IMPALA PLATINUM HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1957/001979/06)
JSE Share code: IMP
ISIN: ZAE000175873
ADR code: IMPUY
ISIN: ZAE000083648

25 February 2016

Implats records steady improvement in operating and financial performance, despite tough operating conditions and continued low metal prices

Recent mining fatalities, despite R1 billion spent on safety initiatives, prompts comprehensive review of safety practices throughout the Group

Impala Platinum (Implats) increased platinum production by 9.8% and reduced on-mine costs by 15.6% for the period ending 31 December, as part of its continued efforts to prioritise shorter-term cash preservation and profitability in a low metal price environment, which the Group expects to remain 'lower for longer'.
Gross profit decreased to R21 million from R1.5 billion which was a direct result of the lower metal prices. The net effect was headlines earnings that declined 13% to R347 million for the half year.

Gross refined platinum production increased to 692 100 ounces, primarily due to the impact of the ramp-up of operations at Impala Rustenburg in the previous comparable prior period following the five-month wage strike, and increased production from the Group's Zimplats operations in Zimbabwe.

On-mine costs decreased by 15.6% from R926 to R782 per tonne milled, and capital expenditure reduced from R2.0 billion to R1.9 billion, from the comparable period last year. Gross cash improved to R6.4 billion and the Group generated R630 million free cash after replacement capital expenditure during the period under review.

The weakened South African rand provided some support to rand revenues and the rand denominated PGM basket price averaged R21 843 per platinum ounce, some 15% lower than the comparable period in the prior year.

Safety remains a major concern

While Implats achieved its lowest-ever 12-month moving average fatal injury frequency rate and has spent more than R1 billion on safety initiatives over the past few years, the Group has experienced a devastating series of fatal incidents in recent months.

Two fatal incidents occurred before the close of the reporting period, one at Impala Rustenburg and another at Mimosa. Following the end of the reporting period, the Group regrettably experienced three incidents, two at Impala Rustenburg and one at Mimosa. On 22 January 2016, four employees tragically lost their lives in one of these incidents following an underground fire at Impala Rustenburg's 14 Shaft.

"Safety remains a significant challenge for us. These recent fatalities have necessitated a thorough review of our safety practices throughout the Group. We are busy consulting with all our employees to enhance our zero harm programme to stop these tragic incidents, once and for all," says Implats CEO Terence Goodlace.

Platinum Group Metals market

Overall demand for Platinum Group Metals (PGMs) from the Group's major customers remained strong during 2015, with generally sound market fundamentals across the key market segments, with the possible exception of the Chinese platinum jewellery market.

Automotive PGM demand improved strongly, but sentiment and PGM price support was particularly negatively impacted by the Volkswagen diesel scandal. Industrial demand was largely influenced by muted global economic growth, which constrained price support.

"Despite persistently low PGM metal prices and growing global economic uncertainty in 2015, the market fundamentals for the Group's metals remain sound due to growing global demand and constrained primary supply," says Goodlace. "We believe, however, that our 'lower-for-longer' view of platinum prices remains unchanged for the short-term, with sustained and increasing market deficits on the back of increasing demand supporting PGM price appreciation in the medium to longer-term."

Strengthening of the balance sheet

Implats strengthened its balance sheet during the period under review through a successful R4 billion equity-raising, the proceeds of which are earmarked for the completion of the new 16 and 20 shaft complexes at Impala Rustenburg.

Excluding the cash raised through the equity placement and R772 million project expenditure on the 16 and 20 shaft projects, the Group generated R630 million free cash for the six months ended 31 December 2015, despite operating in a period when rand metal prices were low. This was largely due to Impala Refining Services (IRS) sustaining its considerable financial contribution to the Group.

Response plan review

Implats has made substantial progress on a number of initiatives that were announced in 2015 in response to persistently low US dollar metal prices, including:

- at Impala Rustenburg, both 8 Shaft and the 12 Shaft mechanised sections were closed as planned in December 2015;
- the workforce at Impala Rustenburg was consequently reduced by approximately 2 690 people over the seven months to end January 2016;
- employee job losses were mitigated in line with our commitment to preserve jobs, as far as possible, by replacing contractors and through transfers to the new 16 and 20 shafts;
- various measures to reduce costs and improve mining efficiencies, yielding a combined planned reduction of approximately R1.6 billion;
- the focus on cash preservation and profitability in a lower metal price environment has seen the capital budget for FY2016 reduced to R4.1 billion, following a further curtailment in project development work at 17 Shaft, which has now been placed on a low cost care-and-maintenance programme pending higher PGM metal prices; and
- over the six months to 31 December 2015, R772 million was spent on 16 and 20 shafts and R367 million at Zimplats. In total, R1.9 billion capital has been spent across the Group.

Production impact of the tragic 14 Shaft fire incident

Following the finalisation of the investigation into the 14 Shaft fire tragedy at Impala Rustenburg that claimed the lives of four employees in January 2016, Implats aims to sequentially recommission portions of the affected bottom section of the shaft with the shaft being fully recommissioned by July 2017.

In this process, Implats will redeploy people across the Rustenburg operation, and at this stage, the Group estimates that it will lose approximately 50 000 platinum ounces in the second half of the year due to this incident.

Given this and the expected impact of ongoing Section 54 stoppages, production at Impala has been revised to between 630 000 and 650 000 ounces of platinum for FY2016, and the preliminary production estimate for FY2017 is between 700 000 and 710 000 ounces. Thereafter, the previous guidance of building up to 830 000 platinum ounces per annum by FY2020 remains unchanged.

“In summary, the Group’s operational performance for the six months to 31 December 2015 reflects a steady improvement compared to the corresponding reporting period last year. We have strengthened the balance sheet and we have generated good free cash flow, despite operating in a period when rand metal prices were low. We continue to prioritise shorter-term cash preservation and profitability enhancement measures, which includes sound management of our capital expenditure programme,” says Goodlace.

Ends

Queries:

Johan Theron
E-mail: johan.theron@implats.co.za
T: +27 (0) 11 731 9013/43
M: +27 (0) 82 809 0166

Alice Lourens
E-mail: alice.lourens@implats.co.za
T: +27 (0) 11 731 9033/43
M: +27 (0) 82 498 3608