

# 2015 INTERIM RESULTS PRESENTATION

MANAGING THE BUSINESS FOR THE CURRENT ENVIRONMENT

20 July 2015



**Real Mining. Real People. Real Difference.**

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# AGENDA

- Overview of H1 2015
- Safety
- Operational Performance
- Market Review
- Financial Performance
- Portfolio Restructuring / Strategy Update
- Outlook
- Key Messages
- Q&A



# **OVERVIEW OF H1 2015**

**Chris Griffith, CEO**



# OVERVIEW OF H1 2015

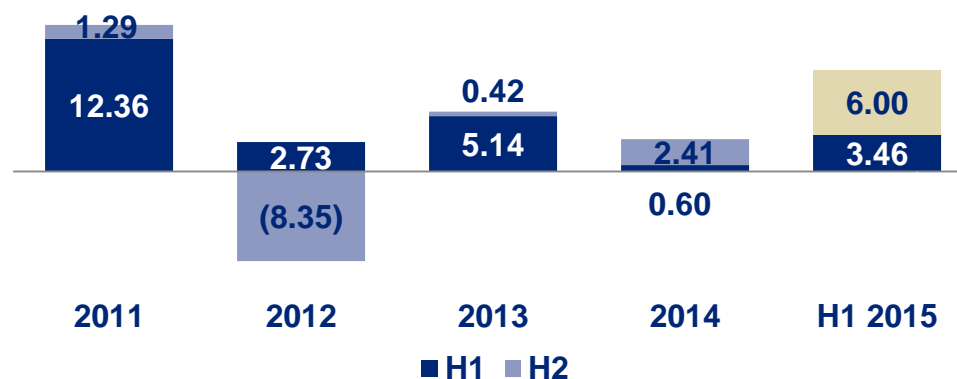
## Managing the business for the current low-price environment

- Safety performance a priority
- Operational performance turnaround
- Financial results impacted by price and inflation – but mitigated by FX, cost improvement measures and benefit of stock adjustment
- Markets remain challenging
- Next phase of the restructuring – rightsizing the business
- Making progress on the repositioning of the portfolio
- Pursuing sale and IPO options for Rustenburg and Union

### Group refined platinum sales (Pt Moz)



### Headline earnings per share (Rand / share)



\* Normalised Headline earnings



# SAFETY, HEALTH & ENVIRONMENT

Chris Griffith, CEO



An operator closing the main shaft ore pass tip cover (a safety device to ensure persons cannot fall into the ore pass)

# SAFETY, HEALTH & ENVIRONMENT

Zero harm remains the focus

## SAFETY

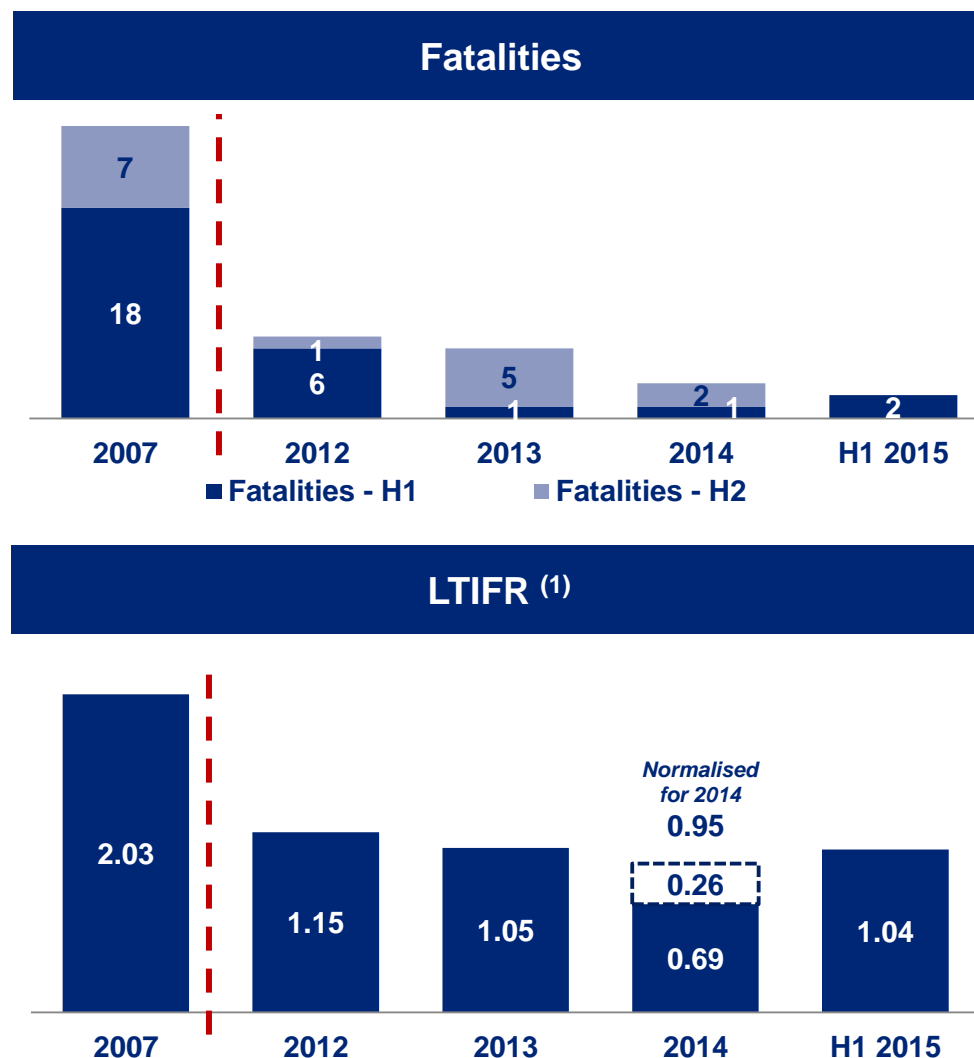
- Progress on safety strategy
- Tragically 2 fatalities during H1 2015
- LTIFR of 1.04 – improvement measures in place

## HEALTH

- TB awareness programmes rolled-out; showing early signs of success
- Significant increase in uptake and participation of Disease Management Plans

## ENVIRONMENT

- Energy and water consumption savings
- No significant environmental incidents



(1) LTIFR = Lost-time injury frequency rate per 200,000 hours



# **OPERATIONAL REVIEW**

**Chris Griffith, CEO**



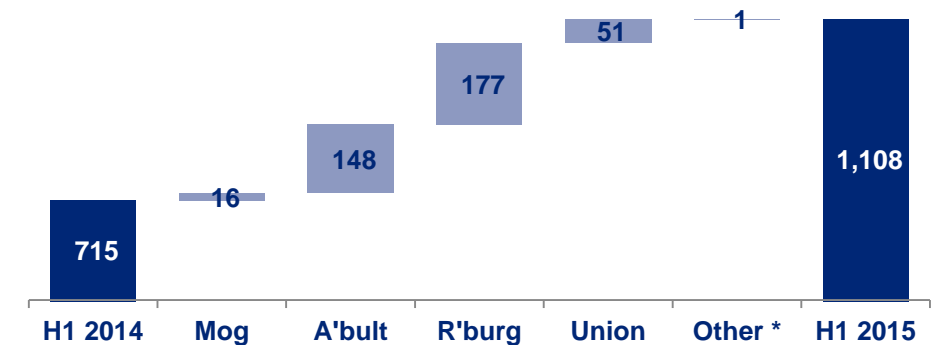


# OPERATIONS PERFORMANCE IN H1 2015

## Material progress at all operations

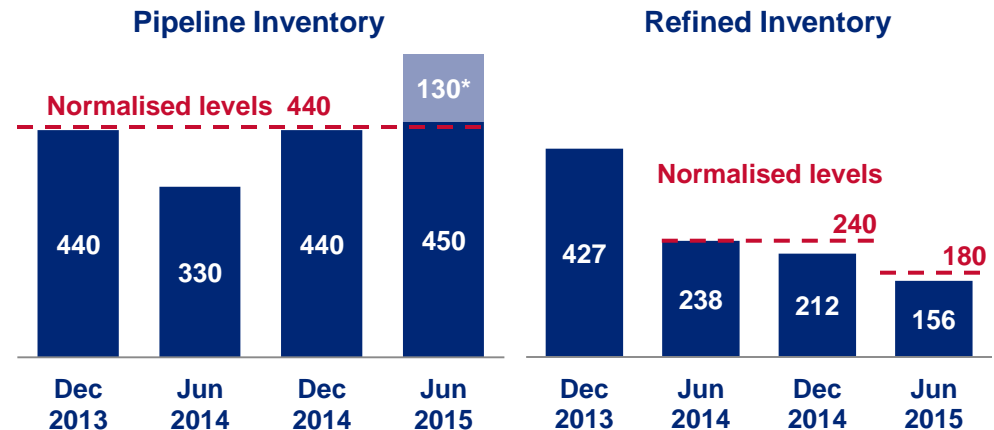
- Total equivalent refined production up 55%
- Mogalakwena record performance – up 9% to 201 koz
- Implementing Rustenburg and Union optimised mine plans
  - Union decline closure at end of 2014 removes ~60koz pa
- Total equivalent refined production at joint ventures down 4% to 355 koz
- Severity of section 54 safety stoppages increased across portfolio
- Pipeline inventory above normal levels due to the 130koz stock adjustment

### Mines equivalent refined production (Pt koz)



\* Other includes Unki, JVs, 3<sup>rd</sup> parties and other

### Pipeline and refined platinum inventory (Pt koz)

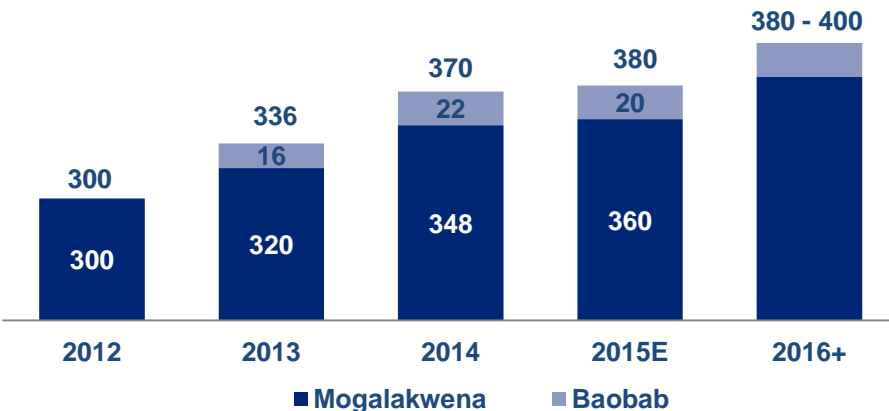


\*130 koz stock count adjustment

# MOGALAKWENA

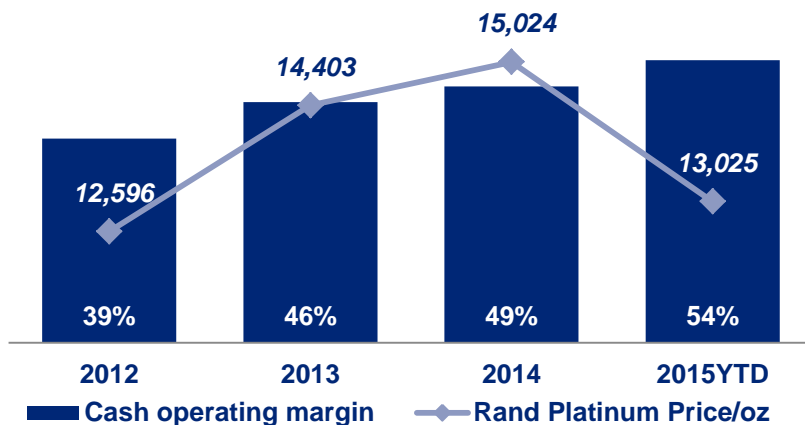
Optimising the performance of the mine with limited capital

## Production (Pt koz)



- Will deliver 360 koz – 1 year ahead of plan
- Mine plan optimisation has reduced waste stripping over next 10 years
- Now targeting 380 - 400 koz through further optimisation and efficiencies with no significant capital expenditure
- De-bottlenecking opportunity at low capex for additional ~60koz – capital decision delayed

## Cash Operating Margin (%)

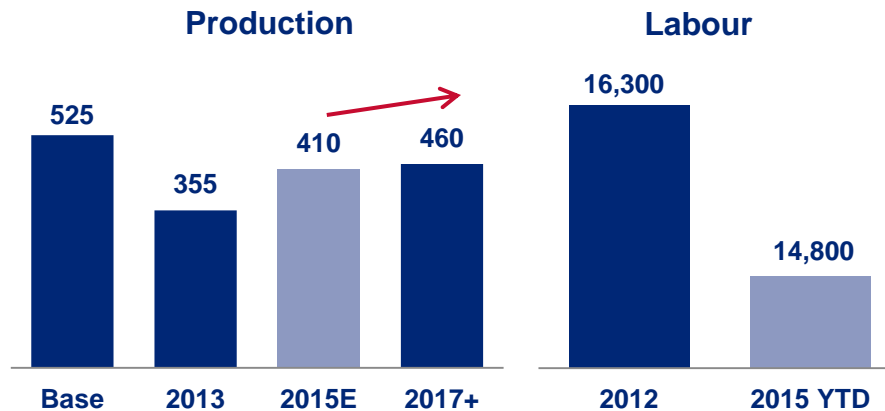


- Mogalakwena produced >50% cash operating margin in H1 2015
- Highest basket price in the portfolio (R34,686) due to high base metal content

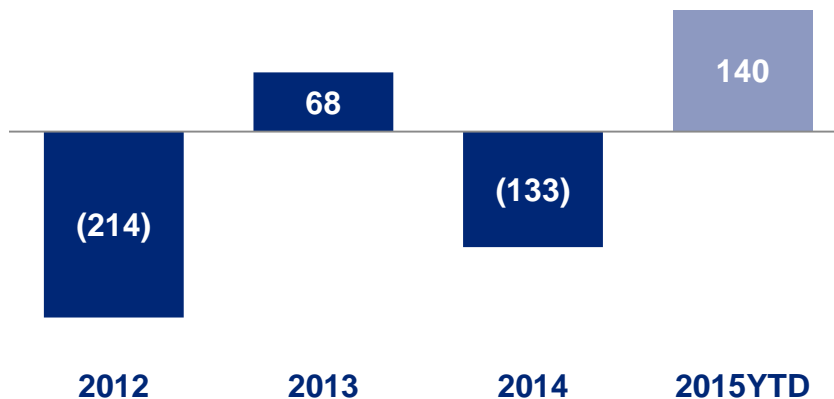
# AMANDELBULT

Making Amandelbult investable again

## Production (Pt koz) & Labour (headcount)



## Free cash flow (Rm)



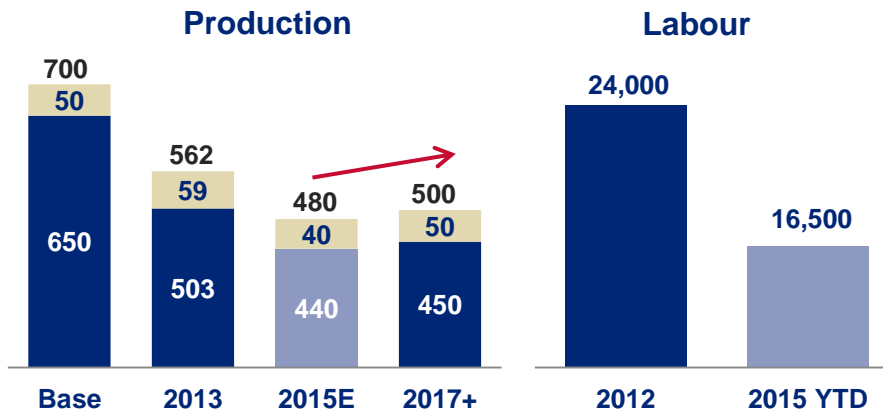
- Implementing optimised mine plan to make Amandelbult investable again
- Optimised plan aims to:
  - Stabilise production first by increasing mineable face length, and reducing safety stoppages and major loss incidents
  - Cut loss making ounces
  - Utilise and leverage current infrastructure
  - Drive efficiencies to increase profitability
- Medium term - maintain ounce output through lower capital options
- Amandelbult complex generates free cash flow in H1 2015
- Additional value initiatives possible



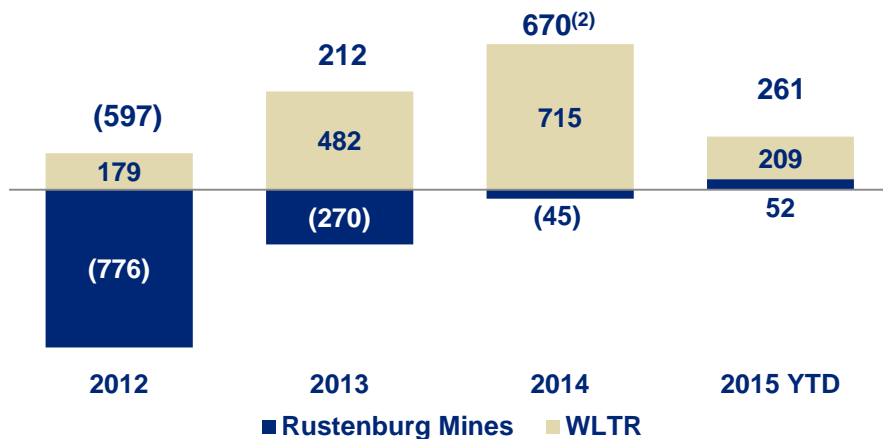
# RUSTENBURG

Restructuring complete: Now implementing optimisation plan

## Production (Pt koz) & Labour (headcount)



## Free cash flow (Rm)<sup>(1)</sup>



- Restructuring completed in 2013 consolidated 5 to 3 mines
- Reduced baseload production from 700 koz to 500 koz - removed unprofitable production
- Optimised labour in 2013 in line with production profile
- Further consolidation to 2 mines in progress:
  - Rustenburg East (Bathopele and Siphumelele)
  - Rustenburg West (Thembelani)
- Rustenburg mine complex generates free cash flow in H1 2015
- Additional value initiatives possible

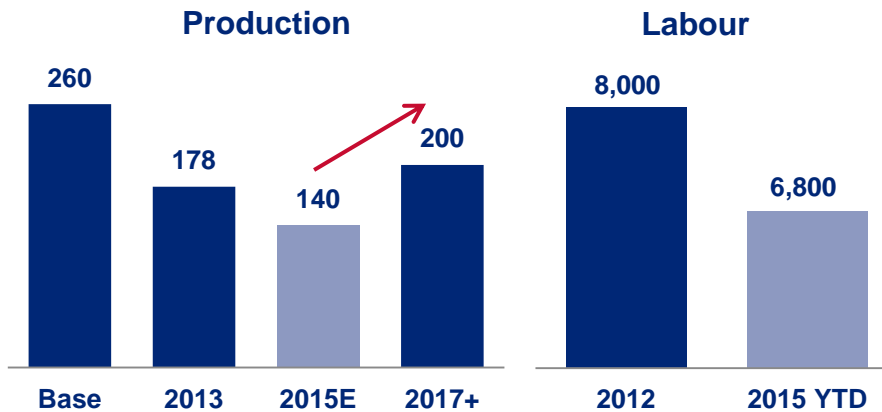
(1) Full absorption of central overheads

(2) 2014 positive cash as a result of strike affected production losses supplemented by a sale of inventory

# UNION

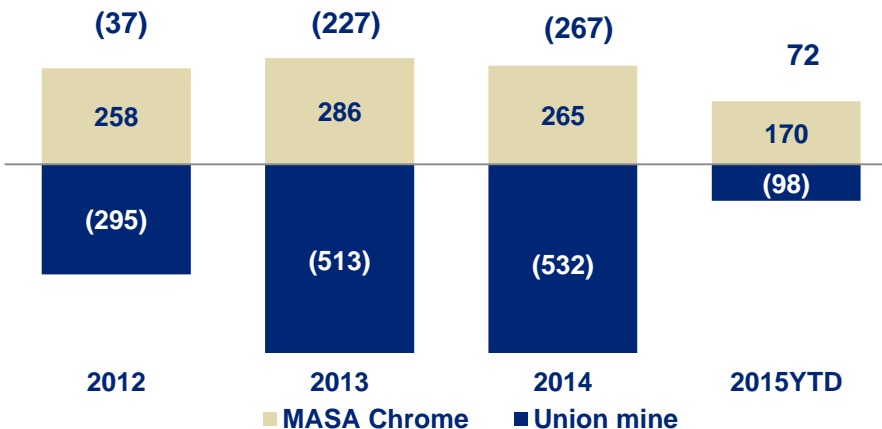
## Restructuring complete: Now implementing optimisation plan

### Production (Pt koz) & Labour (headcount)



- Combined Union from 2 to 1 mine in 2013
- Reduced baseload production from 260 koz to 200 koz – removing unprofitable production:
  - Closure of North and South declines
  - Mining concentrated at Spud / Richard vertical shafts
- Concentrators rationalised for new production profile
- Optimised labour in 2013 in line with production profile
- Union mine complex generates free cash flow in H1 2015 including contribution from MASA Chrome

### Free cash flow (Rm)<sup>(1)(2)</sup>



(1) Represents 100% of Union mine and MASA Chrome free cash flow

(2) 2014 positive cash as a result of strike affected production losses supplemented by a sale of inventory

# REFINED PRODUCTION & SALES VOLUME IN H1 2015

Refined production and sales normalised

## PLATINUM

- Platinum production up 29%
- Platinum sales up 11%

## PALLADIUM & RHODIUM

- Palladium production up 33%
- Rhodium production up 30%

## BASE METALS

- Base Metal Refinery production up 20%
  - Increased stability at the base metal plant. Toll treatment of backlog NCM<sup>(1)</sup> completed in 2014
  - Increased production from base metal rich Mogalakwena

### Group refined platinum production (Pt Moz)



### Group platinum sales volume (Pt Moz)



(1) NCM = Nickel copper matte



# FINANCIAL PERFORMANCE

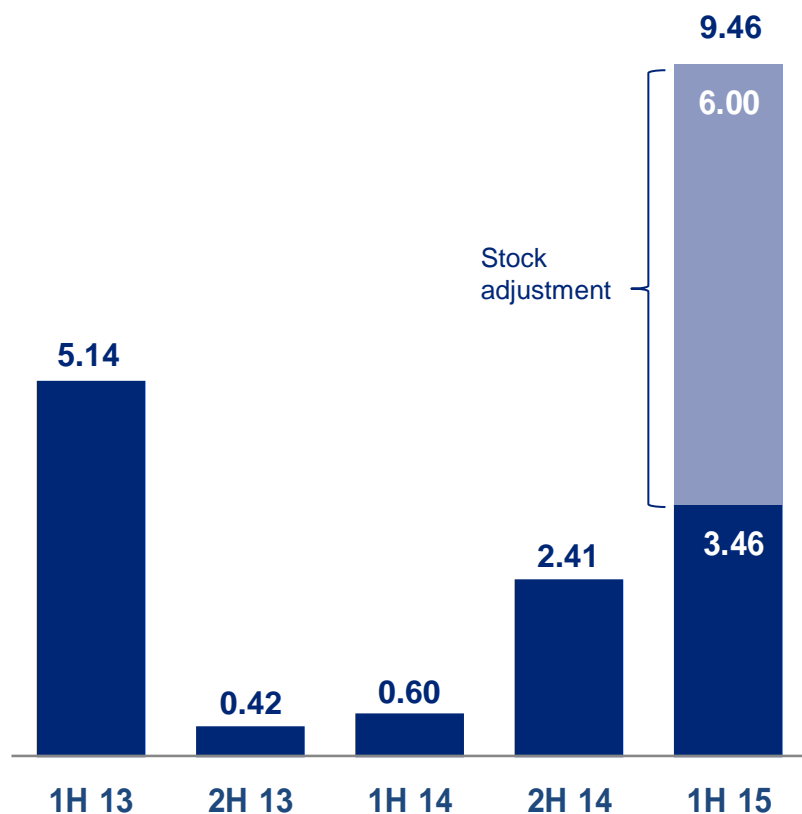
Ian Botha, Finance Director



# H1 2015 RESULTS

Improved operational performance supporting financial results

## Earnings per share (Rand/share)



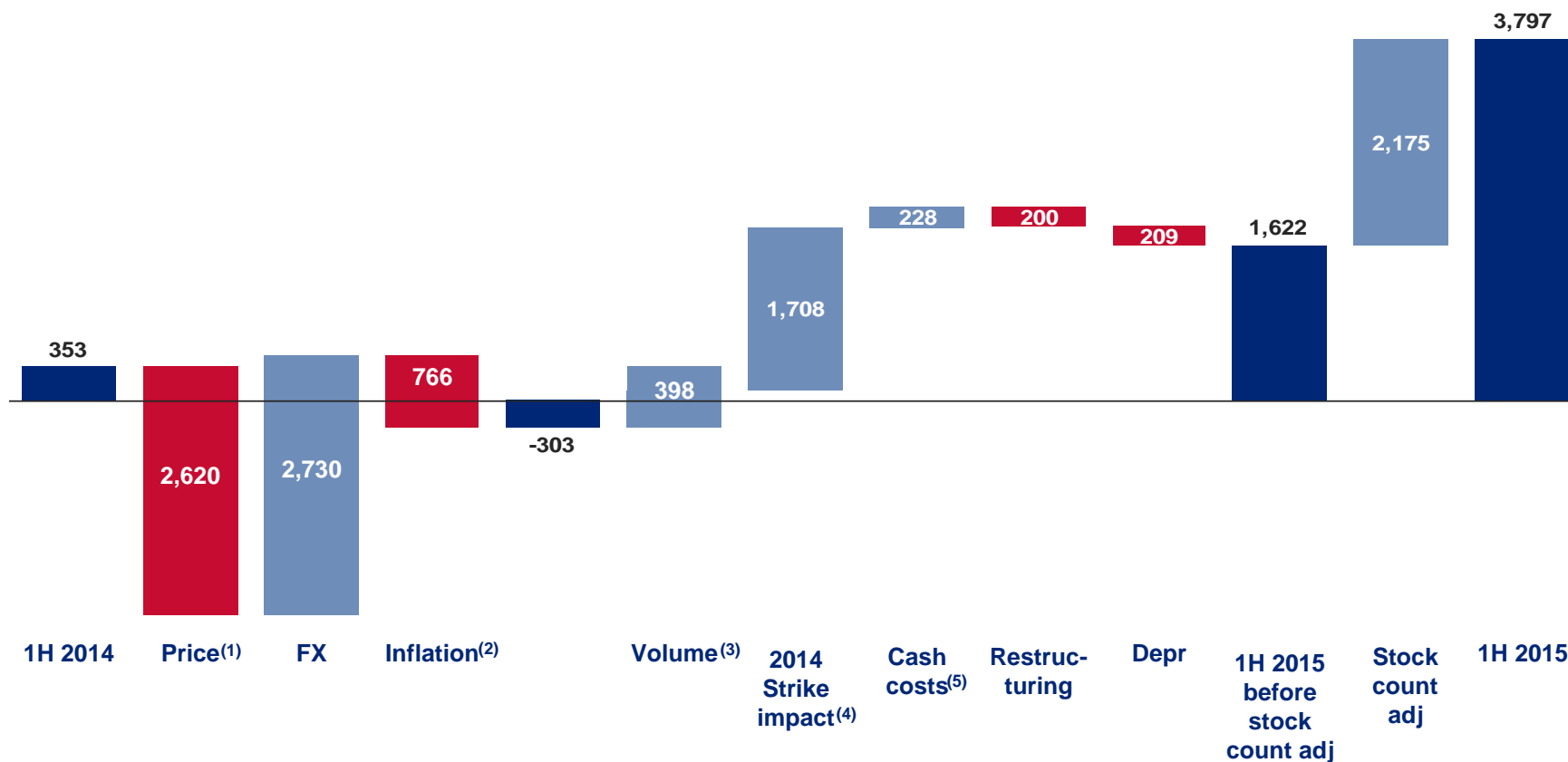
## Key Financials

Rbn	H1 2015	H1 2014
Revenue	29.9	27.8
EBITDA	6.2	2.6
EBIT	3.8	0.4
Effective Tax Rate	21.9%	1.6%
Headline Earnings	2.5	0.2
Project and SIB Capital	1.6	2.2
Net Debt	12.9	12.4
ROCE <sup>(1)</sup>	7.4%	1.1%

(1) ROCE (annualised) calculated as operating profit including income from associates divided by average capital employed

# H1 2015 EBIT VARIANCE

EBIT supported by improved operational performance and stock count adjustment



<sup>(1)</sup> Price variance calculated as increase/(decrease) in price multiplied by current period sales volume

<sup>(2)</sup> Inflation variance calculated using CPI on prior period cash operating costs that have been impacted directly by inflation

<sup>(3)</sup> Volume variance calculated as increase/(decrease) in sales volume multiplied by prior period profit margin

<sup>(4)</sup> Incremental costs resulting from Platinum strike

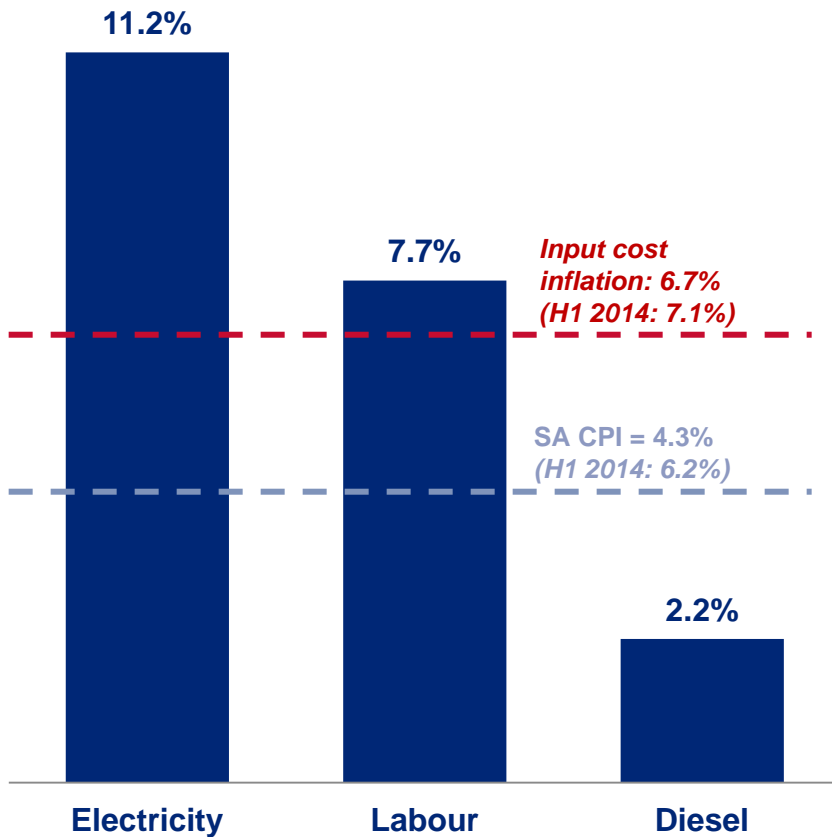
<sup>(5)</sup> Includes inventory movements



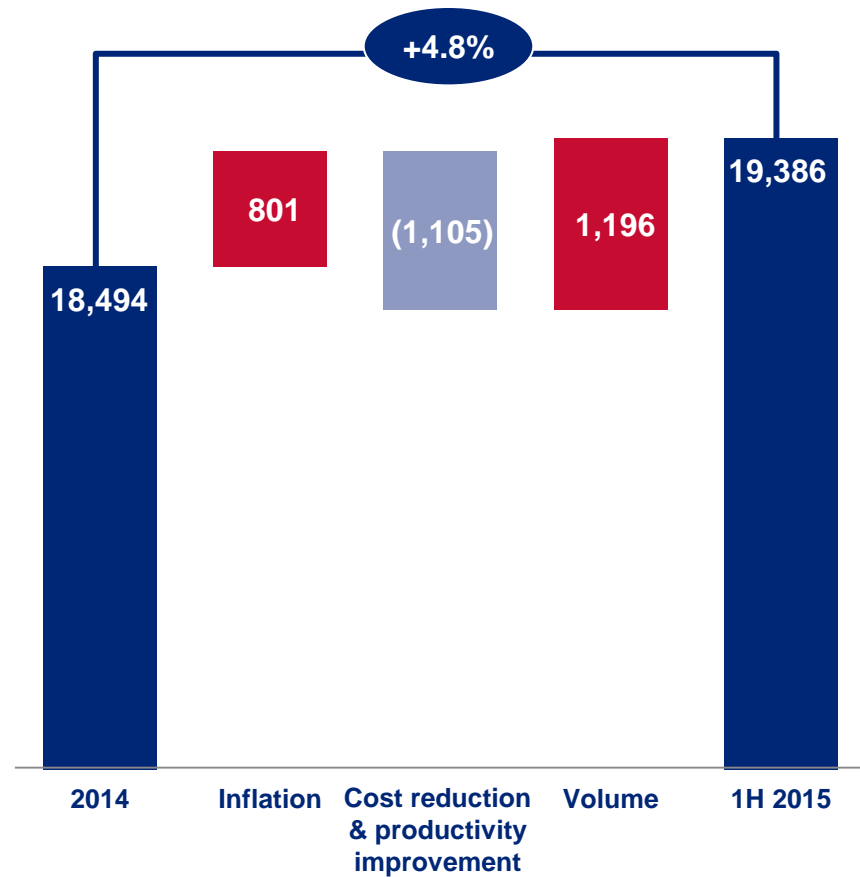
# UNIT COST

Management intervention reducing unit cost escalation below mining inflation

## Cost Inflation in H1 2015



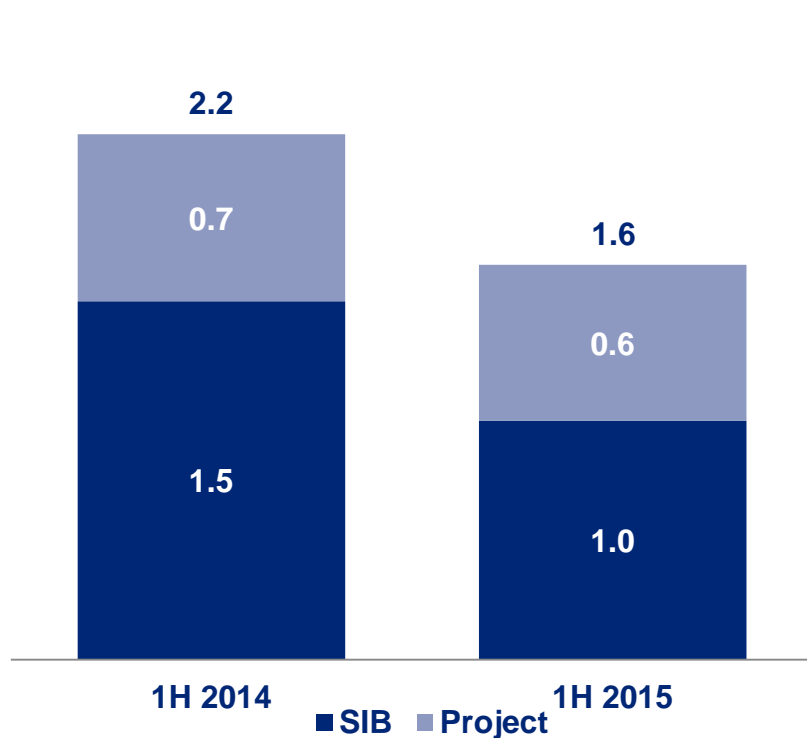
## Variance analysis (R/Pt oz)



# CAPITAL EXPENDITURE

Disciplined capital allocation aligned to our strategy

## Capital Expenditure (Rbn)



Rbn	1H 2015	1H 2014
Capitalised Waste Stripping	0.5	0.4

## Project Capital Expenditure (Rm)

R million	1H 2015	1H 2014
Amandelbult	239	122
Modikwa	101	99
Other	266	515
Total	606	736

Guidance (Rbn)	2015	2016
Capital Expenditure <sup>(1)</sup>	4.0 – 4.5	4.5 - 5.0
Previous Guidance <sup>(2)</sup>	5.5 - 6.5	--
Capitalised Waste Stripping	c.1.2	1.0 – 1.5

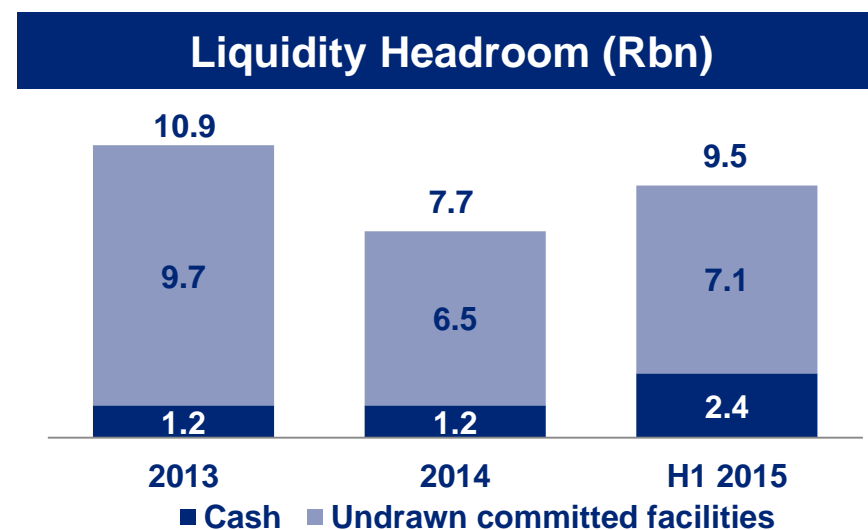
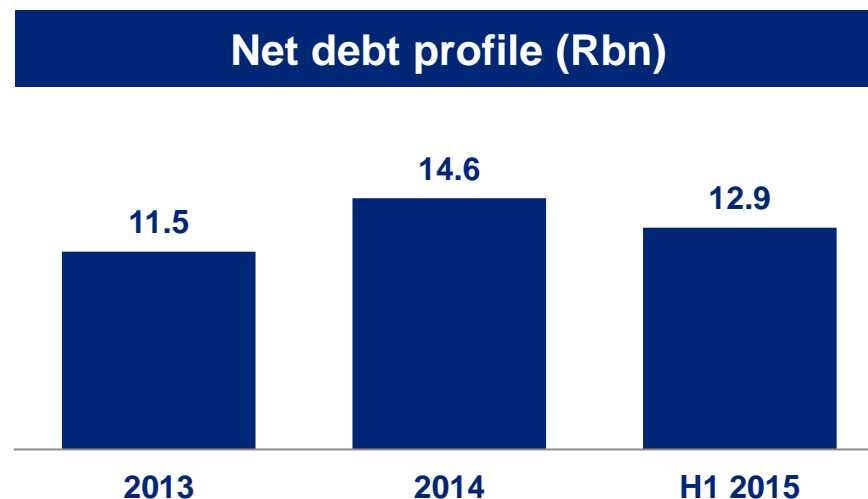
(1) Capital expenditure excludes capitalised waste stripping

(2) Previous guidance was R5.5 – R6.5bn for stay-in-business and project capital exclusive of interest, capitalised waste stripping and development costs

# NET DEBT PROFILE

All mine complexes are cash positive

Net debt (Rbn)		
Opening net debt – 1 Jan 2015		14.6
Cash flow from operations	(6.4)	
Capex and waste stripping	2.2	
Net interest	0.6	
Cash tax paid	0.4	
Other	0.4	
	(2.8)	
<b>Total</b>		<b>11.8</b>
2015 Once-off payment		1.1
<b>Closing net debt – 30 June 2015</b>		<b>12.9</b>



# MARKET REVIEW

Chris Griffith, CEO



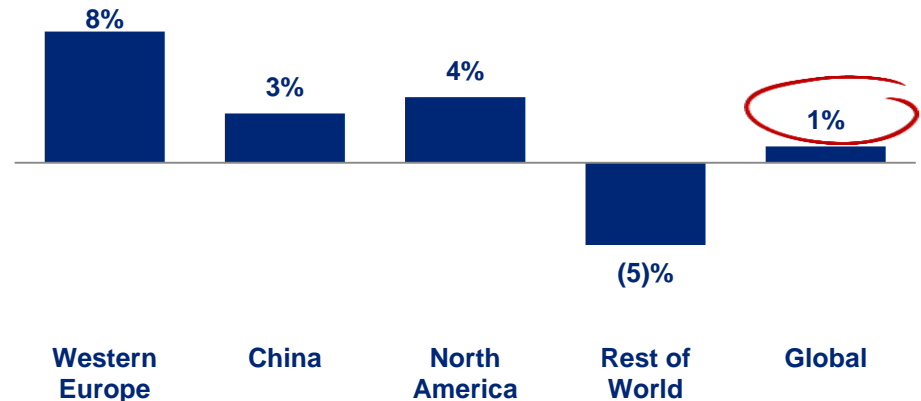


# PLATINUM MARKET

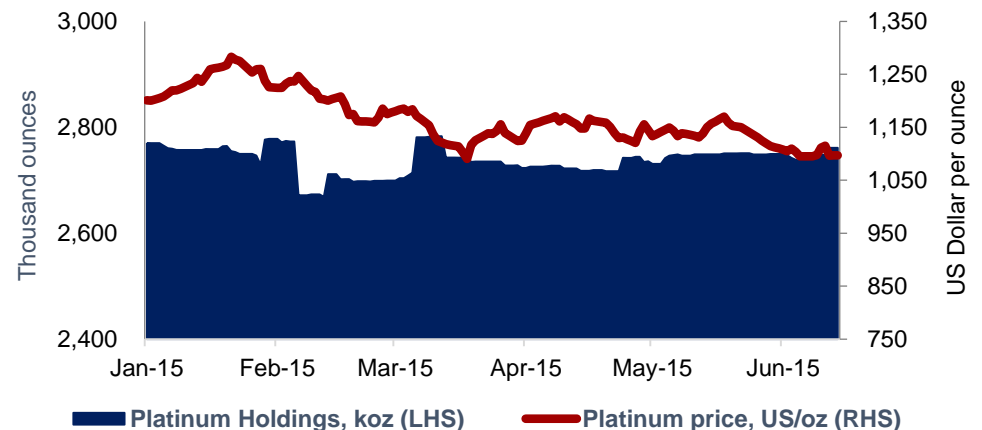
Market fundamentals remain challenging with downside risk potential

- An increase in autocatalysis demand with vehicle sales up 8% in Europe
- Indications are that China had a difficult first half
  - Shanghai Gold Exchange volumes down by 12%
- Industrial & Investment demand are relatively flat
  - ETF volumes flat in H1 2015
- Indications that recycling volumes are being suppressed by falling commodity prices, whilst primary production likely to be in line with 2013

## Global light duty vehicle sales (H1 15 vs H1 14)



## Platinum ETFs flat in H1 2015



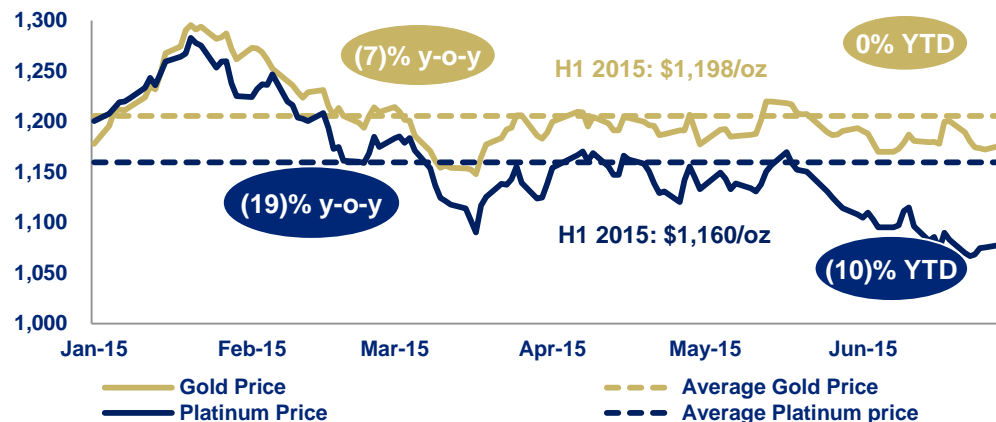
# MARKET PRICES

Fundamentals outweighed by global macro-economic environment

## LOWER US DOLLAR PRICES

- US Dollar platinum price fell 10% in H1 2015
- US Dollar strength and the macro-economic environment in key regions, China & Europe, have weighed on prices

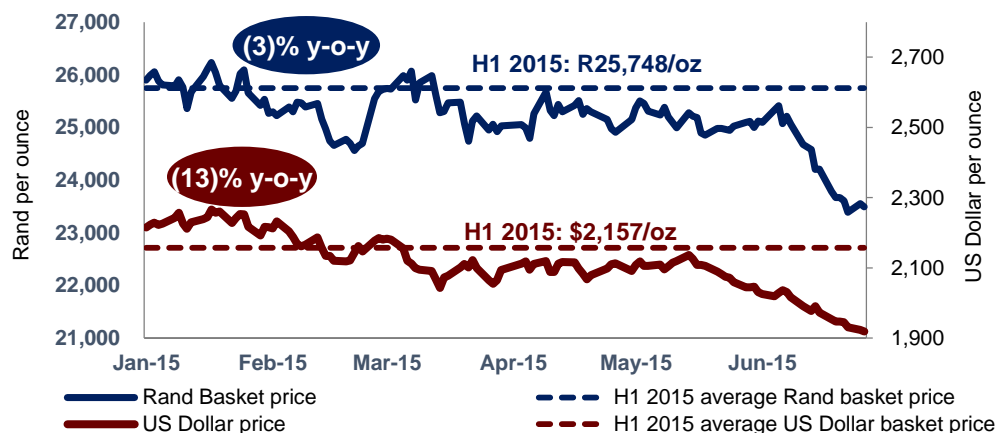
### Decline in US\$ Platinum price in H1 2015 (US \$/oz)



## REALISED BASKET PRICE

- H1 basket prices are down 13% in US Dollar and 3% in ZAR year-on-year
- Palladium, Rhodium & Chrome revenue have positively contributed to basket prices
  - Offset by falls in minor PGMs, Gold, Nickel & Copper

### Realised basket prices



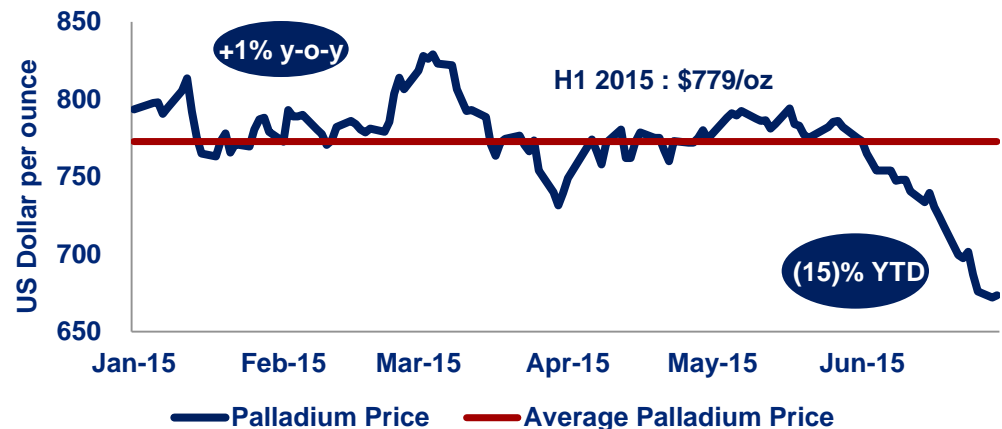
# PALLADIUM AND RHODIUM MARKET

## H1 China & emerging market vehicle sales impact sentiment

### PALLADIUM MARKET

- Slow down in auto sales growth in China & drop off in gasoline-based emerging markets has had an adverse effect on demand
- Compounded by a change in investor sentiment with metal being released from ETFs in H1

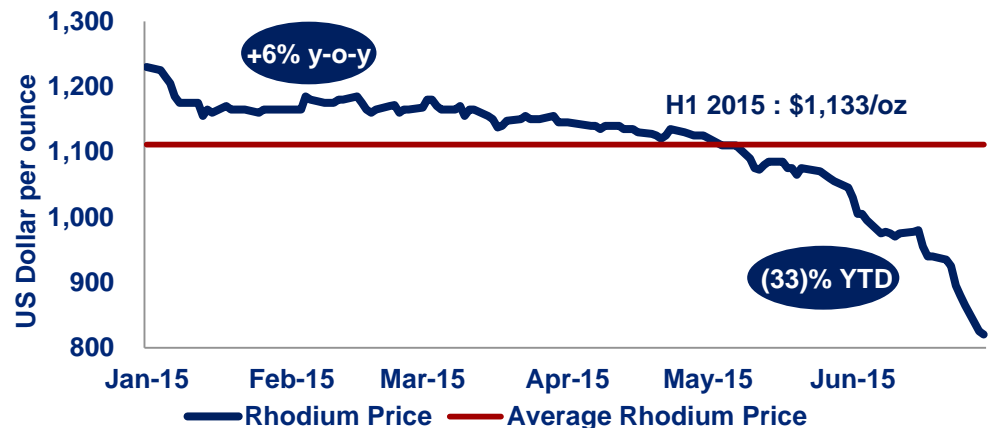
#### Palladium price stable in Q1 before decline



### RHODIUM MARKET

- Rhodium market adversely impacted by emerging market auto sales
- However recent price action is more the result of investor liquidation into an illiquid market

#### Rhodium price down – recovery potential



# STRATEGY UPDATE

Chris Griffith, CEO





# REPOSITIONING THE PORTFOLIO

## Repositioning the portfolio for long term value

Retain	Mogalakwena	Operational improvement, Debottleneck, Potential for future expansion
	Amandelbult	Investment in replacement ounces. Potential to expand
	Twickenham	Mechanise & Establish ideal scale
	Unki	Expand to infrastructural capacity
	BRPM	Styl drift – expansion and replacement of BPRM South shaft
	Mototolo / Der Brochen	Mototolo – reserves for life expansion Der Brochen – as per market demand
	Modikwa	Expansion to fill shaft capacity (200-240 ktpm)
	Processing	Retain Smelting, BMR, PMR
Exit	Union	Exit the asset whilst improving profitability
	Rustenburg	Exit the asset whilst improving profitability
	Pandora	Exit for best value
	Bokoni	Technical evaluation and exit

**1** High quality asset portfolio

**2** Low cost production

**3** High margin ounces

**4** Reduced safety risks

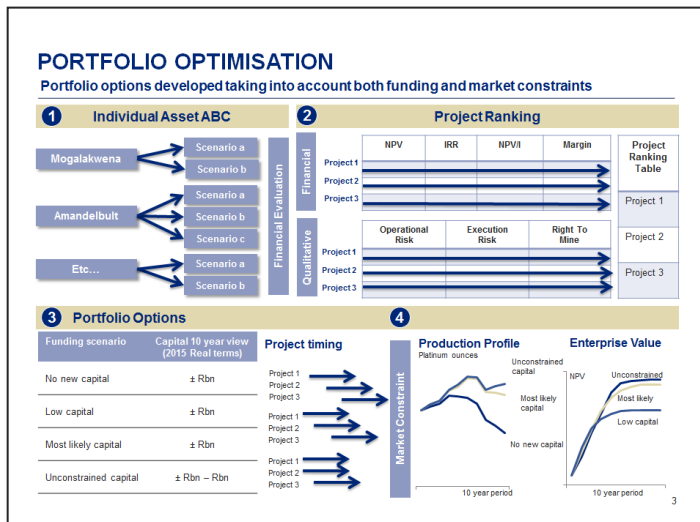
**5** >80% mechanisation over 10 years

**Quality, long life assets – with better long term potential in another operator's control**

# DISCIPLINED CAPITAL ALLOCATION

Reposition portfolio for long term value...but managing the business for current environment

## Project / Asset Prioritisation



### Increase efficiencies at Mogalakwena

- Optimise efficiencies with limited capital spend
- Debottlenecking +60koz - delay decision until 2016

### Make Amandelbult investable again

- Low capital replacement for Tumela
- Complete study in 2016
- Delay decision until 2017

### Develop mechanised Twickenham mine

- Low capital mechanised option developed
- Limit cash outflow in 2016
- Delay decision until 2017

### Unki – low capital smelter option

- Low capital options developed for smelter in Zimbabwe

### Disciplined approach to SIB

- SIB optimised by capital excellence team

# MANAGING FOR THE CURRENT ENVIRONMENT

Reduce overhead to align to rightsized operation

## REPOSITIONING OF PORTFOLIO UNDERWAY

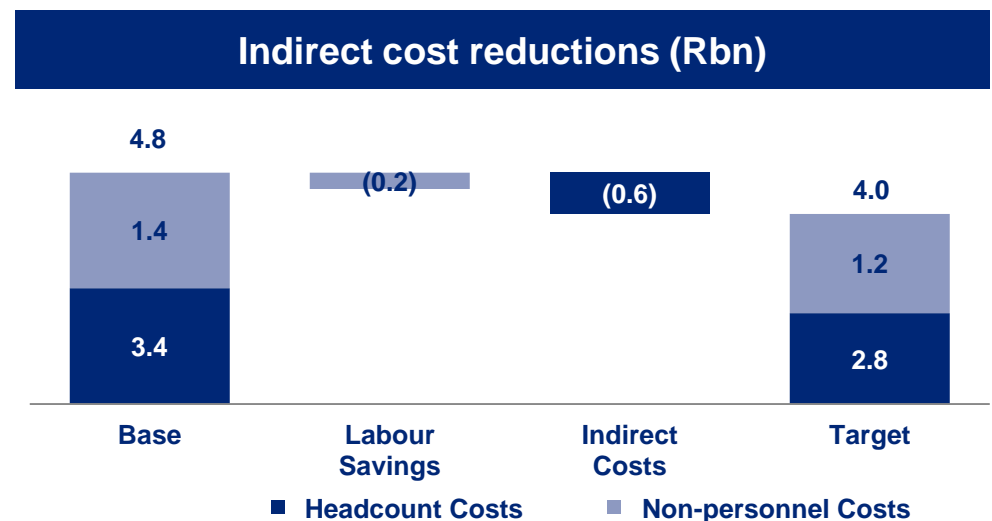
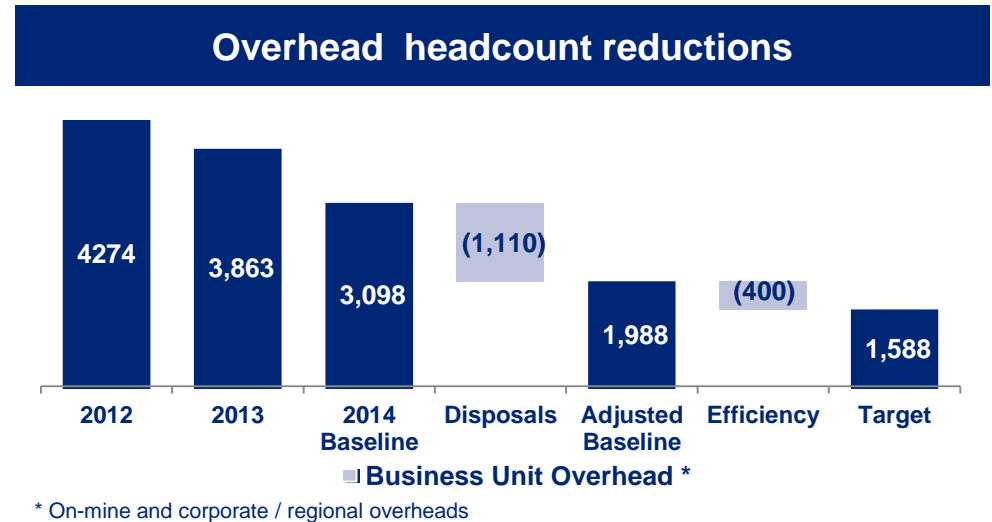
- Pursuing Rustenburg and Union divestment
- Assessing exit options for Pandora and Bokoni

## RIGHTSIZING THE ORGANISATION

- Consolidation of mines and concentrators
  - Support structure designed accordingly
- Repositioned portfolio – smaller and less complex

## COST REDUCTIONS

- Ongoing commitment to reduce costs
- Reducing c.400 indirect jobs saving R200m per annum
- Targeting R600m p.a. in indirect costs



# **OUTLOOK**

**Chris Griffith, CEO**





# 2015 OUTLOOK

## Operational turnaround and self help key in tough market environment

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- Challenging macro economic environment likely to continue to weigh down on market fundamentals
- Refined production and sales expected to be higher in 2H 2015 in line with normal seasonal production – guidance maintained at 2.3 – 2.4 million ounces
- Cash unit costs guidance increased to between R19,250 – R19,750
- Overhead reduction of c.400 managerial positions resulting in direct cost savings of c.R200m per annum
- Targeting indirect cost savings of c.R600m per annum
- Capital expenditure guidance revised down to between R4.0bn - R4.5bn for FY15 excluding capitalised waste-stripping and interest

# **KEY MESSAGES**

**Chris Griffith, CEO**



# KEY MESSAGES

Managing the business for the current low-price environment

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- **Safety performance our priority**
- **Challenging macro-economic environment - managing the business for current prices**
- **Operational performance momentum**
- **Financial position of the company much improved**
  - All mine complexes were cash generative
  - Balance sheet position improved
  - Disciplined capital allocation
- **Restructuring continuing to right size overheads**
- **Moving forward with the repositioning of the portfolio**
  - Continue with exit of Rustenburg and Union
  - Continue to advance exit of Pandora and Bokoni

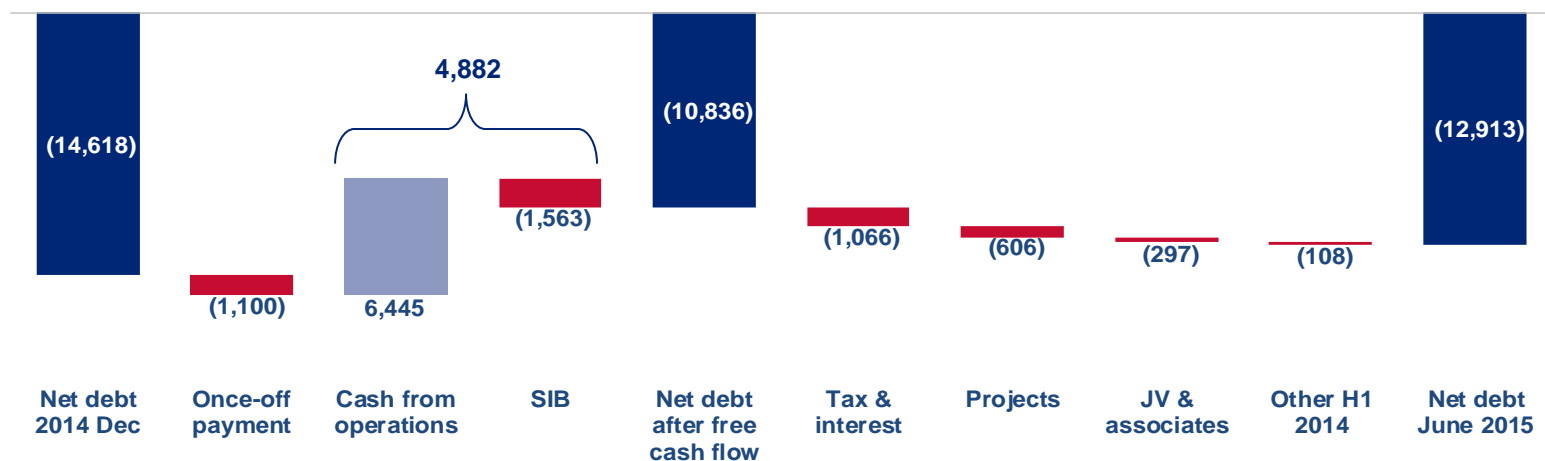
**THANK YOU**



# APPENDICES

# CASH FLOW

## Positive cash generations from operations



Operation (Rm)	Dec 2014	Once-off payment	Cash from operations	SIB	Free cash flow	Tax & Interest	Projects	JV & Associates	Other <sup>(1)</sup>	June 2015
Mogalakwena			3,533	(974)	2,559		(13)			
Amandelbult			286	(146)	140		(240)			
Unki			179	(29)	150		(52)			
Union			112	(40)	72		(3)			
Rustenburg			350	(89)	261		(42)			
Twickenham			(260)	(1)	(261)		(138)			
JVs and associates			2,061	(206)	1,855		--			
Process tailings retreatment			(29)	(1)	(30)		--			
Group <sup>(1)</sup>			213	(77)	136		(118)			
<b>Total</b>	<b>(14,618)</b>	<b>(1,100)</b>	<b>6,445</b>	<b>(1,563)</b>	<b>4,882</b>	<b>(1,066)</b>	<b>(606)</b>	<b>(297)</b>	<b>(108)</b>	<b>(12,913)</b>

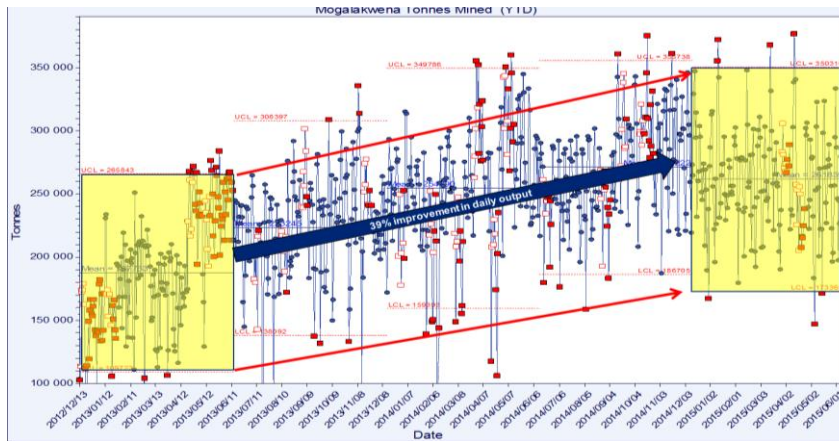
(1) Other includes proceeds sale of equipment, mineral rights and other investments, Interest received, cash distributions to minorities.

# COST OF SALES

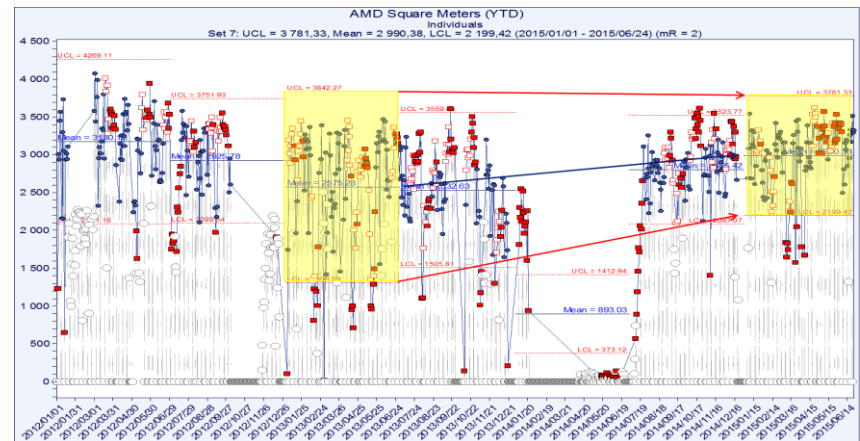
Rm	H1 2015	H1 2014	% Change	H2 2014
On-mine	16,347	12,336	33%	16,693
Purchase of metals	5,110	5,953	(14)%	6,458
Processing	3,223	2,819	14%	3,201
Smelting	1,586	1,406	13%	1,645
Treatment and refining	1,637	1,413	16%	1,556
Movement in inventories	(438)	4,713	(109)%	(2,010)
Other costs	1,288	1,096	18%	1,709
Cost of sales	25,530	26,917	(5)%	26,051
Gross profit margin	14%	3%	11%	6%

# INCREASED STABILITY ACROSS OPERATIONS

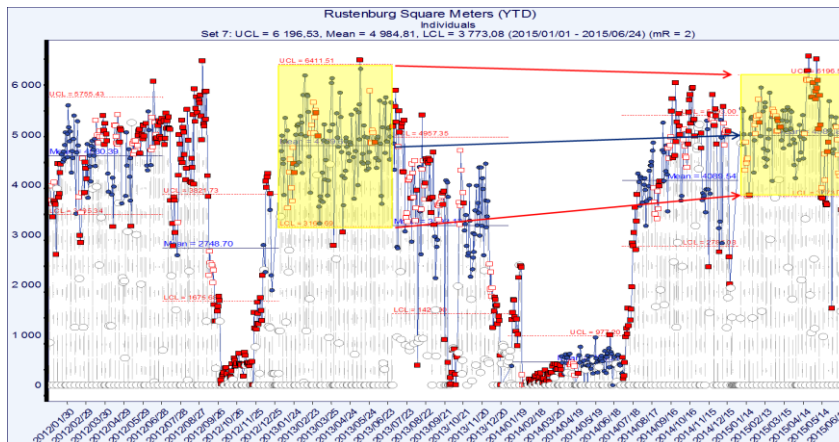
## Mogalakwena



## Amandelbult



## Rustenburg



## Union

