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How the Group and its subsidiaries performed in 2007, including business unit and financial reviews

Acquisitions and new business relationships

Complementing Anglo American's programme of organic growth, the Group is building its position in a number of key commodities, in particular copper and iron ore, through strategic value enhancing acquisitions.

The aim of becoming a significant player in the highly consolidated iron ore industry, with its high barriers to entry, has been boosted by the acquisition of 49% in the advanced MMX Minas-Rio project in Brazil. Phase 1 of the mine is expected to cost \$3.46 billion, with total projected output of 26.5 million tonnes of iron ore per annum by the end of the decade. The Minas-Rio project, the Amapá mine and the expansions at Kumba's Sishen mine will contribute towards the goal of lifting the Group's annual iron ore output to 150 million tonnes by 2017.

The Group increased its copper profile with its successful tender for the Michiquillay project in Peru and by becoming a 50% partner, with Northern Dynasty, in the copper-gold-molybdenum Pebble project in Alaska for a staged cash investment of \$1.425 billion. If approval is secured for Quellaveco in Peru, these three projects, combined with the Los Bronces and Collahuasi expansions, could see the Group's attributable copper production rising to around 1.6 million tonnes a year by 2016.

The acquisition of a 70% stake in the Foxleigh coal mine in Australia for \$620 million will further support our coal ambitions.

Recently, Anglo American and China Development Bank entered into a Memorandum of Understanding (MOU). The MOU represents a long term mutual commitment to establish a partnership to identify and develop mining projects in China, Africa and other parts of the world.

Engagement

Partnerships for a more sustainable future

At Anglo American, we believe that the pursuit of sustainable development goes hand in hand with best business practice. By our responsible custodianship of valuable resource endowments, which often include scarce water supplies, and our insistence on good governance, we hope to demonstrate to host governments and communities that resources, when developed wisely, can be of widespread ongoing benefit to their countries.

Through finding ways to maximise local economic linkages and benefits – for example, employing a majority of local people, establishing supply chain initiatives and

investing in social and physical infrastructure – and careful management of social and environmental impacts, we seek to develop positive outcomes as a result of our presence.

Leading community engagement initiatives is our Socio-Economic Assessment Toolbox (SEAT). Anglo American is also an active member of the UN Global Compact, the Extractive Industries Transparency Initiative and the round table on the Voluntary Principles on Security and Human Rights. We are also working to be a force for development through the Investment Climate Facility for Africa, Business Action for Africa, the International Council for Mining & Metals and the World Business Council for Sustainable Development. In addition, Anglo American has taken steps towards building a corporate partnership with the environmental NGO Fauna and Flora International (FFI). Anglo American and FFI intend to work together to craft a Biodiversity Performance Standard that will govern the approach to diversity management throughout the Group's operations.

Our energy partnerships

Anglo American is broadening its range of relationships in the energy field. These are helping to create the potential for the Group to expand into downstream areas closely related to its core business. Through such relationships, risk can be shared and there is the mutual opportunity of accessing each other's complementary resources, including markets, technologies and capital.

Anglo American is involved with various parties in a number of energy ventures, including the commercialisation of fuel cell technology, the capture and commercial sale of methane from its coal mines, as well as in researching integrated carbon capture and storage projects. The Group is a member of the FutureGen Industrial Alliance, which consists of major energy and mining companies working in partnership with the US Department of Energy (DOE) to design, construct and operate the world's first 'near zero emissions' coal-fuelled power generation plant. Although in January 2008, the DOE announced an intention to establish an alternative programme, the Alliance intends to continue to work with the US Administration, Congress and other stakeholders to advance the project. Anglo American has also formed a Clean Coal Energy Alliance to develop the Monash brown coal to liquids project in Australia. In China, Anglo American, the Shaanxi Coalfield Geological Bureau and Shell are jointly looking at ways to develop, including downstream applications, a coal resource of more than 600 million tonnes. ■

“Through our asset optimisation programme, we are identifying, and seeking to close, any value gaps between the performance of our operations and the industry's best in class”