



ANNUAL FINANCIAL

# results.

14 February 2008

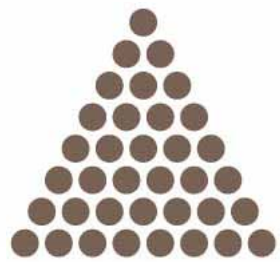
A member of the Anglo American plc group



# Highlights

Record production

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32.4 Mt

Sishen Mine

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Unit cost contained

Up 2.5%  
year-on-year

Operating profit of R6.0 billion

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Up 52%  
year-on-year

Commencement of production

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SEP

from Sishen  
Expansion  
Project jig plant



# SAFETY



KUMBA IRON ORE

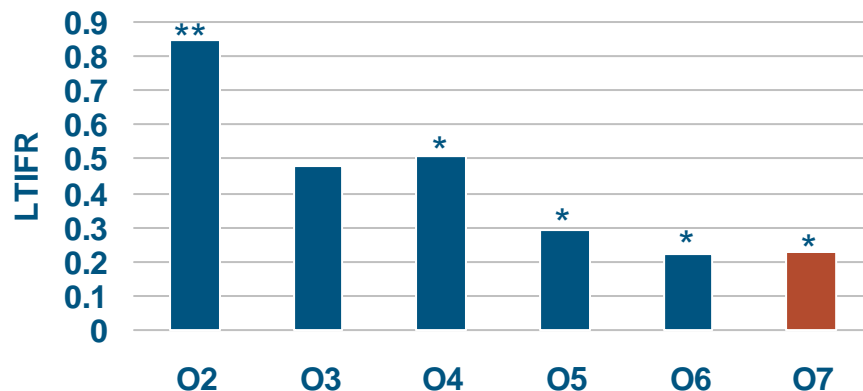




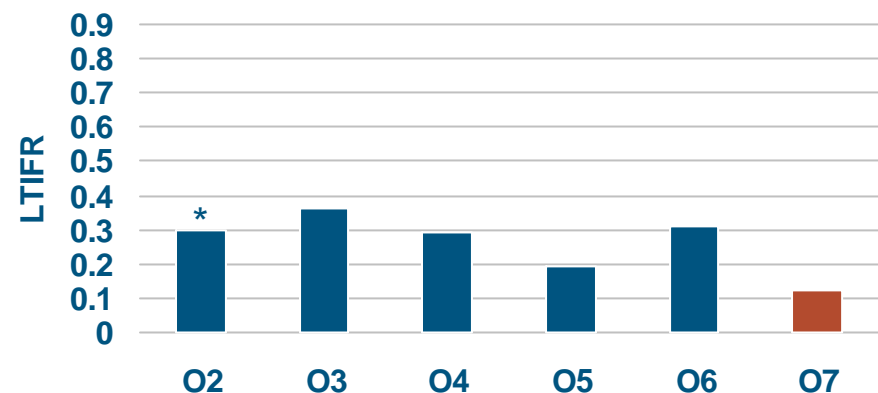
# Safety

- Safety continues to be the top priority
- Regrettably we had one fatality at Sishen Mine during the 1<sup>st</sup> half of 2007
- Sishen Mine achieved 4.4 million LTI free man-hours on 15 August
- Thabazimbi Mine worked 5 years without a fatality and had only 2 LTIs during 2007

Sishen Mine



Thabazimbi Mine



\* Fatality



# OPERATIONAL REVIEW



KUMBA IRON ORE





# Operational review – Sishen Mine

- Record DMS production of 29.3 Mt
- Jig production 0.2 Mt
- Increased mining activity
- 9.3 Mt “B” grade material stockpiled

(Mt)	12 months		% change	6 months	
	31 Dec 2007	31 Dec 2006		31 Dec 2007	30 Jun 2007
Total tonnes mined	104.4	90.7	15	53.3	51.2
Waste mined	65.5	59.4	10	33.4	32.1
ROM production	38.9	31.3	24	19.8	19.1
Final product	29.7	28.7	4	15.5	14.2
- <i>DMS and other</i>	29.5	28.7	3	15.3	14.2
- <i>Jig</i>	0.2	–	100	0.2	–
Stripping ratio*	1.68	1.89		1.69	1.64

\* Stripping ratio is calculated on ex-pit production



# Operational review – Thabazimbi Mine

- Exceptional safety performance
- Production and sales driven by ArcelorMittal offtake and rail constraints
- Life of mine extended to 2014
- Stripping ratio in line with the life of mine plan

(Mt)	12 months		% change	6 months	
	31 Dec 2007	31 Dec 2006		31 Dec 2007	30 Jun 2007
Sales	2.4	2.4	–	1.1	1.3
Final product	2.7	2.4	13	1.3	1.4
Waste mined	19.0	18.6	2	8.9	10.1
ROM production	3.3	3.1	6	1.6	1.7
Stripping ratio*	5.8	6.0		5.6	5.9

\* Stripping ratio is calculated on ex-pit production



● SALES & MARKETING







# Logistics and sales

- Rail and port systems performed satisfactorily
- Export sales up 12% to 24.0 Mt

(Mt)	12 months		% change	6 months	
	31 Dec 2007	31 Dec 2006		31 Dec 2007	30 Jun 2007
Railed to port	24.6	24.3	1	13.1	11.5
Total sales	32.9	29.8	10	16.6	16.3
– Sales export	24.0	21.5	12	12.2	11.8
– Sales domestic	8.9	8.3	7	4.4	4.5
<i>Sishen Mine</i>	6.5	5.9	10	3.3	3.2
<i>Thabazimbi Mine</i>	2.4	2.4	–	1.1	1.3



# Buoyant iron ore market

## Demand side

- Global steel demand growth expected to exceed 6% p.a. to 2010, driven by China
- Chinese steel production expected to grow from 489 Mt in 2007 to 750 Mt in 2012
- Chinese domestic iron ore production growth cannot compensate for diminishing grades

## Supply side

- Record freight rates, expected to come down only from 2009
- Supply constraints in Australia, Brazil and India due to:
  - infrastructure bottlenecks
  - project delays

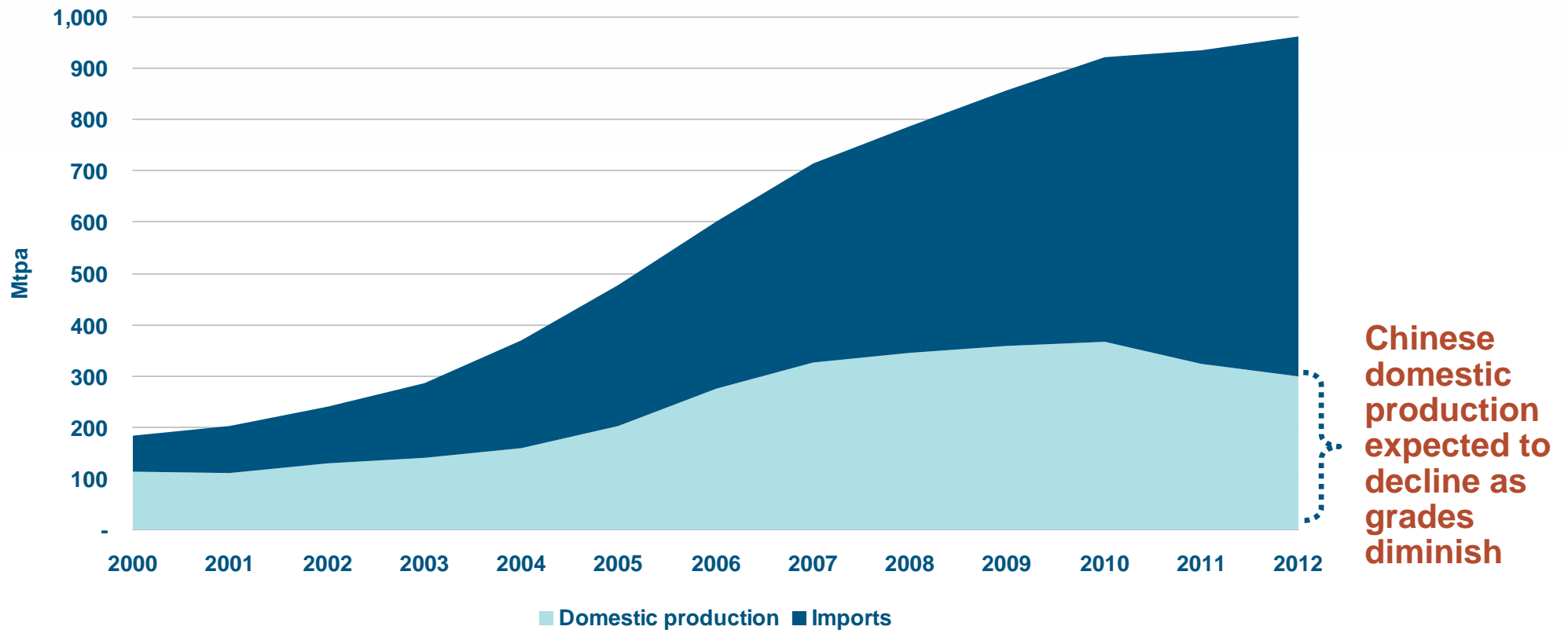


## Other factors

- Weakening US\$, possible US recession
- Rising inflation in China slowing growth
- Potential consolidation in iron ore supply

# China's iron ore requirements

Iron ore imports by China need to increase as domestic production will be unable to compensate for lower grades



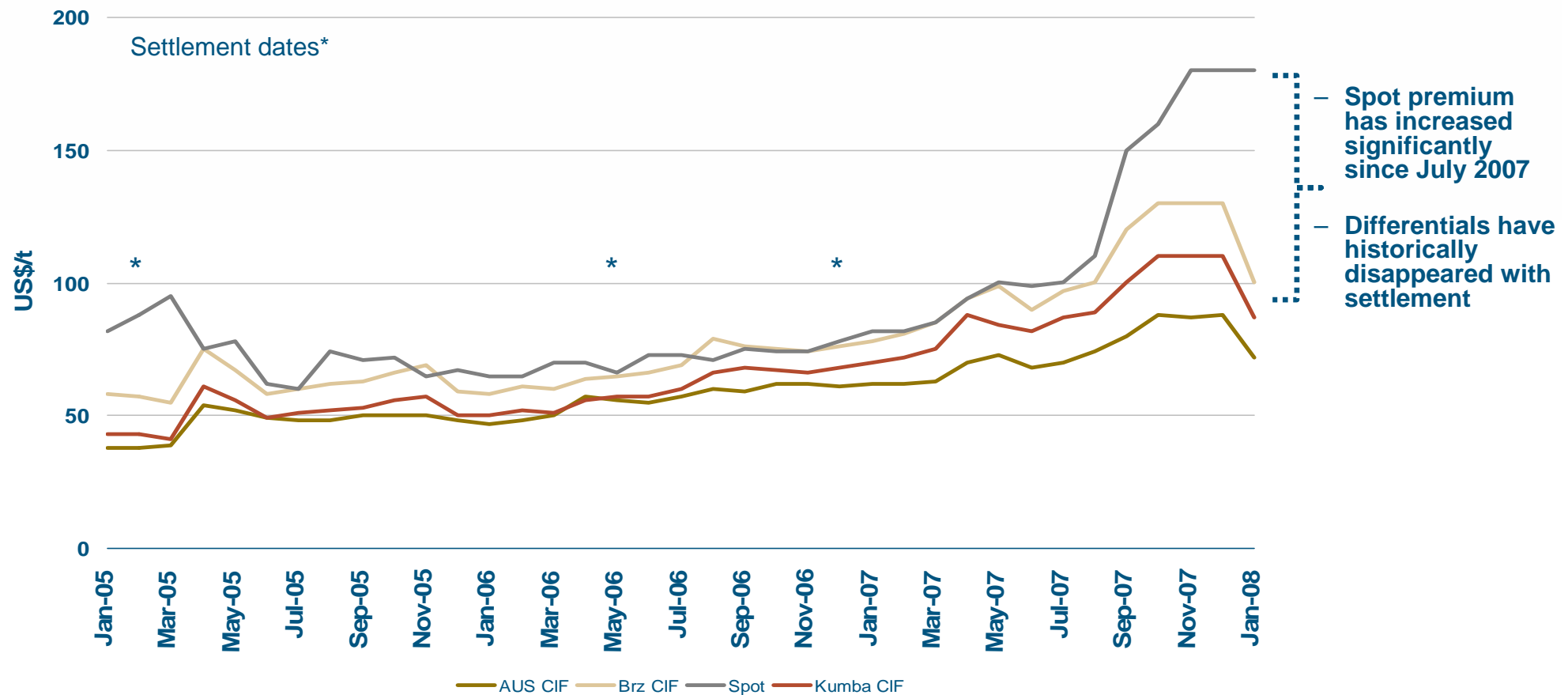
Note: Chinese domestic production on a rich ore equivalent basis (63.5% Fe)

Source: CRU, Kumba analysis



# CIF prices to China

The differential between spot and contract prices, a leading indicator of the annual iron ore price settlement, has increased significantly in recent months



Note: CIF prices estimated from FOB price and spot freight rates  
 Sources: Metal Bulletin, SSY, Kumba analysis

# FINANCIAL REVIEW





# Highlights

## Revenue

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**Up 33%**  
from R8.7 billion  
to R11.5 billion

## Sishen Mine unit cost/tonne

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**R79.90**  
(2006 – R77.93)

## Cash generated by operations

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**R5.8 billion**

## Headline earnings

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**R3.1**

**billion**  
974 cents per share

## Capital expenditure

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**R2.1 billion**

## Final dividend (CPS)

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**400**

(interim 350)



# Financial overview

(Rm)	12 months		% change	6 months		% change
	31 Dec 2007	31 Dec 2006		31 Dec 2007	30 Jun 2007	
Revenue	11 497	8 654	33	6 066	5 431	12
Operating expenditure*	(5 519)	(4 719)	(17)	(3 037)	(2 482)	(22)
Operating profit*	5 978	3 935	52	3 029	2 949	3
Operating margin (%) (EBIT)*	52	45		50	54	
Profit attributable to:	3 902	4 275	(9)	1 917	1 985	(3)
– equity holders of Kumba	3 100	3 381	(8)	1 521	1 579	(4)
– minority interest	802	894	(10)	396	406	(2)
Headline earnings	3 062	2 125	44	1 484	1 578	(6)
Effective tax rate (%)**	27	21		27	27	
Cash from operations	5 806	4 277	36	2 798	3 017	(7)
Capital expenditure	2 119	1 718	23	953	1 166	(18)

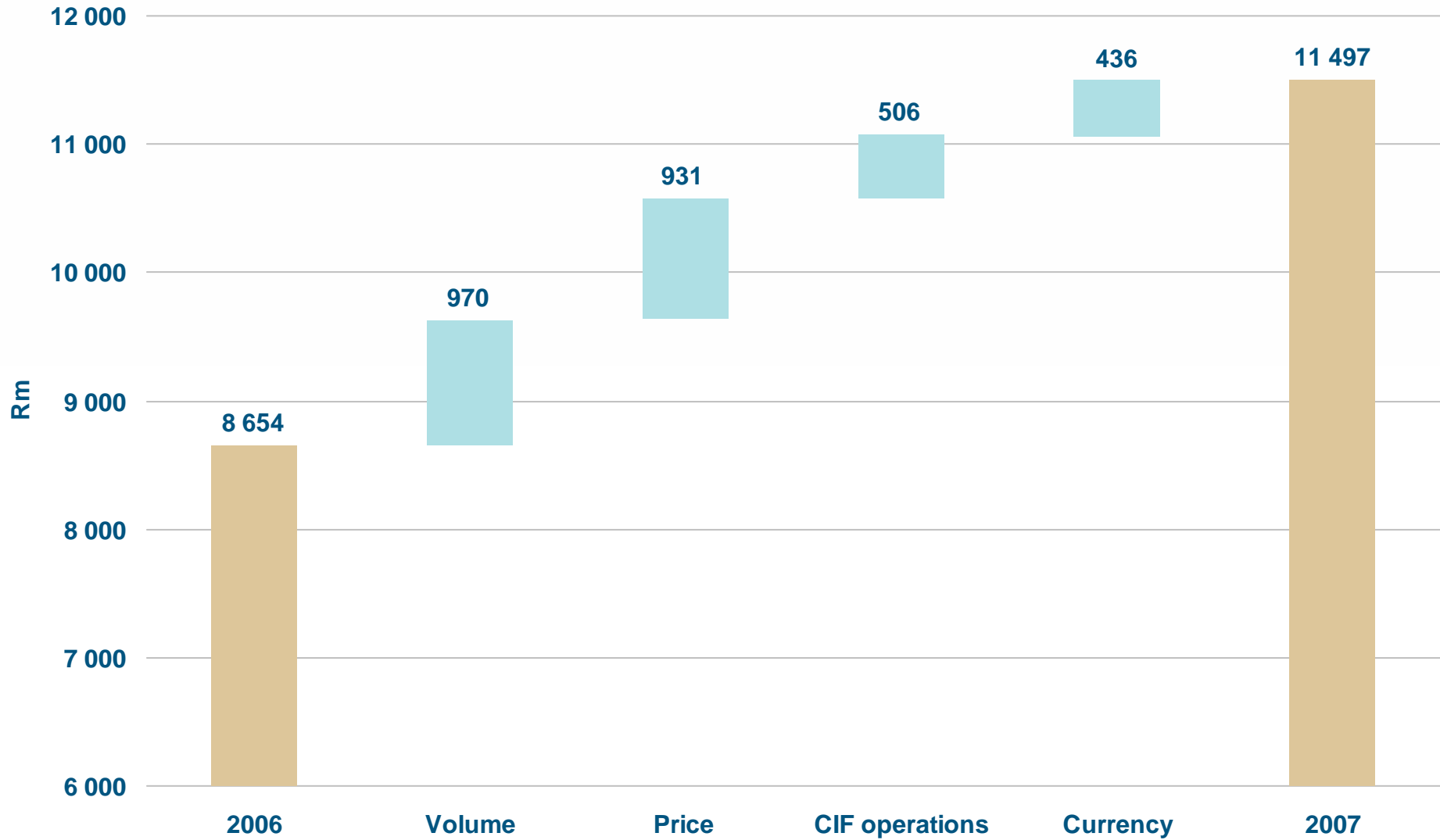
\* 31 December 2006 results adjusted for the once-off net surplus on the sale of non-iron ore assets of R1 571 million and share based payment expense – SIOC Community Development SPV of (R153 million)

\*\* Excluding STC





# Revenue – variance





# Revenue – sector analysis

(Rm)	12 months		% change	6 months	
	31 Dec 2007	31 Dec 2006		31 Dec 2007	30 Jun 2007
Revenue – export	9 064	7 110	27	4 579	4 485
– Tonnes sold (Mt)	24.0	21.5	12	12.2	11.8
– Rand per tonne	382	330	16	384	380
– US dollar per tonne	53.83	47.97	12	55.51	53.15
Revenue – domestic (Sishen Mine)	827	522	58	443	384
– Tonnes sold (Mt)	6.5	5.9	10	3.3	3.2
– Rand per tonne	127	88	44	134	120
Revenue – domestic (Thabazimbi Mine) *	521	443	18	271	250
– Tonnes sold (Mt)	2.4	2.4	–	1.1	1.3
– Rand per tonne	217	185	17	246	192
Revenue – CIF operations	1 085	579	87	773	312
Total revenue	11 497	8 654			
			33	6 066	5 431

\* Revenue is presented after the accounting effect of IFRIC 4. Captive assets, the related depreciation and revenue from these assets are derecognised.



# Aggregate operating expenditure

(Rm)	12 months			6 months		
	31 Dec 2007	31 Dec 2006	% change	31 Dec 2007	30 Jun 2007	% change
Operating expenditure	<b>5 519</b>	4 719	(17)	<b>3 037</b>	2 482	(22)
Cost of goods sold	<b>3 078</b>	2 689	(14)	<b>1 562</b>	1 516	(3)
Production costs	<b>3 480</b>	2 738	(27)	<b>1 891</b>	1 589	(19)
Sishen Mine	<b>2 776</b>	2 270	(22)	<b>1 466</b>	1 310	(12)
Thabazimbi Mine	<b>547</b>	455	(20)	<b>286</b>	261	(10)
Other	<b>157</b>	13		<b>139</b>	18	
Inventory movements	<b>(402)</b>	(49)		<b>(329)</b>	(73)	
Finished products	<b>7</b>	(29)		<b>(141)</b>	148	
Work in progress – “A” grade	<b>31</b>	(20)		<b>25</b>	6	
Work in progress – “B” grade	<b>(440)</b>	–		<b>(213)</b>	(227)	
Other	<b>260</b>	405	(36)	<b>148</b>	112	(32)
Expenditure – CIF operations	<b>887</b>	479	(85)	<b>620</b>	267	(132)
Selling, rail and port costs	<b>1 300</b>	1 151	(13)	<b>710</b>	590	(20)
Sublease rent received	<b>(6)</b>	(5)	20	<b>(3)</b>	(3)	–

“A” grade material > 60% Fe content

“B” grade material 50% – 60% Fe content primarily feedstock for SEP

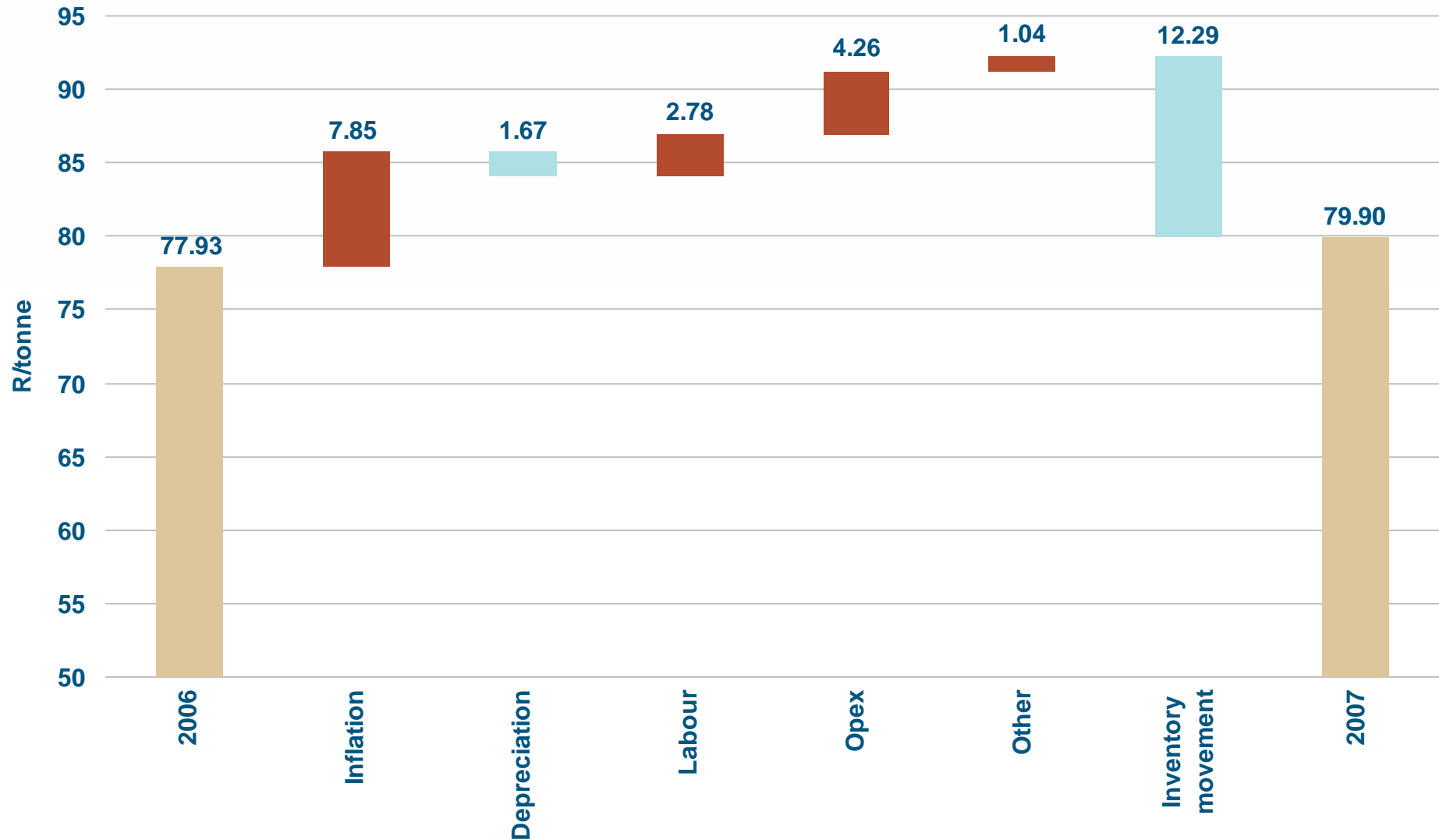


# Sishen Mine – unit cost

(Rm)	12 months			6 months		
	31 Dec 2007	31 Dec 2006	% change	31 Dec 2007	30 Jun 2007	% change
Production (Mt)	<b>29.7</b>	28.7	4	<b>15.5</b>	14.2	9
Cost of goods produced	<b>2 375</b>	2 236	(6)	<b>1 278</b>	1 097	(16)
Production costs	<b>2 776</b>	2 270	(22)	<b>1 466</b>	1 310	(12)
Inventory movements	<b>(401)</b>	(34)		<b>(188)</b>	(213)	
Work in progress – “A” grade	<b>39</b>	(34)		<b>25</b>	14	
Work in progress – “B” grade	<b>(440)</b>	–		<b>(213)</b>	(227)	
Sishen Mine – unit cost (R/tonne)	<b>79.90</b>	77.93	(2.5)	<b>82.43</b>	77.11	(7)

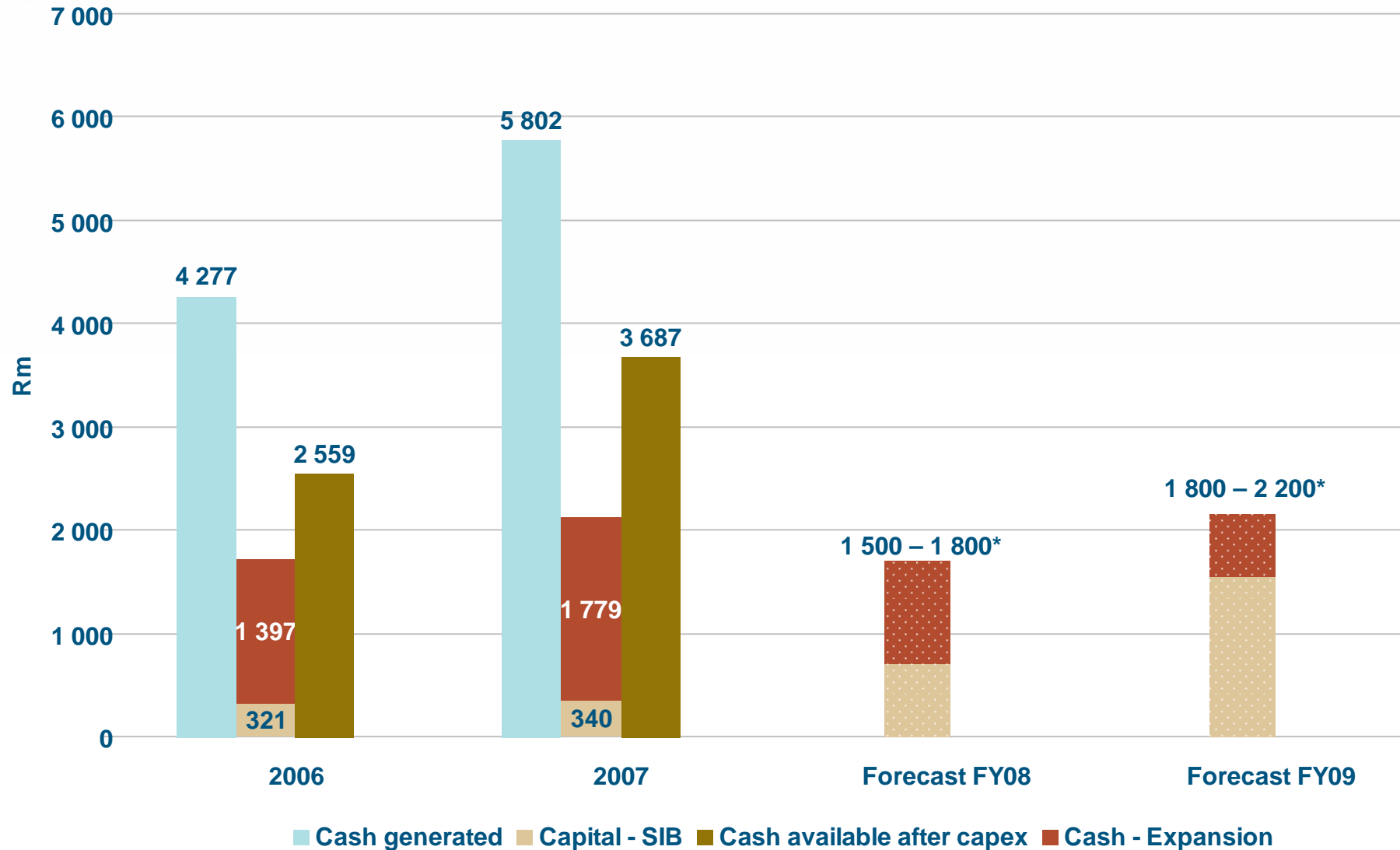


# Sishen Mine – unit cost variance





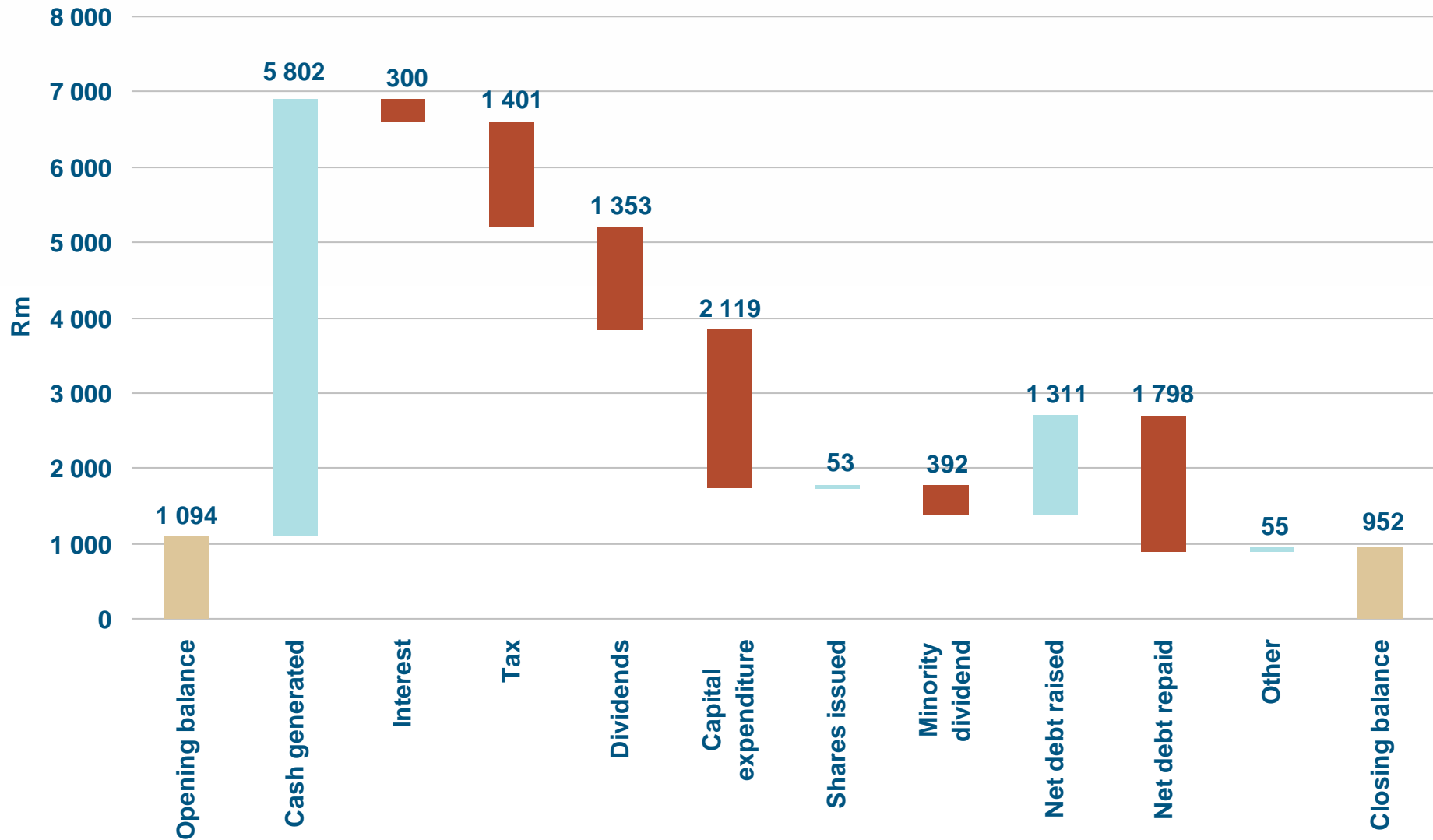
# Cash flow analysis



\* Excludes capital expenditure for Sishen South of approximately R0.75 billion in 2008 and R2.5 billion 2009



# Cash flow variance – 2007







# Dividend – cash flows

(Rm)	<b>Total dividend  2007</b>	<b>Final dividend  31 Dec 2007</b>	<b>Interim dividend  30 Jun 2007</b>
Dividend declared by Sishen Iron Ore Company (SIOC)	3 266	1 755	1 511
STC	364	175	189
Gross dividend declared by SIOC	3 630	1 930	1 700
	3 266	1 755	1 511
– Kumba	2 417	1 298	1 119
– Exxaro	653	351	302
– SIOC Community Development SPV	98	53	45
– SIOC Employee Share Participation Scheme (Envision)	98	53	45



# Kumba dividend

- Final dividend of 400 cents per share
- Total dividend of 750 cents per share
- Strong balance sheet and robust cash flow

	<b>Total dividend 2007</b>	<b>Final dividend 31 Dec 2007</b>	<b>Interim dividend 30 Jun 2007</b>
Earnings per share (cents per share)	<b>985</b>	<b>483</b>	502
Dividend per share (cents per share)	<b>750</b>	<b>400</b>	350
Total dividend declared (Rm)	<b>2 371</b>	<b>1 268</b>	1 103



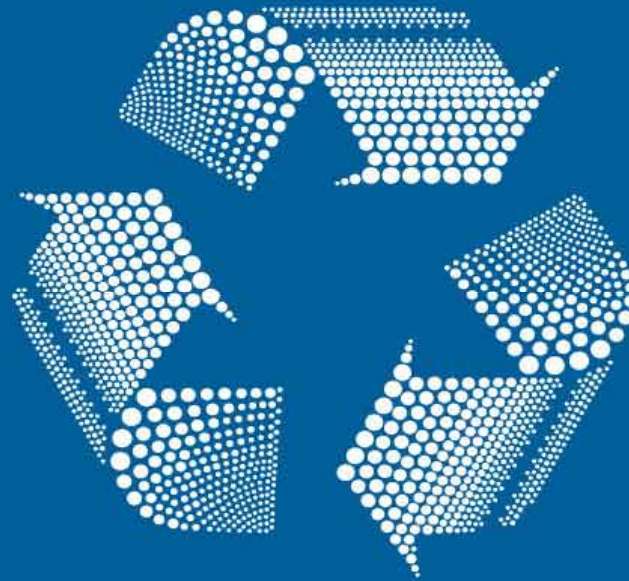
# Gearing

- Strong cash generation, R5.8 billion, reduced net debt position
- Based on historic forecasts, a net debt position of around R4.25 billion at 31 December 2008 assuming R0.75 billion required for Sishen South
- Maximum debt in terms of covenants – R4.5 billion being renegotiated

(Rm)	31 Dec 2007	31 Dec 2006
Interest-bearing borrowings	3 530	4 019
Cash and cash equivalents	(952)	(1 094)
Net debt	2 578	2 925
Total equity	3 295	1 055
Interest cover (times)	19	61

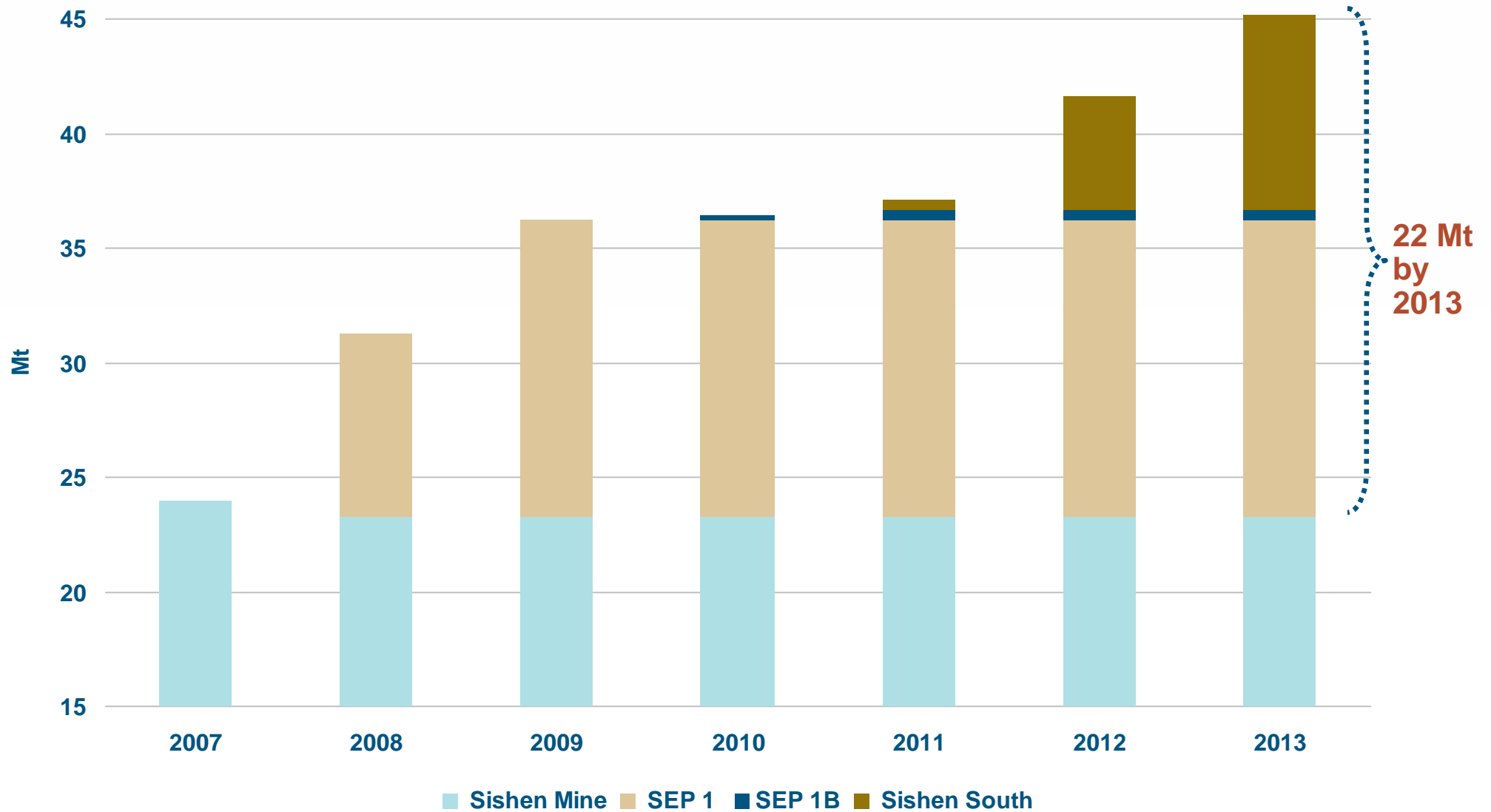


# PROJECT PIPELINE



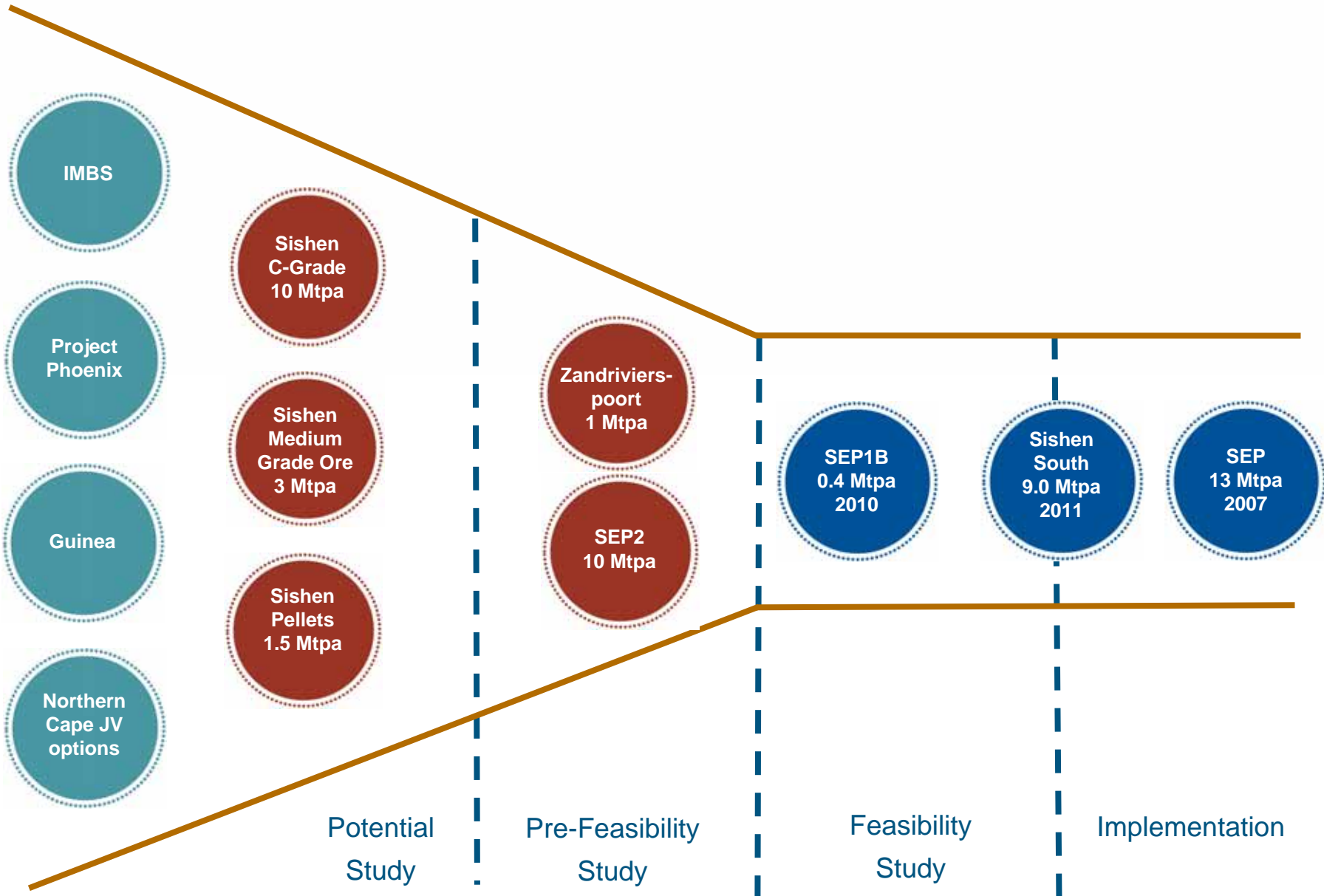


# Doubling Northern Cape exports





# Project pipeline





# SEP implementation status



**13 Mtpa expansion**  
utilising jigging  
technology to  
beneficiate medium  
grade ore previously  
classified as waste

## Project commissioning and ramp-up:

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- 2 tertiary crushers and 4 jig modules brought into production in 2007
- 173 000 tonne produced in 2007
- Primary and secondary crushers commenced production in January 2008
- Full design capacity in 2009

## Capital expenditure:

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- R3.3 billion to date
- Project to be completed on budget of R5.1 billion





# Sishen South

**Greenfields project**  
9 Mtpa direct  
shipping ore, 70 km  
south of Sishen Mine,  
similar to SEP grade  
ore

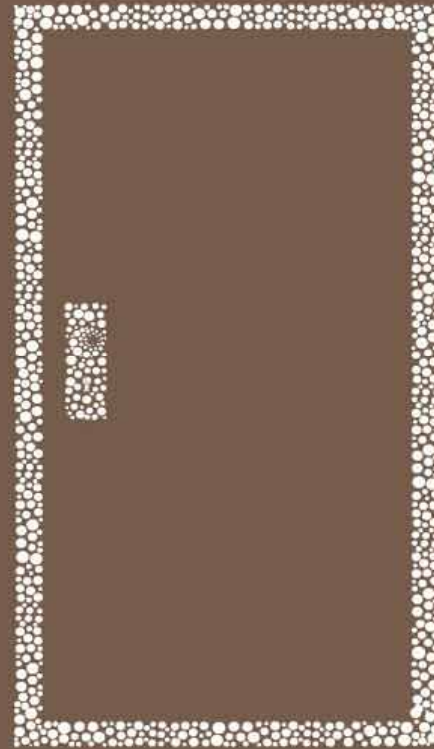
- Dependent on finalising logistics arrangements with Transnet and mining rights
- Capital expenditure estimate – R5.4 billion real



# OUTLOOK



KUMBA IRON ORE





# Outlook

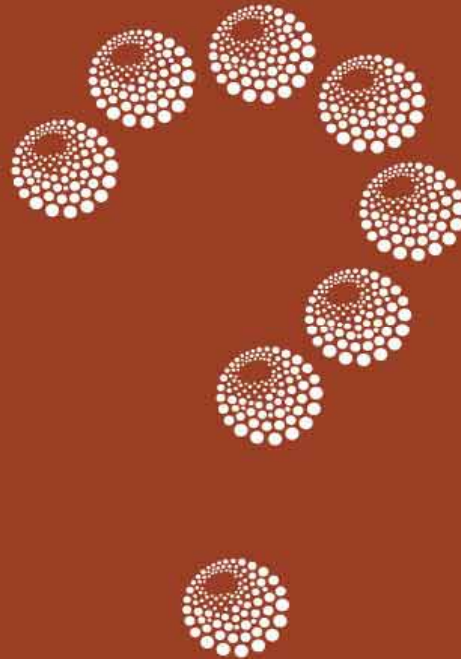
- Energy
- Iron ore market remains buoyant
- Substantial price increase expected
- Highly sensitive to the Rand/US Dollar exchange rate
- Operating costs remain under pressure
- Jig plant to ramp up to 13.0 Mt in early 2009



# QUESTIONS AND ANSWERS

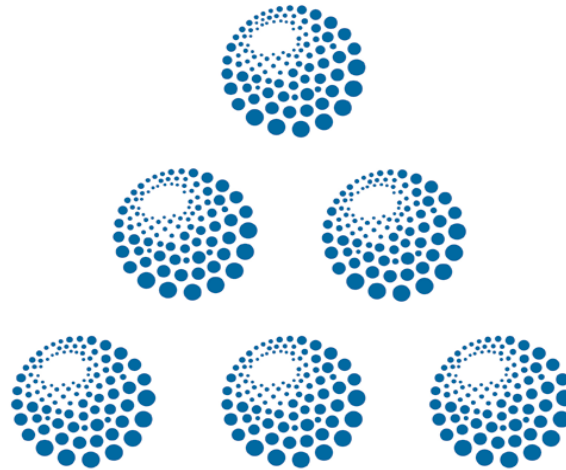


KUMBA IRON ORE





# ANNEXURES





# Headline earnings

(Rm)	12 months		6 months	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	30 Jun 2007
Profit	3 100	3 381	1 521	1 579
Net (profit)/deficit on disposal or scrapping of property, plant and equipment	(14)	2	(10)	(4)
Net surplus on disposal of investment in non-iron ore assets	–	(1 571)	–	–
Realisation of foreign currency translation reserve	(34)	-	(34)	–
	3 052	1 812	1 477	1 575
Taxation effect of adjustments	1	(1)	(2)	3
Minority interests in adjustments	9	314	9	–
Headline earnings	3 062	2 125	1 484	1 578



# Reconciliation of attributable profit

(Rm)	12 months		% change	6 months	
	31 Dec 2007	31 Dec 2006		31 Dec 2007	30 Jun 2007
Profit	3 902	4 275	(9)	1 917	1 985
Attributable to minorities	(802)	(894)	(10)	(396)	(406)
– Exxaro*	(784)	(894)	(12)	(383)	(401)
– SIOC Community Development Trust**	(7)	–		(4)	(3)
– Envision***	(11)	–		(9)	(2)
Attributable to equity holders of Kumba	3 100	3 381	(8)	1 521	1 579

\* 20% interest in the profits of Sishen Iron Ore Company (SIOC)

\*\* Guaranteed dividend paid to SIOC Community Development Trust funded by the 31 December 2006 SIOC dividend

\*\*\* 50% of the 31 December 2006 SIOC dividend distributed on SIOC shares allocated to employees





# Reconciliation of minority interest

(Rm)	2007
Minority interest – 31 December 2006	216
Profit for the period	802
– <i>Exxaro</i>	784
– <i>SIOC Community Development Trust</i>	7
– <i>Envision</i>	11
Dividends paid	(383)
– <i>Exxaro</i>	(373)
– <i>SIOC Community Development Trust</i>	(7)
– <i>Envision</i>	(12)
– <i>Recoupment of Envision dividend*</i>	9
Interest in movement in equity reserves	6
Minority interest – 31 December 2007	641

\* Minority interest in the recoupment by SIOC of the dividend received by the Envision



# Reconciliation of total equity

(Rm)	2007
Shareholders' equity, attributable to	2 654
– <i>equity holders of Kumba</i>	2 462
– <i>SIOC Community Development SPV and Envision*</i>	192
Minority interest	641
Total equity	3 295

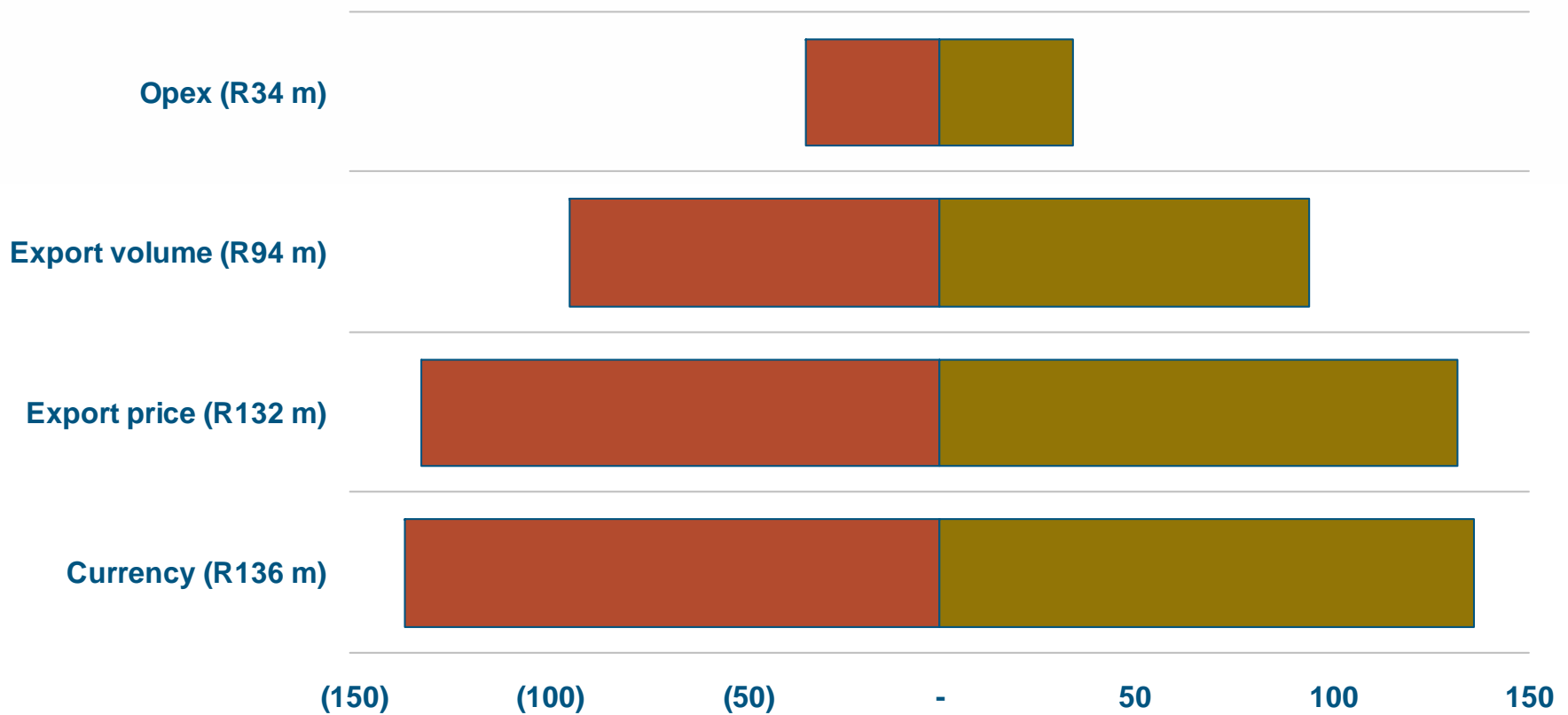
\* SIOC Community Development SPV and Envision each hold an interest of 3% in SIOC.

For purposes of the preparation of the condensed consolidated interim financial statements SIOC Community Development SPV and Envision are considered special purpose entities and are therefore consolidated.



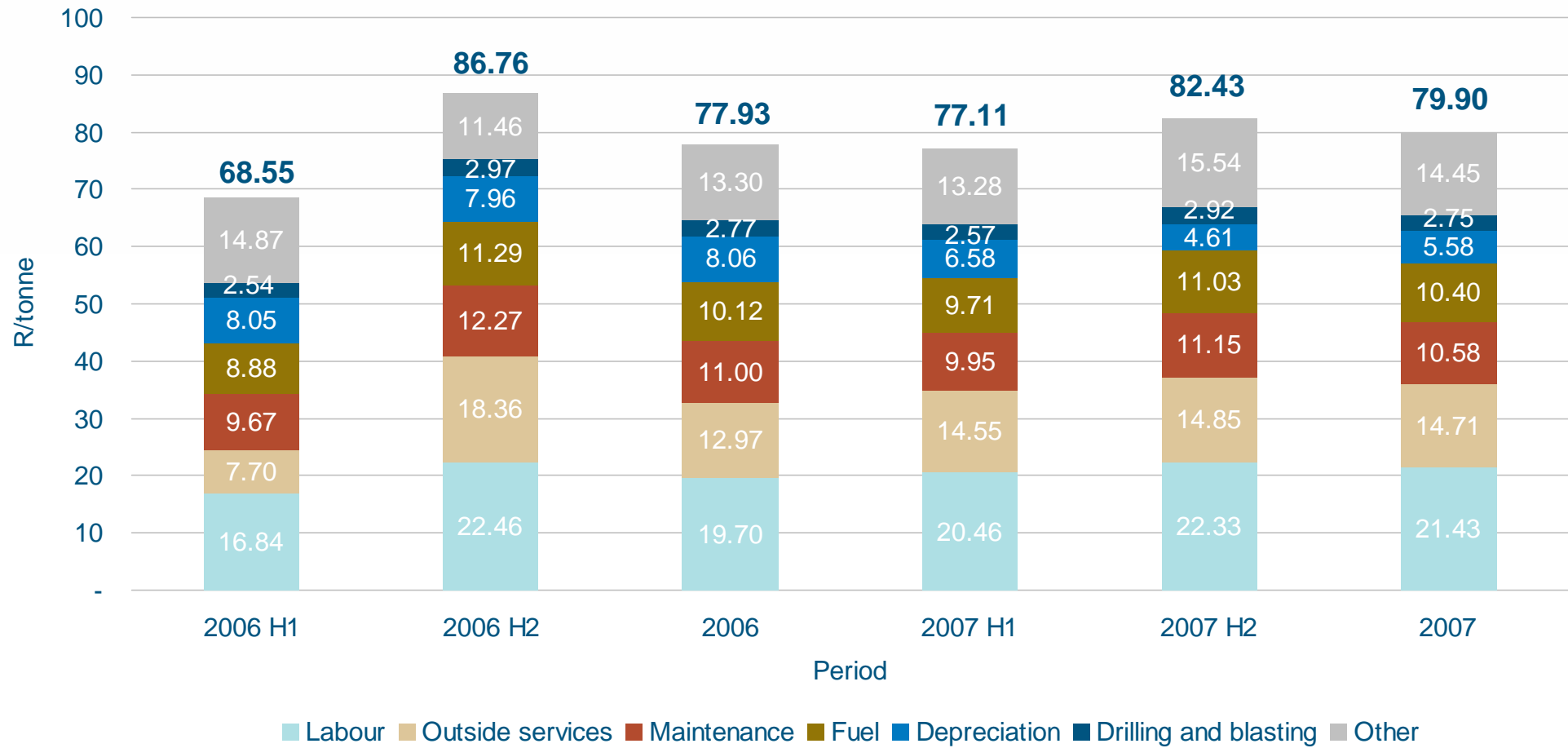
# Changes in operating profit for 2008

of a 1% change in



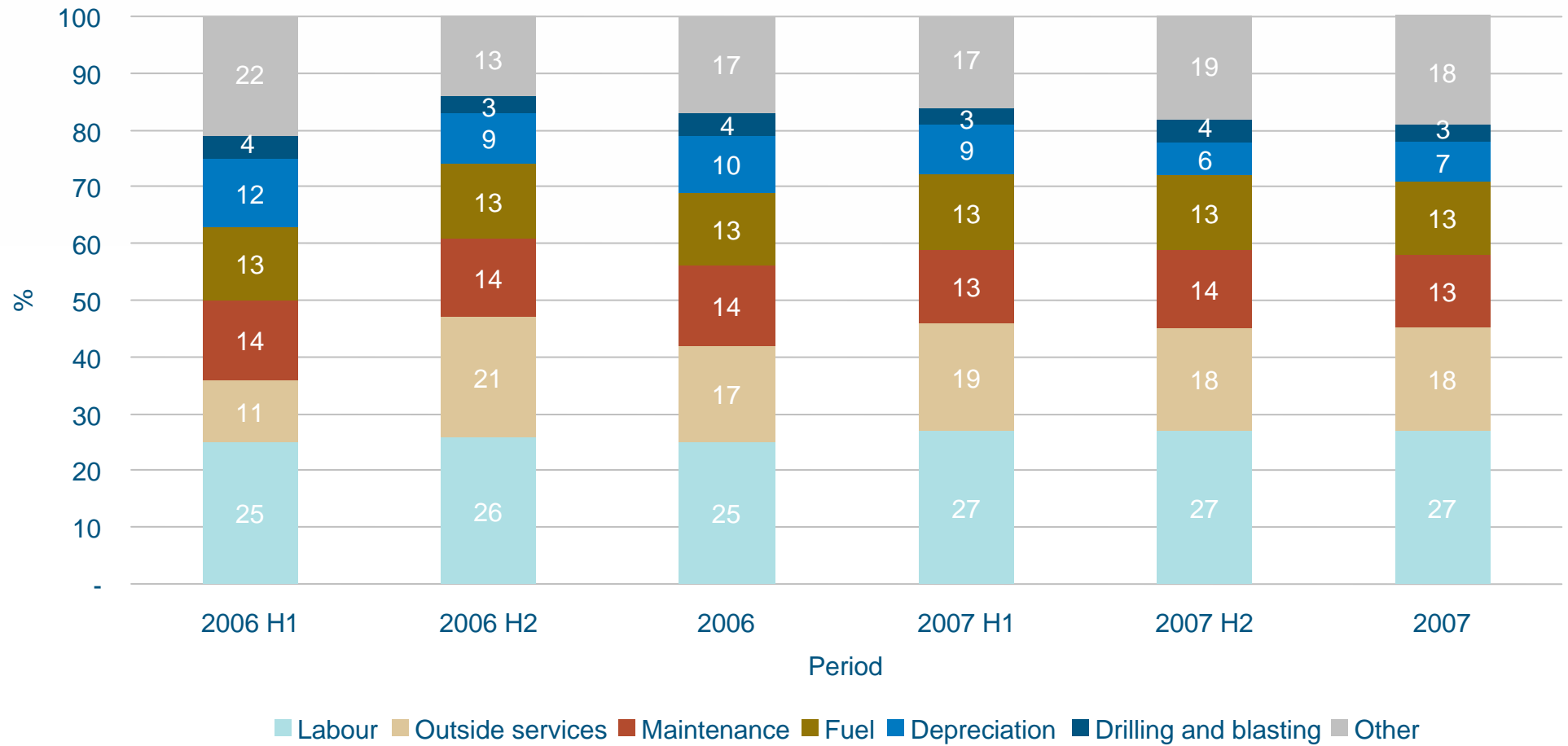


# Sishen Mine – cost structure (R/tonne)





# Sishen Mine – cost structure (%)





# Sishen Mine – total tonnes mined

