



Kumba Iron Ore 2021 Interim results

27 July 2021



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Agenda

1H21 overview

Safety and Sustainability

Unlocking asset potential

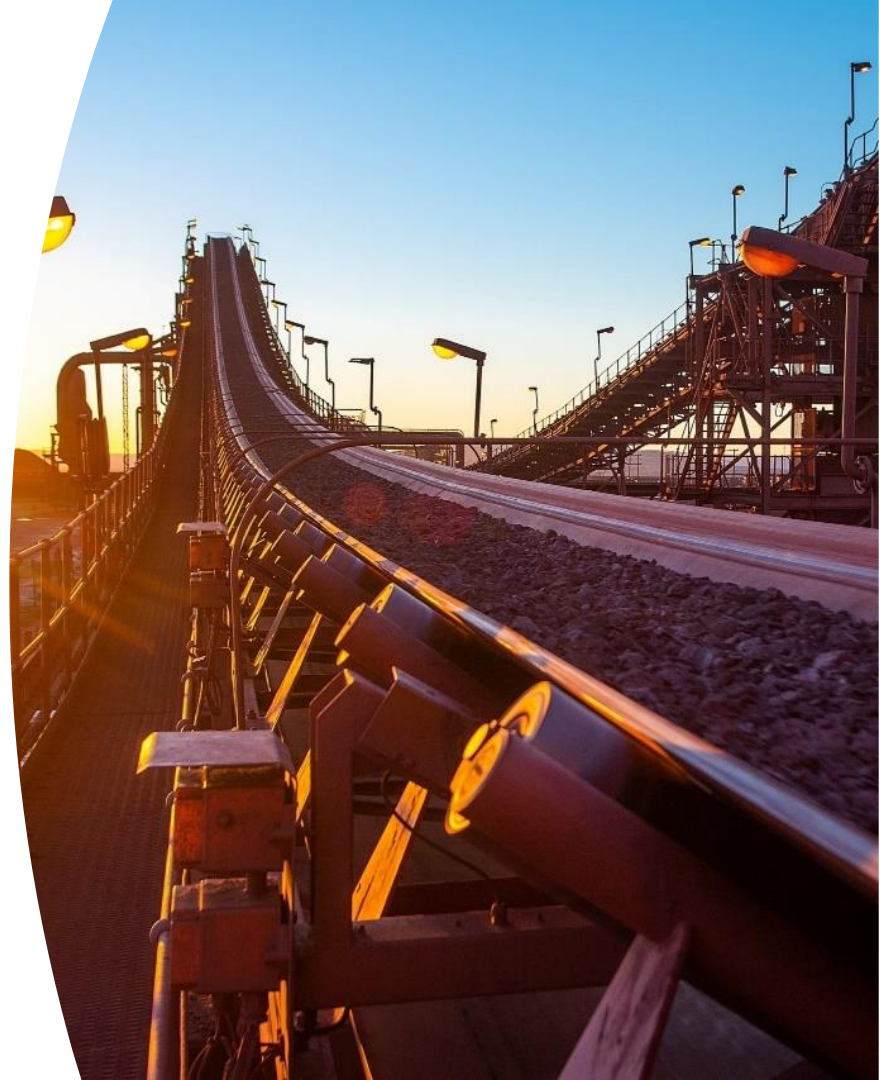
Stakeholder value creation

Positioning for the future

Themba Mkhwanazi

Bothwell Mazarura

Themba Mkhwanazi

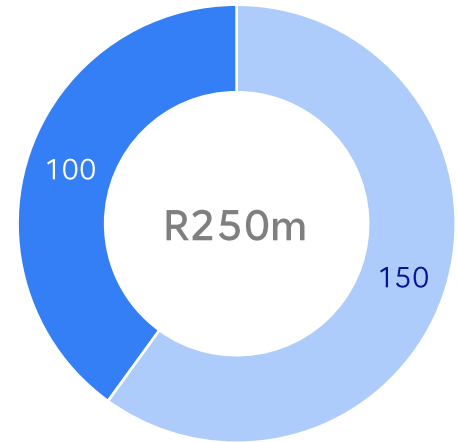


Kumba's response to social unrest and Covid-19

Two phased approach

1. Building on Kumba's *WeCare* programme
 - Relief scheme for employees, contractors and communities
 - Provision of basic food parcels and medicine
2. Resetting and rebuilding post Covid-19 and social unrest
 - Youth employment and training
 - Educational sponsorships
 - SMME funding and skills training
 - Infrastructure projects

Extended Covid-19 support (Rm)



- Extended Covid-19 support
- Rebuild and reset support

First half highlights

Safety and sustainability

>5 years

Fatality free production

Unlocking asset potential

20.4Mt

Production 1H20:18.2Mt

Stakeholder value creation

R31.5bn

Attributable free cashflow 1H20: R7.1bn

Environment

>6 years

Zero significant incidents

EBITDA

R44.4bn

1H20: R17.4bn

Dividends per share

R72.70

1H20: R19.60

All volumes (excluding waste), iron ore prices and unit costs, are reported in wet metric tonnes (approximately 1.6% moisture). The comparative has been restated..

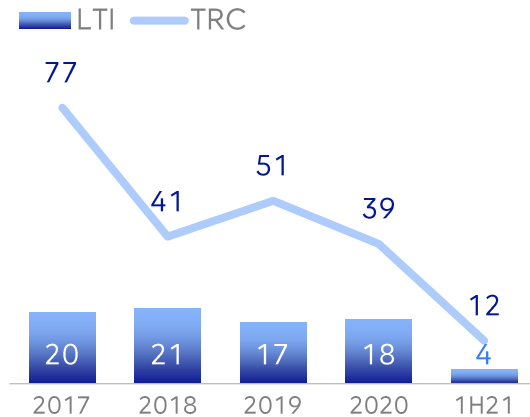
Safety and Sustainability

Themba Mkhwanazi



Excellent safety and sustainability performance

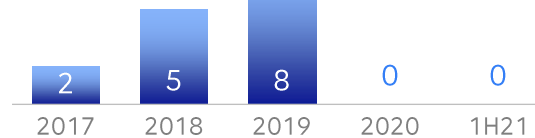
Safety



>5 years fatality free production
Elimination of fatalities programme
Sustained risk reduction programme

Health

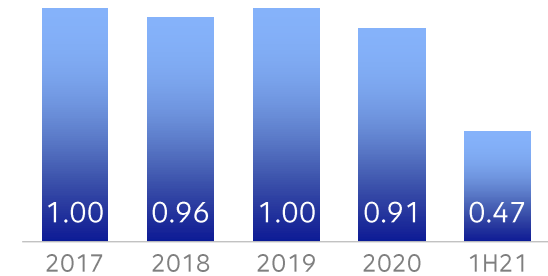
Occupational diseases (new cases)



74% voluntary HIV testing
55% less non-occupational TB cases
Employee health & wellness programme

Environment

Carbon emissions (Mt CO₂e)



>6 years zero significant incidents
Responsible transition to lower CO₂
7 436ML water supplied to communities

Note: LTI: Lost-time injuries; TRC: Total recordable incidents

Robust Covid-19 strategy keeping the engine running

Safe and healthy people

Maintained robust protocols

Mental health and wellbeing

Vaccination programme

Supporting stakeholders

Providing essential services

Supporting our communities

Collaborative partnerships

WeCare
Protecting our wellbeing
during Covid-19



Creating value for all our stakeholders

Rbn	1H21	1H20
Contributing to South Africa		
Income tax	6.8	3.3
Mineral royalty	2.4	1.0
Capital investment	3.0	2.8

Providing employment

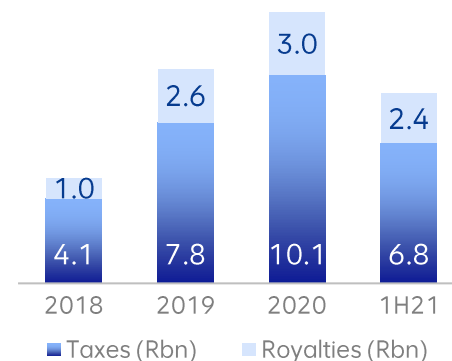
Salaries and benefits	2.8	2.4
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Delivering shareholder returns

Owners of Kumba	23.4	9.9
Empowerment partners	7.3	2.0

Rbn	1H21	1H20
Supporting local businesses		
BEE business suppliers	4.9	5.2
Host community suppliers	1.7	1.4

Rm	1H21	1H20
Building communities		
Direct social investment	85.0	125.9
Covid-19 contribution	12.0	55.7



Unlocking asset potential

Themba Mkhwanazi



Balancing our value chain

Waste mined



98.5Mt¹



1H20: 94.6Mt

Production



20.4Mt



1H20: 18.2Mt

Ore railed to port



19.7Mt



1H20: 18.5Mt

Sales

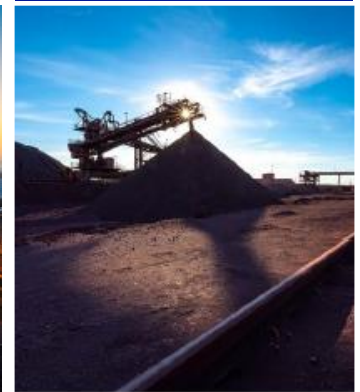


19.5Mt



1H20: 18.9Mt

Finished stock



6.1Mt



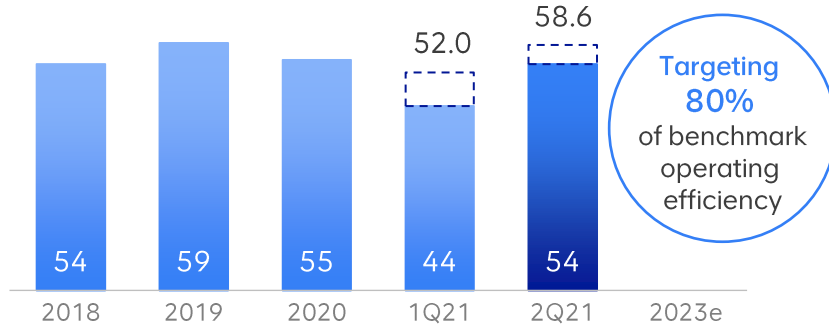
1H20: 6.3Mt

1. Includes Kapstevél South waste of 7.4Mt in 1H21

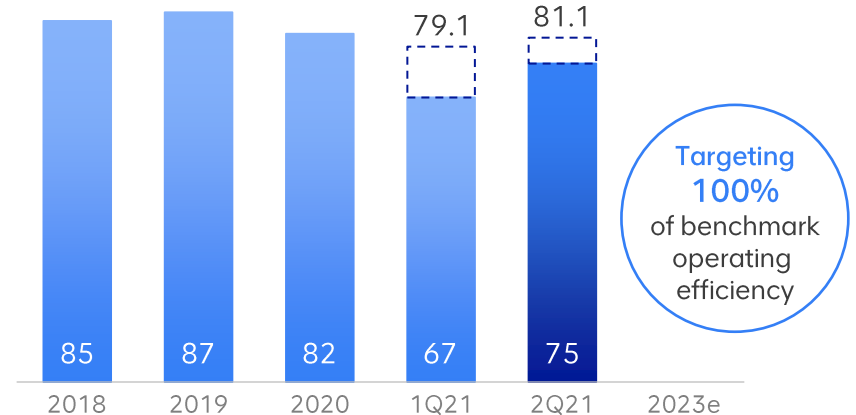
All volumes and unit costs, excluding waste are reported in wet metric tonnes. Kumba product is shipped with approximately 1.6% moisture. The comparative has been restated as Kumba previously reported on a dry basis

P101 efficiency recovery reflects operational resilience

Total shovel fleet OEEs¹ (%)



Total truck fleet OEEs² (%)



Normalised for rainfall.

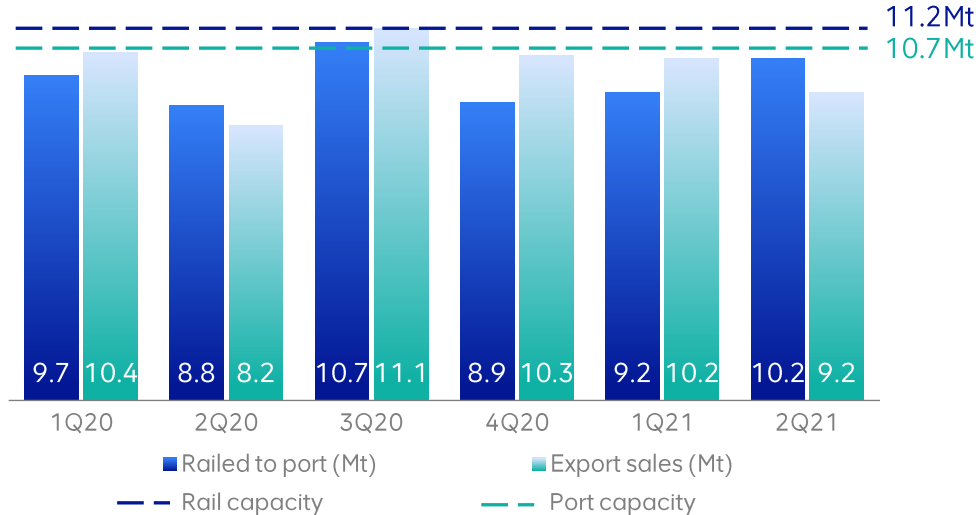
1. Primary shovels: Sishen - 6 x Rope (4100 and 2800), Kolomela 2 x hydraulic shovels (996)

2. Trucks: Sishen x 100 trucks (860 and 960), Kolomela x 36 trucks (730)

Focused on improving throughput

Logistics performance (Mt)

Target quarterly average capacity



Interventions to improve performance

Rail (44.8Mt capacity)

- Track refurbishment, improve train speed
- Operational management appointed
- Locust spraying programme
- Preventative maintenance regime

Port (42.7Mt capacity)

- Targeting 2Mt increase to match rail
- Simplify from 5 to 3 products
- Increase direct and dual loading
- Larger vessel sizes
- Optimise stockpile at port

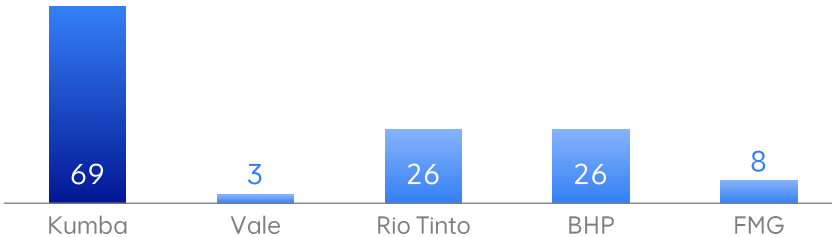
All volumes and unit costs, excluding waste, are reported as a wet metric tonnes. Kumba product is shipped with approximately 1.6% moisture. The comparative has been restated as Kumba previously reported on a dry basis.

Differentiated by quality

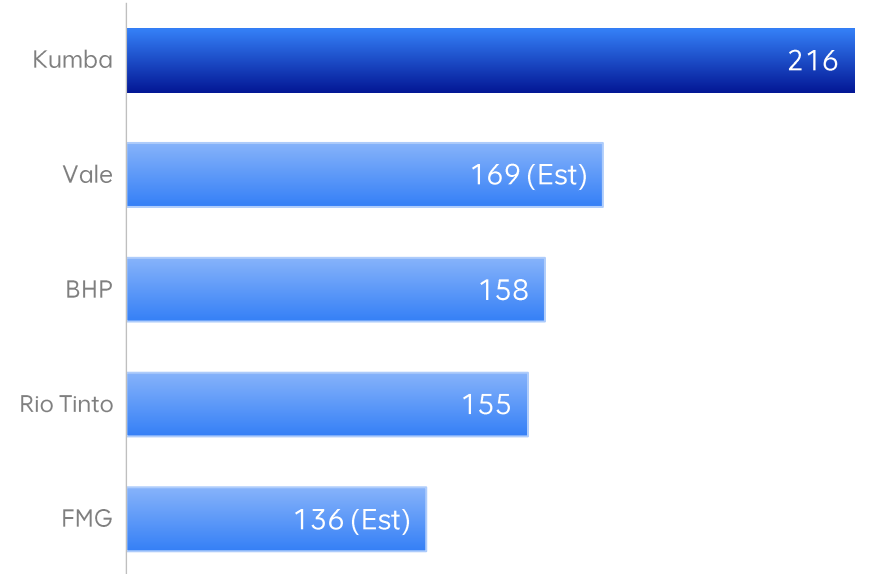
1H21 Fe qualities (%)



1H21 Lump: Fine ratio (%)



1H21 Realised price FOB (US\$/wmt)¹

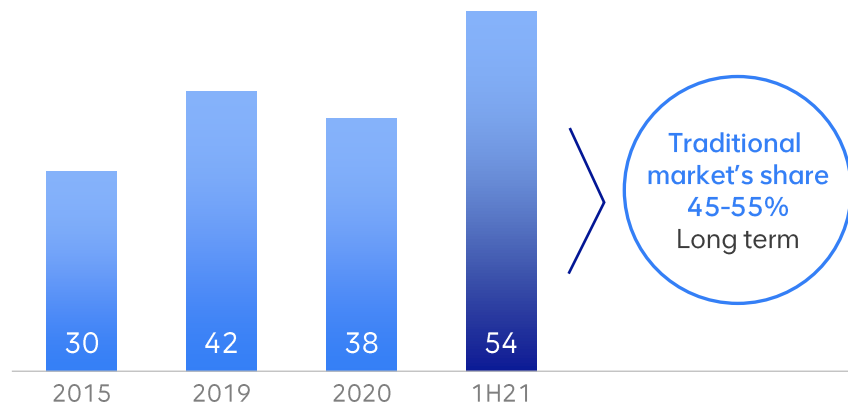


Source: Iron Ore Marketing.

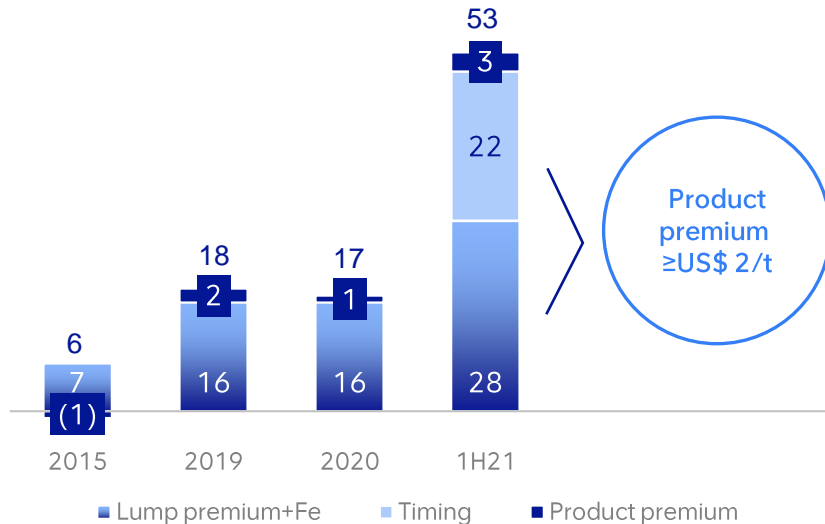
1. Excluding pellets (Kumba product has approximately 1.6% moisture)

Premium driven by market share gain and quality

Traditional market's¹ share of total sales (%)



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



1. Sales in EU/MENA/Americas, Japan and South Korea

Stakeholder value creation

Bothwell Mazarura



First half financial results

Average realised FOB price¹

US\$216/t

1H20: US\$91/t

Break-even price

US\$26/t

1H20: US\$42/t

HEPS

R72.78

1H20: R26.19

Cost savings

R370m

1H20: R700m²

EBITDA margin

70%

1H20: 55%

DPS

R72.70

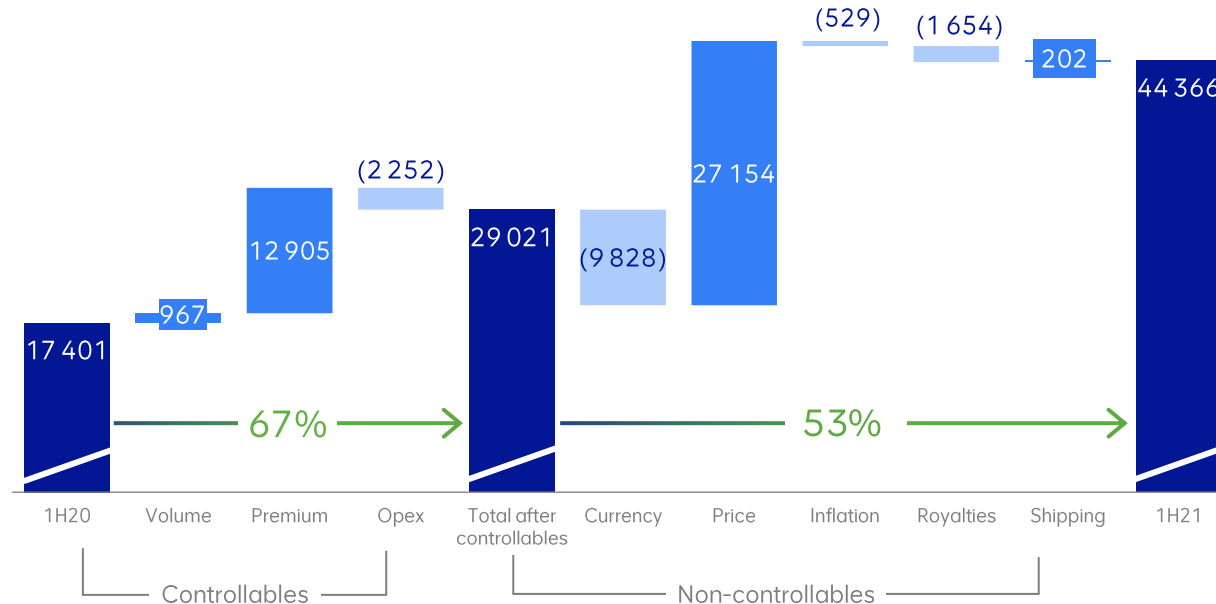
1H20: R19.60

1. Average realised FOB price and comparative on wet metric tonne basis (Kumba product has approximately 1.6% moisture)

2. Includes R355 million of Covid-19 related savings

EBITDA driven by strong iron ore price and premium

Rm



Controllables

Sales up 3% to 19.5Mt
(1H20: 18.9Mt)

Product premium US\$2.8/t
(1H20: US\$0.1/t)

Opex driven by higher mining cost
and stock movement

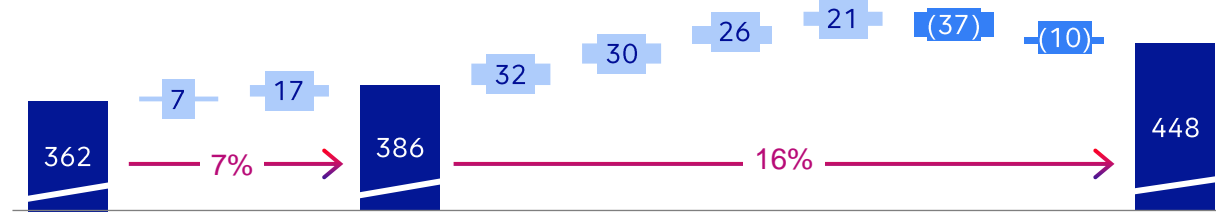
Non-controllables

Average R/US\$ up 13% to R14.54
(1H20: R16.67)

Average Platts FOB price US\$163/t
(1H20: US\$80/t)

Higher production offsetting cost inflation

Sishen, (R/t)



FY21 unit cost guidance

Sishen: R410 – R420/dmt

(Previously: R395 – R405/dmt)

Kolomela, (R/t)

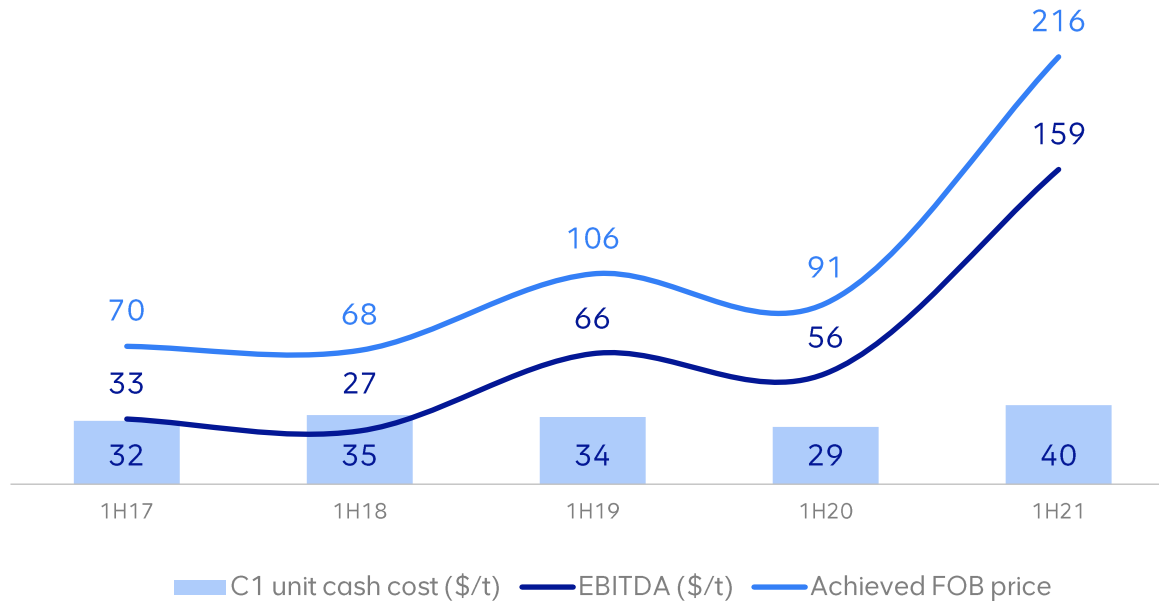


Kolomela: R305 – R315/dmt

(Previously R300 – R310/dmt)

1. Excluding the impact of deferred stripping on unit cost: Sishen = 1H21: R32/t (FY20: R60/t); Kolomela = 1H21: R80/t (FY20: R84/t)

Value over volume strategy continues to pay



TSWELELOPELE

Enhanced product premium

US\$2.8/t above lump & Fe premium

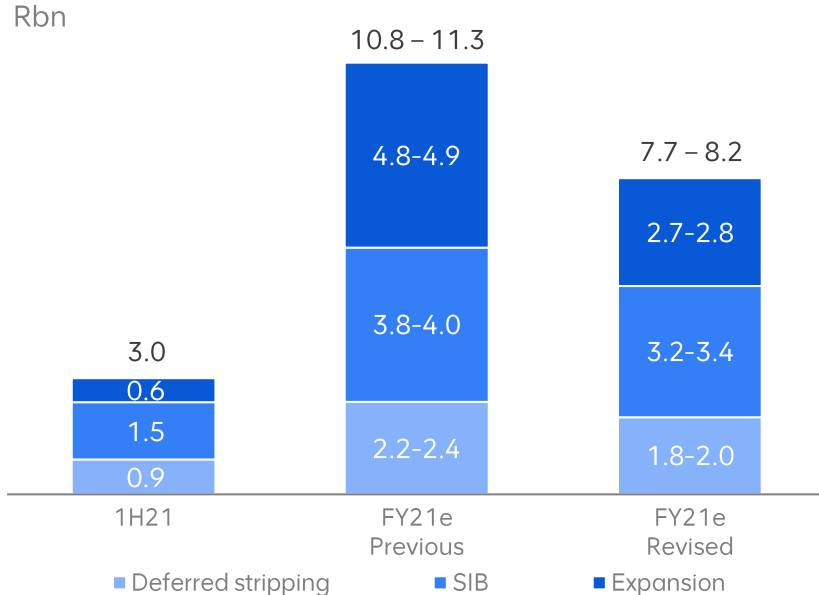
Improve operational efficiency

71% truck fleet efficiency

Cost savings initiatives

Savings since 2018 of R3.6bn
C1 unit cash cost ≤ US\$40/t

Deferrals driving lower capex in 2021



R3bn of lower capex

Rephasing non-essential work and equipment

Kapstevel mining optimisation

Stronger USD/ZAR exchange rate

Expansion capex to grow our assets

Kapstevel South, UHDMS, P101 efficiency programme

Sustaining capex to unlock asset potential

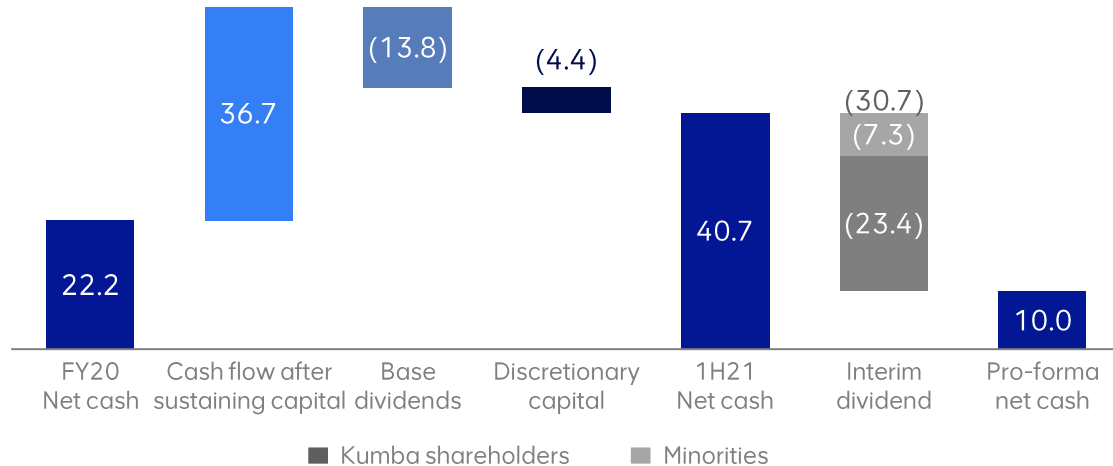
Plant, infrastructure, capital spares

Operational availability and reliability

Robust and flexible balance sheet

Strong free cash flow generation

Rbn



Interim dividend declared

>3x

Dividend payout ratio

100%

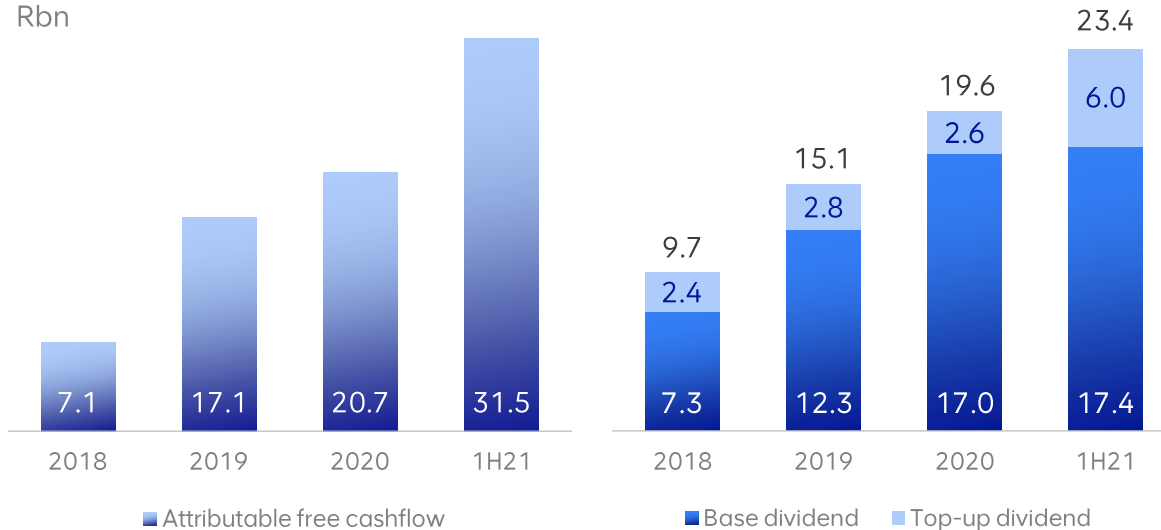
Dividend yield

11.3%

Maximising returns and delivering sustainable value

Exceptional shareholder value creation (2018 – 1H21)

Rbn



Attributable free cashflow

R76.4bn

Total dividends paid

R67.8bn

Dividend payout ratio

>85%

1. Excluding dividends declared to minorities

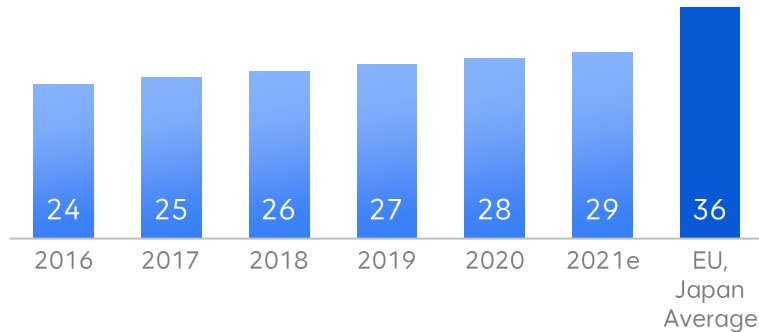
Positioning for the future

Themba Mkhwanazi



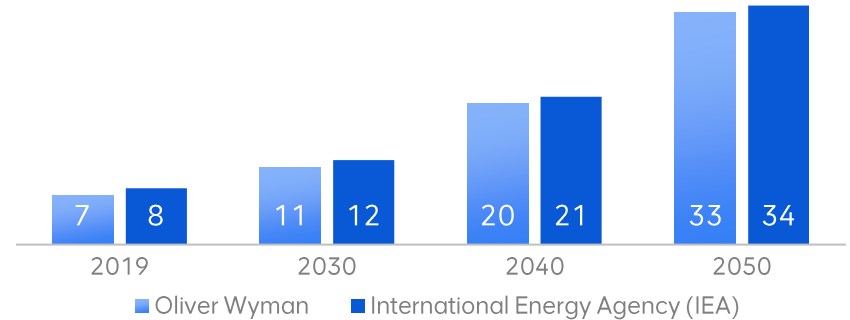
Decarbonisation will drive demand for quality

Share of direct charge ore in Chinese blast furnaces¹ (%)



Steelmakers in traditional markets trialing H₂-DRI² iron production
Sintering closures in China increases demand for direct charge ore

DRI² share in global iron production will increase (%)



Increasing carbon costs will drive switch to DRI and demand for high quality lump and pellets

Source: IEA, Oliver Wyman
1. 2021 as year to date average | 2. Direct reduced iron

Pathway to decarbonisation

Scope 1 and 2: Targets and strategy set, pilot studies progressing

- Solar renewable energy project studies underway
- Hydrogen truck pilot studies in progress
- Carbon neutrality by 2040

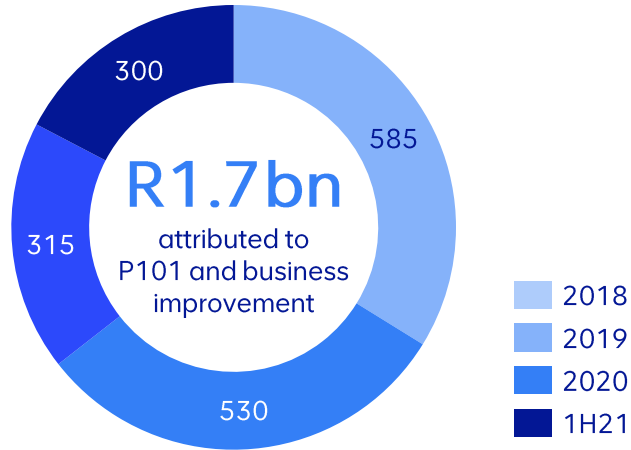
Scope 3: Developing targets, strategy and initiatives

- UHDMS will upgrade high quality lump product
- Building partnerships with steel industry
- LNG freight shipping vessels

ESG KPIs increased to 20% of executive performance scorecards



Tangible value delivered



~310Mt
Reserves added
2018 – 2021 excl. depletion
and incl. UHDMS¹

~2039
Sishen LoM extension²
(incl. UHDMS)

1. Based on approved feasibility study. Reserves to be updated as part of 2021 life of mine cycle
2. Based on approved feasibility study. 2036 – 2039 @ 10 – 15Mtpa for the 3–4 year period



Technology for safety, efficiency and sustainability

Operating Model



Stable and capable programme
Defect elimination programme
Debottlenecking logistics
Optimise value chain

FutureSmart™ mining



VOXEL™ data analytics programme
Integrated Operations Centres
Advanced process control
Drill automation at Sishen

Projects



Kapstevél South ahead of plan
UHDMS implementation on track
N. Cape exploration on track

2021 full year guidance

Total production	Total sales	C1 cash costs	Capital expenditure
40.5 – 41.5Mt	39.5 – 40.5Mt (previously 40.5 – 41.5Mt)	≤US\$40/t ¹ (previously ≤US\$34/t)	R7.7-8.2bn (previously R10.8- R11.3bn)

	Sishen	Kolomela
Production	~28.5Mt	~13Mt
Waste	150 - 160Mt	55 – 65Mt ⁵
Unit costs	R410 – 420/dmt (previously R395-405/dmt)	R305 – 315/dmt (previously R300-310/dmt)
Strip ratio	4.5, LoM ~3.8 ² 3.7, LoM ~3.1 ³	To exceed ~4, LoM ~3.6
LoM	15 years / ~19 years ⁴	12 years

1. Based on R14.30/US\$1. Previous guidance based on R16.47/US\$1 | 2. Without UHDMS | 3. Sishen (C-grade as ore) with UHDMS | 4. Including UHDMS with 2036 – 2039 production being ~10 – 15Mt/pta | 5. Including Kapstevel South
All volumes and unit cost, excluding waste are reported in wet metric tonnes (Kumba product has approximately 1.6% moisture). The comparative has been restated as Kumba previously reported on a dry basis

Well positioned to continue delivering stakeholder value

Assets

High quality products

Life extension opportunities

Strong balance sheet

Capabilities

Operational resilience

P101 efficiency and technology

Cost and capital discipline

Sustainability

Safe and healthy operations

Competitive margins

Enduring stakeholder value





Annexures



Logistics performance impact on sales

Mt	1H21	1H20	% change	2H20	% change
Railed to port (incl. Saldanha Steel)	19.7	18.5	6	19.7	6
Sishen mine (incl. Saldanha Steel)	13.7	12.5	10	13.5	8
Kolomela mine	6	6	-	6.2	3
Total sales	19.5	18.9	3	21.4	13
Export	19.4	18.6	4	21.4	15
Domestic	0.1	0.3	(67)	-	(100)
Total ore shipped	19.4	18.7	4	21.3	14
CFR (shipped by Kumba)	11.3	14	(19)	13.5	(4)
FOB (shipped by customers)	8.1	4.7	72	7.8	66
Finished product inventory	6.1	6.3	(3)	4.8	(24)

All volumes and the comparative volumes are reported on a wet metric tonne basis (Kumba product has approximately 1.6% moisture)

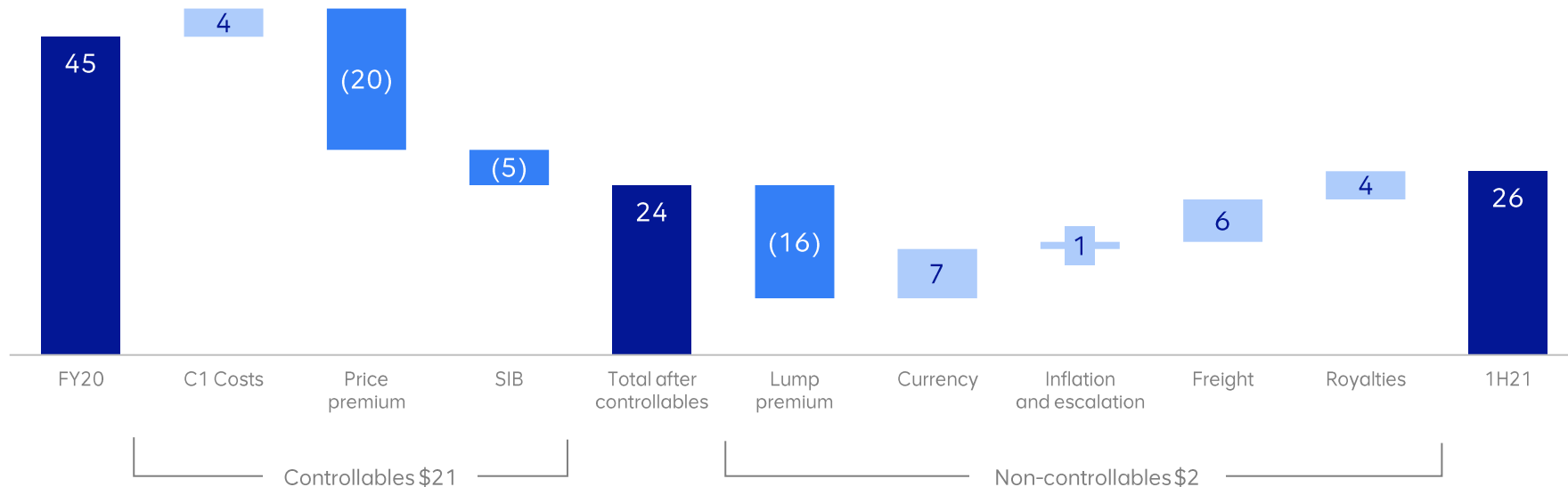
Operating margin driven by strong revenue growth

Rm	1H21	1H20	% change	2H20	% change
Revenue	63 616	31 579	>100	48 525	31
Operating expenses	(21 692)	(16 540)	31	(22 726)	<100
Operating profit	41 924	15 039	>100	25 799	63
Operating margin (%) ¹	66	48	38	54	22
Profit for the period	30 621	11 024	>100	18 817	63
Equity holders of Kumba	23 353	8 408	>100	14 371	63
Non-controlling interest	7 268	2 616	>100	4 446	63
Effective tax rate (%)	27	27	-	28	-
Cash generated from operations	45 738	14 976	>100	25 363	80

1. Includes expected credit losses

Break-even price supported by price premiums

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



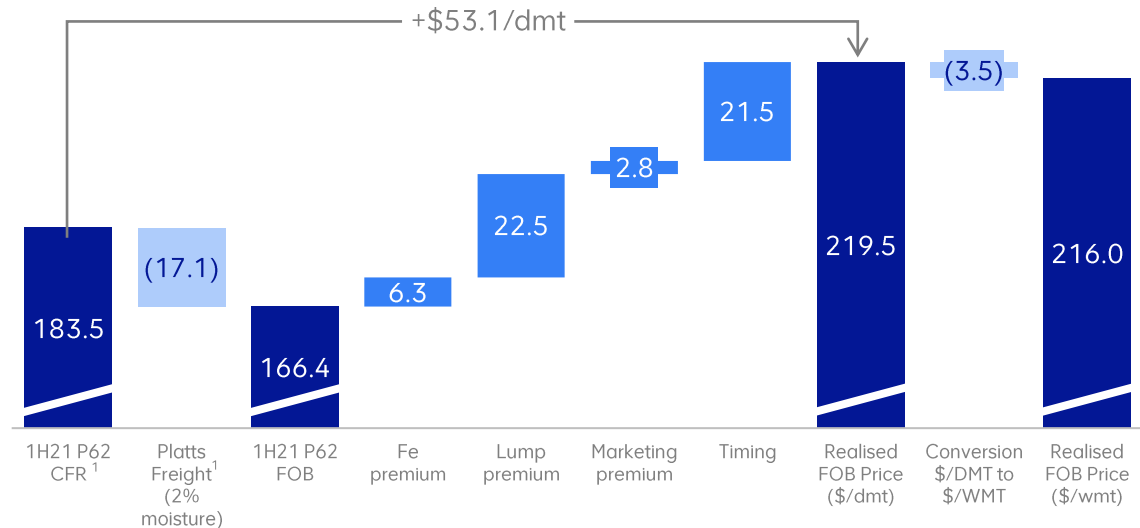
Revenue analysis

	1H21	1H20	% change	2H20	% change
Export (Rm)	60 808	28 399	>100	45 716	33
Tonnes sold (Mt)	19.1	18.3	4	21.0	(9)
US Dollar per tonne	220	93	>100	134	64
Rand per tonne	3 185	1 552	>100	2 177	46
Domestic (Rm)	235	464	(49)	(55)	>100
Shipping operations (Rm)	2 573	2 716	(5)	2 864	(10)
Total revenue	63 616	31 579	>100	48 525	31
Rand/US Dollar exchange rate	14.54	16.67	(13)	16.27	(11)

Analysis is based on sales volumes measured in dry metric tonnes

Price premia driven by traditional market recovery

Kumba 1H21 realised FOB price (US\$/t)



Price drivers

P62 index CFR China price +201% average:
US\$183.5

Fe premium:
Average: ~US\$3.01 per 1% Fe

Lump premium:
Average: US\$0.52/dmtu vs US\$0.23/dmtu in 2020

Marketing:
Premium on high quality products

Timing effects:
Products generally priced in month after arrival

1. Straight average of the daily indices between 1 Jan – 30 Jun 2021

Revenue reflects higher prices and volumes

Revenue increased by 101%



Revenue drivers

Controllables

Total sales volumes:
Up 3% to 19.2Mt (1H20: 18.6Mt)

Lump premium:
Average US\$22.5/dmtu (1H20: US\$9.8/dmtu)

Product premium US\$2.8/t (1H20: US\$0.1/t)

Non-controllables

Average Platts FOB price US\$163/t (1H20: US\$80/t)

Average R/US\$ 13% stronger at R14.54 (1H20: R16.67)

Operating expenditure analysis

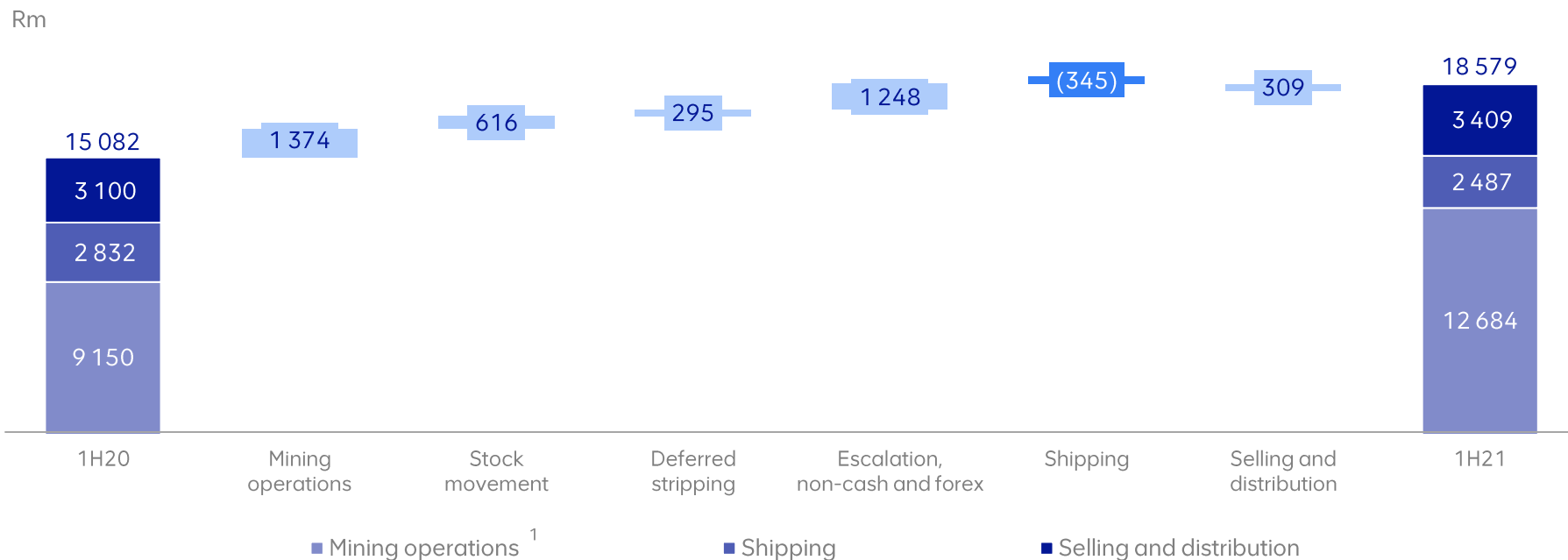
Rm	1H21	1H20	% change	2H20	% change
Raw materials and consumables	1126	508	>100	941	20
Inventory movement in finished product	459	848	(46)	1 513	(70)
Inventory movement in WIP	277	(645)	>(100)	(676)	>(100)
Inventory written down to NRV	83	31	>100	871	(90)
Contractors' expenses	1 939	1 643	18	2 174	(11)
Deferred stripping costs capitalised	(942)	(1 237)	(24)	(1 265)	(26)
Staff costs	2 826	2 428	16	2 578	10
Shipping services rendered	2 487	2 832	(12)	2 766	(10)
Depreciation of fixed assets	2 442	2 362	3	2 608	(6)
Mineral royalty	3 113	1 458	>100	2 035	53
Repairs and maintenance	1 486	1 115	33	1 364	9
Petroleum products	1 110	930	19	1 055	5
General expenses ¹	1 068	1 538	(31)	1 500	(29)
Corporate costs	485	261	86	527	(8)
Energy costs	239	200	20	239	–
Net finance losses/(gains)	85	(832)	>100	1 016	(92)
Transportation and selling costs	3 409	3 100	10	3 480	(2)
Operating expenses ²	21 692	16 540	31	22 726	(5)

1. Includes the following significant items: lease payments, IT costs, donations, consulting and audit fees and expected credit losses, insurance costs. Technical services and project costs and administration expenses,.

2. Total operating expenses includes expected credit losses

3. Analysis is based on sales volumes measured in dry metric tonnes.

Operating expenditure driven by higher mining cost



1. Excluding mineral royalty and impairment

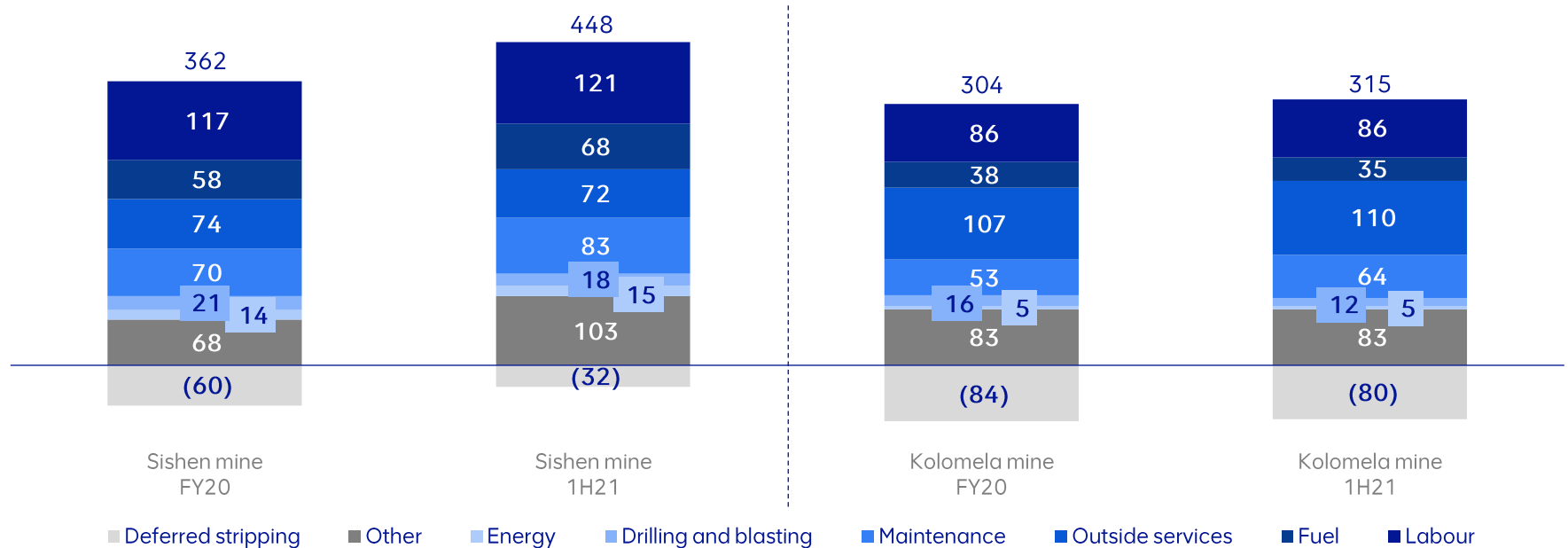
EBITDA analysis

Rm		1H21	1H20	% change
Total sales volumes (Mt)	a	19.2	18.6	3
Benchmark price (\$/t)		183	91	>100
Product premiums (\$/t)		54	12	>100
Freight (\$/t)		(17)	(10)	70
Realised FOB price(\$/t)		220	93	>100
On-mine unit costs (\$/t)		(28)	(19)	47
Logistics (rail and port) (\$/t)		(12)	(10)	20
Royalties (\$/t)		(11)	(5)	>100
Other costs (\$/t)		(10)	(3)	>100
FOB margin (\$/t)	b	159	56	>100
Average Rand/US Dollar exchange rate (ZAR/US\$)	c	14.54	16.67	(13)
EBITDA	a x b x c	44 366	17 401	>100

Analysis is based on sales volumes measured in dry metric tonnes

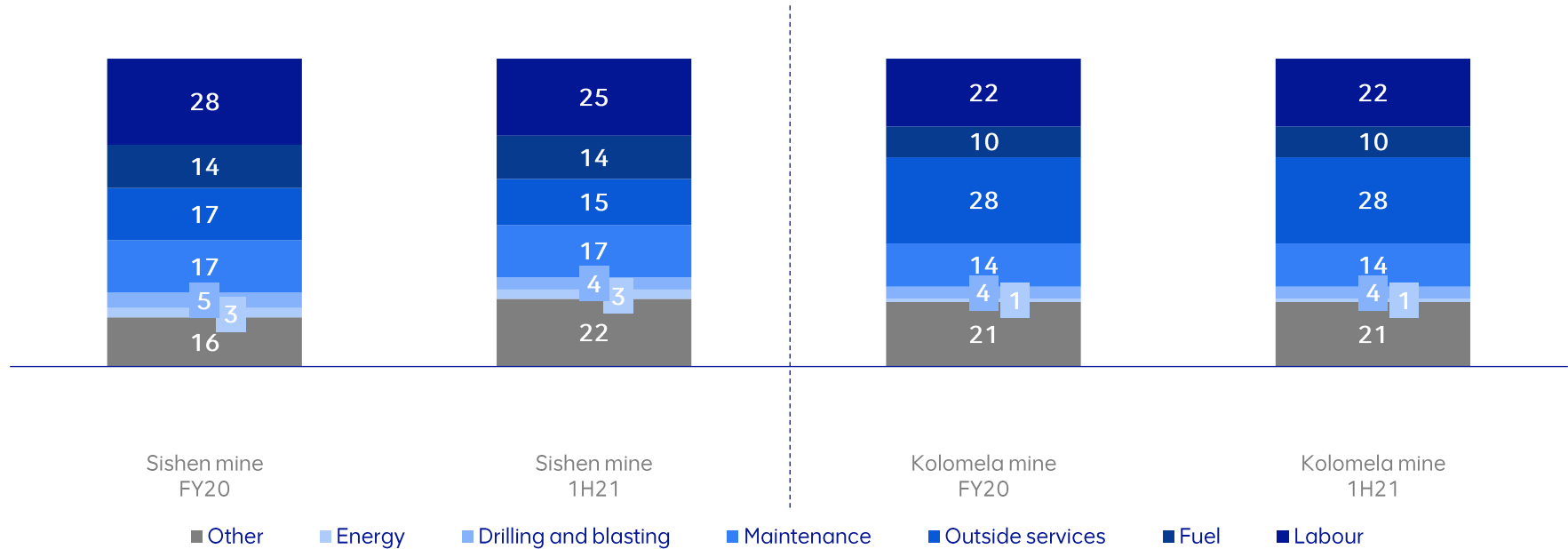
Sishen and Kolomela mines

Unit cash cost structure (R/t)



Sishen and Kolomela mines

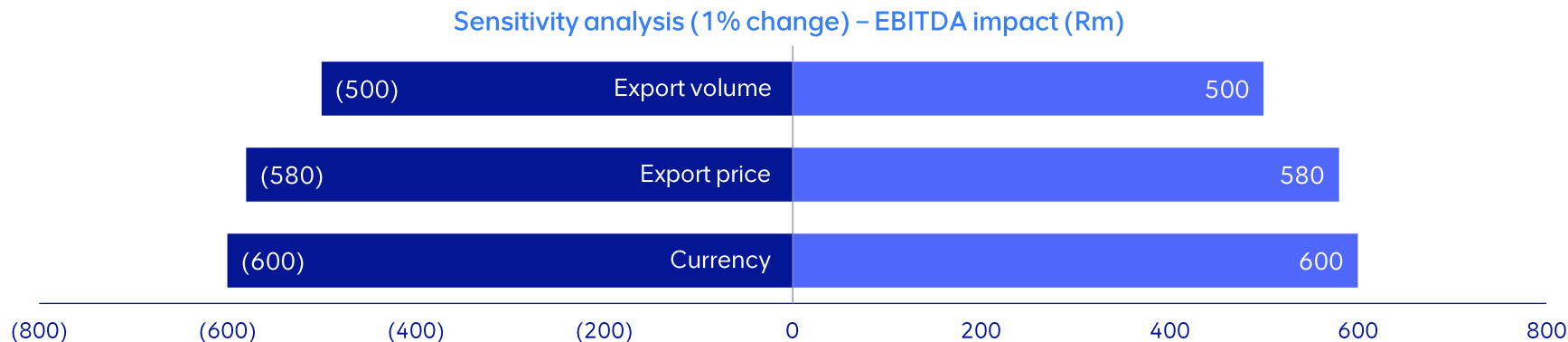
Unit cash cost structure (%)



Capital expenditure | Analysis

Rm	1H21	1H20	FY21e
Approved expansion	622	348	2 700 – 2 800
Deferred stripping	942	1 237	1 800 – 2 000
Sishen	437	854	1 000 – 1 100
Kolomela	505	383	800 – 900
SIB	1 485	1 242	3 200 – 3 400
Sishen	1 035	892	2 400 – 2 500
Kolomela	450	350	800 – 900
Unapproved expansion	—	—	—
Total approved and unapproved capital expenditure	3 049	2 827	7 700 – 8 200

Sensitivity analysis 1H21

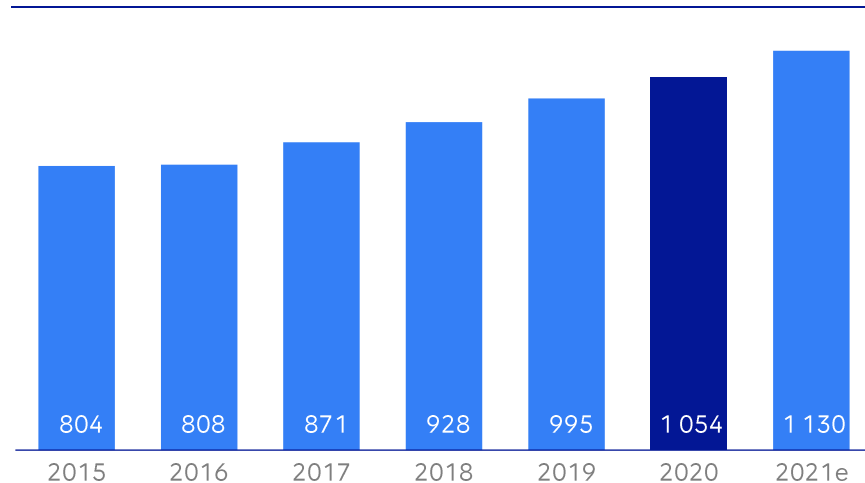


Change per unit of key operational drivers, each tested independently

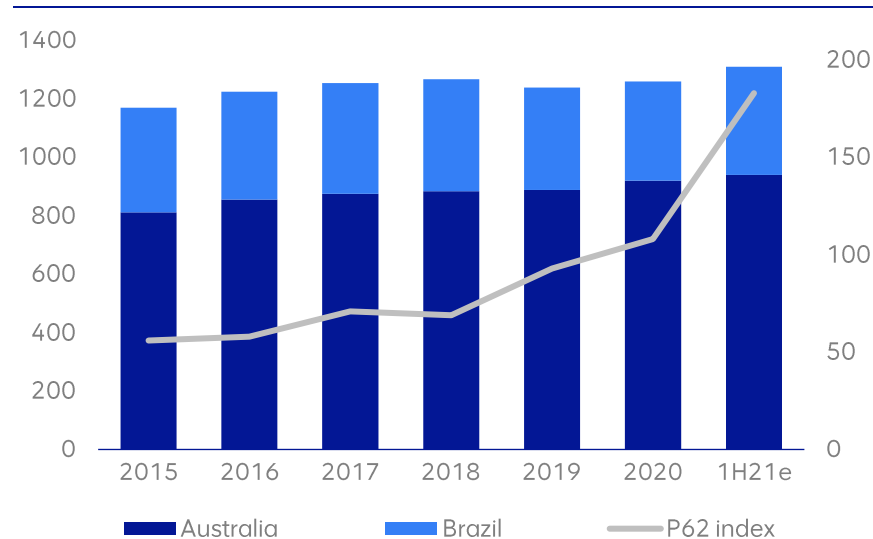
Sensitivity analysis	Unit change	EBITDA impact
Currency (Rand/US\$)	R0.10/US\$	R415m
Export Price (US\$/t)	US\$1.00/t	R265m
Volume (kt)	100kt	R260m
		Breakeven price impact
Currency (Rand/US\$)	R1.00/US\$	US\$4/t

Markets | China steel production at new record highs

China Crude Steel Production (Mt)¹



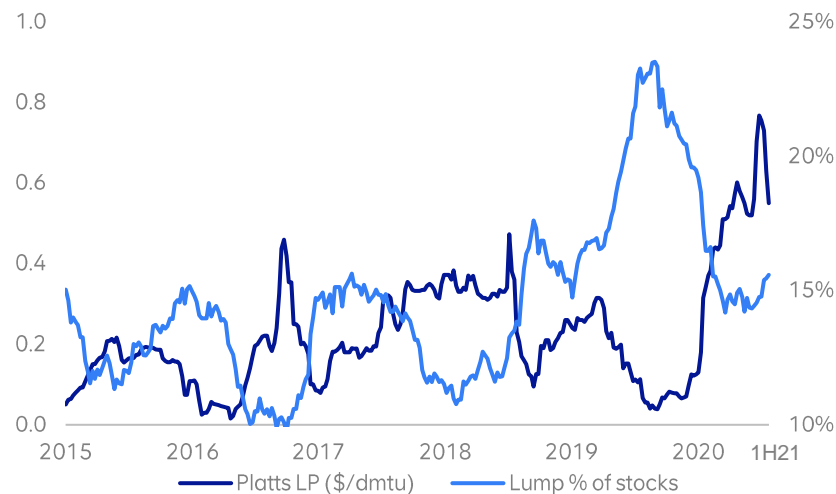
Global Seaborne Iron Ore Supply (Wet Mt)



Source: World Steel Association (WSA)
 1. Sum of WSA monthly sales; 2021 YTD annualised

Lump premium sintering closures and tight supply

Lump premium and stocks at Chinese ports



Platts 62 price (\$/dmu)



Source: Platts, Mysteel

Image descriptions

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Slide 10	Sishen Mine: Ultra-high dense medium separation modular plant (UHDMS)
Slide 11	Sishen Mine: Komatsu 860 haul truck
	Sishen Mine: Jig plant
	Kolomela mine: train at Load Out Station
	Saldanha port at night
	Saldanha port finished stock at port

Slide 16	Saldanha port: loading vessel
Slide 24	Wind turbines for sustainable power generation
Slide 26	Solar panels for sustainable power generation
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Annexures	Woman in mining