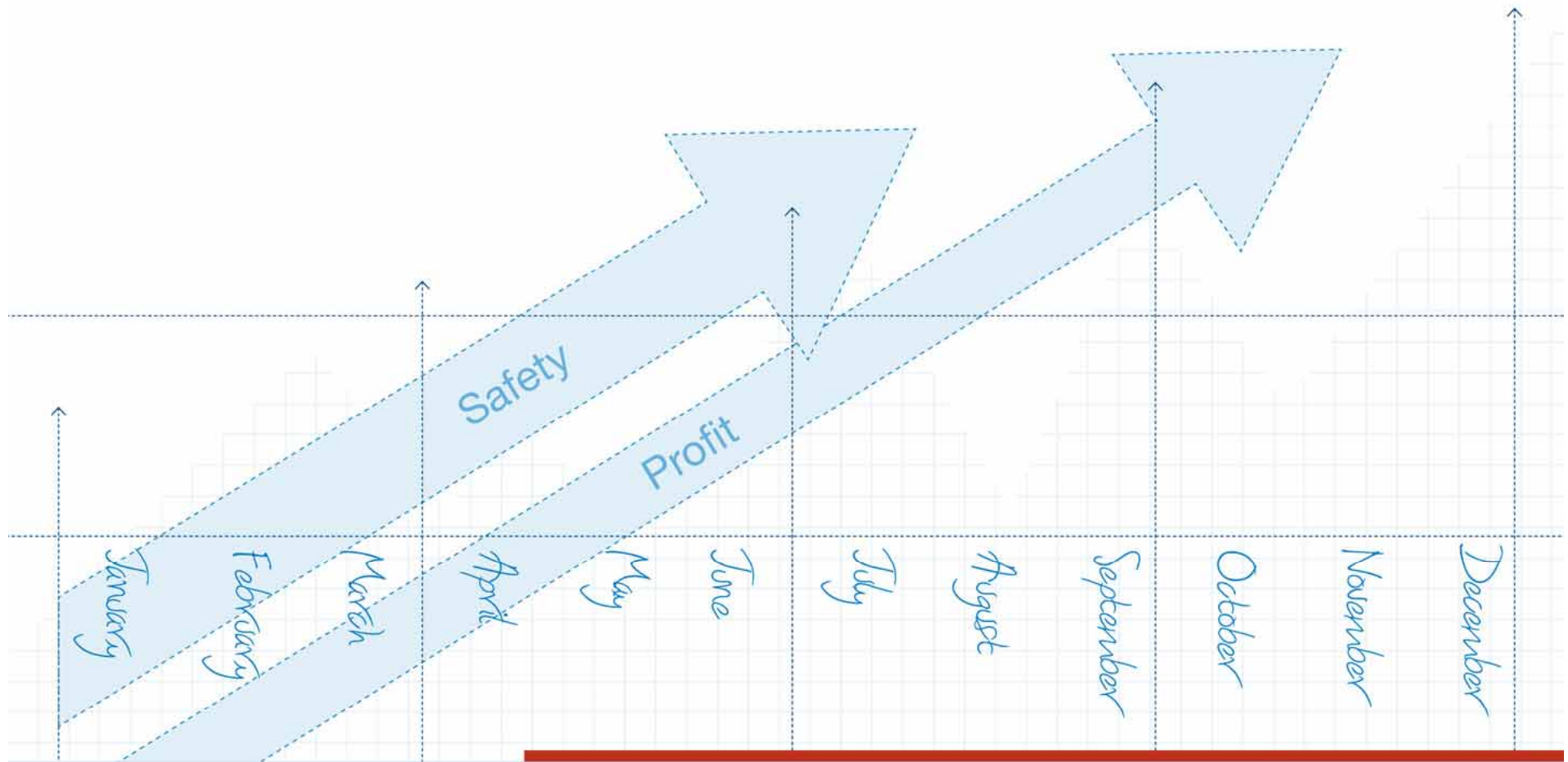


# Annual Financial Results 2008

16 February 2009



# Disclaimer



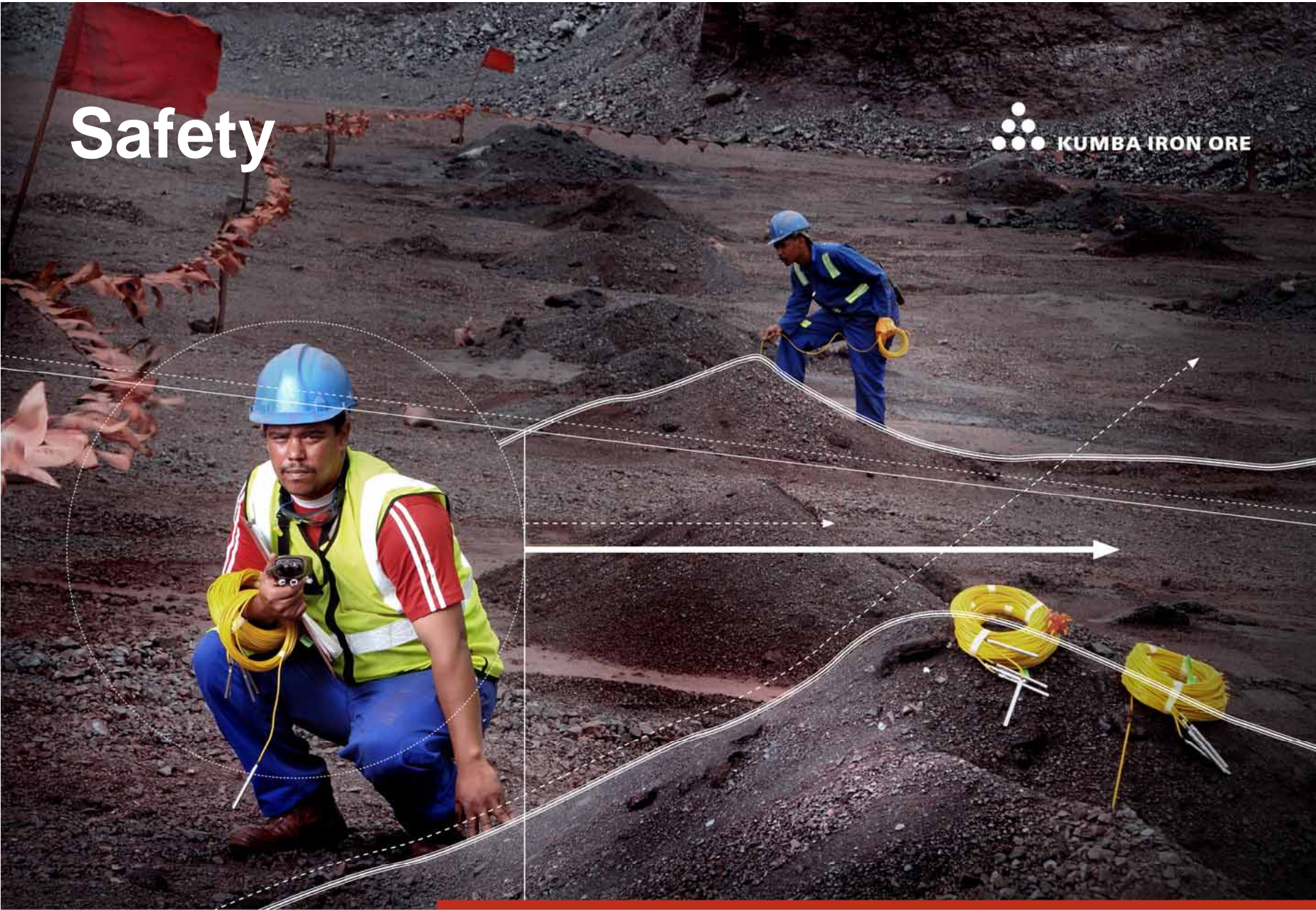
Our presentation contains some forward looking statements with respect to the financial condition, results, operations and businesses of the company. These statements and forecasts involve risk and uncertainty because they relate to events that depend on circumstances in the future there are a number of factors that could cause actual results or developments to differ from those expressed or implied by these forward looking statements. When relying on forward looking statements to make investment decisions you should carefully consider these factors, as well as other uncertainties and events.

# Highlights



- Significant safety improvement
- Sishen Mine production up 15% to 34Mt
- Export sales volumes up by 4%, but impacted by global downturn in Q4
- Outstanding financial performance
- Headline earnings of R7.3 billion more than doubled year-on-year
- Final dividend payout – R13 per share
- Conversion of all mining rights strengthens business security
- 9Mtpa Sishen South project approved, funding in place, construction underway

# Safety

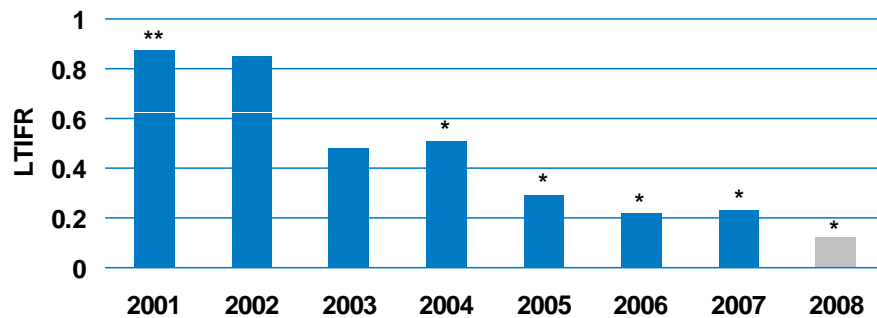


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# Safety

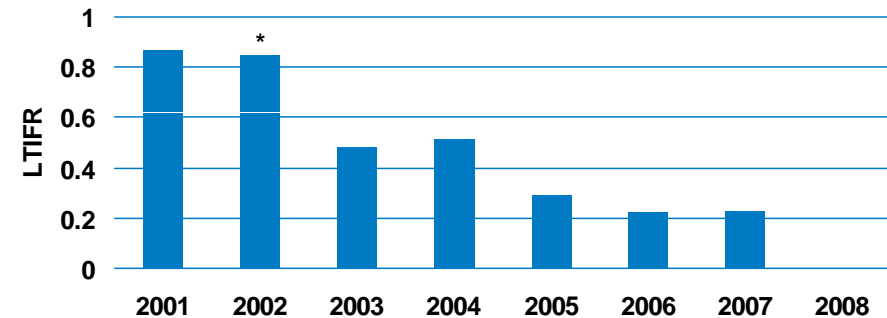


- Sishen Mine achieved best ever LTIFR of 0.12; a 50% improvement on 2007
- Thabazimbi Mine LTI and fatality free for the entire year
- Thabazimbi Mine now 6 years without a fatality
- Commitment to zero harm, visible achievements



Sishen Mine

\* Fatality



Thabazimbi Mine



# Operational review – Sishen Mine



- Sishen Mine production up 15% to 34Mt
- DMS production stable – 28.4Mt
- Jig plant production ramps up – 4.7Mt
- Additional initiatives deliver 0.9Mt

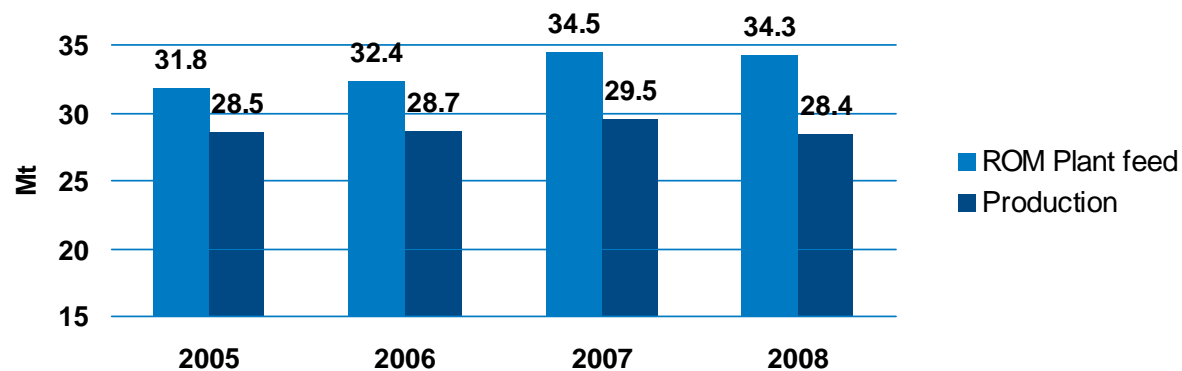
(Mt)	12 months 31 Dec 2008	12 months 31 Dec 2007	% change	6 months 31 Dec 2008	6 months 30 Jun 2008
Total tonnes mined	107.6	104.4	3%	56.7	50.9
ROM production	44.6	38.9	15%	22.9	21.7
Waste mined	63.0	65.5	-4%	33.7	29.3
Final product	34.0	29.7	15%	18.2	15.8
– DMS	28.4	29.5	-4%	14.4	14.0
– Jig	4.7	0.2		3.4	1.3
– Other	0.9	–		0.4	0.5
Stripping ratio	1.41	1.68		1.47	1.35

Sishen Mine

# Operational review – Sishen Mine DMS plant



- Production stable at 28.4Mt for the year
- FY2008 DMS production 1.1Mt less than previous year; due to:
  - Lower yield (82.5% in FY2008 versus 86% in FY2007); and
  - Enhanced focus on product quality in Q4

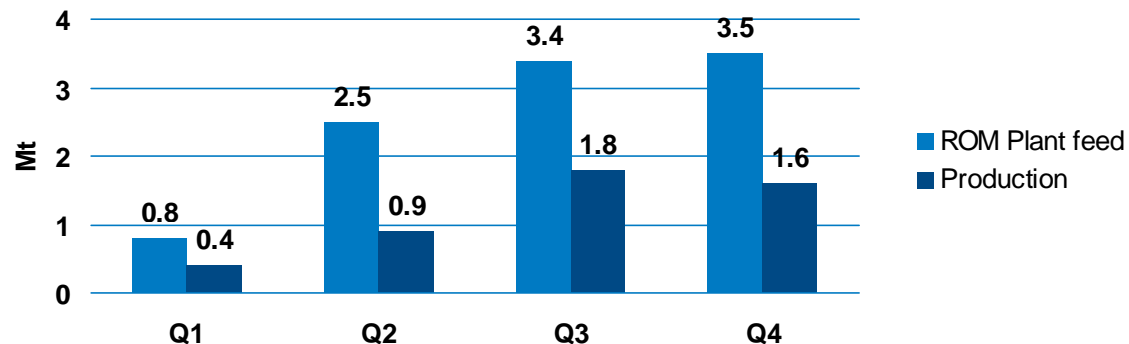


Sishen Mine DMS Plant – 2008

# Operational review – Sishen Mine Jig plant (SEP)



- Production of 4.7Mt for the year
- Bed plates and poppit valves – design and engineering problems resolved
- Jig 7 and 8 commissioned in August 2008
- Q4 production reduced to enhance product quality
  - Improving plant feed grade; and
  - Reducing plant throughput rate
- Jig production to reach nameplate capacity in Q4 of 2009



Sishen Mine Jig Plant – 2008

# Operational review – Sishen Mine

## Logistics and sales



- Full year export sales volumes up 4% to 24.9Mt
- Q4 sales impacted by:
  - Shiploader breakdown
  - Reduced demand from Europe, Japan and Korea
- Stock build up of additional 3.5Mt at Sishen Mine and Saldanha port
- Domestic sales decline due to lower demand from ArcelorMittal
- Transnet rail performance improved towards year-end

(Mt)	12 months 31 Dec 2008	12 months 31 Dec 2007	% change	6 months 31 Dec 2008	6 months 30 Jun 2008
Production	34.0	29.7	15%	18.2	15.8
Railed to port	27.8	24.6	13%	15.1	12.7
Total sales	30.5	30.5	–	14.5	16.0
Sales – export	24.9	24.0	4%	11.6	13.3
Sales – domestic	5.6	6.5	-14%	2.9	2.7

Sishen Mine

# Operational review – Thabazimbi Mine



- Record safety performance
- Production in line with contractual commitments
- Current Life-of-Mine until 2014
- Phoenix project study underway

(Mt)	12 months 31 Dec 2008	12 months 31 Dec 2007	% change	6 months 31 Dec 2008	6 months 30 Jun 2008
Total tonnes mined	12.2	22.2	-45%	6.6	5.6
Sales – domestic	2.5	2.4	4%	1.2	1.3
Production	2.7	2.7	-	1.4	1.3
Waste mined	8.9	19.0	-53%	5.0	3.9
ROM production	3.2	3.3	-3%	1.5	1.7
Stripping ratio	2.8	5.8		3.3	2.3

Thabazimbi Mine

# Iron ore market



## Full year 2008:

- Record 93% US\$ price increase for 2008/2009 iron ore year due to favourable settlements and focus on niche products
- Focus changed from quantity to quality as markets deteriorated in 2H 2008
- Europe accounted for 25% of export volume, Japan and Korea for 25% and China for 50%

## 4<sup>th</sup> Quarter 2008:

- Healthy margins despite downturn in the market
- Increased focus on non contractual Chinese customers, for contractual volume shortfalls in Europe and Japan

# Financial review

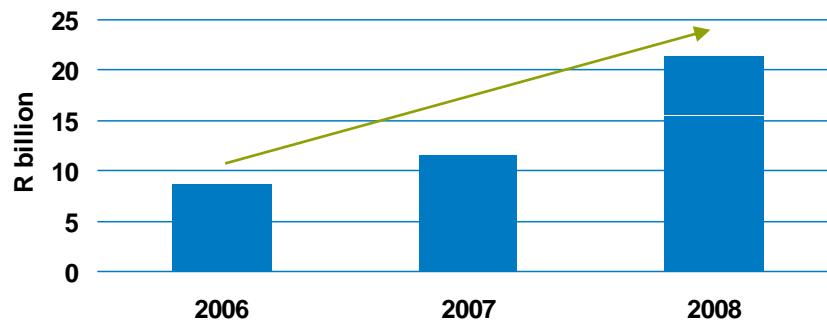


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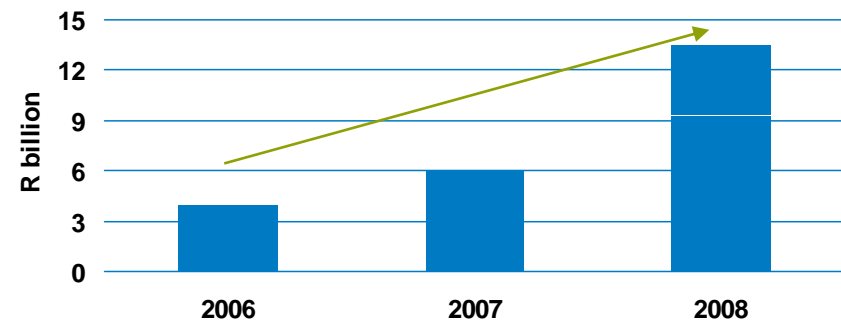
# Highlights



- Revenue up 86% from R11.5 billion to R21.4 billion
- Operating profit up 126% to R13.5 billion
- Cash generated by operations R14.5 billion
- Headline earnings R7.3 billion (R23.02 per share)
- Final cash dividend of R13.00 per share
- R5.4 billion debt raised



**Revenue:** CAGR 2006 – 2008: 35%



**Operating profit:** CAGR 2006 – 2008: 51%

# Financial overview



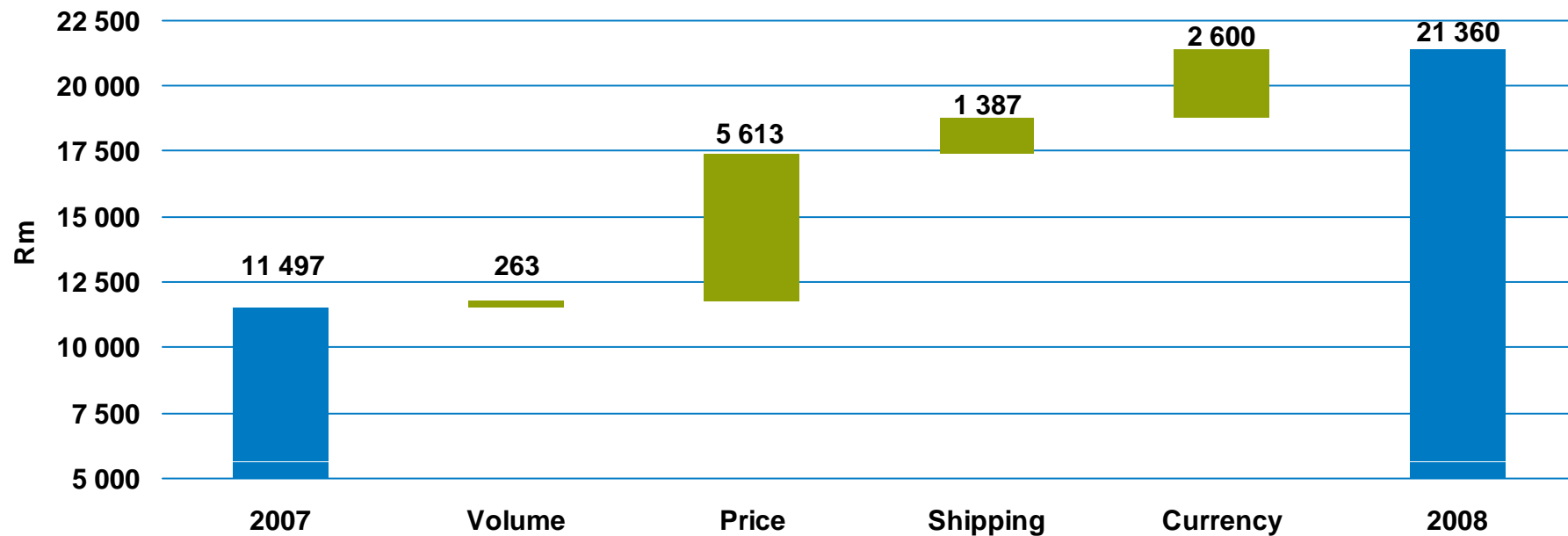
- Exceptional financial performance with cash generated of R14.5 billion

(Rm)	12 months 31 Dec 2008	12 months 31 Dec 2007	% change	6 months 31 Dec 2008	6 months 30 Jun 2008
Revenue	21 360	11 497	86%	12 312	9 048
Operating expenses	(7 847)	(5 519)	42%	(4 045)	(3 802)
Operating profit	13 513	5 978	126%	8 267	5 246
– Aggregate operating margin	63%	52%		67%	58%
– Mining operating margin	69%	56%		73%	63%
Profit attributable to:	9 083	4 003	127%	5 538	3 545
– equity holders of Kumba	7 208	3 181	127%	4 392	2 816
– minority interest	1 875	822	128%	1 146	729
Headline earnings	7 276	3 143	132%	4 460	2 816
Effective tax rate (%)	28%	27%		27%	28%
Cash generated from operations	14 519	5 805	150%	9 938	4 581
Capital expenditure	2 563	2 119	21%	1 757	806

# Revenue variance



- Record revenue on the back of higher prices and a weaker Rand



## Revenue – sector analysis



- Total revenue increased by 86%.....

(Rm)	12 months 31 Dec 2008	12 months 31 Dec 2007	% change	6 months 31 Dec 2008	6 months 30 Jun 2008
Export	17 547	9 064	94%	10 513	7 034
– Tonnes sold (Mt)	24.9	24.0	4%	11.6	13.3
– US Dollar per tonne	88	54	63%	103	75
Domestic (Sishen Mine)	761	827	-8%	430	331
– Tonnes sold (Mt)	5.6	6.5	-14%	2.9	2.7
– Rand per tonne	136	127	7%	148	123
Domestic (Thabazimbi Mine)	640	521	23%	380	260
– Tonnes sold (Mt)	2.5	2.4	4%	1.2	1.3
– Rand per tonne	252	217	16%	317	202
Shipping operations	2 412	1 085	122%	989	1 423
<b>Total revenue</b>	<b>21 360</b>	<b>11 497</b>	<b>86%</b>	<b>12 312</b>	<b>9 048</b>

## Sishen Mine unit cost



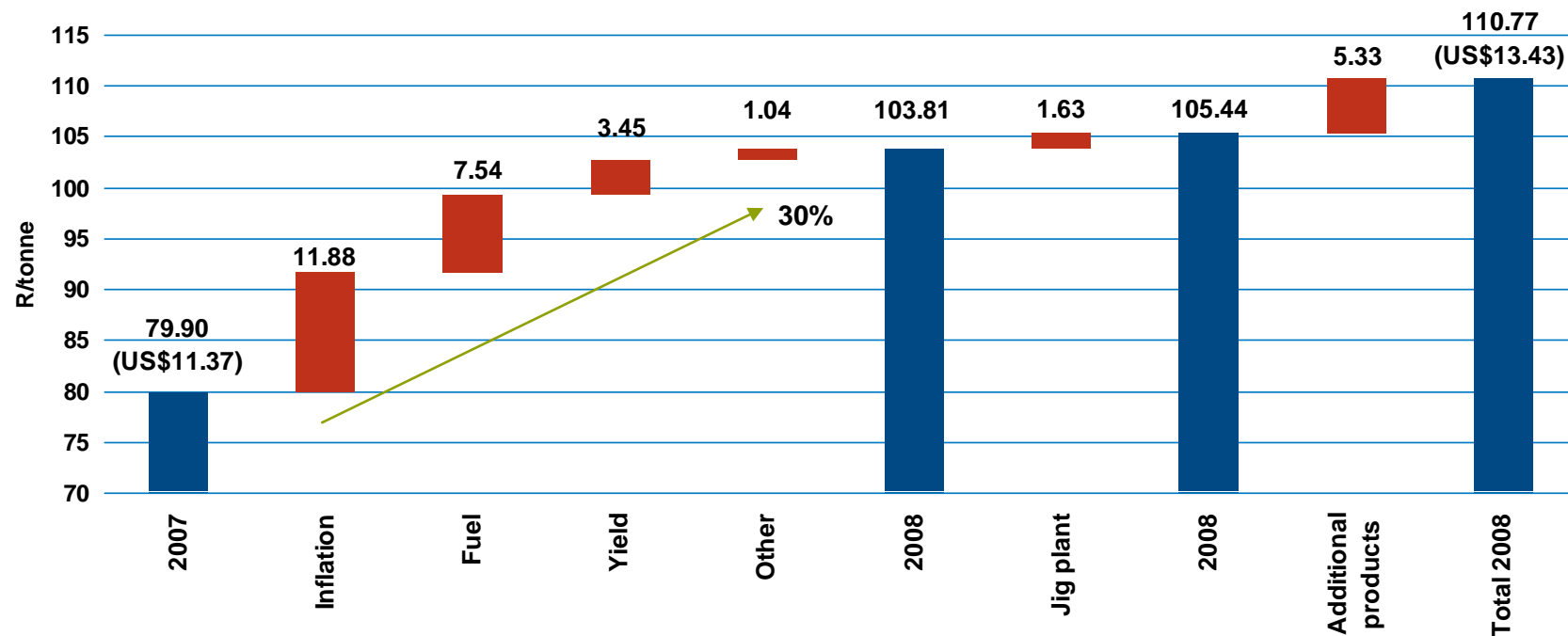
- Unit costs remained under pressure
- Significant price increases (diesel, steel and blasting materials)
- Unit cost negatively impacted by plant yields

(Rm)	12 months 31 Dec 2008	12 months 31 Dec 2007	% change	6 months 31 Dec 2008	6 months 30 Jun 2008	% change
Production (Mt)	34.0	29.7	15%	18.2	15.8	15%
Cost of goods produced	3 646	2 375	54%	2 257	1 389	62%
Production costs	3 769	2 776	36%	2 258	1 511	49%
Inventory movements WIP	(123)	(401)	-69%	(1)	(122)	-100%
– “A” Grade	79	39	103%	41	38	8%
– “B” Grade	(202)	(440)	-54%	(42)	(160)	-74%
Unit cost (R/tonne)	110.77	79.90	39%	124.86	93.39	34%
Cash cost (R/tonne)	101.86	74.32	37%	115.11	86.14	34%
Unit cost (US\$/tonne)	13.43	11.36	18%	13.01	12.21	7%

# Sishen Mine – unit cost variance



- 24% increase in unit costs, from
  - PPI 14% increase – R11.88/t
  - Fuel price increase 76% – R7.54/t



## Financial review – aggregate operating expenditure

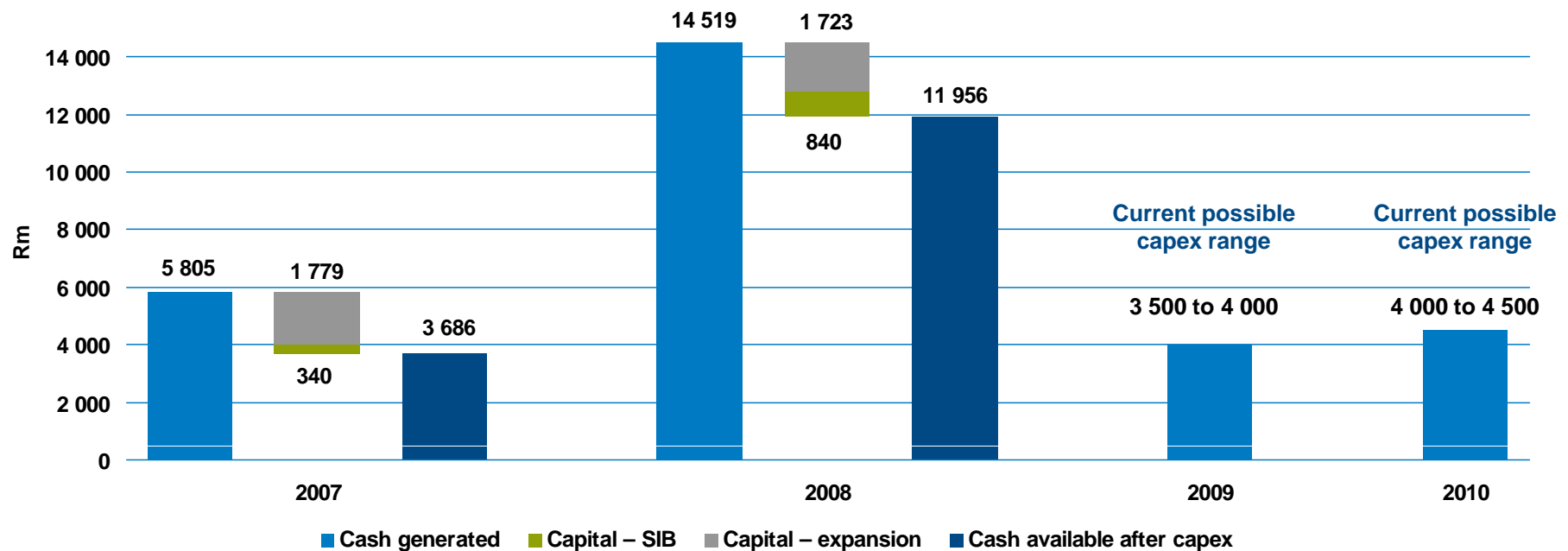


(Rm)	12 months 31 Dec 2008	12 months 31 Dec 2007	% change	6 months 31 Dec 2008	6 months 30 Jun 2008	% change
Cost of goods sold	3 791	3 338	14%	1 830	1 961	-7%
Production costs	4 458	3 480	28%	2 633	1 825	44%
– Sishen Mine	3 769	2 776	36%	2 258	1 511	49%
– Thabazimbi Mine	628	547	15%	354	274	29%
– Other	61	157	-61%	21	40	-48%
Inventory movement WIP	(289)	(402)	-28%	(386)	97	
– A grade	103	14		65	38	71%
– B grade	(202)	(440)	-54%	(42)	(160)	-74%
– Finished product	(190)	24		(409)	219	
Other	(378)	260		(417)	39	
Sublease rentals	(6)	(6)	-	(3)	(3)	-
Selling and distribution	1 977	1 300	52%	1 112	865	29%
Shipping operations	2 085	887	135%	1 106	979	13%
Operating expenditure	7 847	5 519	42%	4 045	3 802	6%

# Cash flow analysis



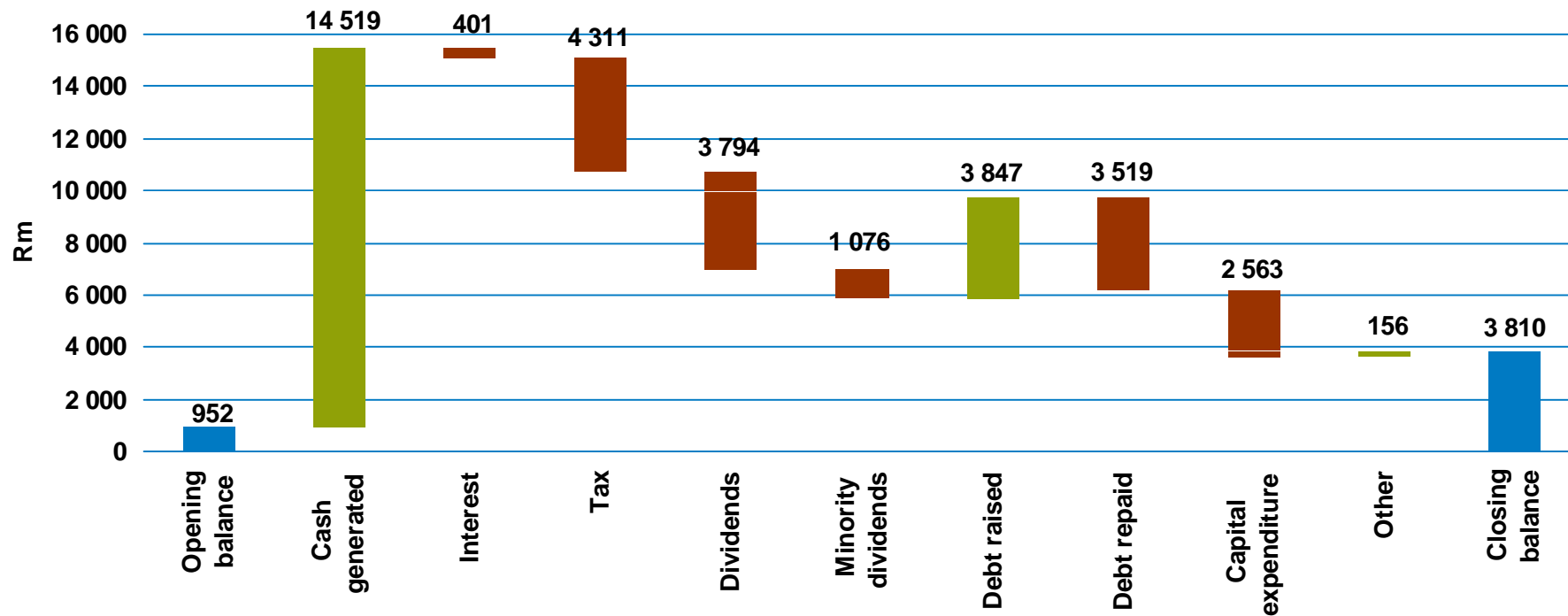
- Despite strong cash flow generation 2009 capital expenditure has been reduced
- 2009 capital expenditure has been reduced by some 20%
- Sishen South has been optimised – first production remains unchanged



# Cash flow variance – 2008



- Cash build up
- Capital expenditure funded by debt



# Gearing



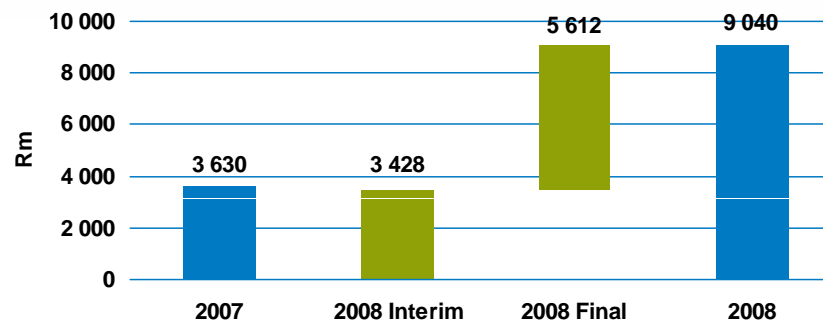
- Capital expenditure to be funded through borrowing facilities
- R5.4 billion term debt facility raised to fund capital expenditure
- Net debt position reduced in 2008 due to strong cash flow generation

(Rm)	31 Dec 2008	31 Dec 2007
Interest-bearing borrowings	3 858	3 530
Cash and cash equivalents	(3 810)	(952)
Net debt	48	2 578
Total equity	8 506	3 317
Interest cover (times)	33	19
Gross debt/equity (%)	45	106
Gross debt/market capitalisation (%)	7.5	3.9

# SIOC dividend



- SIOC declares substantial dividend



(Rm)	Total dividend 2008	Final dividend 31 Dec 2008	Interim dividend 30 Jun 2008	Total dividend 31 Dec 2007
Gross dividend declared by SIOC	9 928	6 173	3 755	3 630
STC	888	561	327	364
Dividend declared by SIOC	9 040	5 612	3 428	3 266
– Kumba	6 690	4 153	2 537	2 417
– Exxaro	1 808	1 123	685	653
– SIOC Community Development SPV	271	168	103	98
– Envision	271	168	103	98

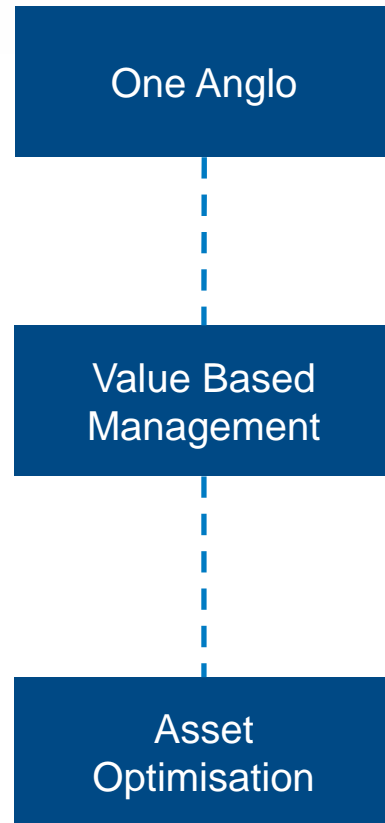
# Kumba dividend



- Final cash dividend R13.00 per share
- Total dividend R21.00 per share
- Strong balance sheet and robust cash flows – dividend policy remains unchanged

	Total dividend 2008	Final dividend 31 Dec 2008	Interim dividend 30 Jun 2008
Earnings per share (cents per share)	2 280	1 390	890
Dividend per share (cents per share)	2 100	1 300	800
Total dividend declared (Rm)	6 690	4 153	2 537
Dividend cover (times)	1.1	1.1	1.1

# One Anglo roll-out in Kumba



- Kumba is aligned with the One Anglo approach
- To unlock significant value through VBM and Asset Optimisation
  
- VBM aligns the organisation to maximise value
- Key focus areas:
  - Growth projects such as Sishen South
  - Port and shipping initiatives



# Projects



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## Projects – Sishen South



- Project approved July 2008
- R2.5 billion of R8.5 billion (R5.9 billion, real – Jan '08) capital expenditure committed to date
- EPCM contractor appointed and key supply contracts awarded
- Experienced owner's team in place
- Site earthworks, terracing and civils well advanced
- Project on schedule and within budget
- Agreement for increased capacity on export channel concluded with Transnet (47Mtpa to 60Mtpa)
- Capex optimised along the critical path
- First production on track for 2012

# Project pipeline



- Northern Cape production to increase to 50Mtpa by 2013 on track
  - Jig plant ramping up to nameplate in Q4, 2009
  - Sishen South (9Mtpa) on schedule to start production in 2012
- Additional projects are available in the project pipeline to increase Kumba's total production in the long-term
- Timing of these projects is dependent upon
  - Project viability
  - Market outlook
  - Rail and port expansions
- Exploration terminated at Kamambolo project in Guinea

# Current market



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## Current market update



- Kumba weathering the global downturn relatively well, but not immune: 4Q2008 sales down 1.6Mt
- Europe and Japan hardest hit, China taking full contracted volumes
- In the short term:
  - Off-spec material at Qingdao sold at prevailing spot rates
  - Extended customer base in China to absorb some of the fines, coarse sinter and SEP lump not taken by European customers
  - Accelerated introduction of a new fines product
  - Additional fines, coarse sinter and SEP lump sold at 2009/2010 contract prices from the 1<sup>st</sup> quarter of 2009

# Outlook



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# Outlook 2009



## Production volumes:

- 10% increase in volumes is planned – market permitting
- DMS production stable – requires ROM and yield levels similar to 2008
- Jig plant ramp-up continues – design capacity expected in Q4

## Sale volumes:

- Europe, Japan and Korea demand anticipated to be weak
- Continue to sell excess ore into China
- In the short-term minor production cut-backs may be required to produce higher quality
- Additional ~7 Mt of material can be added to stock before production cut-backs are needed
- In these turbulent times – speculation in the production and sales scenarios are monitored

## Profitability:

- Price settlements – reduction anticipated
- Preserving cash and containing costs
- Mining royalty payable deferred until 2010
- Operating profit remains highly sensitive to the Rand/US\$ exchange rate

# Q & A



- Commitment to zero harm, visible achievements
- Sishen Mine production up 15% to 34Mt
- Record financial performance
- Total dividend – R21 per share
- Sishen South project – next phase of growth under way
- Planning for continued growth in 2009

# Annexures



## Annexure – headline earnings



(Rm)	12 months 31 Dec 2008	12 months 31 Dec 2007	6 months 31 Dec 2008	6 months 30 Jun 2008
Profit	7 208	3 181	4 392	2 816
Net (profit)/loss on disposal or scrapping of property, plant and equipment	12	(14)	12	–
Impairment of property, plant and equipment	50	–	50	–
Realisation of foreign currency translation reserve	19	(34)	19	–
	7 289	3 133	4 473	2 816
Taxation effect of adjustments	(9)	1	(9)	–
Minority interest in adjustments	(4)	9	(4)	–
Headline earnings	7 276	3 143	4 460	2 816

# Annexure – reconciliation of attributable profit



(Rm)	12 months 31 Dec 2008	12 months 31 Dec 2007	6 months 31 Dec 2008	6 months 30 Jun 2008
Profit	9 083	4 003	5 538	3 545
Attributable to minority interests	(1 875)	(822)	(1 146)	(729)
– Exxaro (20%)	(1 835)	(804)	(1 121)	(714)
– SIOC Community Development Trust	(8)	(7)	(4)	(4)
– SIOC Employee Share Participation Scheme	(32)	(11)	(21)	(11)
Attributable to equity holders of Kumba Iron Ore	7 208	3 181	4 392	2 816

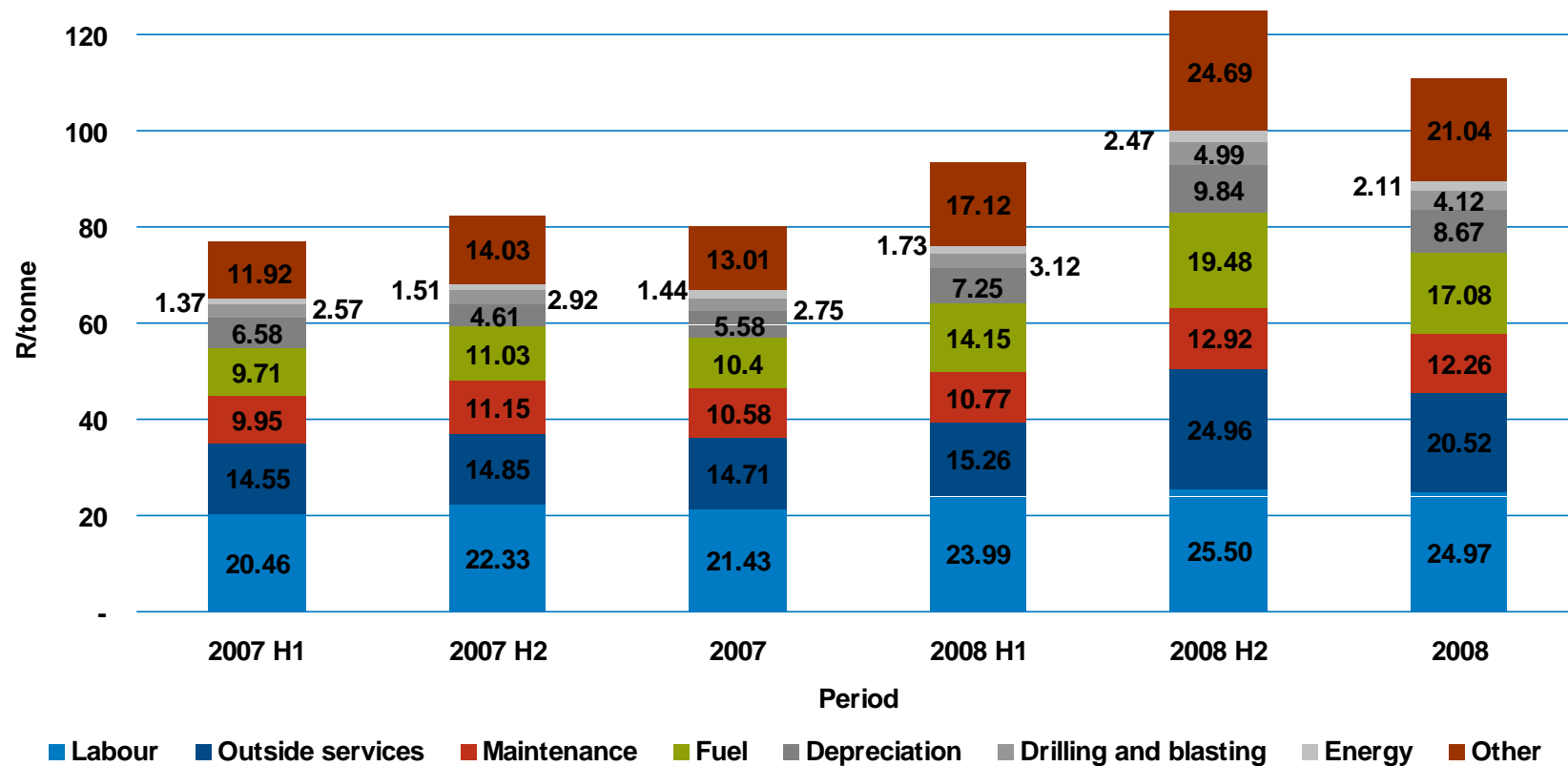
# Annexure – reconciliation of minority interest



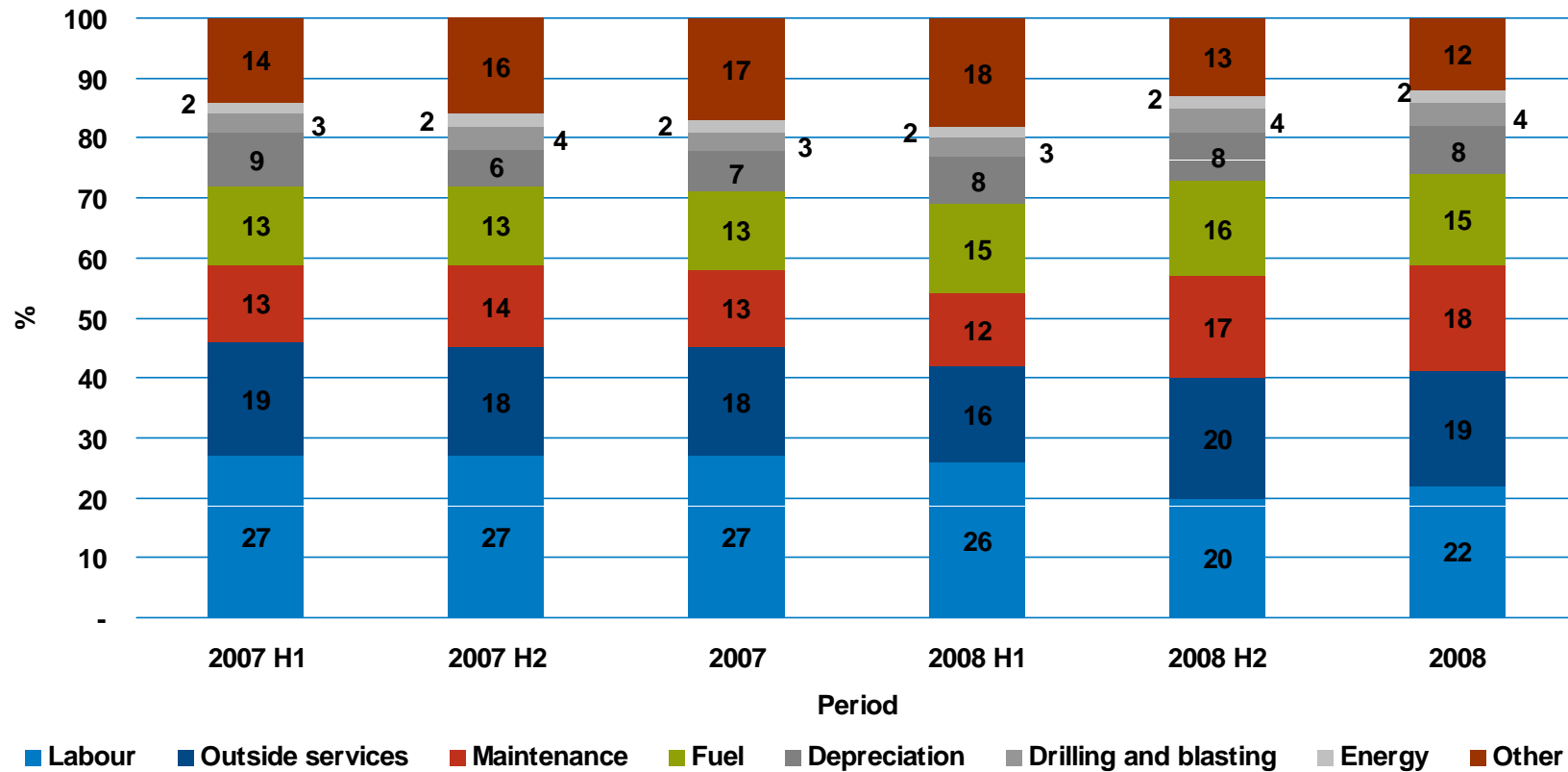
(Rm)	12 months 31 Dec 2008	12 months 31 Dec 2007	6 months 31 Dec 2008	6 months 30 Jun 2008
Minority interest – opening balance	661	216	1 067	661
Profit for the year	1 875	822	1 146	729
– Exxaro	1 835	804	1 121	714
– SIOC Community Development Trust	8	7	4	4
– Envision	32	11	21	11
Dividends paid	(1 051)	(383)	(693)	(358)
– Exxaro	(1 036)	(373)	(685)	(351)
– SIOC Community Development Trust	(8)	(7)	(4)	(4)
– Envision	(32)	(12)	(21)	(11)
– Recoupment of Envision dividend*	25	9	17	8
Interest in movement in equity reserves	162	6	127	35
Minority interest – closing balance	1 647	661	1 647	1 067

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

# Sishen Mine – cost structure (R/tonne)



# Sishen Mine – cost structure (%)



# Value distribution



- R15.6 billion value added during the year
- Value distributed:
  - Government
  - Employees
  - Shareholders
  - Providers of loan capital
  - Reinvested in the group

