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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

