AngloAmerican

# ANGLO AMERICAN PLATINUM LIMITED

# 2013 INTERIM RESULTS

**22 July 2013**

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

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# AGENDA

- Overview
- Review of safety and operations
- Review of markets
- Review of financial performance
- Update on portfolio restructuring
- Outlook
- Questions and Answers session

# OVERVIEW OF 1H 2013

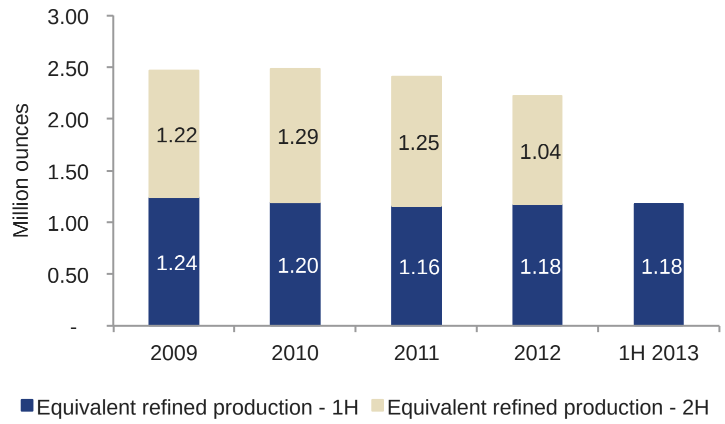
- Chris Griffith, CEO

# OVERVIEW

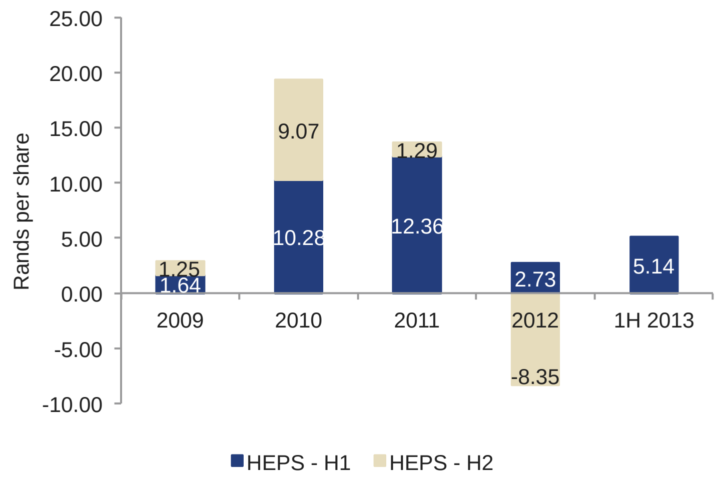
## Solid operating performance despite difficult operating and market conditions

- Significant improvement in safety performance
- Equivalent refined platinum production at 1.2 moz, in line with the first half of 2012
- Refined platinum sales volume up 11% year-on-year to 1.1 moz
- Cash operating costs increased 5% to R16,284 per equivalent refined platinum ounce, from R15,500 in FY2012 normalised for strike
- Headline earnings of R1.3 billion, up 88%
- Net debt increased to R13.2 billion from R10.5 billion as at 31 December 2012
- As part of the planned restructuring, the S189 Labour Relations Act process commenced on 10 June and in progress
- Dividend suspended due to lower cash generated by operations, future funding requirements and uncertain global economy

### Equivalent refined platinum production




### Headline earnings per share



# SAFETY

# SAFETY, HEALTH AND ENVIRONMENT

**Significant improvement in safety performance**

## SAFETY

- Best ever safety performance
- LTIFR improved 24% from 1.36 to 1.04
- Regrettably, 1 loss of life during 1H 2013

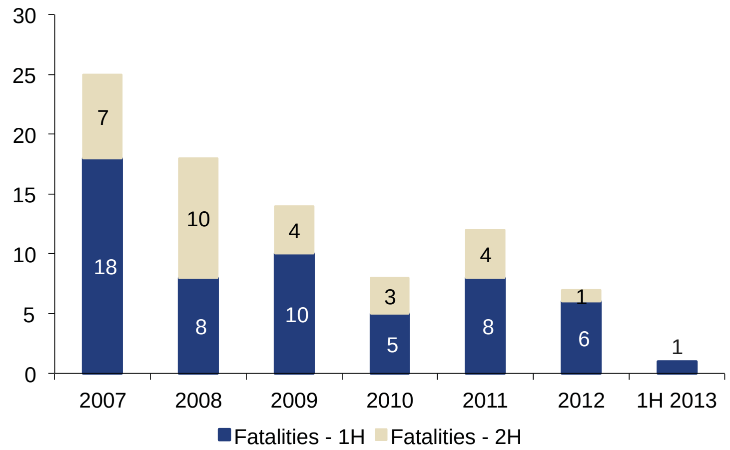
## HEALTH

- Improved wellness programmes to address management of chronic conditions
- 4,382 employees on Anti-Retroviral Treatment for HIV and Aids, an improvement of 9% year-on-year
- Proactively eliminating exposure to noise and dust

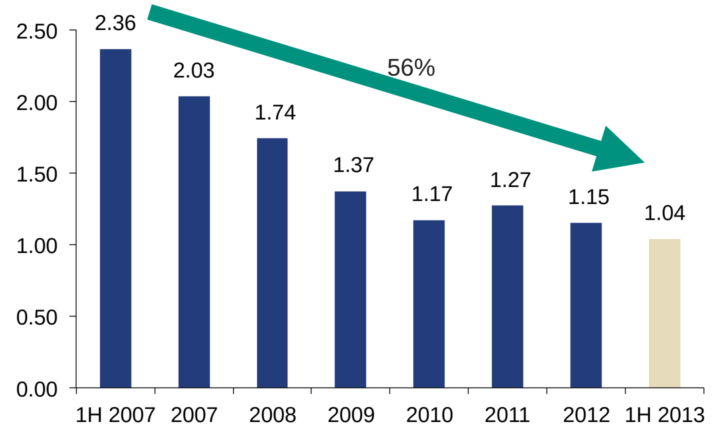
## ENVIRONMENT

- Improvement in the reduction of water use, energy consumption and greenhouse gas emissions
- Progress made on concurrent rehabilitation

**Fatalities**




**LTIFR***






* Lost-time injury frequency rate - LTIFR

# OPERATIONAL REVIEW

# GROUP
# EQUIVALENT REFINED PRODUCTION

**Robust performance in a challenging operating environment**

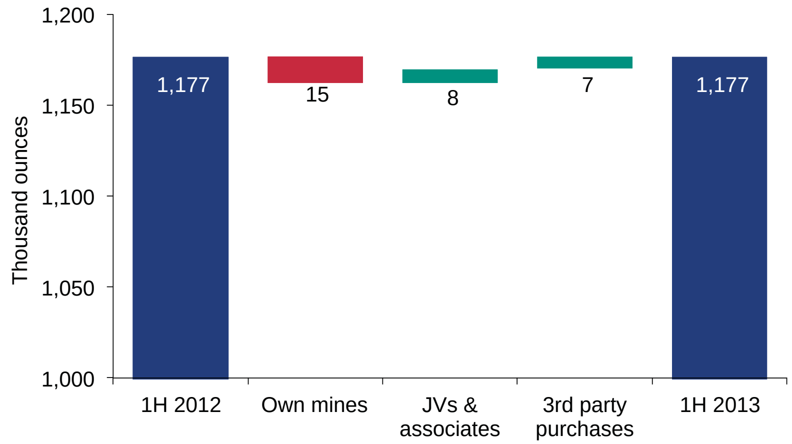
## EQUIVALENT REFINED PLATINUM PRODUCTION

- Group production at 1.18 moz; in line with the first half of 2012
- Own mines: down 2% year-on-year to 787 koz
- Operating Joint ventures* and associates: up 11% year-on-year to 356 koz
- Third party purchases: increased by 29% to 34 koz

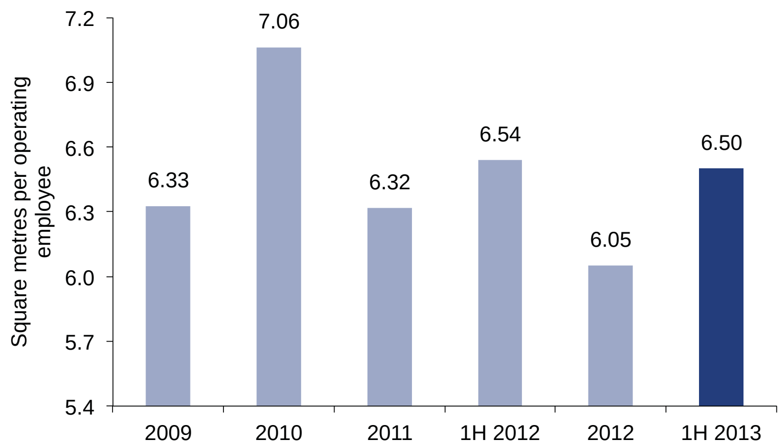
## LABOUR PRODUCTIVITY

- Group labour productivity declined marginally by 1% year-on-year to 6.5m$^2$ in the first half of 2013

**Group equivalent refined platinum production**




**Group labour productivity profile**




* Excludes the non-managed Marikana mine which was placed on care and maintenance in June 2012

# OWN MINES:
# EQUIVALENT REFINED PRODUCTION

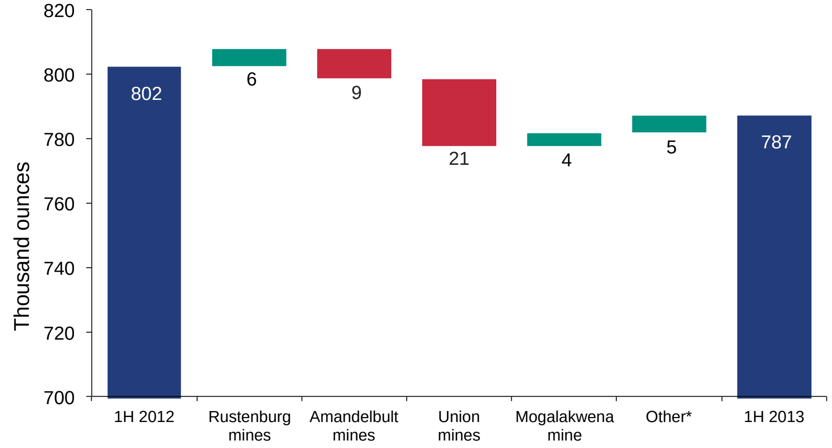
## EQUIVALENT REFINED PLATINUM PRODUCTION

- Own mines and Western limb tailings retreatment output down 2% to 787 koz in H1 due to
  - Intermittent illegal industrial action (20,300 oz)
  - National bus strike affected work attendance (6,000 oz)
  - Lack of flexibility on redeployment of employees (21,100 oz)
- Rustenburg mines output up 2%, to 294 koz
- Amandelbult mines output down 5%, to 171 koz
- Union mines production down 18%, to 96 koz
- Unki mine output down 10%, to 29 koz

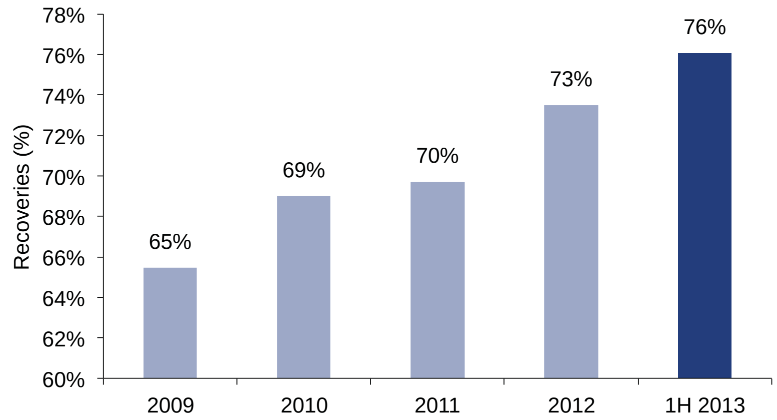
## PRODUCTIVITY AND RECOVERIES

- Labour productivity down 3% year-on-year to 5.9$m^2$ per operating employee
- Mogalakwena's output up 2%, to 164 koz

### Own mines equivalent refined platinum production




### Mogalakwena concentrator recoveries






* Other include Western limb tailings retreatment, Unki and Twickenham mines

# JV & ASSOCIATES: EQUIVALENT REFINED PRODUCTION

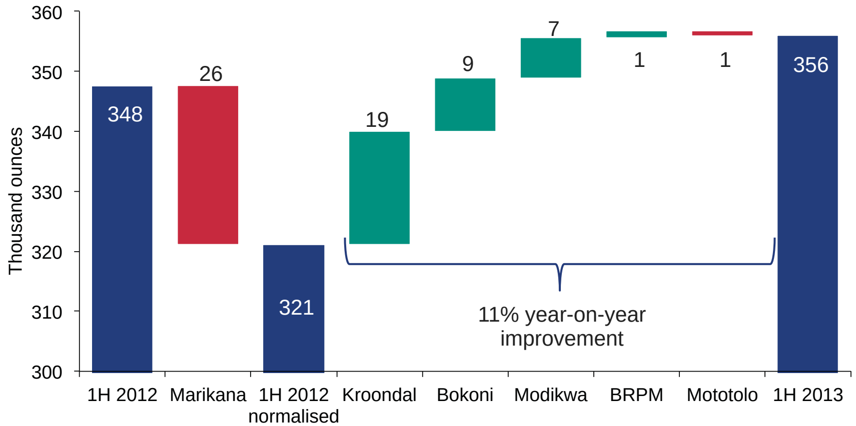
## EQUIVALENT REFINED PLATINUM PRODUCTION

- Operating joint ventures* and associates production up 11% to 356 koz
- Operational efficiency improvement at Kroondal - conversion to owner mining and revised support regime completed
- Operational performance improvement on track at Bokoni - Q2 performance is the best since 2007
- Reduction in S54 stoppages across the portfolio

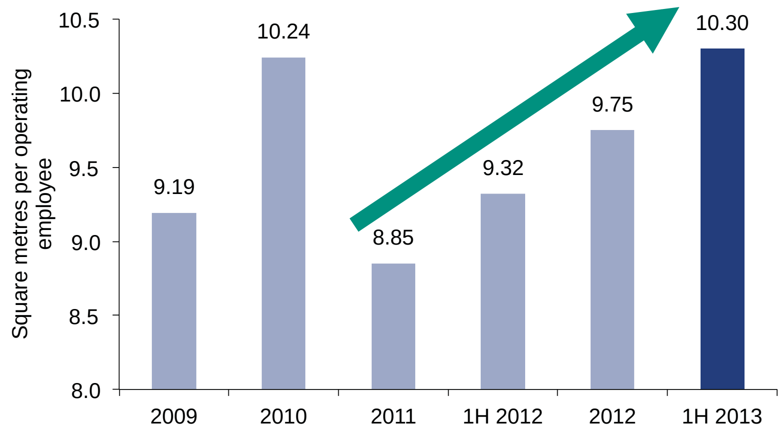
## LABOUR PRODUCTIVITY

- Labour productivity at a 5 year high

**Joint ventures and associates mines equivalent refined platinum production**




**Joint ventures and associates labour productivity profile**




* Excludes the non-managed Marikana mine which was placed on care and maintenance in June 2012

# REFINED PRODUCTION & SALES

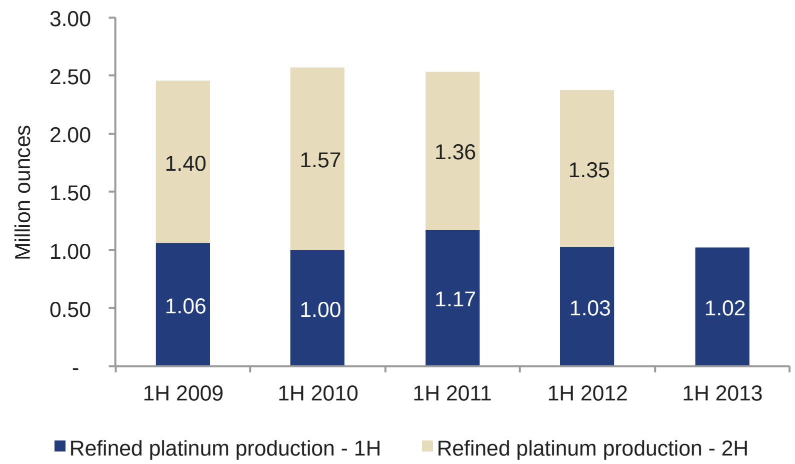
## REFINED PRODUCTION

- Platinum production at 1.02 million ounces; in line with the first half of 2012
- Palladium production at 583 koz, down 1%
- Rhodium production at 126 koz, down 2%
- Nickel and copper improved output as plant capacity increases with the tank house modifications and ramp up

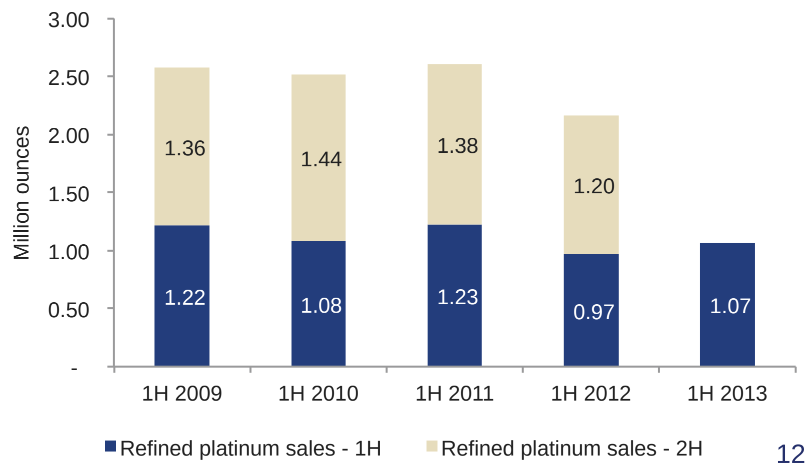
## SALES

- Platinum sales volume up 11%  year-on-year to 1.1 moz
- Palladium sales volume down 6% year-on-year to 583 koz and rhodium down 2% to 140 koz
- Nickel sales volume up 2% year-on-year to 11 067 tonnes*

### Group refined platinum production




### Group refined platinum sales volume




* Inclusive of nickel matte sales of 5.4 kt (2.2 kt from prior periods)

# REVIEW OF MARKETS

# BASKET PRICES

**Platinum price weakness dominated by sentiment**

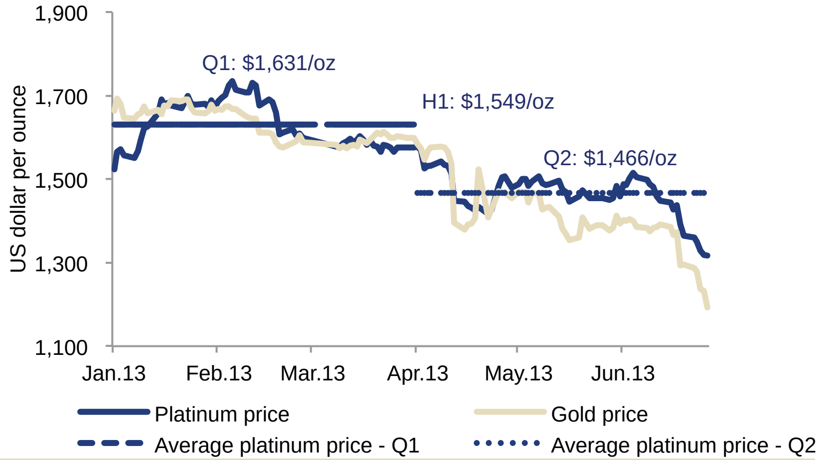
## US$ PLATINUM PRICE

- Dollar basket price weakened significantly due to macro sentiment
- Average platinum price of US$1,549 in H1, flat
- Platinum price peaked above $1,600/oz on supply concerns from industrial action in Q1
- Dramatic gold-led precious metal sell offs in Q2 impacted platinum
- Platinum low of $1,371 in June not seen since 2009 global economic crisis

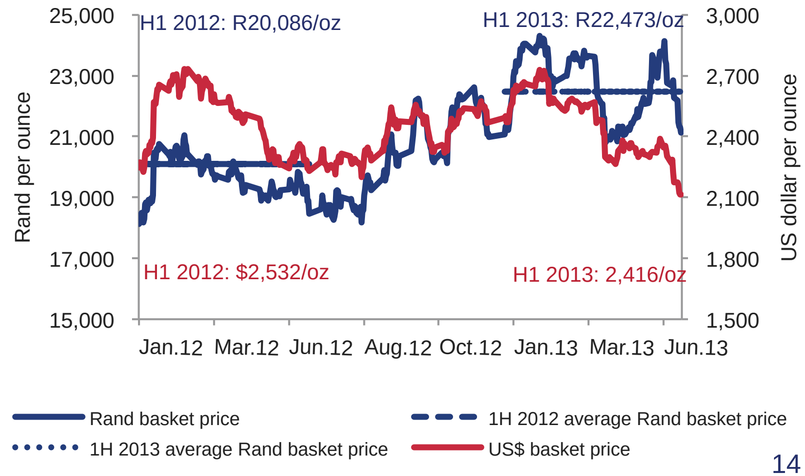
## RAND BASKET PRICE

- The rand fell 21% against the US$ in H1 lifting the rand basket price to average R22,473/oz
- Further US$ basket price weakness reduced rand basket to R21,000/oz in June

**1H 2013 US$ platinum price**



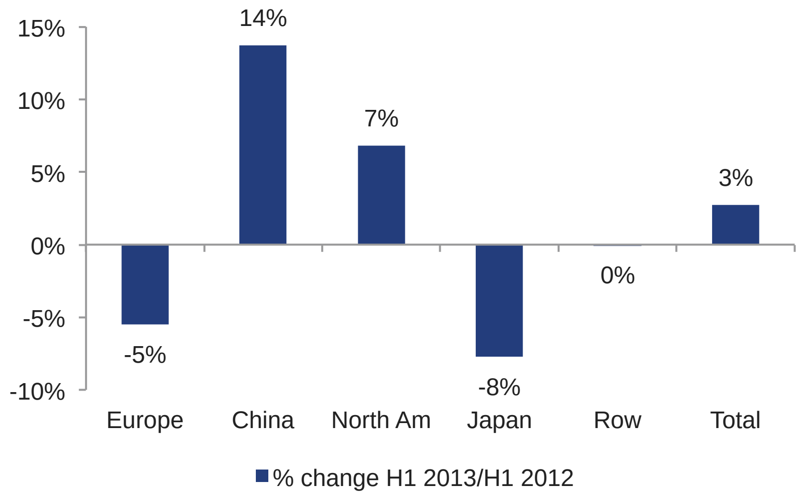

**Realised rand and US$ basket prices**



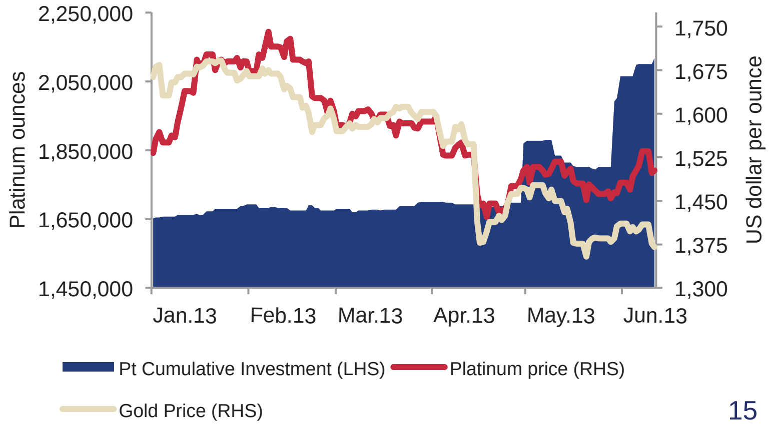
# PLATINUM MARKET

- Platinum market in balance - weak supply, flat autocat and firm ETF, jewellery and industrial demand
- Global light duty vehicle sales up 2.2% year-on-year in H1 2013
  - Europe sales down - higher impact on platinum due to dominant diesel share
  - China and USA up - higher impact on palladium due to dominant gasoline share
- Firm ETF demand due to new rand-based ETF in South Africa – over 400 koz by end of June
- Price elastic component of Chinese jewellery demand strong due to low platinum price
- Industrial demand firm - some signs of demand delayed in 2012 returning

## Global light duty vehicle sales




## Platinum ETF's in 1H 2013

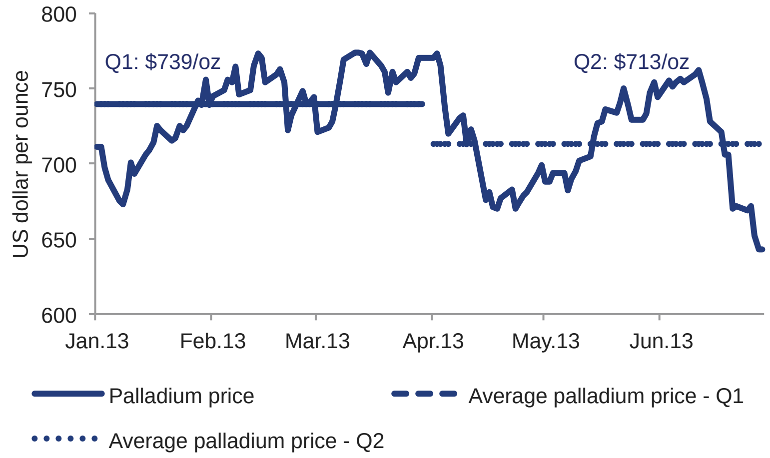


# PALLADIUM AND RHODIUM MARKET

## PALLADIUM MARKET

- Palladium market remains in deficit
  - strong demand growth from gasoline vehicles in developing markets
  - annual supply deficit to continue
  - stable ETF holdings reflect positive investment sentiment

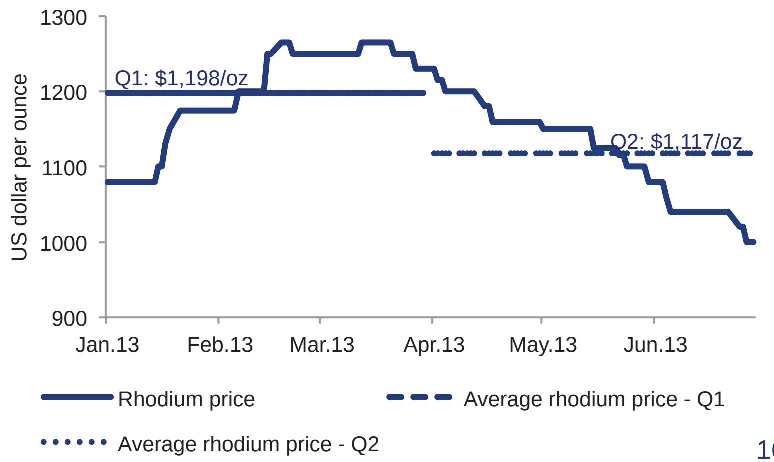
**Palladium price firm despite gold impact**




## RHODIUM MARKET

- Rhodium market - recovery potential
  - aggressive thrifting programmes in glass and autocat largely over
  - recycle volumes declining
  - automakers evaluating increasing rhodium loadings

**Rhodium price down – recovery potential**



# REVISED COMMERCIAL STRATEGY

- Revised commercial and marketing strategy implementation continues
  - increasing net revenue
  - diversifying customer portfolio
  - effective market development investments
- Contracts attracting discounts and commissions will not be renewed
- 2012 contracts representing 20% of sales renegotiated or terminated
- Revised commercial strategy is on track to achieve R1 billion profit before tax improvement by 2015

**Focused market development**

| | | |
|---|---|---|
| Jewellery | • PGI<br>• Joint industry funding | • China, India focus<br>• Bridal / inelastic growth focus |
| Industrial | • Customer & partner JV's | • Palladium e+ ® ethylene remover |
| Fuel cell | • Development projects | • Home generator<br>• Mine locomotive<br>• Mining dozer |
| Beneficiation | • Venture capital fund | • Ballard<br>• Altergy |

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# REVIEW OF FINANCIAL PERFORMANCE

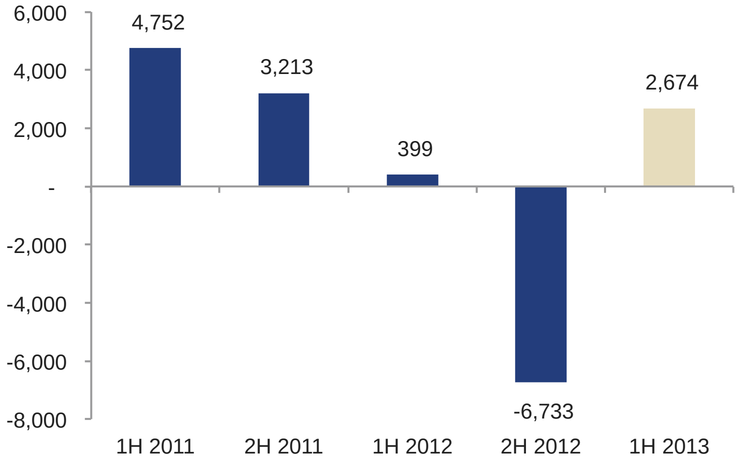
- Bongani Nqwababa, Finance Director

# FINANCIAL REVIEW

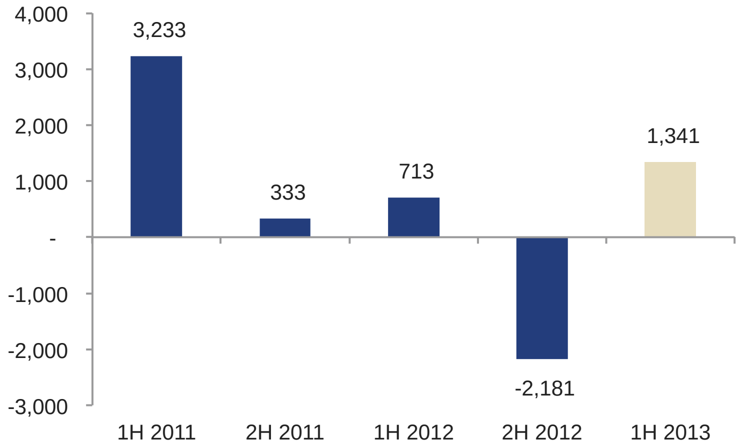
**Favourable impact of weak rand on earnings**

| Revenue | Unit cost* | Headline earnings | Net debt |
|---|---|---|---|
| +24% | +5% | +88% | R2.7bn increase |
| R24.1bn | R16,284/oz | R1.3bn | R13.2bn |

**Operating profit/(loss) (Rand million)**




**Headline earnings/(loss) (Rand million)**






* From FY2012 strike normalised unit cost of R15,500 per equivalent refined platinum ounce

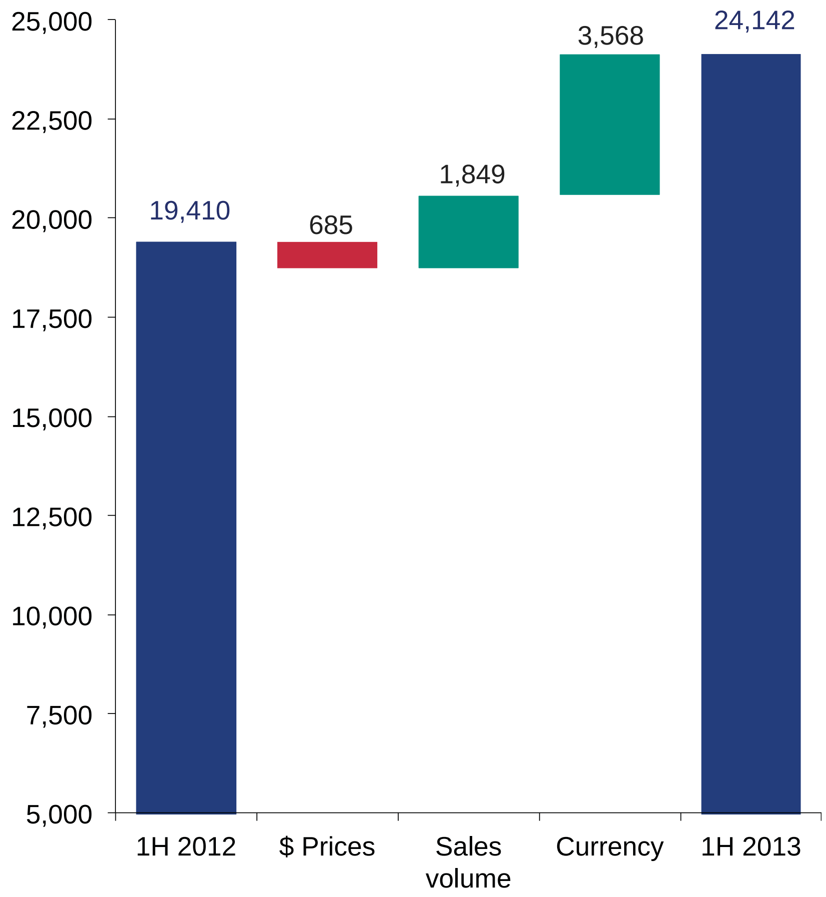
# FINANCIAL REVIEW

| Rand million | 6 months 30 June 2013 | 6 months 30 June 2012 | % change | 6 months 31 Dec 2012 |
|---|---|---|---|---|
| Net sales revenue | **24 142** | 19 410 | 24% | 23 428 |
| Cost of sales | **21 262** | 17 331 | 23% | 24 617 |
| EBITDA | **5 048** | 2 252 | 124% | (4 388) |
| Operating profit/(loss) | **2 674** | 399 | 570% | (6 733) |
| Gross profit margin (%) | **12** | 11 | 11% | (9) |
| Headline earnings/(loss) | **1 341** | 713 | 88% | (2 181) |
| Headline earnings/(loss) per share (cents) | **514** | 273 | 88% | (835) |
| Operating free cash flow | **(411)** | (2 621) | 84% | 1 900 |
| Capital expenditure (excluding capitalised interest) | **2 170** | 2 828 | 23% | 3 957 |
| Net debt | **13 205** | 9 542 | 38% | 10 491 |
| *Basket price per platinum ounce ($ per ounce)* | ***2 416*** | *2 532* | *5%* | *2 305* |
| *Basket price per platinum ounce (Rand per ounce)* | ***22 473*** | *20 086* | *12%* | *19 504* |
| *Average Rand / US dollar* | *9.31* | *7.94* | *17%* | *8.46* |

# NET REVENUE

- Net revenue increased by 24% to R24.1 billion
  - Average realised $ basket price decreased 5% to $2,416/oz
  - Refined platinum sales volumes up 11%; impact of net increase of sales volumes R1.8 billion
  - 17% decline in Rand/US Dollar exchange rate (R9.31 in 2013 vs R7.94)
  - Realised average rand basket price increased by 12% to R22,473/oz

**Net revenue variance (Rand million)**

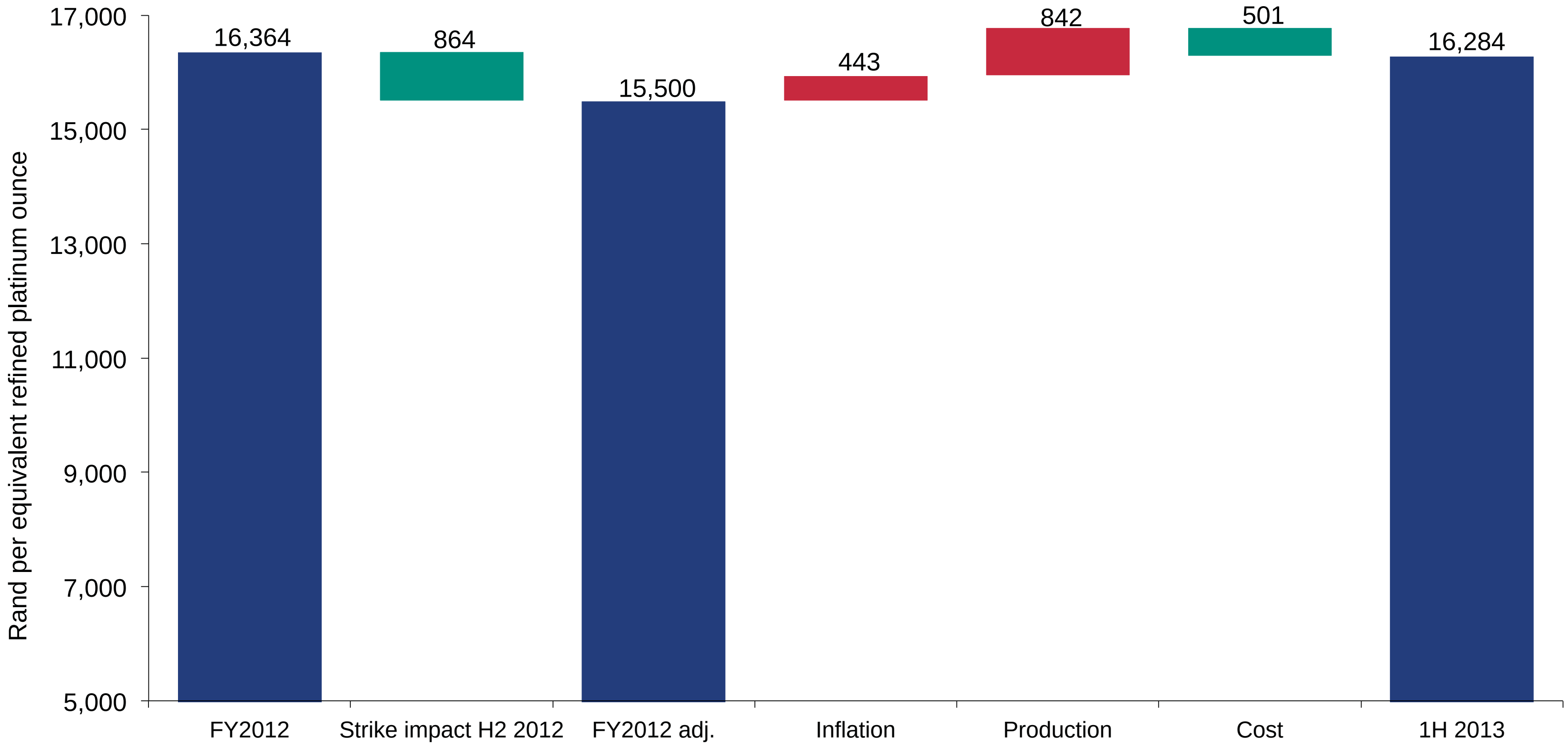


# COST OF SALES

| Rand million | 6 months 30 June 2013 | 6 months 30 June 2012 | % change | 6 months 31 Dec 2012 |
|---|---|---|---|---|
| On-mine | **14 812** | 13 478 | 10% | 14 129 |
| Purchase of concentrate | **5 159** | 4 026 | 28% | 4 933 |
| Processing | **2 674** | 2 776 | 4% | 3 013 |
| Smelting | **1 443** | 1 461 | 1% | 1 635 |
| Treatment and refining | **1 231** | 1 315 | 6% | 1 378 |
| Movement in inventories | **(2 829)** | (4 090) | 31% | (946) |
| Other costs | **1 446** | 1 141 | 27% | 1 596 |
| Cost of sales | **21 262** | **17 331** | **23%** | **24 617** |
| Gross profit margin | 12% | 11% | 11% | (9%) |

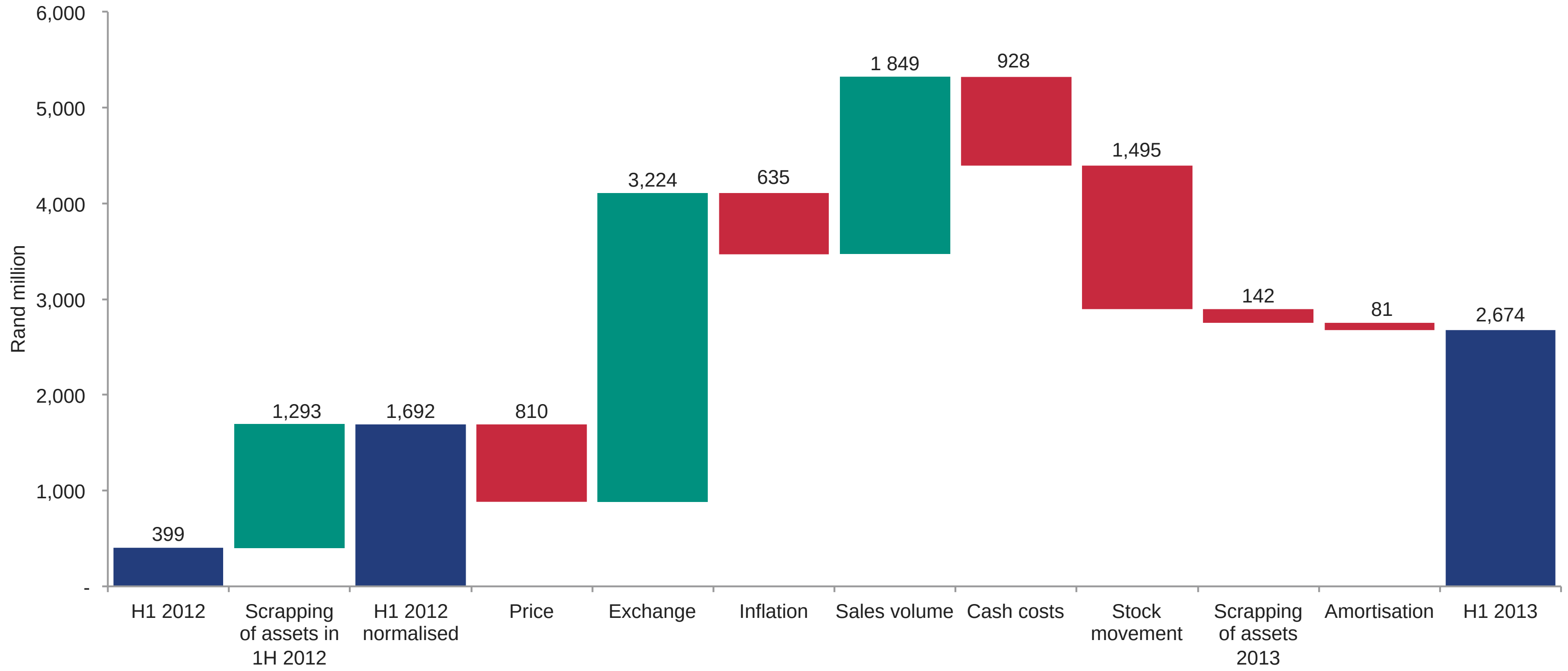
# UNIT COST VARIANCE ANALYSIS

- Cash operating costs per equivalent refined platinum ounce at R16,284, up 5% on FY2012
  - Continued inflationary pressure on input costs
  - Production volumes lower, due to labour shortages and intermittent illegal strikes



# OPERATING PROFIT VARIANCE ANALYSIS

- Financial performance in 1H 2013 driven by:
  – R3.2 billion from weaker Rand, partially offset by a decrease in $ basket price of R810 million
  – R1.8 billion higher sales volumes
  – Non-cash movement in inventory

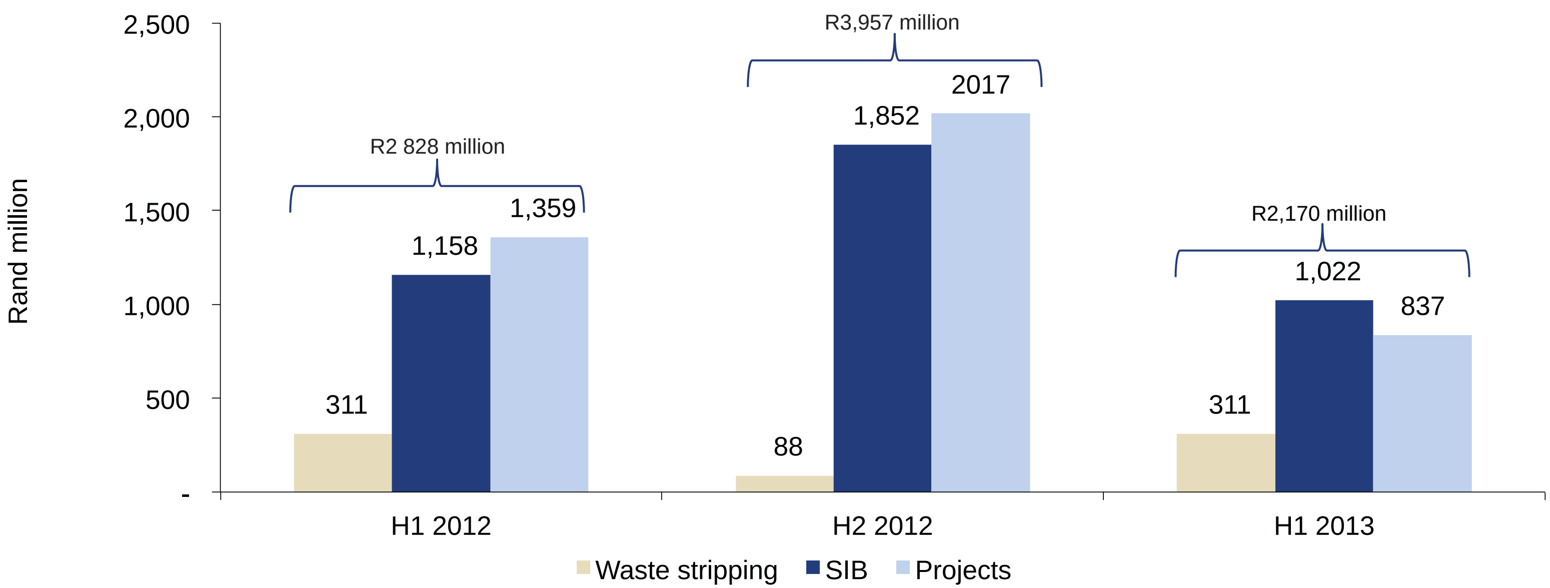


# HEADLINE EARNINGS

| Rand million | 6 months 30 June 2013 | 6 months 30 June 2012 | % change | 6 months 31 Dec 2012 |
|---|---|---|---|---|
| Profit/(loss) attributable to owners of Anglo American Platinum | **1 222** | (464) | 363% | (6 213) |
| Loss on write-down of property, plant and equipment | **142** | 1 293 | 89% | 5 313 |
| Loss on the revaluation of investments | **40** | 256 | 84% | 102 |
| Other | **(26)** | (10) | 160% | 107 |
| Taxation effect of adjustments | **(37)** | (362) | 90% | (1 490) |
| **Headline earnings/(loss)** | **1 341** | 713 | 88% | (2 181) |

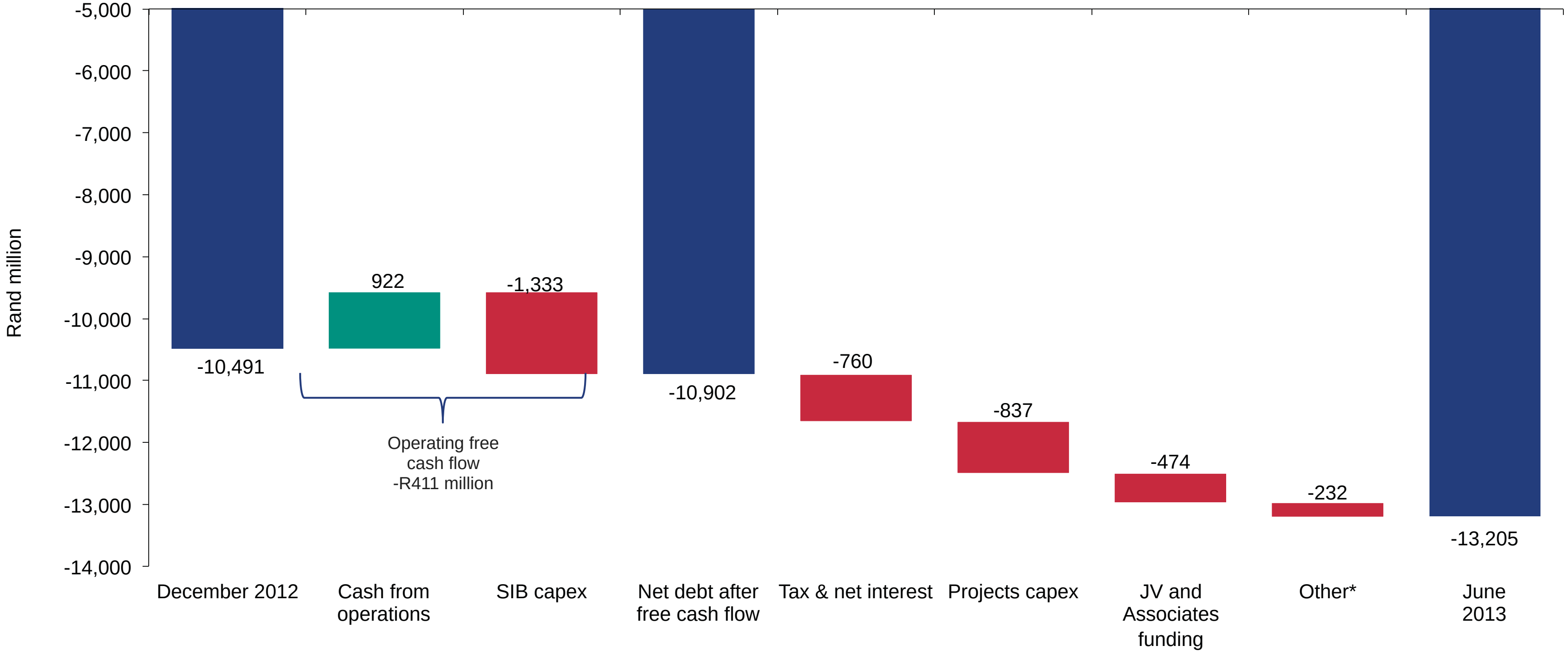
# CAPITAL EXPENDITURE

- Capital expenditure of R2.2 billion
  - Stay-in-business (SIB) capex of R1.0 billion
  - Expansion capex of R837 million
  - Capitalised waste stripping of R311 million
- R6.0 billion to R7.0 billion forecast for 2013, remains unchanged
- Capital expenditure profile aligned to restructured portfolio



# CASH FLOW AND NET DEBT

## Negative free cash flow from operations resulted in increase in net debt




| Operation (Rand million) | December 2012 | Cash from operations | SIB | Net debt after free cash flow | Tax & interest | Projects | JV & Associates funding | Other* | June 2013 |
|---|---|---|---|---|---|---|---|---|---|
| Rustenburg mines | | (747) | (256) | | | (111) | | | |
| Amandebult mines | | 153 | (180) | | | (44) | | | |
| Union mines | | (275) | (67) | | | (22) | | | |
| Mogalakwena | | 2 031 | (622) | | | (96) | | | |
| JVs and associates | | 1 044 | (117) | | | (102) | (474) | | |
| Other[1] | | 130 | (106) | | | (462) | | | |
| Group | | (1 415) | 16 | | (760) | - | | (232) | |
| **Total** | **(10 491)** | **922** | **(1 333)** | **(10 902)** | **(760)** | **(837)** | **(474)** | **(232)** | **(13 205)** |

* Other refers to Interest received, disposal of assets & investments, distribution to minorities and other
1 Other refers to Unki, Twickenham, and Western limb tailings retreatment

# GEARING

- Gross gearing increased to 30.8%
- Significant committed undrawn debt facilities of R6.6 billion
- Board resolved to continue with a suspension of dividend

| Rand million | **30 June 2013** | 31 Dec 2012 |
|---|---|---|
| Interest-bearing borrowings | **15 880** | 12 665 |
| Cash and cash equivalents | **(2 675)** | (2 174) |
| Net debt | **13 205** | 10 491 |
| Total equity | **51 512** | 50 100 |
| Gross debt/equity (%) | **30.8** | 25.3 |
| Gross debt/market capitalisation (%) | **19.9** | 10.5 |
| Debt facilities | **28 933** | 26 512 |
| Committed | **22 436** | 20 181 |
| Uncommitted | **6 497** | 6 331 |

# 2H 2013 SIGNIFICANT ACCOUNTING IMPACT

- Portfolio restructuring
  - Estimated asset scrapping of R2.3 billion
  - Restructuring implementation cost of approximately R2.6 billion (include cost to be incurred in 2014)

- Refinancing of Atlatsa Resources Corporation
  - Refinancing agreements concluded in the first half of 2013
  - Certain conditions precedent in agreements to be completed in the second half of 2013
  - Loss on refinancing currently estimated at R1.2 billion pre-tax

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# PORTFOLIO RESTRUCTURING

- Chris Griffith, CEO

# PORTFOLIO RESTRUCTURING UPDATE

**Taking action to improve the profitability of our business**

- Full review of the business across the entire value chain to address the structural challenges that have eroded profitability over time
- Bilateral process with the Department of Mineral Resources (DMR) concluded in May 2013
- Revised proposals to reduce capacity by ~250,000 ounces per annum in 2013 and by an additional ~100,000 in the medium term
- Focus remains on cost reduction, revenue enhancements, operation efficiency improvements and the prioritisation of capital allocation
- 60 days CCMA* facilitated Section 189 consultations resumed on 10 June
- Mitigation of affected employees to include redeployment, early retirement and voluntary separation packages
- Retrenchments remain the absolute last resort
- A stable, competitive and profitable Anglo American Platinum will be on a sure footing to continue substantial investment for the long term

* CCMA – Commission for Conciliation, Mediation and Arbitration

# OUTLOOK

# 2013 OUTLOOK

- Journey to zero harm continues
- Challenging labour relations environment may continue
- Planning to refine and sell approximately 2.3 million ounces of platinum in 2013
- Aiming to contain cash unit costs to around R17,000 per equivalent refined platinum ounce
- Capital expenditure forecast to be between R6 and R7 billion per annum for the next three years

# KEY MESSAGES

# KEY MESSAGES

- Best ever safety performance
- Solid operating performance in a challenging environment
- Platinum market remains challenged
- Increase in net debt
- Dividend suspension continues
- Restructuring of Anglo American Platinum underway

# Q&A


AngloAmerican
UNKI MINES
SMI BOARD(INFORMATION)
PLATINUM
FIGHTERS 3&4
TRACKER
MONTH
CENTARES UPDATE
SHIFT Nº
BLASTS

AngloAmerican

# THANK YOU