

# **2018 Full Year Results**

Thursday, 21<sup>st</sup> February 2019

## **Welcome and introduction**

Stuart Chambers

*Chairman, Anglo American*

Good morning ladies and gentlemen and a very warm welcome to Anglo American's 2018 results. I'm Stuart Chambers, the Chairman.

I want to talk about two things before I hand over to Mark: firstly, board changes. Sir Philip Hampton retired in December of last year, he stepped down after nine years of fantastic service. He was our senior independent director and that role has been passed on to Byron Grote. And secondly, Jack Thompson; he attended his last board earlier this week and will be stepping down before the AGM and therefore won't be seeking re-election, also after nine years of fantastic service. Jack is one of our two non-exec directors with extensive mining experience, operationally and on the technical side; that's something we're very keen to replace, we're towards the end of our process to do so and we are expecting to announce something before the AGM in terms of a replacement.

Those are the board changes. The other subject I wanted to touch on is safety. You'll hear from Mark how we've improved our safety performance again last year to a new record level: 16% better on recordables than the year before, which was itself a record. However, five people lost their lives in our operations last year. And it has to stop. We launched our Elimination of Fatalities Taskforce last year to penetrate the whole of the organisation and discover what underpins these fatal incidents - the fundamental, underlying issues. We've done that, we've got the programme, the programme is underway and we're in the middle of executing. If you add to that the tragedy last month where one of the industry's tailings dams failed that just serves to underpin yet again for all of us safety has to be our number one priority and the only goal that makes any sense is zero harm.

With that, let me hand over to Mark to kick off our presentation.

## **Unlocking our Full Potential**

Mark Cutifani

*Chief Executive, Anglo American*

Thanks very much, Stuart. Ladies and gentlemen, we're pleased to be here today and thank you for joining us. Like Stuart, I think it's important to acknowledge the recent Brazilian tragedy. All of us in the industry are connecting and talking about how we can all play a part in finding solutions for the industry. I'll talk about that a little bit further but again I thought it was appropriate just to acknowledge our colleagues and their losses and on a broader basis, the need to continue to take steps to ensure that we create a zero-harm workplace to both employees and local communities. That's our most pressing and important priority, as an industry.

**Slide 4 – Unlocking our full potential**

In terms of our results for the year, the key theme that we'll be talking to is unlocking our full potential. Consistent with our theme, we have a photo of El Soldado which will be the first site where we're commissioning our new bulk ore-sorters and by the end of the year we will be commissioning our coarse particle floatation units as well.

**Slide 5 – 2018 – Continued delivery**

We're continuing to deliver on what we said we'd do. While 2018 wasn't without its challenges, the Minas-Rio pipeline being a key issue, we've seen step-ups from a number of key areas of the business to try and cover that event across the business and the numbers are respectable.

Volumes were up, most notably from Copper. Duncan and the team really did a great job and the feedback that we had from the analyst visit in the last quarter of the year reflected the progress from both the Copper team and the broader organisation.

EBITDA margins continued to improve to 42%, up from 40% last year. That reflects both ongoing focus on productivity improvements – I'll talk to that a little bit later – and cost controls across the business and the marketing contribution. Peter and the guys have done a good job in continuing to improve our realised prices against the value-in-use metric that we use.

Free cash flow was strong. Return on capital employed was a healthy 19% and so we're continuing to build a solid foundation for future performance.

**Slide 6 – Safety, health & environment*****Safety***

As Stuart reflected, in terms of safety, five fatal incidents. For us it doesn't matter how good the results are, no year is a good year if you have a fatal incident or if you've lost a colleague. The Elimination of Fatalities Taskforce and our tailings work are the two most important projects for us to continue to work on and we're committed to delivering a zero-harm workplace. Again, best performance in 100 years: 16% lower injury frequency rate but nothing to celebrate when you lose a colleague.

***Health***

In terms of the health front, it's again an important issue for our industry: making sure that we are creating workplaces that do no harm. We've got some work to do on musculoskeletal injuries, so we've got to do some redesign in those workplaces and that's an important project for us.

***Environment***

And then finally, on the environmental side, again the Brazilian incident cast a shadow over the industry. In our case, we had two pipeline leaks at Minas-Rio that we reported in the first quarter and I've already talked about those at the half-year. The positive side is that we re-commissioned Minas-Rio in December, as we forecast. In the first two months the operation has gone very well, we're up to capacity and so the forecasts that we talked about for the full-year production appear to be on track.

**Slide 7 - Our tailings dam safety management**

I'll talk a little bit more about the Minas-Rio tailings dam because we've had a few inbound questions. But if I could make a simple observation, in engineering terms there is an upstream lift, where the dam walls are built tailings on tailings. You then have a downstream lift, where you've got a more purpose-built containment structure. Then you've got a water-containing facility, which is another level of engineering above downstream construction. Minas-Rio is a water-containing engineered facility. So, whilst there will be debates about tailings dams in Brazil, the Minas-Rio construction is two levels above in terms of its engineering approach.

There's been a lot of discussion around what will we do and how will we engage in the conversations around tailings dams for the industry. We will participate and collaborate with all of our colleagues because this is an industry issue. To be more specific about our current processes, we have our staff on site that monitor and are responsible for the placement of tailings and the management of water on a daily basis. We have, at each site, a Competent Person that has a background in either geomechanics, geo-soil mechanics or geotechnical background that is responsible for the engineering of and the correct management of the tailings facility on a daily, weekly, monthly basis. We have an Engineer of Record that was with us at the start, that helped design the facility, design the process to manage the facility and they are involved in monitoring our practices and processes during the course of deposition and, at least on a quarterly basis, giving us feedback in terms of what they're seeing, what we're doing and how we're operating. Now, because they're part and parcel of the design and the process, we don't count them as independent. So, we have a central role reporting to Tony O'Neill that does regular checks on all of our facilities and with his team, makes sure that everything we should be doing is in place. And then, on top of that, we have, in each business unit, a tailings risk committee that looks at all the tailings facilities and ensures that the correct processes are being applied. And then, on top of that, we have an independent review that's done on an annual basis by another consultant outside the group.

Our standards were developed in 2014. The development of the ICMM standards came in 2016 and they drew from our standards as part of their design. What we're trying to work out now is how we can work with the industry on a collaborative basis. For example, where there may be an organisation that may not be able to have our level of internal discipline and process, how do we as an industry create a process or resource that can help us make sure that all tailings in the industry are safe? It's not simply a single-company issue. It's an industry problem and from our point of view, how do we play our part in finding an industry solution? I think that's very important and that's the important message that we want to deliver today.

**Slide 8 – A fundamentally different business**

In terms of the operations, we continued to make progress in terms of performance. Over the course of the last 12 months, our productivity has continued to improve. So, going back to our 2012 benchmark, we've almost doubled productivity across the group, as you can see with the 98% number. Overall production is 10% above where we were in 2012, with around 50% less assets. Each asset that we retained and we've been working with is now, on average, is delivering 30% more production than it was five years ago and that's been achieved through operating improvements, process improvements, incremental

debottlenecking and generally running the asset better than we were five years ago. As a consequence, our real costs are down 43%, or 26% in nominal terms, and that's been a key driver in terms of our business improvement and margin growth over the last five years, where we've gone from around a 30% EBITDA margin to 42% and that's despite a 10% drop in our basket price received. We believe the progress has been solid but there's still a lot more we can achieve because we are not universally best-in-class and so there's a lot more opportunity.

### **Slide 9 – Leading margin curve improvement**

We've used an independent report at the half-year and we've tried to look through public numbers to see where we rate against our competitors.

I'll explain this chart again because I got a few questions where I'm not sure everybody understands where we come from on these numbers. It's actually a break-even cost curve, so we're taking the quality of our product into account in coming back with the break-even price and we do that for our competitors' products as well. It's mainly in met coal and iron ore that you make that adjustment. The other numbers are pretty easy to take into the charts. We were about the mid-point of the cost curve, the 49<sup>th</sup> percentile in 2013.

In the last five years, we've improved our relative position across all of our commodities and it's actually a revenue-weighted position. We are at the 37<sup>th</sup> percentile, so we are mid-Q2 on average. That suggests that we've improved our costs quicker than many of our competitors and that's an important point. Everybody's getting better. What we've got to do is get better quicker and, yes, we probably had, in some cases, a lower base to work from. We're doing that across the board and doing it at a consistent way, which is a big challenge, and so far, we've made good progress.

Now, against our peers, 27 to 38%, 36% to 45%, peer three doing better, and peer four some new assets making a real difference - so we've been competitive against our major diversified competitors. From our perspective, we believe we can continue to improve our position and that's going to be an important part of the focus in terms of our presentation today.

### **Slide 10 – Leading competitive position**

So, in stepping back and looking at the journey we've been over the last three years, we have three key points we wanted to make. Firstly, in terms of operating leverage, that is how good are you on the cost curve, we've moved to the bottom of the range so, from a competitive position we think we're well placed. Doesn't mean stop. There's a lot more work to be done.

In terms of financial leverage and Stephen will unpack the numbers, we've still got a little more work to do to make sure we've got our balance sheet where we want it. We're certainly in the right area and looking very strong in terms of our balance sheet and what we can do from here in terms of driving the business and doing the things that we need to do to make sure we're delivering value to shareholders.

Third, is inside the portfolio – and we talk about Quellaveco being a key driver of profitable growth in the business in the next five years, it represents about 50% of that incremental growth. Stephen will use the word "balance" in his conversation and more than simply about the balance sheet, he'll use the word "balance" in that we've got Quellaveco as a large-scale

project that we're executing on and we've also got a number of small-scale quick return projects: Moranbah-Grosvenor de-bottlenecking; a new ship in Namibia; Chris has got a range of opportunities he can see particularly around Mogalakwena and he's doing that work now; and Bruce is working on things inside his business as he does the transition through Venetia. We've got a number of small-scale rapid pay back projects, which gives us a nice portfolio with business improvement opportunities. And, again, Stephen will unpack that but for us, it's starting to give us a real balance in the portfolio in terms of what we're doing today, what we can improve and where we can continue to enhance the portfolio.

### **Slide 11 – Step-change in performance and sustainability**

Just so to put a bit more shape behind that, if I talk to what we've been doing in the last five years, we talk about the Operating Model. In some ways, it ends up being a grab bag of a whole range of conversations but it is about doing things differently and making sure that the conversation I'm having here is no different to the conversation that front-line supervisors are having with the people that really do deliver the results but it has to be in the context that's meaningful to them.

So, how do we translate that through the organisation and make sure that planned work, the objectives we set get delivered? That's really the guts of what we're doing and how we're improving the business.

We're also now starting to transition into a different type of improvement over the next five years that we think doesn't deliver a lower result, it delivers continuing improvement but in a different shape and then starts to focus on P101. I'll give you an example. A 4100 shovel the best-in-class with 45 million tonnes a year, the Anglo American average from its fleet of 4100 shovels was around 22-23 million tonnes a year and our best was around 30. Twelve months ago, we set the challenge P101, how do we have each part or each major piece of mining equipment or processing plant delivering top quartile performance? The benchmark for the shovel: 45 million tonnes a year. Everyone of our operators who is running a 4100-shovel said we will achieve that number within three years. In 12 months Dawson was hitting 50 million tonnes a year rate of around a 28 million tonne of starting position.

So I'm looking at how we set the places up, how we run those assets and that type of improvement is being replicated across the portfolio. It looks different in different places, different baseline, different skill sets but that's the approach and we're doing that with all of our critical plant and equipment.

P101 100 being best-in-class, the objective is – how do we go beyond best in class? So, that's where the P101 came from.

And on FutureSmart Mining™, it's around new innovation. How, do we reconfigure traditional processes to drive step changes in our performance? And when I talk sustainability, I'll show you what we think that transformation of our process looks like in the longer term.

### **Slide 12 – Step-change beyond Operating Model**

So P101 in the business, we think copper processing, the Venetia acceleration, PGM shovels and productivity, longwall performance are all areas of the business where we see potential for significant change. And, Moranbah is a good example where we've doubled productivity over the last three years and the question is how do you go another 30% over the next three

years. And then in terms of the FutureSmart Mining™ - bulk sorting, as I said El Soldado's the first unit and we've got a unit going into Barro Alto and into Mogalakwena. Coarse particle flotation will have its first unit installed this year. Data and analytics underlying the way we think about the business and the way we pull apart the data and think how can improve the business.

### **Slide 13 – Inherent growth and higher margins**

So, for us, the journey from 30% to 42% margin was all about fundamental business improvement. The things we could see on the ground that we could get at, things that we could change - reconfiguring the pit, turning Sishen around 90 degrees, all of those types of changes have helped us get to 42% including the Marketing work and the change in the Marketing Model.

To get from 42% to 45% to 50% - P101, the innovation work and the projects that we're developing across the business, both Quellaveco and the incremental improvements, are all designed to put us in this sort of territory. So, from where we are today, the 20-25% growth in the operations and at the same time, improving the quality of the business, expressed through our EBITDA margin, is where we're taking the business and that's on an apples for apples basis.

So, that's what we are all about, that's what we are trying to achieve and with that, I'll pass across to Stephen.

## **Financials**

Stephen Pearce

*Finance Director, Anglo American*

### **Slide 14 - Financials**

#### **Slide 15 – 2018 – Continued delivery**

Let's turn to the numbers. As Mark said, a really strong set of results and very consistent with what we've presented period-on-period and that's something that we really are striving to achieve with the business. It's that run rate, the rhythm, building on strong fundamentals and whether that's the Operating Model or a strong balance sheet, it's that consistent base that gives us that ability to grow and continue the journey in the business.

EBITDA increased year-on-year, despite the suspension at Minas-Rio that flowed into EPS of \$2.55 per share and, obviously, the 40% pay-out ratio into the dividend and return to shareholders. \$3.2 billion of free cash flow and capex at \$2.8 billion was in line with our guidance.

#### **Slide 16 – Continued delivery of improvements**

Turning to EBITDA and the drivers of that - a 4% increase from \$8.8 to \$9.2 billion across the year, again, despite how the headwind in Minas-Rio. You can see there the benefit of prices, our currency offset by inflation and Minas-Rio almost offset one another.

Turning to the cost and volume. We'd set ourselves a target of \$800 million for the year and we achieved \$400 million of that. So, a little bit disappointed with our progress there. We

did, in fact, achieve improvements of \$800 million but they were offset by headwinds. In particular, we had above CPI increasing oil price through that March to September timeframe. A few other little costs, particularly in South Africa, slightly above CPI and we had a little bit of inventory build which should release itself through the first half of 2019. So, not making any excuses. It is our job to deliver that target and we intend to do so.

### **Slide 17 – A resilient balance sheet**

Turning to the balance sheet, again, the same sort of, messages that we've delivered over the last couple of years. We have spoken about this window that we have, this opportunity to fundamentally reset the balance sheet up until the middle of 2019 and that's the point when we start contributing our cash flow to the Quellaveco capex, in particular.

So, you know, very pleased with our journey and to date, net debt down to \$2.8 billion and as we have said, we are pleased with the transformation of the balance sheet. That's \$10 billion that we've reduced net debt by over the last four years.

Just a couple of small little footnotes. So, obviously, at end of December, we're still sitting on about \$500 million of the cash we received from Mitsubishi so pro forma net debt, you could say is closer to \$3.4 billion. And during 2019 with the change in accounting standard, you will see some of the operating leases come onto the balance sheet and that's also about \$400-500 million.

### **Slide 18 – Delivering returns to shareholders**

In terms of returns to shareholders, the 40% pay-out ratio, again, we've done exactly what we said we would do. 40% pay-out on underlying earnings resulted in a 0.51 dividend for the second half and that takes dividends for the full year to a dollar per share. Again, that's just over \$2.6 billion that will take us to in terms of returns to shareholders since we've reinstated the dividend about 18 months ago.

Obviously, as well as the debt reduction of in excess of \$10 billion over the years, we have invested back in the business in addition to the returns to shareholders. And over that same timeframe since 2015, we have invested some \$10 billion plus back into the business and that's important in terms of building and sustaining the future as we go forward.

### **Slide 19 – Balanced capital allocation**

So how have we done? This is the slide I like because, you know, we all talk a good game in terms of capital allocation but how are we going in terms of the scorecard? Attributable free cash flow prior to discretionary capital of \$3.8 billion. So, again, quite pleased with that outcome.

How did we use that? We reduced debt by \$1.7 billion, paid cash dividends in the year of \$1.3 billion and then half a billion dollars in terms of that discretionary allocation. That includes things like exploration, evaluation, capex across a number of small projects, etc. You will see that increase as we go forward, particularly in terms of Quellaveco which will feed into that growth number as we go forward.

**Slide 20 – Life extensions will deliver value; higher near-term sustaining capex**

I'm going to touch on capex now and you'll see in the presentation we've given you some additional guidance in the outer years and I just want to talk that through a little bit so that we're understanding about the value, in particular, that that drives.

In terms of sustaining capex, we flagged in December that we would see that tick up a little bit in the next couple of years, in particular. And part of our priority as a management team is to not only preserve but also enhance the value of the portfolio of operations that we have and that's exactly what we intend to do.

Those opportunities present themselves in a number of ways and that can be cost opportunities, efficiency, productivity and it could be some brownfield expansion, some life extensions. But as we realise that higher production rate and generate value, that comes with an increase in the absolute number of sustaining capital. As we grow the base, we grow the portfolio and we grow the production. A good example of that is the one that Mark mentioned earlier in terms of the longwalls at Moranbah-Grosvenor. Obviously with the production and productivity improvements that we've had there that means you work through your mine development areas quicker, you're into the next longwall move quicker, and therefore in just a snapshot of time, obviously, your absolute number looks a little bit higher but it's for the right reasons. It's generating increased production, generating increased value, generating increased cash flow and that's really what we're all about.

As a result of that, and given that, we've got Quellaveco coming on in 2022, the Moranbah-Grosvenor production that I've spoken about and Minas-Rio coming back to full production, we upped our guidance in terms of that sustaining capital, that \$2.8 to \$3.1 billion in terms of a longer-term number that you should then guide to. Again, for all the right reasons in terms of generating value. In particular, and I'll touch on this in a slide or two, the sort of projects and the sort of productivity improvements that we're working on generate really good margins. Very attractive margins, very attractive returns, and that, you know, adds to that margin journey that Mark spoke about, moving from 42% towards 50% and in terms of the cash flow that generates.

**Slide 21 – Improved capital efficiency**

So the big test for us - and this is something I wanted to just spend a bit of time on this morning is - have we spent the money well? Because I know that's a question that came from the December update call that we did, and I'm pleased to say yes we have. So, we're seeing exactly the same efficiencies that we've seen on the operating side of the business in the capital spend, measured as dollar of sustaining capital per copper equivalent production. Now, you can pick holes in the calculation if you want to, but the level of improvement is so significant that it's hard to ignore. That's 30% on nominal terms and closer to 40% on real terms. A really good journey - shouldn't be a surprise because some of our sustaining capex and mine development is using the same diggers, the same fleet that we're using from an operating point of view - so, it's the same influence that's feeding into our capital spend.

As the portfolio increases, we will look to maintain that efficiency. We'll have slightly higher sustaining capex in the next year or two, so you may see that just bubble around a little bit, but we're very confident on the journey that we're on from that capital spend and efficiency. Ultimately, measure us on return on capital employed, rather than trying to break it down and

pull bits of capital out, and that again has been a great journey as we've moved from 9% up to 19%.

### **Slide 22 – High margin, high return, fast payback options**

Turning to growth capex, again that will increase a little over the next couple of years, but no surprises. Our spend on Quellaveco, in particular, is the main driver. As you can see on the slide, we have a number of incredibly attractive, brownfield, relatively small-scale individual opportunities ahead of us. The main message here is, they'll be assessed and studied with the same sort of discipline that you've seen in the past. Relatively small in nature and they'll come up for approval over time, the capital spend will be over time and always subject to market conditions and assessment.

### **Slide 23 - \$3-4bn cost and volume improvement**

Just coming back to the cost and volume improvement that Mark touched on earlier in terms of some of the detail and the drivers. Obviously, a big focus - P101 and the technology development. We remain absolutely committed to that \$3-4 billion target by the end of 2022. So, that's the start of 2018 to 2022. We're \$900 million into that if you take last year's actual and then this year's target, and I just want to make sure it's clear that that \$500 million for 2019 doesn't include the Minas-Rio turnaround, as we've done this year pulling that out separately, we'll show the turnaround of that separately next year as well. So, this \$500 million would be on top of that in terms of an EBITDA driver.

As we flagged, I think it was at the half-year, some of this will be a little bit back-ended in that timeframe: some of the investment we're making in the technology development, the P101, will just take a little bit of time to flow itself into EBITDA and cash flow, but that's okay, it's planned. There's programmes in place to deliver those initiatives, and Mark touched on some of the things that start to go live through this year, particularly at El Soldado. In terms of this year's number, probably one of the bigger influences are some of that productivity increase that we are expecting to see out of Moranbah-Grosvenor, the Queensland Met coal operations.

### **Slide 24 – A balanced and disciplined approach**

So, just to wrap it up from me, where does this all take us? Steady but meaningful production growth over the next four to five years. As Mark mentioned, I love to talk about the word balance at the moment, but it is a balance for us. You know, it's a balance about what we've done with the balance sheet. We continue to focus on that and make sure we're building from strong foundations. The P101 initiative should drive margins and cash flow. It enables us to continue to do what we want to do, built on sound operating practice. A lot of you did attend the copper visit back at the end of last year - you can see the benefits of the Operating Model flow through, and a lot of the other sites are going on exactly the same journey.

## Projects Update

Mark Cutifani

*Chief Executive, Anglo American*

### **Slide 25 – Project update**

#### **Slide 26 – Minas-Rio started on schedule**

Projects. Let me kick away with Minas-Rio. So, as I mentioned earlier, we have recommissioned Minas-Rio. All the key parameters that we were looking to deliver have been delivered in terms of the start-up. We did upgrade the guidance in December on the basis of getting the licence for mining earlier than we thought, six months ahead of schedule, so that allows us to open the pit up so we can blend ores, so the delivery of an improved product to port as an important part of that process, and the unit cost FOB is \$28-31/tonne. At full rate with expected to be closer to \$25/tonne, maybe with inflation, somewhere near \$26/tonne. Our break-even cost at full rate still looks like about \$35/tonne, is what we're targeting for the product. It's a 67% product, low deleterious elements.

On the tailings side, we have an existing tailing dam that's basically a water-containing facility. We've got the licence to install, so we're actually lifting the next level and the last approval required will then be the licence to operate when it's completed. We would expect to have that licence mid-year, but we are making sure that we keep close to the authorities. The federal authorities have already talked to and publicised the new standard. That has no issues for us at all. We would expect that Minas Gerais will come out with some comments on new standards in the next couple of months. Again, we don't expect that to impact us given the nature of the installation we have. If I could say it this way, if there were to be something that were to impact Minas-Rio given the nature of the dam, it would literally stop all mining across the country if they came anywhere near what we've built. So, we don't expect that to be an issue, but at the same time, we'll work with the authorities just to make sure that we've got all the key points covered. We're still forecasting mid-year. As I said, the conversation might go for another month or two, but beyond that, we think we're in pretty good shape.

#### **Slide 27 – Quellaveco on-track**

On Quellaveco, not much additional to report post-December, other than good progress continues. The dam, which was built as part of the river diversion, has gone well. Earthworks are going well, and when we characterised the project last year, I said that the next 12-18 months was critical - big earthworks projects and lots of concrete. Once we get through that phase, and we get out of the ground and you start seeing metal being erected, I think we'll have navigated the toughest part of the programme. At this stage, the 44-month schedule looks very good. Costs are tight but still in good shape, particularly with the schedule being in good shape as well. So, we're pretty happy with where we are, and the \$1.3 to \$1.5 billion estimate for this year at a 100% basis will be mainly backend loaded. Our share would be somewhere between \$400-600 million in the second half, given we've got the Mitsubishi funds we are drawing down for the first half of the year.

**Slide 28 – Prospective districts in diversified geographies**

I will continue to keep an exploration side in the pack because as we speak John and the guys are starting to show some interesting opportunities emerge. In Brazil, I can confirm, and I will confirm that we intersected copper mineralisation. The grades are at or above - in a number of those intersections - above mineable grades that we would think on a larger scale, lower grade type deposit would be minable. The intersections are in some cases above 100m, but I've got to stress that we've got some interesting intersections - that's all we have at the moment. As a consequence of those intersections, we stopped all drilling after six holes. We secured 37,000 square kilometres of tenements. We have overflowed the tenements and we've got three or four prospects that we've identified from the aeromagnetic surveys, so we're following those up. And during the course of the next 12 months, we'll work out what we've actually got. If I could say this, at the moment, it's interesting. It's not anything that we could call a resource. It's an interesting position that will take a little bit of time to unpack. And I expect this time next year, we'll give you a much better scope and be able to paint a much better picture of what we have or what we may not have.

We've also been doing some work across the portfolio and in Mogalakwena we're looking at extensions to the ore body. The key points to make here is the mineralisation appears, maybe, to be a bit thicker than we thought. The grades, maybe, a little bit better. And the material, maybe, a little shallower. Chris is not yet excited but he's getting close. A lot of work to be done. Chris and the team are doing feasibility work on potential options. We are watching the market very carefully as well - anything we do will be with an eye to the market and an eye on what's right for our shareholders in the long term.

**Slide 29 – A sustainable future**

On sustainability – which is part of everything we do. It's part of any conversation we're in, starting with safety, right the way through to social performance. It remains a key part of all of our dialogue.

**Slide 30 – Asset quality plays to global demand themes**

If you look at our portfolio, the commodities that we have are a consequence of the quality assets. Remember, we're about a quality asset portfolio. What drives us forward and where we focus our efforts is having the best mining assets in the world. Yes, we take into account the markets that we're selling into and geographies, but it's about quality assets. As a consequence of that focus on quality assets, the major commodity positions that we're in – diamonds, copper, PGMs, bulks – we think, plays into the macro trends around growing middle class, consumer world, the focus on the environment long-term, a greener world, and an electrified world.

In terms of the products in each case we're building the portfolio. Bruce focusing and getting the business up to 37 million carats with the transition at Venetia. In the Copper business, we talk about Collahuasi, Quellaveco, and the longer-term opportunities at Los Bronces, where particularly the underground potential is significant.

PGMs, as I said, Mogalakwena. I think a really important piece of work for the platinum team is obviously the turnaround at Amandelbult. I was there with Chris for a couple of days, about three months ago and very excited with the work, but still a lot of work to be done but

making good progress. And in the bulks, two great positions or three great positions in terms of quality and cost competitive position. More work to be done to improve our competitive position, but again, we've got a good portfolio across the globe. People have asked, and so I'll pre-empt the question on thermal coal, we've actually halved our footprint in thermal coal in the last three years. And as we've said, we talked to a just transition. So our position hasn't changed. And so we're looking at all the moving parts in making sure we're positioning ourselves to have the right type of portfolio that investors want to invest in for the long-term.

### **Slide 31 – Sustainability at the heart of our business**

And when we look at the Operating Model, the innovation work, the changes we're delivering, we talk to sustainability in the same conversation. And as a consequence of the competitive work we're doing, we're looking at delivering a 30% improvement in energy efficiency by 2030, so that helps us drive down the cost curve.

In terms of reduction of water, water plays two parts. Yes, it's a cost. But also, it's a constraint on the development of our assets, particularly, in the long-term desert climates. And so, it provides us a double-whammy in terms of improving the performance of the portfolio. So that's a critical piece of work for us. And greenhouse gas emissions is about the climate debate and how we play our part in making sure the world achieves its targets.

If I go back to the strategy around trusted corporate leader, I think the conversation for all of us in the industry today is about tailings. I think we've all got to play a part now. As we said, whatever we can do to help the industry lift tailings standards, then we'll be involved in all of those conversations. And what do we need to do with our colleagues, I think, is a good example of the sort of approach we believe is right in terms of the industry.

Thriving communities, the people most affected by our operations are our partners in those local communities. Now, I think over a long period of time we haven't done a good job with a lot of our communities and we certainly changed our approach over the last few years, and we know we've got a lot more work to do. And for those familiar with the courageous conversations that are occurring in South Africa with the Arch Bishop. That's the type of approach in terms of engagement with the communities that we think is very novel and different, and certainly, creating a new dialogue.

And healthy environment. So how do we make sure that we're doing all things right in terms of the environment? Are we doing the best we can do with tailings and all those other areas that are potentially impact on communities is where our focus is? And we'd be doing a lot of work and our tailings was done in 2014 as part of that programme.

### **Slide 32 – Attractive long-term margins and returns**

So, in terms of the business, what we look at and how we think about the future in terms of margins, driving cashflow. Cashflow for us as a team is, we think, the effectiveness measure shareholders are looking for in terms of our ability to return today, tomorrow and through the long term. So margins are the real focus, getting ourselves to 45% to 50% is a critical focus for us because the cashflow then comes as a consequence.

Return on capital employed measures the efficiency, that is how well did you generate that cashflow. It's easier to generate cashflow in this industry over short periods of time. The real measure of your long-term sustainability and the deliverability, or the repeatability, of that

cashflow, look for your return on capital employed. Did you use the capital well and will the shareholders support you continuing to use capital comes back to this number; we believe that we can deliver better than 20% through the cycle with the quality of the assets and the work we're doing inside the business.

And asset life, the one thing I would say that over the next few years, this number will move around a little bit because if we increase our production another 25%, it's never quite linear how that number moves. But at 30 years, we are right out there in terms of life of asset. And so, what I want you to know, what I want you to take away from today is we look at these metrics and we drive all of these metrics in making sure we've got a sustainable business, that is cashflow, returns and long-term continuity in terms of the business. And in our industry, they're a pretty tough set of metrics to deliver on consistently. And certainly, that's where we're focused.

### **Slide 33 – Investment proposition**

Finally, in terms of the investment proposition, we've been talking to this for a couple of two or three years now. I'll focus on capabilities today. You know about the asset story and how we've tried to position the portfolio and what we're doing in terms of return. I think Stephen has done a good job explaining our position there.

For us, the Operating Model is about creating a culture inside Anglo American that's about being the best. Today, we're not the best - I can point to many examples where players are doing better than us on an individual basis. But as a team we're determined to continue to take every step to catch and overtake those that we see as best. In some areas of the business, for example, I think in the longwalls, we are probably right up there. Platinum, I think, again, we're right up there and in De Beers, again. But there are far more places that we're behind further than we should be and we're not going to stay there. We're going to keep improving and we're going to keep improving quicker than anyone else.

In terms of FutureSmart Mining™, we can't continue to mine as we've mined for 100 years. You can't just keep building bigger trucks; we've got to think laterally, we've gone out there and think differently, and so the changes that we're making to the flow sheet is about the changes that will drive the next 100 years of mining. We want to be on the forefront of that because those that lead those changes will be the outperformers in the industry.

And, third, we make sure that every product we produce, whatever commodity it may be, and remembering that diamonds aren't a commodity, we have to make sure that for every product we produce we get the best price we can, and that means understanding your customers, making sure you've got a relationship and making sure that we're creating value for them to ensure that we get the value reflected back in the price that we're paid for our products.

And so, with that, more than happy to take questions.

## Q&A

**Dominic O’Kane (J.P. Morgan):** Three quick questions. The first, it’s a bit churlish, maybe, to criticise a company for doing what they said they were going to do, but a 40% payout, given the strength of the balance sheet, does look a little bit skinny versus some of your peers. So can you map out how we should think about excess capital returns: when, what’s appropriate, is a 40% payout the appropriate payout ratio for this business, and are there any constraints around preferred mechanism for excess capital returns; is it special dividends, share buybacks, any constraints around that?

Second question, in terms of thinking about long-term capital planning. The industry’s had a very poor track record in stress testing the downside, so with respect to diamonds could you, maybe, just give us some thoughts around how you think about the risks posed by synthetics, what’s your base case, how do you stress test that into the long-term capital allocation for the diamonds business, and, again, maybe some comments on what’s going on at Lightbox at the moment. And then final question, obviously big moves in iron ore prices; there’s a, sort of, structural premium now embedded into high-grade iron ore. How does that affect your long-term planning for Kumba, so potential for long-dated mine life extensions and maybe long-term exploration there?

**Mark Cutifani:** Given that we didn’t expect to get a question on dividends, I’ll hand straight across to Stephen to let him deal with the first one and then I’ll pick up the other three.

**Stephen Pearce:** When we set the 40% payout ratio, we did it with a view over time. I’ll come back to that balance where, we knew we were probably likely to approve Quellaveco, we have a view of what’s in front of us in terms of capital spend, our balance sheet journey, etc., and so we factored that into our thinking in terms of that 40% payout ratio. One point I do want to emphasise, we will constantly assess where we are; I mean that is our job to do and we will absolutely do that in terms of considering additional returns. We have maybe tracked to where we are perhaps six months ahead of what we thought, given the strength in prices. If you recall, when I speak about that window we have to reset the balance sheet to the mid-year, I’d said we’ll probably likely have a three in front of it, I’d love to think we’d have a two in front of it, and we probably got there a little bit quicker than what I thought.

But I would just come back to the proforma concept of debt as well that I mentioned. We have got about \$500 million of the cash from the sell down to Mitsubishi on the balance sheet; we know that’s going to be spent by half-year, we know we’re going to start our contributions thereafter. The approach that we really do want to take, and we will run a more conservative balance sheet than we have – clearly, we are sitting very well in terms of all of the balance sheet metrics – we’ll actively consider it, but we probably are almost at the low point today as we look forward. We’ll consider all forms of returns to shareholders; we’ll probably stick with the 40% base dividend, but if we do consider any excess returns then, we’ll consider the buybacks, the additional dividends, etc., as you would expect.

**Mark Cutifani:** I think the point to reinforce is the careful consideration of these things. We don’t want to flip-flop and jump around in terms of the way we go, and I think the issue is getting due attention at the Board, as you would expect it to be, and it’s the right type of

conversation. We want to make sure that the calls are right and it's being appropriately considered and discussed, as you would expect.

In terms of capital planning, I'll make one comment then I'll get Bruce to say a few words. Firstly, in terms of our capital allocation across the portfolio the diamond assets, and I say assets first, and the business in terms of – we think it's a good place to be. We think medium-term the market will go into deficit and we think the way Bruce has positioned the business for success, both short and long term, is right, and therefore he'll get his allocation of capital on how he shows he can manage our competitive positions and I think we're in good shape. But I'll let Bruce speak for both where he is, in terms of Venetia and the business, and also to pick up Lightbox. Bruce, so if you cover both.

**Bruce Cleaver:** Thanks Mark. Start at Lightbox, let's just go back a step and remind people why we launched Lightbox. You'll remember we said that the current synthetic offering doesn't differentiate synthetics from the natural product and that consumers told us that wasn't right, but that they were confused by the offering. So, we see it as a perfectly legitimate place for a laboratory-grown diamond offering, but we don't think it's the same as the natural business, and that's really why we launched Lightbox. We announced Lightbox in June and we sold our first diamond at the end of September, and we'll only sell 20,000 carats in total by the end of 2019, before our facility in Oregon comes onstream.

Since we've started, the Lightbox offering has had a tremendously positive impact on price, or from a lab-grown diamond point of view. At the wholesale level, prices have come down of the competitive product between 30% and 60%, which is extraordinary given how little we've sold. So I think there is already evidence that the positioning of the product as to what it should be, which is not a natural diamond, is already starting to be successful, and we'll carry on working on that.

But I think, on the other side of the question, in relation to how do we stress test projects going forward, a couple of things. As Mark said, we think supply has probably just about peaked in 2018 and we think that's good, provided we can continue to grow demand; so as long as we can keep growing demand for the natural there should be a positive outcome there. And, secondly, as Mark was at pains, I think, to point out in relation to the asset quality, we have, overall, the highest quality assets and the highest margin assets in the diamond business, so our ability to withstand price fluctuations is, I think, considerably higher than other people. So, in the round of those three points, we feel positive about the projects going forward. Of course, we stress test different scenarios on the upside and the downside in relation to all projects, but we are comfortably, we think, within any range of concerns there.

**Mark Cutifani:** Also the positioning on Lightbox probably tells you a little bit about our psyche in terms of positioning our business, is where we see there's a need to step out and be bold strategically we'll take those steps, and Bruce and the team are continuing to look at the right steps to make sure this is, and remains, the best diamond business in the world, and that, in of itself, as De Beers, it's a brand, it's a luxury brand, it's a very special case and we want to make sure we keep it there and take it further, so an important part of the business.

In terms of the issues with respect to capital in the longer term, I think, and I tried to say it, maybe not as well as I could, we've got Quellaveco as a material step-change in the business.

One of the things is the damage that Minas-Rio did to us as a business was not only the project in of itself, but it also robbed the rest of the business of the incremental capital you need to continue to improve your business, so I think the damage was twofold. We're not going to make that mistake again, so when I talk about Quellaveco making a 50% contribution to the quality and growth in the business, those other incremental projects, in my view, are just as important. So you're spreading the risk, you're actually changing and lowering the risk profile, and you're improving the quality of all parts of the portfolio. And I think taking that balanced approach in terms of capital allocation is critical, and again reinforcing the point through the syndication exercise in Quellaveco, it's a very different company and a very different company approach in terms of capital as well.

**Jason Fairclough (BAML):** Just looking at it, in a way the journey is pretty remarkable, Mark. I mean you've gone from £2 to £20, the balance sheet deleveraging. I guess, as you start to look to this P101, is there a risk that the business starts to run out of momentum? I mean, they talk about low-hanging fruit. Arguably, this was the worst run of the big mining companies when you came on board and it's not any more. So, does it get a lot harder for the organisation from here?

**Mark Cutifani:** The way we think about the business is, if you look at the operating teams, the business leaders, we look at the things we can improve today and some of those have got a one, two, three-year lead. Our job, let's say, with Chris and Bruce is to think five, 10 so that whilst they're delivering the execution on the things we see in front of us, we're together thinking about the next step and the next step, so that the improvement continues.

And I think getting the jobs right and getting ourselves thinking about the right timeframes and sequencing the business is as critical, if not more critical, than delivering today's improvements. So I think what we're trying to present today is we've done the basics you would have expected us to do. We've thought about the next level improvement at the operating level with P101. We've thought about the next level improvement with the innovation strategies and targets to change our position against our competitors and we're building a portfolio through our capital allocation on even better projects again.

So today, it's a four-tier strategy that's timed over the next 10 to 20 years that we think will position this company for the long term. So I hope that sort of scratches that key question. It's never smooth, there'll be a couple of bumps. As I said, this year will be a little bit – not flat but as a launching pad for 2021 because the innovation stuff that we're putting in place this year will start to deliver in 2021, 2022, 2023. So it's never smooth but making sure you're sequencing the improvements to drive continuous improvement and outrun your competitors is the key.

**Tyler Broda (RBC):** Two quick questions from me as well. I just want to follow up with Stephen on Dom's question. But just in terms of Minas-Rio, could you just walk-through what happens if there is, for whatever reason, some delay, say that you don't get that operating license, how long do you operate for, can you give some colour around that? And then secondly just with the news overnight, the coal ban in China, the Dalian ports from Australian coal. What are your marketing people hearing on the ground there about what's happening? And then Stephen just a follow-up. With the improvement in the company's margins and now being sort of in line or better than peers, does that change at all your view around having a

balance sheet with no cash, is there a risk that Anglo runs too lazy of a balance sheet, which is quite an ironic question considering where we've come from?

**Mark Cutifani:** I'll do the first two. On Minas-Rio, the current dam, in its current configuration, has around 12 months ahead of it. We would expect to see the licensing done by mid-year and that's on the assumption that it will take the Minas Gerais authorities a couple of months to form a final view in terms of their legislative requirements. We don't think the Minas-Rio dam, given its construction, would likely have any material changes, given the engineering aspects of the business. We think they will be more focused on other dams and other constructions and certainly that's what we've seen at the federal level. So we're pretty confident we're in the right place.

Now at the same time, we're in conversations with the government. We've got at least six to eight months, we think, breathing space, in terms of anything we do. And the conversations have been positive and we've got 95% local community support. And when we delivered the license and the operating license for the mining business, that came six months early. And the fact that we had 90% to 95% support from the community was a pretty important factor in making sure we got the support to get forward.

We've got good support from the local communities. In fact our popularity with the community went up after we had the first spill and what they said is, "Your reaction to the spill was as good as we could have expected." So I'm not saying we're happy but certainly I think we've done all the right things and Ruben and the team have done a great job. Ruben, is there anything you'd like to add to what I just said there?

**Ruben Fernandes:** One thing that I would like to add is about the process that the public prosecutor has put in place to follow up on our construction of the dam, or the first raise. They selected Sao Paulo Institute of Technology to follow up the whole process since we were granted the LPLI, which is the installation license, in January last year and they have been following the process together with us. So we have this comfort and this confidence that they will approve the construction. And of course, depending on the legislation, we have probably to add some monitoring system but it's things that we can do in one month or two. So we don't expect any big delay in this sense. So Mark is right. I think we have to be close with them to understand what is coming but in terms of technical solutions or any other big change, it's not there.

**Mark Cutifani:** Highly unlikely. On the coal ban in China, look, we've heard press reports. We've spoken to our people in China. We're not seeing any impact on our material. There is some question about the validity of what's been reported but I don't know if it's right or wrong, so we remain open just to see what it is. Remember, we don't have a major proportion of our product going into China, it's obviously an important market but it's not significant. But at this stage, it's a little bit scratchy and certainly we haven't seen any direct impact at this stage but we'll watch that very closely and that's after talking to people in Shanghai this morning.

**Stephen Pearce:** Just to come to Tyler's follow-up question on the lazy balance sheet. It's hard to believe we're talking about that so quickly, given the journey that we've had. So as I mentioned earlier, we're probably at the low point in that balance sheet journey and have probably got there a little bit quicker than what we might have thought. If prices stay up

where they are, then clearly we'll be generating very healthy cash flows and that would feed in to our active consideration of additional returns. So again not telling you anything that you wouldn't think is right.

If prices continue where they are today, they're probably above our base assumptions and that would probably generate additional cash flow.

Obviously feeding off the margins in the work we're doing, that feeds into cash flow, feeds into less volatility, less sensitivity to movements in price and it does give you confidence then about how you run your balance sheet. So yes, that feeds into that thinking as well.

And as Mark spoke about the portfolio from an asset point of view, we also have been able to think more strategically about our capital structure, and again, lift the vision. You'll see there's a slide on the deck portfolio - the work we've done there over the last few years also helps de-risk any volatility and movement in prices as well because we have very little maturing now in the next one, two and three years. So all of those things feed in to our thinking, absolutely, as I say, pleased with where we are. It will remain under active consideration.

**Paul Gait (Bernstein):** Just a couple of questions. The first of which is given what's happened to sort of PGM basket price, I was just wondering whether or not there was any flexibility in your mine plans in the existing operations to change the focus of which PGMs you're targeting, platinum versus, for example, the price we're seeing in rhodium at the moment and whether or not there's any flexibility there? Following on from that question, about Mogalakwena. It's not in the capex figures that you've put out there on the board, and just again thinking about what the longer-term or medium-term thinking might be for that operation, given the margins that it's generating at the moment? And then the third question was just around the diamond space. Talking about the downdraft that the introduction of Lightbox has had on synthetics, has that had any impact on the price for natural stones, or are you still seeing a differentiation there that is not cannibalising your existing offering?

**Mark Cutifani:** Okay, let me pick up the two PGM question firstly, and I'll ask Chris to make a comment as well. Palladium about the same revenue generator as platinum for us across the portfolio. Rhodium has been very good. We have a little bit of flexibility but basically we're in pretty good shape. What's the proportion now, Chris?

**Chris Griffith:** So revenue-wise platinum 39%, palladium 30% but rhodium has gone from 5% to 13%, so very nice improvement in rhodium. But I think Mark is right is that the assets themselves are quite nicely differentiated. So Amandelbult is where we get the majority of rhodium from, and clearly our biggest prill split palladium-wise is Mogalakwena. So whilst we don't have an opportunity to chop and change actually as it stands now we've got quite nice balance to the metals that are increasing in price quite substantially.

We keep trying to get Mark to put the Mogalakwena project on his list. But we are in the study phase right now, we're doing the study and there's actually nothing we can do now. If we had a billion rand in the middle of the room, we don't know what to do with it. So we are doing a study. My team and Tony's teams are working very closely together. I think we'll have a better understanding by the end of the year but probably by the end of next year we will be in good shape to decide what to do and then clearly it's got to compete for capital like any other project.

**Mark Cutifani:** I think the key thing is we're trying to make sure that we act responsibly in the market. This is an industry that has traditionally overproduced. It's a great project, it's the world's best precious metals mine, but it's about being balanced, making sure that we're looking at both sides of the equation. I think that critical and I think the guys are going through that process in an appropriate way and also looking at the resource development options, given what we see longer-term.

I will not back the rumour that the reason maybe there was no coal going through China was that they're buying rhodium and palladium and don't have cash to pay for coal. I don't think that's right. But we're certainly impressed with the prices. But we're also a bit nervous when it goes too far because what you've don't want is switching either.

In terms of diamond price natural impact, again, Bruce –

**Bruce Cleaver:** We see no evidence at all of any impact of Lightbox or synthetics on natural diamond prices. It's no secret that the sub-\$100 goods in the natural world have battled a bit in the last part of last year but that's for a series of reasons that don't relate to anything structural in our view. It's really a combination of oversupply, very significant forex volatility with Indian Rupee and all of these goods are cut and polished in India and difficulties in smaller businesses in the midstream accessing finance. And interestingly the early evidence from the US over the Christmas season is that the sub-\$500 goods did particularly well. So we have no reason to believe there's any structural issues going on in the diamond industry in the lower value goods.

**Myles Allsop (UBS):** First of all, could you provide a bit more colour on cost inflation in South Africa? Obviously, there's some big power cost numbers being thrown around, 16% per year for the next three years. Labour cost - obviously Platinum negotiations this year. Are we seeing a meaningful pickup now in cost inflation? Maybe for Mark as well, the spot free cash flow after full capex, what are we looking at for 2019 at the moment? And then maybe for Chris as well, I was just wondering on the palladium, rhodium. I mean how – it feels that prices have been pushed by speculative activity. How long do you think before prices crash?

**Mark Cutifani:** Chris, I think the answer is 10 years!

**Chris Griffith:** So I mean, clearly rhodium did double last year and there was a very substantial pickup in palladium price but the palladium price is structural and has been coming for a number of years now. So you'll recall that we've been talking about a deficit in the palladium market for many years now. I mean, as palladium was being supplied from above-ground stock, everyone said, well, we'll believe it when actually the above-ground stock runs out. At the end of 2016 for the first time, we really started seeing the structural deficit and the fact that there wasn't material around. So you'll recall in 2016, we had that shutdown in our precious metal refinery. We needed to go back into the market to buy metal and then we started finding that actually it was very difficult to buy palladium. Towards the end of 2016, we started seeing the price move for the first time. 2017 and 2018, over the last – well, over the three years, we've seen 1.5 million ounces of palladium ETFs being redeemed. And this is what's been supplying the market. And over the last two years, you haven't been able to get that.

So we went down another 600,000 ounces in palladium. Last year, the Johnson Matthey numbers looked like they were in deficit. It required the Russians to sell 300,000 ounces from their stock and 600,000 ounces from ETFs just to get to that balance number. So the point is actually the structural deficit in palladium, with very low above ground stocks, is what's driving the price.

So is there about to be a crash? We don't think so. There's also – remember in a year's time, you're starting to see China 6, which is the loadings about a gram per vehicle extra at 700,000 to a million ounces extra of palladium, that's going to be needed. So if you look at where that could come from, it can only come from platinum switching. So we don't think that there's any likelihood anytime soon that you see a palladium crash. I think it's much more likely that palladium really runs hard and it drags rhodium with it. Rhodium is so less and twice the palladium price. Rhodium is cheaper at these prices.

There's been some speculation in rhodium we think. But actually generally still underlying basis for rhodium demand. We know that Chinese have been buying additional rhodium as they've been putting extra rhodium onto their catalysts. So I don't hold your breath for so, Mark, 10 years maybe, maybe a bit longer. Rhodium, palladium still look good. And there has to be some substitution from platinum back into palladium. We don't think that happens anytime soon. We still think it's two years out. And the reason for that is because the carmakers at the moment are trying to deal with real world driving issues, and that's why they're not substituting yet. So I think you can expect to see basket price for PGMs remaining good.

**Mark Cutifani:** I think the key point that we took – we had a very good strategy session, a lot of questions from the Board to understanding the markets in PGMs. And you've got to look at rhodium, palladium and platinum on a continuum and the basket price is a really important one to understand because producers of different products catalysts can move across that continuum at any particular time. But then what is required to then switch between the two is quite an administrative exercise. And I'm talking to people in the last few months about what does that entail. And so it's not a continuous movement. It's a bit lumpy. But the basket price gives you a sense of what funds are being allocated into PGMs in terms of industrial applications and I think that's the more important number to focus on because those uses are actually quite substitutable but the administration process to make the change is quite significant.

So over the long-term, we look at them as a continuum. In the short-term, where they go, provides us with a bit of flexibility in terms of our short-term capital allocation but we take the long view on the big projects and that's why we think very hard about Mogalakwena in the longer-term context as well. We don't know what it'll do in the short-term. None of us know how quickly substitution may occur but we think the underlying fundamentals very strong, particularly with the potential for the hydrogen economy, the greener economy. I think we're very well positioned in a business with great assets in what we think is a long-term high potential business.

**Stephen Pearce:** Mark, I'll just touch on inflation quickly. So just to put it in context for us the above CPI inflation for the year 2018 – well, the impact of that was \$200 million. Now most of that was oil or energy or energy tariff related as that fed through – particularly through that March to September period. So they were the main drivers for us in the current

year. Mark can speak more knowledgeably more about Eskom and just where that's heading in a moment.

In terms of spot free cash, obviously that depends on your price assumptions. What Paul has set out in the pack is a pretty good table in terms of an EBITDA reconciliation and calculations. So hopefully you can model Anglo in about five lines actually as you go forward just to make your life a little bit simpler in today's world.

I would expect – as we've sort of discussed, again, depending on your price assumptions, we've set up a nice rhythm in the business. So there's no reason we wouldn't be generating the same sort of free cash flow next year as we did this year. Obviously if prices are higher, you'd expect some of that to flow through to net cash.

**Sylvain Brunet (Exane BNP Paribas):** Two quick questions. First maybe on the momentum improvement, Kumba has been on a pretty impressive journey on productivity. What is left in the tank? My second question is on diamonds. If production globally has genuinely peaked, how can we explain we're not seeing better traction in prices? What does that tell us in terms of inventory?

**Mark Cutifani:** Well, on Kumba, Themba and the guys have taken the breakeven delivered cost into China from \$77/tonne to around \$42 and we got down to a low of \$30 depending on lump and quality premium. At these sort of numbers, we are probably in the 35 to 40 range, which is impressive. Themba and the guys have been talking about a \$10/tonne improvement potential on their base operating costs. He won't get that in a year though, it's over about the next three years. So that would put him ahead of inflation. Some of that will be given back to inflation but on a real basis, that's the sort of number he's pushing at based on the P101 programmes and some work on the DMS plant. Beyond, that some of the bigger innovation issues need to kick in more solemnly. But he's already extended life to 20 years, so we're pretty pleased with the work that's being done but we can still see a lot more to come.

On the diamond side, Bruce, do you want to again make a comment on pricing and where to from here?

**Bruce Cleaver:** So it's a complicated question. I think if you look, for a start, at the growth in diamond jewellery consumption in the US in the last four or five years, you'll find it actually has gone up year-on-year. So at a consumer level, there has been increased demand in the main market. Outside of the US, it's a little more mixed but it's very much forex-driven for example because ultimately diamonds are priced in dollars and if you live in a non-dollar country, that can be quite difficult to for a retailer to match a dollar price increase.

If you also look at supply over the last three or four years, there has been a reasonable increase of supply over the same period. Now not necessarily of higher quality goods but there has been an increase of supply, so they've been being carats available to be sold. We think that peak is about now or it may be in a few months' time, but it's not years out.

Clearly, where there have been difficulties in this period is in the midstream. So the midstream has battled, as we've said before, to access enough finance on a sustainable basis to become more efficient and I think there's more work to be done there. But I don't think there's evidence that there hasn't been demand for diamond jewellery over the last four years

in the main market and so we're hopeful, and we believe very strongly actually, that as long as we can continue to drive demand, which is a big thing but we're very good at that, that the tailing off or the levelling of supply for the next years should be helpful for us.

**Mark Cutifani:** I think if you look at Argyle, for example, I'm just using this as an example and it is not a criticism, it's just a statement of fact. Argyle's in the last two or three years of its life, it's winding down the clock. The average price per carat about \$28, so there's a lot of volume coming out of Argyle at the moment but that winds off pretty quickly and certainly not a commentary on what they're doing. I think as they get to end of life, they've got to run as hard as they can to try and hold their margin and that is the impact on the small carat.

**Sergey Donskoy (Société Générale):** Two very short questions. Diamonds also, South Africa last year performed not very well in terms of pricing. I think there was about 15% decline in realised price, and this is the area where you are investing heavily. I wonder just what was the reason behind that? Is it some structural change? Or should we expect pricing to improve over the medium-term? And second question, this slide 30, where you've shown your capability in terms of production by individual commodities, is this something that we should think about being achievable say by 2023?

**Mark Cutifani:** Yes, I think that's about the right number Paul, yeah, 2023.

**Bruce Cleaver:** I'll take the South Africa question. I mean, those are not – that's not data that we have that supports that question. We certainly had less production in South Africa in the course of 2018 and that was caused to an extent by a stoppage at Venetia following a very unfortunate fatality, so the volumes were certainly down in South Africa but our average index price for rough diamonds for De Beers across the group for the year was up 1%. And Venetia's average production is kind of in the middle of the average range. So actually there was no significant decline in rough prices for Venetia. There was a decline in volume in South Africa.

**Mark Cutifani:** Thank you very much for the questions. Thank you for joining us and have a great day.

[END OF TRANSCRIPT]