Implats

News release: 3 September 2015

IMPLATS ANNOUNCES RESPONSE PLAN TO LOW PGM PRICE ENVIRONMENT

Impala Platinum Holdings Limited (Implats) announced results for the twelve months ended 30 June 2015 as well as an operational response plan premised on a lower-for-longer PGM (platinum group metals) price environment.

Implats' CEO, Terence Goodlace, "Implats performance for the 2015 financial year was impacted by the ramp-up of the Rustenburg operations following prolonged industrial action across the platinum industry in early 2014, the precautionary closure of the Bimha mine at Zimplats, constrained power supply in South Africa, safety stoppages as well as depressed PGM prices.

"Looking forward, despite strong long term PGM fundamentals, we expect metal prices to remain depressed in the short term. The Group's priorities have therefore been materially re-balanced to focus on shorter term cash preservation and profitability in a low price environment, while we continue our investment into key capital projects. Following these actions, the Group is expected to be EBITDA and free cash flow positive at current prices across the Impala Lease Area and IRS, before replacement and development capital. The restructuring of our debt facilities as well as the proposed equity transaction announced today, will enhance our ability to operate effectively and profitably both for the short and long term."

Key features

- **Safety**
  - Since FY2010 FIFR improves from 0.122 to 0.058 per million man hours worked
  - 6.9 million fatal free shifts in FY2015 for the Group (new record)
- **Market**
  - Strong market fundamentals persist with near term PGM price pressure
- **Operational**
  - Key operational metrics improving after strike at Impala and Bimha closure
  - Gross refined platinum 8.3% higher at 1.28 million ounces
    - Impala achieved target of 575 000 ounces
    - Zimplats mining production restored before year-end (6.2 m tpa)
- **Earnings**
  - Headline earnings per share decreased by 58% to 36 cents
- **Dividend**
  - No dividend declared for the year
- **Response plan**
  - Implats takes decisive action to mitigate lower-for-longer PGM prices
- **Equity raising**
  - Group proposed equity raise of R4.0 billion to sustain capital commitments and long term value creation

Annual results for the twelve months ended 30 June 2015

Safety review

It is deeply regrettable that four of our employees at Impala Rustenburg and two contractors suffered fatal injuries during the year. There was also one fatal incident at Marula during the year. The board and the management team have extended their sincere condolences to the families and friends of these colleagues and remain committed to achieving zero harm across all operations.

Since FY2010 our fatal injury frequency rate has improved from 0.122 to 0.058 per million man hours worked. Over the same period, we have significantly reduced total accidents and ended the period with a total injury frequency rate at 9.78 per million man hours worked, having reduced from a rate of 15.21 in FY2010.

A continuing challenge for management has been the number of 'Section 54' safety stoppage instructions issued by the Department of Mineral Resources (DMR). Implats supports all work stoppages where there is a direct danger to the safety and health of our employees, but extending these stoppages beyond the scope of the risk is problematic, both from a safety/risk and sustainability perspective. Management continues to actively engage the DMR to highlight the impact of these stoppages on both safety and productivity/profitability, especially in a low metal price environment where we remain firmly focused on achieving zero harm, and preserving jobs as best we can.

Financial review

Revenue, at R32.48 billion, was 11.9% higher than the previous year, mainly as a result of an increase in sales and production volumes at Impala. Cost of sales rose by 19.6% to R30.85 billion compared to the prior comparable period largely due to the ramp-up at Impala following the strike action in 2014 and as a result, gross profit declined by 50% to R1.63 billion. Headline earnings decreased by 58%.

Implats ended the year with cash of R2.6 billion and net debt (excluding finance leases) of R4.1 billion. In addition to the cash on hand, the Group had committed undrawn facilities of R3.0 billion at year end.

Given the low rand metal price outlook, the board resolved not to declare a final dividend for the year to 30 June 2015.

Operational review

Mine-to-market output at 1 142 700 ounces of platinum was 15.9% higher than in the previous year, largely as a result of the platinum industry strike in the prior period. Third party production decreased by 30.7% to 133 300 ounces as once-off Northam material was treated in the previous year. Gross refined platinum production increased by 8.3% to 1 276 000 ounces and Group unit costs increased by 14.4% to R22 222 per platinum ounce.

Key elements of the response plan to lower-for-longer PGM prices

Market context

Following on from the strategic review in February 2015, a decisive operational response plan has been developed to mitigate the lower-for-longer metal price outlook and a dramatic 15% decline in the PGM price basket over the last six months.

Key initiatives include:

- **Reducing operating costs**
  - An additional R640 million planned reduction, yielding a combined planned reduction of R1.57 billion from a normalised base (adjusted for the ramp-up and inflation)

- **Reprioritising and rescheduling capital expenditure**
    - The capital budget has been rescheduled to R4.2 billion with a priority to complete 16 and 20 shafts
    - Slow-down of development at 17 Shaft
    - Maintaining expenditure on social and labour plans, including housing and accommodation projects
- **Accelerated implementation of the Impala Lease Area strategy**
    - Closing unprofitable mining areas, including the envisaged closure of 8 shaft and 12 shaft mechanised section
    - The exact impact on jobs is continuously assessed and mitigated where possible, specifically through redeploying employees at replacement shafts
    - Annual production at Impala is now envisaged to be 815 000 – 830 000 platinum ounces by 2020

Debt facilities

At year end, the Group had R2.6 billion in cash and unused debt facilities of R3.0 billion. In response to the lower prices outlook, advanced agreement has been reached to extend the term of a portion of the revolving debt facilities from one to two and a half years. The quantum has also been increased from R3.0 billion to R3.5 billion.

Proposed equity raising

Following the operating and capital response plan outlined above, the Group is expected to be EBITDA positive in the current PGM price environment and free cash flow positive across the Impala Lease Area and IRS, before replacement and development expenditure.

The Group has today proposed an equity raising of up to R4.0 billion. Subject to shareholder approval, this equity raising will take place via an accelerated book building process to qualifying institutions. Pleasingly we have received support from 49% of our shareholders to vote in favour of relevant shareholder resolutions where they are able to do so and a SENS announcement in this regard was released earlier this morning. The equity raising has, subject to customary conditions, been fully underwritten by UBS Limited.

Implats remains committed to returning excess cash flow to shareholders going forward.

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