



RE-IMAGINING MINING TO IMPROVE PEOPLE'S LIVES



KUMBA IRON ORE LIMITED

REVIEWED INTERIM RESULTS
FOR THE SIX MONTHS ENDED
30 JUNE 2020

Real Mining. Real People. Real Difference.

KEY FEATURES

Well positioned in a challenging environment:

- ATTRIBUTABLE FREE CASH FLOW OF **R7.1 BILLION**
- ROCE OF 84%
- INTERIM CASH DIVIDEND OF **R19.60** PER SHARE

Improving people's lives:

- **FOUR YEARS** OF FATALITY-FREE PRODUCTION
- OCCUPATIONAL DISEASES REDUCED TO **ZERO**
- **FOUR YEARS** WITHOUT ANY LEVEL 3 TO 5 ENVIRONMENTAL INCIDENTS
- **R13 BILLION** OF SHARED VALUE CREATED
- **R56 MILLION** IN ADDITIONAL WE CARE Covid-19 COMMUNITY SUPPORT

A resilient business:

- AVERAGE REALISED FOB EXPORT PRICE OF **US\$93/TONNE**
- COST SAVINGS OF **R700 MILLION**
- PROTECTED EBITDA MARGIN OF **55%**
- NET CASH OF **R15.7 BILLION**



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



COMMENTARY

RESILIENT AND CAPITAL EFFICIENT BUSINESS, WELL POSITIONED IN A CHALLENGING ENVIRONMENT

Themba Mkhwanazi, Chief Executive of Kumba said, *"Kumba adapted its business quickly and comprehensively to meet the human, operational and market challenges of the likely enduring reality of Covid-19. The Company delivered a strong performance in the first half of the year, with EBITDA of R17.4 billion at a margin of 55%. We are a resilient and capital efficient business with a robust balance sheet, well positioned to navigate the current environment and the longer term.*

The safety and health of our employees and contractors has always been our first priority. We have now marked four years of being fatality free. In these unprecedented times it is even more critical to safeguard both lives and livelihoods and support the ecosystem in which we operate. We have implemented an extensive WeCare programme across four pillars of physical health, mental health, living with dignity, and community response that supports our workforce, communities and suppliers. In practice, this programme includes screening and testing, workforce education and communication, mental health support, contingency plans to ensure social distancing at work and to allow for periods of self-isolation as well as remote working. We are contributing to our local communities by providing essential services such as water, healthcare, and medical services in partnership with the Provincial Department of Health and the local municipalities. With the support of our host communities, unions and government and the safe practices of our people, we have been able to reopen and ramp up production safely.

Kumba's production of 17.9 Mt and sales of 18.6 Mt were in line with our Covid-19 adjusted guidance for the first half of the year, following continued improvements as we returned to pre-Covid-19 run-rates in June. Our strong EBITDA performance translated into R7.1 billion of attributable free cash flow. Taking into account our strong earnings, the resilience required for our new operating conditions, and need for a robust balance sheet, the Board declared an interim cash dividend of R19.60 per share, representing a payout ratio of 75% of headline earnings.

We remain committed to our strategic imperatives of margin enhancement and life extension which are key to our sustainability. Our margin continued to benefit from constructive market prices and currency weakness, as well as the early and decisive action taken to protect our margin through additional cash preservation measures including delivering R700 million in cost savings for the year to date.

Kumba has been through challenging times before and we know how to respond. Our approach to navigating the pandemic is based on ensuring the resilience of our business, living our values of care and respect, and fulfilling our purpose to re-imagine mining to improve people's lives. We are building on our strategy to further strengthen our business and ensure that we remain agile, resilient and able to meet the challenges that we face."

COMMENTARY continued

RESULTS OVERVIEW

Delivering on key priorities amid the Covid-19 pandemic

Kumba's focus and first priority is the safety, health and wellbeing of its employees, contractors and communities. Our Covid-19 measures include screening, testing and quarantine procedures, as well as business contingency plans which have been implemented across our value chain. We have the capability to perform up to 500 tests per PCR machine at the UGM Clinic, Kolomela and Saldanha port each day to help ensure a safe working environment. The facilities that we have in place to test our workforce provide an extra layer of protection enabling us to proactively identify infection. Combined with the extensive range of health, hygiene and distancing measures in place across our business, we have been able to continue operating and ramp up safely. Our preventative measures have supported our efforts to manage infection rates and, to date, our operating activities have not been impacted since re-opening after initial phase of the lockdown. Our screening and testing procedures identified infections of 248 people to date on 27 July 2020. At the same time we have seen recoveries of 67 people during the period. As infection rates increase across South Africa, we also expect the number of cases to increase amongst our workforce and we will continue to take all appropriate measures to identify those cases, support their treatment, protect our workforce and sustain our operations.

We continue to provide essential services to our communities, including water, healthcare and emergency medical services through our Batho Pele mobile clinics and the UGM primary healthcare centre. At the same time, we contributed to livelihoods through our host community businesses with R1.4 billion of procurement spend and R126 million of social development projects, of which R56 million relates to our comprehensive *WeCare* lives and livelihoods programme.

Through our *WeCare* programme, Kumba distributed healthcare packs, bulk sanitisers to clinics and hospitals in the area, as well as food parcels to the most vulnerable families within our local communities. Our UGM Wellness Clinic in Kathu has been equipped and made available to the public for testing, and we are supporting the Postmasburg Hospital to receive Covid-19 cases. Diagnostic laboratories with polymerase chain reaction (PCR) testing machines have been set up

at our UGM Wellness Clinic, our Kolomela mine as well as at Saldanha port. We also provided critical medical equipment such as ventilators and oxygen, as well as more than 400 additional beds for ICU, quarantine and isolation purposes.

Our business response and adapting our strategy

After the safety and health of our employees, contractors and communities, business continuity is our next priority. Our proactive response to protect our business has enabled us to deliver R4.1 billion through income tax and royalties to the South African economy and to pay salaries and benefits of R2.4 billion to our people.

Every aspect of our business has been reviewed by our marketing, operational, financial and other support teams to mitigate potential risks and we have responded quickly to the dynamic and fast evolving landscape, by redirecting sales, resources and spending to areas where they will

have the most effective business result. Through various industry and regional forums we have developed a knowledge-sharing base, and we are actively supporting our suppliers and contractors to manage potential challenges.

Our integrated sales and operational teams are ensuring that our value chain remains flexible, with the right quality and quantity of buffer stocks across our value chain. A joint industry and Transnet management team has been established to manage capacity and optimise the logistics system.

Kumba's capital discipline and balance sheet strength is another priority. Our liquidity position of R24.3 billion, comprised of cash and undrawn committed facilities, benefitted from the weaker currency and constructive iron ore prices. To date, we delivered cost savings of R700 million and have deferred R1.0 billion of non-critical capital expenditure, further strengthening our liquidity position.

While our focus for the first six months of the year ('the period') has been on responding to the Covid-19 pandemic, we remain committed to our strategic ambition of margin enhancement and extending our life of mine to 2040. Our strategy protects our margin, and we are currently more resilient and better positioned than we were in previous down-cycles. Both the Kumba and Anglo American boards have approved the Kapstevel South project at Kolomela, which contributes significantly to sustaining production of ~13 Mt for the remaining life of mine. The ultra-high dense media separation (UHDMS) feasibility study remains on track for completion in Q4 2020, with the commissioning of the UHDMS project expected in the first half of 2023.

Performance highlights

Operational performance during the period reflects the lockdown and subsequent reopening of our operations with a reduced proportion of our workforce in April before ramping up to pre-Covid-19 run-rates in June. Both production and sales are managed in line with logistical performance and, due to the capacity constraints, maintaining flexibility is essential to protect our value chain.

As a result, total production was 11% lower at 17.9 Mt, relative to the 20.1 Mt delivered in the same period in 2019 ('the comparative period'). The impact of the pandemic was most evident in the second quarter, with volumes decreasing by 20%. Total sales volumes decreased by 13% to 18.6 Mt (H1 2019: 21.4 Mt), driven by a 1.1 Mt decline in domestic off-take to 0.4 Mt, while export sales decreased to 18.3 Mt (H1 2019: 19.9 Mt).

Kumba's earnings before interest, tax, depreciation and amortisation (EBITDA) margin of 55% (H1 2019: 58%) benefitted from favourable iron ore prices, a weaker Rand/US\$ exchange rate and cost savings of R700 million (H1 2019: R460 million). However, the break-even price of US\$42/tonne (H1 2019: US\$32/tonne) was impacted by lower price and lump premia, increased cost inflation and higher royalties.

Overall, this translated into attributable and headline earnings per share of R26.21 and R26.19 (H1 2019: R31.39 and R31.51), respectively. In line with Kumba's capital allocation framework and dividend policy, which targets a payout range of between 50% and 75% of headline earnings, the Board has declared an interim cash dividend of R19.60 per share (H1 2019: R30.79 per share) representing 75% of headline earnings.

COMMENTARY continued

SAFETY, HEALTH AND ENVIRONMENTAL PERFORMANCE

The 11th of May 2020 marked four years of being fatality free, reflecting our continued commitment to safety. We are cognisant that complacency can set in over a period of time and we are acutely aware that we need to do more to sustain our track record.

Following the successful implementation of our '*I-Care*' *buddy* campaign last year to encourage employees to be accountable for their personal safety and that of their colleagues, new initiatives were launched this year to continue the progress made through this campaign. Safety technology also continues to gain traction and has been extended to berm monitoring; behaviour monitoring to manage driving speed and capability; and Passport 360, enabling onboarding with single induction, real-time contractor management, and Covid-19 prevention training. Section 23 stoppages for unsafe work practices and working conditions are a good indicator of employee safety awareness and accountability. This period 110 section 23 (H1 2019: 159) and 71 internal (H1 2019: 79) safety stoppages took place. Pleasingly we achieved 100% compliance with our critical control monitoring plan which is a core element of our Elimination of Fatalities framework.

Our high-potential incidents (HPIs), a leading safety indicator, decreased to two from seven, reflecting the progress made through our high-risk work planning and verification processes, together with increased supervisory and management verification and oversight. Lost-time injuries (LTIs) rose to 11 in the period from seven in the comparative period, however these were low severity injuries. Total recordable cases (TRCs) improved marginally to 25 from 26.

From a health perspective, there were no new cases of occupational diseases in the period (H1 2019: five) and by the end of June, 67% of our employees and 58% of our contractors had completed their HIV Counselling and Testing. We are on track to meet our target of 90%. In terms of respiratory diseases, 11 cases of non-occupational tuberculosis were diagnosed at Sishen, all before March, and we have seen the incidence of flu-related illness falling as a result of wearing masks against Covid-19. Furthermore, we are in the process of implementing engineering, isolation, administrative and personal protection equipment (PPE) controls to ensure employees at Sishen are not exposed to silica dust above the occupational exposure limit. These controls are already in place at Kolomela.

On the environmental side, we have achieved over four years of no major (level 3 to 5) environmental incidents. In addition, no dust exceedances occurred during the period under review. As part of our climate change initiatives, we have implemented various energy saving projects and also launched our water management strategy. With hygiene and sanitation being a key Covid-19 preventative measure, our water supply is critically important in protecting the health of our communities. We supplied over 6 million m³ of water to the local municipality at Sedibeng, as part of the essential services we provide to our local communities.

MARKET OVERVIEW

The Platts 62% IODEX cost and freight (CFR) China index averaged US\$91/dmt during the first half of the year, after surging 23% in the second quarter. Following disruptions caused by the Covid-19 pandemic, economic stimulus measures in China have fuelled a strong recovery within the infrastructure and property sectors. From a steep

19.7% year-on-year fall in the first quarter, the contraction in infrastructure investment narrowed to 2.7% until June and property investment rose by 2% in the first half from an 8% decline in the first quarter. For the first half of the year, Chinese steel production grew by 2.2% year-on-year and annualised run-rates in June reached a new record high of 1,114 Mtpa.

Global supply disruption from inclement weather conditions in Brazil and Covid-19 related restrictions in South Africa, Canada, Chile and Peru, provided further price support. It is estimated that shipments from Brazil have reduced by 10.5% year-on-year or 17 Mt in the period, and Australian shipments were impacted by cyclones in the first quarter. Tighter seaborne supply and the low margin environment saw Chinese mills buying in smaller parcels with shorter lead times as iron ore stocks at 45 Chinese ports fell by 19 Mt to 108 Mt by the end of the first half. However, higher iron ore prices have kept marginal producers in the market as Chinese domestic mines' concentrate production rose 16% quarter-on-quarter to 257 Mtpa in the second quarter, as reported by the Metallurgical Mines' Association of China.

The Platts 65 to 62 differential increased to US\$15/dmt (H1 2019: US\$14/dmt), while the lump premium averaged US\$0.23/dmtu, down from US\$0.34/dmtu over the comparative period. Due to the Covid-19 lockdown, mill closures in Europe, Japan, South Korea and India, which tend to have a higher demand for pellet, resulted in pellet cargoes being redirected to the Chinese market. This created pressure on both the pellet and lump premia.

With a number of geographies still suffering from the economic effects of lockdown, market

premia will likely remain under pressure. Over the long term, the structural factors supporting quality premia will remain in place and we will continue to focus on maximising Fe and lump content. The Covid-19 lockdowns had a minimal impact on our first-quarter sales but given the mill closures in the second quarter outside China, the share of traditional (Europe, Japan and South Korea) markets of total sales for the period fell to 34% from 42% at the end of last year.

From a price perspective, we achieved a lump premium of US\$10/dmt and a Fe premium of US\$3/dmt. Combined with a US\$1/tonne decrease due to timing effects, we delivered a total price uplift of US\$12/dmt on the average free on board (FOB) Saldanha price of US\$81/dmt to realise an average FOB price of US\$93/dmt for the first half of the year.

OPERATIONAL PERFORMANCE

Kumba's operational performance for the period reflects the lockdown and subsequent reopening of operations in Q2 2020 with reduced workforce levels of approximately 50%, before ramping up production to pre-Covid-19 run-rates in June. Consequently, total tonnes mined for the period decreased by 15% to 117.6 Mt (H1 2019: 138.0 Mt), with total waste reducing by 17% to 94.6 Mt (H1 2019: 113.8 Mt).

Both production and sales are closely managed in line with Transnet's logistical capacity, which increased to approximately 80% in June 2020. As a result, total production was 11% lower at 17.9 Mt, relative to the 20.1 Mt delivered in the same period in 2019 with the impact of the pandemic most evident in the second quarter as volumes decreased by 20%.

COMMENTARY continued

Production summary (unreviewed)

	Six months ended		
	June 2020	June 2019	% change
'000 tonnes			
Total	17,924	20,060	(11)
Lump	12,098	13,656	(11)
Fines	5,827	6,404	(9)
Mine production	17,924	20,060	(11)
Sishen	12,362	13,757	(10)
Kolomela	5,562	6,303	(12)

Despite challenging operating conditions, we have continued to implement the P101 productivity improvements with the aim of exceeding industry best-in-class process and equipment performance. Progressive improvements were seen in productivity as our workforce levels increased. For the period under review, Kumba's overall owner fleet efficiency (OEE) decreased to 63.2% (H1 2019: 67%) of benchmark, impacted by restricted manning levels as well as the increased time required for medical screening and surveillance. When looking at the monthly performance in the second quarter, demonstrated performance improved by 6.5 percentage points from 62.6% in April to 69.1% in June. This was largely due to the improvement in our shift screening process which saw a reduction in shift processing times from approximately 4 hours to 45 minutes. We continue to optimise the process and expect to see further improvements in our productivity.

Sishen mine

Restricted workforce capacity at Sishen resulted in total tonnes mined and waste stripping decreasing by 15% to 85.1 Mt

(H1 2019: 99.6 Mt) and 17% to 68.4 Mt (H1 2019: 82.8 Mt), respectively. Production volumes reduced by 10% to 12.4 Mt (H1 2019: 13.8 Mt) and OEE slowed down to 65.0% (H1 2019: 67.5%).

Our operational efficiency initiatives during the period focused on drill and blast activities, as well as shovel set-up. We have since seen improved mine planning, drill meters and charging tonnage, resulting in better floor stock generation and therefore equipment efficiency.

We made a conscious effort to continue with our maintenance programme. In some cases, we brought forward key maintenance work on both our plants and heavy mining equipment and have seen the benefit of this in our overall efficiencies. Maintenance on our key 4100-shovel fleet has led to a significant increase in the availability and reliability of our primary equipment. This, along with our other P101 initiatives, has delivered improvements in our truck spotting and loading times as well as in our truck payloads. As a result of this, OEE at Sishen improved to 71% in June.

Kolomela mine

Similar to Sishen, Kolomela's operational performance reflects the Covid-19 related operational restrictions. Total tonnes mined decreased by 15% to 32.5 Mt (H1 2019: 38.4 Mt) and waste stripping by 15% to 26.2 Mt (H1 2019: 30.9 Mt). Likewise, production was 12% lower at 5.6 Mt (H1 2019: 6.3 Mt) for the period before ramping up to pre-Covid-19 levels in June.

Although OEEs reduced to 58.9% (H1 2019: 66.9%) for the period, our focus on improving drill and blast,

as well as shovel and truck efficiency is delivering results. On a monthly basis, operational efficiency improved from 60% in April to 65% in June.

SALES AND LOGISTICS

Total sales volumes declined by 13% to 18.6 Mt (H1 2019: 21.4 Mt), driven by lower domestic offtake by ArcelorMittal SA of 0.4 Mt (H1 2019: 1.5 Mt), while export sales volumes decreased by 8% to 18.3 Mt (H1 2019: 19.9 Mt) due to logistical constraints and severe coastal weather conditions impacting ship loading at Saldanha port.

Sales summary (unreviewed)

	Six months ended		
	June 2020	June 2019	% change
'000 tonnes			
Total	18,612	21,351	(13)
Export sales	18,260	19,886	(8)
Domestic sales	352	1,464	(76)

Due to Transnet's logistical capacity being limited to approximately 80%, iron ore railed to port decreased by 18.4% to 18.2 Mt from 22.3 Mt. Maintaining flexibility across the value chain, from mine to port, is therefore essential to ensure that we have the right quality and quantity of buffer stocks. Additionally, Kumba, along with industry peers and Transnet, are working together to ensure optimal use of the rail network and port. Initiatives are under way to provide training support and increase the number of operators available to supplement the vulnerable staff members unable to work.

Total volume shipped for the period declined by 8% to 18.4 Mt (H1 2019: 19.9 Mt), owing to port constraints due to Covid-19 restrictions and an increase in severe coastal weather conditions

preventing ships from berthing at Saldanha port. To mitigate these risks, optimal levels of finished stock are being maintained at the port, and direct loading from rail to ship has increased as well as double loading to further improve our loading rates.

The benefit of having a flexible value chain was demonstrated by the ability to draw down 0.2 Mt of finished stock to 6.2 Mt during the period (31 December 2019: 6.4 Mt), with 2.4 Mt available for shipping at Saldanha port.

In the first six months, 75% of sales were on a CFR basis compared to 64% in the prior period. Contractual sales amounted to 79% of total export sales volumes (H1 2019: 78%).

COMMENTARY continued

With China's economic recovery and European economies coming under pressure due to an extended lockdown period, China's share of export sales increased to 66% (H1 2019: 49%) of the total export sales portfolio, while the EU/MENA/Americas region decreased to 16% (H1 2019: 32%) and Japan/South Korea/Taiwan decreased to 18% (H1 2019: 20%). Premium product sales decreased to 22% of total sales for the period, compared to 24% for the comparative period. Our average lump to fine ratio was 65:35 (H1 2019: 68:32) and our product qualities were adjusted in Q2 2020 to meet market demand resulting in an average Fe quality of 64.4% (H1 2019: 64.3% Fe).

FINANCIAL RESULTS

Kumba delivered a solid financial performance in the first six months of the year, despite the unprecedented challenges presented by the Covid-19 pandemic. We have also moved with speed and proactively put in place cash preservation measures to ensure that we are well positioned for an uncertain and volatile environment.

Our EBITDA of R17.4 billion reflects the tailwinds from constructive iron ore prices and currency depreciation. Despite this benefit, Covid-19 related disruptions to operations impacted both revenue and costs reflecting lower sales and production volumes respectively during the period. Our self-help efforts are critical and have made a strong contribution, not only towards protecting the margin but also towards cash flow generation, as we endeavour to safeguard shareholder value.

Our margin enhancement strategy, therefore, remains very much in focus. While the three primary objectives of optimising our quality premium products, improving operational

efficiency and delivering costs savings have not changed, the current environment requires that we are flexible in the execution of our strategy. Our high-quality products delivered an additional US\$13.2/tonne in lump and Fe premia. Our operational efficiency may have been temporarily impacted by restricted operating conditions, but we continued with our maintenance schedule and P101 initiatives and we are seeing operational efficiencies starting to improve. To contain the cost impact of lower mining and production volumes, we accelerated our cost-saving efforts.

Ongoing cost-optimisation initiatives delivered R345 million of savings, while reduced operational activity due to Covid-19 and cash conservation initiatives contributed R355 million. This resulted in a total of R700 million of cost savings for the period. Overall, these efforts contained the increase in the cost of production at Sishen and Kolomela to R325/tonne and R306/tonne, respectively.

To further strengthen our balance sheet, we deferred R1.0 billion of non-critical capital expenditure, reducing our guidance to between R5.6 billion and R6.1 billion for 2020. Stay-in-business (SIB) spend has been streamlined to the minimum necessary to sustain our business and support our production targets. Deferred stripping costs for Kolomela have increased due to the lower average life-of-mine strip ratio, compared with the higher strip ratio area that we are currently mining. On expansion spending, reductions are mainly due to deferrals of P101 breakthrough capex into 2021. As the preservation of asset integrity is important for our long-term sustainability, we have not deferred any key projects. The UHDMs feasibility study and Kapstevel South pre-stripping have continued as planned and we will resume exploration of the two prospective targets.

Our proactive cash preservation contributed to attributable free cashflow of R7.1 billion. Our net cash position of R15.7 billion (H1 2019: R18.4 billion) reflects our resilient and capital-efficient balance sheet, allowing us to declare an interim cash dividend of R19.60 per share.

Revenue

Total revenue decreased by 8% to R31.6 billion (H1 2019: R34.5 billion), mainly as a result of lower prices and sales volumes, partially offset by a weaker exchange rate.

Kumba's average realised iron ore export price decreased by 14% to US\$93/tonne (H1 2019: US\$108/tonne), while the average Rand/US\$ exchange rate weakened by 17% to R16.67/US\$1 (H1 2019: R14.20/US\$1). Sales volumes reduced by 13% to 18.6 Mt (H1 2019: 21.4 Mt) due to lower exports of 1.6 Mt and lower domestic sales of 1.1 Mt. Shipping revenue increased by R569 million benefitting from a weaker currency and higher CFR volumes, partly offset by lower freight rates.

The lower average achieved FOB price of US\$93/tonne was due to a US\$17/tonne decrease in the Platts 62 index price to US\$91/tonne and a US\$15/tonne decrease in the lump, Fe and market premia. Platts freight rates were marginally lower at US\$10/tonne from US\$11/tonne in H1 2019.

Operating expenses

Operating expenses, excluding mineral royalties, decreased to R15.1 billion (H1 2019: R15.3 billion), largely due to lower operational costs of R0.8 billion, offset by a R0.6 billion increase in logistics costs.

The reduction in operational costs were primarily attributable to lower levels of operating activity and sales caused by the Covid-19 restrictions. Selling and distribution costs were similar at R3.1 billion as Transnet tariff increases were offset by lower logistics volumes. Freight costs of R2.8 billion were R0.6 billion up on the prior period driven by currency movements and higher CFR shipping volumes of 1.0 Mt.

Despite lower production volumes, Sishen's unit cash costs decreased by 12% to R325/tonne (H1 2019: R370/tonne) owing to lower mining volumes, diesel prices and increased capitalisation of excess work-in-progress stock.

Kolomela's unit cash costs increased to R306/tonne (H1 2019: R255/tonne), representing a 20% increase following an increase in cost escalation due to longer hauling distances and lower production volumes. Similar to Sishen, this was partially offset by lower fuel prices and mining volumes.

EBITDA

EBITDA of R17.4 billion reflects a decrease of 14% compared with R20.1 billion in H1 2019. Currency gains from a weaker exchange rate and reduced operating expenses provided support. However, this was offset by the lower average realised FOB price of US\$93/tonne (H1 2019: US\$108/tonne), the 2.7 Mt impact of lower sales volumes and inflation-led cost escalation.

In line with this, Kumba's EBITDA margin decreased to 55% (H1 2019: 58%), with mining operating margin declining to 53% (H1 2019: 56%), excluding a net freight loss incurred on shipping operations.

COMMENTARY continued

Kumba's break-even price increased to US\$42/tonne, US\$10/tonne above that for the comparative period due to US\$16/tonne lower price and lump premia, and US\$3/tonne from increased cost inflation. This was partially offset by US\$8/tonne from a weaker currency, lower freight rates and increased royalties as well as US\$1/tonne from lower mining volumes and cost savings.

Cash flow and statement of financial position

Kumba ended the period with a net cash position of R15.7 billion (H1 2019: R18.4 billion). Cash flow generated from operations was R15.0 billion (H1 2019: R19.2 billion), underpinned by EBITDA of R17.4 billion, while working capital increased due to finished stock increasing to 6.2 Mt (FY 2019: 4.5 Mt).

Capital expenditure of R2.8 billion comprised R1.2 billion of SIB spend, R1.2 billion of deferred stripping, and R0.4 billion of expansion capex. Our SIB expenditure was largely on capital spares, infrastructure upgrades and our mining fleet management programme. The deferred stripping capex was mainly driven by higher strip ratios at the relevant sections at both mines. Our expansion capex supports our work at Dingleton, the UHDSMS feasibility study, the development of Kapstevél South and the P101 efficiency programme.

We paid total income tax of R3.3 billion (H1 2019: R3.0 billion) and mineral royalties of R1.0 billion (H1 2019: R867 million) for the period and delivered shareholder value with the final 2019 dividend payment of R6.8 billion (H1 2019: R6.6 billion).

Our liquidity position at 30 June 2020 consisted of R24.3 billion of cash resources and debt facilities, which includes our R8 billion revolving credit facility that matures in 2024. The covenants are balance sheet-linked and recognise the cyclical nature of our business, offering improved access to the facilities through the cycle.

ORE RESERVES AND MINERAL RESOURCES

The Zandvierspoort Project Mineral Resources prospecting right, held by Sishen Iron Ore Company Proprietary Limited (SIOC), a subsidiary of Kumba expired at the end of March 2020.

Both the Kumba and Anglo American boards have approved the Kapstevél South project at Kolomela, which contributes significantly to sustaining production of ~13 Mt for the remaining life of mine. The total capital cost of the project will be approximately R7 billion, including pre-stripping. It is anticipated that the addition of the Kapstevél South pit will deliver an after-tax internal rate of return of ~25% and an EBITDA margin of >35%.

There were no further material changes to the ore reserves and mineral resources as disclosed in the 2019 Ore Reserve (and Saleable Product) and Mineral Resource Report available at <https://www.angloamericankumba.com/investors/annual-reporting/reports-archive/2019>.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events that occurred from 30 June 2020 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. 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 2019 Integrated Report.

CHANGES IN DIRECTORATE

On 6 July 2020, Ms Nonkululeko Dlamini stepped down as non-executive director of the Board and as a member of the Social, Ethics and Transformation Committee, as well as the Strategy and Investment Committee.

CHANGES IN MANAGEMENT

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

- Mr Vijay Kumar was appointed Executive Head of Operations at Kumba and joined the Executive Committee with effect from 1 April 2020.
- Ms Yvonne Mfolo resigned as Executive Head of Corporate Affairs and a member of the Kumba Executive Committee with effect from 30 April 2020.
- Mr Samuel Martin, Executive Head of Strategy, was appointed Acting Executive Head of Corporate Affairs, with effect from 1 May 2020.

ANNUAL GENERAL MEETING (AGM)

Shareholders are reminded of the Kumba AGM to be held in electronic format on Friday, 7 August 2020 at 12:00 (CAT). In terms of the Notice of AGM, shareholders are encouraged to make use of proxies to cast their votes prior to the AGM as the company will not have an integrated electronic voting facility available at the

AGM. However, should any Kumba shareholder or its proxy wish to participate and vote at the AGM, such shareholder/proxy should contact the Company's transfer secretaries in writing (including details as to how the shareholder/proxy or its representative can be contacted) by email at proxy@computershare.co.za at least five business days prior to the AGM (by no later than Friday, 31 July 2020), in order for the transfer secretaries to assist shareholders with the requirements.

Shareholders are encouraged to connect to the AGM by navigating to <https://www.diamondpass.net/1953875> and registering as an attendee.

Shareholders may also connect to the audio webcast by navigating to <https://themediiframe.net/10032020>.

OUTLOOK FOR 2020

Safety, health and wellbeing will continue to be our first priority. We are committed to improving on our four-year fatality-free track record through various initiatives to continue embedding safety behaviour and culture. The Covid-19 response measures implemented are being integrated in the way we operate and do business, and we will continue to support our communities, business partners, suppliers and customers as part of our commitment to improving lives and livelihoods.

The extent of the impact of the Covid-19 pandemic on Kumba's operational and financial performance including our full-year 2020 guidance, will depend on many factors, including the duration and severity of the pandemic and related restrictions, all of which are uncertain and cannot be fully predicted. The implications for our export markets are still unfolding. Although we are encouraged by China's recovery and the

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COMMENTARY continued

reopening of the European economies, we remain alert to the possibility of further risks developing including a second wave of infection.

The Company's full year 2020 guidance was revised on 23 April 2020 together with our Covid-19 business response update. To date, operational performance has been in line with expectations and our guidance is as follows:

- Total sales of 38 Mt to 40 Mt
- Total production of 37 Mt to 39 Mt
 - Sishen: ~26 Mt
 - Kolomela: ~12 Mt
- Waste:
 - Sishen: 145 Mt to 160 Mt
 - Kolomela: 45 Mt to 55 Mt

Kumba's unit costs were reviewed to take into account the Covid-19 adjusted production volume guidance and cost-saving targets. Sishen's unit costs are expected to increase to between R385/tonne and R395/tonne, while Kolomela's unit costs remain between R280/tonne and R290/tonne with cost pressures from mining inflation and managing the Covid-19 impact expected to continue.

Since implementing our savings programme in 2018, we have saved R2.6 billion, and have effectively achieved our 2022 savings target two years ahead of time. With this in mind, and knowing we need to step up our rate of saving if we are to offset mining inflation, we are aiming to deliver a further R400 million of savings in the second half of 2020, bringing the total for 2020 to R1.1 billion.

Our longer-term cost-saving targets are under review. In light of the uncertain and fluid environment in which we are currently operating, we are monitoring developments and considering the potential risks and opportunities under

various scenarios ranging from the environment deteriorating further to positioning for recovery should conditions improve. Once we have more certainty, we will provide an update on our longer-term cost-saving targets.

Our capital expenditure guidance of between R5.6 billion to R6.1 billion for 2020, includes the deferral of R1.0 billion of non-critical capital expenditure to 2021.

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 auditor.

Themba Mkhwanazi concluded: "Our competitive products, flexible value chain and geographically diverse customer portfolio base ensures that we are in a position of strength. These unprecedented times further highlight the importance of maintaining our cost discipline, talented workforce and the ability to adapt quickly to a fast-evolving environment with care and respect for all of our stakeholders. We delivered a solid first half performance with R17.4 billion of EBITDA and R7.1 billion in attributable free cash flow. Our robust balance sheet and capital discipline provide us with the financial flexibility to allocate capital where it is needed most in our business during this time of uncertainty, while delivering sustainable returns to our shareholders."

The presentation of the Company's results for the six months ended 30 June 2020 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 28 July 2020.

SALIENT FEATURES AND OPERATING STATISTICS

for the period ended

	Unreviewed six months 30 June 2020	Unreviewed six months 30 June 2019	Unaudited 12 months 31 December 2019
Share statistics ('000)			
Total shares in issue	322,086	322,086	322,086
Weighted average number of shares	320,755	320,400	320,544
Diluted weighted average number of shares	321,535	322,934	321,472
Treasury shares	1,271	1,236	1,412
Market information			
Closing share price (Rand)	463	499	417
Market capitalisation (Rand million)	149,158	160,843	134,326
Market capitalisation (US\$ million)	8,594	11,349	9,577
Net asset value attributable to owners of Kumba (Rand per share)	123.64	124.35	112.49
Capital expenditure (Rand million)¹			
Incurred	2,435	2,243	5,713
Contracted	1,010	1,057	705
Authorised but not contracted	3,147	1,328	806
Commitments from shipping services (Rand million)¹	3,705	6,106	5,686
Operating commitments (Rand million)¹	1,070	291	1,000
Economic information			
Average Rand/US Dollar exchange rate (ZAR/US\$)	16.67	14.20	14.45
Closing Rand/US Dollar exchange rate (ZAR/US\$)	17.36	14.17	14.03
Sishen mine FOR unit cost			
Unit cost (Rand per tonne)	469.27	486.67	467.27
Cash cost (Rand per tonne)	325.40	370.44	345.11
Unit cost (US\$ per tonne)	28.16	34.26	32.33
Cash cost (US\$ per tonne)	19.53	26.08	23.88
Kolomela mine FOR unit cost			
Unit cost (Rand per tonne)	427.45	354.79	374.40
Cash cost (Rand per tonne)	306.40	255.31	270.38
Unit cost (US\$ per tonne)	25.65	24.98	25.91
Cash cost (US\$ per tonne)	18.39	17.98	18.71

¹ Amounts have been reviewed by the group's auditor (the 31 December 2019 amount was audited).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

Rand million	Notes	Reviewed 30 June 2020	Reviewed 30 June 2019	Audited 31 December 2019
ASSETS				
Property, plant and equipment	3	39,100	37,828	38,953
Right-of-use assets		471	354	482
Biological assets		17	4	17
Investments held by environmental trust		613	654	652
Long-term prepayments and other receivables		163	231	206
Inventories	4	3,895	2,869	3,670
Deferred tax assets		1	—	1
Non-current assets		44,260	41,940	43,981
Inventories	4	6,710	5,562	5,995
Trade and other receivables		3,619	5,684	3,737
Contract assets		—	67	—
Current tax asset		—	—	363
Cash and cash equivalents	5	16,271	18,837	12,865
Current assets		26,600	30,150	22,960
Total assets		70,860	72,090	66,941
EQUITY				
Shareholders' equity		39,824	40,050	36,230
Non-controlling interests		12,386	12,458	11,294
Total equity		52,210	52,508	47,524
LIABILITIES				
Lease liabilities		421	391	513
Provisions		2,537	2,352	2,486
Deferred tax liabilities		9,475	9,034	9,313
Non-current liabilities		12,433	11,777	12,312
Lease liabilities		117	16	29
Provisions		94	19	94
Trade and other payables		5,537	5,820	6,676
Contract liabilities		112	159	306
Current tax liabilities		357	1,791	—
Current liabilities		6,217	7,805	7,105
Total liabilities		18,650	19,582	19,417
Total equity and liabilities		70,860	72,090	66,941

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the period ended

Rand million	Notes	Reviewed six months 30 June 2020	Reviewed six months 30 June 2019	Audited 12 months 31 December 2019
Revenue	7	31,579	34,498	64,285
Operating expenses		(16,412)	(16,444)	(35,319)
Expected credit losses on financial assets		(128)	(86)	(155)
Operating profit	8	15,039	17,968	28,811
Finance income		265	376	792
Finance costs		(130)	(177)	(351)
Profit before taxation		15,174	18,167	29,252
Taxation		(4,150)	(4,984)	(7,936)
Profit for the period		11,024	13,183	21,316
Attributable to:				
Owners of Kumba		8,408	10,058	16,259
Non-controlling interests		2,616	3,125	5,057
		11,024	13,183	21,316
Earnings per share attributable to the ordinary equity holders of Kumba (Rand per share)				
Basic		26.21	31.39	50.73
Diluted		26.15	31.15	50.58

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the period ended

Rand million	Reviewed six months 30 June 2020	Reviewed six months 30 June 2019	Audited 12 months 31 December 2019
Profit for the period	11,024	13,183	21,316
Other comprehensive profit/(loss) for the period	424	(26)	(91)
Exchange differences on translation of foreign operations ¹	424	(26)	(91)
Total comprehensive income for the period	11,448	13,157	21,225
Attributable to:			
Owners of Kumba	8,731	10,038	16,189
Non-controlling interests	2,717	3,119	5,036
	11,448	13,157	21,225

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended

Rand million	Reviewed six months 30 June 2020	Reviewed six months 30 June 2019	Audited 12 months 31 December 2019
Total equity at the beginning of the period	47,524	46,135	46,135
Changes in share capital and premium			
Treasury shares issued to employees under employee share incentive schemes	85	403	412
Purchase of treasury shares	(80)	(212)	(324)
Changes in reserves			
Equity-settled share-based payments	89	69	128
Vesting of shares under employee share incentive schemes	(82)	(403)	(412)
Total comprehensive income for the period	8,731	10,038	16,189
Dividends paid	(5,150)	(5,066)	(14,983)
Changes in non-controlling interests			
Total comprehensive income for the period	2,717	3,119	5,036
Dividends paid	(1,624)	(1,575)	(4,657)
Total equity at the end of the period	52,210	52,508	47,524
Comprising:			
Share capital and premium (net of treasury shares)	—	98	(5)
Share capital	3	3	3
Share premium	364	364	364
Treasury shares	(367)	(269)	(372)
Equity-settled share-based payment reserve	194	131	183
Foreign currency translation reserve	1,565	1,292	1,242
Retained earnings	38,065	38,529	34,810
Shareholders' equity	39,824	40,050	36,230
Non-controlling interests	12,386	12,458	11,294
Total equity	52,210	52,508	47,524
Dividend (Rand per share)			
Interim ¹	19.60	30.79	30.79
Final	n/a	n/a	15.99

¹ The interim dividend was declared after 30 June 2020 and has not been recognised as a liability in this interim financial report. It will be recognised in shareholders' equity for the year ending 31 December 2020. Refer to note 15.2.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended

	Reviewed six months 30 June 2020	Reviewed six months 30 June 2019	Audited 12 months 31 December 2019
Rand million			
Cash generated from operations	14,976	19,224	34,657
Finance income received	265	376	781
Finance expense paid	(71)	(148)	(267)
Taxation paid	(3,310)	(2,956)	(7,781)
Cash flows from operating activities	11,861	16,496	27,390
Additions to property, plant and equipment	(2,827)	(2,243)	(5,603)
Proceeds from disposal of property, plant and equipment	2	6	6
Increase in financial asset at fair value through profit or loss	—	(21)	(207)
Cash flows utilised in investing activities	(2,825)	(2,258)	(5,804)
Purchase of treasury shares	(80)	(212)	(324)
Dividends paid to owners of Kumba	(5,150)	(5,066)	(14,983)
Dividends paid to non-controlling shareholders	(1,624)	(1,575)	(4,657)
Payment of lease liabilities	(52)	(48)	(82)
Cash flows utilised in financing activities	(6,906)	(6,901)	(20,046)
Net increase in cash and cash equivalents	2,129	7,337	1,540
Cash and cash equivalents at beginning of the period	12,865	11,670	11,670
Foreign currency exchange gains/(losses) on cash and cash equivalents	1,277	(170)	(345)
Cash and cash equivalents at end of the period	16,271	18,837	12,865

HEADLINE EARNINGS

for the period ended

	Reviewed six months 30 June 2020	Reviewed six months 30 June 2019	Audited 12 months 31 December 2019
Rand million			
Reconciliation of headline earnings			
Profit attributable to owners of Kumba	8,408	10,058	16,259
Impairment charge	—	56	23
Net (gain)/loss on disposal and scrapping of property, plant and equipment	(12)	9	66
	8,396	10,123	16,348
Taxation effect of adjustments	3	(16)	(23)
Non-controlling interests in adjustments	2	(12)	(16)
Headline earnings	8,401	10,095	16,309
Headline earnings (Rand per share)			
Basic	26.19	31.51	50.88
Diluted	26.13	31.26	50.73
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	320,755,003	320,400,059	320,554,087
Diluted weighted average number of ordinary shares	321,534,832	322,933,691	321,472,427

The dilution adjustment of 779,829 shares at 30 June 2020 (30 June 2019: 2,533,632 and 31 December 2019: 918,340) is a result of the share options granted under the various employee share incentive schemes.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2020

1. CORPORATE INFORMATION

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

The condensed consolidated interim financial statements of Kumba and its subsidiaries for the six months ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 27 July 2020.

2. BASIS OF PREPARATION

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

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

2.1 Going concern

The financial position of the group, its cash flows, liquidity position and debt facilities are set out in the group's condensed consolidated interim results for the six months ended 30 June 2020. The group ended the period in a cash position of R16.3 billion (30 June 2019: R18.8 billion and 31 December 2019: R12.9 billion). Further analysis of the cash position and details of facilities are set out in note 5.

The Board has considered the group's cash flow forecasts for the foreseeable future under base case and downside scenarios, with consideration given to the uncertainty of the impact of the Covid-19 pandemic on both the wider macroeconomic 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, including these condensed consolidated interim financial statements.

2. BASIS OF PREPARATION continued

2.2 Accounting judgements, estimates and assumptions

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the consolidated financial statements for the year ended 31 December 2019, except as disclosed below.

2.3 Accounting policies

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

2.3.1 New standards effective for annual periods beginning on or after 1 January 2020

No new standards, amendments to published standards and interpretations which became effective for the year commencing on 1 January 2020 had an impact on the group's accounting policies.

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

The group did not early adopt any new, revised or amended accounting standards or interpretations. The accounting standards, amendments to issued accounting standards and interpretations, which are relevant to the group but not yet effective at 30 June 2020, are being evaluated for the impact of these pronouncements, and are not expected to have a material impact.

2.4 Change in estimates

The measurement of the environmental rehabilitation and decommissioning provisions are a key area where management's judgement is required. The 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. The closure provisions are updated at each reporting period date, for changes in these estimates.

The life-of-mine plan (LoMP) on which accounting estimates are based only includes proved and probable ore reserves as disclosed in Kumba's 2019 annual ore reserves and mineral resources statement. The most significant changes in the provision for 2020 arose from the unwinding of the discount and inflationary changes in the expected cash flows for both Sishen and Kolomela.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2020

2. BASIS OF PREPARATION continued

2.4 Change in estimates continued

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

Rand million	Reviewed 30 June 2020	Reviewed 30 June 2019	Audited 31 December 2019
Increase in environmental rehabilitation provision	38	3	133
Increase in decommissioning provision	8	8	62
Decrease in profit after tax attributable to the owners of Kumba	21	2	73
Rand per share			
Decrease in earnings per share attributable to the owners of Kumba	0.07	—	0.23

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

3. PROPERTY, PLANT AND EQUIPMENT

Rand million	Reviewed 30 June 2020	Reviewed 30 June 2019	Audited 31 December 2019
Capital expenditure	2,435	2,243	5,713
Comprising:			
Expansion	202	134	647
Stay-in-business (SIB)	996	827	2,432
Deferred stripping	1,237	1,282	2,634
Decrease/(increase) in capital creditors ¹	392	—	(110)
Additions to property, plant and equipment per statement of cash flows	2,827	2,243	5,603
Transfers from assets under construction to property, plant and equipment	433	2,769	6,217

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

Expansion capital expenditure comprised mainly of the expenditure on the Dingleton relocation project, UHDMS and Kapsteveld South projects, and for the P101 efficiency programme. SIB expenditure to maintain operations was principally related to infrastructure to support mining and plant operations.

4. INVENTORY

	Reviewed 30 June 2020	Reviewed 30 June 2019	Audited 31 December 2019
Rand million			
Finished product	2,662	1,821	2,664
Work-in-progress	6,272	5,155	5,626
Plant spares and stores	1,671	1,455	1,375
Total inventories	10,605	8,431	9,665
Non-current portion of work-in-progress inventories	3,895	2,869	3,670
Total current inventories	6,710	5,562	5,995
Total inventories	10,605	8,431	9,665

During the period, the group increased its provision against plant spares and stores by R23 million, to an amount of R232 million (30 June 2019: R167 million and 31 December 2019: R210 million). Rnil (30 June 2019: Rnil and 31 December 2019: R32 million) of finished product inventory was written off to a zero carrying amount.

No inventories were encumbered during the year.

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

5. CASH AND CASH EQUIVALENTS AND DEBT FACILITIES

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

	Reviewed 30 June 2020	Reviewed 30 June 2019	Audited 31 December 2019
Rand million			
Cash and cash equivalents	16,271	18,837	12,865

Included in cash and cash equivalents is an amount of R628 million (30 June 2019: R380 million and 31 December 2019: R340 million) which is restricted as it is required to be held at trading exchanges to cover initial margins under derivative contracts. A variation margin is posted to the exchange on a daily basis, and values can fluctuate depending on the exchange pricing. As a result, variation margins amounting to R36 million have been reclassified in the current year to trade and other receivables in line with the nature of these instruments. For the 2019 financial year, variations margins (30 June 2019: R64 million and 31 December 2019: R51 million) were included in cash and cash equivalents.

The group's debt facilities consist of a committed R8 billion (30 June 2019: R12 billion and 31 December 2019: R8 billion) revolving credit facility which matures in 2024. The group's debt facilities also include uncommitted facilities of R8.2 billion (30 June 2019: R8.3 billion and 31 December 2019: R8.2 billion). The committed and uncommitted facilities were undrawn at 30 June 2020, 30 June 2019 and 31 December 2019.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2020

6. SHARE CAPITAL AND SHARE PREMIUM

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

	Reviewed 30 June 2020	Reviewed 30 June 2019	Audited 31 December 2019
Rand million			
Balance at beginning of period	(5)	(93)	(93)
Net movement in treasury shares under employee share incentive schemes	5	191	88
Purchase of treasury shares	(80)	(212)	(324)
Shares issued to employees	85	403	412
Balance at end of period	—	98	(5)

Reconciliation of number of shares in issue

	Reviewed 30 June 2020	Reviewed 30 June 2019	Audited 31 December 2019
Balance at beginning and end of period	322,085,974	322,085,974	322,085,974
Reconciliation of treasury shares held			
Balance at beginning of period	1,411,944	2,565,164	2,565,164
Shares purchased	239,283	555,717	793,677
Shares issued to employees under the Long-Term Incentive Plan, Kumba Bonus Share Plan and the SIOC Employee Benefit Scheme	(379,905)	(1,885,077)	(1,946,897)
Balance at end of period	1,271,322	1,235,804	1,411,944

All treasury shares are held as conditional awards under the Kumba Bonus Share Plan, the Kumba Bonus and Retention Share Plan and the SIOC Employee Benefit Scheme.

7. REVENUE

	Reviewed six months 30 June 2020	Reviewed six months 30 June 2019	Audited 12 months 31 December 2019
Rand million			
Sale of iron ore	27,726	30,607	57,207
Services rendered – shipping	2,716	2,147	5,615
Revenue from other sources ¹	1,137	1,744	1,463
Total revenue	31,579	34,498	64,285

¹ Revenue from other sources comprises net gains on financial instruments of R448 million (30 June 2019: R1,590 million and 31 December 2019: R1,192 million) and provisionally-priced sales of R689 million (30 June 2019: R154 million and 31 December 2019: R271 million) previously included in sale of iron ore.

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

Geographical analysis of revenue

	Reviewed six months 30 June 2020	Reviewed six months 30 June 2019	Audited 12 months 31 December 2019
Rand million			
Total external revenue	31,579	34,498	64,285
South Africa	464	1,768	2,557
Export	31,115	32,730	61,728
China	20,641	16,182	33,853
Rest of Asia	6,208	5,540	12,178
Europe	3,982	10,557	15,078
Middle East and North Africa	284	193	196
Americas	—	258	423

Refer to note 10 for an analysis of revenue per operating segment.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2020

8. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT

Operating expenses is made up as follows:

Rand million	Reviewed six months 30 June 2020	Reviewed six months 30 June 2019	Audited 12 months 31 December 2019
Production costs	8,967	9,024	20,909
Movement in inventories	203	935	65
Finished products	848	412	14
Work-in-progress	(645)	523	51
Cost of goods produced	9,170	9,959	20,974
Cost of services rendered – shipping	2,832	2,202	5,605
Total cost of sales	12,002	12,161	26,579
Impairment charge	—	56	23
Mineral royalty	1,458	1,224	2,411
Selling and distribution costs	3,100	3,109	6,501
Sublease rent received	(20)	(20)	(40)
Operating expenses (including expected credit losses)	16,540	16,530	35,474
Less: Expected credit losses	(128)	(86)	(155)
Operating expenses (excluding expected credit losses)	16,412	16,444	35,319
Operating profit has been derived after taking into account the following items:			
Employee expenses	2,393	2,313	4,799
Termination benefits	—	3	7
Share-based payment expenses	35	90	147
Depreciation of property, plant and equipment ¹	2,362	2,100	4,538
Deferred waste stripping costs ²	(1,237)	(1,282)	(2,634)
Net loss on disposal and scrapping of property, plant and equipment	(12)	9	66
Net finance (gains)/losses	(832)	(260)	80
Unrealised losses/(gains) on derivative financial instruments	140	(253)	(113)
Net foreign currency (gains)/losses			
Realised	(830)	(149)	(166)
Unrealised	(180)	174	181
Net fair value losses/(gains) on financial assets measured at fair value through profit or loss ³	38	(32)	178

¹ This includes R60 million in respect of right-of-use assets (30 June 2019: R25 million and 31 December 2019: R89 million).

² This relates to stripping costs capitalised during the period. Refer to note 3.

³ This includes a R1 million fair value gain (30 June 2019: Rnil and 31 December 2019: R206 million loss) on a loan receivable and R39 million loss (30 June 2019: R32 million gain and 31 December 2019: R31 million gain) on investments held by the environmental trust.

9. TAXATION

The group's effective tax rate was 27% for the period (30 June 2019: 27% and 31 December 2019: 27%).

10. SEGMENTAL REPORTING

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

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

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

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

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

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2020

10. SEGMENTAL REPORTING continued

	Products ¹		Services		Other	Total
	Sishen mine	Kolomela mine	Logistics ²	Shipping operations		
Rand million						
Reviewed period ended 30 June 2020						
Statement of profit or loss						
Total external revenue	20,204	8,659	—	2,716	—	31,579
EBITDA	14,917	6,343	(3,096)	(116)	(647)	17,401
Significant items included in statement of profit or loss:						
Depreciation	1,649	640	4	—	69	2,362
Staff costs	1,568	568	17	—	274	2,427
Statement of financial position						
Total segment assets ³	4,498	3,187	1,188	—	61	8,934
Statement of cash flows						
Additions to property, plant and equipment						
Expansion	186	17	—	—	145	348
SIB	824	318	2	—	98	1,242
Deferred stripping	854	383	—	—	—	1,237
Reviewed period ended 30 June 2019						
Statement of profit or loss						
Total external revenue	22,529	9,822	—	2,147	—	34,498
EBITDA	16,238	7,267	(3,105)	(54)	(222)	20,124
Significant items included in statement of profit or loss:						
Impairment loss on property, plant and equipment	56	—	—	—	—	56
Depreciation	1,459	603	4	—	34	2,100
Staff costs	1,441	491	24	—	450	2,406
Statement of financial position						
Total segment assets ³	579	328	907	—	7	1,821
Statement of cash flows						
Additions to property, plant and equipment						
Expansion	134	—	—	—	—	134
SIB	595	232	—	—	—	827
Deferred stripping	912	370	—	—	—	1,282

¹ Derived from extraction, production and selling of iron ore.² No revenue is reported for this segment as its performance is reviewed with reference to volumes railed and rail tariffs achieved by the mines.³ From the 2019 financial year, the CODM considers WIP inventory, in addition to finished product inventory, as a key focus area for decision-making purposes. Therefore, the WIP inventory balance is included in total segment assets balance.

10. SEGMENTAL REPORTING continued

Rand million	Products ¹		Services		Other	Total
	Sishen mine	Kolomela mine	Logistics ²	Shipping operations		
Audited year ended 31 December 2019						
Statement of profit or loss						
Total external revenue	40,698	17,972	—	5,615	—	64,285
EBITDA	28,695	12,513	(6,500)	1	(1,337)	33,372
Significant items included in statement of profit or loss:						
Depreciation	3,174	1,241	10	—	113	4,538
Impairment loss on property, plant and equipment	23	—	—	—	—	23
Staff costs	2,942	1,011	40	—	960	4,953
Statement of financial position						
Total segment assets ³	4,170	3,056	1,065	—	—	8,291
Statement of cash flows						
Additions to property, plant and equipment						
Expansion	592	—	—	—	—	592
SIB	1,693	684	—	—	—	2,377
Deferred stripping	1,981	653	—	—	—	2,634

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

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

³ From the 2019 financial year, the CODM considers WIP inventory, in addition to finished product inventory, as a key focus area for decision-making purposes. Therefore, the WIP inventory balance is included in total segment assets balance.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2020

10. SEGMENTAL REPORTING continued**Reconciliation of reportable segments' assets to inventories**

Rand million	Note	Reviewed 30 June 2020	Reviewed 30 June 2019	Audited 31 December 2019
Inventories				
Finished product		2,662	1,821	2,664
Work-in-progress		6,272	—	5,626
Segment assets		8,934	1,821	8,290
Work-in-progress		—	5,155	—
Plant spares and stores		1,671	1,455	1,375
Balance per statement of financial position	4	10,605	8,431	9,665

Reconciliation of operating profit to EBITDA

Rand million	Reviewed 30 June 2020	Reviewed 30 June 2019	Audited 31 December 2019
Operating profit per statement of profit or loss	15,039	17,968	28,811
<i>Add back:</i>			
Depreciation	2,362	2,100	4,538
Impairment charge	—	56	23
EBITDA	17,401	20,124	33,372

GEOGRAPHICAL ANALYSIS

All non-current assets, excluding investments in associates and joint ventures, are located in South Africa. Refer to note 7 for the geographical analysis of revenue.

11. RELATED-PARTY TRANSACTIONS

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

Rand million	Reviewed six months 30 June 2020	Reviewed six months 30 June 2019	Audited 12 months 31 December 2019
Anglo American SA Finance Limited (AASAF)¹			
Short-term deposits held with AASAF			
– Deposit	9,761	11,196	4,428
– Weighted average interest rate (%)	5.6	7.10	6.95
Interest earned on short-term deposits with AASAF during the year	210	295	631
Uncommitted facilities with AASAF	8,200	8,320	8,200
Anglo American Capital plc¹			
Short-term deposit held with Anglo American Capital plc			
– Deposit	4,057	5,985	6,094
Interest earned on the facility during the period	19	43	79
Anglo American Marketing Limited (AAML)¹			
Cash and cash equivalents held with AAML	625	450	595
Trade payable owing to AAML	113	385	928
Sale of goods to AAML	565	1,877	2,256
Shipping services provided by AAML	686	2,202	5,123
Anglo American Shipping Pte. Limited¹			
Shipping services provided by Anglo American Shipping Pte. Limited	2,146	—	558
Trade payable owing to Anglo American Shipping Pte. Limited	230	—	356
Anglo South Africa Proprietary Limited²			
Dividends paid to Anglo South Africa Proprietary Limited	3,590	3,532	10,445
Exxaro Resources Limited³			
Dividends paid to Exxaro Resources Limited	1,412	1,369	4,050

¹ Subsidiaries of the ultimate holding company.

² Holding company.

³ Exxaro Resources Limited is SIOC's 20.62% (30 June 2019 and 31 December 2019: 20.62%) black economic empowerment shareholder.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2020

12. FAIR VALUE ESTIMATION

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

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

Rand million	Level 1 ¹	Level 2 ²	Level 3 ³
Reviewed six months – 30 June 2020			
Investments held by the environmental trust	613	—	—
Long-term prepayments and other receivables	—	—	49
Trade receivables and other receivables ⁴	—	2,340	—
Derivative financial instruments classified as cash and cash equivalents	—	628	—
	613	2,968	49
Reviewed six months – 30 June 2019			
Investments held by the environmental trust	654	—	—
Long-term prepayments and other receivables	—	—	68
Trade receivables ⁴	—	3,420	—
Derivative financial instruments classified as cash and cash equivalents	—	444	—
	654	3,864	68
Audited 12 months – 31 December 2019			
Investments held by the environmental trust	652	—	—
Long-term prepayments and other receivables	—	—	48
Trade receivables ⁴	—	2,153	—
Derivative financial instruments classified as cash and cash equivalents	—	620	—
	652	2,773	48

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. This category includes long-term prepayments.

⁴ This includes the provisionally-priced receivables carried at fair value through profit or loss.

12. FAIR VALUE ESTIMATION *continued*

All the resulting fair value estimates are included in level 1 or level 2 except for the long-term prepayment, which is a level 3 financial asset. The movements in the fair value of the level 3 financial asset are shown as follows:

Rand million	Reviewed 30 June 2020	Reviewed 30 June 2019	Audited 31 December 2019
Balance at beginning of period	48	47	47
Increase in financial assets during the year	—	21	207
Fair value gain/(loss) for the period	1	—	(206)
Balance at end of period	49	68	48

There were no changes made to any of the valuation techniques applied as of 31 December 2019.

13. CONTINGENT LIABILITIES

As previously reported, during 2018, the South African Revenue Service (SARS) issued the group with additional income tax assessments, covering the 2012 to 2014 years of assessments, relating to a tax audit on the deductibility of certain expenditure incurred. The group objected against these assessments after consultation with external tax and legal advisors. The 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. Once SARS has filed its statement of grounds of assessment and opposing appeal, the group has 45 business days to file its statement of grounds of appeal.

Based on the external legal and tax advice obtained, the group believes that this matter has been appropriately treated in the results for the period ended 30 June 2020.

14. GUARANTEES

Total guarantees issued in favour of the Department of Mineral Resources and Energy (DMRE) in respect of the group's environmental closure liabilities at 30 June 2020 were R3.4 billion (30 June 2019: R3 billion and 31 December 2019: R3 billion). Guarantees in respect of the FY19 shortfall of R363 million were issued to the DMRE in May 2020. Closure costs increased by R88 million during the six months. This, together with the reduction of R39 million in the trust funds which was impacted by Covid-19, has resulted in a shortfall of R127 million (30 June 2019: R579 million and 31 December 2019: R363 million). Shortfalls arising during the year will be addressed after finalisation of the group's annual financial statements as required by the DMRE.

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2020

15. EVENTS AFTER THE REPORTING PERIOD

15.1 Resignation of director

The Board announced the resignation of Ms Nonkululeko Dlamini as non-executive director with effect from 6 July 2020. The Board expresses its gratitude to Ms Dlamini for her valued contribution to the Company.

15.2 Declaration of dividend

An interim cash dividend of R19.60 per share was declared by the Board on 27 July 2020 from profits accrued during the period ended 30 June 2020. The estimated total cash flow of the final Kumba dividend, payable on 24 August 2020 is R6.3 billion.

There have been no material events subsequent to 30 June 2020, not otherwise dealt with in this report.

16. INDEPENDENT AUDITOR'S REVIEW REPORT

The auditor, PricewaterhouseCoopers Inc. has issued an unmodified review report on the condensed consolidated interim financial statements for the six months ended 30 June 2020. The review was conducted in accordance with ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

The auditor's report on the condensed consolidated interim financial statements is included on pages 35 to 36, and a copy of the auditor's report on the condensed consolidated interim financial statements is available for inspection at the Company's registered office.

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

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Company's auditor.

On behalf of the Board



MSV Gantsho

Chairman

27 July 2020
Pretoria



TM Mkhwanazi

Chief Executive

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF KUMBA IRON ORE LIMITED

We have reviewed the condensed consolidated interim financial statements of Kumba Iron Ore Limited, contained in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 June 2020 and the related condensed consolidated statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS continued

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Kumba Iron Ore Limited for the six months ended 30 June 2020 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.



PricewaterhouseCoopers Inc.

Director: CS Masondo

Registered Auditor

Johannesburg

27 July 2020

NOTICE OF INTERIM CASH DIVIDEND

At the Board meeting on 27 July 2020, the directors approved a gross interim cash dividend of 1,960 cents per share on the ordinary shares from profits accrued during the period ended 30 June 2020. The dividend has been declared from income reserves.

The dividend will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of withholding tax. The net dividend payable to shareholders after withholding tax at a rate of 20% amounts to 1,568.00000 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, 28 July 2020
Last day for trading to qualify and participate in the interim dividend	Tuesday, 18 August 2020
Trading ex-dividend commences	Wednesday, 19 August 2020
Record date	Friday, 21 August 2020
Dividend payment date	Monday, 24 August 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 19 August 2020 and Friday, 21 August 2020, both days inclusive.

By order of the Board



F Patel

Company Secretary

28 July 2020

ADMINISTRATION

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TRANSFER SECRETARIES

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Rosebank Towers
15 Biermann Avenue
Rosebank, 2196, South Africa
Private Bag X9000, Saxonwold, 2132

SPONSOR TO KUMBA

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

DIRECTORS

Non-executive: MSV Gantsho (Chairman), MS Bomela, SG French (Irish), TP Goodlace (British/South African), MA Jenkins, NB Langa-Royds, SS Ntsaluba, BP Sonjica, DG Wanblad

Executive: TM Mkhwanazi (Chief Executive), BA Mazarura (Zimbabwean) (Chief Financial Officer)

COMPANY SECRETARY

F Patel

COMPANY REGISTRATION NUMBER

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

INCOME TAX NUMBER

9586/481/15/3

JSE code: KIO

ISIN: ZAE000085346

(Kumba or the Company or the group)

28 July 2020

Kumba Iron Ore

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