

Kumba Iron Ore Limited

A member of the Anglo American plc group
(Incorporated in the Republic of South Africa)
(Registration number 2005/015852/06)

Share code: KIO

ISIN: ZAE000085346

("Kumba" or "the Company")

Kumba production and sales report for the first quarter ended 31 March 2020 and update on response to COVID-19

Kumba's Chief Executive, Themba Mkhwanazi, said: "The safety and health of our people and all those who interact with our business are our first priority. We are fully committed to supporting our country's efforts to combat the COVID-19 pandemic and have implemented appropriate measures. These include scaling down our operations to ensure social distancing, issuing personal protective gear and providing rigorous health screening and management, along with the implementation of our COVID-19 Community Response Plans which includes continuous supply of essential services to our local communities.

Our 2020 production¹ and sales¹ guidance has been updated to 37-39Mt and 38-40Mt, respectively to reflect the anticipated impact of the 35-day lockdown. As a measure of prudence in the face of broad-based economic uncertainty across the world's markets, we are targeting a cost saving² of R325 million and deferral on non-critical capital expenditure of R1.0 billion to build upon our robust financial position. These cash preservation measures add to our liquidity position which remains at levels similar to that at the end of 2019."

Production and sales report for the first quarter ended 31 March 2020 ("the period")

Overview:

- Kumba has been fatality free since May 2016 and continues to improve its safety and health performance by ensuring that its leading indicators are within required parameters.
- Total sales of 10.5Mt were 3% below Q1 2019, driven by a 51% lower domestic offtake.
- Total production decreased by 1% to 9.4Mt compared to Q1 2019, due to lower output at Kolomela.
- Total finished stock decreased to 5.5Mt from 6.4Mt at 31 December 2019.

' 000 tonnes	Quarter ended		% change vs Q1 2019	Quarter ended Q4 2019	% change vs Q4 2019
	Q1 2020	Q1 2019			
Total	10,541	10,879	(3)	10,713	(2)
- Export sales	10,190	10,131	1	10,481	(3)
- Domestic sales	352	748	(53)	232	51

Production summary					
' 000 tonnes	Quarter ended		% change vs Q1 2019	Quarter ended Q4 2019	% change vs Q4 2019
	Q1 2020	Q1 2019			
Total	9,449	9,516	(1)	11,806	(20)
- Sishen Mine	6,580	6,447	2	8,264	(20)
- Kolomela Mine	2,870	3,070	(7)	3,542	(19)

Total sales of 10.5Mt were 3% below Q1 2019, driven by a 51% decline in domestic sales to 0.4Mt due to the winding down of Saldanha Steel by ArcelorMittal SA, while export sales increased by 1% to 10.2Mt. Relative to Q4 2019, export sales decreased by 3% due to lockdown related logistical constraints at Saldanha Port.

During the period, Kumba's mining operations were disrupted by unfavourable weather conditions resulting in safety-related stoppages, planned maintenance on the key shovel fleet at Sishen and reliability issues with the truck fleet at Kolomela. Waste stripping at Sishen reduced by 9% to 37.1Mt (Q1 2019: 40.9Mt) and only increased by 2% to 13Mt (Q1 2019: 12.8Mt) at Kolomela.

From a plant perspective, approximately 7 days of production were lost due to the lockdown. Total production decreased by 1% to 9.4Mt compared to Q1 2019, and by 20% relative to the high base in Q4 2019.

With total sales ahead of total production, finished stock was drawn down resulting in total finished stock levels reducing to 5.5Mt from 6.4Mt as at 31 December 2019.

Update on response to COVID-19

Operational update

On Friday, 27 March 2020, following the announcement of the initial 21-day nationwide lockdown, Kumba announced that it had been granted approval by the Department of Mineral Resources and Energy to continue production with a c50% level of workforce. The approval was premised on the Company implementing appropriate safety and health measures in line with South African government

requirements, continuing with the provision of essential services to local communities and protecting the integrity of assets. Kumba's full year 2020 production³ guidance (provided in the Company's 2019 annual results presentation on Tuesday, 18 February 2020) was also updated based on a 21-day lockdown period.

On Thursday, 9 April 2020, the President of the Republic of South Africa announced the extension of the 21-day nationwide lockdown by a further 14 days until Thursday, 30 April 2020. Our operations are continuing safely at the workforce levels approved by the Department of Minerals Resources and Energy with the support of our key suppliers and service providers ensuring that we continue to supply to our customers. Appropriate measures to protect the health and safety of our employees are in place and remain a priority. Kumba continues to provide a wide range of essential services in its host communities, while also responding directly with additional support to help alleviate the health and economic effects of COVID-19.

Supporting our employees, host communities and suppliers

In response to the call by our President to contribute to supporting the national fight against the spread of COVID-19, the Kumba Board has resolved to donate the equivalent of a third of their personal directors' fees or salaries for the next quarter towards COVID-19 relief initiatives while the Executive team has selected to contribute to the employee matching scheme supported by the Anglo American Foundation.

We have implemented an extensive health awareness and support programme called "WeCare", specifically to protect the health and wellbeing of our employees and full-time contractors as well as our host communities during the COVID-19 pandemic. As part of this programme, we are helping colleagues better understand how to protect themselves and others from the virus, monitoring their health to pick up early symptoms, and to manage their health should they test positive for COVID-19. For example, all operational colleagues are self-monitoring for any symptoms through temperature checks, prior to, during and after their shift, that trigger medical assistance being reported.

Kumba has been providing food parcels, water, emergency services, support to health facilities and social development programmes. In addition, we have collaborated with the Provincial Health Department to increase access to healthcare services for our community members by enabling more effective screening through scanners and Polymerase Chain Reaction (PCR) testing machines which can be used remotely to test and release results in 24 hours. We have established testing centres through the Ulysses Gogi Modise Wellness (UGM) Clinic and Tsantsabane Hospital, as well as quarantine and isolation centres within our host communities.

Kumba is supporting our suppliers through its supplier response plan which delivers a range of support including reviewing payment terms, facilitating early settlement of invoices for small businesses as far

as possible and assisting in directing small business owners for help from Government and other NGO assistance programs.

Proactive response programme

Kumba's capital discipline and balance sheet strength ensures that the Company is resilient and appropriately positioned to respond to the unprecedented COVID-19 pandemic. As at 31 March 2020, Kumba's liquidity position, comprised of cash and undrawn committed facilities, remained similar to that at 31 December 2019, reflecting the benefit from the weaker currency and a constructive iron ore market.

The situation is highly dynamic and there remains significant uncertainty about the national measures required to control COVID-19 and the human and economic consequences of those actions. Kumba has therefore planned a range of escalating measures to ensure that the business withstands additional macro-economic volatility, while safeguarding long term stakeholder interests. Our first phase of response targets an additional 2020 cost saving² of R325 million and deferral on non-critical capital expenditure of R1.0 billion.

In our response programme, preserving business continuity and asset integrity remains a priority. Cost saving measures currently being implemented include restrictions on all discretionary spending, reductions in central overheads, demobilisation of non-critical contractors and deferral of certain exploration and evaluation activities.

All capital deferrals have been carefully considered to ensure long-term asset value is protected. As a result, the Sishen UHDMS and Kapstevel South feasibility studies remain on track for completion during H2 2020.

2020 guidance update

Taking all the above into account, the impact of the known disruptions on the previously issued 2020 guidance is summarised as follows:

	FY2020 guidance	Duration of lockdown	Impact of disruptions	Revised FY2020 guidance
Total sales ¹	42-43Mt	35 days	3-4Mt	38-40Mt
Total production ^{1,3}	41.5-42.5Mt		3.5-4.5Mt	37-39Mt
- Sishen	~29Mt		-	~27Mt
- Kolomela	~13Mt		-	~11Mt
Total Waste ¹			-	145-160Mt
- Sishen	170-180Mt		-	45-55Mt
- Kolomela	55-60Mt			
Capex	R6.6-7.1bn		R1.0-1.5bn	R5.6-6.1bn

Footnotes

1. Operational guidance is based on the current 35-day lockdown with production expected to progressively increase through May and June.
2. Cost savings exclude R960 million that continues to be targeted for 2020 as part of our margin enhancement strategy as well as decreased variable costs in line with lower levels of operational activity.
3. The total production guidance was updated on 27 March 2020. Based on a 21-day lockdown and c.50% level of workforce, the impact on production was expected to be 2-3Mt resulting in the guidance being revised to 38.5-40.5Mt

Production and sales volumes referred to for the quarter ended 31 March 2020 are 100% of Sishen Iron Ore Company Proprietary Limited (“SIOC”), and attributable to shareholders of Kumba as well as the non-controlling interests in SIOC.

This announcement contains forward-looking statements which are based on the Company’s current beliefs and expectations about future events. The operational and financial forecasts provided in this announcement are estimates and have not been reviewed and reported on by the Company’s external auditors.

Centurion
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Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)

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Such forward-looking statements are based on numerous assumptions regarding Kumba’s present and future business strategies and the environment in which Kumba will operate in the future. Important factors that could cause Kumba’s actual results, performance or achievements to differ materially from

those in the forward-looking statements include, among others, levels of actual production during any period, levels of global demand and commodity market prices, mineral resource exploration and development capabilities, recovery rates and other operational capabilities, the effects of global pandemics and outbreaks of infectious diseases, the availability of mining and processing equipment, the ability to produce and transport products profitably, the availability of transport infrastructure, the impact of foreign currency exchange rates on market prices and operating costs, the availability of sufficient credit, the effects of inflation, political uncertainty and economic conditions in relevant areas of the world, the actions of competitors, activities by governmental authorities such as permitting and changes in taxation or safety, health, environmental or other types of regulation in the countries where Kumba operates, conflicts over land and resource ownership rights and such other risk factors identified in Kumba's most recent Integrated Report.

Notes to editors:

Kumba Iron Ore Limited, a member of the Anglo American plc group, is a leading value-adding supplier of high quality iron ore to the global steel industry. Kumba produces iron ore in South Africa at Sishen and Kolomela mines in the Northern Cape Province. Kumba exports iron ore to customers in a range of geographical locations around the globe including China, Japan, Korea and a number of countries in Europe and the Middle East.

www.angloamericankumba.com

Anglo American is a leading global mining company and our products are the essential ingredients in almost every aspect of modern life. Our portfolio of world-class competitive mining operations and undeveloped resources provides the metals and minerals that enable a cleaner, more electrified world and that meet the fast growing consumer-driven demands of the world's developed and maturing economies. With our people at the heart of our business, we use innovative practices and the latest technologies to discover new resources and mine, process, move and market our products to our customers around the world - safely, responsibly and sustainably.

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