2019 Results

Thursday, 20th February 2020

Introduction

Stuart Chambers

Chairman, Anglo American Plc

Good morning, ladies and gentlemen. It's my pleasure, as the Chairman of Anglo American, to welcome you to our 2019 full-year results presentation. I want to cover two things before I hand over to Mark and Stephen who'll take us through the presentation.

Firstly, as an enterprise, we have a very clear purpose, which is to re-imagine mining to improve people's lives – all people: our employees and contractors, who work in our organisations, but also all of our other stakeholders and including, of course, the billions of people who live on this planet and who go about their daily lives consuming, directly and indirectly, a lot of the products that we make available. There are a lot of things that we need to concentrate on to live that purpose. But there is one screamingly obvious one, of course, and that is our target of zero harm for the employees and contractors who work for us day in, day out. Very unfortunately, last year, four of our employees/contractors lost their lives, going about their work in our managed operations. Right now, that is the best-ever performance. But is scant comfort for the families of those four. It’s really important to understand that it is a constant vigil. What comfort can we take? Again, last year, year-on-year, we improved the important underlying safety measures of performance. And secondly, all the workstreams of the Elimination of Fatalities Taskforce that was kicked off in earnest about 18 months ago have all progressed really, really well. So we are happy we're doing the right things and on the right path. But we have got a long way to go. Please be assured that the Board is very serious about this.

Secondly, I just want you to join me in welcoming our two new non-executive directors to the Board, both from South Africa. Hixonia Nyasulu, who joined in November of last year, and Nonkululeko Nyembezi, who joined last month.

Our Transformation Journey

Mark Cutifani

CEO, Anglo American Plc

Opening remarks

Ladies and gentlemen, there are no drills scheduled for this morning. But in the event of an emergency please follow the instructions outlined on the papers on your seats.

As you are aware, Chris Griffith informed all of us of his intention to step down. And would – I would like to say and acknowledge Chris for the wonderful contribution he's made to Anglo American over the last 30 years. And a special observation that for the first time in our history in the PGMs business, zero fatality in our operations. Chris, congratulations.

Anglo Platinum have announced this morning the appointment of Natascha Viljoen to replace Chris. We've known Natascha for about almost six years now and she's made a tremendous contribution in her time in the Group and looking forward to the contribution that she will make, in terms of the future of the business.

It's been a solid year, as we continue to build on the foundations that we've created over the last few years. The P101 and our other operations improvement work is very important. We are not yet best of the best. We have improved our competitive position significantly, but there's a lot more we can do and we remain focussed on doing that work. And consistent with that is our improvement in safety, and those two pieces go hand-in-hand. Our broader technical changes that we introduced in the business had a big impact and there's more we can do. And our marketing innovation work is something that doesn't get a lot of airplay but has been significant. I will talk about FutureSmart a little later but again, a lot of people talking about technical innovation and getting the engine room working. I think we're hearing a lot of terms that we've been using for a number of years now being thrown around in different parts of the industry. On our portfolio enhancement projects, we remain committed to discipline capital. A balanced approach to investments in the business to ensure that we continue to improve margins and returns.

And again, that potfolio strength comes through in what has been a tough year in a couple of commodities: thermal, coal, diamonds, but a strong year in PGMs, iron ore. Across the board, a 2% improvement in price over but a 9% improvement in performance, which points to both the quality of the portfolio or the diversity of the portfolio and the quality of the assets.

And finally, our offer for Sirius is in place. Under the takeover rules, I won't be able to say more than I've already said. It's not inconsistent with our strategy, which is about focus on quality, focus on driving margins and returns over the long term.

Slide 4: Focus on delivery

When we talk about the business, we talk about measuring performance in three streams. Firstly, effectiveness as a team. Our job, our success is ultimately measured on the cash flow that we deliver from the business. Measuring the efficiency of those cash flows is our capital return measure, which is return on capital employed. It's about making sure we are focussed on working every dollar as hard as we can - our threshold return is 15%. This year we've delivered 19%.

And then, sustainability which has a number of dimensions: safety, environment, people, social performance, through to maintaining a conservative balance sheet. Looking at those pillars is as much about the first two numbers as making sure that we can deliver those results sustainably.

Slide 5: Continued improvement

As Stuart pointed out, we've lost four colleagues in the year. And despite it being the best-ever safety performance that we've delivered, no year is a good year if you've lost a colleague. The Elimination of Fatalities work is absolutely key to the improvements and ultimately delivering on that promise of zero harm.

Health in our industry has been an even more difficult issue and a bigger killer than actual safety incidents over the long term. If you look back in around 2007, we lost over 600 colleagues to HIV/AIDS-related illnesses. For the first time in the last 30-odd years, the number last year was zero. That’s a remarkable achievement and it speaks to the lead that Anglo American took in working with its employees and helping people understand what we could do to make a difference. We were the first major company that provided anti-retroviral drugs to employees and their families. It's one thing to talk about a purpose, it's another thing to live it. And we're certainly focused on living it.

On environment, we continue to improve and that reflects the focus on planning, understanding risks and making sure we control those risks.

Slide 6: Continued improvement

We are a fundamentally transformed business. Half the assets and we've still grown production by 12% since 2012. That's driven by the technical changes that we've introduced in the assets that we've kept and the underlying efficiency improvement. The average production from the retained assets is 30% higher from where we were back in 2012. As a consequence, our operating costs in real terms have dropped 45%, or 29% in nominal terms. The real challenge going forward is to keep the lid on costs so that we deliver flat or better costs over time, and if we continue to do that effectively then we certainly believe margins and returns will continue to grow.

Slide 7: …with an improved competitive position

With the focus on operating improvement and doubling of productivity, we've continued to improve our competitive position. Last year based on the first half we're at 36 percentile. We still haven't got the final year numbers in but based on what we've seen, we'll probably improve a little bit more but others may also move. We still remain, from what we can see, on the front edge of our competitive position and with the diversity in the portfolio, I think we add another dimension that others don't have in terms of thinking about returns and positioning going forward.

Slide 8: Delivering margin improvement

Consistent with that, we've also done a lot of work on the marketing side. So despite our basket price dropping 5%, our growth in margins from 30% to 42% reflects the cost improvements that we've delivered and with better prices realised for many of our products, we've actually still grown our margins. Again, that's the test of resilience, in terms of your competitive position, what you can do with margins. There's still more we can do.

Financial results

Stephen Pearce

Finance Director, Anglo-American

There's three key themes that I want to talk to before I get stuck into the numbers. It's about continuing delivery, and that's really built off the Operating Model and productivity. It's about the increasing margin, so realising the value from that productivity and dropping that to the bottom line. And then, the disciplined allocation of cash. So it's about the balance, getting the balance sheet right, allocating capital for the existing business, returns to shareholders and then obviously setting us up to deliver the next wave of disciplined growth

Slide 10: 2019 Results

EBITDA up 9%. What you see in the numbers is the benefit of owning quality assets and the diversification across the portfolio. Strong iron ore prices and PGM prices offsetting the weakness in the diamond midstream and coal prices. A 6% reduction in costs despite the headwinds that we've encountered, and some great work from the marketing team.

EPS up 8% to $2.75 a share, that drove the 40% pay-out ratio and the dividend of $1.09 per share. In addition, you'll be aware we announced the $1 billion US buyback at the half year.

Capex at $3.8 billion, up a little this year with a contribution to Quellaveco and progress in at Aquila in Met Coal and the diamond vessel in Namibia. So with that, debt up a little bit as expected to $4.6 billion.

Slide 11: EBITDA driven by Strong Margins

$10 billion of EBITDA and we'll do a quick tour around the four business units. Diamonds, as Mark mentioned, a tough year. Excess polished inventories in the midstream, some macro uncertainty and also some localised events. As the market leader, De Beers responded - cut production and provided some relief in terms of pricing.

Copper, a really solid plant performance offsetting some of the water challenges at Los Bronces and then an excellent cost position overall with C1 costs coming down to $1.26.

In PGMs, EBITDA nearly doubled. Significant increase in the basket price. Palladium and rhodium prices have continued to improve into 2020. As well, we had about 100koz PGMs roll over from 2019 to 2020, given some of the load shedding that occurred later in the year. With spot prices, clearly our margin continues to improve well in excess of 50% given the basket price is now well in excess of $4,500 per platinum ounce. Just to give you a sense of the numbers here, that would translate to about $2 billion of platinum revenue, $4 billion of palladium revenue and about $3.5 billion of rhodium revenue. So, you can see the extent those price moves are going to have in terms of cash flows should they continue.

Bulks benefited from record production at Minas-Rio and Kumba recovered through the second half. Another great performance from Met Coal as well – combined these are driving EBITDA at a healthy margin. Good iron ore prices but softer coal, particularly Cerrejón reduced production given the weaker European markets.

Slide 12: Minas-Rio drives EBITDA improvement

Currency, CPI and price broadly offset one another. We've also pulled out for you the impact diamonds demand had. So that's the build-up in the midstream and the combination of lower index prices and the lower quality mix of diamonds and therefore the lower volumes that DeBeers put into the marketplace. The last couple of sights, we have seen some early signs of recovery but I would stress it's early and obviously coronavirus provides some uncertainty just as we go through the first half of this year.

On the controllable side, a decent improvement, $600 million in all, largely driven by the Minas-Rio recovery versus the 2017 production. We also had $0.4 billion of other cost and volume benefits but they were offset to provide net $0.1 billion given the water at Los Bronces, the load-shedding in PGMs and the loss of domestic sales towards the end of the year in Kumba.

Slide 13: Maintained balance sheet strength

I'm going to really reiterate some of the messages that we've been speaking consistently about over the last couple of years. It's about balance, balance sheet strength and discipline so that we can consistently deliver period after period and also drive value-adding growth opportunities over time.

Net debt was up as expected. Quellaveco stepped up - $1.3 billion for the year - and also we had the change in IFRS lease accounting, which brought $0.5 billion of leases onto the balance sheet. That $4.6 billion net debt includes about $300 million of Mitsubishi debt that we consolidate onto our balance sheet.

The two other important balance sheet metrics: the 0.5 net debt:EBITDA is very comfortably well within our guidance; and net gearing at a very healthy 13%. A real commitment to ongoing capital discipline so that we provide flexibility in the balance sheet should we need it.

Slide 14: Attractive shareholder returns

A key part of our thinking is clearly returns to shareholders. Dividend policy of 40% pay-out resulted in dividends declared this year of $1.4 billion. An average yield of 5% across 2019. This was supplemented by our $1 billion buyback programme that we announced at the half year. As of today, we're roughly $950 million through that buyback programme and consistent with our disclosure, we'd expect to complete that by the end of March.

Our 40% payout policy will continue in 2020 and 2021. If we were to generate excess cash and having regard to our normal capital allocation framework, we will look to return this to shareholders, either through a buyback or a special dividend. And there is no change here.

Slide 15: Balanced capital allocation framework

We generated sustainable free cashflow of $3.4 billion for year. We have spoken about net debt and very pleased with where we are on the balance sheet. We've started to allocate more capital to discretionary options because we have got the balance sheet to where we wanted to get it. In terms of the buyback by December we'd spent $800 million, and then $1.1 billion in terms of growth spend - the majority of that being Quellaveco. So a balanced approach to how we're thinking about capital allocation and cashflow.

And just to be clear Sirius would be part of the Portfolio Upgrade under Discretionary Capital options at the bottom of the slide.

Slide 16: High-returning growth drives near-term capex

Capex is the same guidance that we gave you back in December. There's a step up for 2020 as we hit peak capex for Quellaveco. The numbers here do exclude anything in terms of Sirius, obviously still subject to the ongoing offer. Sirius had indicated and we are comfortable that with their proposed $0.3 billion over the next two years as part of their revised development schedule. Importantly, that would mean we're not really focused on heavy cash flow on two greenfield projects at the same time. That would nicely sequence itself post Quellaveco spend.

Slide 17: Targeting $3-4bn cost & volume improvement

Looking forward in terms of our $3-4 billion target. As a reminder, the target is set from the start of 2018 through to the end of 2022. We have consistently said some of that will be back-end weighted, particularly on the tech dev and project delivery. To date, we have delivered $0.5 billion. We're comfortable that our improvement run-rate and our equipment performance is in excess of that. Some of that will come through over time as it gets released from working capital and flows through the system and some of it, in this second half in particular, has been eaten up a little by some of those headwinds that I spoke about: water, load shedding, etc. But it's our job to make sure that we give that value visibility and get all parts of our business to operate at those same run rates, so that we see that value drop to the bottom line.

For 2020, we've identified further improvements of $0.4 billion. Partly driven by improved performance in the smelting and refining at PGMs and a little bit of a turnaround in consistency of performance at Kumba.

We had a roof collapse at Moranbah in January. Importantly, no one was hurt so the team did a great job. We were in the middle of a longwall move and that'll now take us about eight weeks longer than what was originally planned, so we will lose around 2 million tonnes of production from Moranbah. We will try to make some of that up from Grosvenor and obviously we've got the balance of the year to outperform to get that back. That results in about a $0.2 billion impact on EBITDA. We've adjusted our guidance on met coal production accordingly.

Operating Model & P101 - strong performance but partly offset as I've said. We continue to work on the tech dev programme. We're rolling out and the benefits will largely come through in 2021 and 2022 and to give you a flavour of that, the ore sorter at El Soldado is in and running. The second half this year the coarse particle flotation circuit will be in and we're also putting in the bulk ore sorters at Mogalakwena and Barro Alto as we speak. Growth projects are all on time and on budget and they contribute towards the end of that 2022 period.

Slide 18: Balanced & disciplined approach

Fully committed to the balanced approach. We're running a strong balance sheet, flexibility through the cycle so that we can focus and create long-term value for not only our shareholders but all of our stakeholders. We'll continue with attractive returns and balance as we think about those returns to shareholders, as we try to look after both today's cash flow and the generation of tomorrow's cash flows. Still some upside in margin to flow through as we deliver those underlying improvements in the business so that we get an increased sustainable margin both at spot prices and at long-term consensus pricing.

Disciplined Growth

Mark Cutifani

Chief Executive, Anglo-American

When we talk growth, it's about growing value, growing cash flow and growing returns.

Slide 20: Projects on time and budget

Quellaveco - on time, on budget, very pleased with the progress we've seen. Again, the complexities, and there are political complexities in all of the jurisdictions that the mining industry operates, but I think we've navigated those extremely well and the local community relationships are exceptional. And for Peru, if you can get those relationships right, it's a key to being successful in the country.

De Beers' new ship – very happy with the progress and the team's done a great job in working with the manufacturers. Just to remind you, the quality of the diamonds from the Marine projects is very high, it's around $500 a carat, and so it adds quality and margin.

Aquila (Met Coal) going very well. Decline a pretty straightforward operation but an important one that picks up where Grasstree will finish off with its large scale.

Slide 21: Sirius Minerals: A Compelling Fit and Opportunity

It is a quality asset. We've talked about the polyhalite resource being a very different type of product; multi-nutrient, low chloride, low cost. It's a product that will travel and the form that the product comes in is very important in terms of the value proposition. Obviously, there's still a lot more work to do, and taking all those factors into account we think the offer that we have is fair and reasonable and it's taken all of those issues into proper account. The only other point I would make is we still have a way to go; there still is a vote from shareholders required and all we ask is that shareholders take note of the Chairman's statement in the documentation regarding their recommendation in terms of the Anglo offer. From our perspective it's a work in progress, still a long way to go, and, again, we encourage those shareholders to look at their statement from the Chairman and the Directors in terms of the Anglo proposition that is currently sitting before them.

Slide 22: Positioned for the Future

We are continuing to shape the portfolio on the basis of quality assets in markets that we think have potential strong pricing fundamentals.

Slide 23: Positioning ourselves for the Future

Our business model and the way we invest across the value chain is fundamentally different to our competitors; it is about understanding what we do from mine through to customer and consumer and making sure that we're investing in leverage points across the value chain. For example, our work on venture capital in helping promote uses of platinum and other materials in terms of the hydrogen economy is how we differentiate ourselves.

FutureSmart Mining™: when we talk about carbon neutrality or we talk about the way the mining industry needs to look in five, ten, 20 years, we've been in a strategic conversation for six years. FutureSmart Mining™ is about changing the way mining is carried out so that we can, ultimately, get to carbon neutrality, reduce our footprint and connect ourselves to local communities in a very different way. Our Regional Collaborative Development model is unique. GemFair, working with artisanal miners and governments to change the nature of mining is strategic, it's different. People sometimes struggle with some of the things we're doing, but as each day goes by what we're doing makes more sense to those that talk ESG. It's not about talking, it's about walking, and we're proud to say that in the last three or four weeks, with the publishing of the Responsibility Index, which is walk versus talk, we've come up as the top resources company. Anything we talk to, any target we set, will be based on the way we believe we should be transforming the business; it will have substance behind it. That's an important point and, for us, FutureSmart Mining™ is the substance behind the conversation and we've been there for six years.

And, putting all those pieces together, it's about people. We've built and developed an exceptional team across the business. It's about making sure we've got the right people in the right roles. That that will always be a works in progress, but it is, again, a defining position for us in the industry.

Slide 24: Asset Quality Driven Portfolio

In diamonds and in PGMs we are industry leaders. We take that leadership role seriously in terms of the way we talk to our industry, the way we talk to our products, the way we interface with both customers and consumers, and we understand the difference between the two, and how we're developing our business for the longer term. Bruce and his team are doing a lot of work in reimagining the way diamonds should be taken forward, and we're looking at every part of the value chain in terms of how it can make a more significant contribution in driving long-term value. Chris has done the same in the PGM industry.

Our high-quality Bulks are unique in terms of quality. We've taken Kumba's product from about 62-63% to 64.5% on the basis that we believe the market will reward quality, consistency and the relationship that we create in our markets. And with copper, nickel and other products we produce, very much a future-facing portfolio which we think is very much a differentiating factor in terms of the future and, ultimately, future returns.

Slide 25: Investment Proposition

Our investment proposition is based on competitive assets, and you've seen our improvement in competitive position. We have built a differentiated set of capabilities. We've been thinking strategically from day one in terms of our transformation; how do we create a company that leads the industry in the way it thinks about how it services society and delivers the products the right way. A lot of people now are talking about focusing on technical and operating capacities; we've been there for six years. Returns - are about discipline in capital allocation and investing in the right things to deliver sustainable returns and improving returns to our shareholders.

Q&A

Ian Rossouw (Barclays): Could you give us an idea of the buyback split between South Africa and Rest of World? With capex rising but strong cash flows, is there room for more buybacks down the line? Secondly on diamonds, you've kept your 2020 guidance at 32- 34, so roughly, two to three million carats additional supply this year versus last year and you have $400-500 million of inventory that you're looking to sell down this year. Do you think, given the environment, with the coronavirus and Alrosa also looking to destock by four/five million carats, it's appropriate to still maintain that or is it more you'll see how things go and adjust when appropriate?

Stephen Pearce: We pay 100% of the Group dividend from South African cash and we got permission to pay the full buyback from South African cash. The way we implemented that buyback was consistent with a proportional representation of the register between London and South Africa. We have the majority of those South African dollars held in US dollars in London, and at year end we had very limited local currency in South Africa. So, we're comfortable and, practically, it doesn't have a big impact in terms of how we manage the cash.

Ian Rossouw: So, I guess, even if the net debt outside of South Africa rises, if there's cash building up there's potential for further capital returns?

Stephen Pearce: It just so happens, in the last few months as well, we've had very, very strong PGM prices and, in the first half of the year, very strong iron ore prices.

Mark Cutifani: On diamonds, China's about 15% of global demand. There's no doubt there aren't as many people today walking around jewellery shops in China and certainly Hong Kong virtually none, so it will have an impact, but at the moment we've seen a good US selling season. The sentiment seems to be much better in the first sight, so all of those issues are going in the right direction. But, as this stage, we don't see anything that suggests we should adjust our guidance.

Jason Fairclough (Bank of America Merrill Lynch): So as strong as the performance of Anglo shares have been, you actually materially underperformed the performance of Amplats, and I'm just wondering whether as a management team or, for that matter, whether the Board feels like it should take steps to close up that gap and unlock that value? Secondly, on Quellaveco, you're talking about commissioning in 2022 and the aerial photographs look quite impressive, so I'm just wondering how much you're sandbagging?

Mark Cutifani: Amplats and Kumba have done extremely well and I would argue that you've got the two best investment stories in South Africa by a country mile. I would argue that the Anglo American global story is just as exciting, but we've probably got a much broader pool that we're playing in. And over time we've experienced those things tend to normalise out. Our job is to keep growing the business in terms of margins and cash flow and the way we we're trading maybe at a 40% a year or two ago, we're at about 19% discount. If we keep closing that gap and at some point, people start switching their money. Our appeal to generalists is something that could quite materially change how people look at us.

Quellaveco – the guys are doing a good job but I've been around this industry for 43 years and run major projects - you can lose the gains very quickly.

Liam Fitzpatrick (Deutsche Bank): Firstly, are you looking to accelerate some of the PGMs growth options that you have given the clear price signal that we're seeing? Secondly on thermal coal, it looks like the business is in run-off. Are you still looking at divestments and is that realistic just given the state of the industry?

Mark Cutifani: We remained focus on investing in the right things. Not exactly sure what the final outcome at Mogalakwena will be but from our point of view that's a priority project. It stands on its own two feet either at long-term pricing or current pricing and we'll keep pushing that along pretty aggressively. We're also very keen on the Amandelbult modernisation programme as well and getting the chrome plant at full capacity as well.

Thermal coal - we've shrunk the footprint 60%. We're investing in sustaining capital as you would expect. We are, during the course of this year, working through the pathways we should take in terms of transition. We'll give you a more detailed update in April when we do our sustainability report to the market. I'd be highly surprised to be still in thermal coal within five years. So it'll certainly be shorter than that.

Myles Allsop (UBS): Do you think the PGM basket price is a bubble or a balloon at this point? And could you just give us a little bit more of a sense of the capex around the Mogalakwena expansion?

And then secondly, just thinking more broadly about capex running $4.5-5.5bn for next few years. When thinking beyond that with serious potentially coming into the pipeline – with the Mogalakwena expansion coming into the pipeline, are we likely to stay around that sort of level out to the mid-2020s, if you have your way and these projects move forward?

Mark Cutifani: There is no doubt there's a shortage of palladium and rhodium, with strong demand for both as an automobile CEO won't get fired for spending $50 a car extra on PGMs but they might get fired for not meeting their emission targets. We've also seen increases in consumption per car particularly in China as they have tightened the limits. The question is for us is more around will there be some switching.

In terms of Mogalakwena, a third concentrator would be in the $1-1.5 billion range but we've also then got the technical solutions that give a range of incremental capital options that give you a far better return.

Stephen Pearce: We're still doing the studies in terms of Mogalakwena options and it would really be towards the end of 2021 that we'd be looking to bring that forward. Just because we have a high price today, we want to make the right long-term decisions in how we spend that capital.

On the overall capex question. Obviously as we deliver Quellaveco, Moranbah-Grosvenor, the new ship in Namibia etc, we'll be generating additional cash flows as well as additional cash flows from the underlying business given the improvements that we're focused on. So the business will be in quite a different place in the next couple of years. Could we have a sequence then of other capital projects without pre-empting any decision? Potentially so. But obviously each of those decisions will be made in their own right based on meeting metrics, based on a view of markets not just for now but for the longer term. We'll make the decision about capital when it's the right time to make the decision on capital.

Sylvain Brunet (Exane BNP Paribas): Are you looking at building more of your own power to hedge against the Eskom risk? Now you're doing more Marketing, in Base Metals in particular, would you consider reporting the marketing contribution from the division separately? Lastly, an ESG question on your 22% greenhouse gas reduction target by 2020 - just wondering what was the number in 2019 that you've achieved already?

Mark Cutifani: We've got two ~100 megawatt options we're looking at. One at Mogalakwena using excess solar capacity to generate hydrogen. We'll be installing a hybrid hydrogen battery truck by the end of the year. That would be a precursor to a broader commitment on hydrogen off-highway truck fleet. We've had discussions with the various ministers in South Africa, very supportive of those types of options. Their main point is that they are not keen to see people selling back into the grid. So you do a self-contained system which works perfectly for what we want to do because we would use excess capacity to generate hydrogen so that we continue to decarbonise in a much broader footprint. So that's absolutely critical. And that logic holds for any jurisdiction we're in. So I think that's part of this pathway II in terms of improvement.

Stephen Pearce: The 2019 target information will go out in the annual report in early March.

Stephen Pearce: Marketing - it's complex is the simple answer. It's something that is under consideration and we'll work through the detail over time.

Dan Major (UBS): Firstly on diamonds, if you look at your sales and pricing strategy relative to Alrosa, you maintained sales and took a bigger hit on pricing, can you give us any indication of the value or the quality per carat of inventory that you hold now and how that's changed?

Mark Cutifani: That's not correct. We pulled back volumes about 15% based on what we could actually deliver. The sales that we delivered through a good part of last year actually brought us back into balance in terms of the quality of the mix.

Stephen Pearce: We are broadly balanced across our inventory holding across the diamond quality spectrum.

Bruce Cleaver: We've sold more low value goods in '19 because it was in demand and got our stock more in balance as a result so value in inventory probably has slightly increased.

Dan Major: You've got a little stamp on the Collahuasi expansion in 2021 but not one against Mogalakwena. Does that imply that you intend to proceed with that project ahead of Mogalakwena?

Mark Cutifani: No. I wouldn't read that into it.

Dan Major: In conjunction with your JV partners, what is the dialogue with the Chilean government around potential taxation changes? How concerned are you about the referendum on the constitution and how that impacts your capital allocation towards Chile relative to other areas?

Mark Cutifani: The constitutional conversation is something we're watching. We've improved our relationship with Codelco significantly with the deal done on the Andina pillar and it also reflects a much better relationship with the government. In terms of the constitution, your guess is probably as good as ours in terms of what will come through. The one thing we do know for sure, they know how important mining is for the country. And I would be extremely surprised if they did anything that impacted foreign direct investment in terms of the industry.

Sergey Donskoy (Société Générale): Do the cost in volume improvement targets reflect your production guidance out to 2022 or do they include some upside? Secondly, Los Bronces what is the outlook for 2020 and what are your plans to mitigate?

Mark Cutifani: So there is lot of work going on now so they have been building their water inventories pretty well. The bottom end of copper guidance is assuming we are constrained by water, and the top end is if we got a great fall of rain and we are able to fully run the units, then we get a significant lift in our copper production.

Stephen Pearce: In terms of cost and volume then, if I understand your question correctly, then yes, we will make sure there's consistency between production guidance, the cost disclosure and forecast for the year.

Andrew Cosgrove (Bloomberg): I was just curious if you could just speak to how coronavirus is impacting or perhaps not impacting? I realise China was only about a third of total sales, but curious about the breakdown by business line. Secondly, on Minas-Rio, I realise the costs are stepping up in 2020 but just curious if there's anything other than the 1-month stoppage driving that, and then longer term, where you see costs settling out?

Mark Cutifani: The key impact in China is probably the iron ore market, less so for us. We have about 25% of our products go to China. We've seen a bit of an adjustment at Kumba; but beyond that, we're not anticipating any major changes. Obviously, I've already talked about diamonds.

Minas-Rio, what we do is we do an annual PIG-run while we're making sure that the pipeline is in good shape. That's normal part of the process and that's already contained within the full year forecast. Fortuitously, that helps us in iron ore, because we'll do that in April.

Brian Morgan (Morgan Stanley): There is a budget speech next week, Wednesday, in South Africa. Are you at all concerned about any particular or potential windfall taxes for mining, as super profits taxes, extra royalties because of the PGM price basket?

Mark Cutifani: One thing that we've seen from South Africa is a pretty responsible approach in terms of taxation and its fiscal regime. I don't think that's going to change much under the Finance Minister. However, one has to be careful not to assume. So we'll wait and see like everyone else; but again, I'd make the point that the Finance Minister and South Africa generally has tended to be fiscally conservative, and certainly we don't expect anything untoward.

Tyler Broda (RBC): Could you just give a little more commentary around some of the deltas on the tech dev you're seeing, perhaps, and then also how that fit versus expectations? Secondly, with the PGM prices, would there be a chance for off-cycle buybacks at all from Anglo American?

Stephen Pearce: Whenever we're making a cash forecast, there will be pluses and minuses across the different commodities at different times. You should expect us to consider the dividend decision at the half year.

Mark Cutifani: On the bulk ore sorting, the range of upgrade that we've seen is up to 20% on grade. And we balance that back making sure that we've got the ore through the mill balanced.

Richard Hatch (Berenberg): You're negotiating with the Botswana government - what do they want? What do you want and what do you expect? And what, economic change could we see to De Beers?

Mark Cutifani: They want a good partner. We want a good partner, so it's a marriage made in heaven. Look, all of these things require us to think laterally and there's give and take in those conversations, and don't forget the mines are getting deeper. And so, the way we think about these things changes, explaining that and making sure those issues are understood takes time. But beyond that, we can't speak, that would be unfair on the Botswanans; it's constructive, but still with a way to go.

Richard Hatch: Just on balance sheet and working capital. I suppose it all depends a bit on De Beers now how the market goes first half. But do you expect any kind of change or can you give some guidance on working capital first half, second half?

Stephen Pearce: Not yet, no because I think I need to see how things play out from a supply/demand point of view. Listen, I wouldn't expect anything particularly untoward this year, I suppose is my general impression. We will always work to refine it. We will always work to get the product out the door and the cash in the door, so nothing from that point of view will change. But outside of that, I'm not anticipating anything particularly on half to half outside of normal natural cycles.

Sandeep Peety (Morgan Stanley): The cash inflow from operating payables has been a release of $0.5bn for both 2018 and 2019. Can you explain what is it driving that and what should we think for the next year? On the inventory build-up, would we expect that to be released in 2020? Finally, if the water situation continues in Los Bronces, and the issues that we have seen is Eskom continues, what is the expected loss for 2020?

Stephen Pearce: We had a little bit of inventory build in De Beers. It will depend on market conditions just as to the time that that may take. Also a bit in PGMs. It's a different mix between the two. In De Beers, it's held at finished goods, ready to go. In platinum, it's held at largely as work in progress. So getting it through the last phases of the processing plant is really important in that part of the business.

On Los Bronces, I'm not sure I can add too much more of the guidance that we've given. We've given our production range: 620 to 670. We're trying to recover as much water as we can to maximise the volume.

Payables will depend a little bit on timing of projects. We also have a prepayment sitting within the PGM business, and that flexes a little bit with price.

Mark Cutifani: Guys, thank you very much for the time.