
Industrial Minerals

Leader in UK aggregates

Anglo Industrial Minerals (AIM) has two subsidiaries: Tarmac and Copebrás. Tarmac is a leader in the construction materials business in the UK, continental Europe, the Middle East and Far East. It is principally involved in the production of crushed rock, sand and gravel, asphalt, concrete and mortar, concrete products, lime and cement. Copebrás is a leading Brazilian producer of phosphate fertilisers, phosphoric acid and sodium tripolyphosphate (STPP).

OVERVIEW

2006 overview	EBITDA	Operating profit
<ul style="list-style-type: none"> • 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 underway on Tarmac's largest ever contract – resurfacing a stretch of England's M1 motorway 	<div>2006</div> <div>\$580m</div> <div>2005</div> <div>\$618m</div>	<div>2006</div> <div>\$336m</div> <div>2005</div> <div>\$370m</div>

Business overview

Tarmac accounts for around 90% of AIM's business and is well positioned with a long life asset and reserve base. It is the UK market leader in aggregates, asphalt, concrete blocks and mortar and is the second largest in ready-mixed concrete.

Tarmac's UK organisation comprises two business units: Aggregate Products and Building Products. These units are supported by a shared service centre based in Wolverhampton.

Aggregate Products comprises aggregates, asphalt, contracting, recycling and ready-mixed concrete. The organisation is based on seven geographical areas, enabling local customer focus.

Building Products comprises those businesses that have essentially national markets. These include cement, lime, mortar and concrete products.

Tarmac's International Business is a combination of seven different businesses operating in ten countries, with a centralised management team in Frankfurt.

Tarmac is a leading producer of hard rock, sand and gravel and concrete products in Central Europe, and of ready-mixed concrete in the Madrid and Alicante areas of Spain. In France and Poland, it has important and growing share of the concrete products markets. Tarmac has recently entered Turkey and acquired a developing business in Romania, involving interests in quarries and ready-mixed concrete. Copebras is a leading Brazilian producer of phosphate fertilisers.

Products

Sand and gravel

Used mostly in the production of ready-mixed concrete, sand and gravel is also used for fills and drainage. Extracted from pits and dredged from coastal waters, materials are washed and graded prior to use.

Ready-mixed concrete

Manufactured at production units located close to its market, ready-mixed concrete consists of sand, gravel, crushed rock, water, cement, cement replacements and other components dependent upon the performance required from the resultant mix. Ready-mixed concrete is transported to site in specialist truck mixers designed to thoroughly mix the material during transit.

Mortar and screeds

Mortars and screeds consist of sand, cement, and various admixtures dependent on application and performance requirements. Mortars are predominantly used for masonry applications such as bricklaying and will often contain lime to improve working properties. Levelling screeds and self-smoothing flowing screeds are generally used to prepare floors to receive final surfaces.

Crushed rock

Crushed rock is predominantly used for road construction (where it is used both as a foundation and, when heated and mixed with bitumen, as a surfacing material), other foundations, drainage, railway ballast and concrete products. Extraction is generally by open pit drilling and blasting followed by various crushing and screening processes to achieve specifications appropriate to the ultimate end use. Crushed rock is also be used in ready-mixed concrete.

Asphalt

Manufactured by coating graded, crushed rock with bitumen, asphalt is the main product used for surfacing roads. Applied hot or cold to road foundations, asphalt is either supplied to site or collected by contractors from strategically located plants.

Previous page:

Close up of concrete. Anglo's two Industrial Mineral subsidiaries are Tarmac and Copebras.

Concrete products

Utilising extracted materials, the concrete products sector provides the construction industry with a variety of prefabricated products including blocks for walling, pre-stressed structural flooring and bespoke engineered pre-cast elements.

Lime and cement

Using similar production processes, lime and cement are added value materials used widely within construction. Lime is also an important product in the agricultural, environmental and industrial sectors.

Recycled products

Tarmac also offers a full range of recycled construction products, including high performance, specialist products for wide range of applications. Suitable for a wide range of applications, FoamMaster is a cost-effective, 95% sustainable system using recycled road arisings and other recycled aggregates to produce new binder course and base materials. Combining proven foamed bitumen technology with cold mix production and paving, FoamMaster has numerous positive environmental and health and safety benefits.

Industry overview

The aggregates, asphalt and ready-mix markets in which the Tarmac Group participates in the UK are heavily consolidated, with the top five players controlling over 70% of each market.

The cement market too is highly consolidated with the top five players accounting for nearly 90% of the market.

The main aggregates players also compete, to a greater or lesser extent, in the concrete products market, which is more fragmented.

This highly competitive and consolidated marketplace coupled with weak demand resulted in the construction industry experiencing challenging market conditions over the past few years. Market conditions in the UK are expected to remain challenging with weak demand in some sectors, including infrastructure. Volatility of energy prices and the impact that has on cement and distribution costs will also continue to affect the industry.

In addition, tighter planning regimes will inevitably lead to current holdings of consented mineral reserves becoming more valuable over time.

Strategy and business development

Tarmac's strategy is to maximise shareholder value by exploiting its core competitive advantage of consented reserves in established territories and continuing acquisitive and organic growth in selected territories which are growing and where high standards of operation are valued. It will focus on the UK and Europe, with increasing emphasis on Central and Eastern Europe, where it can develop businesses of scale; it will focus on aggregates and downstream activities where the latter protects routes to market for aggregates. It will continue to focus on the active management of its portfolio to optimise its returns to shareholders.

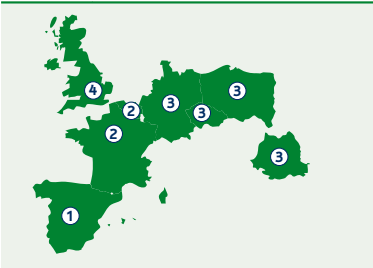
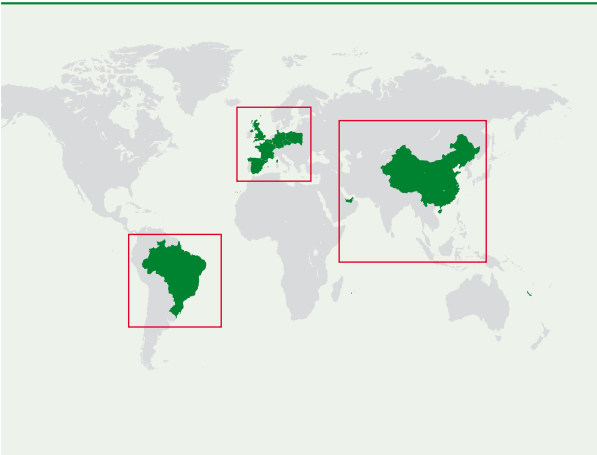
During 2005, Tarmac was restructured to deliver improved and sustainable financial performance by creating an effective, efficient and enterprising organisation that is reliable, straightforward, understanding and responsive in its relationships with customers.

Tarmac continues to seek opportunities to add further value to its business. Several programmes are underway across the UK and international businesses, which will deliver improvements in business performance and lay the foundations of a culture of continuous improvement in a wider range of businesses.

Specific strategies are:

- to become the supplier of choice across Tarmac's full product range and through its various routes to market;
- continue to develop innovative product and service solutions to differentiate it from competitors;
- strategic sourcing that is targeted to produce annual savings through economies of scale in group-wide procurement;
- capital expenditure to reduce cost and improve productivity.

AROUND THE WORLD



- Europe**
- ① 100% Tarmac Iberia (Spain)
 - ② 100% Tarmac France (France and Belgium)
 - ③ 100% Tarmac Central Europe (Germany, Poland, Czech Republic and Romania (60%))
 - ④ 100% Tarmac UK

The Tarmac Group has strong positions in Central Europe (E Germany, Poland and the Czech Republic), France and Spain. It has entered Romania and Turkey where the markets offer strong growth prospects.



- Brazil**
- ① 73% Copebrás Cubatão
 - ② 73% Copebrás Catalão



- Rest of the world**
- ① 100% Tarmac China
 - ② 100% Tarmac Middle East

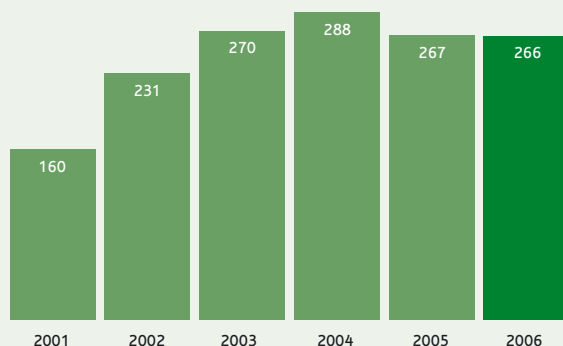
AIM’s fertiliser and phosphate interests are located in Brazil and centred in Catalão and Cubatão. AIM has a 73% shareholding in Copebrás which is a leading Brazilian producer of phosphate fertilisers, phosphoric acid and STPP.

The Tarmac Group has good market positions in the Middle East, principally in a 49% owned joint venture in the UAE, which operates an integrated asphalt and aggregates business. In China, Tarmac has asphalt businesses in Shanghai and a quarry operation in Yang, some three hours’ driver from Shanghai, but well placed to serve the Shanghai market.

FINANCIAL HIGHLIGHTS

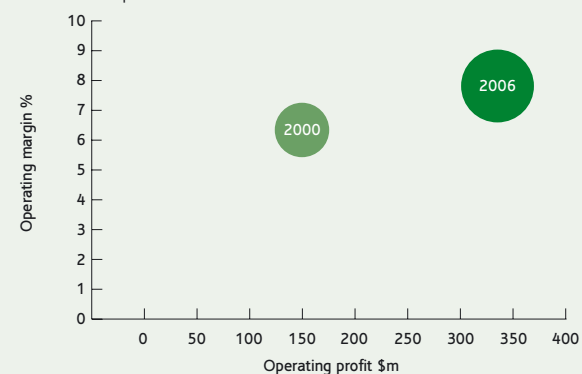
Six-year underlying earnings

\$m



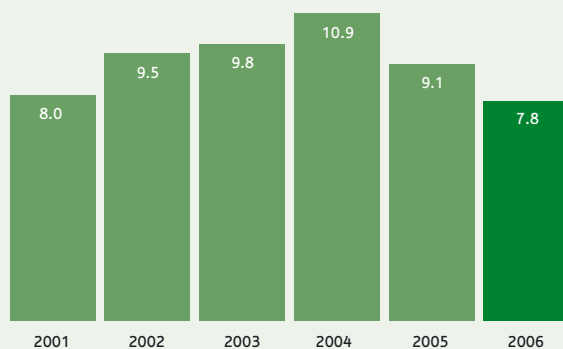
Scale and profitability growth

bubble size represents turnover



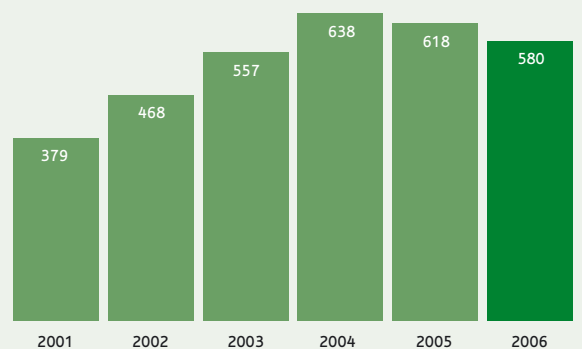
Operating margin

%



EBITDA

\$m



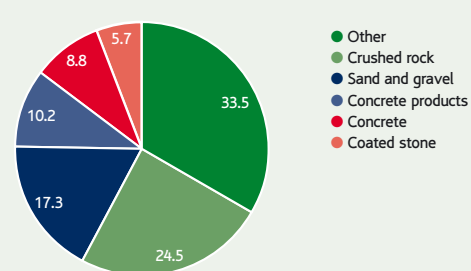
Turnover per employee

\$'000



Operating profit by product 2006

%



FINANCIAL DATA

Turnover (US\$ million)	2006	2005	2004	2003	2002	2001
Subsidiaries	4,274	4,043	3,833	3,196	2,811	2,432
Joint Ventures	—	—	—	100	76	70
Associates	17	30	25	22	25	25
Total turnover	4,291	4,073	3,858	3,318	2,912	2,527
Of which:						
Tarmac	4,009	3,784	3,596	3,129	—	—
Copebrás	282	289	262	189	—	—
EBITDA	580	618	638	557	468	379
Of which:						
Tarmac	539	570	556	510	—	—
Copebrás	41	48	82	47	—	—
Depreciation and amortisation	244	248	217	229	188	178
Operating profit before special items and remeasurements	336	370	421	325	277	201
Operating special items and remeasurements	(297)	(16)	(9)	—	—	—
Operating profit after special items and remeasurements	39	354	412	325	277	201
Net interest, tax and minority interests	(70)	(103)	(133)	(108)	(92)	(83)
Underlying earnings	266	267	288	270	231	160
Of which:						
Tarmac	258	256	259	256	214	147
Copebrás	8	11	29	14	17	13
Net segments assets	4,524	3,982	4,480	4,304	3,848	3,246
Capital expenditure	298	274	304	316	363	205

PRODUCTION DATA

Production		2006	2005	2004	2003	2002	2001
Aggregates	tonnes	92,968,200	85,887,000	77,579,000	67,158,100	63,928,400	64,112,000
Lime products	tonnes	1,428,900	1,428,100	1,185,700	893,800	871,000	926,000
Concrete	m ³	8,526,800	8,353,200	8,310,800	7,874,600	6,955,700	6,627,400
Sodium tripolyphosphate	tonnes	71,100	106,000	115,700	88,800	88,200	91,500
Phosphates	tonnes	901,500	1,036,200	1,169,300	1,040,300	734,600	820,500

RESERVES DATA

The Ore Reserve and Mineral Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 2004) as a minimum standard. The Mineral Resources are additional to the Ore Reserves. The figures reported represent 100% of the Ore Reserves and Mineral Resources, the percentage attributable to Anglo American plc is stated separately.

Phosphate products – Ore Reserves

	Attributable %	Classification	Tonnes million		Grade	
			2006	2005	2006	2005
Copebrás (OP) ⁽¹⁾	73.0					
		Proved	84.3	48.0	%P ₂ O ₅ 13.3	%P ₂ O ₅ 12.9
		Probable	152.3	69.7	13.4	13.6
		Total	236.6	117.7	13.3	13.3

Phosphate products – Mineral Resources

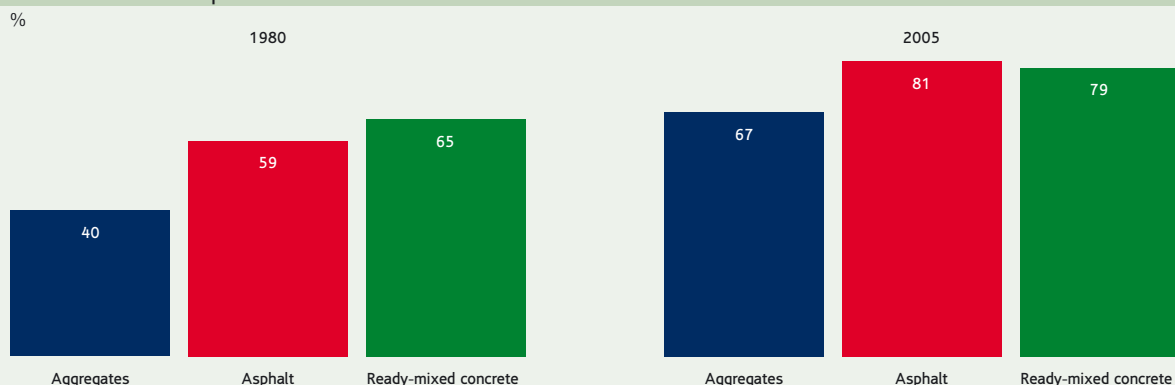
	Attributable %	Classification	Tonnes million		Grade	
			2006	2005	2006	2005
Copebrás (OP) ⁽²⁾	73.0					
		Measured	0.5	4.4	%P ₂ O ₅ 12.4	%P ₂ O ₅ 12.9
		Indicated	20.3	27.8	11.4	13.6
		Measured and Indicated	20.9	32.2	11.4	13.5
		Inferred in Mine Plan	15.8	–	12.9	–

⁽¹⁾ Copebrás: The majority of the increase is due to exploration, subsequent model update to include area FFG04 (mining permit application submitted, but not yet approved) and conversion of resources to reserves from areas 5 and Old Mine.

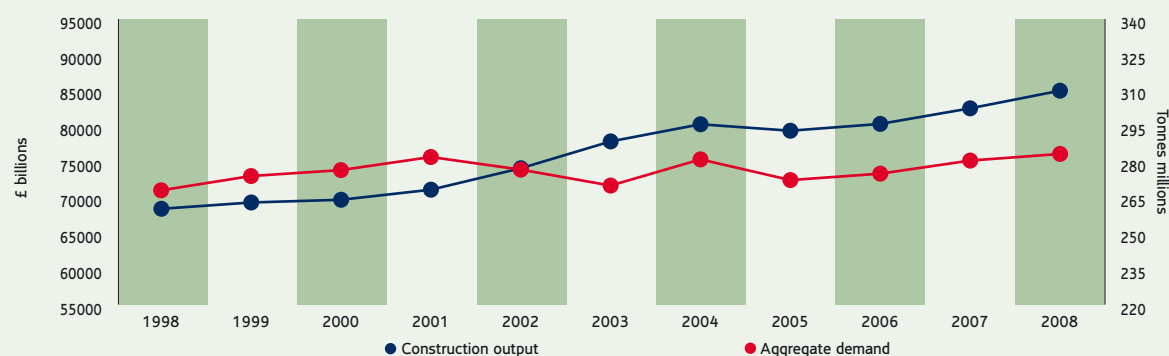
⁽²⁾ Copebrás: Decrease in Measured and Indicated Resources due to updated modelling and the conversion of resources to reserves. Inferred in Mine Plan not reported in 2005.

MARKET INFORMATION

UK consolidation – top five market shares

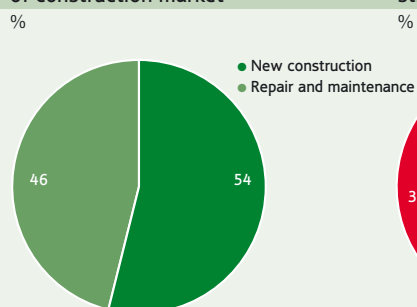


Demand drivers – construction output and aggregate volume

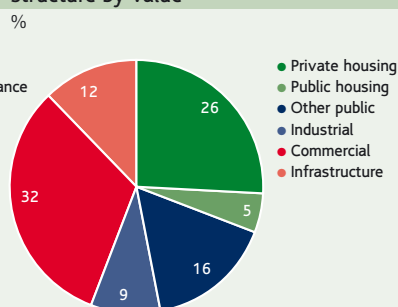


Source: Department of Trade & Industry, ODPM, Tarmac estimates

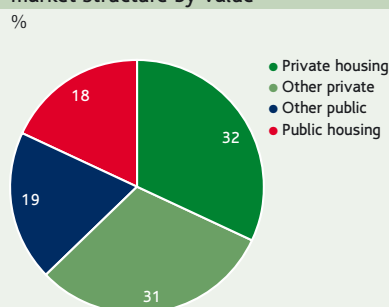
2006 estimated UK value of construction market



New construction market structure by value



Repair and maintenance market structure by value

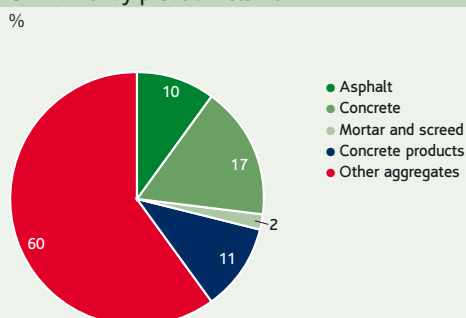


Source: Department of Trade & Industry

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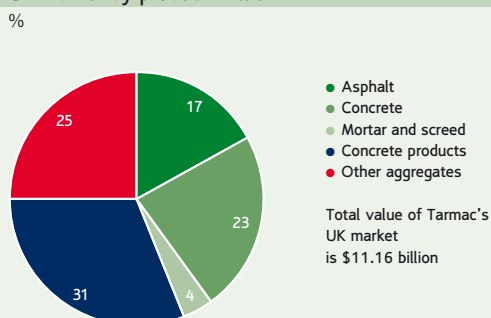
Source: Department of Trade & Industry

UK market by product volume



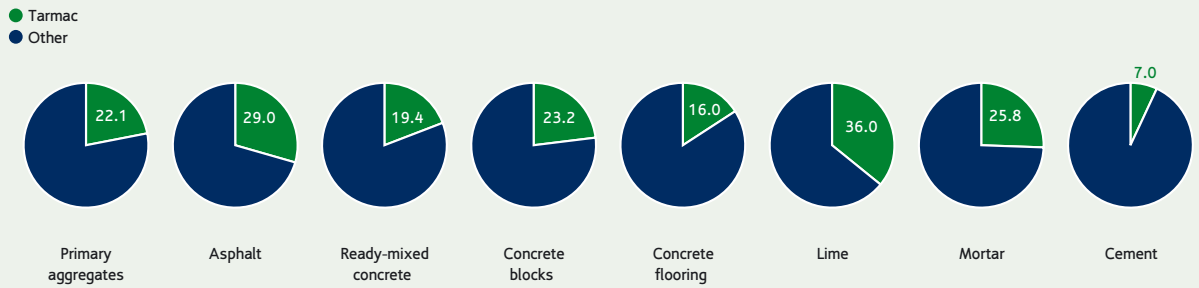
Source: Tarmac estimates

UK market by product value



Source: Tarmac estimates

Tarmac share of UK heavy side building materials

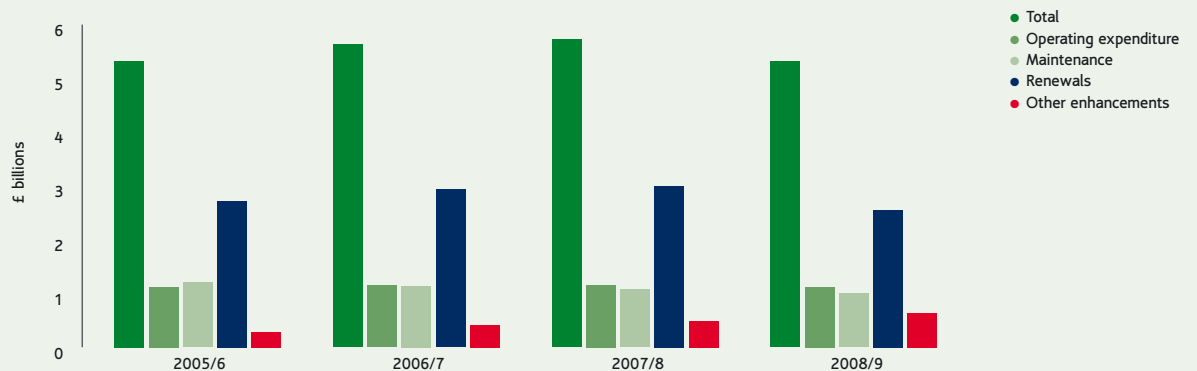


Strategic road expenditure in UK

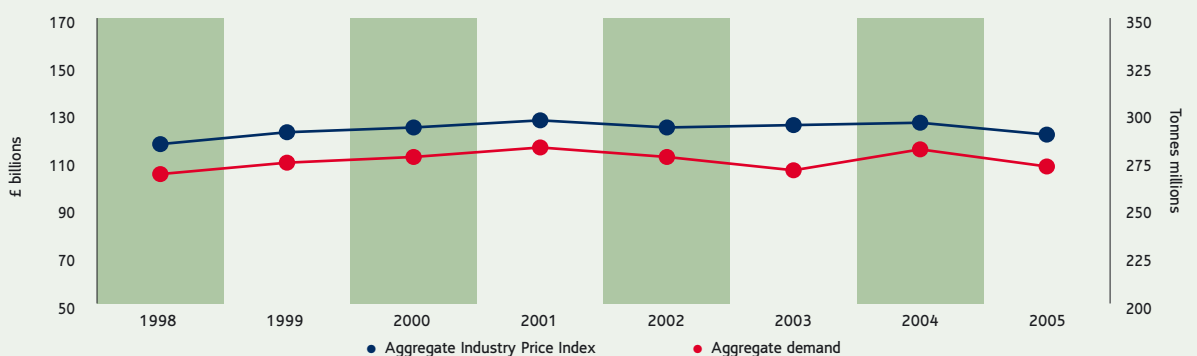


Source: Highways Agency Business Plan. Dept. of Transport 10 Year Plan

Strategic rail plan



Aggregate price and volume trends



Source: ODPM, Department of Trade & Industry, ODPM, Tarmac estimates