KUMBA IRON ORE LIMITED
AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

BUILDING ON FIRM FOUNDATIONS DELIVERING A SUSTAINABLE FUTURE
ENHANCING OUTCOMES

AngloAmerican

Real Mining. Real People. Real Difference.

KEY FEATURES

Material improvement
IN ALL KEY SAFETY BENCHMARKS AND NO FATAL INCIDENTS

FURTHER OPERATING
performance gains

CONTINUED PRODUCTIVITY GAINS WITH PRODUCTION OF **45 MT**, AN **8%** INCREASE AND TOTAL SALES OF **44.9 MT**, AN INCREASE OF **6%**

Strong financial performance
- EBITDA OF R19.6 BILLION, A 6 % INCREASE
- ATTRIBUTABLE FREE CASH FLOW OF R12.3 BILLION, UP 10%
- HEADLINE EARNINGS OF R9.7 BILLION, R30.47 PER SHARE, A 12% INCREASE
- AN AVERAGE REALISED FOB EXPORT PRICE OF $71/TONNE
- FINAL CASH DIVIDEND OF R15 PER SHARE, WITH TOTAL DIVIDEND OF R30.97 PER SHARE

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

COMMENTARY

SIGNIFICANT IMPROVEMENT IN SAFETY, PRODUCTIVITY AND EFFICIENCIES DELIVERED

Themba Mkhwanazi, Chief executive of Kumba, said, *"I am pleased to report that Kumba has delivered on our key objectives for 2017. Most importantly, our safety initiatives resulted in a fatality-free year with material improvement across our key indicators. At Sishen, our focus on all aspects of the value chain resulted in productivity gains by the fleet whilst we also delivered improved plant efficiencies and higher yields. These factors contributed to production above guidance with an overall increase of 8% to 45 Mt. Higher production, together with ongoing cost discipline, contained unit costs below guidance.*

Stronger operational performance has been our priority which, coupled with our focus on costs and ongoing capital discipline, resulted in the delivery of attributable free cash flow of R12.3 billion.

Overall, whilst both the operational and financial delivery has been strong, there remains more that can be done to realise the full potential of our assets and we remain committed to building on these gains in 2018."

OVERVIEW

The focus on safety remains a key priority for the group. The continuous effort in our safety performance included a focus on fatality elimination with an emphasis on leadership, operational risk management, implementation of critical controls and learning from incidents. This has resulted in encouraging improvements reflected in our leading indicator reporting. No fatalities were recorded during 2017. High potential incidents, which are those that could have resulted in a fatal accident, have reduced by 46% in 2017. On the lagging indicators, the total recordable case frequency rate, which is a measure of frequency of injuries, dropped 17% to 0.65 (2016: 0.78) and the lost-time injury frequency rate (LTIFR) decreased 39% to 0.17 (2016: 0.28). Kumba mined total tonnes of 271.3 Mt during 2017, an increase of 12%. Total production increased to 45 Mt due to significant productivity improvements at Sishen, which achieved 31.1 Mt, and a continued solid performance at Kolomela, delivering 13.9 Mt. Total export sales volumes increased by 7% to 41.6 Mt (2016: 39.1 Mt) due to higher production, whilst total sales volumes increased by 6% to 44.9 Mt (2016: 42.5 Mt).

Kumba achieved an average cash breakeven price of US$40/tonne (62%Fe CFR China), an increase of US$11/tonne from the average for the 2016 year. Controllable costs increased by US$1/tonne as mining related inflation and higher mining volumes from a rising stripping ratio were partially offset by production gains and operating efficiency improvements. Non-controllable costs rose by US$10/tonne as a result of lower market premiums (US$1/tonne), higher freight rates (US$5/tonne), and a stronger currency which added US$4/tonne.

Headline earnings increased by 12% to R9.7 billion (2016: R8.7 billion), mainly as a result of an 11% increase in the average realised iron ore export price to US$71/tonne (2016: US$64/tonne), and 6% higher total sales volumes. Attributable and headline earnings for the year were R38.63 and R30.47 per share respectively (2016: R26.98 and R27.30). The increase in attributable earnings is mainly due to the increase in revenue and the reversal of the impairment charge recognised in 2015.

COMMENTARY continued

DIVIDEND

In accordance with the Board's policy of returning excess cash to shareholders whilst retaining a high level of balance sheet flexibility, a discretionary approach continues to be applied. The Board has declared a final cash dividend of R15 per share, which together with the interim dividend, results in a total dividend for the year of R30.97 per share.

The Board will continue to assess the group's requirements at each interim and annual reporting period, taking into account the prevailing risks and opportunities, as well as the future earnings outlook.

MARKET OVERVIEW

The Platts 62% Fe CFR index gained 22% year on year, averaging US$71/tonne during 2017, on the back of improved demand conditions and slower iron ore supply growth. China's Fixed Asset Investment expanded 7.2% year on year while stricter enforcement of environmental regulations saw around 200 Mt of obsolete steelmaking capacity being taken offline through the year, increasing domestic steel prices by 60%. Amid record profitability levels, Chinese mills sought to maximise productivity and consequently preferred premium quality ores, pushing product premia and discounts to record highs. Consequently, the Platts 65/Platts 62 index differential rose to a record US$25.20/dmt in October and averaged US$16.09/dmt for 2017, around two and a half times more compared to the 2016 level.

Seaborne iron ore supply growth slowed, with the traditional supply basins of Australia, Brazil and South Africa adding a combined 41 million wet metric tonnes of iron ore supply to the seaborne market – the lowest level since 2006. However, strengthening iron ore prices incentivised some high cost supply back into the market, with shipments from marginal seaborne suppliers rising 11% year on year, primarily driven by India.

Lump premiums were volatile in 2017. The premium fell to an historic low of almost 2 US cents/dmtu in April but then witnessed a sustained recovery to reach a new record high of almost 46 US cents/dmtu in September with 2017 averaging at 15 US cents/dmtu. The anti-pollution drive in China buoyed the demand for direct charge ores including lumps.

OPERATIONAL PERFORMANCE

Production summary (unaudited)

'000 tonnes	**December 2017**	December 2016	% change
Total	**44,983**	**41,476**	**8**
Lump	**29,812**	26,802	11
Fines	**15,171**	14,674	3
Mine production	**44,983**	**41,476**	**8**
Sishen mine	**31,119**	28,380	10
Kolomela mine	**13,864**	12,726	9
Thabazimbi mine	**–**	370	(100)

Despite the challenging first quarter, the group produced a total of 45 Mt.

Sishen mine

The new mine plan and ongoing implementation of the Operating Model delivered further productivity gains, including significant fleet productivity improvements, and were the main drivers of Sishen's strong performance. The mine implemented increased operator training, changed shift patterns and introduced more accountability at supervisory levels. Through these measures and higher attendance rates from a committed workforce, the mine has been able to increase direct operating hours (DOH), adding extra production hours per day. In the pit, wider benches, changed blast sizes and improved shovel productivity contributed to an increase in mining volumes.

Total tonnes mined at Sishen increased by 12% to 199.5 Mt (2016: 178.3 Mt) with 39% fewer trucks. Consistent with the mine plan, the stripping ratio increased to 4.3 compared to 3.3 in 2016. Consequently, the amount of waste mined also increased, as planned, to 162 Mt (2016: 137 Mt). Sishen's production increased by 10% to 31.1 Mt (2016: 28.4 Mt) due to increased plant throughput and higher plant yields.

The Dingleton project is substantially complete, with 496 homes relocated and continuing negotiations in progress with the remaining 14 households still to be relocated.

Kolomela mine

Total tonnes mined increased by 12% to 71.8 Mt (2016: 64 Mt). Waste mined was 55.6 Mt (2016: 50.2 Mt), an increase of 11%, supporting higher production levels. Kolomela's production was 9% higher at 13.9 Mt (2016: 12.7 Mt), reflecting productivity improvements. Productivity and efficiencies of the Kolomela drill fleet increased by 20% with the introduction of automated drilling technology. The Kolomela modular plant delivered 0.5 Mt, although performance was affected by delays in the ramp-up of the crushing plant.

Operating Model

The Operating Model ensures more stable operations, reduced variability and enhanced capability and efficiency, providing a structured approach for continuous improvement.

Implementation at Sishen during 2017 focused on support and services work, which enables a fully integrated view of all activities in the pit. The most visible and immediate impact was the reduction of unscheduled work by up to 40% in some areas. This has a direct impact on safety, planned work, productivity, elimination of waste and improvement in efficiencies. Scheduled compliance and scheduled work are two of the important leading indicators of stability in the process.

COMMENTARY continued

At Kolomela a 7.6% improvement in Direct Shipping Ore plant throughput was achieved while Sishen has achieved an 84% improvement in mine to plan compliance since 2015. The stabilised roll-outs at the Kolomela plant and Sishen shovel maintenance areas continue to demonstrate benefits.

Logistics

Despite severe weather disruptions at port and rail in the early part of 2017, Kumba's higher production led to a 6% increase in volumes railed on the Sishen-Saldanha Iron Ore Export Channel to 42 Mt (2016: 39.8 Mt).

Following a strong fourth quarter, Kumba shipped 41.6 Mt (2016: 38.7 Mt) from the Saldanha port destined for the export market, an increase of 7%, including 1.4 Mt shipped through the multi-purpose terminal (MPT) at the Saldanha port.

Sales summary (unaudited)

'000 tonnes	**December 2017**	December 2016	% change
Total	**44,892**	**42,484**	**6**
Export sales	**41,615**	39,061	7
Domestic sales	**3,277**	3,423	(4)
Sishen mine	**3,277**	2,735	20
Thabazimbi mine	**–**	688	(100)

Sales

Total export sales increased by 7% to 41.6 Mt (2016: 39.1 Mt), including 0.6 Mt sourced from third party producers, whilst total sales were 44.9 Mt (2016: 42.5 Mt), consistent with higher production levels. CFR sales accounted for 69% of export sales volumes (2016: 70%). Finished product inventory held at the mines and ports increased from 3.5 Mt to 4.3 Mt. China accounted for 63% (2016: 64%) of Kumba's export sales portfolio while the share of EU/MENA/Americas region increased to 18%, as Kumba further diversified its customer portfolio in the region. The group's lump:fine ratio was higher at 66:34 for the year (2016: 64:36).

FINANCIAL RESULTS

Revenue

Total revenue increased by 14% to R46.4 billion compared to R40.8 billion for 2016, mainly as a result of the 11% increase in the average realised iron ore export price to US$71/tonne (2016: US$64/tonne), and 6% higher total sales volumes. These gains were partially offset by the 9% strengthening of the average Rand/US$ exchange rate to R13.30/US$1 (2016: R14.69/US$1). Firmer freight rates resulted in a R1.7 billion increase in shipping revenue.

Kumba's average achieved FOB price improved by US$7/tonne compared to 2016, driven by stronger average iron ore index prices and higher lump premiums, offsetting the impact of higher freight rates. The average 62% Platts index increased by US$13/tonne, whilst the achieved lump premium increased by US$0.31/tonne and freight rates increased by US$5/tonne compared to 2016.

Average Platts Index lump premiums largely stabilised at US$0.15/dmtu on the back of improved demand for direct charge material.

Operating expenses

Operating expenses, excluding the reversal of the Sishen impairment, increased by 17% to R29.8 billion compared to R25.4 billion in the prior year, principally as a result of the 12% increase in total mining volumes, together with the 8% increase in production volumes and inflationary pressure on input costs. This was partially offset by savings in mining costs from productivity measures, overhead reductions and less use of contractors. Selling and distribution costs increased by 3% in real terms, driven by a 6% increase in sales volumes railed.

Higher freight costs of R1.4 billion were incurred due to the average Platts freight rate on the Saldanha-Qingdao route increasing to US$12/tonne. Spot freight rates averaged US$11.54/tonne, a 66% increase from US$6.95/tonne in 2016.

Cost savings were achieved through comprehensive programmes aimed at reducing overheads and on-mine costs, which, together with higher production, resulted in unit cash costs being lower than guidance.

Unit cash costs at Sishen decreased by 3% to R287/tonne (2016: R296/tonne). This was primarily a result of higher production volumes and cost savings from the continued improvements in operating efficiencies, partially offset by mining related cost escalations and the higher stripping ratio of 4.3 (2016: 3.3) which increased waste volumes by 18%.

Kolomela mine incurred unit cash costs of R237/tonne (2016: R201/tonne), an 18% increase in line with expectations, due to higher mining volumes, above inflationary pressures from higher fuel prices, and additional costs associated with the modular plant. The modular plant costs will continue to be incurred in future.

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

EBITDA of R19.6 billion was 6% higher compared to R18.4 billion in the previous year, on the back of a 6% improvement in total sales volumes and an 11% increase in the average realised FOB export iron ore price to US$71/tonne (2016: US$64/tonne), partially offset by an increase in mining volumes and cost inflation, including higher freight rates.

COMMENTARY continued

Kumba's EBITDA margin decreased by 3 percentage points to 42% (2016: 45%), mainly as a result of uncontrollable factors such as the increase in freight rates. The group's mining operating margin decreased to 40% (2016: 41%), excluding the net freight loss incurred on shipping operations, mainly as a result of long-term fixed price chartering contracts. Net profit (after the impairment reversal) increased by 45% to R16.1 billion (2016: R11.1 billion).

Cash flow

Cash flow generated from operations increased by 30% to R22.4 billion (2016: R17.2 billion), driven by higher average realised iron ore prices and increased sales volumes. The group ended the year with a net cash position of R13.9 billion (2016: R6.2 billion). The group's working capital remains healthy. The decrease in trade and other receivables of R2.5 billion is mainly due to an increase in collections in December 2017 compared to the prior year.

Capital expenditure of R3.1 billion was incurred: R1.3 billion on stay-in-business (SIB) activities, R1.2 billion on deferred stripping, and R0.6 billion on expansions, which comprised R0.3 billion on the Dingleton project and R0.3 billion on the Sishen modular plant. The relocation of the remaining houses in Dingleton is expected to be completed during 2018.

Impairment review

Given the improved market conditions since the 2015 year end when an impairment charge of R6 billion was recognised for Sishen, it was considered appropriate to re-assess the mine's recoverable amount at 31 December 2017. Sishen has achieved improved levels of production and operating efficiencies. Additionally, whilst the long term outlook for iron ore has remained broadly unchanged since 2015, the outlook for market conditions in the nearer term has improved. These factors have resulted in an increase in the recoverable amount of the mine to above its previous carrying value. In this context, the impairment charge previously recognised was reversed.

Refer to note 5 in the summarised consolidated financial statements which details the key assumptions applied.

ORE RESERVES AND MINERAL RESOURCES

The following changes were recorded for the 2017 Kumba Ore Reserves and Mineral Resources Statement.

Kumba's total ore reserves as at 31 December 2017 are estimated to be 676.4 Mt (at 59.6% Fe) at Sishen and Kolomela, a net decrease of 9% from 744 Mt in 2016.

Sishen's ore reserves decreased 9% year-on-year, mainly attributable to the annual accelerated production on the back of improved mining productivity, and more stringent resource-to-reserve modifications.

As a result of the productivity improvements built into the updated life of mine plan, Sishen's reserve life has reduced from 17 years in 2016 to 13 years in 2017.

A more stringent resource-to-reserve conversion approach was adopted at Kolomela to ensure that the direct shipping ore operation continues to deliver a niche high-grade product that will maintain Kumba's realised price. This is now similar to the approach applied at Sishen mine and resulted in Kolomela's reserve life reducing from 18 years in 2016, to 14 years in 2017. Kolomela's ore reserves decreased by 8% year-on-year due to annual production.

Kumba's estimated mineral resources, in addition to its ore reserves, totalled 1.2 billion tonnes (at 46.7% Fe), a year-on-year increase of 9%.

REGULATORY UPDATE

The Reviewed Mining Charter (MCIII)

In June 2017, the South African Department of Mineral Resources (DMR) published its Reviewed Mining Charter 2017 (MCIII). Kumba expressed its concern that the MCIII was not concluded through agreement between the DMR and all relevant stakeholders.

Kumba is supportive of the legal action followed by the Chamber of Mines, with the ultimate objective of arriving at a negotiated solution that is practical to implement, and which preserves and enhances investment in what is a critically important industry for South Africa. Kumba welcomed the DMR's written undertaking that the provisions of the 2017 Reviewed Mining Charter will not be implemented or applied in any way, pending judgment in the review application brought by the Chamber of Mines. The hearing on the Chamber of Mine's Declarator on the 'once empowered always empowered' issue was heard in November 2017, with the outcome expected after 90 days. The hearing on the review of the Mining Charter has been set for 19 to 21February 2018.

Sishen consolidated mining right granted

Sishen's application to extend the mining right by the inclusion of the adjacent Prospecting Rights was granted on 6 July 2017 and the process to amend the Sishen mining right continues. Mining operations in this area will only commence once the required environmental authorisation has been approved, which is expected soon. The grant allows Sishen mine to expand its current mining operations within the adjacent Dingleton area.

Thabazimbi transfer to ArcelorMittal SA

Sishen Iron Ore Company Proprietary Limited (SIOC) and ArcelorMittal SA announced in 2016 that they had entered into an agreement to transfer Thabazimbi mine to ArcelorMittal SA, subject to the fulfilment of certain conditions. As the DMR has not yet issued the Section 11 the deadline has been extended to 31 March 2018. If the conditions are not satisfied by this time and there is no agreement by the parties to extend it, the agreement will lapse and SIOC will proceed with the closure of the mine.

The agreement is expected to become effective in the second half of 2018, at which time the employees, assets and liabilities will transfer to ArcelorMittal SA at a nominal purchase consideration plus the assumed liabilities of which 97% is already ArcelorMittal SA's contractual liability. The Thabazimbi mine assets and related liabilities that will transfer have been presented separately in the balance sheet as assets and liabilities of the disposal group held for sale at 31 December 2017 (refer to note 12 in the summarised consolidated financial statements).

COMMENTARY continued

EVENTS AFTER THE REPORTING PERIOD

There were no significant events from 31 December 2017 to the date of this report, not otherwise dealt with in this report.

CHANGES IN DIRECTORATE

The following directors tendered their resignations from the Board during the 2017 financial year:

- Mr Andile Sangqu as a non-executive director, and shareholder representative of Anglo American, with effect from 24 March 2017.
- Ms Natascha Viljoen as a non-executive director, and shareholder representative of Anglo American, with effect from 24 March 2017.
- Ms Zarina Bassa as an independent non-executive director of the Board and chairperson of the Audit Committee, with effect from 11 May 2017.
- Mr Frikkie Kotzee as executive director of the Board, following his resignation as Chief financial officer of the group, with effect from 11 May 2017.
- Mr Fani Titi as an independent non-executive director and chairperson of the Board, with effect from 30 September 2017.

The Board thanked all the above listed directors for their contributions and guidance during their respective tenures and wishes them all the best in their future endeavours.

The Board announced the following appointments to the Board:

- Mr Terence Goodlace as an independent non-executive director with effect from 24 March 2017.
- Mr Seamus French as a non-executive director and a shareholder representative of Anglo American with effect from 24 March 2017.
- Mr Stephen Pearce as a non-executive director and a shareholder representative of Anglo American with effect from 24 March 2017.
- Mr Sango Ntsaluba as an independent non-executive director of the Board and chairman of the Audit Committee, with effect from 5 June 2017.
- Dr Mandla Gantsho as an independent non-executive director and chairman of the Board, with effect from 1 August 2017.
- Mr Bothwell Mazarura as Chief financial officer and executive director, effective 1 September 2017.
- Ms Mary Bomela as an independent non-executive director of the Board with effect from 1 December 2017.
- Ms Nomalizo Langa-Royds as an independent non-executive director of the Board with effect from 1 December 2017.

CHANGES IN MANAGEMENT

Mr Bothwell Mazarura replaced Mr Frikkie Kotzee as Chief financial officer on 1 September 2017.

Ms Avanthi Parboosing resigned as Company secretary with effect from 30 June 2017. The Board thanked her for her valued contribution to the Company. Ms Celeste Appollis was appointed Company secretary from 1 December 2017.

Mr Johan Prins, who was acting Chief financial officer from 11 May 2017 to 1 September 2017, and Mr Itumeleng Lebepe, who was acting Company secretary from 1 July 2017 to 30 November 2017, were thanked for their services and handling of dual roles during these periods.

Mr Philip Fourie was appointed Head of safety, health and environment on 1 May 2017 after the resignation of Mr Alex Mgadzah who held the position from January 2011 until 30 April 2017. Mr Billy Mawasha, Executive head of operations and integration from September 2013, resigned on 30 June 2017.

OUTLOOK

Full year production guidance for 2018 is between 44 to 45 Mt. Sishen is expected to produce between 30 to 31 Mt of product and mine between 170 to 180 Mt of waste in 2018. Sishen's stripping ratio is expected to exceed 4 in 2018, with the LoM average at ~4. Kolomela's production guidance for 2018 is around 14 Mt and waste of 55 to 57 Mt. Kolomela's stripping ratio is expected to exceed 3.5 in 2018, with the LoM average at ~4.

Total sales volumes of 44 to 45 Mt are expected in 2018. Domestic sales volumes of up to 6.25 Mt are contracted to ArcelorMittal SA in terms of the supply agreement, however, around 3 Mt is the expected volume for 2018.

Sishen unit costs are expected to be between R295/tonne and R305/tonne and Kolomela unit costs to be between R240/tonne and R250/tonne in 2018.

Capital expenditure for 2018, including deferred stripping, is expected to be in the range of R3.9 billion to R4.1 billion.

The group's performance remains sensitive to the volatility in iron ore export prices and the Rand/US$ exchange rate.

Themba Mkhwanazi concluded, "Building on our strong results this year, we want to make sure we are taking the right steps to ensure a sustainable long-term business for Kumba, in order to maximise value for all our stakeholders.

We have structured our full potential transformation agenda around three horizons to improve the performance of our current assets in the near term, to invest to grow our core business over the medium term and in the longer term to consider expansion into attractive opportunities.

Our priority now is on driving operations to unlock their full potential, rationalising external expenditure, reinforcing the integration of sales and operational planning and building a more effective organisation. In the medium and longer term we will focus on development of new technologies to process lower grade material and life extension projects. As we progress on this transformation journey, we will keep the market informed."

The presentation of the Company's results for the year ended 31 December 2017 will be available on the Company's website http://www.angloamericankumba.com at 07:05 CAT and the webcast will be available from 11:30 CAT on 13 February 2018.

SALIENT FEATURES AND OPERATING STATISTICS

for the year ended

	Unaudited 31 December 2017	Unaudited 31 December 2016
Share statistics ('000)		
Total shares in issue	**322,086**	322,086
Weighted average number of shares	**319,303**	319,521
Treasury shares	**2,627**	2,798
Market information		
Closing share price (Rand)	**379**	159
Market capitalisation (Rand million)	**122,112**	51,212
Market capitalisation (US$ million)	**9,923**	3,730
Net asset value attributable to owners of Kumba (Rand per share)	**107.95**	86.47
Capital expenditure (Rand million)		
Incurred	**3,074**	2,353
Contracted	**597**	644
Authorised but not contracted	**1,634**	2,208
Operating commitments		
Operating lease commitments	**794**	89
Shipping services	**5,260**	8,692
Economic information		
Average Rand/US Dollar exchange rate (ZAR/US$)	**13.30**	14.69
Closing Rand/US Dollar exchange rate (ZAR/US$)	**12.31**	13.73
Sishen mine FOR unit cost		
Unit cost (Rand per tonne)	**375.42**	412.04
Cash cost (Rand per tonne)	**287.33**	296.19
Unit cost (US$ per tonne)	**28.23**	28.05
Cash cost (US$ per tonne)	**21.60**	20.16
Kolomela mine FOR unit cost		
Unit cost (Rand per tonne)	**336.67**	283.42
Cash cost (Rand per tonne)	**236.67**	201.09
Unit cost (US$ per tonne)	**25.31**	19.29
Cash cost (US$ per tonne)	**17.79**	13.69

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

Rand million	Notes	Audited 31 December 2017	Audited 31 December 2016
ASSETS			
Property, plant and equipment	5	36,833	32,131
Biological assets		3	2
Investments held by environmental trust		627	559
Long-term prepayments and other receivables		211	84
Inventories	6	2,841	2,889
Deferred tax assets		72	87
Non-current assets		40,587	35,752
Inventories	6	4,061	4,604
Trade and other receivables		2,709	5,253
Cash and cash equivalents	8	13,874	10,665
Current assets		20,644	20,522
Assets of disposal group classified as held for sale	12	1,235	938
Total assets		62,466	57,212
EQUITY			
Shareholders' equity	7	34,769	27,850
Non-controlling interests		10,777	8,686
Total equity		45,546	36,536
Liabilities			
Interest-bearing borrowings	8	–	4,500
Provisions		1,860	1,967
Deferred tax liabilities		8,860	7,462
Non-current liabilities		10,720	13,929
Provisions		147	164
Trade and other payables		4,945	3,741
Current tax liabilities		59	1,906
Current liabilities		5,151	5,811
Liabilities of disposal group classified as held for sale	12	1,049	936
Total liabilities		16,920	20,676
Total equity and liabilities		62,466	57,212

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended

Rand million	Notes	**Audited 31 December 2017**	Audited 31 December 2016
Revenue		**46,379**	40,155
Operating expenses		**(24,989)**	(24,881)
Operating profit	9	**21,390**	15,274
Finance income		**637**	295
Finance costs		**(339)**	(496)
Share of profit of equity accounted joint venture		**–**	2
Profit before taxation		**21,688**	15,075
Taxation		**(5,481)**	(3,934)
Profit for the year from continuing operations		**16,207**	11,141
Discontinued operation			
(Loss)/profit from discontinued operation	12	**(74)**	3
Profit for the year		**16,133**	11,144
Attributable to:			
Owners of Kumba		**12,335**	8,621
Non-controlling interests		**3,798**	2,523
		16,133	11,144
Basic earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)			
From continuing operations		**38.86**	26.97
From discontinued operation		**(0.23)**	0.01
Total basic earnings per share		**38.63**	26.98
Diluted earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)			
From continuing operations		**38.60**	26.83
From discontinued operation		**(0.23)**	0.01
Total diluted earnings per share		**38.37**	26.84

SUMMARISED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended

Rand million	Audited 31 December 2017	Audited 31 December 2016
Profit for the year	**16,133**	11,144
Other comprehensive income for the year	**(454)**	(233)
Exchange differences on translation of foreign operations[1]	**(454)**	(233)
Total comprehensive income for the year	**15,679**	**10,911**
Attributable to:		
Owners of Kumba	**11,989**	8,442
Non-controlling interests	**3,690**	2,469
	15,679	**10,911**

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

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended

Rand million	Audited 31 December 2017	Audited 31 December 2016
Total equity at the beginning of the year	**36,536**	25,167
Changes in share capital and premium		
Treasury shares issued to employees under employee share incentive schemes	**121**	197
Purchase of treasury shares[1]	**(61)**	(180)
Changes in reserves		
Equity-settled share-based payment	**135**	513
Vesting of shares under employee share incentive schemes	**(121)**	(197)
Total comprehensive income for the year	**11,989**	8,442
Dividends paid	**(5,144)**	–
Changes in non-controlling interests		
Total comprehensive income for the year	**3,690**	2,469
Dividends paid	**(1,599)**	–
Equity-settled share-based payment	**–**	125
Total equity at the end of the year	**45,546**	**36,536**
Comprising		
Share capital and premium (net of treasury shares)	**(54)**	(114)
Equity-settled share-based payment reserve	**186**	172
Foreign currency translation reserve	**916**	1,262
Retained earnings	**33,721**	26,530
Shareholders' equity	**34,769**	27,850
Attributable to the owners of Kumba	**34,769**	27,850
Attributable to non-controlling interests	**–**	–
Non-controlling interests	**10,777**	8,686
Total equity	**45,546**	**36,536**
Dividend (Rand per share)		
Interim	**15.97**	–
Final[2]	**15.00**	–

[1] The average price paid for the purchase of the shares in 2017 was R214.77 per share (2016: R83.90 per share).

[2] The final dividend was declared after 31 December 2017 and has not been recognised as a liability in this summarised financial report. It will be recognised in shareholders' equity for the 2018 financial year.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended

Rand million	Audited 31 December 2017	Audited 31 December 2016
Cash generated from operations	**22,432**	17,218
Income from investments	**–**	2
Net finance income/(cost)	**461**	(319)
Taxation paid	**(5,883)**	(3,363)
Cash flows from operating activities	**17,010**	13,538
Additions to property, plant and equipment	**(3,074)**	(2,353)
Proceeds from the disposal of property, plant and equipment	**27**	9
Cash flows utilised in investing activities	**(3,047)**	(2,344)
Purchase of treasury shares	**(61)**	(180)
Dividends paid to owners of Kumba	**(5,144)**	–
Dividends paid to non-controlling shareholders	**(1,599)**	–
Net interest-bearing borrowings repaid	**(4,500)**	(3,705)
Cash flows utilised in financing activities	**(11,304)**	(3,885)
Net increase in cash and cash equivalents	**2,659**	7,309
Cash and cash equivalents at beginning of year	**10,665**	3,601
Foreign currency exchange loss/(gain) on cash and cash equivalents	**550**	(245)
Cash and cash equivalents at end of year	**13,874**	**10,665**

HEADLINE EARNINGS
for the year ended

Rand million	Audited 31 December 2017	Audited 31 December 2016
Reconciliation of headline earnings		
Profit attributable to owners of Kumba	**12,335**	8,621
Impairment (reversal)/charge	**(4,789)**	4
Net loss on disposal and scrapping of property, plant and equipment	**63**	186
	7,609	**8,811**
Taxation effect of adjustments	**1,309**	(54)
Non-controlling interests in adjustments	**810**	(33)
Headline earnings	**9,728**	**8,724**
Headline earnings (Rand per share)		
Basic	**30.47**	27.30
Diluted	**30.26**	27.16
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	**319,302,962**	319,520,658
Diluted weighted average number of ordinary shares	**321,481,081**	321,163,523

The dilution adjustment of 2,178,119 shares at 31 December 2017 (2016: 1,642,865) is a result of the vesting of share options previously granted under the various employee share incentive schemes.

NORMALISED EARNINGS

for the year ended

Rand million	Audited 31 December 2017	Audited 31 December 2016
Reconciliation of normalised earnings		
Headline earnings attributable to owners of Kumba	**9,728**	8,724
Net utilisation/(recognition) of deferred tax asset[1]	**14**	(87)
	9,742	8,637
Taxation effect of adjustments	**–**	–
Non-controlling interests in adjustments	**(3)**	21
Normalised earnings	**9,739**	8,658
Normalised earnings (Rand per share)		
Basic	**30.50**	27.10
Diluted	**30.29**	26.96
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	**319,302,962**	319,520,658
Diluted weighted average number of ordinary shares	**321,481,081**	321,163,523

[1] The 2017 amount includes the utilisation of prior year deferred tax asset of R86 million (2016: Rnil).

This measure of normalised earnings is specific to Kumba and is not required in terms of International Financial Reporting Standards or the JSE Listings Requirements. Normalised earnings represents earnings from the recurring activities of the group.

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

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. CORPORATE INFORMATION

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

The audited summarised consolidated financial statements of Kumba and its subsidiaries for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 9 February 2018.

2. BASIS OF PREPARATION

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

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

3. ACCOUNTING POLICIES

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

3.1 Amendments to published standards and interpretations

A number of amendments to accounting standards were effective for the first time for the financial year beginning on or after 1 January 2017. Comparative information has not been presented.

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

In 2017 the group did not early adopt any new, revised or amended accounting standards or interpretations. The accounting standards, amendments to issued accounting standards and interpretations, which are relevant to the group but not yet effective at 31 December 2017 are IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers*. Based on the preliminary assessment performed, the group does not anticipate a significant impact on its consolidated financial statements.

4. CHANGES IN ESTIMATES

The measurement of the environmental rehabilitation and decommissioning provisions is a key area where management's judgement is required. The closure provisions are measured at the present value of the expected future cash flows required to perform the rehabilitation and decommissioning. This calculation requires the use of certain estimates and assumptions when determining the amount and timing of the future cash flows and the discount rate. The closure provisions are updated at each reporting period date, for changes in these estimates. The life of mine plan (LoMP) on which accounting estimates are based only includes proved and probable ore reserves as disclosed in Kumba's annual ore reserves and mineral resources statement. The most significant changes in the provisions for 2017 arises from the change in the LoMP as well as the timing of the expected cash flows for both Sishen and Kolomela. The effect of the change in estimate of the rehabilitation and decommissioning provision, which was applied prospectively from 1 January 2017, is detailed below:

Rand million	Audited 31 December 2017	Audited 31 December 2016
Increase/(decrease) in environmental rehabilitation provision	77	(6)
(Decrease)/increase in decommissioning provision	(199)	9
Increase in profit after tax attributable to the owners of Kumba	42	3
Rand per share		
Effect on earnings per share attributable to the owners of Kumba	0.13	–

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

5. PROPERTY, PLANT AND EQUIPMENT

Rand million	Audited 31 December 2017	Audited 31 December 2016
Capital expenditure	3,074	2,520
Comprising:		
Expansion	575	856
Stay in business (SIB)	1,305	1,343
Deferred stripping	1,194	321
Transfers from assets under construction to property, plant and equipment	1,704	2,392

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

5. PROPERTY, PLANT AND EQUIPMENT continued

Expansion capital expenditure comprises mainly of 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.

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

Impairment reversal

Kumba produces iron ore at Sishen and Kolomela mines in the Northern Cape Province. The two mines are treated as separate cash generating units (CGUs). The Sishen CGU consists of the Sishen mining assets located in the Northern Cape and an allocation of corporate assets.

At 31 December 2015, the Sishen CGU was impaired by R6 billion, with an associated deferred tax credit of R1.7 billion as a result of a deterioration in the long-term outlook for iron ore prices, which led to a reconfiguration of the Sishen pit shell to improve cash flows. The carrying amount of the Sishen CGU, consisting of property, plant and equipment, at 31 December 2017 was R19.4 billion. The remaining balance of the impairment, after deducting notional depreciation, was R4.8 billion, including the remaining balance of the associated deferred tax of R1.3 billion. Kolomela was never impaired.

During 2017, Sishen mine achieved improved levels of production and operating efficiencies. Additionally, whilst the long-term outlook for the iron ore price has remained broadly unchanged since 2015, the outlook for market conditions in the nearer term has improved. Consequently, the recoverable amount of Sishen mine has been assessed and the previous impairment reversed. The revised carrying value is now R24.2 billion and was increased by R4.8 billion (R2.6 billion after tax and non-controlling interests).

The recoverable amount, based on discounted cash flows, is sensitive to changes in input assumptions particularly in relation to future iron ore prices and Rand/US$ foreign exchange rates. For example, a US$5/tonne increase or decrease in the long-term price forecast for iron ore equates to a R3.2 billion increase or R3.5 billion decrease in the recoverable amount. The recoverable amount has been assessed under a range of valuation scenarios, incorporating downside adjustments to both operating and economic assumptions, all of which indicate headroom over the revised carrying value of R24.2 billion. For example, under the most conservative long-term downside case, the headroom is R6.7 billion.

5. PROPERTY, PLANT AND EQUIPMENT continued

Impairment reversal continued

Cash flow projections were determined for the life of the Sishen mine. Inputs into the discounted cash flow model were based on economic assumptions and forecast trading conditions drawn up by management. To the extent that specific risk factors were not incorporated into the discount rate, adjustments were made to the cash flow projections.

Of this reversal, R368 million has been recorded against land and buildings, R347 million against buildings and infrastructure, R2.3 billion against machinery, plant and equipment, R812 million against site preparation and development, R910 million against assets under construction and R61 million against mineral rights.

Sensitivity analyses were performed to determine whether a reasonable possible change in any of the key assumptions would result in an additional impairment, partial reversal or no reversal of the previous impairment. Reasonable downward changes in any of the key assumptions would still provide sufficient headroom to support full reversal of the impairment recognised in 2015.

6. INVENTORY

Rand million	Audited 31 December 2017	Audited 31 December 2016
Finished product	1,240	1,478
Work-in-progress	4,238	4,466
Plant spares and stores	1,424	1,554
Current inventory transferred to assets of disposal group classified as held for sale	–	(5)
Total inventories	**6,902**	**7,493**
Non-current portion of work-in-progress inventories	2,841	2,889
Total current inventories	4,061	4,604
Total inventories	**6,902**	**7,493**

During the year, the group wrote down inventory of R726 million. R228 million (2016: R8 million) of inventory was written off to a zero carrying amount. No inventories were encumbered during the year.

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

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

7. SHARE CAPITAL AND SHARE PREMIUM

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

Rand million	Audited 31 December 2017	Audited 31 December 2016
Balance at beginning of year	(114)	(131)
Net movement in treasury shares under employee share incentive schemes	60	17
Purchase of treasury shares	(61)	(180)
Share issued to employees	121	197
Balance at the end of the year	(54)	(114)

Reconciliation of number of shares in issue:

Number of shares	Audited 31 December 2017	Audited 31 December 2016
Balance at beginning and end of year	322,085,974	322,085,974
Reconciliation of treasury shares held:		
Balance at beginning of year	2,797,627	1,109,732
Shares purchased	284,194	2,140,891
Shares issued to employees under the Long-Term Incentive Plan and Kumba Bonus Share Plan	(454,844)	(452,996)
Balance at the end of the year	2,626,977	2,797,627

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

8. INTEREST-BEARING BORROWINGS

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

Rand million	Audited 31 December 2017	Audited 31 December 2016
Interest-bearing borrowings	–	(4,500)
Cash and cash equivalents	13,874	10,665
Net cash	**13,874**	**6,165**
Total equity	**45,546**	**36,536**
Interest cover (times)	**–**	**36**

Movements in interest-bearing borrowings are analysed as follows:

Rand million	Audited 31 December 2017	Audited 31 December 2016
Balance at the beginning of the year	4,500	8,205
Interest-bearing borrowings raised	–	30
Interest-bearing borrowings repaid	(4,500)	(3,735)
Balance at the end of the year	**–**	**4,500**

The group's committed debt facilities of R12 billion (revolving facility) mature in 2020. The group had undrawn committed facilities of R12 billion (31 December 2016: R12 billion) and uncommitted facilities of R8.3 billion (31 December 2016: R8.3 billion).

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

9. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT

Operating expenses is made up as follows:

Rand million	Audited 31 December 2017	Audited 31 December 2016
Production costs	17,824	15,819
Movement in inventories	452	(368)
Finished products	224	84
Work-in-progress	228	(452)
Cost of goods sold	18,276	15,451
Impairment reversal[1]	(4,789)	–
Mineral royalty	1,239	963
Selling and distribution costs	5,815	5,379
Cost of services rendered – shipping	4,485	3,115
Sublease rent received	(37)	(27)
Operating expenses	**24,989**	**24,881**
Operating profit has been derived after taking into account the following items:		
Employee expenses	4,030	3,498
Net restructuring costs	8	384
Share-based payment expenses	146	647
Depreciation of property, plant and equipment	3,014	3,089
Deferred waste stripping costs	(1,194)	(321)
Net loss on disposal and scrapping of property, plant and equipment	63	191
Gain on lease receivable	–	(164)
Net finance losses/(gains)	216	(657)
Net gains on derivative financial instruments		
Realised[2]	–	(420)
Unrealised	(112)	(570)
Net foreign currency losses		
Realised	310	286
Unrealised	77	69
Fair value gains on investments held by the environmental trust	(59)	(22)

[1] Refer to note 5 for details.

[2] The realised gains/losses on derivative financial instruments have been reclassified from operating expenses to revenue in the current year. The prior year impact is not considered to be material and therefore the prior year amounts have not been reclassified.

10. TAXATION

The group's effective tax rate was 25% for the year (2016: 26%).

11. SEGMENTAL REPORTING

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

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

The total reported segment revenue comprises revenue from external customers, and is measured in a manner consistent with that disclosed in the income statement. During the year, the group changed the basis of assessing the performance of the operating segments. The performance of the operating segments is assessed based on earnings before tax, interest, depreciation and amortisation (EBITDA), which is considered a more appropriate measure of profitability for the group's businesses. In the prior year, the performance of operating segment was assessed based on earnings before interest and tax (EBIT). The prior year numbers have been reclassified to show the new performance measurement. Finance income and finance costs are not allocated to segments, as treasury activity is managed on a central group basis.

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

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

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

11. 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 the statement of profit and loss:							
Depreciation	1,934	1,001	13	9	–	70	3,027
Impairment reversal	(4,789)	–	–	–	–	–	(4,789)
Staff costs	2,523	849	–	41	–	771	4,184
Statement of financial position							
Total segment assets	695	349	–	166	–	30	1,240
Statement of cash flows							
Additions to property, plant and equipment							
Expansion capex	575	–	–	–	–	–	575
Stay-in business capex	684	446	–	2	–	173	1,305
Deferred stripping	942	252	–	–	–	–	1,194

11. 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 2016							
Statement of profit and loss							
Revenue from external customers	26,644	10,764	612	–	2,747	–	40,767
EBITDA	16,186	7,481	47	(5,370)	(370)	436	18,410
Significant items included in the statement of profit and loss:							
Depreciation	1,992	943	2	9	–	145	3,091
Staff costs	3,045	738	62	29	–	717	4,591
Impairment charge	–	–	4	–	–	–	4
Statement of financial position							
Total segment assets	606	163	–	651	–	58	1,478
Statement of cash flows							
Additions to property, plant and equipment							
Expansion capex	735	110	–	–	–	11	856
Stay-in business capex	729	259	–	1	–	187	1,176
Deferred stripping	88	233	–	–	–	–	321

[1] Derived from extraction, production and selling of iron ore.
[2] No revenue is reported for this segment as its performance is reviewed with reference to volumes railed and rail tariffs achieved.
[3] The amounts in the total column are inclusive of the Thabazimbi mine amounts. These amounts are not included in each line item on the statement of profit and loss as the Thabazimbi mine is a discontinued operation and is disclosed separately.

Geographical analysis of revenue and non-current assets:

Rand million	**Audited 31 December 2017**	Audited 31 December 2016
Total revenue from external customers	**46,379**	**40,767**
South Africa	**2,714**	2,862
Export	**43,665**	37,905
China	**27,260**	25,054
Rest of Asia	**8,538**	7,730
Europe	**6,626**	4,846
Middle East and Africa	**1,241**	275

All non-current assets, excluding investments in associates and joint ventures, are located in South Africa, with the exception of R14 million in the 2016 financial year relating to prepayments, which was located in Singapore.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

12. DISCONTINUED OPERATIONS 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 year ended 31 December 2017, consistent with the prior year. Analysis of the result of the Thabazimbi mine is as follows:

Rand million	Audited 31 December 2017	Audited 31 December 2016
Revenue	–	612
Operating expenses	(69)	(571)
Operating (loss)/profit	(69)	41
Net finance (cost)/income[1]	(34)	4
(Loss)/profit before tax	(103)	45
Income tax expense	29	(42)
(Loss)/profit after income tax of discontinued operation	(74)	3
Attributable to owners of the parent	(56)	2
Attributable to the non-controlling interests	(18)	1
(Loss)/profit from discontinued operation	(74)	3
Cash flow (utilised in)/from discontinued operation		
Net cash flows (utilised in)/from operating activities	(128)	279
Net cash (utilised in)/from discontinued operation	(128)	279

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

As previously reported, SIOC and ArcelorMittal SA entered into an agreement for the transfer of Thabazimbi mine, together with the mining right to ArcelorMittal SA. The agreement is expected to become effective in 2018, subject to certain conditions. The identified assets and liabilities of Thabazimbi mine (as indicated in the disclosure below) will be transferred at a nominal purchase consideration plus the assumed liabilities. If all conditions precedent have not been satisfied by 31 March 2018 (or a later date agreed to between the parties), the agreement will lapse and SIOC will proceed with closure of the mine.

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 related liabilities that will transfer to ArcelorMittal SA have been presented as assets and liabilities held for sale as at 31 December 2017.

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE continued

Assets and liabilities of disposal group held for sale at:

Rand million	Audited 31 December 2017	Audited 31 December 2016
ASSETS		
Property, plant and equipment	–	8
Biological assets	11	18
Investments held by environmental trust	325	296
Long-term prepayments and other receivables	459	515
Inventories	–	5
Trade and other receivables	440	96
Total assets	1,235	938
LIABILITIES		
Non-current provisions	(812)	(822)
Current provisions	(237)	(114)
Total liabilities	(1,049)	(936)
Net carrying amount sold	186	2

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

13. FAIR VALUE ESTIMATION

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

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

Rand million	Level 1[1]	Level 2[2]	Level 3[3]
Audited 12 months – 31 December 2017			
Investments held by the environmental trust[4]	**952**	**–**	**–**
Cash and cash equivalent			
– Derivative financial assets	**–**	**393**	**–**
– Derivative financial liabilities	**–**	**(149)**	**–**
	952	**244**	**–**
Audited 12 months – 31 December 2016			
Investments held by the environmental trust[4]	855	–	–
Cash and cash equivalent			
– Derivative financial assets	–	615	–
– Derivative financial liabilities	–	(28)	–
	855	587	–

[1] Level 1 fair value measurements are derived from unadjusted quoted prices in active markets for identical assets or liabilities.
[2] Level 2 fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly (i.e. derived from market-related prices).
[3] Level 3 fair value measurements are derived from valuation techniques that include inputs that are not based on observable market data.
[4] Including Thabazimbi mine's investments disclosed as held for sale in note 12.

14. RELATED PARTY TRANSACTIONS

During the year, 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[3]. These transactions were subject to terms that are no less favourable than those offered by third parties.

Rand million	**Audited 31 December 2017**	Audited 31 December 2016
Short-term deposit held with Anglo American SA Finance Limited[1] (AASAF)	**6,899**	7,430
– Deposit	**6,899**	7,430
– Weighted average interest rate (%)	**7.17**	7.02
Interest earned on short-term deposits with AASAF during the year	**577**	262
Short-term deposit held with Anglo American Capital plc[1]	**4,907**	1,991
Interest earned on facility during the year[2]	**32**	–
Interest paid on borrowings during the year	**–**	7
– Weighted average interest rate (%)	**–**	8.16
– Trade payable owing to Anglo American Marketing Limited[1] (AAML)	**635**	195
– Shipping services provided by AAML	**4,462**	3,107
Dividends paid to Exxaro Resources Limited[3]	**1,390**	–

[1] Subsidiaries of the ultimate holding company.
[2] Interest earned on the deposit was earned at prevailing market rates. The interest earned on the deposit was insignificant in the prior year.
[3] Exxaro Resources Limited is SIOC's 20.62% (2016: 20.62%) Black Economic Empowerment shareholder.

15. CONTINGENT LIABILITIES

The two matters which were reported as contingent liabilities at 31 December 2016, being the South African Revenue Service matter and the matter regarding the Sishen municipal rates and taxes, were resolved during the year. There were no contingent liabilities at 31 December 2017.

16. REGULATORY UPDATE

The Reviewed Mining Charter (MCIII)

On 15 June 2017, the DMR published its Reviewed Mining Charter 2017 (MCIII). Kumba expressed its concern that the MCIII was not concluded through agreement between the DMR and all relevant stakeholders, including the mining industry, despite the best efforts of those stakeholders over the preceding year.

Kumba is supportive of the legal action followed by the Chamber of Mines, with the ultimate objective of arriving at a negotiated solution that is practical to implement, and that preserves and enhances investment in what is a critically important industry for South Africa. Kumba welcomed the DMR's written undertaking that the provisions of the 2017 Reviewed Mining Charter will not be implemented or applied in any way, pending judgment in application brought by the Chamber of Mines. Kumba will continue to engage through the Chamber of Mines. The hearing on the Chamber of Mines Declarator on the 'once empowered always empowered' issue was heard in November, with the outcome expected after 90 days. The hearing on the review of the Mining Charter has been set for 19 to 21 February 2018.

17. CORPORATE GOVERNANCE

The group subscribes to the Code of Good Corporate Practices and Conduct and complies with the recommendations of the King IV Report. In November 2016, the Board charter was aligned with the provisions of all relevant statutory and regulatory requirements including amongst others King IV. Full disclosure of the group's compliance will be contained in the 2017 Integrated Report.

18. EVENTS AFTER THE REPORTING PERIOD

There have been no material events subsequent to 31 December 2017, not otherwise dealt with in this report.

19. INDEPENDENT AUDITOR'S REPORT

These summarised consolidated financial statements for the year ended 31 December 2017 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived.

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

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

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

20. RESOURCES AND RESERVE

All Resources and Reserve related information listed is derived from the 2017 Kumba Iron Ore Reserve and Resources statement (to be published on 11 April 2018) as reported under the 'The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves' (the SAMREC Code of 2016) by Competent Persons who are employed by SIOC and have the required qualifications and experience to qualify as Competent Persons for Mineral Resources or Mineral Reserves under the SAMREC Code.

On behalf of the Board

MSV Gantsho
Chairman

TM Mkhwanazi
Chief executive

9 February 2018
Pretoria

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

OPINION

The summarised consolidated financial statements of Kumba Iron Ore Limited, which comprise the summarised consolidated statement of financial position as at 31 December 2017, the summarised consolidated statement of profit and loss, summarised consolidated statement of other comprehensive income, summarised consolidated statement of changes in equity and summarised consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Kumba Iron Ore Limited for the year ended 31 December 2017.

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

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

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

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 9 February 2018. That report also includes the communication of key audit matters.

DIRECTOR'S RESPONSIBILITY FOR THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 2 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITY

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

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: Sebastian Benedikt Field Carter
Partner

9 February 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 FINAL CASH DIVIDEND

At its Board meeting on 9 February 2018, the directors approved a gross final cash dividend of 1,500 cents per share on the ordinary shares from profits accrued during the period ended 31 December 2017. The dividend has been declared from income reserves.

The dividend will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of withholding tax. The net dividend payable to shareholders subject to withholding tax at a rate of 20% amounts to 1,200.00000 cents per share.

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

The salient dates are as follows:

Publication of declaration data	Tuesday, 13 February 2018
Last day for trading to qualify and participate in the final dividend	Tuesday, 6 March 2018
Trading ex-dividend commences	Wednesday, 7 March 2018
Record date	Friday, 9 March 2018
Dividend payment date	Monday, 12 March 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 March 2018 and Friday, 9 March 2018 both days inclusive. Any change of address or dividend instructions must be provided by the last day for trading.

By order of the Board

CD Appollis
Company secretary
13 February 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), DD Mokgatle, AJ Morgan, BP Sonjica, TP Goodlace (British/South African), SG French (Irish), NS Dlamini, SS Ntsaluba, ST Pearce (Australian), MS Bomela, NB Langa-Royds
Executive: TM Mkhwanazi (Chief executive), BA Mazarura (Chief financial officer)

COMPANY SECRETARY

CD Appollis

COMPANY REGISTRATION NUMBER

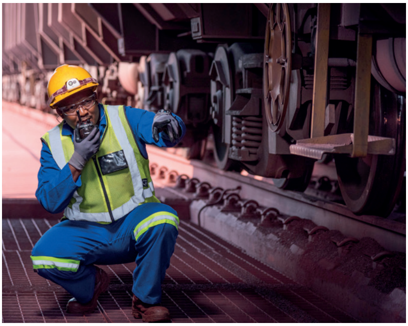
2005/015852/06
Incorporated in the Republic of South Africa

INCOME TAX NUMBER

9586/481/15/3

JSE code: KIO
ISIN: ZAE000085346
('Kumba' or 'the Company' or 'the group')

13 February 2018



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Centurion
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