

## PRELIMINARY RESULTS ANNOUNCEMENT FOR THE YEAR TO 31 DECEMBER 2001

5 March 2002

- *Turnover of US\$769.5 million (2000 – US\$766.1 million).*
- *Operating cash flow of US\$265.9 million (2000 – US\$326.6 million).*
- *Profit before tax of US\$ 113.5 million (2000 – US\$223.3 million).*
- *Earnings per share of 31.4 cents (2000 –70.0 cents).*
- *El Tesoro now operating at full capacity, with banking completion achieved in December.*
- *Final dividend of 24.75 cents, comprising an ordinary dividend of 14.75 cents and a special dividend of 10 cents (2000 - final dividend of 32.45 cents, comprising an ordinary dividend of 14.42 cents and a special dividend of 18.03 cents)\*.*
- *Total dividend for year of 32 cents per share including special dividend (2000 – total dividend of 37.37 cents including special dividend).*

*\*Dividends are paid in both US dollars and sterling. A conversion rate of £1=US\$1.4301 will be applied to the final dividend of 24.75 cents, giving shareholders who receive dividends in sterling a final dividend of 17.3065p.*

The Group's copper production increased by 26% from 351,100 tonnes in 2000 to 445,000 in 2001, as a result of higher output from Los Pelambres and initial production from El Tesoro, which is now operating at full capacity. Group weighted average cash costs were reduced marginally to 38.8 cents per pound (2000 – 39.2 cents per pound). Results were affected by lower copper prices during the year, including their effect on provisionally-priced sales of concentrates. The average LME copper price for the year was 71.6 cents per pound, compared with 82.3 cents per pound in 2000. No dividend income was received from Quiñenco (2000 – dividend received US\$31.3 million, equating to 15.9 cents earnings per share).

Mr Jean-Paul Luksic, CEO of the mining division commented, "Despite the effect of lower copper prices on results, 2001 was a very satisfactory year for Antofagasta. The El Tesoro project was completed on schedule and under budget, and the mine is now running above design capacity. Group production next year is expected to increase to about 460,000 tonnes. Costs are among the lowest in the sector and cash flow remains strong. The Group is well placed to benefit from an upturn in copper prices."

Antofagasta is a UK-listed mining group based in Chile. In addition to copper mining, its interests include railway and other transport operations. It also has a 33.6% interest in Quiñenco S.A. (LQ – NYSE), a diversified industrial and financial group listed in Santiago and New York with interests in the Southern Cone of Latin America and Brazil.

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## **DIRECTORS' COMMENTS for the year to 31 December 2001**

The Group's copper production in 2001 increased by 26% to 445,000 tonnes compared with 351,100 tonnes in 2000, due to higher production from Los Pelambres and initial production from El Tesoro. Group weighted average cash costs for the year were reduced marginally to 38.8 cents per pound, from 39.2 cents in 2000, while the LME copper price averaged 71.6 cents compared with 82.3 cents last year. Group profit before tax was US\$113.5 million, compared with US\$223.3 million in 2000 when the Group received a substantial dividend of US\$31.3 million from its investment in Quiñenco S.A. Earnings per share were 31.4 cents compared with 70.0 cents (54.1 cents excluding the Quiñenco dividend) in 2000.

### **Review of Operations**

#### ***Los Pelambres***

Improved throughput and higher ore grades combined to increase annual production of payable copper in concentrates from 298,900 tonnes in 2000 to 361,500 tonnes in 2001 at the 60% owned Los Pelambres mine. Optimisation measures, including the successful introduction of a pebble crusher in July, enabled throughput to average 104,700 tonnes per day (tpd) compared with 93,100 tpd in 2000. Temporary production problems at the No. 4 Ball Mill had a marginal impact on the final quarter, and have now been resolved. Los Pelambres' cash costs in 2001 remained low at 35.3 cents per pound (2000 - 35.6 cents), helped by continuing low treatment and refining charges (TC/RCs). Total costs (including depreciation and financial expenses) fell to 52.7 cents per pound compared with 59.7 cents in 2000, due mainly to lower interest costs and the increase in production volumes.

Los Pelambres shipped concentrates containing 360,900 tonnes of payable copper in the period, compared with 306,200 tonnes last year. Tonnages shipped may differ from tonnages produced in any period because of loading schedules at the port. Revenues at Los Pelambres were US\$564.8 million (2000 – US\$603.9 million), and included copper revenues of US\$523.7 million (2000 – US\$566.6 million). The decrease in revenues resulted mainly from lower copper prices, including their effect on provisionally invoiced shipments. In line with industry practice, copper concentrate sales agreements generally provide for provisional pricing at the time of shipment with final pricing settlement based on the average LME copper price for specified future periods. Copper revenues on provisionally priced shipments are adjusted monthly until final settlement. Sales volumes are also adjusted based on the final metallurgical content of the concentrate. Revenues in the year 2001 included adverse adjustments to sales of concentrates open at 31 December 2000 totalling US\$16.5 million, affecting profit after tax and minorities by US\$8.2 million (equivalent to 4.2 cents earnings per share). At 31 December 2001, copper sales totalling 75,300 tonnes remained to be finally priced, and were recorded at that date at an average price of 64.3 cents. A one cent change in the average price realised for these provisionally-priced tonnes would have an approximate effect on revenues in 2002 of US\$1.7 million and on profit after tax and minorities of US\$0.8 million (equivalent to 0.4 cents earnings per share).

In 2001, Los Pelambres contributed US\$163.0 million (2000 – US\$241.8 million) to Group operating profit, reflecting the effect of lower copper prices in the year.

Los Pelambres has continued to reduce its project borrowings, with two further principal repayments during the year totalling US\$87.4 million. Of the US\$946 million originally drawn down to finance Los Pelambres, US\$791.3 million remains outstanding. Los Pelambres also paid a dividend of US\$43.7 million to its shareholders in July, of which US\$26.2 million was received by the Group.

The higher throughput achieved during the second half of 2001 following the installation of a pebble crusher should be maintained and throughput in 2002 is forecast to average 112,000 tpd. Average ore grades under the current phase of the mine plan will, however, decrease to approximately 0.90 per cent from 1.05 per cent in 2001. As a result, production of payable copper is expected to be about 327,000 tonnes and cash costs are expected to average approximately 39 cents per pound.

### ***El Tesoro***

Construction at the 61% owned El Tesoro mine, which began in 1999, was completed during the year at a total development cost of US\$282 million, US\$14 million under its original budget of US\$296 million. During the commissioning period to 30 June, El Tesoro produced 9,000 tonnes of cathodes and made initial shipments of 2,350 tonnes. El Tesoro became operational from July, and during the second half it produced 34,000 tonnes of cathodes at average cash costs of 39.6 cents per pound and shipped 39,300 tonnes. Total costs were 68.8 cents per pound. El Tesoro generated revenues of US\$58.1 million in the second half with an operating profit for the Group of US\$12.9 million. Design capacity of 75,000 tonnes per year was reached in October.

El Tesoro drew down a total of US\$197 million from the available project financing facilities of US\$205 million. These borrowings became non-recourse to the Group in December when all requisite certification was delivered to the Trustee, two months ahead of schedule. Principal repayments will begin in August 2002 with US\$12.3 million semi-annual repayments. In January 2002, El Tesoro returned surplus funds of US\$24.4 million (which had been provided to develop the project) to its shareholders, of which the Group's 61 per cent share was US\$14.9 million.

El Tesoro is a standard heap-leach operation with a 21-year mine life. It is expected to produce 85,000 tonnes of cathodes in 2002, at cash costs of approximately 39 cents per pound. Cash costs are expected to average 40 cents in the first five years.

### ***Michilla***

Michilla produced 49,600 tonnes of cathodes during the year, compared to total production of 52,200 tonnes of copper in 2000 when a small quantity of concentrates were also produced before the concentrator was mothballed at the start of that year. Cash costs at Michilla averaged 64.5 cents per pound during 2001, compared with 59.8 cents the previous year. The increase was due mainly to lower grades and higher stripping ratios under the current phase of the mine plan. Total costs were 81.0 cents per pound compared to 79.9 cents in 2000. Michilla made an operating loss of US\$14.4 million (2000 – profit of US\$1.3 million), before incurring costs of US\$3.4 million (2000 – US\$2.9 million) as part of its exploration programme.

In response to low copper prices, Michilla implemented a cost reduction programme in the last quarter of the year, including the re-negotiation of contracts with suppliers, essential cost-cutting and the reduction of personnel by 25% in November. As a result, cash costs in the last quarter were 58.8 cents per pound, compared with 71.6 cents at the start of the year. The Group has decided to keep Michilla operating at normal levels and expects to produce 52,000 tonnes of cathodes in 2002 at average cash costs under 60 cents per pound.

### ***Exploration***

The Group spent US\$9.7 million in the year (2000 – US\$8.3 million) on its exploration programmes in Chile and Peru.

The main focus remains the Esperanza deposit located near the El Tesoro open pit. A 13,900 metre drilling campaign was completed in 2001 and Esperanza is estimated to have mineable reserves of 295 million tonnes of sulphides, with an average copper grade of 0.66% and 0.31g/t of gold, and 73 million tonnes of oxides with an average copper grade of 0.41%. A conceptual study for a 50,000 tpd project has been completed showing good potential for developing an open pit mine. Exploration is continuing in surrounding properties which have potential for identifying further reserves.

In Peru, the 16,000 metre Phase 3 drilling programme at Magistral was completed in the year and the Group now has a 51% interest in this project. The resource estimate has been reduced to 105 million tonnes of sulphides with an average copper grade of 0.74% and a molybdenum grade of 0.052%. 60% of the reserves are now in the demonstrated category.

### ***Railway and other transport services***

Rail tonnages were maintained at 3.9 million tons (2000 – 3.9 million tons). Marginal increases in rail volumes in Chile, including traffic from El Tesoro, were offset by reductions in Bolivian rail volumes due to adverse weather conditions at the start of the year. Turnover remained substantially unchanged at US\$69.1 million (2000 – US\$70.0 million). Rail tonnages are expected to increase in 2002 with a full year's contribution from El Tesoro and other expansions in the Antofagasta region.

### ***Investments***

The Group holds a 33.6% interest in Quiñenco S.A., a diversified industrial and financial group listed in Santiago and New York with interests in the Southern Cone of Latin America and Brazil. The market value of the Group's investment was US\$265.3 million at 31 December 2001 and US\$212.3 million at 28 February 2002.

Income from Quiñenco is accounted for on a dividends-received basis. During 2000, Quiñenco's results were affected by a restructuring programme at Madeco, the copper wire and tube manufacturer, and a net loss on the sale of Quiñenco's food operations in Argentina. Quiñenco reported a net loss of US\$9.8 million and did not pay a dividend in 2001. In 2000, the Group received a dividend of US\$31.3 million due to significant gains realised by Quiñenco through the sale of its banking and cable television interests the previous year.

Quiñenco has not yet announced its results for 2001, but nine-month results to 30 September 2001 reported a profit after tax and minorities of US\$55.0 million. During this period, Quiñenco sold an 8% stake in Entel S.A., a Chilean telecommunications company, reducing its holding to 5.7%. Proceeds from the sale amounted to approximately US\$125 million and the corresponding gain on sale was over US\$71 million. Quiñenco's brewery division also disposed of its 6.7% interest in Backus & Johnson in Peru. In March, Quiñenco acquired a controlling 52.7% interest in Banco de Chile, the second largest banking institution in the country. Since then, Banco de Chile has been merged with Banco Edwards, the fifth-ranked Chilean bank acquired by Quiñenco in 1999. The merger was effective on 1 January, 2002 and the new Banco de Chile, in which Quiñenco has a 52.2% interest, is now the country's leading financial institution with a 20% market share in terms of loans, deposits and investments.

### ***Dividends***

The Board is recommending a final dividend of 24.75 cents per ordinary share (2000 – 32.45 cents) payable on 14 June 2002 to shareholders on the Register at the close of business on 10 May 2002. The final dividend comprises an ordinary dividend of 14.75 cents and a special dividend of 10.00 cents. Dividends may be paid in either US dollars or sterling, and shareholders receiving dividends in sterling will be paid a final dividend of 17.3065p, based on an exchange rate of £1=US\$1.4301.

Dividends for the year are as follows:

	<b>US Dollars</b>		<b>Sterling</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>cents</b>	cents	<b>pence</b>	pence
<b>Ordinary</b>				
Interim	<b>7.25</b>	4.92	<b>5.02</b>	3.25
Final	<b>14.75</b>	14.42	<b>10.31</b>	10.00
	<b>22.00</b>	19.34	<b>15.33</b>	13.25
<b>Special</b>				
Final	<b>10.00</b>	18.03	<b>6.99</b>	12.50
<b>Total</b>	<b>32.00</b>	37.37	<b>22.32</b>	25.75

Sterling amounts for 2001 shown above have been rounded for presentation. Further details are given in Note 9 to the Preliminary Announcement.

### ***Current Trading Prospects***

Copper prices fell sharply during 2001 from 82.0 cents per pound at the start of the year to a low of 59.8 cents in mid-November, but averaged 71.6 cents for the year. Demand for base metals declined as the United States moved into recession and as markets weakened in Europe and the Far East. LME stocks also increased from 357,000 tonnes at the start of the year to 799,000 tonnes by the end of December. Following announcements of cutbacks by producers during the last quarter, prices recovered to 66.3 cents by the end of the year and have since averaged 69.5 cents in the first two months of 2002. Although most commentators believe the cuts in output announced last year will be sufficient to balance the market in 2002, LME stocks remain at historically high levels and any significant increase in prices is unlikely until demand improves. As a low cost producer, the Group remains well placed in this current period of low prices to benefit from a subsequent upturn.

## FINANCIAL COMMENTARY for the year to 31 December 2001

### *Results*

Group turnover increased marginally from US\$766.1 million in 2000 to US\$769.5 million in 2001. Revenues from the mining division were US\$700.4 million (2000 – US\$696.1 million). Although copper volumes sold were up 26% to 450,800 tonnes in 2001 (including 39,300 tonnes from El Tesoro in the second half of the year), this was offset by lower copper prices compared with 2000 and their effect on provisionally invoiced shipments of concentrates at Los Pelambres. As explained above, 2001 revenues also included adverse adjustments of US\$16.5 million relating to settlement of concentrate sales open at 31 December 2000. Turnover from the transport division was US\$69.1 million (2000 – US\$70 million), reflecting similar cargo volumes as the previous year.

Operating profits were US\$165.2 million (2000 - US\$246 million). Profits for the mining division decreased from US\$224.9 million in 2000 to US\$143.2 million. The decrease in operating profits resulted from a combination of lower copper prices and the effect of adjustments to prior year concentrate sales, partly compensated by increased production volumes. Group weighted average cash costs remained similar to the previous year at 38.8 cents per pound (2000 – 39.2 cents) and did not significantly affect the change in operating profits. The contribution from the transport division was substantially unchanged from the previous year.

Operating profit is stated after depreciation and the loss on disposal of fixed assets, giving EBITDA (earnings before interest, tax, depreciation and amortisation) of US\$283.1 million (2000 - US\$354.9 million).

Income from fixed asset investments was US\$0.1 million, compared with US\$31.5 million in 2000 when a dividend of US\$31.3 million was received from Quiñenco S.A..

The Group sold a surplus property owned by its Railway in the centre of the city of Antofagasta resulting in a profit of US\$3.5 million (US\$2.8 million after tax) which is disclosed separately as an exceptional item. In 2000, surplus assets at El Chacay were sold resulting in an exceptional profit of US\$4.1 million (US\$3.5 million after tax).

Net interest expense was US\$55.3 million, compared with US\$58.3 million in 2000. Net interest costs at Los Pelambres were US\$55.5 million compared with US\$72.1 million the previous year, benefiting from lower interest rates and regular principal repayments since December 2000. Net interest costs also included US\$9.7 million relating to El Tesoro in the second half of 2001. Prior to 1 July, all interest costs at El Tesoro were capitalised as the project remained under development.

As a result of these factors, profit before tax was US\$113.5 million compared with US\$223.3 million in 2001.

Tax (including deferred tax) amounted to US\$21.1 million (2000 – US\$29.0 million). This represents an effective tax rate of 18.6% (2000 – 13%), compared with the Chilean statutory tax rate of 15%. During the second half of 2001, legislation was announced in Chile to increase future statutory tax rates to 16% in 2002, 16.5% in 2003 and 17% from

2004. Since deferred tax balances are measured at the rates expected to apply in the period in which timing differences are expected to reverse, the effect of the tax rate increases has been to increase the deferred tax charge (which relates mainly to Los Pelambres) for this year as cumulative provisions are reassessed.

Earnings per share were 31.4 cents in 2001 compared with 70.0 cents the previous year, reflecting the lower profit net of tax and minority interests.

### ***Cash Flows***

Net cash inflow from operating activities was US\$265.9 million compared with US\$326.6 million in 2000, reflecting the impact of lower copper prices. Net cash inflow in the year was also affected by the build-up of stocks and debtors as part of the El Tesoro start-up, while in 2000 net cash inflow was similarly affected by the start-up of Los Pelambres.

Net capital expenditure in the period was US\$113.9 million, including US\$58.9 million to complete the El Tesoro development. Net capital expenditure in 2000 was US\$314.5 million, which related mainly to El Tesoro and final construction costs at Los Pelambres.

### ***Cash and Debt***

At 31 December 2001, the Group held cash and deposits of US\$248.7 million (2000 – US\$300.1 million). After taking into account the minority share of non-wholly owned operations, the Group's share of the total balance was US\$219.5 million (2000 – US\$267.4 million).

Total Group debt at 31 December 2001 was US\$1,057.4 million (2000 – US\$1,095.7 million). US\$615.8 million (2000 – US\$641.6 million) is proportionately attributable to the Group after taking the minority share of partly-owned operations into account. The total Group borrowings included US\$791.3 million under the Los Pelambres non-recourse project financing arrangements of which 40 per cent is attributable to minority shareholders and US\$197.0 million under the El Tesoro project financing arrangements of which 39 per cent is attributable to minority shareholders. The El Tesoro borrowings became non-recourse when completion was achieved in December 2001.

### ***Balance Sheet***

Shareholders' funds decreased from US\$948.5 million at the beginning of the year to US\$929.3 million, principally reflecting profit attributable to shareholders less currency translation adjustments and dividends for the year. Further details are given in Note 14 to the Preliminary Announcement.

Minority interests increased from US\$292.8 million at the beginning of the year to US\$305.3 million, principally reflecting the minority share of profits at the mining operations less the minority share of the dividend paid by Los Pelambres during the year.

**Group Profit and Loss Account – US Dollars**

	Notes	Unaudited year to 31.12.01			Audited year to 31.12.00		
		Before exceptional items US\$m	Exceptional items Note 5 US\$m	Total US\$m	Before exceptional items US\$m	Exceptional items Note 5 US\$m	Total US\$m
		<b>Turnover</b>	3	769.5	-	769.5	766.1
<b>Operating profit</b>	3,4	165.2	-	165.2	246.0	-	246.0
Profit on disposal of fixed assets	5	-	3.5	3.5	-	4.1	4.1
Income from other fixed asset investments		0.1	-	0.1	31.5	-	31.5
Net interest payable	6	(55.3)	-	(55.3)	(58.3)	-	(58.3)
<b>Profit on ordinary activities before tax</b>		110.0	3.5	113.5	219.2	4.1	223.3
<b>Tax</b>	5,7	(20.4)	(0.7)	(21.1)	(28.4)	(0.6)	(29.0)
<b>Profit on ordinary activities after tax</b>		89.6	2.8	92.4	190.8	3.5	194.3
Minority interests – equity		(30.3)	-	(30.3)	(56.1)	-	(56.1)
<b>Profit for the financial year</b>		59.3	2.8	62.1	134.7	3.5	138.2
<b>Dividends</b>							
Preference – non equity		(0.2)	-	(0.2)	(0.2)	-	(0.2)
Ordinary - equity	9	(63.1)	-	(63.1)	(73.7)	-	(73.7)
<b>Retained profit</b>		(4.0)	2.8	(1.2)	60.8	3.5	64.3
<b>Earnings per share</b>	8	30.0c		31.4c	68.2c		70.0c
<b>Dividend per ordinary share</b>	9			32.0c			37.37c

Turnover and profit are derived from continuing operations.

The dividend in 2001 includes a special dividend of 10 cents per share (2000 – special dividend of 18.03 cents). Further details are given in Note 9.

**Other recognised gains and losses**

Other recognised gains and losses in the period (translation differences) amounted to a loss of US\$7.6 million (2000 – a gain of US\$18.0 million) and are shown in Note 14 together with other movements in shareholders' funds.

## Group Profit and Loss Account – Sterling

	Notes	Unaudited year to 31.12.01			Audited year to 31.12.00		
		Before exceptional items £'m	Exceptional items Note 5 £'m	Total £'m	Before exceptional items £'m	Exceptional items Note 5 £'m	Total £'m
<b>Turnover</b>	3	534.3	-	534.3	505.4	-	505.4
<b>Operating profit</b>	3,4	114.6	-	114.6	162.4	-	162.4
Profit on disposal of fixed assets	5	-	2.4	2.4	-	2.7	2.7
Income from other fixed asset investments		0.1	-	0.1	20.1	-	20.1
Net interest payable	6	(38.3)	-	(38.3)	(38.4)	-	(38.4)
<b>Profit on ordinary activities before tax</b>		76.4	2.4	78.8	144.1	2.7	146.8
<b>Tax</b>	5,7	(14.2)	(0.5)	(14.7)	(18.7)	(0.4)	(19.1)
<b>Profit on ordinary activities after tax</b>		62.2	1.9	64.1	125.4	2.3	127.7
Minority interests – equity		(21.1)	-	(21.1)	(37.0)	-	(37.0)
<b>Profit for the financial year</b>		41.1	1.9	43.0	88.4	2.3	90.7
<b>Dividends</b>							
Preference – non equity		(0.1)	-	(0.1)	(0.1)	-	(0.1)
Ordinary - equity	9	(44.0)	-	(44.0)	(50.8)	-	(50.8)
<b>Retained profit</b>		(3.0)	1.9	(1.1)	37.5	2.3	39.8
<b>Earnings per share</b>	8	20.7p		21.8p	44.8p		45.9p
<b>Dividend per ordinary share</b>	9			22.32p			25.75p

Turnover and profit are derived from continuing operations.

The dividend in 2001 includes a special dividend of 6.9925 pence per share (2000 – 12.5 pence). Further details are given in Note 9.

### Other recognised gains and losses

Other recognised gains and losses in the period (translation differences) amounted to a gain of £9.1 million (2000 – a gain of £29.6 million), and are shown in Note 14 together with other movements in shareholders' funds.

## Group Balance Sheet

		US Dollars		Sterling	
		Unaudited 31.12.01 US\$'m	Audited 31.12.00 US\$'m	Unaudited 31.12.01 £'m	Audited 31.12.00 £'m
	Notes				
<b>Fixed assets</b>					
Tangible fixed assets	10	1,916.8	1,926.7	1,323.9	1,286.8
Other investments	11	185.5	185.5	108.2	108.2
		<b>2,102.3</b>	<b>2,112.2</b>	<b>1,432.1</b>	<b>1,395.0</b>
<b>Current assets</b>					
Stocks		49.3	41.6	34.1	27.8
Debtors		113.7	110.1	78.5	73.7
Current asset investments (including time deposits)		246.5	297.1	170.3	198.9
Cash at bank and in hand		2.2	3.0	1.5	2.0
		<b>411.7</b>	<b>451.8</b>	<b>284.4</b>	<b>302.4</b>
<b>Creditors – amounts falling due within one year</b>					
Trade and other creditors		(79.0)	(87.1)	(54.6)	(58.3)
Loans	12	(104.2)	(92.2)	(72.0)	(61.7)
Dividends		(48.8)	(64.0)	(34.1)	(44.4)
		<b>(232.0)</b>	<b>(243.3)</b>	<b>(160.7)</b>	<b>(164.4)</b>
<b>Net current assets</b>		<b>179.7</b>	<b>208.5</b>	<b>123.7</b>	<b>138.0</b>
<b>Total assets less current liabilities</b>		<b>2,282.0</b>	<b>2,320.7</b>	<b>1,555.8</b>	<b>1,533.0</b>
<b>Creditors – amounts falling due after more than one year</b>					
Other creditors		(25.3)	(28.5)	(17.5)	(19.1)
Loans	12	(953.2)	(1,003.5)	(658.4)	(671.8)
Provisions for liabilities and charges	13	(68.9)	(47.4)	(47.6)	(31.6)
		<b>1,234.6</b>	<b>1,241.3</b>	<b>832.3</b>	<b>810.5</b>
<b>Capital and reserves</b>					
Called up share capital		17.2	17.7	11.9	11.9
Share premium		245.3	253.1	169.4	169.4
Reserves		666.8	677.7	440.1	433.2
<b>Shareholders' funds – including non-equity interests</b>	14	<b>929.3</b>	<b>948.5</b>	<b>621.4</b>	<b>614.5</b>
<b>Minority interests - equity</b>		<b>305.3</b>	<b>292.8</b>	<b>210.9</b>	<b>196.0</b>
		<b>1,234.6</b>	<b>1,241.3</b>	<b>832.3</b>	<b>810.5</b>

Approved by the Board of Directors on 5 March, 2002.

P J Adeane Director.

## Group Cash Flow Statement

		US Dollars		Sterling	
		Unaudited year to 31.12.01 US\$m	Audited year to 31.12.00 US\$m	Unaudited year to 31.12.01 £m	Audited year to 31.12.00 £m
	Notes				
<b>Net cash inflow from operating activities</b>	<b>15</b>	<b>265.9</b>	326.6	<b>184.6</b>	215.4
<b>Returns on investment and servicing of finance</b>					
Dividends received from other fixed asset investments		<b>0.1</b>	31.5	<b>0.1</b>	20.1
Interest received (including capitalised interest)		<b>13.3</b>	22.3	<b>9.2</b>	14.7
Interest paid (including capitalised interest)		<b>(74.4)</b>	(86.0)	<b>(51.7)</b>	(56.7)
Dividends paid to minority interests		<b>(18.5)</b>	(10.2)	<b>(12.8)</b>	(6.7)
Preference dividends paid		<b>(0.2)</b>	(0.2)	<b>(0.1)</b>	(0.1)
<b>Net cash outflow from returns on investment and servicing of finance</b>		<b>(79.7)</b>	(42.6)	<b>(55.3)</b>	(28.7)
<b>Tax (paid)/ recovered</b>		<b>(0.9)</b>	1.1	<b>(0.6)</b>	0.7
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(113.9)</b>	(314.5)	<b>(79.1)</b>	(207.5)
<b>Acquisitions and disposals</b>					
Net cash balances acquired with subsidiary		-	0.9	-	0.5
<b>Equity dividends paid</b>		<b>(77.5)</b>	(26.6)	<b>(54.3)</b>	(17.7)
<b>Cash outflow before management of liquid resources</b>		<b>(6.1)</b>	(55.1)	<b>(4.7)</b>	(37.3)
<b>Management of liquid resources</b>					
Net decrease in time deposits		<b>49.1</b>	40.2	<b>34.6</b>	26.5
<b>Financing</b>					
Contribution from minority interests		-	8.0	-	5.3
Net (repayments)/borrowings in the year		<b>(44.0)</b>	9.8	<b>(30.6)</b>	6.4
<b>Net cash (outflow)/inflow from financing</b>		<b>(44.0)</b>	17.8	<b>(30.6)</b>	11.7
<b>Net cash (outflow)/inflow in the year</b>	<b>16</b>	<b>(1.0)</b>	2.9	<b>(0.7)</b>	0.9

## Notes

### 1 Reporting currency and accounting policies

#### a) Reporting currency

The functional reporting currency of the Group is US dollars, the principal currency in which the Group operates and in which assets and liabilities are held. These preliminary results have also been presented in sterling on a supplementary basis. Share capital remains denominated in sterling and, for the purposes of reporting in US dollars, share capital and share premium are translated at the period end rate of exchange. As explained in Note 9, dividends are paid in both US dollars and sterling.

#### b) Accounting policies

The profit and loss account, balance sheet and cash flow statement for the year to 31 December 2001 have been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year to 31 December 2000.

### 2 Production (unaudited)

The Group announced production volumes and cash costs for 2001 on 30 January 2002. Production information on mining operations for the year may be summarised as follows:

#### a) Tonnes of payable copper produced

	Year to 31.12.01 '000 tonnes	Year to 31.12.00 '000 tonnes
<b>Los Pelambres</b>		
Payable copper in concentrates	361.5	298.9
<b>Michilla</b>		
Copper cathodes	49.6	51.1
Payable copper in concentrates	-	1.1
<b>El Tesoro</b>		
Copper cathodes	34.0	-
<b>Group total</b>	<b>445.0</b>	<b>351.1</b>

El Tesoro remained under development for the first six months of the year, producing 9,000 tonnes of cathodes during the commissioning period in the second quarter. This production has not been included in the Group figures above.

The individual production figures are sometimes more specific than the rounded numbers shown; hence small differences may appear in totals.

#### b) Cash costs per pound

	Year to 31.12.01 cents	Year to 31.12.00 cents
<b>Los Pelambres</b>	35.3	35.6
<b>Michilla</b>	64.5	59.8
<b>El Tesoro</b>	39.6	-
<b>Group weighted average</b>	<b>38.8</b>	<b>39.2</b>

Cash costs are a measure of cost of operational production expressed in terms of cents per pound of payable copper produced. Cash costs exclude depreciation, financial income and expenses, exchange gains and losses, and corporation tax. El Tesoro costs have been adjusted from the Q4 release of 30 January to include offsite costs consistently with the other operations. The change has a marginal impact on group weighted average cash costs (previously 38.6 cents per pound).

**3 Segmental analysis**

**a) Turnover by geographical destination**

	US Dollars		Sterling	
	Unaudited year to 31.12.01 US\$m	Audited year to 31.12.00 US\$m	Unaudited year to 31.12.01 £m	Audited year to 31.12.00 £m
UK	12.4	5.7	8.6	3.7
Rest of Europe	205.2	169.1	142.5	111.6
Chile	103.4	78.2	71.8	51.6
Rest of Latin America	48.8	54.9	33.9	36.2
North America	50.2	38.4	34.9	25.4
Asia Pacific / other	349.5	419.8	242.6	276.9
	<b>769.5</b>	<b>766.1</b>	<b>534.3</b>	<b>505.4</b>

**b) Turnover and operating profit by class of business and geographical location**

Operations are based in Latin America. Turnover and operating profit can be analysed as follows:

	US Dollars		Sterling	
	Unaudited Year to 31.12.01 US\$m	Audited year to 31.12.00 US\$m	Unaudited Year to 31.12.01 £m	Audited year to 31.12.00 £m
<b>Turnover</b>				
Mining	700.4	696.1	486.3	459.2
Railway and other transport services	69.1	70.0	48.0	46.2
	<b>769.5</b>	<b>766.1</b>	<b>534.3</b>	<b>505.4</b>
<b>Operating profit</b>				
Mining	143.2	224.9	99.3	148.4
Railway and other transport services	22.0	21.1	15.3	14.0
	<b>165.2</b>	<b>246.0</b>	<b>114.6</b>	<b>162.4</b>

**4 Operating profit**

	US Dollars		Sterling	
	Unaudited year to 31.12.01 US\$m	Audited year to 31.12.00 US\$m	Unaudited year to 31.12.01 £m	Audited year to 31.12.00 £m
<b>Turnover</b>	<b>769.5</b>	766.1	<b>534.3</b>	505.4
Cost of sales	<b>(506.5)</b>	(418.9)	<b>(351.7)</b>	(276.2)
Gross profit	<b>263.0</b>	347.2	<b>182.6</b>	229.2
Administrative expenses	<b>(83.8)</b>	(88.7)	<b>(58.2)</b>	(58.5)
Closure provision (Note 13)	<b>(1.1)</b>	(1.0)	<b>(0.8)</b>	(0.7)
Severance charges (Note 13)	<b>(1.7)</b>	(2.7)	<b>(1.2)</b>	(1.8)
Exploration costs	<b>(9.7)</b>	(8.3)	<b>(6.7)</b>	(5.5)
Other net operating expenses	<b>(1.5)</b>	(0.5)	<b>(1.1)</b>	(0.3)
<b>Operating profit</b>	<b>165.2</b>	246.0	<b>114.6</b>	162.4

Depreciation charges in 2001 amounted to US\$116.8 million (£81.1 million). Of this amount, US\$106.1 million (£73.6 million) is included in cost of sales and US\$10.7 million (£7.5 million) is included in administrative expenses. Depreciation charges in 2000 amounted to US\$105.9 million (£69.7 million). Of this amount, US\$95.4 million (£62.9 million) is included in cost of sales and US\$10.5 million (£6.9 million) is included in administrative expenses.

In line with industry practice, copper concentrate sales agreements generally provide for provisional pricing at the time of shipment with final pricing settlement based on the average LME copper price for specified future periods. Copper revenues on provisionally priced tonnages are adjusted monthly until final settlement. Sales volumes are also adjusted on the final metallurgical content of the concentrates. Revenues in the year to 31 December 2001 included adjustments to sales of concentrates open at 31 December 2000 totalling US\$16.5 million (£11.5 million).

**5 Non-operating exceptional items**

	US Dollars		Sterling	
	Unaudited year to 31.12.01 US\$m	Audited year to 31.12.00 US\$m	Unaudited year to 31.12.01 £m	Audited year to 31.12.00 £m
Profit on disposal of fixed assets at El Chacay	-	4.1	-	2.7
Profit on sale of land by Railway	<b>3.5</b>	-	<b>2.4</b>	-
Tax effect	<b>(0.7)</b>	(0.6)	<b>(0.5)</b>	(0.4)
	<b>2.8</b>	3.5	<b>1.9</b>	2.3

## 6 Net interest payable

	US Dollars		Sterling	
	Unaudited year to 31.12.01 US\$m	Audited year to 31.12.00 US\$m	Unaudited year to 31.12.01 £m	Audited year to 31.12.00 £m
Interest receivable	13.2	21.0	9.2	13.9
Interest payable	(67.4)	(80.5)	(46.8)	(53.1)
Foreign exchange	(0.2)	-	(0.1)	-
Discount charge relating to provisions (Note 13)	(0.9)	1.2	(0.6)	0.8
	<b>(55.3)</b>	<b>(58.3)</b>	<b>(38.3)</b>	<b>(38.4)</b>

In addition to the above, interest payable capitalised in the period amounted to US\$6.8 million (£4.7 million; 2000 – US\$15.3million; £10.1 million) and interest receivable credited against fixed assets amounted to US\$0.3 million (£0.2 million; 2000 – US\$4.6 million; £3.0 million). These amounts related to the El Tesoro development.

## 7 Tax

The tax charge of US\$21.1 million (£14.7 million; 2000 – US\$ 29.0 million; £19.1 million) represents an effective rate (including deferred tax) of 18.6% (2000 – 13.0%) on profit before tax, as compared with the current Chilean statutory tax rate of 15%. Legislative changes during 2001 will result in the statutory rate increasing to 16% in 2002, 16.5% in 2003 and 17% in 2004. Deferred tax is measured at the rates expected to apply in the period in which timing differences are expected to reverse, and the application of these higher rates in the 2001 results has increased the effective tax rate for this year. The effective tax rate in 2000 was below the Chilean statutory rate of 15% principally because the dividend of US\$31.3 million (£19.9 million) received from Quiñenco was paid out of that company's post-tax profits and was not subject to further tax on receipt.

## 8 Earnings per share

Earnings per share is calculated on profit after tax, minority interest and preference dividends giving earnings of US\$61.9 million (£43.0 million; 2000 – US\$138.0 million ; £90.6 million) and is based on 197,171,339 ordinary shares (2000 – 197,171,339) in issue throughout the period. Earnings per share excluding exceptional items is calculated on the same basis but excluding an exceptional gain after tax and minority interests of US\$2.8 million (£1.9 million; 2000 – US\$3.5 million; £2.3 million).

## 9 Dividends

Dividends are declared in US dollars but may be paid in either dollars or sterling. Shareholders on the register of members with an address in the United Kingdom receive dividend payments in sterling, unless they elect to be paid in dollars. All other shareholders are paid by cheque in dollars, unless they have previously instructed the Company's registrar to pay dividends by bank transfer to a sterling bank account, or they elect for payment by cheque in sterling. The Company's registrar must receive any such instruction before the record date of 10 May 2002.

The Board will recommend a final dividend of 24.75 cents per ordinary share, comprising an ordinary dividend of 14.75 cents and a special dividend of 10 cents (2000 – 32.45 cents, comprising an ordinary dividend of 14.42 cents and a special dividend of 18.03 cents) for payment on 14 June 2002 to shareholders on the Register at the close of business on 10 May 2002. Dividends are declared and paid gross. The exchange rate to be applied for the conversion of dividends will be £1 = US\$1.4301, giving a final dividend to those shareholders paid in sterling of 17.3065 pence per ordinary share (2000 – 22.5 pence).

**10 Tangible fixed assets**

	US dollars		
	Mining US\$'m	Railway and other transport US\$'m	Total US\$'m
<b>Net book value</b>			
1 January 2001 (audited)	1,810.8	115.9	1,926.7
Additions	114.6	13.3	127.9
Closure and severance provisions capitalised (Note 13)	1.6	-	1.6
Transfer from stocks	-	2.1	2.1
Disposals	(3.2)	(3.6)	(6.8)
Depreciation	(110.0)	(6.8)	(116.8)
Exchange	-	(17.9)	(17.9)
<b>31 December 2001 (unaudited)</b>	<b>1,813.8</b>	<b>103.0</b>	<b>1,916.8</b>

	Sterling		
	Mining £'m	Railway and other transport £'m	Total £'m
<b>Net book value</b>			
1 January 2001(audited)	1,212.2	74.6	1,286.8
Additions	79.6	9.2	88.8
Closure and severance provisions capitalised (Note 13)	1.1	-	1.1
Transfer from stocks	-	1.5	1.5
Disposals	(2.2)	(2.5)	(4.7)
Depreciation	(76.4)	(4.7)	(81.1)
Exchange	38.5	(7.0)	31.5
<b>31 December 2001 (unaudited)</b>	<b>1,252.8</b>	<b>71.1</b>	<b>1,323.9</b>

**11 Other investments**

	US\$'m	£'m
<b>1 January 2001 (audited) and 31 December 2001 (unaudited)</b>	<b>185.5</b>	<b>108.2</b>

The above investments are quoted. The market value of these investments at 31 December 2001 was US\$268.5 million (£152.2 million; 2000 – US\$256.9 million; £172.4 million). These investments include a 33.61 per cent interest in Quinenco S.A.

12 Loans

**Los Pelambres**

- Loans

**El Tesoro**

- Loans
- Subordinated debt
- Finance leases

**Michilla**

- Finance leases
- Loans

**Railway and other transport services**

- Loans

US Dollars		Sterling	
Unaudited 31.12.01 US\$'m	Audited 31.12.00 US\$'m	Unaudited 31.12.01 £'m	Audited 31.12.00 £'m
(791.3)	(878.7)	(546.5)	(588.2)
(197.0)	(149.5)	(136.1)	(100.1)
(39.7)	(36.2)	(27.4)	(24.3)
(17.0)	(15.0)	(11.8)	(10.0)
(1.6)	(2.1)	(1.1)	(1.4)
-	(0.1)	-	(0.1)
(10.8)	(14.1)	(7.5)	(9.4)
<b>(1,057.4)</b>	<b>(1,095.7)</b>	<b>(730.4)</b>	<b>(733.5)</b>

**Maturity of loans:**

Due within one year

Due after more than one year

US Dollars		Sterling	
Unaudited 31.12.01 US\$'m	Audited 31.12.00 US\$'m	Unaudited 31.12.01 £'m	Audited 31.12.00 £'m
(104.2)	(92.2)	(72.0)	(61.7)
(953.2)	(1,003.5)	(658.4)	(671.8)
<b>(1,057.4)</b>	<b>(1,095.7)</b>	<b>(730.4)</b>	<b>(733.5)</b>

13 Provisions for liabilities and charges

1 January 2001 (audited)

Charge to operating profit in year (Note 4)

Release of discount to net interest in year (Note 6)

Charge to tax on profit in year

Utilised in year

Capitalised in year (Note 10)

Exchange

**31 December 2001 (unaudited)**

US Dollars			
Decommissioning and site rehabilitation US\$'m	Severance indemnities US\$'m	Deferred tax US\$'m	Total US\$'m
(5.3)	(8.9)	(33.2)	(47.4)
(1.1)	(1.7)	-	(2.8)
(0.3)	(0.6)	-	(0.9)
-	-	(18.0)	(18.0)
-	0.6	-	0.6
(1.4)	(0.2)	-	(1.6)
-	0.5	0.7	1.2
<b>(8.1)</b>	<b>(10.3)</b>	<b>(50.5)</b>	<b>(68.9)</b>

**13 Provisions for liabilities and charges (continued):**

	<b>Sterling</b>			
	Decommissioning and site rehabilitation £'m	Severance indemnities £'m	Deferred tax £'m	Total £'m
1 January 2001 (audited)	(3.5)	(5.9)	(22.2)	(31.6)
Charge to operating profit in year (Note 4)	(0.8)	(1.2)	-	(2.0)
Release of discount to net interest in year (Note 6)	(0.2)	(0.4)	-	(0.6)
Charge to tax on profit in year	-	-	(12.5)	(12.5)
Utilised in year	-	0.4	-	0.4
Capitalised in year (Note 10)	(1.0)	(0.1)	-	(1.1)
Exchange	(0.1)	0.1	(0.2)	(0.2)
<b>31 December 2001 (unaudited)</b>	<b>(5.6)</b>	<b>(7.1)</b>	<b>(34.9)</b>	<b>(47.6)</b>

**14 Reconciliation of movements in shareholders' funds**

	<b>US Dollars</b>		<b>Sterling</b>	
	<b>Unaudited year to 31.12.01 US\$'m</b>	Audited year to 31.12.00 US\$'m	<b>Unaudited year to 31.12.01 £'m</b>	Audited year to 31.12.00 £'m
<b>Profit for the financial period</b>	<b>62.1</b>	138.2	<b>43.0</b>	90.7
Other recognised gains relating to the period				
- Currency translation adjustment	(7.6)	18.0	9.1	29.6
<b>Total recognised gains and losses</b>	<b>54.5</b>	156.2	<b>52.1</b>	120.3
Dividends	(63.3)	(73.9)	(44.1)	(50.9)
Exchange movement on sterling-denominated share capital and share premium	(8.8)	82.3	8.0	69.4
Exchange movement on revaluation reserve	(8.3)	(21.1)	-	-
Opening shareholders' funds	(2.1)	-	(1.1)	-
<b>Closing shareholders' funds</b>	<b>948.5</b>	887.3	<b>614.5</b>	545.1
	<b>929.3</b>	948.5	<b>621.4</b>	614.5

**15 Reconciliation of operating profit to net cash inflow from operating activities**

	<b>US Dollars</b>		<b>Sterling</b>	
	<b>Unaudited year to 31.12.01 US\$'m</b>	Audited year to 31.12.00 US\$'m	<b>Unaudited year to 31.12.01 £'m</b>	Audited year to 31.12.00 £'m
Operating profit	<b>165.2</b>	246.0	<b>114.6</b>	162.4
Depreciation	<b>116.8</b>	105.9	<b>81.1</b>	69.7
Loss on disposal of tangible fixed assets	<b>1.1</b>	3.0	<b>0.8</b>	2.0
Increase in stocks	<b>(9.9)</b>	(6.0)	<b>(6.8)</b>	(4.0)
Increase in debtors	<b>(20.0)</b>	(70.5)	<b>(13.9)</b>	(46.5)
Increase in creditors and provisions	<b>12.7</b>	48.2	<b>8.8</b>	31.8
<b>Net cash inflow from operating activities</b>	<b>265.9</b>	326.6	<b>184.6</b>	215.4

**16 Reconciliation of net cash flow to movement in net debt**

	US Dollars		Sterling	
	Unaudited year to 31.12.01 US\$m	Audited year to 31.12.00 US\$m	Unaudited year to 31.12.01 £m	Audited year to 31.12.00 £m
Net cash (outflow)/inflow in the year	(1.0)	2.9	(0.7)	0.9
Cash outflow/(inflow) from decrease/(increase) in debt	44.0	(9.8)	30.6	(6.4)
Cash inflow from decrease in liquid resources	(49.1)	(40.2)	(34.1)	(26.5)
Change in net debt resulting from cash flows	(6.1)	(47.1)	(4.2)	(32.0)
Capitalisation of subordinated debt	-	10.3	-	6.8
Acquisition	-	5.1	-	3.2
Reclassification	0.6	3.5	0.4	2.2
Interest accrued on long-term loan balances	(3.4)	(8.1)	(2.4)	(5.3)
New leases	(3.4)	(16.3)	(2.4)	(10.8)
Exchange	(0.8)	(3.5)	(17.4)	(37.6)
Movement in net debt in the year	(13.1)	(56.1)	(26.0)	(73.5)
Net debt at the beginning of the year	(795.6)	(739.5)	(532.6)	(459.1)
<b>Net debt at the end of the year</b>	<b>(808.7)</b>	<b>(795.6)</b>	<b>(558.6)</b>	<b>(532.6)</b>

**17 Financial information**

The financial information set out in this announcement does not constitute the Group's statutory accounts for the years ended 31 December 2001 or 2000. The financial information for the year ended 31 December 2000 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s237(2) or (3) Companies Act 1985. The statutory accounts for the year ended 31 December 2001 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

**18 Currency translation**

Assets and liabilities denominated in foreign currencies are translated into dollars and sterling at the period end rates of exchange. Results denominated in foreign currencies have been translated into dollars and sterling at the average rate for each period.

	Period end rates	Average rates
31.12.01	US\$1.45 = £1; US\$1 = Ch\$655	US\$1.44 = £1; US\$1 = Ch\$635
31.12.00	US\$1.49 = £1; US\$1 = Ch\$574	US\$1.52 = £1; US\$1 = Ch\$540

**19 Distribution**

The Annual Report and Financial Statements, including the Notice of the Annual General Meeting and Chairman's Statement for the year ended 31 December 2001, will be posted to all shareholders in May 2002. The Annual General Meeting will be held in the Armourers Hall, 81 Coleman Street, London EC2 at 10.30 a.m. on 13 June 2002.