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EDITED TRANSCRIPT

AAL.L - Full Year 2016 Anglo American PLC Earnings Call

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OVERVIEW:

Co. reported 2016 results.



Mark Cutifani - Anglo American plc - Chief Executive

Good morning everyone and thank you for joining us for our 2016 results presentation.

I would like to acknowledge my colleagues that are with us here today:

- Rene is here with me presenting the financials for the last time, and
- Stephen Pearce joins us for his first results presentation.
- Tony is here as well, with Anik, Seamus, Chris, Norman, Bruce, Didier, and Duncan joining you in the audience.

I would like to encourage you to chat to the team – which for us is very important part of our approach to give you more exposure to the team members leading the restructuring and change work on the ground.

[SLIDE 3]

Jumping straight into the key issues.

In using the words Delivering Change and Building Resilience we are making a very clear statement of intent.

There can be no doubt there is change...and our focus is to continue to improve the business to ensure we can deliver cash flow under any scenario the market throws at us. To me, that is the definition of a resilient business. In building the 2016 story we will use the flow from this slide as our guide.

Delivering on our commitments

- Given where we were last year there are two very important numbers we would like to highlight. Free cash flow of \$2.6bn, well above target and Net Debt of \$8.5bn – well below where we were signaling.

Operational improvement

- The Operating model roll out has continued to support performance improvement across the global business and we have reported a 5% margin improvement over last year (2015), despite receiving a 3% lower price for our commodity basket in 2016.

Balance sheet resilience

- On the Balance Sheet our objective is to regain our Investment Grade Rating – consistent with improving financial resilience in an industry that is likely to see commodity price volatility as a new normal.
- We are targeting a reinstatement of the dividend by year end – for payment in 2018.

Portfolio Upgrading

- On the portfolio, we will continue our cleanup work as we remain focussed on our high quality, long life assets – targeting both margin growth and returns where we have the significant long term improvement leverage.
- At the same time I think it is important to make the point that our forward looking disposals are about portfolio quality and potential – as we have now substantially addressed the Balance Sheet imperative that was the driver behind the broader sales approach articulated in late 2015. Our recently announced Union sale is aligned with that quality focus.
- To be clear, for the purposes of balance sheet deleveraging no further disposals are planned – and so we are also announcing we will retain Moranbah Grosvenor and the Nickel assets.



[SLIDE 5]

There are 6 numbers that best describe Anglo American in 2016:

- On EBITDA – a good result considering our basket price dropped 3%.
- Cost and volume improvements reflect the progress we continue to make across the business, building off the solid cost reductions recorded in 2015. Cost and volume improvements actually represent around a \$2 billion improvement for the full year. We did have some headwinds, so net we hit \$1.5bn or \$1.6bn in cash terms and I will explain the \$100m difference on Platinum inventories a little later.
- On capital – we continue to hold our discipline and you will see that determination reflected in our forward looking numbers as well.
- Attributable free cash reflects the volume and cost work despite the flat prices on our commodity basket.
- And the net debt/EBITDA ratio has landed inside our target range.
- Net Debt is down \$4.4bn – reflecting the hard work within the business and the progress on our targeted disposals.

We have made good progress, but we still have a lot more to do.

[SLIDE 6]

Safety and environment

- After making good progress on safety during the last 2 years we took a step backwards on 2016 – from our perspective it is both unacceptable and extremely disappointing. While our total injury frequency rate continues to improve, management of our higher risk activities has been a weakness and is the focus of our improvement work.
- The good news is a 24% improvement in our total recorded injury rates was encouraging but, at the end of the day, if we're not managing the key risks then we remain exposed and that's unacceptable.
- On the environment, a much more encouraging story for the year. Since we focussed on environmental risks and performance we have seen an 85% reduction in these incidents across the group. And while you generally won't see this stuff – it is only when we have a high level incident do people appreciate why managing these risks so tightly is critical for the business.

[SLIDE 7]

Production

- Through 2 years of significant restructuring I am pleased to report an actual 2% increase in copper-equivalent production for the year 2016 on a normalized basis.
- The improvements reflect our efficiency work across a number of areas.
- In nickel, we hit our furnace design targets for Barro Alto in Q3.
- Minas Rio is starting to make a contribution in iron ore and the platinum business did pretty well despite some headwinds late in the year.
- In Platinum, we had a couple of problems during the year but overall it was a solid performance.
- The De Beers performance was encouraging as our production matched improving rough demand:
 - On Gahcho Kue in Canada, we continue the production ramp phase and we expect to reach commercial production in Q1.
- In the three coal regions really solid work restructuring. Even with some sales done a good job on the operating side. Productivity has continued to improve. And so some really good work across the portfolio.
- On copper – we dealt with the detail on the snow issues at Los Bronces at the half year. Since the half year we also had to deal with a couple of strikes in relation to wage negotiations – but over the full year we actually presented 3% more ore to the mills – so good work on the asset hardware side was offset by the lower, but anticipated grades at Los Bronces.
- Overall, the numbers were pretty solid and supported a much better performance on the cost side and that's really where our focus was.



[SLIDE 8]

Unit costs

- Unit costs were down across all commodities, with a 9% Group reduction on a copper equivalent basis. – and normalized for continuing operations. Actual reported was down 10%.
- You will see as I explain a little later that our improvements are underpinned by productivity improvements, with a little help from design and technical changes across a number of operations.
- For us, the relentless pursuit of operations improvements and cost reductions demands we look at every avenue to help us keep driving the numbers towards their potential.

[SLIDE 9]

EBITDA targets

- On the EBITDA improvement front we hit the target in cash terms, but gave back \$100m as a non-cash accounting offset for relative changes in inventory measured at Anglo Plats. This figure can move around year to year.
- On costs we delivered \$1.2bn worth of improvements against the original forecast of \$900m – and so pleasing progress.
- On volumes, we exceeded our targets in a number of areas – but gave some of those gains back with the Waterval smelter problem in platinum and the Los Bronces issues for which you are aware. So net-net we saw a \$400 million contribution on the volume side.
- That got us on a cash basis to a \$1.6 billion performance improvement across the portfolio.

[SLIDE 10]

Margins improving

In 2016, while it was clearly a year of two halves, we actually recorded a 3% drop in our commodity basket price over the full year. So, our improvement in margins in 2016 was all the more credible and was underpinned by:

- Portfolio upgrading - we eliminated the cash leakage from the tail-end assets and sold lower margin assets.
- Productivity improvements driven by the operating model work along with the associated technical improvements.
- Costs reductions across operations and overheads, and
- Continuing improvements in costs and realised prices through the application of our marketing model, which has delivered more than the \$400 million we were targeting in 2013.

While we can see a lot more opportunities, we will likely have some FX headwinds – but either way we can keep improving to help on our promise to deliver a higher quality portfolio and more sustainable returns through the price cycle.

[SLIDE 11]

On De Beers:

- The actions we took in 2015 helped us get a running start in 2016 and the market has held up pretty well through the year.
- As a consequence, both volumes and unit costs were full beneficiaries of our efficiency work and so the improved contribution from De Beers was material in our 2016 results.
- In looking forward we will continue to work closely with our customers to ensure we deliver product to market demand – with Gahcho Kue adding some production breadth and lower costs to help improve the potential De Beers contribution to the group.
- Our production range forecast of 31-33mcts.



[SLIDE 12]

On Platinum:

- We have to keep working on our portfolio improvement and the associated right-sizing of our cost base.
- The sale of Rustenburg was an important milestone – as is the announcement of the Union deal.
- We still have significant potential and Chris and the team are focussed on continuing the improvement story – an absolute must as we think it will be a little while yet before we see material inventory shortages.
- The quality of the portfolio and making sure that we're positioned on the left-hand side of the cost curve is where I think we need to be.

For 2017

- We are forecasting consistent production of final product as we substitute low margin mine product for better quality and margin, own mine and outsourced concentrate.

[SLIDE 13]

On Copper:

- While production reflects the changing asset base and the earlier challenges at Los Bronces, the good work on costs helped us bridge the potential earning gap year on year.

For 2017:

- Our production guidance remains in the 2016 ballpark as Los Bronces grade challenges will be offset by continuing work on Collahuasi opportunities.
- On El Soldado we are in dialogue with the authorities on possible future configuration of the operation. We have appealed the regulators decision not to award the licence and will be looking for a quick resolution. I think it will be the next three or four weeks where we'll sort out what we need to do to get approvals going forward but, at the same time, if we're not able to agree and we don't believe that the operation will be making a contribution then we won't continue going forward with the operation. We'd like to think that we can work something through with the Government and get the right licenses in place but, if not, we will make the right decisions. Each asset has to pull its weight and make a contribution.

[SLIDE 14]

On Coal Australia:

- We continuing to deliver leading performance in terms of productivity and cost reductions, despite geological challenges at both Grasree and Grosvenor.
- Unit costs are the lowest we've seen since 2006.
- On Grosvenor, we're still in the first longwall block. We have experienced geotechnical challenges that we're getting on top of. It's quite normal in your first block, where you've got virgin stresses around the wall, to see some challenges. Usually things get better in the second and third blocks.
- We are also upgrading the portfolio through disposals of Callide and Foxleigh and through the development of Grosvenor. These actions will continue to improve the margin position of the business and make it more resilient to price volatility.

For 2017:

- Our 2017 focus on Grosvenor is an important issue for us as it provides our next step-change opportunity in the coal portfolio. The recent geological challenges will need a bit of patience and TLC to ensure we understand what and how we need to operate to deliver on our productivity and cost objectives.



[SLIDE 15]

On Coal South Africa and Colombia:

- Good progress with improved productivity – but more to be done. Certainly in South Africa the productivity work has been exceptional. We're actually up 45% on the last three years. So, again, good progress there.
- Production in South Africa increased at all the export mines driven by productivity improvements following the roll-out of key aspects of the Anglo Operating Model. The work management modules have yet to be implemented and present another opportunity to improve performance.

For 2017:

- We expect coal to be around 2016 numbers – but we are looking for further improvements and so we will watch how we start in the first couple of months.

[SLIDE 16]

Kumba:

- People can now see in the numbers – while the restructuring has taken longer than it should have, but the operating and technical changes have been profound. Our journey from a \$77/t break-even price delivered to Asia, to \$29 has been quite remarkable. I will put a cautionary point around the \$29/t. It is a volatile number, depending on where foreign exchange is and oil prices are, and so it can move anywhere between \$30/t and \$40/t.
- The 2016 chapter has been even more remarkable when you consider virtually all of the cost improvements in the last year have been delivered in areas that we control.

For 2017:

- And so, the focus for this year is to consolidate those gains and step quickly into our next phase of improvements as I expect FX and oil will not do us any favours in 2017.

[SLIDE 17]

Minas-Rio:

- The team has focused on getting tight control of the cost base while we work towards the Stage 3 licenses. A full step-up to nameplate capacity can only occur after we receive the Step 3 licences, estimated to be later in 2018.
- FOB costs are inside the range that we forecast at full production rates.

For 2017:

- In the meantime, cost control, quality and customer delivery are the focal points to ensure we do everything we can to keep the business making every step an improvement.

[SLIDE 18]

Nickel:

- In our case, Barro Alto is now the best of the new generation laterite nickel projects to deliver and hold its full design capacity – and with costs continuing to improve. We continue to deliver consistent production and cost performance.

For 2017:

- We've still got some performance improvement we can deliver through consistency. We'll continue to improve the operations. And, again, really pleased with the progress that's been made and what the team has delivered from Barro Alto with the new furnace.

I'll now hand across to Rene to unpack the financials.



Rene Medori - Anglo American plc - Finance Director

Good morning, everybody, and I would like to start by thanking the management team for the strong performance and allowing me to present a very strong set of results.

[SLIDE 20]

So first the key financials for 2016.

- A very strong EBITDA number of \$6.1 billion; an increase of 25%.
- Lower tax rate at 25%. That's due to two one-off items. First, in Australia we were able to use some unrecognized tax losses against the strong performance in coking coal in the second half of 2016, and secondly the change in tax regime in Chile withholding tax and the impact on the deferred tax assets. Going forward we expect the tax rate to be between 30% and 32%, obviously depending on the structure of the portfolio.
- Capex is down to \$2.5 billion. And, as you know, we commissioned two projects in 2016: Gahcho Kue in Canada, in De Beers, and Grosvenor, the new longwall operation in Australia. We still had some spending in Minas-Rio in Brazil.
- Very strong shift in cash flow from negative cash flow of \$1 billion in 2015 to a positive cash flow of \$2.6 billion in 2016.
- Disposal proceeds of \$1.8 billion, predominantly in the second half of this year as we completed the sale of Niobium and Phosphates and the sale of our 10% stake in Exxaro in South Africa for \$0.2 billion.
- So net debt down to \$8.5 billion at the end of December, which represents a net debt/EBITDA of 1.4x on a pro-forma basis. We maintain the same focus on cost, operational performance and capex and we keep getting the benefit of high commodity prices. At end January our net debt was, in fact, down to \$8.1 billion. So continue to make good progress in term of strengthening the balance sheet.

[SLIDE 21]

Turning to the EBITDA waterfall, on the left-hand side you see the uncontrollable elements. Mark mentioned the slight year-on-year basket price decline of 3%, a negative impact of \$100 million, but there was a strong recovery, as you know, in the second half of the year. The point-to-point increase, so from end of June to end of December, for our basket price was 27%.

So the 25% increase in EBITDA was really driven by the cost and volume improvement; a net impact of \$1.5 billion. And then you had the impact of the platinum non-cash inventory adjustment and the impact of the disposals both in 2015 and 2016.

[SLIDE 22]

On net debt:

- Overall a reduction of \$4.4 billion from \$12.9 billion to \$8.5 billion at the end of December.
- On tax, we had the benefit of accelerating tax depreciation in Chile which resulted in a cash tax refund of close to \$200 million in 2016.
- On interest, from the cash standpoint we will get the benefit of lower debt in 2017. That will reduce, from the cash standpoint, the interest charge by \$200 million. But from a P&L standpoint, as we have now commissioned Grosvenor and Minas-Rio, we will capitalize less and the net impact from the P&L standpoint will be an increase of \$200 million.
- Our objective is to have a net debt/EBITDA between 1 – 1.5x using long-term prices.
- Our EBITDA forecast, using both our internal forecast and the market consensus, around \$6.5 billion. So we would like the level of net debt to be closer to \$6 – 6.5 billion. I think we agree that we need to run the business with probably a more conservative balance sheet.



[SLIDE 23]

On gross debt:

- A 27% decline in gross debt in 2016.
- We had the impact of the maturity in 2016 but also the liability management exercise that we did earlier in the year and the repayment of a BNDES loan in Brazil for \$1.7 billion. So that will help us reduce the level of interest charge in 2017 that I mentioned earlier.
- Liquidity has been critical over the last two years. That was very important for us as we were going through the downturn and the pressure. We have maintained very strong liquidity, close to \$16 billion.
- There's still some volatility in term of prices and we continue to make progress on deleveraging the balance sheet. But we expect the level of liquidity to be adjusted going forward as we make more progress in terms of reducing the level of net debt.
- You see the maturity over the next three years; around \$6 billion of bonds maturing in 2017, 2018 and 2019.

[SLIDE 24]

- Working capital was a net reduction of \$400 million and that's the impact of the higher prices especially in the last months of 2016.
- We got the benefit of optimizing our level of inventory in De Beers, a benefit of \$300 million, as well as our ability to renegotiate some deals with some clients involving some pre-payment and also some supplier payment terms.

[SLIDE 25]

- Capex was down to \$2.5 billion compared to \$4 billion in 2015 and in excess of \$6 billion in prior years.
- We expect the level of capex to be maintained at this level in 2017 and 2018; due to the benefit of the commissioning of the projects that I mentioned earlier. But there will be an increase in SIB capex as we commission some new projects, for example Minas-Rio and Grosvenor.

[SLIDE 26]

- On disposals, we achieved \$3.5 billion over the last two years, which includes \$1.8 billion in 2016. Niobium and Phosphates was completed in September for \$1.5 billion and the sale of our stake in Exxaro for \$0.2 billion.

Thank you.

Mark Cutifani - Anglo American plc - Chief Executive

Thank you very much, Rene.

[SLIDE 28]

Since we started our restructuring work in late 2013, we have focused on a change platform centred on the role we play as leaders and our organisation approach, the quality and performance of assets that make up the portfolio and how we work the business applying a new business Model.

- On the organisation, we've streamlined and reduced the numbers both as a consequence of focusing on the assets that can add material value, the way we run those assets, the way we operate and the way we work together as an organization.
- On the portfolio front we've either sold or closed 27 assets, reducing the portfolio to 41. We've also added five new projects to the portfolio. So when we talk about margin improvement it is a function of the work we've done on the portfolio and it's a function of the efficiency work we've done within each of the assets.
- The operating model is about the way we operate. It's more of an industrial approach to the way we run our assets. Certainly it's not about one or two years' game. This is a long game that we're playing in operating and improving the business, as is the marketing model.



[SLIDE 29]

- On safety and environment the progress has been meaningful – but a lot more work to do. 50% down since we first stood up in 2013. Clearly disappointed with how 2016 shaped up. A lot of work going on to make sure that we recover and keep going forward and continue the broader improvement trends.
- Similar for environment. In the end, knowing that we're doing the work, I think, is the important piece. These things really only come to the fore when you have a problem. What we're going to try and do is continue to improve the discipline, the planning and the work we're doing in improving incidents so that we don't have any large incidents.

[SLIDE 30]

Productivity

- On the operating side our copper-equivalent production from where we were is actually up 8%. Now that's from 40% less assets so, clearly, the cleanup has been around the smaller assets and getting a lot more out of the larger scale, higher margin-type assets.
- And so, as a consequence of all of that work, our copper-equivalent unit costs are down 31% and that's in nominal terms. So, from our point of view, that's an important number.
- And cash generation flows from those improvements. For those that do track back to what we talked about in 2013, the underlying EBITDA improvement is \$3.1 billion delivered against the target.
- As a consequence of the portfolio work and the efficiency work, the production per person is up 41% from where we were back in 2012. And, as a consequence, our actual reported operating cost in US dollars is 69%.

[SLIDE 31]

Portfolio quality

- First, we've been committed to the cleanup. A lot of that work or, in fact, most of that work, has been pretty well done.
- The list here shows a reduction of 17 assets over the course of 2016, some deals were struck in 2015 and others struck and delivered in 2016. Since 2013 we have reduced the portfolio from 68 to 41 assets.
- Second, we identified the need to go further on our restructuring programme. And, as everybody knows the story, in 2015, pretty dramatic drop in commodity prices, we were confronting a real challenge in diamonds, the pipeline having filled probably in the prior 12 months, the prognosis for China was a bit open.
- We took the decision to drive and effectively put in place a self-help programme; accelerated the improvements across the business in terms of costs, pulled our capital in hard but still making sure we remained committed to things like innovation where we knew that we'd have benefits longer term, and we sold some assets.
- The one thing we promised our shareholders was that we would hold ourselves to very strict value criteria. And I think that we held true to that.
- In the case of niobium phosphates, the one point we made is that niobium we didn't see a long-term opportunity to improve our position there, given the size of competitors in the industry.
- The phosphate business was very much a local market and, therefore, from our point of view, the price we realised was almost double consensus numbers and we thought that that was a solid price. It was subject to an open bidding process.
- That, plus the cleanup work, helped deliver about \$1.8 billion and the \$1.7 billion before helped us get to the net debt number.
- We will retain Moranbah/Grosvenor and our nickel assets.

[SLIDE 32]

Resilient Business

- Firstly, three global commodities. In diamonds, we have a business that is global in scope and scale. Each asset, while not all are Tier One, add breadth to our product offering and help us achieve a premium for all of our products.
- Similarly, platinum. Although it's not the same industry and there are lots of learnings that are going on between the two businesses, again Chris has the most significant platinum business in the world and we run and set that up as a platinum business and it is on a global scale.
- In copper, we have potential but we are not yet at the scale and quality where we would like to be and so Duncan and the team have a lot of work to do.



- In Bulks and other Minerals, we have a great set of assets – but nothing that argues we are operating at a global scale in a specific commodity. We have packaged the group of assets under Seamus as we have a team that understands the bulk commodity technical issues and have demonstrated an ability to drive rapid productivity and cost improvements on a broad scale. His organisation is structured fit for the purpose.
- So, today – given the progress we have made on our Balance Sheet imperative – we can pivot back towards our asset quality strategy – but in a much tighter, more streamlined configuration with a portfolio that has both quality and a broader suite of future development opportunities – if and when the time is right.

This is not the same business we presented to you back in 2013!

- On South Africa:
 - We have made improvements to the businesses and are happy with how they are performing (Sishen breakeven at \$29/t / Platinum portfolio restructuring / coal productivity).
 - Retention of these assets is an acceptable option for us.
 - However, we're happy to engage for value.
 - The other point when I talk about South Africa, and I think we are in an important moment in terms of policy certainty, the focus on the MPRDA, the mining charter and general fiscal arrangements, is to make sure that we encourage inward investment to South Africa, are all important issues for us.

[SLIDE 34]

Further improvements

- We continue to build on our business improvements with another \$1.0bn improvements targeted in 2017.
- We have \$0.5bn hard-wired in the plan, a further \$0.25bn has been identified and work continues on the remaining \$0.25bn.
- At this stage the EBITDA target is a stretch and we will keep working on every aspect of potential.
- As our first priority, we are focused on cash...to make sure we continue to position the Balance Sheet where we want it.

[SLIDE 35]

Financial guidance

- Guidance based on 2016 average realised prices...free cash flow is before and disposals or dividends.
- Structurally we are targeting investment grade and believe a net debt to EBITDA target of between 1.0 - 1.5x through the cycle will deliver this outcome.
- We have used conservative price lines for our guidance, which is where we want to be.
- We would certainly see the net debt at less than \$7 billion. As Rene pointed out, we're making good progress at this part of the year.

[SLIDE 36]

DELIVERING CHANGE...BUILDING RESILIENCE

- We are building a portfolio with high quality, long life assets.
- We will continue to roll out the operating model in order to realise the maximum potential from our assets
- Free cash flow generation remains the imperative, giving us the flexibility to move to the next stage of the company's evolution.
- On capital management, we will maintain the discipline we have shown. Returns to our shareholders are a priority and we aim to reinstatement the dividend for the end of 2017.
- We will ensure our balance sheet discipline through adopting conservative debt ratios through the cycle.

And with that, we're very happy to take questions.



QUESTION AND ANSWER

Liam Fitzpatrick - Credit Suisse - Analyst

Two questions, predictably on South Africa. The first one: I want to understand how your thinking has changed because last year you made two points. One was around the capital controls and political uncertainty causing inefficiencies around capital allocation. And, secondly, you made a point of wanting to focus on long-life assets. So what has changed in terms of your thinking around the thermal and Kumba assets? And is it just a case of you appreciating the diversification more?

Secondly, based on your comments of retaining now being an option, are you still actively looking at a disposal of these assets? Or are you now just sitting and waiting for any potential offers that may come?

Mark Cutifani - Anglo American plc - Chief Executive

On capital allocation, obviously focused on the right assets and best return so it's a very healthy capital competition across the portfolio. We do take into account a global commodity position in thinking about that but all of the assets will have the right capital to make sure they're delivering good returns.

We still have those three global commodities very much in focus and they will continue to get our support. But we've got another set of assets that are high quality long life and will continue to make a contribution and they have a place in the portfolio.

In the case of Kumba, more specifically, the technical opportunities that we've been working on for a couple of years around the DMS plant suggest to us that Sishen has got better than 20 year life; still to be worked through but certainly good potential.

We will continue to do some cleanup as we go. As assets get to an age where we don't think there's much more we can do, we will sell. I think that discipline is something that we have to be much tougher on.

And, in terms of South Africa, the point I've made is fairly clear that with the portfolio we have, we can operate and manage that portfolio, and manage the financial issues quite effectively in our current configuration. Over time, bulk prices will probably come off in terms of the relative contribution and so the difference in the two jurisdictions will change over time.

At the same time, if there are other ways or opportunities to improve how South Africa sits in the portfolio, then we're also very open to having a conversation but it has to deliver value to all of our shareholders.

Jason Fairclough - BofA Merrill Lynch - Analyst

You've had quite a year. In terms of strategy, I'm not quite sure what the strategy is. It seems like we're looking at the third strategy in 15 months? What is the strategy today? What is the path forward? Have we gone back to the old strategy before core Anglo?

Along with that, what is the investment case for Anglo today? How is it differentiated from your mining peers?

Mark Cutifani - Anglo American plc - Chief Executive

When we stood up in 2013 we talked about strategy in four parts:

Firstly, we talked about cleaning up the portfolio and being competitive (*Driving Value*). We've delivered and you see that in productivity, costs and capital efficiencies.



Secondly, we said that we needed to restructure the business and change the way we were running the assets. We've had significant leadership change, the way we've organized the functional model, and the whole approach to running the business is very different.

Thirdly, we actually changed our key process with the adoption of more of an industrial model. The marketing model is very different to what the majors were doing in this space. You've got a trading model, a sales model. We saw this big opportunity to improve our margins across the board in our marketing model.

Fourthly, portfolio, where we said that we would look to focus on those quality assets because we did a comparison of margins against our major competitors and I said we're well behind our competitors in terms of margins and that we're going to have to change the nature of the way we ran the business, the first three, and the portfolio to close that gap.

So we're closing the gap. We're not there yet. We've certainly had to take a more aggressive approach to the portfolio restructuring, hence to get the balance sheet down. So, what we said is we've pivoted to deal with the debt, and we're pivoting back. We would certainly argue that we've adjusted the strategy to deal with a tough set of circumstances, which was appropriate. And we've now pivoted back to where we were, which is an asset-focused strategy, cognizant of the portfolio that we have and the commodities we have.

I think the commodity mix we have is actually quite unique. So you might think about that a little bit differently to where we are against our competitors.

But the real gap between ourselves and our competitors is on margins. We're closing the gap. What we want to do and provide to our shareholders is a different set of options in terms of the commodities they can be exposed to. That's just a function of the assets you have, but the quality of the assets is the driver.

There was a quote that I heard the other day, which I quite liked. There are no bad commodities, only bad projects. For us it's about the quality of the assets. What we've tried to do is preserve those assets in the portfolio that we think we can add value over time and continue to improve margins and returns.

Ian Rossouw - Barclays - Analyst

Just had two questions. Just to follow up from Liam on the asset disposals in South Africa, reports suggest that you were ongoing in a process for the domestic assets. Does that mean you're not going to dispose of them now? And what is the thinking around the timeline for that.

And then, secondly, I noticed in your list of assets you had Quellaveco in bold and it's the only greenfield project that's in bold. Just your plans and timelines around that. There were some press reports in the recent months from the Peruvian minister saying you're going to make a decision in 2018. Maybe just comment on that as well, please.

Mark Cutifani - Anglo American plc - Chief Executive

We are in a process on domestic assets. Because the government has stipulated that we can have less than 50%, given that we supply Eskom, we'll continue on that process.

We had made observations that we're a 40% holder in Samancor. It is unlikely that we would be allowed to consolidate the manganese industry in South Africa, so we'd be open in terms of the conversation there.

My comment was more around Kumba and export thermal coal, our Anglo-type assets, but we're open to a conversation and the statement that we're making is we're very confident that over time we can continue to navigate and be successful in South Africa. What we want to see is more certainty and we'll be positive and constructive contributors to the debate.



On Quellaveco we want to get the balance sheet where it needs to be by the end of the year. We'll watch the copper price carefully. There was a quote of \$2.70/lb in the paper and I was asked the question, where I said we think that's a pretty good price for copper. However, we think at the moment Escondida is a factor in the price, plus other issues around uncertainty of the majors being able to deliver on their commitments. So we're not yet convinced that copper's in the right direction. We would need to be convinced that it's the right thing for copper and that certainly won't be in 2017 from our perspective. We'll take that up in 2018. We're in a good dialog with our colleagues in Peru and so we'll continue to engage and try and do the right thing, but not before time.

The other greenfield project on the slide is Sakatti. Sakatti is a smaller operation, and there's a lot of licensing to be done.

But we're not talking about growth. We've got a lot of cleanup to do. If the market is moving in the right direction in future periods, then we'll give that consideration but not before we've finished the real important tasks at hand.

Ian Rossouw - Barclays - Analyst

On the first question around the SA assets, now that you're looking at keeping the SA exports and Kumba for deleveraging, the dilemma of all the cash building up in South Africa and you're only able to use that for the dividend payments, what's your thinking around that?

Mark Cutifani - Anglo American plc - Chief Executive

We think over time bulk prices will come back a bit. We're giving ourselves the flexibility with the balance sheet to deal with that in a constructive way. So that, from our point of view, we don't think that creates a major problem.

Menno Sanderse - Morgan Stanley - Analyst

Two questions. The first one is on South Africa and the Mining Charter. Can you just remind us where we stand on the discussions there? And if once BEE is not equal to always BEE where do the risks lie within the portfolio?

Mark Cutifani - Anglo American plc - Chief Executive

On the Mining Charter there is a conversation between the Chamber and the Minister regarding the Mining Charter. Mike Teke, Roger Baxter and the team are there. Norman is leading our input but across the Chamber we've also got Chris, Themba, Phillip and others making a contribution. We're hopeful that we get something constructive and workable. That's the point I was making at Indaba a couple of weeks ago.

On policy, the MPRDA has been debated for five years. Its original construct, we are very supportive of. There is talk of some changes. If there are changes the Chamber will engage aggressively. If we see something that we're not happy with we will make that known and we'll challenge it if it's inappropriate. I am hopeful that people will listen to what we've been saying and will come up with something constructive; something that encourages inward investment into South Africa. That's our position.

From our point of view, we don't see significant risk across our portfolio. We've delivered our 26%-plus. We're north of 27% on our ownership. The only area where we're down near the 26% was in thermal coal on a technical glitch on production.

Menno Sanderse - Morgan Stanley - Analyst

And the second one is on the slide with the buckets and the portfolio. Clearly if you look at the numbers, Anglo American's really a coal company, then an iron ore company and after that in 2016 it's all the rest. Now clearly that's a bit of a saving grace because it allows you to de-lever but it's not really where you wanted to be 12 months ago. The global commodities are also not without their problems, clearly diesel and platinum. How do you think about this? How do you see this developing in the next two years?



Mark Cutifani - Anglo American plc - Chief Executive

None of us can forecast any of those commodities - we have views. In diamonds, in platinum and in copper we think we've got assets where over time we can improve margins and deliver returns as good as, if not better, than others in the industry.

We've also got good assets in met coal, thermal coal and iron ore that we can continue to improve.

We're not trying to forecast prices but control what we can control, get our cost down, deliver good returns and if you've got met coal or its iron ore, then so be it.

The diversified portfolio and the way we've structured the organization with the functional model means that we can be flexible in those areas, make sure we've got a common language and we're sharing best practice across the business.

Alon Olsha - Macquarie Research - Analyst

Just to ask the question on the corporate strategy again in a slightly different way. Just six months ago we were still talking about the new Anglo American and the three core pillars. Now we have the additional bulks and the nickel assets. And the way you've characterized those assets as being low cost, albeit not scalable, that hasn't really changed from six months ago.

So what's really informed the decision to keep them, aside from you not necessarily receiving the bids that you thought you would? And have you taken them permanently off the table in terms of disposals? Or would you consider selling them if you did get an unsolicited bid, which was fairly attractive? That's question number one.

And just question number two on the dividend, which you plan to hopefully reinstate in respect of 2H 2017, can you give us your thinking around the type of dividend policies you're considering what you may adopt?

Mark Cutifani - Anglo American plc - Chief Executive

On the portfolio, correct. We didn't get the bids that we felt would have reflected value back to shareholders, therefore we didn't sell the assets. But we got to our debt targets. We've said we're not going to sell assets simply to get the debt down; we've got there. The self-help has worked. We go back to the original strategy where we started, before we did the pivot to deal with the balance sheet, its quality assets, margins, returns. Can we do as well as, if not better, than anyone else in the industry?

We think we've got a running start with the three commodities I talked to but we've also got other assets, for example the longwall assets. We think they're good assets. There's more value we can extract. And, at the moment, no one's been willing to pay the price. Therefore, we'll run them.

In the longer term, as assets get close to their end of life you'll consider selling, but that's a normal life cycle in this business. So we won't be any different, other than we're going to be pretty tough on the portfolio, we have to deliver the outcomes and we will turn the portfolio from time to time.

Every one of our colleagues in this industry have assets that they've held in their portfolios because they may not have been able to achieve an outcome. We're not running processes on those assets. We're running them to deliver returns to shareholders, period.

Rene Medor - Anglo American plc - Finance Director

We clarified a few months ago that when we reinstated dividend we would move to a payout ratio policy. We didn't specify what would be the payout level. That's something we will clarify when we have reinstated dividend.



Myles Allsop - UBS - Analyst

Just a few quick questions. Going back to your comments on the South African business and making sure you deliver value for all shareholders, are you effectively ruling out the option of spinning out those assets because there's clearly a risk of more value leakage to plc shareholders?

Also, with the dividend, if net debt is below \$7 billion by June will you bring that forward?

And then maybe a question for Rene as well, as it's his last time here, what's your advice to Stephen? In terms of the big challenges left, what do you think he should really focus his time on?

Mark Cutifani - Anglo American plc - Chief Executive

I don't think I've used the word spin out. We would be open to looking at a different structures in South Africa as long as I could demonstrate to shareholders that was something in their best interests. That hasn't changed. So have we ruled it out? No. But what we've been clear about is we're very happy to run the business as it is and continue to improve and that's where we are. I don't think you can ever rule out things in those circumstances, so I leave that position there.

Rene Medori - Anglo American plc - Finance Director

A difficult question. Stephen is very familiar already with the mining industry but I think my key point would be that we operate in an industry which is highly volatile and very difficult to predict. And we saw again this year what happened from a positive standpoint.

So it probably means you need to run the business with a high level of liquidity to protect your position in case of a downturn. You need to run the business with a conservative balance sheet. At the same time, in terms of capex, as you take long-term commitments, most of our projects take two, three, four years to deliver and it's almost impossible to stop them once we have started, you need to make sure that you don't take too many projects at the same time. And maybe, something that the mining industry has not done very well, which is done in the oil and gas industry, is to syndicate some of these projects.

Mark Cutifani - Anglo American plc - Chief Executive

I think they're really important points in terms of the way we manage the capital structure in the business and that is a very different approach to where we were previously. Portfolio tends to be used as a surrogate for strategy when it's just one element of strategy.

Myles Allsop - UBS - Analyst

Just on the dividend as well, if net debt is below \$7 billion by June would that be the trigger to bring forward the decision to reinstate the dividend?

Mark Cutifani - Anglo American plc - Chief Executive

There'd be an input but we'd have to look at what the prognosis was for the market and so all of those factors would be taken into account. It would be a Board call, as it should be.



Anna Mulholland - Deutsche Bank Research - Analyst

Two questions. The first is on Platinum. If we think about safety and then about productivity, I would guess, in terms of your productivity improvement, a lot of that came from exiting Rustenburg within this time period. Do you think it's a significant headwind for continuing to improve your productivity if you remain in some of the deeper underground conventional mining operations you've got in Platinum?

Equally, on the safety side, obviously the Platinum track record is a big headwind as well. I'm thinking more around your Amandelbult operations. Can you exit those? Are you looking at that in terms of the Platinum side of things?

Mark Cutifani - Anglo American plc - Chief Executive

Firstly, the 41% we talk about wasn't associated with Rustenburg because Rustenburg only came out of the numbers in November so we haven't got a substantial lift off Rustenburg.

Our productivity numbers were improving significantly towards yearend. They are above that 40%. Certainly there'll be a material contribution from that but there's a lot of work we've got to do.

Secondly, on the safety side, we had four fatalities in Rustenburg. We're very disappointed. I think the restructuring and the uncertainty may have had an impact but one we're very conscious of. And certainly we've worked with Neil and the guys on things that we were doing and I know they've taken stuff on and doing other things to improve the performance.

At Amandelbult, we are looking at technical changes, looking at what we could mechanize over time, so Chris has got a long-term incremental strategy to improve the contribution from Amandelbult and Tumela.

Part of the reason we kept the Amandelbult portfolio is we think certain parts of the business, if not all the business, could be mechanized. They're two great resources: Amandelbult, Twickenham, Unki itself, and a couple of the other assets so we've kept those in the portfolio with a long-term view.

Anna Mulholland - Deutsche Bank Research - Analyst

And the second question is I think your ownership of a wine farm might come into its own this year. What are you doing to celebrate your 100 years?

Mark Cutifani - Anglo American plc - Chief Executive

I had to be very careful when I was in Vergelegen and from our point of view it's a great historical asset for South Africa. We take that responsibility very seriously.

Yes, at some point if it would be better in other peoples' hands we'd consider that but only if it could be delivered to the right people who would look after the legacy. And, secondly, as long as people didn't see that we were backing away from South Africa as a consequence of that conversation.

We'll handle that very carefully. It's looking after itself. It is, in fact, South Africa's largest environmental project. But, clearly, we think about where it fits. It will play a part at the centenary celebrations as well but, again, it's in context.



Hunter Hillcoat - Investec Bank - Analyst

Just two questions. One is at the site visit last year you said the single most important conversation you have to have this year is one with the South African government regarding allocation of capital out of South Africa. So I'm trying to get an idea if you've had that and you've had the door closed to you.

And the second question is growth. Amongst all the asset classes, growth tends to be pretty flat in terms of guidance, other than diamonds. Is that not a bit of undue pressure on Bruce, given what's happening in India?

Mark Cutifani - Anglo American plc - Chief Executive

On South Africa, we've made our position very clear to the Government on policy certainty. And, for those that saw my speech, it obviously got the attention of the Minister who came back and said he was a little unhappy with what I said.

We believe in debating the policy in an open and sensible way and we try to be constructive wherever we can be. We think we did. And we're continuing to give them that feedback, both in open forum and behind closed doors. We will never play individuals; it's not appropriate.

It's all around policy certainty. The MPRDA, the Mining Charter and the fiscal arrangements to encourage inbound investment starts to touch on the flexibility question that I got earlier. Those three points have been made very strongly.

On growth, people know that we've got 35 million carat installed capacity. We will produce to the market. We're not going to get ahead of ourselves or the market. We have other incremental opportunities that make sense but only when the market's in the right position.

That conversation could equally apply to copper and to platinum. So we've really focused on the quality of our production, the margins, and improving the efficiency of our processing operations. And that's why the marketing work is also so important to improve those margins in both parts of the business.

Sylvain Brunet - Exane BNP Paribas - Analyst

I had two questions on diamonds, please. First one following on the inventory. The contribution to the working capital release from diamonds was \$300 million. Should we expect a similar contribution in 2017?

And, more broadly, how would you describe the current trends between the low end and the high end of the market at the moment? And what's the contribution in volumes at De Beers, please?

Mark Cutifani - Anglo American plc - Chief Executive

You've seen the inventory adjustments in that first Sight that we'd expect but you'll have pluses and minuses as we go. We're watching the Indian demonetization very closely. We're certainly seeing improved sentiment. In terms of markets generally, we've seen pretty well flat demand at the retail level.

Bruce, did you want to add something?



Bruce Cleaver - Anglo American plc - CEO, De Beers Group

The full impact of the Indian demonetization I don't think has been felt by everybody yet. Bear in mind, our average production value is higher than the global average, so we're less impacted by Indian demonetization, which generally affects goods that are \$100/ct and below and you'll see our average for the year was \$187/ct.

In terms of the difference between the high and the low end, certainly the low end was affected and you saw that in Sights 9 and 10. But, as Mark said, we had a good Sight in Sight 1.

Many of the factories in Surat have reopened, not all of them but many of them, post-demonetization. Post-Diwali none of them reopened, which was what we spoke about in November. A number of them have reopened, so there's certainly an improvement in the lower end.

But our production is better skewed to the higher end than others so I think we're better positioned to deal with demonetization. We have to be cautious and just watch this space for the next few months.

Fraser Jamieson - JPMorgan - Analyst

Just, again, apologies coming back to the conversation around restructuring. You said just there there's no such thing as a bad commodity. If we go back six months ago you were asked about why, given that iron ore prices, coal prices had started moving up by that point, why it was still the right idea to look to exit those commodities. And you gave an answer around long-term supply/demand fundamentals not being great.

So just in the context of what we're hearing today about the story seems to be one more around you've been surprised by how far you've managed to improve those operations organically, has the view on the commodities changed? Or what's really driving it? Is it coming back to Hunter's point that you've explored some options around South Africa and actually it's just not feasible to do something that creates any value?

Mark Cutifani - Anglo American plc - Chief Executive

Firstly, we've not been surprised by the improvements we've delivered. For example, we were getting 4,000 hours out of a truck at Sishen. We're now at 5,700 and with the new shift systems we'll get 6,200; best in class. Stephen Pearce, who was actually working at one of those operations, is getting 7,000 hours out of a truck.

We've still got a long way to go so I'm not going to be surprised if we continue to deliver operating improvements. We talk water. We talk energy. We're trying to take a leading position in step-change innovation.

Secondly, on commodities, there is still a lot of iron ore and coal around the world and over time I don't think any of the fundamental parameters that we talk to have changed. But when you get the problems that we saw in China, or you might get a cyclone in Queensland, we observe that the market is finely balanced. That volatility is actually the key word for us in these commodity markets.

We have to be flexible. We have to watch what's happening in the marketplace. We believe we made the right call in staking out what we had to do to fix the business.

The key thing is holding true to the value conversation and that has kept us in the right place. That changes in the short term because how do you value a coal asset at \$300/t? Is it going to be three months or six months? You've probably got a reasonable chance of estimating what it will be there and when you put those numbers together I think we've made the right call.

What we do know is we've got some good long-term positions. We'll continue to nurture them and we'll build the strategy off those positions to create long-term value for shareholders.



Fraser Jamieson - JPMorgan - Analyst

If I could make a quick follow up just on working capital. Rene, you talked about getting some prepayments in from customers. There was a good working capital performance. Could you maybe give us some context around how big those were? Presumably they're non-recurring in 2017.

Rene Medori - Anglo American plc - Finance Director

Yes, they were non-recurring on \$0.2 billion.

Tyler Broda - RBC Capital Markets - Analyst

I guess, like many companies in this industry, you're going very quickly from one set of problems to another one. And it's amazing to have been cash flow negative last year to this year at current commodity prices very largely free cash flow positive. If your target is \$6.5 billion of net debt, it's not very long until you're facing the same problem, call it a problem, that other companies are facing, which is that their balance sheet is becoming under-gear'd and there's a lot of capital that needs to be allocated.

With where your portfolio is sitting today, would you be more inclined towards using that capital to rebalance the portfolio through M&A? Or would it be more likely to be returning cash to shareholders or capex, I should say?

Mark Cutifani - Anglo American plc - Chief Executive

The first priority was to get the debt down.

The second priority is paying dividend. If we don't have great options inside the portfolio, then we'll give that cash back to shareholders.

We want to make sure that the Company's in good shape in terms of its debt and we've got some great opportunities inside the business but that will also depend on how the markets are shaping up and whether we're comfortable that we can forecast those returns on a reasonable basis.

That's what we do in the business. That's what we've done for 40 years; some cases well, some cases not well. We expect to bring the discipline that I don't think the industry's had for a long period of time.

If you look at the price volatility we saw in our commodities, at the midpoint of 2016, which was the low point in certainly the most recent cycles, one of the tests is: can we deliver cash and still make the right decisions in the business at that point? The answer is yes.

Now this business is a very different business to where we were even 18 months ago on the basis of that test. You've got to continually test the business. Can you make cash at the bottom of the cycle? You've got to make sure your portfolio is geared and that you're efficient and you're continually testing yourself both sides.

Ephrem Ravi - Citigroup - Analyst

Two quick questions. One, you have seen a 20% increase in development and sustaining capex in 2017. How much more creep should we expect going forward beyond the 2017 guidance of SIB and development capex?

Secondly, when you think about your less than \$7 billion of net debt, do you have an internal target for easily upstream-able net debt? Obviously there's a lot of cash that is subject to capital controls. So, from a liquidity point of view, do you look at upstream-able cash or upstream-able net cash position as a metric?



Mark Cutifani - Anglo American plc - Chief Executive

For 2018 and 2019, the capital numbers will remain in that ballpark. We're identifying a number of small-scale opportunities with rapid payback; sensible stuff that you get very quick returns on, the water, the energy.

A good example is the recovery project at Collahuasi on the flotation cells. 12-month payback, quick return, the sorts of things you do instead of throwing it on the tailings dam. We can bring that to market, small scale but nice return.

In terms of capital creep, somebody talked about a capital wave. We don't have a capital wave. We've changed the configuration of the business. The capital intensity is reducing as a consequence of those changes. The portfolio work we've done is strategic insofar as it's uplifting the quality, which includes capital commitments required on an ongoing basis. And the best example is what we've done in Platinum.

Rene Medori - Anglo American plc - Finance Director

We want to make more progress on the rest of the world balance sheet. Our objective is to have net debt/EBITDA of 1-1.5x overall for the Group; around \$6 billion.

We also need to strengthen the balance sheet outside South Africa and we would like the net debt/EBITDA outside South Africa to be below 2x.

At end of December, we had net debt of \$8.5 billion but the net debt number outside South Africa was \$10 billion with \$1.5 billion of cash in South Africa, which probably means that we'll be in a position to reinstate the dividend before we are ready to start investing again. That's in line with what Mark outlined in terms of phasing of reinstating the dividend and potentially approving Quellaveco, which will be towards the end of 2018.

Kieran Daly - UBS - Analyst

Sorry to harp on about the South African portfolio again, but it's quite clear obviously that it's up in the air. You're exploring all options, as you say. But what isn't very clear is: what are the key factors that need to fall into place for you to actually make a decision around the South African portfolio? And are there key milestones or key things you're looking for there?

And also then to what extent are you actually proactively looking to do things to crystallize those factors or crystallize those milestones?

Mark Cutifani - Anglo American plc - Chief Executive

Firstly, we're happy to continue to operate with the assets we have in South Africa. We see value and we understand how we can manage all the moving parts.

Secondly, if someone has a view on how they would like to see something consolidated in South Africa, we're open to the conversation but I would have to be able to demonstrate to all of our shareholders that it created value.

We're open to the conversation. We've made that clear to all of the stakeholders in South Africa. We're looking for a win-win story. It has to be good for South Africa ultimately but it has to deliver value for all the shareholders and that's where we stand.

I'm not going to put a timeframe on it. It is one of those things that will be a conversation when it's appropriate. For those that are aware, we're going into different conferences during the course of the year and then elections, so it may be fairly noisy.



Heath Jansen - Citi - Analyst

I'm sorry to ask you another question on strategy but, clearly, when you took the role three years ago you put out a 15% return on invested capital target by 2016. I think at the time you said you thought that was the low point that the mining industry and yourself needed to achieve to have a sustainable business. So I think just a couple of questions on that.

Going forward, do you think you now have the portfolio in place that you can achieve those sorts of returns?

And, secondly, do you think that actual statement holds true for Anglo and the industry more generally going forward? Thank you.

Mark Cutifani - Anglo American plc - Chief Executive

From our point of view it remains a critical measure. We can talk about employee productivity, we can talk about costs but the key measure for us is capital productivity.

If I take prices back in 2013, if we include all the capital that we'd included, and that includes written down capital, then our return on capital employed this year would be over 13%; wouldn't be quite at the 15%. Certainly not where we wanted to be but significant progress. Remember we started a bit over 8%.

So, yes, I believe we can get there. What we're doing in the business positions ourselves to deliver. It remains a very important metric for us which you measure in terms of the resilience in the business.

Jake Greenberg - BofA Merrill Lynch - Analyst

Could you give us a little bit of clarity about what happened in the met coal process? There was a lot of press around it. It seemed like it got to a pretty far point. There were a lot of numbers being put out in the press. What happened to the bid? Can you give us some sort of guidance about what you were looking for and why the sale didn't ultimately complete?

Mark Cutifani - Anglo American plc - Chief Executive

We went to an open bidding process and it was an aggressive process. We had a number of bidders. We looked at the prices we saw in the marketplace, they weren't able to meet those numbers and we said no. It's as simple as that.

Did our view on a go-forward basis change over time? Given we were \$80/t at one stage and over \$300/t, yes, it did, as did theirs. And in each of the cases they weren't meeting our value threshold, so we said no. We said no when the price \$100/t and we said no when the price was much higher.

Jake Greenberg - BofA Merrill Lynch - Analyst

And any sense of where your long-term price got to or what your value threshold was?

Mark Cutifani - Anglo American plc - Chief Executive

Yes, we knew what it was but it was about solving the balance sheet issue.



Rene Medori - Anglo American plc - Finance Director

I think the traditional problem of trying to find an equilibrium point where you have so much volatility short term in terms of price and what it will mean in terms of cash regeneration in the short term; very difficult to reach.

Sergey Donskoy - Societe Generale - Analyst

I have two questions; one last one on retaining assets, those iron ore and coal assets that you are keeping in South Africa. To what extent does the position of the South African Government authorities informed your decision on these assets? Do they want you to remain owners of these assets and maybe they don't want someone else to be the owners, for whatever reasons? Maybe they see you as more sustainable, more reliable.

Mark Cutifani - Anglo American plc - Chief Executive

The Government would like to see transformation continue and, in the context of that conversation, if we were to do something with someone that was seen to be transformative they would see that as being quite positive.

So I think they see some potential but we have to come together on something that makes sense both ways. It has to create value for our shareholders for us to be able to present that.

They've said they'd entertain possibilities but we're not sure what that would look like.

Sergey Donskoy - Societe Generale - Analyst

Okay. And second question on your cost guidance. With \$1 billion of improvements in terms of cost savings and production growth, will you be in a position to keep course this year flatter nominal terms, given inflationary pressures and movements in currencies? Or will we likely see a reduction in unit costs in nominal terms?

Mark Cutifani - Anglo American plc - Chief Executive

Yes, it clearly depends on what we see. It's always hard to predict and it depends on commodity prices but the good news on commodity prices going up is so do FX rates which may protect you, or may go against you.

On our cost base we think we can deliver efficiencies through volume and cost of around 7% to 10% in our current operations. We'll deliver that. Commodity prices and exchange rates will do what they will do. We've just got to keep improving so that we get the upside both ways or we protect the downside and we get the upside.

I think that's it. Thank you very much for joining us today and spending time with us; much appreciated. And again, Rene, thank you.



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