

## Group financial performance

2007 was a year of change for the Group – one in which it continued to deliver strong returns for shareholders while streamlining the business and laying the foundations for greater efficiency gains and stronger growth into the future.

Throughout the financial review, the Group results are presented on a continuing basis unless otherwise stated.

### Financial review of Group results

Group underlying earnings per share on a continuing basis for the year were \$4.18, an increase of 22% compared with 2006. On a total Group basis, including results from discontinued operations, underlying earnings per share were \$4.40. Group underlying earnings on a continuing basis totalled \$5,477 million, with record contributions from Base Metals, Platinum, Ferrous Metals' core businesses and Industrial Minerals, as well as a strong contribution from De Beers. Higher prices realised in the year, in particular for the platinum group metals (PGMs), nickel, lead, niobium and iron ore, were the main driver for the increase in Group underlying earnings. Increased volumes at copper, zinc and iron ore operations also contributed to the increase. Underlying earnings at De Beers were higher than the prior year, principally reflecting higher income from joint ventures and a modest increase in diamond prices in 2007. Coal recorded lower underlying earnings due to a significant reduction in Australia's contribution. This was driven by the impact of port and rail constraints necessitating stockpiles and slowing of production, resulting in higher demurrage charges, as well as the impact of the weak dollar relative to local currency and lower sales prices. The contributions from both Paper and Packaging and AngloGold Ashanti were lower than the prior year due to the demerger of Mondi in early July and the reduction of the Group's shareholding in AngloGold Ashanti from 41.6% to 17.3% on 2 October. At 31 December 2007, the Group's shareholding in AngloGold Ashanti was 16.6%. The results of both AngloGold Ashanti and Paper and Packaging are shown as discontinued operations.

Profit for the year after special items and remeasurements increased by 2.8% to \$5,294 million compared with \$5,149 million in the prior year. The increase relates mainly to strong operational results, as discussed above and in the chief executive's statement, and an

increase in net profit on disposals, partly offset by higher operational special charges, particularly in the Group's associates.

Net profit on disposals of \$484 million which, including associates, was \$37 million higher than 2006, includes the net profit of \$140 million on disposal of the remaining 29.2% shareholding in Highveld and the part-disposal of the investment of shares in Exxaro generating a \$234 million profit on disposal.

The Group's results are influenced by a variety of currencies owing to the geographic diversity of the Group. The South African rand on average weakened slightly against the dollar compared with the prior year, with an average exchange rate of R7.05 compared with R6.77 in 2006. Currency movements positively impacted underlying earnings by \$27 million. Operating results benefited from weaker average rates for the rand, although this was offset by the stronger Chilean peso, Brazilian real and Australian dollar. Industrial Minerals' operations benefited from the strength of certain European currencies against the dollar. There was a significant beneficial effect on underlying earnings from increased prices amounting to \$1,302 million, particularly in respect of nickel and PGMs.

### Underlying earnings

\$ million	Year ended 31 Dec 2007	Year ended 31 Dec 2006 <sup>(1)</sup>
Profit for the financial year attributable to equity shareholders	5,294	5,149
Operating special items including associates	713	458
Operating remeasurements including associates	(2)	(35)
Net profit on disposals including associates	(484)	(447)
Financing special items	–	4
Financing remeasurements including associates:		
Exchange loss/(gain) on De Beers preference shares	3	(40)
Unrealised net gains on non-hedge derivatives	(28)	(4)
Tax on special items and remeasurements including associates	15	(58)
Minority interests on special items and remeasurements including associates	(34)	(8)
<b>Underlying earnings – continuing operations</b>	<b>5,477</b>	<b>5,019</b>
<b>Underlying earnings – discontinued operations</b>	<b>284</b>	<b>452</b>
<b>Underlying earnings – total Group</b>	<b>5,761</b>	<b>5,471</b>
<b>Underlying earnings per share (\$) – continuing operations</b>	<b>4.18</b>	<b>3.42</b>
<b>Underlying earnings per share (\$) – discontinued operations</b>	<b>0.22</b>	<b>0.31</b>
<b>Underlying earnings per share (\$) – total Group</b>	<b>4.40</b>	<b>3.73</b>

<sup>(1)</sup>Comparatives have been adjusted to reclassify amounts relating to discontinued operations.

## Group overview continued

Operating special items and remeasurements, including associates, amounted to \$711 million, with \$653 million operating special charges in respect of impairments, restructurings and mine and operation closures, including a \$434 million impairment relating to the Group's share of an impairment of De Beers' Canadian assets, \$153 million impairment against certain Coal Australia assets and a combined impairment and restructuring charge relating to certain non-core assets to be sold and other assets to be restructured at Industrial Minerals of \$43 million.

Net profit on sale of operations, including associates, amounted to \$484 million (2006: \$447 million), and is mainly a result of the profit on disposal of the remaining 29.2% shareholding in Highveld (\$140 million) and the part disposal of the investment in shares in Exxaro generating a \$234 million profit on disposal.

Financing remeasurements, including associates, are made up of unrealised net gains of \$28 million on non-hedge derivatives and a \$3 million foreign exchange loss on De Beers dollar preference shares held by a rand denominated entity.

The De Beers US dollar preference shares held by a rand functional currency entity are classified as 'financial asset investments' and are retranslated at each period end. The resulting rand:US dollar foreign exchange gains and losses are reported through the income statement as a remeasurement charge.

### Net finance costs

Net finance costs from continuing operations, excluding special items and remeasurements of \$29 million gain (2006: gain of \$39 million), increased from \$110 million in 2006 to \$137 million. The increase reflects higher interest costs due to the increase in net debt.

### Summary income statement

\$ million	Year ended 31 Dec 2007	Year ended 31 Dec 2006 <sup>(2)</sup>
Operating profit before special items and remeasurements	8,518	8,048
Operating special items	(251)	(424)
Operating remeasurements	5	18
Operating profit from subsidiaries and joint ventures	8,272	7,642
Net profit on disposals	460	265
Share of net income from associates – continuing operations <sup>(1)</sup>	197	607
Total profit from operations and associates	8,929	8,514
Net finance costs before special items and remeasurements	(137)	(110)
Financing special items and remeasurements	29	39
Profit before tax	8,821	8,443
Income tax expense	(2,693)	(2,518)
Profit for the financial year – continuing operations	6,128	5,925
Minority interests	(834)	(776)
Profit for the financial year attributable to equity shareholders – continuing operations	5,294	5,149
Profit for the financial year attributable to equity shareholders – discontinued operations	2,010	1,037
Profit for the financial year attributable to equity shareholders – total Group	7,304	6,186
Basic earnings per share (\$) – continuing operations	4.04	3.51
Basic earnings per share (\$) – discontinued operations	1.54	0.70
Basic earnings per share (\$) – total Group	5.58	4.21
Group operating profit including associates before special items and remeasurements – continuing operations	9,590	8,888
Group operating profit including associates before special items and remeasurements – discontinued operations	526	944
Group operating profit including associates before special items and remeasurements – total Group	10,116	9,832
<sup>(1)</sup> Operating profit from associates before special items and remeasurements – continuing operations	1,072	840
Operating special items and remeasurements <sup>(3)</sup>	(465)	(17)
Net profit on disposals <sup>(3)</sup>	24	182
Net finance costs (before remeasurements)	(85)	(70)
Financing remeasurements <sup>(3)</sup>	(4)	1
Income tax expense (after special items and remeasurements)	(303)	(300)
Minority interests (after special items and remeasurements)	(42)	(29)
Share of net income from associates – continuing operations	197	607

<sup>(2)</sup> Comparatives have been adjusted to exclude amounts relating to discontinued operations.

<sup>(3)</sup> See note 7 to the financial statements.

### Special items and remeasurements

\$ million	Excluding associates 31 Dec 2007	Associates 31 Dec 2007	Total 31 Dec 2007	Excluding associates 31 Dec 2006 <sup>(1)</sup>	Associates 31 Dec 2006 <sup>(1)</sup>	Total 31 Dec 2006 <sup>(1)</sup>
Operating special items	(251)	(462)	(713)	(424)	(34)	(458)
Operating remeasurements	5	(3)	2	18	17	35
Operating special items and remeasurements	(246)	(465)	(711)	(406)	(17)	(423)

<sup>(1)</sup> Comparatives have been adjusted to exclude amounts relating to discontinued operations.

### Discontinued operations

On 2 July 2007, the Paper and Packaging business was demerged from the Group by way of a dividend in specie paid to shareholders.

On 2 October 2007, the Group sold 67.1 million shares in AngloGold Ashanti, which reduced the Group's shareholding from 41.6% to 17.3%. The remaining investment is accounted as a financial asset investment. The Group has subsequently reduced its shareholding in AngloGold Ashanti, which at 31 December 2007 was 16.6%.

Net profit after tax on disposal and demerger of discontinued operations amounted to \$1,803 million and is principally as a result of the sale of 67.1 million shares in AngloGold Ashanti on 2 October 2007. Proceeds on sale of these shares are the major contributor to net cash inflows from investing activities of discontinued operations of \$2.6 billion.

Both of these operations are considered discontinued. Please refer to note 33 for further details on the demerger of Paper and Packaging and the disposal of AngloGold Ashanti.

### Taxation

IAS 1 *Presentation of Financial Statements* requires income from associates to be presented net of tax on the face of the income statement. Associates' tax is therefore not included within the Group's total tax charge on the face of the income statement. Associates' tax before special items and remeasurements included within 'Share of net income from associates' for the year ended 31 December 2007 was \$305 million (2006: \$278 million).

The effective rate of tax before special items and remeasurements including share of associates' tax on a continuing basis was 31.8%. This was a decrease from the equivalent effective rate of 33.0% in the year ended 31 December 2006. The main reasons for this net decrease are reduced levels of tax on distributions, changes in statutory tax rates, prior year adjustments and the availability of enhanced tax depreciation on certain assets.

### Discontinued operations

\$ million	Year ended 31 Dec 2007	Year ended 31 Dec 2006
Profit for the financial year – discontinued operations	318	593
Special items and remeasurements	(77)	404
Profit for the financial year after special items and remeasurements – discontinued operations	241	997
Net profit after tax on disposal and demerger of discontinued operations	1,803	–
Total profit for the financial year – discontinued operations	2,044	997
Minority interests – discontinued operations	(34)	40
Profit for the financial year attributable to equity shareholders – discontinued operations	2,010	1,037

### Taxation

\$ million (unless otherwise stated)	Before special items and remeasurements 31 Dec 2007	Associates' tax and minority interests 31 Dec 2007	Including associates 31 Dec 2007	Before special items and remeasurements 31 Dec 2006 <sup>(1)</sup>	Associates' tax and minority interests 31 Dec 2006 <sup>(1)</sup>	Including associates 31 Dec 2006 <sup>(1)</sup>
Profit before tax	9,021	347	9,368	8,401	307	8,708
Tax	(2,676)	(305)	(2,981)	(2,598)	(278)	(2,876)
Profit for the financial year	6,345	42	6,387	5,803	29	5,832
Effective tax rate including associates (%)			31.8			33.0

<sup>(1)</sup> Comparatives have been adjusted to exclude amounts relating to discontinued operations.

### Balance sheet

Equity attributable to equity shareholders of the Company was \$22,461 million compared with \$24,271 million at 31 December 2006.

The \$3 billion share buyback programme announced in February was completed in October 2007 and the additional share buyback programme of \$4 billion, announced in August, is 33% complete with around \$1.3 billion of shares having been repurchased at 19 February 2008.

Net debt, excluding hedges but including balances that have been reclassified as held for sale (\$69 million), was \$5,239 million, an increase of \$1.9 billion from 31 December 2006. The increase reflects the impact of the share buyback, increased planned capital expenditure on projects in Platinum, Base Metals and Coal and the acquisition of MMX Minas-Rio for \$1.15 billion, partly offset by strong operating cash flows, proceeds from disposals and the impact of the Mondi demerger.

## Group overview continued

Net debt at 31 December 2007 comprised \$8,313 million of debt, offset by \$3,074 million of cash and cash equivalents. Net debt to total capital<sup>(1)</sup> at 31 December 2007 was 20.0%, compared with 12.9% at 31 December 2006.

### Cash flow

\$ million	Year ended 31 Dec 2007	Year ended 31 Dec 2006
Net cash inflows from operating activities – continuing operations	6,800	7,337
Net cash inflows from operating activities – discontinued operations	464	973
Net cash inflows from operating activities – total Group	7,264	8,310

Net cash inflows from operating activities on a continuing basis were \$6,800 million compared with \$7,337 million in 2006. EBITDA from continuing operations was \$11,171 million, an increase of 7% from \$10,431 million in 2006.

Acquisition expenditure from continuing operations accounted for an outflow of \$1,934 million compared with \$197 million in 2006. This included \$1.15 billion in respect of the Group's acquisition of a 49% interest in the MMX Minas-Rio integrated iron ore project in Brazil and \$658 million in respect of the Group's investment in 4.4 million ordinary shares in Anglo Platinum Limited.

Proceeds from disposals on a continuing basis totalled \$711 million, including net proceeds on the sale of the remaining 29.2% shareholding in Highveld of \$182 million and \$456 million proceeds from the part-disposal of the investment in shares in Exxaro.

Repayment of loans and capital from associates on a continuing basis amounted to \$119 million, of which \$43 million relates to the redemption of De Beers preference shares. Purchases of tangible assets amounted to \$3,931 million, an increase of \$1,022 million. Increased capital expenditure by Platinum, Coal, and Base Metals was partly offset by lower spend at Ferrous Metals and Industrial Minerals.

<sup>(1)</sup> 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.

### Analysis of depreciation and amortisation by business segment (subsidiaries and joint ventures)

\$ million	Year ended 31 Dec 2007	Year ended 31 Dec 2006
Platinum	455	444
Coal	221	173
Base Metals	344	357
Industrial Minerals	258	224
Ferrous Metals and Industries	100	199
Other	20	17
	1,398	1,414

\* In 2007, Copebrás and Yang Quarry were reclassified from Industrial Minerals to Base Metals and Coal respectively, to align with internal management reporting. As such, the comparative data has been reclassified.

### Analysis of capital expenditure on a cash flow basis by business segment (subsidiaries and joint ventures)

\$ million	Year ended 31 Dec 2007	Year ended 31 Dec 2006
Platinum	1,479	923
Coal	1,052	782
Base Metals	610	315
Industrial Minerals	274	279
Ferrous Metals and Industries	470	581
Other	46	29
Purchase of tangible assets	3,931	2,909
Investment in biological assets	1	1
	3,932	2,910

\* In 2007, Copebrás and Yang Quarry were reclassified from Industrial Minerals to Base Metals and Coal respectively, to align with internal management reporting. As such, the comparative data has been reclassified.

### Weighted average number of shares

The weighted average number of shares used to determine earnings per share in 2007 was 1,309 million compared with 1,468 million in 2006. This reflects the effect of the share buyback programme, as well as the Anglo American share consolidation on the demerger of Mondi which, on 2 July 2007, resulted in 100 existing Anglo American ordinary shares being exchanged for 91 new Anglo American ordinary shares.

### Dividends

A final dividend of 86 cents per share, to be paid on 30 April 2008, has been recommended.

### Analysis of dividends

US cents per share	Year ended 31 Dec 2007	Year ended 31 Dec 2006
Interim dividend	38	33
Recommended final dividend	86	75
Normal dividend	124	108
Special dividend previously paid	–	67
Total dividends	124	175

### Return on capital employed (ROCE)

ROCE on a continuing basis in 2007 was 37.8% compared with 32.4% in 2006. The increase was mainly due to strong operational results, as discussed on page 27.