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Dear shareholder

It is an honour to write this letter, my first to you as Chairman of Implats. It is particularly gratifying to do so on completion of a most challenging but successful year during which continued improvements were achieved in employee safety and record levels of production were realised at Implats' primary operating unit, Impala Platinum. These efforts were supplemented by a robust platinum price and a somewhat weaker rand exchange rate towards the end of the year which, combined, resulted in an increase in gross revenue and headline profit to R12.5 billion and R2.9 billion respectively.

Globally, the demand for commodities continues to be strong, driven largely by the economic boom in China that appears to be sustaining growth rates in

excess of 7% annually. The Indian economy is also performing strongly. These economies have key roles to play regarding the demand for platinum in the future in that they both have burgeoning automotive industries. China is important to the platinum jewellery sector and significant potential exists to develop this market in India. Although high oil prices may affect economic growth in Europe, the European Union's five-year agenda that was announced recently focuses on growth, job creation and technological innovation. This too is positive for the platinum industry, as are the early indications that even the Japanese economy may be turning the corner after 15 years in the doldrums. Market demand for platinum is thus likely to remain firm, notwithstanding the switch back to palladium formulation in gasoline catalytic converters in the USA.

chairman's letter

Relative to many of its peers in the platinum mining sector, Implats has historically been somewhat constrained by the ore reserves to which it has had access. A key challenge to the company over the past 10 years has been to develop strategies to achieve growth in earnings for its shareholders notwithstanding this constraint. The group has focussed on maximising its cost competitiveness by improving levels of productivity and optimising production from available ore reserves.

Hand-in-hand with this effort to maximise platinum production and extraction efficiencies, and reduce production costs, has been a noteworthy improvement in safety at all Implats' operations. I take this opportunity to commend each and every Implats employee at all operations in southern Africa for the part each has played in achieving this improvement in safety performance, and implore them all to renew their efforts. Hopefully, then, in the near future it will not be necessary for me to report that, sadly, seven people lost their lives at our operations in the course of the past year. On behalf of Implats, I extend my sincere condolences to the family, friends and colleagues of the deceased.

It is a fundamental objective of the group to strive continually for a safer working environment, achieve even better mining and extraction efficiencies and thereby lower the cost per ounce of platinum produced. This focus on reducing costs has enabled the company to perform adequately in the recent environment of a strong local currency. However, the reality is that it is becoming increasingly difficult to achieve a reduction in mining costs, particularly at Impala Platinum where mining depths are increasing every year and are in some workplaces more than 1,000 metres below surface. There is a need for ingenuity in finding ways to neutralise the inevitable increase in costs, and I am confident that Implats employees are equal to the task. The granting of wage increases in excess of the rate of inflation, as have been agreed in recent years, does of course exacerbate the cost situation unless offset by improvements in productivity.

A key aspect of the challenge to increase Implats' reserves base has been the group's investments in Zimbabwe. Zimplats, in particular has the potential to improve dramatically Implats' reserve situation. The PGM-bearing ore of the Great Dyke in Zimbabwe presently represents the second largest PGM deposit of reasonable grade occurring relatively close to surface. This resource has the potential to transform Implats into the pre-eminent producer of platinum. In this regard it is well known that Implats will only invest fully in this resource once certain conditions precedent have been met.

Until such time as Implats is comfortable investing in Zimbabwe in a major way, the group will continue to assess alternative avenues for achieving growth in earnings for shareholders. These alternatives include our interests in new smaller-scale platinum projects not necessarily controlled by Implats, which are complemented by our possible investment in the Ambatovy nickel project in Madagascar. What these projects have in common is that they all fall within the envelope of Implats' core competencies, a requirement that has been set by the Board for such investments.

In the quest for growth, it is regrettable that enthusiasm sometimes leads one down a rocky path. I refer here to the investment in Marula Platinum which has resulted in Implats having to bring to book an impairment, after tax, of some R850 million during the past year. We have learnt from our mistakes and have put in place an alternative plan. I am happy to report that early indications of success are evident, albeit at a rate slower than we anticipated.

It is appropriate at this time to pay formal tribute to Ms Phumzile Mlambo-Ngcuka, our former Minister of Minerals and Energy, who set in motion the transformation of the South African mining industry, oversaw the passing into law of the Minerals and Petroleum Resources Development Act in May 2004, and introduced the Mining Charter and its accompanying Scorecard to the sector. These developments will ensure that the contribution made to the country by the mining industry is both committed and enduring. Furthermore, my Board and I welcome Ms Lindiwe Hendricks as the new Minister of Minerals and Energy. We wish her much success in this position and assure her of our continued support and commitment to the process of transformation.

Finally, I would like to acknowledge the contribution made by my predecessor Peter Joubert and his sterling leadership of the Board. I wish him a well-deserved and contented retirement. Daryl O'Connor and Mike Fleming also retired from the Board during the year and Sifiso Dabengwa resigned. I extend to them my thanks for their dedication and loyalty to Implats. Thank you also to my fellow Board members, for their co-operation and commitment during the past year. I trust that we will have a long and fruitful association in our quest to make a good company even better.

Fred Roux
Chairman

26 August 2005