

Anglo American earnings down 55%

Resources group Anglo American PLC reported a 55% decline in underlying earnings per share to US 2.26 cents for the year ended December from 5.06 cents a year ago.



Chief executive Cynthia Carroll said: "As a result of markedly weaker commodity prices, ongoing cost pressures and an operating loss in our platinum business, Anglo American reported an underlying operating profit of US\$6.2bn, a 44% decrease. Underlying EBITDA (earnings before interest, tax, depreciation and amorisation) decreased by 35% to US\$8.7bn and underlying earnings decreased by 54% to US\$2.8bn.

Group revenue, including associates, was 10% lower at US\$32.8bn

Following once-off impairments, the loss attributable to equity shareholders was US\$1.5bn after an attributable profit of US\$6.2bn.

The group reported a basic loss per share of 1.19 cents after earnings of 5.1 cents a year ago.

"Despite the macroeconomic headwinds and likely sustained higher capital and operating cost environment for the industry, we are committed to returning cash to shareholders and have recommended an increase to our final dividend of 15% to US 53 cents per share, bringing total dividends for the year to US 85 cents per share, a 15% increase," Carroll said.

The decrease in underlying operating profit was mainly driven by the platinum, metallurgical coal, iron ore and manganese and copper business units, whose financial performance was affected by lower prices and higher costs, with the exception of metallurgical coal where costs decreased.

There was a decline in realised prices across the majority of commodities produced by the Group.

Commodities

Iron ore and manganese generated an underlying operating profit of US\$2.9m, 33% lower. Within this commodity group, Kumba Iron Ore reported an underlying operating profit of US\$2.98m, 34% lower than 2011, owing to lower average prices, the unprotected strike at Sishen and an increase in waste stripping, partially offset by the ramp-up of Kolomela mine.

Samancor reported an underlying operating profit of US\$103m, 38% lower, driven by lower ore prices, partially offset by lower costs.

Metallurgical coal delivered an underlying operating profit of US\$405m, a 66% decrease, primarily due to lower realised export selling prices, partially offset by record production and higher sales.

Thermal coal's underlying operating profit of US\$793m was 36% lower, mainly as a result of lower export thermal coal prices for both South African and Colombian coal and, in South Africa, above inflation cost increases. This was partially offset by increased sales volumes, mainly from the full incorporation of Zibulo as an operating asset, and despite the closure of high-cost production sections.

Copper delivered an underlying operating profit of US\$1.69bn, 31% lower, as a result of lower realised sales prices, lower by-product quantities and higher operating, exploration and study costs, partly offset by increased sales volumes.

Nickel reported an underlying operating profit of US\$26m, 54% lower, due to lower realised prices and an extended export ban imposed by the Venezuelan government from the beginning of June 2012 resulting in the cessation of production in September, partially offset by a self insurance recovery of US\$59m.

Platinum generated an underlying operating loss of US\$120m, due to lower metal prices, higher unit costs and the illegal strike that significantly affected production and sales during the final four months of the year, partially offset by a US\$172m positive stock adjustment.

Diamonds underlying operating profit (on a 100% basis) fell by US\$676m to US\$815m, 45% lower, reflecting the impact of difficult trading conditions brought about predominantly by weaker demand and changing product requirements from Sightholders. Anglo's share of De Beers underlying operating profit totalled US\$496m, a decrease of 25%, the overall reduction being partly offset by Anglo American's higher shareholding.

Other mining and industrial core delivered a combined underlying operating profit of US\$169m, a decrease of 8% compared with the prior year. This was driven by higher labour costs at both operations and lower phosphate prices, partially offset by an increase in sales volumes of both phosphates and niobium.

Other mining and industrial non-core underlying operating profit was US\$168m, a US\$37m increase, due to lower depreciation as a result of the transfer of Tarmac Quarry Materials and Scaw South Africa to 'held for sale' and the reversal of penalty provisions at Amap which were in place at the end of 2011, partly off-set by lower realised iron ore prices at Amap.

New mining ventures

Carroll added that record volumes of metallurgical coal, achieving benchmark equipment performance levels, and of iron ore and increased volumes of export thermal coal and copper helped to offset the impact of illegal industrial action, declining grades and higher waste stripping.

"The new mining operations and expansions delivered and commissioned during 2011 contributed to production growth and generated US\$1.2bn of underlying operating profit. The Los Bronces expansion contributed 196kt of copper in 2012 and has achieved full ramp-up since August, while Kumba's Kolomela mine exceeded expectations by producing 8.5 Mt for the year - both considerable achievements - while we have been slowly ramping up Barro Alto," Carroll added.

"Our divestment programme has generated proceeds of US\$4.0bn on a debt- and cash-free basis, which excludes US\$7.4bn cash generated from the sale of 49.9% of AA Sur. In line with our divestment programme of non-core businesses as set out in October 2009, I am delighted that Tarmac's UK joint venture with Lafarge was completed in January this, creating a leading UK construction materials company with significant synergies expected," she added.

Carroll added that the group had recorded impairments totalling US\$4.6bn (after-tax) in relation to Minas-Rio and a number of platinum projects that are uneconomical, which is disappointing.

"In platinum, we completed our review in January and have put forward proposals to create a sustainable, competitive and profitable platinum business. We, of course, regret the potential impact on jobs and communities and have designed an extensive social plan to more than offset any such impact," she said.

"We continue to sequence investment by prioritising capital to commodities with the most attractive market dynamics and projects with the lowest execution risks. The 5 Mtpa Grosvenor metallurgical coal project in Australia is under way and on schedule while, in Peru, successful completion of our community dialogue process at the Quellaveco copper project will allow us to target submission to the board for approval this year," she added.

Looking ahead, Carroll said recent months have brought a degree of renewed optimism to the economic prospects.

While European and Japanese economic activity remains weak, recent policy changes ought to stimulate growth in 2013.

"Alongside a continuing recovery in the US, we expect robust growth in the major emerging economies - especially China and India - as they benefit from continuing urbanisation. Rising living standards and an expanding middle class should support demand for our products across our diversified mix," Carroll said.

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