Deutsche Bank Markets Research

Europe United Kingdom Metals & Mining Metals & Mining

UK-listed Miners

Back to school: miners' league table

Stock picking to the fore: we rank the miners and upgrade Vedanta to Buy

In our view, the days of commodity prices being the main driver of mining equity performance are numbered. With many commodities in surplus, prices are more predictable. In this more stable environment, the actions of mining company managements will now be a more important differentiator for equity performance. To identify our top picks in this context, we rank the 18 stocks under our coverage across 19 metrics. VED is ranked top and we upgrade from Hold to Buy. RIO is ranked second and remains our top pick of the "big 4". The precious metals miners dominate the bottom rankings, due to declining Au/Ag prices and production growth. We downgrade RRS and ABG to Hold.

Ranking our coverage on NPV, growth, cash management and returns

We ranked our coverage universes across a number of metrics including NPV trends, working capital management, commodity diversity, production growth, returns, payouts and valuation multiples.

We prefer the diversifieds - Rio remains our top pick

Our ranking is in Figure 1. We find that the diversified miners and smaller base metals plays (Norsk, Nyrstar, Kazakhmys) all rank highly, on working capital management, EPS and DPS growth and valuation metrics. The precious metals miners rank last, hindered by our view of falling prices and high capex.

Upgrade VED to Buy from Hold; downgrade RRS and ABG to Hold Our valuation methodologies and risks to our TPs are detailed in pages 32 – 83.

Figure 1: Ranking the miners

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Rank		Rec	TP (GBP)	% up/down-side	P/NPV
1	Vedanta	Buy	12.50	19.0%	0.78
2	Rio Tinto	Buy	46.50	44.1%	0.71
3	BHP Billiton	Buy	25.00	31.4%	0.85
4	Norsk Hydro	Hold	38.00*	4.6%	0.98
5	Nyrstar	Hold	3.11**	-1.6%	0.86
6	Ferrexpo	Buy	3.12	138.2%	0.44
7	Anglo American	Hold	16.50	8.2%	0.78
8	Kazakhmys	Hold	3.18	6.0%	0.70
9	Glencore	Buy	4.00	10.8%	0.90
10	Boliden	Hold	108***	-2.4%	1.23
11	Lonmin	Buy	3.50	49.6%	0.60
12	Antofagasta	Sell	7.30	-7.2%	1.01
13	Fresnillo	Hold	8.60	-11.0%	1.19
14	Randgold	Hold	50.0	-2.0%	0.89
15	African Barrick	Hold	2.80	15.2%	0.63
16	Aquarius Platinum	Buy	0.30	25.0%	0.65
17	Polyus Gold	Hold	2.06	8.4%	1.17
18	Polymetal	Hold	5.55	2.6%	1.27
Source: Deut	tsche Bank, *NOK; **EUR, ***SE	κ.			

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Industry Update

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Key Changes

Company	Target Price	Rating
RRS.L	-	Buy to Hold
VED.L	-	Hold to Buy
ABGL.L	-	Buy to Hold
Source: Deutsche B	ank	

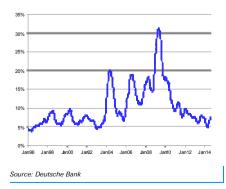
Top picks

Rio Tinto (RIO.L),GBP3,236.50	Buy
Vedanta Resources (VED.L),GBP1,060.00	Buy
Source: Deutsche Bank	

Companies Featured

Anglo American (AAL.L),GBP1,562.00	Hold
African Barrick (ABGL.L),GBP237.40	Hold
Antofagasta PLC (ANTO.L),GBP791.00	Sell
BHP Billiton Plc (BLT.L),GBP1,920.00	Buy
Boliden AB (BOL.ST),SEK112.20	Hold
Fresnillo (FRES.L),GBP952.50	Hold
Ferrexpo Plc (FXPO.L),GBP128.00	Buy
Glencore (GLEN.L),GBP367.55	Buy
Kazakhmys PLC (KAZ.L),GBP307.00	Hold
Lonmin Plc (LMI.L),GBP231.60	Buy
Norsk Hydro (NHY.OL),NOK36.55	Hold
Nyrstar NV (NYR.BR), EUR3.15	Hold
Rio Tinto (RIO.L),GBP3,236.50	Buy
Randgold (RRS.L),GBP4,991.00	Hold
Vedanta Resources (VED.L),GBP1,060.00	Buy
Source: Deutsche Bank	

Commodity price volatility has dropped



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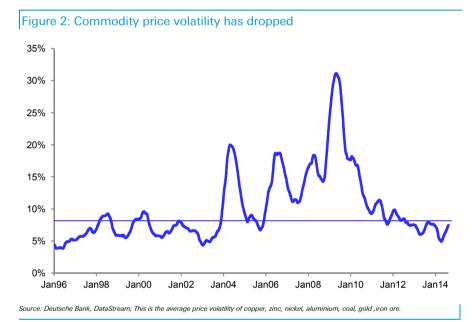
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The return of stock picking

In a stable price environment, management action is key

In our view, the days of commodity prices being the key driver of mining equity performance are numbered. Instead of commodity exposure, we think mining equities will be driven instead by the actions of company management and their success or failure in delivering to plan. As shown in Figure 2, the volatility (rolling 12-month standard deviation) of commodity prices (a basket of base metals, gold and iron ore in Figure 1) has dropped from a high in 2009 down to below the long-run average:



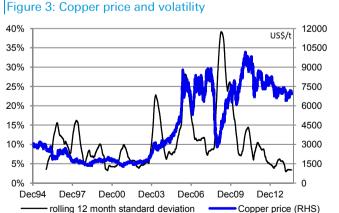
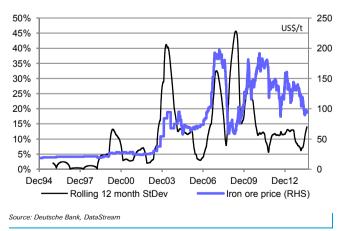


Figure 3: Copper price and volatility

Figure 4: Iron ore price and volatility,



The drop in volatility is due to the fact that most commodity markets have moved back into surplus. This means that prices move down to the marginal cost of production and become more predictable as the volatility drops.

Source: Deutsche Bank, DataStream

In a more stable commodity price environment, we believe the actions of mining company managements will now be a much more important differentiator for mining equity performance - stock picking will come to the fore for investors. High profile value destruction has also been a feature of the recent price boom and one of the reasons for the recent de-rating of the sector – consequently we believe that a demonstrated improvement in cash generation and management will be a key catalyst for share price performance.

To identify our top picks in this new context we have analysed our coverage universe across a number of metrics including NPV trends, working capital management, diversity (across commodities), copper equivalent production, returns and payouts and valuation multiples. We have ranked each stock relative to peers. The table below shows the best and worst performer(s) for each metric –our methodology is explained for each one on pages 4 and 5.

Figure 5: The best and worst in each	n metric	
Parameter	Best	Worst
NPV Peak year	NHY	AAL / BOL / RRS
NPV Peak upside	KAZ	AAL / RRS
NPV ST Sensitive	PGIL	KAZ
Working Cap - Notional FCF loss	BHP	POLYP
Working Cap - CCC	VED	POLYP
Working Cap – Tied up Equity	VED	AQP
Diversity – Commodity	AAL	FXPO / PGIL / RRS
Diversity – Spot prices	NHY	AAL
Cu Eq 2013 -17 CAGR	RRS	KAZ
Cu Eq 2013 -20 CAGR	ABG	KAZ
EV/Cu Eq prod	BOL	FRES
EPS CAGR	NHY	POLYP
Div Payout	NHY	AQP / KAZ / NYR
ROCE	FRES	ABG
FCF payout	VED	ABG
Unbiased Ownership	AQP	VED
P/NPV	FXPO	POLYP
EV/EBITDA	NYR	PGIL
P/E Source: Deutsche Bank	KAZ	NYR

RIO is top pick, VED to Buy from Hold, RRS and ABG down to Hold

Although Rio Tinto does not rank first in any individual metric, it ranks second overall of the 18 companies we cover (see Figure 1), giving us confidence to reiterate our Buy recommendation and that Rio remains our Top Pick in the sector.

We upgrade Vedanta from a Hold to a Buy. Vedanta ranks the most highly in our analysis, scoring well on working capital management, EPS growth, FCF payout and Earnings multiples. We have 19% upside to our target price supporting the move to a Buy recommendation.

We now have 2% downside to our TP for Randgold and thus downgrade to Hold. Given the low ranking of all of the gold miners, in the context of our declining gold price view, we also downgrade African Barrick to Hold, and are now neutral on the gold/silver miners, with no Buy recommendations.

Our overall ranking results are shown in Figure 6. The ranking is based on 19 parameters. In each of the parameters the company with the best performance (most shareholder value accretive) is ranked 1 and the worst performance is ranked 18. The final Overall Ranking is equal weighted across parameters and is a simple ranking directly correlated to the individual parameter ranking.

The parameters

NPV metrics

- Peak year: This ranking is based on the year in which the real value NPV of the company attains its peak. The stock with NPV peaking in the furthest year from now has the highest/longest growth potential. The ranking goes from the furthest NPV peak year to the nearest NPV peak year;
- Peak upside: This ranking is based on the potential upside the peak NPV has over current NPV, moving from the largest upside to the smallest upside;
- Short-term sensitivity: This ranking is based on a company's NPV sensitivity to near term commodity price and currency movements. The value of a company with a higher weighting of its NPV in the near-term (2014-17) will be more sensitive to commodity and currency fluctuations in those years. A higher sensitivity clearly represents a greater potential stress on balance sheets and capital investment plans. The ranking moves from the lowest sensitivity to the highest;

Working Capital Management

- Notional FCF loss: This metric shows the notional loss of Free Cash Flow a company incurs due to the cash its has tied up in working capital. Optimal Working Capital Management frees up the most cash for Free Cash Flow, incurring the lowest "Notional FCF Loss". The ranking based on this metric moves from the company incurring the lowest least notional FCF loss to the highest;
- CCC (Cash Conversion Cycle): This metric is calculated by adding the Days Inventories Outstanding and Days Receivables Outstanding less Days Payables Outstanding. A lower CCC represents efficient Working capital and Cash management. The ranking moves from the lowest CCC to the highest;
- Tied up Equity: Here we look at the percentage of Shareholders' Equity tied up as Net Working Capital; a lower percentage represents better Working Capital efficiency;

Diversity

- Commodity: This parameter represents the diversity in a company's revenue exposure to commodities. A more diversely exposed company will be able to take advantage of different commodity & business cycles and will be better protected from troughs in any single cycle. The ranking based on this metric goes from the most diverse to the least;
- Spot Prices: We measure the percentage move in estimated earnings from using spot commodity and currency prices, with the ranking moving from highest upside using spot to lowest;

Copper Equivalent Production growth

- CAGR 2013-17e: The ranking moves from the highest Copper Equivalent Production CAGR to the lowest CAGR for 2013-17e;
- CAGR 2013-20e: The ranking moves from the highest Copper Equivalent Production CAGR to the lowest CAGR for 2013-20e;
- EV/Copper Equivalent production: Based on the average Enterprise value over average Copper Equivalent production from 2014-17e, ranked from the lowest to the highest multiple;

Returns and payouts

- EPS CAGR: The ranking moves from the highest EPS CAGR to the lowest EPS CAGR for 2014-17e;
- Dividend payout: The ranking shows the average dividend payout over the next 4 years and moves from the company with highest payout to company with the lowest payout;
- ROCE: Return on Capital Employed is calculated using our 2017 estimates, ranked from highest to lowest;
- FCF payout: The metric shows the potential payout a company could provide if all the Free Cash Flow it generates is given out as dividend. The ranking based on this metric moves from highest payout to least payout.

Unbiased ownership

Here we look at the percentage of publicly available shares not held by parent/related parties, governments or other miners, as a proxy to determine the unbiased ownership interest in the company. A company with a lower percentage should have the most unbiased ownership control and should thus be the safest to invest in from a management control perspective. The ranking based on this metric moves from highest unbiased shares held percentage to least.

Multiples

- P/NPV: The ranking moves from lowest to highest;
- EV/EBITDA: The ranking moves from the lowest/cheapest to the highest/most expensive;
- P/E: The ranking moves from cheapest to most expensive shares on a P/E basis.

Figure 6 overleaf summarises the results.

Company		NPV		Worki	ng Cap.	Mgmt	Dive	rsity	Coppe	er Eq. Pro	duction		Returns an	nd Payout	ts	Unbiased		Multiples			
Ticker	Peak year	Peak upside	ST sens	Notional FCF loss	CCC	Tied up equity	Comm- odity	Spot Prices	CAGR 2013-17	CAGR 2013-20	EV/Cu Eq prod	EPS CAGR	Div Payout	ROCE 2017	FCF Payout	Owner- ship	P/ NPV	EV/ EBITDA	P/E	Total	Overall
AAL	16	17	14	8	8	8	1	17	Ę	5 4	1 8	ç	7	8	i 11	6	7	7 8	4	166	6
ABG	5	6	17	6	14	6	15	4	7	7 1	I 7	17	14	18	8 18	14	3	3 17	14	203	15
ANTO	5	8	8	13	6	7	14	7	13	3 13	3 14	11	8	3	8	13	14	4 11	10	186	12
AQP	9	15	6	11	15	17	11	11	12	2 14	1 2	3	16	16	5 17	1	4	4 13	11	204	16
BHP	9	14	11	1	2	2	3	13	8	3 8	3 11	13	4	2	15	4	9	9 12	8	149	3
BOL	16	16	9	10	7	13		12	10) 15	5 1	5	9	7	' 7				7	177	10
FRES	13	13			16			8			5 18				-				13		13
FXPO	2	5			10						<u> </u>						1		2		
GLEN	9	10			5												12		6	168	
KAZ	5	1			12			3										5 2	1	166	
LMI	13	9			11													2 5	9	182	
NHY NYR	1	7			9								-	17					12		
PGIL	2	2		5 9	4		-	-			2 5) 17			12 11					18 17	156 217	
POLYP	13	4			17														17		
RIO	5	12		1	3													5 14 6 7	5	130	
RRS	16	17			13		16				3 16								15	200	
VED	9	3			13	1	4) 12					18		3 3	3		



Assessing the ranking in depth

Valuation: we choose P/NPV

Every investor will choose his or her valuation metrics and time horizons for investment, each with its own strengths and shortcomings. We base our valuations on discounted cash flows for the miners for two main reasons:

- The mines are finite assets containing natural variation. The latter, combined with commodity price and currency cyclicality, drives earnings volatility, so basing a value off any one particular year's earnings is not valid. The DCF captures the entire life of mine cash flows;
- This is the way that mining companies' value their own assets and potential acquisition targets – in the case of a takeover, the NPV of the assets' cash flows would be the minimum value that shareholders should receive.

The shortcoming of this valuation methodology is of course the ability to accurately predict future cash flows – we ameliorate this somewhat by modelling to long-term operating margins, e.g. if our long-term copper price was to double, we would lift costs for each of the copper assets to return our estimate of the assets' long-term operating margins to levels reflecting their relative positions on the global cost curve. (copper prices would not rise without mining inflation rising as well). The table below shows our covered companies from cheapest to most expensive on a Price to NPV basis.

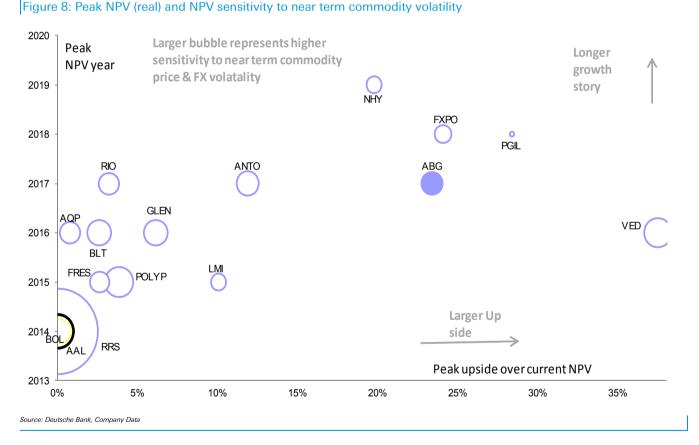
Figure 7: P/NPV c	ompariso	n			
Company	Rec	Price	Target Price	M. Cap (US\$mn)	P/NPV
Ferrexpo Plc	Buy	136	312	1324	0.44
Lonmin Plc	Buy	234	350	2211	0.60
African Barrick Gold	Hold	232	280	1578	0.63
Aquarius Platinum	Buy	24.3	30.0	589	0.65
Kazakhmys PLC	Hold	301	318	2234	0.70
Rio Tinto PLC	Buy	3336	4650	104586	0.71
Anglo American PLC	Hold	1568	1650	33363	0.78
Vedanta Resources	Buy	1027	1250	4648	0.78
BHP Billiton	Buy	1946	2500	180016	0.85
Nyrstar NV	Hold	3.04	3.11	626	0.86
Randgold Resources	Hold	4941	5000	7556	0.89
Glencore	Buy	367	400	80039	0.90
Norsk Hydro ASA	Hold	37.3	38.0	12315	0.98
Antofagasta PLC	Sell	808	730	13210	1.01
Polyus Gold	Hold	186	206	9328	1.17
Fresnillo PLC	Hold	929	860	11347	1.19
Boliden AB	Hold	111	108	4361	1.23
Polymetal	Hold	541	555	3775	1.27
Sector Source: Deutsche Bank, Compan	y Data			499919	0.87

Growing NPV over time

NPVs move over time. As companies move through their capex phases, the asset NPVs grow each year as the capex hump is moved through, and one moves closer to cash flows paying down debt. In this section, we look at how NPVs progress over time for the companies that we cover. A reason to hold a stock may be in anticipation of a re-rating (i.e. on a view that it is mispriced) or on a view that the value goes up over time for a growth company.

We look at what year the NPV (in real terms) for each company peaks (basically when they become ex-growth) and how much upside there is to the peak from the current NPV. The results are displayed in Figure 8 - the further up a company is in the chart, the longer the period of growth, and the further to the right a company is, the more growth potential it has available to be priced in.

We have also analysed the sensitivity a company's NPV has to near term (2014-17) commodity and producer currency fluctuations. Near term sensitivity is measured by the size of the bubble in the chart and is explained further in the subsequent section.



African Barrick (highlighted in the above chart) has a negative near term NPV due to negative FCF in the next few years, due to our forecast for gold prices to drop and continued capex. The negative near term NPV makes its project plans particularly vulnerable to near-term downwards commodity price movements and makes its valuation particularly sensitive to the price movements. This also applies to Nyrstar and Kazakhmys.

Near-term NPV leverage

We are looking here at how much of the value of the companies is in the near term vs. in the long term. A company with more of its NPV generated in the near term is clearly more leveraged to near-term forecast errors.

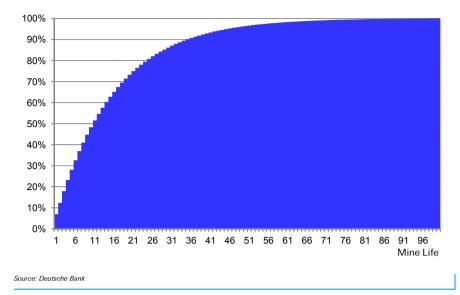
The ST sensitivity in percentage terms in the table below shows the percentage of current NPV that is sensitive to short term (2014-17) commodity and producer currency fluctuations. A negative "ST sensitive %" value is due to a negative FCF in the short term for these companies (KAZ, ABG and NYR). These companies have cash outflows in the near term to fund future growth prospects, so will be very sensitive to commodity volatility, with a weaker than forecast price environment putting potential extra pressure on their capex plans.

Company	Peak year	Peak upside %	ST sensitivity %
African Barrick Gold	2018	45%	-20%
Anglo American PLC	2015	1%	43%
Antofagasta PLC	2045	60%	21%
Aquarius Platinum Ltd.	2018	23%	18%
BHP Billiton	2036	42%	25%
Boliden AB	2017	11%	24%
Ferrexpo Plc	2031	92%	12%
Fresnillo PLC	2017	15%	17%
Glencore	2022	28%	24%
Kazakhmys PLC	2018	460%	-134%
Lonmin Plc	2045	62%	10%
Norsk Hydro ASA	2030	74%	10%
Nyrstar NV	2019	131%	-9%
Polymetal International	2018	17%	32%
Polyus Gold	2019	49%	2%
Randgold resources	2015	1%	285%
Rio Tinto PLC	2021	23%	18%
Vedanta Resources Source: Deutsche Bank, Company data	2017	83%	32%

Looking at the life of mine NPV basics

Below we show the notional build of NPV over time for a mine with 100 year life and which has a steady cash flow in real-terms (current value of cash flow of all 100 years are equal). Of note is that 90% of the NPV is obtained in the first 35 years of the mine life. Mathematically, the remaining 65 years only generates an additional 10% of the NPV.

Figure 10: NPV build for a 100 year mine at 10% WACC (Nominal)



The chart below shows how much of a mine's NPV is generated in each 5 year period for mines of different lifespan. So, a 100 year mine will have 28% of its NPV generated in the first 5 years of its life vs. a 10 year mine which will have 58% of its NPV generated over the first 5 years.

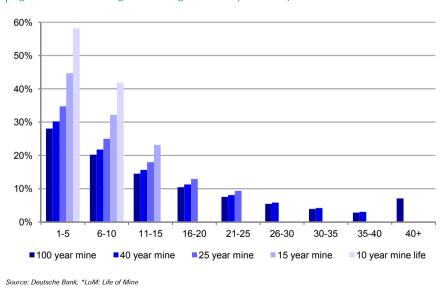


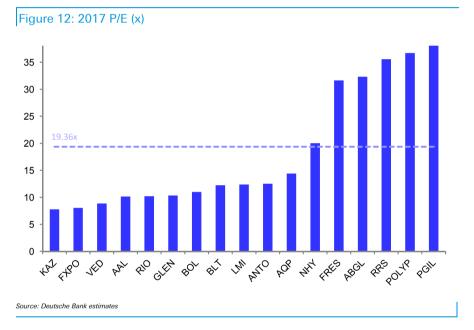
Figure 11: Percentage of NPV generated per time period for various LoM

Other valuation metrics

Price to earnings

Figure 12 compares P/E multiples for 2017e. The picture is skewed somewhat by our view that all base metals prices will be higher in 2017 than today's level, whilst gold, silver, iron ore, oil and manganese will be lower. In our coverage universe, this means that the gold and silver miners have an average drop of 24.8% in EPS (2017e vs. 2014e) and the five most expensive stocks on PE are precious miners. Nyrstar is missing from the chart as it is loss making, on our estimates, in 2017.

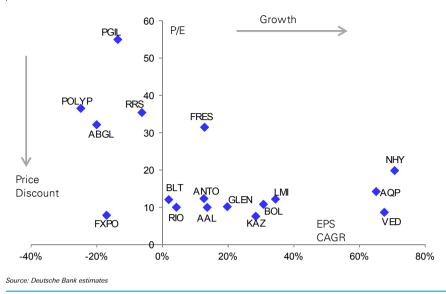
The five cheapest stocks all have growing base metals-driven earnings in the time frame, except for Ferrexpo, which is a stand-out given the iron ore price is falling on our estimates:



PE vs. earnings growth

Some of the higher than average PEs can be justified by higher EPS growth – as shown in Figure 13 below, which compares P/E to EPS growth, Aquarius and Norsk Hydro look more reasonable, and Vedanta has high growth and a low PE multiple.

Figure 13: P/E vs. EPS growth

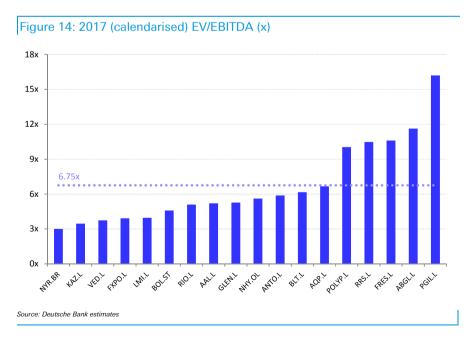


EV/EBITDA

The 2017 EV/EBITDA multiple comparison presents a similar picture to the P/E comparison, but clearly looks at the companies before the impact of interest payments.

The top five most expensive stocks are the same ones – all precious metals miners –albeit in a slightly different order. Nyrstar is the cheapest stock on an EV/EBITDA basis – this is perhaps misleading however, as it is loss-making on the bottom line in 2017 due to its high debt burden.

Aside from Nyrstar, Ferrexpo, Kazakhmys and Vedanta are in the top five cheapest stocks on an EV/EBITDA and a P/E basis.



Production growth

Bigger is not necessarily better

The traditional way to improve mining performance in the past was to "Buy bigger trucks". Additional production can be an effective way of growing earnings, as not only does it give greater top line growth, it also typically reduces unit costs in this high fixed cost industry. However, growing through more production can also cover a multitude of sins if there are no related efficiency gains, and growth capital is not allocated successfully. In recent years, the result of chasing production growth to help control unit costs was, more often than not, at the expense of efficiency and returns to shareholders.

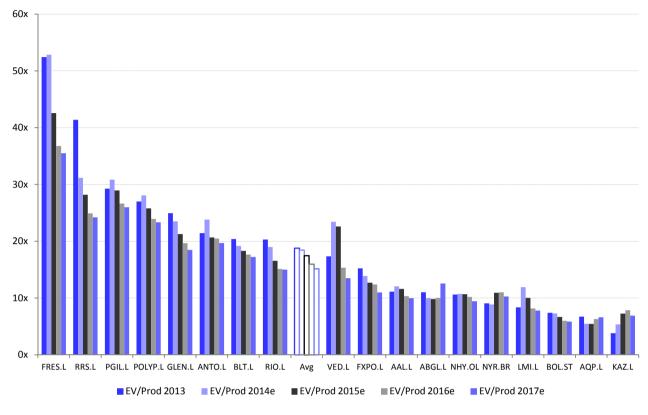
Looking forward, we can assess the relative growth prospects of the miners and how cheap or expensive it makes them.

Production units per invested capital

In this section we compare mining companies' total equivalent copper production. In Figure we look at the ratio of enterprise value (EV) to copper equivalent production. This tells us how many times a miner is valued with respect to its production units - the higher the ratio, the more expensive the company.

In 2013 Fresnillo was the most expensive company on this metric while Kazakhmys was the cheapest. We expect this ranking (in terms of copper equivalent production) to remain quite stable over the next four years (clearly share price changes will impact it) but Boliden will move to the cheapest position ahead of Kazakhmys by 2016 on our estimates.



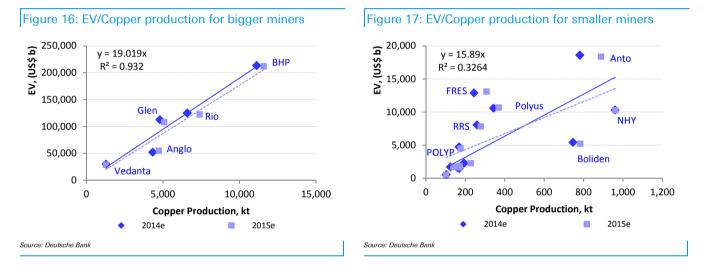


Source: Deutsche Bank estimates

On a mine by mine basis, a decreasing ratio over time means either a copper equivalent production increase or a lower valuation (enterprise values are calculated as most recent market capitalization plus expected net debt and minorities minus investments in associates or joint ventures). 3 September 2014 Metals & Mining UK-listed Miners

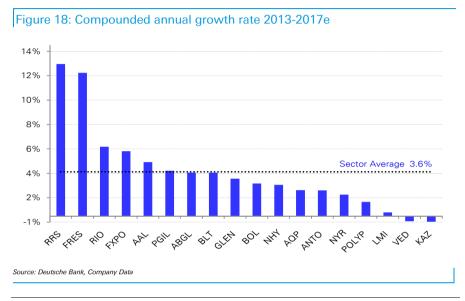
In Figures 16 and 17, we assess those two potential reasons to understand the reason for each company's profile. These charts show EV and copper production for the larger miners (copper equivalent production larger than 1,500kt) and the smaller ones separately, for 2014 and 2015.

The slope of the trend line is the average EV/copper production ratio for the companies included in each chart. The miners below the best fit line are cheaper while those above are expensive. The larger R-squared tells us that the positive correlation between enterprise value and copper equivalent production is much stronger for the bigger miners. Moving from 2014 to 2015 the majority of companies do not change position in the charts with the exception of Antofagasta, for which we expect an increase in (Cu Eq) production from 781kt in FY14e to 889kt in FY15e. Anglo is the cheapest amongst bigger miners in both years – this is due in particular to growth in copper production of 4.9% from 2014-2016e and 3.3% from 2014-17e.



Copper equivalent growth to 2017

We estimate that copper equivalent production will increase for 15 of our 18 companies from 2013 to 2017 year over year. Randgold and Fresnillo may achieve a double digit growth rate and this explains why their EV/copper production ratios are expected to decrease so quickly. We think that Rio, Ferrexpo and Anglo will also outperform the average, while Kazakhmys and Vedanta will have negative compounded annual growth rates:



Copper equivalent growth to 2020

Widening our time horizon to 2020, the picture is different. The sector average CAGR drops from 3.6% (2013-17e) to 2.4%. African Barrick will have the largest compounded annual growth rate, with Nyrstar, Randgold, Anglo, Fresnillo, Ferrexpo and Rio all with above average growth, and Lonmin and Kazakhmys with negative rates.

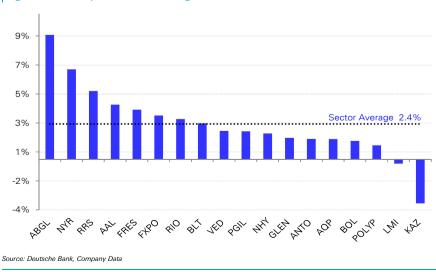


Figure 19: Compounded annual growth rate 2013-2020e

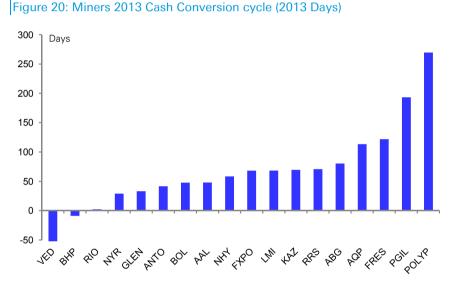
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Show us the money

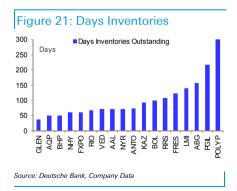
In this section, we look at the miner's cash management and FCF generation, payouts and returns. Our parameters are working capital management (cash conversion cycles and working capital tied in equity), dividend and FCF payouts and return on capital employed.

Who is managing working capital best?

Using end FY13 reported balance sheets, we have calculated the cash conversion cycle for each miner: days of inventory outstanding plus days of receivables outstanding, less days of payables outside. A lower number equates to better working capital management.



Source: Deutsche Bank, Company Data





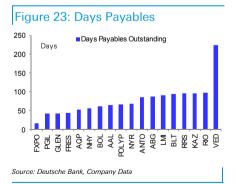


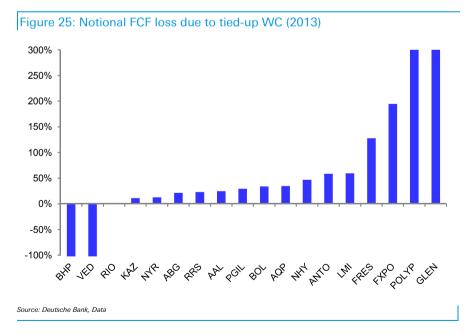
Figure 24: Cash Conversion Cycle – Days outstanding

Company Name	Days Inventories I	Days Receivables	Days Payables	Cash Conversion Days
Anglo American	72	42	66	48
African Barrick Gold	158	9	87	80
Antofagasta	73	55	87	42
Aquarius Platinum	50	116	53	113
BHP Billiton	51	35	94	-9
Boliden	98	11	62	48
Fresnillo	123	42	44	122
Ferrexpo	61	24	17	68
Glencore	37	38	43	33
Kazakhmys	94	73	97	70
Lonmin	139	21	91	68
Norsk Hydro	61	54	57	58
Nyrstar	72	25	68	29
Polyus Gold	216	43	67	193
Polymetal	302	10	42	270
Rio Tinto	67	33	98	2
Randgold Resources	108	59	97	71
Vedanta Resources	71	42	224	-111
Source: Deutsche Bank, Compa	any Data			

Free cashflow impact of WC management

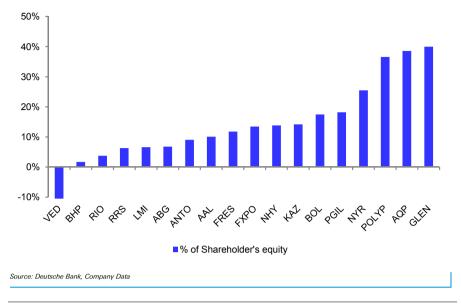
If we take the cash tied up due to a company's cash conversion cycle, we can assess how much FCF it is 'losing' (forfeiting).

In Figure 24, we rank the results – note that for Glencore the poor result is skewed by our inclusion of its trading business in our working capital analysis.



As a further assessment, we can look at the percentage of Shareholders' Equity tied up as Net Working Capital; a lower percentage represents better Working Capital efficiency:

Figure 26: % of Shareholder's equity tied up as WC (2013)



Earnings Growth

We include our estimate of earnings growth in this section in order to then assess the companies' dividend payout prospects.

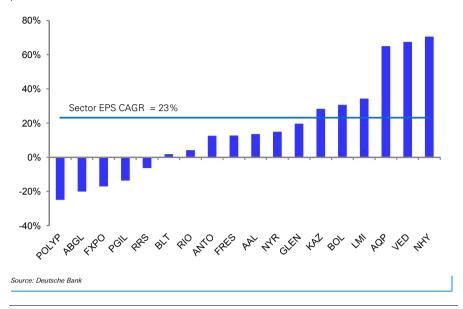
Five of the 18 companies have EPS declines over the period – once again, four of these are gold miners and Ferrexpo is also included (due to our forecast for cost inflation in the period).

It is worth noting that we have estimate most producer currencies will depreciate from 2014 to 2017 (see Figure 27 (aside from the South Africa Rand, Russian Rouble and Mexican Peso), which is aiding EPS growth during the period.

Figure 27: Producer Currencies' forecasts (2014-17)

	- /		
	2014e	2017e	% change
AUD	1.09	1.17	7.7%
ZAR	10.7	10.5	-1.9%
EUR	0.75	0.91	21.1%
NOK	6.27	7.22	15.2%
ARS	8.46	10.22	20.7%
CLP	555	564	1.6%
INR	60.7	64.0	5.5%
KZT	178	181	1.7%
MXN	13.2	12.9	-2.5%
RUB	35.2	34.5	-2.0%
SEK	6.54	6.95	6.3%
Source: Deutsche Ban	k		

Figure 28: EPS CAGR (2014-17e)



Earnings sensitivities

Figure 29 shows the sensitivity of our CY15 earnings forecast for each company to spot prices and currencies, showing big upwards movements from low absolute earnings levels for the gold miners, Norsk Hydro and Kazakhmys.



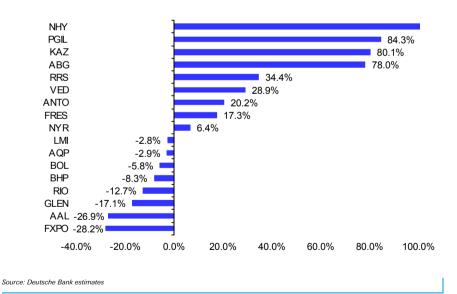


Figure 30: CY2015 Net Earnings upside/downside at spot prices	
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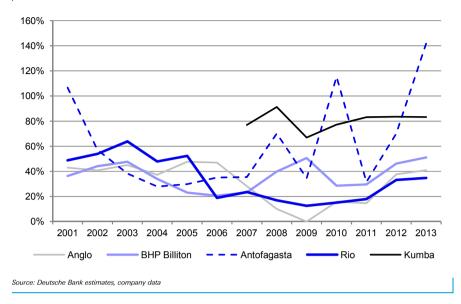
Companies	2015 earnings %
Norsk Hydro	315%
Polyus Gold	84%
Kazakhmys	80%
African Barrick	78%
Randgold Resources	34%
Vedanta Resources	29%
Antofagasta	20%
Fresnillo	17%
Nyrstar	6%
Lonmin	-3%
Aquarius Platinum	-3%
Boliden	-6%
BHP Billiton	-8%
Rio Tinto	-13%
Glencore	-17%
Anglo American	-27%
Ferrexpo	-28%
Source: Deutsche Bank	

Payout ratio = market premium

The charts below clearly show the benefit of a consistently high payout in our view. We have selected a number of stocks based on their respective dividend payouts. In these charts, the companies with the highest payout ratios (Kumba and Antofagasta) have also traded at the highest price to NPV in the past. This is also clear for individual companies over time: when Rio had a higher payout ratio at the start of last decade, it also traded at a higher relative premium to the other companies; now with the lowest payout ratio of the companies shown here it also has the lowest price to NPV premium. In this light, the formula for re-rating is simple in our view – increase the payout.

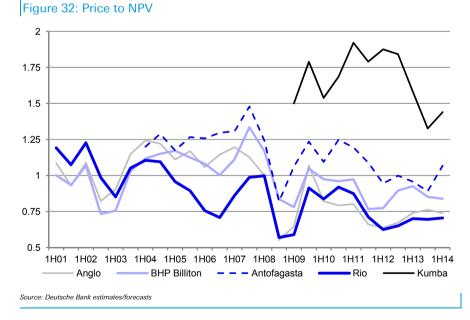
Of the companies shown, Kumba has the highest consistent pay-out ratio (as a subsidiary of Anglo, it is the only way for Anglo to get the cash out). Antofagasta has had a high pay-out ratio in the past, but it has also been quite variable depending on its capital project schedule. Rio used to have a relatively high payout ratio 10 years ago and now has the lowest of the companies shown.

Figure 31: Underlying earnings Payout ratio



The higher payout ratios have been reflected in the market premia paid for the equities:

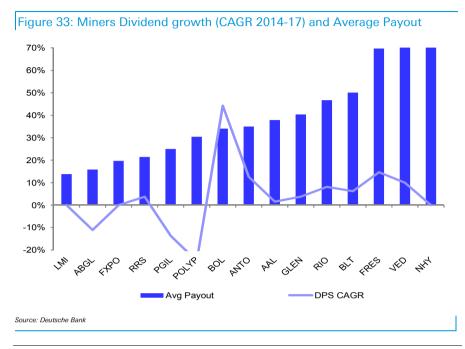
- Kumba has a consistently high payout ratio and its premium to NPV is high;
- Antofagasta has a relatively high payout ratio and premium;
- Rio used to have a relatively high premium when its payout ratio was high and now has the lowest now that its payout ratio is the lowest.



If we widen our analysis to include all our stocks, and look forward to the average earnings pay-out ratio from 2014-7e (Figure 33), we expect Norsk Hydro, Vedanta and Fresnillo to have the highest average payout ratios in the period. Three companies will have falling dividends per share (African Barrick,

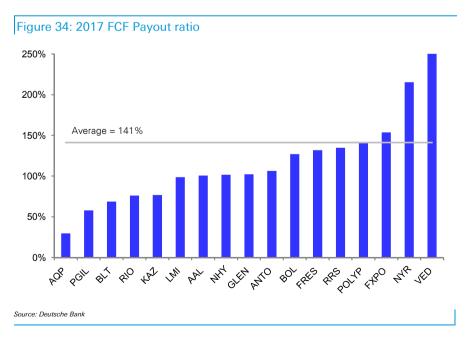
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Polyus, Polymetal), but this is for the same reason as their lower ranking on other metrics – a falling gold price forecast. The sector average payout ratio is 42%.



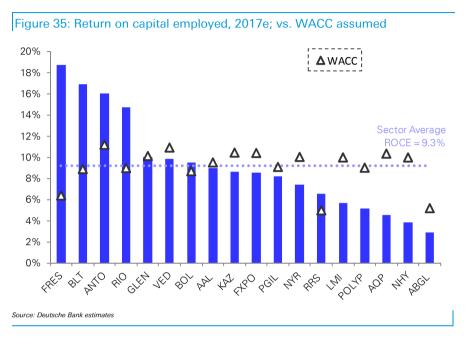
FCF payout: average of 141% possible

The metric shows the potential payout a company could provide if all the Free Cash Flow it generates is given out as dividend (i.e. it measures FCF/earnings). The average payout would 141% - showing the scope vs. the average earnings payout shown above of 42%. Note that ABG is not shown in the chart below as we predict a negative FCF for the company till 2018.



Return on capital employed

The average ROCE we estimate for the sector in 2017 is 9.3%. As shown below, only 6 of the 18 companies has a ROCE above its WACC (DBe) in 2017, highlighting the legacy of poor capital allocation in past cycles in the sector.



In Figure 36, we show the movement of each company's ROCE over time, from 2013 (reported) to 2017e, with Aquarius, Anglo American and Norsk Hydro showing the most improvement. We do not include African Barrick, Kazakhmys and Nyrstar because ROCE for each was negative in 2013 (-43.5%, -8.1% and -1.6% respectively) - we expect ROCE to improve to 2.9%, 8.7% and 7.5% respectively in 2017.

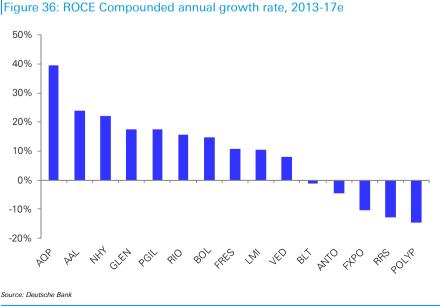


Figure 36: ROCE Compounded annual growth rate, 2013-17e

Commodity diversification

The more the better when it comes to revenues

An application of the HHI measure

We have measured business diversification adapting the HHI definition of market concentration to a single company. The HHI - Herfindahl Hirschman Index - tends towards one when a market is close to being a monopoly and goes to zero as competition increases. For the purpose of our analysis these extreme scenarios become: production of a single commodity versus a wider portfolio as the HHI number gets lower. The formula is the following:

HHI = $(\%RS_1)^2 + (\%RS_2)^2 + ... + (\%RS_n)^2$

In the formula, RS stands for revenue share, and is the percentage of revenues from one specific commodity over total revenues ("n" is the number of commodities produced the company in question). The sum of all squared revenue shares gives us the HHI coefficient.

We base our analysis on revenue forecasts for FY17 and as an example we show explicit calculations for Polymetal. The group produces gold, silver and a small quantity of copper and we expect it will respectively earn US\$1,026m, US\$535m and US\$44m from these commodities in FY17. Thus Polymetal's revenue shares are 63.9% gold, 33.3% silver and 2.8% copper and the HHI formula gives us $(63.9\%)^2 + (33.3\%)^2 + (2.8\%)^2 = 0.52$. This score would place Polymetal in the middle of the range of peers.

Figure shows the results for all the miners under our coverage: Polyus, Randgold and Ferrexpo are 100% focused, producing only one commodity gold in the case of the first two and iron ore for the latter - while Anglo is the most diversified, with the lowest HHI score.

The bubble chart in Figure 37 shows that companies producing a higher amount of copper equivalent production generate more revenues and are also more diversified. Therefore the more a mining company diversifies its revenue sources, the better.



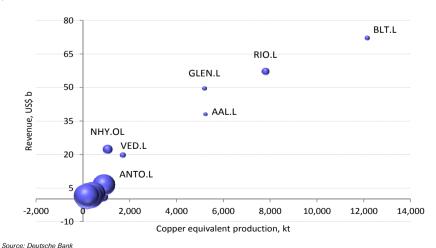


Figure 38: Concentration analysis

Company	Ticker	HH
Anglo American PLC	AAL.L	0.1
Glencore	GLEN.L	0.1
BHP Billiton	BLT.L	0.1
Vedanta Resources PLC	VED.L	0.2
Rio Tinto PLC	RIO.L	0.3
Norsk Hydro ASA	NHY.OL	0.3
Nyrstar NV	NYR.BR	0.4
Boliden AB	BOL.ST	0.4
Fresnillo PLC	FRES.L	0.4
Polymetal International PLC	POLYP.L	0.5
Kazakhmys PLC	KAZ.L	0.6
Aquarius Platinum Ltd	AQP.L	0.6
Lonmin Plc	LMI.L	0.8
Antofagasta PLC	ANTO.L	0.8
African Barrick Gold plc	ABGL.L	0.9
Polyus Gold International Limited	PGIL.L	1.0
Randgold Resources	RRS.L	1.0
Ferrexpo Plc	FXPO.L	1.0

The bubble size measures business concentration calculated with the HHI formula (Herfindahl Hirschman Index). The bioger the bubble, the lower is the number of commodities produced by a company

Mean reversion trading

For those investors who that believe every stock will have its day, we look at mean reversion outcomes for the miners over varying time scales. In the first instance, we look at the full suite of our coverage, and then we look at just the Big 4 diversified miners as this is likely to be the main area where a mean reversion trade will play out, in our view.

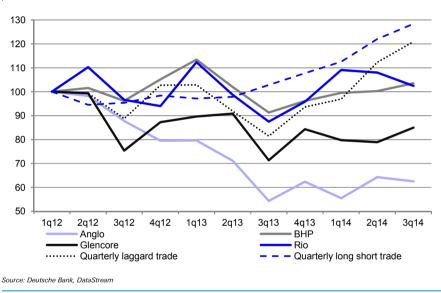
Figu	ire 39: Rank	ed stock pe	erformance of	over various	periods						
	2014	YTD	2H14	4 TD	12 months	to end June	1H14 per	formance	2Q14 performance		
Rank	Company	Percentage	Company	Percentage	Company	Percentage	Company	Percentage	Company	Percentage	
1	Kazakhmys	44%	Nyrstar	34%	African Barrick	155%	Kazakhmys	44%	Norsk Hydro	22%	
2	Fresnillo	38%	African Barrick	16%	Norsk Hydro	49%	Fresnillo	38%	Fresnillo	21%	
3	African Barrick	37%	Fresnillo	14%	Boliden	30%	African Barrick	37%	Kazakhmys	21%	
4	Randgold	35%	Norsk Hydro	10%	Glencore	29%	Randgold	35%	Aquarius	18%	
5	Norsk Hydro	35%	Boliden	9%	Rio	23%	Norsk Hydro	35%	Glencore	17%	
6	Nyrstar	30%	Glencore	8%	Anglo	23%	Nyrstar	30%	Randgold	13%	
7	Anglo	20%	Anglo	7%	Randgold	22%	Anglo	20%	Vedanta	13%	
8	Glencore	15%	Antofagasta	6%	Billiton	18%	Glencore	15%	Nyrstar	10%	
9	Boliden	10%	Rio	5%	Fresnillo	13%	Boliden	10%	Boliden	10%	
10	Vedanta	10%	Aquarius	4%	Kazakhmys	12%	Vedanta	10%	Billiton	8%	
11	Billiton	8%	Billiton	4%	Aquarius	6%	Billiton	8%	Anglo	4%	
12	Aquarius	8%	Randgold	3%	Antofagasta	-2%	Aquarius	8%	Rio	0%	
13	Rio	-1%	Ferrexpo	2%	Vedanta	-4%	Rio	-1%	African Barrick	-2%	
14	Antofagasta	-1%	Kazakhmys	1%	Ferrexpo	-5%	Antofagasta	-1%	Antofagasta	-3%	
15	Lonmin	-27%	Lonmin	-7%	Nyrstar	-6%	Lonmin	-27%	Ferrexpo	-14%	
16	Ferrexpo	-30%	Vedanta	-8%	Lonmin	-15%	Ferrexpo	-30%	Lonmin	-23%	
17	African Minerals	-83%	African Minerals	-54%	African Minerals	-82%	African Minerals	-83%	African Minerals	-78%	
Source:	Deutsche Bank, Data	stream	•		•				•		

If we had followed a mean reversion strategy for the second quarter, we would have been long the worst performers and short the best of the preceding quarter. In this case, the best 3 performers of 2Q14 were Norsk Hydro, Fresnillo and Kazakhmys. 3Q14 to date two still remain relatively high (Norsk Hydro 4th, Fresnillo 3rd and Kazakhmys 14th) – so only Kazakhmys appears to be mean reverting this quarter thus far. Of the bottom 3 performers in the second quarter (African Minerals, Lonmin and Ferrexpo), two of them (African Minerals and Lonmin) still remain in the bottom 3 and Ferrexpo is currently 13th quarter to date. Across the suite of miners, many of the smaller ones with more leverage to single commodities or single/key risks can remain relative out/under performers for extended periods of time and various themes play out.

The key risk issue is not as prevalent for the larger miners as they tend to be more commodity and region diverse, and to have more operations, so issues at any one of them have a much smaller percentage impact on the company. We look now at mean reversion performance just for the big miners where the outcome is more compelling. If you are a hard working stock picker, then you may want to skip this next section which you could find a little depressing....

If 2 and a half years ago at the start of 2012 you had looked at the big 4 miners to decide which to buy, depending on your choice, the outcome at the end of June 2014 would have been: Anglo -37%, Glencore -15%, Rio + 2% and BHP +4%.

If instead, you had put your money into the previous quarter laggard and then sold at the end of the quarter and bought the laggard of the last quarter (rolling quarterly laggard trade), then today you would be up +21% excluding trading costs. A quarterly laggard long/short trade (i.e., half your capital long last quarter's underperformer and half short the top performer) would have yielded +28%. The performance of the trades is shown in the chat below.



We recognize the starting point is relatively arbitrary (we picked it because Glencore listed mid-2011, so we could not get comparisons much further back than our start point). We also recognize that many investors have 12 month time horizons, so have included below the performance outcomes on a rolling 12 month basis. As can be seen, the quarterly long/short laggard trade was the best or second best performer in every period shown except that ending 4Q12 (i.e., for calendar year 2012) where it was the 4th best performer of the six with a return of -3%.

Figure 40: Performance since 1/7/2012 (end 2q12)

Figure 41: Rolling 12 mc	onth performance	ce					
	End 4q12	End 1q13	End 2q13	End 3q13	End 4q13	End 1q14	End 2q14
12 month performance							
Anglo	-20%	-28%	-38%	-21%	-30%	-10%	15%
BHP	13%	0%	-5%	-9%	-12%	-2%	13%
Glencore	-10%	-9%	-5%	-3%	-11%	-13%	19%
Rio	12%	-10%	-9%	2%	-3%	9%	17%
Quarterly laggard trade	3%	-7%	-8%	-9%	-6%	22%	48%
Quarterly long short trade	-3%	4%	8%	9%	16%	25%	25%
Rank							
Anglo	6	6	6	6	6	5	5
BHP	1	2	2	4	5	4	6
Glencore	5	4	3	3	4	6	3
Rio	2	5	5	2	2	3	4
Quarterly laggard trade	3	3	4	5	3	2	1
Quarterly long short trade Source: Deutsche Bank, DataStream	4	1	1	1	1	1	2

The table below shows the quarterly price performance for the majors. Based on the performance over the second quarter, those following a laggard trade would have been Long Rio this quarter (3rd best performer quarter to date, so not performing too well so far) and those following a long/short laggard trade would have been short Glencore against it (quarter to date, Glencore is the best performer, so again not such a great performance this quarter).

Figure 42: Quarter	Figure 42: Quarterly performance.											
	1 Jan 12	1 Apr 12	1 Jul 12	1 Oct 12	1 Jan 13	1 Apr 13	1 Jul 13	1 Oct 13	1 Jan 14	1 Apr 14	1 Jul 14 15	5 Aug 14
Anglo	6.7%	-1.8%	-10.6%	-9.5%	0.2%	-10.7%	-23.6%	14.9%	-11.1%	15.9%	-2.8%	6.5%
BHP	8.0%	1.6%	-5.3%	9.3%	7.9%	-10.1%	-10.5%	5.3%	3.5%	0.7%	3.3%	4.2%
Glencore	-2.7%	-0.7%	-24.1%	15.7%	2.7%	1.4%	-21.5%	18.2%	-5.4%	-1.1%	7.7%	8.2%
Rio	8.2%	10.3%	-12.4%	-2.7%	19.5%	-12.1%	-11.4%	9.6%	13.8%	-1.0%	-5.1%	5.4%
Source: Deutsche Bank estimates												

Net interest cover (RHS)

anna.mulholland@db.com

Model updated:02 September 2014	Fiscal year end 31-Dec	2011	2012	2013	2014E	2015E	2016E
Running the numbers	Financial Summary						
Europe	DB EPS (USD)	0.67	0.23	0.26	0.25	0.21	0.36
United Kingdom	Reported EPS (USD) DPS (USD)	0.67 0.16	0.12 0.16	-1.90 0.03	0.25 0.04	0.21 0.03	0.36 0.06
Gold	BVPS (USD)	6.7	6.7	4.7	5.0	5.3	5.8
	Weighted average shares (m)	410	410	410	410	410	410
African Barrick	Average market cap (USDm)	3,383	2,734	1,228	1,617	1,617	1,617
Reuters: ABGL.L Bloomberg: ABG LN	Enterprise value (USDm)	2,836	2,355	1,093	1,504	1,555	1,794
Hold	Valuation Metrics						
	P/E (DB) (x)	12.3	29.2	11.6	15.9	19.0	10.9
Price (2 Sep 14) GBP 237.40	P/E (Reported) (x) P/BV (x)	12.3 1.06	57.6 1.07	nm 0.66	16.0 0.79	19.0 0.74	10.9 0.68
Target PriceGBP 280.00	FCF Yield (%)	6.7	nm	nm	nm	nm	nm
52 Week range GBP 135.80 - 320.00	Dividend Yield (%)	2.0	2.5	1.0	1.1	0.7	1.6
Market Cap (m) GBPm 974	EV/Sales (x)	2.3	2.2	1.2	1.6	1.7	1.7
USDm 1,617	EV/EBITDA (x) EV/EBIT (x)	5.2 6.9	7.4 20.4	4.5 nm	5.4 9.6	6.3 12.0	5.3 8.2
		0.0	20.4		0.0	12.0	0.2
Company Profile	Income Statement (USDm)	1 210	1 097	042	010	021	1 029
African Barrick Gold is a gold exploration and mining company with four operating mines in Tanzania, producing	Sales revenue Gross profit	1,218 648	1,087 432	942 356	918 348	931 322	1,028 406
2.700 - 800 koz of gold p.a. The company was spun out of	EBITDA	544	319	240	278	246	340
parent company Barrick Gold, which is the world's largest gold producer. The company aims to grow production to	Depreciation Amortisation	134 0	159 45	158 1,061	122 0	116 0	120 C
over 1Moz of gold p.a. through a series of brownfield	EBIT	410	115	-978	157	129	220
expansions at its existing mines, one Greenfield project called Nyanzaga and potential M&A.	Net interest income(expense) Associates/affiliates	-7 0	-8 0	-8 0	-8 0	-8 0	-8- 0
	Exceptionals/extraordinaries	0	0	0	0	0	0
	Other pre-tax income/(expense)	0	0	0	0	0	0
Price Performance	Profit before tax Income tax expense	403 118	107 71	-986 -188	149 49	122 36	212 64
900	Minorities	10	-11	-17	0	0	C
	Other post-tax income/(expense) Net profit	0 275	0 47	0 -781	0 101	0 85	0 148
450	DB adjustments (including dilution)	0	46	887	101	0	0
300	DB Net profit	275	93	106	102	85	148
	Cash Flow (USDm)						
Sep 11 Mar 12 Sep 12 Mar 13 Sep 13 Mar 14	Cash flow from operations	498	287	187	259	260	308
African Barrick — FTSE 100 INDEX (Rebased)	Net Capex	-273	-313	-375	-267	-301	-536
Margin Trends	Free cash flow Equity raised/(bought back)	225 0	-26 0	-187 0	-7 0	-41 0	-228 0
	Dividends paid	-31	-74	-55	-14	-17	-11
	Net inc/(dec) in borrowings Other investing/financing cash flows	0 -11	0 -54	142 -19	50 -1	0 5	250 5
	Net cash flow	183	-154	-119	28	-53	16
-40	Change in working capital	0	0	0	0	0	0
-80	Balance Sheet (USDm)						
	Cash and other liquid assets	584	401	282	310	259	270
11 12 13 14E 15E 16E	Tangible fixed assets Goodwill/intangible assets	1,823 259	1,964 278	1,281 211	1,427 211	1,612 211	2,028 211
EBITDA Margin	Associates/investments	235	0	0	0	0	(
Growth & Profitability	Other assets	629	685	658	644	636	671
30 20	Total assets Interest bearing debt	3,295 0	3,329 0	2,432 142	2,593 192	2,718 192	3,180 442
20 10	Other liabilities	496	553	363	342	347	348
10	Total liabilities Shareholders' equity	496 2,761	553 2,752	505 1,922	534 2,054	539 2,175	790 2,385
-20	Minorities	38	23	5	5	5	5
-10 -30 -30	Total shareholders' equity <i>Net debt</i>	2,799 <i>-584</i>	2,775 <i>-401</i>	1,927 <i>-140</i>	2,058 <i>-118</i>	2,180 <i>-67</i>	2,390 <i>172</i>
11 12 13 14E 15E 16E		-504	-401	-140	-110	-07	172
Sales growth (LHS) ROE (RHS)	Key Company Metrics		107	40.0			10
Solvency	Sales growth (%) DB EPS growth (%)	24.9 28.2	-10.7 -66.0	-13.3 13.7	-2.6 -4.1	1.4 -16.4	10.4 74.1
,	EBITDA Margin (%)	44.7	29.3	25.5	30.3	26.4	33.0
10 60 50	EBIT Margin (%) Payout ratio (%)	33.7 24.3	10.6 141.1	-103.8 nm	17.1 17.1	13.9 13.1	21.4 17.3
0 40	ROE (%)	24.3 10.4	141.1	-33.4	5.1	4.0	6.5
-5 30	Capex/sales (%)	22.4	28.8	39.7	27.8	32.4	52.1
-15 20	Capex/depreciation (x) Net debt/equity (%)	2.0 -20.9	2.0 -14.5	2.4 -7.3	2.1 -5.7	2.6 -3.1	4.5 7.2
-20 -25 - 10 0	Net interest cover (x)	56.8	14.1	nm	20.4	17.2	28.1
11 12 13 14E 15E 16E	Source: Company data, Deutsche Bank est.	imatos					

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Figure 43: African Barrick Gold Operational and Financial Summary

X/COMMODITY ASSUMPTIONS	CY10 20.2	CY11	CY12		CY14F		CY16F 19.0	CY17F	CY18F	CY19F	25.4	NPV Bulwanbulu	US\$m	US\$ps	£ps
lver old	20.2 1226	35.2 1570	31.3 1671	23.9 1413	20.0 1257	19.8 1163	19.0 1150	18.8 1125	20.0 1200	24.6 1598	25.4 1654	Bulyanhulu Buzwagi	1824 -302	4.45 -0.74	2.87 -0.48
opper	343	400	361	334	309	302	295	327	340	340	352	North Mara	-302	-0.74	-0.48
inc	98	400 99	89	88	309 94	105	108	112	115	120	124	Nyanzaga	267	0.65	0.42
	98	109	94	98	94 96	103	108	107	108	120	124		38	0.05	0.42
ead												Golden Ridge			
anzanian Shilling	1433	1555	1580	1580	1580	1600	1600	1600	1600	1600	1600	Investments	0	0.00	0.00
K/USD	0.65	0.62	0.63	0.64	0.61	0.64	0.72	0.72	0.72	0.72	0.72	Total Operational	2629	6.41	4.14
												Corporate / unallocated	-604	-1.47	-0.95
												Net (Debt)/Cash	310	0.76	0.49
EY FINANCIAL METRICS												Total	2335	5.69	3.67
nderlying earnings (US\$m)	218	275	134	106	101	85	148	51	111	456	471	NPV discount			0.80
ash Generated for Operations (US\$m)	344	501	291	191	264	267	316	257	173	550	711	Target price			2.80
apex (incl. expl) and divestments (US\$m)	224	273	313	375	255	301	536	371	199	220	228				
vidend (US\$m)	260	31	74	55	14	17	11	26	12	0	65				
cauisitions (US\$m)	63	0	22	1	0	0	0	0	0	0	0	Valuation (FY14)			
et Cash Flow (US\$m)	332	184	-154	-117	29	-51	11	-36	-92	0	98				
et Debt / (Cash) - US\$m	-401	-584	-401	-140	-118	-67	172	358	450	250	-48				
earing (ND/E - %)	-16%	-21%	-14%	-7%	-6%	-3%	7%	15%	18%	8%	-1%		Golden Ridge		
DE (%)	9%	10%	3%	-41%	5%	4%	6%	2%	4%	15%	13%	Nyanzaga	1%		
DA (%)	8%	9%	2%	-33%	4%	3%	5%	2%	3%	12%	11%	8%			
nderlying EPS (USc)	0.53	0.67	0.33	0.26	0.25	0.21	0.36	0.12	0.27	1.11	1.15				
	0.03		-51%		-5%	-16%	74%	-65%		313%	3%				
PS Change (%)		26%	-01%	-21%					116%						
PS CAGR since FY12 (%)	0.05	0.40	0.40	-21%	-13%	-14%	3%	-18%	-3%	19%	17%				
PS (USc)	0.05	0.16	0.16	0.03	0.04	0.03	0.06	0.03	0.00	0.16	0.23	North Mara			
ayout ratio (%)	10%	24%	50%	12%	17%	13%	17%	24%	0%	14%	20%	25%			
RODUCTION												Buzwagi		Bulyanh	ulu
ttributable production												-9%		57%	
old	702	688	626	642	703	752	846	742	939	1122	1117				
ilver	338	381	396	392	382	442	468	469	469	469	469				
opper	7	15	5	6	9	7	7	5	11	16	16				
onsolidated production												L			
old	720	714	640	644	703	752	846	742	939	1122	1117				
ilver	338	381	396	392	382	442	468	469	469	469	469	Revenue split (FY14)			
opper	7	15	5	6	9	7	7	5	11	16	16	······			
opper Equivalent production	162	168	143	144	161	168	189	165	212	256	255				
old Equivalent production	709	696	634	650	711	761	856	751	948	1131	1126				
old production CAGR (%)	700	550	504	2%	6%	6%	8%	3%	7%	9%	7%				
Frequencies entant (70)				- /0	570	576	0,0	070	, ,,	070					
evenue												Buzwagi		Bulyanhu	ılu
ulyanhulu	328	427	418	263	307	400	444	451	479	660	676	37%		33%	
ulawaka	79	131	76	13	0	400	444	401	479	000	0/0				
urawaka uzwagi	79 245	316	283	259	273	244	300	160	170	223	231				
	245	272	283	259 365	335	244 259	300 256	250	267		368				
orth Mara										356					
yanzaga	0	0	0	0	0	0	0	0	238	583	604				
yproducts	55	63	48	43	42	29	28	27	19	10	12				
otal	974	1208	1135	942	957	931	1028	888	1173	1832	1890				
													Tulawaka		
BITDA	10-	0.05							000	105			30%		
ulyanhulu	187	265	204	68	117	184	212	214	236	403	411				
ulawaka	33	71	16	-8	0	0	0	0	0	0	0				
uzwagi	110	180	86	-634	31	12	59	-79	-77	-35	-36				
orth Mara	166	133	118	-140	189	119	113	105	118	198	204	EBITDA split (FY14)			
yanzaga	0	0	0	0	0	-24	-8	0	10	179	187				
thers	-76	-87	-105	-113	-80	-72	-62	-61	-61	-60	-62				
otal	420	561	318	-827	256	219	314	179	226	685	705	North Mara			
												-19%			
APEX														Bulyanhulu	I I
		82	118	175	132	183	93	93	95	97	101			28%	
ulyanhulu	81	21	17	0	0	0	0	0	0	0	0				
ulyanhulu ulawaka	81 16	21		82	43	50	25	20	20	20	21				
ulawaka		74	87			67	67	67	68	71	73				
ulawaka uzwagi	16		87 76	94	83			175	0	0	0				
ulawaka uzwagi orth Mara	16 30 91	74 104	76	94			350								
ulawaka uzwagi orth Mara yanzaga	16 30 91 0	74 104 5	76 10	94 0	0	0	350			0				Tula	
ulawaka uzwagi orth Mara yanzaga thers	16 30 91 0 5	74 104 5 12	76 10 9	94 0 2	0 0	0 0	0	0	0	0 188	0			Tulawa 8%	aka
ulawaka uzwagi orth Mara yanzaga	16 30 91 0	74 104 5	76 10	94 0	0	0				0 188					aka
Jlawaka uzwagi orth Mara yanzaga thers ot al	16 30 91 0 5	74 104 5 12	76 10 9	94 0 2	0 0	0 0	0	0	0		0	Buzwagi 45%			aka
ilawaka uzwagi orth Mara yanzaga chers stal BITDA Margin	16 30 91 0 5 222	74 104 5 12	76 10 9 317	94 0 2 354	0 0 ⁷ 258	0 0 300	0 535	0 355	0 183	188	0 195	Buzwagi 45%			aka
ilawaka izwagi yanzaga thers tal BITDA Margin Jiyanhulu	16 30 91 0 5 222 57%	74 104 5 12 292 62%	76 10 9 317 49%	94 0 2 354 26%	0 0 258 38%	0 0 300 46%	0 535 48%	0 355 47%	0 183 49%	188 61%	0 195 61%				aka
ilawaka uzwagi yanzaga yanzaga bters SITDA Margin ulyanhulu lawaka	16 30 91 0 5 222 57% 42%	74 104 5 12 292 62% 54%	76 10 9 317 49% 21%	94 0 2 354 26% -61%	0 0 258 38% NM	0 0 300 46% NM	0 535 48% NM	0 355 47% NM	0 183 49% NM	188 61% NM	0 195 61% NM				ака
ilawaka uzwagi orth Mara yanzaga thers Stal BITDA Margin ulyanhulu ulawaka zuwagi / Golden Ridge	16 30 91 0 5 222 57% 42% 45%	74 104 5 12 292 62% 54% 57%	76 10 9 317 49% 21% 30%	94 0 2 354 26% -61% -245%	0 0 258 38% NM 11%	0 0 300 46% NM 5%	0 535 48% NM 20%	0 355 47% NM -50%	0 183 49% NM -45%	188 61% NM -16%	0 195 61% NM -15%				aka
Jlawaka uzwagi orth Mara yanzaga thers 5tal BITDA Margin Uyanhulu ulawaka uzwagi / Golden Ridge orth Mara	16 30 91 0 5 222 57% 42% 45% 62%	74 104 5 12 292 62% 54% 57% 49%	76 10 9 317 49% 21% 30% 38%	94 0 2 354 -61% -245% -38%	0 0 258 38% NM 11% 56%	0 0 300 46% NM 5% 46%	0 535 48% NM 20% 44%	0 355 47% NM -50% 42%	0 183 49% NM -45% 44%	188 61% NM -16% 56%	0 195 61% NM -15% 56%				aka
ilawaka izwagi yanzaga thers xtal BITDA Margin Jiyanhulu ilawaka zwagi / Golden Ridge	16 30 91 0 5 222 57% 42% 45%	74 104 5 12 292 62% 54% 57%	76 10 9 317 49% 21% 30%	94 0 2 354 26% -61% -245%	0 0 258 38% NM 11%	0 0 300 46% NM 5%	0 535 48% NM 20%	0 355 47% NM -50%	0 183 49% NM -45%	188 61% NM -16%	0 195 61% NM -15%				aka

Source: Deutsche Bank estimates, Company Data

Investment Thesis - ABG

Outlook

African Barrick Gold was formed from parent company (and 64% shareholder) Barrick Gold's African gold assets. Africa historically contributed less than 10% of Barrick's global gold production, and was therefore not a focus for the company. As a result the operational track record of these assets is somewhat mixed and in our view, whilst there is significant upside potential in the existing asset and cost base, there are also execution risks. We believe African Barrick now has the right management team in place to deliver its stated cost and capex cutting targets during the next 12 months. This is needed to drive down its All-In Sustaining Costs to sustainable levels in what we expect to be a declining gold price environment. Hold.

Valuation

Our 12-month price target is based on 0.8x our end 2014e NAV. Our NAV is based on a life of mine discounted cash flows, with a WACC of 5% and a long-run gold price assumption of US\$1300/oz. Our WACC of 5% is based on a risk free rate of 4%, a market risk premium of 6%, a beta of 0.3x and a 30% target gearing.

Risks

Key risks include higher- or lower-than-expected gold prices, higher- or lowerthan expected costs and volatility in the Tanzanian Shilling. The failure to deliver cost and capex cuts as planned, plus the failure to improve grades especially at its Bulyanhulu mine, are two key downside risks, offset by the upside risk that cost cutting is faster and higher than we expect and is targeted. There is a risk of an overhang in the shares from any further selldown by Barrick Gold of its majority stake in African Barrick Gold. Barrick placed 10% of ABG's issued shares on the market in March 2014, taking its total stake from 74% to 64%.

Net interest cover (RHS)

Model updated:28 July 2014	Fiscal year end 31-Dec	2011	2012	2013	2014E	2015E	2016E
Running the numbers	Financial Summary						
Europe	DB EPS (USD)	4.85	2.21	2.08	1.80	2.15	2.54
United Kingdom	Reported EPS (USD) DPS (USD)	4.89 0.74	-1.10 0.85	-0.75 0.85	1.94 0.85	2.15 0.85	2.54 0.87
Metals & Mining	BVPS (USD)	32.3	30.3	24.7	25.8	27.1	28.8
	Weighted average shares (m)	1,210	1,244	1,281	1,283	1,283	1,283
Anglo American	Average market cap (USDm)	54,238	42,250	31,653	33,296	33,296	33,296
Reuters: AAL.L Bloomberg: AAL LN	Enterprise value (USDm)	64,162	54,005	46,856	51,729	54,532	51,735
Hold	Valuation Metrics						
	P/E (DB) (x) P/E (Reported) (x)	9.2 9.2	15.3 nm	11.9 nm	14.4 13.4	12.1 12.1	10.2 10.2
Price (2 Sep 14) GBP 1,562.00	P/BV (x)	1.14	1.02	0.88	1.01	0.96	0.90
Target Price GBP 1,650.00	FCF Yield (%)	6.0	0.0	2.1	nm	nm	4.1
52 Week range GBP 1,226.50 - 1,648.00	Dividend Yield (%)	1.7	2.5	3.4	3.3	3.3	3.4
Market Cap (m) GBPm 20,040	EV/Sales (x)	2.1	1.9	1.6	1.8	1.7	1.5
USDm 33,296	EV/EBITDA (x) EV/EBIT (x)	5.6 6.8	nm nm	9.3 19.5	7.0 10.8	6.9 11.0	5.8 9.0
Company Profile	Income Statement (USDm)						
Anglo American plc is a globally diversified mining	Sales revenue	30,580	28,680	29,342	28,459	31,295	34,424
company. It has interests in diamonds, platinum, met coal,	Gross profit	11,406	-243	5,045	7,409	7,887	8,863
thermal coal, copper, nickel, iron ore and industrial minerals. The Group has operations and developments in	EBITDA Depreciation	11,406 1,967	-243 1,357	5,045 2,638	7,409 2,612	7,887 2,921	8,863 3,101
Africa, Europe, Australia, and South and North America.	Amortisation	0	0	0	0	0	0,101
The company first listed in London in 1999, and has been disposing of non-core assets to create a more focused	EBIT	9,439 183	-1,600 -377	2,407 -406	4,797 -41	4,965 -106	5,762 -388
mining group. Anglo's diamond and platinum assets	Net interest income(expense) Associates/affiliates	977	432	-400	260	347	-388
differentiate it from the other diversified miners.	Exceptionals/extraordinaries	183	1,394	-469	137	0	0
Price Performance	Other pre-tax income/(expense) Profit before tax	2 10,784	0 -151	0 1,700	0 5,152	0 5,207	0 5,813
	Income tax expense	2,860	375	1,274	1,470	1,327	1,486
3600 3200	Minorities	1,753 0	879 0	1,387 0	1,197 0	1,125 0	1,064 0
2800	Other post-tax income/(expense) Net profit	6,171	-1,405	-961	2,485	2,756	3,263
2400	DB adjustments (including dilution)	-49	4,244	3,634	-180	0	0
1600	DB Net profit	6,122	2,839	2,673	2,305	2,756	3,263
800	Cash Flow (USDm)						
Sep 11 Mar 12 Sep 12 Mar 13 Sep 13 Mar 14	Cash flow from operations	9,362	5,562	6,792	6,272	6,460	7,254
Anglo American — FTSE 100 INDEX (Rebased)	Net Capex Free cash flow	-6,126 3,236	-5,541 21	-6,117 675	-6,335 -63	-6,885 -425	-5,903 1,351
Margin Trends	Equity raised/(bought back)	-347	24	14	-03	-425	1,551
40	Dividends paid	-2,222	-2,237	-2,237	-1,950	-2,258	-2,276
30	Net inc/(dec) in borrowings Other investing/financing cash flows	4,667 299	5,834 -6,453	1,043 -1,100	1,669 -815	0 -106	0 -388
20	Net cash flow	5,633	-2,811	-1,605	-1,149	-2,789	-1,312
10	Change in working capital	0	0	0	0	0	0
	Balance Sheet (USDm)						
-10 J -11 12 13 14E 15E 16E	Cash and other liquid assets Tangible fixed assets	11,732 40,549	9,094 45,089	7,704 41,505	6,749	3,960 49,426	6,649 52,228
EBITDA Margin EBIT Margin	Goodwill/intangible assets	2,682	45,089 4,964	41,505 4,431	45,462 4,443	49,426 4,443	52,228 4,443
	Associates/investments	8,804	9,339	7,478	7,731	7,838	8,126
Growth & Profitability	Other assets Total assets	8,675 72,442	10,883 79,369	10,047 71,165	9,500 73,886	10,266 75,933	10,906 82,352
15 20	Interest bearing debt	12,873	18,673	17,848	19,882	19,882	19,882
10 15	Other liabilities	16,380	16,909	15,953	14,759	15,185	19,552
5 10	Total liabilities Shareholders' equity	29,253 39,092	35,582 37,657	33,801 31,671	34,641 33,111	35,067 34,776	39,434 36,936
0 -5 0	Minorities	4,097	6,130	5,693	6,134	6,091	5,982
-10 -5	Total shareholders' equity Net debt	43,189 <i>1,141</i>	43,787 <i>9,579</i>	37,364 <i>10,144</i>	39,244 <i>13,133</i>	40,866 <i>15,922</i>	42,918 <i>13,233</i>
11 12 13 14E 15E 16E		.,	0,070		10,100	10,022	10,200
Sales growth (LHS) ROE (RHS)	Key Company Metrics Sales growth (%)	9.4	-6.2	2.3	2.0	10.0	10.0
Solvency	DB EPS growth (%)	9.4 23.7	-6.2 -54.4	-6.0	-3.0 -13.6	10.0	10.0
	EBITDA Margin (%)	37.3	-0.8	17.2	26.0	25.2	25.7
50 140 120	EBIT Margin (%) Payout ratio (%)	30.9 14.5	-5.6 nm	8.2 nm	16.9 43.9	15.9 39.6	16.7 34.2
	ROE (%)	16.8	-3.7	-2.8	7.7	8.1	9.1
30 100			10.0	01.0	22.4	22.0	17.1
30 80 60	Capex/sales (%)	20.3	19.6	21.3			
30 80	Capex/sales (%) Capex/depreciation (x) Net debt/equity (%)	20.3 3.2 2.6	19.6 4.1 21.9	21.3 2.4 27.1	22.4 2.4 33.5	22.0 2.4 39.0	1.9 30.8

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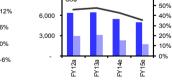
Deutsche Bank AG/London

Net debt/equity (LHS)

Figure 44: Anglo American Operational and Financial Summary Data

FX/COMMODITY ASSUMPTIC	NS	FY12a	FY13a	FY14e	FY15e	FY16e
ZAR/USD		8.21	9.79	10.72	9.98	9.84
Platinum	\$/oz	1,558	1,487	1,466	1,575	1,650
Palladium	\$/oz	655	726	794	853	950
Gold	\$/oz	1,671	1,413	1,257	1,163	1,150
Met Coal	\$/t	210	159	130	135	155
Iron Ore	\$/t	108	106	81	88	82
Copper	Usc/lb	361	334	309	302	295
Nickel	Usc/lb	797	685	799	962	1,089
PRODUCTION			0.000	1 000	0.040	0.400
Platinum	koz	#REF!	2,289 39	1,883	2,342	2,422
SA Thermal Coal - Eskom & Dom	mt mt	40 17	39 18	39.3 17.0	41.7 17.5	41.9 17.6
SA Thermal Coal - Export Australia Met Coal - Domestic	mt	8	6	6.8	5.0	5.0
Australia Met Coal - Domestic Australia Met Coal - Export	mt	22	25	24.7	26.0	27.1
Sth America Thermal Coal - Export	mt	12	11	11.7	12.4	12.4
Iron Ore	mt	43	42	46.7	60.2	74.1
Copper	kt	660	775	746	771	783
Nickel	kt	39.3	34.4	35.7	24.2	38.2
Diamonds	mCt	27.9	31.2	32.8	33.7	34.2
REVENUE, US\$M						
Met Coal		3,899	3,396	3,016	3,271	4,232
Thermal Coal		3,447	3,004	2,691	3,033	3,423
Nickel		336.0	136	162	195	917
Copper		5,122	5,392	5,031	5,334	5,281
Diamonds		4,197	6,404	7,000	6,822	7,158
Platinum		5,489	5,688	5,180	6,285	7,034
Iron Ore		6,403	6,517	5,496	5,012	4,862
OMIG		4,066	2,521	2,629	3,055	3,347
Total EBIT, US\$M		32,959	33,058	31,204	33,009	36,254
Met Coal		405	46	-338	-166	422
Thermal Coal		793	541	502	531	833
Nickel		26	-44	52	67	389
Copper		1687	1739	1361	1499	1341
Diamonds		496	1003	1243	868	781
Platinum		-120	464	88	946	1031
Iron Ore		2949	3119	2338	1772	1575
OMIG		337	137	224	279	343
EBIT margins						
Met Coal		10%	1%	-11%	-5%	10%
Thermal Coal		23%	18%	19%	18%	24%
Nickel		8%	-32%	32%	34%	42%
Copper		33%	32%	27%	28%	25%
Diamonds		12%	16%	18%	13%	11%
Platinum		-2%	8%	2%	15%	15%
Iron Ore		46%	48%	43%	35%	32%
OMIG		8%	5%	9%	9%	10%
Growth Capex, US\$M		4 000	4 050	005	010	705
Met Coal		1,028	1,050	905	813	765
Thermal Coal		212	213	161	154	178
Nickel		100 996	(28) 1,011	88 725	329 1,503	29 1,521
Copper						
Diamonds		94	551	787	943	895
Platinum Iron Ore		822	608 2 517	574	633 1.606	690 876
OMIG		2,077 260	2,517 290	2,769 266	1,606 285	876 285
Total Capex		5,589	6,212	6,276	6,260	5,240
				0,210	0,200	0,240
		Iron Ore)			
Platinum ^{9,000}] USSM	r 18%	Iron Ore 9,00			_	60%

9,000	US\$M		
6,000 -			-
3,000 -		\wedge	\checkmark
(3,000)	FY128	FY13a	FY14e



EBIT -

FY 14e FY 15e

EBIT -

EBIT Margin

50%

40%

30%

20%

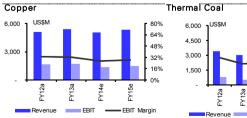
10%

0%

BIT Margin

Revenue EBIT - EBIT Margin





FY15e

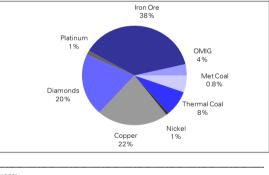
0%

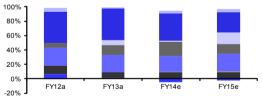
-6%

Source: Deutsche Bank estimates, Company Data

,						
US\$bn	NAV	Multiple	Value	NCIs	AAL value	
Collahuasi	5,695	1.00	5,695	0	5695	
Los Bronces	7,063	1.00	7,063	3525	3539	
Mantos Blancos copper	380	1.00	380	0	380	
Met coal	7,237	1.00	7,237	1165	6073	
Thermal coal	6,776	1.00	6,776	236	6541	
Minas-Rio Phase 1	6,579	1.00	6,579	0	6579	
Kumba	9,673	1.00	9,673	2931	6742	
Diamonds	7,928	1.00	7,928	1189	6739	
Manganese	799	1.00	799	0	799	
Total core	52,133	1.00	52,133	9045	43088	
Minas-Rio phase 2 & 3	1.133	0.50	566	0.0	566	
Platinum	10.633	0.50	5.317	1,063.3	4,253	
Quellaveco	950	0.50	475	0.0	475	
Other mining & Tarmac	2,223	1.00	2,223	0.0	2,223	
Nickel	2,068	1.00	2,068	0.0	2,068	
Total stub	17,007	0.00	10,649	0.0	9,585	
Total value					32,295	
Net debt	(13,132.8)	1.0	(13,132.8)	0.0	(13,132.8)	
Corporate	(1,567.6)	1.0	(1,567.6)	0.0	(1,567.6)	
PT per share (USD)					24.8	
Per share (GBP) Today's share price Upside/downside					16.50 16.33 1.0%	
Per share (ZAR) Today's share price Upside/downside					299.0 292.0 <i>2.4%</i>	

EBIT split (2014e)





Met Coal Thermal Coal Nickel Copper Diamonds Platinum Iron Ore OMIG

Investment Thesis - Anglo

Outlook

We think Anglo management has the right approach and tools to turn around the group and drive towards its 15% ROCE 2016 target but there are significant near-term headwinds and a lack of positive catalysts for the shares in 2014. Other diversified miners under our coverage have more short-term positive catalysts, plus higher earnings and FCF upgrade potential. We believe there is a longer-term re-rating story in Anglo but that it can be revisited once headwinds have passed and tangible cost savings are in sight - 2H14 at the earliest in our view. Hold.

Valuation

We set our 12-month TP by applying multiples to DCF-derived NPV valuations for Anglo's main divisions and mines. We forecast that a re-rating to 1x NAV can be achieved for Anglo's copper, coal and diamonds divisions, Kumba Iron Ore and Minas-Rio (phase 1). We then apply a 0.8x NPV multiple to reflect historical management performance relative to the broader sector over time. We assume that the non-core/stub of Anglo's business does not re-rate in the 12-month time frame, and apply a 0.5x NAV to reflect the barriers to exiting these assets. We use a WACC of 9.5%.

Risks

Risks include stronger-or weaker-than-expected operating currencies (Rand, A\$) and higher/lower commodity prices than we forecast, in particular PGMs, copper and iron ore. More specific risks include further cost increases or delays at Minas Rio, the implementation risks of the Platinum operational review and delays to project approvals. Upside risks come from delivering the 2016 ROCE target more quickly than we anticipate.

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Model updated:26 August 2014	Fiscal year end 31-Dec	2011	2012	2013	2014E	2015E	2016E
Running the numbers	Financial Summary						
Europe	DB EPS (USD)	1.40	1.40	0.67	0.71	0.92	0.84
United Kingdom	Reported EPS (USD) DPS (USD)	1.25 0.44	1.05 0.99	0.67 0.95	0.71 0.25	0.92 0.32	0.84 0.29
Metals & Mining	BVPS (USD)	6.3	7.2	6.8	6.5	7.1	7.6
<u> </u>	Weighted average shares (m)	986	986	986	986	986	986
Antofagasta PLC	Average market cap (USDm)	20,276	18,810	14,525	12,956	12,956	12,956
Reuters: ANTO.L Bloomberg: ANTO LN	Enterprise value (USDm)	24,316	21,865	18,676	18,535	18,385	18,057
Coll	Valuation Metrics						
Sell	P/E (DB) (x)	14.7	13.6	22.0	18.4	14.3	15.7
Price (2 Sep 14) GBP 791.00	P/E (Reported) (x) P/BV (x)	16.4 3.00	18.2 2.98	22.0 2.00	18.4 2.01	14.3 1.84	15.7 1.72
Target Price GBP 730.00	FCF Yield (%)	8.9	10.4	2.2	0.3	4.1	5.3
52 Week range GBP 746.50 - 959.00	Dividend Yield (%)	2.1	5.2	6.4	1.9	2.4	2.2
Market Cap (m) GBPm 7,798	EV/Sales (x)	4.0	3.2	3.1	3.4	3.1	3.1
USDm 12,956	EV/EBITDA (x) EV/EBIT (x)	6.6 7.5	5.7 6.6	6.9 8.6	8.4 11.0	7.2 9.4	7.4 10.1
		7.5	0.0	0.0	11.0	5.4	10.1
Company Profile	Income Statement (USDm)	6 077	6 740	5,972	E 406	6,014	E 004
Antofagasta plc is one of the world's top ten copper producers with operations centered in Chile. The company also has	Sales revenue Gross profit	6,077 3,661	6,740 3,829	2,702	5,406 2,201	2,571	5,884 2,435
diversified holdings in the transport, port energy and water industries, all as a way of hedging input costs. The Group's	EBITDA	3,661	3,829	2,690	2,202	2,571	2,435
mining operations however represent the core of earnings (c.90%) and specialise in copper, via their Los Pelambres, El	Depreciation Amortisation	432 0	494 0	518 0	510 0	617 0	653 0
Tesoro, Esperanza and Michilla mines. Their transport	EBIT	3,229	3,335	2,172	1,691	1,954	1,782
operations encompass an extensive rail network, which serves the mining region of Northern Chile. The company has an	Net interest income(expense) Associates/affiliates	-21 0	-91 0	-74 0	-75 0	-57 0	-54 0
extensive portfolio of early stage exploration and development	Exceptionals/extraordinaries	-131	-490	-14	10	35	35
projects across the globe.	Other pre-tax income/(expense)	0	0	0	0	0	0
Price Performance	Profit before tax Income tax expense	3,077 946	2,754 1,021	2,084 844	1,626 488	1,932 574	1,763 522
1800	Minorities	893	702	580	433	453	417
	Other post-tax income/(expense) Net profit	0 1,237	0 1,032	0 660	0 704	0 905	0 823
1200	DB adjustments (including dilution)	141	350	0	0	0	0_0
	DB Net profit	1,379	1,382	660	704	905	823
	Cash Flow (USDm)						
Sep 11 Mar 12 Sep 12 Mar 13 Sep 13 Mar 14	Cash flow from operations	2,466	2,818	1,763	1,774	1,860	1,875
Antofagasta PLC FTSE 100 INDEX (Rebased)	Net Capex	-667	-864	-1,450	-1,742	-1,325	-1,195
Margin Trends	Free cash flow Equity raised/(bought back)	1,799 0	1,954 0	313 110	33 0	535 0	680 0
70	Dividends paid	-1,924	-1,141	-1,437	-1,473	-386	-366
	Net inc/(dec) in borrowings Other investing/financing cash flows	-115 -23	-189 -142	-528 345	0	0	0
50	Net cash flow	-262	481	-1,198	-1,440	149	314
40	Change in working capital	-132	-30	-43	126	-80	16
30	Balance Sheet (USDm)						
20 1 1 12 13 14E 15E 16E	Cash and other liquid assets	3,280	4,297	2,685	1,245	1,394	1,708
EBITDA Margin EBIT Margin	Tangible fixed assets Goodwill/intangible assets	6,443 144	6,513 158	7,425 133	8,656 123	9,364 123	9,905 123
	Associates/investments	334	376	453	653	653	653
Growth & Profitability	Other assets Total assets	1,504 11,705	1,527 12,870	1,694 12,390	1,839 12,515	2,047 13,581	2,005 14,394
40 25	Interest bearing debt	2,140	1,889	1,212	1,199	1,199	14,394
30 20	Other liabilities	1,759	2,176	2,514	2,663	2,792	2,766
20 10 15	Total liabilities Shareholders' equity	3,899 6,196	4,065 7,111	3,726 6,725	3,862 6,443	3,991 7,046	3,965 7,526
0 10	Minorities	1,611	1,694	1,939	2,210	2,544	2,903
-10 5 0	Total shareholders' equity <i>Net debt</i>	7,807 - <i>1,140</i>	8,805 - <i>2,407</i>	8,664 - <i>1,473</i>	8,653 <i>-46</i>	9,590 <i>-195</i>	10,430 <i>-510</i>
11 12 13 14E 15E 16E		1,140	2,407	1,470	40	100	
Sales growth (LHS) ROE (RHS)	Key Company Metrics	20.0	10.0	11 4	0.5	11.0	
Solvency	Sales growth (%) DB EPS growth (%)	32.8 31.1	10.9 0.2	-11.4 -52.3	-9.5 6.7	11.2 28.6	-2.2 -9.0
,	EBITDA Margin (%)	60.2	56.8	45.0	40.7	42.7	41.4
0 200	EBIT Margin (%) Payout ratio (%)	53.1 35.1	49.5 94.1	36.4 142.0	31.3 35.0	32.5 35.0	30.3 35.0
-5 -10 -150	ROE (%)	20.0	15.5	9.5	10.7	13.4	11.3
-15	Capex/sales (%)	11.0	12.8	24.3	32.2	22.0	20.3
-20 -25 50	Capex/depreciation (x) Net debt/equity (%)	1.5 -14.6	1.7 -27.3	2.8 -17.0	3.4 -0.5	2.1 -2.0	1.8 -4.9
-30 0	Net interest cover (x)	152.3	36.7	29.3	22.5	34.6	32.8
11 12 13 14E 15E 16E	Source: Company data, Deutsche Bank est	imates					

Anna	Mul	hol	land,	CFA
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Net debt/equity (LHS)

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Net interest cover (RHS)



Figure 45: Antofagasta Operational and Financial Summary Data

X/COMMODITY ASSUMPTIONS	CY10A	CY11A	CY12A	CY13A	CY14F	CY15F	CY16F	CY17F	CY18F	CY19F	CY20F	Valuations	US\$mn	US\$/Sh	
old	1,226	1,570	1,671	1,412	1,244	1,163	1,150	1,125	1,200	1,598	1,654	Los Pelambres (60%)	6433.35	6.53	4.
ver	20.2	35.2	31.3	23.9	19.9	19.8	19.0	18.8	20.0	24.6	25.4	Centinela Cathodes (709	612.73	0.62	0.
pper	338	400	361	333	306	302	295	327	340	340	352	Michilla (74%)	43.0474	0.04	0.
blybdenum	15.9	15.6	13.0	10.4	12.3	12.8	12.0	13.0	14.0	17.2	17.8	Centinela Concentrates (2468.03	2.50	1.
illean Peso	511	468	485	495	555	556	564	564	564	564	564	Antucoya	79.2468	0.08	0
												Railway	496.266	0.50	0
Y FINANCIAL METRICS (US\$M)												Water	468.047	0.04	0
evenue	4577	6077	6740	5972	5406	6014	5884	6505	6861	7261	7338	Associates & exploration	60.918	0.06	0
ITDA	2772	3661	3829	2702	2201	2571	2435	2957	3147	3343	3403	Twin Metals (40%)	-129.98	-0.13	-0
IT	2592	3098	2845	2158	1701	1989	1817	2314	2495	2706	2774	Centinela	2859.15	2.90	1
et Income	1052	1237	1032	660	704	905	823	1067	1113	1213	1249	Los Pelambres 330kt Exp		0.51	C
perating Cash Flow	2495	3229	3335	2172	1691	1954	1782	2279	2460	2671	2739	Reko Diq (37%)	0	0.00	(
pex (incl. exploration) and divestments	1302	667	874	1459	1742	1325	1195	900	825	543	562	Total operations	13894	14.09	8
vidend	939	1924	1141	1437	1473	386	366	568	695	879	918	Corp/other	-493	-0.50	-(
quisitions / (Sale of Assets)	0	32	-341	-9	0	0	0	0	0	0	0	Less net cash (attrib.)	46	0.05	C
e Cash Flow - before debt & equity	1764	2166	2418	1363	1374	1460	1475	1764	1935	2063	2148	Total to shareholders	13447	13.64	8
t Debt / (Cash)	-1345	-1140	-2407	-1311	116	-34	-348	-1044	-1810	-2800	-3817	Ordinary shares outstand		986	-
paring (ND/E - %)	-22%	-18%	-34%	-19%	2%	0%	-5%	-13%	-20%	-29%	-36%			000	
ering (ND/E - %) E (%)	-2270 -17%	-1870	-3470 -15%	-1976	∠70 -11%	-13%	-076 -11%	-13%	-20% -12%	-2970 -12%	-30% -12%	Valuation (EV14)			
												Valuation (FY14)			
)A (%)	-17%	-20%	-15%	-10%	-11%	-13%	-11%	-13%	-12%	-12%	-12%				
S (USc)	107	125	105	67	71.4	92	84	108	113	123	127				
S Change (%)		18%	-17%	-36%	7%	29%	-9%	30%	4%	9%	3%				
S CAGR (%) - off CY13 earnings					7%	17%	8%	13%	11%	11%	10%	Centinela 21%			
S (USc)	16	20	21	95	24	32	29	38	40	43	44	2176			
vout ratio (%)	15%	16%	20%	142%	33%	35%	35%	35%	35%	35%	35%	Twin			
												Metals			Los
ODUCTION												(40%)			ambres
												Railw ay			60%) 47%
pper (kt)	528	641	709	721	702	769	761	767	790	812	788	4%			
lybdenum (Kt)	8.8	9.8	12.2	8.8	7.1	12.6	12.6	12.6	12.2	12.2	12.1	Antucoya			
ld (koz)	35	192	311	283	263	315	315	305	301	294	285	1%	Gentinela		
pper equivalent production	535	674	762	769	746	823	815	819	841	862	836		Cathodes		
pper equivalent production (% Change)		26%	13%	1%	-3%	10%	-1%	1%	3%	2%	-3%		(70%) 5%		
Equivalent Production - Off CY12 CAGR				1%	-1%	3%	2%	1%	2%	2%	1%	Revenue (FY14)	576		
						•.•									
EVENUE (US\$M)															
s Pelambres	3348	3677	3554	3129	2729	2814	2736	3049	3293	3641	3703	Michill	a		
	0	923	1704	1454	1326	1604	1565	1709	1753	1840	1818	7%	a Antucoya		
ntinela Concentrates												Centinela Cathodes	0%		
ntinela Cathodes	740	820	838	733	628	661	653	722	752	745	769	13%			
chilla	242	349	296	291	349	179	2	2	2	0	0				
tucoya	0	0	0	0	0	403	565	648	675	638	638				
														os	
ITDA (US\$M)												Centinela	- i ciai	mbres	
s Pelambres	2375	2642	2457	1814	1433	1433	1346	1628	1731	1914	1961	es	54	1%	
ntinela Concentrates	20/0	519	1074	649	524	745	678	778	791	845	840	26%			
	355	448	483	431	254	289	273	340	359	342	353				
ntinela Cathodes															
chilla	60	151	38	23	118	24	1	1	1	0	0				
tucoya	0	0	0	0	0	93	145	213	233	205	205				
												EBITDA (FY14)			
pex (US\$M)															
s Pelambres	216	174	179	209	249	350	500	575	500	207	214				
ntinela Concentrates	1060	259	130	325	438	260	150	150	150	155	161				
entinela Cathodes	29	120	131	156	130	430	430	80	80	83	86	Centinela Mi	chilla Antuc	oya	
chilla	13	53	58	17	20	20	0	0	0	0	0	Cathodes	5% 0%	2	
								-		31	-	11%			
tucoya	0	275	440	597	863	200	50	30	30		32				
her (water, rail, other)				156	45	65	65	65	65	67	70				
tal capex	1318	881	938	1459	1745	1325	1195	900	825	543	562	Centinela			
												Concentrat		.os	
ITDA Margin (%)												es		mbres 2%	
s Pelambres	71%	72%	69%	58%	53%	51%	49%	53%	53%	53%	53%	22%	- 0		
ntinela Concentrates		56%	63%	45%	40%	46%	43%	45%	45%	46%	46%				
ntinela Concentrates	48%	55%	58%	40% 59%	40%	40 %	43 %	45%	48%	46%	46%				
	48%	UD %								40 %	40 %				
	050														
chilla tucoya	25%	43%	13% 72%	8% 70%	34% 31%	14% 23%	31% 26%	38% 33%	40% 34%	32%	32%				

Source: Deutsche Bank estimates, Company Data

Investment Thesis -Antofagasta

Outlook

We think the key issues for Antofagasta shares in 2014 are: (i) muted production growth: we forecast group production to drop 3% year on year, with output at Antofagasta's two largest mines, Los Pelambres and Esperanza, static as plant debottlenecking projects kick in, offsetting harder ore and declining grades; (ii) delivering the cost saving opportunity: Antofagasta is aiming to keep its unit costs level in 2014 vs. 2013; (iii) capex continuing to rise to a peak of US\$1.9bn and then remaining above US\$1bnpa into the mediumterm; and (iv) managing risks from new government policies: Chile's incoming government has an ambitious programme of reform, which could see tax rate increases pushed through. Despite these challenges, the stock trades at a premium on 2014e PE and EV/EBITDA multiples versus its global copper peers, and the group's previously conservative stance to keep net cash on its balance sheet may now be under pressure from increasing capex in the 12 month period. We have a Sell recommendation on downside to our target price.

Valuation

Our 12-month price target is set at a 10% premium to our DCF valuation, reflecting the quality of both management and operations. We use life of mine cash flow analysis to derive our valuation, applying a WACC of 11.2% (reflects a cost of equity (Beta 1.2) of 11.2%, cost of debt (post tax) of 6.2% and a tax rate of 23%.

Risks

Key upside risks includes stronger copper, gold and molybdenum price performance than we currently assume; a weaker Chilean Peso than we currently forecast; better grades than we assume at the main Los Pelambres mine; and higher-than-guided cost savings.

Nodel updated:07 August 2014	Fiscal year end 30-Jun	2012	2013	2014	2015E	2016E
Running the numbers	Financial Summary					
Australasia	DB EPS (USD)	-0.31	-0.31	-0.01	0.01	0.02
Nustralia	— Reported EPS (USD) DPS (USD)	-0.31 0.00	-0.58 0.00	-0.01 0.00	0.02 0.00	0.02 0.00
/&M - Other Metals	BVPS (USD)	1.4	0.6	0.5	0.3	0.4
	Weighted average shares (m)	467	480	943	1,464	1,464
Aquarius Platinum	Average market cap (USDm)	1,269	352	597 580	584	584 551
euters: AQP.L Bloomberg: AC		1,389	545	560	549	1 66
Зиу	Valuation Metrics P/E (DB) (x)				F1 0	24.0
rice (2 Sep 14) GBP :		nm nm	nm nm	nm nm	51.2 22.2	24.9 24.9
arget Price GBP	P/BV (x)	0.49	0.97	0.79	1.14	1.09
0	FCF Yield (%)	nm	nm	nm	3.1	nm
2 Week range GBP 19.75 - 9		0.0	0.0	0.0	0.0	0.0
larket Cap (m) GBPn	EV/EBITDA (x)	2.8 61.4	1.5 9.2	2.5 24.6	2.1 14.4	2.0 14.2
USDn	n 584 EV/EBIT (x)	nm	66.1	nm	46.1	42.9
Company Profile	Income Statement (USDm)					
quarius Platinum Limited is a platinum group n		498	373	233	260	281
PGM) producer in southern Africa with listings o ustralian and London stock exchanges. Throug		35 23	74 60	31 24	44 38	45 39
holly owned subsidiary Aquarius Platinum South A	frica, Depreciation	66	51	29	26	26
e Company operates the Kroondal, Marikana and Ev ines as well as two tailing retreatment facilities		0 -43	0 8	0 -5	0 12	0 13
ompany also has a fifty percent stake in the Mi		-45	-31	-28	-11	-5
atinum Mine in Zimbabwe.	Associates/affiliates	0	0	5	23	27
	Exceptionals/extraordinaries Other pre-tax income/(expense)	-4 -95	-281 -21	-2 18	15 0	0
rice Performance	Profit before tax	-177	-324	-13	39	35
	Income tax expense	-31 0	-44	1 0	12 0	11 0
90 -	Minorities Other post-tax income/(expense)	0	-1 0	0	0	0
	Net profit	-146	-279	-13	26	23
45 Man Mar man	DB adjustments (including dilution)	0	128	2	-15	0
30	DB Net profit	-146	-151	-11	11	23
15 Sep 12 Mar 13 Sep 13 Mar 14	Cash Flow (USDm)					
Aquarius Platinum	Cash flow from operations	8	8	21	42	24
FTSE 100 INDEX (Rebased)	Net Capex Free cash flow	-96 -88	-54 -45	-28 -7	-24 18	-26 -2
Margin Trends	Equity raised/(bought back)	0	0	218	0	0
20	Dividends paid Net inc/(dec) in borrowings	-19 7	0 -10	0 -1	0 0	0 -118
	Other investing/financing cash flows	-49	-22	26	0	0
	Net cash flow	-148	-77	236	18	-120
	Change in working capital	-9	-4	-43	0	0
	Balance Sheet (USDm)					
	Cash and other liquid assets 6E Tangible fixed assets	180	103	137	155	35 98
EBITDA Margin	Goodwill/intangible assets	276 88	261 59	100 54	98 54	98 54
	Associates/investments	0	0	230	253	280
Frowth & Profitability	Other assets Total assets	657 1,201	341 765	196 717	196 756	196 663
20	10 Interest bearing debt	304	300	120	120	3
	0 Other liabilities	221	168	123	123	123
-10	-20 Total liabilities -30 Shareholders' equity	525 677	468 297	244 474	244 512	126 537
-20 -30	-40 Minorities	0	0	0	0	0
-40	-60 Total shareholders' equity -70 <i>Net debt</i>	677 <i>124</i>	297 <i>197</i>	474 <i>-17</i>	512 <i>-34</i>	537 <i>-32</i>
-50 = 12 13 14 15E 16E		124	137	-17	-34	-32
Sales growth (LHS) ROE (RH	Key Company Metrics		05.0	07.0		
Solvency	³⁷ Sales growth (%) DB EPS growth (%)	-27.1 na	-25.0 -0.5	-37.6 96.3	11.7 na	7.9 105.6
ouvency	EBITDA Margin (%)	4.5	15.9	10.1	14.7	13.8
80	3 EBIT Margin (%)	-8.7	2.2	-2.3	4.6	4.6
	2 Payout ratio (%)	nm	nm	nm	0.0	0.0 4.5
60	BOE (%)	_10.1	-5/3			
40	2 ROE (%) Capex/sales (%)	-19.1 19.2	-57.3 14.4	-3.5 12.0	5.3 9.3	9.3

Source: Company data, Deutsche Bank estimates

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Growth & Profitability

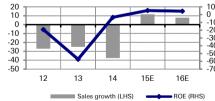










Figure 46: Aquarius Platinum Operational and Financial Summary Data

COMMODITY/FX ASSUMPTIONS	2013A	2014A	2015F	2016F	2017F	2018F	2019F	2020F
Platinum price (USD/oz)	1151	1454	1707	1606	1552	1431	1523	2106
Palladium price (USD/oz)	239	389	682	676	689	753	815	1053
Rhodium price (USD/oz)	1167	1033	1183	1400	1550	1800	3020	4212
Gold (USD/oz)	1608	1295	1200	1150	1138	1163	1399	1626
Rand : Dollar (ZAR/\$)	8.98	10.40	10.52	9.79	10.18	10.86	11.52	11.52
Basket Price: Rand/ 4E oz	10,972	12,058	13,111	13,297	14,618	16,755	20,342	22,674
Basket Price USD/ 4E oz	1,221	1,160	1,246	1,359	1,436	1,543	1,767	1,969
PRODUCTION (PGMs)								
Platinum (Koz)	181	184	194	195	196	196	196	196
Palladium (Koz)	108	111	114	115	115	115	115	115
Rhodium (Koz)	27	28	29	29	29	29	29	29
Gold (Koz)	9	9	10	10	10	10	10	10
Total 4 PGE Production (koz)	325	332	346	349	350	350	350	350
PRODUCTION BY OPERATION (koz								
Kroondal	203	215	219	219	220	220	220	220
Mimosa	109	111	112	112		112	112	112
Platinum mile	12	6	15	18			18	18
Total Production	324	332	346	349	350	350	350	350
Costs per 4E oz (ZAR)								
Kroondal	8,343	9,115	9,581	9,693	10,046	10,046	10,397	10,761
Mimosa	7,790	9,128	8,246	8,026	8,707	9,688	10,632	11,005
Platinum Mile	6,478	8,993	7,626	7,254	7,577	7,842	8,116	8,400
Weighted average group cost:								
Rand/4E oz	8,082	9,117	9,061	9,030	9,489	9,817	10,353	10,716
US\$/4E oz	900	877	861	923	932	904	899	931
Margin (%)	26.3%	24.4%	30.9%	32.1%	35.1%	41.4%	49.1%	52.7%
Capex per 4E oz	1,002	761	791	732	716	747	817	843
All-in cost per 4E oz (ZAR)	9,084	9,878	9,853	9,762	10,205	10,564	11,171	11,559
Margin (%)	17.2%	18.1%	24.8%	26.6%	30.2%	37.0%	45.1%	49.0%
Revenue (US\$mn)								
Kroondal	216	222	237	258	275	295	336	373
Mimosa	137	131	147	160	170	180	192	204
Platinum mile	13	5	17	22	23	24	27	30
Corp & Others	2	4	6	1	1	2	3	4
Consolidation adjnt (excl. Mimosa)	0	-131	-147	-160	-170	-180	-192	-204
Group	371	233	260	281	299	321	366	408
EBITDA (US\$mn)								
Kroondal	24	33	38	42	58	91	137	168
Mimosa	3/	35	59	68			89	97
Platinum mile	4	0	6	8			15	17
Corp & Others	-1	0	-6	-5	-5	-4	-2	-1
Consolidation adjnt (excl. Mimosa)	-	-34	-59	-67	-74	-79	-88	-96
Group	64	31	44	45	63	99	149	183
Capex (US\$mn)	-		-				_	
Kroondal	31	24	21	23	23	22	21	22
Mimosa	18	18	13	14	14	15	16	16
Platinum mile	0	2	0	0	0	0	0	0
Corp & Others	-1	-4	4	2	1	2	3	3
Consolidation adjnt (excl. Mimosa)	-18	-18	-13	-14	-14	-15	-16	-16
Group	36	24	26	26	25	24	25	26

Valuation by Div	US\$M	US\$/sh
Kroondal	326	0.22
Mimosa	432	0.29
Platinum Mile	82	0.06
Other ops	-63	-0.04
Total operations	777	0.57
Exploration tenements	13	0.01
Net (Debt)/ Cash	10	0.01
Corporate/ Others	-38	-0.03
Equity Value	761	0.52
Target price: GBP	unrounded	0.30
Target price: ZAR	unrounded	5.41

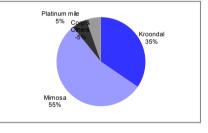
Total NPV split



Revenue (FY15)



EBITDA (FY15)



Source: Deutsche Bank estimates, Company Data

Investment Thesis -Aquarius

Outlook

We have a Buy recommendation for Aquarius for three main reasons: (i) the delivery of the turnaround of Kroondal which should ensure maximum cash flow with the mine now running at its full capacity; (ii) the strengthening of the group's balance sheet via the recent rights issue and from the planned sale of non-core assets, helped by a more supportive rand basket price and delivery of corporate cost savings; (iii) the successful repurchase of convertible debt due end 2015- we think the early timing of this was sensible, alleviating pressure in a tough operating environment. Buy.

Valuation

Our price target is set at 0.8x our NPV and reflects a 5% discount to our valuation for Mimosa post the deal to finalise the company's Zimbabwean credits. The 20% discount to our NAV reflects the track record of the operations and management over the past five years. We value Aquarius on a sum-of-the-parts asset DCF valuation basis, applying a nominal WACC of 10.4% (cost of equity post tax 12.7% (beta 1.45), cost of debt 7%).

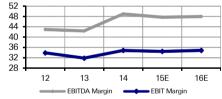
Risks

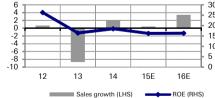
Downside risks to our price target include: 1) lower-than-forecast PGM metals prices' 2) a stronger-than-forecast ZAR/USD exchange rate; 3) industrial action/prolonged strike action disrupting production at Kroondal; and 4) a deterioration in the operating environment in Zimbabwe and/or changes in Zimbabwe mining legislation that could include an increase in taxes, royalties or the introduction of raw material export restrictions.

	/
2015E	2016E

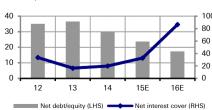
Model updated:29 August 2014	Fiscal year end 30-Jun	2012	2013	2014	2015E	2016E
Running the numbers	Financial Summary					
Europe	DB EPS (USD)	3.20	2.49	2.52	2.49	2.68
United Kingdom	Reported EPS (USD) DPS (USD)	3.02 1.12	2.10 1.16	2.59 1.21	2.49 1.30	2.68 1.36
Metals & Mining	BVPS (USD)	12.4	13.3	14.9	15.9	16.9
3	Weighted average shares (m)	5,323	5,321	5,321	5,321	5,321
BHP Billiton Plc	Average market cap (USDm) Enterprise value (USDm)	166,322 187,938	163,671 193,925	162,159 191,748	169,744 196,992	169,744 193,787
Reuters: BLT.L Bloomberg: BLT LN		107,000	100,020	101,740	100,002	100,707
Buy	Valuation Metrics		10.0	10.1	10.0	
Price (2 Sep 14) GBP 1,920.00	P/E (DB) (x) P/E (Reported) (x)	9.8 10.3	12.3 14.6	12.1 11.8	12.8 12.8	11.9 11.9
Target Price GBP 2,500.00	P/BV (x)	2.29	1.93	2.17	2.00	1.88
	FCF Yield (%)	3.7	0.2	6.3	7.0	7.6
52 Week range GBP 1,754.50 - 2,096.00	Dividend Yield (%)	3.6	3.8	4.0	4.1	4.3
Market Cap (m) GBPm 102,166	EV/Sales (x) EV/EBITDA (x)	2.6 6.1	2.9 6.9	2.9 5.8	2.9 6.1	2.8 5.8
USDm 169,744	EV/EBIT (x)	7.7	9.2	8.2	8.5	8.0
Company Profile	Income Statement (USDm)					
BHP Billiton Plc is an international resources company.	Sales revenue	72,226	65,953	67,206	67,494	69,815
The company's principal business lines are mineral and petroleum production, including coal (thermal and coking),	Gross profit EBITDA	30,113 31,011	24,000 27,947	31,385 32,909	32,194 32,194	33,510 33,510
iron ore, aluminium, manganese, nickel, copper concentrate and cathode, diamonds, and oil & gas	Depreciation	6,531	6,945	9,498	8,931	9,175
(conventional and unconventional, LNG).	Amortisation EBIT	0 24,480	0 21,002	0 23,411	0 23,263	0 24,334
	Net interest income(expense)	-730	-1,276	-1,176	-712	-281
	Associates/affiliates Exceptionals/extraordinaries	0	0	0	0	0
	Other pre-tax income/(expense)	0	0	0	-759	-927
Price Performance	Profit before tax Income tax expense	23,750 7,490	19,726 6,906	22,235 7,012	21,792 6,972	23,126 7,400
2800	Minorities	115	1,597	1,392	1,530	1,445
2600	Other post-tax income/(expense) Net profit	0 16,145	0 11,223	0 13,831	0 13,290	0 14,281
2200	DB adjustments (including dilution)	972	2,090	-384	0	0
	DB Net profit	17,117	13,313	13,447	13,290	14,281
1600	Cash Flow (USDm)					
Sep 11 Mar 12 Sep 12 Mar 13 Sep 13 Mar 14	Cash flow from operations	24,384	20,154	25,364	24,982	25,372
BHP Billiton Plc —— FTSE 100 INDEX (Rebased)	Net Capex Free cash flow	-18,226 6,158	-19,905 249	-15,067 10,297	-13,171 11,811	-12,411 12,961
Margin Trends	Equity raised/(bought back)	-62	21	0	0	0
52	Dividends paid Net inc/(dec) in borrowings	-5,877 8,827	-6,167 7,157	-6,387 -910	-6,940 -4,000	-7,260 -1,000
48 44 -	Other investing/financing cash flows	-14,349	-364	126	-1,000	-1,050
44 40 -	Net cash flow Change in working capital	-5,303 <i>-76</i>	896 - <i>7,514</i>	3,126 <i>655</i>	-129 <i>-103</i>	3,651 <i>-890</i>
	Balance Sheet (USDm)		-			
28	Cash and other liquid assets	4,781	5,677	8,803	8,674	12,325
12 13 14 15E 16E	Tangible fixed assets	95,247	100,565	108,787	113,026	116,262
EBITDA Margin EBIT Margin	Goodwill/intangible assets Associates/investments	5,112 3,148	5,496 1,880	5,439 2,436	5,657 2,436	5,897 2,436
Growth & Profitability	Other assets	20,985	25,560	25,948	26,004	26,540
6 30	Total assets Interest bearing debt	129,273 28,330	139,178 33,187	151,413 34,589	155,797 30,589	163,460 29,589
4 25	Other liabilities	33,858	30,700	31,442	32,748	34,528
	Total liabilities Shareholders' equity	62,188 65,870	63,887 70,667	66,031 79,143	63,337 84,691	64,117 90,128
	Minorities	1,215	4,624	6,239	7,769	9,215
30 25 20 22 20 15 10 5 0	Total shareholders' equity <i>Net debt</i>	67,085 <i>23,549</i>	75,291 <i>27,510</i>	85,382 <i>25,786</i>	92,460 <i>21,915</i>	99,343 17 264
12 13 14 15E 16E		20,049	27,010	20,700	21,010	17,264
Sales growth (LHS) ROE (RHS)	Key Company Metrics	0.7	07	1.0	0.4	0 A
Solvency	Sales growth (%) DB EPS growth (%)	0.7 -18.2	-8.7 -22.1	1.9 1.0	0.4 -1.2	3.4 7.5
	EBITDA Margin (%)	42.9	42.4	49.0	47.7	48.0
	EBIT Margin (%) Payout ratio (%)	33.9 36.9	31.8 55.0	34.8 46.6	34.5 52.1	34.9 50.7
- 60	ROE (%)	26.3	16.4	18.5	16.2	16.3
20 - 40	Capex/sales (%) Capex/depreciation (x)	25.5 2.8	33.7 3.2	23.8 1.7	19.5 1.5	17.8 1.4
10 - 20	Net debt/equity (%)	35.1	36.5	30.2	23.7	17.4











Net debt/equity (%)

Net interest cover (x)

Source: Company data, Deutsche Bank estimates

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Figure 47: BHP Billiton Operational and Financial Summary Data

FX/COMMODITIES (Nominal)	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F	NPV (HJ14)	US\$M	US\$/sh	GBP/sh
AUDUSD	0.74	0.88	0.99	1.03	1.03	0.92	0.92	0.90	0.87	0.84	0.81	0.80	Aluminium	8,239	1.55	0.97
Oil - Brent (US\$/bbl) Oil - WTI (US\$/bbl)	69 70	75 75	97 90	113 95	109 92	109 101	110 102	104 92	104 93	107 97	111 100	111 104	Base Metals Potash	32,647 7,107	6.14 1.34	3.83 0.83
Copper (US\$/Ib)	2.23	3.04	3.94	3.70	3.49	3.17	3.06	2.97	3.11	3.33	3.40	3.46	Energy Coal	10,722	2.01	1.26
Aluminium (US\$/lb) Nickel (US\$/lb)	0.85 6.03	0.92 8.82	1.08 10.9	0.99	0.89 7.5	0.82 6.9	0.84 9.0	0.94 10.3	1.04 11.6	1.13 11.9	1.29 11.2	1.42 11.2	Iron ore Manganese	96,004 2.519	18.04 0.47	11.28 0.30
Iron ore - lump (US\$/t) - CIF	114.5	88.6	177	160	131	133	109	104	101	104	109	112	Met Coal	16,062	3.02	1.89
Iron ore - fines (US\$/t) - CIF Coking coal (US\$/t)	81.5 257.3	75.4 146.8	162 251	148 261	119 183	121 141	97 130	92 146	89 158	92 165	97 177	100 188	Petroleum - Shale gas Petroleum - Conventional	18,891 33,386	3.55 6.27	2.22 3.92
Thermal coal (US\$/t) - contract	111.5	77.8	106	126	110	92	82	86	90	93	99	106	Nickel	2,230	0.42	0.26
US natural gas (US\$/mmBtu)	5.91	4.08	4.20	3.10	3.49	4.18	4.75	4.60	4.83	4.99	5.16	5.34	Group & Unallocated	-6,506	-1.22	-0.76
Potash (US\$/t)	748	456	433	438	425	350	407	443	459	475	467	483	Investments and other Less Net debt	0 -25,786	0.00 -4.85	0.00 -3.03
KEY FINANCIAL METRICS													TOTAL	195,515	36.74	22.96
Underlying Earnings (US\$M) EPS (USc)	10,722	12,469 227	21,684 391	17,117 320	13,313 249	13,447 252	13,290 249	14,281 268	15,309 287	18,392 345	19,210 360	18,871 354	WACC (nominal)	8.9%	Shares	5,321M
EPS Change (%)			72%	-18%	-22%	1 %	-1 %	7%	7%	20%	4%	-2%				
EPS CAGR (%) - off FY13 earnings DPS (USc)		87	101	112	116	1% 121	0% 130	2% 136	4% 145	7% 155	6% 160	5% 164				
Payout ratio (%)		37%	24%	34%	46%	48%	52%	51%	51%	45%	44%	47%				
CASH FLOW Operating Cash Flow (US\$M)		17,920	30,080	24,384	20,154	25,364	24,982	25,372	26,535	28,876	30,462	31,266				
Capex (incl. exploration) and divestments (US\$M)		(10,355)	(11,419)	(19,139)	(18,168)	(14,597)	(14,171)	(13,461)	(13,959)	(13,835)	(12,023)	(12,388)				
Free Cash Flow (US\$M) - before dividends Dividend (US\$M)		(4.895)	18,661 (5,144)	5,245 (5.832)	1,986 (6,931)	10,767 (6.387)	10,811 (6,940)	11,911 (7,260)	12,577 (7,740)	15,041 (8,274)	18,439 (9,365)	18,879 (9,605)				
Acquisitions (US\$M)		(660)	(5,045)	(12,897)	(558)	(1,237)	-	-	-	-	-	-				
Free Cash Flow (US\$M) - before debt Free Cash Flow yield (%)	2,843	2,010	8,472	(13,484)	(5,503) 1%	3,143 6%	3,871 6%	4,651 6%	4,836 7%	6,767 8%	9,074 10%	9,274 10%				
P/FCF					99	18	18	17	16	13	11	10				
BALANCE SHEET AND RETURNS Net Debt (US\$M)	5.586	3.308	5.823	23 549	27.510	25.786	21.915	17.264	12.427	5.660	(3,413)	(12.687)				
Gearing (ND/E - %)	13.7%	6.7%	10%	35%	37%	30%	24%	17%	12%	5%	-3%	-9%				
ROE (%) ROA (%)	27.4% 18.3%	28.2% 27.6%	41% 34%	28% 19%	20% 14%	18% 18%	16% 16%	16% 17%	16% 17%	18% 19%	18% 20%	17% 20%				
	18.3%	27.0%	34%		14%	18%	10%	1/%	1/%	19%	20%	20%				
PRODUCTION			750	1	1 000	1 707	1 707	1 050	1	1 005	1 070	1.044				
Copper (kt)- consolidated Copper (kt)- equity	1,207	1,075	753 1,139	1,187 1,094	1,689 1,209	1,727 1,237	1,767 1,239	1,850 1,311	1,856 1,308	1,895 1,464	1,872 1,523	1,844 1,523				
Iron ore (Mt) - Attributable	114	125	134	159	170	203	227	235	245	245	245	245	M-1			
Iron ore (Mt) - Pilbara (100%) Petroleum (Mmboe) - US Onshore	125	134	144 6	174 86	187 99	225 108	250 119	259 144	271 158	271 183	271 213	271 221	Valuation (HJ2014)			
Petroleum (% Liquids) - US Onshore			8%	13%	19%	31%	42%	46%	45%	44%	41%	33%	Petroleum -	Pet	roleum -	
Petroleum (Mmboe) - Conventional Petroleum (Mmboe) - Total	142 142	159 159	153 159	134 220	137 236	138 246	136 255	135 279	129 287	124 307	113 326	108 330	Shale gas 8%	Con	ventional 15% Nickel	
Coal - Hard coking (Mt) - Attributable	36	37	33	33	38	45	47	47	48	48	48	48	Met Coal 7%		1%	
Coal - Hard coking (Mt) - Old (100%) Coal - Thermal (Mt)			46	44	53	67	69	70	71	71	71	71	Manganese			ninium
Aluminium (kt)	68 1,233	66 1,241	70 1,246	71 1,153	73 1,181	73 1,174	73 1,092	76 1,089	77 1,090	65 1,128	65 1,109	65 1,109				4%
Nickel (kt)	173	176	153	158	154	143	138	120	120	96	96	94			Ba	ase Metals 14%
Manganese ore (kt) Potash (Mt)	4,475	6,124	4,256	4,759	5,110	4,981	4,770	4,770	4,770	4,770	4,770	4,770 1.0			Pol	tash %
Copper Eq Production (Mt)			8.9	9.7	10.3	11.0	11.4	11.8	12.1	12.2	12.3	12.4				~
Copper Eq CAGR (%)						6.4%	5.1%	4.7%	4.1%	3.5%	2.9%	2.6%			EnergyC	0.001
COSTS Absolute (US\$M)			35,415	42,113	37,289	36,732	36,754	38,077	39,091	39,264	40,999	42,622	Iron ore 42%		5%	
Unit costs (US\$/Ib Cu Eq) - incl. royalties Change in unit costs (%)			1.81	1.96 8.5%	1.64 -16.4%	1.52 -7.4%	1.46 -3.6%	1.46 -0.2%	1.46 0.1%	1.46 -0.3%	1.52 4.2%	1.56 3.1%				
CAPEX (US\$M)																
Growth																
Petroleum - US Onshore	-	-	163	3,293	4,816	4,226	3,849	3,867	3,765	3,793	3,922	4,396				
Petroleum - Conventional Potash	1,047	1,055 80	1,663 160	2,383 460	2,099 658	1,400 544	1,436 600	1,445 1,000	1,334 2,400	1,329 3,000	874 2,213	859 1,908				
Petroleum and Potash	1,047	1,135	1,986	6,136	7,573	6,170	5,885	6,312	7,499	8,122	7,009	7,164	Capex split (2014F)			
Copper Iron Ore	434 1,554	154 3,369	949 3,074	2,114 4,596	3,147 5,274	3,323 2,091	2,020 1,600	1,820 500	1,420	720		-				
Coal	1,893	897	1,063	2,718	2,992	1,754	-	-	-	-	-	-				
Aluminium Manganese	703 182	844 110	1,209 193	787 294	- 220	- 31	-		-	-		-		Iron Ore 16%		
Nickel	251	9	345	279	191	83	-	-	-	-	-	-				
Aluminium, Manganese and Nickel Group & Unallocated and Inter-segment	1,136 (90)	963 (68)	1,747 (338)	1,360 (865)	411 (928)	114 (392)	•	-	-	•	-	•	Copper 25%		Coal	
Total Growth Capex	5,974	6,450	8,481	16,059	18,469	13,060	9,505	8,632	8,919	8,842	7,009	7,164			Alumin	
Sustaining Capex Consolidated Capex	2,967 9,295	2,999 9,718	2,393 11,421	3,015 20,085	3,068 21,539	2,983 16,054	3,666 13,171	3,778 12,411	4,015 12,934	3,946 12,789	3,969 10,979	4,119 11,333			Manga and Ni 1%	ickel
Exploration	1,243	1,333	1,240	2,390	1,326	1,010	1,000	1,050	1,025	1,046	1,044	1,054	Potash	7		
Total capex incl. Exploration	10,538	11,051	12,661	22,475	22,865	17,064	14,171	13,461	13,959	13,835	12,023	12,388	4%			
EBIT (US\$M)									_	_	-	_	Petroleum - Conventional		Petroleum - US Onshore	
Petroleum - US Onshore Petroleum - Conventional	4.085	- 4.573	43 6.257	(140) 6.504	(287) 6.257	(156) 5.728	976 6.370	1,755 6.281	2,386 5.812	2,908 6.020	3,316 5.727	2,805 5.691	10%		31%	
Potash	-	-	-	-	(334)	(285)	-	-	-	-	· ·	47	L			
Petroleum and Potash Copper	4,085 1,292	4,573 4,632	6,300 6,790	6,364 3,984	5,636 5,639	5,287 5,080	7,346 5,486	8,036 5,268	8,198 5,785	8,928 7,680	9,043 8,232	8,543 8,268				
Iron Ore	6,229	6,001	13,328	14,201	11,109	12,102	9,395	9,018	8,934	10,329	11,177	11,734				
Coal Aluminium	6,171 202	2,783 393	3,799 275	2,797 (292)	595 (155)	386 48	348 278	934 356	1,419 688	1,697 895	2,193 1,080	2,533 502	EBIT split (2014F)			
Manganese	1,358	717	697	231	478	476	565	484	388	319	299	298				
Nickel Aluminium, Manganese and Nickel	(643) 958	640 1,785	583 1,551	18 (28)	(203) 158	(235) 308	52 930	432 1,312	689 1 ,806	459 1,717	557 1,983	240 1,090				
Group & Unallocated and Inter-segment	(395)	(541)	(405)	(248)	(207)	(301)	(242)	(233)	(386)	(225)	(628)	(657)				
Total	18,340	19,233	31,363	27,071	22,930	22,862	23,263	24,334	25,756	30,126	32,000	31,512		Iron (Dre	
EBIT margins														519	%	
Petroleum - US Onshore		500	40%	-6%	-10%	-4%	17%	27%	32%	33%	33%	29%	Copper 21%			
Petroleum - Conventional Potash	57%	52%	59%	60%	61%	54%	60%	61%	60%	61%	62%	62% 10%				
Petroleum and Potash	57%	52%	59%	49%	43%	36%	45%	48%	48%	48%	47%	44%	Petrole	- mue		
Copper Iron Ore	22% 69%	53% 60%	53% 73%	38% 69%	39% 60%	37% 57%	38% 50%	37% 48%	39% 47%	44% 53%	45% 55%	45% 56%	Conven 249	tional		
Coal	42%	27%	29%	21%	6%	4%	4%	9%	13%	16%	19%	21%	24	Petroleu	Coal Im 2%	
Aluminium Manganese	6% 55%	13% 33%	8% 29%	-9% 11%	-5% 23%	1% 23%	8% 27%	9% 22%	16% 19%	20% 16%	22% 15%	10% 14%		-US Onshor	Aluminium.	
Nickel	-37%	20%	16%	1 %	-8%	-11%	2%	17%	24%	19%	22%	11%		-1%	Manganese and Nickel 1%	
Aluminium, Manganese and Nickel Total	11% 39%	18% 40%	13% 47%	0% 40%	2% 35%	4% 34%	10% 34%	14% 35%	17% 36%	17% 39%	18% 40%	10% 39%	L		176	
							0.4.10	00.0	00.0		40.00	20.0				
Source: Deutsche Bank estimates. Compan																

Source: Deutsche Bank estimates, Company Data

Investment Thesis - BHP

Outlook

The long-term BHP Billiton story remains one of production and earnings growth, portfolio simplification and growing also through acquisitions. The US\$15b purchase of US tight oil assets in 2011 demonstrated a focus on further diversification and on the importance of energy in the portfolio. A decision to demerge non-core assets (Aluminium, Manganese, and South African coal assets, the Cannington lead/silver mine, Illawarra met coal and Cerro Matoso nickel) will further simplify the portfolio and improve returns. The company's capital allocation strategy is focused on: 1. Organic growth, with a focus on returns. 2. Balance sheet management (maintaining the A rating), 3. Progressively growing (and periodically rebasing) the dividend, and; 4. Returning excess cash to shareholders (likely share buybacks). BHP Billiton's assets are long life, low operating cost, and in low to moderate risk countries (Australia, North America, Southern Africa, Brazil, Chile) and overall are considered premium quality relative to the sector, offering above average returns and operating margins. We rate BHPB a Buy due to the attractive valuation, margins, returns, growth and diversification.

Valuation

Our price target is based off the Plc line at spot FX rates. The London listed PT is at 1.1x NAV, using life of mine cash flows with a WACC of 8.9% (COE 11.4% - Rf 6%, Rp 4.5%; CoD 6.0% on a D/E of 30%; Beta is 1.20). The 10% premium is based on the management performance relative to the broader Metals and Mining peer group under our coverage. It assumes a USD/GBP exchange rate of 1.55.

Risks

The key risks to our forecasts include variance in commodity prices and exchange rates vs. our estimates. Downside risks include the ability to continue to deliver on planned growth at reasonable costs, particularly the US Onshore oil program. Delivery risk exists on the large iron ore expansions in the Pilbara, Jansen potash, and the petroleum growth projects (both US Onshore and the GoM). A potential medium-term slowdown in Chinese steel demand may result in lower iron ore and coking coal demand and therefore lower bulk commodity prices.

Net interest cover (RHS)

/

Model updated:18 July 2014	Fiscal year end 31-Dec	2011	2012	2013	2014E	2015E	2016E
Running the numbers	Financial Summary						
Europe	DB EPS (SEK)	12.39	11.96	4.72	4.42	8.55	10.55
Sweden	Reported EPS (SEK)	12.39	11.96	4.72	4.42	8.55	10.55
	DPS (SEK) BVPS (SEK)	4.00 76.9	4.00 83.9	1.75 84.4	1.00 89.2	3.00 96.8	4.00 104.3
Metals & Mining	Weighted average shares (m)	274	274	274	274	274	274
Boliden AB	Average market cap (SEKm)	29,946	29,531	27,295	30,688	30,688	30,688
Reuters: BOL.ST Bloomberg: BOL SS	Enterprise value (SEKm)	35,841	35,137	35,463	38,009	36,587	34,789
	Valuation Metrics						
Hold	P/E (DB) (x)	8.8	9.0	21.1	25.4	13.1	10.6
Price (2 Sep 14) SEK 112.20	P/E (Reported) (x)	8.8	9.0	21.1	25.4	13.1	10.6
Target Price SEK 108.00	P/BV (x)	1.31	1.46	1.17	1.26	1.16	1.08
- 3 · · · · · · · · · · · · · · · · · · ·	FCF Yield (%)	0.0	4.5	nm	4.3	5.5	8.5
52 Week range SEK 87.70 - 114.90	Dividend Yield (%)	3.7	3.7	1.8	0.9	2.7	3.6
Market Cap (m) SEKm 30,688	EV/Sales (x) EV/EBITDA (x)	0.9 5.4	0.9 5.6	1.0 7.7	1.1 7.4	1.0 5.4	0.9 4.6
USDm 4,386	EV/EBIT (x)	7.5	8.6	19.7	20.1	10.8	8.5
Company Profile	Income Statement (SEKm)						
Boliden is an international mining and smelting company	Sales revenue	40,323	40.002	34,408	35,891	36,358	37,398
which mines, smelts and refines zinc and copper. By-	Gross profit	6,678	6,288	4,634	5,111	6,785	7,539
products include lead, gold, silver, among others. The	EBITDA	6,678	6,288	4,634	5,111	6,785	7,539
group operations in five countries Sweden, Finland, Norway, Ireland and Netherlands.	Depreciation Amortisation	1,930 0	2,218 0	2,831 0	3,223 0	3,408 0	3,458 0
· · · // · · · · · · · · · · · · · · ·	EBIT	4,748	4,070	1,803	1,888	3,377	4,081
	Net interest income(expense)	-189	-179	-221	-330	-364	-364
	Associates/affiliates Exceptionals/extraordinaries	0 0	0 0	0	0 0	0	0
	Other pre-tax income/(expense)	0	0	0	0	0	0
Price Performance	Profit before tax	4,559	3,891	1,582	1,558	3,013	3,718
·	Income tax expense	1,170	617	287	349	675	833
	Minorities Other post-tax income/(expense)	0 0	2 0	3 0	0 0	0	0
	Net profit	3,389	3,272	1,292	1,209	2,338	2,884
105 90 M M M M M M M M M M M M M M M M M M M	DB adjustments (including dilution)	0	0	0	0	0	0
75	DB Net profit	3,389	3,272	1,292	1,209	2,338	2,884
60	Cash Flow (SEKm)						
Sep 11 Mar 12 Sep 12 Mar 13 Sep 13 Mar 14	Cash flow from operations	4,025	5,516	3,504	4,915	5,699	6,221
Boliden AB — OMX Stockholm Index (Rebased)	Net Capex	-4,013	-4,179	-4,971	-3,589	-4,003	-3,603
	Free cash flow	12	1,337	-1,467	1,326	1,696	2,618
Margin Trends	Equity raised/(bought back)	0	0	0	0	0	0
24	Dividends paid Net inc/(dec) in borrowings	-1,368 905	-1,094 364	-1,094 2,154	-479 662	-274 0	-821 0
20	Other investing/financing cash flows	-13	0	-1	-1	0	0
16	Net cash flow	-464	607	-408	1,509	1,422	1,798
12	Change in working capital	-1,014	320	-546	584	-47	-121
8	Balance Sheet (SEKm)						
	Cash and other liquid assets	355	1,011	611	2,121	3,544	5,341
11 12 13 14E 15E 16E	Tangible fixed assets	22,927	25,279	27,348	27,863	28,458	28,603
EBITDA Margin EBIT Margin	Goodwill/intangible assets Associates/investments	3,184 182	3,160 136	3,130 33	3,197 43	3,197 43	3,197 43
Growth & Profitability	Other assets	10,967	10,449	10,719	10,985	11,091	43 11,364
,	Total assets	37,615	40,035	41,841	44,209	46,332	48,548
15 20	Interest bearing debt	5,768	5,981	8,307	9,088	9,088	9,088
5 15	Other liabilities Total liabilities	10,815 16,583	11,105	10,459 18,766	10,722	10,781 19,869	10,932
0 10	Shareholders' equity	21,032	17,086 22,949	23,075	19,810 24,399	26,464	20,020 28,528
-5 -10 5	Minorities	0	0	0	0	0	0
-15	Total shareholders' equity	21,032	22,949	23,075	24,399	26,464	28,528
-20 -20 -20 -20 -20 -20 -20 -20 -20 -20	Net debt	5,413	4,970	7,696	6,967	5,544	3,747
	Key Company Metrics						
Sales growth (LHS)	Sales growth (%)	9.8	-0.8	-14.0	4.3	1.3	2.9
Solvency	DB EPS growth (%)	-14.4	-3.5	-60.5	-6.4	93.4	23.4
40 20	EBITDA Margin (%) EBIT Margin (%)	16.6 11.8	15.7 10.2	13.5 5.2	14.2 5.3	18.7 9.3	20.2 10.9
	Payout ratio (%)	32.3	33.4	5.2 37.1	5.3 22.6	9.3 35.1	37.9
30 20	ROE (%)	17.0	14.9	5.6	5.1	9.2	10.5
20 - 15	Capex/sales (%)	10.0	10.4	14.4	10.0	11.0	9.6
10 10	Capex/depreciation (x)	2.1 25.7	1.9 21 7	1.8	1.1	1.2	1.0
5	Net debt/equity (%)	25.7	21.7	33.4	28.6	21.0	13.1
	Net interest cover (x)	25.1	22.7	8.2	5.7	9.3	11.2

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Deutsche Bank AG/London

Net debt/equity (LHS)

Figure 48: Boliden Operational and Financial Summary Data

FX/COMMODITY ASSUMPTIONS	2010	2011	2012	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	NPV	SEKm	SEK/s	US\$/s
SEK/USD	7.3	6.5	6.8	6.6	6.7	6.7	6.9	6.7	6.6	6.6	6.6	Mines	27,536	100.67	13.07
Copper (USc/lb)	343	400	361	333	310	302	295	327	340	340	352	Smelters	5,377	19.66	2.55
Copper TC/RC (USc/lb)	12.8	12.2	17.3	19.5	17.9	20.4	20.4	15.4	15.4	15.9	16.5	Other	0	0.00	0.00
Zinc (USc/lb)	98	99	89	88	94	105	108	112	115	120	124	Total ops	32,913	120.33	15.63
Zinc treatment charges (US\$/t)	273	216	201	200	202	204	201	201	201	202	202	Corporate	-346	-1.26	-0.16
Lead (USc/lb)	98	109	94	98	96	104	105	107	108	112	115	Net debt	-8,000	-29.25	-3.80
Gold (US\$/oz)	1226	1570	1671	1413	1258	1163	1150	1125	1200	1598	1654	Total	24,567	89.82	11.67
Silver (US\$/oz)	15	35	31	24	20	20	19	19	20	25	25				
PRODUCTION												WACC	8.7%		
Mine production															
Zinc (kt)	294	283	271	272	291	317	323	320	315	312	312	NPV Spl	it		
Copper (kt)	76	81	79	79	80	88	92	95	102	102	85				
Lead (kt)	50	49	49	48	61	74	76	76	76	76	76			Other	
Gold (t)	3.7	3.7	3.6	3.5	4.5	5.5	5.5	5.5	5.5	5.5	5.5		Sme	Iters 0%	
Silver (t)	229	230	229	253	290	324	335	335	335	335	335		16	%	
Smelter production															
Zinc (kt)	456	461	467	455	461	452	454	454	454	454	454				
Copper (kt)	303	336	339	312	350	350	350	350	350	350	350				
Lead (kt)	17	11	19	25	25	23	23	23	23	23	23				
Lead Alloys (kt)	42	41	43	45	43	40	40	40	40	40	40			N	lines
Gold (t)	14.2	12.8	16.2	15.2	17.4	17.4	17.4	17.4	17.4	17.4	17.4				34%
Silver (t)	450	488	576	485	616	616	581	581	581	581	581				
P&L BREAKDOWN	2010	2011	2012	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F			\sim	
Revenue NOKm												Revenue			
Smelter	34,390	38,471	38,753	33,410	34,757	34,335	34,958	35,782	36,535	39,157	40,263				
Mines	9,579	10,279	9,510	8,304	9,278	10,551	11,212	11,561	12,119	13,044	12,690	42,000 140,34	€ ₩ 40 ,002		
Other (predominantly eliminations)	-7.252	-8.427	-8.261	-7.306	-8,144	-8.528	-8.772	-8,995	-9.244	-9.918	-10,061	40.000	JT~40,002		
Total	36,717	40,323	40,002	34,408	35,891	36,358	37,398	38,348	39,410	42,283	42,892				38,3
EBITDA NOKm		,	,	,	/	/	,	,		,	,	38,000 ·		35,891 ³⁶	37,398
Smelter	2,794	1,604	2,093	1,124	1,715	2,154	2,236	1,805	1,655	2,021	1,791	36,000 -			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Mines	5.066	5,023	4,233	3,515	3,442	4.677	5,349	5,541	6,029	6.818	6,253		34,4	408	
Other	-415	51	-38	-5	-46	-46	-46	-46	-46	-46	-46	34,000 ·			
Total	7.445	6.678	6,288	4,634	5.111	6,785	7,539	7.299	7,638	8,793	7,998	32,000 -			
CAPEX	.,	2,070	2,200	.,001	2,111	2,700	. ,000	. ,200	.,000	2,700	.,000				
Smelter NOKm												30,000	1 2012 201	3E 2014E 2	015F 2016F 201
Maintenance	503	513	573	843	600	603	603	615	627	640	653		2012 201	0. 20141. 2	20101 201
Expansionary	301	1,150	309	350	200	600	200	200	200	0+0	0000	EBITDA			
Total	803	1,663	882	1,193	800	1,203	803	815	827	640	653				7 520
Mine NOKm	000	1,000	002	1,100	000	1,200	000	010	027	040	000	8,000	рК m	6	7,539 7,29
Maintenance	1,206	1,450	1,700	1,827	1,836	2,400	1,800	1,800	1,662	1,713	1,771	6,676	6,288	0	,705
Expansionary	983	887	1,700	1,740	1,830	2,400	1,000	1,800	1,002	1,713	0	6,000 -		5,111	
Total	2.189	2.337	3,548	3,567	3,036	2,800	2,800	1,800	1,662	1,713	1,771		4,6	34	
Boliden Total	2,189	4.000	3,546 4,430	4,760	3,036 3,836	4,003	3,603	2,615	2.490	2,353	2,424	4,000 -			
EBITDA Margin %	2,992	4,000	4,430	4,/00	3,030	4,003	3,003	2,015	2,490	2,303	2,424	.,			
Smelter	8%	4%	5%	3%	5%	6%	6%	5%	5%	5%	4%				
	8%											2,000 -			
Mines Total	53% 20%	49% 17%	45% 16%	42% 13%	37% 14%	44% 19%	48% 20%	48% 19%	50% 19%	52% 21%	49% 19%				

Source: Deutsche Bank estimates, Company Data

Investment Thesis - Boliden

Outlook

Boliden is a mining and smelting company with assets in Northern Europe. The group produces around 70Ktpa of copper and 340Ktpa of zinc at various mining operations, between 350-450Ktpa of refined copper and zinc at its four smelters and various by-products. While the assets in general are in the middle of the cost curve, they have not been exposed to the general mining inflation seen in other parts of the world. Boliden's management team retains a prudent capital expenditure program including the hedging of enough product to cover capex plans. We have a Hold Recommendation given valuation.

Valuation

Our price target is set at 1.2x NPV in line with its management performance relative to the sector.(WACC of 8.7% based on cost of equity 11.3%, cost of debt 6.5%, tax rate of 28% and target gearing 40%).

Risks

Risks include zinc and copper prices higher/lower than expectations and/or copper TC/RC's lower/higher than expected. A strengthening/weakening in the SEK or increasing mining cost inflation in Northern Europe is also a downside risk for Boliden. From an operational perspective, lower volumes from the Aitik expansion is the key downside risk.

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Model updated:06 August 2014	Fiscal year end 31-Dec	2011	2012	2013	2014E	2015E	2016E
Running the numbers	Financial Summary						
Europe	DB EPS (USD)	0.97	0.37	0.50	0.52	0.33	0.26
United Kingdom	Reported EPS (USD) DPS (USD)	0.97 0.07	0.37 0.13	0.45 0.13	0.52 0.07	0.34 0.07	0.27 0.07
-	BVPS (USD)	2.3	2.6	2.9	2.2	2.5	2.7
Metals & Mining	Weighted average shares (m)	585	585	585	585	585	585
Ferrexpo Plc	Average market cap (USDm)	3,641	2,257	1,755	1,245	1,245	1,245
Reuters: FXPO.L Bloomberg: FXPO LN	Enterprise value (USDm)	3,604	2,597	2,182	1,675	1,711	1,699
	Valuation Metrics						
Buy	P/E (DB) (x)	6.4	10.4	6.0	4.1	6.4	8.1
Price (2 Sep 14) GBP 128.00	P/E (Reported) (x)	6.4	10.4	6.7	4.1	6.2	7.9
Target Price GBP 312.00	P/BV (x)	1.78	1.56	1.08	0.97	0.86	0.78
52 Week range GBP 121.80 - 199.00	FCF Yield (%) Dividend Yield (%)	3.5 1.1	nm 3.4	nm 4.4	6.0 3.1	0.4 3.1	4.2 3.1
	EV/Sales (x)	2.0	1.8	1.4	1.1	1.1	1.1
Market Cap (m) GBPm 749	EV/EBITDA (x)	4.5	6.4	4.3	3.3	4.0	4.4
USDm 1,245	EV/EBIT (x)	4.8	7.5	6.1	4.0	5.6	6.9
Company Profile	Income Statement (USDm)						
Ferrexpo is a Top 12 global pellet producer, enjoys close	Sales revenue	1,788	1,424	1,581	1,475	1,528	1,561
proximity to customers in Europe. Ferrexpo is principally	Gross profit	801	405	506	511	431	383
involved in the production and export of iron ore pellets to Ukraine, European and Asian steel industries. The principal	EBITDA Depreciation	801 41	405 54	506 100	511 91	431 125	383 133
asset of Ferrexpo is Ferrexpo Poltava GOK Corporation	Amortisation	1	7	47	5	3	3
which operates an open-pit iron ore mine, concentrating and pelletising operations situated in central Ukraine, on	EBIT	759	345	359	416	303	247
the banks of the river Dnipro.	Net interest income(expense) Associates/affiliates	-66 0	-86 0	-64 0	-49 0	-73 0	-65 0
	Exceptionals/extraordinaries	-2	7	10	-1	4	4
Duine Deafeannean	Other pre-tax income/(expense) Profit before tax	0 691	0 266	0 305	0 366	0 234	0 186
Price Performance	Income tax expense	116	47	42	55	234	26
500	Minorities	7	1	2	6	2	2
400	Other post-tax income/(expense) Net profit	0 568	0 217	0 262	0 305	0 199	0 158
300	·	2	-1	32	2	-4	-4
200	DB adjustments (including dilution) DB Net profit	570	216	294	307	-4 195	-4 155
100	Cash Flow (USDm)						
Sep 11 Mar 12 Sep 12 Mar 13 Sep 13 Mar 14	Cash flow from operations	505	119	235	330	325	332
Ferrexpo Plc FTSE 100 INDEX (Rebased)	Net Capex	-378	-428	-277	-256	-320	-280
Margin Trends	Free cash flow	126	-310	-42	74	5	52
	Equity raised/(bought back) Dividends paid	0 -40	0 -39	0 -78	0 -77	0 -39	0 -39
50	Net inc/(dec) in borrowings	542	51	7	90	390	-140
40	Other investing/financing cash flows Net cash flow	-58 571	5 -294	-93 -206	3 90	0 356	0 -127
30	Change in working capital	-111	-128	-103	-9	0	-127
20	Balance Sheet (USDm)						
10	Cash and other liquid assets	890	597	390	472	828	701
11 12 13 14E 15E 16E	Tangible fixed assets	925	1,348	1,534	1,215	1,410	1,557
EBITDA Margin EBIT Margin	Goodwill/intangible assets	103	112	117	81	81	81
Growth & Profitability	Associates/investments Other assets	137 444	105 597	234 657	231 537	231 537	231 615
	Total assets	2,499	2,758	2,932	2,537	3,088	3,185
	Interest bearing debt	970	1,020	1,029	1,118	1,508	1,368
	Other liabilities Total liabilities	136 1,106	191 1,211	168 1,197	123 1,241	123 1,631	201 1,569
50 40 30 20 10 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Shareholders' equity	1,373	1,527	1,713	1,241	1,439	1,597
0 20	Minorities	20	21	22	15	17	19
-10 -20 -30	Total shareholders' equity <i>Net debt</i>	1,393 <i>80</i>	1,547 <i>423</i>	1,735 <i>639</i>	1,295 <i>646</i>	1,457 <i>680</i>	1,616 <i>666</i>
11 12 13 14E 15E 16E			.20		0.0		
Sales growth (LHS) ROE (RHS)	Key Company Metrics	00.4	00.4	11.0	0.7		0.1
Solvency	Sales growth (%) DB EPS growth (%)	38.1 30.2	-20.4 -62.1	11.0 36.0	-6.7 4.3	3.6 -36.3	2.1 -20.9
Loowency	EBITDA Margin (%)	44.8	28.5	32.0	34.7	28.2	24.6
60 14	EBIT Margin (%)	42.4	24.2	22.7	28.2	19.8	15.8
50 12 10	Payout ratio (%) ROE (%)	6.8 51.2	35.5 15.0	29.5 16.2	12.7 20.4	19.4 14.6	24.4 10.4
30 8	Capex/sales (%)	21.2	30.1	16.2	20.4 17.4	20.9	10.4
	Capex/depreciation (x)	9.0	7.7	2.8	2.8	2.5	2.1
10 2	Net debt/equity (%)	5.8 11 5	27.4	36.8	49.9	46.7	41.2
0 11 12 13 14E 15E 16E	Net interest cover (x)	11.5	4.0	5.6	8.5	4.1	3.8

Source: Company data, Deutsche Bank estimates

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Figure 49: Ferrexpo Operational and Financial Summary Data

				FY13F	FY14F	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F	NPV	000	US\$/share
UAH/USD	7.85	7.98	8.10	8.25	11.13	12.00	12.00	12.00	12.00	12.00	12.00	Iron ore	3662	6.2
Spot 62% fines CIF China	146.7	167.8	123.8	129.8	104.0	95.8	90.0	88.0	95.0	98.3	101.8	Oil investments	10	0.02
Received prices												Port facilities	0	0.00
Pellets - 62% grade (US\$/t)	121.6	151.3	114.1	116.9	93.9	90.2	82.9	72.4	79.4	82.2	85.2	Development projects	0	0.00
Pellets - 65% grade (US\$/t)	127.5	166.8	135.4	142.4	114.2	107.3	101.3	91.2	98.5	102.0	105.6	Total operations	3672	6.2
Iron ore concentrate (US\$/t)	79.0	98.4	80.4	87.7	72.0	69.2	63.8	55.9	61.1	63.3	65.6	Less net debt	-639	-1.09
									• • • •			Less minorities	-116	-0.20
PRODUCTION												Total to shareholders	2918	4.99
Pellets - 62% (kt)	5.153	5.012	5.572	5.825	4.019	-		-		_		Ordinary shares outstanding	-0.0	58
Pellets - 65% (kt)	4,879	4,799	4.118	4,988	7,418	11.895	12,118	11.944	11,951	11,951	11,951	oraliary shares outstanding		000
Concentrate sold (kt)	-,070	-,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	-,110	-,000	7,410	-	1.018	8.201	8,549	8,549	8,549		£mn	£/share
Total product	10.031	9.811	9.690	10,813	11,437	11,895	13,136	20,145	20,500	20,500	20,500	Total to shareholders	1824	3.12
	10,031	9,011	3,030	10,013	11,437	11,090	13,130	20,140	20,500	20,500	20,500	£/U\$	1.60	3.12
												WACC	10.4%	
REVENUE,US\$M	007	750	001	077	001							No. of shares		
Pellets - 62% grade	607	750	631	677	381	-	-	-	-	-	-			
Pellets - 65% grade	607	798	552	704	849	1,276	1,227	1,089	1,177	1,219	1,262	Revenue split (2013F)		
Concentrate sold	-	-	-	-	-	-	65	458	523	541	561			
Others	81	241	241	201	246	252	269	365	370	383	396	Others		
Total	1,295	1,788	1,424	1,581	1,475	1,528	1,561	1,912	2,070	2,143	2,219	13%	Pr	llets-
														6 grade
Costs, US\$M													4	13%
Mining Costs	176	243	292	310	277	324	357	491	529	547	567			
Processing costs - own ore	202	247	285	308	262	300	313	330	352	364	377			
Distribution costs	127	128	130	140	138	142	157	241	245	245	245	Pellets -		
Processing costs - other ore	11	8	3	4	2	-	-	-	-	-	-	65% grade		
Cost of purchased concentrate	101	103	29	35	16	-	-	-	-	-	-	44%		
General and administration costs	49	52	56	55	48	49	49	49	49	51	53			
Other costs	42	206	222	223	221	282	302	409	417	432	447			
Total costs	710	987	1,019	1,075	964	1,097	1,178	1,520	1,592	1,639	1,687			
Key Operating Costs (US\$/t)												NPV Split		
Mine C1 costs	38.8	50.7	59.9	59.8	49.2	55.3	53.8	43.1	45.5	47.1	48.7			
Costs including distribution	51.5	63.8	73.3	70.4	61.1	67.3	65.8	55.1	57.4	59.0	60.7			
CAPEX,US\$M	100	240	221	010	015	245	100							
Growth Capex	100	249	321	219	215	245	190	-	-	-	-			Oil
Sustaining Capex	67	116	108	104	41	75	90	91	91	94	97			investments
Total Capex	167	365	429	323	257	320	280	91	91	94	97	Iron ore 100%		0%
Key Ratios														
EBITDA Margin	45%	45%	28%	32%	35%	28%	25%	21%	23%	24%	24%			
EBIT Margin	42%	42%	24%	23%	28%	20%	16%	13%	16%	17%	18%	L		

Investment Thesis -Ferrexpo

Outlook

Ferrexpo is sitting on very significant iron ore resources that could support both significant expansions and significant mine lives. Ferrexpo also has upside potential from moving its achieved price for iron ore pellets from the current local price, which is in line with fines prices, to the pellet price achieved by its international peers. With the stock trading below our price target, we have a Buy recommendation.

Valuation

Our share price target is in line with our DCF-derived NAV and consistent with the sector. We use DCF analysis over the life of the mine to value the company. Our WACC assumption of 10.4% includes a target debt to equity of 40% broadly reflecting the group's current position and medium-term projections. This assumes a CoD of 7.9%, CoE of 13%, beta of 1.3x and a tax rate of 18% (RFR of 5.5%, ERP of 6%) we have included value for the upgrade of the pellet plant and the implementation of the Yeristovskoe projects.

Risks

Risks include variation in the performance of the Hryvnia or the iron ore price from our expectations. This includes the impact of regional demand in Eastern Europe on the regional price of iron ore. With the Ukraine demonstrating periods of volatile and high cost inflation, cost perfomance remains a point of risk for our earnings expectations. Other risks include the size, scope and delivery schedule of growth projects.

Model updated:05 August 2014	Fiscal year end 31-Dec	2011	2012	2013	2014E	2015E	2016E
Running the numbers	Financial Summary						
Europe	DB EPS (USD)	1.10	0.91	0.38	0.32	0.41	0.56
United Kingdom	Reported EPS (USD) DPS (USD)	1.26 1.03	1.03 0.58	0.33 0.34	0.37 0.24	0.41 0.29	0.56 0.38
Gold	BVPS (USD)	2.6	3.1	3.1	2.4	2.5	2.8
	Weighted average shares (m)	717	717	737	737	737	737
Fresnillo	Average market cap (USDm)	18,354	19,191	13,455	11,662	11,662	11,662
Reuters: FRES.L Bloomberg: FRES LN	Enterprise value (USDm)	17,378	18,331	13,002	11,929	12,134	12,055
	Valuation Metrics						
Hold	P/E (DB) (x)	23.3	29.4	48.4	48.7	38.3	28.5
Price (2 Sep 14) GBP 952.50	P/E (Reported) (x) P/BV (x)	20.4 9.11	26.1 9.63	56.0 3.99	42.8 6.67	38.3 6.26	28.5 5.66
Target Price GBP 860.00	FCF Yield (%)	4.3	1.2	nm	0.8	0.5	3.2
52 Week range GBP 674.50 - 1,281.00	Dividend Yield (%)	4.0	2.2	1.9	1.5	1.8	2.4
Market Cap (m) GBPm 7,019	EV/Sales (x)	7.9	8.5	8.0	7.7	6.5	5.8
USDm 11,662	EV/EBITDA (x) EV/EBIT (x)	11.3 12.8	14.1 17.5	17.9 26.7	15.7 24.6	13.4 20.3	11.0 15.9
		12.0	17.5	20.7	24.0	20.3	10.5
Company Profile	Income Statement (USDm)					4 979	
Fresnillo is the world's largest primary silver producer and a significant gold producer. All its operations are currently	Sales revenue Gross profit	2,193 1,736	2,157 1,598	1,615 1,000	1,541 973	1,873 1,116	2,065 1,199
based in the highly prospective gold and silver belts of	EBITDA	1,533	1,301	727	761	904	1,09
Mexico. The group currently has five operating mines, two idvanced stage development and four medium-term	Depreciation Amortisation	172 0	254 0	239 0	277 0	305 0	34(
rowth projects, as well as significant land holdings in	EBIT	1,361	1,047	488	484	599	75
Aexico. Fresnillo's goal is to double production silver and old by 2018, equating to 65Moz of silver and over 400koz	Net interest income(expense)	-1	8	-9	-23	4	:
of gold.	Associates/affiliates Exceptionals/extraordinaries	0 160	0 118	0 -54	0 47	0	(
	Other pre-tax income/(expense)	15	-8	-6	-36	-77	-93
Price Performance	Profit before tax Income tax expense	1,535 496	1,165 319	418 158	473 148	525 152	668 194
2800	Minorities	137	109	21	52	68	64
2400	Other post-tax income/(expense)	0	0	0	0	0	(
2000	Net profit	902	736	240	273	305	410
	DB adjustments (including dilution) DB Net profit	-115 787	-84 652	38 278	-33 239	0 305	0 410
800	· ·		002	270	200		
Sep 11 Mar 12 Sep 12 Mar 13 Sep 13 Mar 14	Cash Flow (USDm)	1.040	700	440	000	000	017
Fresnillo FTSE 100 INDEX (Rebased)	Cash flow from operations Net Capex	1,249 -460	736 -506	446 -560	683 -591	663 -609	817 -444
	Free cash flow	790	230	-114	92	54	373
Margin Trends	Equity raised/(bought back) Dividends paid	0 -787	0 -424	346 -505	0 -119	0 -242	(-296
80	Net inc/(dec) in borrowings	0	0	830	0	0	200
	Other investing/financing cash flows	123	120	81	-713	40	36
50	Net cash flow Change in working capital	125 0	-73 0	638 <i>0</i>	-740 <i>0</i>	-149 <i>0</i>	113 (
40	Balance Sheet (USDm)		-				-
30 20	Cash and other liquid assets	685	613	1,252	512	363	476
11 12 13 14E 15E 16E	Tangible fixed assets	1,194	1,480	1,838	2,144	2,448	2,552
EBITDA Margin EBIT Margin	Goodwill/intangible assets	0	0	0	0	0	(
Growth & Profitability	Associates/investments Other assets	573 407	615 562	436 558	478 484	442 525	408 553
	Total assets	2,859	3,270	4,084	3,618	3,779	3,990
	Interest bearing debt Other liabilities	0 710	0 669	836 576	837 611	837 639	837 653
40 50 40	Total liabilities	710	669	1,412	1,448	1,476	1,490
- 30	Shareholders' equity	1,868	2,233	2,273	1,749	1,861	2,059
-20 20	Minorities Total shareholders' equity	282 2,149	369 2,602	399 2,672	421 2,170	441 2,303	441 2,501
-40 0	Net debt	-685	-613	-415	325	474	360
11 12 13 14E 15E 16E	Key Company Metrics						
Sales growth (LHS) ROE (RHS)	Sales growth (%)	55.5	-1.6	-25.1	-4.6	21.5	10.2
Solvency	DB EPS growth (%)	48.4	-17.2	-58.5	-13.9	27.3	34.5
20	EBITDA Margin (%) EBIT Margin (%)	69.9 62.1	60.3 48.5	45.0 30.2	49.4 31.4	48.2 32.0	53.1 36.7
30 20 50	Payout ratio (%)	81.7	48.5 56.4	104.6	64.5	32.0 69.2	68.4
	ROE (%)	50.4	35.9	10.7	13.5	16.9	20.9
0 30 30	Capex/sales (%) Capex/depreciation (x)	21.3	24.1	35.4	38.7	32.5	21.5
		2.7	2.0	2.4	2.2	2.0	1.3
-20 -30 - 10	Net debt/equity (%)	-31.9	-23.6	-15.5	15.0	20.6	14.4

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Net debt/equity (LHS)

Net interest cover (RHS)



Figure 50: Fresnillo Operational and Financial Summary Data

CY12	CY13	CY14F 20	CY15F 20	CY16F	CY17F	CY18F 20	CY19F 25	CY20F	NPV (FY14) Frespillo	US\$m 3011	US\$ps	£ps 2.72
												2.72
												0.30
												0.51 0.06
												-0.03
0.03	0.04	0.01	0.04	0.72	0.72	0.72	0.72	0.72				0.36
												2.87
												0.06
												8.99
												-0.88
												-0.29
									Total	8649	11.74	7.82
	-415	325							Valuation (FY14)			
-24%	-16%	15%	21%	14%	6%	-7%	-22%	-30%	Evaluation 8	Investments		
32%	10%	15%	16%	19%	18%	19%	24%	18%	development	1%		
26%	6%	9%	10%	12%	11%	13%	16%	12%	portfolio 🖌			
0.91	0.38	0.32	0.41	0.56	0.53	0.63	0.91	0.78	32%			
-17%	-58%	-15%	27%	35%	-5%	18%	45%	-14%			Fresnillo	
	-58%	-40%	-23%	-12%	-10%	-6%	0%	-2%			30%	
0.58		0.24	0.29			0.42			Nochebuena			
									0%			
01/0	0070	10/0	0070	0070	0070	0,,0	01/0	0070	Silverstream		7	
									4%		Saucito	
									Soledad &		23%	
36 020	38 706	30 006	19 917	60.250	61 /66	61 662	60 717	60 444	Diplos Herradura 1% 6%	Ciénega		
										3%		
									L			
25	26	31	45	56	60	60	60	61				
									Revenue split (FY13)			
25		34	48	57	59	59	59	62	Nashahuran Cit			
25		31	45	56	60	60	60	61	6% San Iulia	5%		
285	269	287	365	411	422	420	376	305				
1,337	1,265	1,345	1,713	1,931	1,982	1,973	1,763	1,430	Diplos			
	-5%	0%	9%	10%	8%	7%	4%	1%	4%			
											32%	
899	580	483	619	643	639	675	815	844				
290	324	345	458	464	454	475	572	595	21%			
					156	174		217			7	
						566						
		-						78	Ciénena		Saucito	
		134							14%		18%	
110												
125	90	75										
125	89	75	56 2 150	54 2 166	53 2 166	56 2 205	69 2 579	72	EBITDA aniit (EV12)			
125 2,505	89 1 ,803	75 1,824	56 2,159	54 2,166	53 2,166	56 2,305	69 2,578	72 2,135	EBITDA split (FY13)			
									Nochebuena San J	ulian Silverst	ream	
2,505	1,803	1,824	2,159	2,166	2,166	2,305	2,578	2,135		ulian Silverst	ream	
2,505 629	1,803 354	1,824 267	2,159 363	2,166 372	2,166 359	2,305 391	2,578 523	2,135 543	Nochebuena San J 6% 0 Soledad &	ulian Silverst % 6%	ream	
2,505 629 195	1,803 354 216	1,824 267 227	2,159 363 297	2,166 372 299	2,166 359 283	2,305 391 300	2,578 523 392	2,135 543 409	Nochebuena San J 6% 0 Soledad & Diplos	ulian Silverst	ream	
2,505 629 195 219	1,803 354 216 146	1,824 267 227 105	2,159 363 297 44	2,166 372 299 34	2,166 359 283 23	2,305 391 300 38	2,578 523 392 77	2,135 543	Nochebuena San J 6% 0 Soledad &	ulian Silverst	ream	
2,505 629 195 219 420	1,803 354 216 146 221	1,824 267 227	2,159 363 297 44 313	2,166 372 299 34 291	2,166 359 283 23 299	2,305 391 300 38 370	2,578 523 392 77 352	2,135 543 409 75	Nochebuena San J 6% 0 Soledad & Diplos 0% Herradura	ulian Silverst	Freshillic 33%	
2,505 629 195 219 420 102	1,803 354 216 146 221 1	1,824 267 227 105 280	2,159 363 297 44 313 45	2,166 372 299 34 291 53	2,166 359 283 23 299 48	2,305 391 300 38 370 29	2,578 523 392 77 352 21	2,135 543 409 75 - 25	Nochebuena San J 6% 0 Soledad & Diplos 0%	ulian Silverst	Freshillio 33%	
2,505 629 195 219 420	1,803 354 216 146 221	1,824 267 227 105 280 - 50	2,159 363 297 44 313 45 27	2,166 372 299 34 291 53 23	2,166 359 283 23 299 48 29	2,305 391 300 38 370 29 33	2,578 523 392 77 352 21 43	2,135 543 409 75 - 25 44	Nochebuena San J 6% 0 Soledad & Diplos 0% Herradura	ulian Silverst	rream Freshillic 33%	
2,505 629 195 219 420 102 81	1,803 354 216 146 221 1 65	267 227 105 280 - 50 74	2,159 363 297 44 313 45 27 160	2,166 372 299 34 291 53 23 146	2,166 359 283 23 299 48 29 138	2,305 391 300 38 370 29 33 155	2,578 523 392 77 352 21 43 219	2,135 543 409 75 - 25 44 215	Nochebuena San J 6% 0 Soledad & Diplos 0% Herradura	ulian Silverst	ream Freshillic 33%	
2,505 629 195 219 420 102 81 - 109	1,803 354 216 146 221 1 65 - 61	1,824 267 227 105 280 - 50 74 49	2,159 363 297 44 313 45 27 160 36	2,166 372 299 34 291 53 23 146 34	2,166 359 283 23 299 48 29 138 33	2,305 391 300 38 370 29 33 155 37	2,578 523 392 77 352 21 43 219 49	2,135 543 409 75 - 25 44 215 51	Nochebuena San J 6% 0 Soledad & Diplos 0% Herradura 21%	ulian Silverst	ream Freshillio 33%	
2,505 629 195 219 420 102 81	1,803 354 216 146 221 1 65	267 227 105 280 - 50 74	2,159 363 297 44 313 45 27 160	2,166 372 299 34 291 53 23 146	2,166 359 283 23 299 48 29 138	2,305 391 300 38 370 29 33 155	2,578 523 392 77 352 21 43 219	2,135 543 409 75 - 25 44 215	Nocheburen San. 6% 0 Soledad & Diplos 0% Hernafure 21% Ciénega	ulian Silverst	Freshillic 33%	
2,505 629 195 219 420 102 81 - 109	1,803 354 216 146 221 1 65 - 61	1,824 267 227 105 280 - 50 74 49	2,159 363 297 44 313 45 27 160 36	2,166 372 299 34 291 53 23 146 34	2,166 359 283 23 299 48 29 138 33	2,305 391 300 38 370 29 33 155 37	2,578 523 392 77 352 21 43 219 49	2,135 543 409 75 - 25 44 215 51	Nochebuena San J 6% 0 Soledad & Diplos 0% Herradura 21%	ulian Silverst	Freshillic 33%	,
2,505 629 195 219 420 102 81 - 109 1,755	1,803 354 216 146 221 1 65 - 61 1,064	1,824 267 227 105 280 - 50 74 49 1,052	2,159 363 297 44 313 45 27 160 36	2,166 372 299 34 291 53 23 146 34	2,166 359 283 23 299 48 29 138 33	2,305 391 300 38 370 29 33 155 37 1,353	2,578 523 392 77 352 21 43 219 49 49 1,677	2,135 543 409 75 - 25 44 215 51 1,363	Nocheburen San. 6% 0 Soledad & Diplos 0% Hernafure 21% Ciénega	ulian Silverst	Freshillic 33%	
2,505 629 195 219 420 102 81 - 109	1,803 354 216 146 221 1 65 - 61	1,824 267 227 105 280 - 50 74 49	2,159 363 297 44 313 45 27 160 36	2,166 372 299 34 291 53 23 146 34	2,166 359 283 23 299 48 29 138 33	2,305 391 300 38 370 29 33 155 37	2,578 523 392 77 352 21 43 219 49	2,135 543 409 75 - 25 44 215 51	Nocheburen San. 6% 0 Soledad & Diplos 0% Hernafure 21% Ciénega	ulian Silverst	Freshillic 33%	,
2,505 629 195 219 420 102 81 - 109 1,755	1,803 354 216 146 221 1 65 - 61 1,064	1,824 267 227 105 280 - 50 74 49 1,052	2,159 363 297 44 313 45 27 160 36 1,284	2,166 372 299 34 291 53 23 146 34 1,251	2,166 359 283 23 299 48 29 138 33 1,211	2,305 391 300 38 370 29 33 155 37 1,353	2,578 523 392 77 352 21 43 219 49 49 1,677	2,135 543 409 75 - 25 44 215 51 1,363	Nocheburen San. 6% 0 Soledad & Diplos 0% Hernafure 21% Ciénega	ulian Silverst	Freshillic 33%	
2,505 629 195 219 420 102 81 - 09 1,755 86	1,803 354 216 146 221 1 65 - 61 1,064 87	1,824 267 227 105 280 - 50 74 49 1,052 78	2,159 363 297 44 313 45 27 160 36 1,284 56	2,166 372 299 34 291 53 23 146 34 1,251 56	2,166 359 283 23 299 48 29 138 33 1,211 56	2,305 391 300 38 370 29 33 155 37 1,353 37	2,578 523 392 77 352 21 43 219 49 1,677 38	2,135 543 409 75 25 44 215 51 1,363 39 39	Nocheburen San. 6% 0 Soledad & Diplos 0% Hernafure 21% Ciénega	ulian Silverst	Freshillic 33%	
2,505 629 195 219 420 102 81 - 109 1,755 86 54 82	1,803 354 216 146 221 1 61 1,064 87 102 58	1,824 267 227 105 280 - 50 74 49 1,052 78 132 40	2,159 363 297 44 313 45 27 160 36 1,284 56 152	2,166 372 299 34 291 53 146 34 1,251 56 152 30	2,166 359 283 23 299 48 29 138 33 1,211 56 32 30	2,305 391 300 38 370 29 33 155 37 1,353 37 37 37	2,578 523 392 77 352 21 43 219 49 1,677 38 38	2,135 543 409 75 - 25 44 215 51 1,363 39	Nochobuena San. 6% 0 Soledad & Diplos 0% Herradure 21% Ckinega 14%	ulian Silverst	Freshillic 33%	,
2,505 629 195 219 420 102 81 - 109 1,755 86 54 82 109	1,803 354 216 146 221 1 65 - 61 1,064 87 102 58 230	1,824 267 227 105 280 - 50 74 49 1,052 78 132 40 70	2,159 363 297 44 313 45 27 160 36 1,284 56 152 30 20	2,166 372 299 34 291 53 23 146 34 1,251 56 152 300 20	2,166 359 283 239 299 48 29 138 33 1,211 56 32 30 020	2,305 391 300 38 370 29 33 155 37 1,353 37 37 37 30 20	2,578 523 392 77 352 21 43 219 49 1,677 38 38 38 30 21	2,135 543 409 75 - 25 44 215 51 1,363 39 39 39 39 39	Nocheburen San. 6% 0 Soledad & Diplos 0% Hernafure 21% Ciénega	ulian Silverst	Freshillic 33%	,
2,505 629 195 219 420 102 81	1,803 354 216 146 221 1 65 - 61 1,064 87 102 58 230 30	1,824 267 227 105 280 - 50 74 49 1,052 78 132 40 70 10	2,159 363 297 4 4 313 45 27 7 160 36 1,284 56 152 30 20 0 10	2,166 372 299 34 291 53 23 146 34 1,251 566 152 30 20 20 10	2,166 359 283 299 48 299 138 33 1,211 56 32 30 20 10	2,305 391 300 38 370 29 33 155 37 1,353 37 37 30 20 10	2,578 523 392 77 352 21 43 219 49 1,677 38 38 30 21 10	2,135 543 409 75 - 25 44 215 51 1,363 39 39 31 - 11	Nochobuena San. 6% 0 Soledad & Diplos 0% Herradure 21% Ckinega 14%	ulian Silverst	Freshillic 33%	
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	26% 0.91 -17% 0.58 64% 36,939 4,035 40,974 473 25 37,076 688 25 25 37,076 688 25 25 25 285 1,337	1671 1413 361 334 89 88 94 98 13.2 12.8 0.63 0.64 845 261 1250 784 520 572 424 505 117 70 -74 637 -613 -415 26% 6% 0.91 0.38 -17% -58% 0.58 0.34 64% 89% 36,939 38,796 4,035 3,946 40,974 42,742 473 411 25 25 26 285 285 269 1,337 1,265 -58% -58% 899 580 290 324 322 256 269 324 322 256 582 372	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	1671 1413 1289 1163 1150 1125 1200 1598 1654 Saucito 361 334 399 302 265 327 340 362 Ciènega 89 88 84 105 106 112 115 120 124 Herratura 94 98 96 104 105 107 108 112 115 Soledad & Diplos 0.63 0.64 0.61 0.64 0.72 0.72 0.72 0.72 0.72 Nochebuena 1250 784 884 813 991 1078 1340 1095 Corporate / unalocate 1250 784 884 813 991 1078 1340 105 Total / Departional 1250 784 637 738 -149 133 209 359 471 321 -613 415 21% 14% 6% -7% -22% -30% -30% 20% 0.83 0.32 0.41 0.56 0.53 <td< td=""><td></td><td>$\begin{array}{cccccccccccccccccccccccccccccccccccc$</td></td<>		$ \begin{array}{cccccccccccccccccccccccccccccccccccc$

Source: Deutsche Bank

Investment Thesis -Fresnillo

Outlook

Fresnillo is the world's largest primary silver producer (43Moz in 2013, or 6% of global mined supply), and a significant gold producer as well(425 koz in 2013). We believe the company is in a good position to successively grow volumes through the addition of three new mines and a series of brownfield expansions over the next four to five years. Growth in the next two years is more muted, however, as grades decrease at four of its five mines. Fresnillo is the quality company in the sector in our view, in terms of delivering production growth and controlling costs although prevailing weak silver and gold prices are likely to squeeze margins in the next 12 months. Hold.

Valuation

Our price target is based on 1.1x NAV, which is a premium to peers due to the company's track record for delivery, but is below the bottom end of the company's recent trading history given the potential for mark-to-market downgrades on spot commodity prices. Our NAV is based on life-of-mine cash flows, using a long-term gold price of US\$1300/oz and a silver price of US\$20/oz. The WACC of 6.4% is based on a risk-free rate of 4%, a market risk premium of 6%, a Beta of 0.4, and 0% gearing.

Risks

A key risk is higher or lower than expected silver and gold prices. The company has an excellent exploration track record and could surprise on the upside by discovering significant resources of silver and gold, leading to an upgrade in future production expectations or improving grades at the large Fresnillo mine. The company has an extensive project pipeline over the medium term, and the key risk here is higher capex and a later start than we have assumed. A deterioration in community relations could result in production interruptions. Running the numbers

United Kingdom Metals & Mining Glencore Reuters: GLEN.L

Europe

Buy Price (2 Sep 14)

Target Price

Model updated:20 August 2014

	/
165	20165

014	Fiscal year end 31-Dec	2012	2013	2014E	2015E	2016E
	Financial Summary					
	DB EPS (USD)	0.07	0.32	0.34	0.43	0.52
	Reported EPS (USD)	0.14	-0.65	0.32	0.43	0.52
	DPS (USD)	0.16	0.17	0.18	0.19	0.19
	BVPS (USD)	4.4	3.8	4.5	4.8	5.2
	Weighted average shares (m)	7,011	11,141	13,278	13,140	13,120
	Average market cap (USDm)	40,987	57,866	81,087	81,087	81,087
Bloomberg: GLEN LN	Enterprise value (USDm)	51,412	91,670	109,346	105,439	99,414
	Valuation Metrics					
	P/E (DB) (x)	80.7	16.1	18.2	14.1	11.7
GBP 367.55	P/E (Reported) (x)	43.3	nm	19.4	14.1	11.7
GBP 400.00	P/BV (x)	1.30	1.37	1.36	1.27	1.18
GBP 297.00 - 377.50	FCF Yield (%) Dividend Yield (%)	3.4 2.7	nm 3.2	nm 3.0	7.5 3.0	10.1 3.1
GBPm 48,805	EV/Sales (x) EV/EBITDA (x)	0.2 11.5	0.4 9.3	0.5 8.5	0.4 7.3	0.4 6.2
USDm 81,087	EV/EBIT (x)	17.1	15.9	14.4	12.0	9.7
	Income Statement (USDm)					
orld's leading integrated	Sales revenue	214,436	232,694	242.477	248.831	243,182
modities, covering metals	Gross profit	214,430	232,694 9,825	12,898	14,539	16,099
cultural commodities. The	EBITDA	4,477	9,825	12,898	14,539	16,099
es in production, sourcing,	Depreciation	1,473	4,049	5,319	5,771	5,846
g, storage and financing of	Amortisation	0	0	0	0	0
erger with Xstrata has output and moved it from	EBIT	3,004	5,776	7,578	8,768	10,253
ominated company.	Net interest income(expense)	-2,184	-1,751	-1,617	-1,391	-1,258
	Associates/affiliates Exceptionals/extraordinaries	367 0	0 -11,068	0 -74	0 0	0 0
	Other pre-tax income/(expense)	-111	-11,008	-74 41	81	81
	Profit before tax	1,076	-7,044	5,927	7,458	9,076
	Income tax expense	-76	254	1,395	1,475	1,979
	Minorities	148	104	231	204	264
	Other post-tax income/(expense)	0	0	0	0	0
	Net profit	1,004	-7,402	4,302	5,779	6,834
mon	DB adjustments (including dilution) DB Net profit	-466 538	11,068 3,666	290 4,592	0 5,779	0 6,834
· · · · · · · · · · · · · · · · · · ·	Cash Flow (USDm)					
r 13 Sep 13 Mar 14	Cash flow from operations	4,381	9,184	7,952	13,248	13,134
TSE 100 INDEX (Rebased)	Net Capex	-3,005	-9,329	-8,866	-7,202	-5,077
The foot indeex (nebused)	Free cash flow	1,376	-145	-914	6,046	8,057
	Equity raised/(bought back)	0	10	-780	-250	0
	Dividends paid	-1,066	-2,062	-2,254	-2,429	-2,452
	Net inc/(dec) in borrowings	6,123	558	251	-3,776	-5,249
	Other investing/financing cash flows Net cash flow	-4,956 1,477	1,706 67	4,967 1,271	540 131	420 776
	Change in working capital	727	2,599	-1,991	995	192
	Balance Sheet (USDm)					
		0 700	0.040	4 1 0 0	4.051	F 000
E 15E 16E	Cash and other liquid assets Tangible fixed assets	2,782 23,238	2,849 67,507	4,120 69,979	4,251 71,410	5,026 70.641
EBIT Margin	Goodwill/intangible assets	2,664	9,053	9,100	9,100	9,100
LEH Holight	Associates/investments	25,353	21,724	23,707	23,707	23,707
	Other assets	51,500	53,799	58,650	55,897	55,464
	Total assets	105,537	154,932	165,556	164,365	163,938
15	Interest bearing debt	35,526	55,185	52,872	49,096	43,847
5	Other liabilities	35,711	46,598	50,233	48,975	48,733
0	Total liabilities Shareholders' equity	71,237 31,266	101,783 49,957	103,105 59,237	98,071 63,080	92,580 68,144
	Minorities	3,034	3,192	3,214	3,214	3,214
-10	Total shareholders' equity	34,300	53,149	62,451	66,294	71,358
-20	Net debt	32,744	52,336	48,752	44,845	38,821
15E 16E	Key Company Metrics					
LHS) ROE (RHS)	Sales growth (%)	nm	8.5	4.2	2.6	-2.3
	DB EPS growth (%)	na	345.9	4.2	28.6	20.4
	EBITDA Margin (%)	2.1	4.2	5.3	5.8	6.6
10	EBIT Margin (%)	1.4	2.5	3.1	3.5	4.2
- 8	Payout ratio (%)	111.0	nm	56.7	42.3	36.2
6	ROE (%)	3.3	-18.2	7.9	9.4	10.4
4	Capex/sales (%)	1.5	4.1	3.7	2.9	2.1
- 2	Capex/depreciation (x) Net debt/equity (%)	2.1 95.5	2.4 98.5	1.7 78.1	1.2 67.6	0.9 54.4
	Net interest cover (x)	95.5 1.4	3.3	4.7	6.3	54.4 8.2
15F 16F			0.0		0.0	0.2

Source: Company data, Deutsche Bank estimates

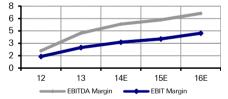
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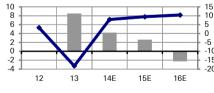




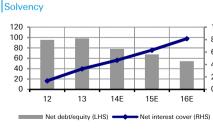




Growth & Profitability







robert.clifford@db.com



Figure 51: Glencore Operational and Financial Summary Data

COMMODITIES (Nominal) Thermal coal (US\$/t)		FY11 106.8	FY12 111.9	FY13 83.0	FY14F 79.6	FY15F 83.2	FY16F 87.1	FY17F 90.5	FY18F 93.9	FY19F 102.3	FY20F 107.2	Valuation by business Alloys	USDm 386	USD/s 0.0
Met coal (US\$/t)		263.3	210.0	146.0	125.3	135.0	155.0	160.0	170.0	184.4	190.8	Coal	36322	2.7
Copper (US\$/Ib)		4.06	3.65	3.38	3.13	3.06	2.99	3.31	3.44	3.44	3.56	Copper	21666	1.0
Zinc (US\$/lb)		1.00	0.89	0.88	0.94	1.05	1.08	1.12	1.15	1.20	1.24	Nickel	12290	0.9
Aluminium (US\$/lb)		1.09	0.93	0.86	0.82	0.86	1.00	1.09	1.18	1.39		Zinc	8527	0.
Nickel (US\$/lb)		10.37	7.97	6.85	7.99	9.62	10.89	12.25	11.46	11.04	11.43	Oil	3327	0.2
Iron ore - Fines (USc/Fe)		257.8	186.8	196.5	154.8	141.5	132.3	129.0	140.3	145.7	151.3	Iron ore	1504	0.1
Oil - WTI (US\$/bbl)		95.1	94.2	98.0	102.5	96.3	90.0	95.0	98.3	101.8	105.3	Aluminium/alumina	1427	0.:
Ferrochrome (Usc/lb)		125.0	112.5	111.9	115.0	125.0	125.0	120.0	115.0	113.9	117.8	Agriculture	318	0.0
												Marketing	29163	2.3
KEY FINANCIAL METRICS (US\$m)												Others	1593	0.3
Net Income		4,048	1,004	-7,402	4,302	5,779	6,834	8,144	9,160	10.559	11,526	Enterprise Value	116523	8.7
Net cash flow from operations		-343	4,381	9,184	7,952	13,248	13,134	13,383	15,681	16,894	17,915	Corporate & Unallocated	-4601	0.1
Capex (incl. exploration) and divestments		-2,810	-3,117	-9,587	-8,943	-7,202	-5,077	-5,202	-4,967	-4,222	-4,072	Net debt	-28281	
Dividend payment		346	1,066	2,062	2,254	2,429	2,452	2,517	2,605	2,696	2,790	Net to Equity shareholders	83640	6.3
Dividend from Associates		366	461	551	975	490	420	627	884	1,245	1,581	Shares outstanding (mn)	13278	0
Free Cash Flow - pre debt & equity		-3,153	1,264	-403	-991	6,046	8,057	8,181	10,714	12,672	13,843	US\$/£	1.55	
Net Debt (US\$M)		13,020	16,160	34,098	33,096	29,873	23,980	16,555	7,042	-4,753	-17,877	Valuation in £	53961	4.0
Gearing (ND/E - %)		45%	52%	68%	55,090 56%	25,873 47%	23,980 35%	22%	8%	-4,733	-17,877	Valuation in £	33501	
ROE (%)												Valuation by division		
ROA (%)		14%	3% 2%	-15% -7%	7%	9% 5%	10%	11% 7%	11% 8%	11%	11% 8%	Valuation by division	A 8000	
EPS (USc)		7% 0.72	0.08	0.32	4% 0.34	0.43	6% 0.52	0.62	0.70	8% 0.80	0.88	Others 2%	Alloys 0%	
EPS Change (%)		0.72	-89%	303%	4%	29%	20%	19%	12%	15%	9%			
DPS (USc)												Agriculture Marketing	Coal 31%	
		0.15	0.16	0.17	0.18	0.19	0.19	0.20	0.20	0.21	0.22	Agriculture Marketing 0% 25%	3176	
Payout ratio (%)		21%	199%	51%	55%	43%	36%	31%	29%	26%	25%	Aluminium/ Iron		
Total production (own source)												alumina ore		
-												1% 1% Oil 3%		
Metals & Minerals												Zinc	Conn	er
Total Copper contained	kt	2269.6	1203	1497	1560	1578	1619	1609	1616	1633	1603	7% Nickel	Copp 19%	
Total Zinc contained	kt	2494.2	1590	1399	1455	1703	1643	1613	1607	1550	1371	11%		
Total Lead contained	kt	581.2	321	315	327	384	352	348	357	341	295	Revenue by division		
Total Nickel contained	kt	202.9	109	98	109	129	152	152	151	150	148	Copper Zinc	Nickel	h cardia
Total Gold (incl. Gold equivalents)	koz	2310	1559	1023	945	859	974	989	1080	1079	886	7% -3%	1%A	luminum 0%
Total Silver	koz		35656	39257	33966	36620	36455	36042	36712	36162	34223		Ferroalloy	s
Total Cobalt	kt	18	14	19	23	27	26	26	26	28	27			oal
Total Ferrochrome	kt	1021	938	1238	1352	1200	1200	1200	1200	1200	1200			5%
Total Platinum	koz	92	80	90	85	88	100	100	100	100	100		0%	
Total Palladium	koz	47	45	50	48	48	48	48	48	48	48	Marketing 82%	Agricultur	-
Total Rhodium	koz	15	14	15	22	28	28	28	28	28	28	82%	1%	6
Energy Products														
Australian coking coal	MT	7.6	6.9	7.3	5.9	6.1	6.6	6.6	6.6	6.6	6.6	EBITDA by division		
Australian thermal coal (Export)	MT	37.1	43.7	48.1	56.4	55.9	57.4	60.6	62.4	60.5	59.5			
Australian thermal coal (Domestic)	MT	7.4	5.1	5.1	4.6	6.2	6.4	6.7	6.9	6.7	6.6			
Australian semi-soft coal	MT	5.3	4.3	4.5	3.7	3.7	3.8	4.3	5.2	5.8	5.8		Cop	
South African thermal coal (Export)	MT	9.6	21.1	20.6	20.9	20.7	21.8	21.8	21.8	21.8	21.8	Marketing 23%	31	1%
South African thermal coal (Domestic)	MT	13.2	24.7	22.9	24.4	25.8	23.8	23.8	23.8	23.8	23.8	Agriculture		
Prodeco (Colombia) thermal coal	MT	14.8	14.8	18.6	20.0	20.0	20.0	20.0	20.0	20.0	20.0	1% Oil 6%		
Cerrejon (Colombia) thermal coal	MT	10.8	11.6	11.0	12.2	13.3	13.3	14.3	14.3	14.3	14.3	Coal 19%	Zinc	
Oil	Mbbl	2.8	0.0	22.5	31.0	37.7	38.6	38.3	39.2	26.9	23.6	19%	376	
												Ferroalloys Al	uminum Nickel	
Revenue (US\$m)												3%	0% 8%	
Copper				18,623	16,257	14,768	14,397	15,224	15,988	16,396	16,687			
Zinc				7,667	6,665	7,011	7,073	7,219	7,971	8,465	8,242	Capex by division		
Nickel				2,477	3,122	3,841	4,821	5,396	5,101	4,899	5,025	Agriculture	Marketing	
Aluminum				518	457	403	414	414	414	425	440	1.26	270	
Ferroalloys				1,910	2,037	2,100	2,127	2,001	1,955	2,024	2,095	Oil 18%		
Iron ore				0	0	0	0	0	84	437	1,709	10%	0	opper 37%
Coal				11,597	11,090	11,695	13,094	13,857	14,664	15,749	16,200	Card		
Oil				672	1,193	1,870	1,846	1,869	1,871	1,327	1,126	Coal 16%		
Agriculture				3,185	3,691	3,649	3,641	3,641	3,641	3,641	3,641	Iron ore 1%	7	
Marketing				192,819	200,671	206,279	198,696	208,239	214,509	222,234	228,981		Zinc 13%	
Total Revenue				239,468	245,184	251,615	246,109	257,859	266,197	275,597	284,146	Ferroalloys 3% Aluminum Nickel		
EBITDA (US\$m)												0% 9%		
				4 664	4 400	4 267	4 343	E 170	E (70	E 034	6.002			
Copper				4,661	4,409	4,367	4,243	5,170	5,670	5,834		EBITDA progression		
Zinc				1,573	1,341	1,797	1,790	1,936	2,433	2,807	2,608	27,000		
Nickel				601	1,170	1,731	2,398	2,823	2,570	2,371	2,438	24,000		
Aluminum				24	7	35	46	46	46	48	54	21,000		
Ferroalloys				346	444	265	159	107	56	130	202	18,000		
Iron ore				-2	0	0	0	0	55	288	605	12,000 -		
Coal				2,939	2,624	2,765	3,942	4,467	5,113	6,135	6,476	9,000		
Oil				439	777	1,191	1,160	1,219	1,243	836	683	6,000 -		
Agriculture				61	150	139	138	138	138	138	127	3,000 -		
Marketing				2,692	3,293	3,482	3,496	3,809	3,905	4,033	4,138			
Total EBITDA				13,334	14,216	15,772	17,371	19,715	21,228	22,621	23,395	FY13 FY14FFY15FFY16F	FY 17FFY 18FF	19FFY2
Capex (US\$m)												C		
				E 340	2 (25	2 5 10	3 510	2 227	1 025	1 000	1 751	Capex progression		
Copper				5,318	3,625	2,510	2,510	2,237	1,935	1,692	1,751	15,000		
Zinc				2,015	1,297	1,002	672	622	638	660	683			
Nickel				1,503	933	455	430	382	392	405	420	10,000 -		
Aluminum				28	21	10	10	10	10	10	11	🔳 📕 🗕		
Ferroalloys				321	320	148	148	98	99	102	106		_	
Iron ore				89	100	350	700	1,203	1,077	277	64	5,000		
Coal				2,353	1,566	1,441	1,080	1,080	1,080	1,104	1,128	🔳 🔳 🛋		
Oil				1,045	1,755	1,826	248	259	181	181	133			
				146	106	110	110	110	110	110	110	FY13 FY14F FY15F Copper Zinc	FY16F FY1 Nickel	7F FY1 IIIAlumin
Agriculture														
				267	178	181	181	128	181	129	131	Ferroalloys	Coal	Oil
Agriculture						181 8,033	181 6,089	128 6,129	181 5,701			Ferroalloys	Coal	Oil

Investment Thesis -Glencore

Outlook

Glencore Xstrata's unique integrated business model allows the company to leverage not only the growth in global commodity demand, but also growth in global commodity trade. Its merger with Xstrata has transformed the business from a trading dominated (by earnings) business to a fully fledged miner. Its large group of industrial or producing assets offers price exposure to a diversified basket of commodities including metals, agricultural products and energy products. Its trading business is a key differentiator versus the diversified miners, able to leverage the trend of increased commodity price volatility and the preferential growth of commodity trading. Glencore's current asset base can deliver superior production growth over the next two years compared with the other miners. The equity market remains sceptical on the sustainability of the marketing earnings in a range of commodity price and trading environments which should only improve as its track record develops. Buy.

Valuation

We value Glencore using discounted cash flow analysis on its life of asset cash flows. We use a WACC of 10.1% (CoD 6%, Gearing target 30%, Tax rate 20% and RFR 4%) Our price target is set at our valuation in line with the sector.

Risks

Weaker commodity prices or stronger operating currencies than expected are key downside risks to our earnings and valuation forecasts. Key stock-specific downside risks: Some of Glencore's key growth assets are in less politically stable regions, such as the Democratic Republic of Congo (DRC) and Equatorial Guinea, which introduces a higher degree of sovereign risk. Of the large miners, we view Glencore as the most likely to undertake further M&A in the near term-transactions are usually viewed sceptically by the market in the first instance and could lead to price underperformance.

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Model updated:21 August 2014	Fiscal year end 31-Dec	2011	2012	2013	2014E	2015E	2016E
Running the numbers	Financial Summary						
Europe	DB EPS (USD)	2.76	0.94	0.37	0.04	0.00	0.00
United Kingdom	Reported EPS (USD) DPS (USD)	1.74 0.28	-4.32 0.11	-3.96 0.00	-5.44 0.00	0.00 0.00	0.00 0.00
Metals & Mining	BVPS (USD)	16.7	12.0	9.4	4.6	4.6	4.6
	Weighted average shares (m)	534	526	513	447	447	447
Kazakhmys PLC	Average market cap (USDm) Enterprise value (USDm)	10,271 5,049	6,790 3,910	3,050 2,296	2,280 1,437	2,280 2,157	2,280 2,501
Reuters: KAZ.L Bloomberg: KAZ LN	-	5,049	3,910	2,290	1,437	2,107	2,301
Hold	Valuation Metrics	7.0	10.0	10.4	100.1		
Price (2 Sep 14) GBP 307.00	P/E (DB) (x) P/E (Reported) (x)	7.0 11.0	13.8 nm	16.1 nm	130.1 nm	nm nm	nm nm
	P/BV (x)	0.86	1.06	0.38	1.10	1.10	1.10
0	FCF Yield (%)	5.4	nm	nm	nm	nm	nm
52 Week range GBP 171.50 - 354.00	Dividend Yield (%)	1.5	0.9	0.0	0.0	0.1	0.0
Market Cap (m) GBPm 1,372	EV/Sales (x) EV/EBITDA (x)	1.4 3.0	1.2 4.8	0.7 3.2	0.9 3.2	2.2 7.5	1.9 6.0
USDm 2,280	EV/EBIT (x)	4.5	13.9	nm	7.4	17.1	17.5
Company Profile	Income Statement (USDm)						
Kazakhmys is a Top 10 global copper producer, Top 5 in	Sales revenue	3,563	3,353	3,099	1,690	989	1,317
silver, an expanding zinc producer, enjoys bottom quartile costs, has expansion and acquisition potential and close	Gross profit EBITDA	1,669 1,669	819 819	722 722	445 445	289 289	416 416
proximity to key end-consumer, China. Kazakhmys listed	Depreciation	264	278	288	152	103	193
in London recently and entered the FTSE 100 index. Its assets are all located in Kazakstan.	Amortisation	280	260	1,036	99	60	80
	EBIT Net interest income(expense)	1,125 -68	281 -91	-602 -79	194 -264	126 -106	143 -126
	Associates/affiliates	94	-2,374	-1,224	207	0	0
	Exceptionals/extraordinaries Other pre-tax income/(expense)	0	0	0	-3,038 -32	0 -20	0 -20
Price Performance	Profit before tax	1,623	-2,204	-681	-3,140	0	-2
'	Income tax expense	221	86	127	-505	0	0
1600	Minorities Other post-tax income/(expense)	0 0	0	0	1	0	0
1200	Net profit	930	-2,270	-2,032	-2,429	0	-2
800	DB adjustments (including dilution)	545	2,763	2,222	2,447	0	0
400	DB Net profit	1,475	493	190	18	0	-2
0 +	Cash Flow (USDm)						
Kazakhmys PLC — FTSE 100 INDEX (Rebased)	Cash flow from operations Net Capex	1,140 -589	620 -1,019	70 -1,542	896 -1,335	298 -1,018	154 -497
	Free cash flow	551	-399	-1,472	-439	-720	-343
Margin Trends	Equity raised/(bought back) Dividends paid	-83 -129	-88 -121	0 -42	0 0	0	0 -1
60	Net inc/(dec) in borrowings	-123	569	683	-471	338	-162
45 30	Other investing/financing cash flows	-351	178	1,296	457	0	0
15	Net cash flow Change in working capital	-15 <i>154</i>	139 <i>70</i>	465 <i>-13</i>	-452 <i>470</i>	-382 <i>-79</i>	-505 <i>-37</i>
	Balance Sheet (USDm)						
-15	Cash and other liquid assets	1,102	1,246	1,715	1,263	881	375
11 12 13 14E 15E 16E	Tangible fixed assets	2,700	3,062	3,312	2,048	2,962	3,266
EBITDA Margin EBIT Margin	Goodwill/intangible assets	53	64	52	271	271	271
Growth & Profitability	Associates/investments Other assets	6,412 1,464	4,088 1,533	1,293 2,247	1,265 328	1,265 470	1,265 536
	Total assets	11,731	9,993	8,619	5,174	5,849	5,714
40	Interest bearing debt	1,893	2,468	3,111	2,645	2,984	2,822
20 0 -20	Other liabilities Total liabilities	1,006 2,899	1,260 3,728	1,287 4,398	451 3,096	789 3,772	817 3,639
-40	Shareholders' equity	8,825	6,259	4,217	2,073	2,072	2,070
-40 -60 -80	Minorities Total shareholders' equity	7 8,832	6 6,265	4 4,221	5 2,078	5 2,077	5 2,075
-60 -100	Net debt	791	1,222	1,396	1,383	2,103	2,447
11 12 13 14E 15E 16E	Key Company Metrics						
Sales growth (LHS) ROE (RHS)	Sales growth (%)	10.1	-5.9	-7.6	-45.5	-41.5	33.2
Solvency	DB EPS growth (%)	1.9	-66.1	-60.5	-89.4	na 20.2	-1,315.3
140 20	EBITDA Margin (%) EBIT Margin (%)	46.8 31.6	24.4 8.4	23.3 -19.4	26.3 11.5	29.2 12.7	31.6 10.9
120	Payout ratio (%)	16.1	nm	nm	nm	nm	nm
	ROE (%)	10.9 16.5	-30.1	-38.8 49.8	-77.2	0.0	-0.1
60	Capex/sales (%) Capex/depreciation (x)	2.2	30.4 3.7	49.8 5.4	79.0 8.8	103.0 9.8	37.7 2.6
40 5	Net debt/equity (%)	9.0	19.5	33.1	66.5	101.2	117.9
	Net interest cover (x)	16.5	3.1	nm	0.7	1.2	1.1

Source: Company data, Deutsche Bank estimates

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Net interest cover (RHS)

16E

12

Net debt/equity (LHS)

Figure 52: Kazakhmys Operational and Financial Summary Data

FX/COMMODITY ASSUMPTIONS	CY10A	CY11A	CY12A	CY13F	CY14F	CY15F	CY16F	CY17F	CY18F	CY19F	CY20F	Valuation (FY13)	US\$m	US\$/s	£/
USDEUR	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	Kazakh Mining	0	0.00	0.0
LME Copper - US\$/lb	3.43	4.06	3.61	3.34	3.09	3.02	2.95	3.27	3.40	3.40	3.52	MKM	0	0.00	0.0
Zinc - US\$/lb	0.98	1.01	0.89	0.88	0.94	1.05	1.08	1.12	1.15	1.20	1.24	ENRC (26%)	0	0.00	0.0
Gold - US\$/oz	1,226	1,570	1,671	1,413	1,257	1,163	1,150	1,125	1,200	1,598	1,654	Dostan-Temir LLP	0	0.00	0.0
Silver - US\$/oz	20.2	35.2	31.3	23.9	20.0	19.8	19.0	18.8	20.0	24.6	25.4	Power	0	0.00	0.0
												Eurasia Gold	0	0.00	0.0
												Total operations	0	0.00	0.0
KEY FINANCIAL METRICS												Corp/other	0	0.00	0.0
Underlying Earnings (US\$M)	1450	1475	493	191	18	0	-2	359	534	545	437	Less net debt	-418	-0.93	-0.5
Operating Cash Flow	1046	1140	620	70	896	298	154	434	767	836	763	Less minorities	0	0.00	0.0
Capex (incl. explorations) and Divestments (US\$M)	720	604	1209	650	309	1018	497	216	193	182	150	Total	-418	-0.93	-0.5
Dividend (US\$M)	80	129	121	42	0	0	1	14	36	43	39				
Free Cash Flow before Debt and Equity (US\$M)	-97	66	-341	-213	49	-720	-344	204	538	611	574	WACC	10.46%		
Net Debt (US\$M)	-350	19	-707	-771	-418	-1138	-1482	-1278	-739	-128	445				
Gearing (ND/E - %)	4%	0%	11%	18%	20%	55%	72%	53%	26%	4%	-12%	Valuation Split (FY	(13)		
ROE (%)	18%	11%	-36%	-48%	-117%	0%	0%	15%	18%	16%	12%				
ROA (%)	10%	10%	4%	1%	3%	2%	2%	9%	12%	11%	9%				
EPS (Usc)	271	174	104	-396	-544	0	0	80	120	122	98				
EPS Change (%)	162%	-36%	-40%	-481%	37%	-100%		-18532%	49%	2%	-20%				
EPS CAGR (%) - off CY12 earnings				-481% r		-107%	-100%	-5%	2%	2%	-1%				
DPS (Usc)	22	28	20	0	0	0	0	6	10	10	8				
Payout ratio (%)	8%	16%	19%	0%	0%	-1019%	0%	8%	8%	8%	8%				
PRODUCTION															
Copper cathode Eq from own ore	303	298	292	294	292	312	331	334	318	307	280				
Copper cathodes from own conc	303	298	292	263	176	168	170	172	154	141	113				
Copper sold in conc	0	0	0	32	116	144	161	162	164	166	167				
Zinc in conc	167	140	152	134	119	108	104	104	67	54	30	Revenue Split - Fi	(13		
Silver (Moz)	14.1	13.1	12.6	14.3	8.6	11.6	11.7	11.8	10.0	9.5	8.6				
Gold (koz)	136	124	128	109	101	131	135	136	132	127	113		Energy		
Ekibastuz power production (GWhr)	11065	12697	14368	12785									1%		
Exernal sales from captive power plants		2547	2098	2366	2784	3466	3481	3464	3463	3462	3477				
Revenue (US\$M)															
Kazakh Mining	3182	3548	1785	3003	1648	989	1317	2244	2611	2607	2171				
Energy	0	0	0	41	42	0	0	0	0	0	0				
Other Operations	54	0	0	0	0	0	0	0	0	0	0		Kazak	h	
Others/Corporate/Hedging/Unallocated	0	15	-39	55	0	0	0	0	0	0	0		Mining		
Total Revenue	3237	3563	1746	3099	1690	989	1317	2244	2611	2607	2171		99%		
Capex (US\$M)															
Maintenance	380	420	230	422	239	164	189	216	193	182	150	EBITDA Split - FY1	13		
Expansionary	211	169	26	1120	1096	854	308	0	0	0	0				
Total	590	589	256	1542	1335	1018	497	216	193	182	150		Energy 6%		
EBITDA															
		1808	831	705	0	0	0	0	0	0	0				
	1715				0	0	0	0	0	0	0				
Kazakh Mining	1715		∩			0	0			0					
Kazakh Mining Energy	0	0	0	48		0	0	∩							
Kazakh Mining Energy Other Operations	0 28	0 0	0	0	0	0	0	0	0	-	0				
Kazakh Mining Energy Other Operations Others/Corporate/Hedging/Unallocated	0 28 -170	0 0 -139	0 -115	0 -31	0 0	0	0	0	0	0	0				
Kazakh Mining Energy Other Operations	0 28	0 0	0	0	0		-			-					
Kazakh Mining Energy Other Operations Others/Corporate/Hedging/Unallocated Total EBITDA EBITDA Margin (%)	0 28 -170 1573	0 0 -139 1669	0 -115 716	0 -31 722	0 0 0	0	0	0 0	0 0	0 0	0 0		Kaza Minir	ng	
Kazakh Mining Energy Other Operations Others/Corporate/Hedging/Unallocated Total EBITDA EBITDA Margin (%)	0 28 -170	0 0 -139	0 -115 716 47%	0 -31	0 0 0	0 0 0%	0	0 0 0%	0 0 0%	0	0 0 0%			ng	
Kazakh Mining Energy Other Operations Others/Corporate/Hedging/Unallocated Total EBITDA	0 28 -170 1573 54% 0%	0 -139 1669 51% 0%	0 -115 716	0 -31 722 23% 117%	0 0 0 0% 0%	0	0	0 0 0% 0%	0 0 0% 0%	0 0	0 0 0% 0%		Minii	ng	
Kazakh Mining Energy Other Operations Others/Corporate/Hedging/Unallocated Total EBITDA EBITDA Margin (%) Kazakh Mining	0 28 -170 1573 54%	0 -139 1669 51%	0 -115 716 47%	0 -31 722 23%	0 0 0% 0% 0%	0 0 0%	0 0 0%	0 0 0% 0%	0 0 0%	0 0 0%	0 0 0% 0%		Minii	ng	
Kazakh Mining Energy Other Operations Others/Corporate/Hedging/Unallocated Total EBITDA EBITDA Margin (%) Kazakh Mining Energy	0 28 -170 1573 54% 0%	0 -139 1669 51% 0%	0 -115 716 47% 0%	0 -31 722 23% 117%	0 0 0 0% 0%	0 0 0% 0%	0 0 0% 0%	0 0 0% 0%	0 0 0% 0%	0 0 0% 0%	0 0 0% 0%		Minii	ng	

Source: Deutsche Bank estimates, Company Data

Investment Thesis -Kazakhmys

Outlook

Kazakhmys has recently received share holder approval to demerge its mature assets and smelters to a private vehicle and keep its lower cost mines and growth projects. While not all approvals have be received yet, the company has economic separation from the end of July 2014. The remaining company is to be called Kaz minerals and consists of 4 mines in Kazakhstan, 1 mine in Kyrgyzstan and 3 greenfield projects in Kazakhstan. The company produces and sells copper in concentrate. The main by-product of the operations is zinc. In late 2009, the group reached a funding agreement with the China Development Bank and Samruk for a line of credit up to US\$2.7b--the bulk of this (US\$2b) will be used for the 100ktpa Bozshakol and Aktogay copper projects. Bozshakol is due to be commissioned in 2015 and Aktogay in 2016.

Valuation

Our share price target is set at 0.75x our DCF-derived net asset valuation and is consistent with its performance in the sector. This assumes a WACC of 10.6% on post-tax cash flow and assumes 15% gearing (CoE 11.8%, CoD 6.5%, tax rate of 20%). We use life of mine cash flow analysis to arrive at our DCF valuation.

Risks

Key risks include stronger copper and zinc prices than forecast, higher production of copper and zinc and a weaker local operating currency (tenge). Other risks include project delivery (which have deteriorated recently with capex increases), corporate governance, domestic economic and political developments and acquisitions. For Kazakhmys, project delivery is a key risk as it continues its major greenfield copper projects in Kazakhstan, Bozshakol and Aktogay. While it is moving through the development of its two large projects, its gearing will increase substantially and pose an extra risk in the event of commodity price declines.

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Model updated:27 July 2014	Fiscal year end 30-Sep	2011	2012	2013	2014E	2015E	2016E
Running the numbers	Financial Summary						
Sub-Saharan Africa	DB EPS (USD)	2.08	0.07	0.20	-0.22	0.05	0.14
South Africa	Reported EPS (USD) DPS (USD)	2.52 0.28	-2.01 0.00	0.31 0.00	-0.70 0.00	0.05 0.00	0.14 0.05
Platinum	BVPS (USD)	27.1	12.6	6.5	5.6	6.3	6.9
	Weighted average shares (m)	108	203	532	569	570	571
Lonmin Plc	Average market cap (USDm)	1,470	1,539	2,503	2,191	2,191	2,191
Reuters: LMI.L Bloomberg: LMI LN	Enterprise value (USDm)	2,115	2,217	2,503	2,403	2,435	2,264
Dente	Valuation Metrics						
Buy	P/E (DB) (x)	6.5	103.1	23.0	nm	79.2	26.9
Price (2 Sep 14) GBP 231.60	P/E (Reported) (x) P/BV (x)	5.4 0.32	nm 0.38	15.1 0.80	nm 0.68	79.2 0.61	26.9 0.56
Target PriceGBP 350.00	FCF Yield (%)	15.0	nm	nm	nm	nm	8.9
52 Week range GBP 212.90 - 352.80	Dividend Yield (%)	2.1	0.0	0.0	0.0	0.0	1.3
Market Cap (m) GBPm 1,319	EV/Sales (x)	1.1	1.4	1.6	2.6	1.9	1.4
USDm 2,191	EV/EBITDA (x) EV/EBIT (x)	4.9 6.9	11.5 33.1	7.8 15.3	nm nm	11.6 41.4	7.3 14.2
		0.5	55.1	15.5	11111	41.4	14.2
Company Profile	Income Statement (USDm)	4 000		1 500	000	4 057	
Lonmin specializes in the mining of PGMs (platinum group metals). The Group operates a number of platinum mines,	Sales revenue Gross profit	1,992 425	1,614 202	1,520 339	922 -46	1,257 228	1,611 329
concentrators, smelters and a refinery within its core	EBITDA	431	193	321	-55	210	311
Marikana operations, all situated in the Bushveld Igneous	Depreciation	124	126	157	145	151	152
Complex of South Africa. After declining production from 2006, the company's new growth target is 950koz of	Amortisation EBIT	0 307	0 67	0	0 -200	0	0 160
platinum ounces by 2015	Net interest income(expense)	-5	-14	164 -10	-200	59 -12	-13
	Associates/affiliates	-5	4	-10	2	6	6
	Exceptionals/extraordinaries	-18	-755	-18	-354	0	0
	Other pre-tax income/(expense)	0	0	0	0	0	0
Price Performance	Profit before tax	293 -28	-698 -148	140 -58	-567 -154	53 16	153 46
4.0	Income tax expense Minorities	-28 48	-148	-58	-154 -15	9	46 25
3.6	Other post-tax income/(expense)	0	0	0	0	0	0
3.2	Net profit	273	-410	166	-398	28	82
	DB adjustments (including dilution)	-47	425	-57	272	0	0
2.4 WWW WWW WWWWWWWWWWWWWWWWWWWWWWWWWWWW	DB Net profit	226	15	109	-126	28	82
2.0	Cash Flow (USDm)						
Sep 12 Mar 13 Sep 13 Mar 14	Cash flow from operations	630	263	16	-114	138	380
Lonmin Plc FTSE 100 INDEX (Rebased)	Net Capex	-410	-404	-159	-100	-160	-184
Margin Trends	Free cash flow	220	-141	-143	-214 0	-22	196
Indigin fields	Equity raised/(bought back) Dividends paid	1 -40	0 -45	778 -12	-18	0 -2	0 -2
30	Net inc/(dec) in borrowings	-223	424	-730	0	0	0
20	Other investing/financing cash flows	-30	1	0	0	0	0
	Net cash flow	-72	239	-107	-232	-24	194
0	Change in working capital	232	275	-246	169	-44	127
-20	Balance Sheet (USDm)						
-30	Cash and other liquid assets	76	315	201	563	540	916
11 12 13 14E 15E 16E	Tangible fixed assets	2,742	2,889	2,908	2,978	3,262	3,466
EBITDA Margin EBIT Margin	Goodwill/intangible assets	1,106	502	502	500	500	500
Growth & Profitability	Associates/investments Other assets	400 538	578 339	470 535	325 395	325 524	325 467
Glowin & Flontability	Total assets	4,862	4,623	4,616	4,760	5,151	5,675
60 30	Interest bearing debt	310	736	0	589	589	589
	Other liabilities	1,211	1,072	959	788	804	904
20	Total liabilities	1,521	1,808	959	1,377	1,393	1,493
-10	Shareholders' equity Minorities	2,930 411	2,558 257	3,456 201	3,208 186	3,573 195	3,961 220
-20 -40 -20 -30	Total shareholders' equity	3,341	2,815	3,657	3,394	3,768	4,182
-60 -40	Net debt	234	421	-201	26	49	-327
11 12 13 14F 15F 16F							



11

12



13

Sales growth (LHS)

14E

16E

ROE (RHS)

Anna Mulholland, CFA

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				- 10
13	14E	15E	16E	- 0

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Sales growth (%)	25.7	-19.0	-5.8
DB EPS growth (%)	59.0	-96.5	178.8
EBITDA Margin (%)	21.6	12.0	21.1
EBIT Margin (%)	15.4	4.2	10.8
Payout ratio (%)	11.1	nm	0.0
ROE (%)	20.7	-30.6	12.4
Capex/sales (%)	20.6	25.0	10.5
Capex/depreciation (x)	3.3	3.2	1.0
Net debt/equity (%)	7.0	15.0	-5.5
Net interest cover (x)	61.4	4.8	16.4

25.7

-19.0

Source: Company data, Deutsche Bank estimates

Key Company Metrics

Sales growth (%)

-39.4

-6.0 -21.7

nm

-29.7

10.9

0.7

0.8

nm

na

-5.8

36.4

16.7

4.7

0.0

2.1

12.7

1.1

1.3

4.8

na

28.1

193.9

19.3 9.9

35.0

6.0

11.4 1.2

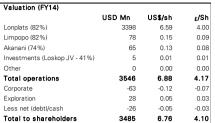
-7.8

12.5

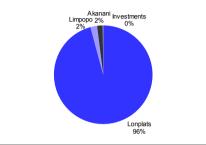


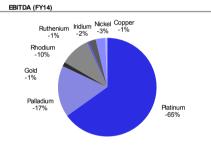
Figure 53: Lonmin Operational and Financial Summary Data

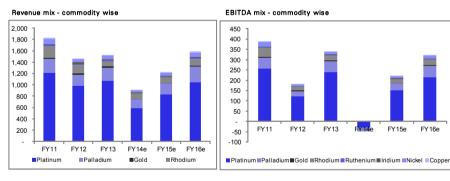
ASSUMPTIONS	FY11	FY12	FY13	FY14e	FY15e	FY16e	FY17e	FY18e	FY19e	FY20e	
ZAR/USD	6.93	8.04	9.40	10.60	10.26	10.10	10.78	11.46	11.54	11.54	
Platinum (US\$/oz)	1,764	1,525	1,541	1,433	1,553	1,631	1,725	1,825	2,015	2,124	1
Palladium (US\$/oz)	743	650	707	770	833	926	988	1,075	1,051	1,062	1
Rhodium (US\$/oz)	2,218	1,363	1,116	1,054	1,238	1,381	1,625	1,850	3,580	4,249	
Gold (US\$/oz)	1,492	1,659	1,527	1,275	1,175	1,153	1,131	1,181	1,499	1,640	1
Refined metals produced											(
Platinum (Koz)	731	687	709	414	533	644	641	630	624	617	٦
Palladium (Koz)	373	332	321	200	240	290	288	283	281	278	(
Gold (Koz)	21	19	19	10	13	16	16	15	15	15	F
Rhodium (Koz)	101	116	81	85	73	88	87	86	85	84	l
Ruthenium (Koz)	189	161	178	99	110	133	133	130	129	128	٦
Iridium (Koz)	32	35	29	27	25	30	30	29	29	29	
Total PGMs	1,447 🍢	1,350	1,336 🍢	835 🍢	993 🍢	1,201 🍢	1,194 🍢	1,174	1,164 📍	1,150	,
Nickel (kt)	42	38 🍢	36 🍢	17 🍢	26 🍢	32 🍢	32 🍢	31 🗖	31	30	
Copper (kt)	25	22 🗖	22 🗖	9 🍢	17 🍢	20 🍢	20 🍢	20 🗖	20 🗖	20	
Revenue (US\$mn)											
Platinum	1,211	984	1,074	592	827	1,051	1,105	1,149	1,258	1,310	
Palladium	241	196	229	153	200	268	285	305	296	295	
Gold	27	29	29	13	15	18	18	18	23	25	
Rhodium	192	141	87	89	90	122	142	159	305	358	
Ruthenium	29	16	15	6	9	13	16	20	25	27	
Iridium	20	34	24	21	21	27	29	30	33	32	
Nickel	88	54	57	29	54	74	83	80	76	76	
Copper	22	16	17	6	11	13	14	15	15	15	
Others	162	144	-10	13	30	24	24	24	24	26	
Total Revenue	1,992	1,614	1,520 🗖	922 🍢	1,257 🚪	1,611 🍢	1,716 7	1,799 🖡	2,054	2,164	
EBITDA (US\$mn)											
Platinum	258	122	239	-30	150	215	309	385	501	539	
Palladium	51	24	51	-8	36	55	80	102	118	121	E
Gold	6	4	6	-1	3	4	5	6	9	10	
Rhodium	41	18	19	-4	16	25	40	53	122	147	
Ruthenium	6	2	3	-0	2	3	5	7	10	11	
Iridium	4	4	5	-1	4	6	8	10	13	13	
Nickel	19	7	13	-1	10	15	23	27	30	31	
Copper	5	2	4	-0	2	3	4	5	6	6	
Others	41	10	-20	-10	-13	5	7	8	10	11	
Total EBITDA	431	193 🖡	321 🍢	-55 🗖	210 🚪	329 🍢	480 -	603 🖡	818	889	
Capex (US\$mn)											
Lonmin Platinum Growth capex	150	158	-	-	-	-	-	-	-	-	
Lompopo Growth capex	-	-	-	-	-	-	-	-	-	-	
Lonmin Platinum Maintenance capex	249	250	159	100	160	184	184	184	186	192	
Lompopo Maintenance capex	10	-	-	-	-	-	-	-	-	-	
Total Capex	409	408	159	100	160	184	184	184	186	192	

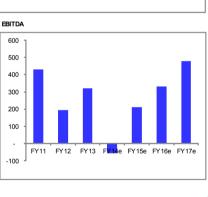


Valuation (FY14)









FY16e

Source: Deutsche Bank estimates, Company Data

Investment Thesis - Lonmin

Outlook

Lonmin's mining and smelting performance improved significantly during 2013 under the Lonmin Renewal Plan, but the exceptional improvement in operational performance was derailed by the five-month AMCU strike in H1CY14. Significant damage was done to Lonmin's balance sheet as a result of the lengthy stoppage. As such, Lonmin's plan to grow to 850kozpa platinum, re-starting its K4 shaft (currently on care and maintenance), is now unaffordable on our estimates. As the company navigates through the poststrike period, we await a revised plan for Marikana. Lonmin has kept its operations ready for a speedy ramp-up, in our view. It has demonstrated previously, after the 2012 Marikana strike, its ability to recover from production disruptions quickly, assisted by its high ore reserve availability. We would expect Lonmin to replicate the previous ramp-up process given its sole asset is Marikana. In this case, we believe Lonmin would outperform peers in the near term. Buy.

Valuation

Our price target is derived by applying a 0.9x multiple to the group's DCF valuation. The 10% discount is based on company management performance, relative to the broader Metals and Mining peer group (based on life-of-mine cash flows discounted at a WACC of 10.0%, Beta 1.4, ERP 6%).

Risks

Downside risks include a stronger-than-expected rand and lower-thanexpected PGM prices. There is also a risk of a stock overhang if Glencore Xstrata sells down its 24.5% stake; and a risk of dilution from equity issuance as part of future Black Economic Empowerment deals. Further labour disruption also remains a downside risk.



Model updated:22 July 2014	Fiscal year end 31-Dec	2011	2012	2013	2014E	2015E	2016E
Running the numbers	Financial Summary						
Europe	DB EPS (NOK)	2.01	0.25	0.93	0.47	0.47	1.30
Norway	Reported EPS (NOK) DPS (NOK)	3.42 0.75	-0.61 0.75	-0.45 0.75	0.36 0.75	0.48 0.75	1.33 0.75
Metals & Mining	BVPS (NOK)	38.4	34.2	34.3	34.6	34.1	34.9
<u> </u>	Weighted average shares (m)	1,959	2,037	2,038	2,039	2,039	2,039
Norsk Hydro	Average market cap (NOKm) Enterprise value (NOKm)	72,334 65,746	56,708 49,843	52,775 39,187	74,510 65,141	74,510 64,733	74,510 63,034
Reuters: NHY.OL Bloomberg: NHY NO		00,7.10	10,010	00,107	00,111	0 1,7 00	00,001
Hold	Valuation Metrics	10.0	110 5	07.0	77.0	70 5	00.1
Price (2 Sep 14) NOK 36.55	P/E (DB) (x) P/E (Reported) (x)	18.3 10.8	112.5 nm	27.8 nm	77.8 100.4	78.5 76.1	28.1 27.6
Target Price NOK 38.00	P/BV (x)	0.72	0.82	0.79	1.06	1.07	1.05
•	FCF Yield (%)	4.8 2.0	4.0 2.7	4.6 2.9	1.4 2.1	2.5 2.1	4.3 2.1
0	Dividend Yield (%)						
Market Cap (m) NOKm 74,510	EV/Sales (x) EV/EBITDA (x)	0.7 4.1	0.8 8.3	0.6 6.5	0.9 10.3	0.9 10.3	0.8 6.9
USDm 12,028	EV/EBIT (x)	6.7	115.4	23.4	34.0	34.1	13.7
Company Profile	Income Statement (NOKm)						
Hydro is a fully integrated aluminium producer with power	Sales revenue	97,407	64,580	65,359	70,149	68,575	76,338
generating, alumina refining, aluminum smelting and aluminium processing operations. Its recent acquisition of the Brazilian	Gross profit EBITDA	15,984 15,984	5,976 5,976	6,066 6,066	6,326 6,326	6,272 6,272	9,117 9,117
luminium, alumina and bauxite assets from Vale has shifted its balance from naturally short alumina (neutral when including	Depreciation	6,158	5,544	4,392	4,409	4,374	4,523
ong-term offtake agreements) to naturally long. With the transfer of the assets only just complete, the company is in the	Amortisation EBIT	0 9,826	0 432	0 1,674	0 1,917	0 1,898	0 4,593
process of integrating them into its business. Once done, the	Net interest income(expense)	-1,288	-348	-2,550	-81	-100	-59
bauxite and alumina assets offer significant growth options to Hydro. The company is in the process of commissioning its	Associates/affiliates Exceptionals/extraordinaries	0	0	0	0	0	0
najor greenfield smelter in Qatar.	Other pre-tax income/(expense)	0	0	0	0	0	C
Price Performance	Profit before tax Income tax expense	8,538 1,790	84 803	-876 153	1,836 799	1,798 521	4,534 1,348
60 1	Minorities	45	-13	82	294	298	484
50	Other post-tax income/(expense) Net profit	0 6,703	-528 -1,234	189 -922	0 742	0 979	0 2,702
40	DB adjustments (including dilution)	-2,756	1,738	2,823	215	-30	-55
30	DB Adjustments (including dilution) DB Net profit	3,947	504	1,901	957	-30 949	2,647
20	Cash Flow (NOKm)						
Sep 11 Mar 12 Sep 12 Mar 13 Sep 13 Mar 14	Cash flow from operations	7,277	5,434	5,074	3,961	5,846	6,313
Norsk Hydro Oslo All-Share Index (Rebased)	Net Capex	-3,841	-3,183	-2,637	-2,952	-3,963	-3,086
Margin Trends	Free cash flow Equity raised/(bought back)	3,436 88	2,251 72	2,437 56	1,009 23	1,883 0	3,228 0
20	Dividends paid	-1,781	-1,741	-1,528	-1,686	-1,529	-1,529
16	Net inc/(dec) in borrowings Other investing/financing cash flows	934 -5,068	2,245 -3,771	-511 1,369	10 522	2,000 -86	1,500 -102
12	Net cash flow	-2,391	-944	1,823	-122	2,268	3,096
8	Change in working capital	0	0	0	0	0	0
	Balance Sheet (NOKm)						
0 11 12 13 14E 15E 16E	Cash and other liquid assets Tangible fixed assets	10,145 64,192	11,377 61,772	10,892 50,670	9,931 53,538	12,199 53,127	15,296 51,689
EBITDA Margin EBIT Margin	Goodwill/intangible assets	0	0	0	0	0	0
Growth & Profitability	Associates/investments	19,372 38,844	15,950 28,258	23,767	22,763 29,797	22,763 29,410	22,763 31,431
·	Other assets Total assets	132,553	117,357	29,906 115,235	116,029	117,499	121,178
40 30 20 10 8 6	Interest bearing debt	8,438	9,630	10,181	10,526	12,386	13,784
	Other liabilities Total liabilities	38,949 47,387	32,230 41,860	29,790 39,971	30,134 40,660	29,941 42,327	30,565 44,348
	Shareholders' equity	78,178	69,662	69,981	70,528	69,452	71,110
	Minorities Total shareholders' equity	6,988 85,166	5,835 75,497	5,283 75,264	5,720 76,248	5,720 75,172	5,720 76,830
-40 -4	Net debt	-1,707	-1,747	-711	595	186	-1,512
11 12 13 14E 15E 16E	Key Company Metrics						
Sales growth (LHS) ROE (RHS)	Sales growth (%)	28.6	-33.7	1.2	7.3	-2.2	11.3
Solvency	DB EPS growth (%)	51.9	-87.7	277.0	-49.7	-0.8	178.9
1 100	EBITDA Margin (%) EBIT Margin (%)	16.4 10.1	9.3 0.7	9.3 2.6	9.0 2.7	9.1 2.8	11.9 6.0
0.5	Payout ratio (%)	21.9	nm	nm	205.9	156.1	56.6
-0.5 - 60	ROE (%) Capex/sales (%)	10.0 3.9	-1.7 5.0	-1.3 4.1	1.1 4.2	1.4 5.8	3.8 4.0
-1 - 40	Capex/sales (%) Capex/depreciation (x)	0.6	0.6	4.1 0.6	4.2	5.8 0.9	4.0
-2 20	Net debt/equity (%)	-2.0	-2.3	-0.9	0.8	0.2	-2.0
-2.5 11 12 13 14E 15E 16E	Net interest cover (x)	7.6	1.2	0.7	23.7	19.0	78.3



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Net interest cover (RHS)

Net debt/equity (LHS)



Figure 54: Norsk Hydro Operational and Financial Summary Data

Algenice Constraic (USAP) 296.9 315.1 297.4 297.4 287.9 288.1 398.6 413.6 Algenice metal 597.18 282.9 500.00 VGMUSD 5.00	FX/COMMODITY ASSUMPTIONS	FY10	FY11	FY12	FY13			FY16	FY17	FY18	FY19	FY20	NPV (FY13)	NOK Mn	NOK/Sh	USc/Sh
Likulis 1.33 1.39 1.39 1.39 1.39 1.30 1.10	Aluminium (USc/lb)															153.2
UGUISD 5.90 5.60 5.2 5.80 6.00											399.6	413.6	Aluminium metal			
Dial USAbbiti 79.8 9.1 9.2.2 9.8.0 9.0.2 9.8.0 9.0.0				1.29	1.18		1.21	1.10	0 1.10	1.10	1.10	1.10	Metal Markets	4427	2.17	37.
Constrained by the Production by the Production by the Production by the Point Productin Productin Production by the Point Production by the Point Prod	NOK/USD	5.90	5.60	5.82	5.88	6.07	6.10	6.00	0 6.00	6.00	6.00	6.00	Rolled Products	8188	4.02	69.
Consistence of the Coparations Coparat	Oil (US\$/bbl)	79.6	95.1	94.2	98.0	102.5	96.3	90.0	95.0	98.3	101.8	105.3	SAPA	2935	1.44	24.
Profit Profit<													Energy	5769	2.83	48.6
Cache Generations 6488 7277 6448 6704 381 183 2014 1704 7762 8.8.1 965. Decide of dependences 868 111 11211 1121 1121 1121 <td>KEY FINANCIAL METRICS (NOK Mn)</td> <td></td> <td>Corporate</td> <td>-894</td> <td>-0.44</td> <td>-7.</td>	KEY FINANCIAL METRICS (NOK Mn)												Corporate	-894	-0.44	-7.
Dapes Mend 2115 3841 3183 2857 2983 3086 3986 444 4383 2010 Mark Mark Mark Mark Mark Mark Mark Mark	Profit After Tax	2119	6748	-719	-1029	1036	1278	3186	4277	5927	9751	9615	Less Net Debt	-20520	-10.07	-172.
Divide 886 1781 1741 1741 1528 1529 <t< td=""><td>Cash Generated for Operations</td><td>6363</td><td>3 7277</td><td>5434</td><td>5074</td><td>3961</td><td>5846</td><td>6313</td><td>3 7643</td><td>9381</td><td>11706</td><td>13718</td><td>TOTAL</td><td>77802</td><td>38.17</td><td>655.8</td></t<>	Cash Generated for Operations	6363	3 7277	5434	5074	3961	5846	6313	3 7643	9381	11706	13718	TOTAL	77802	38.17	655.8
Fire Cash (190) Jobin (190) Jobin (177) Jobin (177) <t< td=""><td>Capex (incl. expl) and disposal</td><td>2115</td><td>3841</td><td>3183</td><td>2637</td><td>2952</td><td>3963</td><td>3086</td><td>5 3896</td><td>4544</td><td>4393</td><td>2301</td><td></td><td></td><td></td><td></td></t<>	Capex (incl. expl) and disposal	2115	3841	3183	2637	2952	3963	3086	5 3896	4544	4393	2301				
Nucl Decknigh 1-1002 1-177 7-11 550 150 1512 2-0268 Nucl N	Dividend	866	5 1781	1741	1528	1686	1529	1529	9 1529	1529	1570	2652				
Searing (NPL - %) 19.2.% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 3.0% 1.0% 1.0% 1.1% 2.1.2% 2.0.8% <th2.8%< th=""> <th2.0.8%< th=""> <th2.8%< th=""> 2.0.8</th2.8%<></th2.0.8%<></th2.8%<>	Free Cash Flow - before debt and equity	554	3268	2599	-2815	187	-354	-1699	-2218	-3308	-4783	-8765	WACC (nominal)	10%	Shares	2,039N
Gening (ND/E - %) 119.2% 2.0% 2.0% 2.0% 2.7% 4.7% 6.4% 1.28% 2.0% <th2.0%< th=""> 2.0% 2.0%<!--</td--><td></td><td>-10982</td><td>-1707</td><td>-1747</td><td>-711</td><td>595</td><td>186</td><td>-1512</td><td>2 -3730</td><td>-7038</td><td>-11821</td><td>-20586</td><td></td><td></td><td></td><td></td></th2.0%<>		-10982	-1707	-1747	-711	595	186	-1512	2 -3730	-7038	-11821	-20586				
Total 7.4% 15.8% 3.3% -2.2% 2.7% 3.4% 8.3% 10.7% 14.1% 21.2% 19.4% BPS (NO) 1.35 3.42 0.61 0.45 0.36 0.48 1.3% 12.5% 18.4% 7.4% 12.5% 18.4% 7.4% 12.5% 18.4% 7.4% 12.5% 18.4% 7.4% 2.2% 4.28 17.3% 17.3% 17.3% 17.3% 17.3% 17.3% 17.3% 2.2% 17.3% 2.2% 17.3% 2.2% 17.3% 2.2% 17.3% 2.2% 17.3% 2.2% 17.3% 2.2% 17.3% 2.2% 17.3% 2.2% 2.4% 2.5% 13.3% 33.8 PENCIDEN(kt) 11.17 19.80 19.85 19.44 19.41 19				-2.3%	-0.9%	0.8%							Valuation (FY13)			
NOA (%) 7.2% 14.8% 0.7% 2.9% 3.3% 3.2% 7.8% 9.7% 12.5														-		
PS (NOK) 1.35 3.4.2 0.61 -0.45 0.36 0.48 1.33 1.81 2.57 4.28 4.16 PS Change (%) 1.75% 1.81% 2.57 4.28 4.24% 6.27% 3.3% Mathematical Mathematical PS CARR (%) - off PY12 earnings 1.775% 1.81% 2.7% 2.2% 2.4% 2.7% 3.2% 2.7% 3.2% 2.7% 3.2% 2.7% 3.2% 2.7% 3.2% 2.7% 3.2% 2.7% 3.2% 2.7% 3.7% 3.7% 3.1% 2.57 4.2% 2.7% 3.2% 2.7% 3.7%													Rolled SAPA	Energy		
Bits during (%) 153% 42% 175% 181% 32% 176% 181% 32% 176% 181% 32% 176% 181% 32% 176% 181% 32% 176% 181% 32% 176% 181% 32% 176% 180% 130% 33%													Products 3%	6% Alum	na	
CPS CAGR (%) - off FY12 semings TV TV <td></td> <td>1.00</td> <td></td> <td>189</td> <td>b</td> <td></td>		1.00												189	b	
OPEN (NOIN) O.75 O.75 <td></td> <td></td> <td>100 /0</td> <td>-02 /0</td> <td></td>			100 /0	-02 /0												
Payout ratio (%) 55% 22% 124% -166% 206% 156% 57% 41% 30% 30% 33% PRODUCTION (k1) Primary Auminium 1417 1980 1985 1944 1941 </td <td></td> <td>0.70</td> <td></td> <td>0.75</td> <td></td>		0.70		0.75												
Production Propuge function Propuge functin Propuge function Propug																
Primary Automisum 1417 1980 1985 1944 1941 102 100 100<	Payout ratio (76)	55%) ZZ 70	124 %	-100 %	200%	150%	57%	5 4170	30%	30%	3370	5%			
Primary Automisum 1417 1980 1985 1944 1941 102 100 100<																
Metal markets (Remeit production) 622 555 549 517 537		1417	1080	1985	19//	10/1	10/11	10/1	10/1	10/11	10/11	10/11				
Balled Aluminium products 946 930 994 993 994 999 1004 Extrusion production 530 536 517 519 522 5780 5789 5818 5647 5876 Power (TWh) 81 9.8 10.3 10.02 102.1 102.5 110.5 10.																
Extrusion production 530 536 517 519 512 524 527 530 532 535 538 Aumina 5807 5827 5733 5703																
Alumina 5807 573															n	
Power (Wh) E.I. 9.6 10.3 10.8 10.7 10.5														metal		
Copper Eq. Production 939.8 1051.4 1032.0 1027.1 1038.6 1047.3 1070.1 1125.5 1146.1 1147.8 1149.7 Copper Eq. CAGR (%) - off FY12 production 0.47% 0.37% 0.37% 0.37% 0.37% 0.91% 1.75% 1.76% 1.53% 1.64% Primary Aluminium 31726 34720 2669 2327 23245 2591 2748 3878 41387 48188 50021 Netal markets 31726 34720 2669 23279 23507 25262 24697 2689 3141 33224 Netal markets 1180 1035 10315 12351 10316 1147.1 12326 1147.1 1147.8 1149.7 1430 3224 Power 21180 21530 20365 2526 24697 12631 5301 3324 Power 7054 6393 4707 6398 5308 5635 5615 5301 5589 10598 1377.2 <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>60%</td><td></td><td></td></t<>														60%		
Cooper Eq. CAGR (%) - off FY12 production -0.47% 0.37% 0.30% 0.91% 1.75% 1.76% 1.53% 1.36% REVENUE (NOK Mn) Primary Aluminium Metal markets 31726 34720 26690 23279 23507 23245 25911 27408 29061 33772 35216 Bildel Aluminium Moled Aluminium 31726 34720 20690 23279 23507 23245 25911 27408 29061 33772 35216 Boundation Buakte/Alumina 0 14471 13265 13391 14410 15916 19175 21437 25557 26311 Orwer 7064 6339 4707 6508 5631 5631 5631 5591 5299 74059 81166 86242 102596 105989 74059 1141 35980 30916 24113 3453 36167 41984 44002 2797 7407 64580 65395 5530 551 5261 5630 529 74059 112 7405 511 </td <td></td>																
Revenue split (FY13) Revenue sp		939.6	1051.4	1032.0												
Primary Aluminum 31726 34720 28690 23279 23677 23678 23678 23677 23678 23677 23678 23677 23678 24611	Copper Eq. CAGR (%) - off FY12 production				-0.47%	0.37%	0.30%	0.91%	5 1.75%	1.76%	1.53%	1.36%				
Primary Aluminium 31726 34720 26800 23219 23207 23245 25911 27408 29061 33772 35216 Wetal markets 43873 48724 39663 3779 34030 32637 36423 38784 43874 43873 48724 39663 37790 34030 32637 36424 38784 41387 48188 50021 31245 32161 38784 41387 48188 50021 31245 32161 32162 38784 41387 48188 50021 31245 32161 31245 32161 13125 13128 1140 15161 2525 5621 5635 5301 5299 118 32164 -41064 -44082 44082 135 44082 135 44082 135 1338 1410 1516 5255 5621 5635 5301 5299 1364 -44082 44082 44082 135 44082 135 134 13 13 13 13 1412 12656 5517 74164 -44082 1408 13 14 </td <td></td> <td>Revenue split (FY13)</td> <td></td> <td></td> <td></td>													Revenue split (FY13)			
Markets 43873 48724 39663 37790 34033 32637 36547 23878 41387 48188 50021 Wetal markets 21180 21530 20362 2047 19351 19616 22526 24637 26389 31387 48188 50021 Solided Aluminium products 21180 21530 20366 2047 19351 19116 22526 24637 26389 3141 33224 Ower 0													D			
Holled Aluminium products 21180 21530 20396 20647 19539 19616 22526 24897 26889 31941 33224 Builded Aluminium production 19405 20084 0																
Extrusion production 19405 20084 0 <td< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>Baaritor</td><td></td><td></td><td></td></td<>													Baaritor			
Bauxite/Aurinia 0 0 14471 13265 13351 1338 14410 15916 19175 21437 25357 26311 Power 7054 6339 4707 6308 5811 5512 5621 5631 5535 530 5299 Total Revenue/Corp./Share of equity/Othr 47521 48515 40141 35980 30905 22992 32461 34543 36167 41964 44082 Total Revenue/Corp./Share of equity/Othr 47571 97407 64560 6539 6538 6558 74059 81156 88242 102595 105589 Underlying EBIT FY10 FY11 FY12 FY13 FY14 FY15 FY18 FY17 FY18 FY19 FY20 Bauxite and Alumina 0 461 7791 1056 1552 1337 956 3305 512 2561 2787 Primary Metal 727 1187 314 1422 1260 716 2546 4550 4506 7196 7487 Rolled Products 219 267 209 594 409 359 401 436 470 560 587 Rolled Products 864 212 640 627 681 398 457 501 545 647 673 Rolled Products 465 49 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0																
Power 7054 6393 4707 6308 5811 5612 5625 5621 5635 5301 5299 Internal revenue/Corp./Share of equity/Othr 7651 94751 440141 35980 -30905 -29982 -336167 44082 102595 10589 1058 8242 102595 10589 10164 -44082 21% FY10 FY12 FY12 FY18 FY19 FY19 FY20 102595 10589 10386 21% 21% 21% FY18 FY19 FY20 FY10 FY11 FY12 FY18 FY19 FY19 FY20 74877 Bauxite and Alumina 0 4161 -791 1055 1522 -1337 -958 -512 2651 2787 7487 Yenary Metal 727 1187 314 1422 1260 716 2646 3560 4507 7887 37% 37% 37% 37% 37% 37% 37% 37% 37% 37%	Extrusion production					-	-					-	13	23	%	
Internal revenue/Corp./Share of equity/Othr -47521 -48515 -40141 -55990 -30405 -2992 -32461 -34533 -36167 41964 -44082 Addes Rolled Addes Addes Addes -40825 Addes Addes Addes -40825 Addes Addes -40825 Addes Addes -40825 Addes Addes Addes -40825 Addes Addes <td>Bauxite/Alumina</td> <td></td>	Bauxite/Alumina															
Total Revenue 76717 97407 64580 65395 65380 65638 74059 81156 88242 102595 105989 Noised Underlying EBIT FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 Bauxite and Alumina 0 461 -791 -1056 -1552 -1337 -956 512 2651 7487 21% Aluminin products 21% Metal Vietal Markets 219 267 209 594 409 359 401 436 470 566 587 Bolled Products 864 212 260 716 2651 526 647 673 Schurde Products 8450 427 681 398 457 501 512 527 673 Brided Products 450 49 0 0 0 0 0 0 0 0 0 0 <	Power	7054	6393	4707	6308			5625	5 5621	5635		5299				
Total Revenue 76717 97407 64580 65395 6538 74059 81156 88242 102595 105989 Aluminium products Underlying EBIT FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 Bauxite and Alumina 0 461 -791 -1056 -1552 -1337 -958 -305 512 261 2787 Primary Metal 727 1187 314 1422 1200 716 2646 3560 4606 7196 7487 Metal Markets 219 267 209 594 409 359 401 436 470 560 587 Schude Products 864 212 640 1657 1033 1245 1246 1257 1184 Energy 1430 948 1460 1657 1033 1245 1249 126 115 99 121 Other and elimination	Internal revenue/Corp./Share of equity/Othr	-47521	-48515	-40141	-35980	-30905	-29982	-32461	-34543	-36167	-41964	-44082	Bolled			
Underlying EBIT FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 21% </td <td>Total Revenue</td> <td>75717</td> <td>97407</td> <td>64580</td> <td>65395</td> <td>65380</td> <td>65538</td> <td>74059</td> <td>81156</td> <td>88242</td> <td>102595</td> <td>105989</td> <td></td> <td></td> <td></td> <td></td>	Total Revenue	75717	97407	64580	65395	65380	65538	74059	81156	88242	102595	105989				
Underlying EBIT FY10 FY11 FY12 FY13 FY14 FY15 FY18 FY19 FY19 FY20 Bauxite and Alumina 0 461 791 1056 1552 1337 -958 -305 512 2651 2787 Primary Metal 727 1187 314 1422 1260 716 2646 7196 7487 NoteId Markets 219 267 209 594 401 456 470 560 580 4600 7196 7487 NoteId Markets 219 267 209 594 401 456 470 560 587 Schuld Products 864 212 640 627 681 398 457 501 545 647 673 Chardy Markets 450 -49 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0																
Underlying Ebit Fr10 Fr11 Fr12 Fr13																
Bauxite and Alumina 0 461 -791 -1056 -1552 -1337 -958 -305 512 2651 2787 markets Primary Metal 727 1187 314 1422 1260 716 2546 650 4506 7487 7487 37% </td <td>Underlying EBIT</td> <td>FY10</td> <td>FY11</td> <td>FY12</td> <td>FY13</td> <td>FY14</td> <td>FY15</td> <td>FY16</td> <td>FY17</td> <td>FY18</td> <td>FY19</td> <td>FY20</td> <td>21%</td> <td>M</td> <td>otal</td> <td></td>	Underlying EBIT	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	21%	M	otal	
Immany Metal 727 1187 314 1422 1260 716 23646 3560 4606 7196 7487 Wetal Markets 219 267 209 594 409 359 401 436 470 560 587 Rolled Products 864 212 640 627 681 398 457 501 545 647 673 Extruded Products 450 -49 0 0 0 0 0 0 0 Energy 1430 948 1460 1657 1033 1245 1249 124 1184	Bauxite and Alumina	C) 461	-791	-1056	-1552	-1337	-958	3 -305	512	2651	2787				
Wetail Markets 219 267 209 594 4019 359 401 436 470 560 587 Bolled Products 864 212 640 627 681 398 457 501 545 647 673 Extruded Products 450 49 0	Primary Metal	727	1187	314	1422	1260	716	2646	3560	4606	7196	7487				
Extruded Products 450 -49 0	Metal Markets	219	267	209	594	409	359	401	436	470	560	587		3	/ %	
Extruded Products 450 -49 0		864	212				398									
Energy 1430 948 1460 1657 1033 1245 1249 1246 1257 1194 1184 Dther and eliminations -692 224 -672 -501 -121 -36 -56 -20 15 99 121																
Other and eliminations -692 224 -672 -501 -121 -36 -56 -20 15 99 121					-	-	-			-	-		L			
	briddinying com	2000	, 0200	1100	2743	1710	1040	5750	5 5417	/404	.2047	.2000				
	ource: Deutsche Bank estimates, Company Da	ata														

Investment Thesis: Norsk Hydro

Outlook

Hydro is a fully integrated aluminium producer with power generating, alumina refining, aluminum smelting and aluminium processing operations. Its recent acquisition of the Brazilian aluminium, alumina and bauxite assets from Vale has shifted its balance from naturally short alumina (neutral when including long-term offtake agreements) to naturally long. The company is in the process of integrating them into its business. Once done, the bauxite and alumina assets offer significant growth options to Hydro. The company is in the process of finalising the commissioning of its major greenfield smelter in Qatar. Although aluminium inventories are at record levels, aluminium prices initially rose as investment demand soaked-up surplus capacity. However, the price has subsequently declined, and the outlook over the next few quarters looks very tough. The physical supply and demand imbalance has left producers (including Norsk Hydro) cautious about committing to further production growth in aluminium, but it is clearly keen to grow its upstream businesses. With the stock trading in line with our valuation and limited catalysts on the horizon, we rate the shares Hold.

Valuation

Our price target is in line with our net present value of the company's cash flows and also in line with the sector at the moment. Our key variables are: beta 1.40, risk-free rate (10-year) 4.0%, equity risk premium 6.0%, credit risk premium 2.5%, and CAPM discount rate 12.4%. Our WACC of 10.0% reflects cost of equity (post tax) 12.4%, cost of debt (pre tax) 6.5%, gearing target 30%, and effective tax rate 30%.

Risks

Key upside/downside risks include significant changes in the aluminium price and Norwegian Kroner from our expectations. Delivery of a smoothly commissioned Qatalum smelter running at the targeted cost of <US\$1600/t is also a risk as failure to deliver capacity as planned would be a significant dampener to the view of Norsk Hydro as a smelter developer. The company also needs to start delivering operating profits from it Upstream businesses in Brazil.

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165	20165

Model updated:24 July 2014	Fiscal year end 31-Dec	2011	2012	2013	2014E	2015E	2016E
Running the numbers	Financial Summary						
Europe	DB EPS (EUR)	-0.50	-0.55	-0.94	-0.62	-0.35	0.22
Belgium	Reported EPS (EUR)	-0.62	-0.57	-0.71	-0.64	-0.35	0.22
	DPS (EUR) BVPS (EUR)	0.16 7.9	0.16 7.1	0.00 5.7	0.00 5.2	0.00 5.8	0.10 6.2
Metals & Mining	Weighted average shares (m)	149	162	158	155	156	156
Nyrstar NV	Average market cap (EURm)	1,306	849	564	488	488	488
Reuters: NYR.BR Bloomberg: NYR BB	Enterprise value (EURm)	1,948	1,463	1,439	1,488	1,774	1,803
÷	Valuation Metrics						
Hold	P/E (DB) (x)	nm	nm	nm	nm	nm	14.4
Price (2 Sep 14) EUR 3.15	P/E (Reported) (x)	nm	nm	nm	nm	nm	14.4
Target Price EUR 3.11	P/BV (x)	0.77	0.63	0.41	0.61	0.54	0.51
52 Week range EUR 2.03 - 3.86	FCF Yield (%) Dividend Yield (%)	nm 1.8	9.2 3.1	18.8 0.0	nm 0.0	nm 0.0	nm 3.2
	EV/Sales (x)	0.6	0.5	0.5	0.5	0.5	0.5
Market Cap (m) EURm 488	EV/Sales (x) EV/EBITDA (x)	15.5	0.5 6.6	7.8	7.6	7.2	4.4
USDm 641	EV/EBIT (x)	nm	nm	nm	nm	89.0	10.6
Company Profile	Income Statement (EURm)						
Nyrstar is the global leader in zinc smelting (~10% market	Sales revenue	3,348	3,070	2,824	2,774	3,405	3,887
share) with assets in Europe, Australia, the US and JVs in Asia. It also owns and operates a lead smelter in Australia, has a 50%	Gross profit	126	203	221	196	246	408
interest in a lead recycling business in Australia and generates a	EBITDA Depreciation	126 145	220 218	185 220	196 238	246 226	408 238
small amount of its earnings from downstream zinc businesses in Asia and France. The company was formed in late 2007	Amortisation	0	46	0	3	0	0
through the combination of these assets from Zinifex (Australia)	EBIT	-20	-44	-35	-46	20	170
and Umicore (Belgium). The company's largest sensitivities in order are; the Eur/USD exchange rate, the LME zinc price and	Net interest income(expense) Associates/affiliates	-56 1	-91 -1	-99 1	-110 -1	-122 2	-141 2
the Zinc treatment charge (the benchmark price is negotiated	Exceptionals/extraordinaries	-24	0	0	0	0	0
annually).	Other pre-tax income/(expense)	2	27	0	1	0	0
Price Performance	Profit before tax Income tax expense	-95 8	-110 -14	-134 -11	-155 -38	-100 -39	31 -7
12	Minorities	0	-3	0	0	-1	-1
	Other post-tax income/(expense)	0	0	0	0	0	0
	Net profit	-103	-92	-122	-117	-60	38
4 month in the	DB adjustments (including dilution) DB Net profit	19 -84	4 -89	-40 -163	8 -109	0 -60	0 38
		04	00	100	100	00	
Sep 11 Mar 12 Sep 12 Mar 13 Sep 13 Mar 14	Cash Flow (EURm)						
	Cash flow from operations Net Capex	127 -899	290 -212	299 -193	113 -298	135 -560	245 -274
Nyrstar NV — DJ (.STOXXE) (Rebased)	Free cash flow	-772	78	106	-185	-425	-29
Margin Trends	Equity raised/(bought back)	474	0	12	5	0	0
12	Dividends paid Net inc/(dec) in borrowings	-25 409	-26 -34	-24 21	0 102	1 325	0 50
8	Other investing/financing cash flows	-39	-34	0	0	0	0
4	Net cash flow	48	18	115	-77	-99	21
	Change in working capital	0	163	206	-32	-62	-63
	Balance Sheet (EURm)						
-4 J 11 12 13 14E 15E 16E	Cash and other liquid assets	177	188	292	269	307	329
EBITDA Margin	Tangible fixed assets Goodwill/intangible assets	1,717 166	1,730 133	1,772 10	1,831 10	2,165 10	2,201 10
	Associates/investments	80	67	46	46	46	46
Growth & Profitability	Other assets	1,326	1,383	1,110	1,145	1,310	1,419
25 5	Total assets Interest bearing debt	3,466 896	3,502 869	3,231 962	3,302 1,064	3,838 1,389	4,005 1,439
20	Other liabilities	1,252	1,436	1,388	1,430	1,538	1,598
10	Total liabilities	2,147	2,304	2,350	2,494	2,927	3,037
5	Shareholders' equity Minorities	1,314 4	1,161 0	870 0	808 0	911 0	967 0
0 -5 -10	Total shareholders' equity	1,319	1,161	870	808	911	967
	Net debt	718	680	669	795	1,082	1,110
11 12 13 14E 15E 16E	Key Company Metrics						
Sales growth (LHS) ROE (RHS)	Sales growth (%)	nm	-8.3	-8.0	-1.8	22.8	14.2
Solvency	DB EPS growth (%)	na	-9.3	-72.0	33.9	44.6	na 10 F
140 1	EBITDA Margin (%) EBIT Margin (%)	3.8 -0.6	7.2 -1.4	6.6 -1.2	7.0 -1.6	7.2 0.6	10.5 4.4
120 1	Payout ratio (%)	nm	nm	nm	nm	nm	40.9
	ROE (%)	-9.7	-7.5	-12.1	-13.4	-7.0	4.1
60 1	Capex/sales (%) Capex/depreciation (x)	6.8 1.6	8.0 1.1	6.8 0.9	10.8 1.3	16.4 2.5	7.1 1.2
40				77.0	98.4	2.5 118.7	
	Net debt/equity (%)	54.5	58.6	77.0	30.4	110.7	114.8

Source: Company data, Deutsche Bank estimates

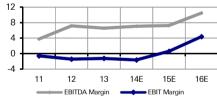
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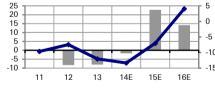
Company Profile
Nyrstar is the global leader in zinc smelting (~10% mar share) with assets in Europe, Australia, the US and JVs in A It also owns and operates a lead smelter in Australia, has a 5 interest in a lead recycling business in Australia and generate small amount of its earnings from downstream zinc busines in Asia and France. The company was formed in late 20 through the combination of these assets from Zinifex (Austra and Umicore (Belgium). The company's largest sensitivities order are; the Eur/USD exchange rate, the LME zinc price a the Zinc treatment charge (the benchmark price is negotia annually).
Price Performance
- I



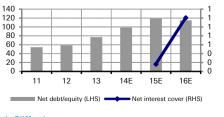
Margin Trends



Growth & Profitability







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Figure 55: Nyrstar Operational and Financial Summary Data

X/COMMODITY ASSUMPTIONS	CY11	CY12	CY13	CY14F	CY15F	CY16F	CY17F	CY18F	CY19F	CY20F	Valuations (FY14)	€m	€/Sha
old (US\$/Oz)	1570	1671	1413	1257	1163	1150	1125	1200	1598	1654	Smelting	1403	9.3
ver (US\$/Oz)	35.2	31.3	23.9	20.0	19.8	19.0	18.8	20.0	24.6	25.4	Mining		
oper (Usc/lb)	400	361	334	309	302	295	327	340	340	352	Tennessee	36	0.
c (Usc/lb)	99	89	88	94	105	108	112	115	120	124	Coricancha	-9	-0.
ad (Usc/lb)	109	94	98	96	104	105	107	108	112	115	Citronen	10	0.
R/USD	1.06	1.29	1.32	1.33	1.21	1.10	1.10	1.10	1.10	1.10	Talvivaara	289	1.
ID/USD	1.03	1.04	0.97	0.92	0.91	0.89	0.85	0.82	0.80	0.80	Campo	-54	-0
											Contonga/ Pucarrajo	7	0
Y FINANCIAL METRICS											El Mochito	67	0
ofit After Tax (US\$M)	-106	-95	-196	-115	-56	37	63	88	155	160	El Toqui	62	0
sh Generated for Operations (US\$M)	127	290	299	118	140	246	352	351	417	429	Myra Falls	80	0
bex (incl. expl) and divestments (US\$M)	899	212	193	298	560	274	218	218	224	230	Langois	48	0
idend (US\$M)	25	212	24	0	-1	-1	15	31	31	31	Total operations	1939	12.
				-				÷.			•		
t Cash Flow (US\$M)	6	14	117	-19	43	22	119	102	163	168	Corp	-230	-1
t Debt / (Cash) - US\$M	718	675	591	712	993	1021	902	800	637	468	Less net debt	-990	-6
aring (ND/E - %)	54%	58%	68%	80%	99%	97%	80%	66%	47%	31%	Investments	67	0
E (%)	-8%	-8%	-22%	-13%	-6%	4%	6%	7%	11%	11%	Unfunded Pension Liabilities	-73	-0
A (%)	-3%	-3%	-6%	-3%	-1%	1%	2%	2%	3%	3%	Restoration provisions	-179	-1
S (USc)	-0.55	-0.55	-0.82	-0.61	-0.32	0.22	0.36	0.50	0.89	0.92	Total to shareholders	534	З.
S Change (%)	-159%	1%	-49%	25%	48%	168%	68%	39%	76%	3%	Contonga/El Toqui Myra Lano	nis	
S (USc)	0.16	0.16	0.00	0.00	0.00	0.10	0.20	0.20	0.20	0.20		6	
yout ratio (%)	-29%	-29%	0%	0%	0%	46%	55%	40%	23%	22%	Pucarrajo 0%日 Mochito 4%		
, oduction - Mining											3%		
s - kt	209	311	284	306	306	314	311	325	506	512	Campo -3%		
d-kt	7.8	16.2	14.2	16.0	17.6	17.6	17.6	17.6	32.9	32.9	Talvivaara		
		13.5	=		14.1			12.2	12.2	10.5	14%		
oper - kt	7.7		12.3	13.4		13.5	12.2				Citronon		
ld - Koz	49.7	94.4	75.3	68.1	73.6	73.6	72.7	72.7	72.7	71.8	Citronen Concancha		
er - Koz	3674	5517	4747	5093	5188	4939	4939	5007	5552	5552	Tennessee		Smelting
oduction - Smelting											2%		68%
c - kt	1,125	1,084	1,088	1,089	1,073	1,072	1,082	1,082	1,082	1,082			
ad - kt	211	1,084	179	1,083	200	1,072	250	250	250	250			
pper - kt	4	3	4	4	4	6	8	8	8	8			
ld - Koz	22	56	62	64	64	75	100	100	100	100	Revenue - €m (FY13)		
ver - Koz	18,564	13,749	13,321	13,749	14,148	16,881	24,116	24,116	24,116	24,116	4500 1		
_											4000 -		_
ovenue - €m											3500 -	_	
ning	516	582	502	177	312	356	362	387	417	436	3000 -		
nelting	2,989	2,732	2,478	2,579	3,057	3,495	3,893	4,006	4,296	4,443	2500 -		
hers	36	36	36	36	36	36	36	36	36	36	2000 -		
tal	3541	3351	3017	2792	3405	3887	4291	4430	4749	4915	1500		
											1000 -		
ITDA - €m													
ning	72	129	76	70	109	113	93	115	165	167	500 -		
nelting	166	135	124	172	166	309	360	377	419	426	0 CY11 CY12 CY13	CY14F CY1	5F CY16
hers	-42	-35	-40	-39	-28	-22	-15	-15	-15	-15		CTI4F CTI	DF CTIO
tal	196	229	160	202	246	400	438	477	569	578	Mining Smeltin	g ∎C	thers
											EBITDA - €m (FY13)		
pex - €m											500 1		
ning - sustaing capex	99	108	106	114	110	100	100	100	102	103			
ning - Growth capex	30	18	0	0	0	0	0	0	0	0	400 -		
nelting - sustaing capex	87	92	90	101	110	114	118	118	122	126	300		
nelting - Growth capex	25	21	15	80	190	60	0	0	0	0	300 -		
hers	8	5	5	5	5	5	5	5	5	5	200 -		
tal	。 249	244	216	300	415	279	223	223	229	235			
	243	244	210	300	410	213	223	223	223	230	100 -		
SITDA (%)													
ing	14%	22%	15%	40%	35%	32%	26%	30%	40%	38%	-100 J CY11 CY12 CY13	CY14F CY1	5F CY1
elting	6%	5%	5%	7%	5%	9%	9%	9%	10%	10%		UTHE UT	
hers	-117%	-97%	-111%	-109%	-78%	-61%	-42%	-42%	-42%	-42%	Mining Smeltin	a 🔳 🗖	Others
	-11/70	-31/70	-11170	-109%	-/8%	-01%	-42%	-42%	-4Z %	-4Z %		о но	
	6%	7%	5%	7%	7%	10%	10%	11%	12%	12%			

Investment Thesis - Nyrstar

Outlook

Nyrstar is the largest producer of zinc metal in the world and is in the process of backward integration (DBe: 35% integrated by the end of 2013). We see three key positives for the stock: (i) transformation of the Port Pirie smelter is continuing as planned with a target for the completion of the final investment case at end 2013 (delayed); (ii) refinancing of debt has been initiated to lengthen the group's maturity profile, and specifically to replace the 2009 convertible bonds which mature in 2014, and (iii) Nyrstar entered into three prudent zinc, gold and silver hedges. The zinc hedge will not be renewed, a positive in our view given that we expect an improvement in prices. We have a Hold recommendation on valuation.

Valuation

Key variables in our net present value (NPV) estimate are: beta 1.40, risk-free rate (10-year) 4.0%, equity risk premium 6%, credit risk premium 2.5%, and CAPM discount rate 12.4%. Our WACC of 10.0% reflects cost of equity (post tax) 12.4%, cost of debt (pre-tax) 6.5%, gearing target 30%, and effective tax rate 30%.

Risks

Nyrstar is highly leveraged to the zinc price and the Euro, consequently differences in these values from our expectations are the biggest risk factors to our earnings and valuation expectations. On the cost side, Nyrstar's failure to reduce costs at the Tennessee mines and higher than expected power costs are also risks to the downside while a better than expected resolution at Talvivaara offers upside risk.

Russia

Hold Price (2 Sep 14) Target Price 52 Week range Market Cap (m)

Metals & Mining Polymetal Reuters: POLYP.L

Company Profile

Model updated:27 August 20 Running the numbers **Emerging Europe**

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160	20165

Financial Summary DB EPS (USD) 1.13 Reported EPS (USD) 0.81 Bloomberg: POLY LN 0.888 Bloomberg: POLY LN 0.898 GBP 534.50 PE (DB) (x) GBP 534.50 PE (DB) (x) GBP 535.00 CF Yield (%) GBP 477.30 - 769.00 Dividend Yield (%) GBP 477.30 - 769.00 Dividend Yield (%) USDm 3,740 EV/Sales (x) PUS (k) 7.3 Q011 at is: operating assets 2.25 EDTDA 986 2011 at is: operating assets 2.27 Apr 13 Oct 13 Apr 14 Prefit (b) Apr 13 Oct 13 Apr 14 Cash Flow (USDm) Apr 14 Therasian RTS Index (Rebased) 70 Ther post-tax income/(expense) 0.00 Other post-tax income/(expense) 0.00 Cash Flow (USDm) Cash flow form operations The cash flow form operations 541 Net cash flow form operations 541	0 -0.51 1 0.09 6 4.6 3 386 8 4,420 8 5,427 1 37.8 5 nm 9 2.05 8 3.2 1 0.8 7 3.2 3 9.0	0.66 0.64 0.19 4.5 421 3.740 4,456 13.5 13.8 1.96 9.4 2.2	0.40 0.40 0.11 4.7 421 3,740 4,244 22.4 22.4 1.90	0.3 0.3 0.0 4. 42 3,74 4,11 29. 29.
Beomberg: POLY LN Reported EPS (USD) 0.81 Bloomberg: POLY LN Weighted average shares (m) 333 Average market cap (USDm) 6.088 Enterprise value (USDm) 6.088 GBP 554.50 PE (DB) (x) 14.1 GBP 477.30 - 769.00 Dividend Yield (%) 2.3 GBP 477.30 - 769.00 Dividend Yield (%) 2.3 GBP 477.30 - 769.00 EV/EBITDA (x) 2.7 USDm 3,740 EV/EBITDA (x) 2.7 USDm 3,740 EV/EBITDA (x) 2.7 Dyrearing assets gross profit 1.149 EBIT margest gold produced in me and its largest silver miner. In gold an silver miner. In agrest silver miner. In gold equivalent Sale sevenue 1.854 Apr 13 Oct 13 Apr 14 Cash flow (CuDDn) 2.2 2.2 Cash Flow (USDm) Cash flow from operations sets 2.21 Minorities 7.7 7.7 2.2 Date profit 4.21 2.2 2.2 Depreciation 1.42 2.2 2.2 Apr 13 Oct 13 Apr 14 Cash flow (USDm) 2.2 2.2 Dindends paid 7.7 <td< td=""><td>0 -0.51 1 0.09 6 4.6 3 386 8 4,420 8 5,427 1 37.8 5 nm 9 2.05 8 3.2 1 0.8 7 3.2 3 9.0</td><td>0.64 0.19 4.5 421 3,740 4,456 13.5 13.8 1.96 9.4</td><td>0.40 0.11 4.7 421 3,740 4,244 22.4</td><td>0.3 0.0 4. 42 3,74 4,11 29.</td></td<>	0 -0.51 1 0.09 6 4.6 3 386 8 4,420 8 5,427 1 37.8 5 nm 9 2.05 8 3.2 1 0.8 7 3.2 3 9.0	0.64 0.19 4.5 421 3,740 4,456 13.5 13.8 1.96 9.4	0.40 0.11 4.7 421 3,740 4,244 22.4	0.3 0.0 4. 42 3,74 4,11 29.
DPS (USD) 5.6. Weighted average shares (m) 3.33 Average market cap (USDm) 6.088 Enterprise value (USDm) 6.088 Enterprise value (USDm) 6.088 Enterprise value (USDm) 6.088 PTC (DS) (a) 14.1 GBP 534.50 GBP 535.00 GBP 477.30 - 769.00 GBP 72,251 USDm 3,740 the holding company of gold and silver miner. In the and fits largest silver dyoide Polymetal producer in ne and fits largest silver dyoide Polymetal produced 1011 at six operating assets growth in gold equivalent Apr 13 Oct 13 Apr 14 Russian RTS Index (Rebased) Tet EDE 106 Gash flow from operations Apr 13 Oct 13 Apr 14 Russian RTS Index (Rebased) Tet EDE 106 Gash flow from operations Cash flow	1 0.09 6 4.6 3 386 8 4,420 5,427 1 37.8 5 nm 9 2.05 8 3.2 1 0.8 7 3.2 3 9.0	0.19 4.5 421 3,740 4,456 13.5 13.8 1.96 9.4	0.11 4.7 421 3,740 4,244 22.4	0.0 4. 3,74 4,11 29.
Bioomberg: POLY LN Bioomberg: POLY LN Set Status GBP 534.50 Valuation Metrics GBP 555.00 P/E (Bp) (s) 14.1 GBP 777.30 - 769.00 Dividend Yield (%) 2.8 GBP 72,251 EV/Sales (x) 3.7 USDm 3,740 EV/EIITDA (k) 7.3 FUE (Bp) (x) 7.3 7.3 USDm 3,740 EV/Sales (x) 3.7 EVERTI (x) 7.3 7.3 GBP 72,251 EV/Sales (x) 7.3 USDm 3,740 EV/EIITA (x) 7.3 For Yield (%) 2.8 7.3 Dividend Vield (%) Sales revenue 1.85 Gross profit 1.4 1.4 Bilton Sales revenue 2.8 Gross profit 1.4 2.2 Contrastation 0.0 Contrastation 7.0 Contrastation 7.0 Dividend Symetal produced in the largest silver wire income(expense) -2.7 Apr 13 Oct 13 Apr 14 Cash flow (Torm operations 5.41 Apr 13 Oct 13 Apr 14 Cash flow (Torm operations 5.41 Apr 13 Oct 13 Apr 14 Cash flow (SDm) Cash flow (SDm) Cash flow form operations 5.41 Minorities 7.77	6 4.6 3 386 8 4,420 8 5,427 1 37.8 5 nm 9 2.05 8 3.2 1 0.8 7 3.2 3 9.0	4.5 421 3,740 4,456 13.5 13.8 1.96 9.4	4.7 421 3,740 4,244 22.4 22.4	4. 42 3,74 4,11 29.
Bioomberg: POLY LNWeighted average shares (m)383 Average market cap (USDm)6.688 Enterprise value (USDm)GBP 534.50GBP 555.00 $Valuation Metrics$ GBP 5255.00GBP 77.30 - 769.00P/E (Reported) (x)14.1GBP 72,251EV/Sales (X)3.37USDm 3,740EV/Sales (X)7.3be holding company of gold and silver miner. In h largest gold produced in e and its largest silver1.164be holding company of gold and silver miner. In h largest gold produced in e and its largest silver1.854Gross profit1.149Depreciation142Amorisation0Did a silver deprivating assets prowth in gold equivalent23Apr 13Oct 13Apr 14Apr 13Oct 13Apr 14Apr 13Oct 13Apr 14Apr 13Oct 13Apr 14Apr 13Oct 13Apr 14Cash flow (Rebased)0Uter post-tax income/(expense)-0Apr 13Oct 13Apr 14Cash flow (Clash paid (Large x Free cash flow-77Net inc/(dec) in borrowings Other inseting/financing cash flows-541Other assets Total assets1.92Tangible fixed assets Total assets2.06Godvillintangible assets Total assets1.93Tangible fixed assets Total assets2.06Godvillintangible assets Total assets1.92Tangible fixed assets Total assets1.92Tangible fixed assets Total assets1.92	3 386 3 4,420 5,427 1 37.8 5 nm 9 2.05 8 3.2 1 0.8 7 3.2 3 9.0	421 3,740 4,456 13.5 13.8 1.96 9.4	421 3,740 4,244 22.4 22.4	42 3,74 4,11 29.
Bloomberg: POLY LN Average market cap (USDm) 6.088 Bloomberg: POLY LN Starting is evalue (USDm) 6.088 GBP 534.50 Valuation Metrics 74 GBP 545.00 P/E (B) (b) (b) (b) (b) (c) (c) (c) (c) (c) (c) (c) (c) (c) (c	8 4,420 8 5,427 1 37.8 5 nm 9 2.05 8 3.2 1 0.8 7 3.2 3 9.0	3,740 4,456 13.5 13.8 1.96 9.4	3,740 4,244 22.4 22.4	3,74 4,11 29.
Bioomberg: POLY LNAverage market cap (USDm)6.088 6.088Bioomberg: POLY LNValuation MetricsGBP 534.50Valuation MetricsGBP 555.00P/E (PB) (x)14.1 P/E (Reported) (x)GBP 73.0 - 769.00Dividend Yield (%)2.8 P/BV (x)GBP 73.70 - 769.00Dividend Yield (%)3.7 EV/FeilTOx (x)GBP 73.740EV/Sales (x)3.7 EV/EBITOx (x)Pe holding company of gold and silver miner. In h largest gold producer in e and its largest silverIncome Statement (USDm)Sales revenueSales revenue1.854 Gross profit11 at six operating assets rowth in gold equivalentCash Flow (USDm)Gap 13 Oct 13 Apr 14Cash Flow (USDm)Cash Flow (USDm)Cash Flow (USDm)Cash flow from operations Net profit541 Net Capex Fre cash flowApr 13 Oct 13 Apr 14Cash Flow (USDm) Cash flow from operations Net profit142 Profit before tax RomoritesGab Flow (Hebused)Cash flow from operations Net capex Fre cash flow541 Net Capex Fre cash flowGab Row (Rebused)Cash flow from operations Net capex Fre cash flow542 Flow (USDm) Cash and other liquid assets Total assets118 Associates/finitagible assets Total assetsGab Row (Rebused)Cash and other liquid assets Total assets186 Godvill/intagible assets Total assets196 Tagible fixed assets Total assetsGab Row (Hebused)Cash row (arg capital Total shareholders' equity Total shareholders' equity Total shareholders' equity Shareholders' equity S	8 4,420 8 5,427 1 37.8 5 nm 9 2.05 8 3.2 1 0.8 7 3.2 3 9.0	3,740 4,456 13.5 13.8 1.96 9.4	3,740 4,244 22.4 22.4	3,74 4,11 29.
Bloomberg: POLY LN Enterprise value (USDm) 6,888 GBP 534.50 PE (P(B) (x) 14.1 GBP 555.00 PE (V(x) 3.39 GBP 477.30 - 769.00 Dividend Yield (%) 2.8 GBP 72,251 EV/Sales (x) 3.7 GBP 33.400 EV/EBITDA (x) 7.3 USDm 3,740 EV/EBITDA (x) 8.7 Provided producer in largest policy Sales revenue 1.854 Gald an silver miner. In largest policy Gross profit 1.149 Inargest policy producer in gasets Troome Statement (USDm) Sales revenue 3.854 Gross profit 1.149 Depreciation 142 Amortisation 00 EBITDA 9.88 Divide polymerating assets 70 70 Profit before tax 651 Income tax expense 2.23 Minorities 727 Apr 13 Oct 13 Apr 14 DB adjustments (including dilution) 100 DB Net profit 421 Gash Flow (Cel) in borrowings -74 744 745 746 Apr 13 Oct 13 Apr 14 Lassian fit's Index (Rebased) Cash How other operations 541	B 5,427 1 37.8 5 nm 9 2.05 8 3.2 1 0.8 7 3.2 3 9.0	4,456 13.5 13.8 1.96 9.4	4,244 22.4 22.4	4,11
Bioomberg: POLY LN Valuation Metrics GBP 534.50 P/E (Reported) (x) 14.1 GBP 565.00 P/E (Reported) (x) 14.5 GBP 73.30 - 769.00 Dividend Yield (%) 2.8 GBP 73.30 - 769.00 Dividend Yield (%) 3.3 GBP 73.30 - 769.00 Dividend Yield (%) 3.7 USDm 3,740 EV/Esilt (x) 7.3 e holding company of goold and silver miner. In forces profit 1.149 e and its largest silver wide holymetal produced in the rest income(expense) 7.2 7.8 Income Statement (USDm) Sales revenue (Gross profit 1.149 2.4 Depreciation 1.42 4.2 Amortisation 0 0 Depreciation 1.42 4.2 Other proctax income(expense) -27 Apr 13 Oct 13 Apr 14 Da adjustments (including dilution) 10 DB Algustments (Rebased) 0 0 Apr 13 Oct 13 Apr 14 Cash Flow (USDm) Cash How from operations 541 Apr 13 Oct 13 Apr 14 Net Cash How from operations 541 77 Apr 13 Oct 13 Apr 14 Cash Flow (USDm) Cash and ot	1 37.8 5 nm 9 2.05 8 3.2 1 0.8 7 3.2 3 9.0	13.5 13.8 1.96 9.4	22.4 22.4	29.
GBP 534.50 GBP 555.00P/F (DB) (x) P/E (Reported) (x) P/BV (x)14.1 14.5 P/BV (x)GBP 477.30 - 769.00Dividend Yield (%)2.8 Dividend Yield (%)7.3 S.74GBP 3,740EV/SIBTDA (x) EV/EBTDA (x)7.3 EV/EBT (x)7.3 S.74De holding company of gold and silver miner. In largest gold producer wide Polymetal produced Dividend quivalentSales revenue Gross profit1.143 Sales revenue1.854 Gross profitD11 at six operating assets rowth in gold equivalentSales revenue Gross profit.727 Associates/affiliates.227 Associates/affiliatesD11 at six operating assets rowth in gold equivalentDepreciation Cash flow from operations.27 Associates/affiliates.27 Associates/affiliatesD11 at six operating assets rowth in gold equivalentDepreciation Cash flow from operations.27 Associates/affiliates.27 Associates/affiliatesD11 at six operating assets rowth in gold equivalentCash flow from operations Cash flow from operations.541 Net incr(ledc) in borrowings.143 Cash flow from operationsD11 at six operationDib adjustments (including dilution).00 Dividends paid.277 Associates/investments.216 Cash flow from operations.541 Net incr(ledc) in borrowingsD11 at size to flow free cash flow.640 Change in working capital.212 Cash and other liquid assets.126 Cordwill/intangible assets.226 Cordwill/intangible assets.226 Cordwill/intangible assets.226 Cordwill/intangible assets.226 Cordwill/intangible assets <td>5 nm 9 2.05 8 3.2 1 0.8 7 3.2 3 9.0</td> <td>13.8 1.96 9.4</td> <td>22.4</td> <td></td>	5 nm 9 2.05 8 3.2 1 0.8 7 3.2 3 9.0	13.8 1.96 9.4	22.4	
GBP 534.50 (BBP 555.00)P/E (Reported) (x) (x)14.5 P/BV (x)GBP 477.30 - 769.00Dividend Yield (%)2.8GBP 477.30 - 769.00Dividend Yield (%)5.1GBP 3,740EV/EBITDA (x)3.7USDm 3,740EV/EBITA(x)8.7Income Statement (USDm)Sales revenue1.854gold and silver mirer. In a and its largest silver wide Polymetal produced 11 at six operating assets rowth in gold equivalentSales revenue1.854Minorities-27Associates/affiliates 2.27-27Associates/affiliates Profit before tax-21Other pre-tax income/(expense)-95Profit before tax Income tax expense-223Minorities70Other post-tax income/(expense)00Net profit421Data RTS Index (Rebased)-77Apr 13 Oct 13 Apr 14Cash flow from operations rea cash flow free cash flow	5 nm 9 2.05 8 3.2 1 0.8 7 3.2 3 9.0	13.8 1.96 9.4	22.4	
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GBP 477.30 - 769.00 Dividend Yield (%) 5.1 GBPm 2,251 EV/Sales (x) 3.7 USDm 3,740 EV/EBTDA (x) 7.3 Income Statement (USDm) Sales revenue 1.854 Income Statement (USDm) Sales revenue 1.854 Income Statement (USDm) Sales revenue 1.854 Income Statement (USDm) 90 90 Sales revenue 1.854 90 Income Statement (USDm) 90 90 Vide Polymetal produced 14 90 I at six operating assets 22 223 rowth in gold equivalent Vet interest income/(expense) -27 Associates/affiliates -27 223 Other pre-tax income/(expense) -0 -0 Other post-tax income/(expense) 0 0 DB adjustments (including dilution) 10 0 DB adjustments (including cash flows -544 Net capex -372 Free cash flow -420 Cash flow (USDm) -446 Cash flow from operations -544 Net capex -372	1 0.8 7 3.2 3 9.0		0.1	
USDm 3,740 EV/EBITDÅ (x) 7.3 USDm 3,740 EV/EBITDÅ (x) 7.3 Income Statement (USDm) Sales revenue 1,854 gross profit 1,143 938 and its largest silver BITDA 938 be noticitation 0 948 and its largest silver EBITDA 938 be preciation 142 979 and its largest silver EBIT 796 Towith in gold equivalent File 977 Associates/affiliates 22 Exceptionals/extraordinaries 21 offit before tax 651 Income tax expense 220 Other pre-tax income/(expense) 0 Net profit 421 DB adjustments (including dilution) 10 DB Net profit 431 Cash Flow (USDm) 24 Cash Flow (USDm) 24 Gross staid -77 Net cash flow from operations 541 Net cash flow from operations 544 Net cash flow -490 Other investing/financing cash flows<	3 9.0		8.1 1.2	4. 0.
USDm 3,740 EV/EBITDA (x) 7.3 USDm 3,740 EV/EBITDA (x) 7.3 Income Statement (USDm) Sales revenue 1,854 gross profit 1,149 1,149 band its largest silver BITDA 938 band its largest silver Depreciation 142 wide Polymetal produced Amortisation 0 11 at six operating assets 21 Amortisation 27 Associates/affiliates 22 27 Associates/affiliates 22 Very Tits of the fore tax Come/(expense) -27 30 00 00 Apr 13 Oct 13 Apr 14 Use and its larged silver more tax expense 223 00 00 Apr 13 Oct 13 Apr 14 Description 10 00 00 00 Apr 13 Oct 13 Apr 14 Description 10 00	3 9.0	2.6	2.6	2
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 a holding company of pold and silver miner. In largest gold producer in largest gold producer in gold equivalent Sales revenue from the set of the set		10.0	10.0	10
lold and silver miner. In largest gold producer in and its largest silver vide Polymetal produced If at six operating assets owth in gold equivalent Gross profit 1,149 BITDA 938 Depreciation 142 Amortisation 0 EBIT 786 owth in gold equivalent 78 Minorities -27 Associates/affiliates -22 Exceptionals/extraordinaries -21 Other pre-tax income(expense) -55 Profit before tax 651 Income tax expense 223 Minorities 77 Other post-tax income/(expense) 0 DB adjustments (including dilution) 10 DB Net profit 431 Cash flow from operations 541 Net investing/financing cash flows -584 Goodwill/intangible assets 1220 Balance Sheet (USDm) Cash and other liquid assets 19 Tagible fixed assets 1254 Net cash flow 640 Charge in working capital -212 Balance Sheet (USDm) Cash and other liquid assets 115 Associ	1 1 707	1 605	1 600	1.00
largest gold producer in and its largest silver EBITDÀ 938 Depreciation 142 Amorisation 00 11 at six operating assets owth in gold equivalent 796 Net interest income(expense) -27 Associates/affiliates -27 Cher pre-tax income/(expense) -95 Profit before tax 651 Income tax expense 223 Minorities 77 Other post-tax income/(expense) 00 Net profit 421 DB adjustments (including dilution) 10 DB Net profit 431 Cash flow from operations 541 Net cash flow 169 Equity raised/(bought back) 00 Dividends paid -77 Net cash flow 169 EBIT Margin -40 Other investing/financing cash flows -544 Net cash flow 640 Dividends paid -777 Reace Sheet (USDm) -777 Cash and other liquid assets 197 Tangible fixed assets 220 Other inassets		1,695	1,622	1,62
and its largest silver Depreciation 142 ide Polymetal produced Amortisation 0 i at six operating assets 59 owth in gold equivalent EBIT 796 Minoritisation 22 Associates/Affiliates 22 Exceptionals/extraordinaries 21 Other pre-tax income/(expense) -95 Profit before tax 661 Income tax expense 223 Minorities 77 Other post-tax income/(expense) 00 Net profit 421 DB adjustments (including dilution) 10 DB Net profit 431 Cash Flow (USDm) 169 Equity raised/(bought back) 0 Dividends paid -77 Net icash flow 169 Equity raised/(bought back) 0 Dividends paid -77 Net cash flow 169 Charge in working capital -212 Balance Sheet (USDm) Cash and other liquid assets 19 Tangible fixed assets 12,206 Goodwill/intangible assets 12,		1,002 696	706 519	65 47
vide Polymetal produced 1 at six operating assets owth in gold equivalent H at six operating assets BIT 796 Associates/affiliates -22 Other pre-tax income/(expense) -35 Profit before tax Income tax expense 223 Minorities 77 Other post-tax income/(expense) 0 Net profit 421 DB adjustments (including dilution) 10 DB Net profit 431 Cash flow (USDm) Cash flow from operations 541 Net Capex -372 Free cash flow 168 Equity raised/bought back) 0 Dividends paid -777 Net inc/(dec) in borrowings -149 Other investing/financing cash flows -584 Net cash flow 440 Change in working capital -212 Balance Sheet (USDm) Cash and other liquid assets 19 Tangible fixed assets 2,206 Goodwill/intangible assets 115 Associates/investments 45 Other liabilities 148 Other investing/financing cash flows .584 Net cash flow 2,152 Total liabilities 0,215 Total liabilities 0,015 Net cal shareholders' equity 2,152 Other sects 100 Cash and other sects 0,020 Other liabilities 0,020 Other liabilities 0,020 Other liabilities 0,020 Other liabilities 0,020 Total liabilities 0,020 Total liabilities 0,020 Total liabilities 0,020 Total shareholders' equity 2,152 Cash and other sects 0,020 Total shareholders' equity 2,152 Other liabilities 0,020 Total shareholders' equity 2,152 Other sects 0,020 Dividends paid		264	264	26
11 at six operating assets owth in gold equivalent Filt interest income(expense) -27 Associates/affiliates -27 Associates/affiliates -21 Other pre-tax income/(expense) -95 Profit before tax 661 Income tax expense 223 Minorities 7 Other post-tax income/(expense) 0 Net profit 421 DB adjustments (including dilution) 10 Dividends paid -77 Net capex -312 Free cash flow 169 Equity raised/(bought back) 0 Dividends paid -77 Net cash flow 640 Change in working capital -212 Balance Sheet (USDm) Cash and other liquid assets 19		264	264 0	26
bowth in gold equivalent Net interest income(expense) -27 Associates/affiliates -2 Exceptionals/extraordinaries -21 Other pre-tax income/(expense) -95 Profit before tax 661 Income tax expense 223 Minorities 7 Other post-tax income/(expense) 0 Net profit 421 DB adjustments (including dilution) 10 DB Net profit 431 Cash Flow (USDm) Cash flow from operations Cash flow from operations 541 Net Capex -372 Free cash flow 169 E 15E 16E Associates/investments -440 Other investing/financing cash flows -584 Net cash flow -640 Change in working capital -212 Balance Sheet (USDm) -210 Cash and other liquid assets 19 Tangible fixed assets 2,206 Goodwill/intangible assets 1,254 Total assets 3,638 Interest bearing debt 642 Other liab		433	256	20
Associates/affiliates -2 Exceptionals/extraordinaries -21 Other pre-tax income/(expense) -95 Profit before tax 651 Income tax expense 223 Minorities 7 Other post-tax income/(expense) 0 Net profit 421 DB adjustments (including dilution) 10 DB Net profit 431 Cash Flow (USDm) Cash flow from operations 541 Net Capex -372 Free cash flow 169 Utic in/cdec) in borrowings -149 Other investing/financing cash flows -584 Net cash flow -440 Change in working capital -272 Balance Sheet (USDm) Cash and other liquid assets 19 Tangible fixed assets 2,206 Goodwill/intangible assets 1,254 Total assets 1,254 Total assets 1,254 Total shareholders' equity 2,152		-37	-41	-4
Exceptionals/extraordinaries-21Other pre-tax income/(expense)-95Profit before tax651Income tax expense223Minorities7Other post-tax income/(expense)0Net profit421DB adjustments (including dilution)10DB Net profit431Cash Flow (USDm)10Cash flow from operations541Net capex-372Free cash flow169Equity raised/(bought back)0Dividends paid-77Net inc/(dec) in borrowings-149Other investing/financing cash flows-584Net cash flow-212Balance Sheet (USDm)Cash and other liquid assetsCash and other liquid assets115Associates/investments45Other assets3,638Interest bearing debt640Other assets1,254Total lassets3,638Interest bearing debt640Other liabilities622Total labilities1,466Shareholders' equity2,152Total shareholders' equity2,152		-37	0	
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Profit before tax expense 223 Minorities 77 Other post-tax income/(expense) 0 Net profit 421 DB adjustments (including dilution) 10 DB Net profit 431 Cash Flow (USDm) Cash flow from operations 541 Net Capex -372 Free cash flow Equity raised/(bought back) 0 Dividends paid -777 Net inc/(dec) in borrowings -149 Other investing/financing cash flows -584 Net cash flow -640 Change in working capital -212 Balance Sheet (USDm) Cash and other liquid assets 19 Tanjuble fixed assets 2,206 Goodwill/intangible assets 1,254 Total assets 1,254 Total assets 1,254 Total labilities 622 Total liabilities 1,486 Shareholders' equity 2,152		-40	2	
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Other post-tax income/(expense) 0 Net profit 421 DB adjustments (including dilution) 10 DB Net profit 431 Cash Flow (USDm) 6 Cash flow from operations 541 Net Capex -372 Free cash flow 169 Equity raised/bought back) 0 Dividends paid -777 Net cash flow -640 Change in working capital -212 Balance Sheet (USDm) Cash and other liquid assets 19 Tangible fixed assets 2,206 Goodwill/intangible assets 1,254 Total assets 3,634 Interest bearing debt 864 Other liabilities 1,456 Total liabilities 1,456 Total liabilities 1,456 Total liabilities 1,456 Total liabilities 0,00 Total liabilities 1,456 Total liabilities 0,00 Total liabilities 0,00 Total liabilities 0,00 Total liabilities 0,00	3 40	102	63	2
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DB adjustments (including dilution) 10 DB Net profit 431 Cash Flow (USDm) Cash flow from operations 541 Net Capex -372 Free cash flow 169 Equity raised/(bought back) 0 Dividends paid -77 Net inc/(dec) in borrowings -149 Other investing/financing cash flows -584 Net cash flow 2640 Change in working capital -212 Balance Sheet (USDm) Cash and other liquid assets 19 Tangible fixed assets 2,206 Goodwill/intangible assets 1,254 Total assets 1,254 Total assets 1,254 Total assets 1,264 Other liabilities 1,486 Shareholders' equity 2,152		0	0	
DB Net profit 431 DB Net profit 431 Cash Flow (USDm) Cash flow from operations 541 Net Capex -372 Free cash flow [dought back] Dividends paid -777 Net inc/(dec) in borrowings -149 Other investing/financing cash flows -584 Net cash flow (Change in working capital -212 Balance Sheet (USDm) Cash and other liquid assets 19 Tangible fixed assets 1,254 Godwill/intangible assets 1,254 Other issets 1,254 Other issets 1,254 Total issets 1,264 Other liabilities 1,266 Shareholders' equity 2,152	1 -198	248	153	11
DB Net profit 431 DB Net profit 431 Cash Flow (USDm) Cash flow from operations 541 Net Capex -372 Free cash flow Equity raised/(bought back) Dividends paid -777 Net inc/(dec) in borrowings -149 Other investing/financing cash flows -584 Net cash flow (Change in working capital -212 Balance Sheet (USDm) Cash and other liquid assets 19 Tangible fixed assets 1,254 Other assets 1,254 Other assets 1,254 Other liabilities 1,266 Other liabilities 1,266 Shareholders' equity 2,152	0 315	6	0	
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Free cash flow 169 Equity raised/(bought back) 0 Dividends paid -77 Net inc/(dec) in borrowings -149 Other investing/financing cash flows -584 Net cash flow -640 <i>Change in working capital</i> -212 Balance Sheet (USDm) Cash and other liquid assets 19 Tangible fixed assets 2,206 Goodwill/intangible assets 115 Associates/investments 45 Other assets 1,254 Total assets 3,638 Shareholders' equity 2,152		-254	-245	-22
Equity raised/(bought back) 0 Dividends paid -77 Net inc/(dec) in borrowings -149 Other investing/financing cash flows -584 Net cash flow -640 Change in working capital -212 Balance Sheet (USDm) Cash and other liquid assets 19 Tangible fixed assets 2,200 Godwill/intangible assets 115 Associates/investments 45 Other liabilities 3,633 Interest bearing debt 864 Other liabilities 1,254 Total labilities 1,490 Other liabilities 622 Other liabilities 1,496 Shareholders' equity 2,152		352	303	14
Dividends paid -77 Net inc/(dec) in borrowings -149 Other investing/financing cash flows -584 Net cash flow -640 Change in working capital -212 Balance Sheet (USDm) Cash and other liquid assets 19 Tangible fixed assets 2,206 Goodwill/intangible assets 115 Associates/investments 45 Other assets 1,254 Total assets 1,254 Total labilities 1,486 Shareholders' equity 2,152		0	0	
Other investing/financing cash flows -584 Net cash flow -640 Change in working capital -212 Balance Sheet (USDm) -212 Balance Sheet (USDm) Cash and other liquid assets 19 Tangible fixed assets 2,206 Goodwill/intangible assets 115 Associates/investments 45 Other liabilities 3,638 Interest bearing debt 864 Other liabilities 1,264 Total liabilities 1,486 Shareholders' equity 2,152 Total shareholders' equity 2,152		-63	-91	-1
Net cash flow -640 Change in working capital -212 Balance Sheet (USDm) -212 Balance Sheet (USDm) -23 Cash and other liquid assets 19 Tangible fixed assets 2,200 Goodwill/intangible assets 115 Associates/investments 45 Other assets 3,633 Interest bearing debt 864 Other liabilities 622 Total labilities 1,466 Shareholders' equity 2,152 Total shareholders' equity 2,152	9 213	271	0	
Amountain Stress Change in working capital -212 Balance Sheet (USDm) Cash and other liquid assets 19 Cash and other liquid assets 2,206 Goodwill/intangible assets 115 Associates/investments 45 Other assets 3,638 Interest bearing debt 864 Other liabilities 622 Total liabilities 1,486 Shareholders' equity 2,152 Minorities 0 Total shareholders' equity 2,152	4 8	-6	0	
Balance Sheet (USDm) Cash and other liquid assets 19 Tangible fixed assets 2,206 Godwill/intangible assets 115 Associates/investments 45 Other assets 1,254 Total assets 30 Interest bearing debt 864 Other liabilities 622 Total labilities 1,486 Shareholders' equity 2,152 Total shareholders' equity 2,152	0 47	553	213	13
E 15E 16E Cash and other liquid assets 19 Tangible fixed assets 2,206 Goodwill/intangible assets 115 Associates/investments 45 Other assets 3,638 Interest bearing debt 864 20 Other liabilities 622 10 Total liabilities 1,486 Shareholders' equity 2,152 -10 Total shareholders' equity 2,152	2 0	35	111	
E 15E 16E Tangible fixed assets 2,206 Goodwill/intangible assets 115 Associates/investments 45 Other assets 1,254 Total assets 3,633 Interest bearing debt 864 Other liabilities 622 Other liabilities 1,486 Shareholders' equity 2,152 Other shareholders' equity 2,152				
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BIT Margin Goodwill/intangible assets 115 Associates/investments 45 Other assets 1,254 Total assets 30 Interest bearing debt 864 20 Other liabilities 622 10 Total liabilities 1,456 0 Minorities 0 0 Total shareholders' equity 2,152		1,946	1,928	1,89
Associates/investments 45 Other assets 1,254 Total assets 3,638 0 Interest bearing debt 864 20 Other liabilities 622 10 Total liabilities 1,486 0 Minorities 00 -10 Total shareholders' equity 2,152		30	30	
Total assets 3,638 30 Interest bearing debt 864 20 Other liabilities 622 10 Total liabilities 1,486 0 Shareholders' equity 2,152 -10 Total shareholders' equity 2,152	5 39	37	37	3
30 Interest bearing debt 864 20 Other liabilities 622 10 Total liabilities 1,486 0 Shareholders' equity 2,152 -10 Total shareholders' equity 2,152		1,122	950	96
20 Other liabilities 622 10 Total liabilities 1,486 0 Shareholders' equity 2,152 0 Total shareholders' equity 2,152		3,754	3,777	3,88
10 Total liabilities 1,486 0 Shareholders' equity 2,152 0 Minorities 0 10 Total shareholders' equity 2,152		1,373	1,373	1,37
Image: Shareholders' equity 2,152 0 Minorities 0 10 Total shareholders' equity 2,152		476	436	43
O Shareholders' equity 2,152 Minorities 0 10 Total shareholders' equity 2,152		1,849	1,810	1,8
- 10 Total shareholders' equity 2,152		1,905	1,968	2,00
		0	0	0.01
-20 Net debt 845		1,905 <i>754</i>	1,968 <i>541</i>	2,00 41
15E 16E	,,,,,	7.54	577	41
HS) ROE (RHS) Solog growth (%)				
Sales growth (%)		-0.7	-4.3	0
DB EPS growth (%) na		117.4	-39.7	-22
EBITDA Margin (%) 50.6		41.1	32.0	28
35 EBIT Margin (%) 42.9		25.5	15.8	12
30 Payout ratio (%) 73.6	6 nm	32.6	30.0	30
25 ROE (%) 22.1 20 Capacitation (%) 21.4		13.4	7.9	5
15 Caper/sales (70) 21.4	1 -10.1	15.0	15.1	13
10 Capex/depreciation (x) 2.8	1 -10.1 4 18.7	1.0	0.9	0
5 Net debt/equity (%) 39.3 0 Net interest cover (x) 29.7	1 -10.1 4 18.7 8 1.3	39.6	27.5 6.2	19 5

Source: Company data, Deutsche Bank estimates

Anna	Mulholland	CEA	



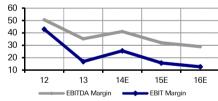
Polymetal International is the Polymetal, a leading Russian go 2010, Polymetal was the fourth la Russia by production volume producer, ranked eighth worldwid 810koz of gold equivalent in 201 and targets a 73% organic grou output by 2014. Price Performance



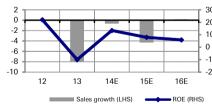
_ Margin Trends

Polymetal

_



Growth & Profitability





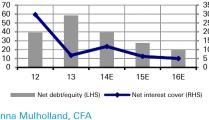




Figure 56: Polymetal Operational and Financial Summary Data

Commodities Assumptions	FY12a	FY13a	FY14e	FY15e	FY16e	FY17e	FY18e	FY19e	FY20e	NPV (FY14)			GBP/share
Gold (US\$/oz)	1,671	1,413	1,257	1,163	1,160	1,135	1,211	1,612	1,668	Dukat	924	2.20	1.42
Silver (US\$/oz)	31	24	20	20	19	19	20	25	26	Khakanja	-8	1.37	0.88
Copper (US\$/tonne)	7,954	7,356	6,820	6,652	6,559	7,265	7,568	7,566	7,831	Voro	575	-0.02	-0.01
										Varvara	703	1.20	0.78
KEY FINANCIAL METRICS										Omolon	565	0.53	0.34
Total Net Profit (US\$m)	421 -	198	248	153	118	91	169	547	637	Albazino-Amursk	507	1.34	0.87
Cash Flow from Operations (US\$m)	541	462	606	548	375	361	391	635	833	Mayskoye	223	1.67	1.08
Capex, net of divestments (US\$m)	397	319	254	245	226	203	179	177	171	Entreprise Value	3,489	8.29	5.35
Dividends (US\$m)	77	316	63	91	17	31	39	107	178	NPV premium/discou	1.4		
Free Cash Flow (US\$m)	144	142	352	303	149	158	212	459	662	DB NPV	4,885	11.60	7.48
Net Debt/(Cash) (US\$m)	1,037	1,046	830	587	428	297	135 -	160 -	630	NPV other capex	-465	-1.10	-0.71
Headline Basic Eps (US\$)	4.40	0.30	0.64	0.36	0.28	0.22	0.40	1.30	1.51	NPV of corp costs	-254	-0.60	-0.39
EPS (US\$)	1.10 -	0.51	0.62	0.36	0.28	0.22	0.40	1.30	1.51	(Net debt) / net cash	-587	-1.40	-0.90
ESP Change (%)		-147%	-222%	-42%	-23%	-23%	86%	224%	17%	Minority interest	0	0.00	0.00
EPS CAGR (% from 2012)	0.04	-147%	-25%	-31%	-29% 0.08	-28%	-15%	2%	4%	Invest, assocs & loan	37	0.09	0.06
Total DPS (US\$)	0.81	0.09	0.19	0.11		0.06	0.12	0.39	0.45	Fair value	3616	8.59	5.54
Payout Ratio (%)	74%	-18%	31%	30%	30%	30%	30%	30%	30%				
Gold Equivalent Production (Koz)										# shares (mn)			421.1
Dukat	356	409	481	415	408	412	430	400	400	WACC			9.0%
Voro	157	154	146	170	157	157	157	153	138	-			
Khakanja	162	144	86	105	66	67	67	-	-				
Varvara	135	132	106	132	155	154	153	155	156				
Omolon	172	159	200	207	218	228	235	210	253	Valuation Split (FY14)		
Albazino-Amursk	78	238	219	207	251	251	251	288	288	Maysko	ve		
Mayskoye	-	48	129	139	151	151	141	164	181	Albazino- 6%	,-	Dukat 26%	
Total Gold Equivalent Production	1,060	1,284	1,366	1,376	1,407	1,420	1,433	1,371	1,415	Amursk 15%		2070	
Gold share in GE Production	55%	63%	56%	58%	60%	59%	58%	61%	60%	15%			
TCC/oz sold													
Dukat (SE)	12.1	11.6	10.1	10.9	11.1	11.2	11.3	11.3	11.2				Khakanja
Voro	506.0	503.0	469.5	506.2	513.6	518.7	521.3	521.3	518.7				0%
Khakanja	615.0	756.0	883.3	952.3	966.2	975.8	980.7	-	-	Omolon 16%			
Varvara	795.0	791.0	722.7	779.1	790.5	798.4	802.4	802.4	798.4		arvara	Voi	ro
Omolon	892.0	879.0	693.7	747.9	758.8	766.4	770.2	770.2	766.4		20%	179	%
Albazino-Amursk	739.0	790.0	745.0	803.2	814.9	823.1	827.2	827.2	823.0				
Mayskoye	-	957.0	970.0	943.3	957.1	966.6	971.5	971.5	966.6				
Gr. Unit Cash cost (US\$/GE oz)	690.0	745.0	659.5	733.6	750.9	756.1	758.1	771.3	772.4				
- change yoy		8%	-11%	11%	2%	1%	0%	2%	0%	Gold equivalent produc	tion split (FY13)	
Gr. AISC (US\$/GE oz)	1,058	1,087	945.1	985.1	1,002	988.9	972.6 🗖	980.2	967.3	Ma	yskoye		
- change yoy		3%	-13%	4%	2%	-1%	-2%	1%	-1%	We we	4%		
Capex (US\$m)													
Growth (US\$m)	145.0	54.0	-	-	-	-	-	-	-	Albazino		Dukat	
Dukat	49.0	37.0	44.7	13.4	27.4	27.7	29.1	29.3	29.1	Amursk 19%		32%	
Voro	11.0	8.0	6.4	9.5	8.1	8.2	8.2	8.0	7.1				
Khakanja	20.0	14.0	6.9	11.0	6.4	6.6	6.6	-	-	Omolon			
Varvara	16.0	21.0	13.9	16.2	15.4	15.5	15.5	15.5	15.5	12%			
Omolon	40.0	22.0	15.3	23.2	23.2	22.7	23.5	21.0	25.2	Vanuar		Voro	
Albazino-Amursk	-	36.0	22.4	23.2	26.6	24.8	24.9	28.6	28.5	Varvara 10%		12%	
Mayskoye	-	-	30.2	18.4	18.7	17.5	16.4	19.2	21.0				
Total Sustaining	136	138	140	115	126	123	124	122	126		Khakanja		
Corporate & exploration	76.0	65.0	71.0	80.0	50.0	40.0	30.0	30.0	20.0		11%		
Capitalised stripping & interest	75.0	97.0	54.0	50.0	50.0	40.0	25.0	25.0	25.0				
	432			245	226	203	179	177	171				

Source: Deutsche Bank estimates, Company Data

Investment Thesis -Polymetal

Outlook

Polymetal aims to grow production by 9% between 2013-16 to 1.4m gold equivalent ounces, whereafter output levels off. The majority of the group's mines are in the lower half of the cost curve, providing some breathing room in the low gold price environment. We note that Polymetal has accumulated additional "3rd generation" assets to extend the life and growth of its operations and is also continually assessing M&A opportunities. The company will need to deliver an extension to its reserve base from developing organic and/or acquired resources and this carries execution and value-destruction risk. Hold.

Valuation

We derive our TP from a sum-of-the-parts life-of-mine DCF model. We apply a 9% WACC based on a targeted capital structure of 60% equity and 40% debt. We estimate the cost of equity at 9.8% and apply a 1.4 exit multiple.

Risks

Key risks include silver and gold prices significantly higher/lower than our expectation as well as Russian macroeconomic factors such as ruble appreciation/depreciation. Management risks are concentrated around the company's ability to deliver on the development of the Amursk processing hub as well as its ability to integrate newly acquired deposits. Other risks include changes in fiscal regimes and/or mining legislation. 90% of Polymetal's assets are in Russia, with the residual 10% in Kazakhstan.

Model updated:26 Augu	ıst 2014	Fiscal year end 31-Dec	2011	2012	2013	2014E	2015E	2016E
Running the numbers		Financial Summary						
Emerging Europe		DB EPS (USD)	0.19	0.32	0.20	0.13	0.06	0.08
Russia		Reported EPS (USD) DPS (USD)	0.15 0.06	0.31 0.08	0.04 0.05	0.12 0.03	0.06 0.02	0.08 0.02
Metals & Mining		BVPS (USD)	0.00	1.4	1.2	1.3	1.3	1.4
3		Weighted average shares (m)	3,032	3,032	3,032	3,032	3,032	3,032
Polyus Gold		Average market cap (USDm)	na	9,889	9,633	9,597	9,597	9,597
Reuters: PGIL.L	Bloomberg: PGIL LN	Enterprise value (USDm)	na	9,466	10,255	10,376	10,541	10,536
Hold		Valuation Metrics P/E (DB) (x)		10.2	15.7	24.8	49.1	37.6
Price (2 Sep 14)	GBP 190.50	P/E (DB) (x) P/E (Reported) (x)	na na	10.2	72.0	24.8	49.1	37.6
Target Price	GBP 206.00	P/BV (x)	0.00	2.41	2.71	2.44	2.36	2.25
		FCF Yield (%)	na	2.5	nm	nm	nm	0.8
52 Week range	GBP 182.75 - 210.00	Dividend Yield (%)	na	2.4	1.6	1.0	0.5	0.7
Market Cap (m)	GBPm 5,776	EV/Sales (x) EV/EBITDA (x)	nm nm	3.3 6.5	4.4 11.4	4.9 13.4	5.0 15.8	4.2 13.8
	USDm 9,597	EV/EBIT (x)	nm	7.7	46.2	20.5	31.5	25.4
Company Profile		Income Statement (USDm)						
	est Russian gold producer and	Sales revenue	2,403	2,848	2,329	2,102	2,129	2,531
	is also among the top 5 ies by reserves. It has four	Gross profit EBITDA	1,362 1,110	1,636 1,465	1,145 903	959 772	831 668	945 761
operating mines in Siberia a	nd the Far East of Russia and a	Depreciation	1,110	1,465	903 209	257	333	346
	brownfield projects at different It has a highly ambitious	Amortisation	103	37	472	8	0	0
	ple its gold production in six	EBIT Net interest income(expense)	839 -71	1,232 -35	222 7	506 -35	334 -69	415 -71
years via its enormous reser off from Norilsk Nickel on 1	ve base. Polyus Gold was spun	Associates/affiliates	0	0	0	0	0	0
OIT HOITI NOTIISK NICKEI OIT T	January 2000.	Exceptionals/extraordinaries	0 -2	0 41	0 4	0	0 5	0 5
Price Performance		Other pre-tax income/(expense) Profit before tax	-2 765	1,238	234	43 515	270	5 348
		Income tax expense	207	257	91	111	59	77
240		Minorities Other post-tax income/(expense)	89 0	51 0	9 0	26 0	15 0	16 0
220	alunn MW	Net profit	469	930	134	379	195	255
180	and when the house	DB adjustments (including dilution)	103	37	480	8	0	0
160	W Y	DB Net profit	572	966	614	387	195	255
140	· · · · · · · · · · · · · · · · · · ·	Cash Flow (USDm)						
Jun 12 Dec 12	Jun 13 Dec 13 Jun 14	Cash flow from operations	765	992	420	602	471	484
Polyus Gold —		Net Capex Free cash flow	-341 424	-747 244	-1,347 -928	-704 -102	-580 -108	-405 79
Margin Trends		Equity raised/(bought back)	-589	244	-928	-102	-108	79 0
60 -		Dividends paid	-99	-172	-320	-34	-49	-64
50		Net inc/(dec) in borrowings Other investing/financing cash flows	560 34	-417 646	856 238	229 -35	-150 5	0 3
40		Net cash flow	331	302	-153	58	-302	18
30 20		Change in working capital	-137	-192	-283	-47	-67	-131
10		Balance Sheet (USDm)						
0 + + + + + + + + + + + + + + + + + + +	13 14E 15E 16E	Cash and other liquid assets	657	960	809	566	264	282
EBITDA Mar		Tangible fixed assets Goodwill/intangible assets	2,456 0	2,684 0	3,532 0	3,887 0	4,133 0	4,191 0
		Associates/investments	67	94	50	392	392	392
Growth & Profitability		Other assets	1,038	1,851	1,318	1,378	1,471	1,690
50	30	Total assets Interest bearing debt	4,219 799	5,589 348	5,709 1,206	6,222 1,447	6,260 1,297	6,555 1,297
40	- 25	Other liabilities	590	771	549	560	586	674
50 40 30 20 10	20 15	Total liabilities Shareholders' equity	1,388 2,595	1,120	1,755 3,679	2,007 3,926	1,883 4,075	1,971 4,269
	10	Minorities	2,595	4,186 283	275	290	4,075	4,209
-10 -20 -30	- 5	Total shareholders' equity	2,831	4,469	3,954	4,216	4,377	4,585
-30	14E 15E 16E	Net debt	141	-612	397	881	1,033	1,015
Sales gro		Key Company Metrics						
-		Sales growth (%)	37.4	18.5	-18.2	-9.7 37.0	1.3	18.9
Solvency		DB EPS growth (%) EBITDA Margin (%)	72.3 46.2	68.8 51.4	-36.5 38.8	-37.0 36.7	-49.4 31.4	30.7 30.1
30	40	EBIT Margin (%)	34.9	43.3	9.5	24.1	15.7	16.4
20		Payout ratio (%) ROE (%)	36.0 16.2	25.0 27.4	113.1 3.4	25.0 10.0	25.0 4.9	25.0 6.1
10	- 20	Capex/sales (%)	16.2	27.4	57.8	33.5	4.9 27.2	16.0
0	10	Capex/depreciation (x)	2.0	3.8	6.4	2.7	1.7	1.2
-10		Net debt/equity (%) Net interest cover (x)	5.0 11.7	-13.7 35.4	10.0 nm	20.9 14.5	23.6 4.8	22.1 5.8
-20 - 10 - 10			11.7	55.4		14.5	4.0	0.0

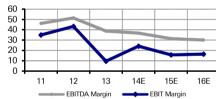
Source: Company data, Deutsche Bank estimates

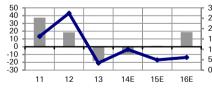
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international	gold c	ompa	nies	by	1
operating mi	nes in Si	beria	and	the F	ć











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Figure 57: Polyus Gold Operational and Financial Summary Data

Commodities Assumptions	FY12A	FY13A	FY14F	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F	NPV (FY14)			GBP/sh
Gold (US\$/oz)	1,671	1,413	1,257	1,163	1,150	1,125	1,200	1,598	1,654	Olimpiada & Titimukhta	4701	1.55	1.00
Silver (US\$/oz)	31	24	20	20	19	19	20	25	25	Blagodatnoe	2925	0.96	0.62
Gas Oil (Diesel) (US\$/tonne)	673	700	732	688	643	679	703	727	753	Verninskoye	733	0.24	0.16
Steel (US\$/tonne)	790	700	618	536	572	585	598	619	640	Aluvials	315	0.10	0.07
										Kuranakh	409	0.13	0.09
KEY FINANCIAL METRICS										Natalka	3602	1.19	0.77
Net Profit (US\$m)	930	134	379	195	255	169	279	910	942	Total	12684	4.18	2.70
Cash Flow from Operations (US\$m)	992	420	602	471	484	461	568	1303	1316	Net corp SG&A	-1954	-0.64	-0.42
Capex and Divestments (US\$m)	747	1347	704	580	405	389	282	290	272	(Net debt)/net cash	-579	-0.19	-0.12
Dividend Paid (US\$m)	172	320	34	49	64	42	70	227	236	PLGL minority interest	-565	-0.19	-0.12
Free Cash Flow (US\$m)	242	-928	-102	-108	79	73	286	1012	1044	Investments & associates	94	0.03	0.02
Net Debt /(Cash) (US\$m)	-612	397	579	731	713	680	460	-330	-1152	Fair value PLGL	9680	3.19	2.06
Headline EPS (USc)	32	4	12	6	8	6	9	30	31				
EPS (USc)	30.66	4.41	12.49	6.45	8.42	5.56	9.20	30.00	31.08	No. of shares (million)		3032	
EPS Change	98.2%		182.9%	-48.4%	30.7%	-34.0%		226.2%	3.6%	WACC		9.1%	
EPS CAGR (% from 2012)	00.270	-85.6%	-36.2%	-40.5%	-27.6%	-28.9%	-18.2%	-0.3%	0.2%			0.170	
Total DPS (USc)	10.6	1.1	3.3	1.6	2.1	1.4	2.3	7.5	7.8	Valution Split (FY13)			
Payout Ratio	34%	24%	27%	25%	25%	25%	25%	25%	25%				
FCF yield	/ •	•	-1.0%	-1.1%	0.8%	0.7%	2.8%	9.9%	10.2%				
,													
Production (Koz)										Natalka			
Olimpiada	653	691	694	698	698	698	698	698	678	28%			
Titimukhta	117	131	98	133	133	133	133	133	133			ipiada & mukhta	
Blagodatnoye	401	395	390	435	458	470	470	470	470			37%	
Verninskove	46	89	141	185	267	292	292	292	292				
Aluvials/Sands washing	214	205	147	160	160	160	160	160	160	Kuranakh 3%			
Kuranakh	138	138	140	143	156	155	154	152	151	Aluvials	Blagodatno		
Kazakh Gold	109	0	0	0	0	0	0	0	0	^{3%} Verninskove	e 23%		
Natalka	0	0	0	24	273	273	437	547	538	6%	2070		
Total Refined Gold Production	1678	1650	1611	1778	2145	2180	2343	2451	2422				
Cash Costs (US\$m)													
Olimpiada & Titimukhta	0	581	531	581	616	648	679	712	720	Capex Split (FY13)			
Blagodatnoye	196	189	180	206	231	248	261	273	283	Kuranakh			
Verninskove	28	78	117	151	227	260	273	286	296	8%			
Aluvials/Sands washing	183	181	125	139	146	154	161	169	175				
Kuranakh	133	149	140	139	151	158	164	171	176				
Kazakh Gold	79	0	0	0	0	0	0	0	0	Aluvials 10%			
Natalka	0	0	0	17	149	157	266	352	363	Verninskoye		limpiada	
Group Cash Cost (US\$m)	620	1178	1093	1234	1521	1625	1804	1963	2012	5%		42%	
Gr. Unit Cash Cost (US\$/oz)	691	714	678	694	709	746	770	801	831				
Capex (US\$m)										Blagodatnoy			
Maintanence	75	58	60	63	108	117	102	115	117	e 24%		Titimukhta	а
Olimpiada	60	23	28	20	10	10	5	5	0			8%	
Titimukhta	50	23	20	20	10	10	0	0	0	-			
Blagodatnoye	43	24 45	32	20 40	20	20	10	10	10				
Verninskove	43 123	45 70	32	40 80	20 40	30	20	20	10				
Aluvials/Sands washing	20	10	32 24	20	40	30	20	20	0				
8		30	24	20	2	2	0	0	0				
Kuranakh Karalik Cald	15												
Kazakh Gold	23	0	0	0	0	0	0	0	0				
Natalka	300	800	360	230	100	100	50	50	50				
Total Expansionary	634	1002	504	412	192	172	85	85	70				
Exploration	38 747	60	140	100	100	100	95	90	85 272				
		1120	704	575	400	389	282	290					

Source: Deutsche Bank estimates, Company Data

Investment Thesis- Polyus

Outlook

Polyus Gold International is the UK-based parent company of JSC Polyus Gold, the largest gold producer in Russia and one of the 10 largest gold producers globally, with 1.68moz of gold output in 2012. We forecast that Polyus can deliver solid production growth of 7% per annum (compound) from 2012-15e. We think the group's lower-cost source of future production growth, the Natalka project, should afford the stock a premium to peers but this has recently been delayed in the light of persistent lower gold prices. In our target price we reflect only moderate (9%) growth in costs over the next three years, and a 30% premium to NAV. Given our view of balanced risk and reward, we have a Hold recommendation.

Valuation

We value Polyus Gold using a sum-of-the-parts DCF model with life-of-mine for individual deposits. We apply a 9.1% nominal real WACC based on a targeted capital structure of 75% equity and 25% debt. We estimate cost of equity at 9.8% using beta of 0.5x (an historical average), an equity risk premium of 7.5% (the average for the Russian metals & mining companies) and a risk free rate of 6% (in line with the Russian sovereign debt yield). We use an 8% cost of debt and apply an effective tax rate of 22%. We apply a 1.3x P/NAV multiple, which captures Polyus' pure play gold growth profile but also the breadth of its reserve base and the potential to monetize it beyond the projects currently included in our DCF model.

Risks

Key risks stem from gold prices, cost inflation and the Rouble/US dollar rate being higher or lower than we expect. Operational risks are concentrated around management's ability to deliver on growth projects, especially the most ambitious ones, such as Natalka, which accounts for more than 25% of our valuation for Polyus. Other risks include any changes in fiscal regime and/or mining legislation. The company has also said that it targets a merger with a global gold major at some point.

3 September 2014 Metals & Mining **UK-listed Miners**

Net interest cover (RHS)



Model updated:02 September 2014	Fiscal year end 31-Dec	2011	2012	2013	2014E	2015E	2016E
Running the numbers	Financial Summary						
Europe	DB EPS (USD)	4.09	4.65	3.00	2.84	2.40	2.70
United Kingdom	Reported EPS (USD) DPS (USD)	4.09 0.40	4.65 0.50	3.00 0.50	2.84 0.52	2.40 0.54	2.70 0.56
Gold	BVPS (USD)	23.9	28.5	31.2	33.3	35.2	37.3
	Weighted average shares (m)	92	92	92	92	92	92
Randgold	Average market cap (USDm) Enterprise value (USDm)	8,360 7,975	9,332 9,122	7,089 7,227	7,646 7,823	7,646 7,597	7,646 7,442
Reuters: RRS.L Bloomberg: RRS LN	Valuation Metrics						
Hold	P/E (DB) (x)	22.3	21.9	25.6	29.2	34.5	30.7
Price (2 Sep 14) GBP 4,991.00	P/E (Reported) (x) P/BV (x)	22.3 4.28	21.9 3.39	25.6 2.01	29.2 2.49	34.5 2.36	30.7 2.22
Target Price GBP 5,000.00	FCF Yield (%)	1.5	nm	nm	1.4	4.3	3.7
52 Week range GBP 3,608.00 - 5,235.00	Dividend Yield (%)	0.4	0.5	0.7	0.6	0.7	0.7
Market Cap (m) GBPm 4,602	EV/Sales (x)	7.1	6.9	6.3	6.7	6.9	5.8
USDm 7,646	EV/EBITDA (x) EV/EBIT (x)	14.0 16.3	13.0 16.1	14.9 20.4	16.3 25.3	17.6 37.9	13.9 25.9
Company Profile	Income Statement (USDm)						
Randgold Resources is a gold exploration and mining	Sales revenue	1,127	1,318	1,145	1,164	1,103	1,275
company focusing on prospective regions in West Africa	Gross profit	620	735	536	524	478	582
and the Congo Craton. The company currently has three operating mines and one low-grade stockpile processing	EBITDA Depreciation	570 82	700 132	485 131	481 172	433 232	537 250
acility in Mali and the Cote d'Ivoire, producing c.750koz of	Amortisation	0	0	0	0	0	230
gold in 2011F. The company plans to ramp up its newly commissioned mines and grow the portfolio to five mines	EBIT	488	568	355	309	201	287
producing c.1.2Moz of gold by 2014.	Net interest income(expense) Associates/affiliates	-3 0	1 0	-6 54	-6 90	-9 124	-7 104
	Exceptionals/extraordinaries	0	0	0	0	0	0
Price Performance	Other pre-tax income/(expense) Profit before tax	0 485	0 569	0 348	0 303	0 191	0 280
Price Performance	Income tax expense	52	58	77	78	48	84
10500	Minorities	57	80	47	51	44	50
9000	Other post-tax income/(expense) Net profit	0 377	0 432	0 278	0 264	0 223	0 251
7500		0		0	0	0	0
4500 4500 4500 4500 4500 4500 4500 4500	DB adjustments (including dilution) DB Net profit	377	432	278	264	223	251
3000	Cash Flow (USDm)						
Sep 11 Mar 12 Sep 12 Mar 13 Sep 13 Mar 14	Cash flow from operations	570	494	445	392	529	459
Randgold — FTSE 100 INDEX (Rebased)	Net Capex	-448	-561	-728	-283	-200	-177
Margin Trends	Free cash flow	122	-67	-283	109	330	282
wargin neius	Equity raised/(bought back) Dividends paid	19 -18	14 -62	1 -73	2 -104	0 -60	0 -77
60	Net inc/(dec) in borrowings	0	15	0	50	0	0
50	Other investing/financing cash flows	-1	0	2	0	0	0
40	Net cash flow Change in working capital	122 0	-100 <i>0</i>	-353 0	57 0	270 0	205 0
30 20	Balance Sheet (USDm)						
	Cash and other liquid assets	488	387	38	95	365	570
11 12 13 14E 15E 16E	Tangible fixed assets	1,279	1,742	1,458	1,530	1,497	1,424
EBITDA Margin EBIT Margin	Goodwill/intangible assets	0 7	0 4	0 2	0 3	0 3	0 3
Growth & Profitability	Associates/investments Other assets	759	994	1,879	2,092	2,056	2,170
·	Total assets	2,533	3,127	3,377	3,719	3,920	4,167
	Interest bearing debt	0	15	0	50	50	50
100 15	Other liabilities Total liabilities	238 238	327 342	319 319	267 317	260 310	283 333
50 10	Shareholders' equity	2,188	2,620	2,879	3,071	3,244	3,443
0 5	Minorities	110	166	179	224	269	318
-50 0	Total shareholders' equity <i>Net debt</i>	2,298 <i>-488</i>	2,786 <i>-373</i>	3,058 <i>-38</i>	3,295 <i>-45</i>	3,513 <i>-315</i>	3,762 <i>-520</i>
11 12 13 14E 15E 16E		100	0.0		10	0.0	020
Sales growth (LHS) ROE (RHS)	Key Company Metrics	100.6	17.0	10.1	1.6	E O	15 5
Solvency	Sales growth (%) DB EPS growth (%)	132.6 310.7	17.0 13.6	-13.1 -35.5	1.6 -5.2	-5.2 -15.4	15.5 12.3
Convertey	EBITDA Margin (%)	50.6	53.1	42.4	41.3	39.2	42.1
0 200	EBIT Margin (%)	43.3	43.1	31.0	26.5	18.2	22.5
-5 - 150	Payout ratio (%) ROE (%)	9.7 18.9	10.6 18.0	16.6 10.1	18.2 8.9	22.3 7.1	20.6 7.5
-10 - 100	Capex/sales (%)	39.7	42.7	63.6	24.3	18.1	13.9
-15	Capex/depreciation (x)	5.5	4.3	5.6	1.6	0.9	0.7
-20	Net debt/equity (%) Net interest cover (x)	-21.2 183.4	-13.4 nm	-1.2 54.8	-1.4 51.9	-9.0 21.5	-13.8 42.7
-/ 0 = ()		105.4		04.0	01.0	21.0	42.7

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Net debt/equity (LHS)

Figure 58: Randgold Operational and Financial Summary Data

FX/Commodities Assumption	FY10A 20.2	FY11A 35.2	FY12A 31.3	FY13A 23.9	FY14F 20.0	FY15F 19.8	FY16F 19.0	FY17F 18.8	FY18F 20.0	FY19F 24.6	FY20F 25.4	NPV(FY13) Loulo	US\$mn 1551	US\$ps 16.7	£p 10.
Gold (US\$/Oz)	1226	35.2 1570	1671	23.9 1413	120.0	1163	1150	1125	120.0	1598	25.4 1654	Gounkoto	882	9.5	6.
Copper (USc/Oz)	343	400	361	334	309	302	295	327	340	340	352	Morila	60	0.6	0
Zinc	98	99	89	88	94	105	108	112	115	120	124	Tongon	1093	11.7	7
Lead	98	109	94	98	96	104	105	107	108	112	115	Kibali	2493	26.8	17
												Massawa	766	8.2	5
												Exploration	264	2.8	1.
KEY FINANCIAL METRICS												Investments	27	0.3	0.
Total Income (US\$M)	137	429	508	324	316	268	300	262	309	585	415	Total Operationa	7136	76.7	49.
Cash Flow from Operations(US	108	570	494	445	392	529	459	551	553	731	752	Corp / unallocated	-156	-1.7	-1.
Capex and divestments (US\$M	411	448	561	728	283	200	177	257	231	225	235	Net (Debt)/Cash	44	0.5	0
Dividend (US\$M)	15	18	62	46	91	50	52	53	55	57	59	Total	7024	75.5	48.
Acquisitions (US\$M)	-24	0	0	0	0	0	0	0	0	0	0				
Free Cash Flow (US\$M)	519	1,018	1,055	1,173	675	729	636	807	784	957	987				
Net Debt (US\$M)	366	488	373	38	44	315	520	739	979	1,380	1,802				
EPS (USc)	1.14	4.12	4.71	3.02	2.87	2.42	2.72	2.37	2.80	5.29	3.75				
EPS Change (%)		261%	14%	-36%	-5%	-16%	12%	-13%	18%	89%	-29%				
EPS CAGR (%)				-36%	-22%	-20%	-13%	-13%	-8%	2%	-3%				
DPS (USc)	0.20	0.40	0.50	0.50	0.52	0.54	0.56	0.58	0.60	0.62	0.64				
Payout ratio (%)	18%	10%	11%	17%	18%	22%	21%	25%	21%	12%	17%	Valuation split (F	(13)		
														ments	
Production (Koz)												Massawa	xploration Invest 4% 0	%	
- Loulo	317	208	220	308	397	433	466	459	447	388	374	Massawa 11%		Loulo	
- Gounkoto	0	138	284	272	311	241	215	213	213	195	142			22%	
Loulo - Gounkoto complex	317	346	503	580	708	674	681	671	660	583	515				
Morila	95	100	81	57	53	61	51	25	15	0	0				
Tongon	28	250	210	234	235	275	287	281	281	281	281			aunkoto	
Kibali	0	0	0	40	218	296	288	284	284	284	284			12%	
Massawa	0	0	0	0	0	0	141	195	195	189	176	Kibal 35%			
Total	440	696	794	910	1215	1306	1447	1456	1435	1336	1256		Tongo 15%	Morila	
														1%	
Cash Costs (US\$/oz)	740	1000	701	700	007	000	007	050	000	000	001				
- Loulo	712	1009	781	788	687	669	627	652	689	822	881	L			
- Gounkoto	0	536	706	680	560	616	584	493	510	584	794				
Loulo - Gounkoto complex	712	821	738	704	631	650	613	601	631	742	857	Due due die mark 1997	D/4 01		
Morila	669	782	759	793	574	528	626	1214	1161	0	0	Production split (FY13)		
Tongon	459	557	772	829	837	681	655	686	708	734	760				
Kibali	0	0	0	464	599	580	601	607	632	655	678		Kibali		1
Massawa	0	0	0	0	0	0	662	624	626	671	740		4%		
Group Avg. Cash Cost	699	716	735	715	663	635	624	632	651	712	778				
												Tongon		- Loula	
EBITDA (US\$m)	140	110	190	194	210	213	244	217	229	301	200	26%		34%	
Loulo	140		190 272		218 211						289				
Gounkoto	0	155		200		132	122	134	147	198	122				
Morila	54	79 274	73 189	37 134	28	39 132	27	-2 123	-5 138	0 243	0				
Tongon Kibali	4				96 120		142				251	Morila	Countin	to to	
Kibali Massawa	0 0	0 0	0 0	31 0	139 0	172 0	158 75	147 98	161 112	267 175	277 161	6%	- Gounko 30%		
Total	199	617	724	596	691	689	766	98 717	782	1184	1100			-	
Total	199	017	/24	590	091	009	/00	/1/	/62	1104	1100				
Capex (US\$m)															
Loulo	88	73	300	185	100	60	62	64	67	69	71	EBITDA split (FY1	3)		
Gounkoto	70	70	20	20	40	40	40	45	40	30	30	control opin (i i i	~,		
Morila	3	2	20	32	40	40	40	40	40	0	0		100 5		
Tongon	175	80	20	32	25	20	21	21	22	23	24		Kibali 5%		
Kibali	23	90	260	350	155	78	53	50	26	23	24	Tagana			
Massawa	16	16	200	10	0	,0 0	0	25	50	50	55	Tongon 22%		Loulo	
Others	5	5	10	10	0	0	0	25	50 0	50 0	55			33%	
Total	380	336	612	644	324	200	177	207	206	199	208		N N		
10101	360	330	012	044	324	200		207	200	100	200				
												Morila			
												6%	Gounko 34%	to	
													34%		
												L			

Source: Deutsche Bank estimates, Company Data

Outlook

Randgold has a strong exploration and operational track record in Africa, particularly West Africa. The discovery of Gounkoto in Mali together with Randgold's 45% share of the newly-commissioned Kibali mine (a JV with AngloGold Ashanti) put the company in a good position to grow volumes by 10% CAGR over the next five years. Randgold's development from open pit to underground miner throughout 2013 was by no means a smooth ride, the slower-than-expected ramp-up of the Yalea and Gara underground mines at the company's flagship Loulo operation being a good example. We believe management has learnt from the teething issues however, and that Randgold still has a good quality mix of assets with increasing grades and declining costs. The portfolio of reserves is stress-tested down to US\$1000/oz gold, for a 20% IRR. This should mean Randgold can generate higher margins and return on capital than peers. We expect a declining gold price through to end 2017e however and therefore Randgold is fairly and fully valued on our estimates. Hold.

Valuation

We derive our 12-month TP from a DCF model of life of mine cash flows. We use a long-term gold price of US\$1,300/oz and a WACC of 5% (based on a risk-free rate of 4%, a market risk premium of 6%, a beta of 0.3x and a 30% target gearing). We apply a 0.9x exit multiple to our NPV to derive our TP. Although the company has superior growth potential and a good exploration track record, we apply the 10% discount to factor in some political and delivery risks around the Kibali project in the DRC.

Risks

Key risks include higher-or lower-than-expected gold prices, higher-thanexpected costs, particularly labour inflation and an appreciation of the Euro, or higher-than-expected cost savings. The ongoing transition of the flagship Loulo mine to an underground operation poses some risks as the company does not have a lengthy track record in underground mining.

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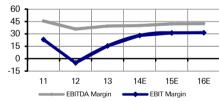
Model updated:29 August 2014	Fiscal year end 31-Dec	2011	2012	2013	2014E	2015E	2016E
Running the numbers	Financial Summary						
Europe	DB EPS (USD)	8.06	5.01	5.50	5.33	5.47	5.79
United Kingdom	Reported EPS (USD) DPS (USD)	3.02 1.45	-1.61 1.67	1.97 1.92	4.95 2.26	5.47 2.53	5.79 2.72
-	BVPS (USD)	28.0	25.3	24.8	2.20	30.0	32.4
Metals & Mining	Weighted average shares (m)	1,923	1,852	1,852	1,852	1,852	1,852
Rio Tinto	Average market cap (USDm)	120,258	94,549	91,212	99,590	99,590	99,590
Reuters: RIO.L Bloomberg: RIO LN	Enterprise value (USDm)	122,950	117,000	110,477	116,904	114,208	111,577
	Valuation Metrics						
Buy	P/E (DB) (x)	7.8	10.2	9.0	10.1	9.8	9.3
Price (2 Sep 14) GBP 3,236.50	P/E (Reported) (x)	20.7	nm	25.0	10.9	9.8	9.3
Target Price GBP 4,650.00	P/BV (x)	1.73	2.25	2.27	1.95	1.79	1.66
52 Week range GBP 2,957.50 - 3,627.50	FCF Yield (%) Dividend Yield (%)	6.4 2.3	nm 3.3	2.6 3.9	5.9 4.2	7.2 4.7	7.7 5.0
	EV/Sales (x)	2.0	2.3	2.2	2.4	2.2	2.0
Market Cap (m) GBPm 59,942	EV/EBITDA (x)	4.4	6.4	5.5	6.0	5.2	4.8
USDm 99,590	EV/EBIT (x)	8.7	nm	14.0	8.6	7.1	6.5
Company Profile	Income Statement (USDm)						
Rio Tinto is a global diversified mining company with interests	Sales revenue	60,537	50,967	51,171	48,629	51,768	54,604
in aluminum, borax, coal, copper, diamonds, gold, iron ore, titanium dioxide feedstock, uranium and zinc. Its key mining	Gross profit	28,094	17,872	19,858	19,940	21,908	23,216
operations are located in Australia, New Zealand, South Africa,	EBITDA Depreciation	27,635 3,817	18,275 4,441	20,234 4,791	19,505 4,714	21,845 5,698	23,232 6,053
South America, the United States, Europe, and Canada. Rio Tinto's management structure is based primarily on six principal	Amortisation	9,766	16,410	7,531	1,142	0	0
global products businesses Aluminium, Diamonds, Copper, Energy (coal and uranium), Industrial Minerals, and Iron Ore	EBIT Net interest income(expense)	14,052 -382	-2,576 -160	7,912 -425	13,649 -502	16,147 -298	17,179 -225
supported by worldwide exploration and technology groups.	Associates/affiliates	-382	-100	-425	-502	-298	-225
	Exceptionals/extraordinaries	-10	-7	0	0	0	0
Price Performance	Other pre-tax income/(expense) Profit before tax	-456 13,214	168 -2,568	-3,982 3,505	358 13,505	-360 15,489	-360 16,594
Flice Ferformatice	Income tax expense	6,439	429	2,426	4,105	4,802	5,144
4800	Minorities	939	-14	-2,586	206	528	687
4400	Other post-tax income/(expense) Net profit	0 5,826	0 -2,990	0 3,665	0 9,194	0 10,160	0 10,763
3600	DB adjustments (including dilution)	9,723	12,293	6,552	714	0	0,700
3200 WWW WWWWWWWW	DB Net profit	15,549	9,303	10,217	9,908	10,160	10,763
2800	Cash Flow (USDm)						
Sep 11 Mar 12 Sep 12 Mar 13 Sep 13 Mar 14	Cash flow from operations	20,030	9,368	15,078	13,803	15,138	15,945
Rio Tinto ——— FTSE 100 INDEX (Rebased)	Net Capex	-12,335	-17,575	-12,720	-7,944	-7,936	-8,288
Margin Trends	Free cash flow	7,695	-8,207	2,358	5,859	7,203	7,657
Margin Trends	Equity raised/(bought back) Dividends paid	-5,504 -2,236	1,474 -3,038	0 -3,322	0 -3,784	0 -4,504	0 -4,943
60	Net inc/(dec) in borrowings	4,208	7,888	2,122	-5,237	-1,499	-1,193
45	Other investing/financing cash flows Net cash flow	-4,773	-666	1,756	1,553	260	260
	Change in working capital	-610 <i>347</i>	-2,549 <i>401</i>	2,914 <i>557</i>	-1,609 <i>540</i>	1,460 <i>-81</i>	1,781 <i>-195</i>
15							
-15	Balance Sheet (USDm) Cash and other liquid assets	9,670	7 000	10.016	0.604	10.004	11.866
11 12 13 14E 15E 16E	Tangible fixed assets	9,870 64,967	7,082 75,131	10,216 70,827	8,624 75,838	10,084 77,815	79,791
EBITDA Margin EBIT Margin	Goodwill/intangible assets	16,142	9,402	6,770	7,468	7,108	6,748
Growth & Profitability	Associates/investments	12,428	7,966	6,406	6,180	6,180	6,180
Glowin & Flontability	Other assets Total assets	16,338 119,545	17,992 117,573	16,806 111,025	15,810 113,920	16,585 117,773	17,283 121,868
15 10 20	Interest bearing debt	18,121	26,343	28,271	23,158	21,659	20,466
10 20 15	Other liabilities	41,785	32,915	29,425	30,749	31,327	31,693
0 10	Total liabilities Shareholders' equity	59,906 52,539	59,258 46,865	57,696 45,886	53,907 51,053	52,986 55,564	52,159 60,142
-5 5 0	Minorities	6,669	11,156	7,616	8,960	9,223	9,567
-15	Total shareholders' equity	59,208	58,021	53,502	60,013	64,787	69,709
-20 -20 -10 -10 -10 -10	Net debt	8,451	19,261	18,055	14,534	11,575	8,600
	Key Company Metrics						
Sales growth (LHS) ROE (RHS)	Sales growth (%)	9.7	-15.8	0.4	-5.0	6.5	5.5
Solvency	DB EPS growth (%) EBITDA Margin (%)	14.1 45.6	-37.9 35.9	9.8 39.5	-3.0 40.1	2.5 42.2	5.9 42.5
40 100	EBIT Margin (%)	23.2	-5.1	15.5	28.1	31.2	31.5
30 80	Payout ratio (%)	47.9	nm	97.0	45.5	46.1	46.7
60	ROE (%) Capex/sales (%)	10.5 20.4	-6.0 34.5	7.9 25.3	19.0 18.5	19.1 15.3	18.6 15.2
20 40	Capex/sales (%) Capex/depreciation (x)	20.4	34.5 4.0	25.3 2.7	18.5	15.3	15.2
10 20	Net debt/equity (%)	14.3	33.2	33.7	24.2	17.9	12.3
0	Net interest cover (x)	36.8	nm	18.6	27.2	54.3	76.5

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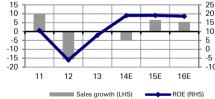
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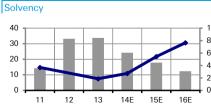
Price P	reformance
4800 -	A MANM
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3200 -	WWW WALKAN THE ANY WWWWWWWW
2800 -	
2400 -	<u> </u>
Sep	o 11 Mar 12 Sep 12 Mar 13 Sep 13 Mar 14
_	Rio Tinto FTSE 100 INDEX (Rebased)

Margin Trends



Growth & Profitability





Net interest cover (RHS)

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Net debt/equity (LHS)

Source: Company data, Deutsche Bank estimates



Figure 59: Rio Tinto Operational and Financial Summary Data

FX/COMMODITIES (Nominal)	CY10A	CY11A	CY12A	CY13A	CY14F	CY15F	CY16F	CY17F	CY18F	CY19F	CY20F	NPV (HD14)	US\$M	US\$/sh	GBP/S
AUDUSD Iron ore - lump (US\$/t) - CIF	0.92 137	1.03 181	1.04 136	0.97 144	0.92 116	0.91 108	0.89 102	0.85 100	0.82 107	0.80 110	0.80 114	Aluminium Copper	27,273 21,571	14.73 11.65	9.5 7.5
Iron ore - fines (US\$/t) - CIF	137	168	136	144	104	96	90	88	95	98	114	Diamonds	21,571 988	0.53	7.5
Aluminium (US\$/Ib)	0.99 35	1.09	0.93	0.86	0.82 48	0.86 55	1.00 56	1.09 55	1.18	1.39	1.44	Minerals	7,224	3.90 3.17	2.5
Bauxite (US\$/t) - FOB Copper (US\$/lb)	3.43	20 4.00	20 3.61	40 3.34	3.09	3.02	2.95	3.27	55 3.40	57 3.40	59 3.52	Energy Iron Ore	5,880 99,845	53.91	2.0 34.7
Thermal Coal (US\$/t) - contract	91	122	101	93	85	83	88	91	94	105	108	Investments	0	0.00	0.0
Coking Coal (US\$/t) Uranium (US\$/lb) - term	195 61	289 63	210 53	159 55	130 49	135 56	155 58	160 61	170 65	184 67	191 68	Corporate (HO, pensions, expl) Net Debt	(13,293) (14,534)	(7.18) (7.85)	(4.6) (5.0)
Rutile (US\$/t)	589	1,045	2,341	1,190	945	1,035	1,125	1,164	1,262	1,306	1,352	TOTAL	134,955	72.87	47.0
Zircon (US\$/t) Gold (US\$/oz)	911 1,226	1,893 1,570	2,180 1,671	1,218 1,413	1,120 1,257	1,268 1,163	1,366 1,150	1,469 1,125	1,549 1,200	1,603 1,598	1,659 1,654	WACC (nominal)	9.0%	Shares	1,852
KEY FINANCIAL METRICS															
Underlying Earnings (US\$M) EPS (USc)	13,901	15,549	9,303 503	10,217 553	9,908 533	10,160	10,763	10,602	13,115	14,192	14,593 785				
EPS (USc) EPS Change (%)	709 157%	809 14%	-38%	553 10%	-4%	547 3%	579 6%	571 -1%	706 24%	764 8%	/85 3%				
EPS CAGE (%) - off CY13 earnings					-4%	-1%	2%	1%	5%	6%	5%				
DPS (USC) Payout ratio (%)	108 15%	145 18%	167 33%	192 35%	226 42%	253 46%	272 47%	286 50%	313 44%	338 44%	365 46%				
CASH FLOW	10.101	00.000	0.000	15.070	10.000	15 100	15.045	10.055	10 700	10.055	00.400				
Operating Cash Flow (US\$M) Capex (US\$M)	18,191 (4,591)	20,030 (12,335)	9,368 (17,575)	15,078 (12,944)	13,803 (8,993)	15,138 (7,936)	15,945 (8,288)	16,055 (8,195)	18,763 (6,090)	19,855 (5,949)	20,433 (6,358)				
Aquisitions and Divestments (US\$M)	2,880	(6,480)	(716)	1,998	1,309	260	260	260	260	-	-	14 June 14 15 004 0			
Free Cash Flow (US\$M) - before dividends Dividend (US\$M)	16,480 (1,754)	1,215 (2,236)	(8,923) (3,038)	4,132 (3,322)	6,119 (3,784)	7,463 (4,504)	7,917 (4,943)	8,120 (5,207)	12,933 (5,432)	13,906 (6,035)	14,075 (6,518)	Valuation (HD 2014)			
Free Cash Flow (US\$M) - before debt Free Cash Flow yield (%)	14,726	(1,021)	(11,961)	810 4.1%	2,335 6.0%	2,959 7.3%	2,974 7.8%	2,912 8.0%	7,501 12,7%	7,871 13.7%	7,557 13.8%		Iron Ore		
				4.170	0.078	7.370	7.070	0.0 %	12.770	13.7 70	13.070		61%		
BALANCE SHEET AND RETURNS Net Debt (US\$M)	4,284	8,451	19,261	18,055	14,534	11,575	8,600	5,688	(1,813)	(9,684)	(17,241)				
Gearing (ND/E - %)	7%	14%	36%	30%	22%	17%	12%	7%	-2%	-10%	-17%				
ROE (%) ROA (%)	27% 21%	28% 23%	19% 6%	22% 11%	20% 14%	19% 15%	19% 16%	17% 15%	20% 19%	19% 20%	19% 21%	Energy			
PRODUCTION												Minerals 4%			
Copper - refined (kt)	393	334	279	300	297	262	294	294	294	278	278	Diamonds 1%			
Copper - mined (kt) Iron ore (Mt) - attributable	678 179	520 192	549 199	632 203	611 231	635 279	699 307	729 314	815 331	754 346	740 346	Copper 13%	Aluminium		
Iron ore (Mt) - Pilbara (100%) - production	224	231	239	251	281	333	364	371	388	403	403	10.0	17%		
Iron ore (Mt) - Pilbara (100%) - sales Iron ore (Mt) - Global (100%)	223 239	225 245	233 253	244 266	288 297	338 354	364 387	371 394	388 411	403 426	403 426				
Coal - Hard and Semi soft coking (Mt)	12.1	11.7	11.4	11.9	11.1	13.9	13.9	13.9	13.9	13.9	13.9				
Coal - Thermal (Mt) Bauxite (Mt)	61.1 33.1	20.1 35.4	20.6 39.4	22.7 43.2	18.9 40.7	15.8 43.3	15.8 43.7	15.8 43.7	15.8 43.7	15.8 43.5	15.8 43.5	Revenue split (2014F)			
Alumina (Mt)	9.1	8.9	10.0	9.3	7.7	7.8	8.0	8.3	8.4	8.5	8.5	(
Aluminium (Mt) Uranium (kt)	3.8 5.2	3.8 3.2	3.5 4.3	3.6 3.6	3.3 2.1	3.4 3.4	3.5 3.9	3.5 3.9	3.5 3.9	3.3 3.9	3.3 3.9	Energy			
Diamonds (Mcts)	13.8	11.7	13.3	16.0	15.5	21.4	23.0	23.0	22.7	22.9	22.8	8%		0.000	
Gold (koz) Titanium dioxide feedstock (kt)	766 0	662 0	288 1,595	333 1,622	442 1,539	489 2,007	509 2,016	431 2,016	758 2,016	521 2,016	381 2,016	Minerals 6%	Iron 49	%	
Copper Eq Production (Mt)	7.5	7.2	7.2	7.4	7.5	8.4	8.9	9.0	9.4	9.3	9.3	Diamonds 2%			
Copper Eq CAGR (%)					0.8%	6.5%	6.5%	5.1%	4.9%	3.9%	3.3%	Copper			
COSTS Absolute (US\$M)	35,262	36,260	35,131	32,692	31,086	33,718	34,855	35,793	37,100	40,041	41,347	12%			
Unit costs (US\$/Ib Cu Eq) - incl. royalties Change in unit costs (%)	2.13	2.27 6.7%	2.22 -2.3%	2.00 -9.7%	1.89 -5.7%	1.82 -3.7%	1.77 -2.8%	1.80 1.6%	1.79 -0.5%	1.94 8.7%	2.01 3.7%				
REVENUE (US\$M)												Aluminium 23%			
Aluminium	3,378	14,422	12,170	12,560	11,899	13,051	14,104	14,218	14,684	15,152	15,658				
Copper Diamonds	7,782 682	7,634 727	6,661 741	5,916 852	6,072 810	6,242 1,032	6,827 1,080	6,991 1,079	8,846 1,068	8,265 1,124	8,506 1,153				
Minerals	2,795	2,927	3,315	3,341	3,138	3,744	4,085	4,218	4,455	4,641	4,791	Growth concy calls (20145)			
Energy Iron Ore	5,652 23,582	7,327 29,475	5,783 24,279	5,454 25,994	4,241 25,022	4,233 25,934	4,788 26,295	4,927 26,303	5,159 29,959	5,599 31,349	5,787 32,550	Growth capex split (2014F)			
Others (includes associates and JVs) Total	877 44 748	-1,975	-1,982	-2,849	-2,558	-2,467	-2,576 54,604	-3,027	-3,231 60,942	-3,383 62.746	-3,368	Energy 5%			
	44,748	60,537	50,967	51,268	48,624	51,768	04,004	54,710	00,942	02,/40	65,077	Minerals 1.4%	Iron 0 529		
CONSOLIDATED CAPEX (US\$M) Growth												Diamonas 3%			
Aluminium Copper	401	987	1,756	1,551 1,702	1,294 721	1,200 804	0 1,031	0 1,210	0 772	0 153	0 408	Ca			
cobhai		0.000			/21	804		1,210	//2			Copper 14%			
Diamonds	401 454 151	2,863 385	3,264 627	236	128	10	225	165	0	0	0	1470			
Minerals	454 151 0	385 730	627 732	236 274	128 72	37	0	0	0	0	0	1978			
Minerals Energy Iron Ore	454 151 0 496 1,246	385 730 927 2,480	627 732 1,324 4,722	236 274 237 4,104	128 72 272 2,663	37 100 1,600	0 80 2,200	0 40 1,900	0 42 200	0 44 0	0 47 0				
Minerals Energy Iron Ore Total Growth Capex	454 151 0 496 1,246 2,748	385 730 927 2,480 8,371	627 732 1,324 4,722 12,425	236 274 237 4,104 8,105	128 72 272 2,663 5,151	37 100 1,600 3,751	0 80 2,200 3,536	0 40 1,900 3,315	0 42 200 1,015	0 44 0 197	0 47 0 455	Aluminium 25%			
Minerals Energy Iron Ore Total Growth Capex Susteining Capex	454 151 0 496 1,246	385 730 927 2,480	627 732 1,324 4,722	236 274 237 4,104	128 72 272 2,663	37 100 1,600	0 80 2,200	0 40 1,900	0 42 200	0 44 0	0 47 0	Aluminium			
Minerals Energy Total Growth Capex Sustaining Capex Total Capex EBITDA (US\$M)	454 151 0 496 1,246 2,748 1,843 4,591	385 730 927 2,480 8,371 3,964 12,335	627 732 1,324 4,722 12,425 5,150 17,575	236 274 237 4,104 8,105 4,694 12,944	128 72 272 2,663 5,151 3,837 8,988	37 100 1,600 3,751 4,185 7,936	0 80 2,200 3,536 4,752 8,288	0 40 1,900 3,315 4,880 8,195	0 42 200 1,015 5,076 6,090	0 44 0 197 5,752 5,949	0 47 0 455 5,903 6,358	Auminium 25%			
Vinerals Energy Total Growth Capex Sustaining Capex Total Capex EBITDA (US\$M) Aumnium	454 151 0 496 1,246 2,748 1,843 4,591	385 730 927 2,480 8,371 3,964 12,335	627 732 1,324 4,722 12,425 5,150 17,575 1,360	236 274 237 4,104 8,105 4,694 12,944 1,894	128 72 2,663 5,151 3,837 8,988 2,389	37 100 1,600 3,751 4,185 7,936 3,189	0 80 2,200 3,536 4,752 8,288 3,750	0 40 1,900 3,315 4,880 8,195 3,659	0 42 200 1,015 5,076 6,090 3,837	0 44 0 197 5,752 5,949 4,258	0 47 0 455 5,903 6,358 4,471	Aluminium			
Minerals Energy Total Growth Capex Total Copex EBITDA (US\$M) Auminum Coper Diamonds	454 151 0 496 1,246 2,748 1,843 4,591 442 4,503 158	385 730 927 2,480 8,371 3,964 12,335 2,287 3,394 180	627 732 1,324 4,722 12,425 5,150 17,575 1,360 1,736 103	236 274 237 4,104 8,105 4,694 12,944 1,894 1,750 257	128 72 2,72 2,663 5,151 3,837 8,988 2,389 2,572 2,48	37 100 1,600 3,751 4,185 7,936 3,189 2,590 329	0 80 2,200 3,536 4,752 8,288 3,750 3,053 357	0 40 1,900 3,315 4,880 8,195 3,659 2,853 353	0 42 200 1,015 5,076 6,090 3,837 4,344 369	0 44 0 197 5,752 5,949 4,258 3,849 403	0 47 0 455 5,903 6,358 4,471 3,945 407	Auminium 25%	kon Ore 71%		
Minerals Energy Total Growth Capex Sustaining Capex Sustaining Capex ERITDA (US\$M) Auminium Copper Diamonds Minerals	454 151 0 1,246 2,748 1,843 4,591 442 4,503 158 527	385 730 927 2,480 8,371 3,964 12,335 2,287 3,394 180 546	627 732 1,324 4,722 12,425 5,150 17,575 1,360 1,736 103 555	236 274 237 4,104 8,105 4,694 12,944 1,894 1,750 257 828	128 72 2763 5,151 3,837 8,988 2,389 2,572 248 884	37 100 1,600 3,751 4,185 7,936 3,189 2,590 329 837	0 80 2,200 3,536 4,752 8,288 3,750 3,053 357 1,036	0 40 1,900 3,315 4,880 8,195 3,659 2,853 353 1,140	0 42 200 1,015 5,076 6,090 3,837 4,344 369 1,343	0 44 0 197 5,752 5,949 4,258 3,849 403 1,445	0 47 0 455 5,903 6,358 4,471 3,945 407 1,420	Auminium 25%	Iron Ore 71%		
Minerals Energy Tortal Growth Capex Sustaining Capex EBITDA (US\$M) Auminium Copper Diamonds Minerals Energy con Ore	454 151 0 1,246 2,748 1,843 4,591 442 4,503 158 527 2,299 16,526	385 730 927 2,480 8,371 3,964 12,335 2,287 3,394 180 546 2,232 20,907	627 732 1,324 4,722 12,425 5,150 17,575 1,360 1,736 1,360 1,736 103 555 1,193 15,675	236 274 237 4,104 8,105 4,694 12,944 1,894 1,750 257 828 906 17,442	128 72 2,72 2,663 5,151 3,837 8,988 2,389 2,572 248 884 345 15,521	37 100 1,600 3,751 4,185 7,936 3,189 2,590 329 837 635 15,446	0 80 2,200 3,536 4,752 8,288 3,750 3,053 357 1,036 1,074 15,121	0 40 1,900 3,315 4,880 8,195 3,659 2,853 353 1,140 1,238 14,897	0 42 200 1,015 5,076 6,090 3,837 4,344 369 1,343 1,496 17,602	0 44 0 197 5,752 5,949 4,258 3,849 403 1,445 2,020 18,112	0 47 0 455 5,903 6,358 4,471 3,945 407 1,420 2,106 18,550	Auminium 25%	Iron Ore 71%		
Vinerals Energy toro Cre Total Growth Capex Sustaining Capex Total Capex EBITDA (US\$M) Auminuum Dapper Jamonds Vinerals Energy ron Ore Dires (includes associates and JVs)	454 151 0 496 1,246 1,843 4,591 442 4,503 158 527 2,299 16,526 -453	385 730 927 2,480 8,371 3,964 12,335 2,287 3,394 180 546 2,232 20,907 -501	627 732 1,324 4,722 12,425 5,150 17,575 1,360 1,736 103 555 1,193 15,675 -4,542	236 274 237 4,104 8,105 4,694 12,944 1,894 1,894 1,750 257 828 906 17,442 -1,568	128 72 272 2,663 5,151 3,837 8,988 2,589 2,572 248 884 345 15,521 -1,106	37 100 1,600 3,751 4,185 7,936 3,189 2,590 329 837 635 15,446 -790	0 80 2,200 3,536 4,752 8,288 3,750 3,053 357 1,036 1,074 15,121 -740	0 40 1,900 3,315 4,880 8,195 3,659 2,853 353 1,140 1,238 14,897 -745	0 42 200 1,015 5,076 6,090 3,837 4,344 369 1,343 1,496 17,602 -770	0 44 0 197 5,752 5,949 4,258 3,849 403 1,445 2,020 18,112 -796	0 47 0 455 5,903 6,358 4,471 3,945 407 1,420 2,106 18,550 -823	Auminium 25%	Iron Ore 71%		
Vinerals Energy tron Cire Total Growth Capex Sustaining Capex Total Capex BUTDA (US\$M) Auminium Damends Damends Vinerals Energy tron Ore Energy tron Ore Ners (includes associates and JVs) Total	454 151 0 1,246 2,748 1,843 4,591 442 4,503 158 527 2,299 16,526	385 730 927 2,480 8,371 3,964 12,335 2,287 3,394 180 546 2,232 20,907	627 732 1,324 4,722 12,425 5,150 17,575 1,360 1,736 1,360 1,736 103 555 1,193 15,675	236 274 237 4,104 8,105 4,694 12,944 1,894 1,750 257 828 906 17,442	128 72 2,72 2,663 5,151 3,837 8,988 2,389 2,572 248 884 345 15,521	37 100 1,600 3,751 4,185 7,936 3,189 2,590 329 837 635 15,446	0 80 2,200 3,536 4,752 8,288 3,750 3,053 357 1,036 1,074 15,121	0 40 1,900 3,315 4,880 8,195 3,659 2,853 353 1,140 1,238 14,897	0 42 200 1,015 5,076 6,090 3,837 4,344 369 1,343 1,496 17,602	0 44 0 197 5,752 5,949 4,258 3,849 403 1,445 2,020 18,112	0 47 0 455 5,903 6,358 4,471 3,945 407 1,420 2,106 18,550	Auminium 25%	Ion Ore 71%		
Minerals Energy tron Cire Total Growth Capex Sustaining Capex Total Capex EDITOA (US\$M) Aurinhum Damonds Minerals Energy tron Cire Energy Total EBITOA margine (%)	454 151 0 496 1,246 2,748 1,843 4,591 442 4,503 158 527 2,299 16,526 -453 24,002	385 730 927 2,480 8,371 3,964 12,335 2,287 3,394 180 546 2,232 20,007 -501 29,045	627 732 1,324 4,722 12,425 5,150 17,575 1,360 1,736 1,736 1,736 1,736 1,736 1,736 1,736 1,736 1,736 1,736 1,736 1,736 1,736 1,736 1,747 1,	236 274 237 4,104 8,105 4,694 12,944 1,750 257 828 906 17,442 -1,568 21,509	128 72 2722 2,663 5,151 3,837 8,988 2,572 248 884 345 15,521 1-1,06 20,852	37 100 3,751 4,185 7,936 3,189 2,590 329 329 329 329 329 329 329 329 329 329	0 80 2,200 3,536 4,752 8,288 3,750 3,053 357 1,036 1,074 15,121 -740 23,651	0 40 1,900 3,315 4,880 8,195 3,659 2,853 353 1,140 1,238 14,897 -745 23,396	0 42 200 1,015 5,076 6,090 3,837 4,344 369 1,343 1,496 1,7,602 -770 28,221	0 44 0 197 5,752 5,949 4,258 3,849 403 1,445 2,020 18,112 -796 29,290	0 47 0 455 5,903 6,358 4,471 3,945 407 1,420 2,106 18,550 -823 30,075	Auminium 25%	kon Ore 71%		
Minerals Energy Total Growth Capex Sustaining Capex Sustaining Capex EBITDA (US\$M) Auminium Cooper Diamonds Minerals Energy Others (includes associates and JVs) Total EBITDA margins (%) Auminum Cooper	454 151 0 496 1,246 2,748 1,843 4,591 442 4,503 158 527 2,299 16,526 453 24,002 13%	385 730 927 2,480 8,371 3,984 12,335 2,287 3,394 180 546 2,232 20,907 -501 29,045	627 732 1,324 4,722 12,425 5,150 17,575 1,360 1,736 103 555 1,193 15,675 -4,542 16,080	236 274 237 4,104 8,105 4,894 12,944 1,750 257 828 906 17,442 -1,568 21,509	128 72 2722 2,663 5,151 3,837 8,988 2,572 2,389 2,572 2,48 884 345 5,521 -1,106 20,852 20% 42%	37 100 3,751 4,185 7,936 3,189 2,590 329 837 635 15,446 -790 22,235 224% 41%	0 80 2.200 3,536 4,752 8,288 3,750 3,053 3,57 1,036 1,074 15,121 -740 23,661 2,7% 4,5%	0 40 1,900 3,315 4,880 8,195 3,659 2,853 353 1,140 1,238 14,897 -745 23,396 26% 41%	0 42 2000 1,015 5,076 6,090 3,837 4,344 369 1,343 1,496 17,602 -770 28,221 26% 49%	0 44 0 197 5,752 5,949 4,258 3,849 403 1,445 2,020 18,112 -796 29,290 28% 47%	0 47 5,903 6,358 4,471 3,945 407 1,420 2,106 18,550 -823 30,075 29% 46%	Auminium 25% EBITDA split (2014F)	Pon Ore 71%		
Minerals Energy Total Growth Capex Sustaining Capex Sustaining Capex EBITDA (US\$M) Auminium Coper Damonds Minerals Energy Tota Ore Others (includes associates and JVs) Total EBITDA margins (%) Auminium Coper Diamonds Minerals	454 151 0 496 1,246 2,748 1,843 4,591 442 4,503 158 527 2,299 16,526 4453 24,002 13% 58% 53% 19%	385 730 927 2,480 8,371 3,964 12,335 2,287 3,394 180 546 2,232 20,907 -501 29,045 16% 44% 25%	627 732 1,324 4,722 12,425 5,150 17,575 1,360 1,736 103 555 1,193 15,675 -4,542 16,080	236 274 237 4,104 8,105 4,694 12,944 1,750 257 828 906 17,442 -1,568 21,509 15% 30% 30% 30%	128 72 2122 2,663 5,151 3,837 8,988 2,572 248 884 345 15,521 -1,106 20,852 20% 42% 31% 28%	37 100 1,600 3,751 4,185 7,836 2,550 329 837 635 15,446 -790 22,235 24% 41% 32%	0 80 2,200 3,536 4,752 8,288 3,750 3,053 3,053 3,053 3,053 1,036 1,074 15,121 -740 23,651 27% 45% 33%	0 40 1,900 3,315 4,880 8,195 3,659 2,853 353 1,140 1,238 1,238 1,238 1,238 4,897 -745 23,396	0 42 200 1,015 5,076 6,090 3,837 4,344 369 1,343 1,496 17,602 -770 28,221 26% 49% 35%	0 44 0 197 5,759 4,258 3,849 403 1,445 2,020 18,112 -796 29,290 28% 47% 36% 31%	0 47 5,903 6,358 4,471 3,945 407 1,420 2,106 18,550 -823 30,075 29% 46% 35%	Auminium 25% EBITDA split (2014F)	71%		
Diamonds Minerals Energy Iron Ore Total Growth Capex Sustaining Capex Total Capex EBITDA (US\$M) Auminium Copper Diamonds Minerals EBITDA mergins (%) Aluminium Copper Diamonds Minerals EBITDA mergins (%) Copper Diamonds Minerals Energy Icon Ore	454 151 0 1,246 2,748 1,843 4,581 4,451 4,42 4,503 158 527 2,299 16,526 -453 24,002	385 730 927 2,480 8,371 3,964 12,335 2,287 3,394 180 5,45 2,232 20,007 -501 29,045	627 732 1,324 4,722 12,425 5,150 17,576 1,360 1,736 103 555 1,193 15,675 -4,542 16,080	236 274 237 4,104 8,105 4,694 12,944 1,750 257 828 906 17,442 -1,568 21,509	128 72 212 2,663 5,151 3,837 8,988 2,572 2,389 2,572 2,48 84 345 315,521 -1,106 20,852 20% 42% 31%	37 100 1,600 3,751 4,185 7,936 3,189 2,590 329 837 635 15,446 -790 22,235 24% 41% 32%	0 80 2,200 3,538 4,752 8,288 3,750 3,053 3,053 3,053 3,053 1,036 1,074 15,121 -740 23,661 27% 45% 33%	0 40 1,900 3,315 4,880 8,195 3,659 2,853 353 1,140 1,238 14,897 -745 23,396 26% 41% 33%	0 42 200 1,015 5,076 6,090 3,837 4,344 369 1,343 1,496 17,602 -770 28,221 26% 49% 35%	0 44 0 197 5,752 5,949 4,258 3,849 403 1,445 2,020 18,112 -796 29,290 28% 47% 36%	0 455 5,903 6,358 4,471 3,945 4,471 3,945 4,471 2,106 18,550 -823 30,075 29% 46% 35%	Auminium 25% EBITDA split (2014F)	71%		

Source: Deutsche Bank estimates, Company data

Investment Thesis –Rio Tinto

Outlook

Rio Tinto has a very high-quality suite of assets that are generally: low operating cost, long life, expandable, located in low-risk countries (Australia, North America, Europe) and considered premium quality relative to the sector, offering above-average returns and operating margins. Rio has very effectively strengthened its balance sheet, with growth firmly back on the agenda, with the key growth project being the expansion of the Pilbara iron ore assets from 225Mtpa to 355Mtpa and then onto 450mtpa. We believe Rio Tinto looks undervalued on most metrics (peer comparison, P/E multiples, DCF valuation), and we rate the stock a Buy.

Valuation

We value Rio Tinto using discounted cashflow analysis of each of its assets(9.0% WACC, CoE 11.2%, CoD 5.5%, RFR 4.0%, ERP 6.0%, beta 1.2). Our target is set in line with our valuation using life of mine cashflows.

Risks

Key risks to our view include movements in iron ore, copper, coal and aluminium prices away from those that we currently forecast and a significantly different A\$ than we currently assume. With earnings for the group strongly biased to iron ore and copper (60-75% combined of operating earnings) production levels, prices for those commodities are an important consideration: a 10% change in iron ore price could lead to ~9% change in earnings for Rio Tinto specifically, on our estimates. Liquidity is no longer an issue for the company in our view with balance sheet gearing firmly below the typical 20%-30% range.

Model updated:01 September 2014	Fiscal year end 31-Mar	2011	2012	2013	2014	2015E	2016E
Running the numbers	Financial Summary						
Europe	DB EPS (USD)	2.52	1.40	1.37	0.34	0.61	1.12
United Kingdom	Reported EPS (USD)	2.70	0.22	0.62	-0.71	0.61	1.12
	DPS (USD) BVPS (USD)	0.52 20.1	0.55 17.1	0.58 16.1	0.61 14.7	0.67 13.2	0.74 13.6
Metals & Mining	Weighted average shares (m)	272	273	273	273	273	273
Vedanta Resources	Average market cap (USDm)	9,796	6,556	4,635	4,528	4,806	4,806
Reuters: VED.L Bloomberg: VED LN	Enterprise value (USDm)	23,953	34,404	31,028	30,225	29,832	28,606
ç	Valuation Metrics						
Buy	P/E (DB) (x)	14.3	17.2	12.4	49.3	28.6	15.7
Price (2 Sep 14) GBP 1,060.00	P/E (Reported) (x)	13.3	111.6	27.5	nm	28.6	15.7
Target Price GBP 1,250.00	P/BV (x)	1.90	1.15	0.95	1.02	1.33	1.29
52 Week range GBP 775.00 - 1,194.00	FCF Yield (%) Dividend Yield (%)	nm 1.4	nm 2.3	18.7 3.4	21.9 3.7	18.1 3.8	29.8 4.2
Market Cap (m) GBPm 2,893	EV/Sales (x)	2.1	2.5	2.1	2.3	2.1	1.7
	EV/EBITDA (x)	6.7	8.5	6.3	6.7	6.1	4.9
USDm 4,806	EV/EBIT (x)	8.9	13.1	12.1	13.2	11.9	8.2
Company Profile	Income Statement (USDm)						
Vedanta Resources Ltd. mines and processes a variety of	Sales revenue	11,427	14,005	14,990	12,945	14,038	16,648
metals (copper, zinc and aluminium), with its core operations being domiciled in India. Since its listing in	Gross profit EBITDA	3,567 3,567	4,026 4,026	4,888 4,888	4,491 4,491	4,888 4,888	5,813 5,813
London in late 2003, the company has diversified its	Depreciation	3,567 869	4,028 1,408	2,323	2,203	2,371	2,328
exposure by both metal and geography mostly via acquisition; Iron ore, power and oil in India, copper in	Amortisation	0	0	0	0	0	0
Zambia and zinc in Southern Africa and Ireland.	EBIT Net interest income(expense)	2,698 -103	2,618 -735	2,565 -806	2,288 -668	2,517 -640	3,485 -420
	Associates/affiliates	0	-138	0	0	0	0
	Exceptionals/extraordinaries	89 0	0 0	-42 0	-502 0	0	0
Price Performance	Other pre-tax income/(expense) Profit before tax	2,683	1,745	1,717	1,118	1,877	3,065
	Income tax expense	650	517	40	129	431	1,030
2000	Minorities Other post-tax income/(expense)	1,263 0	1,169 0	1,508 0	1,185 0	1,275 0	1,724 0
1600	Net profit	771	60	169	-197	171	311
	DB adjustments (including dilution)	8	327	206	290	0	0
800	DB Net profit	779	387	375	93	171	311
400	Cash Flow (USDm)						
Sep 11 Mar 12 Sep 12 Mar 13 Sep 13 Mar 14	Cash flow from operations	1,910	1,904	3,100	3,178	3,041	3,532
Vedanta Resources FTSE 100 INDEX (Rebased)	Net Capex	-2,491	-2,796	-2,233	-2,187	-2,170	-2,101
Margin Trends	Free cash flow Equity raised/(bought back)	-581 -128	-893 2,354	867 -784	990 -2,839	871 0	1,431 0
20	Dividends paid	-57	-364	-411	-508	-569	-895
36 32	Net inc/(dec) in borrowings Other investing/financing cash flows	2,025 -1,563	7,245 -7,525	115 210	298 -120	0	0
28	Net cash flow	-304	818	-2	-2,179	302	537
24	Change in working capital	-347	-267	10	630	64	-147
20	Balance Sheet (USDm)						
	Cash and other liquid assets	7,796	6,885	7,982	8,938	9,623	10,849
11 12 13 14 15E 16E	Tangible fixed assets	17,190	34,598	33,121	31,044	30,837	30,610
EBITDA Margin EBIT Margin	Goodwill/intangible assets Associates/investments	174 345	17 812	17 1,046	125 1,653	119 1,653	113 1,653
Growth & Profitability	Other assets	3,395	3,622	3,786	3,615	3,571	4,210
50 20	Total assets Interest bearing debt	28,900 9,753	45,935 16,955	45,950 16,593	45,374 16,871	45,802 16,871	47,435 16,871
40 15	Other liabilities	5,468	10,555	11,885	10,528	10,462	10,955
30 10 10	Total liabilities	15,221	27,527	28,478	27,400	27,333	27,826
10	Shareholders' equity Minorities	5,649 8,030	4,651 13,769	4,398 14,463	4,010 13,964	3,612 14,857	3,718 15,892
-10 -5	Total shareholders' equity	13,679	18,419	18,861	17,975	18,469	19,609
-20 -10	Net debt	1,957	10,070	8,611	7,933	7,249	6,022
11 12 13 14 15E 16E	Key Company Metrics						
Sales growth (LHS) ROE (RHS)	Sales growth (%)	44.1	22.6	7.0	-13.6	8.4	18.6
Solvency	DB EPS growth (%)	49.9	-44.6	-1.8	-75.5	82.9	82.0
60 30	EBITDA Margin (%) EBIT Margin (%)	31.2 23.6	28.7 18.7	32.6 17.1	34.7 17.7	34.8 17.9	34.9 20.9
	Payout ratio (%)	18.3	251.2	93.9	nm	107.2	64.8
50 25		16 1	1.2	3.7	-4.7	4.5	8.5
40 20	ROE (%)	16.1					
40 30 20 15	Capex/sales (%)	21.8	20.0	14.9	16.9	15.5	12.6
40 20							

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Net interest cover (RHS)

Net debt/equity (LHS)



Figure 60: Vedanta Operational and Financial Summary Data

VEDANTA OPERATIONAL AND FINANCIAL SUMMARY DATA

FX/COMMODITY ASSUMPTIONS														
	FY10A	FY11A	FY12A	FY13A	FY14A	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F	NPV (FY15e)	US\$M US\$/Sh G	BP/Sh
INRUSD	47.08	45.50	48.88	54.33	59.44	60.45	64.00	64.00	64.00	64.00	64.00	Aluminium	9158 32.98	21.2
Copper (US\$/Ib)	2.77	3.78	3.85	3.57	3.23	3.05	3.00	3.03	3.30	3.40	3.43	Zinc	6733 24.25	15.6
luminium (US\$/lb)	0.85	1.02	1.06	0.91	0.82	0.83	0.89	1.02	1.11	1.23	1.41	Copper	461 1.66	1.0
inc (US\$/lb)	0.88	0.99	0.95	0.89	0.88	0.96	1.08	1.12	1.15	1.20	1.24	Iron Ore	2080 7.49	4.8
.ead (US\$/lb)	0.90	1.02	1.03	0.96	0.96	0.97	1.04	1.06	1.07	1.09	1.13	Power	2946 10.61	6.8
ron Ore - fines (US\$/t)	58.24	129.61	135.74	103.92	107.19	83.89	83.72	81.94	88.17	91.15	94.21	Oil	8759 31.54	20.3
Dil brent (US\$/bbl)	69.94	87.38	114.72	110.24	107.55	110.46	110.74	111.02	108.68	112.48	112.48	Explorations and prospects	0 0.00	0.0
												Synergies	0 0.00	0.0
KEY FINANCIAL METRICS												Corporate and other operations	-126 -0.45	-0.2
Underlying Income (US\$M)	547	715	387	363	93	170	311	540	503	465	638	Minorities	-16352 -58.88	-37.9
Operating Cash flow (US\$M)	1,548	1,998	2,123	3,357	3,524	3,424	4,222	4,909	5,050	4,997	5,445	Net Debt	-7969 -28.70	-18.5
Capex (US\$M)	(2,547)	(2,809)	(2,796)	(2,306)	(2,185)	(2,170)	(2,101)	(1,244)	(808)	(863)	(908)	TOTAL	5690 20.49	13.2
Dividend (US\$M)	25	31	(144)	(154)	(163)	(186)	(205)	(225)	(248)	(273)	(300)	NPV discount		5
Acquisitions														
Free Cash Flow (US\$M) - before debt and equity	(3,355)	(2,513)	(6,593)	113	(1,839)	871	1,431	2,914	3,428	3,262	3,539	Target price		12.5
Net Debt/(Net Cash) (US\$M)	919	1,957	10,070	8,616	7,920	7,249	6,022	3,333	154	(2,836)	(6,074)	WACC (nominal)	10.9% Shares	278
Gearing (ND/E - %)	8%	14%	55%	49%	44%	39%	31%	16%	1%	-12%	-23%			
ROE (%)	13%	14%	1%	5%	-5%	5%	8%	13%	12%	10%	13%	Valuation (FY15e)		
ROA (%)	7%	9%	6%	6%	5%	5%	7%	8%	8%	8%	9%			
PS (USc)	186	252	140	131	34	61	112	198	181	168	230			
EPS Change (%)	0.56	0.36	-0.45	-0.06	-0.74	0.82	0.83	0.77	-0.08	-0.07	0.37	Exploration		
EPS CAGR (%) - off FY12 earnings				-6%	-51%	-24%	-5%	7%	4%	3%	6%	1%		
DPS (USc)	45	52	55	58	61	67	74	81	89	98	108	Oil		
Payout ratio (%)	0.21	0.19	2.55	1.02	-0.86	1.10	0.66	0.42	0.49	0.59	0.47	29%	Aluminium	
													30%	
RODUCTION							_							
Alumina (kt)	805	706	928	528	459	1133	2500	3600	4500	4500	4500			
Aluminium (kt)	534	644	669	773	795	881	1369	1839	2294	2294	2294			
Zinc - mined (kt)	815	1194	1190	1200	1180	1138	1219	1389	1383	1297	1146	Power		
Zinc - refined (kt)	653	1018	1049	963	998	977	949	954	956	958	760	10%	z Zinc	
Lead (kt)	109	214	269	288	267	257	251	251	241	211	211	Iron	22%	
Silver	6	6	8	13	11.2	11	15	16	15	15	14	7%%	LL /0	
Copper - mined (kt)	126	131	112	205	199	178	181	184	183	207	205			
Copper - refined (kt)	507	520	525	568	472	505	594	644	644	644	644			
ron ore - fines (wet volume) (kt)	21400	21100	15777	3800	1500	7819	10290	10290	10290	10290	10290			
Pig Iron (kt)	265	282	251	308	440	440	440	440	440	440	440			
Coke (kt)	277	289	252	332	340	340	340	340	340	340	340			
Power (MWhr)	0	3394	5642	8749	9429 83	14639 85	18740 95	23430 88	19223 90	19223 84	19223 79			
Oil (Mboe) Copper Eq Production	924	13 1109	16 1265	56 1935	2459	2980	3257	3360	3399	3255	3228			
Copper Eq CAGR (%) - off FY12	524	1103	1200	53%	2455	33%	27%	22%	18%	14%	12%			
				55 %	00 /0	00 /0	2770	22.70	10 %	1470	12.70			
									_	_	_	Revenue split (FY15e)		
Aluminium	914	1,572	1,873	1,921	1,785	2,118	3,007	4,412	5,895	6,239	7,115	Revenue split (FY15e)		
Aluminium Zinc	1,652	2,372	3,207	3,061	2,857	2,902	3,309	3,613	3,668	3,583	3,378	Oil	Aluminium	
Aluminium Zinc Copper	1,652 3,812	2,372 5,253	3,207 5,914	3,061 5,734	2,857 4,676	2,902 4,474	3,309 4,925	3,613 5,295	3,668 5,743	3,583 5,910	3,378 5,962		Aluminium 15%	
Aluminium Zinc Copper ron Ore	1,652 3,812 1,222	2,372 5,253 1,980	3,207 5,914 1,690	3,061 5,734 443	2,857 4,676 267	2,902 4,474 669	3,309 4,925 673	3,613 5,295 637	3,668 5,743 634	3,583 5,910 669	3,378 5,962 693	Oil		
Aluminium Zinc Copper ron Ore Power	1,652 3,812	2,372 5,253	3,207 5,914 1,690 458	3,061 5,734 443 576	2,857 4,676 267 622	2,902 4,474 669 1,099	3,309 4,925 673 1,006	3,613 5,295 637 1,261	3,668 5,743 634 973	3,583 5,910 669 973	3,378 5,962 693 1,007	Oil 20%	15%	
Numinium Eine Copper ron Ore Power Dil	1,652 3,812 1,222 1	2,372 5,253 1,980 339	3,207 5,914 1,690 458 883	3,061 5,734 443 576 3,223	2,857 4,676 267 622 3,093	2,902 4,474 669 1,099 2,801	3,309 4,925 673	3,613 5,295 637	3,668 5,743 634	3,583 5,910 669	3,378 5,962 693	Oil 20% Power	15% Zinc	
Aluminium Zno Copper oron Ore Power Dil Corp./Other/Captive power plants	1,652 3,812 1,222 1 - 331	2,372 5,253 1,980 339 - (88)	3,207 5,914 1,690 458 883 (20)	3,061 5,734 443 576 3,223 33	2,857 4,676 267 622 3,093 (355)	2,902 4,474 669 1,099 2,801 (26)	3,309 4,925 673 1,006 3,729 -	3,613 5,295 637 1,261 3,368	3,668 5,743 634 973 3,316 -	3,583 5,910 669 973 3,356 -	3,378 5,962 693 1,007 3,200 -	Oil 20%	15%	
Numinium Cinc Copper ron Ore Yower Dil Corp./Other/Captive power plants	1,652 3,812 1,222 1	2,372 5,253 1,980 339	3,207 5,914 1,690 458 883	3,061 5,734 443 576 3,223	2,857 4,676 267 622 3,093	2,902 4,474 669 1,099 2,801	3,309 4,925 673 1,006	3,613 5,295 637 1,261	3,668 5,743 634 973	3,583 5,910 669 973	3,378 5,962 693 1,007	Oil 20% Power 8%	15% Zinc	
Numinium Gro Copper ron Ore Ower Dil Corp./Other/Captive power plants	1,652 3,812 1,222 1 - 331	2,372 5,253 1,980 339 - (88)	3,207 5,914 1,690 458 883 (20)	3,061 5,734 443 576 3,223 33	2,857 4,676 267 622 3,093 (355)	2,902 4,474 669 1,099 2,801 (26)	3,309 4,925 673 1,006 3,729 -	3,613 5,295 637 1,261 3,368	3,668 5,743 634 973 3,316 -	3,583 5,910 669 973 3,356 -	3,378 5,962 693 1,007 3,200 -	Oil 20% Power	15% Zinc	
Numinium tine Copper oro Ore Yower Di Corp./Other/Captive power plants Otal Revenue	1,652 3,812 1,222 1 - 331	2,372 5,253 1,980 339 - (88)	3,207 5,914 1,690 458 883 (20)	3,061 5,734 443 576 3,223 33	2,857 4,676 267 622 3,093 (355)	2,902 4,474 669 1,099 2,801 (26)	3,309 4,925 673 1,006 3,729 -	3,613 5,295 637 1,261 3,368	3,668 5,743 634 973 3,316 -	3,583 5,910 669 973 3,356 -	3,378 5,962 693 1,007 3,200 -	Oil 20% Power 8% Iron Ore	15% Zinc	
Numinium tine copper ron Ore Yower Dorp / Other/Captive power plants Fotal Revenue EBITDA (US\$M)	1,652 3,812 1,222 1 - 331	2,372 5,253 1,980 339 - (88)	3,207 5,914 1,690 458 883 (20)	3,061 5,734 443 576 3,223 33	2,857 4,676 267 622 3,093 (355)	2,902 4,474 669 1,099 2,801 (26)	3,309 4,925 673 1,006 3,729 -	3,613 5,295 637 1,261 3,368	3,668 5,743 634 973 3,316 -	3,583 5,910 669 973 3,356 -	3,378 5,962 693 1,007 3,200 -	Oil 20% Power 8% Iron Ore	15% Zinc 20%	
Numinium Zinc Copper con Ore Yower Di Zorp/Other/Captive power plants Fotal Revenue EBITDA (US\$M) Numinium	1,652 3,812 1,222 1 - 331 7,017	2,372 5,253 1,980 339 - (88) 9,856	3,207 5,914 1,690 458 883 (20) 12,132	3,061 5,734 443 576 3,223 33 13,069	2,857 4,676 267 622 3,093 (355) 11,160	2,902 4,474 669 1,099 2,801 (26) 11,919	3,309 4,925 673 1,006 3,729 - 13,641	3,613 5,295 637 1,261 3,368 - 14,174	3,668 5,743 634 973 3,316 - 14,334	3,583 5,910 669 973 3,356 - 14,492	3,378 5,962 693 1,007 3,200 - 14,240	Oil 20% Power 8% Iron Ore 5%	15% Zinc 20%	
Numinium činc Copper ovwer Dil Zorp./Other/Captive power plants Total Revenue EBITDA (US\$M) Numinium Linc	1,652 3,812 1,222 1 - 331 7,017	2,372 5,253 1,980 339 - (88) 9,856	3,207 5,914 1,690 458 883 (20) 12,132 183	3,061 5,734 443 576 3,223 33 13,069 214	2,857 4,676 267 622 3,093 (355) 11,160 287	2,902 4,474 669 1,099 2,801 (26) 11,919 326	3,309 4,925 673 1,006 3,729 - 13,641 201	3,613 5,295 637 1,261 3,368 - 14,174 585	3,668 5,743 634 973 3,316 - 14,334 967	3,583 5,910 669 973 3,356 - 14,492 1,190	3,378 5,962 693 1,007 3,200 - 14,240 1,889	Power 8% Iron Oro 5% Coppe	15% Zinc 20%	
Numinium tine copper ron Ore Yower Di Cotal Revenue EBITDA (US\$M) Numinium	1,652 3,812 1,222 1 - 331 7,017 155 983	2,372 5,253 1,980 339 - (88) 9,856 258 1,322	3,207 5,914 1,690 458 883 (20) 12,132 183 1,611	3,061 5,734 443 576 3,223 33 13,069 214 1,460	2,857 4,676 267 622 3,093 (355) 11,160 287 1,358	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406	3,309 4,925 673 1,006 3,729 - 13,641 201 1,756	3,613 5,295 637 1,261 3,368 - 14,174 585 1,960	3,668 5,743 634 973 3,316 - 14,334 967 2,003	3,583 5,910 669 973 3,356 - 14,492 1,190 2,016	3,378 5,962 693 1,007 3,200 - 14,240 1,889 1,929	Power 8% Iron Oro 5% Coppe	15% Zinc 20%	
Numinium Zinc Copper oron Ore Yower Dil Corp./Other/Captive power plants Cotal Revenue EBITDA (US\$M) Numinium Zinc Copper con ore	1,652 3,812 1,222 1 - 331 7,017 155 983 318	2,372 5,253 1,980 339 - (88) 9,856 258 1,322 681	3,207 5,914 1,690 458 883 (20) 12,132 183 1,611 686	3,061 5,734 443 576 3,223 33 13,069 214 1,460 476	2,857 4,676 267 622 3,093 (355) 11,160 287 1,358 354	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273	3,309 4,925 673 1,006 3,729 - 13,641 201 1,756 311	3,613 5,295 637 1,261 3,368 - 14,174 585 1,960 269	3,668 5,743 634 973 3,316 - 14,334 967 2,003 290	3,583 5,910 669 973 3,356 - 14,492 1,190 2,016 217	3,378 5,962 693 1,007 3,200 - 14,240 1,889 1,929 181	Power 8% Iron Oro 5% Coppe	15% Zinc 20%	
Auminium Zinc Copper Yower Over Day JOther/Captive power plants Total Revenue EBITDA (US\$M) Aluminium Zinc Copper ron ore Power	1,652 3,812 1,222 1 - 331 7,017 155 983 318	2,372 5,253 1,980 339 - (88) 9,856 258 1,322 681 1,174	3,207 5,914 1,690 458 883 (20) 12,132 183 1,611 686 721	3,061 5,734 443 576 3,223 33 13,069 214 1,460 476 84	2,857 4,676 267 622 3,093 (355) 11,160 287 1,358 354 (24)	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273 364	3,309 4,925 673 1,006 3,729 - 13,641 1,756 311 393	3,613 5,295 637 1,261 3,368 - 14,174 585 1,960 269 356	3,668 5,743 634 973 3,316 - 14,334 967 2,003 290 367	3,583 5,910 669 973 3,356 - 14,492 1,190 2,016 217 389	3,378 5,962 693 1,007 3,200 - 14,240 1,889 1,929 181 403	Power 8% Iron Ore 5% Coppe	15% Zinc 20%	
Aluminium Zinc Copper Jone Di Corp/Other/Captive power plants Total Revenue EBITDA (US\$M) Aluminium Zinc Copper ron ore Power Dil	1,652 3,812 1,222 1 - 331 7,017 155 983 318 673 - (3) 171	2,372 5,253 1,980 339 - (88) 9,856 258 1,322 681 1,174 1,374 1,174 1,174 (6)	3,207 5,914 1,690 488 883 (20) 12,132 183 1,611 686 721 122 713 (9)	3,061 5,734 443 576 3,223 33 13,069 214 1,460 476 84 215 2,440 (1)	2,857 4,676 267 622 3,093 (355) 11,160 287 1,358 354 (24) 168 2,347 (0)	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273 364 463 2,056 1	3,309 4,925 673 1,006 3,729 - 13,641 201 1,756 311 393 438 2,714 -	3,613 5,295 637 1,261 3,368 - 14,174 585 1,960 269 356 579 2,369 -	3,668 5,743 634 973 3,316 - 14,334 967 2,003 290 367 453 2,238 -	3,583 5,910 669 973 3,356 - 14,492 1,190 2,016 217 389 453 2,278 -	3,378 5,962 693 1,007 3,200 - 14,240 1,889 1,929 181 403 469 2,167 -	Power 8% Iron Ore 5% Coppe	15% Zinc 20%	
Numinium Einc Sopper oron Ore Sower Dil Crotal Revenue EBITDA (US\$M) Numinium Einc Sopper oron ore Sower Dil Toter/Corpt/Captive power plants	1,652 3,812 1,222 1 - 331 7,017 155 983 318 673 - (3)	2,372 5,253 1,980 339 - (88) 9,856 1,322 681 1,174 1,174 138 -	3,207 5,914 1,690 458 883 (20) 12,132 183 1,611 686 721 122 713	3,061 5,734 443 576 3,223 33 13,069 214 1,460 476 84 476 84 215 2,440	2,857 4,676 267 622 3,093 (355) 11,160 287 1,358 354 (24) 168 2,347	2,902 4,474 669 2,801 (26) 11,919 326 1,406 273 364 463	3,309 4,925 673 1,006 3,729 - 13,641 1,756 311 393 438	3,613 5,295 637 1,261 3,368 - 14,174 585 1,960 269 356 579	3,668 5,743 634 973 3,316 - - 14,334 967 2,003 290 367 453	3,583 5,910 669 973 3,356 - 14,492 1,190 2,016 217 389 453	3,378 5,962 693 1,007 3,200 - 14,240 1,889 1,929 181 403 469	Power 8% Iron Ore 5% Coppe	Aluminium	
Numinium Zinc Copper Yower Dil Corp./Other/Captive power plants Cotal Revenue EBITDA (US\$M) Numinium Zinc Copper con ore Power Dil Dither/Corp/Captive power plants Total	1,652 3,812 1,222 1 - 331 7,017 155 983 318 673 - (3) 171	2,372 5,253 1,980 339 - (88) 9,856 258 1,322 681 1,174 1,374 1,174 1,174 (6)	3,207 5,914 1,690 488 883 (20) 12,132 183 1,611 686 721 122 713 (9)	3,061 5,734 443 576 3,223 33 13,069 214 1,460 476 84 215 2,440 (1)	2,857 4,676 267 622 3,093 (355) 11,160 287 1,358 354 (24) 168 2,347 (0)	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273 364 463 2,056 1	3,309 4,925 673 1,006 3,729 - 13,641 201 1,756 311 393 438 2,714 -	3,613 5,295 637 1,261 3,368 - 14,174 585 1,960 269 356 579 2,369 -	3,668 5,743 634 973 3,316 - 14,334 967 2,003 290 367 453 2,238 -	3,583 5,910 669 973 3,356 - 14,492 1,190 2,016 217 389 453 2,278 -	3,378 5,962 693 1,007 3,200 - 14,240 1,889 1,929 181 403 469 2,167 -	Power 8% Iron Ore 5% Coppe 32%	15% Zinc 20%	
Numinium Zinc Copper oron Ore Yower Dil Corp/Other/Captive power plants Fotal Revenue EBITDA (US\$M) Numinium Copper Copper Yower Dil Other/Corp/Captive power plants Total EBITDA Margins (%)	1,652 3,812 1,222 1 331 7,017 155 983 318 673 - (3) 171 2,296	2,372 5,253 1,980 339 - (88) 9,856 258 1,322 681 1,174 1,374 1,374 3,567	3,207 5,914 1,690 458 883 (20) 12,132 183 1,611 686 721 122 713 (9) 4,026	3,061 5,734 443 576 3,223 33 13,069 214 1,460 476 84 215 2,440 (1) 4,888	2,857 4,676 267 622 3,093 (355) 11,160 287 1,358 354 (24) 168 2,347 (0) 4,491	2,902 4,474 669 2,801 (26) 11,919 326 1,406 273 364 463 2,056 1 4,888	3,309 4,925 673 1,006 3,729 13,641 1,756 311 393 438 2,714 - 5,813	3,613 5,295 637 1,261 3,368 - 14,174 585 1,960 269 356 579 2,369 - 6,118	3,668 5,743 634 973 3,316 - - 14,334 967 2,003 290 367 453 2,238 - - 6,317	3,583 5,910 669 973 3,366 - - 14,492 1,190 2,016 2,016 2,17 389 453 2,278 - 6,543	3,378 5,962 693 1,007 3,200 1,240 1,889 1,929 181 403 469 2,167 7,038	Power 8% Iron Ore 5% Coppe 32%	Aluminium	
Numinium Zinc Copper con Ore Sower Dil Cortal Revenue EBITDA (US\$M) Auminium Zinc Copper cro cre Sover Dil Dither/Corp/Captive power plants Fotal EBITDA Margins (%) Auminium	1,652 3,812 1,222 1 - - - 7,017 7,017 155 983 318 673 - (3) 171 2,296 17%	2,372 5,253 1,980 339 - (88) 9,856 258 1,322 681 1,174 138 - (6) 3,567	3,207 5,914 1,690 468 883 (20) 12,132 183 1,611 666 721 122 713 (9) 4,026	3,061 5,734 443 576 3,223 33 13,069 214 1,460 476 84 2,440 (1) 4,888 11%	2,857 4,676 267 622 3,093 (355) 11,160 287 1,358 354 (24) 168 2,347 (0) 4,491	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273 364 463 2,056 1 4,888 1 5 %	3,309 4,925 673 1,006 3,729 - 13,641 2,011 1,756 311 393 438 2,714 - 5,813	3,613 5,295 637 1,261 3,368 - 14,174 585 1,960 269 356 579 2,369 - 6,118	3,668 5,743 933 14,334 967 2,003 290 367 4,53 2,238 6,317 16%	3,583 5,910 669 973 3,356 - 14,492 1,190 2,016 217 389 453 2,278 - 6,543	3,378 5,962 693 1,007 3,200 - 14,240 1,889 1,929 181 403 469 2,167 - 7,038 227%	Power 8% Iron Ore 5% Coppe 32%	Aluminium	
Numinium Vinc Copper top of the //Captive power plants Cotal Revenue EBITDA (US\$M) Numinium EBITDA (US\$M) Numinium Copper ton ore Copper tor ore Cover Dia State EBITDA Margins (%) Numinium tinc	1,652 3,812 1,222 1 331 7,017 155 983 318 673 - (3) 171 2,296 17% 60%	2,372 5,253 1,980 - (88) 9,856 258 1,322 681 1,174 138 - (6) 3,567 16% 56%	3,207 5,914 1,690 458 883 (20) 12,132 183 1,611 686 721 12,122 713 (9) 4,026 10% 50%	3,061 5,734 4,43 576 3,223 323 13,069 214 1,460 476 84 215 2,440 (1) 4,888 111% 4,888	2,857 4,676 267 622 3,093 (355) 11,160 287 1,358 354 (24) 168 2,347 (0) 4,491 16% 48%	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273 364 463 2,056 1 4,888 15% 48%	3,309 4,925 673 1,006 3,729 13,641 1,756 311 393 438 2,714 - 5,813 7% 53%	3,613 5,295 637 1,261 3,368 - 14,174 585 1,960 269 356 579 2,369 - 6,118 13% 54%	3,668 5,743 634 973 3,316 - - 14,334 967 2,003 967 2,003 290 367 453 2,238 - 6,317 16% 55%	3,583 5,910 669 973 3,356 - 14,492 1,190 2,016 217 389 453 2,278 - 6,543 19% 56%	3,378 5,962 693 1,007 3,200 - 14,240 1,889 1,929 181 403 469 2,167 - 7,038 227% 57%	Power 8% Iron Ore 5% Coppe 32%	Aluminium 7%	
Aluminium Zinc Copper Yower Yower Dil Corp/Other/Captive power plants Total Revenue EBITDA (US\$M) Aluminium Zinc Copper Yower Dil Other/Corp/Captive power plants Total EBITDA Margins (%) Aluminium	1,652 3,812 1,222 1 31 7,017 155 983 318 673 (3) 1711 2,296 17% 60% 8%	2,372 5,253 1,980 339 - (88) 9,856 1,322 681 1,174 138 - (6) 3,567 16% 56% 56%	3.207 5,914 1,680 458 883 (20) 12,132 183 1,611 686 721 122 713 (9) 4,026 10% 50% 50%	3,061 5,734 443 576 3,223 33 13,069 214 1,460 476 84 2,15 2,440 (1) 4,888 111% 4,888	2,857 4,676 227 622 3,093 (355) 11,160 287 1,358 354 (24) 168 2,347 (0) 4,491 16% 48%	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273 364 463 2,056 1 4,888 15% 48% 6%	3,309 4,925 673 1,006 3,729 - 13,641 201 1,756 311 1,756 311 393 438 2,714 - 5,813 7% 53% 6%	3,613 5,295 2,357 1,261 3,368 - - 14,174 585 1,960 2,69 2,369 - - 6,118 13% 54% 55%	3,668 5,743 973 3,316 - 14,334 967 2,003 290 367 453 2,238 - 6,317 16% 55%	3,583 5,910 669 973 3,366 - 14,492 1,190 2,016 2,016 2,17 389 453 2,278 6,543 19% 56%	3,378 5,962 693 1,007 3,200 - 14,240 1,889 1,929 181 403 469 2,167 - 7,038 2,7% 57% 57% 3%	Power 8% Iron Ore 5% Coppe 32%	Aluminium 7% Zinc	
Aluminium Zinc Copper oron Ore ovwer Dil Corp./Other/Captive power plants Total Revenue EBITDA (US\$M) Aluminium Zinc Copper ron ore ovwer Dil Dther/Corp/Captive power plants Total EBITDA Margins (%) Aluminium Zinc Copper ron ore Copper Copp	1,652 3,812 1,222 1 331 7,017 155 983 318 673 - (3) 171 2,296 17% 60% 8%	2,372 5,253 1,980 (88) 9,856 258 1,322 681 1,174 138 - (6) 3,567 16% 56% 13% 59%	3,207 5,914 1,680 458 883 (20) 12,132 183 1,611 686 721 122 713 (9) 4,028 10% 50% 12% 4,3%	3,061 5,734 4,733 576 3,223 33 13,069 214 1,460 476 84 2,440 (1) 4,888 11% 48% 8% 8%	2,857 4,676 267 622 3,093 (355) 11,160 287 1,558 354 (24) 168 2,347 (0) 4,491 16% 48% 8%	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273 364 463 2,056 1 4,888 15% 48% 6%	3,309 4,925 673 1,006 3,229 - 13,641 1,756 311 393 438 2,714 - 5,813 7% 63% 68%	3,613 5,295 637 1,261 3,368 - 14,174 585 1,960 269 356 579 2,369 - 6,118 13% 54% 56%	3,668 5,743 634 973 3,316 	3,583 5,910 669 973 3,366 - - 14,492 1,190 2,016 217 389 453 2,278 6,543 19% 56% 4% 658%	3,378 5,962 693 1,007 3,200 - - 14,240 1,889 1,929 181 403 469 2,167 - 7,038 27% 57% 3% 58%	Power 8% Iron Ore 5% Coppe 32%	Aluminium 7% Zinc	
Numinium Zinc Copper con Ore Yower Di Corp/Other/Captive power plants Fotal Revenue EBITDA (US\$M) Numinium Copper con ore Yower Di Dither/Corp/Captive power plants Total EBITDA Margins (%) Numinium EDITDA Margins (%) Yower	1,652 3,812 1,222 1 - - 331 7,017 155 983 318 673 - (3) 1711 2,296 177% 60% 88% 55% 0%	2,372 5,253 1,980 339 - (8) 9,856 1,322 681 1,174 1,374 1,374 1,376 - (6) 3,567	3.207 5.914 1.689 458 883 (20) 12.132 183 1.611 686 721 122 721 122 (9) 4.026 10% 50% 12% 43%	3,061 5,734 443 576 3,223 33 13,069 214 1,460 476 84 2,400 476 2,400 476 88 (1) 4,888 11% 4,888 8% 9%	2,857 4,676 227 622 3,093 (355) 11,160 2287 1,358 354 (24) 168 2,347 (0) 4,491 16% 48% 8% -9%	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273 364 463 2,056 1 4,888 1 4,888 15% 48% 6% 54%	3,309 4,925 673 1,006 3,729 - 13,641 201 1,756 311 393 438 2,714 - 5,813 7% 53% 6% 53% 6%	3,613 5,295 637 1,261 3,368 - 14,174 585 1,960 269 356 579 2,369 - 6,118 13% 54% 5% 56%	3,668 5,743 634 973 3,316 - 14,334 967 2,003 290 367 453 2,203 290 367 453 2,238 - 6,317 16% 55% 55% 55% 55%	3,583 5,910 669 973 3,366 - 14,492 1,190 2,016 2,016 2,016 2,016 2,016 2,016 2,016 2,016 4,543 - 6,543 19% 56% 4% 58% 4%	3,378 5,962 693 1,007 3,200 14,240 1,889 1,929 1813 409 2,167 - 7,038 27% 57% 3% 58%	Coppe 32% Coppe 32%	Aluminium 7% Zinc	
Numinium Zinc Copper con Ore Sower Dil Cortal Revenue EBITDA (US\$M) Numinium Zinc Copper Coro are Sover Dil Dither/Corp/Captive power plants Fotal EBITDA Margins (%) Numinium Zinc Copper con ore Copper con ore Com con con Com con con con con con con con con con	1,652 3,812 1,222 1 - 331 7,017 155 983 318 673 171 2,296 17% 60% 8% 55% 0%	2,372 5,253 1,980 339 - (88) 9,856 258 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,325 1,335 1,356	3.207 5.914 488 833 (20) 12.132 183 1.611 686 721 12.62 713 (9) 4.026 10% 50% 12% 43% 27% 81%	3.061 5.734 443 576 3.223 33 13.069 214 1.460 476 84 215 2.440 (1) 4.888 11% 4 888 11% 48% 8% 9% 37% 76%	2.857 4.676 267 622 3.093 (355) 11,160 2287 1.358 354 (24) 188 2.347 (0) 4,491 16% 48% 8% -9% 27%	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273 364 463 2,056 1 4,888 15% 4,888	3.309 4.925 673 1,006 3,729 13,641 2201 1,756 331 1,393 438 2,714 - - 5,813 7% 53% 6% 58% 44% 73%	3,613 5,295 637 1,261 3,368 14,174 585 1,960 269 356 579 2,369 - - 6,118 13% 54% 56% 46% 70%	3,668 5,743 634 973 3,316 14,334 9667 2,003 2,200 367 453 2,238 - - - - - - - - - - - - - - - - - - -	3,583 5,910 669 973 3,356 - 14,492 1,190 2,016 2,016 2,016 2,016 2,278 - 58% 4,543 - 19% 56% 4,4% 58% 4,7% 6,8%	3.378 5.962 633 1.007 3.200 1.4240 1.889 1.889 1.889 1.889 2.167 - - 7.038 2.7% 57% 57% 58% 4.7% 68%	Oil 20% Power 8% Iron Ore 5% Coppe 32% EBITDA split (FY15e)	Aluminium 7% Zinc 20%	
Numinium Vinc Copper con Ore vower Di Cotal Revenue EBITDA (US\$M) Numinium Cinc Copper con ore cover Di Dither/Corp/Captive power plants Fotal EBITDA Margins (%) Numinium Cinc Copper con ore Copper con ore Compartice con ore con	1,652 3,812 1,222 1 - - 331 7,017 155 983 318 673 - (3) 1711 2,296 177% 60% 88% 55% 0%	2,372 5,253 1,980 339 - (8) 9,856 1,322 681 1,174 1,374 1,374 1,376 - (6) 3,567	3.207 5.914 1.689 458 883 (20) 12.132 183 1.611 686 721 122 721 122 (9) 4.026 10% 50% 12% 43%	3,061 5,734 443 576 3,223 33 13,069 214 1,460 476 84 2,400 476 2,400 476 88 (1) 4,888 11% 4,888 8% 9%	2,857 4,676 227 622 3,093 (355) 11,160 2287 1,358 354 (24) 168 2,347 (0) 4,491 16% 48% 8% -9%	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273 364 463 2,056 1 4,888 1 4,888 15% 48% 6% 54%	3,309 4,925 673 1,006 3,729 - 13,641 201 1,756 311 393 438 2,714 - 5,813 7% 53% 6% 53% 6%	3,613 5,295 637 1,261 3,368 - 14,174 585 1,960 269 356 579 2,369 - 6,118 13% 54% 5% 56%	3,668 5,743 634 973 3,316 - 14,334 967 2,003 290 367 453 2,203 290 367 453 2,238 - 6,317 16% 55% 55% 55% 55%	3,583 5,910 669 973 3,366 - 14,492 1,190 2,016 2,016 2,016 2,016 2,016 2,016 2,016 2,016 4,543 - 6,543 19% 56% 4% 58% 4%	3,378 5,962 693 1,007 3,200 - 14,240 1,889 1,929 1813 409 2,167 - 7,038 27% 57% 3% 58%	Coppe 32% Coppe 32% EBITDA split (FY15e)	Aluminium 7% Zinc 20% Zinc 29% Zinc 29% Copper	
Numinium Zinc Copper con Ore Sower Dil Cortal Revenue EBITDA (US\$M) Numinium Zinc Copper Coro are Sover Dil Dither/Corp/Captive power plants Fotal EBITDA Margins (%) Numinium Zinc Copper con ore Copper con ore Com con con Com con con con con con con con con con	1,652 3,812 1,222 1 - 331 7,017 155 983 318 673 171 2,296 17% 60% 8% 55% 0%	2,372 5,253 1,980 339 - (88) 9,856 258 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,325 1,335 1,356	3.207 5.914 488 833 (20) 12.132 183 1.611 686 721 12.62 713 (9) 4.026 10% 50% 12% 43% 27% 81%	3.061 5.734 443 576 3.223 33 13.069 214 1.460 476 84 215 2.440 (1) 4.888 11% 4 888 11% 48% 8% 9% 37% 76%	2.857 4.676 267 622 3.093 (355) 11,160 2287 1.358 354 (24) 188 2.347 (0) 4,491 16% 48% 8% -9% 27%	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273 364 463 2,056 1 4,888 15% 4,888	3.309 4.925 673 1,006 3,729 13,641 2201 1,756 331 1,393 438 2,714 - - 5,813 7% 53% 6% 58% 44% 73%	3,613 5,295 637 1,261 3,368 14,174 585 1,960 269 356 579 2,369 - - 6,118 13% 54% 56% 46% 70%	3,668 5,743 634 973 3,316 14,334 9667 2,003 2,200 367 453 2,238 - - - - - - - - - - - - - - - - - - -	3,583 5,910 669 973 3,356 - 14,492 1,190 2,016 2,016 2,016 2,016 2,278 - 58% 4,543 - 19% 56% 4,4% 58% 4,7% 6,8%	3.378 5.962 633 1.007 3.200 1.4240 1.889 1.889 1.889 1.889 2.167 - - 7.038 2.7% 57% 57% 58% 4.7% 68%	Oil 20% Power 8% Iron Ore 5% Coppe 32% EBITDA split (FY15e)	Aluminium 7% Zinc 20% Zinc 29% Zinc 29% Copper	
Aluminium Zinc Copper ron Ore Power Dil Corp/Other/Captive power plants Fotal Revenue EBITDA (US\$M) Aluminium Sinc Copper ron ore Power Dil Dither/Corp/Captive power plants Total EBITDA Margins (%) Aluminium Enc Copper ron ore Power Dil Dither/Corp/Captive power plants Total	1,652 3,812 1,222 1 - 331 7,017 155 983 318 673 171 2,296 17% 60% 8% 55% 0%	2,372 5,253 1,980 339 - (88) 9,856 258 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,325 1,335 1,356	3.207 5.914 488 833 (20) 12.132 183 1.611 686 721 12.62 713 (9) 4.026 10% 50% 12% 43% 27% 81%	3.061 5.734 443 576 3.223 33 13.069 214 1.460 476 84 215 2.440 (1) 4.888 11% 4 888 11% 48% 8% 9% 37% 76%	2.857 4.676 267 622 3.093 (355) 11,160 2287 1.358 354 (24) 188 2.347 (0) 4,491 16% 48% 8% -9% 27%	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273 364 463 2,056 1 4,888 15% 4,888	3.309 4.925 673 1,006 3,729 13,641 2201 1,756 331 1,393 438 2,714 - - 5,813 7% 53% 6% 58% 44% 73%	3,613 5,295 637 1,261 3,368 14,174 585 1,960 269 356 579 2,369 - - 6,118 13% 54% 56% 46% 70%	3,668 5,743 634 973 3,316 14,334 9667 2,003 2,200 367 453 2,238 - - - - - - - - - - - - - - - - - - -	3,583 5,910 669 973 3,356 - 14,492 1,190 2,016 2,016 2,016 2,016 2,278 - 58% 4,543 - 19% 56% 4,4% 58% 4,7% 6,8%	3.378 5.962 633 1.007 3.200 1.4240 1.889 1.889 1.889 1.889 2.167 - - 7.038 2.7% 57% 57% 58% 4.7% 68%	Coppe 32% Coppe 32% EBITDA split (FY15e)	Aluminium 7% Zinc 20% Zinc 29% Zinc 29% Copper	
Numinium Vinc Copper tron Ore Yower Dil Corp /Other/Captive power plants Fotal Revenue EBITDA (US\$M) Juminium Juminium Copper Yower Diter/Corp/Captive power plants Ordal EBITDA Margins (%) Numinium Cince Copper Coper Fotal Copper Total Copper Cover Dil Copper Cover Dil Copper Cover Dil Copper Cover Dil Copper Cover Dil Copper Cover Dil Cover Cover Dil Cover Dil Cover Dil Cover Dil Cover Dil Cover Dil Cover Dil Cover Dil Cover Dil Cover Dil Cover Dil Cover Dil Cover Dil Cover Dil Cover Dil Dil Dil Dil Dil Dil Dil Dil	1,652 3,812 1,222 1 - 331 7,017 155 983 318 673 171 2,296 17% 60% 8% 55% 0%	2,372 5,253 1,980 339 - (88) 9,856 258 1,322 (88) 1,325 (88) 1,335 (88) 1,3	3.207 5.914 488 833 (20) 12.132 183 1.611 686 721 12.62 713 (9) 4.026 10% 50% 12% 43% 27% 81%	3.061 5.734 443 576 3.223 33 13.069 214 1.460 476 84 215 2.440 (1) 4.888 11% 4 888 11% 48% 8% 9% 37% 76%	2.857 4.676 267 622 3.093 (355) 11,160 2287 1.358 354 (24) 188 2.347 (0) 4,491 16% 48% 8% -9% 27%	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273 364 463 2,056 1 4,888 15% 4,888	3.309 4.925 673 1,006 3,729 13,641 2201 1,756 331 1,393 438 2,714 - - 5,813 7% 53% 6% 58% 44% 73%	3,613 5,295 637 1,261 3,368 14,174 585 1,960 269 356 579 2,369 - - 6,118 13% 54% 56% 46% 70%	3,668 5,743 634 973 3,316 14,334 9667 2,003 2,200 367 453 2,238 - - - - - - - - - - - - - - - - - - -	3,583 5,910 669 973 3,356 - 14,492 1,190 2,016 2,016 2,016 2,016 2,278 - 58% 4,543 - 19% 56% 4,4% 58% 4,7% 6,8%	3,378 5,962 693 1,007 3,200 - 14,240 1,889 1,929 181 403 469 2,167 - 7,038 27% 57% 58% 47% 68% 49%	Coppe 32% Coppe 32% EBITDA split (FY15e)	Aluminium 7% Zinc 20% Zinc 29% Zinc 29% Copper	
Numinium Vinc Copper con Ore Vower Di Cotal Revenue EBITDA (USSM) Numinium Copper Con ore Copper Con ore Copper Source EBITDA Margins (%) Numinium Copper con ore Copper con ore con or	1,652 3,812 1,222 1 - 331 7,017 155 983 318 673 - 318 673 - 3171 2,286 171 2,286 171 2,286 0% 0% 0% 0%	2,372 5,253 1,980 339 • (88) 9,856 1,322 681 1,174 138 • (6) 3,567 7 16% 59% 41% 59% 41% 33,6%	3,207 5,914 1,690 458 883 (20) 12,132 183 1,611 686 686 672 723 (9) 4,026 10% 50% 12% 4,026 33%	3,061 5,734 443 576 3,223 33 13,069 214 1,460 476 84 215 2,440 (1) 4,888 11% 4,888 8% 9% 37% 37% 37%	2.857 4.676 267 622 3.093 (355) 11.160 287 1.358 354 (24) 168 2.347 (0) 4.491 16% 48% 8% 2.7% 76% 40%	2,902 4,474 669 1,099 2,801 (26) 11,919 3266 1,406 273 364 463 2,056 1 4,888 15% 48% 6% 54% 42% 73% 41%	3.309 4.925 673 1.006 3.729 - 13.641 1.756 311 1.756 311 1.756 311 3438 2.714 - 5.813 7% 5.3% 6% 44% 73% 43%	3,613 5,295 637 1,261 3,261 3,261 1,261 3,261 2,69 3,56 5,79 2,369 2,369 5,79 2,369 5,79 2,369 5,79 2,369 4,118	3,668 5,743 973 3,316 - - 14,334 - 967 2,003 2900 2900 2900 2900 2900 453 2,238 - 5,317 16% 55% 55% 58% 47% 67% 67% 67%	3,583 5,910 669 973 3,356 14,492 1,190 2,016 217 32,278 453 2,278 - 6,543 19% 56% 47% 68% 47% 68% 45%	3,378 5,962 633 1,007 3,200 - 14,240 1,889 1,929 181 403 469 2,167 - 7,038 2,7% 57% 3% 57% 3% 58% 47% 68%	Coppe 32% Coppe 32% EBITDA split (FY15e)	Aluminium 7% Zinc 20% Zinc 29% Zinc 29% Copper	
Juminium inc opper opper orover bi orouf/Other/Captive power plants ordal Revenue EBITDA (US\$M) Juminium inc opper oro ore orout EBITDA Margins (%) Juminium inc opper oro ore orout EBITDA Margins (%) Juminium inc opper orout Cover Di Cover Safettion Cover Cov	1,652 3,812 1,222 1 - - 331 7,017 155 983 318 673 - (3) 1711 2,296 17% 60% 8% 55% 0% nm 33%	2,372 5,253 1,980 3,39 9,856 9,856 881 1,374 1,88 - (6) 3,567 16% 5,9% 13% 5,9% 13% 13% 13% 13% 13% 13% 13% 13% 13% 13	3,207 5,914 1,630 458 883 (20) 12,132 183 1,611 686 721 122 713 (9) 4,026 10% 50% 12% 43% 27% 81% 33%	3,061 5,734 443 576 3,223 33 13,069 214 1,460 476 84 476 84 215 2,440 (11) 4,888 11% 48% 8% 19% 37% 517 223	2.857 4.676 2267 622 3.093 (355) 11.160 287 1.358 354 (24) 168 2.347 (0) 4.491 16% 48% 8% -9% 40%	2,902 4,474 669 1,099 2,801 (26) 11,919 3266 1,406 273 364 463 2,056 1 4,888 15% 48% 6% 54% 73% 41% 295 173	3.309 4.925 673 1.006 3.729 13.641 1.756 311 393 4.38 2.714 5.813 7% 5.813 7% 6% 53% 6% 53% 6% 53% 6% 53% 6%	3,613 5,295 637 1,261 3,368 - 14,174 585 1,960 2,69 356 579 2,369 - 6,118 13% 54% 55% 56% 56% 56% 56% 57% 9,2369 - 4,174	3,668 5,743 973 3,316 - - 14,334 967 2,003 290 367 453 2,208 367 453 2,238 - 6,317 16% 55% 55% 55% 55% 47% 67% 44%	3,583 5,910 669 973 3,356 - 14,492 1,190 2,016 2,17 389 453 2,278 - 6,543 19% 56% 4% 56% 4% 56% 4% 56% 47% 68% 45%	3,378 5,962 633 1,007 3,200 - 1,889 1,929 181 403 489 2,167 - 7,038 27% 57% 3% 58% 47% 68% 49%	Coppe 32% Coppe 32% EBITDA split (FY15e)	Aluminium 7% Zinc 20% Zinc 29% Zinc 29% Copper	
Numinium Linc Copper torn Ore Yower Dil Cotal Revenue EBITDA (US\$M) Numinium Copper rano re Prover Dil Dither/Corp/Captive power plants FOTAL EBITDA Margins (%) Numinium Linc Copper ron ore Power Po	1,652 3,812 1,222 1 - 331 7,017 155 983 318 673 - (3) 171 2,296 17% 60% 8% 8% 55% 0% nm 33%	2,372 5,253 1,980 339 - (88) 3,866 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,322 681 1,325 1,325 681 1,325 681 1,325 1,325 681 1,335 681 1,335 681 1,335 681 1,335 681 1,335 681 1,335 1,335 681 1,335 1,355 1	3,207 5,914 1,690 458 883 (20) 12,132 183 1,611 686 676 721 733 (9) 4,026 10% 50% 12% 4,026 10% 50% 12% 33%	3,061 5,734 443 576 3,223 33 13,069 214 1,460 476 2,440 (1) 4,688 11% 48% 84% 19% 37% 76% 37% 517 323	2,857 4,676 267 622 3,093 (355) 11,160 287 1,558 354 (24) 168 2,347 (0) 4,491 16% 48% 8% 9% 27% 76% 40% 165 391 207	2,902 4,474 669 1,099 2,801 (26) 11,919 326 1,406 273 364 463 2,056 1 4,888 15% 48% 654% 42% 73% 41% 295 173 180	3,309 4,925 673 1,006 3,729 13,641 1,756 311 1,756 311 1,756 311 3438 2,714 5,813 7% 63% 64% 58% 44% 73% 43% 317 183	3,613 5,295 637 1,261 3,262 1,261 3,262 2,69 3,566 579 2,369 2,369 6,118 13% 54% 56% 46% 70% 43%	3,668 5,743 973 3,316 - - 14,334 - - 967 2,003 290 290 290 290 290 290 290 290 290 290	3,583 5,910 669 973 3,356 14,492 1,190 2,016 217 32,278 453 2,278 6,643 19% 56% 47% 68% 47% 68% 45%	3,378 5,962 633 1,007 3,200 1,889 1,929 181 403 469 2,167 7,038 2,7% 57% 3% 47% 68% 49%	Coppe 32% Coppe 32% EBITDA split (FY15e)	Aluminium 7% Zinc 20% Zinc 29% Zinc 29% Copper	
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Source: Deutsche Bank estimates, Company Data

Investment Thesis -Vedanta

Outlook

Vedanta's planned group restructuring was completed in 2H13 calendar, with the court clearance of Sterlite's merger into Sesa Goa. This was an important step in simplifying the group's structure, reducing the scope for future conflict between majority and minority shareholders. Post the merger of Sterlite and Sesa, we see the group's buyout of the Indian government's stakes in HZL and Balco as critical for maximising cash fungibility across all group entities and expect progress on this in the next 12 months. Beyond this, management has set three near-term priorities for improvement for the group: an iron ore mining re-start, bauxite sourcing in India, and Copper Zambia development. We expect all of these areas to show improvement in 2015. Buy.

Valuation

Our price target is set at a 5% discount to our DCF valuation, to reflect some of the inherent delivery risks within Vedanta's growth plan. Our DCF valuation (10.9% WACC - cost of equity 13%, post-tax cost of debt 6.1% and target gearing 30%: RFR 4.0%, ERP 6%) is calculated using life of mine cash flow analysis.

Risks

Key downside risks include lower metal prices than we expect, sustained strength in the Indian rupee, higher import duties, slower execution of projects and the slow or noreceipt of government permits for the alternative bauxite mines in Orissa and the Lanjigarh refinery expansion programme. The company has a large capex program which may require further debt funding or capital raising, either at the Sterlite or Vedanta level. 3 September 2014 Metals & Mining UK-listed Miners

Research Contribution

The authors of this report wish to acknowledge the contribution made by Vikram Subramanian, an employee of Irevna, a division of CRISIL Limited, a third-party provider, to Deutsche Bank, of offshore research support services.

Appendix 1

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Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

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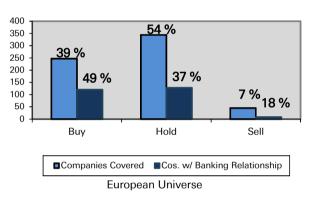
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Equity rating dispersion and banking relationships



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