

## NEWS RELEASE

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### **Implats reports sales revenues of R12.5 billion and headline net profit of R2.9 billion**

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Excellent results on the back of a 5% increase in headline platinum production to 1.815 million ounces

Impala Platinum Holdings Limited (Implats) today (26 August 2005) reported results for the year ended 30 June 2005. Both the company's annual and corporate responsibility reports are being published today.

- Key features of the annual results
- Record group safety performance
- Headline platinum production up 5% to 1.815 million ounces
- Record production at Impala of 1.115 million ounces of platinum
- Costs at Impala held to 5.3% increase per platinum ounce
- 6% growth in sales revenues to R12.5 billion
- Gross margin of 34%
- Net profit up by 78% to R5.2 billion; at the headline level, net profit rose by 9% to R2.86 billion
- Final dividend of R18.00 per share, bringing the total dividend to R23.00

Says CEO, Keith Rumble, "The 2005 financial year was characterised by excellent safety and operational performances, particularly at Impala Platinum. Impala contributes 60% of production and has achieved a record production of 1.115 million ounces of platinum, while holding unit cost increases to just 5.3%.

"A particularly pleasing part of our performance has been a steady increase in earnings, despite the continued pressure of the rand. Earnings in the second half of FY2005 were 15% higher than the second half of FY2004; but earnings in the second half of FY2005 were 70% higher than the first half of FY2005, providing some insight into the strength of the underlying business fundamentals."

#### **Operating and financial performance**

Results for the year were characterised by a strong operational performance, notably from Impala Platinum and the Zimbabwean operations. As anticipated, gross platinum production this year excludes an amount of 232,000 ounces processed during the Lonplats smelter shutdown, resulting in a decline of 6% in gross output. At the headline level, however, headline production was 5% higher at 1.815 million ounces.

The effect of sustained rand strength (a 10% strengthening in the average rand/dollar exchange rate to R6.20/\$) was mitigated to a degree by the volume of metals sold, 6% up on FY2004 which contributed to the 6% increase in sales revenues to R12.5 billion. Rand revenue per platinum ounce was only 3.3% higher whereas dollar revenue per platinum ounce sold was 15% higher.

The excellent performance at Impala also manifested in good cost control where the rise in unit costs per refined platinum ounce was limited to 5.3% or R4,251 notwithstanding lost volumes as a result of industrial action and an 8% wage increase. In Zimbabwe however, local inflation and the managed exchange rate had a disproportionate effect on the group unit cost of R4,548 per refined platinum ounce, 9.7% higher year on year.

Comments Keith Rumble, "Increasing production from Impala continued to underpin Implats' mine-to-market

growth strategy during the year, although we anticipate a steady increase from the other operations in the years ahead. Collectively, Implats' mine-to-market operations grew production of platinum by 2.5%, and contributed 77% of headline profit, with a margin of 38%."

Contributions from IRS were again significant in the year, contributing 16% to headline profit with a margin of 15%.

At the headline level net profit was 9% higher at R2.86 billion. Including the profit of R3.2 billion on the sale of Lonplats and an impairment of R850 million for Marula, the net profit was R5.2 billion, a 78% increase on the previous year.

The board has declared a final dividend of R18 per share resulting in a total dividend for the year of R23.

## **Investments**

A significant development in April this year was the agreement signed with Dynatec Corporation of Canada to develop the Ambatovy Nickel Project in Madagascar. Implats' investment will fund a detailed feasibility study due to be completed in February 2006. Japan's Sumitomo Corporation has been brought in to acquire a 25% stake in the project and as an offtaker of a set amount of refined metal. Implats, with its significant expertise, experience and vested infrastructure in nickel processing and refining over the past 30 years, will be joint managers of the project with Dynatec.

The sale of Implats' stake in Lonplats for R4.9 billion in FY2004 was concluded during the year, with the proceeds being used to fund a share buy-back and capital expenditure mainly at Impala Platinum.

During the year Implats' holding in Zimplats increased to 86.9% with the rationalisation of the Zimplats and Makwiro structure and the further acquisition of 1% on the open market.

Before the year end in June, Implats and African Rainbow Minerals Limited announced that they would proceed with the development of the Two Rivers project on the eastern limb of the Bushveld Complex. Implats holds a 45% stake in this 120,000 ounce platinum operation and will process and refine, through IRS, the metals emanating from the operation.

Implats also acquired additional holdings, for R71.5 million, in Aquarius Platinum South Africa AQP(SA) after that company's BEE transaction, in order to maintain the 20% Implats interest in AQPSA.

## **The market**

After a supply deficit for five consecutive years the platinum market moved back into balance in calendar 2004, with little change expected in 2005, particularly given the record 5 million ounces supplied from South Africa. Strong platinum demand is expected to continue, fuelled by sustained automotive (diesel) demand.

The palladium market remains in surplus with extensive stockpiles held by manufacturers, banks and speculators, which is capping the price. Rhodium on the other hand continued to trade in tight market conditions, with strong industrial demand from the automotive and glass industries. Tightening NOx legislation will continue to drive demand.

For most of the calendar year nickel prices remained firm, supported by demand from the stainless steel industry, and this is set to continue.

## **Prospects**

Says Keith Rumble, "Prospects for our primary metals PGMs and nickel remain sound, and we continue our consistent growth in production, targeting 2.3 million ounces of platinum by FY2010. Production in FY2006 is anticipated to be slightly higher than FY2005 at about 1.9 million platinum ounces.

Although costs in FY2006 will be affected by the above-inflation wage settlement reached with labour in August 2005 productivity improvements are expected to ameliorate this increase. In Zimbabwe, the managed exchange rate will be a critical factor for cost performance going forward. The move to underground mining at Zimplats should alleviate the current operation-driven cost pressures, which should be further ameliorated by the recent substantial devaluations of the Zimbabwean currency against the US dollar, but will be dependant on further devaluations to reflect the underlying inflationary pressures.

Implats' headline earnings in FY2006 are likely to increase by 10 to 15%, given current market conditions, exchange rates and the anticipated increase in the group's production in the year ahead