Impala Platinum Holdings Limited (Implats) has announced results for the full year ended 30 June 2013 today.

Implats’ CEO, Terence Goodlace commented, “It has been a good year for the group from a safety improvement perspective. However, it has been a challenging one in terms of operational performance at Impala Rustenburg, a changing workforce dynamic and weak market prices.”

Key features

- **Safety** – improved across all indicators
- **Production** - gross platinum production up 9% to 1.58 million ounces
- **Costs** - lower refined volumes at Impala contributed to the increase in unit costs of 23% to R16 570 per platinum ounce
- **Revenue** - increased by 9% to R30 billion
- **Earnings** - headline earnings decreased by 52% to R2.0 billion
- **Dividend** - a final dividend of 60 cents per share

Safety

Safety improved across all leading and lagging indicators for the Group. The fatal injury frequency rate improved by 25.3% to 0.065 per million man hours worked and there were no fall-of-ground fatal accidents, which is a considerable achievement. The lost time injury frequency rate improved by 15.1% to 4.21 per million man hours worked. Regrettably, we had nine fatalities during the year. The board, management and all of the Implats team extend their sincere condolences to the families and friends of the deceased.
**Financial review**

Revenues, at R30.0 billion, were R2.4 billion higher than those achieved in the previous period. Headline earnings per share decreased by 52% from 685 to 330 cents per share due to operational performance at Impala, above inflation cost increases and impairments of R1.3 billion of long-term receivables (excluding the goodwill impairment for the Afplats transaction).

Capital expenditure of R6.4 billion, the bulk of which was spent on the development of 20, 16 and 17 shafts at Impala Rustenburg and the Phase 2 expansion project at Zimplats, was mainly funded by cash generated from operations which amounted to R5.9 billion (2012: R5.0 billion).

The board has decided to declare a dividend for the year of 95 cents per share which comprises an interim dividend of 35 cents and a final dividend of 60 cents per share. This is in line with the Implats dividend policy of 3.5 times cover.

**Market**

Global economic conditions continued to impact on the PGM markets, with US$ prices for all our major metals lower than the prior year. For calendar year 2012 the platinum market moved into a deficit of half a million ounces on the back of reduced primary supply from South Africa and a marginal increase in demand from the automotive sector. Non-automotive industrial demand was lower reflecting weak economic conditions but an uptick in jewellery and investment helped support the market. The anaemic pricing environment stunted any growth from the recycle sector.

Palladium demand continued to grow on the back of stronger US and Chinese automotive sales combined with positive investor sentiment. This drove the market towards a sizable deficit of nearly 900 000 ounces. The deficit was compounded by a reduction in Russian stock deliveries adding to the belief that future liquidation from this source will be limited.

We anticipate further growth in global vehicle sales of 3 – 4% per annum, which when combined with tightening emission standards should provide a solid foundation for increased demand for our metals. This will result in deficit markets for platinum and palladium which will not easily be met from increases in primary supply, particularly from South Africa where operational challenges and the lack of capital investment by the industry will continue to suppress supply into the foreseeable future. This should prove positive for prices in the medium to long term.

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Operational performance

Gross refined platinum increased by 9% to 1.58 million ounces compared to the prior year. Mine to market output decreased by 2% to 1.21 million ounces primarily due to lower volumes from Impala. Non-managed production increased by 80% to 368 000 ounces as a result of once-off treatment for third parties. The lower volumes at Impala negatively impacted on group unit costs, which increased by 23% to R16 570 per platinum ounce.

Impala

Ore milled increased by 2.3% to 10.9 million tonnes while refined platinum decreased by 5.5% to 709 200 ounces. Unit costs increased by 23.9% to R17 241 (2012: R13 913) per refined platinum ounce. Above inflation wage and power cost increases combined with lower production affected unit costs.

The mine is currently face length constrained and only mined an average of 17.4 kilometres of face at an average panel length of 21.7 metres and a face advance of 10.3 metres per month. The key to reversing this situation is to optimise development, equipping, construction and ledging activities on existing shafts and at the newly commissioned 20 and 16 shaft complexes. The team at Rustenburg are implementing a number of key initiatives to improve the overall performance of the mine. These initiatives are focused on planning and executing on optimal mine designs, increasing on-mine motivation and increasing the skills and knowledge of the teams. In addition, an improved mineral resource management approach has been adopted.

Marula

Ore milled increased by 3.1% to 1.6 million tonnes while platinum in concentrate increased by 3.8% to 71 700 ounces. Costs per platinum ounce in concentrate increased by 19.3% mainly due to inflation of 11.5%, the employment of an additional 290 employees, unforeseen conveyor belt maintenance, trackless machinery repairs and external consulting costs. As a result of the external intervention during the first half of the year, in-stope productivities have increased by 8.5%.

Zimplats

Ore milled increased by 6.6% to 4.7 million tonnes while platinum in matte increased by 5.9% to 198 100 ounces despite the smelter fire in December 2012 which necessitated a shutdown of 21 days. Platinum unit costs in matte increased by 5.5% mainly due to US$ inflation of 6.2% offset by the increase in platinum production. The unit costs for the year were US$1 307 (2012: US$1 239) per platinum ounce in matte.

[more]
Ticker symbols:
JSE: Imp
LSE: Ipla
ADRs: Impuy

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**Mimosa**

Tonnes milled at 2.4 million for the year increased by 2.5% and platinum in concentrate reduced by 5.4% to 100 300 ounces. Mimosa’s unit costs increased by 22.6% to US$ 1 782 per platinum ounce in concentrate mainly due to the lower production, Zimbabwean inflation, the impact of a stock rebuild exercise post the 2012 fire and the higher usage of plant chemicals and reagents.

**Two Rivers**

Tonnes milled were 2.2% higher at 3.2 million for the year. Platinum in concentrate increased by 8.2% to 162 200 ounces. Costs per platinum ounce in concentrate increased by 8% to R11 683.

**Zimbabwean indigenisation**

The termsheets setting the conditions for the proposed Indigenisation Plans for both Mimosa and Zimplats were submitted in December 2012 and January 2013 respectively. We have been notified that termsheets need to be revisited. Discussions are ongoing. Zimplats has lodged a formal objection and a compensation claim for the compulsory land acquisition gazetted on 1 March 2013.

**Prospects**

We firmly believe that the demand for our metals will increase in the medium- to long-term driven primarily by the growth in global vehicle sales. However, future primary supply growth will remain constrained which will result in tighter market conditions leading to higher prices for our metals.

We continue to invest in our replacement projects, which are essential to restore Impala’s production profile. We will maintain production in 2014 at current levels and thereafter progressively grow output to 850 000 ounces of platinum per annum by 2018. This, coupled with the completion of the Phase 2 expansion project at Zimplats, will ensure the sustainability of the Group.

**Ends**