Production rises to record 1.075 Moz level for half-year

12 February 2004

Strength of currency limits earnings growth – dividend maintained at around 30% of earnings

Impala Platinum Holdings Limited (Implats) reported a substantial increase in platinum production to 1.075 million ounces for the first half of the 2004 financial year up 39% when compared to that of the corresponding period in the 2003 financial year.

According to Implats CEO, Keith Rumble, "Operationally Implats has performed well, with Impala Platinum producing as planned, and the Zimbabwean operations are now beginning to contribute to the bottom line. Although this notably higher level of production coincided with record dollar prices for platinum, this was insufficient to counter a 29% appreciation in the value of the rand in terms of the US dollar over the reporting period. Nonetheless, we have recorded a substantial net profit of nearly R1.1 billion and have declared a dividend of R5 per share. "

Rand revenue received per platinum ounce sold fell by 24% to R7 099 per ounce for the six months to end December 2003, from R9 353 per ounce for the previous interim period. Consequently, headline earnings a share fell to 1 604 cents a share, from 3 042 cents for the comparable interim period in the 2003 financial year.

Although they have declined, gross margins remain healthy at 31%. Despite a 9.5% increase in wages granted for the 2004 financial year and increases in some input prices (such as steel) well in excess of the inflation rate, the rise in unit cash costs for the Impala operation were restricted to 8%.

Financial review

A comparison of the 2004 interim period with that of the 2003 financial year indicates:

Earnings and net profit for the period were substantially affected by the 29% increase in the value of the rand in terms of the US dollar. This, together with weaker palladium and rhodium prices, resulted in the rand revenue per platinum ounce sold declining by 24%.

Consequently, sales revenue fell by 12% to R5 632, despite increased sales volumes of platinum, palladium and nickel, and earnings were down by 47%.

The contribution made by associates was similarly affected.

Overall, operating expenses increased by 16% compared to an increase of 24% for the previous interim period. The increase of 16% was a result of the greater number of platinum ounces produced as well as increases in excess of inflation in the price of certain material inputs and wages.

The exchange rate translation loss on US dollar-denominated balance sheet items was R133 million, which is less than the R211 million recorded in the previous interim period.

Cash on hand, net of short term debt, at the end of the 2004 interim period was R278 million compared to R2.324 billion in December 2002.

Capital expenditure for the period amounted to R876 million with R900 million planned for the second half of the year.

The dividend to be paid has been maintained at approximately 30% of earnings and the board has declared a dividend of 500 cents per share for the interim period.

The market

Sales volumes remained strong with positive increase in sales of all metals recorded in the period. In particular, platinum sales rose by 13% and nickel sales by 14%. Prices achieved in dollars for platinum and nickel were sharply higher at 28% and 36% respectively. The ongoing solid fundamentals in the platinum market together with renewed investor interest pushed prices to 24-year highs in January 2004.

Although the higher platinum price did affect jewellery demand for the year, the resilience of this market, given the impact of the SARS epidemic as well as global economic uncertainty, has been remarkable. In the automotive sector, ever-stricter legislation and strong diesel vehicle sales underpinned demand.

Palladium and rhodium markets continued to experience surpluses, with the former in particular suffering from high levels of inventories and anaemic demand resulting in prices for these metals declining sharply by 38% and 36% respectively.

Safety and health

Although the emphasis on safety continued across the groups' operations, it is with much regret that we report on four fatalities for the period. Our condolences are extended to the families and colleagues of the deceased.

On the positive side, the lost time injury frequency rate declined to a record low for the period. Particularly commendable is the excellent safety performance at the Refineries in Springs which has operated without a lost time injury for the past two years.

Various safety initiatives continue. The launch of a behaviour-based safety programme is making progress towards achieving its aim of zero fatalities. The fall of ground safety campaign and ground control districts programme continue to reduce the number of injuries caused by this hazard.

Operational review

Production at **Impala Platinum** remained steady and on target, in line with the planned production strategy. Production from the decline levels is coming on stream and the mechanised mining programme is well underway.

Impala's processing and refining operations continued to maintain their high performance levels. A full-scale tailings scavenging plant was commissioned in December 2003 and is capable of yielding an extra 10 000oz of platinum annually. The UG2 plant has seen a 20% increase in throughput as well as improved recoveries since the start of an upgrade more than two years ago. The Springs Refinery continued to excel with record platinum production of over 1 million ounces for the six months.

The hot commissioning of the plant at **Marula Platinum** began on 19 January 2004 and is proceeding satisfactorily. Although development and build up of the run of mine ore stockpile are somewhat behind schedule, Marula expects to produce 16 000 ounces of platinum in concentrate during the current financial year. The eventual target is still 100 000oz of platinum.

Following on its offer to minority shareholders, Implats has secured a holding of 82% in **Zimplats**. Negotiations are underway regarding the sale of a stake in the company to the Needgate consortium, a BEE entity, and further announcements will be made in this regard in due course.

Mimosa Platinum has reached full production of 65 000 ounces of platinum on an annualised basis. A pre-feasibility study to assess the potential for further expansion is in progress and should be completed in March 2004.

IRS's exceptional performance continued with platinum production rising by 132% and overall PGM production by 115%, period-on-period. This increase is mainly as a result of a once-off contract to process 206 000 ounces of platinum from Lonmin together with an increase in spent autocatalyst supplies for recycling.

Prospects

Says CEO Keith Rumble, "Prospects for Implats remain good both in the short and medium term. Demand for platinum is likely to continue at current levels while world supply may be somewhat constrained and a sixth year of supply deficit is possible in 2004."

"On the operational front, costs will continue to remain a key focus, particularly given the current challenging environment and we will endeavour to conduct our operations as efficiently as possible."

"The company is currently on track to achieve a target of 1.9 million ounces of platinum in FY2004. The high cost of inputs is expected to continue to have an adverse effect on cost performance. However, we are working with suppliers to ensure that the effects of a lower inflationary environment are passed onto producers such as ourselves.

"Earnings for the second half of the financial year are expected to be similar to that of the first half, but will depend on the rand basket price achieved".

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