



# **Results Presentation**

## **First Half 2003**

**2 September 2003**

# Antofagasta plc

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## **Important notice**

Statements in this presentation include "forward-looking statements" that express expectations of future events or results. All statements based on future expectations rather than on historical facts are forward-looking statements that involve a number of risks and uncertainties, and the company cannot give assurance that such statements will prove to be correct.

## Highlights

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### First half 2003

- **Group copper production** increased 7% to 225.1 k tonnes  
(2002 H1: 210.9 k tonnes)
- **Average cash cost** reduced 4% to 37.6 c/lb  
(2002 H1: 39.2 c/lb)
- **Los Pelambres** record low cash cost of 31.5 c/lb
- **El Tesoro** LME grade A certification obtained in July
- **Michilla** significant progress in development plan to increase mine reserves
- **Quiñenco Investment** proposed demerger via dividend in specie of shares in Andsberg Limited

## Financial highlights

### First half 2003

	<u>2003 H1</u>	<u>2002 H1</u>	
LME copper price	74.9 c/lb	71.9 c/lb	+ 4%
Realised copper price	77.5 c/lb	74.4 c/lb	+ 4%
	<u>US\$m</u>	<u>US\$m</u>	
Revenues	471.9	418.7	+ 13%
EBITDA	218.6	175.6	+ 24%
ROCE (annualised)	12.4%	9.2%	+ 35%
	<u>cents</u>	<u>cents</u>	
EPS	34.0	26.6	+ 28%
Interim dividend	11.0	10.0	+ 10%

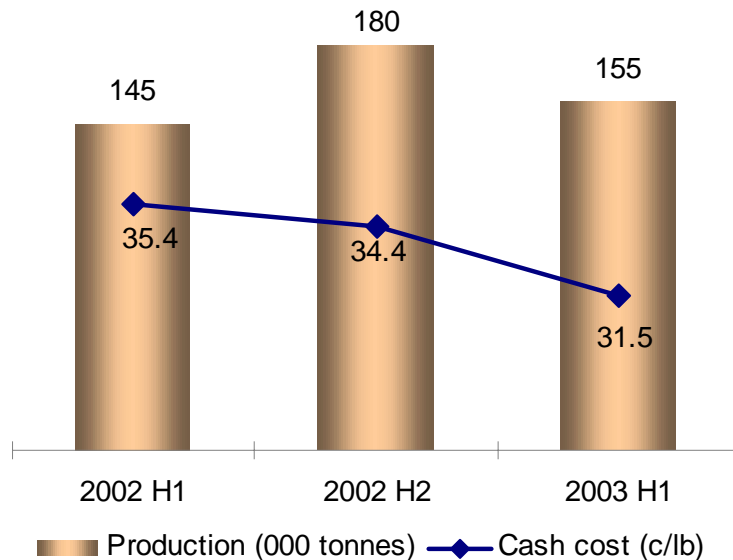
Group

# Update and Outlook

## First Half 2003

## Operational performance

Copper production and cash cost



- Cash costs reduced to 31.5 c/lb
  - Treatment and refining charges of 12.6 c/lb
  - By product credits of 12.9 c/lb
  - Increased availability and utilisation rates at the concentrator plant

- Plant upgrade (US\$ 34m)
  - construction will be completed in September (pebble crusher now installed)
- Environmental impact study submitted in May
  - To increase reserves to 2.1 bn tonnes (2/3 of total known ore resource)
  - Potential expansion up to 175 ktpd (110 ktpd in 2002)
  - Community participation phase completed in July

## Financial update

- EBITDA of US\$ 159.6m (27% above 2002 H1)

	<u>2003 H1</u>	<u>2002 H1</u>
Sales volume (000 tonnes)	160.8	144.6
Realised price (c/lb)	77.6	74.8
LME price (c/lb)	74.9	71.9
Cash cost (c/lb)	31.5	35.4

- Project debt reduced by US\$ 43.7m to US\$ 660.4m
  - Total repayments of US\$ 285.6m since start-up
- US\$ 43.7m distributed to shareholders in July
  - Total distributions of US\$ 283.2m since start-up

## Los Pelambres

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### Outlook and targets

#### Production and costs 2003

- Copper production of 325,000 tonnes (payable)
- Moly production of 7,500 tonnes
- Cash costs below 35 c/lb

#### Plant upgrade

- Permanent pebble crusher fully operational by Q4, reaching a processing level of 120 ktpd

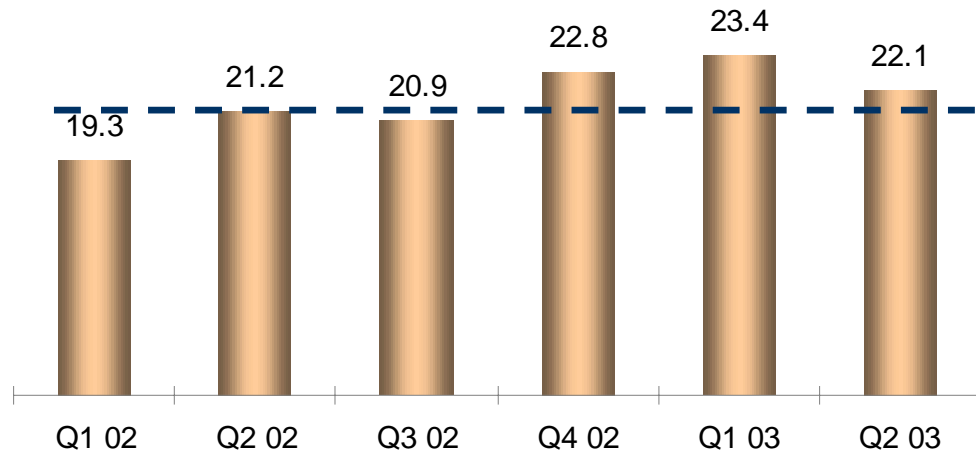
#### Growth prospects

- Obtain approval of the environmental impact study in the second half of 2004, covering a potential expansion up to 175 ktpd

# El Tesoro

## Operational performance

**Copper production** (000 tonnes)



**target level**

21,250 tonnes per quarter  
equivalent to 85,000 tonnes per year

- Target production rate (85,000 tonnes per year) exceeded since Q4 2002
- Copper recoveries increased to 77.2% (2002 full year - 74.4%)
- LME certification for grade A cathodes obtained on 31 July
  - Higher cathode premiums
  - Access to a larger client base

## El Tesoro

### Financial update

- EBITDA of US\$ 36m (18% above 2002 H1)

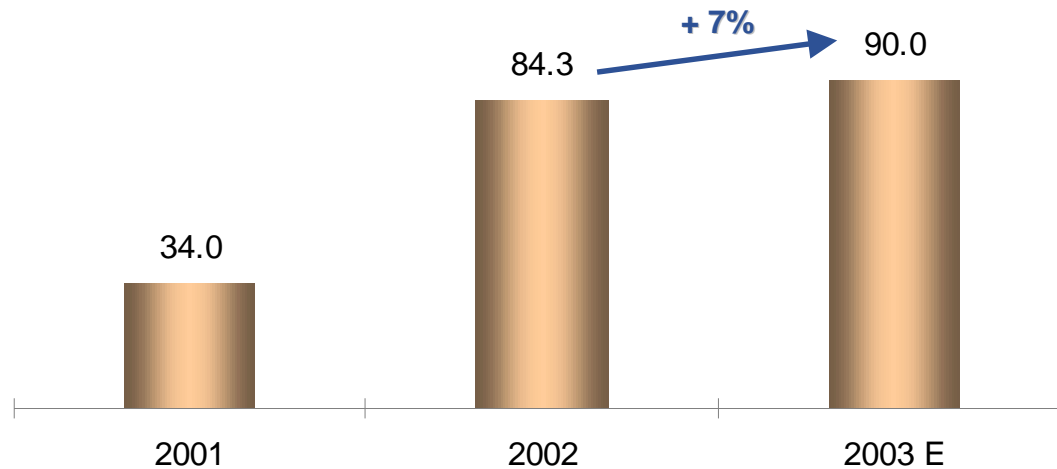
	<u>2003 H1</u>	<u>2002 H1</u>
Sales volume (000 tonnes)	45.3	40.9
Realised price (c/lb)	76.9	73.6
LME price (c/lb)	74.9	71.9

- Principal repayments
  - US\$ 12.3m in February 2003
  - US\$ 15.8m in August 2003 (bank senior debt reduced to US\$ 156.6m)
- Cash distribution to shareholders of US\$ 17m expected in September

## El Tesoro

### Outlook and targets

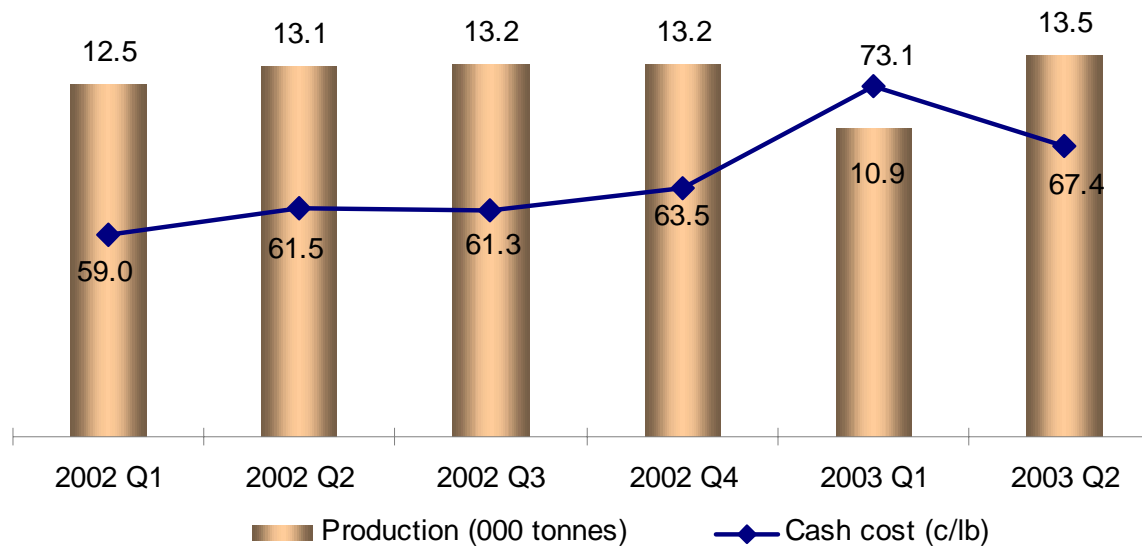
**Copper production** (000 tonnes)



- New production target of 90,000 tonnes for 2003
- Cash costs around 41 c/lb
- Optimisation of mine extraction using large size electric shovel from January 2004

# Michilla

## First half 2003 update



- Production and cash costs reduced to planned levels in May (cash costs of 65 c/lb in May and June)
- Copper recoveries remain favourable
- EBITDA of US\$ 3.9m (US\$ 7.2m in 2002 H1)
- Very low debt levels maintained (US\$ 1.5m)

## Michilla

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### Outlook and targets

#### New mine plan under review

- Total reserves

Current mine plan: 25.6 million tonnes of 1.4% copper

New (preliminary estimate): 44.9 million tonnes of 1.25% copper

- Engineering studies expected to be completed in 2004 H1
- Life of mine could be extended up to 2012 (currently 2007)

#### Cuprochlor process

- Currently applied to 1 million tonnes of ore per year, producing 35% of Michilla's cathode output, with copper recoveries of 82%
- Recoveries expected to reach 90% when sulphides and oxides are processed separately in the SX-EW plant

# Exploration in Chile

## Northern Chile



## Chile: Sierra Gorda - Esperanza

- Targets
  - Sulphide ores to complement Esperanza project
  - Oxide ores and leachable sulphides
- Drilling programme on track
  - 28,246 metres (US\$ 1.5m) in 2003 H1

## Exploration in Peru



### Cordillera de las Minas

- 50-50 joint venture with CVRD
- 3-year timeframe
- Target area of 60,000 sq kms
- Exploration started in August 2002
- Current progress
  - Aero-magnetic flights completed
  - 7 targets to be drilled this year
  - 5 targets already drilled
  - Identification of new targets based on geophysical studies (11 points for next year's programme)

## Railway and other transport

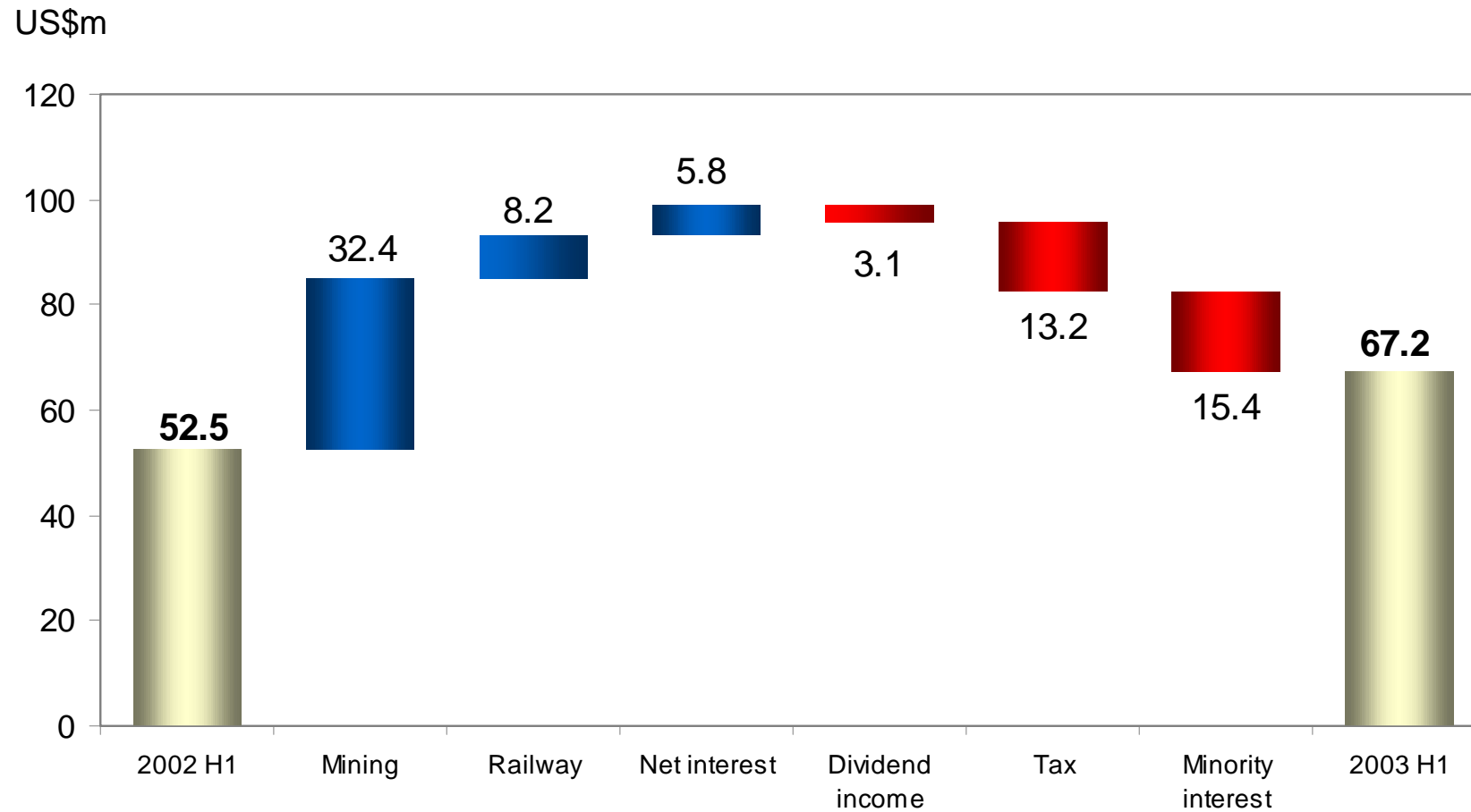
### **First half 2003 update**

- Rail tonnages maintained (2.1 million tonnes)
- Road transport volumes also at similar levels
- Total revenues of US\$ 35.7 million
- Currently participating in the bidding process for ESSAN (water utility company of the Antofagasta Region)

# Financial analysis

## Financial analysis

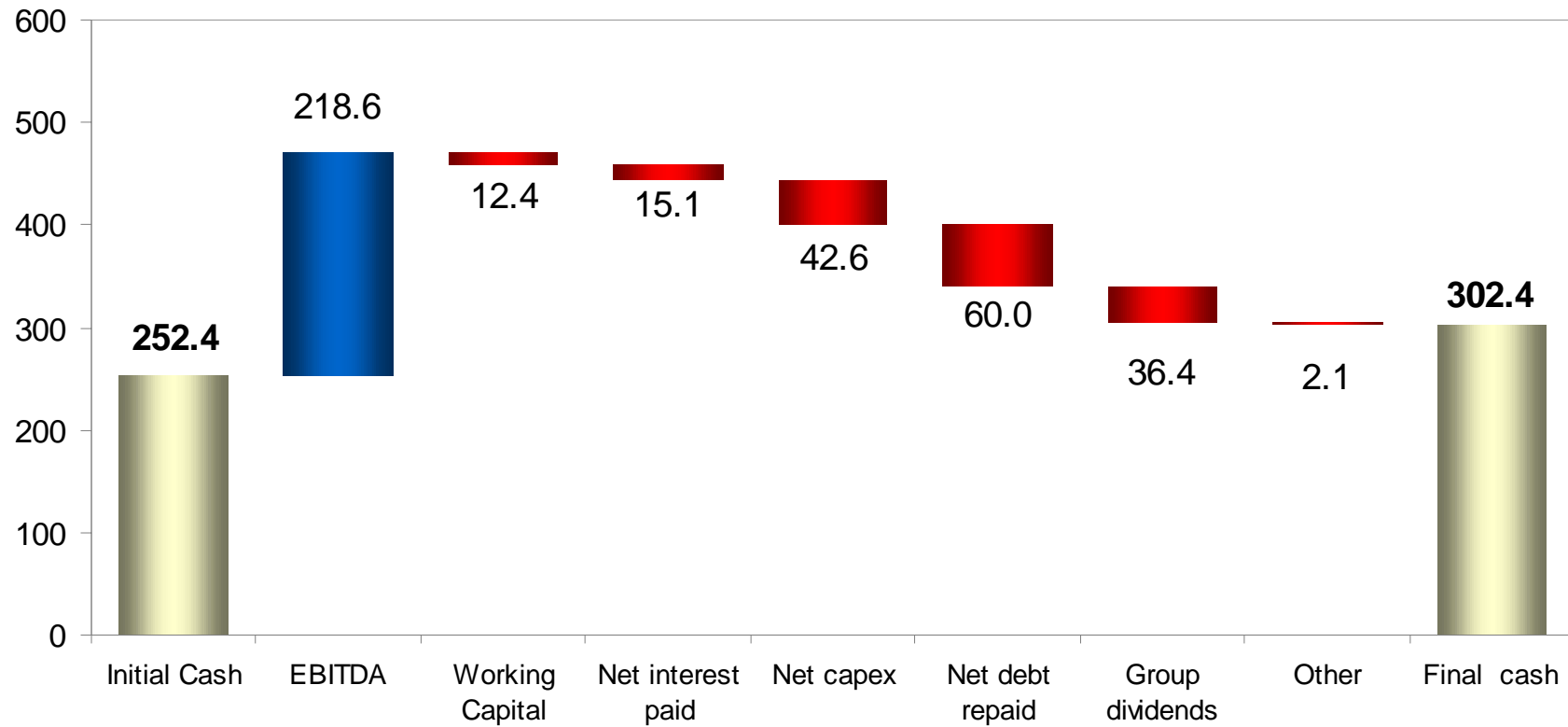
### Profit after tax and minorities - Variances 2003 H1 vs 2002 H1



# Financial analysis

## Cash flow first half 2003

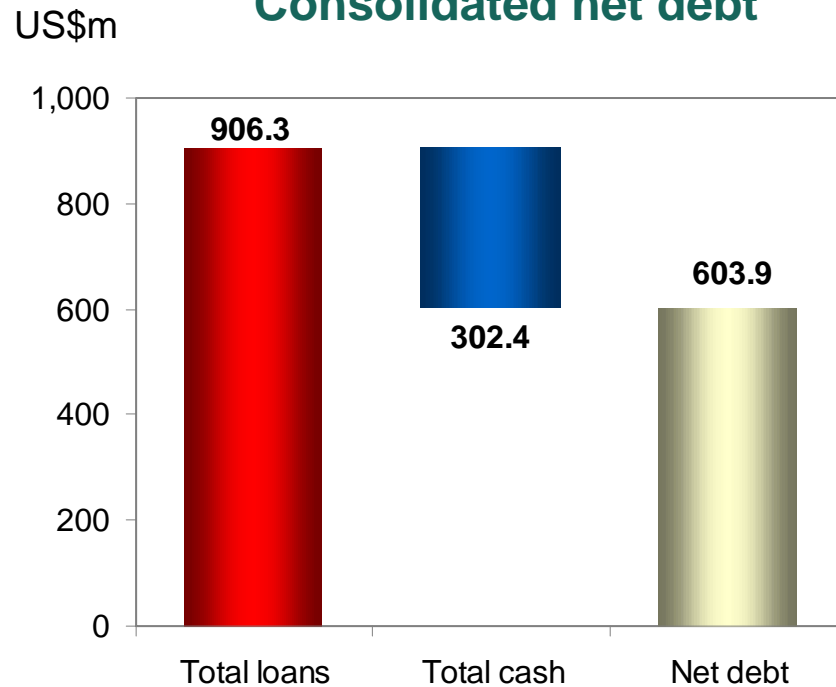
US\$m



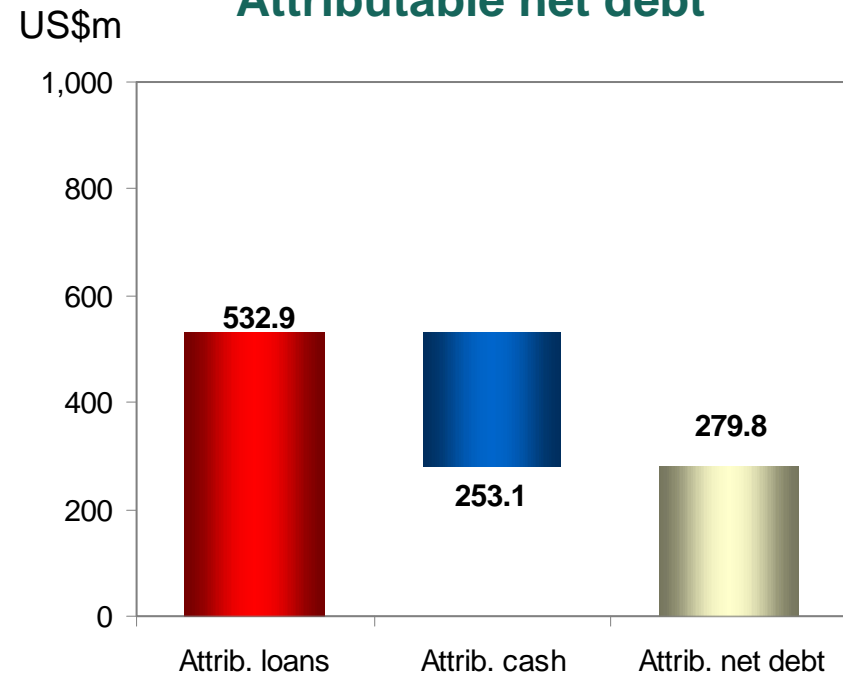
# Financial analysis

## Group net debt

### Consolidated net debt



### Attributable net debt



$$\frac{\text{Net Debt}}{\text{Equity + Minority Interests}} = \frac{\text{H1 03}}{\text{H1 02}} = \frac{0.45}{0.62}$$

$$\frac{\text{Net Debt}}{\text{Equity}} = \frac{\text{H1 03}}{\text{H1 02}} = \frac{0.28}{0.41}$$

Distribution of Andsberg shares

**Proposed Quiñenco demerger**

## Proposed Quiñenco demerger

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### Background

#### Quiñenco

- Diversified industrial and financial group based in Chile
- Listed in Santiago and in ADR form in New York (NYSE – LQ)

#### Antofagasta's 33.6% investment

- Acquired in 1996 through merger of industrial and financial assets
- Held through Andsberg, a wholly owned subsidiary
- Used as security for the financing of Los Pelambres from 1997-2000
- No longer core to the Group, which is now a major low-cost copper producer

# Proposed Quiñenco demerger

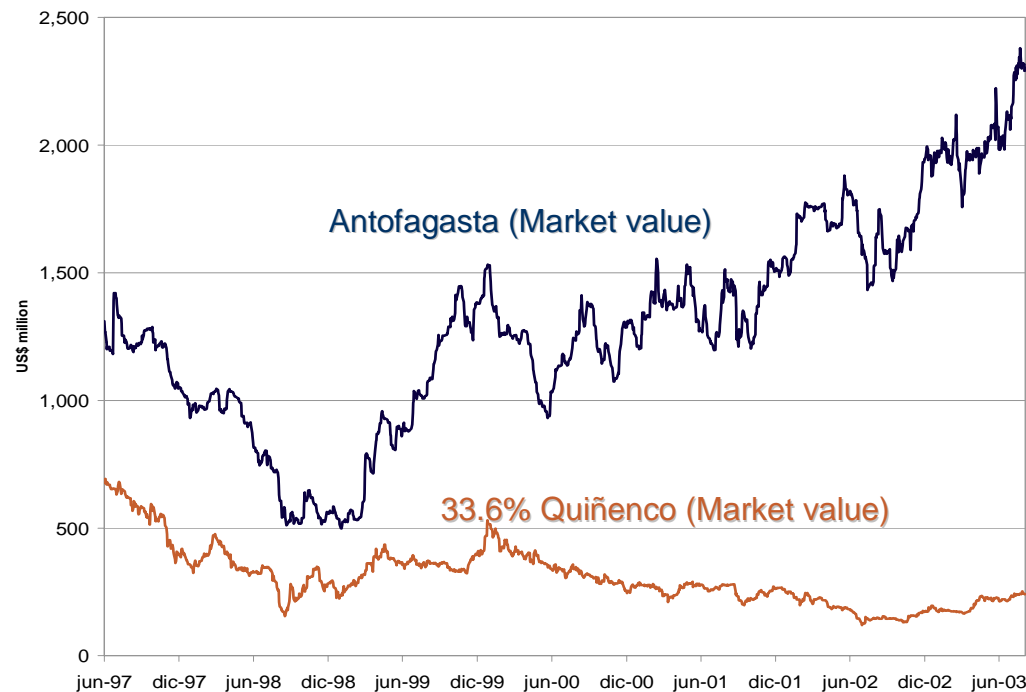
## Background

### Book value

Investment in Quiñenco	US\$180m
Andsberg other assets	US\$1m
Antofagasta total assets	US\$2,486m

### Market value

Low historical correlation between Antofagasta and 33.6% investment in Quiñenco



## Transaction terms

### Dividend in specie of shares in Andsberg

- One share in Andsberg for every ordinary share held in Antofagasta

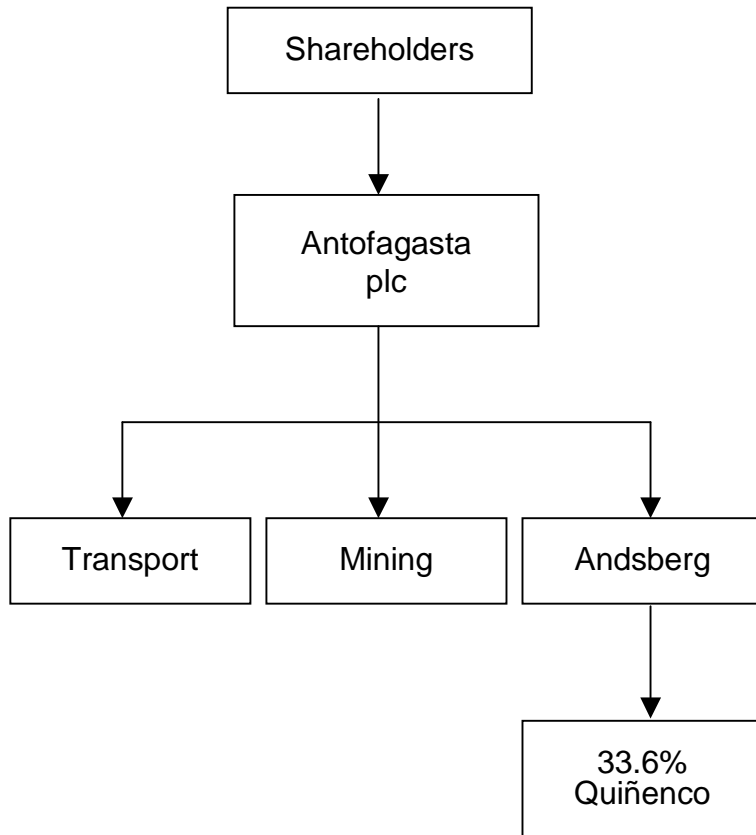
### Right to redeem Andsberg share (until 30 Oct)

- Fixed price of US\$1.11 per Andsberg share
- Represents an underlying value of US\$ 6.00 per Quiñenco ADR taking into account tax and liquidity considerations
- Terms reviewed by Board Committee with advice from Cazenove

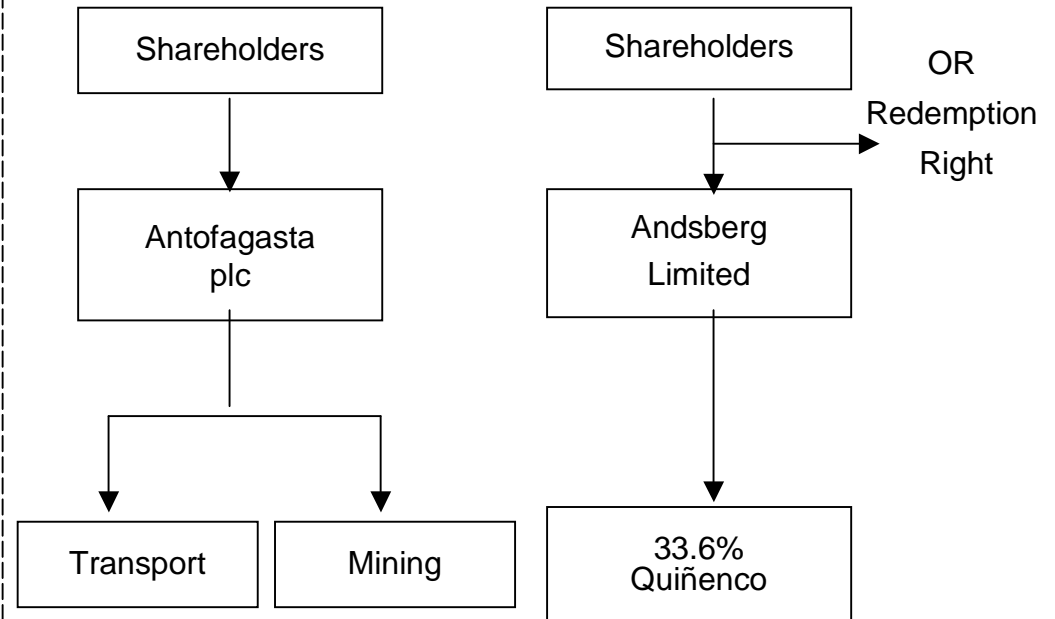
# Proposed Quiñenco demerger

## Group structure

Before



After



# Proposed Quiñenco demerger

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## Reasons

### Demerger strategy

- Consistent with strategy to focus on mining and transportation
- Quiñenco investment no longer relevant to Antofagasta's activities or valuation
- Demerger enhances value for all Antofagasta shareholders

### Demerger structure

- Create choice for shareholders through redemption right of US\$1.11 per Andsberg share
- A direct sale or distribution of Quiñenco shares would significantly reduce value to Antofagasta shareholders

# Proposed Quiñenco demerger

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## Timetable

- Announcement and issue of circular 2 Sep
- Extraordinary Shareholders Meeting 1 Oct
- Return of redemption forms 30 Oct
- Payment date for redemption 6 Nov

Conclusion

**Next steps**

## Summary

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- Focus on operational performance at mines and railway
- Continue exploration in potential areas in Chile and Peru
- Take next steps for potential expansion at Los Pelambres
- Complete demerger of Quiñenco



# **Results Presentation**

## **First Half 2003**

**2 September 2003**

## Group operations

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### Overview

#### Copper mining

Los Pelambres (60%) : 325,000 tpy in concentrates

El Tesoro (61%) : 90,000 tpy of cathodes

Michilla (74%) : 52,000 tpy of cathodes

Exploration programmes in Chile and Peru

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#### Transport

Chile (FCAB-100%) and Bolivia (FCA-50%)

4.1 million tons in 2002

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# Group operations

## Overview

### Northern Chile

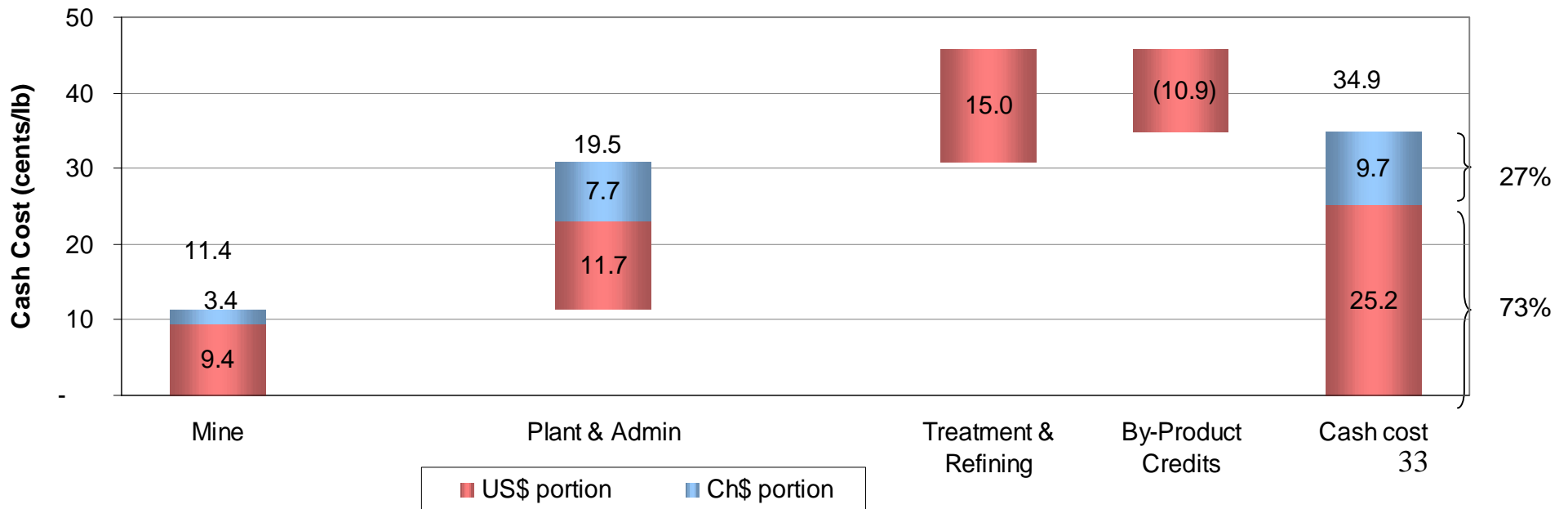
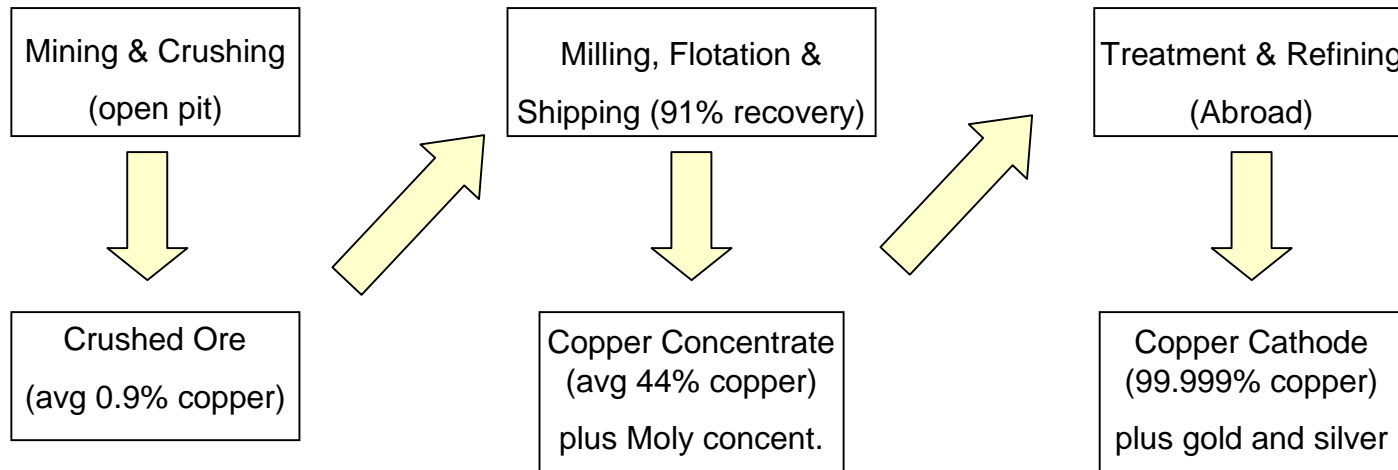


### Peru



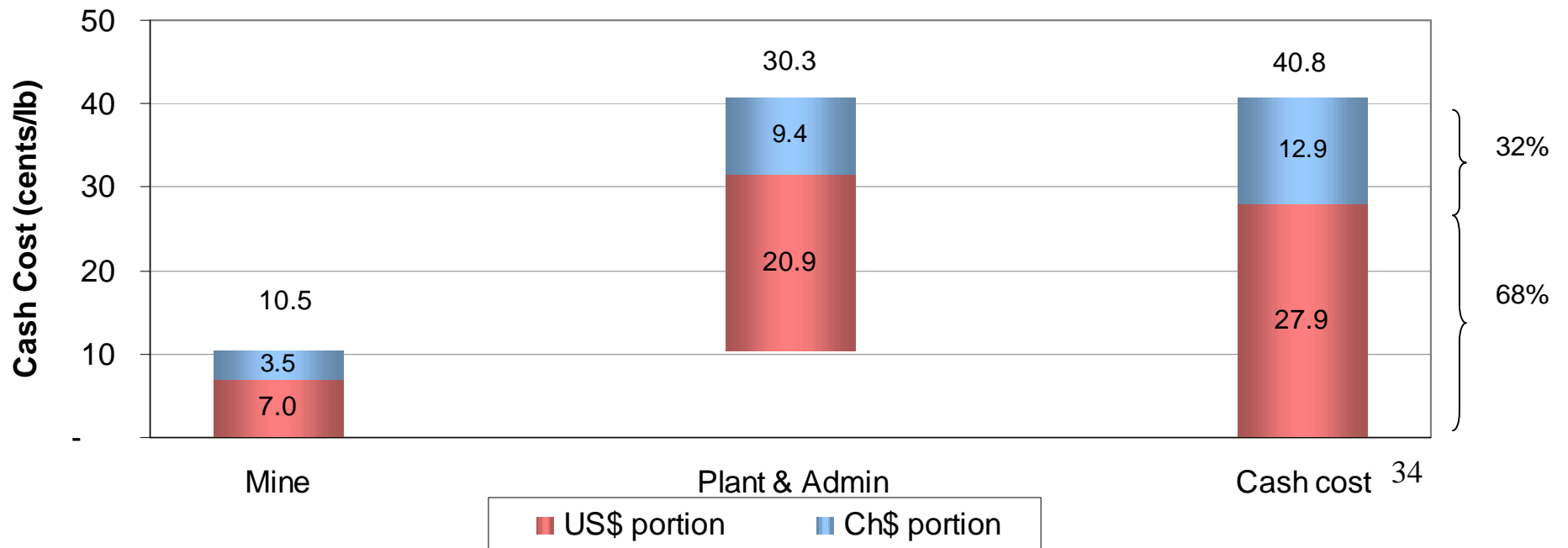
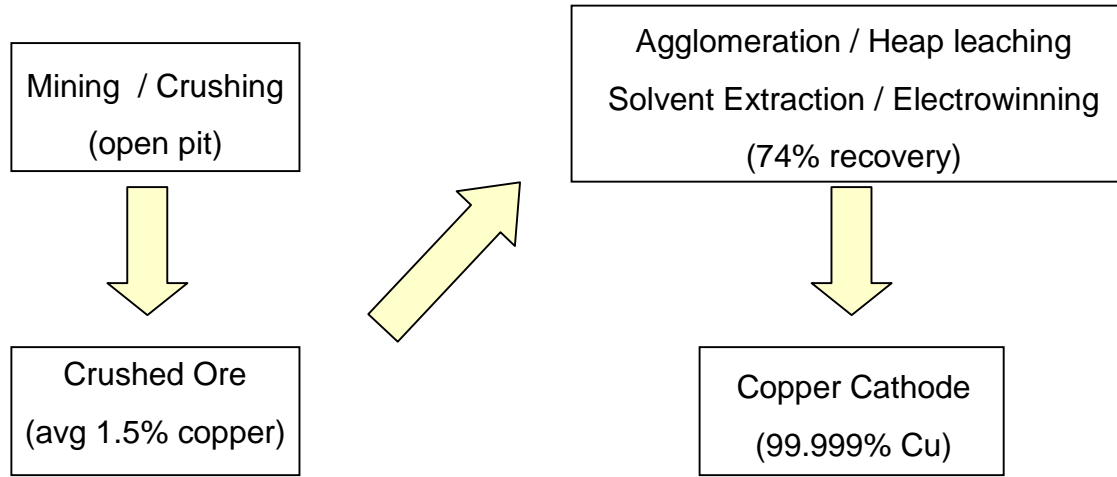
# Process & Costs: Los Pelambres

all numbers refer to year 2002



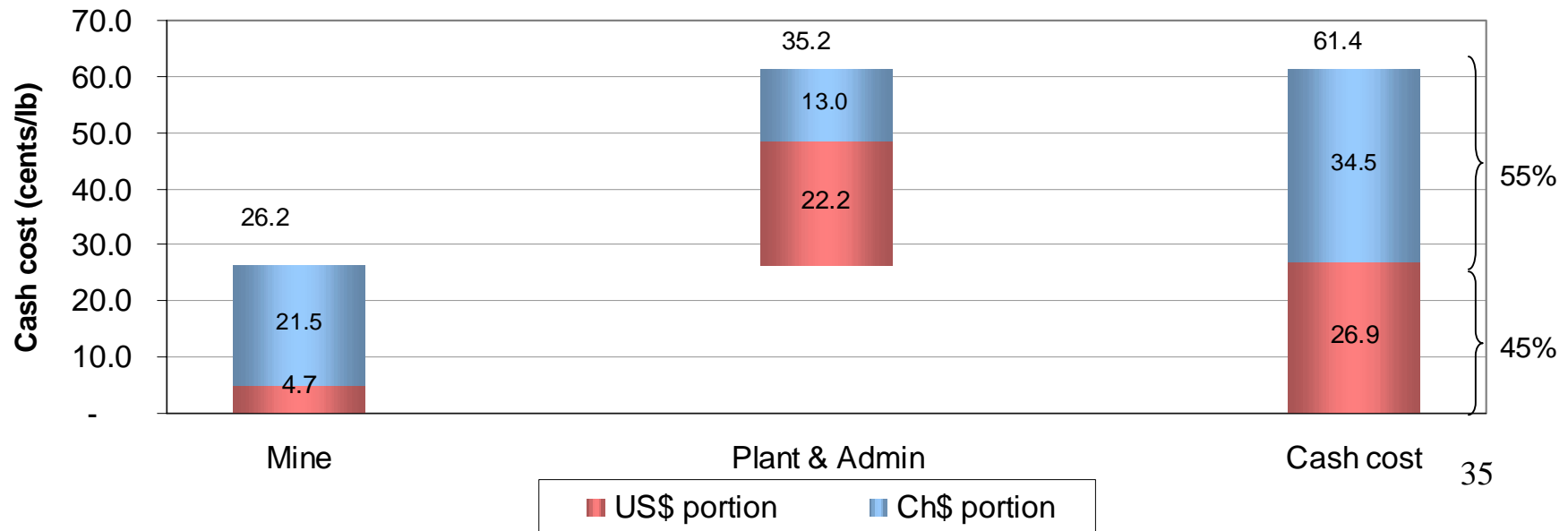
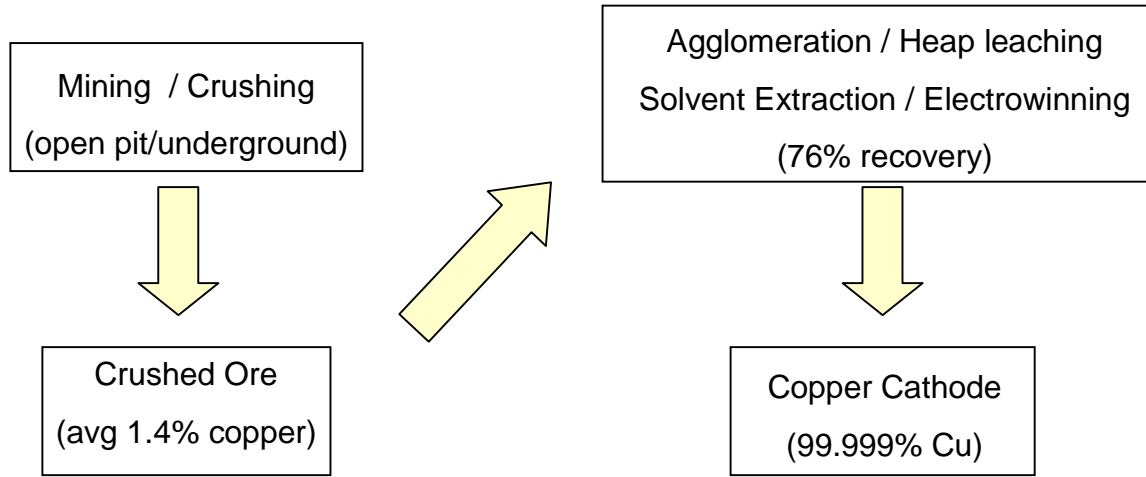
# Process & Costs: El Tesoro

all numbers refer to year 2002



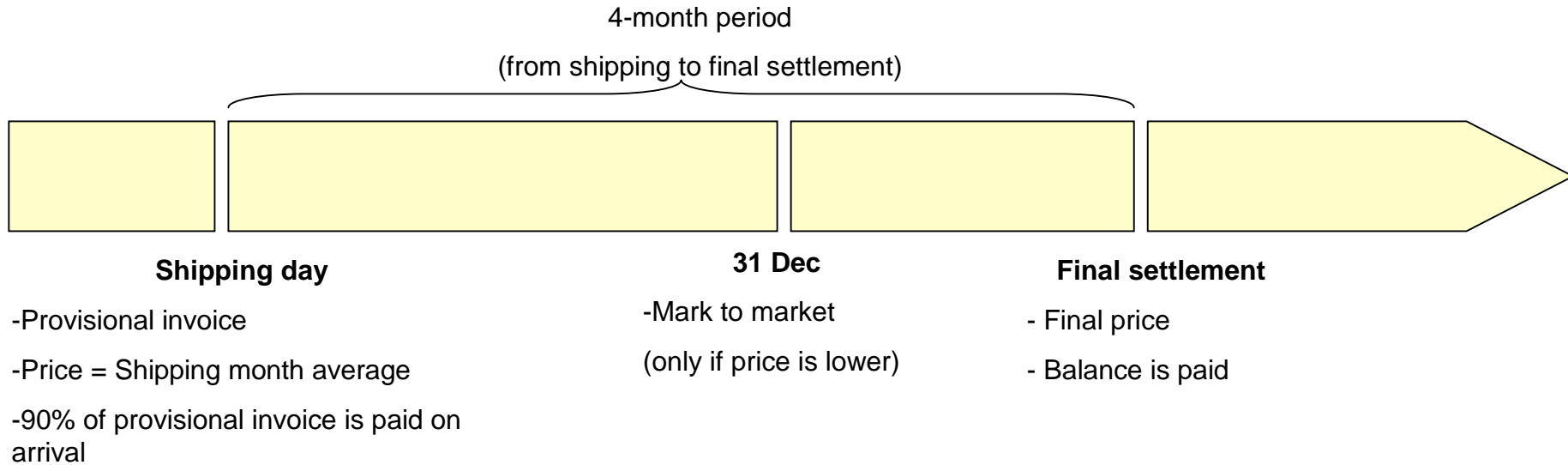
# Process & Costs: Michilla

all numbers refer to year 2002



# Provisional pricing mechanism

## applicable to Los Pelambres



### Example 1: Price is going up (Q= 10,000 ton)

P = 1,500 US\$/ton

Provisional invoice = 15 mUS\$

P = 1,750 US\$/ton

Mark to market = 15 mUS\$

P = 2,000 US\$/ton

Final settlement = 20 mUS\$

Results adj. = 5 mUS\$

### Example 2: Price is going down (Q= 10,000 ton)

P = 2,000 US\$/ton

Provisional invoice = 20 mUS\$

P = 1,750 US\$/ton

Mark to market = 17,5 mUS\$

Results adj = - 2,5 mUS\$

P = 1,500 US\$/ton

Final settlement = 15 mUS\$

Results adj = - 2,5 mUS\$

# Antofagasta

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