

Commentary

Highlights

Despite the volatility in the global economy towards the end of 2008, Kumba Iron Ore Limited ("Kumba") has delivered strong financial results for the year ended 31 December 2008. During April 2008 Kumba's old order mining rights were converted and a new mining right granted for the Sishen South project. A significant step has been taken towards the next phase of growth for Kumba with the approval of the Sishen South project during the third quarter of 2008.

Attributable profit for the year of R7,2 billion and headline earnings of R7,3 billion more than doubled from R3,2 billion and R3,1 billion achieved in 2007 respectively.

Revenue increased by 86% as a result of stronger iron ore prices, a weaker Rand, increased revenue from shipping services and higher export sales volumes. Operating expenses remained under pressure as inflation in South Africa soared and fuel and other key commodity costs saw unprecedented increases during the year. Despite the increase in operating costs, Kumba's operating margin improved to 63% in 2008 (69% from mining activities) from 52% (56% from mining activities) in 2007. Cash generated from operations for the year increased to R14,5 billion compared to the R5,8 billion generated during 2007.

Attributable earnings for the year was R22,80 per share, while headline earnings increased to R23,02 per share, on which a final cash dividend of R13,00 per share has been declared, bringing the total dividend for the year to R21,00 per share (2007 – R7,50 per share).

Safety performance

The safety achievements of Kumba during 2008 are a clear reflection of the commitment to zero harm. When measured by lost-time injuries ("LTI's") Kumba has shown significant improvement with 14 LTI's in 2008 compared to 29 LTI's in 2007. The lost-time injury frequency rate ("LTIFR") of the group reduced to 0,12 from 0,22 in 2007. Sishen Mine achieved an LTIFR of 0,12 which is the best ever performance in the history of this mine. At 31 December 2008 Thabazimbi Mine has worked in excess of six years without a fatality and 15 months without an LTI, with the last LTI reported in September 2007.

Notwithstanding this improvement, it is with regret that the group announced in its interim results that it suffered one fatality during 2008 when Mr Kagiso Peace Leboa, a 42 year old truck operator, was fatally injured at Sishen Mine in April.

Commitment to zero harm

LTIFR of 0,12

Operating profit up

126% to
R13,5 billion

Headline earnings up

131% to
R7,3 billion

Final cash dividend

R13,00 per
share

Sishen Mine's production up

15% to 34Mt