

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, and trading statement, for the six months ended 30 June 2021

Kumba's Chief Executive, Themba Mkhwanazi, said: "Kumba's performance in the first half demonstrates our operational strength underpinned by our strong commitment to safety and health. We have now operated for more than five years without a fatality and continued to protect our workforce and support our communities through the Covid-19 pandemic. On behalf of the Kumba team, I thank each and every one of our people and contractors for looking after each other. It is through these collaborative efforts that we can continue to keep each other safe and healthy.

"Our operations performed well and production increased by 12%, while sales increased by 3%, reflecting the impact of rail constraints and periods of severe weather at Saldanha Port. We are therefore revising sales guidance down by 1 Mt to 39–40 Mt while maintaining production guidance at 40–41 Mt as we continue to build up stock at the port.

"As the iron ore market strengthened, we have seen a strong and sustained demand for our high quality products. We achieved an average realised price of US\$220 per tonne in the first half of the year, well above the benchmark price of US\$166 per tonne, driven by our focus on optimising the value of our products for the long-term benefit of all our stakeholders."

Production and Sales Report for the six months ended 30 June 2021⁽¹⁾ ("the period")

Overview:

- Over five-years of fatality-free production achieved, while supporting our workforce and communities through the Covid-19 pandemic.
- Total production increased by 12% to 20.4 Mt (1H 2020 18.2 Mt), driven by good ex-pit ore and plant performance. Q2 2021 increased by 14% to 9.8 Mt (Q2 2020: 8.6 Mt).
- Total sales increased by 3% to 19.5 Mt (H1 2020: 18.9 Mt), on the back of a 5% increase in export sales to 19.4 Mt, partly offset by a 0.3 Mt decrease in domestic off-take to 0.1 Mt. Sales in Q2 2021 increased by 12% to 9.2 Mt.
- Finished stock levels increased to 6.1 Mt (31 December 2020: 4.8 Mt), with 1.7 Mt at Saldanha Port.
- Average realised FOB export iron ore price of US\$216 per wet metric tonne (wmt), equivalent to US\$220 per dry metric tonne (dmt), well above the average benchmark price of US\$163 per wmt or US\$166 per dmt, reflecting the high quality of Kumba's iron ore.

Sales summary								
Million tonnes (Mt)	Quarter ended		% change	Quarter ended	% change	Six months ended		% change
	Q2 2021	Q2 2020	vs Q2 2020	Q1 2021	vs Q1 2021	H1 2021	H1 2020	vs 1H 2020
Total	9.2	8.2	12	10.3	(10)	19.5	18.9	3
- Export sales	9.2	8.2	12	10.2	(9)	19.4	18.6	5
- Domestic sales	—	—	—	0.1	(100)	0.1	0.4	(70)

Production summary								
Million tonnes (Mt)	Quarter ended		% change	Quarter ended	% change	Six months ended		% change
	Q2 2021	Q2 2020	vs Q2 2020	Q1 2021	vs Q1 2021	H1 2021	H1 2020	vs 1H 2020
Total	9.8	8.6	14	10.6	(7)	20.4	18.2	12
- Sishen Mine	6.9	5.9	17	7.1	(3)	13.9	12.6	11
- Kolomela Mine	2.9	2.7	7	3.5	(16)	6.4	5.7	14

1. Volumes, excluding waste stripping, are reported as wet metric tonnes. Product is shipped with approximately 1.6% moisture. The comparative has been restated as Kumba previously reported on a dry basis

Safety and health

In May this year, Kumba marked five-years of fatality free production, a landmark achievement for the Company and the South African mining industry. This demonstrates our commitment to safety and the effectiveness of our Elimination of Fatalities programme implemented since 2016. We are building on our track record through our Risk Identification programme, focusing on risk reduction in operational systems and processes.

Covid-19 health and safety protocols which are embedded in our operations and projects have been adapted and enhanced to safeguard our workforce against the pandemic. In addition, we are working with the rest of Anglo American in South Africa to roll out our government licensed vaccination programme to further protect our employees and contractors from Covid-19.

Mining and Production

Mining activities improved during the second quarter following weather-related stoppages and equipment reliability challenges in the first quarter. The improvement relates to an extensive dewatering campaign and the implementation of alternative shovel deployment strategies to mitigate the residual effects of excessive rainfall which had resulted in waterlogged clay material impacting mining in the pre-strip area. These changes led to a turnaround in waste performance with positive results from the end of May.

During the period, total waste stripping increased by 4% to 98.5 Mt (H1 2020: 94.6 Mt), driven by an 18% increase at Kolomela to 30.8 Mt (H1 2020: 26.2 Mt), including a 7.4 Mt contribution from Kapstevel South. Waste stripping at Sishen decreased marginally to 67.7 Mt (H1 2020: 68.4 Mt). Performance in the second quarter reflects the benefit of the mine recovery plan at Sishen, resulting in waste stripping increasing by 22% to 54.3 Mt (Q2 2020: 44.5 Mt) and by 23% compared to 44.2 Mt achieved in the first quarter.

Production benefited from a solid start to the year, underpinned by improved plant availability. Total production increased by 12% to 20.4 Mt (1H 2020: 18.2 Mt), driven by Sishen's production increasing by 11% to 13.9 Mt (H1 2020: 12.6 Mt) and Kolomela by 14% to 6.4 Mt (H1 2020: 5.7 Mt). Relative to the second quarter in 2020, which was impacted by Covid-19 related disruptions, production increased by 14% to 9.8 Mt (Q2 2020: 8.6 Mt). However, compared to the 10.6 Mt achieved in Q1 2021, production reduced by 7% as we managed down high stock levels that had built up at the mines due to rail constraints. During this period, scheduled maintenance was brought forward in line with our focus on improving plant reliability.

Logistics, sales and marketing

Rail performance recovered in May and June reflecting the benefit of interventions implemented to increase capacity and improve turnaround times. The recovery has contributed to a more balanced value chain as finished stock at Saldanha Port increased to 1.7 Mt relative to total finished stock of 6.1 Mt (31 December 2020: 4.8 Mt).

Export sales increased by 5% to 19.4 Mt (1H 2020: 18.6 Mt) and by 12% compared to the second quarter of 2020. Together with domestic sales of 0.1Mt (H1 2020: 0.4 Mt), total sales increased by 3% to 19.5 Mt (H1 2020: 18.9 Mt). However, the impact of rail constraints in the first four months and subsequent disruptions to shipments in June due to equipment breakdown and inclement weather at Saldanha Port, led to a 10% decrease in the second quarter of this year, compared to first quarter sales of 10.3 Mt.

Kumba achieved an average lump:fine ratio of 69:31 and content of 64.1% Fe. Together with stronger iron ore prices, this combination of product attributes (including the lump premium that our product attracts in the market), translated into an average realised FOB export iron ore price of US\$216/wmt (equivalent to the FOB price of US\$220/dmt), considerably outperforming the average benchmark Platts 62 index FOB price of US\$163/wmt (equivalent to the FOB price of US\$166/dmt).

Full year 2021 guidance

Kumba's full year 2021 guidance for sales has been revised lower by 1 Mt due to the rail constraints and adverse weather at the port in the first half of the year. Subject to potential Covid-19, unrest, rail and weather disruptions, our guidance for 2021 is as follows:

Guidance	FY2021 (dmt)	FY2021 Revised (dmt)	FY2021 Revised (wmt)
Total sales (Mt)	40 - 41	39 - 40	39.5 – 40.5
Total production (Mt)	40 - 41	40 - 41	40.5 – 41.5
Sishen	~28	~28	~28.5
Kolomela	~13	~13	~13
Waste stripping (Mt)			
Sishen	150 - 170	150 - 160	
Kolomela	55 - 65	55 - 65	

Trading statement for the six months ended 30 June 2021

Kumba is currently finalising its financial results for the six months ended 30 June 2021, which will be released on the Johannesburg Stock Exchange News Service ("SENS") on 27 July 2021.

In accordance with paragraph 3.4(b) of the JSE Limited Listings Requirements, and further to the trading statement released on 24 June 2021, shareholders are advised that headline earnings for the period are likely to be between R22,755 million and R23,690 million, an increase of between 171% and 182% from the previous comparable six months ended 30 June 2020 ("comparative period"). Headline earnings per share (HEPS) are likely to be between R70.96 and R73.87, an increase of between 171% and 182% from the comparative period. Reported headline earnings and HEPS basic for the comparative period (released on SENS on 28 July 2020) were R8,401 million and R26.19, respectively.

Basic earnings for the period are expected to be between R22,770 million and R23,700 million, an increase of between 171% and 182% from the comparative period. Basic earnings per share (EPS) are expected to be between R71.01 and R73.91, an increase of between 171% and 182%. Reported basic earnings and EPS for the comparative period were R8,408 million and R26.21, respectively.

The increase in earnings for the period is largely attributable to higher average realised FOB export iron ore prices and higher total sales volumes, partially offset by the stronger Rand/US Dollar exchange rate, relative to the comparative period. Further information will be provided in the Company's results for the period, which will be released on SENS on 27 July 2021.

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 the financial information on which the trading statement is based, has not been reviewed and reported on by the Company's external auditors.

Production and sales volumes referred to for the period 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.

Centurion
20 July 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

Notes to editors:

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 operations, with a broad range of future development options, provides many of the future-enabling metals and minerals for a cleaner, greener, more sustainable world and that meet the fast growing every day demands of billions of consumers. With our people at the heart of our business, we use innovative practices and the latest technologies to discover new resources and to mine, process, move and market our products to our customers – safely and sustainably.

As a responsible producer of diamonds (through De Beers), copper, platinum group metals, premium quality iron ore and metallurgical coal for steelmaking, and nickel – with crop nutrients in development – we are committed to being carbon neutral across our operations by 2040. More broadly, our Sustainable Mining Plan commits us to a series of stretching goals to ensure we work towards a healthy environment, creating thriving communities and building trust as a corporate leader. We work together with our business partners and diverse stakeholders to unlock enduring value from precious natural resources for the benefit of the communities and countries in which we operate, for society as a whole, and for our shareholders. Anglo American is re-imagining mining to improve people's lives.

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