Reviewed interim results for the six months ended 30 June 2022

AngloAmerican

KUMBA IRON ORE LIMITED

Key features

Delivering sustainable value:

ROCE of
98%

Interim cash dividend of
R28.70
per share

Attributable free cash flow of
R9.7 billion

Caring for our people and our communities:

Over six years of
fatality-free
production

Zero
occupational diseases

Over seven years without any
level 3-5
environmental incidents

R31 billion
of shared value created

Resilient financial performance:

Average realised FOB export price of
US$136/wmt
15% above benchmark

Cost savings of
R604 million

EBITDA margin of
54%

Closing net cash of
R17.6 billion

For more information on our Company and its performance please scan the QR code or visit us at:
www.angloamericankumba.com

Commentary

Committed to sustainable delivery

Mpumi Zikalala, Chief Executive of Kumba, said:

"Kumba delivered an EBITDA of R23.1 billion and reached more than six years of fatality-free production in the first half of the year, reflecting the outstanding commitment of our people to safety and delivery, amidst challenging operational and market headwinds, including a more than 35% decrease in iron ore prices.

"Kumba achieved this performance despite 13% lower production due to adverse seasonal weather conditions, and equipment and logistics availability challenges, coupled with a safety reset initiative impacting operational activity. These operating headwinds come at a time of increased supply chain disruptions and rising cost inflation, in part due to the conflict in Ukraine, as well as weaker steel demand following extended Covid-19 lockdowns in China and a softer global economic growth outlook.

"Against this backdrop, our high-quality products, supported by focused marketing activity, continued to attract a market premium, resulting in an average realised free on board export price of US$136 per wet metric tonne, 15% above the iron ore benchmark price, contributing towards an EBITDA* margin of 54% and attributable free cash flow* of R9.7 billion. This solid financial performance reflects Kumba's business resilience, giving our Board the confidence to declare an interim cash dividend of R28.70 per share, representing a payout ratio of 80% of headline earnings.

"A key priority is executing towards the ambitious goals set out within our Sustainable Mining Plan, particularly in relation to energy efficiency and reducing greenhouse gas emissions. Kumba is part of Anglo American's regional renewable energy ecosystem, which includes the plan to develop a 65MW solar plant at Sishen. The energy ecosystem is expected to meet Anglo American's operational electricity requirements in South Africa by supplying 100% renewable electricity by 2030 - a major step towards carbon neutral operations by 2040. The provision of a clean and reliable energy supply will increase the resilience both of Kumba and the local electricity supply systems while helping decarbonise the country's energy supply and supporting our commitment to a Just Energy Transition.

"Our Kapstevel South project at Kolomela to improve production volumes and our ultra-high dense media separation technology to improve our premium product offering are on schedule for commissioning in the second half of 2023. These projects demonstrate our

Commentary continued

commitment to investing in our business's long-term sustainability by further enhancing product quality and output, while also contributing to a lower carbon footprint.

"There has been good momentum on initiatives to bolster an inclusive workplace where all our people feel valued, respected, and supported to be their best. We are also making good progress in improving the gender balance in the workplace, with women now representing 26% of our workforce and 29% of our management team. With the prevalence of gender-based violence in South Africa and the challenges women in mining face globally from historical systems of exclusion, we are actively driving our zero-tolerance to gender-based violence, bullying, harassment and victimisation as part of our Living with Dignity programme. These efforts are underpinned by strengthened policies, systems and procedures, and education and awareness activities to help eradicate all forms of violence at work, home, community and school.

"To further support empowerment and recognise the valuable contribution of our people who sustain our business, we are delighted with the implementation of our new hybrid employee share option scheme, which includes a vesting and an evergreen component. This will deliver a tangible and lasting benefit to our thousands of employees whose commitment makes our business success possible.

"The first six months have confirmed that as we set the foundations for further value delivery, we need to build a business that is not only resilient but that demonstrates operational excellence. We have robust fundamentals in the quality of our ore body and our assets. We have the infrastructure and technology in place. With the support of our people and our strategic partners, we are in a strong position to continue to enhance returns, thereby ensuring that all our stakeholders benefit from the continued success of Kumba."

*EBITDA and attributable free cashflow are non-IFRS measures used by Kumba and have been consistently applied through reporting periods.

Results overview

Caring for our people and our communities

Our people are central to everything we do. We are working to create a safe, inclusive, and diverse workplace that encourages high performance and innovative thinking. We want every individual to be able to bring their whole self to work and feel motivated to give their best in everything they do.

Kumba is making good progress in embedding gender diversity, with the number of women in management positions increasing from 28% to 29% and across our organisation, women now represent 26% of our workforce, up from 24% in the 2021 comparative period. Promoting gender diversity and continuing to advance toward our gender goal of 33% female representation by 2023 at all management levels is a top priority. The Bloomberg Gender Equality index recognises companies that are maintaining a strong focus on providing an inclusive work environment, and Kumba's inclusion in the index is a testament to our progress.

Of equal importance to us is that our employees feel that their contributions are valued. To this end, we introduced a new hybrid employee share option scheme (ESOP) comprised of a vesting and an evergreen component. The intention is to create a sustainable, perpetual scheme that does not have to be replaced in the future; to align the economic interests of employees and Kumba shareholders; and deliver appropriate enduring value to our stakeholders.

The positive impact we can have across our society also continues to be a focus for us. It is an imperative that our host communities continue to thrive long after we mine. Through our Collaborative Regional Development – an innovative partnership model to catalyse scalable and sustainable development across the Northern Cape region – we are working with partners and stakeholders in the Northern Cape to catalyse development in seven focus areas, including health, education and economic development, as well as sectors outside of mining such as agriculture and tourism.

Through our involvement in the Anglo American Education Programme, we are helping to improve outcomes for learners in early childhood development sites, primary and secondary schools around our mining operations in the Northern Cape. We currently support 26 schools, providing education for more than 16,300 learners, and we aim to extend our support to another 19 schools as part of phase 2 of our programme.

We are acutely aware of the high unemployment, poverty and inequality in South Africa, which were exacerbated by the Covid-19 pandemic. The Northern Cape, where Kumba operates, is a remote area with limited economic activity. To ensure that we play our part in supporting local livelihoods, we employ 78% of our workforce from local communities. We are also purposeful about supporting local businesses. In the first half, of the total black economic empowerment (BEE) supplier spend of R5.0 billion (H1 2021: R4.9 billion) we procured R2.1 billion (H1 2021: R1.7 billion)

Commentary continued

from local host community businesses and spent R73 million (H1 2021: R85 million) on social development projects. A big focus has also been to increase the value of goods and services sourced from black youth and women-owned businesses. Earlier this year, we awarded a R1.6 billion contract to Mapeo-Andi Mining Services (Proprietary) Limited (53.25% black women-owned) to mine at Kolomela and a four-year R700 million contract to K TO C Mining (Proprietary) Limited (40% black women-owned) led joint venture, to mine at Sishen. Both companies are black women-owned, and these contracts will also benefit Gamagara community suppliers.

Focusing on our near-term priorities

During the period, we focused on progressing our near-term priorities of operational excellence, cost optimisation and achieving the full value of our premium products.

Progress in terms of operational efficiency has been hampered by significantly higher seasonal rainfall and equipment reliability constraints, particularly at Kolomela, where safety stoppages were increased as a preventative measure, given heightened safety risks in challenging working conditions. Good progress has been made at Sishen in the second quarter. With operational efficiency key to delivering on our margin and life-of-mine strategy, we continue to focus on our initiatives around shovel and truck reliability and efficiency improvements, which drive operational stability. A strong focus remains on ensuring healthy buffers throughout the value chain, from the mine to port, to ensure that we can consistently deliver on our customer commitments.

Setting the right foundation for operational excellence and value delivery will also ensure that we remain on track with our life extension projects. At Sishen, all procurement packages for our UHDMS project have been placed and work on the site establishment continues with the contracts for civil and earthworks, and structural mechanical piping and platework up and running. At Kolomela, Kapstevel South, we continue to focus on waste stripping, the construction of major infrastructure and the commissioning of trucks and shovels.

We have achieved R604 million in cost savings to date against our target of R1 billion for 2022. These were largely driven by optimisation of Sishen's mine plan and supply chain costs.

The macro-environment continues to be challenging with the economic effects of the Covid-19 pandemic over the past two years, compounded by the war in Ukraine and the resurgence of Covid-19 in China, resulting in extended lockdowns. In June, the World Bank revised its global economic growth estimates for 2022 from 4.1% to 2.9%, reflecting a significant slowdown from the 5.9% growth rate in 2021.

As a consequence, iron ore markets have come under pressure, with the Platts 62 FOB iron ore export price averaging US$118 per wet metric tonne (wmt) (equivalent to US$120 per dry metric tonne(dmt)) in the first half. However, our diversified customer marketing strategy and high-quality iron ore enabled an average realised FOB price of US$136/wmt (US$138/dmt), including a marketing premium of US$1/dmt above the premia for lump and iron content.

In these challenging and volatile times, maintaining our focus on improving our business and progressing our near-term priorities are vital. Our operations are heading in the right direction, and our strong asset quality positions us well for a recovery in the iron ore market.

Delivering sustainable value

While production volumes were down 13% to 17.8 Mt (H1 2021: 20.4 Mt) for the period, production increased by 14% in the second quarter, reflecting improving momentum at our operations. Sales volumes of 19.7 Mt (H1 2021: 19.5 Mt), were underpinned by a 7% increase in the second quarter.

Kumba delivered an EBITDA of R23.1 billion (H1 2021: R44.4 billion), driven by an average realised FOB export price of US$136/wmt (equivalent to the FOB price of US$138/dmt) and higher C1 unit costs, partly offset by a weaker Rand/US$ exchange rate.

Attributable and headline earnings per share of R36.00 and R36.13 (H1 2021: R72.82 and R72.78 per share), respectively, supported the Board's decision to declare an interim cash dividend of R28.70 per share (H1 2021: R72.70 per share), which includes:

- R27.10 per share, representing 75% of headline earnings in accordance with our dividend policy
- R1.60 per share being a top-up cash dividend

The total interim cash dividend declared represents 80% of headline earnings.

Replacement ESOP

Shareholders are advised that Kumba has replaced the broad-based Sishen Iron Ore Company (Proprietary) Limited (SIOC) ESOP, Karolo, with a new hybrid ESOP scheme (Replacement ESOP), comprised of a vesting and evergreen component.

Under the Karolo scheme, more than 5,500 qualifying employees were each awarded R20,000 worth of free Kumba shares on an annual basis for three years from 2018. Each award of shares has a three-year vesting period, escalating annually in line with the consumer price index. Pending the approval and implementation of the Replacement ESOP scheme for employees, Kumba shareholders agreed at the Annual General Meeting in May 2021 to extend the Karolo scheme for a further two years.

The key objectives of the Replacement ESOP are to:

- align the economic interests between employees and Kumba shareholders
- provide for the continued retention of employees and to provide an incentive to employees
- create a sustainable, perpetual scheme that does not have to be replaced in the future
- deliver appropriate cash flows and economics to employees

The salient terms are as follows:

- Replacement ESOP has a hybrid structure consisting of two components:
  - Vesting component – similar to the Karolo scheme, employees will be awarded the inflation-adjusted equivalent of R20,000 per employee in the form of Kumba shares on an annual basis, with a three-year vesting period. This component is effectively a continuation of the Karolo scheme, with new annual share awards commencing once the Karolo scheme expires.
  - Evergreen component – the Replacement ESOP Trust will own 1.2% of SIOC, and the participating employees will receive, on an annual basis, their pro-rata distribution of any SIOC dividends declared (less applicable administrative costs).

Commentary continued

- All qualifying employees under the Karolo scheme will be beneficiaries of the Replacement ESOP.
- The Replacement ESOP will have no funding requirements attached to it and will be in place over the life of mine of Kumba.

Rand Merchant Bank (RMB) acted as financial adviser to Kumba on the development of the replacement ESOP.

Safe, healthy and responsible production

Safety, health and environmental sustainability are integral to our strategy and continue to be our first priority. Kumba is committed to keeping our workforce safe and healthy and supporting our communities through a healthy environment.

Kumba marked six years of fatality-free production in May this year, achieved through sustained focus on our management of risk through our Elimination of Fatalities, Risk Reduction and Culture programmes.

Safety performance at Kumba in the first half of the year has been challenging, with an increase in Total Recordable Case (TRC) and Lost Time Injuries (LTIs). TRC has increased by 25% from 12 to 15 in the comparative period. Our Total Recordable Case Frequency Rate (TRCFR) is 1.12, and while this is lower than the three-year targeted average of 1.30, it has increased significantly from the comparative 0.98. LTIs increased to eight from four in the comparative period, resulting in an increase in Lost Time Injury Frequency Rate (LTIFR) to 0.60 from 0.33 in the comparative period. The highest number of injuries were related to low energy incidents (slip, trip and fall, and material handling incidents).

High Potential incidents (HPIs), a leading safety indicator, remained unchanged at six.

To address the increasing trend in LTIs, Kumba implemented a safety reset call-to-action initiative, engaging all employees in evaluating our way of work to identify areas for improvement. The areas of focus include culture change management; operational risk management; accelerating our technology for safer work; learning from incidents; and resourcing and prioritisation of critical control actions.

We are equally committed to the health and wellbeing of our employees and contractors, and we monitor our progress through several measures, including the number of new cases of occupational diseases. Since 2020, including the past six months of this year, we have had no new cases of occupational diseases. To date, 63% of our employees and 56% of our core contractors completed their HIV counselling and testing (H1 2021: 74% and 69% employees and core contractors respectively) with an average viral suppression rate of 93%. Kumba has seven tuberculosis (non-occupational) cases to date. The overall incidence rate is 49 per 100,000 against a target of 277 per 100,000 for 2022.

We also recognise that a commitment to health and safety means eliminating gender-based violence (GBV) and making our workplace safer and more inclusive for all. This is a critical issue for the industry. We adopted our bullying, harassment and victimisation (BHV) policy and the Domestic violence policy in March 2021. Subsequently, the GBV *#silencehidesviolence* campaign was launched this year, focusing not only on awareness and education but on creating shared accountability and challenging existing behaviours and attitudes.

This year marks the third year of living with Covid-19, and we continue to monitor the health of our workforce with the isolation of positive cases. The fifth Covid-19 wave, driven by the Omicron BA.4 and BA.5 variants, is in decline in all provinces in South Africa. The effects of the Omicron variant have been much milder than past variants with lower rates of life-threatening cases, and there has been no material impact on our operations to date this year. Covid-19 vaccines remain effective against severe disease and death, and most of our employees and contractors are fully vaccinated. A vaccination risk assessment has been completed at all sites. We have identified our high risk employees and encourage everyone to take the opportunity to be vaccinated to help protect themselves and others.

For our business, our people, and our communities to thrive, we need to be part of the transition towards a healthy environment. From a scope 1 and 2 direct carbon emission perspective, we are targeting a 30% reduction in greenhouse gas (GHG) emissions and energy intensity by 2030 against our 2016 baseline and carbon neutrality by 2040. Our GHG emissions were stable at 0.47 $MtCO_2e$ (H1 2021: 0.47 $MtCO_2e$) in the period. While we continuously focus on operational efficiency initiatives such as increasing truck payload and double handling as well as in-pit dumping, which contributes to lower carbon emissions, our mines are becoming deeper, resulting in higher lifts and longer haulage distances. With our sister company, Anglo American Platinum, successfully piloting the world's first hydrogen-powered mine haul truck in May this year, Kumba will evaluate the use of hydrogen-powered haul trucks in line with our decarbonisation plans to reduce scope 1 emissions.

To reduce scope 2 emissions, which contribute almost 50% of Kumba's total scope 1 and 2 emissions, we are participating in the group's broader regional renewable energy strategy, through the development of a 65MW solar plant at Sishen, and ultimately through the combined use of wheeling and storage units, to have 24/7 renewable energy available by 2030. The development work for the Sishen solar photovoltaic project continues with the environmental assessment authorisation process underway to repurpose and utilise a waste rock dump site for the plant.

Our scope 3 carbon emissions are indirectly generated by the steel-making value chain. Therefore, the decarbonisation of the steel industry is key. Through the Anglo American group, we established our partnership with Saltzgitter in 2021, followed this year by a partnership with Nippon Steel, to work in collaboration to lower their emissions. The successful sea-trial of a biofuel blend from Total Energies will contribute to a 10% emission reduction using cape-sized carrier power for the shipping of our products through the group's marketing business unit. Ten liquefied natural gas (LNG) vessels have been ordered, offering significant environmental benefits, including a 35% cut in carbon emissions.

We operate in water-stressed and water-scarce areas, and these factors are becoming more acute due to climate change. As part of our Sustainable Mining Plan, our water strategy targets a 50% reduction in freshwater usage by 2030, and by the end of 2021 we had achieved an 18% (2015 baseline) reduction. However, during the period, due to the combined effect of increased dewatering and the Vaal Gamagara pipeline being unable to channel more water at Sishen, this resulted in excess freshwater at the mine up to May this year, our freshwater usage increase with 20% to 3,249 megalitres (ML) (May 2021: 2,711 ML). To reduce freshwater consumption, Kumba invested more than R110 million in bulk water infrastructure, which will increase the volume of surplus fresh water provided to Sedibeng Water and Gamagara local municipality in the future. In the first half of the year, we supported our communities with over 7,563 ML (H1 2021: 7,517 ML) of water supplied to the local municipality at Sedibeng.

We have achieved zero major (level 3 to 5) environmental incidents for more than seven years. In terms of rehabilitation, progress has been slower than planned due to above-average rainfall and equipment reliability challenges. To date, Sishen has reshaped 48.2ha and seeded 12ha, while Kolomela has reshaped 21ha of land and seeded 4.5ha.

Kumba is a member of the International Council of Mining and Metals through Anglo American, and our tailings storage facilities (TSFs) are required to comply with the Global Industry Standard for Tailings Dams (GISTM) published in 2020. We have classified each of our TSFs according to the GISTM consequence classification of structures rating and are prioritising the compliance of facilities rated "very high" and "extreme" by August 2023 and facilities rated "low", "significant", and "high" by August 2025. Thus far, Kumba has completed the self-assessments to GISTM, gap analyses and mapped out an action plan to close the identified gaps. Our TSFs risk management programme includes regular inspections by our on-site team, bi-weekly inspections by the Competent Person, quarterly Inspections by the Engineer of Record, annual independent reviews, and continuous monitoring using technology to monitor ground movement, seepage, and other environmental disturbances. During the period, a one in fifty year flood was recorded. However, this did not cause any instability incidents or events as our tailings dams have been designed to withstand probable maximum precipitation of a one in ten thousand year flood.

Market overview

The Platts 62% IODEX CFR China index averaged at US$140/dmt for the first six months of the year, down 23% compared to the same period last year. Covid-induced lockdowns resulted in reduced steel demand in China, and steel output contracted by 6.5% to 1,062 Mtpa during the period. Steel demand was hit by weaker real estate activity, with property sales down 22.2% and construction new starts down 34.4% in the same period. Outside China, crude steel production shrank by 2.8% year to date to 862 Mtpa as a protracted global shortage of semiconductor chips continues to impact automobile production.

The first half of the year was characterised by supply-side disruptions. Brazilian shipments were affected by inclement weather conditions, particularly in the first quarter due to the impact of La Niña, and ended the first half approximately 10% lower than last year. Australian supply was more stable and is estimated to be down 2%. The onset of the conflict in late February this year has drastically reduced iron ore supply from Russia and Ukraine, especially pellet feed and pellets. Based on 2021 data, total iron ore exports from Russia and Ukraine were at 70 Mt in 2021, accounting for 4.3% of total traded market. In May, the Indian government announced that it would impose a 50% export tax on all grades of iron ore, which may reduce iron ore exports going forward. India exported 36 Mt of iron ore in 2021, of which 31 Mt went to China.

The Platts 65-62 differential averaged US$25/dmt in the period (H1 2021: US$27/dmt), while lump premium averaged US$0.30/dmtu, much lower than the US$0.52/dmtu over the comparative period last year. Lump and high-grade premiums have declined over recent months, along with falling steel mill margins as mills focused on cost reduction rather than productivity.

Over the long term, structural factors relating to decarbonisation and the adoption of scope 3 carbon reduction interventions by steel manufacturers will further support demand for Kumba's high-quality iron ore products. Total sales to markets outside of China remain at a high level of 53% in the first half of the year.

From a price perspective, we achieved a lump premium of US$13/dmt and a Fe premium of US$4/dmt. Combined with a US$1/dmt marketing premium, we delivered a total price uplift of US$18/tonne to US$138/dmt FOB Saldanha (equivalent to US$136/wmt), a decrease of 37% against the US$220/dmt (US$216/wmt) achieved for the comparative period.

Operational performance

Mining and production

Operational headwinds resulted in total waste stripping decreasing by 3% to 95.5 Mt (H1 2021: 98.5 Mt), with the decrease at Kolomela partially offset by Sishen's improved performance in the second quarter.

Following adverse seasonal weather conditions in the first quarter, Sishen's waste stripping recovered by 12% to 40.0 Mt in the second quarter contributing to an increase of 12% to 75.6 Mt (H1 2021: 67.7 Mt) for the period. The recovery was driven by improved weather conditions, optimised pit set-up and improving equipment reliability.

Kolomela recorded close to double the rainfall at Sishen in the first quarter and continued to be hampered by low truck availability due to saturated pit conditions. Safety initiatives were implemented in April and May, given the heightened safety risks associated with these challenging working conditions. As a result, Kolomela's waste stripping reduced by 20% compared to the first quarter, resulting in a decrease of 36% to 19.9 Mt (H1 2021: 30.9 Mt) for the period.

Commentary continued

A number of interventions have been implemented at Kolomela. These include improved rain readiness ahead of the rain season in the fourth quarter, resourcing of additional contractors and optimisation of the mine plan to improve the haulage cycle.

Mining summary (unreviewed)

	Six months ended		
'000 tonnes	June 2022	June 2021	% change
Total tonnes mined	**119,807**	121,499	(1)
Sishen	**94,645**	83,448	13
Kolomela	**25,162**	38,051	(34)
Total waste stripping	**95,517**	98,519	(3)
Sishen	**75,634**	67,661	12
Kolomela	**19,883**	30,858	(36)
Total owner fleet efficiency (%)	**54.6**	57.2	
Sishen	**59.5**	57.8	
Kolomela	**42.2**	55.5	
Trucks	**64.3**	71.0	
Shovels	**47.3**	46.8	

As a consequence, plant feedstock constraints impacted production and costs. Total production decreased by 13% to 17.8 Mt (H1 2021: 20.4 Mt) for the period, driven by a 7% decrease at Sishen to 12.9 Mt (H1 2021: 13.9 Mt) and a 25% decrease at Kolomela to 4.8 Mt (H1 2021: 6.4 Mt).

In line with improved waste stripping at Sishen, total production increased by 22% in the second quarter compared to the first quarter.

Production summary (unreviewed)[1]

	Six months ended		
'000 tonnes	June 2022	June 2021	% change
Total	**17,760**	20,367	(13)
Lump	**11,617**	13,876	(16)
Fines	**6,143**	6,491	(5)
Mine production	**17,760**	20,367	(13)
Sishen	**12,921**	13,944	(7)
Kolomela	**4,839**	6,423	(25)

[1] Volumes, excluding waste stripping, are reported as wet metric tonnes. Product is shipped with approximately 1.6% moisture.

Sales and logistics

Seasonal weather-related events and equipment reliability constraints resulted in ore railed to port decreasing by 4% to 19.0 Mt (H1 2021: 19.7 Mt), notwithstanding an 8% improvement in the second quarter due to fewer weather-related challenges. This facilitated a 7% increase in export sales in the second quarter, resulting in export sales for the period increasing by 2% to 19.7 Mt (H1 2021: 19.4 Mt).

Total finished stock reduced to 4.5 Mt (31 December 2021: 6.1 Mt) as we drew down on high stock levels at the mine to maintain export sales.

Building stock at the port to improve vessel loading is critical. Improvement initiatives in the second half include 24/7 integrated planning and tracking by the channel optimisation team to reduce the number of speed restrictions along the rail line and unscheduled maintenance. We also continue to work in close collaboration with the industry and Transnet to improve operational efficiency.

Sales summary (unreviewed)[1]

'000 tonnes	Six months ended June 2022	June 2021	% change
Total	**19,697**	19,515	1
Export sales	**19,697**	19,408	2
Domestic sales	–	107	(100)

[1] Volumes, excluding waste stripping, are reported as wet metric tonnes. Product is shipped with approximately 1.6% moisture.

With the extended Covid-19 lockdown in China and geopolitical disruptions impacting iron ore supplies during the first half, Kumba's sales to markets outside of China accounted for 53% of total sales, relative to our medium-to-long-term target of 45% to 55% for this customer segment. In comparison, China's share of export sales was stable at 47% (H1 2021: 45%). Our average lump to fine ratio was 66:34 (H1 2021: 69:31), and our Fe quality at 64.0% (H1 2021: 64.1% Fe).

Sales to the traditional markets outside of China are predominantly on a FOB and contract of affreightment basis. In line with a high proportion of sales to traditional markets, sales on a cost and freight (CFR) basis increased to 62% (H1 2021: 58%), with contractual sales at 87% (H1 2021: 90%) of total export sales volumes.

Commentary continued

Financial results

Kumba delivered a solid financial performance in the first half, achieving an EBITDA of R23.1 billion, despite operational and market headwinds. Although iron ore markets came under pressure in the second quarter, we continued to capture product premia above market levels, helping to protect our margin and partly offset the impact of lower production and rising inflation.

Our EBITDA margin of 54% for the period continues to be driven by our Tswelelopele strategy. We achieved an average realised FOB export price of US$136/wmt (US$138/dmt),15% above the benchmark price of US$118/wmt (US$120/dmt). Our high-quality products continued to attract a premium for lump and iron content of US$17/dmt and a marketing premium of US$1/dmt, relative to our target of more than US$2/dmt.

Cost performance remains a priority, especially given increasing input cost pressures and further geological inflation. For the full year 2022, we are targeting R1.0 billion in cost savings, and to date, we have achieved R604 million of that target. While these savings have gone a long way in offsetting operational headwinds, the unit cost of production for the period at Sishen and Kolomela increased to R481/dmt and R475/dmt respectively, reflecting the challenging operational and cost environment, as well as reduced plant production. Given its lower production base, Kolomela's cost is particularly sensitive to production shortfalls. Accordingly, Kolomela's unit cost guidance has been revised from R380-R400/dmt to R420-440/dmt.

In comparison, Sishen's unit cost has started to see the benefit of the introduction of the UHDMS technology, which will allow us to process c-grade material previously classified as waste, thus reducing our strip ratio. The capitalisation of c-grade material as inventory has resulted in a unit cost benefit of R40/tonne for the period. As a result, Sishen's unit cost is anticipated to end the year closer to the lower end of its unit cost guidance of R500-530/dmt.

We are focused on recovering cost efficiencies in the remainder of the year, in line with anticipated improvements in operational performance.

Strong cash generation from operations of R23.5 billion and disciplined capital expenditure of R3.6 billion continue to underpin Kumba's robust and flexible balance sheet and liquidity position. Attributable free cashflow of R9.7 billion resulted in a net cash position of R17.6 billion (H1 2021: R40.7 billion). Our return on capital employed of 98% reflects the resilience of our business and supports the Board's decision to declare an interim cash dividend of R28.70 per share to our shareholders.

Revenue

Total revenue decreased by 32% to R43.0 billion (H1 2021: R63.6 billion), mainly as a result of lower realised prices, partially offset by a weaker Rand/US$ exchange rate.

Kumba achieved on average realised FOB export price of US$136/wmt (US$138/dmt) (H1 2021: US$216/wmt) on the back of a 28% lower average Platts 62 FOB export price of US$118/wmt, which includes a higher freight cost of US$20/tonne (H1 2021: US$17/tonne). The additional benefit of US$18/tonne premia (H1 2021: US$53/tonne) for our high-quality product comprised lump premium of US$13/tonne, Fe premium of US$4/tonne and marketing premium of US$1/tonne.

Total sales volumes increased by 1% to 19.7 Mt (H1 2021: 19.5 Mt). The average Rand/US$ exchange rate weakened by 6% to R15.40/US$1 (H1 2021: R14.54/US$1). Shipping revenue increased by R1.1 billion due to higher CFR volumes, a weaker local currency and higher freight rates.

Operating expenses

Operating expenses, excluding mineral royalties, increased to R20.5 billion (H1 2021: R18.6 billion), primarily due to an increase in contractor fees, repairs and maintenance and fuel costs.

Selling and distribution costs were higher at R3.6 billion, driven by Transnet tariff increases and higher demurrage costs, offset by lower logistics volumes. Freight costs of R3.4 billion were R950 million higher than the prior period due to a 0.2 Mt increase in CFR shipping volumes, currency movements, and higher freight rates.

Sishen's unit cash costs increased by 11% to R481/dmt (FY 2021: R432/dmt) and Kolomela's unit cash costs increased by 47% to R475/dmt (FY 2021: R324/dmt). The increases were driven by a 13% decrease in production and mining volumes as well as higher inflation and input costs such as diesel and blasting costs. A positive work-in-progress movement, including the R40/tonne benefit from c-grade capitalisation, higher deferred stripping capitalisation and cost savings partially offset these increases.

EBITDA

EBITDA decreased by 48% to R23.1 billion (H1 2021: R44.4 billion). This was driven by significantly lower market prices and price premia for our product, partially offset by a 6% weaker currency. In addition, operational headwinds led to higher operating expenses.

Commentary continued

On the back of these elements, Kumba's EBITDA margin decreased to 54% (H1 2021: 70%) and the mining operating margin reduced to 52% (H1 2021: 69%), excluding a net freight profit realised on shipping operations.

Kumba's break-even price increased to US$66/tonne, relative to the US$56/tonne price for the full year 2021. This was a result of lower price premiums, higher Stay-in-Business (SIB) capital expenditure, the Rand weakening against the US Dollar and cost escalations driven by mining-related inflation.

Cash flow and statement of financial position

Kumba ended the period with a net cash position of R17.6 billion (H1 2021: R40.7 billion). Cash flow generated from operations of R23.5 billion (H1 2021: R45.7 billion) was driven by EBITDA of R23.1 billion (H1 2021: R44.4 billion), and lower working capital, mainly due to higher trade payables.

Capital expenditure of R3.6 billion comprised R1.2 billion of SIB spend, R1.2 billion in deferred stripping, and R1.2 billion on the expansion capital expenditure programme. Our SIB expenditure was largely on heavy mining equipment, plant reliability, environmental infrastructure upgrades and our technology and FutureSmart Mining™ programme. The deferred stripping capital expenditure was mainly driven by higher strip ratios at the relevant sections at both mines relative to the life-of-mine strip ratios. Our expansion capital expenditure supports the work on our UHDMS technology project, the development of Kapstevel South and the P101 efficiency programme.

We paid total income tax of R5.1 billion (H1 2021: R6.8 billion) and mineral royalties of R1.8 billion (H1 2021: R2.4 billion) for the period and delivered shareholder value with the interim cash dividend of R9.2 billion (H1 2021: R23.4 billion).

Our liquidity position at 30 June 2022 consisted of R17.9 billion of cash resources and R19.5 billion of debt facilities, which includes our R8 billion revolving credit facility that matures in 2024. The covenants are balance sheet-linked and recognise the cyclical nature of our business, offering improved access to the facilities through the cycle.

Ore Reserves and Mineral Resources

There were no further material changes to the ore reserves and mineral resources as disclosed in the 2021 Ore Reserve (and Saleable Product) and Mineral Resource Report available at https://www.angloamericankumba.com/investors/annual-reporting/reports-archive/2021.

Events after the reporting period

Replacement ESOP

SIOC replaced the SIOC Employee Benefit Scheme, Karolo, with a new hybrid ESOP. The Replacement ESOP, which will be managed under a newly-formed trust, is a hybrid structure which consists of a vesting and evergreen component.

Debt facilities

SIOC concluded a new revolving credit facility arrangement with Anglo American Rand Capital Limited, to the value of R8 billion, maturing in 2024.

There were no other significant events that occurred from 30 June 2022 to the date of this report, not otherwise dealt with in this report. For further information, please refer to note 15 of the reviewed condensed consolidated financial statements.

Corporate governance

The group subscribes to the Code of Good Corporate Practices and Conduct and complies with the recommendations of the King IV™* Report. The Board charter is aligned with the provisions of all relevant statutory and regulatory requirements including among others, King IV. Full disclosure of the group's compliance is contained in the 2021 integrated report.

Changes in management

- Ms Mpumi Zikalala was appointed as Chief Executive and Executive director of the Company with effect from 1 January 2022.
- Dr Simi Ramgoolam has been appointed as Executive Head of Human Resources effective from 1 August 2022.

Outlook and guidance

Our near-term priorities of operational excellence, cost efficiencies and ensuring that we achieve the full value of our premium product are fundamental to value delivery for Kumba and will continue to be key focus areas along with continued improvements in environmental, social and governance performance.

Achieving zero fatalities for more than six years underlines our commitment to safety and a culture where fatality-free production has become the expectation, not the exception. However, our LTIs increased for the first time in two years, and we believe that we can improve our HPIs with the right focus. As a result, our safety reset initiative will be maintained to ensure that the safety risk events reduce and that we use our learnings to keep our workforce safe.

From an operational and cost efficiency perspective, the next few months are important as we focus on recovering waste stripping, building stockpiles and improving plant feedstock to meet our production and unit cost guidance.

Commentary continued

Given the operational headwinds experienced, we are slightly behind with both our life extension projects, Kapstevel South and UHDMS and will focus on stabilising in the second half. We are seeing cost inflation in the UHDMS project linked to higher material and tender prices as we award the major contracts, and will provide an update with our 2022 annual results once we have evaluated the full impact. The economic benefit of the UHDMS technology is that it will more than double the proportion of premium quality products, and the technology supports our strategy of capturing the full value of our products.

Our balance sheet is robust, and we are well positioned to support and grow projects and deliver shareholder returns. We are committed to disciplined capital management, and in seeking to manage our balance sheet more efficiently, we plan to draw down from our available debt facilities to fund ongoing expansionary capital expenditure, as part of our options to improve the flexibility of our balance sheet and reduce the cost of capital through the cycle, while maintaining an appropriate level of available liquidity.

From an environmental, social and governance standpoint, Kumba has the opportunity to make a significant contribution to a healthier environment and to society by facilitating the transition to a lower carbon economy. Through our high-quality products, partnerships and technology. We contribute toward a decarbonising world, while maintaining our focus on capital discipline. Our pathway to decarbonisation will be accelerated by our involvement in the regional Anglo American renewable energy ecosystem. The environmental studies on our solar photovoltaic plant will be completed in the second half and subject to Board approval, we intend to begin implementing the project in 2023. This will secure up to 65MW of power, enabling a 50% reduction of our on-site carbon emissions as electric power is a large component of our scope 1 and 2 direct emissions.

Kumba's outlook for the full year 2022, with the exception of Kolomela's unit costs and capital expenditure, has been maintained. All volumes are reported on a wet metric tonne basis with the exception of waste which is reported on a dry metric tonne basis.

The full year guidance is as follows:

Guidance[1]	FY2022	FY2022 revised
Total sales (Mt)	38 – 40	Unchanged
Total production (Mt)	38 – 40	Unchanged
Sishen	~26.5	Unchanged
Kolomela	~12.5	Unchanged
Waste stripping (Mt)		
Sishen (dmt)	140 – 160	Unchanged
Kolomela (dmt)	50 – 60	Unchanged
On-mine unit costs (R/tonne)		
Sishen (dmt)	500 – 530	Unchanged
Kolomela (dmt)	380 – 400	420 – 440
C1 unit costs	~US$44/t	Unchanged

[1] Volumes, excluding waste stripping, are reported as wet metric tonnes. Product is shipped with approximately 1.6% moisture.

Our capital expenditure has been revised to between R10.0 billion and R11.0 billion for 2022. The increase is driven by:

- SIB spend of between R3.7 billion and R4.1 billion, largely comprised of plant and infrastructure replacement and upgrades, including the dense media separation plant slimes upgrade and crusher replacement as well as workshop optimisation. Further spending includes projects to improve safety and environmental sustainability such as, tailings facility improvements and stormwater management, as well as equipment reliability and capital spares. Also included is technology and other capex related to information management and housing.
- Expansion capex of between R4.0 billion and R4.2 billion, to develop the Kapstevel South pit at Kolomela and the UHDMS project, while continuing to invest more than R0.5 billion in our P101 efficiency programme, including autonomous drilling and braking as well as condition monitoring and various other projects.
- Deferred stripping capex will increase to between R2.3 billion and R2.7 billion due to higher stripping ratios at certain pushbacks at both of the mines.

Mpumi Zikalala concluded: "Kumba is focused on the value we create for all our stakeholders. In order to address the critical challenges we face in South Africa, the mining industry will need companies with scale, mine life, strong cash flow generation that are committed to environmental, social and governance performance.

"We have a clear and consistent strategy that has successfully delivered significant enduring value. We have an organic project pipeline of world-class assets, committed and capable people, high-quality products and a robust balance sheet that supports our investment in the future of our business to provide sustainable returns."

Iron ore export prices and the Rand/US$ exchange rate are key factors influencing Kumba's financial performance. Shareholders are advised that these forecasts have not been reviewed or reported on by our external auditors.

The presentation of the Company's results for the six months ended 30 June 2022 will be available on the Company's website www.angloamericankumba.com at 07:05 CAT and the webcast will be available from 11:00 CAT on 26 July 2022.

Salient features and operating statistics
for the period ended

	Unreviewed six months 30 June 2022	Unreviewed six months 30 June 2021	Unaudited 12 months 31 December 2021
Share statistics ('000)			
Total shares in issue	**322,086**	322,086	322,086
Weighted average number of shares	**320,903**	320,679	320,882
Diluted weighted average number of shares	**321,697**	321,643	321,827
Treasury shares	**1,156**	1,361	1,203
Market information			
Closing share price (Rand)	**526**	641	460
Market capitalisation (Rand million)	**169,417**	206,325	148,160
Market capitalisation (US$ million)	**10,343**	14,414	9,283
Net asset value attributable to owners of Kumba (Rand per share)	**144.60**	178.45	138.53
Capital expenditure (Rand million)[1,2]			
Incurred	**3,644**	2,366	8,008
Contracted	**4,275**	3,063	2,858
Authorised but not contracted	**7,961**	10,669	7,568
Commitments from shipping services (Rand million)[1]	**3,108**	3,013	4,038
Operating commitments (Rand million)[1]	**557**	765	738
Economic information			
Average Rand/US Dollar exchange rate (ZAR/US$)	**15.40**	14.54	14.79
Closing Rand/US Dollar exchange rate (ZAR/US$)	**16.38**	14.31	15.96
Sishen mine free-on-rail (FOR) unit cost			
Unit cost (Rand/dmt)	**616.40**	582.58	555.24
Cash cost (Rand/dmt)	**480.68**	447.95	432.01
Unit cost (US$/dmt)	**40.02**	40.06	37.55
Cash cost (US$/dmt)	**31.21**	30.80	29.21
Kolomela mine FOR unit cost			
Unit cost (Rand/dmt)	**637.22**	444.68	444.15
Cash cost (Rand/dmt)	**475.02**	315.35	324.05
Unit cost (US$/dmt)	**41.37**	30.58	30.03
Cash cost (US$/dmt)	**30.84**	21.68	21.91

[1] Amounts have been reviewed by the group's auditors (the 31 December 2021 amount was audited).
[2] Capital expenditure incurred during the period.

Condensed consolidated statement of financial position

as at

Rand million	Notes	Reviewed 30 June 2022	Reviewed 30 June 2021	Audited 31 December 2021
ASSETS				
Property, plant and equipment	3	**44,387**	40,198	43,233
Right-of-use assets		**315**	399	393
Biological assets		**32**	23	31
Investments held by environmental trust		**753**	717	795
Investment in associate and joint ventures		**50**	—	50
Long-term prepayments and other receivables		**165**	198	166
Inventories	4	**5,510**	3,994	4,349
Deferred tax assets		**—**	—	1
Non-current assets		**51,212**	45,529	49,018
Inventories	4	**6,921**	6,083	6,781
Trade and other receivables		**7,409**	7,811	7,366
Current tax asset		**609**	—	793
Cash and cash equivalents	5	**17,916**	41,104	17,925
Current assets		**32,855**	54,998	32,865
Total assets		**84,067**	100,527	81,883
EQUITY				
Shareholders' equity		**46,574**	57,477	44,617
Non-controlling interests		**14,458**	17,788	13,841
Total equity		**61,032**	75,265	58,458
LIABILITIES				
Lease liabilities		**184**	305	275
Provisions		**2,730**	2,779	2,595
Deferred tax liabilities		**10,833**	9,842	10,526
Non-current liabilities		**13,747**	12,926	13,396
Lease liabilities		**156**	122	146
Provisions		**196**	423	221
Trade and other payables		**8,369**	6,508	9,011
Contract liabilities		**430**	181	389
Current tax liabilities		**137**	5,102	262
Current liabilities		**9,288**	12,336	10,029
Total liabilities		**23,035**	25,262	23,425
Total equity and liabilities		**84,067**	100,527	81,883

Condensed consolidated statement of profit or loss

for the period ended

Rand million	Notes	**Reviewed six months 30 June 2022**	Reviewed six months 30 June 2021	Audited 12 months 31 December 2021
Revenue	7	**42,977**	63,616	102,092
Operating expenses	8	**(22,292)**	(21,631)	(42,441)
Expected credit losses on financial assets		**(104)**	(61)	(143)
Operating profit		**20,581**	41,924	59,508
Finance income		**162**	405	779
Finance costs		**(153)**	(141)	(285)
Profit before taxation		**20,590**	42,188	60,002
Taxation		**(5,437)**	(11,567)	(16,345)
Profit for the period		**15,153**	30,621	43,657
Attributable to:				
Owners of Kumba		**11,554**	23,353	33,266
Non-controlling interests		**3,599**	7,268	10,391
		15,153	30,621	43,657
Earnings per share attributable to the ordinary equity holders of Kumba (Rand per share)				
Basic		**36.00**	72.82	103.67
Diluted		**35.92**	72.60	103.37

Condensed consolidated statement of other comprehensive income

for the period ended

Rand million	Reviewed six months 30 June 2022	Reviewed six months 30 June 2021	Audited 12 months 31 December 2021
Profit for the period	**15,153**	30,621	43,657
Other comprehensive income/(loss) for the period	**307**	(46)	827
Exchange differences on translation of foreign operations[1]	**307**	(46)	827
Total comprehensive income for the period	**15,460**	30,575	44,484
Attributable to:			
Owners of Kumba	**11,788**	23,318	33,897
Non-controlling interests	**3,672**	7,257	10,587
	15,460	30,575	44,484

[1] There is no tax attributable to items included in other comprehensive income and all items will be subsequently reclassified to profit or loss.

Condensed consolidated statement of changes in equity

for the period ended

Rand million	Notes	Reviewed six months 30 June 2022	Reviewed six months 30 June 2021	Audited 12 months 31 December 2021
Total equity at the beginning of the period		**58,458**	62,190	62,190
Changes in share capital and premium				
Treasury shares issued to employees under employee share incentive schemes		**71**	49	148
Purchase of treasury shares		**(128)**	(84)	(220)
Changes in reserves				
Equity-settled share-based payments		**112**	98	212
Vesting of shares under employee share incentive schemes		**(64)**	(49)	(148)
Total comprehensive income for the period		**11,788**	23,318	33,897
Dividends paid		**(9,824)**	(13,302)	(36,718)
Changes in non-controlling interests				
Total comprehensive income for the period		**3,672**	7,257	10,587
Dividends paid		**(3,053)**	(4,212)	(11,490)
Total equity at the end of the period		**61,032**	75,265	58,458
Comprising:				
Share capital and premium (net of treasury shares)	6	**(247)**	(153)	(190)
Share capital		**3**	3	3
Share premium		**364**	364	364
Treasury shares		**(614)**	(520)	(557)
Equity-settled share-based payment reserve		**349**	304	323
Foreign currency translation reserve		**2,023**	1,123	1,789
Retained earnings		**44,449**	56,203	42,695
Shareholders' equity		**46,574**	57,477	44,617
Non-controlling interests		**14,458**	17,788	13,841
Total equity at the end of the period		**61,032**	75,265	58,458
Dividend declared (Rand per share)				
Interim[1]		**28.70**	72.70	72.70
Final		**n/a**	n/a	30.50
Total		**28.70**	72.70	103.20

[1] The interim dividend was declared after 30 June 2022 and has not been recognised as a liability in this interim financial report. It will be recognised in shareholders' equity for the year ending 31 December 2022. Refer to note 15.

Condensed consolidated statement of cash flows

for the period ended

Rand million	Notes	Reviewed six months 30 June 2022	Reviewed six months 30 June 2021	Audited 12 months 31 December 2021
Cash receipts from customers		42,935	64,560	103,644
Cash paid to suppliers and employees		(19,479)	(18,822)	(38,674)
Cash generated from operations		23,456	45,738	64,970
Finance income received		162	405	751
Finance expenses paid		(111)	(118)	(175)
Taxation paid		(5,064)	(6,826)	(16,602)
Cash flows from operating activities		18,443	39,199	48,944
Additions to property, plant and equipment		(5,515)	(3,049)	(6,253)
Proceeds from disposal of property, plant and equipment		22	2	44
Acquisition of interest in an associate		–	(50)	(50)
Acquisition of financial asset at fair value through profit and loss		–	(10)	(10)
Cash flows utilised in investing activities		(5,493)	(3,107)	(6,269)
Purchase of treasury shares		(128)	(84)	(220)
Dividends paid to owners of Kumba		(9,824)	(13,302)	(36,718)
Dividends paid to non-controlling shareholders		(3,053)	(4,212)	(11,490)
Payment of lease liabilities		(87)	(63)	(139)
Cash flows utilised in financing activities		(13,092)	(17,661)	(48,567)
Net (decrease)/increase in cash and cash equivalents		(142)	18,431	(5,892)
Cash and cash equivalents at beginning of the period		17,925	22,707	22,707
Foreign currency exchange gains/(losses) on cash and cash equivalents		133	(34)	1,110
Cash and cash equivalents at end of the period	5	17,916	41,104	17,925

Headline earnings

for the period ended

Rand million	**Reviewed six months 30 June 2022**	Reviewed six months 30 June 2021	Audited 12 months 31 December 2021
Reconciliation of headline earnings			
Profit attributable to owners of Kumba	**11,554**	23,353	33,266
Net loss/(gain) on disposal and scrapping of property, plant and equipment	**75**	(24)	(10)
	11,629	23,329	33,256
Taxation effect of adjustments	**(21)**	7	3
Non-controlling interests in adjustments	**(13)**	4	1
Headline earnings	**11,595**	23,340	33,260
Headline earnings (Rand per share)			
Basic	**36.13**	72.78	103.65
Diluted	**36.04**	72.56	103.35
The calculation of basic and diluted earnings and headline earnings per share is based on the weighted average number of ordinary shares in issue as follows:			
Weighted average number of ordinary shares	**320,903,041**	320,678,955	320,881,702
Diluted weighted average number of ordinary shares	**321,696,885**	321,643,280	321,827,001

The dilution adjustment of 793,844 shares at 30 June 2022 (30 June 2021: 964,325 and 31 December 2021: 945,299) is as a result of the share options granted under the various employee share incentive schemes.

Notes to the reviewed condensed consolidated financial statements

for the six months ended 30 June 2022

1. Corporate information

Kumba Iron Ore Limited (Kumba) is a limited liability company incorporated and domiciled in South Africa. The main business of Kumba, its subsidiaries, joint ventures and associates (the group) is the exploration, extraction, beneficiation, marketing, sale and shipping of iron ore. The group is listed on the Johannesburg Stock Exchange Limited (JSE).

The condensed consolidated interim financial statements of Kumba and its subsidiaries for the six months ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 25 July 2022.

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared under the supervision of BA Mazarura CA(SA), Chief Financial Officer, in accordance with the requirements of IAS 34 *Interim Financial Reporting*, the South African Companies Act No 71 of 2008 (as amended), the South African Institute of Chartered of Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by Financial Reporting Standards Council and in compliance with the Listing Requirements of the JSE for interim reports.

The condensed consolidated interim financial statements have been prepared in accordance with the historical cost convention except for certain financial instruments, share-based payments, and biological assets which are stated at fair value, and are presented in Rand, which is Kumba's functional and presentation currency. All financial information presented in Rand has been rounded off to the nearest million.

2.1 Impact of the Covid-19 pandemic and the conflict in Ukraine

The group has considered the impact of the Covid-19 pandemic and the conflict in Ukraine on each of its significant accounting judgements and estimates. The group's principal source of estimation uncertainty continues to be in relation to assumptions used for the assessment of impairment of non-current assets where indicators of impairment are identified. No further significant estimates have been identified as a result of the Covid-19 pandemic or the conflict in Ukraine, although these factors have increased the level of uncertainty inherent in all future cash flow forecasts.

The iron ore price and Rand/US$ exchange rate assumptions used to forecast future cash flows for impairment assessment purposes have been updated to consider both the short-term observable impact of the Covid-19 pandemic and the conflict in Ukraine and the forecast medium and longer-term impact on the world economy and commodity prices. No impairment indicators have been identified for the group's non-current assets.

Notes to the reviewed condensed consolidated financial statements continued

for the six months ended 30 June 2022

2. Basis of preparation continued

2.2 Going concern

The financial position of the group, its cash flows, liquidity position and borrowing facilities are set out in the group's condensed consolidated interim results for the six months ended 30 June 2022. The group ended the period in a cash position of R17.9 billion (30 June 2021: R41.1 billion and 31 December 2021: R17.9 billion). Further analysis of the cash position and details of facilities are set out in note 5.

The Board has considered the group's cash flow forecasts for the period to the end of 31 December 2023 under base case and downside scenarios, with consideration given to the uncertainty of the impact of the Covid-19 pandemic and the conflict in Ukraine on both the wider macroeconomic environment and the group's operations. In the scenarios modelled, the group maintains sufficient liquidity throughout the period of assessment without the introduction of further mitigating actions.

The Board is satisfied that the group's forecasts and projections, taking into account reasonable possible changes in trading performance, indicate that the group's liquidity position is sufficient to sustain its operations for the foreseeable future. Furthermore, the group's current debt facilities are available for use in the foreseeable future. For this reason, the group continues to adopt the going-concern basis in the preparation of its financial statements, including these condensed consolidated interim financial statements.

2.3 Accounting judgements, estimates and assumptions

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the consolidated financial statements for the year ended 31 December 2021, except as disclosed below.

2.4 Accounting policies

The accounting policies and methods of computation applied in the preparation of these condensed consolidated interim financial statements are in terms of International Financial Reporting Standards (IFRS) and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

2.4.1 New standards effective for annual periods beginning on or after 1 January 2022

No new standards, amendments to published standards and interpretations, which became effective for the year commencing on 1 January 2022 had an impact on the group's accounting policies.

2.4.2 New standards, amendments to existing standards and interpretations not yet effective

The group did not early adopt any new, revised or amended accounting standards or interpretations. These accounting standards, amendments to issued accounting standards and interpretations are not expected to have a material impact on the group's financial results.

2. Basis of preparation continued

2.5 Significant accounting estimates and assumptions

2.5.1 Change in estimate of environmental rehabilitation and decommissioning provisions

The measurement of the environmental rehabilitation and decommissioning provisions is a key area where management's judgement is required. Closure provisions are measured at the present value of the expected future cash flows required to perform the rehabilitation and decommissioning. This calculation requires the use of certain estimates and assumptions when determining the amount and timing of the future cash flows and the discount rate. Closure provisions are updated at each reporting period date for changes in these estimates.

The life-of-mine plans on which accounting estimates are based only include proved and probable ore reserves as disclosed in Kumba's 2021 annual ore reserves and mineral resources statement. The most significant changes in the provision for the period arose from inflationary changes.

Regular reviews of discount rates are conducted to ensure that an appropriate measurement of the discounted amount for financial provisioning at each reporting date. At 30 June 2022, the discount rate for Sishen was 4.3% (30 June 2021: 4.1% and 31 December 2021: 4.3%) and 3.7% for Kolomela mine (30 June 2021: 4.1% and 31 December 2021: 3.7%), in real terms.

The effect of the change in estimate of the rehabilitation and decommissioning provisions is detailed below.

Rand million	**Reviewed six months 30 June 2022**	Reviewed six months 30 June 2021	Audited 12 months 31 December 2021
Increase/(decrease) in environmental rehabilitation provision	**126**	116	(14)
Increase/(decrease) in decommissioning provision	**20**	27	(35)
Decrease/(increase) in profit after tax attributable to the owners of Kumba	**69**	54	(40)
Rand per share			
Decrease/(increase) in earnings per share attributable to the owners of Kumba	**0.22**	0.17	(0.12)

The change in estimate of the decommissioning provision has been capitalised to the related property, plant and equipment and, as a result, had an insignificant effect on profit or earnings per share.

2. Basis of preparation continued

2.5 Significant accounting estimates and assumptions continued

2.5.2 Change in estimate of inventory valuation

As previously reported in 2021, the feasibility study for the ultra-high dense media separation (UHDMS) technology completed during 2021 indicates that certain material that was previously classified as waste and therefore no value ascribed to it, can now be processed into saleable product and has therefore been recognised as inventory in the statement of financial position. However, the portion of this material that was mined before the completion of the feasibility study has no value ascribed to it on the statement of financial position. Historically these stockpiles had not expected to be processed, due to the limited processing capacity, for the determination of normal production capacity in terms of IAS 2 *Inventories*.

The group reassessed the valuation methodology for work-in-progress (WIP) inventories to ensure that costs are appropriately allocated to WIP and finished product inventories. As a result, the cost allocation method was changed from a standard costing method to a yield-based method.

The financial impact of this change is summarised below:

Rand million	Amount before change	Impact of change Increase/ (decrease)	**Amount after change**
Impact on the statement of financial position:			
WIP inventory[1]	8,114	388	**8,502**
Finished product inventory	2,284	9	**2,293**
Deferred stripping[2]	1,310	(111)	**1,199**
Total	11,708	286	**11,994**
Impact on the statement of profit and loss:			
Net increase in WIP and finished product inventories			**397**
Decrease in deferred stripping			**(111)**
Net increase in profit after tax attributable to the owners of Kumba			**157**
Rand per share			
Net increase in earnings per share attributable to the owners of Kumba			**0.49**

[1] The net increase in inventory of R388 million includes R991 million in respect of the capitalisation of the lower grade ore which can now be processed as a result of the UHDMS technology, offset by a decrease of R603 million due to a change in valuation on existing inventory.

[2] The reclassification of the new WIP material from waste to ore has resulted in a change in stripping ratios of certain components from which the new WIP material was mined. Thus, the capitalised stripping costs has decreased during the period.

3. Property, plant and equipment

Rand million	**Reviewed 30 June 2022**	Reviewed 30 June 2021	Audited 31 December 2021
Capital expenditure	**3,644**	2,366	8,008
Comprising:			
Expansion	**1,233**	585	2,566
Stay-in-business (SIB)	**1,212**	839	3,717
Deferred stripping	**1,199**	942	1,725
Decrease/(increase) in capital creditors[1]	**1,871**	683	(1,755)
Additions to property, plant and equipment per statement of cash flows	**5,515**	3,049	6,253
Transfers from assets under construction to property, plant and equipment	**416**	307	1,727

[1] This amount relates to capital expenditure incurred during the period which had not been paid as at the reporting date, net of any prior year capital expenditure paid during the period.

Expansion capital expenditure comprised mainly of the expenditure incurred on the UHDMS project, Kapstevel South project, and on the P101 efficiency programme. SIB capital expenditure represents spend on capital spares, mining fleet replacement, plant and infrastructure upgrades to sustain our business.

4. Inventory

Rand million	**Reviewed 30 June 2022**	Reviewed 30 June 2021	Audited 31 December 2021
Finished product	**2,293**	2,483	2,563
WIP	**8,502**	5,767	6,859
Plant spares and stores	**1,636**	1,827	1,708
Total inventories	**12,431**	10,077	11,130
Non-current portion of WIP inventories	**5,510**	3,994	4,349
Current portion of inventories	**6,921**	6,083	6,781
Total inventories	**12,431**	10,077	11,130

Total inventory write-down of R227 million (30 June 2021: R83 million and 31 December 2021: R170 million) has been recognised in the statement of profit or loss (refer to note 8), consisting of R195 million for WIP inventories and R32 million for plant spares and stores.

No inventories were encumbered during the year.

WIP inventory that will not be processed within the next 12 months is presented as non-current. WIP inventory at 30 June 2022 includes material recognised for the first time on the statement of financial position as noted in 2.5.2 above. This material is expected to be processed after 12 months from the reporting date.

Notes to the reviewed condensed consolidated financial statements continued

for the six months ended 30 June 2022

5. Cash and cash equivalents and debt facilities

Rand million	**Reviewed 30 June 2022**	Reviewed 30 June 2021	Audited 31 December 2021
Cash and cash equivalents	**17,916**	41,104	17,925

Included in cash and cash equivalents is an amount of R3,725 million (30 June 2021: R2,947 million and 31 December 2021: R2,857 million) which is restricted as it is required to be held at trading exchanges to cover initial margins under derivative contracts.

Other short-term deposits of R13,353 million (30 June 2021: R36,406 million and 31 December 2021: R13,575 million), included in cash and equivalents, were placed with subsidiaries of the ultimate holding company during the period under review. The group also held deposits amounting to R373 million (30 June 2021: R306 million and 31 December 2021: R357 million) which are subject to statutory restrictions and are therefore not available for general use by the group.

The group's debt facilities consist of the following:

- SIOC's committed facility of R8 billion (30 June 2021: R8 billion and 31 December 2021: R8 billion) revolving credit facility, which matures in 2024. These debt facilities also include uncommitted facilities of R8.2 billion (30 June 2021: R8.2 billion and 31 December 2021: R8.2 billion), which are placed with a subsidiary of the ultimate holding company. The committed and uncommitted facilities were undrawn at 30 June 2022, 30 June 2021 and 31 December 2021.
- Committed revolving credit facilities of US$700 million (R11,466 million), which were concluded by SIOC's subsidiaries' (Kumba International Trading Limited and Kumba Singapore Pte. Limited) during the period to fund their working capital requirements. These debt facilities, which also include uncommitted facilities of US$600 million (R9,828 million), placed with a subsidiary of the ultimate holding company, are reviewed on an annual basis. SIOC, being the parent company, has extended guarantees in favour of the lender for amounts drawn under these facilities, up to a maximum of US$820 million (R13,432 million) (refer to note 14). The committed and uncommitted facilities were undrawn at 30 June 2022.

6. Share capital and share premium

Reconciliation of share capital and share premium (net of treasury shares):

Rand million	**Reviewed 30 June 2022**	Reviewed 30 June 2021	Audited 31 December 2021
Balance at the beginning of the period	**(190)**	(118)	(118)
Net movement in treasury shares under employee share incentive schemes	**(57)**	(35)	(72)
Purchase of treasury shares	**(128)**	(84)	(220)
Treasury shares issued to employees	**71**	49	148
Balance at the end of the period	**(247)**	(153)	(190)

Reconciliation of number of shares in issue:

	Reviewed 30 June 2022	Reviewed 30 June 2021	Audited 31 December 2021
Balance at the beginning and the end of the period	**322,085,974**	322,085,974	322,085,974
Reconciliation of treasury shares held:			
Balance at the beginning of the period	**1,202,700**	1,486,238	1,486,238
Shares purchased	**208,873**	129,992	306,197
Shares issued to employees under the Bonus Share Plan, Bonus and Retention Share Plan, Long-Term Incentive Plan, Performance Share Plan and the SIOC Employee Benefit Scheme	**(255,380)**	(255,580)	(589,735)
Balance at the end of the period	**1,156,193**	1,360,650	1,202,700

All treasury shares are held as conditional awards under the Bonus Share Plan, Bonus and Retention Share Plan, Performance Share Plan, Long-Term Incentive Plan and the SIOC Employee Benefit Scheme.

Notes to the reviewed condensed consolidated financial statements continued

for the six months ended 30 June 2022

7. Revenue

Rand million	Reviewed six months 30 June 2022	Restated Reviewed six months 30 June 2021	Audited 12 months 31 December 2021
Sale of iron ore	**39,813**	50,243	93,570
Services rendered - shipping	**3,643**	2,573	6,969
Total revenue from contracts with customers	**43,456**	52,816	100,539
Revenue from other sources[1]	**(479)**	10,800	1,553
Total revenue	**42,977**	63,616	102,092
Geographical analysis of revenue from contracts with customers:			
Domestic – South Africa	**—**	235	237
Export	**43,456**	52,581	100,302
China	**18,538**	23,215	38,249
Rest of Asia	**10,272**	12,732	28,007
Europe	**14,276**	16,505	33,718
Rest of Africa	**370**	129	132
Americas	**—**	—	196
Total revenue from contracts with customers	**43,456**	52,816	100,539

[1] Revenue from other sources comprises net losses on financial instruments of R597 million (30 June 2021: net gain of R7,232 million and 31 December 2021: net loss of R164 million) and subsequent movements in provisionally-priced sales of R118 million (net gain) (30 June 2021: net gain of R3,568 million (restated) and 31 December 2021: net gain of R1,717 million).

Revenue from contracts with customers comprises sale of iron ore and shipping services rendered.

The presentation of certain iron ore provisional-pricing adjustments classified as revenues with customers for the period ended 30 June 2021 has been corrected by reclassifying R1,770 million from revenue from contracts with customers to revenue from other sources.

7. Revenue continued

The impact of the reclassification is shown below:

Rand million	Reported six months 30 June 2021	Impact increase/ (decrease)	Restated six months 30 June 2021
Sale of iron ore	52,013	(1,770)	50,243
Services rendered – shipping	2,573	—	2,573
Total revenue from contracts with customers	54,586	(1,770)	52,816
Revenue from other sources	9,030	1,770	10,800
Total revenue as per statement of profit or loss	63,616	—	63,616
Geographical analysis of revenue from contracts with customers			
Domestic – South Africa	235	—	235
Export	54,351	(1,770)	52,581
China	27,762	(4,547)	23,215
Rest of Asia	9,093	3,639	12,732
Europe	17,269	(764)	16,505
Rest of Africa	129	—	129
Americas	98	(98)	—
Total revenue from contracts with customers	54,586	(1,770)	52,816

Notes to the reviewed condensed consolidated financial statements continued

for the six months ended 30 June 2022

7. Revenue continued

Disaggregation of revenue from contracts with customers:

	Products		Services	
Rand million	Sishen mine	Kolomela mine	Shipping operations	Total
30 June 2022				
Total segment revenue (Refer to note 10)	**28,068**	**11,266**	**3,643**	**42,977**
Revenue from other sources	**338**	**141**	**—**	**479**
Revenue from contracts with customers	**28,406**	**11,407**	**3,643**	**43,456**
30 June 2021 (restated)				
Total segment revenue (Refer to note 10)	43,349	17,694	2,573	63,616
Revenue from other sources	(7,541)	(3,259)	—	(10,800)
Revenue from contracts with customers	35,808	14,435	2,573	52,816
31 December 2021				
Total segment revenue (Refer to note 10)	67,612	27,511	6,969	102,092
Revenue from other sources	(1,079)	(474)	—	(1,553)
Revenue from contracts with customers	66,533	27,037	6,969	100,539

8. Operating expenses

Operating expenses are made up as follows:

Rand million	Reviewed six months 30 June 2022	Restated Reviewed six months 30 June 2021	Audited 12 months 31 December 2021
Costs by nature:			
Raw materials and consumables[5]	**1,197**	914	2,178
Net movement in finished product and WIP inventories[5]	**(1,568)**	(489)	(1,701)
Inventory write-down to net realisable value	**227**	83	170
Contractors' expenses	**2,443**	1,939	4,305
Deferred waste stripping costs[1]	**(1,199)**	(942)	(1,725)
Staff costs	**3,050**	2,826	5,620
Employee expenses	**2,916**	2,506	5,312
Termination benefits	**16**	228	84
Share-based payment expenses	**118**	92	224
Mineral royalty	**1,884**	3,113	4,171
Transportation and selling costs	**3,585**	3,409	7,068
Shipping services rendered	**3,437**	2,487	6,464
Sub-lease rent received	**(24)**	(21)	(44)
Depreciation of property, plant and equipment[2]	**2,496**	2,442	5,050
Repairs and maintenance	**1,650**	1,486	3,020
Legal fees	**13**	10	15
Professional fees	**147**	89	203
Audit fees	**5**	6	13
Insurance costs	**85**	83	170
Technical services and project studies	**91**	71	25
Lease expenses	**606**	576	659
Other expenses[3, 5]	**1,604**	1,678	2,700
Petroleum products	**1,776**	1,110	2,530
Energy costs	**266**	239	521
Own work capitalised	**(9)**	(24)	(129)
Corporate costs	**554**	485	953
Net loss/(gain) on disposal and scrapping of property, plant and equipment	**75**	(24)	(10)
Net finance (gains)/losses	**(99)**	85	215
Net foreign currency (gains)/losses	**(142)**	146	375
Net fair value losses/(gains) on financial assets measured at fair value through profit or loss[4]	**43**	(61)	(160)
Total operating expenses	**22,292**	21,631	42,441

[1] This relates to stripping costs capitalised during the period. Refer to note 3.
[2] This includes R83 million in respect of right-of-use assets (30 June 2021: R70 million and 31 December 2021: R147 million).
[3] The description was changed from 'general expenses' to 'other expenses' to align to the nature of the expenses. Other expenses includes administrative expenses and environmental rehabilitation costs.
[4] This includes a R41 million fair value loss (30 June 2021: R61 million gain and 31 December 2021: R140 million gain) on investments held by the environmental trust and a R2 million loss (30 June 2021: R1 million loss and 31 December 2021: R19 million gain) on a loan receivable.
[5] The amount for the period ended 30 June 2021 has changed to reflect the reclassifications as noted on page 36.

Notes to the reviewed condensed consolidated financial statements continued

for the six months ended 30 June 2022

8. Operating expenses continued

The prior year's presentation of net movement in finished product and WIP inventories as well as raw materials and consumables for the period ended 30 June 2021 has been corrected by reclassifying R1,225 million and R212 million respectively to other expenses. The impact of the reclassification is shown below:

Rand million	Reported six months 30 June 2021	Impact increase/ (decrease)	Restated six months 30 June 2021
Net movement in finished product and WIP inventories	736	(1,225)	(489)
Raw materials and consumables	1,126	(212)	914
Other expenses	241	1,437	1,678
Total	2,103	—	2,103

9. Taxation

The group's effective tax rate was 26% for the period (30 June 2021: 27% and 31 December 2021: 27%).

The group has noted the decrease in the South African corporate tax rate from 28% to 27% and the limitation on future utilisation of assessed losses to 80% of taxable income, both effective from 1 April 2023, as announced in February 2022. The change in the tax rate has resulted in deferred tax for the period being recognised at 27%.

10. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Kumba Executive Committee.

The Kumba Executive Committee considers the business principally according to the nature of the products and services provided, with the identified segments each representing a strategic business unit. 'Other segments' comprise corporate, administration and other expenditure not allocated to the reported segments.

The total reported segment revenue comprise revenue from external customers, and is measured in a manner consistent with that disclosed in the statement of profit or loss. The performance of the operating segments is assessed based on earnings before interest, tax, depreciation and amortisation (EBITDA), which is considered a more appropriate measure of profitability for the group's business. Finance income and finance costs are not allocated to segments, as treasury activity is managed on a central group basis.

Total segment assets comprise finished goods and WIP inventory only, which is allocated based on the operations of the segment and the physical location of the asset.

Depreciation, staff costs, and additions to property, plant and equipment are not reported to the CODM per segment, but are significant items which are included in EBITDA and/or reported on for the group as a whole.

10. Segmental reporting continued

Rand million	Products[1] Sishen mine	Kolomela mine	Services Logistics[2]	Shipping operations	Other	Total
Reviewed period ended 30 June 2022						
Statement of profit or loss						
Total external revenue	**28,068**	**11,266**	**–**	**3,643**	**–**	**42,977**
EBITDA	**19,572**	**7,915**	**(3,582)**	**206**	**(1,034)**	**23,077**
Significant items included in statement of profit or loss:						
Depreciation	**1,632**	**748**	**3**	**–**	**113**	**2,496**
Staff costs	**1,766**	**682**	**24**	**–**	**578**	**3,050**
Statement of financial position						
Total segment assets	**6,128**	**4,369**	**298**	**–**	**–**	**10,795**
Statement of cash flows						
Additions to property, plant and equipment						
Expansion	**1,764**	**350**	**–**	**–**	**–**	**2,114**
SIB	**1,259**	**943**	**–**	**–**	**–**	**2,202**
Deferred stripping	**738**	**461**	**–**	**–**	**–**	**1,199**
Reviewed period ended 30 June 2021						
Statement of profit or loss						
Total external revenue	43,349	17,694	–	2,573	–	63,616
EBITDA	33,882	14,141	(3,405)	86	(338)	44,366
Significant items included in statement of profit or loss:						
Depreciation	1,598	746	4	–	94	2,442
Staff costs	1,653	596	22	–	555	2,826
Statement of financial position						
Total segment assets	3,676	3,712	862	–	–	8,250
Statement of cash flows						
Additions to property, plant and equipment						
Expansion	463	159	–	–	–	622
SIB	1,035	450	–	–	–	1,485
Deferred stripping	437	505	–	–	–	942

[1] Derived from extraction, production and selling of iron ore.
[2] No revenue is reported for this segment as its performance is reviewed with reference to volumes railed and rail tariffs achieved by the mines.

Notes to the reviewed condensed consolidated financial statements continued

for the six months ended 30 June 2022

10. Segmental reporting continued

Rand million	Products[1]		Services			
	Sishen mine	Kolomela mine	Logistics[2]	Shipping operations	Other	Total
Audited year ended 31 December 2021						
Statement of profit or loss						
Total external revenue	67,612	27,511	–	6,969	–	102,092
EBITDA	51,446	21,254	(7,060)	505	(1,587)	64,558
Significant items included in statement of profit or loss:						
Depreciation	3,327	1,521	8	–	194	5,050
Staff costs	3,141	1,179	37	–	1,263	5,620
Statement of financial position						
Total segment assets	4,857	4,082	483	–	–	9,422
Statement of cash flows						
Additions to property, plant and equipment						
Expansion	988	400	–	–	–	1,388
SIB	2,290	848	–	–	2	3,140
Deferred stripping	814	911	–	–	–	1,725

[1] Derived from extraction, production and selling of iron ore.

[2] No revenue is reported for this segment as its performance is reviewed with reference to volumes railed and rail tariffs achieved by the mines.

Reconciliation of reportable segments' assets to inventories

Rand million	Note	Reviewed 30 June 2022	Reviewed 30 June 2021	Audited 31 December 2021
Inventories				
Finished product		**2,293**	2,483	2,563
WIP		**8,502**	5,767	6,859
Segment assets		**10,795**	8,250	9,422
Plant spares and stores		**1,636**	1,827	1,708
Balance per statement of financial position	4	**12,431**	10,077	11,130

10. Segmental reporting continued

Geographical analysis of total external revenue

Rand million	Note	**Reviewed six months 30 June 2022**	Reviewed six months 30 June 2021	Audited 12 months 31 December 2021
Domestic – South Africa		**—**	235	237
Export		**42,977**	63,381	101,855
China		**18,128**	32,434	43,257
Rest of Asia		**10,272**	10,337	24,645
Europe		**14,207**	20,383	33,627
Rest of Africa		**370**	129	131
Americas		**—**	98	195
Total external revenue		**42,977**	63,616	102,092

All non-current assets, excluding investments in associates and joint ventures, are located in South Africa.

Reconciliation of operating profit to EBITDA

Rand million	**Reviewed six months 30 June 2022**	Reviewed six months 30 June 2021	Audited 12 months 31 December 2021
Operating profit per statement of profit or loss	**20,581**	41,924	59,508
Add back:			
Depreciation	**2,496**	2,442	5,050
EBITDA	**23,077**	44,366	64,558

Notes to the reviewed condensed consolidated financial statements continued

for the six months ended 30 June 2022

11. Related party transactions

During the period, the Company and its subsidiaries, in the ordinary course of business, entered into various sales and purchases of goods and services transactions with the group's associates, joint ventures, fellow subsidiaries, its holding company and Exxaro Resources Limited[3].

Rand million	Reviewed six months 30 June 2022	Reviewed six months 30 June 2021	Audited 12 months 31 December 2021
Anglo American SA Finance Limited[1]			
Short-term deposits held with Anglo American SA Finance Limited			
– Deposit	**6,658**	29,929	3,717
– Weighted average interest rate (%)	**4.49**	3.67	3.76
Interest on short-term deposits earned during the period	**132**	389	736
Interest receivable	**46**	96	36
Uncommitted facilities with Anglo American SA Finance Limited	**18,028**	8,200	8,200
Anglo American Capital plc[1]			
Short-term deposit held with Anglo American Capital plc			
– Deposit	**6,695**	6,477	9,858
Interest on short-term deposits earned during the period	**9**	*	*
Anglo Corporate Services South Africa Proprietary Limited[1]			
Purchase of goods and services: Corporate operations (including shared services)	**301**	389	517
Insurance receivable owed to Anglo Corporate Services	**46**	—	36
Trade payable owed by Anglo Corporate Services	**769**	381	778
Long-term receivables owed to Anglo Corporate Services	**130**	80	80

11. Related party transactions continued

Rand million	Reviewed 30 June 2022	Reviewed 30 June 2021	Audited 31 December 2021
Anglo American Marketing Limited[1]			
Cash and cash equivalents held with Anglo American Marketing Limited	**3,725**	2,947	2,857
Trade payable owed to Anglo American Marketing Limited	**–**	78	–
Trade receivable owed by Anglo American Marketing Limited	**324**	491	369
Sale of goods to Anglo American Marketing Limited	**792**	587	926
Purchases of goods and services from Anglo American Marketing Limited	**171**	–	134
Shipping services provided by Anglo American Marketing Limited	**–**	488	804
Anglo American Shipping Pte. Limited[1]			
Shipping services provided by Anglo American Shipping Pte. Limited	**3,437**	1,999	5,856
Trade payable owing to Anglo American Shipping Pte. Limited	**126**	105	152
Anglo South Africa Proprietary Limited[2]			
Dividends paid to Anglo South Africa Proprietary Limited	**6,848**	9,273	25,597
Exxaro Resources Limited[3]			
Dividends paid to Exxaro Resources Limited	**2,655**	3,663	9,991
Purchase of goods and services	**5**	7	10

* Amount is less than R1 million.

[1] Subsidiaries of the ultimate holding company, Anglo American plc.

[2] Holding company.

[3] Exxaro Resources Limited is SIOC's 20.62% (30 June 2021 and 31 December 2021: 20.62%) Black Economic Empowerment shareholder.

Notes to the reviewed condensed consolidated financial statements continued

for the six months ended 30 June 2022

12. Fair value estimation

The carrying value of financial instruments not carried at fair value approximates fair value because of the short period to maturity or as a result of market-related variable interest rates.

The table below presents the group's financial assets and liabilities that are measured at fair value:

Rand million	Level 1[1]	Level 2[2]	Level 3[3]
Reviewed six months – 30 June 2022			
Investments held by the environmental trust	**—**	**753**	**—**
Long-term other receivable	**—**	**—**	**52**
Investment in associate	**—**	**—**	**50**
Equity investments at fair value through profit or loss	**—**	**—**	**10**
Trade receivables[4]	**—**	**4,284**	**—**
	—	**5,037**	**112**
Reviewed six months – 30 June 2021			
Investments held by the environmental trust	—	717	—
Long-term other receivable	—	—	35
Equity investments at fair value through profit or loss	—	—	9
Trade receivables[4]	—	5,872	—
	—	6,589	44
Audited 12 months – 31 December 2021			
Investments held by the environmental trust	—	795	—
Long-term other receivable	—	—	54
Investment in associate	—	—	50
Equity investments at fair value through profit or loss	—	—	10
Trade receivables[4]	—	4,696	—
	—	5,491	114

[1] Level 1 fair value measurements are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

[2] Level 2 fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly (i.e. derived from prices).

[3] Level 3 fair value measurements are derived from valuation techniques where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data. Where inputs can be observed from market data without undue cost or effort, the observed input is used. Otherwise, management determines a reasonable estimate for the input.

[4] This includes provisionally-priced receivables carried at fair value through profit and loss.

12. Fair value estimation continued

The iron ore derivatives and trade receivables are measured at fair value using market-related inputs. The measurement is therefore classified within level 2 of the fair value hierarchy. The inputs used in the model are the forward iron ore price on the inception date as well as the iron ore price on the date the fair value calculation is performed.

There were no transfers during the period ended 30 June 2022, 30 June 2021 and 31 December 2021.

The long-term other receivable relates to exploration projects. The fair value was determined using the market approach which applies available market information of sales transactions for similar recent projects. The significant unobservable inputs used in the valuation model related to the size and grade of the ore deposit determined by geological exploration results.

The equity investment relates to a shareholding in an unlisted company, designated at fair value through profit or loss as per IFRS 9 *Financial Instruments*. The investment's fair value is based on unobservable market data, and estimated with reference to recent third-party transactions in the instruments of the Company.

All the resulting fair value estimates are included in level 2 except for the long-term other receivable, investment in associate and the equity investment at fair value through profit or loss which are level 3 financial assets. The movements in the fair values of the level 3 financial assets are shown as follows:

Rand million	**Reviewed 30 June 2022**	Reviewed 30 June 2021	Audited 31 December 2021
Balance at the beginning of the period	**114**	35	35
Increase in financial assets during the year	**—**	10	60
Fair value (loss)/gain for the period	**(2)**	(1)	19
Balance at the end of the period	**112**	44	114

There were no changes made to any of the valuation techniques applied from 31 December 2021.

Notes to the reviewed condensed consolidated financial statements continued

for the six months ended 30 June 2022

13. Contingent liabilities

As previously reported, during 2018, the South African Revenue Service (SARS) issued the group with additional income tax assessments, covering the 2012 to 2014 years of assessments, relating to a tax audit on the deductibility of certain expenditure incurred. The group objected to these assessments after consultation with external tax and legal advisers. SARS disallowed the objection. On 21 February 2019, the group submitted an appeal against this outcome, which was referred to alternative dispute resolution (ADR) proceedings in an attempt to resolve the matter. The ADR proceedings were terminated on 20 February 2020, after which the group submitted a notice to SARS wherein the group confirmed that it wishes to proceed with the appeal to the Tax Court.

On 18 August 2020, SARS filed its statement of grounds of assessment and opposing appeal, after which the group filed its statement of grounds of appeal on 21 October 2020. The trial commenced during May 2022 and was completed in June 2022. Judgment on this matter is still pending.

On 14 September 2020, SARS informed the group it intends to audit the 2015 to 2018 years of assessments (audit). As the 2015 year of assessment has prescribed, it will be excluded from the audit. The appeal and the audit concern the same subject matter. The result of the appeal is likely to be determinative of a substantial number, if not all, of the issues to be traversed in the audit. SARS has therefore agreed to hold the audit in abeyance pending the outcome of the appeal to the Tax Court.

Based on the external legal and tax advice obtained, the group believes that these matters have been appropriately treated in the results for the year ended 30 June 2022.

14. Guarantees

Total guarantees issued in favour of the Department of Mineral Resources and Energy (DMRE) in respect of the group's environmental closure liabilities at 30 June 2022 were R4.8 billion (30 June 2021: R4.0 billion and 31 December 2021: R4.1 billion). Guarantees in respect of the 2021 shortfall were issued to the DMRE during the period. The undiscounted closure costs increased by R317 million during the period. This, offset by the decrease of R42 million in the trust fund investment, resulted in a shortfall of R392 million (30 June 2021: R138 million and 31 December 2021: R293 million). Shortfalls arising during the year will be addressed after finalisation of the SIOC 2022 annual financial statements, as required by the DMRE.

The group provided guarantees amounting to US$820 million in favour of a subsidiary of the ultimate holding company in relation to the debt facilities provided to SIOC's subsidiaries as detailed in note 5.

15. Events after the reporting period

15.1 Declaration of an interim cash dividend

An interim cash dividend of R28.70 per share was declared by the Board on 25 July 2022 from profits accrued during the period ended 30 June 2022. The estimated total cash flow of the final Kumba dividend, payable on 22 August 2022 is R9.2 billion.

15.2 Replacement employee share ownership plan (ESOP)

SIOC replaced the SIOC Employee Benefit Scheme, Karolo, with a new ESOP. The replacement ESOP, which will be managed under a newly-formed trust, is a hybrid structure which consists of two components:

Vesting component
Similar to the Karolo scheme, participating employees will continue to be awarded Kumba shares valued at an inflation-adjusted equivalent of R20,000 per employee on an annual basis, with a three-year vesting period. The first annual share awards under the replacement ESOP will commence once the Karolo scheme has expired.

Evergreen component
The newly-formed replacement ESOP trust will have a 1.2% interest in SIOC. Participating employees will receive, their pro-rata distribution of any SIOC dividends declared, less applicable administrative costs, on an annual basis.

The replacement ESOP will have no funding requirements attached to it and will be in place over the group's life of mine.

15.3 Debt facilities

SIOC concluded a revolving credit facility arrangement with Anglo American Rand Capital Limited, a subsidiary of the ultimate holding company, to the value of R8 billion. This debt facility will mature in 2024.

There have been no other material events subsequent to 30 June 2022, not otherwise dealt with in this report.

Notes to the reviewed condensed consolidated financial statements continued

for the six months ended 30 June 2022

16. Independent auditor's review report

The auditor, PricewaterhouseCoopers Inc., has issued their unmodified review report on the condensed consolidated interim financial statements for the six months ended 30 June 2022. The review was conducted in accordance with ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.*

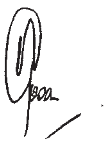
The auditor's report on the condensed consolidated interim financial statements is included on pages 47-48, and a copy of the auditor's report on the condensed consolidated interim financial statements is available for inspection at the Company's registered office.

The auditor's report does not necessarily report on all the information contained in the financial results. Shareholders are therefore advised that in order to obtain a full understanding of the review engagement, they should read the auditor's report, together with the accompanying financial information as included in this booklet.

Attributable free cash flow included in this announcement is a non-IFRS measure and constitutes pro forma financial information, as defined by the JSE Listings Requirements. Such information has been provided only to illustrate the group's ability to generate cash for the period ended 30 June 2022, and may not fairly present the group's financial position, changes in equity, results of operations or cash flows.

Any reference to future financial performance and non-IFRS information included in this announcement is the responsibility of the Company's directors and are presented for illustrative purposes only. Future financial performance and non-IFRS information has not been reviewed or reported on by the group's auditors.

On behalf of the Board



TP Goodlace
Chairman

ND Zikalala
Chief Executive

25 July 2022

Pretoria

Independent auditor's review report on interim financial statements

To the shareholders of Kumba Iron Ore Limited

We have reviewed the condensed consolidated interim financial statements of Kumba Iron Ore Limited in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 June 2022 and the related condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-months then ended, and selected explanatory notes.

Directors' responsibility for the interim financial statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

Independent auditor's review report on interim financial statements continued

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Kumba Iron Ore Limited for the six months ended 30 June 2022 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: CS Masondo

Registered Auditor
Johannesburg, South Africa

25 July 2022

The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the review of the interim financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

Notice of interim cash dividend

At its Board meeting on 25 July 2022, the directors approved a gross interim cash dividend of 2,870 cents per share on the ordinary shares from profits accrued during the period ended 30 June 2022. This is comprised of a gross base dividend of 2,710 cents per share and a gross top-up dividend of 160 cents per share. The dividend has been declared from income reserves.

The dividend will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of withholding tax. The net dividend payable to shareholders after withholding tax at a rate of 20% amounts to 2,296 cents per share, comprised of a net base dividend of 2,168 cents per share and a net top-up dividend of 128 cents per share.

The issued share capital at the declaration date is 322,085,974 ordinary shares.

The salient dates are as follows:

Publication of declaration data	Tuesday, 26 July 2022
Last day for trading to qualify and participate in the interim dividend	Tuesday, 16 August 2022
Trading ex-dividend commences	Wednesday, 17 August 2022
Record date	Friday, 19 August 2022
Dividend payment date	Monday, 22 August 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 August 2022 and Friday, 19 August 2022, both days inclusive.

By order of the Board

F Patel
Company Secretary

26 July 2022

Administration

Registered office

Centurion Gate – Building 2B
124 Akkerboom Road
Centurion, 0157
Republic of South Africa
Tel: +27 12 683 7000
Fax: +27 12 683 7009

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers,
15 Biermann Avenue
Rosebank, 2196, South Africa
Private Bag X9000, Saxonwold, 2132

Sponsor to Kumba

RAND MERCHANT BANK
(A division of FirstRand Bank Limited)

Directors

Non-executive: TP Goodlace (British/South African) (Chairman), MS Bomela, MA Jenkins, NB Langa-Royds, TM Mkhwanazi, SS Ntsaluba, BP Sonjica, MJ Tsele, DG Wanblad

Executive: : ND Zikalala (Chief Executive), BA Mazarura (Zimbabwean) (Chief Financial Officer)

Company Secretary

F Patel

Company registration number

2005/015852/06
Incorporated in the Republic of South Africa

Income tax number

9586/481/15/3

JSE code: KIO
ISIN: ZAE000085346
(Kumba or the Company or the group)

26 July 2022

Forward-looking statements

Certain statements made in this report 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, for example, future plans, present or future events, or strategy that involves 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 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 report speak only as of the date of this report and the Company undertakes no duty to update any of them and will not necessarily do so, in light of new information or future events, except to the extent required by applicable law or regulation.

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