YANCOAL
兖煤澳大利亚有限公司

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ASX Release:

Full Year Results 2013

Yancoal Australia Limited announces its full year financial results for the year ended 31 December 2013.

Highlights

2013 was a challenging market environment with prices deteriorating for Yancoal's export coal products. As a result, at the operational level, Yancoal generated an EBITDA of $43.7 million and an EBIT loss of $227.1 million for 2013 compared to an EBITDA of $154.1 million and EBIT loss of $37.7 million in 2012.

Yancoal reported a Full Year 2013 after tax loss of $832.1 million; the loss included $226.7 million of impairment charges and $258.7 million of foreign exchange movement on the outstanding US$ loans. The Full Year result compares to a $749.4 million loss reported for the First Half of 2013.

Against the backdrop of a tough market conditions, Yancoal's operations met the challenge by delivering higher volumes and lower costs, with a measured control on capital. Key achievements included:

- Overall improved group safety performance
- A positive Operating EBITDA of $43.7 million
- Record group production with saleable production up 15% Year on Year to 16.9Mt
- Cost reduction targets exceeded with +15% savings on Group Cash Costs (Free on Rail)
- Progress on brownfields growth projects
- Additional funding support from controlling shareholder, Yanzhou Coal Mining Company Ltd

Financial Performance

Yancoal reported a Loss after Tax of $832.1 million or ($0.84) per share from revenue of $1,529.8 million for the year. The result included a number of accounting items detailed below including the foreign exchange loss on the outstanding US$ loans $258.7 million, the asset impairments recognised at the half year $226.7 million and the re-valuation of CVRs $40.3 million. This compares with a prior period profit of $375.4 million in 2012 or $0.42 per share which included a foreign exchange gain on US$ loans $67.1m, a gain on the acquisitions of subsidiaries $200.0 million and a one off tax benefit from the introduction of the MRRT tax legislation $154.9 million.

During the year Yancoal's interest bearing liabilities increased from $3,579 million to $5,157 million. Of the $1,578 million increase, $568 million was drawn in January to fund the final payment of the Gloucester Coal acquisition and $670 million is due to the retranslation of the US$ loans, of this amount $370 million has been recognised in the income statement and $300 million deferred to the hedge reserve. The balance of $340M was borrowed to fund working capital and capital expenditure. At year end 2013, intercompany unsecured loans from parent Yanzhou were $1,918 million.

During the second half of the 2013 year management implemented a natural hedge to the group's US$ loans to manage the unrealised foreign exchange volatility and its impact on earnings. The hedge relationship matches the US$ loan maturities against future US$ coal sales revenue such that any foreign exchange gains or losses are deferred and recognised in earnings when the US$ coal sale occurs. Through this approach $300 million of unrealised foreign exchange losses has been deferred in the second half.

SUMMARY FINANCIAL RESULTS ($M)	Year ended December 2013			Year ended December 2012 (1)		
with accounting reconciliations	Pre Tax	Tax	Post Tax	Pre Tax	Tax	Post Tax
Revenue from continuing operations	1,529.8			1,366.4		
Operating EBITDA	43.7			154.1		
Operating EBIT	(227.1)			(37.7)		
Profit before non operating items	**(352.1)**	**52.4**	**(299.7)**	**(96.2)**	**104.7**	**8.4**
FX Gain / (Loss) on Loans	(369.5)	110.9	(258.7)	67.1	(20.1)	47.0
Impairment	(343.0)	116.3	(226.7)			
Gain on Acquisition	-	-	-	200.0	-	200.0
Transaction Costs	(3.6)	1.1	(2.5)	(29.5)	8.9	(20.7)
Mark to Market CVRs	(40.3)	-	(40.3)	(12.2)	-	(12.2)
Remeasurement of Royalty	(6.0)	1.8	(4.2)	(3.6)	1.1	(2.5)
MRRT Adoption	-	-	-	-	154.9	154.9
Profit from continuing operations	**(1,114.5)**	**282.4**	**(832.1)**	**125.5**	**249.4**	**374.9**
Profit after tax from discontinued operations	-	-	-			0.5
Profit after tax			**(832.1)**			**375.4**
Earnings Per Share ($'s)			**(0.84)**			**0.42**
Net cash outflow from investing activities			(202.0)			(350.5)
Net Debt			4,838.9			3,229.2
Total Equity			977.2			1,791.5

(1) Restated to reflect the change in accounting policies due to the implementation of AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB11 Joint Arrangements. Refer to Note 1(a)(ii) in the full release of financial statements.

Operational Performance

Saleable coal production and sales for 2013 reached record levels of 16.9Mt and 17.0Mt respectively for Yancoal. A number of the mines generated new operating and sales records for the year, including Moolarben, Yarrabee and Middlemount. Specific highlights for 2013 included:

- Moolarben delivered record production. This low cost operation is ready to expand subject to receiving development approvals.
- Yarrabee also delivered record production and greatly improved productivity.
- Middlemount successfully transitioned to owner operator and is also achieving greater productivity.
- Austar is ready to mine their new Stage 3 area after a four year development program.
- A number of operations have been downsized in an orderly manner to match current market conditions.

Given the recent history of growth through acquisition, Yancoal has worked on developing the "Yancoal Way": building the right operating culture, systems and supporting infrastructure across all operations. This process will continue into 2014 with further integration of businesses and roll-out of standard policies and platforms across the Group.

In terms of business improvement, the portfolio delivered significant gains in productivity, cost reductions, volume increases, safety performance and environmental improvement. The company has worked hard to embed these gains through processes and frameworks including our Group-wide "LEAN" transformation process.

PRODUCTION (100% BASIS)			YTD Dec 2013	YTD Dec 2012	Change
ASHTON	ROM Coal Produced	000's t	2,752	2,305	19%
	Saleable Coal Production	000's t	1,286	1,080	19%
AUSTAR	ROM Coal Produced	000's t	1,566	1,737	-10%
	Saleable Coal Production	000's t	1,287	1,467	-12%
MOOLARBEN	ROM Coal Produced	000's t	8,387	7,168	17%
	Saleable Coal Production	000's t	6,291	5,178	21%
YARRABEE	ROM Coal Produced	000's t	3,698	3,197	16%
	Saleable Coal Production	000's t	3,158	2,481	27%
GLOUCESTER BASIN	ROM Coal Produced	000's t	3,475	3,665	-5%
	Saleable Coal Production	000's t	2,261	2,407	-6%
DONALDSON	ROM Coal Produced	000's t	3,186	3,479	-8%
	Saleable Coal Production	000's t	2,537	2,314	10%
MIDDLEMOUNT	ROM Coal Produced	000's t	3,964	2,234	77%
	Saleable Coal Production	000's t	2,866	1,726	66%
TOTAL (100% Basis)	ROM Coal Produced	000's t	27,028	23,785	14%
	Saleable Coal Production	000's t	19,686	16,653	18%
TOTAL EQUITY SHARE	**ROM Coal Produced**	**000's t**	**23,093**	**21,004**	**10%**
	Saleable Coal Production	**000's t**	**16,866**	**14,646**	**15%**

SALES	Coal Type		YTD Dec 2013	YTD Dec 2012	Change
TOTAL (100% Basis)	Metallurgical	000's t	9,127	6,434	42%
	Thermal	000's t	10,600	10,576	0%
TOTAL EQUITY SHARE	Metallurgical	000's t	7,615	5,412	41%
	Thermal	000's t	9,394	9,444	-1%
	Total Coal Sold - Equity Share	**000's t**	**17,009**	**14,856**	**14%**

Notes: Yancoal Australia has an 80% interest in Moolarben, 90% Ashton and a ~50% interest Middlemount

Outlook

In 2014, our priority is to continue to optimise operations, deliver positive operating cashflow and advance key projects, particularly Moolarben Stage 2.

Guidance for saleable production in 2014 is a range of 16.5Mt – 17.0Mt (Equity share). Forecast 2014 capital expenditure is $380 million (Equity Share) with over half of the expenditure allocated to growth projects that are subject to regulatory approvals.

The Yancoal portfolio has growth optionality at all operations but in light of coal market conditions, capital constraints and permitting uncertainties, Yancoal is restrained in giving explicit group level production projections beyond 2014. Moolarben Stage 2 is the most material project pending for Yancoal. Stage 2 has the potential to double Moolarben production and lift Yancoal's equity share of group production by more than 25% over a five year horizon.

Additional information about the company can be found at www.yancoal.com.au

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