

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 2020

Kumba's Chief Executive, Themba Mkhwanazi, said: "Kumba's first priority is the safety and health of our employees and contractors. It is therefore with heartfelt gratitude that in May this year, we marked four years of fatality-free operations, underlining our sustained commitment to improving safety across all our operations.

"We have been responding to the Covid-19 pandemic with the same focus and rigour. Our comprehensive "WeCare" lives and livelihoods response programme is aimed at safeguarding the physical and mental health, wellbeing and safety of our people at work and at home, as well as that of our local communities. As part of this focus, Kumba has implemented extensive measures to combat the spread of the virus in the workplace and in our host communities. These measures include the implementation of extensive health screening measures, our own testing facilities, securing isolation and quarantine facilities for employees and their families, and appointing additional medical support staff in the Northern Cape region.

"Business continuity is our next priority to safeguard the livelihoods of all those who rely on our business across our value chain. While our operational performance reflects the impact of the lockdown and subsequent re-opening with a reduced proportion of our workforce, we successfully ramped up to close to full capacity in June 2020. Our focus is on maintaining flexibility and performance along our value chain to protect run-rates and capture the benefits of healthy demand for our quality products".

Production and Sales Report for the six months ended 30 June 2020 ("the period")

Overview:

- Kumba marked four years of fatality free operations, underlining our commitment to improving safety and health.
- Covid-19 response measures, including contingency plans are in place and production is at 100% run-rate.
- Following the lockdown and subsequent re-opening with reduced workforce levels, total production decreased by 11% to 17.9 Mt (1H 2019: 20.1 Mt), driven by a 19.6% decline in Q2 2020 to 8.5 Mt (Q2 2019: 10.5 Mt).
- Total sales were further impacted by severe coastal weather conditions and reduced by 13% to 18.6 Mt (H1 2019: 21.4 Mt). Export sales decreased by 8% to 18.3 Mt and domestic off-take fell by 1.1 Mt to 0.4 Mt.
- Finished stock levels include a drawdown of 0.2 Mt to 6.2 Mt (31 December 2019: 6.4 Mt), with 2.4 Mt at port.

Sales summary								
000 tonnes	Quarter ended		% change	Quarter ended	% change	Six months ended		% change
	Q2 2020	Q2 2019	vs Q2 2019	Q1 2020	vs Q1 2020	H1 2020	H1 2019	vs 1H 2019
Total	8,070	10,472	(23)	10,541	(23)	18,611	21,351	(13)
- Export sales	8,070	9,756	(17)	10,190	(21)	18,260	19,886	(8)
- Domestic sales	—	716	(100)	352	(100)	352	1,464	(76)
Production summary								
000 tonnes	Quarter ended		% change	Quarter ended	% change	Six months ended		% change
	Q2 2020	Q2 2019	vs Q2 2019	Q1 2020	vs Q1 2020	H1 2020	H1 2019	vs 1H 2019
Total	8,475	10,544	(20)	9,450	(10)	17,924	20,060	(11)
- Sishen Mine	5,782	7,310	(21)	6,580	(12)	12,362	13,757	(10)
- Kolomela Mine	2,693	3,234	(17)	2,870	(6)	5,562	6,303	(12)

Kumba's operational performance for the period reflects lower workforce levels in Q2 2020 as guided by the South African government in response to the Covid-19 pandemic. Having shut down operations in response to the lockdown, Kumba re-opened its operations on 27 March 2020 following approval from the Department of Mineral Resources and Energy to operate at c.50% of workforce levels. With opencast mines permitted to return in phases to 100% of operations from 1 May 2020, Kumba commenced with the ramp-up to 100% in June 2020.

The safety and health of our employees and contractors has always been our first priority and in the current environment this is even more critical as we work to safeguard both lives and livelihoods. Covid-19 measures include screening, testing and quarantine procedures, as well as business contingency plans which have been implemented across our value chain. These measures support efforts to manage infection rates and to date, operating activities have not been impacted.

In line with these operating conditions and significantly reduced workforce levels, waste stripping for the period declined by 17% to 68 Mt (1H 2019: 82.8 Mt) at Sishen and by 15% to 26 Mt (1H 2019: 30.9 Mt) at Kolomela.

Both production and sales are being closely managed in line with Transnet's logistical capacity, which increased to c.80% in June 2020 after also re-opening at c.50% of workforce capacity. Kumba, along with industry peers, and Transnet, are working together to ensure optimal use of the rail network and port. At the same time, initiatives are underway to increase workforce levels, including the provision of training support.

Total production decreased by 11% to 17.9 Mt (1H 2019: 20.1 Mt), with the impact of the pandemic most evident in Q2 2020 resulting in production falling by 20% to 8.5 Mt (Q2 2019: 10.5 Mt). Total sales decreased by 13% to 18.6 Mt (1H 2019: 21.4Mt) which includes a 76% drop in domestic off-take to 0.4 Mt (1H 2019: 1.5 Mt), while export sales decreased by 8% to 18.3 Mt (H1 2019: 19.9 Mt), as an increase in severe coastal weather conditions during the period hampered shipment rates.

Maintaining flexibility across the value chain, from mine to port, remains a key focus area for the Company. The benefit of having flexibility was demonstrated by our ability to draw down 0.2 Mt of finished stock to 6.2 Mt during the period (31 December 2019: 6.4 Mt; 30 June 2019: 4.5 Mt), with 2.4 Mt available for shipping at Saldanha Port.

Buoyant iron ore prices, translated into an average realised FOB export iron ore price of US\$93/tonne (1H 2019: US\$108/tonne). Lump to fine ratio was 65:35 (1H 2019: 68:32) and product quality was adjusted during the period to meet market demand resulting in an average Fe quality of 64.4% (H1 2019: 64.3% Fe).

Full year 2020 guidance

Kumba's full year 2020 guidance was revised on 23 April 2020 together with our Covid-19 business response update. Our ramp up in run-rates are on track and revised guidance remain unchanged.

- Total sales of 38 - 40 Mt
- Total production of 37 - 39 Mt
 - Sishen: ~27 Mt
 - Kolomela: ~11 Mt
- Waste:
 - Sishen: 145 - 160 Mt
 - Kolomela: 45 - 55 Mt

Trading statement for the six months ended 30 June 2020

Kumba is finalising its interim financial results. In accordance with section 3.4(b) of the JSE Limited Listings Requirements, shareholders are advised that headline earnings for the period are likely to be between R8,137 million and R8,557 million, a decrease of between 15% and 19% from the previous six months ended 30 June 2019 ("comparative period"). Headline earnings per share (HEPS) are likely to be between R25.37 and R26.68, a decrease of between 15% and 19% from the comparative period. Reported headline earnings and HEPS for the comparative period (released on SENS on 23 July 2019) were R10,095 million and R31.51.

Basic earnings for the period are expected to be between R8,146 million and R8,566 million, a decrease of between 15% and 19% from the comparative period. Basic earnings per share (EPS) are expected to be between R25.40 and R 26.71, a decrease of between 15% and 19%. Reported basic earnings and EPS for the comparative period were R10,058 million and R31.39, respectively.

The decrease in earnings for the period is largely attributable to lower total sales volumes and lower average realised FOB export prices, partially offset by the weaker 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 or about 28 July 2020.

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
16 July 2020

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

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Notes to editors:

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

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 mining operations and undeveloped resources provides the metals and minerals that enable a cleaner, more electrified world and that meet the fast growing consumer-driven demands of the world's developed and maturing economies. With our people at the heart of our business, we use innovative practices and the latest technologies to discover new resources and mine, process, move and market our products to our customers around the world - safely, responsibly and sustainably.

As a responsible miner - of diamonds (through De Beers), copper, platinum group metals, iron ore, coal and nickel - we are the custodians of what are precious natural resources. We work together with our business partners and diverse stakeholders to unlock the sustainable value that those resources represent for our shareholders, the communities and countries in which we operate, and for society as a whole. Anglo American is re-imagining mining to improve people's lives.

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