

NEWS RELEASE

24 April 2017

Anglo American plc Annual General Meeting – Address to shareholders

Anglo American plc held its Annual General Meeting for shareholders in London today. The following remarks were made by the Chairman and the Chief Executive.

Sir John Parker, Chairman of Anglo American plc, made the following remarks:

2016 was a year of continuing slow global economic recovery, and even the remarkable acceleration in prices in the second half for bulk commodities such as metallurgical coal and, to a lesser extent, iron ore and thermal coal, was still not quite enough for Anglo American to be able to record a higher average price for its own basket of products compared to 2015. That makes our financial performance in 2016 all the more creditworthy.

Looking to 2017... On the demand side, the fortunes of the mining industry will inevitably continue to be influenced by developments in China, where the authorities have recently reduced the country's growth target for 2017 to 6.5% as the country seeks to balance its economy through a mixture of stimulus and managed slowdown. That said, China's admirable efforts to improve air quality may boost demand for some of the higher-quality and cleaner-burning iron ore and coking coal that we are well positioned to supply for steel making. Widespread expectations of continuing slow growth in many regions of the world outside of Asia, accompanied by uncertainty over how much of the reform programme, including its ambitious infrastructure plans, of the new and protectionist-leaning US administration can actually be achieved, may be a drag anchor on the global economy for some time to come.

Turning to Anglo American's performance last year, I must, as always, start with safety. Although we had a most encouraging 24% reduction in recordable injury rates compared with 2015, the number of people who lost their lives at our operations increased from six to 11. This was way out of line with the declining trend of the past few years. It was all the more surprising, given the increased focus on safety across the Group, including our emphasis on critical controls in high-safety-risk areas. As a Board, we regard each loss of life with great sadness, and it is particularly distressing that several of these fatal incidents were eminently preventable, given that they resulted from front-line operational practice being out of alignment with our safety policies. Across the business, we have shown that we can operate for long periods injury-free, and I have asked Jack Thompson, who chairs the Board's Sustainability Committee, to engage even more closely with Mark and his executive team to address the safety challenge and give added impetus to our drive towards zero harm.

It is appropriate here to mention the work of the Sustainability Committee. Jack – who has around four decades of mining experience, across a range of disciplines, commodities and geographies – ensures that the Committee is involved in all investigations into each and every fatal incident, as well as any major environmental event, and that it assists management in assessing operational risks Group-wide. This includes, for example, heightened attention to our 90 tailings-dam storage facilities and more than 200 water-containment structures. Although we have confidence in their integrity, and our monitoring of them goes beyond legal compliance, we cannot be complacent; therefore, we have further increased our degree of surveillance, inspection monitoring and risk-assurance assessment, and we are rolling out a new mineral-residue technical standard across all relevant operations.

Overall, our environmental performance has improved considerably. It is clear that better work planning and execution, along with a greater focus on assessing risk, are bearing fruit. The number of environmental incidents in our Group is now 85% fewer than in 2013.

I want now to turn to our strategy. As you know, there has been some commentary in certain quarters that Anglo American has deviated from the course of action we set

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out early last year, when we announced a plan to address our balance sheet position by potentially disposing of a material portion of our asset base and focusing on our strongest market positions in diamonds, PGMs and copper. In response to that commentary, I would ask you to cast your minds back to the circumstances of just over a year ago, when the mining industry and commodity prices were on the floor. At that time, in the aftermath of \$6.4 billion having been wiped off our own underlying EBITDA in the previous two years in aggregate, and with scant prospect of an early uplift in prices, Anglo American's clear imperative was to take bold action to bring down our net debt quickly to a manageable level.

So we accelerated sale processes, already under way in some cases, and broadened the range of assets so as to create competitive tension across those processes, with a clear commitment not to accept undervalued prices, particularly for quality assets that we would not normally have offered for sale. As a consequence of this value-driven approach, we had a very successful sale of our niobium and phosphates business in Brazil for \$1.5 billion, as well as the sale of a number of other smaller assets, resulting in total sale proceeds for the year of \$1.8 billion.

Given the subsequent change in the pricing environment later in 2016 and the improvement in operating performance, the overriding imperative to sell assets to reduce debt was removed. In that context, and given the high quality of the nickel and Moranbah and Grosvenor metallurgical coal assets, we resolved that the right value outcome was to retain them. I am pleased to say that we received resounding support from our shareholders for these decisions – to react quickly to address the balance sheet both operationally and strategically and then adapt as circumstances changed.

From my perspective as your Chairman, while there was a clear imperative to reduce net debt during 2016, the underlying asset strategy holds true. Going forward, our commitment remains to a portfolio focused on the highest quality assets where we have the ability to deliver attractive margins and returns and can do so in the context of the right corporate and capital structure. Therefore, today we have considerably more optionality in respect of the assets in our portfolio which we will, however, continue to actively manage. We remain open, for example, to a value-based transaction regarding part of our South African portfolio, but given the operational improvements we have made and the consequent financial contribution these assets are making, there is again no urgent imperative to do so.

Overall the asset disposals, coupled with cost-reduction productivity improvements and an uplift in prices for the second half of 2016, allowed us to reduce debt to below our target of \$10 billion – in fact to \$8.5 billion – resulting in an EBITDA to net debt ratio of 1.4 times.

For the year as a whole, we delivered EBITDA of \$6.1 billion, and underlying earnings of \$2.2 billion. Our profit attributable to equity shareholders was \$1.6 billion. We have reduced the number of operating assets by more than one third over the last four years, with further progress in 2017 as we sold our interests in Union platinum mine and our recent announcement of the sale of our Eskom-tied domestic thermal coal operations – all of which reflects a very considerable upgrade in the quality of the portfolio as a whole. Continued capital discipline saw capital expenditure decline from \$4 billion to \$2.5 billion, and no new major projects were approved. All of this was reflected in a remarkable resurgence in our share price, the best performance on the FTSE 100 in 2016.

2016 was therefore a year in which the benefits of our bold and thoroughgoing plan, set out by Mark in 2013, to turn the business around, started to come through and make a real difference. Intrinsicly linked to our story of balance sheet repair and strengthening, and the generation of increasing free cash flows, is our turnaround at an operational level. Our performance was bolstered by an across-the-business improvement in productivity of 18% as we progressively rolled out our Operating Model and sold a number of less-productive assets.

Our Group is now producing more product from a third fewer assets than we had at the start of 2013 – while our increased focus on marketing is yielding improvements in margins and received prices. As a result, we have seen costs come down by some 30% over the past four years, with copper-equivalent unit costs declining by 9% in dollar terms in 2016 alone.

And we believe we can unlock further value; Mark and his team have targeted to deliver an additional \$1 billion of cash and volume improvements during 2017.

On behalf of our Board, I want to record our deep appreciation to management for their commitment through the industry crisis and to Mark in particular for his outstanding leadership.

In summary, our aim in future is to have a more robust balance sheet and increase the resilience of each of our business streams to the price volatility that characterises our industry. We are, therefore aiming to enhance the robustness of our balance sheet through continuing to plan for even lower debt levels, with our net debt to EBITDA ratio staying within a 1-to-1.4 times range:

We are planning to reinstate the dividend by the year-end on a payout-ratio-based policy which we will define at the time;

We are committed to an innovative approach, including through technology, to improve productivity and reduce our environmental footprint through our FutureSmart mining™ programme that you will hear Mark talk about; and

We are examining expansion options to provide further growth, particularly in our Copper business; any future greenfield projects are likely to be undertaken in partnership / syndication with others in order to de-risk them.

I want to turn now to a topic that is at the front of our minds in business today... That of trust. It is no exaggeration to say that trust is in crisis around the world. The 2017 Edelman Trust Barometer, published earlier this year, reveals that the general population's trust in all four key institutions – business, government, NGOs, and the media – has declined broadly.

To help rebuild trust and restore faith in the system, companies and institutions must step outside of their traditional roles and work towards a new, more integrated operating model that puts people – and addressing their fears – at the centre of everything they do.

At Anglo American, each one of us faces challenges on a daily basis as we work to rebuild the trust that is integral to our deep-seated reputation for doing the right thing, including acting with integrity and displaying care and respect for the rights and livelihoods of our colleagues, communities and the natural environments in which we work.

To assist us in this, we have recently revised, and rolled out to all employees in the Group, our Code of Conduct – an initiative in which the Board was directly involved. Intended to be a single point of reference, the Code makes very clear what standards of behaviour the company expects. It has at its core our shared values, which describe how we must behave consistently to continue to earn the trust that gives us our social licence to operate.

Those shared values are also integral to the way in which we continue to work in partnership and consultation with all of our stakeholders, and our shareholders, to help address the causes and impacts of climate change. As part of this outreach, we have been consulting with the 'Aiming for A' coalition, which was established in 2012 by a group of investors, including some of our largest shareholders, to enhance extractive companies' reporting commitment to address climate change, including how they manage its impacts on their business. In 2015, we received a 'B' rating, and we are in the process of making some changes to ensure we reach an 'A' rating as soon as possible.

Turning to the subject of executive remuneration... Our Remuneration Committee, chaired by senior independent director Sir Philip Hampton, and the Board, have been determined to address certain investors' concerns about the potential windfall gains for executive directors arising from the volatility of Anglo American's share price and the mining industry more generally. As you know, at last year's AGM, we did not receive the level of support we would have wished from shareholders who voted on our remuneration report. Although there is no perfect remuneration system, the Board believes that at Anglo American there has been a relatively good correlation between profitability and levels of variable remuneration – and that our remuneration system is fair, performance-based and comparable with our peer group. Following further consultation by Sir Philip with our shareholders, we are presenting a revised remuneration policy at this meeting, which we hope you will support.

During 2016, sadly, non-executive directors Ray O'Rourke and Judy Dlamini stepped down from the Board. Ray joined the Board in December 2009 and left to concentrate on his business commitments as chairman and chief executive of Laing O'Rourke. His wise counsel and experience of complex projects, safety and innovation were of great value to us. Judy joined us in January 2014 and left to devote more time to her business commitments in South Africa; her contributions to the Board and its committees, drawing on her experiences across a range of sectors, including mining, were greatly appreciated by her colleagues.

Subject to shareholder approval today, I am pleased to announce that Nolitha Fakude will join the Board as a non-executive director at the conclusion of this meeting. Nolitha has 25 years' experience across a diverse range of industry sectors, including oil and gas, petrochemicals, financial services and retail. She was until recently an executive board member of South Africa-based petro-chemicals company, Sasol, where she has led the strategy and sustainability portfolio, which encompasses strategy, risk, health, safety and environment, as well as human resources.

There have also been changes on the executive directors' side since we last met 12 months ago. René Médori has announced his decision to retire, after serving with distinction for nearly 12 years as finance director. René has rendered great professional service to the Group, and we wish him all success in the future.

Following an exhaustive international search, we have appointed Stephen Pearce as our new finance director. Stephen, who has come to us from the Australian mining company, Fortescue Metals, joined us at the end of January this year, and will succeed René as finance director at the end of today's AGM – again, subject to your vote of approval.

Finally, after what will have been around eight years as your chairman, I have requested that the Board identify my successor during the course of 2017. I will ultimately be leaving an Anglo American that has emerged from the deep commodities downturn of the last three years as a much stronger organisation, with a more resilient business, a strengthened balance sheet, an excellent Board and a world-class management team, led by Mark Cutifani. I am honoured to have served this great company as chairman for so long, and I want to thank you, the shareholders, for your interest in our company and for your support. I also wish Sir Philip Hampton – who is leading the search for a new chairman – every success with the Board in this endeavour.

I will now invite your chief executive, Mark Cutifani, to address the meeting.

Mark Cutifani, Chief Executive of Anglo American plc, made the following remarks.

Thank you, Chairman. Ladies and gentleman, good afternoon and it's always a great privilege to be here. This year, of course, it is a particular privilege to be your Chief Executive, given that we will be marking Anglo American's 100th birthday in September.

So, let me start with the results and then give you an idea of how we are thinking about the future.

You may have noticed on our results materials and our Annual Report, we are using the words, "Delivering Change" and "Building Resilience" to make a very clear statement of intent. There can be no doubt there is change...this is a very different business and our focus is to continue to improve the business to ensure we can deliver cash flow under any scenario the market throws at us. To me, that is the definition of a resilient business.

In 2016, we delivered on our key commitments. Given where we were one year ago there are two very important numbers I would like to highlight. We delivered free cash flow of \$2.6 billion, well above our target and our net debt was reduced to \$8.5 billion – well below the \$10 billion that was our target despite the fact, as the Chairman has mentioned, our commodity price basket was actually down 3% year on year.

In that context, our margin improvement of five percentage points was also very encouraging, with a substantial contribution from the roll out of our operating model. Our process includes

reassessing each business from first principles, and applying global best practice to every aspect of our operations. These operational improvements can take several iterations to get right but they are now supporting improved margins, performance consistency and increasing cash flowing through the business. This is creating a fundamentally more robust business, not just a quick fix.

On the Balance Sheet, our objective has been to strengthen to enable a return an investment grade rating – consistent with improving financial resilience in an industry that is likely to see commodity price volatility as a new normal. And we are targeting a reinstatement of the dividend by year end.

On the portfolio, as the Chairman has said we will continue to manage the portfolio dynamically – as you our shareholders should expect – we are focusing on our high quality, long life assets – targeting both margin growth and returns.

Let me highlight six numbers that best describe Anglo American in 2016:

We generated an EBITDA of \$6.1 billion, well above our target. This is a very strong result and remember that our basket price fell, year on year.

Our cost and volume improvements reflect the progress we continue to make across the business, building off the solid cost reductions recorded in 2015. Cost and volume improvements actually represent around \$2 billion improvement for the full year. We had some headwinds, so on a net basis we hit the target in cash terms.

We continue to hold our discipline on capital expenditure and we will maintain that determination going forward.

Attributable free cash reflects the volume and cost work, despite the prices in our commodity basket. Bringing net debt down so significantly, I have mentioned and the net debt: EBITDA ratio has landed inside our target range.

In summary, I am happy to say we have made good progress, but there is always more to do.

One area where I'm deeply disappointed is safety. After making good progress during the last two years, we took a step backwards in 2016. From my perspective and the executive team, it is both unacceptable and extremely disappointing. While our total injury frequency rate continues to improve, with a 24% improvement reported in 2016, management of our higher risk activities has been a weakness and is the focus of our improvement work.

On the environment, a much more encouraging story for the year. Since we focused on environmental risks and performance, we have seen an important reduction in these incidents across the group. And while you generally won't see this work – it is only when we have a high level incident do people appreciate why managing these risks so tightly is critical for the business.

The single number that most clearly reflects the effort made during last year is the improvement in our margins. As I mentioned, 2016 was clearly a year of two halves, still with the overall commodity basket price reduction for the year as a whole.

So, our five percentage point improvement in margin compared to 2015 was all the more creditable. I have already talked about the significant positive impact of the operating model but there are some other contributing factors that are important mention:

- Portfolio upgrading - we eliminated the cash leakage and sold lower margin assets. In total, we've either sold or closed 27 assets, reducing the portfolio to 41 – and this will reduce further once the sale of the Eskom-tied thermal coal mines in South Africa is completed. We've also added five new projects to the portfolio – the net effect of which is to enhance the margin profile of the business;
- Cost reductions across operations and overheads - we've streamlined and reduced the numbers, both as a consequence of focusing on the assets that can add material value, the way we run those assets, the way we operate and the way we work together as an organisation; and

- Continuing improvements from our marketing model which is driven by a much more systematic approach to making sure we are cost effectively getting the right product to the right customer at the right time.

Today, with 40% fewer assets and considerably fewer people as a result, we have actually increased our production in copper equivalent terms by 8% and as a consequence our unit costs are down by 31% and our productivity – in terms of copper equivalent tonnes per employee – has improved by 41%. That is transformational change.

This morning – you may have seen – we released our production update for the first quarter of this year. I'm pleased to report a 9% increase in our production on a copper equivalent basis versus the first quarter of 2016, thanks to a broadly strong operational performance, enhanced by the continued ramp-up of De Beers' Gahcho Kué operation in Canada, the Minas-Rio iron ore operation in Brazil and the Grosvenor metallurgical coal operation in Australia. The operating improvements at Sishen in South Africa and ongoing portfolio refinements are further strengthening our resilience and competitive position.

Let me tell you a little bit about where we are going to. As I have said, today Anglo American is a much more resilient business and we will continue building on that.

This business is based on a portfolio of high quality assets and I have talked through the margin, productivity and cost metrics that show our progress most clearly.

In Diamonds, we have a business that is global in scope and scale. While each asset may not be Tier 1 in its own right, the aggregation of assets under the De Beers business adds breadth and value to our customer product offering.

In PGMs, we are building on our quality resource base and we understand the imperative to have our assets occupy the left hand side of the cost curve. We also need to push along with market developments that we see for fuel cells and jewellery.

In Copper, we have significant potential from our existing resource base – in Peru, in Chile and longer term in Finland – but we are not yet at the scale and quality where we would like to be and so we have work to do.

In Bulks and Other Minerals, we have a great set of individual assets – but nothing that argues we are operating on a global scale in a specific product group. We have packaged this cluster of assets under one team that understands the bulk commodity technical issues and has demonstrated an ability to drive rapid productivity and cost improvements on a broad scale, in turn driving positive cash flows.

Consistent with that approach, we have consolidated our Marketing functions across all of the commodities (and to be clear, this excludes diamonds as they are very clearly not a commodity, every diamond stone being quite unique), so that we get the best of the logistics and cost opportunities – while learning from each other how we build different relationships to ensure we are rewarded for delivering better outcomes for our customers.

As I said at the outset in 2013 – the portfolio element of our business strategy is driven by asset quality – our focus being strictly on sustainable margins and returns.

So, today – given the progress we have made on our balance sheet imperative – that is exactly how we continue to think about the business – your business – but in a much tighter, more streamlined configuration, with a portfolio that has both quality and a broader suite of future development opportunities – if and when the time is right.

This is not the same business we presented to you back in 2013. This is a safer, more productive and efficient business, selling its products at a more competitive price. As a consequence, we believe the business has improved the quality of its earnings engine, reflected through a lower cost base. That is, we are a more resilient business through the commodity price cycle.

And we will continue building on our business improvements, targeting \$1 billion of cost and volume improvements in 2017.

As we look a little further out than the end of this current year, you may have started to hear us talk more about some of the technology-led innovations that we are working through – or more specifically that Tony O’Neill (our Technical Director) is working through. FutureSmart mining™ is how we think about and talk about how we see the future of mining. This is an industry that has scaled up over the last few decades – there is no doubt about that – but we are largely doing things the same way we always did, with a few remote control trucks thrown in.

However, the real future of mining lies in turning conventional thinking on its head, and that is our approach. Can you picture mining deep underground with people safely out of harm’s way, targeting more of the precious ore and less of the waste rock with all the associated energy and equipment cost savings? Or picture a mine that draws no fresh water, but recycles all that it requires, and produces only dry tailings, with all the stability and environmental benefits that would bring.

Now is the time to make these step changes in mining if we, as an industry, are to retain our social licences to operate and access ever more remote and challenging ore bodies. For those of us with a very real interest in how you extract metals and minerals safely, sustainably and profitably, these are truly exciting times.

So, in summary:

- We managed the portfolio through turbulent times, rigorously safeguarding value in doing so, and have emerged with a portfolio of high quality, long life assets with considerable further potential that we will continue to manage dynamically;
- Free cash flow generation remains the imperative, giving us the flexibility to move to the next stage of the company’s evolution;
- We will therefore continue to:
 - roll out the Operating model in order to realise the maximum potential from our assets;
 - implement the Marketing model to maximise the value potential of the products we produce; and
 - keep costs lean, remembering the enhanced sense of discipline imposed by a challenging price environment.
- On capital management, we will also maintain the discipline we have shown. Returns to our shareholders are a priority and we aim to reinstate the dividend for the end of 2017; and
- We will ensure our balance sheet discipline through adopting conservative debt ratios through the cycle.

I trust that gives you a fuller picture of the journey we have been on and clarifies our future direction in terms of priorities. I speak for the entire executive team when I say that we are aligned around our objectives and excited about the opportunities that are in front of us.

Finally, ladies and gentlemen, two farewells and a welcome. To René Médori, our Finance Director for the last 12 years, I am grateful for your steady hand and wise counsel and wish you a much deserved retirement. We welcome Stephen Pearce who will be joining the Board and succeeding René after today’s meeting. Stephen has been getting to know the business over the last couple of months since he joined us and I know he will be a strong addition to the team.

To our chairman, Sir John Parker, for his guidance and leadership across so many fronts. On behalf of the entire management team, we thank him and wish him well as he steps down as chairman later this year.

Thank you.