2020 Interim Results

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Delivering in Volatile Times

Mark Cutifani

Chief Executive, Anglo American Plc

Welcome Address

Introduction

Good morning, everyone, and welcome to Anglo American's first fully virtual results presentation. Hopefully, you're all used to the format by now. We're still developing and making sure we get it right, but the most important thing is that we connected with you, give you a chance to ask questions as well, and from our point of view, make sure that we're accessible to our shareholders. We are open for business.

It's obviously been a very tough six months.Covid-19 is a new term we've all had to learn and adapt to. In our case, it obviously had a material impact on our operations and the business. But - we finished the half strong and taking that improving performance into the second half will be the key to us delivering a much better full year result.

It's also important to acknowledge all of our colleagues in Anglo American, the communities with which we work, in which we operate, and with which we work, and the partnership we've had with so many members in the community and so many stakeholders across the board. Our WeCare programme has become a cornerstone for our response to Covid, in which we focus on making sure that our people are looked after and we're also playing our part in our local communities even more so than we normally do. At the same time, we've been working very hard to make sure that we protect the business, that we maintain business continuity, and we're rebuilding the operations after some pretty significant lockdowns in March and April. In April, after the March lockdowns, we were producing less than 60% of production capacity, and by the end of June, we were at 90%. So the recovery continues and we've still got some hard work to do. The second half may be a little bumpy but certainly a very different place. We've built a set of relationships with communities and governments where they know and understand how we can help keep the economy going and, at the same time, keep people safe. And I think that's the key to the future. We've built that foundation and that trust with our communities and with their governments that they will support us in going forward.

Continued Improvement but more to Do

At first glance, if you look at where we've come from over the last seven years, we've been significantly improving our performance in the business. In safety, about a 70% improvement in terms of our injury frequency rates. But even more important, our fatalities have dropped 93.5%. In the last 12 months, we've lost one colleague. That's one too many, but we're making progress from where we started.

Secondly, in terms of health, we've improved our position 95% in eliminating serious health hazards through the business. And on environment, we've reduced our incidents by 97%. But when you talk about those issues, it's not simply about numbers. We've had some serious

incidents in the first half. We still haven't delivered zero incidents, and that's something that we're focussed on, and will continue to improve.

As you're aware, on the Moranbah longwall face, we had a ground fall. We understand the issue - we've not had the right technical design inputting into changing geotechnical conditions. We've changed the organisation design to make sure that we've got that response. We've also checked across the business in any other areas where we may be deficient in terms of the level of technical input. We've straightened that out. The proof is in the pudding. We ended up getting the wall away about three weeks earlier than our forecast after the fall, and the operation has been going well since. The digitisation work that Tony and the team have been doing with Seamus has helped improve our performance, and we have to keep improving.

In terms of the converter incident in Platinum Group Metals (PGMs), Natasha and the team have already implemented a range of both physical and operating process controls. We'll continue on our pathway to automation, and the high installation of hard controls in those processes where we have elevated risk. The important thing to observe is that our secondary safety controls, that is the flags and making sure people were clear of those areas where there was a heightened risk, ensured that we didn't have any injuries through either of those incidents.

At Grosvenor, there was an ignition of gas on the longwall face. We're still very much in an investigation process. But, most importantly, our five colleagues that were injured are now making a good recovery, some are already home. We're making sure that we're working with the families and helping them on the rehabilitation path. The key point to stress for us as a business, is that we have to continue to improve and get to zero.

On health, our WeCare programme was our central focus in 2020, obviously, with Covid. I will talk to that in a little bit.

And on the environment, we've had one incident - an overflow due to heavy rains in South Africa in a storage pond at the base metals refinery in PGMs. Introducing some additional engineering work to make sure that it doesn’t repeat.

Two important milestones for us in 2020 on the environmental side, was the confirmation that we believe we can get to carbon neutrality by 2040, and that we would have at least eight operations carbon-neutral by 2030. I think the thing that characterises us differently is we are willing and will show you, a pathway to carbon neutrality that's quite unique and different in the industry. And our 2040 date is certainly leading-edge in terms of industry and making sure we get there in good time. That move, obviously, coincides with our announcement of our intention of the potential demerger of thermal coal operations in South Africa in 2-3 years’. Very much a statement about where the portfolio is going over the next few years.

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The numbers show how challenging and volatile times have been, and we didn't help ourselves with those self-inflicted interruptions. But we've still maintained our focus on improving the business and making sure that we're putting our best foot forward wherever we can.

While production was down 11%, driven by 20% loss of our working hours during the course of the first half. Costs - 4% lower has obviously had some help from foreign exchange but again at the operating level, we were still down 3% or 4% against where we were last year on an apples-for-apples basis. Reflects the progress we've made in continuing to improve our productivity. When I adjust for hours worked, our productivities were actually up 7%. So the underlying performance was strong but big impact from lockdowns and the other measures we've had to take as a consequence of Covid.

We've delivered a dividend, consistent with our policy of the 40% pay-out ratio, and that's important. We've maintained faith with our shareholders, as we said we would.

Proactive and Holistic Response to Covid

In terms of defining and describing our response to Covid, we talk about the response in three parts.

Prevention

Firstly, and through our WeCare programme, we focussed on prevention: keeping people safe, and keeping them away from exposure to the virus. This includes our work in the community.

Response

Secondly, in having an exposure, how do we respond; how do we sort the business and make sure we configure the business to continue operations. And then, while we're doing all of that work with the communities and with governments, we've also got one eye trained very firmly on how we recover the business over time. Getting to 90% production by the end of June was very important to us. The most important thing is we've established a relationship with our communities. We've established trust. We've a relationship with government. We're providing advice and support on how they can deal with issues. We've designed new ways of operating social distancing. We have our own app Engage, that helps our employees understand our expectations, and provides a platform to communicate how we can improve things.

Recovery

How we've connected with our communities is not new to us. It's in our DNA. It's consistent with our purpose, which is to reimagine mining to improve people's lives.

Robust Business Responding Flexibly

In 2012 with materially higher commodity prices, our mining margin was 30%. In 2019, and with almost 10% lower prices, we delivered margins of 42%. If I adjust for commodity price mix back to 2012 prices, we would have been at ~47%. The improvements have been significant, and they have been sustained in the business. Our operating costs are 30% lower in nominal terms, and our productivities are double where they were back in 2012.

The first half was also impacted by the delay in sales as not much going on in the diamond sector with jewellery stores being closed, or the luxury goods sector. In PGMs, the converter incident had an impact on what we get out. But we'll see both of those improve in the second half, with the cash flow position to change to the upside as we continue to improve our sales and reduce inventories.

Diamond market structurally attractive

The diamond market has been growing in the last ten years, and 2009 was the last recession, or the last major recession, and we've seen consistent sales growth over that period. It's also important to note that we've seen consistent supply growth through that period. And that's changing across the industry.

We've seen a very tough start to the year, but we've seen continuing efficiency improvements in the business. But with the market where it is, we've pulled back our production more than 20%. We've seen the other major player in the market pull its production back as well. We also expect supply to fall away as smaller operators have found it much more difficult to operate in these times. As well as companies closing up operations through resource depletion, (because we haven't seen a major new discovery in diamonds for the last ten years). So, with supplies falling away somewhere between 15-20% over the next two or three years, we expect a rare product to become much rarer. Structurally, we think diamonds is in a good place.

Our research tells us that the market it strong. When you look at China, which was first impacted by Covid, we saw virtually no sales in the first quarter. Yet, in March and June of this year, we've seen sales exceed last year's May and June figures. The sense we have from interacting with people on the ground is very positive. Now, we certainly don't expect Europe and the US to recover as quickly. For us, a key selling part of the year is on the period from Thanksgiving through Christmas to the the New Year in the US. We would expect to see things pick up materially by then. But again, we're not ones to try and forecast a month.

Our stock position will be such that we can respond quickly to a change in the market. And, certainly, we'd expect to start to see stocks running down in the fourth quarter. But given that we're pulled production back, and we see a continuing depletion in the mid-stream, because there are sales occurring, we think the business will be in a good position by year end. And, certainly, be ready for a much stronger 2021.

Asset Quality Positions Us Well for Recovery

Copper – world-class growth

Our Copper business has done extremely well in the first half. Great performances from Collahuasi. Los Bronces is starting to get some rain. Our costs have dropped from $1.35 to $1.07 per pound. Foreign exchange has played a part, but our operating costs have been improving at the operating level on an apples-for-apples basis. With Quellaveco at a Q1 cost contribution, and other incremental improvements, we expect to grow our business ~50% while reducing our operating cost.

PGMs – leading position

Positioned strongly for the recovery. We've got the second (standby) converter operating. We will have the refurbished converter operating by the end of Q4. And so, again, that will continue the recovery. With Mogalakwena almost at full rate, Amandelbult at about 70%, and Natasha focussing very strongly on the stability and the performance of the processing operations, we're in good shape.

We are still seeing infections around the communities in and around our platinum operations. But with recovery of people that had been infected outnumbering new infections, we're

actually seeing a net positive drift back into the operations of people. We think we're dealing and managing the issues well and we are seeing people return to work.

Bulks – quality niche products

Across Bulks, another solid response. Particularly pleasing was the Minas-Rio ramp up. Through the half, we're about 21% of where we were last year. We actually touched nominal capacity in March, so great performance at Minas-Rio. The nickel operations also in Brazil have done exceptionally well. There was obviously the Grosvenor and Moranbah incidents but the other operations are doing well. Kumba, great recovery after the lockdown in March.

The Marketing team have done a great job in getting our product to market. And, in particular, when we had the issue with the converter, we were able to satisfy all of our customer needs in the PGM space.

For the second half, we believe the operations are heading into more stable and capable territory. The second half should be a much better half for us.

The Numbers

Stephen Pearce

Finance Director, Anglo American Plc

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The business has been robust through a volatile few months. The strength of the balance sheet as we entered the period has served us really well. While I'm on the balance sheet, really pleased to see the lifting of the South African exchange control restrictions that was also announced back in February.

We have managed costs tightly through the period and sustainably. It's helped underpin our earnings. And we have been able to exercise a degree of flexibility in capex to help protect our cash flows where needed. But, importantly, we've done all of this in a really sustainable way, fully funding our stay-in-business capital and not compromising our growth projects.

So, looking at the numbers, it was always going to be a volatile period, but they reflect all of the hard work across the whole Anglo American team. An EBITDA of $3.4 billion, despite the 11% impact on production. And that's benefited from the transformation process that we've been through for the last seven years. It's given us a solid operational base.

EPS at $0.72 a share. And off the back of that, a $0.28 dividend based on our 40% pay-out policy.

Unit cost down 4%, with some help from FX. But remember that is off a lower production volume. So some really good performance at an important time for us. Capex at $1.8 billion.

Solid Margins and Diversification

Diamonds – $2 million, 49% mining EBITDA margin

As you would expect, very limited earnings from diamonds, given the extent of the lockdown, right across the whole diamond value chain. And just to remind you, we did give flexibility to our customers, particularly, through Q2.

Copper – $706 million, 45% mining EBITDA margin

Really good performance from Copper, as Mark touched on, in an environment where we had slightly softer prices, some challenges at Los Bronces with water, but production back on track, and travelling very strongly with C1 cash cost of $1.07 a pound.

PGMs – $610 million, 27% mining EBITDA margin

PGMs heavily affected by the converter plant outage, but strong earnings when you consider it's really closer to one quarter's sales rather than two. Full compliments to the Marketing team, who managed to juggle those production challenges – sourcing material in a tight market and meeting our customers' demand with all of the uncertainty that they were also going through.

Bulks – $2,068 million, 38% mining EBITDA margin

Bulks benefiting from the great performance at Minas-Rio, good recovery at Kumba post the lockdowns, and definitely helped by the stronger iron ore price, partly offset by lower prices of met coal and the operational issues that Mark has spoken to.

Resilient Earnings in Challenging Times

The drivers of EBITDA. Firstly, price. Some ups and downs across Met Coal and Copper, that I've spoken to, but broadly offset by the benefit that we see in the weaker producer currencies. The impact of Covid, ~$1.1 billion, largely from consumer demand affecting diamonds, and the South African lockdowns that we had through that March-April period at Kumba, PGMs, and Thermal Coal. We took a considered and staged approach at each site we felt was appropriate, also considering the community and country aspects, always with health and safety as our number one priority. The outage at ACP PGMs reduced EBITDA by $0.6 billion, together with $0.4 billion in relation to disruptions of Met Coal.

If you put all of those things aside, the rest of the business performed quite well, led by Copper, and Minas-Rio, in particular. Hence the $0.4 billion improvement driven by those two sites.

Robust Balance Sheet

As I said, we entered the start of the period in a very, very strong position – net debt:EBITDA of 0.5 times at the start of the period. And there were two primary factors across the six months that saw net debt increase.

So, firstly, the capital allocation towards growth, $0.4 billion at Quellaveco, and $0.7 billion with the acquisition of a crop nutrients business as we acquired Sirius. Secondly, we had a $1.4 billion build-up of working capital across the half, Diamonds inventory at $0.5 billion, and PGMs inventory also at $0.5 billion. We had some shorter term weather impacts just towards the end of June at Copper and Kumba impacting inventory. So, we do expect working capital should run down through the second half. Diamonds more over a 6-12 month period, depending on markets; PGMs, fairly substantially over the next 6-9 months; and the Copper and Kumba minor builds should clear in Q3.

Helpfully, from a balance sheet perspective, the lifting of South African exchange controls - that's now in the process of being implemented and developed. A really pleasing development. As I've said previously, the currency controls that used to exist, didn't have a major practical impact on us, but we do welcome the simplicity in capital structure and the

move towards a more typical OECD regime. I think it also sends a really strong positive message about the country's desire to promote investment and growth.

So as a result, net debt of $7.6 billion, that's 1.1 times EBITDA, well within our guided range. Now, as we look forward, all subject to the normal caveats, particularly around prices, exchange rates, and any impact from Covid, but we would generally expect that number to trend downwards from here towards year end.

Capex Flexibility While Protecting Asset Integrity

We're staying with our revised 2020 guidance, down by $1 billion to $4-4.5 billion, and that does include $0.3 billion of year-one spend at the Woodsmith project following the Sirius acquisition and $0.3 billion reduction at Quellaveco that Mark will touch on that a little bit later. The decrease in capital driven from a number of factors – weaker local exchange rates, some flexibility in the timing of our critical projects, staying focussed on our stay-in-business capital spend.

Importantly, because of the strength of the balance sheet, we've been able to make every decision for every asset for the right health and safety reason and for the right long-term economic outcome.

At the same time, our brownfield projects, the diamond vessel in Namibia, and Aquila in met coal, remain on track and on budget. And you would have seen our recent announcement of the life extension project at Kumba, at the Kolomela mine.

Balanced Capital Allocation Framework

We remain focussed on our disciplined capital allocation. Over the last six months, we maintained our base dividend – $0.6 billion for the final dividend from 2019 – and we allocated capital to some discretionary option: growth capital in total $0.8 billion for the Sirius acquisition, and $0.6 billion on our wider growth projects. And we also saw the finalisation of the additional shareholder returns, so $0.2 billion on the share buyback.

Balanced and Disciplined Approach

A volatile few months, but we're well placed and it still remains about balance. We reinstated the dividend in 2017 and since then, we've returned $5 billion to shareholders. We remain committed to our balance sheet target with no more than 1.5 times net debt:EBITDA through the cycle. All of that underpins our growth profile – P101, our technology development, and the Marketing focus on margins – and allows us to invest sensibly across the business. And that in turn will drive our growth in production, EBITDA, and cash flow.

Quellaveco project in Peru and our brownfield projects should deliver a 20-25% production growth by 2023 in copper equivalent terms - that's market leading. We believe our long-term EBITDA margin from the mining business can reach that 45% level based on long-term consensus commodity prices.

A commitment to get the balance right in terms of balance sheet, returns to shareholders, relationships with stakeholders, and the discretionary allocation of surplus cash flows.

Positioned for The Future

Mark Cutifani

Chief Executive, Anglo American Plc

Welcome Address

Introduction

The last six months haven't changed our strategic view of things. ESG issues will continue to come to the fore, but we've been there for a long time. The work that we've done is starting to be recognised.

Quellaveco Restart Under Way

Our work on the portfolio starts at Quellaveco in Peru. Prior to the onset of Covid-19 in mid-March, we were tracking somewhere between three and four months ahead. The guys have been doing a fantastic job. When the national quarantine was imposed, the majority of the project's 10,000 strong workforce were demobilised in line with the government's request. Construction work as a consequence was significantly slowed. And whilst we maintain some work on critical items, we were substantially stopped across the board.

With quarantine extended, we then decided to extend the suspension for three months, to give a chance for the country to get on top of Covid and also so that we could minimise our outgoing cash expenditures, with the view that we would then remobilise when we could put in place a workforce and deliver on full productivity. We thought that was the most effective way that we could contribute to the health and safety issues as well as make sure the project, when we hit the button, was able to run as hard as it could.

We are now on a staged restart. We've estimated the cost of demobilisation, remobilisation, and the cost of the structural changes we've made across the organisation, and how we've rescheduled to make sure we reduce the peak of workforce through the process. And in doing that, we've adjusted the financial estimate for the project to between $5.3-5.5 billion.

Now, that leaves us with some contingency on the expectation that it still will be bit of a bumpy ride over the next few months, as we see secondary infections etc. And at the same time, our forecast of delivering in 2022 remains on track, although we've had to give back the big gains on our schedule that we'd made prior to March.

Crop Nutrients – Good Progress at Woodsmith

In terms of Crop Nutrients, in the UK, despite a really tough period in lockdown, we were able to get back to work relatively quickly and implement our social distancing rules. We're on track to deliver the planned works for the year, that is the $0.3 billion. There will be some technical adjustments to the project plan, but they're at the margin - generally the team has got the configuration right. The market and the interest we've had for the product has really been positive - particularly, when you think about the new world in terms of fertiliser and smarter use of fertilizers, we think the products we'll be producing are made to order for that new world.

In terms of the transition from Thermal Coal, I think it's important to remember that as we transition out of Thermal Coal, we're building Crop Nutrients. And the Crop Nutrients business

probably has got double the potential contribution it can make to the business. So, we think that's a pretty good swap.

Responsible Transition Out of SA Thermal Coal

In Thermal Coal, we've already reduced our footprint by 55%. So, we're well on the way. Today, it represents 5% of the EBITDA across the business, and probably reducing over time given the price forecast. We expect to be out of the business within 2-3 years, likely through a demerger. But, at the same time, we've got to acknowledge that they are, and remain, low-cost competitive assets, albeit with a relatively shorter mine life than the balance of our assets across the portfolio.

Hydrogen Drives Long-Term Platinum Demand

In terms of our broader portfolio and its positioning in the future world, we're certainly positioned to contribute to an environment-led new materials demand.

We have seen the early evolution of electric vehicles and some of the challenges of energy storage. Now, we are seeing widespread investment plans in hydrogen, first in China and demand in the automotive sector. We are seeing buses in Britain using hydrogen. And now in Europe, we're seeing a much broader application and pull for hydrogen products.

We've been central to the promotion of hydrogen as the new fuel source. We are a founding member of the Hydrogen Council.

You will be aware that we're looking at introducing a solar array in South Africa to generate or use renewables to generate primary energy. But we'll oversize those units and generate hydrogen, so we can start converting the major truck fleets to hydrogen consumption as well.

And, most importantly, over the same period and with a greater use of renewables, we also improve our cost structures by reducing energy consumption by 30% by 2030, which is also part of – and one of the most important drivers – of our cost reduction strategy as well. So one plus one gets three in terms of what we think hydrogen and other new developments will contribute in terms of our world.

Active Route to a Greener World

We have an active route to a greener world. This fits with our commitment towards the environment and in minimising our direct impact and footprint in terms of the communities around us.

We have committed to making the business carbon-neutral by 2040, earlier than most. And that by 2030, we will have at least eight operations that will be carbon neutral. It will be a combination of solar, wind, and other renewable sources connected to hydrogen and also battery power, so that we create closed-loop systems. And the pathway is very clear. The detailed design is still in the works. But we're also starting to move in the pilots that we're looking at developing to demonstrate those pathways. And the PGMs business will be one of the first places that we develop. And, in fact, we'll have our first off-highway truck on hydrogen during the course of this year.

Our new technology and innovation work is also central to this footprint. Our 30% energy reduction includes implementation of bulk sorting, course particle recovery. Bulk ore sorters we've got in three operations already through Copper, PGMs, and Nickel. We've also got

course particle recovery units being built in the Copper business in Chile as we speak. As we go further down the line, looking at reducing our water consumption by 50%. Really changing the nature of the operations, the footprint of the operations, and we hope creating a model for the industry that will drive us all towards a much greener future and a much more significant contribution to a green future for the planet.

Portfolio Positioned for a Sustainable Future

We are building and evolving a high quality mix of assets that are suited to future demand. And we expect to see improving margins as a consequence of those. So a consumer world, an electrified world, a greener world. And from our point of view, our cleaner, greener world products will make up 65% of our portfolio over the next few years. Even with our contribution in Bulks, we will have high quality, high efficient iron ore and met coal, which will make again another efficiency and cleaner contribution to the making of steel over the longer term.

Committed to Delivery

Like all journeys to a much better place the road is not always as smooth as you'd like. But there is no doubting our continuing commitment to outpace our competitors in growth and continuing business improvement. We continue to measure success and sustainability through three primary lenses.

Effectiveness

Over the long-term, we believe those companies that can generate better than 10% free cash flow return will provide the ability to pay dividends and grow their business. And I'm not talking about the next two or three years. We are talking about the next 10-20 years, that's the business we're building. And as we broaden the contribution across our portfolio, you've got a portfolio set for long-term performance.

Efficiency

Measuring the efficiency in how we generate those cash returns is just as critical for shareholders. Our return on capital employed targets make sure that we keep our eye on capital discipline, and that we don't throw money at simply generating cash and at the same time destroying value.

Sustainability

And being sustainable is absolutely key. We have our seven performance pillars: safety; environment; social performance; talent pool – making sure we've got the right people; production and resource space and the life of assets we have in the portfolio; unit cost position – we continue to improve against our competitors; and ultimately, it's about having a conservative balance sheet that allows us to do the right things and continue to make sensible investments for the long term.

And so with that, as a differentiated company in terms of assets, capabilities, and the ability to deliver long-term returns – that's Anglo American – very happy to take questions.

Q&A

Liam Fitzpatrick (Deutsche Bank): You've cut your 2020 capex guidance by $1 billion, but no change to the 2021 and 2022 guidance. Can you just break out that reduction in terms of translation, project delays, and savings? And then, on the climate target you've now got a very ambitious target, which is well ahead of what your peers are aiming for. Can you just clarify whether that 2040 target will involve a material amount of carbon and life cycle offsets?

Stephen Pearce: Of the $1 billion reduction the two biggest items are ~$0.4 billion of FX impact and ~$0.3 billion of Quellaveco reduction. Quellaveco will shuffle across 2021 and 2022. We haven't updated that guidance yet across 2021 and 2022, but we will do that at our December update call.

Mark Cutifani: On the carbon neutrality approach, a first comment on pathways. You will see in Brazil, we've signed long-term contracts with renewable energy suppliers and we're doing similar work in Chile. Lots of sun in our operating countries so we want to use solar energy as much as we can. The idea is then over-sizing, converting to hydrogen, creating closed-loops with battery technologies as well is pretty well being thought through. We're also looking at dropping our energy consumption through the efficiency work that we're doing. We've got a complete solution pretty well thought though and that's what puts us ahead there.

In terms of the 2040 target, again, we're on a good track to get there. We haven't relied on offsets to get to those numbers because of all of the work we're doing on the front end. We've been putting the right people on the ground working all of these solutions out to come up with the position we've taken. That leaves us with the ability to look at offsets if needed but we really want to drive the business to make a better contribution.

In my view, offsets are sort of cheating a little bit in that you're using someone else's credit to cover your own inability to get to zero. So the focus for Anglo American is to get there under our own steam, if you pardon the pun. But, at the same time, if we need to do a little bit on the offset side, we'll obviously keep that option open. And don't forget with Crop Nutrients the idea of improving agriculture production means the world is going to have to use less land for agriculture to hit its carbon-neutral targets.

Liam Fitzpatrick: Clear on the carbon offset but what we see from some companies is they use life cycle offsets. So given some of your commodities, PGMs, for example are used in emission abatement are you going to use those sort of offsets in terms of your target or is 2040 that zero emissions at the operations?

Mark Cutifani: The target for the business is to not use those life cycle offsets because we think there will still be a fair bit of debate on whether that's a legitimate way of balancing out carbon neutrality. At the end of the day if we need offsets, we will consider them, but it's not our focus. It's around improving energy efficiency which improves our cost structures. It's about looking at developing closed-loop systems that allows us to operate in a clean way. The offsets is a third option but it hasn't played a major role in how we see ourselves getting to the end result.

Jason Fairclough (Bank of America): Do there was a bit of view coming from investors that Anglo was getting quite confident operationally, and I think some people even use the

word "swagger". And more recently, unfortunately, you've had some fairly serious operational incidents at both PGMs and Met Coal. And today, I have the same investors asking me has something gone wrong at Anglo? Can you give us some colour on the operational shortcomings that contributed to these incidents? I'm interested specifically to know how you might be adjusting your Operating Model or its implementation to address these incidents.

Mark Cutifani: We don't certainly believe we've got a swagger. In our view, we're about 50% of the through the implementation of the Operating Model. Where we start is what we call work management, which is about how we get work done, how we plan work, and making sure we're delivering as per plan. And that's been the driver between safety improvement, the ~>90%, the environment improvement, the 90%, the health improvement's 90%.

In terms of operating strategy and the detailed technical design work, there's been a lot of good work there but we're probably still only 50% of the way up to where we want to be. And that includes the change in the control systems we've got, for example, in PGMs. We've still got a lot of stuff that's done manually, so there's a lot more automation required. And, for example, Natasha has introduced eight new, physical and procedural controls in the converter to make sure we don't have the same incident. So, we're still working through. We're still learning. We're still a work in progress in many ways.

To be specific, at Moranbah on the longwall, the area that we started the wall had a little bit different geology but we applied a standard design. What we've done now is to say look, any of those designs, and this goes right across the board, any of the major cutback designs have to be signed off one level above. Because where you've got a change in circumstance you need to make sure you've got all the issues covered. That's an important change. And the new design configuration worked extremely well, we got away three weeks early, and the operation's been going well.

Now, we've been implementing digitalisation technologies in the management of the longwall and that's improved our productivity, and more than doubled. But there's still more work to be done.

The Grosvenor issue is a bit of a different issue. We don't think it was an operating issue in terms of the way we would handle things on a day-to-day basis. What appears as though we've had a mayor fall in a waste area, which all operations have, where you do have some accumulation of gas and it's flushed that gas under the longwall face. The question is what may have ignited the gas? And that's where the investigation work now is going on, and we'll find that solution. And I think, ultimately, that will require changes across the industry in the way some of these technologies work. But again, I'm going to let the investigation finish its work.

But we've still got a way to go. We're still not as good as we would like to be. And we're still not at zero incidents. So, we'll learn. We'll apply the lessons. And we'll keep getting better, as we should.

Alain Gabriel (Morgan Stanley): If we were to roll forward the working capital slide into the second half of 2020, how would you expect the working capital bucket to change across the three different groups of PGMs, Diamonds and the other items? Is it conceivable for Diamonds to repeat the working capital build that we have seen in H1, during the second half? Your unit cost guidance is significantly improved versus what you had previously said -

what portion of that is FX, and what portion is retainable or sustainable cost savings that we should expect to roll forward into next year?

Stephen Pearce: Diamonds, as Mark said, will clearly be market-dependent. And it's hard to pick a month, but we're confident the market will come back and demand will flow through quite strongly when it does come back. So, whether it happens in November-December or January-February, I'm not too bothered by. It's really about the market coming back. And I know the team are looking at how they can sell diamonds in a different way given the circumstances.

On PGMs, given that we're now back up and running at the ACP and the material is flowing out, I would expect that to come back quite strongly over the next 6-9 months. You should see a substantial portion of that $0.5 billion reverse between now and probably the end of Q1 in 2021. Copper and Kumba really was just about swells or capacity at the port, in Kumba's case, so that should close itself out back through Q3.

So all things being equal, I'd love to think potentially you're at least $0.5 billion, maybe a bit extra, flushing out of that through the second half. But it is with all the qualifications that you would expect into the prices, markets, and further interruptions by Covid. That's probably about the best guidance I can give you. It's more around timing than absolute amounts.

Cost guidance - clearly, some of the businesses are being impacted by the disruptions. And some of that's flown through into cost structure. And Met Coal is probably where that's flown through quite directly into unit costs, and probably the currency hasn't helped in that case, as the Aussie dollar strengthened against the US In the other markets, Copper is probably the standout. Yes, we are seeing a strong movement in currency is through copper producing regions - that's clearly helped. Brazil, yes again, we've had some currency movement - that's probably more in the 10-15% range. So where we've produced well, you've seen sustainable cost out. And yes, that's been helped by foreign currency, there's no denying that but you’ve also seen price movements and those things have largely offset one another.

Myles Allsop (UBS): Why is it taking 2-3 years to exit thermal coal? Are you including Cerrejón as well in terms of assets you want to exit, and how do you think you can exit that? Are your views changing around Met Coal given the moves to decarbonise steel in Europe? Is the future looking grim for Met Coal? De Beers - what sort of cost savings do you expect from this business transformation and where do you think prices will rebase once the market comes back?

Mark Cutifani: Certainly, from South Africa the response from the government has been very positive and constructive. So if we ultimately go down the demerger proposal, and that's the most likely route, we could do that in better than two years.

Cerrejón - we will exit at some point. But we are also being very respectful of our two partners in terms of our processes. We maintain a dialogue. And at some point in the next 2-3 years, I think we will be gone from there as well. Again, I don't want to be or can't be too hard on the timing of that, because again, we've got two other partners in that asset and we're making sure that we deal with that the right way. But again, we should be out of both in time frame. Certainly, the South African change will be much quicker.

In terms of Met Coal, the carbon issue is obviously a question but I think most investors are a little more sophisticated than people give them credit for. They understand that steel is absolutely critical and that you need met coal in the mix, and it will take time to make the changes. But there's no doubt that in terms of capital allocation, we keep an eye on when those changes and how those trends will change. We do for iron ore as well. Because we will see more recycling by 2035. We think steel recycling will make up 50% of the mix. We think iron ore starts to change shape by 2025. So with both iron ore and met coal, we will keep an eye on capital allocation. We will tend to operate to pull a bit more cash. And our new investments will go into those commodities or products that we think longer term are the big game-changers. And that's why we're very different to our competitors. We've got a much longer view. We've got a portfolio that's set up for the future. And, certainly, we're making sure people are very clear that we're building this business for long-term performance.

In terms of De Beers being consistent on the different products side, in the last ten years, De Beers has delivered around 10% sustainable free cash flow, before its growth capex. We're currently operating at ~26 million carats. We can actually take that up to about 37-38 million carats if the market is strong. We expect supply to drop away 15-20% over the next 2-3 years e.g Argyle. Structurally, we think the business is in good shape. We are running the best diamond business in the world, and it has been for 90 years. There's no reason for us to think differently about that. Prices will likely be stronger on the basis of supply falling away. There hasn't been a major discovery for ten years.

The rest of the business has made significant improvement in our cost structures, De Beers has made improvements, but it hasn't come as far down that cost curve. Also, it has to think about the midstream, downstream, and its marketing investments i.e. across the value chain, improving its cost, and looking at how we continue to evolve the business for the long term. It's about making sure that we're the key supplier getting the right price for a rare product that's becoming rarer.

Myles Allsop: Is there a cost target then?

Mark Cutifani: We're not talking about the costs until we finish our processes. But again, we wouldn't be doing it if it wasn't worthwhile.

Ian Rossouw (Barclays): I wanted to get a bit more insight into what do you think capex costs will be to achieve your ESG reduction targets – energy, efficiency, etcetera – by 2030 initially, and then, ultimately, carbon-neutral by 2040? Have you done much work on the margin abatement curve and what implied carbon price you need to achieve that in terms of cost parity?

About your views on met coal and iron ore changing market dynamics, does that impact your views then on growth and Moranbah-Grosvenor debottlenecking. Curious to get your thoughts on the Kapstevel project approval given that view on capital allocation.

Mark Cutifani: Carbon cost - what you will find in the Kapstevel approval, we've costed that in the proposal against the South African carbon costs. I've seen carbon cost estimates ranging from $20 a tonne to $100 per tonne. I still think that's a moving thing, we look at all the scenarios and try and work out what we think it's worth.

In looking at the over-sized solar array that we are looking at for Mogalakwena to provide our primary power source to the plant and then using excess capacity to generate hydrogen in a closed-loop system and then running our trucks, and the truck that we're looking at is a fuel cell battery hybrid. It will be the first off-highway truck in the world designed by the Anglo American people - we've had some people supporting us, but our team has actually designed it. We believe the fuel cost on a total cost basis will be actually lower than what it costs us to run that system with energy off the SA grid and diesel fuel imported at global prices.

We are not going to talk capital numbers yet. We will start explaining those numbers when we start presenting our sustainability strategies and when we talk to the detail on Mogalakwena.

Stephen Pearce: Some of the renewable power and energy contracts we got in Brazil and Chile are, in fact, substantially cheaper than what we had in place previously. You will see more and more of that coming through.

A lot of the things that will help us to our ESG targets are really good for our business, anyway e.g. the technology improvements, the course particle flotation, etc. So they are really integrated spend that help drive you down that course.

Met Coal - capital allocation, we often do think 5, 7, 10 years as we allocate capital. I think will still be a major part, and particularly high-grade met coal, a major part of the steel production for 15-plus years. We're still well inside that in terms of capital allocation.

On growth and the Moranbah-Grosvenor debottlenecking, that won't be impacted by that. You know the rapid payback and returns on that, it's really expansion and efficiencies through the wash plant that will give us the additional volume and returns. And Kapstevel South, took full account of the carbon pricing, community expectations, water, all of those sorts of things, and also has a fairly rapid payback through a 5-7 year period. And again a high-grade product with what we currently produce from Kumba.

Tyler Broda (RBC): You've got far more growth under way than peers and also a really strong outlook for the PGM market, especially with the burgeoning hydrogen economy –it's really picking up steam there. I guess, presumably, any Mogalakwena expansion would be very high IRR? But how are you looking at that within the context of your already robust growth profile? How do you look at incremental growth spending from here?

Mark Cutifani: It's pretty stiff competition for capital across the Group. We make judgements about what we think the markets will look like. Nothing less than you would expect.

In terms of the PGMs business, Mogalakwena has a few different types of options. We've got the ability to expand the open cut. And with the new exploration work, we've also got the ability to tee-off with shallow declines into high-grade underground ore bodies that give us the ability to utilise our processing infrastructure more effectively. And those costs from those operations are very competitive and, in some cases, lower than the open cut operating cost.

So as we have done our exploration, we've developed a whole new range of possibilities and options. So where we should spend in the mine versus on the processing side is we're where we’re trying to get that balance right. We are also creating a lot of low-grade material out of Mogalakwena as well, which is very low-cost material when you put it through the processor.

So, we're getting those balances right to get the capital allocation right. So at the end of the year, we will be talking about the preferred option for Mogalakwena and it will likely be a bit more from the open cut, future developments in underground, and there will be some processing configuration changes. We will try and utilise our facilities with more of our own feed because that will drive us further down the cost curve.

That's one example, I could go through more, but I think you get the flavour of where we're going.

Dominic O'Kane (JP Morgan): Can you dig into the changes in De Beers a bit more. Where can we expect to see the most significant changes – in the upstream, the midstream? And within that, given the experience of the Sightholder system during the global lockdown, should we expect any changes to that Sightholder system over time?

Mark Cutifani: Firstly, from an operating perspective, and I use Jwaneng as an example, our shovel productivities have improved 40-50%, and the team is chasing some of our best performing operations - so they will continue to improve productivities across all parts of the operation, and looking at continuing to reduce our cost on those parts of the business. That's one.

Overheads - we are always going to look at tightening up and trimming those costs. We also want to invest more in Diamonds and in our brands. Our brand Forevermark have been growing much quicker than the rest of the industry. And it's very clear that you can get, fair value for products if you've got the right brand, and people understand what you're trying to do with the product. So our investment strategy around marketing is very important given the last two or three years and the positive growth we've seen in Forevermark.

Sightholders are our direct customers. They are part of the change. We are consulting them in the process. So they will be part of the restructuring. I'm not going to pre-empt what those conversations will look like. But again, the whole value chain has to keep evolving for the world that we have and how we're competing with other discretionary spend products.

Sivan Brunei (Exane): On Met Coal, you changed the volume guidance for next year, is this a way to de-risk Grosvenor until you get more visibility, or if there is any precise reason behind it?

Mark Cutifani: We don't expect production from Grosvenor this year. And we're not anticipating production in the first half next year either. We'll commence again in the second half of next year. We haven't gone beyond that.

Oliver Grewcock (Berenberg): You had record throughput at Collahuasi. Is this sustainable and what's medium-term production and growth profile like there?

Mark Cutifani: We've certainly seen good throughputs. Grades are a little bit high, but we had forecast the grades to be higher. In terms of the forecast, we are chasing a 10% improvement in production. We're edging towards that over the next year. And then around 20% which is the longer dated investment. Grades will come off a little bit back to the longer term average. The immediate term is very, very strong. And we expect to see continuing volumes through the plant.

Sergey Donskoy (Société Générale): How dire is currently the situation with water as Los Bronces and when do you think you will be in a position to come up with a complete solution to this issue?

Mark Cutifani: The guys have been doing very well. They have been able to trade water and find new sources of water. The forecast that we put on a full-year basis was on the fact that we thought we'd have a pretty dramatic drought and that we would only include those sources that we believe we could get to. The good news is, we've had lots of snow and rainfall, even to the extent that we're not able to mine on a few days because there's so much snow. So, we're certainly in a good place. I think as we go into 2021, we're going to be in pretty good shape. We won't say anything more than that until we get to the end of the year, because we hope the rainfall season is not finished – but, I'd have to say today, I'm a lot happier than I was at the end of year results. And so, we expect Los Bronces to make a strong contribution for the balance of the year.