**Gender diversity** – percentage of women employed (mining charter)
Production **EXTRACT OUR MINERAL RESOURCES IN A SUSTAINABLE WAY TO CREATE VALUE** For more information see our operations review on page 46	**Total refined production** – measured in 000 ounces (koz) **Sales** – measured in 000 ounces (koz) **Own mines' refined production** – measured in 000 ounces (koz)	
Cost **BE COMPETITIVE BY OPERATING AS EFFICIENTLY AS POSSIBLE** For more information see our financial review on page 46	**Total unit cost of production** – measured as R/Pt oz	Capital expenditure (excluding interest and waste stripping) – measured in R billion (Rbn)
Financial **DELIVER SUSTAINABLE RETURNS FOR OUR SHAREHOLDERS** For more information see our financial review on page 46	**Attributable return on capital employed** **EBITDA** – earnings before interest, taxation, depreciation and amortisation calculated by adding to operating profit the pre-tax equity-accounted earnings from associates.	**Headline earnings per share (HEPS)** – measured in cents **Operating free cash flow (FCF)** – cash generated from operations adjusted for stay-in-business capital expenditure and capitalised waste, measured in R billion (Rbn)

RESULTS AND TARGETS

FATALITIES#
Targets
2018 = 0
2017 = 0

Actual
2017 6
2016 7

TRCFR#
Targets
2018 = 15% improvement on 2017 baseline
2017 = 0.78

Actual
2017 0.90
2016 1.05

LTIFR
Actual
2017 = 0.63
2016 = 0.73

TB incidents – new cases#

Actual
2017 148
2016 253

HIV status (%)#
Target = 90
Actual = 80

HIV treatment (%)#
Target = 90
Actual = 86

Energy use (mGJ)#
Targets
2018 = 1% improvement
2017 = 22.9

Actual
2017 21.5
2016 24.6

GHG emissions (Mt CO_2e)
Targets
2018 = 4.3
2017 = 5.03

Actual
2017 4.6
2016 5.6

New water used (Mm³)#
Targets
2018 = 27.8
2017 = 29.1

Actual
2017 26.4
2016 32.7

Community development spend (R million)
Actual
6% of net profit after tax

Actual
2017 295 *(excludes overhead costs and Unki)*
2016 354

BEE ownership (%)
Targets
2018 = At least 26
2017 = 26

Actual
2017 35
2016 33.34

BEE procurement (%)
Targets
2018 = 75
2017 = 70

Actual
2017 72
2016 72

Productivity (PGM oz/employee)

Actual
2017 93.9
2016 80.8

HDSAs in management (%)
Targets
2018 = 40
2017 = 40

Actual
2017 75
2016 74

Women in mining (%)
Targets
2018 = 10
2017 = 10

Actual
2017 16
2016 15

Total refined PGM production

Actual
2017 5,116
2016 4,787

PGM sales (koz)

Actual
2017 5,382
2016 5,058

Owned managed mines – PGM refined (koz)

Actual
2017 2,432
2016 2,227

Total operating cost (R billion)

Actual
2017 59.1
2016 57.4

Capex (R billion) excluding waste stripping and interest
Targets
2018 = 5.0
2017 = 3.9

Actual
2017 4.0
2016 3.4

Operating free cash flow (R billion)

Actual
2017 5.1
2016 5.2

ROCE (%)
Actual
2017 18
2016 9

HEPS (cents)
Actual
2017 1,482
2016 713

(R billion) EBITDA
Actual
2017 12.0
2016 9.1

 # Scorecard element of remuneration