Conference call transcript

9 December 2014

ANALYST DAY PRESENTATION

Session 1

Mark Cutifani
Ladies and gentlemen, welcome to our discussion today on giving you an update where we are with this year's delivery and in particular where we are taking the business on a go-forward basis. With that if I just go to the first overhead that I'm using, there are three words. Stability, capability and potential. I will actually describe them in more detail as we go through the presentation, but they are the things that we will be talking to across the business.

In terms of agenda, the day has been laid out fairly clearly. With the logic flow that we have set up in our conversations we hope that we will answer all of your key questions and obviously if we have missed something we will pick that up in the Q&A. We think the way we have structured the day and in particular with who we've got presenting we will pick up all the key issues.

The leadership team you have met before. The darker colour in blue represents those who will be specifically presenting today. But as a team we will be back here probably around the same time next year talking about how we've delivered against the commitments that we put forward during the course of the day. And I think it is important that you hear a good bulk of the team actually presenting. Those that aren't talking today, Philippe, who is actually here with us in the front row, recently presented the De Beers story so we didn't want to put him through two days of torture. Certainly he will be able to answer any questions and we are open for questions on De Beers.

Secondly Phil Mitchell, who is about to finish his first 100 days, wasn't allowed to have an opinion up until day 100. I imagine we are going to hear lots of stuff next week, both as a consequence of what he has seen and what he will hear given the way we present our story today.

Third, Khanyisile, for those who have been watching the press it has been announced that Khanyisile will be taking up a very important role in Business Unity South Africa as at the new year, and that is as Chief Executive of South Africa's peak organisational body and we have seconded Khanyisile in that role for a couple of years. So great recognition for the organisation and in particular Khanyisile and the great contribution she has made to the country.

The three key words. A very simple representation. First and what we have really been focussed on in the last 18 months is to establish stability within the operations, making sure that we've got control of our key functions so that we could deliver on the basics. Second, from stability, from those foundations, we start to understand what each of the assets can do. And as you will see going forward we will continue to improve performance. We have built on that stable base and built on an understanding of what the assets can do. And that really underpins the driving value programme up to around 2016.

Beyond that, and as part of the work we've been doing, we have been looking at our resource endowments, again looking at our installed capacity and facilities, and working hard to understand what comes beyond 2016 in terms of the strategy, the portfolio and the way we deliver across the portfolio. None of those activities occur in isolation. That is why we have shown these arrows in parallel. Each one informs the next and it is a circular process. But for us it is about building a continuous improvement structure, and that is the model that we're working from and looking to continuously improve, and certainly go well beyond 2016 when we talk about the potential of the business.

What are you going to hear from us? I will start off talking about delivery on commitments. We will touch on progress on improvements across the portfolio in particular. Rene will pick up the capital management story, talking about efficiencies, where we have cut back on our capital appropriately and how we are driving returns across the business. Then I will come back and talk to the future based on the work that we've done across the portfolio and looking beyond 2016.

So let's start with the story as we know it today. We were here 12 months ago. A lot has changed since then. The world is a tougher place. Commodity prices are dropping both as a consequence of the stresses we have seen across the globe in terms of economies and partly as a consequence of lots of supply of certain commodities in the marketplace. It is not a matter of pointing fingers or assuming we know more than anyone else. Our job is to adapt, to make sure that we understand and can actually deal with anything the world throws at us.

That is what we are creating in Anglo American. It is not a matter of having a judgment on whether we are at a low point or a high point in the commodity cycle. It is what it is. The discussion today we will focus on how we are adapting and building a more resilient organisation so that we can do well no matter what happens in the world at large. I will let others prophesise on what they think costs, supply and prices will do. We will deal with whatever comes at us across the economic cycle.

In terms of strategies and positioning, one of the things we have been very focussed on is being a diversified miner. I will talk a little bit later in the conversation about the strategic positioning. The advantage we have in the current market is you can see how our price decks have been impacted since the start of the year. We are doing better than most. In the end we are all under pressure in terms of pricing. But with the diversity in our portfolio we have certainly done a bit better than our colleagues. In the end that can change any day, but the good news is the diversified approach is certainly helping us in this very tough environment across the commodity suite.

We have delivered on our immediate restructuring milestones. So in terms of stability Minas Rio we have delivered two months earlier than the end of year forecast with the revised package and it looks like we are running at about $8.4 billion, $400 million under the $8.8 billion capital target. Sishen has hit its 35 million tonnes and we are on track to hit the 37 million tonnes for 2016. Chris and the team are well down the road on the platinum restructuring even with the travails and challenges we have had with the strike this year. We have also announced what shafts we will be closing. The copper turnaround is on track. The De Beers integration is complete and Philippe and the team are continuing to improve the operations both in terms of production volumes and costs. And the nickel recovery is on track. And we took the first furnace down on the date we forecast back this time last year, which was 1st October this year.

On safety, for us a key measure. I think people know that safety is also a lead indicator on a whole range of things that you manage across the business. We have seen a 30% improvement across all of our key metrics on safety. And I am taking into account that we had the platinum strike. It is still our single most significant improvement in one year in safety. So it is encouraging, but a lot more work for us to do and very important to see those trends continue through 2015. And I can assure you every one of the leadership team is very focussed on getting it right.

In terms of managing and control and achieving that stability it is not just safety and production, it goes right across the business. And environment is another measure of whether we have got the business under control and stable. Again a 40% improvement from where we were last year, an encouraging measure again demonstrating that we are managing across the portfolio and not managing specific points.

A broader measure in terms of operational performance. Every one of our businesses, every one of our commodities is doing better than it did last year. Now, we have adjusted the platinum numbers for those operations that weren't subject to the strike. That is the only qualification we will put on the numbers. Without exception across the commodity base we are doing better across the business on an overall basis, 6% better than we were the year before.

In terms of measuring that performance against our budget, remember last year we talked about on a full year basis for 2012 only 18% of our businesses hit their budget numbers. If you look at the distribution of performance there are lots above budget, below budget but improving, below budget. The blue indicates those top 15 assets, what we call the priority one assets. Their performance was normally distributed with the rest of the business in terms of not delivering on budget, part of the 82% that didn't hit the budget. What we said this time last year is we would get our focus on the big assets, and that is where we will make the first difference in the way we run this portfolio different to the way we have done it in the past.

Roll the clock on 12 months, we've got 46% of all the assets hitting their budgets, another 40% moving to the right, and most importantly between those two categories we've got 71% of the assets actually hitting their budget numbers. That performance is carrying the rest of the business across the commodity suite. That focus on the assets that can drive performance of the group is defining how we are delivering and beating the numbers across the full portfolio. The opportunity for us now is to get those assets moving to the right.

The other thing I should mention in the budget is you can always produce a softer budget for improving performance. We have more than $1 billion of business improvement baked into the budget numbers as well. The budget numbers were more aggressive in what we have achieved on first principles through this year and we have delivered against performance across all those key metrics.

On costs in US dollar terms it is a good news story. To be frank though, that is a big flattery. The real story is on local currencies. And this shows that we've still got a lot of work to do. So on local currencies met coal, De Beers and copper have done very well. Not only have they done better than inflation on a nominal basis, they have improved their costs. Kumba is a little bit better than inflation, but still increasing. Thermal coal is more challenging. In platinum there is still a lot of work to be done. The platinum numbers are a bit noisy obviously because of the strikes.

When Norman, Chris and Seamus speak later they will be talking to that challenge. The most important challenge in the business is to turn those cost trends around so that we are actually reducing our cost in nominal terms in South Africa. I think that is a significant challenge for us, very important for us. In each case they have a plan to turn that around. In Kumba Norman has already started with his town hall briefings. He will deal with that. Chris you know about the full restructuring story. And Seamus and the team in the last six months have made some significant inroads into South Africa. There is a lot more to come. They will talk about that a little bit later.

On leadership and the organisation I have been asked a few questions about what we have actually done. Let's get the full story. Compared to where we were at the end of 2012 the top three levels in the organisation is now 100. And of the 151 role holders and 51 reduction, 40 have left the organisation. 11 have been placed in roles at the next level that we think are more appropriate in terms of match to the requirements of the role. At the next level we have downsized by more than 111. So there is a reduction at the next level of 100. Across the organisation we will see about a 30% reduction that we have started from the top, and that is where we are today, about a 34% reduction. And that is real.

Further, with the 100 in the organisation today 25 are new recruits. And if that is not enough numbers, I will say one more. 56 of the original 151 are in the same roles they were in 18 months ago. 37%. So this is new leadership, a new team, doing a very different strategy. And that is where we start the conversation in terms of where we are going in the future.

This chart is always one that draws a lot of comments. I'm going to take you through it in a couple of steps. We took where we were in 2012 and we identified a number of opportunities to improve our EBIT by $3.4 billion, knowing we had about $500 million extra to get to drive the return on capital employed that was around 9% to 15% by 2016. And that was using 2013 prices. The first thing is each of the projects that were required to change the results were measured and defined within the scope of our change programme. As things stand today we are at about 16% forecast looking forward on those prices.

Let me be very clear. We are not relying on 2013 prices to justify where we survive. The job that we have as a team is first to deliver on the commitments. And we are on track to deliver those commitments. But prices have come down. On 2016 consensus the return drops to 12%. Now, the reason the $45 billion establishment number goes to $42 billion is that we are using consensus FX rates as well. So you get movements both ways. It is about 12%. If I take spot prices today we are in the range of 6% to 8%. So with our $4 billion worth of projects what we have done is defined and put shape around the extra $600 million which we defined last year. We have done that. That has been defined and is part of the programme going forward.

What we have to do now – and you will hear from the operators, you will hear from Tony, you will hear from Rene – is we are looking at things we need to do to then close the gap. It may well be a story beyond 2016 to close that gap to 15%. But the first thing we have to do is deliver on the things that we said would more than double EBIT from where we started back in 2013 and make sure that we've got the foundations in place to continue to improve to get to that 15%. There is certainly no doubt prices are what they are. Our job is to adapt and continue to improve and plug that gap. We are not going to forecast how much of the $2 billion gap we see in closing the target, but we're saying we are putting the right foundations in place to continue to improve to close that gap. It looks like on these numbers it might take a bit longer than 2016.

Now, when people talk about sustainable mining in many cases some people here may think it is a tick in the box. For us it is just as critical to have this right in terms of the engine room as it is any other part of the business. If we don't get this right we won't have by definition a sustainable business. There is $25 billion worth of projects today in our industry stopped because they haven't got local relationships right. We don't want that to be us. We don't want to wake up in the morning and see ourselves as a headline with capital stopped or some other problem that will seriously impact the business. This work is mission critical for us. That is why you see us in mining sustainability indices and it will remain central and core to who we are. This is not simply a check in the box. And if others that you listen to don't take it seriously you might wake up with a little surprise. We can never guarantee that won't happen, but we are doing everything we can to make sure all parts of the business are being managed to deliver a sustained improvement.

Key challenges looking forward. The external environment is a challenge, as it always will be. Our job is to make sure we've got a resilient, competitive organisation that can handle whatever the world throws at us. When I do my wrap I will talk about how we are improving our competitive position, what we are doing on the productivity front and why we think we will be a more competitive business in three years' time. Operating performance, again continue the stability, working very hard on the capability area to make sure we've got the right foundations on a go-forward basis.

Capital management, making sure we've got the disciplines and at the same time reducing debt. And certainly from what we've seen so far we're doing better on that front, both from an operating perspective and from a capital risk employment perspective. And again making sure that in our restructuring we don't panic, we've got a balance portfolio, we're improving the underlying businesses and making prudent investments that will create and deliver returns. This means Gahcho Kué, Grosvenor, all in the context of keeping our capital discipline. We are about today. We are about tomorrow. We are about the future, and getting the balance right. With that I will hand across to Mr Médori.

Rene Médori
Good afternoon everybody and thank you Mark. We are clearly facing a very challenging unknown. Our mixture of commodities have somewhat mitigated the impact, but we recognise the pressure that it creates on both cash flow and the balance sheet. Let me turn to what we expect from a balance sheet standpoint. Starting with 2014, we are comfortable with the market consensus at $13 billion. We expect to finish the year slightly below this level of $13 billion. For 2015 we expect the level of net debt to peak between $13.5 billion and $14 billion. That is using current commodity prices with the benefit of the disposal of our 50% stake in the joint venture with Lafarge.

That will be achieved through continuous operational improvements that Mark has started to describe and will be described later by the business unit heads, the reduction in capex compared to our previous guidance, as well as the disposal programme that we have covered in the parts, the first element being the disposal of our 50% stake in the joint venture with Lafarge.

At the same time we continue to invest in the development of our assets. We expect to spend ~$1 billion on stripping and development, 75% in our two long wall operations in Australia as well as five key open pits, Collahuasi, Sishen, Kolomela, Mogalakwena and Jwaneng in Botswana. We continue to make some progress in terms of optimising the level of stay in business capex with 21% reduction in 2014 compared to 2012, and we expect the level of stay in business capex to remain below $2 billion despite the commissioning of Minas Rio and Grosvenor. I think off the back of the initiative that Tony O'Neill is progressing there probably will be some scope for further reduction in stay in business capex.

We are also reaching the completion of some of our major projects, Minas Rio this year and Grosvenor by the end of 2016, but also the progress on Gahcho Kué. On this slide you see the level of committed capex, $3.3 billion in 2014. We go down below $2 billion in 2015 and below $1 billion in 2016. The commissioning of these projects will allow us to deliver an organic growth between 5% and 7% in copper equivalent tonnes.

What is the capex projection for the next three years? We have revised our guidance for both 2014 and 2015, $5.2 billion to $5.5 billion in 2015. It is fair to say that we have limited flexibility in 2015. But you can see there is much more flexibility in 2016 and 2017. The total committed capex and SIB and stripping below $4 billion in 2016 and $3.3 billion in 2017.

The approval of new projects will be subject to the pricing environment but also the progress on the disposal programme as well as obviously these projects meeting our investment criteria. Also major projects like Quellaveco will be syndicated because of the size of these projects.

I already covered last year some of these key project criteria that we will be looking at before approving any new project. Gahcho Kué is a good example of the discipline that we are looking at. Gahcho Kué will be producing very high quality stones. It is a very high return project, low capital intensity and also in a low-risk geography.

We have maintained a very high level of liquidity, ahead of our capex programme. We will maintain this level of liquidity of $15 billion as we complete the capex programme as well as our disposal programme. Of the $15 billion facility, $10 billion is outside South Africa, $5 billion in cash and $5 billion in committed bank facilities. Limited refinancing in both 2015 and 2016, $1.7 billion in 2015 and $1.6 billion in 2016.

Dividends, obviously a critical element of return to investors. We believe that in 2016 at the current level of commodity prices with the benefit of the operational improvement as well as the much lower level of capex, we will be able to fund the dividend from operating cash flow.

Last year we guided you towards $49 billion of capital employed in 2016. We are revising this guidance to $45 billion on the back of the lower level of capex as well as the more significant disposal programme.

In summary, the capex and net debt will peak in 2015. We expect the dividend to be funded from cash flow in 2016. Positive improvement in capital efficiency based on further scope in stay in business capex. Focused investment on core portfolio. A very strong liquidity position. Thank you.

Tony O'Neill
Good afternoon. 12 months ago in this forum we talked about stopping the bleed. Today Sishen has stabilised and turned, Minas Rio has delivered FOOS, and the overall operating business including safety is improving. We also talked about the need to renew the technical capability of the company. Out of my 12 direct reports today nine are new. Notwithstanding that the leadership team is now complete and we are moving forward.

Now it is about transforming the business, putting the chassis in place, our operating model, focussing on some core assets, doing the operating fundamentals better, and ultimately coming over the top of all that with new technology. But firstly the operating model. Every one of our 60 odd operations undertakes essentially the same activities such as excavation, haulage and processing, although each site does each of these with varying degrees of difference: could be it due to culture, history or personal preferences. We want a business where the fundamental routines that matter from top to bottom are reliable and predictable, and where the data from these informs decision-making.

We call this the new language of the business. In short, we want reliable and predictable planning. We want reliable and predictable execution, the do, predictable measurement, the check, and improvement, the act. The operating model aligns these with the core activities. It defines the work, who does it, how it is measured and how you analyse and improve it.

But why do this? Basically because it works. We know that planned work is 30% more productive and 20% lower cost than unplanned work. Breakdowns cost ten times more than a planned shutdown, and it is 70% safer. For the Sishen north pit average daily tonnages have jumped 33% following implementation of the model. And if you look at the spread of results over here we will shift the average up again. We have also noticed that following implementation we start hitting the real sweet spot some nine to 12 months later. So there is something of a lag. That confirms my premise that this will actually improve.

This is the operating model roll-out schedule. The scale of re-engineering to implement the operating model should not be underestimated. It is not dissimilar to a rollout like SAP. Large numbers of our best people at each site where it is implemented are required for lengthy periods of time. Given this we have carefully prioritised the rollout to have the greatest impact, being placed in a short space of time and with the resources available. Businesses that are not in the early programme will get training on some of the key elements so that they can get started particularly around the analysis of data and improvement thereon.

The operating model, however, is only one part of our strategy to shift the business performance. We are targeting Los Bronces, Sishen, Mogalakwena and Kolomela as holistic improvement opportunities. They are big contributors today and operate quite well. But we feel they can contribute a lot more. We jointly identified 251 opportunities across these sites and have focussed on the above 21 as the best of them. I should let you know that this is not a document that we have put together specifically for you. This was prepared for budgetary sessions. We have shared it with you to give you some detail on what we are going to do and how we are going to coordinate these multi-disciplinary initiatives. Effectively what we have done in this one for you is simply remove the numbers.

How are we going to do this? By taking the same approach at these 4 sites that we took at Minas-Rio, where we back-stopped Paulo and his team in their delivery of FOOS. What happened? The best people we have worked with the site team and again identified 38 tasks to ensure project delivery. They range from getting labs working, to maintenance, to grade control, to ensuring that we had the right spare parts in place. They together prioritised these initiatives. The project management office was established for this work. This project management office remains active as we both work on the ramp-up of Minas-Rio for the 26 million tonnes per year.

There are two key points of note. It is a joint and seamless approach. And the key to making it work is clear accountability. Everybody knew what task they had to do, when they had to complete the task, and that they would be held accountable for delivery. Now, if this doesn't sound like rocket science it is probably because it isn't. But what you must understand is that our company hasn't worked this way for a long time. There have been silos and there hasn't been enough accountability for delivery. This new way of working, of accountability and delivery, is the way of our future.

We must also do the fundamentals better. When we look across the entire business we see opportunity, opportunity in the real base activities when we undertake them well, when we undertake them to best practise. Activities as basic as how we set up and operate our shovels, how we do grade control, drill and charge holes accurately, the list goes on. All of these have much improvement in store.

Mining company spin doctors don't like us talking about this much because it is unsexy. But believe me, there is a lot of money to be made when you get the base activities right. Why do we say this? It is because it is what we see. The spectacular blast we see on the left is money lost. Explosive energy is going into the atmosphere rather than breaking rock. We have wasted money on the drilling. We have wasted money on explosives. We have reduced digging and processing rates. We need more equipment and more maintenance. The list goes on. The half-empty truck and idle excavator in the other picture fall into exactly the same category. It is about showing the organisation what good is and working to those levels consistently.

Here are some examples of what good looks like to us. This is the detail that matters and around which we will have managed programmes. We will train people. We will help people. We will make them responsible. And ultimately we are going to hold them accountable for delivery. Don't underestimate the difficulty in raising the operations to consistent best practise. It will take a long time and it won't be smooth sailing, but financially it is compelling. We simply have no choice other than to do this.

We are already starting to see results with Sishen and Minas Rio. Raising the bar in operating performance through the implementation of the operating model through a targeted site approach and through getting the fundamental operating practises and settings right, working together as one powerful team, will shift this company. It will give us lower capex and opex. It will give us improved safety and environmental performance.

As Mark has said, we are targeting an additional $4 billion of EBIT in 2016 based on the 2013 price deck. Beyond 2016 we do see further opportunity. While we are focusing on the short term be assured that we have not forgotten the longer-term potential. One thing that has struck me when looking at the mineralisation beyond reserves and resources for many of our assets there is a real possibility that we could position them better, particularly when it comes to the scale and sequence. For Mogalakwena and Los Bronces in particular the scale of the mineralised system is likely to be significantly larger than the known resource base. There are no geological reasons that the resource should not extend significantly, and the existing resources are currently limited by the extent of drilling.

We talked last year about the redesign of Sishen which we see on these pictures on the left-hand side. Using some good quality mining analysis and design from the team at Sishen we were able to effect changes with an estimated NPV of $400 million. Using the same approach on the above assets in particular I would expect us to be having discussions over the years to come on value accretive options. The work is detailed. It takes time and is not landed. But we do have a very deep pool of opportunity.

Anglo American has also been an innovator with technology. Mining diamonds on the bottom of the sea bed is an example of this. In very recent times we have with others developed automation kits that we can retrofit to trucks we already have in the fleet. We have developed automated underground mapping, data capture and exploration equipment. Whilst this all helps, I feel for the first time in my career we are on the cusp of transformational change with technology in mining. Will we be able to continuously cut rock with lasers? Will we be estimating grade with medical imaging equipment? What will 3D printing do? The list goes on.

Anglo American will be at the leading edge of these changes as they have the potential to transform our business. We are taking an open forum approach, tapping into and working with like-minded people, organisations and associated industries. We are not focussed on intellectual property aspects of this. So often this can be worked around. It can slow the speed of implementation and limit options. Our view is that it is about how you manage this new technology through a complete system, effectively and rapidly, rather than an individual piece of kit.

In conclusion, what you see here are world-class assets that would fit into any quality miner’s portfolio. The quality of these assets has been somewhat hidden from you over the years by the way that we’ve run them. What we are talking about today is matching world-class assets with world-class systems and world-class techniques. I now hand over to Chris Griffiths. Thank you.

Chris Griffiths
Thanks Tony. Good afternoon ladies and gentlemen. Before I start the key messages that I would like to leave you with. Firstly, the delivery on the restructuring of the platinum business has been largely completed. Secondly, the repositioning of the portfolio to take advantage of the attractive portfolio of assets that Anglo Platinum has is underway. Thirdly, the optimising of the assets that we have consolidated at Union and Rustenburg and the business improvements at our retained assets is already delivering results. And finally, the fundamentals of the industry or this commodity are improving rapidly, notwithstanding what we see in the recent price performance.

Hopefully this is going to be the first presentation we have where we have no questions about labour. Despite this challenging labour environment which has impacted the results of 2012 and 2014 the underlying operating performance of our key assets is improving. And that is hopefully what I plan to show you in this presentation.

In January 2013 we announced the restructuring of the platinum business, focussed first on eliminating loss-making ounces and making sure that we delivered ounces that the market actually wanted. We had a greater focus on capital and operating discipline. What that meant was we said we were going to consolidate the operating assets at Rustenburg from five mines to three; we were going to do the same at Union and consolidate those assets from two mines to one. 7,500 positions were removed from the company in 2013 and another 2,500 that were scheduled to come out in this year. That will be delayed into next year because of the strike action.

The next phase of the business is around optimising those assets that we have now consolidated to improve the profitability of those mines. The focus now is on the repositioning of those assets. The first step is to address the assets that do not form part of the future portfolio of the company. At the interim results in July I announced that we would be exiting from Union, Rustenburg and two of our joint ventures. The preparation of the exit of those assets is underway, focussing firstly on the listing of Rustenburg as a standalone business, but also evaluating buyer interests for both Union and Rustenburg.

Repositioning the company is about focussing on the more productive and the higher quality assets in our portfolio. On the left-hand side of the slide you see the assets, both our own mines and our joint venture operations that we seek to retain. All of those operations have the potential to be further optimised. The timing of the new projects will depend on the financial evaluation criteria that Rene outlined, but also on the timing that the market wants those projects to come to market. We are currently redesigning the Twickenham and Der Brochen portfolios to be completely mechanised with the aim to deliver out of that portfolio of assets in the short term by 2017 2.6 million ounces.

And that is largely from the assets that are already in production, so for example our joint venture with RBPlat where we have Styldrift. That is due to come on in that period, so from 2016/17 we see some of that volume coming through. And some of that is the purchase of third-party concentrates. And then some of our own optimising of our existing operations.

The ultimate aim is to deliver more than 80% of all of our assets in the first half of the cost curve. Also at least 70% of our portfolio will be mechanised, delivering substantially more productive performance from our operations. We have already done the hard work of reducing the amount of people at those mines. From that slide you see that we will have about half the amount of people that we have today in our future portfolio. That doesn’t mean that there is going to be a loss of another 20,000 jobs. The rest of those jobs will actually move with the operations of Union and Rustenburg. There will be further overhead reductions in 2015 and 2016, and that we will discuss at a later stage. All of that is focussed on creating a more profitable and sustainable mining company.

The business improvement is already delivering results. Here is an example at Mogalakwena. By focussing that operation on first of all delivery of their business plan, making more efficient use of the resources that we have already in place at the operation, making sure that the changes we bring about are more sustainable, and then making sure that we work on the stability of the delivery. Tony was speaking about the operating model. And then also reducing the variability of that delivery.

It has already demonstrated if you look at the graph on the left-hand side an improvement from 166,000 tonnes a day by 79% in the fourth quarter of this year. We are now producing just under 300,000 tonnes per day. On top of that we have been implementing the operating model that Tony spoke about. That operating model comes in to both the mining and processing operations at Mogalakwena. And of course we would seek to continue that improvement process that we have had at the mine.

Mark showed the slide that there were three arrows that spoke around first of all focussing on our operation delivery. If we have a look at the top section at Mogalakwena, again an example of what is going on in all the different assets, on the right-hand side you see in 2012 we delivered 300,000 ounces from that mine. This year we will deliver over 350,000 ounces with 330,000 ounces being delivered at the operation itself through that plant. We are making use of the opportunity presented through Lonmin's Baobab concentrator to deliver another 20,000 ounces. And for as long as that opportunity is available to us we will exploit that and get another 20,000 ounces from the ore mined at Mogalakwena.

The plan is to increase that existing operation with very limited capital to 360,000 ounces by making use of the business improvement model. And of course we will be pushing that as hard as we can. The second major improvement at Mogalakwena has been around planning the future mining strategy. The previous mining strategy was in the dark blue line on the left-hand side. And the bar on the right-hand side shows that we were planning to increase the volume mined at Mogalakwena to 200 million tonnes per annum. We have been able to reduce that by much smarter planning to between 85 million and 95 million tonnes per annum for the next 20 years. That has meant that we've reduced the stripping ratio at Mogalakwena from between ten and 15 times to five times, which is what the stripping ratio is now, and maintain that for approximately the next 20 years.

The benefit of that has been that we will forgo or prevent an increase in costs of just under $3 billion for the next 20 years. That substantial cost avoidance has come about by much smarter planning. And finally the third arrow that Mark showed was about realising our potential. That focus is going into each one of our assets. For Mogalakwena we have shown that we think the value opportunity for us there is about 420,000 ounces. That is a limited capital de-bottlenecking of the mine. We will finish the design of that work in the beginning of next year and say exactly what that volume is and how we are going to be doing that through debottlenecking both the dry and the wet sections. Exactly what that looks like we will tell you next year.

The real estate itself has got significant potential upside, but that is not currently part of our planning because we think that there are better capital deployment options in the company than expanding beyond 420,000 ounces at this point in time at Mogalakwena.

Having talked about the action we are taking at our assets, let's briefly reflect on our view of the market. I've spoken previously about the oversupply of the industry, often with loss-making ounces, increased above ground stock from 2005 onwards somewhere between 1 million and 2 million ounces. The Johnson Matthey numbers show that number to be about 1.3 million ounces. And it was as a result of this continued oversupply of the industry, often with loss-making ounces, that led us in our restructuring to say that we needed to take that volume out of the market or contributing to eating away at that above ground stock increase.

So we announced in 2013 that we had cut about 350,000 to 400,000 ounces per annum. We thought it would take us seven to eight years to be able to work through the increase in the above ground stock. As a result of recent events that have accelerated the tightening of that market, what we show in the graph in the bottom left-hand side is the last three years. In 2012 we had the strikes that took about 400,000 ounces out. In 2013 about 900,000 ounces went into ETFs. And this year we think about a million ounces will come out during the strike. As a result of that picture we think the market is much tighter than it has been.

At the launch of the recent World Platinum Investment Council we tried to give some sense of what that above ground stock looked like. So we shared our data, or the collective data that the industry had working with the FSA. And we shared that we think that that above ground stock in 2012 was just over 4 million ounces and we think now that above ground stock is about 2.5 million ounces. So a much tighter market environment improving the outlook for platinum.

Not only do we but also a number of market analysts are seeing that the increase in demand is coming back into the industry. The last two years we've seen an increase of about 4% per annum largely driven by an increase in auto catalyst, jewellery and industrial. At the same time there is limited price response in South Africa. And this is summary of the market consensus, seeing the increase in platinum price and palladium price over the next couple of years. In addition to that deficit that we see in the market at the moment we believe as one of the few commodities where a producer can impact demand that the team in Anglo Platinum as the largest producer by focussed effort can actually increase the demand in certain segments of the platinum market.

Peter is going to talk to us about the value that the commercial team have been able to bring to the party. In addition to that there are these four areas that I will share with you. Those are the four areas where we think that we can make a difference and increase demand as a platinum team. The first is the Platinum Guild International. This is the team that ourselves, Impala and Lonmin work together to create additional demand for jewellery by focussing their efforts into more price inelastic areas of jewellery demand such as bridal and occasional jewellery particularly in China and India. We know that we can make a difference in increasing demand.

Secondly the World Platinum Investment Council is a recent demonstration of the effort that we are putting in as producers to be able to increase the demand for investment. Thirdly there is a business case to the car manufacturers that they can increase or reintroduce rhodium into auto catalysts. And finally there is a portion of the industrial use that we know the team and we are already contributing to increasing the demand for platinum.

So in conclusion, the message that I left you with upfront, I will conclude by saying that we are doing what we said we would do and delivering on what we said we would do in the restructuring. The repositioning of the portfolio is underway. The business improvement is already delivering results. And finally, the fundamentals for the platinum group metals are increasing notwithstanding what we are seeing in the current pricing environment. Thank you very much. I'm going to hand over to Duncan.

Duncan Wanblad
Thanks Chris. Good afternoon everybody. It's almost half time. Let me start with copper. So since 2012 the focus in this business has really been on three key objectives. Firstly, stabilise the business, then optimise the business, and then and only then think about spending capital to expand the business. I think we are well into the optimise phase, particularly around the key assets. And 2014 was a really good year for the business particularly at Collahuasi and Los Bronces where by and large we delivered on the targets that we set for ourselves as we did the asset review during 2013, slightly ahead of schedule. So the targets that we set for 2015 have been almost entirely delivered in 2014.

We did this really by focussing on three key issues. One was reinstating the flexibility of Los Bronces. The second was improving the mine design and layout of Collahuasi. And the third was focussed totally on utilisation and availability of the mining fleet itself. So in 2013 we spent quite a lot of time planning this work and then scheduling it and 2014 was about rigorous application of that planned work as we had scheduled it. I think Tony mentioned that planned work is at least 30% more effective than unplanned work, and I think this is a case study in that.

So not only did we meet the production targets that we set for ourselves during 2013 and 2014, but more importantly for me we managed to produce well ahead of our plan in terms of total material mined at Collahuasi and Los Bronces. And that stands us in good stead for what is coming towards us.

So at Los Bronces specifically this time last year I said to you flexibility was really important. We had managed to mine ourselves into one constrained hole with one ore phase available to us. And if we were going to get more consistent production, more predictable outputs from the mine what we needed to do was have two if not three phases available to us. In October this year we managed to start mining consistently from Casino II the second phase, so we have got ore coming from two phases for the whole of 2015. And we are well advanced in terms of opening up Infernillo 5 the third phase and ready for us to work at the end of 2016.

Now, the benefits of having done this means that the feed to the plant is so much more consistent, so much more predictable. And what you can see in the graph on the right-hand side is despite the fact that the ore is quite variable and changing in and of itself, the input into the plant has been set up in such a way that the plant has been able to perform not only consistently but improve its performance right across. So we have had a 17% improvement of total material mined and a very material uplift in terms of the total availability and time in the plant.

I also said to you that we were facing a few headwinds, structural headwinds at Los Bronces. I think the words that I used were something like this is a run hard to stand still story. I thought I would cover that a bit more for you this year. Like all copper mines of this size, by design it is on a declining grade profile in terms of the current life of mine plan. But as opened up these new phases they are obviously moving further and further away from the processing operations. So our total tramming distances as we get towards phase two and three by 2016 will have gone up by 80% from just a couple of years ago.

In addition to that there is a bit of a double whammy because the type and shape of this ore changes, so it is much harder. So we get an over 40% increment in the ore hardness, the consequence of which is normally manifested in much lower throughputs through the plant as a result. Now, much of the work that we have done in terms of embedding these productivity improvements in the business that I mentioned a little bit earlier will go a long way to heading off what is going to be a natural downturn in terms of total copper production. And that is manifested in the bottom right-hand picture of that slide.

There is a small anomaly in 2015 which I'm sure you've noticed, and I will come back to that in a couple of slides' time. The copper turnaround at Collahuasi has had a similar sort of style to that at Los Bronces. There is no doubt in my mind that the mine is now exceeding its targets in a very stable sort of format. And our ability to produce more predictably for the plant is deeply enhanced.

What you can see in the right-hand side is that although we have made improvements in plant performance it is nowhere near as stable as that that we've got at Los Bronces. Now, there isn't any reason that we should believe that it is so different that we can't get that. Just achieving Los Bronces type stabilities at the Collahuasi plant would be another 10,000 to 20,000 tonnes per annum of copper which basically come for free. So clearly that is where the Collahuasi team are going to be focussing on this year and leveraging all the learnings that they can out of the Los Bronces work that has been done so far.

Now, the so what of all of this I think is that since we last spoke I said we were looking at a stable output in the near term of around 700,000 tonnes per annum of copper. We are going to increase our guidance to more like 720,000 to 750,000 tonnes per annum of copper based on these improvements and despite the structural headwinds.

So what I did say to you a little bit earlier was that there was a small anomaly in terms of throughput at Los Bronces in 2015. Many of you I'm sure by now would have read that the central part of Chile, particularly where Los Bronces is located, is now a very water-stressed area. So we are in the fifth consecutive year of abnormally low precipitation and snowfall. So the consequence of that is that our total water reserves which are used for mineral processing are pretty much at the lowest levels that they have been since the mine started. So we had to take that into consideration as we planned for 2015. We do rely on some more normal types of rainfall from the middle of next year through to the end of next year to sustain 2016 production.

During this period of time we are doing what we can to source alternative sources of water, but given that much of the water is provided by snow and snow melt in that area of the Andes there are limited options that we have there. Now, 2015 is an offset for us in terms of the grade profile at Los Bronces. The reason we are able to keep our forecast reasonably consistent for 2015 compared to this year is we've got a bit of a grade spike at Los Bronces next year. So we are currently producing at around 0.77% average grade. Next year we will be about 0.87% and that is going to help offset some of the impact of the water or the lack thereof at Los Bronces.

Now I would like to spend a few moments and look out a little bit beyond the next two to three years. I said to you last year that I felt that following the review of the portfolio and the potential divestments of some of the smaller assets one of the key assets for this copper business and one of the pillars for the future is Quellaveco. I think my view remains very much the same today. Currently we have reserves here that are over 0.5% and about a billion tonnes. The resources are going to be at least three times that I think. As Tony mentioned, if you have a look at the technocrats lens this resource is very big. It is open to the west and it is open underneath where the currently drilling stops. So there is potential unlimited copper there that we haven't yet got.

It is also going to be in a very privileged position on the cost curve. So the reshaped copper portfolio will benefit from its Q1 position and keep it pretty much in the bottom half of the cost curve for the foreseeable future. It will have returns on capital employed that will be well above the 15% benchmark that we have set for ourselves throughout the cycle as we see it today. It is also located in a region in Peru which is very mining friendly. It has had an enormous amount of scrutiny by the communities, the national and the regional government. And I think given its level of acceptance it is in a very privileged position compared to other copper deposits of this type and of this nature.

Now having said that we do recognise that it is large, it is a greenfields project and it is in a country where we don't currently have an operating presence. And as we do it we will think about how we do it, and do it at the right time and in the right way. And as Tony pointed out we will be looking to syndicate the capture exposure that we have to a project of this nature. That is very fundamental as a cornerstone of the business itself.

Further out we have other opportunities at both Los Bronces and Collahuasi. At Los Bronces I'm sure that many of you know that the district itself surrounds an area where I believe we have one of the world's largest untapped, highest-grade copper deposits on our doorstep. And that is in the form of Los Sulfatos. We have started doing some work from the tunnel that was put in place in 2012. And by 2019 or so we should be well down the track in terms of our understanding of what to do and how to develop that deposit. At very least we have more than enough copper there to replace the depleting grades from the existing ore body. If the market accommodates I think we have some options to expand at Los Bronces as well.

That remains true also of Collahuasi. Currently throughput at Collahuasi we probably have about 80 years of life on that deposit. It is of course water and electricity constrained. It would need significantly different copper prices today to justify major expansions, but of course we have that land and we have the capability to develop it if the opportunity does present itself. In the meantime there are plenty more opportunities to optimise what we've got, particularly around our current throughput and processing in the plant on the sulphide ore body, but more importantly around some of the near-term options we have in the oxide ore body.

Just a last word on nickel and what is going on at Barro Alto. Firstly I would like to pay credit to the nickel team who have done an excellent job in managing two very distressed furnaces over the last year or so. As you know very soon into the campaign life of the furnaces due to a design flaw we had a material breach on some of the hearth and some of the side walls, and that has had made these furnaces limp. Now, even in their limping stage they managed to achieve about 90% of their design capability in August of this year. And that was just before we took the first of the two furnaces down for a rebuild. The plan is to have the first one back early next year and then the second one back and both of them operating at their design capacity in the middle of 2016.

What we are doing here is implementing a technology that we are now very familiar with. This is the same type of technology that we use in our platinum furnaces. When we implement that technology and start ramping it up at Barro Alto I am certain that we will be able to bring across some of the operating practises that some of the platinum miners use in operating these furnaces, bring it into a ferro nickel world. And that will give us some more advantage in terms of the current furnaces and the current deposit and enable us to increase our throughput without having to spend another dime on capital.

So in summary I think I would like to leave you with the fact that I believe this business is in good shape. It is delivering now on its commitments with a keen focus in the short term on productivity and cost reduction, and at the same time has some very reasonable options in terms of repositioning itself on the cost curve, particularly in copper, and some longer term options in terms of either replacing its current production or expanding its production depending on market conditions at the time. That is my story for now.

I'm going to hand over to the man of the moment, Paulo, who managed to not only deliver the project ahead of expectations but also well ahead of his budget, which was very helpful for the rest of us who needed capital.

Paulo Castellari

Thank you, Duncan. Hello everyone. What I would like to share with you is a couple of messages. Firstly as you will have heard Minas Rio was delivered safely and responsibly in October. Secondly, we have an exceptional asset both in terms of the mineral resource and also in terms of our operational set-up. And finally, we are very well positioned to deliver ramp-up within the next 18 to 20 months.

I think some of you will remember that last year Mark gave me a R10 note with the total confidence that the team back home in Brazil, who hopefully are watching me, would be able to deliver Minas Rio by the end of this year. I am very glad to have a R50 note here because as Duncan highlighted we have delivered ahead of schedule and below budget.

But then on delivery, just to remind you our first ship of 80,000 tonnes of our product shipped from Acu on the 25th October. This material was sent to China. We have already completed our second shipment over the past weekend. And our third shipment is scheduled for next week. As mentioned, FOOS was delivered below the revised budget, a total project cost of $8.4 billion, meaning a saving of $400 million. And out of the $8.4 billion some $800 million will be spent during 2015 and 2016.

Having talked about delivery I wanted to remind you of the exceptional nature of our asset. Looking firstly at the deposit, as you know our deposit is large. Our deposit has further potential. Some of you will remember that back in 2008 our mineral resources were 1.2 billion tonnes. We now have 5.3 billion tonnes of mineral resources and there is further potential going ahead. The geological characteristics of our deposit will result in competitive operating costs as well as high-quality product. We will talk about that in a minute.

When we look at the operational set-up we will benefit from low strip ratios and also from a dedicated logistics channel. Of course this will bring us benefits in terms of safety, in terms of costs and in terms of reliability using this logistics channel. As a consequence of all these attributes Minas Rio will be well placed on the lower half of the cost curve with FOB cash costs at $33 to $35 per ton and SIB capex of $5.5 per ton will guarantee competitiveness along the life of the mine.

In addition to these competitive costs the nature of our deposit will deliver a quality product, a premium quality product. And that is of course a key area of focus of Peter's team along with our team back home. High iron content, 68% iron, low contaminants, silica and alumina, and as I mentioned these attributes will differentiate ourselves from the competition and in time we will realise a premium for our product.

So in conclusion, the focus now is on ramp-up. Many of the things that Tony said give me confidence that we will be able to deliver ramp-up over the next 18 to 20 months. We are already producing. We will end 2014 with some 700,000 tonnes on the ground. We have a fully mobilised and trained workforce which gives me the confidence to maintain our guidance production of 11 to 14 million tonnes for next year and 24 to 26 million tonnes in 2016, by which time our FOB cash costs of $33 to $35 per ton will materialise.

But more importantly, all the lessons learned that we have, all the risk management processes and systems that helped us reach FOOS the way we did will provide us the required support to deliver ramp-up smoothly in a safe and responsible manner. These were the key messages that I wanted to leave with you around delivery, around the quality of our asset, and the fact that we are well positioned to deliver ramp-up over the next 18 to 20 months. We have prepared a short video with some updated images of Minas Rio that I would like to share with you.

Session 2

Seamus French
The global coal business. Three key messages. Net assets in the top half of the cost curve after a sustained period of productivity improvement and cost reduction. Export assets in SA in the top half of the cost curve, but still room on cost production. And next year we start stripping back the portfolio and selling assets that don't meet our retention criteria. At the beginning of this year we put together two businesses, a predominantly SA thermal coal business based in Johannesburg, and a predominantly Australian met coal business. And we have been working our way through that business looking now to turn it into a high margin business.

There are three parts to that. The first part is maximising the value of existing assets right across the business. We are essentially well down the track with the met business. It is in the top half of the margin curve as you can see. And all the operations are cash positive at current prices. On the thermal side we have a fantastic position particularly in South Africa with first quartile margins on the export thermal business in South Africa. But there is productivity improvement opportunity and there is cost reduction opportunity in real terms.

The second part of the strategy is to peg back the portfolio. We have reviewed all the assets. The process is essentially complete, but pretty much every asset we have is involved in some sort of joint venture so there is a pretty detailed, lengthy consultation process to go through which will kick off next year. But asset sales will commence next year.

The last piece is really our growth projects. We have brought together two parts of the business and have a very large project portfolio. We are only directing investment into those high-margin, low capital intensity growth projects, the projects that have the ability to either enhance or create assets producing premium product from a low position on the cost curve. That is where we are going to focus our money and Grosvenor is obviously the most advanced of those.

Now, the Australian business. I will talk about the two component parts, the long walls and the open cuts, in a moment. You can see a 15% increase in production from 2012. That is despite taking out production capacity. That is the net after taking out the production capacity. The productivity improvements flow straight through to cost reduction, and the result of cost reduction is far more dramatic, a 21% in nominal terms reduction from where we were in the first half of 2012, driven by taking out $350 million of expenditure and a 40% increase in productivity.

Now, when we look at the business results unfortunately it doesn't flow through to earnings or to ROCE because of pricing. So an interesting question – it's academic but it is interesting – would be what would 2014 look like at the pricing we had in 2012. We had a 10% ROCE. The answer is if we exclude Grosvenor capex because Grosvenor is not yet in production the answer is 31% on a like for like basis compared to 10% back in 2012. So the same pricing, same FX. It gives you an idea of the improvement built into the business, but obviously it is relatively academic because pricing is what pricing is and we have to deal with that.

The work we are doing around the long wall, I have talked a few times about why long walls are important to us. They produce our premium coal, the hard coking coal, and they are also Grosvenor project. So we get it right for the long walls at Moranbah and Grasstree we get it right for Grosvenor and it gives us optimism about the upside at Grosvenor.

The work we did we put into an operating model. We applied the operating model to Moranbah and Grasstree. We developed it at Moranbah. You can see quite dramatic improvements. This is over the same period over a 12 month basis before and after. A doubling of production. And in fact the last asset is an open pit asset because as Tony said the fundamentals of mining are the same, and what we did in the underground and the long walls we did in the open cut.

Because the long walls are relatively fixed cost production unit once we've scaled them down to the right size we of course see a dramatic reduction in unit cost completely in line with the productivity improvements we have seen. And you can see in the first half of this year that brought us down to A$75 per ton not including royalties. On a US basis including royalties, so a full FOB cost that number is about $80 at first half exchange rates.

Now, that has put our long walls in amongst the top four in Australia. I'm not going to claim that over the last three years we have been amongst the best long walls in Australia. In fact I would claim exactly the opposite. It is only now in the last six months – and this represents the first half of this year – that we have seen the potential of those long walls and we have put them into the top four long walls in Australia.

Some of the things we have done, three key aspects. The first one is we simplified the operations. We had too much activity and too much head count at the long wall operations. We took out about 17% head count. We closed down a second long wall at Moranbah. And at Moranbah we are producing more from one long wall than we were from two long walls. It's the same story with the open cuts as well.

The second, one of the main reasons for delay issues is around variability, operator-induced variability. We moved to automated cutting. We took out all the operator variation. The last one is the model we have brought together. We've got a control centre in Brisbane called the smart services centre. It has got our people in there. It has got the Joy people. They monitor the long walls. And we have experts who sit monitoring the screens. We have all the geotechnical data and all the operating data of the long wall, proactively identify upcoming issues, get in touch with the site and take proactive measures to stop things turning into problems and into delays. So we've got a very proactive management 24/7 of the long wall by a bunch of experts from our supplier and our own people.

We have come a long way over the last three years. The question of course is, is there more upside? Yes there is, primarily on cutting rate. There is upside and we are actually trialling some stuff at Grasstree right now which is increasing the cutting rate. We want to get that in place at Grasstree and bring that across to Moranbah. Everything we do in Grasstree and Moranbah we then bring to Grosvenor when we are commission Grosvenor at the back end of 2016.

Moranbah in Q1 did a performance of annualised 10 million ton ROM, so 10 million tonnes per annum, which is right up there. The best long wall in Australia I think it has done 7.6 on an annualised basis. But in doing that we did identify some design defects. They are ironed out in Grosvenor because we had identified those. We have never had a chance to rectify them in Moranbah. So given current market conditions and the outlook for next year we are going to take more outage time at Moranbah next year to eliminate those design issues and get Moranbah in shape for improved market conditions from 2016 onwards.

The model we developed for the underground, again we talked to the open cut. Again a dramatic 20% improvement in productivity. And even more dramatic at Dawson, 45%, and Callide 30% productivity improvement. We benchmark performance of our open cut equipment across the globe, so across South Africa, across Australia every month. At this point in time in Australia in the open cuts more than half the equipment is within 20% of benchmark. 50% of the equipment is setting the global benchmark on performance. Some of that gap is actually due to reducing activity levels. We have reduced shifts etc. and cut back on manning. So we know there is upside. So we know there is upside. We can get that 50% to 70% relatively quickly in the case of an upturn.

Now, I said before the productivity improvement has driven extra production. We have a declining market and a weak market and didn't want to bring extra production into the market. We have idled capacity. We have done it in two ways. We have idled assets. The first one was Aquila, 500,000 tonnes. The second one is Peace River, which is into care and maintenance now. 1.5 million tonnes. And the last piece is by decommissioning equipment. We have taken out seven excavators across Dawson and Capcoal. It is the equivalent of 30 million DCM of waste removal capacity. The run rate on production taken out of the market to offset the productivity improvements is about 4 million tonnes in December of this year. And obviously that kicks in then on a 100% basis for a full year next year.

The thermal business, there are two parts to it. SA exports and Cerrajón. You can see again the position of the SA export business, a fantastic business, great quality coal, good margin material. In terms of earnings and in terms of ROCE it is much more consistent than met. Yes, prices on thermal are down, but relatively to met not quite as dramatic. The ROCE has been quite outstanding from these export assets in South Africa, 41% here. And even with a relatively weak market 28%. Two reasons for that. One is the margin position. The second reason is the low capital intensity for the life extension projects, the capital we have to invest in that business which will continue.

Looking a bit more at the SA business, here I showed the fantastic position. There is the margin position, quartile one. But the cost position, not quite as good. The bottom half of the cost curve but a bit closer to the halfway mark. The opportunity of the South African assets is on cost. The challenge in SA is that 7% mining inflation. We have put together a three year plan, and the three year plan focusses on closing the gap between the productivity we are seeing – this is an open cut comparison in South Africa versus Australia. So same equipment. It is an apples for apples comparison. A big productivity gap. The reason for that is skills, experience, some technical issues, resourcing limitations etc. We are going to close that gap.

So the target is to lift productivity by 30% over the next three years. Combined with cost reductions that will give us real per unit cost reduction. So in three years' time in Rand per ton we want to be back where we are today in 2014. So in 2017 the three year plan is to get us back to 2014. And that is broken down to every single piece of equipment at every single site. Now, it is not going to kick in next year, but the end of that three years that programme is designed to get us back to where we started the process in 2014. And again it doesn't significantly change that gap so there is still plenty of upside potential, but we will work our way through that in a measured way.

Fundamental to that is the operating model, so the stuff we have done in Australia and the stuff we have done in the open cuts and underground we are taking to South Africa. We started with Goedehoop in the second quarter of this year and we are already seeing a 13% lift. Zibulo is the next asset. We have prioritised the assets on the basis of margin opportunity etc.

SA domestic. We have the New Largo project coming up. You would have seen the MOU around New Largo. That clears the way for us to finalise the feasibility study, the coal supply agreement, and that process has kicked off. And that will go on well into the first half of next year. When we have finished all that we will be in a position to approve the New Largo project and also the interim conveyor that goes with that project which will give Eskom the flexibility to feed third-party coal to their Kusile power station.

Cerrejón, again we talked about this before, the P40 footprint in terms of the infrastructure, the port rail system particularly, is in place. With market conditions where they are, with the permit issues we are having in Colombia we are not going to rush to ramp up to that 40 million ton level. It will be around the 35 million ton level for the next few years. But again we have options as market conditions improve to take it up to 40 and utilise the capacity into the future. But that won't be happening in the short term.

Now, the portfolio review. You saw the collective position of the met business. You saw the collective position of the SA export business. This gives you an idea of the spread of the portfolio. These are the individual assets within that H1 position. This is a spread of individual assets across that spectrum on the met side. This is the spread on the thermal side. And the yellow is Cerrejón.

So obviously we have been through a process of review. We now swing into consultation with our stakeholders and JV partners next year, and we will commence asset sales in 2015. Right now the Callide operation and the Dartbrook operation which have been idled both have about 500 million tonnes of resources. They are both available for sale right now. Export thermal assets in Australia.

On the SA domestic business we have looked at a few options there. We have developed some concepts. And again we will talk to Inyosi Coal, our partner in South Africa, and we have talked to Eskom and various government agencies about what we can do to reduce our investment in the SA domestic business and also to help Eskom in terms of their funding requirements for new mines. And again until we've had those discussions in the first half of next year I wouldn't like to say too much about the shape of the outcome, but we have some concepts that we think will be mutually beneficial.

The last thing was growth. We have between both businesses a whole range of projects. We have looked to trim back those projects. Again we will only invest in assets that will produce premium quality coal from a low cost position. It is very simple. That's the way we're going to do it.

The first one is Grosvenor. We are well advanced on Grosvenor. We have used what is called a tunnel boring machine at Grosvenor, the first time used in construction of tunnels and civil projects in capital cities etc. It has never been used in coal mining before. We have finished the first drift, well into the second drift, and it is our machine, so if we go to Moranbah South which has two long wall concepts we can get into that project and excavate the drifts at a fraction or quarter of the normal time to establish the ground infrastructure for these projects. So we keep hold of that machine and refurbish it.

The development, we are into development. From now till the end of 2015 is development. It is underground coal development. It is what we know. It is what we do well. We have the team and the personnel from Moranbah and Grasstree doing the development work, and that is well ahead of schedule. We always had the intent of doing two things in parallel. One was bringing the Grosvenor project on. The second was lifting the performance of Moranbah and Grasstree above the design level of Grosvenor.

Just to illustrate that without going into too many numbers, this is the Grosvenor approved plan for the operation of 75 cutting hours a week at a cutting rate of 1,770 tonnes per hour. Grasstree H1 performance for comparison is 96 hours and 2,003 tonnes per hour cutting rate. We believe from what we have seen, based on the fact that Grosvenor is next door to Moranbah, and based on the fact that we will have a flow of personnel from Moranbah and Grasstree into Grosvenor we believe there will be upside.

Now, we recognise this opportunity. On the ground we have sized the underground infrastructure for the higher performance. That was a no-regrets decision. It was one we had to take. We couldn't retrofit. We essentially sized the underground to be able to operate at those higher rates, but not the surface because the surface we knew we could easily readily expand. And by not later than 2018 hopefully we will be in a position to have upgraded the surface facility to allow Grosvenor to be unconstrained after the first year of commissioning, which is 2017, and hopefully capture some upside.

The last point I want to make on Grosvenor is Joy. We've had a partnership with Joy. They have recognised that three years ago we had two operating long walls, 45% of our met production and almost 100% of the hard coking coal production, and with a very important project, Grosvenor, coming up. We got a partnership with Joy. And as part of the partnership we have gone back and reviewed with experts around the world five years of operating data on our long walls. And we came up with about 182 different modifications at no extra cost to the project. It in fact reduced the project cost in some areas. And we have built those into the Grosvenor long wall, which we are calling the long wall of the future.

The Grosvenor long wall wouldn't be the best of the last ten years; it would set us up for the next ten years in terms of being a state-of-the-art long wall. The challenge of course is then the things we've picked up, the design changes we built into Grosvenor long wall, to build those back retrospectively into Moranbah. And that is one of the challenges we have at the moment.

On Drayton South the approval process was very disappointing, particularly the outcome of the planning assessment commission process in New South Wales. We are going back and we are redesigning the Drayton South plan. We are redesigning it to fit in with the recommendations from the planning assessment commission. We will resubmit a revised mine plan for Drayton South in the first quarter of next year. And in discussions with government targeting approval of that mine plan in the third quarter of next year.

So with that I would like to hand over to Norman. Norman and I have a remarkable number of similarities. It is not quite obvious when you look at us. Norman too is going to talk about operating models and operational improvement, and he has got a far bigger story to tell than I have.

Norman Mbazima
I have only two messages that I want to leave with you this afternoon. The first is that our operations have improved significantly this year and that further improvement can be expected from us. The second is that we are taking very decisive action in view of the current pricing environment.

I will start by talking about Sishen. You will recall that we reviewed all the technical and operational aspects in 2013 and in 2014 we have been implementing this. So as Tony said the strategic redesign of the mine was completed, and we also extended that to the south mine at Sishen as well as to Kolomela.

This resulted in removing 600 million tonnes of waste from the life of mine. We are not going to have to move this waste. We talked last year this time about being able to increase the vertical rate of advance to about 80. We have two sections in the mine that have implemented this and I'm pleased to say that we have achieved that. This has resulted in improved ore exposure positions. And also it has enabled us to better deploy our equipment and therefore to improve the efficiencies.

As promised, we will produce 35 million tonnes from Sishen this year, and we are on track to produce 36 million and 37 million next year and the year after.

We developed some backlog on pre-strip waste during the year mainly because of excessive rain that we had in the beginning and also due to double handling. The improved equipment efficiencies that I'm going to talk about just now, as well as the fact that we have contracted some additional contract capacity will mean that we will be able to address this in 2015. There is no risk to the 2015 production from this backlog.

Mark indicated earlier that our unit costs are under pressure at Sishen due to increased waste mining. We expect to increase the amount of waste to 250 million tonnes next year, and reach our peak in 2016 at 270 million tonnes.

We will manage the unit cash costs going forward by further improvements in the equipment efficiencies, by implementing the operating model and by implementing all sorts of other measures in reaction to the pricing environment. We intend to keep unit costs flat after the completion of the ramp-up in waste, and we intend to keep them flat in Rand terms and therefore have a 6% reduction in unit costs over that period.

This chart shows the waste in the pre-strip operations at Sishen by our own ultra-class equipment. This is the big equipment that we use at Sishen. This shows 133% improvement in waste movement in the period. 66% of this is attributed to the fact that we had more equipment in the pit, and 67% to better utilisation of the equipment. Earlier this year we had over ten trucks per shift which we could not operate due to lack of operators. By managing the issues of absenteeism, abuse of sick leave, scheduling of normal leave, training of new operators and multi-licensing of existing operators has virtually eliminated this issue of unutilised trucks.

We took seven months to prepare for the operating model at Sishen and we went live in the internal waste mining operation on 14th August 2014. Now, we should note that this operation is an area where we use the smaller shovels and the smaller trucks, which is the equipment we have been using for many years. And therefore we are able already to utilise this equipment at higher efficiencies compared to the pre-strip equipment I was talking about just now. Despite of this we have seen a very substantial improvement in this very short period. We have seen improved in scheduled work from 20% now approaching 70%.

As Tony again has shown earlier on, we have seen a 33% increase in total tonnes moved, of which 23% is attributable to purely improved efficiencies. We have seen 50% reduction in waiting time at the shovels. In 2015 we will roll this out to the pre-strip area at Sishen which is where the biggest amount of waste has to be moved. We will also roll this out to Kolomela plant to help increase production at that mine to 13 million tonnes per annum before we roll it out to all the other areas of the Kumba operations.

Kolomela has done exceptionally well. I would like to confirm that Kolomela can now do 11 million tonnes per annum for the remainder of its life of mine. This is a mine that two years ago we were in ramp-up to a name plate capacity of 9 million tonnes per annum. We expect that through further de-bottlenecking of the plant and some increase in mining operations in the current 3 pits that we have we should be able to increase production at Kolomela to 13 million tonnes per annum with very little capital expenditure.

Kolomela has great potential to increase production further from resources which are currently in exploration. We will continue this exploration so that we have the option to grow it in due course.

As you all know, iron ore prices have come down steeply and quickly this year. I think Mark showed that we have had a decline of 50% in prices this year compared to the average of $135 a ton last year. Whilst our operations at Sishen and Kolomela have been improving, much more is required for us to provide a resilient and profitable business at these prices. So we have taken some decisive action to reconfigure our operations. We make sure that we can focus on the lowest-cost production to fill the rail line. The rail capacity is our constraint at Kumba.

Thabazimbi is a candidate for assessment as to whether it remains in our portfolio. Thabazimbi is the highest-cost producer that we have, and it produces only 1 million tonnes of ore per annum. We are reducing our stay in business capital by 20% in 2015 and a further 10% in 2016 compared to the figures that we guided you this time last year. 2015 and 2016 are years when cash conservation is extremely important for us as we complete the ramp-up of the waste at Sishen.

We are halving the expenditure on exploration, technical and project studies over the next two years. We will focus our expenditure on those studies which have short-term benefits especially in improving efficiencies and those that will help us to preserve our optionality for expansion into the future.

On Thursday I informed staff at our head office in Centurion we propose to reduce roles there by 40%. This is the first time at Kumba that we will have a restructuring of this magnitude. Following consultation we should be implementing this from Q1 of next year. More actions on this front will come in 2015 as we complete the review of our operations.

So in summary, Sishen has stabilised and further operational improvements can be expected. Kolomela is doing very well as we aim to increase it to 13 million tonnes per annum. In view of the increasing waste at Sishen and in view of current prices we are taking decisive steps to manage our unit cost. And we are implementing the operating model leading to productivity gains at all our operations.

Once again, once I hit the peak waste at Sishen in 2016 I intend to maintain unit costs in nominal terms over the remainder of the period, which is a 6% decrease in real terms taking into account South African inflation. Thank you very much. Now Peter will tell you how he is going to sell my iron ore.

Peter Whitcutt
Good afternoon everyone. I've got just a few slides to run you through, and in doing so I think let me say there are three key take-aways I would like to leave you with. The first is that the marketing contribution to Anglo American's earnings improvement, the value that we are chasing, is about basic activities, nothing fancy or exotic. We simply in these tough times cannot be leaving value on the table or missing opportunities.

The second key point is that with the structural change that we've now made in the organisation with a separate, dedicated marketing unit to consolidate all our marketing activities into one business group, we have an excellent platform from which to drive through improvements that we are seeking to make. The third key point is that the benefits are already flowing. Relative to our target in 2016 of a $400 million improvement in EBIT our delivery in 2014 is already $250 million. Those are the three key messages.

Let me take you through those a little bit more. We set up the marketing business to drive performance improvements. We have got a lot of different initiatives that we are chasing in order to capture improvement, but there are essentially four key levers that cover all of the initiatives. The first is marketing excellence. And this really is about getting close to customers, eliminating middle men, engaging directly, expanding the customer base, contracting better and getting full value for our product. This is where the lion's share of the improvement comes from. At the moment that is about two-thirds of the value that we are generating. That comes down a little bit as the other levers start to pick up their weight towards 2016.

The second key lever is about product optimisation. This is working with the production businesses to produce a commercially optimal product and blending as appropriate to capture value in the marketplace. The third key lever is value chain optimisation. There are essentially two parts to this. One is leveraging the shipping desk which we established in Singapore to optimise the freight rates along the various routes that we route cargoes. And the second is integrated sales and operational planning which is about tightening up the interface between the production business and the marketing team to make sure that as we get more consistent, on-spec, timeous delivery of product we can capture full value for that and service our customers better. And the fourth lever is trading. That is hedging and sourcing third-party cargo.

Let me give you some examples of what these actually mean in practise. The first one from the platinum group, we've mentioned the Johnson Matthey contract, for example some of the contracts we had in place which had discounts which we've eliminated. Here is another example. We produce and minor metals in the platinum business, by-products to the major products of platinum and palladium. The minor metals we are focussed on are iridium and ruthenium. Until recently we had effectively outsourced the sales of those metals to four key counterparties and as a consequence the selling of those metals effectively languished.

Starting from last year we took over much more direct accountability for selling and moving those minor metals. We leveraged our Asian footprint within the marketing business. We restructured to contractual arrangements that had to enable us to reach many more customers. We got out there and we found that there are many more customers and we actually starting selling the metal. So something which wasn't moving at all is now moving. That generates revenue, that generates EBIT, that generates bottom line profit. So that is one relatively basic example of how we are improving Anglo's earnings.

The second example is from Kumba where we have an opportunity. We recognised that in this market, particularly where there is so much over-supply if we could slightly lift the quality of our fines product we could distinguish that compared to the bulk of the fines being sold. We could get a relatively higher price, and even though we take a small yield disadvantage the net benefit of that is a significant improvement to the bottom line. So this is something we were able to work on, recognising the opportunity in the marketplace, having a tight connection with Norman and his production business, working closely with Tony to make sure that what we are doing is within the envelope of what is optimal for the resource life of mine to get a small benefit right now. And obviously this is something which from time to time we may adjust one way or another depending on market conditions.

Another example from the copper world. The copper concentrate that we produce from AA Sur has got some small by-products in it, some small precious metal content. Historically that wasn't content that we got paid for. So the way the industry standard for copper concentrate contract works we didn't actually get paid for the gold content of that copper concentrate. We recognised that. We did a lot of work with our people on the ground in China, with our technical marketing folk, with our market intelligence folk. We had a tough negotiation with a number of customers and we have achieved a different basis on which to sell our copper concentrate, which means that we do now get paid for the gold within our copper concentrate.

And then finally on the shipping side I mentioned that this was one of our levers around value chain optimisation. This shows you the routes that we are moving cargoes over with our shipping desk in Singapore. We are able to contract a large part of the freight for our cargoes either using contracts of affreightment where we can get discounts based on long-term commitments of volumes, or by time chartering vessels which we have been able to use more intensively than has typically been the case. We have managed to manage a freight cost for the group which is less than it would be on a pure index basis.

So there are four relatively accessible examples of the sorts of initiatives that we are chasing through the marketing business. There are many more like that. These four together add up to an annual benefit in terms of EBIT of around $80 million. They are part of the $250 million that I mentioned and certainly will count towards the $450 million benefit that we will be delivering by 2016. I hope that makes the marketing opportunity with Anglo American so much more accessible and brings it alive for you. Thank you. Now back to Mark.

Mark Cutifani
Thanks Peter. Ladies and gentlemen, I wanted to make three specific points from the presentation and then a broader observation, and then I will talk very quickly around where we are taking the business in the future. I will make a general observation. You have heard about how business leaders are taking the business forward. If I include the De Beers review that Philippe recently gave, in each business we are looking at the fundamentals and working through how we can best add value to the business. Each one of the issues and the nature of those businesses are unique in their own right. And we work as a team.

Three key points. Firstly, from a technical and operating perspective it is not the sexiest conversation for most people when we are looking at change across the portfolio. In our case based on lagging for a period of time we have fallen behind some of our competitors in terms of what is possible. We have areas of excellence, and there is some good stuff being done. You've heard some of that today. But on a broader basis we are not where we should be. In the last 18 months we have worked hard to close the gaps, and we've still got a long way to go.

As I said to Tony, he may not be talking about the most sexy stuff, but for me as an engineer I call him Mr Sex-Appeal. That stuff for us is absolutely critical, and it is what defines the difference between us and our competitors. And that gap will increase in the next three to five years, and it is significant. When I talk about productivity a little bit later you will start to get a sense of how important running the business well in terms of the basics is.

A second point. Chris Griffiths made a really important point. He talked about discipline in the market. Whether it is platinum, whether it is niobium, whether it is phosphate, whether it is met coal – why put coal out there if it is not really making money – in each of those cases we can produce more product but we have a fundamental belief that part of our job in running the businesses is to be disciplined in the market and we do not destroy the underlying price of our product. That is a discipline we will continue to show through the cycle. In some cases we will continue to operate where you are seeing good margins. But what you don't do is destroy the value of your product. And we will hold onto that principle as a key principle in terms of the way we are running our business.

A third point is capital discipline. Those five points that Rene put up which starts with payback, looks at risk and jurisdiction, our competitive cost position, NPV and IRR and the margins above our weighted average cost of capital, capital intensity, those conversations are absolutely critical. And we have a wrestling match every second day about where we are putting our money. Again I will make that point at the end of the presentation.

Finally, I've been asked by a couple of people in this forum about accountability. When you heard Peter Whitcutt talking about marketing products and helping us getting the best price for our product, or Tony O'Neill talking about improvements across the business, that doesn't take away accountability from Duncan, Chris, Norman, Seamus, Paulo and the rest of the team. Each one of them is accountable for delivering the best margins and returns they can in their business. What we do, which in some cases might be a little bit unique, is we are comparing notes and helping each other do better. Tony's job, Peter's job, Phil's job, the job of the support player is to make sure we are learning from each other and making sure that that best practise is being shared across the business. We are no longer a business that operates in silos.

Seamus' work on the operating model is being shared across the group. His learnings along with Tony's technical support team is in there supporting Norman roll out that discipline. You heard about Chris' work on designing the open cuts and operating models. He is leading that work and we are supporting him wherever we can based on the learnings across the group. That accountability is not diluted one inch in terms of them delivering the best outcome. What we are doing is we are asking the tough question. Is this as good as it gets? And if we don't believe it is, it is a robust conversation because there is so much value to be had in running this business as good as it can be. That is what Tony was getting at when he said, is this as good as it could be?

What you have seen from us in the last 18 months, in particular the last 15 months, is each time we've come out we have incrementally improved our guidance. A consequence of stability, a consequence of getting control, and a consequence of improving the capability step by step. That is something we hope we can continue. We are certainly doing the hard work to continue that on.

For us again stability, capability leads you towards potential. From a strategic point of view we've talked about being a diversified miner 18 months ago when it wasn't quite as fashionable as it has turned out to be today. I will just leave that message with you. Diversity comes in three parts: commodity, geography, cycle stage. You will see from 2014 to 2017 we continue to improve the breadth and the diversity within the portfolio. Yes, in some cases complexity comes with diversity. But that is what we are employed to manage. If I wanted simplicity I would work in another industry.

Portfolio restructure, I think a critical issue for us next year. Obviously it is getting a bit tougher with pressure on prices. We think we are in a good place in terms of Lafarge Tarmac. It still has a way to go. In each of the businesses we are working through a disciplined process in terms of our divestment or separation programmes as the case may be. As we said in platinum, we parallel track a listing option with a sale option. The decision on what path we ultimately take – and Chris will make that recommendation to us in February or March – will depend on the interest we have in the interim. We are pre-marketing Union. We will be in the same position in Rustenburg very shortly. And are also talking to our joint venture partners. That we will monitor very carefully.

But it is very important to us because at the end of the day this is about deploying capital to those areas that we see a significant improvement in terms of returns. It doesn't mean the assets that we will be parting with are not worth something. They are. But we can better deploy that capital and deliver a stronger return across the capital that we have available to us in the business.

We are changing the character of the business. I don't think people appreciate. Today we have, inclusive of Minas-Rio, 162,000 employees, contractors and Anglo American employees. By 2017 we will be around 100,000 employees. That is a significant transformation in the very character of the business, not only in terms of the numbers but in terms of the nature of the operations, and we believe in terms of the nature of the opportunities that we can tap in those assets that remain inside the portfolio. It's significant.

Just to demonstrate what that means for us, our current production – and this is done in copper units here, but you can do it in any production units – if you look at copper unit as measured by revenue that's our productivity per person, where we have been and where we are today. In the next three years it will go to 34. It is about an 80% improvement on where we are today. If you want to turn that around, that is a 40% improvement on our operating costs for labour. At a unit operating cost level that is a 10% improvement in our operating costs across the portfolio. That's an important number for us because driving value focusses on all internal improvements that will improve both revenues and costs. What we don't talk about is what the portfolio restructure does in positioning the remaining assets to the left-hand side of the cost curve, 10% lower than we were when we started this process. That is not in the driving value number. It comes as a consequence of the portfolio restructure. We are repositioning the business. This is a different business that we are creating.

Where does the growth come from our assets? As Rene said, it is focussed on the larger-scale, better-margin projects in the business. The quality of the capital that is deployed is improving as we restructure as well as reducing the actual capital numbers. The other point I wanted to make is we've thought very hard about the value chain in every one of our businesses. De Beers is very different in character to iron ore. And where you deploy your capital to make sure you get the best margin, to get the best return on your capital, is critical.

If you're in the nickel business you generally deploy capital up to the concentrator. Usually it is about 50% of your capital. You will get 90% of the return if you can sell the concentrate. The rest of the return goes downstream where you need to redeploy another 50% of your capital. And in our terms you destroy value. So go and have a look at the assets in the nickel business that are struggling to commission and not hitting their targets. In Barro Alto we have almost doubled our production. We are getting focussed on the delivery of ferro nickel, and we think in the next two years that will be an exceptional business based on what is already being done.

So we look at every business and make sure we understand where we are putting our capital to get the best return. And beyond that when you're starting to destroy marginal returns you've got really question why you are spending that capital. That is the type of conversation that we are in in terms of capital.

And finally, in 2015 we will restrict ourselves to the top five imperatives. Minas Rio ramp-up to 80% capacity is Paulo's target for the year. On the portfolio I think again some challenges. We've got the right people in each part of the business working on that programme. Again it will be hard to predict where the market goes, but we believe that we are doing the right things. We are not going to argue about the last dollar. This is a strategic change; it is not simply about the last dollar that we get for those assets.

On the operating model, absolutely critical. As you saw from Tony the one thing he didn't talk about – and I am sure he would be prepared to stick his head out on what value he sees – the rollout is weighted 2016 and beyond. A lot of the benefits we see in the operating model are not in driving value. In fact most of those benefits sit beyond. What we are doing is we are pulling stuff forward. Each of the leaders of the businesses have said, I've got something here I can do straight away. Chris talked about it, Norman talked about it, Seamus talked about, Paulo is doing it with his design work and Duncan is doing it in copper. Each of the guys are pulling stuff forward and their own teams are picking those balls up very quickly.

On South African thermal coal and in Kumba we've had two very specific conversations around the need to turn the costs over and improve productivity. For us in South Africa productivity is absolutely critical to turn those cost trends around. Chris, exactly the same conversation. He is restructuring the portfolio to change the very nature of the portfolio and be able to implement those productivity changes in South Africa. That is the key for us in South Africa. In fact, that is the key for the country in terms of its future.

So when we talk to yourselves, when we talk within the business, we make the point we are not relying on what commodity prices will do. Sure, they will have an impact. Yes, we use the 2013 cost deck. We want to start with a base somewhere. Improvements, and not relying on anyone. We see continuous improvements beyond the 2016 period, and it starts with stability. The hardware and the technical focus may not be as sexy as other conversations in the industry at the moment, but it is the bread and butter to where the margins are, and it is the minimum shareholders would expect people to do in terms of running their businesses. The portfolio that we have, as I said, I think is a big advantage in the marketplace. If you look at the price decks and the basket prices it certainly helps us in the most recent times. I don't think we have seen the credit for that. But again I think it is the right place to be.

As we develop and understand our resources, resource endowment and the potential beyond 2016 is something that I think we lag our peers on, but we are running up that curve very quickly. And this time next year we will be talking more about the potential we see in the big assets that we've been alluding to in the conversations today.

And then finally, if I can leave you with one thought. Capital discipline matters because it is your money. And we get it. With that I'm happy to take questions.

Jason Fairclough (BoAML)
Maybe one for Rene and one for Mark if that is okay. The Rene one first. Just on carrying values, you were talking a little bit about it before. Where do you see the risks? Here I'm thinking maybe Minas and some of the coal assets. I guess for Mark, you mentioned discipline and you mentioned other commodities. You mentioned iron ore. Do you have any thoughts on the discipline or lack we have seen in the iron ore market?

Rene Médori
Thank you Jason. As part of the year-end process we will go through a review of the carrying value and the need for potential impairments. All assets are performing better than last year. You mentioned Minas Rio. Minas Rio was delivered within the the revised schedule and in fact at a lower capex than we were looking at last year. Clearly commodity prices especially on the bulks side are lower than last year. We are also adjusting expectations in terms of prices, especially for iron ore and met coal. So I would expect there is some impairment of the ones you mention, Minas Rio and metallurgical coal.

Mark Cutifani
On iron ore, certainly my comments are never meant to be criticisms of colleagues in the industry. People do what they have to do to improve their business. I am just making the comment that in terms of discipline we will be disciplined in each of our commodities. In iron ore in the current environment we are finishing off Minas Rio. We are not looking at a phase two. And even with Kolomela Norman is going to squeeze the lemon a bit harder to improve his margins, but he is not going to run out there and put more capital in the ground to expand our operations beyond where we are today. It doesn't make sense. Everybody has known the train has been coming at us in terms of iron ore production and the market at the moment is oversupplied. We wanted to make the point that we are not going to add to that problem beyond where we are today. Certainly across all of our commodities, particularly where we have significant positions, we are focussed on the discipline and making sure the value of the product that we produce is not undermined in the marketplace. That is a prudent philosophy. I know there have been various comments by other players. I wanted to make sure people understood where we stood in that debate. We are not out there punching a heap of volume and undermining the value of the product. That is not who we are. That is not how we are going to behave. At the end of the day we look at creating value for shareholders in the short, medium and longer term and there is a balance which needs to be applied.

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Rene Kleyweg (Deutsche Bank)
Tony you referred to the potential upside and Mark, you've returned to it again, so would you be able to unpack that a little bit for us? I know you want to hold off till next year, but if you could give us some indications of what we are talking about. And then the second question for Rene, we have talked about project evaluation work which has come down from about $1.15 billion to about $800 million in terms of what was budgeted for 2014. That still sounds like quite a high number in this environment. Is there any update on guidance for that going into 2015? The product studies capex guidance has come down from $1.15 billion to about $800 million. I was wondering if that would come down further given the current environment.

Rene Médori
That will be $700 million going forward.

Tony O'Neill
Look, it is long-dated and you have put lots of caveats on it. If we get to best practise across the board it is an extra $1.5 billion to $2.5 billion EBIT per year post 2017.

Myles Allsop (UBS)
Just a couple of questions as well. Maybe for Chris. You were saying that platinum is improving. It doesn't really feel like that. Can you give us a bit more of a sense why you believe it is improving other than just above ground inventories? And are you going to bet with Mark that we will see a materially higher price next year? And secondly on Quellaveco as well. When are we going to be ready for board approval and what sort of capex on a 100% basis?

Chris Griffiths
Of every fundamental we look at that drives price, the oversupply has largely been worked through. The above ground stock that was in place around 2005 that drove increase in price and there was a small deficit, even that basic level of stock has been reduced. Demand is increasing. There is a deficit in the market and we can increase demand further. And there is a limited ability for supply to respond. We have all read the same textbook, and you guys have probably read many more than I have. But the fact is all the fundamentals are there for an increase in price. So if you ask me why the price is not responding and why the price is actually declining after a sustained period of strike action, my view is that it is impacted by macro-economic environment much more than the fundamentals of the industry. And that means that it will take some time for the fundamentals of the industry to come back.

If you see where the price started falling, it was the announcement by the US of the end of quantitative easing. Of course funds are flowing from emerging markets into the US. We saw a decrease in the Rand Dollar exchange rate. And we now see actually the Rand basket price is up 16% on where it was last year. And traditionally where we see a weakening of the exchange rate there is an anticipation always that we will make more money in Rands and we will increase production the price always falls. At the same time the world said we don't need gold any more. There was a sell-down in gold. And when gold normally falls it pulls down platinum. And then there were a number of weak data points coming out of Europe. Although we are 5% up in European car sales this year and the delta in GDP from last year to this year for Europe is over 1.5%.

So there were a number of weak data points with the macro-economic stuff, and that was what was driving down the price. But if we look at what is driving the fundamentals of our industry, it is on that basis that we actually believe the fundamentals are quite strong. I'm not betting any money with Mark, because what I observe is if you bet with Mark you win and you lose more money. So that bet between Paulo and Mark is not money I'm going to put on. If this price will increase I don't know when it will happen.

Mark Cutifani
Just as a comment for Duncan, one of the things is I think the character-changing work that the team is doing is something we've seen as a group first hand, and it is quite significant. That conversation about some of the sales and at what point we do something like Quellaveco is absolutely critical in changing the whole character of our business. So I think in many ways Duncan is talking about character change that is a bit of a metaphor for the whole organisation.

Duncan Wanblad
Thanks Mark. There is I suppose a long and a short answer to your question. I am going to try and aim somewhere in the middle of those two. The work that we are doing on Quellaveco is multiple-fold at the moment. Last year I said we needed to re-scope the project. And the focus on re-scoping the project was to make more effective use of the capital base that we had planned to install on that project. So we've got a target capex in mind. It's a material reduction from where we started out. That's point one. And point two is it's designed to deliver more for that capex than it was originally set out to do. So that is the work that has been going on for the vast majority of this year. We are now looking at ways of how to execute this project, and when exactly to execute it, and in what form we would execute this project. So we will start having the conversations with the board in terms of all of these dimensions in the early parts of next year. But it is very unlikely we will be taking it to the board for approval much before the middle of next year at the very earliest, probably more like Q3. So I don't have a capex number that I'm prepared to give you today anyway, but you can be assured that it is materially different from the first one that I saw about 18 months ago, and in the right direction too.

Tony Robson (BMO)
Thanks. I think the forward balance sheet projection only includes the Tarmac sale. Of course sales don't happen until they happen, and you don't really know what the prices will be for the assets, but any idea of the next two to three years what the magnitude of the asset sales could be? A range would be useful please. And secondly, without the Tarmac sale for next year, given that debt is increasing, would the dividend otherwise be under threat? Thank you.

Mark Cutifani
Just on the asset sales programme, the target value was between $3 billion to $4 billion. We haven't changed from that target range.

Rene Médori
We are at $15 billion of liquidity. With limited refinancing the disposal of our 50% stake in Lafarge seems a high probability that it is going to happen. The Lafarge-Holcim merger seems to be going through all the regulatory hurdles. So we don't see any risk in terms of dividend next year. And in 2016 we will be able to cut further the level of capex and further progress the level of disposal. So we don't see a risk round the dividend.

Mark Cutifani
$3-4 billion by the end of 2016, just to give you a timeframe.

Menno Sanderse 9Morgan Stanley)
Three questions, one for Mr Sex Appeal on technology. Obviously you are doing great things, but others are doing the same. Do you think this will allow you to keep those savings or the only thing that happens is everybody drives the cost curve down and therefore there is no net benefit to you? The second one is on Brazil. A great achievement, but the Brazilian Real has dropped 25% since the company set the $33-35/t cost target, and the cost target hasn't changed. So is that still to come down

considering the Brazilian Real is down so much? And finally, Rene, I understood that you said dividend was covered in 2016 by operating cash flow using current spot commodity prices. I just wanted to check if you meant free cash flow after the capex and if you meant today's spot commodity prices or based on 2016 consensus prices.

Rene Médori
Based on today's commodity prices around mid-November. That was based on the level of committed capex below $4 billion, and that was after capex and before disposals. So on operating cashflow.

Tony O'Neill
On technology there is probably a window of seven to ten years before everybody else catches up. So sooner or later they do, and by then hopefully you're on the next one. Some areas particularly interest me. I don't know where it is going to end up. But I see platinum for example is not particularly hard rock. So at some stage Chris and his team will crack the cutting of platinum, which will potentially allow a very different industry to develop that really is quite unique. With new technologies the other one that really interests me is the medical imaging of grade. It enables you to set your plants up very differently and probably get another 2% to 5% recovery that no one else sees. I think the early adopters get the advantage. And I think with the money involved and the resources you need to put to this there will only be a select group of the major players who are actually able to partake in the leading edge of this.

Mark Cutifani
Tony, could you mention Dassault. There were other major players wooing Dassault. Why did Dassault choose us?

Tony O'Neill
Firstly is that our CEO, Mark, went to the first meetings with Dassault. And it showed that we see it as an integral part of shifting our business and that we are really looking at the complete approach with Dassault where we set up the operating model on an electronic platform ultimately. We also get to a point where we are simulating the entire business before we make mistakes. We make mistakes in the simulation and then operate with far better execution. So I think our broader scope and the fact that Mark was there I think really made a huge difference with Dassault.

Mark Cutifani
I think in some cases we are coming from behind the pack a bit. If you look at our improvement targets relative to the size of the business, let's say our expenditure is about $20 billion. Compared to BHP who are 4.5 times our market cap. Revenue is about 2.5 times. Margin is about 1.75 times. We think we can make a real difference on the margin side and close that gap. And if you look at our improvements versus the improvements they have gone public with it is not a 5:1 difference. It is significantly less. And I think from a proportional point of view we've got more to be had in that field. That is why this is so much more important for us because there are some relative gains that we can make compared to those players that we're competing with. I'm not undermining them. I'm acknowledging they have done some great work. We've got some room to catch up, and I think we can go beyond them in a three to five year timeframe.

Paulo Castellari
Indeed 70% of Minas Rio's costs are Real-linked. But at the moment we decided to maintain the guidance at the $33 to $35 per ton because there are many other items at play. Energy, as you know we are struggling with energy costs in Brazil, labour inflation and other cost inflation. So at the moment we decided to keep that at $33 to $35. I mean there is lots of potential. As Mark said we are working with Phil on the design side. We are working with Tony's team on the operational excellence side. So there will always be potential. But at the moment that's it.

Heath Jansen (Citi)
Just in terms of Minas Rio next year in terms of ramp-up could you give us some communication on what you expect on the cost side as you hit that 80% target? It looks like you are capitalising at $800 million in the next one or two years on that side. And maybe a second question for Mark on your discipline in the market. Just around obviously Anglo Plat. You've got a very consolidated market in platinum and you are going to potentially bring in two other players that may be irrational. How do you safeguard that they are not going to go out there and basically spoil the platinum market going forward?

Paul Castellari
So breaking your question into two, firstly on the capital side there is still $800 million to be spent, and that is basically around final infrastructure work at the plant, some mining equipment work that we need to do and of course finalising the work at the breakwater. But that is all project work that we will take in 2015 and a little bit in 2016. So that is all on the project cost side. And when it comes to ramp-up as you have seen we estimate cash costs next year more or less at $60/t, which is really related to half of the production that we're going to do when compared to the full-scale production. So next year we estimate between 11 million and 14 million tonnes of production and full production is 26.5 million. So it is really a volume game. And that is Mark's point around the need for us to get to ramp-up the way we were planning.

Mark Cutifani
On platinum, the assets that we are selling have potential for some improvement, but we don't see them as game-changing assets in terms of the nature of the market. We are open and offering to process that material as well. So we don't think they are necessarily game-changers in the market. And even if they were, from an incremental point of view they are not large-scale game-changers. We think we still have what we would call the larger-scale game-changers. And what we are saying is we will be responsible in understanding that position and doing everything a responsible producer would do in a market that is sensitive to volume, as we have done already in taking volume off the market. Even with that we don't think they are going to be material in the way the balances are starting to strike.

Liam Fitzpatrick (Credit Suisse)
Just a few. Firstly on Union and Rustenburg, what would you say is more important, realising what you perceive to be full value, or exiting assets which you decided are non-core? And then linked to that, in this sort of price environment do you think an IPO could actually work with these sorts of prices? And secondly just on nickel, you talked quite positively about the assets. Is this still part of the non-core $3 billion to $4 billion target?

Mark Cutifani
On nickel one thing I said 12 months ago is I thought the market was looking a bit tough. Iron ore prices are down. Nickel pig iron isn't worth as much. Each one of the major players in the industry is struggling. I think the supply side has some potential weaknesses. And so as a group we are keeping our options open with respect to the market and how we might play into that market. So we remain open on our options. We certainly believe that what we have done with Barro Alto is quite unique in the nickel industry. Doubling our production, taking 30% out of our cost. No one else has done that in this industry. So we think the market dynamics have moved certainly in the positive. That may provide an opportunity to sell at the peak. But if we think the long-term fundamentals are good then we may stick with an asset that we now see as a potential big contributor in our business. So we are keeping our options open, but certainly we think the market has changed to the positive in the last six months. We still have options up our sleeve, and nickel is one of them. It is not in the $3 billion to $4 billion.

Chris Griffiths

Just on the asset sales. We are certainly not in a fire sale of assets. We are not needing to sell the assets at Union and Rustenburg to remain a viable company. We have a range of value that we believe within that range we would seek to exit. Mark made it clear that we are not seeking to try and get the very top dollar out of it. I think there would be space for whoever was interested in the assets to be able to participate. It is not an easy environment to sell assets. But at the same time we don't need to give away the assets for free. We don't have to run away from these assets. I think that is the kind of range we are in. We would seek to get the value for the assets within that range. We would seek to do it as quickly as we could so that we could move on with the rest of the work that we are doing. If it takes a little bit longer it is anticipated the pricing environment would be better. So we said we would do well to get it away in 2015, and if it took slightly longer than that then most likely the price is on the upside.

So we want to be very careful that we are not sending a message out there that we are going to sell these assets for absolutely nothing. But at the same time there is space for others to play in getting some benefit in terms of the sale. We think there is an equity story to be told. These are large resource assets. We think that we can make those assets attractive with the work we are doing around the optimization of those assets. We think these assets can be profitable, can generate cash, don't need a lot of capital for the next couple of years. And for that reason we think that we've got an equity story to be told, and we think that we can tell that story at an IPO or a sale process.

Mark Cutifani

Chris is already restructuring the business. He has closed two shafts at Rustenburg. He is getting on with the job so that the timing can be managed effectively. But we are a strategic seller, and we will be looking for value. We will try and strike the right balance.

Des Kilalea (RBC)

Capex and the ability to drop guidance, could you indicate how much of that might be currency linked? And then on the IPO would you think of maybe just a straight de-merger or spin-out and to what extent will the South African government have a say in the capital structure of that de-merger or spin-out?

Rene Médori

On the capex between stripping and SIB it is probably $3 billion that we have earmarked so it is probably 10% due to the decline of the Rand, probably $200 million. That's about it.

Mark Cutifani

On the platinum side, from all of our conversations the main issue will be that the ownership is empowered in an appropriate way. No surprises there. And secondly, that whoever ends up with the assets can actually run the business. Beyond that no other requirements in terms of what we've seen in any of our conversations. I think they are the two important questions that they would want to see, and I think that's appropriate. And we wouldn't want to see anything different, because we are not about dropping the assets and running. We want to make sure that they are successful because that is in our interests as well.

Tim Clark (Standard Bank)

Two quick questions. On the South African thermal coal business you haven't invested in the business for quite some time, you are probably facing some volume decline in the next few years. I wondered if you could talk about volume decline that you are trying to hold off, and also cost increases that you're trying to hold back on. The two don't necessarily correlate well. And on the Kumba head office cost savings, is that the last of the low-hanging fruit? 40% out of the head office, that's a lot of people and a lot of cost. Is there more or is that it?

Norman Mbazima

I think the head office is the start. In Q1 we will be looking at the restructuring of the support services in the mines, and we will announce what we will do there in due course when that exercise is finished. I think it is important to note that we have said that we are going to be implementing the operating model to other sections of the mine, and that in itself comes with changes in the way that we do work to make sure that we do the right work in the right places. Thank you.

Mark Cutifani
I think it is important to make the point that the whole work is an opportunity and the operating model will improve efficiency, which I think is a matter of survival.

Seamus French
Tim, the South African export business the base level is about 18 million tonnes of export. We have mapped out the life ex at each of the assets to sustain that profile through to the end of the next decade. Those requirements in terms of life ex projects are all in varying stages of detail. The most immediate is the Mafube life extension which will come up for approval pretty soon. The rest are all mapped out. That will sustain the assets at the aggregate level of 18 million, but there will be some upside depending on productivity improvements. They are all in the three-year business plan. And the resultant volumes are reflected in that three-year plan and the cost target is consistent with that production profile, if that answers your question.

Tim Clark
I guess just seeing real cost savings in the South African industry has been very hard to achieve to date and I wondered if you could flesh out a bit how you see it. You're not really doing it through a volume effect.

Seamus French
No, it is productivity. One of the big differences between South Africa and Australia is that every ton we generate as a result of productivity improvement, if we wish to in Australia we can translate that into revenue. South Africa obviously is different because it goes to Richard's Bay. One of the pieces of work we have to do, which in fact we are doing in the first quarter of next year, is to look at all the potential for productivity improvement and translate that into either revenue enhancement through increased exports – but that is limited by port and rail capacity – or into reduced cost. So we will look to reconfigure the export portfolio to maximise the potential of the highest-margin assets and if necessary displace some cost and activity level from the lower-margin assets. That's one of the options. But again just to stress the point, the three-year plan that we have for the assets through a combination of 30% productivity improvement on selected equipment and assets and real cost reductions will result at the end of the three-year period in a real cost reduction and in nominal flat unit costs back to 2014 level. That is the target we are setting. Beyond that there is a broader challenge for the coal industry, in fact the whole mining industry, of linking future wage increases more directly to productivity. We can't keep going the way we are going with a 7% flow-through in terms of labour inflation. So we will position ourselves well in the next three years, but beyond that we do have to look to bring a productivity dimension to future wage increases.

Ian Rossouw (Barclays)
Just a question on the guidance you've given using consensus commodity prices. I guess arguably some of those prices are stale. Could you perhaps provide an extra reference point on what the net debt, EBIT and return on capital would be at spot prices?

Rene Médori
The guidance I gave you was at spot prices, not at market consensus.

Mark Cutifani
As the underlying performance in the business continues to improve at the operating level our capital disciplines will deliver the numbers that Rene is talking about. Our return on capital employed at spot prices, which is today, is somewhere between 6% and 8%. It is in that range. So that is something that we are very focussed on and how do we improve that?

Andrew Keen
Hi. It's Andrew Keen from HSBC. Two questions. The first one is technical for Chris. Your slide on Mogalakwena was very interesting. Your strip ratio comes down enormously according to what you've got there. But what we've seen at Sishen has been a bit of a payback for previously low strip ratios. We have actually got that rising. Can you talk a little bit about Mogalakwena and what might be about that operation? Or are you naturally a sort of low-strip kind of guy? And the second question actually is on Michiquillay which we haven't heard from today. Maybe Duncan can give us an update. Was that a government issue or a project issue or something like that?

Chris Griffiths
Given that I'm not Mr Sex Appeal I have to be a low-strip kind of guy. Look, the current strip ratio at Mogalakwena is five. What we are saying is that by focussing rather on strike extensions. Between the different pits at Mogalakwena there are small river courses and the like. So actually we have done replanning of that to see how we could divert water for example. You see we are not trying to reduce the stripping ratio. We are saying how can we keep the existing stripping ratio. There is some down-dip extension, but lots of strike extension. What we see over the next 20 years is eventually the four or five pits that we currently have just become one huge, long pit. And so many of these instead of only going down-dip where you have a dip of 45 degrees it would mean if you weren't able to go out on strike you would actually just increase your stripping ratio. And that is where the previous stripping ratio came from. Just by thinking differently, by merging the pit and joining each other up, that is how we are able to avoid going down. For the next 20 years that is the stripping ratio that we will be at. We currently have a reserve for another 160 years. But in time this will be a stripping ratio that will increase. Where will we be in 20 years' time? Who knows? But the point is we've been able to avoid costs of about $3 billion by being able to join the mine up along strike.

Duncan Wanblad
Michiquillay was neither a government issue nor a technical issue. It is actually a very nice geological resource all on its own. It was very much driven by what we can do in the time that we've got available. The constraints around that deposit for us were really the costs around the option to hold the deposit. And there are far more beneficial uses of the capital for us in not only the copper portfolio but the rest of the business too. So that was the key driver for us. If we had another 20 years and we didn't have to do anything with it immediately, of course it is an option I would have loved to have held. But that really wasn't a possibility for us.

Male speaker
This is going to be the last question. The managment team will be all available outside afterwards, so we will go and have a drink after this question if that is all right with everybody.

Jeff Largey (Macquarie)
Really it's for Paulo. During the presentation I think I heard you say if I heard you correctly that eventually you will get to premium pricing. If that is the case, are you actually discounting at this point? If that is the case could you talk about what the discount is and how long it takes to actually achieve premium pricing?

Paulo Castellari
As we indicated before, the Minas Rio product and the assumption I think you guys should use Platt 62% reference price. There will be adjustments up for quality for the iron content and obviously adjustments for moisture. We will look to improve on that going forward.

Male speaker
Thank you very much for your patience. We have overrun by about 14 minutes. We realise you've all got investor day fatigue. I think you've got one more to go through tomorrow. But I can promise you we will be back in 12 months' time. No groaning. Thanks very much.

END OF TRANSCRIPT