

# 2016 HY Results Presentation

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16 August 2016

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ANTOFAGASTA PLC

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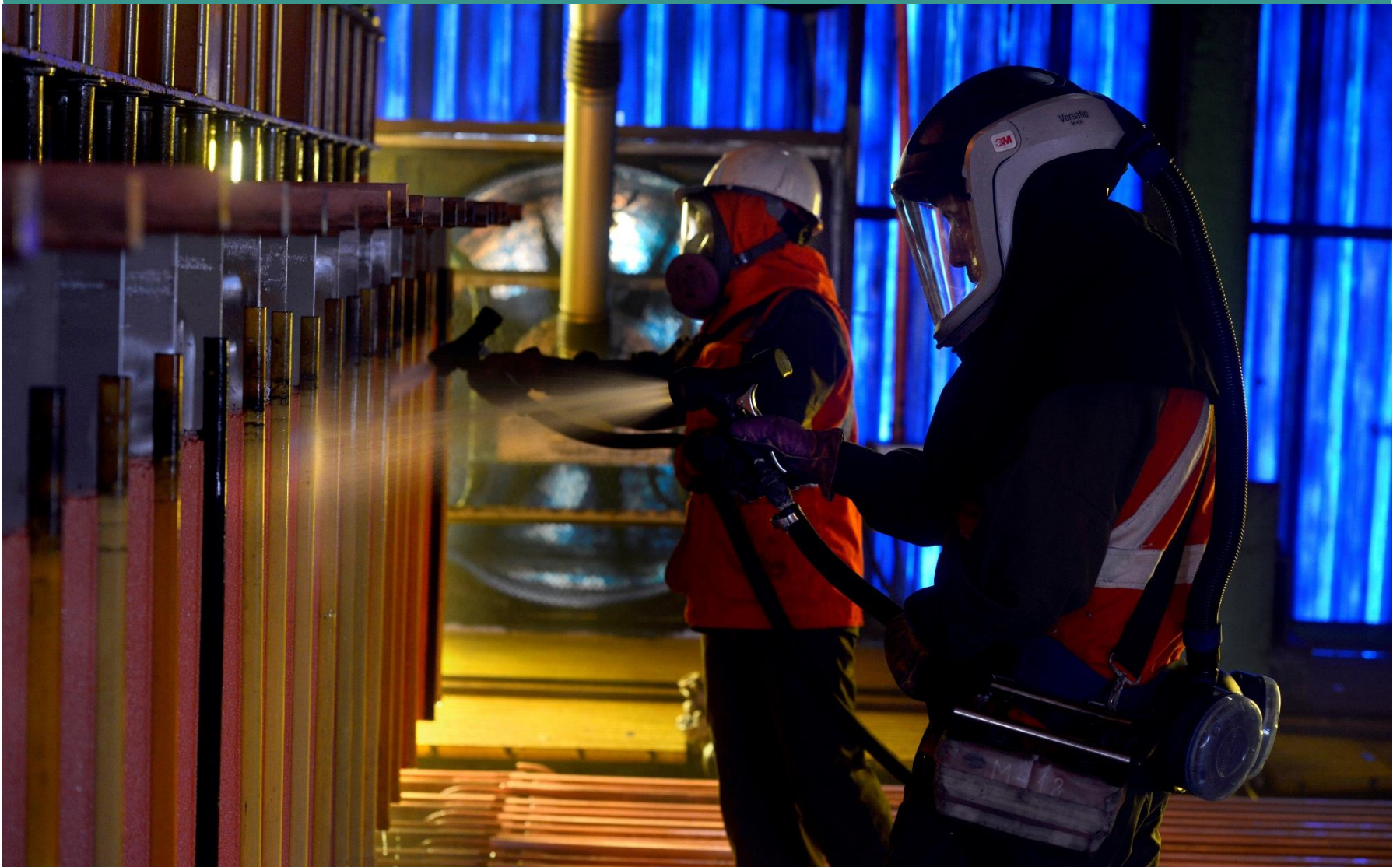
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## Overview



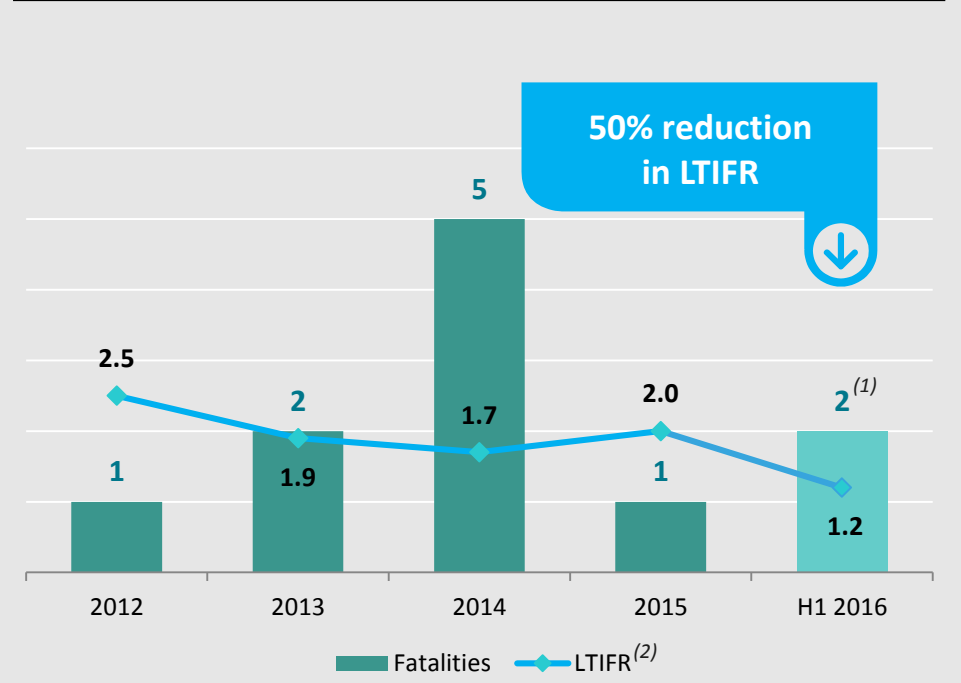
- Unacceptably, a fatality occurred at Antucoya in April 2016 and another in the transport division in July
- Committed to zero fatalities target
- 50% improvement in injury rate
- New safety and occupational health model being extended to contractors
- Regular senior management site visits to reinforce Safety First

## Renewed areas of focus



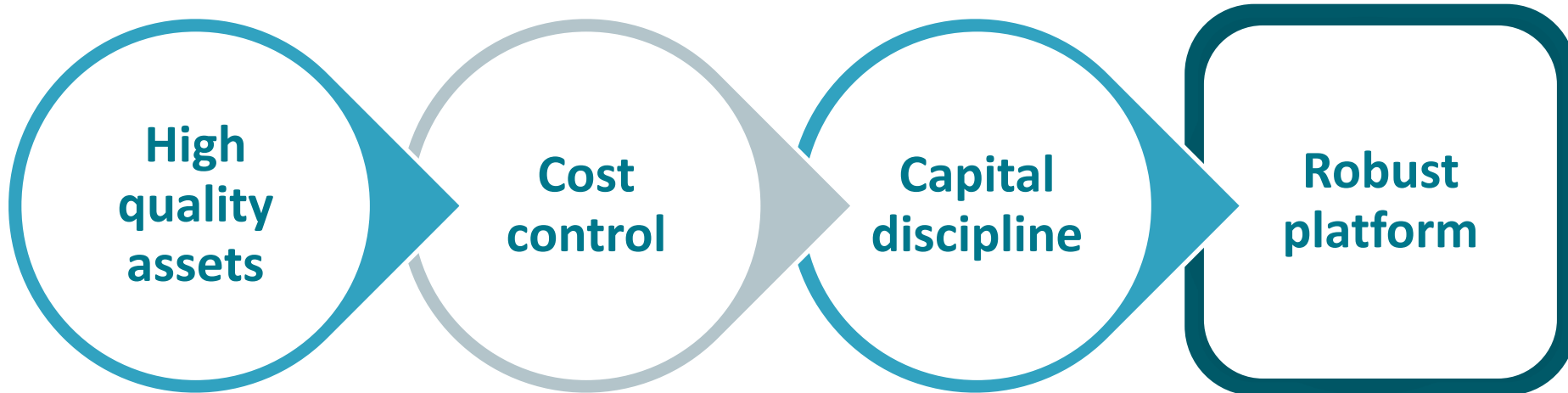
- Identify and assess fatality and serious injury risks
- Implement critical controls
- Report and investigate near misses
- Increase on the ground senior leadership

## Safety Performance



1. As of 31<sup>st</sup> July 2016

2. Lost Time Injury Frequency Rate



- Strong and growing production
- Large resource base
- Low costs and long-life assets
- Four mines in two 'world-class' mining districts in Chile

- Cost and Competitiveness Programme
- Focus on operating efficiencies through technical innovation and exploiting synergies

- Strong and flexible balance sheet
- Manageable debt levels
- Protecting margins and profitability
- Consistent dividend policy

- Continuing to optimise mines
- Disciplined approach to acquisitions and disposals
- Lowering cost base

**Creating value for shareholders**





## Group Position

- Strong balance sheet
- Competitive operating costs
- Re-setting community engagement
- Managing timing of growth projects
- Optimised asset portfolio

2016



## Enhance Efficiency

- Cost and Competitiveness Programme
- Capital allocation
- Centralised services
- Productivity improvements

Beyond 2017



## Positioned for uncertainty

- Rebase costs to withstand market weakness
- Portfolio of cash generative assets
- Optionality for organic growth



# H1 2016 Highlights

## Cu Production

**323,330t**

↑6.6% compared to last year

- Includes production from Antucoya and attributable production from Zaldívar
- Full year production weighted to second half

## Revenue

**\$1,448 million**

↓18.5% compared to last year

- Lower realised copper price
- Lower sales volumes
- Ramping up Antucoya, closed Michilla

## Net Cash Cost

**\$1.26/lb**

↓17.6% compared to last year

- 15% is group cash costs before by products
- Higher realised prices of gold and moly offset by lower volumes

## EBITDA

**\$572 million**

↑2.3% compared to last year

- 25% reduction in operating costs
- Includes EBITDA from associates

## EBITDA Margin<sup>(1)</sup>

**39.5%**

↑ From 31.5% last year

- Operating cost savings
- Lower Corporate costs and Exploration & Evaluation

## Net Earnings

**\$88 million**

↓3.0% compared to last year

- Increase in Corporate Tax rate

## Operating Cash Flow

**\$774 million**

↓4.2% compared to last year

- Reduced profits before tax
- Decrease in working capital

## Capital Expenditure

**\$385 million**

↓39% compared to last year

- Higher expenditure planned in H2 2016
- Mine development costs
- Revised development timetable for projects in construction

1. Calculated as EBITDA/Group Revenue. If Associates and JV's revenue is included EBITDA Margin was 35.5% in H1 2016 and 30.8% in H1 2015. EBITDA is a non-GAAP measure



## Unexpected strength in H1 2016

- Chinese stimulus measures
- Limited scrap availability
- Modest growth in supply, forecast to increase in H2 2016
- Dollar correlation broken

## China remains key

- 48% of world consumption
- Ability to significantly stimulate economy
- Moving to consumption led growth
- Historic growth rate unsustainable
- Questions over debt quality
- One Belt, One Road
- Financial resources to prevent a hard landing

## Scrap market weak

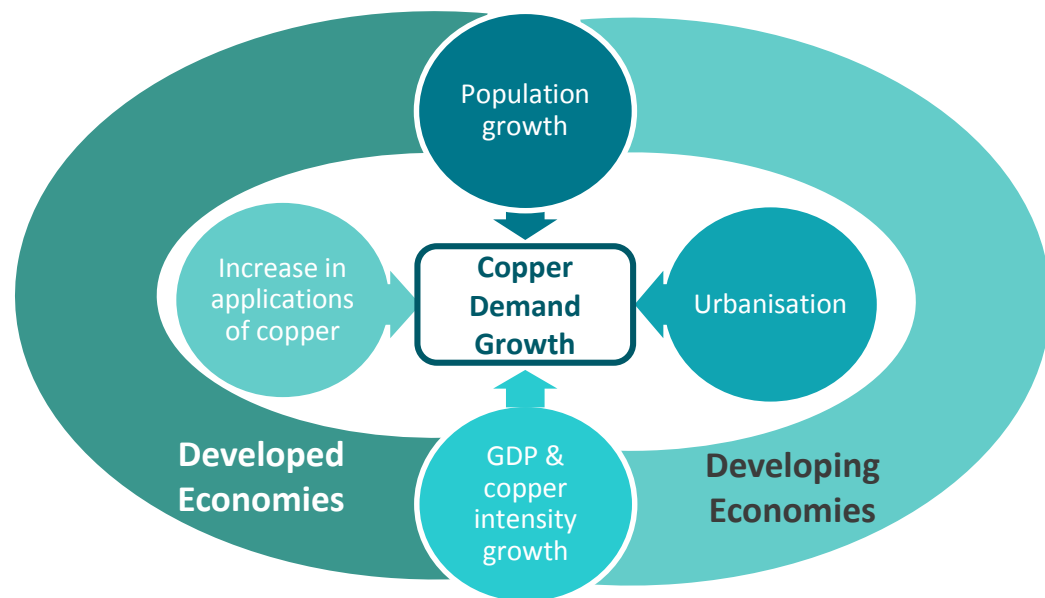
- 15-20% of refined copper supply
- Higher demand elasticity than primary copper
- Lower copper prices
- Lower scrap generation
- Low refining charges
- Processing concentrates higher margin than processing scrap



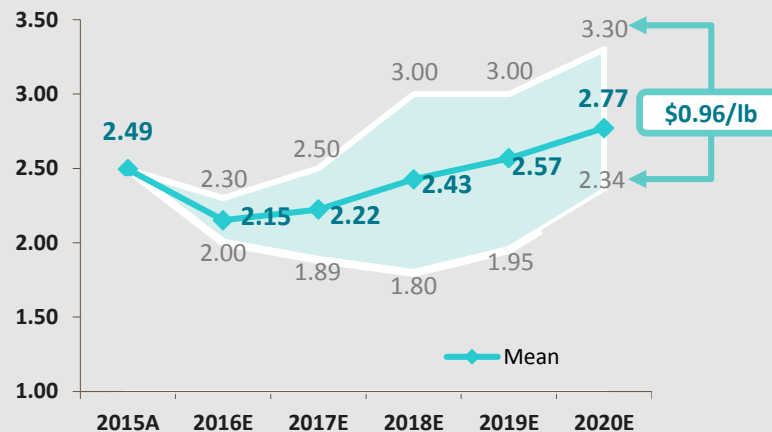
## Optimistic in medium and long term

### Outlook

- Expected demand growth during 2016-2020: 2.0-2.5% pa
- Supply is expected to grow modestly during 2016-2020
- Grades decline
- Few big copper projects coming
- New projects are more complicated and take longer
- Small surpluses expected until at least 2018



### Copper Price Consensus (\$/lb)



Source: 23 brokers' and analysts' estimates (less than 3 months old), July 2016

## Operational review and growth opportunities





# Operations overview

## Group



ANTOFAGASTA PLC

H1 2015	H1 2016
303,400t Cu	323,300t Cu
C1 \$1.53/lb	C1 \$1.26/lb

- Focus on reducing operating and capital costs
- Grow production
- Maintain capital discipline

## Los Pelambres



H1 2015	H1 2016
169,400t Cu	172,100t Cu
C1 \$1.36/lb	C1 \$1.02/lb <sup>(1)</sup>

- Improved production as recoveries offset lower throughput
- Harder ore
- Strong cost improvement

## Centinela



H1 2015	H1 2016
118,400t Cu	98,100t Cu
C1 \$1.67/lb	C1 \$1.53/lb

- Lower oxide and sulphide grades
- Productivity improvement

## Antucoya



H1 2015 <sup>(2)</sup>	H1 2016
n/a	27,000t Cu
n/a	C1 \$1.82/lb

- Commercial production achieved
- Plant modifications completed by Q4 2016

## Zaldívar<sup>(3)</sup>



H1 2015	H1 2016
n/a	26,000t Cu
n/a	C1 \$1.50/lb

- Synergies and costs savings being achieved
- Increased recoveries (leachable sulphides)

1. Costs reduced by \$0.08/lb to reflect revised estimation of stripping activity  
 2. Production started in Q3 2015  
 3. Completion of acquisition on 1 December 2015. Attributable production (50% interest)

## Outstanding court cases resolved




- Two longstanding claims concerning:
  - Quality and quantity of water in stream
  - Ability of dam wall to withstand extreme seismic event
- Formal and transparent dialogue with community to understand concerns and share views
- Agreement reached with community in April 2016
- Both court cases resolved in favour of Los Pelambres in August 2016
- An appeal is possible, but is unlikely to be accepted by the court



# Phased growth opportunities



1. Feasibility study figures
2. Estimated figures for the first five years
3. Pre-feasibility study figures
4. Including desalination plant

-  Ramp-up
-  Construction
-  Feasibility study

## Delivering growth

- High levels of fine dust slowing ramp-up
- Commercial production commenced in April 2016
- Reach design capacity in H2 2016
- Improved dust suppression systems to be completed by the end of the year

### Antucoya



Start of operation:  
**Q3 2015**

Remaining mine life:  
**18 years**

Reserves (P+P)<sup>(1)</sup>:  
**686.6mt @ 0.34% Cu**

	H1 2016	2016 <sup>(2)</sup>
Copper production (t)	27,000	65-75,000
Cash costs (\$/lb)	1.82 <sup>(3)</sup>	1.65

1. As of 31 December 2015

2. Guidance January 2016

3. From start of commercial production, 1 April 2016



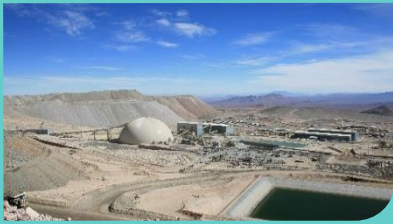


# Zaldívar - integration

## Synergies being achieved

- Acquired 1 December 2015. Antofagasta operator
- Best acquisition opportunity in recent years
- Cost synergies achieved: \$15-20 million
- Recoveries improved: 69% in Q1 2016 vs 59.5% in 2015
- Integration very substantially complete
- Production growth to 75 ktpa<sup>(1)</sup> on grade increase

### Zaldívar



Start of operation:  
**1995**

Remaining mine life:  
**14 years**

Reserves (P+P)<sup>(2)</sup>:  
**455mt @ 0.55% Cu**

	H1 2016	2016 <sup>(3)</sup>
Copper production <sup>(1)</sup> (t)	26,000	50-55,000
Cash costs (\$/lb)	1.50	1.80

1. Attributable production (50% interest)

2. As of 31 December 2015

3. Guidance January 2016



## Three projects - increasing production, lowering unit costs

### Centinela debottlenecking



- Debottlenecking to increase throughput to 105,000 tpd
- Includes thickened tailings
- Front-end completed in 2015
- Complete installation of tailings thickeners in H2 2016

### Molybdenum plant



- Construction underway
- Completion in 2017
- 2,400 tpa molybdenum

### Encuentro Oxides



- Start production in 2017
- 8-year mine life
- Feed for existing SX-EW plant
- Full production 50,000 tpa copper



## District has a series of development options

### Centinela Second Concentrator



- Planned 2<sup>nd</sup> concentrator 7 km from current facilities
- Two-phase growth:
  - Phase 1 - 90,000 tpd throughput
  - Phase 2 - +50,000 tpd throughput
- Annual production (Phase 1):
  - 140,000 tonnes copper
  - 150,000 oz gold
  - 3,000 tonnes molybdenum
- EIA approval expected in 2016
- Slowed feasibility study, focusing on critical path items
- Investment decision late 2017



# Los Pelambres Incremental Expansion

## Phase 1

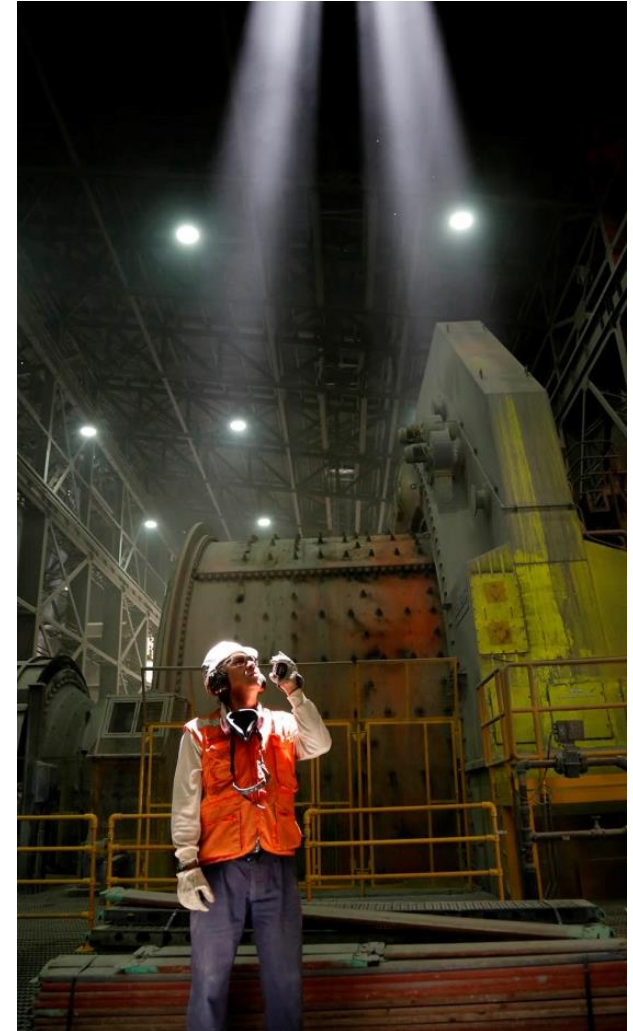


- Maximising throughput under existing permits
- Throughput expansion to 190,000 tpd + desalination plant
- New grinding and flotation circuit to counter the increasing hardness of the ore
- Capex \$1.1 billion including desalination plant and water pipeline
- EIA submitted in April 2016
- Investment decision in late 2017

## Phase 2



- Throughput expansion to 205,000 tpd
- Mine life extension beyond 2037
- New permits required
- Repower conveyors from primary crusher to concentrator
- Estimated capex \$500 million
- EIA submission in 2018+





## Twin Metals Project



- 2.4 billion tonne resource in Minnesota containing copper, nickel and PGMs
- Optimising pre-feasibility study
- Permitting process complex with some challenges
- Progress rate slowed to reduce costs



## Exploration



- Chile and internationally
- More targeted exploration and evaluation as part of cost savings programme
- 66% reduction H1 2016 vs H1 2015



# H1 2016 performance and FY guidance



Portfolio optimised. Costs control ongoing

Cu

Au

Mo

C1

H1 2016  
Production (t)

323,300

2016 Guidance (t)

710,000 - 740,000<sup>(1)</sup>

H1 2016  
Production (oz)

109,500

2016 Guidance (oz)

245,000 - 275,000<sup>(2)</sup>

H1 2016  
Production (t)

3,300

2016 Guidance (t)

8,000 - 9,000<sup>(2)</sup>

H1 2016  
Net Cash Costs (\$/lb)

1.26

2016 Guidance (\$/lb)

1.30<sup>(1)</sup>

1. July 2016. Production guided to lower end of range  
2. January 2016

## Financial overview



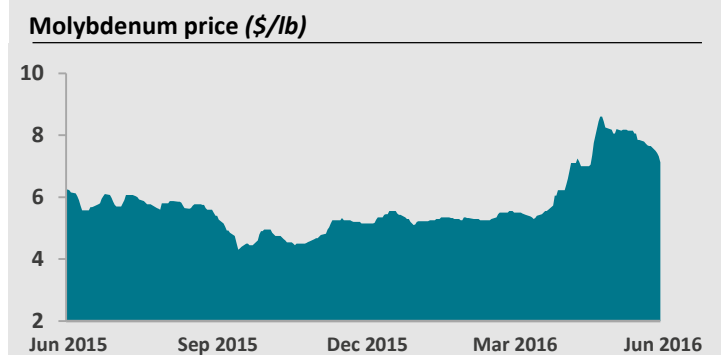
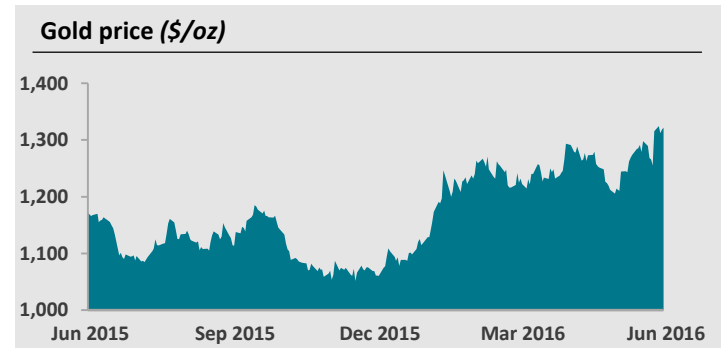
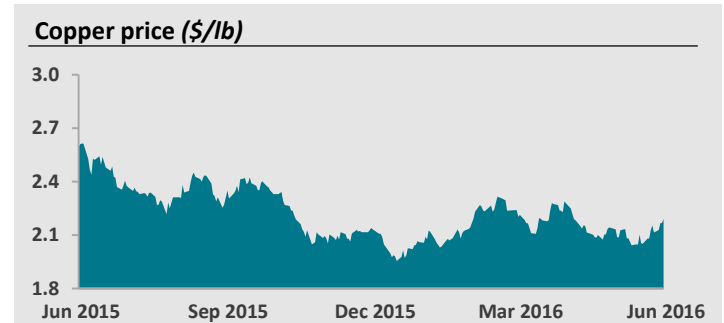
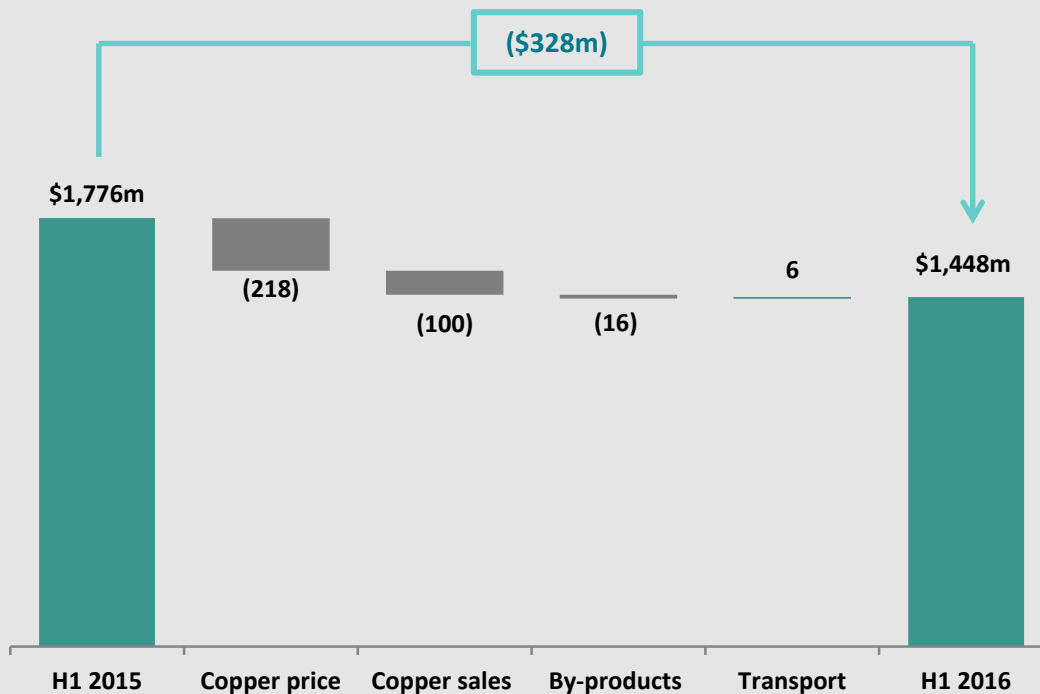


# Revenue - weaker commodity price environment

Revenue down 19%

- Lower copper prices and sales volumes
  - Michilla closed
- Lower gold and molybdenum sales volumes, partially offset by higher realised prices

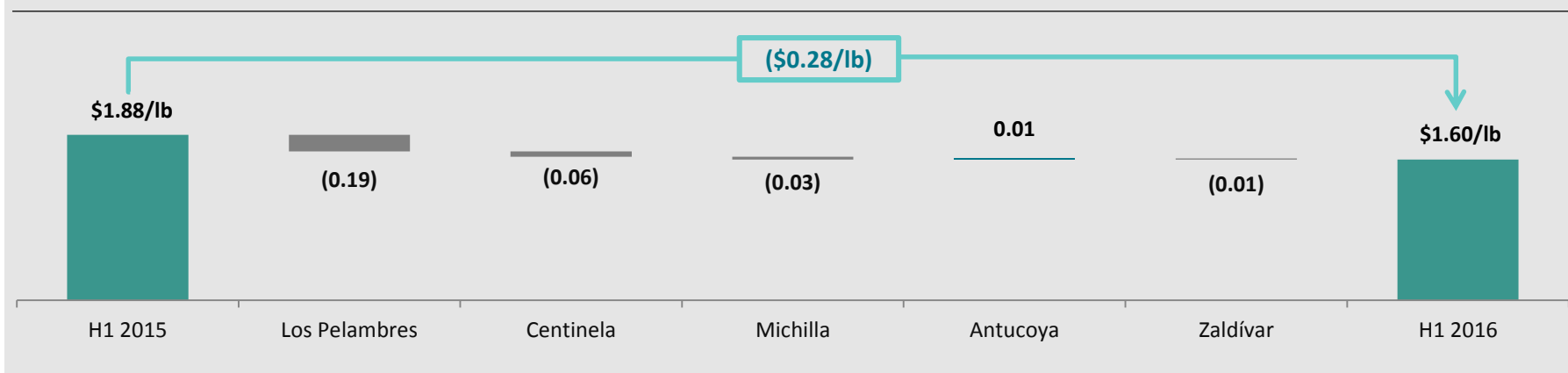
## Revenue<sup>(1)</sup> H1 2015 vs H1 2016 (\$m)



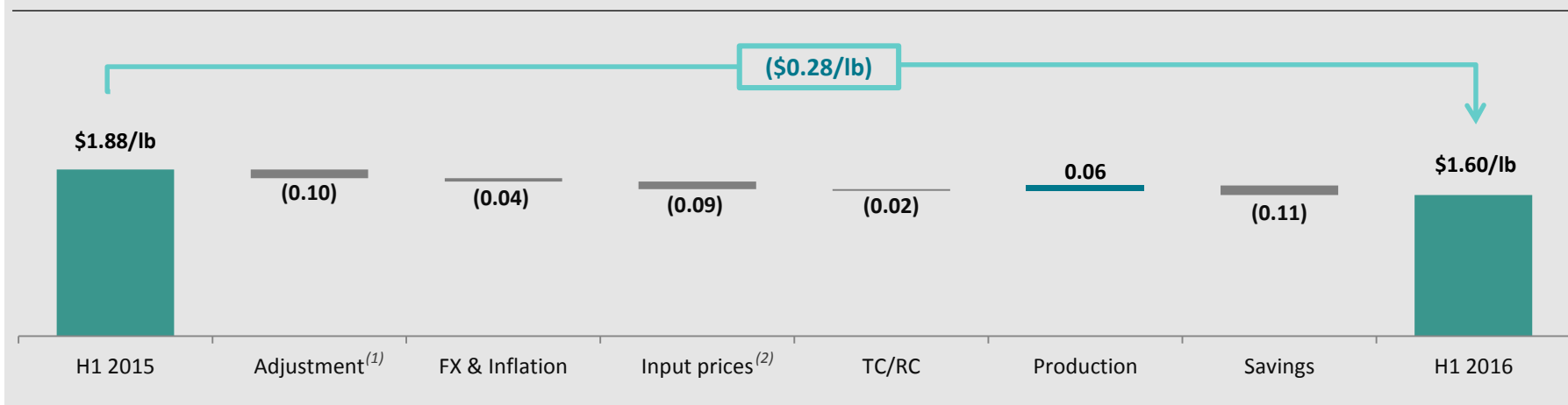
1. Includes results of continuing operations and Antucoya from 1 April 2016. Excludes Zaldívar (JV). Unaudited H1 2016 figures.

# Unit cash costs

## Cash costs before by-product credits (\$/lb) - by operation



## Cash costs before by-product credits (\$/lb) - by cost type



1. Adjustment made to H1 2015 figures based on application of revised estimation of deferred stripping costs

2. Energy, diesel and acid

## FY target of \$160m with \$124m of savings to date

### Mine Site Costs

- \$67<sup>(1)</sup>m, (\$0.11/lb) of savings
- Cumulative savings of \$250m since start of CCP<sup>(2)</sup>

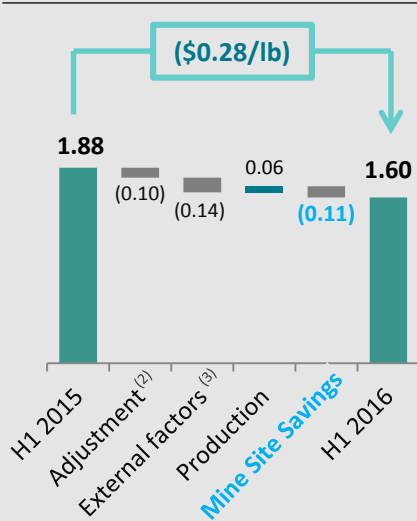
### E&E and Corporate Costs

- \$57m of Exploration & Evaluation, and Corporate costs savings
- Cost control without increasing risk

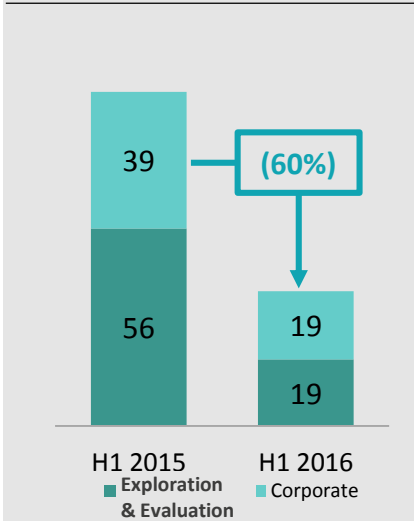
### Operating Costs

- Cost reduction negotiations with a larger group of contractors
- Simplified functional support areas
- Strengthened operations and maintenance

### Gross Cash Costs (\$/lb)



### E&E and Corp Costs (\$m)



#### Services Productivity:

Improving productivity and quality of contracts while reducing costs



#### Operational & Maintenance Management

Improving performance of critical processes and standardised maintenance management practices



#### Corporate & Organisational Effectiveness

Reducing corporate costs and restructuring Group's organisational functions

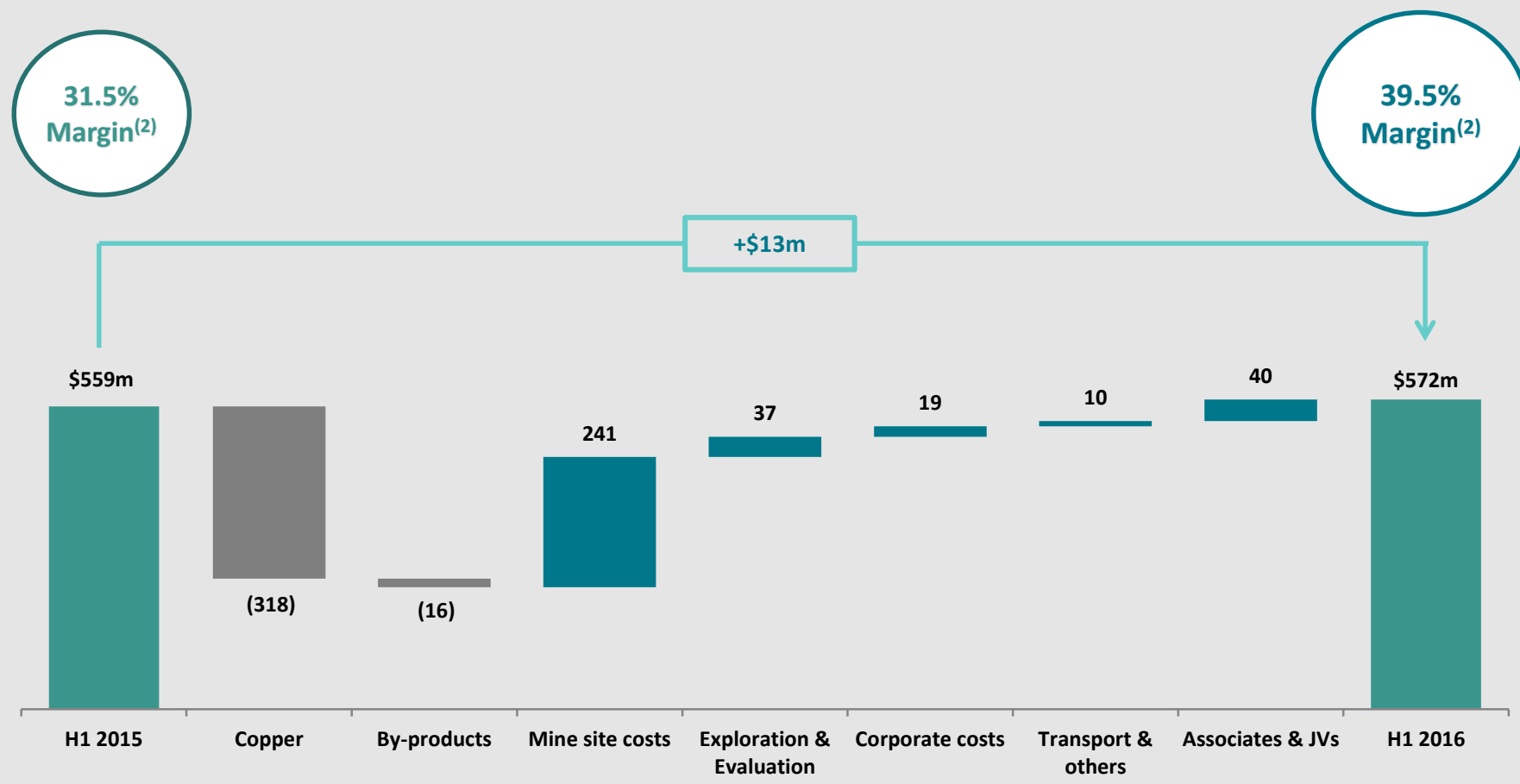


#### Energy Efficiency

Optimising energy efficiency and improving pricing

1. Including Antucoya & Zaldivar
2. Adjustment made to H1 2015 figures based on application of revised estimation of deferred stripping costs
3. FX, inflation, input prices and TC/RC

## EBITDA<sup>(1)</sup> H1 2015 vs H1 2016 (\$m)

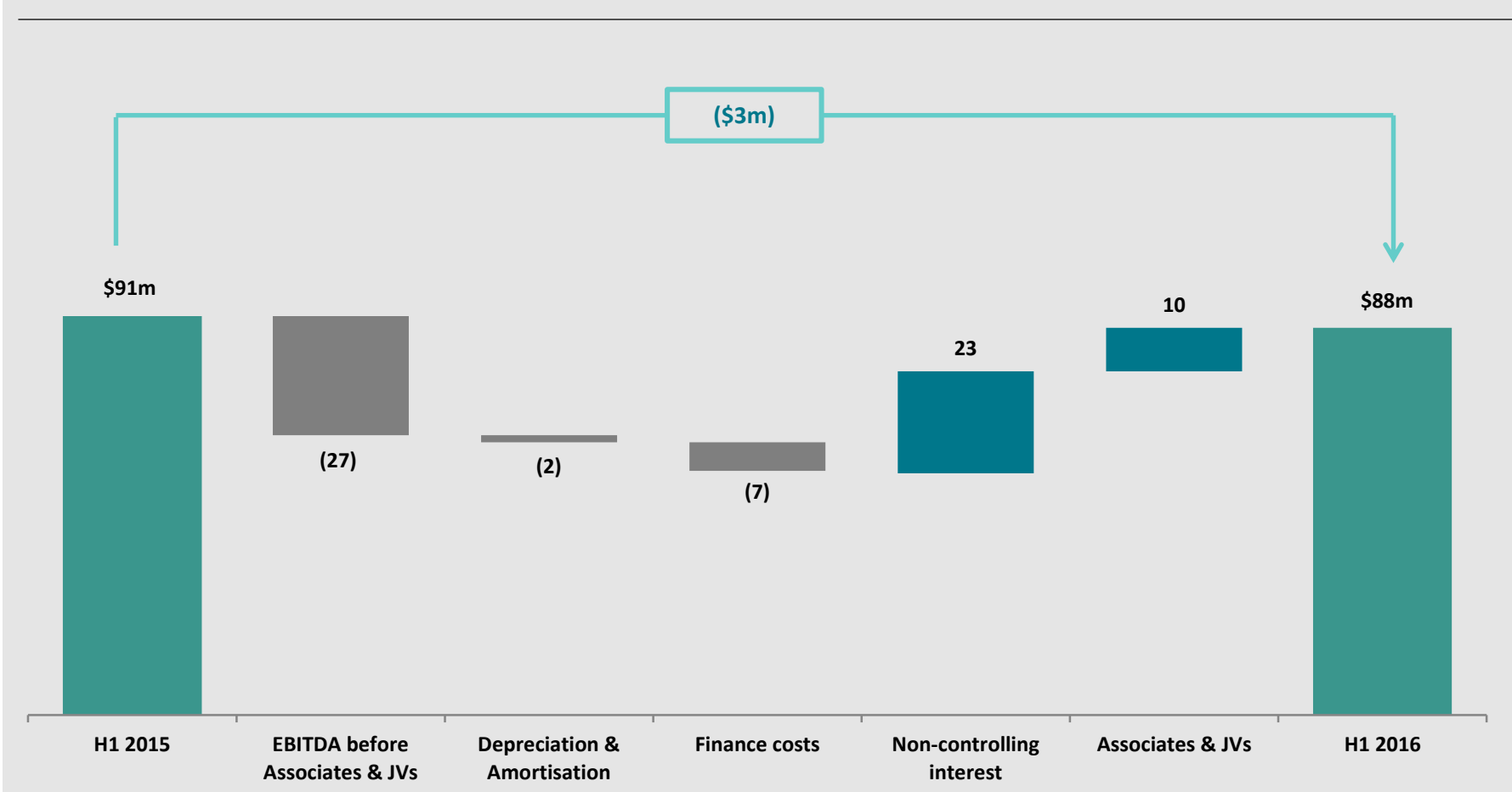


1. Results of continuing operations only and includes EBITDA from Associates and JV's . Unaudited H1 2016 figures

2. Calculated as EBITDA/Group Revenue. If Associates and JV's revenue is included EBITDA Margin was 35.5% in H1 2016 and 30.8% in H1 2015

# Net earnings

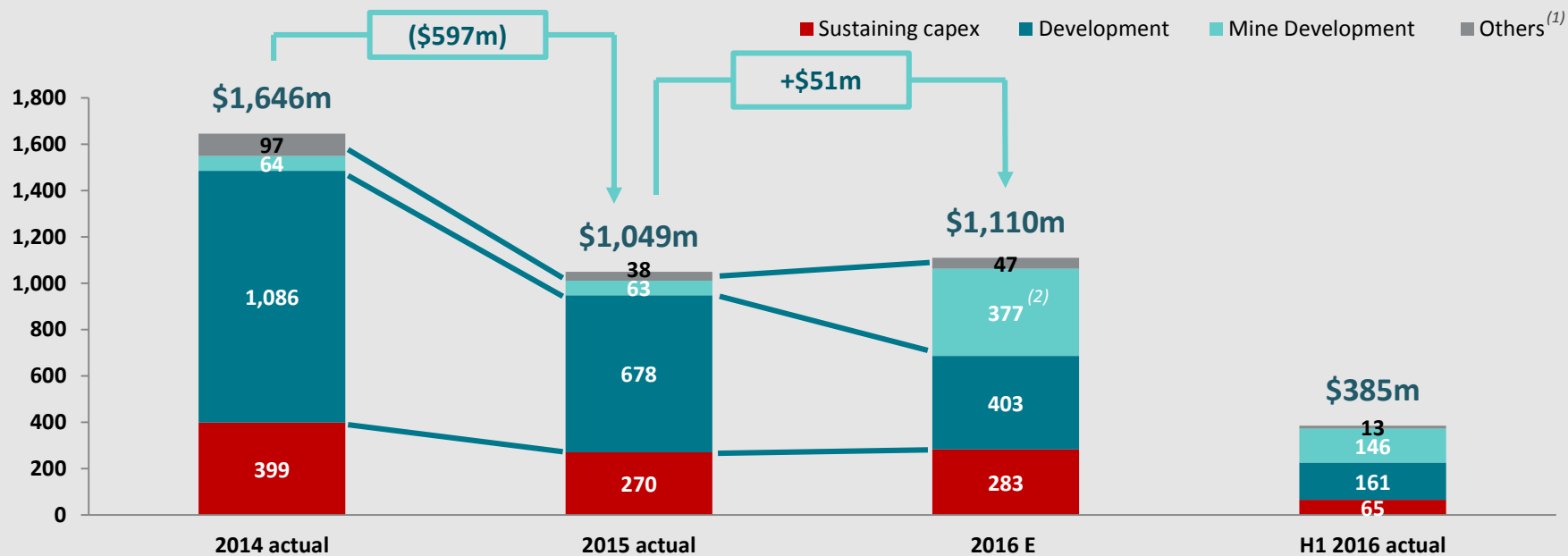
## Net Earnings<sup>(1)</sup> H1 2015 vs H1 2016 (\$m)



1. Results of continuing operations only. Unaudited H1 2016 figures.

# Capital expenditure

## Capital expenditure (\$m)



### Sustaining capex ratio

\$566/tCu

\$431/tCu

\$414/tCu

\$218/tCu

- Slowing development projects under construction: Encuentro Oxides and the Molybdenum Plant
- Decreasing sustaining capex ratio

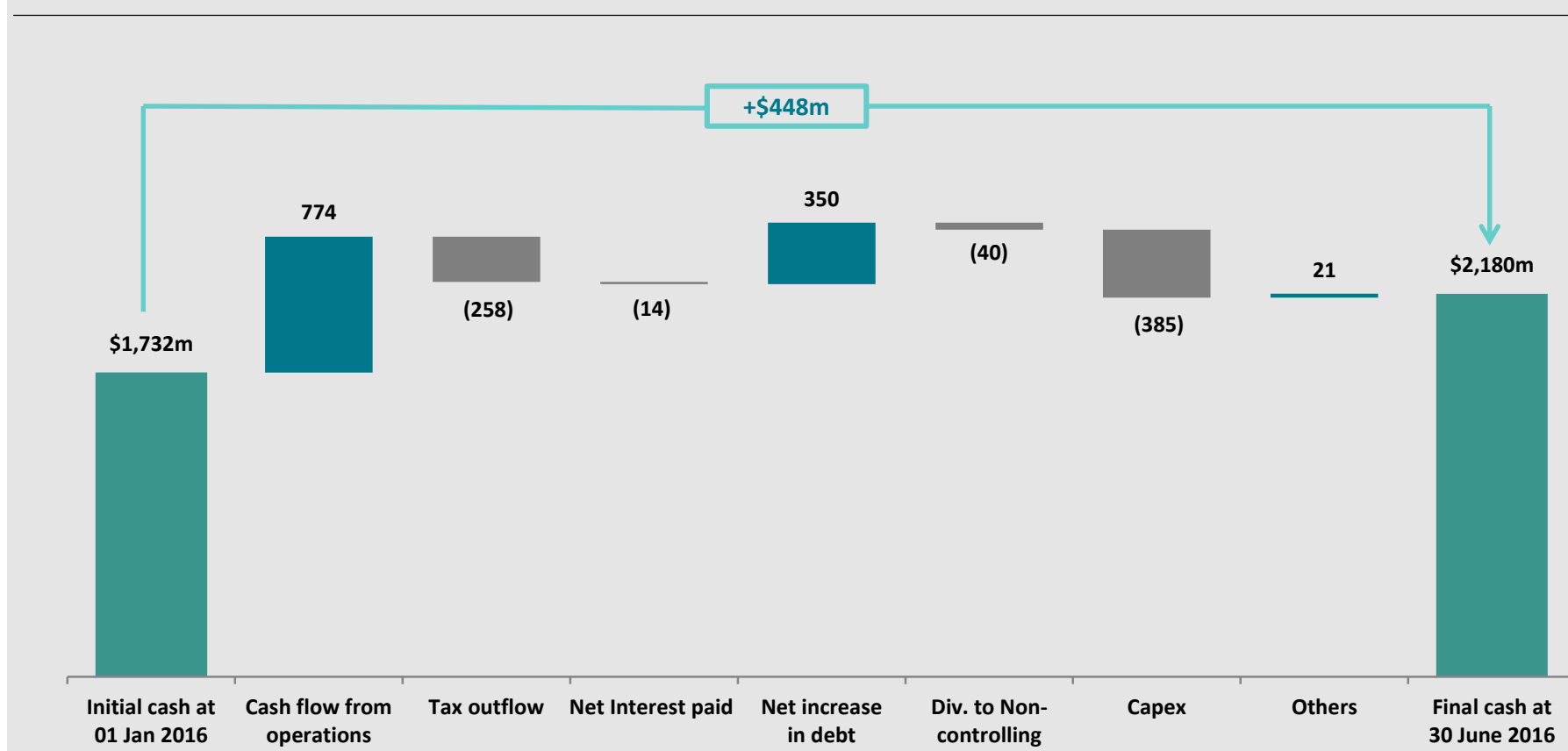
Note: Figures are based on cash flow and exclude Zaldívar. Unaudited H1 2016 figures.

1. Transport Division, Water Division (until sale in June 2015) and Corporate

2. Includes \$112m capitalised stripping activity at Los Pelambres

# Cash flow

## Cash flow in period<sup>(1)</sup> (\$m)



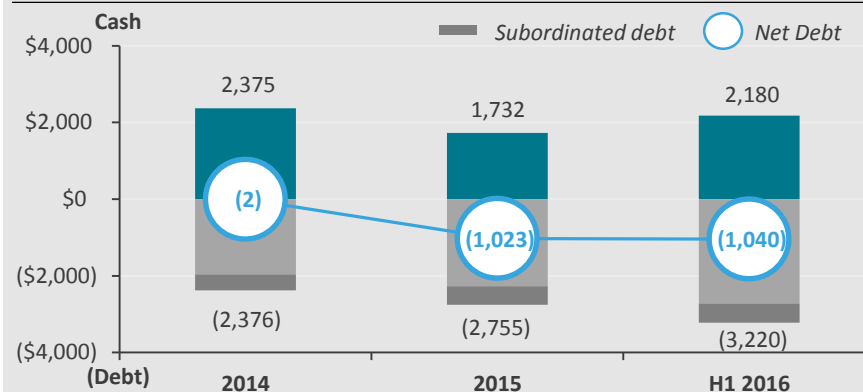
1. Unaudited H1 2016 figures.



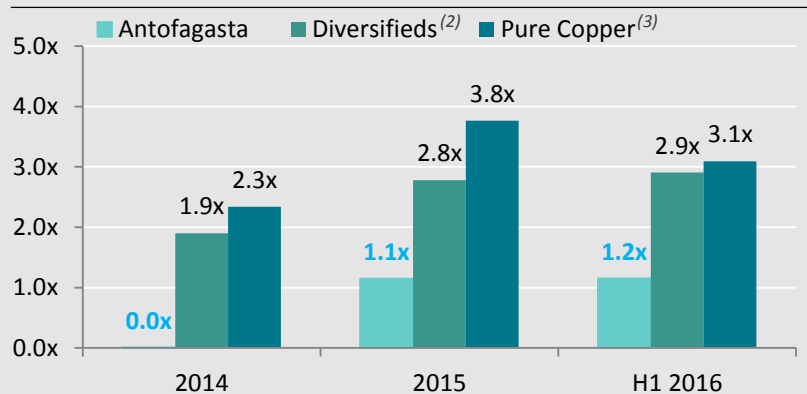
## Resilient Balance Sheet

- Strong balance sheet and liquidity
- Low Net Debt/EBITDA ratio
- Low cost of funding
- Well positioned to withstand prolonged downturn – if required

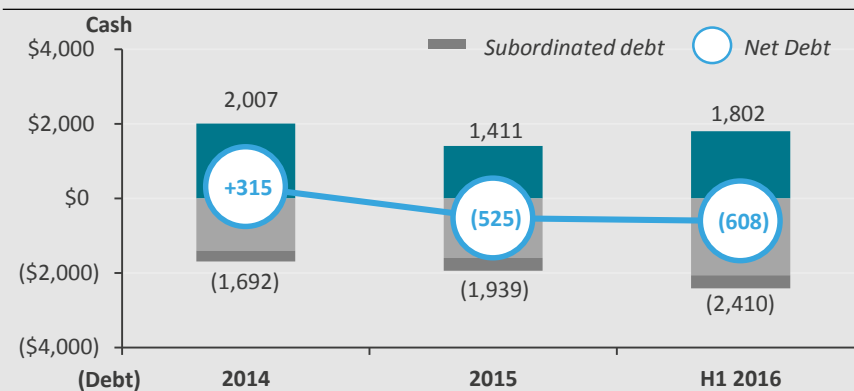
## Net Cash/(Debt) Gross Basis (\$m)



## Net Debt to LTM EBITDA<sup>(1)</sup>



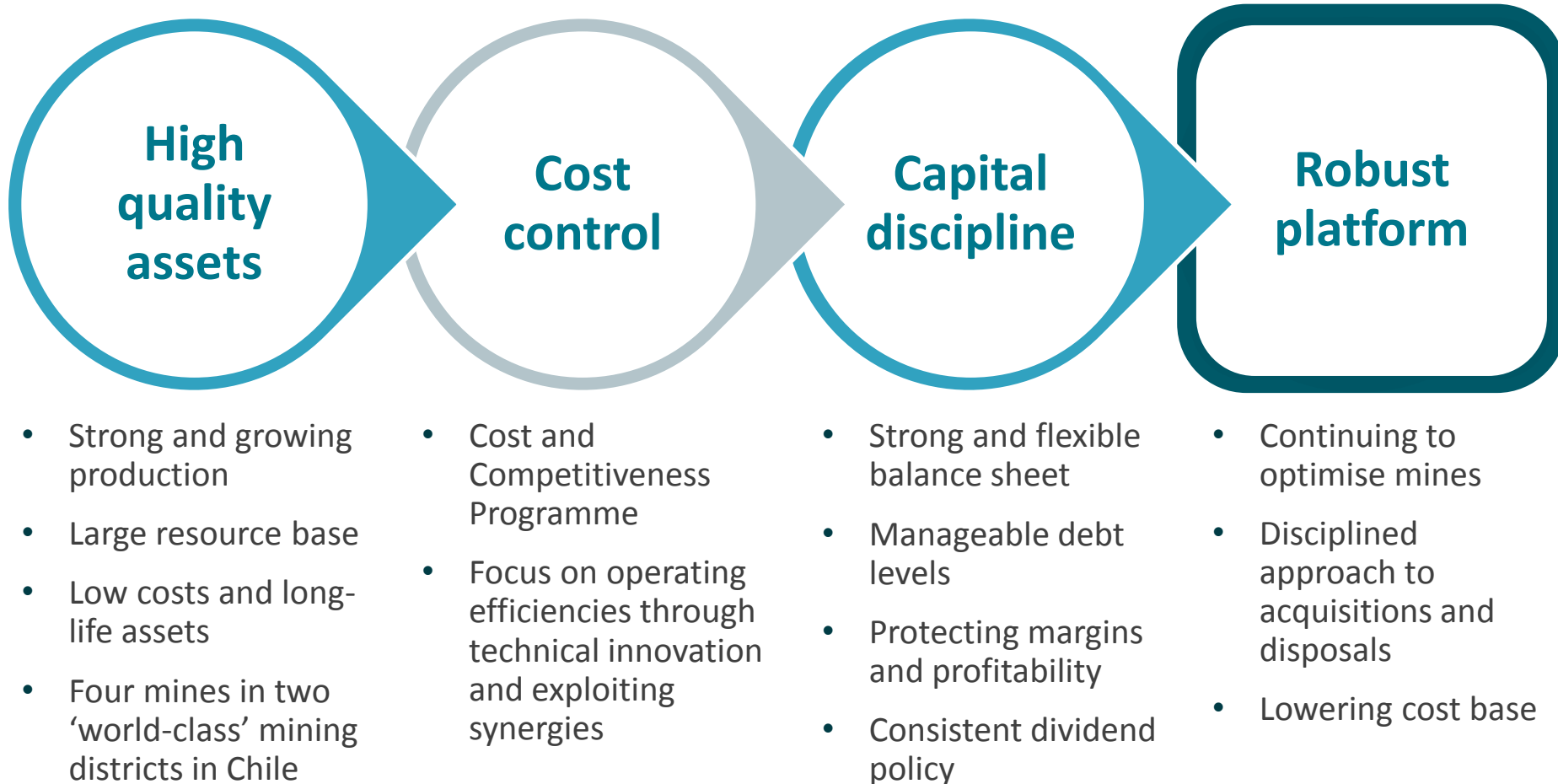
## Net Cash/(Debt) Attributable Basis (\$m)



1. Source: FactSet and companies' filings. Median points for Diversifieds and Pure Copper Companies, and Antofagasta unaudited actuals
2. Diversifieds: BHP Billiton, Rio Tinto, Anglo American, Glencore, Vale, South32, Vedanta and Teck
3. Pure Copper Companies: Freeport, Southern Copper, First Quantum, KGHM, Kaz Minerals, Oz Minerals, Hudbay and Lundin

Investment case





**Creating value for shareholders**





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