



# ANGLO AMERICAN PLATINUM LIMITED

## 2012 ANNUAL RESULTS

4 February 2013

# CAUTIONARY STATEMENT

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# AGENDA

- Overview of 2012, review of safety and operational performance
- Review of financial performance
- Review of markets
- Portfolio review
- Outlook
- Question and Answer session



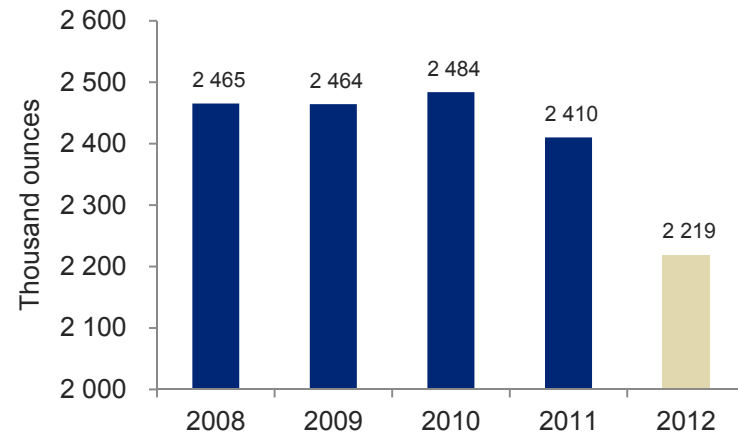
# OVERVIEW OF 2012

- Chris Griffith, CEO

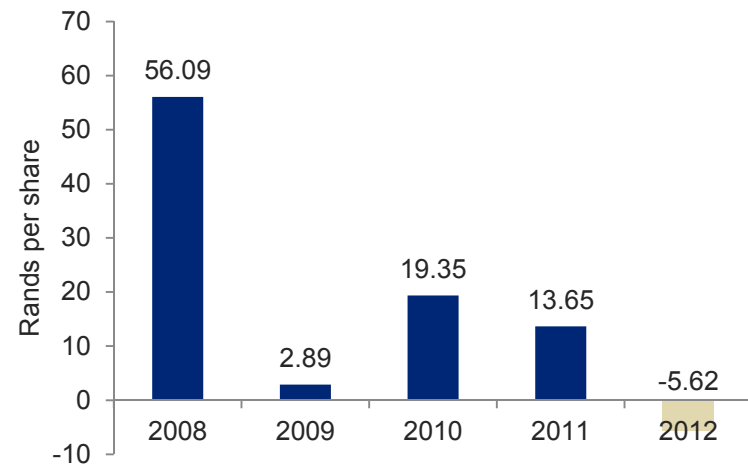
# OVERVIEW – RESULTS LARGELY IMPACTED BY ILLEGAL INDUSTRIAL ACTION

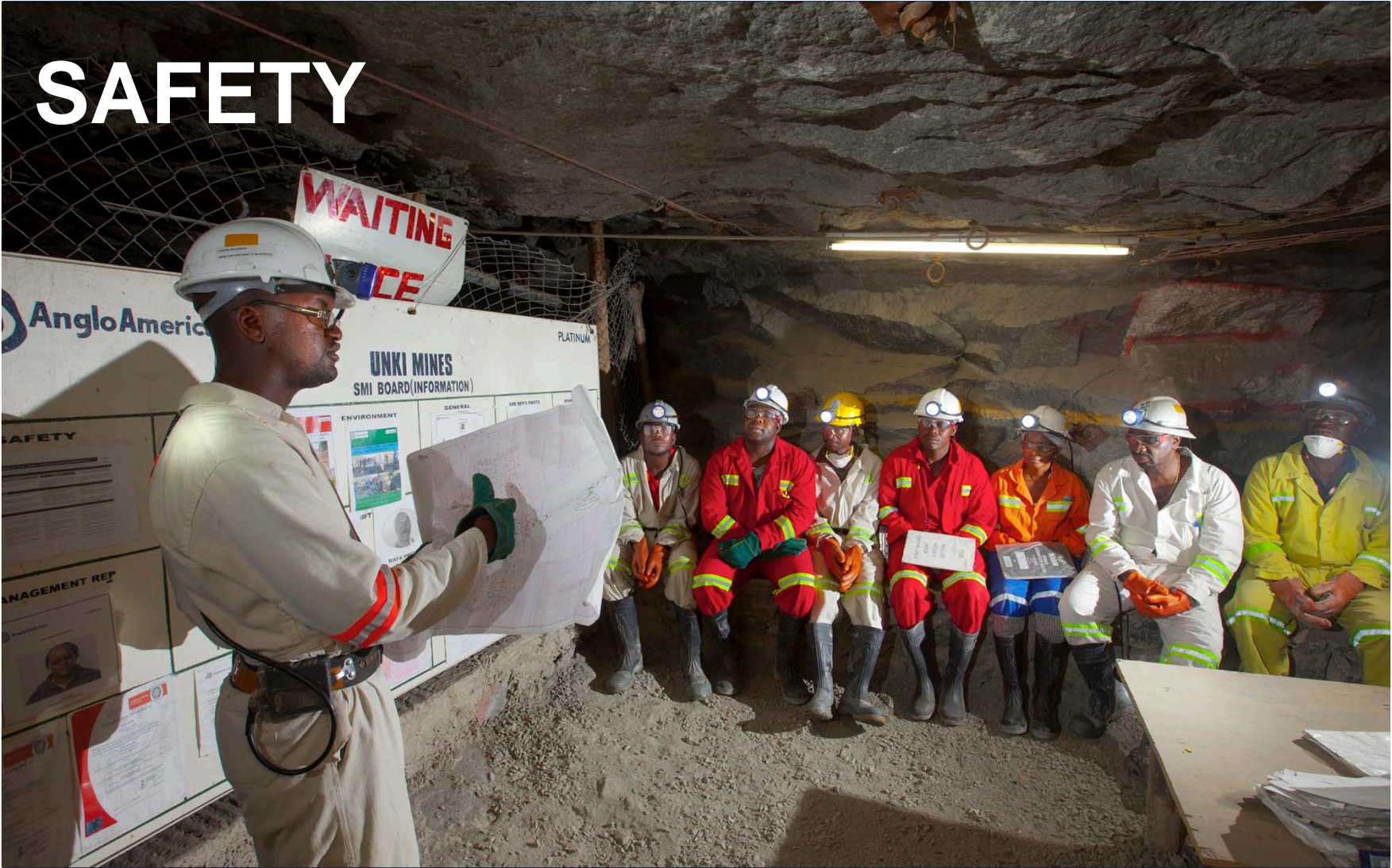
- **Significant improvement in safety performance**
- **Illegal industrial action contributed to:**
  - Lower equivalent refined and refined production
  - Above inflation increase in unit cost
  - Decline in productivity
  - Decrease in profitability
- **Challenging market and economic conditions resulted in:**
  - Lower revenue
  - Production cuts
  - Asset write-downs
- **No dividend declared due to:**
  - Decline in operating free cash flow and higher net debt
  - Challenging market and economic conditions
  - Future funding requirements
- **Portfolio review proposals to address company profitability**

## Equivalent refined platinum production



## Headline earnings per share profile



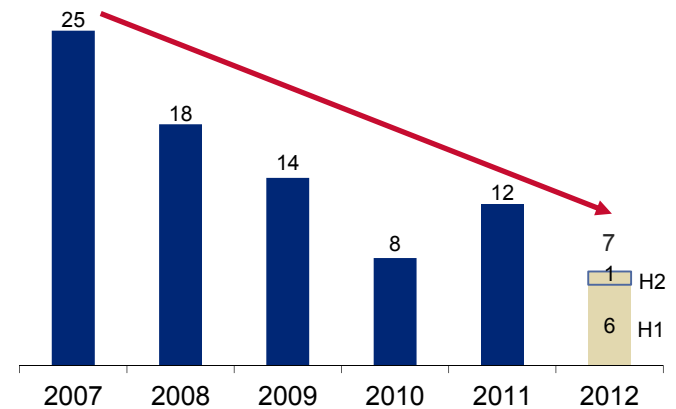


# SAFETY

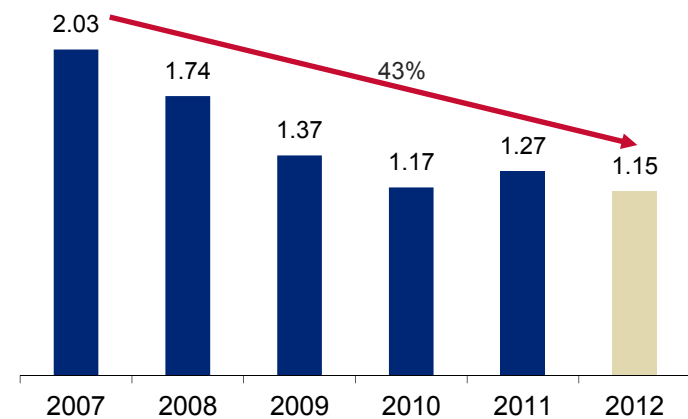
# SAFETY PERFORMANCE

- Regrettably, 7 fatalities during 2012
- LTIFR down 9% from 1.27 in 2011 to 1.15 in 2012
- Significant improvement in safety performance in 2012
- Major safety achievements in the last few years
  - Lost time injuries (LTIs) decreased from 7,000 in 2008 to 718 in 2012
  - Total injuries decreased from 20,000 in 2008 to 1,329 in 2012
- Three of our underground mines achieved more than 2 million fatality free shifts
- Another three mines achieved between 1 and 2 million fatality free shifts

## Fatalities



## LTIFR<sup>(1)</sup>



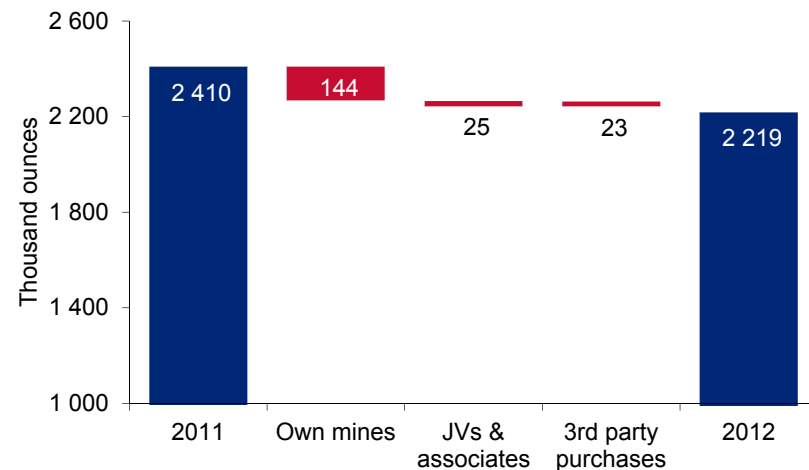
# OPERATIONAL REVIEW



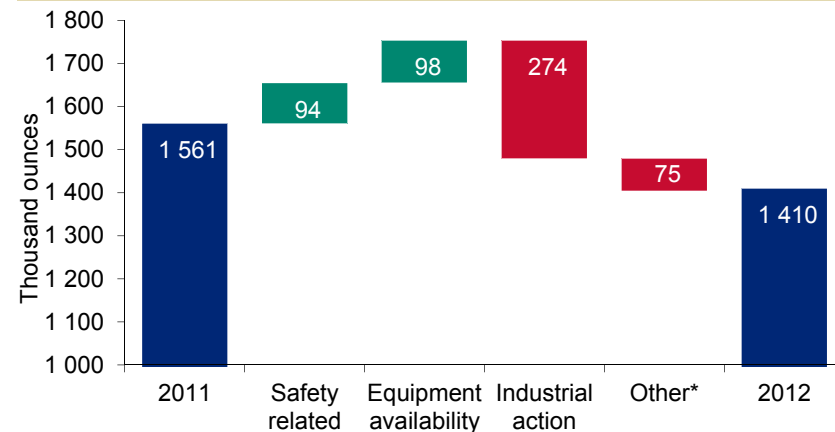
# EQUIVALENT REFINED PRODUCTION IN 2012

- Equivalent refined platinum production down 8% year-on-year mainly due to illegal industrial action:
  - 274,000 ounces from own mines
  - 32,000 ounces from joint ventures and associates
- Equivalent refined platinum production from own mines and Western Limb Tailings Retreatment decreased 9% year-on-year to 1.46 million ounces
- Mogalakwena’s production down 2% due to lower throughput at the concentrators and lower head grade
- Equivalent refined platinum production from joint ventures and associates down 3% year-on-year at 704,700 ounces
- S54 stoppages are more localised and for a shorter duration
  - 52 safety stoppages in own operations, compared with 81 in 2011
  - Own mines lost 14,300 ounces of platinum, compared with 101,000 in 2011, due to non fatality related S54 stoppages

## Group equivalent refined platinum production



## Own mines equivalent refined platinum production

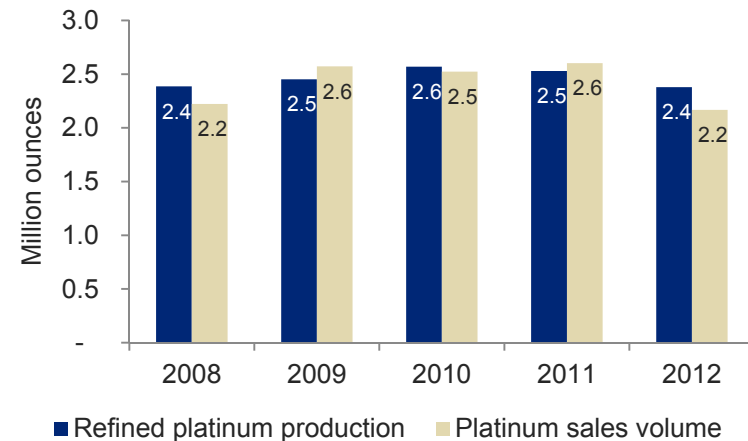


\* Other refers to labour productivity (absenteeism and skills shortage), concentrator recoveries, head grade and depletion of surface material

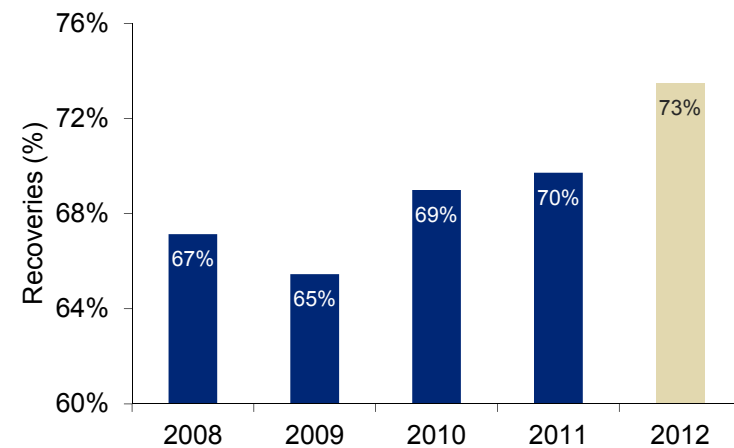
# REFINED PRODUCTION AND SALES VOLUME IN 2012

- Refined platinum production decreased by 6% to 2.38 million ounces in 2012
- Some of the available pipeline stocks were processed during the period of illegal industrial action
- Operational difficulties experienced at the Converter plant, Amandelbult concentrators and Mogalakwena mine and concentrator have been resolved
- Sales prioritised on contractual customers during the fourth quarter
- Platinum sales volume down 17% year-on-year to 2.17 million ounces in 2012
- Palladium sales volume down 4% to 1.36 million ounces and rhodium down 11% to 298 koz in 2012

## Refined platinum production and sales



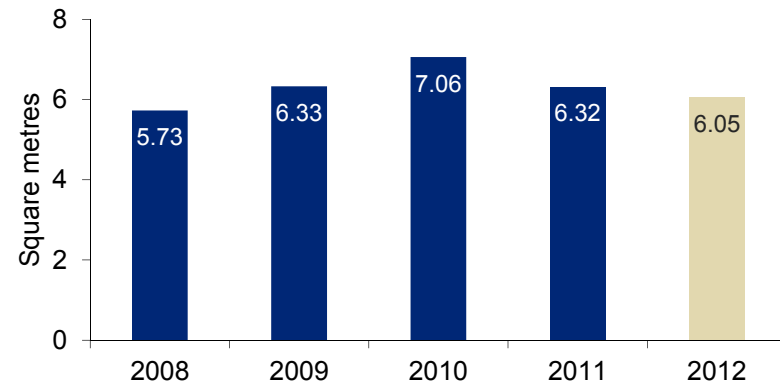
## Mogalakwena concentrator recoveries



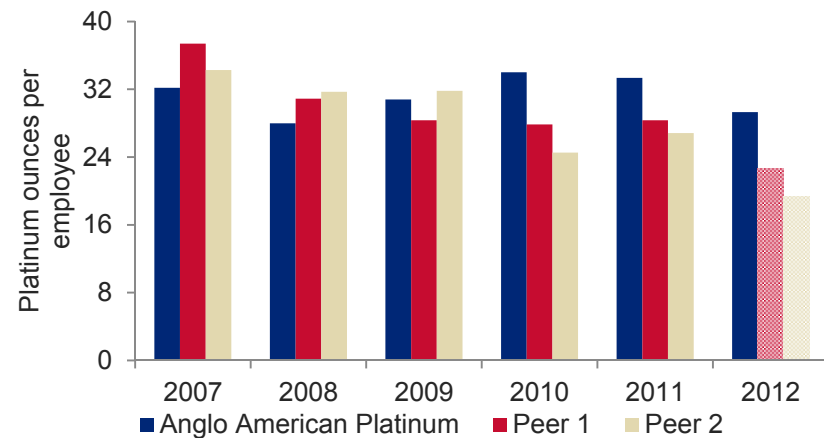
# LABOUR PRODUCTIVITY

- Underground mine productivity declined by 4% to 6.05 m<sup>2</sup> per employee due to the illegal industrial action
- Own mines productivity decreased by 10% to 5.28m<sup>2</sup> per employee
  - Own underground mine productivity impacted by the illegal industrial action
- JVs (attributable) productivity improved by 10% due to improved operational performance at Kroondal and Mototolo mines
- Tonnes milled per employee (down 8% to 640) was also impacted by the illegal industrial action
- Refined platinum ounce per employee decreased by 10% due to the illegal industrial action

**Labour productivity profile (M<sup>2</sup>/operating employee)**



**Platinum industry labour productivity profile**

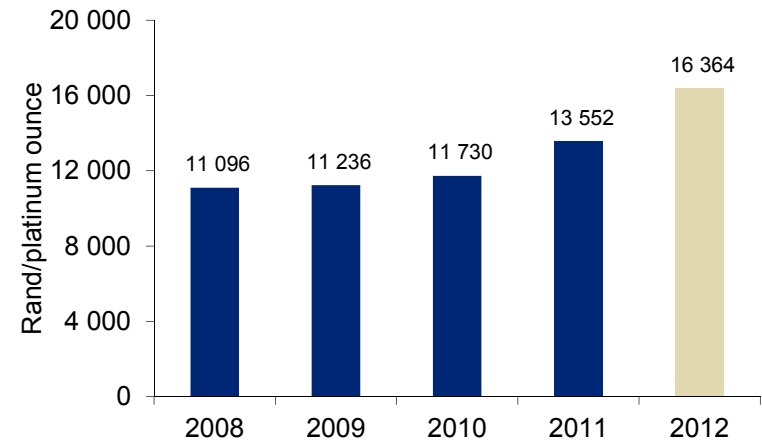


Source: Company reports and Deutsche bank. 2012 numbers for peer 1 and 2 are Deutsche bank's calendarised estimates

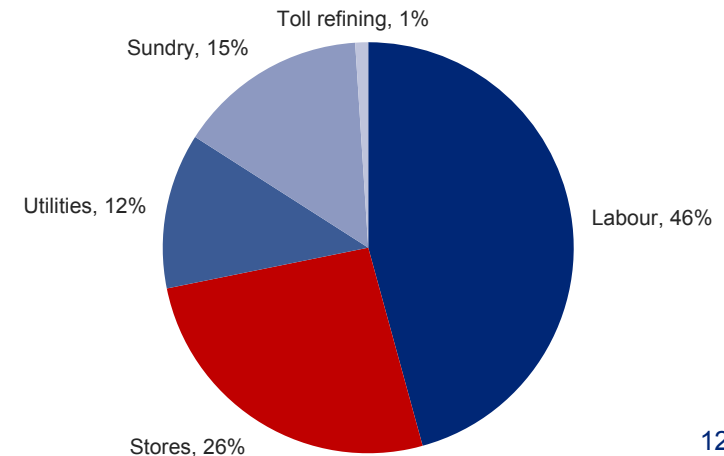
# COST MANAGEMENT

- Cash operating costs per equivalent refined platinum ounce up 21% due to:
  - Lower production volume as a result of the illegal industrial action
  - Higher than inflation increases in costs of electricity and electrical components (up 19.3%), diesel (up 19.4%), caustic soda (up 28.7%)
- Mining inflation of 7.8% compared to average inflation of 5.8%
- Labour costs remains the biggest cost component, up 8.4%
- Normalised cost per equivalent refined platinum ounce (excludes impact of the illegal industrial action) is ~R15,500 per ounce
- Cash operating cost per tonne milled up 18% to R625 due to higher mining inflation and industrial action

### Cash operating cost profile



### Cash operating cost components (2012)



# REVIEW OF FINANCIAL PERFORMANCE

- Bongani Nqwababa, Finance Director

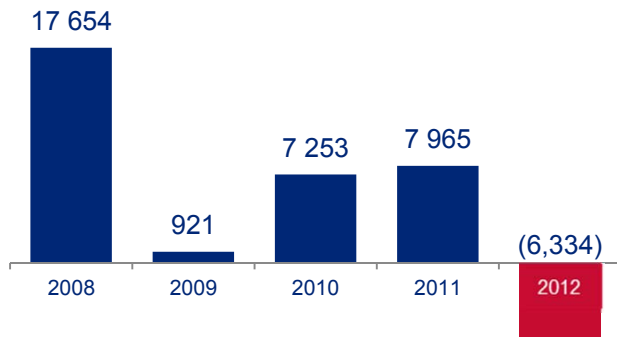


# FINANCIAL REVIEW

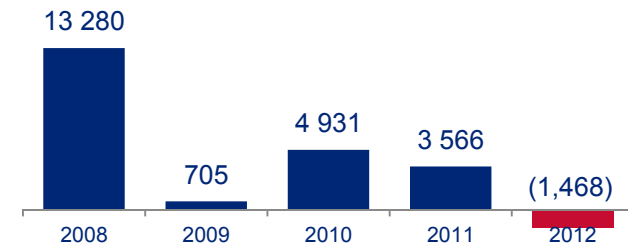
A challenging year operationally, impacted negatively on financial performance



Operating (loss)/profit (Rand million)



Headline (loss)/profit (Rand million)

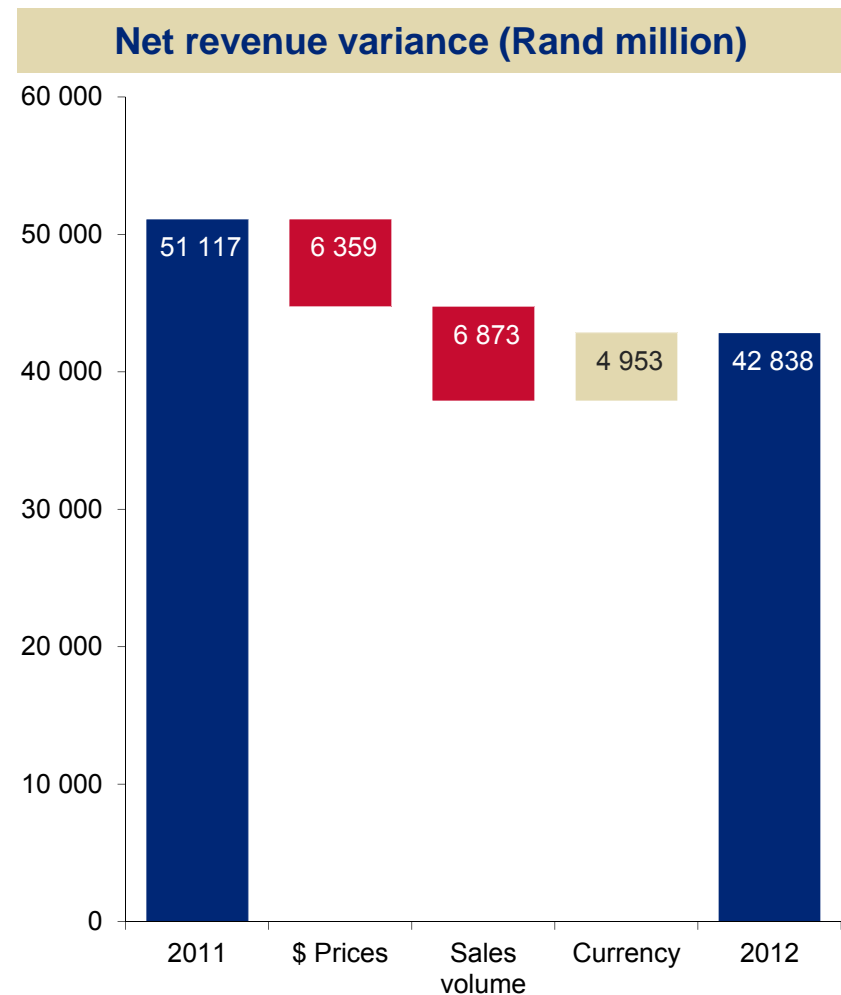


# FINANCIAL REVIEW

| Earnings impacted by decline in sales volumes & scrapping of assets |                          |                          |          |
|---|--------------------------|--------------------------|----------|
| Rand million  | 12 months<br>31 Dec 2012 | 12 months<br>31 Dec 2011 | % change |
| Basket price per platinum ounce (\$ per ounce)                      | 2 406                    | 2 698                    | 11%      |
| Basket price per platinum ounce (Rand per ounce)                    | 19 764                   | 19 595                   | 1%       |
| Net sales revenue   | 42 838                   | 51 117                   | 16%      |
| EBITDA  | (2 136)                  | 12 097                   | 118%     |
| Operating (loss) / profit   | (6 334)                  | 7 965                    | 180%     |
| Headline (loss) / earnings  | (1 468)                  | 3 566                    | 141%     |
| Headline (loss) / earnings per share (cents)                        | (562)                    | 1 365                    | 141%     |
| Ordinary dividends  | -                        | 1 844                    | 100%     |
| Ordinary dividends per share (cents)                                | -                        | 700                      | 100%     |
| Operating free cash flow  | (717)                    | 9 413                    | 108%     |
| Capital expenditure (excluding capitalised interest)                | 6 785                    | 7 141                    | 5%       |
| Net debt  | 10 491                   | 3 662                    | 186%     |

# NET REVENUE

- Net revenue decreased by 16% to R42.8 billion
  - Average realised platinum price decreased 10% to \$1,532/oz in 2012 compared to 2011
  - Average \$ basket price declined by 11% (R6.4 billion reduction year-on-year)
  - Refined platinum sales volumes down 17% (R6.9 billion down year-on-year); impacted by the illegal industrial action
  - Partially offset, by a weaker Rand/US Dollar exchange rate (2012: R8.22; 2011: R7.26)
  - Realised average rand basket price increased by 1% to R19,764 per platinum ounce in 2012 as the weaker Rand offset the impact of lower \$ prices



# COST OF SALES

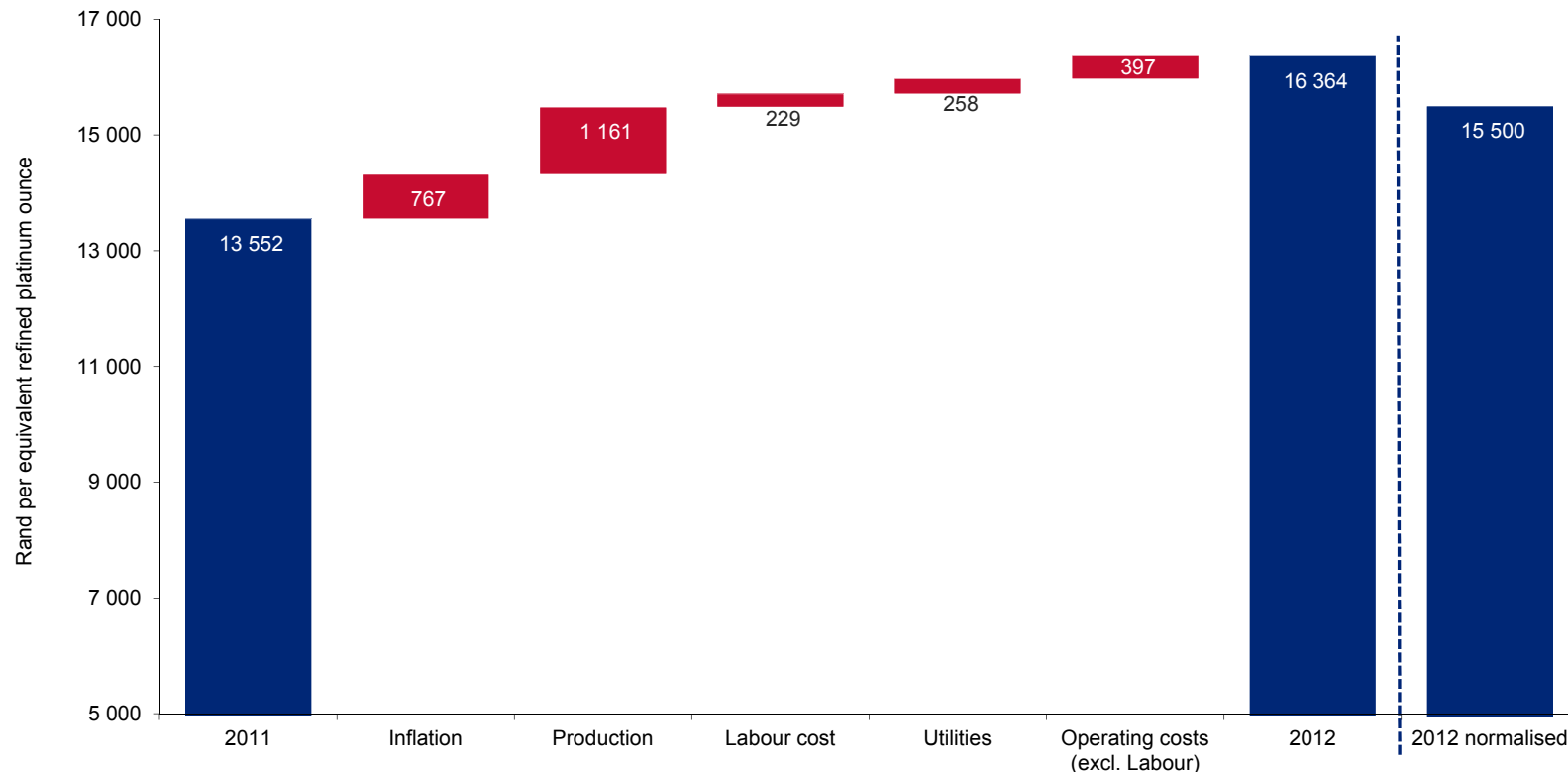
## Costs impacted by above inflationary pressures and the fixed cost base of our operations

| Rand million            | 12 months<br>31 Dec 2012 | 12 months<br>31 Dec 2011 | % change  |
|-------------------------|--------------------------|--------------------------|-----------|
| On-mine                 | 27,607                   | 25,237                   | 9%        |
| Purchase of metals      | 8,959                    | 9,193                    | 3%        |
| Processing              | 5,789                    | 5,117                    | 13%       |
| Smelting                | 3,096                    | 2,801                    | 11%       |
| Treatment and refining  | 2,693                    | 2,316                    | 16%       |
| Movement in inventories | (3,144)                  | 203                      |           |
| Other costs             | 2,737                    | 2,812                    | 3%        |
| <b>Cost of sales</b>    | <b>41,948</b>            | <b>42,562</b>            | <b>1%</b> |
| Gross profit margin     | 2.1%                     | 16.7%                    | 87%       |

# UNIT COST VARIANCE ANALYSIS

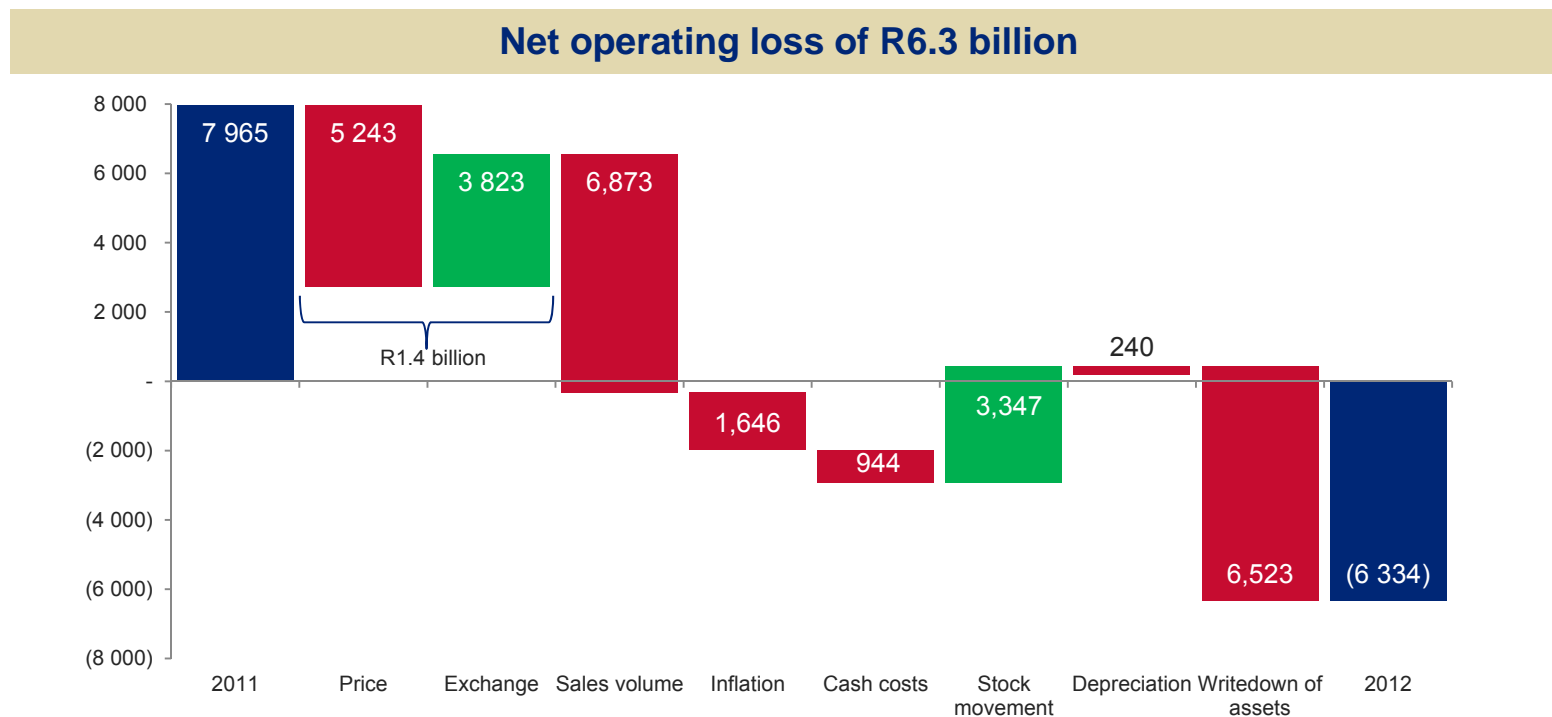
- Cash cost per ounce increased by 21%
- Production volumes lower, impacted by industrial action (~R900/ounce)
- Above inflationary increases in input costs, particularly labour which is ~46% of cash operating costs
- Normalised unit cost (adjusting for the impact of the illegal industrial action) at ~R15,500 per ounce

## Increase in unit cost driven by shortfalls in production



# OPERATING (LOSS)/PROFIT VARIANCE ANALYSIS

- Financial performance in 2012 driven by:
  - R5.2 billion decrease in \$ basket price partially offset by R3.8 billion from weaker Rand
  - R6.9 billion lower sales volumes; impacted by the illegal industrial action
  - Non-cash movement in inventory
  - R6.6 billion on write-down of assets considered uneconomical in current market conditions



# HEADLINE (LOSS)/EARNINGS

| <b>Headline loss negatively impacted by reduced sales volumes</b> |                                  |                                  |
|---|----------------------------------|----------------------------------|
| <b>Rand million</b>   | <b>12 months<br/>31 Dec 2012</b> | <b>12 months<br/>31 Dec 2011</b> |
| (Loss)/profit attributable to owners of Anglo American Platinum   | <b>(6,677)</b>                   | 3,591                            |
| Net loss/(profit) on disposal of assets                           | <b>6</b>                         | (56)                             |
| Loss on write-down of property, plant and equipment               | <b>6,606</b>                     | 83                               |
| (Loss)/profit on the revaluation of investments                   | <b>358</b>                       | (33)                             |
| Impairment of associates  | <b>105</b>                       | -                                |
| Profit on the sale of mineral rights & other investments          | <b>(14)</b>                      | (14)                             |
| Taxation effect of adjustments                                    | <b>(1,852)</b>                   | (5)                              |
| <b>Headline (loss)/earnings</b>                                   | <b>(1,468)</b>                   | 3,566                            |

# ASSETS WRITTEN OFF IN 2012

## Assets written off in 2012

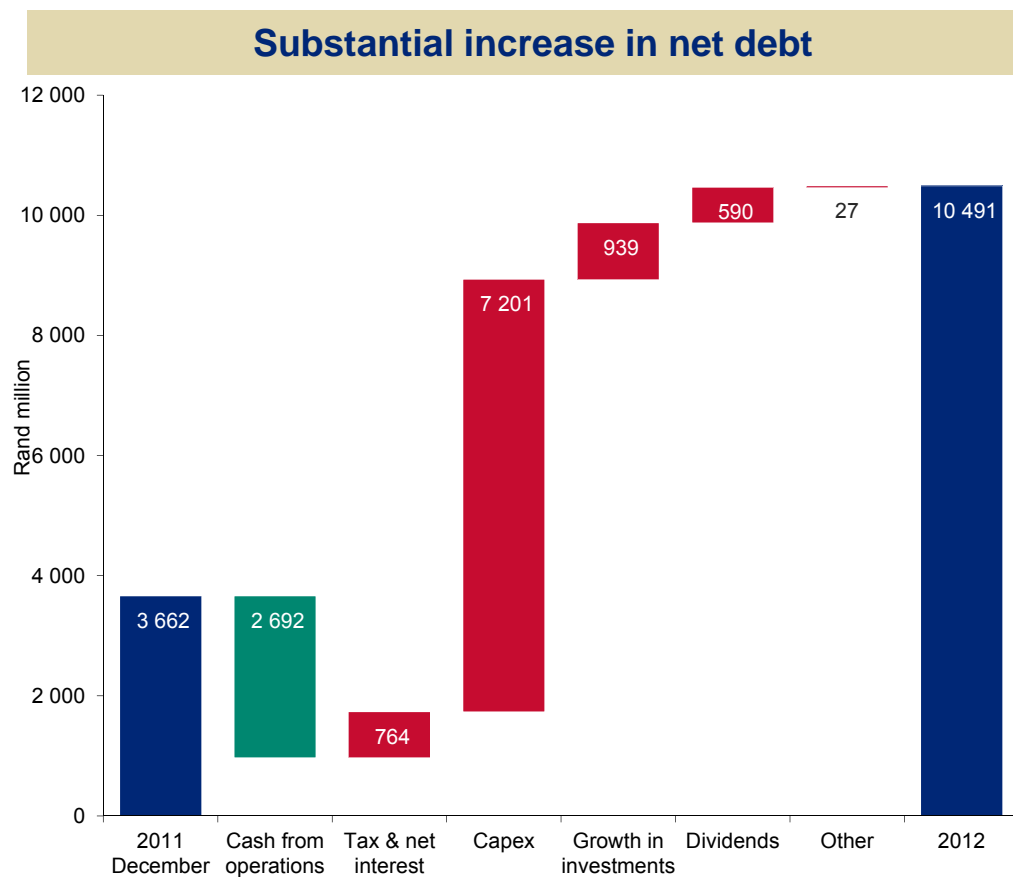
- Thembelani 2 shaft project written down as it is less attractive than other opportunities within Anglo American Platinum
- Marikana mine written off following the decision to place the mine on care and maintenance in the first half of 2012
- Tumela 4 shaft, slag cleaning furnace 2 and other projects stopped as they are considered uneconomical in the current economic and operating environment
- Total write-downs of R6.6 billion (R4.8 billion after-tax) in 2012
- These write-downs are excluded from headline earnings

| Assets written off (Rand million)                            | 2012       |
|--|------------|
| Thembelani 2 shaft   | 2.2        |
| Marikana <sup>(1)</sup>                                      | 0.7        |
| Tumela 4 shaft <sup>(1)</sup>                                | 0.6        |
| Slag cleaning furnace 2                                      | 0.6        |
| Twickenham (cost of the stockpile)                           | 0.5        |
| Ore replacement projects                                     | 0.7        |
| Other various projects & interest capitalised on above items | 1.3        |
| <b>Total write-downs</b>                                     | <b>6.6</b> |

(1) Written off at 30 June 2012

# NET DEBT AND GEARING OVERVIEW

- Substantial increase in net debt position to R10.5 billion
- Significant undrawn committed and uncommitted facilities of R13.8 billion
- No breach of debt covenants



**Gearing**

| Rand million                         | 12 months<br>31 Dec<br>2012 | 12 months<br>31 Dec<br>2011 |
|--------------------------------------|-----------------------------|-----------------------------|
| Interest-bearing borrowings          | 12,665                      | 5,958                       |
| Cash and cash equivalents            | (2,174)                     | (2,296)                     |
| Net debt                             | 10,491                      | 3,662                       |
| Total equity                         | 50,100                      | 56,473                      |
| Gross debt/equity (%)                | 25.3                        | 10.5                        |
| Gross debt/market capitalisation (%) | 10.5                        | 4.2                         |
| Debt facilities                      | 26,512                      | 24,974                      |
| Committed                            | 20,181                      | 20,169                      |
| Uncommitted                          | 6,331                       | 4,805                       |

# REVIEW OF MARKETS

- Chris Griffith, CEO

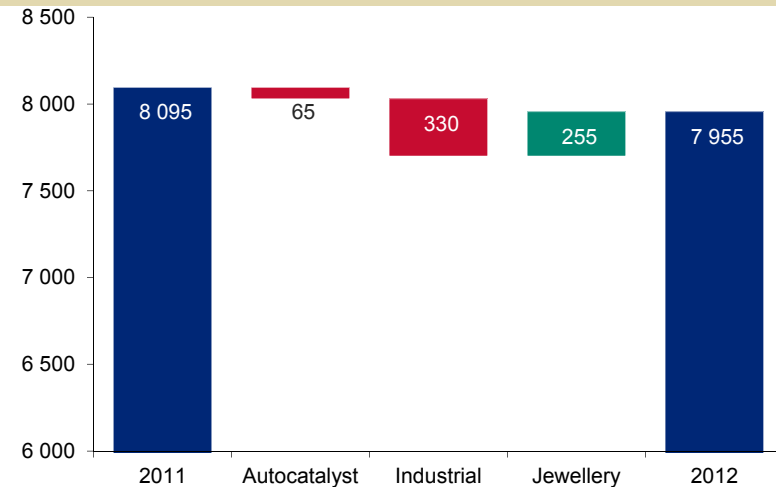


# PLATINUM MARKET – REDUCED SUPPLY AND FLAT DEMAND

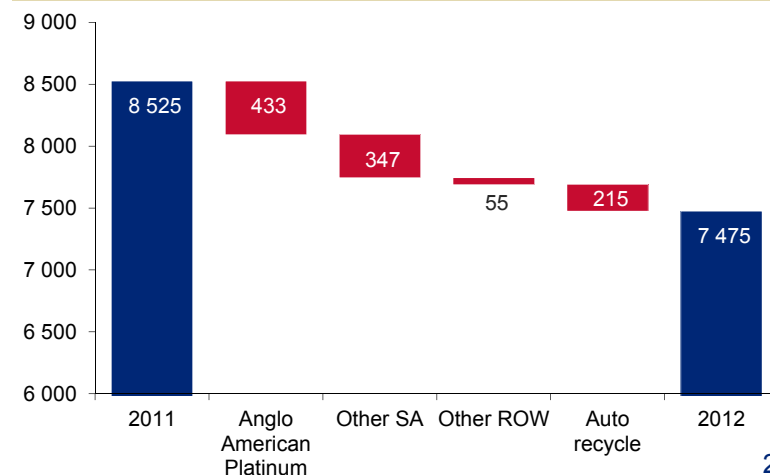
- Gross autocatalyst demand down 2% as reduced vehicle sales in Europe exceeded growth in other markets
- Industrial demand decline of 16% due to weakness in glass and electrical applications
- Jewellery demand increase of 10%, benefitted from platinum price remaining below that of gold
- Investment demand flat

- Primary supply affected by SA industrial action, down 13%
- Autocatalyst recycling down 15.5% in 2012, due to low platinum price

Global platinum demand (koz)



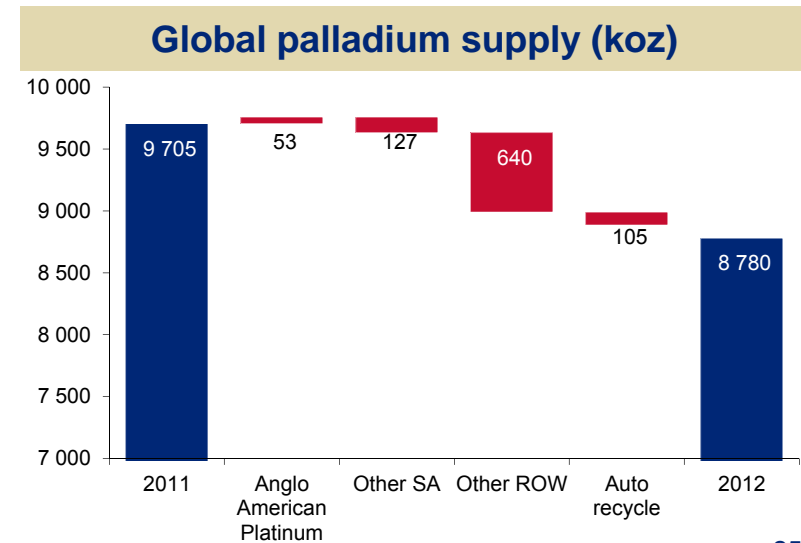
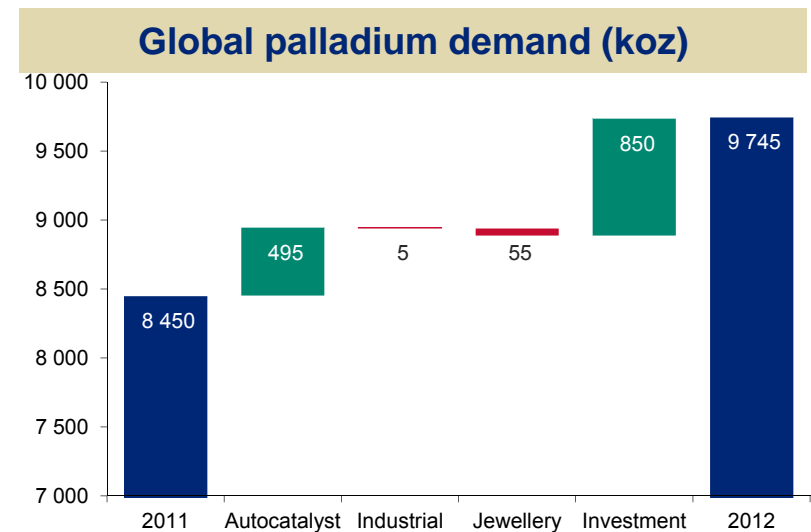
Global platinum supply (koz)



Source: Johnson Matthey and Anglo American Platinum. Rest of World (ROW)

# PALLADIUM DEFICIT – LOWER RUSSIAN STOCK SALES AND IMPROVED INVESTMENT DEMAND

- Gross autocatalyst demand increased 8% in 2012 driven by gasoline vehicle growth particularly in China and North America
- Global vehicle build up of 5% in 2012 despite 1.2 million or 7% drop in Europe
- Gross industrial demand flat in 2012 mainly as chemical demand in China offset substitution by base metals in ceramic capacitors
- Jewellery demand down 11% in 2012 due to lack of market support and firm palladium price
- Investment demand increased 850 koz in 2012 due to improved investor sentiment
- Supply reduction due to lower Russian stock sales
- Autocatalyst recycling down 8% in 2012 due to low palladium price. Total secondary supply down 4.5%

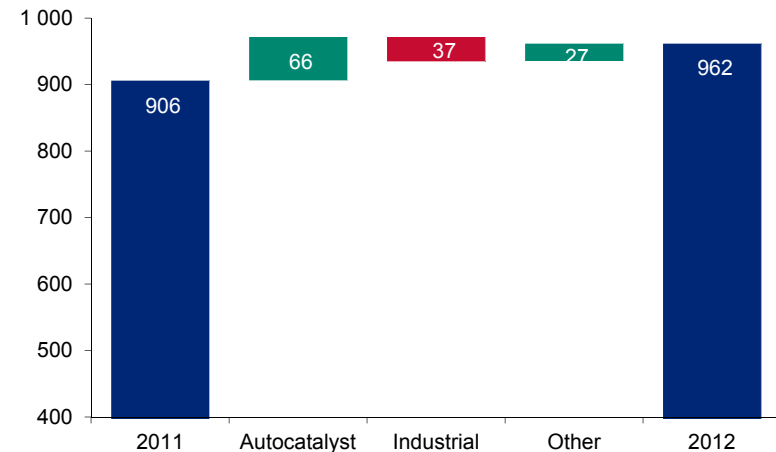


Source: Johnson Matthey and Anglo American Platinum. Rest of World (ROW)

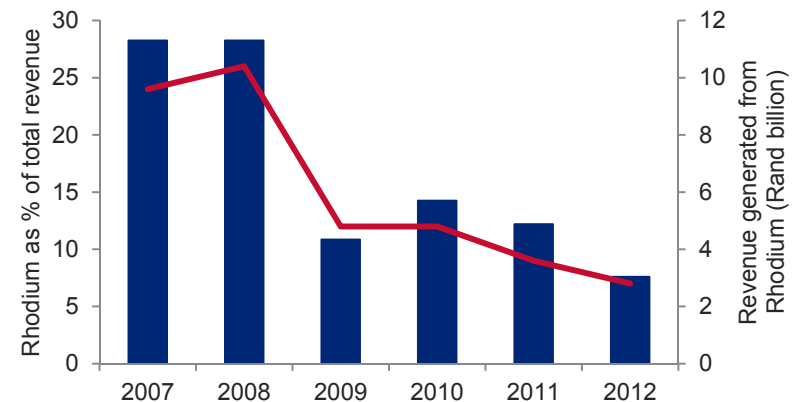
# RHODIUM – MOVING FROM STRUCTURALLY LONG TO BALANCE

- Increased autocatalyst demand on increased global auto production
  - Industrial demand down due to higher inventory levels
  - Gross supply reduced from 1045 koz to 930 koz due to illegal industrial action in South Africa
  - Balanced market after 5 years of surplus
- 
- Rhodium contribution to basket price significantly reduced since 2008
  - Rhodium contributed R11 billion or 26% to Anglo American Platinum's total revenue in 2008
  - In 2012, rhodium's contribution to total revenue declined to R3 billion or 7%
  - Significant contribution to declining margin

**Global rhodium demand (koz)**



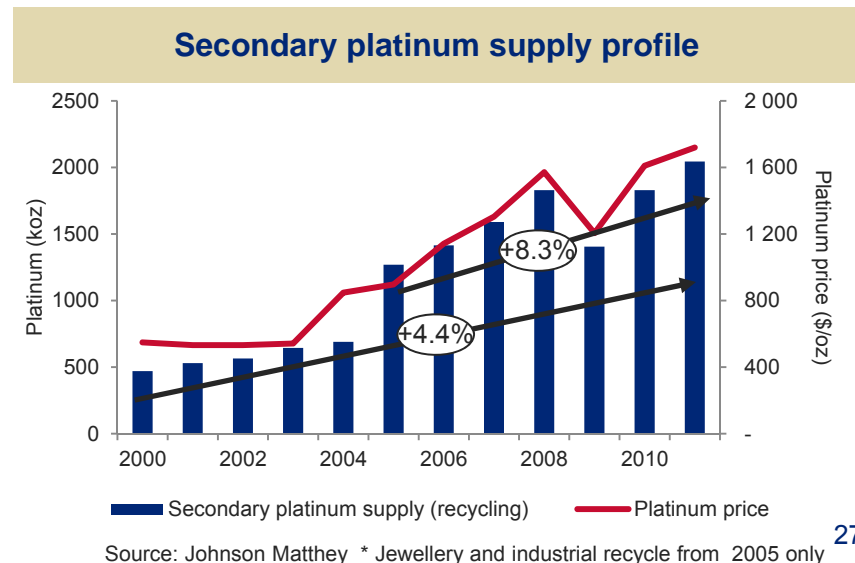
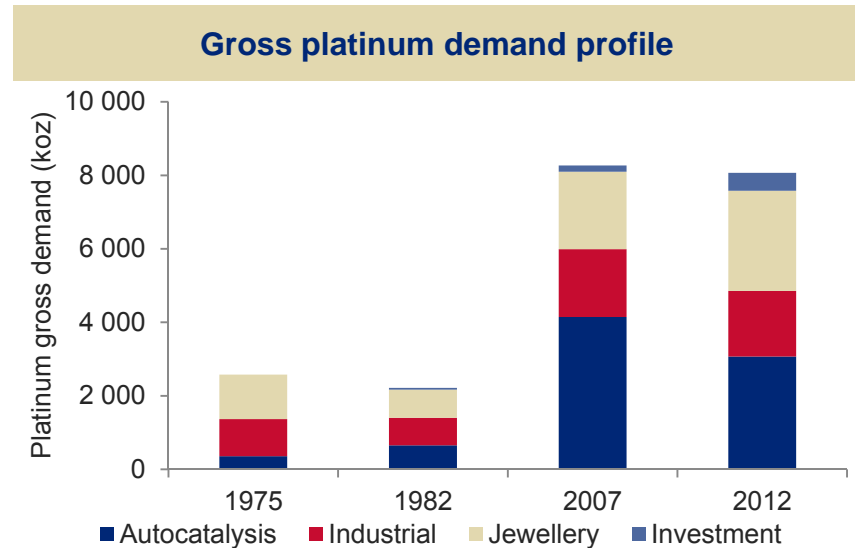
**Rhodium as % of Anglo American Platinum revenue**



Source: Johnson Matthey and Anglo American Platinum

# PREVIOUS DEMAND EXPECTATIONS STIMULATED THE CREATION OF OVER-CAPACITY

- In 2006 industry forecasted platinum demand growth of 5% (CAGR) from 2007 to 2012
- Demand decreased by 0.5% (CAGR) from 2007 to 2012, versus growth of 5.4% from 1982 to 2007
  - Net autocatalyst demand declined by 8.7% (CAGR) from the 2007 peak
  - Net global jewellery demand increased by 5.9% (CAGR) since 2007 despite growth in recycling
- Global primary platinum supply grew by CAGR of 1.9% between 2000 and 2011
- Primary supply from South Africa increased by CAGR of 2.3% over the same period
- Secondary platinum supply has quadrupled – autocatalyst scrap supply has grown by CAGR of 4.4% since 2000, while total recycling grew by CAGR of 8.3% from 2005 to 2011
- Supply from jewellery recycling has been an elastic source of short-term supply



Source: Johnson Matthey \* Jewellery and industrial recycle from 2005 only



# KEY MESSAGES

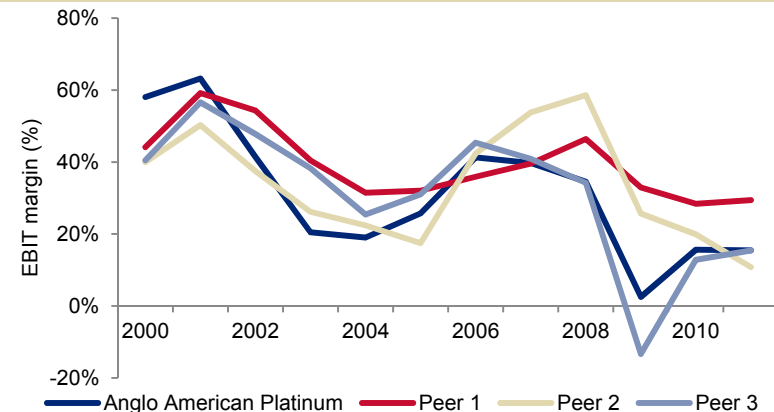
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- Full review of the business across the entire value chain to address the structural challenges that have eroded profitability over time
- Taking action to create a sustainable, competitive and profitable platinum business for the long-term benefit of all our stakeholders
  - Improving the profitability of our business
  - Aligning our business with expectations of long-term market demand
- A sustainable, competitive and profitable Anglo American Platinum will be on a sure footing to continue substantial investment for the long term
- Anglo American Platinum continues to take its social responsibilities seriously, particularly to its employees and surrounding communities
- A comprehensive 'Social Plan' has been developed to offset the impacts of restructuring

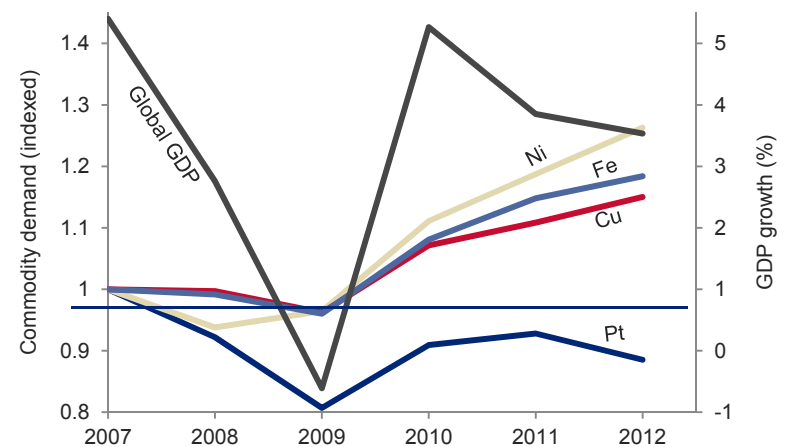
# BACKGROUND

- Platinum business has attractive underlying fundamentals, but structural changes have impacted profitability
- Structural challenges leading to higher operating costs include:
  - Increased UG2 mining and declining head grades
  - Increased mining depths
  - Increased capital intensity
  - Above-inflation cost increases, e.g. labour and electricity
- Platinum demand growth has been lower than expected and is likely to continue to be relatively low in the future
- Significant increase in secondary supply of platinum – recycling
- Anglo American Platinum recognises the need to take proactive steps to address these structural challenges

## Platinum miners EBIT margin profile



## Impact of macroeconomics on commodities



Source: IMF, Anglo American commodity research

# PORTFOLIO REVIEW: KEY PROPOSALS

## Key proposals

- Reduce baseline production to 2.1–2.3 million ounces per annum to more closely align output with expected demand while maintaining flexibility to meet potential demand upside
- Reconfigure our Rustenburg operations into three mines by placing Khuseleka and Khomanani mines (four shafts) on long-term care and maintenance
- Reconfigure Union mines in the interim and dispose of in the medium term – to maximise value under different ownership
- Place Waterval UG2 concentrator, one furnace at Waterval smelter and Mortimer Merensky concentrator (Union) on long-term care and maintenance
- Stop Thembelani 1 and Siphumelele 1 UG2 projects, all projects at Khuseleka and Khomanani mines
  - Optimise capital allocation to focus on highest return and lowest risk opportunities
- Deliver R3.8 billion of annual benefits by 2015, through efficiency and cost reduction initiatives, including annual savings of R390 million from optimising its overhead structure
- Expecting R1 billion annual improvement in net revenue by 2015 through a review of our commercial or marketing strategy and re-shaping 60% of our customer portfolio
- Provide a comprehensive package of support to our employees and communities in Rustenburg and the labour-sending areas
- Create at least 14,000 new jobs to balance the number of jobs that may be affected by the restructuring



# 2013 OUTLOOK

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- Journey to zero harm continues
- Expect a balanced platinum market in 2013
  - Due to reduced Anglo American Platinum production
  - Possible supply disruptions
- If South African production returned to pre-strike levels then market would be oversupplied
- Planning to refine and sell between 2.1 and 2.3 million ounces of platinum in 2013 subject to portfolio review
- Aiming to contain cash unit costs to between R16,000 and R16,500 per equivalent refined platinum ounce, assuming 2.3 million ounces production level
- Capital expenditure forecast to be between R6 and R7 billion per annum for the next three years
- Remain committed to investing in the business

# Q&A





**THANK YOU**