

Financial review

- ▶ Sales increased by 40% to R17.5 billion
- ▶ Group production maintained at 1.846 million ounces of platinum
- ▶ Headline earnings increased by 39% to R60.06 per share
- ▶ Total dividend of R87.00 per share – R5.8 billion returned to shareholders
- ▶ Revenue per platinum ounce up by 38% in rand terms and 35% in dollar terms
- ▶ Margins improve from 34% to a healthy 42%
- ▶ Group unit costs increase by 9%



The 2006 financial year was characterised by continued strong growth in headline earnings, principally as a result of increases in sales volumes and metal prices. Dollar revenue per platinum ounce sold was up 35% with the corresponding rand revenue 38% higher.

Margins improved across the group with the gross margin rising to 42%. Headline earnings per share rose by 39% to 6,006 cents. Basic earnings per share declined by 17% as earnings in the comparable period in 2005 had been boosted by the net impact of profit from the sale of Implats' stake in Lonmin's platinum interests and the Marula impairment charge.

Sales for the 2006 financial year increased by 40% to R17.5 billion from R12.5 billion for the preceding financial year. In dollar terms, sales were 36% higher at \$2.75 billion. The main sales drivers were as follows:

- ▶ **sales volumes:** a 2.6% increase in sales volumes resulted in a positive volume increase of R0.3 billion;
- ▶ **metal prices:** gains in the prices of all metals in both rand and dollar terms, exceeded expectations with that of platinum reaching record highs; overall PGM dollar prices were 35% higher and contributed to a positive price variance of R4.2 billion;
- ▶ **the rand/dollar exchange rate:** after remaining relatively strong for most of the year, the rand weakened in the last two months and closed at R7.16/\$ on 30 June 2006 as compared to a close of R6.66/\$ 12 months previously. The average exchange rate achieved for the year was R6.37/\$ versus R6.20/\$ for the 2005 financial year, resulting in a positive exchange rate variance of R0.5 billion.

Headline earnings per share
(SA cents)

FY02	6,877
FY03	5,140
FY04	3,934
FY05	4,325
FY06	6,006

Dividend per share
(cps)

2002	3,700
2003	2,650
2004	2,100
2005	2,300
2006	3,200 5,500 8,700

■ special dividend

Operating margins (%)

Entity	FY2006	FY2005
Impala Platinum	53	42
Zimplats	42	20
Marula Platinum	19	(52)
Mimosa	53	30
IRS	14	15
Implats group	42	34

Cost of sales rose by 22% to R10.2 billion as a result of a significant increase in the cost of metals purchased due to higher metal prices and the greater volumes of metals purchased. This increase was partially offset by a R706 million increase in stock. The balance relates to a 4.6% increase in tonnes milled and an annual wage adjustment of 6.5% at Impala Platinum, which employs 90% of group employees. The group unit cost per platinum ounce produced rose by 11% to R5,032. In accordance with IFRS 2, an amount of R159 million was included in the unit cost calculation for share-based payments. If this is excluded, the unit cost per platinum ounce that relates to operating costs was up by 9%.

The weakening in the rand towards the end of the financial year resulted in exchange gains of R178 million versus R33 million the previous year.

The contribution to profit by associates was R115 million, down from R204 million in the previous comparative financial period, which included equity-accounted profit from Implats' stake in

Lonmin's platinum interests. Aquarius contributed R114 million compared to a loss of R4 million for FY2005.

Earnings contributions

As in previous years, Implats' income continued to be derived from three sources, with the bulk coming from the mine-to-market operations (94%). The other two sources of income were IRS and equity income from investments.

- ▶ **Mine-to-market operations** owned by the Implats group contributed R3.7 billion (94%) to headline earnings. These operations comprise Impala Platinum, Marula Platinum and Two Rivers (45%) in South Africa and Zimplats (86.9%) and Mimosa (50%) in Zimbabwe. Marula reported a positive contribution of R12 million, a significant improvement on the previously reported loss of R105 million. The Zimbabwe operations reported significant increases in margins due to higher US dollar revenue and positive currency impacts.
- ▶ **IRS**, housing Implats' third-party refining services, contributed R715 million to group headline profit, an increase of 53%.

Gross cash position at yearend

(R million)	
FY02	3,150
FY03	2,325
FY04	1,204
FY05	3,984
FY06	1,864

Average rand/dollar exchange rate achieved

(R/\$)	
FY02	10,16
FY03	9,06
FY04	6,88
FY05	6,20
FY06	6,37

Given the lower risks and capital requirements of IRS, the lower margins at this entity are reasonable. Margins for FY2006 were 14%. Sales for the period rose by 52.8% to R6.2 billion with a 1.7% decline in platinum production to 721,000 ounces. This resulted in an increase in the contribution of IRS to group headline profit to 18.1% as compared to a contribution of 16.3% in the previous financial year.

► **Equity income** from investments of R115 million was mainly

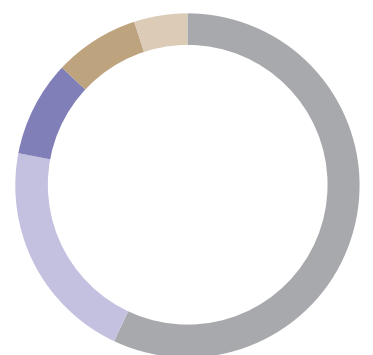
from Implats' holding in Aquarius Platinum SA, which was largely because of higher US dollar receipts.

Earnings attributable to equity holders declined by 17% to R4.3 billion as in the previous financial year earnings had included profit on the sale of Lonplats of R3.2 billion (although this was partially offset by an impairment charge of R850 million). The net of these transactions was R2.3 billion while the impairment write-back in FY2006 was R422 million as a result of higher metal prices.

Contribution to net profit by the various companies (Rm)

	FY2006	% contribution	FY2005	% contribution
Impala Platinum	3,410	86.3	2,201	76.9
IRS	715	18.1	466	16.3
Zimplats	168	4.3	90	3.1
Marula	12	0.3	(105)	(3.7)
Mimosa	126	3.2	95	3.3
Aquarius	114	2.9	(4)	(0.1)
Ambatovy	(66)	(1.7)	-	-
Gazelle – other	(435)	(11.0)	(90)	(3.1)
Gazelle – Lonplats	-	-	208	7.3
BEE compensation charge	(95)	(2.4)	-	-
Headline profit	3,949	100.0	2,861	100.0
Profit on sale of investments/subsidiaries	-	-	3,155	-
Other	(26)	-	72	-
Reversal of impairment/(impairment) of assets	422	-	(850)	-
Net profit	4,345	-	5,238	-

Contribution by metal (%)



Earnings

Headline earnings for the financial year increased by 39% to 6,006 cents per share compared with 4,325 cents in FY2005. This was mainly as a result of the 38% increase in rand revenue per platinum ounce sold during FY2006.

During FY2006, Implats concluded the Marula BEE transactions by signing agreements during May/June 2006 with the Marula Community Trust, Tubatse Platinum (Pty) Limited and Mmakau Mining (Pty) Limited for the sale of 7.5% each. In addition, unconditional finance documents for the raising of the full amount of the purchase consideration were entered into by the BEE partners, Implats and Standard Bank.

The impact of the above transactions on the financial statements was to recognise a BEE charge which was calculated on the date of the transaction (June 2006) and amounts to R95.3 million. This amount is expensed through the income statement with the corresponding credit being taken to reserves. There is no minority shareholders' interest as the sale is deemed not to have taken place since the risk of ownership did not pass to the BEE partners during FY2006. This is because a guarantee provided by Implats to Standard Bank for the purchase price will be in place until the loan is repaid. At that stage a sale would have been effected.

A 10% change in the rand revenue per platinum ounce sold and received for a complete year (total revenue per platinum ounce sold) would result in a 25% change in headline earnings.

The share buy-back programme was in operation for the duration of FY2005 and as a result there was a slight decrease in the number of weighted shares in issue to 65.8 million shares in FY2006.

Balance sheet structure and cash flow

The strong balance sheet ensures that there is sufficient funding for the group's planned capital expenditure over the next five to ten years. Cash from operating activities during the financial year totalled R4.9 billion and the net decrease after accounting for investing and financing activities was R2.2 billion. After funding of capital expenditure programmes, dividends and investments to 30 June 2006, the net closing cash position was R1.9 billion.

Consistent with previous statements in this regard, the board decided to return a significant amount of cash to shareholders, and declared a special dividend of R55 per share on 16 February 2006. The special dividend combined with the interim dividend of R10 per share and the final dividend of R22 per share resulted in a total dividend of R87 per share being paid for the year. The total of these dividends together with the STC payable will result in a cash outflow of R6.5 billion, which equates to a yield of 6.6% on the closing share price for the year of R1,320.

Capital expenditure

Group capital expenditure for FY2006 totalled R2.2 billion as compared to R2.0 billion in the previous financial year. The largest portion of this, R1.6 billion, was spent at Impala Platinum, primarily on the development of 16 and 20 shafts. The Zimbabwean operations accounted for capital expenditure of R356 million, and Marula Platinum R291 million.

