

# Financial review

## Highlights

### REVENUE

Up 10%  
to R23.4 bn

### OPERATING PROFIT

of R12.9 bn

### SISHEN MINE UNIT CASH COST

down 4%  
(in real terms)

### HEADLINE EARNINGS

R7.0 billion  
or R21.82 per share

### TOTAL DIVIDEND

R14.60 per share

### SISHEN SOUTH ARBITRATION

Favourable award

Kumba delivered an exceptional operational and sales performance in 2009 with substantial increases in mining, production and export sales volumes and strong cash flows driven by an increase in export revenues and tight cost management, notwithstanding the backdrop of global economic recession. Kumba's revenue increased by 10% to R23.4 billion on the back of a 37% increase in export sales volumes driven by strong demand from China, though tempered by lower export volumes to Europe and Japan. Despite starting the year with concerns over the visibility and sustainability of export sales, the group increased revenue through higher export sales volumes which was mostly offset by the 40% reduction in benchmark iron ore export prices resulting in a 5% decrease in operating profit. Through focused cost management and a 16% increase in production, mainly from the Jig plant, the small increase in Sishen Mine's unit cash cost on a like-for-like basis was well below inflationary cost escalations. Sishen Mine's unit cash cost for 2009 was R98.83 (US\$11.78) per tonne compared to R96.53 (US\$11.70) per tonne at the end of 2008.

A favourable award was received in the arbitration with ArcelorMittal SA Limited ('ArcelorMittal') and it has been determined that ArcelorMittal is not entitled to participate in the development of the Sishen South project ('Kolomela Mine') currently under construction. This should result in significant value in the form of profit preservation for the group.

### Revenue

Kumba's revenue increased by 10% to R23.4 billion on the back of a 37% increase in export sales volumes driven by strong demand from China. The increase in revenue from higher

volumes more than offset the average 40% reduction in benchmark iron ore export prices.

Revenue generated from the sale of iron ore increased by 6% from R18.9 billion to R20.0 billion, with R18.7 billion (2008: R17.5 billion) from export sales. Revenue from shipping services increased by 41% from R2.5 billion to R3.4 billion.

The group increased total sales volumes by 21% from 33.0Mt in 2008 to 40.0Mt. Export sales volumes from Sishen Mine for the year increased by 9.3Mt or 37% from 24.9Mt in 2008 to 34.2Mt on the back of increasing volumes from the Jig plant, the successful introduction of a new blended fines product and an increase in demand from China. Export sales volumes to China totalled 75% (2008: 43%) of total export volumes for the year. Total domestic sales volumes of 5.8Mt were down by 28% or 2.3Mt due to lower demand from ArcelorMittal.

The 10% increase in revenue over last year was principally as a result of:

- Increased export sales volumes, contributed R6.6 billion to revenue, offset by the year-on-year decrease in export iron ore prices, reducing revenue by R5.4 billion, and lower domestic sales volumes due to the decline in domestic demand, which reduced revenue by R377 million. The net effect of these factors on revenue was a net increase of R822 million.