KUMBA IRON ORE LIMITED
REVIEWED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019 AND INTERIM CASH DIVIDEND DECLARATION

UNLOCKING OUR FULL POTENTIAL
DISCIPLINED GROWTH FOR A SUSTAINABLE FUTURE

AngloAmerican

Real Mining. Real People. Real Difference.

KEY FEATURES

Delivering exceptional shareholder returns

- **HEADLINE EARNINGS** INCREASED BY **239%** TO **R10.1 BILLION**
- **STRONG BALANCE SHEET** WITH NET CASH UP **R7.1 BILLION** TO **R18.8 BILLION**
- INTERIM CASH DIVIDEND OF **R30.79** PER SHARE

Social, safety and environmental performance

- **FATALITY FREE** SINCE MAY 2016
- LOST-TIME INJURIES **REDUCED BY 36%**
- **NO MAJOR** ENVIRONMENTAL INCIDENTS
- **R2.4 BILLION** PAID TO OUR EMPLOYEES AND **R3.9 BILLION** TO THE FISCUS
- **R6 BILLION** SPENT WITH **BEE SUPPLIERS**

Margin benefit from quality, efficiency and market conditions

- **HIGHLY COMPETITIVE** LUMP ORE RATIO **MAINTAINED AT 68%**
- AVERAGE REALISED FOB EXPORT PRICE OF **US$108/TONNE**
- **OPERATING EFFICIENCY** IMPROVED **FROM 63% TO 67%**
- **COST SAVINGS** OF **R460 MILLION, ON TRACK TO ACHIEVE 2019 TARGET OF R700 MILLION**
- EBITDA MARGIN **UP FROM 36% TO 58%**

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

COMMENTARY

KUMBA'S VALUE OVER VOLUME STRATEGY PAYS DIVIDENDS

Themba Mkhwanazi, Chief Executive of Kumba Iron Ore, said, *"Kumba delivered an exceptional financial performance in the first half of 2019 by focusing on safe, responsible and efficient production, while achieving optimal value for our premium quality products. Most importantly, we marked three years of fatality-free mining by combining local excellence and global expertise to transform productivity and safety at Sishen and Kolomela.*

Our "value over volume" strategy has met customer demand and delivered a more than threefold increase in EBITDA to R20.1 billion. With a very strong opening cash position and attributable free cash flow of R12.7 billion, the Board has declared an interim cash dividend of R9.9 billion or R30.79 per share. This represents a payout ratio of 98% of headline earnings, above our target range of 50% to 75% of headline earnings.

By integrating our sales and operational strategy, we achieved a 57% increase in our average realised FOB iron ore price. This reflects the strengthening of iron ore prices and quality premia, as well as the marketing and beneficiating capability of our team, which ensured that our premium product portfolio remains competitive and that we continue to create customer value.

We are progressing at a pace towards our margin enhancement target of US$10/tonne. Our operational efficiency increased to 67%, which, together with our focus on cost optimisation, delivered savings of R460 million, underpinning our EBITDA margin of 58% and our break-even price of US$32/tonne.

Operationally, Kumba experienced a challenging first half which saw production volumes decreasing by 11% to 20.1 Mt largely due to unscheduled plant maintenance in Q1 2019. We have made good progress in Q2 2019 with production increasing by 12% to 10.5 Mt from the first quarter. We remain cautious and production guidance for the year was revised down to 42 Mt to 43 Mt. Pleasingly, our logistical performance has improved significantly, supporting growth in export sales of 2% and our full year sales guidance which remains at 43 Mt to 44 Mt.

For the second half of the year we aim to improve our safety performance, increase production volumes and deliver on our full year R700 million cost-savings target while continuing to achieve optimal market premia. Our strategy to extend the life of our mines to over 20 years remains on track, thus providing a more sustainable future for our communities which depend on us. Our commitment to disciplined capital allocation and sustainable shareholder returns, together with our flexible and resilient balance sheet, ensures that we remain well-positioned to deliver sustainable returns."

COMMENTARY continued

RESULTS OVERVIEW

Kumba's first priority is the safety and health of our employees and contractors. People are the heartbeat of our business and drive the underlying management and performance of our operations. In May this year, Kumba marked three years of fatality-free operations, with further improvements across all our key safety metrics. We are extremely proud of our staff and their safety performance, which is a testament to our commitment to embedding a culture of safety and zero harm at Kumba. This is underpinned by our Elimination of Fatalities framework and critical control monitoring system. During the first six months of 2019 (the period) we rolled out initiatives such as our *I-Care Buddy* system and *Hidden Heroes* programme which have led to further improvements in our total recordable case frequency rate and lost-time injury frequency rate, which decreased to 1.95 (H1 2018: 2.08) and 0.59 (H1 2018: 0.99), respectively. However, we still have much work ahead as our high-potential incidents, which are a leading safety indicator, increased to seven (H1 2018: three).

Total tonnes mined decreased marginally by 2% to 138 Mt (H1 2018: 140.4 Mt), while total production volumes reduced by 11% to 20.1 Mt (H1 2018: 22.5 Mt) following unscheduled plant maintenance at Sishen. This prompted a revision in our production guidance to 42 Mt to 43 Mt. We are seeing good progress with the plant having largely returned to normal operational levels as demonstrated by 10.5 Mt of volumes produced in the second quarter, relative to 9.5 Mt in the first quarter.

Pleasingly, there has been a significant improvement in the logistical performance, which contributed to the 2% growth in export sales to 19.9 Mt (H1 2018: 19.5 Mt). In addition, the decrease in production volumes provided an opportunity to draw down on the high opening levels of finished stock. Altogether, this contributed to total sales volumes increasing by 1% to 21.4 Mt (H1 2018: 21.2 Mt) and the maintenance of our full year sales guidance at 43 Mt to 44 Mt.

Kumba continued to successfully deliver on its margin enhancement objective as reflected in the earnings before interest, tax, depreciation and amortisation (EBITDA) margin of 58% (H1 2018: 36%) and the break-even price improving to US$32/tonne (H1 2018: US$46 tonne). This result was driven by the cumulative effect of the higher average realised FOB price of US$108/tonne (H1 2018: US$69 tonne), relative to the average Platts 62% IODEX cost and freight (CFR) China index price of US$91/tonne for the period. It was also driven by the weaker Rand/US$ exchange rate, as well as costs savings achieved of R460 million (H1 2018: R415 million) against the R700 million target for 2019. The earnings benefit from these positive factors more than offsets the effects of economic inflation from increases in fuel prices, and mining inflation from higher strip ratios and longer haul distances, among others.

Our aim of extending Kumba's life of asset beyond 20 years by 2022 continues with our ultra-high dense media separation (UHDMS) project at Sishen, and the feasibility study is on track to be completed in the fourth quarter of 2019. At Kolomela, the concept studies involving a further 85 Mt at Ploegfontein, as well as exploration at Heuningkranz which offers a longer-term opportunity for life extension, is progressing well and drilling activities are on schedule.

For the period, Kumba achieved a net profit of R13.2 billion (H1 2018: R3.9 billion) with headline earnings of R10.1 billion, more than triple the R3 billion reported in the 2018 comparative period. Attributable and headline earnings per share for the period were R31.39 and R31.51 (H1 2018: R9.21 and R9.31), respectively.

INTERIM CASH DIVIDEND DECLARED

At the end of each financial reporting period, the Board determines the total level of ordinary dividends per share, taking into account our capital allocation framework. Our dividend policy targets a payout range of between 50% and 75% of headline earnings for the period. Shareholder returns are prioritised while maintaining a strong, flexible capital structure that protects the balance sheet from market volatility and ensures that an appropriate level of capital is allocated to life extension projects and long-term growth prospects. In line with our capital allocation framework, the Board has declared an interim cash dividend per share of R30.79 (H1 2018: R14.51), which is made up as follows:

- R23.63 per share representing 75% of headline earnings in accordance with our dividend policy; and
- R7.16 per share being a top-up cash dividend.

MARKET OVERVIEW

Steel demand reached new highs resulting in the Platts 62% IODEX CFR China index surging 31% to an average of US$91/dmt during the first half of 2019. The escalation of the trade war between the US and China has led to broader economic stimulus measures in China providing a solid growth underpin for the infrastructure and property sectors. Infrastructure grew 7% and property investment is up by 11% since the start of 2019. Consequently, steel production growth is running at over 10% in China and with reduced seaborne supply availability, stock levels at port in China have been drawn down aggressively. Iron ore stocks at 45 ports have fallen by 30 Mt this year to 115 Mt, the lowest level since late 2016.

Global supply which has been gradually contracting over the past two years was further reduced this year following the Brumadinho tailings dam tragedy and subsequent suspensions in Brazil. These have taken approximately 50 Mt out of the seaborne supply, while Australian production was impacted by cyclones earlier in the year and operational challenges more recently.

For Kumba, the lump premium and high-grade premium are key drivers of our average realised FOB iron ore price. However, despite the reduction in the supply of high-quality ores from Brazil, the Platts65/Platts62 differential fell by 25% to US$14/dmt for H1 2019. This is likely driven by lower mill margins with China hot metal spread averaging US$139/tonne during the first half of 2019, down 32%.

In contrast to the Platts 65/Platts62 differential, the lump premium remained strong throughout the period with the first half average at a record US$0.34/dmtu or an equivalent of US$21/dmt. The key drivers are lower supply from the Australian majors (Rio Tinto and BHP) and sintering closures in Tangshan, Hebei. By leveraging Kumba's efficient beneficiation capability to maximise the benefit of the higher lump premium and deliver ongoing value, we maintained our competitive lump to fine ratio at 68:32 (H1 2018: 68:32) and achieved a lump premium of US$15/dmt. This, combined with an Fe premium of US$3/dmt and marketing premium for our marketing efforts, delivered a total price uplift of US$27/dmt, against US$12/dmt for the comparative period.

COMMENTARY continued

OPERATIONAL PERFORMANCE

Production summary

'000 tonnes	Six months ended June 2019	Six months ended June 2018	% change
Total	**20,060**	**22,427**	**(11)**
Lump	**13,656**	15,133	(10)
Fines	**6,404**	7,294	(12)
Mine production	**20,060**	**22,427**	**(11)**
Sishen mine	**13,757**	15,255	(10)
Kolomela mine	**6,303**	7,172	(12)

OPERATIONAL REVIEW

Kumba experienced operational challenges in the first half of 2019, which impacted mining activity and plant production, particularly in the first quarter. Mining activity has since recovered with total tonnes mined now only down 2% at 138 Mt (H1 2018: 140.4 Mt), while waste mined increased by 1% to 113.8 Mt (H1 2018: 113 Mt). Total production, albeit 11% lower at 20.1 Mt (H1 2018: 22.4 Mt), is also improving with production volumes increasing by 11% to 10.5 Mt in the second quarter compared to the first quarter.

Despite the challenges experienced, our focus on shifting benchmark efficiency closer to P101, a best-in-class industry benchmark, and driving operations to full potential, is adding incremental value as demonstrated by operational efficiency increasing to 67% (H1 2018: 63%). We recently completed the first dedicated project around truck speeds, resulting in improved cycle times. To ensure continuous full haul cycles, we optimised haul routes and increased payloads. The granting of a water use licence at Kolomela enabled in-pit dumping, which has reduced haul distances. Our second project, which focused on improving truck and shovel exchanges, as well as reducing the downtime during shift changes, has been completed and is being implemented at the operations. Furthermore, new processes and technology such as real-time condition monitoring are being considered to reduce the maintenance time and improve plant and heavy mining equipment reliability.

Kumba continues to focus on a "value over volume" strategy. Excellent work by our marketing team ensured that we have a strong market position across multiple geographies and a more diverse client portfolio. In addition, Kumba's strong beneficiation capability ensured that we capitalised on market demand for higher quality products. The average lump to fine ratio was 68:32 (H1 2018: 68:32) and the average quality of our products remains competitive at 64.3% Fe (H1 2018: 64.5% Fe).

Sishen mine

During the period, Sishen's operations were impacted by unscheduled maintenance on primary moving equipment and the primary crusher and conveyor system at the plant. In addition, maintenance on the P&H4100 shovels planned for the third quarter was brought forward to the first quarter. This resulted in tonnes mined decreasing by 5.5 Mt to 99.6 Mt (H1 2018: 105.1 Mt) of which waste moved was 82.8 Mt (H1 2018: 86.6 Mt). At the plant, production volumes decreased by 10% to 13.8 Mt (H1 2018: 15.3 Mt). Good progress has however been made in the second quarter with production volumes increasing by 13% to 7.3 Mt compared to the first quarter.

In terms of operating equipment efficiency (OEE) at Sishen, we continued to build on the efficiency gains achieved to date. The P&H4100 shovels are now back in operation with improved efficiency levels. Owner-fleet productivity increased by 3% from 619 Kt/day to 639 Kt/day despite maintenance on the P&H4100 shovels. Pre-strip shovel productivity improved to 81.6 Kt/day (H1 2018: 76.7 Kt/day), while haul truck productivity reduced to 7.5 Kt/day (H1 2018: 8.4 Kt/day). This was partly offset by good performance from the P&H2800 shovels and 860E haul trucks utilised during the maintenance period.

Kolomela mine

Mining productivity at Kolomela continued to improve as demonstrated by the increase in total tonnes mined by 9% to 38.4 Mt (H1 2018: 35.3 Mt), with waste stripping increasing by 17% as planned to 30.9 Mt (H1 2018: 26.4 Mt). Good progress has been made with increasing the 730E haul trucks' direct operating hours (DOH) at Kolomela from 14 hours to over 18 hours, on average, by improving the cycle times and changing the shift structure.

Total production at Kolomela decreased by 12% to 6.3 Mt of ore (H1 2018: 7.2 Mt) due to the infrastructure upgrade of the dense media separation (DMS) plant. A step-up in performance of the direct shipping ore (DSO) plant in the second quarter, resulted in a 5% increase in production to 3.2 Mt relative to 3.1 Mt in the first quarter. The DMS plant is expected to be back in operation in the fourth quarter of the year.

Logistics

Following the logistical challenges in the prior period, we increased the level of engagement with the Transnet team, including the implementation of a joint executive steering committee in the second half of 2018, to improve logistical performance. Pleasingly, the rail line has performed to plan in the first half of the year and we are seeing increasing stability in performance. Consequently, iron ore railed to port increased by 7% to 22.3 Mt from 20.8 Mt in the comparative period. At our own loading stations at the mines, we continue to focus on optimising loading, reducing variability and improving the turnaround times.

The progress made will stand us in good stead with the refurbishment of the second shiploader in the third quarter of 2019, which has been taken into account in our full year production and sales guidance for 2019. Similar to the refurbishment of the first shiploader in 2018, we expect this to take approximately six weeks. During the same time period, to minimise downtime, the temporary bridge built in the last quarter of 2018 will be replaced by a permanent bridge.

Severe weather disruptions and repairs to a stacker reclaimer at Saldanha port hampered the loading of ships in June 2019, resulting in shipments for the period increasing by 2% to 19.9 Mt (H1 2018: 19.5 Mt), with 0.6 Mt processed through the multipurpose terminal.

COMMENTARY continued

SALES

Sales summary

'000 tonnes	Six months ended June 2019	June 2018	% change
Total	**21,351**	**21,173**	**1**
Export sales	**19,886**	19,506	2
Domestic sales	**1,464**	1,667	(12)

Margin enhancement is core to our strategy. Our integrated sales and production planning supports our strategy by aligning production to sales, and ensuring that the appropriate quantities of the right quality are produced in line with market demand to ensure that we maximise realised value, given the strong lump premia, in particular.

Our high product quality was maintained at similar levels to the comparative period at an average Fe of 64.3% and the lump to fine ratio at 68:32, while premium products made up 24 % of sales in the period. Total sales volumes increased marginally to 21.4 Mt (H1 2018: 21.2 Mt), while export sales increased by 2% to 19.9 Mt (H1 2018:19.5 Mt). Lower production also provided the opportunity to draw down on finished stock held at the mines, reducing stock levels to 4.5 Mt (H1 2018: 6.2 Mt).

The proportion of CFR sales of export sales volumes remained similar to the comparative period at 64%. Kumba continued to gain traction on the diversification of its customer portfolio. China's share of export sales reduced to 49% (H1 2018: 57%) of the export sales portfolio, while the share of the EU/MENA/Americas region increased to 32% (H1 2018: 21%).

FINANCIAL RESULTS

Kumba delivered a strong financial performance driven by higher average realised iron ore prices and a weaker Rand. We are embedding a cost-savings and efficiency-driven culture, that provides an offset against the effects of economic inflation and ensures that Kumba continues to enhance its margin and delivers strong cash flows. This, while providing sustainable returns and investing in the business to unlock value and growth for the future.

In the first half, given lower production volumes at Sishen, the mine's unit costs increased, resulting in a revision to production and unit cost guidance. We also revised our capital expenditure guidance marginally upwards, due to higher deferred stripping and increased spend on capital spares. Going forward capital expenditure is expected to increase as we invest in growth projects, such as the UHDMS, to promote high-quality products for the future. Therefore, maintaining a strong and flexible balance sheet is of fundamental importance, particularly for a single commodity company, such as Kumba, that operates within a cyclical and capital-intensive industry.

Revenue

Total revenue increased by 77% to R34.5 billion (H1 2018: R19.5 billion). Strong revenue growth was largely driven by a 57% increase in the average realised FOB iron ore price to US$108/tonne (H1 2018: US$69/tonne) and the Rand weakening by 16% on average against the US Dollar (H1 2019: R14.20/US$1 compared to H1 2018: R12.30/US$1), while total sales volumes were broadly flat at 21.4 Mt (H1 2018: 21.2 Mt).

Kumba's average realised FOB price was driven by a 31% increase in the underlying Platts 62 IODEX iron ore price to US$92/dmt, coupled with a 139% increase in the quality uplift to US$27/dmt (H1 2018: US$11/dmt) and 14% lower freight rates of US$11/tonne (H1 2018: US$13/tonne). The quality uplift is achieved through a combination of:

- our high Fe quality which remained competitive at 64.3% Fe (H1 2018 64.5%), contributing US$3/dmt, similar to the comparative period;
- our average lump:fine ratio of 68:32, attracting US$15/dmt (H1 2018: US$8/dmt);
- the market premia of US$3/tonne (H1 2018: US$1/dmt) as a result of the excellent work by our marketing team; and
- the benefit of price timing differences of US$6/tonne (H1 2018: 0.10/dmt).

A weaker currency, partially offset by lower CFR shipping volumes of 12.7 Mt (H1 2018: 12.8 Mt), translated into a 16% increase in shipping revenue to R2.1 billion (H1 2018: R1.9 billion).

Operating expenses

Operating expenses, including expected credit losses on financial assets, increased by 15% to R16.5 billion (H1 2018: R14.3 billion). This was principally due to stock movements, as saleable stock reduced by 1.7 Mt following lower production volumes and high-grade work-in-progress (WIP) stock decreased due to lower ex-pit ore volumes. This was partly offset by productivity and efficiency improvements, as well as savings in overhead costs, which delivered savings of R460 million overall, against a target of R700 million for the full year 2019.

Unit cash costs at Sishen mine increased by 20% to R370/tonne (FY 2018: R290/tonne), largely attributable to lower production volumes and the utilisation of high-grade WIP stock. Kolomela mine incurred unit cash costs of R255/tonne (FY 2018: R249/tonne) as cost savings helped to partially offset cost escalation and lower production volumes.

Selling and distribution costs increased by 3% to R3.1 billion (H1 2018: R3 billion) on the back of contractual tariff increases and 0.7 Mt higher volumes railed to Saldanha port, offset by lower demurrage. Shipping costs increased by R342 million, due to a weaker currency, partially offset by 0.1 Mt decrease in shipments.

Break-even price

Kumba achieved an average cash break-even price of US$32/tonne (62%Fe CFR China), an improvement of US$14/tonne compared to the first half of 2018. Controllable items decreased by US$3/tonne (H1 2018: US$1/tonne increase) driven by higher price premium, cost savings, productivity gains and operating efficiency improvements, partially offset by higher on-mine stay-in-business (SIB) capital expenditure. Non-controllable factors declined by US$11/tonne (H1 2018: US$5/tonne increase) underpinned by a stronger lump premium, price timing differences and weaker freight rates, offset by inflationary cost pressure and higher royalties.

COMMENTARY continued

EBITDA

EBITDA of R20.1 billion (H1 2018: R7 billion) reflects an increase of 189% driven by controllable factors which delivered a 35% gain through higher market premia and increased sales, partly offset by higher operating expenses. Non-controllable factors increased by 154% mainly driven by a 46% higher average Platt62 iron ore price and a 16% weaker currency. This was partially offset by an increase in royalties in line with the stronger prices, inflation and a net freight loss incurred on shipping operations from long-term fixed price chartering contracts. Overall, the EBITDA margin improved to 58% (H1 2018: 36%).

Cash flow

Cash flow generated from operations increased to R19.2 billion (H1 2018: R6.9 billion). The group ended the period with a net cash position of R18.8 billion (H1 2018: R11.7 billion; 2H18: R11.7 billion) after allowing for capital expenditure of R2.2 billion for the period and the final 2018 cash dividend payment of R6.6 billion. Capital expenditure incurred related to SIB activities of R0.8 billion for infrastructure upgrade and capital spares, deferred stripping capitalisation of R1.3 billion which related to higher strip ratios at both mines, and expansion activities of R0.1 billion as we near completion of the feasibility study on our UHDMS project.

ORE RESERVES AND MINERAL RESOURCES

There have been no material changes to the ore reserves and mineral resources as disclosed in the 2018 Kumba integrated report.

EVENTS AFTER THE REPORTING PERIOD

There were no further significant events that occurred from 30 June 2019 to the date of this report, not otherwise dealt with in this report.

REGULATORY UPDATE

Carbon tax bill

As announced in the 2019 Budget Speech, the carbon tax bill was legislated under the Customs and Excise Act as an environmental levy on greenhouse gas (GHG) emissions. The tax bill was implemented on 1 June 2019 at an initial tax rate of R120 per tonne of carbon dioxide equivalent and is expected to increase at an annual rate of consumer price index (CPI) plus 2% until the end 2022, and thereafter at the CPI rate. As the tax guidelines have not been finalised, based on the initial tax rate, it is estimated that the carbon tax for the period 1 June to 31 December 2019, will amount to R13 million for diesel and petrol utilised by Kumba, and is payable on 31 July 2020. The estimate excludes scope 2 emissions from electricity which were postponed to 2023.

CHANGES IN DIRECTORATE

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 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.

CHANGE IN MANAGEMENT

The Board announced the resignation of Ms Celeste Appollis as Company Secretary with effect from 31 July 2019. The Board expresses gratitude to Ms Appollis for her valued contribution to the Company. Ms Isabella Crafford has been appointed as acting Company Secretary from 1 August 2019.

OUTLOOK

Looking ahead, we will continue to build on the momentum gained in the first six months of the year. Kumba's strategic objectives are clear – we are targeting a US$10/tonne margin enhancement and a 20-year life of asset. This will allow us to maximise value and shareholder returns while maintaining financial discipline.

To date in 2019, we have extended our fatality-free safety performance track record, delivered strong financial results and will be paying R13 billion of cash to our shareholders in dividends. Our aim in the second half, is to further improve on our safety performance, increase production volumes and deliver on our cost-savings target of R700 million, in addition to continuing to achieve maximum market premia.

We are working hard to further progress our resource development plan and the feasibility study on our UHDMS technology which will add to the life of Sishen mine is 80% complete. Construction work on the project will begin in 2020 and is anticipated to take 18 months with production coming on stream in 2023. At Kolomela, we are unlocking the 85 Mt of resources under study and drilling activities are on schedule.

Due to the operational challenges experienced over the first few months of the year, our full year total production guidance has been revised to 42 Mt to 43 Mt from 43 Mt to 44 Mt. Full year guidance for sales remained constant at 43 to 44 Mt as we continue to optimise our integrated sales and operations planning. Sishen's production guidance has been revised to between 29 Mt and 30 Mt, while waste guidance remains unchanged at 170 Mt to 180 Mt. Due to the infrastructure upgrade of the DMS plant, we have revised Kolomela's production guidance to ~13 Mt, while waste guidance of 55 Mt to 60 Mt was maintained as previously guided.

In line with the revised production guidance at Sishen, the full year unit cash cost guidance of the mine was increased to between R325/tonne and R335/tonne. Kolomela's unit cash cost guidance was revised down to between R255/tonne and R265/tonne.

Our capital expenditure for 2019, including deferred stripping, was revised slightly higher at the half year to R4.9 billion to R5.1 billion, from the previous range of R4.6 billion to R4.8 billion, due to an increase in deferred stripping and capital spares aimed at improving the performance and efficiency of our primary equipment and production plants. Going forward, from 2020 onwards, SIB capital expenditure is anticipated to increase over the period 2020 to 2022, normalising from 2023. The development of the Kapstevel South pit at Kolomela will increase SIB capital expenditure by ~R1.4 billion per annum as we move into a higher pre-stripping area. Expansion capital expenditure related to our UHDMS project is expected to increase, up to a total of R3 billion.

The presentation of the Company's results for the six months ended 30 June 2019 will be available on the Company's website **http://www.angloamericankumba.com/investors/financial-results-centre.aspx** on Tuesday, 23 July 2019 at 07:00 CAT, and the webcast will be available from 11:00 CAT on Tuesday, 23 July 2019.

SALIENT FEATURES AND OPERATING STATISTICS

for the period ended

	Unreviewed six months 30 June 2019	Unreviewed six months 30 June 2018	Unaudited 12 months 31 December 2018
Share statistics ('000)			
Total shares in issue	**322,086**	322,086	322,086
Weighted average number of shares	**320,400**	319,640	319,602
Diluted weighted average number of shares	**322,934**	321,991	321,920
Treasury shares	**1,236**	2,334	2,565
Market information			
Closing share price (Rand)	**499**	295	283
Market capitalisation (Rand million)	**160,843**	94,938	91,166
Market capitalisation (US$ million)	**11,349**	6,917	6,341
Net asset value attributable to owners of Kumba (Rand per share)	**124.35**	103.22	109.47
Capital expenditure (Rand million)[1]			
Incurred	**2,243**	1,429	4,463
Contracted	**1,057**	868	694
Authorised but not contracted	**1,328**	2,517	1,555
Commitments from shipping services (Rand million)[1]	**6,106**	5,923	6,205
Operating commitments (Rand million)[1]	**291**	696	608
Economic information			
Average Rand/US Dollar exchange rate (ZAR/US$)	**14.20**	12.30	13.24
Closing Rand/US Dollar exchange rate (ZAR/US$)	**14.17**	13.73	14.38
Sishen mine FOR unit cost			
Unit cost (Rand per tonne)	**486.67**	402.95	378.20
Cash cost (Rand per tonne)	**370.44**	309.45	289.97
Unit cost (US$ per tonne)	**34.26**	32.77	28.56
Cash cost (US$ per tonne)	**26.08**	25.17	21.90
Kolomela mine FOR unit cost			
Unit cost (Rand per tonne)	**354.79**	342.55	354.69
Cash cost (Rand per tonne)	**255.31**	232.36	248.56
Unit cost (US$ per tonne)	**24.98**	27.86	26.79
Cash cost (US$ per tonne)	**17.98**	18.90	18.77

[1] The capital expenditure and operating commitments amounts have been reviewed by the group's auditors (the amount for the 31 December 2018 year was audited).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

Rand million	Notes	Reviewed 30 June 2019	Reviewed 30 June 2018	Audited 31 December 2018
ASSETS				
Property, plant and equipment	3	**37,828**	36,375	37,723
Right-of-use assets		**354**	–	–
Biological assets		**4**	3	3
Investments held by environmental trust		**654**	632	621
Long-term prepayments and other receivables		**231**	208	216
Inventories	4	**2,869**	3,206	2,410
Non-current assets		**41,940**	**40,424**	**40,973**
Inventories	4	**5,562**	4,661	6,236
Trade and other receivables		**5,684**	2,099	4,157
Contract assets		**67**	–	9
Current tax asset		**–**	–	6
Cash and cash equivalents	5	**18,837**	11,664	11,670
Current assets		**30,150**	**18,424**	**22,078**
Assets of disposal group classified as held for sale	10	**–**	**1,235**	**–**
Total assets		**72,090**	**60,083**	**63,051**
EQUITY				
Shareholders' equity		**40,050**	33,245	35,260
Non-controlling interests		**12,458**	10,287	10,927
Total equity		**52,508**	**43,532**	**46,187**
LIABILITIES				
Lease liabilities		**391**	–	–
Provisions		**2,352**	2,028	2,239
Deferred tax liabilities		**9,034**	8,843	8,805
Non-current liabilities		**11,777**	**10,871**	**11,044**
Lease liabilities		**16**	–	–
Provisions		**19**	85	72
Trade and other payables		**5,820**	4,470	5,460
Contract liabilities		**159**	–	288
Current tax liabilities		**1,791**	77	–
Current liabilities		**7,805**	**4,632**	**5,820**
Liabilities of disposal group classified as held for sale	10	**–**	**1,048**	**–**
Total liabilities		**19,582**	**16,551**	**16,864**
Total equity and liabilities		**72,090**	**60,083**	**63,051**

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the period ended

Rand million	Notes	**Reviewed six months 30 June 2019**	Reviewed six months 30 June 2018	Audited 12 months 31 December 2018
Revenue	7	**34,498**	19,474	45,725
Operating expenses		**(16,444)**	(14,342)	(29,365)
Expected credit losses on financial assets		**(86)**	–	–
Operating profit	8	**17,968**	**5,132**	**16,360**
Finance income		**376**	269	499
Finance costs		**(177)**	(80)	(179)
Profit before taxation		**18,167**	5,321	16,680
Taxation		**(4,984)**	(1,420)	(4,026)
Profit for the period from continuing operation		**13,183**	**3,901**	**12,654**
Discontinued operation				
Loss from discontinued operation	10	**–**	(48)	(59)
Profit for the period		**13,183**	**3,853**	**12,595**
Attributable to:				
Owners of Kumba		**10,058**	2,943	9,615
Non-controlling interests		**3,125**	910	2,980
		13,183	**3,853**	**12,595**
Basic earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)				
From continuing operations		**31.39**	9.36	30.22
From discontinued operation		**–**	(0.15)	(0.14)
Total basic earnings per share		**31.39**	**9.21**	**30.08**
Diluted earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)				
From continuing operations		**31.15**	9.29	30.01
From discontinued operation		**–**	(0.15)	(0.14)
Total diluted earnings per share		**31.15**	**9.14**	**29.87**

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the period ended

Rand million	Reviewed six months 30 June 2019	Reviewed six months 30 June 2018	Audited 12 months 31 December 2018
Profit for the period	**13,183**	**3,853**	**12,595**
Other comprehensive (loss)/profit for the period	**(26)**	**429**	**523**
Exchange (loss)/gain on translation of foreign operations[1]	**(26)**	429	523
Total comprehensive income for the period	**13,157**	**4,282**	**13,118**
Attributable to:			
Owners of Kumba	**10,038**	3,271	10,014
Non-controlling interests	**3,119**	1,011	3,104
	13,157	**4,282**	**13,118**

[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	Note	Reviewed six months 30 June 2019	Reviewed six months 30 June 2018	Audited 12 months 31 December 2018
Total equity at the beginning of the period		**46,187**	**45,546**	**45,546**
Adjustments for the adoption of IFRS 16	2	**(52)**	–	–
Retained earnings		**(40)**	–	–
Minority interest		**(12)**	–	–
Total restated equity at the beginning of the period		**46,135**	**45,546**	**45,546**
Changes in share capital and premium				
Treasury shares issued to employees under employee share incentive schemes		**403**	57	73
Purchase of treasury shares		**(212)**	(14)	(112)
Changes in reserves				
Equity-settled share-based payments		**69**	51	94
Vesting of shares under employee share incentive schemes		**(403)**	(57)	(73)
Total comprehensive income for the period		**10,038**	3,271	10,014
Dividends paid		**(5,066)**	(4,831)	(9,505)
Changes in non-controlling interests				
Total comprehensive income for the period		**3,119**	1,011	3,104
Dividends paid		**(1,575)**	(1,502)	(2,954)
Total equity at the end of the period		**52,508**	**43,532**	**46,187**
Comprising				
Share capital and premium (net of treasury shares)		**98**	(11)	(93)
Share capital		**3**	3	3
Share premium		**364**	364	364
Treasury shares		**(269)**	(378)	(460)
Equity-settled share-based payment reserve		**131**	163	203
Foreign currency translation reserve		**1,292**	1,244	1,312
Retained earnings		**38,529**	31,849	33,838
Shareholders' equity		**40,050**	**33,245**	**35,260**
Non-controlling interests		**12,458**	10,287	10,927
Total equity		**52,508**	**43,532**	**46,187**
Dividend (Rand per share)				
Interim[1]		**30.79**	14.51	14.51
Final		**n/a**	n/a	15.73

[1] The interim dividend was declared after 30 June 2019 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 2019.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended

Rand million	**Reviewed six months 30 June 2019**	Reviewed six months 30 June 2018	Audited 12 months 31 December 2018
Cash flows from operating activities			
Cash generated from operations	**19,224**	6,874	18,906
Net finance income	**228**	237	405
Taxation paid	**(2,956)**	(1,340)	(4,077)
	16,496	**5,771**	**15,234**
Cash flows utilised in investing activities			
Additions to property, plant and equipment	**(2,243)**	(1,429)	(4,463)
Proceeds from disposal of property, plant and equipment	**6**	1	17
Additions to financial assets at fair value through profit or loss	**(21)**	–	–
	(2,258)	**(1,428)**	**(4,446)**
Cash flows utilised in financing activities			
Purchase of treasury shares	**(212)**	(14)	(112)
Dividends paid to owners of Kumba	**(5,066)**	(4,831)	(9,505)
Dividends paid to non-controlling shareholders	**(1,575)**	(1,502)	(2,954)
Lease payments	**(48)**	–	–
	(6,901)	**(6,347)**	**(12,571)**
Net increase/(decrease) in cash and cash equivalents	**7,337**	(2,004)	(1,783)
Cash and cash equivalents at beginning of the period	**11,670**	13,874	13,874
Foreign currency exchange losses on cash and cash equivalents	**(170)**	(206)	(421)
Cash and cash equivalents at end of the period	**18,837**	**11,664**	**11,670**

HEADLINE EARNINGS

for the period ended

Rand million	**Reviewed six months 30 June 2019**	Reviewed six months 30 June 2018	Audited 12 months 31 December 2018
Reconciliation of headline earnings			
Profit attributable to owners of Kumba	**10,058**	2,943	9,615
Impairment loss on property, plant and equipment	**56**	–	–
Net loss on disposal and scrapping of property, plant and equipment	**9**	62	86
Net loss on disposal of discontinued operation	**–**	–	18
	10,123	**3,005**	**9,719**
Taxation effect of adjustments	**(16)**	(17)	(23)
Non-controlling interests in adjustments	**(12)**	(11)	(19)
Headline earnings	**10,095**	**2,977**	**9,677**
Headline earnings (Rand per share)			
Basic	**31.51**	9.31	30.28
Diluted	**31.26**	9.25	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	**320,400,059**	319,639,752	319,601,762
Diluted weighted average number of ordinary shares	**322,933,691**	321,991,281	321,919,841

The dilution adjustment of 2,533,632 shares at 30 June 2019 (30 June 2018: 2,351,529 and 31 December 2018: 2,318,079) is a result of the vesting of share options previously granted under the various employee share incentive schemes.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 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 condensed consolidated interim financial statements of Kumba and its subsidiaries for the six months ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 19 July 2019.

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 reviewed 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 Dollar 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 judgments, 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 2018, except as disclosed on pages 20 to 22.

2.3 Accounting policies

The accounting policies and methods of computation applied in the preparation of these condensed consolidated reviewed 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, except as disclosed on the following pages.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2019

2. BASIS OF PREPARATION continued

2.3 Accounting policies continued

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

The following standard and interpretation, which became effective for the year which commenced on 1 January 2019, were adopted by the group:

a. IFRS 16 *Leases*

IFRS 16 *Leases* replaces IAS 17 *Leases* 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 reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening retained earnings on 1 January 2019.

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. The group leases the head office building, various residential properties, and equipment related to its mining activities. Rental contracts are typically made for fixed periods of two to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Adjustments recognised on adoption of IFRS 16 *Leases*

On adoption of IFRS 16 *Leases*, Kumba recognised lease liabilities in relation to leases which were previously classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using Kumba'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

Rand million	Reviewed 1 January 2019
Operating lease 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

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

2. BASIS OF PREPARATION continued

2.3 Accounting policies continued

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

Right-of-use asset

The associated right-of-use assets for all property leases were measured on a retrospective basis 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	Reviewed 30 June 2019	Reviewed 1 January 2019
Properties	**345**	339
Plant and equipment	**9**	10
Total right-of-use assets	**354**	349

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 lease with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- 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 compromise IT-equipment and small items of office furniture.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2019

2. BASIS OF PREPARATION continued

2.3 Accounting policies continued

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

b. IFRIC 23 *Uncertainty over Income Tax Treatments*

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 judgements or estimates that the group applies in determining its taxable profit (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 estimates and judgements have changed.

2.3.2 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.

2. BASIS OF PREPARATION continued

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 2018 annual ore reserves and mineral resources statement. The most significant changes in the provision for the period ended 30 June 2019 arose from the unwinding of the discount and inflationary changes in the expected cash flows for both Sishen and Kolomela.

The effect of the change in estimate of the rehabilitation and decommissioning provisions, which was applied prospectively from 1 January 2019, is detailed below:

Rand million	**Reviewed 30 June 2019**	Reviewed 30 June 2018	Audited 31 December 2018
Increase in environmental rehabilitation provision	**3**	137	414
Increase/(decrease) in decommissioning provision	**8**	27	(21)
Decrease in profit after tax attributable to the owners of Kumba	**2**	75	227
Rand per share			
Decrease in earnings per share attributable to the owners of Kumba	**–**	0.24	0.71

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.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2019

3. PROPERTY, PLANT AND EQUIPMENT

Rand million	Reviewed 30 June 2019	Reviewed 30 June 2018	Audited 31 December 2018
Capital expenditure	**2,243**	1,429	4,463
Comprising:			
Expansion[1]	**134**	155	506
Stay-in-business (SIB)	**827**	369	3,108
Non-cash additions	**–**	–	(820)
Deferred stripping	**1,282**	905	1,669
Transfers from assets under construction to property, plant and equipment [2]	**2,769**	237	1,053

[1] Expansion capital expenditure comprised mainly the expenditure on the Dingleton relocation project and the LG+43 feasibility study. SIB capital expenditure principally related to reconditionable spares and infrastructure to support plant and mining operations.

[2] Transfers from assets under construction to property, plant and equipment comprised mainly of the Dingleton relocation project. For the period ended 30 June 2019, capital expenditure on the Dingleton project amounting to R1.8 billion was transferred.

Other than the right-of-use assets, none of the assets are encumbered as security for any of the group's liabilities, nor is the title to any of the assets restricted.

4. INVENTORY

Rand million	Reviewed 30 June 2019	Reviewed 30 June 2018	Audited 31 December 2018
Finished product	**1,821**	1,933	1,550
Work-in-progress	**5,155**	4,511	5,678
Plant spares and stores	**1,455**	1,423	1,418
Total inventories	**8,431**	7,867	8,646
Non-current portion of work-in-progress inventories	**2,869**	3,206	2,410
Total current inventories	**5,562**	4,661	6,236
Total inventories	**8,431**	7,867	8,646

During the period, the group provided an amount of R167 million (30 June 2018: R176 million and 31 December 2018: R157 million) against the plant spares and stores balance.

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 2019	Reviewed 30 June 2018	Audited 31 December 2018
Net cash			
Cash and cash equivalents	**18,837**	11,664	11,670

The group's debt facilities consisted of committed facilities of R12 billion (30 June 2018: R12 billion and 31 December 2018: R12 billion) and uncommitted facilities of R8.3 billion (30 June 2018: R8.3 billion and 31 December 2018: R8.3 billion). The uncommitted facilities of R8.3 billion are facilities with a related party, refer to note 12. The committed and uncommitted facilities were undrawn at 30 June 2019, 30 June 2018 and 31 December 2018.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2019

6. SHARE CAPITAL AND SHARE PREMIUM

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

Rand million	Reviewed 30 June 2019	Reviewed 30 June 2018	Audited 31 December 2018
Balance at beginning of period	**(93)**	(54)	(54)
Net movement in treasury shares under employee share incentive schemes	**191**	43	(39)
Purchase of treasury shares	**(212)**	(14)	(112)
Shares issued to employees	**403**	57	73
Balance at end of period	**98**	(11)	(93)

Reconciliation of number of shares in issue

	Reviewed 30 June 2019	Reviewed 30 June 2018	Audited 31 December 2018
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	**2,565,164**	2,626,977	2,626,977
Shares purchased	**555,717**	50,000	395,399
Shares issued to employees under the Long-Term Incentive Plan, Kumba Bonus Share Plan and the SIOC Employee Benefit Scheme	**(1,885,077)**	(342,667)	(457,212)
Balance at end of period	**1,235,804**	2,334,310	2,565,164

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

7. REVENUE

Rand million	Reviewed six months 30 June 2019	Reviewed six months 30 June 2018	Audited 12 months 31 December 2018
Sale of iron ore	**32,351**	17,621	41,048
Services rendered – shipping	**2,147**	1,853	4,677
Total revenue	**34,498**	19,474	45,725

8. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT

Operating expenses is made up as follows:

Rand million	Reviewed six months 30 June 2019	Reviewed six months 30 June 2018	Audited 12 months 31 December 2018
Production costs	**8,938**	9,608	19,072
Movement in inventories	**935**	(653)	(1,272)
Finished products	**412**	(380)	167
Work-in-progress	**523**	(273)	(1,440)
Cost of goods sold	**9,874**	8,955	17,800
Impairment loss on property, plant and equipment	**56**	–	–
Mineral royalty	**1,224**	532	876
Selling and distribution costs	**3,109**	3,006	6,194
Cost of services rendered – shipping	**2,202**	1,868	4,532
Sublease rent received	**(20)**	(19)	(37)
Operating expenses	**16,444**	14,342	29,365
Operating profit has been derived after taking into account the following items:			
Employee expenses	**2,313**	2,262	4,499
Net restructuring cost	**3**	–	10
Share-based payment expenses	**90**	59	117
Depreciation of property, plant and equipment	**2,100**	1,874	4,269
Deferred waste stripping costs	**(1,282)**	(905)	(1,669)
Net loss on disposal and scrapping of property, plant and equipment	**9**	62	86
Net finance gains	**(260)**	(18)	(116)
Unrealised (gains)/losses on derivative financial instruments	**(253)**	5	21
Net foreign currency losses/(gains)			
Realised	**(149)**	112	(39)
Unrealised	**174**	(128)	(108)
Net fair value (gains)/losses on investments held by the environmental trust	**(32)**	(7)	10

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2019

9. TAXATION

The group's effective tax rate was 27% for the period (30 June 2018: 27% and 31 December 2018: 24%).

10. 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 compromises 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 interest, taxation, 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.

10. SEGMENTAL REPORTING continued

Rand million	Products[1]			Services		Other	Total
	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics[2]	Shipping operations		
Reviewed period ended 30 June 2019							
Statement of profit or loss							
Revenue from external customers	22,529	9,822	–	–	2,147	–	34,498
EBITDA	16,238	7,267	–	(3,105)	(54)	(222)	20,124
Significant items included in the statement of profit or loss:							
Impairment loss on property, plant and equipment	56	–	–	–	–	–	56
Depreciation	1,459	603	–	4	–	34	2,100
Staff costs	1,441	491	–	24	–	450	2,406
Statement of financial position							
Total segment assets (refer to note 4)	579	328	–	907	–	7	1,821
Statement of cash flows							
Additions to property, plant and equipment							
Expansion	134	–	–	–	–	–	134
SIB	595	232	–	–	–	–	827
Deferred stripping	912	370	–	–	–	–	1,282

[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.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2019

10. SEGMENTAL REPORTING continued

	Products[1]			Services		Other	Total[3]
Rand million	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics[2]	Shipping operations		
Reviewed period ended 30 June 2018							
Statement of profit or 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 the statement of profit or 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	155	—	—	—	—	—	**155**
SIB	209	159	—	1	—	—	**369**
Deferred stripping	723	182	—	—	—	—	**905**

[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 or loss as Thabazimbi mine was disclosed separately as it was a discontinued operation.

10. SEGMENTAL REPORTING continued

	Products[1]			Services		Other	Total[3]
Rand million	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics[2]	Shipping operations		
Audited year ended 31 December 2018							
Statement of profit or loss							
Revenue from external customers	29,383	11,665	–	–	4,677	–	**45,725**
EBITDA	20,261	7,443	(63)	(6,184)	145	(1,036)	**20,566**
Significant items included in the statement of profit or loss:							
Depreciation	3,096	1,136	–	10	–	27	**4,269**
Staff costs	2,855	955	–	40	–	776	**4,626**
Statement of financial position							
Total segment assets (refer to note 4)	713	673	–	161	–	3	**1,550**
Statement of cash flows							
Additions to property, plant and equipment							
Expansion	506	–	–	–	–	–	**506**
SIB	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 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 or loss as Thabazimbi mine was disclosed separately as it was a discontinued operation.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2019

10. SEGMENTAL REPORTING continued

Geographical analysis of revenue and non-current assets

Rand million	Reviewed 30 June 2019	Reviewed 30 June 2018	Audited 31 December 2018
Total revenue from external customers	**34,498**	19,474	45,725
South Africa	**1,768**	1,233	2,787
Export	**32,730**	18,241	42,938
China	**16,182**	10,338	24,350
Rest of Asia	**5,540**	4,065	9,587
Europe	**10,557**	3,657	8,263
Middle East and North Africa	**193**	181	738
South America	**258**	–	–

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

11. DISCONTINUED OPERATION AND DISPOSAL GROUP HELD FOR SALE

As previously reported on 12 October 2018, the employees, assets and liabilities as well as the mining rights and the assumed liabilities of Thabazimbi mine were transferred at a nominal purchase consideration from Sishen Iron Ore Company Proprietary Limited (SIOC) to Thabazimbi Iron Ore Mine Proprietary Limited, previously ArcelorMittal South Africa Operations Proprietary Limited (a wholly owned subsidiary of ArcelorMittal SA) on 1 November 2018.

The requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* were considered and as a result, the Thabazimbi assets and liabilities which were transferred to ArcelorMittal SA were presented as assets and liabilities held for sale in the prior period up to 1 November 2018.

12. 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.

Rand million	**Reviewed six months 30 June 2019**	Reviewed six months 30 June 2018	Audited 12 months 31 December 2018
Short-term deposits held with Anglo American SA Finance Limited (AASAF)[1]			
– Deposit	**11,196**	6,250	5,338
– Weighted average interest rate (%)	**7.10**	6.99	6.99
Interest earned on short-term deposits with AASAF during the year	**295**	227	395
Uncommitted facilities with AASAF	**8,320**	8,320	8,320
Short-term deposit held with Anglo American Capital plc[1]	**5,985**	4,021	4,890
Interest earned on facility during the period	**43**	25	57
Trade payable owing to Anglo American Marketing Limited (AAML)[1]	**385**	350	502
Shipping services provided by AAML	**2,202**	1,868	4,572
Dividends paid to Anglo South Africa Proprietary Limited[2]	**3,532**	3,368	6,626
Dividends paid to Exxaro Resources Limited[3]	**1,369**	1,306	2,569

[1] Subsidiaries of the ultimate holding company.
[2] Holding company.
[3] Exxaro Resources Limited is SIOC's 20.62% (30 June 2018 and 31 December 2018: 20.62%) black economic empowerment shareholder.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2019

13. FAIR VALUE ESTIMATION

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

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

Rand million	Level 1[1]	Level 2[2]	Level 3[3]
Reviewed six months – 30 June 2019			
Investments held by the environmental trust[4]	**654**	**–**	**–**
Long-term prepayments and other receivables	**–**	**–**	**68**
Derivative financial instruments classified as cash and cash equivalents	**–**	**(6)**	**–**
	654	**(6)**	**68**
Reviewed six months – 30 June 2018			
Investments held by the environmental trust[4]	961	–	–
Long-term prepayments and other receivables[5]	–	–	47
Derivative financial instruments classified as cash and cash equivalents	–	(70)	–
	961	(70)	47
Audited 12 months – 31 December 2018			
Investments held by the environmental trust	621	–	–
Long-term prepayments and other receivables	–	–	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 prices).

[3] Level 3 fair value measurements are derived from valuation techniques where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data. Where inputs can be observed from market data without undue cost or effort, the observed input is used. Otherwise, management determines a reasonable estimate for the input. This category includes long-term prepayments.

[4] This amount included Thabazimbi mine's investment which was disclosed as asset held for sale at 30 June 2018.

[5] At 30 June 2018, this amount was included in trade and other receivables and valued at amortised cost.

13. FAIR VALUE ESTIMATION continued

All the resulting fair value estimates are included in level 1 or level 2 except for the long-term prepayment, which is a level 3 financial asset. The movements in the fair value of the level 3 financial asset are shown as follows:

Rand million	Reviewed 30 June 2019	Reviewed 30 June 2018	Audited 31 December 2018
Balance at beginning of period	**47**	47	47
Additions	**21**	–	–
Balance at end of period	**68**	47	47

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

14. CONTINGENT LIABILITIES

As previously reported, 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 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. The first ADR meeting took place in June 2019 and a follow-up meeting is expected to take place in due course.

Based on the external legal and tax advice, the group believes that these matters have been appropriately treated in the results for the period ended 30 June 2019.

15. GUARANTEES

The total guarantees issued in favour of the Department of Mineral Resources (DMR) in respect of the group's environmental closure liabilities at 30 June 2019 were R3 billion (30 June 2018: R2.8 billion and 31 December 2018: R2.8 billion). As at 30 June 2019, the bank guarantees issued by SIOC amounting to R439 million (30 June 2018: R438 million and 31 December 2018: R439 million) in favour of the DMR for the environmental rehabilitation and decommission of Thabazimbi mine have been returned by the DMR. SIOC has cancelled all the guarantees with the bank and issued the related ArcelorMittal SA guarantees back to ArcelorMittal SA.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2019

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 2018 integrated report.

17. EVENTS AFTER THE REPORTING PERIOD

There have been no material events subsequent to 30 June 2019, not otherwise dealt with in this report.

18. INDEPENDENT AUDITOR'S REVIEW REPORT

The auditor, Deloitte & Touche, has issued an unmodified review report on the condensed consolidated interim financial statements for the six months ended 30 June 2019. 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 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 read the auditor's report, together with the accompanying financial information as included in this booklet.

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

On behalf of the Board

MSV Gantsho
Chairman

TM Mkhwanazi
Chief Executive

19 July 2019
Pretoria

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE 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 2019 and the condensed consolidated statement of profit or 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.

DIRECTOR'S 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 enquiries 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.

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

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 2019 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 Auditor
Per: Nita Ranchod
Partner

19 July 2019

DELOITTE & TOUCHE
Registered Auditor
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 the Board meeting on 19 July 2019, the directors approved a gross interim cash dividend of 3,079 cents per share on the ordinary shares from profits accrued during the period ended 30 June 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 after withholding tax at a rate of 20% amounts to 2,463.20000 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, 23 July 2019
Last day for trading in order to participate in the interim dividend (and change of address or dividend instructions)	Tuesday, 13 August 2019
Trading ex-dividend commences	Wednesday, 14 August 2019
Record date	Friday, 16 August 2019
Dividend payment date	Monday, 19 August 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 14 August 2019 and Friday, 16 August 2019, both days inclusive.

By order of the Board

CD Appollis
Company Secretary

23 July 2019

ADMINISTRATION

REGISTERED OFFICE

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

TRANSFER SECRETARIES

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

SPONSOR TO KUMBA

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

DIRECTORS

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

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")

23 July 2019

Bastion

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