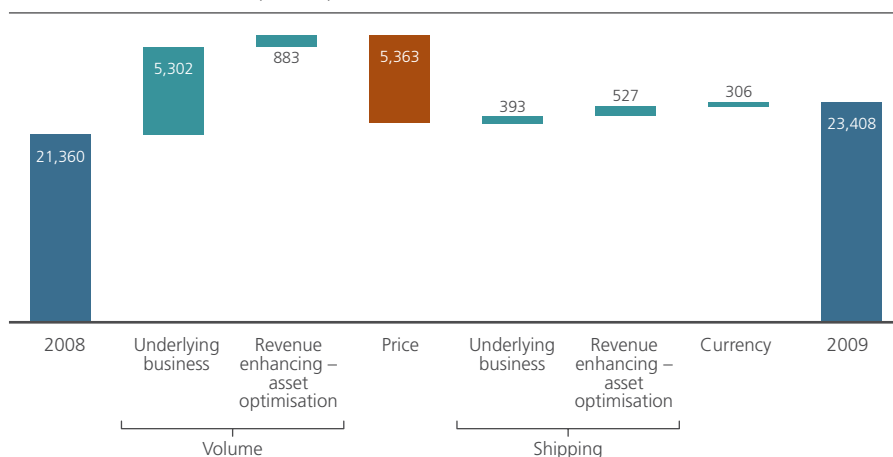


Revenue: sector analysis

Rand million	2009	2008	% change	2007
Export	18,657	17,547	6%	9,064
Tonnes sold (Mt)	34.2	24.9	37%	24.0
US Dollar per tonne	65	88	(26%)	54
Domestic (Sishen Mine)	816	761	7%	827
Tonnes sold (Mt)	4.0	5.6	(29%)	6.5
Rand per tonne	204	136	51%	127
Domestic (Thabazimbi Mine)	543	640	(15%)	521
Tonnes sold (Mt)	1.8	2.5	(24%)	2.4
Rand per tonne	302	252	16%	217
Shipping operations	3,392	2,412	41%	1,085
Total revenue	23,408	21,360	10%	11,497

- A R920 million increase in revenue from shipping operations. Total tonnes shipped by Kumba increased by 15.3Mt from 6.2Mt to 21.5Mt during 2009, albeit at a lower margin. There was a fundamental shift in export sales from a FOB basis to a CIF basis as Kumba redirected export volumes from traditional markets of Japan, Korea and Europe, where customers arrange their own shipping, to China.
- Despite the significant strengthening of the Rand to the US Dollar in the third quarter of 2009, the average exchange rate of the Rand to the US Dollar for 2009 was slightly weaker (average exchange rates – R8.39/US\$1.00 in 2009 compared with R8.25/US\$1.00 in 2008), which contributed R306 million to revenue.

TOTAL REVENUE VARIANCE (R billion)



Operating expenditure

Operating expenditure increased by 34% year-on-year from R7.8 billion to R10.5 billion, driven by increases in mining, production and logistics activities.

Cost of goods sold increased by 34% from R3.7 billion to R5.0 billion. Production cost for Sishen Mine have increased by 21% from R3.8 billion to R4.6 billion principally due to a 14% increase in total tonnes mined from 108.8Mt in 2008 to 128.3Mt in 2009, fuelled by the inflation in labour related expenditure, offset by the decreasing cost of diesel and blasting products and strict cost management.

Finished goods inventory increased from 5.8Mt 2008 to 6.7Mt in 2009. This increase coupled with the stockpiling of 10.5Mt of B-grade material to be used by the Jig plant were the main contributors to the increase in the movement in inventories to R600 million for the year.



During 2008 the group earned net foreign currency translation gains of R1.0 billion, however, during 2009 the net gain was R329 million. Operating expenses were, therefore, adversely affected by lower net translation gains earned in 2009.

Selling, rail and port costs increased by 44% from R2.0 billion to R2.8 billion, principally due to the logistics and export operations transporting the increased production achieved for 2009. Volumes railed on the Sishen-Saldanha export channel increased by 23% to 34.6Mt, while a 38% increase in the volumes shipped from the port at Saldanha was achieved.

Expenditure relating to our shipping services increased by R612 million against an increase of R920 million achieved in the revenue from these operations. The increase was mainly due to a 15.3Mt increase in volumes shipped by Kumba on behalf of its customers to 21.5Mt for the year, utilising a record 134 vessels.

Sishen Mine unit cost

Sishen Mine's cash unit cost increased by just over 2% to R98.83/t in 2009 compared to R96.53/t in 2008 on a like-for-like basis (excluding the cost incurred in 2008 on the 900Kt additional high cost low quality production). The mine implemented a number of asset optimisation initiatives focusing on improving the efficiency of mining operations on a sustainable basis which assisted in containing costs despite the increase in mining activity.

Operating expenditure

Rand million	2009	2008	% changed	2007
Production costs	5,959	5,053	39%	3,486
Movement in inventories	(600)	(289)	107%	(402)
Finished products	(440)	(190)	132%	7
Work-in-progress	(160)	(99)	61%	(409)
Finance gains	(329)	(1,043)	(68%)	(40)
Other	(29)	20	–	294
Cost of goods sold	5,001	3,741	34%	3,338
Selling, rail and port costs	2,838	1,977	44%	1,300
Cost of services rendered – shipping	2,697	2,085	29%	887
Impairment of property, plant and equipment	–	50	–	–
Sublease rent received	(8)	(6)	33%	(6)
Operating expenditure	10,528	7,847	34%	5,519

SISHEN MINE CASH UNIT COST (R/tonne)



The increase in cash unit cost was driven by a few key factors:

- Inflationary pressures principally on labour, contract mining and corporate office costs, which together account for in excess of 50% of the mine's cost structure;
- The inflationary pressures were eased through a 36% decrease in diesel prices during the year from R10.40 per litre to R6.70 per litre. Diesel now contributes only 11% to the mine's cash cost (2008: 15%);
- Waste volumes mined increased by 28% or 18.0Mt to 82.1Mt in 2009;
- However, the impact of the additional mining activities was more than offset by the benefit of additional production from the ramp-up of the jig plant that contributed a further 5.7Mt of production volume for the year.

In real terms unit cash costs were down 4%.

Operating profit

Despite benchmark iron ore export prices decreasing on average by 40% for the 2009/2010 iron ore year, R12.9 billion operating profit was achieved for the year, a reduction of only R633 million or 5% from the R13.5 billion in 2008. Kumba's operating profit margin of 55% (61% from mining activities) for the year, decreased by 8% from 63% (69% from mining activities) in 2008.

Asset optimisation and procurement

Kumba has implemented a number of revenue enhancing and operating efficiency initiatives as part of the asset optimisation programme which realised R1.6 billion operating profit benefits during the year. Except for certain

once-off revenue enhancement activities that contributed R503 million for 2009, these initiatives are recurring in nature and will assist in enhancing the financial performance of the group and protecting operating profit margins in the future.

Revenue enhancing initiatives include, increasing tonnes on which shipping services are provided, decreasing maintenance shutdown intervals of the DMS plant and producing and selling niche products to enhance the premia received. The flagship Sishen Mine transformation programme (Bokamoso) launched during the year has started to deliver visible results in the area of operating efficiency improvements. During the year the mining truck and shovel fleet achieved a 28% efficiency improvement and the mine's drilling fleet a 4% improvement. Further value from this programme will be unlocked as it progresses to the next key stages of the production process of the mine.

Further benefits of R603 million were realised through savings in operating costs and capital expenditure through the participation in the One Anglo Supply Chain programme.

Capital expenditure

The group incurred capital expenditure on property, plant and equipment of R4.0 billion for the year (2008: R2.6 billion) for the expansion of its operations (R2.8 billion), mainly on the development of Kolomela Mine (R2.5 billion), and R1.2 billion (2008: R841 million) to maintain its operations. At Sishen Mine R1.0 billion capital expenditure was incurred on the programme to increase the mining fleet capacity by approximately 20% to cater for increased waste mining volumes.

R3.2 billion of capital expenditure (including R189 million of capitalised mining operating expenses) has been incurred to date on Kolomela Mine, of which R2.5 billion was incurred during the year ended 31 December 2009.

Net debt

The group continued to generate substantial cash from its operations, with R12.6 billion generated during the year. These cash flows were used to pay taxation of R3.2 billion and dividends of R8.2 billion (including dividends of R1.8 billion paid to minority shareholders of Sishen Iron Ore Company (SIOC)). Capital expenditure of R4 billion was incurred which resulted in the group's net debt position increasing to R3 billion as at 31 December 2009.

Rand million	2009	2008
Long-term interest-bearing borrowings	3,859	977
Short-term interest-bearing borrowings	55	2,881
Total	3,914	3,858
Cash and cash equivalents	(891)	(3,810)
Net debt	3,023	48
Total equity	8,956	8,506
Interest cover (times)	43	33

During the year Kumba secured a R3.2 billion term loan to refinance the R2.8 billion revolving facility that was maturing in November 2009. To date R3.8 billion of the total R8.6 billion term debt facilities has been drawn down to finance Kumba's expansion. Kumba was not in breach of any of its covenants during the year. The group had undrawn short- and long-term borrowing facilities at 31 December 2009 of R8.1 billion.