

Solid operating performance with headline profit of R1.06 billion for six months

17 February 2005

Margins maintained at a healthy 33%

Impala Platinum Holdings Limited (Implats) reported today (17 February 2005) headline production (excluding the once-off ounces processed on behalf Lonplats during the 2004 interim period) was marginally higher at 880 300 ounces of platinum for the six months to 31 December 2004 compared with production for the six months to December 2003. Overall sales revenues rose by 10% to R6.2 billion for the half-year, with the dollar and rand prices received per platinum ounce rising by 23% and 7% respectively.

Net profit increased by 185% to R3.0 billion inclusive of the proceeds of the Lonplats sale of R3.2 billion and an impairment at Marula of R1.5 billion. Headline profit of R1.06 billion was on par with the six months to December 2003, equating to R16.00 per share, which is slightly higher than that for the comparable period the previous year. The board has declared a dividend of R5.00 per share

Said Keith Rumble, CEO of Implats, "The results for the 2005 interim period reflect overall steady operational performance, especially at Impala Platinum. The continued strength of the rand muted the strong metal prices to some degree and resulted in exchange rate losses associated with Impala Refining Services (IRS), and the Lonplats receipts but I am pleased to report that overall group margins were maintained at a healthy 33%."

Market Review

Fundamental demand for platinum continued to be firm with rising automotive and industrial demand, partially offsetting a weaker jewellery market. The 2004 calendar year was the first year of supply surplus in the platinum market for 6 years and the free market platinum price averaged \$845 per ounce for the six months to December 2004 compared with \$732 per ounce for the comparable six months in 2003, an increase of 15%. The market is expected to move into a welcome balance this year, with a surplus or deficit fluctuating around 100 000 ounces for the next four to five years.

Review of operations

The emphasis on safety continued across the group with further improvements in the rates of both lost-time injuries and fatalities, to record lows of 3.47 and 0.079 per million man hours respectively. Regrettably, however, there were four fatalities during the period – two at Impala, one at Marula and one at Zimplats. The Implats board and management extend their condolences to the families and colleagues of the deceased, and remain committed to eliminating fatalities at work.

Impala Platinum

Production at Impala, Implats' largest operating division, was marginally up at 547 000 ounces of platinum in the 2005 interim period compared with the 2004 interim period, despite the 10-day wage related strike in October 2004. Unit costs at Impala were well contained at 6.8%, rising to R4 251 per platinum ounce, the biggest cost driver being wage increases of 8%.

A significant part of the wage-settlement was the securing of union co-operation on the implementation of the drill jigs or Dynamic Drilling Technologies (DDT). Plans to mechanise aspects of the operation were boosted with the start of the roll-out of the drill jigs which will see 150 Merensky panels equipped by the end of the current financial year, doubling to 300 Merensky panels by the end of 2006.

Impala's ability to produce at a constant 1.1 million ounces per annum going forward has been supported by the approval by the board in September 2004 of capital expenditure of R6.6 billion for 16 and 20 shafts. The initial work for these shafts has begun, with 20 shaft scheduled to come into production in 2009 and 16 shaft in 2012. At full production, these shafts will together produce 355 000 ounces of platinum annually.

At Refineries, gross platinum production declined by 18% to 880 300 ounces, largely due to the once-off processing of Lonplats concentrate (totalling 206 000 ounces) in the previous interim period. The lower volumes processed contributed towards a substantial increase in unit costs, although this follows several years of controlled costs with Refineries establishing a reputation for being among the most efficient in the world. The expansion to achieve nameplate capacity of 2 million platinum ounces at both the Base Metals and Precious Metals refineries remains on track and within budget.

Marula Platinum

Production ramp-up at Marula continued to be slow. Tonnes milled totalled 457 000 tonnes to yield 17 300 ounces of platinum in concentrate for the six-month period. The original plan to mine the UG2 reef using mechanised bord-and-pillar mining has failed to achieve the expected throughput as the reef undulates, and dips more steeply than expected.

A revised mining method as conventionally used at Impala has now been adopted at Marula and the main declines will be developed in the footwall, which will be more suited to the geological conditions. With effect from the beginning of January, Implats has appointed its own mining management and workforce at Marula and the contractor has left the site.

Preliminary work on the development of footwall infrastructure has begun and the board has approved further capital expenditure of R830 million. The revised production profile will see the mine achieving the originally planned level of 100 000 platinum ounces in FY2009 and steady-state production of 140 000 ounces of platinum three years later.

Zimplats

Production at Zimplats, in which Implats currently holds 84.5%, remains on track with production of platinum ounces in matte rising to 42 300 ounces for the period. In addition to a significant increase in contractor costs during the period, dollar costs per platinum ounce are also being placed under pressure by the fixed exchange rate and high local inflation. While the board has approved the expansion to 145 000 ounces in principle, this will not begin until there is clarity on various issues – security of tenure over claims and special mining licences, indigenisation, foreign currency accounts and the execution of the bilateral accord between South Africa and Zimbabwe. Discussions between the company and the relevant authorities are continuing. Although the group continues to adopt a cautious approach to expansion in Zimbabwe, Zimplats has proceeded with certain infrastructural developments at a cost of US\$20 million. The "blue sky" potential in Zimbabwe remains significant.

Mimosa

Production remains on track but Mimosa like Zimplats is faced by rising local costs. Cash operating margins remain at a satisfactory 28%. The expansion to 80 000 ounces of platinum has been delayed pending the outcome of discussions with the Zimbabwean regulators regarding the domicile of foreign currency accounts.

IRS

Platinum production at IRS declined to 333 000 ounces. However, if the effect of the once-off processing of 206 000 ounces from Lonplats in the 2003 interim period is excluded, production at IRS continued to grow. The continued strength of the rand resulted in a translation loss (relating to dollar advances made to customers) of R124 million.

Prospects

In conclusion, Keith Rumble notes that "The outlook for Implats continues to be positive in both the short and medium-term. The fundamentals for platinum remain firm.

"Implats' production potential of 2.3 million ounces remains a target:

Impala production is set to continue at a level of 1.1 million platinum ounces for some 30 years,

continued ramp-up is expected at Marula,

the 120 000-platinum ounce Two Rivers project (in which Implats holds a 45% stake) has been approved by both boards subject to suitable financing arrangements,

IRS production is expected to continue to grow with at least one new major project likely to come on stream in the next 12 months, progressive ramp-up in volumes from Marula and continued growth in the recycling of autocatalysts, and the potential for growth at Mimosa and Zimplats remains significant.

"We will continue to focus on costs and to increasing productivity with the range of new technology initiatives we have underway at our operations.

"Given a continuation in the current levels of the rand and the platinum price, headline earnings in the second half of the 2005 financial year could be similar to those in the first half of the year."

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