



# Kumba Iron Ore 2022 Interim results

26 July 2022



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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 uses 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

H1 2022 performance overview  
Mpumi Zikalala

Financial performance  
Bothwell Mazarura

Looking ahead  
Mpumi Zikalala



# Committed to sustainable delivery

Robust  
fundamentals

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Operational  
excellence

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Pathways  
to value

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# Safe production & solid financial performance

## Safety

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>6 years

Fatality-free production

## EBITDA

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R23.1bn

H1 2021: R44.4bn

## Attributable free cashflow

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R9.7bn

H1 2021: R31.5bn

## Production

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17.8Mt

H1 2021: 20.4Mt

## Enduring value contribution

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R31bn

H1 2021: R51.0bn

## Dividend declared

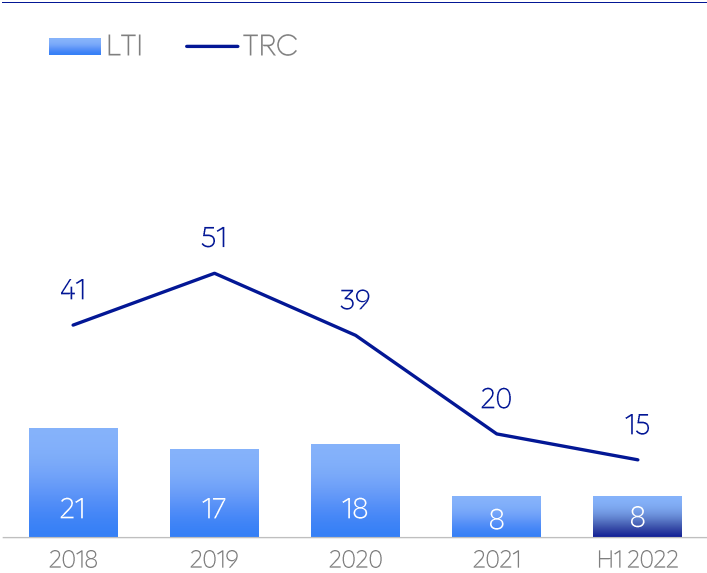
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R9.2bn

H1 2021: R23.4bn

# Safe, healthy & responsible operations

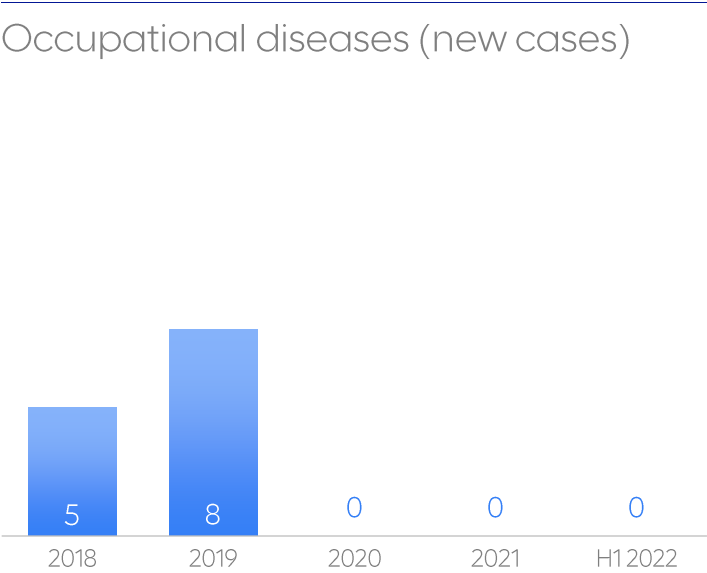
## Safety



Safety reset focusing on risk reduction culture & behaviour change

Technology, operating model & improved resourcing to drive safe & stable operations

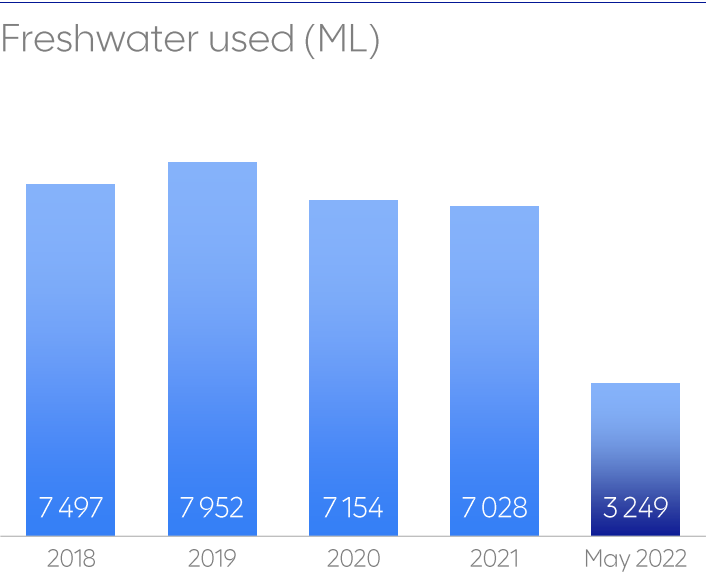
## Health & wellness



Reduction of occupational hazards through engineering controls

Comprehensive health, wellness & chronic disease management programs

## Environment



Sustainable management of environment aligned to life-cycle of operations

Carbon emission reduction & biodiversity conservation to achieve net positive impact

Note: LTI: Lost Time Injuries; TRC: Total Recordable Cases



# Towards a healthier environment

## Scope 1: 53% of direct emissions

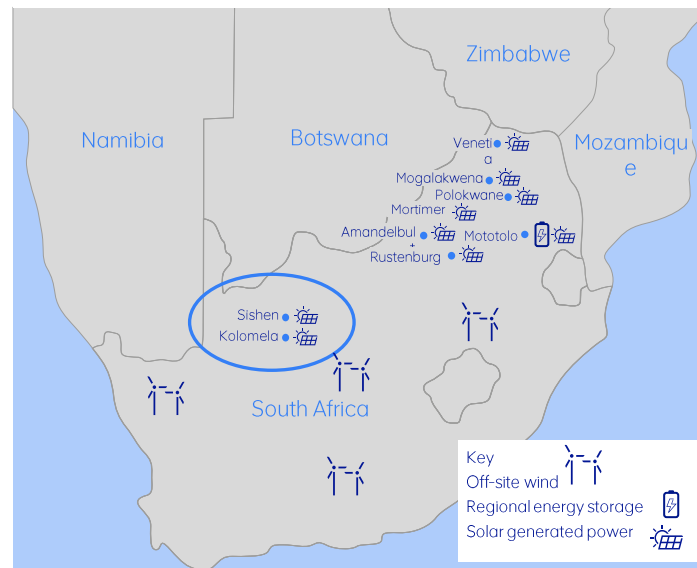


Zero GHG emissions by 2040

Haulage efficiency initiatives

Hydrogen-fuel cell trucks

## Scope 2: 47% of direct emissions



Zero GHG emissions by 2030

Prime mover site renewable infrastructure

65MW solar energy in 2025

## Scope 3: Indirect emissions



Increase sales of premium products

Transition in partnership with customers

Utilise LNG freight shipping vessels

# Enduring value created of R31bn

Tax  
& royalties  
R6.9bn

Returns to  
shareholders  
R12.3bn

New  
ESOP  
1.2% of SIOC

Capital  
investments  
R3.6bn

Northern Cape  
local employment  
78%

Salaries  
& benefits  
R3.1bn

BEE  
suppliers  
R5.0bn

Host community  
suppliers  
R2.1bn

Social  
investment  
R73m





Operational performance



# Headwinds impact value chain

Waste mined

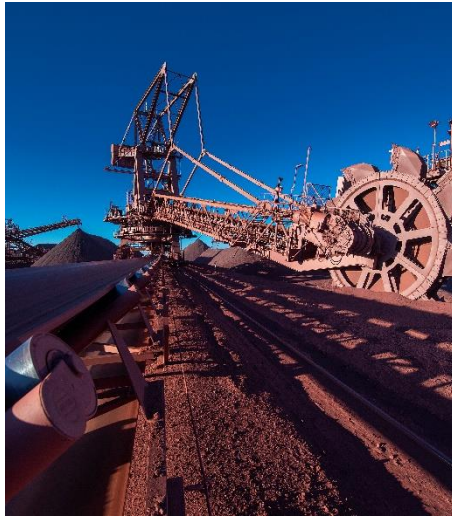


95.5Mt<sup>1</sup>



H1 2021: 98.5Mt<sup>1</sup>

Production



17.8Mt



H1 2021: 20.4Mt

Ore railed to port



19.0Mt



H1 2021: 19.7Mt

Sales

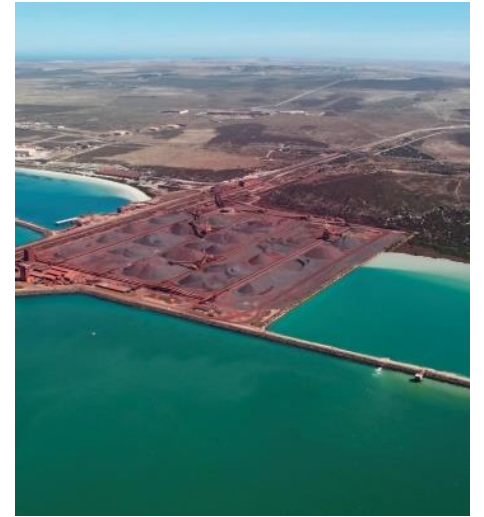


19.7Mt



H1 2021: 19.5Mt

Finished stock



4.5Mt



H1 2021: 6.1Mt

1. Includes Kapstevél South waste of 7.4Mt in H1 2021 & 6.1Mt in H1 2022

# Kolomela improving, Sishen strong recovery in Q2

Kolomela waste & production (Mt)



## Significant impacts, recovery into H2

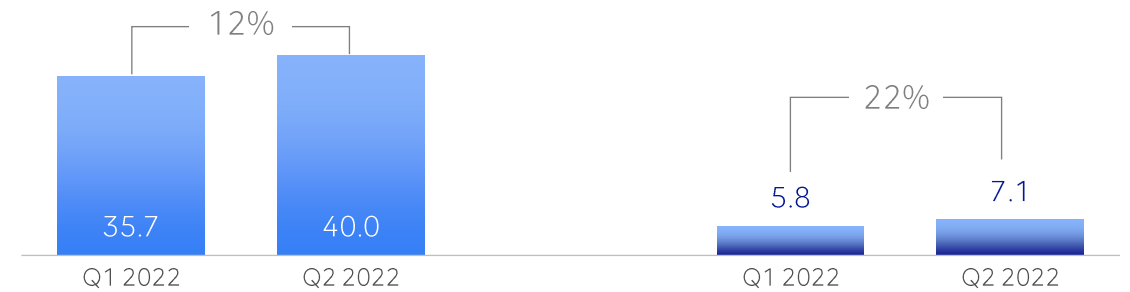
Double Sishen's rainfall in Q1

Safety reset intervention extended in Q2

Focus on improvements driven by:

- Rain recovery & improved set up in the pit
- Improving equipment availability
- Increased production efficiency of truck & shovel fleet

Sishen waste & production (Mt)



## Improved stability & strong recovery in Q2

Improved mining stability & capability:

- Improved shovel & truck availability
- Optimised set-up in the pit

Focus in H2 is on plant stability

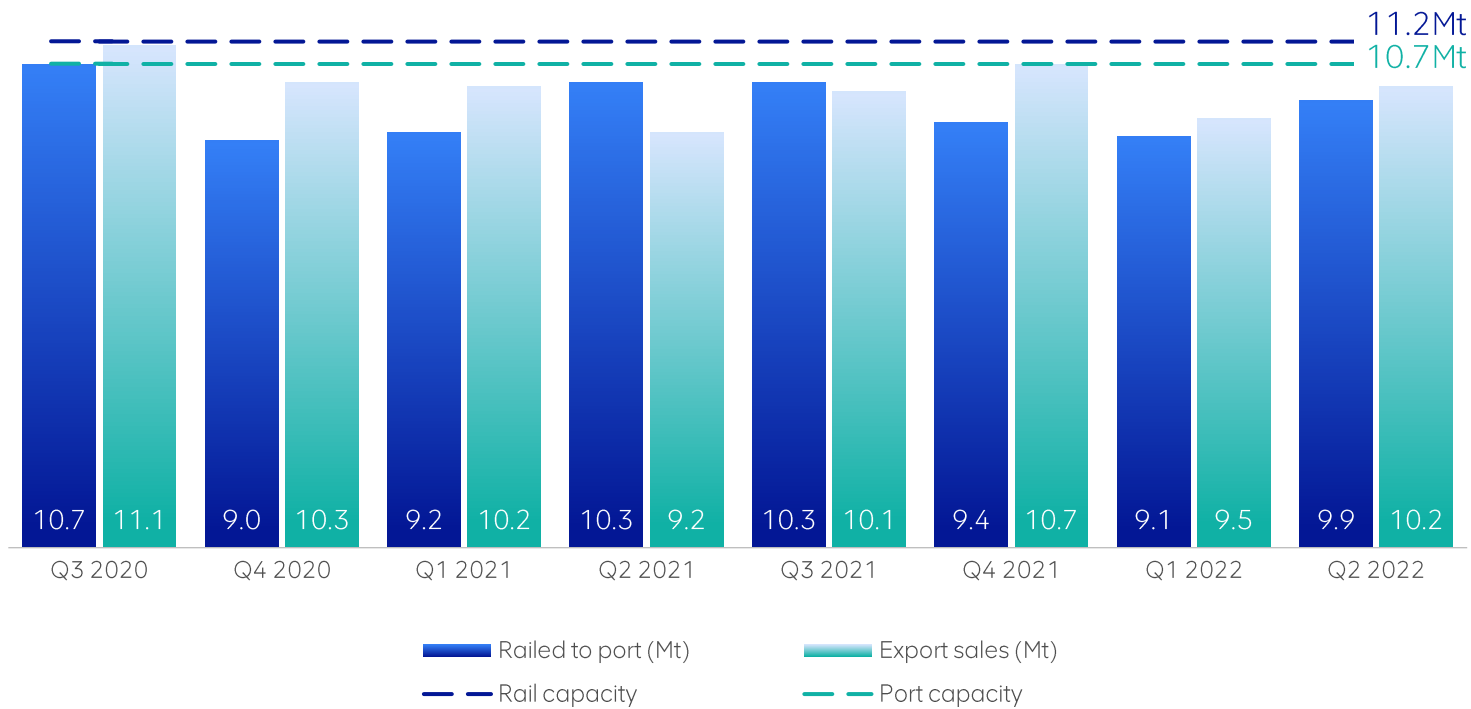
- Plant reliability
- Improving feed quality



# Logistics constraints impacting sales

## Logistics performance (Mt)

Target quarterly average capacity



## Short term interventions (2022)

Reducing speed restrictions

Logistics maintenance support

Larger vessels

Multi-purpose terminal loading efficiency

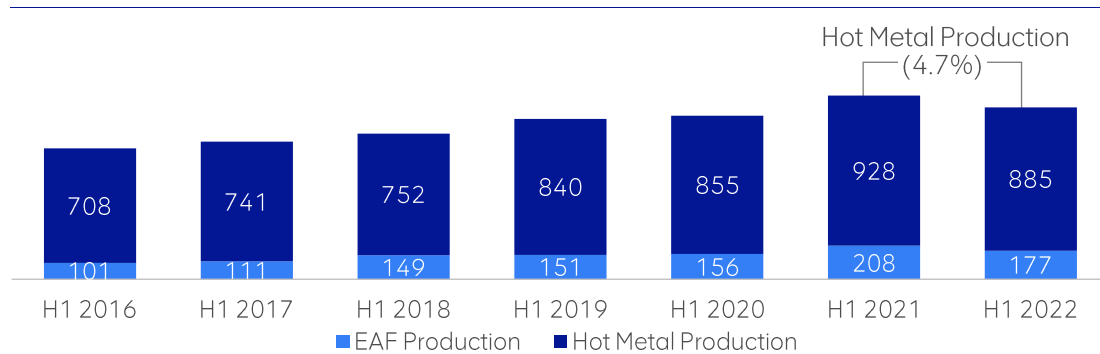
## Medium term potential uplift

Tippler 3 commissioned

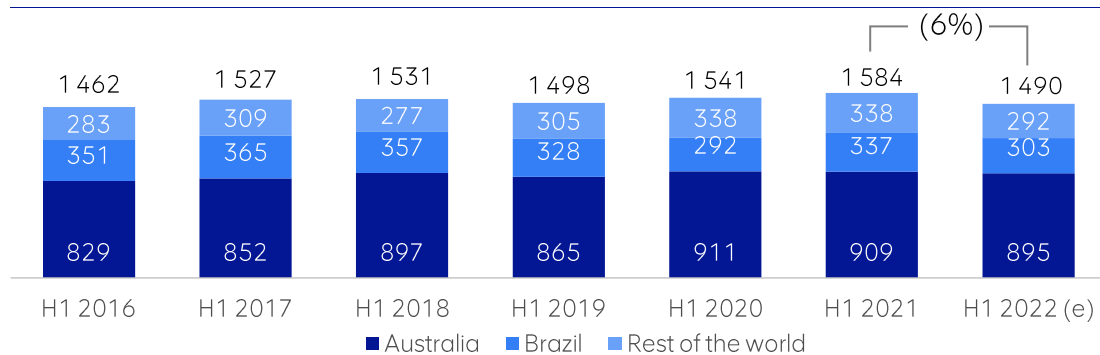
Shorter annual maintenance shut down

# Supply weakness & China stimulus support prices

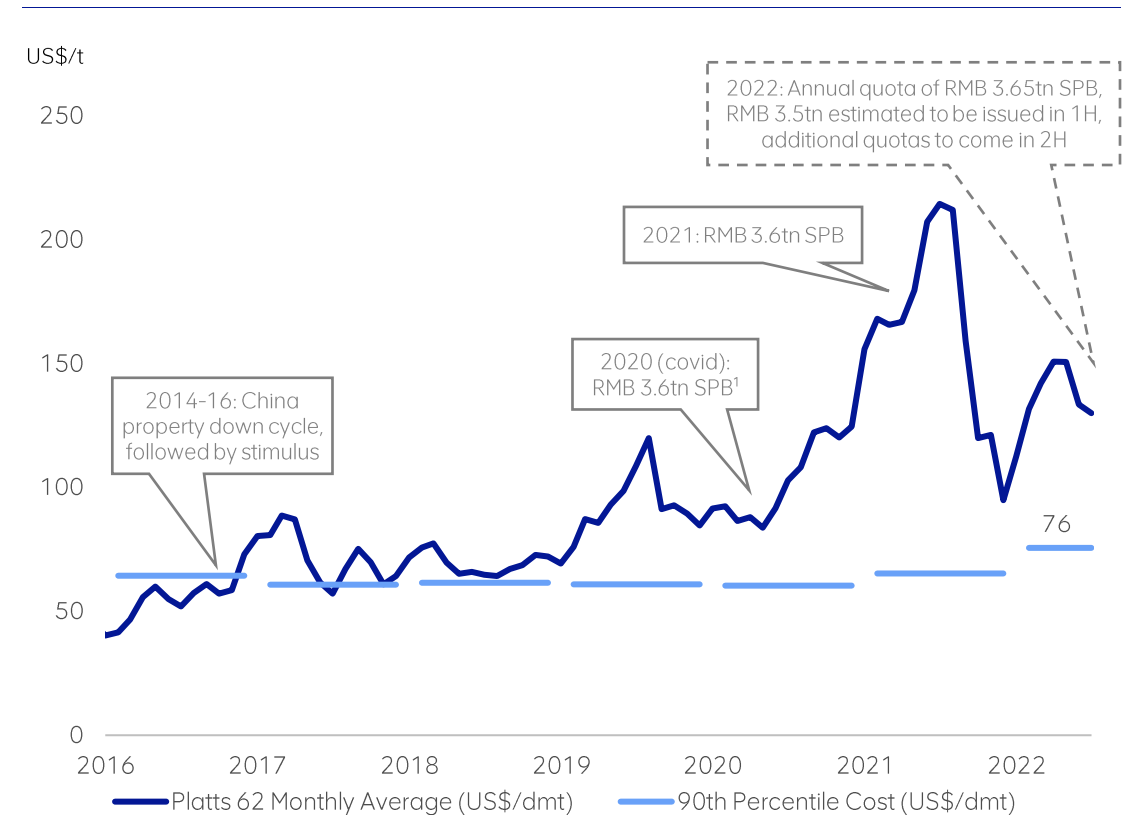
## China Pig Iron Production (Mt Annualized)



## Global Seaborne Iron Ore Supply (Wet Mt Annualized)



## Iron ore prices buoyed by China stimulus



1. SPB: Special Purpose Bond - raised to fund government-led infrastructure projects  
Source: Wood Mackenzie, Bloomberg, Platts, World Steel Association, Market Intelligence

Financial performance





# Resilient financial results

Average realised FOB price

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US\$136/t

H1 2021: US\$216/t

EBITDA margin

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54%

H1 2021: 70%

HEPS

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R36.13

H1 2021: R72.78

Cost savings

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R604m

H1 2021: R370m

Break-even price

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US\$66/t

H1 2021: US\$56/t

DPS

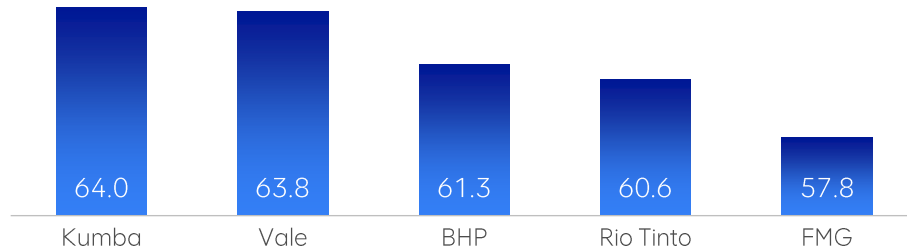
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R28.70

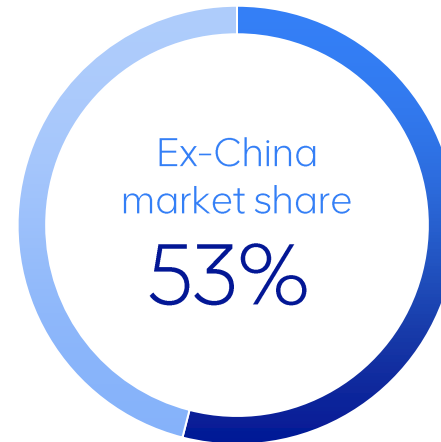
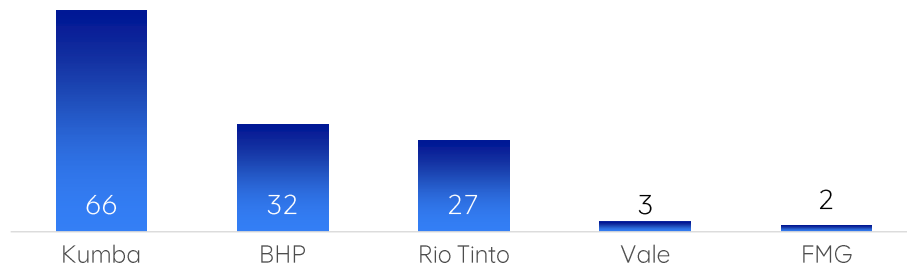
H1 2021: R72.70

# Premium prices for premium products

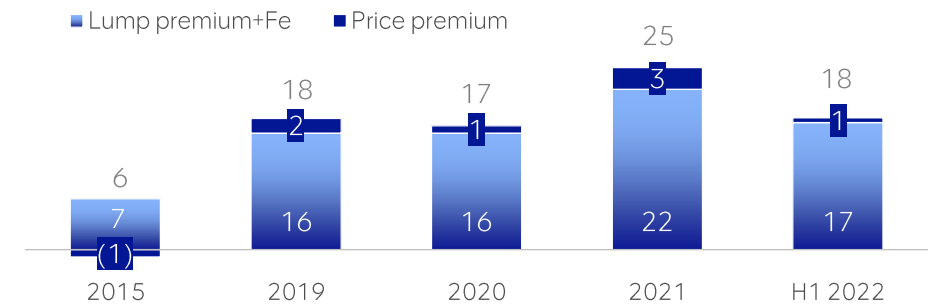
Fe qualities (%)



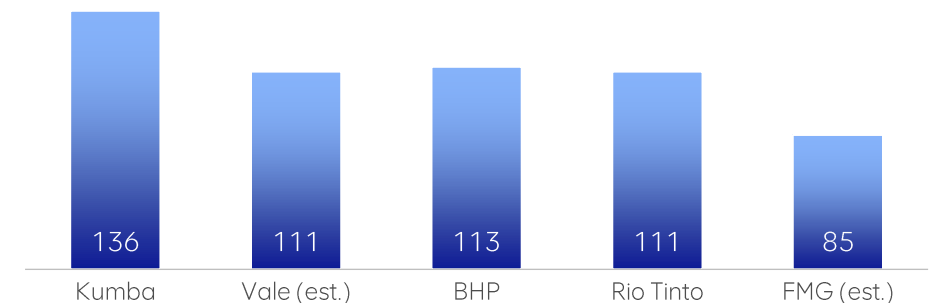
Lump : Fine ratio (%)



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

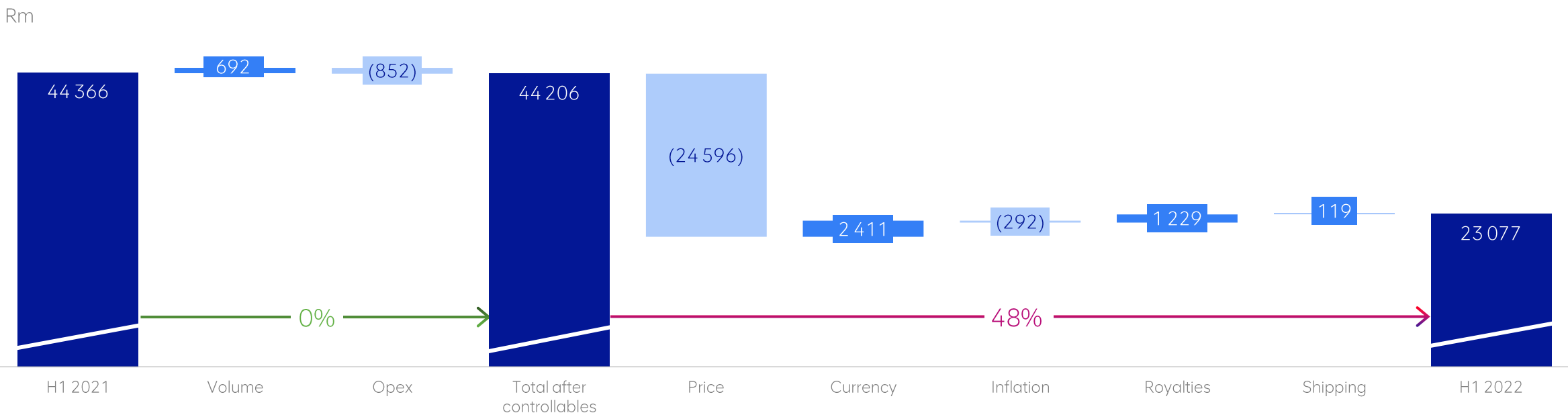


H1 2022 Realised price FOB (US\$/wmt)



# EBITDA driven by lower benchmark prices

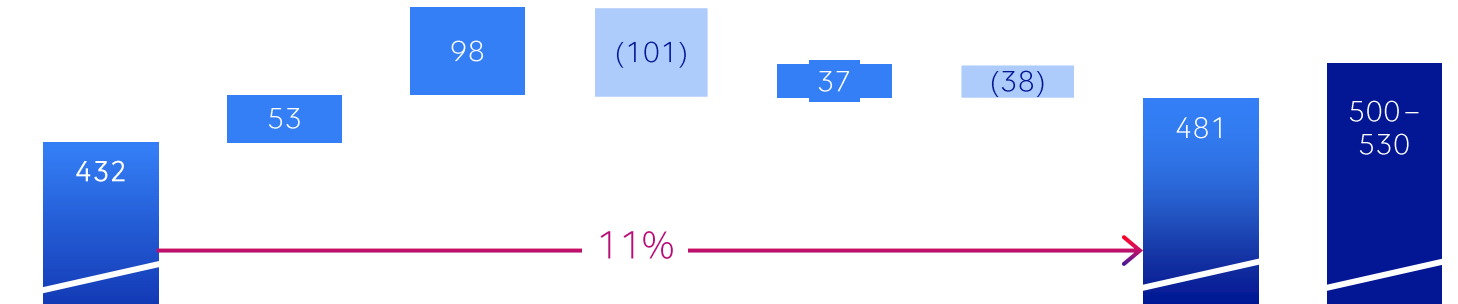
	Sales volumes	Premium	C1 costs	Average R/US	Average FOB price	Inflation	Freight rates
H1 2022	19.7 Mt	US\$1.0/t	US\$43/t	R15.40	US\$136/t	5.9%	US\$20.0/t
H1 2021	19.5 Mt	US\$2.8/t	US\$40/t	R14.54	US\$216/t	4.0%	US\$15.9/t



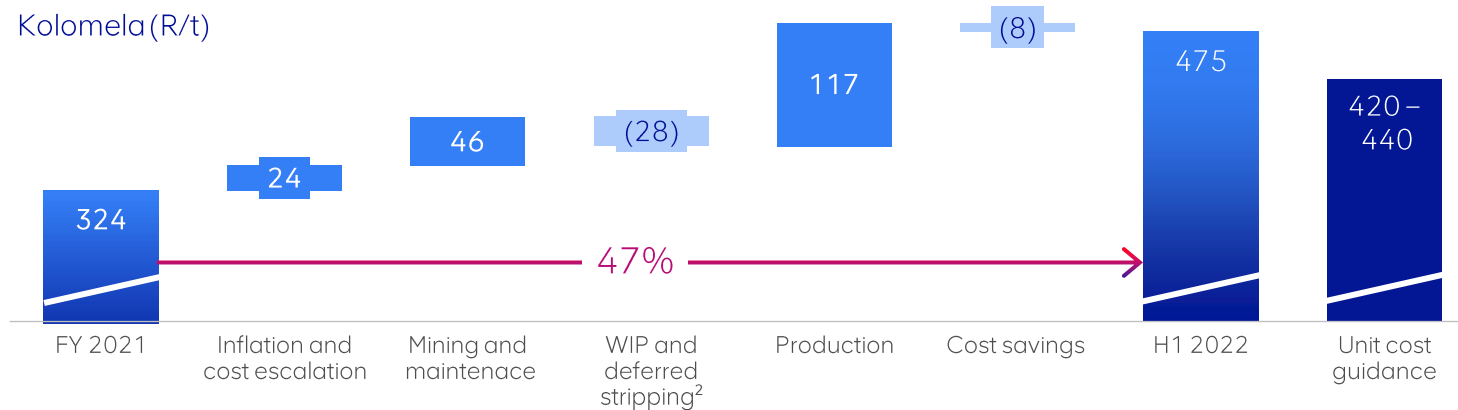


# Costs reflect tough operating conditions

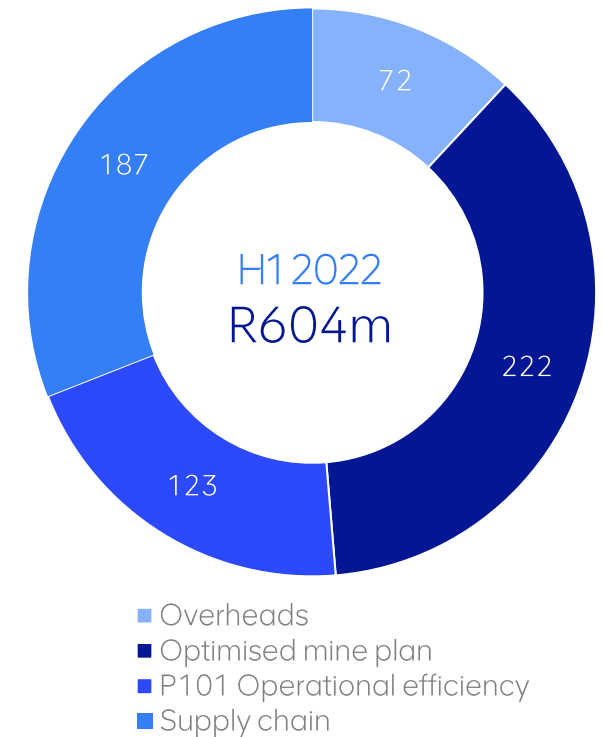
Sishen<sup>1</sup> (R/t)



Kolomela (R/t)



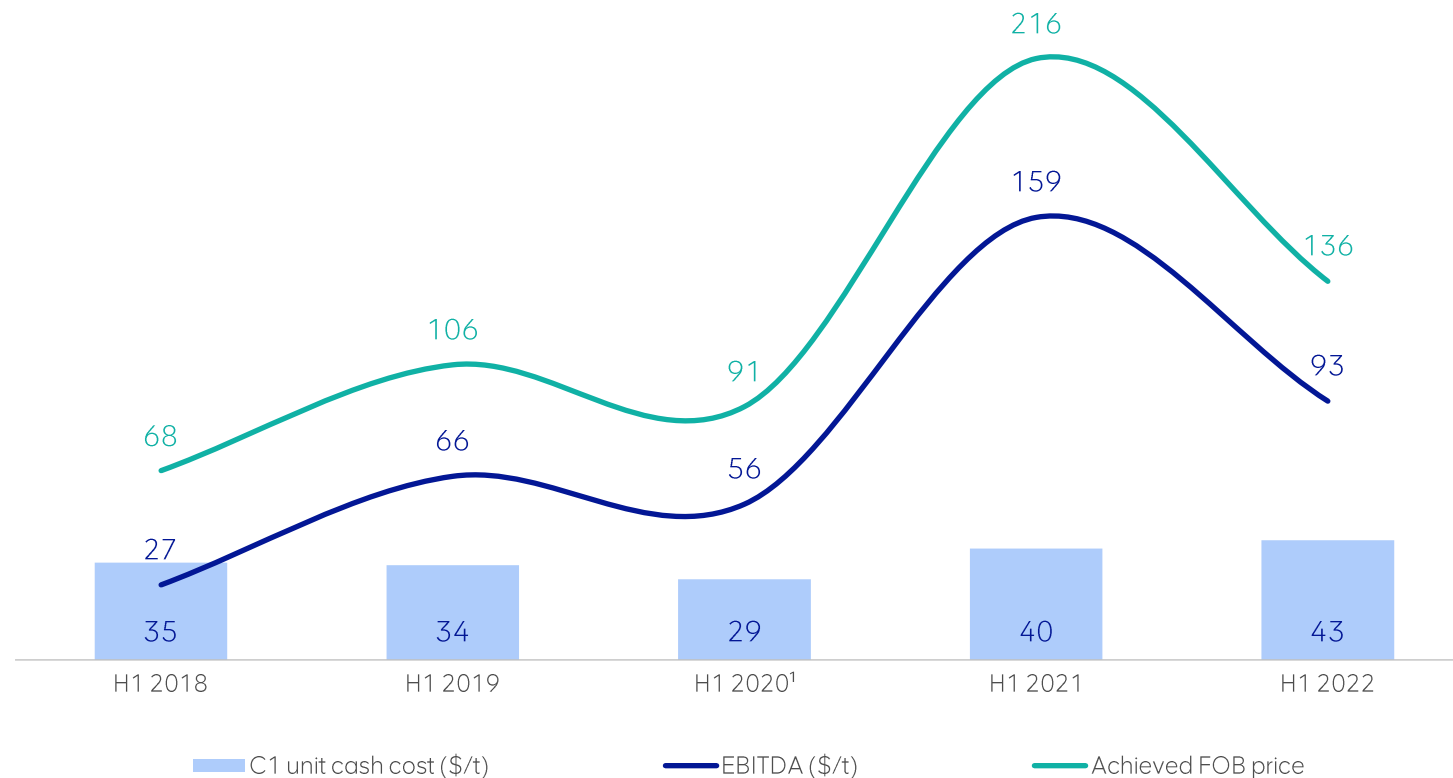
Cost savings (Rm)



1. Sishen WIP includes -R40/t benefit from C-grade classification

2. Excluding the impact of deferred stripping on unit cost: Sishen = H1 2022: R58/t (2021: R30/t); Kolomela = H1 2022: R97/t (2021: R72/t)

# Robust margin despite headwinds



1. Includes R355 million of Covid-19 related savings  
2. Based on R15.40/US\$

## TSWELELOPELE

Delivery by 2022

Enhanced price premium

≥US\$2/t above lump & Fe premium

Improve operational efficiency

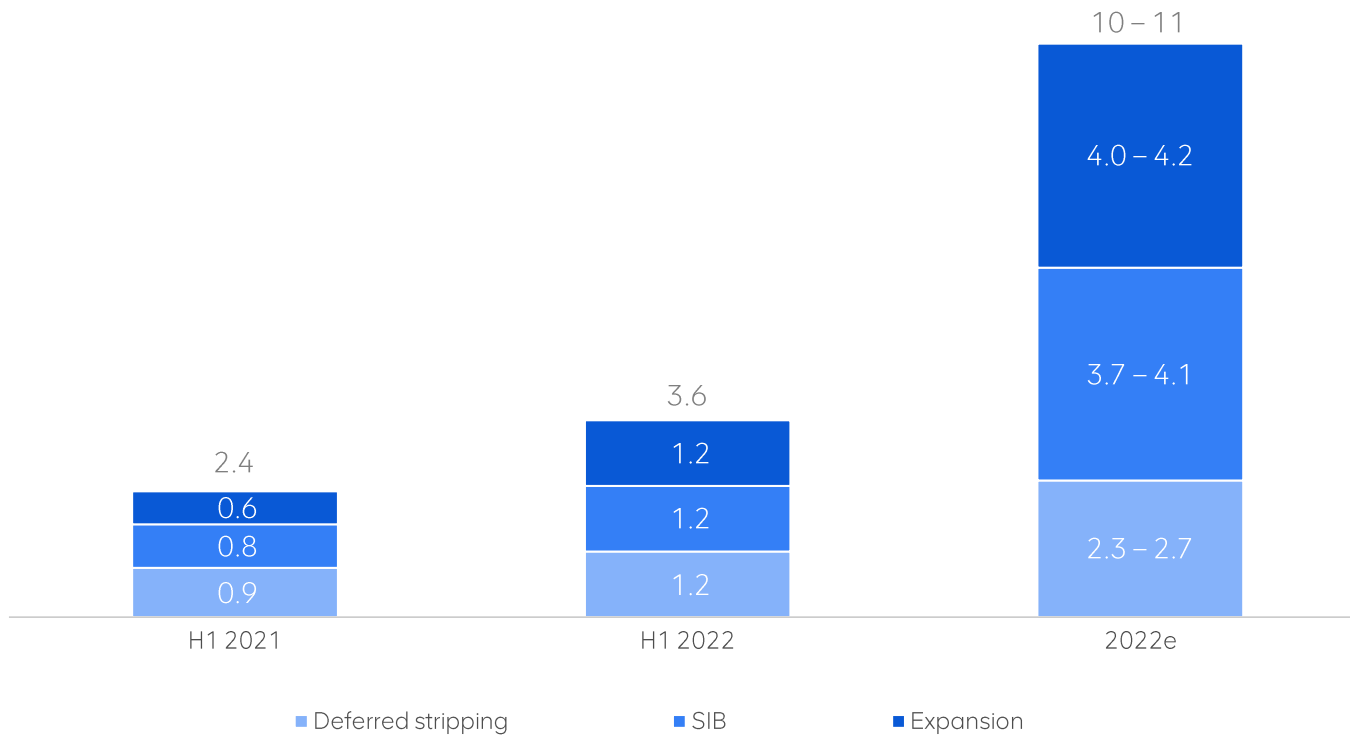
P101 benchmark performance

Cost savings initiatives

C1 unit cash cost ≤US\$44/t<sup>2</sup>

# Capex focus on asset reliability & project delivery

Capex<sup>1</sup>  
Rbn



## Expansion capex

Kapstevel South: Total spend ~R7bn

UHDMS: Total spend ~R3.6bn

P101 efficiency programme

## SIB capex

HME & plant availability & reliability

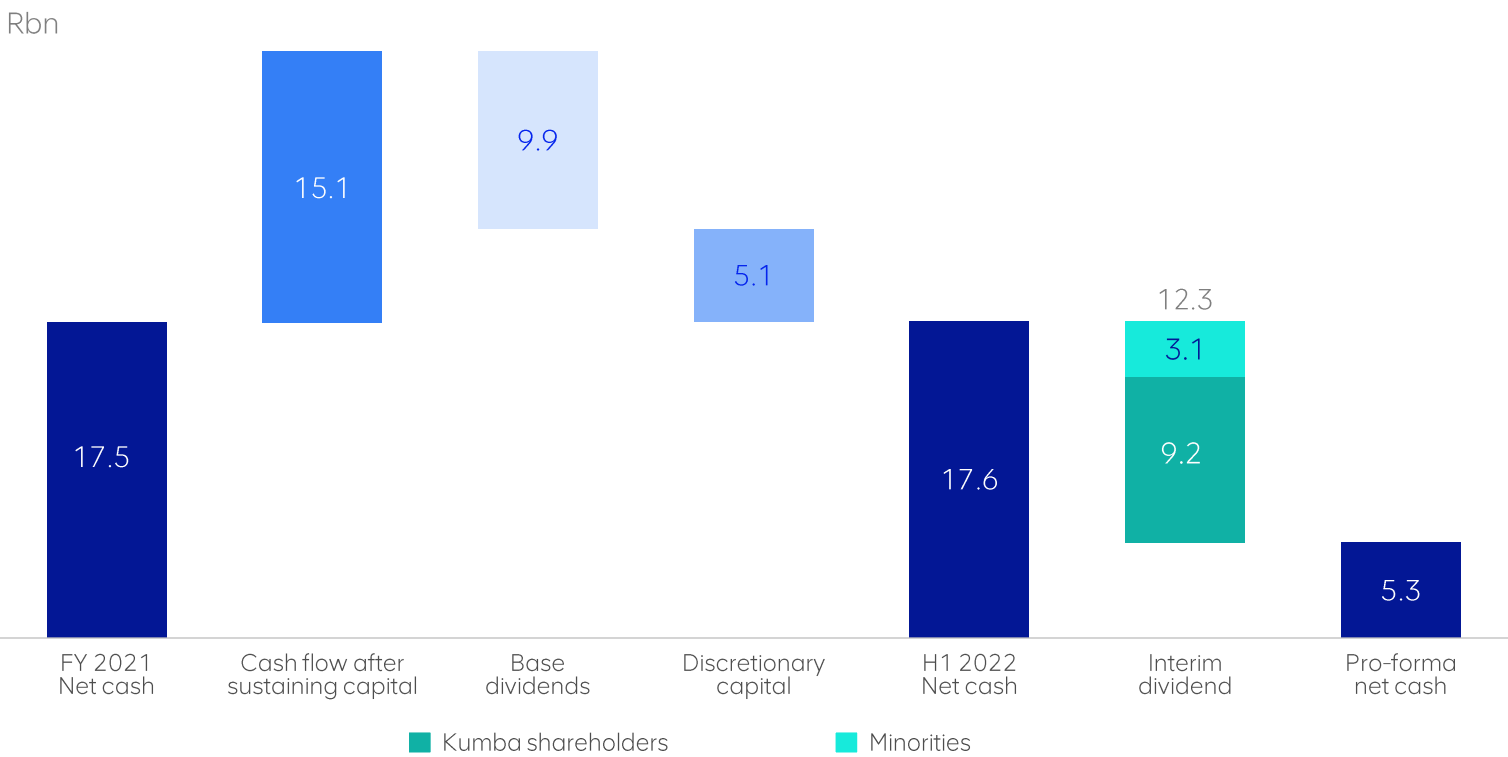
Environmental infrastructure & plant upgrades

Technology & FutureSmart™ mining

1. Capital expenditure before capital creditors

# Robust, efficient balance sheet

## Disciplined capital allocation



## Dividend declared

R28.70

## Dividend payout ratio

80%

## Dividend yield<sup>1</sup>

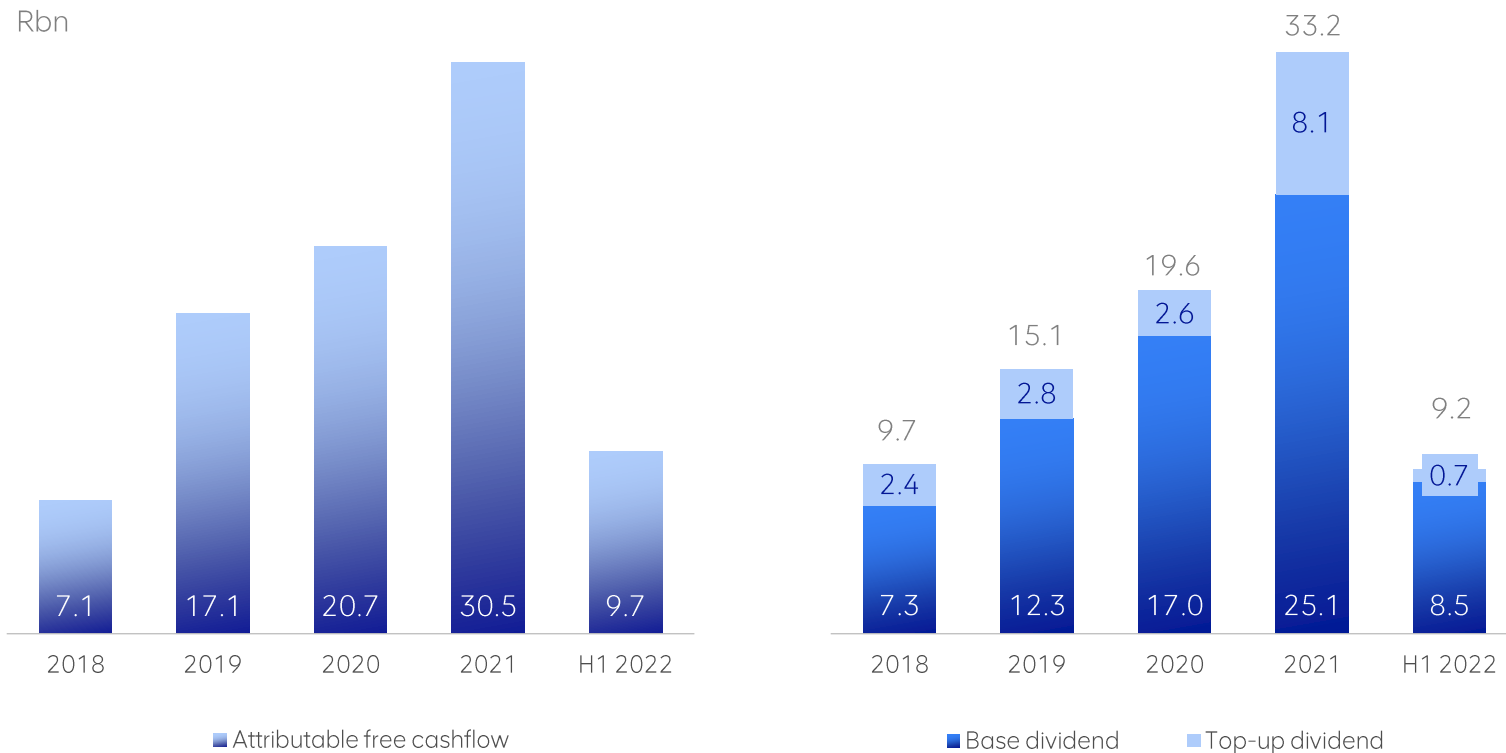
6%

1. Based on Kumba's share price on 30 June 2022 of R526



# Creating shareholder value

## Shareholder value creation (2018 – H1 2022)



Attributable free cashflow

R85bn

Total dividends<sup>1</sup>

R87bn

Average dividend payout ratio

>100%

1. Excluding dividends declared to minorities

Looking ahead



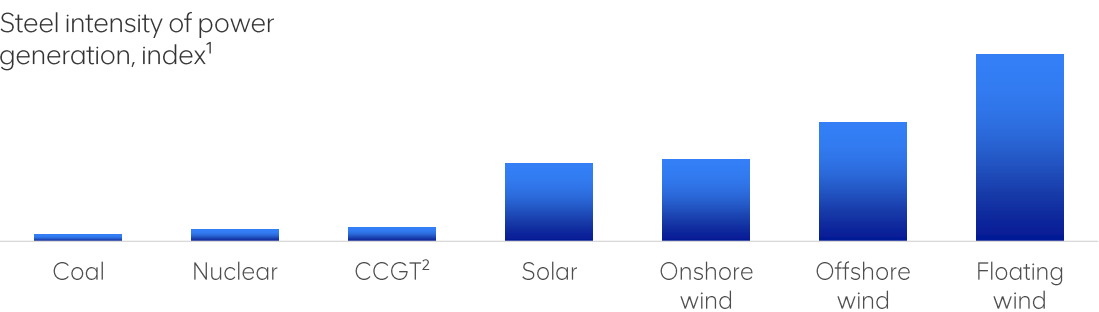
# Steel crucial enabler of energy transition



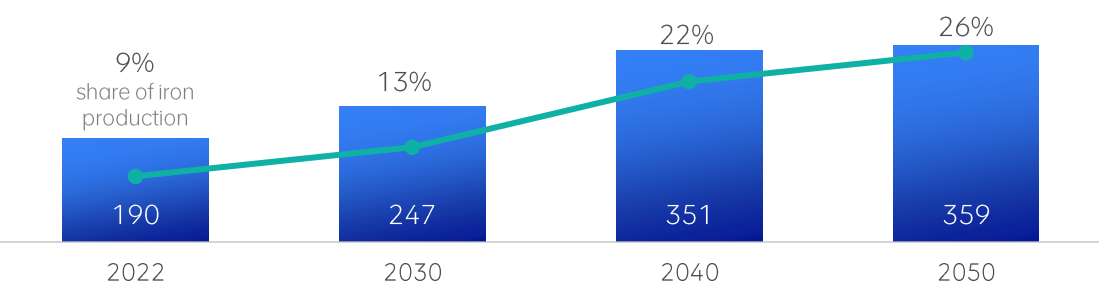
Source: IEA

# Future is bright for green steel & high-grade iron ore

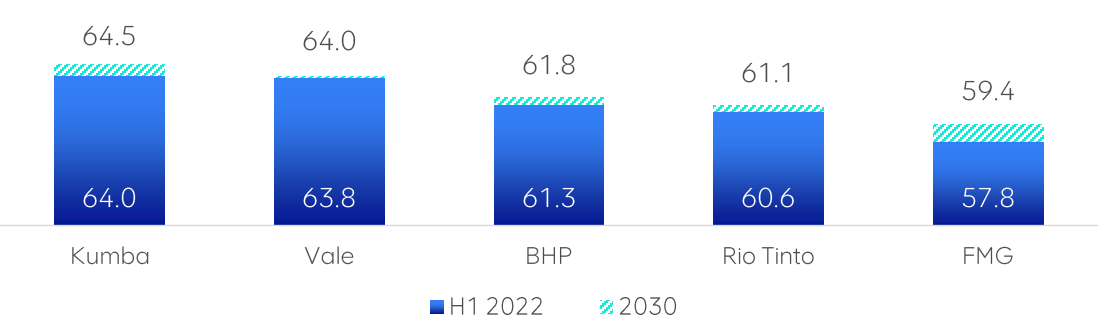
## Steel intensity of renewables 10-30x fossil-based power



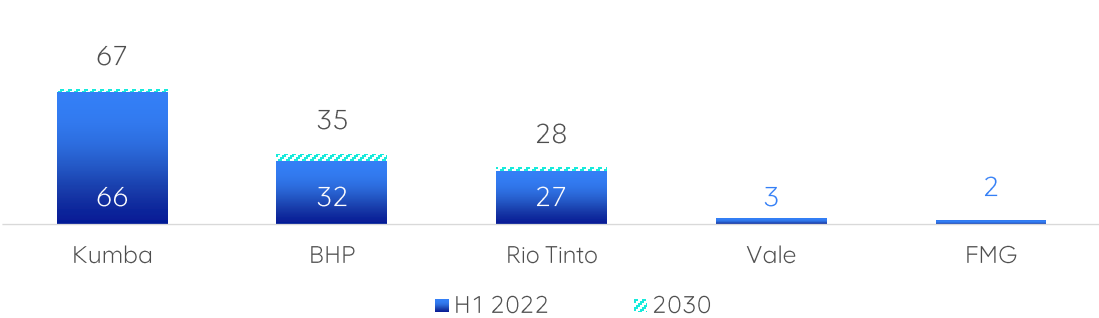
## Global DRI capacity (Mt)



## Estimated Fe quality (%)



## Estimated lump:fine ratio (%)



Source: CRU, Wood Mackenzie  
1. Unit of measure kg/annual MWh 2. CCGT: Combined Cycle Gas Turbines



# Focus on near-term priorities

## Operational excellence



- Prepare for upcoming rain season
- Operational & value chain stability
- Ramp-up UHDMS construction

## Cost optimisation



- Improve operational efficiency
- Supply chain & contractor management
- Cost culture & savings initiatives

## Realise full value of premium product



- Build Saldanha stocks
- Improve product quality
- Optimise ex-China sales

# 2022 full year guidance

## Waste

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190–220Mt

Sishen: 140 – 160Mt  
Kolomela: 50 – 60Mt

## Production<sup>1</sup>

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38–40Mt

Sishen: ~26.5Mt  
Kolomela: ~12.5Mt

## Sales

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38–40Mt

## Unit cash costs

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≤US\$44/t<sup>2</sup>

Sishen: R500 – 530/t  
Kolomela: R420 – 440/t

## Capital expenditure

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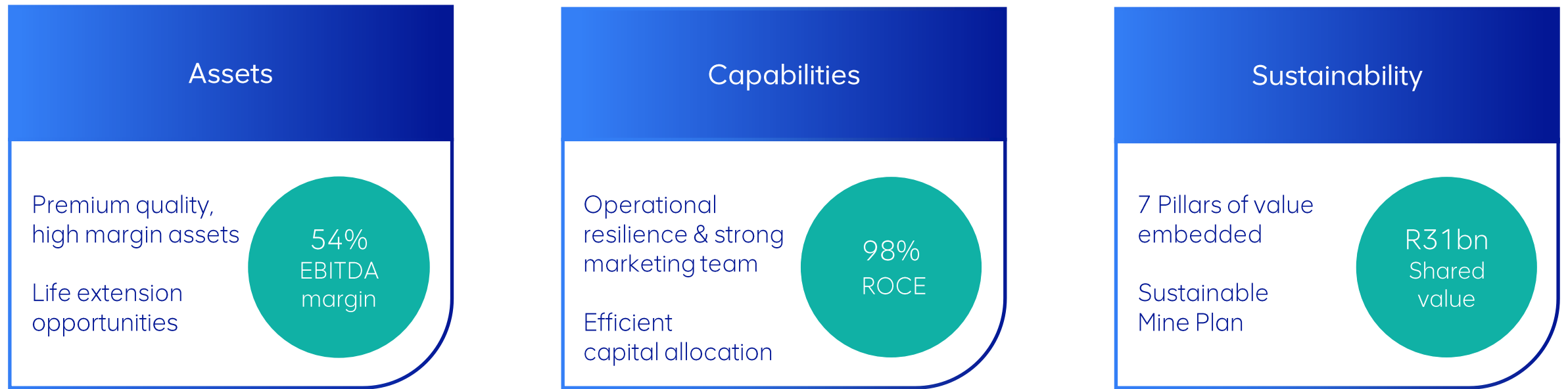
R10 – 11bn

1. Production: 39–41Mt in 2023 & 41–43Mt in 2024  
2. Based on R15.40/US\$



# Reimagining mining to improve people's lives

Strong foundation for sustainable value delivery





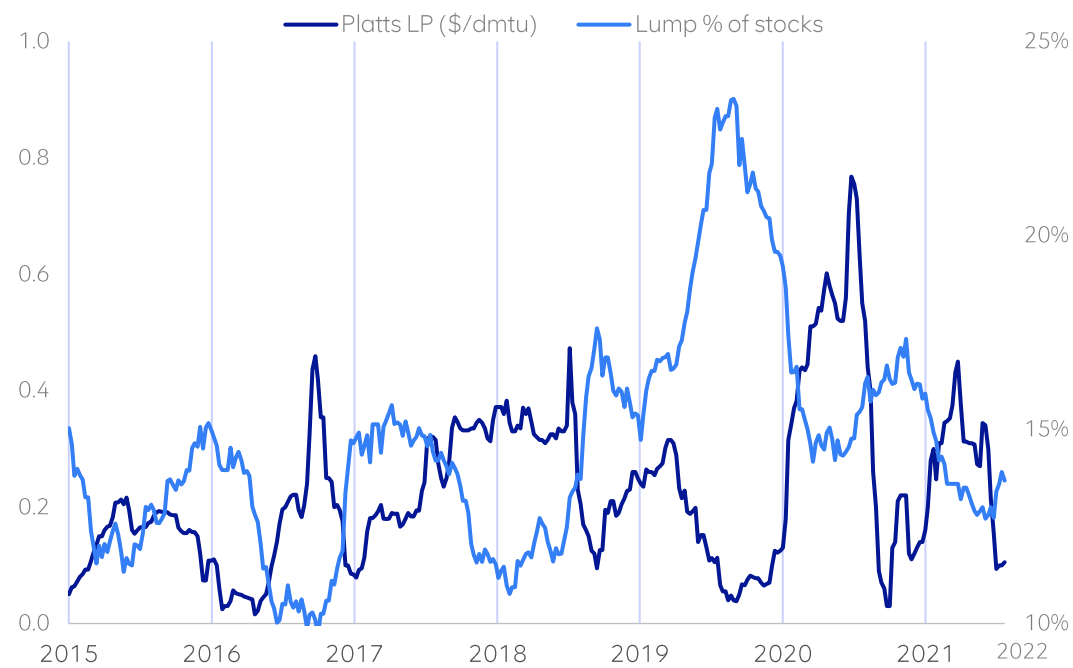
Annexures



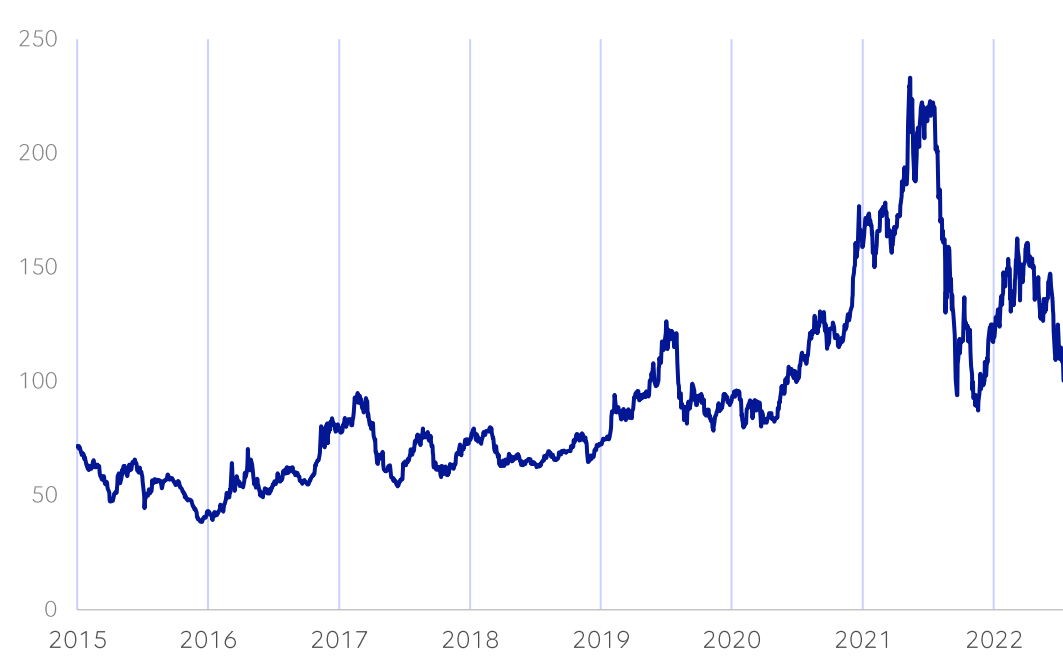


# Lump port stocks at relatively low levels

Lump premium & stocks at Chinese ports



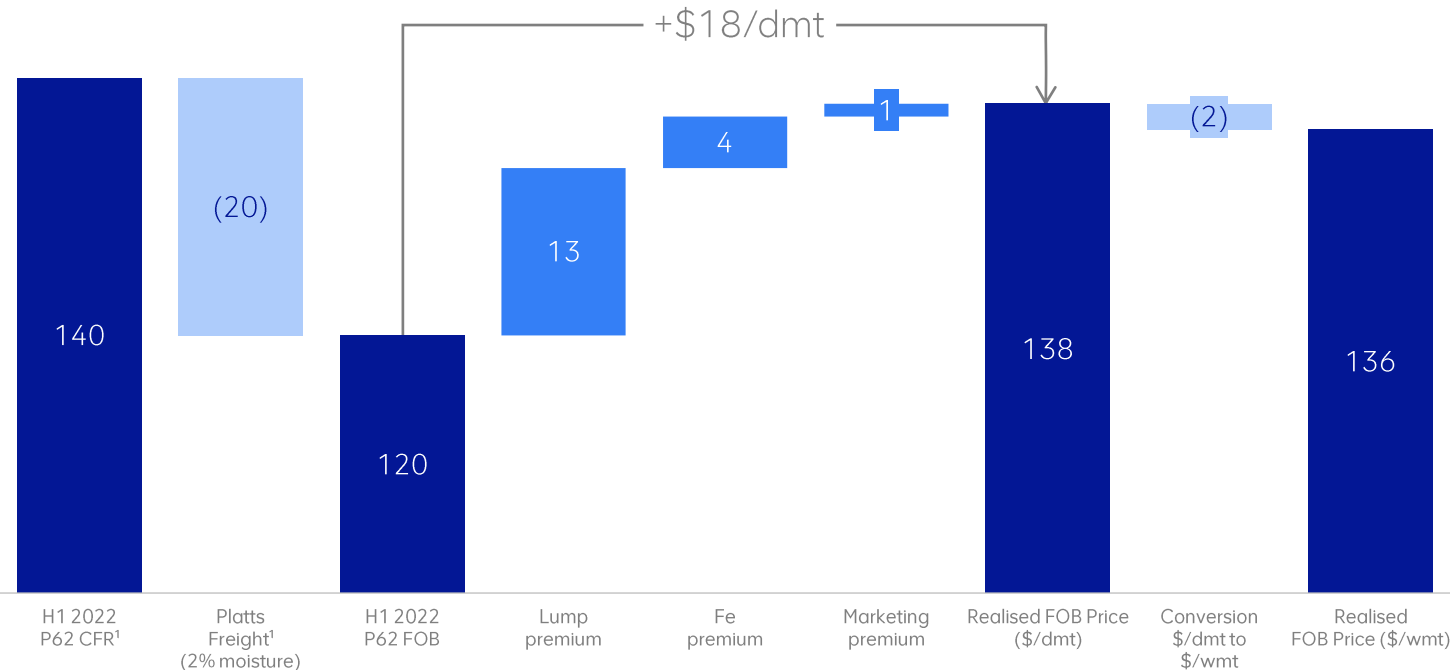
Platts 62 price (\$/dmt)



Source: Platts, Mysteel

# Average realised price \$138/dmt or \$136/wmt

H1 2022 realised FOB price (US\$/t)



## Price drivers

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

P62 CFR China price average: US\$140/t  
(H1 2021: US\$183.5/t)

Fe premium average: ~US\$2.3 per 1% Fe  
(H1 2021 ~US\$3.01 per 1% Fe)

Lump premium average: US\$0.3/dmtu  
(H1 2021: US\$0.52/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 – 30 Jun 2022

# Life extension projects, key pathways to value



## Kolomela: Kapstevell South pit

49% complete, on track for first ore in H2 2023

Primary focus on waste stripping, construction of major infrastructure & commissioning of HME

Total capex: ~R7bn

IRR: >20%

EBITDA margin: >35%



## Sishen: Ultra high dense media separation plant

All procurement packages placed, pressure on cost of materials

Site establishment & early contracts up & running

Commissioning commences H2 2023, with final handover in H1 2024

Total capex: ~R3.6bn

IRR: >30%

EBITDA margin: >40%

# 2022 full year guidance

Total production

38 – 40Mt

Total sales

38 – 40Mt

C1 cash costs

≤US\$44/t<sup>1</sup>

Capital expenditure

R10-11bn

2023

39 – 41Mt

2024

41 – 43Mt

Sishen

Production

~26.5Mt

Waste

140 – 160Mt

Unit costs

R500 – 530/dmt

Strip ratio

4.5, LoM ~3.9<sup>2</sup> | 3.7, LoM ~3.3<sup>3</sup>

LoM

~18 years<sup>4</sup>

Kolomela

~12.5Mt

50 – 60Mt

R420 – 440/dmt

To exceed ~4, LoM ~4.5<sup>5</sup>

13 years

1. Based on R15.40/US\$ | 2. Excluding UHDMS | 3. Sishen (C-grade as ore) including UHDMS from 2024 | 4. Including UHDMS with 2036 – 2039 production being ~10 – 15Mtpa | 5. Including Kapstevel South



# Logistics constraints impact on sales

Mt	H1 2022	H1 2021	% change	H2 2021	% change
Railed to port (incl. Saldanha Steel)	19.0	19.7	(4)	19.6	(3)
Sishen mine (incl. Saldanha Steel)	13.4	13.7	(2)	13.6	(2)
Kolomela mine	5.6	6.0	(7)	6.0	(7)
Total sales	19.7	19.5	1	20.8	(5)
Export	19.7	19.4	2	20.8	(5)
Domestic	-	0.1	(100)	-	0
Total ore shipped	19.7	19.4	2	20.8	(5)
CFR (shipped by Kumba)	12.2	11.3	8	12.1	1
FOB (shipped by customers)	7.5	8.1	(7)	8.7	(14)
Finished product inventory	4.5	6.1	(26)	6.1	(26)

Conversion rates dmt to wmt: H1 2021 - 1.635, H2 2021 - 1.575, Avg 2021 - 1.605, Q1 2022 - 1.531, Q2 2022 - 1.677, Avg 2022 - 1.607.

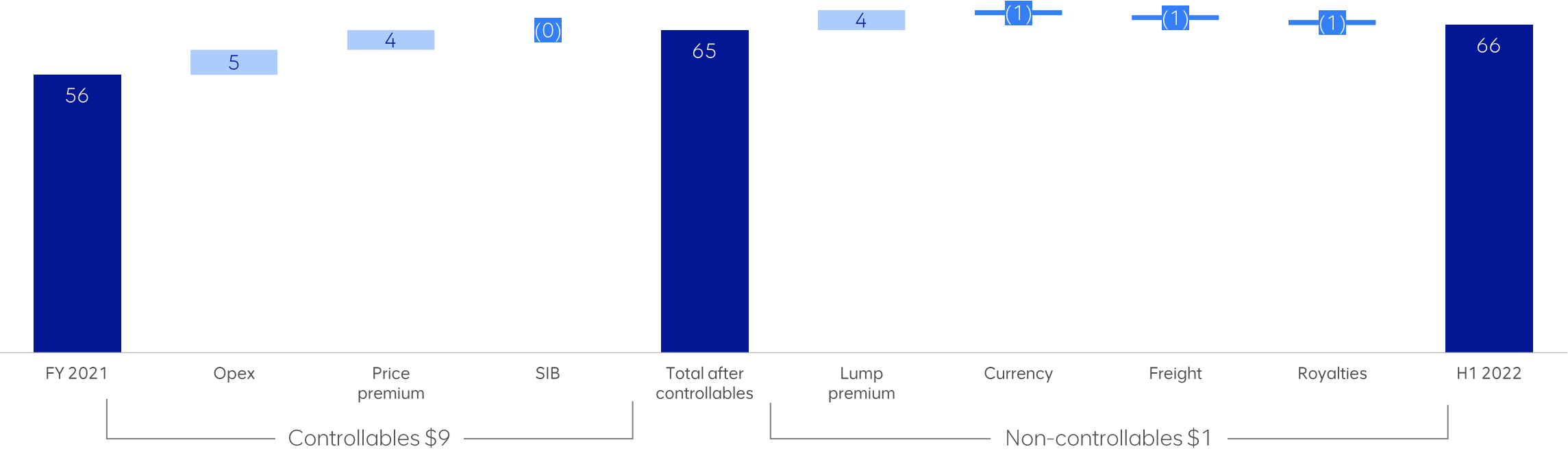
# Operating margin reflects lower revenue

Rm	H1 2022	H1 2021	% change	H2 2021	% change
Revenue	42 977	63 616	(32)	38 476	12
Operating expenses	(22 396)	(21 692)	3	(20 892)	7
Operating profit	20 581	41 924	(51)	17 584	17
Operating margin (%) <sup>1</sup>	48	66	(18)	46	2
Profit for the period	15 153	30 621	(51)	13 036	16
Equity holders of Kumba	11 554	23 353	(51)	9 913	17
Non-controlling interest	3 599	7 268	(50)	3 123	15
Effective tax rate (%)	26	27	(1)	27	(1)
Cash generated from operations	23 456	45 738	(49)	19 232	22

1. Includes expected credit losses

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

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

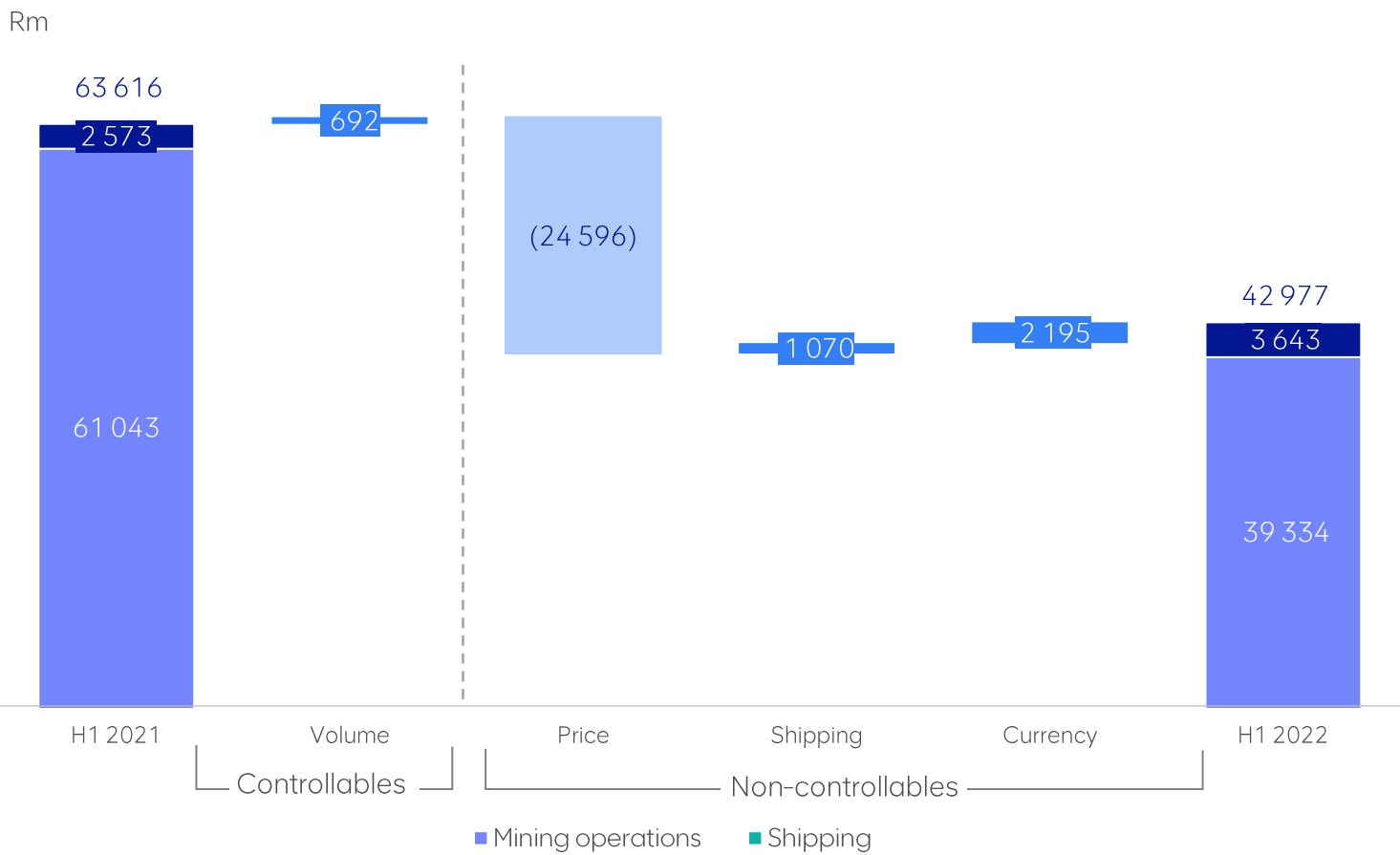


# Revenue analysis

	H1 2022	H1 2021	% change	H2 2021	% change
Export (Rm)	39 334	60 808	(35)	34 078	15
Tonnes sold (wmt)	19.7	19.4	2	20.8	(5)
US Dollar per tonne (wmt)	130	216	(40)	109	19
Rand per tonne (wmt)	1 997	3 134	(36)	1 638	22
Domestic (Rm)	-	235	(100)	2	(100)
Shipping operations (Rm)	3 643	2 573	42	4 396	(17)
Total revenue	42 977	63 616	(32)	38 476	12
Rand/US Dollar exchange rate	15.4	14.54	6	15.03	2

The difference between the average realised FOB price achieved of \$136/wmt reported on Slide 15 & the \$130/wmt calculated above relates to the unrealised derivative losses on future dated vessels.

# Revenue decrease by 32%



## Revenue drivers

### Controllables

Total sales volumes: Flat at 19.7Mt  
(H1 2021: 19.5Mt)

Lump premium: Average US\$0.3/dmtu  
(H1 2021: US\$0.52/dmtu)

Market premium: \$1/t  
(H1 2021: US\$2.8/t)

### Non-controllables

Average Platts FOB price US\$136/wmt  
(H1 2021: US\$216/wmt)

Average R/US\$ down 6% to R15.40  
(H1 2021: R14.54)



# Operating expenditure analysis

Rm	H1 2022	H1 2021	% change	H2 2021	% change
Raw materials & consumables <sup>3</sup>	1 197	914	31	1 264	(5)
Net movement in inventories <sup>3</sup>	(1 568)	(489)	221	(1 212)	29
Inventory written down to NRV	227	83	173	87	161
Contractors' expenses	2 443	1 939	26	2 366	3
Deferred stripping costs	(1 199)	(942)	27	(783)	53
Staff costs	3 050	2 826	8	2 794	9
Shipping services rendered	3 437	2 487	38	3 977	(14)
Depreciation of fixed assets	2 496	2 442	2	2 608	(4)
Mineral royalty	1 884	3 113	(39)	1 058	78
Repairs & maintenance	1 650	1 486	11	1 534	8
Petroleum products	1 776	1 110	60	1 420	25
Other expenses <sup>1, 3</sup>	2 697	2 505	8	1 240	118
Corporate costs	554	485	14	468	18
Energy costs	266	239	11	282	(6)
Net finance (gains)/losses	(99)	85	(216)	130	(176)
Transportation & selling costs	3 585	3 409	5	3 659	(2)
<b>Operating expenses<sup>2</sup></b>	<b>22 396</b>	<b>21 692</b>	<b>3</b>	<b>20 892</b>	<b>7</b>

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

2. Total operating expenses includes expected credit losses

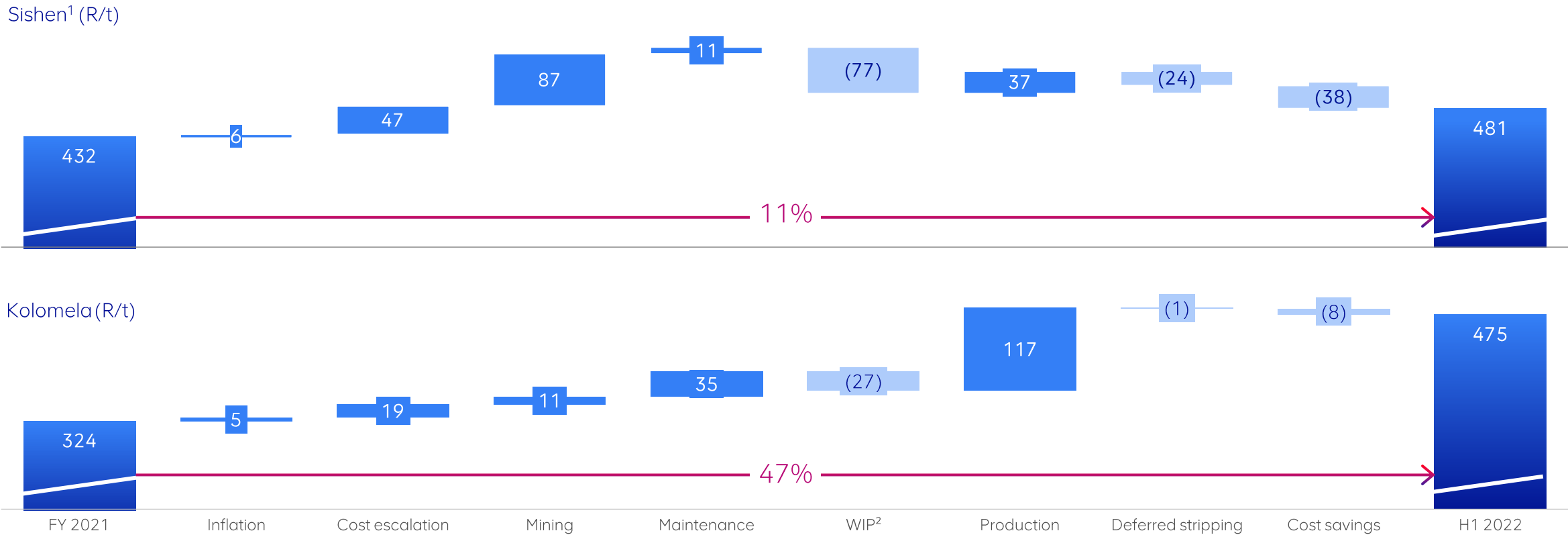
3. Restated H1 2021 from prior year (Note 8 of financial statements)

# Operating expenditure driven by higher mining cost



1. Excluding mineral royalty & impairment

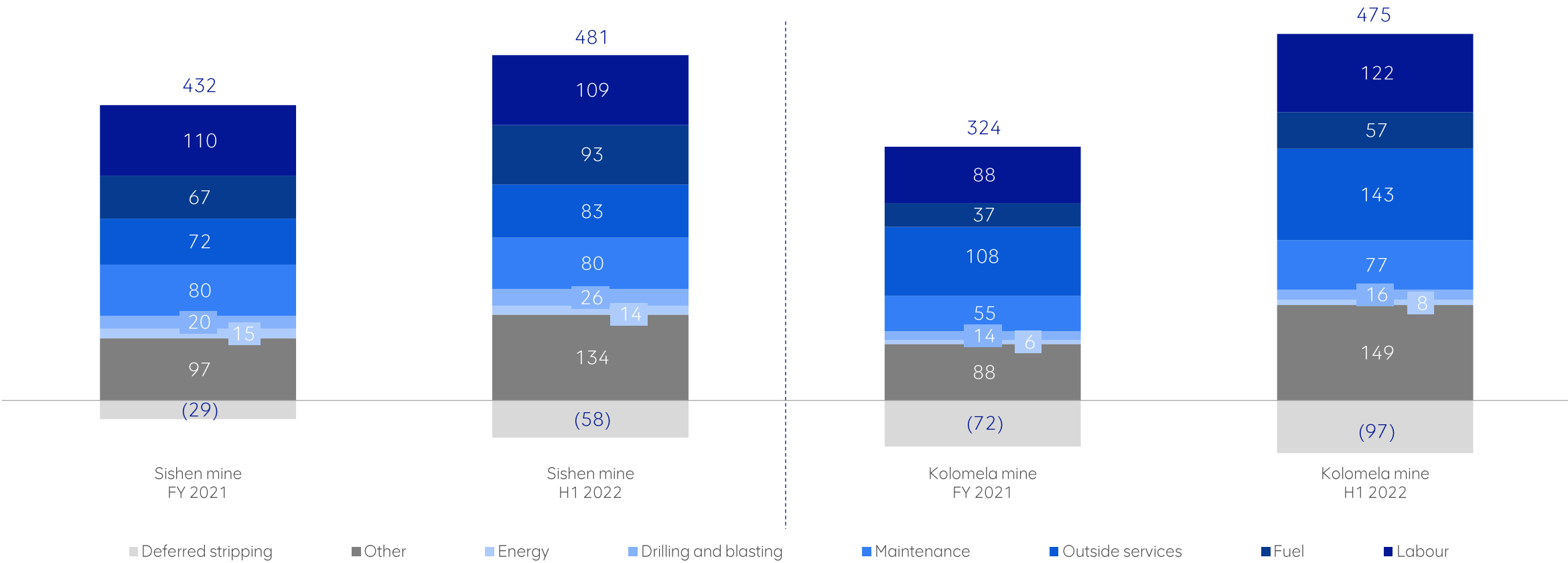
# Costs impacted by headwinds



1. Sishen WIP includes -R40/t benefit from C-grade classification  
2. Excluding the impact of deferred stripping on unit cost: Sishen = H1 2022: R58/t (2021: R30/t); Kolomela = H1 2022: R97/t (2021: R72/t)

# Sishen & Kolomela mines

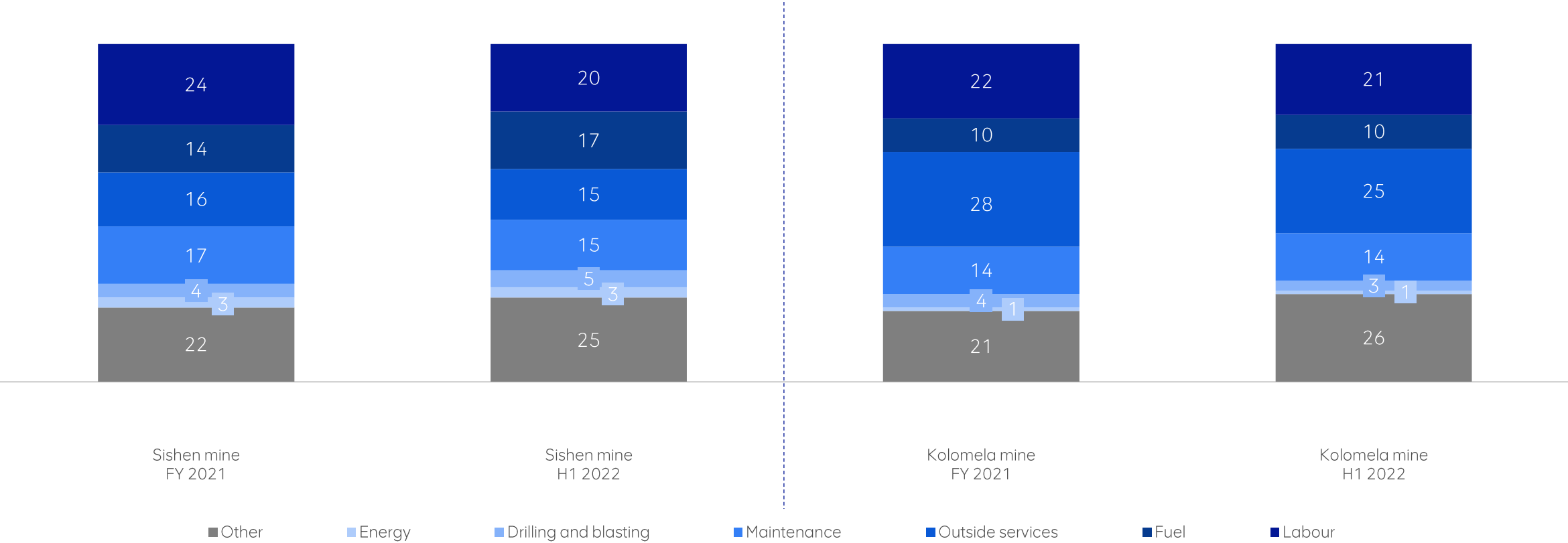
Unit cash cost structure (R/t)





# Sishen & Kolomela mines

Unit cash cost structure (%)



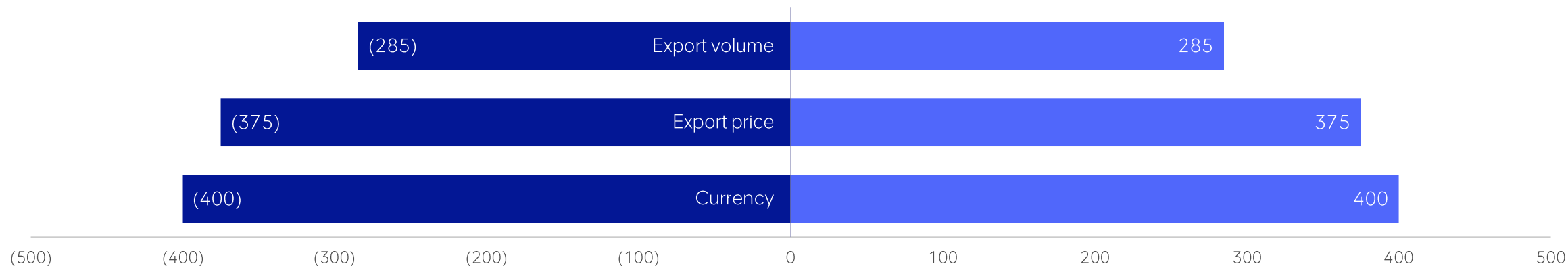
# EBITDA analysis

Rm		H1 2022	H1 2021	% change
<b>Total sales volumes<sup>1</sup> (Mt)</b>	a	19.4	19.2	0.9
<b>Benchmark price (\$/t)</b>		140	183	(23.6)
Product premiums (\$/t)		18	54	(66.5)
Freight (\$/t)		(20)	(17)	18.2
<b>Realised FOB price (\$/dmt)</b>		138	220	(37.4)
On-mine unit costs (\$/t)		(31)	(28)	11.1
Logistics (rail & port) (\$/t)		(11)	(12)	(7.2)
Royalties (\$/t)		(5)	(11)	(51.7)
Other costs (\$/t)		(13)	(10)	34.9
FOB margin (\$/t)	b	77	159	(51.7)
<b>Average Rand/US Dollar exchange rate (ZAR/US\$)</b>	c	15.40	14.54	5.9
<b>EBITDA (Rbn)</b>	a x b x c	23 077	44 366	(48.0)

1. Sales volumes reported as dry metric tonnes

# Sensitivity analysis H1 2022

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\$	R260m
Export Price (US\$/t)	US\$1/t	R285m
Volume (kt)	100kt	R150m
Breakeven price impact		
Currency (Rand/US\$)	R1/US\$	US\$4/t

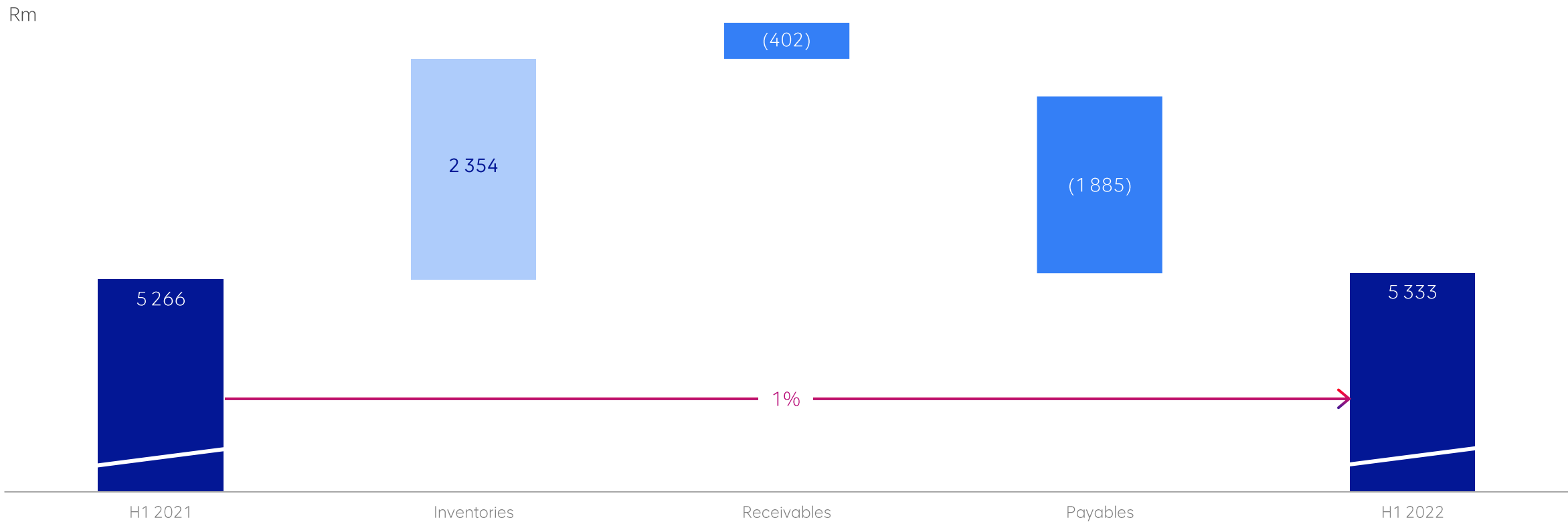
# Capital expenditure analysis

Rm	H1 2022	H1 2021	2022e
Approved expansion	1 233	585	4 000–4 200
Deferred stripping	1 199	942	2 300–2 700
Sishen	738	706	1 500–1 800
Kolomela	461	236	800–900
SIB	1 212	839	3 700–4 100
Sishen	921	629	2 600–2 900
Kolomela	291	210	1 100–1 200
Unapproved expansion	—	—	—
Total approved & unapproved capital expenditure	3 644	2 366	10 000–11 000
Capital Creditors	1 871	683	
Cash Capex	5 515	3 049	

All guidance based on current forecast exchange rates



# Working capital remains consistent



# Image descriptions

Slide 1	Sishen Mine - Loading and hauling operations in G80 pit	
Slide 3	Kolomela Mines' Global Safety Day 2021	
Slide 4	Kolomela Mine stacker reclaimer section. Ore is stored and blended in these areas	
	Kolomela Mine Primary cone crush front end of the plant.	
	Steel bridge construction in Sydney Australia	
Slide 7	nuGen hydrogen truck with tray addition	
	Successful trial, using sustainable biofuel to power Frontier Jack a chartered capesize ship during a voyage from Singapore to South Africa	
Slide 8	The Mpepe Thari Pre School at Siyathemba village, constructed to replace the school in Dingleton. Doreen Choipindura (teacher)	
Slide 9	Sishen Mine Komatsu 860E 250mt haul truck operations. Double sided loading is employed at the mine to increase efficiencies.	
Slide 10	Kolomenla Mine - Views of Leeufontein pit	
	Kolomela Mine - Stacker reclaimer	
	Fully load train from Kolomela Mine being railed to Saldanha Iron Ore Terminal	
	Saldanha Iron Ore Terminal – loading ore on the Tom Selmer carrier. The loading process takes about 36 hours to complete.	
	Aerial view of Saldanha Iron Ore Terminal	
Slide 14	Rhovol machine - measures sample particle sizes of iron ore which helps in the processing of the ore. Mothusi Selota (Operator)	
Slide 23	Panoramic night view of Chongqing City in China	
Slide 24	Solar PV panels, wind farm turbines, hydro-power reservoir dam, concentrated solar power plant, bioenergy pellets, geothermal geyser, nuclear power, electricity pylon, electric vehicle charging, hydrogen tank	
Slide 26	Blast drill rigs are remotely operated at Kolomela Mine, placing the operator well away from the drill rig in the mining control room.	
	Kolomela Mine - drone operators - Iwan Grobbelaar and Kenny Moloyi performing mapping and surveys of the mine pits	
	Saldanha Iron Ore Terminal - View of the stacker reclaimer ore stockyard	
Slide 27	Sishen Mine – Operations, view of the western expansion project	
Slide 29	Kolomela Mine - logging and inspection at Welgevonden Farm. Louis le Grange (Geologist)	
Slide 32	Kolomela Mine - Komatsu830 AHT truck at Kapstevl South Pit	
	Kolomela Mine - DMS Plant being upgraded to UHDMS. Cecil Springbok (Plant Operator)	