

**KUMBA IRON ORE LIMITED**  
**2018 INTERIM FINANCIAL RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

**BUILDING ON FIRM FOUNDATIONS**  
**DELIVERING A SUSTAINABLE FUTURE**  
ENHANCING OUTCOMES



**Real Mining. Real People. Real Difference.**

## MEDIA

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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.

The conversion of Mineral Resource to Ore Reserves is dependent on the approval of pre-feasibility and feasibility studies by the relevant Kumba and Anglo American Investment Committees, and the ~510 Mt exclusive Mineral Resource currently investigated for conversion to Ore Reserves as indicated on slide 32, 37 and 38 is based on Kumba's current interpretation of its potential prior to the completion and approval of the required studies. Only Measured and Indicated Mineral Resource can be converted to Ore Reserves. The Mineral Resource being considered for potential conversion to Ore Reserves includes a material amount of Inferred Resource. Due to the uncertainty that may be attached to some Inferred Mineral Resource, it cannot be assumed that all or part of the Inferred Mineral Resource will necessarily be upgraded to an Indicated or Measured Resource after continued infill drilling.

## NOTES

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## Our value proposition

Assets	Capabilities	Shareholder returns
Premium product	Safe production	Strong cash generation
Resource endowment and life extension opportunities	Operating Model and talented people	Capital allocation discipline
Licence to operate and mutually beneficial partnerships	Innovation and technology	Attractive and sustainable dividends
		

## NOTES

## Delivering on our strategy

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### Horizon 1 Operating assets at full potential

Improved product quality  
Improved efficiencies and asset utilisation  
Cost saving opportunities identified  
Protected margin from full rand effect

- ✓ Increased quality to 64.5% Fe
- ✓ 63% of benchmark productivity
- ✓ Cost savings of R415 million achieved
- ✓ EBITDA margin of 36%

### Horizon 2 Leveraging endowment

Upgrade to proven UHDMS technology  
Exploration on prospecting rights  
Strategic partnerships

- ✓ UHDMS project progressed to feasibility
- ✓ RDP completed – lifex options identified
- ✓ Engaging with Transnet

### Horizon 3 Value accretive opportunities

Opportunistic approach  
Strategic investment opportunities  
Long-term growth optionality

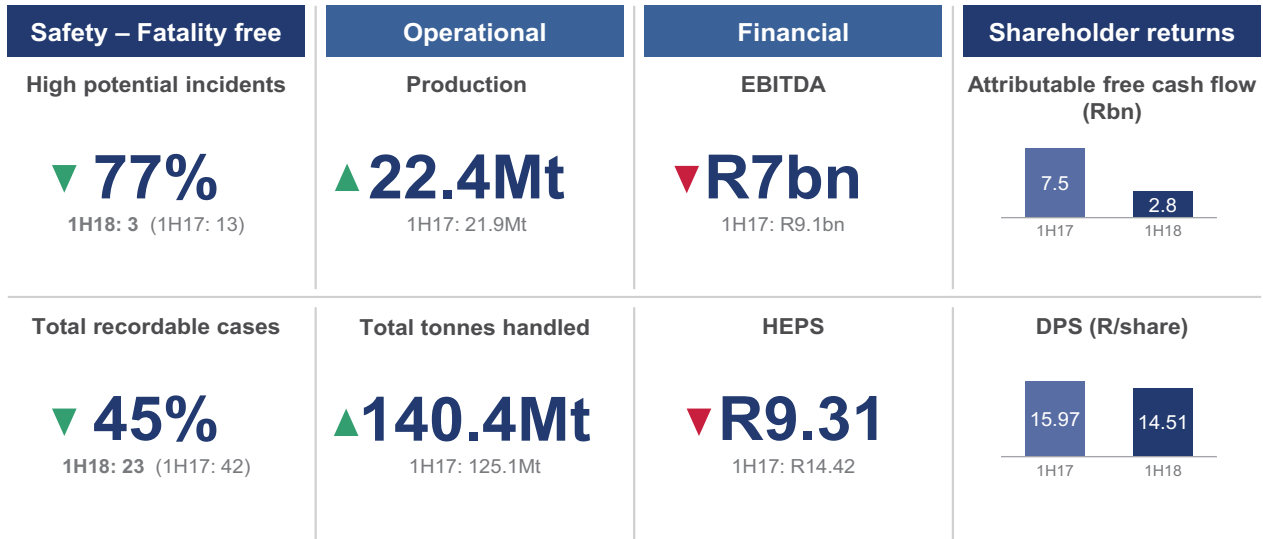
**Focused on delivering sustainable shareholder returns**

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## NOTES

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## Solid performance across the board



### NOTES



## Stakeholder relationships – continuing to make progress

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### Mining Charter

- MC18 an improvement on MCIII
  - Our mining rights are secure
  - “Once empowered always empowered”
  - Positive consultations
- Deadline for responses is 31 August 2018
- Concerns relate to issues that could affect the sustainability of the mining industry
- More consultation required to create a Mining Charter that promotes long-term investment and transformation

### Thabazimbi

- Section 11 for the transfer of mining rights to ArcelorMittal SA granted
  - Outstanding conditions precedent to be met by 28 September 2018
- 

### Dingleton

- Sishen consolidated Mining right executed, incorporates Dingleton area
- Preparation for mining activities
- Demolition of unoccupied structures, rehabilitation in progress
- In negotiations with last few households

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## NOTES

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## MARKET OVERVIEW



**KUMBA IRON ORE LIMITED**

**NOTES**

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# There's a flight to quality...

Platts 65 and Platts 58 (low Al) differential to Platts 62 (\$/t)



P65/P62 Half Year Averages (\$/dmt)

3.6

9.4

12.9

19.2

18.2

Source: Platts

Platts lump premium (\$/dmtu)



Platts lump premium avg (\$/dmtu)

0.17

0.14

0.15

0.15

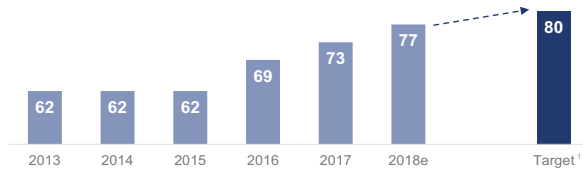
0.18

20 July 2018  
\$0.32/dmtu

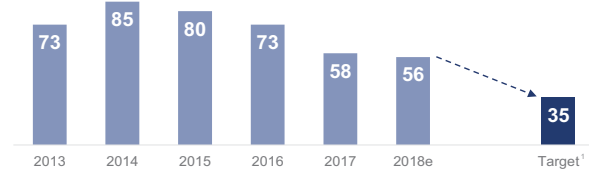
## NOTES

## ...and it's here to stay

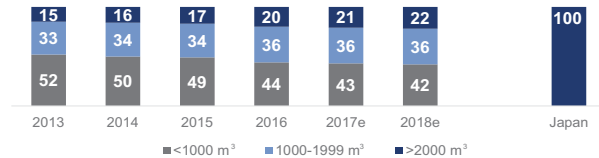
**~250Mt of steel capacity reduction**  
China Steel Capacity Utilisation (%)



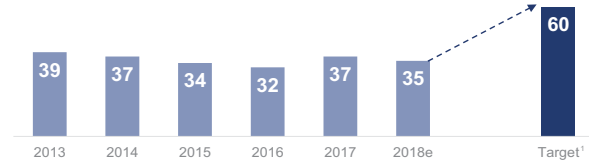
**Tighter emission standards**  
PM2.5 Reading in Beijing



**Bigger blast furnaces**  
China Major Steel Mill BF's by Size (%)



**Steel industry consolidation**  
Share of Top 10 Steelmakers in China (%)

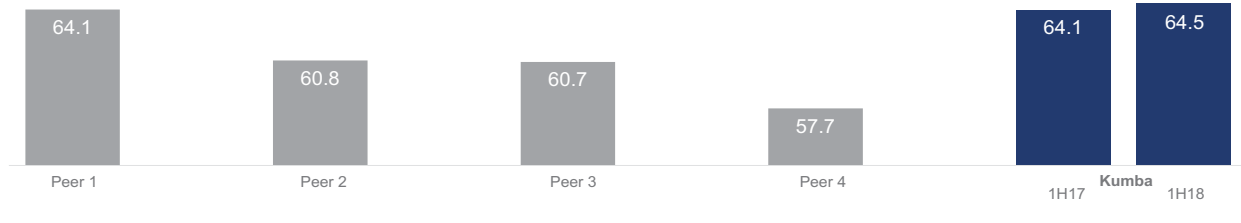


Source: Beijing Urban Master Plan 2030, China 13<sup>th</sup> Five Year Plan, CISA, MIT, World Steel Association, Woodmackenzie  
1. Government targets

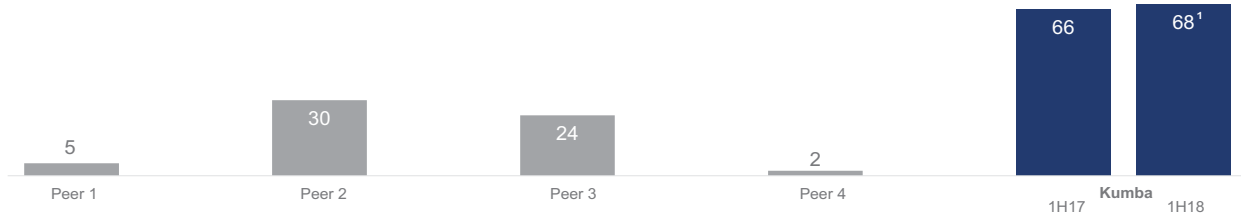
## NOTES

## Kumba is upgrading its product portfolio...

1H18 average Fe content (%), Peer comparison



1H18 Lump:Fine ratio (% lump), Peer comparison

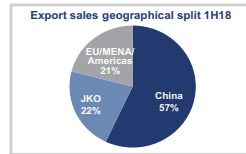
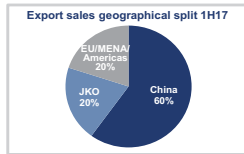
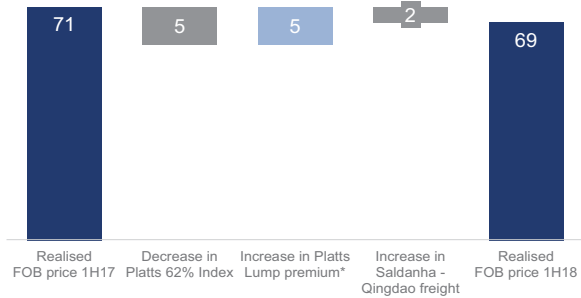


Source: Company reports, Woodmackenzie | 1:Export sales lump:fine ratio

## NOTES

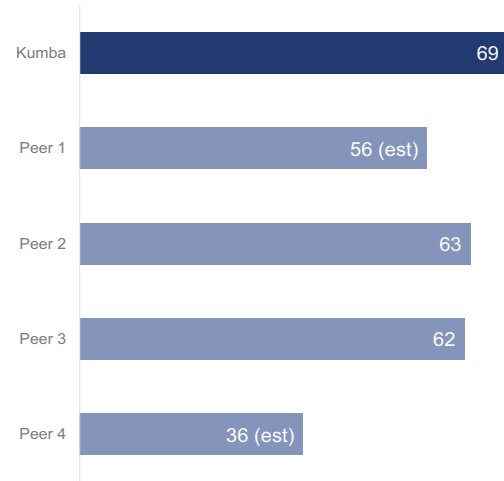
## ...resulting in a realised FOB price of US\$69/tonne

**Kumba's 1H18 Realised Price Reconciliation  
(US\$/tonne, FOB)**



\* In 1H18, 68% of Kumba's export sales consisted of lump ore.

**1H18 Realised Price (US\$/tonne, FOB),  
Peer Comparison**



## NOTES

## OPERATIONAL OVERVIEW



**KUMBA IRON ORE LIMITED**

NOTES

## Sishen – focus on value over volume



### NOTES

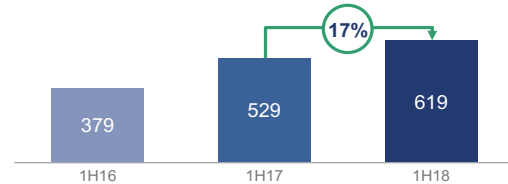
## Sishen – operating model enhanced capability and improved productivity

Total tonnes handled (incl. contractors)

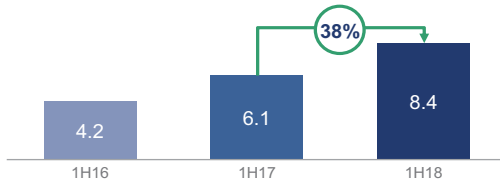
▲ **105.1Mt**

1H17: 92.9Mt

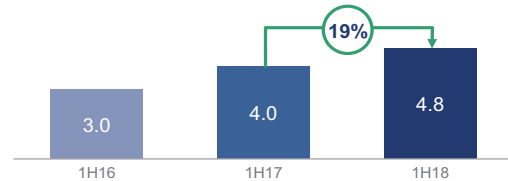
Fleet productivity (kt/day)



Haul truck (kt/day)



Pre-strip shovel tempo (kt/h)



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### NOTES



## Kolomela – driving assets to full potential



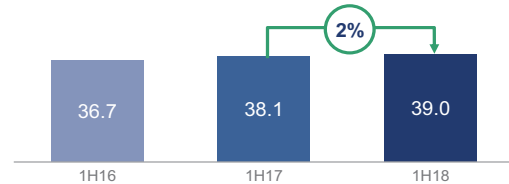
### NOTES

## Kolomela – operating model continued productivity gains

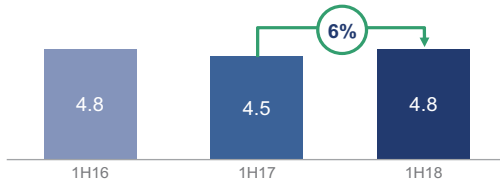
Total tonnes handled (incl. contractors)

▲ **35.3Mt**  
1H17: 32.2Mt

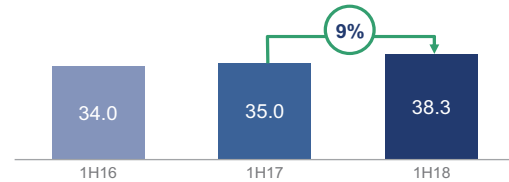
DSO productivity (kt/day)



Haul truck (kt/day)

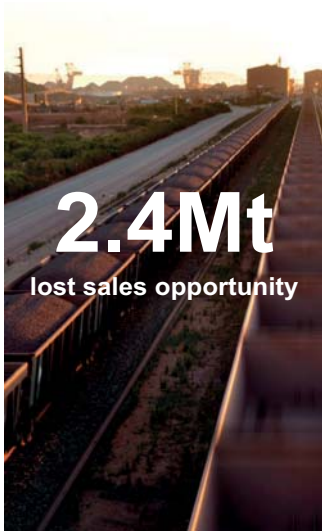


Hydraulic shovel (kt/day)



### NOTES

## Transnet rail performance under pressure due to derailments



### Challenging rail performance

- Derailments - 2 in 2H17, 4 in 1H18:
  - Low opening stocks in January
  - High finished product inventory levels at mines
  - Wagon shortages and track repairs
- Other logistical challenges:
  - Tippler issues
  - Overhead traction equipment failure
  - Speed restrictions

### Mitigating actions:

- Closely monitoring performance to achieve 100% contractual capacity
- Optimised loading, reduced loading variability, improved turn-around times at mine
- Improvement of integrated operational and sales planning across value chain

## NOTES

## Logistics performance maintained despite rail challenges

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Railed to port

**20.8Mt**

1H17: 20.8Mt



Total sales

**21.2Mt**

1H17: 21.2Mt

Total shipped

**19.5Mt**

1H17: 19.5Mt

Finished product inventory

**▲ 6.2Mt**

1H17: 4.4Mt

### NOTES

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## FINANCIAL OVERVIEW



**KUMBA IRON ORE LIMITED**

**NOTES**

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## Enhancing returns for shareholders

### Margin enhancement

Revenue 1H17	<b>R19.5bn</b> R21.5bn
EBITDA margin 1H17	<b>36%</b> 43%



### Financial discipline

Cost savings:	<b>R415m</b>
Capital expenditure 1H17	<b>R1.4bn</b> R1.1bn



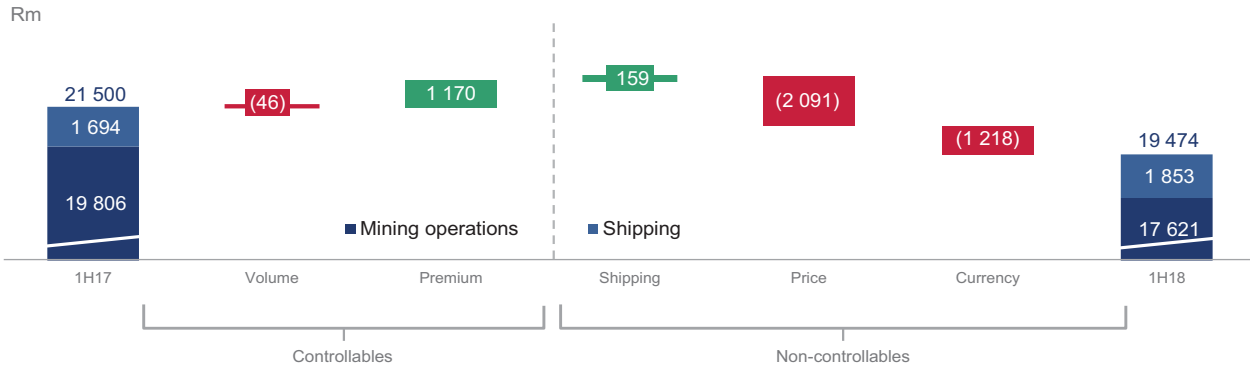
### Shareholder returns

Attributable free cashflow 1H17	<b>R2.8bn</b> R7.5bn
Dividend per share 1H17	<b>R14.51</b> R15.97



## NOTES

## Revenue – quality premia partially offsetting stronger Rand and lower prices



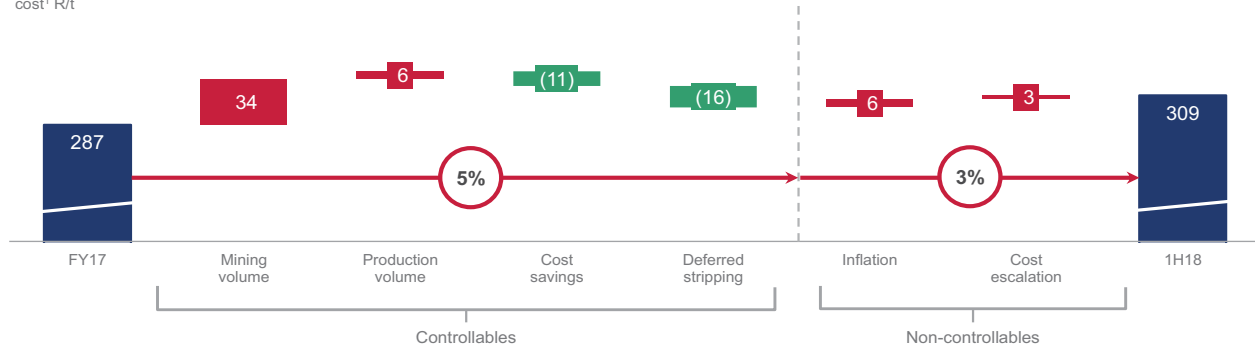
- Revenue decreased by 9%
- Total sales maintained at 21.2Mt
- Premium for Fe and lump quality
- Average realised FOB export price declined 3% to \$69/t (1H17: \$71/t)
- Average R/\$ exchange rate 7% stronger at R12.30 (1H17: R13.21)

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### NOTES

## Sishen unit cost driven by mining volumes while cost savings offset non-controllable costs

Unit cash cost<sup>1</sup> R/t



- Mining volumes up 13%
- Lower production increased costs
- Cost savings from optimisation and improved productivity
- Inflation-related costs up R6/tonne
- Cost escalation driven by higher diesel price

<sup>1</sup> Excluding impact of deferred stripping on unit cost 1H18: R48/t (FY17: R30/t)

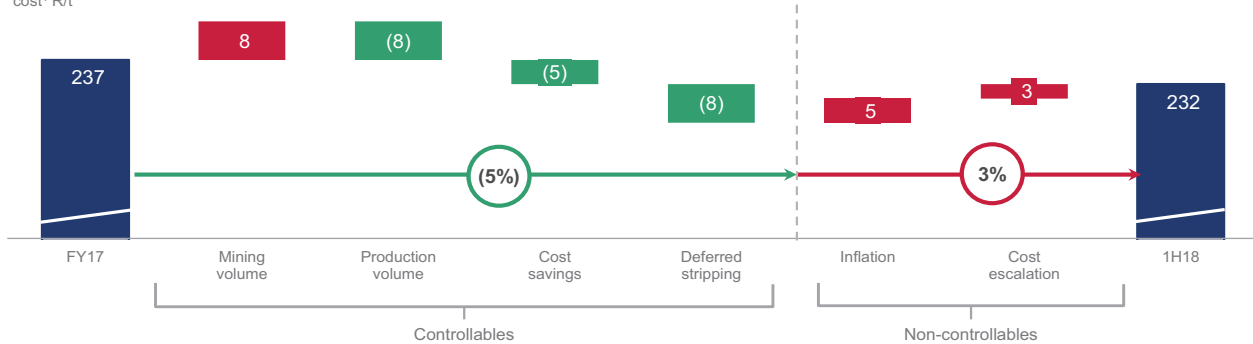
22

### NOTES



## Kolomela's lower unit cost due to increased productivity and efficiencies

Unit cash cost<sup>1</sup> R/t



- Controllable cost reduction offsetting non-controllable costs
- Higher production volumes reduced unit cash costs
- Cost savings offset inflation costs

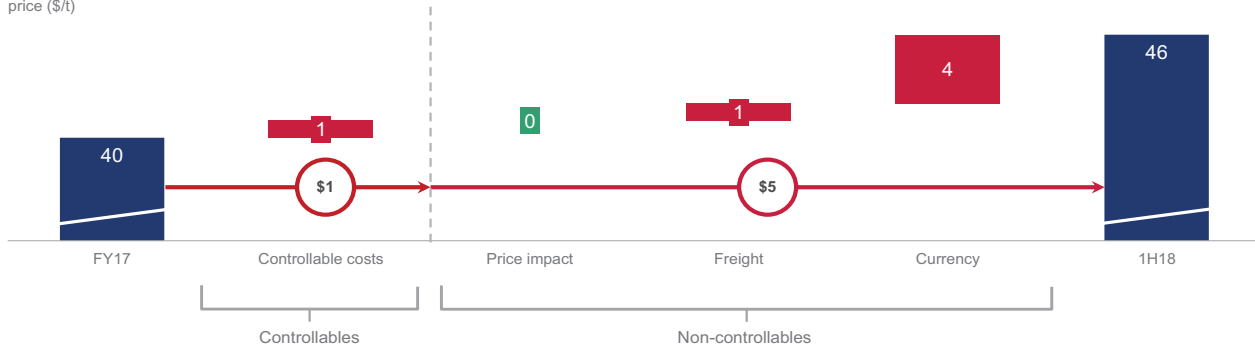
<sup>1</sup> Excluding impact of deferred stripping on unit cost 1H18: R25/t (FY17: R18/t)

23

## NOTES

## Break-even price – increase mainly driven by currency strength

Platts 62%  
break-even  
price (\$/t)



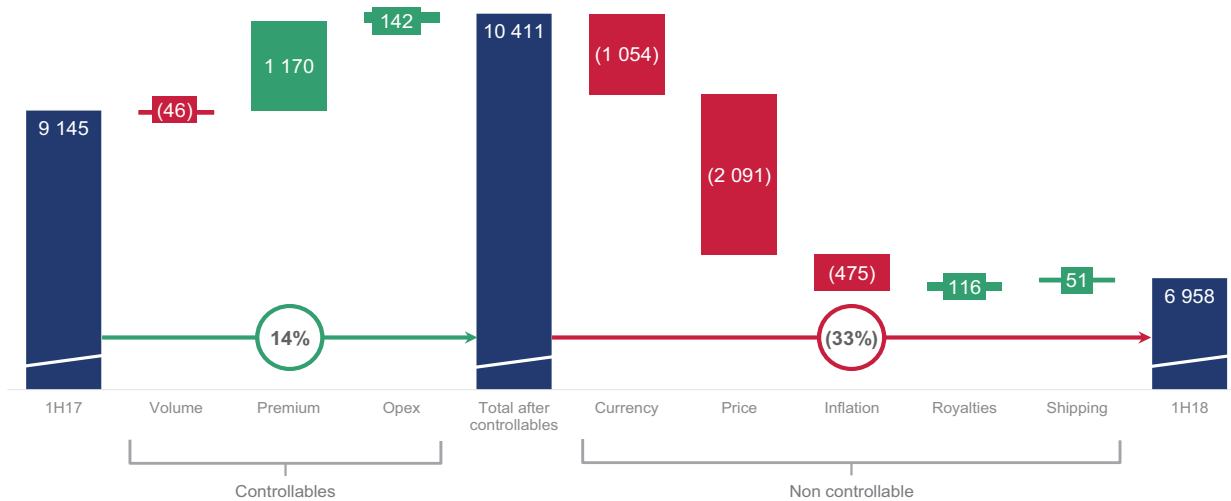
- Break-even price up \$6/t from FY17 average
- Controllable costs driven by:
  - Higher mining volumes and increased logistics costs, offset by containment of on-mine and overhead cost
- Non-controllable costs increased by \$5/t
  - Rand strengthening 7% to R12.30 (FY17: R13.30)
  - Increase in freight rates

24

## NOTES

# EBITDA – strategy of operating assets at full potential delivering underlying value

Rm



## NOTES

## Capital expenditure supports our strategy

### 1H18

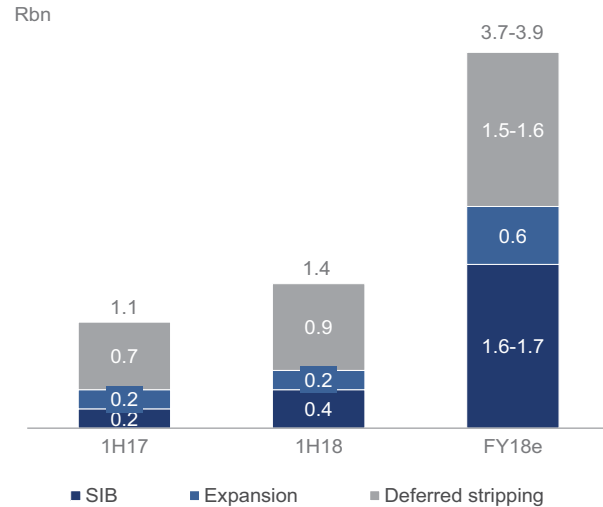
- SIB: Infrastructure to support production, and environmental compliance
- Expansion: Sishen 2nd modular plant and Dingleton
- Deferred stripping: higher strip ratio compared to 1H17, as planned

### Medium term

- Infrastructure to support operations, fleet refurbishment and environmental compliance
- Investment in UHDMS technology and exploration

### Long term

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

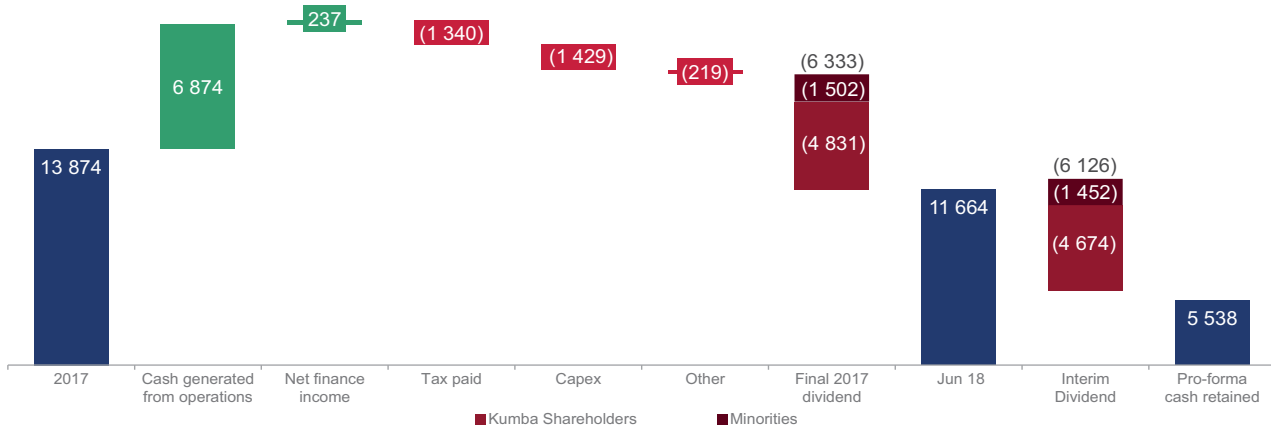


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## NOTES

## Strong balance sheet – set for long-term growth and sustainable returns

Rm



- Attributable free cash flow of R2.8 billion
- Cash balance retained at R11.7 billion
- Shareholder returns of R12.5 billion
- Interim dividend of R14.51 per share

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### NOTES

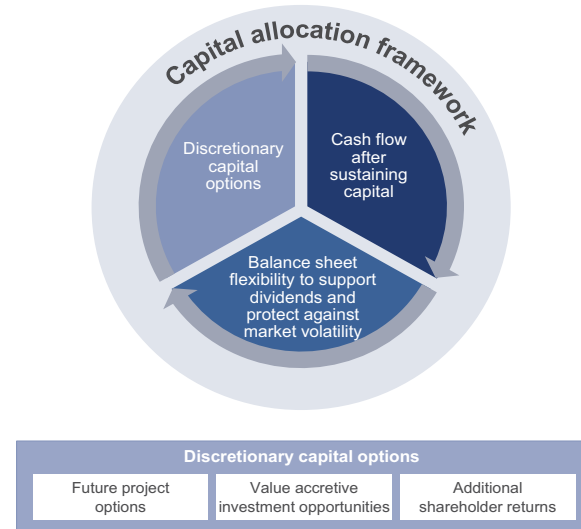
## Disciplined capital allocation – delivering on our commitment

Revised dividend policy of 50 – 75% payout ratio takes into account:

- Cash generation capability
- Prioritisation of sustainable shareholder returns
- Balance sheet flexibility
- Disciplined capital allocation

1H18 interim dividend of R14.51 made up as follows:

- R6.98 – 75% of headline earnings
- R7.53 – once-off dividend off accumulated cash



## NOTES

## FOCUS ON UNLOCKING FULL POTENTIAL



**KUMBA IRON ORE LIMITED**

**NOTES**

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## Focused delivery on our strategy

### Horizon 1 Operating assets at full potential

- Improving productivity
- Cost initiatives targeted
- Increasing quality of product

### Horizon 2 Leveraging endowment

- Efficiency & optimisation
- Technology an enabler – UHDMS
- Northern Cape exploration

### Horizon 3 Value accretive opportunities

- Opportunistic approach
- Strategic investment opportunities
- Long-term optionality



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## NOTES



## Horizon 1 – drive margin expansion across value chain

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# R800 million

Cost saving opportunities targeted for 2018

- R415 million of cost savings in 1H18
- Opportunities identified include:
  - Optimising maintenance schedules
  - Contractor management
  - Diesel and tyre efficiency
  - Supplier spend

▲ **64.5% Fe**

Product quality

▲ **20-30%**

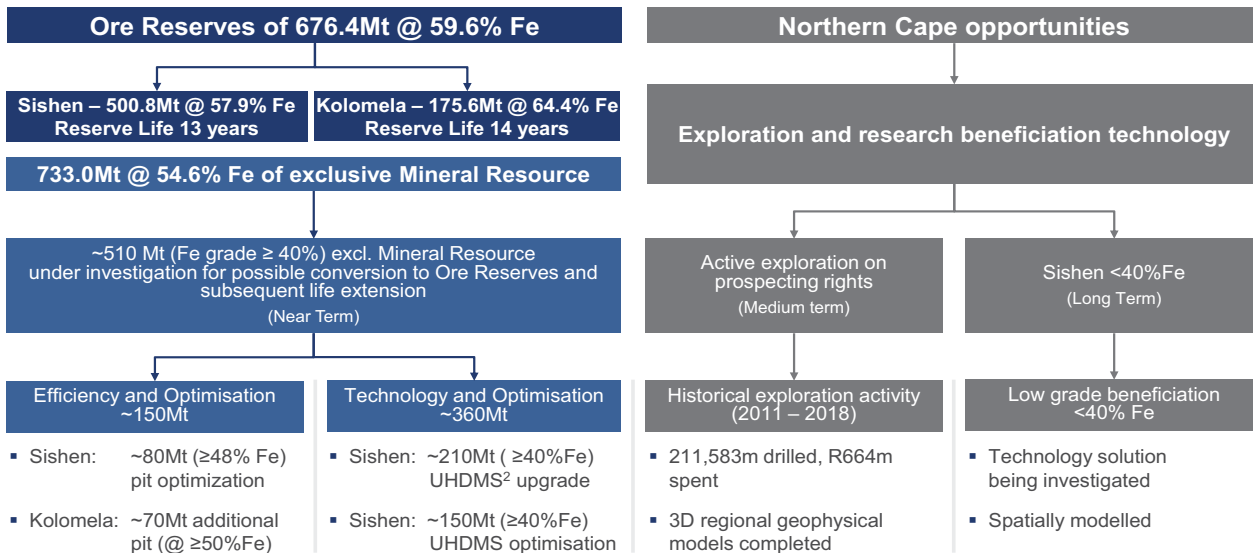
Fleet productivity and efficiency

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## NOTES

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## Horizon 2 – leveraging Northern Cape opportunities, our approach to life extension



1. Exclusive Mineral Resource are additional to Ore Reserves and has not been modified. Please refer to our disclaimer as well as slide 37 and 38 for additional information, source data and assumptions.

2. Subject to rail capacity

3. Based on 1.6 revenue factor. Sishen Total 2017 exclusive Mineral Resource = 559.6Mt @ 52.0% Fe. Kolomela Total 2017 exclusive Mineral Resource = 173.4Mt @ 62.8% Fe

## NOTES

## Guidance for 2018

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### Sishen

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Production: 29 - 30Mt

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Waste: 170 – 180Mt

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Unit costs: R300 to R310

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Strip ratio: to exceed 4, LoM ~4

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LoM: 13 years

### Kolomela

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Production: ~14Mt

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Waste: 55 – 57Mt

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Unit costs: R240 to R250

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Strip ratio: to exceed 3.5, LoM ~4

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LoM: 14 years

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Total production (Mt)

**43 – 44**

Total sales (Mt)

**42 – 44**

Capex (Rbn)




**3.7 – 3.9**

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## NOTES

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## Our value proposition

Assets	Capabilities	Shareholder returns
Premium product	Safe production	Strong cash generation
Resource endowment and life extension opportunities	Operating Model and talented people	Capital allocation discipline
Licence to operate and mutually beneficial partnerships	Innovation and technology	Attractive and sustainable dividends
		

## NOTES

## QUESTIONS



**KUMBA IRON ORE LIMITED**

## NOTES

## ANNEXURES



**KUMBA IRON ORE LIMITED**

**NOTES**

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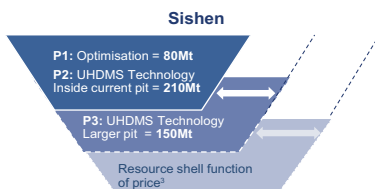
# Annexure 1: Life extension<sup>2</sup> under investigation

## 2017 Ore Reserves

Sishen ~500.8Mt @ 57.9% Fe  
Kolomela ~175.6Mt @ 64.4% Fe

	2017 Yield	2017 Reserve Life
Sishen	74.0%	13 years
Kolomela	95.8%	14 years

## Mineral Resource<sup>1</sup> (under investigation)



	Mineral Resource <sup>1</sup>	In situ Fe Grade	Conversion Factor	Yield
<b>Phase 1 – Optimisation</b>	80 Mt	≥48%	0.70 – 0.60	70 – 75%
▪ Improved efficiency ▪ Mine design				
<b>Phase 2 – Optimisation</b>	210 Mt	40 – 48%	0.70 – 0.60	25 – 30%
▪ UHDMS technology (Current pit)				
<b>Phase 3 – Optimisation</b>	150 Mt	≥40%	0.70 – 0.60	37 – 42%
▪ UHDMS technology (Larger pit)				

Phase 1 = New pit	70 Mt	≥50%	0.55 - 0.45	98 - 100%
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**510Mt of 733Mt exclusive Mineral Resource<sup>1</sup> (2017) under investigation for short to medium term potential conversion to Ore Reserves**

1. Exclusive Mineral Resource are additional to Ore Reserves and has not been modified. Please refer to our disclaimer as well as slide 38 for source data and assumptions.
2. Subject to rail capacity
3. Based on 1.6 revenue factor. Sishen Total 2017 exclusive Mineral Resource = 559.6Mt @ 52.0% Fe. Kolomela Total 2017 exclusive Mineral Resource = 173.4Mt @ 62.8% Fe

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## NOTES

## Annexure 1a: Kumba 2017 Exclusive Mineral Resource

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- **Source data**

The Kumba Iron Ore 2017 Exclusive Mineral Resource estimates are detailed in the Kumba 2017 Ore Reserves & Mineral Resource Report (<http://www.angloamericankumba.com/~media/Files/A/Anglo-American-Kumba/annual-report-2018/ore-reserves-and-mineral-resources-report-2017.pdf>)

## NOTES

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## Annexure 2: Logistics performance maintained

Mt	1H18	1H17	% change	2H17	% change
Railed to port (incl. Saldanha Steel)	<b>20.8</b>	20.8	—	21.2	(2)
Sishen mine (incl. Saldanha Steel)	<b>13.7</b>	14.4	(5)	14.1	(3)
Kolomela mine	<b>7.1</b>	6.4	11	7.1	—
Total sales	<b>21.2</b>	21.2	—	23.7	(11)
Export	<b>19.5</b>	19.5	—	22.1	(12)
Domestic	<b>1.7</b>	1.7	—	1.6	6
Total ore shipped	<b>19.5</b>	19.5	—	22.1	(12)
CFR (shipped by Kumba)	<b>12.8</b>	12.7	1	15.9	(19)
FOB (shipped by customers)	<b>6.7</b>	6.8	(1)	6.2	8
Finished product inventory	<b>6.2</b>	4.4	41	4.3	44

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## NOTES

## Annexure 3: Operating margin driven by lower revenue, expense growth well controlled

Rm	1H18	1H17	% change	2H17 <sup>1</sup>	% change
Revenue	19 474	21 500	(9)	24 879	(22)
Operating expenses	(14 390)	(13 853)	4	(11 205)	28
Operating profit	5 084	7 647	(34)	13 674	(63)
Operating margin (%) <sup>2</sup>	26	36	—	36	—
Profit for the period	3 853	5 998	(36)	10 135	(62)
Equity holders of Kumba	2 943	4 586	(36)	7 749	(62)
Non-controlling interest	910	1 412	(36)	2 386	(62)
Effective tax rate (%)	27	23		27	
Cash generated from operations	6 874	11 726	(41)	10 706	(36)

<sup>1</sup> Including Thabazimbi mine

<sup>2</sup> Excluding the impairment reversal in 2H17

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## NOTES

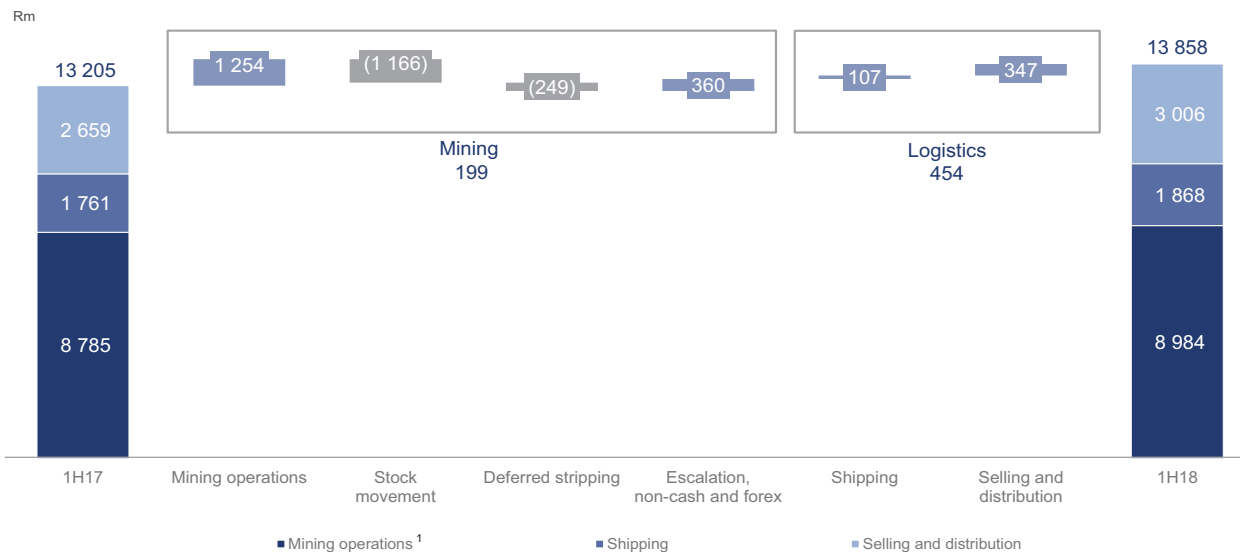
## Annexure 4: Revenue sector analysis

	1H18	1H17	% change	2H17	% change
Export (Rm)	16 388	18 375	(11)	20 886	(22)
Tonnes sold (Mt)	19.5	19.5	—	22.1	(12)
US Dollar per tonne	69	71	(3)	71	(3)
Rand per tonne	840	942	(11)	945	(11)
Domestic (Rm)	1 233	1 431	(14)	1 283	(4)
Shipping operations (Rm)	1 853	1 694	9	2 710	(32)
<b>Total revenue</b>	<b>19 474</b>	<b>21 500</b>	<b>(9)</b>	<b>24 879</b>	<b>(22)</b>
Rand/US Dollar exchange rate	12.30	13.21	(7)	13.40	(8)

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## NOTES

## Annexure 5: Operating expenditure driven by volume growth



<sup>1</sup> Excluding the mineral royalty

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## NOTES

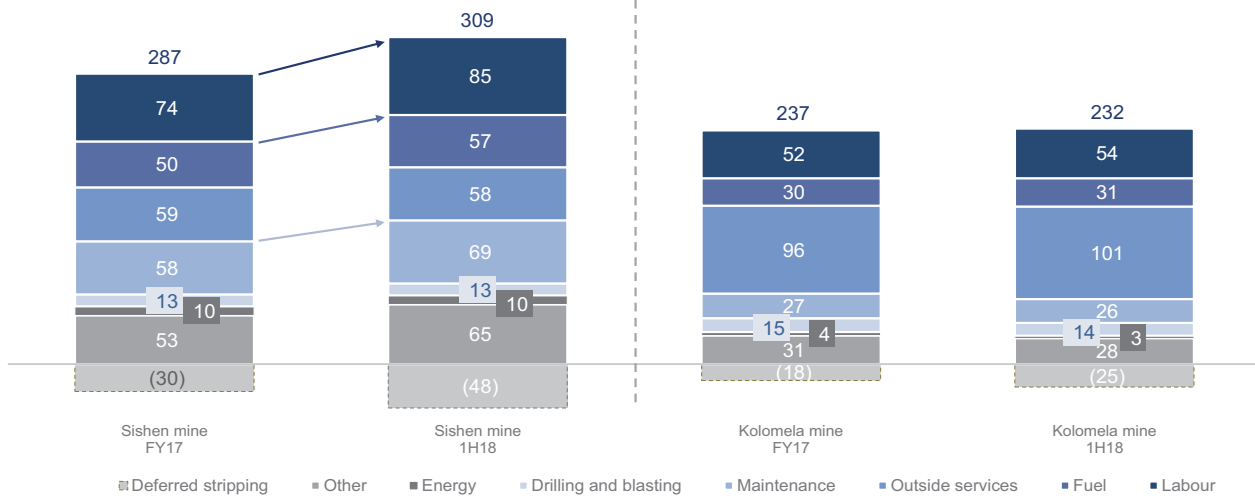
## Annexure 6: Operating expenditure analysis

Rm	1H18	1H17	% change	2H17	% change
Cost of goods sold	8 984	8 785	2	9 521	(6)
Cost of goods produced	8 731	8 153	7	8 435	4
Production costs	9 004	7 656	18	8 704	3
Sishen mine	6 282	5 336	18	5 828	8
Kolomela mine	2 499	2 111	18	2 597	(4)
Thabazimbi mine	44	104	(58)	(10)	(540)
Other	179	105	70	289	(38)
Inventory movement WIP	(273)	497	(155)	(269)	1
A grade	(992)	—	—	(69)	1 338
B grade	719	497	45	(200)	(460)
Inventory movement finished product	(380)	16	(2 475)	215	(277)
Corporate support and studies	580	450	(29)	673	(14)
Forex and other	53	166	(67)	198	(72)
Mineral royalty	532	648	(18)	591	(10)
Impairment reversal	—	—	—	(4 789)	(100)
Selling and distribution	3 006	2 659	13	3 157	(5)
Shipping operations	1 868	1 761	6	2 725	(31)
<b>Operating expenses</b>	<b>14 390</b>	<b>13 853</b>	<b>4</b>	<b>11 205</b>	<b>28</b>

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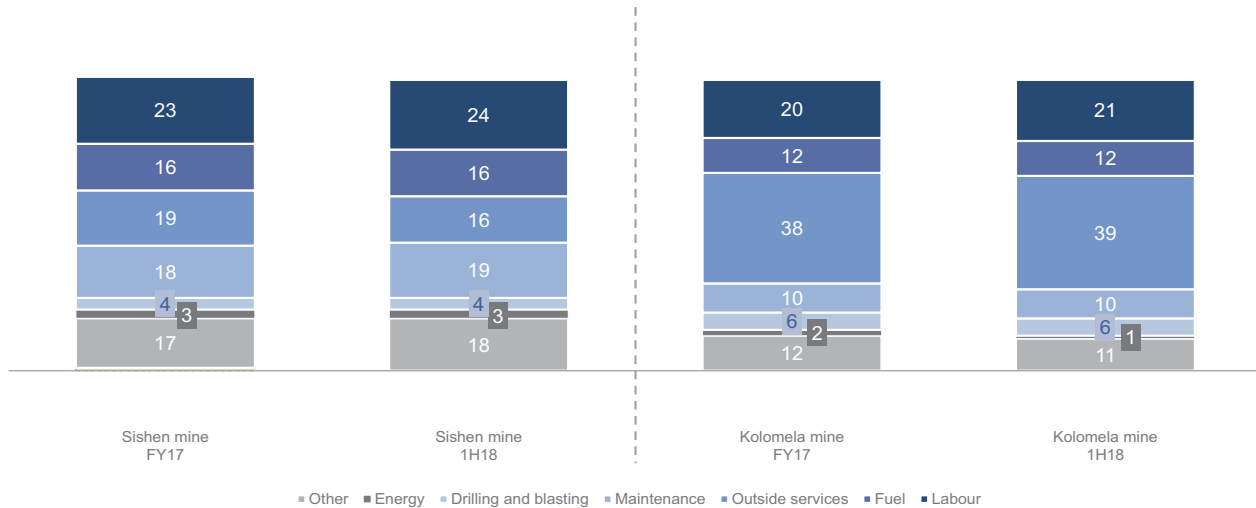
## NOTES

## Annexure 7: Sishen and Kolomela mines' unit cash cost structure (R/t)



### NOTES

## Annexure 8: Sishen and Kolomela mines' unit cash cost structure (%)



### NOTES

## Annexure 9: Capital expenditure analysis

Rm	1H18	FY17 <sup>1</sup>	FY18
Approved expansion	155	575	~600
Deferred stripping	905	1 194	1 500 – 1 600
Sishen	723	942	1 300 – 1 400
Kolomela	182	252	~200
SIB Sishen	210	793	900 – 1 000
SIB Kolomela	159	507	~700
<b>Total capital expenditure</b>	<b>1 429</b>	<b>3 069</b>	<b>3 700 – 3 900</b>

*All guidance based on current forecast exchange rates  
1. FY17 excludes ~R5m of Thabazimbi capital expenditure*

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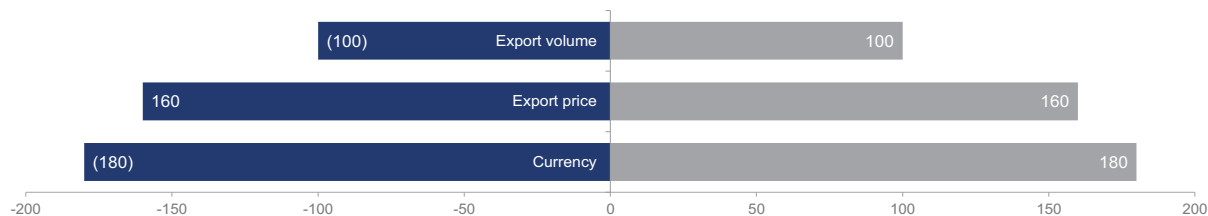
## NOTES



## Annexure 10: Sensitivity analysis 1H18

### 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\$	R145m
Export Price (US\$/t)	US\$1.00/t	R230m
Volume (kt)	100kt	R50m
		<b>Breakeven price impact</b>
Currency (Rand/US\$)	R1.00/US\$	US\$3.40/t

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

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## NOTES