




**RUSSELL
AND ASSOCIATES**



Investor relations
**in an emerging
market - Selling
more than your
company**

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October 2006



What I am going to cover

- What is investor relations?
- Investor relations in South Africa
- Back to basics
- The issue of HIV/Aids
- Minerals legislation and Mining Charter
- Governance
- Industrial action
- Sustainable development
- Hot topics – then and now
- Conclusion

The stock market works!

No, the market is not wrong!

The market capitalization of a company recognises the value placed on the company at a point in time – this is the true value of the company – nothing more, nothing less.

So, what is investor relations?

Investor relations – the art of positioning and communicating a company's story and investment proposition to investors – the heart and soul of attaining fair value.

Source: Investor relations, the art of creating value

Three features of credibility

- Communications openness
- Communications specificity
- Communications timeliness

Source: Best Practices in Global Investor Relations

Three things investors seek

- Consistency
- Credibility
- Clarity

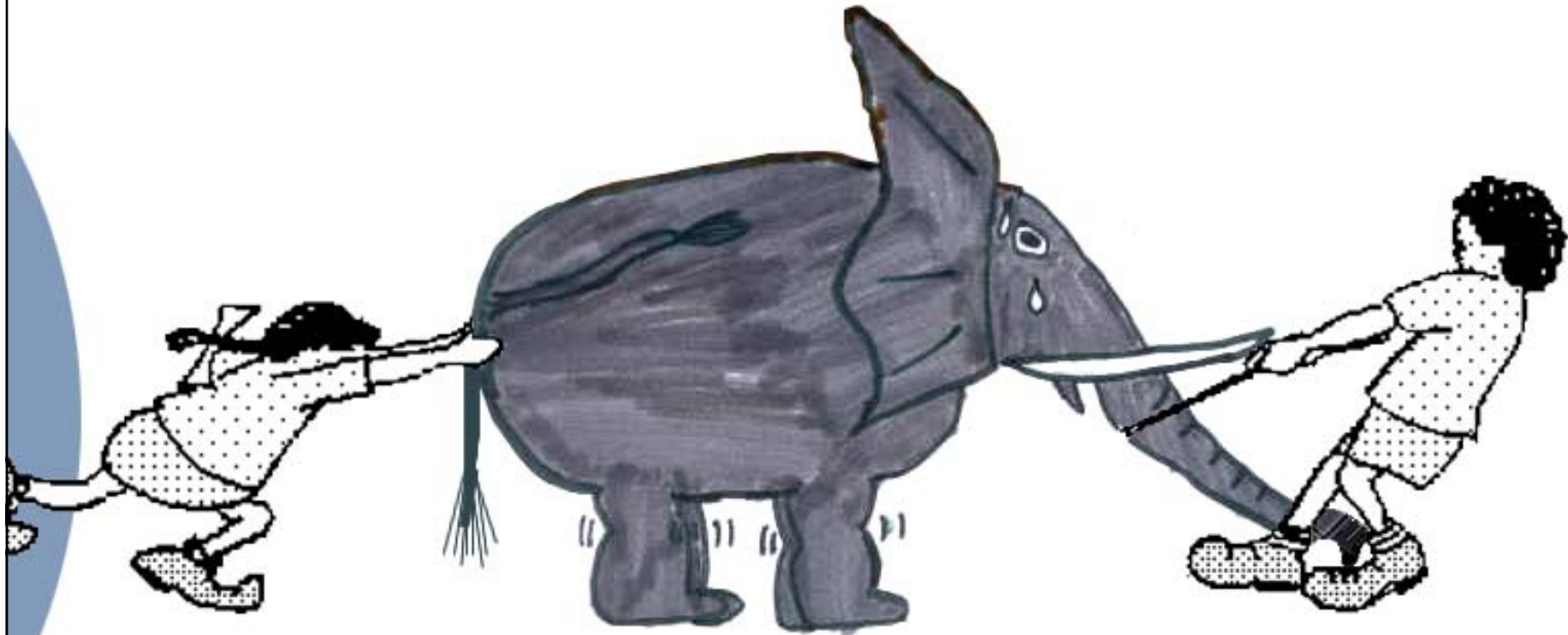
Source: Best Practices in Global Investor Relations

And what IR is not?

- Selective disclosure
- Spin
- Direct guidance

Why investor relations?

- Regulatory reasons
- Investor pull and company push...



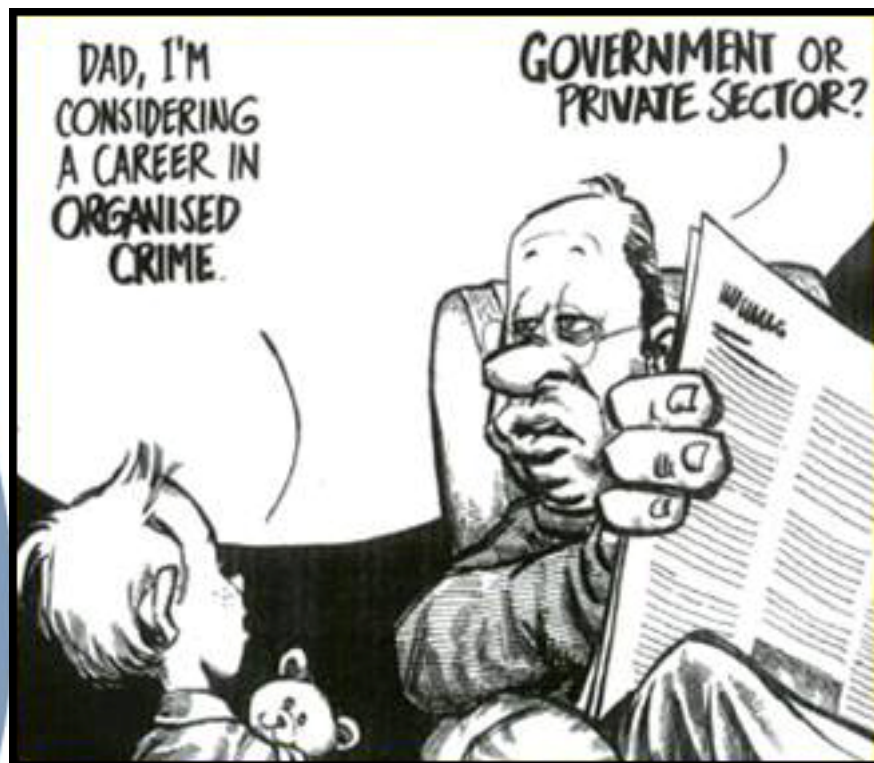
Turning to South Africa



IR in South Africa

- Established, and growing field
- Close and demanding relationship between companies and both the sell and buy-side analysts
- Many local companies are listed offshore
- Many local companies have investors offshore

So, does it matter what company we keep?



**Bolivia's President
ponders mining
concession
nationalization**

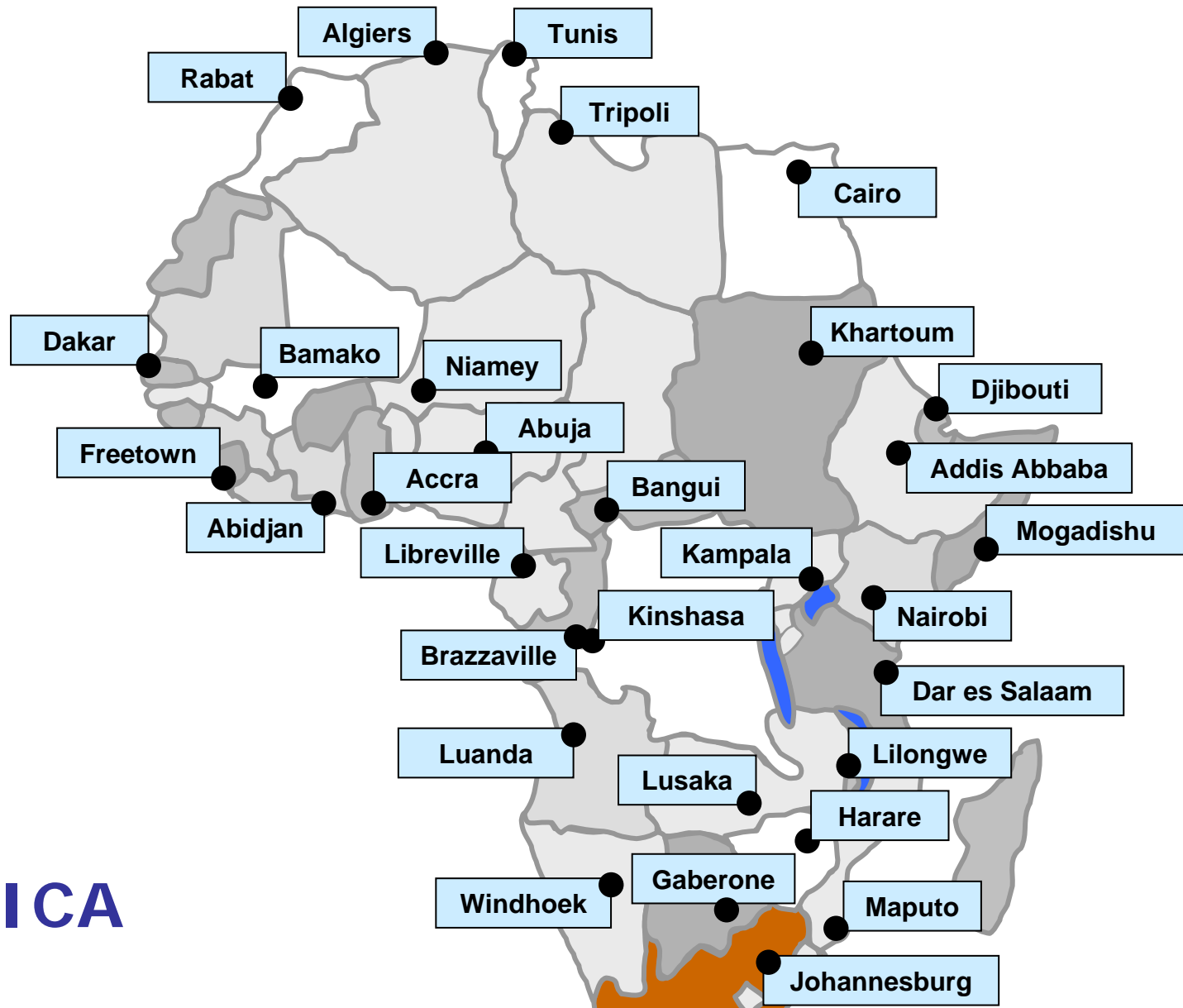
Dorothy Kosich, Mineweb, Oct 2006

**Major electricity
breakdown cripples
Zimbabwe**

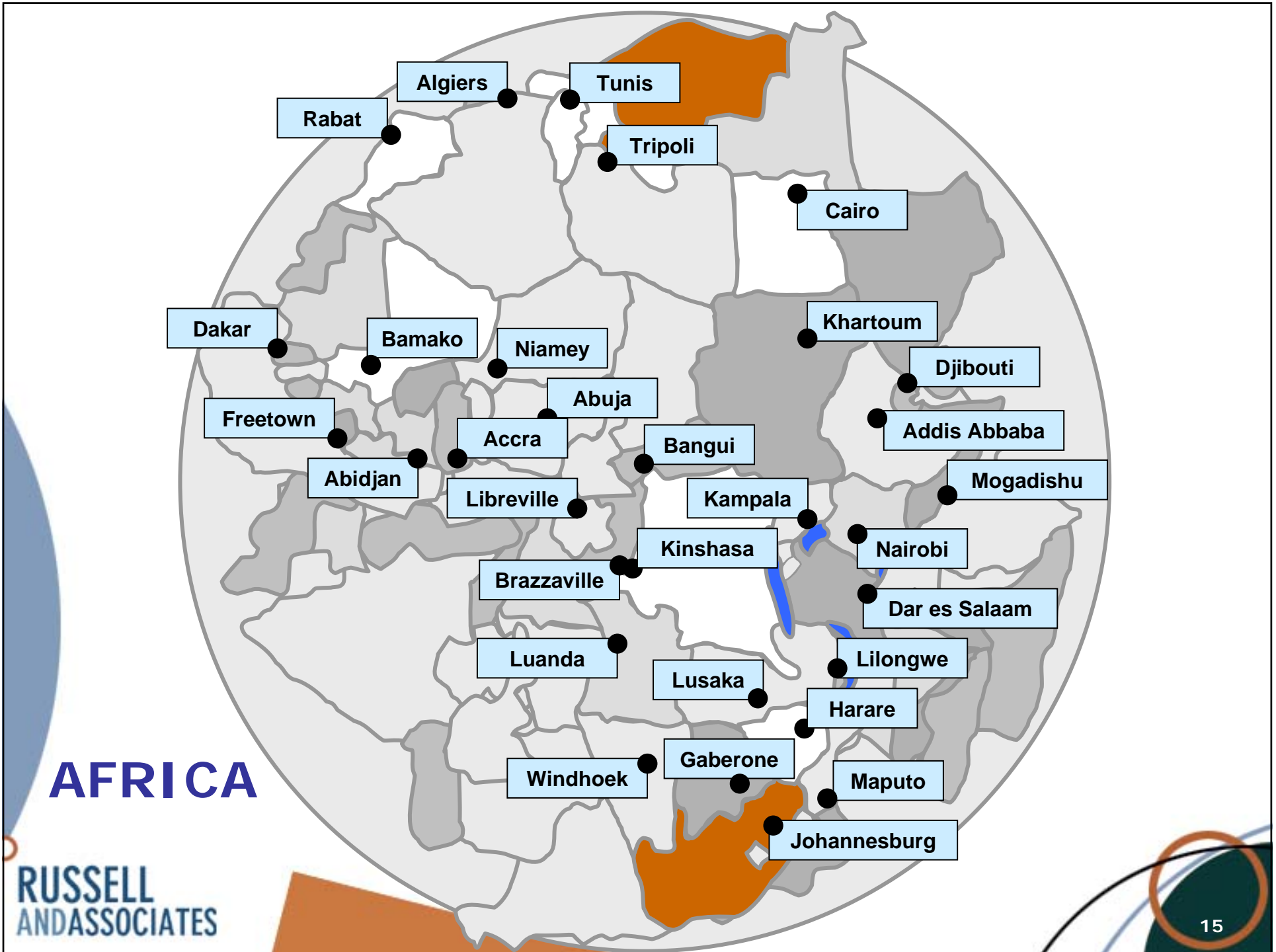
Business Day, October 2006

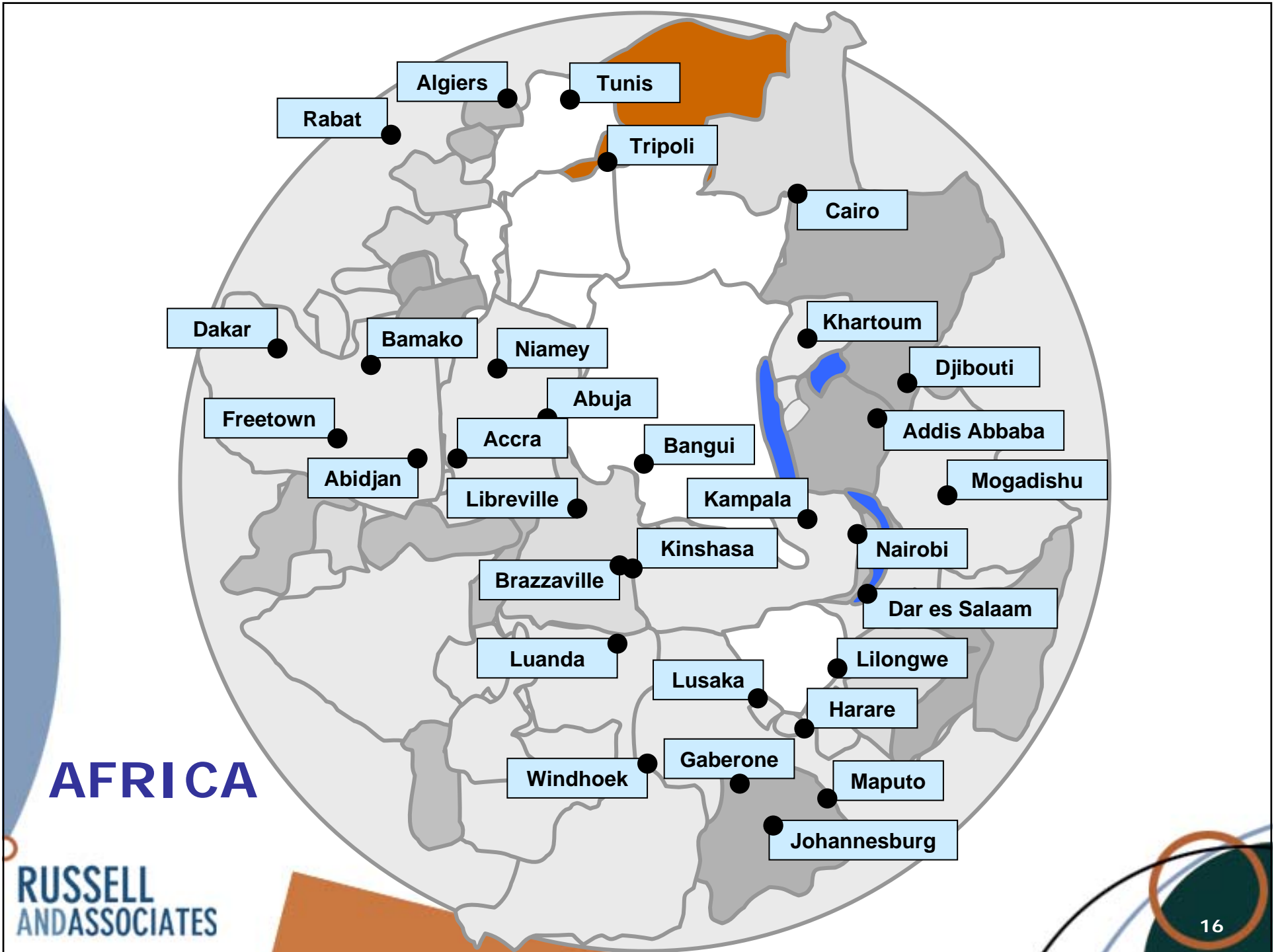
News flash





AFRICA





In Africa, and South Africa

“Investors periodically blow hot and cold on South Africa; as night follows day. There is never a shortage of reasons or excuses to do so... Yet South African mines have weathered every worst-case scenario. For more than 100 years they have paid dividends – through colonial wars, World Wars, the Cold War, labour insurrections, capital droughts and social discombobulation.

Somehow the commercial track record – consistent accumulation and distribution of profits – gets ignored.”

How do we get them to believe our story?



Challenges of IR - offshore investors

- Separation in space and time
- Lack of immediate access/familiarity
- Wide range of fund managers
- The people change
- Do not share the same "news"
- Different regulatory framework
- Do not share the same "mindset" or history

So, what are investors looking for?

- Good disclosure
- Timeous reporting
- Regular interaction (not just when there is good news)
- Speedy response
- Good warning
- Equal access to information
- Effective management

Diminution of risk

So, practically this means

- An established calendar
- Roadshows
- A visits schedule
- Timely and simultaneous disclosure
- An alert system
- Teleconference calls and webcasts
- Documentation/presentations
- Up to date website
- Ability to download or receive information via their cellphones

So, what's different in an emerging market and in South Africa in particular

- Separation in space and time; and
- The lack of “shared” understanding

Back to basics

Investor relations is about providing information which help investors to make decisions...

And, importantly,

... the diminution of risk

The woods and the trees...





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Back in the global arena

- Post democratic elections and re-entry into global economic arena
- New listings on the NYSE and LSE
- Interest in emerging markets
- Interest in resources

Back in the global arena (2)

- But there were concerns, largely linked to the unknown:
 - Political stability
 - Currency stability
 - Management of safety and health
 - Management and economic impact of HIV/Aids
 - Minerals legislation
 - Corporate governance
 - Royalty Bill
 - Crime

The issue of HIV/Aids

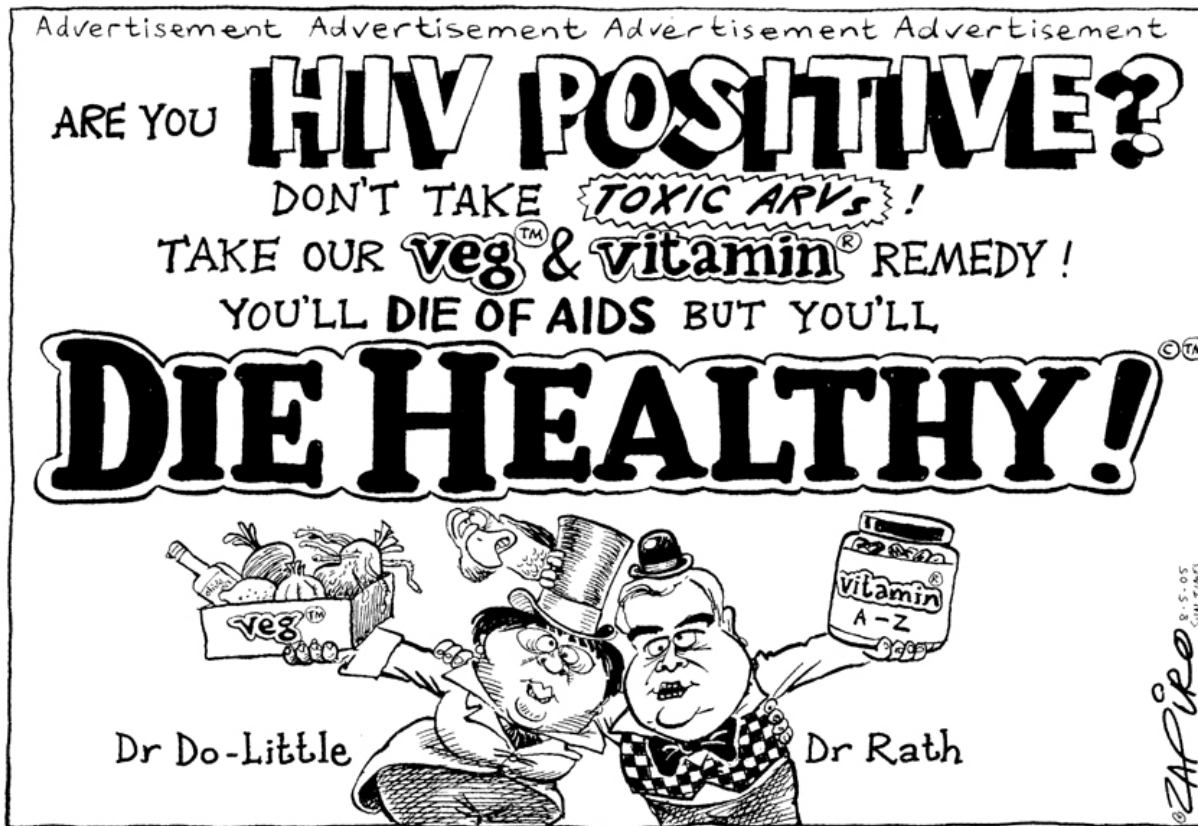


- Interest peaked in 2000 to 2002
- Large costs per person being incurred in 1st world economies
- History of a migrant labour system (and particularly in the mining industry perceptions that this entails)
- And this is not something that the mining companies had voluntarily spoken about
- Added to that was the fact that ART was being used with success in first world countries

What the media said

AIDS threatens to bury SA Mining industry - analysts

Reuters - July 28, 1999 - Darren Schuettler



So what did the industry do?

- Programmes were in place, but now had to be spoken about
- Costs of managed programme lower than that of non-management
- Cost as a \$/oz
- Investor presentations, annual reports, investor visits (including to the “front line”), exposing company experts, Aids reports

Industry response

THE CAN BE CONTAINED

...been living not only our industry, but
... as a whole and one which has
... with sympathy, compassion and
... says Dave Hodgson, Chief Operating
... AngloGold.

... challenge of the epidemic is the
... can be successfully managed if we
... . Despite the magnitude of the
... the country and the desperate
... that will result, the impact can
... be managed effectively.

... HIV/AIDS as an operational
... encourage people to participate
... and anonymous. Voluntary
... living and, if found to be HIV-
... the Wellness Clinics and the
... AIDS. In this way we can get
... , which will both improve
... prolong their lives, and limit
... spread.

... level mining industry has
... challenges over the years,
... and occupational health
... have dedicated effort and
... times, we have overcome
... shared a great deal of
... with HIV/AIDS.

"We are now seeing a manifestation of the
... disease on our operations, although not nearly at
... the level that was anticipated. Absorption rates
... for medical reasons currently stand at 2.8%, in
... line with the industry average. Health care costs
... are higher, but manageable, particularly because
... we have had a world-class medical facility in
... place for many years. The increase in TB is being
... aggressively managed by means of world-class
... prevention and treatment regimens.

"We currently estimate the cost of
... HIV/AIDS to AngloGold in South Africa to be
... in the region of between \$4m and \$5m (against
... a background of a total cash cost of \$120m for
... the year 2005). If we do nothing to manage the
... impact of HIV/AIDS on our operations, we
... expect that this cost could rise to \$30m.

"In the longer term the only way we are
... going to manage the disease is through a
... collaborative effort, particularly with unions. The
... tripartite structures that are in place for
... occupational health and safety issues in terms of
... the Mine Health and Safety Act work well and,
... in a similar vein, there is an AIDS committee at
... every operation."

AngloGold
Facing the
challenge of
HIV/AIDS
2001/2002

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Industry response (2)

"A human tragedy, but not a financial tragedy"

Bobby Godsell, AngloGold Ashanti

"The results of our analysis suggest that Aids does not pose a fatal threat to our business. Costs will rise but we expect that the interventions that we have in place and under consideration will keep the impact to reasonable levels – below US\$10/oz in today's terms."

*Chris Thompson, Chairman, Gold Fields,
Annual Report, issued in August 2001*

Industry response (3)

"Since 1985, when the first mining industry survey was done to detect HIV infection amongst its workers, the mining sector's initiatives with regard to the spread of HIV/Aids in its workforce has grown to such an extent that the mining industry in South Africa now leads its fight against the pandemic."

Dr Fazel Randera in a media interview in mid 2003

What the media said then

Business truths about HIV-AIDS

“when it comes to eradicating HIV-AIDS
those institutions are SA’s best hope”

Tim Wood, Tue, 31 Jul 2001, Moneyweb PRINCETON, NJ

What the media said then (2)

Business truths about HIV-AIDS, cont

"That employees' good health and happiness is aligned with corporate profits is obvious and hardly new, (but)... this may well be a modern mystery.

"What (investors) ... want is unambiguous assurance that management understands their interpretation of how AIDS in the mining industry hurts their self interest - by making the companies less appetising for their clients from whom they earn a commission. They got their assurance and then some."

Tim Wood, Tue, 31 Jul 2001, Moneyweb PRINCETON, NJ

The result

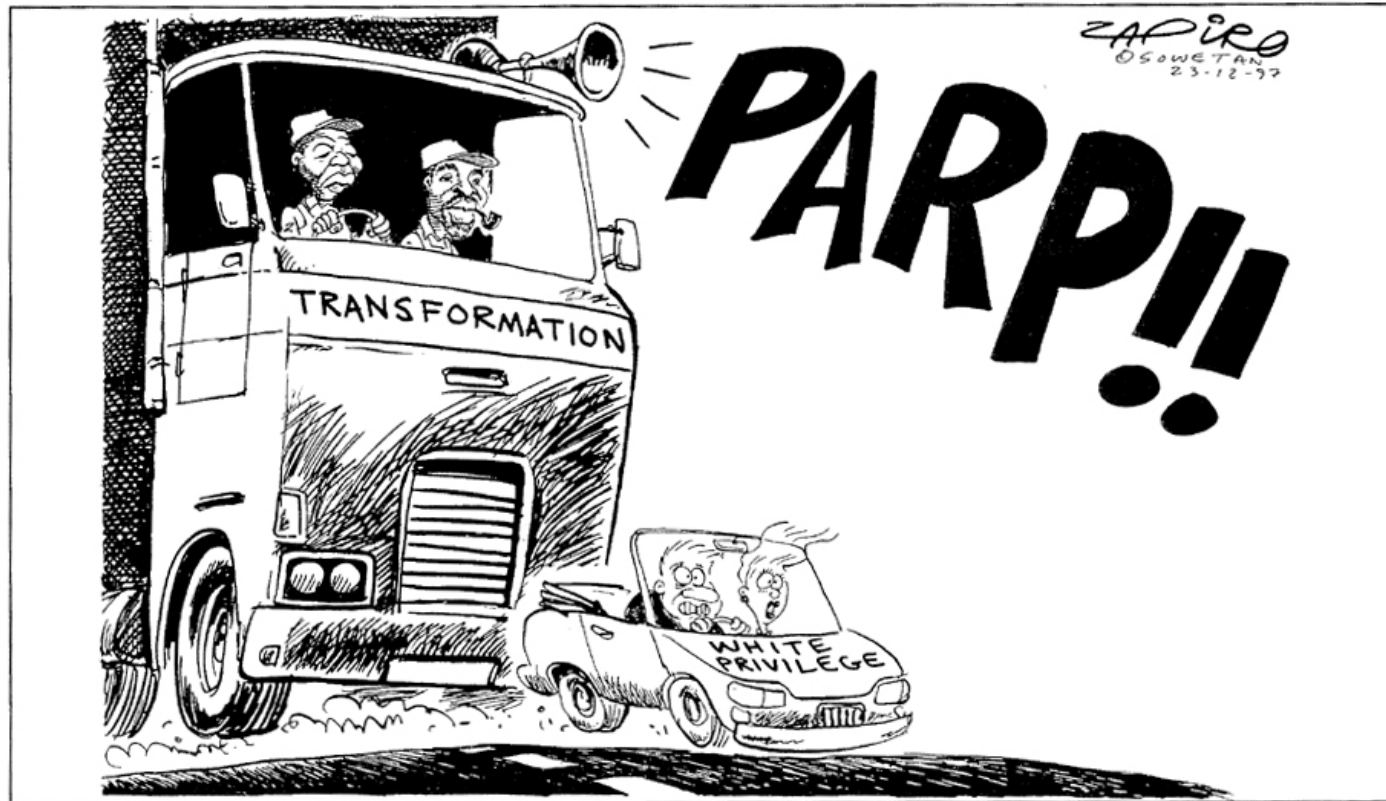
Once investors had the information on which to base their decisions – that the disease was being managed, how it was being managed, and what the costs to company were, the issue receded.

Gold company IRO: “I have not had a question on AIDS in two years!! It was an issue then, not now – just like that!.”

Platinum company executive: “There is little focus on things like HIV/AIDS – five years ago this was a big question”

Minerals legislation & Mining Charter

“Leaked” minerals legislation –
massive impact on the market



Zapiro

Once again, media had a field day...

Leaked mining charter drains billions
out of the country's coffers

December 4, 2002
Quentin Wray

Fingers pointed at charter after rand collapses
to a five-week low against dollar on mining charter

August 6, 2002
Reuters

Leaked mining charter stirs up troubled
market waters

July 28, 2002
Sherilee Bridge and Frank Nxumalo

And the analysts

"South Africa is no longer an emerging market, but a submerging one. The damage has been done."

Bill Belovay, market analyst

Industry & government response

- Business generated a rational, cohesive response
- Government roadshows, with business
- Release of Mining Charter and Scorecard
- Reporting – annual reports, roadshow presentations, “scorecards”

Industry response

“I think it's a great pity that this document was leaked and it's an indication of how easily investor confidence can be destroyed, and particularly in this part of the world. I remain optimistic about getting a realistic settlement on this issue. I think the government values the industry and I think the industry realises there's a need to broaden ownership. What we should do now – we urgently need to come to an agreed programme and give investors certainty.”

Bobby Godsell, CEO, AngloGold Ashanti

Some examples

- Mining Charter Scorecards
- Corporate responsibility and BEE reports
- Investor meetings
- BEE included in roadshow presentations

Market commentary a year later

"The big concern this year that I came across was the idea that black economic empowerment, particularly in the mining industry, might translate into a form of expropriation. In fact, I had quite a hard time convincing some of the fund managers overseas whose job is, after all, to panic first and ask questions later, that this wasn't a form of expropriation."

Patrick Meier, RBC

John Hathaway, Tocqueville Gold Fund, said the news was "more than priced into stocks" and he was pleased that it was "not as onerous" as the early version. "This is life in South Africa, let's get one with it now."

The result

Increased information flow and clear demonstration of how companies have dealt/are dealing with the issues has gone a long way towards addressing shareholder concerns

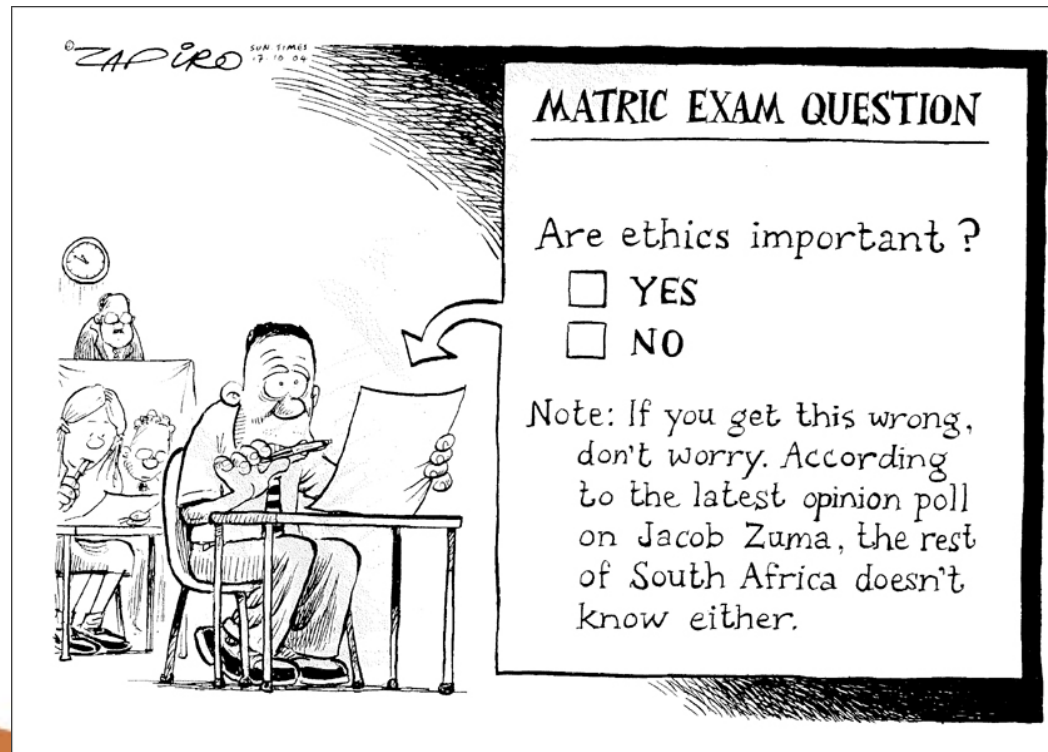
Comments from IROs:

“The frank discussions were an education for the offshore market we were able to show that we weren’t concerned about the bill and its implications for us and in fact communicate that we welcomed the sentiment behind the bill”

“They know - not understand - about BEE, but remain wary - the question still remains - will the goal post move from 26%, what guarantees are there?”

Governance

- SA not untouched by Enron shockwaves
- But, in relatively good position
- King II, JSE, NYSE/SEC, LSE and now SOx



Industrial relations/action

- Seasonal “wage negotiations”
- Occasional industrial action seen in a very different light offshore
- Crisis communications equally important in IR as in media or employee relations



Issues relating to Sustainable Development

Gold company IRO:
"I would say less than 10% of my total time relates to "soft-issues" such as local community, environment, etc etc, astounding yes, but true, we have not had an NGO-related question from fund managers in about two years."



Questions asked by investors

2000/2001	2006
HIV/Aids	Crime and personal safety of executives in South Africa
Rand/currency devaluation	Political stability (Zuma)
Political stability (Mbeki not tried and tested)	What legislation is next (after the minerals legislation?)
Lack of leadership in companies/succession planning	Risk management
	Sustainable development

Issues covered by management

2000/2001	2006
Operational performance and costs	Operational performance and costs
Exploration	Leadership and BEE involvement
HIV/Aids	Exploration and growth
Technology	Social issues – reporting more on sustainable development in line with global standards

In conclusion

- Understanding that the offshore market is looking for reassurance on more than the numbers
- More receptive to issues before they become concerns

South African companies have become very astute at identifying and addressing issues of concern to investors – malaria, Aids, currency and political concerns in particular – and in meeting their questions head-on.

So, where do we go from here

Investors are becoming:

- More global
- Less risk averse (but more likely to manage risk)
- “Green” investing



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