KUMBA IRON ORE LIMITED
AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED
31 DECEMBER 2019

RE-IMAGINING MINING TO IMPROVE PEOPLE'S LIVES

AngloAmerican

Real Mining. Real People. Real Difference.

KUMBA GROWS EBITDA BY 62% TO R33.4 BILLION

Themba Mkhwanazi, Chief Executive of Kumba, said, *"Kumba's strategy has helped deliver exceptional earnings growth, as we continue to increase the resilience of the business. Against challenging operational conditions, we marked another year of strong financial performance with EBITDA up by 62% to R33.4 billion. Our financial performance reflects the benefits of higher iron ore prices, improved efficiencies and further cost savings ahead of our target, which have cushioned the impact of the operational challenges experienced during the period. These results were also achieved through a relentless focus on safety as we maintained our fatality free track record since May 2016. Our commitment to responsible production, focused on unlocking value from our world-class assets, has in turn allowed us to help build thriving communities and improve people's lives.*

Kumba's EBITDA margin increased to 52% and cash flow from operations is up by 79% to R34.7 billion. Kumba's strong performance and robust balance sheet, resulted in the Board declaring a final cash dividend of R15.99 per share. Combined with the interim dividend of R30.79 per share, this represents a total payout ratio of 92% of headline earning per share for 2019, in excess of our 50% to 75% dividend payout policy. In total we have created value of R19.8 billion for shareholders and our empowerment partners this year.

Since embarking on our margin enhancement strategy, Kumba's return on capital employed has improved from 49% in 2018 to 83% in 2019, reflecting favourable markets and the continued success of our value over volume strategy. We are focused on optimising the value of our assets, generating strong cash flows and further improving returns. Kumba has transformed into a more capital efficient and resilient business, providing greater stability for our employees, contractors and the communities around us, as well as delivering sustainable returns to our shareholders."

Our website provides more information on our Company and its performance:
www.angloamericankumba.com

KEY FEATURES

DELIVERING SUSTAINABLE VALUE

- ATTRIBUTABLE FREE CASH FLOW OF R17.1 BILLION, UP OVER 100%
- ROCE OF 83%, UP FROM 49%
- FINAL DIVIDEND OF R15.99 PER SHARE, TOTAL DIVIDEND OF R46.78 PER SHARE

IMPROVING PEOPLE'S LIVES

- FATALITY FREE SINCE MAY 2016
- LOST-TIME INJURIES REDUCED BY 19% TO 17
- ZERO LEVEL 3 TO 5 ENVIRONMENTAL INCIDENTS
- CREATED R32 BILLION OF VALUE FOR EMPLOYEES, THE FISCUS, BEE SUPPLIERS AND LOCAL COMMUNITIES

CONTINUED FOCUS ON MARGIN ENHANCEMENT

- AVERAGE REALISED FOB EXPORT PRICE OF US$97/TONNE, UP BY 35%
- OPERATING EFFICIENCY UP FROM 65% TO 68% OF BENCHMARK
- COST SAVINGS OF R920 MILLION, AHEAD OF R700 MILLION TARGET
- EBITDA MARGIN IMPROVED FROM 45% TO 52%

COMMENTARY

RESULTS OVERVIEW

Safety is Kumba's core value and we have maintained our fatality free track record since May 2016. This is a significant accomplishment demonstrating what can be achieved when there is total commitment to safety. The power of having the right safety leadership, mindset, staff commitment, processes and support cannot be underestimated. Our elimination of fatalities (EOF) framework which prioritises leadership; risk and change management; and continuous learning; supported by technology, ensures that safety is always top of mind at Kumba. During 2019 ('the period'), we launched our 'I-care' buddy campaign which encourages employee accountability for their personal safety and that of their colleagues. This collaborative approach is driving our response to Section 23 safety stoppages for unsafe work practices and working conditions. This year, 402 Section 23 and 172 internal safety stoppages took place reflecting that safety is our first priority. While our total recordable case frequency rate increased to 2.06 (2018: 1.80), our lost-time injury frequency rate improved to 0.69 (2018: 0.92),

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reflecting the decrease in severity of incidents. Our high potential incidents – a leading safety indicator, increased to 12 (2018: 7). This is a concern for us and we have implemented high risk work verification and increased management oversight to reduce these incidences.

Operationally 2019 was a challenging year for the mine and the plant. Sishen experienced unscheduled maintenance at both the mine and the plant, while the dense media separation (DMS) plant at Kolomela was closed for an infrastructure upgrade. Notwithstanding these issues, total tonnes mined increased by 2% to 297.9 Mt while total production volumes decreased by 2% to 42.4 Mt (2018: 43.1 Mt). Production ended the year within the revised guidance of 42 Mt to 43 Mt, reflecting a good recovery at Sishen and a ramp-up in production at Kolomela following the restarting of the DMS plant in the fourth quarter. Total sales volumes of 42.2 Mt (2018: 43.3 Mt) were also within the revised guidance of 41.5 Mt to 42.5 Mt. The 2.4% decrease from 2018 was driven by lower domestic sales due to ArcelorMittal SA's (AMSA) decision to wind down operations at its Saldanha Steel plant, while export sales volumes were maintained at similar levels to 2018 ('the prior period') due to port constraints.

Kumba successfully delivered an EBITDA margin of 52%, up from 45% in the prior period. A strong market coupled with continued excellence from our marketing and integrated sales and operations team contributed to a 35% increase in the average realised FOB iron ore price of US$97/tonne (2018: US$72/tonne). Further margin benefits came from a 9% depreciation in the local currency and cost savings of R920 million, aided by an improved operational efficiency of 68% of benchmark. These margin benefits were instrumental in containing the break-even price at US$45/tonne (2018: US$41/tonne) in the face of cost pressure. The break-even price was impacted by higher maintenance costs, lower production volumes and higher work-in-progress (WIP) utilisation, arising from this year's operational challenges. This was over and above higher royalty charges, and ongoing increases in mining inflation and escalation.

Our strategy of leveraging our endowment in the Northern Cape is unchanged. We continue to target a 20-year life of asset by 2022 through efficiency and optimisation, our ultra high dense media separation (UHDMS) project, and our Northern Cape exploration programme.

Our commitment to capital discipline means that we will only invest in high return projects. The value proposition of the UHDMS project was re-evaluated taking into consideration logistical constraints that have been exacerbated by the lower domestic offtake from AMSA. We have identified that optimal value will be achieved through life-of-mine extension and leveraging the ability of the UHDMS technology to increase our overall product quality. This further enhances our key differentiator of being a niche product producer. Given this, the feasibility study has been extended until the second half of 2020 in order to recalibrate a significant portion of the detailed engineering design and to include new value-add items. First production is expected to be achieved in the first half of 2023. The capital guidance for the project remains at around R3 billion.

In line with our 2040 life of mine ambition, exploration remains a key focus for Kumba. At Kolomela, 65% of the geometallurgical and infill drilling programme for Ploegfontein, targeting ~73 Mt mineral resources for conversion to ore reserves, has been completed. We have also completed 90% of the drilling programme on the Heuningkranz property. Furthermore, we have secured access to explore neighbouring properties close to Kolomela with the option to take up to a 70% shareholding in the deposits should our exploration activities prove successful.

We are committed to improving people's lives and creating value for our stakeholders by unlocking our full asset potential through our Tswelelopele programme. This is made possible by Kumba's strong financial results with net profit up 69% to R21.3 billion (2018: R12.6 billion) and headline earnings increasing by 69% to R16.3 billion (2018: R9.7 billion). Attributable and headline earnings per share for the year were R50.72 and R50.88 (2018: R30.08 and R30.28), respectively.

FINAL CASH DIVIDEND

Our capital allocation framework seeks to ensure that the business generates sufficient cash flow after sustaining capital before prioritising shareholder returns. This is done while maintaining balance sheet flexibility to protect the business from market volatility as well as ensuring that appropriate levels of capital are allocated to life extension projects. Our capital structure comprises a combination of cash resources and debt facilities providing the requisite balance sheet strength. During the period we renewed our revolving credit facility, extending its term and amending key financial covenants, which allowed us to achieve better pricing and reduce the overall quantum of the facility.

The Kumba board's consideration of dividends is guided by the capital allocation framework and our dividend policy which targets a payout range of between 50% and 75% of headline earnings. Taking all of the above into consideration, the Board has declared a final cash dividend of R15.99 per share, and combined with the interim dividend of R30.79 per share, this amounts to a total dividend of R46.78 per share (2018: R30.24) for the year. This equates to a 92% payout ratio of headline earnings for 2019.

MARKET OVERVIEW

The Platts 62% IODEX CFR China index increased by 34% to an average of US$93.4/dmt for the year, after surging 63% in the first half before falling 24% over the last six months. Broader economic stimulus measures in China provided firm investment support for the property sector which rose by 9% as Chinese steel production reached a new record high of 988 Mt, up 6.5% from the prior period.

Global supply disruptions due to the tragic tailings dam incident in Brazil, took out approximately 90 Mt of exports and Australian shipments were impacted by cyclones and operational challenges. Higher iron ore prices, however, have brought back marginal producers into the market including an estimated 20 Mt from domestic concentrate mines in China.

With Chinese steel prices down 6%, high iron ore prices precipitated a 32% fall in mill margins during 2019, lowering the demand for high grade products. The Platts65/Platts62 differential almost halved to US$11.2/dmt for the year, while the lump premium normalised to an average of US$0.27/dmtu after falling from a record first half year average of US$0.34/dmtu (equivalent of US$21/dmt). The lower margin environment and tight seaborne supply resulted in steel mills procuring in smaller parcels with shorter lead times as the iron ore stocks at 45 Chinese ports fell by 16 Mt during the year to 127 Mt.

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Despite short-term cyclical factors affecting market premia, our view on the structural factors supporting quality premia in the long term remains and we continue to focus on maximising Fe and lump content. We achieved a lump premium of US$11.9/dmt and a Fe premium of US$3.2/dmt. Combined with a US$1.9 Mt premium for our marketing efforts, we delivered a total price uplift of US$18.0/dmt to US$97.4/dmt FOB Saldanha, an increase of 35% against the US$72/dmt achieved for the comparative period.

OPERATIONAL PERFORMANCE

Total tonnes mined increased 2% to 297.9 Mt (2018: 292.5 Mt) with mining activity improving in the second half of the year following challenges with primary equipment reliability in the first six months of the year. This, combined with plant maintenance, impacted production volumes which decreased by 2% to 42.4 Mt (2018: 43.1 Mt), albeit within the revised 2019 guidance range of 42 Mt to 43 Mt. The average lump to fine ratio was broadly maintained at 67:33 (2018: 68:32) and the average quality at 64.2% Fe (2018: 64.5% Fe).

We continue to implement the Anglo American operating model throughout our business. This is the foundation for shifting the benchmark efficiency to best-in-class industry benchmark, as part of driving our operations to full potential. In 2019, our overall operational efficiency increased to 68% (2018: 65%) of benchmark, with our performance primarily being affected by the availability of the 4100 shovel fleet at Sishen and 996 shovel fleet at Kolomela. We continue to drive our efficiency improvement projects and we have seen some good results in truck direct operating hours (DOH) and shovel tempo.

Sishen mine

Total tonnes mined decreased marginally by 1% to 218.8 Mt (2018: 220.5 Mt) with waste stripping down 0.5% to 181.1 Mt (2018: 182 Mt), while production volumes were similar to 2018 at 29.2 Mt. Sishen's operations were impacted by unscheduled maintenance on primary moving equipment (4100 shovel fleet) and single line failures at the plant in the first quarter, as well as the breakdown of the primary crusher at the dense media separation (DMS) plant.

Given the reliability challenges faced this year, we have revised our asset management strategy and tactics. We have brought forward some scheduled maintenance and stay-in-business (SIB) projects in order to improve the performance of our key equipment and plant. Although completion of these projects is only expected at the end of 2020, to date, we have already seen improvements in shovel availability and plant reliability. As a result, Sishen's production was well within the revised 2019 guidance of 29 Mt to 30 Mt and waste above the 2019 guidance of 170 Mt to 180 Mt.

From an efficiency perspective, the overall Sishen owner fleet efficiency increased from 65% in 2018 to 68%. While availability of the 4100 shovels was challenging, the 2800 shovel fleet continued to perform well throughout the year, with the overall equipment efficiency achieved already exceeding expected benchmark performance for 2023. This gives us confidence that our efficiency improvement projects like truck payload, tempos and speed are bearing fruit. We will apply the lessons learned from the 2800 fleet to the remainder of the equipment to lift overall performance.

Kolomela mine

Total tonnes mined increased by 10% to 79.1 Mt (2018: 72.0 Mt), with waste stripping increasing to 63.2 Mt (2018: 56.0 Mt). This was achieved on the back of improved owner fleet efficiency which increased to 67% (2018: 66%). The main contributors to this improvement were the temporary benefit of shorter cycle times to exploit an in-pit dumping opportunity in the main Leeuwfontein pit and the uplift in truck DOH from 14.5 to 16.1 hours following the implementation of a revised shift system.

Production at Kolomela decreased by 5% to 13.2 Mt (2018:13.9 Mt) owing to the temporary closure of the DMS plant for infrastructure and technology upgrades in the first quarter, before re-opening as scheduled in the fourth quarter. In line with our flexible production plan, the closure was partly mitigated by a step-up in direct shipping ore production underpinned by improved DOH and tempos through the plant.

Logistics and sales

A significant improvement in rail performance was seen in 2019 with iron ore railed to port increasing by 3.4% to 42 Mt from 40.6 Mt in the comparative period. The improved working relationship and collaboration with Transnet has been fundamental to the improvement in rail performance this year and we are continuing to build on the success achieved. The focus at the mines this year, which was on optimising the loading of the trains and reducing variability of the loads, as well as improving turnaround times at our load-out stations, has helped to improve reliability and stability in the system and increased the rate at which ore is railed to port.

Despite severe weather disruptions and repairs to a stacker reclaimer at Saldanha port in June 2019, as well as the refurbishment of the second ship loader in the second half of 2019, the total volume shipped for the period was similar at 40 Mt (2018: 39.9 Mt).

Sales summary (unaudited)

’000 tonnes	**December 2019**	December 2018	% change
Total	**42,218**	**43,257**	**(2)**
Export sales	**40,038**	39,966	–
Domestic sales	**2,180**	3,291	(34)

Our high product quality was maintained at similar levels to the comparative period at an average Fe of 64.2% and the lump to fine ratio at 67:33, while premium products made up 19.3% of sales in the period.

Total sales volumes decreased to 42.2 Mt (2018: 43.3 Mt), driven by lower domestic sales of 2.2 Mt (2018: 3.3 Mt), while export sales were maintained at 40.0 Mt. Following the announcement by AMSA of the winding down of its Saldanha Steel plant, Kumba is investigating a number of options to increase its export sales capacity to compensate for lower domestic sales. As a consequence of lower domestic sales and the refurbishment of the ship loader at Saldanha Port, finished stock increased to 6.4 Mt (2018: 5.3 Mt) from the 5.1 Mt reported at 30 September 2019.

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For the year, 68% of sales were on a cost and freight (CFR) basis compared to 66% in the prior period. Contractual sales amounted to 78% of total export sales volumes (2018: 77%). China's share of export sales remained stable at 56% of the overall export sales portfolio, while the share of the EU/MENA/Americas region increased further to 25% (2018: 21%) and Japan and South Korea reduced slightly to 18% (2018: 20%).

FINANCIAL RESULTS

Kumba delivered robust earnings growth in 2019, providing a solid foundation for long-term value creation. Growth was driven by higher revenue reflecting favourable market conditions, partly offset by an increase in operating expenses.

With increased cost pressure due to operational challenges experienced this year, our margin enhancement strategy proved its worth in offsetting the cost headwinds. Through our three strategic levers we achieved a higher average realised iron ore price, increased operational efficiency and realised further cost savings.

The 35% higher realised price provided a strong revenue underpin, more than compensating for the 2% decrease in total sales volumes due to lower domestic offtake. Our cost savings programme successfully delivered R920 million of savings, R220 million above market guidance of R700 million. This brings the run-rate from our programme to R1.9 billion and within close range of our total savings target of R2.6 billion, which we originally only expected to achieve by the end of 2022. The savings were realised through operational efficiency improvements, variable cost optimisation across the value chain and overhead cost reductions. The savings benefited the cost of production by R15/tonne and R13/tonne at Sishen and Kolomela, respectively.

The overall cost of production rose this year, due to the operational challenges related to equipment breakdowns. Sishen incurred higher maintenance costs of R36/tonne, and mining feedstock constraints resulted in higher WIP stock utilisation of R50/tonne. Unit costs for the mine ended the year at R345/tonne, above the guidance of R325 to R335/tonne. When compared to unit costs at half year of R370/tonne, Sishen's unit costs improved by 7%. At Kolomela, lower production volumes of 5%, following the temporary closure of the DMS plant as well as higher mining costs as we moved more waste, led to unit costs increasing to R270/tonne, above the guidance of R255/tonne to R265/tonne.

Although the costs related to the operational challenges are not expected to continue, we are seeing ongoing cost pressure from the rising geological inflation, increasing maintenance activities and higher input costs. We therefore need to double our efforts in managing our controllable costs to ensure our business is resilient in a lower price environment. Consequently, we are implementing further initiatives to optimise costs across the business, and extending our cumulative savings target beyond R2.6 billion. These initiatives will focus on our fixed cost base and further optimisation of outside services.

We have also seen a marked increase in deferred stripping costs, as we are currently mining through higher strip ratio areas at both mines, when compared to the averages expected over the remaining life of mine, which has benefited from further optimisation. This has resulted in total capital expenditure (capex) finishing above revised guidance, while SIB and expansion capex spend was kept within revised guidance.

Notwithstanding the challenges in 2019, we ended the year with a net cash position of R12.3 billion (2018: R11.7 billion) after generating attributable free cash flow of R17.1 billion, representing an increase of 121% from the prior period. This allowed us to return R19.6 billion to our shareholders.

Revenue

Total revenue increased by 41% to R64.3 billion compared to R45.7 billion for 2018, mainly as a result of stronger prices, higher market premiums and currency gains, which were partially offset by lower sales volumes due to the lower domestic offtake.

Kumba's average realised iron ore export price increased by 35% to US$97/tonne (2018: US$72/tonne), while the average Rand/US$ exchange rate weakened by 9% to R14.45/US$1 (2018: R13.24/US$1). Sales volumes reduced by 2% to 42.2 Mt (2018: 43.3 Mt). Shipping revenue increased by R938 million benefiting from a weaker currency and higher volumes.

Kumba's higher average achieved FOB price was driven primarily by a US$23.8/tonne increase in the Platts 62 index price to US$93.4/tonne and US$1.4/tonne higher lump, Fe and market premia. Platts freight rates were marginally lower at US$13.8/tonne from US$13.9/tonne in 2018.

Operating expenses

Operating expenses, excluding mineral royalties and impairment, increased to R33.0 billion (2018: R28.5 billion), largely due to R3.1 billion higher operational costs and a R1.4 billion increase in logistics costs. The rise in operational cost is primarily attributable to R1.5 billion from the utilisation of WIP stock at Sishen and R1.3 billion of higher maintenance costs, of which R655 million related to unscheduled maintenance activities caused by equipment and plant breakdowns.

Selling and distribution costs increased by 5% to R6.5 billion largely due to higher demurrage costs caused by port constraints and above-inflation increases in Transnet tariffs. Freight costs of R5.6 billion were R1.1 billion up on the prior period driven by higher average freight rates, including fixed and index-linked rates (COAs), currency movements and 0.9 Mt higher shipping volumes.

Unit cash costs at Sishen increased by 19% to R345/tonne (2018: R290/tonne). This was predominantly as a result of higher WIP stock utilisation caused by mining feed constraints in 1H19 and increased maintenance costs from breakdowns, partially offset by an increase in the capitalisation of deferred stripping cost, R446 million of cost savings and operating efficiency improvements.

Kolomela mine incurred unit cash costs of R270/tonne (2018: R248/tonne), representing a 9% increase owing to above-inflation mining input cost escalation from geological changes and lower production volumes. Similar to Sishen, this was partially offset by increased deferred stripping and R170 million of cost savings.

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

EBITDA of R33.4 billion reflected an increase of 62% compared to R20.6 billion in 2018. Growth was driven by a 35% strengthening of the average realised FOB prices of US$97/tonne (2018: US$72/tonne) and currency gains from a

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weaker Rand/US$ exchange rate of R14.45/US$ (2018: R13.24/US$). Cost savings of R920 million and market premia of R646 million went a long way towards mitigating higher mining and logistics costs, as well as the 2% decline in sales volumes.

Kumba's EBITDA margin increased to 52% (2018: 45%) with mining operating margin improving to 49% (2018: 39%), excluding net freight profit incurred on shipping operations. Accordingly, net profit increased by 69% to R21.3 billion (2018: R12.6 billion).

Kumba's breakeven price increased to US$45/tonne, US$4/tonne above that of 2018 due to US$5/tonne higher on-mine operating expenses and SIB capex, US$3/tonne increase in royalties from stronger prices and US$3/tonne mining inflation related escalation. This was partially offset by US$5/tonne from currency gains and US$2/tonne higher price premiums.

Cash flow and statement of financial position

Kumba ended the year with a net cash position of R12.3 billion (net of R0.5 billion lease liability) (2018: R11.7 billion). Cash flow generated from operations increased by 84% to R34.7 billion (2018: R18.9 billion) due to higher EBITDA and lower working capital requirements. Reduced working capital largely related to lower receivables with the collection period improving to 14 days (2018: 23 days) and higher payables due to provisions and accruals. This was partially offset by higher inventories as finished stock increased to 6.4 Mt (2018: 5.3 Mt).

Capital expenditure per the statement of cash flows of R5.6 billion comprised R2.4 billion of SIB spend, R2.6 billion of deferred stripping, and R0.6 billion of expansion capex. Our SIB expenditure was largely spent on capital spares, infrastructure upgrades and our mining fleet management programme. The deferred stripping capex was mainly driven by higher strip ratios at the relevant sections at both mines. Our expansion capex includes R138 million of spend on our Dingleton project, R70 million for the UHDMS feasibility study and capex for the P101 efficiency programme.

We created stakeholder value by paying income tax of R7.8 billion (2018: R4.1 billion) and mineral royalties of R2.6 billion (2018: R983 million) to government, provided capital expenditure of R5.6 billion (2018: R4.5 billion) to sustain and grow the business, and distributed dividends to shareholders of R19.6 billion (2018: R12.5 billion).

In December 2019, Kumba replaced its R12 billion committed credit facility, which was due to mature in February 2020, with an R8 billion credit facility that matures in 2024, and amended key financial covenants which allowed us to achieve better pricing and reduce the overall quantum of the facility. The new covenants, which are balance sheet linked, recognise the cyclical nature of our business and provide better access to the facilities through the cycle.

Financial guarantees issued in favour of the Department of Mineral Resources (DMR) in respect of environmental closure liabilities were R3.0 billion. The annual revision of closure costs reflected a further shortfall of R363 million in respect of the rehabilitation of the Sishen and Kolomela mines. Guarantees for the shortfall will be issued in due course.

ORE RESERVES AND MINERAL RESOURCES

The following changes were recorded for the 2019 Kumba Ore Reserves and Mineral Resources Statement:

Kumba's total ore reserves as at 31 December 2019 are estimated to be 691.7 Mt (at 59.0% Fe) at Sishen and Kolomela, a net decrease of 5.6% from 732.9 Mt (at 59.1% Fe) in 2018.

Sishen's ore reserves decreased by 5% year-on-year to 519.4 Mt (at 57.6% Fe), mainly attributable to annual production. As a result, Sishen's mine life reduced by one year to 13 years from 14 years in 2018.

Kolomela's ore reserves of 172.4 Mt (at 63.1% Fe) decreased by 8%, largely due to annual production and to reflect the results of a pit redesign project which targeted high stripping areas for optimisation. This saw the overall life-of-mine stripping ratio reduce from 4.1 to 3.8, adding significant value to Kolomela. The mine life decreased from 14 to 13 years.

Kumba's estimated mineral resources in addition to ore reserves realised a 46% (490.7 Mt) decrease from 2018 to 2019. This relates to the exclusion of the Zandrivierspoort Project (ZRP) Mineral Resources (419.1 Mt) from the Kumba resource portfolio as the prospecting right, held by Sishen Iron Ore Company Proprietary Limited (SIOC, a 76.3% owned subsidiary of Kumba), expires in March 2020. The ZRP project is a 50:50 joint venture between SIOC and AMSA.

The comprehensive 2019 Ore Reserve (and Saleable Product) and Mineral Resource Report can be accessed at: **https://www.angloamericankumba.com/investors/annual-reporting/reports-archive/2019.aspx**

REGULATORY AND OTHER UPDATES

Carbon Tax Bill

The final rules and forms for the implementation of the carbon tax bill were released by SARS on 23 December 2019. Based on the initial tax rate for the period 1 June 2019 to 31 December 2019, the carbon tax to be paid through the fuel levy on 31 July 2020, is estimated at approximately R11.5 million. The estimate excludes scope 2 emissions from electricity which were postponed to 2023.

IFRS 16 *Leases*

In adopting IFRS 16 *Leases*, the group recognised lease liabilities and right-of-use assets for leases which were previously classified as operating leases under the principles of IAS 17 *Leases*, excluding leases of low-value items, those with remaining lease terms of less than 12 months (i.e. short-term leases) or variable lease payments. These liabilities were measured at the present value of the remaining lease payments and discounted using the group's incremental borrowing rate as of 1 January 2019. The lease liability recognised for 2019 was R401 million. Further information is available under accounting policies, note 3.1.1(a) of the summarised consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events from 31 December 2019 to the date of this report, not otherwise dealt with in this report.

COMMENTARY continued

CHANGES IN DIRECTORATE

The following changes to the Board were announced during the 2019 financial year:

- On 11 May 2019, Ms Dolly Mokgatle, stepped down as independent non-executive director, following 12 years on the Board of Kumba. Ms Mokgatle was the chairperson of the Risk and Opportunities Committee and a member of the Social, Ethics and Transformation Committee. She had also served as a member of the Audit Committee, Human Resources and Remuneration Committee and the Nominations and Governance Committee.
- Mr Stephen Pearce, Group Finance Director of Anglo American, stepped down as non-executive director of the Board and member of the Human Resources and Remuneration Committee, effective 31 May 2019.
- Mr Duncan Wanblad, Group Director of Strategy and Business Development of Anglo American, joined the Board as a non-executive director, effective 31 May 2019, representing the Anglo American Group.
- Ms Michelle Jenkins joined the Board as an independent non-executive director effective 1 November 2019.

During the period under review, the Board approved the following changes to the Board Committees:

- Mr Terence Goodlace and Mr Seamus French were appointed to the Human Resources and Remuneration Committee
- Ms Ntombi Langa-Royds and Ms Buyelwa Sonjica were appointed to the Nominations and Governance Committee
- Ms Michelle Jenkins was appointed to the Audit Committee and the Strategy and Investment Committee
- Mr Duncan Wanblad and Mr Themba Mkhwanazi were appointed to the Social, Ethics and Transformation Committee
- Mr Themba Mkhwanazi and Mr Bothwell Mazarura were appointed to the Strategy and Investment Committee.

OUTLOOK FOR 2020

Safety remains a core value. We will continue to embed the elimination of fatalities framework which ensured that we maintained our fatality-free track record of over three and a half years.

The non-controllable elements (price, currency, geological and cost inflation and freight cost) of our business have the potential to significantly impact our earnings. We therefore remain focused on delivering our Tswelelopele strategy of operating assets at full potential and achieving a 20-year life of asset by 2022 to mitigate the risks we face in order to deliver sustainable value to our stakeholders.

In terms of our full year 2020 performance guidance, Kumba's production guidance is between 41.5 and 42.5 Mt, with Sishen producing ~29 Mt of product and mining between 170 and 180 Mt of waste. Sishen's stripping ratio has reduced to 4.4 and the average LoM stripping ratio remaining at ~3.4. Kolomela's production guidance is ~13 Mt and waste at 55 to 60 Mt with the stripping ratio expected to average 4 in 2020, with the LoM average at 3.8.

Total sales guidance is between 42 and 43 Mt and takes into account the following for 2020:

- Lower domestic sales volumes of around 1 Mt due to the winding down of AMSA's operations at Saldanha Steel;
- Elevated opening stock levels, given the closing finished stock level of 6.4 Mt for 2019; and
- Planned logistical performance which includes the refurbishment of the ship loading equipment by Transnet in the second half of the year at Saldanha Port.

Market uncertainty around the potential implications of the Corona virus for China and the commodity industry are weakening confidence and affecting commodity markets. This makes us cautious about the short-term outlook, but we remain positive about the outlook for the industry in the long run. Our unique, high-quality lump products and marketing capabilities position us well to capitalise on the opportunities ahead to further transform our business and create sustainable value for our stakeholders.

Based on our production volume guidance, unit cost is projected to be between R355/tonne and R370/tonne for Sishen and between R280/tonne and R290/tonne for Kolomela.

Since implementing our cost savings programme two years ago, we have found the programme to be beneficial in offsetting the cost headwinds. We are therefore targeting R960 million of cost savings in 2020. This, combined with cumulative savings of R1.9 billion, will result in total savings in excess of our original 2022 cumulative target of R2.6 billion.

Capital expenditure, including deferred stripping costs, is expected to be in the range of R6.6 billion to R7.1 billion for 2020. The increase is driven by:

- Higher SIB capex of R3.6 billion to R3.8 billion due to critical heavy mining equipment life-cycle change requiring fleet investment and increased investment in capital spares, as well as capital investment to maintain the plants.
- Deferred stripping capex will reduce to between R1.8 and R2.0 billion, in line with a lower stripping ratio at both mines.
- Expansion capex increases to between R1.2 and R1.3 billion, which includes the UHDMS project, funds to begin the implementation of the Kapstevel South mine project, and the P101 efficiency programme.

To ensure optimal value is achieved from our UHDMS project in the context of lower domestic offtake and a logistically constrained environment, a decision was taken to focus on mine life extension and enhanced product quality. We will leverage the ability of the UHDMS technology to increase our overall product quality, further differentiating Kumba as a niche product producer. We expect total capital for the project to be around R3 billion.

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

Themba Mkhwanazi concluded: "With supportive demand fundamentals for our high quality products, we are focused on delivering our safe production targets to continue capitalising on this opportunity. We are focused on improving operational equipment reliability and productivity, building on the strong financial performance in 2019. Underpinned by our strong balance sheet and capital discipline, we have a solid foundation for achieving our 2020 targets."

The presentation of the Company's results for the year ended 31 December 2019 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 18 February 2020.

SALIENT FEATURES AND OPERATING STATISTICS

for the year ended

	Unaudited 31 December 2019	Unaudited 31 December 2018
Share statistics ('000)		
Total shares in issue	**322,086**	322,086
Weighted average number of shares	**320,554**	319,602
Diluted weighted average number of shares	**321,472**	321,920
Treasury shares	**1,412**	2,565
Market information		
Closing share price (Rand)	**417**	283
Market capitalisation (Rand million)	**134,326**	91,166
Market capitalisation (US$ million)	**9,577**	6,341
Net asset value attributable to owners of Kumba (Rand per share)[1]	**112.49**	109.47
Capital expenditure (Rand million)[1]		
Incurred	**5,713**	4,463
Contracted	**705**	694
Authorised but not contracted	**806**	1,555
Operating commitments (Rand million)[1]	**1,000**	608
Commitments from shipping services (Rand million)[1]	**5,686**	6,205
Economic information		
Average Rand/US Dollar exchange rate (ZAR/US$)	**14.45**	13.24
Closing Rand/US Dollar exchange rate (ZAR/US$)	**14.03**	14.38
Sishen mine FOR unit cost		
Unit cost (Rand per tonne)	**467.27**	378.20
Cash cost (Rand per tonne)	**345.11**	289.97
Unit cost (US$ per tonne)	**32.33**	28.56
Cash cost (US$ per tonne)	**23.88**	21.90
Kolomela mine FOR unit cost		
Unit cost (Rand per tonne)	**374.40**	354.69
Cash cost (Rand per tonne)	**270.38**	248.56
Unit cost (US$ per tonne)	**25.91**	26.79
Cash cost (US$ per tonne)	**18.71**	18.77

[1] Amounts have been audited by the group's auditors.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

Rand million	Notes	Audited 31 December 2019	Audited 31 December 2018
ASSETS			
Property, plant and equipment	5	**38,953**	37,723
Right-of-use assets	6	**482**	–
Biological assets		**17**	3
Investments held by environmental trust		**652**	621
Long-term prepayments and other receivables		**206**	216
Inventories	7	**3,670**	2,410
Deferred tax assets		**1**	–
Non-current assets		**43,981**	**40,973**
Inventories	7	**5,995**	6,236
Trade and other receivables		**3,737**	4,157
Contract assets		**–**	9
Current tax assets		**363**	6
Cash and cash equivalents	8	**12,865**	11,670
Current assets		**22,960**	**22,078**
Total assets		**66,941**	**63,051**
EQUITY			
Shareholders' equity	9	**36,230**	35,260
Non-controlling interests		**11,294**	10,927
Total equity		**47,524**	**46,187**
LIABILITIES			
Lease liabilities	6	**513**	–
Provisions		**2,486**	2,239
Deferred tax liabilities		**9,313**	8,805
Non-current liabilities		**12,312**	**11,044**
Lease liabilities		**29**	–
Provisions		**94**	72
Trade and other payables		**6,676**	5,460
Contract liabilities		**306**	288
Current liabilities		**7,105**	**5,820**
Total liabilities		**19,417**	**16,864**
Total equity and liabilities		**66,941**	**63,051**

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended

Rand million	Notes	Audited 31 December 2019	Audited 31 December 2018
Revenue	12	**64,285**	45,725
Operating expenses		**(35,319)**	(29,365)
Expected credit losses on financial assets		**(155)**	–
Operating profit	10	**28,811**	**16,360**
Finance income		**792**	499
Finance costs		**(351)**	(179)
Profit before taxation		**29,252**	16,680
Taxation		**(7,936)**	(4,026)
Profit for the year from continuing operations		**21,316**	**12,654**
Discontinued operation			
Loss from discontinued operation	13	**–**	(59)
Profit for the year		**21,316**	**12,595**
Attributable to:			
Owners of Kumba		**16,259**	9,615
Non-controlling interests		**5,057**	2,980
		21,316	**12,595**
Basic earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)			
From continuing operations		**50.73**	30.22
From discontinued operation		**–**	(0.14)
Total basic earnings per share		**50.73**	**30.08**
Diluted earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)			
From continuing operations		**50.58**	30.01
From discontinued operation		**–**	(0.14)
Total diluted earnings per share		**50.58**	**29.87**

SUMMARISED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended

Rand million	**Audited 31 December 2019**	Audited 31 December 2018
Profit for the year	**21,316**	**12,595**
Other comprehensive (loss)/income for the year	**(91)**	**523**
Exchange differences on translation of foreign operations[1]	**(91)**	523
Total comprehensive income for the year	**21,225**	**13,118**
Attributable to:		
Owners of Kumba	**16,189**	10,014
Non-controlling interests	**5,036**	3,104
	21,225	**13,118**

[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 2019	Audited 31 December 2018
Total equity at the beginning of the year	**46,187**	**45,546**
Adoption of IFRS 16 on 1 January 2019	**(52)**	–
Retained earnings	**(40)**	–
Minority interest	**(12)**	–
Total restated equity at the beginning of the year	**46,135**	**45,546**
Changes in share capital and premium		
Treasury shares issued to employees under employee share incentive schemes	**412**	73
Purchase of treasury shares[1]	**(324)**	(112)
Changes in reserves		
Equity-settled share-based payment expense	**128**	94
Vesting of shares under employee share incentive schemes	**(412)**	(73)
Total comprehensive income for the year	**16,189**	10,014
Dividends paid	**(14,983)**	(9,505)
Changes in non-controlling interests		
Total comprehensive income for the year	**5,036**	3,104
Dividends paid	**(4,657)**	(2,954)
Total equity at the end of the year	**47,524**	**46,187**
Comprising:		
Share capital and premium (net of treasury shares)	**(5)**	(93)
Equity-settled share-based payment reserve	**183**	203
Foreign currency translation reserve	**1,242**	1,312
Retained earnings	**34,810**	33,838
Shareholders' equity	**36,230**	**35,260**
Non-controlling interests	**11,294**	10,927
Total equity	**47,524**	**46,187**
Dividend (Rand per share)		
Interim	**30.79**	14.51
Final[2]	**15.99**	15.73
Total	**46.78**	**30.24**

[1] The average price paid for the purchase of the shares in 2019 was R408.27 per share (2018: R284.12 per share).

[2] The final dividend was declared after 31 December 2019 and has not been recognised as a liability in this summarised financial report. It will be recognised in shareholders' equity for the 2020 financial year.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended

Rand million	Audited 31 December 2019	Audited 31 December 2018
Cash generated from operations	**34,657**	18,906
Finance income received	**781**	513
Finance expense paid	**(267)**	(108)
Taxation paid	**(7,781)**	(4,077)
Cash flows from operating activities	**27,390**	**15,234**
Additions to property, plant and equipment	**(5,603)**	(4,463)
Proceeds from disposal of property, plant and equipment	**6**	17
Increase in financial asset at fair value through profit or loss	**(207)**	–
Cash flows utilised in investing activities	**(5,804)**	**(4,446)**
Purchase of treasury shares	**(324)**	(112)
Payment of lease liabilities	**(82)**	–
Dividends paid to owners of Kumba	**(14,983)**	(9,505)
Dividends paid to non-controlling shareholders	**(4,657)**	(2,954)
Cash flows utilised in financing activities	**(20,046)**	**(12,571)**
Net increase/(decrease) in cash and cash equivalents	**1,540**	**(1,783)**
Cash and cash equivalents at beginning of year	**11,670**	13,874
Foreign currency exchange losses on cash and cash equivalents	**(345)**	(421)
Cash and cash equivalents at end of year	**12,865**	**11,670**

HEADLINE EARNINGS

for the year ended

Rand million	Audited 31 December 2019	Audited 31 December 2018
Reconciliation of headline earnings		
Profit attributable to owners of Kumba	**16,259**	9,615
Impairment charge	**23**	–
Net loss on disposal and scrapping of property, plant and equipment	**66**	86
Net loss on disposal of discontinued operation	**–**	18
	16,348	**9,719**
Taxation effect of adjustments	**(23)**	(23)
Non-controlling interests in adjustments	**(16)**	(19)
Headline earnings	**16,309**	**9,677**
Headline earnings (Rand per share)		
Basic	**50.88**	30.28
Diluted	**50.73**	30.06
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	**320,554,087**	319,601,762
Diluted weighted average number of ordinary shares	**321,472,427**	321,919,841

The dilution adjustment of shares at 918,340 at 31 December 2019 (2018: 2,318,079) is a result of the share options previously granted under the various employee share incentive schemes not yet vested.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

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 2019 were authorised for issue in accordance with a resolution of the directors on 14 February 2020.

2. BASIS OF PREPARATION

The audited summarised consolidated financial statements, and the consolidated financial statements from which they have been extracted, 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 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 summarised consolidated financial statements have been prepared on a going concern basis.

2.2 Accounting judgements, estimates and assumptions

In preparing the summarised 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 summarised consolidated financial statements for the year ended 31 December 2018, except as disclosed on the following pages.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

3. ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of these summarised consolidated financial statements are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous summarised 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 2019.

3.1.1 New standards effective for annual periods beginning on or after 1 January 2019

The following standards, amendments to published standards and interpretations, which are effective for the year commencing on 1 January 2019, were adopted by the group:

a. IFRS 16 *Leases*

IFRS 16 *Leases* replaces IAS 17 *Leases* along with three interpretations (IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*) and sets out updated requirements on recognition and measurement of leases.

Kumba adopted IFRS 16 *Leases* retrospectively from 1 January 2019 but did not restate comparatives for the 2018 reporting periods as permitted under the modified transition approach in the standard. The cumulative effect of the adjustments arising from the new leasing rules is therefore recognised in the opening retained earnings on 1 January 2019.There were no finance leases for the group in the prior year.

Adjustments recognised on adoption of IFRS *16 Leases*

On adoption of IFRS 16 *Leases*, the group recognised lease liabilities in relation to leases which were previously classified as operating leases under the principles of IAS 17, excluding leases of low-value items, those with remaining lease terms of less than 12 months (i.e. short-term leases) and variable lease payments. These liabilities were measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate used to measure the lease liabilities on 1 January 2019 was 11.5%.

Lease liability

The following is a reconciliation of total operating lease commitments at 31 December 2018, as disclosed in the prior year financial statements, to the lease liabilities recognised at 1 January 2019:

Rand million	Audited 1 January 2019
Operating leases commitments disclosed as at 31 December 2018	608
Impact of discounting of lease payments[1]	(207)
Lease liabilities recognised at 1 January 2019	**401**
Current lease liabilities	37
Non-current lease liabilities	364
Lease liabilities recognised at 1 January 2019	**401**

[1] *Discounted using Kumba's incremental borrowing rate at the date of initial application.*

Right-of-use asset

The associated right-of-use assets for all property leases were measured as if the new standard had always been applied, net of the accumulated depreciation at 1 January 2019. Other right-of-use assets relating to leasing of equipment were measured at an amount equal to the lease liability.

There were no onerous lease contracts that would require an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of property, plant and equipment:

Rand million	Audited 1 January 2019
Residential buildings	313
Buildings and infrastructure	25
Machinery, plant and equipment	11
Total right-of-use assets	**349**

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

The impact of the change in the accounting policy on the statement of financial position on 1 January 2019 was as follows:

- Increase in right-of-use assets by R349 million
- Increase in lease liabilities by R401 million
- Decrease in retained earnings by R52 million (consisting of R40 million attributable to the owners of Kumba and R12 million attributable to non-controlling interests)

Practical expedients applied on adoption of IFRS 16

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- The non-reassessment of whether an existing lease contract is or contains a lease as defined in IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases shorter than 12 months. Low-value assets are assets that are below the group's capitalisation threshold. Low-value assets comprise mostly IT-equipment and small items of office furniture.

b. IFRIC *23 Uncertainty over income tax*

The interpretation aims to clarify how to apply the recognition and measurement requirements of IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. IFRIC 23 is effective for periods beginning on or after 1 January 2019.

The interpretation does not alter the group's current accounting treatment, i.e. the use of significant judgments or estimates that the group applies in determining its taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates. At each reporting period, the group assesses whether the facts and circumstances around the judgements and estimates have changed.

3.1.2 Removal of normalised earnings measure from the financial results

Since the 2015 financial year, Kumba has presented a measure known as normalised earnings in its interim and annual financial results. Normalised earnings were determined by adjusting the headline earnings attributable to the owners of Kumba for non-recurring expenses or income items for the period. The following items were adjusted for:

- gains or losses on lease receivable
- recognition or derecognition of deferred tax assets
- tax effect of the above adjustments
- non-controlling interests' share of the above adjustments after tax

The normalised earnings ratio is specific to Kumba and is not required in terms of IFRS or the JSE Listings Requirements. This measure was used to determine Kumba's recurring income by removing unusual events from its headline earnings and does not provide relevant or comparable information to users of the financial statements. The non-recurring adjustments reported on historically is not expected to arise going forward. As a result, it is considered that the measure does not provide the users of the financial statements with more relevant or comparable information anymore.

The headline earnings and earnings per share measures are standardised ratios reported on the JSE and therefore provide the users of the financial statements with comparable information that can be utilised to compare Kumba's results to other mining companies.

This measure has therefore been removed and will no longer be reported on by the group.

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 2019 financial year and have not been early adopted.

IFRS 3 – *Amendments to the definition of a business*

These are amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. It clarifies the minimum requirements for a business, it removes the assessment of whether market participants are capable of replacing any missing elements, it offers guidance to help entities assess whether an acquired process is substantive, it narrows the definitions of a business and of outputs, and it introduces an optional fair value concentration test.

The amendments are all effective for annual periods beginning on or after 1 January 2020.

These amendments are not expected to have any significant impact on the financial statements.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

IAS 1 and IAS 8 – *Amendments to the definition of material*

The amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors*, which will be effective for annual periods beginning on or after 1 January 2020, clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

These amendments must be applied prospectively. Early application is permitted and must be disclosed.

These amendments are not expected to have any significant impact on the financial statements of the group.

The Conceptual Framework for Financial Reporting

The revised *Conceptual Framework for Financial Reporting (the conceptual framework)* is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the conceptual framework is to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The conceptual framework is accompanied by a basis for conclusions. The Board has also issued a separate accompanying document, *Amendments to References to the Conceptual Framework in IFRS Standards*, which sets out the amendments to affected standards in order to update references to the conceptual framework. In most cases, the standard references are updated to refer to the conceptual framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 *Business Combinations* and for those applying IAS 8 *Accounting Policies*, *Change in Accounting Estimates and Errors*.

The changes to the conceptual framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 LoMP on which accounting estimates are based only includes proved and probable ore reserves as disclosed in Kumba's 2019 annual ore reserves and mineral resources statement. The most significant changes in the provisions for 2019 arose from changes in estimates, the unwinding of the discount and inflationary changes in the expected cash flows for both mines, partially offset by the utilisation of prior year provisions.

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

Rand million	Audited 31 December 2019	Audited 31 December 2018
Increase in environmental rehabilitation provision	133	414
Increase/(decrease) in decommissioning provision	62	(21)
Decrease in profit after tax attributable to the owners of Kumba	73	393
Rand per share		
Effect on earnings per share attributable to the owners of Kumba	0.23	0.71

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 2019	Audited 31 December 2018
Total capital expenditure	5,713	5,283
Comprising:		
Expansion	647	506
Stay-in-business (SIB)	2,432	3,108
Deferred stripping	2,634	1,669
Less: non-cash additions	(110)	(820)
Additions to property, plant and equipment per statement of cash flows	**5,603**	**4,463**
Transfers from assets under construction to property, plant and equipment	6,217	1,053

SIB capital expenditure was largely spent on capital spares of R1.3 billion, infrastructure upgrades and the mining fleet management programme. Expansion capital expenditure included R138 million spent on the Dingleton project and R70 million for the UHDMS feasibility study, and capex for the P101 efficiency programme.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

6. LEASES

Amount recognised in the statement of financial position.

Right-of-use assets:

2019

Rand million	Residential buildings	Buildings and infrastructure	Machinery, plant and equipment	Total
Recognised on adoption of IFRS 16 on 1 January 2019	313	25	11	349
Additions	31	53	138	222
Depreciation	(41)	(22)	(26)	(89)
Balance at 31 December 2019	**303**	**56**	**123**	**482**

There were no rights-of-use assets derecognised during the year.

Lease liabilities:

Rand million	Audited 31 December 2019	Audited 1 January 2019
Recognised on adoption of IFRS 16 on 1 January 2019	401	401
New leases capitalised during the year	223	–
Lease payments made during the year	(140)	–
Finance cost	58	–
Balance at 31 December 2019	**542**	**401**
Current	29	37
Non-current	513	364
Balance at 31 December 2019	**542**	**401**

In the past, the group only recognised lease assets and lease liabilities in relation to leases that were classified as ‘finance leases’ under IAS 17 *Leases*. The assets would have been presented in property, plant and equipment and the liabilities as part of the group’s borrowings. The were no financial leases at 31 December 2018 and therefore, no adjustments were recognised on adoption of IFRS 16 on 1 January 2019.

7. INVENTORIES

Rand million	Audited 31 December 2019	Audited 31 December 2018
Finished products	**2,665**	1,550
Work-in-progress	**5,626**	5,678
Plant spares and stores	**1,374**	1,418
Total inventories	**9,665**	**8,646**
Non-current portion of work-in-progress inventories	**3,670**	2,410
Current portion of inventories	**5,995**	6,236
Total inventories	**9,665**	**8,646**

During the year, the group provided an amount of R210 million (2018: R157 million) against plant spares and stores. R32 million (2018: Rnil) of finished product 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.

8. CASH AND CASH EQUIVALENTS AND DEBT FACILITIES

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

Rand million	Audited 31 December 2019	Audited 31 December 2018
Cash and cash equivalents	**12,865**	11,670

The group's debt facilities consist of a committed R8 billion (31 December 2018: R12 billion) revolving credit facility which matures in 2024. This R8 billion revolving credit facility is effective from 6 December 2019 and it replaces the previous revolving credit facility of R12 billion that was due to expire in February 2020. The group's debt facilities also include uncommitted facilities of R8.2 billion (31 December 2018: R8.3 billion). The committed and uncommitted facilities at 31 December 2019 and 31 December 2018 were undrawn.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

9. SHARE CAPITAL AND SHARE PREMIUM

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

Rand million	Audited 31 December 2019	Audited 31 December 2018
Balance at beginning of year	(93)	(54)
Net movement in treasury shares under employee share incentive schemes	88	(39)
Purchase of treasury shares	(324)	(112)
Share issued to employees	412	73
Balance at the end of the year	**(5)**	**(93)**

Reconciliation of number of shares in issue:

	Audited 31 December 2019	Audited 31 December 2018
Balance at beginning and end of the year	**322,085,974**	**322,085,974**
Reconciliation of treasury shares held:		
Balance at beginning of the year	2,565,164	2,626,977
Shares purchased during the year	793,677	395,399
Shares issued to employees under the Bonus Share Plan, the Long-Term Incentive Plan and the SIOC Employee Benefit Scheme	(1,946,897)	(457,212)
Balance at the end of the year	**1,411,944**	**2,565,164**

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

10. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT

Operating expenses are made up as follows:

Rand million	Audited 31 December 2019	Audited 31 December 2018
Production costs	**20,909**	**19,072**
Movement in inventories	65	(1,272)
Finished products	14	167
Work-in-progress	51	(1,440)
Cost of goods sold	**20,974**	**17,800**
Cost of services rendered – shipping	5,605	4,532
Total cost of sales	**26,579**	**22,332**
Impairment charge	23	–
Mineral royalty	2,411	876
Selling and distribution costs	6,501	6,194
Sub-lease rent received	(40)	(37)
Operating expenses (including expected credit losses)	**35,474**	**29,365**
Less: expected credit losses	(155)	–
Operating expenses (excluding expected credit losses)	**35,319**	**29,365**
Operating profit has been derived after taking into account the following items:		
Employee expenses	4,799	4,499
Termination benefits	7	10
Share-based payment expenses	147	117
Depreciation of property, plant and equipment[1]	4,538	4,269
Deferred waste stripping costs	(2,634)	(1,669)
Net loss on disposal and scrapping of property, plant and equipment	66	86
Net finance losses/(gains)	80	(116)
Unrealised (gains)/losses on derivative financial instruments	(113)	21
Net foreign currency losses/(gains)		
Realised gains	(166)	(39)
Unrealised losses/(gains)	181	(108)
Net fair value losses on financial assets measured at fair value through profit or loss[2]	178	10

[1] This includes R89 million in respect of right-of-use assets. Refer to note 6.

[2] This includes a R206 million fair value loss of a loan receivable and a R31 million gain on investments held by the environmental trust.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

11. TAXATION

The group's effective tax rate was 27% for the year (2018: 24%).

12. 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' compromise 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 and work-in-progress 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.

12. SEGMENTAL REPORTING continued

	Products[1]			Services			
Rand million	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics[2]	Shipping operations	Other	Total
Audited year ended 31 December 2019							
Statement of profit or loss							
Revenue from external customers	40,698	17,972	–	–	5,615	–	64,285
EBITDA	28,695	12,513	–	(6,500)	1	(1,337)	33,372
Significant items included in the statement of profit or loss:							
Depreciation	3,174	1,241	–	10	–	113	4,538
Impairment charge	23	–	–	–	–	–	23
Staff costs	2,942	1,011	–	40	–	960	4,953
Statement of financial position							
Total segment assets[3]	4,170	3,056	–	1,064	–	–	8,290
Statement of cash flows							
Additions to property, plant and equipment							
Expansion capital expenditure	592	–	–	–	–	–	592
Stay-in-business capital expenditure	1,693	684	–	–	–	–	2,377
Deferred stripping	1,981	653	–	–	–	–	2,634

[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] From the 2019 financial year, the CODM considers WIP inventory, in addition to finished product inventory, as a key focus area for decision-making purposes. Therefore, the WIP inventory balance is included in total segment assets balance.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

12. SEGMENTAL REPORTING continued

	Products[1]			Services			
Rand million	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics[2]	Shipping operations	Other	Total[3]
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 capital expenditure	506	–	–	–	–	–	506
SIB capital expenditure	2,508	597	–	3	–	–	3,108
Non-cash additions	(820)	–	–	–	–	–	(820)
Deferred stripping	1,370	299	–	–	–	–	1,669

[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.

12. SEGMENTAL REPORTING continued

Geographical analysis of revenue and non-current assets:

Rand million	Audited 31 December 2019	Audited 31 December 2018
Total revenue from external customers[1]	**64,285**	**45,725**
South Africa	**2,557**	2,787
Export	**61,728**	42,938
China	**33,853**	24,350
Rest of Asia	**12,178**	9,587
Europe	**15,078**	8,263
Middle East and North Africa	**196**	738
Americas	**423**	–

[1] Revenue comprises sale of iron ore amounting to R58,670 million (2018: R41,048 million) (which includes R1,192 million net gains on derivatives (2018: R116 million)) and revenue from shipping of R5,615 million (2018: R4,677 million).

All non-current assets, excluding investments in associates and joint ventures, are located in South Africa. At 31 December 2019, R12 million of the non-current assets relating to prepayments were located in Singapore.

Reconciliation of operating profit to EBITDA for the year ended:

Rand million	2019	2018
Operating profit per statement of profit or loss	**28,811**	16,360
Operating loss of discontinued operation	**–**	(63)
Add back:		
Depreciation	**4,538**	4,269
Impairment charge	**23**	–
EBITDA	**33,372**	**20,566**

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

13. DISCONTINUED OPERATION AND DISPOSAL GROUP HELD FOR SALE

As previously reported, Kumba and ArcelorMittal SA announced on 12 October 2018 the transfer of the Thabazimbi mine from Sishen Iron Ore Company Proprietary Limited (SIOC) to ArcelorMittal SA. On 1 November 2019, 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, previously ArcelorMittal South Africa Operations Proprietary Limited (a wholly owned subsidiary of ArcelorMittal SA).

As a result, the Thabazimbi operation ceased to be classified as a discontinued operation from 1 November 2018.

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

Rand million	Audited 31 December 2019	Audited 31 December 2018
Operating expenses[1]	–	(64)
Operating loss	–	(64)
Net finance cost[2]	–	(18)
Loss before tax	–	(82)
Income tax expense	–	23
Loss after income tax	–	(59)
Attributable to owners of the parent	–	(45)
Attributable to the non-controlling interests	–	(14)
Loss from discontinued operation	–	(59)
Cash flow utilised in discontinued operation		
Net cash flows utilised in operating activities	–	(118)
Net cash utilised in discontinued operation	–	(118)

[1] Operating expenses consists of closure activities.

[2] This amount relates to discounting of the rehabilitation provision.

14. 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 1[1]	Level 2[2]	Level 3[3]
Audited 12 months – 31 December 2019			
Investments held by the environmental trust	**652**	**–**	**–**
Long-term prepayments and other receivables	**–**	**–**	**48**
Trade receivables[4]	**–**	**2,153**	**–**
Derivative financial instruments classified as cash and cash equivalents	**–**	**(3)**	**–**
	652	**2,150**	**48**
Audited 12 months – 31 December 2018			
Investments held by the environmental trust	621	–	–
Long-term prepayments and other receivable	–	–	47
Derivative financial instruments classified as cash and cash equivalents	–	27	–
	621	27	47

[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 (such as recent transactions for similar assets and iron ore price) that are not based on observable market data.

[4] This includes only those receivables that are carried at fair value.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

14. FAIR VALUE ESTIMATION continued

There were no transfers between level 1 and level 2, or between level 2 and level 3 in the year ended 31 December 2019 or in the year ended 31 December 2018. All the resulting fair value estimates are included in level 1 or level 2 except for the long-term receivable, which is a level 3 financial asset. The movements in the fair value of the level 3 financial assets are shown as follows:

Rand million	**Audited 31 December 2019**	Audited 31 December 2018
Balance at beginning of year	**47**	**47**
Additions to financial assets during the year	**207**	–
Fair value loss for the year	**(206)**	–
Balance at end of year	**48**	**47**

The long-term other receivables at 31 December 2019 relate to exploration projects. The fair value was determined using the market approach which applies available market information of sales transactions for similar recent projects. The significant unobservable inputs used in the valuation model related to the size and grade of the ore deposit confirmed by geological exploration results.

There were no changes made to any of the valuation techniques applied as of 31 December 2018.

15. 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 Limited[2].

Material related party transactions

Rand million	Audited 31 December 2019	Audited 31 December 2018
Short-term deposit held with Anglo American SA Finance Limited[1] (AASAF)		
– Deposit	**4,428**	5,338
– Weighted average interest rate (%)	**6.95**	6.99
Interest earned on short-term deposits with AASAF during the year	**631**	395
Short-term deposit held with Anglo American Capital plc[1]	**6,094**	4,890
Interest earned on facility during the year	**79**	57
Trade payable owing to Anglo American Marketing Limited (AAML)[1]	**928**	502
Sale of goods to AAML	**2,256**	–
Shipping services provided by AAML	**5,681**	4,572
Cash and cash equivalents held with AAML	**595**	–
Dividends paid to Exxaro Resources Limited[2]	**4,050**	2,569

[1] Subsidiaries of the ultimate holding company.

[2] Exxaro Resources Limited is SIOC's 20.62% (2018: 20.62%) Black Economic Empowerment shareholder.

16. CONTINGENT LIABILITIES

As previously reported, 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 disallowed the objection. On 21 February 2019, the group submitted an appeal against this outcome and is currently in discussions with SARS as part of the alternative dispute resolution (ADR) proceedings in an attempt to resolve the matter and as such, no further information, which may seriously prejudice the group's position on this matter, has been disclosed.

Based on the external legal and tax advice obtained, the group believes that these matters have been appropriately treated in the results for the year ended 31 December 2019.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

17. GUARANTEES

The total guarantees issued in favour of the Department of Mineral Resources (DMR) in respect of the group's environmental closure liabilities at 31 December 2019 were R3 billion (2018: R2.9 billion). As a result of annual revision of closure costs, a shortfall of R363 million (2018: R586 million) arose. Guarantees in respect of the shortfall will be issued in due course.

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 2019 Integrated Report.

19. EVENTS AFTER THE REPORTING PERIOD

A final cash dividend of R15.99 per share was declared by the Board on 17 February 2020 from profits accrued during the financial year ended 31 December 2019. The total cash dividend for the year amounted to R46.78 per share. The estimated total cash flow of the final Kumba dividend, payable on 16 March 2020 is R5.2 billion.

There have been no other material events subsequent to 31 December 2019, not otherwise dealt with in this report.

20. INDEPENDENT AUDITOR'S REPORT

These summarised consolidated financial statements for the year ended 31 December 2019 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 pages 40 and 41, and a copy of the auditor's report on the consolidated financial statements, together with the financial statements, is available for inspection at the Company's registered office, and on the Company's website, **www.angloamericankumba.com/investors/financial-results-centre.aspx**.

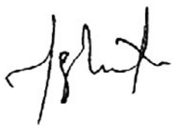
The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should read a copy of the auditor's report and obtain the accompanying financial information from Kumba'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 2019 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

17 February 2020
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 2019, 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 2019.

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.

OTHER MATTER

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

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 17 February 2020. That report also includes the communication of other key audit matters as reported in the auditor's report of the audited financial statements.

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

17 February 2020

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 17 February 2020, the directors approved a gross final cash dividend of 1,599 cents per share on the ordinary shares from profits accrued during the period ended 31 December 2019. 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 1,279.20000 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 18, 2020
Last day for trading to qualify and participate in the final dividend	Tuesday, March 10, 2020
Trading ex-dividend commences	Wednesday, March 11, 2020
Record date	Friday, March 13, 2020
Dividend payment date	Monday, March 16, 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 March 2020 and Friday, 13 March 2020 both days inclusive. Any change of address or dividend instructions must be provided by the last day for trading.

By order of the Board

F Patel
Company Secretary

18 February 2020

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), MA Jenkins, NB Langa-Royds, SS Ntsaluba, BP Sonjica, DG Wanblad

Executive: TM Mkhwanazi (Chief Executive Officer), BA Mazarura (Zimbabwean) (Chief Financial Officer)

COMPANY SECRETARY

F Patel

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')

18 February 2020

Kumba Iron Ore
Centurion Gate – Building 2B
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Centurion
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