Anglo American sets out radical portfolio restructuring and further material cost savings and capex reductions

Anglo American plc (“Anglo American” or “the Company”) is today setting out an accelerated and more radical restructuring programme to redefine the focus of its asset portfolio to transform the Company’s competitive position and create a more resilient business to deliver sustainable shareholder returns.

Mark Cutifani, Chief Executive of Anglo American, said: “Together with the additional material capital, cost saving and productivity measures announced today, we are setting out an accelerated and more aggressive strategic restructuring of the portfolio to focus it around our ‘Priority 1’ assets, being those assets that are best placed to deliver free cash flow through the cycle and that constitute the core long term value proposition of Anglo American. While we have continued to deliver our business restructuring and performance objectives across the board, the severity of commodity price deterioration requires bolder action. We will set out the detail of the future portfolio in February, with the aim of delivering a resilient Anglo American and a step change in the transformation of the Company”.

Key highlights to be set out in the presentation include:

Radical portfolio restructuring
- Focus on Priority 1 assets to deliver free cash flow and greater returns through the cycle – number of assets to be reduced by ~60%
- Corporate structures and overhead to be aligned to future portfolio
  - Consolidate from six to three businesses: De Beers, Industrial Metals, Bulk Commodities
  - London office co-locating with De Beers in 2017

Driving operational discipline
- $3.7 billion of cost and productivity improvements targeted from 2013 to 2017:
  - $1.6 billion delivered by end 2015(1), including $0.3 billion in 2H15
  - $1.1 billion in 2016
  - $1.0 billion in 2017, with potential to accelerate in part into 2016
- Care & maintenance / closure of cash negative assets – Snap Lake C&M, Thabazimbi closure

Protecting the balance sheet
- Capex reductions expected of a further c.$1 billion(2) to the end of 2016
  - $2.9 billion aggregate capex reduction vs. original guidance(3) for 2015-2017
  - $2.5 billion capex in 2017, a c.55% reduction vs. 2014
  - SIB & capitalised stripping capex reduction of 30% from 2014 to $2.0 billion in 2016
- Disposals target increased to $4.0 billion – Phosphates and Niobium confirmed for sale
  - c.$2.0 billion asset disposals agreed to date
- Dividend suspended in respect of 2H15 and 2016 – upon resumption, policy will change to pay-out ratio to provide flexibility through the cycle and clarity for shareholders
- Net debt guidance at end 2015 unchanged at $13.0 - 13.5 billion, despite price deterioration
- c.$15 billion of liquidity maintained and limited refinancing required in 2016 of $1.6 billion
- Expected impairments of $3.7 - $4.7 billion, largely due to weaker prices and asset closures
Mark Cutifani added: “As we redefine our operational footprint, we are aligning our organisation to ensure optimal efficiency and effectiveness. As a next step and as we determine the future portfolio, we will be consolidating our six business unit structures into three – De Beers, Industrial Metals and Bulk Commodities – providing further opportunity to reduce the cost burden on our business."

“Our work to drive out costs and increase productivity will have delivered $1.6 billion of benefit by the end of 2015, following our volume reductions in De Beers and Kumba. By the end of 2017, we expect to have delivered a total of $3.7 billion of such efficiency improvements, made up of productivity, operating costs and indirect costs.

“We are taking further steps to protect the balance sheet and reduce leverage. We are reducing 2015 and 2016 capex by an additional c.$1 billion and have reduced our 2017 capex to $2.5 billion, a c.55% reduction versus our 2014 expenditure. SIB and capitalised stripping capex is also reduced substantially to reflect the prioritised allocation of capital, while ensuring the ongoing integrity of our assets. We are increasing our targeted disposal proceeds to $4 billion and will be progressing the sale process for the Phosphates and Niobium businesses during 2016. The Board has also taken the decision to suspend dividend payments in respect of the balance of 2015 and 2016. Upon their resumption, the dividend policy will reflect a pay-out ratio to provide flexibility through the cycle and clarity for shareholders.”

The presentation, which will be available on the Anglo American website, will begin at 9.00am (UK time) and can be viewed via live webcast: www.angloamerican.com/investors.

The following members of Anglo American’s management team will present:

Mark Cutifani Chief Executive
René Médori Finance Director
Tony O’Neill Technical Director
Philippe Mellier CEO, De Beers

The presentation is expected to finish at 11.00am (UK time).

Notes:

(1) $1.6bn delivered includes $0.3bn cost reduction expected to be achieved in 2H15, offset by $0.4bn as a result of volume reduction strategies (mainly De Beers)
(2) Guidance vs. most recent guidance in July 2015
(3) Guidance vs. original December 2014 guidance

For further information, please contact:

**Media**
UK
James Wyatt-Tilby
Tel: +44 (0)20 7968 8759

South Africa
Pranill Ramchander
Tel: +27 (0)11 638 2592

**Investors**
UK
Paul Galloway
Tel: +44 (0)20 7968 8718

South Africa
Ed Kite
Tel: +44 (0)20 7968 2178
Shamiela Letsoalo
Tel: +27 (0)11 638 3112

Notes to editors:
Anglo American is a global and diversified mining business that provides the raw materials essential for economic development and modern life. 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 bulk commodities and base metals to precious metals and diamonds (through De Beers) – to our customers around the world. Our diversified portfolio of products spans the economic development cycle and, as a responsible miner, we are the custodians of 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. Our mining operations, growth projects and exploration and marketing activities extend across southern Africa, South America, Australia, North America, Asia and Europe.

www.angloamerican.com