



ANNOUNCEMENT REGARDING THE BLACK ECONOMIC EMPOWERMENT TRANSACTION IN RESPECT OF SCAW SOUTH AFRICA (PTY) LTD

1. TRANSACTION OVERVIEW

Anglo American plc is pleased to announce that its Scaw Metals business has concluded a black economic empowerment (BEE) transaction involving three BEE partners, a women's group (still to be selected) and an employee trust through the sale of a 26% equity stake in its South African business.

The transaction is summarised as follows:

- sale of the Scaw Metals division of Anglo Operations Limited (a wholly owned subsidiary of Anglo American South Africa Limited) into Scaw South Africa (Pty) Ltd (Scaw SA), with effect from 1 January 2007;
- the introduction of third party senior and mezzanine debt financing into Scaw SA;
- the provision of junior debt financing by Anglo American into Scaw SA;
- sale of a 21% equity stake in Scaw SA to a consortium comprising three BEE partners and a BEE women's group; and
- the acquisition of a 5% equity stake in Scaw SA by an employee trust.

The transaction values Scaw SA at R5,3 billion.

2. STRATEGIC RATIONALE

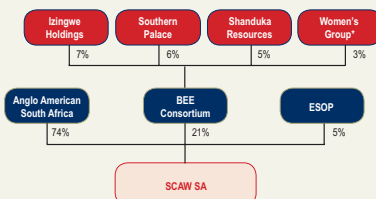
Anglo American regards transformation as fundamental to the long-term development and stability of the South Africa economy and its South African business. The Scaw Metals Group fully endorses these principles and, in addition, views this BEE transaction as a necessary strategic response to increasing market requirements for empowerment credentials. This is particularly borne out in the mining, power generation and railway industries, which constitute the majority of Scaw SA's business.

The partners were selected based on their experience within these and the general engineering sectors, as well as their proven track records in being able to assist companies in growth and transformation strategies. The BEE Consortium consists of the three partners, namely, Izingwe Holdings (7%), Southern Palace Holdings (6%) and Shanduka Resources (5%), as well as a warehoused stake of 3% for a broad-based women's empowerment group. The selection process of a women's group is well advanced.

In recognition of the key role of employees in the future of the business and to ensure that all stakeholders remain aligned throughout the life of the transaction, all Scaw SA employees who are not part of an Anglo American share incentive scheme will benefit from an employee share ownership plan (ESOP) that will own a 5% equity stake in Scaw SA.

3. OWNERSHIP STRUCTURE

As a consequence of this BEE transaction 74% of Scaw SA will be held by Anglo American, 21% by the BEE Consortium and 5% by the ESOP, as depicted below:



Note: All percentages are shown as effective interests into Scaw SA
* The women's group is still to be selected

4. FUNDING STRUCTURE

Scaw SA will acquire Scaw Metals division from Anglo Operations Limited for a purchase price of R5,3 billion, which will be funded as follows:

- Equity contribution of R100 million;
- Vendor financing of R1,9 billion; and
- Third-party financing of R3,3 billion (senior and mezzanine debt finance).

The BEE Consortium will be capitalised by an equity contribution from the BEE partners which will be utilised to subscribe for a 21% share in Scaw SA.

Scaw SA will contribute R5 million to the ESOP Trust which the Trust will use to subscribe for a 5% share in Scaw SA.

5. INFORMATION ON THE BEE PARTNERS

IZINGWE HOLDINGS

Izingwe is a significant investor in mining, engineering and infrastructure development. It also has strong partnerships in the financial services sector. It is an active and long-term shareholder that makes focused and value enhancing interventions in its underlying investments. Its investments include AngloGold Ashanti, Aberdare Cables (Pty) Limited, Old Mutual plc, Mutual and Federal Limited, Nedbank Group Limited and Peters Papers (Pty) Limited.

Key personalities

- Siphon Milla Pityana (Chairman)
- Ashley Ally
- Tsakani Matshazi
- Mark Sifris

SOUTHERN PALACE HOLDINGS

Southern Palace Holdings is an investment holding company which has built up a track record of successful transactions over the past few years. Its mission is to participate in business opportunities which will contribute to the further economic growth of the country and, more importantly, to bring Southern Palace's specific expertise and other operational credentials to the table. Therefore, the group actively participates in the day to day operations of the business. It has various investments in steel and scrap metal recycling, transport and telecommunications. Its investments include The Reclamation Group, Teljoy Business Systems, Roadgrip Afrityre Holdings, Canvas and Tent, De La Reys Transport and Huawei Technologies Africa.

Key personalities

- Sello Mahlangu (Chairman)
- Khosi Kharodi
- Gladys Matitsoane

SHANDUKA

The Shanduka Group is a leading black owned and managed investment company established in November 2001. Its investment activities are categorised under the following: Resources, Financial Services, Property, Energy and Strategic Investments. As a black owned and managed company operating in a transforming South Africa, Shanduka is proud to be doing business and contributing to the transformation of the economy and society during a period of great and positive change on the African continent.

Key personalities

- Cyril Ramaphosa (Chairman)
- Rowan Smith
- Kojo Mills
- Phuti Malabie
- Beulah van Wyk
- Steve van der Klis
- Brighton Nene
- Karabo Tshallane
- Thandeka Ncube
- Maureen Mphatsoe

March 2007

Corporate Advisors to Scaw SA:



Corporate Advisors to the BEE Consortium:

