



Chairman's letter



Fred Roux, Chairman

Dear shareholder

During the 2007 financial year the group had another remarkable financial performance with profits of R7.3 billion, normalised headline earnings of 1,636 cents per share and headline earnings of 1,312 cents per share. Globally, the strong demand for commodities continued unabated and market demand for platinum group metals (PGMs) and base metals remained robust. This resulted in higher dollar metal prices, which, together with volatile but generally favourable exchange rates and higher metal production, materially benefited the group. Record production of just over 2Moz of platinum was attained during the period, despite an unsatisfactory performance from Impala's mining operation. Implats' production target of 2.3Moz of platinum by 2010 therefore remains on track.

The major disappointment during the reporting period has been our safety performance with both our lost-time injury and fatality frequency rates having deteriorated. The fatality frequency rate increased by some 87% and we deeply regret having to report that 13 employees died at work during the year. Our deepest sympathies are extended to the families and friends of those who have died.

After a number of years during which our fatality frequency rate improved significantly, this slippage in fatalities has shaken the organisation. We reaffirm our commitment to safety and a safer work environment at Implats. Indeed, we are committed to a policy of "zero harm" in the longer term and are pursuing this challenge with vigour. In terms of the objectives underlying this goal the group is targeting a first milestone to work for 12 consecutive months without a lost time injury by 2012. That such an objective is achievable has been demonstrated by the safety performance at the Refineries, at Zimplats and at various individual shafts at Impala Rustenburg. Refineries has not had a fatal accident for the past 11 years while Zimplats has not had a fatal incident for the last two years.

During the past year the platinum market continued to be driven by automotive growth, particularly in the diesel sector, at the expense of the more price elastic jewellery market that again succumbed to higher prices. Industrial demand also experienced strong growth during the period fuelled by increased demand in both the information technology and liquid crystal display glass sectors. The palladium market once again showed a substantial supply surplus but nonetheless experienced price robustness primarily due to the general strength of investor interest in precious metals. The price of rhodium rose sharply as the increasing need for the automotive sector to reduce NOx emissions in gasoline vehicles resulted in demand exceeding supply. At present we see no reason why strong demand for the suite of PGMs should not continue in the current year.

Operationally the group delivered a mixed performance. Under-delivery at Impala Rustenburg was offset by strong growth at the other operations and at IRS. The Impala Rustenburg mining operation was affected by a combination of poor safety and productivity issues that resulted in lower production and, as a consequence, a significant increase in unit costs. The underperformance can be attributed largely to a significant turnover in supervisory skills primarily due to the growing skills shortage being experienced in the global mining industry and geological problems at 12 and 14 shafts. The group's operations on the Eastern Bushveld continued their ramp-up to full production, whilst both Zimbabwean operations performed well despite the difficult socio-economic conditions prevailing in that country.

Our well articulated five-year plan to produce 2.3Moz of platinum by 2010 has recently been supplemented by the announcement regarding the expansion of smelting and refining capacity to 2.8Moz. This heralds the next phase of growth for the group. The extension of processing capacity builds on the overarching distinctive competence of the group and will meet planned production increases to 2.5Moz per annum by 2012. Afplats, which was acquired during the year, will contribute towards this growth profile with the development of the Leeuwkop Project.

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Growth to the 2.8Moz mark could include the development of the Merensky Reef at Marula where a full feasibility study is well under way and, if approved, would double output at that operation. Afplats has the potential to expand down-dip of the planned initial operation at Leeuwkop as well as possible development of the Inkosi and Imbasa properties to the east. Potential contractual processing arrangements with junior players in the industry provide another avenue of growth. Beyond this, the Great Dyke in Zimbabwe, as the second largest PGM deposit in the world, still represents the ultimate blue sky potential for the group. The excellent safety performance of Zimplats is a reflection of the attitude of the well-educated workforce under extremely trying off-mine conditions and is also a reflection of the near-surface nature of the reserves. These factors augur well for significant increases in production in due course. At maximum output of more than 1Moz of refined platinum per annum, this resource would result in a marked increase in the group's market share and has the potential to transform Implats into the pre-eminent low-cost platinum producer.

During the year, we enhanced the black economic empowerment (BEE) ownership component of our transformation initiative when, in April 2007, the group finalised the deal with the Royal Bafokeng Holdings (Pty) Limited (RBH). In terms of this transaction Impala Platinum agreed to pay the Royal Bafokeng Nation (RBN) all future royalties due to them, thus effectively discharging any further obligation to pay royalties. In turn the RBN subscribed for 75.1 million Implats shares giving them a 13.4% holding in the company. A further component of this transformation initiative was the Employee Share Ownership Programme (ESOP) that was implemented early in this financial year. Some 28,000 lower level employees will benefit from the appreciation in value of 3% (2.6% diluted) of the group's equity ensuring them a direct interest in the future growth of the company. At the end of the financial year this programme was worth in the region of R1 billion to our employees.

It is gratifying to report that the group has made progress in other aspects of transformation at Implats. A transformation committee reporting at board level and responsible for compliance and the implementation of relevant programmes and processes was constituted during the year. Detailed plans to effect the required changes in this regard have been developed and, whilst the goals we have set ourselves are proving to be challenging, we feel comfortable that we will meet all our targets within the required timelines. At board level, transformation is also a factor and historically disadvantaged South Africans (HDSAs) will comprise 62% of total board membership, once the board changes as set out below.

During the year, Keith Rumble resigned as Chief Executive Officer after just over five years at the helm and in line with his stated objectives. On behalf of the board I would like to acknowledge his significant and multi-faceted contribution to Implats during this time, and particularly his massive input in the area of safety and to the unlocking of our historical





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impasse with Lonmin. Cathie Markus retired in the second half of the financial year and we recognise her valuable and insightful involvement over 16 years which saw the group resolve a number of major litigation issues. The board wishes to acknowledge the pivotal role she played in settling the long-standing issues involving the RBN. John Roberts, a non-executive director for the past nine years, has decided not to offer himself for re-election to the board when he retires from office at the annual general meeting. John was a past chairman of the Remuneration Committee and a member of the Audit Committee since inception. His valuable contribution during his tenure as a non-executive director is most appreciated. I extend my thanks to these directors for their commitment and loyalty to the company and wish them well in their future endeavours.

I am delighted with David Brown's appointment as Chief Executive Officer in September 2006. David joined the group eight years ago as Chief Financial Officer and has acquired a detailed knowledge of the operations and has played a leading role in all of our growth acquisitions during his tenure in this position. With this background David is well positioned to take the group forward and I have every confidence in him and look forward to his further contribution in the coming years.

I take great pleasure in welcoming to the board Dawn Earp who has been appointed Chief Financial Officer in place of David Brown. Dawn joined us in March from AngloGold Ashanti and brings with her a wealth of mining knowledge. We also extend a warm welcome to Steve Phiri. Steve is the second Royal Bafokeng representative to be appointed to the board in terms of the recently concluded BEE transaction that entitles RBH to an additional member. This appointment enhances our alignment with our BEE partner and we look forward to the benefit of Steve's experienced input. In addition, Fatima Jakoet joined the board on 22 August 2007. Fatima joins us as an additional independent non-executive director whose 25 years' experience in the corporate business world will surely be of benefit to Implats.

I extend my thanks to my fellow board members – past and present – for their dedication and for the active role that they have played during the past year. I appreciate their support and counsel and look forward to working with them in the year ahead.

Implats will remain a platinum-focused producer and it is our aim to deliver superior returns to our shareholders by focusing on growth through the development and/or expansion of our available mineral resources, through the acquisition and development of new resources, through utilising our pre-eminent position in the field of processing and refining and through our recycling initiative. We will continue to address rising costs and defend our leadership in this area. I would like to thank our customers, suppliers and other business partners, including our trade unions, for their support and relationships with Implats during the past year. Further, I extend my thanks to every member of the Implats team for their loyalty, hard work and team spirit. Together we have been able to achieve an outstanding set of financial results.

Fred Roux
Chairman