

# **B<sub>OF</sub>AML 2014 GLOBAL METALS, MINING & STEEL CONFERENCE, 13 MAY 2014**

**Mark Cutifani, CEO**



**Real Mining. Real People. Real Difference.**

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# THE ANGLO AMERICAN STORY

**We have acknowledged where we have made mistakes...**

## **Performance Disappointments**

- Operations delivery has been unacceptable
- Project schedules and budgets have been missed
- Capital spending has inflated the Balance Sheet

## **Critical Issues**

- Poor operations and project planning and execution
- Technical skills depleted...lack of resource and operations understanding
- Capital allocation driven by focus on growth

# THE ANGLO AMERICAN STORY

**We have acknowledged where we have made mistakes...**

## **So...what have we done**

- **Asset Review**.....completed to help understand critical risks and opportunities
- Identified short term opportunities...**Driving Value** to double EBIT by 2016
- **Restructure and recruit** to rebuild technical and business skills

## **Our Focus...strategic clarity**

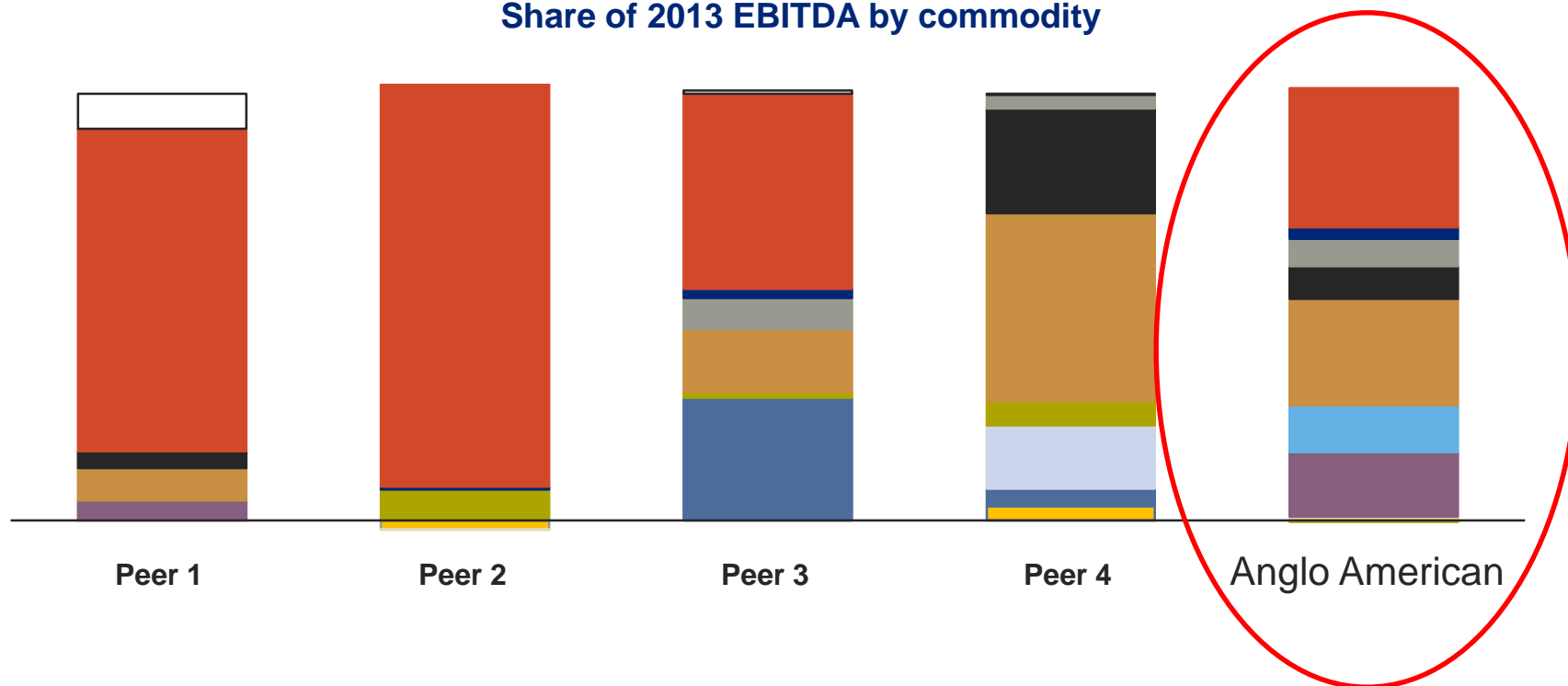
- **Drive top 20 assets** towards potential...equivalent to 70% of EBIT
  - **Resource** potential
  - **Mining strategy** to unlock value
  - **Planning and operations** deliver reliability and consistency
- **Focus best people** on critical value activities...recruitment and reassignment
- **Eliminate value destructive complexity**...31 assets only delivering 2% of EBIT

**...and we are rebuilding the foundations for performance.**

# STRATEGIC CLARITY...

We are a “Major Diversified Mining Company”...

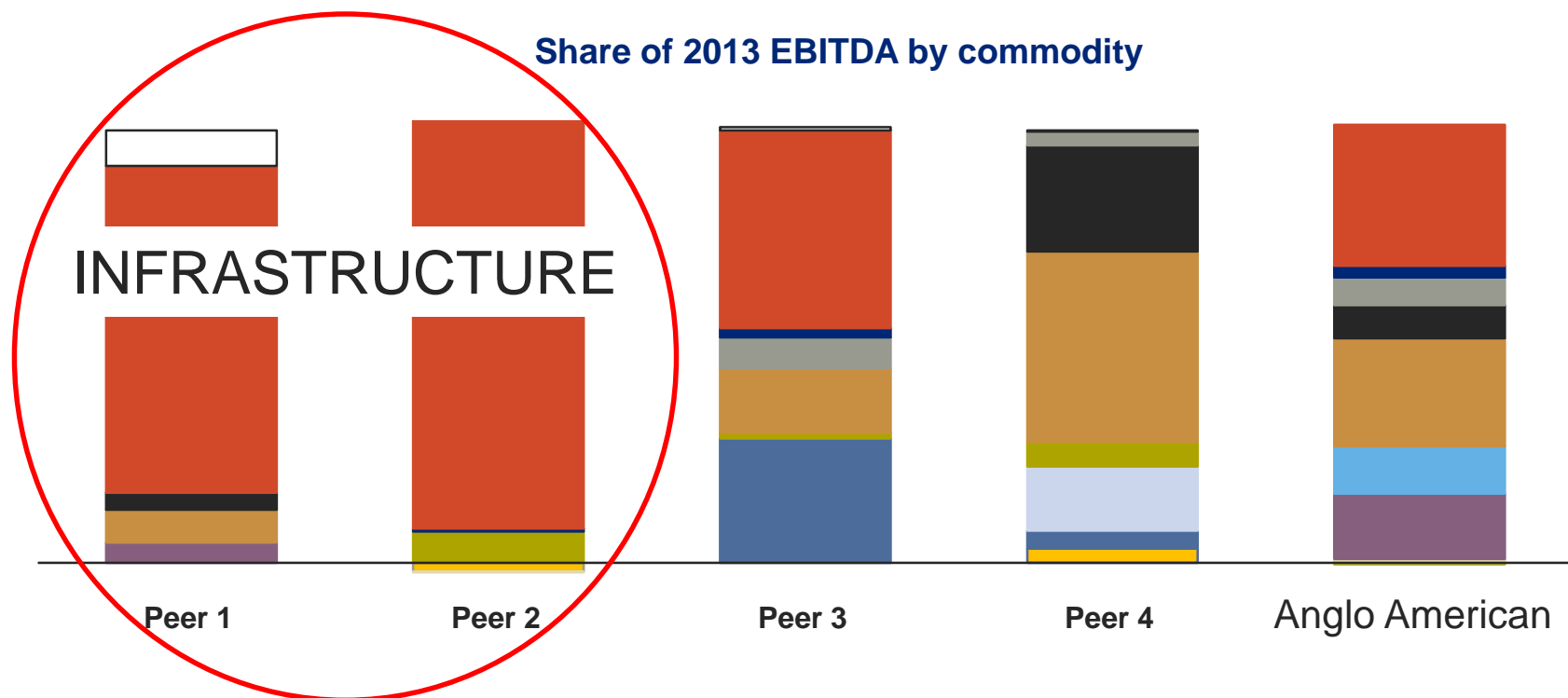
Share of 2013 EBITDA by commodity



Aluminium Manganese Thermal Coal Nickel Platinum Petroleum Alloys  
 Iron ore Metallurgical Coal Copper Zinc Diamonds Fertilisers

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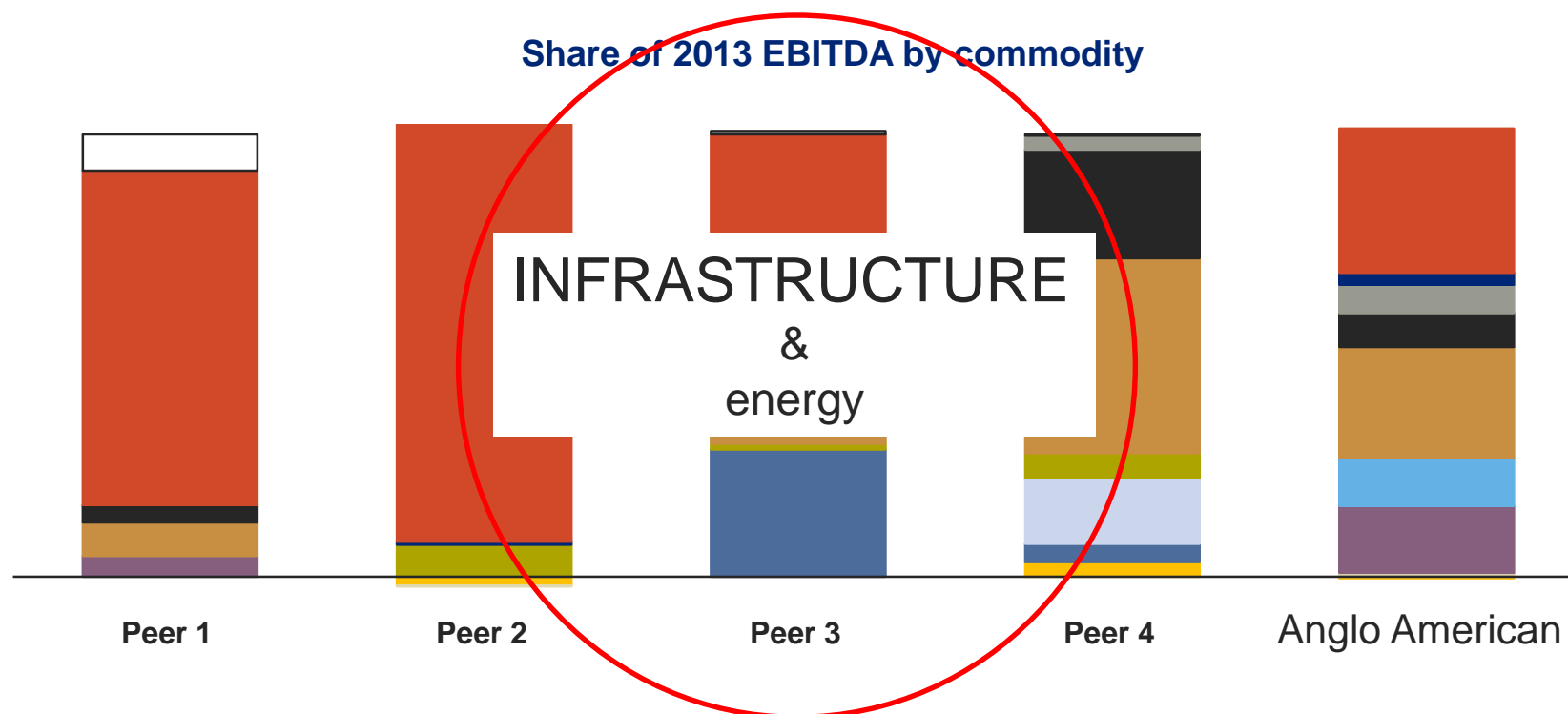
...with a differentiated downstream market mix.

Note: All data is CY2013. Charts do not include EBITDA from marketing, logistics, agricultural other operations. Coal split for thermal coal and metallurgical coal not available for Peer 1 and Peer 2 so presented as a dashed line

Source: Company annual and interim reports

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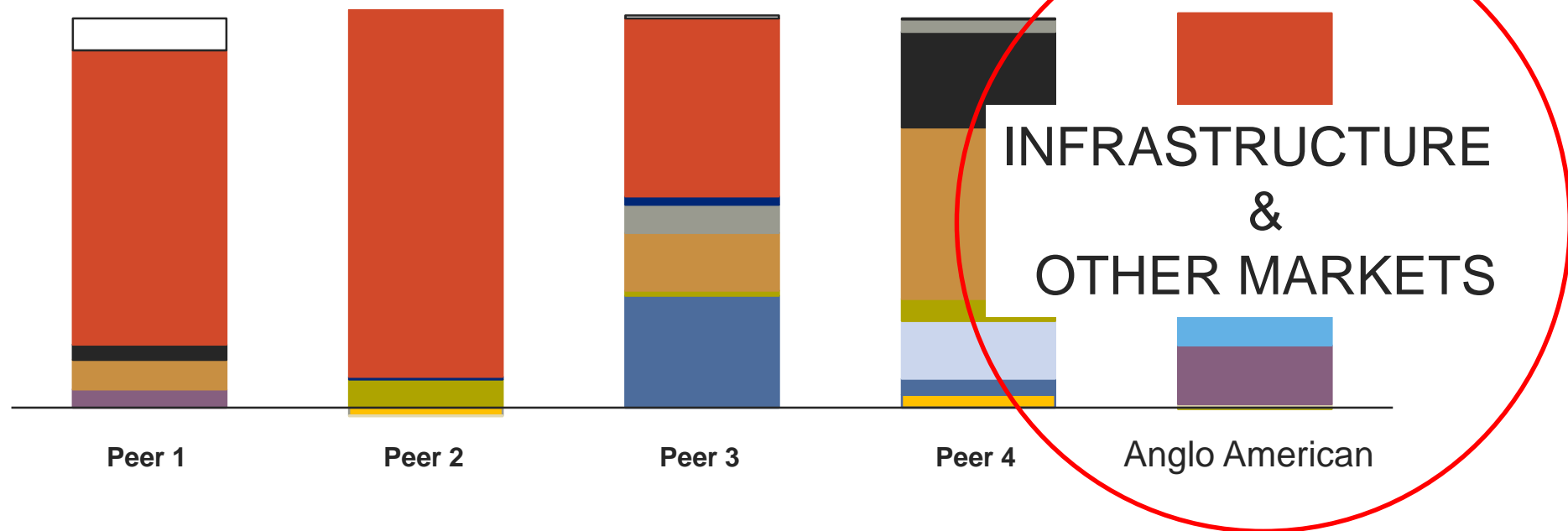
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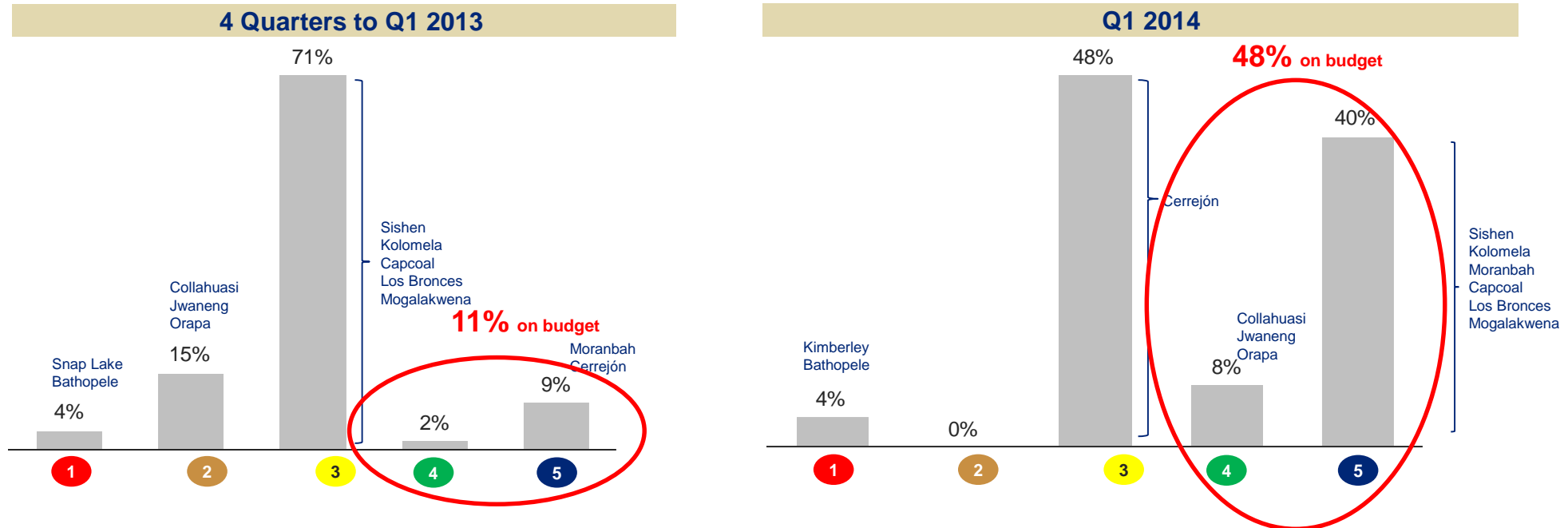
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# DOING WHAT WE SAID...

## Predictability continues to improve across operations...

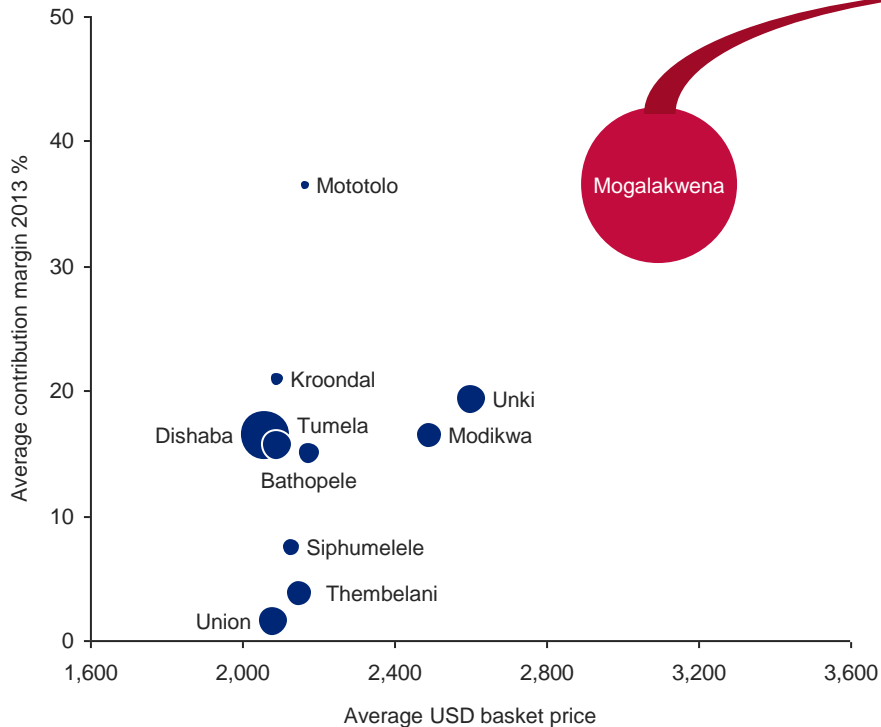


Category	Description
1	Negative cash risk <ul style="list-style-type: none"> <li>Budget hit for less than 75% of recent quarters for production &amp; cost; No recovery plan or recovery plan not met for last 2 consecutive quarters; Cash flow &lt; \$(50)m</li> </ul>
2	Below budget, improvement uncertain <ul style="list-style-type: none"> <li>Budget hit for less than 75% of recent quarters for production &amp; cost; No recovery plan or recovery plan not met for last 2 consecutive quarters; Cash flow &gt; \$(50)m</li> </ul>
3	Below budget, but improving <ul style="list-style-type: none"> <li>Budget hit for less than 75% of recent quarters for production &amp; cost; Recovery plan in place and recovery plan met for last 2 consecutive quarters</li> </ul>
4	On budget <ul style="list-style-type: none"> <li>Budget hit for at least 75% of recent quarters for production &amp; cost; No formal documented business improvement (BI) program</li> </ul>
5	On budget and ongoing BI <ul style="list-style-type: none"> <li>Budget hit for at least 75% of recent quarters for production &amp; cost; Formal documented business improvement (BI) program in place</li> </ul>

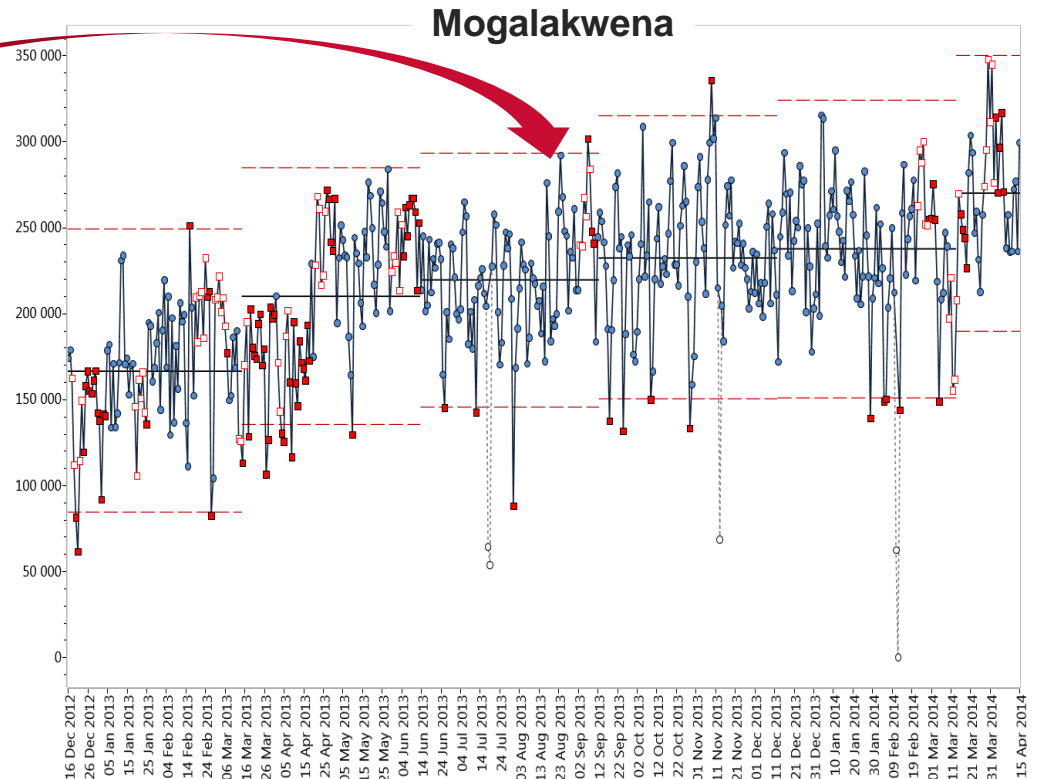
# UNDERSTANDING OUR RESOURCES

We can see where we have resource opportunities...

## Platinum Asset Reserves and Margins



Amandelbult: Dishaba and Tumela  
Rustenburg: Bathopele, Thembelani, Siphumelele,

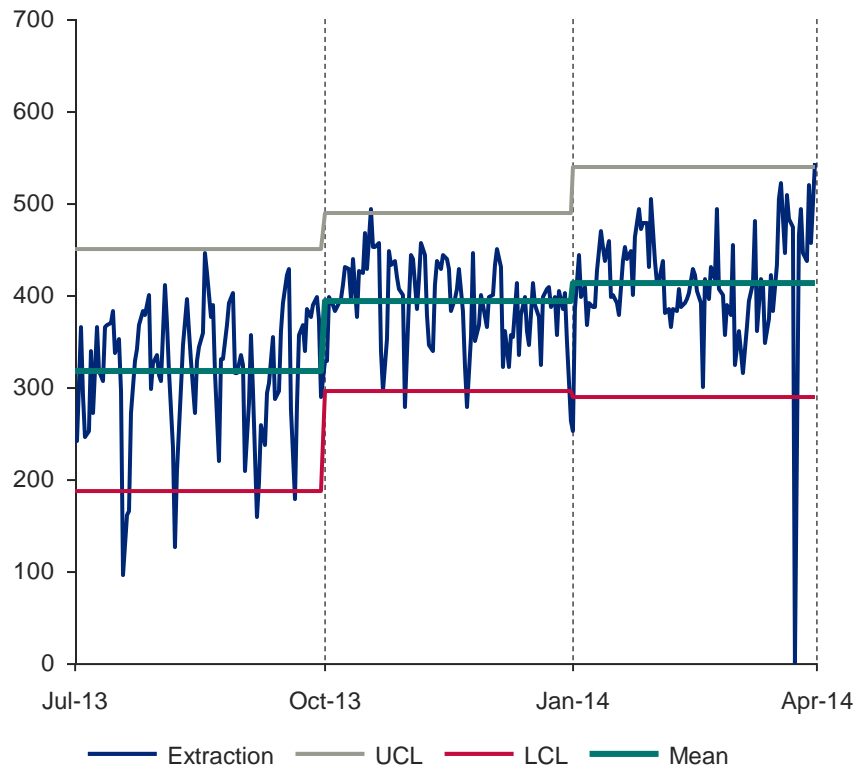


...and we are driving significant changes across the portfolio.

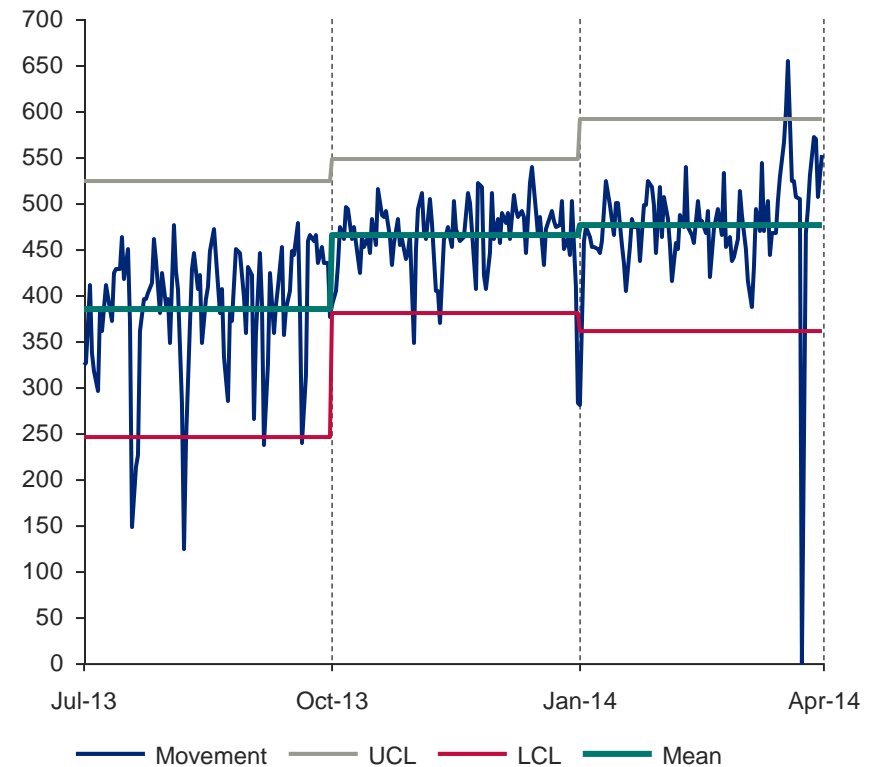
# MINING STRATEGY DELIVERY

## Los Bronces – mining strategy and plan delivery...

Mine Extraction (ktpd)



Mine Movement (ktpd)



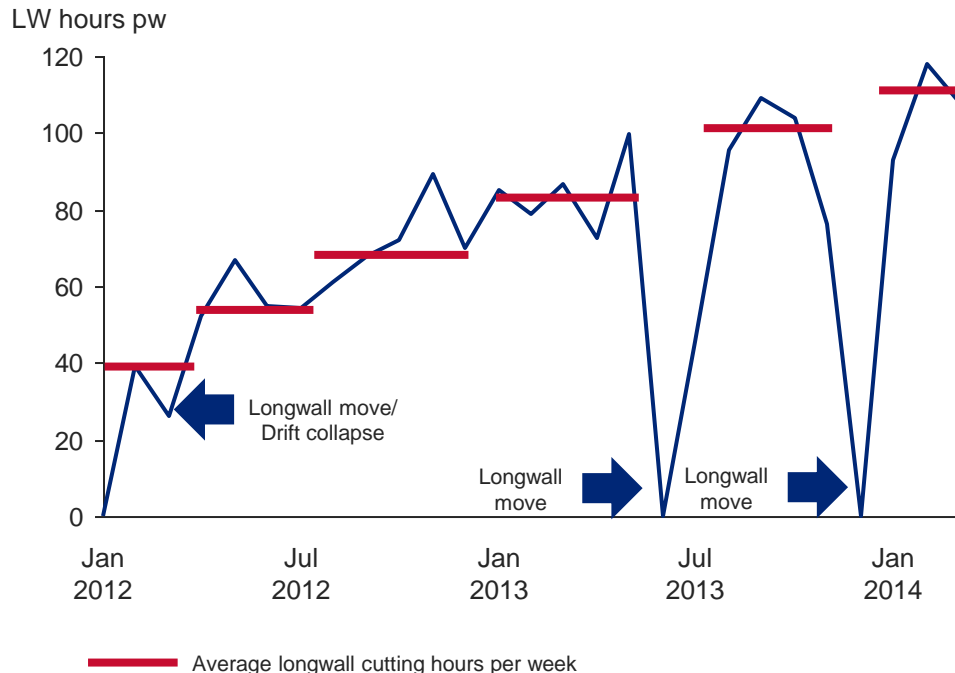
...supports continuing step improvements.

Note: UCL = Upper Control Limit, LCL = Lower Control Limit

# OPERATING MODEL SUPPORTS IMPROVEMENT

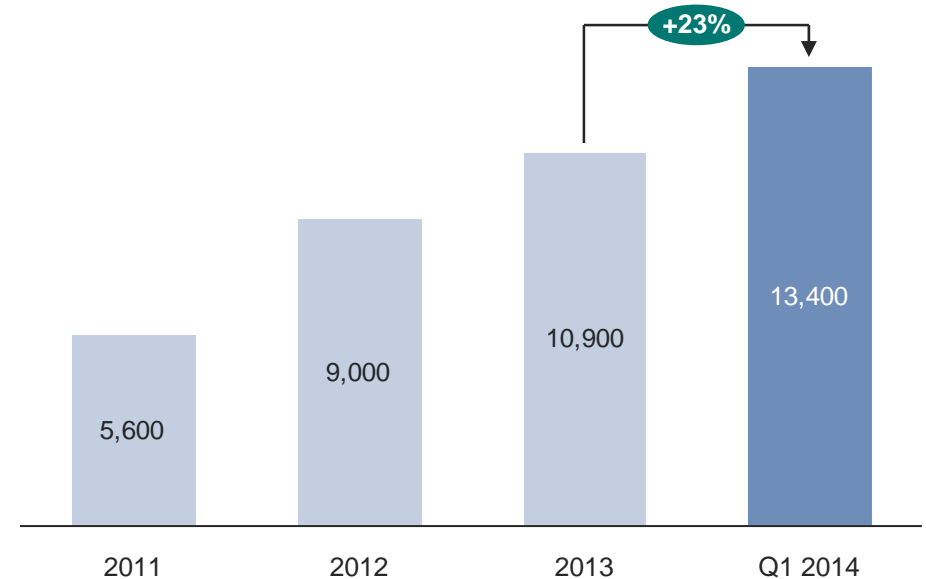
The focus on a manufacturing approach to mining.....

## Strong productivity increases 100% at Moranbah



## Underground Australian productivity (ROM tonnes/FTE)

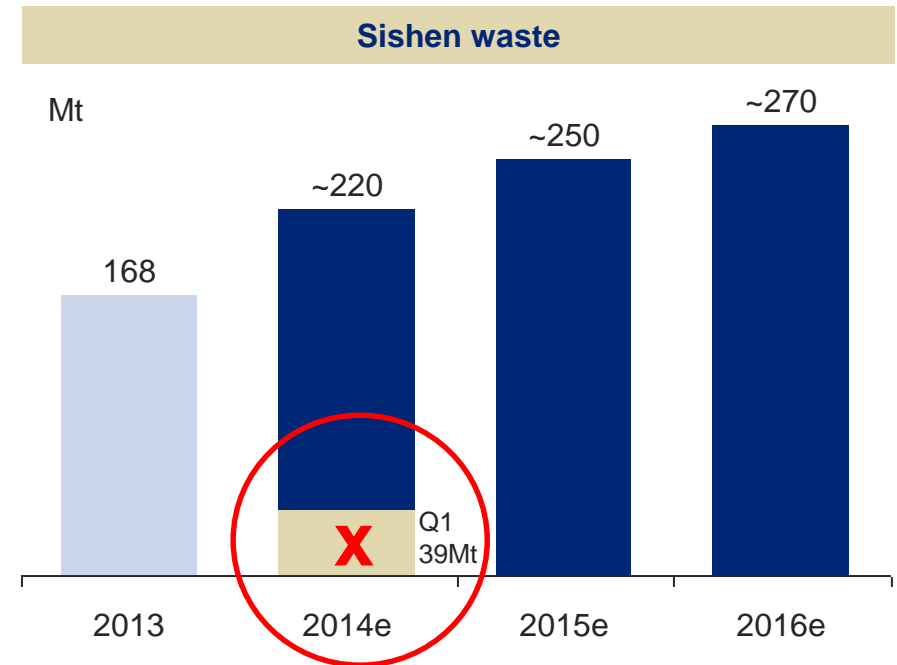
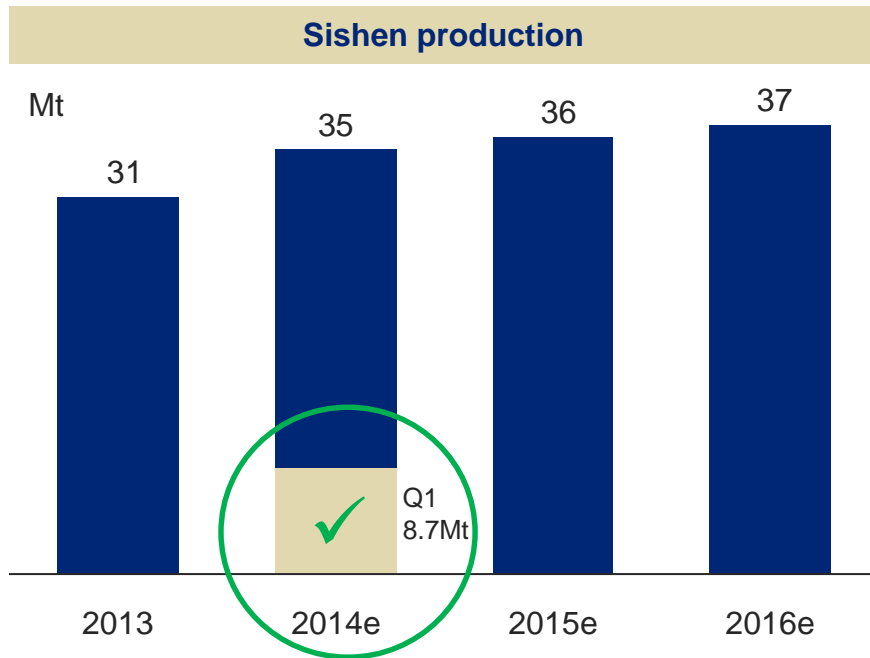
Productivity based on period-end FTE's



...reinforces the benefits of a new operating philosophy.

# SISHEN...STILL LOTS TO DO

We have stabilised ore production...

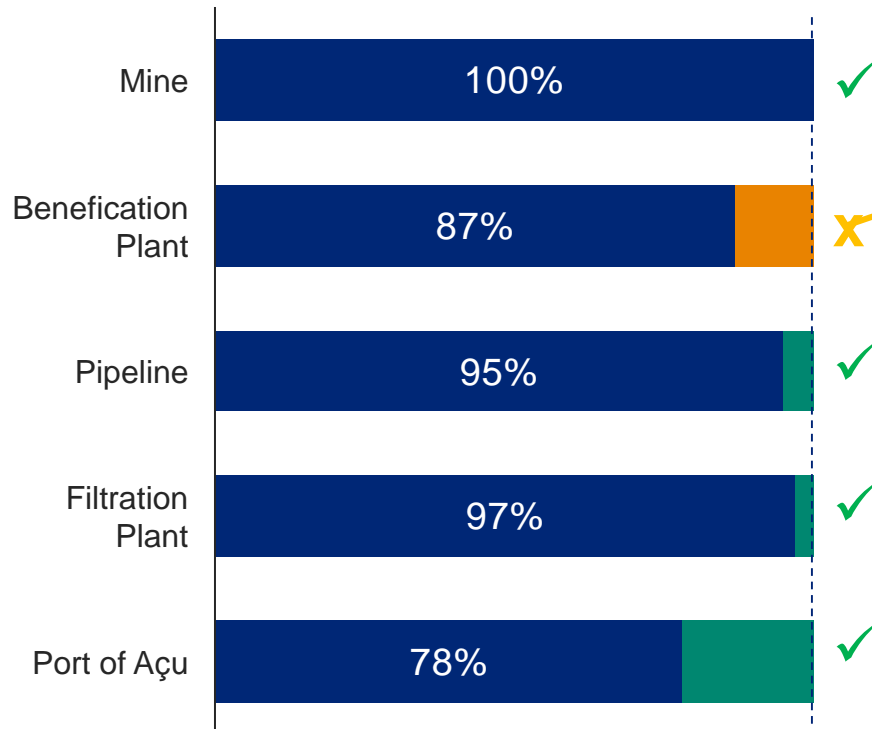


- New mine plan (pushback design) in place 2015
- Business Process Framework implementation (mining equipment and efficiencies) August 2014
- On schedule to achieve 2014 production target
- Some catch-up required on waste volumes following Q1 weather impact

...but we need to accelerate waste mining rates.

# MINAS-RIO 88% COMPLETE....FOOS ON TRACK FOR 2014

## Progress - 88% complete (at end of March)



## Operational readiness

- Mine stripping complete – ore mining in process
- Beneficiation plant on schedule for Q4 commissioning – currently 30 days behind plan
- Other commissioning activities underway and progressing well e.g. pipeline hydro testing complete
- Pipeline pump and valve stations and filtration plant 100% complete and tested
- Stockpile of ore available for processing ~2Mt
- Production for 2015: 11 - 14Mt

2016: 24 - 26.5Mt

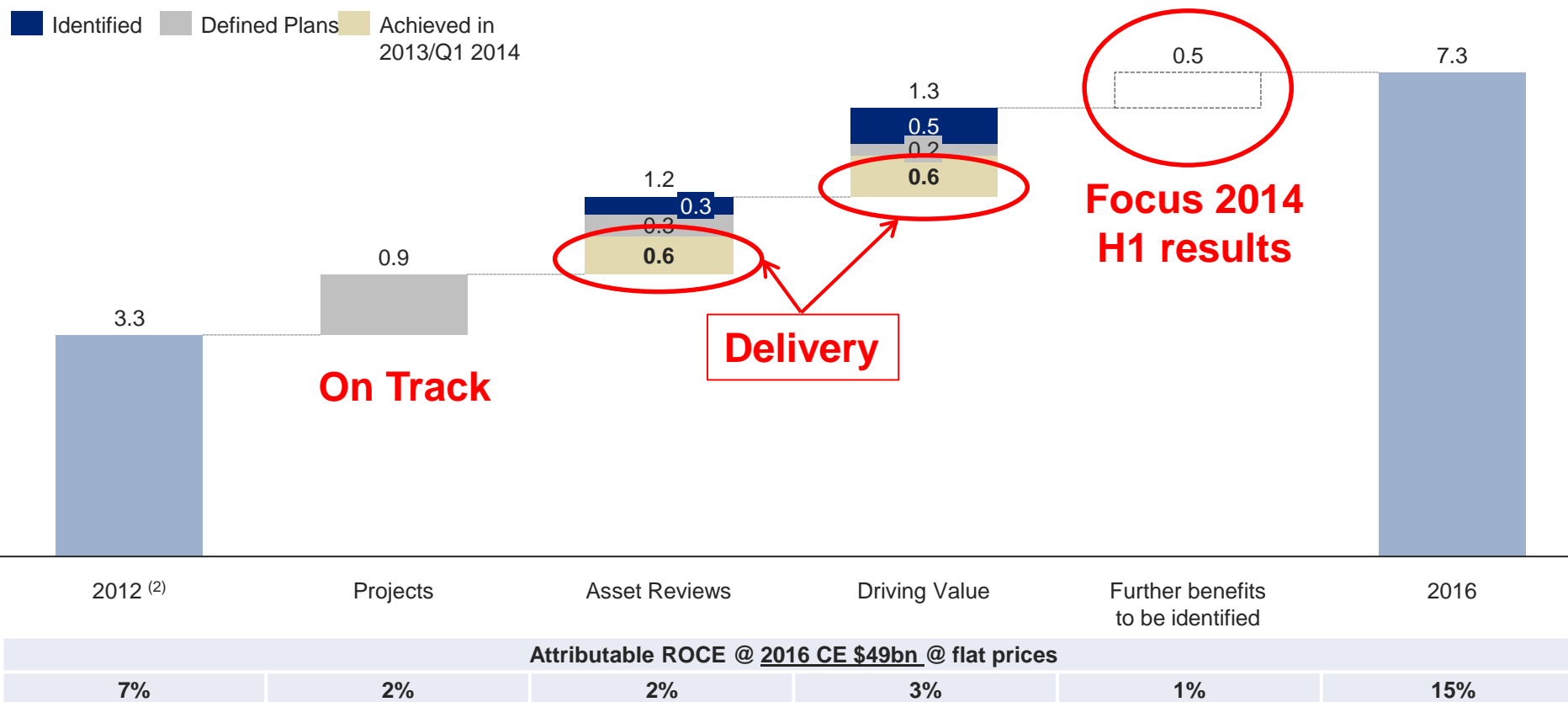
## Licensing



# FOCUS ON RETURNS - ATTRIBUTABLE ROCE

## TARGET IS 15% ROCE BY END OF 2016...

Attributable ROCE<sup>(1)</sup> (%) and EBIT (\$bn) 2012 to 2016 Target (\$m) @ 30 June 2013 prices and FX



...requires a doubling of EBIT.

(1) Attributable ROCE defined as operating profit attributable to AA plc shareholders divided by attributable average capital employed

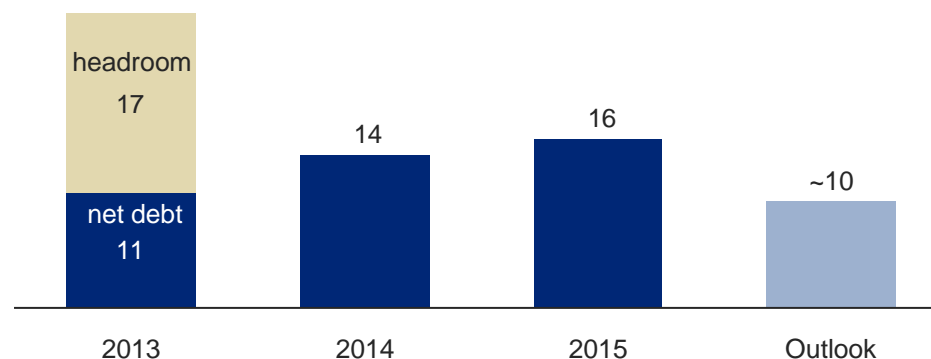
(2) ROCE based on commodity prices and exchange rates at 30 June 2013 and including structural changes to portfolio

# BALANCE SHEET FLEXIBILITY

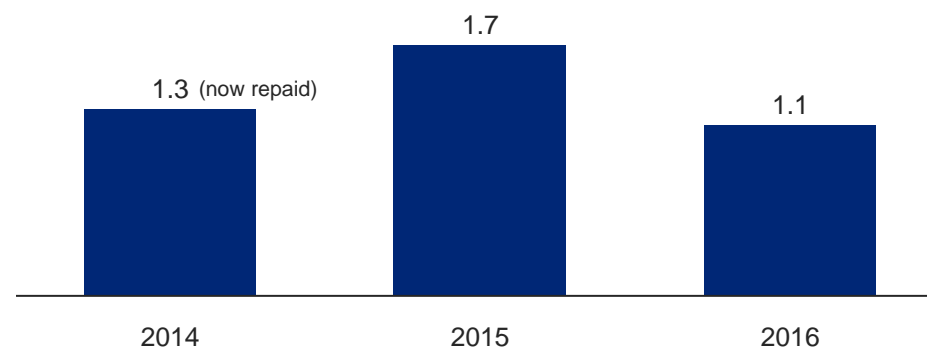
## Delivering projects through '14 – '16...a different point in capex cycle...

- Increasing net debt levels in the near term reflect capex peak in 2014 supporting Minas-Rio and Grosvenor projects
- Current liquidity headroom (cash plus committed undrawn facilities) of ~\$18bn
- Commitment to support base dividend of 85 US cents per share per annum
- Stay in business capex ~\$3.0bn  
Mine development ~\$1.0bn
- Asset sales will be opportunistic pending market conditions and value delivery.

Net debt consensus forecast (\$bn)<sup>1</sup>



Debt maturity profile (bonds, \$bn)<sup>2</sup>



**...potential to reduce liquidity and associated cost as net debt falls.**

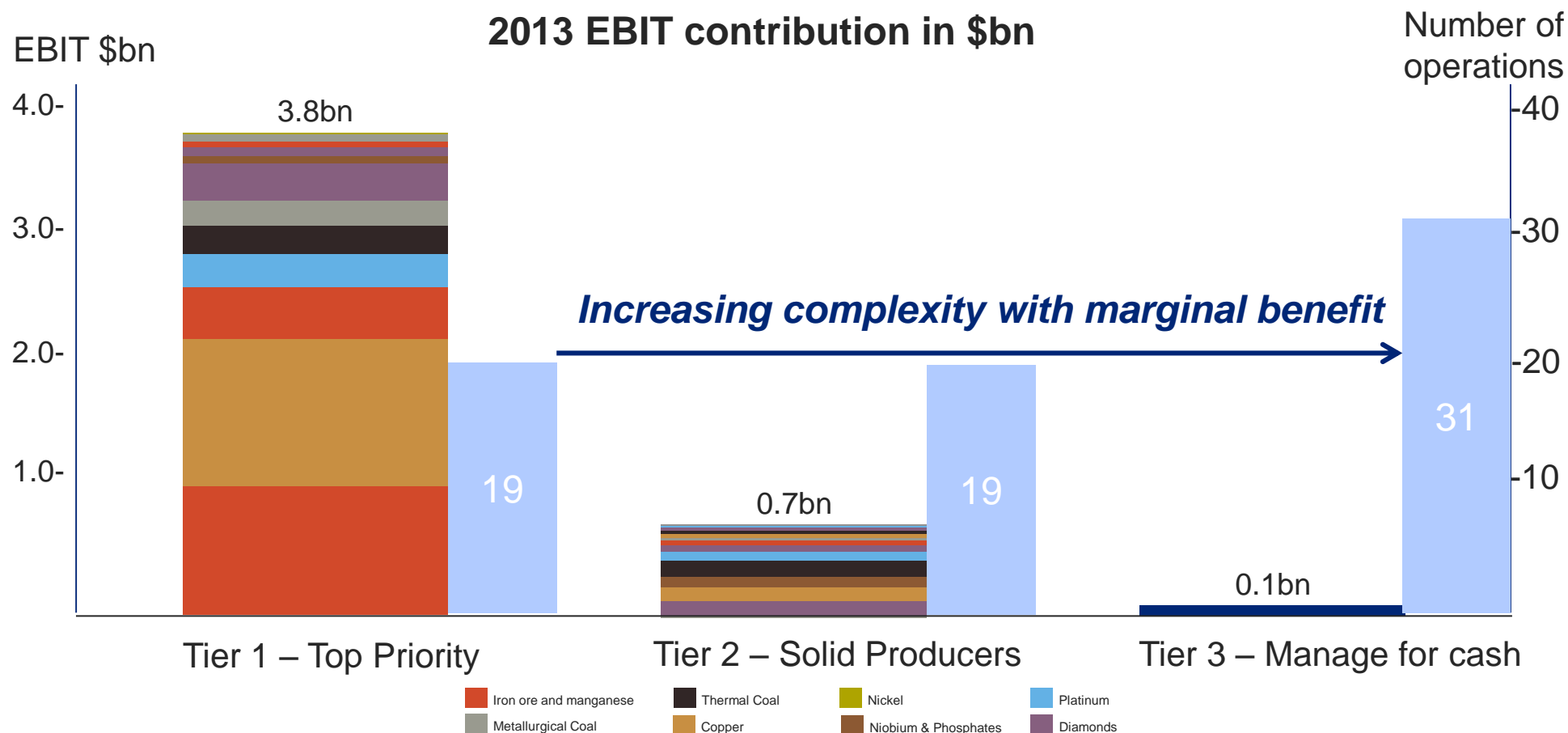
1) Based on consensus of analysts

2) YTD 2014 Anglo American has issued additional bonds totalling c.\$3.2bn in Euro, USD and ZAR markets. A \$1.25bn USD bond matured in April 2014



# MANAGING THE PORTFOLIO

Focus on Tier 1 delivery and potential...Tier 2 consistency and potential...



...and Tier 3 discussions are strictly “cash or (don’t) carry”.

# SUMMARY

## Focus on ROCE reflects business delivery and capital discipline...

- 2014 is about rebuilding our performance foundations
  - Minas-Rio first ore on ship
  - Sishen production of 35Mt
  - Platinum portfolio and Rustenburg positioning to be defined
  - Deliver the numbers with focus on critical assets
- Key personnel are in place and execution is on track for major change points
- Positioning of our portfolio is unique and we are creating our own earnings momentum
- 2016 ROCE of 15% target is a milestone...not a destination...+20% ROCE is business target

“Return on Capital” leads to “Return of Capital”

# APPENDIX



# PRODUCTION OUTLOOK – 2014 COPPER / PLATINUM REVISED

COMMODITY	2012	2013	2014	2015	2016
Copper <sup>(1)</sup>	660kt	775kt	710 - 730kt 700-720Kt previously	c.700kt	c.700kt
Nickel <sup>(2)</sup>	31kt	34kt	30-35kt	20-25kt	35-38k
Iron ore (Kumba) <sup>(3)</sup>	43Mt	42Mt	44-46Mt	45-47Mt	46-48Mt
Iron ore (Minas-Rio) <sup>(4)</sup>	-	-	N.M.	11-14Mt	24-26.5Mt
Metallurgical Coal	18Mt	19Mt	18-20Mt	19 – 21Mt	20-23Mt
Thermal Coal <sup>(5)</sup>	29Mt	28Mt	29-30Mt	28-30Mt	29-31Mt
Platinum <sup>(6)</sup>	2.3Moz	2.3Moz	2.1Moz 2.3-2.4Moz previously	2.2-2.4Moz	2.2-2.4Moz
Diamonds	28Mct	31Mct	29– 31Mct	-	-

(1) Copper Business Unit only

(2) Nickel Business Unit excluding Loma De Níquel in 2012

(3) Excluding Thabazimbi

(4) Minas-Rio 2016 guidance is dependent on the 18 to 24 month ramp-up schedule

(5) Export South Africa and Colombia

(6) Refined production