

YEAR END FINANCIAL REPORT

for the year ended 31 December 2019

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20 February 2020

Anglo American Preliminary Results 2019

Continuing delivery underpins 9% increase in underlying EBITDA to \$10.0 billion

Mark Cutifani, Chief Executive of Anglo American, said: “We continue building on the fundamental structural and operational improvements we have embedded across our business. The result is founded on high quality, low cost, world class assets. We have also benefited from product and market diversification, with strong precious metals and iron ore prices offsetting weakness in diamonds and coal, generating a 9% increase in underlying EBITDA to \$10.0 billion, a 19% ROCE and a Total Shareholder Return of 31% for the year.

“We continue to invest in high quality, value-adding growth projects across the business, including in copper, diamonds and metallurgical coal, which will drive our volume, margin and cash flow growth over the medium and longer term. Combined with our share buyback of \$0.8 billion during the second half of the year, net debt at year end was less than 0.5x EBITDA and we continue to maintain a strong balance sheet through the cycle.

“The safety of our people is always front of mind. It is tragic that we continue to experience serious safety incidents, in which four of our employees died at managed operations in 2019. And while 2019 was our best safety performance in our history, our progress strengthens our determination to deliver on our commitment to zero harm. Across the business, we recorded another all-time low injury frequency rate, representing a 17% improvement compared to 2018 and a 59% improvement over the last six years.

“At the heart of our operational performance is the improving stability and predictability provided by our Operating Model. We are also starting to see considerable further efficiency and productivity benefits through our P101 programme to deliver additional value from our equipment, our key processes, and our FutureSmart Mining™ approach to technology, digitalisation and sustainability. Compared to 2012, our productivity⁽¹⁾ has more than doubled and unit costs have decreased by 29% (nominal basis), driving a 12 point increase in Mining EBITDA margin⁽²⁾ to 42%.

“Underlying cost and volume benefits were \$0.4 billion – adjusted to \$0.1 billion on a net basis to reflect external factors, including the drought in Chile and Eskom power disruptions in South Africa. Since 2012, we have delivered \$4.7 billion of annual underlying EBITDA improvement and have the plans in place to add \$3-4 billion of annual underlying EBITDA improvement by 2022, relative to 2017.

“Consistent delivery of underlying improvements continues to enhance Anglo American’s competitive position. We have transformed our operations and delivered significant financial uplift, while building our broad sustainability performance. Guided by our Purpose, we are continuing to reposition our business responsibly for a cleaner, greener, more sustainable world.”

Financial highlights – year ended 31 December 2019

- Generated underlying EBITDA* of \$10.0 billion, a 9% increase, and \$2.3 billion of attributable free cash flow*
- Delivered profit attributable to equity shareholders of \$3.5 billion, in line with prior year
- Net debt* increased to \$4.6 billion, equal to <0.5x underlying EBITDA, due to investment in growth opportunities
- Proposed final dividend of \$0.47 per share, consistent with our 40% payout policy
- Previously announced share buyback of up to \$1 billion: \$0.8 billion completed by year end

Year ended	31 December 2019	31 December 2018	Change
US\$ million, unless otherwise stated			
Revenue	29,870	27,610	8 %
Underlying EBITDA*	10,006	9,161	9 %
Mining EBITDA margin*	42%	42%	
Attributable free cash flow*	2,324	3,157	(26)%
Profit attributable to equity shareholders of the Company	3,547	3,549	0 %
Underlying earnings per share* (\$)	2.75	2.55	8 %
Earnings per share (\$)	2.81	2.80	0 %
Dividend per share (\$)	1.09	1.00	
Group attributable ROCE*	19%	19%	

Terms with this symbol * are defined as Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 68.

SUSTAINABILITY PERFORMANCE

Safety

The safety of our people is always front of mind. Making sure every employee returns home at the end of each day, better for having worked at Anglo American, is our vision for safety and health across the business. In this context, it is tragic that we continue to experience serious safety incidents, in which four of our employees died in work-related incidents at managed operations in 2019, in our Copper and Coal businesses.

Taking into account a number of other incidents, including two off-site commuting road accidents, we lost a total of 18 colleagues in 2019. These losses highlight how important it is for us to continue to improve the safety of everyone associated with Anglo American, including our contractors, and influencing safety good practice beyond the mine gate, including at our suppliers and non-managed joint arrangements. Each of these tragic events is devastating and we extend our deepest sympathies to our colleagues' families, friends and co-workers.

Every individual who works at Anglo American must be unconditional about safety, no ifs and no buts. *The Elimination of Fatalities Taskforce* that we launched during 2018 has now covered all our managed operations, interrogating the key reasons behind fatal incidents, and is now prioritising actions to better identify and manage critical hazards to remove and reduce potential for serious and fatal incidents.

Across safety as a whole, we recorded another all-time low total recordable case frequency rate, representing a 17% improvement since 2018 and a 59% improvement at our managed operations over the last six years. By being unconditional about safety, major safety incidents will be consigned to history, as we have shown to be possible in the majority of our working locations. The delivery of zero harm is about delivering this type of performance at every location and with every individual in the business. And while 2019 was our best overall safety performance in our history, our progress strengthens our determination to deliver on that clear commitment to zero harm.

Environment

Our environmental performance improved significantly in 2019. We recorded one Level 3 environmental incident (2018: one Level 4 and five Level 3), at the Unki PGMs mine in Zimbabwe, relating to discharge into a river. Appropriate and timely containment and remedial actions were taken.

Our sustainability goals include our commitment to be a leader in environmental stewardship. By 2030, we aim to: reduce GHG emissions by 30% against a 2016 baseline and improve energy efficiency by 30%; achieve a 50% net reduction in freshwater abstraction; and deliver net-positive impacts in biodiversity wherever we operate.

Sustainable mining

Anglo American has a long track record as a leader in sustainable, responsible mining. Our far-reaching Sustainable Mining Plan, launched in 2018 as part of the FutureSmart Mining™ programme, commits us to a series of ambitious medium and longer term goals. These relate to three major areas of sustainability aligned to the UN's 2030 Sustainable Development Goals: trusted corporate leader (i.e. advocating for the highest standards of governance to drive transparency and trust in mining and mined products); healthy environment; and thriving communities. While our environmental goals will rely on many of the technologies we are deploying, we are also thinking innovatively to create regional ecosystems of sustainable economic activity, collaborating with appropriate development partners.

⁽¹⁾ Productivity indexed to 2012 benchmark.

⁽²⁾ The Mining EBITDA margin is derived from the Group's Underlying EBITDA as a percentage of Group Revenue, adjusted to exclude certain items to better reflect the performance of the Group's mining business. The Mining EBITDA margin reflects Debswana accounting treatment as a 50/50 joint operation, excludes third-party sales, purchases and trading and excludes Platinum Group Metals' purchase of concentrate.

Operational and financial review of Group results for the year ended 31 December 2019

OPERATIONAL PERFORMANCE

Production increased by 1% on a copper equivalent basis, driven by increases at Metallurgical Coal and Minas-Rio (iron ore), which restarted operations in December 2018. These increases were partly offset by a combination of lower production at Los Bronces (copper) owing to restricted water availability due to drought conditions and De Beers (diamonds), where production was reduced in line with demand. Production was also affected by the impact of Eskom power outages on some of our South African operations.

De Beers' rough diamond production decreased by 13% to 30.8 million carats (2018: 35.3 million carats), primarily driven by a reduction in South Africa as Venetia transitions from open pit to underground and in response to demand.

Copper production decreased by 5% to 638,000 tonnes (2018: 668,300 tonnes), with higher planned grades at Los Bronces offset by production losses owing to lower water availability due to drought conditions. Attributable production from Collahuasi increased by 1% to 248,800 tonnes (2018: 246,000 tonnes), despite planned lower grades, owing to a solid plant performance.

At our PGMs business, total platinum and palladium production (metal in concentrate) increased by 1% to 2,050,600 ounces (2018: 2,020,500 ounces), and 1,385,900 ounces (2018: 1,379,000 ounces) respectively. The increase in production was primarily due to higher grades and throughput at Mogalakwena and the continued ramp-up of the Dishaba Lower section at Amandelbult, partially offset by Eskom power disruptions.

At Kumba, iron ore production decreased by 2% to 42.4 Mt (2018: 43.1 Mt), mainly due to the infrastructure upgrade of Kolomela's dense media separation (DMS) plant, with improved plant performance at Sishen in the second half of the year compensating for operational challenges earlier in the year.

Following the restart of operations at Minas-Rio in December 2018, iron ore production for the year was 23.1 Mt (2018: 3.4 Mt), reflecting the optimisation work undertaken while operations were suspended, the benefit from P101 productivity initiatives and access to the Step 3 mining area higher grade ore.

Metallurgical coal production increased by 5% to 22.9 Mt (2018: 21.8 Mt), driven by a 1.0 Mt increase at Grosvenor and a strong performance at Dawson, which offset the impact of an extended longwall move at Moranbah.

At Thermal Coal, total export production decreased by 8% to 26.4 Mt (2018: 28.6 Mt), while Nickel's production increased by 1% to 42,600 tonnes (2018: 42,300 tonnes) and manganese ore production decreased by 3% to 3.5 Mt (2018: 3.6 Mt).

Group copper equivalent unit costs were 6% lower in US dollar terms, largely due to favourable exchange rates and the benefit of the strong performance at Minas-Rio, partially offset by lower production at De Beers and Kumba.

FINANCIAL PERFORMANCE

Anglo American's profit attributable to equity shareholders was in line with the prior year at \$3.5 billion (2018: \$3.5 billion). Underlying earnings were \$3.5 billion (2018: \$3.2 billion).

UNDERLYING EBITDA*

Group underlying EBITDA increased by 9% to \$10.0 billion (2018: \$9.2 billion). The Group Mining EBITDA margin* was in line with the prior year at 42%, reflecting the strong performance at Minas-Rio, offset by diamond midstream weakness. A reconciliation of 'Profit before net finance costs and tax', the closest equivalent IFRS measure to underlying EBITDA, is provided within note 3 to the Condensed financial statements.

Underlying EBITDA by segment*

\$ million	Year ended 31 December 2019	Year ended 31 December 2018
De Beers	558	1,245
Copper	1,618	1,856
PGMs	2,000	1,062
Iron Ore	3,407	1,177
Coal	1,832	3,196
Nickel and Manganese	634	844
Corporate and other	(43)	(219)
Total	10,006	9,161

Underlying EBITDA reconciliation for the year ended 31 December 2018 to year ended 31 December 2019*

The reconciliation of underlying EBITDA from \$9.2 billion in the year ended 31 December 2018, to \$10.0 billion in the year ended 31 December 2019, shows the controllable factors (e.g. cost and volume), as well as those outside of management control (e.g. price, foreign exchange and inflation), that drive the Group's performance.

\$ billion	
FY 2018 underlying EBITDA*	9.2
Price	0.4
Diamond midstream weakness	(0.5)
Foreign exchange	0.8
Inflation	(0.5)
Net cost and volume	0.1
Minas-Rio	0.6
Other	(0.1)
FY 2019 underlying EBITDA*	10.0

Price

Average market prices for the Group's basket of commodities and products increased by 1%, contributing \$0.4 billion of improvement to underlying EBITDA. The average realised FOB iron ore price for Kumba's iron ore increased by 35%, outperforming the market index owing to its higher iron content and relatively high proportion of lump ore. The price achieved for the PGMs basket increased by 27%, largely due to palladium and rhodium, which recorded increases of 48% and 73% respectively. The positive impact was partly offset by decreases in the realised prices for export thermal coal (30%), metallurgical coal (12%), and copper (4%).

Diamond midstream weakness

In 2019, overall demand for rough diamonds was lower owing to challenges in the midstream, as a result of closure of some US 'bricks and mortar' retail outlets and an increase in online purchasing. The negative price and volume impact in the year was \$0.5 billion, compared with 2018.

Foreign exchange

The positive foreign exchange impact on underlying EBITDA of \$0.8 billion was largely due to the weaker South African rand, Australian dollar and Brazilian real.

Inflation

The Group's weighted average CPI for the year was 3%, compared with 4% in 2018. This was principally influenced by a decrease in inflation in South Africa. The impact of inflation on costs reduced underlying EBITDA by \$0.5 billion.

Net cost and volume

Underlying cost and volume benefits were \$0.4 billion. These were offset, however, by external headwinds, including the drought in Chile restricting copper production, lower sales at Kumba owing to lower domestic sales and logistics challenges, and the impact of Eskom power outages on production at PGMs. The cost and volume benefit, net of these headwinds, was \$0.1 billion.

The underlying \$0.4 billion cost and volume benefits were driven by a strong performance at Minas-Rio, with production significantly outperforming 2017 levels, and significant cost saving initiatives at Copper. This was partly offset by expected lower production volumes at De Beers, as Venetia transitions from open pit to underground.

Minas-Rio

The increase of \$0.6 billion in the Group's underlying EBITDA reflects the recovery to 2017 performance levels from the impact of the suspension of operations at Minas-Rio for nine months in 2018.

Other

The \$0.1 billion decrease in underlying EBITDA was driven by lower volumes in response to weaker demand at the Group's associate, Cerrejón, as well as Voorspoed and Victor mines (De Beers) ceasing operations. Also included are charges to the income statement in respect of environmental restoration provisions. These were broadly consistent with 2018 at \$0.2 billion, and primarily relate to increases at Copper and De Beers.

UNDERLYING EARNINGS*

Profit for the financial year increased by 5% to \$4.6 billion (2018: \$4.4 billion). Group underlying earnings increased to \$3.5 billion (2018: \$3.2 billion), owing to a 9% increase in underlying EBITDA, offset by an increase in the profit attributable to non-controlling interests.

Reconciliation from underlying EBITDA to underlying earnings**

\$ million	Year ended	Year ended
	31 December 2019	31 December 2018
Underlying EBITDA*	10,006	9,161
Depreciation and amortisation	(2,996)	(2,784)
Net finance costs and income tax expense	(2,469)	(2,265)
Non-controlling interests	(1,073)	(875)
Underlying earnings*	3,468	3,237

Depreciation and amortisation

Depreciation and amortisation increased by 8% to \$3.0 billion (2018: \$2.8 billion), owing to the impact of higher production at Minas-Rio and underground development at Metallurgical Coal, as well as the implementation of IFRS 16 Leases.

Net finance costs and income tax expense

Net finance costs, before special items and remeasurements, were \$0.4 billion (2018: \$0.4 billion).

The underlying effective tax rate was 30.8% (2018: 31.3%). The effective tax rate in 2019 was impacted by the relative levels of profits arising in the Group's operating jurisdictions. In future periods, it is expected that the underlying effective tax rate will remain above the UK statutory tax rate. The tax charge for the year, before special items and remeasurements, was \$1.8 billion (2018: \$1.5 billion).

Non-controlling interests

The share of underlying earnings attributable to non-controlling interests of \$1.1 billion (2018: \$0.9 billion) principally relates to minority shareholdings in Kumba, PGMs and Copper.

SPECIAL ITEMS AND REMEASUREMENTS

Special items and remeasurements are a net gain of \$0.1 billion (2018: net gain of \$0.3 billion) and include impairment reversals of \$1.0 billion at Minas-Rio (Iron Ore), offset by impairments of \$0.3 billion at Cerrejón (Coal) and \$0.6 billion at the export thermal coal mines in South Africa. The balance remaining principally relates to operating remeasurements and contract termination costs.

Full details of the special items and remeasurements recorded are included in note 9 to the Condensed financial statements.

CASH FLOW

Cash flows from operations

Cash flows from operations increased to \$9.3 billion (2018: \$7.8 billion), reflecting an increase in underlying EBITDA from subsidiaries and joint operations.

Cash outflows on working capital were \$50 million (2018: outflows of \$30 million). Inventory increased by \$434 million, reflecting planned increases at Copper and Nickel, as well as subdued sales at De Beers, particularly in the third quarter. Receivables increased by \$170 million, owing to stronger product prices and the restart of operations at Minas-Rio. An increase in a customer pre-payment within PGMs, reflecting increased metal prices, and the restart of operations at Minas-Rio contributed to an offsetting increase in payables of \$554 million.

Capital expenditure*

\$ million	Year ended 31 December 2019	Year ended 31 December 2018
Stay-in-business	1,656	1,617
Development and stripping	976	796
Life-extension projects ⁽¹⁾	358	245
Proceeds from disposal of property, plant and equipment	(8)	(162)
Sustaining capital	2,982	2,496
Growth projects ⁽¹⁾	847	340
Total	3,829	2,836
Capitalised operating cash flows	11	(18)
Total capital expenditure	3,840	2,818

⁽¹⁾ Life-extension projects and growth projects are collectively referred to as expansionary capital expenditure.

Capital expenditure increased to \$3.8 billion (2018: \$2.8 billion), with rigorous capital discipline continuing to underpin the planning and execution of all projects.

Sustaining capital expenditure increased to \$3.0 billion (2018: \$2.5 billion), driven by increased stripping and development expenditure at Kumba and De Beers and a life-extension investment in Khwezela thermal coal mine in South Africa.

Growth capital expenditure increased to \$0.8 billion (2018: \$0.3 billion), largely due to expenditure on Quellaveco of \$0.5 billion, net of Mitsubishi funding (gross expenditure at Quellaveco was \$1.3 billion).

Attributable free cash flow*

The Group generated attributable free cash flow of \$2.3 billion (2018: \$3.2 billion). Growth in cash flows from operations to \$9.3 billion (2018: \$7.8 billion) was offset by increased capital expenditure of \$3.8 billion (2018: \$2.8 billion) and higher tax payments of \$2.1 billion (2018: \$1.4 billion), principally at Kumba Iron Ore, Copper and Metallurgical Coal. Following

adoption of IFRS 16 *Leases*, repayments of lease obligations are excluded from underlying EBITDA but remain within attributable free cash flow.

Dividends

In line with the Group's established dividend policy to pay out 40% of underlying earnings, the Board has proposed a dividend of \$0.47 per share, bringing the total dividends paid and proposed in respect of 2019 to \$1.09 per share (2018: \$1.00 per share).

Share buyback

In July 2019, the Board approved an additional return of up to \$1 billion to shareholders via an on-market share buyback programme. This additional return recognises the resilience of our balance sheet, and our confidence in funding our portfolio of highly attractive near and medium term growth opportunities. The programme will end no later than 31 March 2020 and had returned \$0.8 billion to shareholders as at 31 December 2019.

NET DEBT*

\$ million	2019	2018
Opening net debt* at 1 January	(2,848)	(4,501)
Underlying EBITDA* from subsidiaries and joint operations	9,139	7,827
Working capital movements	(50)	(30)
Other cash flows from operations	171	(15)
Cash flows from operations	9,260	7,782
Capital expenditure*	(3,840)	(2,818)
Capital repayments of lease obligations	(272)	—
Cash tax paid	(2,116)	(1,393)
Dividends from associates, joint ventures and financial asset investments	520	738
Net interest ⁽¹⁾	(334)	(315)
Dividends paid to non-controlling interests	(894)	(837)
Attributable free cash flow*	2,324	3,157
Dividends to Anglo American plc shareholders	(1,422)	(1,291)
Disposals	24	193
Foreign exchange and fair value movements	(34)	(248)
Other net debt movements ⁽²⁾	(2,670)	(158)
Total movement in net debt*⁽³⁾	(1,778)	1,653
Closing net debt* at 31 December	(4,626)	(2,848)

⁽¹⁾ Includes cash outflows of \$124 million (2018: outflows of \$41 million), relating to interest payments on derivatives hedging net debt, which are included in cash flows from derivatives related to financing activities.

⁽²⁾ Includes the IFRS 16 *Leases* transition adjustment of \$469 million; capital expenditure on the Quellaveco project funded from the 2018 syndication transaction of \$515 million; Mitsubishi's subsequent share of Quellaveco capital expenditure of \$329 million; the purchase of shares under the buyback of \$777 million; and the purchase of shares for other purposes (including for employee share schemes) of \$266 million.

⁽³⁾ Net debt excludes the own credit risk fair value adjustment on derivatives of \$1 million (2018: \$15 million).

Net debt (including related derivatives) of \$4.6 billion has increased by \$1.8 billion, representing gearing of 13% (2018: 9%). Net debt at 31 December 2019 comprised cash and cash equivalents of \$6.3 billion (2018: \$6.5 billion) and gross debt, including related derivatives, of \$11.0 billion (2018: \$9.4 billion). The increase in net debt since 31 December 2018 was driven by \$0.5 billion of additional debt arising on adoption of IFRS 16 *Leases* on 1 January 2019, the purchase of \$0.8 billion of ordinary shares under the share buyback scheme announced in July 2019, and incorporation of Mitsubishi debt for the development of Quellaveco offsetting attributable free cash flow of \$2.3 billion.

BALANCE SHEET

Net assets of the Group increased by \$1.6 billion to \$31.4 billion (2018: \$29.8 billion), reflecting the increased profit in the year and the effect of foreign exchange on operating assets denominated in local currency, offset by dividend payments to Company shareholders and non-controlling interests. Capital expenditure of \$3.8 billion was partly offset by depreciation and amortisation of \$3.0 billion.

ATTRIBUTABLE ROCE*

Attributable ROCE was flat at 19% (2018: 19%). Attributable underlying EBIT was \$5.5 billion (2018: \$5.2 billion), reflecting higher prices, favourable exchange movements and the restart of operations at Minas-Rio, offset by cost and volume headwinds and inflationary pressures. Average attributable capital employed increased to \$28.4 billion (2018: \$27.4 billion) due to increased capital expenditure, foreign exchange movements and changes in accounting treatment arising from the adoption of IFRS 16 *Leases*.

LIQUIDITY AND FUNDING

Group liquidity remains conservative at \$15.0 billion (2018: \$13.9 billion), made up of \$6.3 billion of cash (2018: \$6.5 billion) and \$8.7 billion of undrawn committed facilities (2018: \$7.3 billion). On 1 January 2019, a committed shareholder loan facility of \$1.8 billion from Mitsubishi Corporation became available to Anglo American Quellaveco S.A. to meet Mitsubishi's commitment to fund 40% of the remaining capital expenditure on the Quellaveco copper project in Peru.

In March 2019, the Group issued bonds for a US dollar equivalent value of \$1.0 billion. The issuances consisted of a 7-year €500 million bond and a 10-year £300 million bond. These issuances pre-funded the \$0.4 billion equivalent bond maturity in June 2019. The weighted average maturity on the bonds has reduced slightly to 4.5 years (2018: 5.0 years).

The Group received an upgrade to BBB/Baa2 (stable outlook) in March 2019 from S&P Global Ratings and Moody's Investors Service respectively.

PORTFOLIO UPGRADE

In 2019, our portfolio management strategy remained focused on continuously improving asset quality and our competitive position to ensure that we have a business that delivers sustainable free cash flows and returns to our shareholders. In this regard, we commenced or completed a number of transactions. We entered into a transaction, expected to complete in 2020, to provide for the equalisation of ownership across our integrated metallurgical coal operations at Moranbah North and Grosvenor through the sale of 12% in Grosvenor mine to the minority shareholders in Moranbah North. The Grosvenor mine uses Moranbah North's coal processing infrastructure, where numerous debottlenecking, expansion and product blending options offer considerable cost, productivity and margin benefits for the integrated operation.

We also completed the two-phased restructuring plan of Atlatsa (PGMs), which entailed, amongst others, the acquisition of the exploration properties adjacent to Mogalakwena mine. Namdeb Holdings, a joint operation between the Namibian government and De Beers, also announced the sale of Elizabeth Bay in September 2019.

In January 2020, Anglo American announced that an agreement has been reached with the board of Sirius Minerals Plc ('Sirius') on the terms of a recommended cash acquisition for the entire issued and to be issued share capital of Sirius. Anglo American identified Sirius's Woodsmith polyhalite project in North Yorkshire (the 'Project') as being of potential interest given the quality of the underlying asset in terms of scale, resource life, operating cost profile and the nature and quality of its product. The Project has the potential to fit well with our established strategy of focusing on world-class assets, particularly in the context of Anglo American's portfolio trajectory towards later cycle products that support a fast-growing global population and a cleaner, greener, more sustainable world. The proposed transaction is subject to regulatory and Sirius shareholder approval.

THE BOARD

Changes during 2019 to the composition of the Board are set out below.

On 1 January, Byron Grote assumed the role of senior independent director, and Anne Stevens took over as chair of the Remuneration Committee.

On 1 April, Marcelo Bastos joined the Board as a non-executive director.

Following conclusion of the Annual General Meeting on 30 April, Jack Thompson stepped down from the Board as a non-executive director and as chairman of the Sustainability Committee. Ian Ashby took over as chairman of the Sustainability Committee with effect from the same date.

As announced in July:

- Nolitha Fakude, a non-executive director since 2017, stepped down from the Board on 31 August to take up an executive role for the Group as chair of Anglo American's management board in South Africa. Ms Fakude joined Anglo American's Group Management Committee as Group Director - South Africa on 1 September;
- Hixonia Nyasulu joined the Board as a non-executive director on 1 November; and
- Nonkululeko Nyembezi joined the Board as a non-executive director on 1 January 2020.

The names of the Directors at the date of this report and the skills and experience our Board members contribute to the long term sustainable success of Anglo American are set out on the Group's website:

www.angloamerican.com/about-us/leadership-team/board

PRINCIPAL RISKS AND UNCERTAINTIES

Anglo American is exposed to a variety of risks and uncertainties which may have a financial, operational or reputational impact on the Group, and which may also have an impact on the achievement of social, economic and environmental objectives.

The principal risks and uncertainties facing the Group at the 2019 year end are set out in detail in the strategic report section of the Integrated Annual Report 2019. The principal risks relate to the following:

- Catastrophic risks
- Product prices
- Safety
- Political and regulatory
- Corruption
- Cyber security
- Future demand for diamonds
- Operational performance
- Water
- Future demand for PGMs
- Evolving stakeholder requirements and expectations.

The Group is exposed to changes in the economic environment, as with any other business. Details of any key risks and uncertainties specific to the period are covered in the Operations review section.

The Integrated Annual Report 2019 is available on the Group's website www.angloamerican.com.

DE BEERS

Financial and operational metrics⁽¹⁾

	Production volume	Sales volume	Price	Unit cost*	Group revenue*	Underlying EBITDA*	EBITDA margin ⁽⁶⁾	Underlying EBIT*	Capex*	ROCE*
	'000 cts	'000 cts ⁽²⁾	\$/ct ⁽³⁾	\$/ct ⁽⁴⁾	\$m ⁽⁵⁾	\$m		\$m	\$m ⁽⁷⁾	
De Beers	30,776	29,186	137	63	4,605	558	43%	168	567	2%
<i>Prior year</i>	35,297	31,656	171	60	6,082	1,245	53%	694	417	8%
Botswana	23,254	—	139	29	—	385	—	325	88	—
<i>Prior year</i>	24,132	—	155	28	—	495	—	441	97	—
Namibia	1,700	—	534	303	—	121	—	86	55	—
<i>Prior year</i>	2,008	—	550	274	—	176	—	140	38	—
South Africa	1,922	—	108	73	—	57	—	28	275	—
<i>Prior year</i>	4,682	—	109	54	—	163	—	58	177	—
Canada	3,900	—	119	44	—	138	—	66	31	—
<i>Prior year</i>	4,475	—	144	52	—	231	—	78	127	—
Trading	—	—	—	—	—	133	3%	126	4	—
<i>Prior year</i>	—	—	—	—	—	413	8%	407	2	—
Other⁽⁸⁾	—	—	—	—	—	(276)	—	(463)	114	—
<i>Prior year</i>	—	—	—	—	—	(233)	—	(430)	(24)	—

(1) Prepared on a consolidated accounting basis, except for production, which is stated on a 100% basis except for the Gahcho Kué joint operation in Canada, which is on an attributable 51% basis.

(2) Total sales volumes on a 100% basis were 30.9 million carats (2018: 33.7 million carats). Total sales volumes (100%) include De Beers Group's joint arrangement partners' 50% proportionate share of sales to entities outside De Beers Group from Diamond Trading Company Botswana and Namibia Diamond Trading Company.

(3) Pricing for the mining business units is based on 100% selling value post-aggregation of goods. The De Beers realised price includes the price impact of the sale of non-equity product and, as a result, is not directly comparable to De Beers unit costs, which relate to equity production only.

(4) Unit cost is based on consolidated production and operating costs, excluding depreciation and operating special items, divided by carats recovered.

(5) Includes rough diamond sales of \$4.0 billion (2018: \$5.4 billion).

(6) Total De Beers EBITDA margin shows Mining EBITDA Margin, which excludes the impact of third-party sales, purchases and trading.

(7) In 2018, includes the acquisition of Peregrine Diamonds Limited for a consideration of \$87 million.

(8) Other includes Element Six, downstream, acquisition accounting adjustments and corporate.

Markets

A range of factors created significant challenges for rough diamond demand in 2019: in late 2018, stock market volatility and US-China trade tensions resulted in lower than expected holiday retail sales, which led to higher than anticipated stock levels in the industry's midstream at the start of 2019. Throughout the course of 2019, the midstream inventory position was under further pressure due to the closure of some US 'bricks and mortar' retail outlets, an increase in online purchasing (where inventory levels are lower), and retailers increasing their stock held on consignment. Tighter financing also affected the midstream's ability to hold stock, all of which resulted in lower demand for rough diamonds.

In US dollar terms, global consumer demand for diamond jewellery was broadly flat in 2019. This was despite the challenges of increased uncertainty around the economic outlook owing to the continued US-China trade tensions, as well as the impact of the Hong Kong protests and certain macro-economic issues affecting consumer confidence in India. US consumer demand remained reasonably strong, but growth in local currency terms in China and Japan was offset by the strength of the US dollar, while demand from India and the Gulf declined.

Financial and operational overview

Total revenue decreased by 24% to \$4.6 billion (2018: \$6.1 billion), with rough diamond sales falling by 26% to \$4.0 billion (2018: \$5.4 billion). This was due to an 8% decrease in consolidated rough diamond sales volumes to 29.2 million carats (2018: 31.7 million carats) and a 20% reduction in average realised price to \$137/ct (2018: \$171/ct). The reduction in realised price was driven by a 6% decline in the average rough price index and from a lower value mix of diamonds sold, in response to the weaker demand for higher value diamonds.

In response to the challenging midstream trading environment, De Beers offered increased supply flexibility to Sightholders and sold a lower value and volume of rough diamonds to the midstream, while increasing marketing expenditure to \$178 million (2018: \$166 million) to further drive consumer demand for diamond jewellery.

Underlying EBITDA decreased by 55% to \$558 million (2018: \$1,245 million) owing to lower sales volumes, a lower value sales mix which curtailed mining margins, and the lower rough price index which reduced margins in the trading business. Profitability in the mining business was supported by improved efficiencies and cost savings; so, although there was a 13% decline in production in response to weaker demand, with the business being impacted by mining cost inflation in southern Africa, unit cost increases were limited to 5%.

Operational performance

Mining and manufacturing

Rough diamond production decreased by 13% to 30.8 million carats (2018: 35.3 million carats), primarily driven by a reduction in South Africa. While trading conditions have improved somewhat since the third quarter of the year, production was lower in response to softer rough diamond demand conditions compared with 2018.

In Botswana, production was 4% lower at 23.3 million carats (2018: 24.1 million carats). Production at Jwaneng increased by 5% to 12.5 million carats (2018: 11.9 million carats) as throughput rose to partly offset a 12% decrease at Orapa to 10.8 million carats (2018: 12.2 million carats), owing to a delay in an infrastructure project and expected lower grades.

In Namibia, production decreased by 15% to 1.7 million carats (2018: 2.0 million carats). Output from the marine operation declined by 10% owing to routine planned maintenance for the Mafuta vessel. Production at the land operations decreased by 29% to 0.4 million carats (2018: 0.6 million carats) as a result of placing Elizabeth Bay onto care and maintenance in December 2018. In September 2019, the sale of Elizabeth Bay was announced.

In South Africa, production decreased by 59% to 1.9 million carats (2018: 4.7 million carats) as the mining sequence at the Venetia open pit had a higher waste to ore ratio as it moves into its final years, prior to the transition to underground. Production at Voorspoed ceased following the operation being placed onto care and maintenance in the final quarter of 2018.

In Canada, production decreased by 13% to 3.9 million carats (2018: 4.5 million carats) as Victor reached the end of its life during the second quarter of 2019, resulting in a 55% decrease in output to 0.4 million carats (2018: 0.9 million carats). Gahcho Kué maintained output at 3.5 million carats (2018: 3.5 million carats), with a planned grade reduction offset by strong plant performance.

Brands

In 2019, De Beers continued to invest in its downstream brands to support the long term growth of consumer demand for natural diamonds.

De Beers Jewellers continued to upgrade and expand its retail network during 2019, as well as integrating its online and store presence into an improved combined offering.

Forevermark™ continues to grow its presence and sales worldwide. It is now available in around 2,500 retail outlets globally, with the brand being launched in Italy, Austria and Belgium during 2019. Dedicated Forevermark™-only stores are now operating in China, the US and India.

Operational and market outlook

Preliminary data following the holiday retail season in 2019 indicates that stock levels in the industry's midstream are returning to a more balanced position following stable consumer demand, especially in the US. However, risks remain to the downside, with further increases in online purchasing causing additional retailer destocking, developments in US-China trade tensions, the coronavirus which originated in China over Chinese New Year, geo-political escalation in the Middle East and the effect those may have on economic growth and consumer sentiment.

2020 production guidance is 32-34 million carats, subject to trading conditions. The higher production is driven by an expected increase in ore from the final open-pit cut at Venetia, supported by a currently anticipated improvement in trading conditions compared with 2019.

COPPER

Financial and operational metrics

	Production volume	Sales volume	Price	Unit cost*	Group revenue*	Underlying EBITDA*	Mining EBITDA margin ⁽²⁾	Underlying EBIT*	Capex*	ROCE*
	kt	kt ⁽¹⁾	c/lb ⁽²⁾	c/lb ⁽³⁾	\$m ⁽⁴⁾	\$m		\$m	\$m	
Copper	638	644	273	126	5,840	1,618	44%	960	1,078	16%
<i>Prior year</i>	668	672	283	134	5,168	1,856	48%	1,234	703	22%
Los Bronces⁽⁵⁾	335	336	—	135	1,872	745	40%	378	239	—
<i>Prior year</i>	370	376	—	145	2,175	969	45%	625	217	—
Collahuasi⁽⁶⁾	249	254	—	100	1,414	916	65%	691	275	—
<i>Prior year</i>	246	243	—	105	1,460	960	66%	736	295	—
Quellaveco⁽⁷⁾	—	—	—	—	—	—	—	—	494	—
<i>Prior year</i>	—	—	—	—	—	—	—	—	131	—
Other operations⁽⁸⁾	54	54	—	—	2,554	(43)	7%	(109)	70	—
<i>Prior year</i>	53	53	—	—	1,533	(73)	26%	(127)	60	—

(1) Excludes 349 kt third-party sales (2018: 178 kt).

(2) Realised price, excludes impact of third-party sales.

(3) C1 unit cost includes by-product credits.

(4) Group revenue is shown after deduction of treatment and refining charges (TC/RCs).

(5) Figures on a 100% basis (Group's share: 50.1%).

(6) 44% share of Collahuasi production, sales and financials.

(7) Figures on a 100% basis (Group's share: 60%), except capex which represents the Group's share after deducting direct funding from non-controlling interests. 2019 capex on a 100% basis was \$1,338 million, of which \$515 million was funded by cash from the Mitsubishi syndication transaction in 2018. Of the remaining \$823 million, the Group and Mitsubishi funded their respective 60% and 40% shares via shareholder loans.

(8) Other operations includes El Soldado and Chagres (figures on a 100% basis, Group's share: 50.1%), third-party sales and purchases.

Financial and operational overview

Underlying EBITDA decreased by 13% to \$1,618 million (2018: \$1,856 million), driven by a decrease in the average LME copper price and a 4% reduction in sales volumes. The lower sales reflect a 5% decrease in production, driven by the ongoing severe drought conditions in Chile, mitigated to some extent by productivity improvements, including record copper in concentrate production at Collahuasi. Unit costs decreased by 6%, to 126 c/lb (2018: 134 c/lb), the lowest since 2010, reflecting sustainable cost savings coupled with favourable movements in the Chilean peso, which fully offset the impact of inflation and lower production. At 31 December 2019, 111,213 tonnes of copper were provisionally priced at 273 c/lb (2018: 179,100 tonnes provisionally priced at 271 c/lb).

Markets

	31 December 2019	31 December 2018
Average market price (c/lb)	272	296
Average realised price (c/lb)	273	283

The differences between the market price and realised price are largely a function of the timing of sales across the period and provisional pricing adjustments.

The average LME cash copper price in 2019 was 8% lower at 272 c/lb (2018: 296 c/lb). Trade tensions between the US and China and measures to restrict shadow lending by the Chinese authorities contributed to slower economic growth in China, adversely affecting key copper-consuming sectors. As a result, investors were risk averse through most of the year and the weaker US dollar/Chinese renminbi exchange rate also put pressure on the copper price. However, a decrease in reported warehouse stocks and stagnant growth in global copper mine supply provided some support.

Operational performance

Total production decreased by 5%, to 638,000 tonnes (2018: 668,300 tonnes).

At Los Bronces, production decreased by 9% to 335,000 tonnes (2018: 369,500 tonnes), with planned higher grades (0.83% vs. 2018: 0.76%) offset by production losses owing to lower water availability. Chile's central zone, where the operation is located, continues to face unprecedented climate conditions, with 2019 being the driest year since the start of the current decade-long drought, and one of the driest years on record. Despite the lower production, C1 unit costs decreased by 7% to 135 c/lb (2018: 145 c/lb), reflecting a series of initiatives to reduce costs.

At Collahuasi, Anglo American's attributable share of copper production increased by 1% to 248,800 tonnes (2018: 246,000 tonnes), another copper in concentrate production record, with planned lower grade (1.19% vs. 2018: 1.29%) fully compensated by a solid plant performance following the successful completion of planned three-month maintenance of Line 3 (responsible for 60% of plant throughput) during the first half of the year. C1 unit costs decreased by 5% to 100 c/lb (2018: 105 c/lb) on the back of strong production performance and lower waste stripping expensed.

The Copper business has continued to progress trials for new technology as part of the FutureSmart Mining™ programme, working towards a more sustainable future for mining. Following a successful bulk ore sorting pilot at El Soldado in Chile, units were constructed and on trial in Brazil at Barro Alto (Nickel), and in South Africa at Mogalakwena (PGMs), with plans to roll-out to more sites over the next few years. The focus for early 2020 is the completion of the El Soldado coarse particle recovery demonstration plant.

Production at El Soldado increased by 3% to 54,200 tonnes (2018: 52,700 tonnes) as a result of planned higher grades (0.93% vs. 2018: 0.85%). C1 unit costs were broadly in line with 2018 at 205 c/lb (2018: 206 c/lb).

Operational outlook

Production guidance for 2020 is 620,000-670,000 tonnes, subject to water availability.

Quellaveco update

Project execution is on track at around 40% completion, with all key milestones for 2019 achieved on schedule.

The construction of Vizcachas dam, part of the water source infrastructure located approximately 90 kilometres north-east of the plant, is progressing to plan, with water impoundment expected to begin during the rainy season in early 2020. Once built, the Vizcachas reservoir will bring substantial benefits to local agriculture, in addition to providing an annual average of around 20% of the water needed to sustain Quellaveco's operations. Construction of the water pipeline from the water source to the Quellaveco site is a key activity for 2020.

In the mine area, earthworks are significantly progressed and concrete work for the primary crusher has commenced. Preparations are under way for the start of pre-stripping, to remove surface waste material, in the first half of 2020.

At the processing plant area, earthworks are complete, concrete placement is advancing to plan, and structural steel and mechanical equipment installation has commenced. Assembly of the mills is scheduled to start in 2020.

The project remains on track to deliver first production in 2022, within the \$5.0-\$5.3 billion capital expenditure estimate (100% basis; Anglo American share: \$2.5-\$2.7 billion), with ramp-up in 2023. Quellaveco expects to deliver around 300,000 tonnes per annum of copper equivalent production (100% basis) on average in the first 10 years of operation.

In 2019, capital expenditure (100% basis) totalled \$1,338 million, of which \$515 million was funded using the remaining proceeds from the syndication transaction with Mitsubishi in 2018, and hence is not included in reported capital expenditure. Of the remaining \$823 million, the Group and Mitsubishi funded their respective 60% and 40% shares of capital expenditure via shareholder loans. Capital expenditure guidance (100% basis) for 2020 is \$1.5-\$1.7 billion, of which the Group's share is \$0.9-\$1.0 billion.

PLATINUM GROUP METALS

Financial and operational metrics

	Production volume platinum	Production volume palladium	Sales volume platinum	Basket price	Unit cost*	Group revenue*	Underlying EBITDA*	Mining EBITDA margin ⁽⁵⁾	Underlying EBIT*	Capex*	ROCE*
	koz ⁽¹⁾	koz ⁽¹⁾	koz ⁽²⁾	\$/Pt oz ⁽³⁾	\$/Pt oz ⁽⁴⁾	\$m	\$m		\$m	\$m	
PGMs	2,051	1,386	2,215	2,819	1,543	6,866	2,000	40%	1,672	569	38%
<i>Prior year</i>	<i>2,021</i>	<i>1,379</i>	<i>2,424</i>	<i>2,219</i>	<i>1,561</i>	<i>5,680</i>	<i>1,062</i>	<i>29%</i>	<i>705</i>	<i>496</i>	<i>15%</i>
Mogalakwena	518	558	519	3,433	1,329	1,789	995	56%	863	264	—
<i>Prior year</i>	<i>495</i>	<i>541</i>	<i>492</i>	<i>2,759</i>	<i>1,398</i>	<i>1,367</i>	<i>623</i>	<i>46%</i>	<i>478</i>	<i>210</i>	<i>—</i>
Amandelbult	454	209	458	2,624	1,725	1,206	355	29%	298	84	—
<i>Prior year</i>	<i>443</i>	<i>205</i>	<i>445</i>	<i>2,222</i>	<i>1,717</i>	<i>996</i>	<i>153</i>	<i>15%</i>	<i>96</i>	<i>74</i>	<i>—</i>
Other operations⁽⁶⁾	407	282	425	2,879	1,621	1,202	329	27%	216	221	—
<i>Prior year</i>	<i>386</i>	<i>268</i>	<i>367</i>	<i>2,272</i>	<i>1,600</i>	<i>889</i>	<i>68</i>	<i>8%</i>	<i>(56)</i>	<i>212</i>	<i>—</i>
Processing and trading⁽⁷⁾	672	337	813	—	—	2,669	321	12%	295	—	—
<i>Prior year</i>	<i>697</i>	<i>365</i>	<i>1,120</i>	<i>—</i>	<i>—</i>	<i>2,428</i>	<i>218</i>	<i>9%</i>	<i>187</i>	<i>—</i>	<i>—</i>

⁽¹⁾ Production reflects own-mined production and purchase of metal in concentrate. Comparative excludes purchase of concentrate volumes now treated under tolling arrangement.

⁽²⁾ Sales volumes exclude the sale of refined metal purchased from third parties and toll material. Comparatives include purchase of concentrate volumes now transitioned to tolling.

⁽³⁾ Average US\$ realised basket price. Excludes the impact of the sale of refined metal purchased from third parties.

⁽⁴⁾ Total cash operating costs – includes on-mine, smelting and refining costs only.

⁽⁵⁾ The total PGMs mining EBITDA margin excludes the impact of the sale of refined metal purchased from third parties, purchase of concentrate and tolling.

⁽⁶⁾ Includes Unki, Union (prior to disposal), Mototolo (post-acquisition on 1 November 2018), PGMs' share of joint operations.

⁽⁷⁾ Purchase of concentrate from joint operations, associates and third parties for processing into refined metals, tolling and trading activities.

Financial and operational overview

Underlying EBITDA increased by 88% to \$2,000 million (2018: \$1,062 million), largely as a result of a 27% increase in the dollar basket price, driven primarily by stronger prices for palladium and rhodium, and a solid operational performance.

Markets

	31 December 2019	31 December 2018
Average platinum market price (\$/oz)	864	880
Average palladium market price (\$/oz)	1,539	1,029
Average rhodium market price (\$/oz)	3,914	2,214
US\$ realised basket price (\$/Pt oz)	2,819	2,219
Rand realised basket price (R/Pt oz)	40,862	29,601

The basket price increased by 27% in dollar terms and 38% in South African rand terms. The average platinum price decreased by 2%, recovering well in the second half owing to strong investor demand, following weaker sentiment earlier in the year. In contrast, average palladium and rhodium prices strengthened by 50% and 77% respectively, despite a fall in global light duty vehicle sales, due to strong automotive demand driven by tighter emissions regulations in key markets.

Operational performance

Total platinum production (metal in concentrate) increased by 1% to 2,050,600 ounces, with total palladium output also improving by 1% to 1,385,900 ounces. This excludes the effect of the transition of Rustenburg material to a tolling arrangement in the year (2018: 464,200 platinum ounces, 231,800 palladium ounces). This result was achieved despite the impact of Eskom power outages on production, which led to a loss of approximately 17,000 platinum ounces and 13,000 palladium ounces.

Own-mined production

Own-mined platinum and palladium production both increased by 4% to 1,378,200 ounces and 1,049,200 ounces respectively. This was largely driven by increased production across the portfolio, as well as the acquisition of the remaining 50% of Mototolo in November 2018.

Mogalakwena's platinum production increased by 5% to 517,500 ounces, and palladium production by 3% to 557,900 ounces, owing to an increase in grade and throughput. Ore stockpiles were drawn down to supplement production, as maintenance was carried out on the North concentrator in the second quarter of 2019, and the rope shovel in the fourth quarter of 2019.

Amandelbult platinum and palladium production both increased by 2% to 453,600 ounces and 208,900 ounces respectively. Infrastructure upgrades, exacerbated by power disruptions in both the first quarter and December, were offset by an increase in mining efficiencies as the ramp-up of Dishaba Lower accelerated in the second half.

Production of both platinum and palladium from other operations increased by 5% to 407,100 and 282,400 ounces respectively. This performance reflected record production levels at Unki and increased volumes from Mototolo which was wholly owned for the full year (acquisition of the remaining 50% of Mototolo was concluded on 1 November 2018, from which date 100% of production became own-mined production). On a 100% basis, platinum and palladium production decreased at Mototolo by 15% to 112,000 ounces and by 17% to 68,700 ounces respectively, owing to a one-off benefit in 2018 from stockpiled material that was toll-concentrated at Bokoni, as well as a decline in grade, and unprotected industrial action in May 2019.

Joint operation platinum and palladium production (split equally between own-mined and purchase of concentrate), excluding Mototolo, both decreased by 4% to 411,400 ounces and 269,000 ounces respectively, due to safety-related stoppages at Modikwa and Eskom power disruptions affecting production at Kroondal in December 2019.

Purchase of concentrate

Purchase of concentrate, excluding Sibanye material which transitioned to a tolling arrangement from 1 January 2019, decreased by 4% to 672,400 ounces in the case of platinum and by 8% to 336,700 ounces for palladium, reflecting the lower production from joint operations.

Refined production and sales volumes

Refined platinum production (excluding Sibanye toll-treated metal and concentrate purchased from Sibanye) increased by 8% to 2,112,300 ounces, while refined palladium output rose by 12% to 1,428,200 ounces. The improved operational performance was partly offset by the impact of Eskom's power disruptions during the year, including an outage at the Rustenburg refinery in December, which led to a loss of refined platinum production of 69,000 ounces and palladium production of 44,000 ounces, of which around 45,000 platinum ounces and 25,000 palladium ounces should be recovered in refined production in 2020.

Platinum sales volumes increased by 7% to 2,100,300 ounces, while palladium sales increased by 13% to 1,453,500 ounces (excluding concentrate purchased from Sibanye prior to the transition to a tolling agreement and refined metals purchased from third parties). The increase was a result of the higher comparable refined production and some drawdown in refined inventory.

Operational outlook

Metal in concentrate production for 2020 is expected to be 2.0-2.2 million ounces for platinum (of which approximately 65% own-mined) and approximately 1.4 million ounces for palladium (of which approximately 65% own-mined), subject to Eskom's power performance.

IRON ORE

Financial and operational metrics

	Production volume	Sales volume	Price	Unit cost*	Group revenue*	Underlying EBITDA*	Mining EBITDA margin	Underlying EBIT*	Capex*	ROCE*
	Mt ⁽¹⁾	Mt	\$/t ⁽²⁾	\$/t ⁽³⁾	\$m	\$m ⁽⁴⁾		\$m ⁽⁴⁾	\$m	
Iron Ore	—	—	—	—	6,758	3,407	50%	2,952	594	31 %
<i>Prior year</i>	—	—	—	—	3,768	1,177	31%	747	415	3 %
Kumba Iron Ore⁽⁵⁾	42.4	42.0	97	33	4,445	2,243	50%	1,918	389	70 %
<i>Prior year</i>	43.1	43.3	72	32	3,440	1,489	43%	1,158	309	42 %
Iron Ore Brazil (Minas-Rio)	23.1	22.9	79	21	2,313	1,164	50%	1,034	205	20 %
<i>Prior year</i>	3.4	3.2	70	—	328	(312)	—	(411)	106	(9)%

⁽¹⁾ Minas-Rio production is Mt (wet basis).

⁽²⁾ Prices for Kumba Iron Ore are the average realised export basket price (FOB Saldanha). Prices for Minas-Rio are the average realised export basket price (FOB Açú) (wet basis).

⁽³⁾ Unit costs for Kumba Iron Ore are on an FOB (dry) basis. Unit costs for Minas-Rio are on an FOB (wet) basis and were not disclosed for 2018, due to the suspension of operations.

⁽⁴⁾ Kumba Iron Ore segment includes \$66 million projects and corporate costs (2018: \$55 million). Iron Ore Brazil segment includes \$55 million projects and corporate costs (2018: \$40 million).

⁽⁵⁾ Sales volumes, stock and realised price for 2019 differ to Kumba's stand-alone reported results due to sales to other Group companies.

Financial and operational overview

Kumba

Underlying EBITDA increased by 51% to \$2,243 million (2018: \$1,489 million), driven by a 35% increase in the average realised iron ore price to \$97/tonne (2018: \$72/tonne). FOB unit costs increased marginally to \$33/tonne (2018: \$32/tonne) primarily due to higher maintenance costs and mining in a more geologically challenging area of the mine. These factors were partly offset by the weaker South African rand, operational efficiency improvements and cost savings.

Total sales volumes decreased by 3% to 42.0 Mt (2018: 43.3 Mt) due to lower domestic sales of 2.2 Mt (2018: 3.3 Mt) following the winding down of the Saldanha Steel plant. Export sales of 39.8 Mt (2018: 40.0 Mt) were marginally lower due to the scheduled refurbishment of the second ship loader at Saldanha port. Consequently, total finished stock increased to 6.6 Mt⁽⁵⁾ (2018: 5.3 Mt). Rail performance improved significantly in 2019, with port stock levels well set for the first quarter of 2020.

Minas-Rio

Minas-Rio recorded an underlying EBITDA of \$1,164 million (2018: \$312 million loss), reflecting the solid ramp-up following approval to restart the operation in December 2018, as well as cost efficiencies and strong price realisation. Unit costs of \$21/tonne, lower than the original guidance of \$28-31/tonne, were driven by the higher production, P101 initiatives to improve productivity, and lower energy and consumables prices.

Markets

	31 December 2019	31 December 2018
Average market price (IODEX 62% Fe CFR China – \$/tonne)	93	69
Average market price (MB 66% Fe Concentrate CFR – \$/tonne)	104	95
Average realised price (Kumba export – \$/tonne) (FOB Saldanha)	97	72
Average realised price (Minas-Rio – \$/tonne) (FOB wet basis)	79	70

Kumba's outperformance over the IODEX (Platts) 62% Fe CFR China index was primarily due to the higher iron content at 64.2% and the relatively high proportion (approximately 67%) of lump in its product portfolio.

Minas-Rio's pellet feed product is also higher grade (higher iron content of 67% and lower gangue) than the reference product used for the IODEX 62% Fe CFR China index. The Metal Bulletin (MB) 66 index, therefore, is used when referring to Minas-Rio product.

Operational performance

Kumba

Total production decreased by 2% to 42.4 Mt (2018: 43.1 Mt), driven by a 5% decrease at Kolomela to 13.2 Mt (2018: 13.9 Mt) as a result of the infrastructure upgrade of the DMS plant. Production volumes at Sishen were flat at 29.2 Mt, with improved plant performance in the second half of the year compensating for the operational challenges earlier in the year.

Sishen's waste stripping decreased marginally to 181 Mt (2018: 182 Mt), while Kolomela's waste stripping increased by 13% to 63 Mt (2018: 56 Mt). Progress continues to be made towards P101 benchmark efficiency, with Kumba's operating efficiency increasing to 68% (2018: 65%). The efficiency improvement projects included: improving truck efficiency and payloads, payload management and smart roads.

Minas-Rio

Production of 23.1 Mt (2018: 3.4 Mt) was driven by strong operational performance, reflecting the optimisation work undertaken during 2018 while operations were suspended, the impact of P101 productivity initiatives and access to the Step 3 mining area higher grade ore. The construction of the scheduled tailings dam raise was completed in August 2019, and approval for the conversion of the installation licence to an operating licence was granted in December 2019.

Operational outlook

Kumba

Kumba's production guidance for 2020 is 41.5-42.5 Mt.

Minas-Rio

Production guidance for 2020 is 22-24 Mt, which allows for a one-month production stoppage in the second quarter to carry out routine internal scanning of the pipeline.

COAL

Financial and operational metrics

	Production volume	Sales volume	Price	Unit cost*	Group revenue*	Underlying EBITDA*	Mining EBITDA margin ⁽⁶⁾	Underlying EBIT*	Capex*	ROCE*
	Mt ⁽¹⁾	Mt ⁽²⁾	\$/t ⁽³⁾	\$/t ⁽⁴⁾	\$m	\$m ⁽⁵⁾		\$m ⁽⁵⁾	\$m	
Coal	—	—	—	—	6,137	1,832	33 %	1,010	934	26 %
<i>Prior year</i>	—	—	—	—	7,788	3,196	46 %	2,538	722	67 %
Metallurgical Coal	22.9	22.4	165	63	3,756	1,707	45 %	1,079	670	39 %
<i>Prior year</i>	21.8	22.0	190	64	4,231	2,158	51 %	1,722	574	80 %
Thermal Coal – South Africa	17.8	18.1	61	45	1,887	(5)	(3)%	(94)	264	(19)%
<i>Prior year</i>	18.4	18.3	87	44	2,719	650	34 %	521	148	68 %
Thermal Coal – Colombia⁽⁷⁾	8.6	8.8	56	33	494	130	26 %	25	—	4 %
<i>Prior year</i>	10.2	10.1	83	36	838	388	46 %	295	—	35 %

⁽¹⁾ Production volumes are saleable tonnes. South African production volumes include export primary production, secondary production sold into export markets, production sold domestically at export parity pricing and pre-commercial production volumes from Navigation section of Khwezela and excludes other domestic production of 10.0 Mt (2018: 13.7 Mt). Included in other domestic production in 2018 is 2.8 Mt from the Eskom-tied operations, which were sold on 1 March 2018. Metallurgical Coal production volumes exclude thermal coal production of 1.4 Mt (2018: 1.4 Mt).

⁽²⁾ South African sales volumes include export primary production, secondary production sold into export markets and production sold domestically at export parity pricing and pre-commercial production volumes from Navigation section of Khwezela and exclude domestic sales of 9.8 Mt (2018: 13.1 Mt) and non-equity traded sales of 10.9 Mt (2018: 9.5 Mt). Included in 2018 is domestic sales of 2.8 Mt from the Eskom-tied operations, which were sold on 1 March 2018. Metallurgical Coal sales volumes exclude thermal coal sales of 1.8 Mt (2018: 1.6 Mt).

⁽³⁾ Metallurgical Coal realised price is the weighted average hard coking coal and PCI sales price achieved. Thermal Coal – South Africa realised price is the weighted average export thermal coal price achieved. Excludes third-party sales.

⁽⁴⁾ FOB cost per saleable tonne, excluding royalties. Metallurgical Coal excludes study costs. Thermal Coal – South Africa unit cost is for the trade operations.

⁽⁵⁾ Metallurgical Coal segment includes \$69 million projects and corporate costs (2018: \$52 million). Thermal Coal – South Africa segment includes \$59 million projects and corporate costs (2018: \$45 million).

⁽⁶⁾ Excludes impact of third-party sales and, in 2018, Eskom-tied operations.

⁽⁷⁾ Represents the Group's attributable share from its 33.3% interest in Cerrejón.

Financial and operational overview

Metallurgical Coal

Underlying EBITDA decreased by 21% to \$1,707 million (2018: \$2,158 million), with a 2% increase in sales volumes and a 2% decrease in US dollar unit costs to \$63/tonne (2018: \$64/tonne), being offset by a 13% reduction in the realised price for metallurgical coal.

Thermal Coal – South Africa

Underlying EBITDA fell to a \$5 million loss (2018: \$650 million profit), driven by a 30% decrease in the realised export thermal coal price and marginally lower export sales volumes at 18.1 Mt (2018: 18.3 Mt). Unit costs were in line with the prior year at \$45/tonne (2018: \$44/tonne) as productivity improvements, cost savings and the favourable impact of the weaker South African rand offset the effects of inflation and lower production volumes.

Thermal Coal – Colombia

Underlying EBITDA decreased by 66% to \$130 million (2018: \$388 million), reflecting a 33% decrease in average realised price and a 13% reduction in sales volumes as a result of weaker market demand, as well as dust restrictions in the first half of the year. In response to the lower demand, Cerrejón reduced unit costs by 8% to \$33/tonne through optimisation of the mine plan to exclude higher cost volumes that were not economic at current prices.

Revenue for thermal coal includes amounts earned from the sale of volumes purchased from third parties (non-equity traded sales) that were not mined by the Group. Excluding these volumes, revenue from the mining of thermal coal (including thermal coal volumes from South Africa, Colombia and the Metallurgical Coal business) is \$1,783 million (or 6% of the Group's revenue).

Markets

Metallurgical coal

	31 December 2019	31 December 2018
Average benchmark price hard coking coal (\$/tonne) ⁽¹⁾	177	207
Average benchmark price PCI (\$/tonne) ⁽¹⁾	110	136
Average realised price for premium low-volatile hard coking coal (\$/tonne)	171	194
Average realised price for PCI (\$/tonne)	110	128

⁽¹⁾ Represents average spot prices.

Average realised prices differ from the average market price owing to differences in material grade and timing of contracts.

Market prices decreased in line with demand through the second half of the year. Demand was affected by increasingly stringent coal import policies at ports in China and a slowdown in the Indian economy, as well as lower production at east Asian steel mills in response to weaker steel margins.

Thermal coal

	31 December 2019	31 December 2018
Average market price (\$/tonne, FOB South Africa)	72	98
Average market price (\$/tonne, FOB Colombia)	54	85
Average realised price – Export South Africa (\$/tonne, FOB)	61	87
Average realised price – Domestic South Africa (\$/tonne)	14	19
Average realised price – Colombia (\$/tonne, FOB)	56	83

The average realised price for export thermal coal differs from the average market price owing to timing differences and quality discounts relative to the industry benchmark.

Thermal coal prices fell sharply as lower gas and higher carbon prices encouraged a switch from coal to gas-generated power in Europe. Indian imports, however, remained strong, supported by local steelmaking demand. Delays to customs clearances at Chinese ports and various restrictions in Korea and Taiwan kept pressure on Pacific pricing towards the end of the year.

Operational performance

Metallurgical Coal

Production increased by 5% to 22.9 Mt (2018: 21.8 Mt), owing to a 1.0 Mt production increase at Grosvenor, operational improvements leading to a 10% increase in wash plant throughput partially offset by the impact of an extended longwall move at Moranbah. In addition, there was a strong performance at Dawson where P101 productivity improvements drove an increase in shovel and dragline performance.

Thermal Coal – South Africa

Export production decreased by 3% to 17.8 Mt (2018: 18.4 Mt) mainly due to mine sections reaching their end of life at Khwezela and Goedehoop.

Thermal Coal – Colombia

Anglo American's attributable production from its 33.3% ownership of Cerrejón decreased by 16% to 8.6 Mt (2018: 10.2 Mt) in response to dust restrictions in the first half and a reduction in market demand in the second half of 2019.

Operational outlook

Metallurgical coal

Export metallurgical coal production guidance for 2020 has been revised to 19-21 Mt (previously 21-23 Mt), with unit costs of around \$70/tonne (previously around \$65/tonne) following a roof collapse at Moranbah North on 30 January 2020. The sale of a 12% interest in the Grosvenor mine is expected to complete in 2020, equalising the ownership across Moranbah-Grosvenor, which is reflected in the guidance.

Export thermal coal

Export thermal coal production guidance for 2020 is around 26 Mt.

NICKEL AND MANGANESE

Financial and operational metrics

	Production volume ⁽¹⁾	Sales volume ⁽¹⁾	Price	Unit cost*	Group revenue*	Underlying EBITDA*	Mining EBITDA margin	Underlying EBIT*	Capex*	ROCE*
			c/lb ⁽²⁾	c/lb ⁽³⁾	\$m	\$m ⁽⁴⁾		\$m ⁽⁴⁾	\$m	
Nickel and Manganese	—	—	—	—	1,498	634	42%	477	42	20%
<i>Prior year</i>	—	—	—	—	1,707	844	49%	685	38	28%
Nickel	42,600	41,700	624	380	572	191	33%	89	42	4%
<i>Prior year</i>	42,300	43,100	588	361	560	181	32%	75	38	4%
Samancor⁽⁵⁾	3.7	3.7	—	—	926	443	48%	388	—	109%
<i>Prior year</i>	3.8	3.7	—	—	1,147	663	58%	610	—	159%

(1) Nickel production and sales are tonnes (t). Samancor production and sales are million tonnes (Mt).

(2) Realised price.

(3) C1 unit cost.

(4) Nickel segment includes \$12 million projects and corporate costs (2018: \$8 million).

(5) Production, sales and financials include ore and alloy.

Financial and operational overview

Nickel

Underlying EBITDA increased by 6% to \$191 million (2018: \$181 million), benefiting from improved operational stability and a 6% higher realised price, partly offset by a 3% decrease in sales volumes and higher unit costs.

Unit costs increased by 5% to 380 c/lb (2018: 361 c/lb), driven mainly by a rise in the consumption of coal as a reductant due to higher iron content in ore, the impact of higher consumable prices, and new local legislation that increased freight costs.

Samancor

Underlying EBITDA decreased by 33% to \$443 million (2018: \$663 million), mainly owing to the lower manganese ore price and, to a lesser extent, an 18% decrease in attributable manganese alloy sales, in line with reduced Australian and South African alloy production.

Markets

Nickel

	31 December 2019	31 December 2018
Average market price (c/lb)	632	595
Average realised price (c/lb)	624	588

Ferronickel is traded based on discounts or premiums to the LME nickel price, depending on market conditions, supplier products and consumer preferences. Differences between market prices and realised prices are largely due to variances between the LME and the ferronickel price.

The average nickel price increased by 6% to 632 c/lb (2018: 595 c/lb), driven by strong growth in stainless steel production in China and solid battery demand growth (principally, zero emission vehicles and lithium-ion-based energy storage). Prices were also supported by Indonesia bringing forward its ban on nickel ore exports from January 2023 to January 2020, which is expected to markedly reduce nickel ore supply to Chinese nickel pig iron producers.

Samancor

The average benchmark price for manganese ore (Metal Bulletin 44% manganese ore CIF China) was \$5.58/dmtu, a decrease of 23% (2018: \$7.24/dmtu). The effect of strong steel output and stricter reinforcing steel standards in China was more than offset by an increase in manganese ore supply from South Africa.

Operational performance

Nickel

Nickel output increased by 1% to 42,600 tonnes (2018: 42,300 tonnes), reflecting improved operational stability.

Samancor

Attributable manganese ore production decreased by 3% to 3.5 Mt (2018: 3.6 Mt). Output from the Australian operations decreased by 6% owing to the impact of a major cyclone in March which, combined with high clay content, adversely affected the quality of the feed to the processing plant. This was partly offset by a 3% increase in production from the South African operations as a result of improved mining productivity.

Operational outlook

Nickel

Production guidance for 2020 is 42,000-44,000 tonnes.

CORPORATE AND OTHER

Financial metrics

	Group revenue*	Underlying EBITDA*	Underlying EBIT*	Capex*
	\$m	\$m	\$m	\$m
Segment	121	(43)	(229)	56
<i>Prior year</i>	3	(219)	(226)	27
Exploration	—	(126)	(128)	1
<i>Prior year</i>	—	(113)	(113)	—
Corporate activities and unallocated costs	121	83	(101)	55
<i>Prior year</i>	3	(106)	(113)	27

Financial overview

Corporate and other reported an underlying EBITDA loss of \$43 million (2018: \$219 million loss). Revenue increased to \$121 million (2018: \$3 million), predominantly due to a ramp-up of third-party shipping activity.

Exploration

Exploration's underlying EBITDA loss increased to \$126 million (2018: \$113 million loss), reflecting increased exploration activities across most product groups, in particular, nickel, iron ore and metallurgical coal.

Corporate activities and unallocated costs

Underlying EBITDA amounted to an \$83 million gain (2018: \$106 million loss), driven primarily by a benefit to EBITDA from the adoption of IFRS 16 *Leases* as items previously recorded as operating costs are now included within depreciation.

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Notes to editors:

Anglo American is a leading global mining company and our products are the essential ingredients in almost every aspect of modern life. Our portfolio of world-class competitive mining operations and undeveloped resources provides the metals and minerals that enable a cleaner, greener, more sustainable world and that meet the fast growing consumer-driven demands of the world's developed and maturing economies. With our people at the heart of our business, we use innovative practices and the latest technologies to discover new resources and mine, process, move and market our products to our customers around the world – safely, responsibly and sustainably.

As a responsible miner – of diamonds (through De Beers), copper, platinum group metals, iron ore, coal and nickel – we are the custodians of what are precious natural resources. We work together with our business partners and diverse stakeholders to unlock the sustainable value that those resources represent for our shareholders, the communities and countries in which we operate, and for society as a whole. Anglo American is re-imagining mining to improve people's lives.
www.angloamerican.com



Webcast of presentation:

A live webcast of the results presentation, starting at 9.00am UK time on 20 February 2020, can be accessed through the Anglo American website at www.angloamerican.com

Note: Throughout this results announcement, '\$' denotes United States dollars and 'cents' refers to United States cents. Tonnes are metric tons, 'Mt' denotes million tonnes and 'kt' denotes thousand tonnes, unless otherwise stated.

Group terminology

In this document, references to “Anglo American”, the “Anglo American Group”, the “Group”, “we”, “us”, and “our” are to refer to either Anglo American plc and its subsidiaries and/or those who work for them generally, or where it is not necessary to refer to a particular entity, entities or persons. The use of those generic terms herein is for convenience only, and is in no way indicative of how the Anglo American Group or any entity within it is structured, managed or controlled. Anglo American subsidiaries, and their management, are responsible for their own day-to-day operations, including but not limited to securing and maintaining all relevant licences and permits, operational adaptation and implementation of Group policies, management, training and any applicable local grievance mechanisms.

Forward-looking statements and third-party information:

This announcement includes forward-looking statements. All statements other than statements of historical facts included in this announcement, including, without limitation, those regarding Anglo American’s financial position, business, acquisition and divestment strategy, dividend policy, plans and objectives of management for future operations (including development plans and objectives relating to Anglo American’s products, production forecasts and Ore Reserves and Mineral Resource estimates), are forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Anglo American, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Anglo American’s present and future business strategies and the environment in which Anglo American will operate in the future. Important factors that could cause Anglo American’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, levels of actual production during any period, levels of global demand and commodity market prices, mineral resource exploration and development capabilities, recovery rates and other operational capabilities, the availability of mining and processing equipment, the ability to produce and transport products profitably, the availability of transportation infrastructure, the impact of foreign currency exchange rates on market prices and operating costs, the availability of sufficient credit, the effects of inflation, political uncertainty and economic conditions in relevant areas of the world, the actions of competitors, activities by governmental authorities such as permitting and changes in taxation or safety, health, environmental or other types of regulation in the countries where Anglo American operates, conflicts over land and resource ownership rights and such other risk factors identified in Anglo American’s most recent Annual Report. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this announcement. Anglo American expressly disclaims any obligation or undertaking (except as required by applicable law, the City Code on Takeovers and Mergers (the “Takeover Code”), the UK Listing Rules, the Disclosure and Transparency Rules of the Financial Conduct Authority, the Listings Requirements of the securities exchange of the JSE Limited in South Africa, the SIX Swiss Exchange, the Botswana Stock Exchange and the Namibian Stock Exchange and any other applicable regulations) to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Anglo American’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Nothing in this announcement should be interpreted to mean that future earnings per share of Anglo American will necessarily match or exceed its historical published earnings per share.

Certain statistical and other information about Anglo American included in this announcement is sourced from publicly available third-party sources. As such, it has not been independently verified and presents the views of those third parties, though these may not necessarily correspond to the views held by Anglo American and Anglo American expressly disclaims any responsibility for, or liability in respect of, such third-party information.

Anglo American plc

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Registered office as above. Incorporated in England and Wales under the Companies Act 1985.

Registered Number: 3564138 Legal Entity Identifier: 549300S9XF92D1X8ME43

CONDENSED FINANCIAL STATEMENTS

for the year ended 31 December 2019

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Consolidated income statement
for the year ended 31 December 2019

US\$ million	Note	2019			2018		
		Before special items and re-measure-ments	Special items and re-measure-ments (note 9)	Total	Before special items and re-measure-ments	Special items and re-measure-ments (note 9)	Total
Revenue	3	29,870	—	29,870	27,610	—	27,610
Operating costs		(23,543)	(151)	(23,694)	(22,379)	838	(21,541)
Operating profit	3	6,327	(151)	6,176	5,231	838	6,069
Non-operating special items	9	—	7	7	—	(94)	(94)
Net income from associates and joint ventures	3 12	389	—	389	739	(11)	728
Profit before net finance costs and tax		6,716	(144)	6,572	5,970	733	6,703
Investment income		268	—	268	261	—	261
Interest expense		(666)	(3)	(669)	(655)	(102)	(757)
Other net financing (losses)/gains		(22)	(3)	(25)	14	(32)	(18)
Net finance costs	5	(420)	(6)	(426)	(380)	(134)	(514)
Profit before tax		6,296	(150)	6,146	5,590	599	6,189
Income tax expense	6	(1,760)	196	(1,564)	(1,490)	(326)	(1,816)
Profit for the financial year		4,536	46	4,582	4,100	273	4,373
Attributable to:							
Non-controlling interests		1,068	(33)	1,035	863	(39)	824
Equity shareholders of the Company		3,468	79	3,547	3,237	312	3,549
Earnings per share (US\$)							
Basic	4	2.75	0.06	2.81	2.55	0.25	2.80
Diluted	4	2.70	0.06	2.76	2.50	0.24	2.74

Consolidated statement of comprehensive income
for the year ended 31 December 2019

US\$ million	2019	2018
Profit for the financial year	4,582	4,373
Items that will not be reclassified to the income statement (net of tax)		
Remeasurement of net retirement benefit obligation	(128)	105
Net revaluation gain/(loss) on equity investments	18	(42)
Share of associates' and joint ventures' other comprehensive income	55	—
Items that have been or may subsequently be reclassified to the income statement (net of tax)		
Net exchange differences:		
Net gain/(loss) (including associates and joint ventures)	192	(2,211)
Cumulative (gain)/loss transferred to the income statement on disposal of foreign operations	(7)	35
Other comprehensive income/(loss) for the financial year (net of tax)	130	(2,113)
Total comprehensive income for the financial year (net of tax)	4,712	2,260
Attributable to:		
Non-controlling interests	1,122	422
Equity shareholders of the Company	3,590	1,838

Consolidated balance sheet
as at 31 December 2019

US\$ million	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets		3,086	3,087
Property, plant and equipment		34,201	30,898
Environmental rehabilitation trusts		301	303
Investments in associates and joint ventures	12	1,333	1,715
Financial asset investments		434	396
Trade and other receivables		676	708
Deferred tax assets		1,057	910
Derivative financial assets		347	209
Other non-current assets		642	658
Total non-current assets		42,077	38,884
Current assets			
Inventories		4,962	4,466
Trade and other receivables		2,386	2,026
Current tax assets		130	121
Derivative financial assets		86	132
Cash and cash equivalents	13	6,345	6,567
Total current assets		13,909	13,312
Assets classified as held for sale	17	166	—
Total assets		56,152	52,196
LIABILITIES			
Current liabilities			
Trade and other payables		(5,373)	(4,734)
Short term borrowings	13 14	(990)	(600)
Provisions for liabilities and charges		(516)	(581)
Current tax liabilities		(194)	(818)
Derivative financial liabilities		(155)	(103)
Total current liabilities		(7,228)	(6,836)
Non-current liabilities			
Trade and other payables		(126)	(145)
Medium and long term borrowings	13 14	(9,744)	(8,371)
Retirement benefit obligations		(651)	(609)
Deferred tax liabilities		(3,922)	(3,676)
Derivative financial liabilities		(522)	(613)
Provisions for liabilities and charges		(2,557)	(2,114)
Total non-current liabilities		(17,522)	(15,528)
Liabilities directly associated with assets classified as held for sale	17	(17)	—
Total liabilities		(24,767)	(22,364)
Net assets		31,385	29,832
EQUITY			
Called-up share capital		753	772
Share premium account		4,358	4,358
Own shares		(6,195)	(6,315)
Other reserves		(10,395)	(10,519)
Retained earnings		36,274	35,302
Equity attributable to equity shareholders of the Company		24,795	23,598
Non-controlling interests	15	6,590	6,234
Total equity		31,385	29,832

The Condensed financial statements of Anglo American plc, registered number 03564138, were approved by the Board of directors on 19 February 2020 and signed on its behalf by:

Mark Cutifani
Chief Executive

Stephen Pearce
Finance Director

Consolidated cash flow statement
for the year ended 31 December 2019

US\$ million	Note	2019	2018
Cash flows from operating activities			
Profit before tax		6,146	6,189
Net finance costs including financing special items and remeasurements		426	514
Net income from associates and joint ventures		(389)	(728)
Non-operating special items	9	(7)	94
Operating profit		6,176	6,069
Operating special items and remeasurements	9	151	(838)
Cash element of special items		(109)	(3)
Depreciation and amortisation		2,812	2,596
Share-based payment charges		163	183
Increase in provisions and net retirement benefit obligations		22	58
Increase in inventories		(434)	(526)
Increase in operating receivables		(170)	(74)
Increase in operating payables		554	570
Other adjustments		95	(253)
Cash flows from operations		9,260	7,782
Dividends from associates and joint ventures	12	520	737
Dividends from financial asset investments		—	1
Income tax paid		(2,116)	(1,393)
Net cash inflows from operating activities		7,664	7,127
Cash flows from investing activities			
Expenditure on property, plant and equipment	11	(4,744)	(3,400)
Cash flows (used in)/from derivatives related to capital expenditure	11	(9)	15
Proceeds from disposal of property, plant and equipment	11	8	162
Investments in associates and joint ventures		(36)	(99)
Purchase of financial asset investments		(4)	(3)
Net issuance of financial asset loans and receivables		(50)	(22)
Interest received and other investment income		205	204
Net cash outflow on acquisitions	18	(13)	(90)
Net cash inflow on disposals	18	24	193
Other investing activities		(97)	(58)
Net cash used in investing activities		(4,716)	(3,098)
Cash flows from financing activities			
Interest paid		(415)	(478)
Cash flows used in derivatives related to financing activities	13	(152)	(250)
Dividends paid to Company shareholders		(1,422)	(1,291)
Dividends paid to non-controlling interests		(894)	(837)
Proceeds from issuance of bonds		958	647
Proceeds from other borrowings		708	117
Capital repayment of lease obligations		(272)	—
Repayments of bonds and borrowings		(581)	(3,507)
Net proceeds from issue of shares to non-controlling interests		—	875
Purchase of shares by Group companies		(1,043)	(293)
Other financing activities		(3)	40
Net cash used in financing activities		(3,116)	(4,977)
Net decrease in cash and cash equivalents		(168)	(948)
Cash and cash equivalents at start of year	13	6,548	7,792
Cash movements in the year		(168)	(948)
Effects of changes in foreign exchange rates		(45)	(296)
Cash and cash equivalents at end of year	13	6,335	6,548

Consolidated statement of changes in equity
for the year ended 31 December 2019

US\$ million	Total share capital ⁽¹⁾	Own shares ⁽²⁾	Retained earnings	Cumulative translation adjustment reserve	Other reserves ⁽³⁾	Total equity attributable to equity shareholders of the Company	Non-controlling interests	Total equity
At 1 January 2018	5,130	(6,191)	32,735	(9,274)	572	22,972	5,910	28,882
Total comprehensive income/(loss)	—	—	3,657	(1,782)	(37)	1,838	422	2,260
Dividends	—	—	(1,291)	—	—	(1,291)	(873)	(2,164)
Issue of shares to non-controlling interests	—	—	—	—	—	—	38	38
Equity settled share-based payment schemes	—	(124)	43	—	(9)	(90)	(6)	(96)
Change in ownership interest in subsidiaries	—	—	163	—	—	163	674	837
Other	—	—	(5)	—	11	6	69	75
At 31 December 2018	5,130	(6,315)	35,302	(11,056)	537	23,598	6,234	29,832
Impact of adoption of new accounting standards	—	—	(80)	—	—	(80)	(12)	(92)
At 1 January 2019	5,130	(6,315)	35,222	(11,056)	537	23,518	6,222	29,740
Total comprehensive income	—	—	3,431	91	68	3,590	1,122	4,712
Dividends	—	—	(1,422)	—	—	(1,422)	(759)	(2,181)
Equity settled share-based payment schemes	—	120	(237)	—	(2)	(119)	3	(116)
Shares cancelled during the year	(19)	—	—	—	19	—	—	—
Share buyback	—	—	(777)	—	—	(777)	—	(777)
Other	—	—	57	—	(52)	5	2	7
At 31 December 2019	5,111	(6,195)	36,274	(10,965)	570	24,795	6,590	31,385

⁽¹⁾ Includes share capital and share premium.

⁽²⁾ Own shares comprise shares of Anglo American plc held by the Company (treasury shares), its subsidiaries and employee benefit trusts.

⁽³⁾ Includes the share-based payment reserve, financial asset revaluation reserve, capital redemption reserve, legal reserve and other.

1. BASIS OF PREPARATION

Basis of Preparation

The Condensed financial statements for the year ended 31 December 2019 do not constitute statutory accounts as defined in section 435 (1) and (2) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's Annual General Meeting convened for 5 May 2020. The auditors have reported on these accounts; their reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Whilst the preliminary announcement (the Condensed financial statements) has been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations adopted for use by the European Union, with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and with the requirements of the United Kingdom Listing Authority (UKLA) Listing Rules, these Condensed financial statements do not contain sufficient information to comply with IFRS. The Group will publish full financial statements that comply with IFRS in March 2020.

Going concern

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the Financial review of Group results for the year ended 31 December 2019 on pages 3 to 8. The Group's net debt (including related hedges) at 31 December 2019 was \$4.6 billion (31 December 2018: \$2.8 billion) representing a gearing level of 13% (31 December 2018: 9%). Further analysis of net debt is set out in note 13 and details of borrowings and facilities are set out in note 14.

The directors have considered the Group's cash flow forecasts for the period to the end of 31 March 2021. The Board is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities for the foreseeable future. For this reason the Group continues to adopt the going concern basis in preparing its Condensed financial statements.

Alternative Performance Measures

When assessing and discussing the Group's reported financial performance, financial position and cash flows, management makes reference to Alternative Performance Measures (APMs) of historical or future financial performance, financial position or cash flows that are not defined or specified under IFRS. APMs should be considered in addition to, and not as a substitute for or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS. Further information on APMs is provided on page 68 of these Condensed financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2018, except for changes arising from the adoption of the following new accounting pronouncements which became effective in the current reporting period:

IFRS 16 Leases

IFRS 16 *Leases* became effective for the Group from 1 January 2019, replacing IAS 17 *Leases*. On transition to IFRS 16, lease liabilities and corresponding right-of-use assets were recognised in the Consolidated balance sheet for leases previously classified as operating leases under IAS 17 *Leases*.

The Group has elected to apply the modified retrospective approach on transition. The cumulative effect of transition to IFRS 16 is recognised in retained earnings at 1 January 2019. The comparative period has not been restated and continues to be presented in accordance with the accounting policy set out in the Group's Annual Report for the year ended 31 December 2018.

On transition, lease liabilities were recognised as the present value of lease payments still to be made, discounted at the appropriate incremental borrowing rate applicable at 1 January 2019 or where available, at the rate of interest implicit in the lease. For the majority of leased assets, the corresponding right-of-use asset was recognised equal to the value of the lease liability at 1 January 2019, adjusted for any accrued or prepaid lease payments.

Following adoption of IFRS 16, the costs of leases other than short-term leases less than 12 months, variable leasing costs and leases of low value assets are allocated between the depreciation of right-of-use assets and a finance charge representing the unwind of the discount on lease liabilities; previously leasing costs for operating leases were recognised within operating costs. For the year ended 31 December 2018, operating lease costs of \$150 million were charged against Operating costs within underlying EBITDA. On adoption of IFRS 16, for the year ended 31 December 2019 the depreciation of right-of-use assets (\$255 million charged against Operating costs) are excluded from underlying EBITDA and finance costs incurred on lease liabilities (\$32 million charged against Net finance costs) are excluded from underlying EBIT and underlying EBITDA. Short-term and low value leases, variable leasing costs and the costs of non-lease components continue to be charged against Operating costs within underlying EBITDA.

The present value of the operating lease commitments, disclosed in note 30 of the Group's 2018 Annual Report, discounted at the rates used to calculate lease liabilities at 1 January 2019, is reconciled to the lease liabilities recognised in the table below:

US\$ million	2019
IAS 17 Operating lease commitments at 31 December 2018	553
Impact of discounting operating lease commitments to present value	(93)
Other adjustments	9
Former operating leases recognised on balance sheet at 1 January 2019	469
Finance leases recognised separately at 31 December 2018	70
IFRS 16 Lease liabilities at 1 January 2019	539
Current	160
Non-current	379

On adoption of IFRS 16 on 1 January 2019, additional lease liabilities of \$469 million previously classified as operating leases were included in net debt. Corresponding right-of-use assets of \$379 million were recognised within Capital employed, less than the carrying value of lease liabilities due to the impairment of certain leased assets and the offsetting of onerous lease provisions against the carrying values of certain right-of-use assets on adoption of IFRS 16.

In the Consolidated cash flow statement for the year ended 31 December 2019, the total amount of cash paid in respect of leases recognised on the Consolidated balance sheet are split between repayments of principal of \$272 million and repayments of interest of \$30 million, both presented within cash flows from financing activities. The repayment of both principal and interest forms part of the Attributable free cash flow Alternative Performance Measure. In 2018 repayments of operating leases were recognised within cash flows from operating activities.

The weighted average incremental borrowing rate used to measure lease liabilities on transition to IFRS 16 at 1 January 2019 was 5.4%.

Notes to the Condensed financial statements

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The Group adopted the following practical expedients on transition to IFRS 16:

- The Group applied a single discount rate to portfolios of leases with similar characteristics, such as those of the same length and in the same country.
- Lease liabilities and corresponding right-of-use assets where the lease term will end during 2019 were excluded from leases brought on to the balance sheet unless the leases were significant.
- The Group considered known events after 1 January 2019 when determining the lease term, including using hindsight to assess whether options to extend or terminate the lease would be exercised.
- An impairment review was conducted for right-of-use assets on adoption of the standard. Any onerous lease provisions at 31 December 2018 have been reversed and equivalent impairments recorded against the carrying values of the corresponding right-of-use assets on adoption of IFRS 16.
- The Group separated non-lease components from lease components for certain leases for the first time as part of the transition adjustment.

Other accounting pronouncements

A number of other new accounting pronouncements, principally minor amendments to existing standards, also became effective on 1 January 2019 and have been adopted by the Group. The adoption of these new accounting pronouncements has not had a significant impact on the accounting policies, methods of computation or presentation applied by the Group.

The Group has early adopted amendments to IFRS 9 *Financial instruments* and IFRS 7 *Financial instruments disclosures* in relation to Interest Rate Benchmark Reform. This has not had a significant impact on the accounting policies, methods of computation or presentation applied by the Group. The Group has not early adopted any other amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

FINANCIAL PERFORMANCE

Profit attributable to equity shareholders remained consistent at \$3,547 million and underlying earnings increased 7% to \$3,468 million.

The following disclosures provide further information about the drivers of the Group's financial performance in the year. This includes analysis of the respective contribution of the Group's reportable segments along with information about its operating cost base, net finance costs and tax. In addition, disclosure on earnings per share and the dividend is provided.

3. FINANCIAL PERFORMANCE BY SEGMENT

Overview

The Group's operating segments are aligned to those business units that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Operating segments with similar economic characteristics are aggregated into reportable segments. Shipping revenue related to shipments of the Group's products is shown within the relevant operating segment. Revenue from other shipping arrangements is presented within the 'Corporate and other' segment, which also includes unallocated corporate costs and exploration costs.

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 68.

Segment results

	2019						
US\$ million	Group revenue	Underlying EBITDA	Depreciation and amortisation	Underlying EBIT	Net finance costs and income tax expense	Non-controlling interests	Underlying earnings
De Beers	4,605	558	(390)	168	(119)	(4)	45
Copper	5,840	1,618	(658)	960	(334)	(117)	509
Platinum Group Metals	6,866	2,000	(328)	1,672	(541)	(259)	872
Iron Ore	6,758	3,407	(455)	2,952	(622)	(695)	1,635
Coal	6,137	1,832	(822)	1,010	(347)	(1)	662
Nickel and Manganese	1,498	634	(157)	477	(171)	(5)	301
Corporate and other	121	(43)	(186)	(229)	(335)	8	(556)
	31,825	10,006	(2,996)	7,010	(2,469) ⁽¹⁾	(1,073)	3,468
Less: associates and joint ventures	(1,955)	(867)	184	(683)	289	5	(389)
Subsidiaries and joint operations	29,870	9,139	(2,812)	6,327	(2,180)	(1,068)	3,079
Reconciliation:							
Net income from associates and joint ventures				389			389
Special items and remeasurements				(144)			79
Profit before net finance costs and tax				6,572			
Profit attributable to equity shareholders of the Company							3,547

Notes to the Condensed financial statements

3. FINANCIAL PERFORMANCE BY SEGMENT (continued)

	2018						
US\$ million	Group revenue	Underlying EBITDA	Depreciation and amortisation	Underlying EBIT	Net finance costs and income tax expense	Non-controlling interests	Underlying earnings
De Beers	6,082	1,245	(551)	694	(288)	(57)	349
Copper	5,168	1,856	(622)	1,234	(125)	(192)	917
Platinum Group Metals	5,680	1,062	(357)	705	(153)	(134)	418
Iron Ore	3,768	1,177	(430)	747	(424)	(440)	(117)
Coal	7,788	3,196	(658)	2,538	(736)	(47)	1,755
Nickel and Manganese	1,707	844	(159)	685	(147)	(12)	526
Corporate and other	3	(219)	(7)	(226)	(392)	7	(611)
	30,196	9,161	(2,784)	6,377	(2,265) ⁽¹⁾	(875)	3,237
Less: associates and joint ventures	(2,586)	(1,334)	188	(1,146)	395	12	(739)
Subsidiaries and joint operations	27,610	7,827	(2,596)	5,231	(1,870)	(863)	2,498
Reconciliation:							
Net income from associates and joint ventures				728			728
Special items and remeasurements				744			323
Profit before net finance costs and tax				6,703			
Profit attributable to equity shareholders of the Company							3,549

⁽¹⁾ Comprises net finance costs of \$451 million (2018: \$395 million) and income tax expense of \$2,018 million (2018: \$1,870 million).

The segment results are stated after elimination of inter-segment interest and dividends and include an allocation of corporate costs.

Further information

Segments predominantly derive revenue as follows – De Beers: rough and polished diamonds; Copper: copper; Platinum Group Metals: platinum group metals and nickel; Iron Ore: iron ore; Coal: metallurgical coal and thermal coal; Nickel and Manganese: nickel, manganese ore and alloys.

The revenue analysis below includes the Group's share of revenue in equity accounted associates and joint ventures (see note 12). Other revenue includes shipping revenue which predominantly relates to the Iron Ore, Platinum Group Metals and Copper segments.

Group revenue by product

US\$ million	2019						2018
	Revenue from contracts with customers	Revenue from other sources	Group Revenue	Revenue from contracts with customers	Revenue from other sources	Group Revenue	
Diamonds	4,597	8	4,605	6,076	6	6,082	
Copper	5,558	11	5,569	5,141	(213)	4,928	
Platinum	1,944	—	1,944	2,194	41	2,235	
Palladium	2,707	—	2,707	1,690	19	1,709	
Rhodium	1,215	—	1,215	698	9	707	
Iron ore	5,646	263	5,909	3,355	(19)	3,336	
Metallurgical coal	3,202	423	3,625	3,459	472	3,931	
Thermal coal	2,033	470	2,503	2,971	882	3,853	
Nickel	921	6	927	877	5	882	
Manganese ore and alloys	—	926	926	—	1,147	1,147	
Other	1,812	83	1,895	1,353	33	1,386	
	29,635	2,190	31,825	27,814	2,382	30,196	

Revenue from other sources includes net gains of \$235 million on derivative financial instruments for sales and purchase contracts, provisionally priced receivables and economic hedges of commodity sales which are reported within total revenue from subsidiaries and joint operations (2018: net losses of \$204 million) and \$1,955 million of revenue from associates and joint ventures (2018: \$2,586 million).

Notes to the Condensed financial statements

3. FINANCIAL PERFORMANCE BY SEGMENT (continued)

Group revenue by destination

The Group's geographical analysis of segment revenue is allocated based on the customer's port of destination. Where the port of destination is not known, revenue is allocated based on the customer's country of domicile.

US\$ million	2019	2018
China	9,470	6,933
India	2,898	3,796
Japan	3,114	2,840
Other Asia	6,055	5,813
South Africa	807	1,466
Other Africa	1,220	1,816
Brazil	437	383
Chile	574	540
Other South America	71	35
North America	786	714
Australia	229	47
United Kingdom (Anglo American plc's country of domicile)	2,379	1,889
Other Europe	3,785	3,924
	31,825	30,196

Notes to the Condensed financial statements

4. EARNINGS PER SHARE

Overview

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 68.

US\$	2019	2018
Earnings per share		
Basic	2.81	2.80
Diluted	2.76	2.74
Underlying earnings per share		
Basic	2.75	2.55
Diluted	2.70	2.50
Headline earnings per share		
Basic	2.74	2.04
Diluted	2.69	2.00

Further information

The calculation of basic and diluted earnings per share is based on the following data:

	Profit attributable to equity shareholders of the Company		Underlying earnings		Headline earnings	
	2019	2018	2019	2018	2019	2018
Earnings (US\$ million)						
Basic and diluted earnings	3,547	3,549	3,468	3,237	3,459	2,590
Weighted average number of shares (million)						
Basic number of ordinary shares outstanding	1,263	1,269	1,263	1,269	1,263	1,269
Effect of dilutive potential ordinary shares	21	27	21	27	21	27
Diluted number of ordinary shares outstanding	1,284	1,296	1,284	1,296	1,284	1,296

The weighted average number of ordinary shares in issue excludes shares held by employee benefit trusts and Anglo American plc shares held by Group companies. The diluted number of ordinary shares outstanding including share options and awards is calculated on the assumption of conversion of all potentially dilutive ordinary shares. In the year ended 31 December 2019 there were 57,399 (2018: nil) share options that were potentially dilutive but not included in the calculation of diluted earnings because they were anti-dilutive.

Headline earnings, a Johannesburg Stock Exchange defined performance measure, is reconciled from underlying earnings as follows:

US\$ million	2019	2018
Underlying earnings for the financial year	3,468	3,237
Other operating special items	(63)	(58)
Operating remeasurements	(100)	(113)
Non-operating special items – charges relating to BEE transactions	(11)	(31)
Financing special items and remeasurements	(9)	(132)
Tax special items and remeasurements	109	(137)
Associates' and joint ventures' special items and remeasurements	—	(11)
Other reconciling items	65	(165)
Headline earnings for the financial year	3,459	2,590

The reconciling items above are shown net of tax and non-controlling interests.

Other reconciling items principally relate to adjustments to former operations and disposals of property, plant and equipment and investments (2018: include the impact of business combinations and disposals of property, plant and equipment and investments).

Notes to the Condensed financial statements

5. NET FINANCE COSTS

US\$ million	2019	2018
Investment income		
Interest income from cash and cash equivalents	188	188
Interest income from associates and joint ventures	21	22
Other interest income	35	27
Net interest income on defined benefit arrangements	26	23
Dividend income from financial asset investments	—	1
	270	261
Less: Interest income capitalised	(2)	—
Investment income	268	261
Interest expense		
Interest and other finance expense	(603)	(561)
Net interest cost on defined benefit arrangements	(45)	(45)
Unwinding of discount relating to provisions and other liabilities	(92)	(90)
	(740)	(696)
Less: Interest expense capitalised	74	41
Interest expense before special items and remeasurements	(666)	(655)
Financing special items	(3)	(102)
Interest expense	(669)	(757)
Other net financing (losses)/gains		
Net foreign exchange gains	30	14
Other net fair value losses	(52)	—
Other net financing (losses)/gains before special items and remeasurements	(22)	14
Financing remeasurements	(3)	(32)
Other net financing losses	(25)	(18)
Net finance costs	(426)	(514)

Further information

Following the adoption of IFRS 16 *Leases* from 1 January 2019, the interest expense of \$32 million incurred on lease liabilities is recognised within Interest and other finance expense for the year ended 31 December 2019. For the year ended 31 December 2018, all operating lease expenses were recognised within operating costs.

6. INCOME TAX EXPENSE**Overview**

The effective tax rate for the year of 25.4% (2018: 29.3%) is higher (2018: higher) than the applicable statutory rate of corporation tax in the United Kingdom.

			2019
	Profit before tax US\$ million	Tax charge US\$ million	Effective tax rate
Calculation of effective tax rate (statutory basis)	6,146	(1,564)	25.4%
Adjusted for:			
Special items and remeasurements	150	(196)	
Associates' and joint ventures' tax and non-controlling interests	263	(258)	
Calculation of underlying effective tax rate	6,559	(2,018)	30.8%

The underlying effective tax rate was 30.8% for the year ended 31 December 2019. This is lower than the equivalent underlying effective tax rate of 31.3% for the year ended 31 December 2018. The effective tax rate in 2019 benefited from the impact of the relative levels of profits arising in the Group's operating jurisdictions. In future periods, it is expected that the underlying effective tax rate will remain above the United Kingdom statutory tax rate.

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 68.

a) Analysis of charge for the year

US\$ million	2019	2018
United Kingdom corporation tax	67	26
South Africa tax	879	673
Other overseas tax	712	1,030
Prior year adjustments	(90)	(56)
Current tax	1,568	1,673
Deferred tax	192	(183)
Income tax expense before special items and remeasurements	1,760	1,490
Special items and remeasurements tax (note 9)	(196)	326
Income tax expense	1,564	1,816

Current tax includes royalties which meet the definition of income tax and are in addition to royalties recorded in operating costs.

Notes to the Condensed financial statements

6. INCOME TAX EXPENSE (continued)

b) Factors affecting tax charge for the year

The reconciling items between the statutory corporation tax rate and the income tax expense are:

US\$ million	2019	2018
Profit before tax	6,146	6,189
Less: Net income from associates and joint ventures	(389)	(728)
Profit before tax (excluding associates and joint ventures)	5,757	5,461
Tax calculated at United Kingdom corporation tax rate of 19.0% (2018: 19.0%)	1,094	1,038
Tax effects of:		
Items non-deductible/taxable for tax purposes	218	55
Temporary difference adjustments	(169)	170
Special items and remeasurements	(167)	212
Other adjustments		
Dividend withholding taxes	142	(195)
Effect of differences between local and United Kingdom tax rates	533	556
Prior year adjustments to current tax	(90)	(56)
Other adjustments	3	36
Income tax expense	1,564	1,816

The special items and remeasurements reconciling credit of \$167 million (2018: charge of \$212 million) relates to the net tax impact of total special items and remeasurements before tax calculated at the United Kingdom corporation tax rate less the associated tax recorded against these items and tax special items and remeasurements.

Included within dividend withholding taxes for the year ended 31 December 2019 is a credit of \$14 million (2018: credit of \$285 million) due to a reassessment of future dividend distributions.

Associates' and joint ventures' tax included within Net income from associates and joint ventures for the year ended 31 December 2019 is a charge of \$258 million (2018: charge of \$391 million). Excluding special items and remeasurements, this becomes a charge of \$258 million (2018: charge of \$380 million).

7. DIVIDENDS

	2019	2018
Proposed final ordinary dividend per share (US cents)	47	51
Proposed final ordinary dividend (US\$ million)	588	660

These financial statements do not reflect the proposed final ordinary dividend as it is still subject to shareholder approval.

Dividends paid during the year are as follows:

US\$ million	2019	2018
Final ordinary dividend for 2018 – 51 US cents per ordinary share (2017: 54 US cents per ordinary share)	657	681
Interim ordinary dividend for 2019 – 62 US cents per ordinary share (2018: 49 US cents per ordinary share)	765	610
	1,422	1,291

SIGNIFICANT ITEMS

Special items and remeasurements are a net gain of \$0.1 billion and include an impairment reversal at Minas-Rio of \$1.0 billion, partially offset by the impairments of South African thermal coal and Cerrejón of \$0.9 billion.

During the year ended 31 December 2019, the significant accounting matters addressed by management included:

- the assessment of impairment and impairment reversal indicators; and
- the estimation of cash flow projections for impairment testing.

8. SIGNIFICANT ACCOUNTING MATTERS

In the course of preparing financial statements, management necessarily makes judgements and estimates that can have a significant impact on the financial statements. The critical judgements and sources of estimation uncertainty that affect the results for the year ended 31 December 2019 are set out below. In addition to these items, further detail on other significant judgements and estimates determined by management is provided, where applicable, in the relevant note to the financial statements.

Impairment and impairment reversals of assets

i) Critical accounting judgements

The Group assesses at each reporting date whether there are any indicators that its assets and cash generating units (CGUs) may be impaired. Operating and economic assumptions which could affect the valuation of assets using discounted cash flows, including those that could be impacted by the Group's principal risks, are updated regularly as part of the Group's planning and forecasting processes. Judgement is therefore required to determine whether the updates represent significant changes in the service potential of an asset or CGU, and are therefore indicators of impairment or impairment reversal. The judgement also takes into account the Group's long-term economic forecasts, market consensus and sensitivity analysis of the discounted cash flow models used to value the Group's assets.

Assets (other than goodwill) that have been previously impaired must be assessed for indicators of both impairment and impairment reversal. Such assets are, by definition, carried on the balance sheet at a value close to their recoverable amount at the last assessment. Therefore in principle any change to operational plans or assumptions, economic parameters, or the passage of time, could result in further impairment or impairment reversal if an indicator is identified. Significant operating assets that the Group has previously impaired include Minas-Rio (Iron Ore); Dawson and Isibonelo (Coal); Barro Alto and Samancor (Nickel and Manganese) and El Soldado (Copper). These assets have a combined carrying value of \$7.1 billion within property, plant and equipment as at 31 December 2019.

ii) Cash flow projections for impairment testing

Expected future cash flows used in discounted cash flow models are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including Ore Reserves and Mineral Resources, together with economic factors such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure. Where discounted cash flow models based on management's assumptions are used, the resulting fair value measurements are considered to be at level 3 in the fair value hierarchy, as defined in IFRS 13 *Fair Value Measurement*, as they depend to a significant extent on unobservable valuation inputs.

Cash flow projections are based on financial budgets and Life of Mine Plans or, for non-mine assets, an equivalent appropriate long-term forecast, incorporating key assumptions as detailed below:

- Ore Reserves and Mineral Resources

Ore Reserves and, where considered appropriate, Mineral Resources are incorporated in projected cash flows, based on Ore Reserves and Mineral Resources statements and exploration and evaluation work undertaken by appropriately qualified persons. Mineral Resources are included where management has a high degree of confidence in their economic extraction, despite additional evaluation still being required prior to meeting the required confidence to convert to Ore Reserves.

Notes to the Condensed financial statements

8. SIGNIFICANT ACCOUNTING MATTERS (continued)

- Commodity and product prices

Commodity and product prices are based on latest internal forecasts, benchmarked with external sources of information, to ensure they are within the range of available analyst forecasts. In estimating the forecast cash flows, management also takes into account the expected realised price from existing contractual arrangements.

- Foreign exchange rates

Foreign exchange rates are based on latest internal forecasts, benchmarked with external sources of information for relevant countries of operation. Long-term foreign exchange rates are kept constant on a real basis.

- Discount rates

Cash flow projections used in fair value less costs of disposal impairment models are discounted based on a real post-tax discount rate, assessed annually, of 7.0% (2018: 7.0%). Adjustments to the rate are made for any risks that are not reflected in the underlying cash flows, including the risk profile of the individual asset and country risk.

- Operating costs, capital expenditure and other operating factors

Operating costs and capital expenditure are based on financial budgets covering a five year period. Cash flow projections beyond five years are based on Life of Mine Plans or non-mine production plans, as applicable, and internal management forecasts. Cost assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith (for example, the grade of Ore Reserves varying significantly over time and unforeseen operational issues). Underlying input cost assumptions are consistent with related output price assumptions. Other operating factors, such as the timelines of granting licences and permits are based on management's best estimate of the outcome of uncertain future events at the balance sheet date. For further information refer to the unaudited Ore Reserves and Mineral Resources Report 2019.

Where an asset has potential for future development through capital investment, to which a market participant would attribute value, and the costs and economic benefits can be estimated reliably, this development is included in the cash flows (with appropriate risk adjustments).

iii) Key sources of estimation uncertainty

For assets where indicators of impairment or impairment reversal are identified, the Group performs impairment reviews to assess the recoverable amount of its operating assets principally with reference to fair value less costs of disposal, assessed using discounted cash flow models. Mining operations are large, complex assets requiring significant technical and financial resources to operate. Their value may be sensitive to a range of characteristics unique to each asset. Management applies judgement in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants. All assumptions are made from the perspective of a hypothetical informed market participant (as required by IFRS 13 *Fair Value Measurement*). As a result, these assumptions may differ from the Group's own internal forecasts.

Minas-Rio

Minas-Rio was last impaired in 2015 by \$2.5 billion based on a recoverable amount of \$3.6 billion, as a result of a deterioration in the long-term outlook for iron ore prices. Prior to that date, impairment charges of \$5.0 billion and \$3.8 billion were recorded in 2012 and 2014.

Following pipeline leaks and the suspension of operations in March 2018, operations at Minas-Rio resumed in December 2018. The ramp-up has progressed well during 2019, facilitated by access to higher grade ore in the Step 3 licence area, and a key tailings dam extension permit was received in December 2019. Additionally, whilst the long-term outlook for iron ore has remained broadly unchanged since 2015, the outlook for market conditions in the nearer term has improved. Consequently, the valuation of Minas-Rio has been assessed and the previous impairment has been partially reversed to a recoverable amount of \$5.3 billion, resulting in a gain of \$1.0 billion (\$1.0 billion after tax). Of the impairment reversal, \$1,023 million has been allocated against property, plant and equipment and \$10 million against land and buildings.

The recoverable amount is based on a discounted cash flow model. The valuation is inherently sensitive to changes in economic and operational assumptions which could materially increase or reduce the valuation. Key assumptions include the long-term realised iron ore price, and the timing of receipt of required permits and licences. The forecast realised price is calculated using the Platts 62% CFR price as a reference, with adjustments to reflect the anticipated grade and form of the Minas-Rio product, as well as an adjustment for future freight costs. In addition to the base case valuation, alternative scenarios have been considered to assess the impact of changes in key assumptions. The most significant input to the valuation is the long-term price for iron ore used to calculate the forecast long-term realised price. The model

Notes to the Condensed financial statements

8. SIGNIFICANT ACCOUNTING MATTERS (continued)

uses a long-term iron ore price that falls within the top quartile of the analyst range of \$66/tonne to \$76/tonne (Platts 62% CFR reference basis, 2020 real terms). If the model assumption were changed by \$5/tonne with all other valuation assumptions remaining the same, this would change the valuation by \$0.6 billion.

South African thermal coal

The South African thermal coal CGU includes all of the Group's South African thermal coal operations with the exception of the Isibonelo coal mine. Following lower forecast short and medium-term thermal coal prices during 2019 and resultant negative cash flows of operations included within the South African thermal coal CGU, an impairment charge of \$585 million has been recognised (\$585 million after tax and non-controlling interests). This has brought the carrying amount into line with the recoverable amount of \$0.6 billion.

The valuation, based on discounted cash flows, is sensitive to changes in input assumptions, particularly in relation to future thermal coal prices and South African rand foreign exchange rates over the period 2020 to 2028. The forecast realised price is calculated using API4 FOB Richards Bay as a reference, with adjustments to reflect the quality and location of the product. In addition to the base case valuation, alternative scenarios have been considered to assess the impact of changes in key assumptions. The most significant input to the valuation is the short to medium-term price for thermal coal used to calculate the forecast realised prices. The model uses an average thermal coal price that falls within an analyst range throughout the Life of Mine Plan. However, the thermal coal price in the model falls within the top quartile of the analyst range from 2025 onwards, of \$79/tonne to \$92/tonne API4 FOB Richards Bay reference basis, 2020 real terms. If the model assumptions were changed by \$5/tonne throughout the Life of Mine Plan with all other valuation assumptions remaining the same, this would change the valuation by \$0.4 billion. The model uses a forecast for the average South African rand to US dollar real exchange rate which falls within the analyst range of 12.2 ZAR/\$ to 16.7 ZAR/\$. A 10% appreciation of the South African rand compared to the valuation assumptions across the forecasted period would decrease the valuation by \$0.5 billion. The valuation is not sensitive to long-term assumptions due to the remaining asset lives.

Cerrejón

The Group has a 33% interest in Cerrejón, an exporter of Colombian thermal coal, which is accounted for as an investment in an associate. Following lower forecast thermal coal prices for Cerrejón's principal markets during 2019 and a revision to the Life of Mine Plan, an impairment charge of \$334 million has been recognised (\$334 million after tax). This has brought the carrying amount into line with the recoverable amount of \$0.5 billion.

The valuation, based on discounted cash flows, is sensitive to changes in input assumptions, particularly in relation to future Colombian thermal coal prices. The forecast realised price is calculated using API4 FOB Richards Bay as reference, with adjustments to reflect the quality and location of the product. In addition to the base case valuation, alternative scenarios have been considered to assess the impact of changes in key assumptions. The most significant input to the valuation is the short to medium-term price for thermal coal used to calculate the forecast realised price. The model uses prices linked to thermal coal prices that fall within the analyst range noted above for South African thermal coal. If the model assumptions were changed by \$5/tonne in each year with all other valuation assumptions remaining the same, this would change the valuation by \$0.2 billion.

De Beers natural diamonds goodwill

The valuation of the De Beers natural diamonds CGU has been assessed as at 31 December 2019 and the recoverable amount was considered to exceed the carrying value by \$1.0 billion. The valuation, based on discounted cash flows, is sensitive to input assumptions particularly in relation to the future price growth for diamonds. The two primary factors impacting price growth are expected consumer demand growth and changes in global supply.

Expected consumer demand growth (in USD terms) is driven predominantly by: local currency GDP growth expectations in the primary markets in which diamonds are sold; foreign exchange movements against the US dollar and the desirability of diamonds. Desirability includes all aspects of buying behaviour such as competition for share of wallet from other luxury products including experiential holidays, hardline and softline goods, new technology and other products such as labgrown diamonds.

The valuation remains sensitive to consumer demand growth that provide both upside and downside risk. For example a reduction in the weighted GDP growth rates, a strengthening of the US dollar or an increase in substitution by labgrown gems would suppress consumer demand growth. These factors have a range of possible impacts that may not occur independently of each other.

Notes to the Condensed financial statements

8. SIGNIFICANT ACCOUNTING MATTERS (continued)

The medium-term real GDP growth assumption in US dollar terms inherent in the consumer demand forecast is 2.7% which is sourced from an external provider and is weighted based on the key markets in which we operate including the US, China, India, Japan, Gulf Region and Eurozone.

The foreign exchange assumption inherent in the consumer demand forecast is based on an external forecast, and in the medium-term incorporates annual US dollar depreciation of 0.5% against the Chinese renminbi and 0.8% against the Japanese yen and 0.5% annual appreciation against the Indian rupee.

The consumer demand forecast has assumed a growth in the short-term market penetration of labgrown diamonds which is then forecast to revert back to a stable share of the market by 2024 as the product becomes distinguished as a separate category.

A range of alternative scenarios have been considered in determining whether there is a reasonably possible change in consumer demand growth, which would result in the recoverable amount equating to the carrying amount. These scenarios are consistent with external forecasts that incorporate real year on year demand growth of 0-1% in the conservative estimate or 2-3% in more optimistic estimates.

A 0.6 percentage point underperformance in our consumer demand growth expectation, either through a 10% appreciation in the US dollar or a reduction in real GDP growth assumptions by 0.6 percentage points, with other valuation assumptions remaining the same, would result in the recoverable amount equating to the carrying amount.

Changes in total global supply is driven primarily by the output anticipated from new projects. Our assessment is that no reasonably possible change in global supply with other assumptions remaining the same, would result in the recoverable amount equating to the carrying amount.

Recognition of deferred tax assets

In accordance with the requirements of IAS12 *Income Taxes*, the Group reassesses the recognition and recoverability of deferred tax assets at the end of each reporting period. This assessment is performed for each jurisdiction based upon the application of tax law, the likelihood of taxable profits arising in future periods and the likelihood that tax assets will be utilised. In determining the likelihood of future taxable profits the Group considers the financial forecasts and the associated risks from operational and financial uncertainties.

9. SPECIAL ITEMS AND REMEASUREMENTS

Overview

US\$ million				2019	2018
	Before tax	Tax	Non-controlling interests	Net	Net
Impairments and impairment reversals	131	—	—	131	851
Other operating special items	(180)	55	62	(63)	(58)
Operating remeasurements	(102)	8	(6)	(100)	(113)
Operating special items and remeasurements	(151)	63	56	(32)	680
Disposals of businesses and investments	(51)	24	—	(27)	(25)
Adjustments relating to business combinations	23	—	—	23	7
Adjustments relating to former operations	48	(11)	(11)	26	(39)
Charges relating to BEE transactions	(13)	—	2	(11)	(31)
Non-operating special items	7	13	(9)	11	(88)
Financing special items and remeasurements	(6)	(1)	(2)	(9)	(132)
Tax special items and remeasurements	—	121	(12)	109	(137)
Total	(150)	196	33	79	323
Associates' and joint ventures' special items and remeasurements				—	(11)
Total special items and remeasurements				79	312

Notes to the Condensed financial statements

9. SPECIAL ITEMS AND REMEASUREMENTS (continued)

Special items

Special items are those items of financial performance that, due to their size and nature, the Group believes should be separately disclosed on the face of the income statement. These items, along with related tax and non-controlling interests, are excluded from underlying earnings, which is an Alternative Performance Measure (APM). For more information on the APMs used by the Group, including definitions, please refer to page 68.

- Operating special items are those that relate to the operating performance of the Group and principally include impairment charges and reversals and restructuring costs.
- Non-operating special items are those that relate to changes in the Group's asset portfolio. This category principally includes profits and losses on disposals of businesses and investments or closure of operations, adjustments relating to business combinations, and adjustments relating to former operations of the Group, such as changes in the measurement of deferred consideration receivable or provisions recognised on disposal or closure of operations in prior periods. This category also includes charges relating to Black Economic Empowerment (BEE) transactions.
- Financing special items are those that relate to financing activities and include realised gains and losses on early repayment of borrowings, and the unwinding of the discount on material provisions previously recognised as special items.
- Tax special items are those that relate to tax charges or credits where the associated cash outflow or inflow is anticipated to be significant due to its size and nature, principally including resolution of tax enquiries.

Remeasurements

Remeasurements are items that are excluded from underlying earnings in order to reverse timing differences in the recognition of gains and losses in the income statement in relation to transactions that, whilst economically linked, are subject to different accounting measurement or recognition criteria. Remeasurements include mark-to-market movements on derivatives that are economic hedges of transactions not yet recorded in the financial statements, in order to ensure that the overall economic impact of such transactions is reflected within the Group's underlying earnings in the period in which they occur. When the underlying transaction is recorded in the income statement, the realised gains or losses are reversed from remeasurements and are recorded in underlying earnings within either revenue, operating costs or net finance costs as appropriate. If the underlying transaction is recorded in the balance sheet, for example capital expenditure, the realised amount remains in remeasurements on settlement of the derivative.

- Operating remeasurements include unrealised gains and losses on derivatives relating to revenue, operating costs or capital expenditure transactions. They also include the reversal through depreciation and amortisation of a fair value gain or loss, arising on revaluation of a previously held equity interest in a business combination.
- Financing remeasurements include unrealised gains and losses on financial assets and liabilities that represent economic hedges, including accounting hedges, related to financing arrangements.
- Tax remeasurements include foreign exchange impacts arising in US dollar functional currency entities where tax calculations are generated based on local currency financial information and hence tax is susceptible to currency fluctuations.

Operating special items

Impairments and impairment reversals

Net impairments and impairment reversals of \$131 million (\$131 million after tax and non-controlling interests) for the year ended 31 December 2019 principally comprise the impairment reversals of Minas-Rio (Iron Ore) of \$1,033 million (\$1,033 million after tax) and the impairment charges of South African thermal coal (Coal) of \$585 million (\$585 million after tax and non-controlling interests), Cerrejón (Coal) of \$334 million (\$334 million after tax), and Corporate assets (Corporate and other) of \$30 million (\$30 million after tax).

Further information on significant accounting matters relating to impairments and impairment reversals is provided in note 8.

Notes to the Condensed financial statements

9. SPECIAL ITEMS AND REMEASUREMENTS (continued)

2018

Net impairments and impairment reversals of \$851 million after tax and non-controlling interests for the year ended 31 December 2018 principally consisted of impairment reversals of \$652 million for Moranbah-Grosvenor (Coal) and \$259 million for Capcoal (Coal) partially offset by the impairment of the investment in Bafokeng Rasimone Platinum Mine (Platinum Group Metals) and \$60 million relating to the write-off of assets in De Beers' South African operations.

Other operating special items

The loss of \$180 million (\$63 million after tax and non-controlling interests) principally relates to the cost to the Group of terminating a long-term power supply contract in Copper.

2018

The loss of \$80 million (\$58 million after tax) related to the cost to the Group of the transfer of liabilities of a South African pension scheme.

Operating remeasurements

Operating remeasurements reflect a net loss of \$102 million (\$100 million after tax and non-controlling interests) which principally relates to a \$103 million depreciation and amortisation charge arising due to the fair value uplift on the Group's pre-existing 45% shareholding in De Beers, which was required on acquisition of a controlling stake.

2018

Operating remeasurements reflected a net loss of \$113 million after tax and non-controlling interests, for the year ended 31 December 2018.

Non-operating special items

Disposals of businesses and investments

On 27 November 2019, the Group announced the equalisation of ownership across its integrated metallurgical coal operations at Moranbah North and Grosvenor in Australia (Coal). On entering into an agreement for the sale of a 12% interest in the Grosvenor mine to the same consortium partners for cash proceeds of \$141 million, an impairment charge of \$59 million (\$41 million after tax) was recorded to bring the carrying amount of the related net assets into line with its fair value less costs to sell based on the fair value of the sales consideration.

2018

The net loss of \$25 million after tax and non-controlling interests related to the disposals of the Group's interests in the Bafokeng Rasimone Platinum Mine, the Union platinum mine and Masa Chrome Company Proprietary Limited (Platinum Group Metals), the Eskom-tied domestic coal operations in South Africa and the Drayton mine (Coal).

Adjustments relating to business combinations

The \$23 million gain during the year ended 31 December 2019 relates to adjustments in respect of business combinations in prior periods.

2018

The \$7 million gain related to adjustments in respect of business combinations in prior periods, including a gain on settlement of a related commercial dispute.

Adjustments relating to former operations

The gain of \$48 million (\$26 million after tax and non-controlling interests) relates to adjustments in respect of disposals completed in prior periods.

2018

The net loss of \$39 million after tax and non-controlling interests relates to adjustments in respect of disposals completed in prior periods.

Charges relating to BEE transactions

In 2019 the net loss of \$11 million after tax and non-controlling interests related to a modification charge under IFRS 2 *Share-based Payments* following the refinancing of Ponahalo Investments (Pty) Ltd.

Notes to the Condensed financial statements

9. SPECIAL ITEMS AND REMEASUREMENTS (continued)

2018

In 2018 the net loss of \$31 million after tax and non-controlling interests related to a modification charge under IFRS 2 *Share-based Payments* following the refinancing of Ponahalo Investments (Pty) Ltd.

Financing special items and remeasurements

Financing special items and remeasurements principally comprise a net fair value loss of \$6 million in respect of derivatives hedging net debt (2018: loss of \$98 million arising on bond buybacks completed in the period and a net fair value loss of \$33 million on derivatives hedging net debt).

Tax associated with special items and remeasurements

This includes a tax remeasurement charge of \$406 million and tax on specials credit of \$602 million principally arising on Brazilian deferred tax assets (2018: tax remeasurements charge of \$110 million principally arising on Brazilian deferred tax assets).

Of the total tax credit of \$196 million (2018: charge of \$326 million), there is a net current tax credit of \$56 million (2018: charge of \$16 million) and a net deferred tax credit of \$140 million (2018: charge of \$310 million).

Associates' and joint ventures' special items and remeasurements

2018

Associates' and joint ventures' special items and remeasurements relates to the Coal segment.

CAPITAL BASE

We have a value-focused approach to capital allocation with clear prioritisation: maintain asset integrity; pay dividends to our shareholders while ensuring a strong balance sheet. Discretionary capital is then allocated based on a balanced approach.

Value-disciplined capital allocation throughout the cycle is critical to protecting and enhancing our shareholders' capital, given the long-term and capital intensive nature of our business.

The Group uses attributable return on capital employed (ROCE) to monitor how efficiently assets are generating profit on invested capital for the equity shareholders of the Company. Attributable ROCE is an Alternative Performance Measure (APM). For more information on the APMs used by the Group, including definitions, please refer to page 68.

	Attributable ROCE %	
	2019	2018
De Beers	2	8
Copper	16	22
Platinum Group Metals	38	15
Iron Ore	31	3
Coal	26	67
Nickel and Manganese	20	28
Corporate and other	n/a	n/a
	19	19

Attributable ROCE remained consistent at 19% in the year ended 31 December 2019 (2018: 19%). Average attributable capital employed has increased to \$28.4 billion (31 December 2018: \$27.4 billion), primarily due to the increase of current year capital expenditure and changes in accounting treatment arising from IFRS 16 Leases.

10. CAPITAL BY SEGMENT

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 68.

Capital employed by segment

Capital employed is the principal measure of segment assets and liabilities reported to the Group Management Committee. Capital employed is defined as net assets excluding net debt and financial asset investments.

US\$ million	Capital employed	
	2019	2018
De Beers	8,800	8,349
Copper	8,238	6,463
Platinum Group Metals	4,045	4,058
Iron Ore	8,363	6,929
Coal	3,787	4,131
Nickel and Manganese	2,305	2,390
Corporate and other	38	(51)
Capital employed	35,576	32,269
Reconciliation to the Consolidated balance sheet:		
Net debt	(4,626)	(2,848)
Debit valuation adjustment attributable to derivatives hedging net debt	1	15
Financial asset investments	434	396
Net assets	31,385	29,832

Notes to the Condensed financial statements

10. CAPITAL BY SEGMENT (continued)

Non-current assets by location

US\$ million	Intangible assets and Property, plant and equipment		Total non-current assets	
	2019	2018	2019	2018
South Africa	10,265	9,687	10,756	10,181
Botswana	3,996	4,071	3,996	4,071
Other Africa	1,075	1,033	1,096	1,039
Brazil	6,699	5,643	6,948	5,891
Chile	6,323	6,210	6,333	6,240
Peru	3,428	1,958	3,687	2,181
Other South America	1	2	447	838
North America	634	644	634	644
Australia and Asia	3,364	3,374	3,783	3,848
United Kingdom (Anglo American plc's country of domicile)	1,424	1,279	1,560	1,383
Other Europe	78	84	79	84
Non-current assets by location	37,287	33,985	39,319	36,400
Unallocated assets			2,758	2,484
Total non-current assets			42,077	38,884

Total non-current assets by location primarily comprise Intangible assets, Property, plant and equipment, Environmental rehabilitation trusts and Investments in associates and joint ventures.

Notes to the Condensed financial statements

11. CAPITAL EXPENDITURE

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 68.

Capital expenditure by segment

US\$ million	2019	2018
De Beers	567	417
Copper	1,078	703
Platinum Group Metals	569	496
Iron Ore	594	415
Coal	934	722
Nickel and Manganese	42	38
Corporate and other	56	27
Capital expenditure	3,840	2,818
Reconciliation to the Consolidated cashflow statement:		
Cash flows from derivatives related to capital expenditure	(9)	15
Proceeds from disposal of property, plant and equipment	8	162
Direct funding for capital expenditure received from non-controlling interests	844	374
Reimbursement of capital expenditure	61	31
Expenditure on property, plant and equipment	4,744	3,400

Direct funding for capital expenditure received from non-controlling interests represents capital expenditure relating to the Quellaveco project funded by Mitsubishi. Capital expenditure on the Quellaveco project in the year ended 31 December 2019 was partly funded using remaining cash subscriptions received from Mitsubishi in 2018 as part of the Quellaveco syndication transaction. At 31 December 2019, subscription amounts have been fully utilised. Mitsubishi has continued to provide direct funding for its 40% share of capital expenditure via draw-downs against a committed shareholder facility which are recorded as borrowings on the Group's Consolidated balance sheet.

Reimbursement of capital expenditure relates to funding provided for the development of the Charterhouse Street office.

Capitalised operating cash flows

Capital expenditure includes net capitalised operating cash outflows of \$11 million (2018: net inflows of \$18 million) in relation to operating costs incurred by operations prior to reaching commercial production for accounting purposes.

Capital expenditure by category

US\$ million	2019	2018
Expansionary	1,216	567
Stay-in-business	1,656	1,617
Stripping and development	976	796
Proceeds from disposal of property, plant and equipment	(8)	(162)
	3,840	2,818

Expansionary capital expenditure includes the cash flows from derivatives related to capital expenditure and is net of direct funding for capital expenditure received from non-controlling interests. Stay-in-business capital expenditure is net of reimbursement of capital expenditure.

Notes to the Condensed financial statements

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Overview

Investments in associates and joint ventures represent businesses the Group does not control, but instead exercises significant influence or joint control. These include (within the respective business units) the associates Cerrejón and Jellinbah (Coal) and the joint ventures Ferroport (Iron Ore) and Samancor (Nickel and Manganese). The Group's other investments in associates and joint ventures arise primarily in the Platinum Group Metals segment.

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 68.

US\$ million	2019	2018
Revenue	1,955	2,586
Operating costs (before special items and remeasurements)	(1,272)	(1,440)
Associates' and joint ventures' underlying EBIT	683	1,146
Net finance costs	(31)	(15)
Income tax expense	(258)	(380)
Non-controlling interests	(5)	(12)
Net income from associates and joint ventures (before special items and remeasurements)	389	739
Special items and remeasurements tax	—	(11)
Net income from associates and joint ventures	389	728

Further information

The Group's share of the results of the associates and joint ventures is as follows:

US\$ million	2019				
	Revenue	Underlying EBITDA	Underlying EBIT	Share of net income	Dividends received
Samancor (Nickel and Manganese)	926	443	388	200	300
Cerrejón (Coal)	494	130	25	9	66
Jellinbah (Coal)	438	206	193	135	139
Ferroport (Iron Ore)	90	73	66	34	—
Other	7	15	11	11	15
	1,955	867	683	389	520

US\$ million	2018				
	Revenue	Underlying EBITDA	Underlying EBIT	Share of net income	Dividends received
Samancor (Nickel and Manganese)	1,147	663	610	380	405
Cerrejón (Coal)	838	388	295	184	194
Jellinbah (Coal)	482	241	228	160	138
Ferroport (Iron Ore)	29	14	7	—	—
Other	90	28	6	4	—
	2,586	1,334	1,146	728	737

US\$ million	Aggregate investment	
	2019	2018
Samancor (Nickel and Manganese)	357	404
Cerrejón (Coal)	487	837
Jellinbah (Coal)	240	246
Ferroport (Iron Ore)	152	123
Other	97	105
	1,333	1,715

NET DEBT AND FINANCIAL RISK MANAGEMENT

Net debt increased from \$2.8 billion to \$4.6 billion during the year, driven by the adoption of IFRS 16 *Leases* and the share buy-back programme. Gearing has increased from 9% at 31 December 2018 to 13% at 31 December 2019.

US\$ million	2019	2018
Net assets	31,385	29,832
Net debt including related derivatives (note 13)	4,626	2,848
Total capital	36,011	32,680
Gearing	13%	9%

Net debt is calculated as total borrowings less cash and cash equivalents (including derivatives that provide an economic hedge of net debt and excluding the impact of the debit valuation adjustment). Total capital is calculated as 'Net assets' (as shown in the Consolidated balance sheet) excluding net debt.

13. NET DEBT**Overview**

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 68.

Movement in net debt

US\$ million	Cash and cash equivalents	Short term borrowings	Medium and long term borrowings	Net debt excluding derivatives	Derivatives hedging net debt	Net debt including derivatives
At 1 January 2018	7,792	(1,324)	(10,620)	(4,152)	(349)	(4,501)
Cash flow	(948)	1,077	1,666	1,795	250	2,045
Reclassifications	—	(434)	434	—	—	—
Movement in fair value	—	8	116	124	(345)	(221)
Other non-cash movements	—	34	(137)	(103)	—	(103)
Currency movements	(296)	58	170	(68)	—	(68)
At 31 December 2018	6,548	(581)	(8,371)	(2,404)	(444)	(2,848)
Impact of adoption of IFRS 16 (note 2)	—	(148)	(321)	(469)	—	(469)
At 1 January 2019	6,548	(729)	(8,692)	(2,873)	(444)	(3,317)
Cash flow	(168)	583	(1,396)	(981)	152	(829)
Reclassifications	—	(593)	593	—	—	—
Movement in fair value	—	(3)	(231)	(234)	53	(181)
Other non-cash movements	—	(231)	(91)	(322)	—	(322)
Currency movements	(45)	(5)	73	23	—	23
At 31 December 2019	6,335	(978)	(9,744)	(4,387)	(239)	(4,626)

Following the adoption of IFRS 16 *Leases*, lease liabilities of \$469 million were recognised within external borrowings included within net debt at the date of transition at 1 January 2019. Corresponding right-of-use assets were recognised within Property, plant and equipment.

Other non-cash movements include \$306 million relating to leases entered into in the year ended 31 December 2019.

Notes to the Condensed financial statements

13. NET DEBT (continued)

Further information

Reconciliation to the Consolidated balance sheet

US\$ million	Cash and cash equivalents		Short term borrowings		Medium and long term borrowings	
	2019	2018	2019	2018	2019	2018
Balance sheet	6,345	6,567	(990)	(600)	(9,744)	(8,371)
Balance sheet – disposal groups	2	—	—	—	—	—
Bank overdrafts	(12)	(19)	12	19	—	—
Net cash/(debt) classifications	6,335	6,548	(978)	(581)	(9,744)	(8,371)

South Africa net cash

The Group operates in South Africa where the existence of exchange controls may restrict the use of certain cash balances. The Group therefore monitors the cash and debt associated with these operations separately. These restrictions are not expected to have a material effect on the Group's ability to meet its ongoing obligations. On an owned basis cash and cash equivalents in South Africa is \$5,001 million (2018: \$5,316 million) and net cash is \$4,282 million (2018: \$4,603 million).

As part of the Group cash pooling arrangement, cash that is legally owned by South African companies is managed outside of South Africa. Below is a breakdown of net (debt)/cash managed in South Africa:

US\$ million	2019	2018
Cash and cash equivalents	389	1,382
Short term borrowings	(42)	(113)
Medium and long term borrowings	(678)	(601)
Net (debt)/cash excluding derivatives	(331)	668
Derivatives hedging net debt	1	1
Net (debt)/cash including derivatives	(330)	669

On the adoption of IFRS 16 *Leases* from 1 January 2019, lease liabilities of \$94 million for assets leased in South Africa were recognised within borrowings included within South Africa net cash.

Debit valuation adjustment

The debit valuation adjustments reduce the valuation of derivative liabilities hedging net debt reflecting the impact of the Group's own credit risk. These adjustments are excluded from the Group's definition of net debt (as detailed on page 71). The movement in the debit valuation adjustments are as follows:

US\$ million	2019	2018
At 1 January	15	9
Movement in fair value	(14)	6
At 31 December	1	15

14. BORROWINGS**Overview**

The Group accesses borrowings mostly in capital markets through bonds issued under the Euro Medium Term Note (EMTN) programme, the South African Domestic Medium Term Note (DMTN) programme and through accessing the US bond markets. The Group uses interest rate and cross currency swaps to ensure that the majority of the Group's borrowings are floating rate US dollar denominated.

In March 2019, the Group issued bonds with a US dollar equivalent value of \$1.0 billion. The issuance consisted of €500 million 1.625% Guaranteed Notes due 2026 and £300 million 3.375% Guaranteed Notes due 2029, both under the Euro Medium Term Note Programme.

Further information

US\$ million	2019			2018		
	Short term borrowings	Medium and long term borrowings	Total borrowings	Short term borrowings	Medium and long term borrowings	Total borrowings
Secured						
Bank loans and overdrafts	26	15	41	25	31	56
Leases (2018: finance leases)	209	345	554	12	58	70
Other loans	12	108	120	—	57	57
	247	468	715	37	146	183
Unsecured						
Bank loans and overdrafts	131	93	224	13	129	142
Bonds	475	8,748	9,223	420	8,095	8,515
Interest payable and other loans	137	435	572	130	1	131
	743	9,276	10,019	563	8,225	8,788
Total borrowings	990	9,744	10,734	600	8,371	8,971

Undrawn committed borrowing facilities

The Group had the following undrawn committed borrowing facilities at 31 December:

US\$ million	2019	2018
Expiry date		
Within one year	228	223
Greater than one year, less than two years	394	1,182
Greater than two years, less than three years	1,121	1,035
Greater than three years, less than four years	1,538	—
Greater than four years, less than five years	5,385	4,874
	8,666	7,314

On 8 February 2019, the Group extended the maturity of \$4.3 billion of its revolving credit facility by one year from March 2023 to March 2024. Subsequent to this the Group exercised its second extension option on 10 February 2020 extending the maturity of \$4.3 billion of the facility by a further year and \$0.2 billion by two years to March 2025.

Undrawn committed borrowing facilities expiring within one year include undrawn South African rand facilities equivalent to \$0.2 billion (2018: \$0.2 billion) in respect of facilities with a 364 day maturity which roll automatically on a daily basis, unless notice is served.

UNRECOGNISED ITEMS AND UNCERTAIN EVENTS

15. EVENTS OCCURRING AFTER END OF YEAR

On 20 January 2020, Anglo American announced that an agreement has been reached with the board of Sirius Minerals Plc (Sirius) on the terms of a recommended cash acquisition for the entire issued and to be issued share capital of Sirius for cash consideration of approximately £405 million (approximately \$526 million). The proposed transaction is subject to regulatory and Sirius' shareholder approval.

With the exception of the proposed final dividend for 2019, there have been no other reportable events since 31 December 2019.

16. CONTINGENT LIABILITIES

The Group is subject to various claims which arise in the ordinary course of business. Additionally, the Group has provided indemnities against certain liabilities as part of agreements for the sale or other disposal of business operations. Having taken appropriate legal advice, the Group believes that a material liability arising from the indemnities provided is remote.

The Group is required to provide guarantees in several jurisdictions in respect of environmental restoration and decommissioning obligations. The Group has provided for the estimated cost of these activities.

GROUP STRUCTURE

17. ASSETS AND LIABILITIES HELD FOR SALE

On 27 November 2019, the Group announced the equalisation of ownership across its integrated Australian metallurgical coal operations at Moranbah North and Grosvenor (Coal) via the disposal of 12% of its interest in the Grosvenor mine to a consortium that owns 12% of Moranbah North. The transaction is subject to various regulatory approvals but completion is considered highly probable to occur during 2020. At 31 December 2019, assets of \$166 million and associated liabilities of \$17 million were classified as held for sale and a loss of \$59 million recognised within non-operating special items to bring the carrying amount into line with the fair value less cost to sell (see note 9).

2018

There were no assets classified as held for sale as at 31 December 2018.

18. ACQUISITIONS AND DISPOSALS

Acquisitions

During the year, the Group made a cash payment of \$13 million in relation to the acquisition of control of Mototolo Platinum Mine (Platinum Group Metals). The deferred consideration in respect of Mototolo was \$53 million as at 31 December 2019.

2018

Acquisitions in 2018 mainly related to the acquisition of control of Mototolo Platinum Mine (Platinum Group Metals).

Disposals

During the year, the Group received net cash of \$24 million on disposals which principally relate to Platinum Group Metals. Additionally, on 30 January 2020, a further \$125 million was received as settlement of the deferred consideration relating to the sale of the 33% interest in Bafokeng Rasimone Platinum Mine (Platinum Group Metals) which completed on 10 December 2018.

2018

Disposals in 2018 principally related to the sale of the Eskom-tied domestic coal operations in South Africa (Coal) and the sales of the Group's interests in the Union mine and Masa Chrome Company Proprietary Limited (Platinum Group Metals).

INDEPENDENT REVIEW REPORT TO ANGLO AMERICAN PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ANGLO AMERICAN PLC ON THE PRELIMINARY ANNOUNCEMENT OF ANGLO AMERICAN PLC

As the independent auditor of Anglo American plc we are required by UK Listing Rule LR 9.7A.1(2)R to agree to the publication of Anglo American plc's preliminary announcement statement of annual results for the period ended 31 December 2019.

The preliminary statement of annual results for the year ended 31 December 2019 includes disclosures required by the Listing Rules and a CEO's Statement, narrative disclosures and management commentary. We are not required to agree to the publication of presentations to analysts, and trading statements.

The directors of Anglo American plc are responsible for the preparation, presentation and publication of the preliminary statement of annual results in accordance with the UK Listing Rules.

We are responsible for agreeing to the publication of the preliminary statement of annual results, having regard to the Financial Reporting Council's Bulletin "The Auditor's Association with Preliminary Announcements made in accordance with UK Listing Rules".

Status of our audit of the financial statements

Our audit of the annual financial statements of Anglo American plc is complete and we signed our auditor's report on 19 February 2020. Our auditor's report is not modified and contains no emphasis of matter paragraph.

Our audit report on the full financial statements sets out the following key audit matters which had the greatest effect on our overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team, together with how our audit responded to those key audit matters and the key observations arising from our work:

Impairment/impairment reversals of operating assets

Key audit matter description	<p>As a consequence of continued volatility in long-term forecast commodity prices, particularly for thermal coal, as well as licencing and operational developments during the year, the assessment of the recoverable amount of operating assets remains a key judgement and a source of estimation uncertainty. This risk is also identified as a fraud risk area due to the potential for management bias.</p> <p>Management assessed whether indicators of impairment or impairment reversal exist for assets in accordance with IAS 36 Impairment of Assets. Where such indicators were identified management has prepared valuation models to determine the value in use or fair value less costs of disposal of the relevant asset.</p> <p>During the year, indicators of impairment reversal were identified at Minas-Rio and an impairment reversal of \$1.0 billion has been recorded primarily due to the stabilisation of operations during the year and the receipt of a key permit in December 2019.</p> <p>Indicators of impairment were identified at the Cerrejón associate and South African thermal coal consequent to a fall in forecast prices for thermal coal. As a result impairments have been recognised of \$334 million and \$585 million respectively.</p> <p>The Group additionally holds goodwill of \$1.6 billion and indefinite useful life assets of \$0.5 billion allocated to the De Beers natural diamonds CGU which is required to be tested for impairment annually. At 31 December 2019 the amount by which the De Beers' natural diamonds CGU recoverable amount exceeded the carrying value was \$1.0 billion. This headroom has reduced since the prior year and management identified that a reasonable possible change in the forecast diamond price could result in an impairment of these assets. Additional disclosure as required by IAS 36 and IAS 1 has been provided on pages 44 - 47.</p>
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INDEPENDENT REVIEW REPORT TO ANGLO AMERICAN PLC

How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of relevant controls over the impairment process, including management review controls.</p> <p>We challenged management's assessment as to whether indicators of impairment or impairment reversal exist. Where relevant we have obtained copies of the valuation models prepared by management.</p> <p>We challenged the assumptions made by management, including utilising Deloitte valuation and tax specialists where relevant, in relation to these models relating to discount rates used, risk adjustments to the cash flows, forecast tax cash flows and foreign exchange rates used.</p> <p>We challenged the assumptions relating to commodity prices, including the impact of climate change-related risks on thermal coal pricing, capital expenditure and operating cost forecasts and the expected production profiles, by comparison to recent analysis forecast commodity price data, third-party documentation where available, consultation with operational management and consideration of sensitivity analyses.</p> <p>We worked with Deloitte valuation specialists to challenge the structural integrity of the models prepared.</p> <p>We reviewed whether the life of mine plans in the impairment assessment are based on the most up-to-date Ore Reserve and Mineral Resource reports prepared by management's experts. We evaluated the consistency of the key assumptions used in the preparation of those reports with the assumptions used in the valuation models and assessed the competence, experience and objectivity of management's experts.</p> <p>We assessed whether the assumptions had been determined and applied on a consistent basis, where relevant, across the Group.</p> <p>We also challenged management to ensure that disclosures meet the requirements of IAS 36 and specifically IAS 1 in terms of disclosing areas of estimation uncertainty.</p>
Key observations	<p>We found that the assumptions used were reasonable and had been determined and applied on a consistent basis, where relevant, across the Group. No additional impairments or impairment reversals were identified from the work performed.</p> <p>We found that the impairment reversal recorded at the Minas-Rio mine in Brazil and impairments recorded on the investment in Cerrejón and South African thermal coal were appropriate and that no impairment to the De Beers natural diamonds CGU goodwill was required.</p> <p>We found management's interpretation of the IAS 1 and IAS 36 disclosure requirements pertaining to the impairment assumptions to be supportable, and concluded that the related disclosures were compliant with the relevant standards.</p>

INDEPENDENT REVIEW REPORT TO ANGLO AMERICAN PLC

Taxation

Key audit matter description	<p>The recognition and measurement of certain of the Group's deferred tax assets and liabilities requires management judgement and is a key area of audit effort due to the complexity of tax regulations across the jurisdictions where the Group operates and the inherent uncertainty in future forecasts for deferred tax asset recognition.</p> <p>At 31 December 2019, the deferred tax assets recognised by the Group totalled \$1.1 billion (2018: \$0.9 billion) with the most significant asset related to Minas-Rio. Management has performed an assessment of the forecast taxable profits against which the Group's tax losses and other tax attributes can be offset in future periods.</p> <p>The deferred tax liabilities recognised across the Group at 31 December 2019 were \$3.9 billion (2018: \$3.7 billion).</p>
How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of relevant controls, including management review controls over tax risk matters.</p> <p>Through the close involvement of our tax specialist teams at both a Group and business unit level we assessed the appropriateness and measurement of the deferred tax assets and liabilities recognised by the Group through discussions with the Group's taxation department and review of supporting documentation and calculations.</p> <p>In relation to assessing the recoverability of deferred tax assets, we reviewed and challenged the basis and underlying assumptions in the supporting taxable profit forecasts in order to assess the appropriateness of the assets recognised. In particular, we challenged management's assessment that, in measuring the Minas-Rio deferred tax asset, taxable profit forecasts considered probable should be risk weighted by reference to the criteria set out in IAS 12.</p> <p>In relation to deferred tax liabilities recognised across the Group, we reviewed the relevant deferred tax calculations and challenged management's underlying assumptions.</p>
Key observations	<p>We are satisfied that deferred tax assets and liabilities are properly recognised and measured in accordance with IAS 12.</p>

Environmental restoration and decommissioning obligations

Key audit matter description	<p>The Group has an obligation to undertake environmental restoration and decommissioning activity as a result of the development or ongoing production of mining properties. The methodologies used to set or revise these provisions involve management judgement to estimate the cost required to complete the restoration and rehabilitation activity, the application of the relevant regulatory framework and timing of expenditure.</p> <p>At 31 December 2019, the environmental restoration and decommissioning provisions recognised by the Group totalled \$2.3 billion (2018: \$1.9 billion). Management reviews the restoration and decommissioning obligations on an annual basis, using internal experts, with external consultants' reviews every three years, to assist in evaluating key assumptions and judgements, including changes in regulations and complexities associated with the geographical conditions and mine structure unique to each mining operation.</p>
How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of relevant controls over the environmental restoration and decommissioning provisioning process, including management review controls.</p> <p>We assessed management's process for the review of closure provisions, and understood and challenged the key changes to the environmental restoration and decommissioning provisions across all business units, specifically focused on those locations with a heightened level of judgement.</p> <p>Where management has obtained an updated expert report during the year we have reviewed the expert's report and considered the competence and objectivity of the expert.</p> <p>We have assessed the key cost assumptions, the completeness of such assessments and assessed the discount rates applied by management to calculate the net present value. We also considered the accounting implications of any changes in legislation and regulatory requirements in each jurisdiction.</p> <p>We checked the mathematical accuracy of management's calculation and investigated any differences in management's calculations from estimates provided by third parties and challenged management on the appropriateness of the adjustments, including consideration of management bias.</p>
Key observations	<p>We are satisfied the level of environmental restoration and decommissioning provisioning is appropriate.</p>

INDEPENDENT REVIEW REPORT TO ANGLO AMERICAN PLC

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we did not provide a separate opinion on these matters.

Procedures performed to agree to the preliminary announcement of annual results

In order to agree to the publication of the preliminary announcement of annual results of Anglo American plc we carried out the following procedures:

- (a) checked that the figures in the preliminary announcement covering the full year have been accurately extracted from the audited or draft financial statements and reflect the presentation to be adopted in the audited financial statements;
- (b) considered whether the information (including the management commentary) is consistent with other expected contents of the annual report;
- (c) considered whether the financial information in the preliminary announcement is misstated;
- (d) considered whether the preliminary announcement includes a statement by directors as required by section 435 of CA 2006 and whether the preliminary announcement includes the minimum information required by UKLA Listing Rule 9.7A.1;
- (e) where the preliminary announcement includes Alternative Performance Measures ("APMs"), considered whether appropriate prominence is given to statutory financial information and whether:
 - the use, relevance and reliability of APMs has been explained;
 - the APMs used have been clearly defined, and have been given meaningful labels reflecting their content and basis of calculation;
 - the APMs have been reconciled to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period; and
 - comparatives have been included, and where the basis of calculation has changed over time this is explained.
- (f) read the management commentary, any other narrative disclosures and any final year-end figures and considered whether they are fair, balanced and understandable.

Use of our report

Our liability for this report, and for our full audit report on the financial statements is to the Company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for our audit report or this report, or for the opinions we have formed.

Kari Hale, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London UK

19 February 2020

Summary by operation

The disclosures in this section include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 68.

Marketing activities are allocated to the underlying operation to which they relate.

US\$ million (unless otherwise stated)	2019							
	Sales volume	Realised price	Unit cost	Group revenue ⁽¹⁾	Underlying EBITDA	Underlying EBIT	Underlying earnings	Capital expenditure
	'000 cts	\$/ct	\$/ct					
De Beers	29,186 ⁽²⁾	137 ⁽³⁾	63 ⁽⁴⁾	4,605 ⁽⁵⁾	558	168	45	567
Mining								
Botswana	n/a	139 ⁽³⁾	29 ⁽⁴⁾	n/a	385	325	n/a	88
Namibia	n/a	534 ⁽³⁾	303 ⁽⁴⁾	n/a	121	86	n/a	55
South Africa	n/a	108 ⁽³⁾	73 ⁽⁴⁾	n/a	57	28	n/a	275
Canada	n/a	119 ⁽³⁾	44 ⁽⁴⁾	n/a	138	66	n/a	31
Trading	n/a	n/a	n/a	n/a	133	126	n/a	4
Other ⁽⁶⁾	n/a	n/a	n/a	n/a	(276)	(463)	n/a	114
	kt	c/lb	c/lb					
Copper	644 ⁽⁷⁾	273 ⁽⁸⁾	126 ⁽⁹⁾	5,840	1,618	960	509	1,078
Los Bronces ⁽¹⁰⁾	336	n/a	135 ⁽⁹⁾	1,872	745	378	n/a	239
Collahuasi ⁽¹¹⁾	254	n/a	100 ⁽⁹⁾	1,414	916	691	486	275
Quellaveco ⁽¹²⁾	n/a	n/a	n/a	n/a	n/a	n/a	n/a	494
Other ⁽¹³⁾	54	n/a	n/a	2,554	(43)	(109)	n/a	70
	koz	\$/Pt oz	\$/Pt oz					
Platinum Group Metals	2,215 ⁽¹⁴⁾	2,819 ⁽¹⁵⁾	1,543 ⁽¹⁶⁾	6,866	2,000	1,672	872	569
Mogalakwena	519 ⁽¹⁴⁾	3,433 ⁽¹⁵⁾	1,329 ⁽¹⁶⁾	1,789	995	863	n/a	264
Amandelbult	458 ⁽¹⁴⁾	2,624 ⁽¹⁵⁾	1,725 ⁽¹⁶⁾	1,206	355	298	n/a	84
Processing and trading ⁽¹⁷⁾	813 ⁽¹⁴⁾	n/a	n/a	2,669	321	295	n/a	—
Other ⁽¹⁸⁾	425	2,879	1,621	1,202	329	216	n/a	221
	Mt	\$/t	\$/t					
Iron Ore	n/a	n/a	n/a	6,758	3,407	2,952	1,635	594
Kumba Iron Ore ⁽¹⁹⁾	42.0	97 ⁽²⁰⁾	33 ⁽²¹⁾	4,445	2,243 ⁽²²⁾	1,918	663 ⁽²²⁾	389
Iron Ore Brazil (Minas-Rio)	22.9	79 ⁽²⁰⁾	21 ⁽²¹⁾	2,313	1,164 ⁽²²⁾	1,034	972 ⁽²²⁾	205
	Mt	\$/t	\$/t					
Coal	n/a	n/a	n/a	6,137	1,832	1,010	662	934
Metallurgical Coal	22.4 ⁽²³⁾	165 ⁽²⁴⁾	63 ⁽²⁵⁾	3,756	1,707 ⁽²⁶⁾	1,079	734 ⁽²⁶⁾	670
Thermal Coal								
– South Africa	18.1 ⁽²³⁾	61 ⁽²⁴⁾	45 ⁽²⁵⁾	1,887	(5) ⁽²⁶⁾	(94)	(81) ⁽²⁶⁾	264
– Colombia ⁽²⁷⁾	8.8	56	33	494	130	25	9	—
Nickel and Manganese	n/a	n/a	n/a	1,498	634 ⁽²⁸⁾	477	301 ⁽²⁸⁾	42
Nickel	41,700 t	624 c/lb	380 c/lb ⁽²⁹⁾	572	191	89	99	42
Manganese (Samancor) ⁽³⁰⁾	3.7 Mt	n/a	n/a	926	443	388	202	—
Corporate and other	n/a	n/a	n/a	121	(43)	(229)	(556)	56
Exploration	n/a	n/a	n/a	n/a	(126)	(128)	(115)	1
Corporate activities and unallocated costs	n/a	n/a	n/a	121	83	(101)	(441)	55
	n/a	n/a	n/a	31,825	10,006	7,010	3,468	3,840

See page 66 for footnotes.

Summary by operation (continued)

US\$ million (unless otherwise stated)				2018				
	Sales volume	Realised price	Unit cost	Group revenue ⁽¹⁾	Underlying EBITDA	Underlying EBIT	Underlying earnings	Capital expenditure
	'000 cts	\$/ct	\$/ct					
De Beers	31,656 ⁽²⁾	171 ⁽³⁾	60 ⁽⁴⁾	6,082 ⁽⁵⁾	1,245	694	349	417 ⁽³¹⁾
Mining								
Botswana	n/a	155 ⁽³⁾	28 ⁽⁴⁾	n/a	495	441	n/a	97
Namibia	n/a	550 ⁽³⁾	274 ⁽⁴⁾	n/a	176	140	n/a	38
South Africa	n/a	109 ⁽³⁾	54 ⁽⁴⁾	n/a	163	58	n/a	177
Canada	n/a	144 ⁽³⁾	52 ⁽⁴⁾	n/a	231	78	n/a	127
Trading	n/a	n/a	n/a	n/a	413	407	n/a	2
Other ⁽⁶⁾	n/a	n/a	n/a	n/a	(233)	(430)	n/a	(24)
	kt	c/lb	c/lb					
Copper	672 ⁽⁷⁾	283 ⁽⁸⁾	134 ⁽⁹⁾	5,168	1,856	1,234	917	703
Los Bronces ⁽¹⁰⁾	376	n/a	145 ⁽⁹⁾	2,175	969	625	n/a	217
Collahuasi ⁽¹¹⁾	243	n/a	105 ⁽⁹⁾	1,460	960	736	642	295
Quellaveco ⁽¹²⁾	n/a	n/a	n/a	n/a	n/a	n/a	n/a	131
Other ⁽¹³⁾	53	n/a	n/a	1,533	(73)	(127)	n/a	60
	koz	\$/Pt oz	\$/Pt oz					
Platinum Group Metals	2,424 ⁽¹⁴⁾	2,219 ⁽¹⁵⁾	1,561 ⁽¹⁶⁾	5,680	1,062	705	418	496
Mogalakwena	492 ⁽¹⁴⁾	2,759 ⁽¹⁵⁾	1,398 ⁽¹⁶⁾	1,367	623	478	n/a	210
Amandelbult	445 ⁽¹⁴⁾	2,222 ⁽¹⁵⁾	1,717 ⁽¹⁶⁾	996	153	96	n/a	74
Processing and trading ⁽¹⁷⁾	1,120 ⁽¹⁴⁾	n/a	n/a	2,428	218	187	n/a	—
Other ⁽¹⁸⁾	367	2,272	1,600	889	68	(56)	n/a	212
	Mt	\$/t	\$/t					
Iron Ore	n/a	n/a	n/a	3,768	1,177	747	(117)	415
Kumba Iron Ore	43.3	72 ⁽²⁰⁾	32 ⁽²¹⁾	3,440	1,489 ⁽²²⁾	1,158	415 ⁽²²⁾	309
Iron Ore Brazil (Minas-Rio)	3.2	70 ⁽²⁰⁾	n/a ⁽²¹⁾	328	(312) ⁽²²⁾	(411)	(532) ⁽²²⁾	106
	Mt	\$/t	\$/t					
Coal	n/a	n/a	n/a	7,788	3,196	2,538	1,755	722
Metallurgical Coal	22.0 ⁽²³⁾	190 ⁽²⁴⁾	64 ⁽²⁵⁾	4,231	2,158 ⁽²⁶⁾	1,722	1,228 ⁽²⁶⁾	574
Thermal Coal								
– South Africa	18.3 ⁽²³⁾	87 ⁽²⁴⁾	44 ⁽²⁵⁾	2,719	650 ⁽²⁶⁾	521	334 ⁽²⁶⁾	148
Thermal Coal								
– Colombia ⁽²⁷⁾	10.1	83	36	838	388	295	193	—
Nickel and Manganese	n/a	n/a	n/a	1,707	844 ⁽²⁸⁾	685	526 ⁽²⁸⁾	38
Nickel	43,100 t	588 c/lb	361 c/lb ⁽²⁹⁾	560	181	75	171	38
Manganese (Samancor) ⁽³⁰⁾	3.7 Mt	n/a	n/a	1,147	663	610	355	—
Corporate and other	n/a	n/a	n/a	3	(219)	(226)	(611)	27
Exploration	n/a	n/a	n/a	—	(113)	(113)	(105)	—
Corporate activities and unallocated costs	n/a	n/a	n/a	3	(106)	(113)	(506)	27
	n/a	n/a	n/a	30,196	9,161	6,377	3,237	2,818

See page 66 for footnotes.

Summary by operation (continued)

- (1) Group revenue is shown after deduction of treatment and refining charges (TC/RCS).
- (2) Total sales volumes on a 100% basis were 30.9 million carats (2018: 33.7 million carats). Total sales volumes (100%) include De Beers Group's joint arrangement partners' 50% proportionate share of sales to entities outside De Beers Group from Diamond Trading Company Botswana and Namibia Diamond Trading Company.
- (3) Pricing for the mining business units is based on 100% selling value post-aggregation of goods. The De Beers realised price includes the price impact of the sale of non-equity product and, as a result, is not directly comparable to De Beers unit costs, which relate to equity production only.
- (4) Unit cost is based on consolidated production and operating costs, excluding depreciation and operating special items, divided by carats recovered.
- (5) Includes rough diamond sales of \$4.0 billion (2018: \$5.4 billion).
- (6) Other includes Element Six, downstream, acquisition accounting adjustments and corporate.
- (7) Excludes 349 kt third-party sales (2018: 178 kt).
- (8) Realised price, excludes impact of third-party sales.
- (9) C1 unit cost includes by-product credits.
- (10) Figures on a 100% basis (Group's share: 50.1%).
- (11) 44% share of Collahuasi production, sales and financials.
- (12) Figures on a 100% basis (Group's share: 60%), except capex which represents the Group's share after deducting direct funding from non-controlling interests. 2019 capex on a 100% basis was \$1,338 million, of which \$515 million was funded by cash from the Mitsubishi syndication transaction in 2018. Of the remaining \$823 million, the Group and Mitsubishi funded their respective 60% and 40% shares via shareholder loans.
- (13) Other operations includes El Soldado and Chagres (figures on a 100% basis, Group's share: 50.1%), third-party sales and purchases.
- (14) Sales volumes exclude the sale of refined metal purchased from third parties and toll material. Comparatives include purchase of concentrate volumes now transitioned to tolling.
- (15) Average US\$ realised basket price. Excludes the impact of the sale of refined metal purchased from third parties.
- (16) Total cash operating costs – includes on-mine, smelting and refining costs only.
- (17) Purchase of concentrate from joint operations, associates and third parties for processing into refined metals, tolling and trading activities.
- (18) Includes Unki, Union (prior to disposal), Mototolo (post-acquisition on 1 November 2018), PGMs' share of joint operations.
- (19) Sales volumes, stock and realised price for 2019 differ to Kumba's stand-alone reported results due to sales to other Group companies.
- (20) Prices for Kumba Iron Ore are the average realised export basket price (FOB Saldanha). Prices for Minas-Rio are the average realised export basket price (FOB Açu) (wet basis).
- (21) Unit costs for Kumba Iron Ore are on an FOB (dry) basis. Unit costs for Minas-Rio are on an FOB (wet) basis and were not disclosed for 2018, due to the suspension of operations.
- (22) Kumba Iron Ore segment includes \$66 million projects and corporate costs (2018: \$55 million). Iron Ore Brazil segment includes \$55 million projects and corporate costs (2018: \$40 million).
- (23) South African sales volumes include export primary production, secondary production sold into export markets and production sold domestically at export parity pricing and pre-commercial production volumes from Navigation section of Khwezela and exclude domestic sales of 9.8 Mt (2018: 13.1 Mt) and non-equity traded sales of 10.9 Mt (2018: 9.5 Mt). Included in 2018 is domestic sales of 2.8 Mt from the Eskom-tied operations, which were sold on 1 March 2018. Metallurgical Coal sales volumes exclude thermal coal sales of 1.8 Mt (2018: 1.6 Mt).
- (24) Metallurgical Coal realised price is the weighted average hard coking coal and PCI sales price achieved. Thermal Coal – South Africa realised price is the weighted average export thermal coal price achieved. Excludes third-party sales.
- (25) FOB cost per saleable tonne, excluding royalties. Metallurgical Coal excludes study costs. Thermal Coal – South Africa unit cost is for the trade operations.
- (26) Metallurgical Coal segment includes \$69 million projects and corporate costs (2018: \$52 million). Thermal Coal – South Africa segment includes \$59 million projects and corporate costs (2018: \$45 million).
- (27) Represents the Group's attributable share from its 33.3% interest in Cerrejón.
- (28) Nickel segment includes \$12 million projects and corporate costs (2018: \$8 million).
- (29) C1 unit cost.
- (30) Sales and financials include ore and alloy.
- (31) In 2018, includes the acquisition of Peregrine Diamonds Limited for a consideration of \$87 million.

Key financial data

This section includes certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 68.

US\$ million (unless otherwise stated)	2019	2018	2017	2016	2015	2014	2013	2012 restated ⁽¹⁾	2011	2010
Income statement measures										
Group revenue	31,825	30,196	28,650	23,142	23,003	30,988	33,063	32,785	36,548	32,929
Underlying EBIT	7,010	6,377	6,247	3,766	2,223	4,933	6,620	6,253	11,095	9,763
Underlying EBITDA	10,006	9,161	8,823	6,075	4,854	7,832	9,520	8,860	13,348	11,983
Revenue	29,870	27,610	26,243	21,378	20,455	27,073	29,342	28,680	30,580	27,960
Net finance costs (before special items and remeasurements)	(420)	(380)	(473)	(209)	(458)	(256)	(276)	(299)	(20)	(244)
Profit/(loss) before tax	6,146	6,189	5,505	2,624	(5,454)	(259)	1,700	(171)	10,782	10,928
Profit/(loss) for the financial year	4,582	4,373	4,059	1,926	(5,842)	(1,524)	426	(564)	7,922	8,119
Non-controlling interests	(1,035)	(824)	(893)	(332)	218	(989)	(1,387)	(906)	(1,753)	(1,575)
Profit/(loss) attributable to equity shareholders of the Company	3,547	3,549	3,166	1,594	(5,624)	(2,513)	(961)	(1,470)	6,169	6,544
Underlying earnings	3,468	3,237	3,272	2,210	827	2,217	2,673	2,860	6,120	4,976
Balance sheet measures										
Capital employed	35,576	32,269	32,813	31,904	32,842	43,782	46,551	49,757	41,667	42,135
Net assets	31,385	29,832	28,882	24,325	21,342	32,177	37,364	43,738	43,189	37,971
Non-controlling interests	(6,590)	(6,234)	(5,910)	(5,309)	(4,773)	(5,760)	(5,693)	(6,127)	(4,097)	(3,732)
Equity attributable to equity shareholders of the Company	24,795	23,598	22,972	19,016	16,569	26,417	31,671	37,611	39,092	34,239
Cash flow measures										
Cash flows from operations	9,260	7,782	8,375	5,838	4,240	6,949	7,729	7,370	11,498	9,924
Capital expenditure	(3,840)	(2,818)	(2,150)	(2,387)	(4,177)	(6,018)	(6,075)	(5,947)	(5,672)	(4,902)
Net debt	(4,626)	(2,848)	(4,501)	(8,487)	(12,901)	(12,871)	(10,652)	(8,510)	(1,374)	(7,384)
Metrics and ratios										
Underlying earnings per share (US\$)	2.75	2.55	2.57	1.72	0.64	1.73	2.09	2.28	5.06	4.13
Earnings per share (US\$)	2.81	2.80	2.48	1.24	(4.36)	(1.96)	(0.75)	(1.17)	5.10	5.43
Ordinary dividend per share (US cents)	109	100	102	—	32	85	85	85	74	65
Ordinary dividend cover (based on underlying earnings per share)	2.5	2.6	2.5	—	2.0	2.0	2.5	2.7	6.8	6.4
Underlying EBIT margin	22.0%	21.1%	21.8%	16.3%	9.7%	15.9%	20.0%	19.1%	30.4%	29.6%
Underlying EBIT interest cover ⁽²⁾	18.0	19.9	16.5	16.7	10.1	30.1	35.8	36.8	n/a	34.2
Underlying effective tax rate	30.8%	31.3%	29.7%	24.6%	31.0%	29.8%	32.0%	29.0%	28.3%	31.9%
Gearing (net debt to total capital) ⁽³⁾	13%	9%	13%	26%	38%	29%	22%	16%	3%	16%

⁽¹⁾ Certain balances relating to 2012 were restated to reflect the adoption of new accounting pronouncements. See note 2 of the 2013 Consolidated financial statements for details.

⁽²⁾ Underlying EBIT interest cover is underlying EBIT divided by net finance costs, excluding net foreign exchange gains and losses, unwinding of discount relating to provisions and other liabilities, financing special items and remeasurements, and including the Group's attributable share of associates' and joint ventures' net finance costs, which in 2011 resulted in a net finance income and therefore the ratio is not applicable.

⁽³⁾ Net debt to total capital is calculated as net debt divided by total capital (being 'Net assets' as shown in the Consolidated balance sheet excluding net debt).

Alternative performance measures

Introduction

When assessing and discussing the Group's reported financial performance, financial position and cash flows, management makes reference to Alternative Performance Measures (APMs) of historical or future financial performance, financial position or cash flows that are not defined or specified under International Financial Reporting Standards (IFRS).

The APMs used by the Group fall into two categories:

- **Financial APMs:** These financial measures are usually derived from the financial statements, prepared in accordance with IFRS. Certain financial measures cannot be directly derived from the financial statements as they contain additional information, such as financial information from earlier periods or profit estimates or projections. The accounting policies applied when calculating APMs are, where relevant and unless otherwise stated, substantially the same as those disclosed in the Group's Consolidated financial statements for the year ended 31 December 2018 with the exception of the new accounting pronouncement disclosed in note 2.
- **Non-financial APMs:** These measures incorporate certain non-financial information that management believes is useful when assessing the performance of the Group.

APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, the APMs used by the Group may not be comparable with similarly titled measures and disclosures made by other companies.

APMs should be considered in addition to, and not as a substitute for or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS.

Purpose

The Group uses APMs to improve the comparability of information between reporting periods and business units, either by adjusting for uncontrollable factors or special items which impact upon IFRS measures or, by aggregating measures, to aid the user of the Annual Report in understanding the activity taking place across the Group's portfolio.

Their use is driven by characteristics particularly visible in the mining sector:

1. **Earnings volatility:** The Group mines and markets commodities and precious metals and minerals. The sector is characterised by significant volatility in earnings driven by movements in macroeconomic factors, primarily price and foreign exchange. This volatility is outside the control of management and can mask underlying changes in performance. As such, when comparing year-on-year performance, management excludes certain items (such as those classed as 'special items') to aid comparability and then quantifies and isolates uncontrollable factors in order to improve understanding of the controllable portion of variances.
2. **Nature of investment:** Investments in the sector typically occur over several years and are large, requiring significant funding before generating cash. These investments are often made with partners and the nature of the Group's ownership interest affects how the financial results of these operations are reflected in the Group's results e.g. whether full consolidation (subsidiaries), consolidation of the Group's attributable assets and liabilities (joint operations) or equity accounted (associates and joint ventures). Attributable metrics are therefore presented to help demonstrate the financial performance and returns available to the Group, for investment and financing activities, excluding the effect of different accounting treatments for different ownership interests.
3. **Portfolio complexity:** The Group operates in a number of different, but complementary commodities, precious metals and minerals. The cost, value of and return from each saleable unit (e.g. tonne, pound, carat, ounce) can differ materially between each business. This makes understanding both the overall portfolio performance, and the relative performance of its constituent parts on a like-for-like basis, more challenging. The Group therefore uses composite APMs to provide a consistent metric to assess performance at the portfolio level.

Consequently, APMs are used by the Board and management for planning and reporting. A subset is also used by management in setting director and management remuneration, such as attributable free cashflow prior to growth capital expenditure. The measures are also used in discussions with the investment analyst community and credit rating agencies.

Alternative performance measures (continued)

Financial APMs

Group APM	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Reconciliation to IFRS measure
Income statement			
Group revenue	Revenue	<ul style="list-style-type: none"> Revenue from associates and joint ventures 	Note 3
Underlying EBIT	Profit/(loss) before net finance income/ (costs) and tax	<ul style="list-style-type: none"> Operating and non-operating special items and remeasurements Underlying EBIT from associates and joint ventures 	Note 3
Underlying EBITDA	Profit/(loss) before net finance income/ (costs) and tax	<ul style="list-style-type: none"> Operating and non-operating special items and remeasurements Depreciation and amortisation Underlying EBITDA from associates and joint ventures 	Note 3
Underlying earnings	Profit/(loss) for the financial year attributable to equity shareholders of the Company	<ul style="list-style-type: none"> Special items and remeasurements 	Note 3
Underlying effective tax rate	Income tax expense	<ul style="list-style-type: none"> Tax related to special items and remeasurements The Group's share of associates' and joint ventures' profit before tax, before special items and remeasurements, and tax expense, before special items and remeasurements 	Note 6
Underlying earnings per share	Earnings per share	<ul style="list-style-type: none"> Special items and remeasurements 	Notes 3 and 4
Mining EBITDA margin	Operating profit margin	<ul style="list-style-type: none"> Revenue from associates and joint ventures Operating and non-operating special items and remeasurements Underlying EBIT from associates and joint ventures Adjustment to Debswana to reflect as a 50/50 joint operation Exclusion of third-party sales, purchases and trading activity 	Page 71
Balance sheet			
Net debt	Borrowings less cash and related hedges	<ul style="list-style-type: none"> Debit valuation adjustment 	Note 13
Attributable ROCE	No direct equivalent	<ul style="list-style-type: none"> Non-controlling interests' share of capital employed and underlying EBIT Average of opening and closing attributable capital employed 	Page 71
Cash flow			
Capital expenditure (capex)	Expenditure on property, plant and equipment	<ul style="list-style-type: none"> Cash flows from derivatives related to capital expenditure Proceeds from disposal of property, plant and equipment Direct funding for capital expenditure from non-controlling interests Reimbursement of capital expenditure 	Note 11
Attributable free cash flow	Cash flows from operations	<ul style="list-style-type: none"> Capital expenditure Cash tax paid Dividends from associates, joint ventures and financial asset investments Net interest paid Dividends to non-controlling interests Capital repayment of lease obligations 	Page 7

Group revenue

Group revenue includes the Group's attributable share of associates' and joint ventures' revenue.

A reconciliation to 'Revenue', the closest equivalent IFRS measure to Group revenue, is provided within note 3 to the Condensed financial statements.

Alternative performance measures (continued)

Underlying EBIT

Underlying EBIT is 'Operating profit/(loss)' presented before special items and remeasurements⁽¹⁾ and includes the Group's attributable share of associates' and joint ventures' underlying EBIT. Underlying EBIT of associates and joint ventures is the Group's attributable share of associates' and joint ventures' revenue less operating costs before special items and remeasurements⁽¹⁾ of associates and joint ventures.

A reconciliation to 'Profit/(loss) before net finance income/(costs) and tax', the closest equivalent IFRS measure to underlying EBIT, is provided within note 3 to the Condensed financial statements.

Underlying EBITDA

Underlying EBITDA is underlying EBIT before depreciation and amortisation and includes the Group's attributable share of associates' and joint ventures' underlying EBIT before depreciation and amortisation.

A reconciliation to 'Profit/(loss) before net finance income/(costs) and tax', the closest equivalent IFRS measure to underlying EBITDA, is provided within note 3 to the Condensed financial statements.

Underlying earnings

Underlying earnings is 'Profit/(loss) for the financial year attributable to equity shareholders of the Company' before special items and remeasurements⁽¹⁾ and is therefore presented after net finance costs, income tax expense and non-controlling interests.

A reconciliation to 'Profit/(loss) for the financial year attributable to equity shareholders of the Company', the closest equivalent IFRS measure to underlying earnings, is provided within note 3 to the Condensed financial statements.

Underlying effective tax rate

The underlying effective tax rate equates to the income tax expense, before special items and remeasurements⁽¹⁾ and including the Group's share of associates' and joint ventures' tax before special items and remeasurements⁽¹⁾, divided by profit before tax before special items and remeasurements⁽¹⁾ and including the Group's share of associates' and joint ventures' profit before tax before special items and remeasurements⁽¹⁾.

A reconciliation to 'Income tax expense', the closest equivalent IFRS measure to underlying effective tax rate, is provided within note 6 to the Condensed financial statements.

Underlying earnings per share

Basic and diluted underlying earnings per share are calculated as underlying earnings divided by the basic or diluted shares in issue. The calculation of underlying earnings per share is disclosed within note 4 to the Condensed financial statements.

⁽¹⁾ Special items and remeasurements are defined in note 9 to the Condensed financial statements.

Alternative performance measures (continued)

Mining EBITDA margin

The Mining EBITDA margin is derived from the Group's Underlying EBITDA as a percentage of Group Revenue, adjusted to exclude certain items to better reflect the performance of the Group's mining business. The Mining EBITDA margin reflects Debswana accounting treatment as a 50/50 joint operation, excludes third-party sales, purchases and trading and excludes Platinum Group Metals' purchase of concentrate.

US\$ million (unless otherwise stated)	2019	2018
Underlying EBITDA	10,006	9,161
Group Revenue	31,825	30,196
Margin	31%	30%
Adjustments for:		
Debswana adjustment to reflect as a 50/50 joint operation	2%	5%
Exclude third-party purchases, trading activity and processing ⁽¹⁾	9%	6%
Mining EBITDA margin⁽²⁾	42%	42%

⁽¹⁾ Third-party purchases, trading activity and processing consists of Platinum Group Metals' purchase of concentrate, third-party sales and purchases and the impact of third-party trading activity.

⁽²⁾ Percentages are presented to the nearest whole number.

Net debt

Net debt is calculated as total borrowings less cash and cash equivalents (including derivatives which provide an economic hedge of net debt, see note 13, before taking into account the effect of debit valuation adjustments explained in note 13). A reconciliation to the Consolidated balance sheet is provided within note 13 to the Condensed financial statements.

Capital expenditure (capex)

Capital expenditure is defined as cash expenditure on property, plant and equipment, including related derivatives, and is presented net of proceeds from disposal of property, plant and equipment and includes direct funding for capital expenditure from non-controlling interests and reimbursement of capital expenditure in order to match more closely the way in which it is managed. A reconciliation to 'Expenditure on property, plant and equipment', the closest equivalent IFRS measure to capital expenditure, is provided within note 11 to the Condensed financial statements.

Operating cash flows generated by operations that have not yet reached commercial production are also included in capital expenditure. However, capital expenditure is also periodically shown on an underlying basis i.e. before inclusion of capitalised operating cash flows. Where this occurs, the measure is footnoted as such.

Sustaining capital

Sustaining capital is calculated as capital expenditure excluding capitalised operating cash flows and growth projects. Expenditure on growth projects in 2019 principally related to Quellaveco and construction of a greenfield synthetic diamond plant in Oregon (De Beers) (2018: Quellaveco and the acquisition of Peregrine Diamonds). The Group uses sustaining capital as a measure to provide additional information to understand the capital needed to sustain the current production base of existing assets.

Attributable return on capital employed (ROCE)

ROCE is a ratio that measures the efficiency and profitability of a company's capital investments. Attributable ROCE displays how effectively assets are generating profit on invested capital for the equity shareholders of the Company. It is calculated as attributable underlying EBIT divided by average attributable capital employed.

Attributable underlying EBIT excludes the underlying EBIT of non-controlling interests.

Capital employed is defined as net assets excluding net debt and financial asset investments. Attributable capital employed excludes capital employed of non-controlling interests. Average attributable capital employed is calculated by adding the opening and closing attributable capital employed for the relevant period and dividing by two.

Attributable ROCE is also used as an incentive measure in executives' remuneration and is predicated upon the achievement of ROCE targets in the final year of a three year performance period. It is one of the performance measures used in LTIP 17 and LTIP 18 and is proposed to be used in LTIP 19.

Alternative performance measures (continued)

A reconciliation to 'Profit/(loss) before net finance income/(costs) and tax', the closest equivalent IFRS measure to underlying EBIT, is provided within note 3 to the Condensed financial statements. A reconciliation to 'Net assets', the closest equivalent IFRS measure to capital employed, is provided within note 10 to the Condensed financial statements. The table below reconciles underlying EBIT and capital employed to attributable underlying EBIT and average attributable capital employed by segment.

	Attributable ROCE %	
	2019	2018
De Beers	2	8
Copper	16	22
Platinum Group Metals	38	15
Iron Ore	31	3
Coal	26	67
Nickel and Manganese	20	28
Corporate and other	n/a	n/a
	19	19

US\$ million	Underlying EBIT	Less: Non-controlling interests' share of underlying EBIT	Attributable underlying EBIT	Opening attributable capital employed	Closing capital employed	Less: Non-controlling interests' share of closing capital employed	Closing attributable capital employed	2019
								Average attributable capital employed
De Beers	168	(26)	142	7,164	8,800	(1,234)	7,566	7,365
Copper	960	(203)	757	4,334	8,238	(2,838)	5,400	4,867
Platinum Group Metals	1,672	(371)	1,301	3,416	4,045	(640)	3,405	3,411
Iron Ore	2,952	(933)	2,019	5,799	8,363	(1,202)	7,161	6,480
Coal	1,010	(2)	1,008	4,066	3,787	(66)	3,721	3,894
Nickel and Manganese	477	(6)	471	2,390	2,305	—	2,305	2,348
Corporate and other	(229)	10	(219)	(51)	38	—	38	(8)
	7,010	(1,531)	5,479	27,118	35,576	(5,980)	29,596	28,357

US\$ million	Underlying EBIT	Less: Non-controlling interests' share of underlying EBIT	Attributable underlying EBIT	Opening attributable capital employed	Closing capital employed	Less: Non-controlling interests' share of closing capital employed	Closing attributable capital employed	2018
								Average attributable capital employed
De Beers	694	(104)	590	7,970	8,349	(1,185)	7,164	7,567
Copper	1,234	(303)	931	4,159	6,463	(2,129)	4,334	4,247
Platinum Group Metals	705	(176)	529	3,841	4,058	(642)	3,416	3,628
Iron Ore	747	(568)	179	6,345	6,929	(1,130)	5,799	6,072
Coal	2,538	(60)	2,478	3,287	4,131	(65)	4,066	3,677
Nickel and Manganese	685	(11)	674	2,364	2,390	—	2,390	2,377
Corporate and other	(226)	—	(226)	(241)	(51)	—	(51)	(146)
	6,377	(1,222)	5,155	27,725	32,269	(5,151)	27,118	27,422

Attributable free cash flow

Attributable free cash flow is calculated as 'Cash flows from operations' plus dividends received from associates, joint ventures and financial asset investments, less capital expenditure, less tax cash payments excluding tax payments relating to disposals, less net interest paid including interest on derivatives hedging net debt, less dividends paid to non-controlling interests.

A reconciliation of 'Cash flows from operations', the closest equivalent IFRS measure, is provided on page 7.

Alternative performance measures (continued)

Non-financial APMs

Some of our measures are not reconciled to IFRS either because they include non-financial information, because there is no meaningful IFRS comparison or the purpose of the measure is not typically covered by IFRS.

Group APM	Category	Purpose
Copper equivalent production	Portfolio complexity	Communicate production/revenue generation movements in a single comparable measure removing the impact of price
Unit cost	Earnings volatility	Express cost of producing one unit of saleable product
Copper equivalent unit cost	Portfolio complexity	Communicate the cost of production per unit in a single comparable measure for the portfolio
Productivity	Portfolio complexity	Highlight efficiency in generating revenue per employee
Volume and cash cost improvements	Earnings volatility	Quantify year-on-year EBITDA improvement removing the impact of major uncontrollable factors

Copper equivalent production

Copper equivalent production, expressed as copper equivalent tonnes, shows changes in underlying production volume. It is calculated by expressing each commodity's volume as revenue, subsequently converting the revenue into copper equivalent units by dividing by the copper price (per tonne). Long-term forecast prices (and foreign exchange rates where appropriate) are used, in order that period-on-period comparisons exclude any impact for movements in price.

When calculating copper equivalent production, all volumes relating to domestic sales are excluded, as are sales from non-mining activities. Volume from projects in pre-commercial production are included.

Unit cost

Unit cost is the direct cash cost including direct cash support costs incurred in producing one unit of saleable production.

For bulk products (coal, iron ore), unit costs shown are FOB i.e. cost on board at port. For base metals (copper, nickel), they are shown at C1 i.e. after inclusion of by-product credits and logistics costs. For platinum and diamonds, unit costs include all direct expensed cash costs incurred i.e. excluding, amongst other things, market development activity, corporate overhead etc. Platinum Group Metals unit costs exclude by-product credits. Royalties are excluded from all unit cost calculations.

Copper equivalent unit cost

Copper equivalent unit cost is the cost incurred to produce one tonne of copper equivalent. Only the cost incurred in mined output from subsidiaries and joint operations is included, representing direct costs in the Consolidated income statement controllable by the Group. Costs and volumes from associates and joint ventures are excluded, as are those from operations that are not yet in commercial production, that deliver domestic production, and those associated with third-party volume purchases of diamonds and platinum concentrate.

When calculating copper equivalent unit cost, unit costs for each commodity are multiplied by relevant production, combined and then divided by the total copper equivalent production, to get a copper equivalent unit cost i.e. the cost of mining one tonne of copper equivalent. The metric is in US dollars and, where appropriate, long-term foreign exchange rates are used to convert from local currency to US dollars.

Productivity

The Group's productivity measure calculates the copper equivalent production generated per employee. It is a measure that represents how well headcount is driving revenue. It is calculated by dividing copper equivalent production by the average direct headcount from consolidated mining operations in a given year.

Alternative performance measures (continued)

Volume and cash cost improvements

The Group uses an underlying EBITDA waterfall to understand its year-on-year underlying EBITDA performance. The waterfall isolates the impact of uncontrollable factors in order that the real year-on-year improvement in performance can be seen by the user.

Three variables are normalised, in the results of subsidiaries and joint operations, for:

- Price: The movement in price between comparative periods is removed by multiplying current year sales volume by the movement in realised price for each product group.
- Foreign exchange: The year-on-year movement in exchange is removed from the current year non-US dollar cost base i.e. costs are restated at prior year foreign exchange rates. The non-US dollar cash cost base excludes costs which are price linked (e.g. purchase of concentrate from third-party platinum providers, third-party diamond purchases).
- Inflation: CPI is removed from cash costs, restating these costs at the pricing level of the base year.

The remaining variances in the underlying EBITDA waterfall are in real US dollar terms for the base year i.e. for a waterfall comparing 2019 with 2018, the sales volume and cash cost variances exclude the impact of price, foreign exchange and CPI and are hence in real 2018 terms. This allows the user of the waterfall to understand the underlying real movement in sales volumes and cash costs on a consistent basis.

Exchange rates and commodity prices

US\$ exchange rates		2019	2018
Year end spot rates			
South African rand		14.03	14.38
Brazilian real		4.02	3.88
Sterling		0.76	0.78
Australian dollar		1.43	1.42
Euro		0.89	0.87
Chilean peso		752	694
Botswana pula		10.60	10.71
Peruvian sol		3.32	3.37
Average rates for the year			
South African rand		14.45	13.25
Brazilian real		3.95	3.65
Sterling		0.78	0.75
Australian dollar		1.44	1.34
Euro		0.89	0.85
Chilean peso		703	642
Botswana pula		10.77	10.18
Peruvian sol		3.34	3.29
Commodity prices			
Year end spot prices			
Copper ⁽¹⁾	US cents/lb	279	270
Platinum ⁽²⁾	US\$/oz	971	794
Palladium ⁽²⁾	US\$/oz	1,920	1,263
Rhodium ⁽³⁾	US\$/oz	6,050	2,445
Iron ore (62% Fe CFR) ⁽⁴⁾	US\$/tonne	92	73
Iron ore (66% Fe Concentrate CFR) ⁽⁵⁾	US\$/tonne	106	91
Hard coking coal (FOB Australia) ⁽⁴⁾	US\$/tonne	140	220
PCI (FOB Australia) ⁽⁴⁾	US\$/tonne	87	122
Thermal coal (FOB South Africa) ⁽⁶⁾	US\$/tonne	87	97
Thermal coal (FOB Australia) ⁽⁷⁾	US\$/tonne	66	103
Thermal coal (FOB Colombia) ⁽⁶⁾	US\$/tonne	47	79
Nickel ⁽¹⁾	US cents/lb	635	481
Manganese ore (44% CIF China) ⁽⁵⁾	US\$/dmtu	4.20	6.85
Average market prices for the year			
Copper ⁽¹⁾	US cents/lb	272	296
Platinum ⁽²⁾	US\$/oz	864	880
Palladium ⁽²⁾	US\$/oz	1,539	1,029
Rhodium ⁽³⁾	US\$/oz	3,914	2,214
Iron ore (62% Fe CFR) ⁽⁴⁾	US\$/tonne	93	69
Iron ore (66% Fe Concentrate CFR) ⁽⁵⁾	US\$/tonne	104	95
Hard coking coal (FOB Australia) ⁽⁴⁾	US\$/tonne	177	207
PCI (FOB Australia) ⁽⁴⁾	US\$/tonne	110	136
Thermal coal (FOB South Africa) ⁽⁶⁾	US\$/tonne	72	98
Thermal coal (FOB Australia) ⁽⁷⁾	US\$/tonne	78	107
Thermal coal (FOB Colombia) ⁽⁶⁾	US\$/tonne	54	85
Nickel ⁽¹⁾	US cents/lb	632	595
Manganese ore (44% CIF China) ⁽⁵⁾	US\$/dmtu	5.58	7.24

(1) Source: London Metal Exchange (LME).

(2) Source: London Platinum and Palladium Market (LPPM).

(3) Source: Johnson Matthey/Comdaq.

(4) Source: Platts.

(5) Source: Metal Bulletin.

(6) Source: Argus/McCloskey.

(7) Source: globalCOAL.

ANGLO AMERICAN plc

(Incorporated in England and Wales – Registered number 03564138)
(the Company)

Notice of Dividend

(Dividend No. 36)

Notice is hereby given that a final dividend on the Company's ordinary share capital in respect of the year to 31 December 2019 will be paid as follows:

Amount (United States currency) (note 1)	47 cents per ordinary share
Amount (South African currency) (note 2)	R7.03106 per ordinary share
Last day to effect removal of shares between the United Kingdom (UK) and South African (SA) registers	Monday 09 March 2020
Last day to trade on the JSE Limited (JSE) to qualify for dividend	Tuesday 10 March 2020
Ex-dividend on the JSE from the commencement of trading (note 3)	Wednesday 11 March 2020
Ex-dividend on the London Stock Exchange from the commencement of trading on	Thursday 12 March 2020
Record date (applicable to both the UK principal register and SA branch register)	Friday 13 March 2020
Movement of shares between the UK and SA registers permissible from	Monday 16 March 2020
Last day for receipt of US\$:£/€ currency elections by the UK Registrars (note 1)	Wednesday 8 April 2020
Last day for receipt of Dividend Reinvestment Plan (DRIP) mandate forms by the UK Registrars (notes 4, 5 and 6)	Wednesday 8 April 2020
Currency conversion US\$:£/€ rates announced on (note 7)	Friday 17 April 2020
Last day for receipt of DRIP mandate forms by Central Securities Depository Participants (CSDPs) (notes 4, 5 and 6)	Tuesday 21 April 2020
Last day for receipt of DRIP mandate forms by the South African Transfer Secretaries (notes 4, 5 and 6)	Wednesday 22 April 2020
Payment date of dividend	Thursday 7 May 2020

Notes

- Shareholders on the UK register of members with an address in the UK will be paid in Sterling and those with an address in a country in the European Union which has adopted the Euro will be paid in Euros. Such shareholders may, however, elect to be paid their dividends in US dollars provided the UK Registrars receive such election by Wednesday, 8 April 2020. Shareholders with an address elsewhere will be paid in US dollars except those registered on the South African branch register who will be paid in South African rand.
- Dividend Tax will be withheld from the amount of the gross dividend of R7.03106 per ordinary share paid to South African shareholders at the rate of 20% unless a shareholder qualifies for exemption. After the Dividend Tax has been withheld, the net dividend will be R5.62485 per ordinary share. Anglo American plc had a total of 1,366,570,089 ordinary shares in issue, including 336,137 treasury shares, as at 18 February 2020. In South Africa the dividend will be distributed by Anglo American South Africa Proprietary Limited, a South African company with tax registration number 9030010608, or one of its South African subsidiaries, in accordance with the Company's dividend access share arrangements. The dividend in South African rand is based on an exchange rate of US\$1:R14.9597 taken on Wednesday, 19 February 2020, being the currency conversion date.
- Dematerialisation and rematerialisation of registered share certificates in South Africa will not be effected by CSDPs during the period from the JSE ex-dividend date to the record date (both days inclusive).
- Those shareholders who already participate in the DRIP need not complete a DRIP mandate form for each dividend as such forms provide an ongoing authority to participate in the DRIP until cancelled in writing. Shareholders who wish to participate in the DRIP should obtain a mandate form from the UK Registrars, the South African Transfer Secretaries or, in the case of those who hold their shares through the STRATE system, their CSDP.
- In terms of the DRIP, and subject to the purchase of shares in the open market, share certificates/CREST notifications are expected to be mailed and CSDP investor accounts credited/updated on Tuesday, 2 June 2020. CREST accounts will be credited on Thursday, 14 May 2020.
- Copies of the terms and conditions of the DRIP are available from the UK Registrars or the South African Transfer Secretaries.
- The US\$:£/€ conversion rates will be determined by the actual rates achieved by Anglo American buying forward contracts for those currencies, during the two days preceding the announcement of the conversion rates, for delivery on the dividend payment date.

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South African Transfer Secretaries

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