NEWS RELEASE

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Anglo American plc
Annual General Meeting − Address to shareholders

Anglo American plc held its Annual General Meeting for shareholders in London today. The following remarks were made by the Chairman and the Chief Executive.

Sir John Parker, Chairman of Anglo American plc, made the following remarks:

Turning to 2015, I will begin with safety. Anglo American recorded its best-ever safety performance during a full production year. However, we did record six fatalities; each loss of life is a tragedy for all concerned. I should point out that this Group's safety performance did match the previous year, albeit that was a year when operations were suspended for a protracted period at several of our deep-level platinum operations in South Africa.

We investigate the causes in great detail for each one of those losses of human life in our Sustainability Committee under the dedicated Chairmanship of Jack Thompson, himself a very experienced miner. Our much-improved second six months, including a fatality-free final quarter, was particularly encouraging.

Last year was an exceptionally difficult one for the extractives industry as the world economy continued to struggle. Growth slowed markedly in most emerging economies. In China, the principal driver of growth in demand for mined commodities over the past two decades or so, the continuing slowdown, accentuated by currency weakness, brought volatility to financial markets and contributed to subdued demand for industrial materials.

The impact on the mining industry was severe, with the steep fall in the prices of mined products, along with mining stocks, gaining momentum towards the end of last year. This put great pressure on the balance sheets of mining companies – Anglo American being no exception – compelling them to take bold steps in order to de-leverage.

At Anglo American, our basket of commodity prices, which declined by 9% in 2014, decreased by a further 24% in 2015. No one foresaw the extent of the price falls that have affected our industry – not the miners, the traders, the analysts or even our investors. Over the past two years, price falls have wiped out $6.6 billion of underlying EBIT, with $4.2 billion of that reduction in 2015 alone. As a result, underlying EBIT in 2015 declined by 55% to $2.2 billion. Such price falls of course dramatically impacted our share price as we and others found ourselves at the bottom of the FTSE100 in terms of share price performance for the year. On the brighter side, in 2016 we have seen our share price emerge as the strongest not only amongst the London listed mining majors but also in the FTSE100, due both to some stabilisation in commodity prices and the detailed self-help actions that we have continued to implement.

Notwithstanding plunging commodity prices, Anglo American continues to make progress and we maintained our net debt level at $12.9 billion in 2015 – the same level as in 2014. This was achieved through significant productivity improvements across our operations, combined with cost reductions and asset sales of $2.1 billion for the year, and also assisted by some favourable currency movements. We also deliberately maintained our strong liquidity position, with $14.8 billion of cash and undrawn facilities at the year end.

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Through the measures that Mark set out in February this year – being free cash flow positive in 2016 and a target of $3-4 billion of disposals, we are targeting net debt of under $10 billion by the end of 2016 – and of some $6 billion, and less than 2.5 times EBITDA, in the medium term.

Regrettably, though, given the sharply deteriorating commodity-price environment, and the need to conserve cash and bring down debt, we, along with a number of other mining companies, have had to take the unavoidable step of suspending dividend payments. We did this with real regret as we do appreciate the impact on all shareholders. When we resume paying dividends, we will move to a payout-ratio-based policy.

I will leave it to Mark to talk in greater detail about Anglo American's strategic plans – but as your Chairman I should like to reassure you that the Board is putting its full weight behind the recently announced bold restructuring designed at unlocking the 'value traps' in our asset portfolio and setting our Group on the road to a sustained recovery. This will result in a more streamlined Anglo American focused on "Quality 1" large-scale, long-life, competitive assets in diamonds, platinum group metals and copper. These are mid- to late-cycle commodities and products which afford our Group greater exposure to the demands of the world's fast-growing consumer middle class.

Other assets beyond those announced for immediate sale are being managed separately to focus on further improving mining performance, and held for cash or disposal at a later date.

Turning to health matters, I am pleased that a landmark step has been taken on resolving the silicosis issue in South Africa. This follows our discussions at previous AGMs, including with Peter Bailey of the National Union of Mineworkers in South Africa, whom I would like to acknowledge. Last month, Anglo American South Africa and AngloGold Ashanti concluded an agreement which resolves fully and finally 4,400 stand-alone silicosis claims. We believe that the agreement to settle this litigation is in the best interests of the plaintiffs, their families, our company and its wider stakeholders. We continue to work with industry, government and civil society to tackle the many challenges of primary and occupational healthcare in South Africa.

In today's increasingly stringent legal and regulatory environment, mining companies are being subjected to unprecedentedly close scrutiny. This behoves everyone who works for Anglo American to constantly work on building the trust that is an integral part of our deep-seated reputation for doing the right things, including a respect for human rights everywhere. Zero tolerance should be shown to any form of bribery and corruption – this remains one of your Board's deep-seated convictions.

During the year, the Board requested outside input and challenge in assessing the Company's Ethical Framework. Following on from this, several recommendations were made and considered by the Board. Implementation of the recommendations approved by the Board will take place this year, including the roll-out of a revised Code of Conduct for all our employees.

Turning to the people who make up Anglo American… I would like to thank all members of the Board for the guidance and assistance they have given me as Chairman – with a special mention for the Chairs of the Board's various Committees, who have put in many extra hours of work over the course of the year.

We also welcomed to the Board Anglo American's Technical Director, Tony O'Neill. I should like to acknowledge Tony's vast mining experience, knowledge, inventiveness and the strong leadership he has brought to our technical team, and particularly in helping turn around underperforming operations.

With great regret, we have also had to accept the resignation of Phuthuma Nhleko as he had expressed a wish to concentrate on his business interests in South Africa. We shall certainly miss his keen commercial and strategic capability as well as his sound judgement.

I want, too, to acknowledge the professionalism, dedication and incredible hard work of Mark and his executive management team as they have steered us through this challenging period in our history as a mining company.

As a Board, we take succession planning duly seriously and it is a rolling exercise, in respect of all executive and non-executive directors. As you would expect, the sequencing and timing of succession is carefully considered. It should therefore come as no surprise that we are initiating the formal search for a successor to our long-serving and highly accomplished Finance Director, René Médori, who has informed the Board of his decision to retire in 2017 at the age of 60 and after 12 years as CEO at Anglo American.

As always, the thanks and the appreciation of the whole Board go to all our employees and contractors, who have been through and continue to face degrees of uncertainty given the significant changes as we navigate towards calmer waters.

We are of course well aware of the strength of feeling among some investors about the levels of executive remuneration in many large companies and the mechanisms that determine them. As you know, we undertook extensive revisions to our remuneration policy in 2013 following consultations by the chair of our Remuneration Committee, Sir Philip Hampton, with our major shareholders, and that policy was overwhelmingly approved at our AGM in 2014. It is that policy that we are working to today.

Volatile commodity markets and their effect on companies such as ours of course create a variety of remuneration outcomes. That is what our remuneration structures are designed for – to ensure appropriate alignment with shareholder interests, while also incentivising management through a balance between stretching management and making targets realistically achievable.

There has to be a mixture of measures focused on financial and relative market performance as well as non-financial metrics for other critical work that drives longer-term strategic success. I believe that our remuneration policy does strike that balance. However, as is the case every three years, we will be taking a fresh look at the policy during the next 12 months in order to put it to a fresh round of consultation with shareholders, followed by a vote at next year's AGM.

In the case of the remuneration outcomes for 2015 – without doubt a very tough year for us and for our shareholders – I would point out that our existing policy did result in the Chief Executive's variable pay being just one-fifth of the maximum achievable. In addition, his salary was frozen, as it was for all senior management.

Anglo American is going to look a very different company in the years ahead. It will ultimately be more competitive, fit for purpose, with a stronger balance sheet, and with increased resilience to the vagaries of the commodity cycles. It remains a great company, with a world-class resource base, and some of the best assets and leading market positions in the world in diamonds, platinum group metals and copper.

I will now invite your Chief Executive, Mark Cutifani, to address the meeting.

Mark Cutifani, Chief Executive of Anglo American plc, made the following remarks.

Thank you, Chairman. Ladies and gentleman, good afternoon and it's always a great privilege to be here with you.

I will first go through the 2015 results. In terms of financial performance, the defining issue was the challenging commodity price environment. Prices knocked us to the tune of $4.2 billion while weaker currencies mitigated that by $1.8 billion, leading to the 55% decrease in our underlying EBIT to $2.2 billion for the year.

Before I get into the detail of 2015 performance, the defining takeaway was – irrespective of some of the impressive successes we had in the face of unprecedented headwinds – Anglo American needed to accelerate its bold transformation process and I will come on to talk about our clear plan to create the new Anglo American.

So, whilst our 2015 performance was dominated by the macro environment, our performance was significantly improved by getting operating costs out, productivity up and capital spending down. That resulted in delivering net debt of $12.9 billion relative to our forecast of $13.5 to $14 billion, despite a 24% decline in our commodity price basket. Our cost reductions produced a $1.0 billion benefit during the year; capital expenditure came down 33% as we completed our major areas of project spend, and we delivered net cash proceeds from disposals of $1.7 billion, above our $1.5 billion target.

Before we get into the operating performance, I always start with safety and the environment. In our first two full years of resetting the business, you can see the progress on safety and environmental performance through 2014 and 2015. On safety, we improved across most measures. However, we reported six fatal incidents, which from our point of view is a tragedy in every single case. We must never stop until we get to zero.

That said, there is a glimmer of what is possible; for the second time in our history – we did this in 2014 – we had a fatal-free quarter in Q4. And with the business in full production level, including Platinum, that is the first time we have ever achieved that outcome. That performance and last year's performance puts us at the front end on a fatality frequency rate across the industry and puts us ahead of the North American mining industry.

The story is the same in environment. Our incidents reported are almost 80% lower than they were three years ago. Again, attention to detail, doing the planning work and making sure that we keep all of our operations under control has been absolutely critical in terms of the improvement we have achieved across both metrics.

On the health front, we were pleased that last month, Anglo American South Africa and AngloGold Ashanti concluded a settlement agreement, without admission of liability, which resolves 4,400 silicosis claims – with 1,200 of these claims having been instituted against AngloGold Ashanti by former mineworkers. We believe that the agreement to settle this litigation is in the best interests of the mine workers, their families, Anglo American South Africa and our wider stakeholders.

Through our active participation in an Occupational Lung Disease Working Group, which was formed in 2014, Anglo American – together with five other mining companies – is seeking a comprehensive solution to address legacy compensation issues and future legal frameworks, that is fair to past, current and future employees and enables companies to continue to be competitive over the long term.

The working group companies have been engaging, and continue to engage stakeholders on these matters, including government, organised labour, other mining companies and legal representatives of claimants who have filed legal suits against the working group companies. I am especially grateful to Peter Bailey of the National Union of Mineworkers – Peter has been one of the key players as we have worked through these complex and sensitive matters in recent years.

Operationally, we reported a 5% increase in copper equivalent production. This production uplift was delivered despite Barro Alto being mid-rebuild of its furnaces and the decision to pull back production at De Beers in response to market conditions. The 5% increase in production was also delivered after downsizing the organisation by more than 20% over the last 18 months.

We are showing a 27% reduction in our copper equivalent costs since 2012 and a 16% reduction in 2015 alone. We expect the performance trends to continue as we roll out the operating model and the right skills are developed through the organisation.

Turning briefly to the first few months of 2016, we have seen a little more market stability and price improvements in certain commodities, although the overall picture remains uncertain and share price movements for the FTSE100 miners continue to be volatile, albeit with an upward trajectory at the moment.

As you may have seen, we announced our first quarter production figures this morning. These are in line with the equivalent period of 2015 on a copper equivalent basis and reflect the major restructuring programme under way and our ongoing efficiency and cost-reduction strategy. They also demonstrate the market discipline we continue to show in our key markets, particularly diamonds and platinum, and are consistent with our restructuring plans as we focus on lower-cost and higher-margin assets. We are encouraged that the actions we have taken in diamonds are continuing to have a positive effect, while operational productivity continues on an upward trajectory. As a consequence of our solid progress, our production guidance for 2016 remains unchanged.

At our diamond business, De Beers, you may have seen that the first three sales cycles of the year (comprising our 'Sight' sales and our auction sales) have shown considerable improvement when compared with the end of 2015. Continued stability in polished diamond prices and sales of polished diamonds at the wholesale level have supported a reasonably positive environment for rough diamond demand for three consecutive sales cycles. The sales value of those first three Sights has totalled more than $1.8 billion. That said, we are now entering a period of the year when demand for rough diamonds has historically been lower due to seasonal factors, so we remain prudent in our approach.

As I mentioned in my introduction, whilst there were clear signs in 2015 performance that the fundamental improvements to the business are coming through, it was also clear that the transformation process needed to be faster and more radical in order to be fit for purpose in this commodity price environment.

In mid-February we set out the details of the new Anglo American that we are creating. As you know as well as me, Anglo American has been a company that has been in constant evolution for almost 100 years and we have now detailed the next phase in that evolution.

We are all excited by what we see as an opportunity to reset and build our company off a re-invigorated and unique asset base. We have the resources. We have the competitive positions. We have the people and we certainly have the plan to create the New Anglo American.

In the core portfolio, we have a very unique investment proposition with great assets with mid- to late cycle – being a more consumer demand focused – bias.

First, the sheer quality of our assets in diamonds, platinum and copper provides the foundation for our core portfolio of commodities. Our leadership position in diamonds through De Beers, in platinum in southern Africa and our copper assets in South America provide a world-class core of resources and assets that are positioned to deliver robust cash flow and returns through price cycles.

Second, we expect to be free cash flow positive in 2016 after identifying $1.9 billion worth of business improvements incorporating productivity growth and cost and capital reductions. We are forecasting Group EBITDA of $4.8 billion for 2016, calculated using spot commodity and FX rates in mid-February.

Third, we have increased our asset disposal programme to target $3 billion to $4 billion worth of proceeds in 2016. This is in addition to the $2.1 billion completed or announced by the end of 2015.

Finally, with the combination of positive free cash flows and asset sales, we expect our net debt to be less than $10 billion by year end. In the medium term, we are targeting net debt of around $6 billion and a net debt to EBITDA ratio of less than 2.5x, supporting a return to a solid investment grade credit rating.

If we look at the core portfolio, our decision to build the business around De Beers, platinum and copper is based on a number of factors, including where we have the greatest competitive strengths and their relative earnings contribution. This is about competitive position, asset quality and scale.

The quality of the earnings of our core businesses represents a 30% improvement on EBITDA margin versus our current portfolio. Or, if I take non-core versus core, it is actually a 40% improvement on the non-core asset mix. Those stronger margins will support positive free cash flow generation and returns. The bottom line is that this will be a more resilient business.

Anglo American will, of course, be a more streamlined and focused business. In 2013 we started with more than 65 assets. Today we are down more than 30% to 45 assets and we have advanced sale processes on another 10 assets. The move towards the core of 16 operating assets represents an acceleration of our portfolio work. Our core portfolio is dominated by world-class assets, including Jwaneng, Orapa, Venetia, Mogalakwena, Los Bronces and Collahuasi. We also have high-quality assets and projects with similar potential in Quellaveco and Amandelbult and, in the longer term, the Sakatti poly-metallic resource in Finland.

If we look at our disposal processes, our objective is to get net debt down below $10 billion this year. We have planned and are in the process of executing against a programme to exit those non-core assets during 2016 and 2017. They are all on different timelines.

We have appointed advisors, prepared the due diligence information and we are already engaged with potential buyers for the first five asset groups shown – Niobium & Phosphates, Nickel, the two Australian longwalls, our other Australian coal assets and our South African domestic thermal coal assets. The other non-core assets are being prepared for exit and we expect to be under way during 2016. For Kumba, we are looking at a number of different options for our exit.

Our objective for 2016 is to deliver $3 billion to $4 billion from a combination of some of these transactions. By running our asset disposals in parallel and by purposefully maintaining our liquidity levels at around $15 billion, we give ourselves the flexibility to only execute where we can meet our value targets for individual assets. This is your money.

I hope I have given you a flavour of how we are transforming Anglo American – by driving change and defining our future around a world-class core portfolio of competitive assets to form a more resilient business capable of delivering robust profitability and cash flows.

Thank you.