AngloAmerican

KUMBA IRON ORE

# KUMBA IRON ORE LIMITED
## INTERIM FINANCIAL RESULTS
### FOR THE SIX MONTHS ENDED 30 JUNE 2013

# KEY FEATURES

Safety performance

**No loss of life**

Kolomela mine's exceptional performance

**5.3 Mt production**

**Sishen mine**

**2Q13 production up 13% on 1Q13**

**Export sales**

**down 3% to 20.1 Mt**

Operating profit

**down 4% to R14.3bn**


Interim cash dividend

**R20.10/share**

# COMMENTARY

Kumba Iron Ore Limited ('Kumba' or 'the group') wishes to announce its results for the six months ended 30 June 2013. In reviewing Kumba's performance for the half year and comparing it to the corresponding period in 2012, one should bear the following in mind. The first half of 2012 was a relatively stable period for Sishen mine, although it had a slow start to the year on production, whilst the first half of 2013 was a ramp-up period following the unprotected strike in October 2012. Similarly for Kolomela mine, the first six months of 2012 were in the midst of ramp up following commissioning, compared to the first half of 2013, which was effectively steady state.

The group's safety performance remains a key priority and all the sites worked the six months under review without any loss of life. Fourteen LTI's were recorded for the period resulting in an LTIFR of 0.15 (2012: 0.09).

Kumba delivered steady performance for the half year, with headline earnings of R7.7 billion, which was in line with the R7.7 billion achieved in the first half of 2012. The favourable impact of a 16% weaker currency was partially offset by 7% weaker iron ore export prices realised during the period under review, resulting in revenue increasing by 4% to R26.3 billion, despite total sales volumes decreasing by 5% from the record levels achieved in the comparable period in 2012 to 22.1 million metric tonnes (Mt). The group's focus centred on re-establishing production at Sishen mine post the strike and maintaining the forward momentum at Kolomela mine as it reached monthly capacity production.

Attributable and headline earnings for the period were R24.16 and R24.13 per share respectively, on which an interim cash dividend of R20.10 per share has been declared.

On 28 March 2013, the Supreme Court of Appeal (SCA) issued its judgment in the Sishen mine mineral rights matter, on the appeal of the Department of Mineral Resources (DMR) and Imperial Crown Trading 289 Proprietary Limited (ICT) against the High Court judgment delivered in December 2011. The SCA held that the Sishen Iron Ore Company Proprietary Limited (SIOC) is the exclusive holder of the mining right at the Sishen mine. Both the DMR and ICT have applied for leave of appeal to the constitutional court to challenge the SCA judgment. The hearing before the constitutional court will be held on 3 September 2013. Refer to note 13 to the condensed consolidated interim financial statements for further detail.

## MARKET OVERVIEW

Global crude steel production increased by 3% to 787 Mt for the first half of 2013 (2012: 766 Mt), with China's record production of 385 Mt being 8% higher (2012: 356 Mt). However, faced with strong pressure on steel margins, Chinese steel mills reduced iron ore inventory levels and, as a result, demand for seaborne iron ore grew at a slower pace than crude steel production. Europe's ongoing struggle with austerity measures translated into a 4% decrease in production, with the rest of the world contributing the difference.

> *"Kumba continues to deliver value to its shareholders, maintaining a steady performance through the first half of the year in a variable operating environment. We have also carried out some work over the past few months aimed at optimising production from both our Northern Cape mines. We are considering various scenarios at Sishen and Kolomela mines after conducting a technical and strategic review, to balance both production and cost. We will keep a close watch on the global steel market through the remainder of 2013; and I am confident we have the right team in place to ensure delivery, while continuing our unrelenting focus on safety and cost management."*
>
> **Norman Mbazima**, Chief executive

The improvement in the outlook for the Japanese domestic auto industry has driven increased domestic crude steel production with anticipation of higher finished steel export volumes.

Global seaborne iron ore supply grew by 4%, driven by strong growth of 18% from Australia, partially offset by a 1% decline from Brazil.

As demand and supply for seaborne iron ore grew in tandem, average prices in the first half of 2013 were marginally down and averaged $137/tonne for the period (six months to 30 June 2012: $142/tonne). Iron ore index (CFR China 62% Fe) prices peaked in February at $160/tonne but steadily declined since then, ending the first half of 2013 at $115/tonne.

## OPERATIONAL PERFORMANCE

### Safety performance

No loss of life incidents occurred during the half year. Kolomela achieved 21.7 million fatality-free and LTI-free hours, which is an outstanding performance in light of the continued expansion of mining and production activities on the mine. Notwithstanding this performance, however, there was a deterioration in Kumba's LTIFR to 0.15.

A Safety Indaba was held to renew our focus on individual responsibility and behaviour and various processes are underway to improve visible felt leadership and hazard identification.

### Sishen mine

At Sishen mine, the waste stripping ramp up is continuing as part of the strategy to improve mining flexibility in the longer term. Total tonnes mined at Sishen increased by 15% to 102.6 Mt (2012: 88.9 Mt), of which waste mined was 82.1 Mt (2012: 68.8 Mt), an increase of 19%. Total iron ore production at Sishen mine decreased by 10% to 16.1 Mt (2012: 17.9 Mt). Production rates at the mine continued to improve quarter on quarter according to plan following the strike in 2012. Production was also impacted by the availability of material supplied to the mine's dense media separation (DMS) and jig plants. This was expected, given a currently constrained pit, and is being addressed through the planned increase in waste stripping. This additional waste mining is expected to have an upward cost impact at Sishen mine over the next few years, but will result in a position of increased flexibility in the pit.

### Kolomela mine

After delivering an exceptional performance in its ramp-up year in 2012, Kolomela mine continues to perform well. Total tonnes mined at Kolomela mine rose by 55% to 29.7 Mt, when compared to the same period in its ramp-up year (2012: 19.1 Mt), of which waste mined was 23.2 Mt (2012: 15.6 Mt), an increase of 49%. The mine produced 5.3 Mt of iron ore, an increase of 62%.

### Thabazimbi mine

Waste mining at Thabazimbi mine decreased by 20% to 13.0 Mt (2012: 16.2 Mt) as the mine nears the end of its life and geotechnical stoppages impacted the development of one pit. Production at Thabazimbi mine, although planned to be lower, was also impacted by mining feedstock and quality constraints, and reduced to 0.2 Mt for the six months (2012: 0.4 Mt). The future of the current operation is under discussion with ArcelorMittal South Africa Limited (AMSA).

### Unaudited production summary

| | Six months ended | | |
|---|---|---|---|
| '000 tonnes | June 2013 | June 2012 | % change |
| Iron ore | 21,613 | 21,556 | – |
| Lump | 13,057 | 13,340 | (2) |
| Fines | 8,556 | 8,216 | 4 |
| Mine production | 21,613 | 21,556 | – |
| Sishen mine | 16,114 | 17,904 | (10) |
| DMS plant | 10,717 | 12,498 | (14) |
| Jig plant | 5,397 | 5,406 | – |
| Kolomela mine | 5,264 | 3,252 | 62 |
| Thabazimbi mine | 235 | 400 | (41) |

### Logistics

Volumes railed on the Sishen-Saldanha iron ore export channel, although impacted by the production shortfalls at Sishen mine, increased by 4% to a new record level of 20.9 Mt (including 0.7 Mt railed to Saldanha Steel), which was made possible by the ramp up of volumes railed from Kolomela mine to 5.5 Mt for the six months (2012: 3.5 Mt), an increase of 57%, as well as the excellent performance by Transnet. Kumba shipped 20.0 Mt from the Saldanha port destined for the export market, up 3% year on year.

### Unaudited sales summary

| | Six months ended | | |
|---|---|---|---|
| '000 tonnes | June 2013 | June 2012 | % change |
| Total | 22,137 | 23,407 | (5) |
| Export sales | 20,123 | 20,719 | (3) |
| Domestic sales | 2,014 | 2,688 | (25) |
| Sishen mine | 1,711 | 2,002 | (14) |
| Thabazimbi mine | 303 | 686 | (56) |

### Sales

Total sales for Kumba for the half year were 22.1 Mt, a 5% decrease compared to the record sales of 23.4 Mt in the first half of 2012. Export sales volumes declined by 3% from 20.7 Mt to 20.1 Mt, mainly as a result of Sishen's lower production volumes offset by Kolomela production growth. 67% of total export volumes were directed to China (compared to 71% during the first half of 2012). Finished product stockpiles at Qingdao and Saldanha ports increased to 2.3 Mt (2012: 1.8 Mt). Total domestic sales volumes for the six months of 2.0 Mt were down by 25%, or 0.7 Mt, due to lower demand.

## FINANCIAL RESULTS

### Revenue

The group's total revenue of R26.3 billion for the period was 4% higher than the R25.2 billion for the comparable period in 2012, mainly as a result of a weaker Rand (1H2013: R9.19 compared to 1H2012: R7.93). This was partially offset by a 3% and 25% reduction in export and domestic sales volumes respectively and 7% lower realised iron ore export prices.

### Operating expenses

Operating expenses rose 16% to R12.0 billion from R10.3 billion in the first half of 2012; principally as a result of:

- a 20.4 Mt growth in mining volumes;
- inflationary pressure on input costs from CPI of 5.8%; and
- above-inflationary input cost increases in diesel, mining contractors, blasting material and tyre prices.

Similarly, unit cash costs at Sishen mine increased by 21% to R239/tonne (FY2012: R198/tonne). This is primarily as a result of above inflationary increases in input costs mentioned above, which added R28/tonne. The planned increase in waste mining volumes at the mine continues and added another R11/tonne, with the 10% decrease in production at the mine adding R10/tonne. Kolomela mine incurred unit cash costs of R172/tonne (FY2012: R180/tonne), a 4% decrease, mainly as a result of ramp-up costs included in the 2012 base.

The operating expenses for the six months ended 30 June 2012 were restated with R470 million (net reduction) (31 December 2012: R493 million reduction) to take into account the impact of the adoption of IFRIC 20, Stripping costs in the production phase of a surface mine. The impact on Kumba's profit for the six months ended 30 June 2012 was R338 million (year ended 31 December 2012: R 355 million). As a result, Sishen mine's unit cash cost for FY2012 reflected above, reduced by R12/tonne, while the net impact on Kolomela's unit cash cost for FY2012 was a decrease of R11/tonne. Refer to note 3.1 to the condensed consolidated interim financial statements for further detail.

### Operating profit

Kumba's operating profit margin of 55% for the six months (58% from mining activities) decreased by 4% from 59% (64% from mining activities) for the comparative period in 2012. Operating profit of R14.3 billion decreased by 4% from the R14.9 billion achieved in the first six months of 2012. The increase in operating expenses outlined previously has impacted profitability.

### Cash flow

The group continued to generate substantial cash from its operations, with R17.1 billion generated during the six months. These cash flows were used to pay taxation of R2.8 billion, royalties of R0.8 billion and aggregate dividends of R5.1 billion during the six months. The group's working capital position remains healthy, ensuring sufficient reserves to cover short-term positions. Capital expenditure of R2.3 billion was incurred, R1.9 billion on SIB activities (including deferred stripping), and R451 million on expansion.

At 30 June 2013 the group had a net cash position of R2.3 billion (R668 million net debt at the end of June 2012).

### Ore reserves and mineral resources

There have been no material changes to the ore reserves and mineral resources as disclosed in the 2012 Kumba Integrated Report.

## OUTLOOK

Steel fundamentals remain under pressure as the Chinese economy slows down, with manufacturing activity receding as a result of declining export orders. Iron ore prices are expected to remain under pressure as supply exceeds demand in the second half of the year, though restocking by steel mills may support prices in the near term.

Kumba's main objectives remain to satisfy domestic demand and to fill the iron ore export channel to optimise exports. The export capacity on the rail line is approximately 42 Mt and will remain so in the near future. With two operating mines in the Northern Cape, following Kolomela's successful ramp up in 2012, it brings the benefit of flexibility. Kumba has conducted a technical and strategic review of these assets over the past few months aimed at optimising production.

The production outlook for Sishen mine in 2013 remains at around 37 Mt, reflecting the knock-on effect of the 2012 strike. Sishen mine's pit, however, remains constrained and therefore the planned waste ramp up is continuing as part of the strategy to improve mining flexibility for the longer term. Waste levels at the mine are planned to increase to between 240 Mtpa and 270 Mtpa by 2016. The estimated production level for Sishen mine is around 37 Mtpa going forward.

The production outlook for Kolomela mine remains at approximately 9 Mt for 2013. Export sales volumes for the year as a whole are expected to be around 40 Mt.

Profitability remains sensitive to iron ore export prices and the Rand/US$ exchange rate.

# SALIENT FEATURES AND OPERATING STATISTICS
for the period ended

| | Unaudited 6 months 30 June 2013 | Restated Unaudited 6 months 30 June 2012 | Restated Unaudited 12 months 31 Dec 2012 |
|---|---|---|---|
| **Share statistics ('000)** | | | |
| Total shares in issue | 322,086 | 322,059 | 322,059 |
| Weighted average number of shares | 321,150 | 321,146 | 321,223 |
| Diluted weighted average number of shares | 321,745 | 321,740 | 321,754 |
| Treasury shares | 875 | 721 | 1,064 |
| Treasury shares (Rand million) | 409 | 293 | 487 |
| **Market information** | | | |
| Closing share price (Rand) | 461 | 548 | 569 |
| Market capitalisation (Rand million) | 148,353 | 176,488 | 183,213 |
| Market capitalisation (US$ million) | 14,910 | 21,277 | 21,616 |
| **Net asset value (Rand per share)** | 60.42 | 51.19 | 47.32 |
| **Capital expenditure (Rand million)** | | | |
| Incurred | 2,322 | 2,338 | 5,903 |
| Contracted | 2,318 | 2,815 | 722 |
| Authorised but not contracted | 1,551 | 2,237 | 1,335 |
| **Capital expenditure relating to Thabazimbi mine to be financed by AMSA** | | | |
| Contracted | 4 | 22 | 7 |
| Authorised but not contracted | 30 | 7 | 16 |
| **Finance lease commitments** | 339 | – | – |
| **Operating commitments** | | | |
| Operating lease commitments | 60 | 722 | 93 |
| Shipping services | 9,228 | 8,836 | 8,762 |
| **Economic information** | | | |
| Average Rand/US Dollar exchange rate (ZAR/US$) | 9.19 | 7.93 | 8.19 |
| Closing Rand/US Dollar exchange rate (ZAR/US$) | 9.95 | 8.29 | 8.48 |
| **Sishen mine FOR unit cost** | | | |
| Unit cost (Rand per tonne) | 287.84 | 220.09 | 257.39 |
| Cash cost (Rand per tonne) | 238.91 | 160.16 | 197.75 |
| Unit cost (US$ per tonne) | 31.32 | 27.76 | 31.43 |
| Cash cost (US$ per tonne) | 26.00 | 20.20 | 24.15 |
| **Kolomela mine FOR unit cost** | | | |
| Unit cost (Rand per tonne) | 229.91 | 257.06 | 255.69 |
| Cash cost (Rand per tonne) | 172.45 | 178.33 | 180.20 |
| Unit cost (US$ per tonne) | 25.02 | 32.43 | 31.22 |
| Cash cost (US$ per tonne) | 18.76 | 22.50 | 22.00 |

# CONDENSED GROUP BALANCE SHEET
as at

| Rand million | Reviewed 30 June 2013 | Restated Reviewed 30 June 2012 | Restated Audited 31 Dec 2012 | Audited 01 Jan 2012 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 26,944 | 22,507 | 25,258 | 20,878 |
| Biological assets | 8 | 6 | 8 | 6 |
| Investments in associate and joint ventures | – | 38 | 47 | 33 |
| Investments held by environmental trust | 691 | 606 | 673 | 568 |
| Long-term prepayments and other receivables | 322 | 86 | 130 | 95 |
| Deferred tax assets | 946 | 805 | 842 | 658 |
| **Non-current assets** | 28,911 | 24,048 | 26,958 | 22,238 |
| Inventories | 4,464 | 3,716 | 4,136 | 3,864 |
| Trade and other receivables | 3,264 | 4,872 | 4,332 | 3,537 |
| Current tax asset | 87 | 12 | 76 | 32 |
| Cash and cash equivalents | 2,685 | 2,526 | 1,527 | 4,742 |
| **Current assets** | 10,500 | 11,126 | 10,071 | 12,175 |
| **Total assets** | **39,411** | **35,174** | **37,029** | **34,413** |
| **Equity** | | | | |
| Shareholders' equity | 19,460 | 16,486 | 15,238 | 15,833 |
| Non-controlling interest | 5,878 | 4,945 | 4,426 | 4,759 |
| **Total equity** | 25,338 | 21,431 | 19,664 | 20,592 |
| **Liabilities** | | | | |
| Interest-bearing borrowings | 262 | – | 3,200 | – |
| Provisions | 1,741 | 977 | 1,420 | 901 |
| Deferred tax liabilities | 7,480 | 6,055 | 6,835 | 4,942 |
| **Non-current liabilities** | 9,483 | 7,032 | 11,455 | 5,843 |
| Short-term portion of interest-bearing borrowings | 96 | 3,194 | 2,669 | 3,191 |
| Short-term portion of provisions | 30 | 21 | 26 | 11 |
| Trade and other payables | 3,675 | 3,106 | 3,012 | 4,556 |
| Current tax liabilities | 789 | 390 | 203 | 220 |
| **Current liabilities** | 4,590 | 6,711 | 5 910 | 7,978 |
| **Total liabilities** | **14,073** | **13,743** | **17,365** | **13,821** |
| **Total equity and liabilities** | **39,411** | **35,174** | **37,029** | **34,413** |

# CONDENSED GROUP INCOME STATEMENT
for the period ended

| Rand million | Reviewed 6 months 30 June 2013 | Restated Reviewed 6 months 30 June 2012 | Restated Audited 12 months 31 Dec 2012 |
|---|---|---|---|
| Revenue | 26,299 | 25,236 | 45,446 |
| Operating expenses | (11,960) | (10,317) | (21,800) |
| **Operating profit** | 14,339 | 14,919 | 23,646 |
| Finance income | 30 | 82 | 102 |
| Finance costs | (168) | (210) | (405) |
| Loss from equity accounted joint venture | (34) | – | – |
| **Profit before taxation** | 14,167 | 14,791 | 23,343 |
| Taxation | (4,002) | (4,720) | (6,888) |
| **Profit for the period** | **10,165** | **10,071** | **16,455** |
| **Attributable to:** | | | |
| Owners of Kumba | 7,759 | 7,661 | 12,486 |
| Non-controlling interest | 2,406 | 2,410 | 3,969 |
| | **10,165** | **10,071** | **16,455** |
| **Earnings per share for profit attributable to the owners of Kumba (Rand per share)** | | | |
| Basic | 24.16 | 23.86 | 38.87 |
| Diluted | 24.12 | 23.81 | 38.81 |

# CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME
for the period ended

| Rand million | Reviewed 6 months 30 June 2013 | Restated Reviewed 6 months 30 June 2012 | Restated Audited 12 months 31 Dec 2012 |
|---|---|---|---|
| **Profit for the period** | 10,165 | 10,071 | 16,455 |
| **Other comprehensive income for the period, net of tax** | 350 | 61 | 155 |
| Exchange differences on translation of foreign operations | 351 | 99 | 193 |
| Net effect of cash flow hedges | (1) | (38) | (38) |
| **Total comprehensive income for the period** | **10,515** | **10,132** | **16,610** |
| **Attributable to:** | | | |
| Owners of Kumba | 8,038 | 7,722 | 12,615 |
| Non-controlling interest | 2,477 | 2,410 | 3,995 |
| | **10,515** | **10,132** | **16,610** |

# CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the period ended

| Rand million | Reviewed 6 months 30 June 2013 | Restated Reviewed 6 months 30 June 2012 | Restated Audited 12 months 31 Dec 2012 |
|---|---|---|---|
| **Total equity at the beginning of the period *** | 19,664 | 20,592 | 20,592 |
| **Changes in share capital and premium** | | | |
| Shares issued during the period | 1 | 5 | 5 |
| Treasury shares issued to employees under employee share incentive schemes | 79 | 89 | 105 |
| Purchase of treasury shares | – | (51) | (261) |
| **Changes in reserves** | | | |
| Equity-settled share-based payment | 234 | 286 | 579 |
| Vesting of shares under employee share incentive schemes | (83) | (109) | (123) |
| Total comprehensive income for the period | 8,038 | 7,722 | 12,615 |
| Dividends paid | (4,047) | (7,244) | (13,516) |
| **Changes in non-controlling interest** | | | |
| Total comprehensive income for the period | 2,477 | 2,410 | 3,995 |
| Dividends paid | (1,079) | (2,339) | (4,490) |
| Movement in non-controlling interest in reserves | 54 | 70 | 163 |
| **Total equity at the end of the period** | **25,338** | **21,431** | **19,664** |
| **Comprising** | | | |
| Share capital and premium (net of treasury shares) | (41) | 73 | (121) |
| Equity-settled share-based payment reserve | 971 | 536 | 822 |
| Foreign currency translation reserve | 842 | 498 | 571 |
| Cash flow hedge reserve | (15) | (20) | (24) |
| Retained earnings | 17,703 | 15,399 | 13,990 |
| **Shareholders' equity** | 19,460 | 16,486 | 15,238 |
| Attributable to the owners of Kumba | 18,693 | 15,841 | 14,663 |
| Attributable to the non-controlling interest | 767 | 645 | 575 |
| Non-controlling interest | 5,878 | 4,945 | 4,426 |
| **Total equity** | **25,338** | **21,431** | **19,664** |
| **Dividend (Rand per share)** | | | |
| Interim ** | 20.10 | 19.20 | 19.20 |
| Final | | | 12.50 |

* *The adoption of IFRIC 20 – Stripping costs in the production phase of a surface mine did not impact the 2012 opening balance.*

** *The interim dividend was declared after 30 June 2013 and has not been recognised as a liability in this interim financial report. It will be recognised in shareholders' equity in the year ending 31 December 2013.*

# CONDENSED GROUP CASH FLOW STATEMENT
for the period ended

| Rand million | Reviewed 6 months 30 June 2013 | Restated Reviewed 6 months 30 June 2012 | Restated Audited 12 months 31 Dec 2012 |
|---|---|---|---|
| Cash generated from operations | 17,092 | 14,383 | 24,674 |
| Net finance costs paid | (80) | (91) | (227) |
| Taxation paid | (2,756) | (3,552) | (5,215) |
| **Cash flows from operating activities** | 14,256 | 10,740 | 19,232 |
| Additions to property, plant and equipment | (2,322) | (2,338) | (5,903) |
| Investments in associate and joint ventures | – | (4) | (14) |
| Investments held by environmental trust | – | (23) | (45) |
| Proceeds from the disposal of property, plant and equipment | 17 | 1 | 37 |
| Proceeds from disposal of investments | – | – | 3 |
| **Cash flows from investing activities** | (2,305) | (2,364) | (5,922) |
| Shares issued | 1 | 5 | 5 |
| Purchase of treasury shares | – | (51) | (261) |
| Vesting of Envision share scheme | – | (968) | (968) |
| Dividends paid to owners of Kumba | (4,047) | (7,245) | (13,428) |
| Dividends paid to non-controlling shareholders | (1,079) | (2,358) | (4,578) |
| Net interest-bearing borrowings (repaid)/raised | (5,831) | – | 2,678 |
| **Cash flows from financing activities** | (10,956) | (10,617) | (16,552) |
| **Net increase/(decrease) in cash and cash equivalents** | 995 | (2,241) | (3,242) |
| Cash and cash equivalents at beginning of period | 1,527 | 4,742 | 4,742 |
| Exchange differences on translation of cash and cash equivalents | 163 | 25 | 27 |
| **Cash and cash equivalents at end of period** | **2,685** | **2,526** | **1,527** |

# HEADLINE EARNINGS

for the period ended

| Rand million | Reviewed 6 months 30 June 2013 | Restated Reviewed 6 months 30 June 2012 | Restated Audited 12 months 31 Dec 2012 |
|---|---|---|---|
| **Reconciliation of headline earnings** | | | |
| Profit attributable to owners of Kumba | 7,759 | 7,661 | 12,486 |
| Net (profit)/loss on disposal and scrapping of property, plant and equipment | (13) | 13 | (21) |
| Net profit on disposal of investment | (5) | – | (3) |
| | **7,741** | **7,674** | **12,462** |
| Taxation effect of adjustments | 4 | (2) | 6 |
| Non-controlling interest in adjustments | 3 | (3) | 4 |
| **Headline earnings** | **7,748** | **7,669** | **12,472** |
| **Headline earnings (Rand per share)** | | | |
| Basic | 24.13 | 23.88 | 38.83 |
| Diluted | 24.08 | 23.84 | 38.76 |
| 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 | 321,149,798 | 321,146,494 | 321,223,241 |
| Diluted weighted average number of ordinary shares | 321,745,418 | 321,739,718 | 321,753,827 |

The adjustment of 595,620 at 30 June 2013 ( 30 June 2012: 593,224) shares to the weighted average number of ordinary shares is as 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 REPORT

## 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 has its primary listing on the JSE Limited (JSE).

The condensed consolidated financial report of Kumba and its subsidiaries for the six months ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 19 July 2013.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial report has been prepared, under the supervision of FT Kotzee CA(SA), chief financial officer, in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Listings Requirements of the JSE, and the requirements of the South African Companies Act No 71 of 2008.

The condensed consolidated financial report has been prepared in accordance with the historical cost convention except for certain financial instruments, share-based payments and biological assets which are stated at fair value, and is 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 the condensed consolidated financial report are consistent with those applied for the period ended 31 December 2012, except as disclosed below.

### 3.1 New standards, amendments to published standards and interpretations

The following standards, amendments to published standards and interpretations which became effective for the year commencing on 1 January 2013 were adopted by the group:

**IFRIC 20 – Stripping costs in the production phase of a surface mine (effective date: 1 January 2013)**
In surface mining operations, entities may find it necessary to remove waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'. The interpretation clarifies that there are two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The interpretation considers when and how to account for the benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.

The adoption of the IFRIC required the company to componentise each of its mines into geographically distinct ore bodies to which the stripping activities being undertaken within that component could be allocated. This is a change from the accounting policy previously applied, which required each mine to be accounted for as a single component when calculating the value of waste stripping costs to be deferred. This change has resulted in additional stripping costs being deferred.

# 3. ACCOUNTING POLICIES CONTINUED

## 3.1 New standards, amendments to published standards and interpretations CONTINUED

The IFRIC has also resulted in the company depreciating the deferred costs capitalised on a unit of production method, with reference the ex-pit ore production from a component. Under the previous accounting policy adopted, deferred stripping costs were only depreciated to the extent the actual stripping ratio achieved for the current period fell below the life of mine stripping ratio. This change has resulted in the deferred stripping assets being recognised for each component being depreciated in earlier periods.

The transitional provisions of IFRIC 20 requires an entity to apply this IFRIC to production stripping costs incurred on or after the beginning of the earliest period presented. The group has adopted the IFRIC for the current accounting period, which commenced on 1 January 2013. The IFRIC is therefore applied to production stripping costs incurred on or after 1 January 2012.

A summary of the impact of the change in accounting policy on the results is set out below:

| | 6 months 30 June 2013 | 6 months 30 June 2012 | | | 12 months 31 Dec 2012 | | |
|---|---|---|---|---|---|---|---|
| Rand million | Impact of IFRIC 20 restatement | As previously reported | Restated for IFRIC 20 | As restated | As previously reported | Restated for IFRIC 20 | As restated |
| **Balance sheet impact** | | | | | | | |
| **Increase in assets** | | | | | | | |
| Property, plant and equipment | | | | | | | |
| Cost | 397 | 27,069 | 470 | 27,539 | 30,597 | 504 | 31,101 |
| Accumulated depreciation | (15) | 5,032 | – | 5,032 | 5,832 | 11 | 5,843 |
| **Increase in equity and liabilities** | | | | | | | |
| Retained earnings | 212 | 15,139 | 260 | 15,399 | 13,716 | 274 | 13,990 |
| Non-controlling interest | 63 | 4,867 | 78 | 4,945 | 4,345 | 81 | 4,426 |
| Deferred tax liabilities | 107 | 5,923 | 132 | 6,055 | 6,697 | 138 | 6,835 |
| **Income statement impact** | | | | | | | |
| Decrease in operating expenses | (382) | 10,787 | (470) | 10,317 | 22,293 | (493) | 21,800 |
| Increase in taxation – deferred tax | 107 | 4,588 | 132 | 4,720 | 6,750 | 138 | 6,888 |
| Increase in net income for the period | 275 | 9,733 | 338 | 10,071 | 16,100 | 355 | 16,455 |
| Attributable to owners of Kumba | 212 | 7,401 | 260 | 7,661 | 12,212 | 274 | 12,486 |
| Attributable to non-controlling interest | 63 | 2,332 | 78 | 2,410 | 3,888 | 81 | 3,969 |
| Basic earnings per share | 0.66 | 23.05 | 0.81 | 23.86 | 38.02 | 0.85 | 38.87 |
| Headline earnings per share | 0.66 | 23.07 | 0.81 | 23.88 | 37.97 | 0.85 | 38.83 |

### IFRS 11 – Joint arrangements (effective date: 1 January 2013)

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. Proportionate consolidation of joint ventures is no longer allowed.

The standard resulted in the group's 50% joint investment in the Polokwane Iron Ore Company Proprietary Limited being classified as a joint venture relationship under IFRS 11. The entity was previously proportionately consolidated into the group. Under the new standard the entity has been consolidated into the group applying the equity method of accounting.

The impact of the adoption of the standard was not significant for the financial year ended 31 December 2012. The standard has therefore been applied prospectively from 1 January 2013. A loss of R34 million was recognised for the period. This resulted in no investment balance being recognised in the balance sheet, as the losses for the period were greater than the group's interest in the entity.

### IFRS 10 – Consolidated financial statements (effective date: 1 January 2013)

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The application of the standard has not resulted in any changes to the group's financial statements.

### IFRS 12 – Disclosures of interests in other entities (effective date: 1 January 2013)

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard has not had an effect on the reported results or the group accounting policies for the six months ended 30 June 2013 and will not affect the reported results of the group.

It will, however, result in additional note disclosure being provided in the notes to the annual financial statements for the financial year ended 31 December 2013.

### IFRS 13 – Fair value measurement (effective date: 1 January 2013)

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

### Amendments to IAS 27 – Separate financial statements (effective date: 1 January 2013)

The amendments to the standard were issued following the issuance of IFRS 10. The revised IAS 27 deals only with the accounting for subsidiaries, associates and joint ventures in the separate financial statements of the parent company. The application of the standard has not resulted in any changes to the group's financial statements.

### Annual improvements to IFRSs — 2009 to 2011 cycle (effective date: 1 January 2013)

The group adopted the amendments to five issued accounting standards issued by the International Accounting Standards Board (IASB) as part of its Annual Improvements to IFRSs for the 2009 to 2011 cycle. These amendments have not had an effect on the reported results or the group's accounting policies.

# 3. ACCOUNTING POLICIES CONTINUED

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

In 2013 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 30 June 2013, are being evaluated for the impact of these pronouncements.

# 4. CHANGE IN ESTIMATES

The life of mine plan on which accounting estimates are based, only includes proved and probable ore reserves as disclosed in Kumba's 2012 annual ore reserves and mineral resources statement. There has been no change on the life of mine plans of the group's mines for the period under review. Management has revised the estimated rehabilitation and decommissioning provisions for Thabazimbi mine. The effect of this change is detailed below:

| Rand million | Reviewed 30 June 2013 |
|---|---|
| Increase in environmental rehabilitation provision | 248 |
| Increase in decommissioning provision | 8 |

The change in estimate in the environmental rehabilitation provision was applied prospectively from 1 January 2013 and resulted in a decrease in attributable profit and headline earnings per share for the period ended 30 June 2013 of R191 million and 60 cents, respectively. The change in estimate in the decommissioning provision has been capitalised to the related property, plant and equipment.

# 5. PROPERTY, PLANT AND EQUIPMENT

| Rand million | Reviewed 30 June 2013 | Restated Reviewed 30 June 2012 | Restated Audited 31 Dec 2012 |
|---|---|---|---|
| **Capital expenditure** | **2,322** | **2,338** | **5,903** |
| Comprising: | | | |
| Expansion | 451 | 773 | 2,195 |
| Stay in business (SIB) | 1,474 | 1,095 | 3,204 |
| Deferred stripping | 397 | 470 | 504 |
| Transfers from assets under construction to property, plant and equipment | **2,074** | **1,250** | **3,905** |

Expansion capital expenditure comprised the expenditure for Kolomela mine and the first phase of SWEP (Sishen Westerly Expansion Project), both of which are nearing completion. SIB capital expenditure to maintain operations was principally for the acquisition of heavy mining equipment, workshop infrastructure for Sishen mine and housing developments.

# 6. SHARE CAPITAL

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

| Rand million | Reviewed 30 June 2013 | Reviewed 30 June 2012 | Audited 31 Dec 2012 |
|---|---|---|---|
| Balance at beginning of period | (121) | 30 | 30 |
| Total shares issued for cash consideration | 1 | 5 | 5 |
| Shares issued – share premium | – | – | – |
| Net movement in shares held by Kumba Iron Ore Management Share Trust | 1 | 5 | 5 |
| Net movement in treasury shares under employee share incentive schemes | 79 | 38 | (156) |
| Purchase of treasury shares | – | (51) | (261) |
| Shares issued to employees | 79 | 89 | 105 |
| **Share capital and share premium** | **(41)** | **73** | **(121)** |

### Reconciliation of number of shares in issue:

| Number of shares | Reviewed 30 June 2013 | Reviewed 30 June 2012 | Audited 31 Dec 2012 |
|---|---|---|---|
| Balance at beginning of period | 322,058,624 | 322,058,624 | 322,058,624 |
| Ordinary shares issued | 27,350 | – | 84,332 |
| Ordinary shares repurchased and cancelled | – | – | (84,332) |
| **Balance at end of period** | **322,085,974** | **322,058,624** | **322,058,624** |
| **Reconciliation of treasury shares held:** | | | |
| Balance at beginning of period | 1,064,531 | 1,075,970 | 1,075,970 |
| Shares purchased | – | 92,129 | 473,435 |
| Shares issued to employees under the Long-Term Incentive Plan, Kumba Bonus Share Plan and Share Appreciation Rights Scheme | (198,921) | (366,391) | (400,542) |
| Net movement in shares held by Kumba Iron Ore Management Share Trust | 9,870 | (80,266) | (84,332) |
| **Balance at end of period** | **875,480** | **721,442** | **1,064,531** |
| **Treasury shares held as conditional share awards under the Kumba Bonus Share Plan** | **836,252** | **670,311** | **1,035,173** |

# 7. INTEREST-BEARING BORROWINGS

Kumba's net (cash)/debt position at the balance sheet dates was as follows:

| Rand million | Reviewed 30 June 2013 | Restated Reviewed 30 June 2012 | Restated Audited 31 Dec 2012 |
|---|---|---|---|
| Interest-bearing borrowings | 358 | 3,194 | 5,869 |
| Cash and cash equivalents | (2,685) | (2,526) | (1,527) |
| **Net (cash)/debt** | **(2,327)** | **668** | **4,342** |
| **Total equity** | **25,338** | **21,431** | **19,664** |
| **Interest cover (times)** | **108** | **113** | **76** |

Movements in interest-bearing borrowings are analysed as follows:

| Rand million | Reviewed 30 June 2013 | Reviewed 30 June 2012 | Audited 31 Dec 2012 |
|---|---|---|---|
| Balance at the beginning of the period | 5,869 | 3,191 | 3,191 |
| Interest-bearing borrowings raised | 8,290 | – | 5,869 |
| Interest-bearing borrowings repaid | (14,121) | – | (3,195) |
| Finance lease | 320 | – | – |
| Deferred transaction costs recognised | – | 3 | 4 |
| **Balance at the end of the period** | **358** | **3,194** | **5,869** |

At 30 June 2013, the R9.2 billion long-term debt facilities had not been drawn down and R49 million of the total short-term uncommitted facilities of R5.9 billion has been drawn down. Kumba was not in breach of any of its covenants during the period. The group had undrawn long-term borrowing and uncommitted short-term facilities at 30 June 2013 of R15 billion (June 2012: R11.7 billion).

A committed debt facility of R6 billion was secured which replaced a maturing facility, effective from 1 January 2013. The interest on the facility is charged at Jibar plus a margin, determined by the period for which the funds are borrowed.

The group entered into a finance lease in respect of mining equipment during the period.

# 8. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT

**Operating expenses is made up as follows:**

| Rand million | Reviewed 6 months 30 June 2013 | Restated Reviewed 6 months 30 June 2012 | Restated Audited 12 months 31 Dec 2012 |
|---|---|---|---|
| Production costs | 6,914 | 5,692 | 13,339 |
| Movement in inventories | 153 | 109 | 59 |
| Finished products | 497 | 291 | 441 |
| Work-in-progress | (344) | (182) | (382) |
| **Cost of goods sold** | 7,067 | 5,801 | 13,398 |
| Mineral royalty | 904 | 718 | 1,127 |
| Selling and distribution costs | 2,324 | 2,037 | 4,065 |
| Cost of services rendered – shipping | 1,681 | 1,766 | 3,222 |
| Sublease rent received | (16) | (5) | (12) |
| **Operating expenses** | **11,960** | **10,317** | **21,800** |
| **Operating profit has been derived after taking into account the following items:** | | | |
| Employee expenses | 1,454 | 1,280 | 3,466 |
| Share-based payment expenses | 303 | 372 | 756 |
| Depreciation of property, plant and equipment | 918 | 702 | 1,534 |
| Deferred waste stripping costs capitalised (refer to note 3.1) | (397) | (470) | (504) |
| Net (profit)/loss on disposal and scrapping of property, plant and equipment | (13) | 13 | (21) |
| Finance gains | (562) | (43) | (148) |
| Operating expenses capitalised | (1) | – | (98) |

# 9. SEGMENTAL REPORTING

| Rand million | Sishen mine | Kolomela mine | Thabazimbi mine | Logistics [1] | Shipping operations | Total |
|---|---|---|---|---|---|---|
| **Reviewed period ended 30 June 2013** | | | | | | |
| Revenue from external customers | 18,124 | 6,091 | 522 | – | 1,562 | **26,299** |
| Depreciation | 631 | 273 | 1 | – | – | **905** |
| EBIT | 13,598 | 4,493 | 82 | (2,324) | (119) | **15,730** |
| Total segment assets | 605 | 183 | 106 | – | – | **894** |
| **Restated reviewed period ended 30 June 2012** | | | | | | |
| Revenue from external customers | 19,156 | 3,871 | 506 | – | 1,703 | **25,236** |
| Depreciation | 459 | 229 | 2 | – | – | **690** |
| EBIT | 14,750 | 2,956 | 19 | (2,037) | (64) | **15,624** |
| Total segment assets | 531 | 162 | 180 | – | – | **873** |
| **Restated audited year ended 31 December 2012** | | | | | | |
| Revenue from external customers [2] | 33,001 | 8,239 | 1,014 | – | 3,192 | **45,446** |
| Depreciation | 1,033 | 471 | 3 | – | – | **1,507** |
| EBIT | 23,559 | 5,945 | (25) | (4,065) | (30) | **25,384** |
| Total segment assets | 404 | 198 | 130 | – | – | **732** |

1 *A new segment, Logistics, was reported for 2012, following an internal restructuring of our operations. It represents our rail and port operations and the related costs.*

2 *Inter-segment revenue is no longer reported for the Logistics segment as was the case for the year ended 31 December 2012 in the Annual Financial Statements 2012. The reason for this being that the group's executive committee, as the Chief operating decision maker (CODM), reviews the segment's performance with reference only to volumes railed and rail tariffs achieved.*

| Rand million | Reviewed 6 months 30 June 2013 | Restated Reviewed 6 months 30 June 2012 | Restated Audited 12 months 31 Dec 2012 |
|---|---|---|---|
| Sale of products * | 24,737 | 23,533 | 42,254 |
| Shipping services | 1,562 | 1,703 | 3,192 |
| **Total revenue** | **26,299** | **25,236** | **45,446** |

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

| Rand million | Reviewed 6 months 30 June 2013 | Restated Reviewed 6 months 30 June 2012 | Restated Audited 12 months 31 Dec 2012 |
|---|---|---|---|
| **Reconciliation of reportable segments' EBIT to total profit before taxation:** | | | |
| EBIT for reportable segments | 15,730 | 15,624 | 25,384 |
| Other segments | (1,391) | (705) | (1,738) |
| **Operating profit** | 14,339 | 14,919 | 23,646 |
| Net finance costs | (138) | (128) | (303) |
| Loss from equity accounted joint venture | (34) | – | – |
| **Profit before taxation** | **14,167** | **14,791** | **23,343** |
| **Reconciliation of reportable segments' depreciation to total depreciation:** | | | |
| Depreciation for reportable segments | 905 | 690 | 1,507 |
| Other segments | 13 | 12 | 27 |
| **Depreciation** | **918** | **702** | **1,534** |
| **Reconciliation of reportable segments' assets to total assets:** | | | |
| Segment assets for reportable segments | 894 | 873 | 732 |
| Other segments and WIP inventory | 3,570 | 2,843 | 3,404 |
| **Inventory per balance sheet** | 4,464 | 3,716 | 4,136 |
| Other current assets | 6,036 | 7,410 | 5,935 |
| Non-current assets | 28,911 | 24,048 | 26,958 |
| **Total assets** | **39,411** | **35,174** | **37,029** |

The total reported segment revenue is measured in a manner consistent with that disclosed in the income statement.

The performance of the operating segments are assessed based on a measure of earnings before interest and taxation (EBIT), which is measured in a manner consistent with 'Operating profit' in the financial statements. 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 assets.

'Other segments' comprise corporate, administration and other expenditure not allocated to the reported segments.

# 9. SEGMENTAL REPORTING CONTINUED

**Geographical analysis of revenue and non-current assets:**

| Rand million | Reviewed 6 months 30 June 2013 | Restated Reviewed 6 months 30 June 2012 | Restated Audited 12 months 31 Dec 2012 |
|---|---|---|---|
| **Total revenue from external customers** | | | |
| South Africa | 1,641 | 1,546 | 2,832 |
| Export | 24,658 | 23,690 | 42,614 |
| China | 17,006 | 16,325 | 28,277 |
| Rest of Asia | 5,080 | 4,821 | 9,889 |
| Europe | 2,456 | 2,422 | 4,322 |
| Middle East | – | 122 | 126 |
| Africa | 116 | – | – |
| | **26,299** | **25,236** | **45,446** |
| **Total non-current assets** * | | | |
| South Africa | 27,641 | 22,646 | 25,938 |
| China | – | 3 | 1 |
| Singapore | 2 | – | – |
| | **27,643** | **22,649** | **25,939** |

* *Excluding prepayments, investments in associates and joint ventures and deferred tax assets.*

# 10. RELATED PARTY TRANSACTIONS

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

No short-term deposit facilities were placed with Anglo American SA Finance Limited (AASAF) at 30 June 2013 (30 June 2012: R1,489 million). There was no interest earned on facilities during the period (30 June 2012: R74 million; weighted average interest rate 30 June 2012: 8.44%).

At 30 June 2013 a short-term deposit is held with Anglo American Capital of R2.2 billion (30 June 2012: R nil). The interest earned on the deposit is insignificant as the funds are deposited in the account for two to three days at a time.

Interest-bearing borrowings drawn down at 30 June 2013 of R49 million (30 June 2012: R nil) was from facilities with AASAF. Interest paid on these borrowings during the period was market related and amounted to R77 million (30 June 2012: R nil) at a weighted average interest rate of 5.60% per annum.

# 11. CONTINGENT ASSETS AND LIABILITIES

Kumba initiated arbitration proceedings against La Société des Mines de Fer du Sénégal Oriental (Miferso) and the State of Senegal under the rules of the Arbitration of the International Chamber of Commerce in 2007, in relation to the Falémé Project.

Following the arbitration award rendered in July 2010, a mutually agreed settlement was concluded between the parties. The settlement agreement was revised in June 2013. The parties agreed that the precise terms of the settlement agreement will remain confidential.

# 12. GUARANTEES

During the six months ended 30 June 2013, the group issued additional financial guarantees to the Department of Mineral Resources (DMR) in respect of Thabazimbi mine of R132 million (2012: R nil), for the environmental rehabilitation and decommissioning obligations of the group. AMSA has guaranteed the R132 million by means of a bank guarantee issued in favour of Sishen Iron Ore Company Proprietary Limited (SIOC). The total guarantees issued for environmental closure liabilities at 30 June 2013 is R986 million.

# 13. LEGAL PROCEEDINGS

## 13.1 Sishen Supply Agreement arbitration

A dispute arose between SIOC and AMSA in February 2010, in relation to SIOC's contention that the contract mining agreement concluded between them in 2001 had become inoperative as a result of the fact that AMSA had failed to convert its old order mining rights. This dispute has been referred to arbitration.

The hearing of the arbitration has been postponed until after the final resolution of the mining rights dispute (see 13.2 below). The sale of iron ore from the Sishen mine to AMSA currently remains regulated in terms of the Interim Pricing Agreement concluded in December 2012 and applies to the period 1 January 2013 to 31 December 2013 or finalisation of the arbitration (whichever is sooner).

## 13.2 21.4% undivided share of the Sishen mine mineral rights

On 28 March 2013, the Supreme Court of Appeal (SCA) issued its judgment on the appeal of the DMR and Imperial Crown Trading 289 Proprietary Limited (ICT) against the High Court judgment delivered in December 2011. The SCA held that SIOC is the exclusive holder of the mining right at the Sishen mine.

Both the DMR and ICT have applied for leave of appeal to the Constitutional Court to challenge the SCA judgment. The hearing before the Constitutional Court will be held on 3 September 2013.

The High Court order does not affect the interim supply agreement between AMSA and SIOC, which will endure until 31 December 2013 as indicated in note 13.1 above.

SIOC will continue to take the necessary steps to protect its shareholders' interests in this regard.

# 13. LEGAL PROCEEDINGS CONTINUED

## 13.3 Project Phoenix dispute

A dispute exists between AMSA and SIOC concerning AMSA's contention that it holds an entitlement to require SIOC to supply AMSA with iron ore produced from the Phoenix Project in terms of the Thabazimbi Supply Agreement.

In February 2013, AMSA referred a dispute to arbitration, in relation to its claimed entitlement to participate in SIOC's Phoenix Project. SIOC denies AMSA's claimed participation entitlement. No further steps have subsequently been taken by AMSA in this regard. SIOC is continuing with formal engagement with AMSA on this matter.

## 13.4 Sishen Supply Agreement cost recovery

A dispute relating to historical cost recovery by SIOC, in terms of the Sishen-AMSA supply agreement (prior to 2010) has been declared by AMSA has indicated its intention to pursue the matter. Kumba will defend its position.

## 13.5 Lithos Corporation Proprietary Limited

Lithos Corporation Proprietary Limited is claiming US$421 million from Kumba for damages in relation to the Falémé project in Senegal. On 9 April 2013 judgment was handed down in the matter and Kumba's application for absolution from the instance was upheld. Lithos' claim was dismissed with costs. An application by Lithos to seek leave to appeal against that judgment was dismissed by the High Court on 20 May 2013.

On 18 June 2013, Lithos launched an application to apply for leave to appeal to the SCA. Kumba is opposing this application. Kumba continues to defend the merits of the claim and is of the view, and has been so advised, that the basis of the claim and the quantification thereof is fundamentally flawed.

# 14. CORPORATE GOVERNANCE

The group subscribes to the Code of Good Corporate Practices and Conduct and complies with the recommendations of the King III Report. Full disclosure of the group's compliance is contained in the 2012 Integrated Report.

## 15. EVENTS AFTER THE REPORTING PERIOD

No further material events have occurred between the end of the reporting period and the date of the release of these reviewed condensed consolidated financial statements.

## 16. INDEPENDENT AUDITORS' REVIEW REPORT

The auditors, Deloitte & Touche, have issued their unmodified review report on the condensed consolidated interim financial report for the six months ended 30 June 2013. The review was conducted in accordance with ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

A copy of their unmodified review report is available for inspection at the company's registered office.

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

On behalf of the Board

**F Titi**

Chairman

**NB Mbazima**

Chief executive

19 July 2013
Pretoria

# NOTICE OF INTERIM CASH DIVIDEND

At its Board meeting on 19 July 2013 the directors approved a gross interim cash dividend of 2,010 cents per share on the ordinary shares from profits accrued during the year ending 31 December 2013. The dividend has been declared from income reserves.

The company has utilised Secondary Tax on Companies' (STC) credits amounting to 0.01820 cents per share. The dividend will be subject to a dividend withholding tax of 15% 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 who are subject to withholding tax at a rate of 15% amounts to 1,708.50273 cents per share.

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

The salient dates are as follows:

| | |
|---|---|
| · Last day for trading to qualify and participate in the interim dividend (and change of address or dividend instructions) | Thursday, 8 August 2013 |
| · Trading ex-dividend commences | Monday, 12 August 2013 |
| · Record date | Friday, 16 August 2013 |
| · Dividend payment date | Monday, 19 August 2013 |

Share certificates may not be dematerialised or rematerialised between Monday, 12 August 2013 and Friday, 16 August 2013, both days inclusive.

By order of the Board

**VF Malie**
Company secretary

19 July 2013
Pretoria

# ADMINISTRATION

## Registered office:

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Fax: +27 12 683 7009

## Transfer secretaries:

Computershare Investor Services Proprietary Limited
70 Marshall Street
Republic of South Africa
PO Box 61051, Marshalltown, 2107

## Sponsor to Kumba:

RAND MERCHANT BANK (a division of FirstRand Bank Limited)

## Directors:

**Non-executive** – F Titi (chairman), ZBM Bassa, GS Gouws, KT Kweyama, DD Mokgatle, AJ Morgan, LM Nyhonyha, BP Sonjica, DM Weston
**Executive** – NB Mbazima (chief executive), FT Kotzee (chief financial officer)

## Company secretary:

VF Malie

## Company registration number:

No 2005/015852/06
Incorporated in the Republic of South Africa

## Income tax number:

9586/481/15/3

JSE code: KIO
('Kumba' or 'the company' or 'the group')

ISIN: ZAE000085346

**www.angloamericankumba.com**

RUSSELL ANDASSOCIATES 6986/13

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