Kumba Iron Ore Limited






2017 INTERIM RESULTS
25 JULY 2017

AngloAmerican

100 YEARS 1917 - 2017

DISCLAIMER

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.

DELIVERING ON PROMISES

Safety: fatality free, material improvement on all key indicators

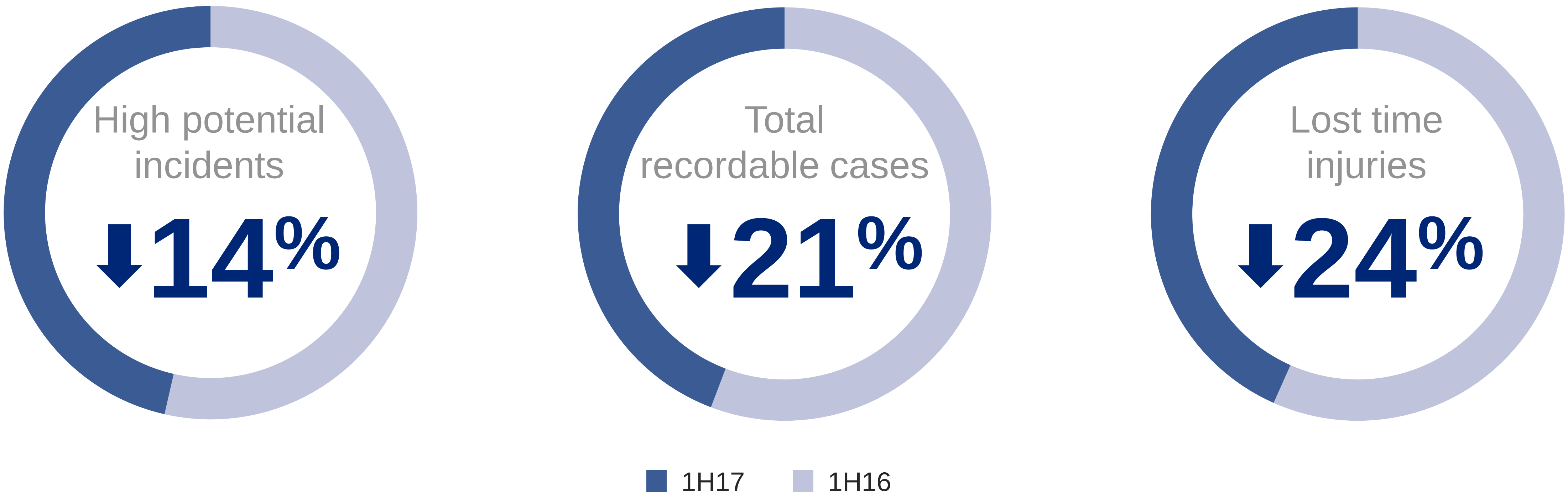
Operations: another step change in productivity

Financials: capturing benefit of price and performance

Capital allocation: balance sheet strengthened, dividend reinstated

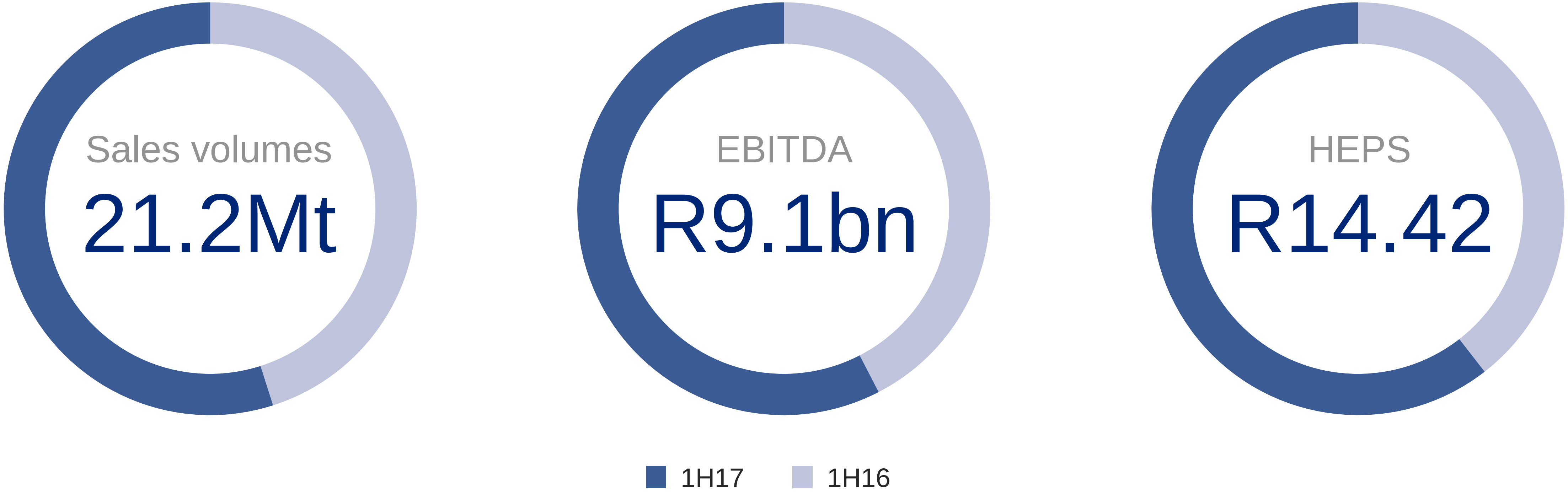
Outlook: guidance revised upwards, cost pressure remains

CRITICAL INTERVENTIONS IMPROVE SAFETY INDICATORS



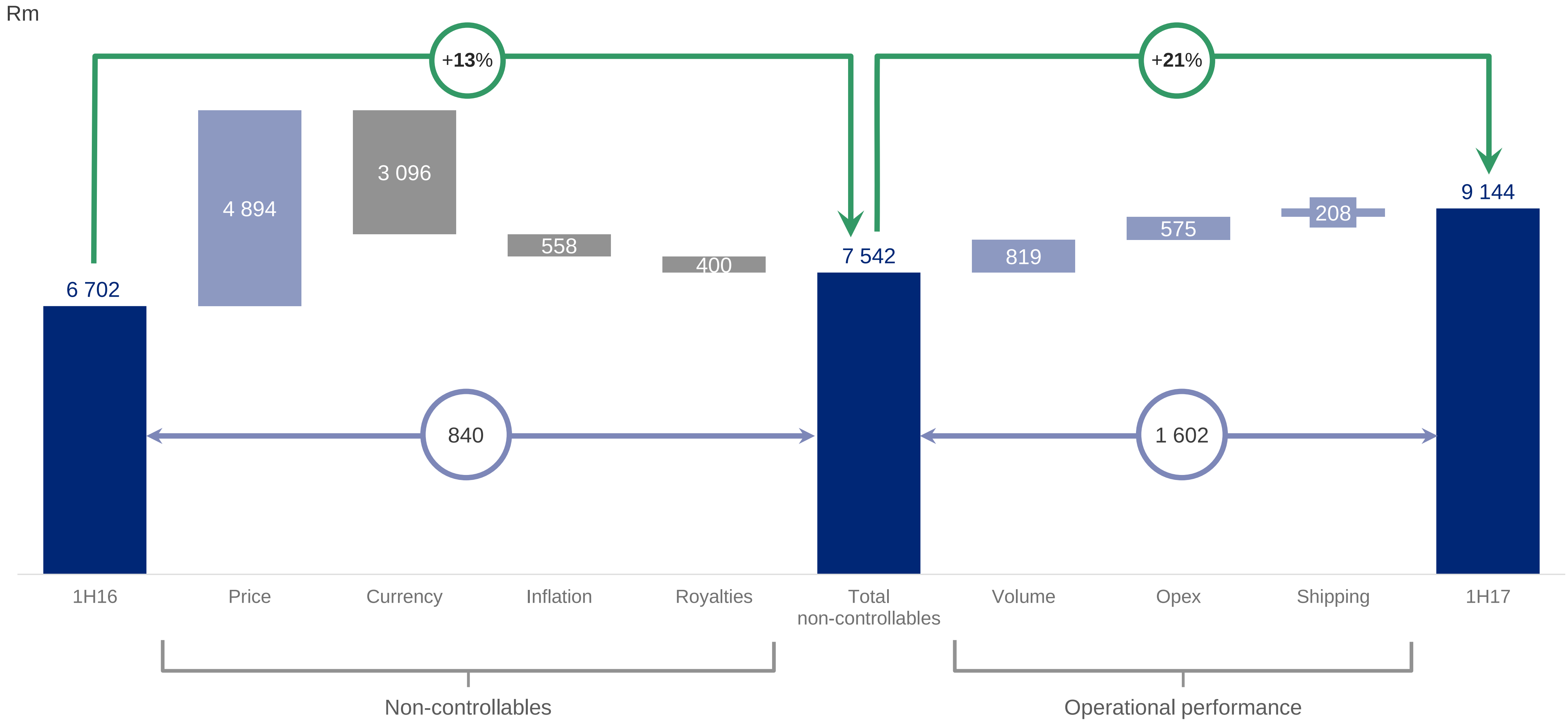
0	**.73**	**.23**
Fatality free	TRCFR improvement from .83	LTIFR improvement from .27

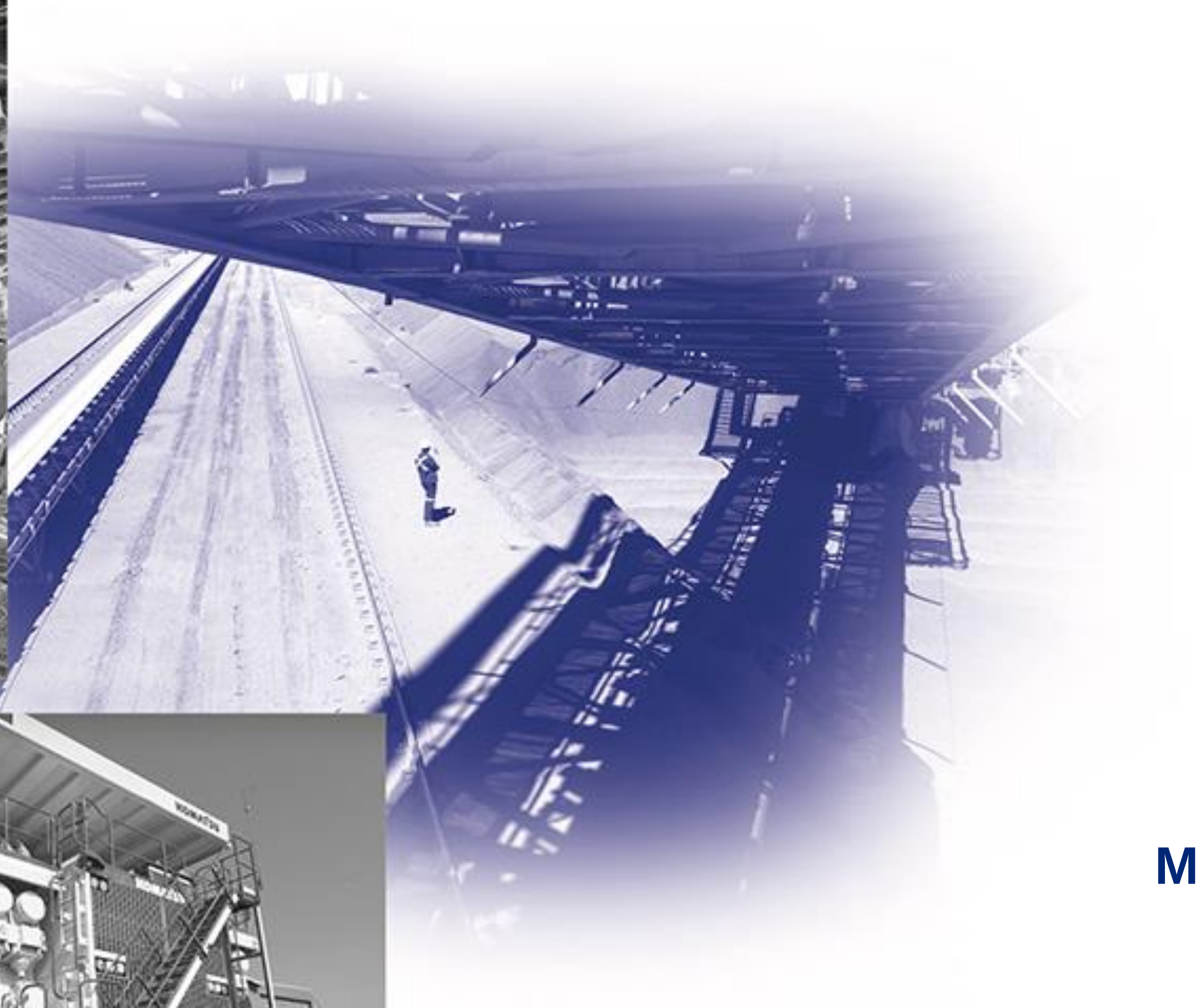
ROBUST OPERATING AND FINANCIAL PERFORMANCE



↑23%	↑5.7%	↑53%
Production	EBITDA margin	HEPS

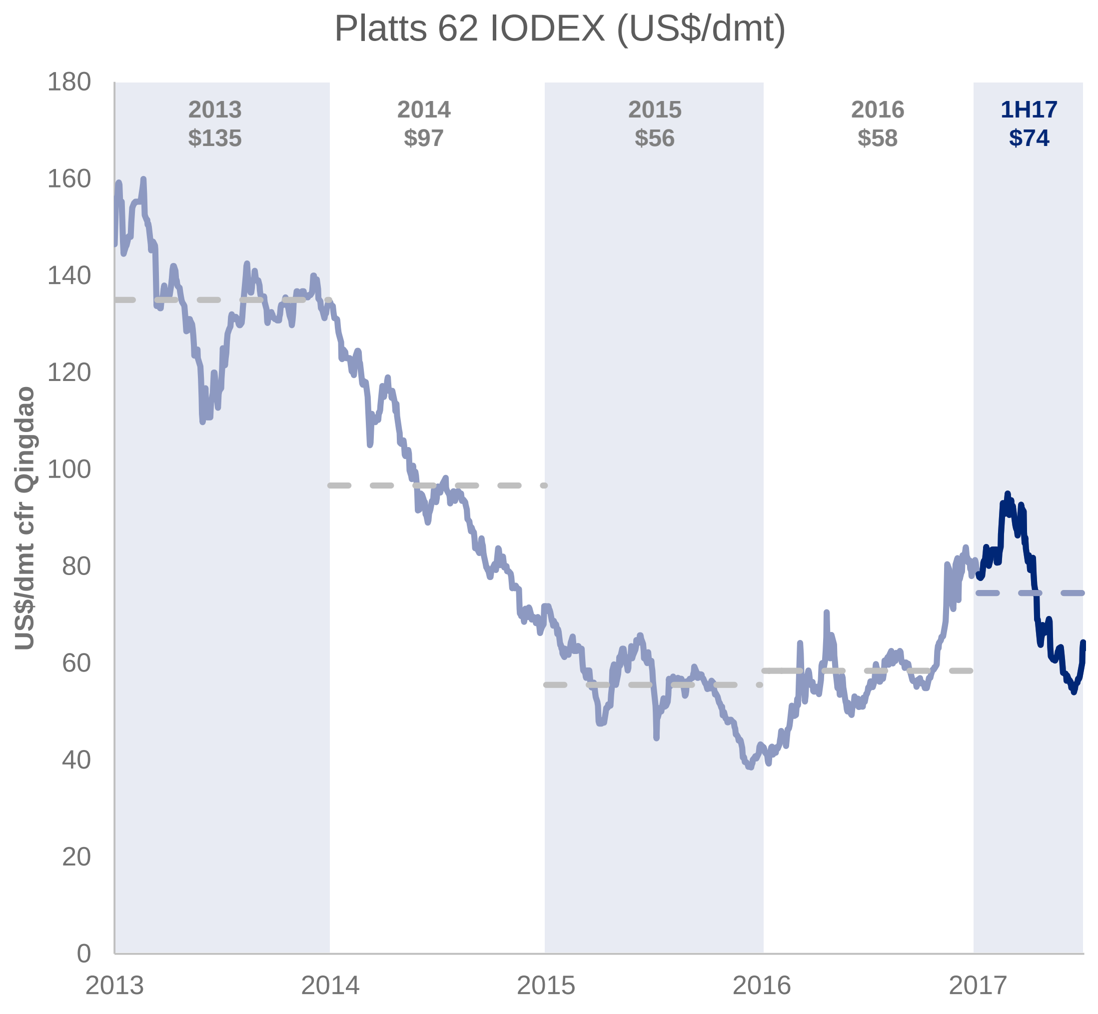
EBITDA IMPROVEMENT DRIVEN BY PRICE AND PRODUCTIVITY GAINS

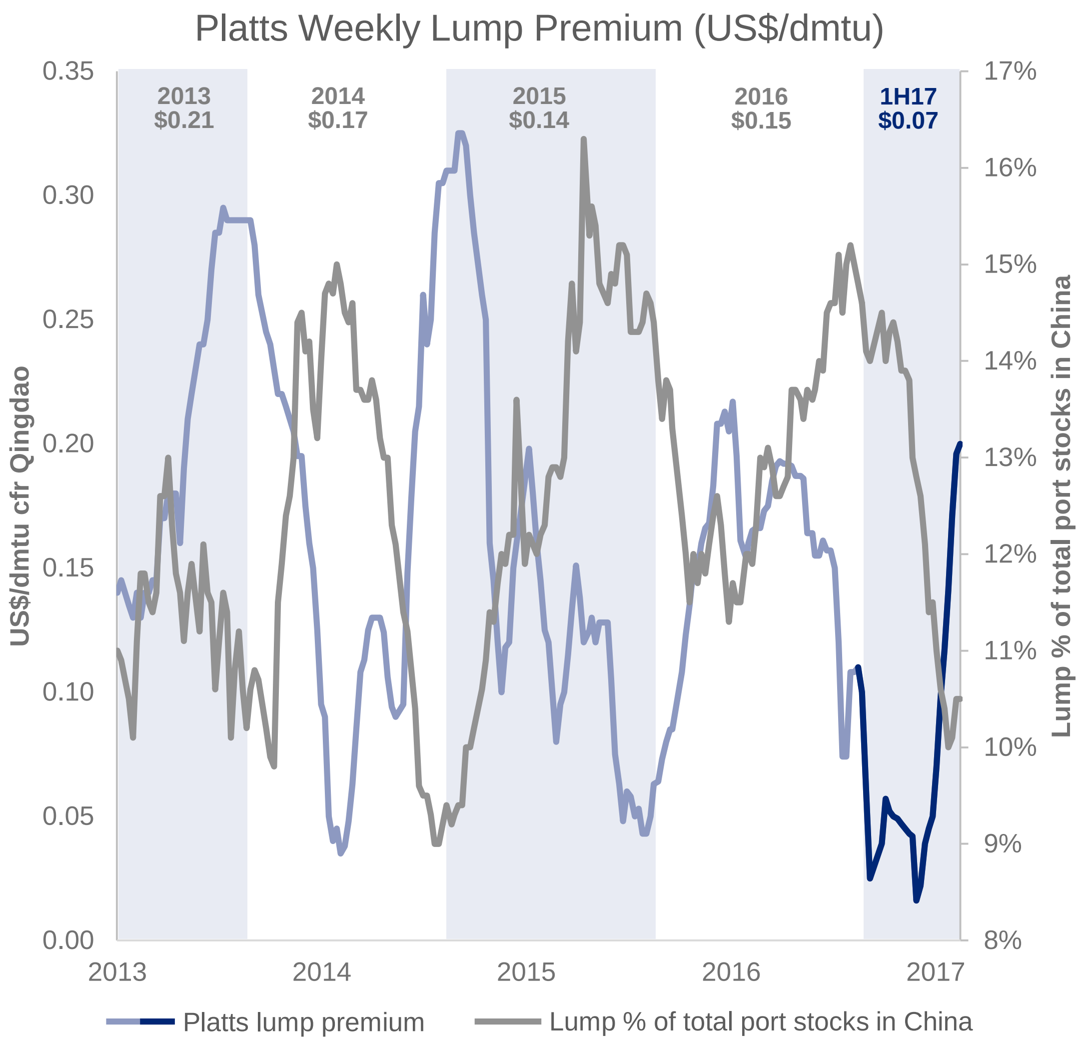




MARKET OVERVIEW

LUMP PREMIUM RECOVERS FROM HISTORICAL LOWS

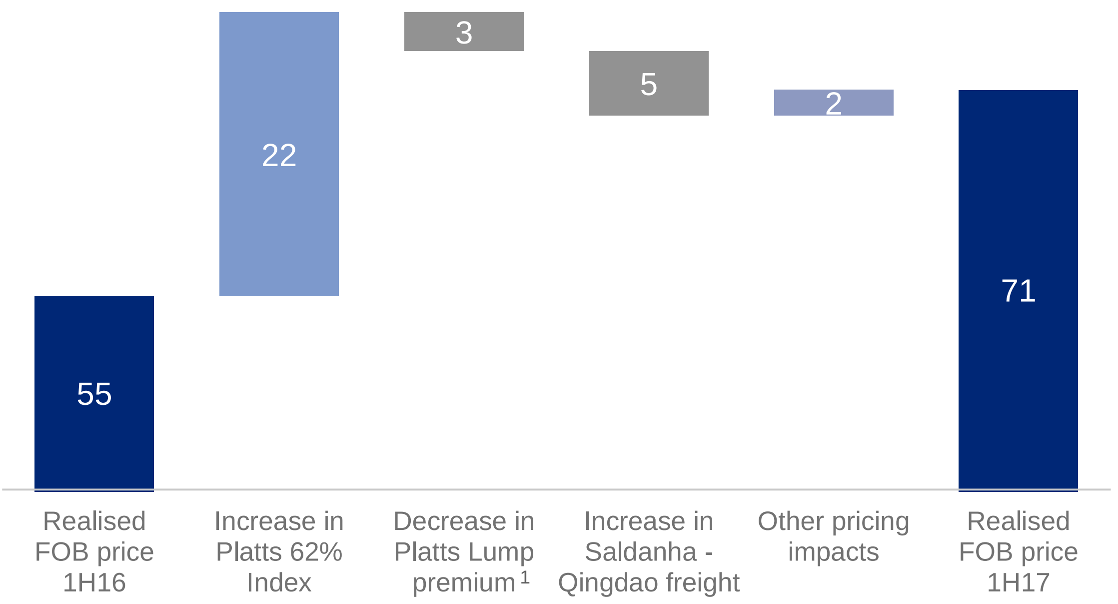




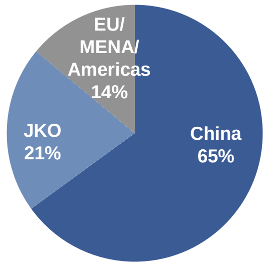
Source: Platts

HIGHER ABSOLUTE AND RELATIVE PRICES – OUTLOOK CAUTIOUS

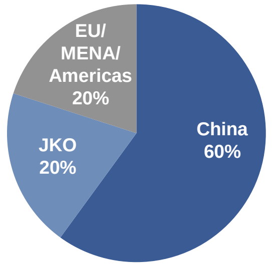
Kumba's 1H17 Realised Price Reconciliation (US$/dmt, FOB)



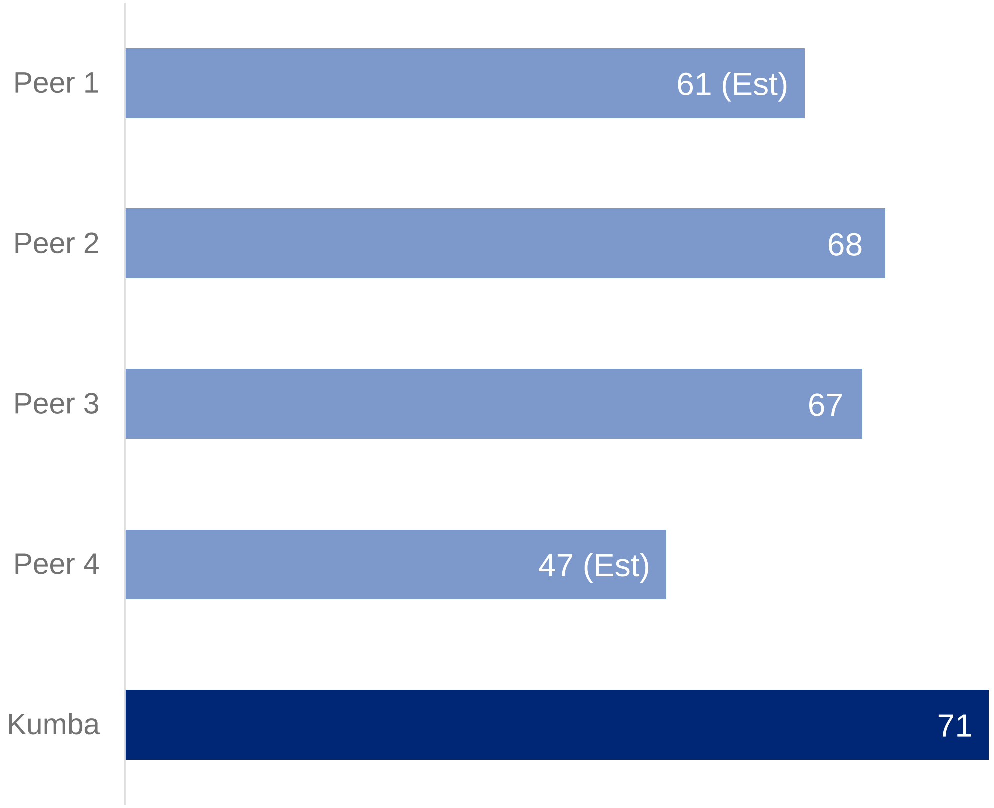
Export sales geographical split 1H16



Export sales geographical split 1H17



1H17 Realised Price (US$/dmt, FOB), Peer Comparison



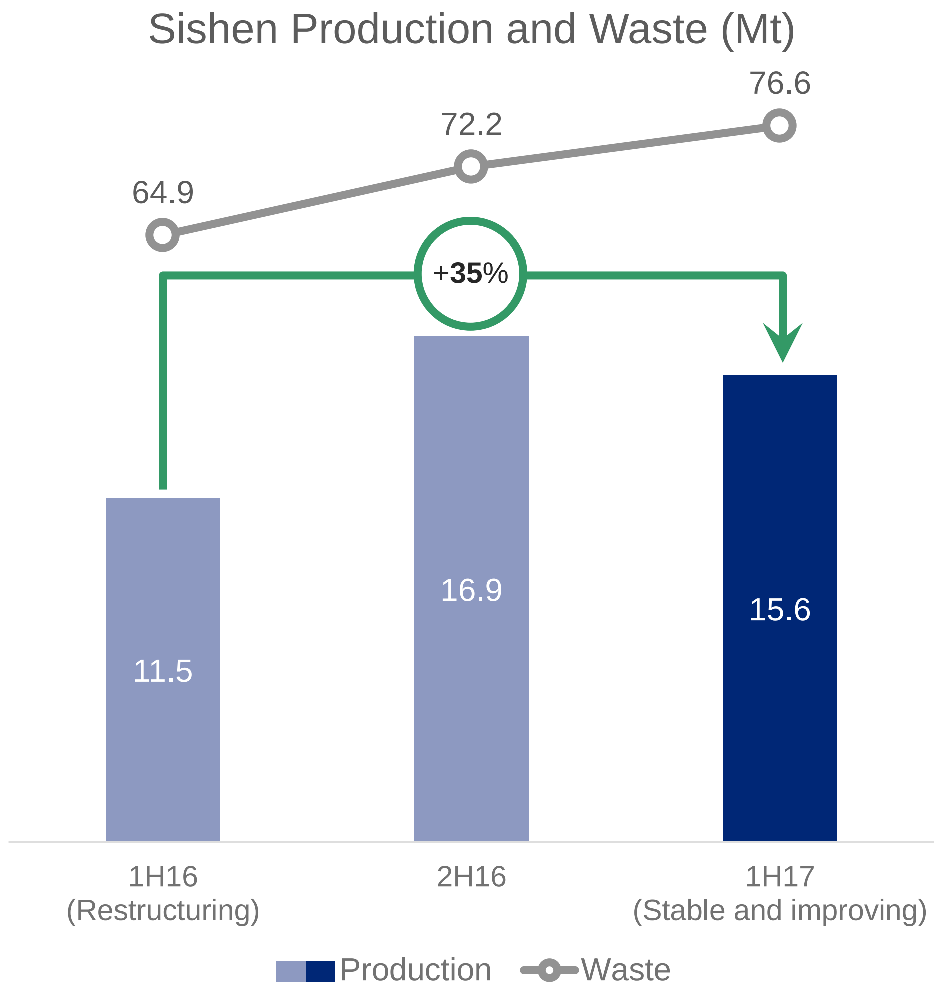
[1] *In 1H17, 67% of Kumba's sales consisted of lump ore.*

Peer 1 estimated using Q1 actuals & an assumed 103% realisation of the IODEX for Q2.
Peer 4 estimated using Q1 actuals & published monthly product discounts for Q2.

OPERATIONAL OVERVIEW

SISHEN DEMONSTRATING STABILITY

- Production up 35% to 15.6Mt from higher plant throughput and yields
- Waste up 18% to 76.6Mt
- Performance underpinned by improved productivity
- Strip ratio will exceed 4 in medium term



Strip ratio	3.5	3.2	4.7

FLEET PRODUCTIVITY IMPROVES BY 57%

Operating Model delivering benefits

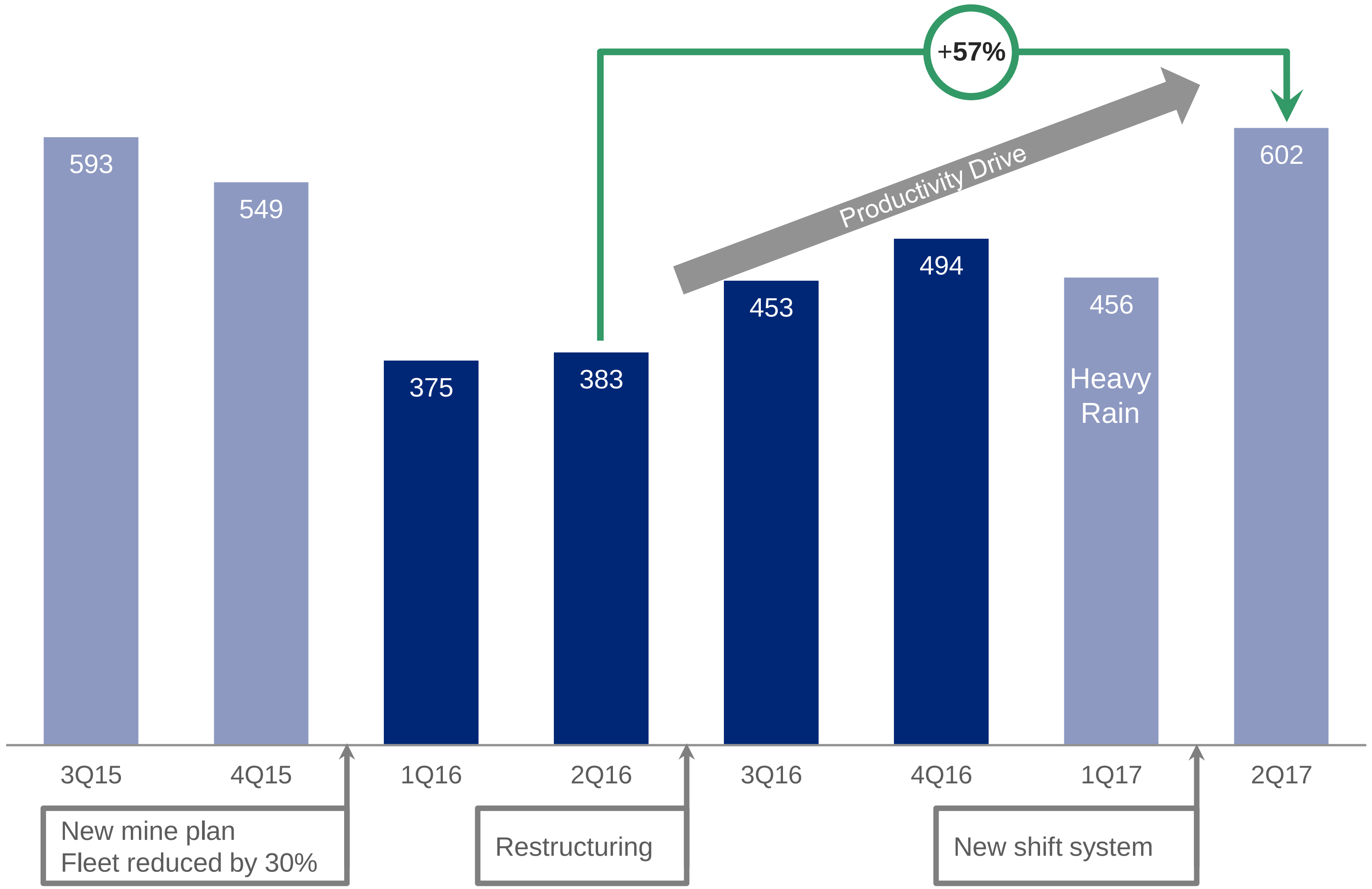
More hours worked

- Motivated workforce
- New shift system
- Efficient shift change
- Good attendance

Improved shovel productivity

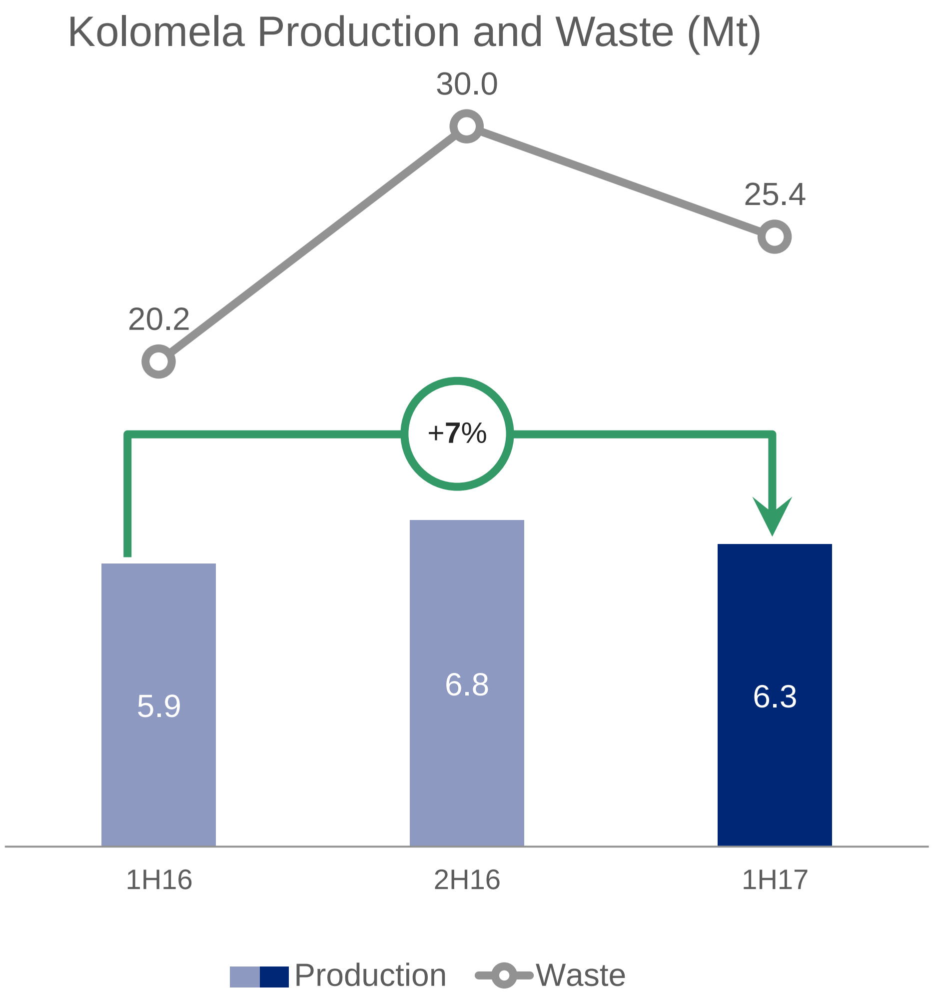
- Improved planning
- Wider benches
- Improved blasting
- Double-sided loading

Sishen Fleet Productivity (kt/day)



KOLOMELA ACHIEVES ANOTHER SOLID PERFORMANCE

- Production up 7% to 6.3Mt
- Waste increased 26% to 25.4Mt
- Rain impacted 1Q but tonnes recovered in 2Q
- Improved performance due to plant and equipment efficiencies



Strip ratio	3.2	4.1	3.8

OPERATIONAL GUIDANCE

Sishen

Production 28–29Mt in 2017

Waste 155–165Mt in 2017

Strip ratio to exceed 4 over the medium term, LoM ~4

Kolomela

Production 13–14Mt in 2017

Waste 50Mt–55Mt in 2017

Strip ratio at ~3.9 over the medium term, LoM ~3.8

Total sales 41–43Mt in 2017

LOGISTICS REFLECT HIGHER PRODUCTION

Mt	**1H17**	1H16	% change	2H16	% change
Railed to port (incl. Saldanha Steel)	**20.8**	18.3	14	21.5	(3)
Sishen mine (incl. Saldanha Steel)	**14.4**	11.7	23	15.1	(5)
Kolomela mine	**6.4**	6.6	(3)	6.4	-
Total sales	**21.2**	20.2	5	22.3	(5)
Export	**19.5**	18.1	8	21.0	(7)
Domestic	**1.7**	2.1	(16)	1.3	38
Sishen mine	**1.7**	1.4	24	1.3	38
Thabazimbi mine	**-**	0.7	(100)	-	-
Total ore shipped	**19.5**	18.1	8	20.6	(5)
CFR (shipped by Kumba)	**12.7**	12.7	0	14.6	(13)
FOB (shipped by customers)	**6.8**	5.4	26	6	13
Finished product inventory	**4.4**	2.3	91	3.5	26

SUPPORTING TRANSFORMATION, CHALLENGING MCIII

- Kumba fully committed to meaningful and sustainable transformation of the mining industry
- Charter needs to promote investment and employment growth; and be practical
- Kumba supports the CoM course of action and welcomes the suspension of implementation
- Our rights are secure

Delivery beyond compliance

- Effective 29% BEE shareholding
- R28bn economic value to BEE shareholders (incl. 1H17 dividend)
- >R2.7bn on 3 401 houses
- R57.4bn procurement with BEE suppliers
- 73% HDSA on Board and 64% in management; 21% of employees are women
- 5% payroll on skills development p.a.
- R980m on community development

STAKEHOLDER RELATIONSHIPS

Dingleton

- Consolidated Sishen mining right (Section 102) granted
- Waste management licence granted
- Negotiations with lawyers of remaining households initiated
- Waste mining continues

Thabazimbi

- Closure application submitted to the DMR
- Engagements with DMR on Section 11 ongoing

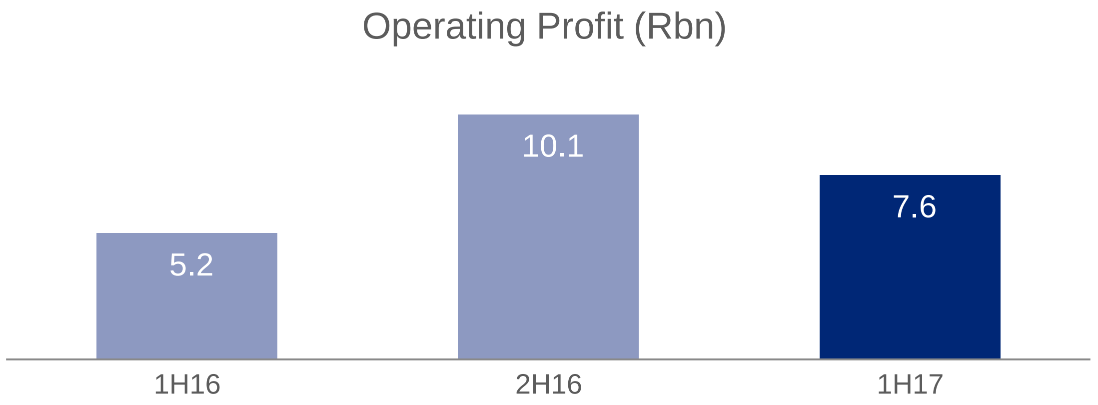
Labour

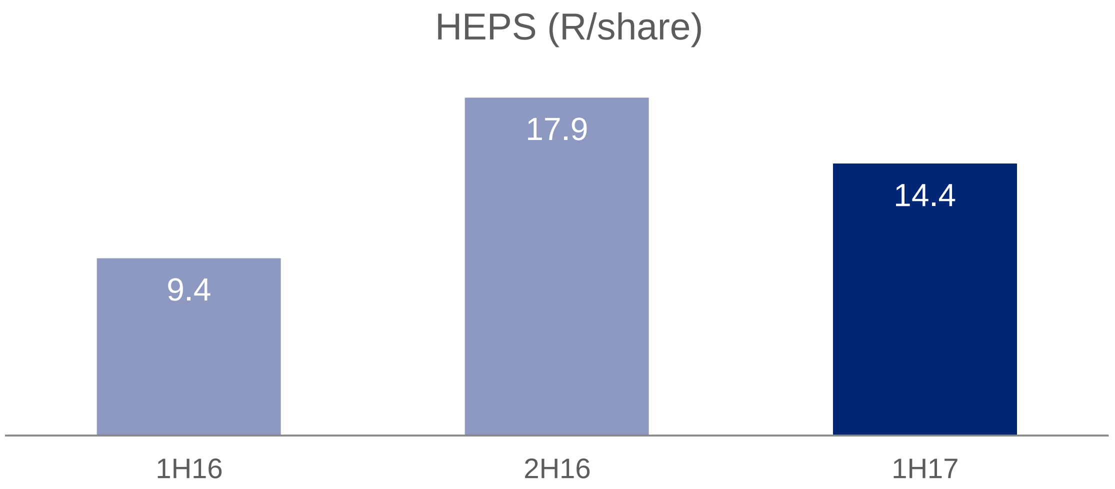
- Continue to enjoy a stable labour environment
- Wage negotiations in progress

FINANCIAL OVERVIEW

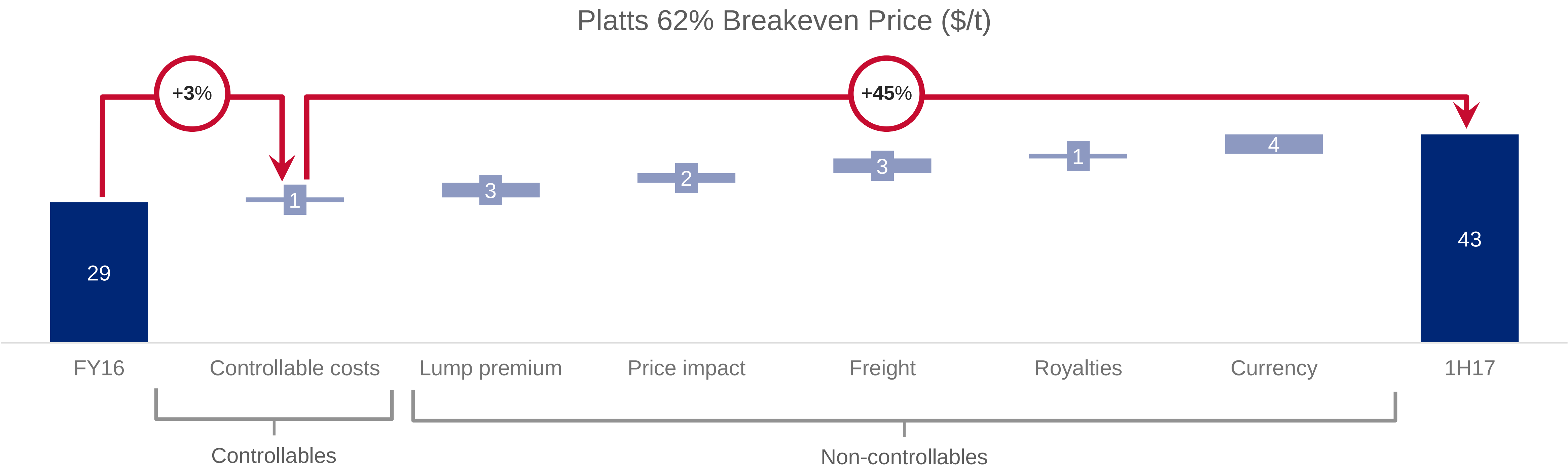
FINANCIAL HIGHLIGHTS

- Revenue increased 18% to R21.5bn
- EBITDA margin increased 6% to 43%
- Headline earnings of R4.6bn up 53%
- Capex of R1.1bn down 17%
- Net cash position of R13.5bn
- Dividend reinstated – R15.97 per share



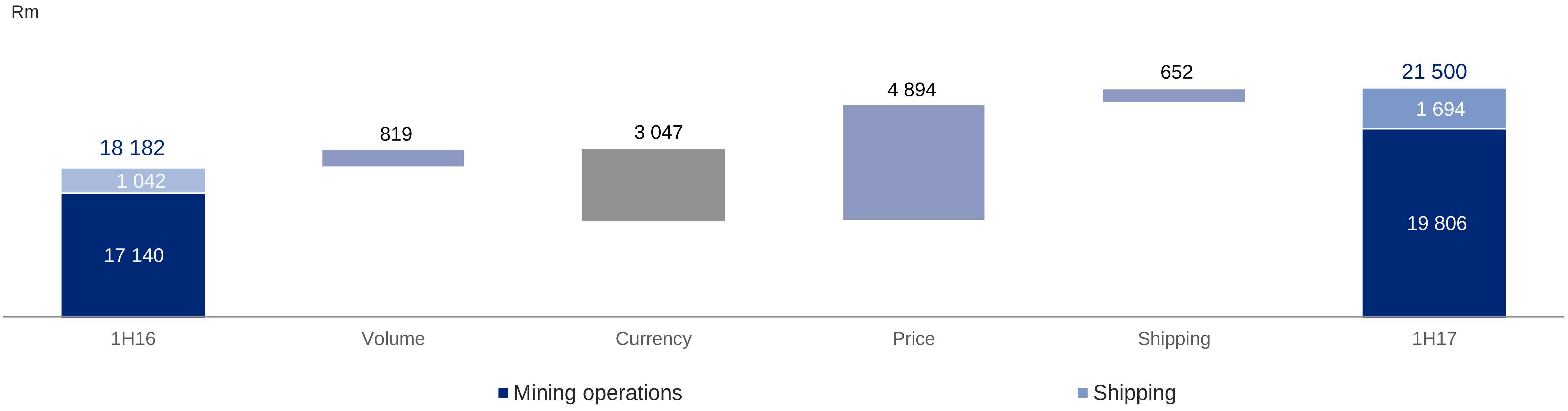


BREAKEVEN - CONTROLLABLE COSTS CONTAINED



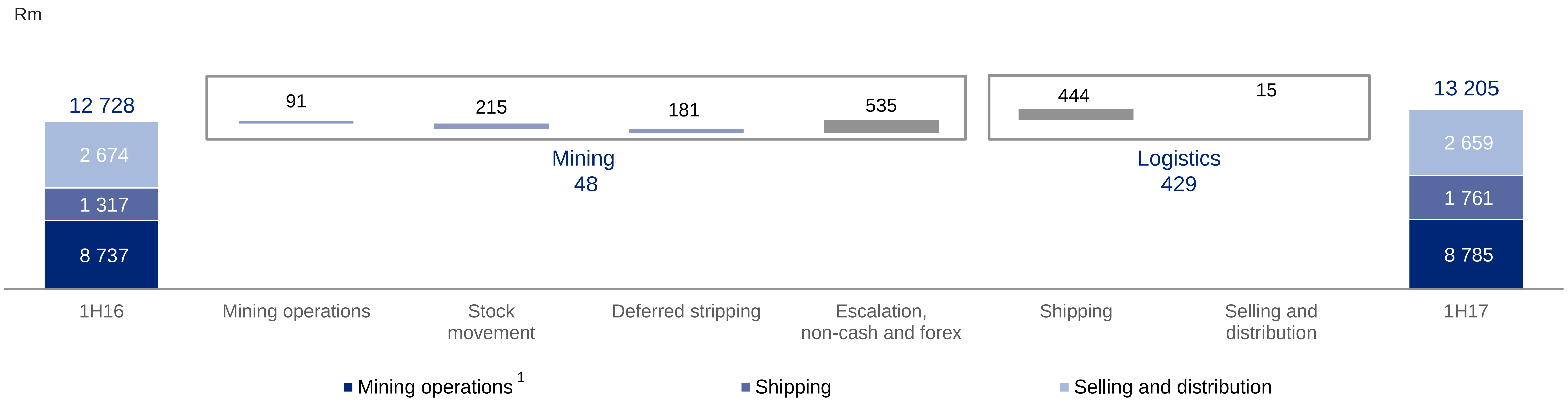
- Breakeven price up US$14/t from FY16 average
- Controllable costs up US$1/t
  - On-mine costs up US$2/t, driven by:
    - higher mining volumes and cost escalation
    - offset by improved efficiencies and higher production
  - Overheads and SIB reduced by US$1/t due to continued optimisation
- Non-controllable costs up US$8/t
  - Freight rates up US$3/t on FY16
  - Higher royalties of US$1/t
  - Stronger currency adding US$4/t
- Lump and market premium down US$5/t

REVENUE GROWTH FROM HIGHER VOLUMES AND STRONG PRICES



- Revenue increased by 18%
- Total sales 21.2Mt: export sales up by 1.4Mt, domestic sales 0.4Mt lower
- 14% stronger average R/US$ exchange rate of R13.21 (1H16: R15.40)
- Realised average FOB export price rose by 29% to US$71/t (1H16: US$55/t)

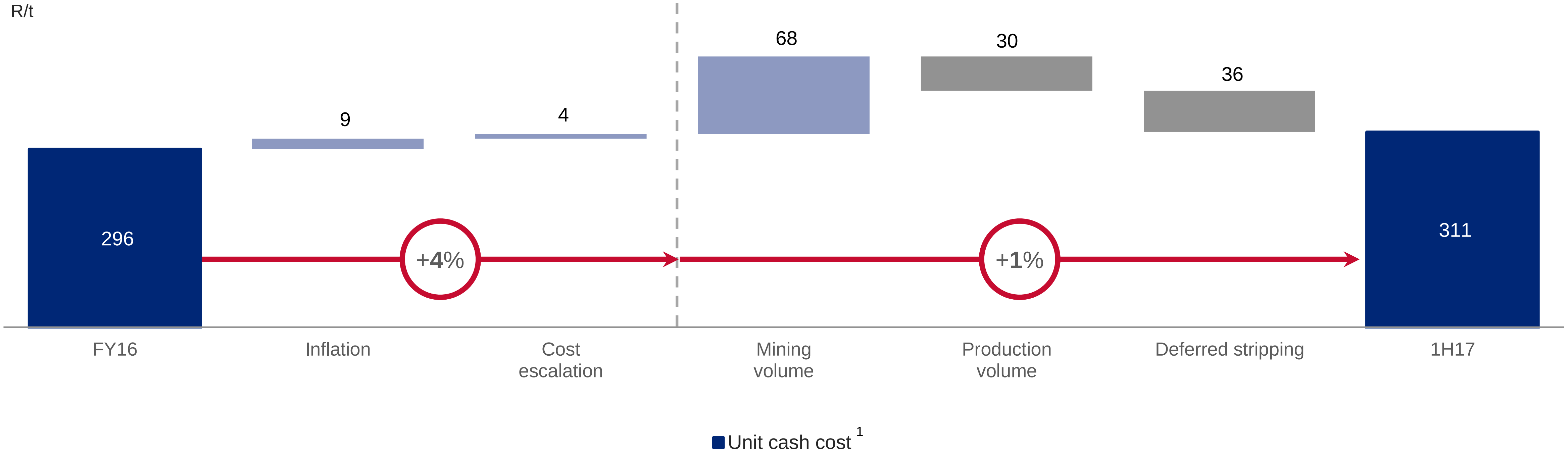
OPERATING EXPENDITURE CONTAINED



- Operating expenditure up 4% to R13.2bn
- Cost savings of R752m
- Increased capitalisation of deferred stripping due to higher stripping ratio at Sishen
- Higher shipping costs as freight rates increased to US$10/t

[1] *Excluding the mineral royalty*

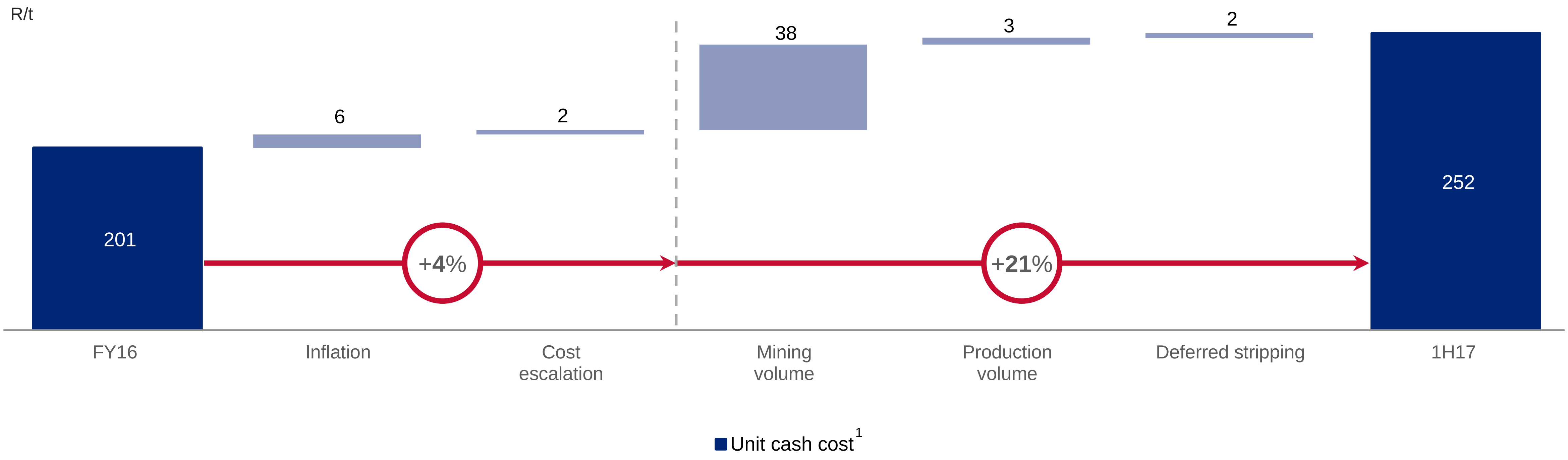
SISHEN:
UNIT COST AIDED BY INCREASED VOLUMES AND EFFICIENCIES



- Increased costs offset by improved production
- Higher capitalisation of deferred stripping costs driven by strip ratio
- Cost escalation due to 5.9% CPI and higher diesel price
- Mining cost per tonne decreased by 3% in real terms

[1.] *Excluding impact of deferred stripping on unit cost 1H17 R35/t (FY16: R3/t)*

KOLOMELA:
UNIT COST DRIVEN BY HIGHER STRIP RATIO AND MODULAR PLANT



- Increased costs as WIP stock is crushed as feedstock for modular plant
- Above inflationary cost increases from higher fuel prices

1. *Excluding impact of deferred stripping on unit cost 1H17 R17/t (FY16: R18/t)*

CAPITAL EXPENDITURE SUPPORTS PRODUCTION

2017

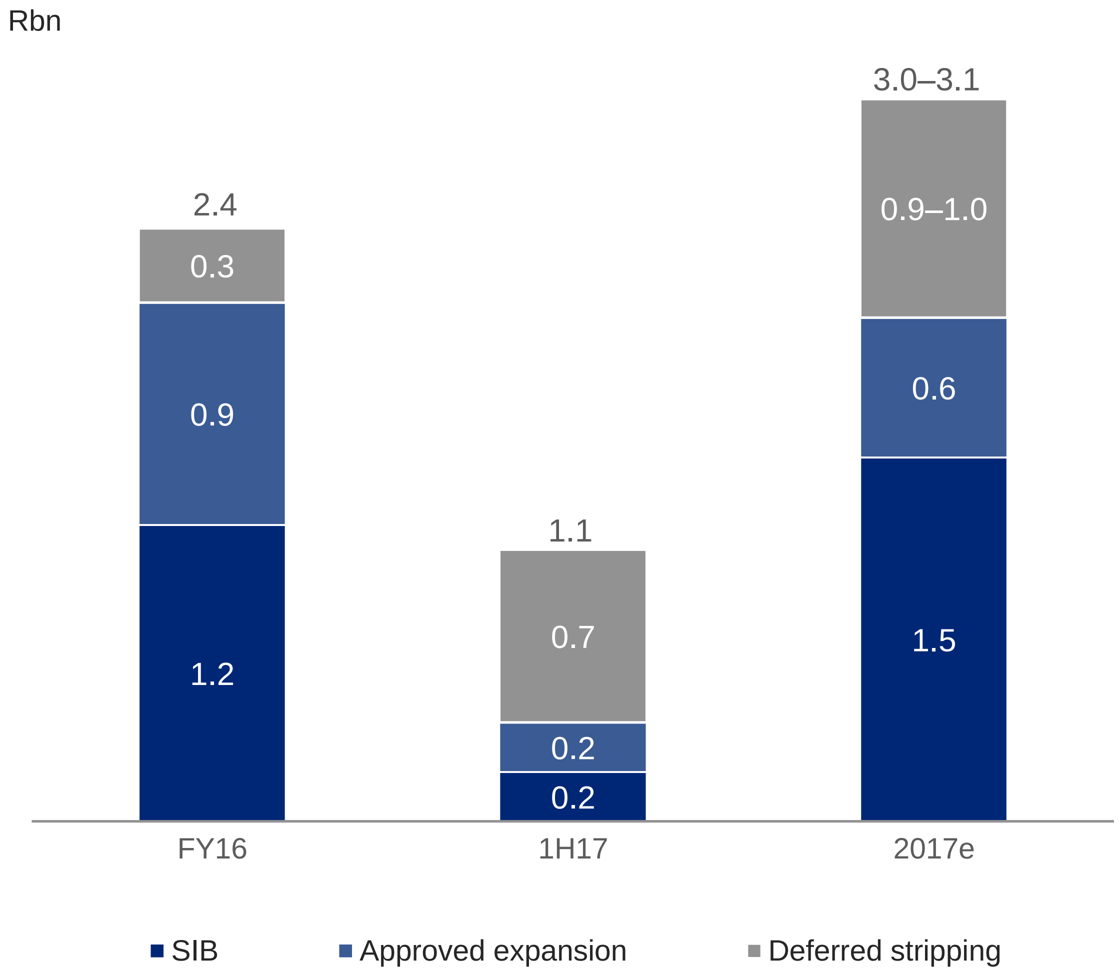
- 2H17 SIB supports production and efficiency targets
- Expansion increase versus previous guidance due to approval of Sishen 2nd modular

Medium term

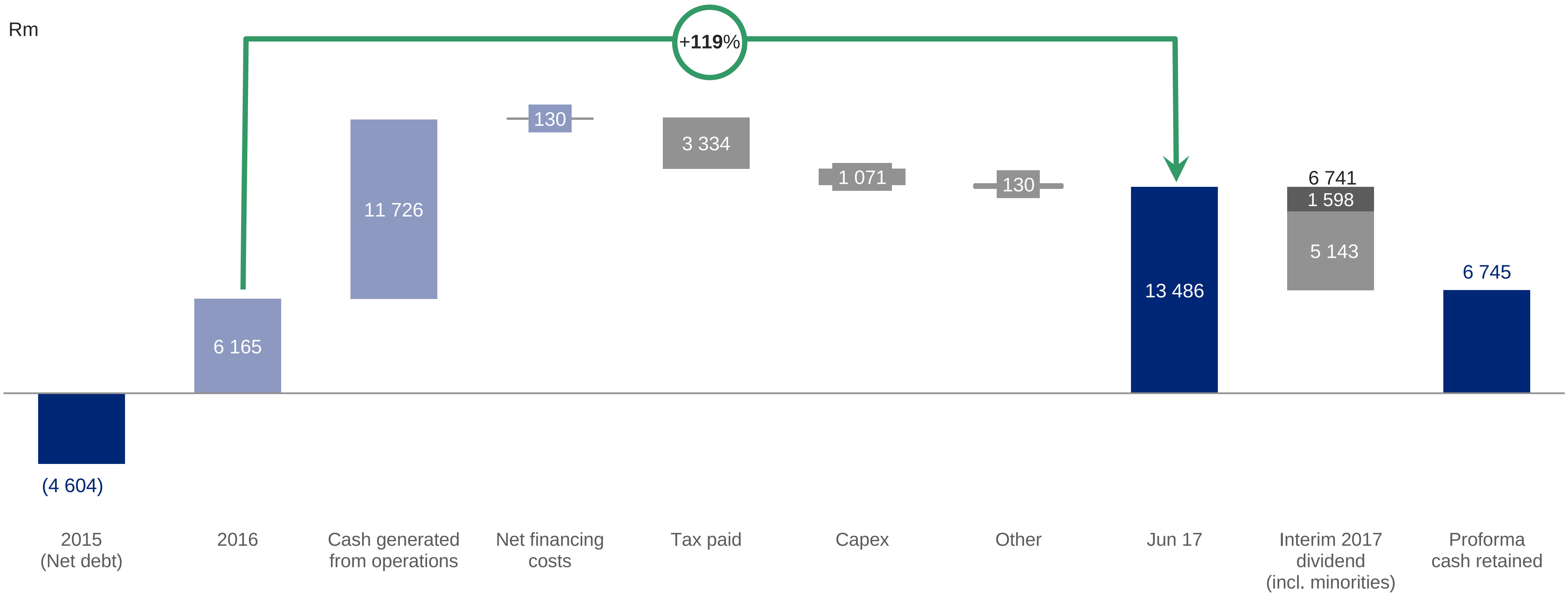
- Sishen: maintenance of infrastructure in support of revised pit shell and operational efficiencies
- Kolomela: SIB aligned to higher production

Long term

- SIB of ~R2bn p.a. (nominal) through the cycle



BALANCE SHEET NOW STRONGER AND MORE FLEXIBLE



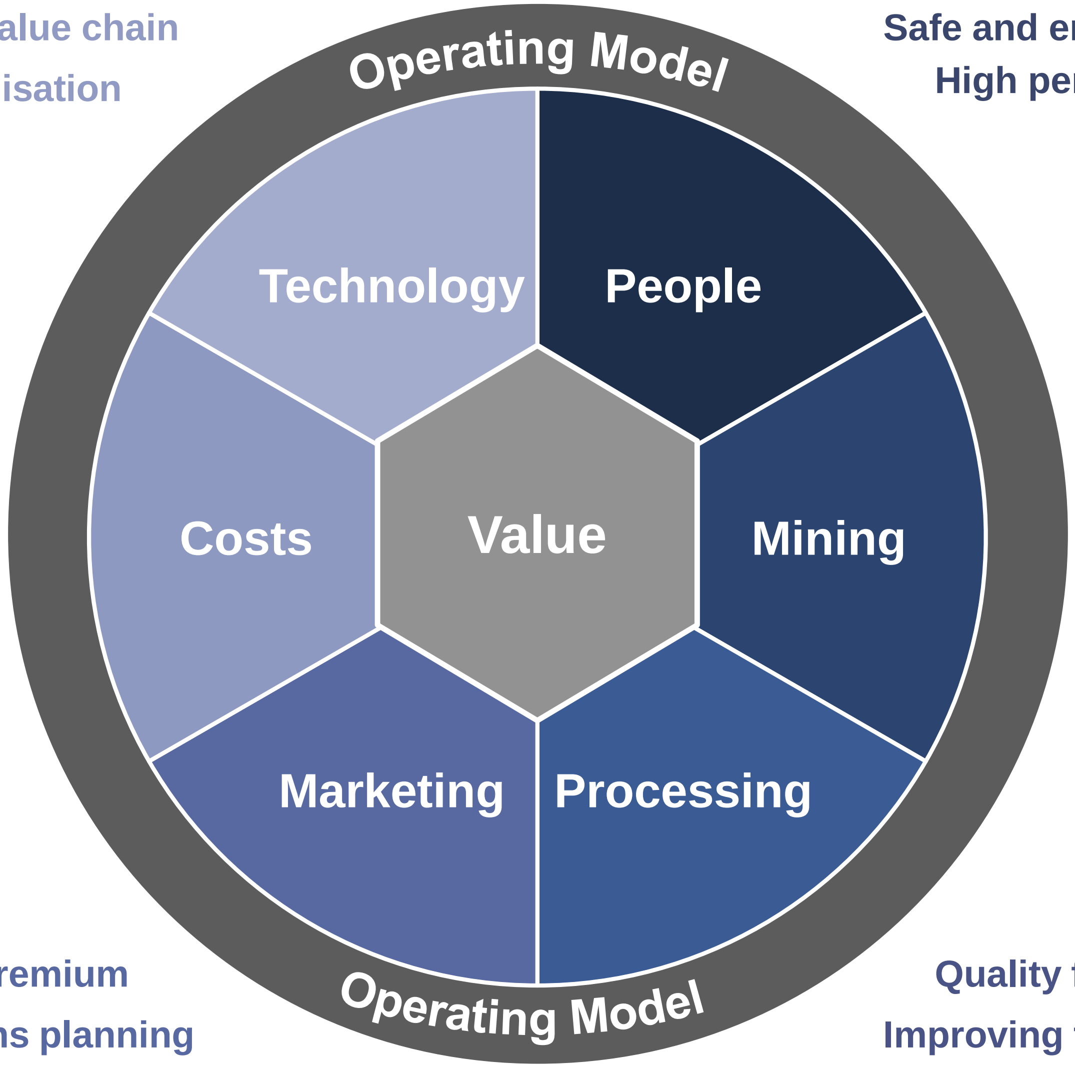
- Strong cash generation of R11.7bn
- Cash balance of R13.5bn at 30 June 2017
- Dividend reinstated
- Returning R6.7bn to shareholders

OUTLOOK

MAXIMISING THE RETURN POTENTIAL OF OUR CURRENT ASSETS

Integrate technology through value chain
Optimise resource utilisation

Safe and energised workforce
High performance culture



Offset inflationary pressure
Cost conscious culture

Consistent and predictable delivery
Mining equipment efficiency
Productivity

Realise value-in-use premium
Integrated sales and operations planning

Quality focus
Improving throughput

THOROUGH REVIEW OF VALUE CHAIN UNDERWAY

Resource Development	Mining	Processing	Infrastructure	Marketing

Focus on resource utilisation, productivity and efficiency

Safety underpins everything we do

Benchmark performance

Safety – elimination of fatalities

Operating Model

Truck and shovel productivity

Maintenance quality

Technology implementation

Asset utilisation

DMS plant upgrade to UHDMS

Feed optimisation

Low grade development

Exploration

Infrastructure optimisation

Cost management

Ongoing discussions with suppliers

Strict budgeting process

Optimise marketing

Price realisation

Customer diversification

DELIVERING ON PROMISES

Safety: fatality free, material improvement on all key indicators

Operations: another step change in productivity

Financials: capturing benefit of price and performance

Capital allocation: balance sheet strengthened, dividend reinstated

Outlook: guidance revised upwards, cost pressure remains

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QUESTIONS

ANNEXURES

ANNEXURE 1:
ROBUST OPERATING MARGIN AND HEALTHY CASH GENERATION

Rm	1H17[1]	1H16[1]	% change	2H16[1]	% change
Revenue	**21 500**	**18 182**	18	22 585	(5)
Operating expenses	**(13 853)**	**(12 976)**	7	(12 475)	11
Operating profit	**7 647**	**5 206**	47	10 110	(24)
Operating margin (%)[2]	**36**	**29**		45	
Profit for the period	**5 998**	**3 820**	57	7 325	(18)
Equity holders of Kumba	**4 586**	**2 974**	54	5 648	(19)
Non-controlling interest	**1 412**	**846**	67	1 677	(16)
Effective tax rate (%)	**23**	**23**		28	
Cash generated from operations	**11 726**	**7 632**	54	9 586	22

1. Including Thabazimbi
2. Excluding the impairment charge for 2016

ANNEXURE 2:
REVENUE SECTOR ANALYSIS

	1H17	1H16	% change	2H16	% change
Export (Rm)	**18 375**	**15 412**	19	19 746	(7)
Tonnes sold (Mt)	**19.5**	**18.1**	8	21	(7)
US Dollar per tonne	**71**	**55**	29	67	6
Rand per tonne	**942**	**851**	11	940	-
Domestic (Rm)	**1 431**	**1 728**	(17)	1 134	26
Shipping operations (Rm)	**1 694**	**1 042**	63	1 705	(1)
Total revenue	**21 500**	**18 182**	18	22 585	(5)
Rand/US Dollar exchange rate	**13.21**	**15.40**	(14)	13.98	(6)

ANNEXURE 3:
AGGREGATE OPERATING EXPENDITURE

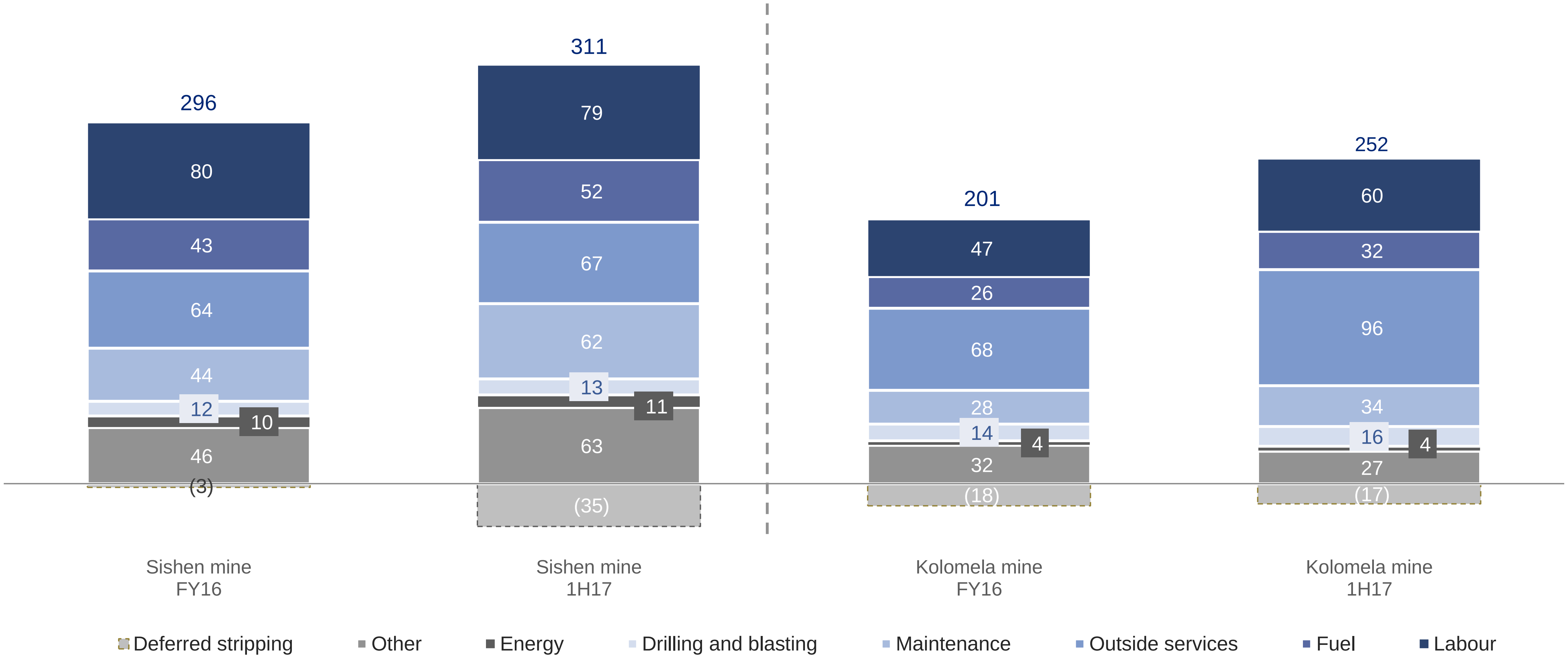
Rm	1H17	1H16	% change	2H16	% change
Cost of goods sold	**8 785**	**8 733**	1	7 232	21
Cost of goods produced	**8 152**	**7 123**	14	8 037	1
Production costs	**7 655**	**7 353**	4	8 117	(6)
Sishen mine	**5 336**	**5 527**	(3)	5 845	(9)
Kolomela mine	**2 111**	**1 631**	29	2 257	(6)
Thabazimbi mine	**104**	**187**	(44)	8	1 200
Other	**105**	**8**	1 213	7	1 400
Inventory movement WIP	**497**	**(230)**	316	(80)	721
A grade	**-**	**2**	100	116	(100)
B grade	**497**	**(232)**	314	(196)	354
Inventory movement finished product	**16**	**959**	(98)	(659)	102
Corporate support and studies	**450**	**508**	(11)	566	(20)
Forex and other	**166**	**143**	16	(712)	123
Mineral royalty	**648**	**248**	161	738	(12)
Impairment charge	**-**	**4**	(100)	-	-
Selling and distribution	**2 659**	**2 674**	(1)	2 705	(2)
Shipping operations	**1 761**	**1 317**	33	1 800	(2)
Operating expenses	**13 853**	**12 976**	7	**12 475**	11

ANNEXURE 4:
CAPITAL EXPENDITURE ANALYSIS

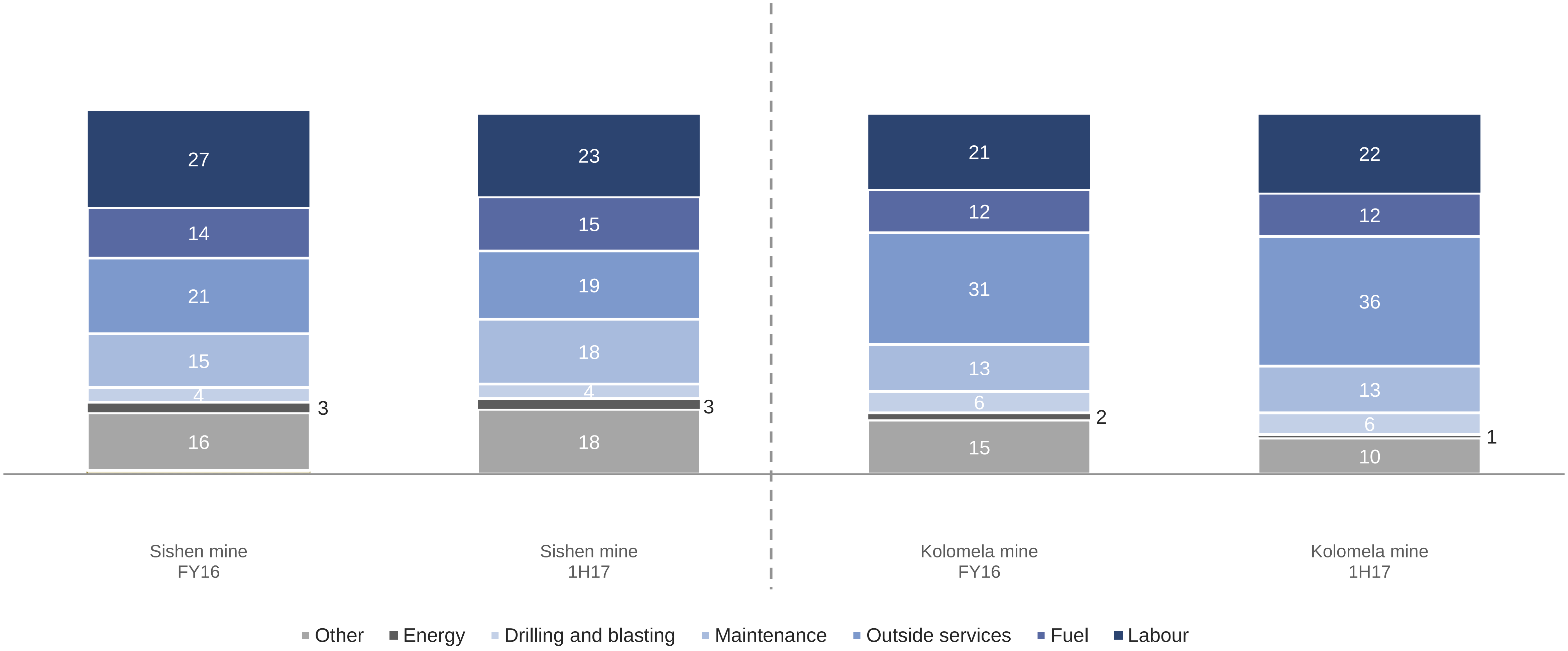
Rm	1H17	FY16	FY17
Approved expansion	**197**	**856**	600
Deferred stripping	**656**	**321**	900–1 000
Sishen	**550**	**88**	600–700
Kolomela	**106**	**233**	~300
SIB Sishen	**140**	**875**	900
SIB Kolomela	**73**	**301**	600
SIB Thabazimbi	**5**	**-**	-
Total approved capital expenditure	**1 071**	**2 353**	**3 000–3 100**

All guidance based on current forecast exchange rates

ANNEXURE 5:
SISHEN AND KOLOMELA MINES' UNIT CASH COST STRUCTURE (R/t)



ANNEXURE 6:
SISHEN AND KOLOMELA MINES' UNIT CASH COST STRUCTURE (%)

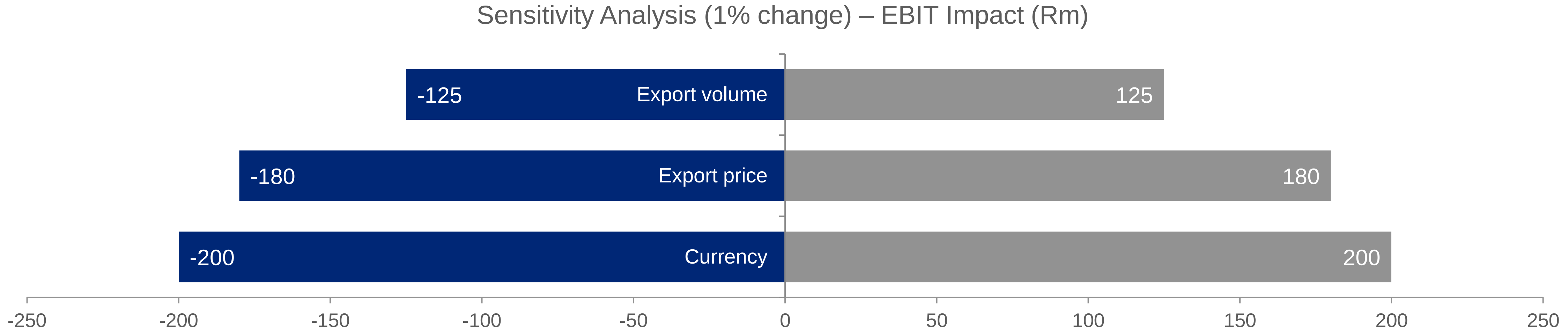


ANNEXURE 7:
SENSITIVITY ANALYSIS 1H17

Change per unit of key operational drivers, each tested independently

Sensitivity analysis	Unit change	EBIT impact
Currency (Rand/US$)	R0.10/US$	R150m
Export Price (US$/t)	US$1.00/t	R250m
Volume (kt)	100kt	R65m
Sensitivity analysis	**Unit change**	**Breakeven price impact**
Currency (Rand/US$)	R1.00/US$	US$3.00/t

1% change to key operational drivers, each tested independently



Source: WSA, Kumba Market Intelligence, GTIS   Based on 4M16 data