



KUMBA IRON ORE

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KUMBA IRON ORE

AUDITED RESULTS

For the year ended 31 December 2006



Highlights

	Audited 2 mths	Unaudited 12 mths
• Revenue	R2,2bn	R8,7bn
• Operating profit	R684m	R5,4bn
• Headline earnings	R262m	R2,1bn
• Earnings per share (cps)	84	1 080
• Maiden dividend 80 cents per share		
• Fully empowered mining company		

COMMENTARY

Reporting period

Kumba Iron Ore Limited ("Kumba" or "Company") was registered as a legal entity in May 2005. No trading took place in Kumba until November 2006, following the unbundling of Kumba from Kumba Resources Limited ("Kumba Resources") in terms of the Kumba Resources empowerment transaction. The published audited results therefore include trading for only the two-month period ended 31 December 2006.

Where reference is made to the 10-month period from 1 January 2006 to 31 October 2006, or to the 12-month period from 1 January 2006 to 31 December 2006, readers are advised that this supplementary information has been prepared from financial information reported by Kumba Resources and is unaudited. As Kumba did not trade before 1 November 2006, being the date that the Kumba Iron Ore Limited Group ("Group") came into existence, no comparative figures are provided.

Audited Group operating results for the two months ended 31 December 2006

Profit after tax	Rm	379
Profit attributable to ordinary shareholders	Rm	264
Profit before interest and tax (EBIT)	Rm	684
Basic earnings per share	cps	84
Dividend declared per share	cps	80

The profit for the period ended 31 December 2006 was R379 million, of which R115 million was attributable to minority interest holders. The minority interest holders' share in the result for the period is effectively 30,3%, compared to the actual minority interest shareholding of 26%. An accounting charge of R153 million arises from the sale of 3% of the issued shares in Sishen Iron Ore

Company (Proprietary) Limited ("SIOC") which Kumba sold to the SIOC Community Development Trust as part of the conditions of the Kumba Resources empowerment transaction. In terms of IFRS 2 the difference between the offer price and the fair value is charged to the income statement and is not shared by minority shareholders.

Profit before interest and tax (EBIT) was R684 million for the two month period.

- Export volumes for the two months were 4 million tons ("Mt") bringing total exports for the year to 21,5 Mt. Domestic sales volumes to Mittal Steel South Africa Limited ("Mittal Steel") for November and December totalled 1,6 Mt. The majority of export sales during the two months were shipped to customers in China.
- Costs incurred to maximise throughput and to comply with new pit wall safety requirements, as well as human resources costs resulted in cost increases, particularly at the Sishen mine.

Cash flow

Cash and cash equivalents at 31 December 2006 were R1,1 billion, whilst cash generated from operating activities amounted to R389 million. A net cash outflow of R140 million for the period related largely to capital expenditure on the Sishen Expansion Project ("SEP") (R511 million) partially offset by a R400 million increase in cash resources being the opening balance of cash in SIOC upon the acquisition of SIOC from Kumba Resources. Net interest bearing borrowings of R884 million were taken up during the two months reporting period.

Net debt

During November 2006, the Group entered into loan agreements in order to replace previous back to back loan facilities provided by Kumba Resources.

Overview of the 12 months ended 31 December 2006 (unaudited)

Kumba was unbundled from Kumba Resources and subsequently listed on the JSE Limited ("JSE") on 20 November 2006. Following completion of the Kumba Resources empowerment transaction, Kumba will comply with the 2014 equity ownership requirements of the Mining Charter. Applications for conversion of SIOC held old order rights were lodged in December 2005 and with the Kumba Resources empowerment transaction now completed, conversion representations to the Department of Mineral and Energy are in progress.

Global crude steel production for 2006, was 1,201 Mt, an increase of 8,8% over 2005. China's share of world steel output increased from 31% in 2005 to 34% in 2006, entrenching its position as the largest global producer of steel. The global iron ore market continued its very strong growth trend of the past few years, increasing by 13,9% to 1 750 Mt in 2006. China's consumption of global iron ore production increased by 33% to 560 Mt. The continued tight supply situation of iron ore was reflected by the 19% benchmark price increase for 2006/2007 that was settled in May 2006. This was followed by an early settlement of 9,5% between certain iron ore producers and steel mills during December 2006 for the 2007/2008 iron ore year, starting on 1 April 2007.

In 2006, Kumba's financial and operational performance was strong with year on year revenue and EBIT increasing from R6,6 billion to R8,7 billion and from R3,9 billion to R5,4 billion respectively. The underlying EBIT margin increased from 42% in 2005 to 46% in 2006. This excludes the proceeds on the

settlement of Hope Downs in 2005, and the profit on the offshore non-iron ore assets sold to Kumba Resources in terms of the Kumba Resources empowerment transaction in 2006. It also excludes the IFRS2 expense of R153 million arising on the sale of equity to the SIOC Community Development Trust. Inflationary pressure had a negative impact on profit but was partially offset by continued operating cost savings from improvement initiatives. Costs were higher, primarily due to higher fuel, human resource and project-linked operating costs as well as an increase in waste stripping and maintenance related activities.

As part of the Kumba Resources empowerment transaction, all offshore non-iron ore assets were sold to Kumba Resources resulting in a non-recurring profit of R1,6 billion in September 2006.

Export sales volumes for 2006 decreased by 3% from 2005 to 21,5 Mt, hampered by a breakdown of loading equipment at the Saldanha port in September 2006. This constrained shipments and necessitated the rescheduling of vessels. Production volumes at Sishen mine increased by 1% to 28,7 Mt and tonnage railed from the mine to the port of Saldanha increased by 1% to 24,3 Mt. Domestic sales volumes decreased by 9% to 8,3 Mt due to lower demand from Mittal Steel.

Cash from operating activities for the 12 months ended 31 December 2006 increased by 65% from R2,6 billion to R4,3 billion. Cash outflow for capital expenditure increased from R402 million in 2005 to R1,7 billion in 2006 due to increased capital expenditure on growth projects.

COMMENTARY

continued

Safety performance

Kumba made good progress on its way to zero harm status by achieving a lost time injury frequency rate ("LTIFR") of 0,22 and 0,31 at Sishen and Thabazimbi respectively. Despite this improvement, and most regrettably the Group had one fatality at its Sishen operation in April 2006. Sishen mine made good progress in reducing the number of lost time incidents ("LTI") suffered in 2006; achieved three million man hours without a LTI for the second time since 2002, and on 31 March 2006 recorded an all time record of 5,3 million man hours without an LTI. The SEP project achieved an LTIFR of 0,11 during 2006.

Project pipeline

Sishen Expansion Project (SEP): Physically the construction of SEP was 76% completed at 31 December 2006. Despite engineering difficulties relating to skills shortages amongst suppliers the project is expected to ramp up according to plan during the second half of 2007. This project will apply jig technology to extract 13 million tons per annum ("Mtpa") additional saleable ore from 21 Mtpa of feedstock; about 8 Mtpa material previously accounted for as waste and 13 Mtpa from new run-of-mine material. In August 2006, a decision was taken to expand SEP production from 10 Mtpa to 13 Mtpa at an additional capital cost of R1,3 billion. The project is expected to be completed within its budget of R5,1 billion. Ramp up to full capacity is expected in early 2009 and will increase annual production from Sishen to 42 Mtpa. A pre feasibility study to expand the current Sishen mine by a further

10 Mtpa – 20 Mtpa, in addition to SEP is due to be completed during 2007, with production currently anticipated to commence by 2011.

Sishen South Project: The feasibility study will be completed in March 2007. Following the finalisation of the Transnet feasibility study for the expansion of the Sishen Saldanha export channel, and successful negotiations of rail tariffs, Kumba is expected to make an investment decision on the development of the Sishen South Project in the second half of 2007. The capital cost is currently estimated at approximately R3 billion for a 9 Mtpa mine.

Project Phoenix: The feasibility study to extend the life of the Thabazimbi mine by some 20 years through exploitation of the in situ low iron content banded ironstone formation will be completed in April 2007. However, Mittal Steel advised in December 2006 that it no longer wishes to participate in Project Phoenix. The Group is considering alternative options to ensure maximum resource utilisation.

Falémé – Senegal: Following notification from Miferso that it disputes Kumba's rights to the development of the Falémé iron ore project Kumba continues to engage with the Government of Senegal to resolve the dispute amicably. It remains the view of the Board that if these negotiations prove to be unsuccessful, legal action available to Kumba will be pursued to preserve its contractual rights.

Kumba's legal advisors have concluded that the particulars of the claim for US\$196 million from an erstwhile potential partner in the Falémé project, Lithos, as presently framed, do not sustain a cause of action and accordingly no provision has been raised.

Prospects

The upward trend in global iron ore demand is expected to continue during the coming year. Prospects for continued real growth in global steel demand remain positive in 2007, with the strongest growth again expected to come from China with an anticipated increase of 8% – 10% in steel consumption.

The outlook for Kumba for 2007 is expected to remain positive, given a stable macro economic environment, continued strong iron ore demand and firm iron ore prices.

Kumba will focus on growth through its current operations whilst broadening its' production base further as it actively pursues its pipeline of projects.

PL Zim
Chairman

EJ Myburgh
Chief Executive Officer

14 February 2007
Pretoria

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Transfer secretaries

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Kumba Iron Ore Limited

(Incorporated in the Republic of South Africa)
(Reg No 2005/015852/06) JSE code: KIO
ISIN: ZAE000085346 ("Group" or "Kumba"
or "the Company")

CONDENSED GROUP INCOME STATEMENT

	Audited 2 months to 31 December 2006 Rm	Unaudited* pro forma 12 months to 31 December 2006 Rm
Revenue	2 171	8 654
Operating expenses	(1 487)	(3 301)
Operating profit	684	5 353
Finance income	7	39
Finance costs	(43)	(103)
Profit before taxation	648	5 289
Taxation	(269)	(1 014)
Profit for the year	379	4 275
Attributable to:		
– Equity holders of the parent	264	3 381
– Minority interest	115	894
Ordinary shares (million)		
– in issue	314	314
– weighted average number of shares	314	314
– diluted weighted average number of shares	319	319
Attributable earnings per share (cents)		
– basic	84	1 080
– diluted	83	–
Dividend declared per share (cents)	80	–
RECONCILIATION OF HEADLINE EARNINGS		
Net profit/(loss) attributable to ordinary shareholders	264	3 381
– Net profit on disposal or scrapping of property, plant and equipment	(4)	2
– Net surplus on disposal of investment in non-iron ore assets	–	(1 571)
– Transfer to minority interest	1	314
– Taxation effect of adjustments	1	(1)
Headline earnings (Rm)	262	2 125
(cps)	83	677

*Prepared on a basis consistent as used for the preparation of the pro-forma financial statements presented in the Kumba Iron Ore Limited Pre-listing Statement, dated 9 October, 2006.

CONDENSED GROUP BALANCE SHEET

AS AT 31 DECEMBER 2006

Audited
31 December
2006
Rm

Assets	
Non-current assets	4 021
Property, plant and equipment	3 864
Biological assets	7
Financial assets	150
Current assets	2 848
Inventories	749
Trade and other receivables	1 005
Cash and cash equivalents	1 094
Total assets	6 869
Shareholders' equity and liabilities	
Capital and reserves	839
Share capital	3
Non-distributable reserves	201
Distributable reserves	635
Minority interest	216
Total shareholders' equity	1 055
Non-current liabilities	3 477
Interest-bearing borrowings	2 840
Non-current provisions	152
Deferred taxation	485
Current liabilities	2 337
Trade and other payables	555
Current portion of long-term loans	1 179
Current taxation	603
Total liabilities	5 814
Total equity and liabilities	6 869
Net asset value per share (cents)	336
Capital expenditure	
– incurred	511
– contracted	2 477
– authorised but not contracted	3 176
Capital expenditure relating to Thabazimbi (captive mine), which will be financed by Mittal Steel	
– contracted	1
– authorised but not contracted	2

CONDENSED GROUP CASH FLOW STATEMENT

	Audited 2 months to 31 December 2006 Rm	Unaudited* pro forma 12 months to 31 December 2006 Rm
Cash flows from operating activities	350	1 490
Cash generated from operating activities	389	4 277
Dividend paid	–	(1 534)
Taxation paid	–	(1 198)
Interest paid	(46)	(94)
Interest received	7	39
Cash flows from investing activities	(140)	(48)
Capital expenditure	(511)	(1 718)
Proceeds on disposal of property, plant and equipment	6	–
Surplus from the disposal of investment in non-iron ore assets	–	1 571
Increase in cash resources on acquisition of a controlling interest in subsidiaries – note 3	400	–
Other	(35)	99
Cash flows from financing activities	884	(939)
Long and short-term loans raised	2 840	2 840
Long and short-term loans repaid	(1 956)	(3 779)
Increase in cash and cash equivalents	1 094	503
At beginning of year	–	591
At end of year	1 094	1 094

**Prepared on a basis consistent as used for the preparation of the pro-forma financial statements presented in the Kumba Iron Ore Limited Pre-listing Statement, dated 9 October, 2006.*

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Audited 2 months to 31 December 2006 Rm
Shareholders' funds at the beginning of the year	–
Changes in share capital and premium	
– issue of shares	3
– share premium	–
Changes in non-distributable reserves	
– Currency translation differences	24
– Financial instruments movements	(5)
– Equity settlement reserve	182
Changes in distributable reserves	
– At acquisition reserve	371
– net profit for the year	264
Changes in minority interest	
– Acquisition of subsidiary	93
– Income charge for the year	115
– Transfer to minority reserve	8
Shareholders' funds at the end of the year	1 055

SEGMENTAL REPORTING

The business of the Group represents the iron ore division that has been unbundled from Kumba Resources and as such is managed as a single business unit. Segmental reporting is therefore not presented.

NOTES TO THE CONDENSED CONSOLIDATED GROUP FINANCIAL STATEMENTS

1. COMPANIES ACT AND JSE LISTING REQUIREMENTS

Compliance with the Companies Act No 61 of 1973 as well as the Listing Requirements of the JSE has been maintained throughout the reporting period.

2. RELATED-PARTY TRANSACTIONS

During the year the Company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions were subject to terms that are no less favourable than those arranged with third parties.

3. INCREASE IN CASH RESOURCES ON ACQUISITION OF A CONTROLLING INTEREST IN SUBSIDIARY

	Rm
Cash paid on acquisition of share	(3)
Transferred to pre-acquisition reserves	(371)
Fair value of assets acquired	(374)
The assets and liabilities arising from the acquisition are as follows:	
Property, plant and equipment	3 400
Investments in joint ventures and associates	1
Financial assets	150
Biological assets	4
Cash and cash equivalents	403
Inventories	785
Trade and other receivables	912
Non-current provisions	(157)
Deferred taxation	(535)
Receiver of revenue	(358)
Trade and other payables	(1 024)
Minority	(93)
Short term borrowings	(3 114)
Fair value of net assets	374
Total purchase consideration	(3)
Less:	
Cash and cash equivalents in subsidiary acquired	403
Net cash inflow	400

4. CONTINGENT LIABILITIES

Contingent liabilities at balance sheet date not otherwise provided for in the consolidated annual financial statements, arise from a guarantee for environmental rehabilitation closure liability of R13 million and guarantee of R10 million to the Lakutshona Housing Company.

CORPORATE INFORMATION

The condensed consolidated financial statements of Kumba and its subsidiaries for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Board of Directors passed on 14 February 2007.

Kumba is a limited liability company incorporated and domiciled in South Africa. The Group has its primary listing on the JSE.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

This condensed report complies with International Accounting Standard 34, Interim Financial Reporting, and Schedule 4 of the South African Companies Act. The Group financial results have been prepared on the historical cost basis excluding financial instruments and biological assets which are valued at fair value, and conform to International Financial Reporting Standards.

Audit opinion

The auditors, Deloitte & Touche have issued their opinion on the Group's financial statements for the year ended 31 December 2006. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. A copy of their audit report is available for inspection at the Company's registered office. These summarised financial statements have been derived from the Group financial statements and are consistent in all material respects with the Group annual financial statements.

Comparatives

The Group was formed with the completion of the Kumba Resources empowerment transaction during November 2006. Before this date, the holding company was a dormant company, with issued share capital to the value of R100 and a loan account of the same amount. No comparative information is therefore presented in this report.

Significant accounting policies

The accounting policies are consistent with those applied in the Kumba Resources Limited financial statements for the year ended 31 December 2005. The Group applied all the relevant new and revised standards and interpretations that were in issue and effective for years ended on or after 31 December 2005 other than IFRS4 relating to Thabazimbi.

Unbundling transaction

The Group was formed as part of the Kumba Resources empowerment transaction. The unbundling of Kumba was effected by way of a distribution of Kumba distribution shares (*in specie*) in terms of section 90 of the Companies Act and in accordance with section 46 of the Income Tax Act in the ratio of one Kumba distribution share for every one Kumba Resources share held at the close of business on the record date.

For accounting purposes, the transaction was treated as a transaction between commonly controlled entities, including IFRIC4 in respect of Thabazimbi and therefore all assets and liabilities were included at the respective book values at the unbundling date.

NOTES TO THE CONDENSED CONSOLIDATED GROUP FINANCIAL STATEMENTS

continued

SIOC Community Development Trust and SIOC Employee Share Purchase Scheme

SIOC Community Development Trust and SIOC Employee Share Purchase Scheme each hold a 3% share in SIOC. These two entities are treated as special purpose entities, and are therefore included in the Group consolidated results as presented in this report.

Profit before taxation for the two month period 1 November 2006 – 31 December 2006 is derived after taking the following into account:

	2006 Rm
IFRS2 fair value charge	153
Amortisation and depreciation	43
Net financing costs	36
Net realised foreign exchange losses	54
Net unrealised foreign exchange losses	31
Net realised gains on revaluation of derivative instruments	(36)
Net profit on disposal of property, plant and equipment	(4)
Consultancy fees	26
Operating lease rental expenses	12
Share based payment expenses	32

Net debt

The following schedule provides a summary of the Group's net debt position at 31 December 2006:

Net debt	Effective interest rate %	Maturity	2006 Rm
Non-current			
Revolving facility	JIBAR + 100bp	30.11.09	2 840
Current			
Revolving facility	JIBAR + 70bp	28.11.07	668
Interest on non-current facility	JIBAR + 100bp	31.05.07	34
Call facility	9,2%		477
			1 179
Total borrowings			4 019
Cash and cash equivalents			1 094
Net debt			2 925
Total shareholders' equity			1 055

Unaudited physical information		2006 2 months	2006 12 months
Iron ore			
Production	Tons thousands	5 401	31 110
Sales			
– Export	Tons thousands	3 984	21 495
– Domestic	Tons thousands	1 543	8 307
Total sales	Tons thousands	5 527	29 802

Notice of maiden dividend

On Wednesday, 14 February 2007 the directors declared a maiden dividend of 80 cents per share on the ordinary shares for the year ended 31 December 2006, as follows:

- Last day to trade to qualify for dividends
(and change of address or dividend instructions) Thursday 15 March 2007
- Ex dividend on the JSE Friday 16 March 2007
- Record date Friday 23 March 2007
- Payment date of dividends Monday 26 March 2007

Share certificates may not be dematerialised or rematerialised between Friday, 16 March 2007 and Friday, 23 March 2007, both days inclusive.

By order of the Board

Ms A van der Merwe

Company secretary

14 February 2007

Pretoria

Directors: EJ Myburgh*, VP Uren*, PL Zim, PM Baum, GS Gouws, PB Matlare, AJ Morgan, ND Moyo, DD Mokgatle **Executive*