



AMANGO

3 S TO SUCCESS

Marc Boner / Marvin Homburg / Isabel Kreie / Lara Von Petersdorff-Campen

3 S to Success

Standards

Shareholders



Sustainability

Prioritization

Urgent to long-term decisions

urgency
Level of risk appetite &
Long-term relevance

1

Corporate Reconstruction and Reorganization



Secure global leadership positions in diamonds, copper and PGM's

2

Managing divisional performance group-wide



Overhaul Bonus-Malus-System

3

Operational risk and industrial action in Australia



Standardize safety system & build new shaft

4

Balance-sheet de-leverage or share buy-back



Sell residential apartments and deleverage

5

Strategic joint venture (JV) decision in Canada



Exit Canadian market

6

Strategic disposal in Brazil



Sell AMA-NP to CMOC

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Corporate reconstruction & reorganization

Disposal strategy decision: Core vs. non-core

	Coal	Nickel	PGMs	Diamonds	Copper	Niobium Phosphates	Iron Ore and Manganese
Segments by 2016 global revenue in USD million	97.760	3.650	12.564	13.738	39.322	27.200	37.667
CAGR Prior 10 Year	1,40 %	5,50 %	3,30 %	5,20 %	4,20 %	4,80 %	6,50 %
CAGR Forecast to 2027	0,95 %	4,50 %	1,50 %	4,20 %	3,64 %	5,50 %	3,20 %
Fit of Segment's Critical Success Factors with Group/Parental Skills & Resources	10%	40%	90%	90%	30%	10%	10%
Fit of Segment's Parenting Opportunities with Group/Parent Skills and Resources	50 %	40 %	90 %	80 %	80 %	20 %	40 %
Evaluation	C	B -	A		B+	C	B/C



Focus: Global leadership positions in diamonds, copper and PGM's

Divisional Performance

Problems given the current bonus system

- Expenditures on trainings cut, standard service schedule postponed (Reward based on ROCE and EBIT)
- Ramped up EOY production violation of safety standards
- Resorting to using base metals for outside competitors for refining needs due to higher internal charges



A 3-Step-Bonus-Malus-System-Overhaul

Solution to Evaluating & Rewarding Divisional Performance



Set up Bonus System with overhauled KPIs

- Degree to which base metals are sourced internally → Strengthening internal sourcing
- Limitation level to production load (level forbidden to exceed) → To the benefit of safety standards of workers



Establish tracking measures & reporting standards on new KPIs

- Screening of divisional performance by unbiased, objective manager collecting data & evaluation for weighted mix of KPIs (higher revenue vs. production load etc.)
- Quarterly reportings on measures & evaluation by performance manager in charge



Reward & sanction according to manager performance KPIs

- Proper incentivation needed: Penalty points must hurt more than reward of additional revenues
- Highest bonus level achieved when highest revenue outcome while keeping balance with safety standards

Taking lives or labour

Operational risk and industrial action in Australia

- Several safety problems over the last months
- Unsatisfied workers
- Losses of new shaft



Image damage

Workers are trying to be heard

- 01** Earthquake in Chile
No measures to respond swiftly
- 02** Industrial unrest in Peru, Colombia and SA
Workers claim higher wages and better safety standards
- 03** Evacuation in Australia
Copper mine is based on a faulty geotechnical design

Production targets > safety standards



Safety first

Cut Costs in Right Sections



Introduce an automatic safety system (USD 4m. implementation cost)



Close the old shaft in Australia



Negotiate wages or benefits from a better starting point



Build up a new shaft (NPV USD 46m.)

Mines in South-Africa

Balance sheet de-leverage or share buy-back

Lose support from the government

Revoke of mining permits and other rights

Sell-off of Amango shares

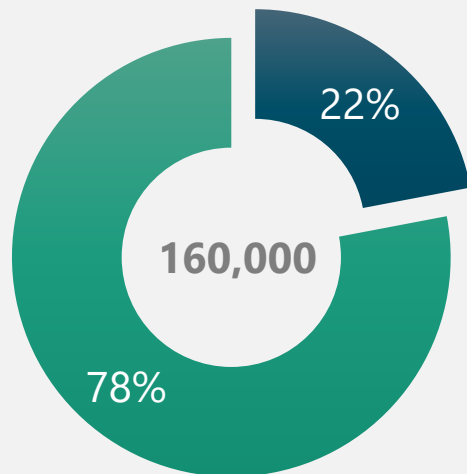
Face legal issues through lay-offs



Coal and iron ore market in SA

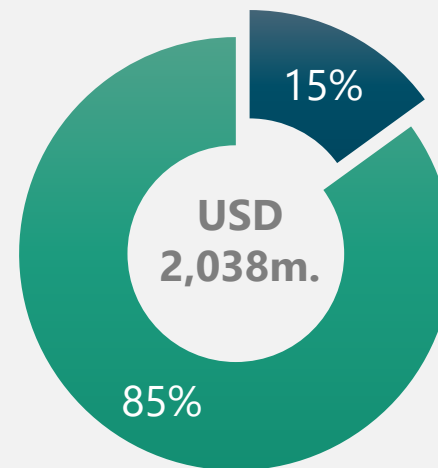
Employees

- In coal and iron ore in South Africa
- Other employees



Earnings contribution¹

- Of coal and iron ore in South Africa
- Of other earnings



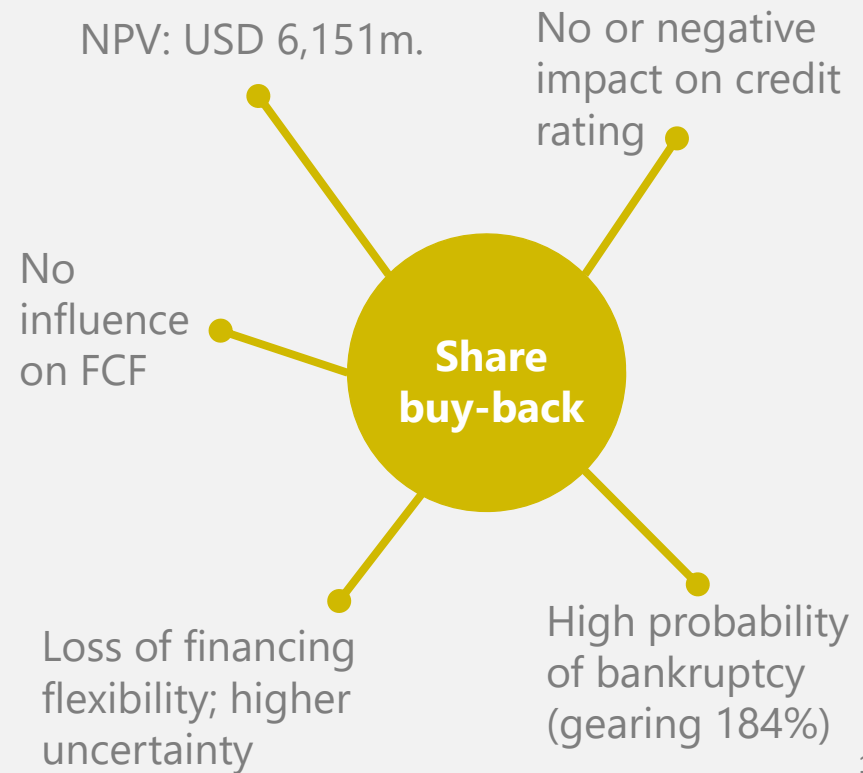
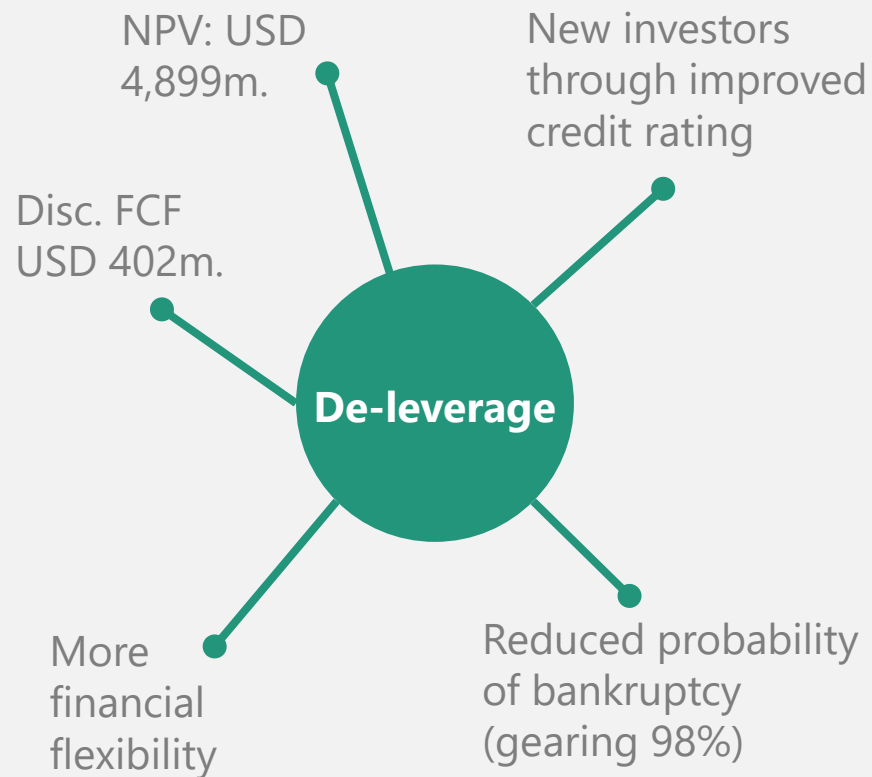
¹Referring to EBIT in 2016 without re-measurements

Alternatives

	Dispose iron ore and coal mines	Sell residential property
Cash	○	○
Government support	✗	✓
Employee friendly	✗	✓
Concentration on core assets	○	○

 **Sell residential apartments**

De-leverage or share buy-back



With regard to the pillars

- A** Approach a people business / **attractive employer**
- C** Have pursued government support / **crucial for long-term strategy**
- F** Save 6% operating cost / **increased operating efficiency**
- G** Increase company value by USD 6.4bn. / **increased financial flexibility**



Quinta's project

Joint Venture Decision in Canada

- Protest movement "Idle No More"
- Temporary blip in commodity prices
- Quinta is about to set up first coal mining project

Quinta's Project

Method of standalone long wall mining

Construction takes at least 2 years

Very expensive and risky

Coal production would start in 2019 earliest

Option #1

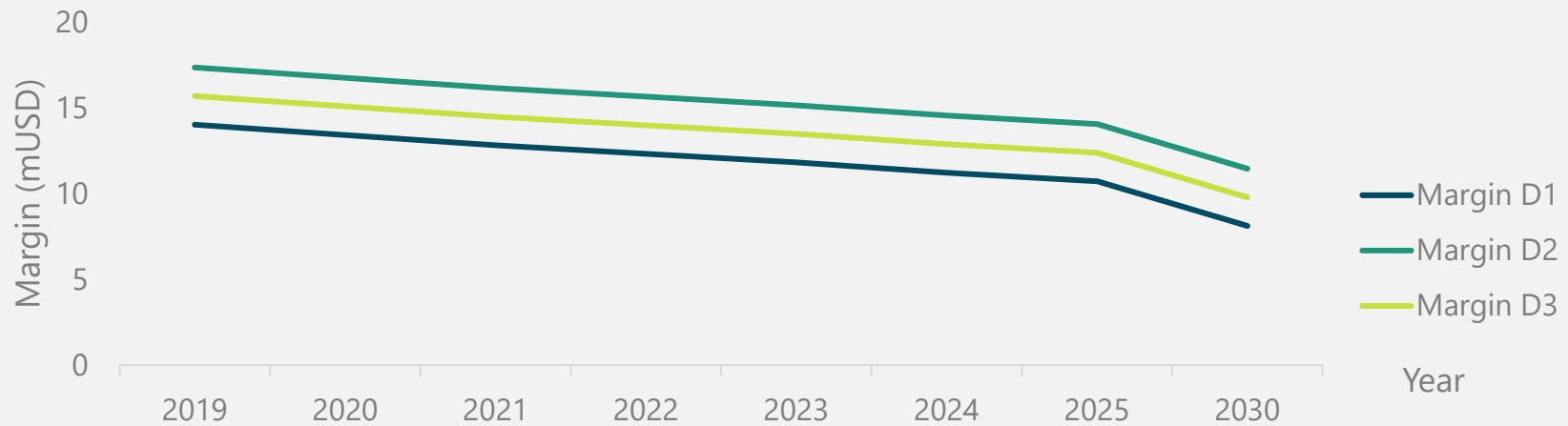
Build the standalone construction and invest in the coal sector.

VS.

Option #2

Do not start setting up the construction and leave Canadian coal market step by step.

Quinta's Project



1 Low Margin as coal price declines again

2 Joint Ventures are a new risk for mining

USD -0.92m. decline in revenues of coal business

2015/2016

USD -1.496m. decline in capital employed

JV Assessment

Declining coal prices and demand in the future will not ensure profitability

American partner will not solve conflict with *"Idle no more"*

High transportation cost to enter Asian market from Canada

Lowest cost to step out

Option #1

Build the standalone construction and invest in the coal sector.

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Option #2

Do not start setting up the construction and leave Canadian coal market step by step.

With regard to the pillars

- B** No increase in harming the environment
- C** Stop of protests against AMANGO / **minimized risk**
- E** Investment in other metals than coal / **increased sustainability**
- F** Ban of uncertainty / **increased average operating efficiency**

Minas Rio

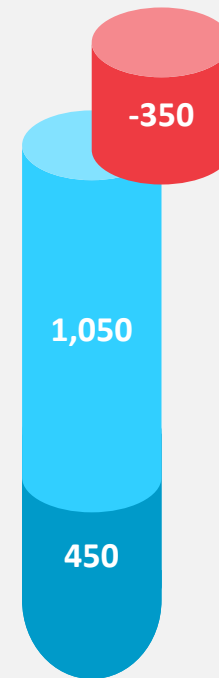
Strategic disposal in Brazil

- Political and economical instability
- Preferential access to BRICS
- CMOC to buy AMA-NP for USD 1.5bn.



CMOCs Binding Offer

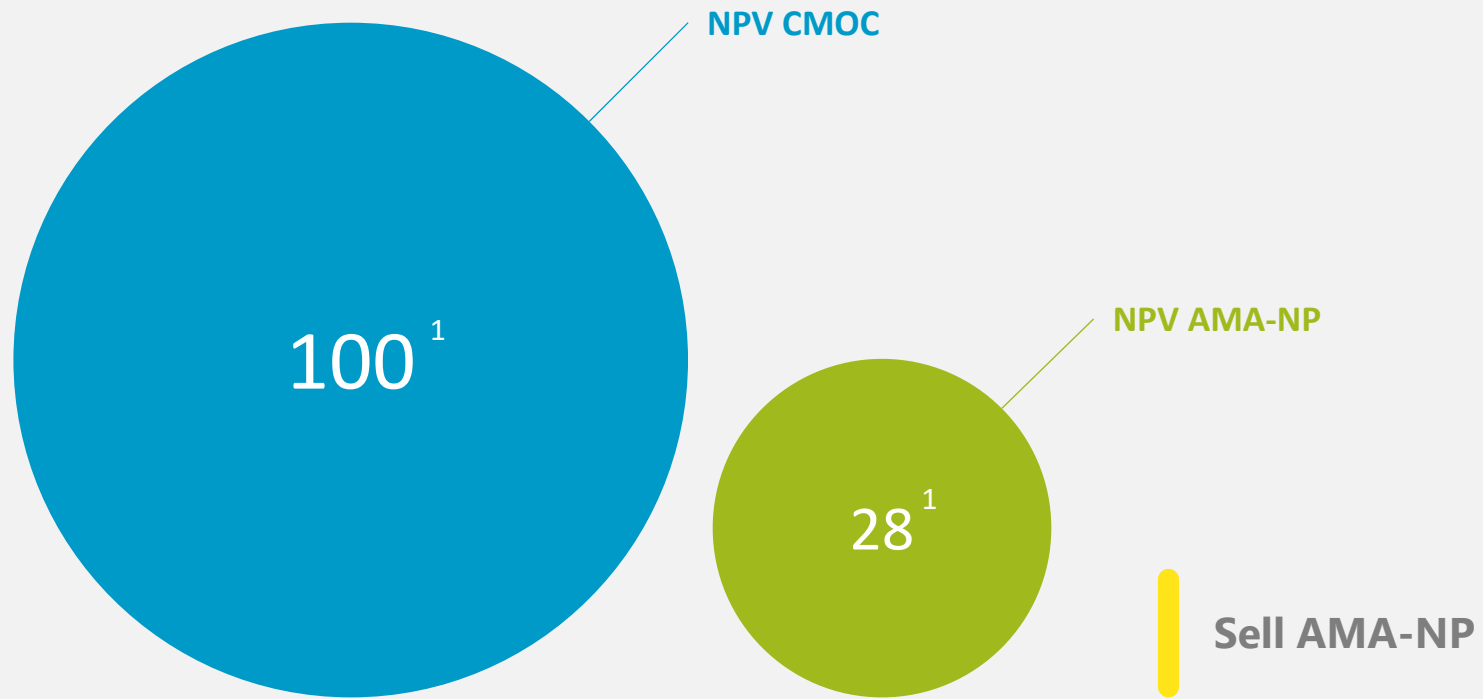
- Pay off long-term liabilities USD 450m.
- Buy AMA-NP's equity for USD 1,050m.
- USD 350m. below book value
- 25% value loss**



AMA-NP's FCF & WACC

FCF (m. USD)					
EBIT (tax 31%)	49.52	Cost of Equity			
Depreciation	1.22	Risk Free Rate	3%		
Amortization	0	Market Premium	5%		
Net Working Capital	-32.00	Equity Beta	1.824		
FCF	3.39	Cost of Equity	12.12%	WACC	
				D/E-ratio	0.32
				Cost of Debt	6.20%
				WACC AMA-NP	10.21%
				WACC CMOC	10.10%

NPV AMA-NP vs. CMOC



¹million USD

With regard to the pillars

- B** **No change** in harming the environment
- C** **Minimize risk** by leaving political instable Brazil
- D** **Increase productivity** by releasing 7,200 employees
- F** **Increase average operating efficiency** by selling the inefficient AMA-NP
- G** **Raise credit rating** by receiving USD 1.5 bn. from disposals

Base Metal Retreat



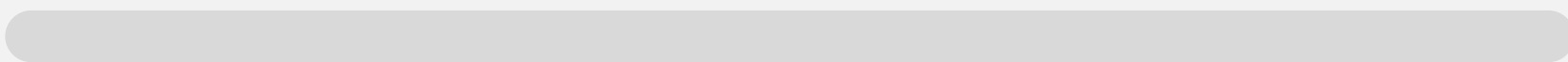
End coal business in Canada



Sell Niobium and Phosphates in Brazil



Close down Ama Coal in South Africa



End coal business in Australia



Sell off complete Brazilian company

3 S to Success



Sustainability



Reaching goal of 3 sustainable business units

Socio-economic impact through new safety systems

Shareholders



Reaching operating cost savings of USD 5.8bn. in Sep. 2018

Reaching target net debt of USD 10bn. in mid-2018

Standards



Increased security standards satisfy unions and people

Managerial division performance insures standardized evaluation



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THANK YOU!

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