BUSINESS MODEL

Creating value and maximising sustainable free cash flow

AngloGold Ashanti's core strategic focus is to generate sustainable free cash flow by focusing on five key business objectives, namely: people, safety and sustainability; ensuring financial flexibility; actively managing all expenditures; improving the quality of our portfolio; and maintaining long-term optionality.

OUR PROCESS

As a gold mining company, AngloGold Ashanti is in the business of:

- exploring for and assessing ore bodies to mine
- accessing and mining those ore bodies which are economically viable
- processing the ore to extract gold (and other by-products) by targeting high-quality ounces
- marketing the gold produced

The operational costs incurred in this process include investing in machinery and equipment, skills enhancement, technology development and application, and development of our Mineral Resource and Ore Reserve.

Our current business strategy is aimed at maximising sustainable free cash flow. In response to a declining gold price – by 24% over the last two years – and to improve free cash flow and returns, there has been an intense focus on profitable production which increased for the second consecutive year in 2014. Hand-in-hand with this has been a strong focus on optimising overhead costs and capital expenditure. To this end, the company embarked on a restructuring and business rationalisation programme, now in its second year, to reduce cost and improve efficiencies.

For additional information on our strategy, its aims and targets and how we performed against these, refer to pages 27-29 of this report.

INPUTS

102.2Mt

Ore treated/milled

The volumes of ore mined and treated at our mining operations rose by 5% in 2014 from 97.1Mt in 2013.

58,057

People

The average number of people employed by AngloGold Ashanti declined by 13% in 2014, a consequence of the company's rationalisation process, the sale of the Navachab mine and the transition of Obuasi in Ghana to limited operating status.

$92m

Corporate and marketing costs

An aggressive cost management initiative successfully resulted in an overall reduction of 54% year-on-year in overhead costs. This contributed to a decline in all-in sustaining costs of 13% to $1,026/oz.

$158m*

Expensed exploration and evaluation costs

Exploration and evaluation costs declined by 47% in 2014 as a result of a focus on key targeted jurisdictions, aimed at supporting a focused, high-quality project and exploration portfolio.

$1.2bn*

Capital expenditure

Optimisation of capital expenditure continued whilst maintaining the long-term sustainability of the business. While capital expenditure was 39% lower in 2014, investment in key projects like the expansions at CC&V in the United States and Mponeng in South Africa, as well as the continued development of the underground mine at Kibali in the DRC, were maintained. Capital expenditure also continued on ore reserve development, the production ramp-up at Tropicana and Kibali, and on the reef-boring initiative in South Africa to enable safe extraction of ultra-deep ore bodies and pillars that would otherwise not be viable to mine.

* *Includes equity-accounted investments*

OUTPUTS

To achieve our strategy to improve sustainable free cash flow generation, we have focused on the production of high-quality ounces from the ore mined and treated. In 2014, gold production increased by 8%. Around 97% of our revenue is generated by gold sales.

In 2014, we produced an attributable:

4.4Moz (2013: 4.1Moz)
Gold

3.5Moz (2013: 3.3Moz)
Silver

1.3Mlb (2013: 1.4Mlb)
Uranium

192t (2013: 191t)
Sulphuric acid

Productivity levels are measured to monitor our output efficiency. All elements of the business maintained a sharp focus on cost control to augment productivity gains.

9.64oz/TEC (2013: 8.14oz/TEC)
Productivity

IMPACTS

In the course of conducting its business, AngloGold Ashanti's activities have an impact on the people it employs and whose safety is paramount, on the land disturbed by mining, and on the consumption of scarce resources such as water and energy, which in turn has an impact on the environment.

6 (2013: 8)
Number of fatalities

7.36* (2013: 7.48)
Safety – all injury frequency rate per million hours worked

* *7.15: Adjusted for earthquake impact*

$851m (2013: $728m)
Discounted cost of future rehabilitation

65.0ML (2013: 64.8ML)
Water used

31.8PJ (2013: 32.7PJ)
Energy used

4.6Mt CO_2e (2013: 4.5Mt CO_2e)
GHG emissions

OUTCOMES

$5,218m (2013: $5,497m)
Gold income

The increase in production helped somewhat to offset the decline in price received, thereby reducing the impact on gold income.

$1,665m (2013: $1,667m)
Adjusted EBITDA

The intense focus on costs and productivity, among other factors, helped to maintain adjusted EBITDA despite the lower gold price.

$3,133m (2013: $3,105m)
Debt

Net debt to adjusted EBITDA at current levels is about 1.88 times, which is well within covenant limits of 3.5 times (2013: 1.86 times) and little changed on the previous year, despite the lower gold price.

THIS ENABLED THE FOLLOWING:

$251m (2013: $247m)
Interest paid

$1,588m (2013: $1,593m)
Wages and salaries paid

$778m (2013: $840m)
Payments to government

$14.8m (2013: $22.5m)
Community investment