KUMBA IRON ORE LIMITED

AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

AngloAmerican

KEY FEATURES

STRONG EARNINGS GROWTH OF 40%:

- Attributable free cash flow of **R20.7 billion**, up by 21%
- ROCE of **109%**, up from **83%**
- Final cash dividend of **R41.30** per share, total cash dividend of **R60.90** per share

CREATING ENDURING VALUE:

- **Four years and seven months** of **fatality-free** production
- No occupational diseases
- Over **five years** without any level 3-5 environmental incidents
- **R60 billion** of shared value, including **R93 million** of Covid-19 community support

RESILIENT AND SUSTAINABLE BUSINESS:

- Average realised FOB export price of **US$115/tonne**
- Cost savings of **R1.3 billion**, keeping C1 costs at **US$31/tonne**
- Protected EBITDA margin of **57%**, up from **52%**
- Sishen life extension potential to **2039** with **R3.6 billion** UHDMS project approved in February 2021

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

COMMENTARY

KUMBA DELIVERS A RECORD EBITDA OF R45.8 BILLION

Themba Mkhwanazi, Chief Executive of Kumba, said, "Kumba delivered a record EBITDA of R45.8 billion while keeping our commitment on health and safety, and supporting our communities as we navigated exceptional conditions. Our business resilience and balance sheet strength, together with the hard work of our dedicated workforce and suppliers, allowed us to meet Covid-19's challenges from a position of strength. We have emerged stronger and we are even more focused on building a better business for the longer term.

2020 marks four years and seven months of fatality-free operations, demonstrating that the health, safety and wellbeing of our employees and contractors is our first priority.

On a broader scale, Kumba responded quickly and comprehensively to the Covid-19 pandemic by supporting the ecosystem in which we operate, enabling us to rapidly resume safe production. Our *WeCare* programme, covering the four pillars of physical health, mental health, living with dignity and assisting our communities, has become part of our daily operations and supplements the essential services provided to our local communities.

Our EBITDA margin rose to 57%, up from 52% in 2019 as we adapted our value chain and capitalised on our high quality iron ore products. Together with the strengthening price, this allowed us to achieve a 19% higher average realised FOB export price. Our strong cost discipline provided further margin protection and resulted in savings of R1.3 billion, including R613 million of Covid-related savings. This brings our cumulative and sustainable cost savings to R3.2 billion since initiating our programme in 2018. We worked closely with and supported our logistical partner, Transnet, to regain its pre-Covid run-rates, while drawing down on high finished stock levels as we further improved the efficiency of our value chain. For the full year, we achieved production of 37.0 Mt and sales of 39.7 Mt.

Kumba's strong net cash generation, which delivered R20.7 billion of free cash flow, has supported the Board's decision to declare a final cash dividend of R41.30 per share. Combined with the interim cash dividend of R19.60 per share, the total cash dividend for the year increased by 30% to R60.90 per share, representing a payout ratio of 86% of headline earnings.

For 2021, we anticipate production and sales of between 40.0 Mt and 41.0 Mt. Business performance will continue to be driven by our *Tswelelopele* strategy. Our product portfolio has been simplified to maximise port throughput and we are targeting an enhanced product premium of US$2/tonne and containing our C1 unit cost at US$34/tonne.

Kumba is realising its ambition to extend the life-of-mine to 2040. We have increased the Sishen life-of-mine to 2035 through pit optimisation and the Board has approved the ultra-high dense media separation (UHDMS) project. This will maximise product quality and extend Sishen's life-of-mine to 2039. We are also developing our Kapstevel South mine at Kolomela, while continuing our exploration programme in the Northern Cape as we develop our resource pipeline.

The Covid-19 pandemic has been catastrophic for many and a full global economic recovery may take years. However, the quality of our assets ensures sustained demand, while our capital discipline and focused strategy enables us to invest in building a better business that will continue to create enduring value for all our stakeholders."

COMMENTARY continued

RESULTS OVERVIEW

Supporting our stakeholders through the pandemic

In 2020, the world faced an extraordinary set of challenges. Covid-19 has created a humanitarian and economic crisis of immense proportions, testing our ability as a nation and as a mining industry to protect both lives and livelihoods. As with the rest of the industry, Kumba's resilience was tested and we have delivered on our priorities of supporting our stakeholders, ensuring business continuity, strengthening our balance sheet and providing sustainable returns.

With our priority being the safety and health of our workforce and our communities, we implemented our comprehensive *WeCare* Covid-19 healthcare programme. This provides wide-ranging protective measures and we adapted our operations to a new way of working amidst the pandemic. Our protocols include screening, sanitising and social distancing through small cell work groups, and avoiding exposure for at-risk individuals, as well as testing and quarantine facilities. Our management and care has helped to keep the rate of infection and mortality low amongst our workforce, however, we are deeply saddened by the tragic loss of eight of our colleagues since the onset of the Covid-19 pandemic, and we convey our heartfelt condolences to their families and loved ones.

In support of our local host communities, we continue to provide essential services, including water to local municipalities, healthcare and emergency medical services at our Batho Pele mobile clinics and the UGM primary health care centre. With the onset of the pandemic, these services have been supplemented with food parcels and healthcare packs, and we have partnered with local government and municipalities to provide critical medical equipment such as ventilators, oxygen, sanitisers and masks, as well as more than 400 additional beds for ICU, quarantine and isolation purposes to local hospitals.

In safeguarding the livelihoods of our communities, we supported our local host community businesses with R3.6 billion of procurement spend and R264 million of social development projects, of which R93.2 million relates to our comprehensive *WeCare* lives and livelihoods programme.

Positioning Kumba to meet the challenges from a position of strength

At the outset of the Covid-19 crisis we acted quickly to position the business to meet the challenges of the pandemic. Kumba supported and worked in close collaboration with its stakeholders, strengthened partnerships and demonstrated the positive impacts of mining. We redirected sales to maximise value, while proactively supporting our suppliers and contractors to manage potential challenges. Our integrated sales and operational teams jointly managed the production, logistics, and sales, including co-ordinating stock buffers along the value chain to match Transnet's rail and port capacity and leverage every opportunity to increase export sales volumes.

Cost discipline helped unlock cost savings of R1.3 billion and supported earnings growth. The strength of our balance sheet has served us well throughout the period. We maintained balance sheet flexibility and deferred R1.0 billion of non-critical capital expenditure (capex), while protecting asset integrity. These measures, coupled with the benefit from higher iron ore prices and rand weakness resulted in a strong year end liquidity position of R30.2 billion.

Our transition to a value focused business began a few years ago and this has enabled us to meet the challenges of the pandemic from a position of strength. Throughout the period, we have continued to drive our *Tswelelopele* strategy of margin enhancement and ambition to extend our life-of-mine to 2040. Since implementing our strategy in 2018, our EBITDA margin has grown from 45% to 57% and this has provided a strong foundation from which to navigate the storm.

We also continued to progress our project pipeline, delivering a number of key milestones towards our 2040 life-of-mine ambition. The Board of directors of Kumba (the Board) approved the Kapstevel South project at our Kolomela mine on 24 July 2020, which will contribute significantly to sustaining production of ~13 Mt for the remaining life-of-mine. Secondly, the UHDMS project was approved on 19 February 2021 and this will enhance product quality and extend Sishen's life-of-mine to 2039. Commissioning is expected in the second half of 2023.

Performance highlights

Kumba's operational performance reflects the impact of the pandemic at our mines and Saldanha Port. Following Covid-related operational and logistical constraints, as well as reduced off-take from ArcelorMittal South Africa (AMSA) of 0.4 Mt (2019: 2.2 Mt), total production decreased to 37.0 Mt compared to 42.4 Mt for the year ended 31 December 2019 ("the comparative period"), while finished stock was drawn down to 4.7 Mt to ensure the value chain remained balanced. We achieved sales volumes of 39.7 Mt at an average lump to fine ratio of 69:31 and Fe quality of 64.3%.

Kumba's earnings before interest, tax, depreciation and amortisation (EBITDA*) margin of 57% (2019: 52%) benefited from favourable iron ore prices, a weaker Rand/US$ exchange rate and cost savings of R1.3 billion (2019: R920 million). Iron ore prices reached a seven-year high in 2020 of US$109/tonne (2013: US$125/tonne) on average, largely driven by China's rapid economic recovery and subsequently by the reopening of other global steel markets. The weaker exchange rate offset the impact of lower production and C1 unit costs improved to US$31/tonne (2019: US$32/tonne), while the break-even price was maintained at US$45/tonne.

Kumba delivered attributable and headline earnings per share of R71.03 and R71.07 per share (2019: R50.73 and R50.88 per share), respectively. This has supported the Board's decision to declare a final cash dividend of R41.30 per share, which includes:

- R33.30 per share representing 75% of headline earnings in accordance with our dividend policy, and
- R8.00 per share being a top-up cash dividend.

Together with our interim dividend of R19.60 per share, the total dividend for the year increased by 30% to R60.90 per share (2019: R46.78 per share) and represents 86% of headline earnings.

* EBITDA is a non-IFRS measure used by Kumba and has been consistently applied through reporting periods.

COMMENTARY continued

SAFETY, HEALTH AND ENVIRONMENTAL PERFORMANCE

Safety and health is Kumba's number one value and having a sustainable environment is equally important.

The key highlight in 2020, was the achievement of four years and seven months of fatality-free production through our relentless focus on critical controls geared towards fatality prevention, coupled with increased safety leadership visibility, high risk work verifications and fatigue management. This demonstrates our commitment to safe, sustainable and responsible mining.

To keep our workforce focused on safety amidst the stresses of living and working with Covid-19, we implemented a number of safety initiatives. These included prioritising our accountability framework, embedding consistent safety behaviour and discipline through our "Rhythms and routines" programme, as well as a full review of high and severe risk events. Pleasingly, we achieved a 99% compliance to our critical control monitoring plan within our elimination of fatalities (EOF) framework, which is central to our safety performance.

Technology is playing an increasingly important role in monitoring and managing safety behaviour. This year we introduced berm monitoring; behaviour monitoring to manage driving speed and capability; Passport 360, enabling onboarding with single induction, real-time contractor management; and the Connected Worker smartwatch to ensure social distancing is maintained and to alert our workforce to various risks identified at operations.

Empowering our workforce to stop unsafe work practices and working conditions was instrumental in reducing the number of accidents to 90 from 146 last year. Section 23 stoppages reflect our employee safety awareness and accountability, and this was well supported.

Our high potential incidents (HPIs), a leading safety indicator, decreased to 2 from 12 in the comparative period, reflecting the progress made through our high-risk work planning and verification processes, together with increased supervisory and management verification and oversight. Total recordable cases (TRC) improved to 39 from 51 resulting in a historically low total recordable case frequency rate of 1.74. Lost-time injuries (LTIs) increased to 18 in the period from 17 in the comparative period, however, these were low severity injuries.

From a health perspective, Kumba had no new cases of occupational diseases following improvements made to equipment and processes that involve repetitive motion and heavy lifting, as well as enhanced ergonomics in work areas. This year, 88% of our employees completed their HIV counselling and testing (2019: 92%) with an average viral suppression rate of 77% (2019: 89%).

In terms of respiratory diseases, 16 (2019: 25) cases of non-occupational tuberculosis were diagnosed, and due to the wearing of masks to protect against Covid-19 the incidence of flu-related illness also declined. During the year, we installed further dust suppression and extraction technology as well as real-time based monitoring and controls to ensure employees are not exposed to dust above the occupational exposure limit. As a result, none of our workforce recorded respirable and silica dust exceedances above the occupational exposure level (HEG A for silica and respirable dust exposure), reflecting a decrease from 19 people in 2019.

From an environmental perspective, we recorded another milestone by ensuring there were no major (level 3 to 5) environmental incidents for over five years. Climate change is one of the biggest environmental challenges facing the world today. Kumba's environmental management efforts are focused on moving the business towards operating carbon neutral and less water intensive mines. We believe that we have a critical role to play in the transition to a low carbon world, both by becoming carbon neutral at our operations and by providing high-quality iron ore that allows customers to reduce their carbon emissions in the process of steel production. We also continually monitor the performance of our tailings facilities, and no significant incidents or events were recorded in 2020. In addition, Kumba, through the Anglo American membership of the International Council of Mining and Metals (ICMM), has adopted the Global Industry Standard on Tailings (2020) which is well-aligned with our existing tailings management standard.

This year we achieved a 10% reduction in greenhouse gas (GHG) emissions, surpassing our 2020 target of 4%. Going forward, we are targeting a 30% reduction in GHG emissions and a 30% improvement in energy intensity against our 2016 baseline by 2030. Together with the broader Anglo American group, we are developing solar renewable energy generation and investigating green hydrogen as a renewable energy source for mining activities.

Having a sustainable water supply is critically important for the health of our communities. In recognition of this, we revised our water strategy and we are targeting a 50% reduction in fresh water usage by 2030 through the implementation of water efficiency projects such as the reduction of water usage in dust suppression. In 2020 we supported our communities with over 19 megalitres of water supplied to the local municipality at Sedibeng, as part of the essential services we provide to our local communities.

MARKET OVERVIEW

The Platts 62% IODEX CFR China index increased by 17% to an average of US$109/tonne for the year, following a 38% surge in prices as the iron ore market recovered in the second half. Despite the pandemic, steel output and consumption continued to grow in China due to large scale initiatives aimed at boosting investments resulting in Chinese steel production growth of 6% which reached a new record high of 1,054 Mt in 2020. Economic stimulus measures in China fuelled a strong recovery within the infrastructure and property sectors. From a steep 20% fall year-on-year in the first quarter, infrastructure investment growth registered a V-shape recovery starting in the second quarter and finished the year positively, up 0.9% in December. Property investment improved, ending the year 7% higher, after having fallen by 16% between January and February 2020.

Global supply disruption from inclement weather conditions in Brazil and South Africa, combined with Covid-19 related restrictions which also impacted supply from Canada, Chile and Peru, provided further price support. It is estimated that shipments from Brazil reduced by 3% or ~9.0 Mt in the period. Australian shipments however ended the year 4% higher, despite the impact of cyclones early in 2020 and temporary closures for maintenance, as Covid-19-related restrictions were not implemented across the mining industry in Australia. Despite buoyant steel production in China, iron ore port inventories at 45 Chinese ports stabilised to 124 Mt by year end compared with 108 Mt in June. Also, higher iron ore prices have kept marginal producers in the market as China's domestic mine utilisation rates averaged at ~68% in the second half, compared with 63.1% in the first half, and 64% in 2019.

COMMENTARY continued

The Platts 65-62 differential increased to US$13/tonne (2019: US$11.2/tonne), while the lump premium averaged US$0.15/dmtu, down from US$0.27/dmtu over the comparative period. In the first half of the year, mill closures due to the Covid-19 lockdown 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.

In the second half of the year, the iron ore market improved significantly as markets outside of China began to recover following the lifting of restrictions. Demand strengthened further as vaccines were approved and programmes for the rollout of vaccines were announced in multiple countries. In addition, supply concerns relating to the onset of the second wave and the restocking of supplies ahead of the Chinese New Year in 2021, fuelled a significant increase in prices in the last quarter. These factors together with high coking coal prices also supported a recovery in the lump premium.

Over the long term, the structural factors relating to decarbonisation and the adoption of Scope 3 carbon reduction interventions by steel manufacturers will continue to support demand for Kumba's high quality iron ore products and we will continue to focus on maximising value. The Covid-19 lockdowns and the steel mill closures in the second quarter outside China, resulted in the share of traditional (Europe, Japan and South Korea) markets of total sales for the period decreasing to 38% from 42% at the end of last year. However, the strong market recovery in the last quarter of the year saw the share of traditional markets outside of China rebounding to a 47% market share.

From a price perspective, we achieved a lump premium of US$6.5/tonne and a Fe premium of US$4.1/tonne. Combined with a US$0.8/tonne marketing premium and a US$5.8/tonne increase due to timing effects, we delivered a total price uplift of US$17.2/tonne to US$114.6/tonne FOB Saldanha, an increase of 18% against the US$97.4/tonne achieved for the comparative period.

OPERATIONAL PERFORMANCE

Mining and production

Kumba's mining performance was largely impacted by Covid-19 and weather-related headwinds, and to a lesser extent, equipment reliability and availability. In line with this, total tonnes mined decreased by 14% to 256.3 Mt (2019: 297.9 Mt) and total waste stripping by 16% to 204.8 Mt (2019: 244.3 Mt). Owner fleet efficiency (OEE) reduced to 63% of benchmark for the year (2019: 68%).

A number of interventions have been implemented to mitigate these impacts. We have enhanced our high rainfall readiness and associated recovery plans to manage through such weather impacts going forward. Our focus on improving equipment uptime through the implementation of defect elimination and work management programmes, as well as artisan and supervisor skills development programmes, is also delivering results and we are seeing improvements in equipment reliability across the fleet.

We also continued to focus on improving operational efficiency through P101 productivity improvements and various efficiency programmes at both operations through the implementation of technology such as guided spotting, adaptive controls, truck speed digital twin and real-time condition-based monitoring.

Mining summary (unaudited)

	December 2020	December 2019	% change
Total tonnes mined ('000 tonnes)	**256,336**	297,883	(14)
Sishen	**184,692**	218,829	(16)
Kolomela	**71,644**	79,054	(9)
Total waste stripping ('000 tonnes)	**204,757**	244,306	(16)
Sishen	**148,526**	181,101	(18)
Kolomela	**56,231**	63,205	(11)
Total owner fleet efficiency (%)	**63.0**	68.0	
Sishen	**64.0**	68.0	
Kolomela	**62.0**	67.0	

Covid-19 related challenges impacted both tonnes mined as outlined above and logistics, with iron ore railed to port decreasing by 11% to 37.5 Mt (2019: 42 Mt). Consequently, finished stock levels increased to 6.2 Mt by the end of June. In response to lower rail performance and elevated stock levels, production declined by 13% to 37.0 Mt (2019: 42.4 Mt). As rail performance improved in the second half of the year, finished stock was drawn down to 4.7 Mt as at 31 December 2020 (2019: 6.4 Mt).

Production summary (unaudited)

'000 tonnes	December 2020	December 2019	% change
Total	**37,021**	42,388	(13)
Lump	**25,072**	28,510	(12)
Fines	**11,949**	13,878	(14)
Mine production	**37,021**	42,388	(13)
Sishen	**25,353**	29,175	(13)
Kolomela	**11,668**	13,213	(12)

Sales and logistics

Logistical constraints at the port were largely offset by a number of interventions, resulting in total volume shipped and export sales each decreasing by 1.8% to 39.3 Mt (2019: 40.0 Mt) for the year. In addition, domestic sales fell by 84% due to lower off-take of 0.4 Mt (2019: 2.22 Mt) by AMSA, contributing to the 6% decrease in total sales volumes to 39.7 Mt (2019: 42.2 Mt).

COMMENTARY continued

Sales summary (unaudited)

'000 tonnes	31 December 2020	31 December 2019	% change
Total	**39,665**	42,218	(6)
Export sales	**39,313**	40,038	(2)
Domestic sales	**352**	2,180	(84)

The integrated sales and operational teams worked jointly to manage the production, logistical system, and sales, including co-ordinating stock buffers along the value chain to leverage every opportunity to increase export sales volumes. At Saldanha port, a focused strategy to load directly from rail to ship was implemented as this results in higher loading rates. Changes were made to the stockpile layout as well to reduce the time taken to reclaim from the stockpiles to the vessels. The co-operation between industry and Transnet, including the provision of Covid-19 testing equipment and the hiring and training of additional operators and engineers to supplement the at-risk staff members was key in ensuring optimal use of the rail network and port and increasing logistical capacity to pre-Covid run-rates.

The benefit of our geographically diverse customer portfolio also ensured that we were able to quickly regain market share outside of China. By the end of the year, Kumba's sales to the rest of the world was at 47% compared to 34% in the first half of the year.

Sales on a cost and freight (CFR) basis increased slightly to 69% (2019: 68%), with contractual sales at 77% (2019: 78%) of total export sales volumes.

For the full year, however, China's strong economic recovery compared to the lag seen in other geographies led to China's share of export sales increasing to 62% (2019: 56%), while the EU/MENA/Americas region decreased to 19% (2019: 25%) and Japan/South Korea/Taiwan were marginally lower at 17% (2019: 18%). Due to the lower proportion of products sold to markets outside of China, the share of premium product sales reduced slightly to 18% of total sales (2019: 19%). Product quality continues to be Kumba's competitive advantage. On average our lump to fine ratio was 69:31 (2019: 68:32) and our Fe quality at 64.3% (2019: 64.2% Fe).

FINANCIAL RESULTS

Kumba effectively managed the impact of Covid-19 pandemic on our operations, capturing the benefit of higher iron ore prices and currency weakness to deliver a record EBITDA of R45.8 billion and free cash flow of R20.7 billion.

Our *Tswelelopele* value over volume strategy provided a solid base from which to navigate the crisis. Since implementing the strategy in 2018 we have improved our EBITDA margin from 45% to 57% in 2020, underpinned by enhanced product premium achieved, and cumulative cost savings of R2.6 billion. With the key value delivery structures already in place, along with our strong balance sheet, we were well positioned to meet the challenges in 2020.

We further strengthened our balance sheet and liquidity position through our cash preservation programme, targeting cost savings of R1.1 billion for the year and the deferral of R1.0 billion of non-critical capex. Stay-in-business (SIB) spend was streamlined to the minimum necessary to sustain our business and support our production targets, while maintaining asset integrity. Both deferred stripping and expansion spend were maintained at similar levels.

We continued to focus on maximising product premia, capitalising on our high-quality products and strong iron ore prices to deliver an additional US$17/tonne over the index in lump, Fe and marketing premia. Kumba has established strong cost discipline through our cost saving programme, enabling cost savings of R1.3 billion, ahead of our target of R1.1 billion for the year. Of this, Kumba's ongoing cost optimisation programme contributed R687 million of savings, while Covid-19 and cash conservation initiatives provided a further R613 million. Due to these efforts the unit cost of production at Sishen and Kolomela were contained at R362/tonne and R304/tonne, respectively.

Our proactive cash preservation contributed to attributable free cash flow of R20.7 billion. Our net cash position of R22.2 billion (2019: R12.3 billion) reflects our resilient and capital-efficient balance sheet, allowing us to declare a final cash dividend of R41.30 per share to our shareholders.

Revenue

Total revenue increased by 25% to R80.1 billion (2019: R64.3 billion), mainly as a result of higher prices and a weaker exchange rate, partially offset by lower sales volumes.

Kumba's average realised iron ore export price increased by 19% to US$115/tonne (2019: US$97/tonne), while the average Rand/US$ exchange rate weakened by 14% to R16.47/US$1 (2019: R14.45/US$1). Total sales volumes reduced by 6% to 39.7 Mt (2019: 42.2 Mt) following lower exports and domestic sales of 39.3 Mt and 0.4 Mt, respectively. Shipping revenue decreased by R35 million due to lower CFR volumes and freight rates.

The US$17/tonne higher average achieved FOB price was due to a US$16/tonne increase in the Platts 62 index price and a US$2/tonne decrease in the Platts freight rates resulting in a US$1/tonne higher FOB Saldanha Platts price. This was offset by US$1/tonne lower price premiums as a US$5/tonne decrease in the lump premium outweighed a US$4/tonne higher Fe and market premia.

Operating expenses

Operating expenses, excluding mineral royalties, increased by 8.2% to R35.8 billion (2019: R33.0 billion), largely due to R2.7 billion of higher mining-related costs, while logistics costs increased marginally by R72 million.

Mining operational costs increased by R285 million primarily due to lower fixed cost recovery following lower production volumes which increased the unit cost of production. Unit cash costs at both mines increased during 2020 as a result of inflation and lower production volumes of 37.0 Mt compared to 42.4 Mt in the comparative period. Lower cost escalation and work-in-progress (WIP) costs, as well as savings provided a partial cost offset. In addition to these factors, lower deferred stripping contributed to Sishen's unit costs increasing by 5% to R362/tonne (2019: R345/tonne), partly offset by lower mining and maintenance costs. Higher mining and maintenance costs contributed to Kolomela's unit cash costs increasing by 12% to R304/tonne (2019: R270/tonne). The increase in maintenance costs were related to the catch-up in our mining fleet lifecycle maintenance activities.

COMMENTARY continued

Sales from stock and WIP movement added R1.9 billion to costs while escalation, non-cash and forex adjustments increased operating expenses by R631 million. This was partially offset by R132 million relating to lower capitalisation of deferred stripping costs. Our cost savings of R1.3 billion also provided a substantial offset.

Selling and distribution costs increased slightly to R6.6 billion (2019: R6.5 billion) on the back of Transnet tariff increases, offset by lower logistics volumes. Freight costs of R5.6 billion were in line with the prior period as lower freight rates of US$11/tonne (2019: US$14/tonne) and marginally lower CFR shipping volumes of 27.0 Mt (2019: 27.3 Mt) were offset by a weaker currency.

EBITDA

Kumba's EBITDA of R45.8 billion reflects an increase of 37% (2019: R33.4 billion) driven by strong revenue growth which was underpinned by a 19% higher average realised FOB price of US$115/tonne (2019: US$97/tonne) and a 14% weaker average exchange rate, despite lower sales volumes. This was partially offset by an increase in operating expenses, due to higher SIB spend relating to capital spares, as well as an increase in royalties, and lower lump premium.

Our EBITDA margin increased to 57% (2019: 52%) and the mining operating margin which excludes net freight profit incurred on shipping operations improved to 55% (2019: 49%). Accordingly, net profit increased by 40% to R29.8 billion (2019: R21.3 billion).

The break-even price was maintained at US$45/tonne. Controllable costs included higher C1 unit costs and SIB costs which were offset by a stronger price premium of US$4/tonne. Non-controllable costs contained lower lump premium of US$5/tonne and higher cost inflation and royalties of US$4/tonne, which were offset by a weaker currency of US$7/tonne and lower freight rates of US$2/tonne.

Cash flow, value creation and statement of financial position

Kumba ended the period with a net cash position of R22.2 billion (2019: R12.3 billion). Cash flow generated from operations of R40.3 billion (2019: R34.7 billion), was underpinned by EBITDA of R45.8 billion, while working capital increased due to higher trade and other receivables, partially offset by the reduction in finished stock to 4.7 Mt (2019: 6.4 Mt).

Capex of R5.7 billion (2019: R5.6 billion) was largely comprised of R2.6 billion of SIB spend, R2.5 billion of deferred stripping, and R0.6 billion of expansion capex. SIB capex represents spend on capital spares, mining fleet replacement and plant and infrastructure upgrades to sustain our business. Deferred stripping spend reduced marginally due to a reduction in the stripping ratio at Sishen, which was partially offset by an increase at Kolomela due to the lower average life-of-mine stripping ratio, compared with the higher stripping ratio areas that we are currently mining. Expansion capex, while still a relatively small proportion of total spend, is strategically important and included the Kapstevel South project, feasibility study costs for the UHDMS project, and P101 operational efficiency initiatives. Spend on these projects will ramp up going forward.

Alongside our capital investments, we continued to contribute to South Africa and invest in the future. In total, Kumba created enduring value of R60 billion. Besides capital investments, these include:

- cash dividends of R26.0 billion (2019: R19.8 billion)
- paying total income tax of R10.1 billion (2019: R7.8 billion) and mineral royalties of R3.0 billion (2019: R2.6 billion) to government;

- providing employment and paying salaries and benefits of R5.0 billion (2019: R5.0 billion);
- supporting local businesses through R9.8 billion (2019: R6.1 billion) of BEE supplier spend, including R3.6 billion (2019: R2.4 billion) to safeguard the livelihoods of our local host community suppliers; and
- building local communities through R264 million (2019: R171 million) in direct social spend, including R93.2 million of Covid-19 related support.

Our liquidity position at 31 December 2020 consisted of R30.2 billion of net 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 following changes were recorded for the 2020 Kumba Ore Reserves (and Saleable Product) and Mineral Resources Statement:

- Kumba's total ore reserves as at 31 December 2020 are estimated to be 729.9 Mt (at 58.8% Fe) at Sishen and Kolomela, a net increase of 6% from 691.7 Mt (at 59.0% Fe) in 2019.
- Sishen's ore reserves increased by 10% year-on-year to 571.9 Mt (at 57.9% Fe), mainly attributable to a larger pit layout as a result of revised price lines as well as Phase 2 of the pit optimisation project. Sishen's mine life increased to 15 years in 2020.
- Kolomela's ore reserves of 158.0 Mt (at 62.1% Fe) decreased by 8%, primarily due to annual production. The mine life decreased to 12 years.

The Zandrivierspoort 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.

The Board approved the Kapstevel South project at its Kolomela mine on 24 July 2020, which will maintain Kolomela's current life-of-mine at 12 years. The total capital cost of the project will be approximately R7.0 billion, including pre-stripping. It is anticipated that the addition of the Kapstevel South pit will deliver an after-tax internal rate of return of ~25% and an EBITDA margin of ~35%.

Construction of the Kapstevel South pit at Kolomela commenced in October. At the end of the year, over 2.0 Mt of waste had been stripped and the project is on track as planned.

On 19 February 2021, the Board approved the UHDMS project which will further support our ambition of maximising value through increasing our premium product sales, lowering our strip ratio and extending Sishen's life-of-mine, as well as reducing our carbon footprint due to the reduction of waste material at the end of life-of-mine. The total capital cost of the project will be R3.6 billion and the project is expected to deliver an after-tax internal rate of return of ~30% and an EBITDA margin of ~40% with a payback period of approximately three years.

There were no further material changes to the ore reserves and mineral resources as disclosed in the 2020 Ore Reserve (and Saleable Product) and Mineral Resource Report available at **https://www.angloamericankumba.com/investors/annual-reporting/reports-archive/2020.aspx**.

COMMENTARY continued

REGULATORY UPDATE

National Environmental Management Act (NEMA)

The Ministers of Environment, Forestry and Fisheries, Water and Sanitation and Mineral Resources have determined that requirements for making financial provision to manage, rehabilitate and remediate environmental impacts from mining operations will be regulated under NEMA and no longer under the current Mineral and Petroleum Resource Development Act (MPRDA). This agreement has been formalised by amending the relevant environmental, water and mining legislation. The financial provisioning regulations were published on 20 November 2015, and further proposed material amendments were gazetted on 10 November 2017 and 17 May 2019. It is anticipated that another set of proposed amendments will be gazetted during 2021. The deadline for compliance has been extended to June 2021, and another extension is likely. Management is in the process of assessing the full impact of these developments on our rehabilitation and decommissioning financial provisions.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events that occurred from 31 December 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 2020 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 Chief Operating Officer 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 Pranill Ramchander was appointed Executive Head of Corporate Affairs, with effect from 1 September 2020 and we thank Mr Samuel Martin for acting in this role from 1 May to 31 August 2020.

OUTLOOK AND GUIDANCE

Kumba continues to prioritise the health, safety and wellbeing of our workforce and local communities while serving customers and supporting our suppliers.

Although the world is in a fragile state as nations battle the second wave and potentially successive waves of infection, the vaccines offer a path towards global recovery. In collaboration with the broader Anglo American group, Kumba will be contributing to the US$30 million in support of the rollout of Covid-19 vaccines across the group's operations, of which US$10 million is committed to helping South Africa in its vaccination efforts.

Kumba's high-quality iron ore product, solid operating model and resilient balance sheet supports our ability to continue generating value and returns for our shareholders. At the half year, we highlighted our priorities to manage through the pandemic. We have delivered against those priorities and achieved a strong financial performance ahead of the economic recovery in our traditional markets outside of China.

We are focused on improving our performance in 2021. While the pandemic has led to an increase in risk and uncertainty, it also presents a catalyst for change and the opportunity to build a better business for the longer term.

In view of this, we are progressing our margin strategy. From a sales and marketing perspective, we are focusing on simplifying and right-sizing our product portfolio to better align to logistical capacity while retaining the value in use required by our customers, which enables more targeted resource allocation and optimisation along our value chain.

Over the past few months a cross-functional team has worked to identify the right combination of products for our new portfolio. We have simplified our portfolio and are focusing on those products that can be scaled to drive value for the long term, while retaining our quality leadership and helping us to achieve our US$2/tonne marketing premium target.

Additionally, the next phase of our cost savings programme is also underway. We initiated the first phase in 2018 as part of our *Tswelelopele* margin strategy. Despite the unprecedented challenges presented by the pandemic, we delivered R3.2 billion of savings in the past three years including R1.3 billion this year, of which R613 million is Covid-related. This has given us the confidence to set a new target of R2.0 billion by 2022. Our work has validated the opportunity to sustainably reduce our spend by driving efficiencies to P101, continuing to work on reducing our fixed overhead cost base, optimising our contractor procurement and management methodologies, eliminating duplication and pulling other efficiency levers, while maintaining and improving operational effectiveness.

Kumba's outlook for the full year 2021, which includes the production guidance as announced at our investor update on the 4 December 2020 are as follows:

Guidance (unaudited)	FY2021
Total sales (Mt)	**40 – 41**
Total production (Mt)	**40 – 41**
Sishen	**~28**
Kolomela	**~13**
Waste stripping (Mt)	
Sishen	**150 – 170**
Kolomela	**55 – 65**
On-mine unit costs (R/tonne)	
Sishen	**R395 – R405**
Kolomela	**R300 – R310**

COMMENTARY continued

Our capital expenditure is expected to be between R10.8 billion and R11.3 billion for 2021, including the deferral of R1.0 billion of non-critical capital expenditure from 2020. The increase is driven by:

- Higher SIB spend of between R3.8 billion and R4.0 billion, largely comprised of plant and infrastructure spend to improve safety, environmental sustainability and equipment reliability, as well as capital spares.
- Expansion capex of between R4.8 billion and R4.9 billion, relates mostly to the cost of developing the Kapstevel South pit at Kolomela, and to a lesser extent the UHDMS project. We are also investing further in our P101 efficiency programme in 2021 as this is a critical investment to ensure that we achieve our targeted equipment efficiencies and drive cost saving in our business.
- Deferred stripping will reduce to between R2.2 billion and R2.4 billion, following a lower stripping ratio at certain pushbacks at both of the mines.

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 external auditors.

Themba Mkhwanazi concluded: "The Covid-19 crisis has highlighted the importance of maintaining a resilient balance sheet and the value of our competitive products, flexible value chain and geographically diverse customer base which have enabled us to emerge stronger from the pandemic. As a result of all this, we delivered a strong financial performance with R45.8 billion of EBITDA and R20.7 billion in attributable free cash flow.

During this challenging time, we were able to draw on, and strengthen our relationships with employees, contractors, suppliers, customers, communities and government, which will help us to achieve our objectives for 2021.

The approval of our UHDMS project supports our ambition to extend our life-of-mine to 2040, we are fortifying our business for the future and remain focused and committed to delivering on our value drivers of quality, efficiency and cost reduction, which are instrumental in unlocking the value inherent in our world-class assets."

The presentation of the Company's results for the year ended 31 December 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 23 February 2021.

SALIENT FEATURES AND OPERATING STATISTICS

for the year ended 31 December

	Unaudited 2020	Unaudited 2019
Share statistics ('000)		
Total shares in issue	**322,086**	322,086
Weighted average number of shares	**320,691**	320,554
Diluted weighted average number of shares	**321,761**	321,472
Treasury shares	**1,486**	1,412
Market information		
Closing share price (Rand)	**623**	417
Market capitalisation (Rand million)	**200,598**	134,326
Market capitalisation (US$ million)	**13,659**	9,577
Net asset value attributable to owners of Kumba (Rand per share)[1]	**147.31**	112.49
Capital expenditure (Rand million)[1]		
Incurred	**5,746**	5,713
Contracted	**1,361**	705
Authorised but not contracted	**7,736**	806
Operating commitments (Rand million)[1]	**1,031**	1,000
Commitments from shipping services (Rand million)[1]	**3,835**	5,686
Economic information		
Average Rand/US Dollar exchange rate (ZAR/US$)	**16.47**	14.45
Closing Rand/US Dollar exchange rate (ZAR/US$)	**14.69**	14.03
Sishen FOR unit cost		
Unit cost (Rand per tonne)	**531.60**	467.27
Cash cost (Rand per tonne)	**361.79**	345.11
Unit cost (US$ per tonne)	**32.28**	32.33
Cash cost (US$ per tonne)	**21.97**	23.88
Kolomela FOR unit cost		
Unit cost (Rand per tonne)	**447.80**	374.40
Cash cost (Rand per tonne)	**304.31**	270.38
Unit cost (US$ per tonne)	**27.20**	25.91
Cash cost (US$ per tonne)	**18.48**	18.71

[1] Amounts have been audited by the group's auditors.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December

Rand million	Notes	Audited 2020	Audited 2019
ASSETS			
Property, plant and equipment	5	**40,165**	38,953
Right-of-use assets		**465**	482
Biological assets		**24**	17
Investments held by environmental trust		**656**	652
Long-term prepayments and other receivables		**144**	206
Inventories	6	**3,741**	3,670
Deferred tax assets		**1**	1
Non-current assets		**45,196**	**43,981**
Inventories	6	**5,858**	5,995
Trade and other receivables		**8,756**	3,737
Current tax assets		**—**	363
Cash and cash equivalents	7	**22,707**	12,865
Current assets		**37,321**	**22,960**
Total assets		**82,517**	**66,941**
EQUITY			
Shareholders' equity	8	**47,446**	36,230
Non-controlling interests		**14,744**	11,294
Total equity		**62,190**	**47,524**
LIABILITIES			
Lease liabilities		**335**	513
Provisions	4	**2,607**	2,486
Deferred tax liabilities		**9,586**	9,313
Non-current liabilities		**12,528**	**12,312**
Lease liabilities		**179**	29
Provisions	4	**117**	94
Trade and other payables		**6,693**	6,676
Contract liabilities		**194**	306
Current tax liabilities		**616**	—
Current liabilities		**7,799**	**7,105**
Total liabilities		**20,327**	**19,417**
Total equity and liabilities		**82,517**	**66,941**

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December

Rand million	Notes	Audited 2020	Audited 2019
Revenue	9	80,104	64,285
Operating expenses	10	(39,105)	(35,319)
Expected credit losses on financial assets		(161)	(155)
Operating profit		**40,838**	**28,811**
Finance income		624	792
Finance costs		(258)	(351)
Profit before taxation		**41,204**	**29,252**
Taxation		(11,363)	(7,936)
Profit for the year		**29,841**	**21,316**
Attributable to:			
Owners of Kumba		22,779	16,259
Non-controlling interests		7,062	5,057
		29,841	**21,316**
Basic earnings per share attributable to the ordinary equity holders of Kumba (Rand per share)			
Basic		71.03	50.73
Diluted		70.79	50.58

SUMMARISED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December

Rand million	Audited 2020	Audited 2019
Profit for the year	**29,841**	21,316
Other comprehensive loss for the year	**(111)**	(91)
Exchange losses on translation of foreign operations[1]	**(111)**	(91)
Total comprehensive income for the year	**29,730**	**21,225**
Attributable to:		
Owners of Kumba	**22,694**	16,189
Non-controlling interests	**7,036**	5,036
	29,730	**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.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

Rand million	Audited 2020	Audited 2019
Total equity at the beginning of the year	**47,524**	**46,135**
Changes in share capital and premium		
Treasury shares issued to employees under employee share incentive schemes	**88**	412
Purchase of treasury shares[1]	**(201)**	(324)
Changes in reserves		
Equity-settled share-based payment expense	**186**	128
Vesting of shares under employee share incentive schemes	**(88)**	(412)
Total comprehensive income for the year	**22,694**	16,189
Dividends paid	**(11,463)**	(14,983)
Changes in non-controlling interests		
Total comprehensive income for the year	**7,036**	5,036
Dividends paid	**(3,586)**	(4,657)
Total equity at the end of the year	**62,190**	**47,524**
Comprising:		
Share capital and premium (net of treasury shares)	**(118)**	(5)
Equity-settled share-based payment reserve	**285**	183
Foreign currency translation reserve	**1,158**	1,242
Retained earnings	**46,121**	34,810
Shareholders' equity	**47,446**	36,230
Non-controlling interests	**14,744**	11,294
Total equity	**62,190**	**47,524**
Dividend (Rand per share)		
Interim	**19.60**	30.79
Final[2]	**41.30**	15.99
Total	**60.90**	46.78

[1] The average price paid for the purchase of the shares in 2020 was R438.30 per share (2019: R408.27 per share).
[2] The final dividend was declared after 31 December 2020 and has not been recognised as a liability in this summarised financial report. It will be recognised in shareholders' equity for the 2021 financial year.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December

Rand million	Audited 2020	Audited 2019
Cash receipts from customers	74,774	64,695
Cash paid to suppliers and employees	(34,435)	(30,038)
Cash generated from operations	40,339	34,657
Finance income received	630	781
Finance expense paid	(162)	(267)
Taxation paid	(10,146)	(7,781)
Cash flows from operating activities	30,661	27,390
Additions to property, plant and equipment	(5,746)	(5,603)
Proceeds from disposal of property, plant and equipment	4	6
Increase in financial asset at fair value through profit or loss	–	(207)
Cash flows utilised in investing activities	(5,742)	(5,804)
Purchase of treasury shares	(201)	(324)
Dividends paid to owners of Kumba	(11,463)	(14,983)
Dividends paid to non-controlling shareholders	(3,586)	(4,657)
Payment of lease liabilities	(149)	(82)
Cash flows utilised in financing activities	(15,399)	(20,046)
Net increase in cash and cash equivalents	9,520	1,540
Cash and cash equivalents at beginning of year	12,865	11,670
Foreign currency exchange gains/(losses) on cash and cash equivalents	322	(345)
Cash and cash equivalents at end of year	22,707	12,865

HEADLINE EARNINGS

for the year ended 31 December

Rand million	Audited 2020	Audited 2019
Reconciliation of headline earnings		
Profit attributable to owners of Kumba	**22,779**	16,259
Impairment charge	**—**	23
Net loss on disposal and scrapping of property, plant and equipment	**19**	66
	22,798	**16,348**
Taxation effect of adjustments	**(5)**	(23)
Non-controlling interests in adjustments	**(3)**	(16)
Headline earnings	**22,790**	16,309
Headline earnings (Rand per share)		
Basic	**71.07**	50.88
Diluted	**70.83**	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	**320,690,801**	320,554,087
Diluted weighted average number of ordinary shares	**321,760,686**	321,472,427

The dilution adjustment of 1,069,885 shares at 31 December 2020 (2019: 918,340) is a result of the share options granted under the various employee share incentive schemes.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December

1. CORPORATE INFORMATION

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

The audited summarised consolidated financial statements of Kumba and its subsidiaries for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 22 February 2021.

2. BASIS OF PREPARATION

The audited summarised consolidated financial statements, and the consolidated financial statements from which they have been extracted, have been prepared under the supervision of BA Mazarura CA(SA), Chief Financial Officer, in accordance with the requirements of the Listings Requirements of the JSE Limited for provisional reports, and the requirements of the South African Companies Act, No. 71 of 2008 applicable to summarised consolidated financial statements. The Listings Requirements of the JSE Limited require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The audited consolidated financial statements from which these summarised consolidated financial statements were derived 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 summarised consolidated annual results for the year ended 31 December 2020. The group ended the year in a cash position of R22.7 billion (2019: R12.9 billion). Further analysis of the cash position and details of facilities are set out in note 7.

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 summarised consolidated financial statements.

2. BASIS OF PREPARATION continued

2.2 Accounting judgements, estimates and assumptions

In preparing the summarised consolidated 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 summarised consolidated financial statements for the year ended 31 December 2019, except as disclosed in note 3 and 4.

2.3 Impact of Covid-19 on Kumba's results

The group has considered the impact of Covid-19 on each of its significant accounting judgements and estimates. The group's principal source of estimation uncertainty continues to be in relation to assumptions used for the assessment of impairment of non-current assets where indicators of impairment are identified. No further significant estimates have been identified as a result of Covid-19, although the pandemic has increased the level of uncertainty inherent in all future cash flow forecasts.

The iron ore price and Rand/US$ exchange rate assumptions used to forecast future cash flows for impairment assessment purposes have been updated to consider both the short-term observable impact of Covid-19 and the forecast medium and longer-term impact on the world economy and commodity prices. No impairment indicators have been identified for the group's non-current assets.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of these summary consolidated financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except as disclosed below.

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

The following accounting standards, amendments to issued accounting standards and interpretations which became effective for the year commencing on 1 January 2020 had no impact on the group's accounting policies.

- **IFRS 3 *Business Combinations* (Amendments to the definition of a business)**
  The group has no new business acquisitions or lost control over any of its subsidiaries. The amendment to IFRS 3 had no impact on the financial statements.

- **IAS 1 *Presentation of financial statements* and IAS 8 *Accounting policies, changes in accounting estimates and errors* (Definition of materiality)**
  The group continuously assesses materiality in the context of its financial statements by considering the nature and magnitude of information, individually or in combination with other information. Therefore, the change in definition of materiality did not have a significant impact on the group's financial statements.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December

3. ACCOUNTING POLICIES continued

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

- **Amendment to IFRS 16 *Leases* (Covid-19 related rent concessions)**
  This amendment became effective on 1 June 2020. The group did not receive any rent concessions arising as a direct consequence of the Covid-19 pandemic. Therefore, the amendment had no impact on the group's financial statements.
- **Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial instruments: Recognition and measurement* and IFRS 7 *Financial instruments: Disclosure Interest Rate Benchmark Reform***
  These amendments did not have any impact on the consolidated financial statements as the group does not have financial instruments with interest rates linked to interbank bank offered rate (IBOR).

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

A number of new standards and amendments to issued standards and interpretations are in issue but not effective for annual periods beginning on 1 January 2020. The group did not early adopt any new, revised or amended accounting standards or interpretations. These new standards, amendments to standards and interpretations are being evaluated for the impact on the group's financial results, and they are not expected to have a material impact.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

The LoMP on which accounting estimates are based includes only proved and probable ore reserves as disclosed in Kumba's 2020 annual ore reserves and mineral resources statement. The increase in the closure cost estimates was mostly due to the increase in waste and infrastructure footprints and industry rates. The increase was partially offset by the impact of a 0.3% increase in the discount rate from 4.0% to 4.3% (in real terms), as well as an increase in Sishen's life-of-mine.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS continued

The effect of the change in estimate of the rehabilitation and decommissioning provision is detailed below:

Rand million	Audited 2020	Audited 2019
Increase in environmental rehabilitation provision	103	133
(Decrease)/increase in decommissioning provision	(17)	62
Decrease in profit after tax attributable to the owners of Kumba	57	73
Rand per share		
Effect on earnings per share attributable to the owners of Kumba	0.18	0.23

The change in estimate of 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.

5. PROPERTY, PLANT AND EQUIPMENT

Rand million	Audited 2020	Audited 2019
Total capital expenditure	6,086	5,713
Comprising:		
Expansion	632	647
Stay-in-business (SIB)	2,952	2,432
Deferred stripping	2,502	2,634
Increase in capital creditors[1]	(340)	(110)
Additions to property, plant and equipment per statement of cash flows	**5,746**	**5,603**
Transfers from assets under construction to other property, plant and equipment	2,916	6,217

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

SIB capital expenditure was largely spent on capital spares of R1.6 billion, infrastructure upgrades of R700 million and mining fleet management replacement of R500 million. Expansion capital expenditure mainly comprised of R112 million on the Dingleton project, R131 million on the Kapstevel South project, R68 million for the UHDMS feasibility study and R306 million on P101 efficiency initiatives.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December

6. INVENTORIES

Rand million	Audited 2020	Audited 2019
Finished products	1,755	2,664
Work-in-progress	6,045	5,626
Plant spares and stores	1,799	1,375
Total inventories	**9,599**	**9,665**
Non-current portion of work-in-progress inventories	3,741	3,670
Current portion of inventories	5,858	5,995
Total inventories	**9,599**	**9,665**

During the year, the group wrote-off R762 million of work-in-progress inventory (2019: R32 million of finished product). The group also increased the provision for potentially non-recoverable work-in-progress inventory, and slow-moving plant spares and stores, to R650 million (2019: R576 million) and R276 million (2019: R210 million), respectively. The total inventory write-down of R902 million has been recognised in the statement of profit or loss.

No inventories were encumbered during the year.

Work-in-progress inventory balances which are not expected to be processed within the next 12 months are presented as non-current.

7. CASH AND CASH EQUIVALENTS AND DEBT FACILITIES

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

Rand million	Audited 2020	Audited 2019
Balance at the end of the year	22,707	12,865

Included in cash and cash equivalents is an amount of R893 million (2019: R3 million liability) 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 R35 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, variation margins of R51 million were included in bank and cash balances.

7. CASH AND CASH EQUIVALENTS AND DEBT FACILITIES continued

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

Short-term cash deposits of R21,868 million (2019: R11,117 million), included in cash and cash equivalents, and uncommitted debt facilities of R8,200 million (2019: R8,200 million) were placed with subsidiaries of the ultimate holding company during the year under review. The group held deposits amounting to R277 million (2019: R254 million) which are subject to statutory restrictions and are therefore not available for general use by the group.

8. SHARE CAPITAL AND SHARE PREMIUM

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

Rand million	Audited 2020	Audited 2019
Balance at the beginning of the year	(5)	(93)
Net movement in treasury shares under employee share incentive schemes	(113)	88
Purchase of treasury shares	(201)	(324)
Share issued to employees	88	412
Balance at the end of the year	**(118)**	(5)

Reconciliation of number of shares in issue:

	Audited 2020	Audited 2019
Balance at the beginning and end of year	**322,085,974**	**322,085,974**
Reconciliation of treasury shares held:		
Balance at the beginning of the year	1,411,944	2,565,164
Shares purchased during the year	464,292	793,677
Shares issued to employees under the Bonus Share Plan, Bonus and Retention Share Plan, Long-Term Incentive Plan, Performance Share Plan and the SIOC Employee Benefit Scheme	(389,998)	(1,946,897)
Balance at the end of the year	**1,486,238**	**1,411,944**

All treasury shares are held as conditional awards under the Bonus Share Plan, Bonus and Retention Share Plan, Performance Share Plan, Long-term Incentive Plan and the SIOC Employee Benefit Scheme (Karolo).

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December

9. REVENUE

Rand million	Audited 2020	Audited 2019
Sale of iron ore	71,411	57,943
Services rendered – shipping	5,580	5,615
Total revenue from contracts with customers	**76,991**	**63,558**
Revenue from other sources[1]	3,113	727
Total revenue as per statement of profit or loss	**80,104**	**64,285**
Geographical analysis of revenue from contracts with customers		
Domestic – South Africa	409	2,557
Export	76,582	61,001
China	49,411	34,159
Rest of Asia	14,096	12,073
Europe	12,507	14,132
Middle East and North Africa	385	214
Americas	183	423
Total revenue from contracts with customers	**76,991**	**63,558**

[1] Revenue from other sources comprises net gains on financial instruments of R4,212 million (2019: R1,192 million) and subsequent movements in provisionally-priced sales of R1,099 million (net loss) (2019: R465 million (net loss)) which were previously included within sale of iron ore and are now disclosed separately to provide enhanced disclosure.

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

Disaggregation of revenue from contracts with customers:

	Products		Services	
Rand million	Sishen mine	Kolomela mine	Shipping operations	Total
2020				
Total segment revenue (Refer to note 12)	51,971	22,553	5,580	80,104
Revenue from other sources	(2,121)	(992)	—	(3,113)
Revenue from contracts with customers	**49,850**	**21,561**	**5,580**	**76,991**
2019				
Total segment revenue	40,698	17,972	5,615	64,285
Revenue from other sources	(489)	(238)	—	(727)
Revenue from contracts with customers	40,209	17,734	5,615	63,558

10. OPERATING EXPENSES

Operating expenses are made up as follows:

Rand million	Audited 2020	Audited 2019
Costs by nature[1]:		
Raw materials and consumables	**1,449**	1,835
Movement in inventories	**1,040**	(20)
Finished products	**2,361**	14
Work-in-progress	**(1,321)**	(34)
Inventory write-down to net realisable value	**902**	85
Outside services	**3,817**	3,545
Deferred waste stripping costs[2]	**(2,502)**	(2,634)
Staff cost	**5,006**	4,953
Employee expenses	**4,863**	4,799
Termination benefits	**—**	7
Share-based payment expenses	**143**	147
Impairment charge	**—**	23
Mineral royalty	**3,493**	2,411
Transportation and selling costs	**6,580**	6,501
Shipping services rendered	**5,598**	5,605
Sub-lease rent received	**(44)**	(40)
Depreciation of property, plant and equipment[3]	**4,970**	4,538
Repairs and maintenance	**2,479**	2,341
Legal fees	**24**	28
Professional fees	**171**	186
Audit fees	**12**	9
Insurance cost	**154**	119
Technical services and project studies	**128**	186
Lease expenses	**905**	65
General expenses	**1,622**	1,866
Petroleum products	**1,985**	2,520
Energy costs	**439**	439
Own work capitalised[5]	**(114)**	(60)
Corporate costs	**788**	672
Net loss on disposal and scrapping of property, plant and equipment	**19**	66
Net finance losses	**184**	80
Unrealised gains on derivative financial instruments[4]	**—**	(113)
Net foreign currency losses	**176**	15
Net fair value losses on financial assets measured at fair value through profit or loss	**8**	178
Total operating expenses	**39,105**	**35,319**

[1] The format of this note has been changed to enhance disclosure.
[2] This relates to waste stripping costs capitalised during the year. Refer to note 5.
[3] This includes R134 million (2019: R89 million) in respect of right-of-use assets.
[4] Unrealised gains/losses on derivative financial instruments were previously included in operating expenses and have now been reclassified to revenue in the current year, refer to note 9.
[5] Relates to operating expenses incurred that are capitalised to projects where qualifying criteria are met.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December

11. TAXATION

The group's effective tax rate was 28% for the year (2019: 27%).

12. 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' segment comprises corporate, administration and other expenditure not allocated to the reported segments.

The total reported segment revenue comprises 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), which is considered a more appropriate measure of profitability for the group's businesses. Finance income and finance costs are not allocated to segments as the treasury activity is managed on a central group basis.

Total segment assets comprise finished product and work-in-progress inventories 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.

12. SEGMENTAL REPORTING continued

Rand million	Products[1]		Services			
	Sishen mine	Kolomela mine	Logistics[2]	Shipping operations	Other	Total
Audited year ended 31 December 2020						
Statement of profit or loss						
Total external revenue	**51,971**	**22,553**	**—**	**5,580**	**—**	**80,104**
EBITDA	**37,652**	**16,549**	**(6,571)**	**(17)**	**(1,805)**	**45,808**
Significant items included in the statement of profit or loss:						
Depreciation	**3,416**	**1,376**	**9**	**—**	**169**	**4,970**
Staff costs	**3,083**	**1,147**	**32**	**—**	**744**	**5,006**
Statement of financial position						
Total segment assets	**3,840**	**3,447**	**513**	**—**	**—**	**7,800**
Statement of cash flows						
Additions to property, plant and equipment						
Expansion capital expenditure	**415**	**175**	**—**	**—**	**—**	**590**
Stay-in-business capital expenditure	**1,793**	**857**	**—**	**—**	**4**	**2,654**
Deferred stripping	**1,523**	**979**	**—**	**—**	**—**	**2,502**
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 the statement of profit or loss:						
Depreciation	3,174	1,241	10	—	113	4,538
Impairment charge	23	—	—	—	—	23
Staff costs	2,942	1,011	40	—	960	4,953
Statement of financial position						
Total segment assets	4,170	3,056	1,064	—	—	8,290
Statement of cash flows						
Additions to property, plant and equipment						
Expansion capital expenditure	592	—	—	—	—	592
Stay-in-business capital expenditure	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.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December

12. SEGMENTAL REPORTING continued

Reconciliation of reportable segments' assets to inventories

Rand million	Note	Audited 2020	Audited 2019
Inventories			
Finished product		**1,755**	2,664
Work-in-progress		**6,045**	5,626
Segment assets		**7,800**	8,290
Plant spares and stores		**1,799**	1,375
Balance per statement of financial position	6	**9,599**	**9,665**

Geographical analysis of total external revenue

Rand million	Audited 2020	Audited 2019
Total external revenue	**80,104**	64,285
Domestic – South Africa	**409**	2,557
Export	**79,695**	61,728
China	**50,221**	33,853
Rest of Asia	**14,485**	12,178
Europe	**14,421**	15,078
Middle East and North Africa	**385**	196
Americas	**183**	423

All non-current assets, excluding investments in associates and joint venture, are located in South Africa, except Rnil (2019: R12 million) relating to prepayments which were located in Singapore.

Reconciliation of operating profit to EBITDA for the year ended:

Rand million	Audited 2020	Audited 2019
Operating profit per statement of profit or loss	**40,838**	28,834
Add back:		
Depreciation	**4,970**	4,538
EBITDA	**45,808**	**33,372**

13. 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 assets and liabilities that are measured at fair value:

Rand million	Level 1[1]	Level 2[2]	Level 3[3]
Audited 12 months – 31 December 2020			
Investments held by the environmental trust	**—**	**656**	**—**
Long-term prepayments and other receivables	**—**	**—**	**35**
Trade receivables[4]	**—**	**6,621**	**—**
	—	**7,277**	**35**
Audited 12 months – 31 December 2019			
Investments held by the environmental trust	—	652	—
Long-term prepayments and other receivable	—	—	48
Trade receivables[4]	—	2,153	—
Derivative financial instruments classified as cash and cash equivalents	—	(3)	—
	—	**2,802**	**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 that are directly or indirectly based on observable market data other than quoted prices included within level 1 that are observable either directly or indirectly (i.e. derived from market-related prices). This category includes provisionally priced trade receivables, the investments held by the environmental trust and over-the-counter derivatives.
[3] Level 3 fair value measurements are derived from valuation techniques that include inputs (such as recent transactions for similar assets and iron ore price) that are not based on observable market data.
[4] This includes only those receivables that are carried at fair value through profit or loss.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December

13. FAIR VALUE ESTIMATION continued

The investments held by the environmental trust were reclassified from level 1 to level 2. During the year, management reassessed its view on the investments held by the environmental trust and concluded that level 2 better reflects the fair value hierarchy for this financial asset. There were no transfers between level 2 and level 3 in the year ended 31 December 2020 or in the year ended 31 December 2019.

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

Rand million	**Audited 2020**	Audited 2019
Balance at beginning of year	**48**	47
Additions to financial assets during the year	**–**	207
Fair value loss for the year	**(13)**	(206)
Balance at end of year	**35**	**48**

The long-term other receivable at 31 December 2020 relates to exploration projects. The fair value was determined using the market approach which applies available market information of sales transactions for similar recent projects. The significant unobservable inputs used in the valuation model related to the size and grade of the ore deposit confirmed by geological exploration results.

There were no changes made to any of the valuation techniques applied at 31 December 2020.

14. RELATED PARTY TRANSACTIONS

During the year, Kumba and its subsidiaries, in the ordinary course of business, entered into various sale, purchase and service transactions with associates, joint ventures, fellow subsidiaries, its holding company and Exxaro Resources Limited[2].

Material related party transactions

Rand million	Audited 2020	Audited 2019
Anglo American SA Finance Limited[1]		
Short-term deposit held with Anglo American SA Finance Limited		
– Deposit	**13,721**	4,428
– Weighted average interest rate (%)	**4.48**	6.95
Interest earned on short-term deposits held with Anglo American SA Finance Limited	**466**	631
Interest receivable	**64**	52
Uncommitted facilities held with Anglo American SA Finance Limited	**8,200**	8,200
Anglo American Capital plc[1]		
Short-term deposit held with Anglo American Capital plc		
– Deposit	**7,258**	6,094
Interest earned on short-term deposits	**20**	79
Anglo Corporate Services South Africa Proprietary Limited[1, 3]		
Purchase of goods and services: Corporate operations (including shared services)	**564**	515
Purchase of goods and services: Research	**135**	98
Insurance receivable	**64**	49
Trade payables	**445**	325
Long-term receivables	**38**	24
Anglo American Marketing Limited[1]		
Cash and cash equivalents held with Anglo American Marketing Limited	**889**	595
Trade payable owed to Anglo American Marketing Limited	**102**	618
Trade receivable owed by Anglo American Marketing Limited	**427**	220
Sale of goods to Anglo American Marketing Limited	**1,206**	2,256
Shipping services provided by Anglo American Marketing Limited	**1,253**	5,123
Anglo American Shipping Pte. Limited[1]		
Shipping services provided by Anglo American Shipping Pte. Limited	**4,390**	558
Trade payable owed to Anglo American Shipping Pte. Limited	**227**	356
Anglo South Africa Proprietary Limited[3]		
Dividends paid to Anglo South Africa Proprietary Limited	**7,991**	10,445
Exxaro Resources Limited[2]		
Dividends paid to Exxaro Resources Limited	**3,119**	4,050
Purchase of goods and services	**11**	236

[1] Subsidiaries of the ultimate holding company.
[2] Exxaro Resources Limited is SIOC's 20.62% (2019: 20.62%) black economic empowerment shareholder.
[3] The entity changed its name during the year, previously known as Anglo Operations Limited.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December

15. CONTINGENT LIABILITIES

As previously reported, during 2018, the South African Revenue Services (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 to these assessments after consultation with external tax and legal advisers. 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. On 18 August 2020, SARS filed its statement of grounds of assessment and opposing appeal, after which the group filed its statement of grounds of appeal on 21 October 2020.

On 14 September 2020, SARS informed the group it intends to audit the 2015 to 2018 years of assessments (audit). As the 2015 year of assessment has prescribed, it will be excluded from the audit. The appeal and the audit concern the same subject matter. The result of the appeal is likely to be determinative of a substantial number, if not all, of the issues to be traversed in the audit. SARS has therefore agreed to hold the audit in abeyance until the outcome of the appeal is known.

Based on the external legal and tax advice obtained, the group believes that these matters have been appropriately treated in the results for the year ended 31 December 2020.

16. GUARANTEES

Total guarantees issued in favour of the Department of Mineral Resources and Energy (DMRE) in respect of the group's undiscounted environmental closure liabilities at 31 December 2020 were R3.4 billion (2019: R3 billion). Guarantees in respect of the 2019 shortfall of R363 million were issued to the DMRE in May 2020. Closure costs increased by R695 million during the year. This, partially offset by a R4 million increase in the trust fund investment, has resulted in a shortfall of R691 million which will be addressed in due course.

17. REGULATORY UPDATE

National Environmental Management Act (NEMA)

The Ministers of Environmental Affairs, Water and Sanitation and Mineral Resources have determined that requirements for making financial provision to manage, rehabilitate and remediate environmental impacts from mining operations will be regulated under NEMA and no longer under the current Mineral and Petroleum Resource Development Act (MPRDA). This agreement has been formalised by amending the relevant environmental, water and mining legislation. The financial provisioning regulations were published on 20 November 2015, and further proposed amendments were gazetted on 10 November 2017 and 17 May 2019. It is anticipated that another set of proposed amendments will be gazetted during 2021. The deadline for compliance has been extended to June 2021, and another extension is likely. Management is in the process of assessing the full impact of these developments on the group's rehabilitation and decommissioning financial provisions.

18. EVENTS AFTER THE REPORTING PERIOD

A final cash dividend of R41.30 per share was declared by the Board on 22 February 2021 from profits accrued during the financial year ended 31 December 2020. The total cash dividend for the year amounted to R60.90 per share. The estimated total cash flow of the final Kumba dividend, payable on 15 March 2021 is R13.3 billion.

There have been no other material events subsequent to 31 December 2020, not otherwise dealt with in this report.

19. INDEPENDENT AUDITOR'S REPORT

These summarised consolidated financial statements for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers Inc. who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived.

The auditor's report on the summarised consolidated financial statements is included on the following page, and a copy of the auditor's report on the consolidated financial statements, together with the financial statements, is available for inspection at the Company's registered office. The summarised consolidated financial statements for the year ended 31 December 2020 are available on the Company's website **www.angloamericankumba.com**.

The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should read a copy of the auditor's report and obtain the accompanying financial information from the Company's registered office.

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

On behalf of the Board

MSV Gantsho
Chairman

TM Mkhwanazi
Chief Executive

22 February 2021
Pretoria

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF KUMBA IRON ORE LIMITED

OPINION

The summary consolidated financial statements of Kumba Iron Ore Limited, contained in the accompanying provisional report, which comprise the summary consolidated statement of financial position as at 31 December 2020, the summary consolidated statement of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Kumba Iron Ore Limited for the year ended 31 December 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 22 February 2021. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: CS Masondo
Registered Auditor
Johannesburg

22 February 2021

NOTICE OF FINAL CASH DIVIDEND

At its Board meeting on 22 February 2021, the directors approved a gross final cash dividend of 4,130 cents per share on the ordinary shares from profits accrued during the year ended 31 December 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 subject to withholding tax at a rate of 20% amounts to 3,304.00000 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, 23 February, 2021
Last day for trading to qualify and participate in the final dividend	Tuesday, 9 March, 2021
Trading ex-dividend commences	Wednesday, 10 March, 2021
Record date	Friday, 12 March, 2021
Dividend payment date	Monday, 15 March, 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 10 March 2021 and Friday, 12 March 2021 both days inclusive. Any change of address or dividend instructions must be provided by the last day for trading.

By order of the Board

F Patel
Company Secretary

23 February 2021

ADMINISTRATION

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Fax: +27 12 683 7009

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
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')

23 February 2021

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