

\$ million (unless otherwise stated)	2007	2006
Operating profit	1,432	1,360
Kumba Iron Ore	834	565
Scaw Metals	172	160
Samancor Group	225	52
Other	(21)	(14)
Core businesses	1,210	763
Highveld Steel	108	230
Tongaat-Hulett/Hulamin	114	154
Kumba Resources	–	213
Other businesses	222	597
EBITDA	1,561	1,560
Net operating assets	3,987	2,796
Capital expenditure (including biological assets)	471	582
Share of Group operating profit	15%	15%
Share of Group net operating assets	15%	13%

## Financial overview

Ferrous Metals' operating profit of \$1,432 million was up by 5% on 2006 and operating profit from core businesses increased by 59%. The iron ore and manganese markets experienced favourable market conditions and stronger prices.

### Markets

Demand for iron ore and manganese ore continues to be robust, driven by healthy demand by steel manufacturers in China and other markets. The American, European and Asian manganese alloy markets all remain generally strong, driven by continuing buoyant demand for manganese alloys and ongoing concerns around security of supply.

### Operating performance

The unbundled Kumba Iron Ore achieved its highest ever operating profit of \$834 million, 48% up on 2006, on the back of strong iron ore prices. Global demand for iron ore in 2007 rose by 5.7% to 1.89 billion tonnes, fuelled by increasing demand for seaborne iron ore in China and other developing markets. The company produced 32.4 million tonnes of iron ore, an increase of 4% on 2006 production volumes. Operating costs, however, remained under pressure owing to above inflation cost increases, particularly in energy, labour, contractors and raw materials.

Scaw delivered a record operating profit of \$172 million, with strong demand for most of its products. Margins remained under

pressure owing to significant price increases in key raw materials and import competition for certain South African product lines.

Anglo American's attributable share of Samancor's operating profit increased more than four-fold to \$225 million as strong global demand for both manganese ore and alloys, together with constrained global manganese ore production, resulted in surging ore prices during the second half of the year. Higher ore and alloy sales volumes also contributed to the strong performance.

The Tongaat-Hulett and Hulamin contribution to operating profit declined by 26% to \$114 million following the unbundling of Hulamin from Tongaat-Hulett and related empowerment transactions in June 2007. These businesses, which were consolidated for the first six months of 2007, were equity accounted in the second half of the year.

The sale of the remaining 29% stake in Highveld to Evraz was completed in April 2007.



Right: Drill assistant Allowize Strauss (right) and learner Maureen Tshetho at Kumba Iron Ore's Sishen open pit in South Africa