



ANNUAL FINANCIAL
results.





HIGHLIGHTS



- Record production 32,4 million tonnes
- Operating profit R6,0 billion
- Headline earnings R3,1 billion
- Final cash dividend 400 cents per share



COMMENTARY

Reporting periods

Kumba Iron Ore Limited (Kumba) began trading on the JSE Limited in November 2006, following its unbundling from Exxaro Resources Limited (Exxaro).

Where reference is made 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 Exxaro and is unaudited and is provided purely for comparison purposes.

Introduction

2007 marks the first full year of Kumba as a pure-play iron ore business listed on the main board of the JSE Limited and saw the Kumba share price close at R285 per share, up 156% for the year. The year heralded record production of 32,4 million tonnes (Mt), strong financial results and the commencement of production of the 13 million tonnes per annum (Mtpa) Sishen Expansion Project (SEP), jig plant.

Kumba increased revenue by 33% on the back of record production, higher sales volumes, increased benchmark prices and quality premia on certain products. Although operating expenses remained under pressure, Kumba's operating margin increased from 45%[†] to 52% in 2007. Profit for the year ended 31 December 2007 was R3,9 billion. Headline earnings increased 44% from R2,1 billion to R3,1 billion.

Attributable and headline earnings for the year were 985 cents and 974 cents per share respectively, on which a final dividend of 400 cents per share has been declared and an interim dividend of 350 cents per share was paid. This brings

the total dividend for the year to 750 cents per share.

Of the profit of R3,9 billion, R802 million is attributable to minority interests in Sishen Iron Ore Company (Proprietary) Limited (SIOC). Exxaro holds a 20% interest in SIOC and the SIOC Community Development SPV (Proprietary) Limited and SIOC Employee Share Participation Scheme (Envision) each hold an interest of 3% in SIOC. In preparing the condensed consolidated financial report, SIOC Community Development SPV and Envision are considered special purpose entities and are consolidated for accounting purposes. Of the total shareholders' equity of R2,7 billion at 31 December 2007, R192 million is attributable to these entities through their interests in SIOC.

Safety performance

The safety performance of Kumba showed continued improvement during 2007. Thabazimbi Mine achieved a lost-time injury frequency rate (LTIFR) of 0,12 for 2007, down from 0,31 in 2006. Kumba maintained a LTIFR of 0,22 for 2007 despite increased activity at the Sishen Mine as a result of the construction of SEP. Most regrettably, the group recorded one fatality for the year when Mr Samuel Marutle was fatally injured at Sishen Mine in February 2007.

Operating results

Iron ore is a critical input of the global steel industry. The seaborne market for iron ore has grown at a compound rate of 8,1% per annum from 454Mtpa in 2000 to 782Mtpa in 2007. The majority of this increase arises from demand growth in China. China is expected to continue being



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the main driver of global steel production growth, with current forecasts suggesting that China will increase production from 420Mtpa in 2006 to 750Mtpa by 2012, requiring iron ore imports in excess of 730Mtpa.

Export sales for the first three months of 2007 were based on the 19,0% increase in the iron ore benchmark price for 2006/2007. An increase of 9,5% in the benchmark price for the 2007/2008 iron ore year applied from 1 April 2007, before accounting for quality premia on small volumes.

Strong financial and operational performance for the year ended 31 December 2007 was achieved on the back of revenue increasing 33% from R8,7 billion in 2006 to R11,5 billion. Operating profit increased by R0,6 billion or 12% (R2,0 billion or 52% before once-off items[†]) from R5,4 billion in 2006 to R6,0 billion, principally as a result of:

- The year-on-year weighted average prices from export sale volumes increased by 12% from US\$47,97 per tonne to US\$53,83 per tonne in 2007, which buoyed operating profit by R931 million.
- Increased revenue from shipping operations of R506 million.
- The weakening of the average exchange rate of the rand to the US dollar (average spot exchange rates – R7,03/US\$1,00 in 2007 compared with R6,73/US\$1,00 in 2006), which contributed R521 million to operating profit.
- Increased sales volumes added R970 million.
- All of which was partially offset by an

R885 million or 17% increase in operating expenses and a R1,4 billion reduction in profits due to the inclusion of certain once-off items in the 2006 financial results[†].

The group increased total sales volumes by 10% from 29,8Mt in 2006 to 32,9Mt. Export sales volumes from Sishen Mine for the year increased by 12% from 21,5Mt in 2006 to 24,0Mt. Sales volumes increased on the back of record production at Sishen Mine and the sale in the first quarter of 2007 of finished product inventory that had built up at the Saldanha port as a result of equipment breakdown at the port in September 2006. Domestic sales volumes were 7% higher at 8,9Mt due to increased demand from ArcelorMittal. Sishen Mine saw record production of 29,7Mt – an increase of 4% from 28,7Mt in 2006. Production at Thabazimbi Mine was stable for the years ended 31 December 2006 and 2007.

Total tonnes mined at Sishen Mine increased 15% from 90,7Mt in 2006 to 104,4Mt. Inflationary pressures and a rise in maintenance-related activities and external contractor mining as a result of increasing mining activities at Sishen Mine affected the cost of production for the period. During the year approximately 9,3Mt of B-grade material (with an iron content of between 55% and 60%) mined at Sishen Mine with a cost of R440 million was stockpiled ahead of the full commissioning and ramp-up of SEP. After taking into account this stockpiled material, Sishen Mine's unit cost increase of 2,5% was contained at R79,90 per tonne compared to R77,93 per tonne in 2006, despite increased mining activities



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and inflationary pressures.

The estimated closure cost for rehabilitation and decommissioning at Sishen Mine has been revised to take into account the results of experiments undertaken over recent years, an escalation in the cost of rehabilitation and the timing of the cash flows. This change in estimate resulted in an increase of R131 million in the non-current environmental rehabilitation and decommissioning provisions, of which R125 million was charged as an operating expense during 2007.

Cash flows of R5,8 billion were generated by operations; an increase of 36% on the R4,3 billion generated in 2006. These cash flows were used to pay taxation of R1,4 billion and dividends of R1,4 billion during the year. Bank facilities were used to fund R2,1 billion of capital expenditure for SEP and to maintain operations. Certain interest-bearing borrowings were repaid with cash flows generated during the year. At 31 December 2007 the group had a net debt position of R2,6 billion.

Project pipeline

Sishen Expansion Project: Capital expenditure on the project to date is R3,3 billion, with approximately R1,0 billion expected to be incurred in 2008 and R0,6 billion in 2009. To date, four of the eight jig modules have been successfully commissioned and two of the four tertiary crushers have been brought into production. The primary and secondary crushers were successfully commissioned in late January 2008. Plant commissioning was affected by the late delivery of the primary and secondary crushers and delays due to a shortage of

skills and resources caused by constraints in the construction industry. Production for the year of 0,2Mt was significantly lower than anticipated due to these delays. However ramp-up to full design capacity of 13Mtpa is still expected to be achieved in 2009.

Sishen South Project: The Sishen South Project, which involves development of a new opencast operation some 70 kilometres south of Sishen Mine, is currently being considered for development. A decision to proceed with this 9Mtpa mine is imminent and depends on finalising logistical arrangements and the granting of mining rights.

SEP II: A pre-feasibility study to increase production at Sishen Mine by 5 – 10Mtpa in addition to SEP is due to be completed during 2008. An evaluation of the product strategy of the mine is part of the pre-feasibility study to ensure that this strategy is aligned with future market developments as well as the mining resource and production facilities at the operation.

Mineral resources and reserves

There have been no material changes to the resources and reserves as disclosed in the 2006 Kumba Annual Report.

Energy

South Africa's power shortages have affected Kumba's operations. A 10% reduction in electricity usage is required nationally to restore integrity of the energy supply. A variety of actions have been taken by Kumba, including a decision to cease all electricity power-assisted trucking (pantograph system) in the short-term. The group's usage of diesel will therefore



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increase and the efficiencies of the pantograph systems will be lost while the power reduction continues. Consequently, a rise in unit costs is likely and a reduction in output is possible if the crisis deepens.

Prospects

Although global economic growth is expected to slow in the year ahead as the unwinding of the housing finance problems in the United States impacts negatively on economic growth in the United States and elsewhere, the global market for iron ore is expected to remain tight in the short to medium term. The economies of China and the rest of Asia are expected to continue growing on the back of strong domestic demand and high levels of domestic fixed investment, providing continued strong growth in the demand for iron ore. At the same time, major suppliers continue to experience difficulties in bringing on new production in time to meet increasing demand due to the global shortage in engineering and

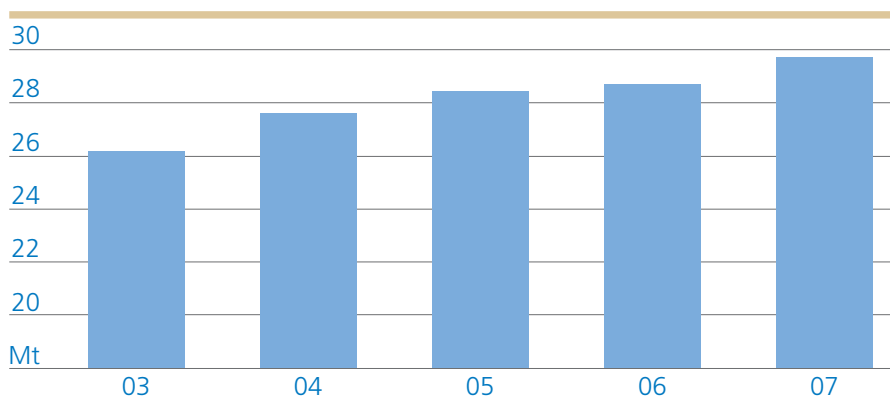
construction resources. In addition, logistical constraints associated with rail and port capacity and shortages in dry bulk vessel capacity at times, are expected to affect the supply side of the seaborne iron ore market. As a result, prices are expected to increase substantially in the current iron ore year and remain firm in the medium term.

Operating expenses will remain under pressure, possibly exacerbated by energy shortages and the need to use higher cost options to maintain production.

Production from SEP is expected to ramp up in 2008 with production of 13Mt achieved in 2009. Most of the additional production is destined for markets in China.

[†]Determined before taking into account the net increase in operating profit due to the once-off profit of the sale of the non-iron ore assets of R1,6 billion and the R153 million share-based payment expense arising from the disposal of a 3% interest in SIOC in 2006.

Sishen Mine production





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REVIEW





CONDENSED GROUP BALANCE SHEET

AS AT 31 DECEMBER

	Audited 2007 Rm	Audited 2006 Rm
ASSETS		
NON-CURRENT ASSETS	5 944	4 021
Property, plant and equipment	5 748	3 864
Biological assets	6	7
Investments in associates and joint ventures	2	—
Investment held by environmental trust	165	147
Long-term financial assets and pre-payments	14	3
Deferred tax assets	9	—
CURRENT ASSETS	3 793	2 848
Inventories	1 310	749
Trade and other receivables	1 531	1 005
Cash and cash equivalents	952	1 094
TOTAL ASSETS	9 737	6 869
EQUITY AND LIABILITIES		
Shareholders' equity	2 654	839
Minority interest	641	216
TOTAL EQUITY	3 295	1 055
NON-CURRENT LIABILITIES	2 830	3 477
Interest-bearing borrowings	1 040	2 840
Deferred tax liabilities	1 451	485
Provisions	339	152
CURRENT LIABILITIES	3 612	2 337
Interest-bearing borrowings	2 490	1 179
Trade and other payables	1 058	555
Current tax liabilities	64	603
TOTAL EQUITY AND LIABILITIES	9 737	6 869



CONDENSED GROUP INCOME STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER

	Audited 12 months 2007 Rm	Unaudited* pro forma 12 months 2006 Rm	Audited 2 months 2006 Rm
REVENUE	11 497	8 654	2 171
Operating expenses	(5 519)	(3 301)	(1 487)
OPERATING PROFIT	5 978	5 353	684
Net finance costs	(308)	(64)	(36)
PROFIT BEFORE TAXATION	5 670	5 289	648
Taxation	(1 768)	(1 014)	(269)
PROFIT	3 902	4 275	379
ATTRIBUTABLE TO:			
Equity holders of Kumba	3 100	3 381	264
Minority interests	802	894	115
	3 902	4 275	379
ATTRIBUTABLE EARNINGS PER SHARE (cents)			
Basic	985	1 078	84
Diluted	970	1 060	83
DIVIDEND PER SHARE (cents)			
Interim	350		
Final**	400	80	80



HEADLINE EARNINGS

FOR THE PERIOD ENDED 31 DECEMBER

	Audited 12 months 2007 Rm	Unaudited* pro forma 12 months 2006 Rm	Audited 2 months 2006 Rm
RECONCILIATION OF HEADLINE EARNINGS			
Attributable profit	3 100	3 381	264
Net (profit)/loss on disposal or scrapping of property, plant and equipment	(14)	2	(4)
Realisation of foreign currency translation reserve	(34)	—	—
Net surplus on disposal of investment in non-iron ore assets	—	(1 571)	—
	3 052	1 812	260
Taxation effect of adjustments	1	(1)	1
Minority interest in adjustments	9	314	1
HEADLINE EARNINGS	3 062	2 125	262
HEADLINE EARNINGS PER SHARE (cents)			
Basic	974	677	83
Diluted	958	666	82



CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER

	Audited 12 months 2007 Rm	Audited 2 months 2006 Rm
TOTAL EQUITY AT THE BEGINNING OF THE PERIOD	1 055	—
CHANGES IN SHARE CAPITAL AND PREMIUM		
Shares issued during the period	53	3
CHANGES IN RESERVES		
Acquisition of business	—	371
Equity settled share-based payments	73	182
Profit for the period	3 100	264
Foreign currency translation differences	(51)	24
Revaluation of financial instruments	2	(5)
Dividends paid	(1 362)	—
CHANGES IN MINORITY INTEREST		
Acquisition of business	—	93
Profit for the period	802	115
Dividends paid	(383)	—
Movement in minority interest in reserves	6	8
TOTAL EQUITY AT THE END OF THE PERIOD	3 295	1 055
COMPRISING		
Share capital and premium	56	3
Equity settled share-based payment reserve	255	182
Foreign currency translation reserve	2	53
Cash flow hedge accounting reserve	—	(2)
Retained earnings	2 341	603
Shareholders' equity	2 654	839
– attributable equity holders of Kumba	2 462	774
– attributable to the minority interest in SIOC***	192	65
Minority interest	641	216
TOTAL EQUITY	3 295	1 055



CONDENSED GROUP CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER

	Audited 12 months 2007 Rm	Unaudited* pro forma 12 months 2006 Rm	Audited 2 months 2006 Rm
CASH FLOWS FROM OPERATING ACTIVITIES	2 750	1 490	350
Cash generated from operations	5 805	4 277	389
Net finance costs paid	(301)	(55)	(39)
Taxation paid	(1 401)	(1 198)	—
Dividends paid	(1 353)	(1 534)	—
CASH FLOWS FROM INVESTING ACTIVITIES	(2 064)	(48)	(143)
Capital expenditure	(2 119)	(1 718)	(511)
Proceeds from the disposal of non-current assets	26	1 571	6
Cash acquired on acquisition of business	—	—	400
Acquisition of business	—	—	(3)
Other	29	99	(35)
CASH FLOWS FROM FINANCING ACTIVITIES	(828)	(939)	887
Share capital issued	53	—	3
Dividends paid to minority shareholders	(392)	—	—
Interest-bearing borrowings raised	1 311	2 840	2 840
Interest-bearing borrowings repaid	(1 800)	(3 779)	(1 956)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(142)	503	1 094
Cash and cash equivalents at beginning of period	1 094	591	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	952	1 094	1 094



SALIENT FEATURES AND OPERATING STATISTICS

FOR THE PERIOD ENDED 31 DECEMBER

	Unaudited 12 months 2007	Unaudited* pro forma 12 months 2006
SHARE STATISTICS ('000)		
Total shares in issue	317 104	313 594
Weighted average number of shares	314 618	313 594
Diluted weighted average number of shares	319 660	319 003
MARKET INFORMATION		
Closing share price (Rand)	285	111
Market capitalisation (Rand million)	90 374	34 887
Market capitalisation (US\$ million)	13 281	4 998
NET ASSET VALUE PER SHARE (cents)	1 039	336
CAPITAL EXPENDITURE (Rand million)		
Incurred	2 119	1 718
Contracted	589	2 477
Authorised but not contracted	1 185	3 176
CAPITAL EXPENDITURE RELATING TO THABAZIMBI MINE TO BE FINANCED BY ARCELORMITTAL (Rand million)		
Contracted	2	1
Authorised but not contracted	2	2
ECONOMIC INFORMATION		
Average Rand/US dollar exchange rate (Rand/US\$)	7,03	6,73
Closing Rand/US dollar exchange rate (Rand/US\$)	6,81	6,98
Average export iron ore price (US\$ per tonne)	53,83	47,97
Average export iron ore price (Rand per tonne)	382	330
OPERATING STATISTICS (Mt)		
Production	32,4	31,1
Sales	32,9	29,8
– export	24,0	21,5
– domestic	8,9	8,3
Sishen Mine unit cost (Rand per tonne)	79,90	77,93
Sishen Mine cash cost (Rand per tonne)	74,32	69,88

* Prepared on a basis consistent with that used for the preparation of the unaudited pro forma financial information for the twelve months ended 31 December 2006 contained in the financial results for the two months ended 31 December 2006 issued on 14 February 2007.

** The final dividend was declared subsequent to 31 December 2007 and is presented for information purposes.

*** Shareholders' equity attributable to BEE ownership of SIOC refers to the 3% that the SIOC Community Development SPV and the 3% that Envision hold in SIOC.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

Basis of preparation and accounting policies

The condensed consolidated financial report for the year ended 31 December 2007 has been prepared in compliance with the South African Companies Act, No 61 of 1973, as amended, the Listing Requirements of the JSE Limited and International Accounting Standard 34, Interim Financial Reporting.

Except as otherwise disclosed, the accounting policies applied in the preparation of the condensed consolidated financial report are consistent with those applied for the period ended 31 December 2006, which comply with International Financial Reporting Standards (IFRS).

The pre-acquisition reserve as presented in the statement of changes in equity as at 31 December 2006 that arose from the acquisition of SIOC was reclassified to the separate reserve classes.

Kumba adopted IFRS 7, Financial Instruments: Disclosures (IFRS 7) and the related amendments to IAS 1, Presentation of Financial Statements and IFRIC 11, IFRS 2 – Group and Treasury Share transactions (IFRIC 11) with effect from 1 January 2007. IFRS 7 requires that every business disclose information on the significance of financial instruments and the nature and extent of risks arising from these financial instruments. The disclosure requirements of IFRS 7 have been applied retrospectively. The amendment to IAS 1 requires disclosure of the objectives, policies and processes for managing capital. IFRIC 11 provides guidance on applying IFRS 2, Share-Based Payment in circumstances where an entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation. The adoption of this standard, the related amendment and interpretation has had no effect on the financial results and financial position of Kumba.

Further disclosure will be provided in the annual report for the year ended 31 December 2007.

The condensed consolidated financial report has been prepared in accordance with the historic cost convention except for certain financial instruments and biological assets which are stated at fair value.

The condensed consolidated financial report is presented in Rand, which is Kumba's functional and presentation currency.

Net debt

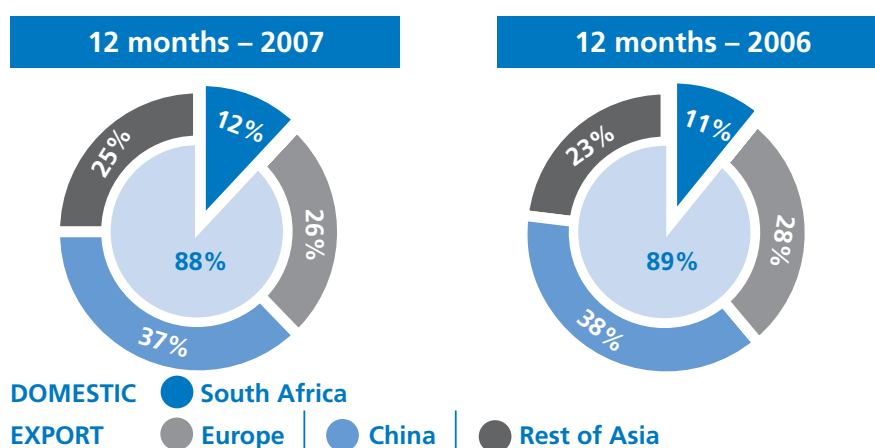
Kumba's net debt position at balance sheet dates is as follows:

	Audited 31 December 2007 Rm	Audited 31 December 2006 Rm
Long-term interest-bearing borrowings	1 040	2 840
Short-term interest-bearing borrowings	2 490	1 179
TOTAL	3 530	4 019
Cash and cash equivalents	(952)	(1 094)
NET DEBT	2 578	2 925
TOTAL EQUITY	3 295	1 055

Segmental reporting

Kumba's single business segment is the mining, extraction and production of iron ore. The financial disclosures of the business segment are presented in the condensed consolidated financial report.

Kumba generated its revenue through sales to customers in the following geographical regions:





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

Significant items included in operating profit

Operating profit for the periods ended 31 December has been derived after taking into account the following items:

	Audited 12 months 2007 Rm	Unaudited* pro forma 12 months 2006 Rm	Audited 2 months 2006 Rm
Depreciation of property, plant and equipment	228	269	43
Share-based payment expenses	123	196	185
– SIOC Community Development SPV	—	153	153
– Envision	72	—	—
– Management share incentive plans•	51	43	32

•Includes share-based payment expense of R46 million for the historical Management Share Option Scheme transferred to Kumba from the unbundling from Exxaro.

Related party transactions

During the year Kumba, 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 offered by third parties.

Changes in contingent liabilities since 31 December 2006

There have been no significant changes in the contingent liabilities disclosed at 31 December 2006 that arise from the guarantees provided for environmental rehabilitation and decommissioning obligations of the Kumba Rehabilitation Trust Fund.

Legal proceedings

Lithos has increased its claim for damages brought against Kumba from US\$196 million to US\$421 million. Kumba continues to defend the merits of the claim. Management are of the view, and have been so advised, that Lithos would be unlikely to succeed in any of its claims. The basis of quantification of the claim is fundamentally flawed.

Kumba has initiated arbitration proceedings against La Societe Des Mines De Fer Du Senegal Oriental (Miferso) and the Republic of Senegal under the Rules of Arbitration of the International Chamber of Commerce. This process is confidential in nature.

Kumba and ArcelorMittal have agreed to an arbitration process to resolve key differences of interpretation of the Sishen Supply Agreement. Arbitration proceedings were initiated in 2007 by Kumba. These proceedings are confidential in nature.

Post-balance sheet date events

The directors are not aware of any matter or circumstance arising since the end of the year end up to the date of this report, not otherwise dealt with in this report.

Corporate governance

Kumba subscribes to the Code of Corporate Practices and Conduct as contained in the second King Report on corporate governance.

Corporate information

The condensed consolidated financial report of Kumba and its subsidiaries for the year ended 31 December 2007 was authorised for issue on 14 February 2008.

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

Independent audit opinion

The auditors, Deloitte & Touche have issued their unmodified audit opinion on the condensed consolidated financial report for the year ended 31 December 2007. A copy of their unmodified audit opinion is available for inspection at the company's registered office.

On behalf of the board

PL Zim

Chairman

EJ Myburgh

Chief Executive Officer

14 February 2008

Pretoria

NOTICE OF FINAL DIVIDEND

At its board meeting on 13 February 2008 the directors declared a final cash dividend of 400 cents per share on the ordinary shares from profits accrued during the financial year ended 31 December 2007. The salient dates are as follows:

- Last day for trading to qualify and participate in the interim dividend (and change of address or dividend instructions) Friday, 7 March 2008
- Trading ex dividend commences Monday, 10 March 2008
- Record date Friday, 14 March 2008
- Dividend payment date Monday, 17 March 2008

Share certificates may not be dematerialised or rematerialised between Monday, 10 March 2008 and Friday, 14 March 2008, both days inclusive.

By order of the board

VF Malie

Company secretary

14 February 2008

Pretoria