

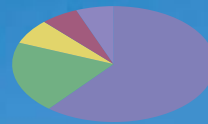
## Financial review

# Reduced demand impacts on profitability

Worsening economic conditions reduce sales, but Implats holds up reasonably well and still declares a dividend

Shareholders are advised to read this review in conjunction with the annual financial statements presented on pages 112 to 219.

Contribution to revenue by metal



Platinum	61%
Rhodium	20%
Palladium	7%
Nickel	6%
Other	6%

## Implats' financial performance

### Revenue

The plight of the global economy impacted financial performance and sales for the 2009 financial year decreased by 31% to R26.1 billion from R37.6 billion in the previous period. In dollar terms, sales were 41% lower at \$3.0 billion. This was a result of:

- **Lower sales volumes**

There was a 10% decrease in sales volumes, resulting in a negative volume variance of R3.8 billion.

- **Lower metal prices**

Significant falls in the prices of certain metals, in both rand and dollar terms, were worse than anticipated. Platinum, palladium and rhodium prices decreased by 24%; 33% and 49% respectively; dollar revenues per platinum ounce sold fell by 32% to \$1 995/oz; and overall PGM dollar prices were 31% lower and contributed to a negative price variance of R11.7 billion.

- **A volatile R/\$ exchange rate**

The average exchange rate achieved for the year was R8.63/\$, compared with R7.32/\$ for FY2008. This resulted in a positive exchange-rate variance of R3.9 billion.

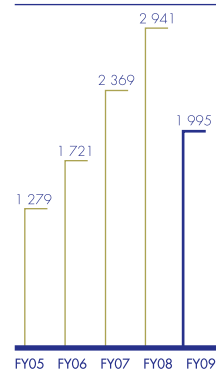
The range in which the rand traded during this financial year reflects the volatility triggered by the global financial crisis. It traded at a high of R11.93/\$ in October and was range-bound until March 2009. By end-June 2009, the currency had strengthened, compared with a close of R7.93/\$ a year earlier.

### Cost of sales

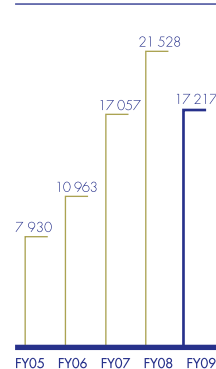
Cost of sales decreased by 18% to R16.4 billion from R19.9 billion in FY2008. There were several key drivers:

- Cost of purchases (net of change in stock) decreased by R3.8 billion, mainly due to the 20% decrease in rand metal prices and lower volumes.
- A R34 million reduction in amortisation due to the lower production at Impala.
- A lower share-based payment expense from a cost of R1 042 million to a credit of R717 million. This was due to a fall in the share price, from R309 in June 2008 to R170/share in June 2009.

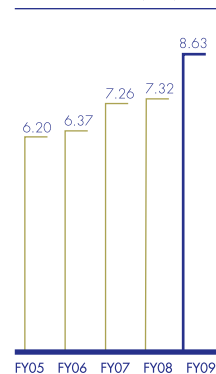
Revenue per platinum ounce sold (\$/oz)



Revenue per platinum ounce sold (R/oz)

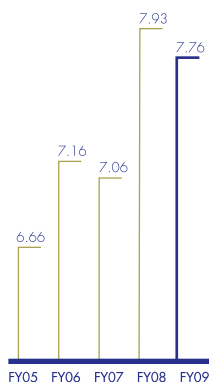


Average annual rand/dollar exchange rate achieved (R/\$)



## Financial review (continued)

### Closing rand/dollar exchange rate (R/\$)



These decreases were offset by:

- Inflationary increases of R1.8 billion: The cost of labour increased by 14.6%.
- The price of consumables also rose steeply: explosives increased by 23%, support 27%, mining contracts 29%, coal 65%, mill balls 53% and electricity 24%.

The unit cost per platinum ounce produced rose by 10% to R8 526. Excluding a share-based payment credit of R717 million, the unit cost per platinum ounce relating to operating costs increased by 32% to R9 129/oz.

Cost per platinum ounce performance for the year:

R/oz	Excluding SBP*		Including SBP	
	FY2009	FY2008	FY2009	FY2008
Impala (refined)	8 559	6 546	7 854	7 489
Marula (in concentrate)	11 730	9 020	11 243	9 830
Zimplats (in matte)	11 740	9 215	11 740	9 215
Mimosa (in concentrate)	9 454	7 023	9 454	7 023
Implats Group (refined)	9 129	6 930	8 526	7 750

\* Share-based payments

### Gross profit

	Gross profit (Rm)		Adjusted gross profit (Rm)*	
	FY2009	FY2008	FY2009	FY2008
Impala	7 586	13 544	7 606	13 597
Marula	(301)	1 050	181	745
Zimplats	(9)	1 122	397	964
Afplats	(1)	–	(1)	–
Mimosa	127	661	314	542
IRS	1 265	1 883	1 265	1 883
Inter-segment adjustment	1 095	(529)	–	–
<b>Implats Group</b>	<b>9 762</b>	<b>17 731</b>	<b>9 762</b>	<b>17 731</b>

\*Includes inter-segmental adjustments

The group's margins deteriorated to 37%, and Impala reported a margin of 50% for the year under review. This was due to the lower rand-metal prices.

	Gross profit margin		Adjusted gross profit (Rm)*	
	FY2009	FY2008	FY2009	FY2008
Impala	50%	65%	50%	65%
Marula	(48%)	57%	16%	49%
Zimplats	(1%)	53%	26%	49%
Mimosa	20%	69%	38%	65%
IRS	12%	12%	12%	12%
<b>Implats Group</b>	<b>37%</b>	<b>47%</b>	<b>37%</b>	<b>47%</b>

\*Includes inter-segmental adjustments

### Other income and expenses

Other operating expenses were 7% lower, the result of a decrease in share-based payments, offset by higher selling and promotional expenses. Royalty expenses decreased due to the lower rand metal prices and lower production used for the calculation of the Impala prepaid royalty.

Finance income grew by R274 million. Interest received rose on the back of the higher cash balances due to the sale of AQP(SA) in the latter part of FY2008.

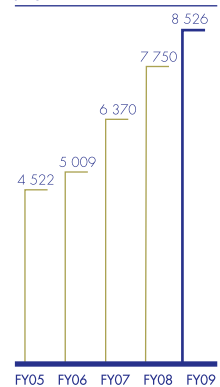
The profit on the sale of our stake in AQP and AQP(SA) in FY2008 amounted to R4.8 billion.

Equity income from the investment in Two Rivers was R41 million, compared to R250 million the previous year. FY2008 equity income included income of R428 million from Aquarius.

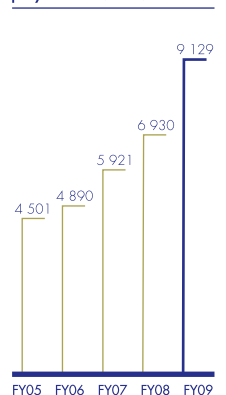
The strengthening of the rand towards the end of the financial year resulted in an overall exchange loss of R211 million, versus a gain of R439 million in the previous year.

The taxation charge decreased by R1.7 billion to R3.4 billion, primarily as a result of lower earnings for the year. The effective tax rate was 36.1% for the year (FY2008: 22.3%).

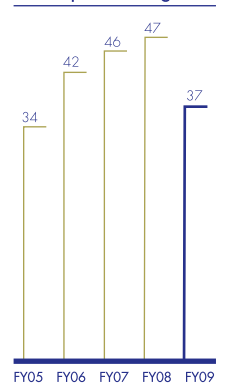
### Cost per platinum ounce including share-based payments (R/oz)



### Cost per platinum ounce excluding share-based payments (R/oz)

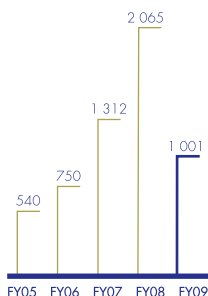


### Gross profit margin (%)

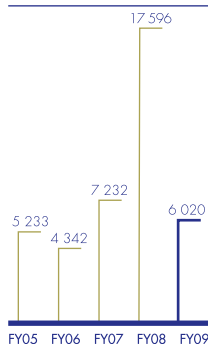


## Financial review (continued)

### Headline earnings per share (cps)



### Profit attributable to owners of the parent (R 000)



### Headline earnings

Headline earnings for the financial year decreased by 52% to 1 001 cents per share, from 2 065 cents per share in FY2008, as a result of:

- an R8.0 billion decline in gross profit
- the reduced share of profit from associates of R637 million due to the sale of AQP(SA) in the previous financial year.

This was, however, offset by a decrease in taxation of R1.7 billion because of lower taxable income.

### Contribution to headline earnings by company

R million	FY2009	%	FY2008	%
<b>Headline earnings</b>				
Impala*	4 521	75.2	8 393	67.2
Marula	25	0.4	491	3.9
Afplats	(112)	(1.9)	158	1.3
Two Rivers	41	0.7	250	2.0
Zimplats	151	2.5	648	5.2
Mimosa	14	0.2	417	3.3
Aquarius	–	–	428	3.4
IRS	1 375	22.9	1 700	13.6
<b>Headline earnings</b>	<b>6 015</b>	<b>100.0</b>	<b>12 485</b>	<b>100.0</b>
Profit on sale of AQP, AQP (SA)	–	–	5 181	–
Profit on disposal of assets	5	–	4	–
Impairment of assets	–	–	(74)	–
<b>Profit attributable to owners of the parent</b>	<b>6 020</b>	–	<b>17 596</b>	–

\* Including holding company and minor subsidiaries

### Dividend

A final dividend of 200 cents per share was declared on 27 August 2009, which amounts to a further payment to shareholders of R1.2 billion.

An interim dividend of 120 cents per share was paid, amounting to R712 million.

Implats is one of the few platinum producers to pay a return to its shareholders. The total dividend for the year will be 320 cents. The total dividend payable in FY2008 was 1 475 cents per share.

## Cash flow

### Operational activities

Cash generated by operations amounted to R9.4 billion before tax, impacted interest of R122 million, income taxes of R2.9 billion and adjustment resulted in net cash from operating activities R6.5 billion.

### Investing activities

Net cash out used in investing activities of R5.7 billion, mainly due to capital expenditure of R6.8 billion, offset by finance income of R0.9 billion and repayment of the shareholder loan by Two Rivers of R0.1 billion.

### Financial activities

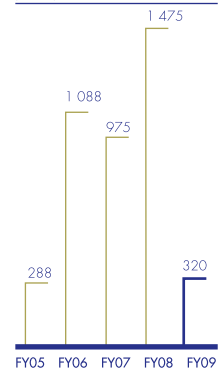
Net cash outflows from financing activities increased by R2.4 billion, resulting in a R7.9 billion outflow compared to a R5.5 billion outflow the previous year.

Dividend payments totalling R7.8 billion were made during the year of which R7.1 billion was for the FY2008 final dividend and R712 million for the FY2009 interim dividend. The dividend payment totalled R6.1 billion in FY2008.

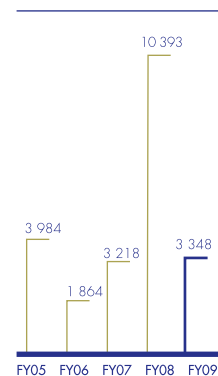
The group acquired 5 562 545 (FY2008: 826 473) of its own shares during the year in terms of an approved share-buyback scheme for an amount of R724 million (2008: R254 million). In the group's cash preservation strategy announced on 10 November 2008, Implats has suspended its buy-back programme until further notice.

Net proceeds from borrowings amounted to R563 million. These loans were raised as a result of the consolidation of the funding requirement for Zimplats' expansion.

### Dividend per share (cents)

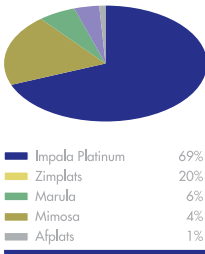


### Cash position at year-end (Rm)

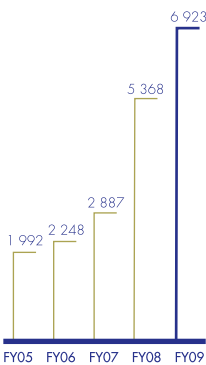


## Financial review (continued)

Capital expenditure by entity (%)



Group annual capital expenditure (Rm)



The group will continue to fund cash requirements from cash generated from operations, and will use its adequate banking facilities to cover any shortfalls.

The net result of Implats' operating, investing and financing activities was a net cash outflow of R7.2 billion. When combined with the opening balance of R10.4 billion and the positive translation of R0.1 million, this resulted in a closing cash- and cash-equivalent balance of R3.3 billion.

### Statement of financial position

#### Property, plant and equipment

The growth in property, plant and equipment resulted largely from capital expenditure relating to the group's current projects. Group capital expenditure for FY2009 totalled R6.9 billion, compared with R5.4 billion in the previous financial year. Of this, R4.8 billion was spent at Impala, primarily on the development of 16, 17 and 20 Shafts, accommodation and smelter expansion. The Zimbabwean operations accounted for capital expenditure of R1.6 billion, and Marula R398 million.

There were no impairment write-offs in the current financial year.

Given the current market environment and the short term outlook, cash preservation is paramount. It has been deemed prudent to defer long-lead projects such as Leeuwkop and Marula Merensky, resulting in a lower capital outlay totalling R8.8 billion over the next five years.

#### Capital expenditure by entity

	FY2009	FY2008
Impala	4 782	3 415
Marula	398	345
Zimplats	1 358	1 319
Mimosa	277	144
Afplats	108	145
<b>Implats group</b>	<b>6 923</b>	<b>5 368</b>

Forecast capital expenditure for 2010 is R5.0 billion, and will total R23 billion over the next five years. This will be managed in line with group profitability and cash flow.

## Cash net of debt

Our net cash is made up as follows:

	FY2009	FY2008
Long-term borrowings	1 778	1 464
Short-term borrowings	207	46
Total debt	1 985	1 510
Less cash	3 348	10 393
Net cash	1 363	8 883
(Decrease)/increase in net cash	(7 520)	6 379

Due to the dynamic nature of the underlying businesses, we aim to maintain flexibility in funding by keeping committed and uncommitted facilities available. As at year-end, total committed facilities amounted to R5 205 million.

	FY2009	FY2008
Operating EBITDA	9 578	23 296
Total debt	1 985	1 510
EBITDA/Total debt ratio	4.8	15.4

## Credit rating

In February 2009, Fitch revised Implats' rating, with the outlook changing from stable to negative. Implats has an International Long-Term Issuer Default rating (IDR) of 'BBB+', and a Short-Term IDR of 'F2' as well as national ratings of Long-Term 'AA (zaf)' and Short-Term 'F1+ (zaf)'.

This reflects Implats' significant exposure to the deteriorating global automobile manufacturing industry and the accompanying reduced demand for PGMs used in emission-control components. Fitch has a negative view of the prospects of the automobile sector over the next two to three years, as the industry faces both a severe cyclical downturn and structural changes. Fitch recognises the positive measures taken so far by Implats' management to reduce cash outflows and scale back capital expenditure. The agency will continue to monitor the company's actions to preserve cash given its current expectations.

## Net cash position at the end of the year (Rm)

