



# BMO GLOBAL METALS AND MINING CONFERENCE

26 February 2018



*Kumba Iron Ore – Sishen mine*

**Real Mining. Real People. Real Difference.**

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Throughout this presentation a range of financial and non-financial measures are used to assess our performance, including a number of the financial measures that are not defined under IFRS, which are termed ‘Alternative Performance Measures’ (APMs). Management uses these measures to monitor the Group’s financial performance alongside IFRS measures because they help illustrate the underlying financial performance and position of the Group. These APMs should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS. APMs are not uniformly defined by all companies, including those in the Group’s industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies.

# A FUNDAMENTALLY DIFFERENT BUSINESS

## MORE EFFICIENT

Number of assets<sup>1</sup>

↓ 47%

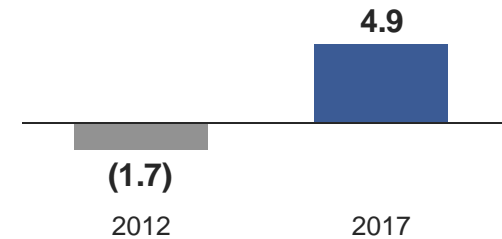
## MORE COMPETITIVE

Unit costs<sup>2</sup>

↓ 26%

## BETTER RETURNS

Free cash flow<sup>3</sup> (\$bn)



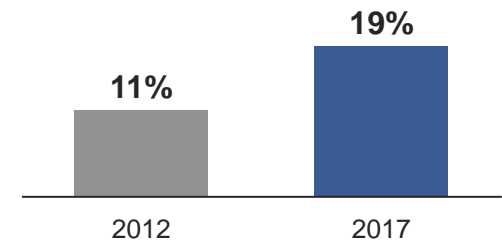
Production<sup>2</sup>

↑ 9%

EBITDA margin<sup>4</sup>

↑ 33%

ROCE<sup>5</sup>



# PORTFOLIO UPGRADING CONTINUED IN 2017

## Gahcho Kué



Delivered on time & under budget

## Grosvenor



First longwall complete

## Minas-Rio



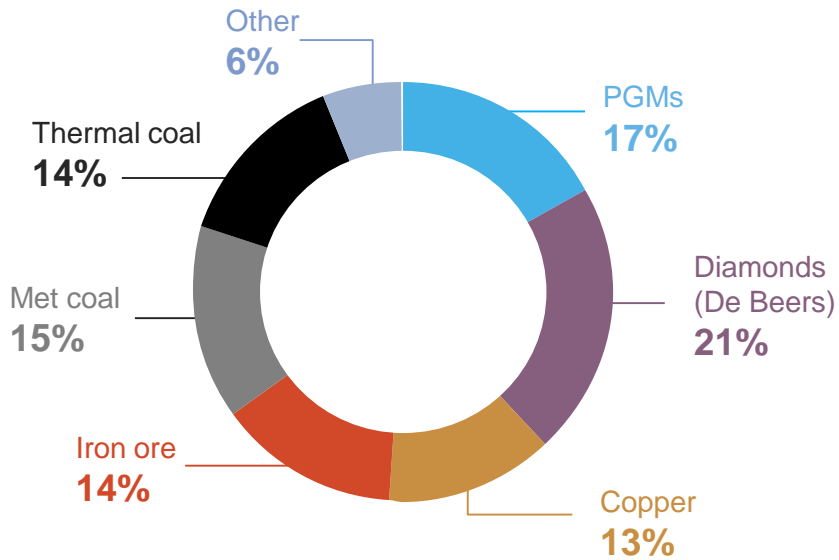
Stage 3 installation licence awarded  
on 26 Jan 2018

## 2017/18 disposals and closures ensure effective capital deployment

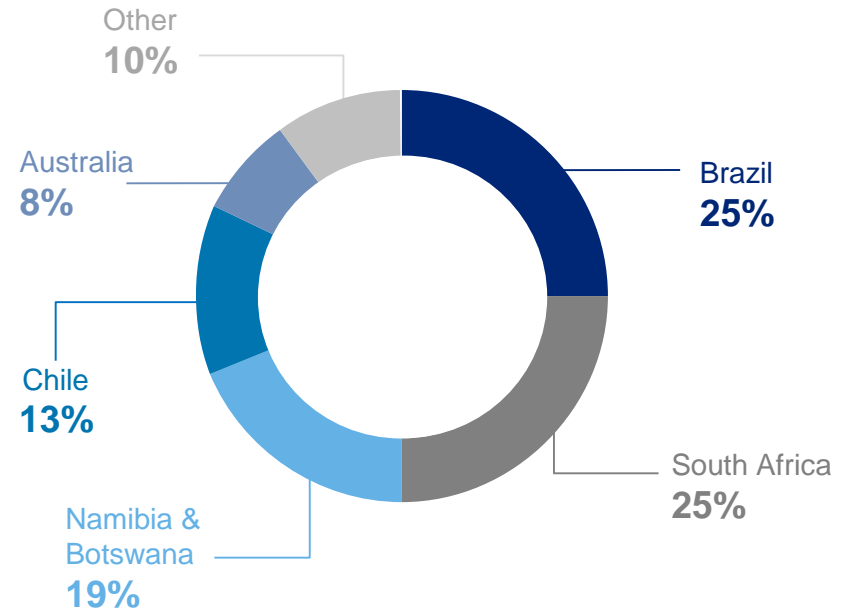
- **Union, Platinum**, sale completed
- **Pandora, Platinum**, sale completed
- **Dartbrook, Met Coal**, sale completed
- **SA domestic, Thermal coal**, close to completion
- **Drayton, Met Coal**, sale announced
- **New Largo, SA Domestic Thermal coal**, sale announced
- **Voorspoed, De Beers**, sale process underway
- **Elizabeth Bay (Namibia Land), De Beers**, sale process underway
- **Bokoni, Platinum**, care & maintenance

# PORTFOLIO UNIQUELY DIFFERENTIATED

Revenue by product<sup>6</sup>



Capital employed by geography<sup>6</sup>



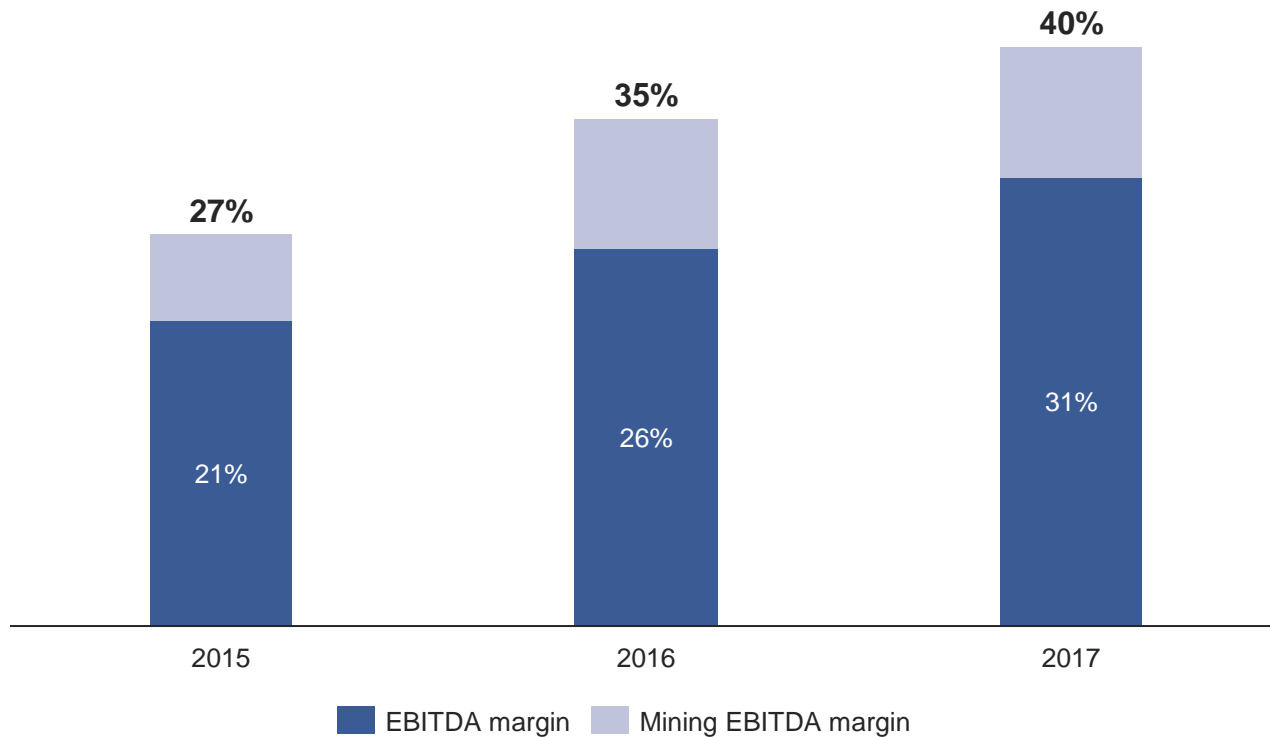
Asset focused strategy

Quality asset diversification

Balanced geographic exposure

# ENHANCING OUR COMPETITIVE POSITION

## EBITDA margins<sup>7</sup>



## EBITDA margin<sup>7</sup>

**40%**

### Improvement driven by

- ✓ Productivity
- ✓ Cost efficiency
- ✓ Premium products
- ✓ Supportive macro environment

# 2017 – DELIVERING ON OUR COMMITMENTS

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## EBITDA

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**\$8.8bn**

up 45% vs 2016

## Net debt

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**\$4.5bn**

down \$4bn vs 2016

## Free cash flow<sup>3</sup>

---

**\$4.9bn**

Up 93% vs 2016

## Cost & volume improvement<sup>8</sup>

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**\$1.1bn**

exceeding \$1.0bn target

## ROCE<sup>5</sup>

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**19%**

up 8pp vs 2016

## Total dividend

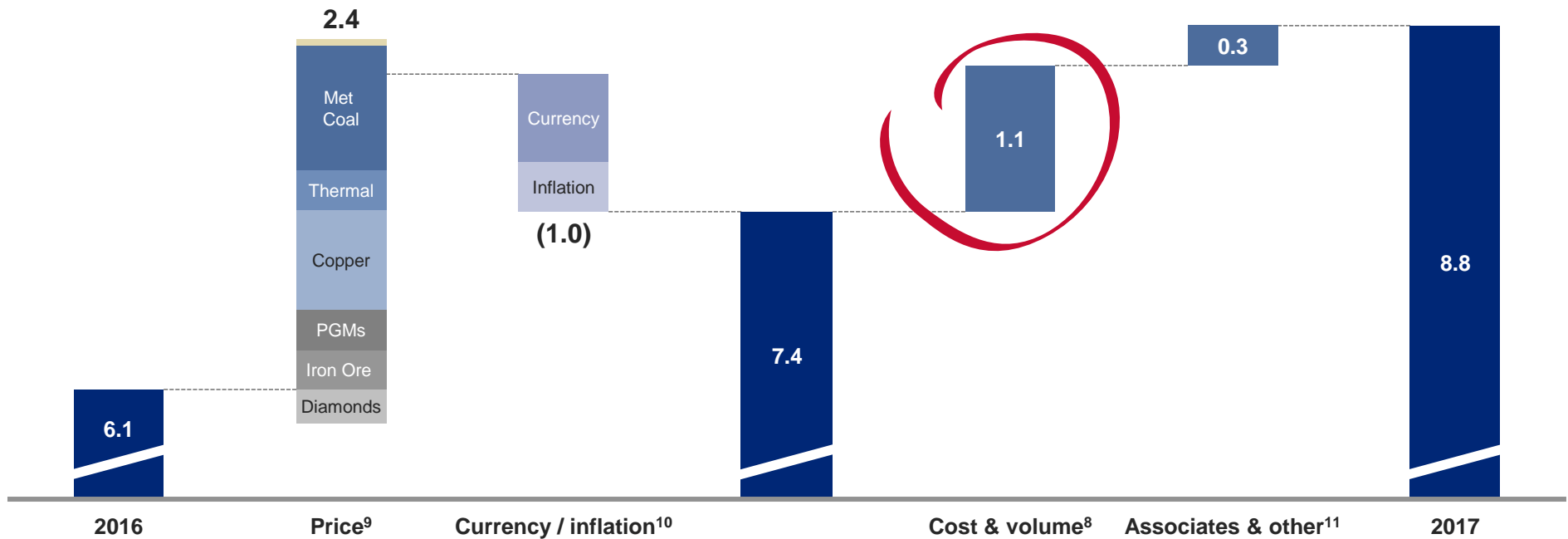
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**102c/sh**

40% of underlying earnings

# SELF-HELP UNDERPINS STRONGER PRICE ENVIRONMENT

EBITDA variance: 2017 vs. 2016 (\$bn)



# FURTHER \$3-4BN COST & VOLUME IMPROVEMENT TARGET

2018 target

**\$0.8bn**

To deliver \$5bn since 2013

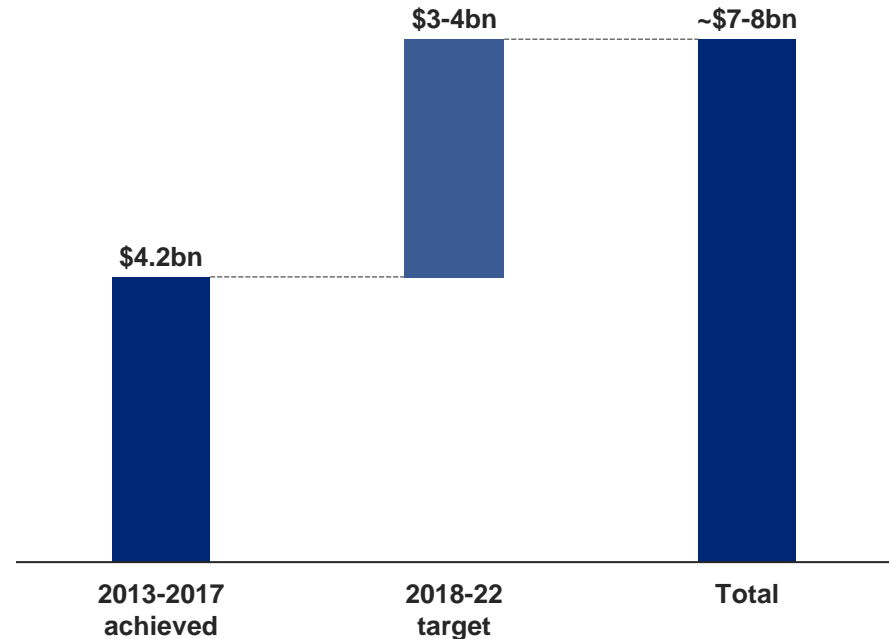
Total 2018-2022 target

**\$3-4bn**

Two-thirds from further operational efficiencies and project delivery

One-third from technology and innovation

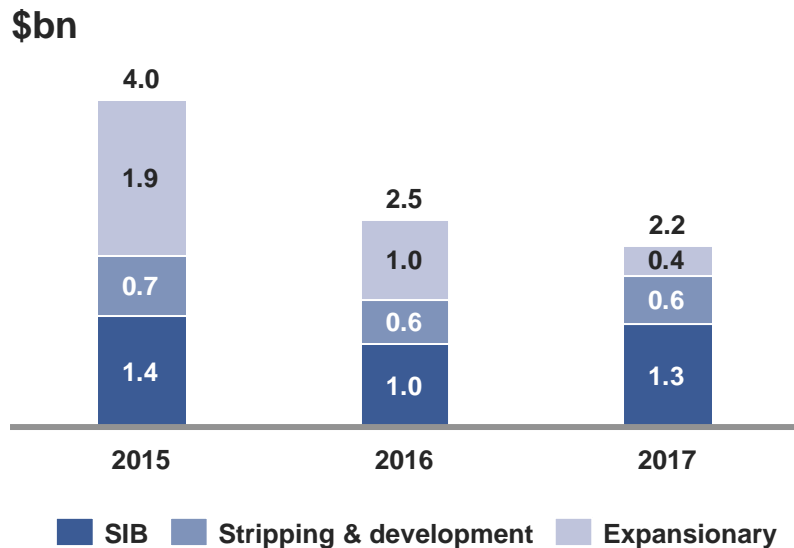
Cost & volume improvement – 2013-2022



# CONTINUED CAPEX DISCIPLINE

2017 capital expenditure<sup>12</sup>

**\$2.2bn**



2018 capex guidance<sup>13</sup>

**\$2.6-2.8bn**

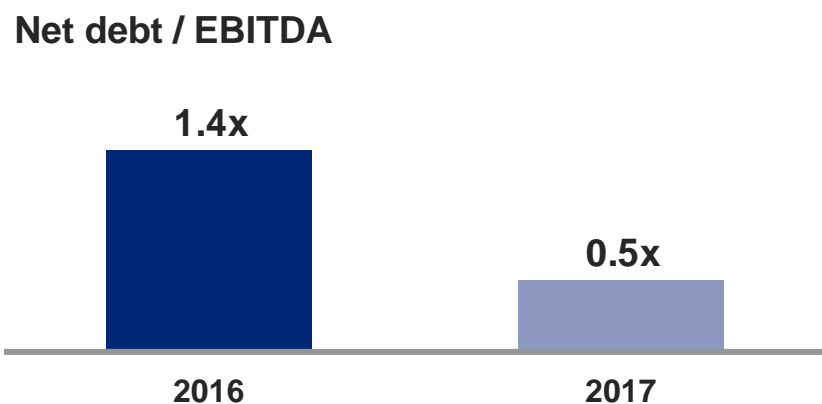
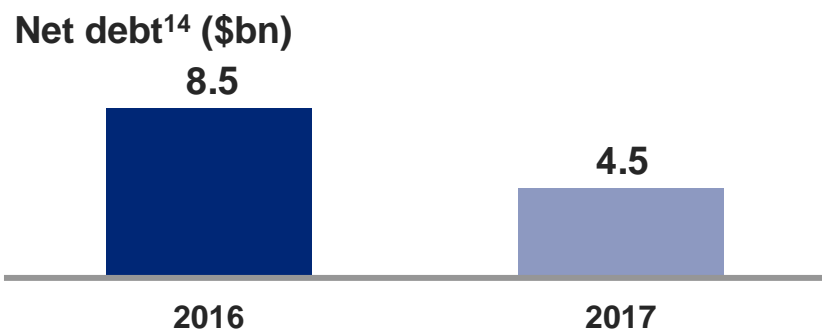
Longer term capex guidance<sup>13</sup>

**\$2.6-2.9bn pa**

Excludes unapproved growth projects

# BALANCE SHEET STRENGTH AND DELIVERING RETURNS

## A resilient balance sheet



## Delivering returns to shareholders

Total 2017 dividend

**\$1.3bn**

Interim and proposed final dividend

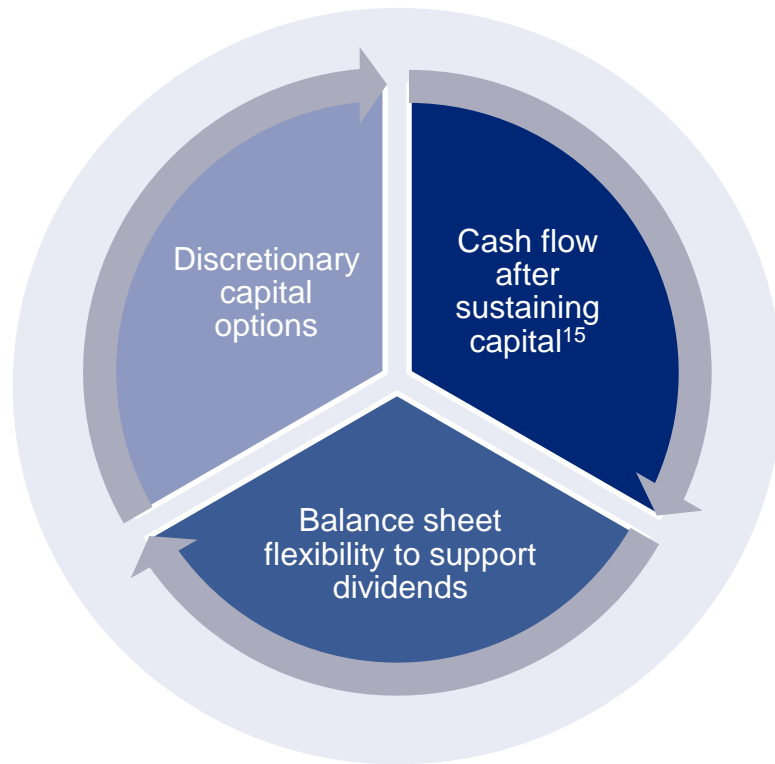
H2 final dividend

**40%**

of H2 underlying earnings – in line with policy

# STRONG CASH FLOW TRANSFORMING BALANCE SHEET

## Capital allocation framework



### Discretionary capital options

Portfolio upgrade

Future project options

Additional shareholder returns

5.3

- Free cash flow of \$4.9bn
- Add back \$0.3bn 'discretionary capital' spend

(5.0)

- Reduced net debt by \$4.0bn
- Paid interim dividend of \$0.6bn
- Other adjustments
- *Final dividend declared to be paid: \$0.7bn.*

(0.3)

- Discretionary capital including exploration/evaluation
- Portfolio upgrading

# PORTFOLIO – ASSET QUALITY FOCUS

	<b>Longer term positioning</b>	<b>Quality asset focus</b>
<b>Copper</b>	Exceptional resource endowment Long life, low cost assets	High quality growth opportunities Los Bronces, Collahuasi & Quellaveco
<b>Diamonds (De Beers)</b>	Industry leader with diversification Focus on market growth & development	Capacity to respond to demand Botswana, Marine Namibia
<b>PGMs</b>	Repositioned portfolio Low cost industry leader	Mogalakwena opportunities Amandelbult optimisation
<b>Bulks</b>	High quality, low cost assets Focus on cash margins & returns	Minas-Rio ramp-up & Kumba enhancements Moranbah Grosvenor de-bottlenecking

Discretionary Capital  
is asset focused

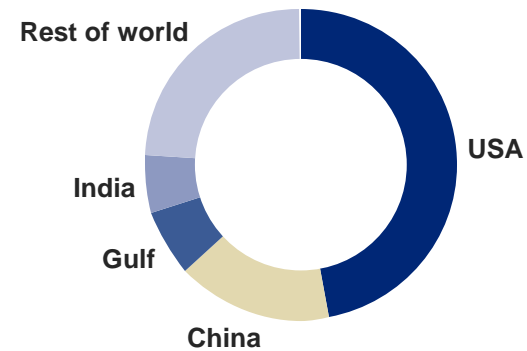
# CAPITAL ALLOCATION IN DIAMONDS TO BE DEMAND LED

## Millennials: the largest source of market demand

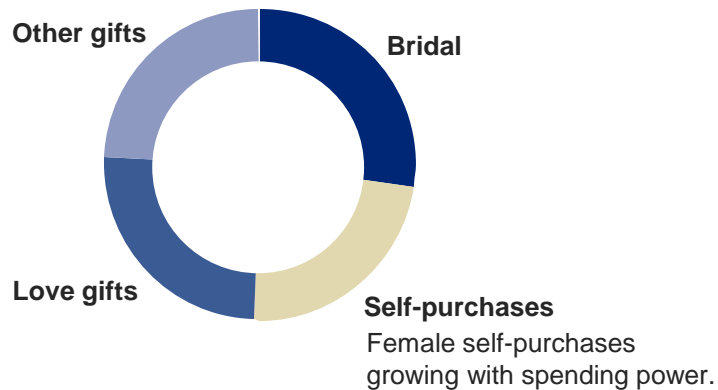
**45%**

Millennials' market share in key markets<sup>16</sup>

## Consumer demand



## Diversified customer base

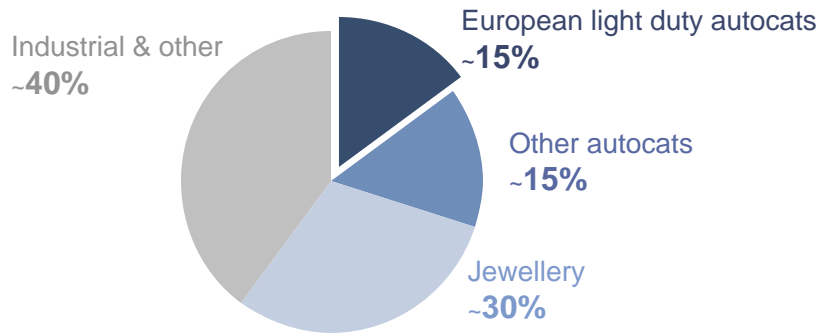


## Areas of focus

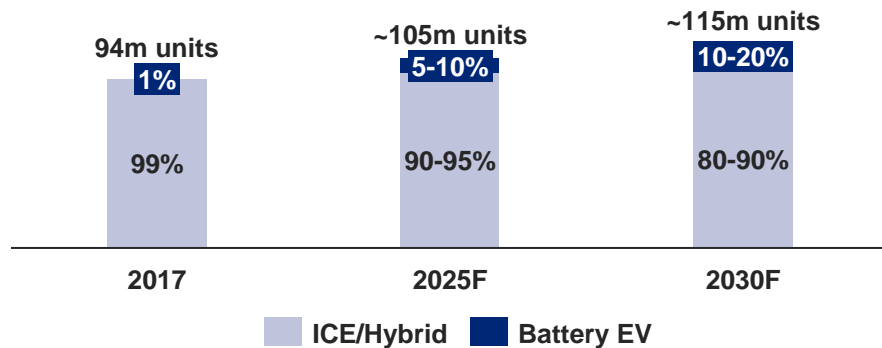
- **Marketing:** Increasing spend to support demand
- **Synthetics:** consumers prefer diamonds; synthetics are small relative to polished diamond market

# ASSET FOCUSED PGM STRATEGY

## European diesel only ~15% of platinum demand<sup>17</sup>



## The ICE/hybrid market to is set to grow<sup>18</sup>

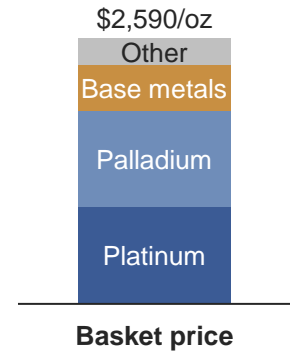


## The world's leading PGM business

### Mogalakwena

**54%**

2017 margin<sup>19</sup>



### Amandelbult

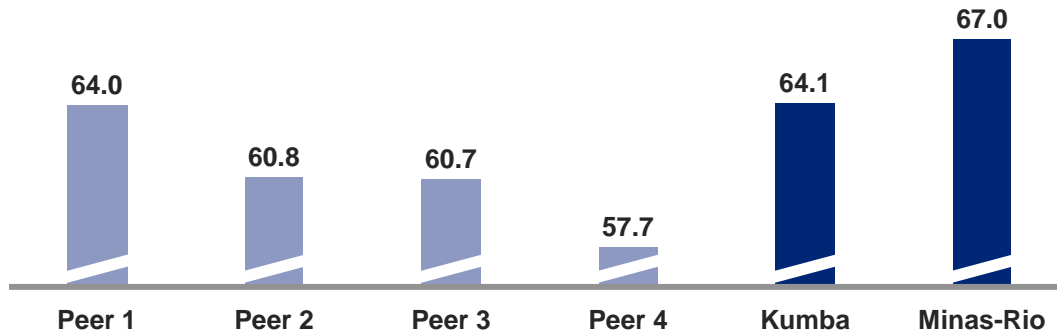
- Targeting **25%** further cost reductions through modernisation, safety and productivity

### Processing

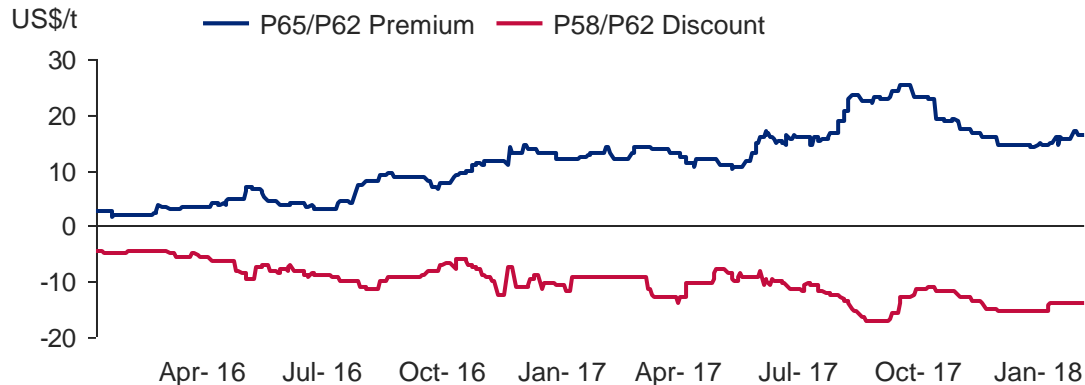
Third party purchased concentrate delivering a **stable ~9% margin**

# POSITIONED FOR STEEL INDUSTRY STRUCTURAL CHANGES

## 2017 average Fe content (%) – peer comparison



## Widening iron ore quality spreads



## Focus on premium products

Kumba production

# 64%Fe

of which two thirds is lump

Minas-Rio production

# 67%Fe

Pellet feed products

Metallurgical coal production

# 86%

is premium HCC

# HIGH QUALITY BROWNFIELD GROWTH OPTIONALITY

## Near term low cost growth potential

Moranbah Grosvenor (Met Coal)

**>40% IRR**

~25% increase in plant capacity

Capital of ~\$200m



Marine Namibia vessel (De Beers)

**<3yrs payback**

~0.5Mct per annum production

Capital of ~\$200m (Anglo share)



## Longer term asset optionality

Copper

Los Bronces underground

Copper

Collahuasi

De Beers

Jwaneng & Orapa

PGMs

Mogalakwena

Met Coal

Moranbah South

# QUELLAVECO – A WORLD CLASS COPPER RESOURCE

## Ore Reserves<sup>20</sup>

**~1.3bnt**

Reserve grade of 0.58%TCu<sup>21</sup>

## Additional Mineral Resources<sup>20</sup>

**~1.5bnt**

At a grade of 0.35%TCu<sup>21</sup>

Significant additional endowment

## Low cost

**~\$1.10/lb**

C1 cash cost first 10 years

## Copper Eq production

**~300kt**

Average first 10 years

## Long life

**~30 years**

## De-risked

- Community and government support
- Key permits in place
- De-risked through early works



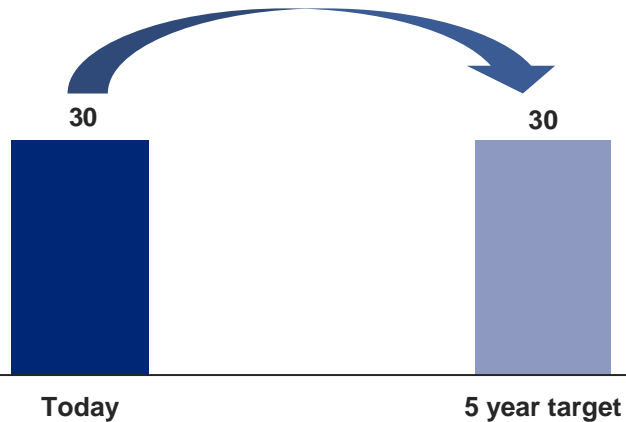
# REALISING OUR FULL POTENTIAL

## A unique endowment

2017 average life of mine

# 30 years

Life of mine average (years)



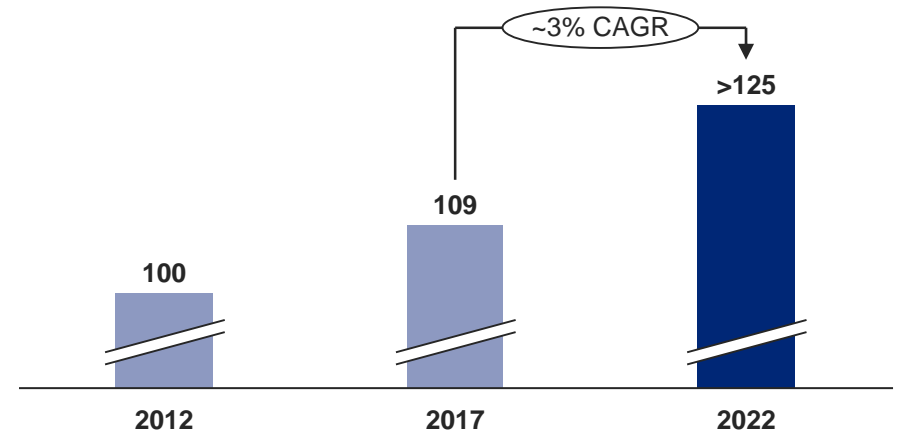
## Growth optionality

Production growth potential

# ~3%

2018-22 CAGR

Copper Eq production growth index



# OUR INVESTMENT PROPOSITION

## Assets

Focus on quality

Diversified portfolio

Low cost growth



## Capabilities

Operating Model

Innovation leader

Marketing quality products



## Returns

Strong balance sheet

Capital discipline

Dividend payout ratio



***“World class assets & leading capabilities to deliver a world class business”***



# APPENDIX



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# FOOTNOTES

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1. 2013 to 2017. Includes impact of announced disposals and assets closed or placed on care and maintenance.
2. 2012 to 2017.
3. Attributable free cash flow is defined as net cash inflows from operating activities net of total capital expenditure, net interest paid and dividends paid to minorities.
4. Represents the Group's underlying EBITDA margin. Refer to footnote 7. Movement is from 2012 to 2017.
5. Attributable ROCE is defined as attributable underlying EBIT divided by average attributable capital employed. It 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.
6. Attributable basis. Revenue by product based on business unit.
7. The margin represents the Group's underlying EBITDA margin for the mining business. It excludes the impact of Platinum purchases of concentrate, third party purchases made by De Beers, third party marketing activities, the South African domestic thermal coal business and reflects Debswana accounting treatment as a 50/50 joint venture.
8. EBITDA variance. Volume variance calculated as increase/(decrease) in sales volumes multiplied by prior period EBITDA margin. For assets in the first 12 months following commercial production all EBITDA is included in the volume variance, as there is no prior period comparative. Cash costs include inventory movements.
9. Price variance calculated as increase/(decrease) in price multiplied by current period sales volume. For diamonds, the negative variance reflects a change in mix to lower value goods, with the price index up 3%.
10. Inflation variance calculated using CPI on prior period cash operating costs that have been impacted directly by inflation.
11. Includes associates and prior period results of disposals.
12. Capex defined as cash expenditure on property, plant and equipment including related derivatives, net of proceeds from disposal of property, plant and equipment and includes direct funding for capital expenditure from non-controlling interests. Shown excluding capitalised operating cash flows.
13. Guidance based on current portfolio. Includes all categories of capex, but excludes unapproved expansionary projects.
14. Net debt excludes the own credit risk fair value adjustment on derivatives.
15. 'Cash flow after sustaining capital' comprises attributable free cash flow of \$4.9bn, excluding discretionary capex and exploration / evaluation expenditure of \$0.3bn. 'Balance sheet flexibility to support dividends' comprises reduction in net debt of \$4.0bn and \$0.4bn of other items, including translation differences, employee share scheme purchases and accrued interest. 'Discretionary capital options' comprises discretionary capex and exploration / evaluation expenditure of \$0.3bn.
16. Source: The Diamond Insight Report 2016. Based on total jewellery spend in the top 4 markets of the USA, China, Japan and India.
17. Source: Johnson Matthey.
18. 2017: LMC automotive. 2025 and 2030 reflect Anglo American view.
19. EBITDA margin of 48%.
20. Estimate as at 31 December 2016. For a breakdown of the classification categories please refer to the Ore Reserves and Mineral Resources Report 2016.
21. Total Copper

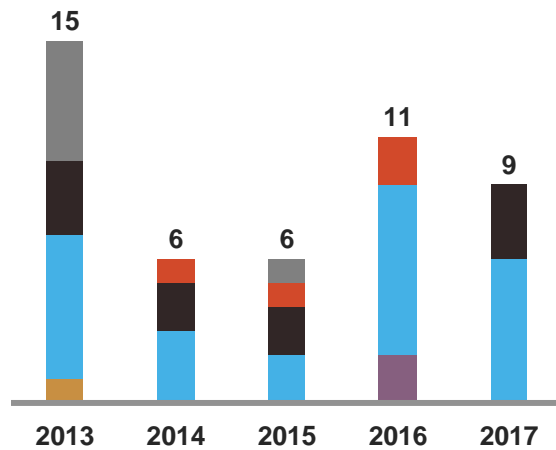
# PORTFOLIO OVERVIEW – SIMPLIFIED

De Beers		Copper		PGMs	
Botswana	Debswana	Chile	Los Bronces	South Africa	Mogalakwena
South Africa	DBCM		Collahuasi		Amandelbult
Namibia	Namdeb		Other operations		Processing
Canada	Canada	Peru	Quellaveco		Other operations
Trading	GSS				
Iron ore		Coal		Nickel & Manganese	
South Africa	Kumba	Australia	Metallurgical	Brazil	Barro Alto (Nickel)
Brazil	Minas-Rio	South Africa	Thermal export	Australia / South Africa	Samancor (Manganese)
		Colombia	Cerrejón		

# SAFETY, HEALTH & ENVIRONMENT

## Safety

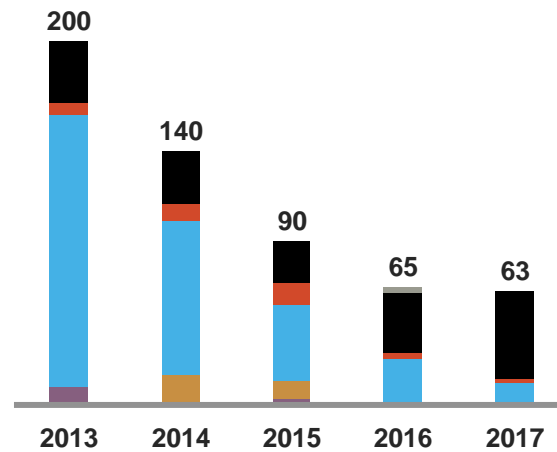
Fatalities



- 'Elimination of Fatalities' taskforce

## Health

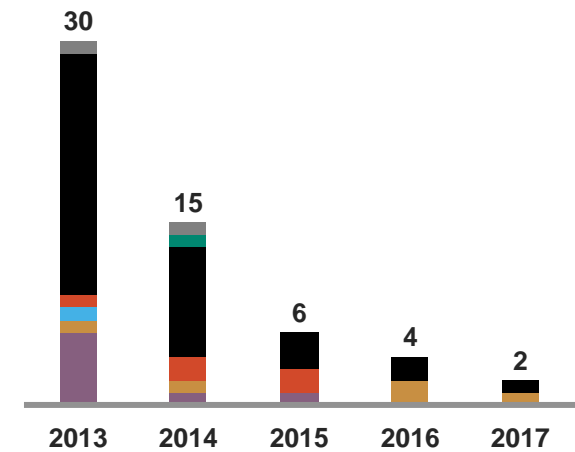
Occupational health – new cases



- Improved working environments

## Environment

Major incidents



- Improvements in planning and operating discipline

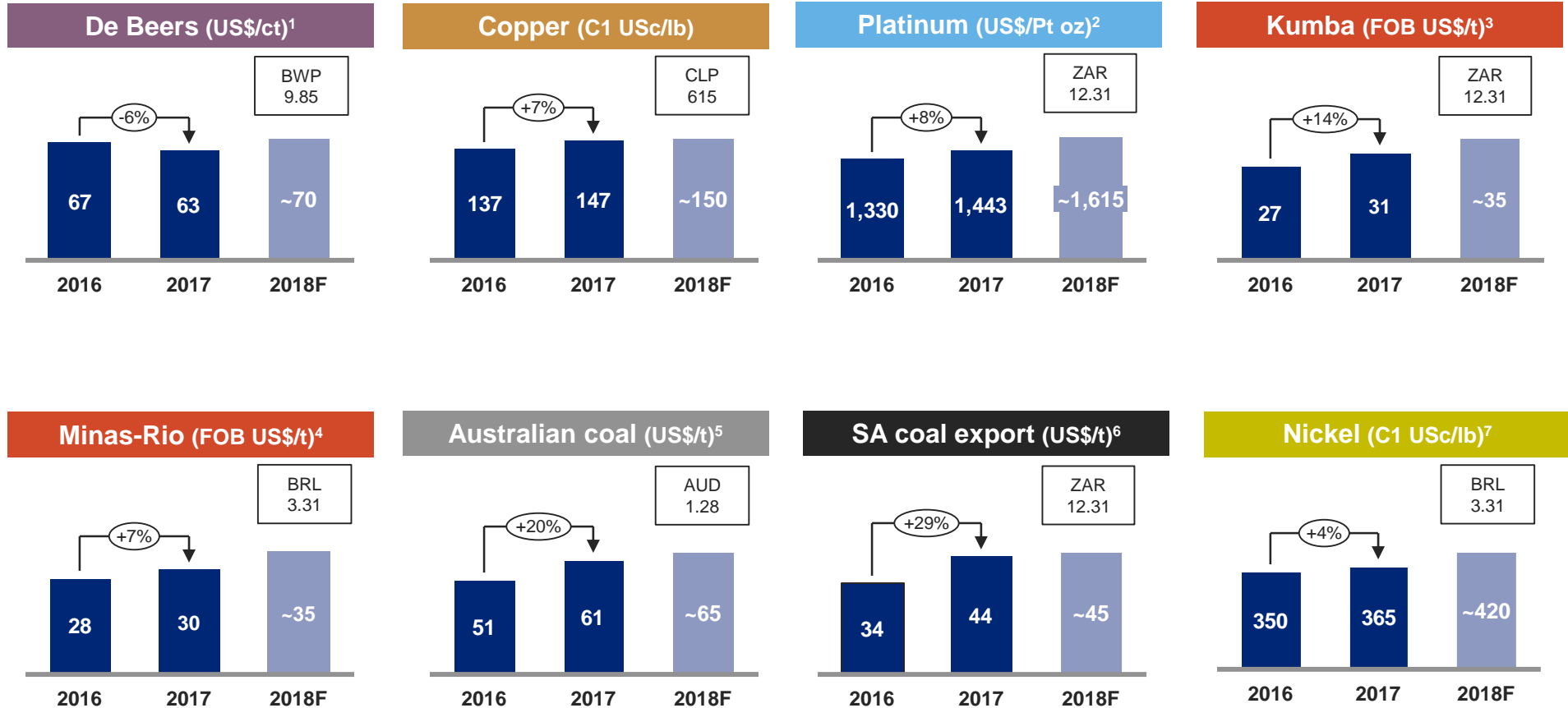
Divested businesses
  Exploration
  Coal
  Iron ore
  PGMs
  Base
  De Beers

# PRODUCTION OUTLOOK

	Units	2016	2017	2018F	2019F	2020F
<b>Diamonds<sup>1</sup></b>	Mct	27.3	33.5	34-36	~32	~32
<b>Copper<sup>2</sup></b>	Kt	577	579	630-660 <sup>3</sup> <i>(Previously 630-680)</i>	600-660 <i>(Previously 590-650)</i>	600-660
<b>Platinum<sup>4</sup></b>	Moz	2.4	2.4	2.3-2.4 <i>(Previously 2.5)</i>	~2.0 <sup>5</sup> <i>(Previously 2.1)</i>	~2.0 <sup>5</sup>
<b>Palladium<sup>4</sup></b>	Moz	1.5	1.6	1.5-1.6	1.3-1.4 <sup>5</sup>	1.3-1.4 <sup>5</sup>
<b>Iron ore (Kumba)<sup>6</sup></b>	Mt	41	45	44-45 <i>(Previously 40-42)</i>	44-45 <i>(Previously 40-42)</i>	44-45
<b>Iron ore (Minas-Rio)<sup>7</sup></b>	Mt	16	17	13-15 <i>(Previously 15-18)</i>	20-24 <i>(Previously 22-26.5)</i>	24-26.5
<b>Metallurgical coal<sup>8</sup></b>	Mt	19	20	20-22	21-23 <i>(Previously 20-22)</i>	21-23
<b>Thermal coal<sup>9</sup></b>	Mt	30	29	29-31	29-31	29-31
<b>Nickel</b>	Kt	45	44	42-44 <sup>10</sup> <i>(Previously ~45)</i>	42-44 <sup>10</sup> <i>(Previously ~45)</i>	~45

1. On a 100% basis except for the Gahcho Kué joint venture, which is on an attributable 51% basis. Production is subject to trading conditions. Reduction in 2019 volumes due to declining open pit production at Venetia and Victor end-of-mine-life.
2. Copper business unit only. On a contained-metal basis.
3. Increase in 2018 reflects expected temporary grade increase.
4. Produced ounces. Includes production from joint operations, associates and third parties.
5. Decline from 2018 due to Rustenburg POC, which will be processed based on a tolling arrangement from 1 January 2019 and therefore is excluded from production guidance.
6. Dry basis. Increase from prior guidance reflects improved operating performance.
7. Wet basis. Reduction from prior guidance due to licensing delays. Current guidance assumes receipt of the Provisional Operational Authorisation ('APO') before November 2018. Production will be negatively impacted if the licence is not received by this time.
8. Excludes the sale of Foxleigh which completed in August 2016. Excludes thermal coal production.
9. Export South Africa and Colombia production.
10. Reduction from prior guidance due to additional plant maintenance requirements.

# UNIT COST PERFORMANCE BY BUSINESS UNIT



Note: Unit cost guidance for 2018 based on spot exchange rates at 31 December 2017. Unit costs exclude royalties, depreciation and include direct support costs only.

- De Beers unit cost is based on De Beers' share of production. The increase in 2018 is primarily due to FX rates and higher ratio of waste costs at Jwaneng expensed rather than capitalised.
- The increase in 2018 is due to FX and the impact of the run-of-mine stock adjustment in 2017 (~\$0.1bn).
- The increase in 2018 is due to FX.
- Minas-Rio unit cost is on a wet basis. The increase in 2018 is due to lower volumes as a result of licensing delays.
- Coal Australia FOB/t unit cost excludes Callide, royalties and study costs; normalised for Foxleigh and Drayton. The increase in 2018 is due to higher stripping costs at Dawson and Capocol.
- Coal SA FOB/t unit cost comprises SA Trade only, excludes royalties.
- The increase in 2018 is due to maintenance and higher energy costs.

# EARNINGS SENSITIVITIES – 2017

Sensitivity Analysis – 2017 <sup>1</sup>			Impact of 10% change in price / FX
Commodity / Currency	31 December spot	Average realised	EBITDA (\$m)
Copper <sup>2</sup> (c/lb)	325	290	352
Platinum (\$/oz)	925	947	157
Palladium (\$/oz)	1,057	876	96
Rhodium (\$/oz)	1,700	1,094	17
Iron Ore (\$/t)	74	71	389
Hard Coking Coal (\$/t)	262	187	252
Thermal Coal (SA) (\$/t)	95	76	141
Nickel <sup>3</sup> (c/lb)	556	476	31
Oil price	67	54	46
South African rand	12.31	13.31	519
Australian dollar	1.28	1.30	183
Brazilian real	3.31	3.19	70
Chilean peso	615	649	64

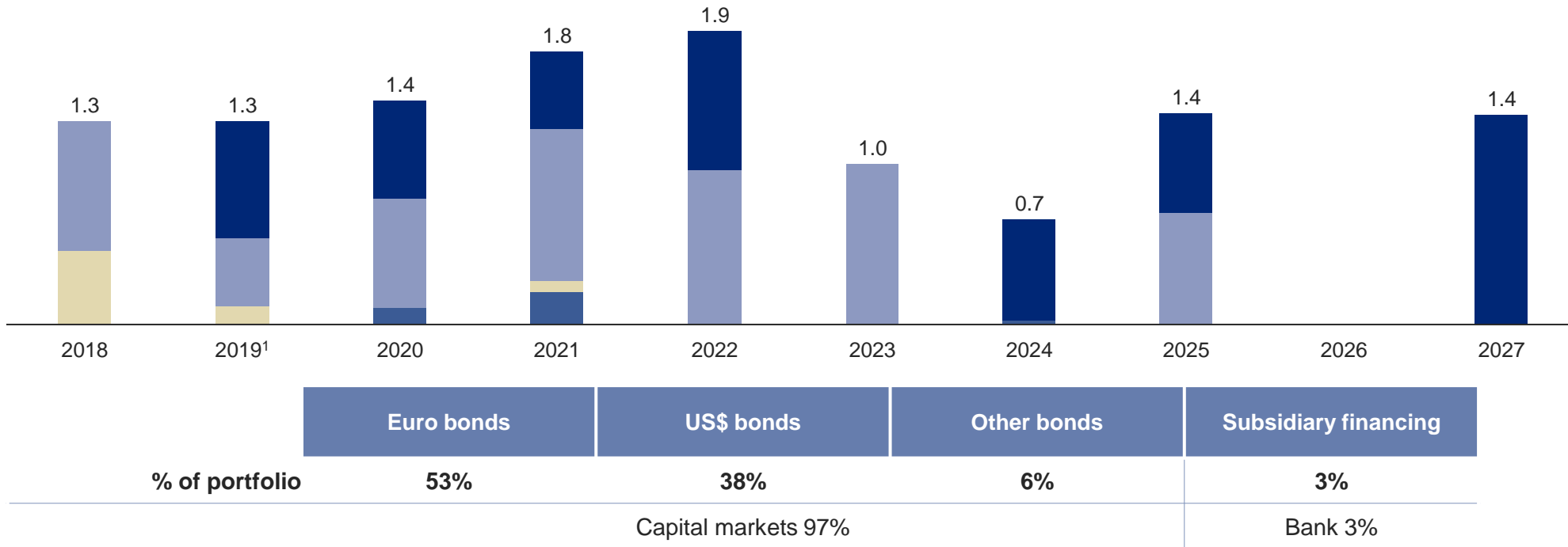
1. Reflects change on actual results for 2017.

2. Includes copper from both the Copper business and Platinum Business Unit.

3. Includes nickel from both the Nickel business and Platinum Business Unit.

# DEBT MATURITY PROFILE AT 31 DECEMBER 2017

## Debt repayments (\$bn) at 31 December 2017



- US bonds
- Euro bonds
- Other bonds (e.g. AUD, ZAR)
- Subsidiary financing

1. On 7 February 2018, Anglo American gave notice that it will redeem all of its outstanding \$750m 9.375% US bond due April 2019 on 9 March 2018.