Anglo American

Fact Book 2006/7

Anglo American is a global leader in mining

Our diversified products are essential parts of modern life.

Anglo American is committed to operating in a profitable, sustainable and responsible way.

Front cover:
Aerial view of the Namib Desert coast, the location of De Beers' Namdeb mine. This section of south-western Africa is home to the world's most spectacular known gem quality alluvial diamond placer deposit.

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ANGLO AMERICAN AT A GLANCE

Anglo American is a global leader in mining, focused on adding value for shareholders, customers, employees and the communities in which it operates.

The Group has a range of high quality, core mining businesses covering platinum, diamonds, coal, base and ferrous metals and industrial minerals.

OUR BUSINESSES

Platinum

Business profile
- The world's largest primary producer of platinum, accounting for around 40% of the world's newly mined platinum output

Products and uses
- Primarily used in autocatalysts and jewellery
- Also used in chemical, electrical, electronic, glass and petroleum industries and medical applications

Diamonds

Business profile
- De Beers accounts for about 40% by value of global rough diamond production
- The world's largest supplier and marketer of gem diamonds

Products and uses
- The majority of cuttable diamonds are used in jewellery
- Some natural stones are used for industrial purposes such as cutting, drilling and other applications

Base Metals

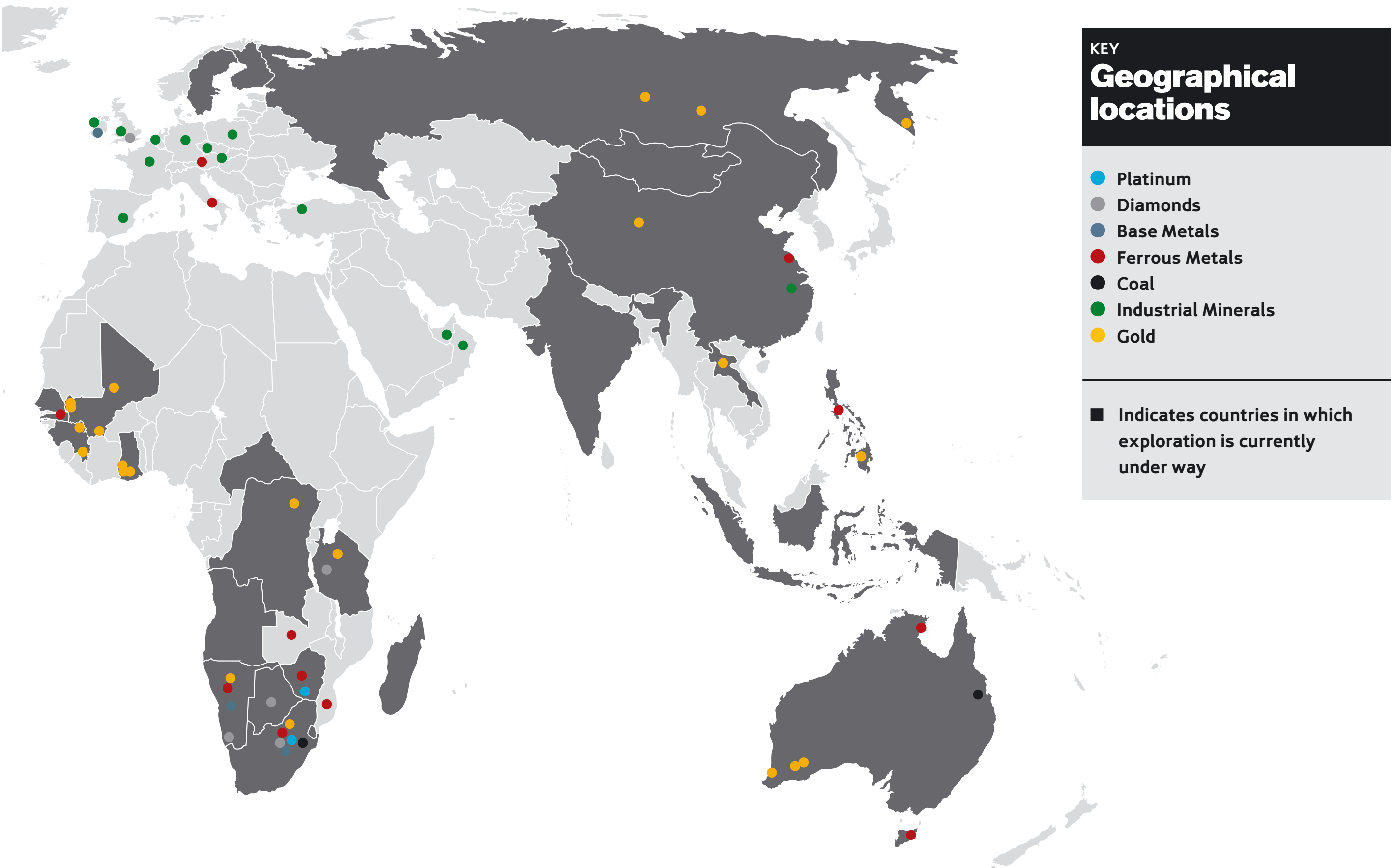
Business profile
- Comprises primarily copper, nickel, zinc and mineral sands operations
- Operates in South America, southern Africa and Ireland

Products and uses
- Copper is used mainly in wire and cable, as well as in brass, tubing and pipes
- Zinc is chiefly used for galvanising
- Nickel is mostly used in the production of stainless steel

Ferrous Metals

Business profile
- Operations are mainly in South Africa, South America, Canada and Australia
- Businesses produce iron ore, manganese and steel products for the mining sector

Products and uses
- Iron ore is the basic raw material used in steel production
- Manganese is a key component in steelmaking



EXPLORATION

OTHER BUSINESSES

Coal

Business profile

- Anglo Coal is one of the world's largest private sector coal producers and exporters
- Its operations are in South Africa, Australia, Colombia, Venezuela and Canada

Products and uses

- About 40% of all electricity generated globally is powered by coal
- Around 66% of the world's steel industry uses coal and it is an important fuel for other industries

Industrial Minerals

Business profile

- Tarmac is the No.1 UK producer of aggregates and asphalt and a leading producer of ready-mixed concrete
- Its operations are primarily in the UK, continental Europe and the Middle East

Products and uses

- Tarmac is involved in the production of crushed rock, sand, gravel, concrete and mortar, lime, cement and concrete products
- Copebrás is a Brazilian producer of phosphate fertilisers

Exploration

As one of the major diversified mining groups, Anglo American's exploration activities cover many parts of the globe. In its constant search for minerals, Anglo American is currently prospecting in more than 30 countries. In addition to its focus on areas surrounding its existing mining operations, Anglo American is now looking at relatively unexplored new frontiers, including in the Arctic region through an arc stretching from Alaska to the Russian far east. During 2006, over $250 million was spent on exploration – $53 million on base metals, $30 million on platinum, $24 million on coal, $9 million on ferrous metals and $140 million by De Beers.

Gold

Business profile

- AngloGold Ashanti is a major world gold producer
- It has 22 operations in ten countries

Products and uses

- Fabricated gold is used in jewellery, electronics, dentistry, decorations, medals and coins

COMPANY OWNERSHIP LEVELS – EFFECTIVE 21 FEBRUARY 2007

Platinum

Anglo Platinum 75.4%

South Africa

Rustenburg Section	100%
Union Section	85%
Amandelbult Section	100%
Potgietersrust Platinums	100%
Lebowa Platinum Mines	100%
Western Limb Tailings Retreatment	100%
Waterval Smelter (including converting process project)	100%
Polokwane Smelter	100%
Mortimer Smelter	100%
Rustenburg Base Metals Refinery	100%
Precious Metals Refinery	100%
Twickenham Mine	100%

(Joint ventures or sharing agreements)

Modikwa Platinum Joint Venture	50%
Kroondal Pooling and Sharing Agreement	50%
Bafokeng-Rasimone Joint Venture	50%
Marikana Pooling and Sharing Agreement	50%
Mototolo Joint Venture	50%
Masa Chrome Company	74%
Pandora Venture	42.5%
Northam Platinum Limited	22.5%

Diamonds

De Beers[1] 45%

South Africa (100% owned)

Cullinan	
De Beers Group Services (Exploration and Services)	
De Beers Marine	
Finsch	
Kimberley Mines	
Koffiefontein	
Namaqualand Mines	
The Oaks	
Venetia	

Botswana

Debswana (Damtshaa, Jwaneng, Orapa and Letlhakane mines)	50%

Namibia

Namdeb (Mining Area No. 1 Orange River Mines, Elizabeth Bay and Marine concessions)	50%
De Beers Marine Namibia	70%

Tanzania

Williamson Diamonds	75%

Canada

Snap Lake	100%
Victor (approved for construction)	100%

Trading and Marketing

Various companies involved in purchasing, selling and marketing of rough diamonds, including The Diamond Trading Company	100%

Industrial Diamonds

Companies manufacturing synthetic diamonds and abrasive products	60%

Base Metals

Anglo Base Metals 100%

Copper

Collahuasi (Chile)	44%
Chagres (Chile)	100%
El Soldado (Chile)	100%
Los Bronces (Chile)	100%
Mantos Blancos (Chile)	100%
Mantoverde (Chile)	100%
Palabora (South Africa)	17%
Quellaveco (Peru)	81%

Nickel

Codemin (Brazil)	100%
Loma de Níquel (Venezuela)	91%
Barro Alto (Brazil)	100%

Zinc/Lead

Black Mountain (South Africa)	100%[2]
Lisheen (Ireland)	100%
Gamsberg (South Africa)	100%[2]
Skorpion (Namibia)	100%

Mineral Sands

Namakwa Sands (South Africa)	100%[2]
Niobium Catalão (Brazil)	100%

Ferrous Metals and Industries

Anglo Ferrous Metals and Industries 100%

Ferrous Metals

Kumba Iron Ore (South Africa)	64%
Highveld Steel (South Africa and Austria)	29%[3]
Scaw Metals (worldwide)	100%
Samancor (South Africa and Australia)	40%
MMX Minas-Rio (Brazil)	49%

Industries

Tongaat-Hulett (southern Africa)	50%
Hulamin (South Africa)	45%
Vergelegen (South Africa)	100%

[1] An independently managed associate.

[2] In January 2007, Exxaro Resources Ltd exercised an option in terms of which, subject to the exercise of conditions precedent, it agreed to acquire 100% of Namakwa Sands and 26% of each of Black Mountain and Gamsberg.

[3] Highveld Steel and Vanadium continues to be consolidated in the Group due to an additional 24.9% of the voting rights that Anglo American plc controls through shares held by Credit Suisse.

Coal

Anglo Coal 100%

South Africa	
Bank	100%
Goedehoop	100%
Greenside	100%
Isibonelo	100%
Kleinkopje	100%
Kriel	73%[4]
Landau	100%
New Denmark	100%
New Vaal	100%
Nooitgedacht	100%

South Africa – other	
Mafube	50%
Richards Bay Coal Terminal	27%

Australia	
Callide	100%
Dawson Complex	51%
Drayton	88%
German Creek (Capcoal)	70%
Jellinbah East	23%
Moranbah North	88%

Australia – other	
Monash Energy Holdings Limited	100%
Dalrymple Bay Coal Terminal Pty Ltd	33%
Newcastle Coal Shippers Pty Ltd	20%

Canada	
Peace River Coal	60%

Colombia	
Cerrejón	33%

Venezuela	
Carbones del Guasare	25%

Industrial Minerals

Anglo Industrial Minerals 100%

Aggregates and building materials	
Tarmac Group (UK)	100%
Tarmac France (France and Belgium)	100%
Tarmac Germany	100%
Tarmac Poland	100%
Tarmac Czech Republic	100%
Tarmac Iberia (Spain)	100%
Tarmac Turkey	100%
Tarmac International Holdings (Far East and Middle East)	100%
Tarmac Romania	60%

Phosphate products	
Copebrás (Brazil)	73%

Gold

AngloGold Ashanti 41.7%

South Africa (100% owned)	
Great Noligwa	
Kopanang	
Moab Khotsong	
Mponeng	
Savuka	
Tau Lekoa	
TauTona	

Rest of Africa	
Geita (Tanzania)	100%
Iduapriem (Ghana)	85%
Morila (Mali)	40%
Navachab (Namibia)	100%
Obuasi (Ghana)	100%
Sadiola (Mali)	38%
Siguiri (Guinea)	85%
Yatela (Mali)	40%

North America	
Cripple Creek and Victor (US)	67%[5]

South America	
AngloGold Ashanti	
Mineração (Brazil)	100%
Serra Grande (Brazil)	50%
Cerro Vanguardia (Argentina)	92.5%

Australia	
Sunrise Dam	100%
Boddington	33%

[4] Shareholdings are shown on the basis that the contemplated black economic empowerment share ownership is finalised.

[5] AngloGold Ashanti is entitled to receive 100% of the cash flow from the operation until a loan, extended to the joint venture by AngloGold Ashanti, is repaid.

GROUP OVERVIEW

Strategy
Our strategic focus is:

1. To further focus the Group on its core mining portfolio and in the process simplify our structure and enhance profitability
2. To deliver on our significant $6.9 billion project pipeline
3. To return any excess capital to our shareholders

In 2006, we made significant progress restructuring our portfolio. In April, we sold $1 billion worth of AngloGold Ashanti, reducing our shareholding from 51% to 42%. The decision to reduce and ultimately exit our gold holding relates to the higher relative valuations attributable to pure-play gold companies, rather than as part of a diversified mining group. We will continue to explore all available options to exit AngloGold Ashanti in an orderly manner.

Regarding Mondi, plans for a full demerger are progressing. Approval in principle has been received from the regulatory authorities in South Africa for a Dual Listed Company Structure with primary listings in Johannesburg and London. Arrangements are being finalised to enable a smooth and efficient transition to a fully independent company. The senior management team is in place and a new board of directors is being established. The listing of Mondi is targeted for mid-2007.

Good progress was made in restructuring our Ferrous Metals and Industries business. In May 2007, it was announced that the sale of Anglo American's 79% shareholding in Highveld to Evraz, an international steel producer based in Russia, and Credit Suisse, for total consideration of US$678 million, had been completed. The sale was undertaken in two tranches. In July 2006, Anglo American disposed of 49.8% of Highveld to Evraz and Credit Suisse for $412 million and granted Evraz an option to acquire Anglo American's remaining 29.2% shareholding, subject to the granting of regulatory approvals. On 7 May 2007 Anglo American announced that Evraz had advised that the requisite regulatory approvals had been obtained and had exercised its option. Since July 2006, Anglo American has achieved proceeds of $678 million, including the initial payment of $412 million, dividends of $28 million and the final payment of $238 million.

In November 2006, we completed the restructuring of Kumba Resources with the listings on the Johannesburg Stock Exchange of Kumba Iron Ore as a pure-play iron ore company in which Anglo American holds 64%, and Exxaro, which became South Africa's largest black economic empowered (BEE) natural resources company.

The unbundling of Tongaat-Hulett's aluminium business to shareholders and simultaneous introduction of broad based BEE into both Tongaat Hulett and Hulett Aluminium will occur during the second quarter of 2007. This will reduce Anglo American's interest in Tongaat Hulett to 38% and in Hulett Aluminium to 39%.

Tarmac's strategic review, completed in early 2006, clearly defines the scope of its business as aggregates, together with three routes to market (asphalt, concrete and concrete products) and integration of cement where appropriate.
The disposals announced in February 2006 have been largely completed and good progress is being made on delivering structural operational improvements.

Projects
Currently Anglo American has major projects under development amounting to $6.9 billion, on an attributable basis, stretching across all business units and geographies. Details of approved projects can be found in the preceding Business Unit sections. The Group is considering further major projects with an estimated potential cost between $10 billion and $15 billion. Selected major unapproved projects are highlighted below:

Selected major future unapproved projects

Sector	Project	Country	Estimated full production	Estimated capex[(1)] $m	Production volume[(2)]
Coal	Zondagsfontein implementation	South Africa	2009	335	6.6 Mtpa
	Elders Opencast	South Africa	2011	335	6.5 Mtpa
	Elders Underground	South Africa	2013	180	4.0 Mtpa
	Heidelberg Underground	South Africa	2013	120	3.0 Mtpa
	Waterberg	South Africa	2014	355	23.9 mmcf
	New Largo	South Africa	2017	530	13.7 Mtpa
	MACWest	South Africa	2009	90	2.7 Mtpa
Base Metals	Los Bronces expansion	Chile	2011	1,200	170,000 tpa copper
	Collahuasi debottleneck	Chile	2010	300-500	60,000-120,000 tpa copper
	Quellaveco	Peru	2012	1,200	200,000 tpa copper
Ferrous Metals	Sishen South	South Africa	2011	420	9 Mtpa iron ore
	Sishen Pellet	South Africa	2013	145	1.5 Mtpa iron ore
	Sishen Expansion 2	South Africa	2013	560	10 Mtpa iron ore

(1) Shown on 100% basis, approximate amounts.

(2) Production represents 100% of incremental or replacement production from the project.

Anglo Platinum also has a number of unapproved projects under evaluation: Amandelbult 4 shaft, Booysendal JV, Der Brochen, Ga-Phasha, Pandora JV, Styldrift and Twickenham.

Sustainable development

Sustainable development – at a glance

- **Our safety efforts will be redoubled**
- **We achieved a big improvement in participation in voluntary counselling and testing for HIV/AIDS**
- **We are launching a more advanced version of our Socio-Economic Assessment Toolbox**
- **Clean coal energy alliance formed with Shell**

Anglo American's sustainable development efforts are focussed across four areas:

1. Safety – our leading priority
2. HIV/AIDS – a big increase in voluntary counselling and testing
3. Engaging with local communities
4. Tackling the climate change challenge

1. Safety
Rigorous safety reviews, which will inform the next phase of our safety programme, are being undertaken across the Group. This next phase will have a particular focus on five consistent themes: a more rigorous approach to risk management and the management of change; greater attention to the selection, training and management of contractors; more rigour in determining the root causes of incidents through better incident investigation; training and competence issues to be more effectively addressed; and a more single minded approach to enforcing existing rules and standards.

2. HIV/AIDS
Deaths from HIV/AIDS continue to exact a heavy toll in many parts of southern Africa. In 2002, we initiated our strategy of encouraging voluntary counselling and testing (VCT) and the provision of anti-retrovirals at the correct stage of infection. Since then the South African public health service has initiated an increasingly effective programme with which we seek to partner.

At the end of 2006, over 4,500 employees (including AngloGold Ashanti) were in receipt of anti-retroviral therapy – up over 40% on 2005. Moreover, increasing numbers were willing to be tested and to confront their status. At our South African operations, the level of participation in VCT increased from 30% to 58% during 2006. At Anglo Coal in South Africa, participation in VCT is now in excess of 80% with indications that the treatment programme is becoming self-financing through reduced loss of skills, less absenteeism and fewer new infections.

3. Engaging with local communities
The Socio-Economic Assessment Toolbox (SEAT) has now been implemented at more than 50 Anglo American sites in 16 countries, with more than 250 managers having been trained to implement the process. SEAT consists of assessment tools and a series of rigorous stakeholder identification and engagement tools to identify priorities, needs and concerns. In 2006, we undertook a significant revision of the SEAT manual and during 2007, we plan to roll out the revised process which includes additional tools on topics like conflict prevention, grievance procedures, community health, working with international donors and water and energy projects.

4. Tackling the climate change challenge
We are an intensive user of energy and one of the world's major coal producers. Coal has an important and inescapable role in meeting the energy needs of many countries, especially in the developing world. We recognise that we must play our part in addressing climate change through improving our energy efficiency and working with others to develop and implement clean coal technologies.

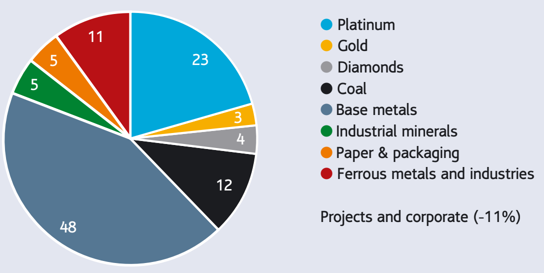
In 2006 we formed the Synergy Alliance with Shell to work on potential clean coal projects, including the Monash project in Australia. If implemented, Monash would involve the gasification of our coal reserves in Victoria's Latrobe Valley into clean transport fuels and the capture and storage of up to 13 million tonnes of CO_2 equivalent annually. We have also joined the FutureGen public-private industrial alliance which is seeking to develop a near zero emissions coal-fuelled power generation plant in the US.

We have also been making good progress towards achieving our target of 15% energy savings by 2014 (against a 2004 baseline) through site level projects and intensive programmes to share experience and best practice.

FINANCIAL HIGHLIGHTS

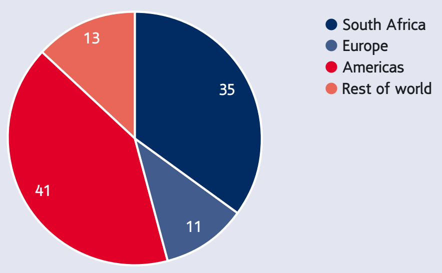
2006 underlying earnings by business unit

%



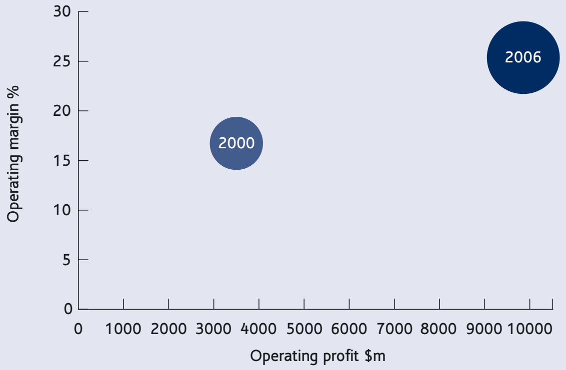
Geographic underlying earnings mix

%



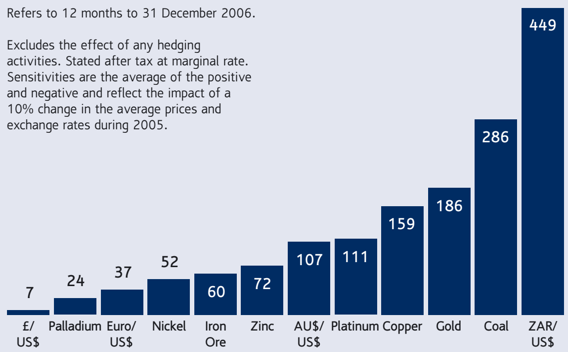
Scale and profitability growth

bubble size represents turnover



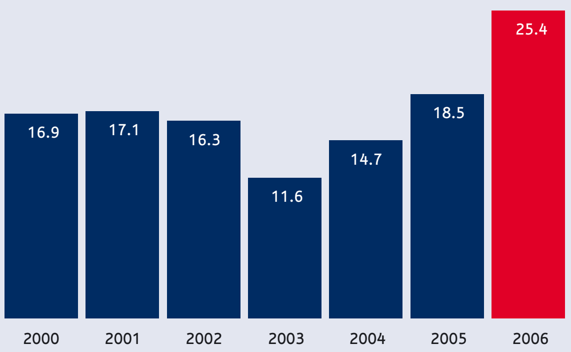
Underlying earnings sensitivities

10% movement in price/exchange rate



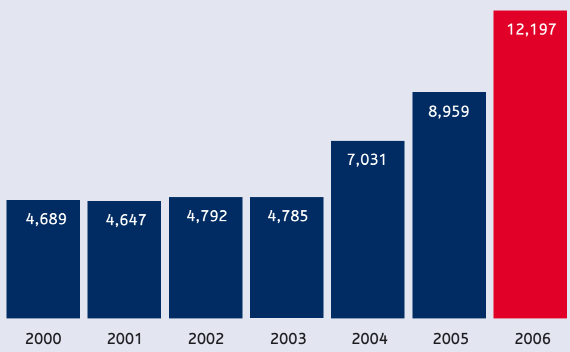
Operating margin

%



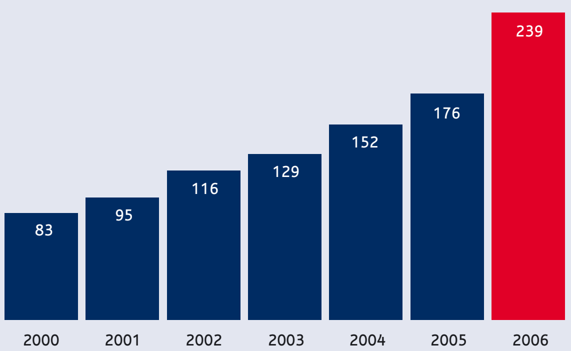
Seven-year EBITDA history

$m



Turnover per employee

$'000



Key financials

$m	2002	2003	2004	2005	2006
Turnover	20,497	24,909	31,938	34,472	**38,637**
EBITDA	4,792	4,785	7,031	8,959	**12,197**
Operating Profit	3,332	2,892	4,697	6,376	**9,832**
Underlying Earnings	1,759	1,694	2,684	3,736	**5,471**
Underlying EPS	1.25	1.20	1.87	2.58	**3.73**
Dividend per share	0.51	0.54	0.70	1.23	**1.75**

Years 2004–6 were prepared under IFRS. Years 2002–3 were prepared under UK GAAP

FINANCIAL DATA

US$ million (unless otherwise stated)	2006	2005	2004
Group revenue including associates	**38,637**	34,472	31,938
Less: share of associates' revenue	**(5,565)**	(5,038)	(5,670)
Group revenue	**33,072**	29,434	26,268
Operating profit including associates before special items and remeasurements	**9,832**	6,376	4,697
Special items and remeasurements (excluding financing special items and remeasurements)	**376**	(455)	933
Net finance costs (including remeasurements), taxation and minority interests of associates	**(481)**	(320)	(399)
Total profit from operations and associates	**9,727**	5,601	5,231
Net finance costs (including special itemsand remeasurements)	**(165)**	(393)	(367)
Profit before tax	**9,562**	5,208	4,864
Income tax expense	**(2,640)**	(1,275)	(923)
Profit for the financial year	**6,922**	3,933	3,941
Minority interests	**(736)**	(412)	(440)
Profit attributable to equity shareholders of the Company	**6,186**	3,521	3,501
Underlying earnings[1]	**5,471**	3,736	2,684
Earnings per share ($)	**4.21**	2.43	2.44
Underlying earnings per share ($)	**3.73**	2.58	1.87
Ordinary dividend per share (US cents)	**108.0**	90.0	70.0
Special dividend per share (US cents)	**67.0**	33.0	–
Weighted average number of shares outstanding (million)	**1,468**	1,447	1,434
EBITDA[2]	**12,197**	8,959	7,031
EBITDA interest cover[3]	**45.5**	20.0	18.5
Operating margin (before special items and remeasurements)	**25.4%**	18.5%	14.7%
Ordinary dividend cover (based on underlying earnings per share)	**3.5**	2.9	2.7
Balance sheet			
Intangible and tangible assets	**25,632**	33,368	35,816
Other non-current assets and investments	**7,819**	5,375	5,375
Working capital	**3,246**	3,719	3,715
Other net current liabilities	**(1,177)**	(1,492)	(611)
Other non-current liabilities and obligations	**(5,790)**	(8,399)	(8,339)
Net debt	**(3,324)**	(4,993)	(8,243)
Net assets classified as held for sale	**721**	–	–
Net assets	**27,127**	27,578	27,713
Minority interests	**(2,856)**	(3,957)	(4,588)
Equity attributable to the equity shareholders of the Company	**24,271**	23,621	23,125
Total capital[4]	**30,451**	32,571	35,956
Cash inflows from operations	**10,057**	7,265	5,291
Dividends received from associates and financial asset investments	**288**	470	396
Return on capital employed[5]	**32.4%**	19.2%	14.6%
EBITDA/average total capital[4]	**38.7%**	26.0%	21.2%
Net debt to total capital[6]	**12.9%**	17.0%	25.4%

US$ million (unless otherwise stated)	2003[7]	2002[7][8]
Group turnover including share of joint ventures and associates	**24,909**	20,497
Less: Share of joint ventures' turnover	**(1,060)**	(1,066)
Share of associates' turnover	**(5,212)**	(4,286)
Group turnover – subsidiaries	**18,637**	15,145
Operating profit before exceptional items	**2,892**	3,332
Operating exceptional items	**(286)**	(81)
Total operating profit	**2,606**	3,251
Non-operating exceptional items	**386**	64
Net interest expense	**(319)**	(179)
Profit on ordinary activities before taxation	**2,673**	3,136
Taxation on profit on ordinary activities	**(749)**	(1,042)
Taxation on exceptional items	**13**	(3)
Equity minority interests	**(345)**	(528)
Profit for the financial year	**1,592**	1,563
Underlying earnings[1]	**1,694**	1,759
Earnings per share ($)	**1.13**	1.11
Underlying earnings per share ($)	**1.20**	1.25
Dividend per share (US cents)	**54.0**	51.0
Basic number of shares outstanding (million)	**1,415**	1,411
EBITDA[2]	**4,785**	4,792
EBITDA interest cover[3]	**9.3**	50.5
Operating margin (before exceptional items)	**11.6%**	16.3%
Dividend cover (based on underlying earnings)	**2.2**	2.5
Balance sheet		
Intangible and tangible fixed assets	**26,646**	18,841
Investments	**7,206**	6,746
Working capital	**1,903**	822
Provisions for liabilities and charges	**(3,954)**	(2,896)
Net debt	**(8,633)**	(5,578)
Equity minority interests	**(3,396)**	(2,304)
Total shareholders' funds (equity)	**19,772**	15,631
Total capital[4]	**31,801**	23,513
Net cash inflow from operating activities	**3,184**	3,618
Dividends received from joint ventures and associates	**426**	258
Return on capital employed[5]	**10.7%**	17.5%
EBITDA/average total capital[4]	**17.3%**	24.4%
Net debt to total capital[6]	**32.0%**	27.9%

Years 2004, 2005 and 2006 are prepared under IFRS. Years 2002 and 2003 are prepared under UK GAAP.

(1) Underlying earnings is net profit attributable to equity shareholders, adjusted for the effect of special items and remeasurements, and any related tax and minority interests.

(2) EBITDA is operating profit before special items, operating remeasurements (2002 to 2003: exceptional items), depreciation and amortisation in subsidiaries and joint ventures and share of EBITDA of associates.

(3) EBITDA interest cover is EBITDA divided by net finance costs excluding other net financial income, exchange gains and losses on monetary assets and liabilities, amortisation of discounts on provisions, special items and financial remeasurements (2002 to 2003: exceptional items), but including share of associates' net interest expense.

(4) Total capital is net assets excluding net debt.

(5) Return on capital employed is calculated as total operating profit before impairments for the year divided by the average of total capital less other investments and adjusted for impairments.

(6) Net debt to total capital is calculated as net debt divided by total capital less investments in associates.

(7) 2002 and 2003 have been restated to reflect the adoption of UITF abstract 38 *Accounting for ESOP trusts*.

(8) 2002 has been restated for the adoption of FRS 19 *Deferred Tax*.