

Quarterly briefing: September 1999



## AngloGold September 1999 Quarterly Briefing

### Agenda

- Market overview and hedging
- Financial character and results
- Abridged balance sheet and cash flow
- Operational overview
- Market development initiatives

**Certain Forward-Looking Statements**

Certain statements contained in this document, including without limitation, those concerning: (i) the economic outlook for the gold mining industry, (ii) expectations regarding gold prices and production, (iii) the completion and commencement of commercial operations of certain of the company's exploration and production projects, and (iv) the company's liquidity and capital resources and expenditure, contain certain forward-looking statements concerning the company's operations, economic performance and financial condition. Although the company believes that the expectations reflected in such forward-looking are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, (i) changes in economic and market conditions, (ii) success of business and operating initiatives, (iii) changes in the regulatory environment and other government actions, (iv) fluctuations in gold prices and exchange rates, and (v) business and operational risk management.

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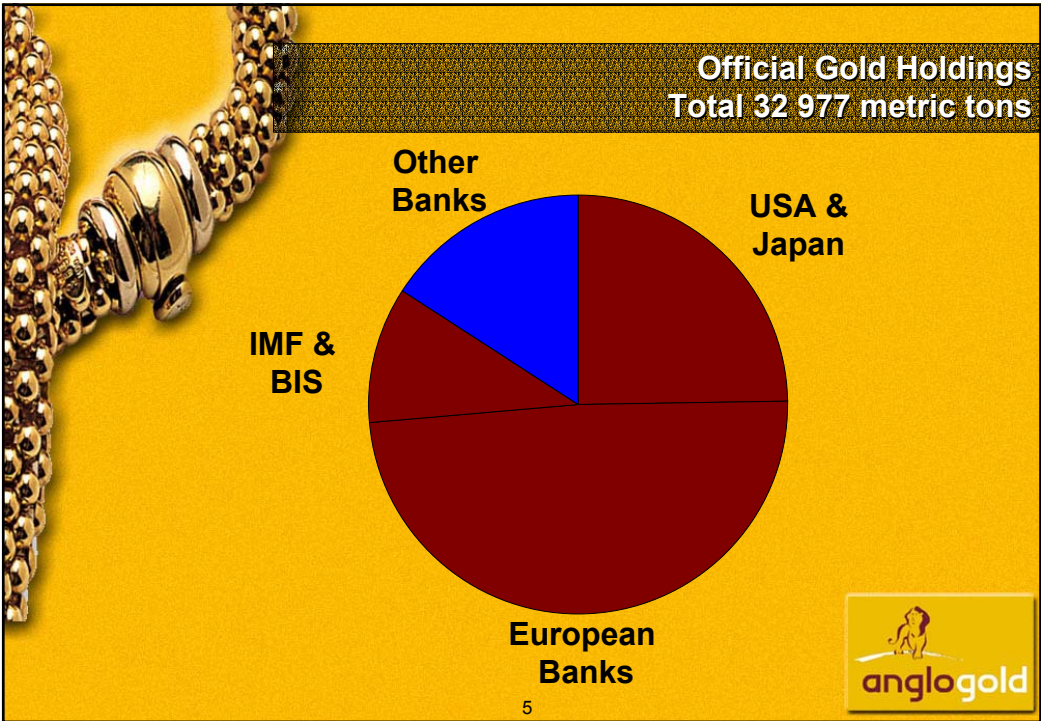
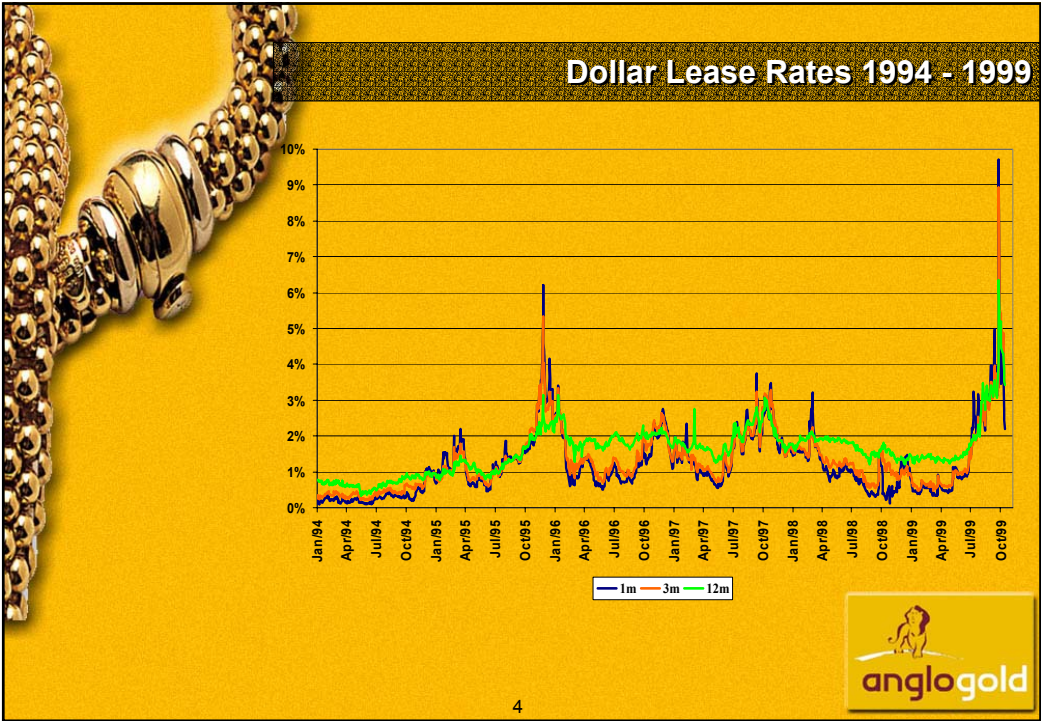
## Market Overview

- Market under pressure for part of the period under review
  - negative sentiment
  - fears of gold sales
- Price slipped to 20-year low – US\$251/oz
- Average spot price – US\$259/oz (US\$273/oz last quarter)
- Market helped by
  - IMF avoiding sales
  - European Central Bank announcement
- Resulted in gold price rise of US\$80/oz in under a week
- Looking forward
  - continued support for gold
  - more orderly market
- Company's hedge position stable during current volatility



## Dollar Gold 1994 - 1999





## Hedging - Philosophy

AngloGold's policy is to price forward what we believe to be an appropriate amount of production in order to obtain some measure of revenue certainty, using conservative instruments, and highly regarded counter parties.

- During the September quarter, AngloGold remained out of the market, believing the price to have been unduly depressed by unjustified negative sentiment towards gold.
- Currently, net forward cover equal in total to less than 40% of production annually over the next five years.
- Hedge structured with no exposure to lease rate fluctuations until into the year 2000, and then only for a portion of slightly less than one quarter of the book.
- Option volatility in the book also of a limited nature, with call options overwhelmingly in the near term rather than in the long dated maturities.
- Majority of our gold production going forward remains priced at the spot price of gold, enjoying any future market upside.
- Any changes made to size or profile of the hedge in coming months will be done cautiously, informed by incremental experience of the new gold price range, rather than a reflex response to a snapshot of the gold price on one day.



## Hedge position - September '99

As at 30 September 1999, AngloGold had outstanding the following net forward pricing commitments against future production. A portion of these sales consist of US dollar-priced contracts which have been converted to rand prices at average annual forward rand values based on a spot rand/dollar exchange rate of R6.00 available on 30 September 1999. The aggregate of US dollar priced contracts over the full duration of the hedge is 59%.

	Kilograms sold	Forward price per kilogram sold	Ounces sold	Forward price per ounce sold	Percentage of positions priced in US\$
		R	000	\$	
<b>3 months ending</b>					
31 December '99	49 589	61 516	1 594	317	22
<b>12 months ending</b>					
31 December 2000	93 808	66 425	3 016	331	59
2001	80 978	73 365	2 604	343	58
2002	67 177	79 850	2 160	345	52
2003	37 910	85 613	1 219	342	74
2004	24 627	91 598	792	337	81
Jan 2005 – June 2009	74 536	120 967	2 396	359	76
	<u>428 625</u>		<u>13 781</u>		





## AngloGold's financial character

### AngloGold's primary objective: shareholder wealth

- Focus shareholders' capital on value-creating activities
- and reduce exposure to risks that dilute shareholder returns
- Monitor activity to assess increases or decreases in economic value added (EVA®)
- This strategy currently delivers a real rate of return which is greater than our cost of capital



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## AngloGold's financial character

### The Company is a strong cash generator

- In 1998 AngloGold
  - Generated US\$502m from operations
  - Re-invested US\$185m in three new South African mines
  - Paid shareholders US\$257m in dividends
- In the first nine months of 1999 AngloGold
  - Generated US\$487m from operations
  - Re-invested US\$146m in the business
  - Paid shareholders US\$145m in dividends (in respect of the first six months)

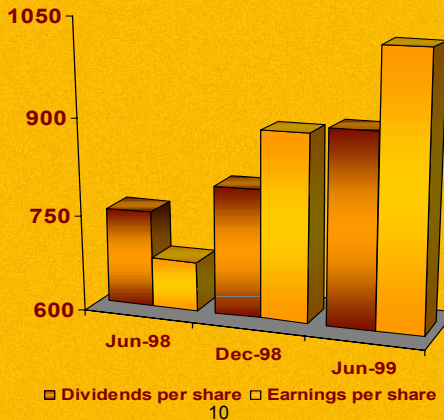


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## AngloGold's financial character

### Dividend policy

AngloGold seeks to pay most of its free cash flow to shareholders as dividends, after providing for the long term growth of the company. Dividends are paid semi-annually.

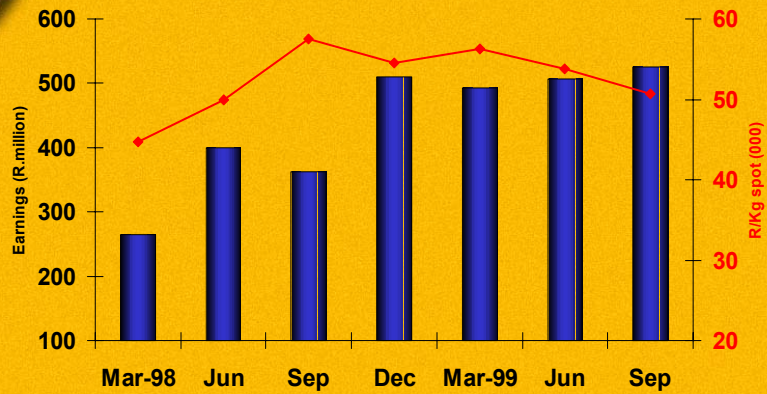


## Quarterly highlights

- Despite 5% drop in average dollar spot price, and 6% drop in average rand spot price, headline earnings up 4% to R525 million (US\$86 million)
- Sadiola - production up 15%; cash costs down 14% to US\$88/oz
- SA mines - production up 2%; labour productivity up 3%
- South American mines - production up 4%; cash costs down 4%
- North American mines - production up 18%; cash costs down 3%
- 17.5% return on shareholders' equity (17% last quarter)
- 14.8% return on capital employed (14.5% last quarter)



## Headline earnings before deferred tax adjustment (R millions)



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## Financial Results – Q3 1999 (US\$)

International Accounting Standards	Quarter ended		Nine months ended	
	Sept '99	June '99	Sept '99	Sept '98
<b>Gold</b>				
Produced - oz 000	1 779	1 717	5 224	4 998
Revenue - \$/oz sold	316	314	313	334
Cash costs - \$/oz produced	209	210	209	229
Total production costs - \$/oz	239	239	238	271
Operating profit - \$m	138	131	396	326
Operating margin (%)	24	24	24	20
Net capital expenditure - \$m	54	50	145	56
Attributable profit - \$m	81	166	348	236
Headline earnings before deferred tax rate adjustment - \$m	86	83	251	189
Dividends - cps			149	127



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## Abridged balance sheet

	Sept 1999	June 1999	Sept 1998
	US\$m	US\$m	US\$m
Mining assets & goodwill	2597	2,580	1959
Cash & cash equivalents	471	484	179
Other net assets	100	11	176
	<b>3,168</b>	<b>3,075</b>	<b>2,314</b>
Shareholders' equity	1,355	1,263	1,212
Borrowings	828	825	186
Deferred tax	668	665	714
Other long term liabilities	317	322	202
	<b>3,168</b>	<b>3,075</b>	<b>2,314</b>
Net debt equity ratio	25.9	26.4	0.6



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## Abridged cash flow statement

	Quarter ended	Nine months ended	
	Sept 1999	Sept 1999	Sept 1998
	US\$m	US\$m	US\$m
Cash from operating activities	207.3	503.7	354.9
Taxation paid	(15.2)	(83.0)	(58.9)
Net acquisition of subsidiaries	(4.9)	(471.9)	-
Investments acquired	-	1.3	7.4
Proceeds from sale of investments	-	216.4	7.4
Proceeds from sale of Mining Assets	-	-	76.6
Investment in new mining assets	(53.6)	(145.5)	(134.8)
Net borrowings	(8.7)	488.8	(2.4)
Share issue expenses	(0.1)	(0.4)	(5.7)
Cash generated before dividend	124.8	509.4	244.5
Dividends paid	(144.7)	(273.5)	(275.1)
Net cash generated	(19.9)	235.9	(30.6)



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## AngloGold Operations and Exploration



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## Quarterly operational highlights

- Production up 4% to 1.8 million ounces
- Cash costs down from US\$210 to US\$209
- Total costs maintained at US\$239
- Labour productivity up 5%

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## SA Operations : salient features

- Improved performances by Great Noligwa, Kopanang, Deelkraal and Joel
- Production up 2% to 1.5 million ounces
- Productivity up 3% (g/tec) and 4% (m/tec)
- Unit cash costs maintained
- Operating profit up 4% to R632 million
- Repairs to Matjhabeng's Eland shaft ahead of schedule



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## African Operations : salient features

- **Sadiola breaks records**
  - production up 15%
  - cash costs down 14% to US\$88/oz
  - operating profit up 50% to \$9 million
- **Navachab**
  - production maintained
  - cash costs down 6%



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## North American Operations : salient features

- **Improved performance overall**
  - production up 45% to 136,000 ounces
  - cash costs down 3% to US\$176/oz
- **Jerritt Canyon Joint Venture**
  - cash costs down 4% to US\$187/oz
  - productivity up 4% (g/tec)
- **Cripple Creek & Victor Joint Venture**
  - record gold production – up 43%
  - cash costs maintained
  - productivity up 47% (g/tec)

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## South American Operations : salient features

- **Excellent quarter**
  - production up 4% to 112,000 ounces
  - cash costs down 3% to US\$157/oz
- **Morro Velho**
  - production maintained
  - cash costs down 11% to US\$115/oz
- **Serra Grande**
  - production up 12%
  - cash costs down to US\$110/oz
- **Cerro Vanguardia**
  - production up 5%
  - cash costs maintained

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## Market development initiatives

- **Jewellery promotion (with the World Gold Council and alone)**
  - Riches of Africa (South Africa)
  - Swarnanjali (India)
  - Gold for Eternity (Asia)
  - Dubai shopping festival
- **Making an impact on offtake**  
Continuing engagement with partners in China to enhance the official sector image of gold and to promote the de-regulation of the Chinese gold market.
- **Downstream potential**  
Consideration of strategic manufacturing and retailing alliances.

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## AngloGold into the new Millennium

- **Focus on growth and shareholder value**
- **Expanding market development initiatives**
- **Ongoing restructuring of South African operations, with a view to enhanced management focus, health and safety, cost containment, and improved productivity.**
- **R&D focus on new technology and applications, including breaking rock in new ways, taking people away from mining risk and gold metallurgy in transition.**
- **Continuing search for value-enhancing acquisition opportunities with focus on country and mining risk diversification.**
- **Global exploration programme on three continents and in 12 countries.**
- **Actively managed forward sales programme, retaining exposure to spot.**

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