



# Annual Results Presentation for the financial year ended 30 June 2004

Patrice Motsepe |  
André Wilkens |  
Jan Steenkamp |  
Frank Abbott |

Chairman and CEO  
CE  platinum  
CE  ferrous  
Financial Director

**“ARM is now focusing on maximising the value of its existing operations, in-house projects and current partnerships and on rolling out its growth strategy.”**

**“It has been a year of fundamental change. We have successfully concluded the ARMI/Avmin/Harmony agreement announced on 13 November 2003. We are now implementing the changes and improvements to create value for shareholders.”**

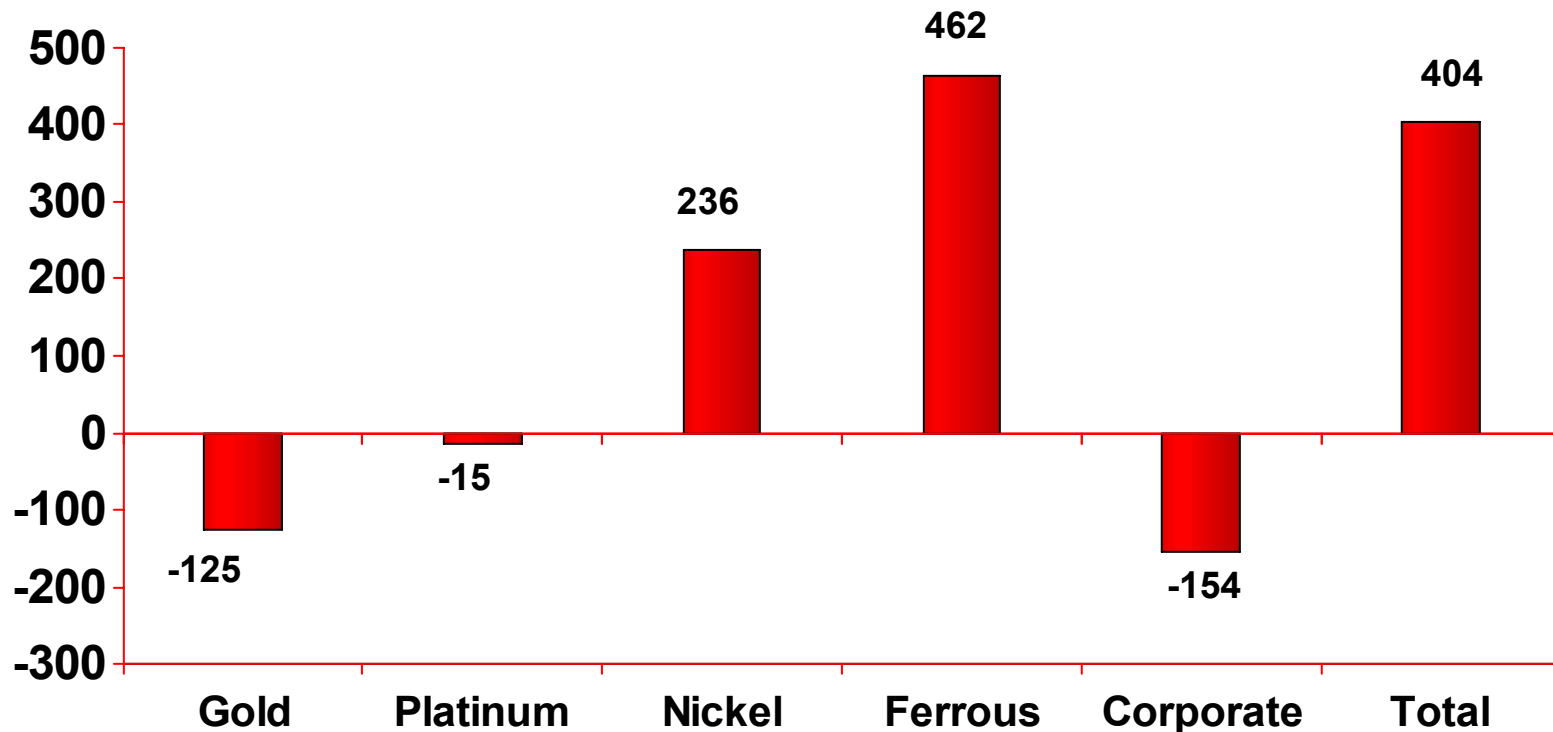
## Financial highlights

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- Basic earnings for the year R1,4bn (2003: loss of R191m)
  - Basic earnings 1 062 cps (2003: loss of 170cps)
- Strong 2<sup>nd</sup> half performance from Nkomati and ARMferrous
  - Profit from operations – January 2004 to June 2004: R409m  
(July 2003 to December 2003: loss of R5m)
- Substantially stronger balance sheet
  - NAV increased from R5bn to R8,2bn
  - Assets increased from R7,2bn to R11,7bn
  - Gearing ratio of 18%

# Profit from operations

(R million)



- Benefited from diversification and commodity price cycle

*Gold – Avgold 10 months*

*Platinum – Modikwa two months*

# Operational highlights

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## **ARM** platinum

- Nkomati
  - Cash operating income up 33% year-on-year
  - Solid performance
  - Costs contained at 4,9%
- Modikwa
  - Build-up is now at 70% of full design
- Two Rivers
  - Trial mining confirms project assumptions

## **ARM** ferrous

- Record sales in all commodities
- Significant increase in production volumes
  - Manganese increased 16%
  - Chrome increased 21%
  - Iron ore increased 4%

# Corporate highlights

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- Group restructured to reflect new focus: gold, PGMs, nickel and ferrous metals
- Management and Board reconstituted
- Good progress with in-house projects
- Head office restructuring during second half of year – number of employees reduced from 120 to 55
- Growth strategy formulated

# Growth strategy



## Operational excellence

- low cost producer
- strong organic growth

## Maximise value in existing projects

- strategic partners
- managing project risk

## Creating value for shareholders

## Increase competitiveness

- cross holding issues
- liquidity of shares
- direct access to cash flows
- maximise relationships with platinum and ferrous partners

## Acquisitive growth through “smart” deals

- Mining Charter framework
- cash flow need in the centre
- size in existing commodity range
- new commodities



**André Wilkens – CE**

**ARM** platinum

# Nkomati



- Remaining 25% acquired from Anglo American
- Solid performance

	Six months ended		Year ended		
	30 June 2004	31 Dec 2003	30 June 2004	30 June 2003	
Cash operating profit	R million	170	176	346	260
Ton treated	('000)	175	169	344	292
Grade	(% nickel)	1,94	2,11	2,02	2,38
On mine cash cost – tons treated	(R/ton)	370	351	361	344
<b>Market sales:</b>					
Nickel	tons	2 482	2 438	4 920	4 900
Copper	tons	1 243	1 587	2 830	3 300
Cobalt	tons	53	28	81	62
PGMs	oz	16 560	19 800	36 360	39 000

# Two Rivers

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- Trial mining underway
- Objective to move project risk from greenfields to brownfields
- 60 000 ton development ore stockpile available
- Stope grade (6E) of 4,7g/t is confirmed in trial mining area
- All feasibility assumptions confirmed

# Modikwa



- Final build-up stage to be achieved by early-2005

<i>Q4 2004 production annualised</i>		<b>Total*</b>	<b>Projected at full production</b>
<b>Tons milled</b>	<b>('000)</b>	<b>2 500</b>	<b>2 880</b>
<b>Head grade 4E</b>	<b>g/t</b>	<b>3,89</b>	<b>4,50</b>
<b>Pt production**</b>	<b>oz</b>	<b>120 000</b>	<b>160 000</b>
<b>PGM production**</b>	<b>oz</b>	<b>264 000</b>	<b>366 000</b>

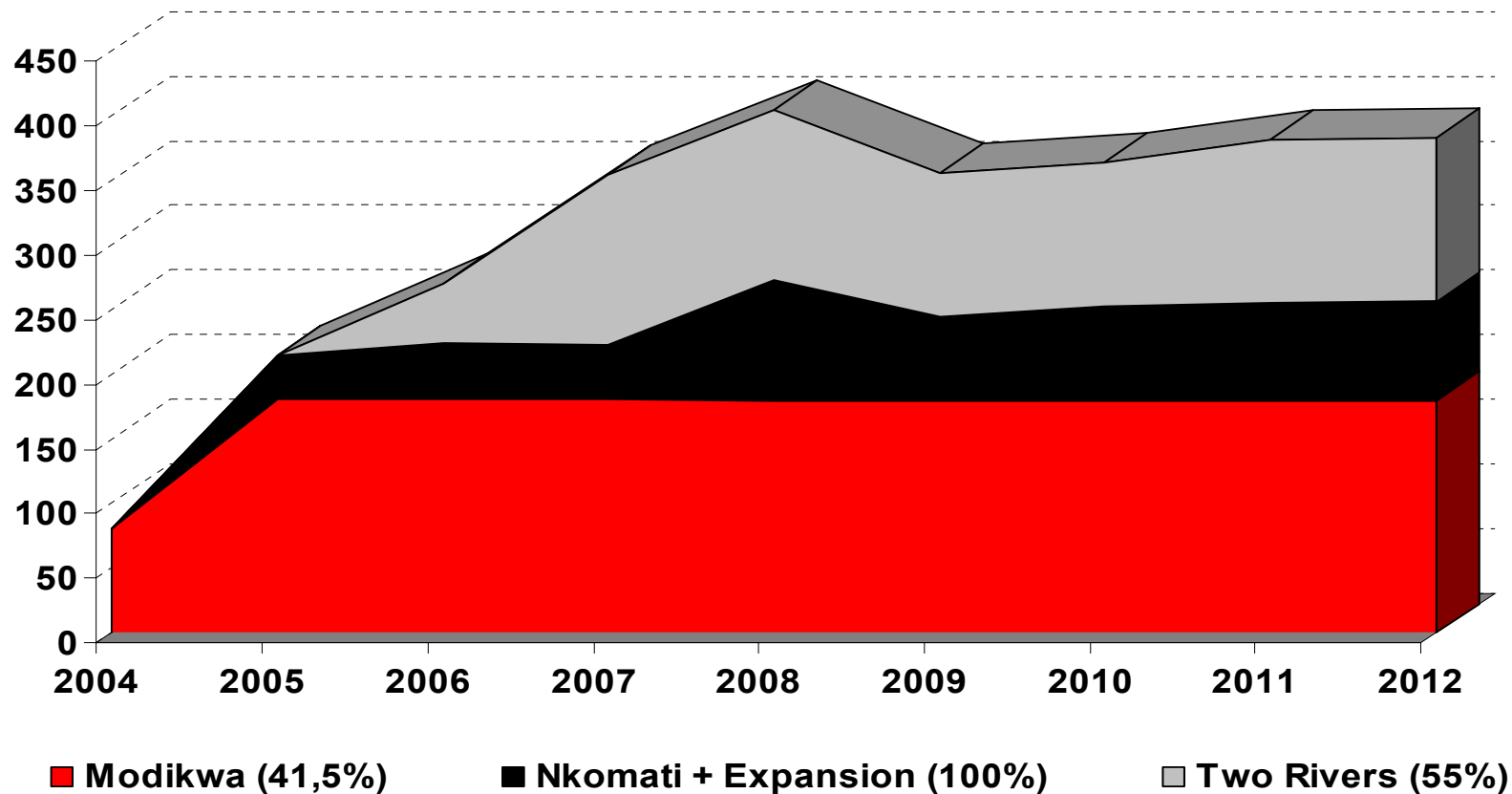
\* 41,5% attributable to ARM

\*\* ounces in concentrate

# Planned production levels



PGM ounces/year\*



\* Subject to project approval

# Strengths

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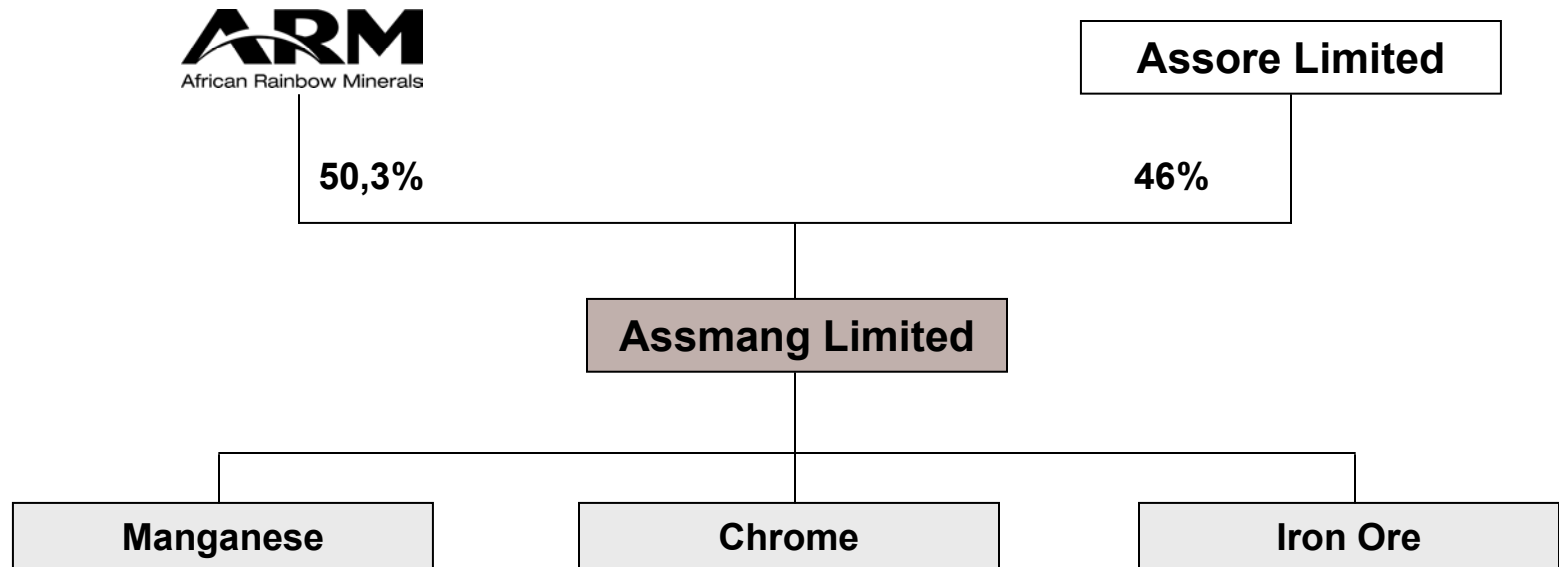


- Long life quality assets
- Seven-day-work-cycle mines
- Mature partnerships with Anglo Platinum and Impala Platinum
- Unique PGM and Nickel combination
- Project and operational skills
- Well positioned to participate in further consolidation of PGM assets

**Jan Steenkamp – CE**

**ARM** ferrous

# Divisional structure



**Nchwaning Mine** – Manganese ore

**Dwarsrivier Mine** – Chrome ore

**Beeshoek Mine**

**Gloria Mine** – Manganese ore

**Machadodorp Works** – Ferro-Chrome

**Cato Ridge Works** – Ferro-Manganese

**Cato Ridge Alloys** – Ferro-Manganese (Joint Venture)



# Financial highlights

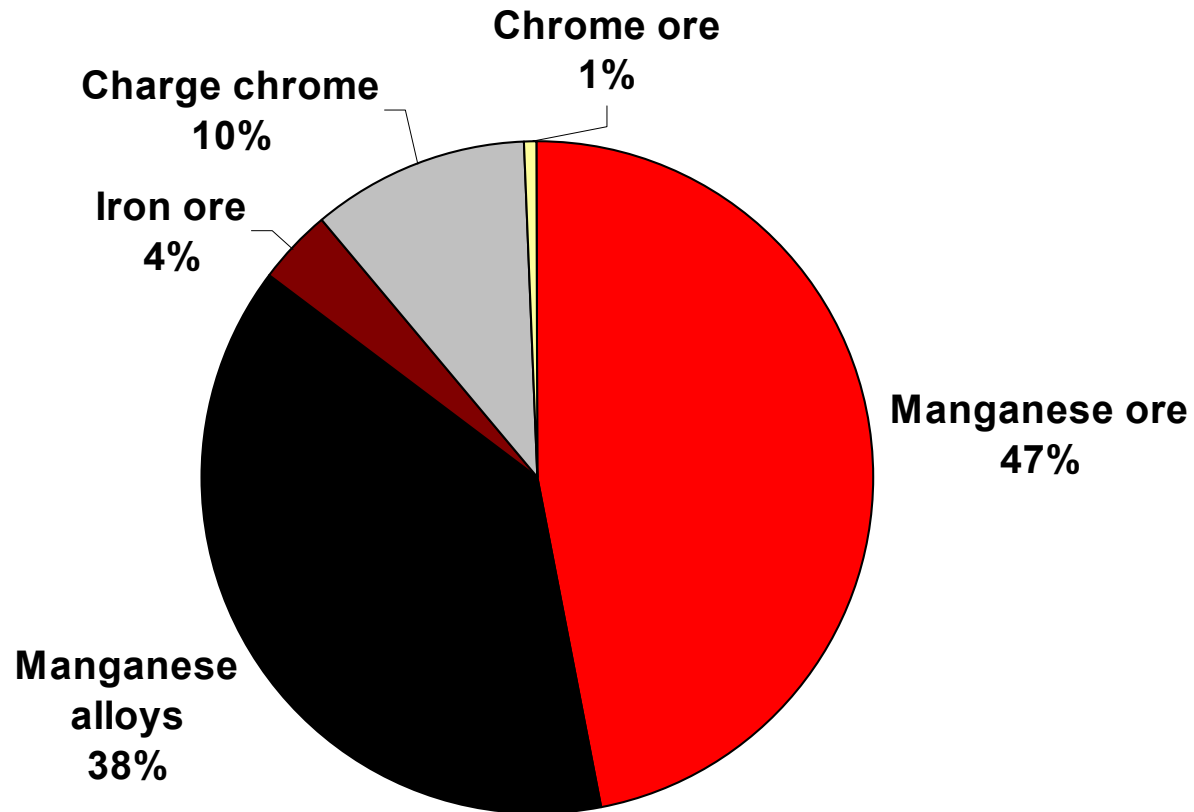


- Earnings up despite stronger rand
- Cash flow strong on improved volumes

(R millions)	Six months ended		Year ended	
	30 June 2004	31 Dec 2003	30 June 2004	30 June 2003
<b>Turnover</b>	<b>1 972</b>	<b>1 333</b>	<b>3 305</b>	<b>2 904</b>
<b>Profit from operations</b>	<b>340</b>	<b>52</b>	<b>392</b>	<b>389</b>
<b>Headline earnings</b>	<b>210</b>	<b>4</b>	<b>214</b>	<b>204</b>
<b>Borrowings</b>	<b>737</b>	<b>740</b>	<b>737</b>	<b>524</b>
<b>Capital expenditure*</b>	<b>285</b>	<b>208</b>	<b>493</b>	<b>338</b>

\* Assmang has spent R2,1 billion in the past six years

# Earnings before interest and tax



Twelve months to 30 June 2004

# Operational highlights



- Record sales volumes

<b>For the year ended 30 June</b> <i>('000 metric tons)</i>	<b>2004</b>	<b>2003</b>	<b>%</b>
<b>Iron ore</b>	<b>5 500</b>	<b>5 300</b>	<b>4</b>
<b>Manganese ore</b>	<b>1 400</b>	<b>1 200</b>	<b>16</b>
<b>Manganese alloys</b>	<b>218</b>	<b>197</b>	<b>11</b>
<b>Charge chrome</b>	<b>295</b>	<b>244</b>	<b>21</b>

# Strategy – ARMferrous

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- **Iron ore**
  - Double the production capacity of Iron ore
  - Feasibility studies underway to investigate new 10 million ton mine – Bruce, King, Mokaning
  - Upgrade of Sishen-Saldanha line scheduled for 2009/10
  - COEGA – future Manganese/Iron ore bulk terminal
- **Manganese**
  - Secure long-term sales contracts
  - Capacity challenges
  - Life of the Nchwaning mine complex extended by 30 years following the commissioning of the Nchwaning shaft complex
  - Future capacity of 3,5 million tons per annum
  - Metal Recovery Plant to commence production

# Strategy – ARMferrous

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- **Chrome**
  - Become the chrome ore supplier of choice
  - Supply chrome ore of acceptable quality at competitive prices
  
- **Ferro-Chrome**
  - New furnace – full production
  - Total capacity of 300 000 tons per annum
  - Term supplier – not subjected to spot price movements
  - Metal Recovery Plant to commence production

# **Frank Abbott – Financial Director**

# Changes to group structure

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- Disposals
  - Chambishi – 30 June 2003
  - Avgold – 30 April 2004
- Acquisitions
  - Remaining 25% of Nkomati – 31 January 2004 – 100% Division
  - Harmony – 30 April 2004 – Equity Accounted
  - ARM Platinum 30 April 2004 - Consolidated

# Income statement



<b>For the year ended 30 June</b> <i>(R millions)</i>	<b>2004</b>	<b>2003</b>
<b>Revenue</b>	<b>4 529</b>	<b>4 896</b>
<b>Profit from operations*</b>	<b>404</b>	<b>521</b>
<b>Loss from associates</b>	<b>(67)</b>	<b>-</b>
<b>Exceptional items</b>	<b>1 419</b>	<b>(388)</b>
<b>Basic earnings</b>	<b>1 360</b>	<b>(191)</b>

\* Profit from operations H2: R409m (H1: loss of R5m)



# Earnings reconciliation



For the year ended 30 June <i>(R millions)</i>	2004	2003
<b>Basic earnings</b>	1 360	(191)
<b>Profit - Avgold</b>	(1 342)	-
<b>- Assore</b>	(140)	-
<b>- Other / Tax</b>	169	388
<b>Headline earnings</b>	47	197
<b>Cents per share</b>		
<b>Basic earnings per share</b>	1 062	(170)
<b>Profit - Avgold</b>	(1 047)	-
<b>- Assore</b>	(109)	-
<b>- Other / Tax</b>	131	346
<b>Headline earnings per share</b>	37	176

# Balance sheet



<b>For the year ended 30 June</b> <i>(R millions)</i>	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
<b>Non-current assets</b>	<b>9 321</b>	<b>5 064</b>
<b>Current assets</b>	<b>2 404</b>	<b>2 097</b>
<b>Total assets</b>	<b>11 725</b>	<b>7 161</b>
<b>Equity and liabilities</b>		
<b>Total shareholders' equity</b>	<b>8 206</b>	<b>4 962</b>
<b>Non-current liabilities</b>	<b>1 874</b>	<b>775</b>
<b>Current liabilities</b>	<b>1 645</b>	<b>1 424</b>
<b>Total equity and liabilities</b>	<b>11 725</b>	<b>7 161</b>

# Questions?

[www.arm.co.za](http://www.arm.co.za)