

Conference call transcript

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INVESTOR DAY PRESENTATION

Mark Cutifani

Welcome ladies and gentlemen. I would like to acknowledge my colleagues here sitting in the front row with us today who will be talking a little bit later. So it is good to have the team with us. Given the amount of change we are driving through it is important that they are here and hear the conversations we have. I think if I can reflect for just one minute, since taking over at Anglo American around 13 months ago I don't think there has been one month that I've actually seen a consolidated rise in the commodity prices that we mine. And in particular we've seen pretty aggressive reductions over the last two or three months. I know I'm not telling this audience anything new. I guess the simple point that we wanted to make was that in this sort of environment nothing can be considered business as usual.

Today we've announced as Anglo American a more radical and aggressive portfolio restructure across the organisation. We have applied in simple terms a more aggressive set of criteria to the definition of our long-term assets. 'Priority One' assets, those assets that have the ability to generate cash and returns through the cycle will be the ones that characterise our business in the future. The implications for the existing business are clear. We will be materially downsizing the portfolio beyond our previously advised targets literally 60% from where we are today. That means a package in the range of 20 to 25 assets.

From an organisation perspective it will also mean our downsizing is material from a previously advised reduction of 162,000 positions to less than 100,000 positions to an estimate of around 50,000 positions. Negative cash flow assets will either be closed, placed on care and maintenance or sold, but at the same time there will be no fire sales. We are announcing some closures or operations being put on care and maintenance today, and that process will continue as required across the portfolio.

In looking at the future we are heading for a more streamlined, tighter portfolio with a lower overhead and support base cost structure. For us 2016 represents a year of significant and radical change from where we've been. Even though we have accelerated significantly, and you will see that in the numbers in the last 12 months, 2016 promises to be an even more significant and accelerated change year.

To put the picture to you in terms of the assets, about 12 months ago this profile of assets generating operating free cash flow was substantially left-weighted. In today's environment a lot tougher, more actions required both in terms of restructuring, closures and sale of assets in certain areas. In terms of our 'Priority One' asset criteria the key parameters that we use are the size of the resource and the potential endowment of the district in which we're operating, we look at sustainability for the potential for margin growth. And certainly with long-life assets that is where a great source of value resides. We look at the absolute cost and margin curve position and where we believe they will be placed competitively, and also the asset operating risk profile. That includes geography and all those other elements that have to be considered in working out where an asset will be in terms of its competitive position and its reliability in terms of delivering value to the portfolio.

In very simple terms 2016 will be about dealing with the tail. And we are taking a strategic view. We are looking to concentrate the portfolio on those assets that can deliver cash flows through the cycle. And

we think in that context our capital allocation will be much more focussed and more effective into the longer term. Compared to where we were 12 months ago where we talked about 70 assets, we are now down to 55 as you can see on the left. Our target restructuring was to get down to 36. In looking at the portfolio and thinking carefully about capital allocation in the environment that we see we believe that it is right to continue to focus on those priority assets, because from our point of view it creates the focus, it allows us to take overheads and cost that don't add value across the business, and allows and supports our focus on those top-level assets that have got the best margins and certainly deliver the best returns through the cycle.

As a consequence of that focus and that more aggressive restructuring we are today announcing a consolidation of our operating divisions into diamonds – no change – industrial metals, as we continue to restructure both the base metals and the platinum portfolios we will consolidate under one banner of industrial metals division. That consolidation will occur later in 2016, potentially early 2017 and will be a function of the restructuring of both portfolios and the progress we make. More immediately we will be going straight to a bulk commodities portfolio under Seamus French as of 1st January. Minas Rio will start reporting to Seamus as of 1st January. And during the course of 2016 as we restructure in Kumba we will then consolidate Kumba within the bulk commodities portfolio. I'm talking from a reporting relationship perspective.

We will continue to reduce our overheads and focus on the establishment of regional commodity hubs where we share local infrastructure, skills and resources. And we will continue to consolidate our regional offices. We have closed almost a dozen during the course of the last 12 months. And consistent with that we confirm that as the London head office we will be moving in with De Beers in 2017 as part of the overhead rationalisation and our overhead cost reduction.

In addition to that we will be looking to take out more duplication and cost by going to a functional organisation so that we make sure that the work we are doing in those functional areas is consistent, done at the highest level and providing the best support back to our operations with minimal cost and what we call friction or drag within the organisation.

As a consequence of the portfolio restructuring, the organisational restructuring that goes with that, our reduction in roles and positions through the organisation will continue. In 2015 we are forecasting to be around 135,000 positions which is a reduction of 27,000 positions in the last couple of years. Next year we are forecasting a reduction of another 36,000 positions as we close, dispose and restructure the operations and the overheads across the organisation. Going beyond the original restructuring targets once we get to the target portfolio we will likely be around 50,000 roles across the organisation. One would expect to see that type of reduction for us to continue to improve our cost position and our competitive position across our chosen commodities.

In the last 18 months in particular the restructuring has been significant and the acceleration in both our operating costs and capital costs as Tony and Rene will talk about a little later has also been significant and certainly accelerated from where we were in 2014 when we started the work. Most importantly I think the message is clear that how we operate won't change. By that I mean safety and environment will remain front and centre in the organisation. Even with the changes that we've implemented to date we have made significantly improvements in safety and environment, and that won't change. For us it is about transforming the whole organisation, and every one of these metrics that we use to determine whether we're in the right ballpark, doing the right things is important to us. And safety and environment will be central and will remain central to who we are and how we do business.

First I will hand over to Tony O'Neil who will focus on operations and the technical opportunities across the business. Philippe will give us some insight into the diamond market and try and answer all of those

midstream questions that we've been receiving in the last couple of months. Rene will turn the conversation into the numbers, addressing the financial implications of the restructure, and then I will pick up with three or four slides to bring all the key points together, and then we will open the conversation up to questions. With that I will hand across to Tony.

Tony O'Neil

Thanks Mark. Good morning everyone. Cost reduction, productivity improvement, that is what I would like to talk to you about today, what we have achieved so far and where we are focussing to deliver a further \$2.1 billion of improvement in 2016 and 2017. Over three years we have delivered \$1.6 billion of cost and productivity improvements. We have reduced production volumes at De Beers in the second half of 2015. We have been able to pull more out of costs than originally anticipated.

We have now established an operational and technical base, a foundation on which we can now accelerate the delivery of further improvement. In 2016 we expect to deliver another \$1.1 billion of improvements which are a combination of productivity improvements, current commodity prices, and another \$800 million of cost out.

Looking further ahead we are now committing to a further \$1 billion in 2017. Have no doubt we are actively looking to bring forward savings into 2016 where possible, and given half a chance we will. We will also build on this beyond 2017. I certainly expect more to come.

The \$1 billion in 2017 will come from an intense focus on detail. It is about detail. It is about granular execution, focussing on productivity gains, operating excellence and ongoing implementation of the operating model principles. So let me give you a little more detail on the type of opportunities we are focussing on.

First, equipment efficiency. Here we have a significant value opportunity to reduce maintenance cost, to park up surplus equipment and to defer capex. Take Los Bronces as an example. On the table on the left you can see the lifecycle cost of a large haul truck. The light blue line at the bottom indicates best practise. The thick blue line at the top indicates Los Bronces' current performance. The gap between the two clearly is opportunity. It is money. We see that we're achieving industry-leading component life performance for wheel motors and hoist cylinders. Our current maintenance approach delivers lifecycle cost per hour in line with industry average. But the early life cost is higher than our peers. We have a process of focussing on understanding why we are different. And once we identify those causes we are taking the actions to shift to best practise.

In doing this we are also looking to increase shovel and truck availability further, extend component life and push out in particular shovel replacements. The leverage from drill and blast is often underestimated. It is the front end of our process. It not only drives productivity of excavation fleet but also has a large influence on the productivity of processing plants. We have not been as good in this space as we need to be. A step change improvement in this area is clearly a focus at present and will be a key deliverable of the 2017 \$1 billion. As part of this we have undertaken automated drilling trials in 2015 and see extension of this programme as a key part of the step change performance we are looking for.

Finally, clean fluids. The three samples on the left of the photo are fuel samples from our storage tanks. The right-hand sample is one of the samples that have been cleaned to the standard required for the fine precision engines that we now run. Clearly the impurity levels are off the scale. Anglo American will spend around \$900 million on diesel and other hydrocarbons this year. Ensuring these are clean will conservatively give us a 3% reduction in diesel consumption and a 25% increase in component life. The benefits are substantial, around \$55 million a year for fixed plant and HME across nine sites. We

haven't even included our milling plants in this process at this point, but clearly that is another opportunity.

Focussing in on one of our core assets, Los Bronces, we are currently implementing the 'Operating model' in the processing plants. Look at what the copper team has achieved by applying the principles of the rollout of the operating model. It is truly first class and Duncan and his teams really need to be complimented. Truck utilisation at over 6,500 hours per year is getting towards best practise. It is not best. There is clearly opportunity to improve further. Plant operating time at 94% is also very close to best practise. And labour productivity is also improving.

With all this being put into place we are targeting a 10,000 ton per day improvement in plant throughput by 2017. This will give us an additional 15,000 tonnes of copper per year with 15% lower cost per ton treated at that time, offsetting a 20% decline in grade and an increasing hardness with 15%. We will be ramping the plant up during 2016 and we will see some of the benefit during that year.

The mine will implement the operating model in 2017 and we expect further productivity gains beyond what I've mentioned when that occurs. Los Bronces is clearly one of the world's greatest accumulations of copper. As you can see from the left-hand table on the chart our declared reserves and resources are dwarfed by the 70 billion tonnes of exploration targets. We fully appreciate that understanding the geology of this region is critical to unlock its full potential value, as is operating performance and cash generation. But further to this we are looking at breakthrough upside potential at Los Bronces through the application of innovative technologies.

For example, we are working on ways to increase metal production through grade engineering. This low-cost approach has the potential to substantially increase the average grade of ore presented to the mill, leading to a much improved business. More output, less tailings, reduced water intensity and reduced energy intensity. We have demonstrated this in small-scale testing and are now looking to accelerate implementation at a production scale.

Whilst we are building on success at our core assets such as Los Bronces we are also taking actions necessary to turn around our under-performing assets. At Sishen in 2014 we told you about the redesign of the mine plan. This was a plan that was driven by spatial sequencing, ore to waste ratios and productivity. It is true that the rate of change in adopting this new plan has been slower than we wanted it to be. Accordingly we have made the necessary changes to people and processes and remain confident that the improvement required will follow.

The fall in iron ore prices, however, has presented a further challenge and it is clear that we must sweat the footprint greatly to compete in the new low-price environment. We have shifted the focus off volume to that of minimising unit cost, minimising capital and maximising cash generation. The optimised plan that we are now working towards leads to lower annual production of around 26 million tonnes of product per year. Waste movement has been lowered to 135 million tonnes of material next year. Overall this is roughly equivalent to a 40% reduction in material moved with only a 15% reduction in saleable tonnes.

FOB unit cash costs will be less than \$30 per ton in 2016. We are targeting a break-even price of less than \$40 per ton on a CFR China basis. We still have work to do to achieve this level and are looking at a number of opportunities, particularly around utilisation of spare capacity in the plant.

Moving to Minas Rio, we are moving through the commissioning phase. Overall all four parts of the Minas Rio system, the mine, the beneficiation plant, the pipeline and the filtration have now demonstrated performance rates at 100% of the design capacity. There are two key points to note,

firstly about licensing and secondly about the ore body. As we have indicated before, Minas Rio has a complex and ongoing licensing schedule. This schedule is linked to a progressive increase in the footprint available for operation. Permitting in Brazil is now in much sharper focus following the recent Sanmarco event, and it is possible that licenses will take more time to secure, keeping us in a constrained pit configuration for longer.

In the pit itself the ore body has been seen to average and reconcile well. At a very granular level, however, it is showing more variability in both FE and in deleterious elements than previously anticipated. This localised variability impacts plant recovery and the performance of the filters. It is therefore apparent that we will have to blend material ahead of the plant to ensure smoother, more consistent feed rates. We need to build stockpiles and have more available faces to mine in the pit to get a better spread of material types for blending. The pit footprint that is available to us due to licensing constraints limits our ability to do this at this time.

This limitation is reflected in our latest view of production guidance for next year. Production of 18 million to 21 million tonnes of product in 2016 reflects what we think is prudent based on our assumptions around the licensing process. We are working on this and are hopeful that we will have access to a much larger footprint by the end of 2016 with the full mining area available by the end of 2017.

Before I wrap up let me remind you of what we have achieved so far. Since 2012 we have been improving productivities and cutting costs along with our peers. This outside in analysis shows how we compare based on a simple revenue less EBITDA per copper equivalent perspective. We are well in the pack and have clearly accelerated in 2015 as our 'Operating model' and overhead cuts are starting to bite. But I would add as De Beers purchases rough diamonds from all of its mines and JVs and on-sells them, when we remove this \$4 billion of integrated purchases the cost reductions improve to ~30%. I suggest from this that we are actually ahead of the pack. If we look to 2016 the improvements we are making should see another 10% or more of cost reductions come off the portfolio. The identification of specific operating improvements and progressive implementation of the operating model and overhead and other cost reductions will all help drive this.

So to wrap up, at the heart of Anglo American is a core of world-class resources. We are focussing our efforts to turn these world-class resources to world-class businesses. There is a real sense of urgency in Anglo American to deliver step change improvement quickly, and we are delivering results. Our focus is on applying technical leverage to these core assets to release short-term productivity gains, reduce opex, reduce capex and optimise production. As I said earlier, this will deliver \$1 billion of improvements in 2016 and a further \$1 billion in 2017. We are actively looking to bring these savings forward and build on what we've promised for 2017. There is more to come. So thank you. I would like to hand over to Philippe Mellier.

Philippe Mellier

Thank you. I would like to cover three points with you today. First of all I would like to go through the pipeline. I will go through what is happening in the diamond pipeline with a clear focus on the challenges we are facing today. The second point I would like to cover is our integrated response to these challenges we have been implementing around 2015. And finally I will give you an outlook for what is going to happen mid to long term.

So let's start with the market. 2015 is still a robust diamond jewellery market. After growth of 3% in dollar terms in 2014 up to \$81 billion we are forecasting a small decrease between 1% and 2% in dollar terms. Two issues have been impacting the diamond jewellery market in 2015, first of all the US Dollar strength and the macroeconomic slowdown in China. If I go by market and if I start with the US, we still

believe that the demand will be quite robust in 2015 with around a 6% increase year over year after a 7% increase last year. All the signals we are receiving from the US are in line with this forecast.

In China we have two types of market. We have the mainland market in China. We believe that is going to be stable this year. And if we look at the second part of the market, Hong Kong and Macau, we see clearly definitely a big drop. First of all, in Hong Kong because the prices are no longer as attractive for mainland Chinese buyers, and we have the impact of the protests which occurred at the end of last year and beginning of this year. And Macau is similarly impacted by the fight against corruption from the central government. But Chinese buying in Hong Kong and Macau are also buying elsewhere now, and we will cover that in a minute.

In India the market has been disappointing in local currency. If we add on top of it the US Dollar impact clearly we see a net shortfall in India this year. Japan, in local currency the market has been a little bit weak in H1. We believe that we should see a small rebound in H2, some of it because of the Chinese buyers now buying in Tokyo and in Yen because it is a more attractive currency. But unfortunately we see here on the slide the impact of the Yen against the Dollar, showing in dollar terms a net decrease year over year.

On the rest of the world we see some softness in the Middle East, but it is compensated by a stronger performance in Australia and Europe. Clearly these strong performances are not coming from the local market but from Chinese buying abroad.

Finally if we look at the full year forecast, which is once again a pretty solid performance, it is going to be heavily influenced by the end of the year market, the selling season which is starting around now, and it will have clearly an impact on these numbers. But we still believe that we will have a strong diamond jewellery market in 2015.

If the market is reasonably robust we are facing another problem. The problem is in the midstream. It is a stock problem. We have tried on this slide to describe what we think is the issue faced by the midstream today. First of all we have the downstream issues impacting the midstream part of the business. When I am talking downstream I am talking the retailers. Clearly we saw a lower than expected consumer demand in the US at the end of 2014, and we saw a softness in the selling season in China at the beginning of 2015 for the New Year and a slowdown in the rate of opening new stores in China during 2015.

Together at the same time we had a grading lab problem. There was a little bit of overstock there, especially for the Chinese goods, and a lot of these goods were released by the labs at the end of last year. So it created another increase in the midstream. As a result we had some excess inventory at the retail level, particularly in China and particularly for the Chinese goods, so all of this contributed to issues in the midstream itself, the midstream being the cutters and polishers. As a result of lower demand because the retailers were overstocked we had higher polished and rough inventories, and at the same time it triggers less manufacturing, mainly in India.

At the same time unfortunately this part of the business was impacted by the financing of the trade. Usually the banks are financing 100% of the rough purchases from De Beers and the rest of the suppliers and they went down gradually this year to 60% or 70%. So it created working capital issues and profitability issues within the midstream. So it resulted in distress selling in the midstream, and as a result of distress selling the polished price declined. At the same time we had some slower retail buying activity which made the problem a little bit worse. As a result of it we saw some bankruptcies in India and Israel, not major bankruptcies but some bankruptcies which created a little bit of scepticism. It was a little bit more difficult to lend money from one cutter and polisher to the other.

So as a consequence of all these events coming together this year, which were quite impactful, we can say that it is not a demand or retail crisis. The diamond jewellery demand is still robust as I said in the previous slide. But we are going through a stock crisis in the midstream part of our business.

If I look at the production of De Beers for 2015 we always say the same thing. We produce to demand. And we effectively produced to demand. As soon as we saw the stock problem coming up in Q1 and Q2 we adjusted our production. We are always very mindful of the potential impact on profit. We try to reduce the impact on profit, and we always keep the maximum flexibility in case the demand is going to increase pretty soon, and we hope it is going to be the case in 2016.

The first thing we did was to shut down and slow down dramatically our tailing plant in Jwaneng in Botswana and in Venetia in South Africa. We have brought forward maintenance. And we have always been very mindful of the cost so that we were keeping our cost as low as possible. As a result we have been gradually decreasing our guidance from 34 million at the beginning of the year to 29 million carats today.

Let's now go through the De Beers integrated response. As you can see there is no simple cause for this stock crisis today in the midstream. As a result there is no single solution to face this challenge. Together with the team we have developed and we have implemented an end to end response to provide a sustainable solution for the diamond pipeline. First of all because we are a customer driven company we have immediately launched an additional marketing campaign for the selling season. And I'm going to talk a bit more about it in a few minutes.

We have cut production, but we have also given our sightholders, our customers, an unprecedented supply flexibility, telling them buy from us what you need, no more. We have reduced our rough prices and we have at the same time implemented a comprehensive cost reduction programme.

Let's go through the details item by item, going from the customer-facing activity up to the production. When you were waiting in the waiting room you saw the commercial, and at the beginning you saw the commercial we call 'the one' on the screen. We have decided to launch and pay for a very important marketing campaign covering Forevermark, our own brand, and the generic campaign. We have developed two things, one for the US and Indian market called 'the one' – the one we saw when we arrived – to focus on the beauty and rarity of diamonds. And at the same time we are launching a generic campaign in the US called 'seize the day'. We are going to have the film in the US and India called 'the one'. We are going to have another Chinese film in China and we have the 'seize the day' campaign in the US and China to boost the sales during the selling season.

To give you the importance of the selling season in the US, 35% of the yearly purchases are done between Black Friday i.e. now and Christmas, so it important that we are heavily focussed during that time. We will be on TV, print, digital, outdoor and newspaper, and if you are in the US it is very difficult to miss the campaign today. So a very important investment. We do this on behalf of the industry as the leader, and it is a \$20 million extra campaign on top of the money we had committed this year for marketing.

If we look at the integrated response for the midstream we took decisive actions to try to help solve the stock crisis. First of all in terms of financing, if you follow De Beers you know that for the last two years we have been working on the new contract for our sightholders. We have implemented the new contract this year which is going to put much more emphasis and importance on financial compliance requirements because we want our sightholders to be bankable. We knew that because of the financial

crisis the financial requirements will be tougher, and we prepared our sightholders by slowly but surely coming on line with this new financial standard.

To cope with inventory indigestion we have reduced production and we have given our sightholders unprecedented flexibility. Buy what you need. You were able before that to disregard or refuse 10%. We can go to 20%. You can mix boxes, you can mix the goods, you can go into new boxes if needed, because we just want our customers to buy what they need and not increase the stock problem. Because retail sales are being done stock will come down.

In terms of profitability to help the midstream recover some profitability we have adjusted our rough prices. You can see on the graph here that from the beginning of the year till now the index of polished prices went down by 8% and we have adjusted our rough prices by 15%. If you go back in time to the very peak of the rough and polished prices in July 2011, during that time price of polished went down 23% and price of rough diamonds went down 28%. So there is room for profitability for our sightholders in there. And we have always been acting very responsibly to try to follow the trend and give profitability to the midstream.

At the same time we had a problem of confidence. I'm sure you heard about the possibility of having some synthetic diamonds entering the natural pipeline. As a decisive action we have increased the rate of deployment of our detection machine and we have opened a dedicated laboratory to screen small diamonds in India. We developed it, we created it and we opened it in less than two months so that we have our Indian customers now testing parcels of small diamonds, and it is really extremely helpful. By having this set of measures in the midstream we are decisively helping the midstream to reduce its stock and also to recover some profitability.

But we also need to take into account the lead time. If you implement a price reduction, as an example, and you still have stock at the old price, first of all you lose some money on the stock. But after that you need to wait for the rough diamond to be cut and polished, and you will see the benefit of a rough diamond decrease a few months after it has been implemented. So we have to be patient, and this is the right time to do it now.

On the upstream this is what we have decided to do to cope with the overstock situation. So we want to focus on volume of production and cost both at the same time. If we look at the production by country where we produce, in Botswana the Debswana board – which is our current joint venture with the government of the Republic of Botswana – decided to cut the production down to 20 million carats in 2016. And we have taken two decisive actions. We are going to put the Orapa plant one and the Damtshaa mine on care and maintenance. At the same time we are going to rebalance the production between Jwaneng and Orapa, Jwaneng producing higher-quality diamonds and Orapa lower-quality diamonds and lower price. We are going to push the production towards Jwaneng to increase the mix and to increase the profitability of the company.

In Canada we are putting Snap Lake on extended care and maintenance. We have announced this move on Friday last week and the mine will be on care and maintenance as we speak before the end of the week. In South Africa as I said before we have decreased the Venetia tailing plant this year, but we are also curtailing the open pit production next year. And we have announced the sale of Kimberly mine. We are in the final detail of the sale which should be closed before the end of H1 2016.

In Namibia together with our partners in Namibia we have decided to extend the stay in port of our biggest mining vessel and we will reassign the other mining vessels to lower-grade areas to slow down the production. The outlook as a result of all these decisive actions with all our partners and our mines will be a reduction from 29 million carats to 26 to 28 million carats next year.

At the same time, as I said before, we are focussing on cash conservation and cash generation. We have implemented a mining saving plan. If you look at the first line here you will see that despite a very big decrease from 33 million carats produced in 2014 down to 26 to 28 million carats to be produced in 2016 the cost in dollar per carat is going down from \$111 per carat to \$101. We have also reduced significantly our headcount here it was making sense. In Canada we have been talking about Snap Lake, but we are also totally reorganising our footprint in Canada, closing our head office and opening a smaller support centre in Calgary.

We are also looking at South Africa, mainly because we are going to exit Kimberly but also because we have changed the footprint of Element Six, being our super material subsidiary involved in industrial application. We have closed one plant in Sweden and we are refocussing the company by application. This company was badly hurt by another problem, the oil and gas crisis, because we are a big supplier of drill bits for this industry. Because of all of this we are going to generate savings of \$23 million a year. Despite a decrease of 30% of their sales the company is still profitable. A very good job being done there.

In the midstream and downstream operations of De Beers we are also looking at the footprint, we are looking at support centres and we are decreasing the costs there. I spoke already about Element Six. In exploration we are bringing our cost of exploration down to \$35 million, focussing only on three countries, Botswana, South Africa and Canada, moving out of all the other countries. And it has a big impact on the cost and the cash being spent on exploration.

In terms of capex we will go from \$700 million this year to \$500 million in 2017. I will cover that on the next slide. So in total the cash saving plan of De Beers is going to deliver \$200 million of cost benefit in 2016. If I look at capex now we spent around \$700 million this year and we are going to spend \$650 million next year. We could say that is still a big amount. It is still a big amount, but if you look at the composition of the capex the project capex proportion is bigger this year than last year because on top of the ongoing projects like Cut-8 in Jwaneng or Venetia underground project in South Africa we have the final delivery stage of Gahcho Kué in Canada and we have a new exploration vessel in Namibia which is going to be finished and commissioned in 2016. So to come to the party we have decreased the total by working on SIB and waste. And I think the team did a very good job to decrease the amount of capex despite these projects piling up in 2016. In 2017 the project piece will be down to Venetia underground project and Cut-8 and we will be down to \$500 million, so a big decrease in 2017.

As a conclusion we need to focus on the fundamentals. We today appreciate and understand the challenges we are facing. We understand the market. It is still quite a solid market which is going to be down 1% or 2% versus the record market of \$81 billion last year. But we understand where the challenge is, which is in the midstream. We have put a comprehensive end to end plan in place. We didn't wait for it. In sight seven we were already up and running implementing everything and we had decided to cut costs and production a little bit before that. It is very important to understand that despite all of this we want to remain flexible because we will get out of this crisis sometime in 2016 and we have to be ready for that, and we will have the right flexibility to do it.

We have identified cost savings across all our operations, even the smallest ones, and we are delivering \$200 million of cash and cost savings. At the same time we will not give up on safety. We have now one of the very best safety track records in Anglo American. We want to keep it, and we want as Tony said to focus on operational excellence. And we are implementing the 'Operating model' in our biggest mine in Jwaneng together with Debswana.

Because you have been asking a lot of questions about how we are doing and you wanted to understand a little bit more our business, I am very pleased to announce that we would like to increase the transparency of De Beers, and starting with the first sight in 2016 we will communicate after each sight the sales of each sight, so that you don't rely on rumours and you will understand exactly where we are. Obviously it is going to be difficult to have the comparison, so we need to build it over time, but I think it is a good first step in the right direction. At the year-end results we are going to give you more additional profit and cost data so that you can understand better the De Beers business model.

So all in all we understand where we are, we have a plan, the fundamentals remains strong because the market is still pretty solid. I just wanted to share with you a last diagram. This is a very long diagram from 1980 up to 2014. This is the consumer demand in dollars at the polished wholesale price. We saw a lot of crises. We have been through depressed markets before. We always bounce back. Today it is not a pure demand crisis. We had some softening. It created unfortunately as a ripple effect a stock problem. We are working through it. It is going to work out by itself. We are down the path pretty well. We are helping the industry decisively to go through that.

The selling season will be very important, and depending on the size of the sales at the end of this year we can say that we are very hopeful that we will go through this crisis sometime in 2016 and it will depend on the quality and the volume of the selling season we are going through now in India, US and China. We are hopeful. There is a future for De Beers. The fundamentals are strong. I think the plans we have implemented already are yielding quite good results. We just have to be a little bit patient. This slide provides you with the background. Thank you very much.

Rene Médori

Thank you, Philippe, and good morning everybody. Mark mentioned that we are embarking on a major redefinition of our portfolio over the next two months. What I am going to do over the next few slides is looking at the current footprint in terms of guidance and balance sheet, but at the end of my presentation I will give you some early indication of what the redefined portfolio means in terms of objectives and in terms of geographic exposure.

Over the last two years we have been focussing on protecting the balance sheet. On this slide you have the different management actions that we have been focussing on. Maintaining liquidity, we said we would be maintaining our liquidity at a high level. As at the end of this year we will have a level of liquidity similar to the end of 2014 at \$15 billion.

Cash flow improvement, Tony has described what we were doing in terms of cost savings and what the further initiatives that we are progressing are. We have also accelerated the closure or putting on care and maintenance negative assets, whether it is the PRC or you just saw with Philippe for example Snap Lake. Platinum is also another thing we are putting on hold or deferring projects like Twickenham or Tumela five shaft.

Capex, we used to spend \$6 billion per year on capex. We will be down to \$3.2 billion in 2016 and \$2.5 billion in 2017. Disposals, we have increased our disposal target with the current strategy. So before the impact of the restructuring that Mark mentioned earlier we had increased the disposal target to \$4 billion. We have completed the disposal of our 50% stake in Lafarge Tarmac, the Norte copper assets in Chile. We have also announced the deal with Sibanye on Rustenburg and we have also confirmed that we are progressing the divestment of Niobium and Phosphates.

We have taken further management action by announcing this morning that we will be suspending the dividend. There we save \$1.1 billion of cash flow per year. Liquidity, so \$15 billion at the end of 2015. That will include in excess of \$7 billion of cash outside South Africa. Our objective is to maintain

investment grade. At current spot prices our credit ratios are under pressure. At the same time we want to highlight if we were downgraded below investment grade there would be no impact on our business. Our bonds contain no margin step-up and there will be no incremental interest costs in the near term.

You see at the bottom our debt maturity profile, \$1.6 billion in 2016. That includes \$1.1 billion maturing at the end of 2016. We have a \$5 billion revolving credit facility which matures in 2020. There are no financial covenants, no material adverse change clauses and we have just over the last two weeks increased this amount to \$5.4 billion with two banks joining this facility on the same terms which were in place.

We get some questions on Platinum and Kumba and Sishen, so let me clarify our position vis-à-vis the subsidiaries. We own less than 80% of platinum. In the case of Kumba we own less than 70% and Kumba owns less than 74% of Sishen Iron Ore. The net debt of the two entities at end of June for platinum R12.9 billion, in the case of Sishen R6.4 billion. Based on what the two businesses have done in terms of cost savings and cutting capex this level of net debt will be relatively similar at the end of 2015.

In terms of bank facilities platinum has bank facilities of R13.2 billion. We have an Anglo American inter-company committed facility to platinum of R9.1 billion maturing in November 2017. In the case of Sishen Iron Ore we don't have any committed facilities. We don't guarantee any of the debt in either Platinum or SIOC.

In terms of debt covenants the specifics are subject to a confidentiality clause, but you can see the structure for both Platinum and Sishen. There will be significant headroom at the end of 2015. It is fair to say that on the back of lower iron ore prices the headroom of the Sishen covenant will be under pressure in 2015.

Turning to the capex outlook, we have systematically over the last 12 months reduced our guidance for both 2015 and 2016. Our guidance in terms of capex for 2015 was \$5.2 billion down to \$4.5 billion in July. Our forecast for the current year is \$4.1 billion. We also further reduced our guidance for 2016, \$3.2 billion, and 2017 to \$2.5 billion. You see the constant decline in the level of spend on projects. In 2017 with the completion of Gahcho Kué and Grosvenor the level of committed capex will be down to less than \$300 million in 2017.

Over the last two years we have not approved any new single project except for the exploration vessel in Namdeb that Philippe just mentioned. You have seen the progress we have made in stay in business capex and stripping, close to \$3 billion in 2014 and we will be down to \$2 billion in 2016. Again these estimates are also based on the current portfolio and there will be opportunity to further reduce this level of capex as we finalise our plan to downsize as Mark mentioned the number of assets.

We are expecting in terms of impairment between \$3.7 billion and \$4.7 billion at the end of 2015 driven by lower commodity prices in Met Coal but also the impact of some of the restructuring that we have announced, for example the sale of Rustenburg or the putting on care and maintenance of Snap Lake.

In terms of net debt guidance you remember at the beginning of the year we gave you a guidance for the end of 2015 of a net debt between \$13.5 billion and \$14 billion. In July we reduced this guidance to \$13 billion to \$13.5 billion. We are confirming this guidance despite the pressure in commodity prices as a result of the cost savings plan that we have implemented, the progress in terms of operational performance and the reduction in the level of capex.

Our capital guidance for 2016 using spot prices we are expecting to be cash flow negative to the tune of \$1 billion and to be cash neutral in 2017, again before the impact of the restructuring programme that Mark mentioned earlier.

Focussing the portfolio. Very challenging times, but at the same time a very exciting opportunity. We will give you some more precise financial numbers in February, but we can indicate that we will be moving down further on the costs curve with a portfolio generating a stronger cash flow. We are going to reduce the complexity. You saw the reduction in the level of assets, the reduction in the level of overhead. That will allow a step change in the level of overheads and a substantial reduction in the level of complexity.

A step change in EBITDA margin on a pro forma basis increases our EBITDA margin by 7%. It is fair to say that whatever the final footprint is with our portfolio we will be focusing on diamonds, copper and platinum which means that we will have a much greater focus on late cycle commodity. And we are going to de-emphasise our exposure to early cycle and infrastructure build-up. At the same time this portfolio will have a very large resource base and significant growth optionality. Thank you.

Mark Cutifani

Thanks Rene. Well done. Thanks Tony, Philippe and Rene. Ladies and gentlemen, just to pick up Rene's last point, and connecting that to Tony's observation regarding our focus on the top 20 to 30 assets, the operating cost improvements that we've delivered have been leveraged on the improvements in those top 20 to 30 assets. And that is where we see the long-term potential. In thinking about the diversified strategy we are focussed on the assets. It is a means to position in world-class 'Priority One' assets. And there is no doubt, as Rene articulated in terms of our leadership positions in De Beers, copper and platinum, central to the portfolio. Assets in nickel, coal and iron ore will have to compete and demonstrate their ability to drive down the cost curve to be absolutely front and centre in terms competitive positions with the ability to deliver cash through the cycle. If not, they won't be in the portfolio. It is as simple as that.

In terms of the plan we talked about acceleration back in late 2014 as we saw the commodity markets looking pretty tough. We focussed on those 'Priority One' assets. That is where a big bulk of the improvements have come. And as we go forward it is a natural progression into a much leaner portfolio with a high-quality core so that we improve cash flow resilience and investment quality for the long term. For those that have been around this industry for 39 years like myself you can reflect on what made the great companies great. They made the tough calls when they had to make them. They focussed on those assets in the portfolio that would make a difference. And that is where we are going.

From an operations point of view we've made significant improvements. There is a lot more to be done. With our \$1.1 billion forecast for 2016, additional improvements Tony talked to in 2017, we are making the tough calls on the assets announced today with Snap Lake and Thabazimbi in process, and more tough work to be done across the portfolio. It is all about making sure that we're delivering value, we're making the tough calls and we've got the right portfolio for the long term, which also supports the reduction in overheads and support costs across the business.

As Rene said on the balance sheet we will continue to target net debt reductions. And in fact in the 13 months I've been here we've not missed a net debt target in all of that time despite seeing continuing declines in commodity prices because we have continued to make cost reductions, we have continued to manage our capital, and we will continue on both fronts in terms of protecting the balance sheet. Our capital expenditures have been revised down between 2015 and 2016 an additional \$1 billion since we last spoke. We have made the tough call in suspending the dividend, not a move that was taken lightly in terms of our shareholders but a move that was important we believe in terms of sending the right

messages in terms of our actions to make sure we stay a strong company. Our disposal targets have been increased to \$4 billion, and that doesn't include above and beyond Niobium any additional moves we make in restructuring the portfolio.

On the organisation from an initial 17 direct reports to 11 and now back to nine. As we restructure and consolidate the operations in a leaner portfolio that transition will occur over the next 12 months, again a function of the changes in the restructuring that we're putting in place across the board. It is a more aggressive and a more radical reconstruction, a much quicker reconstruction given the challenges we face across the industry. For us there are opportunities to get to that portfolio that we see as the long-term value-creating portfolio that we have available to us.

Finally, two key messages. The restructuring of the core portfolio around those priority one assets is about making sure that we're able to deliver reliable cash and returns through the cycle. The resources are scalable in their own right, so that is where by definition our best opportunities are in terms of the future and the future opportunities that we see in those regional resource endowments.

The business improvements that underpin the repositioning of the business will continue. With the operating model now starting to mature in certain areas and rolling out across those top 25 assets we see another \$3.3 billion worth of further cash improvements, productivity, cost and capital improvements through the next two years. And we see further scope for overhead savings as we consolidate the divisional structures and we align our functional reporting to ensure that we eliminate duplication and make sure that the team that is sitting before you that has delivered the significant acceleration in the last 12 months will continue to deliver on the potential we see across the organisation. That is the future Anglo American that we're talking to. That is what we are putting before you today. I'm happy to take questions.

Jason

Jason from Bank of American Merrill Lynch. Just before I ask a question, I acknowledge... well done on the dividend. Rene, yes, there is lots of liquidity in place. But for the question, you guys are the worst or the second-worst performing share on the FTSE. If we look at it the market's concern is not liquidity but rather solvency. In other words, this isn't a massive over-leveraged business. So the question is, when are you going to raise equity?

Mark Cutifani

Thanks Jason. Thanks for the acknowledgment and the question. Look, we have taken 30% of the costs out. We have taken 55% on the capital. We have increased our disposal targets. As you know we've got the liquidity position in place. We are continuing to improve the fundamentals. And the forecast that Rene has given is against spot prices in a pretty ugly environment. And we've made the call on the dividend. I think we have been absolutely consistent over the last two years in making sure that we have all the defences in place. So we think that we have taken the right actions, and we are going forward. Rene, do you want to add anything to that?

Jason

Just to push you a little bit, Mark, we look at companies like some of the US coal companies, zombie companies where you have a few hundred million dollars in equity sitting on top of \$6 billion in debt. Is that the future for Anglo? Because to me without equity that's what it looks like.

Mark Cutifani

No. we can see and we've shown that with the assets we have we've got the potential to go forward. We have managed our position. We have done all the things we said we would do. We have maintained our liquidity. Next year we've got \$700 million in capital that finishes off the major project

spend. We haven't had the advantages some have in using capital to take their costs down. We have done it the hard way on operations. We have still got more to do, and we think we are positioning ourselves to be successful in a tough market, and we will continue to take the business forward. Again that liquidity position we have held and maintained. We have hit every net debt target that we've put forward on the basis of the things we've done.

Paul

Paul Gait from Bernstein. Two quick questions if I could, the first of which is on the implications of the new mine plan at Sishen on the reserve or the reserve life, if you could give any details around the impact that has had there, and then the second is that given the issue in diamonds is a midstream destock do you have any kind of quantification of the carats that are actually held by that midstream portion of the value chain in terms of the quantification of how long that destock could potentially last?

Mark Cutifani

I will take the Sishen one upfront. I will just quote the number and I will just look at Norman for confirmation. My understanding in the \$50 pit shell was about 400 million tonnes, about that number. There are tonnes outside of that shell in the \$60 to \$70 shell that are contained within the reserve. We will review as we do on an annual basis what is appropriate to remain in those shells. But that will give you a sense of what the numbers look like.

Norman Mbazima

533 million in the current reserve.

Mark Cutifani

So 533 million to 400 million in the \$50 shell. And there are incremental tonnes. The challenge for Norman, Tony and the team together is to get that cost south of \$40 so that you can pull some of those additional tonnes back into the shell over the life of mine. With the operating improvements they are focusing on that is where they are driving. On the second part in terms of the carats, Philippe, do you want to make a comment on the carats?

Philippe Mellier

It is always very difficult to know what is happening in the midstream. I can't give you any number. If you look at for example Chow Tai Fook, which is the largest Chinese retailer, they said they were holding around six months' supply. Now it is coming down. So it is going to depend on the location. I think we are more or less back to a normal type of situation at retail. Still quite heavy in China because a lot of the problem is the slowdown of new doors opening. The fact that we have been trying the market and we have been asking our sightholders to buy only what they needed clearly had an impact. There is still some residual stocks there. But definitely the stock came down. Once again it is too early to say, but in three months from now when we look at the numbers for the selling season we will see the final state. This is why I can't give you a date until things normalise. But it is normalising and we are very hopeful we get there in the first part of 2016.

Mark Cutifani

I think about two months have come out of inventory just on sales changes alone.

Philippe Mellier

It depends on the category. Chinese goods are more overstocked than the US goods. I think on the US goods which are lower quality goods we are now more or less back in balance at the end of the selling season. Chinese goods which are smaller goods of high quality are still overstocked, but they will come down. These are the remaining categories where we have to focus our attention.

Chris LaFemina

It's Chris LaFemina from Jefferies. Congratulations on cutting the dividend and some pretty aggressive cost cutting targets. I assume if commodity prices are flat or higher from here this will be enough to help you guys get through the very difficult period. When I think back to some of the US coal companies that Jason refers to, if you go back three or four years many of them believes commodity prices would recover, they would get some costs out of the business. There might have been an opportunity to issue equity then, but they figured they would wait until things got worse. But when things got worse they weren't able to issue equity. So I guess the question is in terms of thinking about commodity price forecasts here, what kind of protection you have to further downside risk. How do you think about commodity prices? I guess the question really is how much further will commodity prices have to fall before your existing strategy wouldn't be enough and you have to issue equity? In that case are we talking about an equity issue at a share price that is half where it is today? Maybe the optimal strategy is to actually issue equity when you can, not when you have to. And that would be now rather than later.

Mark Cutifani

Is that a statement or a question?

Chris LaFemina

A little bit of both.

Mark Cutifani

We understand the point. The point we've made strongly and very consistently is we will take costs out across all parts of the business. There are still lots more to be done, and we are very clearly focussed on doing all of those things. We have maintained our liquidity buffer. We are coming off the project spend. We are doing all the right things to continue to improve our position. And the restructuring of the portfolio makes us even more resilient though the cycle. So we think we can bear more given the new configuration that we're heading to. We understand the points you make. Rene, do you want to add anything to that point? No. I think it is pretty clear where we are. Okay. I'm going to come across and I will come back.

Des Kilalea

Thanks. Des Kilalea from RBC. Tony made the point that Minas Rio is going to have a blending problem, therefore a cost problem and therefore a delay in production. Can you give us an idea what that means for the costs of Minas Rio. And also how core is it in the portfolio? You made the point that diamonds, platinum and copper were in the tier ones and all the rest were in the tier two. So in a way all the new investment assets are in the tier two and Minas Rio is a big one in that. Is Minas Rio core anymore?

Mark Cutifani

To be very clear, our view is to be core you saw the criteria. In our view assets have to have a reasonable likelihood of challenging or certainly being aggressive getting close to tier one. At this point in time with the additional capacity across the board it probably will struggle. So by definition, a tough commodity, very aggressive competition, it is certainly not in the front line of the assets that we are considering as priority one today. It certainly has a lot more potential to do better, and I think Tony's numbers were showing the \$26 to \$28 per ton. On a favourable Real that pokes towards \$25. It will take an additional 12 months. What we are being sensitive to is the Sanmarco incident and the fact that licencing will probably take a bit longer. So getting the full footprint so we can blend off the shovels is the challenge. Tony, do you want to make that point?

Tony O'Neil

Just to add to that, we are already getting a recovery loss of about 10% because of the variability. So within the blending costs being offset by the recovery change we don't think there will be any increase in cost. In fact there is some opportunity to lower cost.

Mark Cutifani

While we are going up through that period, focus on costs, get the margins right so that we can make a contribution. It won't be as much as we could like, but make sure we're on the right side of the cash cost in the next 18 months is the critical part for us to get the costs down. And as soon as we get the footprint open then we will be in a much better position.

JP Morgan

Fraser Jamieson JP Morgan. A quick one on the disposals. Could you kind of outline how you get from the \$2 billion that you've done so far up to \$4 billion? Phosphates, I think most people would expect that to be somewhere in the region of \$1 billion. Any comment on that would be good. And then back on Jason and Chris' questions, maybe asking in a slightly different way, this strategy seems to be a more aggressive iteration of the strategy that you have outlined for the last couple of years. The market has been telling you over that time period that they don't like that strategy and they think that strategy is wrong relative to your peers. So what do you think the market doesn't understand? And what do you think the market will understand better about that strategy today?

Mark Cutifani

Firstly, on the disposals the elements still to go are Domestic Coal in South Africa, some other assets that are available to us, a couple of copper assets and the thermal coal assets in Australia. So it is predominantly coal, copper, a couple of other assets in South Africa and the Niobium and Phosphates to get to the \$2 billion. That is where those numbers come from. In terms of restructuring going forward we have not taken additional assets above and beyond those in the \$2 billion. That would be the first point. Second point, we have had feedback on the strategy. Most people like the focus on the 'Priority Ones'. They have said you've just got to get there a lot quicker. And most people have said in the feedback we actually quite like the strategy, you have just got to get there a lot quicker and be more aggressive in getting there. We think we've taken that message on board. And how the market will respond I think will be a function of how quickly we can keep working that debt back down, which we think is an issue that people are concerned about. Everything we are doing is protecting the balance sheet. We are putting all the things in place to get there as quick as we can.

Myles Allsop

It's Myles Allsop at UBS. A couple of questions, one for Rene first. Looking at the balance sheet obviously liquidity is good and refinancing is well structured. This year EBITDA has fallen so fast. This seems to be the big issue which is storing up the problem obviously everyone is worried about. Where do you think EBITDA at spot is today and after the restructuring that you've proposed so far? And then for Mark, just in terms of this more radical restructuring could you first of all give us a better sense of the timing for this restructuring, and what gives you confidence that you can execute? Execution has been a challenge in the past. Why do you think you can do it now?

Mark Cutifani

I will go with the execution first and then I will hand across. I think the market has been concerned about the execution. I think that has been the key point. With the commodity price dropping away I think most people understand it has been harder to put those disposals away, and that has been a key issue for us. From our point of view we are looking at the restructuring, and when you look at the tail there is a pretty simple story to be drawn from that. We have got to be always stepping forward where commodity prices where they are, making tough calls on closure of assets. You have heard some of

those today and we will continue in that same vein. And so we are looking to be there and make substantial progress through 2016, so in 2017 the conversation I think should be very clear and we should have been well on the way. If we have to wait for one or two things because we're not getting a price we will. But substantially the back should be broken in the course of 2016 into 2017, very simply put.

Rene Médori

It depends what the final footprint in terms of the new portfolio. On the pro forma basis it could be \$2.5 billion core, \$1 billion non-core.

Anna Mulholland

Thanks. Anna Mulholland, Deutsche Bank. Rene, in the past you have given us a \$10 billion to \$12 billion net debt target into the medium term. I don't see that reiterated today. I'm just wondering whether you are willing to stick to that as a medium-term net debt target. And specifically on the implication of the Sanmarco tailings disaster what are you doing to address your own major iron ore tailings in particular at Minas Rio and at Sishen? What are the risks around those? Thanks.

Rene Médori

You are absolutely right. The further decline in commodity prices \$10 billion to \$12 billion is too high. We will have to be below \$10 billion. I think the restructuring of the portfolio that Mark mentioned will allow us to focus on higher margin assets but also to crystallise, to monetise some of the assets we will be exiting.

Mark Cutifani

On the iron ore tailings, tailings in general, in the last couple of years we have gone through a whole process and we have stopped operations on the basis of practises in tailings operations. For those who can remember at El Soldado we stopped operations for a period of time based on the fact we weren't happy with processes. There is a strong process in place, but like everyone we will go back and see what learnings there are to be had, anything that we need to apply, and also looking at joint venture structures to make sure the standards are being applied appropriately in those structures. More specifically, we use what they call a downstream construction method at Minas Rio whereby we basically use an earth bun that we built up from the base, and build that up progressively. The Sanmarco tailings had a different construction methodology called upstream where they lift the tailings up and build. So it is technically a different process. And we think that from a licensing point of view that shouldn't be a problem. Obviously it will still go through a process and that is always going to take a bit of time, but technically it is a different process. And from everything we have seen, just going back and making sure everything is in order, it appears to be in order. So for two reasons we think we are in solid shape, but you never take these things for granted.

Morgan Stanley

Morning. It's Menno Sanderse from Morgan Stanley. This one is meant for Philippe but I will address it to you, Mark. It is good to see you still in one piece given the headache part of the diamond market is subjecting you to. De Beers is clearly very important for Anglo American. And I understand everything you are saying on the slides. But can you give us a better understanding of how this is starting to impact the midstream, because clearly the chatter is still very bad. You talked a bit about delays and lags etc. but can you give us any level of confidence that these measures are helping to restore the equity in the midstream? And secondly, part two of that question, what part of the midstream doesn't fit De Beers' requirements in terms of IFRS and credit, which is totally understandable?

Philippe Mellier

Thank you for noticing I'm still here. Yes, this industry is full of rumour and when things are tough like in a crisis like this one obviously you have to blame somebody. First of I wanted to say that we are very mindful of what is happening in the midstream. I hope I demonstrated that. It is very important to understand that this is a stock crisis, not a demand crisis. And some would like to see this as a demand crisis or compare it to 2008 and 2009. You don't respond to a demand crisis the same way you respond to a stock crisis. So we had two levers we had to play with. It was the volume and the price. You saw that we massively reduced our volume and a little bit price, but we were still way below the decline in polished prices.

The midstream as such has been fragile. And we saw that two to three years ago and we knew that it had to restructure itself. So this is a wakeup call. We are mindful that the midstream has to generate profit. As you see we have opened the gap between polished and rough, and I think there is profit available. Some of our customers, not all of them, are making money today in the present circumstances. So it is not a disaster for everybody. Everything we do and all the decisions we take are with in mind what is happening in the midstream. When you implement a rough price decrease, for example, we are always very mindful of the level of stock. And it is not a good idea to implement a price decrease when you have two or three months of overstock because you really kill the business. So we take that into account. There will be a time for production decrease. There will be a time for price adjustment if it is required. We will always do it in a responsible way. I think most of our sightholders have understood that, reorganised their business, and quite a few of them are making money today in the current circumstances. So it is not a full disaster by any means.

In terms of going through the new financial criteria we have given them time, the length of the contract basically, to go from where they were to the new system. We have milestones and we are going along the milestones with each and every one of them to make sure that they comply. I cannot say that at the end out of 83 sightholders all of them will be fully compliant. But if some are falling I think it will be less than a half. So we are working very closely with them for each of the milestones, and every case is different obviously. We have detailed plans and so far so good. But it is going to take some time, because I'm sure you understand the base was pretty low. So we need to go up to a much higher level.

Morgan Stanley

Menno Sanderse. Mark, one follow-up on platinum. Clearly it is supposed to be a later cycle commodity but it had its own severe challenges after the Volkswagen situation. So what is the thinking around Mogalakwena to be the core to build the company on?

Mark Cutifani

I think, Menno the key point for us is to build around those three core assets again. Mogalakwena has been the standout asset in the platinum industry. We have got a wonderful resource position. We have got the best processing assets in the industry. Clearly if I could say the barriers to exit in South Africa in platinum are having an impact on available platinum in the market. I think over time that does correct. It is just not correcting quick enough, and so we see the cost pressure. There are some indications that stocks are continuing to reduce but clearly there is still some material around. And the fact that Lonmin is still in the mix has obviously had an impact on the volumes. We have just got to keep on improving our position. The one thing I would like to point out is despite a drop from \$1,500 per ounce platinum to \$850 Chris' debt has actually gone down. Yes, he has got a little bit of help from the Rand, but when you take \$500 million out of the Rustenburg cost structures and make money at \$1,000 and before we were losing at \$1,500 an ounce, we are making the right calls. And building around those core assets is where we think the future is in platinum. It may require a little bit of time. As I said, we have had good support for the strategy. People are sensitive to the fact that the balance sheet is where it is. We know that. We've been working on it. And from our point of view we think we are positioning the portfolio long

term for success. I think I've got to pick up a couple from the phone, so we will Rene and then we will go to the phones just for two, and then I will come to the left.

Rene Kleyweg

Thanks Mark. I guess one request, we previously had Sishen's stripping profile and production profile. Will we get access to that before the full-year results?

Mark Cutifani

That will be done in February.

Rene Kleyweg

And then two questions. The 7,000 support staff for 20 - 25 assets still sounds like a hell of a lot of people.

Mark Cutifani

That includes mine sites as well. So it is staff from mine sites all the way through on a staffing level of around 98,000. So going to 50,000 we will have to look at the final numbers but there will be additional changes to those numbers clearly.

Rene Kleyweg

Thank you. I guess alluding to that and the general market...

Rene Médori

7,000 is before the review of the portfolio. This is not for 25 assets. This is the current.

Mark Cutifani

The 7,000 is on 100,000 which we have already announced. We haven't adjusted those numbers. That will be part of the detail.

Rene Médori

As I highlighted the simplification of the portfolio will allow a step change in the level of support and other structures.

Mark Cutifani

The other final point. Other people don't actually report all of those indirects, as you know.

Rene Kleyweg

I guess is there any kind of road map that you can provide through next year, given the frustration there has been in the marketplace about the urgency or the rate of progress? You've obviously got the full-year results coming out in February. Then it is August. You are referring to disposals through 2016, early 2017. We are talking about the marathon programme etc. What are the points during the next six months that are going to give markets comfort that we are actually seeing an acceleration? You accelerated from 40 to 60, but everybody else is going down the highway at 80 so you're still losing ground. What are we going to see that gets people comfortable?

Mark Cutifani

We have actually reported the best improvement in the last 12 months relative to peers. Given we started later, in late 2013, we have to continue to accelerate. So clearly in 2015 we have made significant gains but we need to go a lot further. That is clear. So the milestones we have put, 36,000 jobs to be reduced. As part of that we have been very clear about the marathon milestones. We have talked about the disposals in the first tranche that we expect to be completed in 2016. So that is the

second \$2 billion. We may have to wait depending on the final paperwork to be done to get the cash. That will be completed. We will have started on the closure of operations that need to be put in place in addressing the tail. So the Snap Lake announcement, Thabazimbi well in process. Other assets, for example you would have seen the Drayton announcement the other day. We will change the way we look at the portfolio. So during the course of 2016 I would expect the die will be cast on probably 60% to 70% of the assets that we've talked to in this process with the clean-up occurring in 2017. You will always have one or two that will lag. But we will break the back of it next year. We will have some work to finish off in 2017. That is the point of the reconsolidation, the reconfiguration of the operation team as part of the go-forward process in 2016.

Rene Kleyweg

But is that still a second half loaded 2016?

Mark Cutifani

Well, it will be in some cases because you've got another 15 to 20 assets impacted. And clearly where there are disposals it does take a little bit more time in this type of market. But you will see progress during the course of the year. And that is what we will articulate in February. I've got some here at the back here.

Kieran Daly UBS

Mark, just a couple of questions on the new structure. Your Industrial Metals division for example, are you saying you're going to have one CEO, one CFO running that whole division, one head office structure around that? Secondly, you also mentioned somewhere in the presentation around the more functionally orientated. I'm not quite sure how it all fits together. You're going to have independent divisions with their own structure but they are going to be functionally orientated. It seems a very clumsy, bulky, bureaucratic type of setup. And then the last question is are there other assets right now that in the very near future we could expect you to be telling us they are closing or going on care and maintenance because they are not making cash?

Mark Cutifani

I will take your last question first. The tail presentation that we showed you indicates there are assets that aren't making cash. There are processes that have to be respected, but yes, we will be closing assets. So that is why in the first half of 2016 we will be addressing those assets that are on the right-hand side of the curve in one form or another. That is point one. Point two, what we are doing in base metals is you have the two big copper assets, you've got the major project in Quellaveco and you've got Barro Alto. As we skinny down the portfolio the area of coverage for Duncan for example has become a lot slimmer. In fact he will be operating with half the assets. Chris is doing the same restructuring in the platinum business. So from our point of view the platinum business looks very different in 12 to 18 months as a function of that restructuring. So we will still have a CEO managing a restructured platinum business, but it would look very different. Lower cost structures, as Chris has been articulating. So from a global perspective we will be looking at an integrated structure that reduces the support staff requirements across the board and has a high capability of providing better support. We think we have still got quite a bit of duplication in the regional structures and between the centre. So we want to bring those together and take out that duplication. I think you will find that there may be other groups thinking about the same sorts of structures as they focus on their major assets. That is where we are going. In the case of Anglo Plat we will respect the listed entity, but as much as we can we will take out the duplication. And where we see non-value adding work between the centre and the regions as part of the restructuring process. So for me it is not a clunky structure. Having worked in it before it is very efficient because if you've got the right capability and the right places you will reduce your manning by some 50% to 60% when it is done properly. That is the purpose and the guys are working through the designs as we speak. Kieran, did I get your three questions?

Kieran Daly

Yes, that's good. Thanks Mark.

Kane Slutzkin

Good morning Mark. Just a quick follow-up on platinum. If I read between the lines and looking at what you deem to be your Priority One assets it sounds as if everything but Mogalakwena is up for sale. Would that be an accurate assessment over time? It is not the impression I get from reading the release from Amplats this morning, but I sort of get that impression looking at your presentation today. Maybe if you can just clarify that. Thanks.

Mark Cutifani

Absolutely Mogalakwena is a core asset. Also there are a couple of very good resource positions in the platinum business, Twickenham and Amandelbult. The fact that we are not spending lots of money developing new projects seems to me fairly sensible in the current price environment in platinum, so I wouldn't read too much into that. We will articulate what is in the portfolio in February. We are responding to a market where prices are low and putting more volume on and committing capital doesn't seem sensible in today's market. So I wouldn't connect the two too closely.

Kane Slutzkin

All right. Thanks very much.

Ian Rossouw

Morning. It's Ian Rossouw from Barclays. Just to follow up on the sale of cash flow negative assets, looking at that slide you provide there are about 18 assets that are negative cash flow and another 11 that are marginal cash flow. You announced today you are closing two assets. If you strip out the ones that you are disposing how many of your existing portfolio of assets are cash flow negative, and in terms of your expectations for timelines for shutting these down or disposals.

Mark Cutifani

Over the next 12 months we will see assets either pulled back into cash positive mode or with the prognosis of delivering cash into 2017, or they will be closed. Period. That obviously depends on what commodities do, but we are assuming and planning for the worst. If things get better then well and good, but we are planning for the worst to ensure this company is in strong shape into 2016 irrespective of what the world throws at us, period.

Ian Rossouw

Maybe just to follow up, in terms of the timing why have you not made those decisions to close the assets now? Why do you feel you need to wait till next year?

Mark Cutifani

We have already been preparing the ground for some of those assets. If you look at commodity prices in the last two months there has been a significant downturn in a number of commodities. A number of those assets were cash positive and they have gone into the red. So we will make judgement calls as you do, and we will consider that, but again we will be very clear in February in terms of what that looks like.

Ian Rossouw

Thank you.

Ben McEwen

Hi. It is Ben McEwen from CIBC. Just a question on the stay in business and stripping and development costs. They have come down from \$2.8 billion to \$2 billion in the year. Can you give us an idea of what proportion of that has been currency driven? And the portion that is not currency driven, is there a risk to the operational performance of cutting the stay in business capital that might later affect operating performance?

Mark Cutifani

On a currency basis if I take inflation in South Africa and other jurisdictions you've got about \$100 million clawback on that, so about \$100 million net net. So the rest is all efficiency. In looking at the business from an underlying operations efficiency there is at least a 20% improvement in operating cost per metre based on doing things smarter. We have also been pulling back capital where we have been stripping ahead. In some areas we are 18 months ahead on stripping. We have made sensible decisions in pulling some of those numbers back. So it is a combination of all three.

Alon Olsha

Morning. It is Alon Olsha from Macquarie. The first question is on the divisional structure again. You set up a marketing unit about 18 months ago and very recently you appointed the first dedicated head of that unit, yet it doesn't appear in the presentation or in those three divisions. Does that overlay the divisions? And can you give us a bit of a sense for what your latest thinking is on that marketing business?

Mark Cutifani

We have improved with marketing. Our realised prices against our peers have moved up 2% to 2.5% so we are really pleased with the performance and delivery. It remains in place. We are looking to continue that work, because we have cut logistics costs, we have actually improved our realisation of prices both in the markets we've targeted and against our competitors in the market. So very successful. There is no reason it is not in there, other than to say we are going to focus on continuing the good work. It has been a great success. We have been absolutely thrilled. What is it, over \$100 million contribution to platinum in getting rid of contracts and getting full value for gold in concentrate. Great success right across the board, so it is going to continue. That is going to allow us to consolidate the three entities because we have now got marketing packaged in a different way with a different model which has been very successful.

Ben McEwen

And then just a second question on credit rating. By your own admission you are at the margin of the investment grade. You seem to believe that the funding cost impact is fairly benign. Does that mean that Anglo will not move to protect the investment grade rating with for example a capital raise if things get worse or spot prices persist? Are you willing to live with a sub investment grade rating?

Rene Médori

What I have said it I've acknowledged that at current spot prices we don't meet the criteria in terms of credit ratio for investment grade. What I have also highlighted is if we are downgraded there will be no impact on how we run our business in terms of cost of financing except if we were to access the market to raise new money, new bonds. We are not planning to tap the market as of today beyond what we have in terms of liquidity.

Richard Hatch

Morning. Richard Hatch, RBC. Just a couple. Forgive me if I missed this. The 2017 cost and volume savings target, can you just give a split of the mix between volume and cutting costs? And then secondly one for Rene. You mentioned the Sishen debt covenant does come under pressure at current

prices. If we do see a breach there could you walk us through what would happen and what you would need to do? Would you have to put some more equity into the business?

Mark Cutifani

On the productivity split it is about 13% to 70%. So about \$700 million cost out and about 13% productivity tonnes. Is that right?

Rene Médori

On Sishen what I said is at the end of 2015 we will have substantial headroom but with the lower earnings on the back of lower iron ore prices later in 2016 there will be pressure in terms of meeting the covenant ratio. I won't be specific in terms of what this means because it is subject to confidentiality. I am not going to comment on what Anglo's position will be.

Myles Allsop

Myles Allsop again from UBS. Just a couple of follow-up questions. Just on the next step going from 36 to 20 assets, should we assume the vast majority of that 16 is closures, or is it part closures and part divestments? Just to give us a sense of how you are looking at delivering the restructuring. Also in terms of divestments obviously you see Glencore doing streaming transactions. You have an opportunity with Collahuasi to stream its silver flow. Is that part of the base case or is it something you would consider even?

Rene Médori

That is something we are looking at. It is not part of the base case, but we are looking at it. It is a question of whether we have sufficiently refined reserve and resource for gold and silver to consider streaming.

Mark Cutifani

I think in terms of the incremental assets clearly from our point of view it would be better to sell an asset if that was possible. But if not we won't allow an operation to continue and drain cash, pure and simple. I don't want to put a ratio on that. We will articulate that in February. I think doing that on the basis of those prices today is a little bit short-term in the approach. But we will articulate that very clearly in February in terms of the package that we see going one way and those going others. There are assets that we've had offers for that wouldn't excite you but we may consider in the light of where the industry is today. So we will answer that question clearly in February.

Rene Kleyweg

Rene Kleyweg again, Deutsche Bank. A follow-up question. We all make mistakes. Ours has been so far to continue with the buy recommendation of Anglo. If we look over the last couple of years and what you've announced today how much of what you've announced today is a reflection of changes in market circumstances? How much is what you're allowed to do because of changes in market circumstances, and how much is changes you wish you, the board and management team wish you had made 18 months ago?

Mark Cutifani

I think, Rene, very simply put the strategy has received very good support on the basis of the logic of diversification and the focus on the core assets. We believed that with commodity prices two years ago the critical mass of the assets would actually help move the debt quicker, and you would be in a very quick position where you would be funding the new opportunities going forward. I didn't see many people forecasting the commodity price drops that we've seen in the last two years. For those who are commenting on the strategy, I find that interesting. Simply put our moving quicker here now today is of

course a function of where prices are today. It is no different to the direction of travel we've been going. That's clear. Our strategy hasn't changed.

But the imperative to get there quicker is clearly a function of the market, but also a function of the opportunities we see in that market. You've just got to get there quicker, pure and simple. In the last 12 months we have accelerated our cost cutting across the board. That has to continue. We have to get there quicker. The portfolio will be a world-class portfolio. We have just got to get there quicker. So I think the speed issue has been very much a function of the market. If I reflect on the strategy, which I think is a key point, I think in the last 35 years one single commodity group has popped into the top five for a couple of years. There are one or two that have popped in in the last two years. One or two data points I don't think justifies a change in the approach. But the speed and execution I think has become critical in this market. And for us we can't miss the opportunity to be quite frank of a commodity market where we are to get there in half the time. That's the challenge. It is also the opportunity. We are not going to miss the opportunity because that is where we are going to get to in half the time. And that is the challenge for the team, and that's where we're going. I did say I promised a question at the back here, and that will be the last.

Andrew Byrne

Hi. Good morning. It's Andrew Byrne from Barclays. It won't be an Anglo presentation without asking the question on South Africa. You've talked about platinum and building a business around it as a priority asset. You also mention Lonmin there. You're talking about building an asset around an industry that is moving towards nationalisation through one form or another. Have you guys got comfort around that? Again you talk about barriers to exit and you talk about closing loss-making assets. There are loss-making assets in your platinum portfolio. Do you believe you can actually close them, and is that something we should expect in 2016?

Mark Cutifani

There is no doubt that as we restructure we reduce the activities on a proportional basis in South Africa. We will articulate that with more clarity in February, but it is lower than where we are today simply on the basis of the assets and where we're going. In Mogalakwena we've got an asset that is doing exceptionally well. In fact for most of the last 12 months it has actually grown its margin in a tough market as we have improved our efficiencies. We did prove that in South Africa with the reduction of 14,000 roles at Rustenburg that you could make tough decisions, you could execute, and the government wouldn't stand in your way once the processes had been observed and we had gone through a consultation process. We took \$500 million out of the costs at Rustenburg, hence its improvement in costs. In fact they have made cash for the first six months of this year at \$1,000 an ounce. It was losing money three years ago at \$1,500 an ounce. So that's a key point. In terms nationalisation I don't think that's a fair observation. Certainly there are pressures. We are sensitive to those. And we will manage those issues as we do in all of our jurisdictions across the globe. No jurisdiction is easy. South Africa has its challenges. We are managing those challenges. It still remains our highest retuning jurisdiction across the globe. We will continue to manage those challenges going forward, but it will be a relatively lower footprint from what we've announced today. Ladies and gentlemen, thank you for your time.

END OF TRANSCRIPT