KUMBA RESOURCES

Harnessing the power of the earth

UNAUDITED GROUP INTERIM FINANCIAL RESULTS AND PHYSICAL INFORMATION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

- **Revenue up 20% to R3,8 billion**
- **Earnings reduced by R151 million unrealised currency translation loss**
- **Commissioning of Empangeni smelter on track**

GROUP INCOME STATEMENT

	Six months ended 31 December 2002 Reviewed Rm	2001 Reviewed Rm	Year ended 30 June 2002 Audited Rm
Revenue	**3 770**	3 149	7 182
Operating expenses	**(3 068)**	(2 431)	(5 499)
Net operating profit	**702**	718	1 683
Net financing costs	**(123)**	(152)	(242)
Share of pre-taxation income from equity accounted investments	**30**	53	83
Impairment charges	**(2)**		(101)
Goodwill amortisation	**(12)**	(12)	26
Profit before taxation (Note 2)	**595**	607	1 449
Taxation	**(174)**	(149)	(465)
Profit after taxation	**421**	458	984
Minority interest	**1**	1	(8)
Net profit attributable to ordinary shareholders	**422**	459	976
Adjusted for:			
– Impairment charges	**2**		101
– Share of associate's goodwill	**13**	14	40
– Goodwill amortisation	**12**	12	(26)
– Share of associate's exceptionals			12
– Net deficit on disposal or scrapping of property, plant and equipment	**2**	2	4
– Taxation on adjustments	**(1)**		(9)
Headline earnings	**450**	487	1 098
Ordinary shares (million)			
– in issue	**297**	283	297
– weighted average number of shares	**296**	274	285
– diluted weighted average number of shares	**302**	276	292
Attributable earnings per share (cents)			
– basic	**142,4**	167,5	342,5
– diluted	**139,9**	166,5	334,2
Headline earnings per share (cents)			
– basic	**151,8**	177,7	385,3
– diluted	**149,2**	176,6	376,0
Ordinary dividends per share (cents)	**85,0**		

GROUP BALANCE SHEET

	As at 31 December 2002 Reviewed Rm	2001 Reviewed Rm	As at 30 June 2002 Audited Rm
ASSETS			
Non-current assets			
Property, plant and equipment	**6 052**	5 398	5 710
Intangible assets	**12**		
Goodwill	**12**	35	23
Investments in associates and joint ventures (Note 3)			
– listed	**985**	1 320	1 152
– unlisted	**16**	15	32
Deferred taxation	**529**	339	423
Other financial assets	**341**	394	238
	7 947	7 501	7 578
Current assets			
Inventories	**1 047**	870	955
Trade and other receivables	**990**	967	996
Cash and cash equivalents	**967**	547	679
Total assets	**10 951**	9 885	10 208
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' funds	**4 633**	4 234	4 816
Minority interest	**582**	362	487
Non-current liabilities			
Interest-bearing borrowings	**1 705**	1 729	882
Other long-term payables	**244**	100	178
Non-current provisions	**413**	392	389
Deferred taxation	**1 260**	965	1 204
	8 837	7 782	7 956
Current liabilities			
Trade and other payables	**657**	672	1 050
Interest-bearing borrowings	**1 259**	1 182	940
Taxation	**166**	228	223
Current provisions	**32**	21	39
Total equity and liabilities	**10 951**	9 885	10 208
Net debt (Note 4)	**1 997**	2 364	1 143
Net asset value per share (cents)	**1 560**	1 496	1 622
Capital expenditure			
– incurred	**560**	437	1 085
– contracted	**483**	708	625
– authorised but not contracted	**680**	1 459	588
Contingent liabilities	**89**	48	92
Operating lease commitments	**223**	135	217
Operating sublease rentals receivable	**25**	29	27

GROUP CASH FLOW

	Six months ended 31 December 2002 Reviewed Rm	2001 Reviewed Rm	Year ended 30 June 2002 Audited Rm
Net cash flows from operating activities	**335**	820	2 560
Net financing costs	**(120)**	(151)	(236)
Taxation paid	**(280)**	(29)	(149)
Dividends paid	**(252)**		
Net cash used in investing activities			
– capital expenditure	**(560)**	(437)	(1 085)
– proceeds from disposal of property, plant and equipment	**8**	9	25
– other	**(75)**	(35)	(50)
Net cash (outflow)/inflow	**(944)**	177	1 065
Net cash flow from financing activities			
– cash flows from issuance of shares			393
– unbundling expenses		(43)	(44)
– borrowings raised/(paid)	**1 232**	489	(659)
Net increase in cash and cash equivalents	**288**	623	755
Cash and cash equivalents at beginning of period	**679**	(76)	(76)
Cash and cash equivalents at end of period	**967**	547	679

GROUP STATEMENT OF CHANGES IN EQUITY

	31 December 2002 Reviewed Rm	31 December 2001 Reviewed Rm	30 June 2002 Audited Rm
Shareholders' funds on unbundling from Iscor		1 400	1 400
Opening balance	**4 816**		
Changes in share capital and premium			
– issue of shares		3	3
– share premium		2 328	2 721
– unbundling expenses		(43)	(44)
Changes in non-distributable reserves			
– discount on acquisition of investment		49	
– currency translation reserve	**(290)**	(74)	(187)
– financial instruments movements	**(63)**	112	(53)
– transfer of equity accounted earnings	**28**	22	16
– transfer of insurance reserve			2
Changes in retained income			
– net profit for the period	**422**	459	976
– transfer of equity accounted earnings	**(28)**	(22)	(16)
– transfer of insurance reserve			(2)
– dividends paid	**(252)**		
Shareholders' funds at end of period	**4 633**	4 234	4 816

NOTES TO THE REVIEWED FINANCIAL STATEMENTS

1. Basis of preparation

The interim financial results are prepared in accordance with International Accounting Standard 34 on Interim Financial Reporting and should be read in conjunction with the 2002 annual financial statements. The accounting policies adopted are consistent with those applied in the annual financial statements for the year ended 30 June 2002.

	Six months ended 31 December 2002 Reviewed Rm	2001 Reviewed Rm	Year ended 30 June 2002 Audited Rm
2. Profit before taxation is arrived at after			
– depreciation	**(242)**	(208)	(454)
– financing costs	**(163)**	(169)	(318)
– interest received	**40**	17	76
– dividends received	**14**		47
– net realised foreign exchange gains/(losses) on:			
currency exchange differences	**9**	161	127
revaluation of derivative instruments	**46**	(80)	(51)
– net unrealised foreign exchange gains/(losses) on:			
currency exchange differences	**(151)**	76	(16)
revaluation of derivative instruments	**1**	(13)	4
3. Investments			
Listed investments			
– market value	**1 022**	1 378	1 340
Unlisted investments			
– directors' valuation	**60**	44	60

4. Net debt

Net debt is calculated as being interest-bearing debt less cash and cash equivalents. The impact of the increase in net debt on earnings per share was approximately 12 cents.

5. Related party transactions

During the period the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions were subject to terms that are no less favourable than those arranged with third parties.

6. JSE Securities Exchange requirements

The interim announcement has been prepared in accordance with the listings requirements of the JSE Securities Exchange South Africa.

7. Corporate Governance

The Group complies in all material respects with the Code of Corporate Practice and Conduct published in the King Report on Corporate Governance.

8. Auditors' review

The interim results have been reviewed by the company's auditors, KPMG Inc. The review opinion is available for inspection at the company's registered office.

UNAUDITED PHYSICAL INFORMATION ('000 TONNES)

	Three months ended 31 December 2002	30 September 2002	Six months ended 31 December 2002	2001	Year ended 30 June 2002
IRON ORE					
Production	**6 822**	6 982	**13 804**	13 567	28 324
Sales					
– Export	**5 052**	5 288	**10 339**	9 875	19 916
– Domestic	**2 167**	2 104	**4 271**	4 354	8 186
Total	**7 219**	7 392	**14 610**	14 229	28 102
COAL					
Production					
– Power station	**2 850**	3 518	**6 368**	6 719	13 351
– Coking	**558**	565	**1 122**	1 062	2 074
– Other	**674**	635	**1 309**	1 447	2 825
Total	**4 082**	4 718	**8 799**	9 228	18 250
Sales					
– Eskom	**2 830**	3 537	**6 367**	6 371	13 198
– Other domestic	**963**	929	**1 889**	1 936	3 693
– Export	**382**	221	**604**	555	1 172
Total	**4 175**	4 687	**8 860**	8 862	18 063
BASE METALS					
Production					
– Zinc metal	**29**	29	**58**	54	105
– Zinc concentrate	**17**	20	**37**	37	75
– Lead concentrate	**5**	4	**9**	14	28
Zinc metal sales					
– Export	**3**	3	**6**	6	14
– Domestic	**23**	27	**50**	47	94
Lead concentrate sales					
– Export	**6**	6	**12**	7	25
HEAVY MINERALS					
Production					
– Ilmenite	**36**	7	**43**	39	44
– Zircon	**14**	13	**28**	18	45
– Rutile	**6**	6	**12**	7	19
Sales					
– Ilmenite	**31**		**31**	15	35
– Zircon	**22**	9	**31**	7	33
– Rutile	**1**	1	**2**		13

KUMBA RESOURCES

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www.kumbaresources.com

COMMENTS

GROUP FINANCIAL RESULTS

Higher iron ore and heavy minerals export volumes together with stronger coal prices resulted in an increase of 20% in revenue for the half-year compared with the same period last year.

Net operating profit was marginally lower with the impact of the weaker currency being offset to some extent by an average decrease in iron ore prices of 4% and a continued record low zinc price of US$ 779 per ton for the past six months. An average exchange rate of R10,08 to the US dollar was realised on export proceeds compared with R9,52 for the comparative period. However, the valuation of export and other US dollar denominated debtors at a substantially stronger spot exchange rate of R8,64 on 31 December 2002 resulted in an unrealised currency translation loss of R151 million, negatively affecting net operating income for the half-year. This compares with an unrealised translation gain of R76 million for the comparative period at a spot exchange rate of R12,08 which prevailed on 31 December 2001.

The effect of the stronger Rand together with lower iron ore and coal sales volumes in the quarter ended December 2002 is also reflected in a reduction of 29% in net operating profit compared with the first quarter.

The lower net operating income, a reduction in income from equity accounted investments of 43% and a higher tax charge, offset to some extent by lower financing costs, resulted in attributable and headline earnings for the half-year decreasing by 8% on the comparative period.

Capital expenditure of R560 million, of which R407 million was invested in the heavy minerals project, together with mainly tax and dividend payments resulted in a net cash outflow of R944 million for the half-year, and an increase in net debt to R1 997 million.

SEGMENT RESULTS

	Quarter ended 31 Dec 2002 Reviewed Rm	30 Sep 2002 Unaudited Rm	Six months ended 31 December 2002 Reviewed Rm	*2001 Reviewed Rm	Year ended 30 June 2002 Audited Rm
REVENUE					
Iron Ore	**1 096**	1 163	**2 259**	1 932	4 340
Coal	**419**	396	**815**	679	1 489
Base metals	**226**	259	**485**	403	941
Heavy minerals	**114**	38	**152**	40	227
Industrial minerals	**21**	18	**39**	27	57
Other	**(24)**	44	**20**	68	128
Total	**1 852**	1 918	**3 770**	3 149	7 182
NET OPERATING PROFIT					
Iron Ore	**218**	299	**517**	513	1 221
Coal	**47**	78	**125**	115	255
Base metals	**21**	26	**47**	22	102
Heavy minerals	**18**	2	**20**		54
Industrial minerals	**6**	4	**10**	6	15
Other	**(18)**	1	**(17)**	62	36
Total	**292**	410	**702**	718	1 683

** The comparative figures have been restated to conform with the 2002 audited annual results*

OPERATIONS

Iron Ore

Stable production and export sales performances were maintained for the past half-year with export volumes 5% higher than the comparative period. This was achieved despite inclement weather conditions affecting production and shipments in the quarter ended December 2002.

Revenue increased by 17% for the half-year. Net operating profit improved only marginally as a consequence of the significant impact of the valuation of export debtors at the closing rate for the half-year and higher cost of sales. The latter consists mainly of increased stripping of overburden, insurance premiums, other inflation linked cost escalations and higher distribution costs.

Coal

Production for the half-year was 5% lower than the comparative period while sales volumes were maintained.

Production and sales volumes of power station coal in the quarter ended December 2002 declined some 20% on the first quarter as a result of a generator failure at the Matimba power station. Exports for the second quarter, however, improved by 73% on the first quarter, mainly as a result of increased coking coal sales.

Higher sales prices and export volumes resulted in revenue increasing by 20% compared with the corresponding half-year. The cost of scheduled maintenance programmes, together with insurance premiums, rehabilitation provisions and other inflation based cost increases, negatively affected net operating income which, nevertheless, was 9% higher than the comparative period.

Base Metals

Production and sales volumes of zinc concentrate and metal for the half-year were maintained at the levels of the comparative period. While lead concentrate production was lower, export sales for the half-year improved on the corresponding period last year.

Revenue increased by 20%, and net operating profit by 114% compared with the same period in the previous year, despite a continued depressed zinc price and unfavourable treatment charges experienced by smelters as a result of concentrate shortages. This was as a result of the smelter maintaining its low cost of production and also a weaker average exchange rate being realised than for the comparative period.

Heavy Minerals

Revenue was substantially up on the same period last year with a contribution of R20 million to net operating profit for the half-year.

The continued good operational performance at the Hillendale mine and mineral separation plant resulted in higher production volumes in the half-year compared with the comparative period. Export sales of zircon remained strong with production fully sold. Although market conditions for ilmenite remain depressed, sales in the quarter ended December 2002 resulted in an increase of 109% for the half-year compared with the same period last year. Crude ilmenite continues to be stockpiled for feedstock in the smelter.

Commissioning of the first furnace is still on track for the original scheduled date of March 2003, despite water damage during the pre-heat of the furnace in December 2002 necessitating replacement of the refractories. Extensive research and testing has been done to prevent a recurrence.

Industrial Minerals

Industrial minerals benefited from the improved business climate in both the steel industry and the construction sector, and increased market penetration.

Revenue increased by 44% and net operating profit by 67% when compared with the corresponding six months in the previous year.

BUSINESS DEVELOPMENT

Iron Ore: The potential benefits of consolidating the iron ore assets in the Northern Cape continue to be actively promoted with all the relevant stakeholders.

The technical feasibility study for the development of Sishen South with a production capacity of approximately 8,5 million tonnes per year of iron ore has been completed. It is presently being subjected to a value engineering process to optimise the project while an investigation of an appropriate capital structure and participation by historically disadvantaged South African (HDSA) groups has commenced.

Value engineering studies in relation to the Hope Downs iron ore project in Western Australia are continuing together with an evaluation of funding options.

Coal: Agreement has been reached between Kumba Coal and Eyesizwe Coal to develop the Kalbasfontein project for the production of one million tonnes per year of high-grade export coal jointly. The development of the project is linked to the commencement of construction of the phase V expansion of the Richards Bay Coal Terminal.

Base Metals: Negotiations for participating in the expansion of the Hongye Zinc refinery in China have progressed satisfactorily and funding arrangements are currently being finalised. Kumba's participation in the project will be 60% representing an investment of Chinese Yuan 92 million (R96 million).

The exploration programme in the area surrounding the Rosh Pinah zinc mine is indicating promising results and target areas are being drilled.

Mining Charter

Kumba is well positioned to meet the requirements of the recently announced scorecard. Strategies are in place for conversion of the group's mineral rights, human resources development and meaningful HDSA participation in projects and other developments.

Prospects

As stated in the announcement of the group's results for the financial year ended 30 June 2002, despite stable operational performance, the exchange rate will have a significant impact on the group's results. Given the current consensus forecast exchange rates varying between R8,35 and R9,50 to the US dollar for the second half-year, earnings for the current financial year will be lower than last year.

The uncertainty in the recovery of the world economy other than in China also does not augur well for a marked improvement in commodity prices. An expected increase in iron ore prices from April 2003 may to some extent offset this and the effect of the forecast stronger currency.

Dividend

Dividends are considered annually in August and are based on the full year's results taking cognisance of the capital structure of the group and the realisation of growth projects.

Chairman

Ms Dawn Marole has been appointed chairman following the retirement of Mr Hans Smith on 19 November 2002. The Board expresses its sincere appreciation to Mr Smith for his guidance and leadership during the unbundling process of the group from Iscor Limited and its first year as a separate listed entity. We wish him a well-deserved retirement.

The Board welcomes Ms Marole and pledges its support to her in her new role.

On behalf of the Board.

MLD Marole *(Chairman)*
Dr CJ Fauconnier *(Chief Executive)*
DJ van Staden *(Executive Director, Finance)*

25 February 2003

If you have any queries regarding Kumba Resources or your Kumba Resources shares, please call the Kumba ShareCare line toll free on 0800 006 709 or +27 11 775 3430 if calling from outside South Africa.

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