

# INTERIM FINANCIAL RESULTS 2010



A member of the Anglo American plc group

## Highlights: Delivering a record business performance

Exceptional operational and financial results

Headline earnings up 90% to R6.5 billion

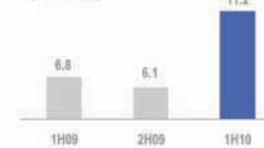
Sishen Mine production up 17% to 21.1Mt

Unit cash cost increase held to less than 4%

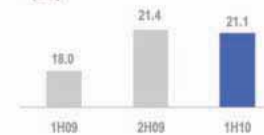
Interim cash dividend of R13.50 per share

Kolomela project on time and on budget

OPERATING PROFIT  
(R billion)



SISHEN MINE  
PRODUCTION  
(Mt)



EXPORT SALES  
(Mt)





Safety

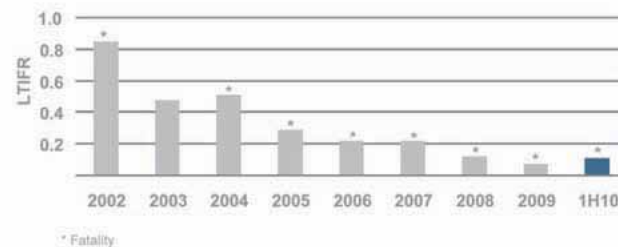


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## Safety: Commitment to achieving zero harm remains

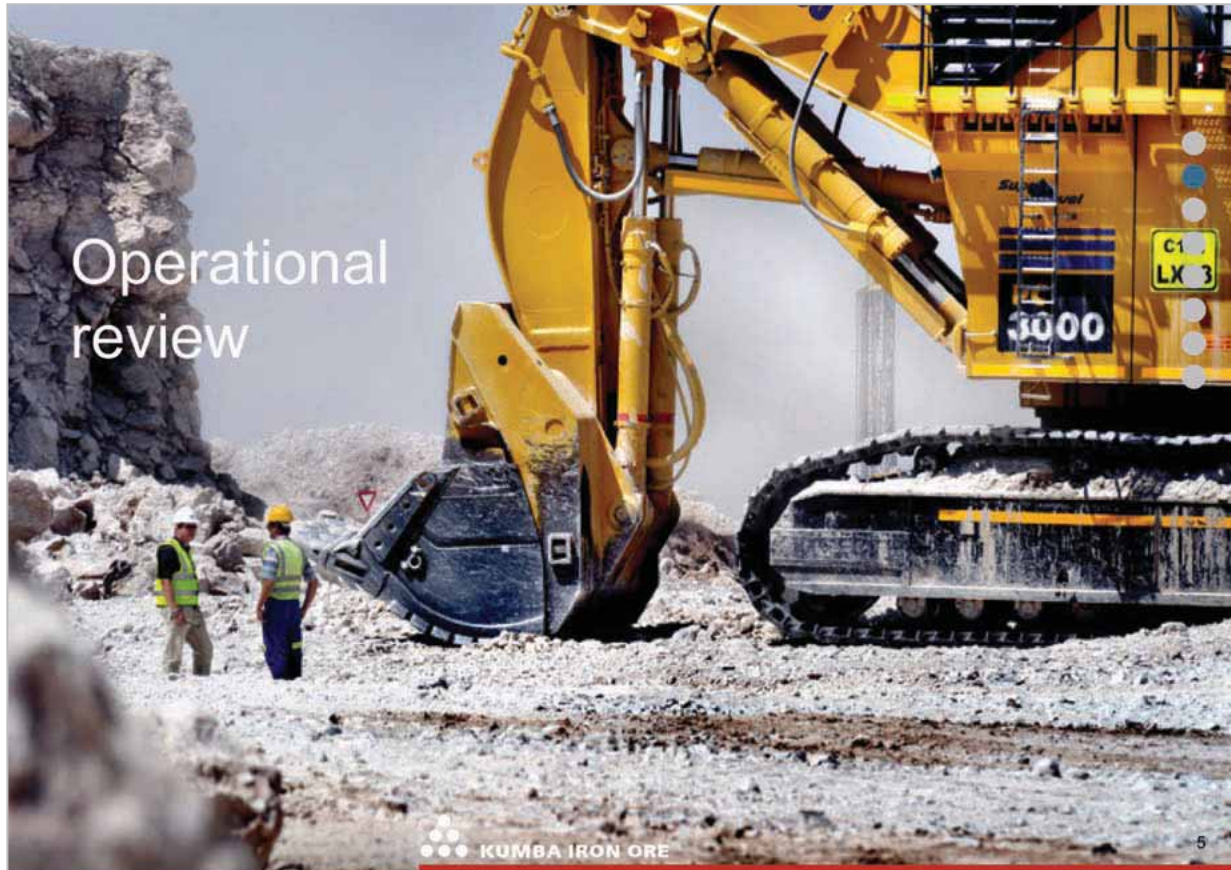
- 9 LTIs during period; LTIFR of 0.11
- Sishen Mine: Fatality-free for 26 months  
More than 3.3 million LTI-free man-hours
- Thabazimbi Mine: Fatality-free for more than 7 years
- Kolomela Mine: Mr. Moses Machacha fatally injured on 23 February  
3.8 million LTI-free man-hours to date







# Operational review



 KUMBA IRON ORE

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## Sishen Mine: 17% production growth

- Sishen Mine production up 17% to 21.1Mt
- DMS plant production of 14.7Mt
- Jig plant production of 6.4Mt
- 23% increase in waste volumes mined as planned

Mt	6 months 30 Jun 2010	6 months 30 Jun 2009	% change	6 months 31 Dec 2009	% change
Total tonnes mined	72.1	59.8	21	68.5	5
ROM production	26.0	22.2	17	24.0	8
Waste mined	46.1	37.6	23	44.5	4
Production	21.1	18.0	17	21.4	(1)
– DMS plant	14.7	13.6	8	15.4	(4)
– Jig plant	6.4	4.4	45	6.0	7
Jig as % of production	30	24		28	
Stripping ratio	1.77	1.69		1.85	



## Sishen Mine: Improved plant utilisation

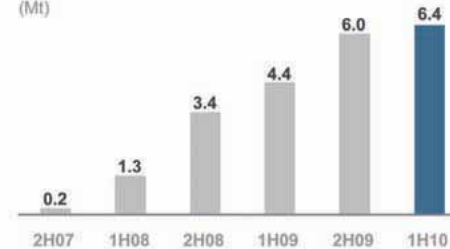
DMS plant: Production up 8% to 14.7Mt

- Plant yield improvements
- Beneficiation efficiency

Jig plant: Ramp up continues on track

- Production of 6.4Mt for the period
- On track to reach 12.5Mt -13.0Mt for full year

JIG PLANT PRODUCTION  
(Mt)





## Sishen Mine: Logistics and sales

- Total sales up 10% to 21.0Mt
- Export sales volumes:
  - +10% to 18.8Mt
  - Export sales to China normalised at c.55-60% of total export sales
  - Continued improvement in demand from Europe, Japan and Korea
- Domestic sales increased in line with demand: 10% up to 2.2Mt
- Tonnes railed to port increased 8% to 18.2Mt
  - Impact of strike and derailment: 1.2Mt
  - Corresponding depletion of stockpiles at Saldanha from 2.3Mt to 0.9Mt

Mt	6 months 30 Jun 2010	6 months 30 Jun 2009	% change	6 months 31 Dec 2009	% change
Production	21.1	18.0	17	21.4	(1)
Railed to port (incl. Saldanha Steel)	18.2	16.9	8	17.7	3
Railed inland	1.7	1.7	-	1.4	21
Total sales	21.0	19.1	10	19.1	10
– Export	18.8	17.1	10	17.1	10
– Domestic	2.2	2.0	10	2.0	10





## Thabazimbi Mine

- Production decreased in line with progression towards end of life of mine
- Sales flat year-on-year, dependent on demand from AMSA and logistics constraints
- Increased waste stripping as new pits opened due to LOM extension to 2016
- Phoenix project study progressing to be implemented as a commercial mine as Thabazimbi reaches the end of its life

Mt	6 months 30 Jun 2010	6 months 30 Jun 2009	% change	6 months 31 Dec 2009	% change
Total tonnes mined	15.0	6.9	117	12.6	19
Waste mined	14.1	5.6	152	10.9	29
Production	0.8	1.1	(27)	1.4	(43)
Sales – domestic	0.9	0.9	-	0.9	-
Stripping ratio	15.7	4.3		6.1	



## Kolomela Mine

- 8.2Mt waste mined – 105% increase from 2H09
- Waste removal on target to ensure operational readiness for first production in 2012
- First ore expected to be mined in first quarter 2012

Mt	6 months 30 Jun 2010	6 months 30 Jun 2009	% change	6 months 31 Dec 2009	% change
Total tonnes mined	8.2	-	-	4.0	105
ROM production	-	-	-	-	-
Waste mined	8.2	-	-	4.0	105
Production	-	-	-	-	-
Stripping ratio	-	-	-	-	-



## Global crude steel production above pre-'08 crisis levels

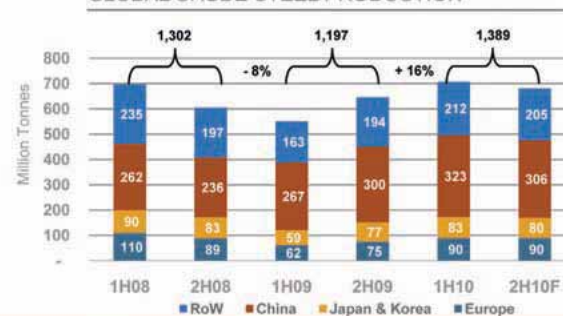
- Europe, Japan and Korea – Kumba's traditional markets – are increasing crude steel production but have not yet reached pre-crisis levels
- China recovered much more quickly and has resumed its growth in steel production
- Overall blast furnace output at all-time high in 1H10, which has put pressure on raw material supply with consequential price increases
- Anticipation of lower Chinese demand and end to OECD restocking set to drive modest and temporary slowdown in 2H10

GLOBAL CRUDE STEEL PRODUCTION

Mt	1H08	2H08	1H09	2H09	1H10	2H10f	1H10 vs. 2H09 (%)	1H10 vs. 1H09 (%)
Europe	110	89	62	75	90	90	20	45
Japan and Korea	90	83	59	77	83	80	8	40
China	262	236	267	300	323	306	7	21
Rest of World	235	197	163	194	212	205	9	30
Total World	697	605	551	646	708	681	9	28

Source: World Steel, Kumba analysis

GLOBAL CRUDE STEEL PRODUCTION







## World ex-China's demand for seaborne iron ore has increased, negatively impacting on China's share

- Combined seaborne imports to Europe, Japan and Korea in 1H10 grew by 51% compared to 1H09 and by 5% compared to 2H09
- Restocking in Europe, Japan and Korea largely complete
- Seaborne imports to China in 1H10 grew by 4% compared to 1H09 and fell by 7% compared to 2H09
- Chinese domestic ore production above pre-crisis levels, replacing seaborne imports, incentivised by:
  - Limited availability of seaborne ore as other markets recover
  - High iron ore spot prices



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## Kumba's export sales mix and prices

- Index sales percentage in 1H10 significantly above the usual 10% - 15% range due to growth in overall export sales as a result of continuously seeking sales opportunities
- Quarterly benchmark prices up 100% in 2Q10 vs. 1Q10
- Index prices significantly above (quarterly) benchmark prices in 1Q10
- Index volumes mostly supplied to long-term customers (over and above contractual volumes) and annual customers in China

% split of export sales	1Q10	2Q10	1H10
Quarterly benchmark	70	74	72
Index	30	26	28
TOTAL export sales (Mt)	9.3	9.5	18.8
Average price received (US\$/t)	81	136	109

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A photograph of an industrial conveyor belt system in a dark, dimly lit environment. The conveyor belt is the central focus, carrying a large volume of dark, granular material, likely iron ore, which is blurred due to motion. The belt is supported by a complex network of metal structures, including beams and rollers. In the background, there are more industrial elements, including a bright yellow light source and various pipes and structural components. The overall atmosphere is industrial and somewhat gritty.

# Financial review

 KUMBA IRON ORE

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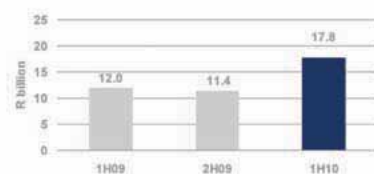




## Highlights: A record financial performance

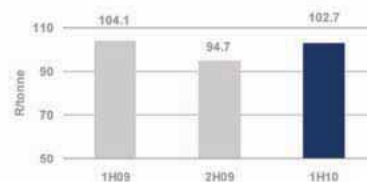
### REVENUE

**49%** up to R17.8 billion



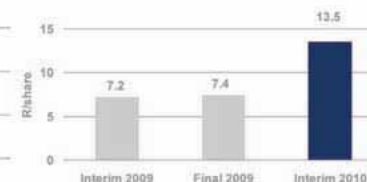
### SISHEN MINE UNIT CASH COST

**3.9%** up from FY09 to  
R102.71/tonne



### INTERIM 2010 DIVIDEND

**R13.50** per share



- Headline earnings R6.5 billion (R20.28 per share), 90% up year on year
- Operating profit of R11.2 billion generated; 64% up year on year
- Sishen Mine unit cash cost increase from FY09 held to less than 4%, at R102.71 per tonne
- Cash generated by operations: R9.5 billion
- Interim cash dividend of R13.50 per share declared (R4.3 billion)
- Over R1.2 billion operating profit benefit from Asset Optimisation and procurement

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## Financial overview

- Exceptional financial performance
  - Focused on delivering production, sales and cost management targets
- Price settlements in all markets for 2Q10 averaged an increase of 100%
- First mining royalty: R546 million charge

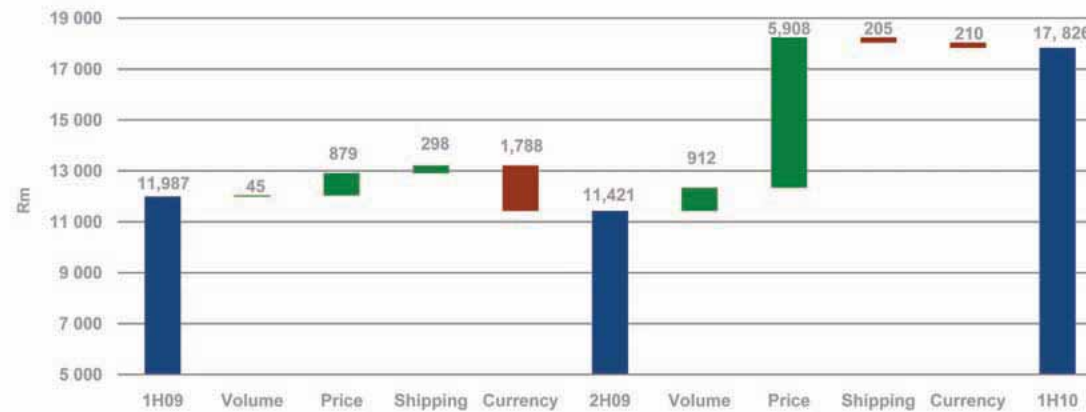
(Rm)	6 months 30 Jun 2010	6 months 30 Jun 2009 <sup>(1)</sup>	% change	6 months 31 Dec 2009 <sup>(1)</sup>	% change
Revenue	17,826	11,987	49	11,421	56
Operating expenses (excl. royalty)	(6,073)	(5,166)	18	(5,362)	13
Royalty charge	(546)	-	-	-	-
Operating profit	11,207	6,821	64	6,059	85
Operating margin (%)	63	57	-	53	-
Profit attributable to:	8,138	4,344	87	4,460	82
– equity holders of Kumba	6,489	3,436	89	3,556	82
– non-controlling interests	1,649	908	82	904	82
Headline earnings	6,492	3,423	90	3,549	83
Effective tax rate (excl. STC) (%)	24	27	-	23	-
Cash generated from operations	9,499	7,636	24	5,108	86
Capital expenditure	1,457	1,500	(3)	2,496	(42)

<sup>(1)</sup> Comparative figures have been restated due to the change in accounting policy on share-based payments and the amendment to IAS 7

[illegible]

## Revenue variance

- Revenue up 49% year-on-year, driven by 73% increase in export iron ore prices vs. 1H09
- 10% increase in export volumes sold to 18.8Mt
- Negative impact from stronger local currency

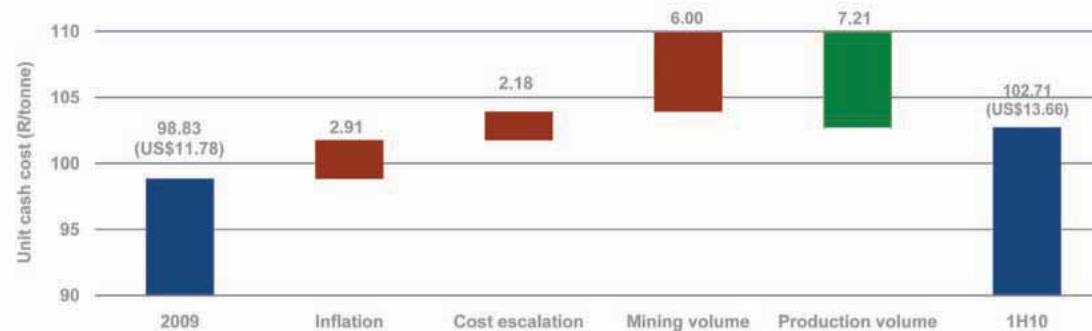




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## Sishen Mine: Unit cash cost increase less than 4%

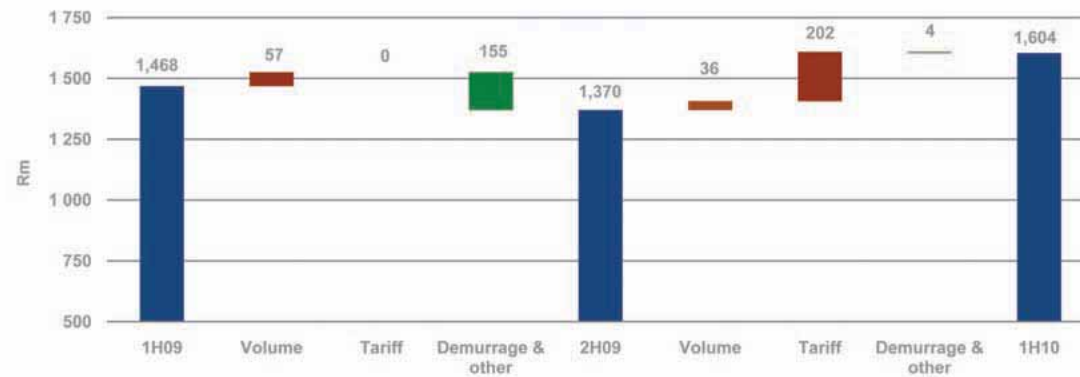
- Focus on cost management and efficiency improvements
- Unit cash cost contained below inflation
- Only 3.9% increase in comparable nominal cash costs (FOR) vs. FY09:
  - Despite 23% increase in waste mined
  - Offset by 17% increase in production volumes
  - Asset Optimisation and supply chain initiatives contained costs



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## Selling and distribution costs

- Increase of 9% year-on-year, driven by increase in volumes:
  - Railed to port: 8% up to 18.2Mt
  - Loaded at port: 10% up to 19.1Mt
- Annual increase in contractual tariffs; Saldanha rail and port tariff review





## Shipping Operations: Operating profit (US\$)\*

- Decrease in volumes: down 2.9Mt year-on-year to 9.2Mt (48 vessels)
- Offset by higher freight margins achieved



\*Analysis provided in US dollars to eliminate the effect of movements in exchange rates between the periods



## Asset Optimisation and procurement capturing value

- Asset Optimisation delivering benefits: R1.0 billion (US\$139 million) contribution to 1H10 operating profit
  - R917 million (US\$122 million) through revenue enhancement
  - R127 million (US\$17 million) through improving operating efficiencies
- Procurement benefits of R210 million (US\$28 million) through participation in Anglo American Supply Chain organisation

ASSET OPTIMISATION R1,044m (US\$139m)



■ Operating efficiency ■ Revenue enhancing  
■ Once off projects

PROCUREMENT R210m (US\$28m)



■ Capex savings ■ Opex savings





## **Mining royalty – Effective March 2010**

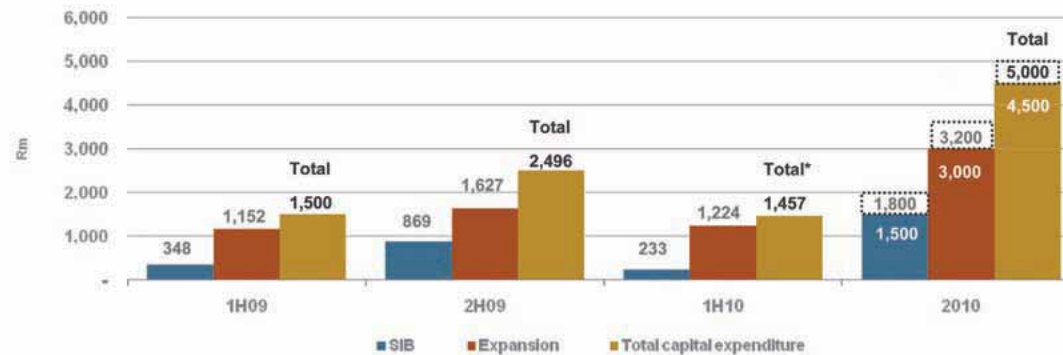
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- SIOC the mining right holder subject to the mining royalty
- Charge of R546 million in 1H10; at an effective rate of 4.8% of FOR revenue
- Payment is based on Kumba's assessment of the deemed value at the first saleable condition as stipulated in the Act

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## Capital expenditure analysis

- 3% decrease in capital expenditure year on year to R1.5 billion
- Stay in Business (SIB) capex of R233 million
- Delivery of mining fleet required for increased waste stripping expected in 2H10
- Expansion capex of R1.2 billion

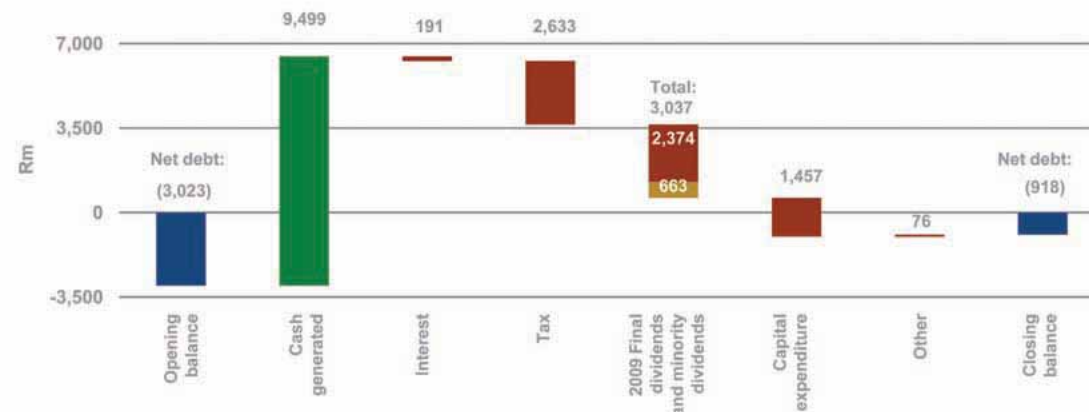


\* Includes R226 million operational expenditure capitalised on Kolomela (Sishen South) Project



## Cash flow variance: Net debt evolution

- Strong cash flow generation
- R3.0 billion returned to shareholders (including R663 million to BEE shareholders)
- Capital expenditure funded by combination of debt and cash generated





## Gearing

- Net debt position decreased – 86% more cash generated vs. 2H09
- Strong balance sheet: Net debt/equity at 6%
- Undrawn term facilities of R5.4 billion as at 30 June 2010
- Debt facilities:
  - R3.2 billion at 10.11% maturing in 2012
  - R5.4 billion at 9.48% maturing in 2013

(Rm)	30 Jun 2010	30 Jun 2009	31 Dec 2009
Interest-bearing borrowings	3,182	5,540	3,914
Cash and cash equivalents	(2,264)	(5,157)	(891)
Net debt	918	383	3,023
Total equity	14,193	7,387	8,956
Interest cover (times)	53	51	43
Gross debt/equity (%) <sup>(1)</sup>	22	75	44
Gross debt/market capitalisation (%)	3.1	9.6	4.0

<sup>(1)</sup> Historical equity represents the earnings since listed in November 2006, and R464 million acquired on unbundling from Exxaro Resources



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## SIOC dividend

- Significant milestones for BEE in South Africa
- R6.5 billion in cash returned to BEE shareholders since 2006
- SIOC Community Development Trust: R38 million outstanding debt at end June 2010 to be redeemed with R176 million received from interim dividend
- Redemption of debt by trust within four years of establishment
- After redemption trust owns unencumbered 3% share of SIOC

(Rm)	Interim dividend 30 Jun 2010	Total dividend 2009	Final dividend 31 Dec 2009	Interim dividend 30 Jun 2009
Gross dividend declared by SIOC	6,453	6,925	3,506	3,419
STC	587	630	319	311
Dividend declared by SIOC	5,866	6,295	3,187	3,108
– Kumba	4,341	4,658	2,358	2,300
– Exxaro	1,173	1,259	637	622
– SIOC Community Development Trust	176	189	96	93
– Envision (Employee share ownership scheme)	176	189	96	93



## Kumba dividend

- Interim cash dividend declared: R13.50 per share
- Dividend cover of 1.5 times earnings maintained
- Interim and final dividend declared since listing in 2006, returning R14.0 billion to shareholders to date

	Interim dividend		Final dividend
	30 Jun 2010	30 Jun 2009	31 Dec 2009
Earnings per share (Rand per share)	20.27	10.81	11.13
Dividend per share (Rand per share)	13.50	7.20	7.40
Total dividend declared (Rm)	4,341	2,300	2,371
Dividend cover (times)	1.5	1.5	1.5



# Projects



 KUMBA IRON ORE

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## Kolomela on track

- 3.8 million LTI-free man hours since last LTI in January 2010
- Project 63% complete, on schedule to deliver first production in 1H12, full 9Mtpa production expected in 2013
- R3.9 billion capital spent to date and forecast to be completed within the R8.5 billion budget
- Transnet rail link construction commenced and on schedule to be completed in 1H12

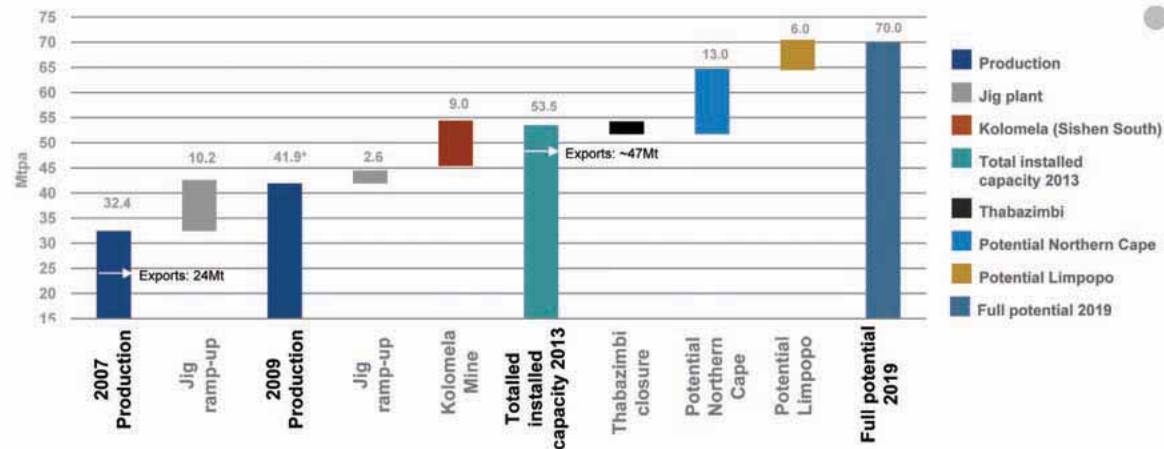




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## Projects

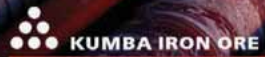
- Kumba's project pipeline can add 29% to the current export operations, with the potential to produce around 70Mt by 2019
- From 2007 Kumba expected to double exports and this is on track for c.47Mt by 2013



\*Includes movement of (0.7)Mt from 2007-2009 in production excluding the Jig plant



Legal  
update





## Update on mineral rights dispute

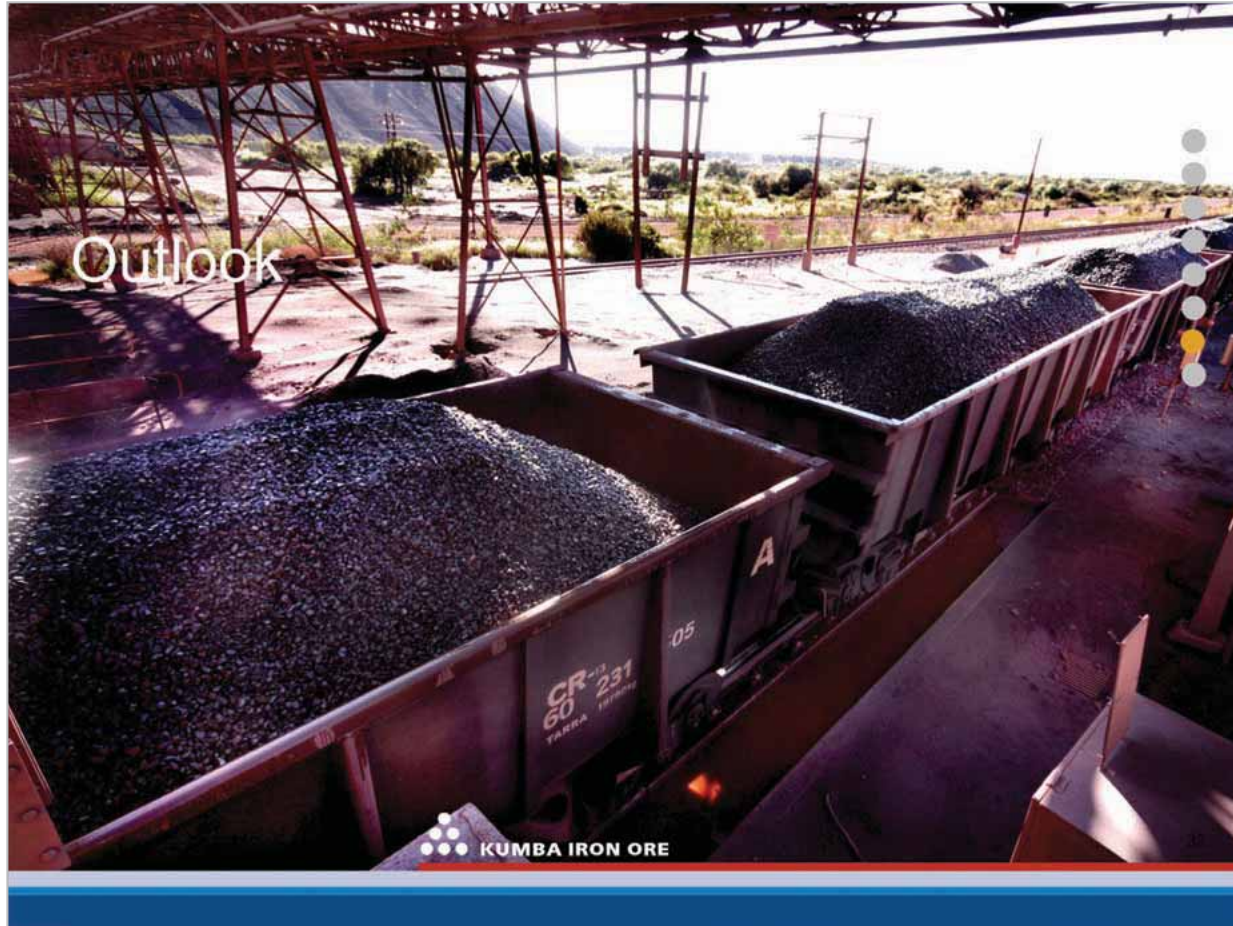
### Sishen Supply Agreement

- The dispute over the Sishen contract mining agreement with AMSA has been referred to arbitration
- An interim pricing agreement is currently being negotiated
- SIOC remains at commercial risk while it continues to supply iron ore to AMSA without an agreement

### 21.4% residual mining rights

- SIOC has initiated an appeal and a High Court Review against the award of the prospecting rights to ICT
- SIOC has denied ICT's request for access to Sishen Mine







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## Outlook 2H10

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### Production

- Committed to 5% increase in volumes from Sishen Mine for full year
- Jig Plant expected to deliver 12.5-13Mt
- Waste mined at Sishen Mine to increase 25% year-on-year for FY10

### Sales volumes

- Marginal increase in export volumes vs. 2009 as domestic volumes increase
- 2H10 unlikely to match 1H10 due to low stocks at port and Transnet annual shutdown
- China to remain at c.60% of geographic sales mix
- Temporary slow down expected in Chinese steel production and iron ore imports
- The momentum of the recovery of Kumba's traditional markets is slowing

### Profitability

- Considerable uncertainty around the future pricing mechanism and price level for iron ore
- Increased waste mining to put upward pressure on cash unit costs
- Potential amendments to Royalty Act
- Operating profit remains highly sensitive to the Rand/US\$ exchange rate
- Continued focus on safety, production, sales and cost management



## Summary

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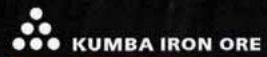
- An exceptional operational and financial performance delivered
- Continued enhancement of shareholder value
- Sustained focus on achieving zero-harm across our group
- Retaining focus on safety, production, sales and cost management





# Questions and Answers

"We see what *could* be"



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## Revenue: Sector analysis

(Rm)	6 months 30 Jun 2010	6 months 30 Jun 2009	% change	6 months 31 Dec 2009	% change
Export	15,389	9,820	57	8,837	74
Tonnes sold (Mt)	18.8	17.1	10	17.1	10
US Dollar per tonne	109	63	73	68	60
Domestic (Sishen Mine)	538	355	52	461	17
Tonnes sold (Mt)	2.2	2.0	10	2.0	10
Rand per tonne	245	178	38	231	6
Domestic (Thabazimbi Mine)	260	267	(3)	276	(7)
Tonnes sold (Mt)	0.9	0.9	-	1.0	(10)
Rand per tonne	289	297	(3)	276	5
Shipping operations	1,639	1,545	6	1,847	(11)
Total revenue	17,826	11,987	49	11,421	56



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## Aggregate operating expenditure

(Rm)	6 months 30 Jun 2010	6 months 30 Jun 2009	% change	6 months 31 Dec 2009	% change
Cost of goods sold	3,082	2,470	25	2,531	22
Costs of goods produced	2,756	2,422	14	2,747	-
Production costs	2,868	2,415	19	2,914	(2)
Sishen Mine	2,560	2,067	24	2,486	3
Thabazimbi Mine	274	321	(15)	351	(22)
Other	34	27	26	77	(56)
Inventory movement WIP	(112)	7	-	(167)	(33)
A grade	(24)	(17)	41	(57)	(58)
B grade	(88)	24	(466)	(110)	(20)
Inventory movement finished product	85	(117)	(173)	(323)	(126)
Other	241	165	46	107	125
Mining royalty	546	-	-	-	-
Sublease rentals	(5)	(6)	(17)	(2)	150
Selling and distribution	1,604	1,468	9	1,370	17
Shipping operations	1,392	1,234	13	1,463	(5)
Operating expenditure	6,619	5,166	28	5,362	23

[illegible]

## Reconciliation of attributable profit

(Rm)	6 months 30 Jun 2010	6 months 30 Jun 2009 #	6 months 31 Dec 2009 #
Profit for the period	8,138	4,344	4,460
Attributable to non-controlling interest	(1,649)	(908)	(904)
– Exxaro (20%)	(1,623)	(866)	(879)
– SIOC Community Development Trust	(4)	(4)	(4)
– SIOC Employee Share Participation Scheme	(22)	(38)	(21)
Attributable to owners of Kumba	6,489	3,436	3,556

# Comparative numbers have been restated as a result of the change in accounting policy related to share-based payments

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## Headline earnings

(Rm)	6 months 30 Jun 2010	6 months 30 Jun 2009	6 months 31 Dec 2009
Profit attributable to owners of Kumba	6,489	3,436	3,556
Net loss/(profit) on disposal or scrapping of property, plant and equipment	2	(22)	(13)
Net loss on disposal of investment	2	-	-
	6,493	3,414	3,543
Taxation effect of adjustments	(1)	6	4
Non-controlling interest in adjustments	-	3	2
Headline earnings	6,492	3,423	3,549



## Reconciliation of non-controlling interest

(Rm)	6 months 30 Jun 2010	6 months 30 Jun 2009 #	6 months 31 Dec 2009 #
Non-controlling interest – opening balance	1,648	1,647	1,374
Profit for the period	1,649	908	904
– Exxaro	1,623	866	879
– SIOC Community Development Trust	4	4	4
– Envision	22	38	21
Dividends paid	(648)	(1,138)	(632)
– Exxaro	(637)	(1,122)	(622)
– SIOC Community Development Trust	(4)	(4)	(4)
– Envision	(22)	(38)	(21)
– Recoupment of Envision dividend*	15	26	15
Interest in movement in equity reserves	26	(43)	2
Non-controlling interest – closing balance	2,675	1,374	1,648

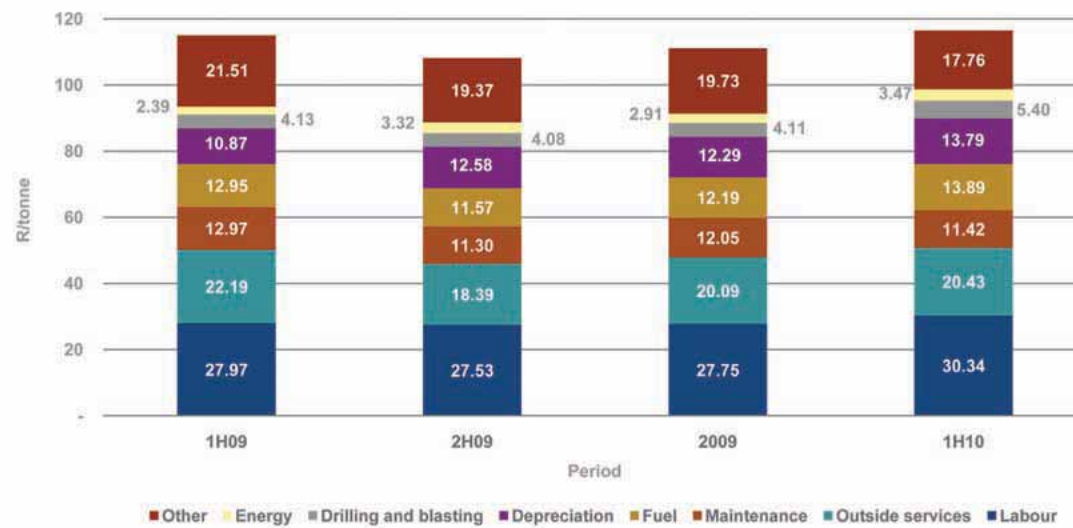
\* Non-controlling interest in the recoupment by SIOC of the dividend received by Envision

# Comparative numbers have been restated as a result of the change in accounting policy related to share-based payments



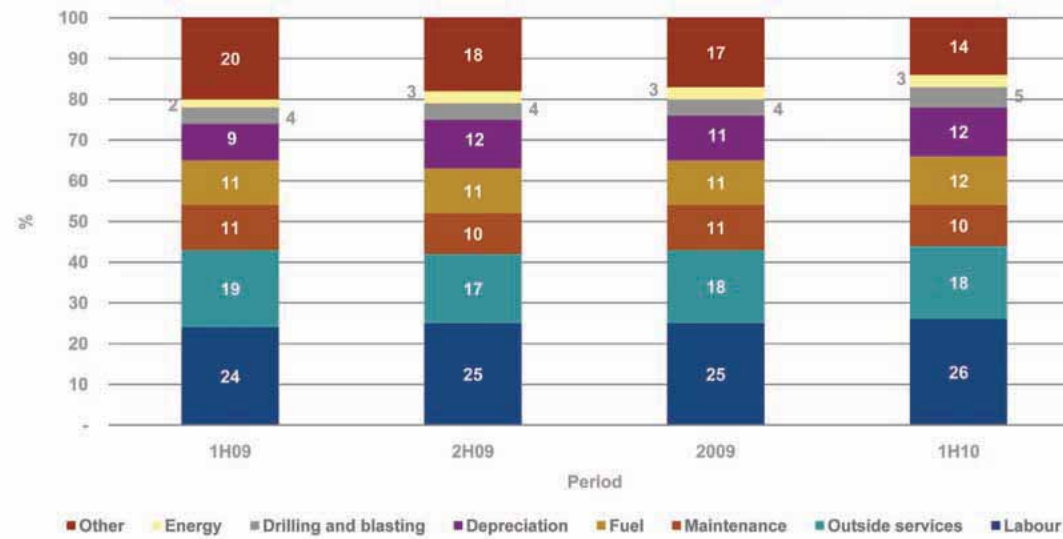


## Sishen Mine: Unit cost structure (R/tonne)



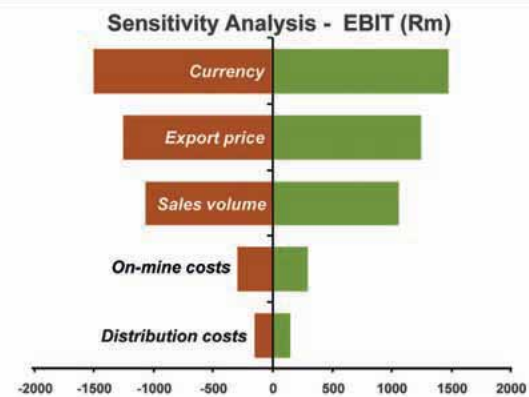


## Sishen Mine: Unit cost structure (%)





## Operating profit sensitivity – 2H10



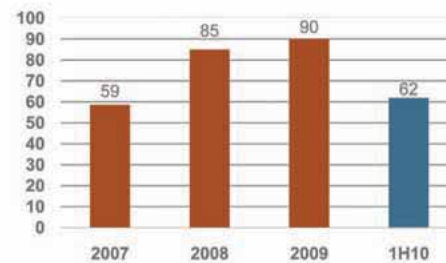
Key business drivers	Sensitivity 10% change	Negative impact (Rm)	Positive impact (Rm)
Currency	R0.80/USD	-1,500	+1,500
Export price	\$10/tonne	-1,350	+1,350
Sales volume	1.9Mt	-1,150	+1,150
On-mine costs	10%	-300	+300
Distribution costs	10%	-150	+150

This image shows a full page of blank, lined paper. It features approximately 20 horizontal blue lines spaced evenly across the page, typical of standard notebook paper. The lines are thin and light blue, set against a plain white background. There is no handwriting or other markings on the page.

## Kumba's commitment to transformation (2007 to date)

- Kumba spent R7.7 billion with BEE businesses
- Facilitated establishment of 29 businesses which created in excess of 250 permanent jobs
- Kumba spent R296 million on skills development: in excess of 5% of payroll
- HDSA representation in management at 45%, Black management is at 31%
- Women in Kumba representation of 15%

SKILLS DEVELOPMENT EXPENDITURE (Rm)

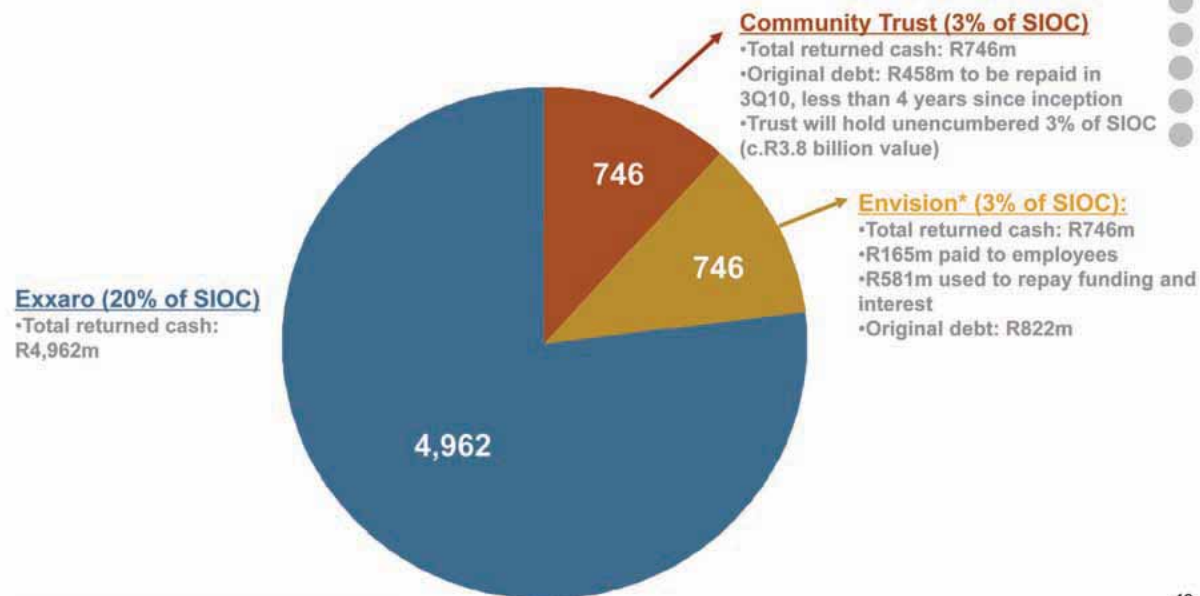






## Substantial cash returned to BEE shareholders

- R6.5 billion returned to BEE shareholders since November 2006



\*Broad-based employee share participation scheme



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