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EDITED TRANSCRIPT

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OVERVIEW:
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PRESENTATION

Mark Cutifani - *Anglo American plc - CEO*

Good morning, ladies and gentlemen. Thank you very much for taking the time to join us today.

I'm pleased to announce that we're on track to deliver on all of our full-year business targets. While I'm not suggesting it's going to be easy from here, we've still got lots of challenges and probably a tougher market to navigate during the second half, we're very pleased with the results and what it says about our progress.

But I think it's important that we'll just put out the key points that we see in the results that we think are important to note. What we'll also try and do is take you through how we see the balance for the year unfolding.

But it's not simply about this year. It's about the foundations that we're setting for the longer term and we have been setting for the last three years.

Firstly, we remain committed to the establishment of our core portfolio of diamonds, PGMs and copper. That core portfolio has been built around, what we see as world-class assets.

Our primary objective is to operate in businesses that are cost competitive; can generate reliable cash flow through our price cycles, while providing longer-term improvement opportunities that can be realised through disciplined capital deployment and efficient operations management.

More specifically, I'm pleased to report that the next phase of our business transformation is well underway.

We are well ahead of our annual cash flow target with $1.1 billion delivered in the first half, with $2.5 billion EBITDA also tracking ahead of our full-year target.

As you know, we took some heavy bruises back in the last quarter last year. As Menno said, what a difference seven months make, but from our point of view, there is still a long way for us to go.

Our strategy to retain liquidity stood us in good stead through probably our most difficult period at the end of last year and in the first quarter of this year. I think commodity prices for us were at their bottom in the first quarter.

And whilst we are encouraged to see prices improve in a range of areas, we're still not that optimistic in iron ore, given the supply situation. The second half in De Beers will see some seasonal changes in sales, but we've certainly been encouraged with what we've seen so far. In terms of the things we can control, we've made good progress.

In terms of portfolio and the $1.9 billion improvement, we're on track to deliver $1.6 billion of volume and cost improvements. When we went into the detailed execution planning for the improvement program, we identified $300 million in capital and working capital changes that will still be realised in our $1.9 billion. We'll unpack that a little bit more in the presentation.

In terms of disposals, and progress on the portfolio restructuring, I'm very pleased to announce the Niobium & Phosphates sale. It went well, but at the same time, it reflects the quality of the asset; the recent work we've done in that asset; and the fact that we set up competitive bidding processes. The result, was a solid one. CMOC has got a good set of assets.

In terms of net debt, we're down to $11.7 billion. If I account for the announced disposal proceeds, we'd be at about $10.3 billion. So, again, encouraging progress on the net debt target, but still some more to do.

On our medium-term gearing target of net debt to EBITDA of less than 2.5, we're already in that range and that's encouraging. Again, we've got to keep working hard, because I think we're getting a little bit of help on both iron ore prices and with the FX.

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To start with safety and environment, we have had a tough six months. Regrettably, we've lost six colleagues in five incidents. Whilst we've improved our safety performance by around 60% in the last three years, in this sort of restructuring process we have to keep our eyes very firmly fixed on how relationships are going and what we're doing on the safety front.

We've initiated some key actions to make sure we pull ourselves back to that improvement record. On the positive side we've, shown a 21% improvement in our all-accident frequency rate and we have to continue that sort of progress across the board.

On environmental performance, continues to be solid. I think the environmental performance, in particular reflects the greater attention to detail and the planning work we've been doing in making sure that we're controlling all of our processes.

Improving availability and utilisation usually means improving environmental performance, because 60% of environmental issues occur in unplanned breakdowns of equipment. When you're operating your plant and equipment more reliably you tend to get less environmental issues.

For us, it's a key measure and it's one that I've used since I started in the business, because I think it's also a measure of a whole range of other things in the business.

In terms of the operating performance, overall production was broadly in line with the prior year, we're about 1% lower on copper-equivalent basis. This was despite pulling back production at De Beers in response to weaker market conditions. While, at the same time, we sold 18.3 million carat to De Beers, which was 29% higher than H1 2015. I think the progress and the work we did in the last half of last year has certainly paid benefits this year. We're encouraged by what we see in the market, although we remain cautious that we've dealt with all the pipeline issues, but so far so good.

I'd like to make a very important point as part of the production results. You need to remember that the production this year versus last year has been delivered despite downsizing the organisation by more than 10%.

In Copper a little disappointing with Los Bronces being impacted by some very significant dumps of snow.

But on the positive side Collahuasi's done very well, and certainly we'd expect them to continue to improve.

Platinum was solid after lower than expect refined production in Q1 following a stock take and safety stoppages, but Chris and the team have pulled that back very quickly, so very pleased with the second quarter performance.

Mogalakwena continues to be very pleasing, we're up north of 400,000 ounce rates, in the last 2.5 years we were up more than 30% without spending capital. I think Chris and the guys have done a great job and it does give some sense of what's possible with the operating model and the good work the team has been doing on a range of fronts.

Amandelbult has also begun to turn a corner and we're quite encouraged we with what we're seeing there.

In Nickel, Barro Alto is now operating at name plate capacity. That was a big job for us, a big task to get the furnaces right; very pleased with the progress there and you'll see pretty good cost performance there as well.

In coal, the South African operations have continued to perform in line with the plan and Australian met coal production was strong, despite two major longwall moves in the first half. Seamus is smiling today, he's just landed back in the country and he tells me that yesterday Grosvenor produced 37,000 tonnes. The project's been commissioned seven months early, under budget and certainly make a significant contribution.

I think you've got to be careful in annualising those sorts of numbers, you've got to remember longwall moves and that's a peak number, but so early in the commissioning, that’s a fantastic job and really proud of what the guys have done. For us, I think really helps demonstrate where we've come from on projects and operations.

So apart from the challenges at Los Bronces and taking into account that the Kumba team has done a lot of restructuring in the first six months in dropping manning levels by 31%. A solid operating performance, not as good as we would have liked but, most importantly, really good work on the cost side. From our perspective, I'm more concerned and more focused on the costs and margins than we are on the absolute production numbers.

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For us, the most pleasing aspect of our first half performance is that we're generating free cash flow as the operating cost performance improves; overall costs were down 19% compared to this time last year. Yes, we've had help from foreign exchange, but we're also in some reasonably high inflation jurisdictions as well. The guys have done a good job; very pleased. And, we've seen consistent performance improvement right across the board.

From our perspective, a 19% cost reduction reflects around about 7% real across all the businesses, but it is patchy depending on how far various parts of the business were in the restructuring, but generally you're seeing the impact of the hard work that's been done over the last 2.5 years to 3 years.

For us, even though we're going through a major restructuring, and it is significant in any scale, the fact that we've been able to hold the costs is pleasing and is something that really remains a key part of our focus as we go forward.

Now, just to put the organisation restructuring into perspective. Since 2013, we've reduced our manpower levels down to 120,000. We've seen another 6% reduction during the course of the last six months. The majority of these reductions have been from restructuring our corporate offices; Kumba; Minas-Rio; coal; ongoing work in Platinum, in London and Johannesburg.

Based on our disposals announced today, Phosphates and Niobium, Rustenburg, Foxleigh and Callide we are at a pro forma workforce level of around 98,000. Now, that is a 40% reduction from where we were in 2013.

Interestingly, and I'll show this a little later, our actual full production is actually up since 2012, so the productivity improvement is quite dramatic.

Finally, as I've said before, I want people to understand that we're not announcing anything new today with these reductions. They have been announced before. All we're doing is simply explaining where we are on the restructuring journey.

In terms of the change, I thought one slide would help explain what we've been doing, and this is since the second half of 2013.

If I could say based on what we announced in December and unpacked in February, we are on track to deliver, firstly, a 12% improvement in absolute production across the business since around 2012. That's despite a one-third reduction in the actual operating assets in the business.

Second key statistic is that our productivity continues to improve. So as we've reduced the assets; we've reduced the numbers; we've also restructured and improved our efficiencies. Our workforce numbers will be 40% lower by year end.

And, on an apples-for apples-basis, our productivity or production per person employed will be up by 50% by year end, and that's with disposals already put in place and disposals announced.

So, when I talk to those figures, I am including Niobium & Phosphates and Rustenburg. At the end of the year that's about where we'll be in terms of the productivity that's come out of the restructuring over the last three years.

Now, these numbers are being delivered in spite of the pullback in De Beers, due to the market issues to ensure we're matching our markets and with only modest early contributions from Minas-Rio, Grosvenor and Gahcho Kue.

Now, we start to see a pick-up in those contributions next year; Gahcho Kue, obviously, and, depending on where we go with assets, at Grosvenor.

The third point is when we talk about cost reductions, yes, we've had some support and help from foreign exchange. But, again, when you look at the input inflation numbers in jurisdictions like South Africa, there's been a lot of inflation we've been swimming against in those jurisdictions.

But we've reported a US dollar 36% reduction in our operating costs, and these are in nominal terms, against where we were in 2012. That performance improvement actually reflects the half-year number and we expect to replicate that or be close to replicating that on a full-year basis.

That's been driven substantially by the productivity improvements, but also in other improvements. As we get more out of trucks that also helps reduce our capital as well.

I think that chart, more than any other chart, reflects the physical changes in the business and how we're restructuring the portfolio and looking to improve our relative positions across our full commodity suite.

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In terms of the portfolio, we started around 68 assets, down to 45 at the end of last year; with sales announced we're at 42. There's no change to the strategy that we set out in February.

In particular, on the asset program, and Rene will lay that out where we are, I'm not going to talk about any individual asset sales, for obvious reasons. We have a process underway and we'll make announcements only as and when we are in a position to execute. Any sales have to be for value, and I want to stress that point again.

The main concern shareholders, people that we work for, expressed in our conversations is we support the strategy contingent upon your ability to deliver value from the sales.

Now, there's always some debate on what value we may have on an asset but for us that is true north. It is about value. It is about having the discipline to hold and make sure we get value for the assets.

So far, we believe we've delivered on that promise and we believe, with the results for the first half, and in particular with the cash flow we've generated, it actually supports us holding to that principle as we go forward.

With that let me hand across Rene, who will go through the key numbers and the finances, and then I'll pick back up with a bit of a broader summary.

Rene Medori - *Anglo American plc - Finance Director*

Thank you, Mark, and good morning, everybody. We start with the highlights for the first half.

EBITDA down 25%. We'll see, when we go through the reconciliation, the key driver was the decline in commodity prices. Of the $2.5 billion of EBITDA in the first six months, $1.4 billion came from the core, which includes Platinum, De Beers and Copper; and $1.1 billion from non-core.

The effective tax rate of 32%, up versus last year at 28%. That reflects the profit mix. For the full year, we expect the level of effective tax rate to be around 32%.

Capex, $1.2 billion compared to $2 billion last year, getting the benefit of the commissioning of a number of projects, Minas-Rio, but also Grosvenor, as Mark mentioned earlier; and Gahcho Kue coming on stream in September. We are also getting the benefit of the optimisation of SIB capex and stripping.

Free cash flow was very strong at $1.1 billion compared to the $0.2 billion last year reflecting the benefit of the cash improvement initiatives that we launched at the beginning of the year, the very strong working capital management, and the lower capex.

Net debt at $11.7 billion, but $10.3 billion if you factor the after-tax proceeds from Niobium & Phosphates that we are expecting in September/October.

Finally, we recognised a $1.2 billion price-driven impairment on Moranbah and Grosvenor.

Turning to the EBIT reconciliation. $1.9 billion last year coming down to $1.4 billion this year. The key driver was the negative $1.2 billion impact from lower commodity prices, and you see the breakdown between bulks and base precious.

We also got a smaller positive inventory stock adjustment from Platinum: $180 million last year; around $40 million this year.

In terms of sales volume variance, a positive variance from De Beers, volume was up 29%. That was offset by lower production in Copper, due to the very high level of snowfall in the Santiago area. But also in Kumba lower production, as we went through the redesign of the pit.

Cash costs were $300 million lower than last year, predominantly in the second quarter of the year, as we developed our cash improvement initiatives in the first quarter of this year. So, on track to deliver the $1.6 billion that Mark highlighted earlier in the presentation.

Net debt of $11.7 billion, so a significant reduction compared to 2015 of $12.9 billion, including a $500 million working capital release, as well as the reduction of capex, as we saw earlier.

We also got the benefit of the liability management exercise that we did back in March. The benefit was $120 million, and we expect further interest cost savings over the next 18 months; around $63 million.

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Again, if we deduct the $1.4 billion of net disposal proceed, the level of net debt stands at $10.3 billion. That gives us a net debt to annualised EBITDA of 2.2 times, if you exclude the Niobium & Phosphates contribution in the first half this year.

As we announced in December, the dividend has been suspended.

Looking to capex for the remainder of the year, we are now guiding between $2.5 billion and $2.7 billion, which mostly reflects the reallocation of $200 million of cost saving target to lower deferred stripping.

In 2017, we expect capex to be lower, to be below $2.5 billion. That only includes the benefit of the disposal which has been announced so far, so just Niobium & Phosphates.

Turning to working capital management. So the level of working capital at the end of 2015 was $3.8 billion. We got the benefit of $700 million of inventory reduction; $0.5 billion coming from De Beers.

We sold 18.3 million carats in the first half of this year, while we produced 13.3 million carats. So you remember that at the end of 2015, second half of 2015, we substantially reduced the level of supply to the market to help the Sightholders reduce their level of inventory. We are now able to resume the level of supply and reduce the inventory build-up, which we had in the second half of 2015.

Kumba was able to maintain the level of sales, despite the lower level of production.

Also, I want to highlight the Platinum level of inventory. We had some issues, as you remember, in the first quarter of this year at the Precious Metals Refinery, due to the Section 54 interruption. So there was an inventory build-up in the work in progress earlier this year. Platinum very successfully has been able to ramp up the level of production, and the level of inventory is now back to a normal level.

Debtors was down $200 million. Then, we had the impact of the recovery in prices towards the end of the first half, and FX, with the level of working capital at end of June at $3.3 billion.

We have maintained a very strong level of liquidity. You first see the decline in gross debt from $19.8 billion to $17.5 billion, some of that coming from the liability management exercise.

The level of maturity is relatively low over the next 18 months. So $900 million this year and $1.9 billion in 2017, that's after taking into consideration the impact of the bond buyback that we did in March.

We have maintained a very strong level of liquidity, still in excess of $15 billion. That's, again, before the benefit of the $1.4 billion of disposal proceeds from the sale of Niobium & Phosphates that we're expecting in September/October.

We are transitioning to a core portfolio of high-quality assets. We expect the transaction, which has been announced, so Rustenburg, the Australian coal assets, and Niobium & Phosphates, to be completed in the second half of this year.

As Mark has already said, we don't comment on the individual assets sale. Processes are underway.

So, in terms of wrap-up. We maintain our commitment, whether it's in terms of net debt targets. We're well on track to have a level of net debt below $10 billion.

Comfortable with our EBITDA guidance of $4.8 billion at spot. Cost/volume improvement, again, on track to deliver the $1.6 billion. Capex between $2.5 billion and $2.7 billion; and attributable free cash flow way above the $1 billion number.

Back to Mark.

Mark Cutifani - *Anglo American plc - CEO*

Thanks, Rene. So, just to go straight into the operating summaries. Firstly, in Platinum, Chris and the guys have done a great job. They're continuing to restructure and reduce our cost base, and that process has been a tough one. As each month goes by we're tightening in all parts of the business.

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I have to say the performance at Mogalakwena has been really pleasing in the way the guys have brought the potential of that asset through. I think in many ways we're still only starting to just get our arms around what's possible.

We've also been working hard to make sure that we set up Rustenburg and Union for success post-disposal. That's important to us.

In Rustenburg's case the Section 11 approval is our last significant milestone that will be done, and that process is substantially in our colleagues' hands with Sibanye in the way they've structured their BE proposals, and they're in dialog with the Department.

We've made good progress, but we do have to be patient in this process particularly for an asset like Rustenburg where you have that complexity.

Going forward, I think the focus the team has on capital and cost discipline, that's the heart of the business, and the changes that have been made under Chris' tenure as we've gone forward.

Certainly, from our point of view, we regard the assets that we have to work with as the best in the industry. We're now starting to really understand what potential we have in terms of continuous improvement.

In De Beers we have a new CEO in the building, Bruce Cleaver is here and he's hit the ground running; so congratulations to Bruce.

We are very pleased to report an encouraging rebound in the first half diamond sales supported by the decisive actions we took to pull back on rough production and sales in the second half of 2015.

I think a very important process, and also a process, which I think has brought us much closer to our Sightholders. But still a lot of work to be done as we make sure that we understand their sensitivities and issues, and make sure that we really are partners with both them and the countries in which we work.

Based on the latest data we're seeing in US sales, they've been reasonably solid, although other sales around the globe are mixed reflecting difference in FX rates, and on specific issues in local markets.

We believe, based on the mix of data, it is prudent to remain cautious in terms of the outlook for diamonds. I think, from our point of view, that's the appropriate way to think about and work within the business.

In terms of our performance clearly sensitivity to the market is our first priority, in addition to controlling what we can control.

We still expect the usual seasonality on sales, and so it is very likely our second half sales will be lower than our first half sales. The next couple of sites will also help us understand the pipeline balance and where we need to focus with customers to get our demand/supply balance right.

That's a big task for Bruce, but certainly one that I've had great feedback from Sightholders, specifically on the way he's interacting and working with all of the team players.

We've also made encouraging progress on cost reductions. Snap Lake was removed from the mix at the end of 2015; that was a tough call.

The recent confirmation by the Government that we can flood the mine which is actually the right thing to do from an environmental perspective. That actually reduces our annual maintenance costs by $50 million a year. That's a very important approval for us to receive, and allows us to maintain the asset at a nominal maintenance cost on an annual basis.

Again, there is still the potential to access the asset longer term, but it also minimises our costs in the short term.

We think that's been a good outcome, and the cooperation and work with the Canadian Government has been very constructive. I've got to acknowledge their approach and the team for doing good work on the ground.

In terms of Copper, we've had a tough 12 months. We had droughts in 2015 followed by record snowfalls, and then being hit by early record snows in 2016 at Los Bronces.

Now, I'll deal more specifically with Los Bronces in a minute. It's not simply about snowfall. We made a couple of poor decisions in equipment selection that have impacted the outcome, but that's been corrected.

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At El Soldado we've turned the corner. We were originally forecasting a potential $100 million cash loss when we looked at spot prices back in December.

We've adjusted the mining strategy. We've restructured and lower the manning levels of the site. And so today, we actually were cash positive in the first six months, so I think Duncan and the team's done a great job in recalibrating and getting El Soldado in the right place.

While we remain under pressure with some tight mining areas as Los Bronces, the team has done a great job in terms of its cost management. You can see, in terms of the performance, that despite the volume pressures, the cost reductions predominantly have helped us improve our performance, and that's where the real focus has been.

As we get Los Bronces back to where it needs to be, we should continue to improve that performance, but that will be more in the second half of 2017.

And acknowledging, Collahuasi's good performance, it's been very solid, been very happy. The cooperation with our partner has been good. Whilst we don't have the operating model, which we think would help us improve or quicken the rate of change, we're certainly very pleased with the relationship and the way we've been working together on the improvements at Collahuasi.

On Los Bronces specifically, and I won't say much other than to give you a sense of the snow and some of the tight areas in the right-hand picture that we've been working in.

We used gear that was probably a bit bigger than it should've been to take out some of the areas, and that's impacted our ability to access high grade, and it's been pushed some months back.

The good news is the pit configuration is right. We've not done anything to damage the integrity. But the sequencing we'll have to take a bit longer to get to get to that high grade, which will impact the balance of this year which we've picked up in the guidance numbers and early in 2017 and then we start to get that back into shape.

So again the snow has been the big issue. We lost some of our flexibility with the snows at the end of 2015. Then when we had the early dumps in 2016 we actually impacted our ability to access, which we made a little bit worse by making a couple of bad choices on equipment. That's been corrected.

I think a few lessons have been learnt there and we'll pull that back. But, overall, very happy with the cost performance of the operation and more improvements to be had.

At Nickel, the turnaround at Barro Alto has underpinned an aggressive cost improvement story, as we continue to work the asset towards its potential.

In the nickel industry good news stories have been a little hard to find over the last few years. In my view, Barro Alto has been one of the good news stories in the industry, and certainly very pleased with what the team's done.

On Coal, Seamus and the team continue to do a great job. Whilst we get rather sick of talking about the improvements that have been delivered, Seamus and the guys have again improved on their productivities and costs. Maybe not as dramatic as what we saw two years ago, but the base has certainly improved and, I've got to give great credit to the works that's been done.

As I said, Grosvenor seven months early, under budget and continuing to prove the operation.

The other point I would make and, this goes across the board, but in particular with coal, we're not only improving our operating costs, we're improving our capital costs, as a consequence of the efficiencies in development and the other activities that we're driving across the business. So our capital numbers are improving, both as a reflection of the disciplines that we're introducing in terms of capital spends, but also as a consequence of the improving productivities that we're getting from equipment. For example, mine fleets getting 30% more hours out of the gear that we have on the ground, that’s been a key part of that improvement as well. The Coal guys have done a fantastic job across both operating costs and capital.

On Kumba, Norman and the guys have had a tough six months as they've been going through their restructuring. At Sishen, we've seen a 31% reduction in employee and contractor numbers. It did absorb considerable time and effort, even more than Norman anticipated. But the good news was, that by June we were starting to see the numbers improve and so that's encouraging.

But even with all of that restructuring and the bulk of the manpower numbers still in the half numbers, the breakeven price delivery of $34 a tonne, was a good performance under those circumstances.

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Norman and the team have got a challenge and then with Themba and Seamus taking on the challenge going forward, it'll be important to settle the operation and continue that improvement, that's going to be absolutely critical in making sure that Kumba can be as good as it can be.

At Minas-Rio, the ramp up continues. Again, Seamus took over the asset a few months back. The focus has been again on settling the operation, getting the cost down and, working out how we configure and balance the performance and the commissioning, consistent with the licensing processes that are in place, both as a function of the Sanmarco incident, obviously, that has made the government far more sensitive on these types of things and making sure that we've got the mining strategy balanced, so that's likely to take a little bit more time on the licensing front.

I think two key numbers: the 15 million to 17 million tonnes forecast. We think we're well on track with that with the improvements.

But the cost performance is the one that is the most encouraging. If you look at the unit cost, FOB at $32/t wet, our original target at 26 million tonnes was $33/t to $35/t. The guys have done a great job pulling costs down and getting the overheads down.

We'll keep focusing on those costs and in the course of the next six months we'll have a better understanding of what we should be able to do at 26 million tonne design rate.

Just one other point I wanted to make in terms of the licensing process. We've gained an interim approval on the second phase license, which was important for us, so we're able to open up the next few areas, which will make sure we've got balance in productivity and we're in that process now.

The licensing process for us, we don't see any technical problems with the facilities or the tailings dam, because we're using a very different technology to what was used at Sanmarco, which was using upstream lifts.

Our downstream strategy, which is certainly a very different civil construction, is seen to be a favoured type of construction for tailings dams. So we don't see that in of itself as a risk in the licensing. It really is the process that we have to go through. It's quite a protracted process and become a little more difficult obviously since the incident.

Before I go to summary, I did want to make one point. In all the work we've been doing in the last three years, it's been very much about reengineering the way the business works. So it's about business process and cost reduction.

It's about efficiency; changing the way we operate; getting 30% more out of equipment; improving our productivities, so that our cost reductions and our cost improvements and our business improvements are sustainable in the long-term.

We also believe that innovation is going to play a more significant role in the way we run the business in the next five to 10 years. I am not of the view that the industry has hit a wall on cost and efficiency improvement.

In fact, I'm of the opposite view. I think we will see a period of time in this industry where there'll be more innovation, and more step changes in cost, because of what we've come through as an industry. Manufacturing-type approaches, which is reflected in our operating model, are an opportunity that will continue to deliver us beyond 2016.

On the business restructuring we'll see more contribution from the core assets over time. So that's another area of improvement.

But I want to talk about three step changes that we've been investing in, because for us the key to continuing improvement beyond 2016 and 2017, is about the types of things we've seen in the business. So grade concentration: In our Niobium business we introduced a screening process in front of the main concentrator that took the run of mine feed and upgraded the grade by 30%. That has given us more bang for our buck in the process, and improved our recovery and the quality of the recovery in the process.

I think that was also part of why we were able to deliver a good price on the sale, because we got to full capacity pretty quickly and people can see more opportunity to improve as a result of the new technologies we'd put in place.

Now, that technology and approach is already being applied to Barro Alto.

We also see application in copper. We see it in, certainly, the open cut platinum operations. We see it in De Beers.

So that's one area where Tony, with the Group Executives, are working on in terms of things that we can do to get a better bang for our buck, and improve our costs.

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Second, and you'll see a photo of a machine that we've just put underground at Twickenham, it hasn't started cutting yet, Chris, I don't think. But we've been doing some technical development work with Atlas Copco on a rapid mine development system.

For us, the ability to develop more productively is about reducing our costs. We think there's great potential in resources like Amandelbult, Der Brochen and Twickenham, those sorts of assets. That'll take some time, but it's a very different approach to what you would have seen some years back in the platinum industry.

Still very early, but we're thinking about doing things differently, because we know we're going to have to continue to lead in cost reductions and efficiency improvements across the business.

The third area is a bit of a catch-all, but it actually picks up two key technologies, and it's water consumption. We believe that we can reduce our water consumption per tonne processed in the copper business in Chile by more than 50%.

Now, for those that have been tracking the Chile industry, and the discussions around desalination plants, and the massive capital that's been committed to those types of projects, we think there's got to be a better way.

So in the last 12 months, and in our new open technology platforms, we've been working with a range of partners. We have identified a technology of coarse grinding; and then changing the way we float material, which is obviously coarser than what you would normally do; and then changing the way we process the tailings, we can reduce our water consumption by around 50%.

Now, that type of technology can be applied in copper, and that's where we've been doing our test work. But it can also be applied to other environments and other processes. So it could be a platinum issue; it could be Botswana; those areas that are short-water. This is a major step.

There's a second technology we're now working on that actually dewaters the material, and we call it interstitial, but it's a technology that also improves water, or dewatering of products. Ultimately, we are looking to see if we can design mines that don't require wet tailings disposal.

In the next couple of years, this for us is a game-changer in Copper. Because for us Los Bronces, Collahuasi, the size of those resources at the moment are constrained by available water.

If we can break that, and we're already working our pilots, and how we get through the process, that for us is a game-changer, and starts to explain to you why we're keen on copper; and why we think our assets in copper have great potential; and Mogalakwena, our diamond assets, and beyond.

Main thing I wanted to say, we are not sitting on our bums working simply on cost reductions. It's about efficiencies and about hitting the process and hitting our capital deployment in every way we can, to create value.

So finally, in terms of the new Anglo American, the work on the core portfolio and the reductions of the asset. We have restructured the portfolio, and we're 35% smaller in terms of number of assets. But our productivities have more than offset that reduction.

Our move to the core portfolio is on track, but we still hold the value imperative front and centre in all of our conversations.

Positive free cash flow in 2016 at spot prices and FX. We're ahead of targets, and there's a lot more work to be done.

Our non-core portfolio of bulks and minerals, is being managed for cash or disposal; all of our key assets are back where they should be.

And then finally, in terms of net debt. We have made a good start. But the fact that we're delivering free cash flow and delivering value from our disposals, the two come together to help us hit those targets.

We've made a good start. It's a solid start. We're happy with the progress, but we're not satisfied with where we are.

So with that, more than happy to take questions.

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QUESTION AND ANSWER

Jason Fairclough – *BAML – Analyst*

Thanks, Mark. I've got a question on core Anglo. We've been marketing, we've been talking to people about the Anglo story. And there's two main pushbacks I get from clients. One is, we have higher commodity prices. Does that mean that Mark loses his resolve to push ahead with this action?

And then beyond that, do these higher commodity prices mean that actually selling assets right now is the wrong thing to do? We should be holding these, and essentially riding them out for another cycle.

Mark Cutifani - *Anglo American plc - CEO*

Fair question. In our view, in the non-core areas, we haven't changed our fundamental view on where those commodities are, and why we think there'll be pressure, particularly on the supply side.

To be quite frank, we are surprised the iron ore price is where it is. We think there'll be pressure on coal as well. And whilst we've got a couple of very good quality coking coal assets, we think overall coal is impacted by thermal coal, and so we think the supply side's a big issue.

We haven't changed our fundamental view, and therefore we haven't changed the strategy; and we remain committed.

I think the one thing that really is important, and I mentioned it a bit earlier, and I'll say it again, the good news with our results is that the underlying business is performing better, and we think we can continue to do better.

Therefore, generating free cash flow allows you to hold your value discipline, if I can say it that way. Therefore, as a consequence, it might take longer to realise value from those assets.

I think it's far too early to make any changes based on what we've seen in the market so far. I think there's still a lot of debt, a lot of risk, out there.

We're still very cautious on the commodity suite, and therefore we're going to hold the strategy. We remain cautious. May take a bit longer, because our value focus won't diminish, and we'll try and make the right call. But so far I think we've held pretty well to true north on value and that's where we want to stay.

Menno Sanderse - *Morgan Stanley - Analyst*

Three very brief ones. The first on net debt improvement, Rene, it seems to have taken place 100% in South Africa, where the Company went from slight net debt to $600 million net cash at the end of the period.

Does it have any implications and how can you get that cash out now that you're not paying a dividend?

Secondly on Los Bronces. Clearly, exceptionally volatile, which could be El Nino or La Nina, or it could be anything. But is there a need to put more capex in this business? Has it been cut back too much to try and realise its full potential?

Finally, a lot of talk about value and I get the message, but has the definition of value changed? Have you actually increased your values in the last six months with the price increases and clearly, slightly better balance sheet?

Rene Medori - *Anglo American plc - Finance Director*

You're absolutely correct, at the end of June we moved to a net cash position in South Africa of $600 million. The cash is available to fund the plc dividend when we reinstate the dividend.

Otherwise, to extract the cash from South Africa we'll require SARB (South African Reserve Bank) approval. But we would expect at some stage, obviously, to reinstate the dividend and we will be able to use this cash.

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Mark Cutifani - ***Anglo American plc - CEO***

On Los Bronces, the best way to describe it is, as we've moved up higher at Los Bronces and opened up new areas, the areas that we're working are still very tight. There are no constraints in developing the operation. But we've still got a very tight footprint.

We're behind in positioning, the guys were working on catch-up and productivities have improved but the snow has made these tight areas even more difficult.

There's no constraints and it doesn't need more capital, it just needs the consistency.

What happened is we then put gear that was bigger than it should have been on the cut backs, to make sure that we delivered copper in the short term, when we should have put the smaller gear and avoided any spill over. That was an incorrect operating decision that we've corrected.

It's not a capital issue, it's not a configuration issue. Hold to that discipline, we'll get the numbers. So it was a mistake operationally. We take accountability for that, and that's why I've said the snow made it more difficult.

Third point. In terms of our values. We have been extremely rigorous in the last couple of years. I'm not saying we weren't rigorous prior to that, but we've taken some tough views on what we think will happen on supply.

We've seen quite different behaviour than we've seen in the past on supply, and we've taken that into account when forecasting forward iron ore and coal prices in particular.

We haven't changed that view, based on everything we've seen so far.

Des Kilalea - ***RBC Capital Markets - Analyst***

Just a clarification on Menno's question on cash in South Africa from Rene. How much of that cash is actually at the centre? There is some in Kumba.

And then maybe a long-term strategic question. Core Anglo, other than Mogalakwena and maybe a little bit in Gahcho Kue, doesn't have an awful lot of growth options that are visible right now.

Where would you see the growth options? And I know growth is not something people are looking for in commodities right now. But where are the growth options longer term, other than in the technology you talked about?

Rene Medori - ***Anglo American plc - Finance Director***

Yes, there's some cash in Kumba. As you know, Kumba moved to a net cash position, I think to the tune of ZAR500 million. Otherwise, the rest of the cash is in the centre in South Africa.

There is no exposure to the rand, because we have $1.5 million, which is, in fact, offshore that we can retain in US dollar, but we are required to repatriate to South Africa just before the year end period.

Mark Cutifani - ***Anglo American plc - CEO***

I'll unpack growth in three parts. Number one, in diamonds, we're currently forecasting production of 27 million to 28 million carats. Our installed capacity with Gahcho Kue is north of 35 million carats.

We will grow production with the market. We believe that the endowment associated with Jwaneng, Orapa, Venetia and those other major assets, is significant and that we've not explored the true potential of those assets in particular.

So we think there's lots there. But certainly, there's 20% uplift from installed capacity. Now, that doesn't require major capital, it's there and we can grow that with the market. Beyond that, we've got significant endowments to work within the diamond business.

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So from our point of view, well positioned for the long-term in diamonds.

Secondly, in Platinum. Mogalakwena, Amandelbult, Twickenham, those assets are significant assets that can make a long-term contribution and have, in of themselves, significant organic growth potential.

If I just use Mogalakwena as a simple example. Mogalakwena has over 100 million ounces of reserves; we're producing 400,000 ounces a year.

In my previous life, in 21 assets, we had 70 million ounces and we were producing 4.5 million ounces. I'm not suggesting that's what we're going to do with Mogalakwena; the platinum industry doesn't need more platinum.

But in that resource grouping we have, by far and away, I think, the best platinum industry and, again, market-related lots of opportunities.

The key thing is to dominate the left-hand side of the cost curve. I'm more interested in costs and margins, and being on the left-hand side of the cost curve, that's where we create opportunities.

What I want to do is grow the earnings first; make sure we maintain our capital discipline; and then the opportunities will come over time, because we've got the best organic development opportunities in the industry. That's where that will come.

In Copper, Collahuasi and Los Bronces are two of the best resources in the world. We are drilling porphyry copper targets in Papua New Guinea with our partner Highlands Pacific, and there is Sakatti up in Finland; lots of good opportunities emerging, and certainly with the technology stuff, it gives us significant potential.

So we think we've got a good portfolio but we're not going to run out and start spending away. Our capital discipline is going to hold. That's something we've done in the last three years.

We're going to hold our discipline, because we've got lots of options and lots of things we can do without spending capital.

Anna Mulholland - ***Deutsche Bank - Analyst***

Three quick questions. The first just to go back to Des's question of the copper growth options that you were talking about, where does Quellaveco fit into that?

Mark Cutifani - ***Anglo American plc - CEO***

I'm sorry, I should have mentioned Quellaveco. Please don't read anything into that.

Anna Mulholland - ***Deutsche Bank - Analyst***

Okay, just checking. Where are you on the manganese exit?

Mark Cutifani - ***Anglo American plc - CEO***

Going through the process. We prefer not to say anything more than that.

Anna Mulholland - ***Deutsche Bank - Analyst***

I don't think it's on your timeline list. Does that mean that it's at the end of the timeframe?

Mark Cutifani - ***Anglo American plc - CEO***

We've listed the more material assets, so it's not for any other reasons other than that.

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Rene Medori - ***Anglo American plc - Finance Director***

The process is underway, Anna. Clearly, the recovery in manganese prices is a positive.

Anna Mulholland - ***Deutsche Bank - Analyst***

Thanks. And the final one, in terms of your headcount reduction, obviously, you're targeting for your core number of positions to go down about another 7,000 to get to 50,000 employees in the core business. Where are the main reductions coming from within that?

Mark Cutifani - ***Anglo American plc - CEO***

Well, you know, with Rustenburg, Niobium & Phosphates, and the coal assets, we get to 98,000.

At the moment, the numbers look like somewhere between 50,000 and 55,000, so you've got the reductions in the balance of the coal assets in Australia. You've got Union; Bokoni and those assets in Platinum, and they have quite a large manpower contingent in those assets. You've got Kumba.

If you look at the assets that are non-core, you'll get to about 55,000 on paper and we still think there are opportunity to improve our efficiencies within the core to head us towards 50,000.

But between 50,000/55,000, that's why we've got a bit of a squiggle on that number. We're about at that level, we think.

Jake Greenberg – ***BAML – Analyst***

Mark, first of all, congratulations on a really solid set of results. So, three questions. Can you quantify how much of your cost improvement was from energy prices declining and FX?

Secondly, your net debt is pretty much at your target if you include the Niobium & Phosphates disposal, so when you get the next disposal, you're going to be well below. At what point do you reinstate the dividend and what sort of metrics are you thinking about to make that decision?

And then lastly, just in response to your comment that the market doesn't need any more platinum, are you concerned about Platreef ounces coming into the market eventually? And, obviously, that ore body is right next to Mogalakwena, so what are you thinking strategically around that issue for the market?

Mark Cutifani - ***Anglo American plc - CEO***

On nominal basis I think energy and FX is probably about 14%, Rene, of the 19%, if we back out our inflation. So it's a material contributor.

As I said, in real terms, our 7% reduction has been really pleasing across the Group and we've absorbed a lot of internal inflation, in South Africa and other places.

But I think the productivity number for me is the important one, is that 40% improvement. It tells you how much we've done at the cost improvement level, but we'll take the help where we can get it.

I think we're already at the target net debt to EBITDA ratio. In terms of dividend, we were looking to be in a position by the end of 2017, Rene, in terms of the ratios, so, we'll see where it is.

Rene Medori - ***Anglo American plc - Finance Director***

The guidance we gave, which is, we expect, as we improve our cash flow generation and improve the balance sheet position, to be able to reinstate the dividend by the end of 2017. That will remain our position today. I think we are making good progress also to see a potential re-rating in the coming months.

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Mark Cutifani - ***Anglo American plc - CEO***

I think the key point there is, we've had a very solid six months. We've got a lot more work to do before we start changing that sort of thing, so that's where we're at.

And then third, on Platreef. Look, we've been encouraged, actually, by what we've seen in the platinum market. We've actually seen a bit of a tick up in platinum consumption. But there's still quite a bit of platinum out there. The stocks are coming down and so we prefer not to see any new production, but the market is the market.

Our focus is left-hand side of the cost curve, margin, make sure we're delivering and if the market is a bit tougher, then so be it. Others will fall over before we will.

Jake Greenberg – ***BAML – Analyst***

Sorry, and just one follow-up on the dividend. So, for 2017 have you given any thoughts to dividend policy in terms of, would you have a payout ratio or how you want to reinstate the dividend when it's appropriate to do so?

Mark Cutifani - ***Anglo American plc - CEO***

Yes. We've said that we'll do a payout ratio. We've been very clear.

As part of our guidance, at the end of last year we said, likely end of 2017 when we make sure the ratios are up and the debt's down. The first priority is debt.

Fraser Jamieson - ***JPMorgan - Analyst***

First question is on the cost out, so $1.6 billion target for the full year. You've done $300 million you said, predominantly in the second quarter.

I'm making up numbers here, but maybe you do $500 million in Q3, which means you're running at something like $700 million to $800 million in Q4. You just purely annualised that in 2017 and you're talking about another $1 billion of cost improvement versus 2016 for 2017, even with nothing else going on in terms of additional programs. So, can you maybe tell me what's wrong with that maths?

And then secondly on the working capital side of things, you obviously saw a working capital inflow from reduction of inventories.

Feels like De Beers probably still has a bit of room to reduce stockpiles. Feels like that's certainly the case at Platinum, so is there anything for the second half that will be a big drain on working capital?

Mark Cutifani - ***Anglo American plc - CEO***

Rene, do you want to pick up the working capital conversation, then we'll come back to the cost and volume trends.

Rene Medori - ***Anglo American plc - Finance Director***

So, on the inventory side, De Beers, we have reduced the level of inventory from $1.5 billion at end of December to $1 billion at end of June. I think there is limited scope for further reduction. In fact, it's more the other way around: level of inventory should be between $1 billion and $1.5 billion.

Remember, we have to move the stones across from, for example, Debswana before the Sights.

On Kumba, we have substantially reduced the level of finished goods inventory, because of the production shortfall. We are now at a very low level.

In Platinum, we probably now are at a stable level. There will be some replenishment of finished goods inventory and a reduction in the pipeline inventory.

Overall, should be relatively stable at the end of the year. So don't expect a reversal of what we have generated in the first half of this year.

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Mark Cutifani - ***Anglo American plc - CEO***

Fraser, I don't think that's unreasonable maths. Rene, you jump in if you don't agree with anything I may say.

Remember, we said that we will continue to improve Sishen.

Rene Medori - ***Anglo American plc - Finance Director***

Just to clarify, the $1.6 billion is cost and volume.

Mark Cutifani - ***Anglo American plc - CEO***

Sishen's a good example where we've restructured. The costs are out, so we'll get that full benefit in the second half and our volumes will improve as a consequence of the operating stability.

Coal in South Africa will continue to improve and the guys are working hard. It's not likely to be a volume change, it's more around costs, and continuing the discipline there.

We've not got the two longwall moves in the second half, so that makes a difference in Australian Coal.

Copper, you will have seen the numbers there, so you'll be able to work those numbers out, I would have thought, fairly quickly.

And Nickel, we're continuing to improve Barro Alto, as we've got full rate. We've had smaller issues that we resolved. We expect Barro Alto will do a little bit better.

So you've got incremental improvements across the portfolio, from a volume perspective. You've also got the continuing impact of the reductions in employee numbers and the work we're doing on the costs.

So I don't think your maths is too bad at all.

In 2017, the trend continues. We talked about the $1 billion, so the improvement trends should continue into 2017. That's the momentum.

And the innovations probably makes some contribution next year, but that's to kick in more in 2018, and we're not putting any numbers to that at this stage.

Rene Kleyweg – ***Deutsche Bank - Analyst***

Thanks, just following up on that in terms of Fraser's question, the $1 billion that you put out previously, for 2017, we haven't had a breakdown between volume and cost out, and we haven't had a breakdown in terms of what the carry-over is from 2016, into 2017; or if you're suggesting that's completely independent, $1 billion additional.

Could you potentially give some sort of update in terms of what the bigger initiatives are, that you've identified? Appreciate that six months ago, that was a thumb-suck number, or a reference number, but obviously it has been ongoing work since then, in terms of clarifying that.

Second question is just in terms of the disposals and following up on Anna's point about manganese, if you look at the potential sources, there's still a $500 billion -- $1.5 billion hole versus your full-year target of $3 billion to $4 billion.

So you've got Nickel potentially, you've got South African coal, and you've got manganese potentially. What's the most likely potential sale and if you do sell South African coal, would that be contingent on approval from the SARB, to be able to repatriate those profits, for debt reduction?

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Mark Cutifani - ***Anglo American plc - CEO***

Rene, you're very perceptive. We are doing things differently these days. I've gone from 17 down to 11 direct reports, probably end up with about 9 in the new configuration. I think that reflects a different way of doing things.

By the time Rene turns 60 and is retired, with Norman going into his new role, I think Chris is the only one still in the same role, when I started. So the management restructuring has been significant.

We've downsized the Executive by 45%, by numbers. It'll be about half where it was, and it's about sharpening the focus. That's the first point.

Second point, on the costs, we're not going to give detail or a breakdown on the costs, as you probably expected. But what I would say is that in the continuing work with the operating model, we're seeing improvements on a consistent basis.

It is reasonable to expect improvements will continue into 2017. Tony and the Executives in each area have identified a number of they believe they can deliver, as part of that improvement.

We do get the benefit of new assets making a contribution, Gahcho Kue is an example, and continuing improvements within those businesses, which we do have in the numbers.

The third element, the technical stuff is relatively small in its contribution next year, so it's mainly from the stuff that we can see.

It wasn't a thumb suck; we'd actually backed that with real opportunities. But to be fair, our opportunities that had been defined predominantly within the centre, and now we're in the conversation with the regions, working out where the priorities will be, and how we'll deliver against those objectives.

We're already planning that work now, as you would expect us to be, so that we can deliver. So that's a very active process, as we speak.

In terms of the disposal, one major sale we believe would get us to $3 billion. We believe we'll hit the minimum threshold. But again, it has to be subject to value.

We would need two sales to get to $4 billion. So we've got processes in place. If we don't get there, it'll be because we've said we can't get there for value.

I'm not scared to stand up and say we haven't sold something, because we're not getting the value. We will know in terms of where we're heading -- by the end of the next quarter we'll have a very clear view of where we're going to land.

I think that'll be pretty clear, because the processes are all doing fairly well, and we're happy with the progress. I'm not going to tip which one will go first.

You can probably guess where we're more advanced, but the next couple of months will tell those tales.

In terms of South Africa cash, we have always assumed that the current arrangements with South Africa would remain in place. And, that for us to repatriate funds would simply be a matter of time, once the dividend was reinstated.

We've kept our liquidity, we've kept all of our flexibility, on the basis that we know how to repatriate those funds in an appropriate way, with the dividend. So we're not concerned about having cash trapped in any positions.

There is always an opportunity to have a sit down with the SARB and work something through, and we'll keep that option open, and we want to keep a good relationship with the South African Government. We're quite comfortable we can deal with the issues either way.

Liam Fitzpatrick - ***Credit Suisse - Analyst***

Two questions. Firstly, on Minas-Rio, when do you expect to stop capitalising the asset, and the related interest?

And secondly, just on the strategy, it's probably not gone unnoticed that there's very strong interest out there for copper assets. Your platinum business still trades at a big premium, so how seriously have you looked at the full breakup option?

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Mark Cutifani - ***Anglo American plc - CEO***

Firstly, the reason for being, why does Anglo exist?

When we first did the value proposition for the major diversifieds and we talked about what made the major diversifieds major, it was their ability to share information, and be on the front edge of cost and cost effective practices.

In our case, the operating model, we think is worth somewhere between 5% and 10% on our operating costs on an apples-for-apples basis, and their ability to continue to implement that over time, and be competitive. It's about sharing the expertise we've got across Group.

We weren't doing that, as a Group, and hadn't been doing it for a lot of years. That's what's changed within the Group, and we're sharing these ideas across the Group, and helping each other, with our cost improvements. Hence, the more rapid improvement in our cost structures, and that's worth a lot of money.

In terms of administration, when we consolidated De Beers, we saved $100 million a year, in administration and some support functions. Just consolidating the two reduced financing cost, supply, administration, IT, whole range of areas across the business we think it's worth $1.5 billion a year to the Group, by being the Group.

We're working with Bruce at the moment, on additional improvements we think we can help the team with.

Now the technical innovations, how do you put a number across the three Groups. What, for instance, is water innovation technology worth, and us being five years ahead of competitors. It’s those sorts of changes that we haven't leveraged in the past. That's the value proposition, we think it's worth a lot of money.

Or in making a decision between a coal asset and a copper asset. Collahuasi is 70-year asset; how do you value a 70-year copper asset, where we could double or go even further in terms of its production potential? Whereas a coal seam, we know, is finite; we've got the dimensions, the only debate is whether you're getting the right price for coal is actually the pricing assumptions you make. Hence, any deals we try and do, we try and put some kickers in there on price, because none of us are going to get the price right.

We've thought long and hard about what's core. It's around the quality of the assets and, in many cases, we don't think the market appropriately values those assets. Those assets we are selling are assets we think we can price reasonably well in the market. So far we have been able to do that. So that's the decision, but we do think there's a compelling reason for being Anglo American.

Rene Medori - ***Anglo American plc - Finance Director***

On Minas-Rio, based on where we are in terms in of ramp-up and provisional license that we just received, we expect to commission the project early 2017.

IOB was cash flow positive in the first half of this year. In terms of interest charge capitalised, we capitalised $120 million in the first half, of interest charge.

Myles Allsop - ***UBS - Analyst***

Just a few quick questions. One of the targets that seems to have dropped out of the presentation is your medium-term net debt target of $6 billion. Are you still looking to get to that level medium term, or are you focused more on your 2.5 times net debt to EBITDA multiple?

On the capex side as well, what should we expect beyond 2017; is $2.5 billion really a sustainable level without the growth projects that could get approved medium term?

And then with Moranbah and Grosvenor impairments, what drove the change in pricing at this point? Why didn't you change your long term met coal price at the same time as the iron ore price? It seems a bit bizarre or is it, to some extent, linked to the sale process? What's the book value at the end of it?

And then maybe just lastly on De Beers; it would be helpful to get a sense as to where inventories are in the midstream, how financing issues are in the midstream? I heard another bank was withdrawing from diamond financing earlier this year. Thank you.

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Mark Cutifani - ***Anglo American plc - CEO***

On the $6 billion net debt target; no change.

Our view is that in holding and hanging tough on value, I think the important thing is that that net debt target goes with the configuration at spot prices. So we haven't changed; that's the logic to get net debt to be less than 2.5 times EBITDA.

The key point is the 2.5 times is more important to us than the absolute debt figure; I think that's the point we wanted to make.

On the EBITDA sustainability, again we believe with the incremental improvements that we're making, even though we'll probably have some headwinds, we should again be pretty solid in the second half.

Rene Medori - ***Anglo American plc - Finance Director***

We have a very clear process which is to reassess our pricing assumption, mid-term and long-term, every six months. When there is a change we have to reassess the carrying value of our assets. That's something we have done systematically for a number of years.

Back in March we adjusted our long-term price assumption for coking coal, and that's what triggered the review of the carrying value of our coking coal assets. That was not linked to the disposal program, which is under way.

The carrying value for Moranbah/Grosvenor is down to $1.6 billion.

Mark Cutifani - ***Anglo American plc - CEO***

On De Beers.

Firstly, on inventory, we think the inventory pull-down is somewhere in the range of two to three months.

There may be some classifications that have got more inventory than others. As you'd expect recovery can always be a little bit lumpy.

The next two Sights I think are very important to us, so we'll watch carefully what's happening.

So we're being cautious and we're being very flexible with our customers as well, and I think that's the key.

Secondly, on the financing of the midstream, it's not surprising. Banks are becoming tougher on their financing. We've also set some pretty clear requirements of anybody that we do business with. We think in the long-term, it's probably the right thing for the industry and we're making sure we're being as flexible as we can be with our partners.

So it's not surprising there are some changes in the financing side and probably will continue for some time. But what we want is a healthy long-term vibrant industry and those issues need to be resolved.

Bruce Cleaver - ***Anglo American plc - CEO, De Beers Group***

Mark, you've captured all of it.

I think on the inventory side, you've got to look at the inventory at producers, at mid-stream, both rough and polished, and at retailers, and we do feel they are much more in balance than they were six months or a year ago, obviously depending on how the Christmas season goes in the US.

But broadly we are in a much more comfortable place.

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Hunter Hillcoat - ***Investec - Analyst***

Just wanted to ask you a little bit more about how you define value. In this market, no one wants to overpay for an asset. You've shown that with your coking coal assets as well, valuations change as you write down and impair the book values of assets.

How do you define the asset? How do you leave value for the purchaser of your assets, so there's a win-win situation? Do you look at the value in use that they'd derive from acquiring the assets that may serve to offer them synergies that you can see?

Mark Cutifani - ***Anglo American plc - CEO***

We look at value as being the financial value in our hands in terms of cash flow from that business on a go-forward basis. We also look at the risks associated with those cash flows.

We look at a range of prices for the commodity in testing how robust those cash flows are and we determine a range of value and a likely value.

We don't try and value the assets in someone else's hands.

The second point, which I think people don't consider as much as they should and certainly something important for us is what's the opportunity cost of having that capital tied up in that asset, compared to the other options you have for that capital within your business.

We've made a decision about high-quality assets that, over the years, haven't been getting the support they should have been getting, compared to assets that we've been putting money into that shouldn't have got money.

If I can say it as bluntly as this, historically if anybody put their hand up, they got the capital. Not today. It's aggressively competitive and we look at where that capital is going to work hardest to deliver value to shareholders?

Kieran Daly - ***UBS - Analyst***

Well done on the performance, Mark. A couple of questions, which are South Africa-centric. The first one being on the Eskom coal business or domestic coal business. A lot of rhetoric out of Eskom, not just you guys but others as well about those assets, those types of operations, those types of relationships.

How would you characterise Anglo's relationship with Eskom, in terms of those operations at the moment? And how do you see what looks to be pretty much an impasse or certainly not a meeting of the minds, how do you see that panning out in respect of those particular operations, because it just feels like disposing of them is going to be very, very difficult, given the different views on either side there?

And then secondly, I think moving Norman to oversee the South African disposal as a package is probably a great move. But does it also suggest perhaps that -- and again, given the common complexities across all those assets, be it BEE or the South African-specific issues, does it also suggest that maybe these assets are more likely now to be exited from the Group as some sort of package rather than individual? Thanks.

Mark Cutifani - ***Anglo American plc - CEO***

Okay, two good questions. Firstly, on Eskom. Based on the direct conversations with Eskom, we believe we've got a good relationship.

One might think that might not be the case based on the public conversation, but what we don't do is we will not engage in a public conversation around the assets, period.

Based on the conversations we're in, it is constructive. I'm sure that we'll land somewhere that works for us and that works for all of our stakeholders and that's the objective we have and we're going to stick with that as a principle in terms of the way we operate. That's point one.

Two, in terms of Norman, yes, I think Norman's taken the really hard yards at Kumba; done a good job. The major restructuring's done. He and I have been talking about the possibilities for him for the future.

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From my perspective, navigating the complexity in South Africa is absolutely critical and I don't think there's anyone better than Norman to be able to do that for us on the ground.

It isn't meant to suggest that we're going to package or not package. Our current strategy is to continue on with the process on each of the assets, but we remain open to possibilities. It has to deliver value for our shareholders.

At the same time, it has to work for stakeholders, including the government. Making sure that we capture that sweet spot, I think is going to be the key in getting this done the right way. That's why Norman's on the ground. We want to make sure that we don't drop any balls through the process.

Rene Kleyweg – *Deutsche Bank - Analyst*

Just a quick one for Rene. Is there any validity to linking the dividend resumption by the end of FY17 with your expectations of getting back to investment grade, or do you see them as two separate issues?

Rene Medori - *Anglo American plc - Finance Director*

Not directly linked, but I would expect if we are in a position to reinstate the dividend it means that either we've already been upgraded back to investment grade or it's very close to being upgraded back to investment grade.

Rene Kleyweg – *Deutsche Bank - Analyst*

And what's the reason to dance to the tune of the rating agencies for that, given that the only use for the South African cash is through dividends. So from a cash flow perspective, the logic of how the rating agencies look at it is not necessarily the way the cash flow works. So why not look at them as two separate issues, look at the cash build up in South Africa and say, well?

Rene Medori - *Anglo American plc - Finance Director*

That's why I said they are not directly linked, Rene.

Myles Allsop – *UBS - Analyst*

Just going back to sustaining capex, what is the normal level beyond 2017? Is $2.5 billion a reasonable estimate as to where capex should be medium term, or do you expect naturally you'll see that creep back up to $3 billion when you include development as well as sustaining? Thanks.

Mark Cutifani - *Anglo American plc - CEO*

We think we can still improve on our sustaining capital in certain areas. In other areas we know we're going to have do more as mines become deeper or require stripping.

But if I can give you a figure – we're only getting 4,800 hours out of a truck across our organisation. We need to be getting better than 6,000 hours.

We still have a lot of potential to improve the utilisation of the assets that we've got on the ground, and it remains a great opportunity for us to improve.

The amount of capital that we've cut out of the business, that doesn't need to be spent is significant. We think $2.5 billion is a good starting point. Our job is to see if we can improve that in terms of the go-forward value proposition for the business.

Okay, guys, look much appreciated. I think the final thing to say from our perspective is, we still have a long way to go. We're pleased with the progress, but we're not happy with where we are. It's a continuous process.

I'd like to say thanks for joining us today and we appreciate questions and the observations. Cheers.

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