

## Amplats earnings up 88% to R5.14 a share

Anglo American Platinum (Amplats) on Monday (22 July) reported equivalent refined platinum production for the six months to June was 1.2 million ounces, in line with the first half of last year.



The group reported headline earnings per share of R5.14 in the first half, an 88% increase that was primarily due to a weaker Rand and an increase in platinum sales volumes, partially offset by the impact of higher costs and lower realised dollar metal prices.

Headline earnings for the first half excluded an after-tax loss of R1.2bn (R4.55 per share) in 2012 resulting from the revaluation of Wesizwe Platinum investments and the write-down of assets, which were considered uneconomical in the current environment, compared with an after-tax loss of R142m (54 cents per share) in the first half of this year.

Net sales revenue increased by 24% or R4.7bn to R24.1bn and R1.8bn of the increase in net sales revenue was due to higher sales volumes and R2.9b to higher average Rand prices.

Refined platinum sales for the period ended to June increased by 11%, to 1,074,155 ounces.

### Illegal strikes

The group said the first half of this year was characterised by intermittent illegal industrial actions which impacted on production, unit costs and labour productivity. Notwithstanding these challenges, Amplats delivered a solid operational performance during the period.

Chief executive Chris Griffith said: "We are pleased to report a significant improvement in safety and production performance in spite of the challenging industrial relations environment. We are also encouraged by the operational performance of our underground mines, particularly against the backdrop of illegal industrial actions, a national bus drivers' strike which stopped employees' getting to work and labour shortages because of the inflexibility in deploying staff to areas where they are needed," he said.

He noted that the global platinum market continues to suffer supply disruptions, production curtailment and capital rationing in the current economic environment, while net platinum demand is expected to remain relatively flat this year despite higher than expected demand.

"Vehicles sales in Europe remain depressed with price sensitive jewellery and investment demand vulnerable to any platinum price improvement from the current levels," he said.

## Supply challenges

Griffith said that primary supply challenges are expected to continue during the current year with higher mining inflation putting pressure on margins and increased risk of supply disruptions from industrial action in South Africa. The current depressed price has reduced operating margins and consequently capital investment in sustaining current and increasing future production has reduced significantly.

"Although we believe that the longer term supply and demand outlook for the platinum business remains attractive, the operating environment remains difficult. The dollar basket price is under pressure because of the weaker global economic environment and mining inflation has remained well above the South African consumer price index. Moreover, labour unrest linked to union rivalry continues to present challenges," he added.

While Amplats delivered a strong growth in earnings, the need to restructure the company - to restore profitability and align production with market demand - has not diminished and it is required for the long-term sustainability of the company as it moves through the cycles.

"We have continued with the process of reducing overhead costs and improving efficiencies so as to align our cost base with the proposed footprint. We will right-size and simplify the overhead structure to support the revised portfolio review proposals," he said.

Amplats is revised its refined platinum production target for the year to 2.3m ounces, up from the previously announced target of between 2.2m and 2.3m ounces of platinum as a result of the delay in the implementation of the restructuring proposals.

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