

KUMBA IRON ORE LIMITED
AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018



**UNLOCKING
OUR FULL
POTENTIAL**
DISCIPLINED
GROWTH FOR
A SUSTAINABLE
FUTURE



Real Mining. Real People. Real Difference.

DELIVERING ON OUR STRATEGY AND CREATING VALUE FOR ALL OUR STAKEHOLDERS

Themba Mkhwanazi, Chief executive of Kumba, said, "In 2018, Kumba continued to achieve important milestones in our strategy of unlocking our full potential through margin expansion and life of mine extension. We kept our commitment on safety and remained fatality-free with significant improvement across multiple safety indicators. Our focus on productivity and efficiency continued to gain traction as we reached 65% of benchmark. This, together with our drive to optimise costs, saw us realise close to R1 billion of cost savings against our target of R800 million.

The flexibility in our approach to production allowed us to lift product qualities to an average of 64.5% Fe, enabling higher price realisation whilst mitigating logistical constraints. We achieved our production and sales volume guidance, with unit costs remaining well

contained. This solid performance resulted in net cash generated from operations of R18.9 billion, which coupled with disciplined capital allocation, translated into a total dividend of R30.24 per share for the year. Furthermore, in line with our resource development plan, I am pleased to announce that we were granted the right to expand Kolomela into the adjacent Heuningkranz area which presents an exciting opportunity to extend our life of mine.

It is clear that alongside the solid performance achieved, Kumba has significant value to unlock. While challenges are part of the uncertain environment that we operate in, the quality of our assets ensures that we are well positioned to serve our diversified and growing customer base, and we have the right strategy and teams in place to create sustainable shareholder value".



KEY FEATURES

Delivering sustainable shareholder returns

- **STRONG CASH** GENERATED FROM OPERATIONS OF **R18.9 BILLION**
- **HEADLINE EARNINGS** OF **R30.28** PER SHARE
- FINAL CASH DIVIDEND OF **R15.73** PER SHARE, TOTAL DIVIDEND OF **R30.24** PER SHARE

Strong safety and operational performance

- MAINTAINED **FATALITY FREE RECORD**
- HIGH POTENTIAL INCIDENTS **REDUCED BY 67%**
- **OPERATING EFFICIENCY UP FROM 58% TO 65%** OF BENCHMARK

Margin benefit from enhanced product portfolio

- PRODUCT QUALITY **IMPROVED FROM 64.1%** TO AN AVERAGE FE OF **64.5%**
- AVERAGE REALISED FOB EXPORT PRICE OF **US\$72/TONNE**
- **COST SAVINGS** OF **~R1 BILLION EXCEEDED TARGET OF R800 MILLION**
- EBITDA MARGIN **UP 3 PERCENTAGE POINTS TO 45%**

COMMENTARY

RESULTS OVERVIEW

Safety is of fundamental importance to Kumba and throughout 2018 we continued to roll-out our fatalities elimination framework which embeds the principles of safe behaviour. We believe that having a culture of safety is what makes the difference, and this is demonstrated by our track record of remaining fatality free since May 2016. To further emphasise

that safety is non-negotiable, Kumba has linked safety to business performance through its incentive structure to recognise and reward a positive safety culture. High potential incidents, which is a leading indicator of fatalities, reduced by 67% to 7 (2017: 21). Of the lagging indicators, the total recordable case frequency rate declined to 1.80 (2017: 3.23) and lost-time injuries remained similar to 2017 at 21.

COMMENTARY continued

Total tonnes mined increased 8% to 292.5 Mt with operating efficiency improving from 58% last year to 65% of benchmark in 2018. Total production reduced by 4% to 43.1 Mt, as planned, within our guidance of between 43 Mt and 44 Mt. At the mine level, Sishen delivered 29.2 Mt and Kolomela 13.9 Mt of production with ongoing improvements in productivity, resulting in the reduction of unscheduled work by up to 40%. Sishen and Kolomela achieved an 81% and 80% mine to plan compliance, respectively.

Our flexible production enabled a timeous response to the rail constraints and to market demand for premium quality products. Planned plant production volumes were reduced to mitigate elevated levels of finished stock and the quality of the product portfolio improved to benefit from the quality and lump premium.

Total sales volumes were well within guidance of between 42 Mt and 44 Mt at 43.3 Mt (2017: 44.9 Mt) although export sales volumes decreased by 4% to 40.0 Mt (2017: 41.6 Mt). The decrease was as a result of a combination of missed sales opportunities due to derailments experienced, single loading due to the six-week scheduled refurbishment of a ship loader, and temporary closure of the Iron Ore Export Channel (IOEC) due to a truck colliding with a railway bridge in November 2018.

Kumba made good progress on margin enhancement with the EBITDA margin improving to 45% (2017: 42%) which contained the break-even price at US\$41/tonne (2017: US\$40/tonne). This was driven by the cumulative effect of the price premia and cost saving initiatives which largely offset higher on-mine stay-in-business (SIB) capital expenditure, fuel prices and freight rates.

We continued to unlock further value from our resource development plan. As a result of the optimised pit slope design built into the updated life of mine plans, reserve life increased to 14 years from 13 years in 2017 and we recovered an additional 56.4 Mt of Ore Reserves and 56.2 Mt of Saleable Product.

Notwithstanding the significant headwinds in 2018, Kumba achieved headline earnings in 2018 of R9.7 billion, similar to that of 2017, supported by a 1% increase in the average realised iron ore export price to US\$72/tonne (2017: US\$71/tonne) and R1 billion of cost savings. Attributable earnings decreased by 22% to R9.6 billion compared to a 2017 result of R12.3 billion which had benefited from the positive impact of an impairment reversal of R4.8 billion before tax. Attributable and headline earnings per share for the year were R30.08 and R30.28 respectively (2017: R38.63 and R30.47).

DIVIDEND

Kumba announced a new dividend policy on 24 July 2018, based on a more definitive target payout ratio that demonstrates the prioritisation of sustainable shareholder returns through the cycle and disciplined capital allocation following the continued success of our strategy in driving operational and margin improvement, as well as our ability to generate cash sustainably, supported by a clearer path to life extension.

The new dividend policy targets a dividend range of between 50% and 75% of headline earnings. Along with prioritising shareholder returns in allocating capital, our aim is to maintain a flexible capital structure and continue to protect the balance sheet from market volatility, as well as to ensure an appropriate level of capital is allocated to life extension projects.

The Board has declared a final cash dividend of R15.73 per share, which together with the interim dividend of R14.51 per share, results in a total dividend for the year of R30.24 per share (2017: R30.97). This equates to 100% of headline earnings for 2018, as the interim dividend included a once-off top-up cash dividend of R7.53 per share to reset the balance sheet net cash position.

MARKET OVERVIEW

The Platts 62% IODEX CFR China index averaged US\$69.5/dmt in 2018, down 2.5% relative to 2017. However, steel prices rose by 12% and mill profitability reached record highs. Higher profitability incentivised mills to push for productivity gains. Consequently, the Platts 62 – 65 index differential rose to a record US\$27/dmt during the year and averaged US\$21/dmt for 2018, around 1.3 times the 2017 level. This differential is currently at US\$13 as mill margins have decreased by an estimated 30%. Due to a shortage of low-alumina ores the alumina coefficient rallied from ~US\$1.50 per 1% alumina at the start of the year to a level of more than US\$8 per 1% by mid-year. However, alumina penalty has reversed most of its gains in the second half of 2018 and is currently at ~US\$4 per 1% alumina.

Property and machinery sectors buoyed 2018 steel demand in China. New property starts grew at the highest level post the global financial crisis and reached an all-time high. Excavator sales rose 45%, offsetting lower demand from infrastructure which experienced low investment growth of ~4%. The slowdown in infrastructure activity is largely reflective of the clampdown on local government and off-balance sheet financing activities as the M1 – M2 money supply growth remained negative for a 10th consecutive month in December 2018 at -6.6%.

Iron ore supply from the top four Australian producers edged up by 2.8% while Vale's iron ore shipments rose

an estimated 6% to ~390Mtpa on the ramp-up of S11D to 60% of its 90 Mtpa capacity.

2018 was an exceptional year for lump premium with a record annual average of US\$0.25/dmt. This is currently trading at US\$0.33/dmt. Frequent production cuts in northern China provinces and recent supply disruptions at major iron ore miners in the second half of 2018, has tightened the lump availability at Chinese ports where stocks have fallen to a near 12-month low of ~15 Mt (at 41 ports) by year end.

OPERATIONAL PERFORMANCE

At the operational level, the alignment between sales and operations was strengthened, and flexibility increased across the system to deliver operational and cost efficiency both safely and sustainably. In line with our strategy to unlock full potential, we focused on a number of areas, including the improvement of safety performance; increasing productivity and operational efficiency, as well as optimising operating and capital expenditure.

Kumba continued to embed the fatalities elimination framework based on the six elements of leadership, culture, risk and change management, learning from incidents, technology, monitoring and assurance. Earlier this year, we completed our Sacred Covenant training for all employees, and successfully implemented a safety intervention plan at Kolomela. A 'Stop for safety day' was held at both mines to reinforce the importance of safety over production.

All this has contributed towards the strong safety culture and our track record of remaining fatality free since May 2016. The use of technology has also led to better safety performance with the automation of braking on trucks and collision avoidance systems, as well as the use of drones to inspect areas of work during high risk activities such as blasting. This year,

COMMENTARY continued

the total recordable case frequency rate improved to 1.80 (2017: 3.23), high potential incidents, which are leading indicators of fatalities, reduced by 67% to 7 (2017: 21) and the number of injuries resulting in lost-time remained similar to 2017.

To increase productivity and operational efficiency, a number of initiatives were implemented aimed at improving primary mining equipment productivity using double-sided loading, optimising haul distances and improving shovel and truck reliability, amongst others.

Alongside these initiatives, ongoing implementation of the Operating Model has ensured the continuous improvement of operations. At Sishen, the focus areas in 2018 included the stabilisation of the work management processes in the mining and truck maintenance areas and implementation at the processing plant and drilling maintenance sections. In the mining areas, work management enables a fully integrated view of all activities in the pit and ensures greater adherence to the mining schedule. The most visible and immediate impact was the reduction of unscheduled work by up to 40% in some areas with Sishen achieving an 81% mine to plan compliance. At Kolomela, the operating model led to improved work management practices in mining, mobile equipment maintenance and the processing plant.

Given the rail constrained environment, focus was placed on improving the train load out and turnaround times at our mines, as well as at reducing the variability of individual wagon loads.

Technology has been a key enabler of safety and strategic delivery. During the period, we rolled out additional auto-drills enabling 24/7 drilling, implemented truck payload optimisation, installed advanced control rooms to monitor and manage production in real-time, and introduced advanced

process control systems to increase productivity rates. These initiatives and our continuous drive to improve productivity and efficiency resulted in efficiency improving to 65% of benchmark.

Our strategy of optimising operating and capital expenditure focused on improving contractor and supplier management by leveraging the group's global procurement agreements to deliver cost savings on amongst others, truck tyres, fuel and spare parts.

Capital expenditure at our mines was aimed at improving the safety, productivity and efficiency of operations. These included the separation of light vehicle and heavy vehicle roads, automation of the wash plant facility, installation of new chutes to reduce downtime associated with blockages, upgrade of crushers and the full ramp up of the second modular plant at Sishen in the second half of 2018.

Production summary (unaudited)

Total tonnes mined increased 8% to 292.5 Mt while total production volumes decreased by 4% to 43.1 Mt (2017: 45.0 Mt).

Our flexible production enabled a timeous response to the rail constraints and market demand for premium quality products. Planned production volumes were reduced to mitigate elevated levels of finished stock and the quality of the product portfolio improved to benefit from the quality and lump premia.

The process to improve the quality of ore involved increasing densities and maintaining the Dense Media Separation (DMS) plant at maximum cut density. This resulted in the overall plant yield reducing by 1.2%. However, product quality improved from an average of 64.1% to 64.5% Fe and the lump:fine ratio from 66% to 68%, ensuring that Kumba is well positioned to meet market demand for premium products.

'000 tonnes	December 2018	December 2017	% change
Total	43,106	44,983	(4)
Lump	29,172	29,812	(2)
Fines	13,934	15,171	(8)
Mine production	43,106	44,983	(4)
Sishen mine	29,246	31,119	(6)
Kolomela mine	13,860	13,864	—

Sishen operations

Total tonnes mined at Sishen increased by 11% to 220.5 Mt (2017: 199.5 Mt), following a 9% increase in owner fleet productivity. Our strategy to maximise value of tonnes mined resulted in total production decreasing to 29.2 Mt (2017: 31.1 Mt). Consistent with the mine plan, the stripping ratio increased to 4.7 compared to 4.3 in 2017, resulting in the amount of waste mined increasing to 182 Mt (2017: 162 Mt).

Sishen's second modular ultra-high dense media separation (UHDMS) plant was completed in August and commissioned in November 2018. The modular plant will treat the remaining JIG discards and supports our focus on the beneficiation of low-grade ore.

Progress continued to be made on the Dingleton project. Of the 517 original families, only 10 households remain. Engagements with the remaining households are continuing and the process is well on track. Sishen's consolidated mining right, incorporating Dingleton, was executed on 29 June 2018.

Kolomela mine

Total tonnes mined increased by 0.4% to 72.0 Mt (2017: 71.8 Mt), with production remaining flat at 13.9 Mt and waste stripping increasing to 56.0 Mt

(2017: 55.6 Mt). Due to rail constraints and sufficient finished stock levels at the mine, additional maintenance was undertaken on the DMS modular plant to ensure optimal performance through life of mine. Good productivity and efficiency gains were achieved with the 996-waste shovel tempo increasing by 36%. Kolomela achieved an 80% mine to plan compliance.

Logistics

A significant number of incidents along the IOEC line during the course of the year led to volumes railed to port reducing by 3.3% to 40.6 Mt (2017: 42.0 Mt). In addition to seven train derailments, Transnet declared force majeure on Kumba following a truck colliding with a railway bridge, resulting in the temporary closure of the IOEC line.

Since the half year, however, good progress was made in improving the level of engagement between Kumba and Transnet. A joint executive steering committee was formed to manage the performance on the IOEC line, and this has led to better collaboration as demonstrated by the efficient construction and reopening of the railway bridge two days earlier than expected. Fortunately, there were no injuries and due to the quick recovery time, stock at port was sufficient to meet shipments.

COMMENTARY continued

At Saldanha port, severe weather disruptions together with the scheduled upgrade of the shiploader, which resulted in single loading over a six-week period, contributed to total shipments

decreasing by 3.1% to 40.3 Mt (2017: 41.6 Mt). To partly mitigate these events, 1.1 Mt of iron ore was shipped through the multi-purpose terminal.

Sales summary (unaudited)

'000 tonnes	December 2018	December 2017	% change
Total	43,257	44,892	(4)
Export sales	39,966	41,615	(4)
Domestic sales	3,291	3,277	—

Despite the logistical challenges experienced, total sales of 43.3 Mt (2017: 44.9 Mt) remained within guidance of 42 Mt to 44 Mt. The decrease was driven by total export sales decreasing 3.8% to 40.0 Mt (2017: 41.6 Mt), including 1.2 Mt sourced from third-party producers, while domestic sales remained at similar levels to 2017 at 3.3 Mt. Total finished stock for the year held at the mine and port reduced to 5.3 Mt, below the 6.2 Mt reported at 30 June 2018 (31 December 2017: 4.3 Mt).

66% of sales (2017: 69%) were on a cost and freight (CFR) basis with the remainder sold free on board (FOB). Contractual sales comprised 77% (2017: 70%) of total export sales volumes.

Kumba continued to build its market position and further diversified its customer portfolio with sales in regions utilising direct-charge materials continuing to increase, in line with the company's strategy of realising higher average prices for its quality products. China represented 56% (2017: 63%) of Kumba's export sales portfolio whilst the share of the EU/MENA region increased to 21% (2017: 18%) and Japan and Korea to 20% (2017: 17%).

FINANCIAL RESULTS**Revenue**

Total revenue decreased by 1% to R45.7 billion compared to R46.4 billion for 2017, mainly as a result of total sales volumes reducing by 4%. This, together with the marginal strengthening of the average Rand/US\$ exchange rate to R13.24/US\$1 (2017: R13.30/US\$1) were partially offset by a 1% increase in the average realised iron ore export price to US\$72/tonne (2017: US\$71/tonne). Freight rates strengthened by US\$2.5/tonne compared to 2017, resulting in a R273 million increase in shipping revenue.

Kumba's higher average achieved FOB price was driven by higher lump, Fe and market premia, largely offsetting the impact of weaker iron ore index prices in 2018. On average, the Platts 62 index price decreased by US\$1.8/tonne to US\$69.5/tonne, whilst the achieved lump, Fe and market premia increased by US\$5.4/tonne to US\$16.7/tonne and freight rates increased by US\$2.6/tonne to US\$14.1/tonne.

Operating expenses

Operating expenses, excluding the reversal of the Sishen impairment in 2017, decreased marginally to R29.4 billion compared to R29.8 billion in the prior year, principally as a result of lower production and sales volumes as well as the benefit of cost savings. Cost savings of R976 million from operating efficiency improvements and overhead cost reductions largely offset inflationary pressure on input costs and higher distribution costs. Selling and distribution costs increased by 6% largely due to higher demurrage caused by rail constraints and above inflation increases in Transnet tariffs.

Freight costs of R4.5 billion remained constant year-on-year as 2.2 Mt lower shipping volumes were offset by a US\$1.20/tonne higher average Platts freight rate on the Saldanha-Qingdao route. Spot freight rates averaged US\$13.00/tonne, a 10% increase from US\$11.8/tonne in 2017.

Unit cash costs at Sishen increased by 1% to R290/tonne (2017: R287/tonne). This was primarily as a result of lower production volumes and above inflation mining-related cost escalations including diesel prices, which were partially offset by cost savings. In addition, during the year, the group capitalised an increased number of equipment spares as property, plant and equipment, for which the reconditioning costs incurred met the recognition criteria.

Kolomela mine incurred unit cash costs of R248/tonne (2017: R237/tonne), representing a 5% increase in line with expectations, due to higher mining volumes and above inflationary pressures from higher fuel prices, partially offset by savings on overhead costs.

Earnings before interest, tax, depreciation and amortisation (EBITDA)

Despite the challenging environment, Kumba produced an EBITDA of R20.6 billion, representing an increase of 5.1% compared to R19.6 billion in the previous year. Growth was primarily driven by the 1% increase in the average realised FOB export iron ore price to US\$72/tonne (2017: US\$71/tonne) and cost savings of around R1 billion, demonstrating the success of our margin enhancement strategy. The benefit of our strategy, was partially offset by the 4% decrease in total sales volumes and above inflation cost escalation.

Kumba's EBITDA margin increased by 3 percentage points to 45% (2017: 42%) and the mining operating margin improved to 50% (2017: 47%), excluding the net freight profit incurred on shipping operations. Net profit decreased by 22% to R12.6 billion (2017: R16.1 billion), after the 2017 impairment reversal of R4.8 billion before taxation.

Cash flow

Kumba ended the year with a net cash position of R11.7 billion (2017: R13.9 billion). Cash flow generated from operations decreased by 16% to R18.9 billion (2017: R22.4 billion), due to higher working capital requirements which offset the increase in EBITDA. The increase in working capital largely relates to the higher finished stock of 5.3 Mt (2017: 4.3 Mt) following logistical challenges on the rail line.

Total committed debt facilities of R12 billion (revolving facility) mature in 2020. Financial guarantees issued in favour of the Department of Mineral Resources (DMR) in respect of environmental closure liabilities were R2.9 billion.

COMMENTARY continued

The annual revision of closure costs reflected a further shortfall of R586 million in respect of the rehabilitation of the Sishen and Kolomela mines. Guarantees for the shortfall will be issued in due course.

We created stakeholder value by paying income tax of R4.1 billion (2017: R5.9 billion) and mineral royalties of R983 million (2017: R1.2 billion) to government, providing capital expenditure of R4.5 billion (2017: R3.1 billion), and distributing dividends to shareholders of R12.5 billion (2017: R6.7 billion).

Capital expenditure of R4.5 billion was incurred: R2.3 billion on SIB activities, R1.7 billion on deferred stripping, and R0.5 billion on expansions, which included R0.2 billion on the Dingleton project and R0.2 billion on the second Sishen modular plant, commissioned in November 2018.

Included in SIB capital expenditure is reconditioning or overhauling costs for capital spares, which are components of heavy mining equipment. During the year, the group recognised an increased number of capital spares for which the reconditioning costs incurred met the capitalisation criteria for recognition as property, plant and equipment. These reconditioning activities are anticipated to improve the performance of the equipment beyond their original expectations and this has resulted in the recognition of higher SIB capital expenditure than in prior years. The capitalised costs are depreciated over the expected overhaul intervals of the capital spares.

ORE RESERVES AND MINERAL RESOURCES

The following changes were recorded for the 2018 Kumba Ore Reserves and Mineral Resources Statement.

Kumba's total ore reserves as at 31 December 2018 are estimated to be 732.9 Mt (at 59.1% Fe) at Sishen and Kolomela, a net increase of 8% from 676.4 Mt in 2017.

Sishen's ore reserves increased 9% year-on-year, mainly attributable to a steepening of the pit slopes of the Sishen pit design based on advances made in the spatial geotechnical modelling field thus allowing for optimisation of pit slope designs. As a result of the optimised pit slope design built into the updated life of mine plan, Sishen's reserve life has increased from 13 years in 2017 to 14 years in 2018.

The continued focus on on-lease exploration at Kolomela, made available additional Measured and Indicated Mineral Resources for conversion to Ore Reserves and resulted in Kolomela's reserve life remaining at 14 years and ore reserves increasing by 7% year-on-year.

Kumba's estimated mineral resources, in addition to its ore reserves totalled 1.1 billion tonnes (at 48.0% Fe), a year-on-year increase of 12%.

The comprehensive 2018 Ore Reserve (and Saleable Product) and Mineral Resource Report can be accessed at: <https://www.angloamericankumba.com/investors/annual-reporting/reports-archive/2018.aspx>

REGULATORY UPDATE

Mining Charter

Kumba welcomes the gazetting of Mining Charter 2018 by the Minister of Mineral Resources on 27 September 2018.

The Mining Charter 2018 is a significant improvement on the draft 2017 and 2018 Mining Charters and deals in a more constructive way with numerous issues that had proven to be challenging under the 2010 Charter. We also greatly appreciate

the extensive efforts made by the Minister and his team to engage with and take on board the feedback of numerous stakeholder groups in finalising this charter.

In its submission to the DMR on 27 August 2018, Kumba presented a number of proposals that we believe would assist in achieving greater competitiveness, investment and growth for the mining industry.

While we are still in the process of reviewing and undertaking a full assessment of the implications of the new charter, we welcome certain improvements and points of clarity that have been incorporated.

These include:

- No additional ownership requirements for existing mining rights
- The requirement for the 1% EBITDA trickle dividend has been removed
- The inclusion of an equity equivalent ownership structure for communities
- The removal of the "free carried interest" shareholding requirement for community and employee share ownership schemes
- Provisions regarding prospecting rights have been withdrawn
- The Foreign Supplier contribution provision has been removed.

However, we do still have a few significant concerns that we believe may continue to affect the sustainability of the mining industry in South Africa.

These include, but are not limited to:

- Continued regulatory uncertainty arising from the recent favourable decision of the High Court in the Minerals Council of South Africa's application for a declaratory order as to various issues pertaining to the status of the Mining Charter

- Application of the Charter (designed for mining) to licences granted under the Precious Metals Act and the Diamonds Act, some of which must be renewed annually
- The provisions suggesting that new and further BEE ownership transactions will need to be concluded at the point of renewal of a mining right.

Furthermore, we are concerned that Mining Charter 2018 will, in certain respects, be difficult to implement legally and practically, and that may have unintended adverse consequences for the industry.

A further amendment to the Mining Charter of 2018 was gazetted in December 2018. This amendment has clarified that our first reports as to progress with our Charter initiatives under the Mining Charter 2018 will be due in March 2020 and this is a welcome development.

Kumba has consistently affirmed its support for the government's national transformation objectives in relation to the mining industry and has consistently acknowledged its role in promoting transformation in South Africa. Correspondingly, Anglo American has a longstanding track record of driving and supporting sustainable transformation in the mining industry, and we are certainly committed to continuing that journey.

Mineral and Petroleum Resources Development Act (MPRDA)

On 24 August 2018, the Minister of Mineral Resources announced the withdrawal of the MPRDA Amendment Bill. As a result, all amendments that had previously been proposed now fall away, bringing certainty to mining regulation.

Sishen consolidated mining right granted

Sishen's application to extend the mining right to include the Dingleton properties was granted

COMMENTARY continued

on 25 June 2018 and notarially executed on 29 June 2018. Mining operations in this area will only commence once the required environmental authorisation has been approved, which is expected soon. The grant allows Sishen mine to expand its current mining operations within the adjacent Dingleton area.

Kolomela consolidated mining right granted

The Section 102 application to amend the Kolomela mining right and the Mining work programme to include Heuningkranz and portion 1 of Langverwacht was granted on 14 October 2018. The Environmental authorisation was approved on 7 November 2018. The grant allows Kolomela mine to expand its current mining operations within the adjacent Heuningkranz area.

Thabazimbi transfer to ArcelorMittal SA

On 1 November 2018, the employees, assets and liabilities as well as the mining rights and the assumed liabilities for the mine were transferred at a nominal purchase consideration from Sishen Iron Ore Company Proprietary Limited to Thabazimbi Iron Ore Mine Proprietary Limited (a wholly owned subsidiary of ArcelorMittal South Africa, previously ArcelorMittal South Africa Operations Proprietary Limited).

EVENTS AFTER THE REPORTING PERIOD

There were no significant events from 31 December 2018 to the date of this report, not otherwise dealt with in this report.

CHANGES IN DIRECTORATE

The following changes to the Board were announced during the 2018 financial year:

- Mr Allen Morgan stepped down as an independent non-executive director and chairperson of the

Remuneration Committee, with effect from 11 May 2018.

- Terence Goodlace was appointed as lead independent non-executive director. Mr Goodlace stepped down as the chairman of the Risk and Opportunities Committee and remains a member of the committee.
- Dolly Mokgatle was appointed as the chairman of the Risk and Opportunities Committee. Mrs Mokgatle stepped down as the chairman of the Social, Ethics and Transformation Committee but remained a member of the committee.
- Buyelwa Sonjica was appointed as the chairman of the Social, Ethics and Transformation Committee.
- Ntombi Langa-Royds was appointed as the chairman of the Human Resources and Remuneration Committee, following Mr Morgan's retirement from the Board and as the chairman of the committee.

CHANGES IN MANAGEMENT

The Board announced the appointment of:

- Darrin Strange as Chief operating officer with effect from 1 May 2018.
- Sam Martin as Executive Head: Strategy and business development with effect from 16 July 2018.

OUTLOOK FOR 2019

Full year production guidance is between 43 Mt and 44 Mt with Sishen producing around 30 Mt of product and mining between 170 Mt and 180 Mt of waste. Sishen's stripping ratio in 2019 is expected to exceed 4.5, with the average LoM stripping ratio reducing to ~3.4. Kolomela's production guidance is between 13 Mt and 14 Mt and waste at 55 Mt to 60 Mt. The stripping ratio for the mine is expected to exceed 4 in 2019, with the LoM average at ~4.

Total sales volumes are likely to be between 43 Mt and 44 Mt, including domestic sales volumes of around 3 Mt of the 6.25 Mt contracted to ArcelorMittal SA in terms of the supply agreement. Delivery of production and sales volumes as guided will be in line with rail performance and finished stock levels. We continue to engage with Transnet to optimise efficiencies and ensure that we achieve maximum rail capacity.

Unit costs are expected to be between R315/tonne and R325/tonne for Sishen and between R265/tonne and R275/tonne for Kolomela. Costs will remain under pressure as a result of increases in fuel, labour and maintenance costs, with partial offset from our cost savings programme, targeting R700 million in 2019.

The 2019 outlook for capital expenditure, including deferred stripping, is expected to be in the range of R4.6 billion to R4.8 billion. Beyond 2019, it is anticipated that expansion capital will include amongst others, our UHDMS technology, currently in feasibility phase. Construction expected to start in 2020 and capital expenditure for the UHDMS project is expected to be between R2 billion and R3 billion. Further information will be available once the feasibility study is completed towards the end of 2019.

Iron ore export prices and the Rand/US\$ exchange rate are key factors influencing Kumba's financial and operational performance. Shareholders are advised that these forecasts have not been reviewed or reported on by our auditors.

Themba Mkhwanazi concluded, "We are continuing to make good progress on transforming Kumba into a company that delivers sustainable returns through the cycle, underpinned by the economic benefit offered by our differentiated product quality.

We are delivering our strategy to maximise the potential of our world class asset base by leveraging our existing capabilities whilst embracing new technologies to produce safely and efficiently. Importantly, at the half year, we put in place the new dividend policy that targets a pay-out of 50% to 75% of headline earnings. The dividend policy has been well received and it places greater transparency around our commitment to disciplined capital allocation and ongoing shareholder returns."

The presentation of the Company's results for the year ended 31 December 2018 will be available on the Company's website <http://www.angloamericankumba.com> at 07:05 CAT and the webcast will be available from 11:00 CAT on 19 February 2019.

SALIENT FEATURES AND OPERATING STATISTICS

for the year ended

	Unaudited 31 December 2018	Unaudited 31 December 2017
Share statistics ('000)		
Total shares in issue	322,086	322,086
Weighted average number of shares	319,602	319,303
Diluted weighted average number of shares	321,920	321,481
Treasury shares	2,565	2,627
Market information		
Closing share price (Rand)	283	379
Market capitalisation (Rand million)	91,166	122,112
Market capitalisation (US\$ million)	6,341	9,923
Net asset value attributable to owners of Kumba (Rand per share)	109.47	107.95
Capital expenditure (Rand million)		
Incurred	4,463	3,074
Contracted	694	597
Authorised but not contracted	1,555	1,634
Operating commitments		
Lease commitments	608	794
Shipping services	6,205	5,260
Economic information		
Average Rand/US Dollar exchange rate (ZAR/US\$)	13.24	13.30
Closing Rand/US Dollar exchange rate (ZAR/US\$)	14.38	12.31
Sishen mine FOR unit cost		
Unit cost (Rand per tonne)	378.20	375.42
Cash cost (Rand per tonne)	289.97	287.33
Unit cost (US\$ per tonne)	28.56	28.23
Cash cost (US\$ per tonne)	21.90	21.60
Kolomela mine FOR unit cost		
Unit cost (Rand per tonne)	354.69	336.67
Cash cost (Rand per tonne)	248.56	236.67
Unit cost (US\$ per tonne)	26.79	25.31
Cash cost (US\$ per tonne)	18.77	17.79

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

Rand million	Notes	Audited 31 December 2018	Audited 31 December 2017
ASSETS			
Property, plant and equipment	5	37,723	36,833
Biological assets		3	3
Investments held by environmental trust		621	627
Long-term prepayments and other receivables		216	211
Inventories	6	2,410	2,841
Deferred tax assets		–	72
Non-current assets		40,973	40,587
Inventories	6	6,236	4,061
Trade and other receivables		4,157	2,709
Contract assets		9	–
Current tax assets		6	–
Cash and cash equivalents	7	11,670	13,874
Current assets		22,078	20,644
Assets of disposal group classified as held for sale	12	–	1,235
Total assets		63,051	62,466
EQUITY			
Shareholders' equity	8	35,260	34,769
Non-controlling interests		10,927	10,777
Total equity		46,187	45,546
LIABILITIES			
Provisions		2,239	1,860
Deferred tax liabilities		8,805	8,860
Non-current liabilities		11,044	10,720
Provisions		72	147
Trade and other payables		5,460	4,945
Contract liabilities		288	–
Current tax liabilities		–	59
Current liabilities		5,820	5,151
Liabilities of disposal group classified as held for sale	12	–	1,049
Total liabilities		16,864	16,920
Total equity and liabilities		63,051	62,466

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended

Rand million	Notes	Audited 31 December 2018	Audited 31 December 2017
Revenue		45,725	46,379
Operating expenses		(29,365)	(24,989)
Operating profit	9	16,360	21,390
Finance income		499	637
Finance costs		(179)	(339)
Profit before taxation		16,680	21,688
Taxation		(4,026)	(5,481)
Profit for the year from continuing operations		12,654	16,207
Discontinued operation			
Loss from discontinued operation	12	(59)	(74)
Profit for the year		12,595	16,133
Attributable to:			
Owners of Kumba		9,615	12,335
Non-controlling interests		2,980	3,798
		12,595	16,133
Basic earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)			
From continuing operations		30.22	38.86
From discontinued operation		(0.14)	(0.23)
Total basic earnings per share		30.08	38.63
Diluted earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)			
From continuing operations		30.01	38.60
From discontinued operation		(0.14)	(0.23)
Total diluted earnings per share		29.87	38.37

SUMMARISED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended

Rand million	Audited 31 December 2018	Audited 31 December 2017
Profit for the year	12,595	16,133
Other comprehensive income/(loss) for the year	523	(454)
Exchange differences on translation of foreign operations ¹	523	(454)
Total comprehensive income for the year	13,118	15,679
Attributable to:		
Owners of Kumba	10,014	11,989
Non-controlling interests	3,104	3,690
	13,118	15,679

¹ There is no tax attributable to items included in other comprehensive income and items subsequently reclassified to profit or loss.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended

Rand million	Audited 31 December 2018	Audited 31 December 2017
Total equity at the beginning of the year	45,546	36,536
Changes in share capital and premium		
Treasury shares issued to employees under employee share incentive schemes	73	121
Purchase of treasury shares ¹	(112)	(61)
Changes in reserves		
Equity-settled share-based payment	94	135
Vesting of shares under employee share incentive schemes	(73)	(121)
Total comprehensive income for the year	10,014	11,989
Dividends paid	(9,505)	(5,144)
Changes in non-controlling interests		
Total comprehensive income for the year	3,104	3,690
Dividends paid	(2,954)	(1,599)
Total equity at the end of the year	46,187	45,546
Comprising:		
Share capital and premium (net of treasury shares)	(93)	(54)
Equity-settled share-based payment reserve	203	186
Foreign currency translation reserve	1,312	916
Retained earnings	33,838	33,721
Shareholders' equity	35,260	34,769
Non-controlling interests	10,927	10,777
Total equity	46,187	45,546
Dividend (Rand per share)		
Interim	14.51	15.97
Final ²	15.73	15.00
Total	30.24	30.97

¹ The average price paid for the purchase of the shares in 2018 was R284.12 per share (2017: R214.77 per share).

² The final dividend was declared after 31 December 2018 and has not been recognised as a liability in this summarised financial report. It will be recognised in shareholders' equity for the 2019 financial year.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended

Rand million	Audited 31 December 2018	Audited 31 December 2017
Cash generated from operations	18,906	22,432
Net finance income received	405	461
Taxation paid	(4,077)	(5,883)
Cash flows from operating activities	15,234	17,010
Additions to property, plant and equipment	(4,463)	(3,074)
Proceeds from disposal of property, plant and equipment	17	27
Cash flows utilised in investing activities	(4,446)	(3,047)
Purchase of treasury shares	(112)	(61)
Dividends paid to owners of Kumba	(9,505)	(5,144)
Dividends paid to non-controlling shareholders	(2,954)	(1,599)
Interest-bearing borrowings repaid	—	(4,500)
Cash flows utilised in financing activities	(12,571)	(11,304)
Net (decrease)/increase in cash and cash equivalents	(1,783)	2,659
Cash and cash equivalents at beginning of year	13,874	10,665
Foreign currency exchange (losses)/gains on cash and cash equivalents	(421)	550
Cash and cash equivalents at end of year	11,670	13,874

HEADLINE EARNINGS

for the year ended

Rand million	Audited 31 December 2018	Audited 31 December 2017
Reconciliation of headline earnings		
Profit attributable to owners of Kumba	9,615	12,335
Impairment reversal	–	(4,789)
Net loss on disposal and scrapping of property, plant and equipment	86	63
Net loss on disposal of discontinued operation	18	–
	9,719	7,609
Taxation effect of adjustments	(23)	1,309
Non-controlling interests in adjustments	(19)	810
Headline earnings	9,677	9,728
Headline earnings (Rand per share)		
Basic	30.28	30.47
Diluted	30.06	30.26
The calculation of basic and diluted earnings and headline earnings per share is based on the weighted average number of ordinary shares in issue as follows:		
Weighted average number of ordinary shares	319,601,762	319,302,962
Diluted weighted average number of ordinary shares	321,919,841	321,481,081

The dilution adjustment of shares at 2,318,079 at 31 December 2018 (2017: 2,178,119) is a result of the share options previously granted under the various employee share incentive schemes not yet vested.

NORMALISED EARNINGS

for the year ended

Rand million	Audited 31 December 2018	Audited 31 December 2017
Reconciliation of normalised earnings		
Headline earnings attributable to owners of Kumba	9,677	9,728
Net utilisation of deferred tax asset	72	14
	9,749	9,742
Taxation effect of adjustments	–	–
Non-controlling interests in adjustments	(17)	(3)
Normalised earnings	9,732	9,739
Normalised earnings (Rand per share)		
Basic	30.45	30.50
Diluted	30.23	30.29
The calculation of basic and diluted normalised earnings per share is based on the weighted average number of ordinary shares in issue as follows:		
Weighted average number of ordinary shares	319,601,762	319,302,962
Diluted weighted average number of ordinary shares	321,919,841	321,481,081

This measure of normalised earnings is specific to Kumba and is not required in terms of International Financial Reporting Standards or the JSE Listings Requirements. Normalised earnings represents earnings from the recurring activities of the group, as disclosed in the accounting policies in the annual financial statements.

This is determined by adjusting the headline earnings attributable to the owners of Kumba for non-recurring expense or income items incurred during the year. The recognition and utilisation of the deferred tax asset is a non-recurring item and has therefore been adjusted in determining normalised earnings.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

1. CORPORATE INFORMATION

Kumba is a limited liability company incorporated and domiciled in South Africa. The main business of Kumba, its subsidiaries, joint ventures and associates is the exploration, extraction, beneficiation, marketing, sale and shipping of iron ore. The group is listed on the JSE Limited (JSE).

The audited summarised consolidated financial statements of Kumba and its subsidiaries for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 15 February 2019.

2. BASIS OF PREPARATION

The audited summarised consolidated financial statements have been prepared, under the supervision of BA Mazarura CA(SA), Chief financial officer, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, and the requirements of the South African Companies Act, No 71 of 2008 applicable to summarised consolidated financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The audited consolidated financial statements from which these summarised consolidated financial statements were derived have been prepared in accordance with the historical cost convention except for certain financial instruments, share-based payments, discontinued operation and disposal group held for sale and biological assets which are stated at fair value, and are presented in Rand, which is Kumba's functional and presentation currency. All financial information presented in Rand has been rounded off to the nearest million.

2.1 Going concern

In assessing whether the group can continue in operational existence for the foreseeable future, the directors have reviewed the group financial budgets with their underlying business plans. The financial performance of the group is dependent upon the wider economic environment in which the group operates. Factors exist which are outside the control of management which can have a significant impact on the business, specifically the volatility in the Rand/US\$ exchange rate and the iron ore price.

Based on the current financial position, the Board is satisfied that the group is sufficiently liquid and solvent to be able to support the current operations for the next 12 months. In the light of the going concern assessment performed by the Board, the audited consolidated financial statements have been prepared on a going concern basis.

2.2 Accounting judgements, estimates and assumptions

In preparing the consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the consolidated financial statements for the year ended 31 December 2017, except as disclosed below.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of these consolidated financial statements from which the summarised consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except as disclosed below.

3.1 Amendments to published standards and interpretations

A number of amendments to accounting standards were effective for the first time for the financial year beginning on or after 1 January 2018. Comparative information has not been presented.

3.1.1 New standards effective for annual periods beginning on or after 1 January 2018

The following standards, amendments to published standards and interpretations, which are effective for the year commencing on 1 January 2018, were adopted by the group:

IFRS 9 *Financial instruments*

IFRS 9 replaces IAS 39 and sets out the updated requirements for recognition and measurement, impairment, derecognition and general hedge accounting of financial instruments. These requirements specifically deal with the classification and measurement of financial instruments. With regards to classification, subsequent to initial recognition, the financial assets are to be classified as either amortised cost, fair value through profit or loss or fair value through other comprehensive income, based on the business model and contractual cashflow characteristics. The measurement of impairment losses are based on an expected credit loss model, which takes into account the time value of money, probability weighting as well as forward looking information. IFRS 9 further requires consideration of the disaggregation of the debtors' book when considering impairments where revenue streams are likely to have different risk profiles.

The adoption of this new standard had no material impact on the group's earnings for the year.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2018

IFRS 15 Revenue from contracts with customers

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. The standard requires an entity to recognise revenue in such a manner as to depict the transfer of goods or services to customers at an amount representing the consideration, to which the entity expects to be entitled in exchange for those goods or services. The identified contracts with customers are required to be evaluated to determine the performance obligations, the transaction price and the point at which the performance obligation is satisfied by transferring promised goods or services to the customers. IFRS 15 requires that an entity should apply the standard using either one of the following transition approaches: (a) retrospectively to each prior reporting period; or (b) retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The group applied the modified retrospective approach on adoption.

The group's revenue is primarily derived from commodity sales for which the point of recognition is dependent on the contract sales terms known as the International Commercial terms (Incoterms). Under Incoterms (i.e. cost, insurance and freight (CIF) and cost and freight (CFR)), the seller is required to contract and pay for the costs and freight necessary to bring the goods to a named port destination.

Consequently, the freight service on export commodity contracts with CIF/CFR Incoterms represents a separate performance obligation as defined under IFRS 15 and as such, a portion of the revenue earned under these contracts, representing the obligation to perform the freight service, is deferred and recognised when this obligation has been fulfilled, along with the associated costs.

The impact of applying IFRS 15 in the 2018 financial year was as follows:

- Net decrease in profit after tax of R201 million
- No material impact on opening retained earnings
- Increase in current assets of R9 million
- Increase in current liabilities of R288 million

3.2 New standards, amendments to existing standards and interpretations that are not yet effective and have not been early adopted

At the date of authorisation of these summarised consolidated financial statements, the following standard, amendments to existing standard and interpretations were in issue but not yet effective in the 2018 financial year and has not been early adopted.

IFRS 16 Leases

IFRS 16 *Leases* became effective for the group from 1 January 2019, replacing IAS 17 *Leases*. IFRS 16 sets out updated requirements on recognition and measurement of leases. The group has elected to adopt the modified retrospective transition approach and therefore the cumulative effect of transition to IFRS 16 will be recognised in Retained earnings and the comparative period will not be restated.

The principal impact of IFRS 16 will be to change the accounting treatment by lessees of leases currently classified as operating leases. Lease agreements will give rise to the recognition by the lessees of a right of use asset and a related liability for future lease payments.

Based on the impact assessment performed, the application of IFRS 16 is expected to have a significant impact on the group's consolidated financial statements, particularly in relation to the recognition of the right of use assets and lease liabilities that were previously treated as operating leases.

The most significant expected impact of transitioning to IFRS 16 in the 2019 financial year, based upon Kumba's current contractual arrangements, is estimated to be:

- recognising a lease liability of approximately R400 million to R500 million
- recognising a right of use asset of approximately R350 million to R450 million. The right of use asset will principally relate to rental of properties and mining equipment
- the balance representing an adjustment to retained earnings

Depreciation of the right of use asset and the finance charge representing the unwinding of the discount on the lease liability will be recorded in the statement of profit or loss. The impact of the standard on EBITDA and profit before tax following adoption is not expected to be significant although the presentation of the leases in the statement of profit or loss will change.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2018

4. CHANGES IN ESTIMATES

The measurement of the environmental rehabilitation and decommissioning provisions is a key area where management's judgement is required. The closure provisions are measured at the present value of the expected future cash flows required to perform the rehabilitation and decommissioning. This calculation requires the use of certain estimates and assumptions when determining the amount and timing of the future cash flows and the discount rate. The closure provisions are updated at each reporting period date, for changes in these estimates.

The life of mine plan (LoMP) on which accounting estimates are based only includes proved and probable ore reserves as disclosed in Kumba's 2018 annual ore reserves and mineral resources statement. The most significant changes in the provisions for 2018 arises from the change in the LoMP as well as the timing of the expected cash flows for both Sishen and Kolomela.

The effect of the change in estimate of the rehabilitation and decommissioning provision is detailed below:

Rand million	Audited 31 December 2018	Audited 31 December 2017
Increase in environmental rehabilitation provision	414	77
Decrease in decommissioning provision	(21)	(199)
Increase in profit after tax attributable to the owners of Kumba	393	42
Rand per share		
Effect on earnings per share attributable to the owners of Kumba	0.71	0.13

The change in estimate of the decommissioning provision has been capitalised to the related property, plant and equipment and as a result had an insignificant effect on profit or earnings per share.

5. PROPERTY, PLANT AND EQUIPMENT

Rand million	Audited 31 December 2018	Audited 31 December 2017
Capital expenditure	4,463	3,074
Comprising:		
Expansion	506	575
Stay-in-business (SIB)	2,288	1,305
Deferred stripping	1,669	1,194
Transfers from assets under construction to property, plant and equipment	1,053	1,704

Expansion capital expenditure comprises mainly the Dingleton project and the completion of the Sishen 2nd modular plant.

SIB capital expenditure principally related to fleet and infrastructure to support production.

The increase in the deferred stripping costs is mainly attributable to the increase in the stripping ratio of the Sishen mine components to which the capitalisation relates.

6. INVENTORIES

Rand million	Audited 31 December 2018	Audited 31 December 2017
Finished products	1,550	1,240
Work-in-progress	5,678	4,238
Plant spares and stores	1,418	1,424
Total inventories	8,646	6,902
Non-current portion of work-in-progress inventories	2,410	2,841
Current portion of inventories	6,236	4,061
Total inventories	8,646	6,902

During the year, the group wrote down inventory of R157 million (2017: R726 million).

Rnil (2017: R228 million) of inventory was written off to a zero carrying amount. No inventories were encumbered during the year.

Work-in-progress inventory balances which will not be processed within the next 12 months are presented as non-current.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2018

7. NET CASH AND DEBT FACILITIES

Kumba's net cash position at the statement of financial position dates was as follows:

Rand million	Audited 31 December 2018	Audited 31 December 2017
Net cash		
Cash and cash equivalents	11,670	13,874

Movements in interest-bearing borrowings are analysed as follows:

Rand million	Audited 31 December 2018	Audited 31 December 2017
Balance at beginning and end of year	–	4,500
Interest-bearing borrowings repaid	–	(4,500)
Balance at the end of the year	–	–

The group's debt facilities consist of a committed R12 billion (31 December 2017: R12 billion) revolving credit facility which matures in 2020 and uncommitted facilities of R8.3 billion (31 December 2017: R8.3 billion). The committed and uncommitted facilities were undrawn at 31 December 2018 and 31 December 2017.

8. SHARE CAPITAL AND SHARE PREMIUM

Reconciliation of share capital and share premium (net of treasury shares):

Rand million	Audited 31 December 2018	Audited 31 December 2017
Balance at beginning of year	(54)	(114)
Net movement in treasury shares under employee share incentive schemes	(39)	60
Purchase of treasury shares	(112)	(61)
Share issued to employees	73	121
Balance at the end of the year	(93)	(54)

Reconciliation of number of shares in issue:

	Audited 31 December 2018	Audited 31 December 2017
Balance at beginning and end of year	322,085,974	322,085,974
Reconciliation of treasury shares held:		
Balance at beginning of year	2,626,977	2,797,627
Shares purchased	395,399	284,194
Shares issued to employees under the Long-Term Incentive Plan, the Kumba Bonus Share Plan and the SIOC Employee Benefit Scheme	(457,212)	(454,844)
Balance at the end of the year	2,565,164	2,626,977

All treasury shares are held as conditional awards under the Kumba Bonus Share Plan and the SIOC Employee Benefit Scheme.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2018

9. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT

Operating expenses are made up as follows:

Rand million	Audited 31 December 2018	Audited 31 December 2017
Production costs	19,072	17,824
Movement in inventories	(1,272)	452
Finished products	167	224
Work-in-progress	(1,440)	228
Cost of goods sold	17,800	18,276
Impairment reversal	–	(4,789)
Mineral royalty	876	1,239
Selling and distribution costs	6,194	5,815
Cost of services rendered – shipping	4,532	4,485
Sublease rent received	(37)	(37)
Operating expenses	29,365	24,989
Operating profit has been derived after taking into account the following items:		
Employee expenses	4,499	4,030
Termination benefits	10	8
Share-based payment expenses	117	146
Depreciation of property, plant and equipment	4,269	3,014
Deferred waste stripping costs	(1,669)	(1,194)
Net loss on disposal and scrapping of property, plant and equipment	86	63
Net finance (gains)/losses	(116)	216
Unrealised losses/(gains) on derivative financial instruments	21	(112)
Net foreign currency (gains)/losses		
Realised	(39)	310
Unrealised	(108)	77
Net fair value losses/(gains) on investments held by the environmental trust	10	(59)

10. TAXATION

The group's effective tax rate was 24% for the year (2017: 25%).

11. SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Kumba Executive Committee.

The Kumba Executive Committee considers the business principally according to the nature of the products and services provided, with the identified segments each representing a strategic business unit. "Other segments" comprise corporate, administration and other expenditure not allocated to the reported segments.

The total reported segment revenue comprises revenue from external customers, and is measured in a manner consistent with that disclosed in the statement of profit or loss. The performance of the operating segments is assessed based on earnings before tax, interest, depreciation and amortisation (EBITDA), which is considered a more appropriate measure of profitability for the group's businesses. Finance income and finance costs are not allocated to segments, as treasury activity is managed on a central group basis.

Total segment assets comprise finished goods inventory only, which is allocated based on the operations of the segment and the physical location of the asset.

Depreciation, staff costs, impairment of assets and additions to property, plant and equipment are not reported to the CODM per segment, but are significant items which are included in EBITDA and/or reported on for the group as a whole.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2018

11. SEGMENTAL REPORTING continued

Rand million	Products ¹			Services		Other	Total ³
	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics ²	Shipping operations		
Audited year ended 31 December 2018							
Statement of profit or loss							
Revenue from external customers	29,383	11,665	–	–	4,677	–	45,725
EBITDA	20,261	7,443	(63)	(6,184)	145	(1,036)	20,566
Significant items included in the statement of profit or loss:							
Depreciation	3,096	1,136	–	10	–	27	4,269
Staff costs	2,855	955	–	40	–	776	4,626
Statement of financial position							
Total segment assets	713	673	–	161	–	3	1,550
Statement of cash flows							
Additions to property, plant and equipment							
Expansion capex	506	–	–	–	–	–	506
Stay-in-business capex	1,688	597	–	3	–	–	2,288
Deferred stripping	1,370	299	–	–	–	–	1,669

11. SEGMENTAL REPORTING *continued*

Rand million	Products ¹		Services		Other	Total ³	
	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics ²			Shipping operations
Audited year ended							
31 December 2017							
Statement of profit or loss							
Revenue from external customers	30,252	11,723	—	—	4,404	—	46,379
EBITDA	18,842	7,481	(56)	(5,806)	(83)	(820)	19,558
Significant items included in the statement of profit or loss:							
Depreciation	1,934	1,001	13	9	—	70	3,027
Impairment reversal	(4,789)	—	—	—	—	—	(4,789)
Staff costs	2,523	849	—	41	—	771	4,184
Statement of financial position							
Total segment assets	695	349	—	166	—	30	1,240
Statement of cash flows							
Additions to property, plant and equipment							
Expansion capex	575	—	—	—	—	—	575
Stay-in-business capex	684	446	—	2	—	173	1,305
Deferred stripping	942	252	—	—	—	—	1,194

¹ Derived from extraction, production and selling of iron ore.

² No revenue is reported for this segment as its performance is reviewed with reference to volumes railed and rail tariffs achieved.

³ The amounts in the total column are inclusive of the Thabazimbi mine amounts. These amounts are not included in each line item on the statement of profit or loss as Thabazimbi mine has been disclosed separately as a discontinued operation.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2018

11. SEGMENTAL REPORTING continued**Geographical analysis of revenue and non-current assets:**

Rand million	Audited 31 December 2018	Audited 31 December 2017
Total revenue from external customers	45,725	46,379
South Africa	2,787	2,714
Export	42,938	43,665
China	24,350	27,260
Rest of Asia	9,587	8,538
Europe	8,263	6,626
Middle East and North Africa	738	1,241

All non-current assets, excluding investments in associates and joint ventures, are located in South Africa. At 31 December 2017, R14 million of the non-current assets relating to prepayments were located in Singapore.

12. DISCONTINUED OPERATION AND DISPOSAL GROUP HELD FOR SALE

As announced in 2017, Sishen Iron Ore Company Proprietary Limited (SIOC) and ArcelorMittal SA had entered into an agreement to transfer Thabazimbi mine to ArcelorMittal SA, subject to the fulfilment of certain conditions precedent. On 10 July 2018, SIOC received the grant letter from the Department of Mineral Resources (DMR) in respect of section 11 of the Mineral and Petroleum Resources Development Act (MPRDA) approving the cession of the Thabazimbi mining rights to ArcelorMittal SA.

Subsequently, on 12 October 2018, Kumba and ArcelorMittal SA announced that all the conditions precedent to the transfer of Thabazimbi mine, together with the mining rights, had either been fulfilled or waived. On 1 November 2018, the employees, assets and liabilities as well as the mining rights and the assumed liabilities of Thabazimbi mine were transferred at a nominal purchase consideration from SIOC to Thabazimbi Iron Ore Mine Proprietary Limited (a wholly owned subsidiary of ArcelorMittal SA, previously ArcelorMittal South Africa Operations Proprietary Limited).

The Thabazimbi operation continued to be classified as a discontinued operation until 1 November 2018.

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE *continued*

Analysis of the result of the Thabazimbi mine is as follows:

Rand million	Audited 31 December 2018	Audited 31 December 2017
Operating expenses ¹	(64)	(69)
Operating loss	(64)	(69)
Net finance cost ²	(18)	(34)
Loss before tax	(82)	(103)
Income tax expense	23	29
Loss after income tax	(59)	(74)
Attributable to owners of the parent	(45)	(56)
Attributable to the non-controlling interests	(14)	(18)
Loss from discontinued operation	(59)	(74)
Cash flow utilised in discontinued operation		
Net cash flows utilised in operating activities	(118)	(128)
Net cash utilised in discontinued operation	(118)	(128)

¹ Operating expenses consist of closure activities.

² This amount relates to discounting of the rehabilitation provision.

Assets and liabilities of disposal group held for sale at:

Rand million	Audited 31 December 2018	Audited 31 December 2017
ASSETS		
Biological assets	–	11
Investments held by environmental trust	–	325
Long-term prepayments and other receivables	–	459
Trade and other receivables	–	440
Total assets	–	1,235
LIABILITIES		
Non-current provisions	–	(812)
Current provisions	–	(237)
Total liabilities	–	(1,049)
Net carrying amount sold	–	186

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2018

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE continued

The transaction resulted in a net non-cash loss of R18 million analysed as follows:

Rand million	Audited 31 October 2018
ASSETS	
Investments held by environmental trust	329
Long-term prepayments and other receivables	496
Trade and other receivables	192
Total assets	1,017
LIABILITIES	
Non-current provisions	(991)
Current provisions	(8)
Total liabilities	(999)
Net carrying amount sold	18
Consideration received	—
Net loss	(18)

13. FAIR VALUE ESTIMATION

The carrying value of financial instruments not carried at fair value approximates fair value because of the short period to maturity or as a result of market related variable interest rates.

The table below presents the group's assets and liabilities that are measured at fair value:

Rand million	Level 1¹	Level 2²	Level 3³
Audited 12 months – 31 December 2018			
Investments held by the environmental trust	621	–	–
Long-term prepayments and other receivables ⁴	–	–	47
Derivative financial instruments classified as cash and cash equivalents	–	27	–
	621	27	47
Audited 12 months – 31 December 2017			
Investments held by the environmental trust	952	–	–
Derivative financial instruments classified as cash and cash equivalents	–	244	–
	952	244	–

¹ Level 1 fair value measurements are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

² Level 2 fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly (i.e. derived from market-related prices).

³ Level 3 fair value measurements are derived from valuation techniques that include inputs that are not based on observable market data.

⁴ In the prior year, this was included in the trade receivables and disclosed at amortised cost.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

continued

for the year ended 31 December 2018

14. RELATED PARTY TRANSACTIONS

During the year, Kumba and its subsidiaries, in the ordinary course of business, entered into various sale, purchase and service transactions with associates, joint ventures, fellow subsidiaries, its holding company and Exxaro Resources Limited². These transactions were subject to terms that are no less favourable than those offered by third parties.

Rand million	Audited 31 December 2018	Audited 31 December 2017
Short-term deposit held with Anglo American SA Finance Limited (AASAF) ¹		
– Deposit	5,338	6,899
– Weighted average interest rate (%)	6.99	7.17
Interest earned on short-term deposits with AASAF during the year	395	577
Short-term deposit held with Anglo American Capital plc ¹	4,890	4,907
Interest earned on facility during the year	57	32
– Trade payable owing to Anglo American Marketing Limited (AAML) ¹	502	635
– Shipping services provided by AAML	4,572	4,462
Dividends paid to Exxaro Resources Limited ²	2,569	1,390

¹ Subsidiaries of the ultimate holding company.

² Exxaro Resources Limited is SIOC's 20.62 % (2017: 20.62 %) Black Economic Empowerment shareholder.

15. CONTINGENT LIABILITIES

On 29 June 2018, the South African Revenue Services (SARS) issued the group with additional income tax assessments relating to a tax audit on the deductibility of certain expenditure incurred, covering the 2012 to 2014 years of assessment. The group objected against these assessments after consultation with external tax and legal advisers. On 11 December 2018, the SARS advised that it has disallowed the objection. Kumba is in the process of preparing an appeal against this outcome. Based on the external legal and tax advice, the group believes that these matters have been appropriately treated in the results for the year ended 31 December 2018.

There were no other contingent liabilities at 31 December 2018.

16. GUARANTEES

The total guarantees issued in favour of the DMR in respect of the group's environmental closure liabilities at 31 December 2018 were R2.9 billion (2017: R2.8 billion). Included in this amount are financial guarantees for the environmental rehabilitation and decommissioning obligations of the group to the DMR in respect of the Thabazimbi mine of R439 million (2017: R439 million). ArcelorMittal SA has guaranteed R439 million of this amount by means of bank guarantees issued in favour of SIOC. The relevant parties are in the process of exchanging the Thabazimbi guarantees as part of the sale transaction (Refer to note 12).

As a result of the annual revision of closure costs, a shortfall of R586 million arose. Guarantees in respect of the shortfall will be issued in due course.

17. REGULATORY UPDATE

The Reviewed Mining Charter (MCIII)

Kumba welcomes the gazetting of Mining Charter 2018 by the Minister of Mineral Resources on 27 September 2018.

The Mining Charter 2018 is a significant improvement on the draft 2017 and 2018 Mining Charters and deals in a more constructive way with numerous issues that had proven to be challenging under the 2010 Charter. We also greatly appreciate the extensive efforts made by the Minister and his team to engage with and take on board the feedback of numerous stakeholder groups in finalising this charter.

In its submission to the Department of Mineral Resources (DMR) on 27 August 2018, Kumba presented a number of proposals that we believe would assist in achieving greater competitiveness, investment and growth for the mining industry.

While we are still in the process of reviewing and undertaking a full assessment of the implications of the new charter, we welcome certain improvements and points of clarity that have been incorporated.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2018

These include:

- No additional ownership requirements for existing mining rights
- The requirement for the 1% EBITDA trickle dividend has been removed
- The inclusion of an equity equivalent ownership structure for communities
- The removal of the "free carried interest" shareholding requirement for community and employee share ownership schemes
- Provisions regarding prospecting rights have been withdrawn
- The Foreign Supplier contribution provision has been removed.

However, we do still have a few significant concerns that we believe may continue to affect the sustainability of the mining industry in South Africa.

These include, but are not limited to:

- Continued regulatory uncertainty arising from the recent favourable decision of the High Court in the Minerals Council of South Africa's application for a declaratory order as to various issues pertaining to the status of the Mining Charter
- Application of the Charter (designed for mining) to licences granted under the Precious Metals Act and the Diamonds Act, some of which must be renewed annually
- The provisions suggesting that new and further BEE ownership transactions will need to be concluded at the point of renewal of a mining right.

Furthermore, we are concerned that Mining Charter 2018 will, in certain respects, be difficult to implement legally and practically, and that may have unintended adverse consequences for the industry.

A further amendment to the Mining Charter of 2018 was gazetted in December 2018. This amendment has clarified that our first reports as to progress with our Charter initiatives under the Mining Charter 2018 will be due in March 2020 and this is a welcome development.

Kumba has consistently affirmed its support for the government's national transformation objectives in relation to the mining industry and has consistently acknowledged its role in promoting transformation in South Africa. Correspondingly, Anglo American has a longstanding track record of driving and supporting sustainable transformation in the mining industry, and we are certainly committed to continuing that journey.

18. CORPORATE GOVERNANCE

The group subscribes to the Code of Good Corporate Practices and Conduct and complies with the recommendations of the King IV Report. The Board charter is aligned with the provisions of all relevant statutory and regulatory requirements including, amongst others, King IV. Full disclosure of the group's compliance will be contained in the 2018 Integrated Report.

19. EVENTS AFTER THE REPORTING PERIOD

There have been no material events subsequent to 31 December 2018, not otherwise dealt with in this report.

20. INDEPENDENT AUDITOR'S REPORT

These summarised consolidated financial statements for the year ended 31 December 2018 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived.

The auditor's report on the summarised consolidated financial statements is included on the following page, and a copy of the auditor's report on the consolidated financial statements is available for inspection at the Company's registered office, together with the financial statements.

The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

Any reference to future financial performance included in this announcement has not been audited or reported on by the Company's auditors.

21. RESOURCES AND RESERVE

All Resources and Reserve related information listed is derived from the 2018 Kumba Iron Ore Reserve and Resources statement, which is available on the website, www.angloamericankumba.com/investors/annual-reporting.aspx as reported under the "The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves" (the SAMREC Code of 2016) by Competent Persons who are employed by SIOC and have the required qualifications and experience to qualify as Competent Persons for Mineral Resources or Mineral Reserves under the SAMREC Code.

On behalf of the Board



MSV Gantsho

Chairman



TM Mkhwanazi

Chief executive

15 February 2019

Pretoria

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARISED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF KUMBA IRON ORE LIMITED

OPINION

The summarised consolidated financial statements of Kumba Iron Ore Limited, which comprise the summarised consolidated statement of financial position as at 31 December 2018, the summarised consolidated statement of profit or loss, summarised consolidated statement of other comprehensive income, summarised consolidated statement of changes in equity and summarised consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Kumba Iron Ore Limited for the year ended 31 December 2018.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Kumba Iron Ore Limited, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 2 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Kumba Iron Ore Limited and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 15 February 2019. That report also includes the communication of key audit matters.

DIRECTOR'S RESPONSIBILITY FOR THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 2 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Deloitte & Touche

Deloitte & Touche

Registered Auditors
Per: Nita Ranchod
Partner

15 February 2019

DELOITTE & TOUCHE

REGISTERED AUDITORS
AUDIT – GAUTENG
BUILDINGS 1 AND 2
DELOITTE PLACE
THE WOODLANDS
WOODLANDS DRIVE
WOODMEAD SANDTON

RIVERWALK OFFICE PARK, BLOCK B
41 MATROOSBERG ROAD
ASHLEA GARDENS X6, PRETORIA 0081

NOTICE OF FINAL CASH DIVIDEND

At its Board meeting on 15 February 2019, the directors approved a gross final cash dividend of 1,573 cents per share on the ordinary shares from profits accrued during the period ended 31 December 2018. The dividend has been declared from income reserves.

The dividend will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of withholding tax. The net dividend payable to shareholders subject to withholding tax at a rate of 20% amounts to 1,258.40000 cents per share.

The issued share capital at the declaration date is 322,085,974 ordinary shares.

The salient dates are as follows:

Publication of declaration data	Tuesday, February 19, 2019
Last day for trading to qualify and participate in the final dividend	Tuesday, March 12, 2019
Trading ex-dividend commences	Wednesday, March 13, 2019
Record date	Friday, March 15, 2019
Dividend payment date	Monday, March 18, 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 March 2019 and Friday, 15 March 2019 both days inclusive. Any change of address or dividend instructions must be provided by the last day for trading.

By order of the Board



CD Appolis

Company secretary

19 February 2019

ADMINISTRATION

REGISTERED OFFICE

Centurion Gate Building 2B
124 Akkerboom Road
Centurion, 0157 Republic of South Africa
Tel: +27 12 683 7000
Fax: +27 12 683 7009

TRANSFER SECRETARIES

Computershare Investor Services (Proprietary) Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196, South Africa
PO Box 61051, Marshalltown, 2107

SPONSOR TO KUMBA

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

DIRECTORS

Non-executive: MSV Gantsho (Chairman), MS Bomela, NS Dlamini, SG French (Irish), TP Goodlace (British/South African), NB Langa-Royds, DD Mokgatle, SS Ntsaluba, ST Pearce (Australian), BP Sonjica

Executive: TM Mkhwanazi (Chief executive), BA Mazarura (Chief financial officer)

COMPANY SECRETARY

CD Appollis

COMPANY REGISTRATION NUMBER

2005/015852/06
Incorporated in the Republic of South Africa

INCOME TAX NUMBER

9586/481/15/3

JSE code: KIO

ISIN: ZAE000085346

("Kumba" or "the Company" or "the group")

19 February 2019



Kumba Iron Ore

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Centurion
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