# Conference call transcript

**Investor Presentation, 12 December 2013**
**Driving Value – Understanding the potential**

**ANALYST CONFERENCE SESSION 1**

**Mark Cutifani**
First of all let me say good afternoon ladies and gentlemen. I'd like to thank you for taking the time to listen to our story in terms of Anglo American, where we are going. I usually start a presentation off with a couple of opening remarks. And I thought one of the things we should do is maybe make sure we get some definitions right. There is one definition that I was going to share. And in the industry, in fact in my first week, somebody in the audience actually counted the number of times I said value in my first presentation. And my intention is not to replicate that process, but maybe to start with the definition of value.

Somebody once asked me this question in a meeting. And I think the right answer is when we say value, just to make sure that we're absolutely clear, we're talking these things. Now that's R100. I can't afford a £20 note. Let me give this to Paulo. Now, Paulo is running the Minas-Rio project. I expect that R100 back along with some of the contingency on the project. To make sure that we are crystal clear when we talk value, we are talking about cash, the delivery of cash. I think that is one important statement to make. Somewhere along the line as an industry I think we have lost that a bit. From our point of view to make sure that we're clear that that's what we're trying to deliver in terms of value.

I think for us as a team the last eight months have been very important. One, getting to know each other – yes, we've made some changes – but I think more than anything understanding what we have as a business, what are the foundations that we need to make sure that we deliver on our potential, and how we work as a team. Today we have five people here that will present, and I will pick that up in the presentation. We've also got a group of people here that during the course of the meeting, particularly in the Q&A, will have an opportunity to answer a question if it relates to their part of the business.

Any one of the people in this room from this organisation could get up and do this presentation. Every one of us has to know every part of the business and be able to talk to what we do. Ultimately to me that is how a team should operate. That's the definition of a team. And certainly that's the work we're doing and that's how we're working together, making sure we challenge each other and question everything we do before it is presented in this forum. That's where we are.

Before we go any further I'd like to apologise for deferring the presentation for a couple of days. But from our point of view we thought it was appropriate, given our roots and our history, obviously given the nature of Mr Mandela. From our point of view we thought it was appropriate and respectful to defer. I actually went down for the memorial service. It was a special event. All I would like to say from our point of view to the South Africans in the audience we would like to say that we share your sorrow, but more importantly we celebrate a wonderful life of someone who made a tremendous difference to South Africa. Whilst we talk about the challenges and the issues in a country that is 20 years in democracy, the country has come a long way. And we continue to play a part in helping the country realise its potential. We have a lot to be thankful for and it was great to be part of an important day.

I will kick-off with context. The asset reviews and operational priorities will be handled between Tony and Duncan. I will also chip in with some observations on a couple of the assets. We tried to keep the participation tight so that you are not continually seeing us turn over at the front. But when we do get to Q&A I will cue in respective members of the business so that you can hear from them. Peter is talking to the commercial model. I think that is very important. That is quite a significant shift in the way we are realising value in that part of the business. Rene's work on capital allocation and the context around the financial parameters we are using and how we are thinking about the business, that's going to be critical. In terms of delivering on the return it is how we are working on both the numerator and the denominator.

Safety, sustainability and engagement. Normally in a presentation such as ours we will deal with safety upfront. I will deal with safety in the context of the total sustainability package. I will pick that up, and that will lead to into my conclusion and certainly an open conversation. We will give you two opportunities to go to Q&A because it is a long session. And for that we wanted to break it up and mix it up so that we try to keep you awake for a good part of the session at least.

The five presenters at the front, the two old guys at the top, the three young, fresh-faced guys at the bottom, will handle the presentation but we will cue in more of our colleagues in the process. As I said, the team is here. Very important, we have done a lot of work in that first three months. We restructured the organisation. We slimmed my direct report down from 16 to 11. We still have work to be done through the organisation. We are actually working on the appointments at the next level. There are changes throughout the organisation. I would expect to see some changes continuing as we focus on what has to be changed, standards that we are implementing across the business. You will see a lot of that later in the conversation as we go through today.

What are we going to hear? We are going to cover a lot of territory. It is not our intention to bury you in detail. It is more about unpacking what we've seen, where we see opportunities, and to give you a sense of how we are attacking the issues. Now, when you do a review of 64 assets – and we used both internal and external resources – we were looking to identify the potential we have in the business. And in many ways I think as an industry we have lost the ability to look at the business 360 degrees from different perspectives to see what we can do differently. And I think we have done something different in our first eight months together as a team.

We started with a fresh piece of paper to look at the resources and what we can deliver through the process in terms of improving and delivering on our potential. I think that is important to look at opportunities where we see obvious issues that we have to deal with, some very public, some not so public. Asset recovery projects where we are working on turnaround, or where in fact we have delivered a turnaround that isn't so obvious. Minas Rio obviously is a project. New development opportunities won't be unpacked in detail here. They will be brought to the market in the next 12 months as we start to put flesh around the real opportunities we see in terms of performance. And then ultimately working on the denominator, make sure that our capital employed is the right number so that we are improving margins and delivering on returns.

The pathway to 15%. The only thing about 15% from our point of view which is important as a starting point is that it is the starting point. 15% return on capital deployed from our perspective is a break even number. Our objective is to do better than that. We have a number that we talk to. I will let you postulate or debate what that number should be. But from our point of view we think that is a starting point in terms of delivering returns which are acceptable. That's a minimal acceptable outcome. We've got to do much better than that to create real value. Again, we will let you pull that apart in terms of what that should be. I will make the point that that is not an average; that is the starting point to delivering value in our business.

I’ve been with the group eight months. I’ve been through all the major businesses. I’ve seen more than 50% of the assets. I’ve talked to literally hundreds, and I think it is more than 1,000 people, talking about what we see in the business, where we think the challenges are. The thing that struck me in going around the business is the quality of the resources and the assets. This is a fairly simple story. We have a great set of resources that I don’t think we still understand properly in terms of potential. And we will unpack what we see and see if we can help explain why we think there is a lot more potential either in terms of direct performance or the options we have in the longer term in terms of improving our business, and about where the assets are today and why we think they should be doing better and how we think we can get there.

In Sishen, one of the world’s great iron ore assets, we’ve obviously stubbed our toe. We have defined a new mining process in terms of how we think we can deliver improved operating performance. At Los Bronces and Collahuasi in the copper business there are already turnaround stories. The work has been in place for 12 to 18 months. And you will see a significant uptick in performance, particularly throughputs and delivery of copper in the last six months in particular. There are some headwinds that we have to deal with in terms of grade. We will talk that through and explain what we’re doing to continue the underlying performance improvement and to sustain and improve in the longer term.

In Jwaneng, a recovery project over the last few months. They have done a great job. They are delivering at full capacity. I will talk for a moment on the De Beers operation, with Jwaneng being the premier asset for the diamond industry. It is important that we have actually got it back to full rate. The work that is being done and the changed approach is absolutely critical to improve that performance going forward.

In platinum Mogalakwena is an asset that has options today and for the future. It is today, as far as we can work out from all the data we’ve seen, a significant precious metals resource. In of itself I believe it is the second-largest precious metals resource in the world. Some are saying it is probably by value the most significant. Either way, it’s an asset that has lots of potential that I don’t think we are tapping.

Finally, in met coal I think you are seeing an operation that has just been awarded coal mine of the year in Australia. It is an example of the implementation of the process changes which we see going across the group. And the model which is being used is very similar to the model which we brought to the group. And that’s about the way we’ve done our mining process with more of a manufacturing approach which is what we’re looking at in terms of investments. We will talk about that as a bit of a case study in terms of how we see that improving the business.

This is about the business, the foundations we have and why we believe we should be doing much better as a business with those assets. The most important point that will make that different is that the leadership and the people we have in the business. When we talk about doing work in this business we did a lot of work through all parts of the organisation talking about change. We’re talking about what change may look like and making sure that we involve people across the business.

More than 70% of the people were looking for us to be different in terms of the leadership we provide and looking for different things in terms of the support we provide them to improve the business. So for me I think I’m one of the luckiest guys in this industry to be given the opportunity to lead a group of people that are demanding a change, that are demanding to take the business to a new place and are openly embracing the types of things we talk about.

We have a lot of work to do. The jurisdictions are different. The cultures are different. But the conversation around Anglo American is where to from here, and how do we return Anglo American as an icon of the industry back to where it should be.

We have just completed an asset review process that has been more extensive than anybody in living memory in our organisation can recall. I think probably one that has been quite unique in terms of our industry. Looking at every resource and infrastructure we have installed in the resource in terms of its potential and how that equates to delivering a different financial outcome. We are not interested in growth for growth's sake. We are interested in growth of our financial performance, margins and returns.

Looking at the business we do have large scalable resources across a diversified portfolio. I will talk a little bit to that later. We have good assets. And I'm talking about both the resource and the infrastructure that has been installed. But for a range of reasons we don't have our arms around those resources. That's the work we're doing. We've still got a long way to go on that, but that's good news because I think we've got more potential.

The installed infrastructure is good infrastructure. Even though we may not have delivered on the outcomes and returns we should have, we haven't degraded the assets so that we're in a major recovery programme. There is a lot to work with and a lot we can improve. To be frank, I've been in tougher businesses that had more complex issues to deal with. It's a pleasure to come to a business where at least the assets have been relatively well maintained, and therefore we've got a lot to work with.

From a development point of view people do know that we've had issues across our open pit operations, the top five, and stripping to catch up on. We will talk about each of those assets and where we are in each of those cases. We have to think about our development as a way of producing flexibility to improve performance, to make sure that any dollar we put in the ground as capital expenditure will deliver a return.

And then finally from our point of view we see ourselves as not being as innovative as we could have been on the commercial end. For us that is an opportunity in terms of being able to improve our margins above and beyond the things we do within the working engine.

While several issues impact capital to some degree the denominator is actually critical, and is one I think as an industry we have been less than disciplined. Rene will spend a good part of his presentation talking about the capital allocation process that we have developed in addition to what we have already put in place that we are seeing benefits from. And finally again reinforcing the point that this is about people. Making sure we've got the team, the capacity, the capability to deliver the outcome.

Before going into the operations having referred to the industry around performance just for a moment reflect on what we actually see in the industry. Since 2006 return on capital employed in the industry has gone from 24% to 10%. If you go back four years before that I think we were back down around 10%. So you've seen us go up and down pretty rapidly. What we've got to do as a business is put a foundation in that is more consistent through the cycle. As I said what we're trying to put in place is a robust business that can deliver 15% through most parts of the cycle and certainly on average well above the 15%.

Yes, the industry has been the beneficiary of commodity prices in that period. Many companies have been able to capitalise the assets, take-overs at any price, and on occasion the need for speed over the need to deliver a return and to think about the asset when things weren't as positive. At the end of the day I'm still a believer in the underlying demand fundamentals across the industry. We've got to make sure that we're competitive; we can compete in any market as good if not better than anyone else. If we do that well, don't blow our capital base, then returns will come.

A very important conversation we've had as a group is what are the basic things we have to do to be successful as a mining company. Given that last slide most of us have been basking in the glory of favourable commodity price cycles and certainly very strong demand for our products driven from China. Now, China is changing. I still think demand will be important in China, but at the end of the day the story is much more complex. So we can't rely on this to be the thing that bails us. And in fact, in my view in my 37 years I think our focus on finding, developing and making prudent decisions on capital has been lost.

We can't rely on price to be the thing that helps us deliver a return. The other thing I've learned in 37 years is the dynamics in industries change over time and that we've got to be very careful in our industry. We have a terrible habit of seeing a great price and everybody ups the volumes, and we see declines very quickly. From a discipline point of view that is something we can manage. Make sure we don't deploy our capital in the wrong places, but at the same time we also have to be cognisant that there will be a tendency for some to bail in too hard and too quick and destroy fundamentals.

So at the end of the day what we do is manage our competitive position, the margin we deliver and deliver a return. That's what we're trying to establish in terms of this business, being robust through the cycle and at least reasonably independent of the activities of others when they go too far in terms of supplying markets.

In that context I think our portfolio is different. And the way we are thinking about the business is different. As you know we have a couple of significant iron ore producers. We have a significant iron ore petroleum producer. We have two diversified, clearly different business models. But again I will only make comments about ourselves. We think the balance of the portfolio we have is reasonably good. It's not overly complex when you look at the assets. And here the complexity is in the market we try to bring that expertise together to do a much better job in the way we manage our market relationships, learning from each other, so that we can improve our margins better than we have in the past.

In the end the one thing we would say is we don't know the answer on pricing for each of our products, but we do know the positions in each industry are different. And what it does is give us some optionality in the way we deploy capital, which is always against the imperative to return capital to shareholders. I will make a comment towards to the end of the presentation. Those issues are critical in terms of delivering returns over the long term.

On geography, again we think geography is an advantage from a risk perspective. Some people have said that in South Africa being 31% that's a bit too much exposure in one country. And some people see risk in South Africa. I would say that our returns in South Africa have been better than 20% over the last few years. As we invest in Brazil, Australia and other countries we have to actually take the capital that we've deployed outside of South Africa and get it to start working to its potential.

So for us over time you will see more of the balance sheet deployed in areas outside of South Africa. We think that's sensible. We think that's logical. We think the resources that we have invested in are good resources. In the case of Minas Rio we put too much money in, so we have to work twice as hard to make sure we get a decent return. That's where the focus will be. For us we think it is a good diversified mix in the portfolio. And over time what we have to do is make sure that capital outside of South Africa is working to its potential. That is where the big focus is over the next three years, in particular making sure that it starts to pull its weight and the investments we have made over a long period of time are really starting to deliver value in the portfolio.

In thinking about margins and returns within the assets I made an observation last presentation that as long as we don't see something structurally problematic with a commodity, that the supply is not likely to be literally overblown by capacity or there is some issue on the demand side and we are reasonably comfortable with pricing, then for us to have a good asset in that commodity is a good place to be. Particularly bottom half of the cost curve, good margins, not too much capital demand where you can make real returns. Anybody that says we think that commodity is the right one to be in and you bail in all the capital you have, I think and we think that's a risky position to have. Assuming you're smarter than everybody else, you are likely to have over-committed and then you expose yourselves in terms of return and risk. So we try to keep our portfolio balanced, focused on assets, focused on their competitive positions, driving the things which matter.

A very simple representation of our assets by size. So the bubble size indicates the size of the asset. You can see the commodities. We have not tried to be too technical. This is showing you where we are on the cost curve. It is a little bit confusing here because we have the cost curve from right to left, whereas on the next slide we do it the other way. So just to point out that we wanted to make sure you are still awake when we come to this part of the presentation. This indicates higher-cost, small assets.

It is no surprise there is a handful of assets that we don't think have the long-term potential to add real value to the business. We're not going to indicate what they are. The key point is that you're better off telling the market after you've sold the asset that you're going to sell something because you are more likely to get a better price. Yes, there are assets in the portfolio that we are questioning. We are working with the team. There is some turnaround work. But we will sell assets over the next three or four years. It will be at the right time at the right place. We are not going to go out there and flash our guns before we should, destroying the potential market we might have.

It is opportunism. We will not destroy value by going out there and telling everybody what our intention is. That from our point of view is the recipe to not being able to realise those sales. That's where we are. The assets have to pull their weight or we will look to redeploy the capital. That is a very clear message to every one of our asset managers.

Now, in taking that slide we've flipped this around to keep you awake. 86% of our earnings come from assets that are in the bottom half of the cost curve. I'm always a bit cynical about cost curves. Every conference I go to about 75% of the industry is sitting in the bottom quartile. However, for us, knowing where we sit approximately, and knowing what margins we have, is absolutely critical because that is what we can manage. So don't rely on the market. Make sure you've got a competitive business and you can deliver returns through the cycle. That for us is absolutely critical.

These and every operator in our business knows if you are sitting here there is some work to be done. And if we don't think we can turn that around, yes, those assets will be sold when we believe we can return value. Now, you're going to hear a lot about what we're going to do. I think it is also important to reflect on what we've done in eight months.

Platinum restructure. You will hear about where we are in the restructure and how many positions we have already taken out of the business. You will hear about a new mining strategy for the operation. Still a long way to go, but we will be very clear about the what, the how and the timing. Work to do. The good news is the ArcelorMittal dispute being settled, which we think is good news. It is one that is creating some confusion. If you haven't heard this morning the Constitutional Court hearing was constructive, recognising our right to apply for the 21%. There is still a process you go through with the DMR, but very favourable and also good news for South Africa in my view. It shows the process works. I think that is a brilliant message.

On copper production you have already seen significant improvements in copper production, the improvements in throughputs at Collahuasi, the improvements in the mining operations. We will flag some headwinds in terms of grade, but the underlying performance has been solid and will continue to improve in terms of physical targets. We will see some coming back on the copper tonnes, but we will explain that through Duncan.

Barro Alto, we are in the process of designing the furnace rebuild programme. But in the mean time we have seen a significant improvement in throughput. I will explain how we did that – very simple – and what we are doing in terms of the furnace rebuild.

Minas Rio we will talk about progress on the project. Certainly from a project management perspective I think we have come a long way and the team has done some great work under Paulo. There is still a lot of work to be done to make sure we've got the operation set up properly, but we are doing the right things now, focussing on the right issues, making sure we are knocking each of the risks off and we've got the project under control as we should.

In De Beers Philippe and the team have done some great work. Venetia is now navigating the transition between open cut and underground. The flooding has been dealt with. There are some challenges there over the next couple of years as we navigate that, but again that is a normal operating risk that we would see in any business.

And finally, the continuing improvements in metallurgical coal. Seamus and the team, recognition of the good work they have done. Safety and productivity improvements. Named coal mine of the year in the last month. And a great model for us to learn from inside the business. So some good stuff there.

In terms of headwinds I think the thing that we hope differentiates us – you've got to make your own judgement – is that we talk about the risks in the business. Based on what I've heard in the last six months we seem to be the only business in the mining industry that has some headwinds. So what we'd like to do is be able to share with you what those headwinds are, what we are doing about those headwinds and how that fits into our improvement programme.

So we have been very specific. In copper Los Bronces grades over time. Not a surprise. This will impact our operations. That will have an impact. Now, Rene will share with you numbers a little bit later in the presentation so that you understand what impacts these headwinds will have. And what we will talk about is how we deal with those headwinds and how we are working on our improvement projects to make sure that we've got net of headwinds upside in the operations. We think that is critical. We think we need to take you along on a journey with us both on the risk side and on the opportunity side.

Iron ore, you know about the mining rates. Tony will talk about what we need to do to improve the business. In thermal coal a very interesting story. I will show you a slide about where we were in April thinking we were losing 4.5 million tonnes of capacity. In the space of eight months we have learned how to plug that gap with less than $150 million worth of capital. So in terms of returns a really good bang for our buck.

In platinum the restructuring programme progress we will share with you. Yes, there are still some risks, but we are knocking them off systematically. In diamonds I talked about the transfer in Venetia and making sure that we get the good value from Jwaneng and Orapa. And again we are reflecting on the work that Philippe and the team have done. At Minas Rio it is making sure that the operation can deliver to its potential. And the furnace work we're doing at Barro Alto. So these are the key areas. We have reflected those in the forecast for 2016 and how we are dealing with the issues.

In unpacking the outcomes we expect to achieve we have actually tried to simplify this. We have gone back to a 2012 base to help you pick your numbers up and look forward. We have shown the 2012 base against the mid-year pricing we used. We used the 2013 pricing deck. Showing a 9% return on capital, that's $3.3 billion EBIT. On projects remember we had projects and recovery work. What we have done now is we have cleaned that up and we have defined the projects we are working on that will add to that $3.3 billion, all things being equal. So Minas Rio, the fresh rock project in the niobium phosphate business, the Barro Alto furnace recovery and the P40 project at Cerrejón will deliver a $1 billion EBIT uplift by 2016.

Second, the opportunities that we will talk to in the presentation today net of those opportunities less the headwinds we have identified we see a $1.3 billion uplift which is net of those two, headwinds and opportunities. Again we will explain that during the course of the presentation. On identified upside that included $100 million on supply chain. Rene will talk to what we've identified, about 60% of that. Peter will talk to the $400 million we've identified in commercial with 60% already defined.

The $300 million on the pipeline we're forecasting to be delivered in 2014, which is earlier than we anticipated. We have already made a number of cuts as you know, for example Pebble. And because we have used a different capital starting point the actual capital base is a bit higher. If you add those three up we are at $3.4 billion worth of improvement. There is still a $500 million shortfall we have to find to get to a 15% return on capital employed by 2016.

We have projects that exceed that $500 million, but have not yet been either planned out or in executable form. What we don't want to do is present something that looks or appears to be more advanced than it is. We've got a lot of opportunities. In the next 12 months we will bring projects that have been planned out to fill that gap. There will continue to be some movement between these categories, but we are trying to keep them simple and a lot cleaner so that you can track opportunities and headwinds across the portfolio. Again through the course of the presentation we will give you an opportunity to scratch at that stuff and ask any questions.

On capital allocation we are getting the balance right. Clearly we're out. Rene is working out how to do that in the right way, and making good progress. Non-core assets, you are aware of Palabora, you're aware of Amapa, you're aware of other odds and sods, properties, a whole range of things. Not big stuff. This is not a great time to be selling mining assets. We will dispose of things when we see the opportunity to get value, but we are cleaning up a range of things. There is a lot of capital controls and Rene heading up the investment committee in terms of how we allocate capital across the business.

Project pipeline recalibration. We have already skimmed $300 million out of that. We are very excited about the opportunity. We have identified a much more significant resource potential. We have identified a much better configuration. And we have identified operating profit as per our engineering review that we started in May. So that is looking quite encouraging. And from a mine development perspective we see opportunities to improve. When I go through Mogalakwena you will get a sense of what we see in terms of improving the business and reducing our development spend because of a much smarter strategy.

The asset review is completed. We have done a big part of the work. There is still a lot more work to be done, but the hard work in terms of identifying the issues is there. I'm not saying we won't find more stuff, but we will keep people informed and we will identify more opportunities as we go. What we are trying to do is make sure we have the discipline in place to keep ourselves focused on the big ticket items to make sure that we deliver the outcome.

We have redone the capital allocation, as I said. When we looked at the hurdles we skimmed 40% of the projects out of the pipeline and put them back in the concept work, which is the right thing to do.

The team is in place. And as I said we are now reporting to the next level. This review goes right through every level of the organisation. In some cases we’ve got 16 levels in the organisation. So there is further tidying up that we need to do. And certainly for us getting rid of the bureaucracy that we’ve built up over many years is a key priority for us as a business.

For us we have identified 85% of those opportunities. We have a list of opportunities that sit behind that that will replace and move in and out over time. But we think we have the key targets covered. For us now it is about the discipline and execution in driving the business forward.

So with that as a starting point I will hand across to Duncan Wanblad. We call him Robert Redford in the team. He looks too young and doesn’t have enough grey hairs. We expect over the next three years we might help him with that.

**Duncan Wanblad**
Thank you, Mark. I’m a lot older than I look because I work for Mark. Good afternoon everybody. I know you are obviously quite keen to get to some of this detail, and we would like to do that. But before we get there I thought it would be quite useful to give a bit of a background about what the asset review was all about. Mark told you different pieces of it. In this next section I hope to give you an idea of how we did it, what we looked for and some kind of sense of what these outcomes were. So five or six slides, not much more than that, and hopefully you’ve got a good idea.

So how did this all start then? In about April Mark called me into his office and said I want to know what we’ve got, I want to know the good and the bad of it, I want to know what its potential is, I’m very keen to know how far off we are from reaching that potential in the assets, and I need to know what kind of risk and issues we may face in terms of getting to that potential. And here is how I want you to think about it, he said.

So this has become what we colloquially refer to internally now as a pathway to value curve. It is relatively simple and there is not a hell of a lot of jargon in it. It basically starts out here on the left-hand side with a fundamental understanding of what the ore body is and what the most expected strategies are for exploiting that ore body.

It moves across into the centre of this curve with some dimensions that run through the evaluation of the mine design, mine planning and operation management practises, and ends up right at the end here with a test of whether the production output of these operations is making sense in terms of what it is that the market is looking for at the end of the day.

It seems pretty logical to me. It provides a pretty good framework and holistic way of looking at each of these assets. I said, Mark, you just wanted to represent a sample of this, right? He said, Duncan, I want to know everything about everything. So given the size of this portfolio I was thinking to myself this could be a job for life unless I set it up well. And so in doing that I put together three tiers of people mainly comprised of our own internal staff.

So we’ve got lots of experts internally across the group. I brought them together and then I augmented this team with a number of consultants. These consultants are not your typical management consultants. These are consultants that are very experienced, appropriately experienced. Grey haired is one way of describing them. Metallurgists, engineers and managers. All of them have worked in this industry. Some of them have Australian accents. Anyway, so Mark said that we reviewed 63. Actually there were just about 90 assets that we reviewed between May and November, using a lot of internal information and a lot of that compared to external benchmarks.

So to start with we had to prioritise relatively vigorously. We started off by prioritising against current contribution. And you won't be surprised that about 13 of the assets in the group contribute about 75% of the profits today. And it looks like that is going to be the case for the next few years. Obviously that is really important to understand, very important for us to know, very important for us to get those assets absolutely right.

But it is just as important on the balance of the portfolio to understand what opportunities they present and certainly what risks they may present to the portfolio. Ultimately what we tried to do is categorise each of these assets into one of four boxes, fix it, optimise it, nurture it or sell it. So that is basically what we did.

The approach, there are two distinct elements to this approach. Firstly on the left-hand side of the slide fundamental bottom-up review. So this is where the team went out to every single asset, sat down with the management, went through their plan. There were really robust conversations engineer to engineer, manager to manager, miner to miner. Those were really fun conversations. And seeking answers to questions that we asked with different time horizons in mind.

So in the short term how were we doing in terms of meeting our budgets for this year? And is there a material risk to the delivery of the budget next year and the year after? More medium to long term, what are the risks facing this particular asset in this particular business in this particular country? And do we then in terms of that pathway to value curve really understand what the full potential of this asset is and do we know how to get there? And once we've done all that do we know which box to put it in?

That was the one dimension. The second dimension was a much more data-centric analysis of production or operating metrics within the asset. So what does that all mean and why did we do that? Well, here is an example. I know this graph looks terribly tricky but it is actually a great story and it is quite simple when you unpack it. And it is a real example, and it is from mining, so it makes it all the more credible. Really what I wanted to show you here is that as you look at an asset there are potential opportunities in this asset to improve its productivity without laying huge amounts of cash or capital into the business. And I'm assured by Rene there is not a hell of a lot of that in the next few years, so this is kind of important to us.

So one way to look at this is here on the left-hand side. Understand what is causing the variability in your process. When you have interrogated the asset well enough you understand what that is. Then you eliminate the cause of that variability. And that is kind of what happens. Because you have got now a much more stable process you decide where the de-bottlenecking needs to happen. So then you put in the de-bottlenecking into the puzzle. And that could either be a little project; it could just be simply the way that you run the asset. Moranbah is a great example of de-bottlenecking by operation methodology. You will hear a little bit more about that later.

There is inevitable variability in the performance as you settle the thing down until you stabilise it. That's what happens right there. And then you do it all again, and you keep doing it until you can't do it any more because it now really needs a large amount of capex or it needs a change in the way that you're thinking about the strategy of exploiting that ore body.

Two key take-aways from this picture then. A very structured approach and it is a different answer for different assets. Secondly, what we are looking to do here in the first instance is sweat the capacity that we have already got installed without putting huge amounts of capex into it.

So back to my framework then. There is potentially something in every asset that fits into every dimension of this curve. So it is something to do with the ore body, something to do with the methods of design, something to do with planning and scheduling, and something to do with resource to market. But they are not necessarily all equally important, and that is very important to understand. Find out which one drives the biggest bits of the value puzzle. That's where you focus your time. That's where you focus the management attention. And that's where you enable the management to do the work that they need to do.

What you would do at Sishen, which is much more a focus on mine design, what you would do at Los Bronces, which is much more a focus on mine planning and execution, is quite different from what you would do at Moranbah, which was about performance management, operating practises. And the outcomes are all the same, but the approach to those is slightly different.

In summary then on the asset review side of things, we delivered two things. One was a better understanding of the assets. You heard Mark saying a moment ago he doesn't think we understand them all properly yet. That could be true because they are complex. The good news it's our day job, so we are going to keep doing this and keep trying to understand them. I think what we were able to do is prioritise the most important work on each of these assets that are likely to deliver the biggest differences to performance, and therefore value, in the short term in each case without spending an enormous amount of capital.

And then we got a really good understanding of the more generic and the more systemic issues that have been inhibitive to performance in our recent past. And it is those things that we now as we think about them hope to organise ourselves better for and to prioritise more rigorously. So that I hope demystifies a little bit the story of the asset review and what it was all about. It is relatively simple. There is no rocket science involved in it. But there was a lot of experience brought to the table here, and there was a rigorous framework applied to it which I think delivered a clear understanding of where the major improvements and opportunities for improvement lie.

That actually concludes my part of the presentation. So I should sit down now and hand over to Tony. Tony looks quite a lot like some of the guys we had on the asset review. He says no, you do this next bit too because you are now after all accountable for this. So I just want to give you a few points on the copper business and particularly three of the key assets that we have in the copper business.

So starting out with the overarching story in copper. The next few years for us represent what I call run hard to stand still. That is totally characterised by the fact that we have huge amounts of great variability on each of these assets in the short term and declining grades in the long run. That is the average copper grade for the portfolio over the next couple of years. Output is obviously directly related to grade in this business. And the long-term grade if you strip Los Bronces out of that is declining quite materially over time. So our current grade for the next few years is around 0.8% and the average reserve grade from here to the life of the mine as we see it today is 0.6%.

So those are some of the headwinds that Mark has been talking about. Doing nothing is going to cause quite a material reduction in the output. Ores are getting harder. That makes them more difficult to process. That makes the throughput rate slightly slower. We have tougher environmental regulations that are impacting the way we would look at the performance of these assets in the next couple of years too. So do nothing is not really an option. A lot of what we have to do is find ways that we can cover up or close that gap without effecting major expansion. And there are opportunities to do that.

The challenges at Los Bronces I think you are now well aware of. We have had a few in the last few years. Many reasons exist for these, but they are primarily characterised with having gotten out of synch with our long-term mining plan. The consequence of getting out of synch with your long-term mining plan is in Los Bronce's case we ended up with one ore phase only. We were only able to mine ore from one phase, quite a small area.

It becomes quite congested. The risk is fairly high. If something happens in there that goes straight to production almost immediately. It ended up as a bit of a rat hole as Hennie would call it, or pig rooted area, as Godfrey would call it, as we were chasing the grades. We weren't spending money on stripping out the area that would make ore phases available to us in the future, and as a consequence we hit the wall.

The mine is re-planned and the work in the last couple of years has been to bring the mining back into sequence. These pictures tell that story almost perfectly. If it looks like a bit of a mess it probably is. That and that viewpoint are more or less the same, and they are 2010 and where we are today. We still only have one phase of ore, however. A lot of our challenges right now are in making new phases available. And by next year we should have access to two. The following year we should have access to two, but a little bit more access, and then three.

Hopefully we are now getting into a much better position with a lot more flexibility to sustain the output. Some of the asset review stuff shows that is where we have opportunities in terms of productivity improvements. So now that we are not dealing with [unclear] to the plan and we are managing ourselves in a fairly regularised sort of way we have the time to focus on things like availability, equipment scheduling, cost reduction. And all of these are key focuses of Hennie and his team at the moment.

Collahuasi itself is not a hugely different story in terms of where it is today. They are performing very well as I'm sure you have seen in the last quarterlies. The one key difference here is of course we did struggle with the sag mill. And we weren't the only people in the industry to struggle with the sag mill. The consequence of which is up until April of this year very erratic performance, difficult to control, not stable at all. We shut the mill down eventually and replaced the stator. You all know what stators are, for the miners in the room, this is a non-rotating piece of the machine that creates the electrical energy to drive it. It is a really big piece of equipment and it is integrated into the mill. That is why it took long to plan and long to change.

So having done that – credit to the management – they very quickly ramped up and got to stable production output operating at about 150,000 tonnes a day. So Collahuasi is one of our key assets. Under new management at the moment. All of them performing really well. All of them with a clear understanding of what good performance looks like and what they need to do to get there. Good relationships with our partners. All of us now have an aligned vision in terms of what we need to do with Collahuasi.

The first thing you do is stabilise the output. We are on our way to doing that in both mining and processing. Secondly, you optimise it. You find those bottlenecks and you put some things in place to de-bottleneck them. We have activities going on in the mine, in the pit as well as in the plant today. And then, and only then, do you think about spending large swathes of capital to expand the mine. That really is the Collahuasi story.

Quellaveco. It is very important to mention Quellaveco in the context of the copper portfolio. This could be really fundamental to us in the future as those grades of the big mines start to decline relatively rapidly in the future. This is also one of the projects that benefited hugely from the asset review, looking at the way we exploit an ore body, the mine design and the process that you would apply to coming up with the final outcome.

It is an extremely large copper porphyry located between two operating mines in the south of Peru. It doesn't look terribly dissimilar from those mines. It is 1.5 billion tonnes of copper at 0.6% and it is open at depth. So we haven't determined where this ore body ends yet. The possibilities of this being much, much bigger than 1.5 billion tonnes are very real to us. It is a long life and will be in the bottom half of the cost curve. So it is exactly in the right place of where you would like all your assets to be.

What is more important here in Peru is it's an area where we have huge support from both the community and the government. In the next couple of years we need to re-scope this project. And we are well on the way to doing that. We need to complete the new feasibility study on this project. It is going to take us 12 to 18 months to do that. And while we're doing that we're going to continue doing some of the early works that have already commenced on the site there, mainly around enabling infrastructure and community support projects to ensure that we don't lose our optionality on this quite special asset. It is quite a key component of our copper business going forward.

So in a nutshell that was the copper story. I'm going to hand over to Tony now who is going to give you chapter and verse on some of the other top assets that we have in the group in terms of what we found and what we are trying to do now.

**Tony O'Neill**
Good afternoon. I've just had a revision of my script that I was given 30 seconds ago by the tent master. The asset review has been extremely helpful in the operating sense because it has given us really clear guidelines at a high level of the things we need to look at within the operating businesses. Given that Mark gave me on joining, Sishen as my number one priority we started a process with Norman Mbazima and his team to unpick what was happening at Sishen and set a direction to go forward.

In looking at Sishen initially it was really apparent that there was a shortfall of exposed ore. Essentially we didn't have the ore exposed to be able to deliver to the plant, and that was driven largely because we were well behind in waste movement. If we did nothing this would be the production profile of Sishen up until the end of 2016. There would be recovery. That recovery would be very slow. And along with that very slow recovery in ore produced a rapid increase in the amount of waste being moved to at least try and get this pit back into some sort of balance.

Why is the mine in this position? I think to explain this I'm going to have to give you a little bit of a technical explanation. The cross-section of the pit that you can see there really to an engineer explains exactly what is going on. Sishen has been mining for the last 60 years in that area. So the highest productivity core of the ore body is essentially towards the back end of its life. The mine is now transitioning into a higher waste to ore area for the remainder of its life. In saying that it's not a particular high strip ratio. It still remains around 3.7 to one. But it is a lot more than it used to be. It used to be around 1:1 and 2:1. So there is a reason in the lifecycle why Sishen is fundamentally changing.

There are another couple of other aspects that have contributed to this. Under Chris there was a lot of work done in the bottom area of the ore body to determine whether that material was ore or not. And over the last four years following that process some 341 million tonnes of reserves were written off. So that is also part of the equation. There are still 920 million tonnes of ore remaining at Sishen. So it is quite significant. And a lot of that material written off is actually not waste. It is sub-grade. If the economics change or technology changes that material will potentially come back in.

Dingleton town is also a township which should have been moved by now. It looks like it will be moved by 2017. The fact that that hasn't been moved has really changed the sequences of the operation.

There are a couple of key things that mining engineers look at. Generally we like to keep things fairly simple. Sishen pit is around 10km long. And over that 10km there are different areas that have a lot of waste to remove to get to the ore, and there are other areas where getting to the ore is relatively simple.

On this heat map that you can see on the left-hand side the red and warmer colours are the areas where there is relatively little waste to be moved to get to the ore. One of the things that we looked at in this exercise was positioning the mining areas over these warmer areas. That wasn't necessarily the case.

The other key metric in all open pits is what we call the sink rate. The sink rate here is the vertical depth that we drop the mining area per year. On average an open pit will drop its vertical face 80 metres in a year. Some operations, if they are very well managed, can drop as much as 120 metres a year. Sishen was essentially dropping its key areas at around 50 metres a year, and some areas down to 35 metres, which translated means that these warmer areas that we have here, the more productive ore areas, were being accessed far too slowly.

In our redesign what we have concentrated on is picking the right areas and ensuring they are of the right size and the right execution plan to ensure that we drop at least 80 metres a year. We have used that 80 metres in the calculation of the predicted productivities going forward that we will refer to a little bit later.

What have we done? There are a couple of very broad pictures here showing the different cut-back phases. A cut-back is just a mining area that you take down at one time. The top one is what we are currently doing, and the bottom one the redesign. Before we talk about those we also re-checked the overall design of the mine. And given the removal of ore reserve over the last four years in going back and redoing this exercise we have removed 500 million tonnes of waste from the life of mine plan. That doesn't really come into the period till 2016, and it is more an end of life effect. It is quite significant in the overall scheme of things.

In looking at the pit we've done a number of things. Obviously we've focused the mining areas here on the warmer, easier to access ore. We have also in some parts of the pit turned the mining direction around 90 degrees. And that has the potential impact to increase productivity greatly because it simplifies the access routes out of the pit and could potentially increase the productivity by up to 20%. That has been the basic key to what we've done at Sishen.

Now we would like to show you the video to really show you a little bit of what is happening. These videos show the northern part of the Sishen mine. This is the only area where we have redesigned up till this point. The light blue indicates waste that can be mined in an unconstrained way without any selectivity. The brown indicates clay material. Although this is unconstrained it requires different equipment. The dark blue is the ore and waste area that we are really trying to get the product from. In that area we have to be very selective. What I would like you to notice in this plan is not only the direction of mining but also the rate that the pit areas drop down. This first video that you're looking at is the current design. The second one that will immediately follow is the redesign case. And you will see that it actually looks quite different. That is essentially what we have been trying to achieve throughout the process.

I will give you some numbers in the next slide looking at the operation. The numbers are from the re-design. We are still continuing on this work. The productivity improvements that we are seeing by changing the direction of mining have yet to be factored into the plan. What we are talking about really is a work in progress.

Where does that put us today? I stress this is still a work in progress. What we are seeing on the left-hand side of the slide is the doing nothing business as usual case. You have seen the very slow recovery going forward. On the right-hand side you can see an accelerated claw-back of the ore tonnage for Sishen. These numbers are still approximate, but they give you a good estimate of what is going on. We would see in 2014 rather than 31 million tonnes it will be around 35 million tonnes. In 2015, 33 million to 36 million. And we get back to 37 million much earlier than doing nothing. We are back at 37 million in 2016.

What you don't see from these slides is after 2016 the mine on the right stays at 37 million, as it does on the left. But the amount of waste on the accelerated case drops off significantly after 2016, whereas the one on the left doesn't. So it is certainly a much better plan that we have been working through up until recently. As I said earlier, it is a work in progress. The other efficiency factors need to be put into this plan. It is now really about execution. That is where Norman and his team really have a critical role to play going forward. So that is Sishen.

Number two on the priority list is actually Minas Rio. To give you an overview of the project, Minas Rio is a mine, beneficiation plant, pipeline and port complex. The mine is located 150km from Belo Horizonte and the port is some 250km north-east of Rio de Janeiro. The mine and the port are connected by a pipeline some 525km long. As the crow flies it is about 420km. It gives you an idea of the terrain that the pipeline is going across. The pipe is predominantly 26 inches in diameter. In some places it is 29 inches.

The product will be 68% Fe, very low silica and alumina contaminants. It is going to be an extremely good product. Again we have another video which is very recent that will give you a good picture of where Minas Rio is up to today. Let's show the video. [Video plays].

I will go through some of the detail that was in the video. What really strikes me in watching the video is just how rapidly everything is moving. Even though that video is only three or four weeks old there are some aspects which are actually quite dated in it.

If we go through the status report now essentially at the mine the contractor is finished and decommissioned. We have our own haulage fleet and excavation fleet now. It is already constructed. Our people are being trained, and they will go into the mining area early in 2014.

The beneficiation plant is 80% complete. The area of focus really in that area is not only some of the mechanicals but it is the cabling and the piping in the plant area. That is really our main area of focus going forward. 90% of the pipeline is complete. We have access down the pipeline now fully complete as of today. And the pump stations are basically ready to run.

At the port key activity has been the placement of the caissons. The caissons are the rock containers that are necessary to build the breakwater for the port, another focus on top of the cables and the piping in the plant. We have placed five out of the 22 caissons required and we are coming up to the good season for placement of caissons, which I will talk to a little later.

Also the power line is now complete. We have approval from the government to energise it, and that will happen in the next week or so. That is one of the first major operating licenses that is required to get Minas Rio going.

I have just come back from the site, and I was struck by a couple of things. Firstly the degree of organisation with lots of people working in confined areas. The intense activity is quite acute. There are 20,000 people on site, and they are actually not spread over a very large area. Many of them are working just in the building. It is really quite fantastic to see the organisation by Paulo and his team. A reflection of how well they have done that is they have only had two LTIs in 85 million hours worked. That's quite an amazing feat.

As you saw from the video the project elements are starting to look like an operation. And even a mining engineer – who apparently have limited imagination – can visualise the future. That really highlights the process that we are really now beginning, and that is prepare to site for commissioning and operation.

Key areas of focus firstly are the people. We have 600 operational people now employed. They are essentially at this point maintenance and mining people. Their task is to develop in detail the operating procedures and train the full complement. Control systems, because this is such a long series operating design, the interfaces between the four major elements, the mine, the beneficiation plant, the pipeline and the port, the way they operate in an integrated fashion is actually key to the output of the business. There is a lot of work being done currently to ensure that they are integrated in as seamless fashion as possible.

That goes down to the way we plan and manage work. Duncan mentioned the business projects and the control of variation. We will put that process into Minas Rio very shortly. It will be the first business where we've had the opportunity to put a business process in that manages work, controls variation from day one across the complete business. I think this is an amazing opportunity for both Minas Rio and Anglo American.

A couple of key areas on my radar in looking at the site. One area is the filter plant of the port. These filter plants are the lynchpin of the whole system. We are currently studying the potential impacts of the system to ensure that this area doesn't constrain the whole process. They are new types of filters and we are doing a lot of work to ensure they run as smoothly as possible. If we have any issues – and I don't expect any – we have a 20 month commissioning process in which to ensure that we get these running at capacity.

Two has been very topical, first ore on ship. We remain certain. We are still saying it will happen before the end of next year. Given what I have seen I think that's the case. The period over Christmas 2013 and 2014 will be one of the keys for us. That is both going back to the piping and electrical cables in the plant and the placement of caissons at the port. Over this time of the year caisson placement has the best weather conditions. Paulo is pretty confident that we will have the required number placed by the beginning of March next year or thereabouts.

Costs in terms of Minas Rio, the costs that we are showing here are up on what you have seen before. Let me explain some of the detail behind this increase. $1 increase for 2014 over 2013. The $31 to $33 is a basic adjustment. Firstly labour. In Brazil that is up $1 and will continue at that rate. Energy has increased by 30 cents per ton. Environmental charges, basically from the agreement that we've done with the government over the last year. And some land management costs that weren't included. We've added 90 cents a ton. And we have added consumables of $1.20 per ton which were an underestimation from the previous process. We believe this is the operating cost going forward for the first 18 years of the mine in 2014 terms.

The cost that you see on the right-hand side is actually a life of mine cost. That is over the 50 year life of mine. The mining of friable material only, and that is essentially what the reserve is based on. The $35 to $37 per ton includes some semi-friable ore which is not in the reserve but will be mined. That is a projection over the 50 year life. The one to really concentrate on is the $33 to $35 per ton. Capex guidance, as both Mark said and Rene will say later on, at this point we don't see any surprises coming in that area. With that I would like to hand back to Mark to talk about platinum.

**Mark Cutifani**
Ladies and gentlemen, I will try and work fairly quickly through the other operating aspects of platinum and coal. Then we will have a break to give you a leg stretch. I will be reasonably quick. Anything you might need to pick up we can come back as part of the Q&A, have a break, and then do commercial, the financials and then back to Q&A. So we will give you two runs of Q&A to try and break it up a bit.

The platinum restructuring – and Chris is here to deal with the really tough questions – I have to say we had a pretty tough start to the year around April. I guess the tough conversations were in February and March, but I have to say that in navigating those conversations Chris and the team made some good headway and in fact had some more conversations with government about the sensitivity of jobs. The one thing I will say in South Africa with 25% unemployment 14,000 jobs is a lot of jobs. Remember the debates on coal reductions and the big debate in the operations there. Rene ArcelorMittal talked about 400 jobs and they started talking about nationalising the company. He did point out that they were 400 Frenchmen. But it is a big issue wherever we go in these times. It is not a small issue. But in the end we have navigated what was a hard conversation and came up with something I think is actually quite constructive.

Many of you would remember the conversations about what tonnes and head grade we were looking at from the platinum business. And it was very much a value focused conversation dominating the market. We have changed our approach significantly. We are more focused on margins and returns. And in moving from that focus to that focus ultimately will mean the portfolio will look by definition very different, as it should.

In terms of restructuring Chris is doing the hard work with the team restructuring the business, getting those operations which aren't delivering returns to a position where they can deliver a return. So it is literally re-sizing, down-sizing, focussing on the working areas that can deliver an outcome and making a tough call of taking it down 14,000 people. Don't forget we have come from a pretty tough place. There has been a lot of restructuring in this business. It has been tough work, but I think it has been the right type of work to get the business restructured. Chris and the team have made good progress this year.

The new term that we add to that is reconfigure. From Anglo American's perspective, as the major shareholder we have a view that the quality focus is absolutely critical. Taking platinum off the market should have an impact on prices. At the end of the day we take what price is on offer. We have to restructure our business to make real returns, whether it is $1,400 or $1,500. We have to deliver returns on those numbers. So that means focusing on open pit and mechanised assets is probably going to be the key for us to deliver long-term returns.

That means a transition above and beyond the restructure. Mining inflation in South Africa is running somewhere around 8% and in some cases higher depending on the depth of the plunge and the dip of the ore body and other factors associated with power consumption or labour productivity. In the end we have to structure the business so that we pull that mining inflation back. More than restructure, we have to reconfigure the operation so that we are in highly productive areas of the platinum geological structures. For us that will see us continuing to restructure and reform the nature of this business.

On the restructuring itself the team has made great progress across a range of fronts, but there is lots more to be done. In terms of removal of roles as of 10th December we have removed 7,182 roles. We estimate by the end of this year it will be 7,450. That's where we are. So from a slow start once we got through the processes with the government, the unions have actually done all their legal challenges, that is where we are today. And in fact yesterday you would have heard that two of the unions have now signed off on the wage negotiations as well.

In the end the team has done a fantastic job in the last six months pulling this all together and executing. I think that is  the single most important statistic in demonstrating that once you have done and worked through the issues required you can get on and do the business you have to do to make the business set itself to be successful in the future. For us we've done good work.

As part of the reconfiguration we need to step back and re-think our whole approach in the platinum business. For those who know the western, the eastern limb and Mogalakwena, Mogalakwena is an interesting asset. It's an open pit operation, a large and significant resource, mining what we call the Plat reef which is quite interesting because it has a high proportion of copper, nickel, palladium and rhodium. When we talk about platinum there is an equal revenue base coming from other products.

After Norilsk it is the largest precious metals resource in the world, and I think by value it is up there at the top. It is a very interesting asset. Now, for a mining engineer this is what I call an obvious slide. Contributing margin, 20% or 30%. These are our current assets. This is the relative revenue basket. You will see Mogalakwena at the top in terms of margin and revenue. Don't forget it is a nickel mine, it's a copper mine, it's a palladium mine and it's a platinum mine. We talk about 300,000 ounces of platinum, but don't forget there is an equal revenue base in those other products. For us it is actually a significant nickel mine as well as being a significant copper mine.

The size of the reserve is 82 million ounces. For those that know the gold industry, that is bigger than almost all the gold mining companies mining 20 assets across their portfolio. There is more reserves in that asset than in most of the gold companies in the world on an equivalent precious metals basis, just to give you a sense of perspective.

It hasn't met plan in recent years. Why? Mining strategy. If you look at the things we have learnt from the assets we have a lot of work to do on the mining strategies. Extraction. We will show you a couple of things that we think can be done differently.

Mining productivities across all the processes, equipment performance, reliability of the concentrators and the front line integration is key. And we take that right the way through the business. Most importantly if you just reflect the conversations around Mogalakwena the base load has been the other assets. Now for us transitioning into a different configuration needs to be carefully done, but over time we think that can be done as long as that is done the right way. How far we can go we don't know. That's the work we are doing. But certainly from our point of view we think it has to be a key part of the platinum strategy change over time.

As Tony explained to you this is a plan view. So that is probably about 7 kilometres from here to there. And you will see when Tony talked about the cut-backs, the area that you mine the ore so, that we don't have to over-strip and spend too much money stripping. As a consequence of the strategy instead of mining a stripping ratio that peaks at 13:1 in 2018 or 2020 we can actually balance the stripping in the pit in the first 15 years, take out 500 million tonnes of stripping and reduce the cost of the operation to mine the same amount of platinum apples for apples. It is quite significant over the first 15 years. And that's as a consequence of that strategy.

Now, Chris and the team drove this re-thinking as part of the asset review after identifying in their own minds that this had to be done. This is Chris and the team identifying the opportunities and coming up with a different strategy based on their thoughts about the whole Mogalakwena strategy. The asset review came up with some ideas, but it has been the collective efforts of Chris and the team who have been driving that change.

And at the same time Chris went out and pulled in the young leader at Pebble to lead the open cut operation. They have been focused on getting those basic operating productivities out. Tony talked about the sorts of things we are doing across the business looking at improving the fundamentals. And we are also in the process of putting new equipment in to actually push the stripping productivity to lower the cost as we speak.

The mine itself is quite open and very supportive of the increased mining rate and production rate. So we've got the pit room. And in fact when we started the asset review we thought we may have been under-striping. Going back we found that we had been over-stripping. So we are effectively pre-stripping for a 400,000 ounce production rate by 2017.

Now, what needs to go with that is an adjustment to bottlenecking in the mill. We haven't got a capital cost for that. Chris and the team are working that through. But it is an incremental de-bottlenecking exercise that we are working through, along with taking this approach in the plant to see if we can get the best of incremental optimisation by running the process more effectively versus some smart capital to de-bottleneck to get us over 400,000 ounces in Mogalakwena.

Remember 400,000 ounces is platinum. Then on top of that are the other metals which come with that which is an equivalent revenue source. So it is an important part of the restructuring and rebuilding of this business.

For us mining strategy improvements have been identified, being worked through and scheduled out. Still work to be done, but heading in the right direction. Ongoing operating improvements have already been started. You can see that that will take us from 320,000 to 460,000 without significant capital. But then to get the next step change we do need to do some work in the milling area. It is more complex because you are tracking platinum, palladium, rhodium and the nickel and copper. So the base metal refinery starts to come into that equation.

We do have the option of sending come concentrate into other areas for sale, but you do then take a hit on the revenue side. We've got all of those options open to us to try and improve the margins for the platinum business. Chris and the team are thinking about these sorts of things in the mechanised operations, the open pit operations. Those areas should be the dominant players in the longer term for us to create real margins and real returns from our platinum business.

This week we are commissioning a new electric shovel. It is an impressive bit of gear. And in fact that will do the bulk of our waste movement. We are increasing the bench height so that will also be more productive. Tony has spoken about driving the sink rate. If you can do less benches, so each bench is a bit higher, you have a more productive piece of equipment because you've changed the configuration of those cut-backs. And in this case the bench rate alone provides you the opportunity to improve the sink rate by 30%, which opens up all sorts of flexibility in the pit.

And again I'm not going to go back through. I think Tony's Sishen video gives you a sense of the type of changes we are looking at in our mining operations. For us in platinum the restructuring is on track post the approvals and support from the key players. The conversation in the next 12 months is around what we've got to do.

These are the key milestones for us. Firstly in March we are expecting to update the reserve and resources for Mogalakwena. We are in the process of commissioning the new shovel. Process work is ongoing. We will define what that needs to be in the first six months. And implementing the mining strategy which still has to be scheduled. So importantly next year is a very important milestone in terms of a new value opportunity and certainly a key factor for improving our returns across that business.

Moranbah we talked about as being a good case study in terms of the operation process focused on a manufacturing approach, get that stability right. I don't intend to go through the way we worked through the system. Very simply put, if we can improve the amount of planned work in our operations from around 30% to 80% we think that the productivity improvement, depending on the asset, is somewhere between 15% and 30%. I guess we get to test that. Brent, Seamus and the team at Moranbah North have been able to show us what that looks like.

There are a lot of cynics when you talk about those sorts of changes. There were at Moranbah North. But the technology that has gone into this was quite exceptional. So it is a very impressive bit of gear.

When we started this it was 50 hours a week. The cutting time is gone from 77 hours a week. That is more planned maintenance and anticipate the issues. They are now up to 102 hours a week, so better than a 25% improvement. There are a whole range of issues on why I think the Americans do it well. Firstly some advantages on the geology side. But also I think they tend to run pretty well. But we are closing the gap fast. For us in 2012 3.2 million tonnes to 5.5 million tonnes and a significant drop in operating costs is absolutely critical for us.

We took those learnings into Grasstree and again already we have gone from 51 hours a week, which is where we started at Moranbah, and we are already up to 78. 2.8 million tonnes a year mining year up to 3.3 million, 18% in six months. That's the delivery in six months. We think they will continue to improve in the next year.

When you look at our met coal this is prime quality met coal. We're talking 2012 around 5 million. As we keep pushing Moranbah towards its potential, Grasstree started to make a more significant contribution, this is Grosvenor starting to come into the mix, that is one of the reasons Seamus and the team have been awarded best coal mine in Australia based on that performance improvement. And at the same time safety has improved as significantly as the production.

Again we are very deliberate in the way we are going about it. That's the process. That is the model we are looking at driving across the business, based on planning the work and getting stable operations. So a good case study there for those that are interested in what we think the operating model can be.

I'm going to do one section. The stuff that we do at the operations is right at the heart of the business.

Jwaneng. A great job by Philippe and the guys. This is Jwaneng back in 2012. As a mining engineer I was most impressed. The mine by design has got the water removal capacity to make sure we keep the mining areas clear. When you've got the Jwaneng pit making so much contribution to our earnings we do not want to be impacted by rain. So we have redesigned the mining structures. The mine is now up to full rate and we believe we can handle those types of events more effectively in the future.

You have seen a very significant turnaround in the second six months of this year as we start to bring Jwaneng right back into the picture. Certainly the performance has been a great example of improvement across a whole range of fronts. We are very impressed with the performance that has been achieved.

Targets are up, injury rates are down. Again lots of change within the business, making sure that the leadership goes back to basics. Even with the slope failures that we had at Jwaneng – we've had a second slope failure which didn't impact production – we had set the mining areas up knowing we had some instability. That is in the process of being cleared and as I said we're mining at full rate.

As we go forward we think the pit is in good shape. We are monitoring each of those areas. We are taking account of where we see weaknesses, making sure we have enough working faces and enough flexibility alongside to do the work. Philippe and the team, Gareth at the back there as well, plan to deliver on our 15% target by 2016, inclusive of the acquisition costs that Anglo American has to pick up the balance of the ownership. I think that's critical for us, and that has been the focus for the team in the De Beers group.

In thermal coal when we started in April Godfrey had the unenviable task of explaining to us in the next four years we would see an 8% drop in production which was reflective of the reserves and the drop in quality. Most of the export market is high energy value, high margin material up to 6,000 kcal/kg. Over time that drops away. And so what the team have been doing is selling lower energy level coal into new export markets in India. That has gone very well.

We said, look, you're not going to get capital. You have to work out ways to address that gap without putting more capital in the business. We are looking for smart solutions. Godfrey and the team presented this to us about a month ago. A low capital option, less than $150 million. Incremental improvements in areas that we hadn't considered previously. In the plan going forward we are looking at a 12% increase.

Now, it is not as high quality as the original we were delivering, but because the capital has been so low the margins have been pretty solid and we are still looking at a 20% return on capital employed depending on prices. So we've got the fundamentals right. We are not blowing our capital base. We are looking for smart, innovative solutions. The team have already identified a range of opportunities that will hold this pretty solidly and continue to see good returns from our thermal coal business.

In niobium phosphate it is very much a story that we think will unfold in the course of next year. We are well positioned in the phosphate market.. Brazil is one of the most aggressively growing agriculture sectors and the most innovative. I'm involved with major universities in Brazil, and we look at innovation. And the agricultural industry is the leader in innovation in industry in Brazil. It is a country that actually imports a large proportion of their phosphate requirements. The position we have puts us at a significant cost advantage. And we have opportunities to improve our cost structures. So Ruben and the guys are working very hard at improving what we've got.

We've made another two new discoveries of phosphate deposits with 35% return on capital employed in the business. And we have a pathway of looking at incremental capital to continue to improve. So not a big capital base. There is still a lot of work to be done, lots of stories that will unfold along with the niobium in the course of this year. Ruben has got a very specific target in terms of growth in value in the business that he will be sharing with us. Over the next 12 months as those ideas come to fruition we will start presenting them. Some of the incremental changes, the bigger opportunities, have not yet been delved into. They will come by 2016, but we are building the pathway beyond 2016 obviously.

Nickel, just getting the basics right. Remember we have really struggled with the design problems for the furnace. For those who aren't close to the nickel industry you will be aware of the same problem that Vale's Onça Puma has had with the furnaces, same problem. Our operating strategies have been quite different. Walter, and Ruben now and the team have actually focused on stability, making sure we keep the bath at a certain level of temperature so that we protect the heart of where the problems are. We have as strategy to actually rebuild the furnaces, one furnace next year and the second in 2015, so that by mid-2016 we expect to be at getting design capacity.

We did something very simple. When we were on site in July based on the work that we had done and a couple of people that we know in the industry pretty well we decided to back the power off that we were putting into the furnace. That is putting less power in, which means the temperature of the bath will drop slightly, which provides us with a more stable operating environment. We changed some operating parameters in the furnace. And what we have seen in terms of furnace throughput, we have gone from here to there, which is about 44% improvement in throughput. And the actual nickel metal is up 49%. So we are above 80% capacity even with two furnaces that have got some fundamental problems. And we continue to do better in that more stable environment. So again another learning in terms of how we're running the business. Still a long way to go, but just getting the basics right can make that much of a difference in the business.

What we do with the ore that you don't process as a consequence of running the lower temperature we have taken to elsewhere to process and pull the nickel out. So a lot more work to be done. We will start talking redesign in the next 12 months as we start firming up the final design for the furnace. So that is a snapshot of what we have done across the base. I'm very happy to take a few questions and then have a break.

**Des Kilalea**
Des Kilalea from RBC. Your snapshot of what is happening in coal, as I recall part of the advantage you have in Queensland Coal was you were able to get people from some of the other coal places like Xstrata, some experienced people. You've got a good technology partner. Can you really replicate that successful model in some of the other businesses, because you may not have those advantages?

**Mark Cutifani**
Seamus, myself and Tony used to work together at Western Mining. We developed the improvement model during the early days at Western. Some of the people went in different directions. But clearly they've been very important in Xstrata's business. Now we've been lucky they joined us. The model, about 70% of the model that we have, for those of you that know Sudbury, makes use of that model about 30% improvement in throughput, 20% reduction in cost. It's the same model.
Certain areas there are other mining strategies issues that probably overweigh the implementation of that model. That is why at Sishen we think the mining strategy needed to be changed first. When you improve the sink rates by improving the drill and blast rates by 20% to 30% that's the sort of stuff we need to improve. It's a matter of where the opportunity is, and what is the tool you use. We think it is applicable based on the asset review to at least 60% of the business, Duncan?

**Duncan Wanblad**
One of the key take-aways for me when I went to Moranbah was first of all people are really important. But it is a systematic and fairly rigorous approach to the problem that is just as important. You mentioned where we got some individuals from. But actually there was quite a rotation of those types of individuals until we found the right guys. It's not just because they came from another company. It is the application of a rigorous analysis and a consistent way of doing things, and then having the right people

who understand that and are able to implement that. And I think that is true of anywhere that you go in the world and it is true of any asset.

**Mark Cutifani**
The point about people is very important. Understanding the importance of those people and their understanding of how to get that process to work is what I think we have. And it is demonstrated in other parts of the business. It is about people. It is about the process and it is about leadership. The one thing I think Seamus and the team have demonstrated is it takes leadership and courage to make that change. This is a good example of what it can do, at Western's originally and at Sudbury, dramatic, we went from $18 a share to $86 a share. Brent, do you want to say a few words? Brent is standing in for Seamus.

**Brent Waldron**
I'm Brent Waldron, CFO. I think it is around two things, and I think they are principles that are very translatable to the business. Firstly it is leadership, having the right leadership in place and creating an environment where there is a performance culture. And Seamus has been hugely significant in driving that in our business. Secondly I think it is around looking at more of a manufacturing model to mining, making mining less of an art and more of a science. And those principles are widely applicable across our business. In the case of met coal it was making sure that in the long run we used the automation facilities that were available to us. We used the computer-generated solution as opposed to someone waking up at 3am in the morning at the coal face based on what they've been doing for 20 years. In maintenance it was around getting the discipline in place so that we had very clear expectations around what maintenance we were doing, when we were going to be doing it and what quality outcomes of that maintenance were going to be. And finally, having good technology partners in place and working closely with them to make sure that if we came across geological issues we took a scientific approach to deal with it.

**Mark Cutifani**
From 50 hours to 102 hours a day none of the equipment changed. How we are using the equipment and how we are running the long wall has changed. That's the key. Another point, if I talk to open cut, similar issue. We've got 25 installed pit dispatch systems. None of them are operating in automatic mode. The cutting change that Brent talked to is actually very important to make sure that we have the same sequence across the long wall. That is critical because you are taking away that variability. In our case we think there are significant open pit opportunities by applying the pit dispatch systems in a different mode. That is across 25 operations in the pit. We think that is worth 5% to 8% productivity improvement.

**Des Kilalea**
Most of what we've seen has focused on technology or identifying issues in mining or technology. Can you maybe take us through what you've done to the technical capability of Anglo in terms of employment or reconfiguration?

**Mark Cutifani**
Tony, would you like to answer that question?

**Tony O'Neill**
We are at the beginning of the process to re-equip Anglo American. When I first saw Anglo American in the early 90's it was the world leader in technical leadership of this business. I think over time there have been a lot of things happening including the boom in the industry. A lot of capability has been really stretched. So we are going back into a process to re-recruit a lot of our technical leadership. We

are looking for a level of capability one to two levels in general above what we've had. We are aware of it. We are in the market. In saying that, there are a heck of a lot of good people. In looking at the things that we have and the fixes what struck me is that there is a heck of a lot of young talent at Sishen. And I can't believe that without the right guidance these people won't be the future leadership of the industry as well. It is not as if we are bankrupt. We are not. But we do need some technical leadership to be brought back into the company.

**Mark Cutifani**
The point is we've seen a fall-back in our technical skills, particularly in mining. Understand that mining is 80% of our cost structure. If we can get that working to its potential the engine has so much more it can deliver. And that is what we are talking about. It is pretty basic stuff. The industry over the last ten years in my view has lost that. The market has driven the returns in the industry. And in fact the basics have fallen away, whether it is understanding the resource, whether it is understanding how to get the best out of the resource. We have dropped away as an industry. We see that as a massive opportunity. At the moment we are getting phone calls from people wanting to join because they know what we're doing. That is making it very easy for us to pick up the right people, but we have a long way to go.

**Chris Law**
Chris Law from RBC. You spoke about the expansion at Mogalakwena and you also mentioned mechanisation. Could you elaborate on that a bit given what has happened with Lonmin in the past? They implemented mechanisation..

**Chris Griffiths**
Thanks, Chris. It will be appropriate mechanisation. We already have good examples. We have Bathopele running really well as a mechanised operation. We have Kroondal, one of our joint ventures, really running well. All mechanised operations and completely mechanised. It will be more of that kind of mechanisation. We think that we can mechanise Twickenham. We think that we can mechanise the operation next to Twickenham. We have at least another two really good opportunities to mechanise these mines. And then expanding Mogalakwena is a natural extension and replacing some of our existing, deeper, more conventional mining with either mechanised or open pit.

**Mark Cutifani**
I was still at Sudbury when the Lonmin mechanisation occurred. I think the logic was flawed, the logic was about bulking up, it is about mechanising and in fact dropping the grades. The strategy Chris is putting in place is low-grade technology to actually protect the grades and get the ore out for the right cost. Even though it might cost a bit more it is being more selective using mechanisation, improving the processes, not putting low grade up the shaft but actually putting a similar grade up the shaft so he is protecting the capacity of the mine and infrastructure. A very different strategy. And the Bathopele productivities have doubled, at Rustenburg as a consequence of that approach. Chris took me to Bathopele and it was really impressive, and we see more potential. So it is these two strategies applied to the right resource.

**Bank of America Merrill Lynch**
Jake Greenberg from Bank of America Merrill Lynch. I wanted to get a little bit more specific around your 15% ROCE target. Particularly if Minas-Rio is going to come on line and the ROCE will be less than 10%, where do you think you will get the uplift? Added to that do you think there is any chance for write-downs to decrease the capital employed part so the returns can be higher?

**Mark Cutifani**
Firstly, we said last time that we are not going to rely on write-downs. Rene is going to pick that question up as part of the conversation.

**Rene Médori**
I will explain in my presentation how we are going to deliver 15% return on capital employed. Although we are going to substantially increase the level of capital employed as a result of the projects we are commissioning, we are not factoring in this target of 15% any divestments as well as any impairment beyond what has been announced. What has been announced has been the platinum restructuring, the exit of Pebble, exit of Michiquillay and the rebuild of the two furnaces at Barro Alto. There are no impairment factors to help us achieve a 15% return on capital employed.

**Mark Cutifani**
Do you want to comment on Minas-Rio carrying value? It is lower than the 15%..

**Rene Médori**
That is factored in our projection. We are still expecting to achieve a 15% return using June 2013 commodity prices. So in the case of Minas-Rio, using an iron ore price of $105/t, Minas-Rio will generate 6% - 7% ROCE by 2016. You are absolutely correct we have to worker harder at the other assets to achieve the 15%.

**Mark Cutifani**
We don't want to put anything beyond that in terms of the enhancements that we have to Minas Rio because we think it is important to make sure it is delivering on its name plate before we start thinking about enhancements. We have lots of ideas but let's get the thing working to its potential and then enhance in terms of de-bottlenecking. So we think there is still a lot of work to be done there. One more question, guys.

**Liam Fitzpatrick**
Liam Fitzpatrick from Credit Suisse. Away from the operational focus and onto divestments. I know it is not a theme and not within your ROCE target but there is constant speculation on the material divestments, platinum and diamonds. Are you happy for that speculation to sit there in the market, or can you say in a one to two year view that is really not part of your plan?

**Mark Cutifani**
Over a one to two year view it is not part of the plan. I can be clear on that. We've taken a very simple view that it is unlikely that people would offer, or we would be able to market those assets, whatever they may be, without getting them to their potential or close to their potential. That is what we are focused on. If getting those assets to their potential the market isn't giving us credit within the portfolio then there is time to think about that in the future. But at the moment our job is to get the potential, the best diversified portfolio that we can, get it to deliver on its potential. Then we will think about whether this or that asset may be better off outside the portfolio. We keep all options open. But at the moment we are being under-valued and the key is to get each part of the business delivering on its potential. Then you are in a position to decide whether you would realise value inside or outside the portfolio. So let's get the basics right and then we will have that debate. We will have a 15 minute break. We will come back and I will pick up in the next Q&A.

## ANALYST CONFERENCE SESSION 2

**Mark Cutifani**
Okay, ladies and gentlemen. We will get cracking again. As is Australian tradition I now owe Brent a double can of Foster's. Secondly, we will move through fairly quickly so that we can get back to the Q&A. We are going to be much quicker because we are getting lots of questions coming through in the queues from those who aren't here. There are quite a few people that have asked that we get there quickly. So we are going to work as hard as we can to get to the Q&A. I will hand straight over to Peter.

**Peter Whitcutt**
Thanks very much, Mark. Welcome back. I am very excited to be able to take you through an exciting piece of the restructuring and driving value journey that Mark was leading us through. And that is the commercial story. I want to tell you a little bit about what has been happening around the commercial space in Anglo, the platform we have been creating, where that is now, what we hope to achieve with that platform and some examples of value opportunities that we've identified and we are driving to get from commercial.

Just another quick introductory comment. Commercial means different things to different people. For purposes of this the commercial business we are setting up inside Anglo it is really about the sales and marketing part of the value chain.

This is a slide that sets out some of the elements of the journey that we have been on. What we are about is something which is not revolutionary. It's not rocket science. It is about recognising that there is a part of the value chain between mining and actually selling to final customers in the sales and marketing space which is very distinct, and if one doesn't do it really well one can end up giving away value which our mining colleagues are working so hard to create.

We've seen an ability to improve the Anglo performance around the sales and marketing space for some time. So what we have done going back about two years is we established a few central capabilities around commercial to focus on particular areas or particular capacities that we didn't necessarily have in the group. Things like logistics, shipping, setting up the shipping desk, market intelligence and some strategic thoughts about commercial and which way the journey goes.

We then looked at collocating our various sales and marketing groups into two regional hubs, one in London and one in Singapore. And that certainly is by and large done. So we do have those two hubs in place. And we will then collocate the teams. What we are looking at doing now is saying instead of being collocated let's operate together within the business as one function, one entity. And that is the immediate change that we are going through and which I will be leading.

What we are looking at doing in those hubs is moving much closer to customers. We've got important customers in Europe on platinum side, thermal coal, some iron ore customers and nickel customers in Europe. So that's the London hub. And obviously China and the East is extremely important for us from a customer perspective, so the logic of Singapore is to be able to better serve that market. Singapore as many of you know is a bit of a silicone valley in the sales and marketing sense. There are many people doing this sort of activity which are based out there.

And then as we pull the platform together and we get this commercial business really working obviously we are going to look at how we can extend that platform to put further value into Anglo American. As I say, it is not revolutionary. It is about making sure that we drive professional excellence out of a distinct capability.

This is a picture that shows you the migration from the various sales and marketing teams around the world into the two commercial hubs. And I mean the one particular comment about collocation versus being part of a single business is the dynamic and the mindset. So much of this is about knowledge sharing, best practice shared between different people that in their own way are experts at sales and marketing but haven't necessarily been thinking across commodities. In this dynamic people come together to have those conversations as part of the business, which they all feel accountable for the bottom line of, and talk to colleagues who happen to be doing something similar.

And we have seen that very quickly. Even in the last month the met coal and the iron ore sales and marketing heads have been next to each other in Singapore for a couple of months, but in the last month or so the conversation was about I understand what is happening in your met coal business, I can see China has become an important market for you, I've been operating there for a long time, I know these people, I can introduce you to these customers. And making those connections and enabling a much more joined up approach to customers is happening much better.

And there are quite a few examples of that. So as we experience a new model – it officially goes live from 1st January but it is starting to happen already – I think everyone is saying it is a pity we didn't do this a long time ago. Thank heavens it is here, and it is a very exciting place to be.

The other thing about being a collective commercial community which really has been important is around talent management and being able to offer people a different career path. This is the team that we have pulled together. We've got one position which is outstanding, the Commercial CFO. We will be in a position to make an appointment relatively shortly. It draws a lot on some real strengths that have existed around the group.

So Rod Elliot is responsible for met coal sales and marketing. He is from within the met coal business. He will do that now as part of the commercial business. And that means the advantage he has in terms of really understanding the met coal business, the production and relationships and how they work, he will be able to bring that to the commercial business and work with more tightly his other colleagues on access to markets and all the other things I've touched on.

Zaheer Docrat on the thermal coal side. Timo, who has been doing the iron ore sales and marketing for a while for Kumba. He picks up that responsibility for both Kumba and Minas-Rio. And then obviously some important conversations as we get closer to production on Minas-Rio need to take place on the sales and marketing side. So Timo is picking that up. Andrew is probably known to you. He has been doing this role in Anglo Platinum for a bit. He was previously in Anglo American procurement side. He has a lot of good ideas. A lot of the value that we see in terms of the early wins for the commercial function are actually coming from the platinum unit and Andrew's efforts around that.

Alex has been driving the central programme up until now. He moves into effectively a new role to look after sales and marketing for all of the base metals. So that is effectively Duncan's area. And then Heike, who is with us today I think, has been appointed from group strategy to another one of the critical areas in the commercial team looking after what we call commercial services. And that is a lot of the logistics piece, the shipping function which we have been building up. We have an aspiration to build that up to handling 50 million tonnes of shipping cargo. The strategy is to drive improvements and help us think about where the next improvements are going to come from and how we can be best in class. So that's the team. It is pretty much in place with the exception of the commercial CFO.

As we look at what this is all about it is fundamentally about capturing more margins. So that's the overwhelming driver for us. Put the various elements together, greater customer proximity; improve commercial capabilities, better risk and performance management. That's another one of the key functional capabilities we've been looking at, much better risk management and performance management of the sales and marketing function. If you can measure it more tightly you can know whether you're doing well or not and you can really move the needle. And more strategic globally-coordinated market-driven thinking, that is what driving value from our new commercial business.

We've identified over 40 initiatives as part of that team to put extra EBIT on to the bottom line for Anglo American, and we see that as contributing $400 million by 2016. In terms of how we are doing against that $400 million, over 60% of that is in terms of specific changes that we've already made to programmes. We've got them up and running, they are fully enabled; the time just needs to go by for those activities to take place for that value to accrue to the bottom line.

So for example changing some of the longer term sales contracts in platinum. By then end of this year about 50% of those contracts will have been negotiated. That will have removed certain discounts that were granted. That means when we sell prospectively that extra value will be captured. That is part of what is in this number. So it is a variety of those sorts of initiatives. There are 40 of them that very specifically enable us to drive value and access value from the commercial function. As we put the team together and get some of the improved thinking which I've touched on we expect to be able to increase the size of that ambition.

In terms of the areas that it comes from about a third to a quarter of that value comes from platinum. About a quarter of it comes from iron ore, about a quarter of it from thermal coal and the balance from the other areas. So it is reasonably spread. To some extent where the value is at this stage reflect the amount of time that we've had to bottom out initiatives in that space. We think that some of the areas that are not yet fully represented is because there is undiscovered opportunities rather than no opportunity. This slide gives you a sense of the categories that the value improvement initiatives fall into.

Let's take a deep dive into one or two just to draw out some elements of the model. So here's an example of one of the initiatives which we think will put an addition $30 million to $40 million of EBIT onto the bottom line. And this is a Kumba specific example so with iron ore. It shows a couple of things. It shows what happens if one does work harder to get closer to the customer and to the market and really understand what people are prepared to pay for. But secondly it shows the value of working very tightly with the mining businesses to create something more of a pull and to get that pull mentality into how the production end is set up.

So what we have here is a situation where Kumba was producing a relatively coarse sinter product which it was selling into the European market. On examining that further we found this product was something that was sized between 5mm and 8mm. The cut-off for lump is typically about 6.3mm. So what we found was if we went through and categorised it further half of it was below 6.3mm and half of it was above 6.3mm. So half of it was lump and half of it was fine. So you would expect the selling price of that to be getting half of the lump premium, but in fact we weren't. And that had been going on for some time. So that is working with the production end to say actually if we can categorise this and separate these two fractions we can sell the lump and actually get the full lump premium on that, and the fine we will sell at pretty much the same price as the coarse sinter product was being sold at. And that proved to be technically possible. That is something which is being worked through now. It is relatively straightforward. But because that market opportunity had been identified and communicated back to the mining end it has been possible to create a better commercial outcome.

This is going further now because as we look at the Kumba-specific lump there are opportunities to further categorise the lump to create even more tailored products because there are customers who will pay a particular premium for a particular size lump, which we are relatively well placed to do. So here is one initiative. It is relatively straightforward. It does require the thinking in the right way and to be joined up in-order to capture the opportunity. That's a very hard bottom line value delivery. So that's one example of how the new commercial approach is creating operating margin for us.

Here is another example, which partly comes from having this new capability in the form of a shipping desk, and someone that is actually able to run a time chartered vessel rather than having to take charters on individual vessels or simply sell FOB. So the picture here is again relatively straightforward. Normally you have the iron ore cargo from South Africa going full from South Africa across to China and then coming back under ballast to South Africa, so quite a long dead leg. But with our knowledge of the coal markets and access to some of the coal customers in India we found an opportunity. If we time charter a vessel, so we've got more flexibility and we can use it more efficiently, we can send the vessel to China with iron ore, but on the way back it stops off in Indonesia to pick up some coal which it takes to the customer in India and then it is under ballast on the way back. So it is much better utilisation of a vessel, which is more cost-effective. And that enables us to capture a saving of 8% to 9% which is about $2 per ton. So again it is smallish but a very practical thing. It requires a better understanding of the market. It requires some better capabilities which we didn't fully have before but we do now have in the form of our own shipping desk that is creating value for us.

So that is part of what the commercial journey is about. Fundamentally it is about delivering value. This new structure with the separate commercial business within Anglo we think enables us to go after that value much harder. We run it as a business. The bottom line of the business belongs back to each of the commodity groups. So there are no issues with internal transfer pricing or anything like that. The platinum commercial contribution will stay with Anglo Platinum, ditto Kumba, but internally to get the focus, to get the drive, to get the commitment to have people focusing on what difference we are making as a commercial team relative to what one would get as an ignorant seller, and are we moving that bar all the time, that is how we are setting ourselves up to operate. That is a whistle stop tour. In a nutshell that is the commercial story. I will leave it there. Thanks very much.

**Rene Médori**
Good afternoon. We have set a very clear target of achieving 15% return on capital employed by 2016. I would just like to reiterate some key points I made earlier. That using the June 2013 spot commodity prices. It doesn't incorporate the impact of any divestments as well as impairments beyond those I mentioned earlier.

There will be some key sources of value creation to achieve the 15% return on capital employed. It is about delivering the projects which are in execution, Minas-Rio, Grosvenor in Australia, fixing Barro Alto as Mark mentioned earlier. Secondly, extracting more value from our existing assets whether in terms of asset performance which was the purpose of the asset review that was presented by both Tony and Duncan. Getting more value downstream, the downstream initiative Peter has just covered. The efficiency programme, predominantly around reducing our overhead structure by $500 million and lastly optimising our stay in business capex.

Our capital employed will increase on an attributable basis. At the end of 2012 the total level of capital employed was $35 billion with an 8% ROCE, at the end of 2016 the level of capital employed will increase to $49 billion, mostly as a result of the capex programme that we have covered earlier. So an increase of $15 billion. Kumba, copper, De Beers and thermal coal will continue or exceed the 15% threshold. Met coal will be close to the threshold, excluding Grosvenor which will still be in the ramp-up period. Remember we were using a relatively low metallurgical coal price of $145 per ton.

In terms of assets not close to the 15% threshold. Minas-Rio we discussed earlier because of the size of the project and where it will be at the earlier stage of production. It will be at an early stage in the life of the project, generating only 6% to 7% return on capital employed. Platinum, some improvement, close to 10%. We get the benefit of the restructuring but still not delivering an appropriate return and more work will be required on platinum. Nickel we need to fix, but still remain a drag in terms of return on capital employed for the group.

Turning to the capex projection and some of our investment principles. First focusing on the capex outlook. We have reduced our guidance for this year by ~$500 million so our current guidance for this year between $6.3 billion to $6.5 billion. The level of capex will then peak next year to between $7 billion and $7.5 billion, and then will steadily decline over the following two years to $6.0bn to $6.5 billion and $5.0 billion to $5.5 billion in 2016. Minas-Rio we still have $3.1 billion to spend, at the end of this year, and $1.4 billion for Grosvenor.

In terms of uncommitted capex that we are reflecting in this projection it is predominately high return brownfields projects, processing of tailings, de-bottlenecking. The only greenfield project which we have is our share of the Gahcho Kué project in De Beers in South Africa for $400 million over the next three years.

In terms of investment principles let me highlight some key points. First, we are commodity agnostic, Mark covered that earlier. We will be looking at projects using multiple pricing scenarios, not just one pricing scenario. Cost focus looking at the shape of the cost curve but also where the asset is on the cost curve. A clear preference for brownfield with 70% of the uncommitted projects on this chart are brownfield projects. We need to de-risk greenfield projects, so looking at, for example Quellaveco in Peru, we will be looking at how we can de-risk the project by involving some partners. Options rationalised, which is how can we can either eliminate options which are too costly to retain or we retain them at a very low cost

Turning to our SIB capital, we have seen a substantial increase in SIB capex since 2009 on the back of the increase in strip ratios, for example at Sishen, or the grade decline in our copper business in Chile, as well as the long wall development costs in Australia. If you adjust for the De Beers acquisition and the change in accounting for stripping we have stabilised the level of SIB capex over the last two years and we are projecting slightly above $3 billion for the next three years.  There is some scope for further reduction.  Mark mentioned the [unclear] dispatch system which can be optimised. We currently spend $400 million on trucks, $500 million on opex associated with these trucks, mostly spares and maintenance,  and $200 million on tyres. So it is ~$1.1 billion a year associated with the trucks. I think if we can generate the kind of improvement that Mark mentioned, 6% to 8%, we will be able to further reduce the level of spending including the SIB capex.

By reducing our level of spending on project options in 2012, we spent close to $1.2 billion. That includes $230 million on exploration and $500 million each on studies which are expensed and studies which are capitalised. We have been through a rationalisation process, and you see on the left-hand side where the focus has been. Platinum, reflecting the impact of the asset review. In met coal due to the current market conditions how to better sequence the level of spend on new studies. We have also minimised the level of spend on some long-dated options, for example in Nickel, and we have eliminated some of what we consider constrained options like Pebble in Alaska.

Balance sheet. On the left-hand side what we have done is we have taken the market consensus and adjusted it in terms of net debt for the guidance that I covered earlier in terms of capex. We are comfortable with market expectations, so an increase in the level of debt in 2014 due to the peak level of capex. A slight decrease in 2015 and beyond 2015 as we get the benefit of both the lower capex and the cash flow generated by Minas-Rio and Grosvenor. We will start to see a decline in the level of net debt.

We have maintained a high level of liquidity to enable us to go through this capex cycle. As at 2013 we have close to $17 billion of headroom. In 2016 I think we should be able to start to reduce this level of liquidity predominantly outside South Africa and the level of headroom outside of South Africa should go down to $6 billion or $7 billion. In terms of debt maturity we have only one bond maturing in 2014 in April $1.25 billion.

Dividends. We have adjusted the level of dividends in 2012 to 85 cents per share. And we confirm our dividend policy to maintain or grow the dividend. We are comfortable that the level of dividend will be sustainable through the next three years as we complete our capex programme.

Overhead and supply chain savings $500 million of overhead savings on an attributable basis. On a reported basis it is in excess of $700 million. 70% to 80% has been either identified or committed by those BUs. Two main sources of those overhead savings, organisation re-design, for example what Duncan is doing in terms of consolidating nickel, phosphates and niobium in Belo Horizonte and efficiency programmes.

In terms of production outlook to 2016, copper reflects what Duncan has been explaining earlier and the impact of the fault at El Soldado in 2014 and the decline in grade across the portfolio. Nickel, the movement from one year to another reflecting the timing of the rebuilding of the two furnaces. Iron ore includes the Sishen recovery that Tony covered to 37 million tonnes in 2016. Minas-Rio, you see the ramp-up in 2015 and close to full capacity in 2016 on the assumption that it will be commissioned at the end of 2014. Met coal, most of the production increase driven by the productivity in long wall that Mark covered earlier plus we started to get the benefit of Grosvenor in 2016, 1.7 million tonnes in 2016. Thermal coal, a slight improvement, the benefit of low capital intensity life expansion that Godfrey is producing in South Africa. Platinum, 2.2 to 2.4 million ounces. These are refined platinum ounces. So productivity improvement as well as the assumption when we have sold Union we will continue to process the ounces. Diamonds, 29 million to 31 million carats next year and beyond 2014 it is a function of the market conditions. Thank you.

**Mark Cutifani**
Ladies and gentlemen, any one of the people here could get up and give this presentation and talk about their areas of the business. Unfortunately we don’t have the time. I will work our way through the sustainability area relatively quickly and then I will open it up for questions. On sustainability first things first, safety. I always acknowledge my predecessor and the great work she did in establishing a different logic around safety. From that point of view we have seen very good improvements since 2007. But from 2010, particularly serious incidents and fatalities, we have flattened to some degree. This year we had a fatality in Brazil. At Amapa we had six fatalities. So there is still a lot of work to be done. The good news is lost time injuries continue to trend down, as do recordables. It is more important next year to really revitalise the safety programme to go forward. I think there are a lot of opportunities that we can work off given the foundation that has been established. Certainly from a team point of view looking at those issues that we have to focus on.

Last time I stood up and talked about sustainability I did want to make a point regarding shareholders being owners of the business. When I talk about what we’re doing as a team, as leaders, it’s about making sure that we are working with and motivating a team that will make a difference. I think we’re well down that track but there is still a lot of work to be done. And then stakeholders. If we just pause for one minute. The way the world is shaping up today if we don’t get those stakeholder relationships right the potential to impact a business is significant. Already we have seen a number of major projects stopped in their tracks because people didn't get it right. In some cases it might be argued it was hard to anticipate, but that's the way the world is today. It is becoming more complex and your sensitivity to issues that might not look that threatening has to be literally trebled in terms of your awareness. That's the world we're in. that's what we've got to be sensitive to.

I guess if I was to say to yourselves are you sure that the businesses you're investing in have got this right. Because if they haven't you will wake up tomorrow morning and the headline will be this project is stopped, this issue is impacting the business and it is potentially significant. It will become more complex in our view. So that's the context. It is not meant to be a frightening position. It is just a statement of reality. We have to be better than we have ever been before.

Again you will see this group in the pack. I think it is self-explanatory given that context. I just want you to be aware that that's the sort of thing we think about. We test each other to make sure that we are not missing something. Governments in that context are absolutely critical and a very important part of the work we are trying to do.

Most of the work we do in this area actually consists of our cost improvement programme, reducing energy consumption, reducing water consumption, reducing waste and inputs into the business. So it is absolutely consistent with doing the right thing. That's the right thing. Secondly, it is about fewer surprises. As we run into 2016 I can't guarantee there aren't going to be surprises. What I can say is we're sensitive to the possibility. It is something we look at monthly. It is absolutely important in terms of fewer surprises. It is a big issue for us as an industry. As I said we've got the process in place. It doesn't guarantee we're not going to have a surprise, but it does minimise the potential.

In the longer term we think it helps us establish credibility and connections with our local communities that make the final decision about whether we're allowed to be a partner. Ultimately we think it is about improving our returns over the long term. I'm not going to go through the points. It is in the pack. Anglo American – and this pre-dated myself and many of us in the team – there has been good work and the company has been acknowledged. From our point of view I do want to make the point to many of our partners that we certainly won't let that slip, and if anything we will look to do it better.

Again I'm actually not trying to score points from our competitors in the industry. In fact I think there is a lot of good work being done. One thing I had a concern with in coming into the business is are we buying relationships or are we spending our money well in making sure we have the right types of relationships and what we are doing is sustainable and improving the business. If I compare, looking to the right-hand side, this chart shows the actual spend in millions of dollars. The mid-line actually shows spend as a percentage of total capitalisation at book value.

The one thing I will say, I put a health warning on these numbers. These are the public numbers that are presented. I'm not sure if they are absolutely representative, but they certainly give an indication of who is spending what, how that compares to the size of the business. What I was looking for is are we out of step with our peers given we've done extremely well in terms of recognition. This is the Dow Jones Sustainability Index. We have generally been right at the top in terms of our competitors. Some good competition, which I think is healthy competition. So from my point of view we are looking to learn from each other. We do that through the ICMM. But for us it is making sure that every dollar we spend counts and it is about making sure the relationships we have are sustainable. You just can't throw money at it. It is about making sure you're investing with partners in the right thing.

I think from De Beers through to the platinum work that is going on now there are lots of challenges, a lot of work going on. It is making sure that we've got that right. At Minas-Rio we have won many awards in Brazil. It is making sure that all those issues are right so that we minimise the potential for disruption.

So I guess in terms of the presentation I apologise if it appears to be a bit of detail. The intention was not to bury you in detail but give you a sense of the work we're doing. It's not that complex. There is certainly a lot of work being done. As I said each leader here is leading those types of changes in the business. At the end of the day not every part of the business is going to deliver its 15% return on capital employed, but for something like Minas-Rio we see options and potential to continue to improve over time so we get to that number.

If we can't see a pathway to delivering on that number that's when we think maybe we should give somebody else the opportunity to get to that number. So 2016 is not a special date other than the date that we saw a number of things coming together that reflect the work that is being done in the businesses.

Two points before I go on to the formal conclusion of the presentation. One thing that we've talked about is our performance against budgets. It was flagged earlier. We started off in the previous two years with an 11% delivery. We are up to 25% if I take both cost and production into account. So there has been a significant improvement, but still a long way from where we should be. If I just talk production we've got better than 50% performance against our targets compared to where we were six months ago. So there has been demonstrable improvement, but still a long way to go.

The second thing on those initiatives that we talked about in terms of improvements, as Peter described and Rene in sustainability we are already talking about 20% of the $3.5 billion in place. The actual programmes are being initiated and we are actually starting to see run rate improvement. But we do have some headwinds that are balancing that out at the moment, and will through a good part of 2014. So the real time we start to see an uplift is 2015, although clearly we are trying to get there earlier.

So for us big ticket asset opportunities. The asset recovery projects. Each of the key areas is being focussed on. Each leader is very clear about what they have and what they have to deliver. We're in a conversation about how we support each other in that delivery. There will be some better outcomes, there will be some missed outcomes. We've got a range of back-stopping programmes that will help support delivery on those targets. But that's where the focus is. That's what we've got to do. That's where we are going as a business.

Finally, what makes us different? In the end I guess only you can answer that. But as we see ourselves we have a range of high-quality resources that I don't think we've done enough in terms of understanding. And that is still a work in progress. We've talked about the potential of Quellaveco. We've talked about Mogalakwena. We've talked about getting better value of assets like Sishen. We are going through all of those assets to understand where the potential is. There is no doubt we have a great resource base.

In terms of the commodity portfolio we believe the approach we have taken will add value. Whilst commodities will move up and down if you think about the breadth of our commodity portfolio, let's say versus the prognosis for iron ore or certain commodities, that supply is coming on and there are some issues around supply, there will be some pressure. But for us we have taken that into account in our business. We have got two low-cost, solid assets. We obviously spent more than we should have on Minas-Rio, but we will still have a good asset, the challenge for us is to make sure that we get a return. We're not going to run out there and splash a heap more capital in that sector. We think we've got some great opportunities across the portfolio and we will make sure that we are allocating our capital to deliver returns across the portfolio and through the cycle.

In terms of geographies, people often talk about South Africa. We are delivering better than 20% return. What we've got to do is make sure the rest of the portfolio is delivering on its potential, and that is where the focus is. Brazil, Australia and other parts of the business, Botswana, Canada. There are significant opportunities to do better than we are doing. We've got to make sure that that investment we have put in place over the last five to ten years starts to work and pull its weight. That's the work we've got to do, and at the same time make sure the assets we have in South Africa are delivering on their potential and we are constructive in the process with our colleagues in South Africa, and we are in the right dialogue with the government. Certainly we think the progress we've made in conversations around the regulatory framework have been very constructive, and the progress for us in the last six months has been very important and very constructive.

When we talk asset quality the infrastructure to deliver the outcomes is fundamentally in place. We are not working it as well as we could. That's the opportunity for us. That's why we have the opportunity to improve the returns even though we are putting more capital out there as a consequence of projects that are being committed. We think incrementally across the portfolio we can get to the first threshold, and then the focus is making sure that each asset within the portfolio is hitting those numbers and we start pushing the overall average up.

Finally, we are a self-help group. We are working on what we have, with what we have, and we can see significant opportunities. From a $3.3 billion EBIT performance in 2012 we see more than a $3.3 billion improvement over three years, all things being equal. It's a significant shift. That is not where the story ends. That's the starting point to get us delivering and to move on to what we see as the basic potential in the business. That is our job. That's what we're focussed on.

So with that I'm more than happy to take questions. One thing I did promise is we would be quick. I've got two questions to pick up. I'm going to try and be much more efficient with the questioning so we can give everyone an opportunity to ask their questions.

**Kieran Daly**
Kieran Daly from Macquarie. I have a couple of questions if I can. In the presentation it is very focussed on optimisation and fixing up things. Quellaveco stands out as a bit of an anomaly in terms of a greenfield project, I know earlier in the year you were reasonably negative on that as a project, and it is a project that has been around for a long time. I'm just very curious as to what has actually changed in terms of your view on Quellaveco. It comes across as you being very positive about it now. That's the first question. The second question is I appreciate your reluctance to give guidance on diamonds beyond 2014. Perhaps you could give us an idea of the current name plate capacity of the diamond business. What could it produce if the market was there?

**Mark Cutifani**
Let me be very quick on Quellaveco. In April when I started Quellaveco was showing a return of 9%, which wasn't good enough. We sent a team in with lots of grey hairs and some people within our business and said think fresh, think differently about how we drive this for value. We have identified resource potential that hadn't been considered. We have identified how to get the plant up to a higher rate without any substantial changes to the infrastructure we had in place. Also how we might relocate certain facilities including the processing plant to reduce our operating costs. We are heading north of 15% IRR. We still have a lot of work to be done, but certainly we've significantly shifted based on what the team could see. So the value engineering work that we did over three months has helped us identify a major shift in potential. Lots of opportunities. The second point, Philippe is the right person on that one.

**Philippe Mellier**

We are working on the initiatives to de-bottleneck the mines mainly in Botswana and in South Africa. The target we are looking for for 2016 is 35 million carats of capacity, because we always produce to demand. It doesn't take into account around 2 million of additional capacity when Gahcho Kué is coming on stream, which is going to be later than 2016.

**Mark Cutifani**
We are cautious on the volume because we match to the market. So what Philippe said there was capacity pending markets to make sure we get our returns.

**UBS Danielle Chigumira**
It's Danielle Chigumira from UBS. Just on Minas-Rio, you gave a very detailed update in terms of the operational things that need to happen to produce first ore on ship by 2014. We have been hearing a lot in the market about the regulatory environment in Brazil and how difficult it is getting. Could you give us an idea of the regulatory milestones that you need to tick off before getting to production? And then the second question, if I may, when you spoke about the 15% target back at the interim results it was equivalent to a $3.5 billion improvement in EBIT. Could you just bridge the gap between the numbers you spoke about then and the numbers that you're thinking about today? I think you've already identified about $3.4 billion EBIT improvement, equivalent to 85% of what you need. If you could clarify that, that would be really useful.

**Mark Cutifani**
Paulo, I will let you pick up Minas-Rio. 45 seconds on that.

**Paulo Castellari**
I think it's a non-topic. We had more than 400 licenses to conform with before production. At the moment we have less than 1% of them missing. What is worth sharing with you is that there are four key licenses missing, these are the operating licences, one of which was granted last Friday, and that is the operating license for the transmission line. So basically there are three operational licenses pending. They are not expected to be issued before July, which is the normal course of events.

**Mark Cutifani**
This is not abnormal by the way. Operating licenses are scheduled to come through. The main areas are done. Rene, do you want to talk to the recalibration?

**Rene Médori**
We have just completed our budgeting process so we have now much firmer numbers especially in terms of capital employed by 2016, so therefore the number we are showing of $49 billion by 2016 which means we have to deliver an additional EBIT improvement of $4 billion. We have identified $3.5 billion, we still need to find an additional $500 million to deliver the 15% return on capital employed.

**Mark Cutifani**
It is off the 2012 base which I think was about $200 million of the differential off the 2012 base.

**Morgan Stanley**
It's David Prowse from Morgan Stanley. Mark, well done today. You have some big issues to fix in South Africa and some of the structures mean you don't own all of those businesses. So when you sit down and negotiate with unions and other people in South Africa they are obviously mindful of the hopeful success that you are posting here. How do you get them to buy into all of this and not want more of the action?

**Mark Cutifani**
I think in platinum for three months we struggled to connect. Chris went in and literally listened very carefully, put the ideas together and came up with a plan that the government endorsed. So by May the government was complimenting us on our ability to be flexible and to hear the case. Get in there early, have those conversations, and if it takes two or three months it saves you a lot of grief. I think that's important. I think the connection we have made has been very positive and constructive. I think South Africa is in a different place. Foreign direct investment has dried up. They know they are under pressure. They won't get unemployment down unless the mining industry is growing. They get it. Now the debate is about how we make that environment more friendly to investment. So the conversations have changed. We have got to keep moving those conversations forward. We have been a good partner in terms of our Zemele programme and a whole range of other things. I think that's a start. There is a lot of work to be done. I think we can manage those issues given the progress we see in platinum. There are positive conversations we are having in thermal coal. The AMSA deal is done. The Con Court decision. There are about seven key things that have happened in the last six months that I think are positive indicators, but there is still a lot of work to be done.

**Barclays**
Ian Rossouw from Barclays. Just a couple of questions. First of all on Kumba. You've previously mentioned that you were moving a railway line and you were submitting a license to the DMR. I just wanted to get an update on that, and what the risks are on stripping and production targets for next year and the year after.

And then just a second question on the commercial side. I was wondering, Peter, if you could split that $400 million EBIT improvement in the various commodities. And then looking at the better freight utilisation you were talking, does that mean you're looking to buy in third party tonnes or is that just employing your own production base?

**Mark Cutifani**
Let Norman speak to the first point and then we will hand across to Peter.

**Norman Mbazima**
For the rail line, we put in our application and I'm pleased to say the application has been accepted, which means that nobody else's application can be taken in by the DMR. Now they are processing it. We hope that we will have that shortly. Discussions have been good. We need to start stripping in that area in the second half of next year, so we need to get that license before then. And production is expected out of that area in 2015. We are on track with that.

**Peter Whitcutt**
On the commercial side I think I gave a rough split. Just to go through it again, of the $400m platinum was about a third to a quarter of that, Kumba iron ore about a quarter, thermal coal about 20% and then the balance is really the others with met coal probably the biggest contributor. That is roughly how that breaks down. On the freight side your question was about third-party cargo. The short answer is yes. What we're doing is we're actually piloting at the moment a pilot around trading which is fundamentally third-party cargo. That is starting off in the thermal coal space. We are starting in a modest way. We have spent so much time getting proper processes and risk processes in place and we're going to be building that capability as another arrow to the bow in the commercial space.

**Mark Cutifani**
So it is not our strategy to do trading per se. It is trading to make sure we get the best cost structures to improve returns. We are not building a new trading organisation per se. It is a means to deliver better outcomes so it's at the edges.

**Myles Althrop**
Myles Althrop, UBS. With the investment credit rating and the grade today, how important is it to maintain investment grade? You've got capex going up. You've got net debt going up over the next few years. If we go into a worse commodity price environment what means will you take to protect the credit rating? Or will you just run the business as best you can? And then Mark, the other question is how patient are you? When we look at platinum still making a 10% return on capital employed, nickel still less than 15% in 2016, at what point in time will you decide that actually the fix-it strategy for some of these divisions should be revisited?

**Rene Médori**
We are doing better in terms of cash flow generation, debt level and capex projections than what we shared with the rating agencies a few months ago which is behind the ratings that I was showing earlier. That is why we have been very keen to maintain a high level of liquidity. I think with the level of liquidity we have and the relatively low level of refinancing that we are facing this year we will go through the next two years very comfortably.

**Mark Cutifani**
I think on the patience, every project that we have defined and we are working through has milestones which the leaders are delivering to. Invariably there will be some milestones that will not be met. There is a continuing judgement on what we should do and what we shouldn't do. For nickel there is a very clear strategy around the furnaces that actually has the second furnace being commissioned by mid-2016. The first will be commissioned late next year / early 2015 I believe. That for me is a key milestone for people to see what we can do with one furnace. Then it becomes a mechanistic exercise. For us we're not as optimistic on nickel as we are on copper. But quite frankly we don't know. If by 2015 there are people interested we would listen. We will have to see how things play out. But the milestones are very clear. And if we are not hitting the milestones then there is a re-evaluation of the strategy. If we don't think we can get there we will be much more aggressive in getting rid of assets that don't make it. Pure and simple. We have to be brutal, we have to be tough because at the end of the day for us it is a war for capital. We can take capital that is not working and put it elsewhere in the business and make it work harder because we've got other opportunities. So it is going to be a tough set of conversations in this group.

**Fraser Jamieson**
It's Fraser Jamieson from JP Morgan. A couple of questions on Minas-Rio. Firstly you talked in the presentation about wanting some of the contingency back from Paulo. Can you give us a sense of...clearly that has not been spent yet, but what proportion of that contingency has been allocated? How much of a contingency is still left in the project at this stage? Secondly, around your comments on longer-term development potential for the asset. Previously we've heard about a clear modular approach to take the asset up to 80 million tonnes. Is it fair to say that that project has been completely shelved and the stuff you are thinking about to drive additional value for Minas-Rio is more incremental? Maybe if you could give us a sense of some of those.

**Mark Cutifani**
Firstly, our contingency. There has been no draw-down on the $800 million contingency as yet. Based on what we can see it could be $600 million. So we have $200 million float in the contingency based on what we can see. We think that looks pretty good. But at the end of the day the foreign exchange rate has been moving, and that has been helpful to us. At the moment we are assuming 8.8 is the right number. We certainly don't see a pressure above that number at this stage, but we have to wait for the project is finished. So we are in pretty good shape in terms of our contingency draw-down at this stage. From our point of view we want to see what is happening in the market. There are a lot of companies

out there throwing lots of capacity into iron ore. We prefer to get our assets working to deliver on the potential, make sure we hit name plate. De-bottlenecking becomes an opportunity, but we won't get ahead of ourselves. That gives us a bit of time to see the expansions in the market and see what impact they have on price. We don't want to compound the capacity issue. We would rather wait and see what things look like. We are in a good position to get it working and look at all the options we have. We don't have to expand our iron ore business. We can make better returns in other parts of the business. That's where the capital will go.

**Anna Mulholland**
It's Anna Mulholland from Deutsche Bank. Back to Minas-Rio, where are you with securing an off-take agreement? What is the process for that, the timeframe that we can expect from here?

**Mark Cutifani**
Virtually all of our production is covered. So the off-take agreements are already in place. We still have some thoughts about how we might do better in the market place, so we have some negotiations about pulling some capacity back because we think the market is moving around a bit, where pellet supply might do better in other markets, but we're pretty good, our capacity is committed. So that is not a risk for us.

**Anna Mulholland**
Thank you. And a very quick one. Did I hear you correctly that you are exiting from Michiquillay? I might just be behind the curve on that one.

**Mark Cutifani**
No, what we have done is we had a $80 million bullet payment that I said if we had to make that payment we're out. The government was very good, we had a good conversation. We have two more $2 million bullet payments over the next 12 months to keep the option open. Once we've got Quellaveco on the right track we will have a good look at Michiquillay. It will be tougher. There is no doubt about that. But let's make sure we understand the resource better before we make a final decision. The problem with Pebble holding costs too high, too far away, it's likely to be challenging. We made the right call.

**Menno Sanderse**
Menno Sanderse, Morgan Stanley. Minas-Rio, Tony, you said $32 to $35 per ton in cash costs, which is up about $4 from where we were in January. That is quite a bit swing. I appreciate the $1 for inflation, but the other $3 - $4 is a pretty big step increase. Can you give us some indication of the confidence you have around this figure, so that in 12 months time we are not again $3 or $4 higher in cost. The $1.20 in consumables, you've had enough time to prepare for this so how can we have $1.20 in consumables more? The second thing, on the off-takes, I hear lots about it's all done, but are these off-takes take or pay, are they best effort, how much is split between the actual consumers and how much to the traders? And now that we're getting closer to actually seeing ore from this thing can you give a better indication of the discount to the market price that you have secured for yourselves?

**Paulo Castellari**
Firstly on costs, I think to make a long story short, on the $1.20, basically these were assumptions that we had to review. As you yourself said we are getting closer to the operational phase. We are learning much more about the pressure points and the tight points within the system. We just reviewed our assumptions, and that is what the $1.20 is all about. And I think the other cost increases of $1 are related to the agreements that we have closed. We talked about this to you some time ago. And then of course there is another $1 on escalation and another $1 on labour CPI. That's on the cost side. Your

other question was around off-take. The story with off-take in Minas-Rio is that we have two large contracts, one going to the Middle East and another one going to Asia. The one in the Middle East is a long-term contract and the discounts are in line with market. We believe that further work can be done when people start learning about our product and the high quality of our product, value in-use options. The other 50% that is still uncommitted, we have room there to negotiate further. That is the work Peter and team with our technical team are going to do over the next six to eight months.

**Mark Cutifani**
The quality of Minas-Rio is very attractive in the market. It is top quartile. So from our point of view it is a good product. We don't see any problems. At the cost side, in terms of the operating review and the asset review we have gone through every element. So we are as confident that we can be given the review inside the operations and through the asset review. We are not factoring improvements from de-bottlenecking because I think it is too early to call. There will be in time some opportunities, but we've got to deliver the project at name plate first. That's where the focus is. And we have done an extensive review of all the elements in that context.

**Eugene King**
It's Eugene King from Goldman Sachs. I just have two questions. In July there were three elements. We've heard about the asset review and the commercial side but nothing on the cost side. I was wondering if you could give us a timeline when there will be an explicit figure on the original $500 million.

**Mark Cutifani**
Rene briefly touched on it. If I could be really specific, of the $500 million we have identified $380 million of opportunities and timeline projects to be reduced. The other $120 million sits against our benchmarking data and we know where we can get it. In detail, we're better than 75% with those numbers. And the balance we would actually update mid-next year. It is about $380 million of the $500 million. There is still some work to be done. That $380 million is identified projects across the different parts of the business.

**Eugene King**
I was talking about overhead reductions.

**Mark Cutifani**
That's overhead reductions. That's $500 million. I think it is about $380 million. And the balance is stuff that we have identified but that is yet to be planned out and scheduled in terms of execution.

**Eugene King**
A second question to follow up on Sishen. I'm having trouble working out how what you've presented today on Sishen is a net positive towards a higher return. Relative to where Sishen was 12 months ago the improvement case is significantly lower than that number. So relative to a return on capital employed in 2012 the future Sishen looks significantly lower.

**Mark Cutifani**
Firstly, the Sishen volume reduction is a headwind that we acknowledge. The plan is to get it back in the business optimisation now. We've dropped 500 million tonnes of stripping out of the mine design. We have reduced the trucking cost by 20%. And by getting the sink rate down we start to impact the unit operating cost as part of that improvement. What we've also done is we've added 1.5 million tonnes at Kolomela in terms of potential. That's on the improvement side. So Norman is working across a broader [unclear] at Sishen at Kolomela. So there is a headwind. We are addressing it and fixing it,

and we are making other benefits. There is a net benefit. But it is certainly not $500 million and there is no downside in there, we have taken both sides of that to get to the $1.2 billion net.

**Deutsche Bank**
Rene Kleyweg at Deutsche. Two questions. In terms of six-sigma work and the frequency of six-sigma across the 90 different assets. How many of those projects are not operating within a tolerance level that you expect?

**Duncan Wanblad**
I don't have the exact number but it is well in excess of 80% are not.

**Deutsche Bank**
And the second question was to Rene. The $500 million of additional savings that need to be found implies a $3.5 billion increase in capital intensity effectively. Where has that come from?

**Rene Médori**
I'm not sure what you are referring to about $3.5 billion.

**Deutsche Bank**
You've gone from $3.5 billion gain to $4 billion gain, so $500 million at 15% is...

**Rene Médori**
The initial number was based on very preliminary numbers back in July. We have just completed our budgeting process and we have more robust numbers for 2016. That is all it is.

**Deutsche Bank**
Am I right in thinking it increases your assets, the $49 billion is $4 billion higher than your previous guidance?

**Rene Médori**
That is what we were modelling at a higher level without having the benefit of a detailed budget.

**Mark Cutifani**
And some of it is in working capital. That has been a key part of that adjustment which wasn't picked up in as much detail as it could have been. That's what we've got in the budget and that's what we've identified. Part of it is back to resetting of the base to the start of 2012. So we have adjusted some of those. It's in the working capital area.

**Rene Médori**
Adding a lot of detail, a projection for each business unit based on the budget process I've just mentioned.

**Mark Cutifani**
And it is consistent with the capital numbers Rene has put as the forecast to get there.

**Kieran Daly**
Kieran Daly from Macquarie again. The other greenfield project in the pipeline is the New Largo project in South Africa to supply the Kusile power station that Eskom is currently building. The latest information is that there is quite a standoff between Anglo and Eskom on the commercial contract there. I was wondering what the latest situation is with that. Are you going ahead with that project? Could you give us an update please?

**Mark Cutifani**
That's crap about the standoff, if I can be as direct as I possibly can. We're in a good conversation. We had a meeting with the Minister for the DMR, the Minister for Infrastructure, Minister Gigaba, after they made a number of statements. There were some tense discussions. Eskom would put two thirds of the capital and we would put one third. We're happy to dilute down as long as our commercial terms and our capital hurdles are met. Godfrey, do you want to add anything to that?

**Godfrey Gomwe**
The discussion is really around how much more empowerment can we do for New Largo. It is not about the commercial terms for the coal supply agreement. Those were agreed a long time ago. We know what returns to expect from our capital when we put it in. It is just that specific requirement and then we are good to go.

**Mark Cutifani**
We were in an intense debate back in April or May. We have indicated we are ready to finish off the process. I guess Brian Dames leaving will create a bit of noise, but from our point of view we've worked with the Minister and it is pretty constructive actually.

**Kieran Daly**
What is the capex number?

**Godfrey Gomwe**
Our contribution will be about $700 million. So it is about $2.2 billion.

**Mark Cutifani**
That also explains one of the earlier questions. A bit more of the working capital in projects in process that we won't be taking into account which is part of an earlier answer as to why the working capital is up a little bit.

Can we go to those on the line please? Is there anybody on the line who would like to ask a question in South Africa? Okay, so we will do that. I will take another question if there is one. I will wait 30 seconds.

**Operator**
We have a question from Kane Slutzkin of UBS. Please go ahead.

**Kane Slutskin**
Hi Mark. How's it going? Just a quick one on Amplats. If you could just maybe provide some colour on the significance of Mogalakwena with respect to the longer-term opportunities that may exist on the northern limb. I just want to get your feelings on that because we know there are others there who are exploring. I wanted to see what you think in terms of the longer-term gain there.

**Mark Cutifani**
I will give a 30 second perspective and then I'll hand across to Chris. I've come out of an industry that has just seen a $400 or $500 an ounce drop. The reserves of many of the major gold producers are well under what we've got at Mogalakwena. So for me it was a wonderful surprise to see an asset like Mogalakwena in the portfolio. The key for us is how do you manage that in an appropriate way to deliver returns. Chris has had to dampen my enthusiasm, because it will take time. I will hand across to Chris.

**Chris Griffiths**

I think it is very important that everyone gets the feeling that we are also excited about Mogalakwena. It is still a platinum industry over-supply. It still needs to be carefully managed. Mogalakwena has got great potential. We recognise that. I think Mark and Tony and everyone has made the point. First we will start with fixing what we have. Secondly, we will make low capital intensity increases in volume at Mogalakwena probably to about 400,000 oz. We think there is another fairly big step possible to around about 600,000 oz. That is a replacement possibility for Rustenburg. That is probably where the hill of value lies. Beyond that means we go outside of the existing footprint where we have possibilities, but there is where Mark talks about me having to dampen some of this enthusiasm. There are communities that need to be moved. There is a significant amount of water that needs to be brought into the area. There is not sufficient power. The base metal ratio is 1:5 at Mogalakwena. It means that beyond the 400,000 oz, we've got sufficient capacity in the base metal refinery so that we don't need a big expansion in the base metal refinery up to about 400,000 - 430,000 oz. That is all low capital intensity. Beyond that we could probably do a de-bottlenecking of the base metal capacity. Beyond 600,000 – 650,000 oz is big capital intensity. All can be done. It may in the future still be possible. But I think beyond ~650,000 oz is the kind of area where we may be going down the hill of value in terms of return on capital. So lots of potential. We are also excited about it. We have lots of plans. We are doing lots of work in four different categories of potential. Fix the assets first, secondly de-bottleneck, third perhaps the replacement of Rustenburg or a general expansion, and beyond that it gets more tricky in terms of capital and then there are big capital tickets that need to come for that.

**Mark Cutifani**
I think Chris has described it very well. It is a great resource. At our current mining rate we have got 240 years. It will probably see most of us out. And there is an opportunity to do better with what we've got. That's what the team is focussed on. I think the point that Chris made is very important. Capital intensity, nature of the market, price you get does destroy value. Key stuff we're watching, we can so some incremental stuff that takes us up. We've got other options we're building to improve our unit operating cost. So for us we're very excited but cautious. There are still a lot of things we've got to do.

**Operator**
Our next question comes from Nic Dinham of BNP Paribas Cadiz. Please go ahead.

**Nic Dinham**
Just a question on the Mogalakwena decreased strip ratio. What is going to happen to all that waste that you apparently got rid of? Are we going to find it again at the end of your life of mine of your pit, or have you genuinely done something different that gets rid of what appears to be quite a large amount of waste?

**Mark Cutifani**
A very simple answer. What we've identified is that we can expose the ore we need to expose based on current platinum production levels and incremental improvements we can push that outside 15 years. So it is still there. It just doesn't make sense to strip 500 million tonnes of material for a benefit that is 20 years away. The way we think about our business is you put capital in the business that gives you a revenue stream inside three to seven years. Beyond that be very careful what you spend because you don't know what's going to happen to the price. It is just a common sense decision about using our capital more wisely, no apologies. We will pick it up later when it's appropriate.

**Nic Dinham**
Thank you.

**Operator**
There are no further questions from the conference call.

**Rene Kleyweg, Deutsche Bank**
Just going back to Peter on the shipping, does that sit within Kumba or within Anglo in terms of the rates?

**Peter Whitcutt**
The opportunity sits within our commercial business, the benefit / saving I mentioned reports back through to Kumba's bottom line.

**Rene Kleyweg, Deutsche Bank**
And in terms of the volume potential that you see there in terms of Indonesia to India , what are we looking at?

**Peter Whitcutt**
This is early stage. If you say one cape size vessel 150,000 tonnes we need to put it all together. So at this stage we are looking at a few million dollars of benefit from this particular opportunity.

**Mark Cutifani**
The Indian market is a good one. We're in there at the moment with a few trial shipments, testing the market. India is the major supplier. It is still early days but they are short coal longer term we think that is a good position for us especially from South Africa, a competitive position for us to deliver product.

**Societe Generale**
Hello, it is Alain William from Societe Generale. I have a quick question regarding the synergies you want to get between Kumba and Minas-Rio. I think at the time of the H1 results you were telling us it was early stage and that you wouldn't change your plans. Have you made a new work on that at this stage or not?

**Mark Cutifani**
I will give you a 15 second answer and pass to Peter and Paulo if they want to make a comment. Simply put, the fact is that Minas-Rio's quality is very very good. Depending on the customers you go to, you provide an opportunity for Kumba type material to go to a broader range of markets because the elements it has is complementary to that other material. So you are broadening the range of opportunities to Kumba. There are various views on what we think that's worth. And there are other benefits.

**Peter Whitcutt**
I think that is essentially it, Mark. What I touched on is that all of our iron ore in the Anglo group is being managed through one place. So the ability to put that together in a way that will deliver most value is much higher, whether that is through blending or bundling or customer interface. We will work that out. But there are certainly opportunities there.

**Mark Cutifani**
There is not a big provision for that specific example. We think that's an opportunity we will try to understand in the next 12 months in the market.

**Dominic O'Kane**
Dominic O'Kane from JP Morgan. Just a question on the asset review. You could almost interpret it that the management team has taken an intervention into the operational management to correct some pretty basic mistakes. You've been in the job now for eight months. Do you have full confidence in the

lower levels of management to implement the strategy that you've put forward? Do they have the empowerment, the authority to make decisions without coming back to the ExCo, and are they incentivised to improve productivity and performance?

**Mark Cutifani**
The first thing I think is important, and Tony actually scratched on it, is that we have lost senior skills in the technical area and we're rebuilding that capacity. Obviously there has been recruitment and we think we are addressing that issue. Quite simply put, this team's job is to deliver returns. If that means we put overalls and boots on and get our arses into gear into the operations we do what we have to do to deliver an outcome. And when we are comfortable that we've got the right skills in the right places – because we're not going to be doing that every day – we expect people in the operations. We're training, we're supporting, we're doing some recruitment and we're helping build skills. We're doing all of those things. And as Tony said, we think we've got some good people on the ground and young people coming through. The implementation of the process model is the base upon which we build that skills base. Somebody asked me about Six Sigma. That left hand side of that model is about leadership. The work management piece and is lean manufacturing and the analysed improved piece is Six Sigma. They are the basic skills we are bringing back into the business and rolling top-down through the business. That is a 12 to 18 month exercise to get the top three layers done. That's what we are doing, that is our job. Whether it is commercial or whether it is geology we've got to make sure we've got the right people in each place. It is going to take a bit more time, but we're getting there. We see it as important to get the interventions going; support them with some extra skills to deliver the outcome. That's our day job.

**Myles Allsop, UBS**
A couple of questions. First of all, could you just remind us with the strip ratio going up at Sishen what happens to unit costs for Kumba as a whole in 2014 versus 2013 and 2015 when you get over the hump and things start improving? Also just in terms of timing as well. As we sit back here or at your results presentation in February are we going to see any benefit flowing through then? It sounds like we've got to be patient. There is not much benefit until 2015. Can you give us a sense of how long you expect until the improvements come through?

**Mark Cutifani**
Let me answer your second question and then I will hand across to Norman. Very simply put, the things we have already done we are seeing about a 20% delivery on the opportunities we've identified. So if you do the numbers that is about $700 million or probably a bit more. The concern we have in over-talking that number is the headwinds. So net net we've got risks. It's the Sishen volume and those other issues that we're swimming into. So we're a bit concerned that people will take that sort of improvement and book it as an improvement. Now we've got those headwinds – we've got grade in copper, the Sishen tonnage. So it is going to take a good part of 2014 to get that working and to start to see some benefits. So what we are saying is those headwinds we're talking to are fairly immediate. We have certainly made some significant inroads. But we are still in deficit in our view. The quicker we get up the curve the better. 2015 I certainly believe we will be on the right side of the ledger. Yes, it is going to take a bit of time. But we will give you an update in February. From our point of view every month we've got to do better, and so that's where the focus is.

**Norman Mbazima**
I think the guidance we have given in the past is still valid. We should take the increases in waste that were shown along the bottom of that line which goes up to 270 million tonnes. Every incremental ton is approximately R23. Therefore if you add those numbers up and divide by the production that we are talking about you get what the increase is in unit costs. Tony talked about the fact that we then drop off

from the 270 million tonnes, and therefore that will also bring a commensurate benefit in unit costs after 2016.

**Mark Cutifani**
After 2016, that is very important. Those benefits come post 2016, so that is not in the improvement model as we have it today. There was one more question.

**Rene Kleyweg, Deutsche Bank**
Just back on Minas-Rio again. I can't remember the exact date of the last increase we had in the capital expenditure estimate. But we have gone through $600 million of the contingency since then in less than six months. The currency has actually been in your favour. I'm trying to extrapolate the confidence level.

**Mark Cutifani**
The $200 million headroom I said we have on contingency is essentially currency. We're on the $8.8bn, I think it has been two years since we did our latest estimate.

**Rene Médori**
The project has been fully hedged so no upside or downside from the currency standpoint.

**Mark Cutifani**
I think that means we might call it quits. We've either worn you down or you've worn us down. I have to say thank you on behalf of all of us. As I said, lots of things happening, but the team is focussed. Certainly from our point of view we will keep you posted as you would expect. Let's go and enjoy a drink. Please ask any of these guys whatever questions you want to know. They all know everything about every part of the business. Thank you.

END OF TRANSCRIPT