

# 2018 HY Results Presentation

14<sup>th</sup> August 2018

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ANTOFAGASTA PLC



# Cautionary statement



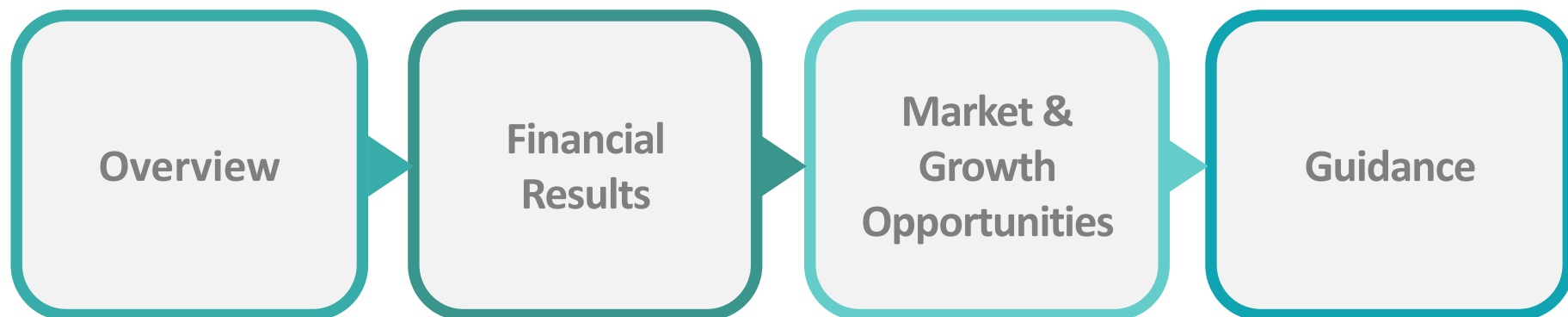
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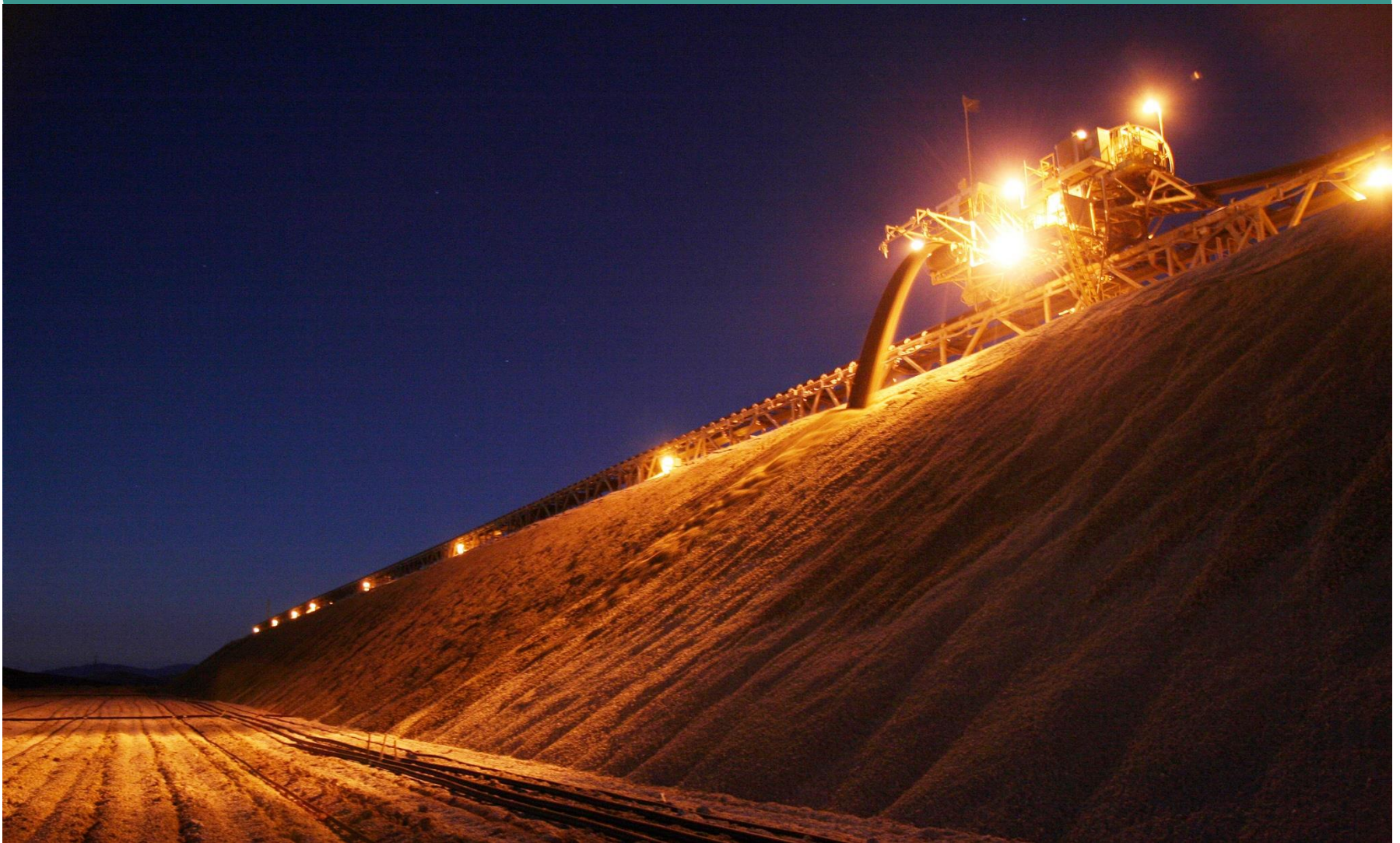
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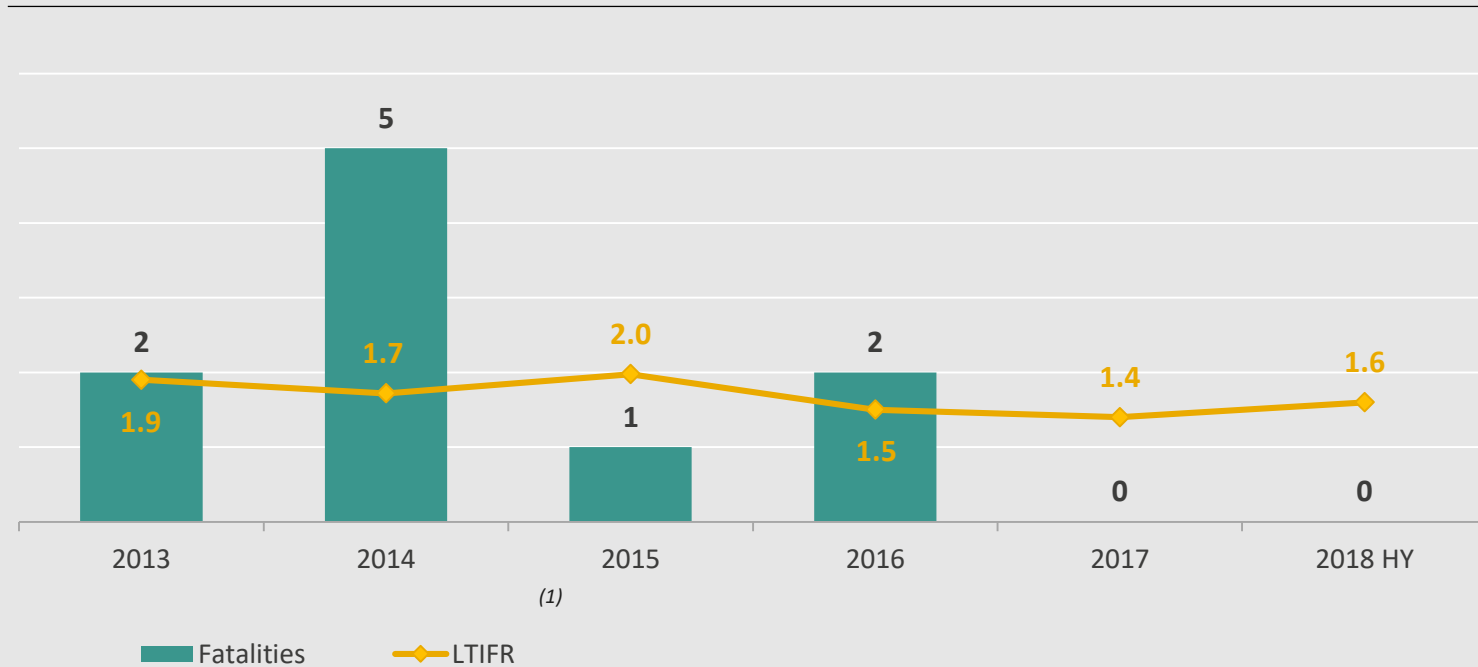
Past performance cannot be relied on as a guide to future performance.



## Overview



## Safety Performance



- No fatal accidents since April 2016
- Group LTIFR 1.6 in 2018 HY
- Mining Division LTIFR 1.0 in 2018 HY

1. LTIFR: Lost Time Injury Frequency Rate

# Producing profitable tonnes



**How are we doing?**

- As expected challenging H1 with low grades driving financial performance
- Production and costs in line to achieve FY guidance



**What do we expect?**

- Guidance unchanged, as grades strengthen in H2 and into 2019



**External factors in H2**

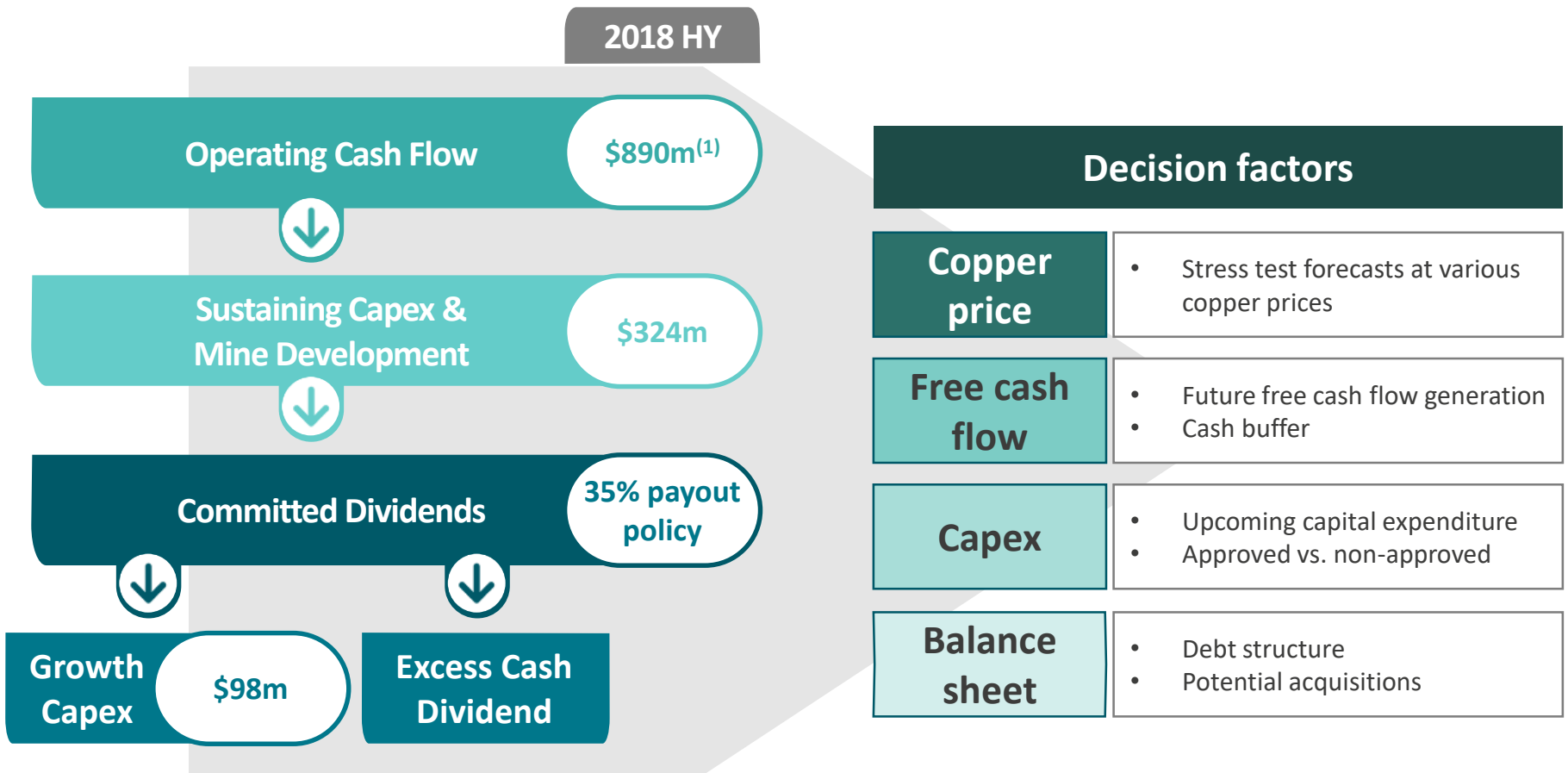
- Cost inflation
- Foreign exchange pressures



**Our focus**

- Operating consistently and using full capacity
- Growth projects on track
- Returns to shareholders

# Capital allocation drives decision making



1. Cash flow from continuing and discontinued operations

# 2018 HY highlights



<b>Safety</b>	<ul style="list-style-type: none"><li>• Zero fatalities</li></ul>
<b>Copper production and cash cost</b>	<ul style="list-style-type: none"><li>• 317,000t, 8.5% lower than H1 2017</li><li>• Cash cost \$1.52 / lb</li><li>• Guidance unchanged</li></ul>
<b>Financials</b>	<ul style="list-style-type: none"><li>• EBITDA down 16% to \$904 million</li><li>• Cash flow from operations 22% lower at \$890 million</li></ul>
<b>Labour negotiations</b>	<ul style="list-style-type: none"><li>• Successfully concluded at Los Pelambres</li><li>• Next negotiations in 2019</li></ul>
<b>Sale of power assets</b>	<ul style="list-style-type: none"><li>• Centinela's power transmission assets sale for \$117m announced</li></ul>
<b>Social &amp; environmental</b>	<ul style="list-style-type: none"><li>• Zaldivar EIA submitted to extend water extraction matching mine life</li><li>• New carbon-free power supply for Zaldivar</li></ul>



# Operations 2018 HY

## Los Pelambres



- Sustained high mine and plant reliability
- Temporary pipeline blockage
- Phase I expansion EIA approved

**Cu 159,100t**  
**\$1.04/lb**

## Centinela



- Encuentro Oxides ramping up
- Moly plant first sale in July
- Sale of electricity transmission lines for \$117 million

**Cu 103,700t**  
**\$1.94/lb**

## Antucoya



- Focused on optimising mine and plant operations
- Improvement of dust suppression and spent ore disposal

**Cu 32,900t**  
**\$2.17/lb**

## Zaldívar



- New power agreement from renewables sources signed
- Submitted EIA to extend water extraction in line mine life
- Continue to optimise recoveries for high sulphides content ore

**Cu 21,300t**  
**\$1.97/lb**

**Full year guidance unchanged, 705-740,000 tonnes Cu at \$1.35/lb**

## 2018 HY Financial Results



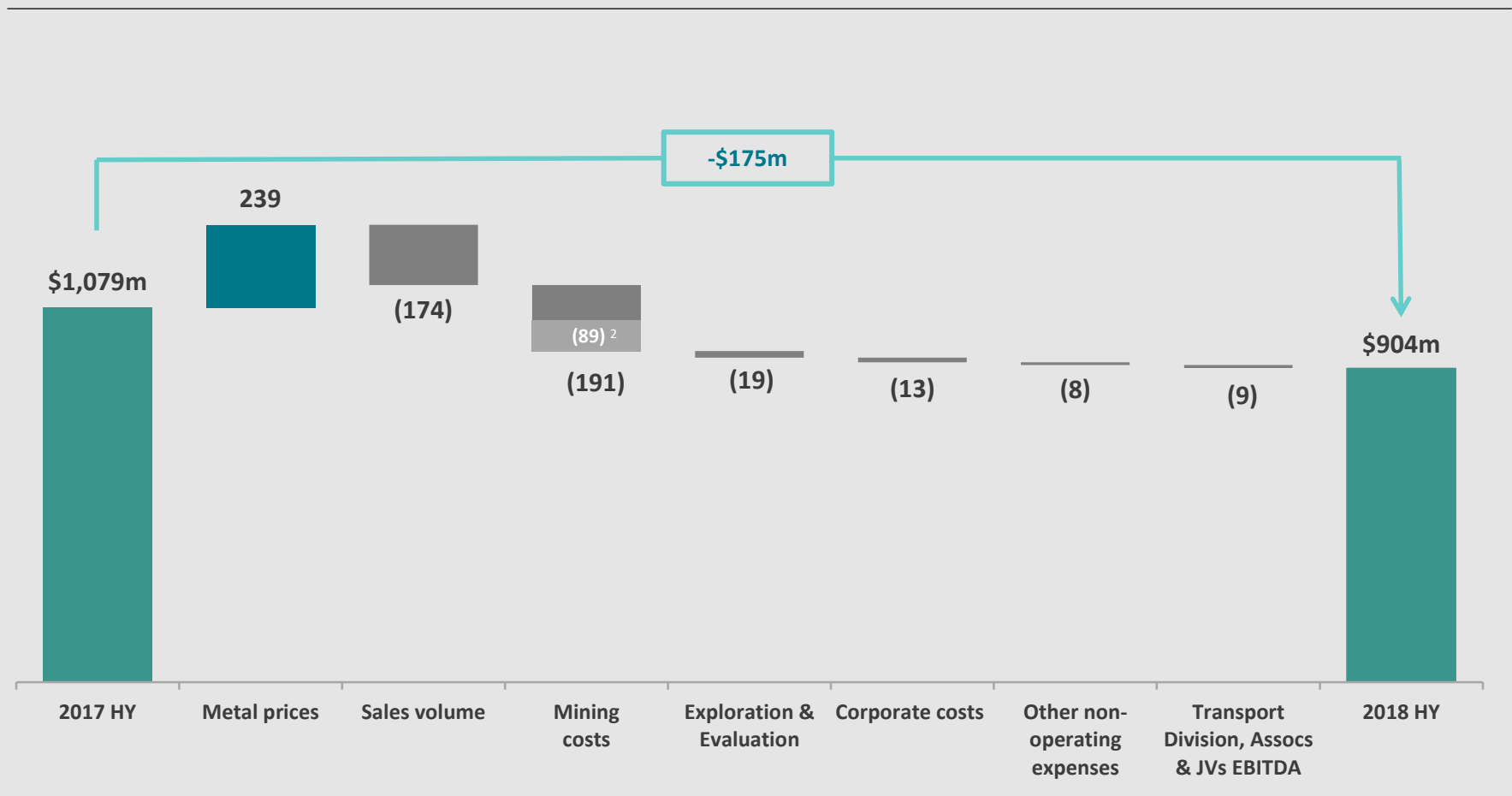
# 2018 HY financial highlights



	vs. 2017 HY	2018 HY	
<b>Revenue</b>	<b>3.6%</b>	<b>\$2,121m</b>	<ul style="list-style-type: none"> <li>Higher realised copper prices (+10.3%)</li> <li>Lower copper sales volume (-8.6%)</li> </ul>
<b>EBITDA</b>	<b>(16.2)%</b>	<b>\$904m</b>	<ul style="list-style-type: none"> <li>Higher sales cost on expected lower grades</li> </ul>
<b>Earnings per share</b>	<b>(33.3)%</b>	<b>19.6c</b>	<ul style="list-style-type: none"> <li>Lower EBITDA, higher depreciation and amortisation, partly offset by lower tax payable</li> </ul>
<b>Operating cash flow</b>	<b>(22.4)%</b>	<b>\$890m<sup>(1)</sup></b>	<ul style="list-style-type: none"> <li>Lower cash generation as a result of lower EBITDA</li> </ul>
<b>Net cash costs</b>	<b>22.6%</b>	<b>\$1.52/lb</b>	<ul style="list-style-type: none"> <li>Higher cash costs on lower production</li> <li>FY guidance unchanged</li> <li>\$54m (7c/lb) of savings from Cost &amp; Competitiveness Programme</li> </ul>
<b>Dividend per share</b>	<b>(34.0)%</b>	<b>6.8c</b>	<ul style="list-style-type: none"> <li>35% payout ratio</li> </ul>

1. From continuing and discontinued operations

## EBITDA<sup>(1)</sup> 2017 HY vs 2018 HY (\$m)

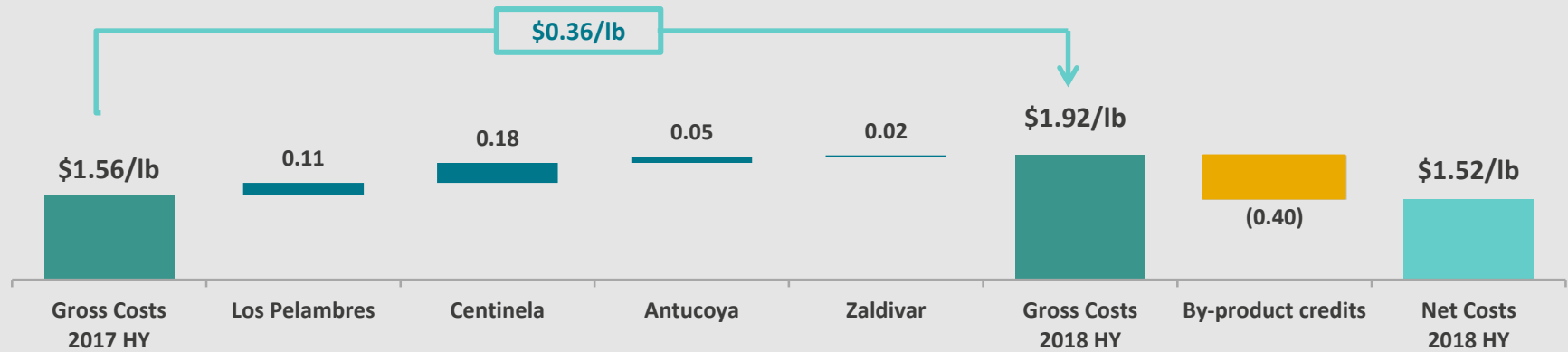


1. Results of continuing operations only and includes EBITDA from Associates and JVs.

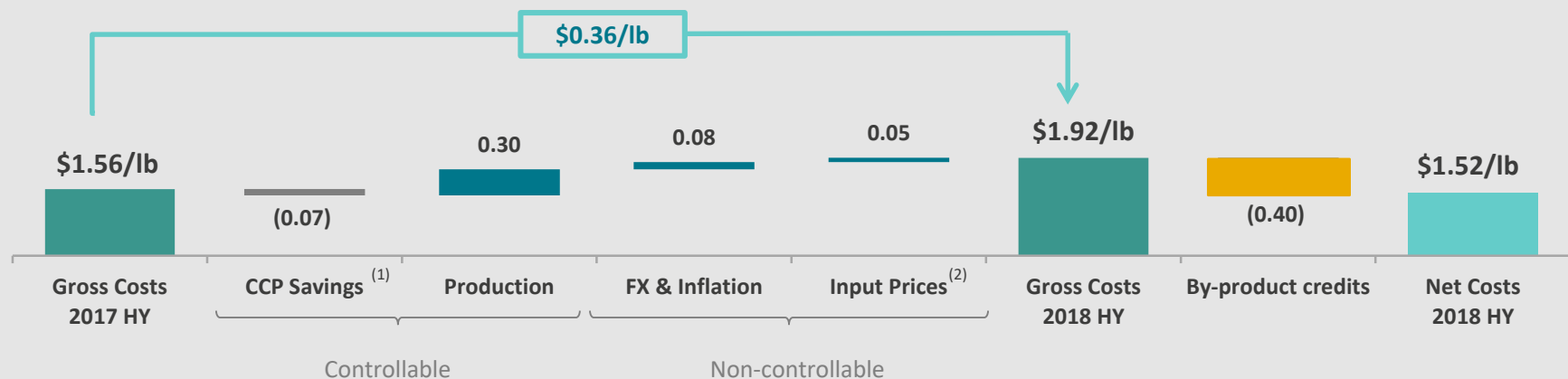
2. Encuentro Oxides Cost

# Unit cash costs

## Cash costs before by-product credits and C1 Costs (\$/lb) - by operation



## Cash costs before by-product credits and C1 Costs (\$/lb) - by cost type



1. Cost and Competitiveness Programme includes 50% of Zaldivar's total savings

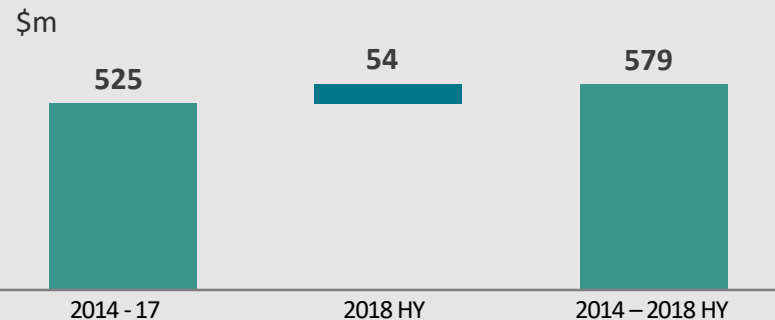
2. Energy, diesel and acid

# Continued focus on productivity

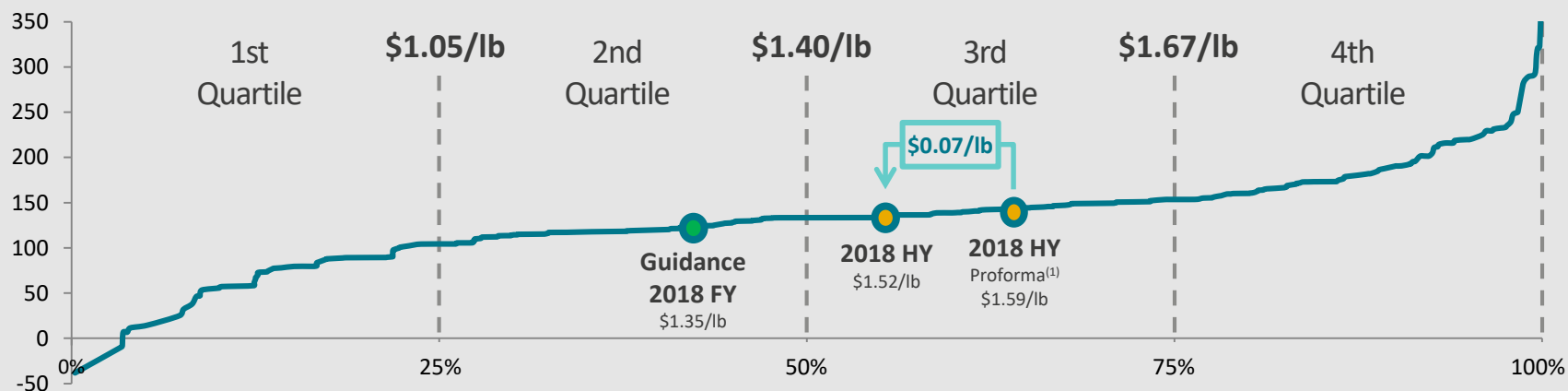
## Cost and Competitiveness Programme (CCP)

- Embedded cost culture across operations
- \$54m of cost savings and productivity improvements achieved during 2018 HY
- Target of \$100m for 2018 FY

## Cumulative CCP savings of \$579 million



## Cash cost curve

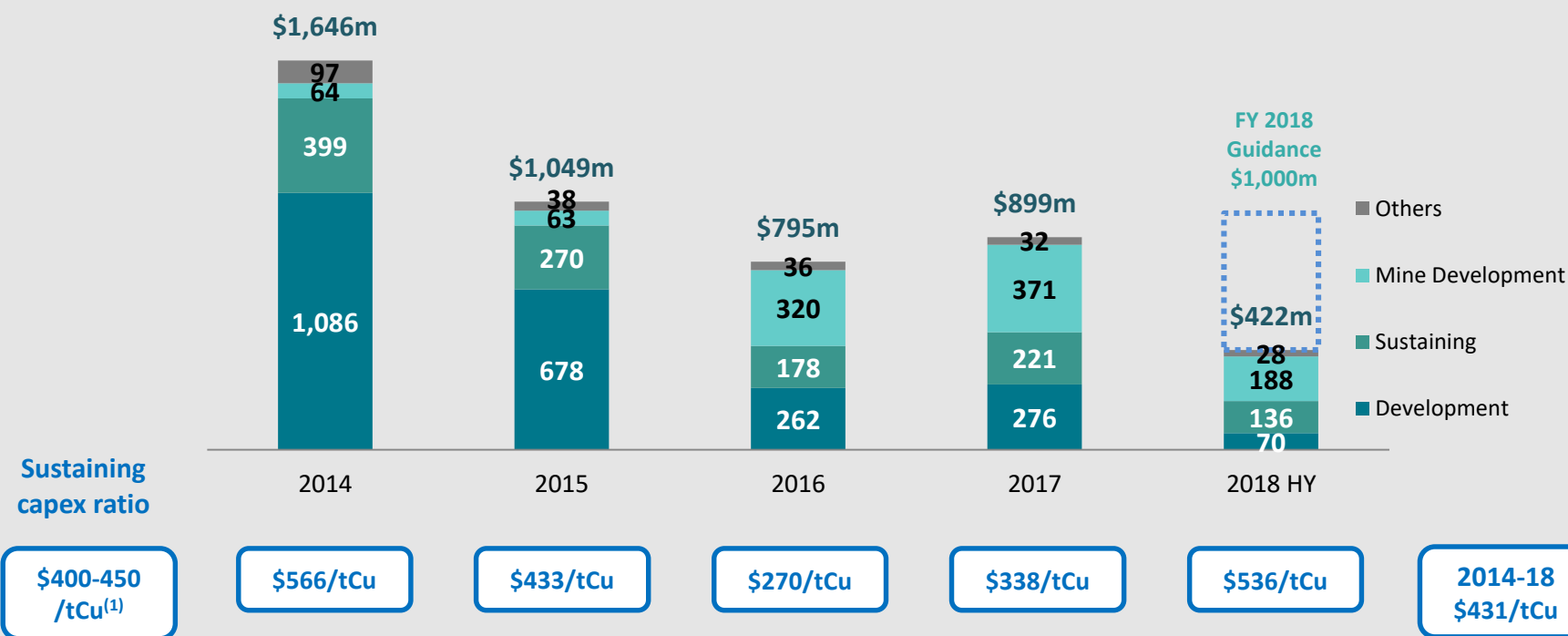


Source: Wood Mackenzie Q2 2018

1. As if no Cost and Competitiveness Programme savings had been achieved

# Capital expenditure

## Capital expenditure (\$m)



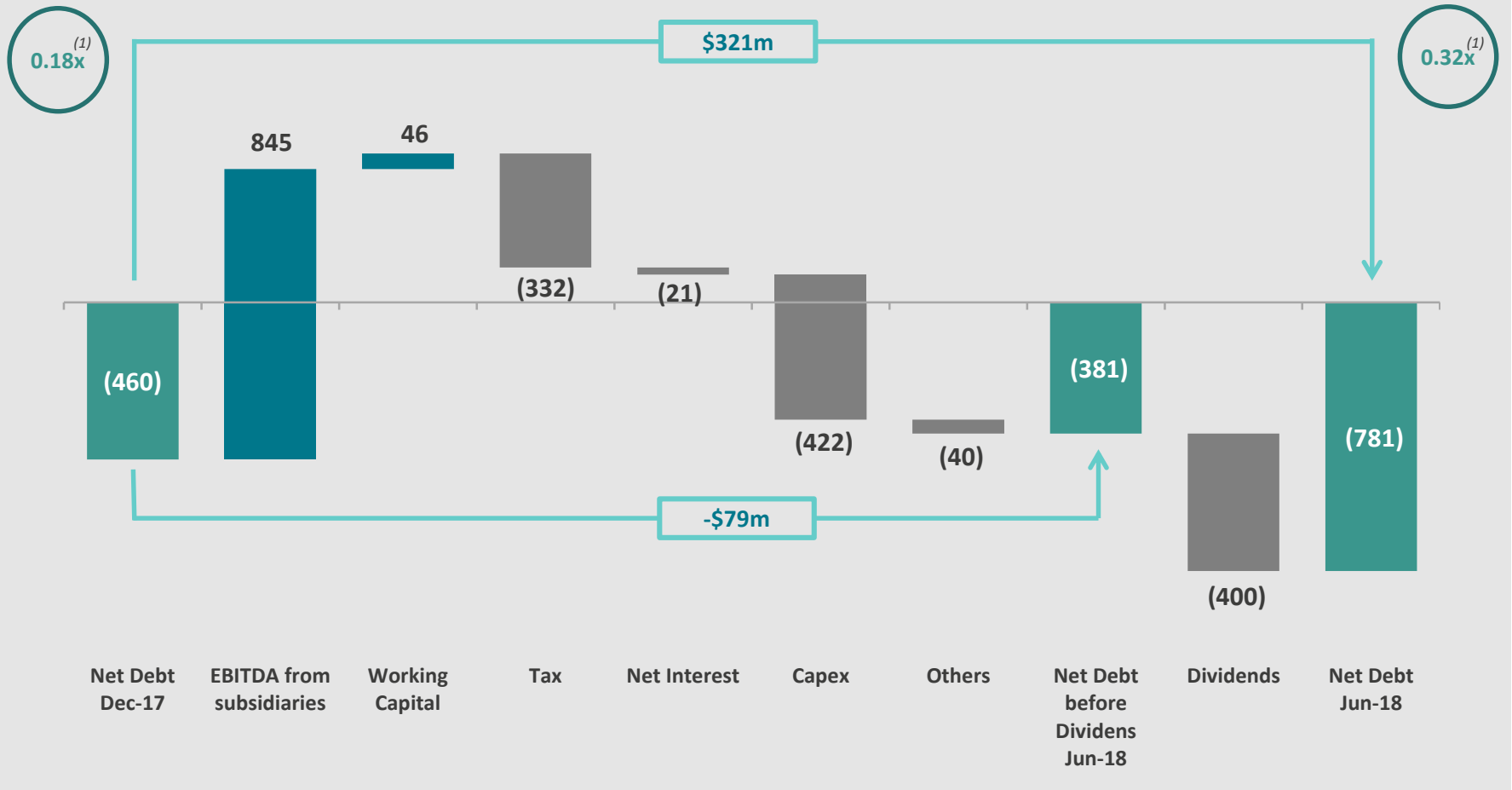
- Attributable Zaldívar capital expenditure \$17m in 2017 HY and \$25m in 2018 HY

Note: Figures are based on cash flow and exclude Zaldívar (2016, 2017 & 2018)

1. Target established in 2015

# Net debt

## Net debt (\$m)



1. Net Debt / LTM EBITDA ratio



## Market & Growth Opportunities



## Longer-term demand still strong

- China transitioning to sustainable growth
  - Increasing incomes and urbanisation
- Copper is key in a low carbon emission world
  - EVs and renewable energy both more copper intensive than conventional equivalents

## Short-term challenges

- Market currently balanced or slight deficit
- Uncertainty from global trade negotiations impacting current prices
- No actual discernable impact on demand yet
- Synchronised growth of major economies
- Potential labour disruptions

## Long-term supply constraints

### Deterioration in quality of deposits

Lower grades, increased rock hardness, impurities and depth



### Productivity

Labour and capital constraints



### Availability of water

Drawdown of aquifers, climate change & increased population



### Increasing expectations on business

Greater environmental & social awareness

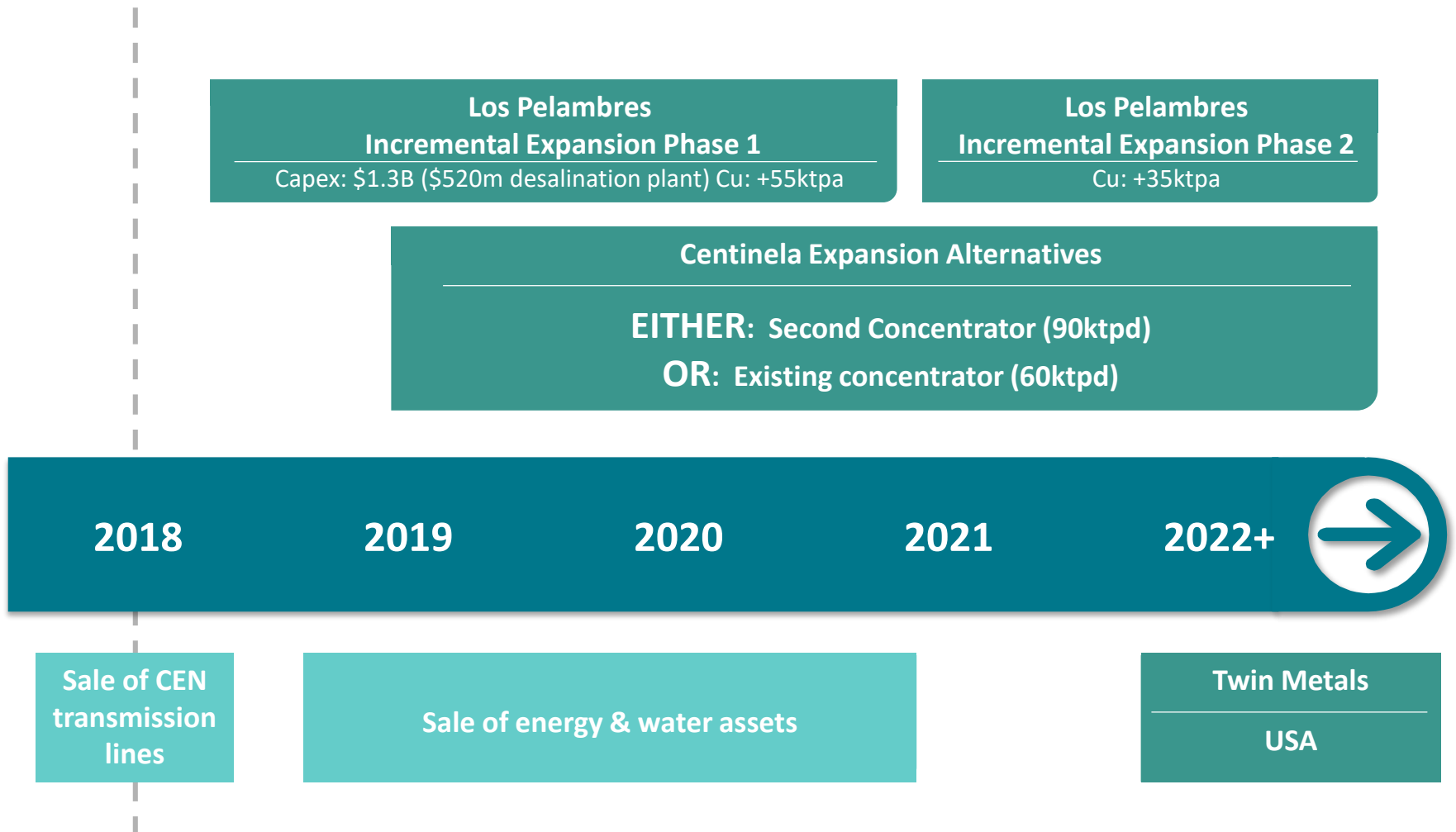


### Regulatory changes

Changing and tightening



# Timeline - growth projects and asset disposals



## Guidance



# 2018 guidance unchanged



Cu	Au	Mo	C1
<b>2018 Guidance (t)</b>	<b>2018 Guidance (oz)</b>	<b>2018 Guidance (t)</b>	<b>2018 Guidance (\$/lb)</b>
705,000 - 740,000	190,000 - 210,000	11,500 - 12,500	1.35

# Producing profitable tonnes



**How are we doing?**

- As expected challenging H1 with low grades driving financial performance
- Production and costs in line to achieve FY guidance



**What do we expect?**

- Guidance unchanged, as grades strengthen in H2 and into 2019



**External factors in H2**

- Copper and moly prices
- Cost inflation
- Foreign exchange pressures



**Our focus**

- Operating consistently and using full capacity
- Growth projects on track
- Returns to shareholders

## Appendix



# Antofagasta at a glance

## Group

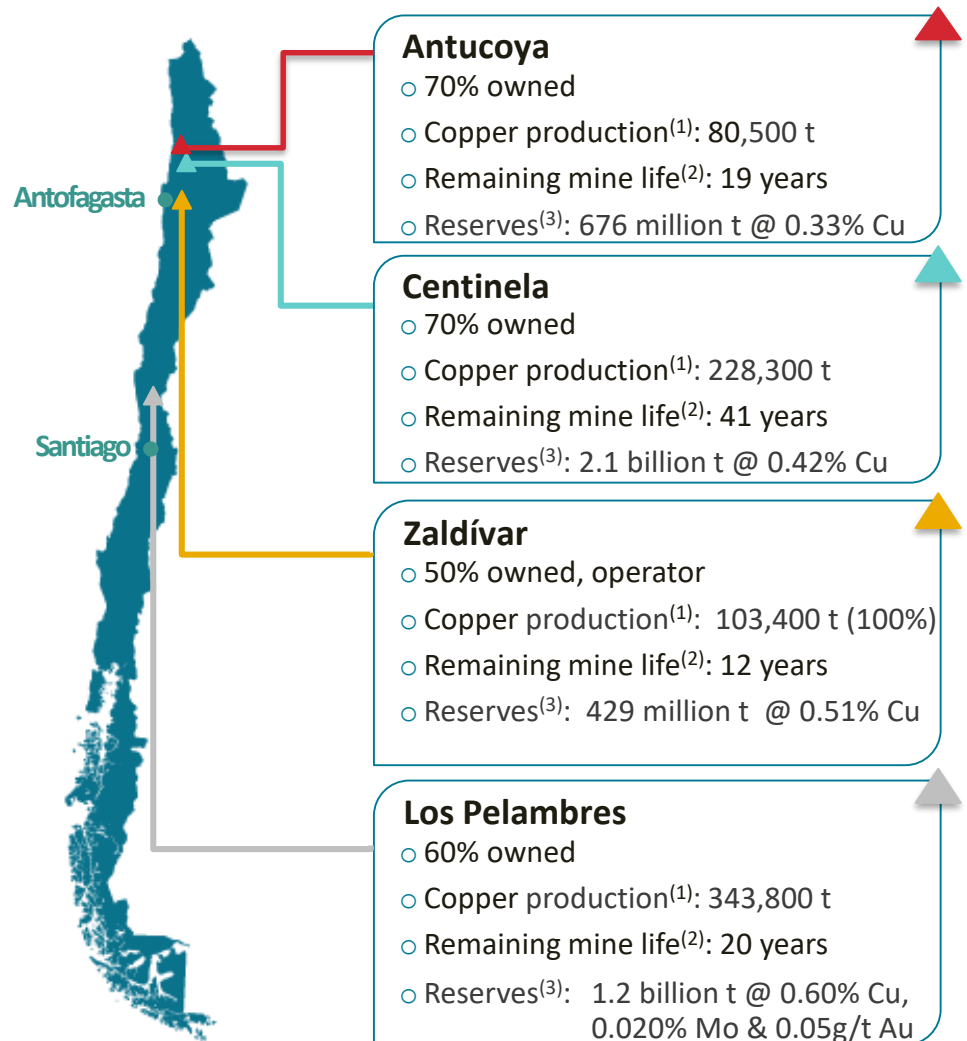
- 65% owned by Luksic Group, 35% free float
- Market cap: \$12.4 billion (9 August 2018)
- FTSE 100

## Mining division<sup>(1)</sup>

- Copper production: 704,300 tonnes
- Gold production: 212,400 oz
- Molybdenum production: 10,500 tonnes
- Net cash costs \$1.25/lb
- All operations in Chile, one of the world's most developed and stable mining locations
- Top 10 copper producer
- High quality assets with significant potential production growth

## Transport division<sup>(1)</sup>

- Total tonnage transported: 6.3 million tonnes
- Transport division provides rail and road cargo services in Chile's Antofagasta Region

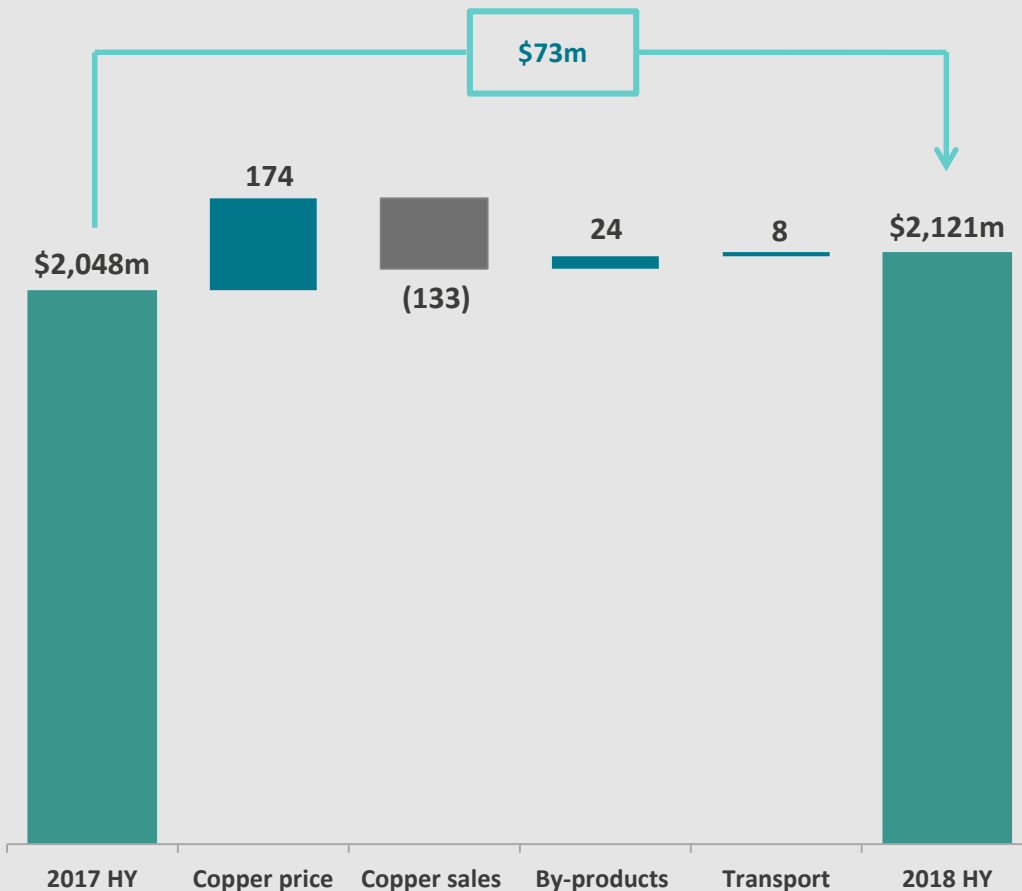


1. 2017  
2. From 31 December 2017  
3. As of 31 December 2017 on 100% basis

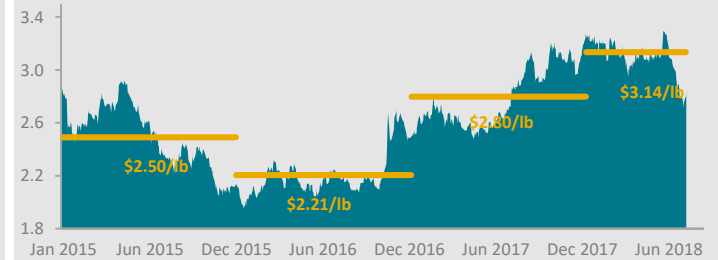


# Revenue – benefiting from improving copper price

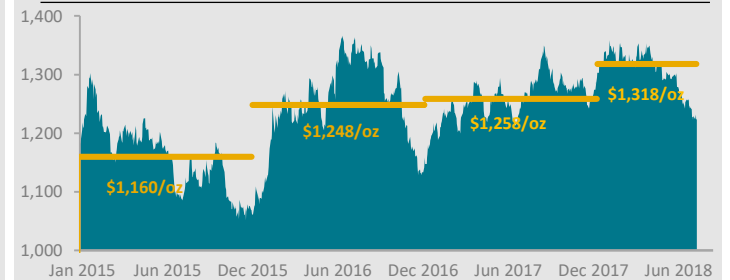
## Revenue<sup>(1)</sup> HY 2017 vs HY 2018 (\$m)



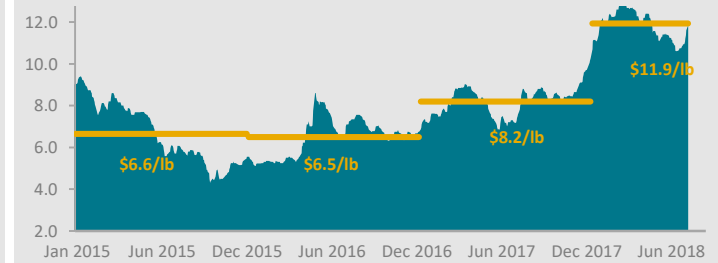
### Copper price (\$/lb)



### Gold price (\$/oz)



### Molybdenum price (\$/lb)

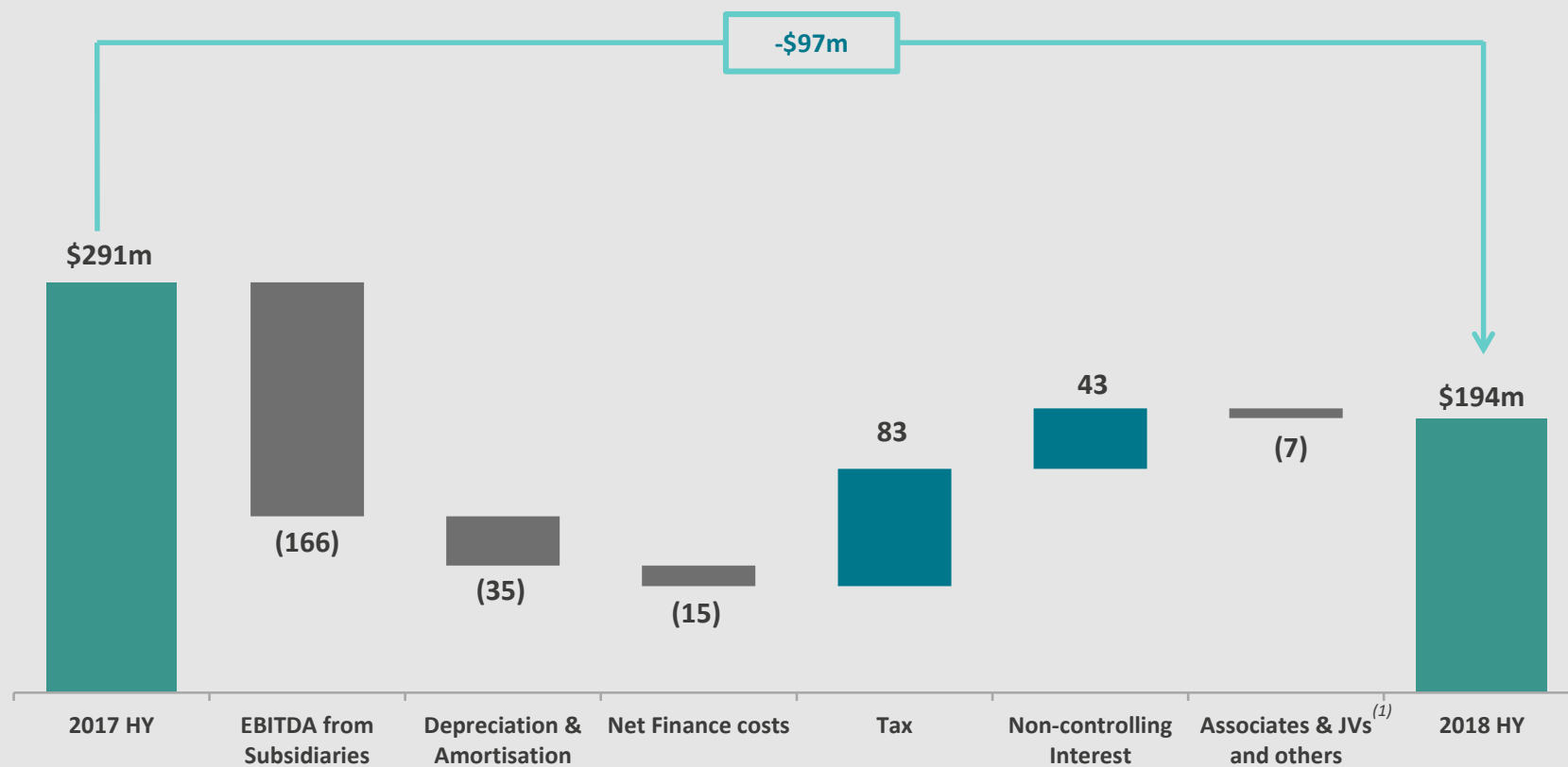


— Average market price

1. Excludes Zaldivar (JV).

# Net earnings

## Net Earnings 2017 HY vs 2018 HY (\$m)



1. Including Zaldívar and discontinued operations

## Los Pelambres Incremental Expansion

### Phase 1 (190ktpd throughput)

- Increasing copper production by 55ktpa from 2021
- Capex \$1.3 billion (\$520 million for desalination plant)

### Phase 2 (205ktpd throughput)

- Another EIA required
- Additional 35ktpa copper production
- Increase tailings and waste dump capacities
- 15 year LOM extension

Phase 1 approval expected by the end of the year



## Centinela Expansion

### Either: Second concentrator

- 90ktpd throughput
- Feasibility study due by end of year
- Increasing production by 180ktpa CuEq
- LOM extension to 30+ years

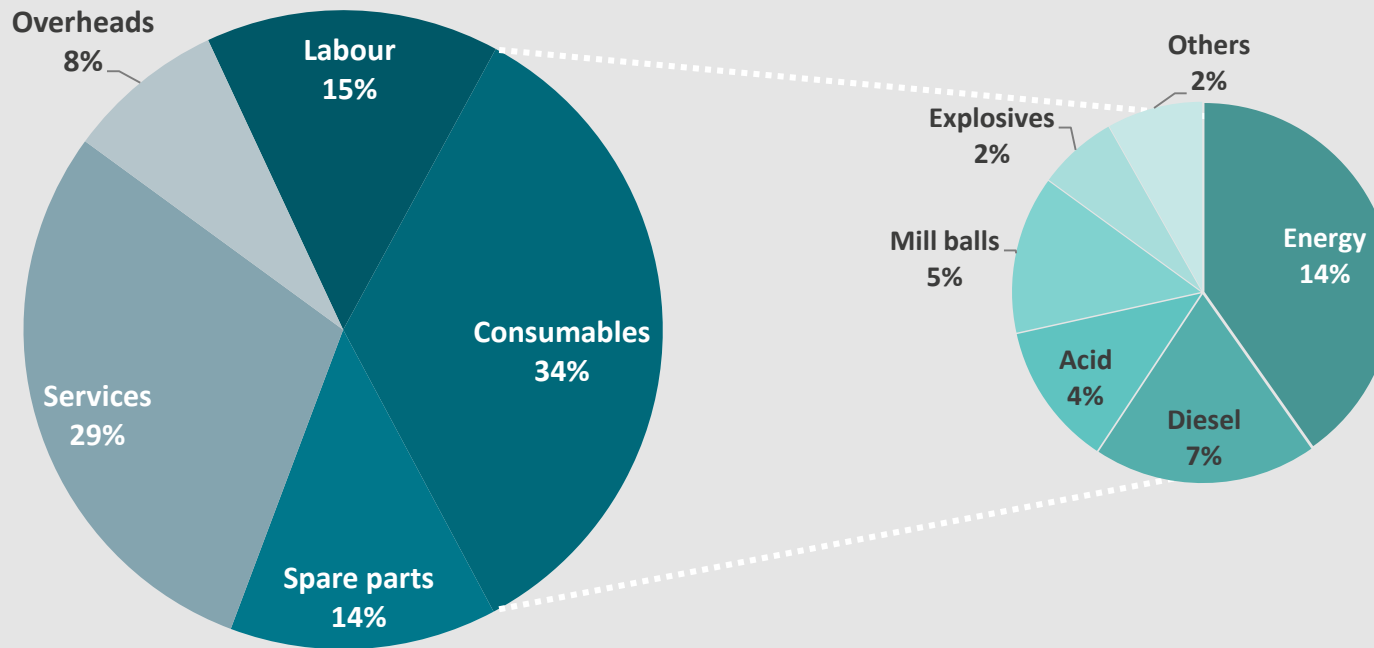
### Or: Expand existing concentrator

- 60ktpd throughput
- Pre-feasibility study underway
- Assessing synergies with existing operations

Decision on which alternative to pursue expected by end of year

# Cash cost breakdown

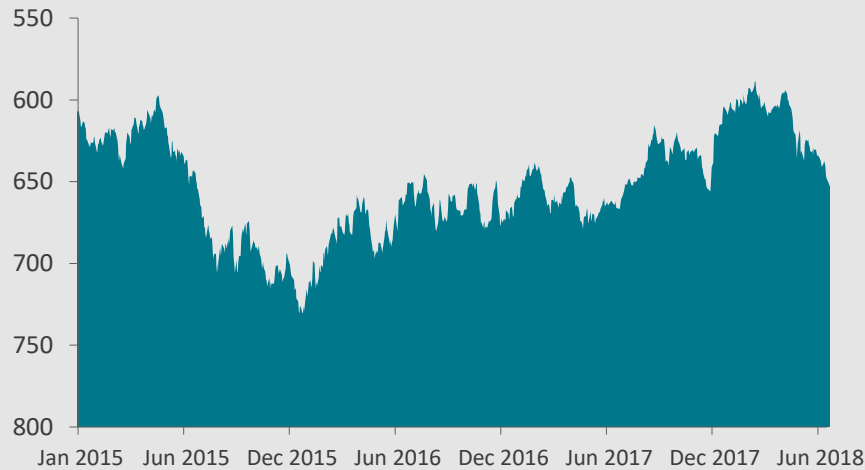
## H1 2018 cash costs



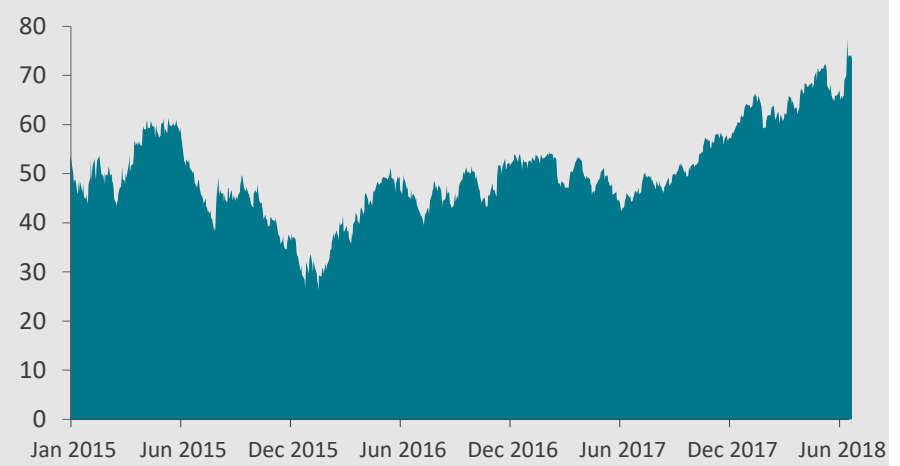
# Market data – recent trends



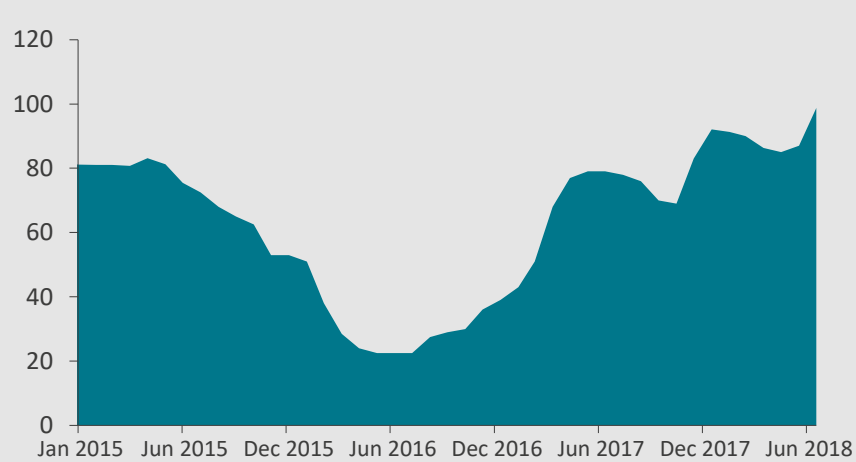
Exchange rate CLP/USD – inverted axis



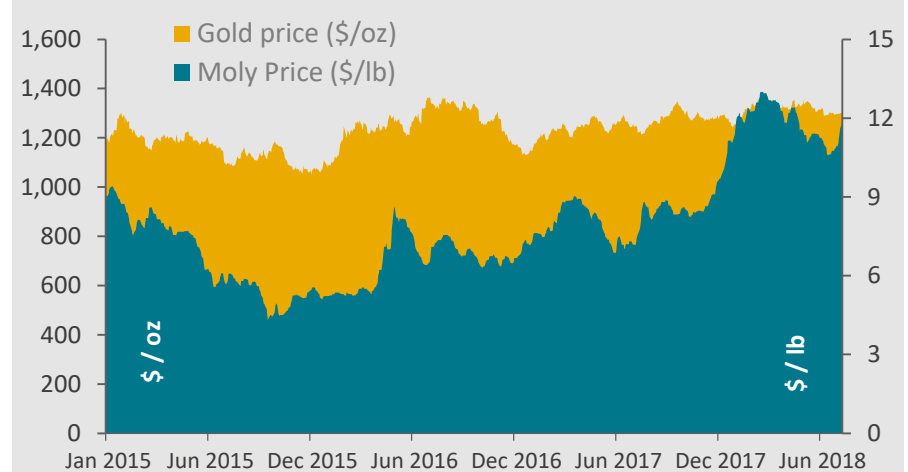
WTI oil price (\$/barrel)



Sulphuric acid (\$/tonne – CIF)



By-product prices



Source: Central Bank of Chile, Bloomberg, Argus, Platts and LMBA

# Production and metal prices



## Group production

	2015	2016	2017	2018 HY	2018E <sup>(1)</sup>
<b>Copper ('000 tonnes)</b>					
Los Pelambres	363.2	355.4	343.8	159.1	345 - 355
Centinela Concentrates	145.2	180.4	163.9	59.6	230 - 245
Centinela Cathodes	75.9	55.8	64.5	44.1	
Michilla	29.4	-	-	-	-
Antucoya <sup>(2)</sup>	12.2	66.2	80.5	32.9	75 - 80
Zaldívar <sup>(3)</sup>	4.4	51.7	51.7	21.3	55-60
<b>Group total</b>	<b>630.3</b>	<b>709.4</b>	<b>704.3</b>	<b>317.0</b>	<b>705 - 740</b>

	2015	2016	2017	2018 HY	2018E
<b>Gold ('000 ounces)</b>					
Los Pelambres	51.4	57.8	55.4	27.5	60 - 70
Centinela	162.5	213	157.0	44.5	130 - 140
<b>Group total</b>	<b>213.9</b>	<b>270.9</b>	<b>212.4</b>	<b>72.0</b>	<b>190 - 210</b>

	2015	2016	2017	2018 HY	2018E
<b>Molybdenum ('000 tonnes)</b>					
Los Pelambres	10.1	7.1	10.5	5.9	10.0 - 11.0
Centinela				-	1.5
<b>Group total</b>	<b>10.1</b>	<b>7.1</b>	<b>10.5</b>	<b>5.9</b>	<b>11.5 - 12.5</b>

## Metal prices

	2014	2015	2016	2017	2018HY
<b>Copper (\$/lb)</b>					
Realised	3.00	2.28	2.33	3.00	3.00
LME	3.11	2.50	2.21	2.80	3.14

	2014	2015	2016	2017	2018HY
<b>Gold (\$/oz)</b>					
Realised	1,261	1,155	1,256	1,280	1,310
Market	1,266	1,160	1,248	1,258	1,318

	2014	2015	2016	2017	2018HY
<b>Molybdenum (\$/lb)</b>					
Realised	11.0	5.7	6.8	8.7	12.7
Market	11.4	6.7	6.5	8.2	11.9

1. Guidance January 2018 (unchanged)
2. Ramp-up commenced in Q3 2015
3. Attributable production from the beginning of December 2015

# Unit cash costs



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	2015	2016	2017	2018 HY	2018E <sup>(3)</sup>
<b><u>Group cash costs (\$/lb)</u></b>					
Los Pelambres	1.23	1.06	1.02	1.04	1.10
Centinela Concentrates	1.85	1.19	1.36	1.94	1.50
Centinela Cathodes					
Michilla	2.14	-	-	-	-
Antucoya <sup>(1)</sup>	-	1.83	1.68	2.17	1.75
Zaldívar <sup>(2)</sup>	1.73	1.54	1.62	1.97	1.70
<b>Cash costs before by-product credits</b>	<b>1.81</b>	<b>1.54</b>	<b>1.60</b>	<b>1.92</b>	<b>1.65</b>
By-product credits	(0.31)	(0.34)	(0.35)	(0.40)	(0.30)
<b>Net cash costs</b>	<b>1.50</b>	<b>1.20</b>	<b>1.25</b>	<b>1.52</b>	<b>1.35</b>
<b><u>Los Pelambres cash costs (\$/lb)</u></b>					
	2015	2016	2017	2018 HY	2018E <sup>(3)</sup>
<b>Cash costs before by-product credits</b>	<b>1.50</b>	<b>1.36</b>	<b>1.44</b>	<b>1.67</b>	<b>1.50</b>
By-product credits	(0.27)	(0.30)	(0.42)	(0.63)	(0.40)
<b>Net cash costs</b>	<b>1.23</b>	<b>1.06</b>	<b>1.02</b>	<b>1.04</b>	<b>1.10</b>
<b><u>Centinela cash costs (\$/lb)</u></b>					
	2015	2016	2017	2018 HY	2018E <sup>(3)</sup>
<b>Cash costs before by-product credits</b>	<b>2.27</b>	<b>1.75</b>	<b>1.81</b>	<b>2.22</b>	<b>1.90</b>
By-product credits	(0.42)	(0.56)	(0.45)	(0.28)	(0.40)
<b>Net cash costs</b>	<b>1.85</b>	<b>1.19</b>	<b>1.36</b>	<b>1.94</b>	<b>1.50</b>

1. Cash costs from start of commercial production on 1 April 2016

2. Cash costs have been included in the Group's 2016, 2017 and 2018 cash costs

3. Net cash costs guidance January 2018 (unchanged). Assumptions: \$1,250/oz gold, \$8.0/lb molybdenum and CLP 660 per \$1

# Reserves and resources – as of 31 December 2017



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	Tonnage (millions of tonnes)		Copper (%)		Molybdenum (%)		Gold (g/t)		Attributable Tonnage (millions of tonnes)	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Ore reserves</b>										
Los Pelambres	1,193.4	1,257.6	0.60	0.61	0.020	0.020	0.05	0.05	716.0	754.6
<i>Centinela Concentrates (Esperanza Sulphides, including Esperanza Sur)</i>	<i>1,873.4</i>	<i>1,802.3</i>	<i>0.42</i>	<i>0.44</i>	<i>0.012</i>	<i>0.012</i>	<i>0.14</i>	<i>0.15</i>	<i>1,311.4</i>	<i>1,261.6</i>
<i>Centinela Cathodes</i>	<i>191.5</i>	<i>189.9</i>	<i>0.39</i>	<i>0.42</i>	-	-	-	-	<i>134.0</i>	<i>132.9</i>
Centinela Total	2,064.9	1,992.2	0.42	0.44	-	-	-	-	1,445.4	1,394.5
Antucoya	676.4	697.0	0.33	0.33	-	-	-	-	473.4	487.9
Encuentro	112.2	115.3	0.53	0.54	-	-	-	-	112.2	115.3
<b>Total</b>	<b>4,046.8</b>	<b>4,062.2</b>	<b>0.46</b>	<b>0.48</b>	-	-	-	-	<b>2,747.1</b>	<b>2,752.4</b>
<b>Group Joint Ventures</b>										
Zaldívar	428.5	460.8	0.51	0.51	-	-	-	-	214.2	230.4
<b>Total Group Ore Reserves</b>	<b>4,475.3</b>	<b>4,523.0</b>	<b>0.47</b>	<b>0.48</b>	-	-	-	-	<b>2,961.3</b>	<b>2,982.8</b>
<b>Mineral resources (including ore reserves)</b>										
Los Pelambres	6,024.1	6,084.5	0.51	0.51	0.016	0.016	0.05	0.06	3,614.4	3,650.7
Centinela Concentrates (Esperanza Sulphides & Esperanza Sur)	3,177.7	3,282.2	0.38	0.38	0.011	0.011	0.12	0.12	2,224.4	2,297.5
Centinela Cathodes (El Tesoro)	307.5	330.7	0.38	0.40	-	-	-	-	215.2	231.5
Antucoya	1,291.8	1,295.7	0.30	0.30	-	-	-	-	904.3	907.0
Encuentro	1,117.4	1,158.4	0.44	0.43	-	-	-	-	1,117.4	1,158.4
Polo Sur	1,514.5	1,514.5	0.34	0.34	-	-	-	-	1,514.5	1,514.5
Penacho Blanco	340.2	340.2	0.37	0.37	-	-	-	-	173.5	173.5
Mirador	95.4	82.3	0.33	0.32	-	-	-	-	85.6	72.7
Los Volcanes	1,904.2	1,903.8	0.50	0.50	-	-	-	-	971.1	970.9
Llano-Paleocanal	64.2	49.6	0.46	0.49	-	-	-	-	49.5	38.1
					Nickel (%)		Total Precious Metals (g/t Au+Pt+Pd)			
Twin Metals	2,371.7	2,371.7	0.52	0.52	0.173	0.173	0.465	0.465	1,967.0	1,967.0
<b>Group Joint Ventures</b>										
Zaldívar	613.0	629.7	0.48	0.49	-	-	-	-	306.5	314.9
<b>Total Group</b>										
Measured + Indicated	10,484.6	10,577.6	0.47	0.47	-	-	-	-	7,663.9	7,723.5
Inferred	8,476.2	8,465.6	0.43	0.42	-	-	-	-	5,576.0	5,573.5
<b>Total Group Mineral Resources (including ore reserves)</b>	<b>18,960.8</b>	<b>19,043.2</b>	<b>0.45</b>	<b>0.45</b>	-	-	-	-	<b>13,239.9</b>	<b>13,296.7</b>

For full reserves and resources disclosure, see pages 196 to 205 of the 2017 Annual Report and Financial Statements





## Key Indicators

- **GDP\*** : \$277bn
- **Population**: 17.9 million
- **Per Capita GDP (PPP)**:  
**1970**: \$2,300 ; **2017**: \$24,085
- **Mining**: 9.8% of national GDP
- **Poverty rate**:  
**1989**: 47%; **2015**: 11.7%
- **Principal Export Markets\***:  
China 30%, USA 16%, Japan 10%
- **Trade**: 27 FTAs with 61 markets
- **Inflation (CPI)**: 2.5% (LTM June 18)

## Copper in Numbers\*

- 27% of global copper production
- 29% of global copper reserves
- 50% of national exports

\*As of December 2017

- Largest copper endowment in the world
- Copper key contributor to the economy
- History of stability with robust institutions
- OECD country
- Solid public finances with low national debt

## Challenges

- Moving from middle income to high income economy
- Dealing with greater social expectations and demands on companies
- Aiming to decrease income inequality

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