

KUMBA IRON ORE LIMITED  
Summarised annual results  
for the year ended 31 December 2014



# OPERATING SMARTER



## KEY FEATURES

- Regrettably one fatality at Sishen mine in April 2014
- Sishen mine's production increased by 15% to 35.5 Mt as recovery plan successfully implemented
- Kolomela mine continued to perform well lifting output by 7% to 11.6 Mt
- Export sales volumes were 4% higher at 40.5 Mt
- Significant 28% drop in average iron ore export prices to US\$97 per tonne (Platts IODEX 62% Fe)
- HEPS 29% lower at R34.32 per share
- R2.5 billion final cash dividend declared to shareholders

# COMMENTARY

## KUMBA IRON ORE LIMITED ('KUMBA' OR 'THE GROUP') ANNOUNCES ITS RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014.

The Group's safety performance remains a key priority. Regrettably, one of our colleagues tragically lost his life in April 2014 when he fell from a crane while doing maintenance work at Sishen mine. The lost-time injury frequency rate (LTIFR) was 0.23 (2013: 0.18). The focus on key safety improvement drivers remains in place, with continued emphasis on the implementation of critical controls and greater operational discipline.

In 2014, Kumba successfully delivered on its plans and promises. At Sishen mine, the production target of 35 Mt was exceeded, producing 35.5 Mt (2013: 30.9 Mt) as the recovery plan was successfully implemented. Waste removal at Sishen was below target but the strategic redesign was completed and as a result sufficient ore was exposed to increase flexibility and meet the 2015 production target. The robust performance at Kolomela mine continued, lifting output by 7% to 11.6 Mt. Total export sales volumes increased by 4% to 40.5 Mt (2013: 39.1 Mt).

The year was characterised by the significant drop in the average export iron ore price, down 28% from US\$135 to US\$97 per tonne (Platts IODEX 62%Fe). Kumba's achieved average FOB export prices were down US\$34 per tonne, or 27% from US\$125 to US\$91 per tonne. Lower freight rates have supported FOB prices. Higher grade materials have maintained their premium despite the fall in underlying prices. Spot lump premiums continued to climb, reaching US¢31/dmtu by the end of the year, as stricter environmental legislation encouraged usage of direct charge materials. Consequently, the premiums Kumba achieved on its lump products, a higher lump: fines export ratio, as well as the weaker average ZAR/US\$ exchange rate (2014: R10.83; 2013: R9.62), partially countered the effects of the price decline. As a result, revenue was 13% lower at R47.6 billion (2013: R54.5 billion). Operating expenses rose by 9% to R28.4 billion principally as a result of input cost pressures from higher mining volumes, and therefore headline earnings decreased by 29% to R11 billion.

Attributable and headline earnings for the period were R33.44 and R34.32 per share respectively (2013: R48.09 and R48.08), on which a final cash dividend of R7.73 per share has been declared, at a 1.7 times cover. The increase in dividend cover from 1.3 times from the 2014 interim dividend to 1.7 times for the final 2014 dividend recognises the impact of lower iron ore prices on the company's cash generation amidst the continued uncertain market environment. The full year dividend amounts to R23.34 per share, at 1.4 times cover (2013: R40.04).

To facilitate the expansion of Sishen mine to the west, Phase 1 of the Dingleton relocation project was successfully completed, with 71 homes in Dingleton North being moved to the new host site. Construction on Phase 2, the relocation of the 428 remaining houses, buildings and businesses, has commenced and is expected to be completed by 2017.

Sishen Iron Ore Company (Pty) Limited (SIOC) has not yet been awarded the 21.4% Sishen mining right, which it applied for early in 2014 following the Constitutional Court judgement on the matter in December 2013. The Constitutional Court ruled that SIOC held a 78.6% undivided share of the Sishen mining right and that, based on the provisions of the Minerals and Petroleum Resources Development Act (MPRDA), only SIOC can apply for, and be granted, the residual 21.4% share of the mining right at the Sishen mine. The grant of the mining right may be made subject to such conditions considered by the Minister to be appropriate. Kumba is actively continuing its engagement with the Department of Mineral Resources (DMR) in order to finalise the grant of the residual right.

As at 30 June 2014, the Group reported that it had certain tax matters under review with the South African Revenue Service (SARS). As at 31 December 2014 the Group was engaged in discussions with SARS around these matters with a view to seeking resolution. These matters have been considered in consultation with external tax and legal advisors, who support the Group's position. We believe that these matters have been appropriately treated in the results for the year ended 31 December 2014.

For two years now, Kumba has had a stable labour environment with no work stoppages attributable to labour disputes. The Group concluded a three year wage agreement which became effective on 1 July 2014.

## MARKET OVERVIEW

The export price at the beginning of the financial year was US\$135 per tonne, falling to a five year low of US\$72 per tonne by the end of December 2014, following strong growth in supply, particularly from the major suppliers, and slower crude steel production growth in China.

Global seaborne iron ore supply rose 11% in 2014 led by a 24% increase in Australian exports as well as a

4% increase in exports from Brazil and 2% from South Africa. India became a net importer in the second half of the year. It is taking some time for uneconomic supply to exit the market.

Global crude steel production increased 3.1%, slightly faster than 2013 as higher output in the rest of the world offset slower growth in China. Chinese growth slowed from 6.5% to 4.5%, while Japan, South Korea and Taiwan benefited from additional integrated steel capacity and high capacity utilisation rates. Europe recovered ground lost in 2013, showing 3% growth.

Global steel production slowed in the second half, due to weaker conditions in China and seasonal maintenance in Europe, despite record high steel exports.

## OPERATIONAL PERFORMANCE

### Production summary (unaudited)

| '000 tonnes            | December<br>2014 | December<br>2013 | % change  |
|------------------------|------------------|------------------|-----------|
| <b>Total</b>           | <b>48,197</b>    | <b>42,373</b>    | <b>14</b> |
| Lump                   | 31,269           | 27,087           | 15        |
| Fines                  | 16,928           | 15,287           | 11        |
| <b>Mine production</b> | <b>48,197</b>    | <b>42,373</b>    | <b>14</b> |
| Sishen Mine            | 35,541           | 30,938           | 15        |
| DMS Plant              | 22,911           | 20,374           | 12        |
| Jig Plant              | 12,630           | 10,564           | 20        |
| Kolomela Mine          | 11,568           | 10,809           | 7         |
| Thabazimbi Mine        | 1,088            | 626              | 74        |

## Sishen mine

Overall, Kumba showed a marked improvement in production as plans implemented over the past few years, yielded benefits. These were complemented by the implementation of the Operating Model at internal waste and ore mining in the Sishen North mine in August 2014. The Operating Model represents a consistent approach across the business to ensure that we operate our assets to their full potential and enhance long-term operational capability. The three basic principles underpinning the Operating Model are: stability in operations that deliver predictable outcomes, experience lower operating costs and fewer capital expenditure requirements; lower variation in operational performance to increase capability and efficiency; and clarity where team members have a clear understanding of their own work, and how their team works. The model is already yielding results including improving scheduled work, now over 70% compared to 20% on commencement, a 50% reduction in waiting time on shovels, and 23% efficiency improvements in total tonnes handled since June 2014.

Sishen production of 35.5 Mt increased 15% (2013: 30.9 Mt), with total tonnes mined rising to 230 Mt (2013: 209 Mt), including 187 Mt was waste (2013: 168 Mt). While this is below the previously announced 2014 target of 220 Mt, waste removal run rates are now meeting targets. Additional contractor capacity has been secured and the performance of Kumba's own mining fleet improved. The vertical rate of advance at the mine was increased, further strengthening the exposed ore position. The strategic redesign of the western pushbacks of the pit, together with the improved waste removal run rates, means sufficient ore has been exposed to support the 2015 production target of 36 Mt. Other key actions at the mine include:

- The Dingleton relocation project to facilitate Sishen's westward expansion
- Construction of two new waste dumps and
- The five-year-fleet plan and associated infrastructure, which include an on-site maintenance facility to service the mine's haul trucks. This, along with increasing the fleet of trucks, is set to increase the mine's capacity for moving ore as the mine ramps up.

Execution of the pit redesign plan has resulted in an improved mining plan that enables better use of equipment, and the deployment of two priority pushbacks. As a consequence 780 Mt of waste was taken out of the revised life of mine plan with an 87 Mt reduction in reserves, increasing the net present value of the mine. The outcome was a reduction in the average life of mine stripping ratio from 4.4 to 3.9. As a result the remaining life-of-mine of Sishen has reduced from 18 years to 16 years at the end of 2014.

## Kolomela mine

Kolomela mine continued its robust performance. Total tonnes mined rose by 18% to 70.4 Mt, (2013: 59.9 Mt), including 55.5 Mt of waste (2013: 46.7 Mt), an increase of 19%. The mine produced 11.6 Mt of iron ore, an increase of 7%. Pre-stripping of the third pit at Kolomela was completed to maintain flexibility and the company aims to increase current production through de-bottlenecking and optimisation of the plant. With the establishment of the third pit, waste levels going forward are expected to come down and normalise. The new steady state production capacity is 11 Mtpa, up from 10 Mtpa. As a result, the remaining reserve life of Kolomela has reduced from 24 years to 21 years at the end of 2014 (from 19 years to 16 years excluding inferred resources).

### Thabazimbi mine

Production at Thabazimbi mine increased by 74% from 0.6 Mt to 1.1 Mt as planned. The study for the reconfiguration continues but has been impacted by the current low iron ore price. The low grade project has been suspended and due to the low price environment in which the company is now operating, the future of this mine is being reconsidered. An impairment charge of R439 million was recognised related to Thabazimbi mine (refer to note 8 of the summarised consolidated financial statements).

### Logistics

The Sishen-Saldanha Iron Ore Export Channel (IOEC) continued to support the increased production as 42.2 Mt were railed to Saldanha (including 0.7 Mt volumes from third party producers), an increase of 6% (2013: 39.7 Mt). Kumba shipped 40.1 Mt from the Saldanha port for the export market, slightly more than the 39.3 Mt in 2013. In addition Saldanha's multi-purpose terminal (MPT), allowed the Group to export additional tonnage, particularly towards the end of the year.

In the fourth quarter, the MPT accounted for 0.7 Mt of Kumba's exports.

### Sales

Kumba increased sales in 2014 and rebuilt its stockpiles. Total sales for Kumba were 4% higher at 45.3 Mt (2013: 43.7 Mt). Export sales volumes were up 4% to 40.5 Mt (2013: 39.1 Mt). CFR sales accounted for 62% of export sales volumes (2013: 63%). Finished product inventory held at the mines and ports rose to 6.5 Mt from 2.9 Mt at the 2013 year end. Export sales volumes to China accounted for 57% (2013: 68%) of the company's total export volumes for the year, as Kumba exported more to India in line with its strategy to broaden the customer base. The Group's lump:fine ratio was 67:33 for the period (2013: 63:37). Variations from one period to another may be expected as a result of changes in stock levels of individual products. The superior physical characteristics of Kumba's lump ore allows for the production of niche lump products with very specific sizing, commanding an additional premium in the market.

### Sales summary (unaudited)

| '000 tonnes     | December<br>2014 | December<br>2013 | % change |
|-----------------|------------------|------------------|----------|
| <b>Total</b>    | <b>45,288</b>    | <b>43,708</b>    | <b>4</b> |
| Export sales    | 40,468           | 39,076           | 4        |
| Domestic sales  | 4,820            | 4,632            | 4        |
| Sishen mine     | 3,853            | 3,927            | (2)      |
| Thabazimbi mine | 967              | 705              | 37       |

## FINANCIAL RESULTS

### Revenue

The Group's total revenue of R47.6 billion for the period decreased 13% from R54.5 billion in 2013, mainly as a result of the significant drop in average realised iron ore prices (2014: US\$91/tonne; 2013: US\$125/tonne) offset to an extent by the weaker average ZAR/US\$ exchange rate (2014: R10.83; 2013: R9.62), as well as 4% higher total sales volumes of 45.3 Mt.

### Operating expenses

Operating expenses rose by 9% to R28.4 billion from R26.1 billion principally as a result of:

- 37 Mt growth in total mining volumes
- cost increases in labour, diesel, mining contractor rates and rail and port tariffs
- R456 million higher freight costs
- R439 million impairment charge for Thabazimbi mine partially offset by
- higher waste stripping deferred to the balance sheet

One of the benefits of the successful recovery plan was that unit cash costs at Sishen mine were contained at R272/tonne despite higher mining volumes (2013: R267/tonne). The input cost pressures (R20/tonne) and higher mining volumes (R28/tonne) were largely offset by higher production volumes (R40/tonne) and deferred stripping (R13/tonne). As Sishen approaches the waste peak, unit cash cost growth is expected to peak in 2015 and flatten thereafter. Going forward further benefits are expected from the reduction in

oil prices, increasing productivity and the benefits of the Operating Model.

Kolomela mine incurred unit cash costs of R208/tonne (2013: R182/tonne), a 14% increase. This was due to increased input costs on diesel, mining contractor rates as a result of increased travelling distances, as well as drilling and blasting material, and higher mining volumes (R31/tonne). This was offset by the impact of increased production volumes of R15/tonne and deferred stripping of R15/tonne. Other cash costs (R12/tonne) for the period included additional drilling cost to ensure optimal placement of waste dumps and reclaimer related maintenance, as well as exploration drilling to increase the geological confidence in the resource in line with Kolomela's 11 Mt life of mine production capacity.

Thabazimbi delivered the increased production as planned, which incurred additional costs. Unit cash costs rose 6% to R682/tonne, mainly as a result of 20% higher mining volumes offset by the benefit from delivering on the production target.

### Operating profit

Operating profit of R19.2 billion decreased by 32% (2013: R28.4 billion). Kumba's operating profit margin for 2014 decreased to 40% (2013: 52%), 45% from mining activities (2013: 56%). The fall in iron ore prices and input cost pressures from higher mining volumes outlined previously impacted profitability.

### Cash flow

The Group continued to generate substantial cash from its operations; R22.9 billion for the year (before mineral royalties) (2013: R31.4 billion).

The cash was used to pay dividends of R15.2 billion (2013: R13.7 billion), income tax of R4.2 billion (2013: R6.2 billion) and mineral royalties of R1.2 billion (2013: R2.1 billion). The Group's working capital position remains healthy, ensuring sufficient reserves to cover short-term positions.

Capital expenditure of R8.5 billion was incurred. Expansion capex of R1.4 billion focussed on the Dingleton relocation project and R7.1 billion on stay-in-business (SIB) activities (including heavy mining equipment, infrastructure, housing and deferred stripping). In light of the current pricing environment, the Group has reduced capital expenditure guidance (excluding deferred

stripping) for 2015 and 2016 from what was previously guided, and optimised our project portfolio resulting in the deferral of some of the capital spend to later years. The Group expects capital expenditure (excluding deferred stripping) for 2015 to be in the range of R5.2 billion to R5.6 billion and for 2016 to be between R4.4 billion and R4.9 billion (excluding unapproved projects).

Deferred stripping capital expenditure per mine estimates are shown in the table below. The increase expected at Sishen mine is mainly as a result of higher stripping ratios expected in certain areas of the pit as a result of the pushback design.

| R' million   | 2014         | (unaudited)<br>2015 | (unaudited)<br>2016 |
|--------------|--------------|---------------------|---------------------|
| Sishen       | 1,025        | 2,450 – 2,750       | 3,100 – 3,650       |
| Kolomela     | 351          | 450 – 500           | 350 – 450           |
| Thabazimbi   | 462          | 400 – 450           | Under review        |
| <b>Total</b> | <b>1,838</b> | 3,300 – 3,700       | 3,450 – 4,100       |

At 31 December 2014 the Group had a net debt position of R7.9 billion (2013: R1.8 billion).

### Projects

The Group's portfolio has been reviewed and optimised to leverage the current asset base. The target remains an additional ~5Mt in South Africa over the next three to five years, through incremental volumes from the projects at Sishen and Kolomela. Studies are underway to determine value accretive options to deploy UHDSMS and other low grade technologies at Sishen. Further long-term expansion at Kolomela from current and additional pits is being considered. Despite the challenges of the current low price environment, the Group will continue to look for long term opportunities in Central and West Africa to preserve long-term growth options.

### Ore reserves and mineral resources

The following changes are reported to the ore reserves and mineral resources as disclosed in the 2013 Kumba Integrated Report.

As of 31 December 2014, Kumba, from a 100% ownership reporting perspective, had access to an estimated ore reserve of 914 Mt at its three mining operations (Sishen, Kolomela and Thabazimbi), a decrease of 15%. Kumba's estimated mineral resources, in addition to its ore reserves at these three operations, as well as the Zandriverspoort magnetite project, totalled 1.3 billion tonnes, an increase of 11%.

The net decrease of 15% in Kumba's ore reserves in 2014 is primarily attributable to annual run-of-mine production of 52 Mt, as well as the strategic redesign of Sishen which has resulted in a waste reduction of 780 Mt and an 87 Mt reduction in reserves, increasing the net present value of the mine. As a result the Sishen life-of-mine stripping ratio has reduced from 4.4 to 3.9 and the reserve life from 18 years to 16 years at the end of 2014. The increase in the proved to probable ore reserve ratio from 49:51 in 2013 to 70:30 in 2014, is primarily the result of the reversal of the downgrading of 225 Mt reserves from proved to probable in 2013 at Sishen,

subsequent to the granting of the mining right over the Sishen Rail properties in February 2014. The overall increase in mineral resources of 11% was mainly as a result of sustained exploration at Kolomela and Thabazimbi. The Kolomela reserve life has reduced from 24 years to 21 years at the end of 2014 (from 19 years to 16 years excluding inferred resources) as a result of the annual saleable product output being increased from 10 Mtpa to 11 Mtpa.

#### **Appointment of company secretary**

The board of Kumba announced the appointment of Ms Avanthi Parboosing as company secretary with effect from 28 July 2014.

#### **Outlook**

Crude steel production is forecast to grow by approximately 2% in 2015, with slower growth of 1% to 2% in China and slightly stronger in the rest of the world. We do not expect a major recovery in the average iron ore price and the Group has undertaken a number of decisive actions to ensure that Kumba remains a resilient organisation in a low iron ore price environment. We have:

- reconfigured operations to achieve lower cost production to fill the available rail capacity
- reduced capital expenditure in 2015 and 2016 and optimised our project portfolio resulting in the deferral of some of the capital spend to later years, as well as cutting exploration, technical and project study expenditure by ~50%
- reduced the head office workforce by 40%
- optimised the Sishen LOM plan and removed areas of high stripping ratios

In addition to the short-term actions already taken, further activities have commenced or are being analysed for implementation:

- review of Thabazimbi mine as part of the portfolio
- restructuring of support services at operations
- implementation of the Operating Model at mining and plant operations and new initiatives on operational efficiencies

- improving supply chain efficiencies

The production outlook for Sishen mine is 36 Mt in 2015. Following the planned commissioning of a new modular plant in 2015, production guidance for Sishen has been increased for both 2016 and 2017 to 38 Mt.

Kolomela mine is expected to produce 11 Mt in 2015 and 12 Mt in 2016. It is expected that waste volumes will reach between 240 Mt and 250 Mt at Sishen and between 42 Mt and 46 Mt at Kolomela in 2015.

Export sales volumes for 2015 are targeted at above 43 Mt. Domestic sales volume of up to 6.25 Mtpa is contracted to ArcelorMittal S.A in terms of the supply agreement.

It remains the Group's intent to continue to pay excess cash to its shareholders, after considering growth and investment opportunities, while remaining within its committed debt facilities. In line with the board's policy, the dividend cover will be reviewed at each declaration, after considering, amongst other factors, the low iron ore price environment and the Group's capital expenditure profile. We accordingly envisage further increases to dividend cover in the next dividend cycle.

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

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

The presentation in support of the company's results for the year ended 31 December 2014 will be available on the company's website [www.angloamericankumba.com](http://www.angloamericankumba.com) at 08h30 CAT and the webcast will be available from 11h30 CAT on 10 February 2015.

**SALIENT FEATURES AND OPERATING STATISTICS**

for the year ended

|   | Unaudited<br>31 December<br>2014 | Unaudited<br>31 December<br>2013 |
|---|----------------------------------|----------------------------------|
| <b>Share statistics ('000)</b>  |                                  |                                  |
| Total shares in issue   | <b>322,086</b>                   | 322,086                          |
| Weighted average number of shares                                       | <b>320,663</b>                   | 321,187                          |
| Treasury shares   | <b>1,533</b>                     | 1,445                            |
| <b>Market information</b>   |                                  |                                  |
| Closing share price (Rand)  | <b>240</b>                       | 443                              |
| Market capitalisation (Rand million)                                    | <b>77,268</b>                    | 142,829                          |
| Market capitalisation (US\$ million)                                    | <b>6,677</b>                     | 13,655                           |
| <b>Net asset value attributable to owners of Kumba (Rand per share)</b> | <b>64.47</b>                     | 64.68                            |
| <b>Capital expenditure (Rand million)</b>                               |                                  |                                  |
| Incurred  | <b>8,477</b>                     | 6,453                            |
| Contracted  | <b>3,430</b>                     | 600                              |
| Authorised but not contracted   | <b>3,040</b>                     | 4,943                            |
| <b>Finance lease commitments</b>  | <b>232</b>                       | 300                              |
| <b>Operating commitments</b>  |                                  |                                  |
| Operating lease commitments   | <b>148</b>                       | 27                               |
| Shipping services   | <b>11,353</b>                    | 12,222                           |
| <b>Economic information</b>   |                                  |                                  |
| Average Rand/US Dollar exchange rate (ZAR/US\$)                         | <b>10.83</b>                     | 9.62                             |
| Closing Rand/US Dollar exchange rate (ZAR/US\$)                         | <b>11.57</b>                     | 10.46                            |
| <b>Sishen mine FOR unit cost</b>  |                                  |                                  |
| Unit cost (Rand per tonne)  | <b>331.55</b>                    | 325.28                           |
| Cash cost (Rand per tonne)  | <b>271.84</b>                    | 266.94                           |
| Unit cost (US\$ per tonne)  | <b>30.60</b>                     | 33.81                            |
| Cash cost (US\$ per tonne)  | <b>25.09</b>                     | 27.75                            |
| <b>Kolomela mine FOR unit cost</b>                                      |                                  |                                  |
| Unit cost (Rand per tonne)  | <b>269.13</b>                    | 240.97                           |
| Cash cost (Rand per tonne)  | <b>207.60</b>                    | 181.81                           |
| Unit cost (US\$ per tonne)  | <b>24.84</b>                     | 25.05                            |
| Cash cost (US\$ per tonne)  | <b>19.16</b>                     | 18.90                            |

**SUMMARISED CONSOLIDATED BALANCE SHEET**

as at

| Rand million                                | Notes | Audited<br>31 December<br>2014 | Audited<br>31 December<br>2013 |
|---|-------|--------------------------------|--------------------------------|
| <b>Assets</b>                               |       |                                |                                |
| Property, plant and equipment               | 5     | 35,170                         | 29,922                         |
| Biological assets                           |       | 6                              | 6                              |
| Investments held by environmental trust     |       | 791                            | 737                            |
| Long-term prepayments and other receivables |       | 555                            | 605                            |
| Deferred tax assets                         |       | 871                            | 920                            |
| <b>Non-current assets</b>                   |       | <b>37,393</b>                  | 32,190                         |
| Inventories                                 |       | 7,366                          | 5,171                          |
| Trade and other receivables                 |       | 4,476                          | 6,124                          |
| Cash and cash equivalents                   |       | 1,664                          | 1,053                          |
| <b>Current assets</b>                       |       | <b>13,506</b>                  | 12,348                         |
| <b>Total assets</b>                         |       | <b>50,899</b>                  | 44,538                         |
| <b>Equity</b>                               |       |                                |                                |
| Shareholders' equity                        | 6     | 20,764                         | 20,831                         |
| Non-controlling interest                    |       | 6,237                          | 6,353                          |
| <b>Total equity</b>                         |       | <b>27,001</b>                  | 27,184                         |
| <b>Liabilities</b>                          |       |                                |                                |
| Interest-bearing borrowings                 | 7     | 4,000                          | 2,234                          |
| Provisions                                  |       | 1,964                          | 1,809                          |
| Deferred tax liabilities                    |       | 8,201                          | 7,888                          |
| <b>Non-current liabilities</b>              |       | <b>14,165</b>                  | 11,931                         |
| Interest-bearing borrowings                 | 7     | 5,593                          | 615                            |
| Provisions                                  |       | 92                             | 355                            |
| Trade and other payables                    |       | 3,493                          | 3,888                          |
| Current tax liabilities                     |       | 555                            | 565                            |
| <b>Current liabilities</b>                  |       | <b>9,733</b>                   | 5,423                          |
| <b>Total liabilities</b>                    |       | <b>23,898</b>                  | 17,354                         |
| <b>Total equity and liabilities</b>         |       | <b>50,899</b>                  | 44,538                         |

**SUMMARISED CONSOLIDATED INCOME STATEMENT**

for the year ended

| Rand million  | Note | Audited<br>31 December<br>2014 | Audited<br>31 December<br>2013 |
|---|------|--------------------------------|--------------------------------|
| Revenue   |      | 47,597                         | 54,461                         |
| Operating expenses  |      | (28,405)                       | (26,076)                       |
| <b>Operating profit</b>   | 8    | <b>19,192</b>                  | 28,385                         |
| Finance income  |      | 84                             | 117                            |
| Finance costs   |      | (519)                          | (396)                          |
| Loss from equity accounted joint venture  |      | (5)                            | (46)                           |
| Profit before taxation  |      | 18,752                         | 28,060                         |
| Taxation  |      | (4,604)                        | (7,760)                        |
| <b>Profit for the year</b>  |      | <b>14,148</b>                  | 20,300                         |
| <b>Attributable to:</b>   |      |                                |                                |
| Owners of Kumba   |      | 10,724                         | 15,446                         |
| Non-controlling interest  |      | 3,424                          | 4,854                          |
|   |      | <b>14,148</b>                  | 20,300                         |
| <b>Earnings per share for profit attributable to the owners of Kumba (Rand per share)</b> |      |                                |                                |
| Basic   |      | 33.44                          | 48.09                          |
| Diluted   |      | 33.38                          | 48.03                          |

# SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended

| Rand million   | Audited<br>31 December<br>2014 | Audited<br>31 December<br>2013 |
|--|--------------------------------|--------------------------------|
| <b>Profit for the year</b>   | <b>14,148</b>                  | 20,300                         |
| <b>Other comprehensive income for the year, net of tax</b>                                     | <b>318</b>                     | 570                            |
| Exchange differences on translation of foreign operations                                      | 351                            | 570                            |
| Reclassification of gain relating to exchange differences on translation of foreign operations | (34)                           | –                              |
| <b>Total comprehensive income for the year</b>   | <b>14,466</b>                  | 20,870                         |
| <b>Attributable to:</b>  |                                |                                |
| Owners of Kumba  | 11,036                         | 15,917                         |
| Non-controlling interest   | 3,430                          | 4,953                          |
|  | <b>14,466</b>                  | 20,870                         |

# SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended

| Rand million   | <b>Audited<br/>31 December<br/>2014</b> | Audited<br>31 December<br>2013 |
|--|---|--------------------------------|
| <b>Total equity at the beginning of the year</b>                           | <b>27,184</b>                           | 19,664                         |
| <b>Changes in share capital and premium</b>                                |   |                                |
| Shares issued during the year  | –                                       | 2                              |
| Treasury shares issued to employees under employee share incentive schemes | <b>93</b>                               | 87                             |
| Purchase of treasury shares  | <b>(107)</b>                            | (265)                          |
| <b>Changes in reserves</b>   |   |                                |
| Equity-settled share-based payment   | <b>525</b>                              | 504                            |
| Vesting of shares under employee share incentive schemes                   | <b>(93)</b>                             | (91)                           |
| Total comprehensive income for the year                                    | <b>11,036</b>                           | 15,917                         |
| Dividends paid   | <b>(11,521)</b>                         | (10,561)                       |
| <b>Changes in non-controlling interest</b>                                 |   |                                |
| Total comprehensive income for the year                                    | <b>3,430</b>                            | 4,953                          |
| Dividends paid   | <b>(3,657)</b>                          | (3,146)                        |
| Movement in non-controlling interest in reserves                           | <b>111</b>                              | 120                            |
| <b>Total equity at the end of the year</b>                                 | <b>27,001</b>                           | 27,184                         |
| <b>Comprising</b>  |   |                                |
| Share capital and premium (net of treasury shares)                         | <b>(311)</b>                            | (297)                          |
| Equity-settled share-based payment reserve                                 | <b>1,685</b>                            | 1,236                          |
| Foreign currency translation reserve                                       | <b>1,256</b>                            | 1,010                          |
| Fair value reserve   | <b>74</b>                               | 8                              |
| Retained earnings  | <b>18,060</b>                           | 18,874                         |
| <b>Shareholders' equity</b>  | <b>20,764</b>                           | 20,831                         |
| Attributable to the owners of Kumba  | <b>19,925</b>                           | 19,977                         |
| Attributable to non-controlling interest                                   | <b>839</b>                              | 854                            |
| Non-controlling interest   | <b>6,237</b>                            | 6,353                          |
| <b>Total equity</b>  | <b>27,001</b>                           | 27,184                         |
| <b>Dividend (Rand per share)</b>   |   |                                |
| Interim  | <b>15.61</b>                            | 20.10                          |
| Final *  | <b>7.73</b>                             | 19.94                          |

\* The final dividend was declared after 31 December 2014 and has not been recognised as a liability in this financial report. It will be recognised in shareholders' equity in the year ending 31 December 2015.

# SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

for the year ended

|  | Audited<br>31 December<br>2014 | Audited<br>31 December<br>2013 |
|--|--------------------------------|--------------------------------|
| Rand million   |                                |                                |
| Cash generated from operations                               | 21,769                         | 29,354                         |
| Net finance costs paid                                       | (285)                          | (161)                          |
| Taxation paid  | (4,165)                        | (6,171)                        |
| <b>Cash flows from operating activities</b>                  | <b>17,319</b>                  | <b>23,022</b>                  |
| Additions to property, plant and equipment                   | (8,477)                        | (6,453)                        |
| Investments in associate and joint ventures                  | (5)                            | (17)                           |
| Proceeds from the disposal of property, plant and equipment  | 78                             | 37                             |
| Deconsolidation of subsidiary                                | –                              | 5                              |
| <b>Cash flows from investing activities</b>                  | <b>(8,404)</b>                 | <b>(6,428)</b>                 |
| Shares issued  | –                              | 2                              |
| Purchase of treasury shares                                  | (107)                          | (265)                          |
| Dividends paid to owners of Kumba                            | (11,450)                       | (10,500)                       |
| Dividends paid to non-controlling shareholders               | (3,728)                        | (3,207)                        |
| Net interest-bearing borrowings raised/(repaid)              | 6,744                          | (3,332)                        |
| <b>Cash flows from financing activities</b>                  | <b>(8,541)</b>                 | <b>(17,302)</b>                |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  | <b>374</b>                     | <b>(708)</b>                   |
| Cash and cash equivalents at beginning of year               | 1,053                          | 1,527                          |
| Foreign currency exchange gains on cash and cash equivalents | 237                            | 234                            |
| <b>Cash and cash equivalents at end of year</b>              | <b>1,664</b>                   | <b>1,053</b>                   |

**HEADLINE EARNINGS**

for the year ended

|   | <b>Audited</b><br><b>31 December</b><br><b>2014</b> | Audited<br>31 December<br>2013 |
|---|---|--------------------------------|
| Rand million  |   |                                |
| <b>Reconciliation of headline earnings</b>  |   |                                |
| Profit attributable to owners of Kumba  | <b>10,724</b>                                       | 15,446                         |
| Impairment charge   | <b>439</b>  | –                              |
| Net loss/(profit) on disposal and scrapping of property, plant and equipment  | <b>91</b>   | (2)                            |
| Reclassification of exchange differences on translation of foreign operations   | <b>(34)</b>   | –                              |
| Net profit on disposal of investment  | <b>–</b>  | (5)                            |
|   | <b>11,220</b>                                       | 15,439                         |
| Taxation effect of adjustments  | <b>(128)</b>  | 3                              |
| Non-controlling interest in adjustments   | <b>(86)</b>   | 1                              |
| <b>Headline earnings</b>  | <b>11,006</b>                                       | 15,443                         |
| <b>Headline earnings (Rand per share)</b>   |   |                                |
| Basic   | <b>34.32</b>  | 48.08                          |
| Diluted   | <b>34.26</b>  | 48.02                          |
| 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  | <b>320,662,676</b>                                  | 321,186,591                    |
| Diluted weighted average number of ordinary shares  | <b>321,242,611</b>                                  | 321,595,563                    |

The dilution adjustment of 579 935 shares at 31 December 2014 (2013: 408 972) is a result of the vesting of share options previously granted under the various employee share incentive schemes.

# **NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2014

## **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 2014 were authorised for issue in accordance with a resolution of the directors on 6 February 2015.

## **2. BASIS OF PREPARATION**

The audited summarised consolidated financial statements have been prepared, under the supervision of FT Kotzee CA(SA), chief financial officer, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the South African Companies Act No 71 of 2008 applicable to summary financial statements. The Listings Requirements require preliminary 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 summarised consolidated financial statements have been prepared in accordance with the historical cost convention except for certain financial instruments, share-based payments and biological assets which are stated at fair value, and is presented in Rand, which is Kumba's functional and presentation currency.

## **3. ACCOUNTING POLICIES**

The accounting policies applied in the preparation of the consolidated financial statements from which the summary 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 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 2014 were adopted by the group:

*IFRIC 21 Levies (effective date: 1 January 2014)*

In May 2013, the IASB issued IFRIC 21 Levies to address inconsistencies in the current practice in accounting for levies.

The interpretation considers outflows of economic resources, imposed by governments in accordance with legislation. The scope of the interpretation excludes outflows of economic resources covered by other IFRSs, acquisition of assets, contractual arrangements with government, fines or penalties.

The application of this standard has not resulted in any changes to the group's financial statements.

*Amendments to IAS 36 Impairment of Assets (effective date: 1 January 2014)*

The primary intention behind this amendment is to harmonise the disclosure requirements for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets. However, the amendment also requires a new disclosure relating to impaired assets.

The application of this standard has not resulted in any additional disclosure to the group's financial statements.

*Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting (effective date: 1 January 2014)*

The amendment to IAS 39 provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria in particular if the novation was a result of a law or legislative change.

The application of this standard has not resulted in any changes to the group's financial statements.

*Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities (effective date: 1 January 2014)*

The amendment to IAS 32 clarifies that an entity will meet the net settlement criterion if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and that will process receivables and payables simultaneously.

The application of this standard has not resulted in any changes to the group's financial statements.

*Amendments to IFRS 10, IFRS 12, IAS 27 Separate Financial Statements: Investment Entities (effective date: 1 January 2014)*

This amendment requires an investment entity to measure investments in certain subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments instead of consolidating those subsidiaries in its consolidated and separate financial statements, except where a subsidiary provides services that relate to the investment entity's investment activities, in which case it shall consolidate that subsidiary and apply the requirements of IFRS 3 to the acquisition of any such subsidiary.

The application of this standard has not resulted in any changes to the group's financial statements.

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

In 2014 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 2014, 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 2013 annual ore reserves and mineral resources statement. Management has revised the Sishen and Thabazimbi life of mine used to calculate the rehabilitation and decommissioning provisions. The effect of this change in estimate, which was applied prospectively from 1 January 2014, is detailed below:

| Rand million   | <b>Audited</b><br><b>31 December 2014</b> |
|--|---|
| Decrease in environmental rehabilitation provision                 | <b>108</b>                                |
| Decrease in decommissioning provision                              | <b>17</b>                                 |
| Increase in profit attributable to the owners of Kumba             | <b>60</b>                                 |
| <b>Rand per share</b>  |   |
| Increase in earnings per share attributable to the owners of Kumba | <b>0.19</b>                               |

The change in estimate in the decommissioning provision has been capitalised to the related property, plant and equipment and as a result had no effect on profit or earnings per share.

#### 5. PROPERTY, PLANT AND EQUIPMENT

| Rand million  | <b>Audited</b><br><b>31 December 2014</b> | Audited<br>31 December 2013 |
|---|---|-----------------------------|
| Capital expenditure   | <b>8,477</b>                              | 6,453                       |
| Comprising:   |   |                             |
| Expansion   | <b>1,433</b>                              | 1,132                       |
| Stay-in-business (SIB)  | <b>5,206</b>                              | 4,498                       |
| Deferred stripping  | <b>1,838</b>                              | 823                         |
| Transfers from assets under construction to property, plant and equipment | <b>5,163</b>                              | 5,864                       |

Expansion capital expenditure comprised of the Dingleton Project which aims to enable Sishen mine to extract ore resources between the mine and the town, modular plants construction to beneficiate material not currently processed, as well as the upgrade of the group's financial systems. SIB capital expenditure to maintain operations was principally for the replacement and rebuild of the mining fleet, medium- and long-term haul truck maintenance, construction of a warehouse facility and housing developments.

**6. SHARE CAPITAL AND SHARE PREMIUM**

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

| Rand million   | <b>Audited</b><br>31 December 2014 | Audited<br>31 December 2013 |
|--|------------------------------------|-----------------------------|
| Balance at beginning of year   | (297)                              | (121)                       |
| Total shares issued for cash consideration                             | –                                  | 2                           |
| Shares issued – share premium  | –                                  | 2                           |
| Net movement in treasury shares under employee share incentive schemes | (14)                               | (178)                       |
| Purchase of treasury shares  | (107)                              | (265)                       |
| Shares issued to employees   | 93                                 | 87                          |
|  | <b>(311)</b>                       | (297)                       |

Reconciliation of number of shares in issue:

| Number of shares   | <b>Audited</b><br>31 December 2014 | Audited<br>31 December 2013 |
|--|------------------------------------|-----------------------------|
| Balance at beginning of year   | <b>322,085,974</b>                 | 322,058,624                 |
| Ordinary shares issued   | –                                  | 27,350                      |
| <b>Balance at end of year</b>  | <b>322,085,974</b>                 | 322,085,974                 |
| <b>Reconciliation of treasury shares held:</b>   |                                    |                             |
| Balance at beginning of year   | <b>1,444,526</b>                   | 1,064,531                   |
| Shares purchased   | <b>299,600</b>                     | 660,923                     |
| Shares issued to employees under the Long-Term Incentive Plan, Kumba Bonus Share Plan and Share Appreciation Rights Scheme | <b>(210,780)</b>                   | (251,570)                   |
| Net movement in shares held by Kumba Iron Ore Management Share Trust   | –                                  | (29,358)                    |
| <b>Balance at end of year</b>  | <b>1,533,346</b>                   | 1,444,526                   |

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

## 7. INTEREST-BEARING BORROWINGS

Kumba's net debt position at the balance sheet dates was as follows:

| Rand million                  | Audited<br>31 December 2014 | Audited<br>31 December 2013 |
|-------------------------------|-----------------------------|-----------------------------|
| Interest-bearing borrowings   | 9,593                       | 2,849                       |
| Cash and cash equivalents     | (1,664)                     | (1,053)                     |
| <b>Net debt</b>               | <b>7,929</b>                | 1,796                       |
| <b>Total equity</b>           | <b>27,001</b>               | 27,184                      |
| <b>Interest cover (times)</b> | <b>44</b>                   | 102                         |

Movements in interest-bearing borrowings are analysed as follows:

| Rand million                          | Audited<br>31 December 2014 | Audited<br>31 December 2013 |
|---------------------------------------|-----------------------------|-----------------------------|
| Balance at the beginning of the year  | 2,849                       | 5,869                       |
| Interest-bearing borrowings raised    | 14,891                      | 2,000                       |
| Interest-bearing borrowings repaid    | (8,098)                     | (5,332)                     |
| Finance lease (repaid)/raised         | (49)                        | 312                         |
| <b>Balance at the end of the year</b> | <b>9,593</b>                | 2,849                       |

At 31 December 2014, R4.0 billion of the R10.9 billion long-term debt facility had been drawn down and R5.4 billion of the total short-term uncommitted facilities of R8.2 billion had been drawn down. Kumba was not in breach of any of its financial covenants during the year. The group had undrawn long-term borrowings and uncommitted short-term facilities at 31 December 2014 of R9.7 billion (2013: R17.4 billion). Subsequent to year end, management has negotiated new committed debt facilities, which were concluded on 3 February 2015 and increased the total committed debt facilities of the Group to R16.5 billion.

**8. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT**

Operating expenses is made up as follows:

| Rand million  | Audited<br>12 months<br>31 December 2014 | Audited<br>12 months<br>31 December 2013 |
|---|--|--|
| Production costs  | 18,979                                   | 15,411                                   |
| Movement in inventories   | (904)                                    | 257                                      |
| Finished products   | (237)                                    | 1,141                                    |
| Work-in-progress  | (667)                                    | (884)                                    |
| <b>Cost of goods sold</b>   | <b>18,075</b>                            | 15,668                                   |
| Impairment charge <sup>1</sup>  | 439                                      | –  |
| Mineral royalty   | 1,176                                    | 2,157                                    |
| Selling and distribution costs  | 4,548                                    | 4,538                                    |
| Cost of services rendered – shipping  | 4,203                                    | 3,747                                    |
| Sublease rent received  | (36)                                     | (34)                                     |
| <b>Operating expenses</b>   | <b>28,405</b>                            | 26,076                                   |
| <b>Operating profit has been derived after taking into account the following items:</b> |  |  |
| Employee expenses   | 3,869                                    | 3,041                                    |
| Restructuring costs   | 68                                       | –  |
| Share-based payment expenses  | 643                                      | 634                                      |
| Depreciation of property, plant and equipment   | 2,636                                    | 2,039                                    |
| Deferred waste stripping costs capitalised <sup>2</sup>                                 | (1,838)                                  | (823)                                    |
| Net loss/(profit) on disposal and scrapping of property, plant and equipment            | 91                                       | (2)                                      |
| Loss on lease receivable  | 86                                       | –  |
| Net profit on disposal of investment  | –  | (5)                                      |
| Finance gains   | (443)                                    | (830)                                    |
| Operating expenses capitalised  | –  | (2)                                      |

<sup>1</sup> The impairment charge relates to Thabazimbi mine's deferred stripping asset. Due to the low iron ore price environment in which the company is now operating, the future of this mine is being reconsidered. After a detailed impairment assessment it was concluded the carrying value is not considered recoverable. As a result, the carrying value of Thabazimbi mine's deferred stripping asset of R439 million was impaired to RNil.

<sup>2</sup> Includes the current year capitalisation for Thabazimbi mine.

## 9. SEGMENTAL REPORTING

| Rand million                               | Sishen mine | Kolomela mine | Thabazimbi mine    | Logistics | Shipping operations | Other   | Total  |
|--|-------------|---------------|--------------------|-----------|---------------------|---------|--------|
| <b>Audited year ended 31 December 2014</b> |             |               |                    |           |                     |         |        |
| <b>Income statement</b>                    |             |               |                    |           |                     |         |        |
| Revenue from external customers            | 33,094      | 9,437         | 1,172              | –         | 3,894               | –       | 47,597 |
| Depreciation                               | 1,858       | 643           | 36                 | 6         | –                   | 93      | 2,636  |
| Staff costs                                | 2,605       | 572           | 420                | 26        | –                   | 957     | 4,580  |
| Impairment charge                          | –           | –             | 439                | –         | –                   | –       | 439    |
| EBIT <sup>1</sup>                          | 20,423      | 5,906         | (706) <sup>1</sup> | (4,548)   | (309)               | (1,574) | 19,192 |
| <b>Balance sheet</b>                       |             |               |                    |           |                     |         |        |
| Total segment assets                       | 740         | 243           | 124                | 1,061     | –                   | 242     | 2,410  |
| <b>Cash flow statement</b>                 |             |               |                    |           |                     |         |        |
| Additions to property, plant and equipment |             |               |                    |           |                     |         |        |
| Expansion capex                            | 826         | 370           | –                  | –         | –                   | 237     | 1,433  |
| Stay-in-business capex                     | 4,281       | 915           | –                  | 10        | –                   | –       | 5,206  |
| Deferred stripping                         | 1,025       | 351           | 462                | –         | –                   | –       | 1,838  |
| <b>Audited year ended 31 December 2013</b> |             |               |                    |           |                     |         |        |
| <b>Income statement</b>                    |             |               |                    |           |                     |         |        |
| Revenue from external customers            | 36,685      | 13,022        | 1,079              | –         | 3,675               | –       | 54,461 |
| Depreciation                               | 1,441       | 570           | 1                  | 5         | –                   | 5       | 2,017  |
| Staff costs                                | 2,121       | 482           | 364                | 20        | 5                   | 682     | 3,674  |
| EBIT                                       | 24,888      | 9,296         | 301                | (4,538)   | (72)                | (1,490) | 28,835 |
| <b>Balance sheet</b>                       |             |               |                    |           |                     |         |        |
| Total segment assets                       | 177         | 66            | 75                 | 398       | –                   | 478     | 1,194  |
| <b>Cash flow statement</b>                 |             |               |                    |           |                     |         |        |
| Additions to property, plant and equipment |             |               |                    |           |                     |         |        |
| Expansion capex                            | 484         | 285           | 8                  | 108       | –                   | 247     | 1,132  |
| Stay-in-business capex                     | 3,933       | 564           | 1                  | –         | –                   | –       | 4,498  |
| Deferred stripping                         | 637         | 186           | –                  | –         | –                   | –       | 823    |

<sup>1</sup> After impairment charge.

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.

Geographical analysis of revenue and non-current assets:

| Rand million                                 | <b>Audited<br/>12 months<br/>31 December 2014</b> | Audited<br>12 months<br>31 December 2013 |
|--|---|--|
| <b>Total revenue from external customers</b> | <b>47,596</b>                                     | 54,461                                   |
| South Africa                                 | <b>3,763</b>                                      | 3,672                                    |
| Export                                       | <b>43,833</b>                                     | 50,789                                   |
| China  | <b>24,906</b>                                     | 35,154                                   |
| Rest of Asia                                 | <b>14,958</b>                                     | 10,587                                   |
| Europe                                       | <b>3,687</b>                                      | 4,926                                    |
| Middle East and Africa                       | <b>282</b>  | 122                                      |

All non-current assets, excluding investments in associates and joint ventures and deferred tax assets, are located in South Africa, with the exception of R40 million located in Singapore (2013: R20 million), which relates to prepayments.

## 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.

| Rand million  | Audited<br>12 months<br>31 December 2014 | Audited<br>12 months<br>31 December 2013 |
|---|--|--|
| Interest earned on short-term deposits <sup>1</sup> with Anglo American SA Finance Limited <sup>2</sup> (AASAF) during the year | 28                                       | 97                                       |
| Weighted average interest rate  | 5.73%                                    | 4.96%                                    |
| Short-term deposit held with Anglo American Capital plc <sup>2</sup>  | 1,092                                    | 572                                      |
| Interest earned on facility during the year   | *  | *  |
| Interest-bearing borrowing from AASAF   | 5,361                                    | 568                                      |
| Interest paid on borrowings during the year   | 134                                      | 204                                      |
| Weighted average interest rate  | 6.70%                                    | 6.63%                                    |
| Trade payable owing to Anglo American Marketing Limited <sup>2</sup> (AAML)   | 405                                      | 356                                      |
| Shipping services provided by AAML  | 4,152                                    | 4,058                                    |
| Dividends paid to Exxaro Resources Limited  | 3,095                                    | 2,663                                    |

<sup>1</sup> There were no short-term deposits placed with AASAF on the reporting dates for all periods presented.

<sup>2</sup> Subsidiaries of the ultimate holding company.

\* Interest earned on the deposit is insignificant and is earned at prevailing market rates.

## 11. CONTINGENT LIABILITY

As at 30 June 2014, the Group reported that it had certain tax matters under review with the South African Revenue Service (SARS). As at 31 December 2014 the Group was engaged in discussions with SARS around these matters with a view to seeking resolution. These matters have been considered in consultation with external tax and legal advisors, who support the Group's position. We believe that these matters have been appropriately treated in the results for the year ended 31 December 2014.

## 12. GUARANTEES

During the year ended 31 December 2014, the group issued additional financial guarantees in favour of the DMR in respect of its environmental rehabilitation and decommissioning obligations to the value of R225 million, bringing the total as at 31 December 2014 to R2.3 billion (2013: R2.1 billion). Included in this amount are financial guarantees for the environmental rehabilitation and decommissioning obligations of the group in respect of Thabazimbi mine of R438 million (2013: R331 million). ArcelorMittal S.A. has guaranteed R429 million of this amount by means of bank guarantees issued in favour of SIOC.

### 13. REGULATORY UPDATE

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

There have been no significant changes to the matters reported on for the year ended 31 December 2013. SIOC has not yet been awarded the 21.4% Sishen mining right, which it applied for early in 2014 following the Constitutional Court judgement on the matter in December 2013. The Constitutional Court ruled that SIOC held a 78.6% undivided share of the Sishen mining right and that, based on the provisions of the MPRDA, only SIOC can apply for, and be granted, the residual 21.4% share of the mining right at the Sishen mine. The grant of the mining right may be made subject to such conditions considered by the Minister to be appropriate. Kumba is actively continuing its engagement with the DMR in order to finalise the grant of the residual right.

### 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 will be contained in the 2014 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 audited summarised consolidated financial statements, not otherwise dealt with in this report.

### 16. INDEPENDENT AUDITORS' REPORT

These summarised consolidated financial statements for the year ended 31 December 2014 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summarised consolidated financial statements were derived.

The auditor's report on the summarised consolidated financial statements is included below, and a copy of the auditor's report on the consolidated annual financial statements is available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

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

6 February 2015  
Pretoria

# INDEPENDENT AUDITOR'S REPORT ON SUMMARY FINANCIAL STATEMENTS

## TO THE SHAREHOLDERS OF KUMBA IRON ORE LIMITED

The summary consolidated financial statements of Kumba Iron Ore Limited, contained in the accompanying preliminary report, which comprise the summary consolidated balance sheet as at 31 December 2014, the summary consolidated income statement, consolidated statements of other comprehensive income, changes in equity and 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 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 6 February 2015. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph "Other reports required by the Companies Act" (refer below).

The summary 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 summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Kumba Iron Ore Limited.

### **Directors' Responsibility for the Summary Consolidated Financial Statements**

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

The Listings Requirements require preliminary 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 the 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 the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, *Engagements to Report on Summary Financial Statements*.

### **Opinion**

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Kumba Iron Ore Limited for the year ended 31 December 2014 are consistent, in all material respects, with those consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

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### Other reports required by the Companies Act

The "other reports required by the Companies Act" paragraph in our audit report dated 6 February 2015 states that as part of our audit of the consolidated financial statements for the year ended 31 December 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited annual consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

### Other Matter

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

### Deloitte & Touche

Registered Auditor

Per: SBF Carter  
Partner

6 February 2015

National executive: \*LL Bam Chief Executive \*AE Swiegers Chief Operating Officer \*GM Pinnock Audit DL Kennedy Risk Advisory \*NB Kader Tax TP Pillay Consulting \*K Black Clients & Industries \*JK Mazzacco Talent & Transformation \*MJ Jarvis Finance \*M Jordan Strategy S Gwala Managed Services \*TJ Brown Chairman of the Board \*MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

\*Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

## **NOTICE OF FINAL CASH DIVIDEND**

At its Board meeting on 6 February 2015 the directors approved a gross final cash dividend of 773 cents per share on the ordinary shares from profits accrued during the year ended 31 December 2014. The dividend has been declared from income reserves.

The company has no unutilised Secondary Tax on Companies' (STC) credits left. 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 subject to withholding tax at a rate of 15% amounts to 657.05000 cents per share.

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

The salient dates are as follows:

- Date of declaration Tuesday, 10 February 2015
- Last day for trading to qualify and participate in the final dividend  
(and change of address or dividend instructions) Friday, 6 March 2015
- Trading ex-dividend commences Monday, 9 March 2015
- Record date Friday, 13 March 2015
- Dividend payment date Monday, 16 March 2015

Share certificates may not be dematerialised or rematerialised between Monday, 9 March 2015 and Friday, 13 March 2015, both days inclusive.

By order of the Board

### **A Parboosing**

Company secretary

6 February 2015

Pretoria



# ADMINISTRATION

## REGISTERED OFFICE:

Centurion Gate, Building 2B  
124 Akkerboom Road  
Centurion, Pretoria, 0157  
Republic of South Africa  
Tel: +27 12 683 7000  
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, AM O'Neill, BP Sonjica

**Executive** – NB Mbazima (chief executive), FT Kotzee (chief financial officer)

## COMPANY SECRETARY:

A Parboosing

## COMPANY REGISTRATION NUMBER:

No 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')

## **Kumba Iron Ore**

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