AngloAmerican

KUMBA IRON ORE LIMITED

Audited annual results

for the year ended 31 December 2022

Key features

Safety and sustainability focus

Over **six years** of fatality-free production to end of 2022

Zero new cases of occupational diseases

Over **seven years** without any level 3-5 environmental incidents

R63.3 billion of shared value created

Resilient financial performance

Average realised FOB export price of **US$113/wmt** 13% above benchmark

Cost savings of **R1.1 billion**, R5.2 billion saved since 2018

Resilient adjusted EBITDA[1] margin of **50%**, down from 63%

Closing net cash[1] of **R9.3 billion**

Balanced capital allocation

Attributable free cash flow[1] of **R10.4 billion**, 66% lower

ROCE of **76%**, down from 147%

Final cash dividend of **R16.30** per share, total cash dividends for 2022 of R45.00 per share

[1] This constitutes pro forma financial information in terms of the Listings Requirements of the JSE Limited and should be read in conjunction with basis of preparation, refer to supplementary non-IFRS financial measures on pages 61 and 62.

Production and sales volumes, iron ore prices and C1 costs are reported in wmt. Kumba's product has approximately 1.6% moisture.

– **Our website provides more information on our Company and its performance:** www.angloamericankumba.com

Commentary

Building a more resilient and sustainable future for our business

Mpumi Zikalala, Chief Executive of Kumba, said:

"Kumba delivered adjusted earnings before interest, tax, depreciation and amortisation* (EBITDA) of R37.3 billion and attributable free cash flow of R10.4 billion while mining sustainably and continuing to prioritise the safety and health of our people as we marked over six years of fatality-free production during the period under review.

"Regrettably subsequent to the period under review, on 13 February 2023, Nico Molwagae, a drilling assistant employed by our service partner was fatally injured at our Kolomela mine. Our thoughts and prayers are with Nico's family, friends and colleagues during this difficult time. We are devastated as our sacred covenant is that our colleagues should return home safely every day. We remain committed to zero harm and continue our relentless focus on eliminating fatalities and fostering a safe operating environment.

"In a year characterised by operational headwinds and several external challenges, including extreme weather, Transnet logistics constraints and global supply chain issues, we achieved an adjusted EBITDA margin of 50%. This is underpinned by an average realised free-on-board (FOB) price of US$113 per wet metric tonne (wmt), 13% above benchmark prices, and lower C1 unit costs of US$40/wmt, as well as the benefit of a weaker Rand. Significantly, we achieved this in a lower iron ore price environment due to the secondary effects of the extended Covid-19 lockdowns in China and the energy crisis in Europe on steel markets. Global market volatility saw average Platts 62 FOB iron ore prices decrease by 27% to US$100/wmt in 2022, compared to 2021 when prices were the second highest on record at US$136/wmt on average.

"Kumba's financial performance demonstrated the strong resilience of our assets and our people. As we navigate these challenges it is reassuring to know that we have a flexible and resilient balance sheet. We are committed to maintaining capital discipline and ensuring that we optimise our assets and deliver maximum value from our investments. Taking this disciplined approach into account, as well as the outlook for our operations and the iron ore market, ongoing capital requirements and returns to shareholders, while ensuring that we are well positioned for the future, the Board has approved a final cash dividend of R16.30 per share. Combined with the interim cash dividend of R28.70 per share, the total cash dividend for the year is R45.00 per share, representing a total payout ratio of 80% of headline earnings for the year.

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

Commentary
continued

"The dividends to shareholders include our empowerment partners and our employees through our new hybrid Semela employee share option scheme (ESOP), that includes a vesting and an evergreen (non-vesting) component to provide a tangible and sustainable benefit for our employees in recognition of their valuable contribution to our business.

"From an operational perspective, total production for the year decreased by 8% to 37.7 Mt, with lower production at Kolomela in the first half of the year due to weather and safety-related disruptions, while Sishen continued to perform well. The recovery at Kolomela has gained traction with progressive improvements evidenced in the second half with production up by 21%. At Sishen, improved mining stability has allowed us to build healthy feedstock buffers ensuring that we are well positioned for the year ahead.

"Transnet's poor logistics performance, including its two week wage strike, resulted in ore railed to Saldanha port declining by 9% to 35.9 Mt. Finished stock increased to 7.8 Mt, limiting space for further production due to the high build-up of stock at our mines, while low levels of finished stock at Saldanha port contributed to a 9% decrease in sales volumes to 36.6 Mt.

"Our teams are working hard to ensure that our projects deliver long-term value for our business and stakeholders. Although the development of our Kapstevel South pit was hampered by the same events as at Kolomela, our project team has made good progress in the second half, with first ore expected in the first half of 2024. At Sishen, where we are converting our dense media separation plant to an ultra-high dense media separation (UHDMS) plant, additional complexities were identified and a full review of the project plan is underway to ensure that we mitigate safety and operational risks while achieving optimal value from our investment. The UHDMS technology represents a significant value-creation opportunity for Kumba and will play an essential role in the transition to a low-carbon future.

"Kumba is a values-driven business, and safety and sustainability are at the heart of everything we do. It is the integral link between our environmental, social and governance (ESG) performance, and the value we create for our stakeholders. In line with our focus on this imperative, Kumba's Board approved the establishment of a separate Safety, Health and Sustainable Development (SHSD), Committee in November 2022. The Social, Ethics and Transformation (Setco) Committee will continue to focus on ensuring that the Company's activities positively impact on its many stakeholders, including employees, communities, the public, as well as the environment, and report annually to our shareholders.

"Mining sustainably includes reducing our carbon footprint and our ambition is to achieve zero scope 2 emissions by 2030 and carbon neutrality in terms of scope 1 and 2 carbon emissions by 2040. Kumba's 67 MW solar photovoltaic plant at Sishen is the first major project in our decarbonisation strategy and will form part of the Anglo American regional renewable energy ecosystem (RREE).

The RREE is expected to bring a host of other benefits, including 3–5 GW of green electricity and storage over the next decade, thereby increasing total grid supply resilience. Furthermore, Anglo American has partnered with EDF Renewables (EDFR) to form Envusa Energy to deliver an initial pipeline of 600 MW of wind and solar projects. This will provide energy 24 hours a day, seven days a week across the southern African region to all Anglo American sites and will allow us to significantly reduce power usage from Eskom.

"Kumba has a tremendous opportunity to be a catalyst for change among the communities in which we operate. Our business strategy is aligned throughout the mine lifecycle with the long-term interests of our stakeholders. Through proactive engagement, we seek to foster mutual value creation to promote greater social and economic development well beyond our mine gates so that communities can thrive independently. This year saw Kumba contributing R63.3 billion of shared value including R4.7 billion of dividends to our empowerment partners, including the Sishen Iron Ore Company Community Development Trust and R18.1 billion of Black Economic Empowerment (BEE) spend, of which R5.4 billion is in support of our local host community businesses, as well as R399 million to community development.

"Transparency and accountability are equally important in our ESG performance. Our inaugural Climate Report for 2022 is aligned with the Task Force on Climate-related Financial Disclosures framework and will report on how we are incorporating the risks and opportunities in our environment into our business strategy and planning.

"2022 has been a dynamic year in which we saw the confluence of operational and market headwinds. Our near-term priorities to ensure improved stability and operational efficiency at both Sishen and Kolomela are clear. We are engaging with Transnet and government to improve the stability and reliability of rail and port infrastructure as a matter of urgency. Progressing our UHDMS project is another priority as we further enhance our product quality and target additional product premium over and above the Lump and Fe premium.

"Our Tswelelopele strategy, focusing on margin enhancement and life-of-asset extension, has delivered significant value and sets a strong base for the next phase of value delivery. Looking ahead, the macro environment is likely to remain volatile and uncertain and our business will need to be ever more resilient, disciplined, and agile. The delivery of our Sustainable Mine Plan is also integral to the successful delivery of our business strategy. Kumba has world-class high-quality assets and we are committed to continuing to deliver stakeholder value. Our focus will be on unlocking the full potential of our core, and more than that, we will be ensuring that we are well positioned for a sustainable future."

Commentary
continued

Moving forward to the next phase of value delivery

Our purpose of "Reimagining mining to improve people's lives", drives everything we do as a business at Kumba. We believe that our success as a business is not only measured by the tonnes that we produce but also by what we do to improve people's lives.

We recognise that there is an integral link between our purpose, our strategy and our business performance. Our Tswelelopele strategy, which focused on firstly, enhancing our margin through three value drivers – product quality, operational efficiency, and cost optimisation – and secondly, on extending the life-of-assets to 2039, has helped to navigate a challenging operating environment with increasing cost pressures, while sustainably increasing the life of our assets. As the five-year Tswelelopele period ends, and we reflect on the value created since 2018, it is clear that our strategy has served us well and provides a strong foundation for the next phase of value delivery.

Over the Tswelelopele period, our adjusted EBITDA margin has increased to 50% driven by a 59% increase in our average realised price, as we focused on enhancing our price premium by targeting over US$2 dry metric tonnes (dmt), over and above Lump and Fe premium.

We achieved this while containing C1 costs at US$40/wmt by delivering a cumulative R5.2 billion of cost savings and focusing on improving operational efficiency.

As part of our Tswelelopele strategy to extend the life-of-our assets, we have brought an additional 323 Mt of reserves to Sishen's life-of-asset, through our three pillars of efficiency, technology and exploration, resulting in an eight-year life extension to 2039.

Since implementing our strategy in 2018, we have returned a cumulative R92.1 billion in dividends to our shareholders.

In the next phase of our value delivery, we will focus on unlocking the full value of our core as we continue to look for opportunities to enhance our margin while positioning Kumba for a sustainable future. The work is currently underway to refresh our strategy, building on what we have achieved through Tswelelopele.

Through all of this, our people have been instrumental in how we live up to our purpose and deliver enduring value to all our stakeholders.

Our people are key to delivering on our strategy

Having a work environment where we all act with integrity, treat each other with care, respect and dignity, and can fulfil our roles to a high level of performance in a place free from bullying, harassment and violence is critically important. Our zero-tolerance approach extends to include domestic violence and abuse that might occur outside the immediate workplace. We provide mandatory bullying, harassment and victimisation training to ensure awareness of our zero-tolerance approach, knowledge of our reporting structures, and ensure employees feel confident to act as inclusion and diversity advocates.

Our strategy of increasing diversity in the workplace includes supporting and enabling colleagues living with a physical disability or learning difficulty, to reach their full potential. We are leveraging technology and remote work, as well as ensuring that our workplaces are conducive for differently-abled employees, while collaborating with differently-abled schools to identify and support talent for the future through our bursary programme. Significant progress has been made towards achieving 33% representation of women at management levels by the end of 2023. In 2022, women made up 26% of our overall workforce, 22% of core disciplines and 30% of management positions.

Rewarding successful business outcomes is central to delivering our desired high-performance culture and supporting value delivery. This year, Kumba introduced Semela, our new and improved broad-based employee share ownership plan (ESOP). The new scheme has a hybrid structure and comprises an "evergreen" and a vesting component, similar to our Karolo scheme. This represents a sustainable ESOP that aligns the economic interests of our employees with our shareholders and delivers enduring value to our employees.

Mining safely and responsibly

Safety

As a responsible miner, taking care of the health and safety of our employees and communities as well as the environment is critical to our sustainability.

Our efforts to eliminate fatalities are a continuous work-in-progress that requires us to remain unconditional about safety and to maintain a relentless focus on ensuring the safety of each other at all times. This year has proven to be tough, with total recordable cases increasing from 20 to 43, resulting in a total recordable frequency rate of 1.55 (2021: 0.80). This was as a result of our high potential incidents increasing from 10 to 12, while our lost-time injuries increased from eight to 28, of which 70% were related to low energy incidents such as slip, trip and fall, and material handling.

We are committed to learning from these incidents and we strengthened our critical controls for identifying and responding to hazards, increased leadership engagements, and simplified and made our awareness programmes more practical. Kumba implemented a safety reset call-to-action initiative, which included culture change management, operational risk management, accelerating the use of technology for safety, shared learning from incidents, and resourcing and prioritisation of critical control actions.

We are also strengthening our focus on creating a psychologically safe environment that ensures our colleagues feel safe to "speak up" and raise concerns. The successful roll-out of our supervisory development programme assisted in equipping our leaders with the softer skills set required to ensure that their team's feel supported and empowered to apply our work safety practices.

Commentary
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Health

The health and wellbeing of our employees and contractors are equally important. We have a number of programmes in place to reduce workplace occupational health hazards exposure, to eliminate occupational diseases, for chronic disease management and mental health. The focus in 2023 will include reducing noise, dust and ergonomics exposure. We have not had new cases of occupational diseases since 2020.

A comprehensive Covid-19 management programme remains in place and we monitor updated information on new variants and disease outbreaks. 90% (2021: 91%) of our employees and 80% of our core contractors have completed their HIV counselling and testing and all HIV positive employees and contractors are on antiretrovirals with an average viral suppression rate of 93% (2021: 90%). At year-end, Kumba had 12 (2021: 14) reported tuberculosis cases with an overall incidence rate of 63 per 100 000 ahead of our 2022 target of 277 per 100 000 and 89% of our employees know their World Health Organisation Heart Health scores.

Innovation in technology is helping to reduce exposure to hazards, and provide early warning when action is required. Our digital real-time data analytics platform monitors environmental conditions and the performance of engineering controls in areas where exposure levels potentially exceed safe limits. The system triggers alerts when exposure to hazards such as noise or inhalable particles reaches unsafe levels, or when a control fails. This prompts timely intervention to determine root causes and take remedial action to prevent repeat occurrences.

The real-time data monitoring has continued to drive a reduction in potential exposure to health hazards for our employees at our operations.

Environment

Sustainability is critical to creating a better future for all and in recognition of this Kumba has formed a new, separate SHSD Committee to monitor the safety and health of employees and to oversee that the sustainability initiatives and objectives are effectively integrated into the business and that the Company operates in an environmentally responsible and safe manner.

The Committee will assume relevant responsibilities from Setco which will continue to be held accountable for overseeing the management of Kumba's most material sustainability issues. These include ensuring that Kumba remains a responsible corporate citizen, and that the Company attains its goals relating to the management of safety, health and the environment, as well as social, transformation, permitting, regulatory compliance, risks and opportunities and ethics across the Company. The Committee's responsibilities include developing sustainable development policies and guidelines to manage these focus areas, monitoring performance against key indicators, and facilitating stakeholder participation, co-operation and consultation on key issues.

In 2022, we advanced our Responsible Mining Assurance certification with sites undergoing third-party audits to verify that we are operating sustainably. For the year, we achieved 94% against a 90% compliance target for our 2022 Sustainable Mine Plan.

Importantly, we have maintained our track record of zero major (Level 3 to 5) environmental incidents for more than seven years. In addition we are focused on rehabilitating our mining environment and have achieved all our concurrent rehabilitation targets for reshaping, growth medium and seeding. Sishen reshaped 101.3ha and seeded 101.5ha, while Kolomela has reshaped 56.7ha of land and seeded 40.5ha.

From a decarbonisation perspective, we are targeting a 30% reduction in greenhouse gas (GHG) emissions and energy intensity for scope 1 and 2 direct carbon emission by 2030 (against a 2016 baseline) and carbon neutrality by 2040. We continuously strive towards lower carbon emissions through a focus on operational efficiency initiatives and optimising our mine plan. However, over time our mines have become deeper and haulage distances are increasing. In particular in 2022, as a result of extreme weather conditions in the first half, alternative haulage routes were required as certain areas of the mine were inaccessible, contributing to our GHG emissions increasing by 0.5% to 0.994 $MtCO_2e$ (2021: 0.989 $MtCO_2e$).

In terms of scope 2, Kumba is participating in the Anglo American group's broader RREE strategy. An agreement to form a jointly owned company, Envusa Energy, to develop a RREE in South Africa in partnership with EDFR, a global leader in renewable energy was announced in October 2022. As part of the agreement, Envusa Energy is launching a mature pipeline of more than 600 MW of wind and solar projects in South Africa. Kumba's solar photovoltaic plant at the Sishen mine will form part of the RREE, which is expected to generate 3-5 GW of renewable energy by 2030.

Reducing scope 3 carbon emissions and participating in the green steel value chain is dependent both on the steel sector decarbonising and a supportive global policy environment. Through the Anglo American group, we have signed partnerships with leading steel producers, Saltzgitter, Nippon Steel and Thyssenkrupp, focusing on joint research and collaboration to develop the iron ore products required to enable the decarbonisation of the steelmaking industry. In addition, through the group's marketing business unit, 10 liquefied natural gas dual fuelled vessels will be introduced in 2023 and 2024 that will deliver an estimated 35% reduction in carbon emissions. The first of the 10 vessels, the Ubuntu Harmony, loaded its first cargo of iron ore from Kumba's operations at Saldanha port on 26 January 2023.

In terms of water, we are in a unique position of being a water-positive mine, which means we can supply water to the benefit of our communities. In 2022, we increased this by 9% to 18,554 megalitres (ML) (2021: 17,000 ML). Kumba has invested R472 million in our on-mine bulk water infrastructure, which will increase the volume of surplus fresh water provided to Bloem Water and Gamagara local municipality. However, we could not export as much as expected due to municipal water infrastructure constraints, resulting in freshwater usage increasing by 15% to 8,099 ML (2021: 7,028 ML) and cumulatively freshwater usage (2015 baseline) decreased to 5% (2021: 18%).

Given all of the system constraints, we have revised our freshwater reduction target from 50% to 40% by 2030. Our goal remains to ensure the beneficial use of this valuable water resource for all and we are targeting a 40% reduction in freshwater consumption by 2030.

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Kumba is a member of the International Council of Mining and Metals through Anglo American and our tailings dams are required to comply with the Global Industry Standard for Tailings Dams (GISTM) published in 2020. Kumba has four tailings storage facilities (TSFs), including one active downstream TSF at Kolomela and three upstream TSF at Sishen, of which only one TSF is active. Our TSFs are subject to a rigorous risk management programme, which includes audits by independent experts. Implementation plans are underway to ensure full compliance against the Anglo American Standard by 2023 and to GISTM by 2023 for tailings dams with a consequence classification of structure of "Very High" and "Extreme" and the rest by 2025. The most important tailings dams work planned for 2023 includes the seismic and stability analysis, as well as engagement with the multi-disciplinary team for key inputs in accordance with the GISTM. We also continually monitor the performance of our tailings facilities, and no significant incidents or events were recorded in 2022.

Enabling a better future for our communities

Along with the focus on transitioning to a cleaner, greener, more sustainable future, we also understand that a successful transition must recognise existing societal challenges and ensure that communities who are dependent on carbon-intensive industries for their livelihoods are not left behind.

We are committed to creating an enabling environment in which our local host communities can develop and thrive. Our collaborative regional development vision for 2030 supports the creation of initiatives aimed at delivering socio-economic change on a regional scale, with a set of partners connected through a common purpose of improving lives, with a specific focus on empowering disadvantaged youth. The initiatives identified include schools and community information, communication and telecommunications, enterprise and supplier development, health, agriculture, municipal capacity development, and infrastructure support. Progress has been made this year with seven of the 14 prioritised high-impact projects.

We are targeting the creation of five jobs off site for every on-site job by 2030. To support local livelihoods, we employ 79% of our workforce from local communities. In 2022, the total BEE supplier spend was R18.1 billion (2021: R10.3 billion), including R5.4 billion (2021: R4.1 billion) procured from local host community businesses, while we invested R399 million (2021: R258 million) in social development projects to support our local communities. The eligible host community suppliers onboarded increased from 314 to 320 in 2022, with more than 90% actively conducting business with Kumba. In response to the loadshedding crisis both Sishen and Kolomela mines supported their respective municipalities with generators to supply back-up power to support local small businesses.

Our education initiative aims to have 80% of all schools in host communities perform within the top 20% of state schools nationally by 2030. We also continue to improve the outcomes for learners in early childhood development centres and schools by supporting 25 schools. The first phase has reached over 16,000 learners. The second phase of the programme was launched in July 2022 with 20 schools selected to participate, bringing the total to 45 schools supported. This phase reaches a further 11,000 learners and promotes information and communication technology and after-school programmes, ensuring that all schools have access to WiFi and online resources. Kumba supported the launch of the Sol Plaatjie University in the Northern Cape's Centre for Continuous Professional Development and has committed to supporting the roll-out of short courses for qualifying community members and employees.

Market overview

The Platts 62 IODEX cost and freight (CFR) China index averaged US$120/dmt in 2022, a decline of 25% compared to the prior year. The first half of 2022 reflects supply side disruptions, which supported iron ore prices. This was followed by demand weakness, which drove down prices in the second half of the year. Global crude steel production contracted by 4.4% to 1,829 Mt in 2022 owing to weak end-user demand in China and blast furnace closures in Europe and Southeast Asia. In China, crude steel output fell by 2.2% to 1,011 Mt, marking a second consecutive annual decline. Property sales contracted by 23.3% and construction new starts fell by 39.4% year-on-year. However, weakness in steel demand brought upon by the ailing property sector was partially compensated for by the Chinese government's efforts in stimulating infrastructure, with investments up by 9.4% in 2022.

In Europe, soaring energy prices raised the cost of production for steel mills, besides driving up inflation and reducing end-user demand, resulting in downward pressure on steel prices. In response, mills scaled back production, with an estimated 17% of blast furnace capacity in Europe shut in the fourth-quarter of 2022, resulting in an 11% year-on-year contraction in annual steel output to 143 Mt. Towards the end of 2022, China lifted Covid-19 controls, boosting steel market sentiment fuelling a near 50% recovery in spot iron ore prices to US$121/dmt in February 2023.

On the supply side, seasonal weather-related disruptions in Brazil in the first quarter of 2022, led to export volumes reducing by 13% to 292 Mt for the quarter. At the same time, the conflict in Ukraine resulted in drastically lowered iron ore availability in the market. For 2022, Ukraine's iron ore exports were down 46% year-on-year to 24 Mt. Additionally, in May, the Indian government imposed a 50% export tax on all grades of iron ore to counter domestic inflation, causing its exports to dwindle by 73% to 6.4 Mt annualised up until November when the ban was lifted. For the full year, Australia's supply is at an estimated volume of 884 Mt, up 1.5% while volumes from Brazil dropped by 3.7% to 344 Mt.

The Platts 65-62 differential averaged US$16/dmt in 2022, compared to US$26/dmt in 2021. Meanwhile Lump premium averaged US$0.2136/dmtu in 2022, down from US$0.3695/dmtu in 2021. High-grade premiums and Lump premiums have declined along with further steel mill losses causing mills to focus on cost reduction rather than productivity.

Longer 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 high at 50% for the full year.

Commentary
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From a price perspective, we achieved a Lump premium of US$9/wmt and a Fe premium of US$4/wmt. Combining marketing premium and timing effects, we delivered an average realised iron ore price of US$113/wmt FOB Saldanha, which resulted in a total price uplift of US$13/wmt on the 2022 US$100/wmt Platts 62 FOB export price. Compared to 2021, this represented a US$48/wmt decline on the realised FOB price achieved of US$161/wmt.

Operational performance

Mining

Mining summary (unaudited)

'000 tonnes	December 2022	December 2021	% change
Total tonnes mined ('000 tonnes)	**255,223**	261,385	(2)
Sishen	**196,156**	184,010	7
Kolomela	**59,067**	77,375	(24)
Total waste stripping ('000 tonnes)	**204,308**	209,435	(2)
Sishen	**156,781**	146,128	7
Kolomela	**47,527**	63,307	(25)
Operational equipment efficiency (% of benchmark)	**60**	63	
Sishen[1]	**67**	65	
Kolomela	**46**	59	
Trucks	**66**	72	
Shovels[1]	**53**	54	

[1] Operational equipment efficiency (OEE): Sishen excludes the 996 shovels and Shovel exclude Sishen's 996 shovels.

Operational performance in 2022 was challenged by multiple headwinds with extremely high seasonal rainfall, the safety intervention, supply chain disruptions, as well as equipment availability and reliability.

Despite this, our focus on the stability and capability of operational processes resulted in progressive improvements in performance across our operations. Total tonnes mined decreased by 2% to 255.2 Mt (2021: 261.4 Mt) and total waste stripping by 2% to 204.3 Mt (2021: 209.4 Mt).

Sishen delivered a solid performance for the year with waste mining increasing by 7% to 156.8 Mt (2021: 146.1 Mt). Improved mining stability was driven by improvements in shovel reliability, as well as truck availability and utilisation, underpinned by the maintenance reliability programme, optimised spares management and operator performance. These improvements combined with better mine planning and mining execution contributed to building healthy plant feedstock to support production stability. Sishen's operational efficiencies improved from 65% in the first half to 68% in the second half.

Kolomela's waste mined decreased by 25% in 2022 to 47.5 Mt (2021: 63.3 Mt), due to the above-mentioned impacts as well as drilling contractor challenges, which all significantly affected plant feedstock generation. Kolomela implemented a back-to-basics recovery plan focusing on improving mine planning, set management routines, ensuring efficient operation of the load-out station and building the plant feedstock with the aim of returning to pre-misfire levels of production. The improved rain readiness plan at Kolomela and a focus on operator efficiency, longer operating times and shorter haul routes led to improved utilisation of key heavy mining equipment (HME) in Q4 2022. As a result of these interventions, Kolomela's waste mining improved by 39% in the second half (H1 2022: 19.9 Mt; H2 2022: 27.6 Mt) and operational equipment efficiencies (OEEs) increased from 42% in the first half to 50% in the second half.

Good progress was made in the reduction of the maintenance backlog, spares management and improvements in maintenance capability resulting in increased availability and reliability of the truck and shovel fleet. In line with these, improvements, Kumba's total OEEs increased from 57% in the first half to 62% in the second half, with trucks improving from 64% to 68% and shovel performance up from 50% to 57%.

Production

Production summary (unaudited)

'000 tonnes	December 2022	December 2021	% change
Total	**37,699**	40,862	(8)
Lump	**24,670**	27,552	(10)
Fines	**13,029**	13,310	(2)
Mine production	**37,699**	40,862	(8)
Sishen	**27,017**	28,014	(4)
Kolomela	**10,682**	12,848	(17)

Commentary
continued

Total production for the year decreased by 8% to 37.7 Mt (2021: 40.9 Mt), with production at Sishen reducing by 4% to 27.0 Mt (2021: 28.0 Mt) and at Kolomela by 17% to 10.7 Mt (2021: 12.8 Mt). While production at Kolomela was hampered by feedstock constraints, the largest impact has been from the ongoing rail constraints, including industrial action at Transnet and poor rail performance throughout the year. These challenges were partly mitigated by our operating efficiency strategy and improved plant feedstock resulting in enhanced plant stability and a 12% increase in production in the second half from 19.9 Mt in the first six months of the year.

Eskom load curtailment has not had a significant impact on production to date, although this has increased. We have minimised the impact on production by rescheduling our work according to load curtailment requirements, however, managing our operations around the availability of power supply represents an increasing risk for our operations.

Sales and logistics

Sales summary (unaudited)

'000 tonnes	December 2022	December 2021	% change
Total	**36,621**	40,261	(9)
Export sales	**36,621**	40,154	(9)
Domestic sales	–	107	(100)

Ore railed decreased by 9% to 35.9 Mt (2021: 39.3 Mt), further reducing already low levels of finished stock at Saldanha Bay port and significantly impacting shipping throughput. As a result, export sales decreased by 9% to 36.6 Mt (2021: 40.2 Mt). Closing finished iron ore stock increased to 7.8 Mt (31 December 2021: 6.1 Mt), with 7.0 Mt of the stock located at the mines due to rail constraints.

Rail capacity was predominantly impacted by derailments and a weather-related event in the first quarter resulting in increased speed restrictions, while low availability of train wagon sets led to increased turnaround times. Industrial strike action, equipment breakdown and locust outbreaks further contributed to rail performance reducing to 80.3% of contracted tonnage.

Progress has been made on several fronts with the main focus remaining on reducing speed restrictions and improving maintenance turnaround times. Kumba and industry peers forming part of the iron ore user's forum are working with Transnet to provide joint oversight on rail performance against planned volumes. Furthermore, a national steering committee including the Minerals Council, industry CEOs and the Transnet board and senior management is providing rail performance oversight across all rail corridors in South Africa.

Sales on a CFR basis increased to 62% (2021: 58%), with contractual sales decreasing to 82% (2021: 90%) of total export sales volumes.

With Kumba's traditional markets outside of China, in particular Europe, in the midst of an economic downturn, the share of markets outside of China decreased to 50% (2021: 57%). Other markets such as the EU/MENA/Americas region were broadly flat 33% (2021: 34%) while the Japan/South Korea/Taiwan region decreased to 16% (2021: 23%). We achieved an average Lump to fine ratio of 67:33 and Fe quality of 63.8%.

Update on projects

In terms of our projects, following the safety reset earlier in the year at Kolomela, the first ore from our Kapstevel South pit (at Kolomela) is expected to be delivered in the first half of 2024.

At Sishen, the UHDMS is a red fields project involving the conversion of the existing Sishen dense media separation plant to a UHDMS plant. As we progressed the level of detailed design work additional complexities associated with working in an operating plant were identified. A full review of the project plan is underway to ensure we deliver optimal value from our investment in the project and we anticipate that the tie-in and commissioning of the project will not take place in 2023.

We are committed to finding the best engineering solution to ensure the successful implementation of the UHDMS project and we remain confident that the UHDMS technology represents a significant value creation opportunity for Kumba and will play an essential role in the transition to a low carbon future. The value of the UHDMS technology includes the ability to reduce the current cut-off grade to between 40% and 48% Fe, increase product quality and extend the life-of-asset at Sishen to 2039.

Financial results

Kumba delivered a solid financial performance for the year, achieving an adjusted EBITDA of R37.3 billion (2021: R64.6 billion) and an EBITDA margin of 50% (2021: 63%) as we navigated macro and operational headwinds.

Commodity markets came under significant pressure in 2022 with iron ore prices decreasing by 27% to US$100/wmt on average, in comparison to 2021 when prices were at the second highest on record at US$136/wmt on average. Against this backdrop, Kumba achieved an average realised FOB price of US$113/wmt, 13% above the equivalent benchmark iron ore price. This reflects the premium for the high-grade iron content with our Fe content averaging at 63.8% and our relatively high proportion (67%) of Lump that our product portfolio attracts, in particular, as higher quality Fe product and use of direct charge materials helps steel mills reduce emissions. This, combined with lower sales volumes primarily due to logistics constraints, resulted in a 27% decrease in revenue to R74.0 billion (2021: R102.1 billion).

Cost performance remains a priority especially given increasing input cost pressures and geological inflation. For the full year 2022, we achieved R1.1 billion in cost savings against our target of R1.0 billion, through operational efficiencies and optimising the mine plan as well as supply-chain optimisation. The cost savings partly mitigated higher input cost inflation, along with the cost benefit of an increase in work-in-progress stock and the capitalisation of deferred stripping. Sishen's unit

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cost increased to R479/dmt (2021: R432/dmt), while Kolomela's unit cost increased to R490/dmt (2021: R324/dmt), on the back of a 17% decrease in production.

Our unit cost guidance for 2023 takes into account the production guidance that has been aligned to Transnet's demonstrated logistics performance in 2022. Sishen's unit cost guidance is between R540/dmt and R570/dmt and Kolomela's is between R510/dmt and R540/dmt. Our cost optimisation opportunities include improving operational efficiencies, optimising the mine plan, as well as further supply chain and contractor management initiatives.

Cash generated from operations of R34.8 billion (2021: R65.0 billion) and an attributable free cash flow of R10.4 billion (2021: R30.5 billion). contributed to our resilient and flexible balance sheet, with the net cash position of R9.3 billion (2021: R17.5 billion) supporting the Board's decision to declare a final cash dividend of R16.30 per share to our shareholders. Combined with our interim dividend of R28.70 per share, this brings our dividends for the year to a total of R45.00 per share to our shareholders.

Revenue

Total revenue decreased by 27% to R74.0 billion (2021: R102.1 billion), largely due to:

- 30% lower average realised FOB iron ore export price of US$113/wmt (2021: US$161/wmt); and
- 9% decrease in total sales volumes of 36.6 Mt (2021: 40.3 Mt) due to logistics constraints resulting in low levels of finished stock at Saldanha Bay port as well as industrial action impacting shipping throughput.

This was partly offset by:

- 10.7% weaker average Rand/US$ exchange rate of R16.37/US$1 (2021: R14.79/US$1); and
- 3% increase in shipping revenue to R7.2 billion (2021: R7.0 billion) due to lower freight rates, offset by higher CFR volumes and a weaker Rand.

The lower average realised FOB export price of US$113/wmt (2021: US$161/wmt) was driven by a Lump premium of US$9/wmt and a Fe premium of US$4/wmt. Combining marketing premium and timing effects, we delivered a total price uplift of US$13/wmt on the US$100/wmt Platts 62 FOB export price.

Operating expenses

Operating expenses, excluding mineral royalties, increased by 5% to R40.3 billion (2021: R38.4 billion), driven by a 7% increase in mining operational costs to R26.6 billion and a 9% increase in shipping costs to R7.0 billion, partly offset by a 6% lower selling and distribution cost of R6.7 billion, as well as cost savings of R1.1 billion.

In terms of our cost saving programme, the biggest opportunities lie in containing cost increases driven by labour, contractors, and fuel which make up 88% of our costs. Several initiatives were introduced to optimise costs in 2022. For example, improving operational efficiencies and optimising the mine plan have driven over 94% of our costs savings.

Selling and distribution costs were R400 million lower due to lower logistics volumes and a reduction in demurrage cost offset by Transnet tariff increases. Freight costs of R7.0 billion were R571 million higher on the prior period due to currency movements partially offset by lower freight rates and volumes shipped.

Sishen's unit costs increased to R479/tonne (2021: R432/tonne) and at Kolomela, unit costs increased to R490/tonne (2021: R324/tonne). The increases were driven by inflationary pressures in key cost items such as diesel, wages and supply chain related expenses, coupled with higher mining inflation from longer haulage distances, as well as lower production volumes.

These were partly offset by cost savings achieved, higher work-in-progress stock and increased capitalisation of stripping costs. In addition, Sishen's unit cost includes the benefit of R56/tonne due to the capitalisation of c-grade material, as our UHDMS technology will enable the processing of c-grade material previously classified as waste, while reducing Sishen's strip ratio.

EBITDA

Kumba's adjusted EBITDA of R37.3 billion reflects a decrease of 42% (2021: R64.6 billion). Lower market prices and premia for our products and higher operating expenses, were partially offset by a 10.7% weaker Rand.

In line with this, the adjusted EBITDA margin decreased to 50% (2021: 63%), and the mining operating margin, excluding net freight profit earned on shipping operations, decreased to 48% (2021: 62%). Accordingly, net profit decreased by 55% to R19.7 billion (2021: R43.7 billion).

Kumba's break-even price increased to US$68/tonne from US$56/tonne in 2021, attributable to:

- cost escalation caused by higher diesel prices and other key cost inputs, as well as geological inflation;
- lower Lump an Fe premium; and
- higher stay-in-business (SIB) capital expenditure and overheads.

This was partially offset by:

- lower freight and royalty rates; and
- currency gains as the Rand deteriorated against the US Dollar.

Cash flow, value creation and statement of financial position

Kumba delivered attributable free cashflow of R10.4 billion. Our net cash position of R9.3 billion (2021: R17.5 billion) reflects our resilient and capital-efficient balance sheet, allowing us to declare a final cash dividend of R16.30 per share to our shareholders.

Cash flow generated from operations of R34.8 billion (2021: R65.0 billion), was underpinned by adjusted EBITDA of R37.3 billion, while net working capital increased by 40% to R12.8 billion (2021: R9.1 billion) due to a 42% increase in inventory to R15.8 billion (2021: R11.1 billion), partly offset by a 30% decrease in trade and other receivables to R5.2 billion.

Capital expenditure (capex) of R10.2 billion (2021: R8.0 billion) was comprised of R4.5 billion of SIB spend, R2.5 billion of deferred stripping, and R3.2 billion of expansion capex. The decrease in capital creditors of R0.9 billion (2021: R1.8 billion)

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relates to capital expenditure incurred during the year but not yet paid at the reporting date, net of prior year expenditure paid. The 2022 full year cash capex net of capital creditors was R11.1 billion (2021: R6.3 billion). SIB capex represents spend on capital spares, mining fleet replacement and plant and infrastructure upgrades to sustain our business. Deferred stripping capex increased due to a higher stripping ratio at Sishen and at Kolomela in the areas that we are mining. In 2022, expansion capex included the Kapstevel South project (R1.9 billion), execution of the UHDMS project (R0.8 billion), and the balance relates largely to P101 operational efficiency initiatives and technology.

Alongside our capital investments, we continued to contribute to South Africa and invest in the future. In total, Kumba created enduring value of R63.3 billion. Besides capital investments of R10.2 billion, these include:
- cash dividends of R19.2 billion (2021: R43.5 billion);
- paying total income tax of R7.1 billion (2021: R16.6 billion) and mineral royalties of R1.8 billion (2021: R9.2 billion) to government;
- providing employment and paying salaries and benefits of R6.5 billion (2021: R5.6 billion);
- supporting local businesses through R18.1 billion (2021: R10.3 billion) of BEE supplier spend, including R5.4 billion (2021:R4.1 billion) to safeguard the livelihoods of our local host community suppliers; and
- building local communities through R399 million (2021: R258 million) in direct social spend.

Our liquidity position at 31 December 2022 consisted of R25.4 billion (2021: R25.5 billion) of net cash resources and debt facilities. Net debt facilities consist of committed R16 billion (2021: R8 billion) revolving credit facilities which mature in 2024. At 31 December 2022, R1.5 billion of the committed facility had been drawn down. Kumba's debt facilities also include uncommitted facilities of R8.2 billion (2021: R8.2 billion) of which R5.2 billion had been drawn.

Kumba delivered attributable and headline earnings per share of R46.64 and R56.19 per share (2021: R103.67 and R103.65 per share), respectively. This supported the Board's decision to declare a final cash dividend of R16.30 per share, which includes:
- R15.00 per share representing 75% of headline earnings in accordance with our dividend policy; and
- R1.30 per share being a top-up cash dividend.

Together with our interim cash dividend of R28.70 per share, the total cash dividend for the year decreased by 56% to R45.00 per share (2021: R103.20 per share) and represents 80% of headline earnings.

Impairment of assets

Due to the revised forecast production and cost profile of Kolomela mine, an impairment test was performed based on the fair value less costs of disposal of the Kolomela asset. Production volumes were revised down in line with anticipated logistics performance. An impairment charge of R5.4 billion (before tax) was recorded against the carrying value of Kolomela with an associated deferred tax credit of R1.5 billion. The post-tax impairment charge is R3.9 billion.

Ore Reserves and Mineral Resources

The following changes were recorded in the 2022 Kumba Ore Reserve (and Saleable Product) and Mineral Resources Report:

- Kumba's total Ore Reserves as at 31 December 2022 are estimated to be 759.4 Mt (at 55.7% Fe), a net decrease of 5% from 799.9 Mt (at 55.8% Fe) in 2021.
- Sishen's Ore Reserves decreased by 5% to 618.4 Mt (at 54.0% Fe), mainly attributable to annual run-of-mine depletion. Sishen's life-of-asset decreased from 18 years in 2021 to 17 years in 2022.
- Kolomela's Ore Reserves of 141.1 Mt (at 63.3% Fe) decreased by 4%, primarily due to annual run-of-mine depletion and a decrease in the size of the Kapstevel South pit layout based on the 2022 pit optimisation, partially offset by an increase in Ore Reserves as a result of the first-time addition of ferruginised banded iron ore formation medium-grade material as Ore Reserves in the Kolomela life-of-asset plan. The life-of-asset decreased from 13 years in 2021 to 12 years in 2022.

With the conclusion of the Tswelelopele strategy in 2022, Kumba has achieved a cumulative five-year Ore Reserve replenishment of 332.3 Mt (before depletion), against a target of 200 Mt set at the end of 2017.

The net result (after depletion) is an increase in Ore Reserves of 83.0 Mt, with an associated decrease in Saleable Product of 6.4 Mt from 31 December 2017 to 31 December 2022.

The decrease in Saleable Product is due to the fact that the majority of the additional Ore Reserves were lower grade and therefore lower yield.

There were no further material changes to the Ore Reserves and Mineral Resources as disclosed in the 2022 Ore Reserve (and Saleable Product) and Mineral Resource Report available at https://www.angloamericankumba.com/investors/annual-reporting/reports-archive/2022.aspx

Regulatory update

On 19 May 2022, the Minister of Forestry, Fisheries, and the Environment, amended the transitional arrangements contained in the National Environmental Management Act (NEMA) Financial Provisioning Regulations, 2015 (FP Regs). Holders of rights and/or permits operating in the mining industry, that applied for these before 20 November 2015, have until 19 September 2023 to transition to the NEMA regime. This extension from 19 June 2022 occurs when the National Environmental Management Amendment Bill [B14F-17], could be enacted and could potentially lead to the finalisation of the Third Draft FP Regulations, 2021, which are intended to completely replace the existing set of FP Regs. These amendments are expected to result in provision of additional funding for undiscounted closure costs, which will be required during the first half of 2024 if the effective date remains unchanged.

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Events after the reporting period

There were no other significant events that occurred from 31 December 2022 to the date of this report, not otherwise dealt with in this report.

Corporate governance

The group subscribes to the Code of Good Corporate Practices and Conduct and complies with the recommendations of the King IV™ Report (King IV). 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 2022 Integrated report.

Changes in directorate

The following changes to the Board of directors were announced during the period:

- Mr Aman Jeawon joined the Kumba Board on 1 January 2023 as an independent non-executive director and was appointed as a member of the Audit Committee and the SHSD Committee, with effect from 1 January 2023.

Changes in management

The following changes to the Executive Committee were announced during the period:

- Ms Mpumi Zikalala was appointed as Chief Executive and Executive director of the Company with effect from 1 January 2022
- Ms Simi Ramgoolam was appointed as Executive head of human resources with effect from 1 August 2022.

Outlook and guidance

Looking ahead, our clear priority is to deliver on our full year 2023 guidance and unlock the full potential of our assets, while operating safely and responsibly. We will continue to focus on maximising margin across the value chain by capturing the benefit of our premium products and driving operational efficiencies and cost optimisation across our operations. We have improved the stability and resilience of our operations, particularly at Sishen, and turning around Kolomela is a key focus area as we set ourselves up for the next phase of value delivery. Pleasingly, we have started to see the benefits of the rain readiness plan, the optimised mine plan and enhanced maintenance practices.

ESG factors have played a key role in informing our Tswelelopele strategy and delivering on the commitments in the SMPs we are implementing at Kolomela and Sishen. These include ambitious long-term targets, aligned with the UN Sustainable Development Goals, relating to three pillars: being a trusted corporate leader, building thriving communities, and creating a safe and healthy environment. Anglo American's FutureSmart Mining™ programme plays an important role in supporting us as we strive to reach these targets, introducing new technologies and digitised approaches that are making mining safer and reducing its overall environmental footprint.

Kumba's value proposition remains robust as we position ourselves for the future. Extending the life-of-asset of both Sishen and Kolomela to 2040 by leveraging the endowment in the Northern Cape through FutureSmart Mining™, is our fundamental strategic priority. The Kapstevel project is 60% complete and we expect to deliver first ore in the first quarter of 2024. We are reviewing our UHDMS project plan and will provide an update during the course of the year. We are confident that the UHDMS technology represents a significant value creation opportunity for Kumba and will play an essential role in the transition to a low carbon future. The value of the UHDMS technology includes the ability to lower the cut-off grade, increase product quality and extend the life-of-asset at Sishen.

Our premium quality products are a key differentiator and offer a significant benefit to our customers as they strive to comply with regulatory requirements to cut greenhouse gas emissions. In Europe, the goal is to reduce GHG emissions by 55% by 2030 as part of the European Union's target. We are working closely with customers including Saltzgitter, Nippon Steel and Thyssenkrupp to reduce their carbon footprint through our high-grade products which help improve the efficiency of blast furnaces and support direct reduced iron (DRI) steelmaking.

There is a strong demand for South African mining products in the world. For the mining sector, including Kumba, the industry's ability to continue contributing significantly to the fiscus, sustained employment, and delivering far-reaching socio-economic benefits are inextricably linked to Transnet improving its operational performance. Recognising the integrated nature of the mining industry as part of the logistics system, the Transnet Board and Minerals Council Office Bearers announced on 19 December 2022 that they have agreed to establish joint collaborative structures and work together to ensure that all possible actions are taken to stabilise, recover and improve the throughput of South Africa's rail and ports systems to enable inclusive growth and maximise the movement of commodities in the national interest. Kumba is actively involved in this collaboration with our focus on the improvement of the performance of the Iron Ore Export Channel.

Market outlook

A mild recovery is expected in 2023, as the tailwind effects from China's infrastructure spending in 2022, a moderate recovery in the property sector and the positive effects of the relaxation of Covid restrictions lift steel demand. As sintering cuts increase and China shifts increasingly to blast furnace and DRI steel production to improve air quality, we anticipate higher lump and Fe premia. This was seen in the third-quarter of 2022 when sintering cuts in China to improve air quality, led to an 8% increase in lump premium at a time when the benchmark iron price was under significant pressure due to increasing lockdowns due to Covid-19 outbreaks.

Our focus on premium products therefore continues to benefit us and the carbon emission reduction properties of our high-quality iron ore products promise to make Kumba's product an important metal in a decarbonised future.

Operational outlook

At our operations, the focus will be on improving HME reliability at Sishen and Kolomela, as well as achieving a more stable production value chain. Sishen's crusher at its dense media separation processing plant will be replaced in the second half of the year during the annual logistics maintenance shutdown and is not anticipated to impact production.

Commentary
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On the safety front, following a review of the 2022 safety performance and analysing key trends, the focus for 2023 will be the implementation of the social and labour plans to enhance the leadership and culture behaviours by driving an improved safe way of work, accountability and responsibility.

Over the next three years, we will reset our production outlook to reflect lower expected Transnet rail performance, given the challenges faced in 2022. This leaves us with a more conservative guidance over the next few years. We remain confident in the pathway to deliver this and build from there on our product quality, technology and operational efficiency.

Our production guidance for the full 2023 is between 35 and 37 Mt, as we continue to drawdown on the high stock build-up at the mines to supplement sales at our guidance of 37 to 39 Mt. In 2024 and 2025, we expect to see production increase by 5%-6% each year, underpinned by continued improvement in rail performance. Production is forecast at 37 to 39 Mt in 2024. In 2025, production is expected to increase to between 39 Mt and 41 Mt.

Financial outlook

In 2023, we expect unit costs for Sishen to be between R540/dmt and R570/dmt and Kolomela to be between R510/dmt and R540/dmt. C1 unit costs are anticipated to remain flat at US$44/t (based on a spot rate of R17.00/ US$1), with the benefit of lower diesel prices and inflation is expected to have peaked following monetary policy tightening in 2022. Cost savings have long been a key area of focus, and improving our operational efficiency, along with optimising our mine plan and contractor optimisation provide a significant opportunity to reduce costs.

Our balance sheet is resilient and we are committed to disciplined capital management. Our focus on improving the efficiency of our balance sheet, includes ensuring debt facilities are available as part of our options to improve the flexibility of our balance sheet and reduce the cost of capital through the cycle, while maintaining appropriate liquidity headroom.

Our capital expenditure is expected to be between R11.0 billion and R12.0 billion for 2023. The increase is driven by:
- SIB spend of between R5.7 billion and R6.2 billion, largely comprised of mining equipment, plant and infrastructure replacement and upgrade. Further spending includes projects to improve safety, environmental sustainability and equipment reliability, as well as capital spares. Also included is technology and other capex related to information management and housing.
- Expansion capex of between R4.4 billion and R4.8 billion, to develop the Kapstevel South pit at Kolomela and the UHDMS project, (pending review) while continuing to invest ~ R500 million in our P101 efficiency programme, including the autonomous drilling and braking as well as condition monitoring and various other projects.
- Deferred stripping capex will reduce to between R900 million and R1.0 billion, following lower stripping ratios at certain pushbacks at both of the mines.

Kumba's outlook for the full year 2023, and to 2025 for production has not changed from the guidance provided at our investor update on 9 December 2022. The complete guidance is as follows:

Full year guidance (unaudited)	2023	2024	2025
Total sales (Mt)	**37 – 39**		
Total production (Mt)	**35 – 37**	37 – 39	39 – 41
Sishen	**~26**	~27	~28
Kolomela	**~10**	~11	~12
Waste stripping (Mt)			
Sishen	**150 – 170**		
Kolomela	**60 – 70**		
On-mine unit costs (Rand per tonne)			
Sishen	**540 – 570**		
Kolomela	**510 – 540**		
C1 unit costs (US$/tonne)	**44**		
Capital expenditure (Rand billion)	**11.0 – 12.0**		
SIB spend	**5.7 – 6.2**		
Expansion spend	**4.4 – 4.8**		
Deferred stripping spend	**0.9 – 1.0**		

[1] Based on foreign exchange rate of R17/US$ for 2023.
[2] Production, sales volumes and C1 unit costs are reported as wet metric tonnes, with a moisture content of approximately 1.6%.
[3] Volumes referred to for the period are 100% of Sishen Iron Ore Company Proprietary Limited (SIOC), and attributable to Kumba's shareholders and the non-controlling interests in SIOC.

Commentary
continued

Overall, it should be noted that 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.

Mpumi Zikalala concluded: "In an incredibly tough year, we have delivered a solid performance. Logistical constraints have proven challenging and it is an imperative that we work together with Transnet to improve this not only for Kumba but for the industry. Our focus remains on increasing the resilience and stability of our operations and building momentum for the next phase of value delivery. We continue to do this by capturing the full benefit of our premium products and achieving costs efficiencies.

"Our value proposition remains robust given the importance of our product in helping our customers meet their sustainability objectives. We have been engaging closely with our customers and it has been encouraging to see how they are reducing their carbon footprint through our high-grade products.

"In addition to our premium quality high-value assets, our natural resource endowment in the Northern Cape of South Africa positions us well for further life extension opportunities in the future. This is supported by our proven operational resilience, strong marketing team and efficient and prudent capital allocation. Our future remains exciting and I look forward to working with our colleagues and stakeholders as we continue to deliver value at Kumba."

The presentation of the Company's results for the year ended 31 December 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 21 February 2023.

Salient features and operating statistics

for the year ended 31 December

	Unaudited 2022	Unaudited 2021
Share statistics ('000)		
Total shares in issue[1]	**322,086**	322,086
Weighted average number of shares[1]	**320,897**	320,882
Diluted weighted average number of shares[1]	**321,644**	321,827
Treasury shares[1]	**1,169**	1,203
Market information		
Closing share price (Rand)	**492**	460
Market capitalisation (Rand million)	**158,466**	148,160
Market capitalisation (US$ million)	**9,355**	9,283
Net asset value attributable to owners of Kumba (Rand per share)[1]	**127.44**	138.53
Capital expenditure (Rand million)[1]		
Incurred	**11,084**	6,253
Contracted	**4,188**	2,858
Authorised but not contracted	**4,771**	7,568
Operating commitments (Rand million)[1]	**420**	738
Commitments from shipping services (Rand million)[1]	**3,229**	4,038
Economic information		
Average Rand/US Dollar exchange rate (ZAR/US$)	**16.37**	14.79
Closing Rand/US Dollar exchange rate (ZAR/US$)	**16.94**	15.96
Sishen mine FOR unit cost		
Unit cost (Rand per tonne)	**595.50**	555.24
Cash cost (Rand per tonne)	**479.27**	432.01
Unit cost (US$ per tonne)	**36.39**	37.55
Cash cost (US$ per tonne)	**29.28**	29.21
Kolomela mine FOR unit cost		
Unit cost (Rand per tonne)	**643.18**	444.15
Cash cost (Rand per tonne)	**489.60**	324.05
Unit cost (US$ per tonne)	**39.30**	30.03
Cash cost (US$ per tonne)	**29.92**	21.91

[1] Amounts have been extracted from audited information.

Summarised consolidated statement of financial position
as at 31 December

Rand million	Notes	**2022**	2021
Assets			
Property, plant and equipment	5	**43,029**	43,233
Right-of-use assets		**267**	393
Biological assets		**34**	31
Investments held by environmental trust		**796**	795
Investment in associate		**50**	50
Long-term prepayments and other receivables		**365**	166
Inventories	6	**7,245**	4,349
Deferred tax assets		**1**	1
Non-current assets		**51,787**	49,018
Inventories	6	**8,529**	6,781
Trade and other receivables		**5,190**	7,366
Current tax assets		**729**	793
Cash and cash equivalents	7	**16,424**	17,925
Current assets		**30,872**	32,865
Total assets		**82,659**	81,883
Equity			
Shareholders' equity	9	**41,046**	44,617
Non-controlling interests		**12,771**	13,841
Total equity		**53,817**	58,458
Liabilities			
Lease liabilities		**157**	275
Provisions	4	**2,700**	2,595
Deferred tax liabilities		**10,529**	10,526
Non-current liabilities		**13,386**	13,396
Lease liabilities		**147**	146
Interest-bearing borrowings	8	**6,791**	—
Provision	4	**145**	221
Trade and other payables		**8,005**	9,011
Contract liabilities		**199**	389
Current tax liabilities		**169**	262
Current liabilities		**15,456**	10,029
Total liabilities		**28,842**	23,425
Total equity and liabilities		**82,659**	81,883

Summarised consolidated statement of profit or loss

for the year ended 31 December

Rand million	Notes	2022	2021
Revenue	10	**74,032**	102,092
Operating expenses	11	**(41,668)**	(42,441)
Impairment charge		**(5,411)**	—
Expected credit losses on financial assets		**(73)**	(143)
Operating profit		**26,880**	59,508
Finance income		**377**	779
Finance costs		**(485)**	(285)
Profit before taxation		**26,772**	60,002
Taxation		**(7,117)**	(16,345)
Profit for the year		**19,655**	43,657
Attributable to:			
Owners of Kumba		**14,968**	33,266
Non-controlling interests		**4,687**	10,391
		19,655	43,657
Earnings per share attributable to the ordinary equity holders of Kumba (Rand per share)			
Basic		**46.64**	103.67
Diluted		**46.54**	103.37

Summarised consolidated statement of other comprehensive income

for the year ended 31 December

Rand million	2022	2021
Profit for the year	**19,655**	43,657
Other comprehensive profit for the year	**713**	827
Exchange differences on translation of foreign operations[1]	**713**	827
Total comprehensive income for the year	**20,368**	44,484
Attributable to:		
Owners of Kumba	**15,512**	33,897
Non-controlling interests	**4,856**	10,587
	20,368	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.

Summarised consolidated statement of changes in equity

for the year ended 31 December

Rand million	2022	2021
Total equity at the beginning of the year	**58,458**	62,190
Changes in share capital and premium		
Treasury shares issued to employees under employee share incentive schemes	**171**	148
Purchase of treasury shares[1]	**(232)**	(220)
Changes in reserves		
Equity-settled share-based payment expense	**216**	212
Vesting of shares under employee share incentive schemes	**(171)**	(148)
Total comprehensive income for the year	**15,512**	33,897
Dividends paid	**(19,067)**	(36,718)
Changes in non-controlling interests		
Total comprehensive income for the year	**4,856**	10,587
Dividends paid	**(5,926)**	(11,490)
Total equity at the end of the year	**53,817**	58,458
Comprising:		
Share capital and premium (net of treasury shares)	**(251)**	(190)
Equity-settled share-based payment reserve	**355**	323
Foreign currency translation reserve	**2,333**	1,789
Retained earnings	**38,609**	42,695
Shareholders' equity	**41,046**	44,617
Non-controlling interests	**12,771**	13,841
Total equity	**53,817**	58,458
Dividend (Rand per share)		
Interim	**28.70**	72.70
Final[2]	**16.30**	30.50
Total	**45.00**	103.20

1 The average price paid for the purchase of the shares in 2022 was R536.43 per share (2021: R597.70 per share).

2 The final dividend was declared after 31 December 2022 and has not been recognised as a liability in this summarised financial report. It will be recognised in shareholders equity for 2023.

Summarised consolidated statement of cash flows

for the year ended 31 December

Rand million	2022	2021
Cash receipts from customers	76,650	103,644
Cash paid to suppliers and employees	(41,815)	(38,674)
Cash generated from operations	**34,835**	64,970
Finance income received	413	751
Finance expense paid	(325)	(175)
Taxation paid	(7,132)	(16,602)
Cash flows from operating activities	**27,791**	48,944
Additions to property, plant and equipment	(11,084)	(6,253)
Acquisition of financial asset at fair value through profit or loss	—	(10)
Acquisition of interest in associate	—	(50)
Proceeds from disposal of property, plant and equipment	23	44
Cash flows utilised in investing activities	**(11,061)**	(6,269)
Purchase of treasury shares	(232)	(220)
Dividends paid to owners of Kumba	(19,067)	(36,718)
Dividends paid to non-controlling shareholders	(5,926)	(11,490)
Interest-bearing borrowings raised	6,716	—
Payment of lease liabilities	(158)	(139)
Cash flows utilised in financing activities	**(18,667)**	(48,567)
Net decrease in cash and cash equivalents	**(1,937)**	(5,892)
Cash and cash equivalents at beginning of year	17,925	22,707
Foreign currency exchange gains on cash and cash equivalents	436	1,110
Cash and cash equivalents at end of year	**16,424**	17,925

Headline earnings
for the year ended 31 December

Rand million	2022	2021
Reconciliation of headline earnings		
Profit attributable to owners of Kumba	**14,968**	33,266
Impairment charge	**5,411**	—
Net loss/(profit) on disposal and scrapping of property, plant and equipment	**74**	(10)
	20,453	33,256
Taxation effect of adjustments	**(1,470)**	3
Non-controlling interests in adjustments	**(952)**	1
Headline earnings	**18,031**	33,260
Headline earnings (Rand per share)		
Basic	**56.19**	103.65
Diluted	**56.06**	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	**320,896,643**	320,881,702
Diluted weighted average number of ordinary shares	**321,643,757**	321,827,001

The dilution adjustment of 747,114 shares at 31 December 2022 (2021: 945,299) is a result of the share options granted under the various employee share incentive schemes.

Notes to the summarised consolidated financial statements
for the year ended 31 December 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 venture 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 (JSE) Limited.

The summarised consolidated financial statements of Kumba and its subsidiaries for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 20 February 2023.

2. Basis of preparation

The summarised consolidated financial statements, and the consolidated financial statements from which they have been extracted, have been prepared under the supervision of BA Mazarura CA(SA), Chief Financial Officer, in accordance with the requirements of the Listings Requirements of the JSE Limited for provisional reports, and the requirements of the South African Companies Act, No. 71 of 2008 (as amended) applicable to summarised consolidated financial statements. The Listings Requirements of the JSE Limited require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The audited consolidated financial statements from which these summarised consolidated financial statements were derived 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 have been rounded off to the nearest million.

2.1 Going concern

The financial position of the group, its cash flows, liquidity position and debt facilities are set out in the group's consolidated annual financial statements for the year ended 31 December 2022. The group's liquidity position of R25.4 billion at 31 December 2022 remained strong. The group ended the period in a cash position of R16.4 billion (31 December 2021: R17.9 billion). Further analysis of the cash position and details of facilities are set out in note 7 and note 8.

The Board has considered the group's cash flow forecasts for the foreseeable future 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 macro-economic environment and the group's operations. In all of 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 reasonably 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.

2.2 Accounting judgements, estimates and assumptions

In preparing the summarised consolidated 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 summarised consolidated financial statements for the year ended 31 December 2021, except as disclosed in note 3 and 4.

2.3 Covid-19 pandemic and the conflict in Ukraine

The group has considered the ongoing 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 of 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 impact on estimates have been identified as a result of the Covid-19 pandemic and 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. These macro-economic factors did not result in an impairment indicator. Refer to note 5 for details on impairment.

Notes to the summarised consolidated financial statements
continued
for the year ended 31 December 2022

3. Accounting policies

The accounting policies and methods of computation applied in the preparation of these summary consolidated financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except as disclosed below.

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

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

3.2 New standards, amendments to existing standards and interpretations that are not yet effective and have not been early adopted

A number of new standards and amendments to issued standards and interpretations are in issue but not effective for annual periods beginning on or after 1 January 2023. The group did not early adopt any new, revised or amended accounting standards or interpretations. These new standards, amendments to standards and interpretations are being evaluated for the impact on the group's financial results, and they are not expected to have a significant impact on the group's financial results.

4. Significant accounting estimates and assumptions

4.1 Impairment of assets

At each reporting date, the group assesses whether there are any indicators that its assets and cash-generating units (CGUs) may be impaired. Operating and economic assumptions, which could affect the valuation of assets using discounted cash flow (DCF), are updated regularly as part of the group's planning and forecasting processes. Judgement is therefore required to determine whether the updates represent significant changes in the service potential of an asset or CGU, and are therefore indicators of impairment or impairment reversal. The judgement also takes into account the group's long-term economic forecasts, market consensus and sensitivity analysis of the DCF models used to value the group's assets. Assets that have been previously impaired are assessed for indicators of both impairment and impairment reversal. Such assets are, by definition, carried on the statement of financial position at a value close to their recoverable amount at the last assessment. Therefore, in principle any change to operational plans or assumptions, economic parameters, or the passage of time, could result in further impairment or impairment reversal if an indicator is identified.

The calculation of the recoverable amount of a CGU is based on assessments of the higher of the fair value less costs of disposal or value in use. The cash flow projections used in these assessments are subject to the areas of judgement outlined below. Refer to note 5 for more detailed disclosure of impairment of property, plant and equipment.

Cash flow projections for impairment testing

Expected future cash flows used in DCF models are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including Ore Reserves and Mineral Resources, together with economic factors such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure. Where DCF models based on management's assumptions are used, the resulting fair value measurements are considered to be at level 3 in the fair value hierarchy, as defined in IFRS 13 *Fair Value Measurement*, as they depend, to a significant extent, on unobservable valuation inputs.

Cash flow projections are based on financial budgets and life-of-asset plans or, for non-mine assets, an equivalent appropriate long-term forecast, incorporating key assumptions as detailed below:

- **Reserves and Resources**
  Ore Reserves and, where considered appropriate, Mineral Resources, are incorporated in projected cash flows, based on Ore Reserves and Mineral Resource statements and exploration and evaluation work undertaken by appropriately qualified persons. Mineral Resources are included where management has a high degree of confidence in their economic extraction, despite additional evaluation still being required prior to meeting the requirements of Reserve classification.
- **Commodity and product prices**
  Commodity and product prices are based on latest internal forecasts, benchmarked with external sources of information, to ensure they are within the range of available analyst forecasts. Where existing sales contracts are in place, the effects of such contracts are taken into account in determining future cash flows.
- **Foreign exchange rates**
  Foreign exchange rates are based on latest internal forecasts, benchmarked with external sources of information. Foreign exchange rates are kept constant (on a real basis) for the long term.

Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2022

4. Significant accounting estimates and assumptions continued

4.1 Impairment of assets continued

- **Discount rates**
  Cash flow projections used in fair value less costs of disposal impairment models are discounted based on a post-tax nominal discount rate. To the extent that specific risk factors were not incorporated into the discount rate, adjustments were made to the cash flow projections.

- **Operating costs, capital expenditure and other operating factors**
  Operating costs and capital expenditure are based on financial budgets covering a five-year period. Cash flow projections beyond five years are based on the life-of-asset plan, as applicable, and internal management forecasts. Cost assumptions incorporate management experience and expectations.

4.2 Change in accounting estimate for inventory valuation

As 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 which was mined before the completion of the feasibility study has no value ascribed to it on the statement of financial position. Historically these stockpiles were 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 volume-based costing method to a yield-based method.

The financial impact of this change at 31 December 2022 is summarised below:

Rand million	Volume-based costing (carrying amount)	Impact of change increase/ (decrease)	Yield-based costing (carrying amount)
Impact on the statement of financial position:			
WIP inventory[1]	**9,196**	**721**	**9,917**
Finished product inventory[1]	**3,863**	**80**	**3,943**
Deferred stripping[2]	**2,739**	**(227)**	**2,512**
Total	**15,798**	**574**	**16,372**
Impact on the statement of profit or loss:			
Net increase in WIP and finished product inventory			**801**
Decrease in deferred stripping			**(227)**
Net increase in profit after tax attributable to the owners of Kumba			**315**
Rand per share			
Net increase in earnings per share attributable to the owners of Kumba			**0.98**

1 The net increase in inventory of R801 million includes R1,557 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 R756 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.

The impact on future periods is impractical to estimate and therefore not disclosed.

Notes to the summarised consolidated financial statements
continued

for the year ended 31 December 2022

4. Significant accounting estimates and assumptions continued

4.3 Changes in estimates and assumption in decommissioning provision

The measurement of the environmental rehabilitation and decommissioning provision is a key area which 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 the estimates of the amount or timing of future cash flows, inflationary changes in the expected cash flows, utilisation of prior year provisions and changes in the discount rate.

The life-of-asset plan on which accounting estimates are based includes only Proved and Probable Ore Reserves as disclosed in Kumba's annual Ore Reserves and Mineral Resources statement. The decrease in the environmental rehabilitation provision, excluding the unwinding of the discount, was mainly due to increases in the discount rates for both mines, offset by the impact of inflationary and footprints increases. The discount rate for Sishen mine increased by 0.7% to 5% (2021:4.3%) and the discount rate for Kolomela mine increased by 0.8% to 4.5% (2021: 3.7%) both in real terms.

The effect of the change in estimate of the rehabilitation and decommissioning provision is detailed below:

Rand million	**2022**	2021
Decrease in environmental rehabilitation provision	**(37)**	(14)
Decrease in decommissioning provision	**(13)**	(35)
Increase/(decrease) in profit after tax attributable to the owners of Kumba	**5**	(40)
Rand per share		
Effect on earnings per share attributable to the owners of Kumba	**0.02**	(0.12)

The R13 million decrease in the decommissioning provision resulted in a decrease in property, plant and equipment of R13 million while the environmental rehabilitation provision decreased by R37 million, as a result of changes in discount rates for both mines and life-of-asset, offset by an increase of R27 million in respect of the rehabilitation for assets under construction and inflationary changes. The movement in the rehabilitation provision, net of the R27 million, was recognised in the statement of profit or loss, increasing profits attributable to the owners of Kumba by R5 million (2021: R40 million decrease). The change in estimate had an insignificant effect on profit or earnings per share of R0.02 (increase) (2021: R0.12 decrease).

4.4 Fair value assessment

The assessment of fair value is principally used in accounting for impairment testing and the valuation of certain financial assets and liabilities.

The determination of assumptions used in assessing the fair value of identifiable assets and liabilities is subjective and the use of different valuation assumptions could have a significant impact on financial results. In particular, expected future cash flows, which are used in discounted cash models, are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including Ore Reserves and Resources, together with economic factors such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure.

The fair value of identifiable financial assets and liabilities that are not traded in an active market is determined by using observable market data (in the case of listed entities, market share price at 31 December of the respective entity) or DCF models (and other valuation techniques) using assumptions considered to be reasonable and consistent with those that would be applied by a market participant. Where DCFs are used, the resulting fair value measurements depend, to a significant extent, on unobservable valuation inputs.

The group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the statement of financial position date.

Notes to the summarised consolidated financial statements
continued

for the year ended 31 December 2022

5. Property, plant and equipment

Rand million	2022	2021
Total capital expenditure	**10,150**	8,008
Comprising:		
Expansion	**3,181**	2,566
SIB	**4,457**	3,717
Deferred stripping	**2,512**	1,725
Decrease/(increase) in capital creditors[1]	**934**	(1,755)
Additions to property, plant and equipment per statement of cash flows	**11,084**	6,253
Transfers from assets under construction to other property, plant and equipment	**603**	1,727

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

Impairment of assets

Kumba produces iron ore at Sishen and Kolomela mines in the Northern Cape province, each of which is considered capable of generating independent cash inflows and is therefore a separate CGU. The group's individual assets and the CGUs were assessed for indicators of impairment at the reporting date.

At 31 December 2022, revisions to the forecast production profile and cost increases in the latest life-of-asset plan for Kolomela CGU were identified as an indicator of potential impairment.

A valuation model was therefore prepared to assess the recoverable amount of the Kolomela CGU. The valuation model was prepared based on accounting policy 4.1 above, and applies a nominal post-tax discount rate of 14.1%. The recoverable amount, determined on a DCF basis using a fair value less costs of disposal valuation model, amounted to R11.9 billion. The carrying amount of the CGU at 31 December 2022 was R17.3 billion, which exceeded the recoverable amount by R5.4 billion (R3.9 billion after tax). As a result an impairment charge has been recorded against property, plant and equipment to bring the carrying value in line with the recoverable amount of R11.9 billion. The DCF valuation uses unobservable inputs along with group assumptions of risk, cash flows and discount rate, and is considered level 3 in accordance with the fair value hierarchy of IFRS 13 *Fair value measurements*.

The valuation is inherently sensitive to changes in economic and operational assumptions, particularly the forecast iron ore prices and the forecast average Rand/US$ rate. The model uses long-term forecast iron ore prices and Rand/US$ foreign exchange rates which fall within the analyst range throughout the model. The long-term forecast iron ore prices from 2027 onwards falls within the second quartile of the analyst price range of US$70/tonne to US$82/tonne (Platts 62% CFR reference basis, 2022 real basis). The forecast average Rand/US$ nominal exchange rate falls within the analyst range of R15/US$1 to R20/US$1.

In addition to the base case valuation, alternative scenarios have been considered to assess the impact of changes in base case key assumptions, principally forecast iron ore prices and Rand/US$ foreign exchange rates. If the future iron ore prices were reduced by 10% from 2023, with all other assumptions remaining the same, this would result in an incremental impairment charge of R7.8 billion. Compared to the base case valuation assumptions, a 10% appreciation of the Rand would result in an incremental impairment charge of R6.9 billion.

Borrowing costs

During the year, R19 million of borrowing costs was capitalised on qualifying assets to property, plant and equipment. A weighted average capitalisation rate of 6% was applied.

6. Inventories

Rand million	**2022**	2021
Finished products	**3,943**	2,563
WIP	**9,917**	6,859
Plant spares and stores	**1,914**	1,708
Total inventories	**15,774**	11,130
Non-current portion of WIP inventories	**7,245**	4,349
Current portion of inventories	**8,529**	6,781
Total inventories	**15,774**	11,130

During the year, the provision for potentially non-recoverable WIP inventory increased to R979 million (2021: R784 million) and slow-moving plant spares and stores provision decreased to R302 million (2021: R312 million). The net inventory write-down of R185 million (2021: R170 million) has been recognised in the statement of profit or loss (refer to note 11).

No inventories were encumbered during the year.

WIP inventory which will not be processed within the next 12 months is presented as non-current.

Notes to the summarised consolidated financial statements
continued
for the year ended 31 December 2022

7. Cash and cash equivalents

Kumba's cash position at the statement of financial position date was as follows:

Rand million	2022	2021
Balance at the end of the year	**16,424**	17,925

Included in cash and cash equivalents is an amount of R1,737 million (2021: R2,857 million) held to cover initial margins under derivative contracts. On termination of the derivative contracts, the underlying positions will be closed, with an insignificant impact on the initial margin value, as the variation margin is settled daily.

Short-term cash deposits of R13,786 million (2021: R13,575 million) were placed with subsidiaries of the ultimate holding company during the year under review (refer to note 15). The group held deposits amounting to R396 million (31 December 2021: R357 million) which are subject to statutory restrictions and are therefore not available for general use by the group.

8. Interest-bearing borrowings

Rand million	2022	2021
Current interest-bearing borrowings	**6,791**	—
Balance at the end of the year	**6,791**	—
Reconciliation		
Balance at the beginning of the year	**—**	—
Borrowings raised during the year	**6,716**	—
Interest payable	**75**	—
Balance at the end of the year	**6,791**	—

Rand million	Maturity date	Interest rate	Facility	Outstanding balance 2022	2021
Unsecured loans					
Revolving syndicated facility at a variable interest rate of JIBAR plus a margin which varies based on the period of the borrowing (committed)[1, 2, 4]	2024	2022 JIBAR + 185bps 2021 Not applicable	8,000	**750**	—
Revolving syndicated facility at a variable interest rate of JIBAR plus a margin which varies based on the period of the borrowing (committed)[2, 4]	2024	2022 JIBAR + 185bps 2021 Not applicable	8,000	**750**	—
Call loan facility at floating call rates (uncommitted)[2]	Open	2022 JIBAR + 185bps 2021 Not applicable	8,200	**5,216**	—
Short-term working capital financing facility[3]	2023	2022 LIBOR + margin[5] 2021 Not applicable	22,022	**—**	—
Total			46,222	**6,716**	—

1 R750 million was drawn down in 2022 (2021: Rnil) from this facility which is held with a related party (refer to note 15).

2 The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The South African Reserve Bank ("SARB") has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. The SARB has indicated their initial preference for the adoption of the South African Rand Overnight Index Average (ZARONIA) as the preferred unsecured candidate to replace JIBAR in cash and derivative instruments. ZARONIA has been published for the purposes of observing the rate and how it behaves, but has not been formally adopted by the SARB as the successor rate to JIBAR. Accordingly, there is still uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group.

3 These facilities consists of a US$700 million (R11.8 billion) committed facility and a US$600 million (R10.2 billion) uncommitted facility which were concluded during the year. These facilities were undrawn at 31 December 2022.

4 The outstanding balances are payable during 2023.

5 The margin varies from 45bps to 155bps depending on the value of the facility.

Notes to the summarised consolidated financial statements
continued
for the year ended 31 December 2022

8. Interest-bearing borrowings continued

The group's debt facilities consist of a committed R16 billion (2021: R8 billion) revolving credit facility which mature in 2024. At 31 December 2022, R1.5 billion of the committed facility had been drawn down. The group's debt facilities also include uncommitted facilities of R8.2 billion (2021: R8.2 billion). At 31 December 2022, R5.2 billion of the uncommitted facilities had been drawn down.

The committed facilities are reviewed and monitored bi-annually. The uncommitted facility is callable on demand.

Committed revolving credit facilities of US$700 million (R11.8 billion) and uncommitted facilities of US$600 million (R10.2 billion) were concluded by SIOC's subsidiaries (Kumba Singapore Pte Limited and Kumba International Trading Limited) during the year to fund their working capital requirements. These debt facilities, placed with a subsidiary of the ultimate holding company, are reviewed on an annual basis. SIOC, the parent company, will provide guarantees in favour of the lender for amounts drawn under these facilities, up to a maximum of US$820 million (R13.9 billion). The committed and uncommitted facilities were undrawn at 31 December 2022.

9. Share capital and share premium

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

Rand million	2022	2021
Balance at the beginning of the year	**(190)**	(118)
Net movement in treasury shares under employee share incentive schemes	**(61)**	(72)
Purchase of treasury shares	**(232)**	(220)
Shares issued to employees	**171**	148
Balance at the end of the year	**(251)**	(190)

Reconciliation of number of shares in issue:

	2022	2021
Balance at the beginning and end of year	**322,085,974**	322,085,974
Reconciliation of treasury shares held:		
Balance at the beginning of the year	**1,202,700**	1,486,238
Shares purchased during the year	**441,924**	306,197
Shares issued to employees under the Bonus Share Plan (BSP), Bonus and Retention Share Plan (BRP), Long-Term Incentive Plan (LTIP), Performance Share Plan (PSP) and the SIOC Employee Benefit Scheme ('Karolo')	**(476,012)**	(589,735)
Balance at the end of the year	**1,168,612**	1,202,700

All treasury shares are held in respect of employee share schemes and are available for utilisation for the purposes of these schemes. At 31 December 2022, all treasury shares were held as conditional share awards under the BSP, BRP, LTIP, PSP, as well as Karolo.

Total treasury shares purchased during the year were acquired by the SIOC Employee Benefit Trust (217,922 shares) and SIOC, a subsidiary of Kumba (224,002 shares). No treasury shares reverted to authorised but unissued during the year.

Notes to the summarised consolidated financial statements
continued
for the year ended 31 December 2022

10. Revenue

Rand million	2022	2021
Sale of iron ore	**68,447**	93,570
Services rendered – shipping	**7,208**	6,969
Total revenue from contracts with customers	**75,655**	100,539
Revenue from other sources[1]	**(1,623)**	1,553
Total revenue as per statement of profit or loss	**74,032**	102,092
Geographical analysis of revenue from contracts with customers:		
Domestic – South Africa	**1**	237
Export	**75,654**	100,302
China	**31,024**	38,249
Rest of Asia	**20,920**	28,007
Europe	**23,165**	33,718
Middle East and North Africa	**545**	132
Americas	**—**	196
Total revenue from contracts with customers	**75,655**	100,539

[1] Revenue from other sources comprises net losses on financial instruments of R1,397 million (2021: R164 million) and subsequent movements in provisionally-priced sales of R226 million (net loss) (2021: R1,717 million (net gain)).

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

Disaggregation of revenue from contracts with customers:

Rand million	Products		Services	
	Sishen mine	Kolomela mine	Shipping operations	Total
2022				
Total segment revenue (refer to note 13)	**48,913**	**17,911**	**7,208**	**74,032**
Add: Revenue from other sources	**1,156**	**467**	**—**	**1,623**
Revenue from contracts with customers	**50,069**	**18,378**	**7,208**	**75,655**
2021				
Total segment revenue	67,612	27,511	6,969	102,092
Less: Revenue from other sources	(1,079)	(474)	—	(1,553)
Revenue from contracts with customers	66,533	27,037	6,969	100,539

Notes to the summarised consolidated financial statements

continued

for the year ended 31 December 2022

11. Operating expenses

Operating expenses are made up as follows:

Rand million	2022	2021
Costs by nature:		
Raw materials and consumables	**2,472**	2,178
Net movement in finished product and WIP inventories	**(4,633)**	(1,701)
Inventory write-down to net realisable value	**185**	170
Contractors' expenses	**5,133**	4,305
Deferred stripping costs capitalised	**(2,512)**	(1,725)
Staff costs	**6,529**	5,620
Employee expenses	**6,279**	5,312
Termination benefits	**18**	84
Share-based payment expenses	**232**	224
Mineral royalty	**1,482**	4,171
Transportation and selling costs	**6,668**	7,068
Shipping services rendered	**7,035**	6,464
Sub-lease rent received	**(53)**	(44)
Depreciation of property, plant and equipment[1]	**5,020**	5,050
Repairs and maintenance	**3,644**	3,020
Legal fees	**20**	15
Professional fees	**315**	203
Audit fees	**15**	13
Insurance cost	**208**	170
Technical services and project studies	**295**	25
Lease expenses	**1,379**	659
Other expenses[2]	**2,936**	2,700
Petroleum products	**3,923**	2,530
Energy costs	**587**	521
Own work capitalised[3]	**(89)**	(129)
Corporate costs	**1,244**	953
Net loss/(profit) on disposal and scrapping of property, plant and equipment	**74**	(10)
Net finance (gains)/losses	**(209)**	215
Net foreign currency (gains)/losses	**(210)**	375
Net fair value losses/(gains) on financial assets measured at fair value through profit or loss	**1**	(160)
Total operating expenses	**41,668**	42,441

[1] Includes an amount of R167 million (2021: R147 million) relating to depreciation of right-of-use assets.

[2] The description was changed from 'general expenses' to 'other expenses' to align to the nature of the expenses. 'Other expenses' includes administrative expenses, hire of equipment, shuttle services and general labour.

[3] Relates to operating expenses incurred during the year that were capitalised to property, plant and equipment. These costs met the qualifying criteria for capitalisation.

12. Taxation

The group's effective tax rate was 26.6% for the year (2021: 27.3%).

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 the deferred tax for the period being recognised at 27%.

13. 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' segment comprises of corporate, administration and other expenditure not allocated to the reported segments.

The total reported segment revenue comprises of 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), before taking into account any impairment charges or reversals, which is considered to be a more appropriate measure of profitability for the group's business. Finance income and finance costs are not allocated to segments as the treasury activity is managed on a central group basis.

Total segment assets comprise finished product and WIP inventories only, which are allocated based on the operations of the segment and the physical location of the asset.

Certain costs included in the determination of adjusted EBITDA are considered to be significant and have, therefore, been reported per segment for the group as a whole. These costs include depreciation of property, plant and equipment, impairment charge, staff costs, net movement in raw materials and consumables, net movement in finished product and WIP inventories, contractors' expenses, transportation and selling costs, shipping services rendered, petroleum products, repairs and maintenance and mineral royalty. The disclosure in the prior year segment report has been updated to include the above-mentioned items of expenses.

Notes to the summarised consolidated financial statements
continued

for the year ended 31 December 2022

13. Segmental reporting continued

	Products[1]		Services			
Rand million	Sishen mine	Kolomela mine	Logistics[2]	Shipping operations	Other	Total
2022						
Statement of profit or loss						
Total external revenue	48,913	17,911	–	7,208	–	74,032
Adjusted EBITDA[3]	34,456	11,952	(6,711)	173	(2,559)	37,311
Significant items included in the statement of profit or loss:						
Depreciation	3,181	1,592	–	–	247	5,020
Impairment charge	–	5,411	–	–	–	5,411
Staff costs	3,577	1,314	42	–	1,596	6,529
Raw materials and consumables	1,813	659	–	–	–	2,472
Net movement in finished product and WIP inventories	(3,963)	(670)	–	–	–	(4,633)
Contractors' expenses	2,633	1,639	–	–	861	5,133
Transportation and selling costs	–	–	6,668	–	–	6,668
Shipping services rendered	–	–	–	7,035	–	7,035
Petroleum products	3,235	680	–	–	8	3,923
Repairs and maintenance	2,845	794	–	–	5	3,644
Mineral royalty	935	541	–	–	6	1,482
Statement of financial position						
Total segment assets	8,624	4,751	485	–	–	13,860
Statement of cash flows						
Additions to property, plant and equipment						
Expansion capital expenditure	2,903	1,074	–	–	–	3,977
SIB capital expenditure	2,526	2,069	–	–	–	4,595
Deferred stripping	1,585	927	–	–	–	2,512

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.
3 This constitutes pro forma financial information in terms of the Listings Requirements of JSE Limited and should be read in conjunction with the basis of preparation. Refer to supplementary non-IFRS financial measures on pages 61 to 62.

Rand million	Products[1] Sishen mine	Kolomela mine	Services Logistics[2]	Shipping operations	Other	Total
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 the 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
Raw materials and consumables[3]	1,705	473	—	—	—	2,178
Net movement in finished product and WIP inventories[3]	(1,067)	(634)	—	—	—	(1,701)
Contractors' expenses[3]	2,101	1,464	—	—	740	4,305
Transportation and selling costs[3]	—	—	7,068	—	—	7,068
Shipping services rendered[3]	—	—	—	6,464	—	6,464
Petroleum products[3]	2,027	502	—	—	1	2,530
Repairs and maintenance[3]	2,320	698	—	—	2	3,020
Mineral royalty[3]	2,617	1,553	—	—	1	4,171
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 capital expenditure	988	400	—	—	—	1,388
SIB capital expenditure	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.
3 The disclosure in the comparative segment report has been updated to include all other material items of expenses to provide a better understanding of material expenses that impact on the profit measure.

Notes to the summarised consolidated financial statements
continued
for the year ended 31 December 2022

13. Segmental reporting continued

Reconciliation of reportable segments' assets to inventory:

Rand million	Note	2022	2021
Inventory			
Finished product		**3,943**	2,563
WIP		**9,917**	6,859
Segment assets		**13,860**	9,422
Plant spares and stores		**1,914**	1,708
Balance per statement of financial position	6	**15,774**	11,130

Reconciliation of operating profit to EBITDA and adjusted EBITDA for the year ended:

Rand million	2022	2021
Operating profit per statement of profit or loss	**26,880**	59,508
Add back:		
Depreciation	**5,020**	5,050
EBITDA	**31,900**	64,558
Add back:		
Impairment charge	**5,411**	—
Adjusted EBITDA	**37,311**	64,558

Geographical analysis of total external revenue:

Rand million	2022	2021
Domestic – South Africa	**1**	237
Export	**74,031**	101,855
China	**37,109**	43,257
Rest of Asia	**13,504**	24,645
Europe	**22,796**	33,627
Middle East and North Africa	**622**	131
Americas	**—**	195
Total external revenue	**74,032**	102,092

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

Customer analysis:

Of the total external revenue, 14% (2021: 15%) was attributable to one customer. Other customers each accounted for less than 10% of the external revenue. The group's products are sold primarily to industrial customers.

14. 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 assets and liabilities that are measured at fair value:

Rand million	Level 1[1]	Level 2[2]	Level 3[3]
2022			
Investments held by the environmental trust	**—**	**796**	**—**
Long-term prepayments and other receivables	**—**	**—**	**52**
Equity investment at fair value through profit and loss (FVTPL)	**—**	**—**	**10**
Trade receivables[4]	**—**	**2,486**	**—**
	—	**3,282**	**62**
2021			
Investments held by the environmental trust	—	795	—
Long-term prepayments and other receivables	—	—	54
Equity investment at FVTPL	—	—	10
Trade receivables[4]	—	4,696	—
	—	5,491	64

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 the provisionally-priced receivables carried at fair value through profit and loss.

Notes to the summarised consolidated financial statements
continued

for the year ended 31 December 2022

14. Fair value estimation continued

There were no transfers between the levels for the year ended 31 December 2022 and 31 December 2021.

All resulting fair value estimates are included in level 1 or level 2, except for the long-term other receivable, investment in associate and equity investment at fair value through profit or loss which are level 3 financial assets. The movements in the fair value of the level 3 financial assets are shown as follows:

Rand million	2022	2021
Balance at the beginning of the year	**114**	35
Increase in financial assets during the year	**—**	60
Fair value (loss)/gain for the year	**(2)**	19
Balance at the end of the year	**112**	114

The long-term other receivable at 31 December 2022 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 confirmed by geological exploration results.

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

15. Related party transactions

During the year, Kumba and its subsidiaries, in the ordinary course of business, entered into various sale, purchase of goods and services transactions with associates, joint ventures, fellow subsidiaries, its holding company and Exxaro Resources Limited.

Material related party transactions

Rand million	2022	2021
Anglo American SA Finance Limited		
Short-term deposit held with Anglo American SA Finance Limited		
– Deposit	**—**	3,717
– Weighted average interest rate (%)	**5.30**	3.76
Interest earned during the year[1]	**182**	736
Interest receivable	**—**	36
Uncommitted facilities held with Anglo American SA Finance Limited	**8,200**	8,200
Utilised portion of the uncommitted facility (note 8)	**5,216**	—
Interest incurred during the year	**107**	—
Interest payable	**27**	—
Anglo American Capital plc		
Short-term deposit held with Anglo American Capital plc		
– Deposit	**13,786**	9,858
Committed debt facilities held with Anglo American Capital plc	**11,858**	—
Uncommitted debt facilities held with Anglo American Capital plc	**10,164**	—
Interest earned on short-term deposits	**141**	—
Anglo Corporate Services South Africa Proprietary Ltd		
Purchase of goods and services: Corporate operations (including shared services)	**774**	517
Insurance receivable	**100**	36
Trade payables	**1,095**	778
Long-term receivables	**130**	80

Notes to the summarised consolidated financial statements

continued

for the year ended 31 December 2022

15. Related party transactions continued

Rand million	2022	2021
Anglo American Marketing Limited		
Cash and cash equivalents held with Anglo American Marketing Limited	**1,737**	2,857
Trade receivables	**195**	369
Sale of goods	**1,108**	926
Purchases of goods and services	**272**	134
Shipping services provided by Anglo American Marketing Limited	**–**	804
Anglo American Shipping Private Limited		
Shipping services provided by Anglo American Shipping Private Limited	**7,036**	5,856
Trade payables	**269**	152
Anglo American Rand Capital		
Committed debt facilities held with Anglo American Rand Capital	**8,000**	–
Utilised portion of the committed facility (note 8)	**750**	–
Interest incurred during the year	**24**	–
Interest payable	**24**	–
Anglo South Africa Proprietary Limited		
Dividends paid to Anglo South Africa Proprietary Limited	**13,293**	25,597
Exxaro Resources Limited		
Dividends paid to Exxaro Resources Limited	**5,153**	9,991
Purchase of goods and services[2]	**76**	10

[1] Interest was earned at an average rate of 5.30% (2021: 3.76%) on cash deposits held with Anglo American SA Finance Limited.

[2] Goods purchased and services incurred from Exxaro Resources Limited consisted of ferrosilicon purchases and directors' fees.

16. 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 expected to be delivered during the first half of 2023.

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 31 December 2022.

17. Guarantees

Total guarantees provided in favour of the Department of Mineral Resources and Energy (DMRE) in respect of the group's undiscounted environmental closure liabilities at 31 December 2022 were R4.8 billion (2021: R4.1 billion). Guarantees amounting to R293 million in respect of the 2021 shortfall were provided in favour of the DMRE in May 2022. Undiscounted closure costs increased by R719 million during the year. This, partially offset by a R1 million increase in the trust fund investment and additional guarantees provided during the year amounting to R443 million, has resulted in a shortfall of R275 million which will be addressed in due course.

Notes to the summarised consolidated financial statements
continued

for the year ended 31 December 2022

18. Regulatory update

National Environmental Management Act (NEMA)

The Minister of Environment, Fisheries and Forestry has determined that requirements for making financial provision to manage, rehabilitate and remediate environmental impacts from mining operations will be regulated under NEMA and no longer under the current Mineral and Petroleum Resource Development Act. This agreement has been formalised by amending the relevant environmental, water and mining legislation. The financial provisioning regulations were published on 20 November 2015, and further proposed material amendments were gazetted on 10 November 2017, 17 May 2019 and 30 August 2021. The effective date for NEMA regulations has been extended to 19 September 2023. These amendments are expected to result in provision of additional funding for the undiscounted closure costs.

19. Events after the reporting period

19.1 Declaration of a final cash dividend

A final cash dividend of R16.30 per share was declared by the Board on 20 February 2023 from profits accrued during the financial year ended 31 December 2022. The total cash dividend for the year amounted to R45.00 per share. The estimated total cash flow of the final Kumba dividend, payable on 20 March 2023 is R5.2 billion.

19.2 Other

The directors are not aware of any other matters or circumstances arising since the end of the year and up to the date of this report, not otherwise dealt with in this report.

20. Independent auditor's report

These summarised consolidated financial statements for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers Inc. who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived.

The auditor's report on the summarised consolidated financial statements is included on the following page, and a copy of the auditor's report on the consolidated financial statements, together with the financial statements, is available for inspection at the Company's registered office. The summarised consolidated financial statements for the year ended 31 December 2022 are available on the Company's website www.angloamericankumba.com

The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should read a copy of the auditor's report and obtain the accompanying financial information from the Company's registered office.

EBITDA and adjusted EBITDA, attributable free cash flow, and net cash are non-IFRS measures reported on pages 61 to 62 and constitute pro forma financial information, as defined by the Listings Requirements of the JSE Limited. This information is provided for illustrative purposes only and due to its nature may not fairly present the group's financial position, changes in equity, results of operations or cash flows. The underlying information used in the preparation of the pro forma financial information has been prepared using the group's accounting policies which comply with IFRS.

The non-IFRS (pro forma) information included in the annual results is the responsibility of the Company's directors. The supplementary non-IFRS information has been reported on by the group's auditors, refer to pages 63 to 65 for their unqualified reporting accountant's reasonable assurance report thereon.

On behalf of the Board

TP Goodlace
Chairman

ND Zikalala
Chief Executive

20 February 2023

Johannesburg

Independent auditor's report on the summary consolidated financial statements

To the shareholders of Kumba Iron Ore Limited

Opinion

The summary consolidated financial statements of Kumba Iron Ore Limited, contained in the accompanying provisional report, which comprise the summary consolidated statement of financial position as at 31 December 2022, the summary consolidated statement of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Kumba Iron Ore Limited for the year ended 31 December 2022.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 20 February 2023. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: CS Masondo
Registered Auditor
Johannesburg, South Africa

20 February 2023

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

Notice of final cash dividend

At its Board meeting on 20 February 2023, the directors approved a gross final cash dividend of 1,630 cents per share on the ordinary shares from profits accrued during the year ended 31 December 2022. This is comprised of a gross base dividend of 1,500 cents per share and a gross top-up dividend of 130 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 subject to withholding tax at a rate of 20% amounts to 1,304 cents per share, comprised of a net base dividend of 1,200 cents per share and net top-up dividend of 104 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, 21 February 2023
Last day for trading to qualify and participate in the final dividend	Tuesday ,14 March 2023
Trading ex-dividend commences	Wednesday, 15 March 2023
Record date	Friday, 17 March 2023
Dividend payment date	Monday, 20 March 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 March 2023 and Friday, 17 March 2023 both days inclusive. Any change of address or dividend instructions must be provided by the last day for trading.

By order of the Board

F Patel
Company Secretary

21 February 2023

Supplementary non-IFRS financial measures

The annual results contain certain non-IFRS financial measures in respect of the group's financial performance, the statement of financial position and cash flows presented in order to provide users with relevant information and measures used by the group to assess performance.

Non-IFRS financial measures are financial measures other than those defined or specified under all relevant IFRSs. To the extent that these measures are not extracted from IFRS disclosure included in the summarised consolidated financial statements for the year ended 31 December 2022, these measures constitute pro forma financial information in terms of the Listings Requirements of the JSE Limited and are the responsibility of the Board of directors. They are presented for illustrative purposes and to provide users with relevant information and measures used by the Company to assess its operating and cash flow performance. In addition, these measures may not be comparable to similarly titled measures used by other companies. The underlying information used in the preparation of the pro forma financial information has been prepared using the group's accounting policies which comply with IFRS.

This pro forma information has been reported on by the external auditors. Their unqualified reporting accountant's reasonable assurance report prepared in terms of ISAE 3420 is included on pages 63 to 65.

The following sets out the non-IFRS financial measures disclosed throughout the annual financial results and where they are reconciled.

EBITDA and adjusted EBITDA

EBITDA is a measure of operating performance and is used to identify trends of controllable expenses in the business. Adjusted EBITDA is a measure of the group's core earnings adjusted for non-recurring items such as impairment charges or reversal of prior year impairment charges.

Rand million	2022	2021
Operating profit per statement of profit or loss	**26,880**	59,508
Add back:		
Depreciation	**5,020**	5,050
EBITDA	**31,900**	64,558
Add back:		
Impairment charge	**5,411**	—
Adjusted EBITDA	**37,311**	64,558

Supplementary non-IFRS financial measures continued

Attributable free cash flow

Attributable free cash flow measures the group's ability to generate cash for the period under review. The table below illustrates attributable free cash flows for the year ended 31 December:

Rand million	2022	2021
Cash generated from operations:	**34,835**	64,970
Less: Additions to property, plant and equipment	**(11,084)**	(6,253)
Less: Finance expense paid	**(325)**	(175)
Less: Taxation paid	**(7,132)**	(16,602)
Less: Dividends paid to non-controlling shareholders	**(5,926)**	(11,490)
Attributable free cash flow	**10,368**	30,450

Net cash

Net cash illustrates the group's cash position after deducting borrowings and lease liabilities as at 31 December:

Rand million	2022	2021
Cash and cash equivalents	**16,424**	17,925
Less: Interest-bearing borrowings	**(6,791)**	—
Less: Lease liabilities	**(304)**	(421)
Net cash	**9,329**	17,504

Independent auditor’s report on non-IFRS measures

To the Directors of Kumba Iron Ore Limited

Report on the Assurance Engagement on the Compilation of Pro Forma Financial Information included in Kumba Iron Ore Limited Audited Annual Results for the year ended 31 December 2022

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Kumba Iron Ore Limited (the “Company”) by the directors. The pro forma financial information, as set out on pages 61 to 62 of the Kumba Iron Ore Limited Audited Annual Results for the year ended 31 December 2022 (“Results Booklet”), consists of EBITDA and adjusted EBITDA, attributable free cash flow and net cash. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are specified in the JSE Limited (JSE) Listings Requirements and described in the supplementary non-IFRS financial measures section of the Results Booklet.

The pro forma financial information has been compiled by the directors to provide users with relevant information and measures used by the Company to assess its operating and cash flow performance and the group’s liquidity position. As part of this process, information about the Company’s financial position and financial performance has been extracted by the directors from the Company’s financial statements for the year ended 31 December 2022, on which an audit report has been published.

Directors’ responsibility

The directors of the Company are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the supplementary non-IFRS financial measures on pages 61 to 62 of the Results Booklet.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors*, issued by the Independent Regulatory Board for Auditors’ (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards)*.

The firm applies International Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent auditor's report on non-IFRS measures continued

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the supplementary non-IFRS financial measures of the Results Booklet based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in the supplementary non-IFRS financial measures of the Results Booklet.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: CS Masondo
Registered Auditor
Johannesburg, South Africa

20 February 2023

The examination of controls over the maintenance and integrity of the Company's website is beyond the scope of the assurance engagement on the compilation of pro forma financial information included in the Results Booklet. Accordingly, we accept no responsibility for any changes that may have occurred to the Results Booklet since they were initially presented on the website.

Glossary of terms and acronyms

Adjusted EBITDA	Operating profit before deducting depreciation, amortisation and impairment charges and before adding impairment reversals
ADR	Alternative dispute resolution
Attributable free cash flow	The cash flow generated from operations less total capital expenditure, cash tax paid, net interest, dividends paid to minority interests and dividends received from associates and joint ventures. The metric also excludes the receipt of disposal proceeds and dividends paid to Kumba shareholders
BEE	Black economic empowerment
BRP	Bonus and Retention share plan
BSP	Bonus share plan
C1 unit cost	All direct cash costs incurred in the mining and production of iron ore
Cash unit cost	All costs incurred by the operations in the mining and production of iron ore, including overheads, but excluding non-cash costs like depreciation, accounting provisions and share-based payment costs
CFR	Cost and freight
CGU	Cash-generating unit
CODM	Chief operating decision-maker
Covid-19	Coronavirus (SARS-CoV2) disease of 2019
DMRE	Department of Mineral Resources and Energy
dmt	Dry metric tonne
DRI	Direct reduced iron
IODEX	Platts Iron ore index
EBITDA	Earnings before interest, tax, depreciation and amortisation. It represents operating profit after adding back depreciation and amortisation
EDFR	EDF Renewables
ESG	Environmental, social and governance
ESOP	Employee share ownership plan
EU	European Union
FP Regs	Financial provisioning regulations

FOB	Free-on-board
FOR	Free-on-rail
FVTPL	Fair value through profit and loss
GHG	Greenhouse gas
GISTM	Global industry standards for tailings dams
GW	Gigawatt
HIV	Human immunodeficiency virus
HME	Heavy mobile equipment
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg interbank overnight rate
JSE	Johannesburg Stock Exchange
King IV™	King IV Report on Corporate Governance for South Africa, 2016
Level 3 – 5 environmental incidents	Those environmental incidents that we consider to have prolonged impacts on the local environments
LTIP	Long-term incentive plan
MENA	Middle East and North Africa region
ML	Megalitres
Mt	Million tonnes
Mtpa	Million tonnes per annum
MW	Megawatt
NEMA	National Environmental Management Act
Net cash	Total cash and cash equivalents less total borrowings, including lease liabilities
Net working capital	Total inventory (including non-current) plus trade and other receivables less trade and other payables (including contract liabilities), these balances principally relate to assets and liabilities to support our operations

Glossary of terms and acronyms
continued

OEE	Operational equipment efficiencies
P101	Asset productivity programme to shift our key operational processes to benchmark and then beyond, exceeding industry best practice productivity at our operations and deliver our full potential
PSP	Performance Share plan
Return on capital employed (ROCE)	The return on adjusted capital employed and calculated as annualised EBIT divided by adjusted average capital employed
RREE	Regional renewable energy ecosystem
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SARS	South African Revenue Service
SHSD	Safety, Health and Sustainable Development
SIB	Stay in business
SIOC	Sishen Iron Ore Company Proprietary Limited
TSF	Tailings storage facilities
UHDMS	Ultra-high density media separation
Unit cost	All costs incurred by the operations in the mining and production of iron ore, including overheads and non-cash costs like depreciation, accounting provisions and share-based payment costs
WIP	Work in progress
wmt	Wet metric tonnes
ZARONIA	South African Rand overnight index average

Administration

Registered office

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Transfer secretaries

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Proprietary Limited
Rosebank Towers
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Sponsor to Kumba

RAND MERCHANT BANK (A division of
FirstRand Bank Limited)

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')

21 February 2023

Directors

Non-executive: TP Goodlace (British/South African) (Chairman), MS Bomela, SG French (Irish), A Jeawon, 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)

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