

# INTERIM RESULTS SIX MONTHS ENDED 30 JUNE 2013

26 July 2013



# CAUTIONARY STATEMENT

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# I. OPERATIONAL PERFORMANCE

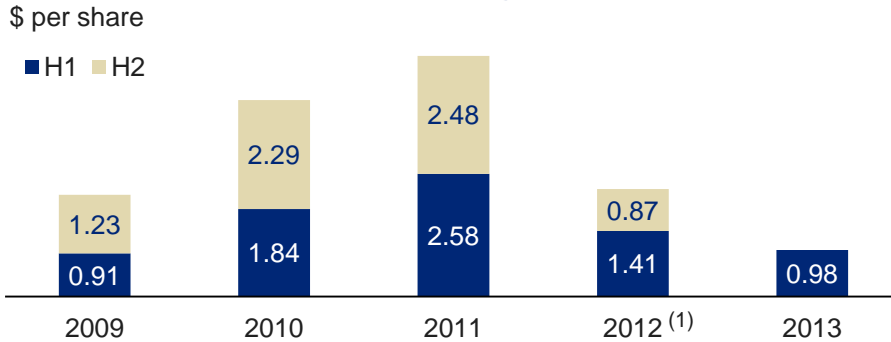
Mark Cutifani



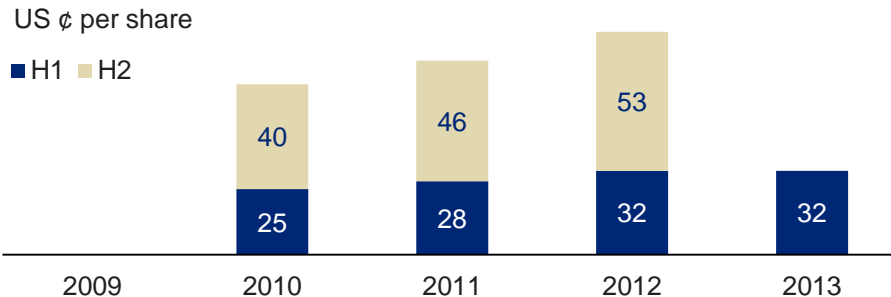
# HIGHLIGHTS

## Delivering our commitment on dividend...

### Underlying EPS



### Dividend



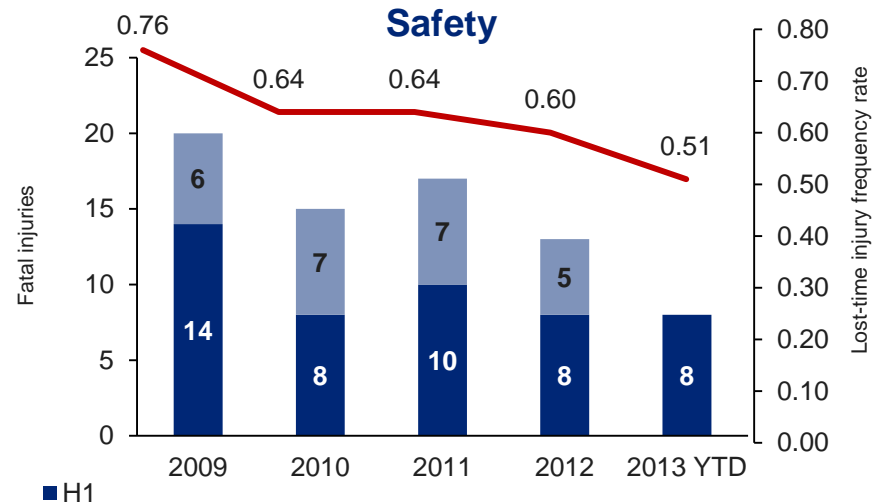
- Group underlying operating profit \$3.3bn ↓15%
- Underlying earnings ↓28% to \$1.3bn, EPS of \$0.98
- Weaker prices coupled with cost inflation across the industry led to margin compression
- Operational improvements across some Business Units with strategic focus on margin preservation partially offsetting impact of external pressures
- Capital expenditure reduced by \$1bn reflecting deferrals in response to market environment and more stringent capital allocation framework
- Interim dividend maintained at 32 US cents per share

(1) FY 2012 restated for adoption of new accounting standards including: IFRIC 20 (stripping costs), IAS 19R (employee benefits) and IFRS 11 (joint arrangements)

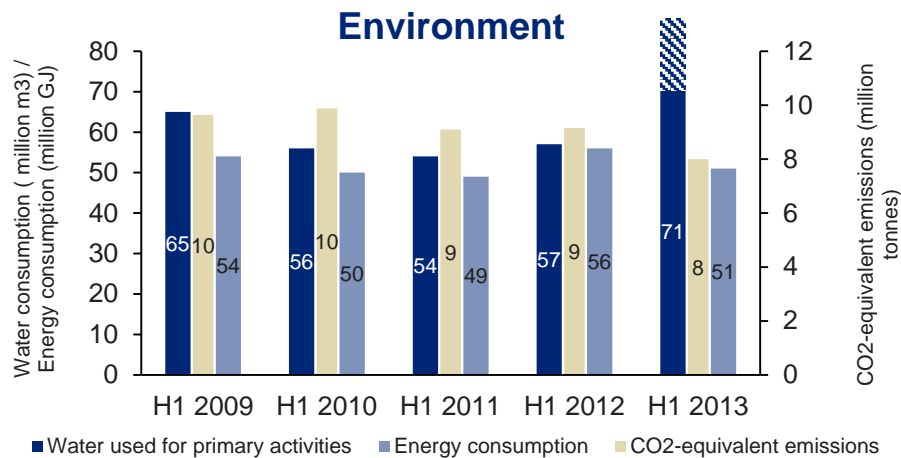
**...despite challenging operating environment.**

# SAFETY, HEALTH & ENVIRONMENT

## Performance overview



- Injury performance continues to improve:
  - LTIFR down 12%
  - TRCFR down 16%
- The loss of 8 colleagues is deeply disappointing
- On track to achieving energy, carbon and water targets:
  - 7% water reduction vs. target of 14% by 2020
  - 5% energy saving vs. target of 7% by 2015
  - 19% reduction in carbon emissions by 2015 (nearly achieved)
- HIV/AIDS testing and participation in HIV/TB wellness programmes are trending above target



♦ The increase in water figures is largely due to the acquisition of De Beers, where water accounting methodologies are being aligned with Anglo American standards

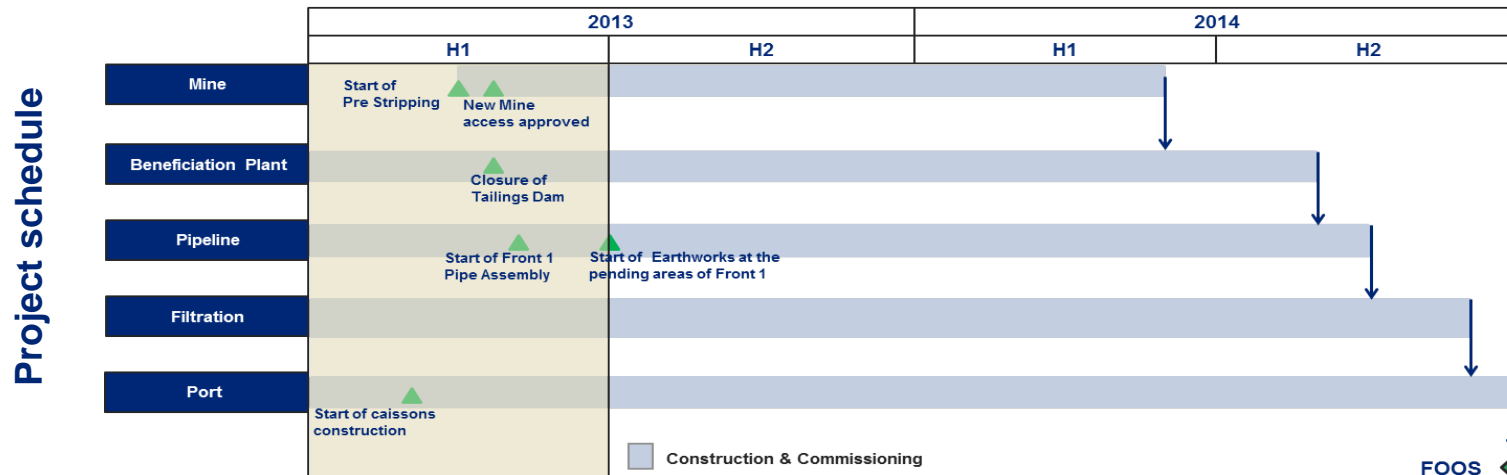
# IRON ORE

## KUMBA IRON ORE

- Strong Kolomela performance offset Sishen strike impacts and higher waste stripping
- Sishen unit cost impacted by cost escalation, higher waste stripping and lower production
- Northern Cape optimisation under way; finalisation expected in H2 2013

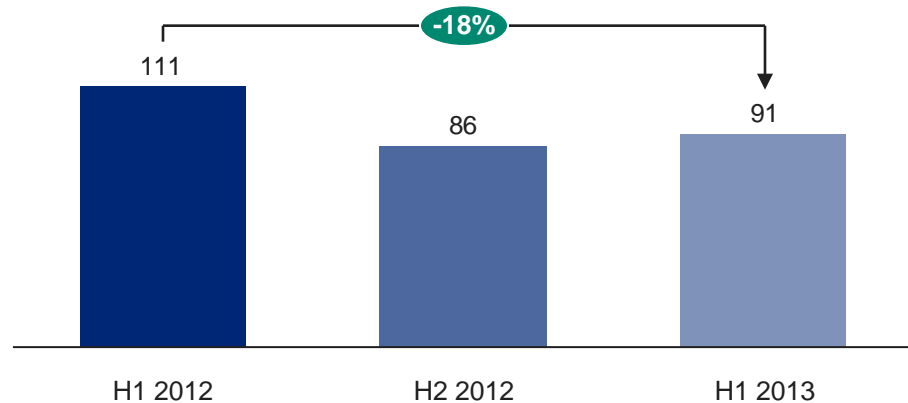
## MINAS-RIO PROJECT

- Significant progress made towards delivering project by end of 2014; capex inline with previous guidance of \$8.8bn
- Project is 68% complete
- Risks identified at beginning of 2013 significantly reduced
- Mine pre-stripping commenced in May; good progress made
- Tailings dam closed; reservoir filling as planned
- At the beneficiation plant 90% of land required for transmission line has been secured; 30% of transmission line towers completed
- 99% of pipeline land access secured; 87% of earthworks completed and over 290 km of pipeline installed
- Areas of attention continue to be: availability of contractor labour; inflationary pressures e.g. wage increases, extensive social and environmental conditions to be met



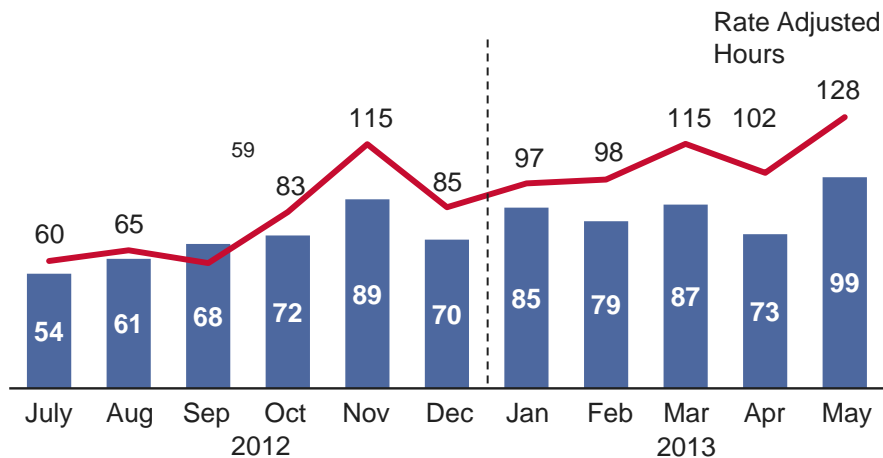
# METALLURGICAL COAL

## Australian FOB cash cost<sup>(1)</sup> (A\$/t)



(1) Excluding royalty

## Moranbah – cutting hours



- Record metallurgical coal production:
  - Business process model driving performance and efficiency
  - Moranbah achieved record cutting hours and record cutting rate to deliver consistent strong performance (highest weekly hours of 126 hrs in May)
- Deliberate actions taken to mitigate weak market conditions:
  - \$300m cost reductions; FOB cash cost reduced by 18% to A\$91/t
  - Elimination of high cost contractors; restructure Grasree and Moranbah
  - Replacement of low margin tonnes with high margin, HCC to PCI increased by 8%
  - Aquila will be put on care and maintenance at the end of July 2013 (bord and pillar, 0.5 Mtpa HCC)
- Grosvenor project capital expenditure increased to \$1.95bn as a result of a geotechnical changes

# THERMAL COAL AND NICKEL

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## THERMAL COAL

- 3 fatalities at the start of the year at Goedehoop, Greenside and New Denmark
- Production in SA 3% higher due to new equipment at continuous miner sections, and improved longwall production at New Denmark
- SA FOB cash costs contained at 6.6% in a high mining inflationary environment
- SA export sales 2% lower due to slow TFR ramp-up post shut in May
- Cerrejón production returned to pre-strike levels with near record production in Q2 2013 of 3 Mt

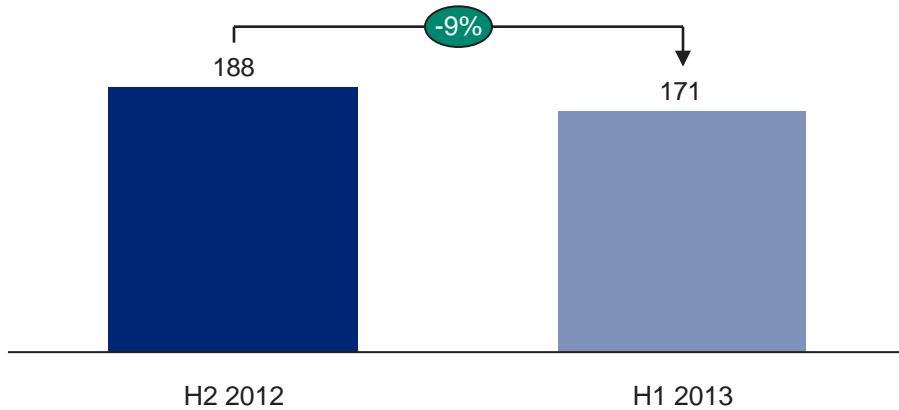
## NICKEL

- Production decreased by 36% to 14.7 kt, largely due to cessation of production activities at Loma de Níquel (September 2012)
- Barro Alto ramp-up impacted by previously announced planned stoppage of Line 2 for the rebuild of the furnace side-wall and subsequent heat-up being affected by a metal run-out
- Production at Codemin was broadly in line

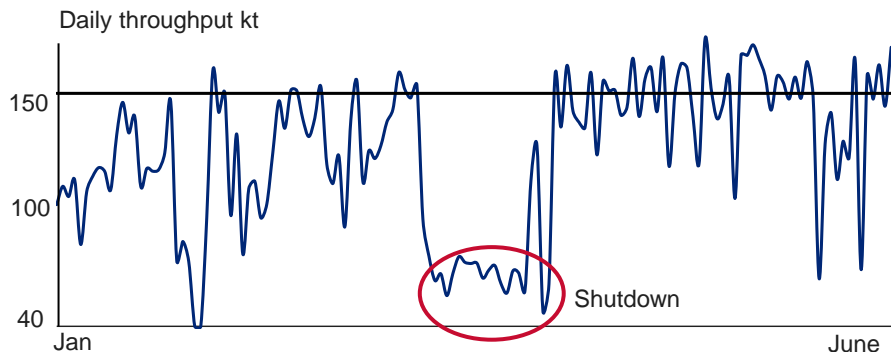
# COPPER

## Declining copper unit costs

C1 unit cost (c/lb)



## Collahuasi's encouraging plant performance since shutdown



- Production increased by 7% to 353 kt due to full ramp up of Los Bronces expansion project
  - Los Bronces production increased by 9% to 200 Kt
  - Mine development at Los Bronces has reduced congestion, leading to improved continuity of ore feed to the two processing plants
  - Collahuasi up 5% to 67 kt due to higher grades and recoveries offset by planned 49 day shutdown of SAG Mill 3
  - Following re-commissioning, Collahuasi's mill throughput has improved in line with expectations
- 35% reduction in project, study costs & exploration spend

# PLATINUM AND DIAMONDS

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## PLATINUM

- Significant improvement in safety; regrettably 1 loss of life
- Equivalent refined production at 1.2 Moz, in line with H1 2012
- Refined platinum sales volume up 11% y-o-y to 1.1 Moz
- Cash operating costs increased 5%<sup>(1)</sup> to R16,284 per equivalent refined platinum oz
- As part of the planned restructuring, the S189 Labour Relations Act process resumed on 10 June 2013 and is in progress

## DIAMONDS

- Operating profit of \$571m, up \$322m driven by increased shareholding from August 2012
- 14.3m carats recovered, up 6% due to improved grades at Orapa and Jwaneng
- Venetia mine impacted by heavy flooding; dewatering largely complete, full recovery in H2
- Consumer polished demand mixed – remains solid in the US, variable in China and weak in India
- Rough prices up 6% supported by polished prices, tight liquidity / high inventories remain key issues

(1) 5% increase is based on FY 2012 normalised unit cost

# MANAGING TODAY – THE ISSUES

We have not forgotten our current challenges...

<b>Platinum restructure</b>	Implementation now in process
<b>Kumba revitalisation</b>	<ul style="list-style-type: none"><li>• Reschedule and optimise pit development</li><li>• Resolve AMSA and DMR disputes</li></ul>
<b>South Africa challenges</b>	Dealing with social complexity and industrial threats
<b>Copper production delivery</b>	Collahuasi and Los Bronces recovery
<b>Barro Alto commissioning</b>	Furnace recovery and rebuild program
<b>Minas-Rio project</b>	Project scope, timelines and mining strategy
<b>De Beers delivery</b>	Jwaneng and Venetia recovery projects
<b>Metallurgical Coal costs</b>	Productivity and cost improvements

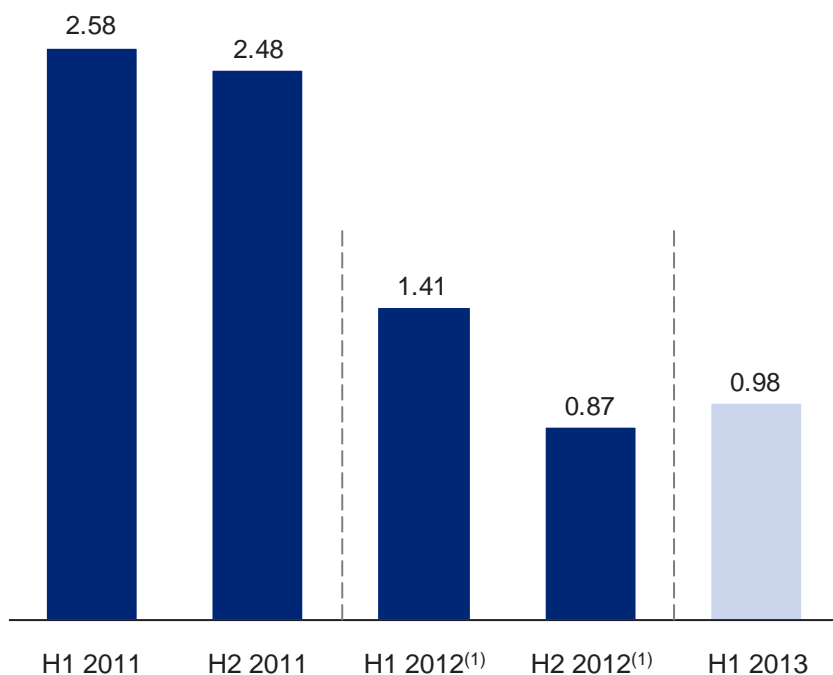
...and we are focused on delivering sustainable solutions.

## II. FINANCIALS RENE MEDORI



# H1 2013 RESULTS

## Underlying EPS (\$/share)



## Key financials

\$bn	H1 2013	H1 2012 <sup>(1)</sup>	Change vs. 2012
Underlying EBITDA	4.7	5.1	(7)%
Underlying operating profit	3.3	3.8	(15)%
Effective tax rate	33%	30%	
Underlying earnings	1.3	1.7	(28)%
Capital expenditure <sup>(2)</sup>	2.4	2.5	
Net debt	9.8	8.5 <sup>(3)</sup>	
Attributable ROCE <sup>(4)</sup>	11%	14%	

(1) FY 2012 restated for adoption of new accounting standards including: IFRIC 20 (stripping costs), IAS 19R (employee benefits) and IFRS 11 (joint arrangements)

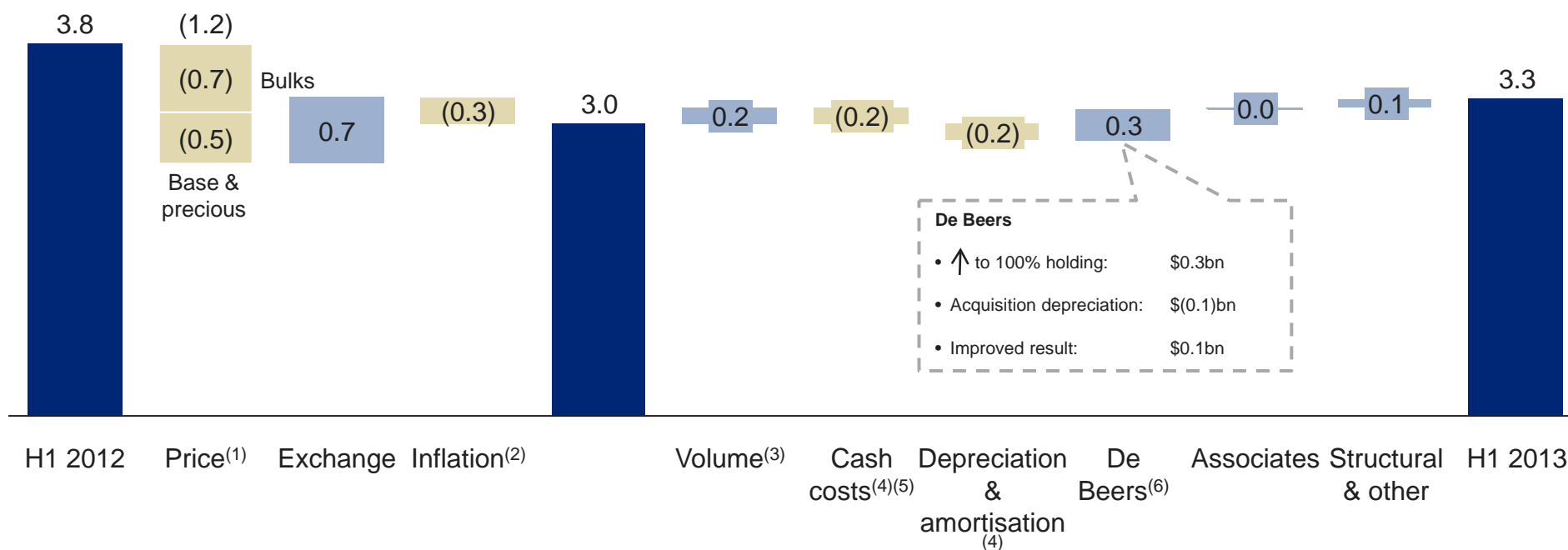
(2) Includes restatement for IFRIC 20 and reclassification of deferred stripping from operating cashflows into capital expenditure

(3) Net debt as at 31 December 2012

(4) Excludes non-controlling interest share of capital employed and operating profit and De Beers Fair Value uplift on original 45% stake

# H1 2013 OPERATING PROFIT VARIANCE

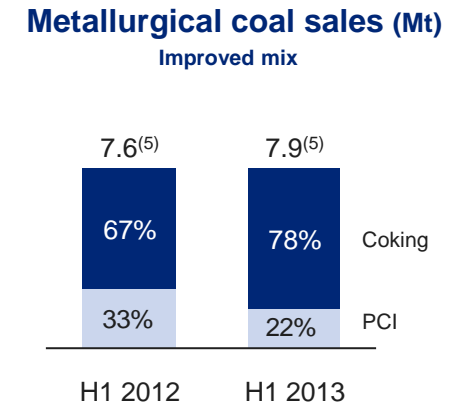
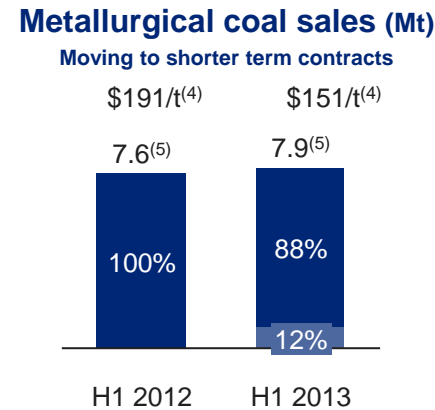
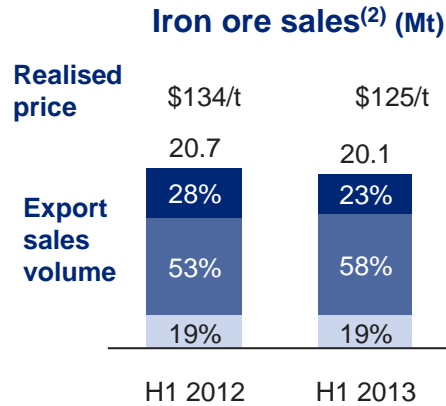
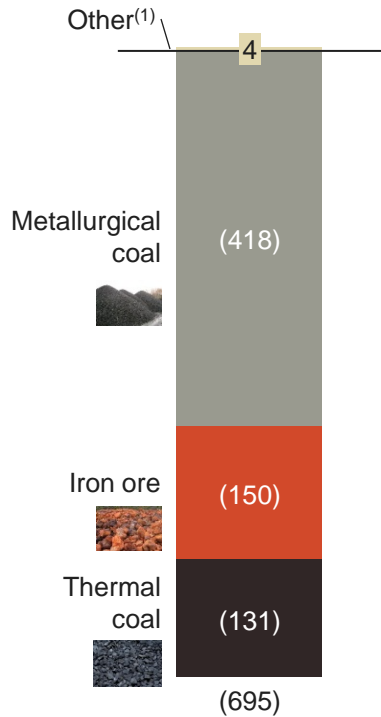
## H1 2013 vs. H1 2012 (\$bn)



- (1) Price variance calculated as increase/decrease in price multiplied by current period sales volume  
 (2) Inflation variance calculated using CPI on prior period cash operating costs that have been impacted directly by inflation  
 (3) Volume variance calculated as increase/decrease in sales multiplied by prior period profit margin  
 (4) Stripping capitalised is excluded from Cash costs. Depreciation of capitalised stripping balances is included in Depreciation and amortisation  
 (5) Cash costs variance includes inventory movements  
 (6) De Beers fully consolidated into the Group's results from 16 August 2012

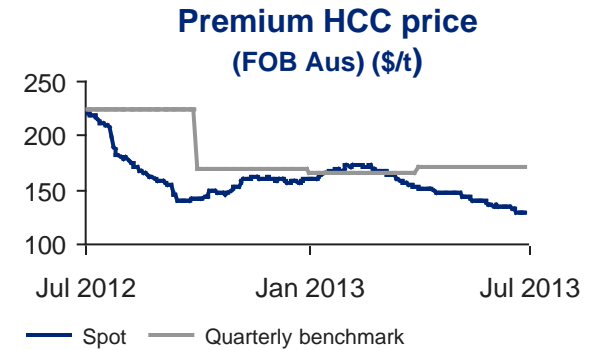
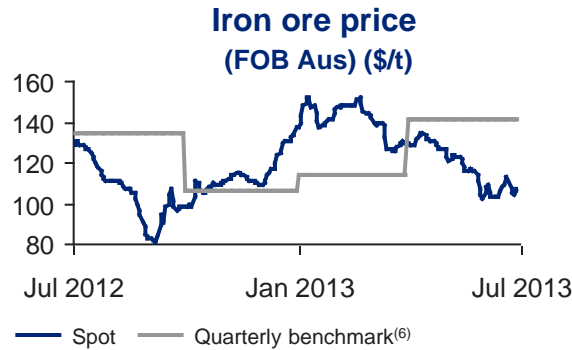
# PRICE VARIANCE – BULKS

## H1 2013 vs. H1 2012 (\$m)



■ Index / spot  
■ Current quarter / monthly  
■ QAMOM<sup>(3)</sup>

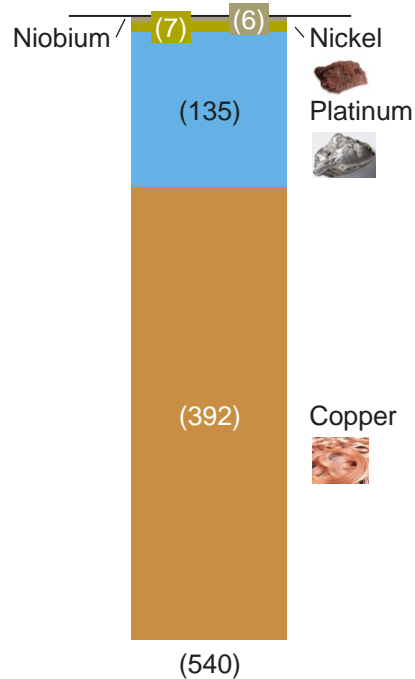
■ Quarterly benchmark  
■ Monthly Benchmark and Spot



- (1) Phosphates and OMI non-core
- (2) Kumba Iron Ore
- (3) QAMOM is a pricing mechanism based on average quarter in arrears minus one month
- (4) Realised price for metallurgical coal
- (5) Excludes Jellinbah (an associate)
- (6) Quarterly benchmark is the mean of the previous 3 months' prices

# PRICE VARIANCE – BASE & PRECIOUS

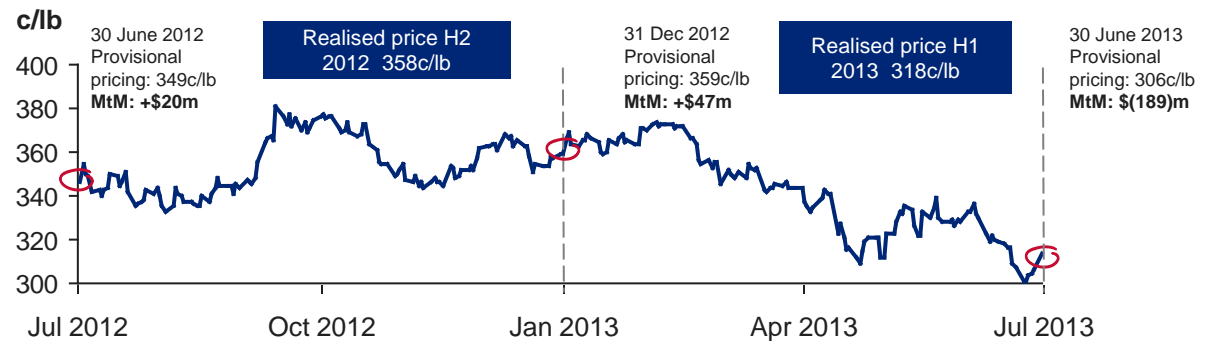
## H1 2013 vs. H1 2012 (\$m)



## Platinum price



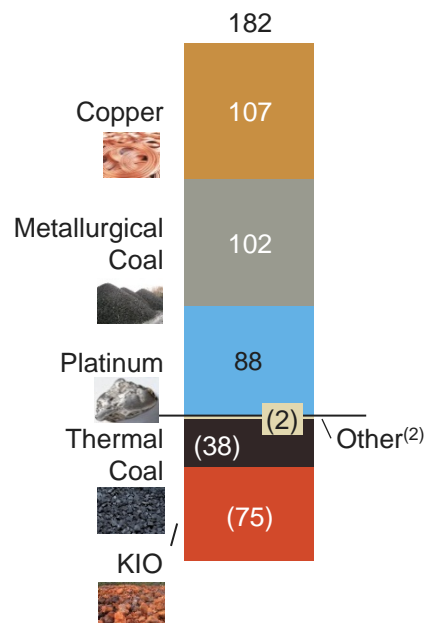
## Copper price and MtM<sup>(1)</sup>



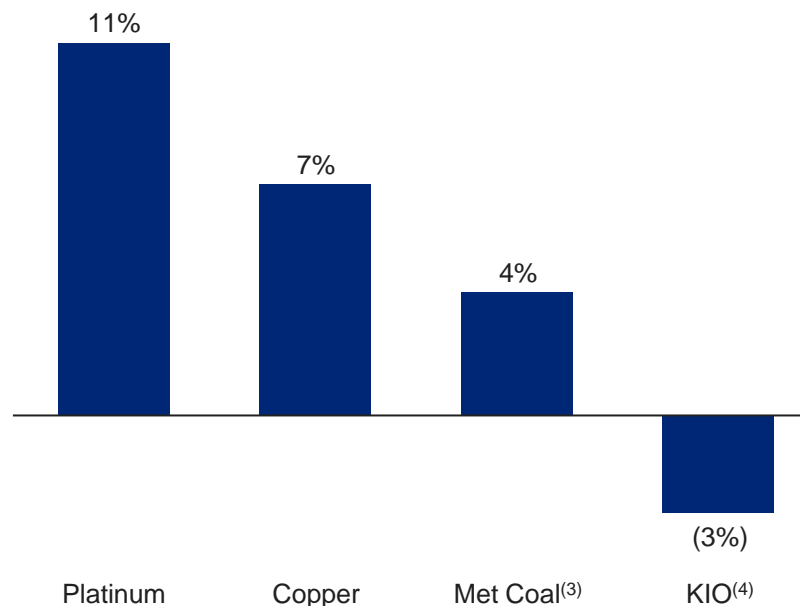
(1) Includes Mark-to-Market (MtM) and Final Liquidation adjustments

# OPERATING PROFIT VARIANCES: SALES VOLUME<sup>(1)</sup>

H1 2013 vs. H1 2012 (\$m)



Sales performance (% change vs. H1 2012)



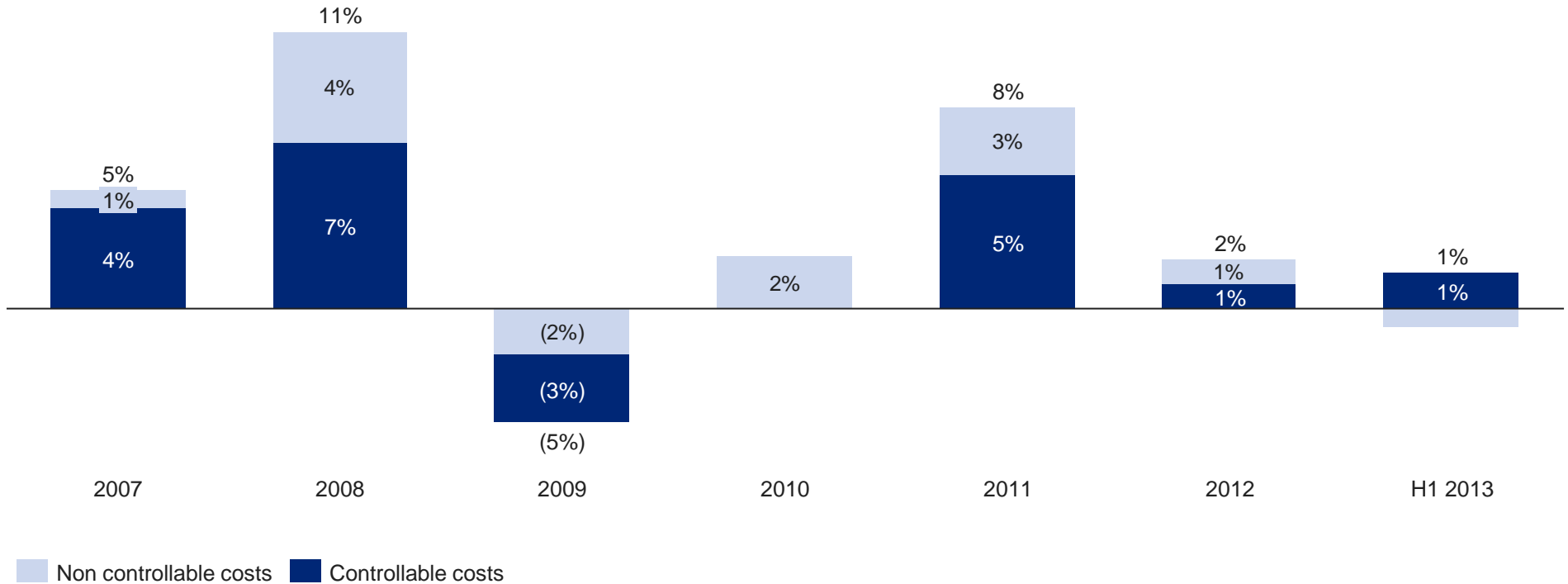
(1) Total Business Unit variance (excludes Barro Alto, for which revenues and operating costs are capitalised as it has not reached commercial production)

(2) Primarily comprises, Nickel (Loma and Codemin only), Niobium and Phosphates

(3) Export metallurgical coal sales, excluding Jellinbah (an associate)

(4) Sishen and Kolomela export sales

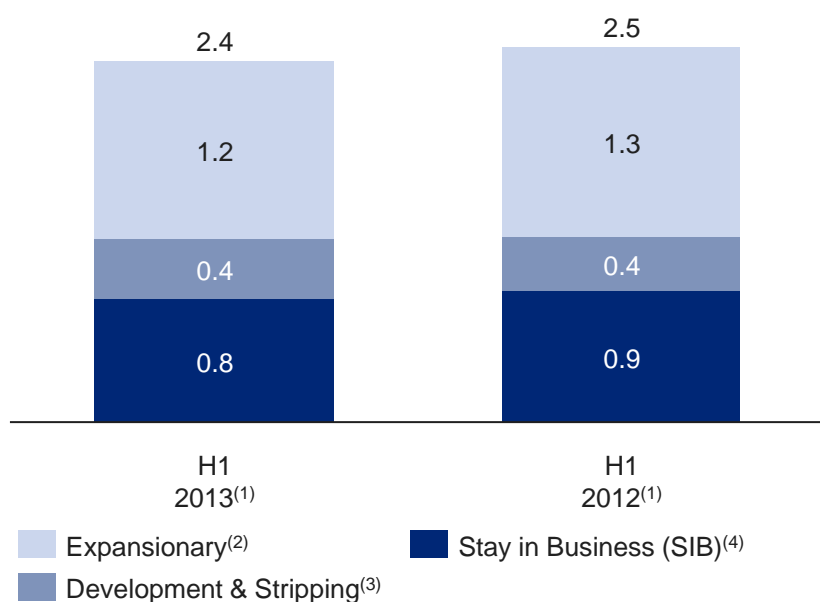
# ABOVE-CPI CASH COST MOVEMENTS



Note: 2007 to 2009 excludes AngloGold Ashanti, Mondy, Highveld Steel and Tongaat-Hulett/ Hulamini; 2010 onwards is for core operations only; H1 2013 includes the accounting impacts of introduction of IFRIC 20 on deferred stripping; Above CPI cash cost movements have been adjusted to remove the impact of the Q4 2012 strikes at Platinum and KIO for 2012 and H1 2013

# GROUP CAPITAL EXPENDITURE

## Capital expenditure (\$bn)



## Expansionary capital expenditure (\$bn)

	H1 2013	H1 2012
Minas-Rio 1	0.6	0.6
Grosvenor 1	0.2	0.1
Platinum projects	0.1	0.2
Others <sup>(5)</sup>	0.3	0.4
<b>Total Expansionary</b>	<b>1.2</b>	<b>1.3</b>

(1) Development capital expenditure post-commercial production reclassified from SIB to Development & Stripping; Stripping expenditure moved from Operating cashflow to Investing cashflow and incorporates impact of IFRIC 20

(2) Capital expenditure relating to pre-commercial production

(3) Capital expenditure on waste movements post-commercial production, for both mine development and deferred stripping costs

(4) Capital expenditure on physical Property, plant & equipment post commercial production

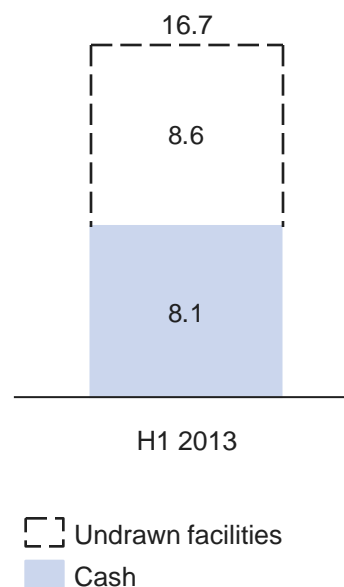
(5) 2013 spend includes \$0.1bn at Boa Vista Fresh Rock. 2012 spend includes \$0.1bn at Kolomela and \$0.1bn at Los Bronces Development Project

# LIQUIDITY HEADROOM AND DEBT PROFILE

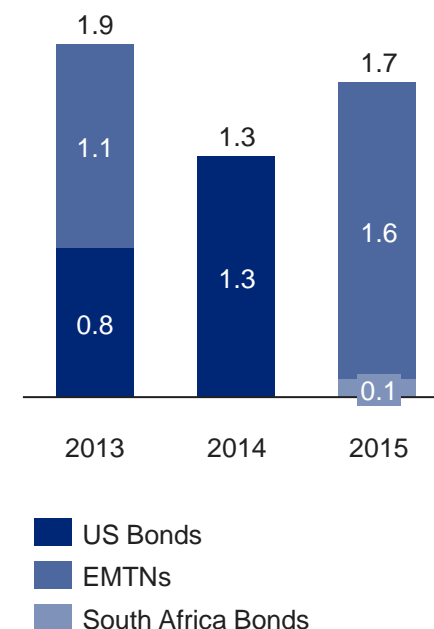
## Net debt (\$bn)

<b>Opening net debt – 1 January<sup>(1)</sup></b>	<b>8.5</b>
Operating cash flow	(3.7)
Capital expenditure <sup>(2)</sup>	2.4
Cash tax paid	0.5
Net interest paid <sup>(3)</sup>	0.2
Dividends paid to non-controlling interests	0.6
2012 Final Dividend to AA shareholders	0.7
Tax on sale of non-controlling interests in Anglo American Sur	0.4
Other	0.2
<b>Closing net debt – 30 June</b>	<b>9.8</b>

## Liquidity headroom (\$bn)



## Bond maturity profile (\$bn)



(1) IFRS 11 implementation and retrospective application has resulted in a reduction of \$0.1bn in opening net debt as at 1 January 2013 as net debt associated with the LLX joint venture is now excluded from group net debt

(2) Capital expenditure includes deferred stripping costs

(3) Net interest includes the impact of interest rate derivatives

# DRIVING VALUE

Mark Cutifani



# AGENDA

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## Opening Remarks

### A Starting Point

### The Future

- Business Execution
- Capital Allocation
- Stakeholder Engagement
- Organisation

### The Value Equation

### Wrap

# WE HEAR YOU!

## We understand the concerns...

J.P.Morgan CAZENOVE



Deutsche Bank

Morgan Stanley



- “Shareholders have demanded an end to **value-destroying M&A** and a tighter focus on returns.” April 2013
- “There was a drive to establish future market share. Now boards are looking to **regain investors’ confidence** – that they can return cash and not pour it down another hole just to chase growth for growth’s sake.” February 2013
- “...relative underperformance of Anglo includes Operational difficulties... Difficulty in delivering the production growth from projects that was anticipated... An expensive acquisition of Kumba and Revuboe.... A weak cash flow outlook.” “We find that based on our estimates, **acquisitions have generally destroyed value for Anglo.**” September 2012
- “**Capital allocation is key to equity value.** AAL’s 5 and 10 year track records suggest a radical re-think of the investment process and the balance between dividend and re-investment is required.” March 2013
- “We can empathize with mining executives who are running the company on a long-term basis but are being impacted by short-term investor sentiment. However we believe the message from investor is slightly misunderstood; we believe that mining **investors actually wanted value-added growth rather than just growth.**” April 2013

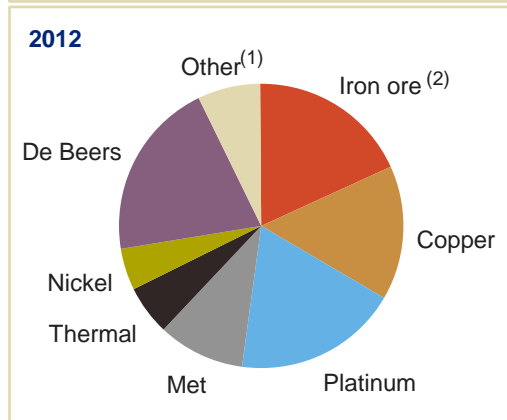
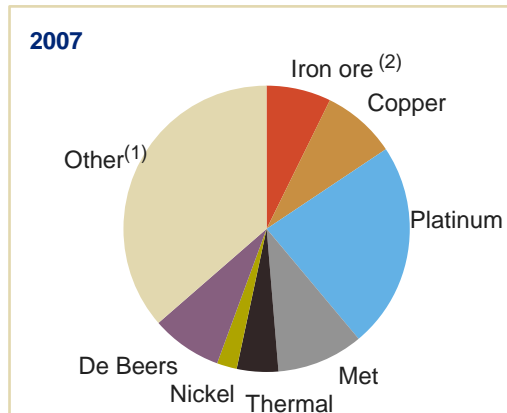
...and we are aligned around the focus on capital allocation and value.

# WE CAN SEE THE ISSUES

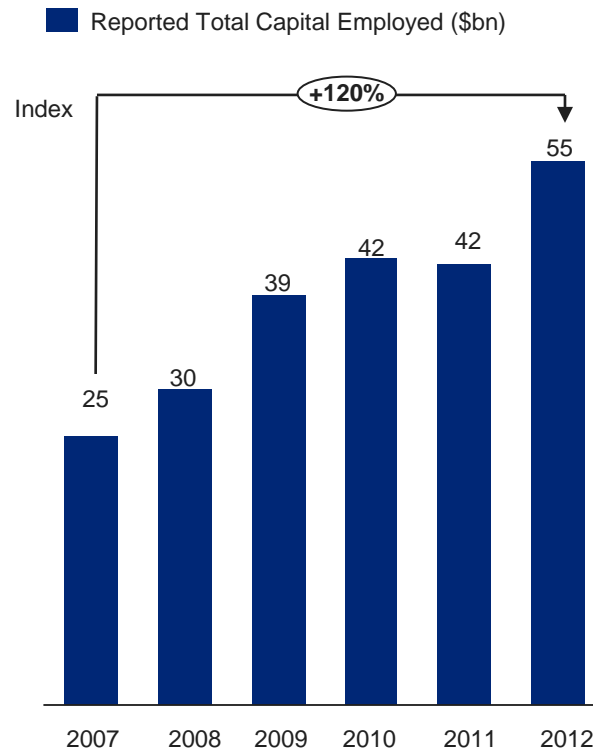
## The investment in growing size and quality...

The portfolio has been re-shaped...

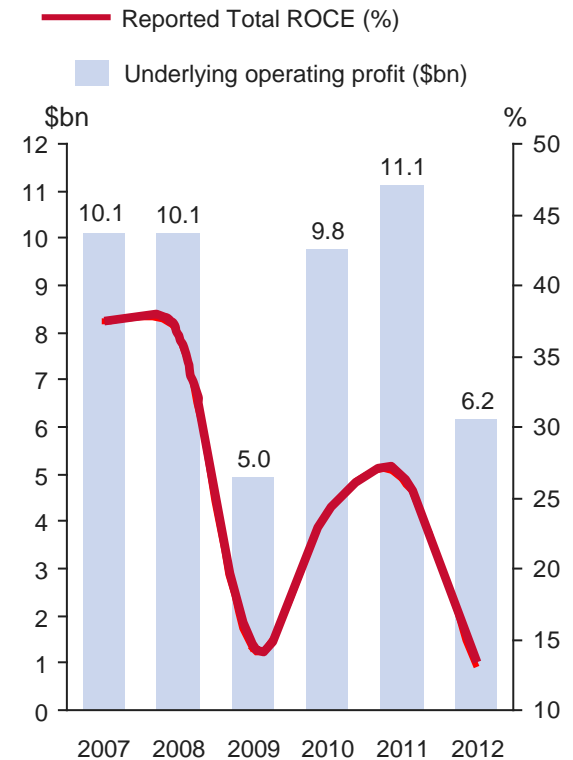
Share of capital employed



...by expanding the capital base...



...but we have not seen a return.



...has not yet seen full value delivery from our assets.

(1) Includes OMI, corporate, exploration  
 (2) Includes manganese

# CRITICAL DRIVERS

We have distilled the issues down to critical drivers...

## The Issues

<b>Business Execution</b>	<b>Strategy and planning</b> .....making sure we know what we have and how to deliver <b>Operations execution</b> .....having the process and the discipline <b>Project delivery</b> .....understanding the scope and execution pinch points
<b>Capital Allocation</b>	<b>Capital screening and hurdles</b> .....focus on real value creation within defined risk construct <b>Managing the opportunity pipeline</b> .....bring the right projects through when they are ready <b>Reconciling value growth with shareholders returns</b> .....getting the right balance
<b>Stakeholder Engagement</b>	<b>Government relations in key jurisdictions</b> .....understanding their needs and priorities <b>Project approvals</b> .....managing the regulatory process and the targeted outcome <b>Local communities</b> .....understanding this is where success starts

...that demand a new approach to doing business.

# AGENDA

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Opening Remarks

## A Starting Point

The Future

- Business Execution
- Capital Allocation
- Stakeholder Engagement
- Organisation

The Value Equation

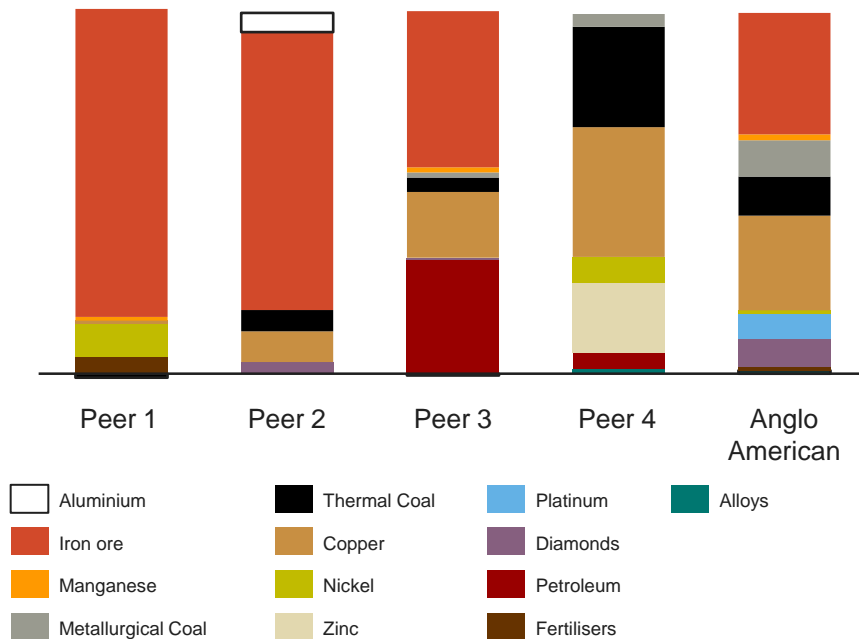
Wrap

# A STARTING POINT – QUALITY PORTFOLIO

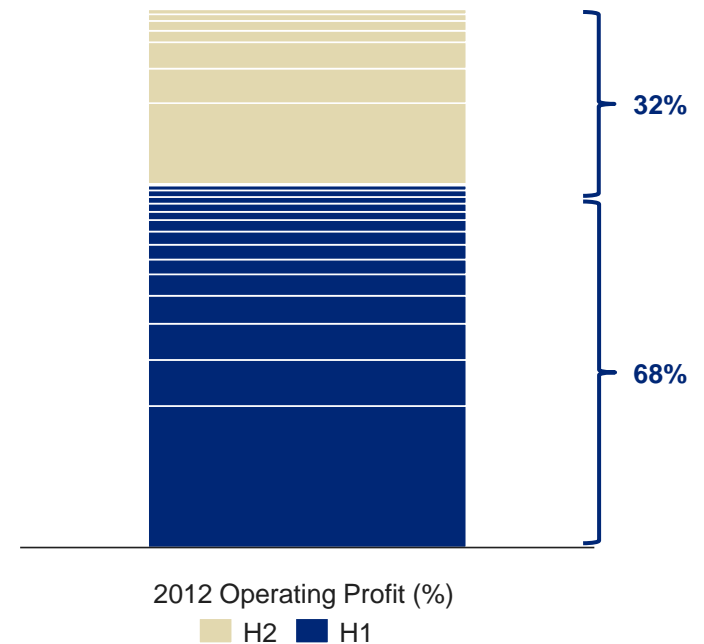
We have a diversified and high quality portfolio...

## Commodity diversification

Share of 2012 EBITDA by commodity



## Majority of profits from low cost assets



Note: All data is CY2012  
Source: Company annual reports

...with an opportunity to improve performance, margins and returns.

# FOCUS ON VALUE AND RETURN

Our business philosophy is changing...

From...

**Structurally Attractive Commodities**

*Focus on Copper, Iron Ore and Metallurgical Coal*

**World-Class 'Tier 1' Assets**

*Large, Low Cost, Long Life and Expandable*

**Production Growth**

*'Tier 1' Assets and Industry Positioning*

...to.

**Asset Quality & Return Potential**

*Structural advantage in commodity context*

**Competitive Position within Industry Structure**

*Low costs with price volatility "comfort"*

**Focus on Margins and Returns**

*Value is cash flow and its uses*

...and so it must be reflected through strategy and actions.

# AGENDA

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Opening Remarks

A Starting Point

**The Future**

- **Business Execution**
- **Capital Allocation**
- **Stakeholder Engagement**
- **Organisation**

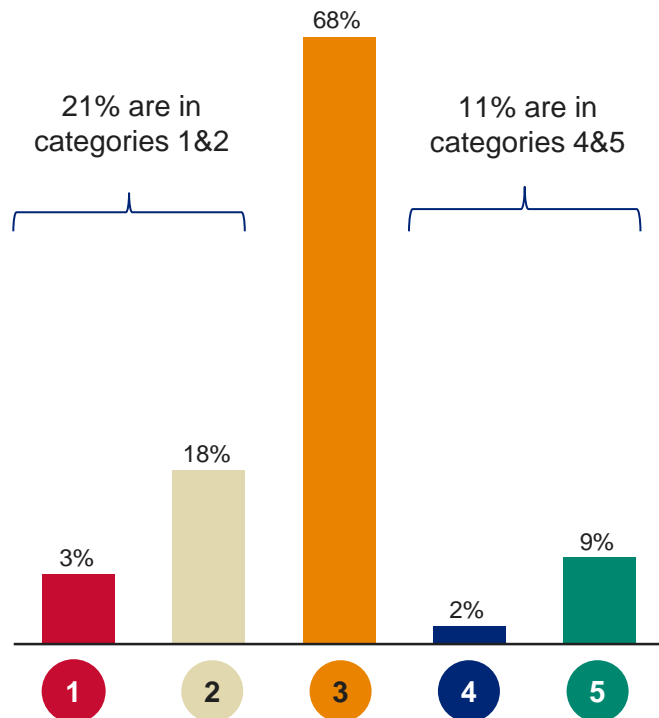
The Value Equation

Wrap

# BUSINESS EXECUTION – ASSET REVIEW

Our early diagnostic has flagged an important issue around delivery...

Only 11% of our operations consistently meet targets



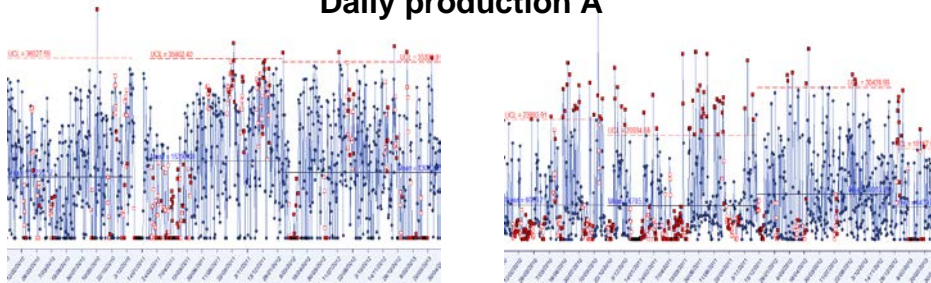
Category	Description
1	<p>Negative cash risk</p> <ul style="list-style-type: none"> <li>Budget hit for less than 75% of recent quarters for either production or cost</li> <li>No recovery plan or recovery plan not met for last 2 consecutive quarters</li> <li>Cash flow &lt; \$(50)m</li> </ul>
2	<p>Below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

...we are not meeting our internal plans and forecasts.

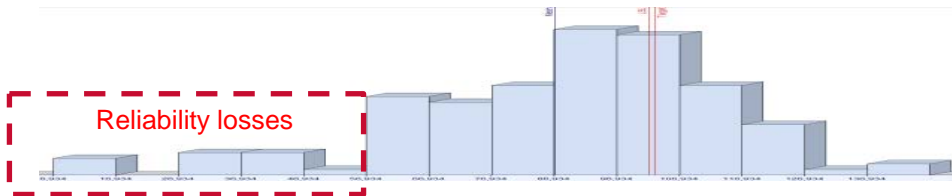
# BUSINESS EXECUTION – ASSET REVIEW

...with delivery weaknesses being identified...

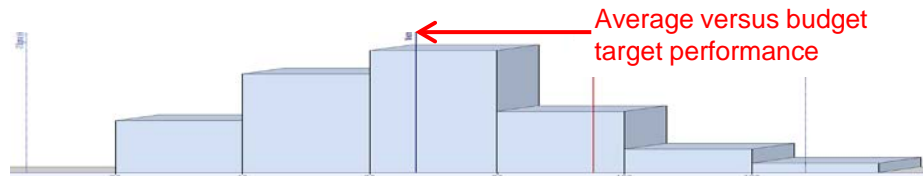
Daily production A



Capability histogram B



Capability histogram C



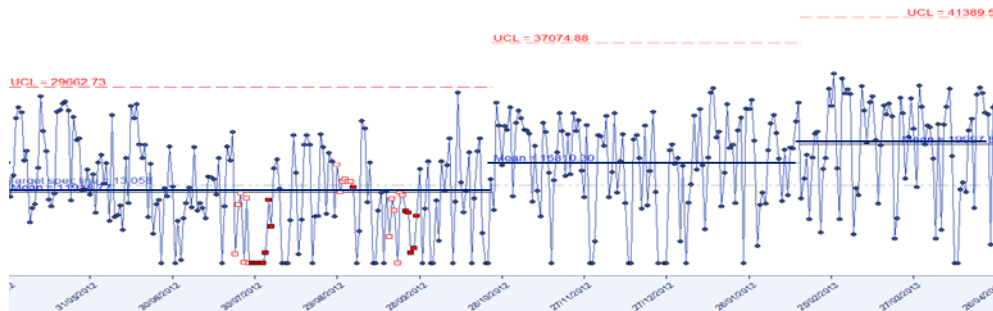
- **Operations “not stable”**
  - Inadequate planning and scheduling
  - Processes not delivering to potential
  - Recovery pathway not understood
- **“Unplanned” events**
  - Not seeing what can go wrong
  - Risk management not integrated
- **“Optimistic” budgets**
  - Not fact-based...aspirational at best

...and we know how to deal with each issue to support improvement.

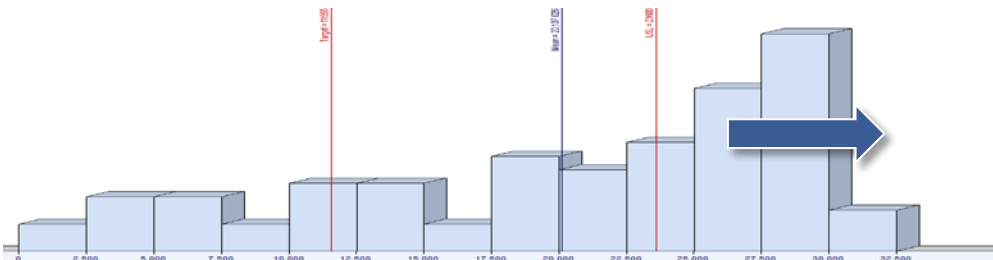
# BUSINESS EXECUTION – THE FOUNDATIONS FOR DELIVERY

...and we have operations that have already been working...

Moranbah North – Product output



Moranbah North – Product output



## MORANBAH NORTH

- **Focus**...stabilising the process
- **Drivers**...reliability and cutting rates
- **Impacting**...business performance outcomes (YOY):
  - Safety.....64% improvement
  - Productivity.....46% improvement
  - Production.....60% improvement
  - Operating costs.....40% improvement
- **Australia's highest productivity longwall coal operation...with more potential.**

...on the implementation of a similar change model.

# BUSINESS EXECUTION – COMMERCIAL

We are implementing a commercial model and improving supply chain...

Commercial model value of \$400m p.a. by 2016

Supply chain benefit of \$100m p.a. by 2016

<b>Global Platform</b> Driving commercial excellence	<ul style="list-style-type: none"> <li>• Singapore and London commercial hubs</li> <li>• Centres of Excellence established in market intelligence, logistics, shipping and commercial risk and performance management</li> </ul>	<b>Optimisation of Contracted Services</b>	<ul style="list-style-type: none"> <li>• Improved scope definition and effective management</li> <li>• Initial focus at Copper assets</li> </ul>
<b>Platinum</b> Focus on end customers	<ul style="list-style-type: none"> <li>• Contracts attracting discounts and commissions will not be renewed (20% of 2012 sales renegotiated or terminated)</li> <li>• Direct investment in market development</li> </ul>	<b>Fuel Management</b>	<ul style="list-style-type: none"> <li>• Implementation of fuel management and fuel efficiency systems at mines with material fuel consumption</li> </ul>
<b>Thermal Coal</b> Product portfolio optimisation and physical arbitrage	<ul style="list-style-type: none"> <li>• Establish asset backed trading capability in quarter one of 2014</li> <li>• Optimise product portfolio as well as global geographic footprint to improve margins</li> </ul>	<b>Strategic Supplier Arrangements</b>	<ul style="list-style-type: none"> <li>• Re-negotiation of global supplier agreements e.g. tyres</li> </ul>
<b>Shipping</b> Leveraging global freight book	<ul style="list-style-type: none"> <li>• Global shipping network consolidated and optimised to drive economies of scale</li> <li>• 1<sup>st</sup> third party freight 'triangulation' deal agreed</li> <li>• Building freight book to 50 Mt by 2015</li> </ul>	<b>Emerging Market Sourcing</b>	<ul style="list-style-type: none"> <li>• Targeted sourcing from pre-qualified Chinese suppliers</li> </ul>

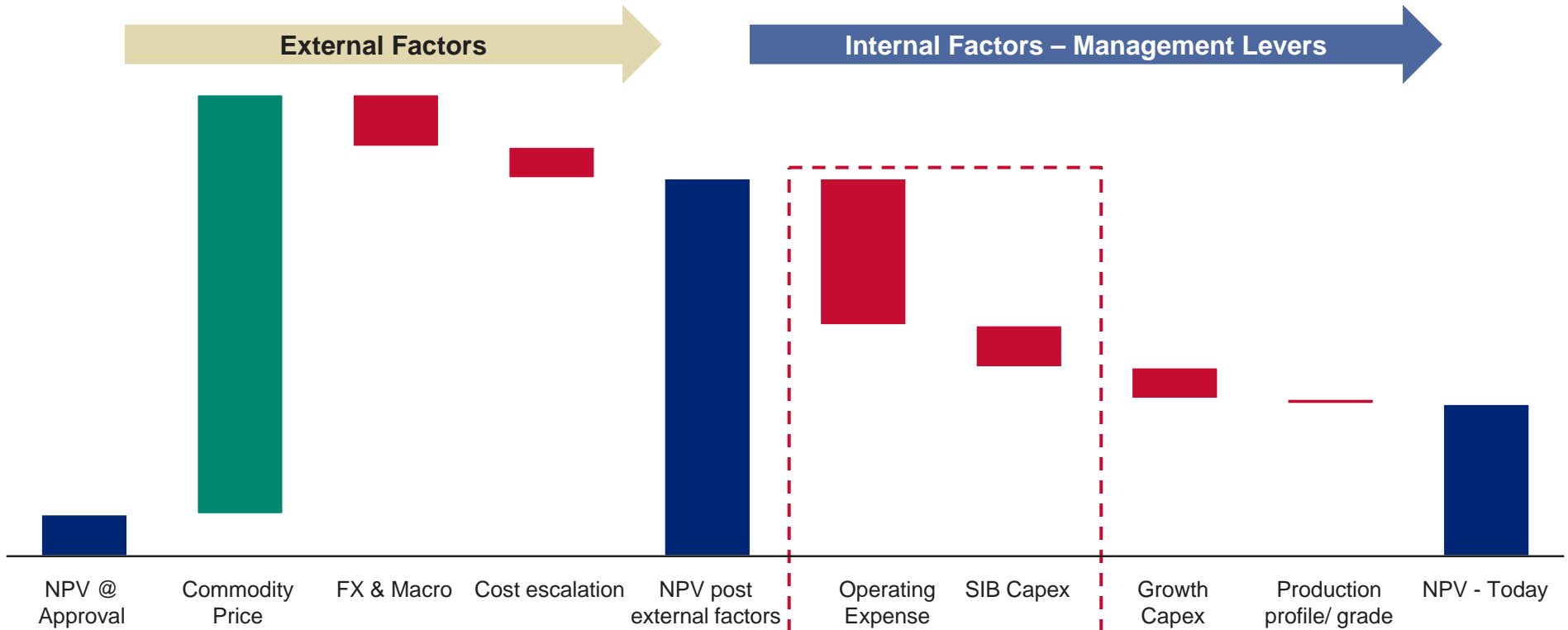
...to complement our operational improvement and margin focus.

# BUSINESS EXECUTION – PROJECT DELIVERY

We have seen capital and schedule overruns on our projects...

Select completed projects – NPV at approval date vs. today

(Illustrative NPV)



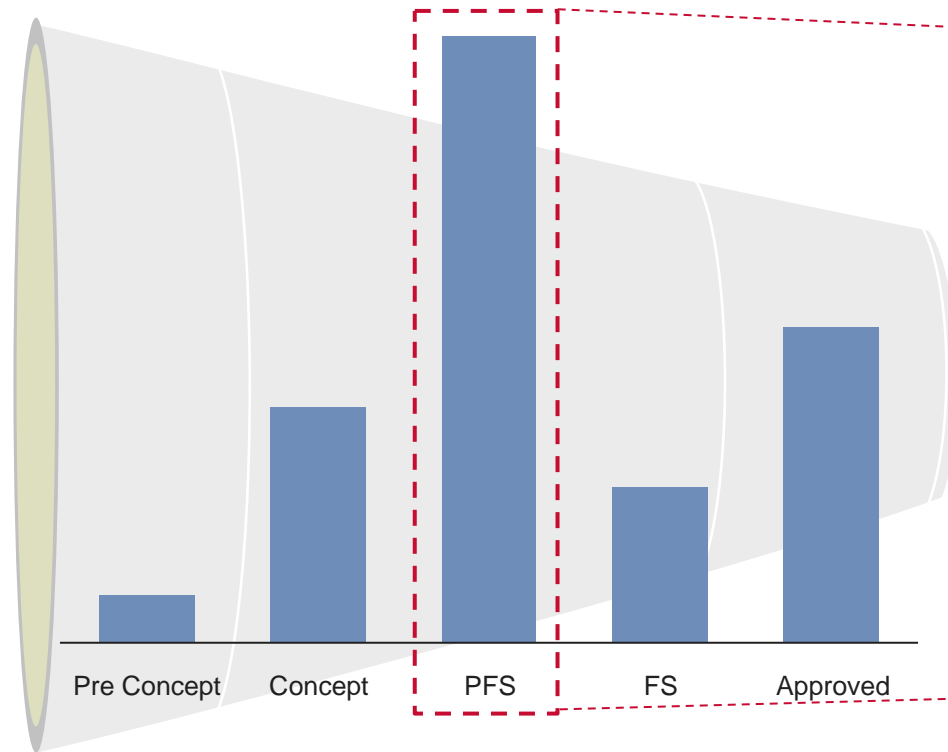
...with value destruction compounded by operating weaknesses.

# CAPITAL ALLOCATION – VALUE LEAKAGE

We are also spending too much on early stage projects...

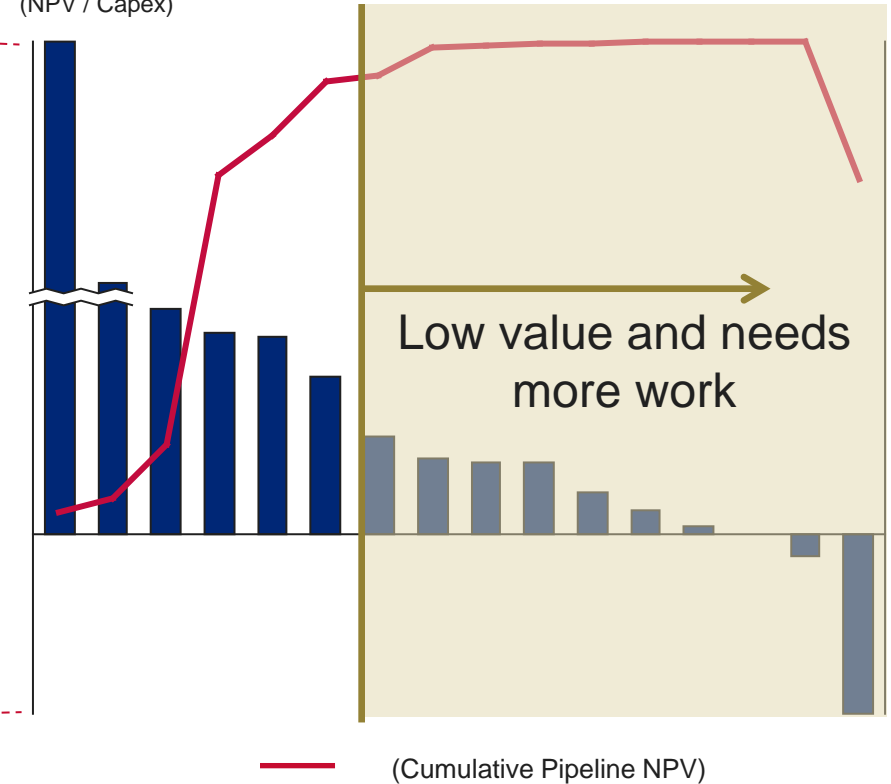
Project pipeline – attributable capex by stage<sup>(1),(2)</sup>

(\$bn – in real 2013 \$ terms)



Capital efficiency – pre-feasibility stage

(NPV / Capex)



(1) Mining projects under active study with >\$50m in attributable capital expenditure

(2) Only includes Gahcho Kué for De Beers unapproved projects

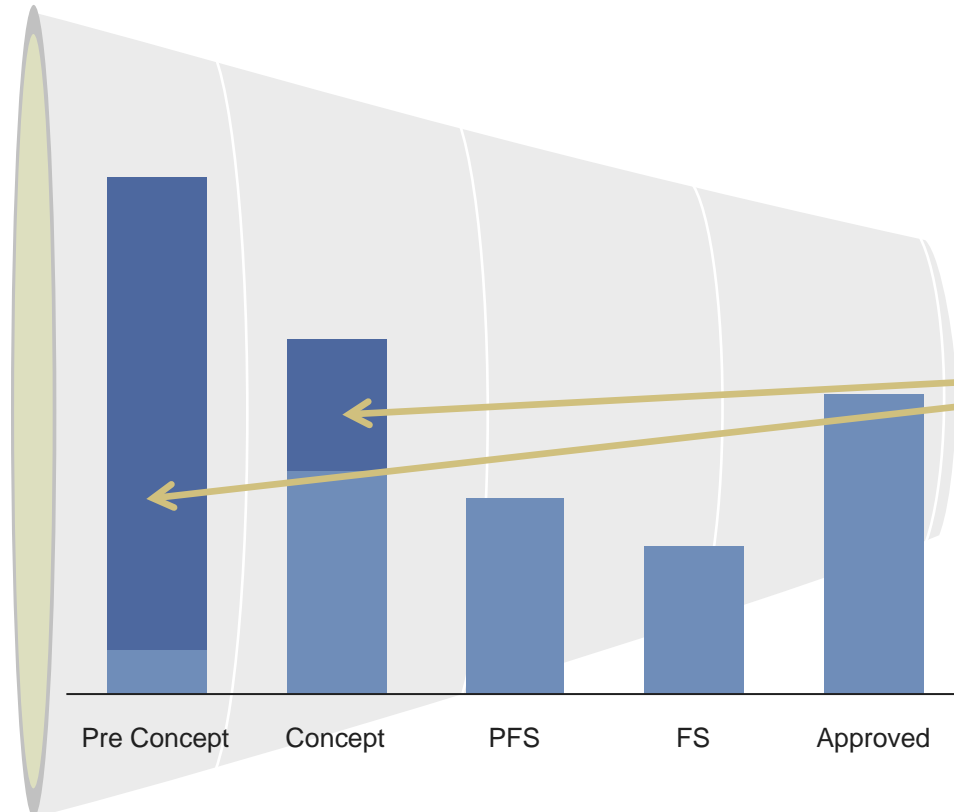
...and we still have many marginal projects at Pre-Feasibility.

# CAPITAL ALLOCATION – VALUE LEAKAGE

By reallocating phasing we can reduce spend by +\$300m p.a.

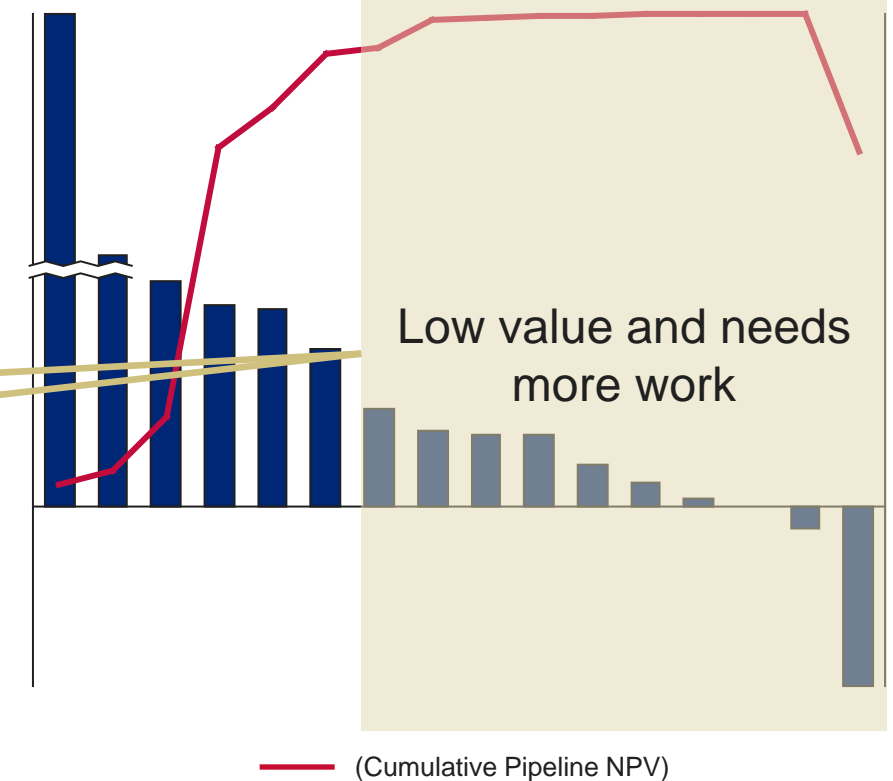
Project pipeline – attributable capex by stage<sup>(1), (2)</sup>

(\$bn – in real 2013 \$ terms)



Capital efficiency – pre-feasibility stage

(NPV / Capex)



- (1) Mining projects under active study with >\$50m in attributable capital expenditure
- (2) Only includes Gahcho Kué for De Beers unapproved projects

# CAPITAL ALLOCATION – WORKING THE OPPORTUNITIES

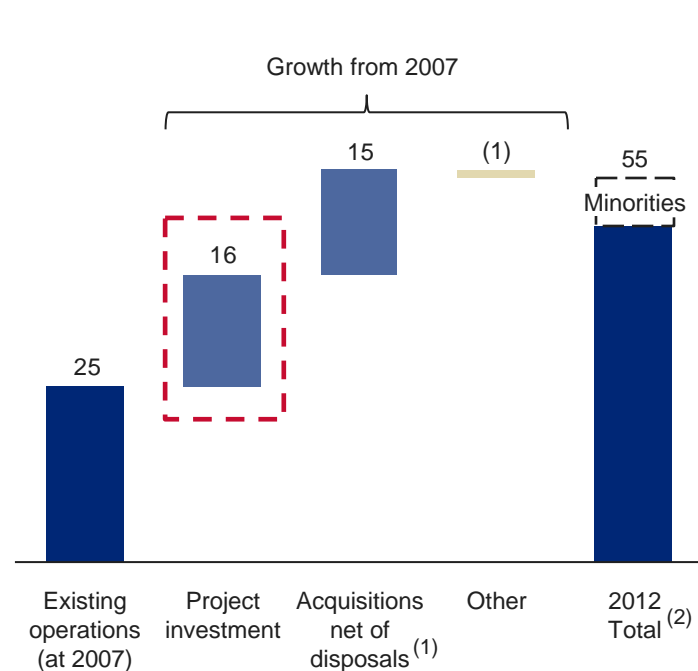
We must drive each part of the portfolio to carry its weight...

We have invested in growth...

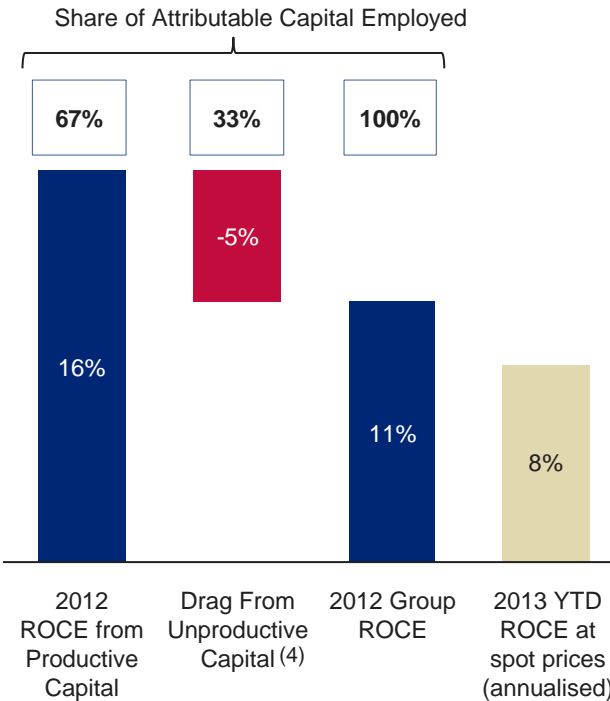
...unproductive capital “drags” returns...

...net debt is increasing.

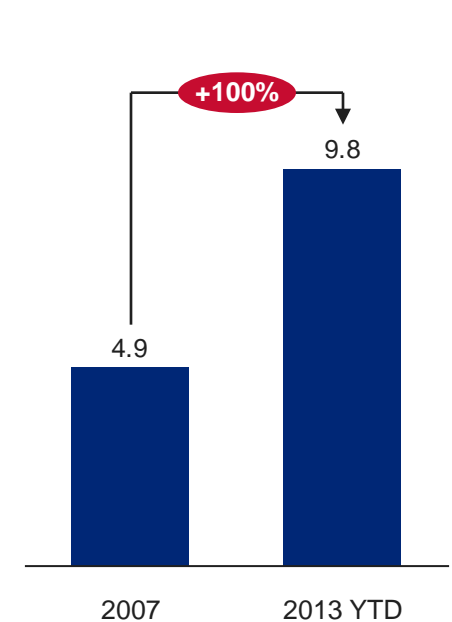
Reported closing total capital employed (\$bn)



Attributable ROCE (3)



Total net debt (\$bn)



(1) Significant acquisitions includes Minas-Rio and De Beers

(2) 2012 capital employed presented pre-impairments recorded in 2012

(3) Attributable ROCE is defined as operating profit attributable to Anglo American plc shareholders divided by attributable average capital employed

(4) Unproductive capital comprises projects not in commercial production and is presented on an average basis

# CAPITAL ALLOCATION – WORKING THE OPPORTUNITIES

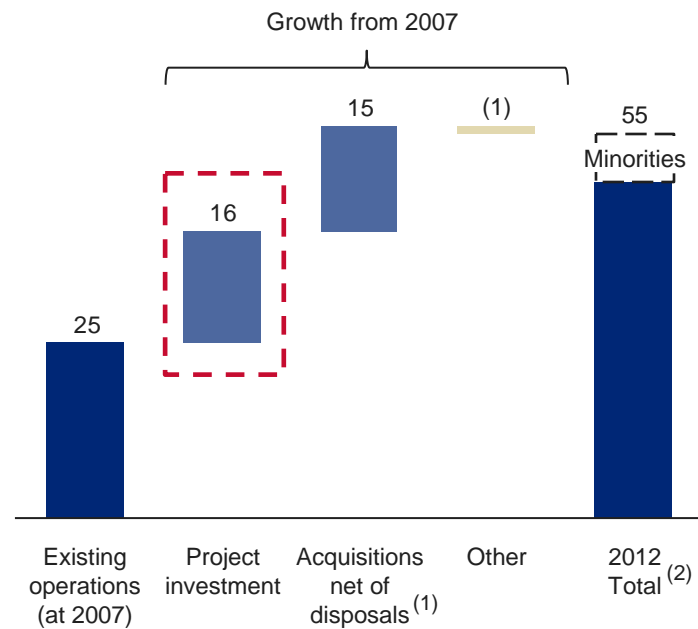
We must drive each part of the portfolio to carry its weight...

We have invested in growth...

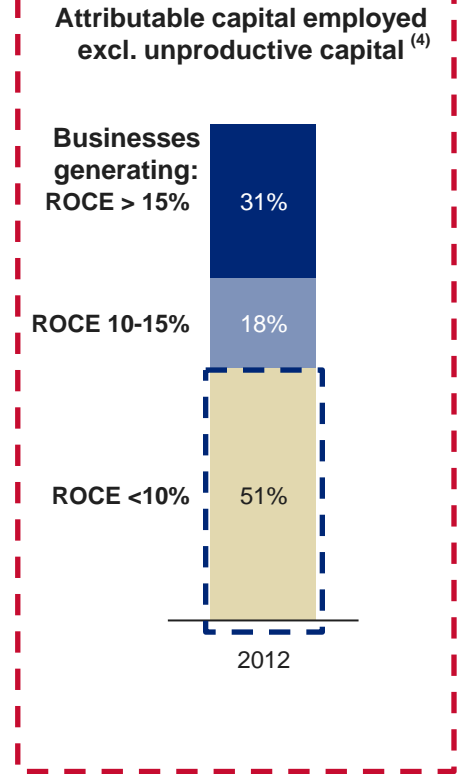
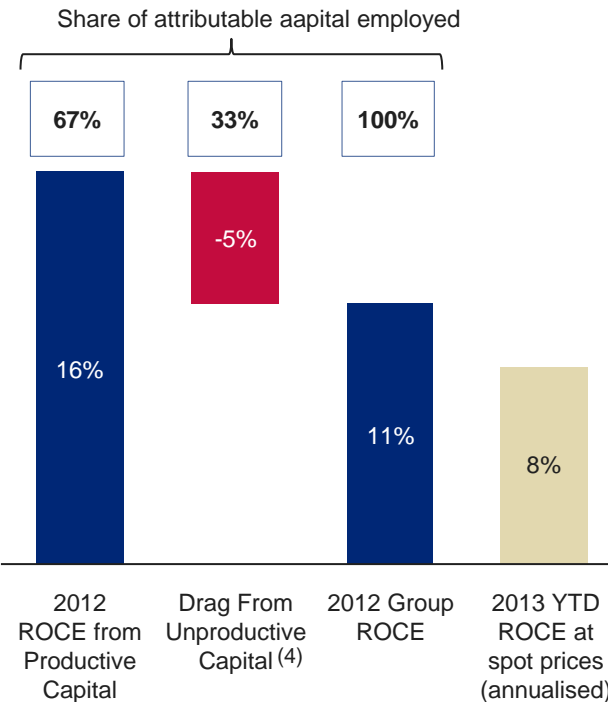
...unproductive capital “drags” returns...

...all assets to pay their way.

Reported closing total capital employed (\$bn)



Attributable ROCE<sup>(3)</sup>



(1) Significant acquisitions includes Minas-Rio and De Beers

(2) 2012 capital employed presented pre-impairments in 2012

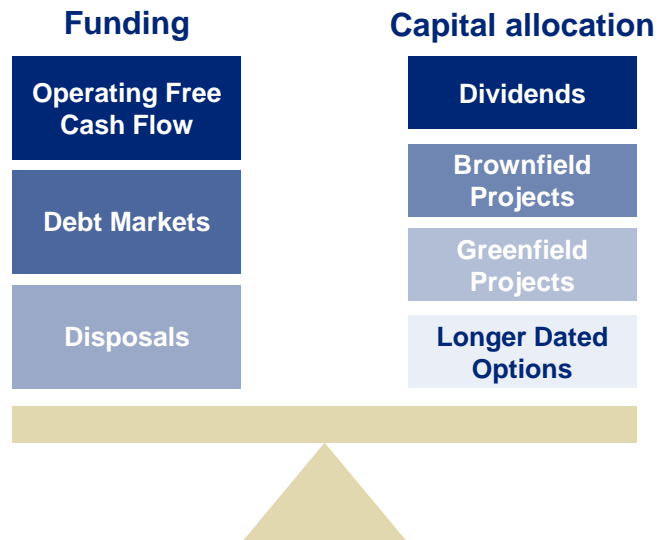
(3) Attributable ROCE is defined as operating profit attributable to Anglo American plc shareholders divided by attributable average capital employed

(4) Unproductive capital comprises projects not in commercial production and is presented on an average basis

# CAPITAL ALLOCATION – A PHILOSOPHY AND A PROCESS

## Making the hard choices

- Manage for cash flow and protect dividend
- Retain strong investment grade credit rating (target BBB+)
- Portfolio / disposals driven by focus on value and asset returns in a commodity context



## Disciplined capital allocation aligned with strategic priorities

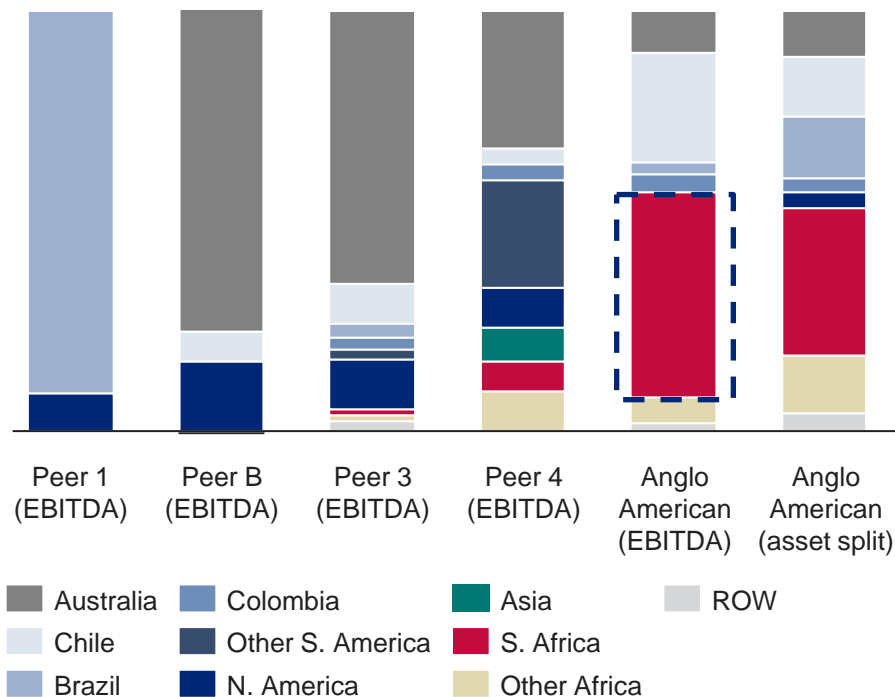
Priorities	Criteria
<b>Managing Risk</b>	<ul style="list-style-type: none"> <li>• Payback</li> <li>• Cost/margin curve position</li> <li>• Balance brownfield/greenfield</li> </ul>
<b>Focus on Returns</b>	<ul style="list-style-type: none"> <li>• IRR</li> <li>• Appropriate hurdle rate</li> </ul>
<b>Enhance Portfolio</b>	<ul style="list-style-type: none"> <li>• Group ROCE</li> <li>• Pipeline NPV/I</li> <li>• Balance commodity / geography</li> </ul>
<b>Retain Optionality at Minimum Cost</b>	<ul style="list-style-type: none"> <li>• Holding cost</li> <li>• Timing flexibility</li> <li>• Resource quality / project risk</li> <li>• Fit with long term strategy</li> </ul>

...and we need to be discriminating and disciplined in our approach.

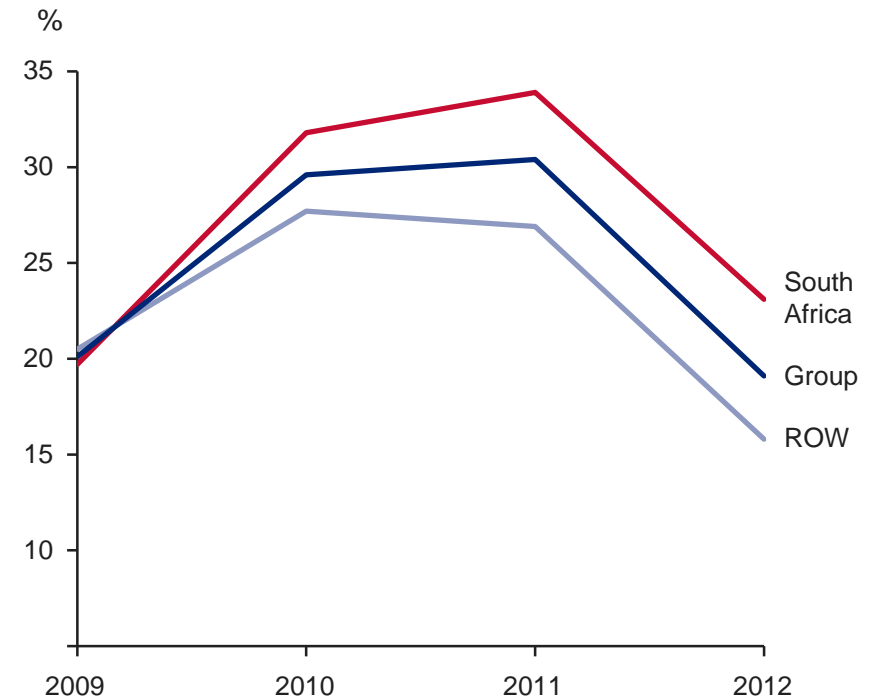
# STAKEHOLDER ENGAGEMENT – GEOGRAPHIC DIVERSITY

Many shareholders are worried about our exposure to South Africa...

2012 Geographic split



Operating margin



Source: Company annual reports

...and despite solid returns uncertainty remains a concern

# STAKEHOLDER ENGAGEMENT – A SUSTAINABLE MODEL

We recognise we must build partnerships across the business...

## A POINT ON PHILOSOPHY...

- **Shareholders own the business...** and are entitled to attractive returns reflecting the risks they take in funding the business and the social development programs
- **Employees are the business...** and must be treated with care and respect and compensated fairly for their work
- **Stakeholders are partners in the business...** and are entitled to fair compensation for their contribution to business success

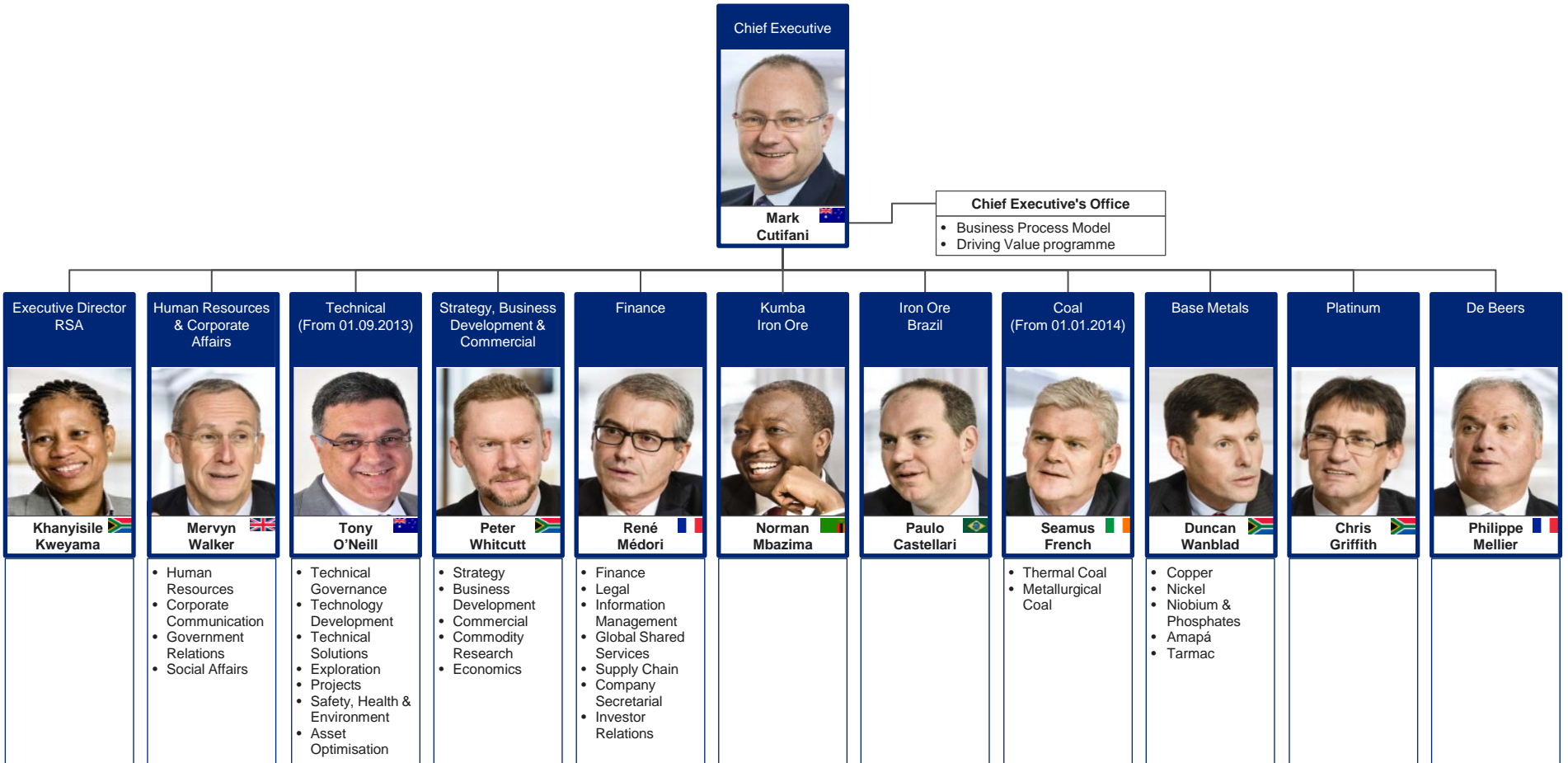
## A POINT ON PRACTICAL APPLICATION...

- **A strategic priority is to work together with our stakeholders to empower them to reach their potential. Our ability to build effective and mutually beneficial partnerships with host communities and governments is of particular importance for us and is a pre-requisite for investment**

... and is guiding the development of our strategy and action plan.

# ORGANISATION – NEW STRUCTURE

We are implementing a new organisation structure ...



... to improve effectiveness and create sustainable efficiencies.

# ORGANISATION – EFFECTIVENESS

We are streamlining our organisation...

<b>Global commodity groupings</b>	Creation of global Base Metals and Coal groupings
<b>A more focused leadership team</b>	From 15 to 11 direct reports to the Chief Executive
<b>Direct representation of businesses in GMC</b>	Group Management Committee (GMC) to include CEOs of Coal, Base Metals, Platinum, De Beers, Kumba Iron Ore and Iron Ore Brazil
<b>Fewer organisational layers</b>	Bringing operations closer to the leadership
<b>Clear accountabilities</b>	Clarification of roles and key processes

...to become more agile and effective.

# ORGANISATION – EFFICIENCY

## Creating an agile and effective organisation...

We will reduce overhead costs by \$500m p.a. by 2016 through:

- Focusing on critical value adding activities.
- Eliminating duplication across organisation layers.
- Streamlining key processes.
- Sharing and adopting best practices.
- Embedding a cost conscious and performance driven culture.

These improvements cover the Corporate Centre and Business Units and include \$200m p.a. overhead cost reduction announced in Platinum.

**...will also sustainably improve efficiency.**

# AGENDA

---

Opening Remarks

A Starting Point

The Future

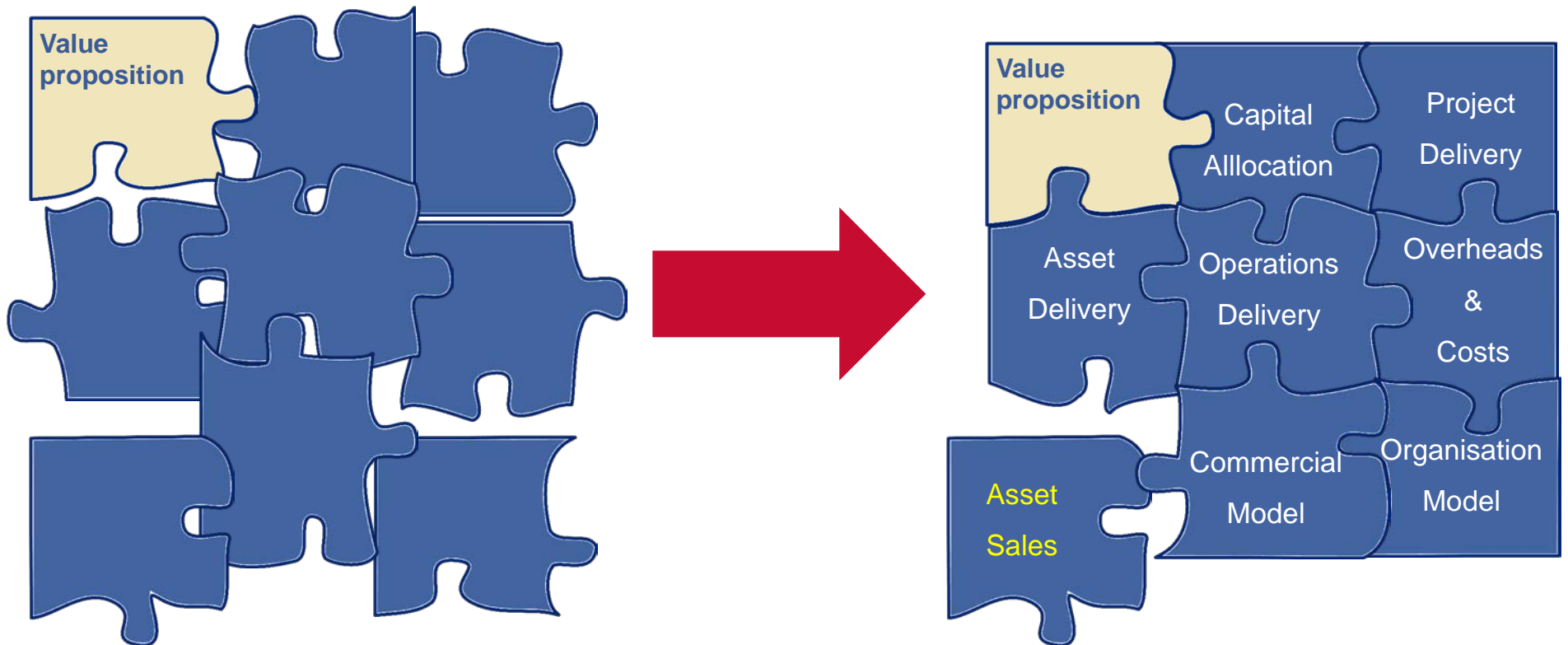
- Business Execution
- Capital Allocation
- Stakeholder Engagement
- Organisation

**The Value Equation**

Wrap

# WHERE WE STARTED

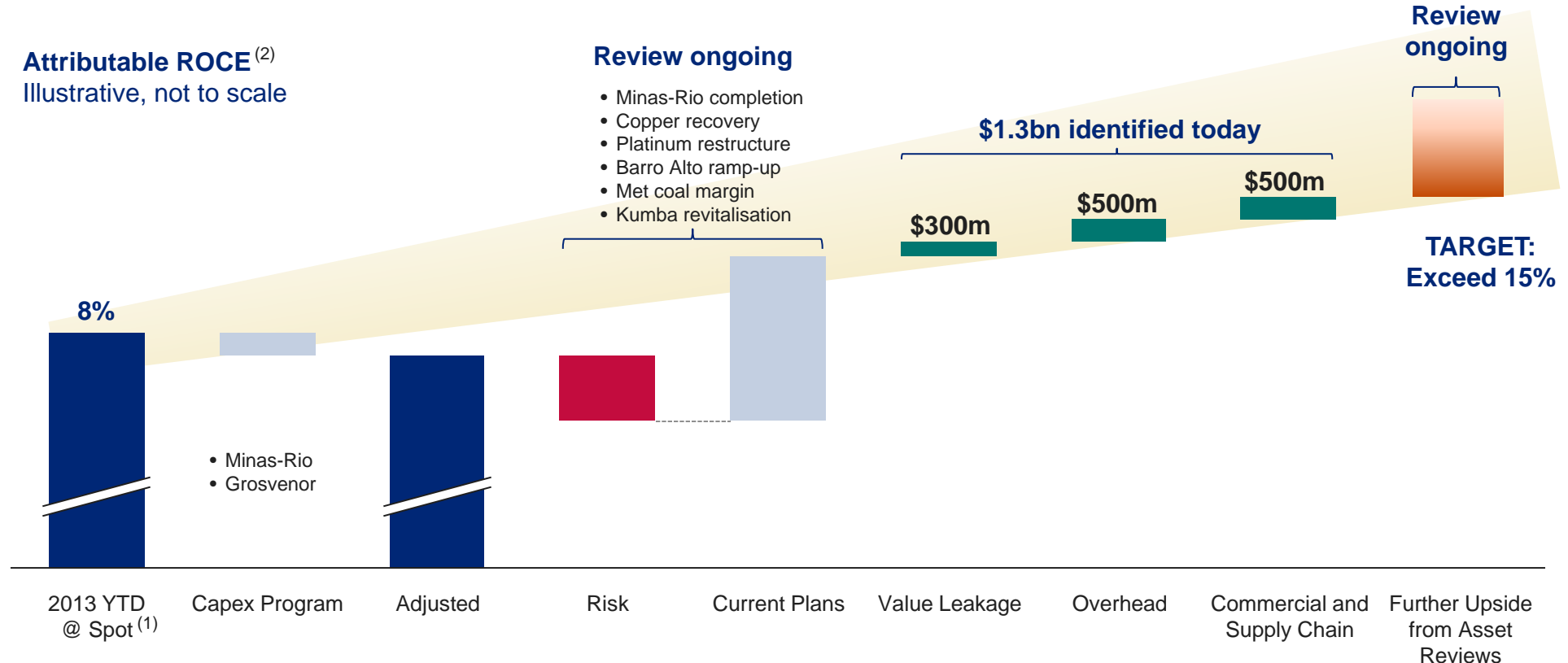
We started with a “VALUE PROPOSITION”...



...and we have connected the component parts to drive performance.

# FOCUS ON RETURNS – A KEY MEASURE OF PERFORMANCE

We recognise how we use shareholders' capital is critical...



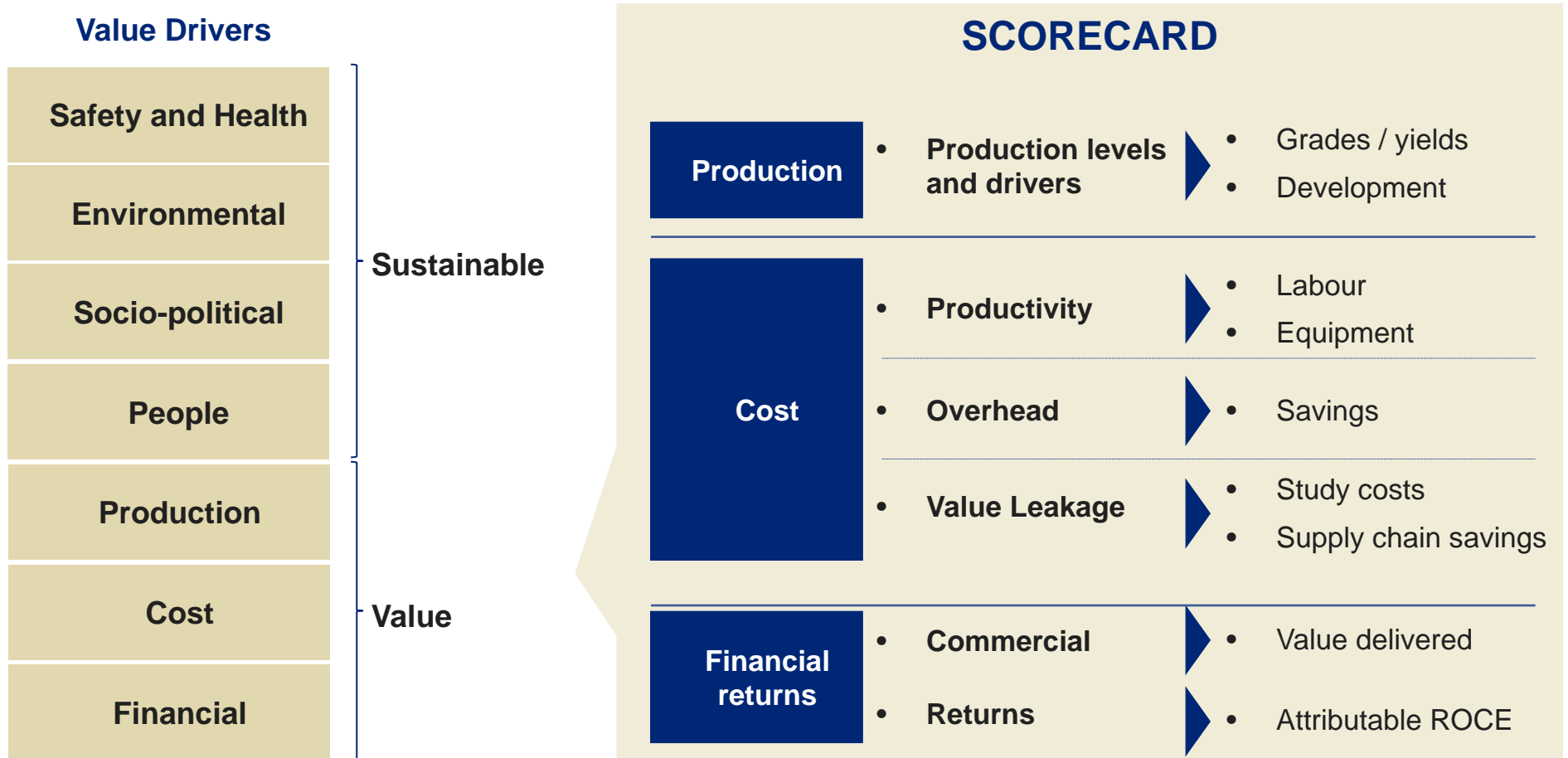
(1) H1 operating profit annualised at spot for major commodities and exchange rates

(2) Defined as operating profit attributable to Anglo American plc shareholders divided by attributable average capital employed. Note: data is presented on an illustrative basis only and should not be considered as a forecast or indication of future profitability. Future financial performance will be impacted by inter alia, commodity prices, foreign exchange rates, and operating conditions.

...in driving long term value creation.

# OUR SCORECARD

We will provide transparency on our metrics and targets...



... to allow you to monitor our performance and rebuild confidence in our delivery.

# AGENDA

---

Opening Remarks

A Starting Point

The Future

- Business Execution
- Capital Allocation
- Stakeholder Engagement
- Organisation

The Value Equation

**Wrap**

# BUILDING THE NEW ANGLO AMERICAN

We will do the important things well...



**BUSINESS EXECUTION**

...rebuilding our performance engine.



**CAPITAL ALLOCATION**

...managing the discipline of returns.



**STAKEHOLDER SUPPORT**

...focused sustainable value delivery.

...and make the tough decisions when and where they are needed.

# APPENDIX

# ROCE AND ATTRIBUTABLE ROCE – DEFINITION

---

- **Return on capital employed (ROCE)** is a ratio that measures the efficiency and profitability of a company's capital investments. It displays how effectively assets are generating profit for the size of invested capital
- **ROCE calculation** is annualised underlying operating profit divided by capital employed
- **Adjusted Capital employed** is net assets excluding net debt and financial asset investments, adjusted for remeasurements of a previously held equity interest as a result of business combination and impairments incurred in the current year
- **Adjusted ROCE calculation** is annualised underlying operating profit divided by adjusted capital employed
- **Attributable ROCE** is the return on the adjusted capital employed attributable to equity shareholders of Anglo American, and therefore excludes the portion of the return and capital employed attributable to non-controlling interests in operations where Anglo American has control but does not hold 100% of the equity

# ROCE AND ATTRIBUTABLE ROCE – CALCULATION

	Annualised H1 2013 <sup>(1)</sup>	FY 2012	Annualised H1 2012 <sup>(1)</sup>	
<b>Underlying operating Profit (\$bn)</b>				
<b>Underlying operating profit</b>	<b>6.5</b>	<b>6.3</b>	<b>7.7</b>	
Underlying operating profit to Non-Controlling Interest	(2.3)	(2.0)	(2.5)	
<b>Underlying operating profit attributable to AA plc shareholders</b>	<b>4.2</b>	<b>4.3</b>	<b>5.2</b>	
	Period ending 30 <sup>th</sup> Jun 2013 <sup>(1)</sup>	Period ending 31 <sup>st</sup> Dec 2012	Period ending 30 <sup>th</sup> Jun 2012 <sup>(1)</sup>	Period ending 31 <sup>st</sup> Dec 2011
<b>Capital Employed (\$bn)</b>				
<b>Capital Employed</b>	<b>47.9</b>	<b>52.3<sup>(3)</sup></b>	<b>44.6</b>	<b>41.6</b>
Removal of De Beers Fair Value uplift net accumulated depreciation	(1.7)	(1.9)	-	-
<b>Adjusted Capital Employed</b>	<b>46.2</b>	<b>50.4</b>	<b>44.6</b>	<b>41.6</b>
Non-Controlling Interest Capital Employed	(6.7)	(6.8)	(4.6)	(4.6)
<b>Attributable Capital Employed</b>	<b>39.5</b>	<b>43.6</b>	<b>40.0</b>	<b>37.0</b>
<b>Average Adjusted Capital Employed<sup>(2)</sup></b>	<b>46.9</b>	<b>46.3</b>	<b>43.1</b>	
<b>Average Attributable Capital Employed<sup>(2)</sup></b>	<b>40.2</b>	<b>40.4</b>	<b>38.5</b>	
<b>Adjusted ROCE</b>	<b>14%</b>	<b>14%</b>	<b>18%</b>	
<b>Attributable ROCE</b>	<b>11%</b>	<b>11%</b>	<b>14%</b>	

(1) 30th Jun 2013 and 30th Jun 2012 profit and loss metrics are annualised by doubling the amount to generate a full year equivalent

(2) Average for capital employed is the arithmetic mean of each period opening and closing capital employed, impairments have only been added back in the year they incurred

(3) 31 December 2012 capital employed has been pro rated for the period that De Beers has been full consolidated within AA plc (4 months). The unadjusted capital employed was \$55.4bn with the De Beers pro rata of \$3.1bn

# ANALYSIS OF UNDERLYING OPERATING PROFIT

\$m	H1 2013		H1 2012 <sup>(1)</sup>
Iron Ore and Manganese	1,653	▼	1,838
Metallurgical Coal	98	▼	159
Thermal Coal	247	▼	433
Copper	635	▼	1,022
Nickel	(11)	▼	58
Platinum	187	▲	84
Diamonds	571	▲	249
Other Mining and Industrial	60	▼	180
Exploration	(93)	▼	(72)
Corporate Activities and Unallocated Costs	(85)	▲	(125)
<b>Total underlying operating profit</b>	<b>3,262</b>		<b>3,826</b>

(1) Certain balances related to 2012 have been restated to reflect the adoption of new accounting pronouncements

# ANALYSIS OF UNDERLYING EARNINGS

\$m	H1 2013		H1 2012 <sup>(1)</sup>
Iron Ore and Manganese	609	▲	565
Metallurgical Coal	96	▼	110
Thermal Coal	177	▼	285
Copper	207	▼	546
Nickel	(17)	▼	31
Platinum	92	▲	21
Diamonds	295	▲	172
Other Mining and Industrial	23	▼	102
Exploration	(85)	▼	(69)
Corporate Activities and Unallocated Costs	(147)	▼	(25)
<b>Total underlying earnings</b>	<b>1,250</b>		<b>1,738</b>

(1) Certain balances related to 2012 have been restated to reflect the adoption of new accounting pronouncements

# AVERAGE MARKET PRICES

	H1 2013		H1 2012
Iron ore (FOB Australia) - \$/t	130	▼	135
Thermal coal (FOB South Africa) - \$/t	83	▼	99
Thermal coal (FOB Australia) - \$/t	89	▼	104
HCC (FOB Australia average quarterly benchmark) - \$/t	169	▼	223
Copper (LME) - cents/lb	342	▼	367
Nickel (LME) - cents/lb	732	▼	836
Platinum - \$/oz	1,549	▼	1,555
Platinum basket (realised) - ZAR/oz	22,473	▲	20,086
Palladium - \$/oz	726	▲	656
Rhodium - \$/oz	1,158	▼	1,395

# UNDERLYING EARNINGS SENSITIVITIES<sup>(1)</sup>

Commodity / currency	Change in price / exchange	\$m
Iron ore <sup>(2)</sup>	± \$10/t	78
Metallurgical coal	± \$10/t	48
Thermal coal	± \$10/t	105
Copper	± 10c/lb	34
Nickel <sup>(3)</sup>	± 10c/lb	2
Platinum	± \$100/oz	49
Rhodium	± \$100/oz	6
Palladium	± \$10/oz	3
ZAR / USD	± every 10c movement	21
AUD / USD	± every 10c movement	82
CLP / USD	± every 10 peso movement	6
Oil	± \$10/bbl	26

(1) Reflects change on actual results for the six months ended 30 June 2013

(2) Includes Amapá

(3) Includes nickel for both the Nickel and Platinum Business Units

# REGIONAL ANALYSIS – UNDERLYING OPERATING PROFIT

\$m	H1 2013		H1 2012 <sup>(1)</sup>
South Africa	2,159	▼	2,196
Other Africa	352	▲	207
South America	844	▼	1,450
North America	(49)	▲	(54)
Australia and Asia	167	▼	204
Europe	(211)	▼	(177)
<b>Total underlying operating profit</b>	<b>3,262</b>		<b>3,826</b>

(1) Certain balances related to 2012 have been restated to reflect the adoption of new accounting pronouncements

# CAPITAL EXPENDITURE<sup>(1)</sup>

\$m	H1 2013	H1 2012 <sup>(2)</sup>
Iron Ore and Manganese	877	844
Metallurgical Coal	420	370
Thermal Coal	56	101
Copper	472	606
Nickel	(18) <sup>(3)</sup>	89
Platinum	235	356
Diamonds	255	n/a
Other Mining and Industrial	90	109
Exploration	-	1
Corporate Activities and Unallocated Costs	10	10
<b>Total capital expenditure</b>	<b>2,397</b>	<b>2,486</b>

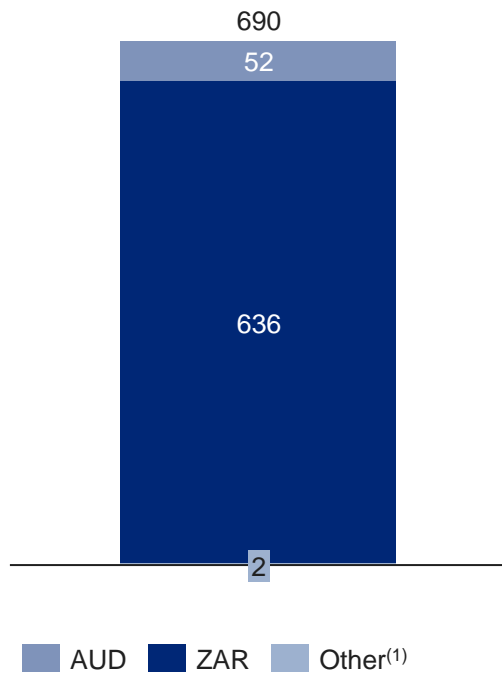
(1) Capital expenditure is presented net of cash flows on related derivatives

(2) Disclosure includes Development & Stripping capital expenditure. Development capital expenditure reclassified from SIB to Development & Stripping; Stripping expenditure moved from Operating cashflow to Investing cashflow and incorporates impact of IFRIC 20

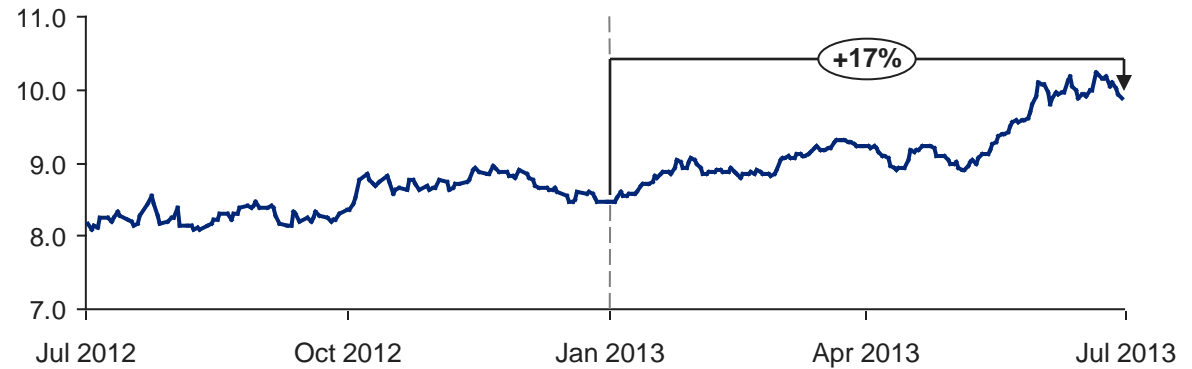
(3) Cash capital expenditure for Nickel of \$19m offset by the capitalisation of \$37m of net operating cash generated at Barro Alto which has not yet reached commercial production

# OPERATING PROFIT VARIANCES: EXCHANGE RATE

H1 2013 vs. H1 2012 (\$m)



ZAR/US\$ exchange rate



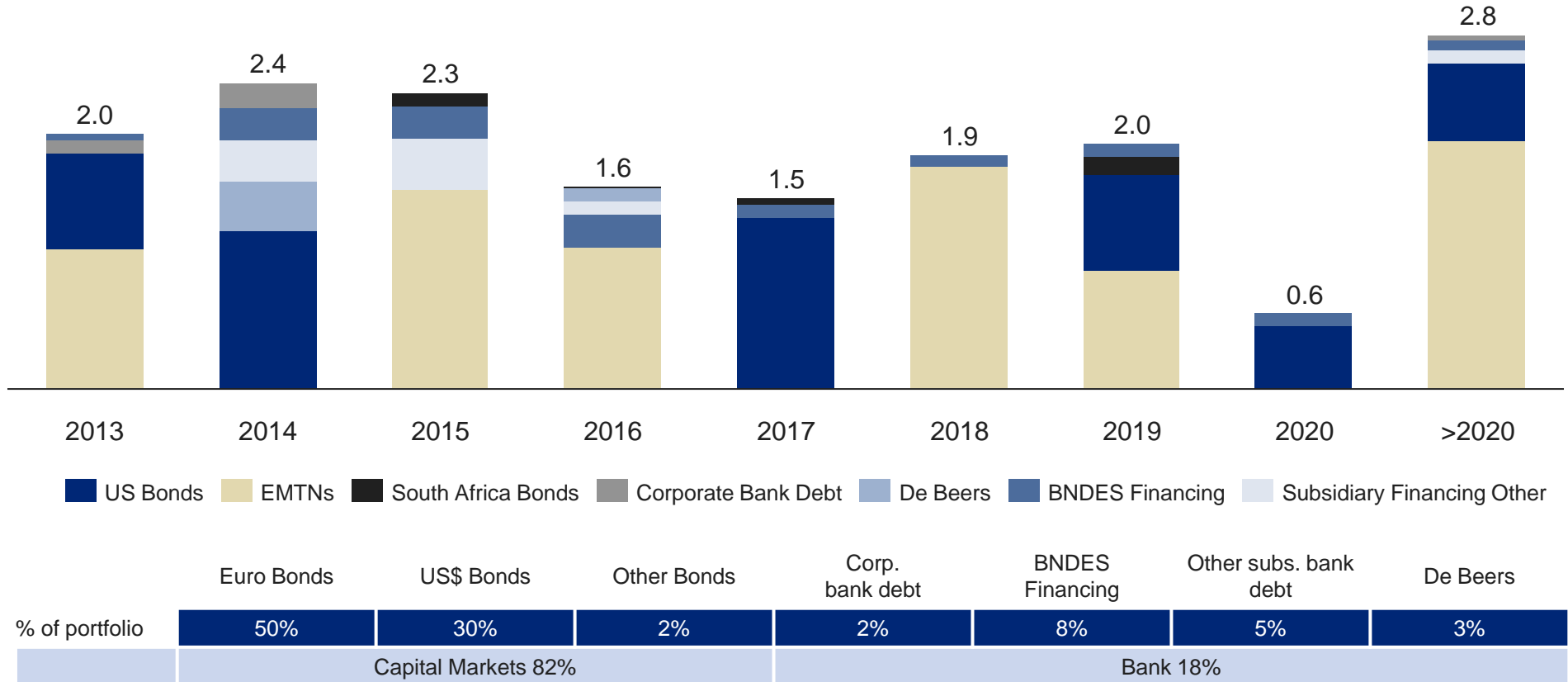
US\$/AUD exchange rate



(1) Principally comprises BRL, CLP, GBP and Euro

# DEBT MATURITY PROFILE AT 30 JUNE 2013

## Debt repayments<sup>(1)</sup> (\$bn) at 30 June 2013



(1) Based on outstanding bond and drawn external debt balances (excluding other financial liabilities) as at 30 June 2013

# RESTATEMENT OF 2012 UNDERLYING OPERATING PROFIT AND UNDERLYING EARNINGS

<b>Operating Profit (\$m)</b>	<b>H1 2012</b>	<b>FY 2012</b>
Pre-restatement	3,724	6,164
IFRS 11	-	-
IFRIC 20	102	89
IAS 19R	-	-
Post-restatement	3,826	6,253

<b>Underlying Earnings (\$m)</b>	<b>H1 2012</b>	<b>FY 2012</b>
Pre-restatement	1,691	2,839
IFRS 11	-	-
IFRIC 20	56	43
IAS 19R	(9)	(22)
Post-restatement	1,738	2,860

- (1) IFRS 11 requires that certain joint arrangements, referred to as joint ventures, are equity accounted
- (2) IFRIC 20 changes the profile of capitalisation and depreciation of stripping costs
- (3) IAS 19R changes the calculation of net interest costs related to defined benefit pension schemes

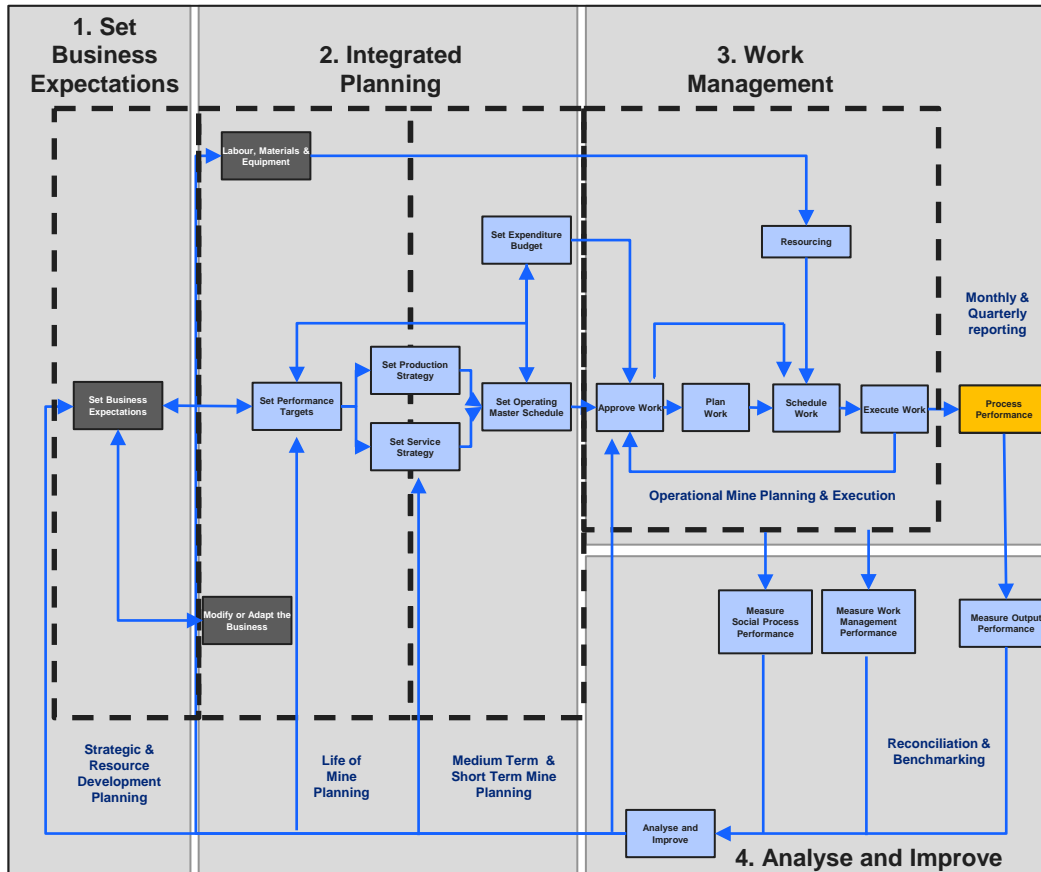
# RESTATEMENT OF CAPITAL EXPENDITURE

<b>Stay in Business (SIB) - Capital Expenditure (\$m)</b>	<b>H1 2013</b>	<b>H1 2012</b>
SIB Capital Expenditure pre-reclassification	993	1,048
Reclassification of post-production development spend from SIB to Development & Stripping	(178)	(178)
SIB Capital Expenditure post-reclassification	815	870
<b>Development &amp; Stripping - Capital Expenditure (\$m)</b>	<b>H1 2013</b>	<b>H1 2012</b>
Development & Stripping pre-reclassification and restatement	-	-
Reclassification of post-production development spend from SIB to Development & Stripping	178	178
Capital expenditure from deferred stripping, including implementation of IFRIC 20. Previously included in Operating cashflow <sup>(1)</sup>	222	179
Development & Stripping post-reclassification and restatement	400	357

(1) In H1 2012, implementation of IFRIC 20 results in net additional capital expenditure of \$129m. An additional \$50m is reclassified from operating costs for existing deferred stripping costs

# BUSINESS EXECUTION – THE FOUNDATIONS FOR DELIVERY

We are creating a new language and process to drive and support change...



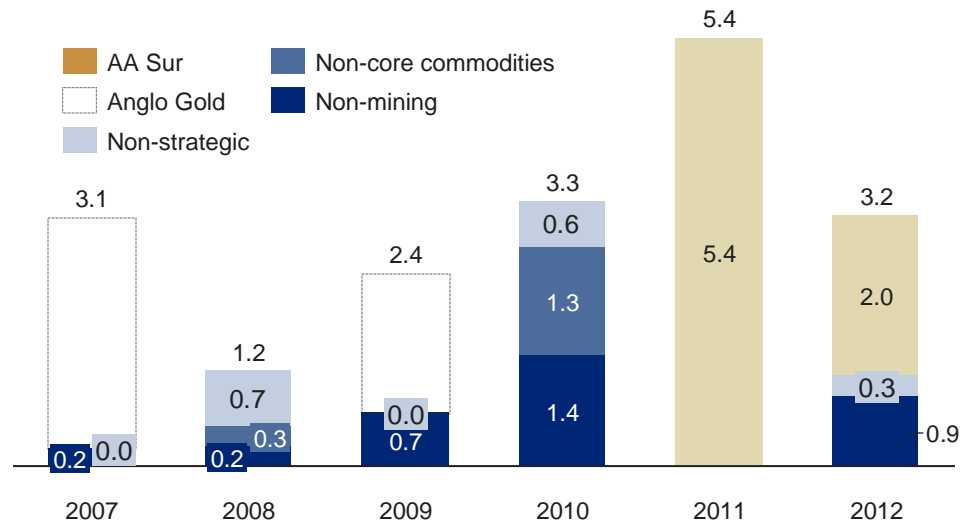
- **Purpose** ...to deliver the agreed business targets and returns.
- **Focus** ...to increase proportion of planned versus unplanned work.
- **Delivers** ...well maintained and reliable equipment in the hands of capable and engaged employees.
- **Impacting** ...business performance outcomes:
  - Safety and Health
  - Environmental
  - Socio-political
  - People
  - Production
  - Cost
  - Financial

...and there are no short cuts in creating a sustainable value model.

# PROJECT PIPELINE – TRADING ASSETS FOR VALUE

## Disposals

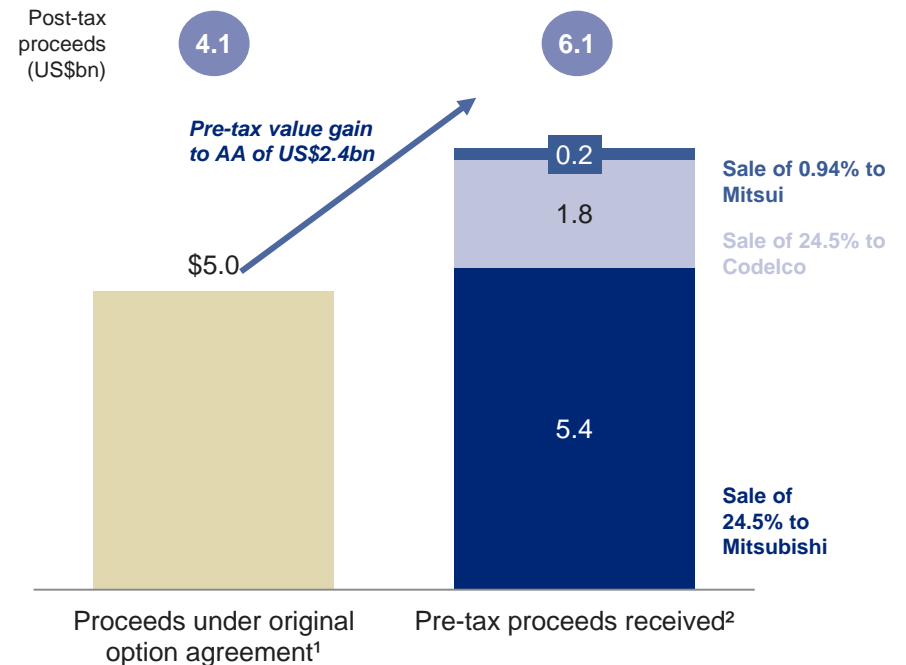
- Total pre-tax proceeds of c.\$19bn since 2007
- Realised premium valuations (Zinc, Moly-cop, Scaw)
- Creative solutions (Mondi, Tarmac UK JV, £60m p.a. synergies)



Note: All figures as announced on a cash and debt free basis. Excludes Mondi demerger, Platinum disposals and disposals of property, plant and equipment

## Anglo American Sur

- Proceeds received by Anglo American (US\$bn)



- (1) Represents proceeds under the original option agreement of US\$4.9bn for a 49% stake in AAS, grossed up to 49.94% for comparability with the settlement agreement. Excludes shareholder loan
- (2) Presented net of fee to Mitsubishi of US\$40m and before adjustment for 2012 dividends of US\$100m. Attributes no value to the land package AA transferred to Codelco as part of the settlement transaction and excludes shareholder loan

# STAKEHOLDER ENGAGEMENT – SUSTAINABILITY EXCELLENCE

## Excellence in sustainability programme...

### Impact

### Examples

### Value from sustainability

#### Access to Resources

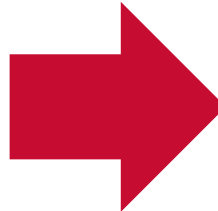
- Enterprise development
- Local procurement
- Infrastructure partnerships
- Municipal capacity development

#### Fewer 'surprises'

- Incidents management
- Operational risk management
- Government and community engagement

#### Proven efficiencies

- Water and energy efficiency
- Health and wellness
- Occupational safety



Access to resources

Fewer Surprises

Proven efficiencies

Safety & Health

Environmental

Socio-political

People

Cost

Production

Financial

Sustainability activities aligned to our value drivers

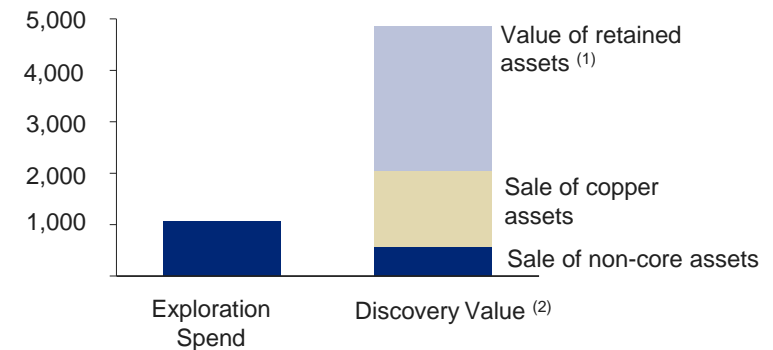
... delivers real benefits to the organisation.

# PROJECT PIPELINE – LEVERAGING EXPLORATION SUCCESS

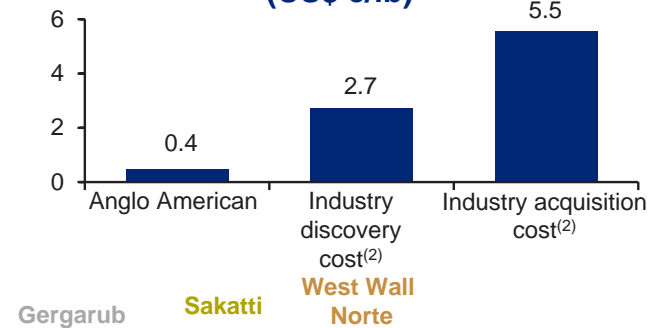
## Exploration has been an effective value model...

- Significant value creation since 2000
  - Added Resources from discoveries<sup>(1)</sup> - 30Mt Cu, 4Mt Ni, 3Mt Zn
- Discoveries over the past decade highlight industry-leading Exploration capability
  - Discovery of potential Tier 1 assets (Los Bronces District)
  - Greenfield discoveries in established and emerging mineral districts (West Wall, Sakatti)
  - Leveraging Base Metals experience into new commodities (Phosphate)
- More work to be done on converting promising discoveries into cash generating assets

Estimate of value creation (2000-2012 US\$m)



Copper discovery and acquisition costs (US\$ c/lb)



**Mantoverde Sulphide Boyongan**      **West Wall Lagunillas**      **El Soldado Norte Bayugo**      **San Enrique Monolito Jacaré**      **Gamsberg East**      **Los Sulfatos**

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012

Notes:

- (1) JORC compliant Copper and Nickel Resources multiply by the average industry acquisition costs from MEG (2010).  
 (2) Industry discovery and acquisition costs from MEG (2010).