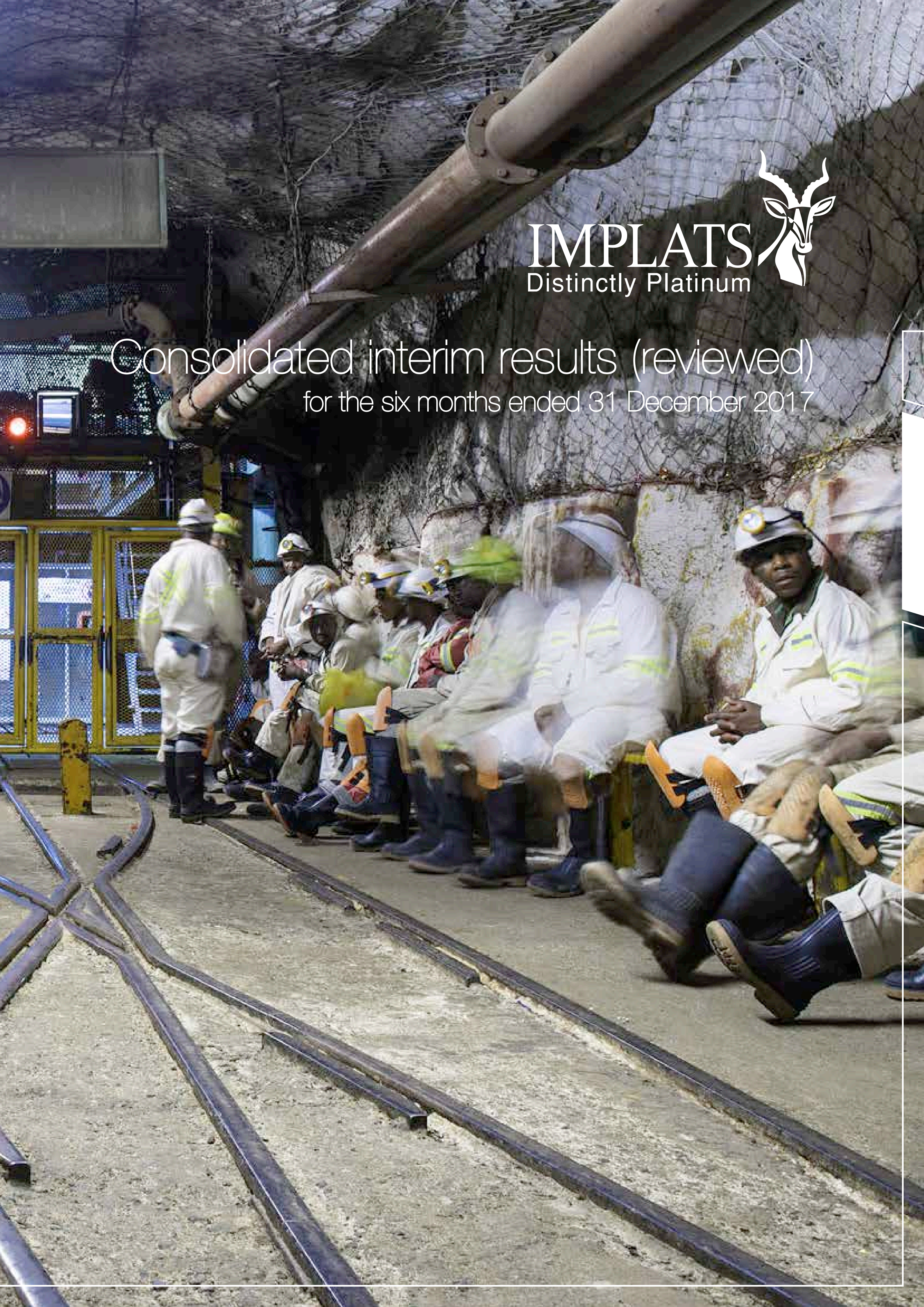
IMPLATS
Distinctly Platinum

Consolidated interim results (reviewed)

for the six months ended 31 December 2017



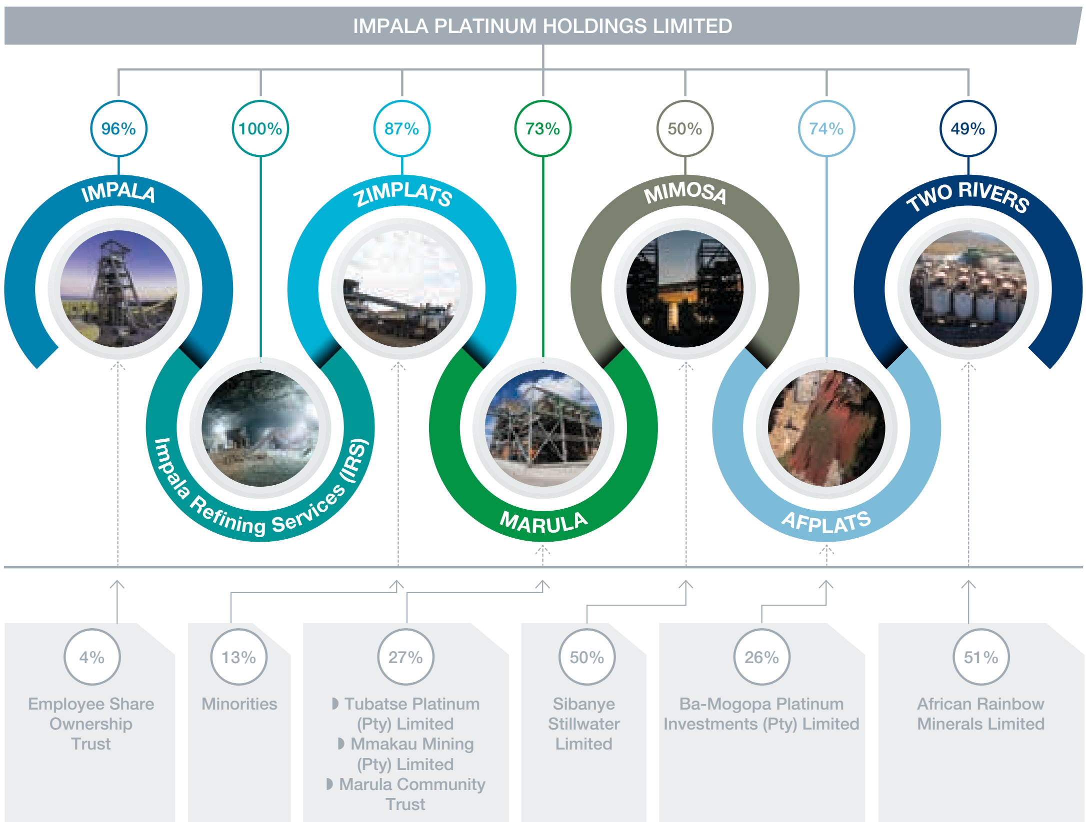
Our vision and mission

Our vision is to be the world's best platinum-producing company, delivering superior value to stakeholders relative to our peers

Our mission is to safely mine, process, refine and market our products at the best possible cost, ensuring sustainable value creation for all our stakeholders

Our values

Group structure



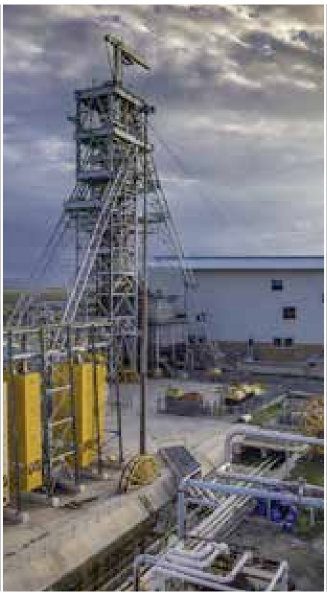
IMPALA PLATINUM HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1957/001979/06)
JSE Share code: IMP
ISIN: ZAE000175873

ADR code: IMPUY
ISIN: ZAE000083648
ISIN: ZAE000247458
(Implats or the Company or the Group)

Key features for the year

Financial

- Gross profit of R733 million, compared to a gross loss in the prior period of R139 million
- Profit before tax of R193 million, compared to a pre-tax loss in the prior period of R238 million
- R250 million higher “additional profits tax” provision by Zimplats contributed to the loss after tax of R164 million (December 2016: R328 million loss after tax)
- Headline loss per share of 21 cents: an improvement of 70.4%
- Gross cash at the end of the period amounted to R4.2 billion
- Committed (unutilised) banking facilities of R4.0 billion available



Operational

- Overall mining performances improved
- Gross platinum in concentrate production increased 13.3%
- Furnace maintenance resulted in a pipeline increase of 75 000 platinum ounces at Impala
- Gross refined platinum production decreased 6.7%
- Stock-adjusted Group unit cost increased by 5.5% to R24 055 per platinum ounce

Market

- Market fundamentals for platinum remain muted
- Market fundamentals for palladium and rhodium remain robust
- Rand revenue per platinum ounce sold was 4.2% higher and averaged R25 968 per ounce

Safety

- Safe production remains a challenge at Impala and Marula
- Six fatal incidents reported during the period

Strategic response

- Strategic review underway at Impala to assess optimal future positioning
- Section 189 restructuring process finalised at Impala (1 400 reduction in employees)
- Strong turnaround effected at Marula
- 15% interest acquired in Waterberg project with an option to increase to 50.01%

Group performance

		Six months ended 31 December 2017	Six months ended 31 December 2016	% change
Operating statistics				
Gross refined production				
Platinum	(000 oz)	**726.7**	778.5	(6.7)
Palladium	(000 oz)	**406.0**	468.4	(13.3)
Rhodium	(000 oz)	**98.8**	91.4	8.1
Nickel	(tonne)	**7 907**	8 283	(4.5)
IRS metal returned (toll refined)				
Platinum	(000 oz)	**115.7**	–	
Palladium	(000 oz)	**55.0**	–	
Rhodium	(000 oz)	**19.4**	–	
Nickel	(tonne)	**1 765**	1 596	10.6
Sales volumes				
Platinum	(000 oz)	**648.8**	730.7	(11.2)
Palladium	(000 oz)	**369.7**	463.6	(20.3)
Rhodium	(000 oz)	**100.3**	94.2	6.5
Nickel	(tonne)	**6 283**	7 173	(12.4)
Prices achieved				
Platinum	(US$/oz)	**940**	1 009	(6.8)
Palladium	(US$/oz)	**930**	674	38.0
Rhodium	(US$/oz)	**1 156**	672	72.0
Nickel	(US$/t)	**10 334**	9 924	4.1
Consolidated statistics				
Average exchange rate achieved	(R/US$)	**13.42**	14.04	(4.4)
Closing exchange rate for period	(R/US$)	**12.38**	13.74	(9.9)
Revenue per platinum ounce sold	(US$/oz)	**1 935**	1 775	9.0
	(R/oz)	**25 968**	24 921	4.2
Tonnes milled ex-mine	(000 t)	**9 944**	9 262	7.4
PGM production	(000 oz)	**1 434**	1 553	(7.7)
Capital expenditure	(Rm)	**1 903**	1 592	19.5
Group unit cost per platinum ounce	(US$/oz)	**2 105**	1 623	(29.7)
	(R/oz)	**28 206**	22 797	(23.7)

Additional statistical information is available on the company's internet website

Commentary

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

Introduction

The Implats Group has delivered an improved performance at most operations for the half-year ended 31 December 2017, but regrettably mourns the loss of six employees through work-related incidents.

Gross platinum in concentrate production for the Group increased by 13.3%, supported by a 7.4% increase in run-of-mine tonnes milled and higher deliveries from third-party toll refining customers. After toll treated material was returned to third-party customers, concentrate production was unchanged. Refined metal production was impacted by extensive maintenance to the number 5 furnace at the Impala Rustenburg smelting complex. As a result, gross refined platinum production decreased by 6.7% to 726 700 ounces, relative to 778 500 ounces in the comparable period.

The reduction in refined platinum ounces produced, combined with metal returns to third-party toll refining customers, resulted in a decline of 11.2% in platinum ounces sold to 648 800 ounces, compared with 730 700 ounces in the previous comparable period. This was offset by a 4.2% increase in the rand basket price, lower third-party concentrate purchases by Impala Refining Services (IRS), and a modest 4.2% inflationary increase in cash operating costs resulting in a total revenue of R17.28 billion, cost of sales of R16.55 billion, and a gross profit of R733 million for the period, compared to a gross loss of R139 million for the prior comparable period.

A significantly higher "additional profits tax" provision by Zimplats increased the tax charge period-on-period by R250 million, which was largely responsible for the Group recording a R164 million loss after tax compared to a profit before tax for the six months ended 31 December 2017. Cash generated from operations before changes in working capital improved from R2.0 billion in the comparable period to R2.9 billion for the period under review. However, net cash decreased by some R3.5 billion during the period under review, largely due to R1.9 billion used in investing activities and a R3.5 billion inventory cash outflow.

Gross cash at the end of the period amounted to R4.2 billion. In addition, the Group has committed (unutilised) banking facilities of R4.0 billion available until June 2021.

Market fundamentals for platinum remain muted. An industrial market deficit of some 230 000 platinum ounces recorded in calendar year 2017 is expected to revert in the short term to a balanced market due to lower requirements from the automotive, jewellery and investment sectors. However, fundamentals for both palladium and rhodium are robust with significant demand growth expected over the next few years from the automotive sector. The rand revenue per platinum ounce sold for the period under review benefited from the improved palladium and rhodium fundamentals, recording a 4.2% increase from the prior corresponding period to average R25 968 per platinum ounce.

The first half of the year was characterised by an ongoing focus on the Group's strategic response to the persistently low PGM prices with a view to improving business performance, with a particular emphasis on Impala. To this end, a strategic review of the operation was announced at the Group's full-year results in September 2017, which is actively advancing measures to refocus or close unprofitable areas and rebase the overhead cost structure as soon as practically possible. Through this process, the Group aims to return Impala to profitability in a sustained low PGM price environment.

In addition, the Group succeeded in effecting a strong operational turnaround at Marula and acquired a 15% interest in the Waterberg project during the period under review with an option to increase its stake to 50.01%.

Group safety review

Regrettably, five employees at Impala Rustenburg and one at Marula suffered fatal injuries at our operations during the six months ended 31 December 2017. Following the end of the reporting period, another employee was fatally injured at Impala Rustenburg during January 2018. The Implats board and management team express their sincere condolences to their families and friends.

The Company will continue to provide support to the dependants of the deceased. Management, in collaboration with officials from the representative union (AMCU), the Department of Mineral Resources (DMR) and the board health and safety sub-committee instituted a number of leadership workshops and independent assessments to determine the root causes of each incident as well as the overall decline in safety performance.

Safe production remains our top priority. Many individual business units across the Group continue to deliver exceptional safety performance, setting new records. Currently, Implats has nine "safety millionaire" shafts and units (units which have operated more than a million shifts without a fatality). Seven have operated for more than two years without a fatal incident, five have achieved more than four years, and two have worked for more than 15 years without a fatal incident. Our strategic focus will be on an improved safety performance at Marula and Impala Rustenburg in particular.

Group operational review

The Group achieved encouraging period-on-period operational improvements over the past six months. Tonnes milled increased by 7.4% from 9.3 million tonnes in the prior corresponding period to 9.9 million tonnes. Increased production volumes from operations were supported by

Commentary continued

higher deliveries from third-party toll refining customers yielding an 13.3% increase in platinum in concentrate from 766 200 ounces to 867 800 ounces. Very pleasing in particular was a 9.4% increase in platinum in concentrate contribution from Impala Rustenburg, which produced 348 300 ounces compared to 318 400 ounces in the prior corresponding period.

The unscheduled maintenance at Impala number 5 furnace resulted in a significant build-up of pipeline stock and a 6.7% decline in refined platinum ounces produced to 726 700 ounces, compared to 778 500 ounces in the comparable period.

Managed operations

IMPALA

Improved operational efficiencies achieved during the first quarter of the financial year were negatively impacted by mine stoppages emanating from five fatal incidents recorded at the operation during September and October 2017. Notwithstanding, mill throughput increased by 12.4% to 5.7 million tonnes from the previous comparable period (H1 FY2017: 5.0 million), which was impacted by the temporary closure of the 14 Shaft decline section due to an underground fire and a reduction in some UG2 panel lengths following a fall-of-ground incident at 1 Shaft. The higher milled production is largely as a result of 14 Shaft ramping up after the fire (+480 000 tonnes), the 16 Shaft ramp-up (+255 000 tonnes), and performance improvements at 11, 12 and 1 Shafts (+191 000 tonnes). This was offset to some extent by declining production from old shafts (-392 000 tonnes) and weaker performances at 10 and 20 Shafts following safety incidents (-19 000 tonnes).

The PGE mill head grade deteriorated to 4.05 g/t (H1 FY2017: 4.15 g/t), largely due to planned rehabilitation work on the "C" ore pass system at 16 Shaft and a 2.9 kilometre (25%) increase in lower-grade reef development to increase mining face length. Rehabilitation of the "C" ore pass system necessitated dilution of reef with waste feed in the remaining reef passes. The reduction in grade partially offset the increase in mill throughput, resulting in a net 9.4% increase in platinum ounce in concentrate production to 348 300 ounces (H1 FY2017: 318 400 ounces).

During the period, a major unscheduled furnace rebuild was undertaken on one of the three operating furnaces at the smelting complex, which was necessitated by excessive wear. The build-up of pipeline stocks at Impala, amounting to some 75 000 ounces of platinum, was directly as a result of the furnace maintenance and resulted in refined platinum production declining 14.7% to 271 900 ounces (H1 FY2017: 318 700 ounces).

The increased production volumes, together with inflation, resulted in cash costs increasing by 11.3% to R8.27 billion (H1 FY2017: R7.43 billion). However, the increase in pipeline stocks and consequent lower refined metal output resulted in unit costs increasing by 30.5% to R30 405 per platinum ounce refined (H1 FY2017: R23 304). On a stock-adjusted basis, unit costs increased by only 2.2% to R23 822 per platinum ounce refined, supported by higher levels of production.

Capital expenditure increased by 20.5% to R1.44 billion (H1 FY2017: R1.20 billion), of which R345 million was spent on the two major replacement shafts, 16 and 20 Shafts. Combined, these two shafts are scheduled to produce approximately 310 000 ounces of platinum from 2022.

Project progress at 16 Shaft remains largely on schedule. However, immediately mineable face length at the end of the reporting period was 1 085 metres, 22% below plan. Underground development is being accelerated to address this shortfall. The number of stoping teams has increased to 59 against a plan of 63 and stoping team productivity averaged 331 m^2 per team against a planned rate of 334 m^2 per team. The rate of production at the end of the period was in line with the project plan at 1.38 million tonnes per annum.

Challenging geological conditions and safety interruptions following a fatal incident at 20 Shaft have impacted the project. Immediately mineable face length at the end of the reporting period was 1 599 metres, 15% below plan. The number of stoping teams has increased to 54 against a plan of 58 and stoping team productivity averaged 251 m^2 per team against a planned rate of 327 m^2 per team. Geological conditions resulted in an abnormally high panel loss ratio (26%) during the period, which, together with the impact of the safety stoppage, affected team productivity. Consequently, the overall rate of production at the end of the period was 8% below the plan of 1.2 million tonnes per annum.

Impala is focused on returning the business to profitability in a sustained low PGM price environment. To this end a number of initiatives have been implemented to improve productivity and lower costs, including a Section 189 labour restructuring process as announced in September 2017. The labour restructuring resulted in a reduction of 1 400 employees by the end of the reporting period and will realise an annual saving of R350 million. In addition, a strategic review of all the business units and overhead structures at Impala was initiated and is interrogating the investment case and sustainability of individual shafts across the operation. The review includes a specific focus on optimising the cost base, which may lead to further responses, such as harvesting and/or closing certain shafts.

The leadership team has been strengthened with the appointment of Mark Munroe as Chief Executive of this operational unit. He has been specifically tasked to lead the strategic review at Impala Rustenburg and drive performance improvements in safety, efficiencies, cost and capital project execution at the operation.

Subsequent to the end of the period under review, in February 2018, an electrical failure at the Impala Rustenburg smelting complex triggered a fire at the number 5 furnace transformers. Repairs to the transformers are well advanced and it is anticipated the production interruption will be approximately 10 weeks. In the interim, furnaces 3 and 4 are treating Impala's run-of-mine production. However, with the number 5 furnace not available for some time, contingency capacity is constrained and, as a result, approximately 60 000 platinum ounces of pipeline stocks are not expected to be refined within the financial year, which will impact cash flow in this financial year.

IMPALA REFINING SERVICES (IRS)

IRS once again contributed significantly to the Group's bottom line, despite persistently low PGM prices. Refined platinum production was maintained at 454 800 ounces (H1 FY2017: 459 800 ounces).

Platinum receipts from mine-to-market operations, at 317 000 ounces, were lower than the prior comparable period (H1 FY2017: 330 000 ounces), on the back of lower receipts from Two Rivers. Third-party purchased receipts decreased from 108 000 platinum ounces in the prior period to 86 000 ounces. A further 104 000 ounces were toll refined for a customer.

ZIMPLATS

Tonnes milled remained consistent with the prior comparable period at 3.3 million tonnes (H1 FY2017: 3.3 million tonnes) with all mining units sustaining exceptional operational performances. Platinum in matte production, inclusive of concentrates sold to IRS, was similarly in line with the prior performance at 136 200 ounces (H1 FY2017: 137 100 ounces).

Unit costs increased by 8.4% in dollar terms to US$1 336 per platinum ounce in matte (H1 FY2017: US$1 233), while in rand terms unit costs increased by only 3.4% to R17 900 per platinum ounce in matte (H1 FY2017: R17 316), due to a stronger rand exchange rate over the period.

The redevelopment of the Bimha Mine remains on schedule to reach full production in April 2018, while development of the 2.2 million tonnes per annum Mupani Mine is progressing according to plan and is targeting ore contact by May 2020, and full production from August 2025.

The new political dispensation in Zimbabwe is regarded as a positive development. Implats supports and shares Zimbabwe's aspirations to grow and diversify its PGM industry and continues to engage with the Government of Zimbabwe regarding its plans.

MARULA

Marula delivered a strong operational turnaround following a restructuring process implemented prior to the start of the financial year. The period under review saw a significant decline in community disruptions, mitigated by continued engagement processes by the Marula team and an intervention with the assistance of the DMR seeking to resolve the community chrome dispute. Agreement was secured from all stakeholders through this process to restart the chrome project in January 2018.

The operational recovery was impacted by safety stoppages following a fatal incident at the main underground operation during the second quarter of the financial year. Tonnes milled increased by 3.5% to 941 000 tonnes (H1 FY2017: 909 000 tonnes), while the PGE head grade deteriorated marginally to 4.36 g/t (H1 FY2017: 4.42 g/t). As a consequence, platinum in concentrate production was maintained at 43 200 ounces (H1 FY2017: 43 100 ounces), despite a reduction in total employees of some 800 people following the restructuring process.

On the back of this performance, unit costs were contained to a 3.7% increase at R24 954 per platinum ounce in concentrate (H1 FY2017: R24 060). Capital expenditure amounted to some R29 million for the period under review (H1 FY2017: R58 million).

Although the overall improvement in production and financial performance at Marula is encouraging, continued uninterrupted and profitable production is necessary to secure the future of the operation.

Non-managed operations

MIMOSA

Mimosa delivered another strong operational performance. Tonnes milled improved by 2.9% to 1.41 million tonnes (H1 FY2017: 1.37 million tonnes), and the PGE head grade was maintained at 3.85 g/t. This resulted in platinum in concentrate production increasing by 3.4% to 63 000 ounces (H1 FY2017: 60 900 ounces). Unit costs decreased by 3.9% in dollar terms to US$1 479 per platinum ounce in concentrate (H1 FY2017: US$1 539).

The envisaged export levy on "unbeneficiated" platinum has been restructured and deferred by the Government of Zimbabwe to 1 January 2019. Mimosa continues to consult with the Government of Zimbabwe on a range of important investment and regulatory considerations and remains confident that a mutually beneficial outcome can be secured.

TWO RIVERS

The operational performance at Two Rivers was impacted by the planned mining of low-grade split-reef areas during the period under review. Tonnes milled during the first half of the financial year decreased by 1.9% to 1.71 million tonnes, compared to 1.75 million tonnes milled during the prior comparable period, which included 58 700 tonnes milled at a neighbouring mine.

The PGE head grade was significantly lower at 3.70 g/t (H1 FY2017: 4.03 g/t) and platinum in concentrate production consequently reduced by 13.8% to 83 400 ounces (H1 FY2017: 96 700 ounces). As a result of the lower concentrate production, unit costs increased by 20.7% to R14 688 per platinum ounce in concentrate (H1 FY2017: R12 172). The operation has initiated a project to secure improved capacity to maintain its platinum production profile while mining split reef.

Commentary continued

Mineral Resources and Mineral Reserves

There has been no material change to the technical assumptions, assessment criteria, and information relating to the Group's Mineral Resource and Mineral Reserve estimates, as disclosed in the integrated report for the financial year ended 30 June 2017.

The revised Implats Mineral Resource and Mineral Reserve statement, as at 30 June 2018, will provide the detailed updated estimates.

Financial review

Revenue, at R17.3 billion for the half-year ended 31 December 2017, was R1.2 billion or 6.5% lower than the comparative six months as a result of:

- A negative volume variance of R2.1 billion. Sales volumes declined due to the full rebuild of the number 5 furnace. Smelter stocks increased significantly period-on-period, but were offset to some extent by a draw down of the refinery pipeline and a draw down of refined stocks compared to a build-up in the prior period.
- A positive dollar metal price variance of R1.7 billion resulting from the average dollar revenue per platinum ounce sold, of US$1 935, being US$160 or 9.0% higher than the previous comparative period. The average prices achieved for palladium, rhodium and nickel were 38.0%, 72.0% and 4.1% higher. Platinum was 6.8% lower.
- A negative R765 million exchange rate variance resulting from the average rand-dollar exchange rate of R13.42/US$ being approximately 4.4% stronger than the R14.04/US$ achieved during the prior comparable period.

The resultant rand revenue per platinum ounce sold rose by 4.2% to R25 968.

Cost of sales, at R16.5 billion, decreased by R2.1 billion from the comparable six months. The main contributors to this decrease were:

- The full rebuild of number 5 furnace at Impala Rustenburg resulted in a significant build-up of stock in the period under review. The impact was a R2.4 billion additional decrease in cost of sales due to higher inventory levels.
- A R702 million decrease in the cost of metals purchased was due to lower volumes purchased by IRS from third-party concentrate customers.
- The decreases described above were partially offset by an increase in cash operating costs of R1.1 billion to R12.5 billion. After taking into account higher levels of production at Impala Rustenburg (9.4%) and once-off voluntary separation costs, the increase in cash operating costs was contained at mining inflation of 4.2%, comprising South African operations mining inflation of 6.2%, and Zimplats rand deflation of 3.3%.

As a result of the above, the Group generated a gross profit for the period of R733 million (H1 2017: R139 million gross loss).

The Group made a R193 million profit before tax, an improvement on the comparable period's pre-tax loss of R238 million. The improvement was achieved despite a negative impact from a fair value adjustment on IRS creditors of R296 million due to an increase in metal prices at the end of the period, and once-off insurance proceeds of R330 million in the prior period.

Significantly higher "additional profits tax" payable by Zimplats increased the tax charge period-on-period by R250 million, which was largely responsible for the R164 million loss after tax compared to a profit before tax for the six months ended 31 December 2017 (H1 2017: R328 million after tax loss).

Cash generated from operations (before changes in working capital) improved from R2.0 billion to R2.9 billion. An increase in the value of inventories of R3.5 billion was largely responsible for the negative cash from operations of R249 million (after changes in working capital). The increase in inventories, as reflected on the balance sheet, was affected by net realisable value adjustments.

Taking into account further planned smelter maintenance, and the extra build-up in the pipeline post period end due to the transformer fire referred to in the Impala operational review, it is expected that the build-up of inventory will be realised over the next 18 months. To alleviate constraints on cash, given that the bulk of the cash operating costs have been incurred, it was deemed prudent to forward sell some of the metals in the pipeline. In this regard, the Group realised almost R1 billion in January 2018.

Some R400 million was spent during the period to acquire a 15% stake in the Waterberg project.

Capital expenditure amounted to R1.9 billion, of which R345 million was spent on 16 and 20 Shafts.

Gross cash at the end of the period under review amounted to R4.2 billion. Debt (excluding leases but including the cross currency interest rate swap) amounted to R8.0 billion resulting in net debt at 31 December 2017 of R3.8 billion (June 2017: R332 million net debt).

In addition, the Group has committed (unutilised) banking facilities of R4.0 billion which are available until June 2021. This excludes the Zimplats-specific facilities.

Given the continued cash conservation strategy, the board has resolved not to declare an interim dividend for the six months ended 31 December 2017.

Market review (calendar years unless otherwise stated). The platinum and palladium markets experienced fundamental industrial deficits of approximately 230 000 ounces and 720 000 ounces respectively during 2017. However, the outlook and sentiment for these metals are profoundly different. The platinum deficit is expected to revert in the short term to a balanced market due to lower requirements from the automotive, jewellery and investment sectors. Significant deficits for palladium are expected to be sustained over this period on the back of increased usage in the automotive sector.

Platinum ended 2017 at US$927 per ounce, 2% higher than the opening LBMA trade price, and on average traded at US$946 per ounce over the year, which was 4% lower than in 2016 (2016: US$987 per ounce). This was largely in response to a fall in Chinese jewellery demand, lower Japanese investment demand, and growing negative diesel sentiment in the important Western European automotive sector, which was partially offset by growing industrial demand.

In contrast, **palladium** ended the year at US$1 056 per ounce, 54% higher than the opening LBMA trade price, and on average traded at US$869 per ounce over the year, which was 42% higher than in 2016 (2016: US$613 per ounce). Despite further exchange traded fund (ETF) liquidations, persistently strong fundamentals from the North American and Chinese automotive sector continue to support palladium's price performance, while speculative purchasing in China is also likely to have played a part.

The **rhodium** price more than doubled in 2017, increasing by US$945 per ounce during the year. The price closed the year at US$1 715 per ounce, some 123% higher than it opened on Johnson Matthey London trade. The metal traded at US$1 109 per ounce on average over the year, 60% higher than in 2016 (2016: US$694 per ounce). Rhodium prices were driven by strong fundamentals, especially from the automotive sector (in response to "real driving" emissions testing in Western Europe, as well as China 5 emission standards) and the chemical industry.

2017 was another positive year for the **automotive industry**, with global light-duty vehicle sales estimated to have reached 95.3 million units (up 2.4% from 2016) on the back of growth in Western Europe, China, Eastern Europe and Latin America. This offset a slight loss in the United States (US) where light-duty vehicle sales reached 17.2 million units, a 1.9% decline from 2016. Even though US sales were lower, automakers sold more sport-utility vehicles, crossovers and pick-ups, which are more heavily loaded with palladium and rhodium. However, concerns remain that rising interest rates could restrict credit availability this year, and a further decline in the US market to below 16 million units is anticipated for 2018.

Western European light-duty vehicle sales held up better than expected during 2017, reaching 14.3 million units, a 2.5% increase from 2016. However, the news was not positive for platinum, as the diesel share in this market continues to decline due to sustained anti-diesel sentiment. Nonetheless, battery electric vehicles have yet to make any significant inroads into the gap created by the decline in diesel, as consumers in this region are switching to gasoline, thereby compounding CO_2 compliance issues and palladium deficits.

Chinese light-duty vehicle sales recorded 1.5% year-on-year growth, reaching 24.7 million units, a positive for both palladium and rhodium demand. Japanese auto sales topped 5 million units for the first time in two years and increased for the first time in three years. New auto sales in Japan rose by 5.3% during 2017 to 5.23 million units, led by new minicar models.

Stronger vehicle sales favoured palladium as more gasoline engines were sold. Historically, lower palladium prices, coupled with abundant Russian stocks, encouraged automakers and coaters to significantly engineer platinum out of gasoline and some diesel catalyst systems. However, the market is beginning to seriously consider the overreliance on palladium, and there is increasing research by both automakers and coaters into the reverse substitution of platinum in gasoline three-way catalysts. There is already evidence that platinum is being reintroduced into some diesel systems, where it had been partially engineered out.

The Chinese platinum **jewellery** market remains challenged. Retail sales dropped by approximately 5.5% last year, after an 8.3% decline in 2016. However, the latest data from the Platinum Guild International (PGI) indicates that the quarter-on-quarter contraction during 2017 is slowing and some PGI partner stores have started to show growth again. The Indian market was particularly strong during 2017 with sales growing by approximately 35% during the year. The latest figures from the US market show healthy sales on the back of ongoing PGI initiatives. Retail sales growth in the US is expected to surpass the PGI's upper forecast of 7% for 2017. The Japanese market continues to be challenged by the currently fashionable yellow gold trends, and the market may not reach the 2% PGI growth forecast for 2017. Overall, platinum jewellery demand is expected to be flat year-on-year.

As in 2016, the low prices of platinum and rhodium during the first half of 2017 generated additional **industrial** interest in these metals. The main drivers for this growth were the glass and chemical sectors. In contrast, increasing palladium prices affected industrial requirements, with substitution and thrifting resulting in lower palladium demand in the sector during the year.

Physical **investment** in small platinum bars was down in Japan year-on-year, but still accounted for net sales of some 150 000 platinum ounces in 2017.

The platinum and palladium **ETFs** followed different paths during 2017. Platinum ETFs grew by 107 000 ounces,

Commentary continued

driven by lower prices, while palladium ETFs liquidated 376 000 ounces, mainly due to profit taking. This was the third consecutive year in which palladium ETFs experienced large liquidations, with the aggregate holding now becoming constrained in supporting future market deficits.

The platinum **paper markets** (NYMEX/TOCOM) declined by 142 000 ounces during 2017, highlighting a bearish price outlook for the metal. In contrast, palladium was the beneficiary of renewed speculative interest, with signs of growing physical market tightness supporting a 1.13 million ounce increase in long positions during 2017.

The market fundamentals for palladium and rhodium were particularly strong during 2017 and are projected to remain robust during 2018. In contrast, market fundamentals for platinum remain muted, with new heavy-duty diesel emission regulations and South African supply cuts only anticipated to materially impact market fundamentals from 2020. We expect the platinum market to be balanced during 2018, with a significant deficit of more than 1 million ounces in the palladium market underpinned by greater usage in gasoline catalyst systems and lower ETF liquidations. The rhodium market is forecast to be in a declining surplus, moving into a fundamental deficit, as both the automotive and industrial sectors consume more metal.

Strategic response

The Implats strategy is aimed at improving the Group's competitive position and profitability in a sustained low metal price environment.

Key focus areas include:

- Improved operational performance at Impala Rustenburg and an ongoing strategic review to assess optimal future positioning in a low price environment.
- Ensuring profitability of the Marula mine or the suspension of operations.
- Enhancing the relative industry cost position of the Group's conventional mining operations.
- Optimised performance and profitability at low-cost Group assets.
- Leveraging IRS capacity and its contribution to the Group.
- Developing a long-term portfolio of lower-cost, shallow, mechanisable assets.

To this end, measures to enhance improvements and strengthen the Group's strategic response have been introduced, specifically at **Impala Rustenburg** where the transition to a more concentrated, lower-cost operation remains our most pressing priority. The strategic review, which was announced at the Group's full-year results in September 2017, is critically assessing the investment case of each shaft within the prevailing metal price environment, with the intention of refocusing or closing unprofitable areas and rebasing the overhead cost structure as soon as practically possible. This may lead to some shafts being closed or harvested sooner than originally planned. Through this process, Impala remains focused on returning the business to profitability in a low PGM price environment.

Actions taken at Impala in the period under review include:

- 4 Shaft suspended from January 2018.
- 1 Shaft, 9 Shaft and 12 Shaft being harvested with effect from January 2018.
- 10, 11 and 14 Shaft optimisation projects initiated during the review period.
- Section 189 restructuring process announced in September 2017.

As a result of these actions, it is estimated the operation will improve cash flow by more than R1 billion over the next two years. However, the production outlook for 2018 will be negatively impacted by both early closure and harvesting of some shafts, as well as the slower ramp up of 20 Shaft. Full-year guidance has reduced from approximately 700 000 platinum ounces to between 650 000 and 670 000 platinum ounces for the financial year. Further work over the next few months will prioritise additional cost and efficiency improvements and longer-term life-of-mine (LOM) profiles for each shaft in line with the revised operating mandate. There will be an intense focus on rebasing the support infrastructure and associated cost base to sustain the resulting LOM profile at the operation.

At **Marula**, restructuring processes implemented prior to the start of the financial year have already delivered an improved cost and operational performance. Tonnes milled per employee costed, has improved significantly from 392 tonnes per annum during the prior corresponding period to 485 tonnes for the period under review. Similarly, the operation has recovered from a gross loss of some R173 million in the prior corresponding period, to record a gross profit of R68 million during the half year ended 31 December 2017. Further work over the next few months will prioritise: measures to bed down improvements; securing operational continuity; and acquiring additional tailings deposition capacity (required from 2020).

Longer term, the acquisition of a minority interest in the **Waterberg** development project, with the option to acquire majority ownership on completion of the feasibility study, has advanced the Group's stated strategy to diversify the asset portfolio from deep, labour-intensive conventional operations. In addition, the changing political dispensation in **Zimbabwe** is being assessed and may offer further opportunities to the Group.

IRS remains an important strategic advantage and the Group will continue to seek further opportunities to build on its successful business model, leveraging spare processing capacity within the Group.

Prospects

The challenges and uncertainties confronting the South African PGM industry remain significant. The market fundamentals for platinum are only expected to strengthen materially from 2020 onwards, with the introduction of stricter heavy-duty diesel emission regulations, and with supply from South Africa starting to taper off. However, the market fundamentals for palladium and rhodium remain robust, supported by growing gasoline automotive demand, and the introduction of real driving emissions in Western Europe and China 5 emission standards. The Group, therefore, expects large fundamental deficits for palladium to be sustained well into the future, with platinum trading in a balanced market near term, and rhodium availability becoming increasingly constrained.

As a consequence, dollar metal prices should remain positive for palladium and rhodium, while platinum is likely to remain muted. This view will support near-term rand metal prices, but political changes in South Africa are likely to support the local currency (ZAR), which in turn will impact on rand metal basket prices. We are therefore working on the premise that the PGM rand basket could remain flat over the remainder of 2018 and 2019.

With the rand basket price expected to remain low, Implats will continue to prioritise measures to achieve safe production, lower operating costs, preserve cash, enhance productivity, and restore profitability at all operations. The new 2022 convertible bond, listed in late July 2017, will enable the redemption of the old 2018 bond and will provide approximately R2 billion in additional liquidity.

Further measures to bed down improvements and strengthen the Group's strategic response have been introduced, specifically at Impala Rustenburg where the transition to a more concentrated, lower-cost operation remains our most pressing priority. The strategic review, announced at the Group's full-year results in September 2017, is actively advancing measures to refocus or close unprofitable areas, and rebase the overhead cost structure at the operation as soon as practically possible. This may lead to shafts being harvested and/or closed sooner than originally planned. Through this process, a return to profitability in a low metal price environment is being targeted for both the managed South African operations.

Full-year production estimates are revised as follows:

- Rustenburg — 650 000 – 670 000 platinum ounces in concentrate
- Zimplats — 255 000 – 265 000 platinum ounces in concentrate
- Two Rivers — 165 000 – 175 000 platinum ounces in concentrate
- Mimosa — 115 000 – 120 000 platinum ounces in concentrate
- Marula — 80 000 – 90 000 platinum ounces in concentrate
- IRS (third party) — 250 000 – 260 000 platinum ounces in concentrate

The full-year refined production for the Group is estimated at 1.5 million platinum ounces, subject to the rate at which the pipeline can be reduced.

The Group's operating cost is expected to be between R23 600 and R24 200 per platinum ounce on a stock-adjusted basis for the full financial year, with Group capital expenditure forecast at R4.7 billion.

The financial information on which this outlook is based has not been reviewed and reported on by Implats' external auditors.

Changes to the board

During the period under review the following changes were made to the board:

- 7 July 2017 – resignation of Dr Nkosana Moyo as independent non-executive director with immediate effect
- 28 August 2017 – resignation of Ms Albertinah Kekana as non-executive director with immediate effect
- 28 August 2017 – appointment of Mr Udo Lucht as non-executive director with immediate effect
- 21 November 2017 – resignation of Ms Brenda Berlin as executive director and chief financial officer with effect from 28 February 2018
- 27 November 2017 – appointment of Ms Lee-Ann Samuel as executive director with immediate effect

Approval of the financial statements

The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation of the interim financial statements and related information in a manner that fairly presents the state of the affairs of the Company. These interim financial statements are prepared in accordance with International Financial Reporting Standards and incorporate full and responsible disclosure in line with the accounting policies of the Group which are supported by prudent judgements and estimates.

The interim financial statements have been prepared under the supervision of the chief financial officer, Ms B Berlin, CA(SA).

The directors are also responsible for the maintenance of effective systems of internal control which are based on established organisational structure and procedures. These systems are designed to provide reasonable assurance as to the reliability of the financial statements, and to prevent and detect material misstatement and loss.

The interim financial statements have been prepared on a going-concern basis as the directors believe that the Company and the Group will continue to be in operation in the foreseeable future.

The interim financial statements as set out on pages 12 to 24 have been approved by the board of directors and are signed on their behalf by:

Dr MSV Gantsho
Chairman

NJ Muller
Chief executive officer

Johannesburg
1 March 2018

Independent Auditor's Review Report On Interim Financial Statements

To the Shareholders of Impala Platinum Holdings Limited

We have reviewed the condensed consolidated interim financial statements of Impala Platinum Holdings Limited in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 31 December 2017 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Impala Platinum Holdings Limited for the six months ended 31 December 2017 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: CS Masondo
Registered Auditor

1 March 2018

Consolidated statement of financial position

(Rm)	Notes	**As at 31 December 2017 (Reviewed)**	As at 31 December 2016 (Reviewed)	As at 30 June 2017 (Audited)
Assets				
Non-current assets				
Property, plant and equipment	5	**47 043**	48 437	47 798
Exploration and evaluation assets		**385**	385	385
Investment property		**90**	173	89
Investment in equity-accounted entities	6	**3 797**	3 343	3 316
Deferred tax		**373**	—	389
Other financial assets		**341**	321	327
Derivative financial instruments	7	**—**	907	—
Prepayments		**—**	10 073	—
		52 029	63 639	52 304
Current assets				
Inventories	8	**11 147**	8 760	8 307
Trade and other receivables		**3 998**	4 355	3 736
Other financial assets		**2**	2	2
Prepayments		**846**	814	1 293
Cash and cash equivalents		**4 208**	5 419	7 839
		20 201	19 350	21 177
Total assets		**72 230**	82 989	73 481
Equity and liabilities				
Equity				
Share capital		**20 451**	20 044	20 000
Retained earnings		**22 819**	30 829	22 982
Other components of equity		**3 216**	4 392	3 825
Equity attributable to owners of the Company		**46 486**	55 265	46 807
Non-controlling interest		**2 331**	2 478	2 425
Total equity		**48 817**	57 743	49 232
Liabilities				
Non-current liabilities				
Deferred tax		**3 830**	7 766	4 390
Borrowings	9	**7 610**	7 987	8 373
Derivative financial instrument	7	**676**	—	1 233
Sundry liabilities		**305**	402	356
Provisions		**1 124**	1 062	1 099
		13 545	17 217	15 451
Current liabilities				
Trade and other payables		**7 234**	6 401	6 902
Current tax payable		**1 112**	791	702
Borrowings	9	**1 418**	735	1 088
Other financial liabilities		**73**	70	74
Sundry liabilities		**31**	32	32
		9 868	8 029	8 798
Total liabilities		**23 413**	25 246	24 249
Total equity and liabilities		**72 230**	82 989	73 481

The notes on pages 17 to 24 are an integral part of these condensed interim financial statements.

Consolidated statement of profit or loss and other comprehensive income

(Rm)	Notes	**Six months ended 31 December 2017 (Reviewed)**	Six months ended 31 December 2016 (Reviewed)	Year ended 30 June 2017 (Audited)
Revenue		**17 280**	18 484	36 841
Cost of sales	10	**(16 547)**	(18 623)	(37 370)
Gross profit/(loss)		**733**	(139)	(529)
Other operating income		**25**	445	1 191
Other operating expenses		**(343)**	(54)	(325)
Impairment		**(30)**	—	(10 229)
Royalty expense		**(179)**	(260)	(561)
Profit/(loss) from operations		**206**	(8)	(10 453)
Finance income		**201**	196	411
Finance cost		**(535)**	(385)	(811)
Net foreign exchange transaction gains		**249**	133	154
Other income		**352**	120	398
Other expenses		**(468)**	(529)	(883)
Share of profit of equity-accounted entities		**188**	235	496
Profit/(loss) before tax		**193**	(238)	(10 688)
Income tax (expense)/income		**(357)**	(90)	2 590
Loss for the period		**(164)**	(328)	(8 098)
Other comprehensive income/(loss), comprising items that may subsequently be reclassified to profit or loss:				
Available-for-sale financial assets		**13**	13	14
– Deferred tax thereon		**(2)**	(3)	(3)
Share of other comprehensive income of equity-accounted entities		**(106)**	(125)	(219)
– Deferred tax thereon		**11**	12	22
Exchange differences on translating foreign operations		**(710)**	(900)	(1 555)
– Deferred tax thereon		**92**	117	203
Other comprehensive income/(loss), comprising items that will not be subsequently reclassified to profit or loss:				
Actuarial loss on post-employment medical benefit		**—**	—	2
– Deferred tax thereon		**—**	—	—
Total comprehensive income/(loss)		**(866)**	(886)	(1 536)
Profit/(loss) attributable to:				
Owners of the Company		**(163)**	(371)	(8 220)
Non-controlling interest		**(1)**	43	122
		(164)	(328)	(8 098)
Total comprehensive income/(loss) attributable to:				
Owners of the Company		**(772)**	(1 140)	(9 554)
Non-controlling interest		**(94)**	(74)	(80)
		(866)	(1 214)	(9 634)
Earnings per share (cents per share):				
– Basic		**(23)**	(52)	(1 145)
– Diluted		**(23)**	(51)	(1 145)

For headline earnings per share refer note 12.

The notes on pages 17 to 24 are an integral part of these condensed interim financial statements.

Consolidated statement of changes in equity

(Rm)	Ordinary shares	Share premium	Share-based payments
Balance at 30 June 2017	**18**	**17 614**	**2 368**
Bond conversion option (note 7)	**—**	**450**	**—**
Shares purchased – Long-term Incentive Plan	**—**	**(71)**	**—**
Share-based compensation expense			
– Long-term Incentive Plan	**—**	**—**	**72**
Total comprehensive income/(loss)	**—**	**—**	**—**
Loss for the year	**—**	**—**	**—**
Other comprehensive income/(loss)	**—**	**—**	**—**
Balance at 31 December 2017 (Reviewed)	**18**	**17 993**	**2 440**
Balance at 30 June 2016	18	17 252	2 277
Shares issued			
– Employee Share Ownership Programme	—	479	—
Shares purchased - Long-term Incentive Plan	—	(35)	—
Share-based compensation expense			
– Long-term Incentive Plan	—	—	53
Total comprehensive income/(loss)	—	—	—
Profit/(loss) for the year	—	—	—
Other comprehensive income/(loss)	—	—	—
Transactions with non-controlling interest	—	—	—
Dividends	—	—	—
Balance at 31 December 2016 (Reviewed)	18	17 696	2 330
Balance at 30 June 2016	18	17 252	2 277
Shares issued			
– Employee Share Ownership Programme	—	479	—
Conversion option settlement	—	(79)	—
Shares purchased – Long-term Incentive Plan	—	(38)	—
Share-based compensation expense			
– Long-term Incentive Plan	—	—	91
Total comprehensive income/(loss)	—	—	—
Profit/(loss) for the year	—	—	—
Other comprehensive income/(loss)	—	—	—
Transactions with non-controlling interests	—	—	—
Dividends	—	—	—
Balance at 30 June 2017 (Audited)	18	17 614	2 368

* The table above excludes the treasury shares.

The notes on pages 17 to 24 are an integral part of these condensed interim financial statements.

				Attributable to:		
Total share capital	**Retained earnings**	**Foreign currency translation reserve**	**Other components of equity**	**Owners of the Company**	**Non-controlling interest**	**Total equity**
20 000	**22 982**	**3 745**	**80**	**46 807**	**2 425**	**49 232**
450	**—**	**—**	**—**	**450**	**—**	**450**
(71)	**—**	**—**	**—**	**(71)**	**—**	**(71)**
72	**—**	**—**	**—**	**72**	**—**	**72**
—	**(163)**	**(620)**	**11**	**(772)**	**(94)**	**(866)**
—	**(163)**	**—**	**—**	**(163)**	**(1)**	**(164)**
—	**—**	**(620)**	**11**	**(609)**	**(93)**	**(702)**
20 451	**22 819**	**3 125**	**91**	**46 486**	**2 331**	**48 817**
19 547	31 200	5 092	69	55 908	2 548	58 456
479	—	—	—	479	—	479
(35)	—	—	—	(35)	—	(35)
53	—	—	—	53	—	53
—	(371)	(779)	10	(1 140)	(74)	(1 214)
—	(371)	—	—	(371)	43	(328)
—	—	(779)	10	(769)	(117)	(886)
—	—	—	—	—	11	11
—	—	—	—	—	(7)	(7)
20 044	30 829	4 313	79	55 265	2 478	57 743
19 547	31 200	5 092	69	55 908	2 548	58 456
479	—	—	—	479	—	479
(79)	—	—	—	(79)	—	(79)
(38)	—	—	—	(38)	—	(38)
91	—	—	—	91	—	91
—	(8 218)	(1 347)	11	(9 554)	(80)	(9 634)
—	(8 220)	—	—	(8 220)	122	(8 098)
—	2	(1 347)	11	(1 334)	(202)	(1 536)
—	—	—	—	—	11	11
—	—	—	—	—	(54)	(54)
20 000	22 982	3 745	80	46 807	2 425	49 232

Consolidated statement of cash flows

(Rm)	Notes	**Six months ended 31 December 2017 (Reviewed)**	Six months ended 31 December 2016 (Reviewed)	Year ended 30 June 2017 (Audited)
Cash flows from operating activities				
Cash generated from operations	11	**(249)**	539	3 049
Exploration cost		**(2)**	(5)	(8)
Finance cost		**(521)**	(313)	(716)
Income tax paid		**(366)**	(367)	(1 312)
Net cash (used in)/from operating activities		**(1 138)**	(146)	1 013
Cash flows from investing activities				
Purchase of property, plant and equipment		**(1 903)**	(1 595)	(3 432)
Proceeds from sale of property, plant and equipment		**13**	27	49
Purchase of investment property		**(1)**	—	—
Purchase of interest in associate – Waterberg	6	**(408)**	—	—
Purchase of available-for-sale financial assets		**—**	(3)	(7)
Interest received from held-to-maturity financial assets		**3**	4	7
Loans granted		**—**	(1)	(1)
Loan repayments received		**—**	15	15
Finance income		**240**	204	426
Dividends received		**61**	89	279
Net cash used in investing activities		**(1 995)**	(1 260)	(2 664)
Cash flows from financing activities				
Issue of ordinary shares		**—**	479	479
Shares purchased – Long-term Incentive Plan		**(71)**	(35)	(38)
Repayments of borrowings		**(341)**	(348)	(4 593)
Cash from CCIRS		**—**	—	728
Proceeds from borrowings net of transaction costs		**—**	—	6 278
Dividends paid to non-controlling interests		**—**	(7)	(54)
Net cash (used in)/from financing activities		**(412)**	89	2 800
Net (decrease)/increase in cash and cash equivalents		**(3 545)**	(1 317)	1 149
Cash and cash equivalents at beginning of period		**7 839**	6 788	6 788
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		**(86)**	(52)	(98)
Cash and cash equivalents at end of period		**4 208**	5 419	7 839

The notes on pages 17 to 24 are an integral part of these condensed interim financial statements.

Notes to the consolidated financial information

for the six months ended 31 December 2017

1. General information

Impala Platinum Holdings Limited ("Implats", "the Company" or "the Group") is one of the world's leading producers of platinum and associated platinum group metals (PGMs). Implats is structured around five mining operations and a toll refining business in Springs in the Gauteng province. The mining operations are located on the Bushveld Complex in South Africa and the Great Dyke in Zimbabwe, the two most significant PGM-bearing ore bodies in the world.

The Company has its listing on the securities exchange operated by JSE Limited in South Africa, the Frankfurt Stock Exchange (2022 US$ convertible bonds) and a level 1 American Depositary Receipt programme in the United States of America.

The condensed consolidated interim financial information was approved for issue on 1 March 2018 by the board of directors.

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS), IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, requirements of the Companies Act, 71 of 2008, and the Listings Requirements of the JSE Limited.

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2017, which have been prepared in accordance with IFRS, and the commentary included in the interim results.

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain financial assets, financial liabilities and derivative financial instruments which are measured at fair value and some equity and liabilities for share-based payment arrangements which are measured using a binomial option model.

The condensed consolidated interim financial information is presented in South African rand, which is the Company's functional currency.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3. Accounting policies

The principal accounting policies applied are in terms of IFRS and are consistent with those of the annual consolidated financial statements for the year ended 30 June 2017.

Notes to the consolidated financial information continued

for the six months ended 31 December 2017

4. Segment information

The Group distinguishes its segments between the mining operations, refining services, chrome processing and an "all other segment."

Management has defined the operating segments based on the business activities and management structure within the Group.

Capital expenditure comprises additions to property, plant and equipment (note 5).

The reportable segments' measure of profit or loss is profit after tax. This is reconciled to the consolidated profit after tax.

Impala mining segment's two largest sales customers amounted to 13% and 8% of total sales (December 2016: 10% and 8%) (June 2017: 11% and 10%).

	Six months ended 31 December 2017 (Reviewed)		Six months ended 31 December 2016 (Reviewed)		Year ended 30 June 2017 (Audited)	
(Rm)	**Revenue**	**Profit/ (loss) after tax**	Revenue	Profit/ (loss) after tax	Revenue	Profit/ (loss) after tax
Mining						
– Impala	**6 685**	**(1 060)**	7 078	(1 126)	14 604	(9 860)
– Zimplats	**3 834**	**277**	3 352	116	7 038	576
– Marula	**1 242**	**(24)**	971	(232)	1 616	(709)
Impala Refining Services	**10 657**	**719**	10 916	727	21 711	1 292
Impala Chrome	**60**	**(2)**	289	96	432	127
All other segments	**—**	**(22)**	—	(70)	—	29
Inter-segment revenue	**(5 198)**	**—**	(4 122)	—	(8 560)	—
Total segmental revenue/loss after tax	**17 280**	**(112)**	18 484	(489)	36 841	(8 545)
Reconciliation:						
Share of profit of equity accounted entities		**188**		235		496
Unrealised profit in stock consolidation adjustment		**(274)**		(47)		(51)
Additional depreciation on assets carried at consolidation		**(15)**		(15)		(23)
IRS pre-production realised on Group		**43**		—		42
Net realisable value adjustment made on consolidation		**6**		(12)		(17)
Total consolidated loss after tax		**(164)**		(328)		(8 098)

4. Segment information continued

(Rm)	Six months ended 31 December 2017 (Reviewed) Capital expenditure	Total assets	Six months ended 31 December 2016 (Reviewed) Capital expenditure	Total assets	Year ended 30 June 2017 (Audited) Capital expenditure	Total assets
Mining						
– Impala	**1 442**	**37 688**	1 197	46 134	2 472	35 696
– Zimplats	**432**	**17 973**	353	18 329	864	18 353
– Marula	**29**	**2 878**	58	2 456	113	2 582
Impala Refining Services	**—**	**7 562**	—	7 508	—	8 402
Impala Chrome	**—**	**153**	—	288	1	161
All other segments	**—**	**34 379**	(16)	30 195	(16)	32 257
Total	**1 903**	**100 633**	1 592	104 910	3 434	97 451
Intercompany accounts eliminated		**(32 168)**		(25 820)		(27 361)
Investment in equity-accounted entities		**3 797**		3 343		3 316
Mining right accounted on consolidation		**790**		823		811
Unrealised profit in stock, NRV and other adjustments to inventory		**(822)**		(267)		(736)
Total consolidated assets		**72 230**		82 989		73 481

5. Property, plant and equipment

(Rm)	Six months ended 31 December 2017 (Reviewed)	Six months ended 31 December 2016 (Reviewed)	Year ended 30 June 2017 (Audited)
Opening net book amount	**47 798**	49 722	49 722
Additions	**1 903**	1 592	3 434
Interest capitalised	**—**	3	—
Disposals	**(5)**	(13)	(22)
Depreciation	**(1 927)**	(1 867)	(3 702)
Impairment	**(30)**	—	—
Rehabilitation adjustment	**4**	(33)	16
Exchange adjustment on translation	**(700)**	(967)	(1 650)
Closing net book amount	**47 043**	48 437	47 798
Capital commitment			
Commitments contracted for	**1 685**	1 969	1 636
Approved expenditure not yet contracted	**7 946**	6 465	5 364
	9 631	8 434	7 000
Less than one year	**4 669**	4 415	4 338
Between one and five years	**4 962**	4 019	2 662
	9 631	8 434	7 000

This expenditure will be funded from internal cash flows and, if necessary, from borrowings.

Notes to the consolidated financial information continued

for the six months ended 31 December 2017

6. Investment in equity-accounted entities

(Rm)	**Six months ended 31 December 2017 (Reviewed)**	Six months ended 31 December 2016 (Reviewed)	Year ended 30 June 2017 (Audited)
Summary- Balances			
Joint venture			
Mimosa	**1 931**	1 920	1 961
Associates			
Two Rivers	**1 361**	1 336	1 260
Makgomo Chrome	**69**	62	70
Friedshelf	**28**	25	25
Waterberg	**408**	—	—
Total investment in equity accounted entities	**3 797**	3 343	3 316
Summary movement			
Beginning of the period	**3 316**	3 342	3 342
Addition – Waterberg	**408**	—	—
Share of profit	**240**	215	472
Share of other comprehensive income	**(106)**	(125)	(219)
Dividends received	**(61)**	(89)	(279)
End of the period	**3 797**	3 343	3 316
Share of equity-accounted entities is made up as follows:			
Share of profit	**240**	215	472
Movement in unrealised profit in stock	**(52)**	20	24
Total share of profit of equity-accounted entities	**188**	235	496

Waterberg

During the period Implats acquired a 15% interest in Waterberg for $30 million (R408 million). Waterberg's asset is a large scale platinum group metal ("PGM") resource with an attractive risk profile given its shallow nature.

Implats exercises significant influence through board representation and therefore applies the equity method to account for the investment. Implats has an option to increase its stake to 50.01% in Waterberg within 90 days of the Waterberg shareholders approving the definitive feasibility study on the project.

7. Derivative financial instrument

(Rm)	**Six months ended 31 December 2017 (Reviewed)**	Six months ended 31 December 2016 (Reviewed)	Year ended 30 June 2017 (Audited)
Asset			
Cross Currency Interest Rate Swap (2018)	**—**	907	—
	—	907	—
Liability			
Cross Currency Interest Rate Swap (2022)	**299**	—	49
Conversion option - US$ convertible bond (2022)	**377**	—	547
Conversion option - ZAR convertible bond (2022)	**—**	—	637
	676	—	1 233

7. Derivative financial instrument continued

Cross Currency Interest Rate Swap (CCIRS) (2022)

Implats entered into a CCIRS amounting to US$250 million to hedge the foreign exchange risk on the US$ convertible bonds, being: exchange rate risk on dollar interest payments and the risk of a future cash settlement of the bonds at a rand-dollar exchange rate weaker than R13.025/US$. US$250 million was swapped for R3 256 million on which Implats pays a fixed interest rate to Standard Bank of 9.8%. Implats receives the 3.25% coupon on the US$250 million from Standard Bank on the same date which Implats pays bond holders and the interest thereon. In June 2022, Implats will receive $250 million for a payment of R3 256 million.

The CCIRS is carried at its fair value of R299 (June 2017: R49) million. Hedge accounting has not been applied.

Conversion option - US$ convertible bond (2022)

The US$ bond holders have the option to convert the bonds to Implats shares at a price of $3.89. The conversion option is carried at its fair value of R377 (June 2017: R547) million.

Conversion option - ZAR convertible bond (2022)

The ZAR bond holders have the option to convert the bonds to Implats shares at a price of R50.01. At the general meeting held by shareholders on 24 July 2017, the approval to settle this option by means of Implats shares was obtained. This option meets the definition of equity and an amount of R625 million (R450 million after deferred tax) was therefore accounted within equity as from 24 July 2017.

8. Inventories

(Rm)	**Six months ended 31 December 2017 (Reviewed)**	Six months ended 31 December 2016 (Reviewed)	Year ended 30 June 2017 (Audited)
Mining metal			
Refined metal	**708**	328	350
In-process metal	**4 526**	2 848	2 977
Non-mining metal			
Refined metal	**1 269**	1 520	993
In-process metal	**3 882**	3 234	3 252
Total metal inventories	**10 385**	7 930	7 572
Stores and materials inventories	**762**	830	735
	11 147	8 760	8 307

The write-down to net realisable value comprises R82 (December 2016: R159) (June 2017: R78) million for refined mining metal and R1 124 (December 2016: R1 167) (June 2017: R948) million for in-process mining metal.

Included in refined metal is metal on lease to third parties of 40 000 (December 2016: 36 000) (June 2016: 36 000) ruthenium ounces.

Changes in engineering estimates of metal contained in-process resulted in a R431 (December 2016: R356) (June 2017: R376) million increase of in-process metal.

Non-mining metal consists of IRS inventory. No inventories are encumbered.

Notes to the consolidated financial information continued

for the six months ended 31 December 2017

9. Borrowings

(Rm)	**Six months ended 31 December 2017 (Reviewed)**	Six months ended 31 December 2016 (Reviewed)	Year ended 30 June 2017 (Audited)
Standard Bank Limited – BEE partners Marula	**887**	884	889
Standard Bank Limited – Zimplats term loan	**1 053**	1 168	1 111
Standard Bank Limited – Zimplats revolving credit facility	**—**	—	314
Convertible bonds – ZAR (2018)	**308**	2 616	303
Convertible bonds – US$ (2018)	**364**	2 692	380
Convertible bonds – ZAR (2022)	**2 571**	—	2 516
Convertible bonds – US$ (2022)	**2 524**	—	2 609
Finance leases	**1 321**	1 362	1 339
	9 028	8 722	9 461
Current	**1 418**	735	1 088
Non-current	**7 610**	7 987	8 373
Beginning of the period	**9 461**	9 279	9 279
Proceeds	**—**	—	6 278
Interest accrued	**455**	312	664
Interest repayments	**(334)**	(241)	(533)
Capital repayments	**(341)**	(348)	(4 593)
Conversion option on 2022 bonds	**—**	—	(1 156)
Conversion option on 2018 bonds	**—**	—	8
Exchange adjustment	**(213)**	(280)	(486)
End of the period	**9 028**	8 722	9 461
Committed facilities			
South African banks	**4 000**	4 750	4 000
Foreign banks	**421**	467	445
	4 421	5 217	4 445

All of the facilities remain undrawn. Of these facilities, R4.0 billion expires on 30 June 2021.

10. Cost of sales

(Rm)	**Six months ended 31 December 2017 (Reviewed)**	Six months ended 31 December 2016 (Reviewed)	Period ended 30 June 2017 (Audited)
On-mine operations	**8 706**	7 936	16 341
Processing operations	**2 734**	2 510	5 055
Refining and selling	**741**	677	1 378
Corporate costs	**347**	352	736
Share-based compensation	**32**	79	88
Chrome operation – cost of sales	**64**	105	186
Depreciation of operating assets	**1 927**	1 867	3 702
Metals purchased	**4 896**	5 598	10 030
Change in metal inventories	**(2 900)**	(501)	(146)
	16 547	18 623	37 370

11. Cash generated from operations

(Rm)	**Six months ended 31 December 2017 (Reviewed)**	Six months ended 31 December 2016 (Reviewed)	Period ended 30 June 2017 (Audited)
Profit/(loss) before tax	**193**	(238)	(10 688)
Adjustments for:			
Depreciation	**1 927**	1 867	3 702
Finance cost	**535**	385	811
Impairment	**30**	—	10 229
Other	**234**	(17)	(283)
	2 919	1 997	3 771
Cash movements from changes in working capital:			
Inventory	**(3 464)**	(1 240)	(593)
Receivables/payables	**296**	(218)	(129)
Cash generated from operations	**(249)**	539	3 049

12. Headline earnings

Headline earnings attributable to equity holders of the Company arises from operations as follows:

(Rm)	**Six months ended 31 December 2017 (Reviewed)**	Six months ended 31 December 2016 (Reviewed)	Year ended 30 June 2017 (Audited)
Profit/(loss) attributable to owners of the Company	**(163)**	(371)	(8 220)
Remeasurement adjustments:			
– Profit on disposal of property, plant and equipment	**(8)**	(15)	(24)
– Impairment	**30**	—	10 229
– Insurance compensation	**—**	(175)	(154)
– Total non-controlling interest effects of adjustments	**(4)**	—	—
– Total tax effects of adjustments	**(5)**	53	(2 814)
Headline earnings	**(150)**	(508)	(983)
Weighted average number of ordinary shares in issue for basic earnings per share (million)	**718.54**	717.54	718.03
Weighted average number of ordinary shares for diluted earnings per share (million)	**721.30**	720.69	721.78
Headline earnings per share (cents)			
Basic	**(21)**	(71)	(137)
Diluted	**(21)**	(71)	(137)

Notes to the consolidated financial information continued

for the six months ended 31 December 2017

13. Contingent liabilities and guarantees

As at the end of December 2017 the Group had contingent liabilities in respect of guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. The Group has issued guarantees of R114 (December 2016: R122) (June 2017: R118) million. Guarantees of R1 396 (December 2016: R1 269) (June 2017: R1396) million have been issued by third parties and financial institutions on behalf of the Group consisting mainly of guarantees to the Department of Mineral Resources for R1 277 (December 2016: R1 150) (June 2017:R1 277) million.

14. Related party transactions

- The Group entered into PGM purchase transactions of R1 831 (December 2016: R1 782) (June 2017: R3 745) million with Two Rivers, an associate company, resulting in a payable of R1 041 (December 2016: R860) (June 2017: R1 034) million. It received refining fees to the value of R17 (December 2016: R16) (June 2017: R32) million.
- The Group previously entered into sale and leaseback transactions with Friedshelf, an associate company. At the end of the period, R1 206 (December 2016: R1 230) (June 2017: R1 215) million was outstanding in terms of the lease liability. During the period, interest of R63 (December 2016: R63) (June 2017: R130) million was charged and a R72 (December 2016: R66) (June 2017: R147) million repayment was made. The finance leases have an effective interest rate of 10.2%.
- The Group entered into PGM purchase transactions of R 1 561 (December 2016: R1 386) (June 2017: R3 199) million with Mimosa, a joint venture, resulting in a payable of R920 (December 2016: R725) (June 2017: R844) million. It also received refining fees and interest of R150 (December 2016: R147) (June 2017: R317) million.

These transactions are entered into on an arm's-length basis at prevailing market rates.

- Key management compensation (fixed and variable) was R31 (December 2016: R44) (June 2017: R90) million.

15. Financial instruments

(Rm)	**Six months ended 31 December 2017 (Reviewed)**	Six months ended 31 December 2016 (Reviewed)	Year ended 30 June 2017 (Audited)
Financial assets – carrying amount			
Loans and receivables	**6 408**	7 763	9 943
Financial instruments at fair value through profit and loss[2]	**—**	907	—
Held-to-maturity financial assets	**70**	70	70
Available-for-sale financial assets[1]	**192**	174	179
	6 670	8 914	10 192
Financial liabilities – carrying amount			
Financial liabilities at amortised cost	**14 815**	13 556	14 832
Borrowings	**9 028**	8 722	9 461
Commitments	**73**	70	74
Trade payables	**5 703**	4 753	5 289
Other payables	**11**	11	8
Financial instruments at fair value through profit and loss[2]	**676**	—	1 233
	15 491	13 556	16 065

The carrying amount of financial assets and liabilities approximate their fair values.

1 *Level 1 of the fair value hierarchy – Quoted prices in active markets for the same instrument*

2 *Level 2 of the fair value hierarchy – Significant inputs are based on observable market data with the rand-dollar exchange rate of R12.38/US$ being the most significant. These instruments are valued on a discounted cash flow basis.*

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Johannesburg, 1 March 2018

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