

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

BUILDING ON FIRM FOUNDATIONS
DELIVERING A SUSTAINABLE FUTURE
ENHANCING OUTCOMES



Real Mining. Real People. Real Difference.

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Certain statements made in this presentation constitute forward-looking statements. Forward-looking statements are typically identified by the use of forward-looking terminology such as 'believes', 'expects', 'may', 'will', 'could', 'should', 'intends', 'estimates', 'plans', 'assumes' or 'anticipates' or the negative thereof or other variations thereon or comparable terminology, or by discussions of, e.g. future plans, present or future events, or strategy that involve risks and uncertainties. Such forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the company's control and all of which are based on the company's current beliefs and expectations about future events. Such statements are based on current expectations and, by their nature, are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statement. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the company and its subsidiaries. The forward-looking statements contained in this presentation speak only as of the date of this presentation and the company undertakes no duty to, and will not necessarily, update any of them in light of new information or future events, except to the extent required by applicable law or regulation.

NOTES

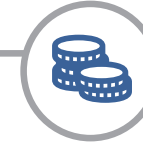
IMPRESSIVE PERFORMANCE ACROSS THE BOARD



Safety:
fatality free and
improvement across
all metrics



Operations:
increased productivity
and efficiency



Financials:
benefit from
performance and price



Capital allocation:
strong
balance sheet



Strategy:
transformation to
full potential

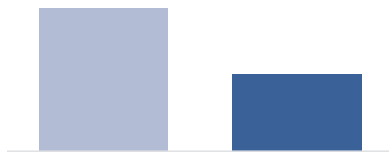


Outlook:
delivering
stakeholder value

NOTES

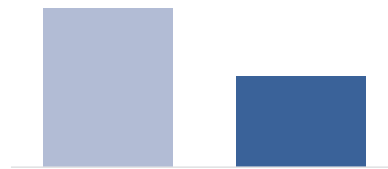
FATALITY FREE

High potential incidents



↓ 46%

Lost time injuries



↓ 43%

Total recordable cases



↓ 20%

■ FY16 ■ FY17

0

Fatalities

0.17

LTIFR improvement from 0.28

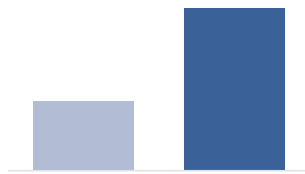
0.65

TRCFR improvement from 0.78

NOTES

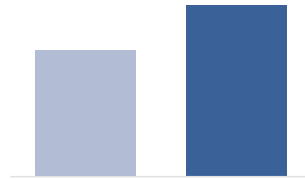
SOLID OPERATING AND FINANCIAL PERFORMANCE

Production



↑ 8%

EBITDA



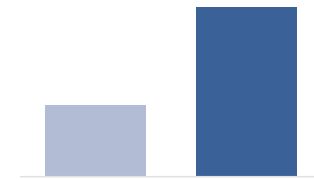
↑ 6%

Attributable free cash flow



↑ 10%

HEPS



↑ 12%

■ FY16 ■ FY17

45Mt

R**19.6**bn

R**12.3**bn

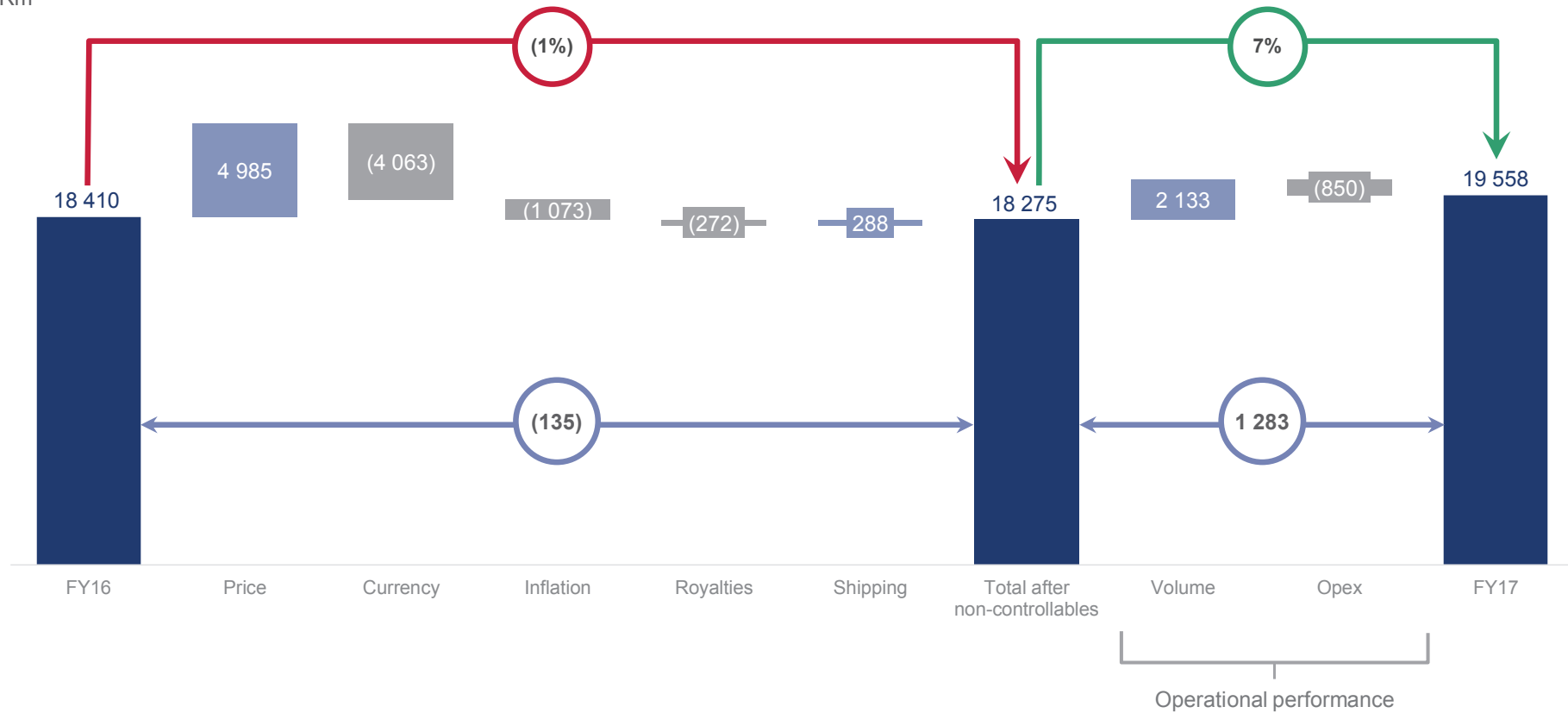
R**30.47**

3

NOTES

EBITDA IMPROVEMENT DUE TO EFFICIENCY AND PRODUCTIVITY GAINS

Rm



NOTES

SIGNIFICANT VALUE SHARED



Employees

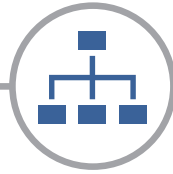
R4.2bn
salaries and
benefits



Shareholders

R10bn
owners of Kumba

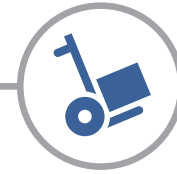
R3.1bn
empowerment
partners



Government

R5.9bn
income tax

R1.2bn
royalties



Suppliers

R520m
host community
suppliers

R9.4bn
procurement from
HDSA businesses



Communities

R107m
direct social
investment

NOTES



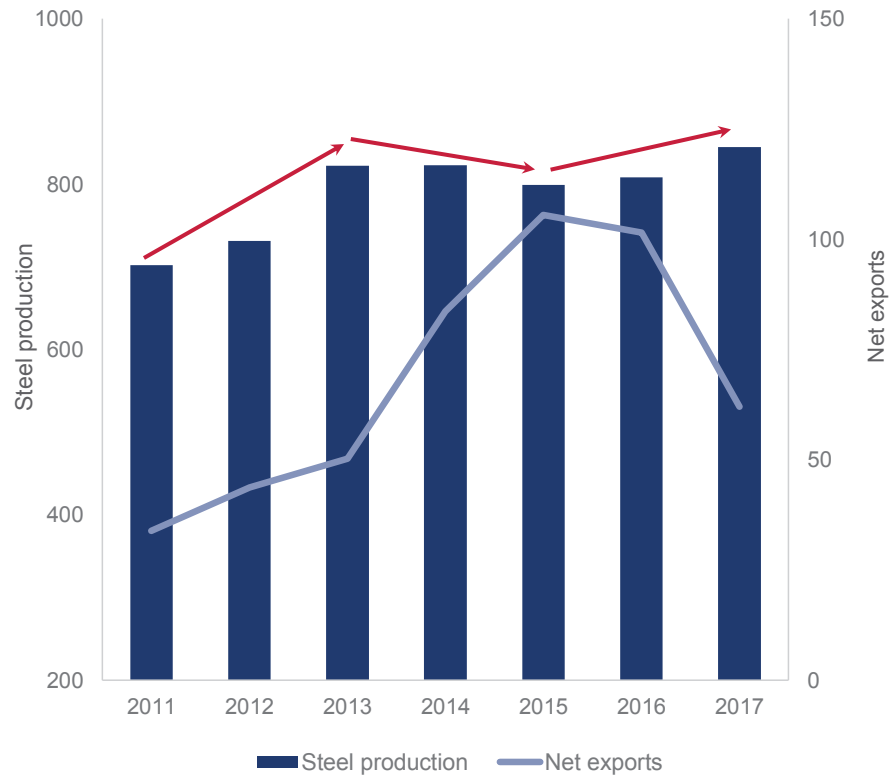
MARKET OVERVIEW



NOTES

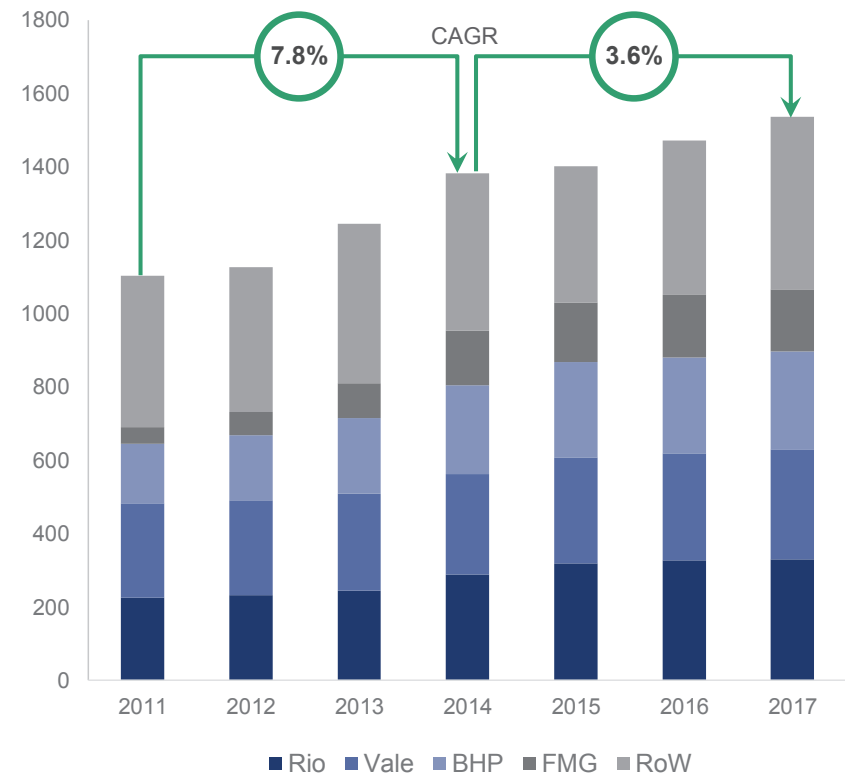
HIGHER STEEL PRODUCTION BUT SLOWER IRON ORE SUPPLY EXPANSION

China crude steel production & net exports¹ (Mt)



1. Crude steel equivalent, 2. Vale, 9M17 annualised.
Source: World Steel Association, GTIS

Global seaborne iron ore supply² (Wmt)



NOTES

STEEL AND IRON ORE PRICES DIVERGED

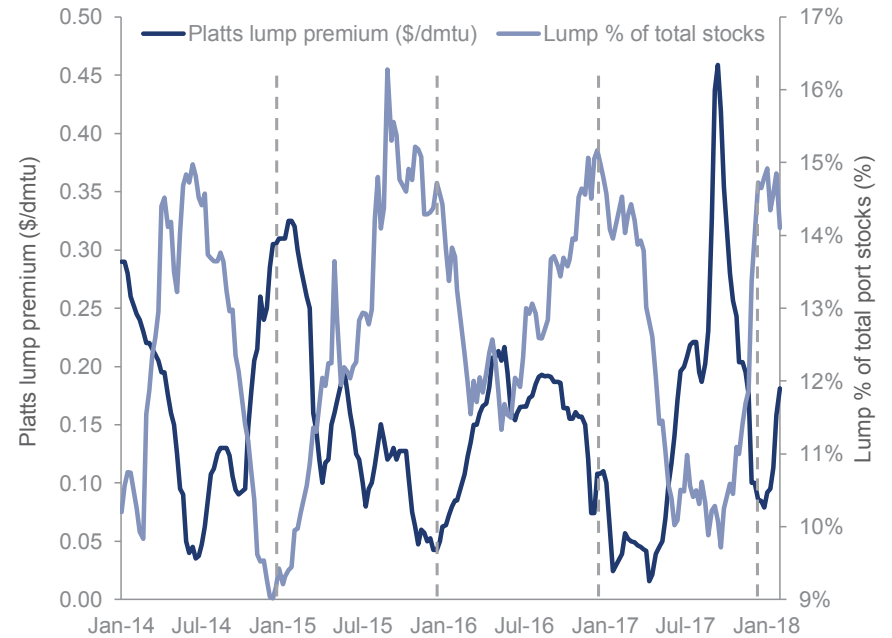
Steel and iron ore prices in China



Platts IODEX average (\$/t)	97	56	58	71	76
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Source: Platts

Relationship between Platts lump premium and port stocks in China



Platts lump premium average (\$/dmtu)	0.17	0.14	0.15	0.15	0.12
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NOTES

RECORD MILL PROFITABILITY BUOYING DEMAND FOR PREMIUM ORES

Platts index premium and discount (\$/dmt)



China steel price and high grade premiums

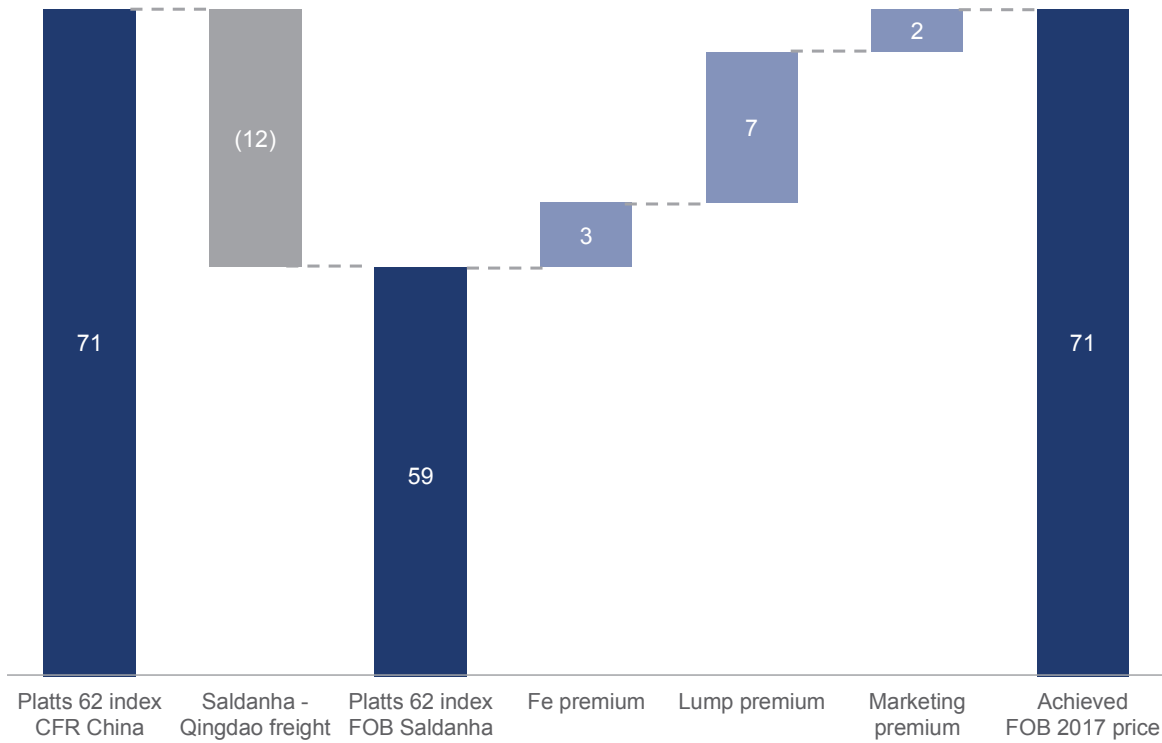


Source: Platts

NOTES

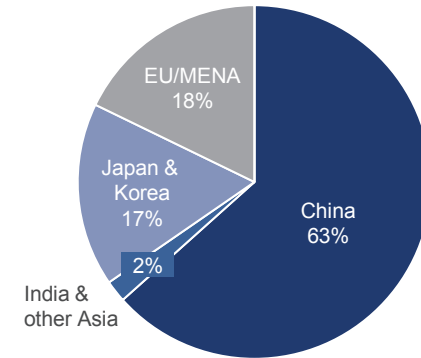
REALISED FOB PRICE AT US\$71/t

\$/dmt

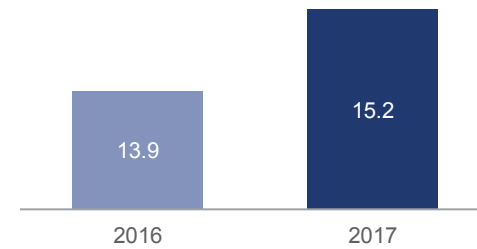


Source: Kumba Marketing

Export sales geographical split



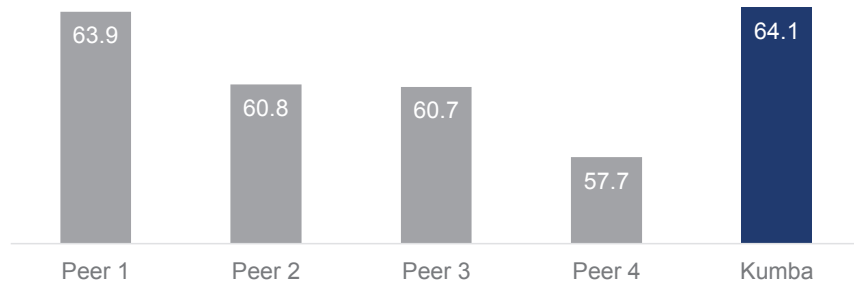
Ex-China sales (Mt)



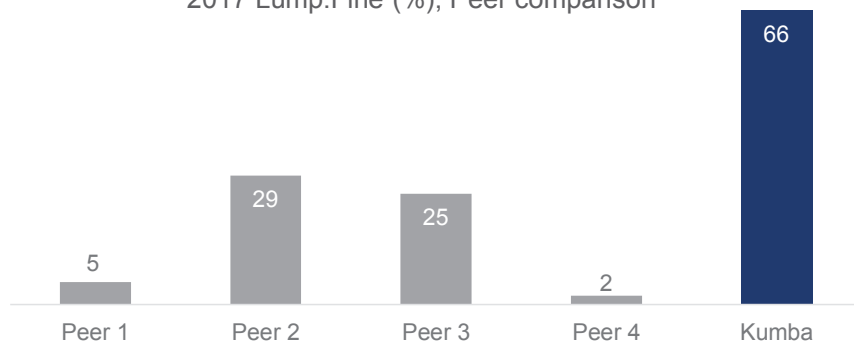
NOTES

KUMBA'S COMPETITIVE ADVANTAGE

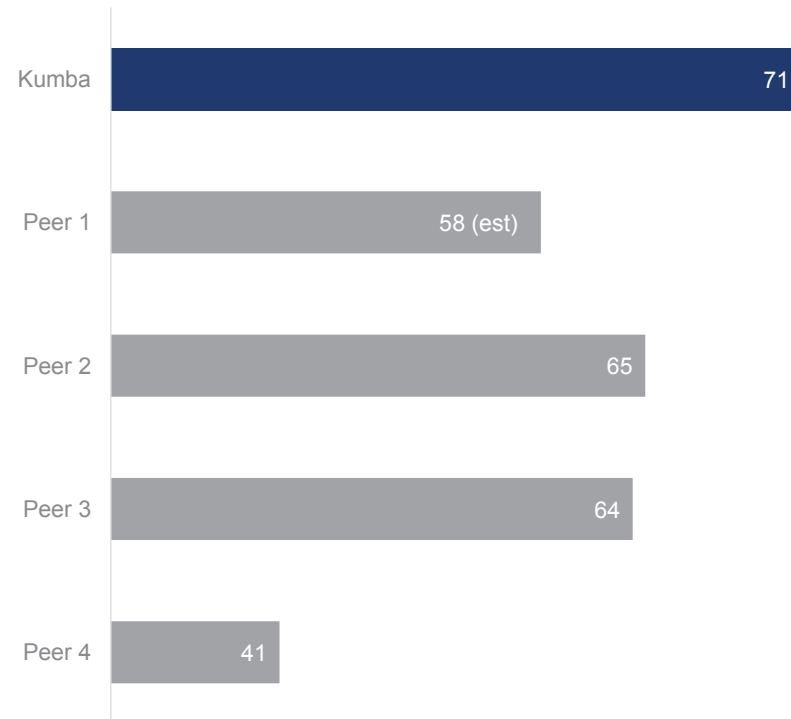
2017 average Fe content (%), Peer comparison



2017 Lump:Fine (%), Peer comparison



2017 achieved price (\$/dmt, FOB), Peer comparison



Source: Market Intelligence, Company Reports, Woodmac

NOTES



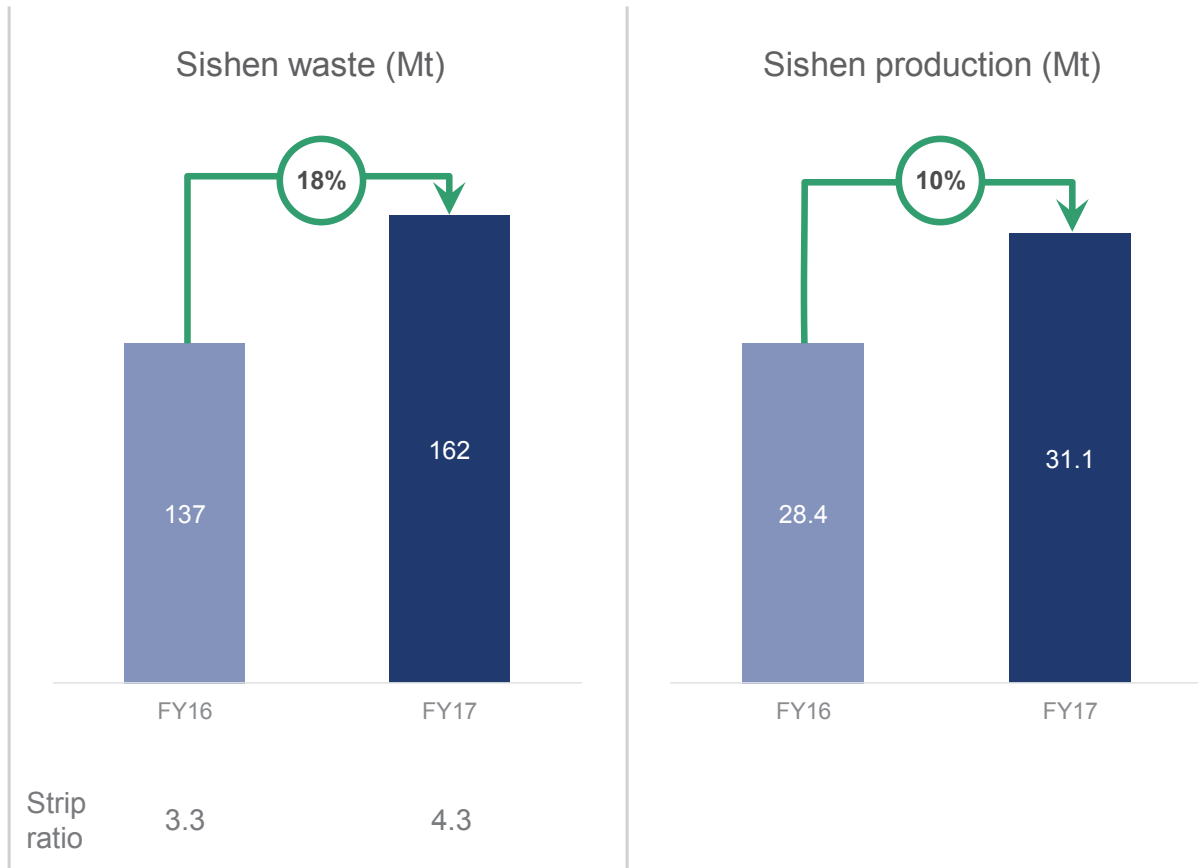
OPERATIONAL OVERVIEW



NOTES

SISHEN PERFORMANCE UNDERPINNED BY IMPROVED PRODUCTIVITY

- 61% reduction in high potential incidents
- Waste up 18% to 162Mt driven by efficiencies
- Production up 10% to 31.1Mt from higher plant throughput and yields



NOTES

OPERATING MODEL – STRUCTURED APPROACH FOR IMPROVEMENT

Highlights

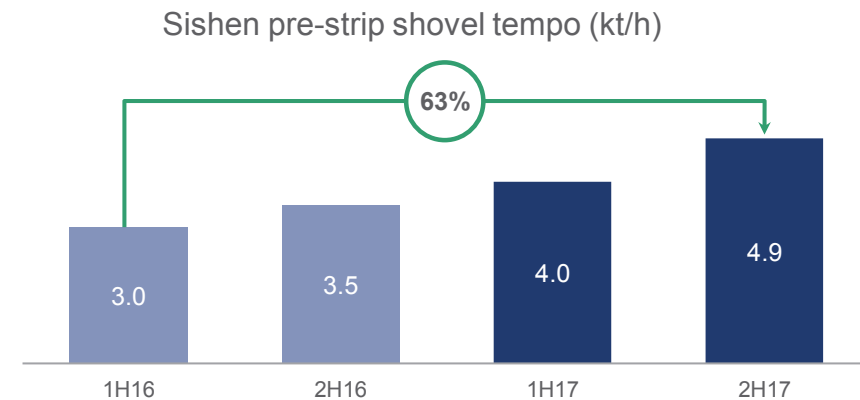
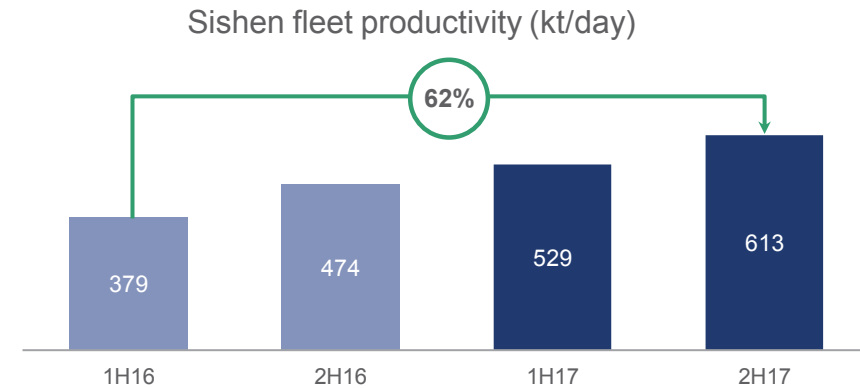
- 62% productivity improvement on Sishen fleet
- 31% increase in direct operating hours
- 4100 shovels tempo up 63% from 1H16

Effective planning and scheduling

- 80% improvement in sequencing of activities
- Each task planned and scheduled in detail
- Use data to improve scheduling and execution capability (schedule effectiveness)

Work management - controlled execution

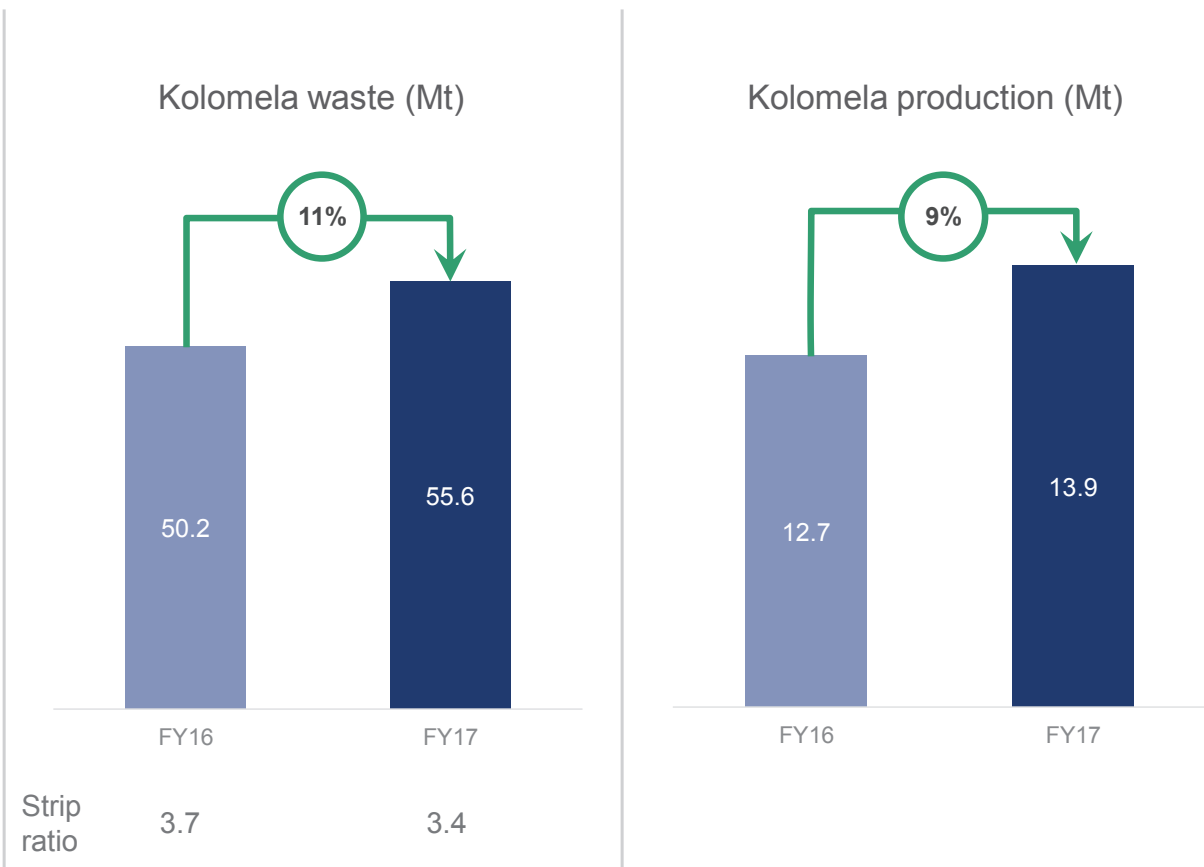
- Monitor schedule completion per task
- Measuring scheduled work vs unscheduled work



NOTES

KOLOMELA CONTINUES STRONG PERFORMANCE

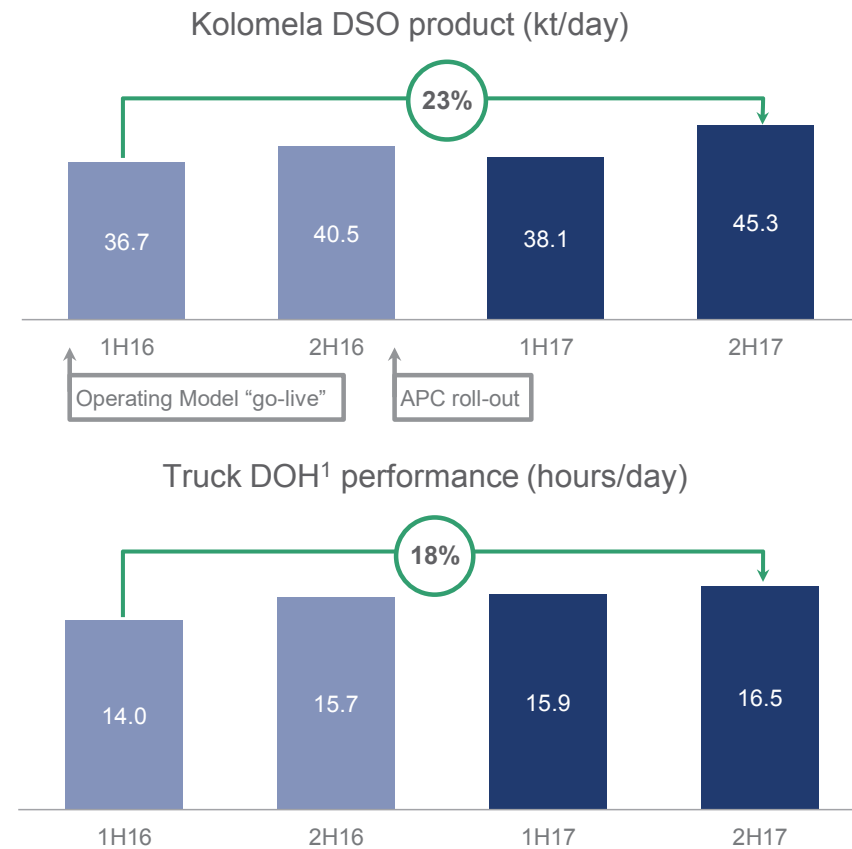
- 154 days of zero harm
- Waste increased 11% to 55.6Mt
- Production up 9% to 13.9Mt
- Improved performance due to plant and equipment efficiencies



NOTES

OPERATIONAL EFFICIENCIES FROM OPERATING MODEL

- Significant improvement from 1H16 to 2H17
- 23% increase in DSO plant production
 - Improved DOH and tempo
 - Improved reliability
- 18% increase in truck DOH
- Strategy in place to achieve further improvements



1. Truck direct operating hours (DOH): Time equipment is operational, performing production and non-production activities

NOTES

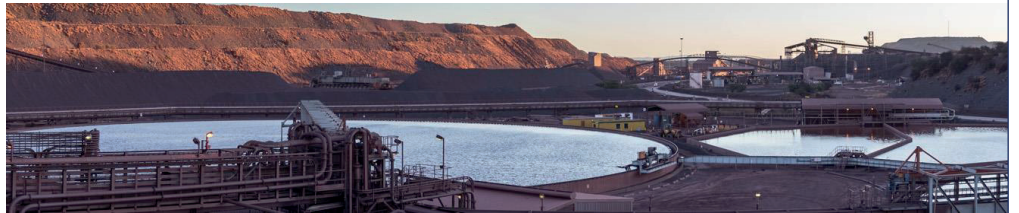
LOGISTICS PERFORMANCE REFLECTS HIGHER PRODUCTION



NOTES



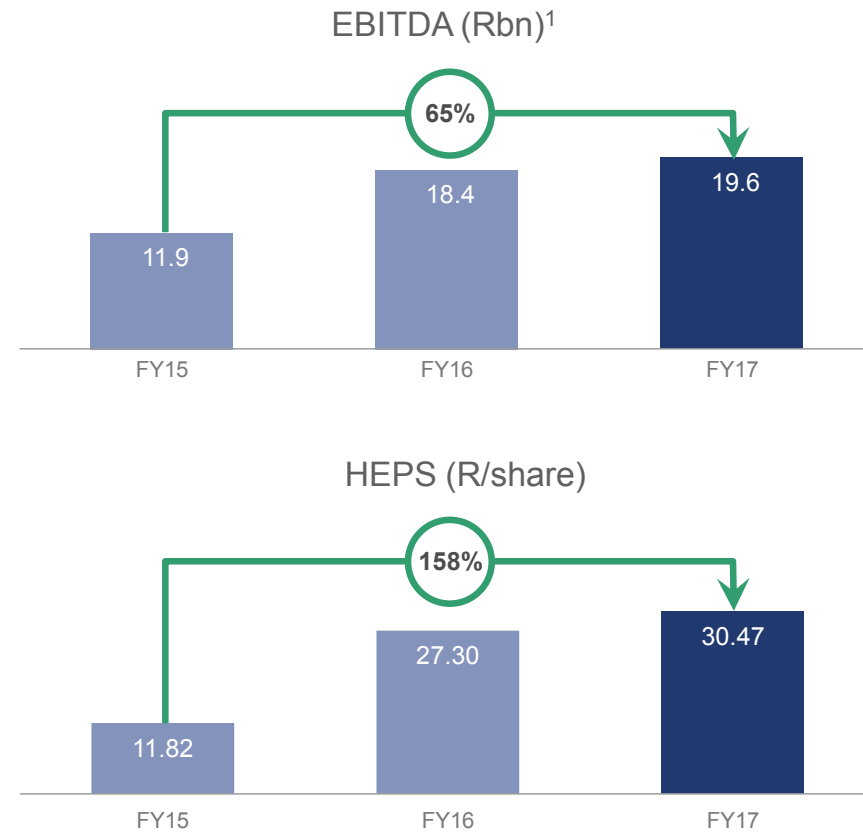
FINANCIAL OVERVIEW



NOTES

FINANCIAL PERFORMANCE HIGHLIGHTS

- Revenue increased 14% to R46bn
- EBITDA of R19.6bn up 6%
- Headline earnings of R9.7bn up 12%
- Capex of R3.1bn supports production
- Attributable free cash flow of R12.3bn up 10%
- 2017 dividend of R30.97 per share
 - Final: R15.00 per share
 - Interim: R15.97 per share

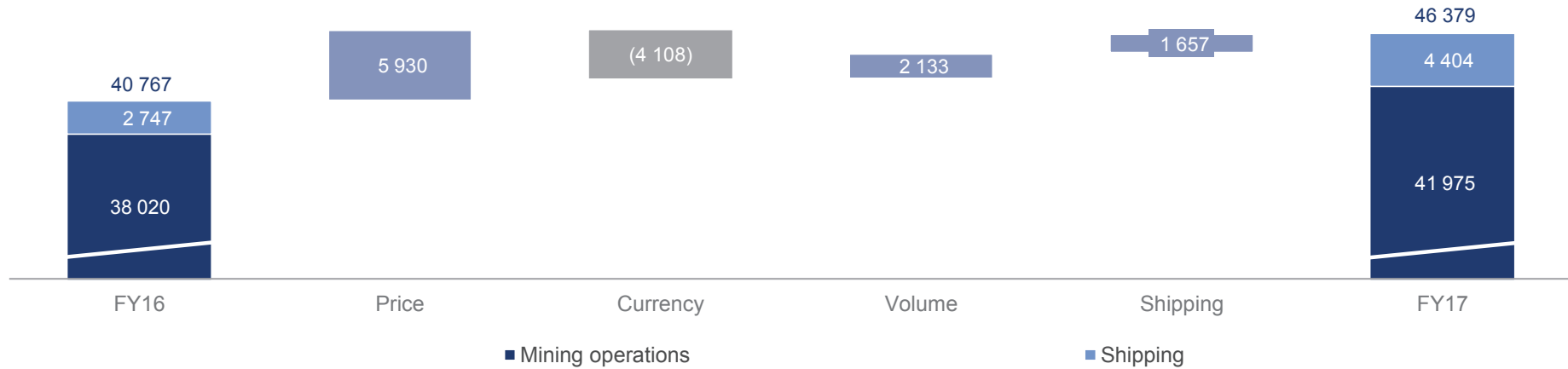


¹ Excluding impairment reversal/charges

NOTES

REVENUE GROWTH FROM STRONGER PRICES AND HIGHER VOLUMES

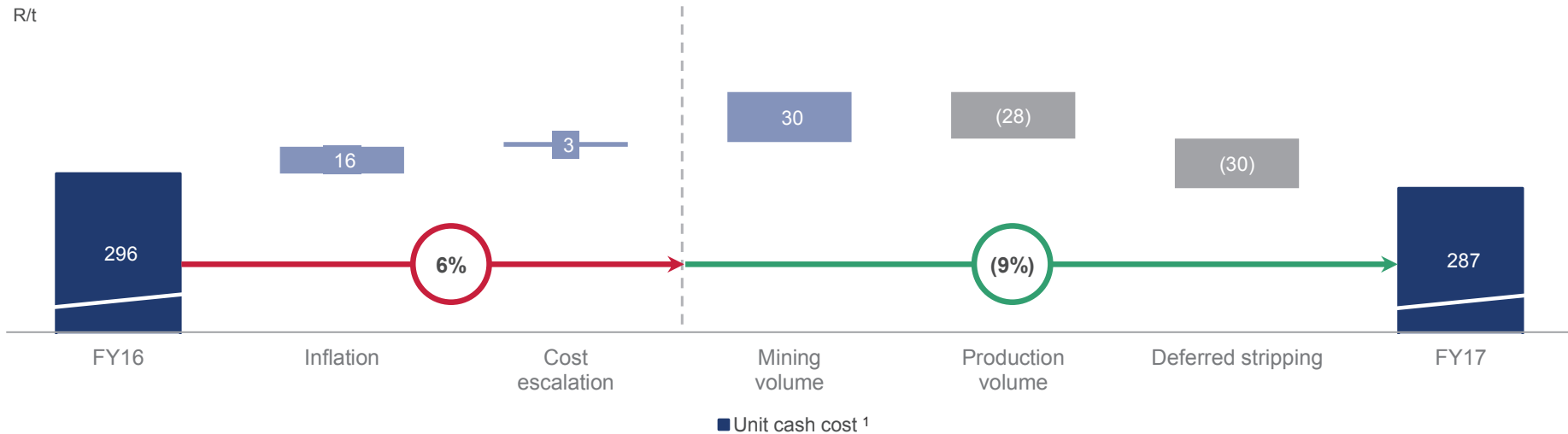
Rm



- Revenue increased by 14%
- Realised average FOB export price rose 11% to \$71/t (FY16: \$64/t)
- 9% stronger average R/\$ exchange rate of R13.30 (FY16: R14.69)
- Total sales up 6% to 44.9Mt: export sales up 2.5Mt, domestic sales down 0.1Mt

NOTES

SISHEN: IMPROVED UNIT COST THROUGH OPERATING EFFICIENCIES

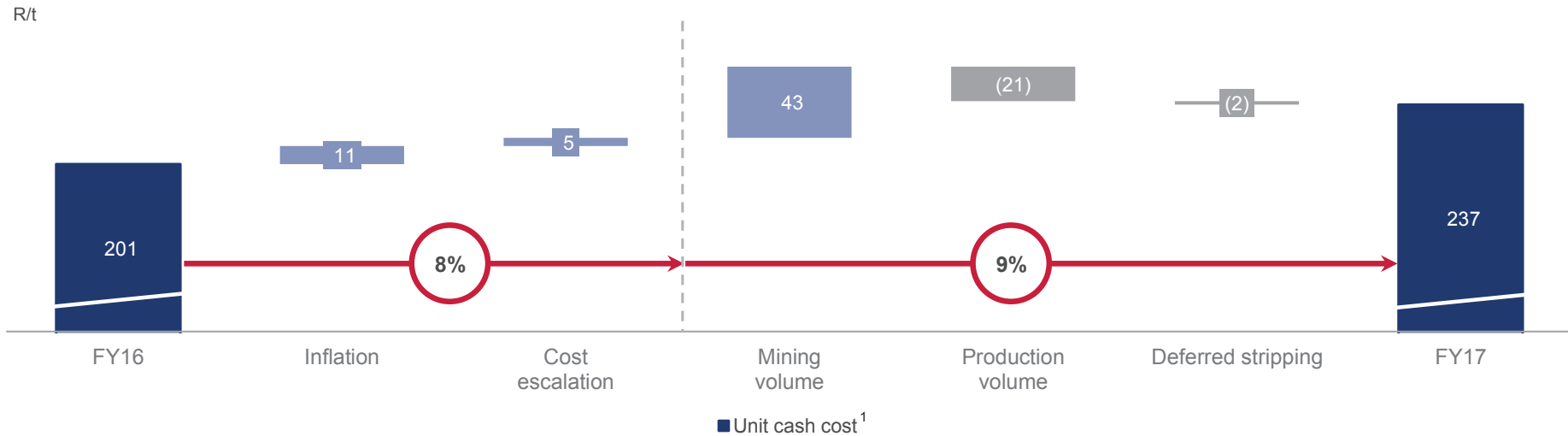


- CPI of 5.3%
- Cost escalation due to higher diesel price
- Mining cost driven by increased volumes
- Higher capitalisation of deferred stripping cost driven by increased strip ratio

¹ Excluding impact of deferred stripping on unit cost FY17: R30/t (FY16: R3/t)

NOTES

KOLOMELA: UNIT COST DRIVEN BY PLANT FEEDSTOCK



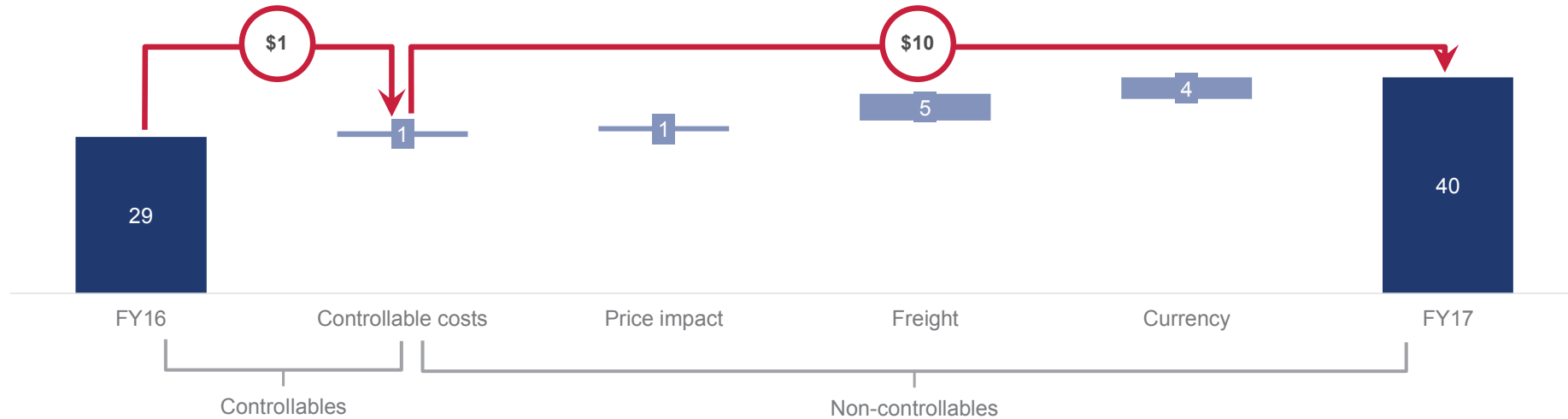
- CPI of 5.3%
- Cost escalation due to higher fuel prices
- Increased mining cost due to higher volumes and modular plant feedstock

¹ Excluding impact of deferred stripping on unit cost FY17: R18/t (FY16: R18/t)

NOTES

BREAKEVEN - CONTROLLABLE COSTS CONTAINED

Platts 62% Breakeven Price (\$/t)



- Breakeven price up \$11/t from FY16 average
- Controllable costs up \$1/t driven by:
 - higher mining volumes, increased deferred stripping and cost escalation
 - offset by improved efficiencies, overhead savings and higher production
- Non-controllable costs up \$10/t
 - Freight rates up \$5/t
 - Stronger currency adding \$4/t
 - Lower market premium of \$1/t

NOTES

CAPITAL EXPENDITURE SUPPORTS PRODUCTION TARGETS

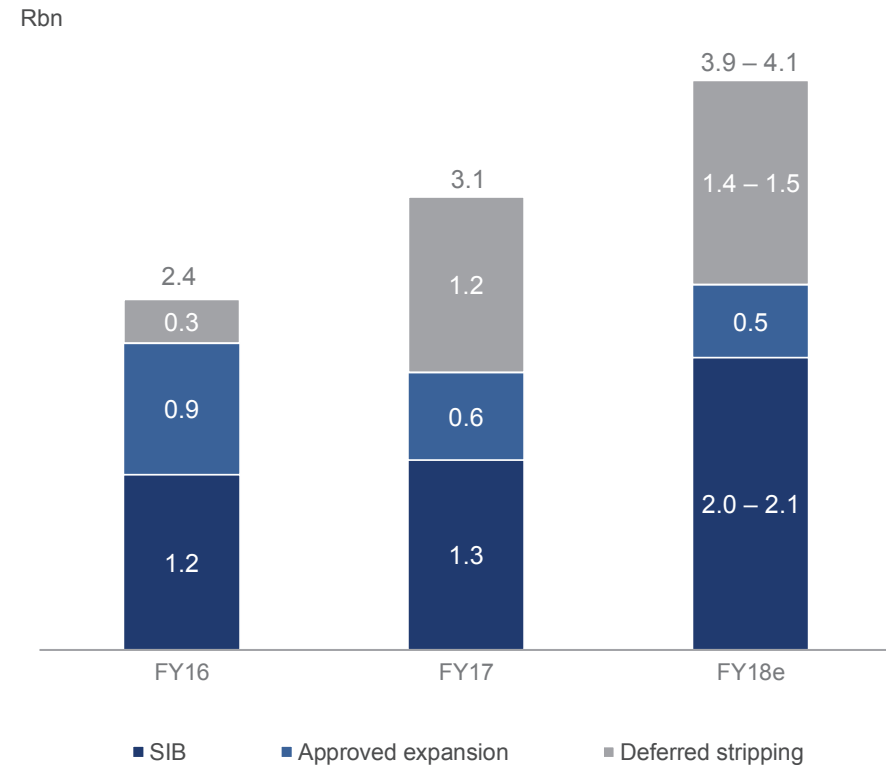
- 2017 SIB capex boosted operational infrastructure in support of production
- Increased capitalisation of deferred stripping due to higher stripping ratio at Sishen

Medium term

- Fleet renewal and infrastructure enhancement in support of operational efficiencies
- Key drivers for increase include approval of Sishen 2nd modular plant and exploration

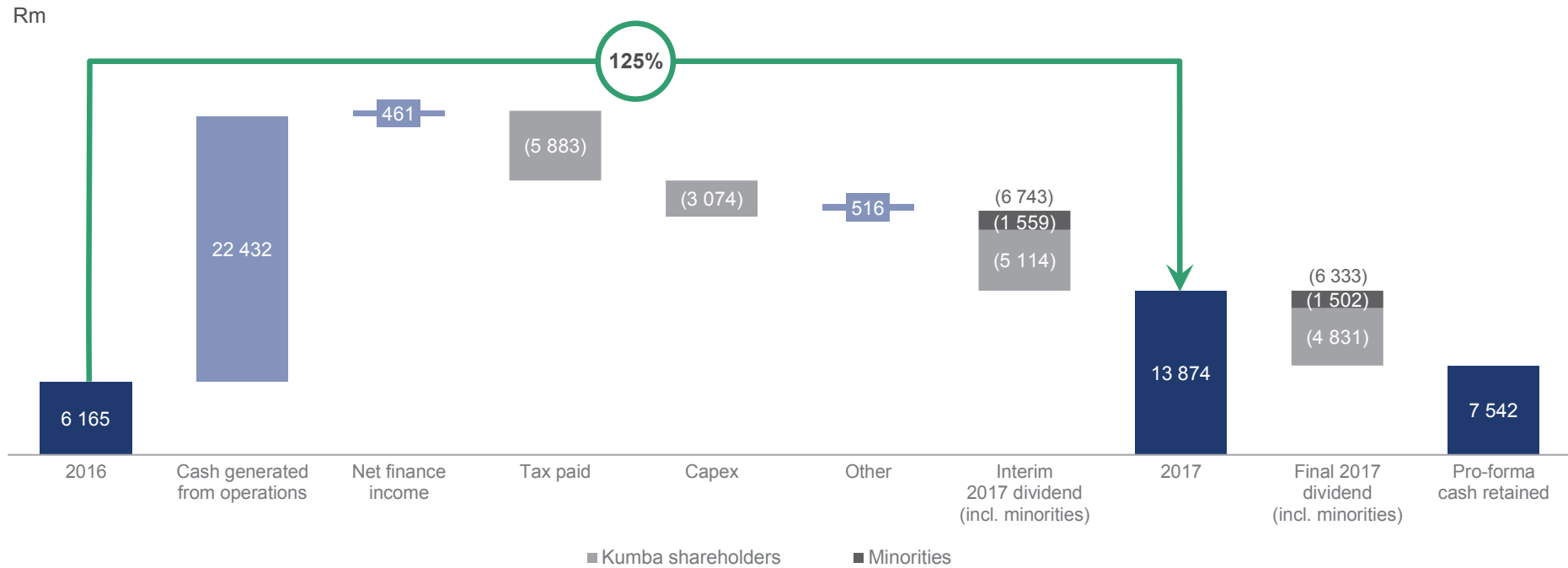
Long term

- SIB of ~R2bn p.a. expected through the cycle



NOTES

STRONG, FLEXIBLE BALANCE SHEET



- Strong cash generation of R22.4bn
- Cash balance of R13.9bn at 31 Dec 2017
- Final dividend R15.00 per share
- Returning R13.1bn to shareholders

NOTES

ENHANCING RETURNS FOR ALL STAKEHOLDERS



Strict cost stewardship across the business



Additional margin extraction from entire value chain



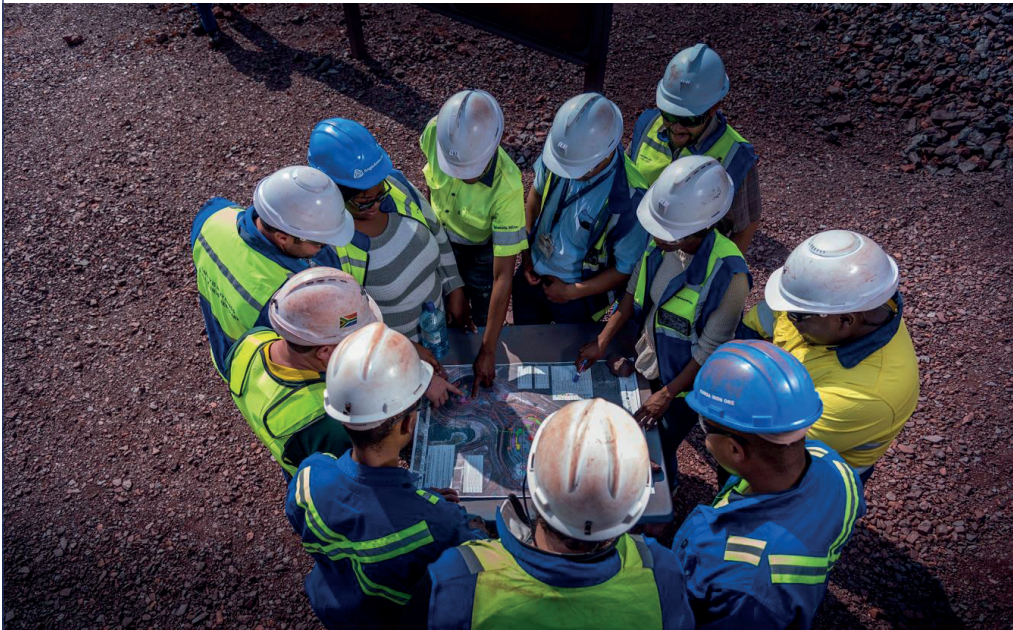
Free cash flow generation after sustaining capex



Disciplined capital allocation to sustain and grow core assets

Return of excess capital unless value accretive investment opportunities identified

NOTES

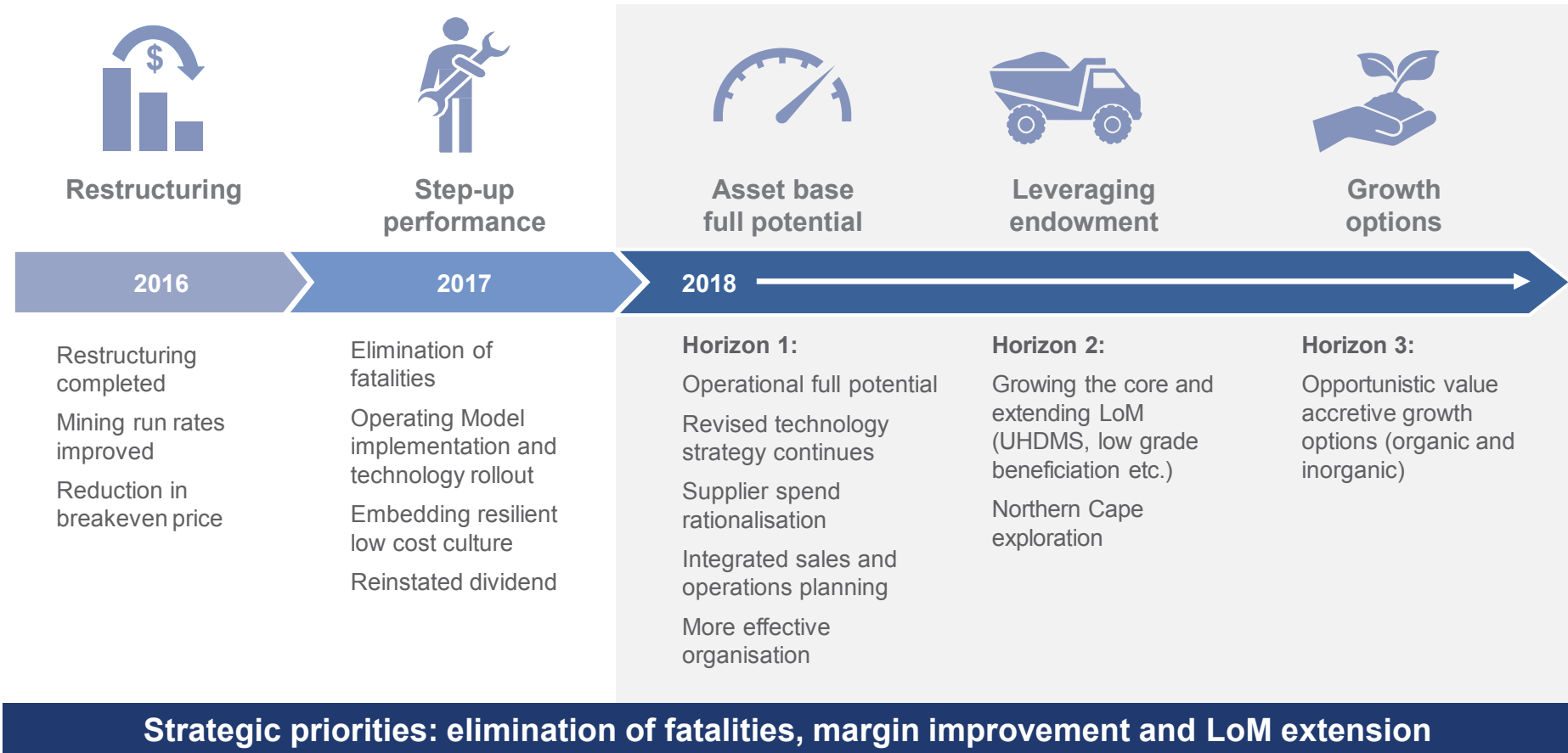


STRATEGY



NOTES

TRANSFORMATION TO FULL POTENTIAL



NOTES

HORIZON 1: OPTIMISING OUR ASSETS



Operational full potential



External spend



Integrated sales & operations planning



More effective organization

Current situation

OEEs¹ still below best practices (e.g. 40-60% gap on shovels tempos)

Focusing on specific efficiency drivers

Total expenditure ~R28bn (over 1 500 suppliers and service providers to be consolidated)

Recent step change in the predictability of production

Leaner organisation post 2016 restructurings

Improvements in safety

2018 priorities

Continued focus on loading and hauling practices and tempos

Processing throughput and quality (Fe content and lump:fine ratio)

Supplier consolidation and terms negotiations

Closer partnerships with strategic suppliers

Demand controls and development of tools to analyse and reduce further consumption

Specifications review with TCO² approach

Continued efforts to improve operations and ensure consistent product quality

Greater integration of sales and operations planning to respond to market dynamics

Reinforce core skills and capabilities

Fit-for-purpose and effective organisation

Greater agility to accelerate decision-making and execution

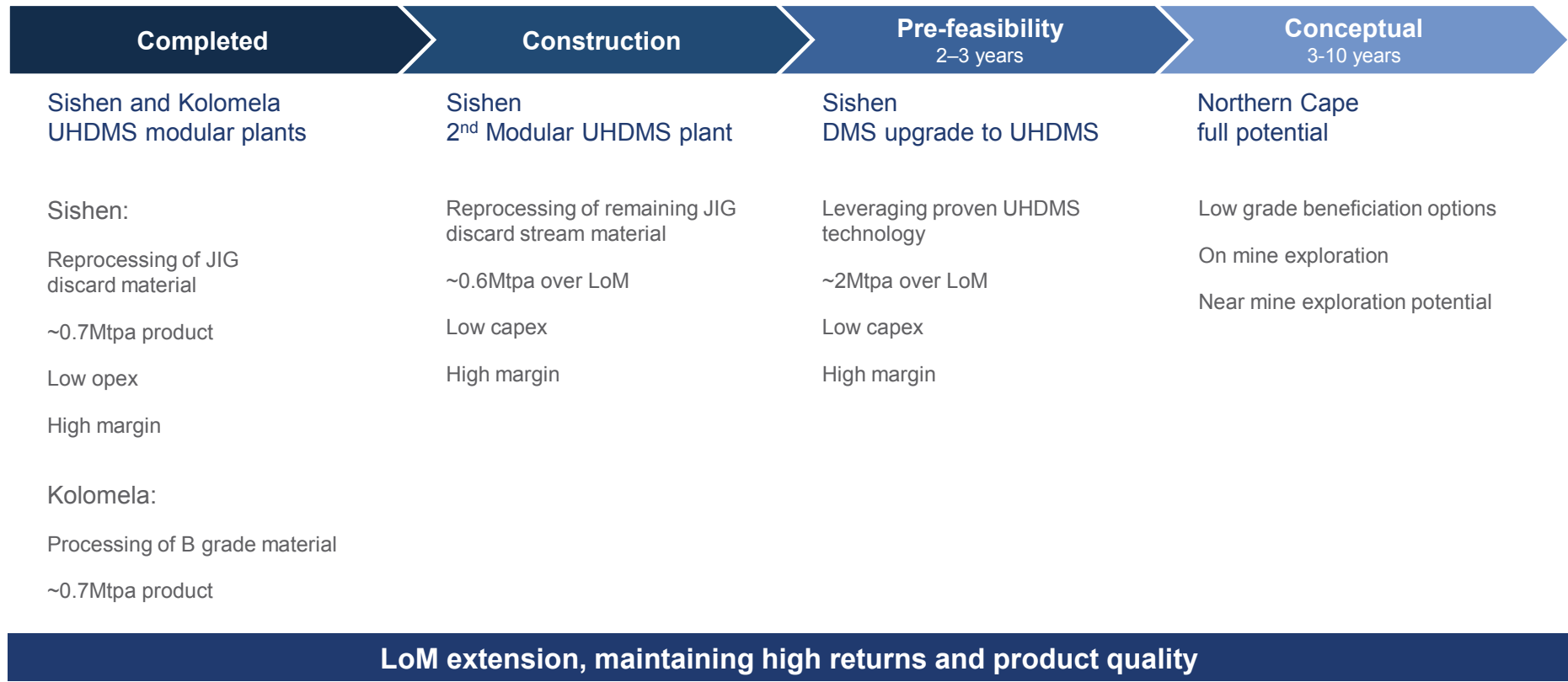
Strong leadership and winning culture

1. OEE: Overall Equipment Effectiveness

2. TCO: Total Cost of Ownership

NOTES

HORIZON 2: INVESTING TO GROW THE CORE



NOTES



GUIDANCE



NOTES

GUIDANCE

Sishen

Production: 30 – 31Mt in 2018

Waste: 170 – 180Mt in 2018

Unit costs: R295 to R305 in 2018

Strip ratio: to exceed 4 in 2018, LoM ~4

LoM: 13 years

Kolomela

Production: ~14Mt in 2018

Waste: 55 – 57Mt in 2018

Unit costs: R240 to R250 in 2018

Strip ratio: to exceed 3.5 in 2018, LoM ~4

LoM: 14 years

Total production (Mt)

44 – 45

Total sales (Mt)

44 – 45

Capex (Rbn)

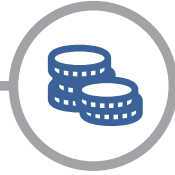
3.9 – 4.1

NOTES

UNLOCKING FULL POTENTIAL



**Safe, efficient
and productive
operations**

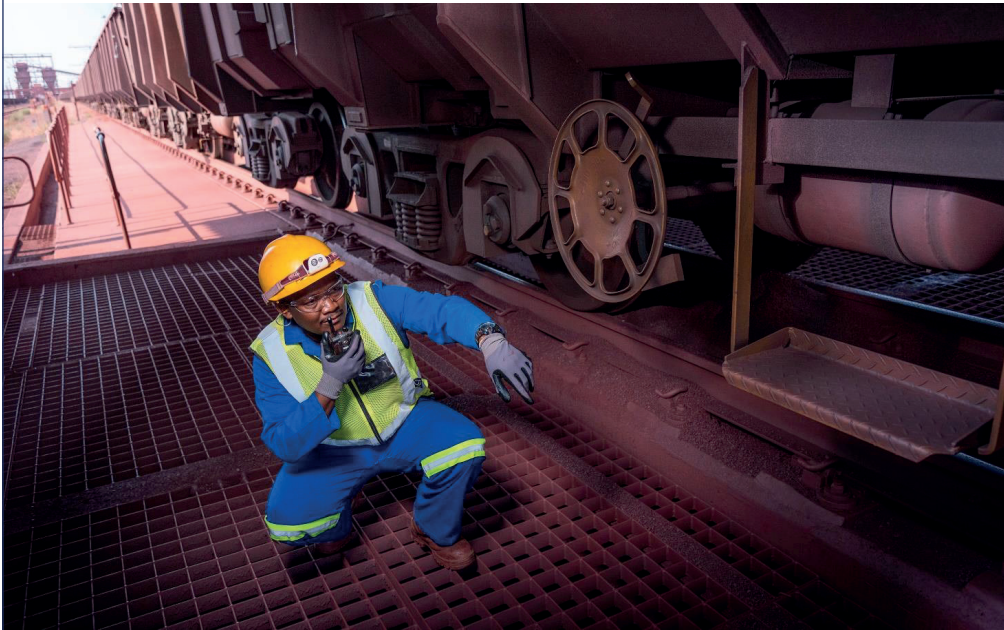


**Sound
financial
discipline**



**Well positioned
for long term
sustainability**

NOTES



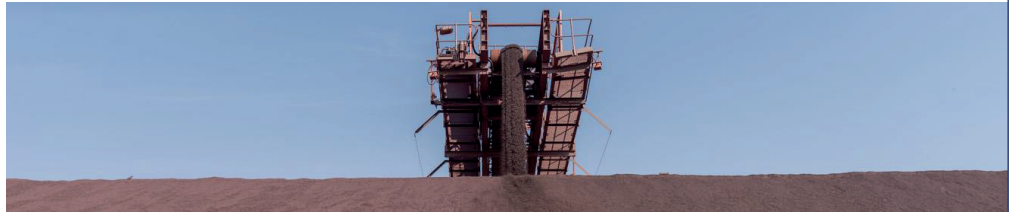
QUESTIONS



NOTES



ANNEXURES



NOTES

ANNEXURE 1: LOGISTICS PERFORMANCE REFLECTS HIGHER PRODUCTION

Mt	FY17	FY16	% change	2H17	1H17	% change
Railed to port (incl. Saldanha Steel)	42.0	39.8	6	21.2	20.8	2
Sishen mine (incl. Saldanha Steel)	28.5	26.8	6	14.1	14.4	(2)
Kolomela mine	13.5	13.0	4	7.1	6.4	11
Total sales	44.9	42.5	6	23.7	21.2	12
Export	41.6	39.1	6	22.1	19.5	13
Domestic	3.3	3.4	(3)	1.6	1.7	(6)
Total ore shipped	41.6	38.7	7	22.1	19.5	13
CFR (shipped by Kumba)	28.6	27.3	5	15.9	12.7	25
FOB (shipped by customers)	13.0	11.4	14	6.2	6.8	(9)
Finished product inventory	4.3	3.5	23	4.3	4.4	(2)

36

NOTES

ANNEXURE 2: ROBUST OPERATING MARGIN AND HEALTHY CASH GENERATION

Rm	FY17 ¹	FY16 ¹	% change	2H17 ¹	1H17 ¹	% change
Revenue	46 379	40 767	14	24 879	21 500	16
Operating expenses	(25 058)	(25 451)	2	(11 205)	(13 853)	19
Operating profit	21 321	15 316	39	13 674	7 647	79
Operating margin (%) ²	36	38	(2)	36	36	-
Profit for the period	16 133	11 144	45	10 135	5 998	69
Equity holders of Kumba	12 335	8 621	43	7 749	4 586	69
Non-controlling interest	3 798	2 523	51	2 386	1 412	69
Effective tax rate (%)	25	26	(1)	27	23	4
Cash generated from operations	22 432	17,218	30	10 706	11 726	(9)

¹ Including Thabazimbi

² Excluding the impairment reversal in 2017/charge in 2016

37

NOTES

ANNEXURE 3: REVENUE SECTOR ANALYSIS

	FY17	FY16	% change	2H17	1H17	% change
Export (Rm)	39 261	35 161	12	20 886	18 375	14
Tonnes sold (Mt)	41.6	39.1	6	22.1	19.5	13
US Dollar per tonne	71	64¹	11	71	71	-
Rand per tonne	944	899	5	945	942	0.3
Domestic (Rm)	2 714	2 862	(5)	1 283	1 431	(10)
Shipping operations (Rm)	4 404	2 747	60	2 710	1 694	60
Total revenue	46 379	40 770	14	24 879	21 500	16
Rand/US Dollar exchange rate	13.30	14.69	9	13.40	13.21	1

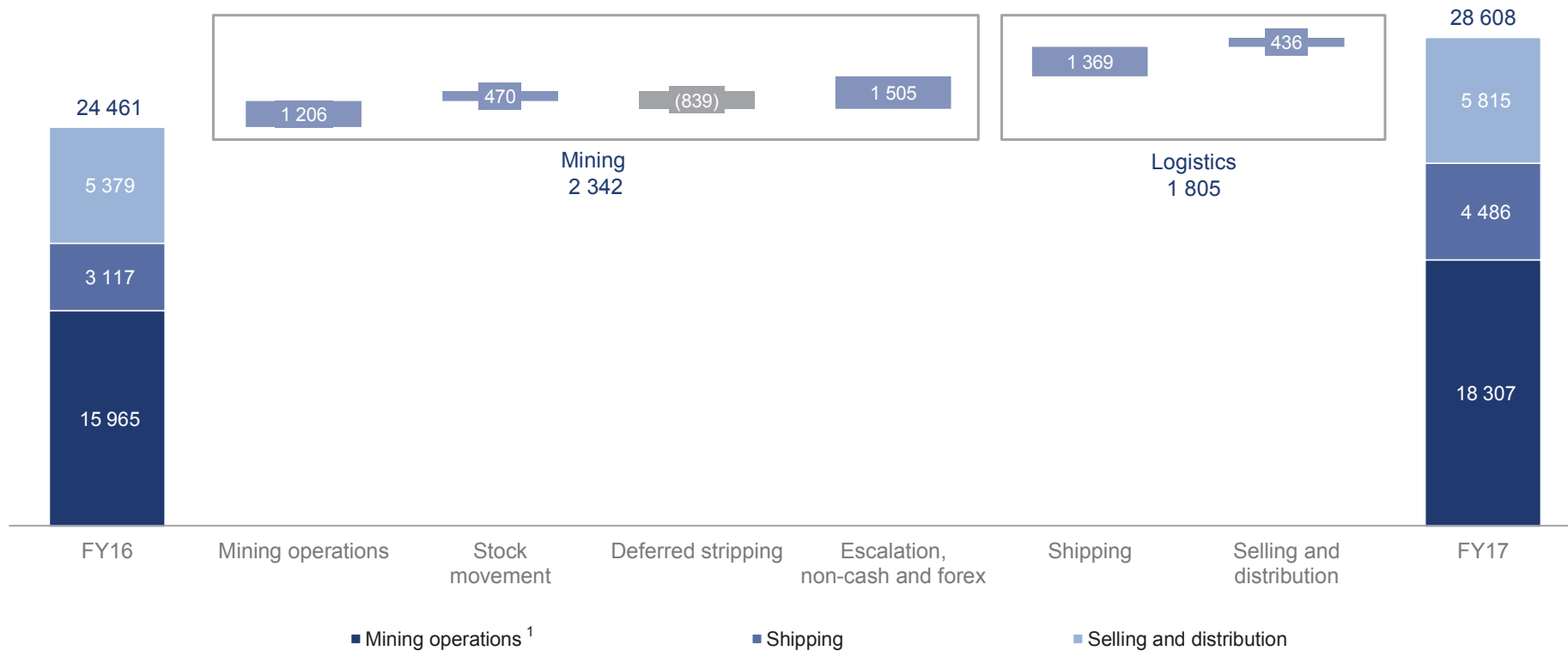
¹ Includes the gains/losses on price risk management

38

NOTES

ANNEXURE 4: OPERATING EXPENDITURE DRIVEN BY VOLUME GROWTH

Rm



¹ Excluding the mineral royalty, impairment reversal

NOTES

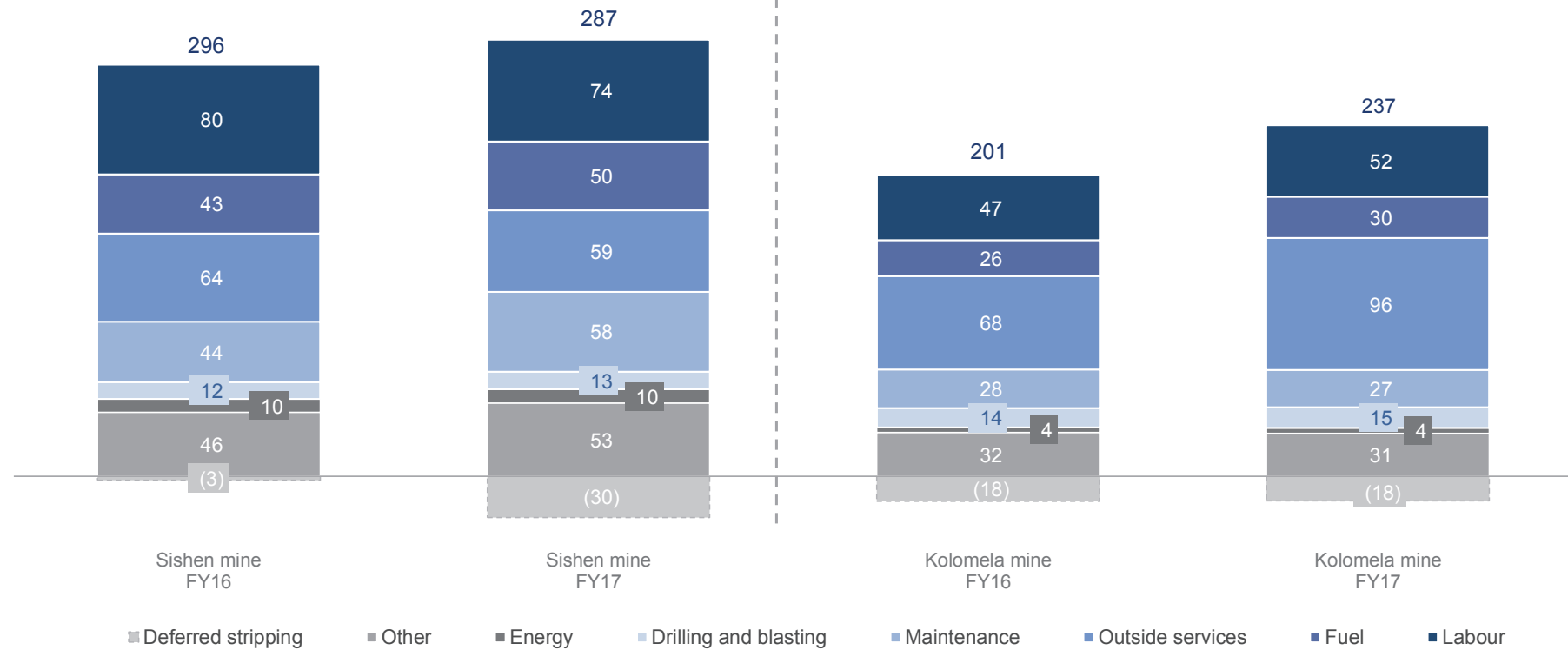
ANNEXURE 5: AGGREGATE OPERATING EXPENDITURE

Rm	FY17	FY16	% change	2H17	1H17	% change
Cost of goods sold	18 306	15 965	15	9 521	8 785	8
Cost of goods produced	16 588	15 160	9	8 435	8 153	3
Production costs	16 360	15 470	6	8 704	7 656	14
Sishen mine	11 164	11 372	(2)	5 828	5 336	9
Kolomela mine	4 708	3 888	21	2 597	2 111	23
Thabazimbi mine	94	195	(52)	(10)	104	(110)
Other	394	15	2 527	289	105	175
Inventory movement WIP	228	(310)	174	(269)	497	154
A grade	(69)	118	(158)	(69)	-	100
B grade	297	(428)	169	(200)	497	(140)
Inventory movement finished product	231	300	(23)	215	16	1 244
Corporate support and studies	1 123	1 074	5	673	450	50
Forex and other	364	(569)	164	198	166	19
Mineral royalty	1 239	986	26	591	648	(9)
Impairment charge/(reversal)	(4 789)	4	100	(4 789)	-	100
Selling and distribution	5 816	5 379	8	3 157	2 659	19
Shipping operations	4 486	3 117	44	2 725	1 761	55
Operating expenses	25 058	25 451	(2)	11 205	13 853	(19)

40

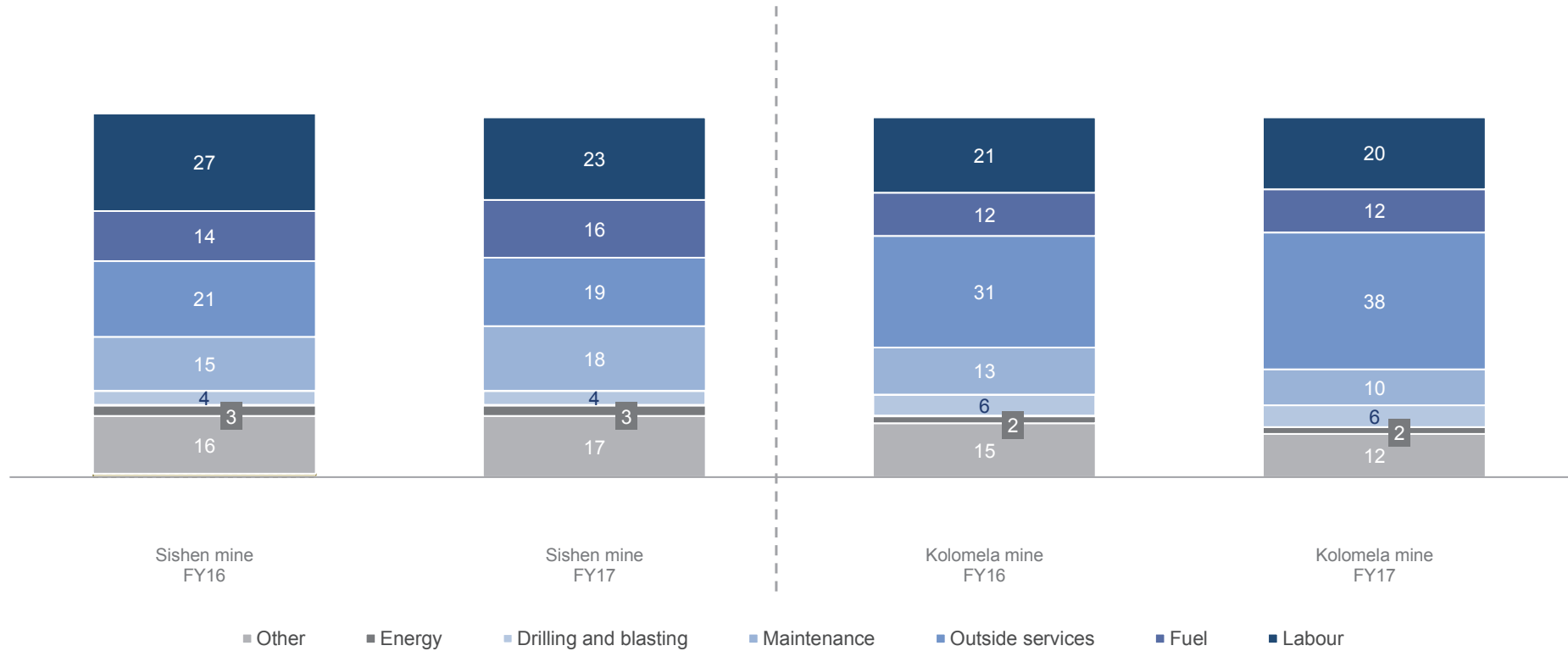
NOTES

ANNEXURE 6: SISHEN AND KOLOMELA MINES' UNIT CASH COST STRUCTURE (R/t)



NOTES

ANNEXURE 7: SISHEN AND KOLOMELA MINES' UNIT CASH COST STRUCTURE (%)



NOTES

ANNEXURE 8: CAPITAL EXPENDITURE ANALYSIS

Rm	2016	2017	12 months 31 Dec 2018
			Forecast
Approved expansion	856	575	~500
Deferred stripping	321	1 194	1 400 – 1 500
Sishen	88	942	1 200 – 1 300
Kolomela	233	252	~200
SIB Sishen	875	793	1 300 – 1 400
SIB Kolomela	301	507	~700
Total capital expenditure	2 353	3 069	3 900 – 4 100

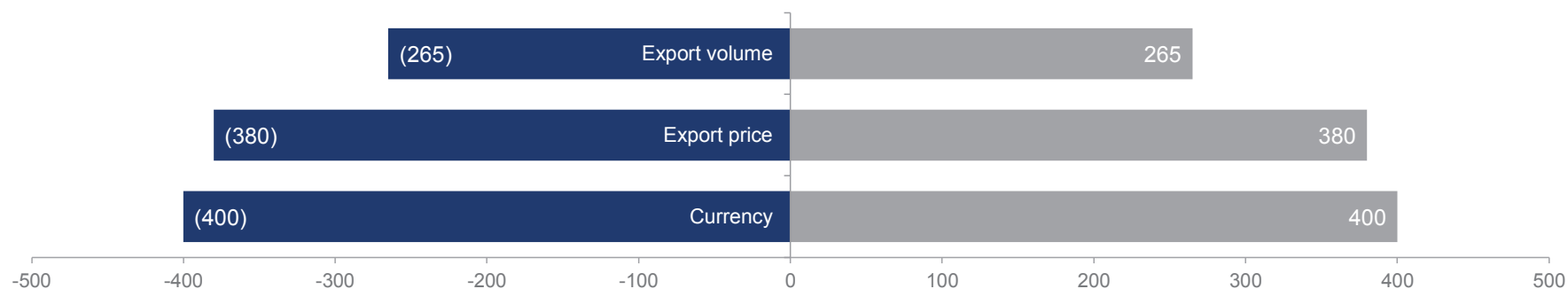
43

NOTES

ANNEXURE 9: SENSITIVITY ANALYSIS

1% change to key operational drivers, each tested independently

Sensitivity analysis (1% change) – EBITDA impact (Rm)



Change per unit of key operational drivers, each tested independently

Sensitivity analysis	Unit change	EBITDA impact
Currency (Rand/US\$)	R0.10/US\$	R300m
Export Price (US\$/t)	US\$1.00/t	R535m
Volume (kt)	100kt	R65m
		Breakeven price impact
Currency (Rand/US\$)	R1.00/US\$	US\$2.75/t

Source: WSA, Kumba market intelligence, GTIS Based on 4M16 data

NOTES



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