



# Kumba Iron Ore 2022 Annual results

21 February 2023



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## Alternative Performance Measures

Throughout this presentation a range of financial and non-financial measures are used to assess our performance, including a number of financial measures that are not defined or specified under IFRS (International Financial Reporting Standard), which are termed Alternative Performance measures (APMs). Management use these measures to monitor the Group's financial performance alongside IFRS measures to improve the comparability of information between reporting periods and business units. These APMs should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS. APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies.

Production and sales volumes, prices and C1 costs are reported in wet metric tonnes. Kumba product is shipped with approximately 1.6% moisture content.

# Agenda

FY 2022 overview  
Mpumi Zikalala

Financial performance  
Bothwell Mazarura

Looking ahead  
Mpumi Zikalala



# Macro operating context in 2022

Geopolitics and China's Covid policy



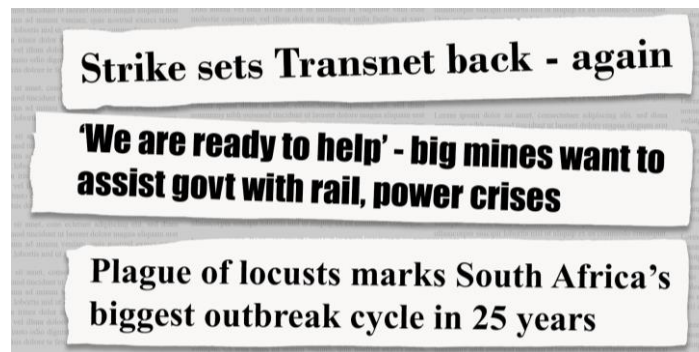
Supply-chain disruptions



Energy crisis



Logistics constraints



Volatile iron ore market



Climate change



# Challenging operating conditions in 2022

## Safety

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Zero fatalities

FY2021: Zero

## Adjusted EBITDA<sup>1</sup>

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R37.3bn

FY 2021: R64.6bn

## Attributable free cashflow

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R10.4bn

FY 2021: R30.5bn

## Production

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37.7Mt

FY 2021: 40.9Mt

## Enduring value contribution

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R63bn

FY 2021: R89bn

## Dividend declared

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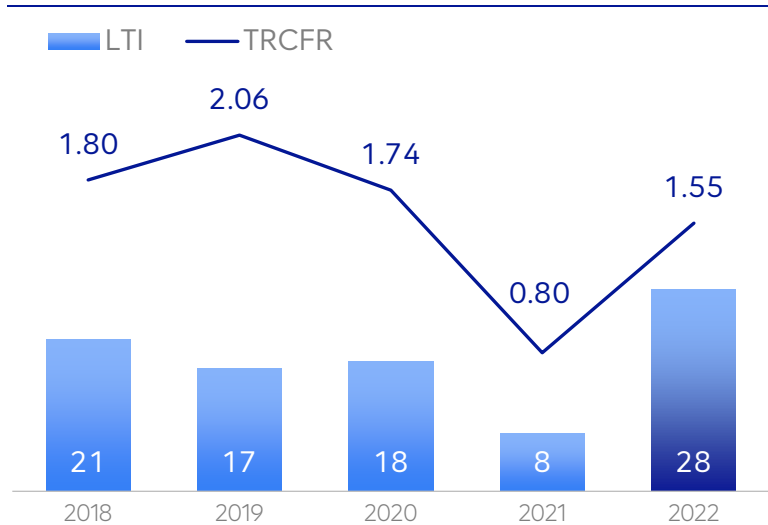
R14.5bn

FY 2021: R33.2bn

1. Adjusted EBITDA represents net operating profit before deducting interest, tax, depreciation, amortisation and impairment charges or reversals

# Driving safe and responsible operations

## Safety



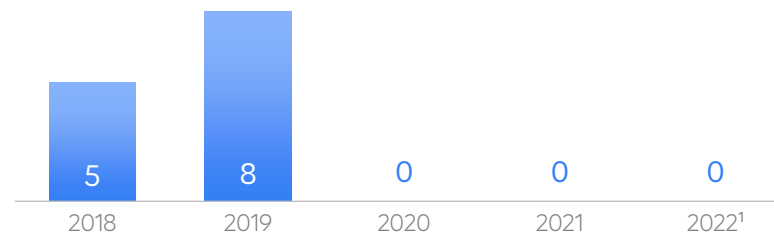
Safety reset focusing on risk reduction, culture and behaviour change

Planned work and operating model to further support safe work practices

Note: LTI: Lost Time Injuries; TRCFR: Total Recordable Case Frequency Rate  
1. One potential occupational disease case pending outcome of an assessment

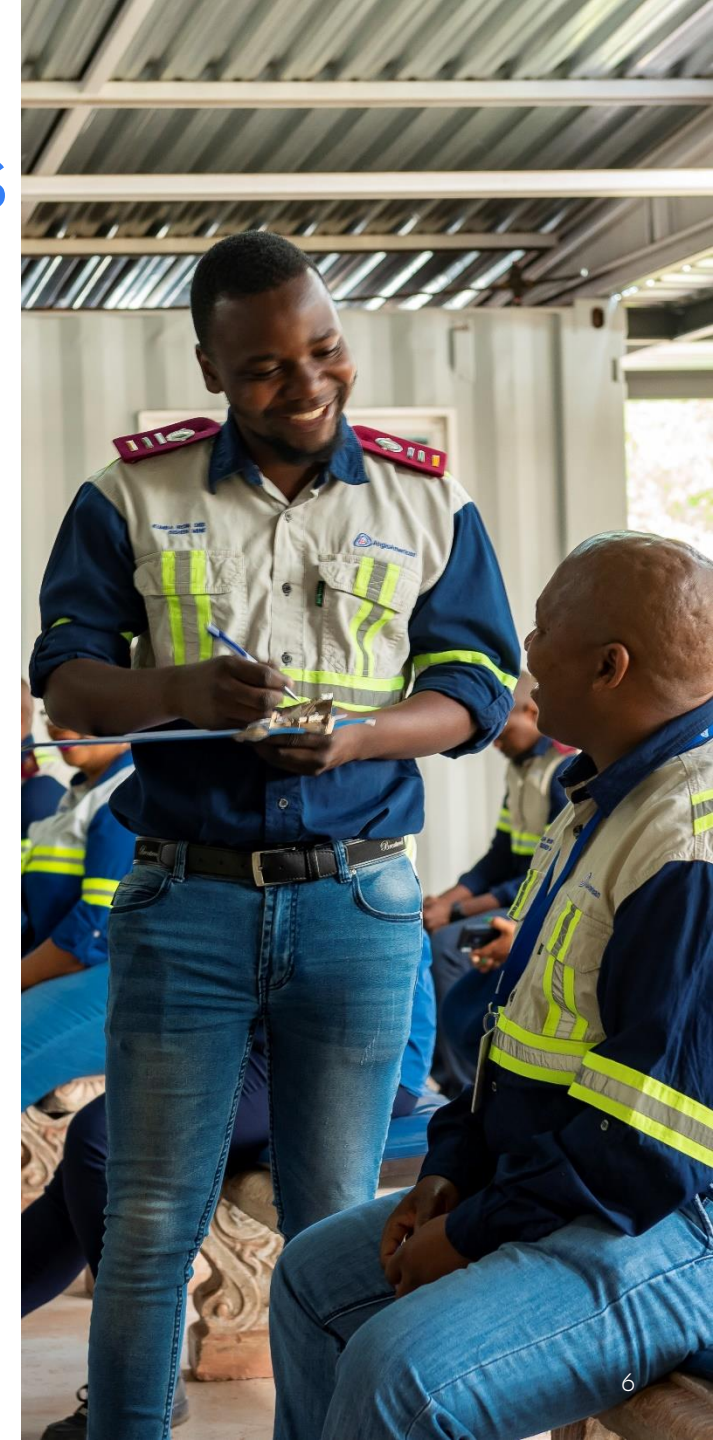
## Health and wellness

### Occupational diseases (new cases)



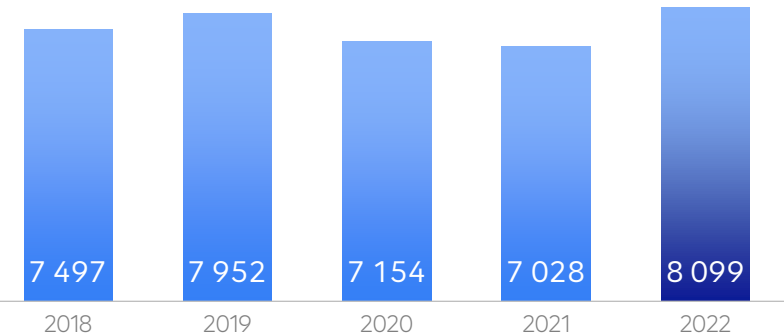
Reduction in exposure to occupational hazards through hierarchy of controls

Comprehensive workplace health, wellness and mental health programmes



# Environmental sustainability

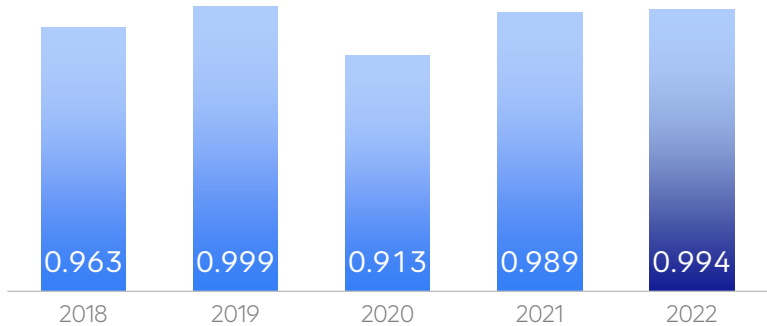
Freshwater used (ML)



Freshwater used driven by high rainfall and municipal water channel capacity constraints

>7 years no major environmental risk through focused reduction of high potential hazards

Carbon emissions (MtCO<sub>2</sub>)



Carbon emissions driven primarily by longer haul distances and increased diesel consumption

Renewable energy programmes driving reductions in the medium term



# Enduring shared value of R63bn

## Contributing to South Africa (Rbn)

Income tax	7.1
Mineral royalty	1.8

## Delivering shareholder returns (Rbn)

Owners of Kumba	14.5
Empowerment partners	4.7

## Investing in South Africa (Rbn)

Capital investment	10.2
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## Supporting local businesses (Rbn)

BEE business suppliers	18.0
Host community suppliers	5.4

## Investing in our people (Rbn, %)

Salaries and benefits	6.5
Employed from N. Cape	79

## Building communities (Rm)

Direct social investment	399
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# Building thriving host communities

## Education



Kolomela, Tsantsabane municipality, Dept of Education career day

Targeting 80% of local schools to perform within top 20% of state schools by 2030

80.7% of high schools supported achieved above national matric pass rate

Note: UNSDG3: United Nations Sustainable Development Goal 3

## Health and wellness



Kumba One Stop Medical Trauma facility

UNSDG3 goal to ensure healthy lives and promote wellbeing for all at all ages

Continuing with interventions for community systems strengthening

## Livelihoods



Anglo American Zimele Hospitality and Tourism Programme

Targeting five jobs offsite for every onsite job by 2030 and three jobs offsite for 2025

Over 29 000 jobs supported since 2018, including Zimele programmes

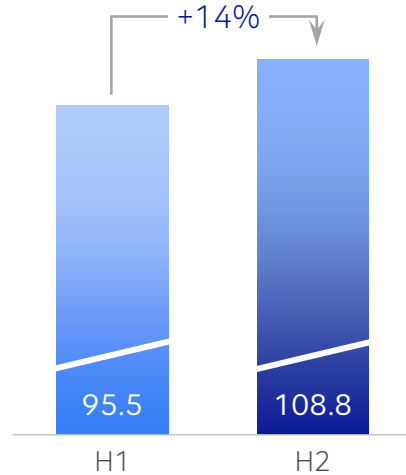
Operational performance



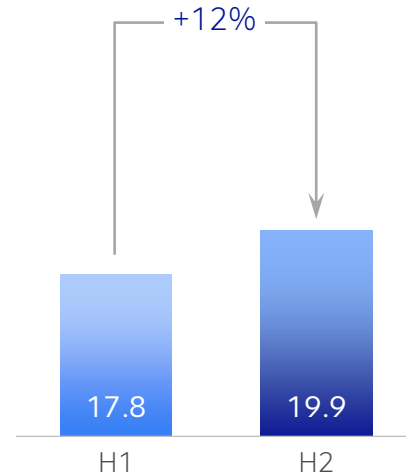
# Good operational recovery in H2

## Waste mined<sup>1</sup>

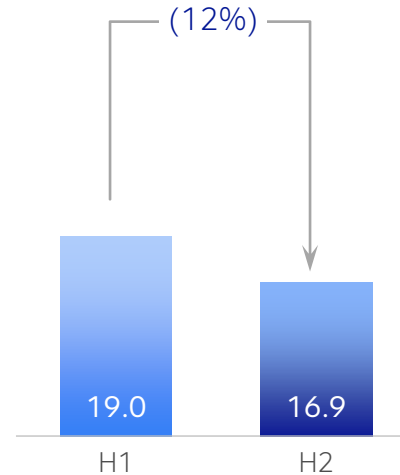
Million tonnes



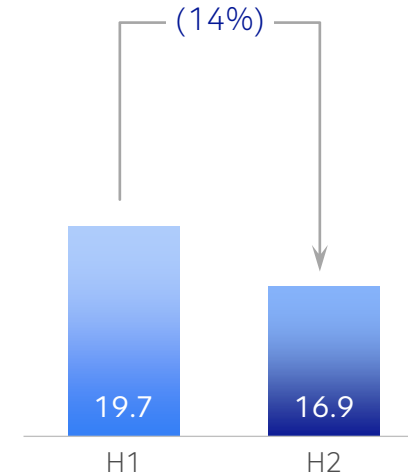
## Production



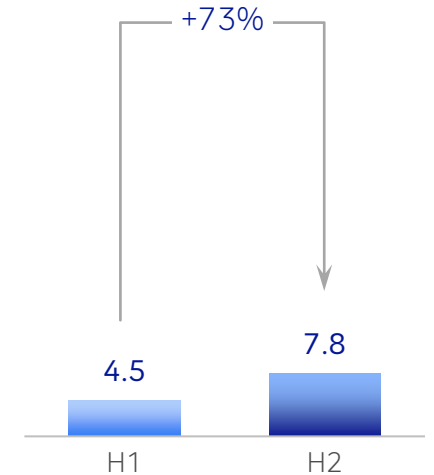
## Railed to port



## Sales



## Finished stock

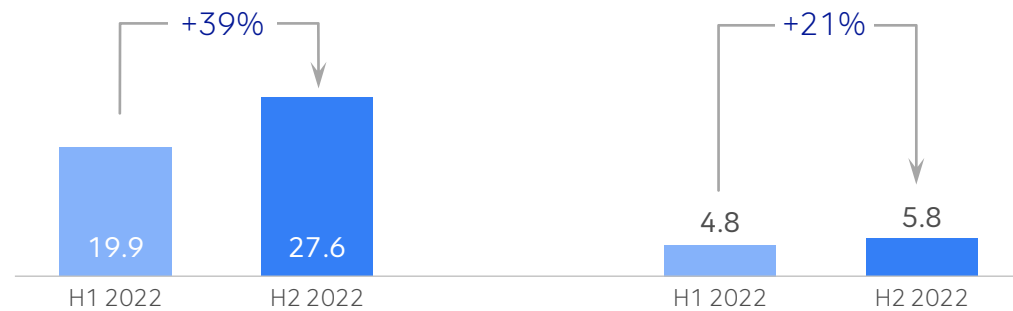


FY 2022:	204.3Mt	37.7Mt	35.9Mt	36.6Mt	7.8Mt
FY 2021:	209.4Mt	40.9Mt	39.3Mt	40.3Mt	6.1Mt

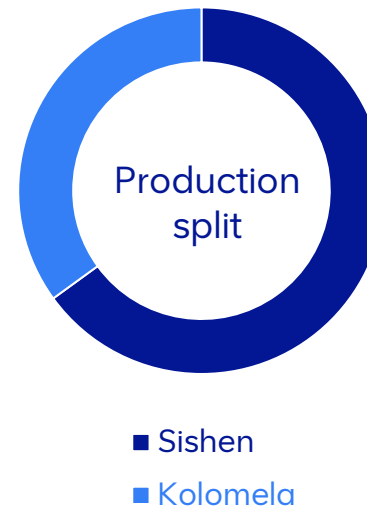
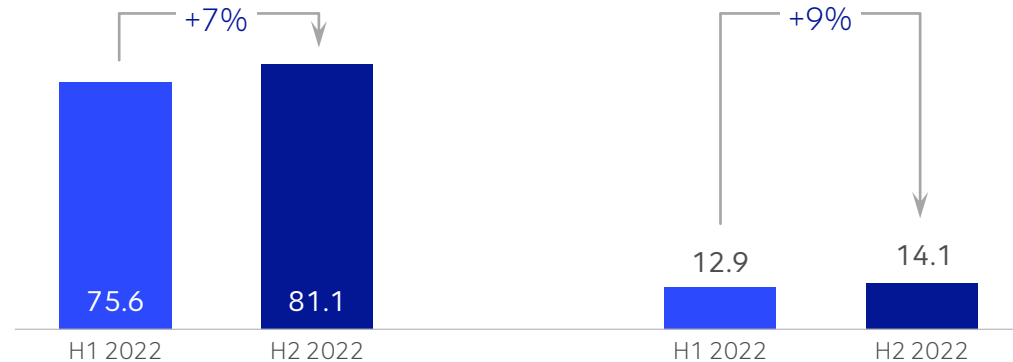
1. Includes Kapstevel South waste of 20.1Mt in 2021 and 17.8Mt in 2022
2. Total finished stock includes 7.0Mt at the mines and 0.8Mt at Saldanha Port

# Continuing to prioritise operational stability

## Kolomela waste and production (Mt)



## Sishen waste and production (Mt)



## Kolomela improving, Sishen stable

Kolomela improvements in H2, partly hampered by Transnet rail strike

Sishen improved operational stability, further strengthening of the base

## Areas of focus

Sishen's key operational buffers stable, Kolomela focused on increasing buffers

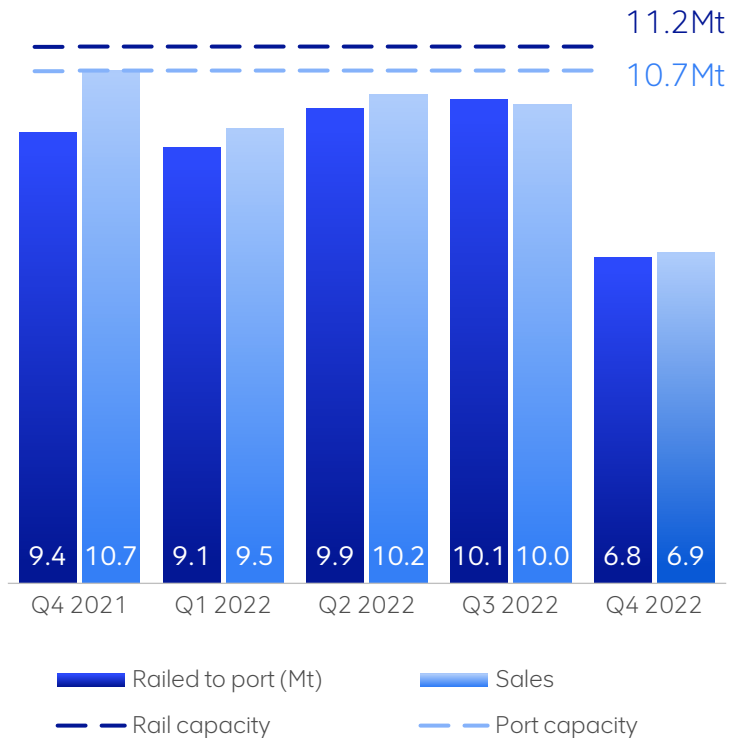
Continued Improvement in HME reliability

Kolomela improved rain readiness plan, Sishen best-in-class within group

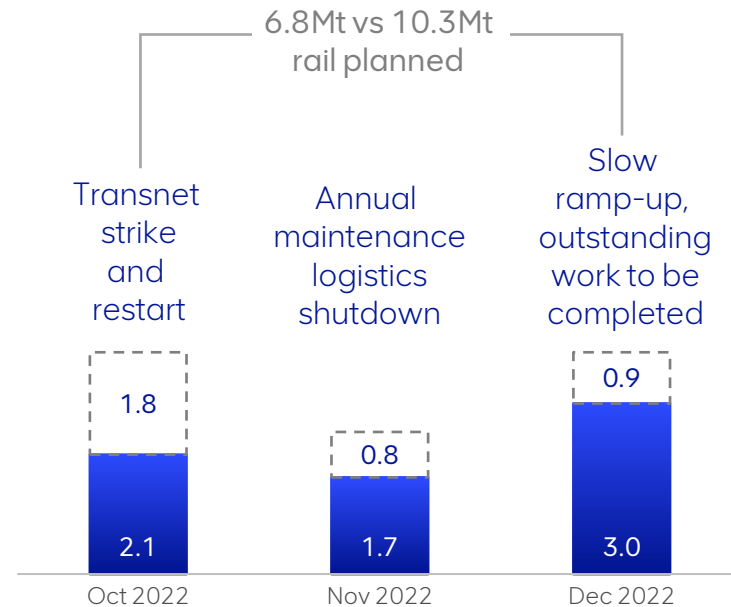
# Collaboration to improve logistics performance

## Logistics and sales performance (Mt)

Contracted quarterly average capacity



## Q4 2022 challenging (Mt)



## Near-term priorities

**Transnet recovery** in collaboration with Transnet Board and Minerals Council

### Improving logistics efficiencies:

- Reduce speed restrictions
- Increase wagon availability
- Improve port turnaround time
- Locust spraying programme in place

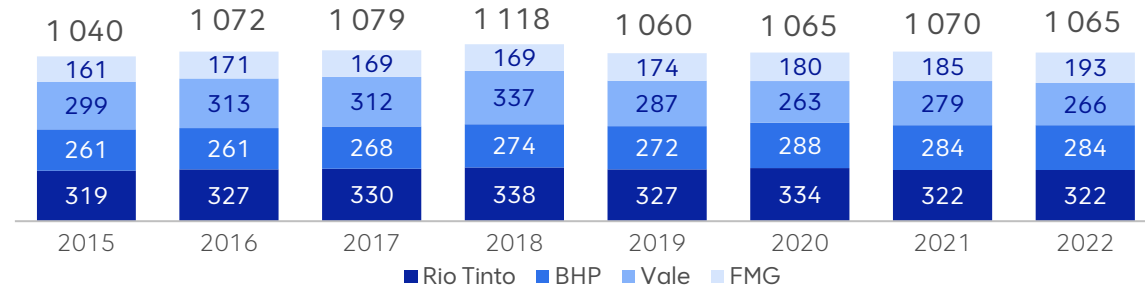
## Medium term

Independent review progressed

# China reopening and lower supply supporting prices

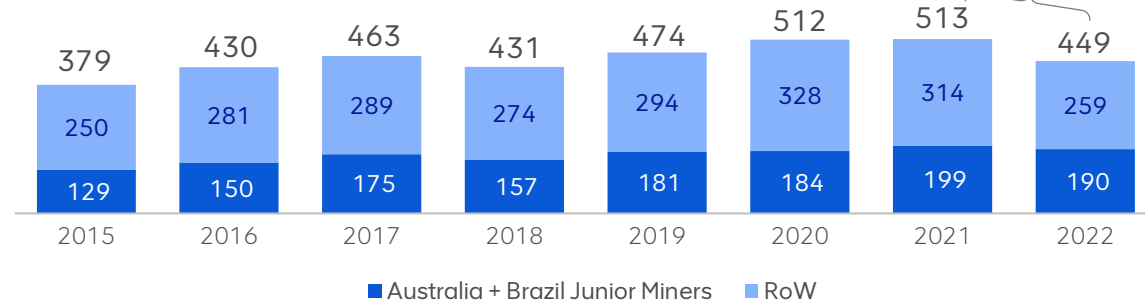
## Seaborne Big 4 supply peaked in 2018

wmt



## Supply from alternative sources dipped in 2022

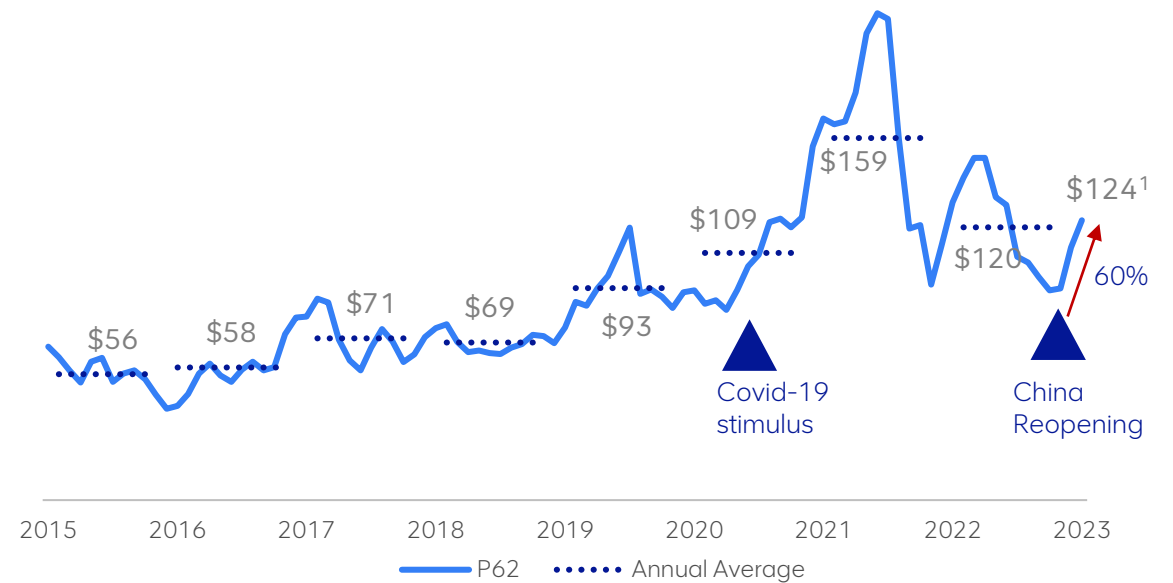
wmt



## China reopening driving iron ore price recovery

Platts 62 IODEX Monthly Average

\$/dmt



Source: Wood Mackenzie, Bloomberg, Platts

1. Year-to-date average

Financial performance



# Resilient financial performance

Average realised FOB price

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US\$113/wmt

FY 2021: US\$161/wmt

EBITDA margin

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50%

FY 2021: 63%

HEPS

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R56.19

FY 2021: R103.65

C1 costs

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US\$40/wmt

FY 2021: US\$39/wmt

Break-even price

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US\$68/t

FY 2021: US\$56/t

DPS

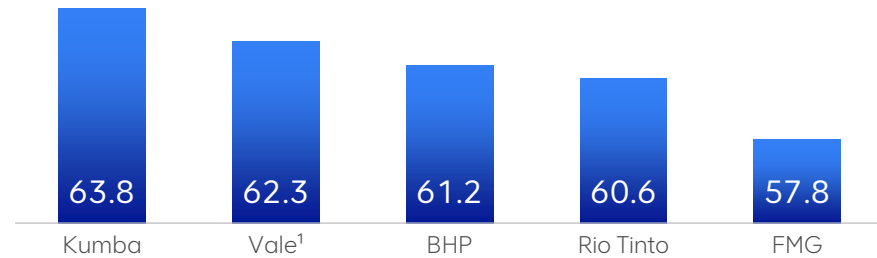
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R45.00

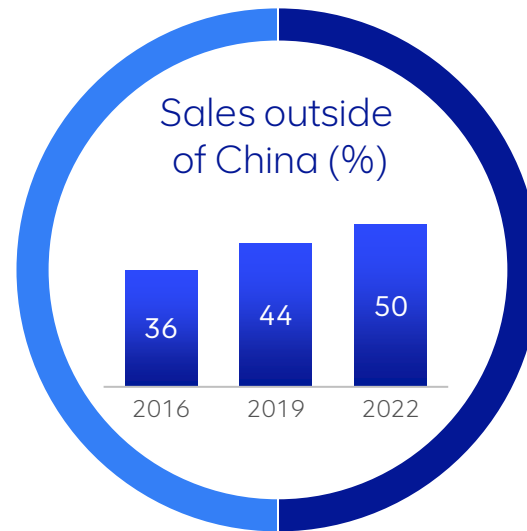
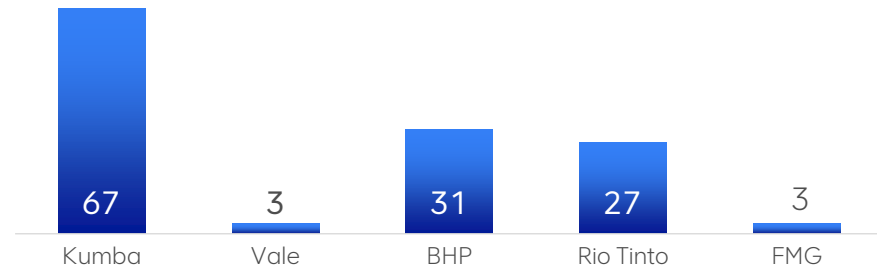
FY 2021: R103.20

# Continued product quality and diversified sales focus

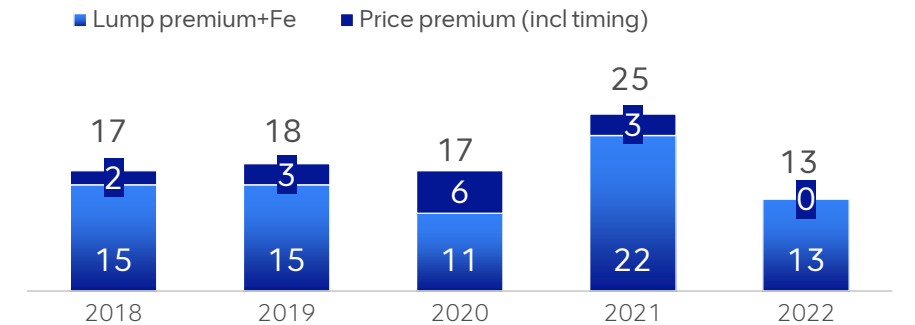
Fe qualities (%)



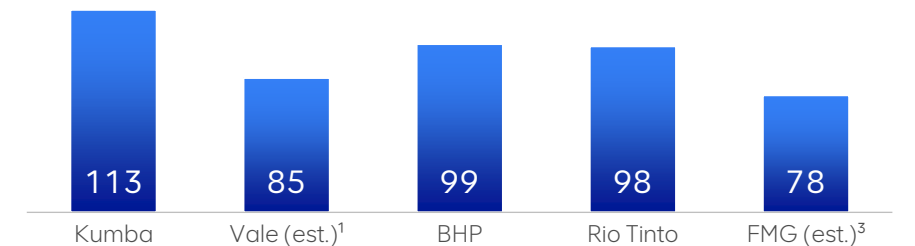
Lump : Fine ratio<sup>1,2</sup> (%)



Price premium over Platts 62 FOB (US\$/wmt)



Realised price FOB (US\$/wmt)

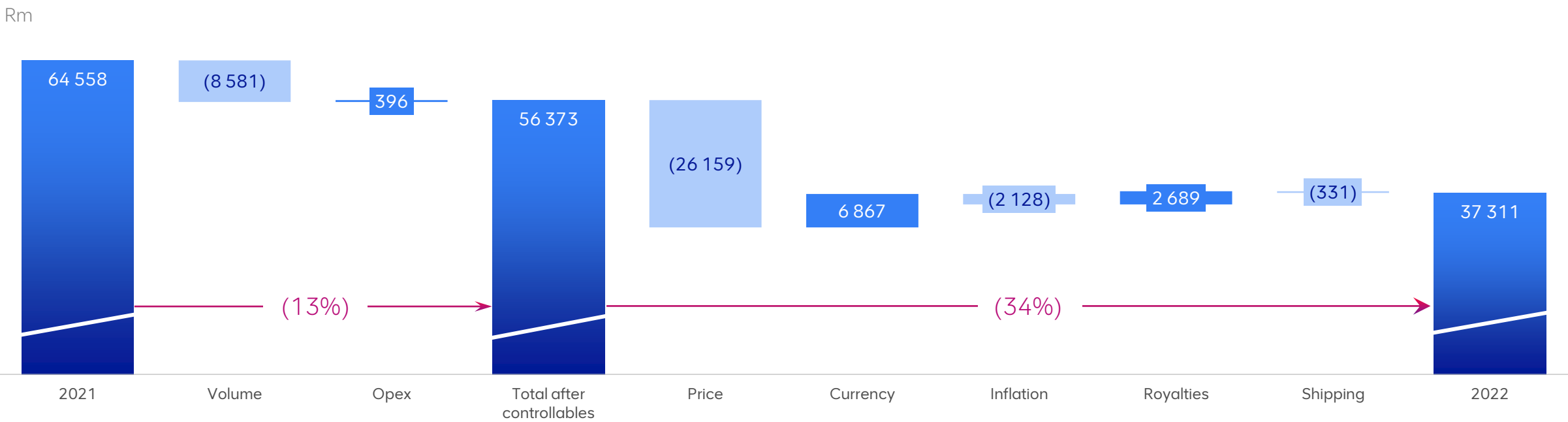


Source: Iron Ore Marketing

1. Vale values exclude pellets 2. Basis shipments 3. FOB price derived from CFR actuals minus C5'

# Adjusted EBITDA driven by lower iron ore prices

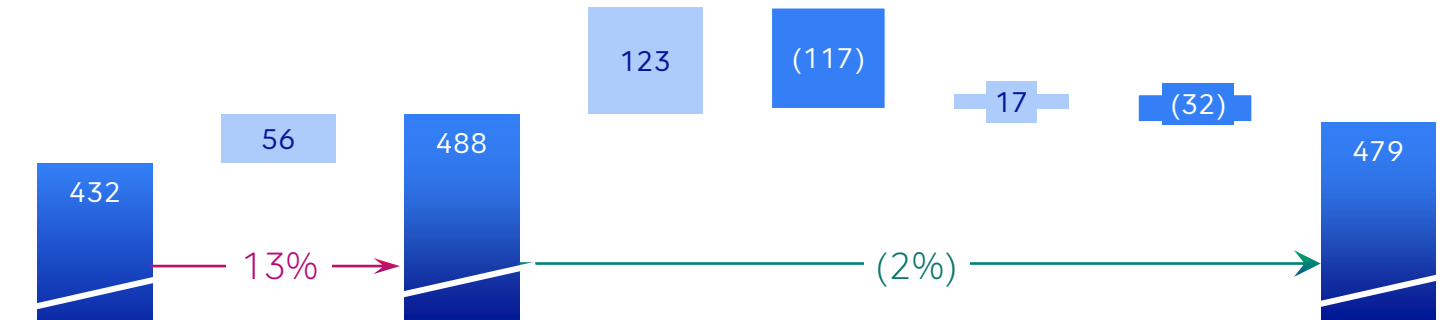
	Sales volumes	Premium	Average FOB price	Average R/US	C1 costs	Inflation	Freight rates
FY 2022	36.6 Mt	US\$0/t	US\$113/wmt	R16.37	US\$40/t	6.7%	US\$18.0/t
FY 2021	40.3Mt	US\$3/t	US\$161/wmt	R14.79	US\$39/t	4.5%	US\$21.0/t



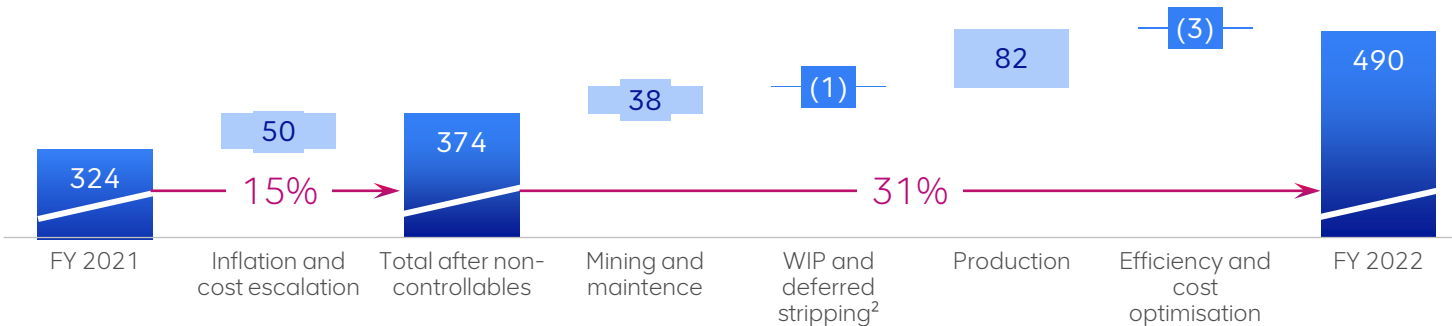
Note: Adjusted EBITDA represents net operating profit before deducting interest, tax, depreciation, amortisation and impairment charges or reversals

# Kolomela unit costs reflect operational challenges

Sishen<sup>1,2</sup> (R/t)



Kolomela<sup>2</sup> (R/t)



Cost driven by:

CPI and geological inflation, supply-chain disruption

Higher maintenance costs at both mines and lower waste mining at Kolomela

WIP build at Sishen benefits feedstock availability for production stability

Deferred stripping driven by higher strip ratio areas

Production cost increase at Kolomela linked to operational challenges

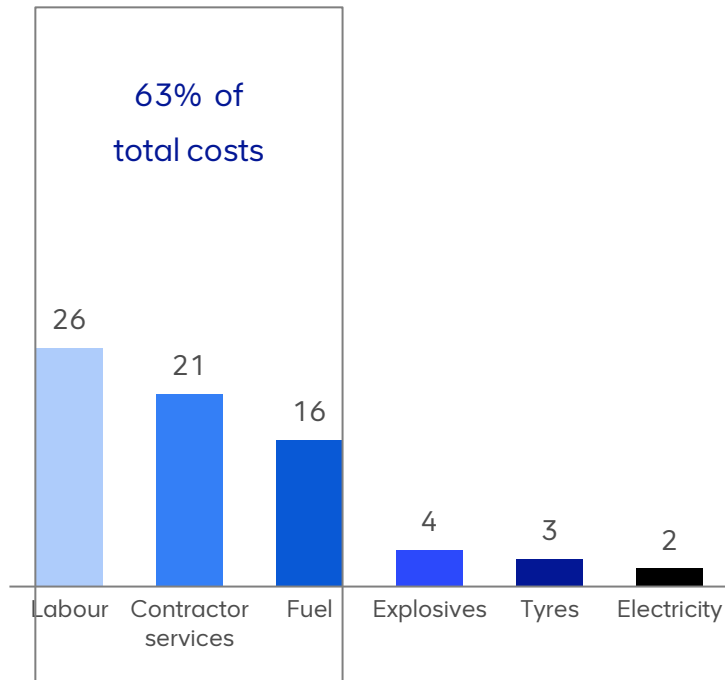
Cost savings partially offsets cost pressure

1. FY 2022 Sishen WIP includes -R56/t from C-grade classification

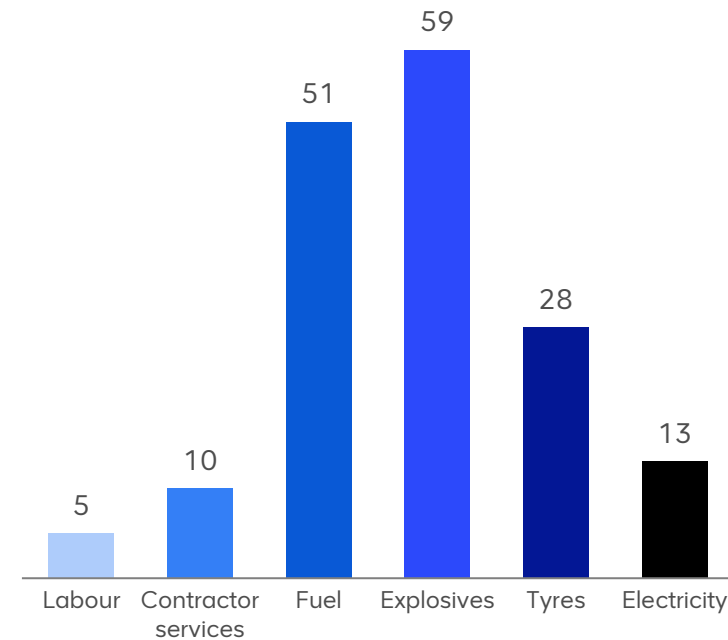
2. Excluding the impact of deferred stripping on unit cost: Sishen = FY 2022: R60/t (2021: R30/t); Kolomela = FY 2022: R88/t (2021: R72/t)

# Cost optimisation opportunities

## Contribution to costs (%)



## Key input price increases (%)



## Cost optimisation programme

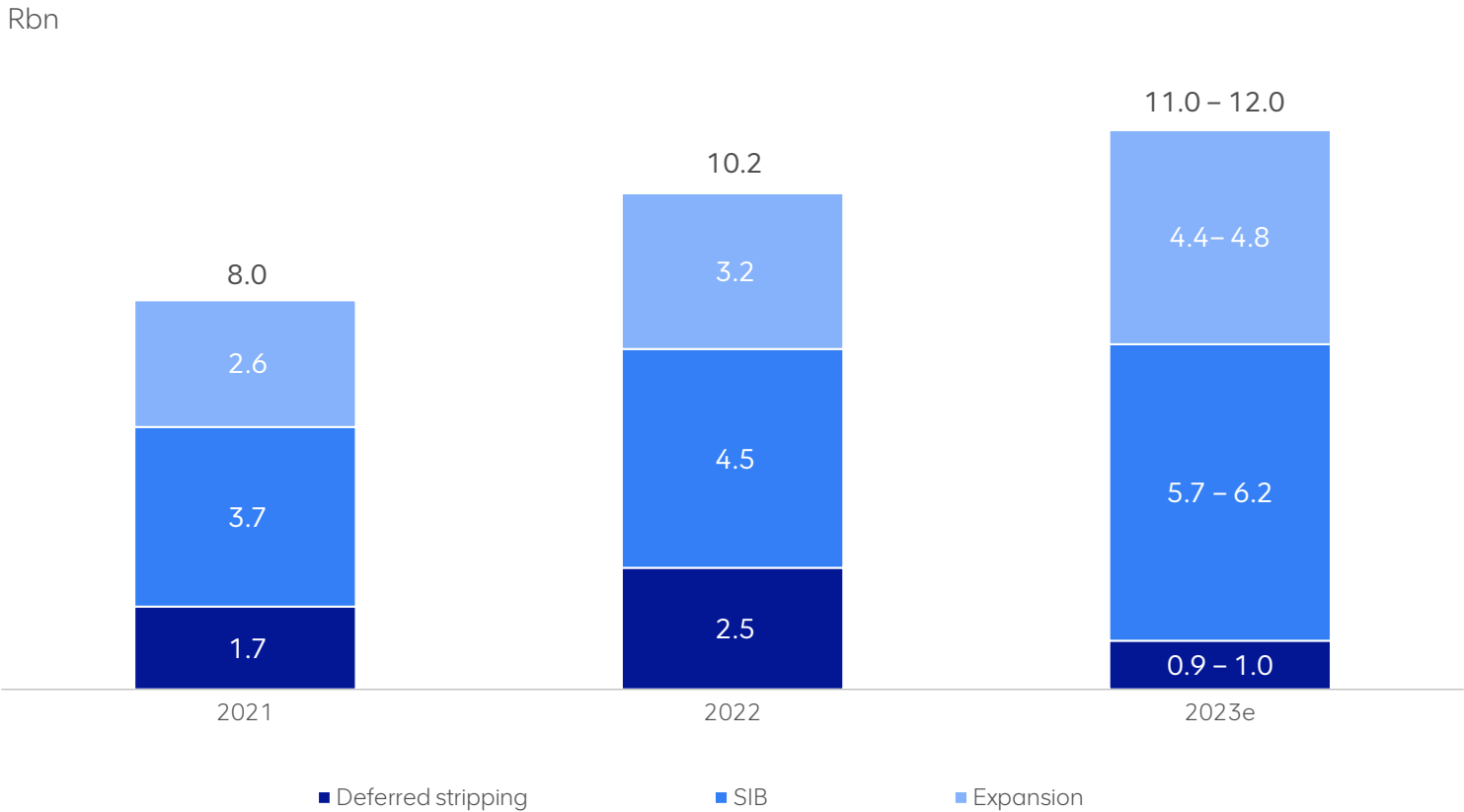
- Improve operational efficiencies
- Sourcing model optimisation
- Optimise mine plan
- Efficient utilisation of consumables

## FY 2023 unit cost guidance

Sishen: R540/dmt – R570/dmt

Kolomela: R510/dmt – R540/dmt

# Capex supports safe and sustainable operations



## Expansion capex

Kapstevel South total spend ~R7bn

UHDMS project execution plan under review

Operational efficiency improvements

## SIB capex

HME and maintenance spares

Infrastructure and plant upgrades

Safety and environmental

Note: Capital expenditure before capital creditors

# Balanced allocation of capital

Cashflow after sustaining capital

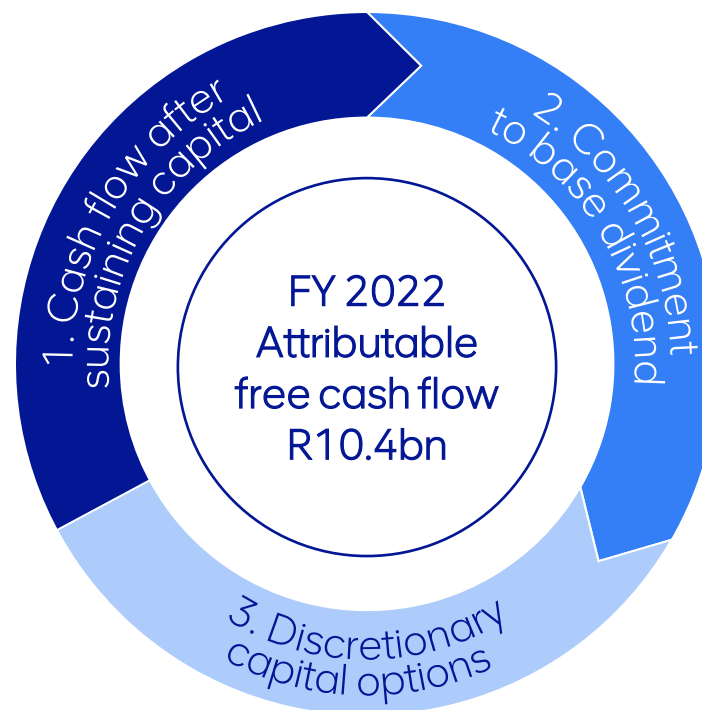
R20.8bn

Base dividends

R21.1bn

Discretionary capital

R4.0bn



Additional shareholder returns

R3.9bn cash dividends

Net cash

R9.3bn end of period

Final dividend declared<sup>1</sup>

R6.9bn

Future project options

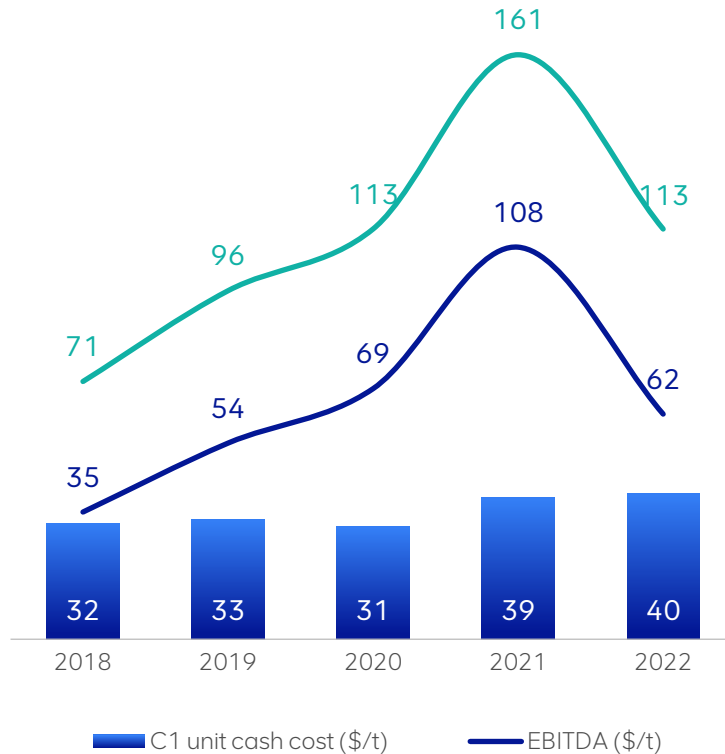
Portfolio upgrade

Additional shareholder returns

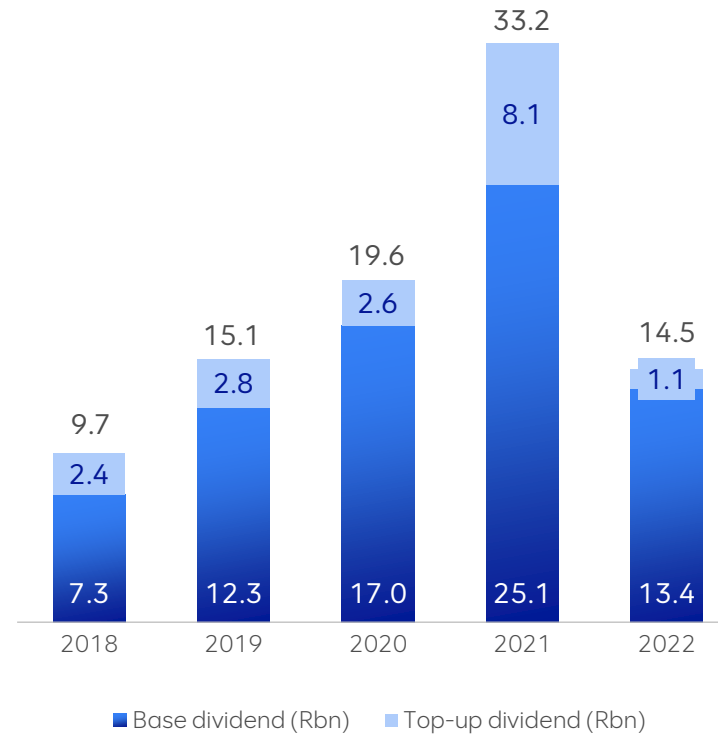
1: Including R1.7 billion to minority shareholders

# Value delivered through our Tswelelopele strategy

## Margin enhancement strategy



## Creating shareholder value



## Value delivered since 2018:

Product premium on average:	+US\$3/t
Cumulative cost savings:	R5.2bn
Life of Sishen to 2039:	+323Mt reserves
Total attributable cashflow:	R85.8bn
Total dividends paid:	R92.1bn
Average payout ratio:	92%

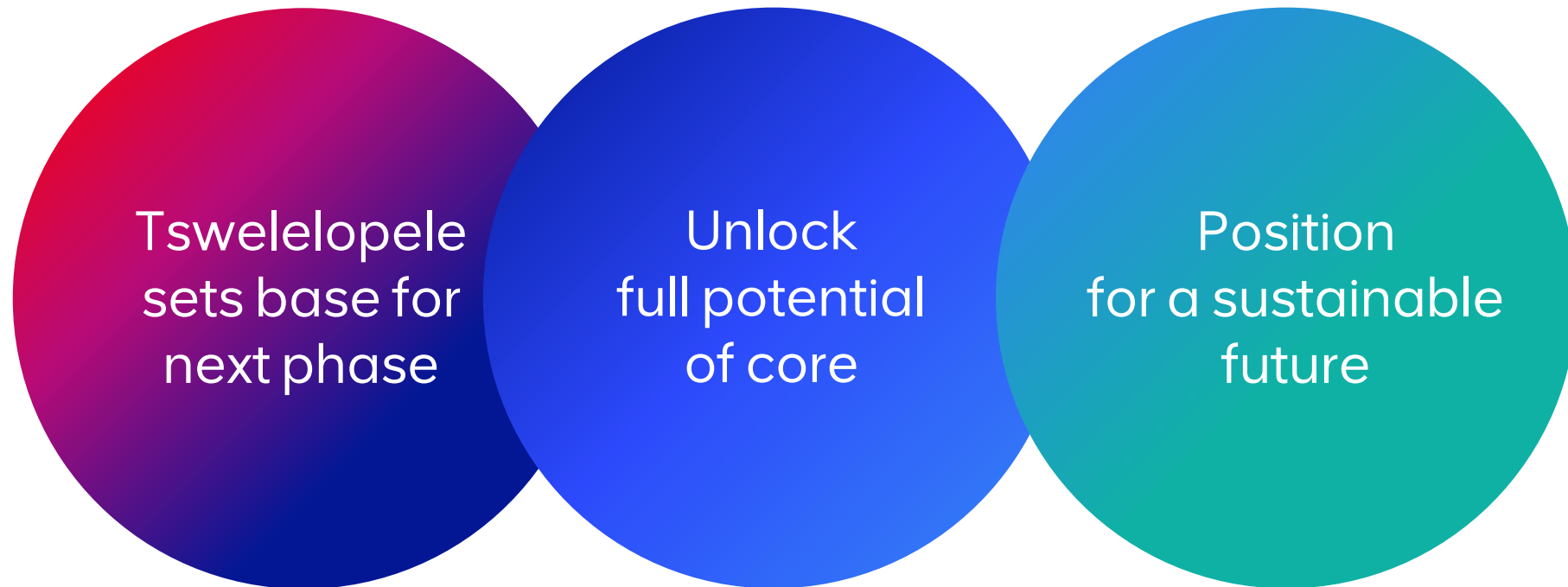
Based on exchange rate of R16.37/US\$1

Looking ahead



# Next phase of value delivery

Driven by our purpose: Reimagining mining to improve people's lives



## Foundational elements

Zero fatalities  
and harm

Leadership  
and culture

FutureSmart  
Mining

E: Healthy  
environment

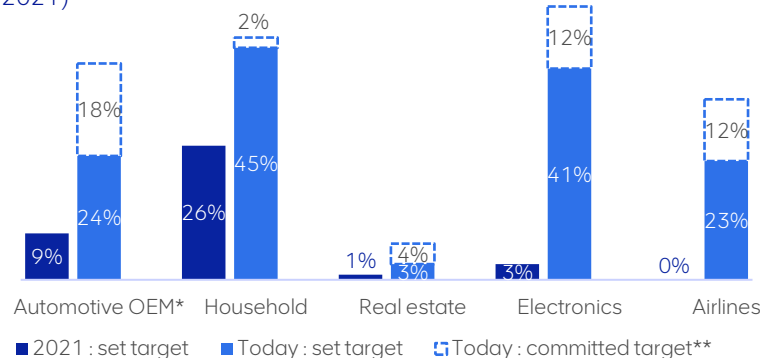
S: Thriving  
local communities

G: Trusted  
corporate leader

# Supply chain decarbonisation to boost demand for premium ores

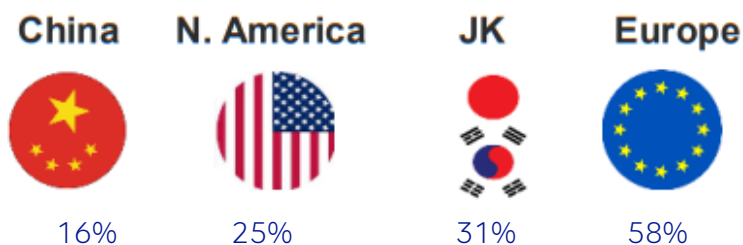
## Supply chain decarbonization commitments are growing quickly

Market share of global companies with upstream scope 3 sustainability commitments in different sectors (% by revenue, 2021)

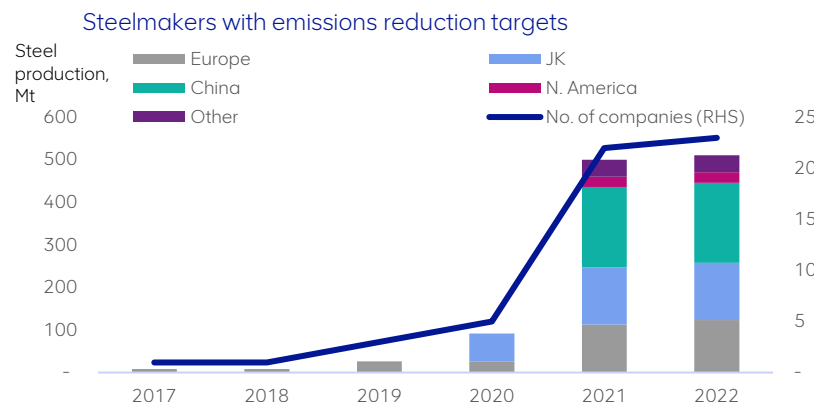


## European mills are most ambitious

Average emission cut targets of top 5 mills in each region in 2030

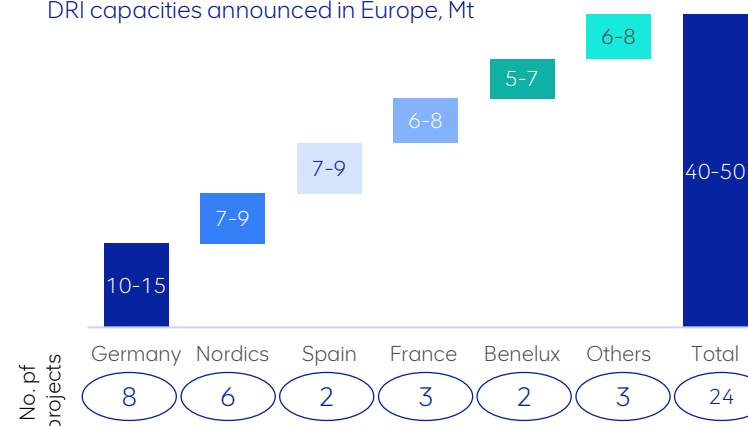


## Steelmaker decarbonization commitments are rising alongside



## Europe is leading the way on DRI

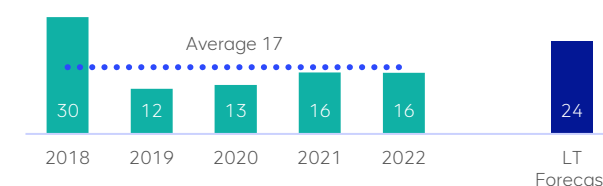
DRI capacities announced in Europe, Mt



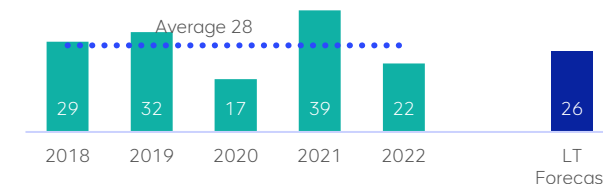
## Driving long-term quality premia

Long-term price forecasts by Wood Mackenzie (Dec 2022)

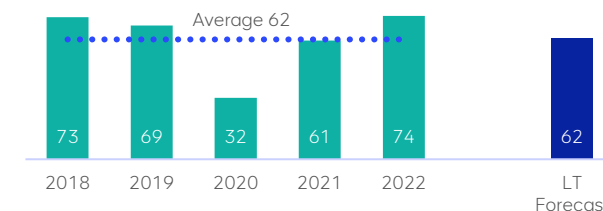
65-62 Premium, % of 62



Lump Premium, c/dmtu\*\*\*



DR Pellet Premium, \$/dmt\*\*\*



Source: Platts, WEF Jan 2023, WSA, McKinsey

\*Automotive Original Equipment Manufacturer

\*\*contains unverified targets, intention is to develop targets and submit these for validation within 24 months

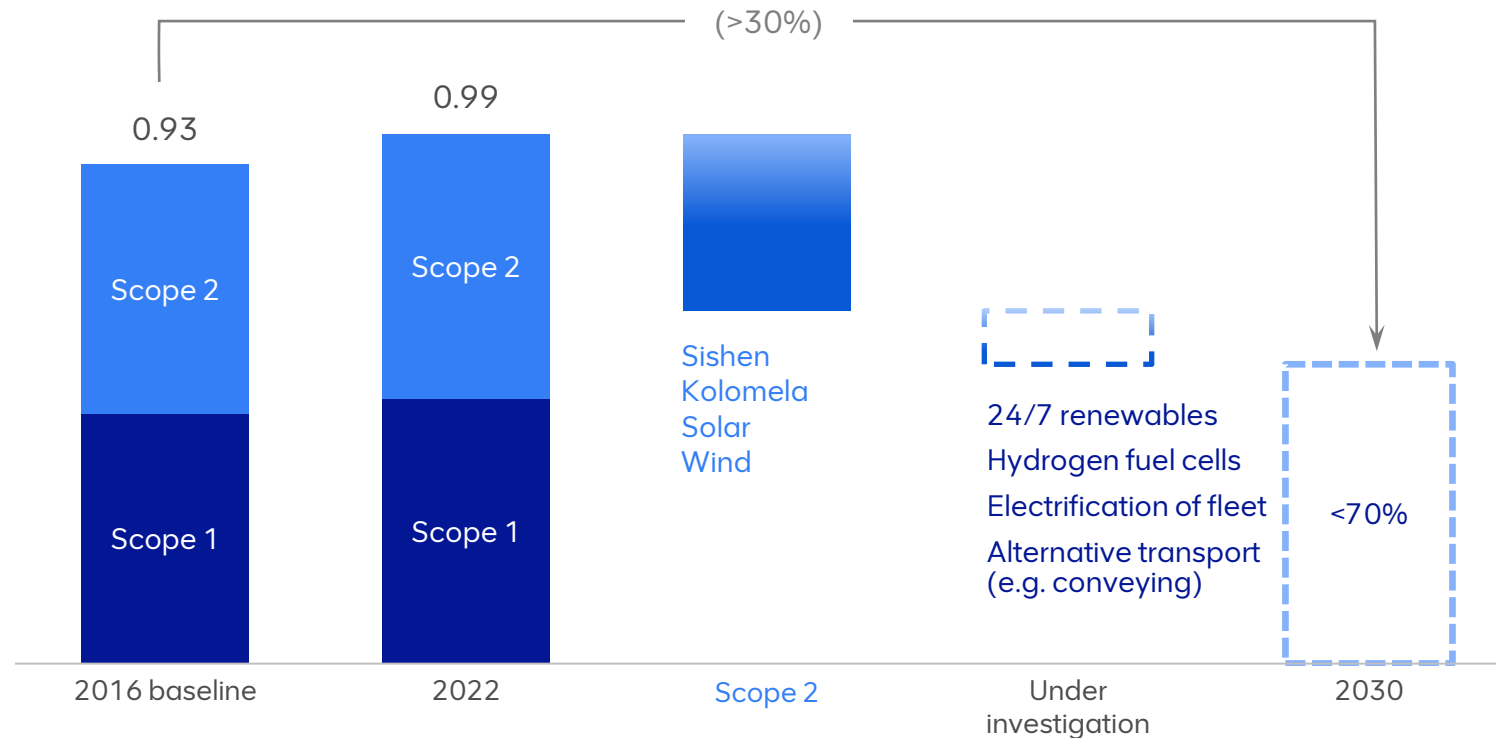
\*\*\*Real (2022\$), Lump basis 63% Fe, DR Pellet basis 67.5% Fe

# Our pathway to green steel operations

## Scope 1 and 2 carbon emissions reduction target of 30% by 2030

Carbon emissions (Mt CO<sub>2</sub>)

Total emissions by energy usage (%)



## Scope 3 opportunities

### Product evolution

Increase share of high-quality iron ore sales

### Downstream logistics

Convert ocean freight to low carbon fuels

### Upstream emissions

Low carbon supply chain

### Sector decarbonization

Transition in partnership with customers

# 2023 full year guidance

Total production

35 – 37Mt

Total sales

37 – 39Mt

C1 cash costs

≤US\$44/t<sup>1</sup>

Capital expenditure

R11 – 12bn

2024

37 – 39Mt

2025

39 – 41Mt

Sishen

Production

~26Mt

Waste

150 – 170Mt

Unit costs

R540 – 570/dmt

Strip ratio

3.4, LoM ~3.1<sup>2</sup> | LoM ~3.9<sup>3</sup>

LoM

~17 years<sup>4</sup>

Kolomela

~10Mt

60 – 70Mt

R510 – 540/dmt

To exceed ~5, LoM ~4.4<sup>5</sup>

12 years<sup>6</sup>

1. Based on R17.00/US\$ | 2. Based on the 2021 LOM and including C-grade | 3. Based on the 2021 LOM and excluding C-grade | 4. Including UHDMs with 2035 – 2039 production being ~10Mtpa | 5 and 6. Including Kapstevel South

# Reimagining mining to improve people's lives

Strong foundation for sustainable value delivery

## Assets

Premium quality,  
high margin assets

Life extension opportunities

50%  
EBITDA  
margin

## Capabilities

Operational resilience  
and marketing strength

Efficient capital allocation

76%  
ROCE

## Sustainability

Continued delivery  
of stakeholder value

Sustainable Mine Plan integrated

R63bn  
Shared  
value

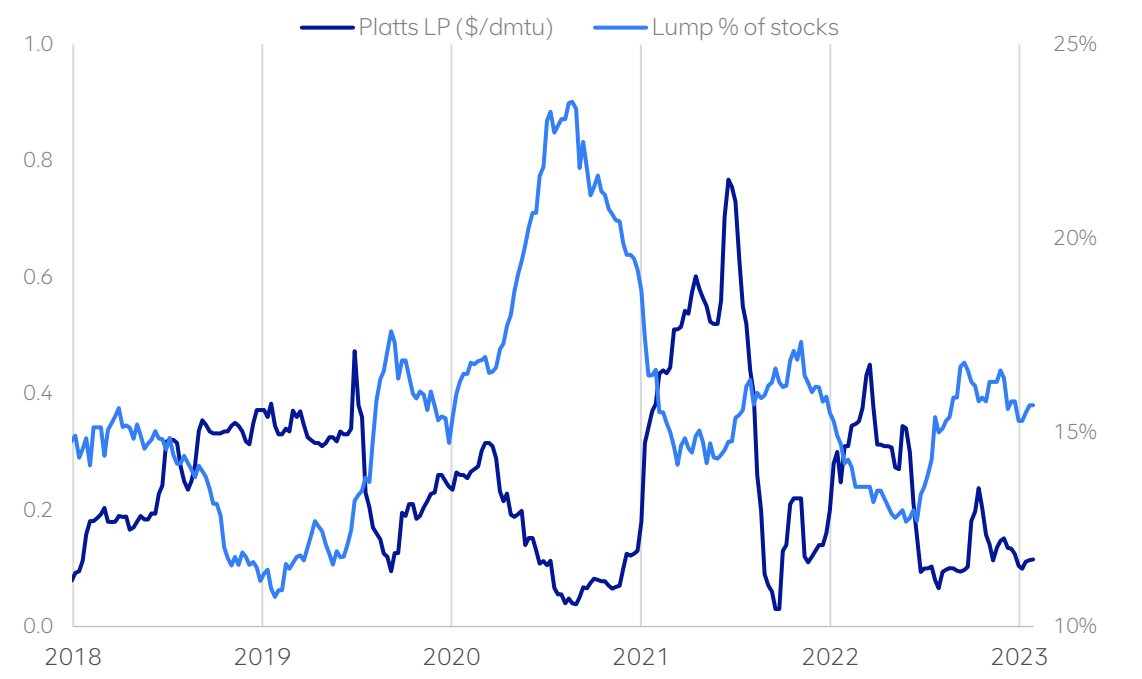


# Annexures



# Lump port stocks at relatively healthy levels

Lump premium & stocks at Chinese ports



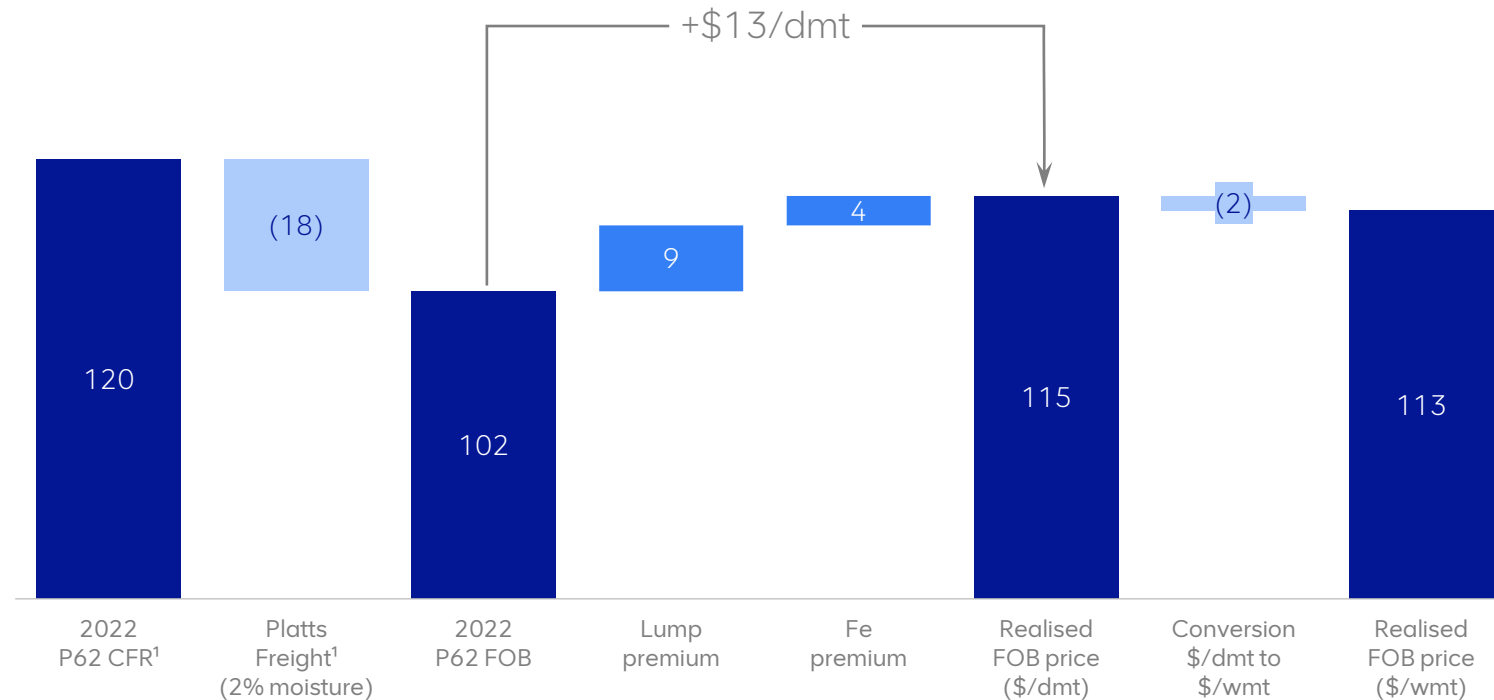
Platts 62 price (\$/dmt)



Source: Platts, Mysteel

# Average realised price \$115/dmt or \$113/wmt

## FY 2022 realised FOB price (US\$/t)



## Price drivers

### Average market prices<sup>1</sup>:

P62 CFR China price average: US\$120/t  
(FY 2021: US\$160/t)

Fe premium average: ~US\$4 per 1% Fe  
(FY 2021 ~US\$2.62 per 1% Fe)

Lump premium average: US\$0.20/dmtu  
(FY 2021: US\$0.37/dmtu)

### Marketing:

Price premium on high quality products

### Timing effects:

Products generally priced in month after arrival

Source: Iron Ore Marketing.

1. Straight average of the daily indices between 1 Jan – 31 Dec 2022

# Life extension projects, key pathways to value



## Kolomela: Kapstevel South pit

60% complete, first ore planned for H1 2024

Focus on waste stripping, construction of major infrastructure and commissioning HME

Total capex: ~R7bn

IRR: >25%

EBITDA margin: >35%



## Sishen: Ultra high dense media separation plant

Project execution plan under review. Further detailed engineering design work required as part of the review process.

Value drivers:

Lower cut-off grade (stripping ratio)

Increases premium quality

Extends Sishen's life of mine

Reduces mining unit costs

# Logistics constraints impact on sales

Mt	2022	2021	% change	H2 2022	H1 2022	% change
Railed to port (incl. Saldanha Steel)	35.9	39.3	(9)	16.9	19.0	(11)
Sishen mine (incl. Saldanha Steel)	25.6	27.3	(6)	12.2	13.4	(9)
Kolomela mine	10.3	12.0	(14)	4.7	5.6	(16)
Total sales	36.6	40.3	(9)	16.9	19.7	(14)
Export	36.6	40.2	(9)	16.9	19.7	(14)
Domestic	-	0.1	(100)	-	-	-
Total ore shipped	36.6	40.2	(9)	16.9	19.7	(14)
CFR (shipped by Kumba)	22.6	23.4	(3)	10.4	12.2	(15)
FOB (shipped by customers)	14.0	16.8	(17)	6.5	7.5	(13)
Finished product inventory	7.8	6.1	28	7.8	4.5	73

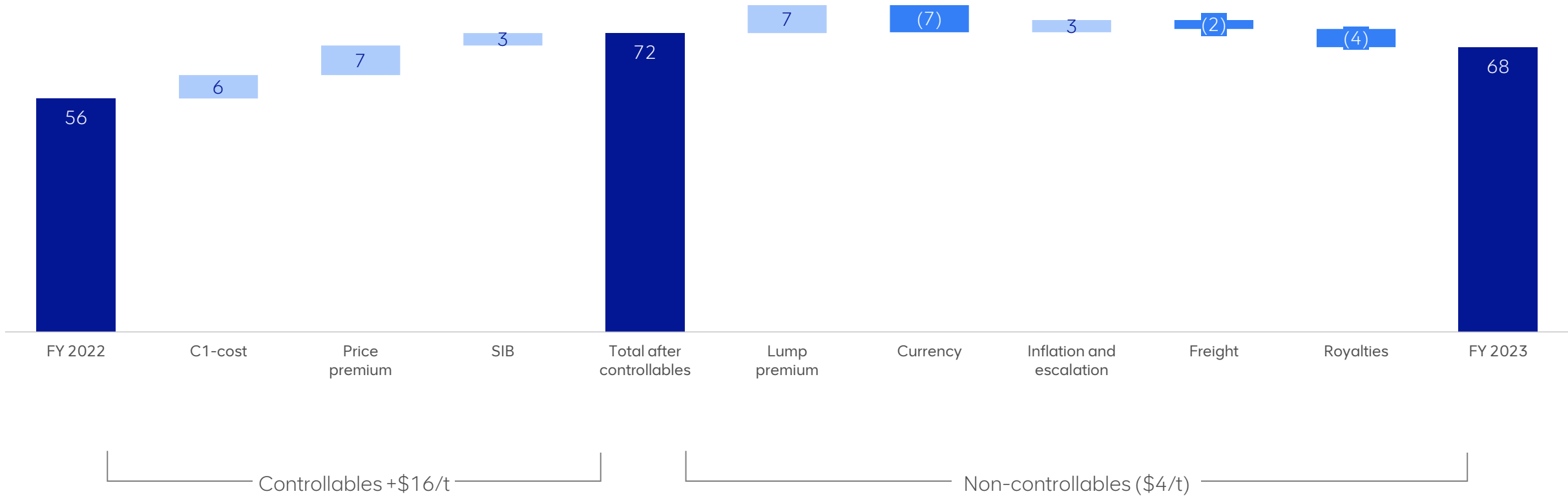
# Operating margin reflects lower revenue

Rm	2022	2021	% change	H2 2022	H1 2022	% change
Revenue	74 032	102 092	(27)	31 055	42 977	(28)
Operating expenses <sup>1</sup>	(47 152)	(42 584)	11	(24 756)	(22 396)	11
Operating profit	26 880	59 508	(55)	6 299	20 581	(69)
Operating margin (%) <sup>1</sup>	36.0	58.3	(22)	20.3	47.9	(28)
Profit for the period	19 655	43 657	(55)	4 502	15 153	(70)
Equity holders of Kumba	14 968	33 266	(55)	3 414	11 554	(70)
Non-controlling interest	4 687	10 391	(55)	1 088	3 599	(70)
Effective tax rate (%)	26.6	27.3	(0.7)	26.6	26.4	0.2
Cash generated from operations	34 835	64 970	(46)	11 379	23 456	(51)

1. Includes impairment loss of R5.4 billion and expected credit losses of R73 million

# Break-even price driven by higher costs & lower prices

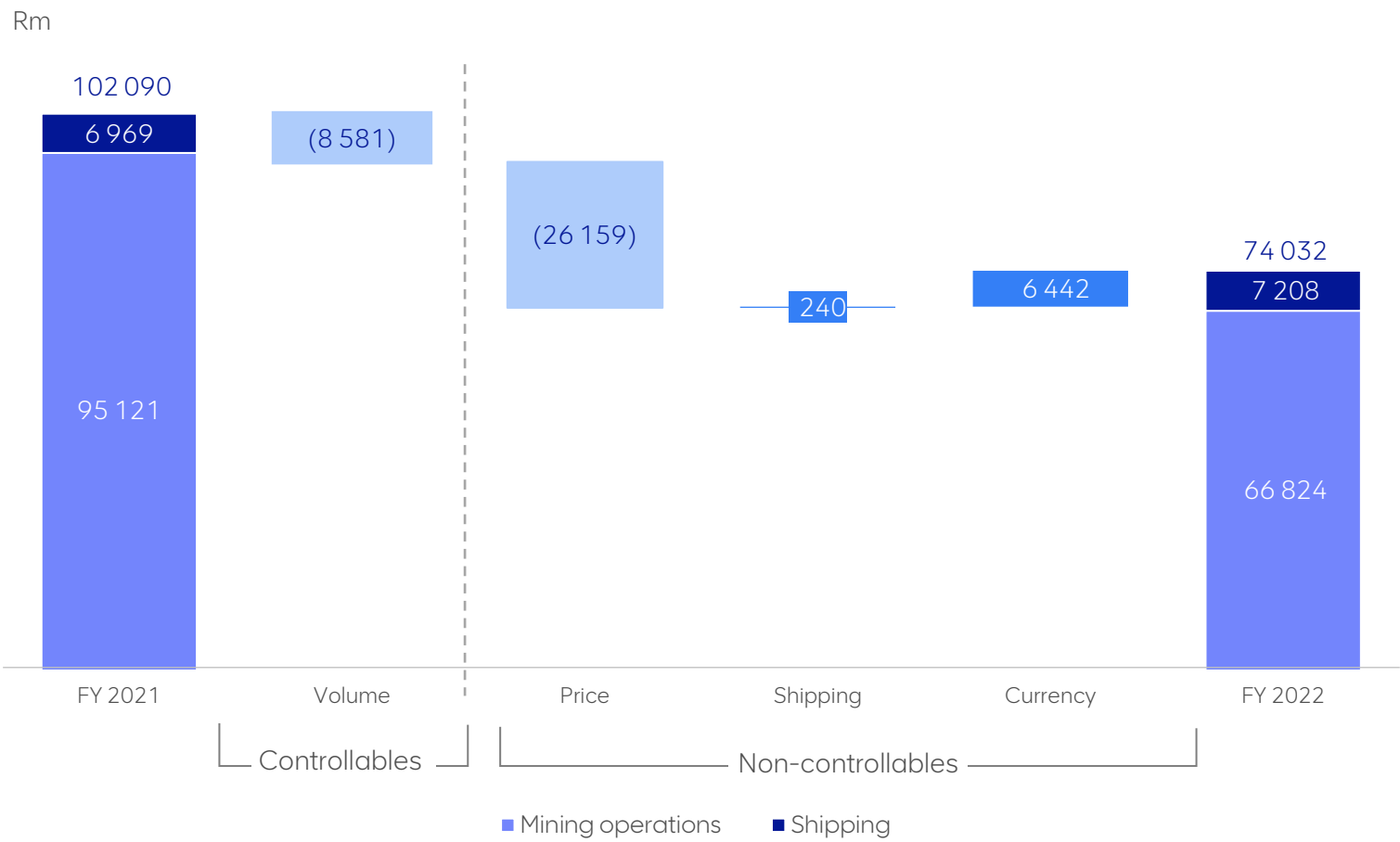
Platts 62%  
break-even price (US\$/t)



# Revenue analysis

	2022	2021	% change	H2 2022	H1 2022	% change
Export (Rm)	66 823	94 886	(30)	27 489	39 334	(30)
Tonnes sold (wmt)	36.6	40.2	(9)	16.9	19.7	(14)
US Dollar per tonne (wmt)	113	161	(30)	94	130	(28)
Rand per tonne (wmt)	1 826	2 363	(23)	1 627	1 997	(19)
Domestic (Rm)	1	237	(100)	1	-	-
Shipping operations (Rm)	7 208	6 969	3	3 565	3 643	(2)
Total revenue	74 032	102 092	(27)	31 055	42 977	(28)
Rand/US Dollar exchange rate	16.37	14.79	11	17.33	15.40	13

# Revenue reflect lower iron ore prices and sales



## Revenue drivers

### Controllables

Total sales volumes: 9% lower at 36.6Mt  
(FY 2021: 40.3Mt)

Lump premium: Average US\$0.20/dmtu  
(FY 2021: US\$0.16/dmtu)

Fe premium average: ~US\$4 per 1% Fe  
(FY 2021 ~US\$2.62 per 1% Fe)

Marketing:  
Price premium on high quality products

### Non-controllables

Average Platts FOB price US\$100/wmt  
(FY 2021: US\$138.8/wmt)

Average R/US\$ down 11% to R16.37  
(FY 2021: R14.79)

# Operating expenditure analysis

Rm	2022	2021	% change	H2 2022	H1 2022	% change
Raw materials & consumables	2 472	2 178	13	1 275	1 197	7
Net movement in inventories	(4 633)	(1 701)	>100	(3 065)	(1 568)	95
Inventory written down to NRV	185	170	9	(42)	227	>100
Contractors' expenses	5 133	4 305	19	2 690	2 443	10
Deferred stripping costs	(2 512)	(1 725)	46	(1 313)	(1 199)	10
Staff costs	6 529	5 620	16	3 479	3 050	14
Impairment charge	5 411	-	100	5 411	-	100
Shipping services rendered	7 035	6 464	9	3 598	3 437	5
Depreciation of fixed assets	5 020	5 050	(1)	2 524	2 496	1
Mineral royalty	1 482	4 171	(64)	(402)	1 884	>100
Repairs & maintenance	3 644	3 020	21	1 994	1 650	21
Petroleum products	3 923	2 530	55	2 147	1 776	21
Other expenses <sup>1</sup>	5 173	3 745	38	2 476	2 697	(8)
Corporate costs	1 244	953	31	690	554	25
Energy costs	587	521	13	321	266	21
Net finance (gains)/losses	(209)	215	>100	(110)	(99)	5
Transportation & selling costs	6 668	7 068	(6)	3 083	3 585	(14)
<b>Operating expenses<sup>2</sup></b>	<b>47 152</b>	<b>42 584</b>	<b>8</b>	<b>24 756</b>	<b>22 396</b>	<b>5</b>

1. Includes the following significant items: administration expenses, expected credit losses, technical services and project costs, third-party purchases & lease expenses

2. Total operating expenses includes expected credit losses

# Operating expenditure driven by higher mining cost

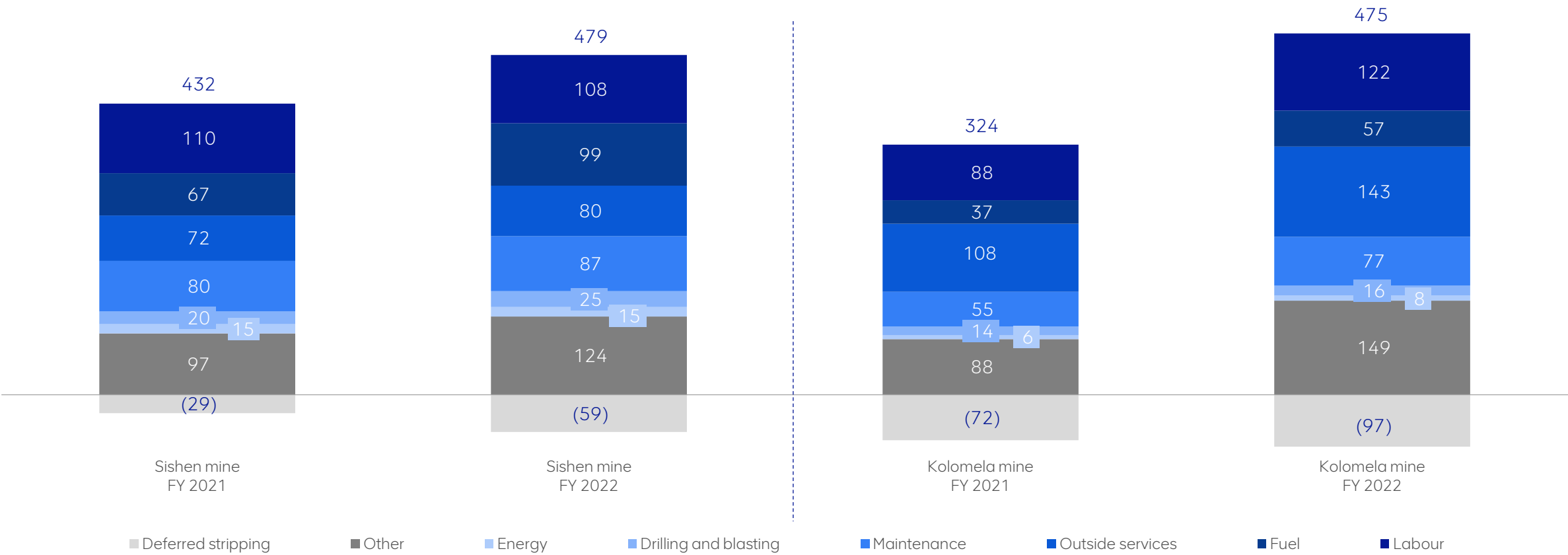
Rm



1. Excluding mineral royalty & impairment

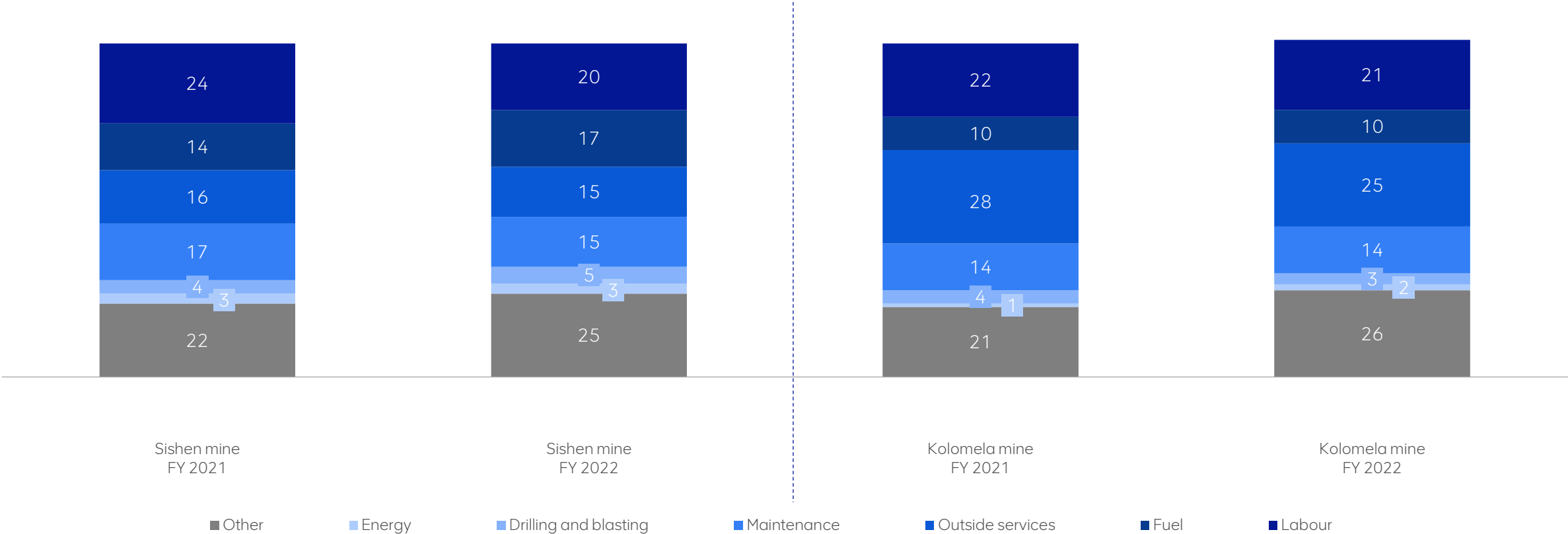
# Sishen & Kolomela mines

Unit cash cost structure (R/t)



# Sishen & Kolomela mines

Unit cash cost structure (%)

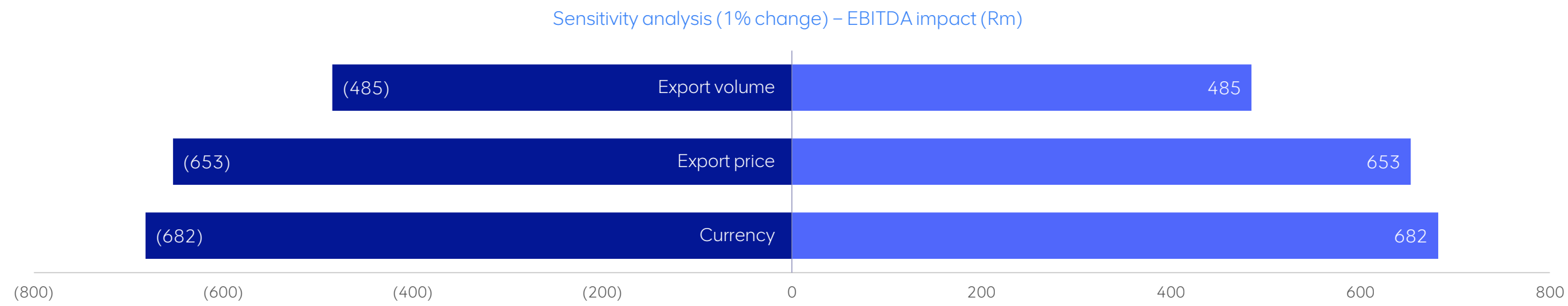


# EBITDA analysis

Rm		2022	2021	% change
<b>Total sales volumes<sup>1</sup> (Mt)</b>	a	36	40	(9)
<b>Benchmark price (\$/t)</b>		123	159	(23.1)
Product premiums (\$/t)		11	25	(55.9)
Freight (\$/t)		(19)	(21)	(9.9)
<b>Realised FOB price (\$/dmt)</b>		115	163	(29.7)
On-mine unit costs (\$/t)		(29)	(27)	9.5
Logistics (rail & port) (\$/t)		(12)	(12)	(6.6)
Royalties (\$/t)		(3)	(7)	(64.7)
Other costs (\$/t)		(17)	(14)	24.9
FOB margin (\$/t)	b	54	103	(47.5)
<b>Average Rand/US Dollar exchange rate (ZAR/US\$)</b>	c	16	15	10.7
<b>EBITDA (Rbn)</b>	axbxc	37 311	64 558	(42.2)

1. Sales volumes of 36 reported as dry metric tonnes

# Sensitivity analysis 2022



Change per unit of key operational drivers, each tested independently

Sensitivity analysis	Unit change	EBITDA impact
Currency (Rand/US\$)	R0.10/US\$	R417m
Export Price (US\$/t)	US\$1.00/t	R577m
Volume (kt)	100kt	R135m
		Break-even price impact
Currency (Rand/US\$)	R1.00/US\$	US\$3.5/t

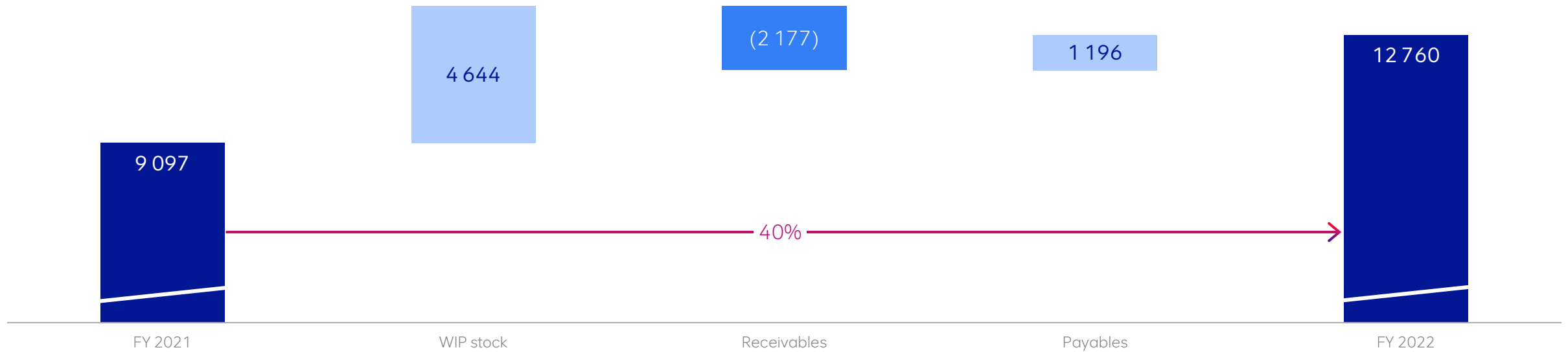
# Capital expenditure analysis

Rm	2022	2021	2023e
Expansion	3 181	2 566	4 400 – 4 800
Deferred stripping	2 512	1 725	900 – 1 000
Sishen	1 585	814	600 – 650
Kolomela	927	911	300 – 350
SIB	4 457	3 717	5 700 – 6 200
Sishen	2 879	2 687	3 400 – 3 700
Kolomela	1 578	1 030	2 200 – 2 500
Total capital expenditure	10 150	8 008	11 000 – 12 000
Capital Creditors	934	(1 755)	800 – 900
Cash Capex	11 084	6 253	11 800 – 12 900

Capital creditors for full year 2022 comprised of: SIB R139 million, Expansion R795 million

# Working capital increase driven by higher WIP stock

Rm



WIP: Work-in-progress stock for processing at the plant and finished stock at the mines and Saldanha Port