

Kumba Iron Ore Limited
A member of the Anglo American plc group
(Incorporated in the Republic of South Africa)
(Registration number 2005/015852/06)
Share code: KIO
ISIN: ZAE000085346
("Kumba" or "the Company")

Kumba production and sales report for the fourth quarter, and trading statement, for the year ended 31 December 2023

Production and sales report for the fourth quarter and year ended 31 December 2023

Kumba Chief Executive, Mpumi Zikalala, said: "Our focus on operational safety and stability has driven further improvements in our safety performance in Q4 2023 as we continue to implement key learnings in our relentless pursuit of zero harm and the elimination of fatalities and serious injuries.

"Following the completion of the annual logistics maintenance shutdown by Transnet in October 2023, rail performance challenges continued to place significant pressure on our value chain. Ore railed to Saldanha Bay Port decreased by 19% in Q4 2023 compared to Q3 2023, resulting in on-mine stockpiles increasing to unsustainable levels.

Production rates were therefore moderated in December 2023 to alleviate this pressure. Consequently, production volumes decreased by 26% to 7.2 Mt from 9.7 Mt in Q3 2023. This decrease in production allowed a 0.7 Mt drawdown of on-mine stock from 7.2 Mt in Q3 2023 to 6.5 Mt in Q4 2023. Total finished product reduced from 9.0 Mt in Q3 2023 to 7.1 Mt in Q4 2023. Sales increased by 5% to 9.3 Mt compared to the Q3 2023 period.

"For the full year 2023, Kumba delivered production of 35.7 Mt and sales of 37.2 Mt, in line with revised guidance of 35-36 Mt and 36-37 Mt, respectively. Despite lower production volumes, C1 unit costs improved to US\$41 per tonne below our revised guidance of c.US\$42 per tonne, largely driven by Rand currency weakness and cost savings, with Kolomela in particular demonstrating better cost performance.

"In the last quarter of the year, iron ore prices strengthened on the back of tight market fundamentals, including low port inventories and demand supported by government stimulus announcements and steel exports from China. Higher lump premium due to low lump stocks and sintering cuts further contributed to Kumba's average realised price of US\$117 per wet metric tonne (wmt) for the year, 15% above the benchmark price of US\$102/wmt.

"More broadly, and as previously communicated through the Stock Exchange News Service of the JSE (SENS) announcement on 8 December 2023, a comprehensive business review was conducted in the second half of 2023 with the aim of reconfiguring the business and aligning production more closely to the prevailing logistics capacity in order to ensure the long-term sustainability of our business. Further details regarding Kumba's reconfiguration plans will be released along with the 2023 Annual Results on 20 February 2024.

"Kumba is committed in its support of the key measures being undertaken by the National Logistics Crisis Committee to specifically halt the continued decline in performance and improve the capacity of the iron ore export channel. However, due to a significant amount of work required to turn the situation around over time, the logistics network is expected to remain constrained over the medium-term.

"As a result, we have revised our production guidance for the three-year period, 2024 to 2026 to 35–37 Mtpa and our expected C1 unit costs to \$38–40/tonne, reflecting the benefit of our business reconfiguration and optimisation programme. We are taking these actions to ensure that our business is resilient and sustainable, so that we will be well placed to continue creating enduring value for all our stakeholders."

Overview of 2023

- Consistent improvements in safety performance including more than seven years of fatality-free production at Sishen.
- Production decreased by 27% to 7.2 Mt in Q4 2023 (Q4 2022: 9.7 Mt) and by 5% to 35.7 Mt for the full year 2023 to align with constrained rail performance in order to draw down high mine stockpiles.
- Sales increased by 36% to 9.3 Mt in Q4 2023 (Q4 2022: 6.9 Mt) and by 1% to 37.2 Mt for the full year 2023. Performance in Q4 2022 was impacted by logistics challenges caused by industrial action at Transnet.
- Finished stock for the full year 2023 reduced to 7.1 Mt (Q3 2023: 9.0 Mt; Q4 2022: 7.8 Mt), with the majority of stock situated at the mines and sub-optimal levels of 0.6 Mt at the Saldanha Bay Port.
- Achieved an average realised free-on-board (FOB) export iron ore price of US\$117/wmt, 15% above the benchmark price of US\$102/wmt.

	Q4	Q3	Q2	Q1	Q4	% change	% change	Full year	Full year	% change
000 tonnes	2023	2023	2023	2023	2022	vs	vs	2023	2022	vs
						Q4 2022	Q3 2023			2022
Iron ore waste	46,021	59,602	60,302	50,914	55,021	(16)	(23)	216,839	204,308	6
Iron ore production	7,234	9,736	9,320	9,425	9,961	(27)	(26)	35,715	37,700	(5)
Iron ore sales	9,343	8,873	9,456	9,487	6,885	36	5	37,159	36,620	1
Kumba waste	46,021	59,602	60,302	50,914	55,021	(16)	(23)	216,839	204,308	6
Sishen	37,391	45,842	45,504	35,064	39,769	(6)	(18)	163,801	156,781	4
Kolomela	8,630	13,760	14,798	15,850	15,252	(43)	(37)	53,038	47,527	12
Kumba production	7,234	9,736	9,320	9,425	9,961	(27)	(26)	35,715	37,700	(5)
Lump	4,770	6,288	6,086	6,146	6,523	(27)	(24)	23,290	24,671	(6)
Fines	2,464	3,448	3,234	3,279	3,438	(28)	(29)	12,425	13,029	(5)
Kumba production by mine	7,234	9,736	9,320	9,425	9,961	(27)	(26)	35,715	37,700	(5)
Sishen	5,958	6,680	6,442	6,341	7,010	(15)	(11)	25,421	27,018	(6)
Kolomela	1,276	3,056	2,878	3,084	2,951	(57)	(58)	10,294	10,682	(4)

1. Volumes, excluding waste stripping, are reported as wet metric tonnes. Product is shipped with a moisture content of approximately 1.6%.

Safety and health

The health, safety and wellbeing of our employees and contractors is our top priority and a core value for Kumba. We continued to implement multi-year safety improvement programmes that aim to shift mindsets through leadership, empower our people, reduce risks with effective controls, and improve systems and metrics.

Mining and production

During Q4 2023, as part of Kumba's planned slowdown to alleviate high mine stockpiles, waste mining decreased by 16% to 46 Mt (Q4 2022: 55.0 Mt). Sishen's waste mining decreased by 6% to 37.4 Mt (Q4 2022: 39.8 Mt), while Kolomela's waste mining, includes the rephasing of the Kapstevél South pit and a reduction in the waste mined by 10 Mt. As a result, Kolomela's waste mining decreased by 43% to 8.6 Mt (Q4 2022: 15.3 Mt).

Total production in Q4 2023 decreased by 27% to 7.2 Mt in Q4 2023 (Q4 2022: 10.0 Mt) following the curtailment of processing plants at both mines during December to allow for the draw down of high on-mine stockpiles. Sishen's production decreased by 15% to 6.0 Mt (Q4 2022: 7.0 Mt) while Kolomela's production was 57% lower at 1.3 Mt (Q4 2022: 3.0 Mt).

Sishen and Kolomela's unit costs were in line with our revised guidance of R589 per tonne and R482 per tonne, respectively (revised guidance: Sishen R570-R590 per tonne; Kolomela R480-R500 per tonne). C1 unit costs of US\$41 per tonne (revised guidance: US\$42 per tonne) largely reflects the benefit of Kolomela's cost optimisation focus supplemented by Rand weakness.

Logistics, sales and the market environment

During Q4 2023, ore railed to Saldanha Bay port increased by 18% to 8.0 Mt and sales by 36% to 9.3 Mt, compared to Q4 2022, which was impacted by industrial action at Transnet. In Q4 2022, ore railed to port decreased by 27% to 6.8 Mt and sales by 35% to 6.9 Mt, relative to Q4 2021. For the full year 2023, rail improved by just 1.6% due to derailments and other challenges, such as cable theft. Sales increased by 1% to 37.2 Mt.

Closing finished iron ore stock for the 2023 year ended at 7.1 Mt (Q3 2023: 9.0 Mt; Q4 2022: 7.8 Mt), with 6.5 Mt situated at the mines (Q3 2023 : 7.2 Mt; Q4 2022: 7.0 Mt) and sub-optimal levels of 0.6 Mt at Saldanha Bay Port (Q3 2023: 1.8 Mt; Q4 2022: 0.8 Mt). Given this, the restoration of the logistics network system remains a priority and we continue to work closely with Transnet, the government, and other stakeholders including the Ore User's Forum to address the challenges affecting the iron ore export channel.

The average lump:fine ratio of Kumba's iron ore products was 66:34 (2022: 67:33) and product quality of 63.7% Fe (2022: 63.8%), translated into an average realised FOB export iron ore price of US\$117/wmt (equivalent to US\$119/dmt), which is 15% above the average Platts 62 index FOB price of US\$102/wmt (equivalent to US\$104/dmt).

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

Kumba's business reconfiguration and outlook for 2024 to 2026

Kumba is committed to supporting the key measures undertaken by the National Logistics Crisis Committee to improve the logistics network. However, an extended period of under-performance by Transnet has led to mine stockpile constraints, impacting production. Due to the amount of work required to rectify the situation, the logistics capacity is expected to remain constrained over the medium-term.

While we retain the operational flexibility to ramp-up volumes should rail performance improve, the decision has been made to align production to this reduced rail capacity to ensure a balanced value chain. Production is therefore expected to remain at 35-37 Mtpa for the period 2024 to 2026. Unit costs are expected to be between US\$38-40/t during this three-year period, benefiting from Kumba's business reconfiguration and cost optimisation programme in line with the lower production profile.

Trading statement for the year ended 31 December 2023

Kumba is currently finalising its financial results for the year ended 31 December 2023 (the period). Further information will be provided in the 2023 Annual results, which will be released on SENS on 20 February 2024.

In accordance with paragraph 3.4(b) of the JSE Limited Listings Requirements, shareholders are advised that headline earnings for the period are expected to be between R21,361 million and R23,633 million. Headline earnings per share (HEPS) for the period are expected to be between R66.55 and R73.63, an increase of between 18% and 31% from the previous year ended 31 December 2022 (comparative period). The increase in earnings for the period is largely attributable to the higher average realised FOB export ore price and weaker Rand/US\$ exchange rate, relative to the comparative period. Reported headline earnings and HEPS for the comparative period (released on SENS on 21 February 2023) were R18,031 million and R56.19, respectively.

Basic earnings for the period are expected to be between R21,361 million and R23,634 million. Basic earnings per share (EPS) for the period are expected to be between R66.55 and R73.64, an increase of between 43% and 58% from the comparative period. The increase was due to basic earnings for the prior period including an impairment on the asset value of Kolomela mine as a result of revisions to the forecast production and cost profile in the life of asset plan. Reported basic earnings and EPS for the comparative period (released on SENS on 21 February 2023) were R14,968 million and R46.64 respectively.

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

Johannesburg
8 February 2024

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

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Notes to editors:

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

www.angloamericankumba.com

Anglo American is a leading global mining company, and our products are the essential ingredients in almost every aspect of modern life. Our portfolio of world-class competitive operations, with a broad range of future development options, provides many of the future-enabling metals and minerals for a cleaner, greener, more sustainable world and that meet the fast growing every day demands of billions of consumers. With our people at the heart of our business, we use innovative practices and the latest technologies to discover new resources and to mine, process, move and market our products to our customers – safely and sustainably.

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

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Forward-looking statements

This announcement includes forward-looking statements. All statements other than statements of historical facts included in this announcement, including, without limitation, those regarding Kumba's financial position, business, acquisition and divestment strategy, dividend policy, plans and objectives of management for future operations (including development plans and objectives relating to Kumba's products, production forecasts and Ore Reserves and Mineral Resource estimates), are forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of Kumba, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

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, the actions of competitors, activities by governmental authorities such as permitting and changes in taxation or safety, health, environmental or other types of regulation, conflicts over land and resource ownership rights and such other risk factors identified in Kumba's most recent Integrated Report. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements.

These forward-looking statements speak only as of the date of this announcement. Kumba expressly disclaims any obligation or undertaking (except as required by applicable law, the Takeover Regulation Panel, the Listings Requirements of the securities exchange of the JSE Limited in South Africa, the Financial Sector Conduct Authority and any other applicable regulations) to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Kumba's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Nothing in this announcement should be interpreted to mean that future earnings per share of Kumba will necessarily match or exceed its historical published earnings per share.

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