

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 fourth quarter, and trading statement, for the year ended 31 December 2020

Production and sales report for the fourth quarter and year ended 31 December 2020

Kumba CEO, Themba Mkhwanazi, said "Kumba continues to prioritise the health, safety and wellbeing of our workforce and host communities while managing the impact of the ongoing Covid-19 pandemic. It is within this context that we have demonstrated value creation and resilience with production of 37.0 Mt and sales of 39.7 Mt. Our integrated sales and operational teams adapted quickly to the challenging environment, optimising the value of our products to capitalise on a strong iron ore market. We achieved an average realised FOB export price above the benchmark price level and continued to generate value for all our stakeholders."

Overview of 2020

- Achieved over four years of fatality free production, with workforce health and safety paramount.
- Total production reduced by 13% to 37.0 Mt due to the impact of Covid-19 and balancing the value chain.
- Total sales decreased by 5% to 39.7 Mt, largely driven by an 84% decline in domestic off-take.
- Closing finished stock of 4.7 Mt reflects a drawdown from 6.4 Mt as at 31 December 2019.
- Delivered an average realised FOB export iron ore price for 2020 of US\$115/dmt (2019: US\$97/dmt).

Sales summary								
000 tonnes	Q4 2020	Q4 2019	% change vs Q4 2019	Q3 2020	% change vs Q3 2020	2020	2019	% change vs 2019
Total	10,145	10,713	(5)	10,908	(7)	39,665	42,218	(6)
Export sales	10,145	10,481	(3)	10,908	(7)	39,314	40,038	(2)
Domestic sales	—	232	(100)	—	—	352	2,180	(84)

Production summary								
000 tonnes	Q4 2020	Q4 2019	% change vs Q4 2019	Q3 2020	% change vs Q3 2020	2020	2019	% change vs 2019
Total	9,565	11,806	(19)	9,532	—	37,021	42,388	(13)
Sishen Mine	6,480	8,264	(22)	6,511	—	25,353	29,174	(13)
Kolomela Mine	3,085	3,542	(13)	3,020	2	11,668	13,213	(12)

Safety and health

Kumba continues to prioritise the health, safety and wellbeing of our workforce and host communities. We are strongly committed to building on our fatality free record of over four years and have stepped up safety initiatives through increased leadership visibility, high risk work verifications, fatigue management and ensuring that safe start-up procedures are followed. Priority unwanted events were reviewed in the fourth quarter, along with the identification of one-in-a-hundred-year risk events, which highlighted areas for improvement and the implementation of better controls.

From a health perspective, we introduced additional measures to combat the heightened risk of Covid-19 infections as South Africa entered its second wave, including pre-holiday communication to drive awareness of Covid-19 safety hazard controls. Action plans for a safe start-up in January 2021 were implemented and we refined our Safety and Health approach to Covid-19 with more detailed screening and increased testing when employees and contractors returned to work, as well as restricting visitors to the mines.

Mining and production

During the fourth quarter, operational activities were hampered primarily by above average rainfall and to a lesser extent, some equipment reliability and availability. We have improved our high rainfall readiness and associated recovery plans to mitigate such weather impacts going forward. On the equipment reliability front, we continue to drive our defect elimination and work management programmes and are seeing improvements as a result.

Total waste stripping for 2020 (“the period”) decreased by 16% to 204.8 Mt relative to 244.3 Mt in 2019 (“the comparative period”), with volumes in the period down 16% to 51.4 Mt from 60.9 Mt in Q4 2019, and 13% lower when compared to Q3 2020. Sishen's waste stripping decreased by 18% to 37.2 Mt (Q4 2019: 45.3Mt) and Kolomela by 9% to 14.2 Mt (Q4 2019: 15.6 Mt) in the fourth quarter of the year.

Production volumes also continued to be managed in line with logistical capacity and finished stock levels to ensure that the value chain performed optimally. In 2020, the annual scheduled maintenance on the rail and at port took place in the fourth quarter compared to the third quarter in 2019.

As a result, production in Q4 2020 was maintained at a similar level to that of Q3 2020 at 9.6 Mt. Relative to the high base of 11.8 Mt in Q4 2019, production volumes were 22% lower, contributing to the 13% decrease in total production of 37.0 Mt (2019: 42 Mt) for the year.

Closing finished iron ore stock for the year ended at 4.7 Mt (Q4 2019: 6.4 Mt), reflecting a drawdown.

Logistics, sales, and the market environment

Total sales for the period decreased by 6% to 39.7 Mt (2019: 42.2 Mt), driven by an 84% decline in domestic sales of 0.4 Mt (2019: 2.2Mt) to ArcelorMittal SA. Export sales volumes of 39.3 Mt were 2% lower (2019: 40.0Mt).

Annual maintenance, together with the delayed start-up at Saldanha Port following extended maintenance on a ship loader, impacted port throughput and contributed to export sales decreasing by 3% to 10.1 Mt (Q4 2019: 10.5 Mt).

Kumba realised an average FOB export iron ore price for 2020 of US\$115/dmt (2019: US\$97/dmt) on the back of a strong Platts 62 index CFR average price of US\$109/dmt (2019: US\$93/dmt), reflecting the high quality of our iron ore product. For the full year, we achieved an average lump:fine ratio and product quality of 69:31 (2019: 67:33) and 64.3% Fe (2019: 64.2%), respectively.

Production and sales volumes referred to are 100% of Sishen Iron Ore Company Proprietary Limited ("SIOC"), and attributable to shareholders of Kumba as well as to the non-controlling interests in SIOC.

Trading statement for the year ended 31 December 2020

Kumba is currently finalising its financial results for the year ended 31 December 2020, which will be released on the Johannesburg Stock Exchange News Service ("SENS") on 23 February 2021.

In accordance with section 3.4(b) of the JSE Limited Listings Requirements, shareholders are advised that headline earnings for the period are likely to be between R21,830 million and R23,430 million. Headline earnings per share (HEPS) are likely to be between R68.07 and R73.06, an increase of between 34% and 44% from the previous year ended 31 December 2019. Reported headline earnings and HEPS for the comparative period (released on SENS on 18 February 2020) were R16,309 million and R50.88, respectively.

Basic earnings for the period are expected to be between R21,820 million and R23,415 million. Basic earnings per share (EPS) are expected to be between R68.04 and R73.02, an increase of between 34% and 44%. Reported basic earnings and EPS for the comparative period were R16,259 million and R50.73, respectively.

The increase in earnings for the period is largely attributable to the higher average realised FOB export ore price and a weaker Rand/US Dollar exchange rate, relative to the comparative period. Further information will be provided in the Company's results for the period to be released on SENS on 23 February 2021.

This announcement contains forward-looking statements which are based on the Company's current beliefs and expectations about future events. The financial information on which this trading statement is based, has not been reviewed and reported on by the Company's external auditors.

Centurion
28 January 2021

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

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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

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As a responsible miner of diamonds (through De Beers), copper, platinum group metals, the steel making ingredients of iron ore and metallurgical coal, and nickel - with crop nutrients in development and thermal coal operations planned for divestment - we are committed to being carbon neutral across our operations by 2040. We work together with our business partners and diverse stakeholders to unlock the sustainable value from precious natural resources for the benefit of the communities and countries in which we operate, and for society as a whole, and for our shareholders. Anglo American is re-imagining mining to improve people's lives.

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