



YEAR END FINANCIAL REPORT

for the year ended 31 December 2018

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21 February 2019

Anglo American Preliminary Results 2018

Consistent performance improvements deliver 4% increase in underlying EBITDA to \$9.2 billion

Mark Cutifani, Chief Executive of Anglo American, said: “We are delivering improvements on a consistent basis, with a further 4% increase in underlying EBITDA to \$9.2 billion. Our commitment to disciplined capital allocation has helped strengthen our balance sheet by more than \$10 billion over three years, with net debt reduced to \$2.8 billion at the end of 2018. This strong financial result derives from our continued productivity improvements in the underlying operations and better than expected prices for many of our products.

“No degree of financial performance is worth a life, however, and in 2018, five of our colleagues tragically died in workplace safety incidents. The safety of our people is always front of mind and our determination to reach and sustain zero harm is our most pressing challenge.

“Our focus on efficiency and productivity, including through our Operating Model implementation, is continuing to deliver benefits – in terms of both safety and financial returns. In 2018, we produced 10% more product on a copper equivalent basis from half the number of assets we had in 2012. As a result, our productivity⁽¹⁾ per employee has doubled, supporting a 12 percentage point increase in mining margin⁽²⁾ to 42% and placing us amongst the leaders in the industry. Over that six-year period, we have delivered \$4.6 billion of annual underlying EBITDA improvement in terms of costs and volumes, including \$0.4 billion in 2018. Looking forward, we see significant further potential and by 2022, we are targeting an additional \$3-4 billion annual underlying EBITDA run-rate improvement, relative to 2017.

“Anglo American is a resilient and highly competitive business with a clear asset-led strategy. What’s more, our world-class portfolio benefits from considerable organic growth options, particularly in those products that will supply a cleaner, more electrified world and that satisfy the consumer-led demands of a fast growing global middle-class. Our focus is on unlocking the very significant additional potential that we see within the business – from further productivity improvements, volume growth from existing and new operations, and the deployment of FutureSmart Mining™ technologies – and to do so safely and responsibly, maintaining strict capital discipline and creating a sustainable business in every sense.”

Financial highlights – year ended 31 December 2018

- Generated underlying EBITDA* of \$9.2 billion, a 4% increase, and \$3.2 billion of attributable free cash flow*
- Delivered profit attributable to equity shareholders of \$3.5 billion, a 12% increase
- Reduced net debt* to \$2.8 billion, a 37% reduction since 2017 – 0.3x net debt / underlying EBITDA
- Achieved net cost and volume improvements of \$0.4 billion⁽³⁾
- Expected 2019 cost and volume improvements of \$0.5 billion, and on track to deliver \$3-4 billion annual EBITDA improvement by 2022, relative to 2017
- Proposed final dividend of \$0.51 per share, equal to 40% of second half underlying earnings*

Year ended	31 December 2018	31 December 2017	Change
US\$ million, unless otherwise stated			
Revenue	27,610	26,243	5%
Underlying EBITDA*	9,161	8,823	4%
Underlying earnings*	3,237	3,272	(1)%
Attributable free cash flow*	3,157	4,943	(36)%
Profit attributable to equity shareholders of the Company	3,549	3,166	12%
Underlying earnings per share* (\$)	2.55	2.57	(1)%
Earnings per share (\$)	2.80	2.48	13%
Dividend per share (\$)	1.00	1.02	(2)%
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 63.

SUSTAINABILITY PERFORMANCE

Safety

Anglo American's safety performance is the subject of very significant management attention in order to eliminate the causes of harm in the workplace. Five people lost their lives in 2018, all in South Africa, two in each of our Platinum Group Metals (PGMs) and Coal businesses and one in our Diamonds business. As a matter of urgency, we launched an *Elimination of Fatalities Taskforce* during 2018 to further interrogate drivers of fatal incidents at a more granular, cultural level, to understand how we can better manage fatal and catastrophic risks. Our determination to deliver our commitment to zero harm is our most pressing challenge.

The Group's total recordable case frequency rate for the year provides a broader picture of significant progress, with 2.66 injuries per million hours worked, a 16% improvement over the record performance rate achieved in 2017. However, we should not be experiencing major safety incidents and we have demonstrated time and again that even our most potentially hazardous businesses can be incident-free for long periods.

Environment

We recorded one Level 4 and five Level 3 environmental incidents in 2018. The most serious related to two leakages of non-hazardous iron ore slurry from Minas-Rio's pipeline in Brazil. Both leaks were stopped without delay, without injuries and a thorough clean-up of the surrounding area was completed. We also took a responsible approach to the inspection and repair of the pipeline, pre-emptively replacing a number of sections.

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 in water-scarce regions; and deliver net-positive impacts in biodiversity wherever we operate. We are also working on ensuring all operations fully align with our Biodiversity Standard and our best-in-class Integrated Mine Closure Planning System. Currently, 12% of our energy needs are met by renewables, and we are working to increase this.

Tailings

We manage our tailings dams with the utmost care and have full confidence in the integrity of our 56 managed tailings storage facilities around the world. We are, of course, following developments carefully to ensure any learnings from recent tragic events are integrated into our own processes and controls. There is nothing we have seen to date to cause us to alter our already stringent approach to tailings dam safety management.

We have a mandatory Group Technical Standard for tailings dam safety management which exceeds regulatory requirements. We conduct daily and fortnightly inspections, with quarterly external audits performed by specialised consulting firms. There are also annual inspections performed by the Engineer of Record (who is external to Anglo American) who are themselves also subject to independent, external reviews. These processes are in addition to the various forms of remote and other monitoring technologies installed at appropriate sites that measure everything from ground movement to temperature and hydrology, as examples.

Sustainable 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 terms 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 beginning to deploy, we are also thinking innovatively to create regional ecosystems of sustainable economic activity, in partnership with appropriate development experts.

Anglo American has a long track record as a leader in sustainable, responsible mining. Such attributes were recognised in April 2018 in the inaugural Responsible Mining Index, across all metrics and particularly in relation to economic development, community wellbeing and lifecycle management.

(1) Productivity indexed to 2012 benchmark.

(2) The mining margin represents the Group's underlying EBITDA margin for the mining business. It excludes the impact of PGMs purchase of concentrate, third-party purchases made by De Beers, third-party trading activities performed by Marketing, the Eskom-tied South African domestic thermal coal business and reflects Debswana accounting treatment as a 50/50 joint venture.

(3) Excludes the impact of the suspension of operations at Minas-Rio.

Operational and financial review of Group results for the year ended 31 December 2018

OPERATIONAL PERFORMANCE

We have continued to improve the performance of our assets through increased efficiency and productivity, including the implementation of our Operating Model and, as a result, have delivered \$0.4 billion of cost and volume improvements in 2018 (\$0.8 billion excluding above CPI increases in oil and other energy costs, and rail constraints at Kumba). Across the Group, production increased by 6% on a copper equivalent basis, excluding the impact of the stoppage at Minas-Rio, primarily driven by continued strong performances at Copper, Metallurgical Coal and De Beers, as well as improved production at our PGMs business. This was partly offset by curtailed production at Kumba Iron Ore as a result of third-party rail constraints.

Copper production increased by 15% to 668,300 tonnes (2017: 579,300 tonnes), with increases at all operations. Collahuasi delivered record copper in concentrate production, benefiting from a strong plant performance following the completion of planned plant improvement initiatives and planned higher ore grades. At Los Bronces, production increased by 20%, owing to strong mine and plant performance, as well as planned higher ore grades.

Metallurgical coal production increased by 11% to 21.8 Mt (2017: 19.7 Mt), driven by a record performance from Moranbah and production growth at Grosvenor.

De Beers' rough diamond production increased by 6% to 35.3 million carats (2017: 33.5 million carats). Production increases at Orapa and the contribution from the ramp-up of Gahcho Kué more than offset the effect of the temporary suspension of production at Venetia following a fatal incident and the placing of Voorspoed mine onto care and maintenance.

At our PGMs business, platinum production increased by 4% to 2,484,700 ounces (2017: 2,397,400 ounces) and palladium by 3% to 1,610,800 ounces (2017: 1,557,400 ounces), reflecting continued strong performance at Mogalakwena and ongoing operational improvements at Amandelbult. Refined platinum production decreased by 4% to 2,402,400 ounces (2017: 2,511,900 ounces) and refined palladium by 10% to 1,501,800 ounces (2017: 1,668,500 ounces) as scheduled smelter maintenance delayed refined production into 2019.

At Kumba, iron ore output decreased by 4% to 43.1 Mt (2017: 45.0 Mt) due to Transnet's rail performance constraints throughout 2018. In response, Kumba took the strategic decision to improve product quality to maximise the value of those tonnes railed to the port, which in turn reduced total production.

At Thermal Coal – South Africa, total export production decreased by 1% to 18.4 Mt (2017: 18.6 Mt), as operations continued to transition between mining areas.

Nickel production decreased by 3% to 42,300 tonnes (2017: 43,800 tonnes) owing to a 40-day planned maintenance stoppage at Barro Alto. Manganese ore production increased by 3% to 3.6 Mt (2017: 3.5 Mt), reflecting improved concentrator availability and favourable weather conditions at the Australian operations.

Group copper equivalent unit costs were in line with the prior year in both local currency and US dollar terms as the effect of cost and productivity initiatives offset the impact of inflation across the Group. A 9% decrease in unit costs at Copper, owing to increased production and continued cost savings across all the operations, was offset by Metallurgical Coal, where increased costs were incurred to establish new mining areas to achieve further productivity improvements, and at Kumba following lower production and higher strip ratios.

Excluded from the Group copper equivalent result is the impact of Minas-Rio suspending operations from March 2018, following the two pipeline leaks. The operations resumed after the receipt of the appropriate regulatory approvals on 20 December, following an extensive and detailed technical inspection and the precautionary replacement of certain sections of the pipeline. In addition, on 21 December, a key regulatory approval relating to the Minas-Rio Step 3 licence area was granted, providing greater operational flexibility and access to higher grade iron ore to support the increase of production towards the full design capacity of 26.5 million tonnes per year.

FINANCIAL PERFORMANCE

Anglo American's profit attributable to equity shareholders increased to \$3.5 billion (2017: \$3.2 billion). Underlying earnings were \$3.2 billion (2017: \$3.3 billion), while operating profit was \$6.1 billion (2017: \$5.5 billion).

UNDERLYING EBITDA*

Group underlying EBITDA increased by 4% to \$9.2 billion (2017: \$8.8 billion). The underlying EBITDA margin was 30% (2017: 31%) with the mining margin increasing to 42% (2017: 40%). This was driven by strong prices across the Group, particularly the PGM basket of metals, thermal and metallurgical coal and nickel, as well as continued productivity improvements and cost control across the portfolio, that more than offset the impact of inflation across the Group. 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 2018	Year ended 31 December 2017
De Beers	1,245	1,435
Copper	1,856	1,508
PGMs	1,062	866
Iron Ore	1,177	1,828
Coal	3,196	2,868
Nickel and Manganese	844	610
Corporate and other	(219)	(292)
Total	9,161	8,823

Underlying EBITDA reconciliation 2017 to 2018*

The reconciliation of underlying EBITDA from \$8.8 billion in 2017 to \$9.2 billion in 2018 shows the controllable factors (e.g. cost and volume), as well as those largely outside of management control (e.g. price, foreign exchange and inflation), that drive the Group's performance.

\$ billion	
2017 underlying EBITDA*	8.8
Price	0.9
Foreign exchange	0.2
Inflation	(0.4)
Net volume and cost improvements	0.4
Volume	0.2
Cash cost	0.2
Minas-Rio	(0.6)
Other	(0.2)
2018 underlying EBITDA*	9.2

Price

Average market prices for the Group's basket of commodities and products increased by 4%, contributing \$0.9 billion of improvement to underlying EBITDA. In our Coal business, the realised price for South African thermal export coal increased by 14%, while the realised price for Australian hard coking coal increased by 4%. The price achieved for the PGM basket of metals was 13% higher, largely due to palladium and rhodium, which recorded price increases of 17% and 101% respectively. The nickel realised price increased by 24% compared with 2017.

Foreign exchange

The positive foreign exchange impact on underlying EBITDA of \$0.2 billion was largely due to revaluations of monetary items on the balance sheet, resulting from the effect of weaker producer closing currency rates.

Inflation

The Group's weighted average CPI for the period was 4%, in line with 2017. This was principally influenced by South Africa, which saw local CPI of around 5%. The impact of inflation on costs reduced underlying EBITDA by \$0.4 billion.

Volume

Increased volumes across the portfolio benefited underlying EBITDA by \$0.2 billion, driven by an excellent performance at Metallurgical Coal's longwall operations and strong mine and plant performance, coupled with planned higher ore grades, at Copper. This was partly offset by Kumba, which was affected by third-party rail constraints and a scheduled refurbishment of the shiploader at Saldanha Port, and by lower sales volumes at De Beers, reflecting the higher proportion of lower value diamonds sold in 2017.

Cost

The Group's cost improvements benefited underlying EBITDA by \$0.2 billion, with cost saving initiatives across the Group and unit cost reductions at Copper outweighing the effects of above CPI inflationary pressure on the mining industry related largely to higher oil and electricity prices.

Minas-Rio

The negative impact on the Group's underlying EBITDA from the suspension of operations at Minas-Rio from March to December was \$0.6 billion, compared to 2017. Production decreased to 3.4 Mt (2017: 16.8 Mt).

UNDERLYING EARNINGS*

Profit for the year increased by 8% to \$4.4 billion (2017: \$4.1 billion). Group underlying earnings were marginally lower at \$3.2 billion (2017: \$3.3 billion), as a result of increased depreciation and amortisation charges, offset by the 4% increase in underlying EBITDA.

Reconciliation from underlying EBITDA to underlying earnings**

\$ million	Year ended 31 December 2018	Year ended 31 December 2017
Underlying EBITDA*	9,161	8,823
Depreciation and amortisation	(2,784)	(2,576)
Net finance costs and income tax expense	(2,265)	(2,223)
Non-controlling interests	(875)	(752)
Underlying earnings*	3,237	3,272

Depreciation and amortisation

Depreciation and amortisation increased to \$2.8 billion (2017: \$2.6 billion), owing to higher sustaining capital expenditure, increased production at Moranbah and Grosvenor and stronger average local currencies.

Net finance costs and income tax expense

Net finance costs, before special items and remeasurements, were \$0.4 billion (2017: \$0.5 billion). Increases in LIBOR were offset by lower average borrowings during the year resulting from a 24% reduction in gross debt.

The underlying effective tax rate was 31.3% (2017: 29.7%). The effective tax rate in 2018 benefited from the release of a deferred tax liability balance in Chile, partially offset by 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 UK statutory tax rate. The tax charge for the year, before special items and remeasurements, was \$1.5 billion (2017: \$1.3 billion).

Non-controlling interests

The share of underlying earnings attributable to non-controlling interests of \$0.9 billion (2017: \$0.8 billion) principally relates to minority shareholdings in Kumba, Copper and PGMs.

SPECIAL ITEMS AND REMEASUREMENTS

Special items and remeasurements show a net gain of \$0.3 billion (2017: net charge of \$0.1 billion) and included impairment reversals of \$1.1 billion at Moranbah-Grosvenor and Capcoal (Metallurgical Coal), partially offset by the write-off of assets in De Beers' South African operations of \$0.1 billion following the decision to close Voorspoed; the write-down to fair value of PGMs' investment in Bafokeng-Rasimone Platinum Mine of \$0.1 billion and a loss on disposal of \$0.1 billion relating to Union; as well as losses arising on bond buybacks completed in the year (Corporate and other) of \$0.1 billion.

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 decreased to \$7.8 billion (2017: \$8.4 billion). An increase in underlying EBITDA from subsidiaries and joint operations was offset by lower working capital movements. In 2017, working capital movements included operating payable inflows from transactions in PGMs that were not repeated in 2018.

Cash outflows on operating working capital were \$30 million (2017: inflows of \$879 million), driven mainly by an increase in inventories at PGMs resulting from refining capacity constraints due to maintenance work on the processing assets, and at Kumba owing to third-party rail constraints. These were offset by operating payables inflows across the Group.

Capital expenditure*

\$ million	Year ended 31 December 2018	Year ended 31 December 2017
Stay-in-business	1,617	1,310
Development and stripping	796	586
Life extension projects ⁽¹⁾	245	216
Proceeds from disposal of property, plant and equipment	(162)	(52)
Sustaining capital	2,496	2,060
Growth projects ⁽¹⁾	340	168
Total	2,836	2,228
Capitalised operating cash flows	(18)	(78)
Total capital expenditure	2,818	2,150

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

Capital expenditure increased to \$2.8 billion (2017: \$2.2 billion), with rigorous capital discipline continuing to be applied to all projects. Sustaining capital increased to \$2.5 billion (2017: \$2.1 billion), driven by stronger average local currencies, planned additional stay-in-business expenditure across the Group, in line with our increased production base, and increased capitalised development and stripping expenditure primarily due to longwall productivity improvements at Metallurgical Coal and an optimisation of the mine plan at Mogalakwena.

In 2019, we expect total capital expenditure to increase to \$3.8-\$4.1 billion after utilising the remaining \$0.5 billion of capital expenditure funding for Quellaveco from the Mitsubishi subscription.

Attributable free cash flow*

The Group generated attributable free cash flow of \$3.2 billion (2017: \$4.9 billion). Cash flows from operations of \$7.8 billion were offset by increased sustaining capital expenditure of \$2.5 billion (2017: \$2.1 billion), driven by stronger local currencies, planned additional stay-in-business capital expenditure and increased capitalised development and stripping expenditure. In addition, there were higher tax payments at Metallurgical Coal and Copper and an increase in dividend payments to minority shareholders.

Dividends

In line with the Group's established dividend policy to pay out 40% of underlying earnings, the Board has proposed a dividend of 51 cents per share, equivalent to \$660 million, bringing the total dividends paid and proposed for the year to \$1.00 per share (2017: \$1.02 per share).

NET DEBT*

\$ million	2018	2017
Opening net debt* at 1 January	(4,501)	(8,487)
Underlying EBITDA* from subsidiaries and joint operations	7,827	7,632
Working capital movements	(30)	879
Other cash flows from operations	(15)	(136)
Cash flows from operations	7,782	8,375
Capital expenditure*	(2,818)	(2,150)
Cash tax paid	(1,393)	(843)
Dividends from associates, joint ventures and financial asset investments	738	517
Net interest ⁽¹⁾	(315)	(355)
Dividends paid to non-controlling interests	(837)	(601)
Attributable free cash flow*	3,157	4,943
Dividends to Anglo American plc shareholders	(1,291)	(618)
Disposals	193	52
Foreign exchange and fair value movements	(248)	135
Other net debt movements ⁽²⁾	(158)	(526)
Total movement in net debt*⁽³⁾	1,653	3,986
Closing net debt* at 31 December	(2,848)	(4,501)

⁽¹⁾ Includes cash outflows of \$41 million (2017: inflows of \$22 million), relating to interest payments on derivatives hedging net debt, which are included in cash flows from derivatives related to financing activities.

⁽²⁾ Principally made up of the purchase of shares for employee share schemes and losses recognised on bond buybacks, offset in 2018 by inflows related to the change in ownership interest in Quellaveco.

⁽³⁾ Net debt excludes the own credit risk fair value adjustment on derivatives of \$15 million (2017: \$9 million).

Net debt (including related derivatives) of \$2.8 billion decreased by \$1.7 billion, representing gearing of 9% (2017: 13%). Net debt at 31 December 2018 comprised cash and cash equivalents of \$6.5 billion (2017: \$7.8 billion) and gross debt, including related derivatives, of \$9.4 billion (2017: \$12.3 billion). The reduction in net debt was driven by \$3.2 billion of attributable free cash flow, partly offset by the payment of dividends to Group shareholders in 2018 (dividend payments resumed in the second half of 2017). During the year, there were inflows of \$0.9 billion related to the change in ownership interest in Quellaveco; this inflow is being used to fund capital expenditure at the project, with \$0.5 billion remaining at 31 December 2018.

BALANCE SHEET

Net assets of the Group increased to \$29.8 billion (2017: \$28.9 billion) as the profit for the year more than offset the effects of foreign exchange on operating assets denominated in local currency, and dividend payments to Company shareholders and non-controlling interests. Sustaining capital expenditure of \$2.5 billion was offset by depreciation and amortisation of \$2.7 billion.

ATTRIBUTABLE ROCE*

Attributable ROCE was in line with the prior year at 19%. Attributable underlying EBIT was \$5.2 billion (2017: \$5.1 billion), reflecting higher prices, improved sales volumes at Metallurgical Coal and Copper and the continued delivery of cost-efficiency programmes across the Group, offset by inflation and the Minas-Rio production stoppage. Average attributable capital employed was constant at \$27.4 billion owing to capital expenditure being largely offset by depreciation and amortisation.

LIQUIDITY AND FUNDING

The Group's liquidity remains conservative at \$13.9 billion (2017: \$16.8 billion), made up of \$6.5 billion of cash (2017: \$7.8 billion) and \$7.3 billion of undrawn committed facilities (2017: \$9.0 billion). The reduction in Group liquidity, in line with our strategy of lowering the cost of the overall capital structure, was driven primarily by a continued focus on debt reduction and the refinancing of a number of credit facilities outlined in the transactions below. These were partially offset by strong positive attributable free cash flow.

In March 2018, the Group completed the repurchase of \$1.5 billion (including the cost of unwinding associated derivatives) of US- and Euro-denominated bonds with maturities from April 2019 to April 2021. The Group also issued a \$0.7 billion 10-year bond in the US bond markets.

In May 2018, the Group completed the repurchase of \$0.6 billion (including the cost of unwinding associated derivatives) of US-denominated bonds with maturities between May 2020 and September 2020.

These transactions, as well as \$1.3 billion of bond maturities during 2018, have reduced short term refinancing requirements, increased the weighted average maturity of outstanding bonds by approximately one year to 5.0 years and reduced gross debt.

In March 2018, the Group replaced a number of credit facilities maturing between March 2019 and March 2020, with a total value of \$5.4 billion, with a \$4.5 billion credit facility maturing in March 2023.

PORTFOLIO UPGRADE

In 2018, the Group completed a number of transactions, including the sale of our 88.2% interest in the Drayton thermal coal mine (on care and maintenance since 2016) and the Drayton South project in Australia. In South Africa, we completed the sale of the New Largo thermal coal project and the Eskom-tied domestic thermal coal operations, PGMs' 33% interest in the Bafokeng-Rasimone Platinum Mine associate, as well as its 11% listed stake in Royal Bafokeng Platinum, its 85% interest in Union mine and 50.1% interest in Masa Chrome Company.

We also completed the acquisitions of the remaining 50% interest in the Mototolo joint operation in South Africa from Glencore and Kagiso Platinum Ventures; and in Canada, the Chidliak Diamond Resource (through De Beers) through the acquisition of Peregrine Diamonds Ltd.

Other transactions

In July 2018, Anglo American Platinum Limited (Platinum) announced that it had subscribed for interests in two UK-based venture capital funds. Platinum's commitment to the funds is matched by a commitment from South Africa's Government Employees Pension Fund represented by the Public Investment Corporation SOC Limited.

Also in July, Anglo American completed a sale and leaseback transaction with M&G Investments with the intention of redeveloping and relocating the Group's London headquarters to Charterhouse Street.

THE BOARD

In September 2018, Anglo American announced that Sir Philip Hampton and Jack Thompson would step down from the Board after nine years of service. On 31 December 2018, Sir Philip Hampton stepped down from the Board as Senior Independent Director and chair of the Remuneration Committee. On 1 January 2019, Dr Byron Grote, a non-executive director since 2013 and chair of the Audit Committee since 2014, was appointed as Senior Independent Director. With effect from the same date, Anne Stevens, a non-executive director since 2012, was appointed as chair of the Remuneration Committee.

With effect from the close of the Annual General Meeting on 30 April 2019, Jack Thompson will step down from the Board as a non-executive director and chair of the Sustainability Committee. Ian Ashby, a non-executive director since 2017, will succeed Jack Thompson as chair of the Sustainability Committee on 30 April 2019.

The names of the Directors and the skills and experience our Board members contribute to the long-term sustainable success of the Anglo American Group are set out in the Annual Report 2018 and on the Group's website www.angloamerican.com/about-us/leadership-team/board

PRINCIPAL RISKS AND UNCERTAINTIES

Anglo American plc 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 2018 year-end are set out in detail in the strategic report section of the Annual Report 2018. The principal risks relate to the following:

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

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 Annual Report 2018 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*	Underlying EBITDA margin	Underlying EBIT*	Capex*	ROCE*
	'000 cts	'000 cts ⁽²⁾	\$/ct ⁽³⁾	\$/ct ⁽⁴⁾	\$m ⁽⁵⁾	\$m		\$m	\$m ⁽⁶⁾	
De Beers	35,297	31,656	171	60	6,082	1,245	20%	694	417	8%
<i>Prior year</i>	33,454	32,455	162	63	5,841	1,435	25%	873	273	9%
Botswana (Debswana)	24,132	–	155	28	–	495	–	441	97	–
<i>Prior year</i>	22,684	–	159	28	–	484	–	447	86	–
Namibia (Namdeb Holdings)	2,008	–	550	274	–	176	–	140	38	–
<i>Prior year</i>	1,805	–	539	257	–	176	–	146	33	–
South Africa (DBCM)	4,682	–	109	54	–	163	–	58	177	–
<i>Prior year</i>	5,208	–	129	62	–	267	–	119	114	–
Canada⁽⁷⁾	4,475	–	144	52	–	231	–	78	127	–
<i>Prior year</i>	3,757	–	235	57	–	205	–	58	(5)	–
Trading	–	–	–	–	–	413	–	407	2	–
<i>Prior year</i>	–	–	–	–	–	449	–	443	1	–
Other⁽⁸⁾	–	–	–	–	–	(233)	–	(430)	(24)	–
<i>Prior year</i>	–	–	–	–	–	(146)	–	(340)	44	–

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

(2) Consolidated sales volumes exclude pre-commercial production sales volumes from Gahcho Kué. Total sales volumes (100%), which are comparable to production, were 33.7 million carats (2017: 35.1 million carats). Total sales volumes (100%) include pre-commercial production sales volumes from Gahcho Kué and De Beers Group's JV 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 \$5.4 billion (2017: \$5.2 billion).

(6) In 2018, includes the acquisition of Peregrine Diamonds Limited for a consideration of \$87 million. In 2017, includes pre-commercial production capitalised operating cash inflows from Gahcho Kué.

(7) In 2017, price excludes Gahcho Kué contribution from sales related to pre-commercial production, which were capitalised in the first half of 2017. Unit costs include Gahcho Kué contribution following achievement of commercial production on 2 March 2017.

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

Financial and operational overview

Total revenue increased by 4% to \$6.1 billion (2017: \$5.8 billion), with rough diamond sales increasing by 4% to \$5.4 billion (2017: \$5.2 billion), driven by improved overall consumer demand for diamond jewellery and a 1% increase in the average rough diamond price index. The average realised price increased by 6% to \$171/carats (2017: \$162/carats), reflecting the lower proportion of lower value rough diamonds being sold in the second half, which resulted in a 2% decrease in consolidated sales volumes to 31.7 million carats (2017: 32.5 million carats). Other revenue also increased owing to improved 'high end' jewellery sales at De Beers Jewellers (consolidated for a full year in 2018, compared with nine months in 2017), partly offset by a 5% decrease in Element Six revenue due to a reduction in sales to the oil and gas market.

Underlying EBITDA decreased by 13% to \$1,245 million (2017: \$1,435 million). While unit costs and upstream profit margins were maintained, De Beers undertook incremental expenditure on a number of new initiatives, including the launch of Lightbox Jewelry (Lightbox™), Tracr™ and Gemfair™, as well as increasing expenditure in marketing, exploration and evaluation in Canada and increasing provisions in respect of closure obligations. Margins in the trading business were lower owing to volatile market conditions, and the margin at Element Six decreased as a result of lower sales to the oil and gas market.

Markets

Preliminary data for 2018 indicates an improvement in global consumer demand for diamond jewellery, in US dollar terms. Global growth during the first half of the year was driven by solid US and Chinese consumer demand. However, during the second half, while the US maintained its growth rate, increased political and policy uncertainty and stock exchange volatility led to a general slowdown of demand. Chinese demand also slowed following the escalation in US-China trade tensions, slower economic growth and stock market volatility. In India, the significant depreciation of the rupee reduced local demand in US dollar terms.

The midstream started the year on a positive note due to healthy demand for polished diamonds from US and Chinese retailers. However, in the second half, the low-priced product segment came under considerable pressure due to weak demand and surplus availability, the rapid depreciation of the rupee and a reduction in bank financing in the midstream. This resulted in a surplus of low-priced polished diamonds at the end of the year, leading to lower sales at the start of 2019.

Operational performance

Mining and manufacturing

Rough diamond production increased by 6% to 35.3 million carats (2017: 33.5 million carats), which was in the lower half of the production guidance range of 35-36 million carats.

In Botswana (Debswana), production increased by 6% to 24.1 million carats (2017: 22.7 million carats). Production at Jwaneng was flat, as the effect of processing planned lower grades was offset by a 12% increase in plant throughput. At Orapa, a 13% increase in output was driven by higher plant utilisation and the full effect of the successful restart of the Damtshaa operation.

In Namibia (Namdeb Holdings), production increased by 11% to 2.0 million carats (2017: 1.8 million carats). Production from the marine operation increased by 4%, driven by fewer in-port days for the Mafuta crawler vessel and the adoption of a technology-led approach for optimising the performance of the drill fleet. Production at the land operations increased by 34% to 0.6 million carats (2017: 0.4 million carats) as a result of access to consistently higher grades, despite placing Elizabeth Bay onto care and maintenance in December.

In South Africa (DBCM), production decreased by 10% to 4.7 million carats (2017: 5.2 million carats), owing to a period of suspended production at Venetia following a fatal incident, as well as lower run-of-mine ore grades experienced as the mine approaches the end of the open pit. Output was also affected by the placing of Voorspoed onto care and maintenance in the fourth quarter in preparation for closure.

In Canada, production increased by 19% to 4.5 million carats (2017: 3.8 million carats) due to the full year contribution from Gahcho Kué, which entered commercial production in March 2017, and higher grades at Victor. Victor is due to cease production in the first half of 2019, when the open pit is expected to have been depleted.

Brands

Significant progress was made across the De Beers Group brands in 2018. De Beers Jewellers opened new stores in Hong Kong and in Xi'an, China, and launched new franchise partnerships in Russia and Saudi Arabia. In May, De Beers Jewellers also launched a new online store in partnership with Farfetch, a global marketplace for the luxury industry with a presence in 100 countries.

Forevermark™ is now available in more than 2,400 retail outlets globally. New launches took place in Indonesia, Nepal, Bangladesh, Germany and France, as well as the opening of its first stand-alone store in Africa, in Botswana. In the year the brand celebrated its 10th anniversary, it launched a new retail concept, Libert'aime™, by Forevermark™.

De Beers Group launched a number of new initiatives in 2018. Lightbox™, a laboratory-grown diamond fashion jewellery brand, was launched in the US and recorded its first sales in September. Tracr™, De Beers Group's blockchain project, was announced in January 2018. GemFair™, an industry-wide pilot programme to create a secure and transparent route to market for ethically sourced artisanal and small-scale mined (ASM) diamonds, was launched in April, with the first export of diamonds in December.

Outlook

Although current economic forecasts remain positive, the outlook for 2019 global diamond jewellery consumer demand faces a number of headwinds, including the risk of a potential intensification of US-China trade tensions, the Chinese government's ability to rebalance economic growth towards consumption, and further exchange rate volatility.

Production in 2019 is expected to be in the range of 31-33 million carats, subject to trading conditions. The lower production is driven by the planned process of exiting from the Venetia open pit, with the underground operation becoming the principal source of ore from 2023. Associated with this, an increased proportion of production in 2019 is expected to come from De Beers Group's joint venture partners, a proportion of which generates a trading margin, which is lower than the mining margin generated from own-mined production.

COPPER

Financial and operational metrics

	Production volume	Sales volume	Price	Unit cost*	Group revenue*	Underlying EBITDA*	Underlying EBITDA margin ⁽²⁾	Underlying EBIT*	Capex*	ROCE*
	kt	kt ⁽¹⁾	c/lb ⁽²⁾	c/lb ⁽³⁾	\$m ⁽⁴⁾	\$m		\$m	\$m	
Copper	668	672	283	134	5,168	1,856	48%	1,234	703	22%
<i>Prior year</i>	<i>579</i>	<i>580</i>	<i>290</i>	<i>147</i>	<i>4,233</i>	<i>1,508</i>	<i>41%</i>	<i>923</i>	<i>665</i>	<i>16%</i>
Los Bronces	370	376	–	145	2,175	969	45%	625	217	–
<i>Prior year</i>	<i>308</i>	<i>307</i>	<i>–</i>	<i>169</i>	<i>1,839</i>	<i>737</i>	<i>40%</i>	<i>401</i>	<i>245</i>	<i>–</i>
Collahuasi⁽⁵⁾	246	243	–	105	1,460	960	66%	736	295	–
<i>Prior year</i>	<i>231</i>	<i>232</i>	<i>–</i>	<i>113</i>	<i>1,314</i>	<i>806</i>	<i>61%</i>	<i>594</i>	<i>243</i>	<i>–</i>
Quellaveco⁽⁶⁾	–	–	–	–	–	–	–	–	131	–
<i>Prior year</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>128</i>	<i>–</i>
Other operations	53	53	–	–	1,533	82	26%	28	60	–
<i>Prior year</i>	<i>40</i>	<i>41</i>	<i>–</i>	<i>–</i>	<i>1,080</i>	<i>76</i>	<i>16%</i>	<i>39</i>	<i>49</i>	<i>–</i>
Projects and corporate	–	–	–	–	–	(155)	–	(155)	–	–
<i>Prior year</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>(111)</i>	<i>–</i>	<i>(111)</i>	<i>–</i>	<i>–</i>

⁽¹⁾ Excludes 178 kt third-party sales (2017: 111 kt).

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

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

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

⁽⁵⁾ 44% share of Collahuasi production, sales and financials.

⁽⁶⁾ Capex is presented on an attributable basis after deducting direct funding from non-controlling interests. FY 2018 capex, on a 100% basis, was \$505 million. \$187 million was spent prior to project approval on 26 July, of which the Group funded \$131 million and Mitsubishi funded \$56 million. A further \$318 million was spent post-approval, of which the Group's 60% share was funded from the Mitsubishi syndication transaction and hence is not included in reported capex.

Financial and operational overview

Underlying EBITDA increased by 23% to \$1,856 million (2017: \$1,508 million), driven by higher production and lower unit costs across all operations. Unit costs decreased by 9% to 134 c/lb (2017: 147 c/lb), the lowest since 2010, as a result of increased production and continued sustainable cost savings at all operations that fully offset the impact of inflation. Production increased by 15% to 668,300 tonnes (2017: 579,300 tonnes). At 31 December 2018, 179,100 tonnes of copper were provisionally priced at an average price of 271 c/lb.

Markets

	2018	2017
Average market price (c/lb)	296	280
Average realised price (c/lb)	283	290

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

The average LME cash copper price was 6% higher, though spot prices closed the year 17% lower, despite falling exchange inventories. Prices weakened notably from mid-year as trade frictions between the US and China escalated. Furthermore, China's efforts to rein in shadow financing resulted in tighter liquidity, slowing growth across key copper-consuming sectors. Reflecting such developments, funds generally showed a lack of risk appetite through the year.

Operational performance

At Los Bronces, production increased by 20% to 369,500 tonnes (2017: 308,300 tonnes) owing to strong mine and plant performance, as well as planned higher grades (0.76% vs. 2017: 0.71%). C1 unit costs decreased by 14% to 145 c/lb (2017: 169 c/lb) reflecting the strong operational performance and higher by-product credits (primarily molybdenum).

At Collahuasi, Anglo American's attributable share of copper production was 246,000 tonnes, an increase of 7% (2017: 230,500 tonnes), representing another record year of copper in concentrate production for the operation. Production benefited from strong plant performance following the successful completion of planned major maintenance of Line 3 (responsible for 60% of plant throughput), the installation of 24 new flotation cells during the first half of the year and planned higher grades (1.29% vs. 2017: 1.25%). C1 unit costs decreased by 7% to 105 c/lb (2017: 113 c/lb), reflecting the strong production performance, additional stripping credits and higher by-product credits.

Production at El Soldado increased by 30% to 52,700 tonnes (2017: 40,500 tonnes), owing largely to the temporary suspension of mine operations during the first half of 2017, which resulted in 6,000 tonnes of lost output, and planned higher ore grade (0.85% vs. 2017: 0.69%). C1 unit costs decreased by 12% to 206 c/lb (2017: 233 c/lb).

QUELLAVECO UPDATE

Project approval and syndication

In July 2018, the Board approved the development of the Quellaveco copper project in Peru, with an expected capital cost of \$5.0-\$5.3 billion. At the same time, and aligned with the Group's disciplined approach to capital allocation, agreement was reached with Mitsubishi to increase its interest in Anglo American Quellaveco S.A. (AAQSA) from 18.1% to 40% via the issuance of new shares. Mitsubishi subscribed \$500 million in upfront consideration and an additional \$351 million to fund its initial share of capital expenditure, resulting in a total cash subscription of \$851 million. The Group will receive up to a further \$100 million in net payments⁽¹⁾ from AAQSA conditional on the achievement of certain prescribed throughput rates. As a result of the syndication transaction, the Group's share of capital expenditure to develop Quellaveco is \$2.5-\$2.7 billion.

Project update

Project execution is on track, benefiting from early works completed during the feasibility study stage. All major permits are in place. In line with plan, the diversion of the Asana river was successfully completed in early December, the first major milestone of the project. Engineering, contracting and procurement are well advanced, with earthworks also meaningfully progressed. The full complement of accommodation required for workers will be available during the first half of 2019.

The priority in 2019 is to continue progressing earthworks and start concrete works at the plant site. First production is due in 2022, with the ramp-up complete in 2023. The project will deliver around 300,000 tonnes per annum of copper equivalent production on average in the first 10 years of operation.

Total capital expenditure funded by the Group in 2018 was \$131 million, representing the Group's attributable share prior to project approval in July. Post-approval, capital expenditure (on a 100% basis) was \$318 million, of which the Group's 60% share was funded from the syndication transaction with Mitsubishi described above.

Operational outlook

Production guidance for 2019 is 630,000-660,000 tonnes.

⁽¹⁾ The payment, by way of preference dividend, will be grossed up to take account of the Group shareholding in AAQSA.

PLATINUM GROUP METALS

Financial and operational metrics

	Production volume platinum	Production volume palladium	Sales volume platinum	Basket price	Unit cost*	Group revenue*	Underlying EBITDA*	Underlying EBITDA margin ⁽⁵⁾	Underlying EBIT*	Capex*	ROCE*
	koz ⁽¹⁾	koz ⁽¹⁾	koz ⁽²⁾	\$/Pt oz ⁽³⁾	\$/Pt oz ⁽⁴⁾	\$m	\$m		\$m	\$m	
PGMs	2,485	1,611	2,424	2,219	1,561	5,680	1,062	29%	705	496	15%
<i>Prior year</i>	2,397	1,557	2,505	1,966	1,443	5,078	866	26%	512	355	10%
Mogalakwena	495	541	492	2,759	1,398	1,367	623	46%	478	210	-
<i>Prior year</i>	464	509	467	2,590	1,179	1,211	578	48%	448	151	-
Amandelbult	443	205	445	2,222	1,717	996	153	15%	96	74	-
<i>Prior year</i>	438	202	459	1,868	1,596	858	88	10%	34	34	-
Other operations⁽⁶⁾	386	268	367	-	-	1,100	132	12%	9	212	-
<i>Prior year</i>	474	297	497	-	-	1,125	83	7%	(59)	170	-
Purchase of concentrate⁽⁷⁾	1,161	597	1,120	-	-	2,217	218	10%	186	-	-
<i>Prior year</i>	1,021	549	1,082	-	-	1,884	173	9%	145	-	-
Projects and corporate	-	-	-	-	-	-	(64)	-	(64)	-	-
<i>Prior year</i>	-	-	-	-	-	-	(56)	-	(56)	-	-

(1) Production disclosure reflects own-mined production and purchase of metal in concentrate.

(2) Sales volumes exclude the sale of refined metal purchased from third parties.

(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) Underlying EBITDA margins exclude the impact of the sale of refined metal purchased from third parties. In addition, the total PGMs margin excludes purchase of concentrate.

(6) Includes Unki, Union (prior to disposal), Mototolo (post-acquisition), PGMs' share of joint operations and revenue from trading activities.

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

Financial and operational overview

Underlying EBITDA increased by 23% to \$1,062 million (2017: \$866 million), largely as a result of a 13% increase in the basket price driven by stronger prices for palladium, rhodium, ruthenium and nickel. Unit costs increased by 8% to \$1,561/ounce (2017: \$1,443/ounce) due to the impact of inflation and a change in mine plan at Mogalakwena leading to an increase in waste mined and a reduction in ore stockpiled.

Markets

	2018	2017
Average platinum market price (\$/oz)	880	950
Average palladium market price (\$/oz)	1,029	871
Average rhodium market price (\$/oz)	2,214	1,097
Average gold market price (\$/oz)	1,269	1,258
US\$ realised basket price (\$/Pt oz)	2,219	1,966
Rand realised basket price (R/Pt oz)	29,601	26,213

Strong prices for palladium, rhodium and the minor platinum group metals outweighed a 7% decline in the platinum price during 2018, with the basket price climbing by 13% in dollar terms as a result. The platinum price was driven lower, primarily by a decline in the share of diesel engines in the European car sector. Despite disappointing global car sales, tighter global emissions regulation supported the prices of palladium and rhodium, with their average price for the year increasing by 18% and 102% respectively.

Operational performance

Total platinum production (metal in concentrate) increased by 4% to 2,484,700 ounces (2017: 2,397,400 ounces), while total palladium output was 3% higher at 1,610,800 ounces (2017: 1,557,400 ounces).

Own-mined production

Own-mined production is inclusive of ounces from Mogalakwena, Amandelbult, Unki, Union (prior to its disposal on 1 February 2018), and 50% of joint operation production, with 100% of Mototolo from 1 November 2018, following the completion of the acquisition of the remaining 50% on this date.

Own-mined platinum production decreased by 4% to 1,323,600 ounces (2017: 1,376,200 ounces), while palladium production increased marginally to 1,013,500 ounces (2017: 1,008,700). Excluding Union, own-mined platinum production increased by 7% to 1,312,000 ounces (2017: 1,221,700) and palladium production increased by 8% to 1,008,300 ounces (2017: 937,300) on the back of a strong operational performance across the portfolio.

Mogalakwena's platinum production increased by 7% to 495,100 ounces (2017: 463,800 ounces), and palladium production increased by 6% to 540,900 ounces (2017: 508,900 ounces) through mining a higher grade area as planned, as well as optimisation of the primary mill at the North concentrator plant which led to improved throughput and metal recovery.

At Amandelbult, platinum production increased by 1% to 442,700 ounces (2017: 438,000 ounces), and palladium output by 1% to 205,100 ounces (2017: 202,500 ounces) as increased underground production was delivered to the concentrator, primarily from Dishaba's underground operations. Dishaba mine development work led to a 7% increase in immediately stope-able reserves.

Platinum production from other operations decreased by 19% to 385,800 ounces (2017: 474,400 ounces) and palladium production by 10% to 267,600 ounces (2017: 297,300 ounces), driven by the sale of Union mine to Siyanda Resources (Siyanda) on 1 February 2018, from which date Union production was purchased as concentrate. Excluding Union, platinum production from other operations increased by 17%, driven by PGMs' share of platinum production from joint operations increasing by 10% to 270,800 ounces (2017: 245,300 ounces) and its share of palladium production increasing by 9% to 176,000 ounces (2017: 161,500 ounces), as well as the acquisition of the remaining 50% of Mototolo on 1 November 2018.

Purchase of concentrate

Purchase of concentrate increased by 14% and 9% for platinum and palladium respectively. The inclusion of concentrate from Union following the sale to Siyanda was partly offset by the removal of unprofitable ounces following the closure of Bokoni, which was placed onto care and maintenance in 2017.

Refined production

Refined platinum production decreased by 4% to 2,402,400 ounces (2017: 2,511,900 ounces), while refined palladium output decreased by 10% to 1,501,800 ounces (2017: 1,668,500 ounces). The reduction was primarily attributable to the planned rebuild of Mortimer smelter in the second quarter of 2018; the partial rebuild at Polokwane smelter which was completed during the second half of the year; commissioning of the Unki smelter in the third quarter; and maintenance work on other processing assets, which collectively resulted in a build-up of work-in-progress inventory. Furthermore, 2017 refined production included 130,000 platinum ounces (and associated PGMs) that were toll-refined by a third party following the Waterval Furnace 1 run-out in 2016. It is expected that the build-up of work-in-progress inventory will be processed in full during 2019.

Sales volumes

Platinum sales volumes, excluding refined metals purchased from third parties, decreased by 3% to 2,424,200 ounces (2017: 2,504,600 ounces), while palladium sales decreased by 4% to 1,513,100 ounces (2017: 1,571,700 ounces). The overall decrease resulted from lower refined production, compensated in part by a drawdown in refined platinum inventory levels. In comparison, there were high sales volumes in 2017 owing to the refining of the backlog of material from the Waterval smelter run-out in the fourth quarter of 2016. Trading activities generated further sales volumes of 94,000 platinum ounces and 124,500 palladium ounces.

Operational outlook

From 1 January 2019, Sibanye 4E⁽¹⁾ material is no longer purchased as concentrate, but toll-treated, with the refined metal returned to Sibanye. As a result, platinum production (metal in concentrate) for 2019 is expected to be lower than for 2018 at 2.0-2.1 million ounces. Palladium production (metal in concentrate) for 2019 is expected to be 1.3-1.4 million ounces.

⁽¹⁾ Platinum, palladium, rhodium and gold.

IRON ORE

Financial and operational metrics

	Production volume	Sales volume	Price	Unit cost*	Group revenue*	Underlying EBITDA*	Underlying EBITDA margin	Underlying EBIT*	Capex*	ROCE*
	Mt ⁽¹⁾	Mt	\$/t ⁽²⁾	\$/t ⁽³⁾	\$m	\$m		\$m	\$m	
Iron Ore	–	–	–	–	3,768	1,177	31%	747	415	3%
<i>Prior year</i>	–	–	–	–	4,891	1,828	37%	1,500	252	15%
Kumba Iron Ore	43.1	43.3	72	32	3,440	1,544	45%	1,213	309	42%
<i>Prior year</i>	45.0	44.9	71	31	3,486	1,474	42%	1,246	229	47%
Iron Ore Brazil (Minas-Rio)	3.4	3.2	70	–	328	(272)	–	(371)	106	(9)%
<i>Prior year</i>	16.8	16.5	65	30	1,405	435	31%	335	23	6%
Projects and corporate	–	–	–	–	–	(95)	–	(95)	–	–
<i>Prior year</i>	–	–	–	–	–	(81)	–	(81)	–	–

⁽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 not disclosed for 2018, due to the suspension of operations; 2017 unit costs are on an FOB wet basis.

Financial and operational overview

Kumba

Underlying EBITDA increased by 5% to \$1,544 million (2017: \$1,474 million), mainly driven by a \$1/tonne increase in the average realised iron ore price, partly offset by a 4% decrease in export sales volumes and a 3% increase in FOB unit costs. The increase in unit costs was driven by lower production, higher strip ratios and higher fuel costs, largely offset by operational efficiencies and cost-saving initiatives.

Sales volumes decreased by 4% to 43.3 Mt (2017: 44.9 Mt) owing to the impact of third-party rail constraints and single loading of vessels resulting from the scheduled refurbishment of the shiploader by Transnet at Saldanha Port in the second half of 2018. Consequently, total finished stock held at the mines and port increased to 5.3 Mt (2017: 4.3 Mt).

Minas-Rio

Minas-Rio recorded an underlying EBITDA loss of \$272 million (2017: \$435 million gain), reflecting the suspension of operations from March 2018, following the two leaks in the 529 kilometre iron ore pipeline from the mine to the Port of Açú.

Markets

	2018	2017
Average market price (IODEX 62% Fe CFR China – \$/tonne)	69	71
Average market price (MB 66% Fe Concentrate CFR – \$/tonne)	95	87
Average realised price (Kumba export – \$/tonne) (FOB Saldanha)	72	71
Average realised price (Minas-Rio – \$/tonne) (FOB wet basis)	70	65

Kumba's outperformance over the IODEX (Platts) 62% Fe CFR China index was primarily due to the higher iron (Fe) content and the relatively high proportion (approximately 68%) of lump in the overall product portfolio.

Minas-Rio also produces higher grade products (higher iron content and lower gangue) than the reference product used for the IODEX 62% Fe CFR China index. IODEX 62% is referred to for comparison purposes only.

Operational performance

Kumba

Total production decreased by 4% to 43.1 Mt (2017: 45.0 Mt), in response to higher stock levels arising from Transnet's rail constraints. Production volumes were also affected by a small decrease in processing plant yields as Kumba focused on producing high quality products to maximise the value of tonnes railed to port and benefit from the strong demand for premium, high grade ore.

In line with its strategy, production at Sishen reduced by 6% to 29.2 Mt (2017: 31.1 Mt), while output at Kolomela remained constant at 13.9 Mt. Waste stripping at Sishen increased by 13% to 182.1 Mt (2017: 161.7 Mt), with continued improvements in efficiencies through increased primary mining equipment productivity. Consistent production performance at Kolomela led to a 1% increase in waste stripping to 56.0 Mt (2017: 55.6 Mt).

Minas-Rio

Production decreased by 80% to 3.4 Mt (2017: 16.8 Mt) following the suspension of operations since March 2018. The resumption of the operations occurred following the receipt of the appropriate regulatory approvals on 20 December, and an extensive and detailed technical inspection and the precautionary replacement of certain sections of the pipeline.

Operational outlook

Kumba

Kumba's production guidance for 2019 is 43-44 Mt, with waste movement for Sishen and Kolomela expected to be 170-180 Mt and 55-60 Mt, respectively.

Minas-Rio

A key regulatory approval relating to the Minas-Rio Step 3 licence area was granted on 21 December 2018, providing greater operational flexibility and access to higher grade iron ore to support the increase of production towards the full design capacity of 26.5 Mtpa. As a result, 2019 production guidance for Minas-Rio was increased to 18-20 Mt (previously 16-19 Mt). In addition, 2019 unit cost guidance was reduced to \$28-31/tonne (previously \$30-33/tonne). Construction is under way for the next tailings dam lift and we expect to be ready for the normal process of conversion of the installation licence to an operating licence in the second quarter of 2019.

Legal

Sishen consolidated mining right granted

Sishen's application to extend the mining right area to include the Dingleton properties through the inclusion of the adjacent Prospecting Rights was granted on 25 June 2017 and notarially executed on 29 June 2018. The grant allows Sishen mine to expand its current mining operations within the adjacent Dingleton area.

Kolomela consolidated mining right granted

The Section 102 application to amend the Kolomela mining right and the mining work programme to include Heuningkranz and portion 1 of Langverwacht was granted on 14 October 2018. The environmental authorisation was approved on 7 November 2018. The grant allows Kolomela mine to expand its current mining operations within the adjacent Heuningkranz area.

The transfer of Thabazimbi to ArcelorMittal SA

Sishen Iron Ore Company Proprietary Limited (SIOC) and ArcelorMittal SA entered into an agreement in 2016 to transfer Thabazimbi mine to ArcelorMittal SA, subject to the fulfilment of certain conditions precedent. On 12 October 2018, Kumba and ArcelorMittal South Africa announced that all the conditions precedent to the transfer of Thabazimbi mine, together with the mining rights, had either been fulfilled or waived. The employees, assets and liabilities, as well as the mining rights and the assumed liabilities of the mine, were transferred at a nominal purchase consideration from SIOC to Thabazimbi Iron Ore Mine (Pty) Ltd, a wholly-owned subsidiary of ArcelorMittal South Africa, previously ArcelorMittal South Africa Operations (Pty) Ltd, on 1 November 2018.

COAL

Financial and operational metrics

	Production volume	Sales volume	Price	Unit cost*	Group revenue*	Underlying				
						Underlying EBITDA*	EBITDA margin ⁽⁵⁾	Underlying EBIT*	Capex*	ROCE*
	Mt ⁽¹⁾	Mt ⁽²⁾	\$/t ⁽³⁾	\$/t ⁽⁴⁾	\$m	\$m		\$m	\$m	
Coal	50.4	50.4	–	–	7,788	3,196	46%	2,538	722	67%
<i>Prior year</i>	48.9	49.0	–	–	7,211	2,868	46%	2,274	568	67%
Metallurgical Coal	21.8	22.0	190	64	4,231	2,210	52%	1,774	574	80%
<i>Prior year</i>	19.7	19.8	185	61	3,675	1,977	54%	1,594	416	86%
Thermal Coal – South Africa	18.4	18.3	87	44	2,719	695	37%	566	148	68%
<i>Prior year</i>	18.6	18.6	76	44	2,746	588	32%	466	152	54%
Thermal Coal – Colombia	10.2	10.1	83	36	838	388	46%	295	–	35%
<i>Prior year</i>	10.6	10.6	75	31	790	385	49%	296	–	35%
Projects and corporate	–	–	–	–	–	(97)	–	(97)	–	–
<i>Prior year</i>	–	–	–	–	–	(82)	–	(82)	–	–

⁽¹⁾ Production volumes are saleable tonnes. South African production volumes include export primary production, secondary production sold into export markets and production sold domestically at export parity pricing and excludes Eskom-tied operations production of 2.8 Mt (2017: 23.9 Mt) and other domestic production of 10.9 Mt (2017: 7.5 Mt). Metallurgical Coal production volumes exclude thermal coal production of 1.4 Mt (2017: 1.6 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 exclude domestic sales of 10.3 Mt (2017: 8.2 Mt), Eskom-tied operations sales of 2.8 Mt (2017: 23.9 Mt) and non-equity traded sales of 9.5 Mt (2017: 7.6 Mt). Metallurgical Coal sales volumes exclude thermal coal sales of 1.6 Mt (2017: 1.8 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⁾ Excludes impact of third-party sales and Eskom-tied operations.

Financial and operational overview

Metallurgical Coal

Underlying EBITDA increased by 12% to \$2,210 million (2017: \$1,977 million), owing to an 11% increase in sales volumes and a 3% improvement in the realised price for metallurgical coal. US dollar unit costs increased by 5% to \$64/tonne (2017: \$61/tonne), as a result of establishing new mining areas to achieve further productivity improvements, the impact of additional longwall moves and cost inflation.

Thermal Coal – South Africa

Underlying EBITDA increased by 18% to \$695 million (2017: \$588 million), driven by a 14% increase in the realised export thermal coal price. Export sales decreased by 2% to 18.3 Mt (2017: 18.6 Mt), while domestic sales increased by 26% to 10.3 Mt (2017: 8.2 Mt). US dollar unit costs for the export trade were in line with the prior year at \$44/tonne as productivity improvements and cost savings offset the 8% inflation impact.

The sale of the Eskom-tied domestic thermal coal operations, comprising New Vaal, New Denmark, and Kriel collieries, as well as four closed collieries, to Seriti Resources was completed on 1 March 2018. Production from these assets, until the date of completion, was 2.8 Mt.

Thermal Coal – Colombia

Underlying EBITDA increased marginally to \$388 million (2017: \$385 million), with an 11% increase in prices offsetting lower volumes arising from permitting delays and weather impacts in the fourth quarter.

Markets

Metallurgical coal

	2018	2017
Average market price for premium low-volatile hard coking coal (\$/tonne) ⁽¹⁾	207	188
Average market price for premium low-volatile PCI (\$/tonne) ⁽¹⁾	136	119
Average realised price for premium low-volatile hard coking coal (\$/tonne)	194	187
Average realised price for PCI (\$/tonne)	128	125

⁽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 in 2018 were supported by strong steelmaking margins globally and a number of supply disruptions in Australia.

Thermal coal

	2018	2017
Average market price (\$/tonne, FOB Australia)	107	89
Average market price (\$/tonne, FOB South Africa)	98	84
Average market price (\$/tonne, FOB Colombia)	85	78
Average realised price – Export Australia (\$/tonne, FOB)	103	91
Average realised price – Export South Africa (\$/tonne, FOB)	87	76
Average realised price – Domestic South Africa (\$/tonne)	19	21
Average realised price – Colombia (\$/tonne, FOB)	83	75

The average realised price for export thermal coal was 89% of the average market price due to timing and quality differences relative to the industry benchmark. The difference in the realised price compared with the market price, between 2017 and 2018, reflects a changing quality mix owing to a higher proportion of secondary products being sold into the export market.

Solid demand from South Korea and Japan underpinned the prices for higher energy coals in the Pacific region. Various supply issues in Australia also affected the availability of these higher energy coals. Chinese import demand decreased in the second half of the year as domestic stocks were rebuilt and a rebound in supply from Indonesia and South Africa increased the discounts for lower energy material.

Operational performance

Metallurgical Coal

Total production increased by 11% to 21.8 Mt, largely driven by higher production from the underground longwall operations which increased by 15% to 14.2 Mt (2017: 12.3 Mt). The increase was driven by sustained strong performance at Moranbah, which improved on its previous record and produced 6.8 Mt; and Grosvenor, which increased output to 3.8 Mt. Grasstree's production decreased by 25% to 3.6 Mt, marginally above planned volumes, as the operation moved into more challenging areas of the mine as it nears its end of life and undertook an additional longwall move in the year.

Thermal Coal – South Africa

Export production decreased by 1% to 18.4 Mt (2017: 18.6 Mt) as operations continued to transition between mining areas. Total production from the Export mines increased by 12% to 24.6 Mt (2017: 22.0 Mt), driven by productivity-led growth from the underground operations. Total output benefited as market prices allowed the processing of mineral residue deposits (MRD), which generates earnings and avoids capital expenditure for the MRD expansions, as well as helping to mitigate future rehabilitation costs. MRD production can be sold either into the domestic or export markets.

Thermal Coal – Colombia

Anglo American's attributable production from its 33.3% ownership of Cerrejón decreased by 4% to 10.2 Mt (2017: 10.6 Mt).

Operational outlook

Metallurgical coal

Full year 2019 production guidance for metallurgical coal is 22-24 Mt.

Export thermal coal

Full year 2019 production guidance for export thermal coal is 26-28 Mt.

NICKEL AND MANGANESE

Financial and operational metrics

	Production volume	Sales volume	Price	Unit cost*	Group revenue*	Underlying EBITDA*	Underlying EBITDA margin	Underlying EBIT*	Capex*	ROCE*
	t ⁽¹⁾	t ⁽¹⁾	c/lb ⁽²⁾	c/lb ⁽³⁾	\$m	\$m ⁽³⁾		\$m ⁽⁴⁾	\$m	
Nickel and Manganese	-	-	-	-	1,707	844	49%	685	38	28%
<i>Prior year</i>	-	-	-	-	1,391	610	44%	478	28	20%
Nickel	42,300	43,100	588	361	560	181	32%	75	38	4%
<i>Prior year</i>	43,800	43,000	476	365	451	81	18%	0	28	0%
Samancor⁽⁵⁾	3.8	3.7	-	-	1,147	663	58%	610	-	159%
<i>Prior year</i>	3.6	3.6	-	-	940	529	56%	478	-	115%

⁽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 \$8 million projects and corporate costs (2017: \$8 million).

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

Financial and operational overview

Nickel

Underlying EBITDA increased by 123% to \$181 million (2017: \$81 million), primarily reflecting the higher nickel price.

Nickel unit costs decreased by 1% to 361 c/lb (2017: 365 c/lb), despite lower production, driven by improved operational stability and the effect of favourable exchange rates, partly offset by higher energy prices.

Samancor

Underlying EBITDA increased by 25% to \$663 million (2017: \$529 million), driven mainly by the continued improvement in manganese ore prices.

Markets

Nickel

	2018	2017
Average market price (c/lb)	595	472
Average realised price (c/lb)	588	476

The average market price is the LME nickel price, from which ferronickel pricing is derived. Ferronickel is traded based on discounts or premiums to the LME 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 nickel price increased by 26% to an average of 595 c/lb in 2018, with strong demand growth maintaining the market deficit. In the second half of the year, however, prices came under pressure from macro-economic worries, including heightening trade war concerns. Stainless steel production (around 70% of nickel demand) increased to record levels in 2018, while nickel consumption in batteries increased by more than 30%, as demand for zero emission vehicles and lithium-ion based energy storage continued to accelerate.

Samancor

The average 2018 benchmark manganese ore price (Metal Bulletin 44% manganese ore CIF China) increased by 23% to \$7.24/dmtu (2017: \$5.91/dmtu) due to continuing strong demand from China's steel manufacturing sector.

Operational performance

Nickel

Nickel output decreased by 3% to 42,300 tonnes (2017: 43,800 tonnes) owing to a 40-day planned maintenance stoppage at Barro Alto in the first half of 2018. Barro Alto produced 33,500 tonnes (2017: 34,900 tonnes), while Codemin produced 8,800 tonnes (2017: 8,900 tonnes).

Samancor

Attributable manganese ore production increased by 3% to 3.6 Mt (2017: 3.5 Mt). Production from the Australian operations increased by 10% due to improved concentrator availability, the effect of more favourable weather conditions and increased premium concentrate ore (PC02) production. Ore production from the South African operations decreased by 6% as an increase in higher quality premium material was more than offset by a decline in fine grained secondary products.

Attributable production of manganese alloys increased by 5% to 157,000 tonnes (2017: 149,000 tonnes), mainly as a result of improved furnace stability at the Australian operations for the majority of the year. In South Africa, manganese alloy production improved by 6% while continuing to utilise only one of the operation's four furnaces.

Operational outlook

Nickel

Production guidance for 2019 is 42,000-44,000 tonnes.

CORPORATE AND OTHER

Financial metrics

	Group revenue*	Underlying EBITDA*	Underlying EBIT*	Capex*
	\$m	\$m	\$m	\$m
Segment	3	(219)	(226)	27
<i>Prior year</i>	5	(292)	(313)	9
Exploration	–	(113)	(113)	–
<i>Prior year</i>	–	(103)	(103)	–
Corporate activities and unallocated costs	3	(106)	(113)	27
<i>Prior year</i>	5	(189)	(210)	9

Financial overview

Corporate and other reported an underlying EBITDA loss of \$219 million (2017: \$292 million loss).

Exploration

Exploration's underlying EBITDA loss increased to \$113 million (2017: \$103 million loss), reflecting increased exploration activities across most product groups, but predominantly in diamonds.

Corporate activities and unallocated costs

Underlying EBITDA amounted to a \$106 million loss (2017: \$189 million loss), driven primarily by a year-on-year gain recognised in the Group's self-insurance entity, reflecting lower net claims and settlements during 2018, as well as higher premium income.

For further information, please contact:

Media

UK

James Wyatt-Tilby
james.wyatt-tilby@angloamerican.com
Tel: +44 (0)20 7968 8759

Marcelo Esquivel
marcelo.esquivel@angloamerican.com
Tel: +44 (0)20 7968 8891

South Africa

Pranill Ramchander
pranill.ramchander@angloamerican.com
Tel: +27 (0)11 638 2592

Ann Farn dell
ann.farn dell@angloamerican.com
Tel: +27 (0)11 638 2786

Investors

UK

Paul Galloway
paul.galloway@angloamerican.com
Tel: +44 (0)20 7968 8718

Robert Greenberg
robert.greenberg@angloamerican.com
Tel: +44 (0)20 7968 2124

Emma Waterworth
emma.waterworth@angloamerican.com
Tel: +44 (0)20 7968 8574

Notes to editors:

Anglo American is a global diversified mining business 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 to meet the 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.

As a responsible miner – of diamonds (through De Beers), copper, platinum and other precious metals, iron ore, coal and nickel – we are the custodians of what are precious natural resources. We work together with our key partners and stakeholders to unlock the sustainable value that those resources represent for our shareholders, the communities and countries in which we operate and for society at large. 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 21 February 2019, 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.

Forward-looking statements:

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

20 Carlton House Terrace London SW1Y 5AN United Kingdom
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 2018

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Consolidated income statement
for the year ended 31 December 2018

US\$ million	Note	2018			2017		
		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	27,610	–	27,610	26,243	–	26,243
Operating costs		(22,379)	838	(21,541)	(21,001)	287	(20,714)
Operating profit	3	5,231	838	6,069	5,242	287	5,529
Non-operating special items	9	–	(94)	(94)	–	(5)	(5)
Net income from associates and joint ventures	3	739	(11)	728	577	(10)	567
Profit before net finance costs and tax		5,970	733	6,703	5,819	272	6,091
Investment income		261	–	261	268	–	268
Interest expense		(655)	(102)	(757)	(694)	(99)	(793)
Other net financing losses		14	(32)	(18)	(47)	(14)	(61)
Net finance costs	5	(380)	(134)	(514)	(473)	(113)	(586)
Profit before tax		5,590	599	6,189	5,346	159	5,505
Income tax expense	6	(1,490)	(326)	(1,816)	(1,324)	(122)	(1,446)
Profit for the financial year		4,100	273	4,373	4,022	37	4,059
Attributable to:							
Non-controlling interests		863	(39)	824	750	143	893
Equity shareholders of the Company		3,237	312	3,549	3,272	(106)	3,166
Earnings per share (US\$)							
Basic	4	2.55	0.25	2.80	2.57	(0.09)	2.48
Diluted	4	2.50	0.24	2.74	2.53	(0.08)	2.45

Consolidated statement of comprehensive income
for the year ended 31 December 2018

US\$ million	2018	2017
Profit for the financial year	4,373	4,059
Items that will not be reclassified to the income statement (net of tax)		
Remeasurement of net retirement benefit obligation	105	204
Net revaluation loss on equity investments	(42)	–
Items that have been or may subsequently be reclassified to the income statement (net of tax)		
Net exchange differences:		
Net (loss)/gain (including associates and joint ventures)	(2,211)	1,725
Cumulative loss/(gain) transferred to the income statement on disposal of foreign operations	35	(81)
Revaluation of available for sale investments:		
Net revaluation gain	–	23
Cumulative revaluation gain transferred to the income statement on disposal	–	(43)
Revaluation of cash flow hedges:		
Share of associates' and joint ventures' other comprehensive income	–	(1)
Other comprehensive (loss)/income for the financial year (net of tax)	(2,113)	1,827
Total comprehensive income for the financial year (net of tax)	2,260	5,886
Attributable to:		
Non-controlling interests	422	1,240
Equity shareholders of the Company	1,838	4,646

Consolidated balance sheet
as at 31 December 2018

US\$ million	Note	2018	2017
ASSETS			
Non-current assets			
Intangible assets		3,087	3,323
Property, plant and equipment		30,898	30,643
Environmental rehabilitation trusts		303	421
Investments in associates and joint ventures		1,715	1,956
Financial asset investments		396	561
Trade and other receivables		708	937
Deferred tax assets		910	1,191
Derivative financial assets		209	309
Other non-current assets		658	487
Total non-current assets		38,884	39,828
Current assets			
Inventories		4,466	4,441
Trade and other receivables		2,026	2,136
Current tax assets		121	146
Derivative financial assets		132	81
Cash and cash equivalents	13	6,567	7,800
Total current assets		13,312	14,604
Assets classified as held for sale	17	–	129
Total assets		52,196	54,561
LIABILITIES			
Current liabilities			
Trade and other payables		(4,734)	(4,501)
Short term borrowings	13, 14	(600)	(1,351)
Provisions for liabilities and charges		(581)	(562)
Current tax liabilities		(818)	(601)
Derivative financial liabilities		(103)	(336)
Total current liabilities		(6,836)	(7,351)
Non-current liabilities			
Trade and other payables		(145)	(89)
Medium and long term borrowings	13, 14	(8,371)	(10,620)
Retirement benefit obligations		(609)	(695)
Deferred tax liabilities		(3,676)	(4,188)
Derivative financial liabilities		(613)	(460)
Provisions for liabilities and charges		(2,114)	(2,235)
Total non-current liabilities		(15,528)	(18,287)
Liabilities directly associated with assets classified as held for sale	17	–	(41)
Total liabilities		(22,364)	(25,679)
Net assets		29,832	28,882
EQUITY			
Called-up share capital		772	772
Share premium account		4,358	4,358
Own shares		(6,315)	(6,191)
Other reserves		(10,519)	(8,702)
Retained earnings		35,302	32,735
Equity attributable to equity shareholders of the Company		23,598	22,972
Non-controlling interests		6,234	5,910
Total equity		29,832	28,882

The Condensed financial statements of Anglo American plc, registered number 03564138, were approved by the Board of directors on 20 February 2019 and signed on its behalf by:

Mark Cutifani
Chief Executive

Stephen Pearce
Finance Director

Consolidated cash flow statement
for the year ended 31 December 2018

US\$ million	Note	2018	2017
Cash flows from operating activities			
Profit before tax		6,189	5,505
Net finance costs including financing special items and remeasurements		514	586
Net income from associates and joint ventures		(728)	(567)
Non-operating special items	9	94	5
Operating profit		6,069	5,529
Operating special items and remeasurements	9	(838)	(287)
Cash element of special items		(3)	(102)
Depreciation and amortisation		2,596	2,390
Share-based payment charges		183	180
Increase/(decrease) in provisions and net retirement benefit obligations		58	(311)
Increase in inventories		(526)	(294)
(Increase)/decrease in operating receivables		(74)	23
Increase in operating payables		570	1,150
Other adjustments		(253)	97
Cash flows from operations		7,782	8,375
Dividends from associates and joint ventures		737	506
Dividends from financial asset investments		1	11
Income tax paid		(1,393)	(843)
Net cash inflows from operating activities		7,127	8,049
Cash flows from investing activities			
Expenditure on property, plant and equipment	11	(3,400)	(2,278)
Cash flows from derivatives related to capital expenditure	11	15	40
Proceeds from disposal of property, plant and equipment	11	162	52
Investments in associates and joint ventures		(99)	(86)
Purchase of financial asset investments		(3)	(6)
Net (issuance)/redemption of financial asset loans and receivables		(22)	168
Interest received and other investment income		204	165
Net cash outflow on acquisitions	18	(90)	–
Net cash inflow on disposals	18	193	52
Other investing activities		(58)	(54)
Net cash used in investing activities		(3,098)	(1,947)
Cash flows from financing activities			
Interest paid		(478)	(542)
Cash flows from derivatives related to financing activities	13	(250)	(419)
Dividends paid to Company shareholders		(1,291)	(618)
Dividends paid to non-controlling interests		(837)	(601)
Proceeds from issuance of bonds		647	2,998
Proceeds from other borrowings		117	35
Repayments of bonds and borrowings		(3,507)	(5,189)
Net proceeds from issue of shares to non-controlling interests		875	36
Purchase of shares by Group companies for employee share schemes		(293)	(242)
Other financing activities		40	(11)
Net cash used in financing activities		(4,977)	(4,553)
Net (decrease)/increase in cash and cash equivalents		(948)	1,549
Cash and cash equivalents at start of year	13	7,792	6,044
Cash movements in the year		(948)	1,549
Effects of changes in foreign exchange rates		(296)	199
Cash and cash equivalents at end of year	13	6,548	7,792

Consolidated statement of changes in equity
for the year ended 31 December 2018

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 2017	5,130	(6,090)	29,976	(10,851)	851	19,016	5,309	24,325
Total comprehensive income/(loss)	–	–	3,351	1,577	(282)	4,646	1,240	5,886
Dividends	–	–	(618)	–	–	(618)	(672)	(1,290)
Issue of shares to non-controlling interests	–	–	–	–	–	–	36	36
Equity settled share-based payment schemes	–	(101)	26	–	6	(69)	(3)	(72)
Other	–	–	–	–	(3)	(3)	–	(3)
At 31 December 2017	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

⁽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, cash flow hedge reserve, capital redemption reserve and legal reserve.

Notes to the Condensed financial statements

1. BASIS OF PREPARATION

The Condensed financial statements for the year ended 31 December 2018 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 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's Annual General Meeting convened for 30 April 2019. 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 2019.

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 2018 on pages 3 to 8. The Group's net debt (including related hedges) at 31 December 2018 was \$2.8 billion (31 December 2017: \$4.5 billion) representing a gearing level of 9% (31 December 2017: 13%). 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 2020. 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 63 of these Condensed financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Condensed financial statements have been prepared under the historical cost convention as modified by the revaluation of pension assets and liabilities and certain financial instruments.

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2017, except for changes arising from the adoption of the following new accounting pronouncements which became effective in the current reporting period:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- Annual Improvements to IFRSs: 2014-16 Cycle: *IFRS 1 and IAS 28*
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*
- Amendments to IFRS 2 *Share-based Payment Transactions*

Notes to the Condensed financial statements

2. Changes in accounting policies and disclosures (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* became effective for the Group from 1 January 2018, replacing all previous revenue standards and interpretations. The Group's revenue is primarily derived from commodity sales, for which the point of recognition is dependent on the contract sales terms, known as the International Commercial Terms (Incoterms). As the transfer of risks and rewards generally coincides with the transfer of control at a point in time under the Incoterms, the timing and amount of revenue recognised by the Group for the sale of commodities is not materially affected.

For the Incoterms Cost, Insurance and Freight (CIF) and Cost and Freight (CFR) the seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. Consequently, the freight service on export commodity contracts with CIF/CFR Incoterms represents a separate performance obligation as defined under the new standard, and a portion of the revenue earned under these contracts, representing the obligation to perform the freight service, is deferred and recognised over time as this obligation is fulfilled, along with the associated costs.

The impact of this transition difference is not considered material to the Group and hence comparative values have not been restated. If comparative values had been restated, the impact would have been to reduce revenue and operating costs respectively for the year ended 31 December 2017 by \$29 million with no impact on profit. Current assets and current liabilities as at 31 December 2017 would each have been higher by \$39 million.

There was no impact on opening retained earnings at 1 January 2018 as a result of this transition difference.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* became effective for the Group from 1 January 2018, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The impacts of adopting IFRS 9 on the Group results have been as follows:

Impairment: The standard introduces an 'expected credit loss' model for the assessment of impairment of financial assets held at amortised cost. The impact of this transition difference is not considered material to the Group and hence comparative values and opening retained earnings at 1 January 2018 have not been restated. If comparative values had been restated, the impact would have been to reduce the Group's opening retained earnings at 1 January 2017 by \$18 million, to decrease the Group's operating costs by \$17 million and to increase the Group's profit before tax and underlying earnings by \$17 million for the year ended 31 December 2017.

Classification and measurement: The measurement and accounting treatment of the Group's financial assets is materially unchanged on application of the new standard with the exception of equity securities previously categorised as available for sale. These are now held at fair value through other comprehensive income, meaning the recycling of gains and losses on disposal and impairment losses is no longer permitted for this category of asset. There is no material impact to the net assets of the Group at 1 January 2017, 31 December 2017 or 1 January 2018, or to the Group's results for the year ended 31 December 2017 from this change.

Hedge accounting: The Group has elected to adopt the IFRS 9 hedge accounting requirements from 1 January 2018. The adoption of the new standard had no effect on the amounts recognised in relation to hedging arrangements for the year ended 31 December 2017 or the year ended 31 December 2018.

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 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.

Notes to the Condensed financial statements

2. Changes in accounting policies and disclosures (continued)

New IFRS accounting standards, amendments and interpretations not yet adopted

IFRS 16 Leases

IFRS 16 *Leases* became effective for the Group from 1 January 2019, replacing IAS 17 *Leases*. The Group has completed the necessary changes to internal systems and processes to embed the new accounting requirements. The principal impact of IFRS 16 is to change the accounting treatment by lessees of leases currently classified as operating leases. Lease agreements will give rise to the recognition by the lessee of a right-of-use asset and a related liability for future lease payments.

The most significant impact on the Group of applying IFRS 16, based on contractual arrangements in place at 31 December 2018, will be the recognition of lease liabilities of \$0.5 billion, along with right-of-use assets with a similar aggregate value. This liability corresponds to the minimum lease payments under operating leases adjusted for the effect of discounting. The present value of liabilities for existing operating leases of \$0.5 billion will be included in net debt on transition to IFRS 16 at 1 January 2019.

The Group will not bring leases of low value assets or short leases with 12 or fewer months remaining on to the Consolidated balance sheet at 1 January 2019. In the Consolidated cash flow statement for the year ended 31 December 2019, the total amount of cash paid will be separated between repayments of principal and repayment of interest, both presented within cash flows from financing activities.

Lease liabilities principally relate to corporate offices, diamond jewellery retail outlets and shipping vessels. The impact of the standard on underlying earnings and profit before tax following adoption is not expected to be significant although the income statement presentation of the cost of leases is changed. Instead of a rental charge recognised within operating costs, the cost of leases will be allocated between the depreciation of right-of-use assets, and a finance charge representing the unwind of the discount on lease liabilities.

The Group has elected to apply the modified retrospective approach on transition. The cumulative effect of transition to IFRS 16 will be recognised in retained earnings at 1 January 2019 and the comparative period will not be restated.

Notes to the Condensed financial statements

FINANCIAL PERFORMANCE

Profit attributable to equity shareholders increased 12% to \$3,549 million and underlying earnings decreased 1% to \$3,237 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.

Following a reassessment of the Group's reportable segments, the Group has presented the results of the Iron Ore businesses as the Iron Ore reportable segment. Manganese, which was previously reported with Iron Ore has been aggregated with Nickel as a single reportable segment. Comparative information has been restated to reflect this change. The 'Corporate and other' segment includes unallocated corporate costs and exploration costs. Exploration costs represent the cost of the Group's exploration activities across all segments.

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 63.

Segment results

	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

Notes to the Condensed financial statements

3. FINANCIAL PERFORMANCE BY SEGMENT (continued)

	2017						
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	5,841	1,435	(562)	873	(244)	(101)	528
Copper	4,233	1,508	(585)	923	(440)	(113)	370
Platinum Group Metals	5,078	866	(354)	512	(218)	(77)	217
Iron Ore	4,891	1,828	(328)	1,500	(254)	(443)	803
Coal	7,211	2,868	(594)	2,274	(484)	(27)	1,763
Nickel and Manganese	1,391	610	(132)	478	(257)	(2)	219
Corporate and other	5	(292)	(21)	(313)	(326)	11	(628)
	28,650	8,823	(2,576)	6,247	(2,223)⁽¹⁾	(752)	3,272
Less: associates and joint ventures	(2,407)	(1,191)	186	(1,005)	426	2	(577)
Subsidiaries and joint operations	26,243	7,632	(2,390)	5,242	(1,797)	(750)	2,695
Reconciliation:							
Net income from associates and joint ventures				567			567
Special items and remeasurements				282			(96)
Profit before net finance costs and tax				6,091			
Profit attributable to equity shareholders of the Company							3,166

⁽¹⁾ Comprises net finance costs of \$395 million (2017: \$526 million) and income tax expense of \$1,870 million (2017: \$1,697 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. Refer to note 12. Other revenue includes shipping revenue which predominantly relates to the Iron Ore segment.

Group revenue by product

US\$ million	2018	2017
Diamonds	6,082	5,841
Copper	4,928	4,128
Platinum	2,235	2,454
Palladium	1,709	1,417
Rhodium	707	327
Iron ore	3,336	4,489
Metallurgical coal	3,931	3,357
Thermal coal	3,853	3,854
Nickel	882	728
Manganese ore and alloys	1,147	940
Other	1,386	1,115
	30,196	28,650

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	2018	2017
China	6,933	6,451
India	3,796	3,636
Japan	2,840	2,625
Other Asia	5,813	5,514
South Africa	1,466	1,876
Other Africa	1,816	1,709
Brazil	383	422
Chile	540	432
Other South America	35	9
North America	714	875
Australia	47	41
United Kingdom (Anglo American plc's country of domicile)	1,889	1,571
Other Europe	3,924	3,489
	30,196	28,650

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 63.

US\$	2018	2017
Earnings per share		
Basic	2.80	2.48
Diluted	2.74	2.45
Underlying earnings per share		
Basic	2.55	2.57
Diluted	2.50	2.53
Headline earnings per share		
Basic	2.04	2.29
Diluted	2.00	2.26

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	
	2018	2017	2018	2017	2018	2017
Earnings (US\$ million)						
Basic and diluted earnings	3,549	3,166	3,237	3,272	2,590	2,920
Weighted average number of shares (million)						
Basic number of ordinary shares outstanding	1,269	1,275	1,269	1,275	1,269	1,275
Effect of dilutive potential ordinary shares	27	18	27	18	27	18
Diluted number of ordinary shares outstanding	1,296	1,293	1,296	1,293	1,296	1,293

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 2018 there were no (2017: 132,188) 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	2018	2017
Underlying earnings for the financial year	3,237	3,272
Operating special items – restructuring	–	31
Other operating special items	(58)	(60)
Operating remeasurements	(113)	(86)
Non-operating special items – (charges)/credits relating to BEE transactions	(31)	14
Financing special items and remeasurements	(132)	(114)
Tax special items and remeasurements	(137)	(32)
Associates' and joint ventures' special items and remeasurements	(11)	(8)
Other reconciling items	(165)	(97)
Headline earnings for the financial year	2,590	2,920

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

Other reconciling items include the impact of business combinations and disposals of property, plant and equipment and investments (2017: principally relate to the settlement of class action claims).

Notes to the Condensed financial statements

5. NET FINANCE COSTS

US\$ million	2018	2017
Investment income		
Interest income from cash and cash equivalents	188	154
Interest income from associates and joint ventures	22	35
Other interest income	27	52
Net interest income on defined benefit arrangements	23	16
Dividend income from financial asset investments	1	11
Investment income	261	268
Interest expense		
Interest and other finance expense	(561)	(580)
Net interest cost on defined benefit arrangements	(45)	(49)
Unwinding of discount relating to provisions and other liabilities	(90)	(100)
	(696)	(729)
Less: interest expense capitalised	41	35
Interest expense before special items and remeasurements	(655)	(694)
Financing special items	(102)	(99)
Interest expense	(757)	(793)
Other net financing gains/(losses)		
Net foreign exchange gains/(losses)	14	(47)
Other net financing gains/(losses) before special items and remeasurements	14	(47)
Financing remeasurements	(32)	(14)
Other net financing losses	(18)	(61)
Net finance costs	(514)	(586)

Notes to the Condensed financial statements

6. INCOME TAX EXPENSE

Overview

The effective tax rate for the year of 29.3% (2017: 26.3%) is higher (2017: higher) than the applicable weighted average statutory rate of corporation tax in the United Kingdom of 19.0% (2017: 19.25%).

	2018		
	Profit before tax US\$ million	Tax (charge)/credit US\$ million	Effective tax rate
Calculation of effective tax rate (statutory basis)	6,189	(1,816)	29.3%
Adjusted for:			
Special items and remeasurements	(599)	326	
Associates' and joint ventures' tax and non-controlling interests	392	(380)	
Calculation of underlying effective tax rate	5,982	(1,870)	31.3%

The underlying effective tax rate was 31.3% for the year ended 31 December 2018. This is higher than the equivalent underlying effective tax rate of 29.7% for the year ended 31 December 2017. The effective tax rate in 2018 benefited from the release of a deferred tax liability balance in Chile, partially offset by 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 63.

a) Analysis of charge for the year

US\$ million	2018	2017
United Kingdom corporation tax	26	29
South Africa tax	673	649
Other overseas tax	1,030	689
Prior year adjustments	(56)	(162)
Current tax	1,673	1,205
Deferred tax	(183)	119
Income tax expense before special items and remeasurements	1,490	1,324
Special items and remeasurements tax (note 9)	326	122
Income tax expense	1,816	1,446

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 effective tax rate and the income tax expense are:

US\$ million	2018	2017
Profit before tax	6,189	5,505
Less: Net income from associates and joint ventures	(728)	(567)
Profit before tax (excluding associates and joint ventures)	5,461	4,938
Tax calculated at United Kingdom corporation tax rate of 19.0% (2017: 19.25%)	1,038	951
Tax effects of:		
Items non-deductible/taxable for tax purposes	55	124
Temporary difference adjustments	170	(160)
Special items and remeasurements	212	89
Other adjustments		
Dividend withholding taxes	(195)	245
Effect of differences between local and United Kingdom tax rates	556	353
Prior year adjustments to current tax	(56)	(162)
Other adjustments	36	6
Income tax expense	1,816	1,446

The special items and remeasurements reconciling item of \$212 million (2017: \$89 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 2018 is a credit of \$285 million (2017: charge of \$99 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 2018 is a charge of \$391 million (2017: charge of \$371 million). Excluding special items and remeasurements, this becomes a charge of \$380 million (2017: charge of \$373 million).

7. DIVIDENDS

	2018	2017
Proposed final ordinary dividend per share (US cents)	51	54
Proposed final ordinary dividend (US\$ million)	660	695

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	2018	2017
Final ordinary dividend for 2017 – 54 US cents per ordinary share (2016: Nil per ordinary share)	681	–
Interim ordinary dividend for 2018 – 49 US cents per ordinary share (2017: 48 US cents per ordinary share)	610	618
	1,291	618

SIGNIFICANT ITEMS

Special items and remeasurements are a net gain of \$0.3 billion and include impairment reversals of \$1.1 billion relating to Moranbah-Grosvenor and Capcoal (Coal), partially offset by the write-off of assets in De Beers' South African operations (De Beers) of \$0.1 billion and losses arising on bond buybacks completed in the year (Corporate and other) of \$0.1 billion.

During 2018, 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 2018 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 Condensed 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); Moranbah-Grosvenor, Capcoal, Dawson and Isibonelo (Coal); Barro Alto and Samancor (Nickel and Manganese) and El Soldado (Copper). These assets have a combined carrying value of \$9.1 billion within property, plant and equipment as at 31 December 2018.

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% (2017: 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.

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.

Minas-Rio

Following pipeline leaks identified on 12 March 2018 and 29 March 2018, the Group announced the suspension of operations at Minas-Rio, with effect from 29 March, in order to conduct a full inspection of the pipeline. Operations have since resumed in December 2018. The recoverable amount, based on a discounted cash flow model, supports the carrying value of \$4.1 billion.

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. For example, a \$5/tonne change in the long-term price forecast for iron ore, with all other valuation assumptions remaining the same, would change the valuation by \$0.6 billion.

Moranbah-Grosvenor

Moranbah North and Grosvenor are adjacent longwall metallurgical coal operations in Queensland, Australia, sharing infrastructure and processing facilities. The two operations are assessed for impairment as a single CGU.

In the first half of 2016 the Group's expectations for long-term metallurgical coal prices were revised downward. Consequently, an impairment of \$1,248 million (\$1,248 million after tax) against the value of the operations was reported in the Group's 2016 interim results, based on a recoverable amount of \$1.6 billion at 30 June 2016. The valuation was based on the fair value less costs of disposal of the CGU, measured using discounted cash flow projections.

Notes to the Condensed financial statements

8. SIGNIFICANT ACCOUNTING MATTERS (continued)

During 2018, Grosvenor has achieved improved levels of production and operating efficiencies. Additionally, the long-term outlook for metallurgical coal has improved, reflected in an increase in price forecasts by analysts and an increase in the Group's forecast real long-term metallurgical coal price. This follows a forecast tightening of supply, sustained demand for high grade coal and an increased industry cost base. Consequently, the valuation of the Moranbah-Grosvenor operation has been assessed and the previous impairment has been reversed to the carrying value of \$2.6 billion that would have been determined had no impairment loss previously been recorded, resulting in a gain of \$876 million (\$652 million after tax and non-controlling interests). Of the impairment reversal, \$528 million has been recorded against plant and equipment, \$278 million against mining properties and leases, \$50 million against capital work in progress and \$20 million against land and buildings, with an associated tax charge of \$224 million.

The valuation, based on discounted cash flows, is sensitive to changes in input assumptions particularly in relation to future metallurgical coal prices and Australian dollar foreign exchange rates. For example, a \$5/tonne increase in the long-term price forecast for metallurgical coal equates to a \$0.2 billion increase in the valuation. The recoverable amount has been assessed under a range of valuation scenarios, all of which indicated full or significant impairment reversals.

Capcoal

The Capcoal complex located in Queensland, Australia, consists of an open cut operation and the Grasree underground operation. During 2015, the Group recorded an impairment of \$639 million (\$537 million after tax) at Capcoal, driven by the impact of weak coal prices on margins, particularly for the open cut operations. This was based on a recoverable amount of \$0.2 billion at 31 December 2015. The valuation was based on the fair value less costs of disposal of the CGU, measured using discounted cash flow projections.

During 2018, a decision was taken to extend the life of the Grasree underground operation by three years to the end of 2021. Furthermore, the Group's forecast real long-term metallurgical coal price has increased. Consequently, the valuation of the Capcoal operation has been assessed and the previous impairment has been reversed by \$266 million (\$259 million after tax and non-controlling interests) to the carrying value of \$0.6 billion that would have been determined had no impairment loss previously been recorded.

The valuation, based on discounted cash flows, is sensitive to changes in input assumptions particularly in relation to future metallurgical coal prices and Australian dollar foreign exchange rates. For example, a \$5/tonne increase in the long-term price forecast for metallurgical coal equates to a \$0.1 billion increase in the valuation. The recoverable amount has been assessed under a range of valuation scenarios, all of which indicated full or significant impairment reversals.

Notes to the Condensed financial statements

9. SPECIAL ITEMS AND REMEASUREMENTS

Overview

				2018	2017
US\$ million	Before tax	Tax	Non-controlling interests	Net	Net
Impairments and impairment reversals	1,043	(203)	11	851	111
Restructuring costs	–	–	–	–	31
Other operating special items	(80)	22	–	(58)	(60)
Operating remeasurements	(125)	8	4	(113)	(86)
Operating special items and remeasurements	838	(173)	15	680	(4)
Disposals of businesses and investments	(47)	1	21	(25)	71
Adjustments relating to business combinations	7	–	–	7	53
Adjustments relating to former operations	(18)	(10)	(11)	(39)	(86)
(Charges)/credits relating to BEE transactions	(36)	–	5	(31)	14
Non-operating special items	(94)	(9)	15	(88)	52
Financing special items and remeasurements	(134)	–	2	(132)	(114)
Tax special items and remeasurements	–	(144)	7	(137)	(32)
Total	610	(326)	39	323	(98)
Associates' and joint ventures' special items and remeasurements				(11)	(10)
Non-controlling interests on associates' and joint ventures' special items and remeasurements				–	2
Total special items and remeasurements				312	(106)

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 63.

- 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.

Notes to the Condensed financial statements

9. SPECIAL ITEMS AND REMEASUREMENTS (continued)

- 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 deferred tax is susceptible to currency fluctuations.

Operating special items

Impairments and impairment reversals

Net impairments and impairment reversals of \$1,043 million (\$851 million after tax and non-controlling interests) for the year ended 31 December 2018 principally comprise the impairment reversals of Moranbah-Grosvenor (Coal) of \$876 million (\$652 million after tax and non-controlling interests) and Capcoal (Coal) of \$266 million (\$259 million after tax and non-controlling interests) and the impairment of \$99 million (\$60 million after tax and non-controlling interests) relating to the write-off of assets in De Beers' South African operations that are no longer expected to generate future economic benefit. Further information on significant accounting matters relating to impairments and impairment reversals is provided in note 8.

2017

Net impairments and impairment reversals of \$111 million after tax and non-controlling interests for the year ended 31 December 2017 consisted of impairment reversals of \$216 million for Sishen (Iron Ore) and \$65 million for El Soldado (Copper) offset by the impairment of the investment in Bafokeng-Rasimone Platinum Mine (Platinum Group Metals) of \$116 million and an impairment of \$44 million in Coal South Africa (Coal).

Restructuring costs

There were no restructuring costs recorded in the year ended 31 December 2018.

2017

In 2017, following the finalisation of the *Driving Value* programme and the decision to continue metallurgical coal operations in Australia, restructuring provisions recognised in 2016 relating to the closure of the Brisbane Corporate Office were derecognised, resulting in a credit of \$31 million (\$31 million after tax).

Other operating special items

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

2017

The loss of \$91 million (\$60 million after tax) related to the cost to the Group of an arbitration settlement relating to a commercial dispute arising during the construction of the Barro Alto Nickel project.

Operating remeasurements

Operating remeasurements reflect a net loss of \$125 million (\$113 million after tax and non-controlling interests) which principally relates to a \$114 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. In addition, there were net losses on derivatives of \$11 million, principally related to economic hedges of capital expenditure.

2017

Operating remeasurements reflected a net loss of \$95 million (\$86 million after tax and non-controlling interests) for the year ended 31 December 2017.

Notes to the Condensed financial statements

9. SPECIAL ITEMS AND REMEASUREMENTS (continued)

Non-operating special items

Disposals of businesses and investments

On 10 December 2018, Anglo American Platinum completed the sale of its 33% interest in the Bafokeng-Rasimone Platinum Mine (BRPM), an associate of the Group, to Royal Bafokeng Platinum Limited (RBPlat) for consideration of R2.16 billion (\$146 million) of which \$107 million is receivable on a deferred basis. On entering into the binding sale and purchase agreement, an impairment charge of \$85 million (\$52 million after tax and non-controlling interests) was recorded to bring the carrying amount of the Group's investment in BRPM into line with its fair value less costs to sell based on the fair value of the sale consideration.

On 1 March 2018, the Group completed the sale of the Eskom-tied domestic coal operations in South Africa to a wholly owned subsidiary of Seriti Resources Holdings Proprietary Limited. The consideration payable for the operations as at 1 January 2017 was R2.3 billion (approximately \$164 million). A gain on disposal of \$84 million (\$59 million after tax and non-controlling interests) was recorded.

In addition, a gain on disposal of \$34 million (\$34 million after tax) was recorded on the disposal of the Group's 88.17% shareholding in the Drayton mine (Coal) and a loss on disposal of \$71 million (\$54 million after tax and non-controlling interests) was recorded on the disposal of the Group's interests in the Union platinum mine and Masa Chrome Company Proprietary Limited (Platinum Group Metals).

2017

The net gain of \$71 million after tax and non-controlling interests related to the disposals of the Dartbrook mine (Coal), long-dated Mineral Resources in Platinum Group Metals and Dreamvision Investments 15 Proprietary Limited, and the impairment in advance of the sale of the Group's interest in the Union platinum mine and Masa Chrome Company Proprietary Limited (Platinum Group Metals).

Adjustments relating to business combinations

The \$7 million gain during the year ended 31 December 2018 relates to adjustments in respect of business combinations in prior periods, including a gain on settlement of a related commercial dispute.

2017

The gain of \$53 million after non-controlling interests related to the acquisition of the remaining 50% share in De Beers Jewellers (De Beers) and adjustments in respect of business combinations in prior periods.

Adjustments relating to former operations

The loss of \$18 million (\$39 million after tax and non-controlling interests) relates to adjustments in respect of disposals completed in prior periods.

2017

The net loss of \$86 million after tax and non-controlling interests related principally to the settlement of class action claims.

Charges/credits relating to BEE transactions

The loss of \$36 million (\$31 million after tax and non-controlling interests) relates to a modification charge under IFRS 2 *Share-based Payment* following the refinancing of Ponahalo Investments (Pty) Ltd.

2017

In 2017 the net gain of \$14 million after tax and non-controlling interests related to the revaluation of provisions associated with De Beers BEE transactions recorded in prior years.

Financing special items and remeasurements

Financing special items and remeasurements principally comprise a loss of \$98 million (2017: loss of \$95 million) arising on bond buybacks completed in the period and a net fair value loss of \$33 million (2017: \$14 million) on derivatives hedging net debt.

Notes to the Condensed financial statements

9. SPECIAL ITEMS AND REMEASUREMENTS (continued)

Tax associated with special items and remeasurements

This includes a tax remeasurement charge of \$110 million (2017: charge of \$34 million) principally arising on Brazilian deferred tax assets.

Of the total tax charge of \$326 million (2017: charge of \$122 million), there was a net current tax charge of \$16 million (2017: charge of \$1 million) and a net deferred tax charge of \$310 million (2017: charge of \$121 million).

Associates' and joint ventures' special items and remeasurements

Associates' and joint ventures' special items and remeasurements relates to the Coal segment (2017: Coal and Platinum Group Metals segments).

Notes to the Condensed financial statements

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 63.

	Attributable ROCE %	
	2018	2017
De Beers	8	9
Copper	22	16
Platinum Group Metals	15	10
Iron Ore	3	15
Coal	67	67
Nickel and Manganese	28	20
Corporate and other	n/a	n/a
	19	19

Attributable ROCE remained consistent at 19% during 2018 (2017: 19%).

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 63.

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	
	2018	2017
De Beers	8,349	9,294
Copper Chile	6,463	5,899
Platinum Group Metals	4,058	4,510
Iron Ore	6,929	7,603
Coal	4,131	3,384
Nickel and Manganese	2,390	2,364
Corporate and other	(51)	(241)
Capital employed	32,269	32,813
Reconciliation to Consolidated balance sheet:		
Net debt	(2,848)	(4,501)
Debit valuation adjustment attributable to derivatives hedging net debt	15	9
Financial asset investments	396	561
Net assets	29,832	28,882

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	
	2018	2017	2018	2017
South Africa	9,687	10,818	10,181	11,638
Botswana	4,071	4,536	4,071	4,536
Other Africa	1,033	1,121	1,039	1,127
Brazil	5,643	5,589	5,891	5,729
Chile	6,210	6,281	6,240	6,282
Other South America	1,960	1,282	3,019	2,128
North America	644	741	644	739
Australia and Asia	3,374	2,302	3,848	2,798
United Kingdom (Anglo American plc's country of domicile)	1,279	1,168	1,383	1,247
Other Europe	84	128	84	128
Non-current assets by location	33,985	33,966	36,400	36,352
Unallocated assets			2,484	3,476
Total non-current assets			38,884	39,828

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 63.

Capital expenditure by segment

US\$ million	2018	2017
De Beers	417	273
Copper	703	665
Platinum Group Metals	496	355
Iron Ore	415	252
Coal	722	568
Nickel and Manganese	38	28
Corporate and other	27	9
Capital expenditure	2,818	2,150
Reconciliation to Consolidated cash flow statement:		
Cash flows from derivatives related to capital expenditure	15	40
Proceeds from disposal of property, plant and equipment	162	52
Direct funding for capital expenditure received from non-controlling interests	374	36
Reimbursement of capital expenditure	31	–
Expenditure on property, plant and equipment	3,400	2,278

Direct funding for capital expenditure received from non-controlling interests represents capital expenditure relating to the Quellaveco project funded by cash subscriptions from Mitsubishi. This is deducted in order to present capital expenditure on an attributable basis. The remaining \$515 million of cash subscription, received as part of the Quellaveco syndication transaction, will be offset against capital expenditure on the Quellaveco project in 2019.

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 inflows of \$18 million (2017: net inflows of \$78 million) generated by operations prior to reaching commercial production for accounting purposes.

Capital expenditure by category

US\$ million	2018	2017
Expansionary	567	306
Stay-in-business	1,617	1,310
Stripping and development	796	586
Proceeds from disposal of property, plant and equipment	(162)	(52)
	2,818	2,150

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 joint control or significant influence. 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).

Further information

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

Income Statement

US\$ million	2018	2017
Revenue	2,586	2,407
Operating costs (before special items and remeasurements)	(1,440)	(1,402)
Associates' and joint ventures' underlying EBIT	1,146	1,005
Net finance costs	(15)	(53)
Income tax expense	(380)	(373)
Non-controlling interests	(12)	(2)
Net income from associates and joint ventures (before special items and remeasurements)	739	577
Special items and remeasurements	–	(12)
Special items and remeasurements tax	(11)	2
Net income from associates and joint ventures	728	567

Segmental information

US\$ million	Revenue		Underlying EBITDA		Underlying EBIT		Share of net income	
	2018	2017	2018	2017	2018	2017	2018	2017
De Beers	6	18	–	3	–	2	–	2
Platinum Group Metals	84	148	18	10	(3)	(16)	(3)	(27)
Iron Ore	29	81	14	60	7	56	(2)	13
Coal	1,320⁽¹⁾	1,220 ⁽¹⁾	634	590	527	486	348	321
Nickel and Manganese	1,147	940	663	529	610	478	380	259
Corporate and other	–	–	5	(1)	5	(1)	5	(1)
	2,586	2,407	1,334	1,191	1,146	1,005	728	567

⁽¹⁾ Includes \$838 million of thermal coal revenue (2017: \$791 million) arising in Cerrejón, and \$482 million predominantly relating to metallurgical coal revenue (2017: \$429 million).

US\$ million	Aggregate investment	
	2018	2017
De Beers	23	23
Platinum Group Metals	29	200
Iron Ore	123	140
Coal	1,109	1,127
Nickel and Manganese	404	444
Corporate and other	27	22
	1,715	1,956

Notes to the Condensed financial statements

NET DEBT

Net debt decreased from \$4.5 billion to \$2.8 billion during the year, driven by operating cash inflows. Gearing has decreased from 13% at 31 December 2017 to 9% at 31 December 2018.

US\$ million	2018	2017
Net assets	29,832	28,882
Net debt including related derivatives (note 13)	2,848	4,501
Total capital	32,680	33,383
Gearing	9%	13%

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 63.

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 2017	6,044	(1,799)	(11,363)	(7,118)	(1,369)	(8,487)
Cash flow	1,549	1,838	318	3,705	419	4,124
Reclassifications	–	(1,077)	1,077	–	–	–
Movement in fair value	–	(7)	210	203	601	804
Other non-cash movements	–	(151)	(144)	(295)	–	(295)
Currency movements	199	(128)	(718)	(647)	–	(647)
At 31 December 2017	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)

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	
	2018	2017	2018	2017	2018	2017
Balance sheet	6,567	7,800	(600)	(1,351)	(8,371)	(10,620)
Balance sheet – disposal groups	–	19	–	–	–	–
Bank overdrafts	(19)	(27)	19	27	–	–
Net cash/(debt) classifications	6,548	7,792	(581)	(1,324)	(8,371)	(10,620)

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 \$5,316 million (31 December 2017: \$4,276 million) and net cash is \$4,603 million (31 December 2017: \$3,446 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 cash managed in South Africa.

US \$million	2018	2017
Cash and cash equivalents	1,382	1,651
Short term borrowings	(113)	(34)
Medium and long term borrowings	(601)	(798)
Net cash excluding derivatives	668	819
Derivatives hedging net debt	1	2
Net cash including derivatives	669	821

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 65). The movement in the debit valuation adjustments are as follows:

US\$ million	2018	2017
At 1 January	9	73
Movement in fair value	6	(64)
At 31 December	15	9

New IFRS accounting standards not yet adopted

IFRS 16 Leases

IFRS 16 Leases is effective for the Group from 1 January 2019. On transition, the present value of liabilities for existing operating leases of \$0.5 billion will be included within net debt. Further information is provided in note 2.

Notes to the Condensed financial statements

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, the Australian Medium Term Note (AMTN) 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.

Between March and May 2018, the Group completed a number of bond buyback transactions consisting of euro and US dollar denominated bonds with maturities from April 2019 to April 2021. The Group used \$2.24 billion of cash to retire \$2.14 billion of contractual repayment obligations (including derivatives hedging the bonds).

In March 2018, the Group issued \$650 million 4.5% senior notes due 2028 through accessing the US bond markets.

Further information

US\$ million	2018				2017			
	Short term borrowings	Medium and long term borrowings	Total borrowings	Contractual repayment at hedged rates	Short term borrowings	Medium and long term borrowings	Total borrowings	Contractual repayment at hedged rates
Secured								
Bank loans and overdrafts	25	31	56	56	18	39	57	57
Other loans	12	115	127	127	13	68	81	81
	37	146	183	183	31	107	138	138
Unsecured								
Bank loans and overdrafts	13	129	142	142	24	123	147	147
Bonds	420	8,095	8,515	8,981	1,114	10,263	11,377	11,806
Interest payable and other loans	130	1	131	131	182	127	309	309
	563	8,225	8,788	9,254	1,320	10,513	11,833	12,262
Total borrowings	600	8,371	8,971	9,437	1,351	10,620	11,971	12,400

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

US\$ million	2018	2017
Expiry date		
Within one year	223	490
Greater than one year, less than two years	1,182	598
Greater than two years, less than three years	1,035	7,676
Greater than three years, less than four years	–	–
Greater than four years, less than five years	4,874	244
	7,314	9,008

In March 2018 the Group replaced a number of credit facilities maturing between March 2019 and March 2020 with a total value of \$5.4 billion, with a \$4.5 billion credit facility maturing in March 2023. 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.

Undrawn committed borrowing facilities expiring within one year include undrawn South African rand facilities equivalent to \$0.2 billion (2017: \$0.3 billion) in respect of facilities with a 364 day maturity which roll automatically on a daily basis, unless notice is served.

In addition to the amounts above, 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 remaining capital expenditure on the Quellaveco project (Copper).

UNRECOGNISED ITEMS AND UNCERTAIN EVENTS

15. EVENTS OCCURRING AFTER END OF YEAR

On 20 February 2019, the Group gave notice to terminate a long-term power supply contract in Copper. The termination could potentially result in a one-off cost of approximately \$175 million and is expected to enable improved cost performance in the medium and long term. The termination is a non-adjusting event that has no impact on the Consolidated financial statements for the year ended 31 December 2018.

With the exception of the proposed final dividend for 2018, there have been no other reportable events since 31 December 2018.

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

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

2017

Assets classified as held for sale as at 31 December 2017 of \$129 million and associated liabilities of \$41 million related to the Union mine (Platinum Group Metals) in South Africa and the former head office of De Beers in the UK. The sale of the Union mine was completed on 1 February 2018, and sale of the former De Beers head office completed on 19 July 2018.

18. ACQUISITIONS AND DISPOSALS

Acquisitions

The Group increased its ownership interest in the Mototolo joint operation (Platinum Group Metals) from 50% to 100% for cash consideration of \$90 million and estimated deferred consideration of \$64 million. As a result of this transaction the Group acquired control of Mototolo and has fully consolidated this operation from 1 November 2018.

Disposals

The Group received net cash on disposals of \$193 million during the year. This principally comprised net cash inflows relating to the sale of the Eskom-tied domestic coal operations in South Africa (Coal), and net cash outflows relating to the sale of the Group's interests in the Union mine and Masa Chrome Company Proprietary Limited (Platinum Group Metals), which included working capital support provided to Union as part of the transaction.

2017

Disposals in 2017 principally related to the Group's 83.3% interest in the Dartbrook coal mine (Coal), long dated Mineral Resources (Platinum Group Metals) and financial asset investments including Dreamvision Investments.

Summary by operation

This section includes certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 63.

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

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
Mining								
Botswana (Debswana)	n/a	155 ⁽³⁾	28 ⁽⁴⁾	n/a	495	441	n/a	97
Namibia (Namdeb Holdings)	n/a	550 ⁽³⁾	274 ⁽⁴⁾	n/a	176	140	n/a	38
South Africa (DBCM)	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 ⁽⁶⁾
Trading	n/a	n/a	n/a	n/a	413	407	n/a	2
Other ⁽⁷⁾	n/a	n/a	n/a	n/a	(184)	(381)	n/a	(50)
Projects and corporate	n/a	n/a	n/a	n/a	(49)	(49)	n/a	26
	kt	c/lb	c/lb					
Copper	672⁽⁸⁾	283⁽⁸⁾	134⁽⁹⁾	5,168	1,856	1,234	917	703
Los Bronces	376	n/a	145 ⁽⁹⁾	2,175	969	625	n/a	217
Collahuasi ⁽¹⁰⁾	243	n/a	105 ⁽⁹⁾	1,460	960	736	642	295
Quellaveco ⁽¹¹⁾	n/a	n/a	n/a	n/a	n/a	n/a	n/a	131
Other operations	53 ⁽⁸⁾	n/a	n/a	1,533	82	28	n/a	60
Projects and corporate	n/a	n/a	n/a	–	(155)	(155)	(104)	–
	koz	\$/Pt oz	\$/Pt oz					
Platinum Group Metals	2,424⁽¹²⁾	2,219⁽¹³⁾	1,561⁽¹⁴⁾	5,680	1,062	705	418	496
Mogalakwena	492 ⁽¹²⁾	2,759 ⁽¹³⁾	1,398 ⁽¹⁴⁾	1,367	623	478	n/a	210
Amandelbult	445 ⁽¹²⁾	2,222 ⁽¹³⁾	1,717 ⁽¹⁴⁾	996	153	96	n/a	74
Other operations ⁽¹⁵⁾	367 ⁽¹²⁾	n/a	n/a	1,100	132	9	n/a	212
Purchase of concentrate ⁽¹⁶⁾	1,120 ⁽¹²⁾	n/a	n/a	2,217	218	186	n/a	–
Projects and corporate	n/a	n/a	n/a	–	(64)	(64)	n/a	–
	Mt	\$/t	\$/t					
Iron Ore	n/a	n/a	n/a	3,768	1,177	747	(117)	415
Kumba Iron Ore	43.3	72 ⁽¹⁷⁾	32 ⁽¹⁸⁾	3,440	1,544	1,213	465 ⁽¹⁹⁾	309
Iron Ore Brazil (Minas-Rio)	3.2	70 ⁽²⁰⁾	n/a ⁽²¹⁾	328	(272)	(371)	(492)	106
Projects and corporate	n/a	n/a	n/a	–	(95)	(95)	(90) ⁽¹⁹⁾	–
	Mt	\$/t	\$/t					
Coal	50.4	n/a	n/a	7,788	3,196	2,538	1,755	722
Metallurgical Coal	22.0 ⁽²²⁾	190 ⁽²³⁾	64 ⁽²⁴⁾	4,231	2,210	1,774	1,280	574
Thermal Coal – South Africa	18.3 ⁽²⁵⁾	87 ⁽²⁶⁾	44 ⁽²⁷⁾	2,719	695	566	379	148
Thermal Coal – Colombia	10.1	83	36	838	388	295	193	–
Projects and corporate	n/a	n/a	n/a	–	(97)	(97)	(97)	–
Nickel and Manganese	n/a	n/a	n/a	1,707	844	685	526	38
Nickel	43,100 t	588 c/lb	361 c/lb ⁽²⁸⁾	560	181	75	171	38
Manganese (Samancor) ⁽²⁹⁾	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 61 for footnotes.

Summary by operation (continued)

2017

US\$ million (unless otherwise stated)	Sales volume	Realised price	Unit cost	Group revenue ⁽¹⁾	Underlying EBITDA	Underlying EBIT	Underlying earnings	Capital expenditure
	'000 cts	\$/ct	\$/ct					
De Beers	32,455 ⁽²⁾	162 ⁽³⁾	63 ⁽⁴⁾	5,841 ⁽⁵⁾	1,435	873	528	273
Mining								
Botswana (Debswana)	n/a	159 ⁽³⁾	28 ⁽⁴⁾	n/a	484	447	n/a	86
Namibia (Namdeb Holdings)	n/a	539 ⁽³⁾	257 ⁽⁴⁾	n/a	176	146	n/a	33
South Africa (DBCM)	n/a	129 ⁽³⁾	62 ⁽⁴⁾	n/a	267	119	n/a	114
Canada ⁽³⁰⁾	n/a	235 ⁽³⁾	57 ⁽⁴⁾	n/a	205	58	n/a	(5)
Trading	n/a	n/a	n/a	n/a	449	443	n/a	1
Other ⁽⁷⁾	n/a	n/a	n/a	n/a	(110)	(304)	n/a	44
Projects and corporate	n/a	n/a	n/a	n/a	(36)	(36)	n/a	–
	kt	c/lb	c/lb					
Copper	580 ⁽⁸⁾	290 ⁽⁸⁾	147 ⁽⁹⁾	4,233	1,508	923	370	665
Los Bronces	307	n/a	169 ⁽⁹⁾	1,839	737	401	n/a	245
Collahuasi ⁽¹⁰⁾	232	n/a	113 ⁽⁹⁾	1,314	806	594	356	243
Quellaveco	n/a	n/a	n/a	n/a	n/a	n/a	n/a	128
Other operations	41 ⁽⁸⁾	n/a	n/a	1,080	76	39	n/a	49
Projects and corporate	n/a	n/a	n/a	–	(111)	(111)	(72)	–
	koz	\$/Pt oz	\$/Pt oz					
Platinum Group Metals	2,505 ⁽¹²⁾	1,966 ⁽¹³⁾	1,443 ⁽¹⁴⁾	5,078	866	512	217	355
Mogalakwena	467 ⁽¹²⁾	2,590 ⁽¹³⁾	1,179 ⁽¹⁴⁾	1,211	578	448	n/a	151
Amandelbult	459 ⁽¹²⁾	1,868 ⁽¹³⁾	1,596 ⁽¹⁴⁾	858	88	34	n/a	34
Other operations ⁽¹⁵⁾	497 ⁽¹²⁾	n/a	n/a	1,125	83	(59)	n/a	170
Purchase of concentrate ⁽¹⁶⁾	1,082 ⁽¹²⁾	n/a	n/a	1,884	173	145	n/a	–
Projects and corporate	n/a	n/a	n/a	–	(56)	(56)	n/a	–
	Mt	\$/t	\$/t					
Iron Ore	n/a	n/a	n/a	4,891	1,828	1,500	803	252
Kumba Iron Ore	44.9	71 ⁽¹⁷⁾	31 ⁽¹⁸⁾	3,486	1,474	1,246	467 ⁽¹⁹⁾	229
Iron Ore Brazil (Minas-Rio)	16.5	65 ⁽²⁰⁾	30 ⁽²¹⁾	1,405	435	335	413	23
Projects and corporate	n/a	n/a	n/a	–	(81)	(81)	(77) ⁽¹⁹⁾	–
	Mt	\$/t	\$/t					
Coal	49.0	n/a	n/a	7,211	2,868	2,274	1,763	568
Metallurgical Coal	19.8 ⁽²²⁾	185 ⁽²³⁾	61 ⁽²⁴⁾	3,675	1,977	1,594	1,348	416
Thermal Coal – South Africa	18.6 ⁽²⁵⁾	76 ⁽²⁶⁾	44 ⁽²⁷⁾	2,746	588	466	311	152
Thermal Coal – Colombia	10.6	75	31	790	385	296	181	–
Projects and corporate	n/a	n/a	n/a	–	(82)	(82)	(77)	–
Nickel and Manganese	n/a	n/a	n/a	1,391	610	478	219	28
Nickel	43,000 t	476 c/lb	365 c/lb ⁽²⁸⁾	451	81	–	(4)	28
Manganese (Samancor) ⁽²⁹⁾	3.6 Mt	n/a	n/a	940	529	478	223	–
Corporate and other	n/a	n/a	n/a	5	(292)	(313)	(628)	9
Exploration	n/a	n/a	n/a	–	(103)	(103)	(91)	–
Corporate activities and unallocated costs	n/a	n/a	n/a	5	(189)	(210)	(537)	9
	n/a	n/a	n/a	28,650	8,823	6,247	3,272	2,150

See page 61 for footnotes.

Summary by operation (continued)

- (1) Group revenue for copper is shown after deduction of treatment and refining charges (TC/RCs).
- (2) Consolidated sales volumes exclude pre-commercial production sales volumes from Gahcho Kué. Total sales volumes (100%), which are comparable to production, were 33.7 million carats (2017: 35.1 million carats). Total sales volumes (100%) include pre-commercial production sales volumes from Gahcho Kué and De Beers Group's JV partners' 50% proportionate share of sales to entities outside De Beers Group from Diamond Trading Company Botswana and Namibia Diamond Trading Company. In 2017, includes pre-commercial production sales volumes from Gahcho Kué.
- (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 \$5.4 billion (2017: \$5.2 billion).
- (6) In 2018, includes the acquisition of Peregrine Diamonds Limited for consideration of \$87 million.
- (7) Other includes Element Six, downstream and acquisition accounting adjustments.
- (8) Excludes 178 kt third-party sales (2017: 111 kt).
- (9) C1 unit cost includes by-product credits.
- (10) 44% share of Collahuasi sales and financials.
- (11) Capex is presented on an attributable basis after deducting direct funding from non-controlling interests. FY 2018 capex on a 100% basis was \$505 million. \$187 million was spent prior to project approval on 26 July, of which the Group funded \$131 million and Mitsubishi funded \$56 million. A further \$318 million was spent post-approval, of which the Group's 60% share was funded from the Mitsubishi syndication transaction and hence is not included in reported capex.
- (12) Sales volumes are platinum sales and exclude the sale of refined metal purchased from third parties.
- (13) Average US\$ basket price. Excludes the impact of the sale of refined metal purchased from third parties.
- (14) Total cash operating costs: includes on-mine, smelting and refining costs only.
- (15) Includes Unki, Union (prior to disposal), Mototolo (post-acquisition), Platinum Group Metals' share of joint operations and revenue from trading activities.
- (16) Purchase of concentrate from joint operations, associates and third parties for processing into refined metals.
- (17) Prices for Kumba Iron Ore are the average realised export basket price (FOB Saldanha).
- (18) Unit costs for Kumba Iron Ore are on an FOB dry basis.
- (19) Of the projects and corporate expense, which includes a corporate cost allocation, \$46 million (31 December 2017: \$49 million) relates to Kumba Iron Ore. The total contribution from Kumba Iron Ore to the Group's underlying earnings is \$414 million (31 December 2017: \$418 million).
- (20) Prices for Minas-Rio are the average realised export basket price (FOB Açú) (wet basis).
- (21) Unit costs for Minas-Rio are not disclosed for 2018 due to the suspension of operations; 2017 unit costs are on an FOB wet basis.
- (22) Metallurgical Coal sales volumes exclude thermal coal sales of 1.6 Mt (31 December 2017: 1.8 Mt).
- (23) Metallurgical Coal realised price is the weighted average hard coking coal and PCI sales price achieved.
- (24) FOB cost per saleable tonne, excluding royalties. Metallurgical Coal excludes study costs.
- (25) South African sales volumes includes export primary production, secondary production sold into export markets and production sold domestically at export parity pricing and exclude domestic sales of 10.3 Mt (2017: 8.2 Mt), Eskom-tied operations sales of 2.8 Mt (2017: 23.9 Mt) and non-equity traded sales of 9.5 Mt (2017: 7.6 Mt).
- (26) Thermal Coal – South Africa realised price is the weighted average export thermal coal price achieved. Excludes third-party sales.
- (27) FOB cost per saleable tonne, excluding royalties. Thermal Coal – South Africa unit cost is for the trade operations.
- (28) C1 unit cost.
- (29) Sales and financials include ore and alloy.
- (30) For Canada, price excludes Gahcho Kué contribution from sales related to pre-commercial production, which were capitalised in the first half of 2017. Unit costs include Gahcho Kué contribution following achievement of commercial production on 2 March 2017. Capital expenditure includes pre-commercial production capitalised operating cash inflows from Gahcho Kué.

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 63.

US\$ million (unless otherwise stated)	2018	2017	2016	2015	2014	2013	2012 restated ⁽¹⁾	2011	2010	2009
Income statement measures										
Group revenue	30,196	28,650	23,142	23,003	30,988	33,063	32,785	36,548	32,929	24,637
Underlying EBIT	6,377	6,247	3,766	2,223	4,933	6,620	6,253	11,095	9,763	4,957
Underlying EBITDA	9,161	8,823	6,075	4,854	7,832	9,520	8,860	13,348	11,983	6,930
Revenue	27,610	26,243	21,378	20,455	27,073	29,342	28,680	30,580	27,960	20,858
Net finance costs (before special items and remeasurements)	(380)	(473)	(209)	(458)	(256)	(276)	(299)	(20)	(244)	(273)
Profit/(loss) before tax	6,189	5,505	2,624	(5,454)	(259)	1,700	(171)	10,782	10,928	4,029
Profit/(loss) for the financial year	4,373	4,059	1,926	(5,842)	(1,524)	426	(564)	7,922	8,119	2,912
Non-controlling interests	(824)	(893)	(332)	218	(989)	(1,387)	(906)	(1,753)	(1,575)	(487)
Profit/(loss) attributable to equity shareholders of the Company	3,549	3,166	1,594	(5,624)	(2,513)	(961)	(1,470)	6,169	6,544	2,425
Underlying earnings	3,237	3,272	2,210	827	2,217	2,673	2,860	6,120	4,976	2,569
Balance sheet measures										
Capital employed	32,269	32,813	31,904	32,842	43,782	46,551	49,757	41,667	42,135	36,623
Net assets	29,832	28,882	24,325	21,342	32,177	37,364	43,738	43,189	37,971	28,069
Non-controlling interests	(6,234)	(5,910)	(5,309)	(4,773)	(5,760)	(5,693)	(6,127)	(4,097)	(3,732)	(1,948)
Equity attributable to equity shareholders of the Company	23,598	22,972	19,016	16,569	26,417	31,671	37,611	39,092	34,239	26,121
Cash flow measures										
Cash flows from operations	7,782	8,375	5,838	4,240	6,949	7,729	7,370	11,498	9,924	4,904
Capital expenditure	(2,818)	(2,150)	(2,387)	(4,177)	(6,018)	(6,075)	(5,947)	(5,672)	(4,902)	(4,707)
Net debt	(2,848)	(4,501)	(8,487)	(12,901)	(12,871)	(10,652)	(8,510)	(1,374)	(7,384)	(11,280)
Metrics and ratios										
Underlying earnings per share (US\$)	2.55	2.57	1.72	0.64	1.73	2.09	2.28	5.06	4.13	2.14
Earnings per share (US\$)	2.80	2.48	1.24	(4.36)	(1.96)	(0.75)	(1.17)	5.10	5.43	2.02
Ordinary dividend per share (US cents)	100	102	–	32	85	85	85	74	65	–
Ordinary dividend cover (based on underlying earnings per share)	2.6	2.5	–	2.0	2.0	2.5	2.7	6.8	6.4	–
	21.1									
Underlying EBIT margin	%	21.8%	16.3%	9.7%	15.9%	20.0%	19.1%	30.4%	29.6%	20.1%
Underlying EBIT interest cover ⁽²⁾	19.9	16.5	16.7	10.1	30.1	35.8	36.8	n/a	34.2	19.6
	31.3									
Underlying effective tax rate	%	29.7%	24.6%	31.0%	29.8%	32.0%	29.0%	28.3%	31.9%	33.1%
Gearing (net debt to total capital) ⁽³⁾	9%	13%	26%	38%	29%	22%	16%	3%	16%	29%

⁽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 2017 with the exception of the new accounting pronouncements 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. 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	Rationale for adjustments
Income statement			
Group revenue	Revenue	<ul style="list-style-type: none"> Revenue from associates and joint ventures 	<ul style="list-style-type: none"> Exclude the effect of different basis of consolidation to aid comparability
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 	<ul style="list-style-type: none"> Exclude the impact of certain items due to their size and nature to aid comparability Exclude the effect of different basis of consolidation to aid comparability
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 	<ul style="list-style-type: none"> Exclude the impact of certain items due to their size and nature to aid comparability Exclude the effect of different basis of consolidation to aid comparability
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 	<ul style="list-style-type: none"> Exclude the impact of certain items due to their size and nature to aid comparability
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 	<ul style="list-style-type: none"> Exclude the impact of certain items due to their size and nature to aid comparability Exclude the effect of different basis of consolidation to aid comparability
Underlying earnings per share	Earnings per share	<ul style="list-style-type: none"> Special items and remeasurements 	<ul style="list-style-type: none"> Exclude the impact of certain items due to their size and nature to aid comparability
Balance sheet			
Net debt	Borrowings less cash and related hedges	<ul style="list-style-type: none"> Debit valuation adjustment 	<ul style="list-style-type: none"> Exclude the impact of accounting adjustments from the net debt obligation of the Group
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 	<ul style="list-style-type: none"> Exclude the effect of different basis of consolidation to aid comparability
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 	<ul style="list-style-type: none"> To reflect the net attributable cost of capital expenditure taking into account economic hedges
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 	<ul style="list-style-type: none"> To measure the amount of cash available to finance returns to shareholders or growth after servicing debt, providing a return to minority shareholders and meeting existing capex commitments

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.

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 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 2018 principally related to Quellaveco and the acquisition of Peregrine Diamonds (2017: principally Quellaveco). 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.

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

Alternative performance measures (continued)

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.

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 %	
							2018	2017
De Beers							8	9
Copper							22	16
Platinum Group Metals							15	10
Iron Ore							3	15
Coal							67	67
Nickel and Manganese							28	20
Corporate and other							n/a	n/a
							19	19
<hr/>								
2018								
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	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

Alternative performance measures (continued)

2017

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	Average attributable capital employed
De Beers	873	(140)	733	7,481	9,294	(1,324)	7,970	7,725
Copper	923	(236)	687	4,189	5,899	(1,740)	4,159	4,174
Platinum								
Group Metals	512	(121)	391	3,796	4,510	(669)	3,841	3,818
Iron Ore	1,500	(573)	927	6,006	7,603	(1,258)	6,345	6,176
Coal	2,274	(37)	2,237	3,420	3,384	(97)	3,287	3,354
Nickel and Manganese	478	–	478	2,432	2,364	–	2,364	2,398
Corporate and other	(313)	–	(313)	(335)	(241)	–	(241)	(288)
	6,247	(1,107)	5,140	26,989	32,813	(5,088)	27,725	27,357

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.

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.

Alternative performance measures (continued)

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.

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 2018 with 2017, the sales volume and cash cost variances exclude the impact of price, foreign exchange and CPI and are hence in real 2017 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	2018	2017
Year end spot rates		
South African rand	14.38	12.31
Brazilian real	3.88	3.31
Sterling	0.78	0.74
Australian dollar	1.42	1.28
Euro	0.87	0.83
Chilean peso	694	615
Botswana pula	10.71	9.85
Average rates for the year		
South African rand	13.25	13.31
Brazilian real	3.65	3.19
Sterling	0.75	0.78
Australian dollar	1.34	1.30
Euro	0.85	0.89
Chilean peso	642	649
Botswana pula	10.18	10.34

Commodity prices		2018	2017
Year end spot prices			
Copper ⁽¹⁾	US cents/lb	270	325
Platinum ⁽²⁾	US\$/oz	794	925
Palladium ⁽²⁾	US\$/oz	1,263	1,057
Rhodium ⁽³⁾	US\$/oz	2,445	1,700
Iron ore (62% Fe CFR) ⁽⁴⁾	US\$/tonne	73	74
Iron ore (66% Fe Concentrate CFR) ⁽⁵⁾	US\$/tonne	91	96
Hard coking coal (FOB Australia) ⁽⁴⁾	US\$/tonne	220	262
PCI (FOB Australia) ⁽⁴⁾	US\$/tonne	122	147
Thermal coal (FOB South Africa) ⁽⁶⁾	US\$/tonne	97	95
Thermal coal (FOB Australia) ⁽⁷⁾	US\$/tonne	103	104
Thermal coal (FOB Colombia) ⁽⁶⁾	US\$/tonne	79	86
Nickel ⁽¹⁾	US cents/lb	481	556
Manganese ore (44% CIF China) ⁽⁵⁾	US\$/dmtu	6.85	6.88
Average market prices for the year			
Copper ⁽¹⁾	US cents/lb	296	280
Platinum ⁽²⁾	US\$/oz	880	950
Palladium ⁽²⁾	US\$/oz	1,029	871
Rhodium ⁽³⁾	US\$/oz	2,214	1,097
Iron ore (62% Fe CFR) ⁽⁴⁾	US\$/tonne	69	71
Iron ore (66% Fe Concentrate CFR) ⁽⁵⁾	US\$/tonne	95	87
Hard coking coal (FOB Australia) ⁽⁴⁾	US\$/tonne	207	188
PCI (FOB Australia) ⁽⁴⁾	US\$/tonne	136	119
Thermal coal (FOB South Africa) ⁽⁶⁾	US\$/tonne	98	84
Thermal coal (FOB Australia) ⁽⁷⁾	US\$/tonne	107	89
Thermal coal (FOB Colombia) ⁽⁶⁾	US\$/tonne	85	78
Nickel ⁽¹⁾	US cents/lb	595	472
Manganese ore (44% CIF China) ⁽⁵⁾	US\$/dmtu	7.24	5.91

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

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

(3) Source: 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. 34)

Notice is hereby given that a final dividend on the Company's ordinary share capital in respect of the year to 31 December 2018 will be paid as follows:

Amount (United States currency) (note 1)	51 cents per ordinary share
Amount (South African currency) (note 2)	R7.20518 per ordinary share
Last day to effect removal of shares between the United Kingdom (UK) and South African (SA) registers	Monday, 11 March 2019
Last day to trade on the JSE Limited (JSE) to qualify for dividend	Tuesday, 12 March 2019
Ex-dividend on the JSE from the commencement of trading (note 3)	Wednesday, 13 March 2019
Ex-dividend on the London Stock Exchange from the commencement of trading on	Thursday, 14 March 2019
Record date (applicable to both the UK principal register and SA branch register)	Friday, 15 March 2019
Movement of shares between the UK and SA registers permissible from	Monday, 18 March 2019
Last day for receipt of US\$:£/€ currency elections by the UK Registrars (note 1)	Wednesday, 10 April 2019
Last day for receipt of Dividend Reinvestment Plan (DRIP) mandate forms by the UK Registrars (notes 4, 5 and 6)	Wednesday, 10 April 2019
Last day for receipt of DRIP mandate forms by Central Securities Depository Participants (CSDPs) (notes 4, 5 and 6)	Tuesday, 23 April 2019
Last day for receipt of DRIP mandate forms by the South African Transfer Secretaries (notes 4, 5 and 6)	Wednesday, 24 April 2019
Currency conversion US\$:£/€ rates announced on	Tuesday, 16 April 2019
Payment date of dividend	Friday, 3 May 2019

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, 10 April 2019. 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 R7.20518 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 R5.76414 per ordinary share. Anglo American plc had a total of 1,405,465,332 ordinary shares in issue, including 540,634 treasury shares, as at the date hereof. In South Africa the dividend will be distributed by Anglo American South Africa 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 currency conversion date applicable to the SA dividend amount is 20 February 2019.
- 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 or about Wednesday, 29 May 2019. CREST accounts will be credited on Thursday, 9 May 2019.
- Copies of the terms and conditions of the DRIP are available from the UK Registrars or the South African Transfer Secretaries.

Registered office

20 Carlton House Terrace
London
SW1Y 5AN
United Kingdom

UK Registrars

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
United Kingdom

South African Transfer Secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank, Johannesburg, 2196
PO Box 61051
Marshalltown, 2107
South Africa