

2018 Interim Results

Thursday, 26th July 2018

Business Performance

Mark Cutifani

Chief Executive, Anglo American

Slide 5 - Business performance

Continuing improvement in the Group's performance. Our \$400 million improvement in the first half reflects that half of the \$800 million commitment for the full year. Earnings and cash flow reflect continuing improvement in the business. Our EBITDA's up 11%. Attributable free cash flow, when you pull apart the one-offs compared to last year, is pretty solid but we need to continue to improve. On margins and returns, we've improved our EBITDA margin to 41% and our return on capital employed is 19%. It's a solid set of results.

Slide 6 - Safety, health & environment

Safety

On safety, health and environment, an important place for us to start, unfortunately we've reported two fatalities in the first half and we had a third fatal incident in July. So still a lot of work to be done. We have improved but from my point of view, these aren't a good set of results until we're at zero. And so that quest continues. The "Elimination of fatalities taskforce" is starting to gather real momentum. So I think we're in the middle of impacting that performance and certainly a 31% improvement in the total frequency rate for the half is encouraging but nowhere near where we want to be. So encouragement, but a lot more work to be done.

Health

On health, the numbers are good. We continue to focus on a broad range of issues with our workforce.

Environment

The disappointment is obviously Minas-Rio. Of the four incidents that we reported in the first half, the Minas-Rio leaks were two of those incidents. As we stand today, we are in the middle of the process of inspecting the pipe. We are setting up to replace around 4 kilometres of pipe. The preparation work's being done. We're working with the authorities to make sure that we've got appropriate independent advice and that we're connecting with the authorities so that the appropriate regulatory approvals are moved through fairly quickly. We're still on track to start producing again by the end of the year but there's still a fair bit of work to be done and to make sure that we fully understand the mechanism. We believe we do but I want to wait till all of the inspections are done to make sure we've got every angle covered.

Slide 7 - Productivity improvement continues

Generally through the operations productivity continues to improve. Volumes are up 8% over the last five years. So when we took fairly drastic action in either closing or selling assets, we pulled out about 15-17% of our productive capacity. The fact that we're up 8% reflects improved performance from the existing assets, and on average it's about 30% uplift in performance across the existing asset or the current asset suite. We've also had a couple of contributions from assets coming in to the mix, Grosvenor for example, but they're still not yet at full capacity. Our productivity should continue to improve over the course of the next 18

months and for us that's very important because we want to continue to improve our operating costs and our competitive positions.

In terms of headcount, there has been a significant reduction. We've gone from around 160,000 down to 95,000. We will continue to tighten the cost structure up within the business, so those numbers will continue to reduce but we're making sure that we do that with all of our employees, but that's where the focus is to continue to improve our cost position.

Slide 8 - A compelling asset example - Mogalakwena

I just wanted to give a sense of what an average 30% improvement looks like across the business. This slide is about Mogalakwena. It could easily be Sishen, it could be Moranbah, it could be Grasree, it could be Kolomela, it could be Los Bronces. You get the picture.

At Mogalakwena, on mining, our shovel productivities have gone from 1,700 to 2,300. There is still a long way to improve. The last five years were up 34% and we still see significant performance potential in the asset but that's been encouraging in terms of the underlying mixed shovel productivities across the group. On truck utilisation, we're up almost 20%. We've gone from 5,400 hours per truck to 6,500 per truck. So it also helps explain why our sustaining capital numbers have been improving as well. We're getting more out of the assets we have.

In terms of the concentrators and tonnes processed, we're up 35%. And so, whilst we've improved the North Concentrator and the South Concentrator, we did add some incremental volumes with Baobab but overall the underlying efficiency improvements in our operations is north of 20%. And not one dollar of capital has been spent on any of those improvements. At the same time, we've gone from 74% recovery of payable material to 80% recovery. So the volumes are up and without putting new storage or other capacity in, we've been able to improve our underlying recoveries by 8%. So that's straight to the bottom line. When you add all of that up together, we've seen a 60% increase in production of precious metals. We're now at or around 1 million ounces of precious metals. Today, our margin is 45%, even though the platinum price has dropped 30%.

Slide 9 - An improved competitive position

Importantly, it's improving our competitive position across our commodities. These are the positions by commodity that we occupied back in 2013/14. So as a consequence of portfolio, operating efficiencies and some of the new innovation stuff that we're starting to tinker with, we've started to see improvements in our relative position. So this means we're moving quicker in those areas we assume are going to the right in terms of cost positions relative to competitors.

Copper's gone from 71% to the 57 percentile. Quellaveco, being Q1, will take us mid-Q2. Met coal, moving us again to the left. In De Beers, general focus on cost. Gahcho Kue's making a good contribution so again, moving to the left with more to be done. In platinum, you know the Mogalakwena story but we are improving other assets including Amandelbult. From what we can judge in the nickel business, Barro Alto now is one of the very few major new nickel assets that have actually hit their design capacity. In thermal coal, it's not as positive. We pulled up capital in Cerrejón with our partners on the basis that we didn't think it was the right time or we weren't spending that capital as well as we could. We've also got two assets getting close to end of life. Over the next three to four years, they will start to come out of the system, so we'll move again to the left. In iron ore, you guys know the story pretty well. A lot of new

capacity in the Pilbara and in Brazil has been built so that the curve's shifted to the right. In our case, we've more than halved our controllable costs at Kumba but even with that, we've not been able to compete at this level but we've closed the gap to the Pilbara and Brazil. And in fact, I think three of the months last year towards the end of the year, where quality premiums and lump premiums were pretty good, we were actually middle Q2. The target is \$10 a tonne, either through premiums and cost that would give us a \$35/t breakeven landed in China. Minas Rio at full rate is mid Q2 as well based on quality and cost. Around \$35/t landed in China.

So today, 2018, we've moved from 52 percentile to 46 percentile.

Slide 10 – Performance and Upgraded portfolio drive margins

As a consequence, from 2012 we're up to 41% margin. That is against a lower price-deck for our commodities. So our 23% reduction in cost (nominal), or about 30% real, has helped us move up the margin curve. Over the next three to five years, we'll continue with the efficiency work and our innovation and technology work. Obviously with Quellaveco and the smaller projects that we're starting to put on the launching pad, there's a real push to head us towards the 50%-type margin.

Financials

Stephen Pearce

Finance Director, Anglo American

Slide 12 – Continued delivery

The theme this morning for the numbers section is the journey continues. It's a really good set of numbers, it's a clean set of numbers. Importantly it simply shows where we're focussing our efforts as we run the business and as we prioritise the things that we want to do internally. Those priorities really continue around a balanced approach to returns to shareholders, capital allocation and ongoing focus on the balance sheet. The same themes that you saw in the last six months, the six months prior, you're seeing in this six months and you'll see again in the next six months; the journey continues. We'll also unpack a little bit about the EBITDA drivers and we'll finish on the report card that we talk to.

We speak a lot about our focus on cost and volume. The reason we do that is because we know from time to time at different parts of the cycle, we will come under pressure from inflation and other cost increases. This half, we delivered \$400 million of the \$800 million target that we've set for this year. And that \$400 million takes us to 4.6 billion since 2012.

What have we seen in terms of some of those cost increases? Increased diesel price given the higher oil price. We've seen increased energy prices, particularly, in South Africa and that can reflect itself either in electricity prices or in infrastructure charges if those things also use energy. And we've also seen a little bit of wages and salary growth again in South Africa and South America in particular. But that's the reason why we stay focused on these costs and volume improvements, so we stay ahead of the curve.

Slide 13 – Continued delivery of improvements

We'll move across left to right on this slide. In terms of prices, PGM's up, largely driven by palladium and rhodium. Copper, thermal coal also up. In terms of currency, a little bit of a mixed bag. Probably the most noticeable one was the strengthening of the ZAR, but that softened right towards the end of June. Inflation, I've touched on. Minas-Rio, we'll highlight separately for you through the year so that you can just clearly understand the impact that has first and second half. The good news is we are on track in terms of the inspection and repair work. Guidance unchanged in terms of coming on at the end of the fourth quarter and really as we look forward to 2019, a little bit of positive momentum into earnings as it comes back on stream.

Slide 14 - \$4.6bn cost and volume improvement delivered

I just want to step away for a moment from this half's numbers and just look a little bit forward as we look at the cost and volume improvement journey that's ahead of us. You recall at the full year we outlined our target over the next five years from the start of 2018 to end of 2022, \$3-4 billion improvement that we're looking for. There's really three broad buckets. I just want to give you a little more detail to help you understand where the focus is.

Operational efficiency

You'll hear us talk internally and probably a little more externally about P101, and that really talks about getting to benchmark and beyond. And even though we've had a great journey in some of the assets, and Mark spoke about Mogalakwena before, there is still a real opportunity in front of us. We've improved Mogalakwena, we've improved Sishen and, you know, we've improved cutting rates and things at Moranbah and Grosvenor, but we still have real opportunity in front of us to get to benchmark and beyond, and really sort of set the trend for the industry. And that's across all the diggers, all the trucks, processing plant, recovery, it's everywhere, we've got that same mentality as we look for those improvement opportunities.

When you do start to approach P101, you've got to start to make some choices. How do you take that benefit? Do you take that benefit in terms of cost out? Do you park up trucks, do you park up diggers? Do you take that benefit in terms of increased production? If you can get it to market down infrastructure. Or is it some combination of both? Is it a focus on grade and quality product, so that you're maximising your margin of what you earn for each tonne? So they're the sort of choices that we have to make as we go forward, great choices and great opportunities to have to think through. It's a really great challenge as we look and think about the business all the way from mine to market, and think about how we maximise that value equation.

Improved mining technology

Second bucket's around technology and innovation, and here I want to give you a sense that we're moving out of the lab and into the field. We really have quite a neat schedule as we roll out some of these production test units across some of our operations, some in the concentrated mine. It's about bulk sorting. What is that? It's about more precisely getting the cut-off grade right by separating prior to the main processing plant. You know, the lower grade element of what we're about to put through the plant. So the aim there is a 10-20% increase in feed grade through the processing plant. We're about to put the first of those units into El Soldado, should be in about end of August / September time, and then early next year, it'll be at Barro Alto and Mogalakwena. So these things are really starting to go live and roll out across the operations.

In copper, we're probably more certain of the benefit. In platinum, still doing some earlier phase work to make sure that we're going to get those sorts of benefits.

Coarse particle flotation: that's coarser grinding so that we use less energy, and the target there is 30% more throughput, smaller recovery loss, maybe 3%, and that should get us at 20% less energy, 30% less water. Copper will be the first rollout of that at El Soldado, and that'll really be through the early half of 2019.

Project delivery

The third bucket is about project delivery. Moranbah and Grosvenor de-bottlenecking, potentially an extra vessel in Debmarine, Quellaveco coming in at the end of the 2022 period.

So lots of opportunities in front of us.

Slide 15 - Continued growth in earnings and returns

Okay, so back to some of today's results. The main message here is really about stability of earnings and effectiveness of capital allocation. So from the stability of earnings point of view, 3% increase in EPS, 6% in return on capital employed, to 19%.

Slide 16 - Strong free cash flow generation continues

Looking at cash flow, we did have a really strong 2017 with a number of one-off benefits. Now you are seeing a more normalised level of cash flow. In 2017 we had slightly lower cash tax, we'd just restarted the dividend post the half year, so we had less minority leakage. We had lower capex, we had a bit of a working capital release in the first half of last year. If you normalise for those things, a good increase period on period, a strong cashflow for the half.

Slide 17 - Resilient balance sheet

Turning to the balance sheet, focus on net debt reductions continued a further \$0.5 billion down to \$4 billion. We're determined still to take advantage of this window of opportunity that we have before we have to put our hand in our pocket for capex on Quellaveco. We're very comfortable with where the debt sits for this part of the cycle.

Our guidance for the net debt to EBITDA ratio is at 1 to 1.5 times. We don't want to exceed that for any long period, through the lows of the cycle. Obviously, we're at incredibly attractive levels, but as we should be for this part of the cycle. You know, ideally we want to set this balance sheet up so that we can be counter-cyclical if opportunities emerge in the years ahead.

Slide 18 - Delivering shareholder returns

We're committed to the pay out policy, 40% of underlying earnings per share, 49 cents for the period, slightly nudged up from where we were in the prior half. So with this dividend that takes our returns to shareholders to 1.9 billion since we restarted the dividend this time last year, and that's about a 4% yield.

Slide 19 – Deleveraging and dividend sustainability

So just to wrap it up then, how did we go in terms of report card? Prior to discretionary capital, \$1.8 billion of cashflow. What did we do with it? Net debt down \$0.5 billion, final dividend \$700 million returned to shareholders. Discretionary capital, \$200 million for the half. Obviously that'll tick up a little bit through the second half of 2019.

Continued journey, continued trends, a good journey that we're on.

Capital Allocation

Mark Cutifani

Chief Executive, Anglo American

Slide 21 - Portfolio – asset quality focus

When we look at the business, we talk about the commodity positions. I'd like to stress the point that the positions we have by commodity are a function of our focus on quality assets. It's our focus on quality assets that determines where we put our capital, and where we develop. The good news for us in copper, the fundamentals are strong, we've got a great position and are able to convert that opportunity into something very real with Quellaveco. When many are pursuing copper in the industry, we've got some great internal options, both from a greenfields perspective, a brownfields perspective, and longer term, we think our exploration work will position us even further in terms of the industry.

In terms of diamonds, we're continuing to supply to demand, and as we see demand growing we've got the ability to flex. We are transitioning in a couple parts of the business, obviously. Certainly the prognosis looks pretty good going forward, certainly very encouraging.

On PGM, big focus on Mogalakwena and its ability to make continuing improvements and a major or a significantly improved contribution, but in particular for us, right at the moment, a lot more work to be done at Amandelbult. If you look at the numbers from bulks over the last couple of years, they've been exceptional. Moranbah, the Grosvenor wrap-up continues, so from our point of view lots of incremental opportunities in that business to improve that contribution, and certainly the contribution in the last two years has been significant and will continue to be strong given the improving performance across the business.

Slide 22 - Continued portfolio upgrade in H1 2018

The potential or the focus on portfolio upgrading is continuing. PGMs, Union Mine, we've completed the sale. BRPM sale continues our focus on really focusing on those assets that can move the dial for us. The Mototolo acquisition: firstly, we know that the asset, we know the resource, the purchase position with Glencore is about extending from a 5-year life to a 30-year life, with a connection to Der Brochen. That doesn't mean we're going to go out and do anything significant today. What it does do is provide us a long-term option in terms of the business. It's not the right time in the market to go and spend something new in terms of the asset, but positioning ourselves, very important in terms of quality assets for the long term and we see this as a good move.

Thermal coal, you're aware of the completion of the transactions on the Eskom-tied mines, along with New Largo, and in De Beers, we haven't been standing with our feet in the mud. Lightbox is a very important step in terms of the business. The offer for Peregrine flags an approach for us that's very important. The world is short of diamonds. That will be a significant shortfall by 2022 so we're positioning ourselves with options in terms of growing into the market, but again it's market-led, making sure that we're doing the right things and spending our money in a smart way.

Slide 24 - Quellaveco: a world-class copper project*Initial investments*

Quellaveco. Some have observed that the photo does indicate that we have been active in the last two or three years. The actual number is about \$500 million in terms of earned investment but I think it's been money well invested in terms of understanding the geo-technical issues, understanding the big issues that you don't know about before you make these big commitments, and most importantly, it's been an investment in the community and the commitments that we've made to the community, so in terms of those relationships, absolutely critical in a place like Peru, and we've certainly got the support of the local community, so that's been an important part of the work.

Costs and returns

Internal rate of return works off the midpoint of the range that we've talked about in terms of the capital, the \$5.0-5.3 billion. Return on capital employed is north of 20% when we hit that full production rate and through the first ten years, and our payback post-first production is four years. If you look at the key hurdles that we set ourselves in terms of our capital allocation project four years ago, it ticks each one of those boxes. In terms of the asset itself: low-cost and long life, obviously the resource is significant. We do see significant long-term potential beyond the 30 years, and the address in terms of who's next to us tells you that there's a good potential story there in the long term.

Capital discipline. The commitment to the syndication and the partnership with Mitsubishi was very important and we won't be required to put our hand in our pocket in funding our share until well into 2019, so that's an important point to make in terms of the balance sheet and our continuing journey in reducing our debt.

Execution-ready

In terms of being execution-ready, the social credentials is where we have been investing and working very hard with the local community, very strong, and from the dialogue table in 2012 it's been a real success story in terms of the conversations. The governor that chaired the roundtable in 2012 is now the president of the country, and we'll be standing with him next week talking about that in the context of Peru, so very strong support from the government right the way through to local community, which is something that's very important in all of our jurisdictions and particularly Peru. Execution-ready in terms of the community support. We've actually committed through the life of the project \$300 million in community investment programmes and it's not the investment programmes that we think they should have, they are the investment programmes that they've asked us to help them with in being a true partner in the community, and it is different: it's a different approach, it's a different conversation, and we think critical to ensure continuity and cost-competitiveness of the project. You need your local community in there as a partner.

Our key permits are in place. The construction programme is as good as I've seen in my 42 years in the industry. Clearly we've had a long time to bake this cake and we've done a lot of the pre-work and we've applied all the lessons that we could, plus some, out of our previous adventures, or misadventures in some cases, so I think that's well set up and we're well set up for success. Tom's here to lead the project, but Duncan, Tony, all of the GMC members have been active participants in making sure that we've looked at this from every angle.

Slide 26 - Successfully syndicated with Mitsubishi Corp

The syndication was an important message to everyone that we're serious about thinking about a different investment model for the industry. Yes, it borrows from the oil and gas sector in terms of sharing that risk. We've got a good partnership with Mitsubishi. We know them well, they know us well, and we think it's a win-win for both of us as an organisation. When I talk about returns, the fact that we've been able to book a profit on some of the investments we've made has actually helped us return a little bit better IRR on return than we're reporting at the project level. The good news is it actually enhances our returns as well, and we think that's smart to do in putting a little bit of that profit back in our pocket and using that to help fund the early parts of the progress and keep our balance sheet in good shape and able to support the continued improvements across other parts of the portfolio. So again, we think it's a win-win for us and for all parts of our business.

Slide 27 - Attractive returns profile

The returns: very important. You've seen the headline numbers I've talked about. The EBITDA margin will help meet the 50% target for us as a group. The construction capital – and this is our share post-syndication – is in the range \$2.5-2.7 billion, so that's important to focus on as well in terms of Anglo American's financial commitment to building the project. In 2018 capex will be around \$400 million, and our share will be fully funded from the proceeds that we've received from Mitsubishi and that goes well into 2019 as well.

Slide 28 - Competitive cost curve position

Unit cost: for the first ten years \$1.05/lb. In fact, with the softer material in the first five years it's a bit below that. The structural cost advantages are important for people to understand. It's low strip ratio, below one. Secondly, for the first ten years, most of the haul is downhill so you've got low-cost haulage costs, and the labour costs and the energy costs are very competitive. They are not a pittance, as some would be aware, in other parts of the world. In Peru, it's a developed country, it's a progressive country. The productivities are good, the pays are good, but more competitive than some of the other jurisdictions, so from our point of view, the structural cost base is very good. Hydropower resource, so an advantage in terms of the energy side, so it's a good mix and we're making a good contribution in terms of the organisation, and it's also sustainable, because the pay rates are very competitive on a broader basis. Production of 300,000 tonnes a year for the first ten years. It'll be a bit higher than that in the first five, again as a consequence of the softer material going through the plant very quickly.

Cost position: as we said, we will improve our cost position as a consequence of Quellaveco. It'll move us solidly into Q2, if you remember the copper position on the top curve, so that's an important step for us, again a continuing focus on improving the portfolio.

Slide 29 - The start of the resource journey

The two Southern Copper assets that flank us have been long-term assets, very successful assets, and certainly from our point of view, the address is a great address. The mineralisation is pretty well known and from our point of view, it's open at depth and certainly in one direction. If you look at history in terms of Los Bronces' growth since 2004, same with Collahuasi, we think it's one of those types of deposits that becomes a long-term foundation for the Group.

Slide 31 - Portfolio: long life with optionality

On the foundations that we have been setting, and with Quellaveco being another step towards building on those foundations, I think it's important to just reflect for a moment that, if you looked at where we were five years ago, our average life of mine was somewhere between 20 and 25 years. Today, we're at 30 years across the portfolio. Our thermal coal assets have got the shortest life at about 14 years and some assets have got beyond 100. Our target in the next five years is to make sure that we maintain that life as a minimum. There are opportunities to increase the life, which would then ultimately underpin future growth in the asset base. Connected to the markets, but with that type of asset base, we're in a unique position and certainly unique in our industry and it gives us the ability to focus on that underlying improvement for the long term, so every time we make an improvement, we've got 30 years to bank the results and that's critical, and that is different in our industry to many of our competitors. We've also got a list of opportunities in each of those commodity positions that provide us with the opportunity to grow and we're forecasting a 3% growth year-on-year through to 2022, and we have the options that go well beyond that type of configuration or that timeframe. Sakatti, for example, is something that could follow a Quellaveco, market conditions permitting, but it's a smaller asset, low capital base, high margins, great return.

Slide 32 and 33 - Resource discovery: pathway to value

Something that we'll start to talk about in the next year or two is exploration. Through the tough times in 2015 and 2016, we didn't stop committing to exploration and technical innovation, and today we're starting to see the benefits of that commitment in terms of what we're doing on the ground. In terms of our exploration strategy, Tony and the team redefined our approach to exploration. The innovation work that we're doing now is being applied to our approach to exploration and for us, it's all about value. We think the exploration team is starting to show real value for the commitment that we've shown in the last two or three years in particular, and today we've got some really interesting positions. For those that have been tracking us, you're probably aware that we drilled some holes in Brazil – six holes. We've stopped. We've actually pegged out a fairly substantial land position. It's about five times the size of Kent. It is a significant position and certainly, it's a very interesting place to be. We think we may be sitting on a porphyry, but there's a lot of work still to be done. Early days but we'll keep you posted in terms of the process over the next 6 to 18 months.

On our brownfields opportunities, we've been doing a lot of drilling around Mogalakwena, Los Bronces, both from an underground potential and extensions to the existing operation, and obviously the Quellaveco district. We're not going to do much more than let you know that this is becoming a very important part of our portfolio and the future options that we have.

Slide 34 - Asset quality: differentiated portfolio

It's differentiated, it's unique. Capital employed by geography over time has been balancing pretty well. South Africa at 26%, used to be up near 50%. We're getting the balance right and certainly, we think the risk profile in terms of the revenue base is starting to balance out quite nicely, and that will continue to balance out over the next three to five years, with the commitment to Quellaveco certainly improving that balance across key geographies.

Slide 35 - Portfolio positioned for a changing world

We've positioned in commodities for the future. We're well positioned in electrification and innovation. A greener world: PGMs in particular. Copper is part of that world. In terms of coking coal, the quality of our coking coal and the quality of our iron ore is playing very much into the China environmental story. The premiums on those products will certainly remain as China and other locations focus on quality and making sure there's both efficiency and clean production from those sources, so we think that's important. And growing middle class: platinum jewellery, diamonds, those other products, are all playing into those sectors, so again, as a consequence of our differentiation across the portfolio, we're playing into the right market segments in terms of use of raw materials and product.

Slide 36 - Potential turned into delivery

And finally, it's about assets. We're building the capabilities inside the organisation to take advantage of the quality we have inside the asset base, and it's about cash flow, it's about the efficiency of those cash flows, as measured in return on capital, and it's about being sustainable, from safety all the way through to the social contract we have with the partners in developing new opportunities in the business, absolutely critical and that's the Anglo American story.

Q&A

Dominic O'Kane (JP Morgan): Three questions. Firstly on Quellaveco, could you help us understand the capex profile over the next few years. Obviously that has implications for the group balance sheet and free cash flow. Then the dividend policy, 40%, whilst obviously positive that you've restarted dividend, maybe the range looks a little bit skinny relative to some of your peers. Could you comment on why, given the strength of the balance sheet, you don't adopt maybe greater flexibility and a higher pay-out ratio going forward? And then finally on cost control, copper looked like the one area that stood out as having a reduction in unit costs during the period. Some of that seemed to be grade-related. Could you give us some guidance on how we should think about copper unit costs second half of this year and also 2019, and maybe some more detailed guidance on grades?

Mark Cutifani: On copper, at Los Bronces, the underlying cost reductions that the team have delivered given the increased haul rates and distances is north of 20%. The recent kick in copper grade has helped us in the last 12 months reduce our costs, but if you look at the trend over the five years, it's north of 20% in real terms and Collahuasi has made a significant move down the cost curve as a consequence of improving efficiencies and a little bit of growth. So overwhelmingly, it's been the underlying performance but certainly in the last 12 months, the costs have improved at Los Bronces with better grades.

Stephen Pearce: It was a great half for copper. Currencies and a bit of inflation went against us, but going with us was obviously both the volume increase, grade, and some by-product credits also sort of played into that. I'd expect us to come inside our previous guidance. Generally, across the other commodities a mixed impact in terms of currency and volumes, grade, etc. But generally we're inside and tracking inside of our full year guidance for most of the commodities.

On capex, we're guiding that we will spend \$400 million on a 100% basis for the balance of this year. That will be funded from the proceeds from the syndication. Some of those proceeds will

then carry on through into next year and so the first phase, largely through that first half, will also be funded from those proceeds and it's really then from, let's call it mid next year, that we'll start to contribute on a 60:40 basis. So if you recall in the announcement of the syndication it's about \$833 million comes in, and that's the \$500 million grossed-up comes in to the account. So it's the 834th million dollar that then gets funded on a 60:40 basis.

We're not guiding at the moment in terms of the exact capital split. When we come out with capital guidance for 2019 we'll give you a better split in those sort of things, but it is a fairly typical sort of project spend profile so years 2020, 2021 will probably be the largest spends and then it will ease back in 2022 as we get to the end.

In terms of dividend policy, we're really happy with that 40% guidance and pay out ratio when struck it and we still think it strikes the right balance. Remember for us, it's not about one thing or the other. We think we've struck a really nice balance in terms of appropriate returns to shareholders, sensible capital allocation and investment in the future, whether that be longer term or shorter term type initiatives, and de-gearing the balance sheet. Our priority is each of those three, absolutely unashamedly. I'd love to make progress across the balance sheet still for the next 12 months. We think we've got that balance right. Ultimately, we will work our way around that capital allocation wheel and if we find ourselves with excess cash as we work around that wheel, then we'll consider how we allocate it back. Right now, I think the 40% really strikes the right balance.

Jason Fairclough (Bank of America Merrill Lynch): Your peer Norsk Hydro had an incident back in Q1, it seems with limited environmental impact, and they are still struggling to get permission to restart. Could you discuss a little bit your engagement with the various levels of government and whether you're engaged yet with the public prosecutor? Just walk us through how the path from here to restarting that asset. And I guess along with that, Mark, what are your take-or-pay obligations in your fixed cost base that you have to carry while this thing isn't running?

Mark Cutifani: We know the guys from Hydro pretty well. They've got a specific set of issues that are quite different than what we have. The last licensed approval required is the license to operate which comes off the installation license.

Ruben has been working very closely with the prosecutor's office and other officials. There was a conversation around some of the requirements on the licensing that the prosecutor put forward I think a week ago. That was not considered or it was knocked back on the basis that they don't have jurisdiction. But we engage all of the key players. We think that the processes we have to go through are pretty straight forward and we don't anticipate major further disruption but we'll work through the processes and we're engaged on a daily basis. We'll wait and see. But so far, they've been very supportive.

The big thing is we've got 95% of the local community saying, we want this. When we had the vote, it was 11 out of 12 of the key representatives, the key players. So they know the community wants this project. I think that's been very helpful in our condition in particular and I think the way the issue was handled has been complemented by literally everyone, even the prosecutor's office, that we handled in a very good way.

So I think we're maintaining the right dialogue and I think we're in a good place to keep that going forward.

Ruben Fernandes: We have hired the Technological Institute of São Paulo to do the investigation of the root causes and it's the same institute that the public prosecutors wanted to have investigating the incident. So we have this alignment with them in terms of technical analysis. So it gives us confidence that we have the same kind of approach in understanding the incident and preventing new ones.

Mark Cutifani: I've just come back from Brazil and the team has taken me through all of the steps and I think they covering issues better than anything I've seen in terms of the process. I think we're all comfortable that we're doing all the right things, engaging all the right people. So again you can never say there is a 100% guarantee. But I think we're doing all the right thing and we're in the right conversation.

Stephen Pearce: And on the take-or-pay and financial impact, that's all included in that \$300 million to \$400 million that we've guided.

Jason Fairclough: So if this thing drifted?

Stephen Pearce: If it drifted, maybe \$20-30 million a month, something around that. The \$300 million to \$400 million includes all the things you'd expect in terms of staying engaged with the workforce and the training as well as the repairs and the clean up. We're proud to be really quite comprehensive. We're pretty comfortable with that scale of guidance that we've got at the moment.

Menno Sanderse (Morgan Stanley): Just sticking with Minas-Rio, I'm a little bit puzzled. The technical review is underway. The results are not in but remedial construction has started and you hope to be back on the fourth quarter. But how do you know that you're back in the fourth quarter if the remedial technical review is still underway? So these things seem to clash a little bit. And it's still not clear to me what the implications are for license number 3, because clearly Ministerio Publico has said, "Let's remove this," and yes, they don't have jurisdiction but again they can go to the courts and stop the whole process. And they have proven to be big defenders of the general good in the last 18 months after San Marco.

Lightbox seems exciting but also quite risky. Can you just detail what the thinking behind this is? You have the Botswana government on board? What's the response in the mid-stream? I appreciate you did a presentation last week in Antwerp, how is the feedback on that?

And finally, Mark, you seem very excited about Brazil, despite its issues, and the 19000 square kilometres I think that you pegged. So could you tell us a bit more what you found?

Mark Cutifani: Firstly, on the pipeline, we believe we understand the key issue with respect to the technical issue. We have tracked a poor batch of pipes and we know exactly where every one of those pipes is. So the four kilometres is based on our understanding and knowledge of what we've seen so far.

The most important thing is to make sure we confirm that this is in fact the issue and the only issue. There is a deep technical analysis that the guys took me through over the full 12 hours. And so I'm happy that I think we've covered every angle. And as part of the resolution, monitoring the pipe for changed ambient conditions is very important because these things

don't fail catastrophically. There may be a fatigue, small leak over a period of time and it gathers pace.

The key thing will be to monitor by temperature, by moisture, by sound and by vibration and we'll have an early indication. We're making sure that those technologies are part of the fix. So that's why it's taking a bit longer, making sure that we understand it and that the fix covers not only the integrity of the pipeline but also providing early warnings if we have any issue so that we're in full control of the pipeline and making sure it works.

Now the San Marco pipeline ran six years without a leak. We're also understanding those technologies. We've got a few of the San Marco team actually working with us. We've got experience with us working through those potential issues as well. The right technical expertise right across the board is being applied and we're using the advisors to the prosecutor and the government. I think the prosecutors appreciate the fact that we've got that type of expertise on the job.

They have in some ways appointed themselves as the protector for the community. But having said that, we're in a very constructive dialogue with the guys. And so from our point of view, they will continue to do their job. Our job is to give them comfort that we've got the issues covered. I think we're well down that path. It's not there yet. There are still a couple of operating processes we have to go through. But I think the guys are doing everything that they should be doing and certainly the feedback has been very positive from all of the key players.

Bruce Cleaver: Firstly on engagement, I'm very comfortable that all of our producer governments are very comfortable with Lightbox. I personally spoke to President Khama before he left, President Masisi, President Ramaphosa and President Geingob and each of their cabinets. And they are all enthusiastic supporters. So a lot of engagement but I think very good alignment from our producer countries.

I think we should remember, we launched Lightbox in relation to consumer research which came back to us which says consumers in America say they do see that there is a place for a fun fashion accessible product in laboratory grown diamonds but they don't think they are the same as the natural, they don't think they have any emotional attachment in purchasers. And they were confused by the current offering. So we didn't do this for any other reason. We did it in response to the consumer demand out there for what they think the product should be.

A very important part of it is colour, lots of colour in our offering because fashion is colour, blue and pink in particular and very important is that the pricing is all binary, so one carat costs twice what half a carat costs in laboratory grown because it takes you twice as long to grow it in a lab. And that's very different in the natural business.

The response, so far anyway, has been much better than I thought, particularly in the US which is where we aim this. So all of the retailers in the US, and we speak to all of them, understand why we are doing it, support it and completely get why we are doing it. We also wanted funders to think twice about funding more production given that the margins seem to us unsustainable in the current offering and there is quite a lot of anecdotal evidence that that's already happening.

We probably didn't engage as much as we might have in places like India and Antwerp but that's not where the current problem is. So we spent much of our engagement in America. I'm very comfortable with where we are and we will keep engaging around the world as we always do.

Mark Cutifani: On exploration: Both Tony and I are fellows of the Australian Institute of Mining and Metallurgy, so our ability to talk to what we've guided is constrained by those requirements and they are appropriate. There is obviously lots of chatter in Brazil. People know that we've put a hole through something. We are making sure we understand what that is. But there is a lot of work to be done. And we've both been around long enough that you got to be careful with this stuff because it may not be what we hope it is. In the next six months we'll do all the anomaly tests, we will do additional drilling. I think we'll have something more sensible to say at the end of the year. We should wait for that. But again I'm also aware of the chatter in Brazil. So it would look rather odd not to say something, given where we are. We'd prefer to wait the six months and be clear about what we may or may not have. But it's encouraging.

Liam Fitzpatrick (Deutsche Bank): Two more questions on Minas. Just to understand the process, given the length of the pipeline and given how new the asset is, how do you plan to give the public and all the various stakeholders the comfort that they need? Should we expect that there will be a publicly available report at some stage on what you found and what the remedies are? And secondly if we take an optimistic view that it does restart at the end of this year, can you give us a rough idea on the sort of volumes we could see in 2019 and 2020? And thirdly and finally, just on diamonds, on your synthetics business do you plan to disclose this separately going forward?

Mark Cutifani: Firstly, on the technical work, we're very open to share the technical reports when the work is done. We're very transparent. We think that's appropriate. We'll do that with the authorities and we'll do that with anyone that has an interest. From our point of view, we think the evidence is pretty strong but we want to make sure that we haven't missed anything. The 4 kilometres is specific and relates to a batch of pipes that we know were problematic and we're in the process of understanding the exact failure mechanism. As you can appreciate, we just want to make sure we've got those issues covered.

In terms of comfort, it's not an optimistic start. It's what we think is probably the right balance in terms of getting the operation up by the end of the year. Clearly the regulatory approvals which are normal as part of this sort of process, we expect to be able to navigate those. If there are any other issues that pop-up, might take a little bit longer. But at this stage based on all the stuff we've done so far, we're pretty sure we know what the issue is. But again we want to make sure we've got every angle reasonably covered. And so we're being prudent I think in what we're seeing but at the same time realistic in that there are still a few things to navigate as part of the process.

In terms of going forward, again we're a transparent company. We believe in sharing those things that people should be aware of and we'll do that in an appropriate way. But certainly the feedback and the support we've had in the community, the fact we've been there from the first minute, explained every step to the community, the prosecutor and all the key players, I think they've appreciated how open we are. A couple of competitors are now using Ruben's work on crisis management as an example of how something should be handled.

Seamus French: On the pipeline inspection gauge technology. There is just three different sets of gauges being run down. Cumulatively they allow us to take cracks down to one millimetre. So when we talk about confidence, we talked about being able to take cracks in the pipe down to a depth of one millimetre. The restart is based on replacing 4 kilometres. To go back to Menno's question, how do we know that 4 kilometres has to be replaced? We don't. We've risk assessed the pipeline. We looked at all the contributing factors to the leaks and based on that assessment we believe if there are any issues, those issues will be in the four kilometres immediately after the second pump station.

So it's anticipatory replacement but we obviously won't restart till have all the results back from all the pipeline inspection gauge runs, we've analysed those, we've assessed conditions of pipelines, but we're anticipating that we won't have to replace pipes except in that four kilometres.

Stephen Pearce: We'll update the guidance towards the end of the year.

In terms of synthetic separate disclosure, no, not at this point in time. Just to give you a sense of materiality, we're investing about \$100 million in this initiative. We invest multi-billion dollars in our main stream mines particularly through South Africa and Botswana. So it's not likely to be material any time soon that would warrant separate disclosure. Nonetheless we'll let you know how the initiative's going in terms of its rollout and take up.

Ian Rossouw (Barclays): On Quellaveco, in that diagram you showed your two neighbours on either side. I just wanted to get an idea if you've had any discussions with them on sharing infrastructure and to what extent do you think that can improve the returns of the project?

Mark Cutifani: We had early conversations but it was pretty clear that the terms that they were looking for weren't suitable for us and certainly didn't help us in terms of returns. But we remain open to any conversation that would help enhance the project returns. So we are very open but there's no current conversations.

Sylvain Brunet (BNP Paribas): Two questions, first on diamonds. First to give us a bit more colour behind the softness in sales year-on-year which were 3% lower in volumes. Is India the only weak spot? The other question on diamonds is on your discussion with Botswana in anticipation of the renewal of the 2020 agreement. These talks, I assume, start early. Have you had any indication of what the request would be?

And my third question is on Volcan, whether you have been approached in any way and if you see any value for your shareholders in exploring any tie up with South African activities there? Thank you.

Mark Cutifani: Firstly on the sales difference, remember last year, we saw a fairly significant clearance of the lower value products, so there was a big inventory clean out. The sales this year have been good, adjusted for that number. We're very happy with what we've seen so far. Demand in the US looks solid. China's certainly been great. Generally, very happy with where the market is but the difference is really the inventory change that we kicked away early last year.

We had a recent innovation seminar that we have each year with all of our Sight holders and they're very positive and the refusals are very low, so that's usually a very good indicator.

Secondly, from a Botswana perspective, we never stop talking to the Botswana government about what we're doing. I think it would be fair to say that we've come on a journey together and it is a very positive relationship. They've been very supportive of everything we've done and as you would expect, Bruce and the team are in the appropriate conversation to make sure we get it framed right. We'll find the right outcomes. It's getting tighter for us, obviously, and them, in terms of value. So it's really about consolidating the relationship and making sure that we're both 110% committed and I think we're going the right way in those conversations.

And third on Volcan, firstly, Mr Agarwal has been a very supportive shareholder. He's made it very clear from everything we've said or seen in the press and in his conversation to us that he likes our strategy, he's supportive of what we've been doing as a management team. He has said also that he prefers not to sell any further assets. Well, we haven't been in that process for two years so I think that's a positive. Beyond that, you need to ask him but we're certainly not in any other conversations. The conversations we have with the team, with Mr Agarwal, is consistent with the conversation we have with all their shareholders and so there's nothing else in place or no other conversations in place. Anything further from their perspective, you should ask them and we're very respectful of that relationship.

Alon Olsha (Macquarie): Two questions. Firstly, on costs. Inflation hasn't really come up much. One of your other peers, which mainly produces iron ore in Australia, emphasised that inflation is picking up but from your comments, it seems to be fairly benign. Is that your view or are we experiencing kind of fairly kind of normalised inflation at this point in the cycle or are there any emerging signs of inflation picking up in certain areas?

Second question on legislation in South Africa, new draft mining charter out. A significant improvement on the previous draft charter. Are there still any issues in that new draft that you want to resolve with government? And the carbon tax bill in South Africa, where are we on that and have you guys have a look at the impact it could have on your business?

Stephen Pearce: CPI across the jurisdictions that we operate in averages at about 3.6% and that's that \$200 million that you see on the left-hand side of the graph. We do see a little bit of above-CPI inflation. That is shown net in our cost and volume benefits, because it's our job to sort of drive out above-CPI impacts across the business. Are we seeing increases? Yeah, diesel, after a \$70 oil price, shipping fuel's up, things naturally feed through your cost structure.

Apart from that, nothing terribly untoward, remembering that we operate in jurisdictions that have probably higher than average inflation impacts anyway. So for us, it's business as usual, that's why we've got to drive those cost and volume improvements. That's why we're so committed to that cost-out journey, but that was the same the year before and the same year before that. I spoke a little bit at the full year. It's probably a little bit newer for Australia, particularly, WA and the Pilbara probably had a five or six year period of deflation, particularly through mining services, where they spent a lot of capital. There was a lot of capacity there and they needed to cover costs, to get through to the next cycle. As they need to reinvest in the next cycle of capital, they need returns on that capital. Europe's probably been a little bit higher off the back of better growth and until recently, maybe the US was starting to bubble a little bit too - in countries where people haven't seen it. For us it's a regular part of our business.

Mark Cutifani: they've also got catch up capital so they got a little bit more exposure from a cash point of view as well. For us, in those jurisdictions, we're more used to working hard and productivity. So it's become a way of working and it's a continuous improvement journey.

On the mining charter, the best way to characterise our conversations and thoughts, the new charter version is helpful in providing us with certainty on our existing assets and operations; that's a big positive from our perspective. There's still a couple of things that need to be cleaned up, but it gives us the confidence to continue driving our existing business.

In terms of the new licenses: real challenges in terms of free carry, trickle dividend, other pieces. We've made that very clear so there's a lot of work on both sides to reach something that will encourage foreign direct investment. We've made that point through the MCSA and we're in problem-solving mode with the government. We are optimistic in terms of the long-term in South Africa. We want to be part of that future with a charter that encourages investment but there's still work to do.

Carbon Tax – not that significant. We'll come back to you with some numbers.

Myles Allsop (UBS): Just three quick questions. First, just continuing the sort of, South Africa conversation. The MPRDA Amendment Bill was pretty toxic and that's still around. Does that mean that the uncertainty in South Africa is going to continue for at least 12, 18 months beyond the charter being promulgated?

Secondly, on the M and A side, there's a couple of small acquisitions. Just can you give a sense as to how you as a management team are thinking about M and A going forward? Is it just small opportunities or more?

Thirdly, the capital allocation going back to the question on dividends. When is the balance sheet at a point when there is excess cash? Are we looking at the wrong net debt number? Should it be the net debt outside of South Africa? Has that got to get down to \$4 billion before you'll consider lifting the pay out?

Mark Cutifani The MPRDA it's been around ever since I've been working in South Africa. That's ten years. It's complex. You've got the traditional leaders having input. I still think it's got a long way to go. It doesn't worry me. I think the Mining Charter conversation covers the relationship between the two parties and the commitment to not jeopardise existing operations and investments, is critical and that's the key sentiment. I think the MPRDA's still got a way to go. I think, they will look at harmonising the Mining Charter and the MPRDA which will take time. It's not something I worry about. The certainty in South Africa is pretty robust compared to many jurisdictions, as some of our colleagues are finding in the industry. So, we can make South Africa better and we're committed to being part of that dialogue.

On M and A, we've always kept our eye on the market but the good news is: firstly, our growth going forward will come from internal efficiencies. Eg on that Mogalakwena slide are available in every part of the business and that's the focus and for Tony and his team with the operations.

Second, innovation and step changes, we invested in innovation and technology because we knew that was the best pathway to effective growth in terms of returns on capital and we're still committed and we see that it provides step opportunities for improvement.

Three, the internal project pipeline. Quellaveco is the large scale step but we've got incremental opportunities across the business: Peregrine, the Mototolo conversion and smaller opportunities

with the ability to continue to improve our performance across the organisation. And exploration provides us, we think, with the pathway to a very value-accretive growth.

So, it fits the strategy and we're in a better position than most because of those internal opportunities.

Stephen Pearce: On dividends, let's focus on this half result. Most numbers were pretty spot on in terms of EBITDA. There was a little bit of a variance across EPS given: 1) Effective tax rate was probably a little bit higher than assumed – due to higher profits from Australia and South America with slightly higher effective tax rates. 2) Depreciation where new assets commence and we've had increased volumes come through. That flowed through to a different expectation on underlying earnings and therefore dividend but we are committed to that 40% pay out policy. So in the near term, that's what you should expect.

We will always work our way around that capital allocation wheel and that includes consideration of additional returns to shareholders. But the ensuring that the balance sheet is rock solid is still outweighs that as a priority as we come into more of an investment phase for the company.

Net debt; I would like to get the rest of the world debt lower and that is part of the reason why we remain focused on de-gearing.

Tyler Broda (RBC Capital Markets): (a) For diamonds, you're matching the production to the pricing environment. It sounds like things are starting to get a bit better in the diamond industry. Venetia's going through the transition. So, would you be able to give a guide for where you could get production up to, say, over the next two years if the market supported it in terms of volumes? (b) is on thermal coal. Looking at the group structure as you walked through those charts on cost curve positioning, the one thing that struck me as interesting is that thermal coal sort of, seems a bit different than a lot of your other assets. It has shorter mine life, you're getting towards the end of life of the couple of the assets, more weighted to SA. It's got the CSR, you know, that's coming up on thermal coal these days. With the rest of your portfolio having improved as much as it has, does thermal coal still fit?

Mark Cutifani: In diamonds, we are very sensitive to make sure that we're not running ahead of the market. We're very happy with what we see and we're supplying to the market and we have a little bit of flex in terms of what we can do. We want to make sure that we're focused on getting our efficiencies right, getting our margins right and not putting more product out there that we might otherwise do better in two or three years' time in getting that balance right. If they had to kick up a million carats, I think we've got that capacity. Longer-term, we hit closer to the 37 million carats towards the four and five year period but again, that's based on the transition that we go through for Venetia and making sure that we're getting the best out of the other assets.

We've got very good assets in thermal coal, very good cost positions. We're low quartile or right on the cusp, and we can improve with our productivity. There's been a significant productivity improvement in South Africa in the last three years.

We've got 14 years' life on average and from our point of view, it makes sense to continue to run those quality assets through that process and we're making sensible capital allocations on incremental life extensions. It would certainly be a lot harder for us to justify a big investment in thermal coal that goes beyond the seven year life time on the basis that there are questions

about the value that you will see in thermal coal relative to oil, gas and the whole fossil fuel question. We think committing our capital to Quellaveco and other incremental projects makes sense but we won't starve the business of capital and make sensible decisions.

When we talk about a transition, we've halved our footprint in thermal coal in the last five years and we call it a just transition. We're connecting with our communities, we're making sure they understand what we're doing in those local communities. The governments and the customers that we work for understand exactly how we're going and we're making incremental investments but it would be a lot tougher for us to justify a big investment for a long-term development position in thermal coal given the uncertainties and the price environment. So, it would have to be a very special price.

So, carefully considered, measured as we go and we'll keep the market and everyone else informed because the CSR conversation is a very important to us and one that we're very cognisant of but at the same time, we're not going to bail out tomorrow and many of the CSR stakeholders are very appreciative of the fact that we haven't run, that we have been clear about a transition and they said, "We prefer that because we understand the importance of your local communities. We understand the importance of those industries to the big power stations and it's better to have a responsible operator like you transitioning with those assets than having some other characters running those assets in a way that may not be as sensitive as the way you guys will run it."

[END OF TRANSCRIPT]