

NEWS RELEASE

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IMPLATS DELIVERS A SOLID OPERATIONAL PERFORMANCE INTERIM RESULTS FOR SIX MONTHS ENDED 31 DECEMBER 2013

EMBARGO: For immediate release

<p>Ticker symbols: JSE: Imp ADRs: Impuy</p> <p>www.implats.co.za</p> <p>Queries:</p> <p>Johan Theron +27 11 731 9013/43 +27 82 809 0166</p> <p>Alice Lourens +27 11 731 9033/43 +27 82 498 3608</p>	<p>Impala Platinum Holdings Limited (Implats) has announced results for the six months ended 31 December 2013.</p> <p>Implats' CEO, Terence Goodlace commented, "Implats delivered a solid operational performance as reflected in the on-plan progress at Impala Rustenburg as well as the Zimplats and Marula production build-ups. While the underlying medium to long-term demand drivers for PGMs remained robust, the relatively weak macro-economic environment, together with excess above-ground metal inventories, continued to constrain PGM prices. This provided little respite for the industry and cash flows remained constrained.</p> <p>"The challenging labour environment continues to impact the South African platinum sector and wage negotiations as well as associated industrial action at Impala Rustenburg is ongoing. We owe it to our stakeholders, our communities, our country and our employees to arrive at a settlement that is affordable, achievable and sustainable."</p> <p>Key features</p> <ul style="list-style-type: none"> • Safety - FIFR improved by 31% • Market - Market remains in fundamental deficit • Costs - Higher production volumes temper the Group cost increase to 2.2% • Earnings - Headline earnings increased by 10.8% • Operational - Operational performance and total development metres improve • Dividend - Given current industrial relations climate, no interim dividend declared <p style="text-align: right;">[more]</p>
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Safety review

The fatal injury frequency rate improved by 31% for the six months to 0.045 per million man-hours worked, demonstrating the success of the various initiatives that have recently been undertaken to address employee safety. However, safety remains a significant challenge for the Company and it is deeply regrettable that three employees suffered fatal injuries during the half-year ended December 2013. The board of directors and the management team have extended their sincere and deepest sympathies to their families, friends and colleagues.

The lost-time injury frequency rate remains a concern and deteriorated from 4.21 to 4.62 per million man-hours worked. We continue to focus on our safety strategy, which seeks to develop a culture of safety such that we can achieve our ultimate vision of zero harm.

Employee relations

Talks between the platinum sector and the Association of Mineworkers and Construction Union (AMCU), facilitated by the Commission for Conciliation, Mediation and Arbitration (CCMA) has not secured a resolution to the industry wage dispute.

The platinum producers have tabled a wage offer in good faith to AMCU members based on a set of principles that would ultimately realise a minimum guaranteed pay package of R12 500 per month over time. This offer represents an increase in wages and benefits of R2 billion rand in the first year alone for the industry and is compounded in the second and third years. This revised offer has to be viewed in the context of an industry having reported a cash loss of R4.3 billion in 2013.

Impala Rustenburg continues to lose production of approximately 2 800 platinum ounces per day, equivalent to approximately R60 million of revenue per day.

Implats remains committed to peace, order and stability and to further engagement to secure a sustainable resolution that will not only afford employees increased wages, but also preserve jobs and secure the sustainability of the business and the industry.

Market

The platinum price declined over the period to end 2013 at US\$400 per ounce off its peak. This was due to a constrained European economy, which saw auto sales continue to decline, the threat of quantitative easing in the US and the abundance of above-ground metal inventories. The quantity of available metal continues to surprise despite the removal of metal from the market due to industrial action in South Africa and the rapid uptake of the recently launched South African-based platinum exchange traded fund (ETF).

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Global vehicle sales grew by 3.9% and the total passenger vehicle sales exceeded 83 million units - the highest ever recorded - and this clearly had a positive impact on PGM demand. Jewellery market demand is expected to increase by a small margin driven by lower average metal prices during the year.

The supply and demand balance for both platinum and palladium remained in fundamental deficit for the year, but have both been impacted by an accumulation of above-ground inventory, which may take a little while longer to be eroded.

Financial review

Revenues, at R16.5 billion, were R1.4 billion or 9.5% higher than those achieved in the six months to December 2012 as lower platinum dollar prices were offset by a weaker exchange rate. Gross profit declined by R0.7 billion compared to the prior period as cost of sales increased by nearly 17% primarily due to inflationary increases in direct operating costs. Headline earnings increased by 10.8% to R860 million.

Given the current industrial relations climate and as part of the Group's cash preservation measures, the board has decided not to declare an interim dividend.

Operational review

Mine-to-market output increased by 9.2% to 677 300 ounces of platinum from the comparative period, primarily due to the build-up of metal in the previous half year ended December 2012 and the higher volumes at Zimplats as the Phase 2 expansion project ramped up. Third party production decreased by 55.3% to 109 200 ounces impacted by the termination of deliveries from a recycling customer. Consequently, gross refined platinum production decreased by 9.1% to 786 500 ounces. Group unit costs were well contained with an increase of 2.2% to R16 310 per platinum ounce on the back of the increased production compared to the prior period.

Impala

Impala delivered a solid performance over the six month period to 31 December. Initiatives to address ore flexibility have started to show results with a 33.3% increase in primary on-reef development. Stopping productivity increased by 1.9%, but remained constrained due to insufficient mineable face.

Tonnes milled decreased by 5.3% as a result of the closure of two old shafts and the open cast section, as well as by an underground fire. Despite this, head grade increased by 1.6% and recoveries increased by 4.3%. Refined platinum production, which increased by 6% to approximately 390 000 ounces, was further supported by a pipeline build-up of 22 000 ounces at the refineries in the prior period. Unit costs per ounce were essentially flat, contained by the higher production volumes.

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Zimplats

Tonnes milled at Zimplats increased 36.7% as Mupfuti mine (Portal 3) ramped-up production. Head grade declined by 2.5%, impacted by dilution due to bad ground conditions in some parts of the mine. There was a significant increase in platinum in matte production of 58.0%. This was on the back of the ramp-up of the Phase 2 expansion and due to production in the comparable period being impacted by a smelter fire. Unit costs benefited from increased volumes and declined by 19.5% in dollar terms. This was also impacted by the weak rand/dollar exchange rate.

The Phase 2 expansion is well on track and we are confident that we will reach the target of 270 000 ounces of platinum in the 2015 financial year.

Marula

Tonnes milled at Marula increased by 12.6%, largely supported by the optimisation of operational infrastructure. The higher tonnes, together with improved stoping efficiencies and a marginally higher head grade, resulted in a 14% increase in platinum in concentrate production. The operation remains on track to increase production to 80 000 ounces for FY 2014. It was also pleasing to note that unit costs per platinum ounce decreased by 4.9% off the back of the higher volumes.

Other operations

Mill throughput at Mimosa increased by 3.6% and platinum production in concentrate amounted to 52 600 ounces. Unit costs per platinum ounce rose marginally in dollar terms and 19.5% in rand terms, this was primarily impacted by the weaker rand/dollar exchange rate.

Tonnes milled at Two Rivers increased by 4.2% and platinum in concentrate increased by 8.3% to 90 100 ounces. Unit costs rose by 1.6% per platinum ounce in concentrate.

Outlook

Safety remains our first priority and we are committed to improving performance in this area. We will continue to drive our strategy of changing the safety culture of the organisation, improving supervision and implementing best practice initiatives.

The fundamentals for PGMs remain robust and volatile. World economies are showing some positive growth signs auguring well for the demand for these metals. Implats continues to forecast deficit markets for the next year or two, and this is expected to slowly erode the level of inventories and have a positive impact on prices. The lack of capital investment by the industry should curtail future supply from southern Africa, to the extent that it is not envisaged that output levels will return to their highs of 2007 for the next five years.

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The operating environment in South Africa remains challenging as a result of the changing labour dynamics and increased stakeholder expectations, while cost pressures remain high as a result of potential wage settlements and power increases. The improved operational recovery, coupled with the capital and expansion projects, will benefit the Group once the wage negotiation impasse in the platinum sector is resolved.

Ends