2020 Full Year Results

Thursday, 25th February 2021

2020 Overview and Look Ahead

Mark Cutifani

CEO, Anglo American

Welcome everyone.

The theme for our presentation is keeping our feet on the ground. While I'm a believer in the strong fundamentals to demand in our industry and the likely constrained supply for many of our products, the last thing I want to see in our team is anyone lifting their heads and forgetting about our focus on our continuing business transformation journey. We believe we have a portfolio of assets and opportunities that play favourably into the big global themes around climate change, circular economy, and the growing importance of material sciences in finding new and exciting uses for our metals and minerals. We've been strategic in our outlook and positioning for a number of years and today's world continues to confirm we are more than ever, positioned to improve and grow our business both in the short, medium and the longer term.

Cautionary Statement

Please read carefully.

Driving towards a Safe & Healthy Future

On safety, health, and environment, for us, the improvement journey continues.

Safety

Over the last five years, we've recorded a 40% reduction in total injuries and an 82% reduction in fatal incidents. Despite a couple of serious incidents early in the year, it was our best ever safety performance as we continue our journey towards zero. No year is a good year if you've lost someone in your operations so we still have to get there, but we're getting very close.

Health

Secondly, on health cases, those issues are made up of less obvious or immediate hazards or risks in the business. We're also heading in the right direction. Again, significant improvement since 2013, about 95% reduction so we're very proud of that performance.

Environment

Our approved planning and operating disciplines continue to support incident reductions across the Group. Making sure we don't get that call in the middle of the night requires constant focus, appropriate technical design, operating disciplines, and an open and effective governance process to ensure we're doing the right things, the right way, all the time.

We still haven't got to a point where we've eliminated all of our incidents. But we're working very hard to eliminate all of those things from the business. We've made significant progress, but we're certainly not yet where we want to be.

Good Progress on Interim ESG Targets

We continue to make good progress on our critical targets. Our energy efficiency improvements have also supported our greenhouse gas savings. And as you can see, we've met both improvement targets for 2020 versus our 2016 baseline. Next step is an absolute reduction of 30% on both by 2030.

Social Way is our social standards and practices package, per our broader Operating Model approach to business – you can see, we are approaching full compliance across the group. Now, as you know, these things evolve and develop over time. And so, we have now designed the third generation Social Way package that will be used as a new and higher bar for community and social engagement.

We've still got a long way to go. We haven't yet got our community relations where we want them to be. But again, we are working very hard in all of our communities and across all of our sites on this particular aspect of the business. The new package goes beyond the industry benchmarks and has been imaginatively called Social Way 3.0. So, a new industry standard with a title that only an engineer could love.

Comprehensive COVID Response

Despite the encouraging vaccine progress in many countries, it is clear the pandemic and the challenges for most are not going away quickly. Our responsible holistic approach, including supporting our communities, continues. And this broader community approach is an approach we share with many of our industry colleagues, particularly in jurisdictions where government support is less equipped to deal with these types of issues. And we have been taking these initiatives further, as we have understood that when people in communities are under stress, domestic, and gender-based violence issues can grow. So we're working with our community leaders and governments to make sure we're dealing with both the direct and indirect impacts of Covid.

The lives and livelihoods of our employees, their families, and the communities are the priority. And we've managed the strong operational recovery at the same time. We've been strengthening and reinforcing protocols to help deal with second waves affecting our operations as well. Our focus on people returning to work post-Christmas has been very important and we've seen some impacts, but they're being managed effectively. And in anticipation of that post-Christmas surge, we put in extra levels of testing to identify and mitigate risks. Based on our latest data, we expect most of the site impacts will be negligible as we move into March.

On demand for products, despite lockdowns and limitations, our order books are generally pretty full. And on diamonds, the demand bounce has been quite solid. So the early signs have been encouraging, but we do have some residual risks that will probably remain in some jurisdictions, probably to the mid-year. But it's not significant, it's being managed and the teams have done a great job in managing all the dimensions of the Covid-19 issue.

FY 2020 Results

On results, an encouraging finish after a tough start to the year. Despite the first half issues, we finished the year running around 95% of full production capacity. But even more importantly, and despite lower volumes, our unit costs and our capital spends were held in tight control.

Along with the improving prices, we saw our second half EDITDA recover to $6.5 billion, our highest for a six month period since 2011. This recovery and the discipline that have gone with the learning from the Q1 disruptions have put us in a good position going into 2021.

Earnings per share: $2.53 for the year, or $1.81 in the second half. The full year return on capital employed at 17% was impacted by our higher capital base, with spending on Queliaveco and the Sirius acquisition impacting the denominator for the calculation. We will show pre and post new project spend when we report these numbers going forward. However, the second half ROCE number was a pleasing 24%.

Solid Recovery in H2

Diamonds

De Beers has seen salespicking up through the fourth quarter and continuing into 2021, with Sight 1 in January delivering our highest Sight sales for three years. The team will continue to manage production levels to demand and have kept costs very well managed through the process, with a 10% unit cost improvement year on year, despite 18% lower volumes. Given our broader restructuring, we expect to see more unit cost improvements through 2021. Bruce and the guys have done some really hard yards through the year, and we will continue the work through 2021.

Copper

In copper, we've delivered consistent performance and we've navigated the twin challenges of water constraints and Covid, with production hitting target levels despite the challenges. The effective implementation of social distancing in Chile and Brazil has been a model for all of our operations, with work on water and securing alternative sources in Chile being a real winner for the year.

PGMs

On PGMs, a pleasing mining performance and processing production back to 100% levels by year-end. At the same time, the re-installed A unit at the ACP has been running very well since late November, after a very careful and well-managed commissioning process by Natasha and the team. We are looking forward to a better year of both mined and refined production. And with current strong spot prices, we're very well-placed to deliver some strong margins and cash generation.

Bulks

In Bulks, Minas-Rio has continued to improve, another record performance in a year when we were down for one month for the planned pipeline inspection, which makes it a really credible performance. At Kumba, despite lower production, largely as a result of Covid, unit costs were 6% lower at $31/tonne. It was a similar story in our South African thermal coal operations. In met coal, the spat between Australia and China still remains an issue, although the pricing gap is starting to close as the market adjusts to new deliveries for new customers.

In addition, we've had our operating challenges. Most recently, the current longwall panel at Moranbah has been moving through some tough ground and last Saturday night we recorded a high carbon monoxide gas reading in the waste areas. Carbon monoxide is a result of latent heating in the goaf area. As per our protocols, we withdrew the workforce and we commenced monitoring the gas from the goaf since that time. And by the end of the shift, the levels had actually returned to normal. Now, we think that might have been the result of a goaf fall, but we're taking extra precautions; we're pumping nitrogen in to make sure that we don't have any further gas levels. We'd expect to return to operations in the next two to three weeks. We are working with the Inspectorate in Queensland, to make sure we've got all the angles covered. But at this stage I think it is – we have seen these things before, and it usually takes a week or two to get through them. So, watching it carefully but I think the guys have done a good job in handling it and certainly satisfied that all the issues were covered.

On Grosvenor, the key issue for us is the timing of the restart and the commissioning of the new longwall. We expect to restart sometime in the second half of the year, but we don't want to pre-empt the inquiry or its findings. We will be both patient and cautious in our approach.

Our Continuing Improvement Journey

Consistent with growing cash flow and returns for Anglo American, the improvement journey does continue. While we've reported a 43% margin for the year, our 47% margin in the second half was the eye-catcher. Our 2023 target is greater than 45% using long-term prices - and with Queliaveco, our other projects and the incremental projects we have in the pipeline, we'd expect to hit those numbers. The long-term improvement approach has been driven by portfolio restructuring, our technical reconfiguration through Tony and his team, and in his work with the operating leaders of the assets that stayed within the portfolio. And the introduction of our industrial operating disciplines brought by the Anglo Operating Model. And that is unique for the industry. The total change package supported a 45% real improvement in our operating costs, or around 30% in nominal terms - and that's despite running 50% less assets. That is, we've actually grown production by around 12%. That's in 2019 numbers and obviously, we've come back in 2020, but , we'll be back on that profile this year and beyond.

The improvement journey has no end in terms of what we see. In our phase two work, we will continue to drive up the benchmark performance curves on our capital assets while building incremental and new capacity that has a low cost structure, further supporting our margin growth. So, it's not just about growth - it's about quality growth in terms of the portfolio.

Value Adding, Future Enabling Growth

Looking forward, we've carefully sequenced the execution of our portfolio of incremental and new projects, which drive significant margin-accretive production growth over the next five years and beyond. From a strategic perspective, this growth is also continuing our portfolio repositioning towards future enabling commodities. And so our 20% growth by 2023 – and that's compared to 2018 – is more like 30% if we compare it to last year's productionThe 25% by 2025 builds off our technology footprint and is as much about quality, as I said, as it is about top line growth. And with our sequencing, we are not trying to do too many things at the same time. That's being considered quite carefully in the way we've phased our projects.

Now, Steven will step you through some of this later, but the two main new constituents in our stage growth process are Queliaveco and Woodsmith.

Quellaveco

Now, on Queliaveco, we're tracking the original schedule despite Covid. So whilst we picked up six months in the pre-Covid execution work, we've given most of that back to Covid. And whilst we are still dealing with some cases on site, we're at about 90% manning levels, and we've got the work focusing on the critical task items. So we're still doing very well on the schedule.

We have now also approved the installation of coarse particle recovery in the plant, following very successful test work. So, that will enhance overall production recovery and will continue to improve the economics of the programme as we try and bring our commissioning process forward in terms of additional production, which we can see we can do as a consequence of the latest drilling.

The other thing that we've done is we're in the process of committing to a fully renewable energy power contract, which will also improve our carbon emission credentials as part of the development of the project.

Woodsmith

At Woodsmith, progress is solid. The tunnel has now been driven to almost 13 kilometres of its 37 kilometre target. Our detailed technical review is nearing completion and confirms the quality of the overall project design and the development approach within the parameters we had set. Ahead of our scheduled mid-2021 update to the market, in which we will present final capital and schedule estimates, we are refining two aspects of the project that we had allowed for in our investment case. We will likely bring forward the investment in additional ventilation to increase early production flexibility. And we are working through the detailed scheduling of the two shaft installations. Based on our work and involvement so far, we're very happy with the asset and its market potential. And importantly, it sits in the Q1 of the cost curve and is therefore capable of some really attractive returns.

I will, again, stress the point that it's not a potash mines, it's polyhalite, four nutrients, low carbon footprint. We don't have to do all that downstream processing and we can put product on a boat cheaper than literally anyone, and deliver it to almost any market in the world. This is a very different project to the ones you've been hearing about. And from our point of view, we think it has great potential and certainly very pleased with what we've got, based on everything that we've seen so far.

Performance Delivery and Minimising Footprint

Finally, and most importantly, on our business improvement focus. As I've said before, the first steps were in the Operating Model, setting a stable base, from which we use our P101 programme, which is about getting all of our capital assets up to top industry performance. Not in top quartile, we're talking top – P101 means best of the best – to drive improving performance levels.

To date, the team has delivered around $2 billion in raw numbers in the improvement, which is in terms of annual EBITDA on the business improvement side, through efficiencies and operational delivery. The more difficult issue is we've given some of that back due to the instability that we have in some parts of the process. And the ACP failure in PGMs is an example of that instability. So, the opportunity to get that additional $1 billion back to the bottom line is around stability and consistency in the operation. That's a real focus in the Operating Model. We've come a long way and we're making good progress, but we're still not where we need to be.

The Numbers

Stephen Pearce

CFO, Anglo American

Most of you know I like to start the number section with the key themes that I want to take you through. And there'll be no surprise that those themes remain the same as last year, and in fact, the year before. And it's all about balance, as Mark said. So firstly, consistency of operations and cash flows, and we've worked hard to recapture that in 2020. Two, returns to shareholders and our 40% pay-out ratio dividend. And three, a strong balance sheet and investing in the future. That balance really sets us up for a strong and sustainable future.

FY 2020 Results

EBITDA a good recovery, $6.4 billion in the second half, a record since 2011. Looking at the full year, strong prices underpin the result, but pleasingly, unit cost down 2% for the year, even with the production challenges that we had. Earnings per share fairly consistent, and that then flows through to consistent dividends. Net debt at 0.6 times EBITDA, benefited from good prices, but more to come in terms of that story with the unwind of the working capital build that we had this year. H2 free cash flow, $3.3 billion, very strong, without that help of the working capital.

Strong Margins across the Business

Diamonds

Looking across the different things BUs. A decent recovery in diamonds in the second half. Strong mining margins at 54%, which talks to the underlying quality and resilience of the assets. $650 million in revenue from Sight one in 2021. So encouraging recovery so far, helped by a decent selling season through Thanksgiving, Christmas, New Year, and lower rough and polished inventory. Of course, we remain just a little cautious for now, given ongoing restrictions across the globe.

Copper

In terms of copper, good performance on unit costs at $1.13/pound. We had some additional non-cash movements in provisions in the year, but again, really good mining margins.

PGMs

PGMs, good recovery in the second half. Basket price on spots above $3,000 per PGM/ounce. And remember that 60% of PGM volumes now come from what people would have previously known as minor metals, obviously having their day in the sun. Even with the ACP disruption, last year we generated, $2 billion of revenue from palladium and $2 billion from rhodium. That compares with about $1 billion from platinum. At spot prices in 2021, EBITDA, which I believe the PGM team mentioned, would be most likely in excess of $6 billion.

Bulks

In terms of Bulks, Minas-Rio has been a standout performer. Again, good stability, driving the sales in the year at 24 million tonnes of high iron content product. That delivered $1.9 billion of EBITDA at a 62% margin. At Kumba, the margin was 55% and an 84% return on capital employed for the year. Clearly some strong prices, but its those higher quality products from both Minas and Kumba that we believe really suit the modern demand themes in the steel industry. Clearly, a tougher year for met coal, but improving prices hopefully assist into 2021.

Overall a good set of numbers, particularly pleasing with the recovery through the second half.

I would encourage you to play with Paul's spreadsheet that I think is the first slide in the appendix. Please, form your own view on forward prices across the year. But I would note that while it's a fast moving situation, if you put in spots even from a couple of weeks ago, you could well end up with a number, without tempting fate, in excess of $20 billion. And Paul assures me that that spreadsheet does work.

Solid Recovery in H2

A quick look at the drivers of EBITDA shows that overall we're at relatively consistent levels, even with the volatility from price, Covid and the operational disruptions. Importantly, as Mark mentioned, we are seeing underlying cost and volume improvements, primarily this period from Copper and Minas-Rio, but we are very focused on turning around those operational challenges at PGMs and Met Coal going forward so that you do see those improvements drop to the bottom line. And I'll expand on that a little bit more in that in a slide that's coming up.

Robust Balance Sheet

The H2 cash generation, with a bit of help from the PGM prepayment, saw us bring net debt down for the half by $2 billion since 30 June, and that leaves us well within our target gearing at a ratio of 0.6 net debt to EBITDA. We're now two years into our growth programme, so very well set up for that next stage of delivery. Just to remind you that that $5.6 billion of net debt includes $1 billion attributable to Mitsubishi due to the accounting treatment with Quellaveco; $1.6 billion from the inventory build that we saw through the year, largely in PGMs and Diamonds – and particularly in PGMs, we would expect to see that unwind over the next 24 months. So, structurally in a very good position; a strong balance sheet, strong pipeline of value-adding growth projects and maintaining good returns to shareholders.

Balanced Capital Allocation Framework

In terms of capital allocation. So how did we go through the year? You know I like to report back on the scorecard of each period. Again, it's about my favourite word “balance” as we invest for near-term growth, reposition the portfolio when required and return cash to shareholders. So, I mentioned good cash across the period, $2.7 billion after funding and sustaining capital, with $3.3 billion in the second half. As ever, we use that to support the pay-out ratio based dividend with a total of $1.2 billion declared for 2020. We allocated $1.4 billion in terms of growth capex; $0.7 billion in terms of the acquisition of Sirius minerals; and the final piece of the puzzle, $0.2 billion remained from that $1 billion share buyback scheme that we initiated in July 2019 and completed early in 2020.

Value-Adding Life Extension Projects

I want to spend a little bit of time just focusing on capex. I know there's a few questions out there to understand the timing, particularly in how that relates to the volumes. So, I'll focus and talk through in detail, both in terms of sustaining and growth capex. And hopefully that gives you a better understanding of some of our priorities.

Just to be clear, there's no change to previous guidance on capex that we provided back in December.

So, let's have a first look at sustaining capex on this slide. You can see that there's a long-term SIB and stripping capex level around that $3 billion as our portfolio evolves, and lifex spend is on top of that and that'll be a little bit more variable. We are seeing slightly elevated levels of lifex capex over the next couple of years, around that $700-900 million per year. And that's as we complete the development of projects that you know: such as Venetia Underground, Aquila and Kolomela. Longer-term average more around that region of $500 million per year.

The underlying sustaining capex is also a touch higher in the next couple of years, the main drivers being the deferral of spend from 2020 and as we re-programme those work streams over the next year or two.

We've also included the desalination plant at Collahuasi. That's probably a combination of sustaining and growth that supports both current water requirements and wider expansion of Collahuasi, which I'll come onto in a moment. Needless to say, there is some growth embedded in these numbers simply linked to the growth in the portfolio on a copper unit equivalent basis.

Value-Adding, Future-Enabling Growth

In terms of growth capex, I'll walk you through a couple of slides to provide a bit more clarity on what we're setting up here, particularly in terms of that growth capex and how that links to delivering the growth volumes over time. Again, just to emphasise, no change to the guidance that we provided back in December.

So, if we exclude Woodsmith just for the moment, growth capex per year, around $1.5-2 billion over the next three years. And with that, we see our copper equivalent production increasing by around that 20% level by 2023, off that 2018 base. It's disciplined, it's margin accretive and predominantly focused around forward-facing a future-enabling portfolio. It's technology friendly and links directly to the decarbonisation agenda that we have in many cases. The capex that's forecast on this slide out to 2023 also provides some of the earliest spend on some of that volume growth beyond 2023 on projects that we do anticipate approving in that interim period. For example, Collahuasi phase one, Mogalakwena and the Moranbah-Grosvenor plant debottlenecking.

Well-Sequenced, Disciplined Investment

So let's look at some of those projects in detail. Each case, attractive IRRs, and as Mark mentioned, they're well sequenced across time so that we manage the spend and the balance sheet appropriately.

Quellaveco

Quellaveco, as Mark mentioned, progressing well and our share of the spend remaining around that $1.5 billion over the next 18 months or so. In 2023, we expect to see copper production of 300,000-350,000 tonnes. That adds, in its own right, around 10% to our overall copper equivalent volume.

At spots from about two weeks ago, obviously, it's a fast-moving beast, but that would give us EBITDA of around $1 billion in 2022 and more than $2 billion in 2023 on a 100% basis.

Debmarine

Another project, the Debmarine Namibia new vessel (AMV3), again on time for delivery. It's a fast-returning brownfield project; adds around 500,000 carats at a very high value per carat on 100% basis. And for us, it adds about 1% in copper equivalent volumes for our 50% share.

Collahuasi

In terms of Collahuasi, it's clearly a world-class, long-life asset, and we're looking at efficient and incremental growth over time in a number of phases. Phase one, we would see as adding in additional ball mill and related infrastructure. Our share of capex, while still being refined, around $0.6 billion. Phase one will increase the throughput by around 20%, moving from about 160,000 to 200,000 tonnes per day. This equates to about 50,000 tonnes per annum of additional copper for our share. And that's about 2% copper equivalent production growth at the Group level.

We'll also progressively look at technology initiatives, such as bulk ore sorting to further optimise the operation. That's more likely to be in the phase two expansion. Those studies are underway. That would most likely be a full fourth-line expansion, increasing throughput to around 300,000 tonnes per day. And that would add about 100,000 tonnes of copper equivalent production, our share. Obviously, it would require new permits and it's a little early to provide capital estimates on that just at this stage.

Mogalakwena

On Mogalakwena, a long-life asset. We've almost already doubled production over the last eight years without spending major capital. The focus has been on embedding the Operating Model and production efficiencies. And while we'll continue to drive efficiencies, the next stage will require some debottlenecking. And it's likely that we will add some additional concentrator capacity, which will add around 300,000 to 600,000 PGM ounces of production. While still being refined, it's expected to cost between around $0.8-1.4 billion. And again, we'll take a technology-led focus and the studies to optimise this are underway through 2021.

Sishen

So if we look beyond 2023, you would have seen earlier this week, we approved the Sishen UHDMS project. It adds iron units to existing production, if you assume that we are rail constrained, by increasing iron grade and quality of product, and importantly for Sishen, adds at least three to four years of mine life.

Woodsmith

In terms of Woodsmith, as Mark mentioned, a Q1 cost curve asset with strong margins. We've committed to spend around $0.5 billion this year and we'll provide further guidance in July. In its own right, it would add around 5% to our copper equivalent production when it's fully ramped up to that 10 million tonne production level.

Moranbah-Grosvenor

And Moranbah-Grosvenor, again a brownfield, debottlenecking of the wash plant. Immediate focus though does remain bringing Grosvenor safely back in H2, that, when completed, would add around 3% copper equivalent growth in around 2024.

Technology & Innovation

And finally on the technology projects, there's a number of fast payback, relatively small individual investments. And there's quite a bit more detail provided in the appendix. Programmes such as the bulk ore sorting or the coarse particle recovery projects, are cost competitive, modernise the operations and set us up on a more sustainable basis, for example, on the hydrogen haul trucks, and really underpin that journey as we go forward.

Improvement Initiatives on Track for 2022 Delivery

To pull those themes together across the three pillars, as we've spoken about on our journey through to 2022. The three pillars: one, sustaining capex, provides a continuing base for delivering on that efficiency; two, the technology and innovation adds to that in a productive and sustainable way; and then the growth projects build on and transition the portfolio.

So our $3-4 billion improvement target to 2022 remains very much on target. So let's just quickly look at each of those pillars.

Operating Model and P101

Firstly, on the Operating Model and P101 and some examples. So the business on the ground is getting more efficient, as we've often spoken about. For example, Minas-Rio, approaching 26 million tonnes by 2022. P101 is systematically targeting opportunities across the value chain, for example; 15% increase in truck utilisation at Orapa, increased haul truck payloads at Los Bronces; 8% throughput increase at the Minas-Rio beneficiation plant and world-class shovel performance across multiple operations.

As Mark highlighted, we've seen about $2 billion increase in the underlying business run rates. And $1 billion of that has dropped through to the bottom line to EBITDA so far, $800 million in the P101 category and about $0.2 billion in the technology area. And our focus now remains on delivering that stable and capable platform so we get more of those improvements to drop to that bottom line.

Technology & Development

On the technology and development front, digital technologies, for example, the predictive maintenance leading the way and have delivered that $0.2 billion today. Some other examples, bulk ore sorting - testing and early rollout going well. The El Soldado plant shows about a 10% reduction in energy and water intensity for that operation. Full scale units are now being installed at Mogalakwena, Barro Alto and Los Bronces and expected to be fully operational within 12 months. Bulk ore sorting also allows us to process more accurately by discarding some of the lower value ores before we put them through the plant. Also resulting in energy and water savings per unit processed as well, and ultimately that can drive a 5-10% grade uplift, which flows through to production and a 3-4% unit cost improvement. With bulk ore sorting, we'd expect to see initial benefits to EBITDA of probably $0.1-0.2 billion per annum with a very strong run rate emerging post that.

Another example, the coarse particle recovery. First full scale plant again now installed at El Soldado. Through separation of concentrated ore at a higher particle size, that saves around 30% in energy and crushing, and greater water recovery in terms of reuse from tailings up to a 50% benefit in water usage. Combination of those factors can drive a 5-10% production increase and up to a 5% reduction in unit costs. We believe that this technology is applicable across as many as six of the Group's key assets, including Quellaveco and we've announced the approval of that project today. Limited benefit by 2022 but will potentially drive EBITDA benefits rising over time to around $250 million per year.

Project Delivery

Now I've already touched on the growth pillar so I won't re-go over that, but again, just to confirm, we remained on track for that $3-4 billion target improvement by 2022 that we first committed to back in 2018.

Balanced and Disciplined Approach

Our story remains consistent. It's all about balance, returns - continuing with the $6.1 billion in dividends and buybacks since 2017, the balance sheet remains strong. Our commitment to discipline remains while we deliver this value-added growth of around that 20% level through to 2023. That in turn drives our margins into our target range of 45-50%.

Positioned for a Sustainable Future

Mark Cutifani

CEO, Anglo American

Now we'll look more broadly and forward across the business.

Diamonds – Strong Fundamentals

On diamonds, at an industry level, the fundamentals continue to improve. Our views on a positive recovery are simply built on industry fundamentals and the associated buying behaviours of our customers. First on demand. Demand has been steady and the outlook looks pretty encouraging. So, given long-term and most recent experience, we expect demand to continue to follow global GDP and, perhaps more importantly for luxury goods, personal disposable income (PDI). Both GDP and PTI are expected to grow by around 3% per year over the next decade as the middle classes grow in size and their aspirations grow, as we better target advertising and key customer segments. In China, currently the second biggest diamond market after the US, Chinese middle classes are expected to purchase around $1 billion worth of diamond jewellery over this same period. Globally, the demand profile is shifting towards female self-purchasing, now making up almost one-third of diamond jewellery purchases. And the continuing shift in focus on branding and provenance is something De Beers has led for many years.

On supply, looking forward in terms of natural diamond production, it's generally agreed the industry is on a flat to declining production trajectory. There has been a lack of significant kimberlite discoveries most recently, and that's on a global basis. In addition, some 15% of existing supply by volume has been taken off-stream or has reached the end of its mine life. The combination of growth in consumer demand for diamond jewellery and the flat to declining production points to good prospects for the diamond industry, both in the medium to longer term. Certainly, we expect the recovery to continue in 2021 off those fundamentals.

De Beers – Focusing Across Value Chain

On De Beers and our branding story, and this has really been the most significant part of Bruce and the team's work most recently, we're building off the De Beers' brand and tailoring our offering to target segments. That is the key to the driving price for only-the-best philosophy that we have in De Beers.

Our drive towards a longer-term margin improvement was built from our Covid response, with the accelerated business transformation necessitated by our stark first half reality. Being a key player in driving the necessary modernisation of the business models, with more efficient inventory management, increased online purchasing and growing consumer desire for products with demonstrable ethical and sustainability credentials, including an enhanced appreciation of the natural world, really had been key considerations in the evolution of our change model. These are all messages that are resonating and consistent with the Anglo American and De Beers branding positions. The De Beers' focus on continuing cost reduction reflects what all good businesses should be doing. Shortening production to customer times, increasing our own jewellery business offerings and premium brands, are also all part of a strategic remaking of the business, all connected through digital technologies in mining, processing, cutting, selling and tracing. Bruce Cleaver and Tony O' Neill, in terms of technology application, are joined at the hip.

Consistent with our De Beers strategy, our Lightbox strategy for lab-grown products has also been an important part of our strategic approach to different market segments. De Beers is all about natural products that reflect and recognise every natural diamond is special, one of a kind, the measure of a personal commitment on most special personal relationships. On Lightbox, a fun, fashion, lab-grown product with growing discounts now around 60-70% compared to the natural product and from our point of view, a good market to be in, but certainly a different market to the naturals. And whilst that's not a simple to-market piece, what we are seeing is the differentiation of those two segments in people's mind increases over time. And Bruce and the team are very sensitive to make sure that the messaging is right in both contexts.

PGM Prices – Reflecting Strong Fundamentals

On PGMs, we have another sector with strong fundamentals and a great long-term potential. Obviously, the news from Russia overnight probably increases the short-term potential, given palladium and nickel impacts. PGMs pricing is also being driven by strong fundamentals on a broader basis. The strength in demand with mixed supplies resulted in a 50% increase in the PGM basket price in 2020. And this strength in pricing has obviously continued into 2021.

On the demand side, ever increasing emissions standards is crucial for the auto industry and means higher loadings of PGMs. We believe a 40% increase in loadings in 2029 is quite possible. In particular, tighter emission standards in both Europe and China are driving demand for palladium and rhodium - both are currently in deficit. Palladium is expected by many to remain in deficit for at least two to three years, even after taking into account a 10% substitution to platinum. That's not a bad thing - we're happy to see platinum pick up more market. But again, when we look at platinum, it's the all-rounder PGM. The diverse range of other demand sources continued to emerge; food storage, glass making, 5G technology being some of the examples. The key point here being that these are young metals with unique properties, the full application of which is still being understood, and we're not standing back waiting for others to recognise potential applications. Through the AP ventures fund, we're investing in the development of PGMs for new applications to unlock their full potential, which, for example, we think will be a key for a viable hydrogen economy. And by the way, the AP ventures fund has to date raised $325 million of our $100 million seed funding. And so we're very excited about where we are and what the potential is in the industry.

Well Positioned in the PGM Industry

And on the supply side, there are very few near to medium term supply growth options across PGM production. At the same time, currently minable assets are depleting and with PGM processing capacity at a premium, we're in a massive strategic position with more than 50% of the world's ex-Russia smelting, refining and associated base metals refining capacity. And in the longer term, producers are unsure whether to expand production until they see more evidence of BEV market growth and hydrogen developments. And certainly from our perspective, hydrogen today is a real conversation and moving quicker by the day. And while we don't have to worry about the decisions on putting more capital into new downstream processing capacity, as we've already got the lion's share, we can build out incremental mine opportunities while debottlenecking and squeezing better margins from a full value chain position. And it is unique in this industry.

The result? It is likely price will continue to do the heavy lifting in what is a constrained market. We have a great business with highly competitive and improving unit costs of around $700/ounce, which supports a 70% mining margin across our basket of PGM products. The remarkable point to note, after a very tough year, we have still delivered a record financial performance. And we have no debt in the business and we have a 70% mining margin as we stand today.

From our point of view, we have a unique position in what is shaping up to be a long-term strong contributor to the portfolio.

Portfolio Positioned for a Sustainable Future

Talking about portfolio, our future-enabling commodity mix, alongside quality with diversity, are positive differentiators in our industry. Consumer-driven demand for diamonds, crop nutrients and PGMs, and environmental themes and electrification driving demand for our copper, nickel and again, PGMs, contributes to the hydrogen economy, are all big positives for Anglo American and our portfolio. And our iron ore and met coal assets are high quality, both physically and chemically, and therefore desirable inputs for steel mills and, in particular, future green steel mills. And for those that understand with high iron ore values and low deleterious elements, the green technologies are far more efficient, the higher quality the iron ore feed. So we are uniquely positioned in that market as well for the longer term.

And for generalist investor, our mix across these high demand growth sectors is not just for the next five years, but for the next 10 to 20 years. From our point of view, positioning the business through 2040 is something we've been thinking about and doing for the last few years.

Active Route to a Greener World

Our role in making the world a better place is the way we think about a number of the issues that we're working through and making sure they connect with good performance. Our technology push, led by Tony, and in partnership with our business leaders, is part of why we've been able to commit to making the business carbon neutral by 2040, earlier than most. But we think that this is the right timeline, as it will continue to drive our ESG credentials while supporting our relentless push down all of our cost curves.

Importantly, it's more than a target. We have plans to get there, and we have plans to get eight of our sites to carbon neutrality by 2030. And as you know, we've contracted to be on 100% renewable power in Chile and Brazil by 2021, with solar and wind initiatives. And in Peru, we are already working through the same options for the Quellaveco business.

On our planned exit from South African thermal coal operations, I'm pleased to report we're making good progress with the preparation work on the demerger option certainly available to us probably during the course of this year. And if we do see a trade sale option emerge that we think has merit, we will still look at that, but certainly on the demerger option, we're well advanced, and in a good place to continue the process and announce something during the course of this year.

And on Cerrejón, we also intend to exit our one-third stake certainly within three years, but obviously we've got two partners that we have to work with to make sure that's done the right way.

Ambitious and Holistic Carbon Strategy

Talking to carbon reduction and turning carbon reduction into a competitive advantage is something we recognised back in 2015. Tony and the team are working on the options with our corporate relations team, we've been thinking through the technical issues – and that's been led by Tony – and how we set the business up to connect with our communities. You've heard about that decarbonisation strategy and how it applies to the operations. We think 2040 is a challenging target, but it is deliverable. We have a plan to deliver. And while we don't want to get caught up in the conversation around Scope 3 emissions and what we call the carbon reduction arms race, we believe the target that we have is appropriate and reflects the actions we're putting in place, which will also improve our competitive position.

Now on Scope 3 emissions, we make a few simple observations. First, our Scope 3 work has helped us understand more clearly the carbon intensity of our value chain. And the one thing that is clear is there are many different ways of calculating the numbers. Now, off the base that we've used, we understand that, for example, thermal coal represents around 25% of our carbon emissions. So, obviously, an exit from thermal coal over the next three years would impact our reported Scope 3 numbers in that order.

But we also point to our work on Scope 1 and 2 emissions where the technical work will also impact adjacencies, how we connect with our communities. And we also think there are credits both in supply chain terms of what we're doing at the community to further impact our scope 3 emissions.

In the steel industry, you've got met coal and iron ore, and again, they represent the two other most significant areas in terms of our Scope 3 emissions. For iron ore, it represents somewhere around 45-50% of our reported Scope 3 emissions. And the industry tells us, they'd expect to have green steel production making up about 50% of the world's steel supply by 2040. And you can apply those assumptions across and do a read across in terms of our iron ore business, remembering that the products we produce are favoured in those new technologies because of the high quality, then you start to get a sense of what we think we can do in iron ore.

In met coal, the really important point to note is that at the moment we don't have a significant alternatives that we can replace existing technologies in steel with very quickly. So based on what we think, the direction of travel and the timing it would take to do those conversions through the steel industry, that timing would be far longer than the life of our met coal assets. So, what we're thinking through is how do we continue to make improvements in those businesses and make a meaningful contribution to our partners in the industry, but at the same time, continuing to improve our carbon position.

We don't think it's right to just think about depleting assets. We don't think that's the right way that we should be working. We should be thinking of all the areas we can improve. We're working through that and we'll keep you posted on how that thinking is all coming together over the next 12 months. We've got our sustainability update in April; we'll, again, update at the AGM and continue to update you over the next 12 months. And the one thing that I think is important to note, the credibility we've built on how we're attacking the Scope 1 and Scope 2 issues is the same approach we're dealing with Scope 3. And again, when we come with the final positions and targets, it will be thoughtful, it will be backed by a plan, it will be supported by the technology and how we believe we should shape the portfolio to the future. And as you know, the work we're doing today is all about the future, and certainly the positioning of our portfolio in the long term.

Re-Imagining Mining to Improve People’s Lives

I want to step back and reflect on purpose again. It's founded on the delivery of sustainable returns to shareholders, employees, and our broader business and societal stakeholders. And so to re-imagine mining to improve people's lives is not something we just say, it is what we believe we must do as a business, both through the value that we contribute to our host communities and society, and also in the why we're providing basic materials that enable the world to be sustainable in all of its dimensions.

We keep our targets pretty simple. We target a better-than 10% free cash flow on capital employed. And that's after making sure we're replacing depleting resources and reserves as the prime measure of our effectiveness as business managers. To measure the efficiency, or how we got that free cash flow, we measure return on capital employed in the range 15-20%,. And then we have our seven performance pillars that look at safety, health environment, our competitive cost position in each of our target markets. And as a business, how we've set the balance sheet up to be flexible, as Stephen has described for you today. And that's the focus of everyone within Anglo American, and everybody has a responsibility to make sure every day, we’re moving closer to hitting those targets consistently and improving those numbers on a day-to-day basis.

Our Investment Proposition

Finally, just to remind you of our investment proposition, and it's pretty simple: we have the assets; we have the people; we have delivered industry-leading returns since 2013, around 16% a year; we have set the foundations to outperform through 2030 and beyond; we've got the portfolio and we're in the right businesses to continue to improve that performance.

With that, we'll pause for questions.

Q&A

Jason Fairclough (Bank of America): Technology - I was just looking through your slide 49. Stephen mentioned this coarse particle flotation retrofit at Quellaveco: 3% improvement in recoveries over the life of the mine - now, to me, that's huge. Why aren't you pushing this out at other properties as fast as possible? Why can't you be more agile with these technology initiatives?

Mark Cutifani: Each ore body is different and so the approach has to be different. So with that, I'll hand across to Tony and he'll give you the real technical story.

Tony O'Neill: Across the company, we've got a number of sprints and the technology, what we found with these sprints, is that we are able to move it much, much quicker. We've got other stuff we haven't talked about, for example, microwave technology that we're about to trial. We've got heap leaching technology that's really quite amazing. I think the rate limiting step for us at the moment is basically getting approvals through the statutory side of things. The guys in copper have had days with the Chilean government people, and they've been fantastic. We've just got to see that now manifest into an accelerated approval process, but it's the rate limiting step at this point.

Jason Fairclough: So in terms of some of the other properties, you're saying that you're putting it in place at Mogalakwena and then the potential rollout at Los Bronces, maybe even Collahuasi. Can we be talking about a 3% improvement in recovery at these other properties, or it's not going to be quite as beneficial?

Tony O'Neil: It really is, to Mark's point, horses for courses, it's certainly in the design at Mogalakwena. At Los Bronces, we'd actually in the initial phases, put it down at the Los Tortolas (flotation plant) end. So it's different dependent on each site.

Mark Cutifani: Tony, is it fair to say that in some cases we might go for a little more volume versus recovery because that's a more effective outcome depending on the ore body capacity?

Tony O'Neill: Yes, that's correct. I think the other part, just on CPR, apart from the value, in May this year, we will have a new tailings dam trial commissioned in El Soldado. It's key for us, not only for value, but moving away into engineered tailings dams. I's a key part of our strategy and we're driving it as hard as hard as we can.

Alain Gabriel (Morgan Stanley): First, on current spot prices, you would almost be debt free by year end. Is your dividend policy up for debate internally and are you looking to make any changes to your pay-out to match that of your peers, in spite of your superior growth profile?

Stephen Pearce: We're comfortable with the base pay-out given, let's call it yesterday's realistic expectation of prices, but that doesn't mean that we can't – and in fact we do - at any reporting periods stop and consider as part of our capital allocation cycle any other forms of additional returns to shareholders. You saw back now 18 months ago, July 2019, we announced the $1 billion buyback. So it's something that we do think about. It's something that we actively discuss and something that we actively consider. If prices continue then obviously that challenge becomes nearer term, even with the growth spend, but I'd probably see that as being in the form of some sort of special return above the base, remembering the beauty of the pay-out ratio is that that also increases in terms of amount as profits increase. And so 40% of a couple of billion is bigger than 40% of $1 billion. So it naturally adjusts, in addition to considering additional returns.

Alain Gabriel: On the PGMs business - you've touched on the issues that have been faced by some of your competitors in Russia. If these issues eventually turn out to be more frequent or structural, how is that impacting your thinking around PGMs, do you have scope to accelerate some of those projects? How do you think about the business holistically in that context?

Mark Cutifani: Firstly, we don't know how structural the challenges are. Obviously, the processing side is more readily fixable. The mining side - I don't have better information than you at this stage. It's an issue for the industry because what we don't want to see is PGMs race away too far in terms of pricing and encouraging alternatives. But certainly in terms of application, the PGMs suite are attractive for a whole range of reasons, rhodium, for example. So, we're watching it carefully.

On our ability to accelerate - we are already improving and increasing Amandelbult. Mogalakwena - you know we've got incremental improvements planned. And those things have to be planned out carefully because we've got communities that we've got to make sure that we've got good relationships as we grow the business. And we've got other assets there, that we're ticking over. So we've got the ability to accelerate and go bigger, but we still think it's a bit too early to call anything big. And from our point of view, probably best to continue debottlenecking and improving the processing operations and making sure we're getting the best bang for our buck from our internally sourced products by getting our costs down.

So, we can build and improve, but we'll watch the market and look for a few more signs, but certainly very encouraging at the moment.

Jack O'Brien (Goldman Sachs): We are seeing moves from some jurisdictions, potentially making mine development more challenging. I was just wondering from a business risk perspective, whether you see that applicable to any of your jurisdictions, whether that's something that keeps you up at nights and is a meaningful, risk for Anglo?

Mark Cutifani: It's something we always think about. We really pushed the sustainability agenda hard from 2013/2014. We built the technical team under Tony and we built the corporate relations team under Anik because we thought they were two critical areas for the future that you had to get right and you had to make sure that you were connecting well with communities, regional governments and federal governments. The Living Mine concept that Tony's been talking to (and for those that know the Eden project you'll have a sense of what we've got in our heads there) and Anik's work on Social Way and making sure those two pieces connect is a really strategic approach to making sure we're developing partnerships, and we don't have this old paternalistic management approach to managing communities. I mean, you don't manage communities. You have to partner with communities, whether that's on heritage issues or whether that's on mine development, or whether that's the work we do in the communities in developing jobs, and our sustainability targets on being a catalyst of five jobs for every one job on site. If you're not doing those sorts of things, you're going to have lots of problems getting your projects away.

Look at Quellaveco as a good example. Peru has had a history of challenges and I think so far, Tom and the guys have done a fantastic job in connecting with the local communities.

That's the sort of stuff you have to do to be successful. So it's a big issue. It's a long-term issue and you really have to treat it as a very strategic issue from our point of view.

Stephen Pearce: If I might just add, it can be underestimated a little bit, the ease of bringing on additional projects or supply, because it does take time to work through, as you say, with a big community or, as Tony mentioned, permitting with authorities. And that could be a rate limiting factor on the supply side as we go forward.

Mark Cutifani: Yes. We think that's a big issue - 15 year timeline to get a new project up.

Jack O'Brien: With a potential new constitution in Chile next year, and Biden (I know that more relates to oil and gas) but it just feels like things are getting incrementally harder.

You mentioned at current spots, 2021 earnings look pretty good, obviously your balance sheet's in a good position. Some very interesting initiatives. What are the things that you are most concerned about from a risk perspective, if at all?

Mark Cutifani: Somebody asked me the question about resource nationalism the other day. I don't worry too much around resource nationalism in terms of the relationships we have. We've got a diversified portfolio. That's a big advantage, geographically diversified, and we continue to improve our relationships in most of those jurisdictions, but we've still got a lot to do.

What worries me for the industry is where we have incidents, whether it's a safety issue, whether it's an environmental issue, whether it's a heritage issue, these sorts of things tend to harden up regulators in dealing with the industry in an open and constructive way. So, we've all got to do better, connect better and help communities understand what we actually do in society. A lot of people don't realise that the mining industry drives 45% of the world's GDP; 10% on a direct measured basis, another 10% through the services that we use to provide the products we produce, and then we drive industry's ability to be more competitive. And people don't understand that you need copper and nickel and all of these things to decarbonise the world's economy.

So, we've got to get our message out there much better than we have. Our faith-based work, for example, is about getting to 2 billion people that are really influential with NGOs and helping them understand what we're trying to do and how we're trying to partner. And we're changing the nature of global conversations around mining. We all have to do it, or the world is not going to be an easy place to live without mining. And we have a commitment and dedication to make sure we get the story out the right way.

Chris LaFemina (Jefferies): You've talked about an operational strategy, which is about bringing online incremental volumes at low unit cost and moving down cost curves, generating high returns over the long haul, which is obviously a smart way to run the business. But if we're in a multi-year period of very high commodity prices, is it okay to bring online capacity that might be much higher on the cost curve? And if so, where is their operational flexibility for Anglo to potentially capitalise on this period of very high prices?

Mark Cutifani: We remain really sensitive to bringing on high cost capacity. We wouldn't go out and buy new capacity at high cost because we think longer term that's a false economy. There will be volatility. We know our resources, we understand how to get the best out of them. And we do things like the UHDMS project at Kumba. Kumba used to be really high cost, used to cost us $77/tonne breakeven cost into China. Today, it's in the thirties. So we've halved our costs and we've got the ability to bring on new technologies to get more production. And those are the sort of smart things we can do.

Tony O'Neill: It's really about value. We look at the ore bodies' rate per hour or dollars per hour, how do we push more through the whole system? Things like bulk ore sorting (which is now effectively handed over to the business units and it's for them to include it in their businesses), the microwave technology, the CPR etc are all about fundamentally shifting the rates up, where possible, probably up 20-25%.

We concentrate on that. We've got a really good strategic understanding of our ore bodies. I think it's important that we, to Mark's point, keep our discipline and in previous cycles, we've seen everyone blow their heads off. If we can keep our discipline, push through these extra tonnes where we've got them, then I think it helps us reposition further again.

Mark Cutifani: We don't want to add too much volume a market and take the steam out of it. What we're trying to do is be smart in the why we allocate our capital, get the best returns, hold our margins, and at the same time, keep an eye on when things will turn the other way and not get caught. That's a really important discipline to keep in the business. We're keeping our feet on the ground.

Chris: If we're not talking about any significant changes to the strategy, it looks like you'll be generating enormous amounts of free cash flow and the balance sheet's already strong. This question was asked earlier, but just to follow up on this in terms of capital allocation, should we expect surplus cash flow to just be returned to shareholders? Is that going to be the model going forward or is it possible that you start to invest more aggressively in the business?

Mark Cutifani: Well, let me take Stephen's word: balance. We think too many times in our industry, we forget about that word and it's really important. So we're investing in the right things: Quellaveco; we saw a great opportunity in Sirius - and we're certainly very pleased with what we've seen so far; and we've got a pipeline of opportunities that we're sequencing. We're not looking to jump all over the place. We're going to keep that discipline. If we do see an opportunity out there, we'll look at it, but we've got to think long and hard about where it fits longer term. We're not going to do short-term stuff. That doesn't make sense. So we're going to keep the discipline, keep the strategy. And as Stephen said, he is making sure that capital discipline or allocation's right. And we're very happy to return money to shareholders on the basis that they seem to like it!

Stephen Pearce: It's hard to hard to add to that Chris, from my perspective, when the CEO and the technical director are talking balance and discipline, my job is done.

Liam Fitzpatrick (Deutsche Bank): Before 2019, De Beers was generally averaging around $1.4 billion in EBITDA per annum. Given what you're seeing today in terms of the demand recovery, is there any reason that you're seeing why De Beers doesn't reach or exceed that type of level in 2021?

Then, I know today everything looks very bullish and it's going well in terms of cash flows etc, but a lot of investors still view Anglo as a relatively complicated business. You've got two subsidiary listings in SA, there are large minorities through the Group etc. Do you, as a management team, believe these complications impact the Group in terms of its rating? Is there any current thinking or plans on how you could simplify going forward, whether that's through divestments or consolidating minorities? And I'm thinking beyond the coal divestments that you've already mentioned.

Mark Cutifani: Firstly on De Beers, Bruce and the team have the same cash flow return and sustainability targets we have across the company and they compete for capital. And certainly, we expect with the new strategy, Bruce should be able to deliver beyond those numbers that we talked about, the $1.4bn – he's certainly got a higher target than that. But at the same time, you've got to be careful in forecasting how quickly the business recovers, which is something we'll watch carefully through 2021. I think his strategy's right. I think the focus on understanding and playing to our branding strategy, which is something that we've rebuilt after we got the De Beers brand back in the stable, I think that was a really important strategic move. The success of Forevermark, the success of the work he's done in China, the work on Lightbox and differentiating between the naturals, I think they're all things that will help us get back to those numbers and better. And certainly that's where we're taking the business. We're very excited by what Bruce is doing and the hard yards he's taking at the moment. I'm very confident and a big supporter of what Bruce and the guys have done.

In terms of complexity, one thing that we would certainly like is for some of those relationships to be a little bit easier, but at the same time, we're not about to go and do something on the sake of just doing it and blowing value. So, we have all of those types of issues on our radar and there are certain things we'd like to simplify. So there's no doubt about that. Making it an easier entity to analyse is very important to us. That's why Paul's put his business on a page (slide 37 in the appendix). We had great feedback in helping demystify and making it a lot simpler, but there's a lot more stuff we can do. It's all on our radar, but at the same time, we look to do those sorts of things for value and in time we'll get there.

Stephen Pearce: Obviously the diamond market is coming back nicely at the moment, but we do remain cautiously optimistic through 2021. I would love it if De Beers got there in 2021, but really getting back to that level's probably a multi-year journey. Hopefully, stability and profitability comes back to that to that market, but certainly those targets are there over a number of years to meet and exceed those previous profit levels.

I'm a big fan of simplicity in capital structures and yes, we are somewhat complex. We've halved the number of assets, as everyone knows, over the last five to seven years. We continue to look for opportunities to simplify, but as Mark says, it's about discipline and value and they are paramount in anything that we would consider.

Liam: Is it fair to say that any kind of simplifications from here are more about structure and minorities, rather than shedding more assets?

Mark Cutifani: Yes. We like the portfolio. There's always a process of renewal and improvement, so that won't change, but we're pretty happy with what we've got, generally. We can always incrementally improve and we're growing in different areas. But there are certain things we understand we can do to simplify things. But some of those things occur naturally over time, so we don't need to rush, but we certainly are focused on those types of opportunities and we'll get there as quick as we can.

Sylvain Brunet (Exane BNP Paribas): Working capital in diamonds - with a strong catch-up in De Beers towards the later part of the year, the 5% price increase in January, it looks like conditions are probably stronger than most of us expected. Is there a case where we could expect a faster unwind of inventory in the course of H1 already?

Reflecting on your slide 27, where you showing an increasing loadings with EU 7 and China 7 standards coming by 2025. If you could help us understand if some PGMs are going to be impacted more than others? Is it more of a rhodium, palladium story, which would explain the restock we're seeing at the moment? Or would you say those standards would impact all the three of them in a symmetric way.

When we look at the source of emissions, fugitive methane emissions are a pretty big share of your Scope 1 in met coal. I know the coal exit strategy is mainly about thermal, but if you want to stay ahead of the curve, is this not a time to also consider met coal as a little bit more problematic than it's usually perceived. Obviously you had some operational issues at Moranbah, we're seeing China pushing back on imports - I'm just wondering whether it is still worth deploying technology, capex and time in a business which is facing so many headwinds.

Stephen Pearce: We finished the last quarter last year reasonably – with some good Sights and therefore good volume pull through. And as you say, that continued through Sight one and hopefully through this first quarter. So I would expect any of that excess diamond inventory to largely have worked its way out of De Beers through that first quarter and we're on track to do that at this stage. The focus for us on working capital then largely moves to the PGM build-up that we've had. The team have done an enormous amount of planning out over the next 12 plus months, but that will take us a little bit longer as we see it today, but we continue to look for opportunities to unwind that working capital as well.

Mark Cutifani: On PGMs - there's also iridium now in the mix as well. We produce around 100,000 ounces of iridium and the price I think it's up near $3,000/ounce now – which is used in hydrogen production. So all of these things are becoming quite interesting as the vehicle emissions are being dealt with and we're getting the hydrogen economy - multiple demand sources are really important. Whether the PGMs will be impacted in a symmetrical way will depend on price. I think platinum will still be increasing its substitution across on palladium, albeit that will take a bit of time. Rhodium at $20,000-25,000/ounce, worries me a little on the demand side. Because of its ability to clean NOx emissions at low temperatures, it remains a favoured technology, but on those sort of numbers, I think the pressure will be to pull it back. At around $10,000-12,000/ounce, I don't think there's an issue for rhodium, but $25,000 it's a bit high.

So depending on the price you're assuming, I think there will be some asymmetry, which will probably favour platinum's demand as we go forward. And the other two will adjust based on the relative prices between the three. So your guess is as good as mine as to how that'll play out, but that's how we see it at the moment.

On met coal, you're right in saying methane emissions are the thing we're focusing on.

Tony O'Neill: We are working on vent air methane. We currently burn a percentage of that, but we are looking at technological approaches to actually lift our rate of destruction to a much higher level. The early days are promising. But it's a little bit too early at this point to call exactly how that will pan out.

Mark Cutifani: About whether we should continue to invest in met coal, from our point of view, all the businesses compete for capital, and we've got some great assets on the ground. So, we'll nurture those assets and make sure that we get ourselves back up to full rate. The business generated, I think, about $5.5 billion free cash flow since 2016. We'll get it back up there, it'll probably take us the best part of this year with the Grosvenor restart and Moranbah. Certainly, it is a great business. It is worth the effort, certainly the returns are there. We've got a great team, probably the leading team I think in Australia in the coal industry.

So yes, we're still there, we're going to stick with it. We're going to stick with the plan. They've done a good job. It has great earnings potential, and we've posted a pretty good set of results without much from coal. So Seamus and the team will come roaring back in the next year.

Ian Rossouw (Barclays): You mentioned a comment about the community relations and you're not where you want to be. Could you provide a bit more colour on this and what do you need to do to fix that? Then related to that, your PGM assets, you've gained credits from most of the assets you've sold now, but your key assets now are 100% owned. Are there plans to involve some of the communities in some of these assets, sharing in the asset equity stakes?

On Cerrejón, it seems like the process is taking a little bit longer than what you alluded to previously in terms of the exit there. What's causing that delay? Now that you've given an intention to exit that asset, I wanted to get a sense of what your obligations and rights are within the JV, whether you need to, inform the partners and what the process is.

Mark Cutifani: So, on communities let me make a different point. We don't believe as an industry, we've done a terribly good job with communities and that we all need to lift our game. For those that attract our faith-based engagements and some of our other community engagements, and if you're aware of the courageous conversations stuff that we've sponsored in South Africa, it's all about being respectful of people's values, their beliefs, and making sure we connect with them in a way that's meaningful. So, in South Africa, we're on a journey with our communities. In some cases, our relocations have gone pretty well. We've just about finished up and tied up the Dingleton move. We still got some more difficult moves where I think we've got about 37 residents left in a move adjacent to Mogalakwena, and we're making progress, but we've got to do a lot better. And in relocating, we've got to make sure that we're rebuilding people's ability to earn a living or make a living in terms of where we go. And I don't think we've done that terribly well.

So, we're improving all of those things and the commitment to the Social Way 3.0 is all about taking that up another level. I'm making an observation, as part of our industry, that we've got to do a lot better. And at the end of the day, if you think about it we drive so much economic benefit across the globe. But when you look at the communities we impact, who bear the brunt of what we do, it makes up about 2-3% of the world's population. And I don't think they get a terribly good deal from governments or regional leaders as well, and/or from us in terms of the way we connect and work with them. So we're trying to improve that. And our commitment to catalyse five jobs for each job that we have on site is about doing more in those communities. And as well, it recognises the digital technologies coming towards us.

We're trying to get ahead of those curves and trying to make sure we improve all of our operations. I'm not singling out one operation - we've got to do it right across the board, whether that's in Australia, around Moranbah, whether it's around Mogalakwena, whether it's around Sishen, or whether it's around Venetia in northern South Africa. But we're working hard on it. And as Anglo American, with our Social Way package, I think it certainly is quite a unique package across every industry, but it needs more.

Myles Allsop (UBS): PGMs and, in particular, rhodium and palladium, what we've seen over the last six months, is a massive acceleration in battery electric vehicles, and it looks like it's going to continue to positively surprise. But what sort of penetration of BEVs do you think becomes an issue for rhodium and palladium, where there is no alternative end-use?

Mark Cutifani: I think hydrogen will certainly be a beneficiary on the larger scale transportation industry. That's good news from our point of view, particularly with platinum. In terms of palladium, we still see pretty good demand in the next two or three years where the industry will be short, but then we think it starts to balance off and platinum becomes the outperformer. So our estimate is probably about three years away.

Rhodium has got a broader jewellery application as well and has got other uses in terms of abrasion and other physical characteristics that support its broader use. Around that two to three year period, we think palladium starts to drop away in price compared to platinum, but we think platinum becomes quite a beneficiary, particularly from the hydrogen industry. And then my view is that there'll also be reconsideration of palladium in a whole range of other areas, and there's a lot of good work going on in battery technologies as well.

I don't think the game's played out yet. I don't think people fully appreciate where the demand may come from. And I think it's a really interesting space at the moment, certainly in terms of what we're learning from the research work we're doing through our venture capital fund.

Dominic O'Kane (JP Morgan): In the context of your slide 32, with the targets of free cash flow and return on capital employed, how does yesterday’s relaxation of currency controls, which is clearly what you've been talking about for years, change your attitudes to investing in South Africa? Clearly, you have some great expansion options, great deposits in South Africa. How should we think about your appetite for greater investment in South Africa in the long-term? And equally to your comment on the minorities, does the removal of those exchange controls make it more value accretive to start to look at increasing the minority stakes there rather than upstreaming of dividends from South Africa?

Mark Cutifani: I've worked in or with South Africa since 2007, and the single most important issue in terms of investment in the country has been exchange control. With that announcement and with what we've done in the last 12 months, I think that's the single most important strategic issue for us as a Group and it makes South Africa one hell of an attractive investment. Even with its challenges for the mining industry, you've got a maturing leadership regime - the financial team understands the importance of attracting foreign direct investment. And this is a critical step. For us, absolutely key. For those that talk about two balance sheets, forget that conversation. There's only one balance sheet in Anglo American today. The move is quite significant and strategic and, whilst all countries have got their issues, South Africa has made another important step in making itself an attractive destination for FDI, and it's going to be important in terms of their growth in the future.

Stephen Pearce: Hard to add too much except that we've always had great working relationship, both with the Reserve Bank and with the National Treasury. You've seen what we've done progressively over time in terms of additional flows and returns to shareholders out of South Africa. But, as you say, I think a great step for the economy going forward in their ability to attract capital in. And we're no different as we consider that decision. As you say, you want to have as safe and consistent set of fiscal regimes as you can, as you consider different projects. So, I think it's a terrific step forward for the country and we happen to benefit from that as well.

Mark Cutifani: One thing, I didn't answer the Cerrejón question earlier. I should just make the point that we'll wait for Gary Nagel to get his feet under the table [at Glencore] and work out where he wants to go, but hopefully we'll be able to resolve something in the next 12 months with the two partners on Cerrejón, but we have to wait and see.

Paul Galloway (Anglo American): Audience, thank you very much indeed for your time and your patience this morning. It was a slightly longer presentation than previous. There were some key messages that we wanted to try and share with you. As ever, if there is anything that Investor Relations and my colleagues can do, then you know where we are, please contact us - we'll be delighted to try and help.