Anglo American Platinum Lost $715M in 2012

JON GAMBRELL,Associated Press

JOHANNESBURG (AP) — Anglo American Platinum Ltd., the world's largest producer of the metal, announced Monday it suffered an operating loss of $715 million in 2012 as violent labor unrest in South Africa paralyzed its operations for weeks.

The loss by the company, majority owned by minerals giant Anglo American PLC, comes after a 2011 profit of more than $1 billion, highlighting the dire financial situation the producer now faces. The company has announced plans to possibly close some of its operations and lay off as many as 14,000 workers, sparking worries about a downturn in an industry that's one of the main economic drivers in Africa's top economy.

In its results, the company known locally as Amplats blamed the wildcat strikes by tens of thousands of workers that swept across the mining industry in South Africa beginning in August. Some 46 people were killed during a six-week period of violent strikes at Lonmin PLC's platinum mine last year in Marikana, South Africa, when miners demanded higher wages. In the most shocking incident, police fired into a crowd of striking miners near the Marikana mine on Aug. 16, killing 34.

The labor unrest spread across South Africa and hit Amplats hard, as workers launched a more than eight-week strike that crippled the giant at its operation in Rustenburg, about 100 kilometers (60 miles) northwest of Johannesburg. During the strike, the company fired 12,000 workers and then later agreed to reinstate them in October, though the miners did not return to work until November.

Amplats said it lost production of some 305,600 ounces of platinum during the strikes, which it described as an "illegal industrial action."

"While we are not pleased with the operational and financial performance, it is important to put things in context," Amplats CEO Chris Griffiths said in a statement. "Operationally, 2012 was a challenging year for Anglo American Platinum and the platinum industry as a whole."

In a separate note to investors Monday, Anglo American announced it would take a $225 million loss from its stake in Amplats.

While the labor unrest has largely stopped in South Africa's mines, the financial impacts of the strikes continue to ripple across the country. Harmony Gold Mining Co. Ltd. has announced plans to potentially close one of its mines. Gold Fields Ltd. said in November it wanted to spin off two mines affected by the strikes.

However, Harmony Gold announced Monday fourth-quarter results that showed a 16 percent increase in operating profits to $188 million. Higher gold prices and lower operating costs helped the company's profit, it said.

In January, Amplats said a nearly yearlong review found that four of its mine shafts needed to be closed and one mine sold because of unprofitable operations. The company said it planned to eliminate some 14,000 jobs — with 13,000 of them at their Rustenburg operations. The possible Amplats closures drew immediate criticism from labor unions and some members of South Africa's governing African National Congress political party, raising the possibility that the company will face a labor and political battle in trying to shutter those operations.

The mining industry is a huge part of the economy in South Africa, which is the world's largest producer of platinum, gold and chromium. Most mine workers who carry out manual labor are black and earn low salaries. The South African Institute of Race Relations says that the unemployment rate for black South Africans was nearly 41 percent in 2012, while the corresponding rate for white South Africans was 7.5 percent.

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Online:

Anglo American Platinum Ltd.: www.angloplatinum.com *[1]*

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