KUMBA IRON ORE LIMITED
REVIEWED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

BUILDING ON FIRM FOUNDATIONS DELIVERING A SUSTAINABLE FUTURE
ENHANCING OUTCOMES

AngloAmerican

KEY FEATURES

Safety performance improved:

- REMAIN FATALITY FREE
- HIGH POTENTIAL INCIDENTS REDUCED BY 77%

Productivity and efficiency increases:

- PRODUCT QUALITY AT 64.5% FE
- PRODUCTION UP BY 3% TO 22.4 MT
- REALISED COST SAVINGS OF R415 MILLION
- BREAK-EVEN PRICE OF US$46/TONNE

Challenging operating environment:

- IRON ORE EXPORT CHANNEL DERAILMENTS
- MARKET VOLATILITY

Well positioned to continue delivering sustainable shareholder returns:

- HEADLINE EARNINGS OF R3 BILLION
- STRONG BALANCE SHEET WITH NET CASH OF R11.7 BILLION
- INTERIM CASH DIVIDEND OF R14.51 PER SHARE

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

COMMENTARY

CONTINUED SAFETY, PRODUCTIVITY AND EFFICIENCY GAINS

"Kumba's strategy of 'Transformation to full potential', called 'Tswelelopele', resulted in a solid operating performance across the value chain and continued to deliver shareholder returns. Attributable free cash flow of R2.8 billion and a strong opening cash position translated into an interim cash dividend of R4.7 billion, despite the impact of a stronger rand and softer iron ore prices.

Total tonnes mined increased by 12%, while production increased by 3% with 11% more ex-pit waste moved. Continued productivity and efficiency improvements on the back of the Operating Model have enabled the removal of more ex-pit waste while containing unit costs.

Rail challenges have resulted in lost opportunities to achieve higher export sales volumes. This, coupled with a stronger Rand and lower iron ore export prices, resulted in revenue of R19.5 billion. Our operational improvements, coupled with strong cost discipline, led to cost savings of R415 million which contributed to headline earnings of R3 billion. We ended the period with a strong net cash position of R11.7 billion.

The next six months will be focused on delivering further operational and financial gains through our strategy, which comprises three horizons. Under Horizon 1, our focus is on margin enhancement through cost saving initiatives and further productivity and efficiency improvements, and on the revenue side, maximising realised prices. Alongside this, work is being done under Horizon 2 to leverage our endowment and we see further life of mine extension opportunities through our resource development programme. We are primarily focused on Horizon 1 and 2 where value can be unlocked in the short to medium term while we are opportunistic about long-term growth options under Horizon 3.

Based on the solid operating platform and strong balance sheet, the Board has approved a dividend policy which targets a pay-out ratio range of 50 – 75% of headline earnings. The new policy reflects our commitment to shareholder returns while balancing the capital requirements of sustaining and growing our business."

Themba Mkhwanazi
Chief executive

NEW DIVIDEND POLICY AND INTERIM CASH DIVIDEND DECLARED

Following the 2014 and 2015 iron ore market downturn, Kumba resumed dividend payments in 2017 by applying a discretionary dividend policy as we sought to embed operational improvements and ensure a flexible balance sheet was built which is resilient to market volatility while providing a base to address the growth and life extension imperative.

The continued success of our strategy in driving operational improvement, our ability to generate cash, and a clearer path to life extension have given us the platform to revise our dividend policy to a more definitive target payout ratio demonstrating the prioritisation of sustainable shareholder returns through the cycle and disciplined capital allocation.

COMMENTARY CONTINUED

The new dividend policy will target a base dividend range of between 50% and 75% of headline earnings. While we will prioritise 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 approved a total cash dividend of R14.51 per share which is made up as follows:

- R6.98 per share representing 75% of headline earnings in accordance with the new dividend policy; and
- R7.53 per share being a once-off top-up cash dividend to reset the balance sheet net cash position given the accumulation of cash since the recovery in the iron ore market in 2016.

MARKET OVERVIEW

The Platts 62% IODEX CFR China index averaged $70/dmt during the first half of 2018 (‘the period’), down 7% or $5/dmt relative to the first half of 2017 (‘the comparative period’). A series of political events in Beijing and winter production cuts in North China until mid-March hampered construction activity. This resulted in an inventory overhang pushing steel prices lower by more than 10% through March. Since then, end user demand has staged an impressive recovery with property investment up 10%. Consequently, steel stocks have fallen by 50% post the Chinese New Year period – a new record. Steel mill margins are currently near record highs and ‘flight to quality’ remains the pre-dominant theme among Chinese mills as high-grade iron ore maximises steel productivity. The Platts65/Platts62 differential has risen by 86% in the first half of the year to $27/dmtu at 30 June 2018 and averaged $18/dmtu for the period.

While demand for iron ore has been buoyant, supply has increased. Iron ore port stocks rose by 9 Mt in the first half of 2018 to 156 Mt at 45 ports in China. The combined iron ore shipments from Australia and Brazil are up 3.8% year-on-year to an annualised 1.2 billion tonnes in the first half of the year. Widening discounts for low grade ores and higher freight rates have raised the break-even price for higher cost suppliers.

The lump premium had a strong recovery, increasing from 7.9 US cents/dmtu at the start of the year to 32 US cents/dmtu at 30 June 2018, taking the average for the period to 18 US cents/dmtu or an equivalent of US$12/dmt. Multiple sintering closures in Tangshan, Hebei and other northern provinces in China, and record demand for low alumina ores have been the key drivers of the recent rally in the lump premium in China.

OPERATIONAL PERFORMANCE

Production summary (unreviewed)

	Six months ended		
'000 tonnes	**June 2018**	June 2017	% change
Total	**22,427**	**21,854**	**3**
Lump	**15,133**	14,483	4
Fines	**7,294**	7,371	(1)
Mine production	**22,427**	**21,854**	**3**
Sishen mine	**15,255**	15,551	(2)
Kolomela mine	**7,172**	6,303	14

OPERATIONAL REVIEW

The focus on safety remains a key priority for Kumba. Life saving rules called 'My Sacred Covenant' were launched and included compulsory training for all employees. At both mines, a 'Stop for safety day' was held to reinforce the importance of safe production. We remained fatality free during the period with improvements across key safety metrics. The total recordable case frequency rate[1], a measure of the frequency of recordable injuries improved to 2.08 (1H17: 3.79), high potential incidents reduced to 3 (1H17: 13) and the lost-time injury frequency rate[1] decreased to 0.99 (1H17: 1.35).

Total tonnes mined increased by 12% to 140.4 Mt while total production rose by 3% to 22.4 Mt with marginally lower production at Sishen of 15.3 Mt (1H17: 15.6 Mt). Continued strong performance at Kolomela led to production increasing by 14% to 7.2 Mt. Total sales volumes remained flat in relation to the first half of 2017 at 21.2 Mt.

Sishen mine

Total tonnes mined at Sishen increased by 12.2 Mt to 105.1 Mt (1H17: 92.9 Mt) of which waste mined was 86.6 Mt, representing a 13% increase as a result of the improvement in primary equipment efficiencies.

Production decreased by 2% to 15.3 Mt (1H17: 15.6 Mt) due to a strategic decision to increase product quality and the value of product railed to mitigate the impact of the rail constraints caused by derailments. With market demand increasing for higher quality products, we improved the average quality of our products to 64.5% Fe and the lump:fine ratio to 67:33 (1H17: 63:37), which contributed to lower production volumes.

Through the implementation of the Operating Model, Sishen not only stabilised its operations, but continued to improve efficiencies in line with our strategy. Compared to the first half of 2017,

[1]Lost-time injury (LTI) frequency rate and total recordable case (TRC) frequency rate are now calculated based on 1,000,000 man hours. LTIFR calculated using LTI*1,000,000/total hours and TRCFR calculated using TRC*1,000,000/total hours. Comparative numbers for 1H17 were restated accordingly.

COMMENTARY CONTINUED

total fleet productivity was up 17%, supported by truck fleet productivity increasing by 38%. As a result of these improvements, Sishen was able to park 11 trucks and achieve a 7% improvement in truck utilisation without negatively affecting production. Additionally, primary shovel tempos improved by 19%.

Some of the key initiatives at Sishen include:

- Increasing double sided loading
- Larger blasts to reduce delays associated with frequent blasting
- Increasing the floor stock in front of the shovels.

Technology has become a key enabler of safe production and improved performance. As an example, 36 of the haul trucks have been fitted with autobraking collision avoidance technology. Kumba is the first mining company to successfully prove the autobraking technology. We also introduced an operator training programme which uses drone technology to film the best shovel operators, in order to transfer knowledge to other operators.

Kolomela mine

Total tonnes mined increased by 10% to 35.3 Mt, (1H17: 32.2 Mt). Waste mined was 26.4 Mt (1H17: 25.4 Mt), an increase of 4%, as planned. The mine produced 7.2 Mt of ore (1H17: 6.3 Mt), a 14% increase, from 32% more ex-pit ore mined.

Kolomela's increased production was due to continued improvement of the Direct Shipping Ore (DSO) plant tempos and increased throughput due to the ramp-up of the Dense Media Separation modular plant, as well as the successful implementation of the Operating Model at the plant.

The Operating Model and advanced process control technology have resulted in Kolomela mine consistently improving its DSO plant throughput and efficiency over the past few years, and the plant is now regarded as an industry benchmark. Despite the high base, the productivity of the DSO plant improved by a further 2% in comparison to the first half of 2017. Further to the plant performance, Kolomela mine has also improved its earthmoving equipment efficiencies with primary shovel tempos increasing by 9% and truck productivity increasing by 6% during the period.

Logistics

Transnet rail performance has been sub-optimal. Since the second half of 2017, there have been six derailments on the Iron Ore Export Channel of which four occurred during the 2018 period. As a result of this, iron ore railed to port remained similar to the comparative period at 20.8 Mt. The derailed wagons have been replaced and performance is being monitored closely to secure delivery of our contractual capacity. Initiatives have been implemented to mitigate the impact of derailments, which include reducing loading times and improving our turnaround times at the mines.

Severe weather disruptions at Saldanha port have resulted in a number of vessels being delayed into July, impacting shipments for the period which remained at similar levels of 19.5 Mt relative to the comparative period.

Sales summary (unreviewed)

'000 tonnes	Six months ended June 2018	June 2017	% change
Total	**21,173**	**21,234**	**–**
Export sales	**19,506**	19,477	–
Domestic sales	**1,667**	1,757	(5)

Sales

The challenges with the logistics performance resulted in 2.4 Mt of lost export sales opportunity in the period. As a result, total and export sales remained flat at 21.2 Mt and 19.5 Mt, respectively, relative to the comparative period, with domestic sales decreasing to 1.7 Mt (1H17: 1.8 Mt). Finished product inventory held at the mines and ports increased to 6.2 Mt (1H17: 4.4 Mt) with a higher proportion of this at the mines.

CFR sales accounted for 65% of export sales volumes (1H17: 65%). Kumba further diversified its customer portfolio and China's share of export sales reduced to 57% (1H17: 60%) of the export sales portfolio, while the share of the EU/MENA/Americas region increased to 21% (1H17: 20%). Product quality improved to 64.5% Fe and the total sales lump:fine ratio to 67:33 (1H17: 63:37), allowing Kumba to benefit from the relatively stronger lump premium market.

FINANCIAL RESULTS

Kumba produced a resilient financial performance despite challenging logistics and export market conditions. Proactive steps taken to reduce costs, improve operational efficiencies and increase iron ore quality to maximise quality premia partly offset the full effects of the stronger Rand/US$ exchange rate and lower average realised iron ore prices. In light of these headwinds, a strong and flexible balance sheet remains an imperative as this enables the prioritisation of shareholder returns through our new dividend payout policy of 50 – 75% of headline earnings while we continue to invest for growth.

Revenue

Total revenue decreased by 9% to R19.5 billion (1H17: R21.5 billion), largely driven by the following factors:

- Rand strengthening of 7% on average against the US dollar (1H18: R12.30/US$1 compared to 1H17: R13.21/US$1); and
- Average realised iron ore export price decreasing 3% to US$69/tonne (1H17: US$71/tonne).

Kumba's average realised FOB prices decreased by US$2/tonne compared to 1H17, following a decrease in iron ore prices of $5/tonne and higher freight rates of $2/tonne, which was partly offset by the average lump premium increasing by US$5/tonne, given our relatively more competitive lump:fine ratio. Furthermore, our average product quality increased from 64.1% Fe in 1H17 to 64.5% Fe in 1H18 which together with our marketing efforts helped to increase the premium received for our high quality lump product.

COMMENTARY CONTINUED

Firmer freight rates translated into a 9% increase in shipping revenue to R1.9 billion (1H17: R1.7 billion).

Operating expenses

Operating expenses increased by 4% to R14.4 billion (1H17: R13.8 billion), following the 12% increase in mining volumes to 140.4 Mt, along with the 3% increase in production volumes to 22.4 Mt. Cost savings of R415 million as a result of optimisation and efficiency improvements helped to contain the increase in operating expenses.

Unit cash costs at Sishen mine increased by 8% to R309 per tonne (FY17: R287 per tonne) primarily as a result of higher mining volumes and above-inflation increases in fuel costs, partly offset by productivity and efficiency improvements, as well as savings in overhead costs. Kolomela mine incurred unit cash costs of R232 per tonne (FY17: R237 per tonne), a 2% decrease, as cost savings from optimisation and improved efficiencies outweighed the impact of higher mining volumes and fuel prices.

Selling and distribution costs increased by 13% to R3 billion (1H17: R2.7 billion) on the back of contractual tariff increases and higher demurrage. Shipping costs were R107 million higher due to the Platts freight rate on the Saldanha-Qingdao route increasing to US$12.47/tonne, a 23% increase from US$10.12/tonne in 1H17.

Break-even price

Kumba achieved an average cash break-even price of US$46/tonne (62%Fe CFR China), an increase of US$6/tonne from the average for the 2017 financial year. The increase in controllable costs was contained to US$1/tonne as costs related to higher mining volumes and logistics, were partially offset by cost savings, productivity gains and operating efficiency improvements. Non-controllable costs rose by US$5/tonne due to the stronger Rand (US$4/tonne) and higher freight rates (US$1/tonne).

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

EBITDA of R7 billion (1H17: R9.1 billion) reflects a decrease of 24%. Underlying drivers included controllable factors which delivered a 14% gain through higher sales premiums and cost savings. This helped offset the impact from non-controllable factors such as the strengthening of the Rand by 7%, the 3% reduction in average realised iron ore export price, and higher inflation-related costs. In addition, a net freight loss was incurred on shipping operations from long-term fixed price chartering contracts. As a result of the above, the EBITDA margin decreased to 36% (1H17: 43%).

Cash flow

The lower EBITDA resulted in cash flow generated from operations decreasing to R6.9 billion (1H17: R11.7 billion). The group ended the period with a net cash position of R11.7 billion (1H17: R13.5 billion; 2H17: R13.9 billion) after allowing for capital expenditure of R1.4 billion for the period and the final 2017 cash dividend payment of R6.3 billion. Capital expenditure incurred related to stay-in-business (SIB) activities of R0.4 billion, deferred stripping capitalisation of R0.9 billion and expansion activities of R0.2 billion which included capital expenditure on Dingleton.

ORE RESERVES AND MINERAL RESOURCES

There have been no material changes to the ore reserves and mineral resources as disclosed in the 2017 Kumba Integrated Report.

REGULATORY UPDATE

Sishen consolidated mining right granted

The application to extend the mining right of Sishen through the inclusion of the adjacent Prospecting Rights was granted on 25 June 2017 and the grant was notarially executed on 29 June 2018. The grant allows Sishen mine to expand its current mining operations within the adjacent Dingleton area.

The Mining Charter 2018

The publication of the draft 2018 Mining Charter by the Minister of Mineral Resources on 15 June 2018 has been noted. All parties have until the end of August to respond to the draft, following the decision by the Minister of Mineral Resources to extend the public consultation period. Kumba will participate in the process through its majority shareholder, Anglo American, who is preparing a submission in respect of the draft 2018 Mining Charter.

Kumba shares the acknowledgment made by the Minerals Council that the draft 2018 Mining Charter is an improvement on the draft 2017 Mining Charter. However, we have concerns surrounding several significant issues in the draft Mining Charter that we believe may affect the sustainability of the mining industry in South Africa, should they not be reconsidered.

Kumba has consistently affirmed its support for the Government's national transformation objectives in relation to the mining industry and acknowledges its role in promoting transformation in South Africa. To this end, we have a longstanding track record of driving and supporting transformation in the mining industry and beyond, while contributing significantly to South Africa's economic growth and development.

Kumba believes that much more work needs to be done, in consultation with all stakeholders, to create a Mining Charter that promotes both investment for the long term and transformation. We look forward to the ongoing discussions with the Minister, the Department of Mineral Resources (DMR) and other industry stakeholders to work towards these objectives.

The transfer of Thabazimbi to ArcelorMittal SA

As previously reported, Sishen Iron Ore Company Proprietary Limited (SIOC) and ArcelorMittal SA entered into an agreement for the transfer of the Thabazimbi mine, together with the mining rights, to ArcelorMittal SA. The agreement is expected to come into effect by 28 September 2018, subject to the fulfilment of certain conditions. In the event that the conditions for transfer are not satisfied by 28 September 2018, the agreement will lapse and SIOC will proceed with the closure of the mine.

On 10 July 2018, one of the key conditions precedent to the transfer was met as SIOC received the grant letter from the DMR in respect of Section 11 of the MPRDA approving the transfer of the Thabazimbi mining rights to ArcelorMittal SA.

COMMENTARY CONTINUED

The employees, assets and liabilities of Thabazimbi mine will transfer to ArcelorMittal SA at a nominal purchase consideration in addition to the assumed liabilities of which ArcelorMittal SA's contractual liability are 97%. The Thabazimbi mine assets and related liabilities that will transfer have been presented separately in the statement of financial position as assets and liabilities of the disposal group held for sale at 30 June 2018 (refer to note 10 in the condensed consolidated financial statements). Current operating expenses represent closure activities.

EVENTS AFTER THE REPORTING PERIOD

At a Special General Meeting on 10 July 2018, shareholders approved a new employee share ownership plan, called Karolo, for qualifying employees of SIOC. The qualifying employees will be allocated units that are equal to Kumba shares, at no cost. This scheme replaces the Envision scheme which unwound in November 2016.

There were no further significant events that occurred from 30 June 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 first six months of the year:

- Allen Morgan stepped down as an independent non-executive director 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.

CHANGE 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

We will continue to drive our operations to reach their full potential through our 'Tswelelopele' strategy. Kumba is a world-class operation, we have a resilient business, committed employees and a winning strategy to deliver superior value through the cycle. Through our strategy, we are driving value over volume and targeting R800 million of cost savings for the year. We have progressed our resource development plan and will continue to work on increasing the life of mine. Most importantly, we are striving to remain fatality free and continue to create value for shareholders.

Due to the logistical challenges experienced in the first six months of the year, our full year total sales guidance has been revised to 42 – 44 Mt from 44 – 45 Mt. Consequently, full year guidance for production was revised down to 43 – 44 Mt more closely aligned to rail supply levels as part of our integrated sales and operations planning drive and focus on optimal efficiency. Sishen's production guidance has been revised to 29 – 30 Mt while waste guidance remains unchanged at 170 – 180 Mt. Kolomela will continue to produce 14 Mt of product and 55 – 57 Mt of waste as previously guided.

As a result of lower production at Sishen, the full year unit cash cost of Sishen was revised to R300 – R310 per tonne. Kolomela's unit cash cost guidance remains unchanged at R240 – R250 per tonne.

Our current capital expenditure outlook for 2018 (including deferred stripping) is R3.7 – R3.9 billion. This was revised slightly lower from the previous outlook of R3.9 – R4.1 billion, mainly due to revised SIB project scheduling.

The presentation of the Company's results for the six months ended 30 June 2018 will be available on the Company's website **www.angloamericankumba.com** at 07:00 CAT and the webcast will be available from 11:00 CAT on 24 July 2018.

SALIENT FEATURES AND OPERATING STATISTICS

for the period ended

	Unreviewed 6 months 30 June 2018	Unreviewed 6 months 30 June 2017	Unaudited 12 months 31 December 2017
Share statistics ('000)			
Total shares in issue	**322,086**	322,086	322,086
Weighted average number of shares	**319,640**	319,219	319,303
Diluted weighted average number of shares	**321,991**	321,274	321,481
Treasury shares	**2,334**	2,882	2,627
Market information			
Closing share price (Rand)	**295**	171	379
Market capitalisation (Rand million)	**94,938**	55,144	122,112
Market capitalisation (US$ million)	**6,917**	4,216	9,923
Net asset value attributable to owners of Kumba (Rand per share)	**103.22**	100.51	107.95
Capital expenditure (Rand million)[1]			
Incurred	**1,429**	1,071	3,074
Contracted	**868**	451	597
Authorised but not contracted	**2,517**	2,377	1,634
Operating commitments[1]			
Operating lease commitments	**696**	75	794
Shipping services	**5,923**	6,850	5,260
Economic information			
Average Rand/US Dollar exchange rate (ZAR/US$)	**12.30**	13.21	13.30
Closing Rand/US Dollar exchange rate (ZAR/US$)	**13.73**	13.08	12.31
Sishen mine FOR unit cost			
Unit cost (Rand per tonne)	**402.95**	391.63	375.42
Cash cost (Rand per tonne)	**309.45**	311.40	287.33
Unit cost (US$ per tonne)	**32.77**	29.65	28.23
Cash cost (US$ per tonne)	**25.17**	23.57	21.60
Kolomela mine FOR unit cost			
Unit cost (Rand per tonne)	**342.55**	346.28	336.67
Cash cost (Rand per tonne)	**232.36**	252.30	236.67
Unit cost (US$ per tonne)	**27.86**	26.21	25.31
Cash cost (US$ per tonne)	**18.90**	19.10	17.79

[1] The capital expenditure and operating commitments amounts have been reviewed (the amount for the 31 December 2017 year was audited).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

Rand million	Notes	**Reviewed 30 June 2018**	Reviewed 30 June 2017	Audited 31 December 2017
ASSETS				
Property, plant and equipment	3	**36,375**	31,651	36,833
Biological assets		**3**	3	3
Investments held by environmental trust		**632**	580	627
Long-term prepayments and other receivables		**208**	126	211
Deferred tax assets		**–**	–	72
Inventories	4	**3,206**	3,533	2,841
Non-current assets		**40,424**	**35,893**	**40,587**
Inventories	4	**4,661**	3,449	4,061
Trade and other receivables		**2,099**	2,579	2,709
Cash and cash equivalents	5	**11,664**	13,486	13,874
Current assets		**18,424**	**19,514**	**20,644**
Assets of disposal group classified as held for sale	10	**1,235**	**1,118**	**1,235**
Total assets		**60,083**	**56,525**	**62,466**
EQUITY				
Shareholders' equity		**33,245**	32,374	34,769
Non-controlling interests		**10,287**	10,081	10,777
Total equity		**43,532**	**42,455**	**45,546**
LIABILITIES				
Provisions		**2,028**	2,051	1,860
Deferred tax liabilities		**8,843**	7,362	8,860
Non-current liabilities		**10,871**	**9,413**	**10,720**
Provisions		**85**	19	147
Trade and other payables		**4,470**	3,298	4,945
Current tax liabilities		**77**	353	59
Current liabilities		**4,632**	**3,670**	**5,151**
Liabilities of disposal group classified as held for sale	10	**1,048**	**987**	**1,049**
Total liabilities		**16,551**	**14,070**	**16,920**
Total equity and liabilities		**60,083**	**56,525**	**62,466**

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the period ended

Rand million	Notes	**Reviewed 6 months 30 June 2018**	Reviewed 6 months 30 June 2017	Audited 12 months 31 December 2017
Revenue		**19,474**	21,500	46,379
Operating expenses		**(14,342)**	(13,761)	(24,989)
Operating profit	7	**5,132**	**7,739**	**21,390**
Finance income		**269**	321	637
Finance costs		**(80)**	(206)	(339)
Profit before taxation		**5,321**	7,854	21,688
Taxation		**(1,420)**	(1,784)	(5,481)
Profit for the year from continuing operations		**3,901**	**6,070**	**16,207**
Discontinued operation				
Loss from discontinued operation	10	**(48)**	(72)	(74)
Profit for the year		**3,853**	**5,998**	**16,133**
Attributable to:				
Owners of Kumba		**2,943**	4,586	12,335
Non-controlling interests		**910**	1,412	3,798
		3,853	**5,998**	**16,133**
Basic earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)				
From continuing operations		**9.36**	14.59	38.86
From discontinued operation		**(0.15)**	(0.22)	(0.23)
Total basic earnings per share		**9.21**	**14.37**	**38.63**
Diluted earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)				
From continuing operations		**9.29**	14.49	38.60
From discontinued operation		**(0.15)**	(0.22)	(0.23)
Total diluted earnings per share		**9.14**	**14.27**	**38.37**

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the period ended

Rand million	**Reviewed 6 months 30 June 2018**	Reviewed 6 months 30 June 2017	Audited 12 months 31 December 2017
Profit for the period	**3,853**	5,998	16,133
Other comprehensive profit/(loss) for the year	**429**	**(70)**	**(454)**
Exchange differences on translation of foreign operations[1]	**429**	(70)	(454)
Total comprehensive income for the year	**4,282**	**5,928**	**15,679**
Attributable to:			
Owners of Kumba	**3,271**	4,533	11,989
Non-controlling interests	**1,011**	1,395	3,690
	4,282	**5,928**	**15,679**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended

Rand million	Reviewed 6 months 30 June 2018	Reviewed 6 months 30 June 2017	Audited 12 months 31 December 2017
Total equity at the beginning of the year	**45,546**	**36,536**	**36,536**
Changes in share capital and premium			
Treasury shares issued to employees under employee share incentive schemes	**57**	82	121
Purchase of treasury shares	**(14)**	(61)	(61)
Changes in reserves			
Equity-settled share-based payment	**51**	52	135
Vesting of shares under employee share incentive schemes	**(57)**	(82)	(121)
Total comprehensive income for the year	**3,271**	4,533	11,989
Dividends paid	**(4,831)**	–	(5,144)
Changes in non-controlling interests			
Total comprehensive income for the year	**1,011**	1,395	3,690
Dividends paid	**(1,502)**	–	(1,599)
Total equity at the end of the year	**43,532**	**42,455**	**45,546**
Comprising			
Share capital and premium (net of treasury shares)	**(11)**	(93)	(54)
Equity-settled share-based payment reserve	**163**	138	186
Foreign currency translation reserve	**1,244**	1,208	916
Retained earnings	**31,849**	31,121	33,721
Shareholders' equity	**33,245**	**32,374**	**34,769**
Non-controlling interests	**10,287**	10,081	10,777
Total equity	**43,532**	**42,455**	**45,546**
Dividend (Rand per share)			
Interim[1]	**14.51**	**15.97**	**15.97**
Final	**n/a**	**n/a**	**15.00**

[1] The interim dividend was declared after 30 June 2018 and has not been recognised as a liability in this interim financial report. It will be recognised in shareholders' equity for the year ending 31 December 2018.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended

Rand million	Reviewed 6 months 30 June 2018	Reviewed 6 months 30 June 2017	Audited 12 months 31 December 2017
Cash generated from operations	**6,874**	11,726	22,432
Net finance income	**237**	130	461
Taxation paid	**(1,340)**	(3,334)	(5,883)
Cash flows from operating activities	**5,771**	**8,522**	**17,010**
Additions to property, plant and equipment	**(1,429)**	(1,071)	(3,074)
Proceeds from the disposal of property, plant and equipment	**1**	21	27
Cash flows utilised in investing activities	**(1,428)**	**(1,050)**	**(3,047)**
Purchase of treasury shares	**(14)**	(61)	(61)
Dividends paid to owners of Kumba	**(4,831)**	–	(5,144)
Dividends paid to non-controlling shareholders	**(1,502)**	–	(1,599)
Net interest-bearing borrowings repaid	**–**	(4,500)	(4,500)
Cash flows utilised in financing activities	**(6,347)**	**(4,561)**	**(11,304)**
Net (decrease)/increase in cash and cash equivalents	**(2,004)**	2,911	2,656
Cash and cash equivalents at beginning of year	**13,874**	10,665	10,665
Foreign currency exchange (losses)/gains on cash and cash equivalents	**(206)**	(90)	550
Cash and cash equivalents at end of year	**11,664**	**13,486**	**13,874**

HEADLINE EARNINGS

for the period ended

Rand million	Reviewed 6 months 30 June 2018	Reviewed 6 months 30 June 2017	Audited 12 months 31 December 2017
Reconciliation of headline earnings			
Profit attributable to owners of Kumba	**2,943**	4,586	12,335
Impairment reversal	**–**	–	(4,789)
Net loss on disposal and scrapping of property, plant and equipment	**62**	32	63
	3,005	**4,618**	**7,609**
Taxation effect of adjustments	**(17)**	(9)	1,309
Non-controlling interests in adjustments	**(11)**	(6)	810
Headline earnings	**2,977**	**4,603**	**9,728**
Headline earnings (Rand per share)			
Basic	**9.31**	14.42	30.47
Diluted	**9.25**	14.33	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	**319,639,752**	319,218,877	319,302,962
Diluted weighted average number of ordinary shares	**321,991,281**	321,274,112	321,481,081

The dilution adjustment of 2,351,529 shares at 30 June 2018 (30 June 2017: 2,055,235 and 31 December 2017: 2,178,119) is a result of the vesting of share options previously granted under the various employee share incentive schemes.

NORMALISED EARNINGS

for the period ended

Rand million	Reviewed 6 months 30 June 2018	Reviewed 6 months 30 June 2017	Audited 12 months 31 December 2017
Reconciliation of normalised earnings			
Headline earnings attributable to owners of Kumba	**2,977**	4,603	9,728
Net utilisation of deferred tax asset	**72**	–	14
	3,049	4,603	9,742
Non-controlling interests in adjustments	**(17)**	–	(3)
Normalised earnings	**3,032**	**4,603**	**9,739**
Normalised earnings (Rand per share)			
Basic	**9.49**	14.42	30.50
Diluted	**9.42**	14.33	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	**319,639,752**	319,218,877	319,302,962
Diluted weighted average number of ordinary shares	**321,991,281**	321,274,112	321,481,081

This measure of 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.

Normalised earnings 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 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 condensed consolidated interim financial statements of Kumba and its subsidiaries for the six months ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 20 July 2018.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared under the supervision of BA Mazarura CA(SA), Chief financial officer, in accordance with IAS 34 *Interim Financial Reporting* and the South African Companies Act No 71 of 2008, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by Financial Reporting Standards Council and in compliance with the JSE Listings Requirements for interim reports.

The condensed consolidated interim financial statements have been prepared in accordance with the historical cost convention except for certain financial instruments, discontinued operations and disposal group held for sale, 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 determining the appropriate basis of preparation of the condensed consolidated interim financial statements, the directors are required to consider whether the group can continue in operational existence for the foreseeable future. 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.

These condensed consolidated interim financial statements are prepared on a going concern basis. 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.

2.2. Accounting judgements, estimates and assumptions

In preparing these condensed consolidated interim 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.

2.3. Accounting policies

The accounting policies and methods of computation applied in the preparation of these condensed consolidated interim financial statements 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.

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

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

a. IFRS 9 *Financial Instruments*

IFRS 9 replaces IAS 39 and sets out the updated requirements for the recognition and measurement of financial instruments. These requirements specifically deal with the classification and measurement of financial instruments, measurement of impairment losses based on an expected credit loss model and closer alignment between hedge accounting and risk management practices.

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

b. 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 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 of 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 the standard in the period ended 30 June 2018 is:

- Net increase in profit of R6 million
- No material impact on opening retained earnings, therefore prior year figures were not restated
- Increase in current assets of R106 million
- Increase in current liabilities of R100 million

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

At the date of authorisation of these interim financial statements, the following standards, amendments to existing standards and interpretations were in issue but not yet effective for the current year and have not been early adopted.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2018

These standards, amendments and interpretations will be effective for annual periods beginning after the dates listed below:

IFRS 16 *Leases effective for years commencing on or after 1 January 2019*
IFRS 16 *Leases* will become effective for the group from 1 January 2019, replacing IAS 17 *Leases*. The group has completed its impact assessment and is continuing to work on the necessary changes to internal systems and processes.

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 lessee of a right of use asset and a related liability for future lease payments.

The most significant expected impact of transitioning to IFRS 16 based upon our current contractual arrangements is estimated to be recognising a lease liability of approximately R400 million to R500 million and a right of use asset of approximately R300 million to R400 million, with the balance representing an adjustment to retained earnings. The right of use asset will principally relate to rental of properties and mining equipment.

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 and 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 cost of leases in the statement of profit and loss will change.

Management will continue to assess the implications of IFRS 16 on any new contracts or modifications to existing contracts, which may cause the financial impact to differ from the estimates provided above.

2.4. Change in estimates

The measurement of the environmental rehabilitation and decommissioning provisions are 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 2017 annual ore reserves and mineral resources statement. The most significant changes in the provision for 2018 arises from the change in the LoMP as well as the timing of the expected cash flows for both Sishen and Kolomela mines.

The effect of the change in estimate of the rehabilitation and decommissioning provisions, which was applied prospectively from 1 January 2018, is detailed below:

Rand million	Reviewed 30 June 2018	Reviewed 30 June 2017	Audited 31 December 2017
Increase in environmental rehabilitation provision	**137**	120	77
Increase/(decrease) in decommissioning provision	**27**	1	(199)
(Decrease)/increase in profit after tax attributable to the owners of Kumba	**(75)**	(66)	42
Rand per share			
Effect on earnings per share attributable to the owners of Kumba	**(0.24)**	0.21	0.13

The change in estimate from 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.

3. PROPERTY, PLANT AND EQUIPMENT

Rand million	Reviewed 30 June 2018	Reviewed 30 June 2017	Audited 31 December 2017
Capital expenditure	**1,429**	1,071	3,074
Comprising:			
Expansion	**155**	197	575
Stay-in-business (SIB)	**369**	218	1,305
Deferred stripping	**905**	656	1,194
Transfers from assets under construction to property, plant and equipment	**237**	663	1,704

Expansion capital expenditure comprised mainly the expenditure on the Dingleton relocation project and Sishen's second modular plant. SIB capital expenditure to maintain operations was principally related to infrastructure to support mining and plant operations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2018

4. INVENTORY

Rand million	Reviewed 30 June 2018	Reviewed 30 June 2017	Audited 31 December 2017
Finished product	**1,933**	1,577	1,240
Work-in-progress	**4,511**	3,969	4,238
Plant spares and stores	**1,423**	1,436	1,424
Current inventory transferred to assets of disposal group classified as held for sale	**–**	2	–
Total inventories	**7,867**	**6,984**	**6,902**
Non-current portion of work-in-progress inventories	**3,206**	3,533	2,841
Total current inventories	**4,661**	3,451	4,061
Total inventories	**7,867**	**6,984**	**6,902**

During the period, the group wrote down inventory by R176 million (30 June 2017: Rnil and 31 December 2017: R954 million). 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.

5. NET CASH AND DEBT FACILITIES

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

Rand million	Reviewed 30 June 2018	Reviewed 30 June 2017	Audited 31 December 2017
Net cash			
Cash and cash equivalents	**11,664**	13,486	13,874

Movements in interest-bearing borrowings are analysed as follows:

Rand million	Reviewed 30 June 2018	Reviewed 30 June 2017	Audited 31 December 2017
Balance at beginning of period	**–**	4,500	4,500
Interest-bearing borrowings repaid	**–**	(4,500)	(4,500)
Balance at end of period	**–**	–	–

The group's committed debt facilities consist of a R12 billion revolving credit facility which matures in 2020. The group had undrawn committed facilities of R12 billion (30 June 2017: R12 billion and 31 December 2017: R12 billion) and undrawn uncommitted facilities of R8.3 billion (30 June 2017: R8.3 billion and 31 December 2017: R8.3 billion).

6. SHARE CAPITAL AND SHARE PREMIUM

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

Rand million	Reviewed 30 June 2018	Reviewed 30 June 2017	Audited 31 December 2017
Balance at beginning of period	**(54)**	(114)	(114)
Net movement in treasury shares under employee share incentive schemes	**43**	21	60
Purchase of treasury shares	**(14)**	(61)	(61)
Shares issued to employees	**57**	82	121
Balance at end of year	**(11)**	(93)	(54)

Reconciliation of number of shares in issue:

	Reviewed 30 June 2018	Reviewed 30 June 2017	Audited 31 December 2017
Balance at beginning and end of period	**322,085,974**	322,085,974	322,085,974
Reconciliation of treasury shares held:			
Balance at beginning of period	**2,626,977**	2,797,627	2,797,627
Shares purchased	**50,000**	284,194	284,194
Shares issued to employees under the Long-Term Incentive Plan and Kumba Bonus Share Plan	**(342,667)**	(200,194)	(454,844)
Balance at end of period	**2,334,310**	**2,881,627**	**2,626,977**

All treasury shares are held as conditional awards under the Kumba Bonus Share Plan.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2018

7. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT

Operating expenses is made up as follows:

Rand million	Reviewed 6 months 30 June 2018	Reviewed 6 months 30 June 2017	Audited 12 months 31 December 2017
Production costs	**9,608**	**8,200**	**17,824**
Movement in inventories	**(653)**	513	452
Finished products	**(380)**	16	224
Work-in-progress	**(273)**	497	228
Cost of goods sold	**8,955**	**8,713**	**18,276**
Impairment reversal	**–**	–	(4,789)
Mineral royalty	**532**	648	1,239
Selling and distribution costs	**3,006**	2,659	5,815
Cost of services rendered – shipping	**1,868**	1,761	4,485
Sublease rent received	**(19)**	(20)	(37)
Operating expenses	**14,342**	**13,761**	**24,989**
Operating profit has been derived after taking into account the following items:			
Employee expenses	**2,262**	1,796	4,030
Net restructuring cost	**–**	8	8
Share-based payment expenses	**59**	55	146
Depreciation of property, plant and equipment	**1,874**	1,497	3,014
Deferred waste stripping costs	**(905)**	(656)	(1,194)
Net loss on disposal and scrapping of property, plant and equipment	**62**	32	63
Net finance (gains)/losses	**(18)**	170	216
Unrealised losses/(gains) on derivative financial instruments	**5**	42	(112)
Net foreign currency losses/(gains)			
Realised	**112**	208	310
Unrealised	**(128)**	(51)	77
Net fair value gains on investments held by the environmental trust	**(7)**	(29)	(59)

8. TAXATION

The group's effective tax rate was 27% for the period (30 June 2017: 23% and 31 December 2017: 25%).

9. 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 and 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 business. 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2018

9. SEGMENTAL REPORTING continued

	Products[1]			Services			
Rand million	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics[2]	Shipping operations	Other	Total[3]
Reviewed period ended 30 June 2018							
Statement of profit and loss							
Revenue from external customers	**12,456**	**5,165**	**–**	**–**	**1,853**	**–**	**19,474**
EBITDA	**7,295**	**3,095**	**(44)**	**(3,001)**	**(15)**	**(371)**	**6,958**
Significant items included in statement of profit and loss:							
Depreciation	**1,290**	**563**	**–**	**5**	**–**	**16**	**1,874**
Staff costs	**1,450**	**490**	**–**	**26**	**–**	**355**	**2,321**
Statement of financial position							
Total segment assets (refer to note 4)	**928**	**463**	**–**	**496**	**–**	**46**	**1,933**
Statement of cash flows							
Additions to property, plant and equipment							
Expansion capex	**155**	**–**	**–**	**–**	**–**	**–**	**155**
Stay-in-business capex	**209**	**159**	**–**	**1**	**–**	**–**	**369**
Deferred stripping	**723**	**182**	**–**	**–**	**–**	**–**	**905**
Reviewed period ended 30 June 2017							
Statement of profit and loss							
Revenue from external customers	14,462	5,344	–	–	1,694	–	21,500
EBITDA	8,883	3,352	(91)	(2,654)	(67)	(278)	9,145
Significant items included in statement of profit and loss:							
Depreciation	950	488	1	5	–	54	1,498
Staff costs	1,146	383	–	18	–	312	1,859
Statement of financial position							
Total segment assets (refer to note 4)	552	157	–	–	807	61	1,577
Statement of cash flows							
Additions to property, plant and equipment							
Expansion capex	197	–	–	–	–	–	197
Stay-in-business capex	139	73	5	1	–	–	218
Deferred stripping	550	106	–	–	–	–	656

9. SEGMENTAL REPORTING continued

Rand million	Products[1] Sishen mine	Kolomela mine	Thabazimbi mine	Services Logistics[2]	Shipping operations	Other	Total[3]
Audited year ended 31 December 2017							
Statement of profit and 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 statement of profit and loss:							
Depreciation	1,934	1,001	13	9	–	70	**3,027**
Staff costs	2,522	848	–	41	–	771	**4,182**
Impairment reversal	(4,789)	–	–	–	–	–	**(4,789)**
Statement of financial position							
Total segment assets (refer to note 4)	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 by the mines.

[3] The amounts in the total column are inclusive of Thabazimbi mine amounts. These amounts are not included in each line item in the statement of profit and loss as the Thabazimbi mine is a discontinued operation and is disclosed separately.

Geographical analysis of revenue and non-current assets

Rand million	**Reviewed 30 June 2018**	Reviewed 30 June 2017	Audited 31 December 2017
Total revenue from external customers	**19,474**	**21,500**	**46,379**
South Africa	**1,233**	1,431	2,714
Export	**18,241**	20,069	43,665
China	**10,338**	11,962	27,260
Rest of Asia	**4,065**	4,209	8,538
Europe	**3,657**	3,326	6,626
Middle East and North Africa	**181**	572	1,241

All non-current assets, excluding investments in associates and joint ventures, are located in South Africa.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2018

10. DISCONTINUED OPERATION AND DISPOSAL GROUP HELD FOR SALE

All remaining plant operations at the Thabazimbi mine ceased in 2016 following the decision taken in 2015 to close the mine. The Thabazimbi operation continues to be classified as a discontinued operation for the period ended 30 June 2018 consistent with the periods ended 30 June 2017 and 31 December 2017.
Analysis of the result of the Thabazimbi mine is as follows:

Rand million	**Reviewed 6 months 30 June 2018**	Reviewed 6 months 30 June 2017	Audited 12 months 31 December 2017
Operating expenses	**(48)**	(92)	(69)
Operating loss	**(48)**	(92)	(69)
Net finance (cost)/income	**(18)**	1	(34)
Loss before tax	**(66)**	(91)	(103)
Income tax credit	**18**	19	29
Loss after income tax	**(48)**	(72)	(74)
Attributable to owners of Kumba	**(37)**	(55)	(56)
Attributable to the non-controlling interests	**(11)**	(17)	(18)
Loss from discontinued operation	**(48)**	(72)	(74)
Cash flow utilised in discontinued operation			
Net cash flow utilised in operating activities	**(67)**	(31)	(128)
Net cash utilised in discontinued operation	**(67)**	(31)	(128)

As previously reported, SIOC and ArcelorMittal SA entered into an agreement for the transfer of the Thabazimbi mine, together with the mining rights, to ArcelorMittal SA. The agreement is expected to come into effect by 28 September 2018, subject to certain conditions. If all conditions precedent have not been satisfied by 28 September 2018, the agreement will lapse and SIOC will proceed with closure of the mine. Current operating expenses represent closure activities.

On 10 July 2018, SIOC received the grant letter from the DMR in respect of Section 11 of the MPRDA approving the transfer of the Thabazimbi mining rights to ArcelorMittal SA.

The requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* have been considered and as a result, the Thabazimbi mine assets and liabilities that will transfer to ArcelorMittal SA have been presented as assets and liabilities held for sale as at 30 June 2018.

10. DISCONTINUED OPERATION AND DISPOSAL GROUP HELD FOR SALE continued

Assets and liabilities of disposal group held for sale at

Rand million	Reviewed 30 June 2018	Reviewed 30 June 2017	Audited 31 December 2017
ASSETS			
Property, plant and equipment	–	11	–
Biological assets	11	18	11
Investments held by environmental trust	329	308	325
Long-term prepayments and other receivables	496	559	459
Inventories	–	2	–
Trade and other receivables	399	220	440
Total assets	**1,235**	1,118	1,235
LIABILITIES			
Non-current provisions	(850)	(885)	(812)
Current provisions	(198)	(102)	(237)
Total liabilities	**(1,048)**	(987)	(1,049)
Net carrying amount	187	131	186

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2018

11. RELATED PARTY TRANSACTIONS

During the period, Kumba, 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. These transactions were subject to terms that are no less favourable than those offered by third parties.

Rand million	**Reviewed 6 months 30 June 2018**	Reviewed 6 months 30 June 2017	Audited 12 months 31 December 2017
Short-term deposits held with Anglo American SA Finance Limited[1] (AASAF)	**6,250**	9,628	6,899
– Weighted average interest rate (%)	**6.99**	7.17	7.17
Interest earned on short-term deposits with AASAF during the period	**227**	299	577
Short-term deposit held with Anglo American Capital plc[1]	**4,021**	2,910	4,907
Interest earned on facility during the period	**25**	11	32
Trade payable owing to Anglo American Marketing Limited[1] (AAML)	**350**	374	635
Shipping services provided by AAML	**1,868**	1,788	4,462
Dividends paid to Anglo South Africa Capital Proprietary Limited[2]	**3,368**	–	3,586
Dividends paid to Exxaro Resources Limited[3]	**1,306**	–	1,390

[1] Subsidiaries of the ultimate holding company.
[2] Holding company.
[3] Exxaro Resources Limited is SIOC's 20.62% (30 June and 31 December 2017: 20.62%) Black Economic Empowerment shareholder.

12. 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]
Reviewed 6 months – 30 June 2018			
Investments held by the environmental trust[4]	**961**	–	–
Derivative financial instruments classified as cash and cash equivalents	**–**	(70)	–
	961	(70)	–
Reviewed 6 months – 30 June 2017			
Investments held by the environmental trust[4]	**888**	–	–
Derivative financial instruments classified as cash and cash equivalents	**–**	(15)	–
	888	(15)	–
Audited 12 months – 31 December 2017			
Investments held by the environmental trust[4]	**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 prices).

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

[4] Includes Thabazimbi mine's investment disclosed as asset held for sale in note 10.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2018

13. CONTINGENT LIABILITIES

On 29 June 2018, the South African Revenue Service (SARS) issued the group with additional income tax assessments relating to a tax audit on the deductibility of certain expenditure incurred, covering the 2012 – 2014 years of assessment. The group is in the process of preparing an objection to these assessments after consultation with external tax and legal advisers. The group believes that these matters have been appropriately treated in the results for the period ended 30 June 2018.

14. GUARANTEES

The total guarantees issued in favour of the DMR in respect of the group's environmental closure liabilities at 30 June 2018 were R2.9 billion (30 June 2017: R2.8 billion and 31 December 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 Thabazimbi mine of R438 million (30 June 2017: R438 million and 31 December 2017: R438 million). ArcelorMittal SA has guaranteed R429 million of this amount by means of bank guarantees issued in favour of SIOC.

As a result of the annual revision of closure costs, a shortfall of R202 million arose. Guarantees in respect of the shortfall will be issued in due course.

15. REGULATORY UPDATE

Mining Charter

The publication of the draft 2018 Mining Charter by the Minister of Mineral Resources on 15 June 2018 has been noted. All parties have until the end of August to respond to the draft, following the decision by the Minister of Mineral Resources to extend the public consultation period. Kumba will participate in the process through its majority shareholder, Anglo American, who is preparing its submission in respect of the draft 2018 Mining Charter.

Kumba shares the acknowledgment made by the Minerals Council that the draft 2018 Mining Charter is an improvement on the draft 2017 Mining Charter. However, we have concerns surrounding several significant issues in the draft Mining Charter that we believe may affect the sustainability of the mining industry in South Africa, should they not be reconsidered.

Kumba has consistently affirmed its support for the Government's national transformation objectives in relation to the mining industry and acknowledges its role in promoting transformation in South Africa. To this end, we have a longstanding track record of driving and supporting transformation in the mining industry and beyond, while contributing significantly to South Africa's economic growth and development.

Kumba believes that more work needs to be done, in consultation with all stakeholders, to create a Mining Charter that promotes both investment for the long term and transformation. We look forward to the ongoing discussions with the Minister, the DMR and other industry stakeholders to work towards these objectives.

16. 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 among others, King IV™. Full disclosure of the group's compliance is contained in the 2017 Integrated Report.

17. EVENTS AFTER THE REPORTING PERIOD

At a Special General Meeting on 10 July 2018, shareholders approved a new employee share ownership plan, called Karolo, for qualifying employees of SIOC. The qualifying employees will be allocated units that are equal to Kumba shares, at no cost. This scheme replaces the Envision scheme which unwound in November 2016.

There have been no other material events subsequent to 30 June 2018, not otherwise dealt with in this report.

18. INDEPENDENT AUDITORS' REVIEW REPORT

The auditors, Deloitte & Touche, have issued their unmodified review report on the condensed consolidated interim financial statements for the six months ended 30 June 2018. The review was conducted in accordance with ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

The auditor's report on the condensed consolidated interim financial statements is included in this booklet and a copy of the auditor's report is available for inspection at the Company's registered office.

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

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

On behalf of the Board

MSV Gantsho
Chairman

TM Mkhwanazi
Chief executive

20 July 2018
Pretoria

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

We have reviewed the condensed consolidated financial statements of Kumba Iron Ore Limited, contained in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 June 2018 and the condensed consolidated statement of profit and loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with International Accounting Standards (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of Kumba Iron Ore Limited for the six months ended 30 June 2018 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per: Nita Ranchod
Partner

20 July 2018

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 INTERIM CASH DIVIDEND

At its Board meeting on 20 July 2018, the directors approved a gross interim cash dividend of 1,451 cents per share on the ordinary shares from profits accrued during the period ended 30 June 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 after withholding tax at a rate of 20% amounts to 1,160.80000 cents per share.

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

The salient dates are as follows:

Declaration date	Tuesday, 24 July 2018
Last day for trading in order to participate in the interim dividend (and change of address or dividend instructions)	Tuesday, 14 August 2018
Trading ex-dividend commences	Wednesday, 15 August 2018
Record date	Friday, 17 August 2018
Dividend payment date	Monday, 20 August 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 August 2018 and Friday, 17 August 2018, both days inclusive.

By order of the Board

CD Appollis
Company secretary

24 July 2018

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, DD Mokgatle, NS Dlamini, SG French (Irish), TP Goodlace (British/South African), NB Langa-Royds, 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')

24 July 2018

Kumba Iron Ore
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Centurion
0157

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