

# RE-IMAGINING MINING TO IMPROVE PEOPLE'S LIVES



Anglo American stands out as a performance leader in the mining industry – we have transformed our operations and delivered significant financial improvement, while building our sustainability credentials through improving safety and environmental performance and building social partnerships. Guided by our Purpose, it is our people whose efforts bring to life the quality of our assets and our business as a whole.”

**Mark Cutifani**  
Chief Executive



We are unlocking the very significant additional potential that we see within the business – pushing productivity performance benchmarks, delivering volume growth from existing and new operations, and deploying FutureSmart Mining™ technologies. We are doing so safely and responsibly, maintaining strict capital discipline and creating a sustainable business in every sense.

Consistent delivery on our commitments continues to enhance Anglo American's competitive position. We have again delivered a robust TSR for 2019 of 31%, outperforming both the FTSE 100 and the FTSE 350 mining index by some margin.

## Safety

The safety of our people is always front of mind for me, as it is for our leaders across the business. Making sure every employee returns home at the end of each day, better for having worked at Anglo American, is the vision for safety and health that drives everyone in the business. In this context, it is tragic that we continue to experience serious safety incidents, in which four of our employees died in work-related incidents in 2019 in our Copper and Coal businesses. And while 2019 saw the best safety performance in our history, our progress strengthens our determination to deliver on our commitment to zero harm.

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

Across the breadth of our business, we recorded another all-time low total recordable safety rate, representing a 17% improvement since 2018 and a 59% improvement over the last six years. In being unconditional about safety, major safety incidents will be consigned to history, as we have shown in most of our working locations. The delivery of zero harm is about delivering this type of performance at every location and with every individual in the business.

## Financial performance

In 2019, underlying EBITDA increased by 9% to \$10.0 billion, while our mining EBITDA margin was in line with the prior year at 42%. Operating profit increased by 2% to \$6.2 billion, while profit attributable to equity shareholders was in line with the prior year at \$3.5 billion.

The single largest contributor to EBITDA growth was our Minas-Rio iron ore operation in Brazil – ramping up and exceeding our production and cost reduction targets, generating \$1.2 billion of EBITDA in 2019. Across the balance of the business, strong

precious metals and iron ore prices more than offset weaknesses in diamonds and coal and the effects of reductions in copper production through lack of water in Chile and electricity power outages in South Africa.

At the Group level, we generated attributable free cash flow of \$2.3 billion, a 26% decrease, due largely to planned increased capital expenditure and higher cash tax payments.

We remain resolutely committed to our disciplined approach to capital allocation and to maintaining a sub-1.5x net debt to EBITDA ratio. At the end of 2019, net debt on the balance sheet stood at \$4.6 billion, an increase of \$1.8 billion for the year, less than 0.5x EBITDA. The increased level of net debt reflects the investments we are making in the future of the business, progressing high quality growth projects across our product portfolio, balanced with a continued focus on shareholder returns.

Our return on capital employed (ROCE) of 19% was well above our targeted 15% through-the-cycle return. While an individual year is too short a period to assess returns, our longstanding focus on cash flow covers the effectiveness of our operating initiatives, with ROCE measuring the efficiency of our capital deployment.

Combined with the proposed final dividend payment of 47 cents per share, payable in May 2020, total dividends paid to shareholders in respect of 2019 will amount to \$1.09 per share, a 9% increase compared to 2018 and in line with our policy of paying out 40% of underlying earnings.

Since we reinstated dividend payments in mid-2017, Anglo American will, by May, have returned \$3.9 billion to shareholders in cash, in addition to our current share buyback programme.

## Operating performance

The implementation of our Operating Model, with our focus on efficiency and productivity improvements, continues to deliver significant safety, environmental and financial benefits. In 2019, we produced 12% more product on a copper equivalent basis from half the number of assets we had in 2012. As a result, our productivity per employee has more than doubled, supporting a 12 percentage point increase in mining margin.

Underlying cost and volume benefits were \$0.4 billion – adjusted to \$0.1 billion on a net basis to reflect factors beyond our control. Over seven years, we have delivered \$4.7 billion of annual underlying EBITDA improvement in terms of costs and volumes. Such improvements have generally been achieved without additional capital, so we have continued to improve our ability to generate free cash flow and increase returns from existing capital employed.

Looking forward, we still believe there is significant further improvement. By 2022, we are targeting an additional \$3-\$4 billion annual underlying EBITDA improvement, before inflation, relative to 2017. We are starting to see this benefit come through in the numbers, including by meeting and then surpassing industry best-practice operational performance across our business; volume growth from existing and new operations; and the deployment of our FutureSmart Mining™ technologies, digitalisation and sustainability. It is this approach that is beginning to transform how we mine, process and market our products, providing ongoing step-changes in our performance.

## Strategy: Portfolio

The quality, long life and growth potential of our mineral assets are the foundations of our global business. The transformed scope and quality of Anglo American's portfolio over several years is contributing to our materially improved financial and operational performance. We will continue our discipline of divesting less attractive assets and replacing them with assets of a higher quality and cash generation profile, thereby continuing to lift the overall quality, margins and returns from the portfolio.

In recent years, we have brought on stream Grosvenor in Metallurgical Coal, Gahcho Kué at De Beers and the Minas-Rio iron ore mine, and we are well on track with the development of our new Quellaveco copper mine in Peru, with first production expected in 2022.

We have a well sequenced range of high returning, quick payback growth options across copper, PGMs, diamonds and metallurgical coal. Our attractive organic growth pipeline is a key component of the long term sustainability of our business and we will also be agile to supplement that pipeline with suitably high quality external opportunities that fit our strategy and later-cycle portfolio trajectory.

## Strategy: Innovation

Innovation and challenging the status quo is in our DNA as a company, part of our culture, and is at the heart of our Purpose.

We are setting out a very different future for mining – a future designed to further improve how our stakeholders experience our business, that has a much lighter environmental footprint, and that ensures the safe supply of metals and minerals that billions of people rely on in their everyday lives.

Our FutureSmart Mining™ programme brings together step-change innovation in technology, digitalisation and sustainability – working hand in hand towards a more sustainable mining configuration. When we talk about a lighter environmental footprint, we include reducing energy and water consumption, in addition to reducing our physical mining footprint. This is an integrated approach to innovation that is beginning to transform the nature and experience of mining and thereby improve people's lives.

For instance, several of our new technologies are aimed at targeting the metal or mineral more precisely, with much less waste rock, and lower water and energy intensity, while others will ensure that our people are safely out of harm's way through remote operations or other safety changes. These physical and digital technologies are all about mining sustainably.

Our Sustainable Mining Plan, integral to FutureSmart Mining™, commits us to a series of ambitious goals over the next decade. These goals relate to three major areas of sustainability aligned to the UN's 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); *thriving communities*; and *healthy environment*.

While our environmental goals will rely on many of the technologies we are deploying, we are also thinking innovatively to create regional ecosystems of sustainable economic activity, collaborating with appropriate development partners.

## Strategy: People

Our Purpose is aimed squarely at people and how we can do things differently to improve the lives of those that come into contact with our business and our products. This approach begins with the people closest to our business, our employees, for whom we take great care to provide fulfilling work and clarity about their roles and the part they play towards our business objectives.

During 2019, we completed a global survey of our employees, achieving above-benchmark levels of engagement of 83%. This is extremely encouraging and is based on feeling proud to work for Anglo American and recommending the company as a good place to work.

In the context of our commitment to creating an inclusive, diverse and engaging working environment that enables every person to come to work each day and give their very best, we also recently refreshed the behaviours that we expect from our employees and that relate to each of our six Values. These are important building blocks towards the high performance culture that we seek for outstanding people who believe in and are guided by our Purpose.

## Mining with purpose

Anglo American today is a resilient global business, with a world class asset portfolio diversified across an attractive range of products, increasingly focused on those that contribute towards a cleaner, greener, more sustainable world and that satisfy the consumer-led demands of a fast growing global population.

We recognise our role in creating a sustainable future for what are essential raw materials for modern life. We must act in a way that is aligned with society's rightfully higher expectations of us and of business as a whole. Guided by our Purpose, we strive to always do the right thing for our employees, our diverse business stakeholders, and our shareholders who, let's not forget, ultimately are millions of hard-working people all over the world.



**Mark Cutifani**  
Chief Executive