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















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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.

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.

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Our value proposition

Assets

Premium product

Resource endowment and life extension opportunities

Licence to operate and mutually beneficial partnerships



Capabilities

Safe production

Operating Model and talented people

Innovation and technology



Shareholder returns

Strong cash generation

Capital allocation discipline

Attractive and sustainable dividends



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Delivering on our strategy

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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Solid performance across the board

Safety - Fatality free

High potential incidents

▼ 77%

1H18: 3 (1H17: 13)

Operational

Production

▲22.4Mt

1H17: 21.9Mt

Financial

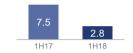
EBITDA

▼R7bn

1H17: R9.1bn

Shareholder returns

Attributable free cash flow (Rbn)



Total recordable cases

45%

1H18: 23 (1H17: 42)

Total tonnes handled

▲140.4Mt

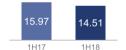
1H17: 125.1Mt

HEPS

▼R9.31

1H17: R14.42

DPS (R/share)



Mutually beneficial partnerships for long-term success

Employees

R2.3bn salaries and benefits



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Shareholders

R4.7bn

R1.4bn

empowerment partners

Government

R1.3bn income tax

R468m mineral royalty



Local businesses

R451m host community suppliers

R5.4bn
procurement from
BEE businesses

Communities

R35.9m

direct social investment



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Stakeholder relationships – continuing to make progress

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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MARKET OVERVIEW





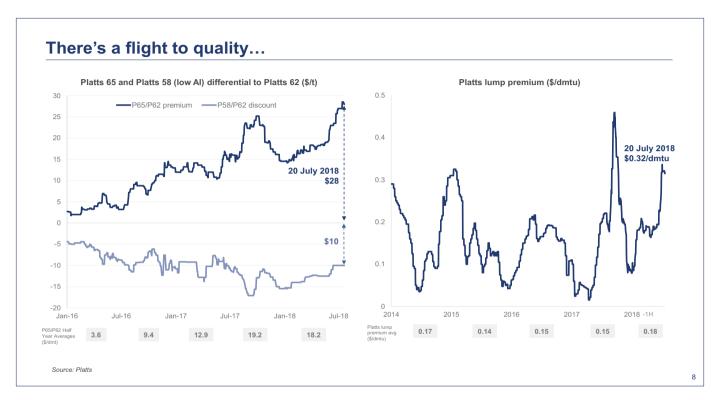


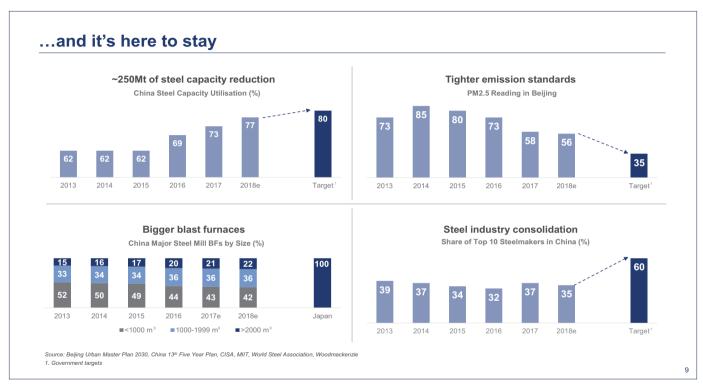


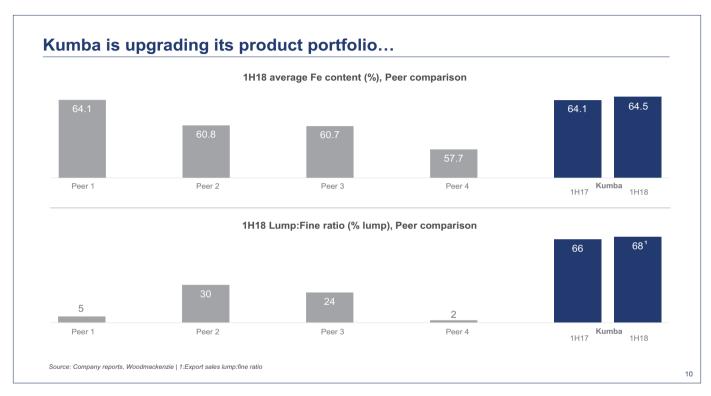


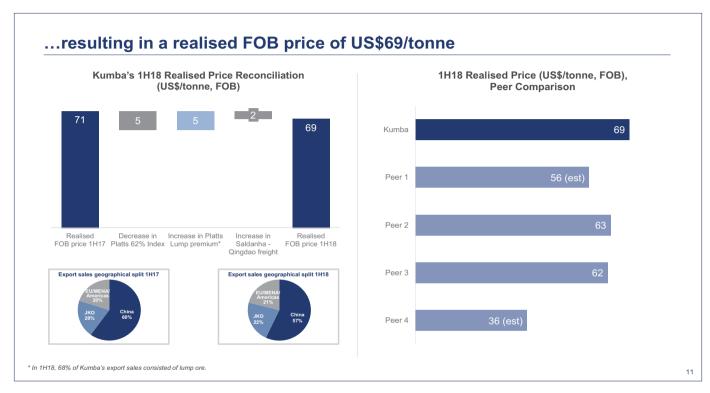


KUMBA IRON ORE LIMITED









OPERATIONAL OVERVIEW













KUMBA IRON ORE LIMITED

Sishen – focus on value over volume

Safety
40%
Reduction in high potential incidents
1H18: 3 (1H17: 5)



Waste **▲ 86.6Mt**1H17: 76.6Mt

Production

15.3Mt

1H17: 15.6Mt

Quality

• 64.6 Fe%

Average 1H17: 64.2 Fe%

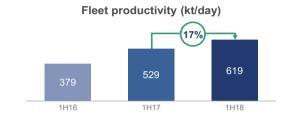
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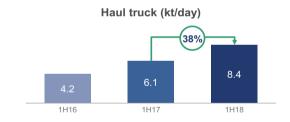
Sishen – operating model enhanced capability and improved productivity

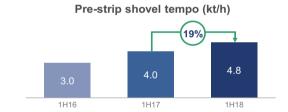
Total tonnes handled (incl. contractors)

▲105.1Mt

1H17: 92.9Mt







4.4

Kolomela – driving assets to full potential

Safety
100%
Reduction in high potential incidents

1H18: 0 (1H17: 4)



Waste

▲ 26.4Mt

1H17: 25.4Mt

Production

▲ 7.2Mt1H17: 6.3Mt

Quality

▲64.3 Fe%

1H17: 64.2 Fe%

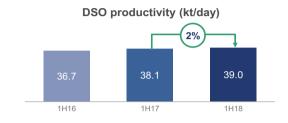
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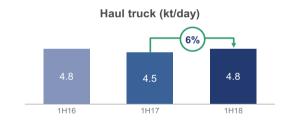


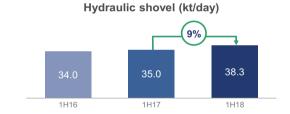
Total tonnes handled (incl. contractors)

▲35.3Mt

1H17: 32.2Mt







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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

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Logistics performance maintained despite rail challenges

Railed to port

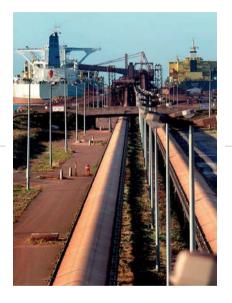
20.8Mt

1H17: 20.8Mt

Total shipped

19.5Mt

1H17: 19.5Mt



Total sales

21.2Mt

1H17: 21.2Mt

Finished product inventory

▲ 6.2Mt

1H17: 4.4Mt

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FINANCIAL OVERVIEW













KUMBA IRON ORE LIMITED

Enhancing returns for shareholders

Margin enhancement	
Revenue 1H17	R19.5bn R21.5bn
EBITDA margin 1H17	36% 43%





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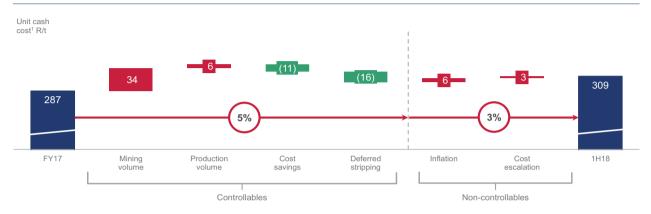




- Revenue decreased by 9%
- Total sales maintained at 21.2Mt
- Premium for Fe and lump quality

- 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)

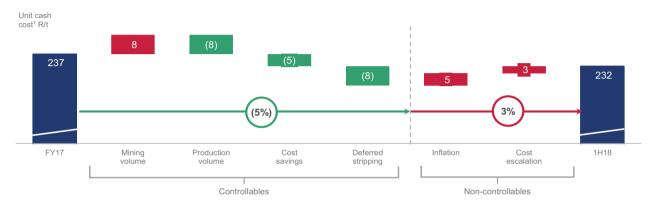




- Mining volumes up 13%
- Lower production increased costs
- Cost savings from optimisation and improved productivity
- Inflation-related costs up R6/tonne
- Cost escalation driven by higher diesel price

^{1.} Excluding impact of deferred stripping on unit cost 1H18: R48/t (FY17: R30/t)





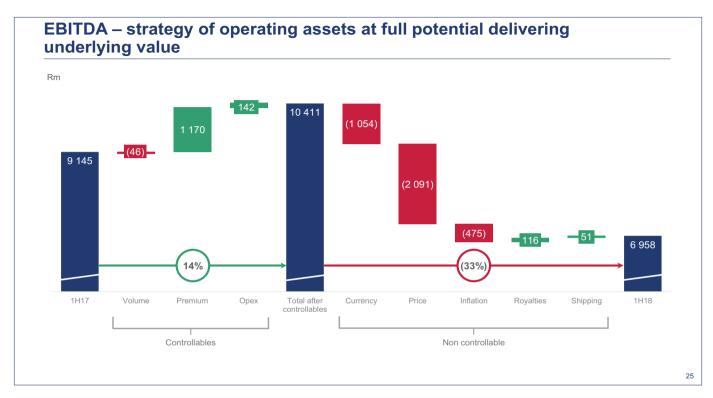
- Controllable cost reduction offsetting non-controllable costs
- Higher production volumes reduced unit cash costs
- Cost savings offset inflation costs

^{1.} Excluding impact of deferred stripping on unit cost 1H18: R25/t (FY17: R18/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



Capital expenditure supports our strategy

1H18

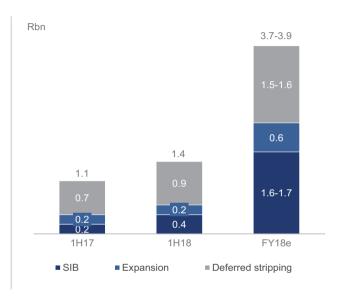
- SIB: Infrastructure to support production, and environmental compliance
- Expansion: Sishen 2nd modular plant and Dingleton
- Deferred stripping: higher strip ratio compared to 1H17, as planned

Medium term

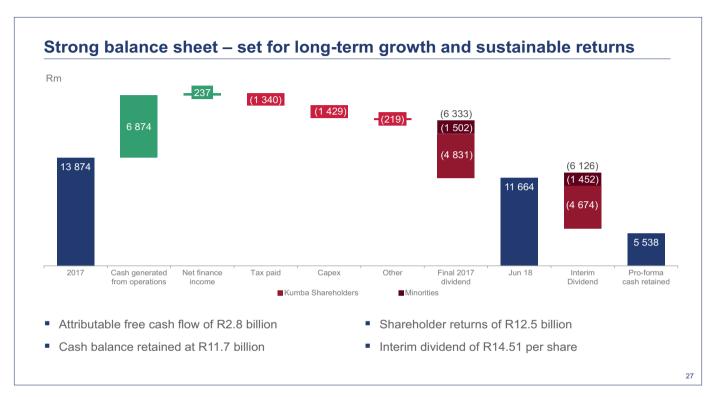
- Infrastructure to support operations, fleet refurbishment and environmental compliance
- Investment in UHDMS technology and exploration

Long term

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



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Kumba Iron Ore Limited Interim results for the six months ended 30 June 2018

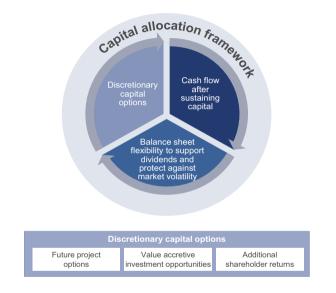
Disciplined capital allocation – delivering on our commitment

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



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FOCUS ON UNLOCKING FULL POTENTIAL















KUMBA IRON ORE LIMITED

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 opporunities

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



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Horizon 1 – drive margin expansion across value chain

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

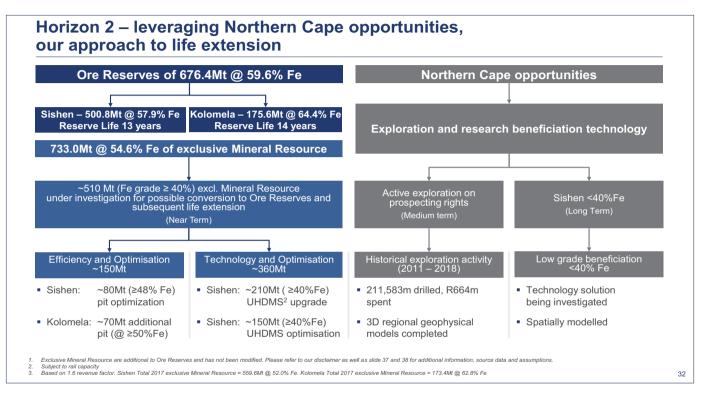
▲64.5% Fe

Product quality

^20-30%

Fleet productivity and efficiency

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Guidance for 2018

Sishen

Production: 29 - 30Mt

Waste: 170 - 180Mt

Unit costs: R300 to R310

Strip ratio: to exceed 4, LoM ~4

LoM: 13 years

Kolomela

Production: ~14Mt

Waste: 55 – 57Mt

Unit costs: R240 to R250

Strip ratio: to exceed 3.5, LoM ~4

LoM: 14 years

Total production (Mt)

43 - 44

Total sales (Mt)

42 - 44

Capex (Rbn)

3.7 - 3.9

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Our value proposition

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Licence to operate and mutually beneficial partnerships



Capabilities

Safe production

Operating Model and talented people

Innovation and technology



Shareholder returns

Strong cash generation

Capital allocation discipline

Attractive and sustainable dividends



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QUESTIONS















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ANNEXURES







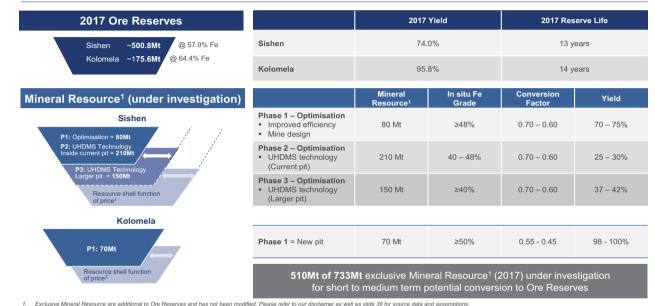






KUMBA IRON ORE LIMITED

Annexure 1: Life extension² under investigation



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

Subject to rail capacity

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Annexure 1a: Kumba 2017 Exclusive Mineral Resource

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)

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Annexure 2: Logistics performance maintained

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

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

Rm	1H18	1H17	% change	2H17¹	% 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 (%) ²	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)

^{1.} Including Thabazimbi mine

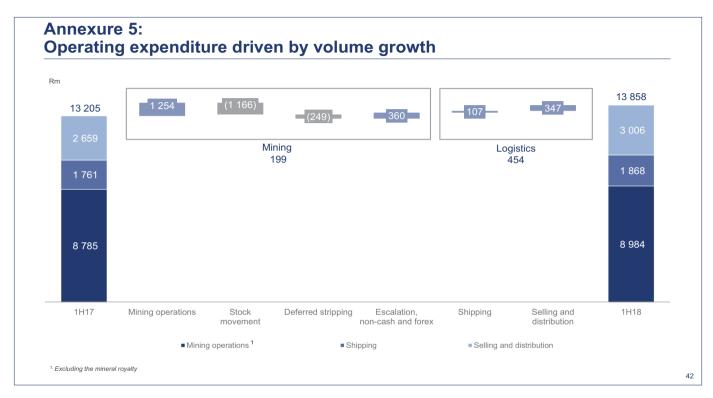
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² Excluding the impairment reversal in 2H17

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)
Total revenue	19 474	21 500	(9)	24 879	(22)
Rand/US Dollar exchange rate	12.30	13.21	(7)	13.40	(8)

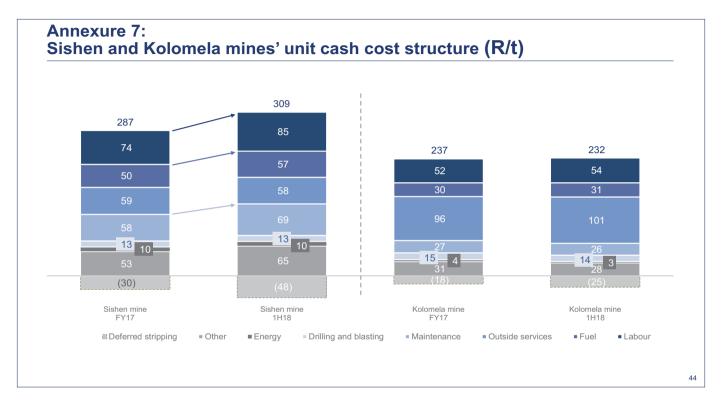
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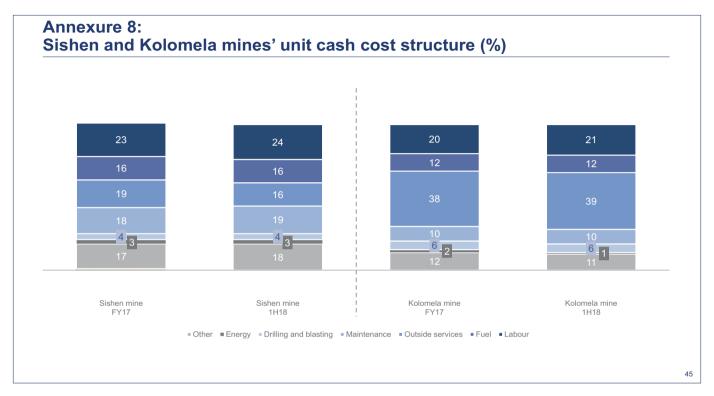


Annexure 6: Operating expenditure analysis

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)
Operating expenses	14 390	13 853	4	11 205	28

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Annexure 9: Capital expenditure analysis

Rm	1H18	FY17 ¹	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
Total capital expenditure	1 429	3 069	3 700 – 3 900

All guidance based on current forecast exchange rates

1. FY17 excludes ~R5m of Thabazimbi capital expenditure

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