NEWS RELEASE

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Strategic focus on world-class assets and sustainable positive free cash flow to strengthen balance sheet – creating the new Anglo American

Asset portfolio
- World class core portfolio of assets in diamonds, PGMs and copper
- Competitive asset base to deliver sustainably positive free cash flow through the cycle
- Bulk commodities and other minerals to be managed for cash generation or disposal

2016 targets
- Free cash flow positive at current prices
- $1.9 billion EBIT benefit from additional cost and productivity improvements vs. 2015
- $3-4 billion targeted from disposals in 2016
- Net debt expected to be less than $10 billion (pro forma) by end of 2016

Medium term targets
- Net debt : EBITDA of less than 2.5x
- Net debt of c.$6 billion, via disposals and positive free cash flows
- Return to solid investment grade credit rating

Anglo American plc (“Anglo American” or “the Group” or “the Company”) announces detailed and wide-ranging measures that will sustainably improve cash flows and materially reduce net debt, while focusing the Group on its core portfolio of world-class diamond, platinum group metals (PGMs) and copper assets. Anglo American will focus on competitive, long life assets with considerable organic growth opportunities that mine consumer-driven materials that are expected to benefit from long term growth trends as the global economy evolves and developing economies mature. These measures continue the transformation of the Company to create the new Anglo American, positioned to deliver robust profitability and cash flows through the price cycle.

Focus on De Beers, PGMs and copper
- Materially streamlined core portfolio of 16 assets
- Improved competitive profile – advantaged cost positions, world class ore bodies and balance of geographic and end markets
- Asset quality, mineral endowment options and scale to support future opportunities
- Differentiated, premium positioning for expanding consumer product-based markets

Portfolio transformation under way
- Nickel, Niobium and Phosphates, and Moranbah and Grosvenor metallurgical coal disposal processes under way
- Further progress made on other previously announced disposal processes, including certain platinum and thermal and metallurgical coal operations in South Africa and Australia

Cash flow enhancements further strengthen balance sheet
- $1.9 billion of cost and productivity improvements in 2016, expected to continue into 2017 and beyond as the organisation is aligned with streamlined portfolio
- Step-change 50% ($250 million) central and global support cost reduction in medium term
- 25% year-on-year reduction in total capex expected, to less than $3.0 billion in 2016
- Dividend suspended and will resume with payout ratio when appropriate
- Strong liquidity maintained with c.$15 billion of cash and undrawn facilities
Mark Cutifani, Chief Executive of Anglo American, said “We are taking decisive action to sustainably improve our cash flows and materially reduce net debt, while focusing on our most competitive assets.

“We have detailed a series of measures, including $1.9 billion of additional EBIT benefits from cost and productivity improvements to deliver positive free cash flow in 2016 and beyond, and an additional $3-4 billion in asset disposal proceeds. As a result, we are targeting net debt of less than $10 billion in 2016, assuming current commodity prices and exchange rates. In the medium term, we are targeting net debt of $6 billion, supporting a return to a solid investment grade credit rating.

“We of course recognise the current challenging environment in which to deliver disposals. We are already engaged with parties interested in several of our assets, but we will only complete those transactions which deliver appropriate value for our investors. So, while we have accelerated our disposal processes, and given our targeted positive free cash flow and our robust liquidity position, we will take appropriate time to secure value outcomes from the disposal programme.

“Our core portfolio creates a highly attractive, competitive and well balanced business, with the leverage of scale, technical expertise and mineral endowment options, which offer considerable upside potential over the long term. By taking such action, we create a Group that will also be significantly stronger in the short term – it will be streamlined, focused, with lower overhead and indirect costs and positioned to deliver robust profitability and cash flows through the cycle.

“We will focus our portfolio on our global leadership positions in diamonds and platinum group metals and our world-class position in copper. This unique combination of assets, enhanced by our commercial marketing expertise, will have the advantage of benefiting from the ongoing shift away from infrastructure investment towards consumer-driven demand, positioning Anglo American for these expanding markets. We will manage our other assets, in bulk commodities and other minerals, for cash generation or disposal over time.

“This is a period of considerable change in Anglo American’s long history of evolution and I appreciate the support of all our employees and stakeholders in helping to deliver the sustainable value that we all demand and expect. We are creating the new Anglo American.”

Section 2 – Detailed additional information

Additional details relating to the initiatives to focus and transform the portfolio and enhance cash flow to further strengthen the balance sheet are set out below.

1. Focus on De Beers, PGMs and Copper

Anglo American is focusing its portfolio via the following principles:

- **Strategically advantaged, world-class assets**: typically characterised by world class ore bodies with competitive industry cost positions and long reserve lives, within strategically advantaged product groups – Anglo American has global leadership positions in Diamonds and PGMs and a highly competitive position in Copper.

- **Materially streamlined business**: Moving from 45 to 16 core assets across three operating Business Units will enable much more efficient and effective management of an asset portfolio that already drives the vast majority of long term profitability.
• **Well-balanced portfolio:** Although greatly streamlined and physically smaller, the portfolio will remain well balanced to ensure there is not over-reliance from any one product group or geography and Anglo American will retain its established technical and marketing capabilities and the critical mass to compete effectively for and deliver the attractive future growth opportunities across the portfolio.

• **Sustainable profitability:** Due to their competitive cash cost profile and long lives, the core portfolio will be positioned to produce sustainable profitability through the cycle, with approximately $2.8 billion of EBITDA delivered from those core assets in 2015.

• **Differentiated, premium positioning for expanding consumer-driven markets:** While strengthening the balance sheet, the core portfolio, enhanced by the Group’s marketing expertise, positions the Company to benefit from changing demand patterns as the global economy evolves and as emerging market economies mature.

These market shifts include the next phase of growth in China, which is seeing the evolution away from bulk commodity intensive infrastructure development to increasing demand for base and precious metals for homes, vehicles, household appliances and electronics, as well as for luxury goods such as diamond and platinum jewellery. By focusing on De Beers, PGMs and copper, Anglo American will have established a unique and high quality position to benefit from these consumer trends.

The core portfolio will be structured around:

**De Beers**
Anglo American holds an 85% interest in De Beers, the world’s leading diamond company, which currently produces around a third of the world’s rough diamonds by value. De Beers will continue its mining operations across Botswana (Jwaneng and the Orapa complex, which includes Damtshaa and Letlhakane), Canada (Victor), Namibia (Namdeb and Debmarine Namibia) and South Africa (Venetia and Voorspoed). Within its operating portfolio, De Beers has one of the largest diamond resources by volume in the world at Orapa and one of the richest diamond mines, by value, at Jwaneng. De Beers is also due to complete the development of the 51% owned Gahcho Kué mine in Canada, with production expected to begin in the second half of 2016, while progressing the underground development at the Venetia mine.

**PGMs**
The Company’s interests in PGMs are held through its 78% owned subsidiary, Anglo American Platinum. Anglo American Platinum is the world’s leading PGM producer with positions in the world’s two largest PGM deposits – the Bushveld Complex in South Africa and the Great Dyke in Zimbabwe.

Anglo American Platinum will continue its current repositioning around a leaner, “best-in-class” core operating footprint at the Mogalakwena and Amandelbult mines in South Africa and Unki in Zimbabwe, alongside its joint venture interests in the Bafokeng-Rasimone Platinum Mine, the Mototolo mine and the Modikwa mine, in South Africa.

In 2015 these assets had a combined production of 1.3 million ounces of platinum (metal in concentrate). Mogalakwena is the highest margin platinum producer in the industry and, as one of the only large open pit PGM mines globally, becomes the core of a much more flexible and lower risk business. The operating mines will be supplemented by Anglo American Platinum’s three smelters at Polokwane, Mortimer and Waterval as well as its Precious Metals Refinery and
Base Metals Refinery, which will continue to process material received from both owned mines and third parties.

**Copper**

Anglo American has concentrated its copper business around its interests in two of the world’s largest copper mines - Los Bronces (including the Chagres smelter) and Collahuasi in Chile. In 2015, Los Bronces, a 50.1% owned subsidiary, produced 401,700 tonnes of copper. Collahuasi, 44% owned, produced 455,300 tonnes of copper (200,300 tonnes on an attributable basis). On average, the two assets operate at C1 unit cash costs of $1.45/lb, with Reserve Lives of 25 years and 70 years respectively.

Anglo American’s copper portfolio and global exploration platform present a number of attractive organic growth options from relatively high grade mineral endowments, such as its feasibility stage Quellaveco copper project in Peru, as well as long term growth projects, including the further development of the Los Bronces District in Chile, the expansion of Collahuasi, the copper-nickel-PGM project, Sakatti, in Finland and a promising copper exploration position in Papua New Guinea.

### 2. Portfolio transformation under way

The evaluation and sales processes for a number of Anglo American’s major non-core assets are progressing. The target for the disposals programme has been increased to $5-6 billion by end of 2016, with $3-4 billion expected in 2016, having already completed or announced $2.1 billion in 2015.

While the full repositioning of Anglo American is expected to take time to ensure transactions deliver appropriate value and allow engagement with critical stakeholders, all non-core assets will be managed actively and their performance further improved in the best long term interests of all stakeholders.

Sales have been agreed for the Rustenburg platinum operations and the Dartbrook and Callide coal mines in Australia, while the sale of the Kimberley Mines has recently been completed.

**Asset updates:**

Discussions are currently under way to assess the potential disposal value of the Nickel business and Moranbah and Grosvenor metallurgical coal assets, as with our previously announced sale process for the Niobium and Phosphates businesses. Discussions with potential buyers are expected to take several months. Any final decision on sale will depend on value as compared to the significant EBITDA and cash flow contribution these low operating cost, long life assets are expected to make to the Group.

As previously announced, sales processes are also under way across several coal assets in Australia and South Africa. The Union platinum mine in South Africa has been restructured and production significantly reduced while also progressing the sale of the asset.

In light of the commodity price environment, the Company has ceased or is ceasing production at a number of operations. Operations that have been placed on care and maintenance include Peace River Coal and Snap Lake (diamonds) in Canada, while Thabazimbi (iron ore) in South Africa has reached the end of its life and is being closed. Plans have also been initiated to place Twickenham (platinum) in South Africa onto care and maintenance, while the Damtshaa (diamonds) operation at the Orapa complex in Botswana was placed onto temporary care and
maintenance from 1 January 2016. It is expected that the aggregate cost of carrying out these actions will be approximately $0.2 billion in 2016.

At Kumba Iron Ore (“KIO”), the reconfiguration of the Sishen mine to transition to a lower strip ratio and operational cost position is progressing well and, combined with further operational improvements at Kolomela, is expected to add to the Group’s cash flow generation at prevailing iron ore prices. The Company has initiated a review to consider options to exit from KIO at the appropriate time, including a potential spin-out.

At the Minas-Rio iron ore operation in Brazil, work has been prioritised to optimise the operation for the current iron ore price environment to ensure that it is cash flow positive in 2016 and subsequent years. Work is also progressing to secure the required licences that underpin the full ramp-up over time that will also ensure the long term sustainability of Minas-Rio for all its stakeholders. All such work is expected to be completed over the next three years, at which time options for the asset will be assessed.

At Anglo American Platinum, assets other than those identified as part of its long term core portfolio will be reviewed to determine the optimum path to realise shareholder value. The joint venture operations will continue to be operated in a separate management structure.

3. Cash flow enhancements further strengthen balance sheet

The portfolio decisions have enabled a comprehensive re-assessment of operating, capital and indirect costs. Anglo American has taken the appropriate measures to deliver positive free cash flow in 2016 with further improvement expected in 2017 and beyond, assuming commodity prices and exchange rates remain at or around current levels.

These measures build upon the platform of the comprehensive asset review in 2013, following which the Company executed its operational performance improvement programme. On the basis of a significantly more robust and stable operating platform, $1.3 billion\(^{(1)}\) of cost and productivity improvements were delivered in 2015. As a result of these initiatives, indexed copper equivalent unit costs were reduced by 27% in US dollar terms from 2012 through to the end of 2015.

The next phase takes these operational improvements further in the following areas:

Cost and productivity

- $1.9 billion of EBIT benefit from cost and productivity improvements are expected to be delivered in 2016 relative to 2015 ($800 million more than was set out on 8 December 2015), building upon the $1.3 billion\(^{(1)}\) delivered by the end of 2015. This will predominantly comprise $700 million of productivity (volume) related gains and a $1.2 billion reduction of operating and support costs.

Capital expenditure

- Capital expenditure in 2016 is expected to be less than $3.0 billion, a 25% reduction vs. 2015, with $1.2 billion of project spending as the Gahcho Kúé and Grosvenor projects reach completion and as Minas-Rio’s ramp-up continues.
- Capital expenditure in 2017 is expected to be reduced by a further $500 million to $2.5 billion.
- There is ongoing focus on optimisation of stay-in-business capital expenditure, but future performance will not be jeopardised for short term cash flow gains.

**Step change reduction in central support and indirect costs**

Anglo American’s organisation structure will be simplified as a result of the actions detailed above. De Beers, Anglo American Platinum and Copper will continue to be led by Philippe Mellier, Chris Griffith and Duncan Wanblad respectively. Seamus French remains CEO of the Bulk Commodities Business Unit, with responsibility for managing the Company’s non-core coal and Brazilian iron ore interests, and Peter Whitcutt continues to lead the Group’s Marketing business.

As the operational footprint is physically reduced in size, any residual duplication of core functional capabilities will be eliminated with the implementation of a more appropriate functional model. The changes to central and global support costs alone are expected to contribute $250 million of cost savings in the medium term. Similarly, the organisation that supports the operations will be reduced in size appropriately. The core portfolio is expected to require fewer than 5,000 overhead and indirect roles, a c.60% reduction from the current 11,500 roles, the vast majority of which reduction relates to those roles associated with assets that will be exited over time.

The substantial reduction in the number of assets that form the core portfolio, the streamlined operating structure and improved functional governance will significantly enhance the ability to leverage best practice consistently, make decisions quickly and implement them effectively.

**Dividend payments**

Further protecting its balance sheet and cash position, Anglo American announced in December 2015 its decision to suspend dividend payments. At the point that dividend payments are recommenced, the Board intends to put in place a payout ratio-based policy to provide flexibility through the cycle and clarity for shareholders.

**Liquidity**

Anglo American continues to have strong liquidity with $14.8 billion of undrawn facilities and cash as at 31 December 2015 and its objective of a solid investment grade credit rating remains unchanged. Near term debt maturities consist of $1.6 billion in 2016 and $2.6 billion in 2017.

**Summary**

The series of wide-ranging initiatives set out above will further strengthen the Company’s balance sheet in the short term and transform Anglo American’s competitive position for the longer term, creating a clear and differentiated investment proposition in the market.

(1) Excludes $0.8 billion volume downside at De Beers in response to market conditions.
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**Notes to editors:**

Anglo American is a globally diversified mining business. Our portfolio of world-class competitive mining operations and undeveloped resources provides the raw materials to meet the growing consumer-driven demands of the world’s developed and maturing economies. Our people are at the heart of our business. It is our people who use the latest technologies to find new resources, plan and build our mines and who mine, process and move and market our products – from diamonds (through De Beers) to platinum and other precious metals and copper – to our customers around the world.

As a responsible miner, we are the custodians of those precious resources. We work together with our key partners and stakeholders to unlock the long-term value that those resources represent for our shareholders, but also for the communities and countries in which we operate – creating sustainable value and making a real difference.

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