Anglo American is committed to delivering operational excellence in a safe and responsible way, adding value for shareholders, customers, employees and the communities in which we operate

Highlights

$10.1 bn

Operating profit (2007: $10.1 bn)

$5.2 bn

Underlying earnings (2007: $5.8 bn)

$4.36

Earnings per share (2007: $4.40)

Above: Bucket-wheel excavator at Kumba Iron Ore's Sishen open pit in South Africa's Northern Cape. Measuring 11 kilometres by 1.5 kilometres and almost 400 metres deep, this is one of the world's largest open pits, producing around 34 million tonnes of iron ore in 2008

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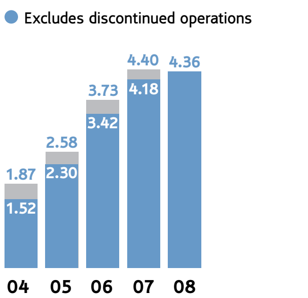
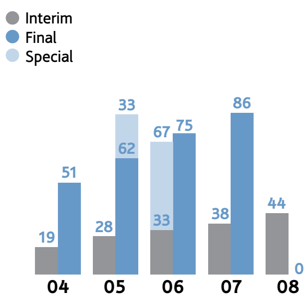
Cover: Martin van Heerden, mine overseer (left) and Jacques Nortier, supervisor at Anglo Coal South Africa's Kriel Colliery, inspect a new type of fan. Much quieter than previous models, the new fans are helping to make the workplace less stressful and reduce the potential for noise induced hearing loss

Underlying earnings per share
US$



Dividends per share
US cents



- Group operating profit of $10.1 billion, with operating profit from core operations up 10% to $9.8 billion
- Strong performances from Coal and Ferrous Metals with increased production of coal and iron ore
- 2009 capital expenditure reduced by more than 50% to $4.5 billion
- $2 billion target by 2011 from cost saving and efficiency initiatives

Operating profit includes share of associates' operating profit (before share of associates' tax, finance charges and minority interest) and is before special items and remeasurements, unless otherwise stated. See note 3 to the financial statements for operating profit on a total Group basis. For definition of special items and remeasurements see note 7 to the financial statements and see note 35 for information on discontinued operations.

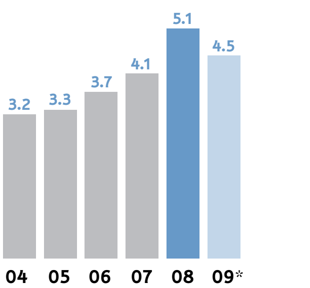
Operations considered core to the Group are Base Metals, Platinum, Ferrous Metals' core businesses (Kumba Iron Ore, Scaw Metals, Samancor Manganese and Anglo Ferrous Brazil), Coal and Diamonds.

Capital expenditure relates to total Group cash expenditure on tangible assets.

Unless otherwise stated tonnes are metric tons, 'Mt' denotes million tonnes and 'kt' denotes thousand tonnes.

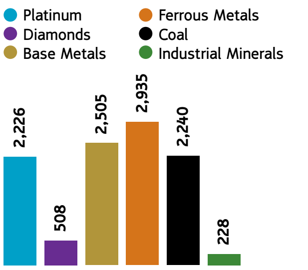
Unless otherwise stated '$' and 'dollar' denote US dollars.

Capital expenditure
US$ billion



*Forecast

2008 operating profit by business unit US$ million



Chairman's statement

2008 marked the end to the sustained upswing in commodity prices, with a particularly steep price decline in the second half of the year. Thus, the nature of the challenge for management changed markedly from managing the problems of plenty – delivering expansion projects in an overheated market – to reducing costs and maximising efficiencies in the existing business without compromising the significant long term growth options that the Group retains

The Group achieved a strong financial performance for the year and management moved fast to adapt the business to the new circumstances as recession began to take hold. Indeed, several initiatives started over the past two years, designed to create more rigorous management systems and a more aligned 'One Anglo' approach, have positioned the Group well for the current environment. Value based management, the Asset Optimisation programme, the move to a more unified model for procurement and the development of a shared services approach to a number of support functions are expected to deliver significant savings and contributions to operating profit.

In spite of the strong results in 2008, the Board has decided to suspend the final dividend payment. The reduction of capital expenditure in 2009 will nonetheless allow us to complete the three major world class, low cost projects already well underway in iron ore and base metals. These will now start to come on stream in 2011 when market conditions should be more balanced. The Board believes that suspension of the dividend will preserve for shareholders these future major growth opportunities. Dividends will be resumed as soon as market conditions permit.

Against a background of rapid change, I should like to thank our employees at every level for their hard work and commitment. They have delivered an excellent financial performance during 2008 and our thanks are no less due to them as they continue to deliver in the face of the harsh and sudden impacts of the economic downturn.

Anglo American has a diversified portfolio of low cost, long life assets, with attractive growth opportunities and strong technical and project delivery skills. The Group has a compelling portfolio of projects which provides long term value creating opportunities for growth once commodity markets recover. In the interim, the Group has prudently reduced capital spending on expansion projects by around a half, predominantly through the rephasing of several major projects to better align them with the commodity cycle. A further key challenge in the short term will be to ensure we gain the maximum benefit from reductions in many input prices without undue delay, for fuel and raw materials, for example.

The Board is very supportive of the strong drive on safety that our chief executive has led and of her strong personal commitment. Although a great deal still remains to be done, the Board has been impressed by the progress made during 2008 in enhancing safety performance, including a reduction of around one-third in fatalities and one-fifth in lost time injuries. We expect to see this progress built upon in 2009. The issue has been correctly elevated to the top of management's priorities and is being tackled in an increasingly holistic way, including through improved systems and an emphasis on leadership and behaviours. We particularly welcome the development of a tripartite approach to safety in South Africa involving both trade unions and government.

The Group also defined, for the first time, six core values – safety, care and respect, integrity, accountability, collaboration and innovation. Such values forge a closer sense of identification with the Group and its objectives amongst employees irrespective of the business units or geographies they work in. Such identification is fundamental to ensuring both that common standards are applied consistently and that we maximise our intellectual resources through effective talent management, collaboration and knowledge sharing.

Mining and development

Anglo American was in the vanguard of the companies that signed the Millennium Development Goals 'Call to Action' in June 2008. This recognised both the pre-eminent role of governments in defining development frameworks and the importance of other actors, including business, in maximising our own beneficial development impacts. It has long been a core objective for Anglo American to ensure that we produce sustainable benefits for the communities where we work. Indeed, in light of the growth of resource nationalism and concerns about the potential 'resource curse', we now need also to be a willing partner, with governments and civil society, in addressing issues relating to the governance of natural resources. Thus we attach importance to our involvement in programmes such as the Extractive Industries Transparency Initiative, the Voluntary Principles on Security and Human Rights and the Investment Climate Facility for Africa. We continue to be committed to participation in the work of the UN Global Compact and adhere to its ten core principles.

We also improved our engagement with our host governments, with the benefits of such an approach being evidenced by the achievement of our mineral rights conversions in South Africa and our Memorandum of Understanding with the China Development Bank about the potential for us to work together, especially in Africa. The management of political risk, however, continues to be a significant factor for our business in judging whether to enter new geographies and in some countries where we have existing activities, such as Venezuela and Zimbabwe. In the latter case, we were erroneously reported in the British media to be making a major new investment in Zimbabwe when, in fact, we have been building the Unki platinum project since 2003. We welcome the recent formation of a unity government and hope that it may create more favourable circumstances for Zimbabwe's recovery.

In terms of our socio-economic impacts, more than 400 managers within the Group have been trained on the implementation of

Expanding enterprise development initiative

3,012

Number of businesses currently supported (2007: 1,312)

13,431

Number of jobs sustained (2007: 5,850)

Anglo American's unique *Socio-Economic Assessment Toolbox (SEAT)* process. SEAT enhances our ability to interact with stakeholders and to develop projects which maximise opportunities for local people. We have also adopted a new framework for improving the social and environmental impacts of our suppliers.

We are pleased with the increasing traction of our enterprise development and micro-finance programmes which, in South Africa and Chile, are now generating jobs for more than 13,000 people.

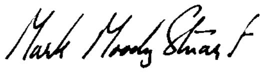
Water availability has emerged as a major constraint. It is a strategic issue which must be addressed through technical innovation, improved stewardship, applying a proper value to our water usage and dialogue about water management with other users. Our commitment to innovate is illustrated by the solution that we have proposed at our Quellaveco copper project in Peru. The project proposes a local saline water source which currently flows into the headwaters of the river system, thereby improving the quality of river water for downstream agriculture opportunities, particularly during times of low rainfall. It is also in evidence at our Los Bronces expansion project in Chile where we plan to reduce water use by approximately 40% per lb of copper produced, and by the Emalahleni water scheme in South Africa which is supplying 20% of the water needs of the municipality of Witbank from treated mine water.

Although we continued to make progress on energy efficiency and improving the measurement of our energy intensity in 2008, our ability to move forward in our management of the current and future impacts of climate change was influenced by three factors. Firstly, much of our energy expertise was absorbed by the need to manage energy security concerns, especially in South Africa and Chile. Secondly, the absence of clarity about the shape of international frameworks to combat climate change and about the regime for regulating carbon capture and storage is a major inhibitor of our ability to take a judgement on potential long term investments, such as the Monash Energy coal-to-liquids project in Australia. Thirdly, the unprecedented escalation in project costs, coupled with rapidly changing oil prices, has made the economics of such projects even less predictable, although the costs of certain key raw materials for the construction of projects can be expected to fall. Coal will remain a critical source of energy for many years but the rapid development of clean coal technologies is vital if this is to occur within an environmentally acceptable framework.

Corporate governance

During the year, as part of the ongoing refreshment of the Board, Sir CK Chow joined the Board. We are delighted to have the contribution of Sir CK's experience and insight. Bobby Godsell retired from the Board at the AGM after nine years of service. We have benefited greatly from his input and advice over the years and wish him well.

At the end of 2008, Tony Redman, our technical director, retired after 38 years of Group service. Although not a director of the Company, Tony was a regular attendee at the Board and his advice on technical matters which are so vital to the success of the Company has been invaluable and the Board wishes him well for the future.



Sir Mark Moody-Stuart
Chairman

Chief executive's statement

We have taken decisive action to position Anglo American through the downturn and we expect to emerge in robust shape, ready to capitalise on the next phase of economic growth

Financial performance

2008 was a year that saw the end of a lengthy period of highly supportive commodity prices as the trajectory of the global economy turned sharply downwards during the second half. Overall, Anglo American delivered a solid performance, with operating profit of $10.1 billion and underlying earnings of $5.2 billion, with strong performances from our coal, iron ore and manganese businesses.

Positioning Anglo American through the cycle

The breadth and severity of the global economic downturn and its impact on growth rates in key sectors and economies are difficult to overstate. From global automotive production to construction activity in emerging markets, there was a marked contrast between the first and second halves of 2008, when commodity prices fell sharply.

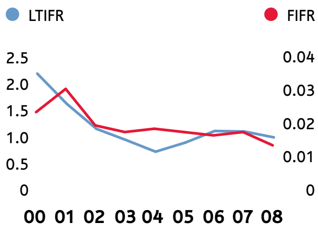
As we begin 2009, the economic outlook remains weak with limited visibility, and we are continuing to experience volatility and downward pressure on commodity prices. Against this backdrop, we have acted decisively to position the Group through the downturn, including pulling back planned production growth, reducing the size of our workforce by 19,000 by the end of 2009 in line with our revised production and growth plans and further cost cutting throughout the Group. These actions are necessary to ensure that Anglo American is well positioned through the cycle, both operationally and financially, to continue to deliver long term value to our shareholders.

In December, we announced that capital expenditure plans for 2009 would be scaled back by more than 50% to $4.5 billion in response to the changed economic outlook. We will achieve this substantial reduction principally by rescheduling capital spend on many of the Group's major development projects. The $3.2 billion of capex that we will spend on the Group's projects in 2009 will enable their continuing development without incurring undue delays or penalties that may impact their investment cases. These measures balance necessary short term action in the context of the long term nature of the mining industry. We remain committed to our long term strategy and will continue to allocate capital towards our existing businesses and the advancement of our portfolio of high quality development projects. These projects are a key driver of future value creation for our shareholders, with several projects well timed to enter production from 2011 onwards.

The Group's pipeline of projects is focused on the most attractive commodity segments of iron ore, metallurgical coal and copper, in addition to further expansion options in platinum and diamonds. While much reduced capital investment is planned for our projects during 2009, their realisation will form an important part of Anglo American's strong growth in the medium to long term. We are retaining a high degree of flexibility of project timing in order to enable appropriate reactions to changing market conditions, thereby ensuring that Anglo American is positioned optimally for the next period of upward momentum in the cycle.

The three key cost saving and efficiency initiatives that we have put in place over the past 18 months are well advanced and are already beginning to make an important

Lost time injury frequency rate (LTIFR) and fatal injury frequency rate (FIFR)*



* See KPI table on page 15 for definitions of LTIFR and FIFR. Excludes Mondi from June 2007 and Highveld from April 2007

contribution to our financial and operating performance. Such disciplines are particularly valuable during these times. The Asset Optimisation programme has been rolled out across the Group and is expected to contribute a significant uplift to operating profit of some $1 billion over the next three years. This is in addition to the $1 billion in savings by 2011 we have announced from our procurement and shared services initiatives, which have already delivered value of over $200 million in savings in 2008.

While the global economy continues to face unprecedented challenges and, with severely constrained financing markets, it is critical for us to safeguard balance sheet flexibility as far as possible. Notwithstanding the other measures we have taken, the Board has decided to suspend dividend payments in order to preserve the Group's strategic growth options. The Board will continue to review the Group's financial position and is committed to the resumption of dividend payments as soon as market conditions allow.

Delivering strategic objectives

In pursuit of our ambition of becoming the leading global mining company, we have made further strategic progress to focus the business on its core mining portfolio, by making further disposals of non-core assets, securing new order mining rights and positioning the Group for profitable growth.

In April, Anglo American was granted its new order mining rights conversions by the South African Department of Minerals and Energy. The conversions relate to the mineral rights across our businesses in South Africa. This significant achievement provides an ever stronger platform for the Group's long term development projects in South Africa, our employees and contractors, as well as for the many black empowered businesses with which we are partnered.

In May, we disposed of the Group's interest in China Shenhua Energy, realising cash proceeds of $704 million and, in June, we sold Tarmac Iberia to Holcim for a consideration of $186 million. The Tarmac group continues to be managed to maximise shareholder value while options for its sale continue to be explored, recognising that the sale of a business of its scale is unlikely in the near term.

In August, following a series of transactions in 2007 and 2008, we acquired control of the Minas-Rio iron ore project and the Amapá iron ore system. The Minas-Rio project has considerable expansion potential and is a key element in the Group's long term iron ore growth ambitions.

In October, the sale of the Namakwa Sands mineral sands business was completed and, in November, we sold 26% interests in both the Black Mountain zinc, lead and copper operation and the Gamsberg zinc project to Exxaro Resources for a total consideration of approximately $353 million.

After the year end, Anglo American reduced its shareholding in AngloGold Ashanti to 11.8%, realising total proceeds of $434 million.

Early in the year, mining production in South Africa was severely disrupted for a short time owing to national electricity supply problems. While the crisis was averted through collaboration and consensus across the mining industry, resulting in ongoing reduced power usage, we are continuing to play an important role, working in partnership with the South African government and Eskom to develop and implement long term solutions to guarantee electricity supply.

As we strive to deliver superior operating performance, we also made several senior management changes during 2008, marking a significant strengthening of the leadership team, involving a combination of internal and external appointments. These have included new CEOs for Anglo Platinum, Anglo Coal and Kumba Iron Ore.

Our executive team has been further strengthened through the appointment of Russell King as chief strategy officer, with Mervyn Walker taking over the human resources portfolio and joining the Executive Committee (ExCo). We also welcomed Kuseni Dlamini back to the Group in his new position as head of Anglo American South Africa; he is also a member of ExCo.

During the year, John Wallington, who had served the Group for 27 years, was succeeded as chief executive of Anglo Coal by Ian Cockerill, who returned to the Group after having been CEO of Gold Fields for six years.

Chief executive's statement continued

The Board wishes John well for the future. Neville Nicolau moved from AngloGold Ashanti to head up Anglo Platinum in succession to Norman Mbazima and Duncan Wanblad, who have assumed the respective roles of CEO of Scaw Metals and head of copper at Anglo Base Metals.

Safety

The changes that we made to our safety practices in 2007 and a renewed commitment to a new level of safety performance delivered results, and we are helping to lead the way, particularly in South Africa, to achieve a safer, more productive mining industry. In April, we held the Anglo Tripartite Safety Summit in Johannesburg, bringing together government, unions and the industry to unlock and leverage potential in working together to tackle some of the critical issues around mining safety in South Africa.

We have achieved a year on year reduction of 17% in the lost time injury frequency rate (LTIFR) at our operations, with extended periods of incident-free, safe production. 2008 also saw an improvement in terms of a 33% reduction in the number of fatalities at our operations. During the year 27 people died while on company business, compared with 40 fatalities during 2007; this is a significant step in the right direction, but we still have a long way to go. Of particular note is Anglo Platinum's Union mine in South Africa, which has achieved more than 6 million fatality free shifts, and the Barro Alto nickel project and Anglo Ferrous Brazil which achieved 966 days and 3.5 million hours respectively without a lost time injury. The implementation of our global Fatal Risk Standards and the successful roll out of the global safety risk management programme are helping to ensure a systematic approach to managing safety and preventing accidents as we continue on our journey towards 'zero harm'.

Sustainable development

Energy security and climate change represented significant challenges for our business in 2008. The economic downturn may reduce short term electricity supply pressures, but in a number of countries there is a substantial backlog in investment in generating assets. In relation to climate change, we continued to drive forward a wide array of energy efficiency projects, invested further in methane generation projects in Australia and we supported the launch of the Australian government's Global Carbon Capture and Storage Institute.

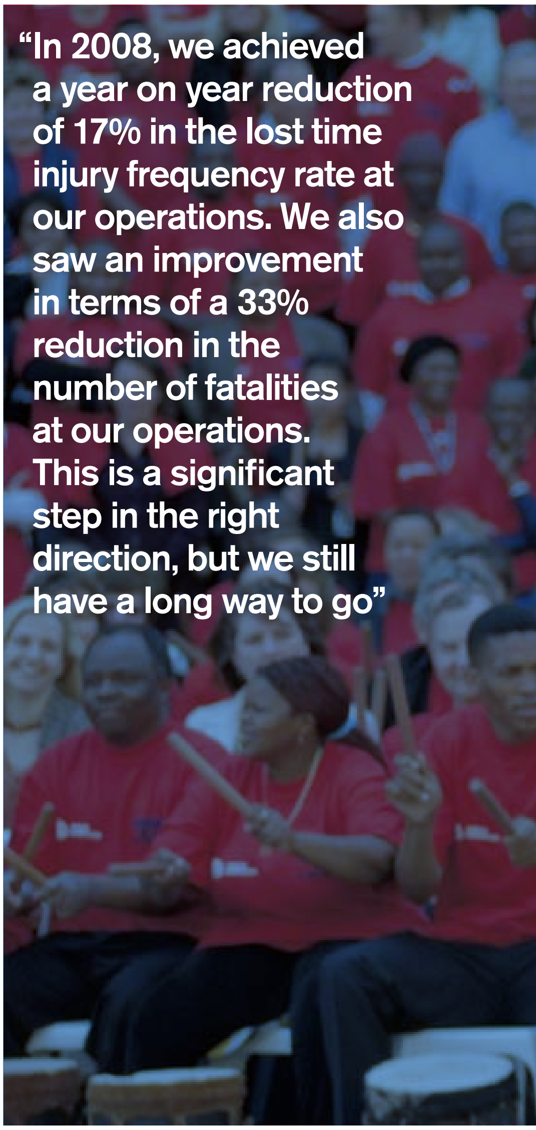
Water too has emerged as a major factor, both in relation to the impact in various regions of climate change and to the need to manage it in such a way as to meet the needs of a range of local users. Water has been an increasing area of focus for innovation and is a vital issue for the future of our industry.

Delivering a sustainable uplift in the living standards of the communities where we work remains a core goal for our operations. The training of more than 400 managers in the *Socio-Economic Assessment Toolbox (SEAT)* methodology demonstrates our seriousness. We have also developed global partnerships with leading NGOs CARE International on development issues, and Fauna & Flora International on biodiversity, learning a great deal from our partners in the process. In South Africa, we undertook a review of the social performance of our operations in light of the increasing expectations of our stakeholders that mining should be a catalyst for wider development. Although we are industry leaders in areas like enterprise development, HIV/AIDS and community development, we have recognised that we do not always have the necessary level of professionalism at site level. So, despite the economic climate, in 2009 we are investing in a major programme of internal capacity building with internationally recognised academic partners.

Outlook

As a result of the global economic slowdown, the second half of 2008 saw markedly lower commodity prices, following several years of highly supportive prices. Across the industry, there has been curtailment of some high cost operations in markets where prices and demand have declined significantly, for example in nickel, platinum, iron ore and coking coal. We expect the difficult credit environment to continue to impact the funding of many potential new mines and expansions, thereby further constraining supply when economic growth returns.

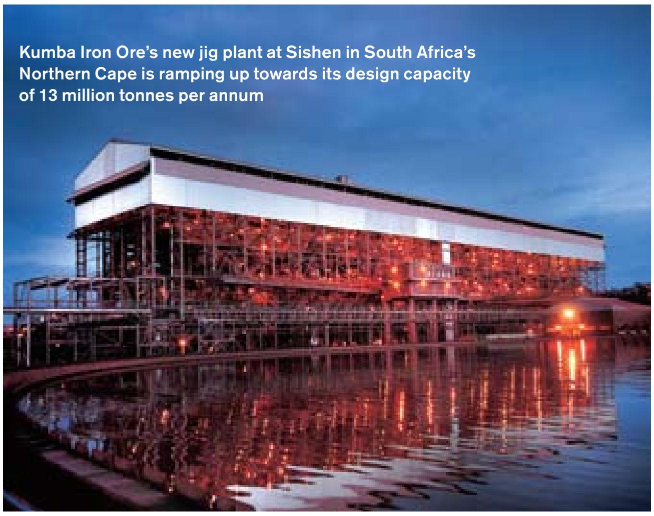
The world economy faces an unprecedented level of uncertainty and the outlook remains poor in the near term, with expectations for continuing volatility and weakness in commodity prices. It is against this backdrop that Anglo American has taken a series of measures to ensure that the Group's operating and cost profiles are appropriate and that its balance sheet and capital structure have sufficient flexibility through the current downturn. However, over the medium to long term, Anglo American believes that the fundamentals of its core commodities remain attractive, with significant value to be created by the Group's long life, low cost growth projects, several of which are timed to enter production from 2011. The economic recovery of the OECD member countries and the ongoing industrialisation of the world's major developing markets are expected to drive long term demand for commodities, stimulated further by government spending programmes in many major economies, including the US and China.



In summary, Anglo American has a world class asset base with long life, low cost mines and a strong and geographically diverse project pipeline across the most attractive commodity segments. We have taken decisive action to position Anglo American through the downturn and we expect to emerge in robust shape, ready to capitalise on the next phase of economic growth.

Cynthia Carroll
Chief executive

Employees in Johannesburg, South Africa, take part in 'ONE', the global safety campaign


Kumba Iron Ore's new jig plant at Sishen in South Africa's Northern Cape is ramping up towards its design capacity of 13 million tonnes per annum


Peruvian President Alan Garcia and Cynthia Carroll meet in the Presidential Palace, Lima in June 2008

Tyre contracts

Strategic partnerships and global contracts with suppliers meant that spot market purchases were largely avoided, resulting in savings of $15 million

$15m

Savings

Pumps

Increased fuel pump flow rates at Anglo Coal Australia's Dawson mine are yielding benefits of around $4 million per annum. By doubling the flow rate, haul truck refuelling time has been halved, with a consequent reduction in the haul truck fleet's downtime

$4m

Savings

Introduction to Asset Optimisation

Best in class

One Anglo
share the ambition

Following the 'One Anglo' approach of moving towards a common framework of values and standards, Anglo American has been rolling out a value based management (VBM) methodology across the Group.

Within the VBM framework, Asset Optimisation (AO) is the single most important programme in a range of value creating initiatives that are under way. The AO programme is designed to improve the performance of the Company's existing long life asset base through cost and productivity improvements in order to unlock maximum value from its existing assets.

Tyres

In 2008, global tyre contracts were finalised with Michelin and Bridgestone that secure pricing and a major part of supply in large off-the-road (OTR) tyres for the foreseeable future. The benefits of building these strategic partnerships were clear when there was a shortfall in OTR tyres in 2008. Michelin was able to make volumes available to Anglo American, easing the pressure on some mines which would otherwise have had to buy more expensive tyres on the spot market.

In addition, each of the business units and mine sites collaborated on tyre allocations through 2008. One example was at Platinum's Mogalakwena mine in South Africa, which needed to buy spot market tyres at prices higher than the contract price. Through a cooperative effort across the Group, the global supply and procurement team managed to source tyres for Mogalakwena from El Soldado mine in Chile, which needed fewer of these tyres than anticipated owing to improvements in tyre lifetime. This collaboration led to a direct saving of $2 million.

Substantial improvements in tyre life, which reduces the need to buy tyres, can be attributed to a programme set up by Anglo Technical in 2007. This programme was rolled out globally and is undergoing constant improvement. Increasing tyre lifetime enables the organisation to close supply gaps caused by a market shortage of large OTR tyres, as well as to deliver overall savings to the Group.

Copper ore ready to be transported out of the open pit at Los Bronces mine in Chile, where mining takes place at an elevation of 3,000-3,500 metres above sea level

In 2008, major progress was made in improving the Company's cost and productivity performance and a substantial cost reduction programme, targeting $1 billion of cost savings from procurement and shared services by 2011, was announced. In addition, the Asset Optimisation programme will add a further $1 billion over the next three years.

$2 bn

Uplift to operating profit from Asset Optimisation and procurement initiatives

1.


2.


1. Employees carrying out a safety check at Anglo Platinum's Rustenburg mine, South Africa

2. Truck loading in the open pit at Base Metals' Mantos Blancos copper mine, Chile

3. Inspecting an underground ventilation fan at Anglo Coal's Kriel Colliery, South Africa

4. Dawson Central, Gangulu and Palm Tree Wutaru cultural heritage monitors carrying out artefact surveys prior to exploration drilling at Dawson, Australia

3.


4.


A programme to transform Anglo American's supply chain operations globally also has been mobilised. The new Supply Chain function will consolidate spend to manage it in a more strategic, holistic manner and deliver an overall spend reduction of 10% and benefits of $1 billion by 2011, further details of which can be found on pages 16 to 17. In addition, three shared service centres, in Asia Pacific, Latin America and South Africa, have been established to provide common accounting and employee services.

The AO programme involves a thorough review of all mining activities and includes benchmarking the performance of all assets and processes, internally and externally.

The business units have established dedicated teams to coordinate the implementation and embed the AO process with support from central technical resources. Formal benchmarking procedures are being developed with a common and searchable AO database to maximise best practice opportunities.

All business units have now completed the initial phase of their AO programme and targets have been calculated. The Group target is $1 billion over the next three years in addition to $1 billion savings from procurement.

Group approach to Asset Optimisation (AO)

Three elements form the Group's approach to AO