Anglo American
2024 Interim Results Presentation

Thursday 25 July 2024

Refer to cautionary statement in presentation slides.

Presentation

Duncan Wanblad, Chief Executive

Slide 1: Welcome
Welcome and good morning to you all. Thank you for joining us today.

Slide 2: Cautionary statement

Slide 3: Agenda

Slide 4: Accelerating the delivery of our strategy
This has been a busy first half, but I am pleased to say that we have delivered a very strong result.

Despite prices falling by 10% for the basket of commodities that we produce, the revised plans that we put in place have delivered an excellent performance, especially in our copper and iron ore businesses. This, alongside some very good cost control, delivering significant progress on our cost-out targets, has led to an EBITDA of $5.0bn - that was down just 3% on H1 last year. John will unpack that a bit later, however the focus is absolutely unchanged and squarely on those three key strategic priorities that I laid out back in February: operational excellence, portfolio simplification and growth.

Building on the reset of many of our mine plans last year, operational excellence has been the primary focus within the assets through the first half of the year, and I am going to start there and how that translated into the H1 financial performance, before moving onto portfolio and growth.

Operating performance

Duncan Wanblad

Slide 6: Safety is our most important value
The first priority of operational excellence is safety – ensuring our colleagues go home safely every single day is my number one priority.

Over the last couple of years, we certainly have seen a step-change in our injury rates, delivering a 23% improvement since 2022 and our lowest ever first half performance or the Group. But this is not good enough. Far from it in fact because we had two fatalities in the PGMs business in June.

We are absolutely focused on putting a stop to this. And the fire at Grosvenor is a very clear reminder for us all of the potential hazards in this industry and the importance of systems, people, process and culture. I am very pleased that all of these came together, and we were able to evacuate the whole mine without any injury. There were over 150 people underground at the time of the incident.

One of the priorities of our organisational redesign last year was to strengthen leadership accountability and free up our leaders to spend more time of their time at site focusing on operational delivery. Our leaders spending more time in the field having quality interactions with our workforce has brought about an improved understanding of both the challenges and opportunities in how our workforce is executing work. These interactions have led to considerable improvements in housekeeping and job conditions, work execution methods and improved training programmes that are all contributing to a safer, more engaged and more productive workforce. I am confident that we are transforming both the organisation and our operational capabilities to eliminate fatalities for good.

Slide 7: Operating Model underpins delivery of operational excellence

You've seen this slide before: It is a representation of our Operating Model and it is the foundation of operational excellence…

Excellence relies firstly on having a good plan – stretching yet realistic. Rigorous execution of that plan is of course key but just as important are the processes and routines that correct any deviations to the plan in a safe and timely manner, but to also improve either the efficiency of the execution or indeed improve the plan itself.

Sounds simple enough but what does that mean in practice and what has it mean in the first half of this year?

Slide 8: Operational excellence focus to continuously improve safety, consistency & competitiveness

We have seen what happens when:

a) plans are overly ambitious; and
b) not owned by the people who are required to deliver them.

We are correcting for that and that was a function of the major reset that we did in December of last year and now we are starting to see benefits of this.

Mine plans are the most fundamental of all of the plans we produce as an organisation. For several reasons we have had to review and reset many of these plans over the last year or so. Having done most of that, it becomes a real focus on execution of these plans - and here we are starting to see some positive results. Without trying to be comprehensive, the detail on this slide shows some of our achievements this half:

1. Planned maintenance up 23%;
2. Losses to production from equipment breakdowns down 37%; and
3. Conveyor belt failures down 71%.

Not only does this result in stable, cost-effective production, but also safer operations. I don't think that our TRIFR performance is coincidental – it is directly correlated.

Finally, for this to be sustainable we continue to work on the culture of analysing and improving both our plans and performance against those plans. That is why our leaders are spending more of their time in the field – better planned and more productive operations also tend to be safer operations.

It is a journey – we have good foundations, and we can now see some of the outcomes related to the progress we are making in evolving our Operating Model.

Slide 9: Strong H1 2024 operating performance

While production is broadly flat compared to the first half of 2023, we are importantly tracking in line with our plans, with operational momentum enabling a 2% step-up in the second quarter on the first.

As I mentioned earlier, our Copper and Iron Ore businesses have performed particularly well.

An excellent performance in Copper. We are tracking well to our plans as we move through the current lower grade mining phases at both Los Bronces and Quellaveco. As per the plan, the Los Bronces Plant will be put on care and maintenance at the end of this month. Collahuasi performance benefited from an increase in throughput and, as a whole, the business has also progressed extremely well on their cost saving targets.

In Iron Ore – Minas-Rio has maintained strong operational performance with a good momentum going into the second half. The reconfiguration of the Kumba operations, coupled with our focus on operational excellence there, is beginning to deliver results, with some really good outcomes on cost reduction and productivity improvements.

Performance in PGMs has been improving through the half with the benefits of the revised mine plan at Mogalakwena on track to come through in the second half and we've seen early stage improvements from the turnaround at Amandelbult, particularly in the second quarter. We did benefit from selling down inventory which helps with our focus on streamlining working capital across the Group. With the s189 consultation process behind us now, the cost reductions are on track and will come through strongly in the second half of this year.

I will come on to De Beers in just a moment.

Steelmaking Coal did see improved performance at Grosvenor but this momentum unfortunately ended in late June with the fire. Again, I will come back to address Grosvenor in a couple of slides' time.

Moranbah and Aquila both continue through more challenging ground conditions, although this should improve following the longwall move scheduled at Moranbah in the second half and as Aquila progresses through its mine plan over time.

Finally, the Nickel business executed well on its plans, and delivered a particularly strong first half cost performance as their input costs fell.

Slide 10: Protracted recovery in the diamond market impacted by economic pressure
So, coming back to De Beers. The rough diamond market started to show some signs of improvement in Q1; however, in Q2, trading conditions deteriorated quite materially again. The Chinese market has been very soft as luxury spending has weakened, and although US consumer demand has been broadly stable, there is still caution from retailers when it comes to stocking.

As the bifurcation of demand for lab grown diamonds continues, and as India sees impressive growth rates, all signs point towards a demand recovery in the medium term, but for now we need to take further action. This is why, as we highlighted in our Q2 operational update last week, we've aligned with our production partners, to reduce output by a further 3 million carats in support of managing working capital.

As you know, we signed a framework agreement with the Government of Botswana late last year to update the sales and marketing agreements and extend the relevant mining licences. We are continuing to work through the underlying detail and make sure we set that up in the right way for the next generation. I recently met with President Masisi, which reminded me of the strength of that relationship, and I welcome the support of his team in building out the various agreements over recent months.

Slide 11: Production suspended at Grosvenor following underground fire
Now, on Grosvenor. This is what we know at this time. As you can imagine, an event such as this is going to take time to investigate properly and understand the causes of properly. On the 29th of June, it's clear that a localised ignition occurred on the longwall face. The operations and the protection equipment that we have installed picked this up and thankfully we were able to fully evacuate the mine, getting everyone to safety relatively quickly. What followed the initial gas ignition was a coal fire. In the hours and the days that followed that, Dan and the team worked tirelessly alongside the excellent Queensland Mines Rescue Services, to contain, and to work towards extinguishing the fire. This involved setting up a number of exclusion zones around all of the accesses to the mine, using an array of equipment to inject inert gas into the underground to quash the fire, and temporarily sealing the mine by closing the shaft openings via remote machinery given they were all in exclusion zones.

So where are we now? Well, gas, temperature and drone monitoring suggest that the fire has now been extinguished and we are developing plans with the authorities to examine the workplace in order to understand the cause and extent of the damage. Now, having said that, we are unlikely to fully understand the extent of the damage for some time.

We are committed to a full investigation alongside the relevant authorities. We had worked tirelessly, and alongside regulators, after the 2020 incident, to ensure that we operated the mine in as safe a manner as possible.

Realistically, at this stage, it is unlikely that the longwall re-investment will take place under Anglo American's ownership. Certainly ,considering the relatively high value and quality of that steelmaking coal reserve, we do believe it remains a viable asset and, in parallel to us understanding it we are going to continue with the sale process and move ahead as we had originally planned.

The timing of the fire has added some complexity to that divestment process. But, as I said, after some careful consideration, after good discussions with Dan and the team, and after a number of the potential buyers confirming their interest including the acquisition of Grosvenor, we are going to move on. I know that these some of the highest quality steelmaking coal assets in the industry and they are still clearly very sought after.

I will talk more on this later, but I will now hand over to John to take us through the numbers. I will then talk you through our other two strategic priorities of portfolio transfomation and growth.

Financial performance

John Heasley, Finance Director

Slide 12: Financial performance
Thank you, Duncan, and good morning everyone.

Slide 13: Stable operating performance delivering resilient financial results despite weaker prices
I am pleased with the first half financial performance which is reflective of the strong operational execution that Duncan has just described.

Firstly, production is broadly flat, despite the negative impact of our conscious decision to curtail production at De Beers to manage working capital.

Revenues are down 8%, or $1.4 billion, largely reflecting a 10% reduction in the Group's basket price – mainly driven by Iron ore and PGMs; although diamond volumes were also down, resulting in De Beers' revenue being 21% lower.

Notwithstanding this revenue headwind, we maintained EBITDA at $5 billion - roughly in line with last year as our cost reduction initiatives started to positively impact results.

This resulted in EBITDA margins improving by 200bps to 33%.

The business has responded well to an increased focus on working capital and cash conversion and, while net debt increased slightly in the period – we saw a working capital inflow and maintained Net Debt to EBITDA at 1.1x.

This all allowed the Board to recommend an interim dividend of 42 cents per share in line with our 40% payout policy.

Slide 14: Improved cost performance offset by lower prices
Moving on now to unpack that roughly flat EBITDA in a bit more detail.

You can clearly see here that those non-controllable factors of price, fx and inflation had a $0.7 billion negative impact on EBITDA mainly driven by price. Looking at the $0.6 billion price impact, you can see this was driven by iron ore and the impacts of provisional pricing as prices declined through the half, but we also saw a further deterioration in PGMs and diamonds markets, with the PGM basket price down 24% and the rough diamond index down 20%.

The right hand side of the chart then clearly shows that our cost reduction actions are taking effect with a $0.7 billion benefit in volume and cost – most of this is cost related, including the corporate cost savings now being at the full year $0.5 billion run rate as well as initial cost savings in Copper Chile and PGMs. Roughly half of the $0.4 billion benefit in PGMs was volume-related given the 9% increase in sales volumes.

Overall, the $5 billion EBITDA performance reflects strong operational execution and cost management.

Slide 15: Operational excellence offsetting inflation on stable volumes
I'll now drill in on costs in a bit more detail.

Total unit costs were 4% lower compared to last year – including the effects of inflation. This strong performance was largely driven by copper, which was down 15% driven by a weaker Chilean Peso, coupled with cost savings and higher production from Quellaveco.

At Steelmaking Coal, higher production drove an improved unit cost performance, although we do now expect unit costs to go up in H2 driving full year guidance to $130-140/tonne given the fixed costs that we are carrying at Grosvenor.

While unit costs are clearly important and reflect the operational level performance, as I said in February, they only represent half of our total cost base. We are driving focus and action on the total cost base, and those non unit costs that you can see here, include volume and price-linked costs like shipping, royalties, third-party purchases and inventory movements, but also overhead costs. These other costs have reduced by $1.1 billion in the period. The main drivers of this being the impact of lower prices and volumes on the purchase of third-party product primarily at PGMs and De Beers, as we look to closely manage inventory, but also the benefit of the run-rate of corporate cost savings now delivered.

Slide 16: ~$1.8bn of sustainable cost savings on track to be delivered

Staying on costs for now, as you will recall, we previously announced significant cost savings with the $1 billion run-rate to be delivered by the end of 2024. That broke down into two components, both of which I am pleased to say are on track:

- The first $0.5 billion from last year's corporate streamlining has been delivered, as you have just seen.
- The second $0.5 billion comes from operational savings delivered from our focus on operational excellence. We have made good progress here with around $0.2 billion run-rate realised in H1. Further savings will be realised from the Los Bronces plant closure, now scheduled for this month, as well as the significant workforce reductions previously announced in PGMs and Kumba. Consultations on these restructurings are complete – with employee numbers reduced by more than 4,000 and the associated cost benefits will materialise in H2.

The more recent third element of our cost-out programme is the $0.8 billion we expect to realise largely from delivering on our strategic transformation that we set out in May. As you will recall, that $0.8 billion was subject to review by KPMG and we now have a dedicated team developing the plans to implement this. The new, simplified Anglo American focusing on just 5 key operating assets allows a complete reset of the organisation's design to ensure that we emerge as an efficient and agile mining company, while retaining what we see as our differentiated capabilities to grow our business – particularly in relation to what underpins our reputation as a responsible mining company: our sustainability, community and innovation expertise and our relationship networks.

Slide 17: Strong margins in our copper & premium iron ore businesses supporting Group EBITDA margin of 22%

Finally on EBITDA, it is worth standing back to look at the component parts. Firstly, in De Beers for De Beers, the $0.3 billion first half EBITDA included a $127 million one-off fair value gain related to the iron ore royalty that we sold earlier this week. Looking ahead, if current market conditions continue, we expect the second half to be weaker than the first given the weighting of marketing costs. Importantly, Copper and iron ore alone contributed $3.5bn or 70% of the total Group EBITDA. As I mentioned in May, these businesses are structurally more profitable – this is clear in the first half performance with EBITDA margins of 53% and 43% respectively, well ahead of the Group average of 33% - another very positive indicator of the more financially resilient company that we will have from 2026.

Slide 18: Other financials

As you know, I am keenly focused on bottom line earnings and disciplined cash flow.

The underlying effective tax rate in H1 was 40.3%. As expected, that is higher than last year, reflecting profit and associated country tax rate mix. Higher copper prices led to a higher proportion of taxable profits in the relatively higher rate jurisdictions of Chile and Peru. While lower iron ore prices were the main driver for a lower contribution from the lower tax jurisdiction of South Africa.

Guidance for 2024 remains at 40-42%. This is higher than I would ideally like and we continue to optimise our corporate and financing costs to drive better geographic alignment with earnings to ensure our tax rate is at the appropriate level.

Moving on to special items reported outside of underlying earnings. As mentioned in our production report, we have reviewed the carrying value of Woodsmith in light of the slow-down in development to focus on balance sheet deleveraging. As a result, we have taken a $1.6 billion impairment to take the carrying value to $0.9 billion. This is largely due to the time value impact of delay with first production assumed to be 3 years later in 2030, with no change to our conviction in the project or indeed the underlying commercial assumptions.
At Grosvenor, which has a book value of $1.3 billion, we will monitor the carrying value closely through the second half as we understand more about the impact of the fire on assets and overall planning for Moranbah-Grosvenor, as well as the sales process.

Finally, $0.3 billion of costs have been recorded relating to the previously announced organisational redesign and subsequent strategic changes.

Slide 19: On track to deliver full year capex guidance
Turning now to capital expenditure and cash.

Capex of $2.9 billion breaks down as $0.7 billion of growth and $2.2 billion sustaining spend. This includes $0.5 billion of growth spend at Woodsmith and our slightly higher near-term sustaining spend driven by projects including the tailings filtration plant at Minas-Rio and the desalination plant at Collahuasi.

Full year guidance remains at around $5.7 billion.

Slide 20: Sustaining attributable free cash flow benefitting from improved cash conversion
This slide summarises the conversion of the $5.0 billion EBITDA to cash. I was delighted to see cash conversion increase to 86% in the period, supported by a $0.6bn inflow of working capital.

This was mainly driven by receivables with lower iron ore prices as well as the benefit of faster collection.

Inventories remain higher than we would like at $7.2 billion largely due to diamonds. You have seen from our actions earlier in the year to reduce production that we are taking all steps to manage the diamond inventory and managed to hold stocks flat at around $2 billion in the first half against weak demand. This remains a significant focus and, as Duncan mentioned, we have now taken further decisive action to cut production at De Beers to prevent the risk of an inventory build this year.

From the resulting cash flow from operations of $5.2 billion, we funded tax, interest, distributions to non-controlling interests and sustaining capex. That came together to deliver sustaining attributable free cashflow, or cashflow before growth capex and dividends, of $1.2 billion.

Slide 21: Robust balance sheet – focused on strict cost & capex management to support deleveraging

Net debt increased from December by $0.5 billion to $11.1 billion driven by growth capex and the final dividend payment from last year.

While we have an abundance of liquidity at $15.7bn and our balance sheet remains robust with net debt to EBITDA being 1.1x - well within our bottom of the cycle target of 1.5x – we are focused on reducing net debt in absolute terms. Clearly, the proceeds from our announced divestments plan will help, but we are focused on all the operational levers that we have available to us within both costs and capex.

Slide 22: Key financial messages

So in summary, we delivered a strong first half and the benefits from our focus on costs and cash are visible in our results - our focus on operational excellence is translating into better financial outcomes.

Costs are coming down and cash conversion is improving but of course there is more to do, and we remain focused on, and absolutely committed to, continued operational excellence as well as our transformation and cost reduction plans.

Thank you and I'll now hand you back to Duncan.

Accelerating value delivery: Portfolio transformation

Duncan Wanblad, Chief Executive

Thanks very much, John. Very clear and, although these commodity markets remain volatile, it is really pleasing to see a more resilient financial position emerging from the business from which we can build.

Slide 24: Accelerating the delivery of our strategy

As John has just outlined, we are making good progress, but there is plenty for us to do, and especially around the demergers and divestments.

Let me take a moment to take a step back and remind you what we are working to achieve here, and why we are so excited about what this company will be once we have fully transitioned.

Anglo American is a fantastic company with incredible people, assets and resources, but it was becoming increasingly clear to me at the end of last year that there were some deep structural issues that needed to be addressed. For some time, we have traded at a discount to our peers. There are many reasons for this but two of the key ones are that we are too complicated and have an idiosyncratic business mix where our true underlying value doesn't shine through. In addition, whether it's the 2008 downturn, the 2015 downturn or even the diamonds-and-PGMs led down cycle in 2023, the impact on Anglo American is always more pronounced. There is too much operational leverage which in turn ultimately leads to too much financial leverage. We need to change this! And to do so requires bold initiatives, and that's exactly what we are working on - and as fast as reasonably possible.

Slide 25: A simplified portfolio daylights value of world class assets in future-enabling products
The new Anglo American will have a business that is simple, 100% focused on future-enabling products, while retaining enough scale and geographic diversification. We will be in a substantially more resilient financial position, with considerable growth optionality. We have an industry leading copper business that has a path to increase production by 30% through organic expansion. We will have a premium iron ore business that, through the cycle, should be a fantastic cash generator with a material production uplift potential from our Serpentina deposit. And we will also have a compelling option on Food Security, one of the best mega-trends that we see in the market today, with the Woodsmith project.

As a result, we believe that the business will be valued much more positively by the market, and this creates a platform for us to build upon. We are implementing a clear and comprehensive set of plans to transform the business over the next 18 months and I know that when we get to the other side, this journey will truly have been worth the effort.

Slide 26: A compelling value proposition for our shareholders
On this slide you can see the value of the business that we are unlocking.

The new Anglo American has an incredibly powerful investment case. A far more focused, high quality portfolio means the growth optionality we already own can be even more transformative and this provides a clearer value read-through which then maximises value for our shareholders.

Our operational excellence work so far is the start of a step-change in efficiency and performance. And with the assets housed in a much simpler structure going forward, we can deliver material cost savings and transform our EBITDA margin. On a pro-forma basis for the retained business in 2023, this would have had a 15 percentage point benefit taking us to around 46%.

Slide 27: Transformation of our relative cost position underpins a more resilient business
That will also drive a transformation of our relative cost position. That 31% margin performance last year was reflective of our fourth quartile cash cost and sustaining capex position. That is a position that we will structurally change as we deliver on our portfolio transformation, which shifts us into the second quartile at the end of the journey, with further first quartile upside potential once Woodsmith is delivered in the 2030's.

We are confident that we are re-shaping this company to be a more financially resilient one – driving improved through-the-cycle performance that will maximise the value recognition from the market.

Slide 28: Value-focused approach to sustainability unlocks growth options
One point that I would like to make particularly clear is that sustainability, and operating in the right way, is fully embedded into our strategy: from day-to-day operational decisions to portfolio choices. We believe it is a pre-requisite for sustainable value creation and is fundamentally integral to the DNA of this company.

We are committed to genuine alignment between sustainability and profitable outcomes. Our sustainability and technical capabilities underpin performance at existing operational assets while being a critical enabler of our ability to deliver innovative solutions to realise our growth ambitions. Many of the world's undeveloped resources today are sterilised due to environmental and community challenges. We have demonstrated, through our sustainable approach, an ability to unlock value at the likes of Quellaveco and Los Bronces, and looking ahead we are doing exactly the same at Woodsmith and Sakatti. We will use technology to further enhance these outcomes, with a focus on driving economic returns for our shareholders and to generate positive benefits for all of our stakeholders.

We are committed to operating responsibly and focus on sustainability.

Slide 29: Anglo American's shareholders to gain full value from portfolio changes
Now, let's turn to the divestment processes.

Running any major divestment can be a demanding process and so running four at the same time in very challenging. But the plan is to get to the new, streamlined organisation in the time that we said we were going to do it. We want to make absolutely sure we can deliver each process on the best possible terms, and at the same time, we want to make sure that there are no compromises to operating performance during this transformation phase.

There has been an enormous amount of effort setting ourselves up for success and getting under way. We now have dedicated internal and advisory teams in place to run each of the transactions and all of those teams are now off and running around all the relevant legal, technical, accounting and commercial workstreams and, as we'll come on to, some are already under way engaging with buyers. Alongside that, we have a team focused on the organisation design work to make sure we are ready to execute as soon as each of these processes is complete without any concerns about business continuity or delivering on our efficiency targets. We then have a very tight team at the centre to make sure that we manage the critical inter-dependencies across these processes.

I know there are many potential questions around this so let me give you some more clarity about each of the streams but, at this stage and particularly given the various variables we don't control, it's difficult to give more than what I am about to tell you at this time. I would say that overall, with the extra level of planning, I am confident in achieving our objective of being substantively done with the portfolio transformation by the end of 2025.

In terms of the underlying processes, let me start with Steelmaking Coal. As I have already said we will continue to manage the situation at Grosvenor very carefully and very responsibly. When the incident happened, we immediately paused aspects of the sale preparation as we wanted to ensure that Dan and team had all of the bandwidth that they needed to be able to effectively manage their response to that incident. The paramount focus will of course remain on acting safely and responsibly but, now that the situation has stabilised somewhat, we are moving full-speed ahead with the sale process. There has been very strong interest expressed for some time, and reiterated over the last few weeks, and so we are now pressing on and we are working to bring that process to a conclusion, ideally within the next six months.

At Nickel, our intervention to limit pricing pressure on cash flow has already delivered results in the first half this year and we believe we are well positioned to progress our preferred option of a sale, and we are now moving ahead with that.

At Anglo American Platinum, we are well on track for 2025 execution. The teams are working together to deliver the separation as efficiently and effectively as possible. Whilst our prior experiences at the likes of Mondi and Thungela was for the demerger process to take more than 18 months, we are well set to move more quickly given that Anglo Plats already has listed company processes, systems and governance structures in place. That significantly accelerates the process, although it’s important to flag that some complex separation work is still needed given that many of the functions are closely integrated with the greater Anglo American group. We also want to make sure that we get this done in the right way and set the business up to deliver its tremendous potential. Success involves getting the separation right, but also making sure we think about taking the right action to manage flowback pro-actively. We are therefore looking at the potential of a listing on the London Stock Exchange alongside the primary listing which will remain on the JSE. All of these processes are now under way.

De Beers is likely to be the last in the sequence, as I’ve said before. We have the transaction team assembled and management is continuing to deliver on its Origins strategy while responding to the current market environment. The diamond industry has been through many twists and turns over time, and we have full confidence that De Beers is the best positioned in the industry to navigate those twists and turns. They have world-class assets that are very integrated, great positioning across the value chain and, of course, the iconic De Beers brand with its tremendous potential to leverage that position and brand downstream. We are therefore focused on setting this business up for the future and will exit for value, but most likely later in 2025.

In parallel to these processes, we are designing the organisation to support the separation and also ultimately, simplify the structure for the new Anglo American. Agility and accountability are key. We expect to work through a transition pathway to implementation of our future organisation as these divestments and demergers complete.

Accelerating value delivery: Growth

Duncan Wanblad, Chief Executive

While our immediate focus is on operational excellence and delivering on the portfolio transformation, we must not forget the compelling growth that this business has to offer. On the other side of this journey, the value of this organic optionality should be fully recognised by the market.

Slide 31: Pathway to >1Mtpa of copper production: well-sequenced growth options supporting multi-decade production

Looking first at our copper business. We have three of the world's leading copper mines in Quellaveco, Los Bronces and Collahuasi. As you can see on this slide, we have outlined a clear pathway to exploit the outstanding geological potential of these assets together with our greenfield Sakatti project. All of this targets 1Mpta of copper production, with further expansion upside potential as well as other growth opportunities that we will aim to secure over time. We continue to progress these growth options with our sustainability-focused approach, and once these projects are ready to be progressed, the high return potential from these brownfield expansions will see our growth capital allocated here.

One point worth noting: At Quellaveco, as you may be aware, a recent amendment to the legislation in Peru has increased the grace threshold on miners' daily throughput rates from 5% to 10%. That means under current licences we could process up to 140ktpd, or an additional 10kt of annual production. Studies are therefore under way to see if we can capture the benefits of that sooner, perhaps as early as 2026, through an incremental step to the new permit threshold, before a subsequent step-up to 150ktpd from 2027 onwards. So that's a bit of good news.

Slide 32: Anglo American has focused exposure to premium iron ore, with extensive growth optionality

Turning to iron ore. The new Anglo American portfolio has an outstanding premium iron ore business. Our Minas-Rio mine produces some of the highest quality DRI in the industry, while the Kumba products, particularly its lump, enable more carbon-efficient transitional steelmaking processes. As the global steel industry decarbonises, we expect to see even more significant premiums emerging for these types of products.

We have an opportunity to further enhance this existing portfolio through the potential future development of Serpentina. The scale and quality of that ore body is even more exciting than we thought when we first looked at it and it will enable about a doubling of high value DRI production.

Slide 33: Woodsmith: development slowdown enables deleveraging & project optimisation

And finally – Woodsmith.

The project is a potential game-changer for us. The scale and quality of the ore body, coupled with the premiums we expect to achieve for its product, could deliver strong cash flow for many decades.

However, right now, we simply need to focus on our nearer term priorities, including the deleveraging of our balance sheet. The announced slowdown is well progressed, with shaft sinking paused on the production shaft. Shaft sinking is continuing on the service shaft in order to progress through the key Sherwood sandstone strata in the second half of this year, giving us critical information to inform the feasibility studies. The tunnel boring machine is currently undergoing a planned maintenance stop, during which time the tunnel and Ladycross ventilation shaft are being connected. After that, tunnelling will continue but at a significantly reduced pace prior to the shutdown.

During the slowdown period, the existing study and engineering programme will continue to focus on support the syndication due diligence and business case optimisation. The revised development plan will continue to support FID at the appropriate time – once the Group's balance sheet is suitably deleveraged and the syndication pathway is clear.

I continue to believe that this project will represent a cornerstone of the portfolio in the future.

Accelerating value delivery: Growth

Duncan Wanblad, Chief Executive

Slide 35: Clear strategic priorities to deliver value

By now I hope you are familiar with this slide, but to summarise:

We are focused on delivering on our three key strategic priorities. Operational excellence is delivering results and we are maintaining tight discipline to optimise capital allocation and free cash flow generation. We are structurally improving the operational leverage of this business to maximise the value of each and every asset, regardless of whether they remain under our ownership or not.

In parallel, we are working at pace to transform the portfolio and execute on our divestment programme, with the expectation of being largely complete by the end of next year.

I am confident that we will deliver a portfolio whereby the value of our assets, and their growth potential, can be fully recognised by the market.

Slide 36

So, in conclusion, we are genuinely excited by the plans we unveiled in May. I am very keen to get on and get them done. We are reshaping this business into a next generation mining company with considerable strategic flexibility. Change as transformative as this will inevitably have its challenges, but we have the teams in place, we have the commitment and our eyes are firmly on the prize at the end of it all.

And now – we are very happy to take your questions.

Q&A

Ian Roussouw (Barclays): Firstly on this plan and the transactions to reshape the business. Could you give us an idea of what you think it would cost to achieve, including tax implications or, if that's not clear, what the tax base is of those businesses? And then secondly, on Woodsmith can you give us an idea what capital costs you were using in this impairment test and how that changes with the slowdown of the project for the next three years?

John Heasley: In terms of the transactions, then clearly there will be tax implications of any transaction. It would be most unusual for us to comment at this stage on what we would expect that to be. There are a number of variables in any tax payable:

1. what are the proceeds from the transaction?
2. what's the legislation environment and how might that change over time?
3. And then of course, the tax base of those assets – but that's not something in the public domain.

And of course, there's various structuring and complexity issues that would mean for us to put details and numbers out there, could be prejudicial to any tax position that we ultimately end up with. That's consistent with what I said in May when we were talking about these transactions.

What I would say, and also, I said back then, is that we've taken all of that into account as we look forward around creating this phenomenal company with a strong financial profile. We've taken into account what we would consider the likely tax consequences of that to be, but not something that I would share. And it would be very unusual for any transaction to share at this point in time.

In terms of Woodsmith, no change from previous commercial assumptions around either the market pricing, which is really just moved for inflation - so that's now $199 a tonne relative to c.$190/tonne previously. And on the capex side, it's a little bit of demobilisation and remobilisation - but outside of that, no change. We never gave a specific number before, but as you knew, it was roughly going to be a billion a year and there's not any significant change to that here. So, the major delta that the impairment reflects is just the time value of that three-year delay.

Ian Rousseau: On the progress of Woodsmith, you gave some of the shaft depths in the presentation and it looks like the service shaft hasn't progressed at all in the last six months?

Duncan Wanblad: deliberately from May we slowed the production down on the production shaft so basically stopped it. The service shaft is the one that we're going to drive through to the sandstones. That's going exactly as per the plan. Nothing to report in the in the context of change of rates or anything like that. The only change is the deliberate slowdown of the production shaft.

Liam Fitzpatrick (Deutsche Bank): On met coal, is it possible to sell Moranbah separately to Grosvenor, or is the above ground integration just too high, so it's more likely that you sell them both as a package? And then, secondly, on the cost cutting, the remaining $800 million is a big number. Is that all within the go forward Anglo, i.e., the copper iron ore and corporate costs? Can you give any colour around where exactly that's coming from?

Duncan Wanblad: Moranbah was there first and it had all the infrastructure associated with it. We then built Grosvenor after that and integrated Grosvenor into the Moranbah structure. So technically it is possible to separate those assets if we wanted to.

John Heasley: On the $800 million, as we said previously, that is a very detailed piece of work that we did back in May and was subject to a quantified financial benefit statement done by KPMG. So, there's a lot of detail that what sits behind that. It's roughly $600 million of overhead type savings as we really simplify the business. And as I said in my comments, as we move to a much simpler business with five operating assets, then what you need above the mine to run that business is much, much simpler. So, a lot of that is corporate overhead. And while we've not got all the individual components of that, the direction of travel is very clear and we've got a team set up to deliver. And then the other $200 million is really on the operational side and that's a continuation of the momentum that we're now seeing. And some of the graphs that Duncan presented, showed the confidence that we have in further operational savings to come through. I'm very confident in that $800 million number, as you can imagine, given that it was subject to independent review.

Bob Brackett (Bernstein): You've hit the $500 million run rate on the corporate streamlining, and at the same time surprised perhaps some of us with releasing value from streaming agreements. I should probably congratulate you on hitting the run rate, but then I will ask for more and say, could you beat that number? And are there more opportunities to find these $100 million style businesses that we were unaware of?

Duncan Wanblad: We're looking for them absolutely everywhere. So to the extent that they're there, we'll find them and then we'll do something with them that's appropriate. In terms of the rate that we hit, when I said to you last year that we were going to do this, this was a function of the restructure of the organisation on country lines and a real focus on the simplification of the work that we do within the organisation. So that is well progressed and done. The second $500 million was very much a focus on the operational side of it. These were big programmes that ran through Kumba, Anglo Plats, the De Beers business and Copper, in Chile predominantly. And that now that we've completed the processes for the section 189 process in South Africa, you're starting to see the benefits of those come through. In terms of is there more, well, the $800 million is a pretty big number that's going to come out. And as John said, that's the right-sizing of the company to an asset base that's got five operating assets, a joint venture and a few projects in it. So, you can see that the principles that we applied in the first restructuring will apply here.

But then the mass centralised services that are appropriate for a company with a footprint that we currently have, change quite considerably when you think about how you will deliver a supply chain model through that, an IM model through that, etc., etc. So that's the stuff that we're on about and have a high level of confidence in doing. On top of that, in terms of the work that we're doing on operational excellence. Elimination of waste is one of the key elements of the work that we're doing. And so we turn every dollar over two or three times before we decide that we're going to spend it on something and what it's going to deliver. And that's a cultural thing that's being driven through the operation. And all of that is a function of not just being penny pinching, but being very thoughtful about where we spend the money. We're still spending the money on the right things: the reliability of equipment, safety, legislative changes in the business and growth in the business, to the extent that the growth is discretionary. That's a capital allocation decision that we at the centre in the context of the strategy that we've got for the whole of the portfolio. I am optimistic that there will be more just coming out of the culture that we're developing in the business, but we don't have any fundamental programmes in place outside of the $500 million which we've delivered, the $500 million which is in train, and the $800 million which we are setting up to do by the end of the divestment process.

Myles Allsop (UBS): A couple of things on on Amplats, you're saying 2025 exit. Could you give us a better sense around the timing within 2025, because when are you practically going to be ready to push the button to do the spin out versus taking into account market considerations to optimise and minimise flowback in a hopefully stronger PGM price environment? And then just a quick update on the other processes within the portfolio such as the sale of the stake in Woodsmith (I presume that's on ice until FID) and the adjacencies you talked about before, are they on ice because you're kind of your in-tray is full? And Samancor you touched upon as something you were still thinking about last time we talked.

Duncan Wanblad: On Plats, I really don't want to be more specific than the end of 2025. It's clearly a priority for us to get it done as quickly as possible. As I said, there are some complexities in the separation work that we need to do, but actually, much of it is the regulatory processes that we need to follow in terms of the secondary listing in the UK and so on. So very optimistic that this is all moving in the right direction and it's moving as fast as it can reasonably done. And very confident that we'll get it done in 2025. As far as Woodsmith is concerned, what it's going to take to syndicate this project is a feasibility study or a study equivalent to a feasibility study that a potential buyer can effectively value. And for that to happen, we have to get the level of information that we would require generally for an FID-type of decision. And that's very contingent on us getting through these sandstones, completing the design of the underground, etc. so that's why we've continued to prioritise that work. Only at that particular point, although we have started the process of syndication and we are in conversation with potential buyers, what they really want to see is this documentation and that I suspect we will have ready early next year, which is as, as per our original plan. I don't expect that anybody is going to write a cheque for this until they are clear that we ourselves are going to progress with the project. So, we will have to get through the restructure. We will have to be clear that the balance sheet is in a good and a robust position, and we will have to be clear and convinced ourselves that we are not exposed to any more idiosyncrasy associated with markets and market performance associated with the business. And then I think at that point in time, we will be able to close the deal, but we'll have done all of the work with all of the right types of buyers that we expect to have done before we get there.

The adjacencies have been a big deal for us for a long time. We like adjacencies. To the extent that there's M&A to be done in this industry where you've got real direct fundamental industrial logic that exists either in infrastructure or ore bodies, you go after them. But all of these things have a number of shareholders and stakeholders involved in it. And when it ultimately gets to value and value transformation, everybody's got a view of this from a certain perspective within the structure that they've got. Sometimes you can work through that, sometimes you can't. I'm very optimistic we'll be able to work through these on the remaining adjacencies that we've got. But I'm also fairly realistic that it takes some time and everybody's got to be on the same page, at the same time, for it to happen. And a lot of this stuff is circumstantial. It's where companies are and where stakeholders are at a particular point in time. You don't have an option unless you're working on it. And I can assure you we're working on it.

As far as Samancor goes, no change to the answer that I gave you in May. It's a great little business. Of course, it's had the cyclone impact in the Australian assets at this particular point in time, so now probably wouldn't be ideal anyway. We'll get to it at some particular point in time but it's not a complexity to the structure. It doesn't add any management overhead. It doesn't add any, any deep risk to the way the business is run today.

Alain Gabriel (Morgan Stanley): You mentioned that you recently met with the President of Botswana. Is the government fully on board with what you're trying to achieve there? Any updated thoughts on whether an IPO or an outright sale would be your preferred route?

Duncan Wanblad: In terms of IPO or sale, obviously it would be great if we could sell the business into the right hands, but that's very important that it is the right hands. And to the extent that that's not possible, then I think I think moving down the IPO track is, is the right one. So we're going to be dual tracking this for a good few months still. Realistically, I think the sales option remains open until the day that you actually go to market with the prospectus. And I think that's the way that that we're going to be looking at it. In terms of my meeting with the President of Botswana, very constructive. We've had an almost 60-year relationship with the Government of Botswana. It is a good relationship. This is important for De Beers. It's as important for the Government of Botswana. All of us really want to get to an outcome that is good for both of us. I believe that the President is committed to getting there. I was very positive coming out of that meeting.

Alain Gabriel: Going back to Amplats, clearly, there's a long regulatory journey to get to where you need to get to in terms of the spin; what are the next specific milestones or signposts that the market needs to look out for to get some comfort that the process is making some progress?

Duncan Wanblad: I don't really know what to tell you on this thing in terms of what to watch for. I mean, look at my body language would be good. Number one. Look at Craig's body language, see if you think he's making this up. He's not - he's working really, really hard, very constructively. The teams are working extremely hard. There are a few things that we have to go through from a regulatory process. It does take some time to get all the documents ready and then lodge those documents and then go through those processes. We have to state accounts over certain periods of years and all sorts of things. That's the work that's happening. I would suggest that by February next year, we'd probably have a lot more to say about this. But I can absolutely assure you we're committed to getting it done.

Richard Hatch (Berenberg): On the met coal business. A sceptic might say that when the assets are run a bit harder, they start to operationally struggle. We've seen that in the past. When they've run at elevated levels, there's been elevated gas levels and that's caused issues. And then you've got strata issues as well. Is the guidance for the met coal business realistic, or do you think they just need to be run a little bit easier over time and, therefore, they can be operated more safely? And then in terms of the sale process for met coal, when BHP sold theirs, they sold it for a cash upfront payment and then some additional cash deferred. Would you be willing to do that just given the operational upside that perhaps just needs to be delivered on these assets?

Duncan Wanblad: In terms of the met coal ops, we do understand how those longwalls operate when they operate fast, and up to 2020 we were doing almost 100 hours a week on those longwalls. Then we had the incident at Grosvenor, and that was a function of us moving into the slightly more fragmented ground. So geotechnically, the ground became more complex in Moranbah-Grosvenor. I absolutely believe that we will get back on top of an operating routine that allows us to move those longwalls faster. This interaction of the gas and the strata is what's causing the production speed, if you like, on this thing. Because we've got now much more restrictive gas conditions, every time the monitors hit a gas limit, we must slow the longwall down and we must evacuate the gas, and then we pick it up again. So quite a lot of that is a function of what the strata looks like. And we will move through some of this very challenging strata over time. That is the that is point one. And point two is we've done a lot of work on the whole operating cycle there, which includes a high level of automation on those longwalls. So the progress that we've made from a standing start a couple of years ago on automating and removing people from the face is actually quite astonishing. It is one of these things that takes a bit of time to bed in and iterate, and we still can't get to the point where we've got nobody on the face, but that's what we're ultimately trying to achieve, except for, obviously, when we go into into shut down and maintenance periods. But so definitely making progress there. And so given the quality of those of those ore bodies and given how technology moves and given how you know how processes evolve, I don't think that that we should write-off the direction of travel that we've marked for those assets at this point in time. I think Dan and the team are doing a really good job in closing down each of these unknowns and moving to higher levels of productivity. And we certainly saw that in the first half of this year.

Duncan Wanblad: On the sale process. Nothing's off the table in the context of what the commercial arrangements would look like that we would do for this thing. It does come down to ultimately value and time. Those are the two that that we're trading off. So to the extent that that somebody offers that, we will look at it. But our core objective is a clean exit as soon as we can.

Chris La Femina: Congratulations first on the on the cost improvements - that was a very impressive first half. And in terms of, is there more? - if we look at the capital intensity of the business, your capex in copper is running at c.$1/lb, and volumes are actually going down over the next few years so I assume capex intensity is probably going up there. Your capex in iron ore is, c. $15-16/tonne, and volumes are going to be flat there over the next few years. And your capex in met coal has been between $30- $40/tonne - and that was before the Grosvenor fire, so I assume the capital intensity in met coal is going to go materially higher over the next 12-18 months. So maybe that copper, capex intensity is in line with industry average, but in iron ore and met coal, your capital intensity seems to be significantly higher than where your peers might be. I'm wondering is there potential for significant reductions in the capital intensity of those businesses, in particular in iron ore, where you're in the mid-teens per tonne; can that number come down materially over the next, say, 3-5 years, or is that just kind of going to be the going rate across the business for those assets?

Duncan Wanblad: Good observation, and one that that we are all over. But you are right, absolutely. The industry is moving into a much more capital intensive phase. And that is true for our assets too. I don't think that we are materially differentiated, as you say, particularly in the context of copper. We are certainly in coal at this point in time, as you pointed out. But that's not so much a function of what we're spending capital on. This is a function of what the production is at this particular point in time. If you roll that through to the production that we expect to get out of these assets, then I think we move back much more in line in terms of industry averages as far as capital intensity there is concerned. The iron ore business, for us, is characterised by a few things that I would like to believe are extraordinary at this point in time. We're putting in filtration plants, we've put in new crushing facilities and we've made a few changes to that business. So it's running out of where we would see it to be normal. But it's going to be like this for a few years' time, and particularly until, we can get some production improvement out of Serpentina. At Minas-Rio the ore body is changing and the ore is getting slightly harder, we're moving into the harder itabirites, we're coming out of the friable material and that just needs a little bit more communition. That's been the driver of the capital intensity there.

John Heasley: Clearly standing right back capital intensity is increasing, there's no doubt across the board. And that's what gives us all, or should give us all, confidence in prices adjusting over the long term to reflect the true costs of mining that we see today. More broadly, on our focus on capex, then clearly capital allocation is at the heart of what we do. How we then execute those projects is also coming into strict focus. And Duncan's talked, I think, for a year or so now around the work that we're doing on managing those major projects with our specialist project team led by Ali Atkinson. That is driving real tangible savings through our capex that we are spending. So, not what we're spending on, that's capital allocation, but how we're spending the money is delivering some real benefits. And we expect that to continue going forward.

Chris La Femina: So basically, you're taking the same approach to capex as you are to opex, which is kind of a laser-focused approach on minimising how much you're spending there, because it's very clear that it's coming through in the case of your operating costs, but less clear in capex so far. That was my point. Thank you for that, though.

Duncan Wanblad: Absolutely laser focused on it. As I say, this is this is Ali's number one job. And I think she's doing a great job at it. We said at the end of last year we were going to take $1.6 billion out of the capex in the next three years, that we have already done. And we're continuing to improve both our performance in terms of execution and the way we think about what it is that we're spending money on. And we've got proper systems, processes and the people in place to apply that laser-like focus that you talk about.

Matt Green: Congratulations on the first half. My questions are just on Quellaveco. You mentioned that you can push throughput rates. In the first half, you're at 136 ktpd. What's preventing you from just continuing that rate near term, or is this permitting around matching the mine plan to feed that elevated level? And then longer term, I noticed on that waterfall copper growth, you've got expansion potential beyond 1 million tonnes. Is that all Quellaveco, or are there other projects in there?

Matt Green: In the waterfall charts you have expansion potential beyond 1 million tonnes. Is that is that all Quellaveco?

Duncan Wanblad: No that's loads of things. At Quellaveco, the rate of 140,000 tonnes per day is the feed to the plant, so it's the plant throughput capacity that that refers to. Your point on mine plan is extremely important. So what it takes to get there, if we're not going to destroy the mine plan, one of the key metrics that we've got in this business today, and Matt sat right behind you, is mined to plan, so both volumetrically and sequentially, we want to make absolutely sure that we keep the mine in good shape. Otherwise we end up in real trouble. So we don't want we don't want the guys going in there high grading elements of the mine and then we've got another problem in 2 or 3 years time as a result of doing that. So therefore the work that we have to do is redesign the mine plan to optimise it around what was a constraint, which was the throughput of the plant; and the throughput of the plant was constrained by water. So given that we've got good water performance, given that we've got demonstrated water efficiencies there and now the ability to relieve that constraint in the plant, Matt and Ruben and the team will work around optimising the mine plans as quickly as we can. So being thoughtful about it. In terms of the growth, that pathway to a million tonnes. That's a combination of the growth potential that exists in all of the assets. So at Los Bronces, we've got the underground and then whatever we do with Codelco, we've got at Collahuasi the expansion of the fourth line potentially and then then we've got stuff coming at Quellaveco and, of course, we've got Sakatti in Finland. So the combination of all of those is the increment from around about 600,000 tonnes to a million tonnes.

Grant Sporre (Bloomberg): Just on the Collahuasi expansion. Can you just give us some idea as to why it's going to take so long? So you've got a year and a half before you submit the permit. And then you've got ostensibly four years before it looks like it gets approved and there may be two years construction. It just seems like an inordinately long time. What are the sticking points, please?

Duncan Wanblad: I've laid this this out more or less before in the context of what it takes to deliver these products. And generally, it's not got anything to do with the amount of capital that's available to develop copper projects. It's the process that you have to go through to getting those projects permitted:

1. One is just purely the administrative side of it - and that's not trivial, by the way. There are a number of approving authorities that ultimately have to come together to agree on the conditions that go into your environmental impact assessment - that's the core permit for these sorts of projects. In many jurisdictions, those authorities are not coordinated, so the proposing company has to try and do all of that coordination. And it's not necessarily true that the Water Department has exactly the same strategy as the Clean Air Department etc and so trying to stitch all of these things together can be quite time-consuming. Now, certainly in the case of Chile, on the administrative side, the government has actually started to put quite a lot of work into optimising that administrative process there. It's a little bit more like the US, where they have one lead authority whose job it is to coordinate all the other authorities in that process. This element could add a year or two sometimes to the process. So, hopefully, there's some optimisation that might happen there, given that Chile is very, very focused on trying to address that.
2. The second one is one that I think is less likely to be optimised because it really is a function of what the content of this permit is all about. What it looks for, is many, many years of seasonal data information that then has to be modelled. We have to do the modelling of all of that. That then goes into authorities. They do the independent level of modelling, and sometimes there's more data required. The data collection is the thing that takes the time here. If you have to go back and get more air quality data, for instance, that could take you another season to collect. It's not just a matter of, okay we'll go back and change the model and get it done.
3. Then there's another element to this process, and one that I absolutely believe is impossible to amend regulatory-wise or not, because ultimately what you have to do is consult with the communities about this project. That is a process, if it is a genuine consultation. I've said before that a dialogue is generally not comprised of two monologues. And it's very important that this is a dialogue because you can see many of these projects, I think ten of the world's biggest copper projects today, are stymied by the fact that they cannot get approvals. And one of the fundamental reasons they can't get approvals, water is one, and the second is because the community is reject them. So that process of engagement and dialogue is one that necessarily needs to be of high quality. And for it to be high quality takes a bit of time. All of that has been baked into that process that Collahuasi is following.

Duncan Wanblad: Thank you everybody.

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