

Annual Review 2006

Anglo American: Delivering our strategic goals

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**Delivering on
our strategy**
p08



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**One of the strongest
growth pipelines in
the industry** p10



3

**Driving operational
excellence**
p12



Anglo American – 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**

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Throughout this review, '\$' and 'dollar' denote United States dollars. 2004, 2005 and 2006 figures are presented under IFRS. Figures for the years 2002 and 2003 are presented under UK GAAP.

The 2006 Annual Review, the 2006 Annual Report and the Notice of Annual General Meeting, together with the shareholder information booklet, are available on the corporate website: www.angloamerican.co.uk

Highlights of 2006

UNDERLYING EARNINGS

\$5.5 bn

Record underlying earnings of \$5.5 billion, a 46% increase over 2005.

OPERATING PROFIT

\$9.8 bn

Operating profit up 54% to \$9.8 billion, with record production levels at ongoing operations for platinum group metals, zinc, nickel, coal and diamonds.

EBITDA

\$12.2 bn

Cash generation at a record level: EBITDA of \$12.2 billion, up \$3.2 billion.

COST SAVINGS AND EFFICIENCIES

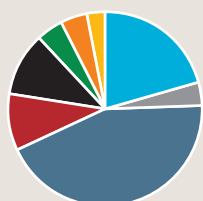
\$583 m

Cost savings and efficiencies of \$583 million.

UNDERLYING EARNINGS

By business unit

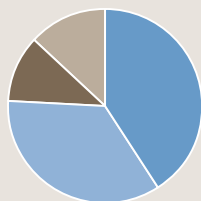
\$m



- Platinum 1,265
- Diamonds 227
- Base Metals 2,647
- Ferrous Metals and Industries 583
- Coal 640
- Industrial Minerals 266
- Paper and Packaging 274
- Gold 178

By region

%

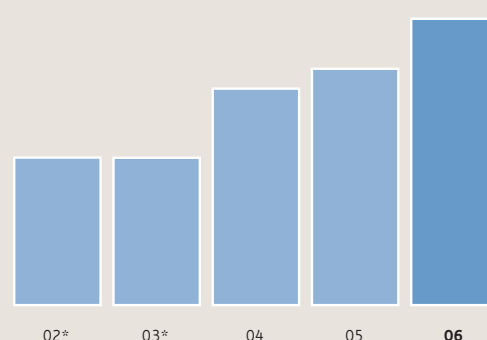


- Americas 41
- South Africa 35
- Europe 11
- Rest of the world 13

EBITDA

US\$m

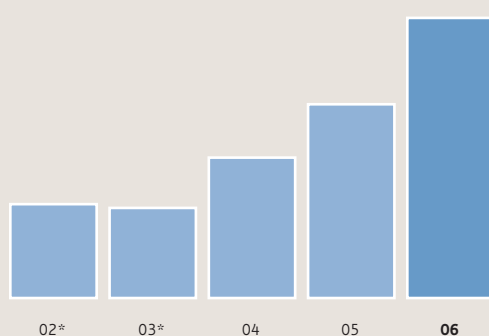
4,792 4,785 7,031 8,959 12,197



UNDERLYING EARNINGS PER SHARE

US\$

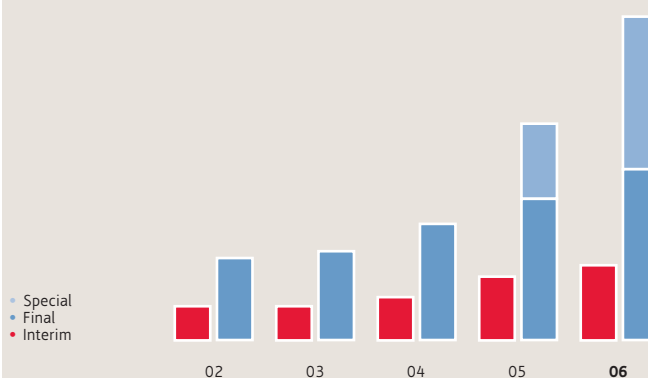
1.25 1.20 1.87 2.58 3.73



DIVIDENDS PER SHARE

US cents

15 36 15 39 19 51 28 62 33 67



*UK GAAP

Throughout this review unless otherwise stated, operating profit includes share of associates' operating profit (before share of associates' tax and finance charges) and is before special items and remeasurements. See footnote 1 to the key financial data for the basis of the calculation of underlying earnings. See footnote 2 to the key financial data for the definition of EBITDA.

CHAIRMAN'S STATEMENT

'Another strong year for the Group with record profits and laying the foundation for significant future growth.'

2006 was another strong year for Anglo American. The Group returned record profits and laid the foundations for further growth. A number of major projects were initiated, adding to the strength of the pipeline and a \$7.5 billion return of capital was announced in 2006, underlining the Group's strong balance sheet

Progress was made in delivering on our strategy of becoming a more focused mining group. A number of the steps required to complete the restructuring involve complex regulatory issues but I am confident that these will be successfully managed and substantive further progress made by the middle of 2007.

An important development will be the appointment of Cynthia Carroll, who will succeed Tony Trahar as chief executive on 1 March 2007. The Board was seeking a candidate with experience in a capital intensive industry with long investment horizons. It identified three critical factors: a track record of operational excellence and of growing a global business; an ability to give new momentum to our work in transforming the culture of the Group, within South Africa and beyond; and an ability to work well with governments and other stakeholders. Cynthia Carroll met these criteria admirably. She was the unanimous choice of the Board after a very rigorous process.

Tony Trahar has made a pivotal contribution to Anglo American's growth and development at a crucial time in its history. Over the last seven years he has presided over a major streamlining of the Group's interests, including through a significant programme of acquisitions and disposals. Moreover, through some shrewd acquisitions, organic growth opportunities and improved cost control, shareholder returns have been significantly improved. He leaves the Company in good health and poised for a new phase in its development. The Board is grateful to him for his contribution over many years with the Group.

The first three quarters of 2006 saw a significant improvement in our safety performance but the record once again deteriorated in the final quarter. Despite the strong focus on safety during the year only a small improvement in the number of fatalities was achieved and much remains to be done. The Board expects



that the intensive training drive undertaken at all management and supervisory levels during the year to embed the Anglo Safety Way will yield results in 2007. Some 20 sites have undertaken safety peer reviews. The lessons emerging from these will be acted upon across the Group.

Perceptions of the need for a more energetic response to climate change grew

significantly during 2006 amongst policy makers and the public. Business must play its part in driving more efficient energy use and in the adoption of new technologies. However, this involves substantial long term investment and greater certainty about the post Kyoto policy framework is urgently needed.

In the interim, Anglo American is continuing to improve its

At a glance

- **The Group achieved record profits and laid the foundations for further growth**
- **Progress was made in delivering on our strategy of becoming a more focused mining group**
- **Cynthia Carroll appointed as successor to Tony Trahar**
- **Evolving strategies to combat climate change**



– with major programmes in South Africa and Chile – and implementation of our Socio-Economic Assessment Toolbox (SEAT) process, which has taken place at over 50 sites in 15 countries.

At an international level, we were the first private sector investor in the Investment Climate Facility for Africa, have played a leading role in the mining sector in the Extractive Industries Transparency Initiative and participated in programmes on business and development through the International Council on Mining & Metals and the World Business Council for Sustainable Development. We see action to improve the management of our impacts and to contribute to good governance as fundamental to our licence to operate and access to resources.

Many commentators expect to see some softening of commodity prices, and especially of base metals, in 2007 compared with the highs achieved in 2006. Nonetheless, prices are likely to continue to be relatively high for the immediate future, underpinned by demand from the BRIC economies and the anticipated strength of the world economy. ■

energy efficiency with hundreds of site level initiatives. We have established two methane capture and use projects in Australia which between them are achieving greenhouse gas savings equivalent to removing 375,000 cars from the roads. Also in Australia, we are pursuing the Monash Energy project through a new joint venture with Shell. If it proves feasible, Monash would produce a significant amount of

Australia's diesel requirements as well as a major investment in carbon capture and storage. We are also participating in the FutureGen project to achieve near zero emissions power generation from coal.

We have continued to work on projects designed to improve our ability to contribute to sustainable development. At a local level this involves, for example, business development

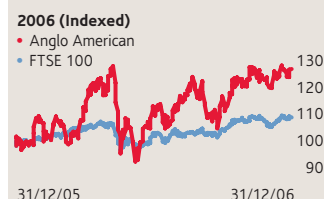
Sir Mark Moody-Stuart
Chairman

IN DETAIL

Our performance

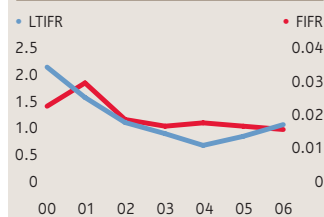
Anglo American's share price outperforms the FTSE 100 during 2006

Anglo American vs FTSE 100



Anglo American's lost time and fatal injury frequency rates

LTIFR and FIFR



CHIEF EXECUTIVE'S STATEMENT

'We achieved operating profit of \$9.8 billion, the highest ever recorded for Anglo American, on the back of increased production and higher commodity prices.'



Tony Trahar
Chief Executive

2006 was an important year for Anglo American. We made good progress in executing our restructuring initiatives to become a more focused mining group. We reported our strongest ever operating results, announced a \$7.5 billion capital return in 2006 and a further \$3 billion in 2007, while also investing in significant growth opportunities and progressing our \$6.9 billion of projects across our portfolio.

In addition, we were very pleased to announce that Cynthia Carroll will succeed me as chief executive on 1 March 2007. Cynthia brings a wealth of highly relevant experience and an excellent operational track record and is ideally suited to take Anglo American to the next phase of its development.

Record financial results

We achieved operating profit for the year of \$9.8 billion –

During 2006

- **Good progress was made in our restructuring initiatives to become a more focused mining group**
- **Strongest ever operating results**
- **A record \$7.5 billion returned to our shareholders**
- **Significant investment in our project pipeline**

our highest ever recorded – on the back of increased production and higher commodity prices. While cost pressures persist in the sector, Anglo American successfully continued to limit the impact. Underlying earnings were \$5.5 billion with record EBITDA of \$12.2 billion. The strong cash generation from our operations, as well as proceeds from non-core disposals, resulted in 2006 in the announcement of a \$7.5 billion return of capital in the form of share buybacks and special dividends – one of the highest levels of capital return in the industry – in addition to \$1.4 billion in ordinary dividends paid in 2006 and a further \$1.1 billion final dividend recommended in 2007.

Focus on core mining portfolio

Our strategic focus is clear:

- (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; and
- (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 July 2006, we disposed of the majority of our stake in Highveld Steel, with Russia's Evraz group and Credit Suisse each acquiring 24.9% of Highveld's share capital for an aggregate consideration of \$412 million. Evraz has an option to increase its stake in Highveld, once regulatory approvals are received, entitling Evraz to purchase our remaining 29.2% shareholding. On implementation of the option arrangement, the aggregate amount that will have been realised by Anglo American for its 79% interest in Highveld will be \$678 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.

A profitable growth platform over the next decade

During 2006, we made excellent progress in developing our pipeline of growth opportunities across numerous territories. We currently have \$6.9 billion of projects under

development and are assessing a further \$10 billion to \$15 billion of unapproved opportunities that will provide us with a profitable growth platform over the next decade.

Anglo Platinum expects refined platinum production to be between 2.8 and 2.9 million ounces in 2007 in line with its long term growth target of 5% per annum. During 2006 the company approved several major projects, including the \$692 million Potgietersrust Project, the \$224 million Amandelbult expansion and the \$316 million Paardekraal 2 shaft replacement project. These projects will contribute 456,000 platinum ounces to Anglo Platinum's production. The Townlands Ore Replacement project, at a capital cost of \$139 million, was approved in February 2007. This will replace 70,000 ounces of refined platinum per annum by 2014 with production from new Merensky and UG2 areas at the Rustenburg Townlands shaft.

Anglo Coal has one of the most extensive near term portfolios of

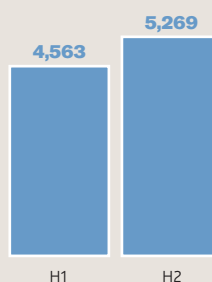
IN DETAIL

Anglo American's financial position

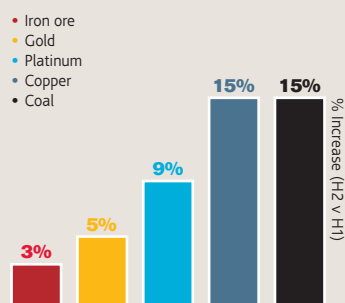
Operating profit

US\$m

• 2006



2006 H2 production increase



CHIEF EXECUTIVE'S STATEMENT



Left to right: Safety and Sustainable Development (S&SD) Committee chairman Dr Chris Fay, Tony Trahar and Dawson project construction manager Ken Grother during the visit of the S&SD Committee to Anglo Coal Australia's Dawson project in April 2006

growth options in the coal industry and is currently developing four major projects across three operating regions. In Australia, work is continuing on the \$835 million Dawson project, which is planned to reach full production in 2007, producing 12.7 million tonnes per annum (Mtpa) for export markets. We also began construction of the \$516 million Lake Lindsay greenfield project at the German Creek mine which will produce 3.7 Mtpa of metallurgical coal and 0.3 Mtpa of thermal coal by 2008, most of it for the Pacific Rim markets. In South Africa, we started development of the Mafube mine following the granting of prospecting rights, while the Isibonelo project, which supplies 5 Mtpa to Sasol, reached full production in 2006. In Colombia, the first phase of the expansion to 28 Mtpa at the Cerrejón mine reached completion and a second expansion to 32 Mtpa is already under way.

In February 2007, Anglo Coal announced the creation of Anglo Inyosi Coal, an empowered coal company housing key current and future domestic and export focused coal operations. Anglo Coal has signed a Heads of Agreement with Inyosi, a newly formed broad based BEE company. Inyosi will acquire 27% of Anglo Inyosi Coal, creating a company valued at \$1 billion and incorporating several key Anglo Coal assets; namely Kriel Colliery (an existing mine) and the Elders, Zondagsfontein, New Largo and Heidelberg projects.

Anglo Base Metals is currently assessing a number of major projects, which will drive significant production growth well into the next decade. In December, we approved the \$1.2 billion Barro Alto project in Brazil which will produce an average of 36,000 tonnes of nickel per year in the form of ferronickel over a minimum

26 year mine life. Construction of the Barro Alto facilities is scheduled to begin in 2007, with production commencing in 2010 and ramping up to full capacity during 2011. In addition, Anglo Base Metals is continuing work on feasibility and debottlenecking studies at the two major Chilean copper operations, Los Bronces and Collahuasi, and a decision to proceed with these expansions is expected in 2007.

Kumba Iron Ore is well advanced on the \$754 million Sishen expansion project in South Africa's Northern Cape, with first output due in 2007 and full ramp up to 13 Mtpa targeted for 2009. This will take Kumba Iron Ore to 45 Mtpa of iron ore production, of which 36 Mtpa will be exported. Further brownfield and greenfield projects offer the potential to increase Kumba Iron Ore's annual production to over 70 Mtpa by 2015. Other iron ore growth opportunities are being pursued.

Scaw produced a record operating profit for the year of \$160 million, up \$39 million on 2005, driven by strong demand for its range of products and the acquisition of AltaSteel, a manufacturer of value added steel products in Canada.

Progress continues on De Beers' Canadian projects at Snap Lake and Victor. Despite project costs rising, owing to higher energy costs, technological challenges and the impact of the early closure of the winter road to the sites, both developments remain on track to open in the final quarters of 2007 and 2008 respectively. In 2006, De Beers also approved two projects in South Africa: the re-opening of the dormant Voorspoed mine and the South African Sea Areas marine mining project for a total capital expenditure of \$315 million.

‘Relatively strong global growth will provide a supportive climate for commodities in the coming year.’

Safety

The most significant challenge remains our safety performance. After several years of steady safety improvement, the last quarter of 2006 was marred by a significantly higher incidence of fatal accidents. During the year, 44 employees and contractors lost their lives. All loss of life at the workplace is totally unacceptable and we continue to strive through a variety of measures for the elimination of any loss of life and injury. During 2006, we introduced a comprehensive new framework of safety policies – the Anglo Safety Way – and guidelines which are based on the principles of achieving zero harm, of identifying key learnings from each incident and of using these to prevent repeat incidents and of ensuring that there is uniform adherence at site level to a set of clear rules.

Sustainable development

In terms of sustainable development, Anglo American continues to be amongst the leading companies in the extractive sector, including through a big improvement in the proportion of employees coming forward for voluntary counselling and testing for HIV/AIDS, continued success in improving our local development impacts through our Socio-Economic Assessment Toolbox (SEAT) process and through our position as the first private sector investor to commit to fund the Investment Climate Facility for Africa. We have continued to be actively involved in the development and promotion of the Extractive Industries Transparency Initiative (EITI), including through representing the mining sector on the EITI's governing body. The

EITI supports improved governance in resource rich countries.

Outlook

Global economic growth was especially rapid in the first half of 2006, with all the major regions of the world growing rapidly over this period. Commodity prices reacted positively to this environment, with new highs being recorded for a number of products. In the second half, global growth began to moderate, particularly in the US.

European markets are now improving and emerging markets generally, and China and India in particular, are growing strongly. Continued growth in these regions in 2007 is likely to largely offset weaker US growth and thus the decline in global economic activity from the strong level achieved in 2006 should be fairly modest. The Group continues to progress its strong project pipeline and drive its operational excellence to meet ongoing demand for its commodities. Relatively strong global growth will provide a supportive climate for commodities in the coming year.

I retire from Anglo American in the knowledge that the Group is today one of the largest and strongest mining companies in the world. Its people and assets are second to none and I have every confidence that my successor, Cynthia Carroll, will continue to serve all our stakeholders in a successful and profitable way.

I would like to thank the Board of directors, management and all employees for their support during my tenure as chief executive. ■

MANAGEMENT FOCUS

Profile **Anglo American's incoming chief executive, Cynthia Carroll**

Cynthia Carroll joined the Anglo American plc Board on 15 January 2007 and will succeed Tony Trahar as chief executive on 1 March



Cynthia Carroll was formerly president and CEO of Alcan Primary Metal, the largest division of Canadian aluminium producer, Alcan. In that position she was responsible for all primary metal facilities, power generation plants, R&D and technology development centres.

During her 18 years at Alcan, she established a strong track record of improving operational performance and realising and integrating synergies across that group, particularly in regard to newly acquired assets.

Cynthia substantially repositioned Alcan in the aluminium industry, expanding the company's operations from being Canadian focused to a global company operating in 20 countries, with 18,000 employees. Following the takeover of French aluminium producer Pechiney by Alcan, she led the successful integration of Pechiney's primary metals business, while simultaneously reducing costs. Alcan Primary Metal is now achieving its highest ever returns, profitability and growth. Today, Alcan holds the largest share of capacity at the lowest end of the aluminium industry's cost curve.

Hallmarks of her five year tenure as Alcan Primary Metal's president and CEO were her ability to reconfigure organisational structure and leadership roles to create greater accountability for decision making and execution throughout the business, as well as the implementation of a worldwide asset optimisation strategy resulting in value creation of around \$1 billion.

Throughout her career, she has shown a keen interest in engaging with local communities in addressing developmental and sustainability challenges in countries as diverse as Australia, Brazil, Cameroon, Canada, China and the US. She is strongly committed to improving safety in the workplace and under her leadership Alcan Primary Metal achieved a major reduction in lost time accidents.

Cynthia, who is 50, is married and has four children. She is a US citizen who has an MSc in Geology from the University of Kansas and an MBA from Harvard. Cynthia began her career in 1982 in the US as a senior petroleum geologist with Amoco and from 1988 until the end of 2006 held various positions in Alcan, working in the US, Ireland and Canada.

DELIVERING OUR STRATEGIC GOALS

1 Delivering on our strategy

- \$1.6 billion has been realised through the disposal of non-core assets in 2006
- Mondi demerger planned for mid-2007
- Phased exit of the AngloGold Ashanti holding

Anglo American's strategy has been to become a more focused mining group, in the process simplifying its structure and enhancing returns

This has entailed a major restructuring of its asset base. Over the past seven years, disposals of non-core businesses have totalled \$11.8 billion and acquisitions amounted to \$15.7 billion.

Following implementation of the restructuring programme, Anglo American will be focused around six commodity groups: platinum, diamonds, base metals, coal, ferrous metals and industrial minerals. As a more focused, cohesive group, further cost savings and synergies as well as technology and knowledge sharing will be key priorities.

Platinum is one of the main differentiators of the Group. With platinum group metals enjoying an unparalleled and expanding range of applications, and the prospect of buoyant demand for years to come, Anglo Platinum, will continue to be a major part of the Group's mining portfolio. The steady increase of Anglo Platinum's production over the last decade is testament to the major role Anglo Platinum will play in the Group's future.

Right: Underground drilling at Anglo Platinum's Paardekraal mine in South Africa

De Beers, like Anglo Platinum, is a world leader in its field. It has a market share of some 40% of rough diamond production and is bringing on stream two new mines in Canada and one in South Africa over the next two years to augment its overall output.

In little over a decade, Anglo Coal has become a leading producer and exporter, supplying coal from three continents. In

partnership with a number of major energy companies, Anglo Coal is examining the feasibility of producing downstream products such as gas and synthetic fuels on a commercial scale and is gradually moving from being a pure coal supplier to becoming a broader player in the energy field.

Anglo American is consolidating its position as a major copper

producer, with several expansions under way or at the feasibility stage. With Anglo Platinum's nickel production set to rise significantly, combined with Anglo Base Metals' Barro Alto nickel project, the Group is set to become a significant nickel producer with around 100,000 tpa in 2012.

Kumba Iron Ore is becoming a major force in the consolidated iron ore industry, with current



**Developing
Anglo American's
core mining
portfolio**

\$15.7 bn
of acquisitions worldwide
since 1999

\$11.8 bn
of disposals worldwide
since 1999

Right: A De Beers exploration camp at Pingu Juak on Baffin Island in the Nunavut Territory of the Canadian Arctic



expansions that will boost production by around 40% to 45 Mtpa, with further potential to raise this to over 70 Mtpa by 2015.

Following an extensive review, Tarmac has restructured in the UK and reduced its downstream activities. Tarmac has sold a number of small underperforming businesses in western Europe and is focusing on the growth markets of eastern Europe. It is aiming to make a \$50 million

structural profit improvement over the next three years.

In terms of the restructuring, Anglo American has sold \$1 billion of its stake in AngloGold Ashanti, reducing its shareholding from 51% to 42%. 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.

In 2006, the first tranche of Anglo American's 79% shareholding in Highveld Steel was sold to Evraz and Credit Suisse. In November, Kumba was restructured. Anglo American now owns 64% in pure-play iron ore company Kumba Iron Ore. 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%. ■

BUSINESS FOCUS

Anglo Platinum: Future growth prospects underpinned by strong demand

Anglo Platinum, with its unparalleled long life reserve base and one of the biggest expansion programmes in mining, is set to remain the No. 1 global player in platinum. Platinum group metals (PGMs) continue to expand their wide range of uses, from the traditional sectors of autocatalysts and jewellery to service new demand stimulated by a vast array of industrial and scientific uses

For many years, PGMs – platinum, palladium, rhodium, ruthenium, iridium and osmium – have outshone all other elements in their unique range of applications. Autocatalysts represent the most important demand sector, with PGM catalysts being used to clean up auto exhaust gases. Currently, nearly half of the world's newly mined platinum finds its way into the auto industry, where over 90% of the world's new vehicles are fitted with autocatalysts. Tightening emissions legislation worldwide and the increasing demand for more fuel efficient diesel vehicles (the majority of which can only use catalytic converters that are platinum based) are intensifying demand for PGMs.

Currently, the jewellery industry absorbs about 30% of the world's platinum, as well as significant quantities of palladium. China has been the big driver in recent years, overtaking Japan in 2000 to become the world's largest platinum jewellery market. PGMs' applications in industry are constantly expanding. Key areas of new demand include hard disks, mobile phones, the LCD/flat screen TV sectors of glass manufacturing, petroleum refining, turbine coatings and anti-cancer drugs. Finally, steady progress continues to be made in fuel cells, with most major auto manufacturers investing in the development of commercial fuel cell vehicles.



\$10.5 bn

capital return announced in 2006 and 2007

Right: In western China, an Anglo Platinum drill rig is employed in the search for platinum group metals



BUSINESS FOCUS

Anglo Coal: Powering ahead into new frontiers

Coal remains the world's most abundant, affordable and secure fuel source. With the help of technology it is also becoming a cleaner fuel

Some 250 years on from its powering of the Industrial Revolution, coal looks set to remain a vital part of the energy mix. Global energy demand is expected to rise by 2% a year – meaning energy consumption will double in 35 years. Since the start of the decade, coal has enjoyed one of the fastest rates of growth of all fuels. Global coal use is forecast to increase by 1.4% every year until 2030, with two thirds of this increase coming from China and India.

However, real technological alternatives are opening up new pathways to a near zero emissions environment. Through a combination of new, super efficient coal fired boilers for power generation and carbon capture and storage, it is estimated that coal's emissions can be cut by more than 80%.

Anglo American is building a more sustainable energy future and ensuring that coal remains an important part of that future. It has joined the FutureGen industrial alliance in the US, which aims to demonstrate the production of power with near zero emissions, and has signed a joint development agreement with Shell to advance the clean coal-to-liquids Monash Energy project in Victoria, Australia. This would involve the gasification of brown coal from the extensive deposits of Victoria's Latrobe Valley for conversion into liquid fuels, especially ultra clean synthetic diesel, with the potential for large scale storage of CO₂ in the the major oil and gas fields of the Bass Strait. The partners are currently studying the project's commercial and technical aspects, which if successfully concluded would form the basis for the feasibility phase.



Left: Bucket wheel excavators at Anglo Coal South Africa's New Denmark colliery scoop up coal destined for the Tutuka power station (background) of electricity generating utility, Eskom

DELIVERING OUR STRATEGIC GOALS

2 One of the strongest growth pipelines in the industry

Anglo American has one of the strongest project pipelines in world mining. Across the Group, the platinum, diamond, coal, base metals and iron ore projects that are under development, total \$6.9 billion

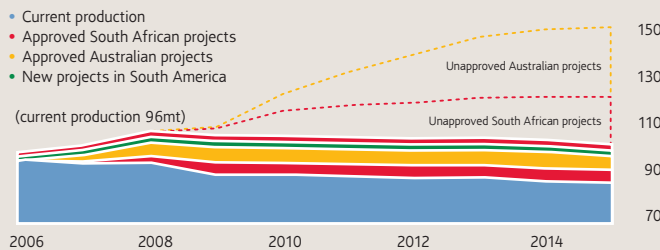
This array of projects stretching into the future, building on Anglo American's unique suite of existing assets, has created formidable organic growth potential for the Group.

In South Africa, **Anglo Platinum**, the world leader in platinum, with considerable platinum reserves, is implementing its extensive suite of projects to expand and maintain production, with \$1.6 billion approved in 2006. Against a background of positive fundamentals for the entire range of platinum group metals (PGMs), the company plans to lift its platinum production in 2007 to between

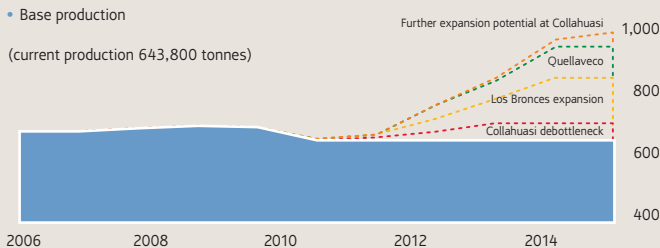
IN DETAIL

Future growth – strong project pipeline

Coal¹



Copper¹



¹ Unapproved projects unshaded

**Anglo
American:
Strong organic
growth potential**

\$6.9 bn
of approved projects

Our future is developing key projects including:

- **Anglo Platinum's PPRust open pit project under construction**
- **\$1.2 billion Barro Alto nickel project approved in December 2006**
- **Major expansion of Sishen iron ore project under way**
- **Dawson (\$835 million) and Lake Lindsay (\$516 million) export coal mines under construction**

2.8 and 2.9 million ounces, as well as expand output of other PGMs. A \$692 million project to add 230,000 platinum ounces per annum at PPRust is under way, with a further \$230 million allocated to maintaining existing production of 200,000 ounces per annum. The \$224 million East Upper UG2 project at Amandelbult, to exploit mainly the UG2 reef, will raise the mine's platinum output by 106,000 ounces a year by 2012. Accessing Merensky reef, the \$316 million Paardekraal 2 shaft project, to replace 120,000 ounces of platinum annually by 2015, has also been given the go ahead.

Anglo Base Metals has several projects in South America which will ensure that Anglo American retains its significant market position in copper, while the Group is also becoming a bigger player in nickel. At Minera Sur Andes in Chile, the Chagres smelter is now operating at full capacity following the completion of a recent expansion project. Los Bronces has a feasibility study under way on a \$1.2 billion project to increase copper production by 75%, while a debottlenecking opportunity is being evaluated at Collahuasi. A feasibility study is being conducted on the Quellaveco project in Peru. A decision on

whether to proceed with the mine, which would produce in the region of 200,000 tonnes of copper a year, at a capital cost of approximately \$1.2 billion, is expected in 2008. In Brazil, the recently approved \$1.2 billion Barro Alto project will produce an average of 36,000 tonnes of nickel in ferronickel annually over a minimum 26 year mine life. The mine should come on stream in 2010, ramp up to full production the following year and boost the Group's total nickel production to around the 100,000 tonnes per annum level by 2012.

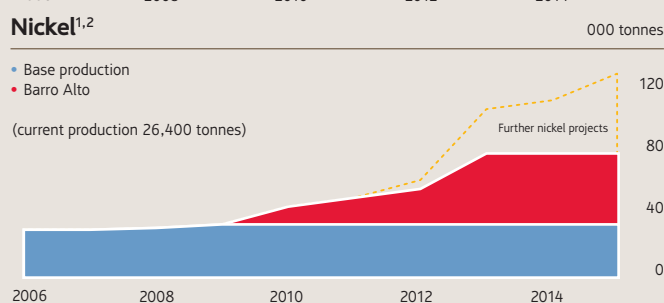
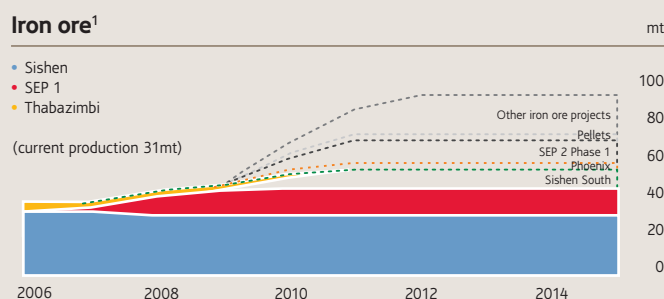
production will be 4.0 Mtpa, comprising mainly metallurgical coal. The recent granting of prospecting rights to Anglo Coal by South Africa's Department of Minerals and Energy is an encouraging development. At Cerrejón in Colombia, capacity is being expanded from the current level of 28 Mtpa to 32 Mtpa in 2008, with further expansion potential to at least 50 Mtpa.

De Beers has a number of significant projects to maintain its role as a leading global diamond producer. The major expansion focus is in Canada, where it is spending about \$1.7 billion to bring two advanced projects to production. The technically and logistically challenging Snap Lake development close to the Arctic Circle in the Northwest Territories is due to come on stream in 2007, producing 29 million carats over the life of the project. In Ontario, the province's first diamond mine, Victor, is set to enter production in the last quarter of 2008 and yield 7 million carats over a mine life of about 12 years. In South Africa, work is under way on reopening the long dormant Voorspoed mine and on getting diamond mining under way off South Africa's Atlantic coast, for a total investment of \$315 million. ■

Anglo Ferrous Metals,

through Kumba Iron Ore, is well advanced on the 13 Mtpa \$754 million Sishen expansion project in South Africa's Northern Cape, with first output due in 2007 and full ramp up targeted for 2009. Further brownfield and greenfield projects should increase Kumba Iron Ore's annual production to over 70 Mtpa by 2015. Other iron ore growth opportunities are being pursued.

Anglo Coal's actual and approved thermal/domestic coal projects are scheduled to raise attributable production to surpass 100 Mtpa early on in the next decade. In Australia, the \$835 million Dawson mine is planned to reach production in late 2007, producing 12.7 Mtpa of metallurgical and thermal coal for the export market. Construction has also started on the \$516 million Lake Lindsay greenfield project at the German Creek mine. Annual saleable



¹ Unapproved projects unshaded

² Not including Anglo Platinum's nickel production (21,700 tonnes in 2006)

\$10-\$15 bn
of future projects

Capex by geography

2006
Excluding associates

- Americas 13
- South Africa 48
- Europe 23
- Rest of world 16



BUSINESS FOCUS

Base Metals Tyres – keeping the wheels moving

Anglo American's operations across the globe continue to be challenged by a combination of higher energy and other input costs, including tyres, against the background of the strongest upturn in metal prices for more than 40 years

The focus on continuous improvement within Anglo Base Metals over the last four years provided an ideal vehicle for addressing the industry tyre shortage issue. At the start of 2005, Mantos Blancos, one of Anglo Base Metals' Chilean copper operations, was faced with the threat that its fleet availability would be seriously impacted by the shortage of tyres by September of that year. This led to the 'Protect the Rubber' campaign at the mine, which has resulted in a near doubling of tyre life over the past two years. The initiative involved about 160 people (including truck drivers, managers and supervisors) and has yielded savings of more than \$860,000.

This project is a good example of the commitment shown by employees. Equipment operates continuously and

operators are spread over four shifts, making communication difficult. This hurdle was overcome by employees meeting outside working hours at their own initiative to discuss ways of overcoming the problem. The success of this initiative has created a great sense of pride and achievement at all levels of the workforce.

This outcome is just one illustration of the benefits that are resulting from instilling a continuous improvement consciousness. There are more than 500 initiatives in Anglo Base Metals, addressing all aspects of the business and including all levels of employees in the operations.

Below: A continuous improvement campaign at Mantos Blancos copper mine in Chile has led to a near doubling in tyre life of the truck fleet and generated substantial savings



DELIVERING OUR STRATEGIC GOALS

3 Driving operational excellence

A key challenge is to drive the process of operational excellence throughout the business – from exploration to procurement

Operational excellence is very much a twin pronged thrust: driving a culture change through our continuous improvement efforts that aim to get each employee involved in improving what they do and how they do it, and the development or adoption of leading edge technology and of applying it quickly and intelligently.

Procurement and supply chain excellence has been a major element of the Group's activities since 2000 with the inception of Project Angelo, which was designed to increase volume leverage for lower supplier prices and maximise synergies Groupwide. In 2006, Anglo American businesses spent \$14 billion with their suppliers and achieved cost savings of \$583 million in synergies, operating efficiencies and negotiated procurement savings.

At Anglo Platinum's Waterval mine, trials of extra low profile (XLP) trackless mining equipment, employed in areas of severely restricted height, have shown a near tripling in cubic metres mined per month, with improved productivity and safety. The exercise has also shown that it is possible to determine accurately the structural life expectancy of

heavy mining machinery such as load haul dumpers in different conditions, which enables more accurate replacement strategies to be put in place. Modifications can now be designed to extend the life of XLP and other equipment and it is intended to embed these design principles into the equipment's specifications by transferring the technology to the equipment manufacturers. Following its success at Waterval mine, this new mining method will be implemented at other Anglo Platinum operations, where practically and economically viable, during 2007-2008.

At Kumba Iron Ore's Sishen mine the focus is on bringing about a sustained improvement in operating margins by extracting ore from material previously defined as waste. The mining operation reduces waste stripping by using smaller loaders in the ore waste contact areas. 'Contact' ore that would have been discarded owing to excessive dilution is now separated and recovered by the smaller scale equipment. The 'clean' ore is then hauled to the crusher and the waste discarded. This selective mining process has yielded two important benefits: ore that would have been discarded owing to dilution is

Anglo American:
**A focused
mining group**

15%

increase in platinum production
over 2005

\$1.2 bn

Barro Alto project approved
by Base Metals

13 Mtpa

Sishen Expansion Project on track

Driving operational excellence

- **XLP trackless mining equipment shows potential to improve productivity and safety at Anglo Platinum**
- **Selective mining process at Kumba's Sishen mine reduces waste**
- **A matrix of technologies is being examined in the ongoing drive to reduce vehicle related incidents**

recovered, while 'contact' waste, that would have claimed space in the beneficiation plant, is removed before the material enters the plant. During 2006, 2.7 million tonnes of ore was recovered from waste, with a near equivalent amount of 'clean' ore delivered to the plant.

At the Skorpion zinc mine, located in a remote and arid environment in southern Namibia, a novel solvent extraction and electrowinning process was developed by Anglo Base in partnership with Anglo Research and Spanish technology providers to treat an oxide zinc ore. Skorpion is now one of the lowest cost zinc producers in the world – exploiting a deposit that was previously uneconomic to mine.

Open pit slope stability is an issue of growing importance to the mining industry due to the potential for loss of life and serious injury – not to mention damage to equipment, leading to loss of production. Radar based and laser based mobile systems, designed to detect sub-millimetre slope movements long before they can be detected by the naked eye, and then generate alarms, are being installed where necessary at open pit operations across the Group.

Vehicle related incidents are responsible for a disproportionately high number of deaths and serious injuries at Group operations. Anglo Technical Division and business unit representatives have compiled a matrix of technologies to examine various collision avoidance systems. Combinations of several technologies, including radar, video cameras, ultrasonic, infrared and radio frequency, are being implemented at Group operations. Information is being shared across the business units, while a joint working group is establishing closer relationships with suppliers and investigating joint initiatives with other mining companies.

In South Africa, poor road conditions at Anglo Coal's Landau colliery had been causing damage to haul trucks and impacting productivity in wet weather. To counter this, and to ensure that there would be sustained improvement, a detailed haul road design and construction standard was drawn up. Previously discarded sandstone was used in the construction of the haul roads, which were properly cambered, with improved drainage. The benefits include a 7% reduction



in haul truck maintenance costs, increased tyre life, improved productivity arising from shorter truck turnaround times and a saving of around \$200,000 in diesel in 2006.

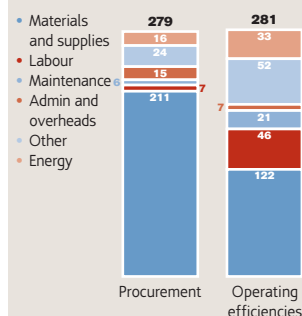
In the UK, Tarmac recently completed a review to evaluate the commercial activities of the Aggregate Products business and to identify areas of opportunity. The project, which drew together people from all major disciplines in Tarmac, has resulted in a significant change in organisational structure and proposed new ways of working that require retraining, upskilling and behavioural change. Post programme audits have been undertaken to embed the new skills and knowledge gained and to continue the improvements in working practices. ■

IN DETAIL

Cost savings

Procurement and supply chain excellence has been a major element of the Group's activities since 2000. Since the beginning of 2002, the Group has achieved procurement savings of almost \$900 million.

Cost savings in 2006 US\$m



In addition to the above, restructuring and synergies have amounted to \$23 million.

15%

increase in copper production in the second half of 2006 over the first half

131%

increase in operating profit at Base Metals

Right: Pit radar and laser beam system that forms part of the slope stability monitoring system at Anglo Platinum's PPRust mine



FINANCIAL REVIEW

Record underlying EPS of \$3.73, up 45%, with increased production at many operations. Strong operational cash flow drives \$10.5 billion capital return over 2006 and 2007

Both Base Metals and Platinum had a particularly strong year, delivering record results, as a result of higher production and robust prices. Production at Coal was also higher than last year. Record cash generation, with EBITDA of \$12.2 billion, up 36%, contributed to funding our \$10.5 billion return of capital

Financial review of the Group's results

Underlying earnings per share for the year increased to \$3.73 per share, an increase of 45% over 2005. Underlying earnings totalled \$5.5 billion, with strong contributions from Base Metals and Platinum as well as a significant increase in contribution from AngloGold Ashanti. Coal recorded lower underlying earnings mainly due to a decline in export sales volumes and increased costs. Paper and Packaging's lower contribution and Industrial Minerals's flat contribution, was owing to difficult market conditions, although conditions improved for Paper and Packaging in the second half of the year. De Beers' underlying earnings were below the prior year, mainly reflecting lower sales by The Diamond Trading Company and increased exploration and development costs, as well as lower preference share income due to the June 2006 redemptions, and higher minorities as a result of the Ponahalo transaction in April 2006. Kumba's results showed a significant increase over the prior year. However, Ferrous Metals as a whole recorded a lower contribution mainly due to lower manganese and vanadium prices, the impact of the increased minorities as a result of the Highveld part disposal in July, as well as the

full year impact of the disposal in mid-2005 of Boart Longyear and Samancor Chrome.

With strong operational results, profit for the year after special items and remeasurements increased by 76% to \$6.2 billion compared with \$3.5 billion in the prior year. There was a significant increase in net profits on disposal, which, including associates, was \$1.2 billion higher than 2005, mainly as a result of the Group's disposal of 19.7 million ordinary shares in AngloGold Ashanti and the Group's non-participation in the issue of ordinary shares by AngloGold Ashanti (\$909 million net profit on disposal) as well as the profit of \$301 million on part disposal of Highveld. This was largely offset by the \$52 million loss on part disposal of Kumba's non iron ore assets as well as operating special item losses and remeasurements of \$991 million, including the impairment and restructuring of certain Tarmac assets (\$278 million), impairment and closure costs relating to the Dartbrook coal mine in Australia (\$125 million), impairment mainly of certain downstream converting packaging assets and certain business paper assets at Paper and Packaging (\$104 million) and unrealised losses on non-hedge derivatives (\$429 million), recorded principally at AngloGold Ashanti.

MANAGEMENT FOCUS

\$10.5 billion capital return

During 2006 and early 2007 Anglo American announced a \$10.5 billion capital return to its shareholders through three share buyback programmes and special dividends

Strong operating cash flows saw the Company embark on a programme of returning \$10.5 billion to its shareholders in 2006 and 2007, in addition to its regular dividend flows. This was composed of three share buyback programmes, and a \$500 million special dividend, issued with the final 2005 dividend and a \$1.0 billion special dividend, issued with the 2006 interim dividend.

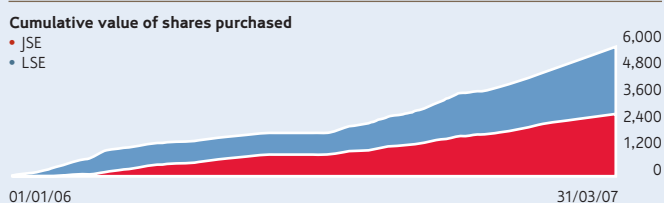
The first buyback programme, announced towards the end of 2005 following the strategic review, was for the return of \$1.0 billion of surplus capital to shareholders in 2006. A robust share price early in the year and favourable dividend assumptions by many market participants led to the conversion of the majority of the \$1.1 billion convertible bonds issued in April 2002 into ordinary shares of the Company. This contributed to the increase in size of the first

programme to \$2.0 billion, which ultimately saw the repurchase of 48.9 million shares between March and August. During this period the share price closed at a high of £25.12 and a low of £18.19, its lowest level of the year.

Following the announcement of record underlying earnings at the interim results, a further \$4.0 billion share buyback was announced. This programme, which commenced in September and is currently ongoing, repurchased 42.3 million shares up to 31 December, spending \$1.9 billion. The share price maintained an upward trend for much of this period, the average closing price being £24.05, more than £2.00 higher than the same price for the initial buyback period.

The third share buyback of \$3 billion was announced on 21 February 2007.

Share buyback



- Strong performance during the year with underlying EPS of \$3.73, up 45% over 2005
- Base metals and Platinum produced record results
- Increased production in most commodities, with particularly strong performances in second half of the year
- Profit for the financial year up 76% over 2005

Net finance costs

Net finance costs, excluding special items and financing remeasurements of nil (2005: gain of \$35 million), decreased from \$428 million in 2005 to \$165 million. The decrease reflects lower interest costs due to the reduction in net debt. Financing remeasurements, including associates, are made up of a \$18 million fair value loss on the AngloGold Ashanti convertible bond option, unrealised net gains of \$8 million on non-hedge derivatives and a \$40 million foreign exchange gain on De Beers' dollar preference shares held by a rand denominated entity.

Taxation

The effective rate of taxation before special items and remeasurements and including share of associates was 32.7%. This was an increase from the effective rate on the same basis of 26.5% in the year ended 31 December 2005. The December 2005 tax rate benefited from the one-off impact of a reduction in the statutory tax rates in South Africa and Ghana. Without this one-off benefit the effective tax rate for the prior year would have been 29.7%. The December 2006 tax rate reflects the relative impact of the statutory tax rates, on a fully distributed basis where appropriate, of the countries in which the Group's operations are based. In future periods it is expected that the effective tax rate, including associates' tax, will remain at or above the UK statutory tax rate of 30%.

Balance sheet

Equity attributable to equity shareholders of the Company was \$24,271 million compared with \$23,621 million as at 31 December 2005.

IN DETAIL

Financial overview: Groupwide figures

	2006 (\$m)	2005 (\$m)	
Operating profit before special items and remeasurements*	9,832	6,376	54%
Underlying earnings	5,471	3,736	46%
Net profit on disposals including associates	1,367	185	
Net attributable share of special items and remeasurements including associates**	(652)	(400)	
Profit for the year attributable to equity shareholders	6,186	3,521	76%
EBITDA	12,197	8,959	36%
Net debt	3,324	4,993	
Underlying EPS	3.73	2.58	45%
Basic EPS	4.21	2.43	73%

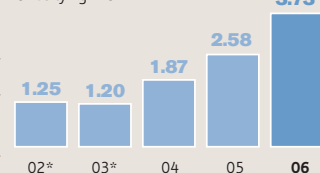
* including share of associates' tax before special items and remeasurements

** excluding net profit and disposals

Earnings per share

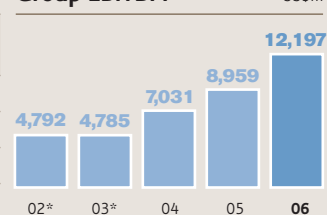
US\$

Underlying EPS



Group EBITDA

US\$m



* UK GAAP

In 2006 and 2007, the Group announced capital returns of \$10.5 billion to shareholders.

Net debt, excluding hedges but including balances that have been reclassified as held for sale (\$80 million) was \$3,324 million, a decrease of \$1,669 million from 31 December 2005. This was principally due to reduction of debt from cash flows from operations and disposals, deconsolidation of AngloGold Ashanti debt and conversion of \$1.1 billion of the Group's convertible debt, although this was partially offset by \$3.9 billion of share buyback and \$1.5 billion special dividend as at 31 December 2006. Net debt at 31 December 2006 comprised \$6,304 million of debt, offset by \$2,980 million of cash, cash equivalents and current financial asset investments. Net debt to total capital⁽¹⁾ as at 31 December 2006 was 12.9%, compared with 17.0% at 31 December 2005.

Cash flow

Net cash inflows from operating activities was \$8,310 million against \$6,781 million in 2005. EBITDA was \$12,197 million, a substantial increase of 36% from \$8,959 million in 2005. Depreciation and amortisation decreased by \$405 million to \$2,036 million.

Acquisition expenditure accounted for an outflow of \$344 million compared with \$530 million in 2005. This included \$76 million, net of cash acquired, in respect of the Group's investment in AltaSteel (Ferrous Metals and Industries) and \$65 million in respect of the Group's investment in Akrosil and Stambolijski (Paper and Packaging). Proceeds from disposals totalled \$1,642 million, with net proceeds on the sale of 19.7 million ordinary shares of AngloGold Ashanti of \$839 million and net proceeds of \$412 million received on disposal of 49.8% of Anglo American's shareholding in Highveld. Repayment of loans and capital

from associates amounted to \$394 million representing redemption of preference shares by De Beers. Purchases of tangible assets amounted to \$3,686 million, an increase of \$380 million. Increased capital expenditure by Platinum, Coal, Ferrous Metals and Industries, Industrial Minerals and Base Metals was partially offset by a reduction in capital expenditure at Paper and Packaging, as well as the impact of including AngloGold Ashanti's capital expenditure up to 20 April 2006, after which it is accounted for as an associate.

Dividends

A final dividend of 75 US cents per share to be paid on 3 May 2007 has been recommended.

Return on capital employed

ROCE in 2006 was 32.4%, compared to 19.2% in 2005. ■

⁽¹⁾ Net debt to total capital is calculated as net debt divided by total capital less investments in associates. Total capital is net assets excluding net debt.

OPERATING REVIEW

Platinum

	2006	2005
Operating profit	\$2,398 m	\$854 m
EBITDA	\$2,845 m	\$1,282 m

Overview

- World's No. 1 primary producer of platinum
- Highest ever operating profit in 2006
- One of the biggest capital expenditure programmes in world mining
- Long term outlook is favourable for platinum and other platinum group metals

Anglo Platinum's operating profit climbed by 181% to a record \$2,398 million, supported by a significantly higher price achieved for the basket of metals sold, increased production and a weaker exchange rate. The average dollar price realised for the basket of metals sold rose by 46% to \$2,030 per platinum ounce. Refined platinum production was 15% higher at 2,816,500 ounces, with platinum mining output up by 5% to 2,638,600 ounces.

Below: Drill rig operator and section safety representative straighten and check drill hoses on the front of a drill rig at the Waterval Shaft of Anglo Platinum's Rustenburg Platinum mine



The Amandelbult 1 shaft optimisation project was completed in March 2006. The deepening of Bafokeng-Rasimone and the sinking of the Lebowa Merensky declines are well advanced. The PPRust North expansion project commenced and the Paardekraal 2 shaft and Amandelbult's East Upper UG2 projects have been approved. Paardekraal 2 shaft replacement project is expected to yield 120,000 ounces of refined platinum per annum by 2015 and the Amandelbult East Upper UG2 project will contribute an additional 106,000 ounces a year by 2012.

Anglo Platinum is continuing with its expansion programme and expects refined platinum output of between 2.8 and 2.9 million ounces in 2007. Studies continue to evaluate the ramping up of various projects to support its stated average compound growth target of 5% per annum. Another strong performance is forecast for 2007, with the most significant variables affecting earnings being metal prices and the exchange rate. ■

Diamonds

	2006	2005
Operating profit	\$463 m	\$583 m
EBITDA	\$541 m	\$655 m

Overview

- De Beers is a global leader in the world diamond industry
- Global retail sales continue to rise
- De Beers group diamond production surpasses 50 million carats
- Upcoming projects will add 3.3 million carats to De Beers' annual production capacity

Right: X-Ray separation machines employed in the diamond recovery process at the Venetia mine in South Africa



Anglo American's share of operating profit from De Beers declined by 21% to \$463 million, largely due to lower sales by The Diamond Trading Company (DTC), the marketing arm of De Beers, and the dilution in earnings following the sale of 26% of De Beers Consolidated Mines to a South African black economic empowerment consortium.

Global retail sales for 2006 grew by about 4%-5%. The DTC's sales were \$6.2 billion, a slight decline on 2005, reflecting the reduced supply available to the DTC and the challenging environment in the rough diamond wholesale market.

Group production increased by 2 million carats to a record 51 million carats. Debswana raised output from 31.9 million carats to 34.3 million carats, while South Africa and Namdeb

produced 14.6 million carats and 2 million carats, respectively.

In Canada, De Beers is on target to start production at Snap Lake in October 2007, while Victor in Ontario should commence in the last quarter of 2008. In South Africa, De Beers has been granted a mining licence for the long closed Voorspoed mine and is progressing its \$145 million Sea Areas marine mining project.

Demand for rough diamonds remains steady, though growth in DTC sales is likely to be constrained by shortages following the reduction in Russian purchases as agreed with the European Commission. De Beers will continue to bring new production on stream and invest downstream through the venture with Moët Hennessy Louis Vuitton and the *Forevermark* marketing programmes. ■

Base Metals

	2006	2005
Operating profit	\$3,876 m	\$1,678 m
EBITDA	\$4,214 m	\$1,990 m

Overview

- One of the world's leading copper producers, with important nickel and zinc assets
- Operating profits in 2006 set a new record of \$3.9 billion
- \$1.2 billion Barro Alto nickel project gets go ahead
- Significant expansion potential in copper

In 2006 Anglo Base Metals generated its highest ever level of operating profit of \$3,876 million on the back of increased copper, zinc, lead and ferroniobium production and significantly higher metal prices, partially offset by significant rises in the costs of energy and most key consumables.

Below: Copper sheets awaiting export at Mantoverde mine in Chile



Attributable copper production increased to 643,800 tonnes, with record operating profits of \$3,019 million. The \$80 million El Soldado pit extension project was completed on time and under budget.

Nickel output was 26,400 tonnes, similar to 2005, with the nickel, niobium and mineral sands division accounting for operating profit of \$405 million. Total nickel production will increase materially by 2011 when the recently approved \$1.2 billion, 36,000 tpa Barro Alto project in Brazil reaches full capacity.

Zinc output increased to 334,700 tonnes. Skorpion experienced a slight decline due to a tankhouse fire, which was more than offset by increases at Lisheen.

Agreement has been reached to sell 100% of Namakwa Sands and 26% each of Black Mountain and Gamsberg to black economic empowerment group Exxaro for a combined total of R2,195 million (\$314 million) subject to the satisfaction of conditions precedent and contractual price adjustments.

The current consensus is one of slightly lower growth in 2007. While supply/demand fundamentals remain supportive, this suggests an easing of prices. The full extent of any price moves and the pace of such change will be dictated by fluctuations in speculative and investment funds sentiment in what is likely to be a volatile pricing environment. ■

Ferrous Metals and Industries

	2006	2005
Operating profit	\$1,360 m	\$1,456 m
EBITDA	\$1,560 m	\$1,779 m

Overview

- Further progress in optimising the asset base: formation of Kumba Iron Ore as a pure-play iron ore company
- Kumba Iron Ore has a \$754 million expansion programme to boost production by 40% by 2009
- Record iron ore production
- Scaw makes record operating profit of \$160 million

Highveld's operating profit declined to \$230 million following a weaker vanadium market. Evraz, which with Credit Suisse has acquired 49.8% of Anglo American's 79% stake in Highveld, has an option to acquire the remaining 29.2%.

Scaw Metals produced a record operating profit of \$160 million, on the back of increased demand. The acquisitions of AltaSteel in Canada and the remaining 50% of Moly-Cop Canada contributed \$32 million for the year.

Below: Kumba Iron Ore excavator working a stockpile at Saldanha Bay, Sishen's export port on South Africa's Atlantic coast



Operating profit declined by 7% to \$1,360 million, due to the sale of non-core businesses and lower vanadium and manganese prices.

Kumba made an operating profit of \$778 million, reflecting ongoing strength in global iron ore demand. A \$754 million expansion programme at Sishen will increase annual sales volumes by 40% to 45 million tonnes by 2009.

Anglo American's attributable share of Samancor's operating profit dropped to \$52 million, while Tongaat-Hulett's rose to \$154 million.

The outlook for Ferrous Metals and Industries remains broadly positive, though earnings will be influenced by the timing of a number of the restructuring transactions. ■

OPERATING REVIEW

Coal

	2006	2005
Operating profit	\$864 m	\$1,019 m
EBITDA	\$1,082 m	\$1,243 m

Overview

- New capital expenditure projects in Australia: Dawson project (\$835 million) set to come on stream in late 2007 and Lake Lindsay (\$516 million) in 2008
- Cerrejón is ramping up to 32 Mtpa, with full production scheduled for 2008
- Market remains strong for thermal coal

Anglo Coal's operating profit decreased by 15% to \$864 million, despite a marked recovery in the second half, due to an overall decline in export volumes and a pull back in export prices from 2005's high levels.

Operating profit for South African sourced coal, at \$380 million, was 19% below 2005, reflecting lower average export prices and a marginal decline in export sales volumes. Isibonelo went into full production, while

Below: Dragline stripping overburden at Anglo Coal South Africa's new Isibonelo colliery that is supplying synthetic fuel producer Sasol with 5 Mtpa of coal



work is under way on the \$264 million Mafube mine, which will increase thermal coal production by 5 million tonnes per annum (Mtpa) from 2008.

The Australian operations' operating profit reduced by 14% to \$279 million. The \$835 million Dawson and \$516 million Lake Lindsay projects are now ramping up. Dawson expects to attain design capacity of 12.7 Mtpa in 2007. Lake Lindsay plans to produce its first coal in 2008.

In South America, Cerrejón increased output by 9% to 28.4 Mtpa, with further expansion to 32 Mtpa scheduled for 2008. Operating profit was 5% lower at \$227 million following a decline in export selling prices, higher operating costs and a stronger Colombian peso.

Exchange rates and coal prices will be the two main variables in 2007. Thermal coal prices should remain strong though still susceptible to volatility, while hard coking coal prices have softened up to 20% for 2007 contracts beginning in April. ■

Industrial Minerals

	2006	2005
Operating profit	\$336 m	\$370 m
EBITDA	\$580 m	\$618 m

Overview

- Completion of strategic review facilitates continuous improvement both operationally and commercially
- Tarmac's international businesses increase their contribution by 5%
- Tarmac acquires assets in Turkey and Romania for first time
- Work under way on Tarmac's largest ever contract – resurfacing a stretch of England's M1 motorway

Right: The Streetwalker is a new generation tool used to break up road surfaces and reduces exposure to hand-arm vibration syndrome. It is being introduced throughout Tarmac



Anglo Industrial Minerals' operating profit fell by 9% to \$336 million. Tarmac's operating profit was 7% lower at \$315 million, principally attributable to difficult UK market conditions, where margins were eroded by high energy costs. These input cost pressures were partly mitigated by cost savings of some \$63 million.

Despite a substantial decline in demand from the housing sector, Tarmac Building Products improved results. Demand, however, remained weak for aggregate products, particularly in the road and housing sectors.

Operating profits for Tarmac International improved owing to stronger markets in France, Germany and Poland and the opening of a quarry in the Middle East. Tarmac has boosted its presence in eastern Europe by entering Turkey and acquiring a developing quarrying and ready-

mixed concrete business in Romania.

Tarmac has completed its operational, commercial and organisational restructuring. The scope of its activities is now also clearly defined as aggregates, together with the three routes to market (asphalt, concrete and concrete products), with integration of cement where appropriate.

Market conditions in the UK are expected to remain challenging, with weak demand in certain sectors and high cost pressures. The uncertainty of government spending on infrastructure is also a cause for concern, as is the increasing impact of different types of construction materials such as steel and timber on the industry. Volatility of energy prices and the impact that has on the business will also continue to affect performance. ■

Gold

	2006	2005
Operating profit	\$467 m	\$332 m
EBITDA	\$843 m	\$871 m

Overview

- Strategic alliances established in Russia and are being pursued in China
- Continuing investor interest in gold
- The gold price has risen for six years in succession

AngloGold Ashanti's operating profit increased by 41% to \$467 million. Total cash costs rose by \$27 per ounce to \$308 per ounce, mainly resulting from stronger operating currencies, inflation and lower grades.

Below: At AngloGold Ashanti's Mponeng mine in South Africa a miner pumps ammonium nitrate into drill holes which are then charged before being electronically detonated



In 2006, AngloGold Ashanti's production from ongoing operations declined by 9% to 5.64 million ounces. Reductions in output in Tanzania, South Africa and Ghana were only partly compensated by small increases from operations in Australia, Argentina and Mali.

AngloGold Ashanti is focusing on growing the reserve and resource base, both through exploration and through a disciplined, value adding mergers and acquisitions programme.

AngloGold Ashanti is now looking outside of the world's mature gold regions and has exploration projects in the Democratic Republic of Congo and in Colombia. In Russia, a strategic alliance has been formed with Polymetal and other strategic alliances are being pursued in China. Exploration partnerships in the Philippines and Laos have resulted in land positions being acquired in several prospective areas.

The gold price has now risen for six years in succession. Ongoing strong demand from the growing economies of China and India as well as continued investor speculation and official sector activities are seen as being supportive of the gold price. ■

Paper and Packaging

	2006	2005
Operating profit	\$477 m	\$495 m
EBITDA	\$923 m	\$916 m

Overview

- Agreement in principle reached for Mondi to become a Dual Listed Company Structure, with listings in London and Johannesburg
- In 2006, productivity improved at Mondi Packaging by 9% across the business
- First phase of modernisation programme at Syktyvkar in Russia under consideration
- \$365 million capital expenditure in Poland or Czech Republic being considered

Below: An extensive range of tinted papers is made in Austria, with production at the plant in Kematen and special finishing (featured here) in the plant in Hausmending



Operating profit declined to \$477 million, due to margin pressures as a result of significant input costs of fibre, chemicals and energy, partly offset by improving prices. However, Mondi was able to deliver \$224 million in cost saving and profit improvement initiatives.

Mondi Packaging's operating profit was \$6 million lower at \$287 million, with a strong

upturn in packaging paper pricing offset by higher input costs and continued margin pressure in the converting operations. During the year Mondi strengthened its position in the high growth niche release liner segment, in sack kraft and extrusion coating through a number of acquisitions. Mondi Business Paper's operating profit was down 20% at \$130 million, owing to the slow start up at Merebank, South Africa, of the PM31 paper machine following a major rebuild and tough trading conditions. PM31 is now operating at an improved rate and producing better grades of paper. Syktyvkar in Russia and

Ruzomberok in Slovakia recorded strong results, as did Mondi Packaging South Africa.

While pricing is still well below historical mid-cycle levels, the trading environment has improved, though concerns remain about the strength of the recovery and the level of overcapacity in some markets. A better financial performance overall is expected in 2007. ■

OPERATING REVIEW

Exploration



Overview

Exploration is one of the key activities for the continued growth of Anglo American. The strong competition for resources globally has led the Group into more remote regions, to create exploration alliances and to apply new and innovative technology in its search for new mineral resources. In 2006, the Anglo American Group was active across 33 countries, including 111 alliances with 103 different entities in 25 countries

In 2006, Anglo Base Metals spent \$53 million and has increased its exploration around its Chilean copper mines, adding significant resources at Los Bronces. Exploration to the south of Los Bronces continues to report significant intervals of copper mineralisation. In Brazil, further drilling at the Jacaré nickel discovery has indicated the potential for a major new nickel asset for the Company, while work continues in the Philippines to complete a pre-feasibility study at Boyongan by the end of 2007. At Gamsberg, South Africa, initial drilling of several key zinc targets has provided encouraging results. Copper exploration is being undertaken in Brazil, Chile, Indonesia, Mexico, Peru and the US. Nickel sulphide mineralisation is being sought in Arctic Canada, Russia

Above: De Beers Marine's *Peace in Africa* is currently being refitted as a mining vessel in the search for diamonds off South Africa's Atlantic coast

and Scandinavia (through alliances) and zinc programmes continue in Australia, South Africa and Namibia.

Anglo Platinum (\$30 million) is exploring in and around existing operations in South Africa's Bushveld Complex. Drilling continues at its Danba project in China, following encouraging exploration results.

Anglo Coal (\$24 million) is continuing to investigate resources for thermal and coking coal, coal bed methane and oil sands, mainly looking in southern Africa, China and Australia. Anglo Coal conducted advanced resource evaluations of the Xiwan project in China and projects in Canada and Australia.

Anglo Ferrous Metals (\$9 million) is exploring for iron ore in South Africa and other iron ore growth opportunities are being pursued.

De Beers spent \$140 million and is currently active in Angola, the Democratic Republic of Congo, Botswana, Canada, India, South Africa and Namibia. ■

Technology

Overview

For decades, Anglo American has been distinguished by a strong technology base. Its unique portfolio of in-house and partnered technologies and associated skills has served to maintain the Group's leadership in key areas of its core mining activities, adding significant value to operations. A technology council has been formed to better co-ordinate the Group's R&D initiatives

Anglo Research is a world class R&D organisation that supports the strategies of the business units. Numerous technology developments are under way, including flotation optimisation, ore upgrading, improved comminution efficiency and alternative hydrometallurgical processes.

Safety improvement remains a prime concern and appropriate technology is assisting in the drive to reduce injury and fatality rates. Vehicle collisions are receiving particular attention and a Groupwide initiative is investigating and developing warning devices for personal use.

In the exploration field, SQUID is a superconducting quantum interference device, cooled by liquid helium, that is being used in highly sensitive instruments to find and characterise buried deposits of conducting or magnetic materials. Anglo Technical Division is also employing a gravity gradiometer to measure small changes in gravity, facilitating the structural mapping of deposits of non-metallic minerals.

Other projects are aimed at reducing environmental impact and improving energy efficiency. Anglo American is engaged in partnerships with major energy companies with a view to securing coal's future as a vital part of the energy mix by both making it cleaner and adding value through downstream coal-to-liquids applications. ■

Below: Anglo Platinum piloted the application of a high intensity, submerged injection furnace installed at its plant at Rustenburg



EXECUTIVE BOARD

The Executive Board is the key co-ordinating management body. It is responsible for implementing strategies approved by the Anglo American Board, monitoring operating results, prioritising allocation of capital, technical and human resources and establishing best management practice



1



2

1. Tony Trahar*

2. René Médori*



3



4

3. Cynthia Carroll*

Joined the Executive Board on 15 January 2007.

4. Simon Thompson*



5



6

5. David Hathorn*

6. Philip Baum*



7



8

7. Ralph Havenstein*

8. Russell King

BA Hons

49, has held a variety of business and functional responsibilities in the UK and Australia with ICI PLC. From 1997 to 2000 he was managing director of Orica Consumer Products. He joined Anglo American in July 2001 as executive vice president, Group human resources and business development, and is responsible for sustainable development issues.

9. Tony Redman

MSc, BSc

58, worked for Anglo American on the Zambian Copperbelt from 1970 to 1974. In 1976 he started working at Vaal Reefs gold mine before moving to the Anglo Coal division in 1979, where he was appointed managing director in 1996 and chairman in 2002. In January 2005 he took up the position of Group technical director of Anglo American, retaining the chairmanship of Anglo Coal. He is a member of Anglo American's Investment and Safety & Sustainable Development Committees.



9

* See page 24 for biographical details

SUSTAINABLE DEVELOPMENT REVIEW

Meeting our wider responsibilities

Rigorous safety reviews, which will inform the next phase of our safety programme, are being undertaken across the Group

Safety – our leading priority

After several years of significant progress in reducing our fatal injury frequency rate (FIFR), the last quarter of 2006 was marred by a higher incidence of fatalities. Thus the number of fatalities in our managed operations fell only slightly from 46 in 2005 to 44 in 2006. Of these, 29 were employees and 15 were contractors and, unusually, three were the result of lightning strikes. Of the 44 fatalities, 12 occurred in businesses that have been divested or are no longer managed within the Group.

The Board and senior management remain determined that this performance will improve and that all loss of life must be eliminated.

It is pleasing that the number of operations operating without lost time injury increased during 2006. At the end of 2005, a new set of rules and principles,

the Anglo Safety Way, was launched which stressed the goal of zero harm, the importance of learning from incidents so as to prevent repeats, and that safety standards are non-negotiable. This framework was implemented across the organisation during 2006, augmented by an active communications programme, including high profile industrial theatre at our South African operations. 6,400 managerial and supervisory staff, including all senior management, have undergone comprehensive training in the new framework.

Safety peer reviews were undertaken at 20 sites. These will inform the next phase of our safety programme with 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.

There has been undoubted progress in building a safety culture at site level, but much still remains to be done.

HIV/AIDS – a big increase in voluntary counselling and testing

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 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.

Our community partnerships at eight South African sites continued to be highly effective in addressing prevention among young people. In 2006, we also became partners with international donors, Virgin and the public health service, in an ambitious capacity building project in the rural area of Bushbuckridge.

Engaging with local communities

One of the major challenges for modern mining operations is to ensure that they command a continuing social licence to operate and play a part in creating sustainable benefits for local communities. To this end, in 2004 we initiated a leading edge methodology for assisting our operations to improve the management of their social and

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



Left: The 'One' safety campaign at the Johannesburg corporate office was launched with an industrial theatre presentation in August 2006

\$50.3m
donated to community causes in 2006

economic impacts. The Socio-Economic Assessment Toolbox (SEAT) consists of assessment tools and a series of rigorous stakeholder identification and engagement tools to identify priorities, needs and concerns. The operation then discusses the issues raised with stakeholders and commits to specific management responses to improve its performance and publishes a summary report to all local stakeholders.

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 has received extensive international recognition. It has assisted operations to understand local communities better; to improve the quality of their Community Engagement Plans; to form partnerships with governments and community based groups; to address problems and to enhance their positive impacts in areas such as enterprise development, social investment, training and procurement.

In 2006, we undertook a significant revision of the SEAT manual. 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.

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 CO₂ 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. ■

BUSINESS FOCUS

Anglo American and its subsidiaries contributed \$50.3 million to community causes in 2006

One of the objectives of the Socio-Economic Assessment Toolbox (SEAT) programme has been to focus management attention on the developmental impacts of our core business activities. Nonetheless, social investment has an important role to play in supporting partnerships and good causes especially at site level.

In 2006 we devoted \$50.3 million to social investments, compared with \$57.6 million in 2005. The biggest single element in accounting for that decline is the change in the accounting treatment of AngloGold Ashanti, whose contribution of \$9 million was no longer included in our Group figures after April 2006.

During 2006 we established the Anglo American Group Foundation to disburse grants at a head office level. The most prominent beneficiaries of these grants were CARE, Sight Savers International,

Transparency International, Children of the Andes, Starfish and Engineers without Borders. Anglo American was delighted to support what has become the National Gallery's most popular exhibition ever – *From Manet to Picasso*.

In South Africa, where some two thirds of our social investment was disbursed, the Anglo American Chairman's Fund was once again widely recognised for the quality of its programmes by its peers. Its key recipients included Cotlands, which provides care for HIV orphans, the Mbweli Secondary School – a highly successful educational partnership in Limpopo Province – and the Field Band Foundation.

In South America, the focus for new programmes in Chile was around enterprise development, including through new initiatives with NGOs Casa de la Paz and the Fondo Esperanza on micro finance.



Above: Anglo American Chile supported a beekeeping programme during 2006

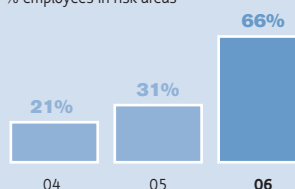
LTIFR and FIFR



Left: Anglo American's lost time and fatal injury frequency rates

Rising uptake in VCT*

% employees in risk areas



*Voluntary counselling and testing

Weighted average

THE BOARD

Executive



Tony Trahar, BCom, CA (SA)

57, is chief executive and has been with the Group since 1974. He was appointed to the Board on 18 March 1999 and became chief executive on 8 July 2000. He is chairman of the Executive Board and a member of the Safety and Sustainable Development (S&SD) Committee. Tony Trahar's other directorships include AngloGold Ashanti, Anglo Platinum and De Beers sa. He will retire as chief executive on 1 March 2007.



Cynthia Carroll, MSc, MBA

50, was appointed to the Board with effect from 15 January 2007 and is a member of the Executive Board. She will succeed Tony Trahar as chief executive on 1 March 2007. Cynthia Carroll is the former president and chief executive officer of Alcan's Primary Metals Group and is a non-executive director of Sara Lee Corporation.



René Médori, Doctorate in Economics

49, joined the Group and was appointed to the Board on 1 June 2005, becoming finance director on 1 September 2005. René Médori is a member of the Executive Board, chairman of the Investment Committee and a director of AngloGold Ashanti and De Beers sa. He is a former finance director of The BOC Group plc and is a non-executive director of Scottish and Southern Energy plc.



David Hathorn, BCom, CA (SA), CFA

44, was appointed to the Board on 20 April 2005 and is a member of the Executive Board. David Hathorn is chairman and chief executive of the Mondi group. He has been with the Group since 1989.



Simon Thompson, MA

47, was appointed to the Board on 20 April 2005 and is a member of the Executive Board and the Investment Committee. Simon Thompson is chairman of Anglo Base Metals, Anglo Industrial Minerals and Anglo Exploration and a director of AngloGold Ashanti. He joined the Group in 1995.

Non-executive



Sir Mark Moody-Stuart KCMG

PhD, MA, FGS

66, was appointed a non-executive director on 16 July 2002 and non-executive chairman on 1 December 2002. He also sits on the Remuneration, S&SD and Nomination Committees. He is a director of HSBC Holdings plc and Accenture Ltd. He is a member of the UN Global Compact and chairman of the Global Compact Foundation.

Fred Phaswana

MA, BCom

62, joined the Board on 12 June 2002. He is chairman of the Nomination Committee and a member of the Remuneration and Audit Committees. He is the non-executive chairman of Anglo American South Africa and Anglo Platinum. He is currently chairman of Transnet and a director of Naspers and was previously BP regional president: Africa, a director of BP Oil (Benelux), an associate president of BP Netherlands and chairman and chief executive of BP Southern Africa. He is also a member of the South African Institute of International Affairs.



Bobby Godsell

MA

54, joined the Board on 18 March 1999. He is a member of the S&SD Committee and has been with the Group since 1974. He is chief executive of AngloGold Ashanti and has been chief executive of its predecessor company, AngloGold, since 1998. He is chairman of South Africa's national business organisation, BUSA, and a past president of South Africa's Chamber of Mines.

David Challen CBE

MBA, MA

63, joined the Board on 9 September 2002. He is chairman of the Audit Committee and a member of the Remuneration Committee. He is currently vice chairman of Citigroup European Investment Bank and a non-executive director of Smiths Group plc. Previously he was chairman of J. Henry Schroder & Co. Limited, where he spent most of his professional career. He is currently the deputy chairman of the UK's Takeover Panel.

BUSINESS UNIT HEADS

Platinum

Ralph Havenstein, MSc, BSc, BCom, AMP
50, was appointed chief executive of Anglo Platinum on 1 July 2003. He is a director of Anglo American South Africa, Anglo Platinum group subsidiaries, Northam Platinum, Anglo American South Africa and Mintek. In 2005, he was appointed vice president of the Executive Council of South Africa's Chamber of Mines.

Diamonds

Gareth Penny, MA
44, was appointed to the board of De Beers Centenary in 2002 and in April 2003 he was appointed to the board of De Beers sa. In July 2004, Gareth Penny became the managing director of The Diamond Trading Company, and in March 2006, the De Beers group.

Base Metals

Peter Smith, BS (BEng)
59, is chief executive of Anglo Base Metals. He has been with the Group since 1977 and was appointed chief operating officer of Anglo Base Metals in 2001 and chief executive in 2005.

Ferrous Metals

Philip Baum, BCom, LLB, Higher Dip Tax Law
52, is chairman and chief executive of Anglo Ferrous Metals and Industries, acting chief executive of Anglo American South Africa and is responsible for Group procurement.



Sir Rob Margetts CBE

BA, FREng

60, joined the Board on 18 March 1999 and was appointed as the senior independent non-executive director in April 2003. He is chairman of the Remuneration Committee and a member of the Nomination Committee. He is the chairman of Legal & General Group Plc, was formerly the chairman of The BOC Group plc and vice chairman of ICI PLC. He was also chairman of the UK Natural Environment Research Council and is a member of the UK Council for Science and Technology. Sir Rob Margetts is being proposed for re-election at the AGM in April.

Ralph Alexander

MSc

51, was appointed to the Board on 20 April 2005 and is a member of the S&SD Committee. Ralph Alexander is the former CEO of BP Petrochemicals. From 1977 to 1982 he worked for Exxon. He joined BP in 1982 where his career encompassed experience in Latin America, Africa, China and Russia including positions as executive vice president and CEO, Gas Power and Renewables and group vice president, Upstream, responsible for Russia. He is a director of Foster Wheeler Limited.

Nicky Oppenheimer

MA

61, joined the Board on 18 March 1999. He is a member of the Nomination Committee. He joined the Group in 1968 and subsequently became an executive director and a deputy chairman of Anglo American South Africa. He became deputy chairman of De Beers Consolidated Mines in 1985 and has been chairman of De Beers since 1998. Nicky Oppenheimer is being proposed for re-election at the AGM in April.

Peter Woicke

MBA

64, joined the Board on 1 January 2006 and is a member of the Audit and Nomination Committees. From 1999 to January 2005 he was chief executive officer of the International Finance Corporation. He was also a managing director of the World Bank. Prior to joining the International Finance Corporation, Peter Woicke held numerous positions over nearly 30 years with J.P. Morgan. He is currently a member of the boards of Raiffeisen International Holding, Plugpower Inc, MTN Group Limited and Aldwych Holdings Limited.

Dr Chris Fay CBE

PhD, BSc, FREng, FRSE, FICE, FEI

61, joined the Board on 19 April 1999. He is chairman of the S&SD Committee and a member of the Remuneration and Audit Committees. He is non-executive chairman of Expro International Group plc and Stena International b.v. He is a former chairman of Shell UK and of the British government's Advisory Committee on Business and the Environment. Dr Fay is being proposed for re-election at the AGM in April.

Dr Mamphela Ramphele

PhD, BCom

59, joined the Board on 25 April 2006. She is a member of the Nomination and S&SD Committees. Dr Ramphele is the chairperson of Circle Capital Ventures, a black empowerment company, and a non-executive director of MTN Group Limited. She was formerly co-chair of the Global Commission on International Migration, a World Bank managing director and vice chancellor of the University of Cape Town.

Professor Karel Van Miert

Graduate in Diplomatic Sciences

65, joined the Board on 19 March 2002. He is a member of the Audit and Nomination Committees. He is currently a member of the supervisory boards of German utility RWE, Philips NV, Munich Re and Vivendi Universal. He is also a member of the advisory boards of Goldman Sachs and Eli Lilly and a member of the Boards of Solvay s.a. and Agfa-Gevaert. He was previously President of Nyenrode University, Netherlands Business School, a member of the European Parliament from 1979 to 1985 and a member of the European Commission from 1989 to 1999.

Coal

John Wallington, BSc

49, started his career at Anglo American as a mining graduate in 1981. He has held the position of executive vice president, South African operations, at Anglo Coal since 2001 and has been chief executive of Anglo Coal since January 2005.

Industrial Minerals

David Weston, MBA, BSc, MI MechE, ACGI

48, became the chief executive of Tarmac in 2006. Prior to joining Tarmac, David Weston spent 25 years at Shell, where he spent time in the Middle East and Pakistan. When he left Shell, he was president of Shell Canada Products Ltd.

Gold

Bobby Godsell

See page opposite.

Paper and Packaging

David Hathorn

See page opposite.

Summary directors' report

for the year ended 31 December 2006

Introduction

The directors present their summary financial statements for the year ended 31 December 2006. The summary financial statements do not constitute the statutory financial statements as they do not contain sufficient information to allow as full an understanding of the results of the Group and the state of affairs of the Company or of the Group, and of its policies and arrangements concerning directors' remuneration, as is provided by the full Annual Report.

The full financial statements, directors' report and report of the auditors (which is unqualified and contains no reservations about accounting records or obtaining necessary information) are included in a separate document entitled Annual Report 2006, which is available to shareholders free of charge. To obtain a copy of the Annual Report, for this and/or for future years, shareholders should contact either Lloyds TSB Registrars or Link Market Services as appropriate. Contact details for each are given on page 159.

Shareholder communications

Shareholders on the UK register may elect to receive communications from the Company electronically and will then receive future Annual Reviews/Annual Reports, Notice of the Annual General Meeting (AGM) and all other shareholder communications via e-mail notification. By registering for this service shareholders will be able to vote online at AGMs and access information on their shareholding including, for example, dividend payment history, sales and purchases and indicative share prices. For the Company, electronic communication represents a saving in terms of both costs and environmental resources.

To register for the service, shareholders should log on to www.shareview.co.uk and follow the on-screen instructions. It will be necessary to have a Shareholder Reference Number when registering, which is shown on share certificates, dividend tax vouchers and proxy cards.

The new Companies Act 2006 contains provisions which will allow a company to publish documents such as the Annual Report/Annual Review on its website rather than posting them to shareholders, provided it consults shareholders in advance and then continues to mail such documents to shareholders that request them. At the forthcoming AGM, the Company will propose amendments to its Articles of Association to incorporate this new power. Should the Company decide to exercise this power, it will first write to shareholders offering them the opportunity to elect to continue receiving such documents by post.

Business activities and development

Reports by the chairman and chief executive on the performance for the year and the future development of the Group are included at the beginning of this document.

Dividends

An interim dividend, including a special dividend, of 100 US cents per ordinary share was paid on 21 September 2006. The directors are recommending that a final dividend of 75 US cents per ordinary share be paid on 3 May 2007, subject to shareholder approval at the AGM.

Annual General Meeting

The AGM will be held on 17 April 2007. A separate booklet enclosed with this document contains the notice convening the meeting together with a description of the business to be conducted.

Corporate governance

Anglo American is committed to the highest standards of corporate governance – the way in which the Company is directed and controlled – and complied fully with the Combined Code on Corporate Governance (the 'Code') throughout the year under review.

Directors

The Board has a strong independent element and currently comprises, in addition to the chairman, five executive and ten non-executive directors, eight of whom are independent according to the definition contained in the Code. Biographical details of the directors currently serving on the Board are given on pages 24 and 25 of this document.

The Company is conscious of the need to maintain an appropriate mix of skills and experience on the Board and to progressively refresh its composition over time. In this respect, 2006 saw the appointment of Peter Woicke and Mamphelle Ramphele as new independent non-executive directors. Maria Silvia Bastos Marques retired from the Board at the 2006 AGM. Cynthia Carroll was appointed to the Board with effect from 15 January 2007 and will be proposed for election at the forthcoming AGM. She will succeed Tony Trahar as chief executive on 1 March 2007. Tony Trahar will retire from the Board at the conclusion of the AGM. Chris Fay, Sir Rob Margetts and Nicky Oppenheimer will be proposed for re-election at the AGM.

Details of the remuneration policy and of the remuneration of directors are given in the remuneration report in the Annual Report and a summary is set out on pages 29 to 32 of this document.

20 February 2007

Consolidated income statement

for the year ended 31 December 2006

US\$ million	Before special items and remeasurements 2006	Special items and remeasurements 2006	2006	Before special items and remeasurements 2005	Special items and remeasurements 2005	2005
Group revenue	33,072	–	33,072	29,434	–	29,434
Total operating costs	(24,330)	(868)	(25,198)	(24,090)	(487)	(24,577)
Operating profit from subsidiaries and joint ventures	8,742	(868)	7,874	5,344	(487)	4,857
Net profit on disposals	–	1,168	1,168	–	87	87
Share of net income from associates	582	103	685	696	(39)	657
Total profit from operations and associates	9,324	403	9,727	6,040	(439)	5,601
Investment income	609	57	666	498	72	570
Interest expense	(774)	(57)	(831)	(926)	(37)	(963)
Net finance costs	(165)	–	(165)	(428)	35	(393)
Profit before tax	9,159	403	9,562	5,612	(404)	5,208
Income tax (expense)/income	(2,763)	123	(2,640)	(1,283)	8	(1,275)
Profit for the financial year	6,396	526	6,922	4,329	(396)	3,933
Attributable to:						
Minority interests	925	(189)	736	593	(181)	412
Equity shareholders of the Company	5,471	715	6,186	3,736	(215)	3,521
Earnings per share (US\$)						
Basic			4.21			2.43
Diluted			4.12			2.36
Dividends						
Proposed ordinary dividend per share (US cents)			75			62
Proposed ordinary dividend (US\$ million)			1,107			903
Proposed special dividend per share (US cents)			–			33
Proposed special dividend (US\$ million)			–			480
Ordinary dividends paid during the year per share (US cents)			95			79
Ordinary dividends paid during the year (US\$ million)			1,391			1,137
Special dividends paid during the year per share (US cents)			100			–
Special dividends paid during the year (US\$ million)			1,448			–

Summary consolidated balance sheet

as at 31 December 2006

US\$ million	2006	2005
Non-current assets		
Intangible assets	2,134	2,572
Tangible assets	23,498	30,796
Investments in associates	4,780	3,165
Other non-current assets	3,039	2,210
Total non-current assets	33,451	38,743
Current assets		
Inventories	2,974	3,569
Trade and other receivables	5,312	5,174
Current financial asset investments and cash and cash equivalents	3,004	3,446
Other current assets	554	958
Total current assets	11,844	13,147
Assets classified as held for sale	1,188	–
Current liabilities		
Short term borrowings	(2,028)	(2,076)
Other current liabilities	(6,771)	(7,474)
Total current liabilities	(8,799)	(9,550)
Total assets less current liabilities	37,684	42,340
Non-current liabilities		
Medium and long term borrowings	(4,220)	(6,363)
Retirement benefit obligations	(775)	(1,258)
Deferred tax liabilities	(3,687)	(5,201)
Other non-current liabilities	(1,328)	(1,940)
Total non-current liabilities	(10,010)	(14,762)
Liabilities directly associated with assets classified as held for sale	(547)	–
Net assets	27,127	27,578
Attributable to:		
Equity attributable to equity shareholders of the Company	24,271	23,621
Minority interests	2,856	3,957
Total equity	27,127	27,578

The financial statements, including the summary financial statements, were approved by the Board of directors on 20 February 2007 and signed on its behalf by Tony Trahar, chief executive, and René Médori, finance director.

Summary consolidated cash flow statement

for the year ended 31 December 2006

US\$ million	2006	2005
Cash inflows from operations	10,057	7,265
Dividends from associates and investments	288	470
Net interest (paid)	(186)	(337)
Taxation	(2,035)	(954)
Net capital expenditure	(3,626)	(3,034)
Acquisitions and disposals ⁽¹⁾	1,692	517
Dividends paid to minority interests and Company shareholders	(3,271)	(1,558)
Purchase of Treasury shares	(3,922)	–
Financing activity	567	(1,988)
Other	266	221
Net increase in cash and cash equivalents	(170)	602

⁽¹⁾ Includes repayments of loans and capital from associates

Summary remuneration report

for the year ended 31 December 2006

This is a summary of the full remuneration report contained in the Annual Report, copies of which may be obtained free of charge from the Company's Registrars or South African Transfer Secretaries, or may be viewed on, UK downloaded from, the Company's website, www.angloamerican.co.uk.

Remuneration Committee

Anglo American has a Remuneration Committee (the Committee) consisting of non-executive directors, chaired by Sir Rob Margetts, which is responsible for considering and making recommendations to the Board on executive and senior management remuneration policy, specific remuneration packages for executive directors and the design and operation of the Company's share incentive schemes.

Remuneration policy for executive directors

Each executive director's total remuneration consists of salary, annual bonus, long term incentives and benefits. The basic salary of the executive directors is reviewed annually and is targeted at the median of companies of comparable size, market sector, business complexity and international scope. Company performance, individual performance and changes in responsibilities are also taken into consideration in setting salary levels at the end of each year. An appropriate balance is maintained between fixed and performance related remuneration and between elements linked to short term financial performance and those linked to longer term shareholder value creation. Assuming on target performance, the Committee's policy is that at least 50% (60% for the chief executive) or more of total executive director remuneration is performance related. In 2006, 69% of the chief executive's remuneration on an expected value basis was performance related; for other directors, on average, the figure was 64%.

Bonus Share Plan

The Bonus Share Plan (BSP) was first operated in 2004 and all executive directors are eligible to participate in it. The BSP requires executive directors to invest a significant proportion of their remuneration in shares, thereby more closely aligning their interests with those of shareholders, and encourages management at all levels to build up a meaningful personal stake in the Company. Awards under the BSP are made annually and consist of three elements: a performance-related cash element, Bonus Shares as a conditional award to a value equal to the cash element and an additional performance-related element in the form of Enhancement Shares.

The value of the bonus is calculated by reference to achievement against annual performance targets which include measures of corporate and, where applicable, business unit performance as well as the achievement of specific individual objectives. In 2006, 60% of each annual bonus award was based on the corporate or business measure and the remaining 40% on key personal performance measures. The level of bonuses payable will be reduced if certain overall safety improvement targets are not met. For executive directors, the corporate element is based on demanding Earnings Per Share (EPS) targets. In 2006 the EPS targets were met in full.

The Committee reviews these measures annually to ensure they remain appropriate and sufficiently stretching in the context of the economic and performance expectations for the Company and its operating businesses.

In the case of the directors and top tier of management, half of the bonus is payable in cash. The maximum cash element has been 90% of basic salary in the case of the chief executive and 75% of basic salary for the other executive directors (from 2007, the maximum cash element for the new chief executive will be 75%). The maximum bonus would only be paid for meeting targets which, in the opinion of the Committee, represent an exceptional performance for the Group. The other half of the bonus is in the form of a conditional award of Bonus Shares equal in value to the cash element. To encourage

retention, Bonus Shares vest only if the participant remains in employment with the Group until the end of a three year holding period, or (if having left during the holding period) is, in the view of the Committee, deemed to be a 'good leaver'.

The maximum potential, at face value, of the Enhancement Shares is 75% of the face value of the Bonus Shares (e.g. in the case of the outgoing chief executive a maximum of 68% of basic salary). Awards will vest after three years only to the extent that a challenging performance condition (based on EPS growth) has been met.

On a change of control of the Company, Bonus Shares would be released and Enhancement Shares would vest, to the extent that the applicable performance conditions have been satisfied. The BSP is not pensionable.

Other long term incentive plans (LTIP)

Conditional LTIP awards are made annually to executive directors. The maximum grant level under the LTIP is 200% of salary. It is anticipated that in 2007, grants under the LTIP will be made at 175% of salary for all executive directors, including the new chief executive. The Committee is content that the performance conditions that need to be satisfied for these awards to vest in full are sufficiently stretching in the context of the award levels. In determining annual award levels, the Committee also gives consideration to market competitiveness and has set the levels taking account of median expected value of long term incentives relative to other companies. These awards are discretionary and considered on a case-by-case basis.

The LTIP closely aligns the interests of the shareholders and executive directors by rewarding superior shareholder and financial performance and by encouraging executives to build up a shareholding in Anglo American plc.

Within five years of their appointment, executive directors are expected to acquire a holding of shares with a value of two times basic salary in the case of the chief executive and one times basic salary in the case of other executive directors.

The vesting of LTIP awards made during 2006 is subject to the achievement of stretching performance targets, relating to Total Shareholder Return (TSR) and to an operating measure, currently Return on Capital Employed (ROCE), over a fixed three year period. Half of each award is subject to a Group TSR measure, while the other half is subject to a Group ROCE measure. These performance measures were selected on the basis that they clearly foster the creation of shareholder value. There is no retesting of performance.

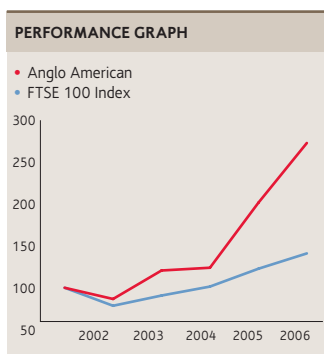
For awards made from 2005 onwards, the portion of each award that is based on TSR is measured 50% against the Sector Index and 50% against the constituents of the FTSE 100. Maximum vesting on the TSR element of an award will only be possible if Anglo American outperforms by a substantial margin both the sector benchmark and the largest UK companies across all sectors. Maximum vesting of the whole LTIP award, would, in addition, depend on the Company's performance exceeding demanding ROCE targets. Taken as a whole, vesting depends on a very challenging set of performance hurdles.

Summary remuneration report continued

For awards made in 2006, the companies constituting the Sector Index were as follows (up until 31 December 2006, after which the percentage attributable to Paper and Packaging falls to zero):

	Mining	Paper and Packaging	Industrial Minerals
Category weighting	78%	13%	9%
Comparator companies	BHP Billiton plc CVRD Rio Tinto plc Teck Cominco Vedanta Resources plc Xstrata plc	Sappi Limited SCA Stora Enso Oyj UPM-Kymmene Group	CRH plc Hanson plc Holcim Limited Lafarge

In the event of a change of control of the Company, the number of shares that vest under the LTIP will be calculated by reference to the extent to which the applicable performance conditions have been met at the time of the change of control.



The graph shows the Company's TSR performance from 1 January 2002 to 31 December 2006 against the TSR performance of the FTSE 100 Index, chosen as being a broad equity market index consisting of companies of comparable size and complexity to Anglo American plc. In drawing this graph, it has been assumed that all dividends paid have been reinvested. This graph has been produced in accordance with the requirements of Schedule 7A to the Companies Act 1985.

Pensions

Each executive director participated in defined contribution pension arrangements and two of the executive directors are also active members of defined benefit pension schemes in respect of their South African services. During the year, in the light of the new UK pensions regime which applied from 6 April 2006, the Committee decided that it would consider requests from executive directors that their contracts be altered for future service, so that further pension benefits are reduced or cease to accrue and that a pension allowance be paid having the same value as the defined contribution benefits forgone. Similarly, the Committee decided that it would consider requests from executive directors (as is the case for employees more generally) that their contracts be altered for future service, so that supplementary pension contributions are made into their defined contribution pension arrangements, in return for equivalent-value reductions in their future basic salary and/or the cash element of the BSP.

Executive directors' service contracts

Cynthia Carroll and Simon Thompson are employed by Anglo American Services (UK) Ltd; Tony Trahar and David Hathorn have contracts with Anglo American International (IOM) Limited and with Anglo Operations Limited and René Médori is employed by Anglo American International (IOM) Limited. It is the Company's policy that the period of notice for executive directors will not exceed 12 months and the employment contracts of all executive directors except that of Cynthia Carroll are terminable at 12 months notice by either party. As part of Cynthia Carroll's terms upon joining the Company, her initial notice period will be 24 months, which will reduce to 12 months after the initial 12 month period.

The contracts of executive directors do not provide for any enhanced payments in the event of a change of control of the Company, or for liquidated damages.

Non-executive directors' remuneration and service contracts

Non-executive director remuneration is set at a level which is intended to be sufficient to attract and retain world-class non-executive talent and consistent with recognised best practice. Non-executive directors may not participate in the Company's BSP, LTIP or pension arrangements. The Board reviews non-executive directors' fees periodically to ensure they remain market-competitive. All non-executive directors have letters of appointment with Anglo American plc for an initial period of three years from their date of appointment, subject to re-election at the AGM.

Directors' emoluments

The fees and other emoluments paid to non-executive directors during the year ended 31 December 2006 amounted to £1,807,000 (2005: £1,683,000). In addition, under Bobby Godsell's service contract with AngloGold Ashanti, his basic salary was equivalent to £491,000 per annum (2005: £500,000) and he was awarded a performance bonus equivalent to £192,000 (2005: £173,000). Bobby Godsell is also entitled to the provision of car allowance, medical insurance and death and disability insurance. The total value of these benefits was equivalent to £15,000 (2005: £16,000).

Emoluments paid to executive directors, and their share interests, were as follows:

	Basic salary as paid		Plus Basic salary sacrificed into Pension Scheme ⁽⁵⁾		Total basic salary		Annual performance bonus – cash element ⁽⁵⁾		Benefits in kind ⁽⁶⁾		Total	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
Executive Directors ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁷⁾												
Tony Trahar	786	855	239	95	1,025	950	830	627	112	54	1,967	1,631
David Hathorn	520	335	–	–	520	335	277	216	50	17	847	568
René Médori	485	303	75	–	560	303	370	164	25	13	955	480
Simon Thompson	495	335	25	–	520	335	316	213	34	17	870	565

In addition to the emoluments set out above, aggregate gains on exercise of directors' share options in the year amounted to £4,681,000 (2005: £5,630,000) and R3,121,000 (2005: R6,934,000) and aggregate gains on vesting of directors' LTIP, DBP and BSP awards during 2006 amounted to £2,806,000 (2005: £2,319,000) and R3,300,000 (2005: R1,208,000).

Two directors participated in defined benefit pension schemes and four directors participated in defined contribution pension arrangements during 2006. Normal contributions to defined contribution schemes in respect of these directors amounted to £821,000 (2005: £562,000). Further contributions were payable during 2006 amounting to £3,346,000 arising out of: contractually agreed reductions in salary and/or in the cash element payable under the BSP; reductions in the value of defined benefit pension entitlements; and/or the crystallisation after April 2006 of benefits accrued in unfunded pension arrangements.

Shares and options in Anglo American plc at 31 December 2006

	Beneficial share interests	Anglo American SAYE options	SIP matching shares ⁽⁹⁾	LTIP shares ⁽¹⁰⁾	BSP Bonus Shares ⁽¹¹⁾	BSP Enhancement Shares ⁽¹¹⁾	Deferred bonus matching shares ⁽¹²⁾	Other ⁽¹³⁾
Executive Directors ⁽⁸⁾	2006	2006	2006	2006	2006	2006	2006	2006
Tony Trahar	40,291	5,553	297	331,675	124,965	93,723	–	–
David Hathorn	17,851	–	–	126,560	32,837	24,627	–	–
René Médori	38	951	38	115,414	8,724	6,542	–	20,240
Simon Thompson	78,655	–	297	150,959	41,366	31,024	–	–

⁽¹⁾ Subsequent to their retirement from the Board in 2001, Leslie Boyd and Mike King continue to hold non-executive directorships with certain listed subsidiaries of the Group. They received fees of £36,000 (2005: £26,000) and £22,000 (2005: £17,000) respectively, for the provision of these services during the year.

⁽²⁾ Subsequent to his retirement from the Board in 2004, Bill Nairn has provided consultancy services to Anglo American. He received £120,000 (2005: £130,000) for the provision of these services during the year.

⁽³⁾ Subsequent to his retirement from the Board in 2005, Barry Davison provided consultancy services to Anglo American, receiving £192,000 for the provision of these services during the year. He also continued to hold non-executive directorships with certain listed subsidiaries of the Group. He received fees of £53,000 for the provision of these services during the year.

⁽⁴⁾ Subsequent to his retirement from the Board in 2005, Tony Lea remained an employee until 24 March 2006 receiving total remuneration (including benefits and pension contributions) of £597,000 (2005: £969,000). Thereafter (until 31 December 2006) he provided consultancy services to the Group, receiving £441,000 for the provision of these services.

⁽⁵⁾ Their employing companies have contractually agreed with the executive directors that supplementary pension contributions be made into their pension arrangements in return for equivalent-value reductions in their base salaries and/or in the cash elements payable under the BSP.

⁽⁶⁾ Each director receives a car allowance and a limited amount of personal taxation/financial advice. All directors receive death and disability benefits and also receive medical insurance. Tony Trahar and Simon Thompson also receive club membership.

⁽⁷⁾ No share options were granted to executive directors during the year, although 355,000 options were exercised by executive directors in 2006. Bobby Godsell also has 190,000 options in AngloGold Ashanti.

⁽⁸⁾ The exercise of options under the ESOS is subject to Anglo American's EPS (based on the Company's headline earnings measure) increasing by at least 6% above the UK Retail Price Index over a three-year period. The EPS growth requirement takes account of the cyclical nature of the natural resource business.

⁽⁹⁾ Beneficially held SIP matching shares 'released' after three years are disclosed in the beneficial interest total.

⁽¹⁰⁾ 246,785 conditional awards of shares were made to executive directors under the LTIP during the year. The vesting of those LTIP awards is subject to the achievement of stretching performance measures relating to TSR and ROCE. In 2006, 83,202 awards vested to executive directors under the 2003 LTIP Scheme. The outcome on the Group ROCE element of the 2003 LTIP was 100% and on the TSR element nil. Thus, the average vesting level for those directors with a 50% Group ROCE, 50% TSR split was 50%.

⁽¹¹⁾ 59,121 Bonus Shares and 44,338 Enhancement Shares were conditionally awarded to executive directors under the BSP during 2006 (in respect of 2005 performance). Bonus Shares vest if the executive director remains in employment with the Group until the end of the three-year holding period. The Enhancement Shares will vest to the extent that challenging EPS performance conditions were met.

⁽¹²⁾ No further awards were made to executive directors under the Deferred Bonus Plan during the year. 48,519 awards vested to executive directors during the year.

⁽¹³⁾ René Médori received 50,600 forfeitable shares not included in any share plans upon joining Anglo American plc. 30,360 were released to him on 1 May 2006; the remaining 20,240 will be released in May 2007, conditional upon his continued employment in the Group.

Summary remuneration report continued

Independent remuneration report review

This letter reports on the results of the review carried out by Mercer Human Resource Consulting Limited of the processes followed by the Anglo American Remuneration Committee (the Committee) that support the Remuneration Report for the financial year 2006. Mercer undertook the review at the request of the chairman of the Committee in order to provide shareholders with assurance that the remuneration processes followed are appropriate and that the Committee has complied with the policies set out in the Remuneration Report.

In order to reach our opinion, we reviewed the Committee's Terms of Reference and the minutes of its meetings held during the year as well as material presented to the Committee for its review. We also interviewed the Chairman and Secretary of the Committee. Our review was not intended to audit the compensation data set forth in the Remuneration Report or to evaluate the merits of Anglo American's remuneration programme.

Based on our review, Mercer is of the opinion that the processes followed by the Committee during 2006 were fully consistent with its Terms of Reference and that the decisions taken by the Committee were in line with the principles set out in the Remuneration Report. It continues to be our view that the Committee takes a suitably robust and pro-active approach to its work.

We note the Committee has refined its modus operandi each year taking into account any comments we have made in our reviews.

In addition, the Committee has taken steps to improve its processes reflecting areas for improvement highlighted in the Evaluation of the Committee undertaken with input from external advisors.

As a result we believe that the Anglo American Remuneration Committee is exemplary in its conduct, decision making and reporting.

The members of the Remuneration Committee are regularly updated on executive compensation and corporate governance matters.

Further detail regarding the Mercer review is included in a letter of this date addressed to the Committee Chairman which we understand will be made available on the Company's website.

Belinda Hudson

Principal

Mercer Human Resource Consulting Limited
Tower Place
London EC3R 5BU

13 February 2007

Independent auditors' statement

to the members of Anglo American plc

We have examined the summary financial statement which comprises the summary directors' report, consolidated income statement, summary consolidated balance sheet, summary consolidated cash flow statement and summary directors' remuneration report.

This report is made solely to the Company's members, as a body, in accordance with section 251 of the Companies Act 1985. Our work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, for our audit report or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Review in accordance with United Kingdom law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the annual review with the full annual accounts, the directors' report and the directors' remuneration report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Annual Review as described in the contents section, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with bulletin 1999/6 'The Auditors' Statement on the Summary Financial Statement' issued by the Auditing Practices Board, for use in the United Kingdom.

Our report on the Company's full annual financial statements describes the basis of our audit opinions on those financial statements and the directors' remuneration report.

Opinion

In our opinion, the summary financial statement is consistent with the full annual accounts, the directors' report and the directors' remuneration report of Anglo American plc for the year ended 31 December 2006 and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

20 February 2007

Key financial data

US\$ million (unless otherwise stated)	2006	2005	2004	US\$ million (unless otherwise stated)	2003 ⁽⁷⁾	2002 ⁽⁷⁾⁽⁸⁾
Group revenue including associates	38,637	34,472	31,938	Group turnover including share of joint ventures and associates		
Less: share of associates' revenue	(5,565)	(5,038)	(5,670)		24,909	20,497
Group revenue	33,072	29,434	26,268	Less: Share of joint ventures' turnover	(1,060)	(1,066)
Operating profit including associates before special items and remeasurements	9,832	6,376	4,697	Share of associates' turnover	(5,212)	(4,286)
Special items and remeasurements (excluding financing special items and remeasurements)	376	(455)	933	Group turnover – subsidiaries	18,637	15,145
Net finance costs (including remeasurements), taxation and minority interests of associates	(481)	(320)	(399)	Operating profit before exceptional items	2,892	3,332
Total profit from operations and associates	9,727	5,601	5,231	Operating exceptional items	(286)	(81)
Net finance costs (including special items and remeasurements)	(165)	(393)	(367)	Total operating profit	2,606	3,251
Profit before tax	9,562	5,208	4,864	Non-operating exceptional items	386	64
Income tax expense	(2,640)	(1,275)	(923)	Net interest expense	(319)	(179)
Profit for the financial year	6,922	3,933	3,941	Profit on ordinary activities before taxation	2,673	3,136
Minority interests	(736)	(412)	(440)	Taxation on profit on ordinary activities	(749)	(1,042)
Profit attributable to equity shareholders of the Company	6,186	3,521	3,501	Taxation on exceptional items	13	(3)
Underlying earnings⁽¹⁾	5,471	3,736	2,684	Equity minority interests	(345)	(528)
Earnings per share (\$)	4.21	2.43	2.44	Profit for the financial year	1,592	1,563
Underlying earnings per share (\$)	3.73	2.58	1.87	Underlying earnings⁽¹⁾	1,694	1,759
Ordinary dividend per share (US cents)	108.0	90.0	70.0	Earnings per share (\$)	1.13	1.11
Special dividend per share (US cents)	67.0	33.0	–	Underlying earnings per share (\$)	1.20	1.25
Weighted average number of shares outstanding (million)	1,468	1,447	1,434	Dividend per share (US cents)	54.0	51.0
EBITDA⁽²⁾	12,197	8,959	7,031	Basic number of shares outstanding (million)	1,415	1,411
EBITDA interest cover ⁽³⁾	45.5	20.0	18.5	EBITDA⁽²⁾	4,785	4,792
Operating margin (before special items and remeasurements)	25.4%	18.5%	14.7%	EBITDA interest cover ⁽³⁾	9.3	50.5
Ordinary dividend cover (based on underlying earnings per share)	3.5	2.9	2.7	Operating margin (before exceptional items)	11.6%	16.3%
Balance sheet				Dividend cover (based on underlying earnings)	2.2	2.5
Intangible and tangible assets	25,632	33,368	35,816	Balance sheet		
Other non-current assets and investments	7,819	5,375	5,375	Intangible and tangible fixed assets	26,646	18,841
Working capital	3,246	3,719	3,715	Investments	7,206	6,746
Other net current liabilities	(1,177)	(1,492)	(611)	Working capital	1,903	822
Other non-current liabilities and obligations	(5,790)	(8,399)	(8,339)	Provisions for liabilities and charges	(3,954)	(2,896)
Net debt	(3,324)	(4,993)	(8,243)	Net debt	(8,633)	(5,578)
Net assets classified as held for sale	721	–	–	Equity minority interests	(3,396)	(2,304)
Net assets	27,127	27,578	27,713	Total shareholders' funds (equity)	19,772	15,631
Minority interests	(2,856)	(3,957)	(4,588)	Total capital⁽⁴⁾	31,801	23,513
Equity attributable to the equity shareholders of the Company	24,271	23,621	23,125	Net cash inflow from operating activities	3,184	3,618
Total capital⁽⁴⁾	30,451	32,571	35,956	Dividends received from joint ventures and associates	426	258
Cash inflows from operations	10,057	7,265	5,291	Return on capital employed⁽⁵⁾	10.7%	17.5%
Dividends received from associates and financial asset investments	288	470	396	EBITDA/average total capital⁽⁴⁾	17.3%	24.4%
Return on capital employed⁽⁵⁾	32.4%	19.2%	14.6%	Net debt to total capital⁽⁶⁾	32.0%	27.9%
EBITDA/average total capital⁽⁴⁾	38.7%	26.0%	21.2%			
Net debt to total capital⁽⁶⁾	12.9%	17.0%	25.4%			

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 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*.

The business

An overview – 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%
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Namibia

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

Tanzania

Williamson Diamonds	75%
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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%
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Industrial Diamonds

Companies manufacturing synthetic diamonds and abrasive products	60%
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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%

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	Industrial Minerals	Gold	Paper and Packaging
Anglo Coal 100%	Anglo Industrial Minerals 100%	AngloGold Ashanti 41.7%	Anglo Paper and Packaging 100%
South Africa (100% owned)	Aggregates and building materials	South Africa (100% owned)	Packaging
Bank	Tarmac Group (UK) 100%	Great Noligwa	Mondi Packaging (worldwide) 100%
Goedehoop	Tarmac France (France and Belgium) 100%	Kopanang	Mondi Packaging South Africa 55%
Greenside	Tarmac Germany 100%	Moab Khotsong	
Isibonelo	Tarmac Poland 100%	Mponeng	
Kleinkopje	Tarmac Czech Republic 100%	Savuka	
Kriel ⁽⁴⁾	Tarmac Iberia (Spain) 100%	Tau Lekoa	Business Paper
Landau	Tarmac Turkey 100%	TauTona	Mondi Business Paper (Austria, Hungary, Slovakia, Russia, South Africa, Israel) 100%
New Denmark	Tarmac International Holdings (Far East and Middle East) 100%		
New Vaal	Tarmac Romania 60%	Rest of Africa	Newspaper + Merchenting
Nooitgedacht		Geita (Tanzania) 100%	Mondi Shanduka Newsprint (South Africa) 50% ⁽⁶⁾
South Africa – other	Phosphate products	Iduapriem (Ghana) 85%	Aylesford Newsprint (UK) 50%
Mafube 50%	Copebrás (Brazil) 73%	Morila (Mali) 40%	Europapier (Europe) 90%
Richards Bay Coal Terminal 27%		Navachab (Namibia) 100%	
		Obuasi (Ghana) 100%	
Australia		Sadiola (Mali) 38%	
Callide 100%		Siguiri (Guinea) 85%	
Dawson Complex 51%		Yatela (Mali) 40%	
Drayton 88%			
German Creek (Capcoal) 70%		North America	
Jellinbah East 23%		Cripple Creek and Victor (USA) 67% ⁽⁵⁾	
Moranbah North 88%			
Australia – other		South America	
Monash Energy Holdings Limited 100%		AngloGold Ashanti	
Dalrymple Bay Coal Terminal Pty Ltd 33%		Mineração (Brazil) 100%	
Newcastle Coal Shippers Pty Ltd 20%		Serra Grande (Brazil) 50%	
Canada		Cerro Vanguardia (Argentina) 92.5%	
Peace River Coal 60%			
Colombia		Australia	
Cerrejón 33%		Sunrise Dam 100%	
Venezuela		Boddington 33%	
Carbones del Guasare 25%			

⁽⁴⁾ Kriel forms part of the proposed Anglo Inyosi Coal of which Anglo Coal will own 73%. Heads of Agreement have been signed and the transaction will be effective upon the finalisation and execution of the definitive agreements relating to the deal and the fulfilment of the conditions precedent contained therein.

⁽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.

⁽⁶⁾ Shareholdings are shown on the basis that the contemplated community share ownership is finalised.

Shareholder information

Annual General Meeting

Will be held at 11:00 am on Tuesday 17 April 2007, at The Royal Society, 6-9 Carlton House Terrace, London, SW1Y 5AG.

Shareholders' diary 2007/8

Interim results announcement	August 2007
Interim dividend payment	September 2007
Annual results announcement	February 2008
Annual report	March 2008
AGM	April 2008
Final dividend	May 2008

Shareholding enquiries

Enquiries relating to shareholdings should be made to the Company's UK Registrars, Lloyds TSB or the South African Transfer Secretaries, Link Market Services, at the relevant address below:

UK Registrars

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA
England
Telephone:
In the UK: 0870 609 2286
From outside the UK: +44 121 415 7558

Transfer Secretaries in South Africa

Link Market Services South Africa (Pty) Ltd
11 Diagonal Street
Johannesburg 2001, South Africa
(PO Box 4844 Johannesburg 2000)
Telephone: +27 (0) 11 834 2266

Enquiries on other matters should be addressed to the Company Secretary at the following address:

Registered and Head Office

Anglo American plc
20 Carlton House Terrace
London SW1Y 5AN
England
Telephone: +44 (0)20 7968 8888
Fax: +44 (0)20 7968 8500
Registered number: 3564138
Website: www.angloamerican.co.uk

Additional information on a wide range of shareholder services can be found in the Shareholder Information section of the Notice of Annual General Meeting and on the Group's website.

Other Anglo American publications

- 2006 Annual Report
- 2006 Interim Report
- 2006/07 Fact Book
- 2006 Notice of AGM and Shareholder Information Booklet
- 2006 Report to Society
- Optima – Anglo American's current affairs journal
- Good Neighbours: Our Work With Communities
- Good Citizenship: Our Business Principles
- Investing in the future – Black Economic Empowerment

If you would like to receive copies of Anglo American's publications, please write to:

Investor and Corporate Affairs Department

Anglo American plc
20 Carlton House Terrace
London SW1Y 5AN
England

Alternatively, publications can be ordered online at:
<http://www.angloamerican.co.uk/newsandmedia/reportsandpublications/request/requestreportpopup/>

The 2006 Annual Report and the booklet containing the Notice of AGM and other shareholder information are available free of charge from the Company, its UK Registrars and South African Transfer Secretaries.

Charitable partners

This is just a selection of the charities which we have worked with in 2006:

THE
NATIONAL
GALLERY



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.

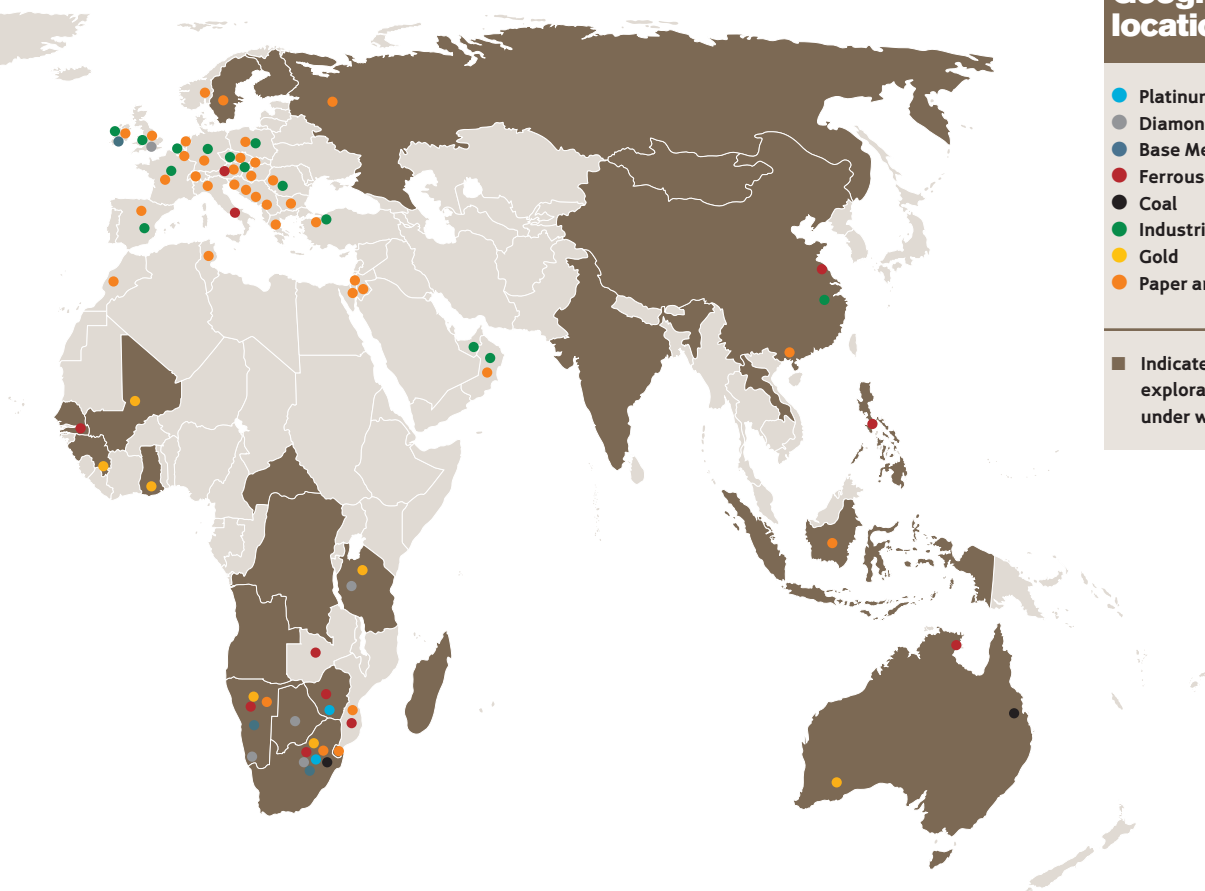
Ferrous Metals

Business profile

- Operations are mainly in southern 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 and vanadium are key components in steelmaking.



KEY

Geographical locations

- Platinum
- Diamonds
- Base Metals
- Ferrous Metals
- Coal
- Industrial Minerals
- Gold
- Paper and Packaging

■ Indicates countries in which exploration is currently under way

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 and Venezuela.

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.

Paper and Packaging

Business profile

- Mondi is an integrated paper and packaging group.
- Its operations and interests are worldwide.

Products and uses

- Mondi makes packaging and office papers, board, converted packaging and newsprint.

Design and production: Addison Corporate Marketing Ltd
Print: St Ives Westerham Press

Printed on Revive 50:50 Silk, made at an ISO 14001 mill with
25% de-inked post-consumer waste, 25% pre-consumer waste
and 50% virgin wood fibre.



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