

Interim Results Announcement for the six months ended 30 June 2004

7 September 2004

- *Turnover of US\$819.8 million (2003 half year – US\$471.9 million).*
- *Operating cash flow of US\$517.3 million (2003 half year – US\$206.2 million).*
- *Profit before tax of US\$438.9 million (2003 half year – US\$138.1 million).*
- *Earnings per share of 112.7 cents (2003 half year – 34.0 cents).*
- *Interim dividend of 15 cents per share (2003 interim – 11 cents per share)*.*

LME copper prices were significantly stronger in the period, averaging 125.2 cents per pound compared with 74.9 cents in the first half of 2003. Group copper production rose by 4.6% per cent to 235,400 tonnes this period (2003 half year – 225,100 tonnes). Group weighted average cash costs** were 17% lower at 31.2 cents per pound (2003 half year – 37.6 cents), as by-product credits at Los Pelambres increased significantly due to higher molybdenum prices. Group profit before tax increased from US\$138.1 million last period to US\$438.9 million, and earnings per share rose from 34.0 cents to 112.7 cents.

Jean-Paul Luksic, CEO of the mining division, commented, “This is an excellent result for Antofagasta helped by high metal prices, and we should continue to benefit from current strong demand while fundamentals for the copper market remain positive.”

Antofagasta is a Chilean-based mining group listed in the United Kingdom. In addition to copper mining, its interests include rail and road transport operations and water distribution.

** The interim dividend is paid in either sterling or US dollars. A conversion rate of £1=US\$1.8151 will be applied to the interim dividend giving shareholders who receive dividends in sterling an interim dividend of 8.2640 pence per share.*

*** Cash cost is a method used by the industry to express the cost of production in cents per pound of copper, and is further explained in Note 2(d) to the Interim Results Announcement.*

Enquiries – London
Antofagasta plc
Tel: +44 20 7808 0988
www.antofagasta.co.uk

Philip Adeane
Managing Director
Email: nwakefield@antofagasta.co.uk

Hussein Barma
Chief Financial Officer
Email: hbarma@antofagasta.co.uk

Enquiries - Santiago
Antofagasta Minerals S.A.
Tel +562 377 5145

Alejandro Rivera
Chief Financial Officer
Email: arivera@aminerals.cl

Issued by
Keith Irons
Email: keith@bankside.com
Tel: +44 20 7444 4155

DIRECTORS' COMMENTS FOR THE HALF YEAR TO 30 JUNE 2004

The Group reported significantly improved results driven by higher copper and molybdenum prices. Profit before tax was up 218% to US\$438.9 million (2003 half year – US\$138.1 million) with earnings per share up 231% to 112.7 cents (2003 half year – 34.0 cents). LME copper prices averaged 125.2 cents per pound (2003 half year – 74.9 cents per pound) while molybdenum prices averaged US\$11.40 per pound (2003 half year – US\$4.60 per pound). Group copper production increased by 4.6% to 235,400 tonnes. Cash costs at the mining operations, which include by-product credits, were 17% lower mainly due to exceptional molybdenum prices which offset higher operating costs.

Interim Review of Operations

Los Pelambres

Los Pelambres produced 165,000 tonnes of payable copper compared with 155,200 tonnes in the 2003 first half. The increase was due mainly to higher throughput at the plant which averaged 121,400 tonnes per day (tpd) of ore compared with 111,300 tpd in the first six months of 2003. This followed completion of the plant upgrade in August 2003, which countered an ore grade which decreased from 0.90% to 0.88%. Shipment dates caused significant tonnages to be delayed until July, and consequently the amount of payable copper sold in the period was 139,800 tonnes compared with 160,800 tonnes in the 2003 half year.

Cash costs, which are stated net of by-product credits, fell to 18.0 cents per pound of copper produced (2003 half year – 31.5 cents) as molybdenum prices increased significantly from US\$4.60 in the 2003 half year to US\$11.40 in the first half of 2004. Molybdenum production was similar at 3,700 tonnes (2003 half year – 3,800 tonnes). Excluding by-product credits, cash costs in the period were 53.0 cents per pound compared to 44.4 cents per pound in the first half of 2003. The increase was due mainly to higher treatment and refining charges (TC/RCs) and also a number of other factors in the period including higher shipping costs, the effects of the stronger Chilean peso and higher maintenance costs.

Realised copper prices (which are determined by dividing copper revenues by sales volumes) were 141.8 cents per pound (2003 half year – 77.6 cents per pound), due to higher LME copper prices and also because Los Pelambres continued to benefit from positive adjustments on final settlement of concentrate sales. Realised molybdenum prices in the period were US\$14.60 per pound (2003 half year – US\$4.70 per pound), due to higher market prices and similar positive adjustments on final settlement of molybdenum concentrate sales. The combination of higher realised copper and molybdenum prices offset the lower sales volumes and

higher underlying costs to enable Los Pelambres to increase operating profits by 204% to US\$353.4 million compared with US\$116.2 million.

Los Pelambres continued to reduce its project borrowings with a further principal repayment in June of US\$42.1 million. Since operations began in November 1999, a total of US\$393.2 million of the original US\$946 million project borrowings has now been repaid. Los Pelambres also paid a dividend of US\$ 42.0 million to its shareholders in June, of which the Group's share amounted to US\$25.2 million.

In March this year, the Regional Commission of the Environment (COREMA) approved the Environmental Impact Assessment (EIA) submitted in May 2003. The approval allows Los Pelambres to mine up to 2.1 billion tonnes of its known ore reserves, and permits the construction of the El Mauro tailings dam which will provide storage capacity for the increased reserves. Engineering studies for the project, which will cost approximately US\$450 million, are now being completed and construction is expected to begin by the end of this year. Los Pelambres is studying alternatives for an expansion of the concentrator plant, which will allow an increase in ore processing capacity of up to 175,000 tpd. This compares with the current 120,000 tpd level.

During the second half of this year, better processing levels and a marginal improvement in the ore grade should allow production of payable copper to reach 350,000 tonnes for the full year. Cash costs for the remainder of this year are expected to stay low if molybdenum prices hold at present high levels.

El Tesoro

Production at El Tesoro increased slightly to 46,900 tonnes (2003 half year – 45,500 tonnes), as higher ore throughput compensated for a decrease in the ore grade from 1.54% to 1.34%. Cash costs rose to 50.5 cents per pound compared with 41.0 cents in the first six months of 2003, mainly due to higher sulphuric acid prices and consumption, blasting costs, a stronger Chilean peso and higher waste-to-ore ratio at the mine.

Higher copper prices and better premiums for El Tesoro's LME Grade A cathodes offset the increase in cash costs, and enabled operating profits to reach US\$67.4 million (2003 half year – US\$26.2 million).

Project borrowings at El Tesoro were reduced to US\$124.1 million after two principal repayments totalling US\$32.5 million in February and August this year.

Cathode production at El Tesoro in 2004 is estimated to reach around 96,000 tonnes, with cash costs expected to be around 53 cents per pound for the year.

Michilla

Michilla produced 23,500 tonnes of cathodes to 30 June 2004 compared with 24,400 tonnes in the first half of 2003 due mainly to lower ore grades in the period. Changes made in the sequence of ore extraction in order to avoid old mine workings in the vicinity of Michilla's pit affected the volume of ore extracted for processing and prevented Michilla from taking full advantage of the additional crushing capacity installed during 2003.

Cash costs increased to 84.7 cents per pound compared to 69.9 cents per pound in the first six months of last year, as a result of lower grades but also higher sulphuric acid prices and the stronger peso. In addition, Michilla did not benefit fully from higher copper prices, as part of its production in the first quarter had been hedged in 2003 at a cost of US\$9.3 million. Nevertheless, the strong improvement in market prices outweighed the increase in costs and hedging losses, and enabled Michilla to achieve an operating profit of US\$5.2 million compared to an operating loss of US\$4.4 million in the first half of 2003.

During the second half of this year, higher processing levels and better ore grades should allow production for the year to reach around 50,000 tonnes with cash costs slightly lower at around 82 cents per pound.

Exploration

The Group spent US\$2.7 million in the first six months to June 2004, mainly in the Conchi-Brujulinas area near El Abra, which is approximately 120 km north-east of El Tesoro. A total of 30,429 metres was drilled as part of an on-going campaign to explore these deposits in detail and to increase the oxide base in the area. During the first half the Group also decided to advance the Esperanza project, which requires the construction of a 2 km-long exploration decline to obtain bulk samples for detailed metallurgical testing. The Esperanza project is expected to reach the pre-feasibility stage within two years, at an estimated cost of US\$15.3 million, of which around US\$3.4 million will be spent in the second half of this year.

Exploration activities have continued in southern Peru, where the Group and CVRD have a joint-venture programme. The Group sold its 51% interest in the Magistral project to Inca Pacific S.A. for US\$2.1 million in February 2004. In July, the Group decided to withdraw from the auction of the Las Bambas copper project after further evaluation and following approval of the introduction of a royalty on concentrate sales by the Peruvian Congress.

Railway and Other Transport Services

Rail tonnages remained virtually unchanged at 2.1 million tons, while turnover was US\$39.9 million (2003 half year – US\$35.7 million), mainly due to the strengthening of the Chilean peso. Freight from existing customers and marginal mine expansions should enable these tonnage levels to be maintained.

The Railway is continuing discussions with Apex Silver Mines following a Letter of Intent signed during 2003, which related to future transport requirements for the San Cristobal polymetallic project in Bolivia. Apex is planning to transport up to 650,000 tonnes of silver, zinc and lead concentrates annually for a period of 17 years and could become an important new customer for the FCAB and its Bolivian operation, the Andino rail network.

Aguas de Antofagasta

Aguas de Antofagasta, which began to operate the water rights and distribution and treatment facilities in Chile's Second Region on 29 December 2003, had a very satisfactory first six months of operations. Programmes have been implemented to reduce water losses, reduce costs and improve the quality of service to domestic customers. Water volumes amounted to 16.3 million cu. m., a 4.5% increase over the comparable period last year when controlled by ESSAN.

Turnover in the first six months of 2003 was US\$22.1 million, of which 12.1% related to mining and industrial customers. Aguas is currently involved in jointly planning and designing the water supply to two mining projects in the region; firstly, BHP's Spence project near El Tesoro and, secondly, Falconbridge's Collahuasi project near the border with Bolivia. Growth prospects in the medium to longer term for mining-related supplies remain good.

Dividends

An interim dividend of 15 cents (2003 interim – 11 cents) will be paid on 8 October 2004 to ordinary shareholders on the register at the close of business on 17 September 2004. Dividends are payable in either US dollars or sterling, and shareholders who receive dividends in sterling will be paid an interim dividend of 8.2640 pence per share, based on an exchange rate of £1=US\$1.8151. Further details are given in Note 9 to the Interim Report.

Current Trading Prospects

Although the copper price has eased from its recent high of over 140 cents per pound in mid-April, the market has remained resilient with prices still trading in the 120-130 cent range during the traditionally weaker summer period. Inventory levels still remain very low, with LME stocks currently around 110,000 tonnes compared with 430,000 tonnes at the beginning of the year. Including Comex and the Shanghai Exchange, total visible inventories are just over 200,000 tonnes.

Most commentators expect the copper market to remain in deficit in the medium term, although recent increases in TC/RCs indicate that mine production is beginning to respond to high metal prices. Nevertheless, solid demand from both China and other Asian countries, as well as an improvement in economic indicators in the United States, should continue to support copper prices at high levels into 2005.

Group copper production is now expected to exceed 490,000 tonnes in 2004 and cash costs per pound are expected to remain in the 30 cent range, helped by strong molybdenum prices. As a low cost producer, the Group should continue to benefit from this period of strong metal prices.

7 September 2004

FINANCIAL COMMENTARY FOR THE HALF YEAR TO 30 JUNE 2004**Results**

Turnover increased to US\$819.8 million from US\$471.9 million in the same period in 2003. Turnover from the mining division increased by US\$321.6 million. Turnover from the transport division (FCAB) increased by US\$4.2 million, while Aguas de Antofagasta, which started operations at the end of 2003, contributed US\$22.1 million. The significant increase in turnover from the mining division was mainly due to higher realised copper and molybdenum prices. These higher prices offset the reduction in copper tonnage sold, which was 230,000 tonnes in the 2003 half year compared to 209,800 tonnes this period due to delayed shipments of concentrate.

The Group's realised copper price averaged 136.6 cents per pound (2003 half year – 77.5 cents per pound), while the realised molybdenum price averaged US\$14.60 per pound (2003 half year – US\$4.70 per pound). Realised copper and molybdenum prices exceeded average market prices mainly because, in line with industry practice, concentrate sales agreements at Los Pelambres generally provide for provisional pricing at the time of shipment with final pricing based on the average market price for specified future periods. Revenues on provisionally priced shipments are adjusted monthly until final settlement. Turnover from copper sales at Los Pelambres in the first six months of 2004 include positive net pricing adjustments of US\$49.8 million. These include favourable adjustments of US\$62.5 million relating to sales open at 31 December 2003 which were closed in the first half of 2004, a further US\$3.4 million for sales invoiced and settled in the same period and a downward mark-to-market adjustment of US\$16.1 million for sales open at 30 June 2004.

Molybdenum sales at Los Pelambres in the first half of this year also included positive net pricing adjustments of US\$35.8 million. This included US\$8.1 million relating to sales open at the beginning of the year and closed in the first half and US\$27.7 million relating to sales invoiced and settled in the same period.

Group operating profits were US\$445.9 million (2003 half year – US\$153.2 million). Operating profits at the mining division increased by US\$287.1 million, mainly due to the impact of the higher copper and molybdenum prices, partly offset by lower copper sales volume and higher operating costs. Operating profits at the transport division decreased by US\$4.8 million compared to the 2003 half year which included other operating income of US\$6.5 million received from a third party relating to a contract cancellation. Aguas de Antofagasta contributed US\$10.4 million.

Operating profit is stated after depreciation and amortisation of US\$71.4 million (2003 half year – US\$64.8 million) and loss on disposal of fixed assets of US\$7.3 million (2003 half year – US\$0.6 million), giving

EBITDA (earnings before interest, tax, depreciation and amortisation) for the Group of US\$524.6 million (2003 half year – US\$218.6 million).

Interest costs relate mainly to the project loans which financed the Los Pelambres and El Tesoro mines. Net interest expense was US\$7.0 million, compared with net interest expense of US\$15.2 million in the 2003 half year. This was partly due to lower interest costs with regular principal repayments of project debt, but also because interest income included US\$7.5 million relating to gains under currency swaps in the period.

Profit before tax for the period was US\$438.9 million compared to US\$138.1 million in the first six months of 2003.

Tax amounted to US\$82.4 million (2003 half year – US\$30.0 million), representing an effective tax rate (including deferred tax) of 18.8% (2003 half year – 21.7%), compared with the present statutory Chilean tax rate of 17% (2003 – 16.5%). The effective tax rate in the current period is higher than the statutory rate mainly due to non-deductible costs incurred by the operations. In the six months to 30 June 2003, the higher rate resulted mainly from the payment of withholding taxes during that period.

The tax charge for the period of US\$82.4 million comprises current taxes of US\$74.2 million, and deferred taxes of US\$8.2 million. This compares with current taxes of US\$9.6 million and deferred taxes of US\$20.4 million in the 2003 half year. The increase in current taxes has arisen since Los Pelambres and El Tesoro have fully utilised their tax losses in the present half year, and the taxes will fall due to be paid mainly in 2005.

Earnings per share were 112.7 cents compared with 34.0 cents for the corresponding period last year, reflecting the higher profit after tax and minority interests.

Cash Flows

Net cash inflow from operating activities was US\$517.3 million in the first six months of 2004 compared with US\$206.2 million in the same period last year, reflecting the improved operating results adjusted for depreciation, amortisation and normal working capital movements.

Net capital expenditure and financial investment was US\$31.2 million in the period, relating mainly to normal on-going requirements, compared to net capital expenditure in the first half of 2003 which amounted to US\$42.6 million when Los Pelambres was completing its plant upgrade programme.

Cash and Debt

At 30 June 2004, the Group had cash and deposits of US\$491.3 million (2003 – US\$302.4 million). Excluding the minority share in each partly-owned operation, the Group's share of this balance was US\$351.4 million (2003 – US\$253.1 million).

Total Group debt at 30 June 2004 was US\$745.4 million (2003 – US\$906.3 million); of this, US\$445.2 million (2003 – US\$532.9 million) is proportionally attributable to the Group after excluding the minority shareholdings in partly-owned operations. The decrease in debt is mainly due to further principal repayments at Los Pelambres and El Tesoro. At 30 June 2004, the total borrowings of US\$745.4 million included US\$552.8 million under the Los Pelambres non-recourse project financing arrangements of which 40% is attributable to minority shareholders and US\$140.9 million under the El Tesoro non-recourse project financing arrangements of which 39% is attributable to minority shareholders.

Balance Sheet

Shareholders' funds increased from US\$905.9 million at the beginning of the year to US\$1,079.5 million, relating mainly to profit after tax and minorities for the period less the interim dividend declared.

Minority interests increased from US\$343.1 million at the beginning of the year to US\$459.9 million, principally reflecting the minority's share of profit after tax less the minority's share of the dividend declared by Los Pelambres in the period.

7 September 2004

Consolidated Profit and Loss Account

	Notes	Unaudited half year to 30.6.04 US\$'m	Unaudited half year to 30.6.03 US\$'m	Audited year to 31.12.03 US\$'m
Turnover	3	819.8	471.9	1,076.2
Operating profit	3,5	445.9	153.2	387.3
Income from fixed asset investments		-	0.1	0.1
Profit on disposal of fixed asset investments		-	-	1.1
Net interest payable	6	(7.0)	(15.2)	(31.3)
Profit on ordinary activities before tax		438.9	138.1	357.2
Tax on profit on ordinary activities	7	(82.4)	(30.0)	(64.4)
Profit on ordinary activities after tax		356.5	108.1	292.8
Minority interests – equity		(134.2)	(40.9)	(112.1)
Profit for the financial period		222.3	67.2	180.7
Dividends				
Preference – non equity		(0.1)	(0.1)	(0.2)
Ordinary (excluding demerger dividend in 2003) – equity		(29.6)	(21.7)	(69.0)
Demerger dividend - equity		-	-	(181.5)
Transferred to/(from) reserves		192.6	45.4	(70.0)
Earnings per share	8	112.7c	34.0c	91.5c
Dividends per ordinary share (excluding demerger dividend in 2003)	9	15.0c	11.0c	35.0c

Turnover and operating profit are derived from continuing operations.

Other recognised gains and losses

Other recognised gains and losses in the period (foreign currency exchange differences) amounted to a loss of US\$19.0 million (2003 half year – a gain of US\$1.3 million), and are shown in Note 15 together with other movements in shareholders' funds.

Consolidated Balance Sheet

	Notes	Unaudited 30.6.04 US\$'m	Unaudited 30.6.03 US\$'m	Audited 31.12.03 US\$'m
Fixed assets				
Intangible assets	10	83.1	-	90.6
Tangible assets	11	1,804.7	1,808.9	1,863.2
Investments	12	0.4	187.9	0.4
		1,888.2	1,996.8	1,954.2
Current assets				
Stocks		80.9	57.7	60.5
Debtors – amounts falling due after more than one year		24.0	5.0	29.0
Debtors – amounts falling due within one year		167.5	124.6	166.7
Current asset investments - including time deposits		487.7	298.1	188.1
Cash at bank and in hand		3.6	4.3	7.6
		763.7	489.7	451.9
Creditors – amounts falling due within one year				
Loans	13	(125.5)	(127.7)	(166.7)
Trade and other creditors		(173.3)	(96.8)	(94.9)
Dividends payable	9	(29.6)	(21.7)	(47.3)
		(328.4)	(246.2)	(308.9)
Net current assets				
		435.3	243.5	143.0
Total assets less current liabilities				
		2,323.5	2,240.3	2,097.2
Creditors – amounts falling due after more than one year				
Loans	13	(619.9)	(778.6)	(690.8)
Provisions for liabilities and charges	14	(164.2)	(117.4)	(157.4)
		1,539.4	1,344.3	1,249.0
Capital and reserves				
	1(a)			
Preference share capital called up – non-equity		3.7	3.3	3.5
Ordinary share capital called up – equity		17.9	16.2	17.5
Share premium – equity		308.1	279.1	300.4
Revaluation reserve – equity		14.5	13.6	15.7
Profit and loss reserve – equity		735.3	694.9	568.8
Shareholders' funds - including non-equity interests	15	1,079.5	1,007.1	905.9
Minority interests – equity		459.9	337.2	343.1
		1,539.4	1,344.3	1,249.0

Approved by the Board of Directors and signed on their behalf by P J Adeane, Director.
7 September 2004

Consolidated Cash Flow Statement

	Notes	Unaudited half year to 30.6.04 US\$m	Unaudited half year to 30.6.03 US\$m	Audited year to 31.12.03 US\$m
Net cash inflow from operating activities	16	517.3	206.2	510.2
Dividends received from other fixed asset investments		-	0.1	0.1
Interest received		2.2	2.1	4.7
Realised gains from currency swaps		7.5	-	-
Interest paid		(14.2)	(17.2)	(31.6)
Dividends paid to minority interests		(18.8)	(0.2)	(81.7)
Preference dividends paid		(0.1)	(0.1)	(0.2)
Net cash outflow from returns on investment and servicing of finance		(23.4)	(15.3)	(108.7)
Tax paid		(4.8)	(2.6)	(12.9)
Purchase of tangible fixed assets		(31.1)	(42.6)	(91.7)
Purchase of fixed asset investments		(0.4)	(0.5)	(1.3)
Sale of tangible fixed assets		0.2	0.4	5.4
Sale of fixed asset investments		0.1	0.1	9.4
Net cash outflow from capital expenditure and financial investment		(31.2)	(42.6)	(78.2)
Purchase of water concession		-	-	(193.8)
Cash balances included in demerged assets		-	-	(1.4)
Net cash outflow from acquisitions and disposals		-	-	(195.2)
Equity dividends paid		(47.0)	(36.4)	(58.2)
Cash inflow before management of liquid resources and financing		410.9	109.3	57.0
Management of liquid resources - Net (increase)/decrease in time deposits		(299.9)	(49.0)	52.9
New loans drawn down		0.3	0.4	41.4
Repayment of loans		(111.5)	(58.8)	(149.5)
Repayment of principal element of finance leases		(1.7)	(1.6)	(3.3)
Net cash outflow from financing		(112.9)	(60.0)	(111.4)
Net cash (outflow)/inflow in the period	17	(1.9)	0.3	(1.5)

Notes

1 Reporting currency and accounting policies

a) Reporting currency

The functional reporting currency of the Group is United States (US) dollars, the principal currency in which the Group operates and in which assets and liabilities are held. Share capital is 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 either US dollars or sterling.

b) Accounting policies

The profit and loss account, balance sheet and cash flow statement for the half year to 30 June 2004 have been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year to 31 December 2003.

2 Production and sales statistics (neither audited nor reviewed)

(See notes following Note 2(d).)

a) Copper production volumes

	Half year to 30.06.04 '000 tonnes	Half year to 30.06.03 '000 tonnes	Year to 31.12.03 '000 tonnes
Los Pelambres	165.0	155.2	326.7
El Tesoro	46.9	45.5	92.4
Michilla	23.5	24.4	52.7
Group total	235.4	225.1	471.8

b) Copper sales volumes

	Half year to 30.06.04 '000 tonnes	Half year to 30.06.03 '000 tonnes	Year to 31.12.03 '000 tonnes
Los Pelambres	139.8	160.8	332.8
El Tesoro	47.1	45.3	92.0
Michilla	22.9	23.9	52.6
Group total	209.8	230.0	477.4

c) Cash costs per pound

	Half year to 30.06.04 cents	Half year to 30.06.03 cents	Year to 31.12.03 cents
Los Pelambres	18.0	31.5	29.3
El Tesoro	50.5	41.0	42.4
Michilla	84.7	69.9	69.8
Group weighted average	31.2	37.6	36.4

d) Realised copper price per pound and LME average

	Half year to 30.06.04 cents	Half year to 30.06.03 cents	Year to 31.12.03 cents
Los Pelambres	141.8	77.6	84.6
El Tesoro	132.0	76.9	82.5
Michilla	113.7	77.6	82.5
Group weighted average	136.6	77.5	83.9
LME average	125.2	74.9	80.7

Notes to the production and sales statistics

- (i) The production and sales figures represent the actual amounts produced and sold, not the Group's attributable share of each mine. The Group owns 60% of Los Pelambres, 61% of El Tesoro and 74.2% of Michilla.
- (ii) Los Pelambres produces copper concentrate, and the figures for Los Pelambres are expressed in terms of payable copper contained in concentrate. In the six months to 30 June 2004, Los Pelambres also produced 3,700 tonnes (2003 half year – 3,800 tonnes) of molybdenum concentrate. El Tesoro and Michilla produce cathodes which contain 99.999% copper.
- (iii) Cash costs are a measure of the cost of operational production expressed in terms of cents per pound of payable copper produced. Cash costs include by-product credits and exclude depreciation, financial income and expenses, exchange gains and losses and corporation tax.
- (iv) Realised copper prices are determined by comparing turnover from copper sales with sales volumes for each mine in the period.
- (v) The individual figures are sometimes more specific than the rounded numbers shown; hence small differences may appear in the totals.

3 Segmental analysis

a) Turnover by geographical destination

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
UK	1.3	8.6	10.5
Rest of Europe	215.8	143.2	312.9
Chile	115.7	68.9	149.4
Rest of Latin America	32.1	23.6	53.9
North America	65.1	29.9	59.4
Asia Pacific / other	389.8	197.7	490.1
	819.8	471.9	1,076.2

b) Turnover by operation

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
Los Pelambres	563.3	318.7	737.2
El Tesoro	137.1	76.6	167.2
Michilla	57.4	40.9	95.6
Mining	757.8	436.2	1,000.0
Railway and other transport services	39.9	35.7	75.8
Water concession (acquired 29 December 2003)	22.1	-	0.4
	819.8	471.9	1,076.2

Notes to turnover by operation

- (i) Turnover from Railway and other transport services is stated after eliminating inter-segmental sales to the mining division of US\$3.3 million (2003 half year – US\$2.4 million).
- (ii) Los Pelambres produces and sells copper and molybdenum concentrates. It is also credited for the gold and silver content in the copper concentrate it sells. Turnover by type of metal is analysed below. El Tesoro and Michilla do not generate by-products from their copper cathode operations.

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
Los Pelambres turnover by type of metal			
Copper	437.1	274.9	620.5
Molybdenum	119.1	39.6	105.4
Gold and silver	7.1	4.2	11.3
	563.3	318.7	737.2

c) Earnings before interest, tax, depreciation and amortisation (EBITDA) by operation

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
Los Pelambres	397.3	159.6	402.9
El Tesoro	83.5	36.0	78.8
Michilla	15.3	3.9	14.0
Exploration	(2.7)	(1.5)	(3.5)
Corporate and other items	(3.7)	(4.0)	(11.0)
Mining	489.7	194.0	481.2
Railway and other transport services	20.8	24.6	42.9
Water concession (acquired 29 December 2003)	14.1	-	0.2
	524.6	218.6	524.3

EBITDA is calculated by adding back depreciation, amortisation and the non-exceptional loss on disposal of fixed assets (see Note 3(d)) to operating profit (see Note 3(e)).

As explained in Note 3(e), in the 2003 half and full year, the Railway and other transport services division included other operating income of US\$6.5 million.

d) Depreciation and amortisation by operation

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
Los Pelambres	42.3	43.0	89.6
El Tesoro	11.2	9.7	20.2
Michilla	10.0	8.2	17.5
Corporate and other items	0.2	0.2	0.6
Mining	63.7	61.1	127.9
Railway and other transport services	4.1	3.7	8.9
Water concession (acquired 29 December 2003)	3.6	-	-
	71.4	64.8	136.8
Loss on disposal of fixed assets included in operating profit	7.3	0.6	0.2
	78.7	65.4	137.0

e) Operating profit/(loss) by operation

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
Los Pelambres	353.4	116.2	313.3
El Tesoro	67.4	26.2	58.5
Michilla	5.2	(4.4)	(3.6)
Exploration	(2.7)	(1.5)	(3.5)
Corporate and other items	(3.9)	(4.2)	(11.6)
Mining	419.4	132.3	353.1
Railway and other transport services	16.1	20.9	34.0
Water concession (acquired 29 December 2003)	10.4	-	0.2
	445.9	153.2	387.3

In the 2003 half and full year, operating profit at the Railway and other transport services division included other operating income of US\$6.5 million for the cancellation of a contract for additional tonnages by a customer.

f) **Capital expenditure by operation**

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
Los Pelambres	14.7	28.4	62.4
El Tesoro	4.2	6.1	9.6
Michilla	7.2	4.0	10.8
Corporate and other items	0.1	0.1	0.2
Mining	26.2	38.6	83.0
Railway and other transport services	4.3	4.1	9.9
Water concession (acquired 29 December 2003)	0.7	-	-
	31.2	42.7	92.9

Capital expenditure represents purchase of tangible fixed assets stated on an accruals basis (see Note 11) and may therefore differ from the amount included in the cash flow statement.

g) **Net assets by operation**

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
Los Pelambres	1,160.7	1,255.9	1,240.1
El Tesoro	315.7	344.4	337.1
Michilla	75.3	79.4	75.1
Corporate and other	-	2.0	2.1
Mining	1,551.7	1,681.7	1,654.4
Railway and other transport services	97.9	100.3	107.8
Water concession (acquired 29 December 2003)	173.1	-	195.5
Operating net assets	1,822.7	1,782.0	1,957.7
Fixed asset investments	0.4	187.9	0.4
Net debt	(254.1)	(603.9)	(661.8)
Unallocated liabilities - Group dividend	(29.6)	(21.7)	(47.3)
Net assets	1,539.4	1,344.3	1,249.0

Net assets are stated before deducting minority interests.

4 Provisional pricing and commodity hedging

a) Provisional pricing

Copper concentrate 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 concentrate.

Revenues in the six months to 30 June 2004 included positive adjustments to sales of concentrates open at 31 December 2003 totalling US\$62.5 million. Revenues in the six months to 30 June 2003 included positive adjustments to sales of concentrates open at 31 December 2002 totalling US\$8.8 million.

At 30 June 2004, copper sales totalling 90,152 tonnes remained to be finally priced, and were recorded at that date at an average price of 129.2 cents per pound. At 30 June 2003, copper sales totalling 66,040 tonnes remained to be finally priced, and were recorded at that date at an average price of 74.9 cents per pound.

b) Commodity hedging

The Group periodically enters into commodity hedging contracts to manage its exposure to the copper price. Turnover for the mining division for the six months to 30 June 2004 included losses of US\$9.3 million relating to commodity hedging activities. Turnover for the first six months of 2003 included gains of US\$1.9 million relating to commodity hedging.

At 30 June 2004, the Group did not have any commodity hedging in place.

5 Operating profit

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
Turnover	819.8	471.9	1,076.2
Cost of sales	(315.0)	(279.7)	(588.4)
Gross profit	504.8	192.2	487.8
Administrative expenses	(52.2)	(39.2)	(88.6)
Closure provision (Note 14)	(0.5)	(0.5)	(1.1)
Severance charges (Note 14)	(1.1)	(1.0)	(2.7)
Exploration costs	(2.7)	(1.5)	(3.5)
Other net operating (expenditure)/income	(2.4)	3.2	(4.6)
Operating profit	445.9	153.2	387.3

Depreciation and amortisation charges in the six months to 30 June 2004 were US\$71.4 million (2003 half year – US\$64.8 million). Of this amount, US\$66.3 million (2003 half year – US\$58.9 million) is included in cost of sales and US\$5.1 million (2003 half year – US\$5.9 million) is included in administrative expenses.

6 Net interest payable

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
Interest receivable and similar income	9.8	2.2	4.6
Interest payable and similar charges	(14.9)	(17.1)	(32.7)
Foreign currency exchange difference	(1.5)	0.3	(2.1)
Discount charge relating to provisions (Note 14)	(0.4)	(0.6)	(1.1)
	(7.0)	(15.2)	(31.3)

Interest receivable and similar income includes US\$7.5 million relating to gains under currency swaps during the 2004 half year (2003 – nil).

7 Tax

The tax charge of US\$82.4 million represents an effective rate (including deferred tax) of 18.8%, compared with the Chilean statutory tax rate of 17%, mainly due to non-deductible costs incurred by the operations.

In the 2003 half year, the tax charge of US\$30.0 million represented an effective tax rate of 21.7% on profit before tax, as compared with the Chilean statutory tax rate that year of 16.5% mainly due to the payment of withholding taxes relating to that period.

8 Earnings per share

Earnings per share is calculated on profit after tax, minority interest and preference dividends giving earnings of US\$222.2 million (2003 half year – US\$67.1 million) and based on 197,171,339 ordinary shares in issue throughout both periods.

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 election before the record date of 17 September 2004.

The Board has declared an interim dividend of 15 cents per ordinary share (2003 half year – 11 cents) for payment on 8 October 2004 to shareholders on the register at the close of business on 17 September 2004. Dividends are declared and paid gross. The exchange rate to be applied for the conversion of dividends will be £1 = US\$1.8151 (2003 half year - £1=US\$1.595), giving those shareholders who will be paid in sterling an interim dividend of 8.2640 pence per ordinary share (2003 half year – 6.8966 pence).

In October 2003, the Group made a dividend in specie of shares in Andsberg Limited (the "demerger dividend"), which was recorded in the profit and loss account at the book value of the assets demerged. No comparable transaction occurred in the six months to 30 June 2004.

10 Intangible fixed asset

	Concession right US\$'m
1 January 2004 (audited)	90.6
Amortisation	(1.4)
Foreign currency exchange difference	(6.1)
30 June 2004 (unaudited)	83.1

11 Tangible fixed assets

Net book value	Mining US\$'m	Railway and other transport US\$'m	Water Concession US\$'m	Total US\$'m
1 January 2004 (audited)	1,688.7	106.2	68.3	1,863.2
Additions	26.2	4.3	0.7	31.2
Transfers	-	(0.4)	-	(0.4)
Disposals	(6.6)	(0.6)	(0.1)	(7.3)
Depreciation	(63.7)	(4.1)	(2.2)	(70.0)
Foreign currency exchange difference	-	(7.6)	(4.4)	(12.0)
30 June 2004 (unaudited)	1,644.6	97.8	62.3	1,804.7

12 Investments

	US\$'m
1 January 2004 (audited)	0.4
Additions	0.4
Disposals and provisions	(0.4)
30 June 2004 (unaudited)	0.4

13 Loans

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
Los Pelambres			
Projects loans	(552.8)	(660.4)	(594.9)
Other loans	(21.5)	(26.3)	(37.9)
El Tesoro			
Project loans	(138.4)	(169.2)	(153.8)
Subordinated debt	(9.7)	(24.9)	(18.7)
Finance leases	(13.2)	(15.3)	(14.2)
Michilla			
Finance leases	(1.6)	(1.5)	(2.2)
Railway and other transport services			
Loans	(8.2)	(8.7)	(9.0)
Corporate			
Loans	-	-	(26.8)
	(745.4)	(906.3)	(857.5)

Loans are shown net of deferred financing costs of US\$2.5 million (30 June 2003 – US\$3.2 million) which relates to the project loans at El Tesoro. The gross amount due in relation to project loans at El Tesoro is US\$140.9 million (2003 half year - US\$172.4 million).

Maturity of loans

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
Due within one year	(125.5)	(127.7)	(166.7)
Due after more than one year	(619.9)	(778.6)	(690.8)
	(745.4)	(906.3)	(857.5)

At 30 June 2004, US\$22.2 million of project loans have been fixed at a rate of 5.56% for a remaining period of 0.6 years. The remainder of the loans are predominantly floating rate. However, the Group periodically enters into interest rate hedging contracts to manage its exposure to interest rates. At 30 June 2004, the Group had hedged US\$164.5 million of its borrowings using 'collars' for a remaining weighted average period of 1.7 years. These limit the variability of the interest rate to a weighted average minimum (a floor) of 5.01% and a weighted average maximum (a cap) of 5.99%.

14 Provisions for liabilities and charges

	Termination of water concession US\$'m	Decommissioning and site rehabilitation US\$'m	Severance indemnities US\$'m	Deferred tax US\$'m	Total US\$'m
1 January 2004 (audited)	(0.1)	(8.9)	(15.7)	(132.7)	(157.4)
Charge to operating profit in period (Note 5)	-	(0.5)	(1.1)	-	(1.6)
Release of discount to net interest in period (Note 6)	-	(0.2)	(0.2)	-	(0.4)
Charge to tax on profit in period	-	-	-	(8.2)	(8.2)
Utilised in period	-	-	0.6	-	0.6
Foreign currency exchange difference	-	-	1.1	1.7	2.8
30 June 2004 (unaudited)	(0.1)	(9.6)	(15.3)	(139.2)	(164.2)

15 Reconciliation of movements in shareholders' funds

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
Profit for the financial period	222.3	67.2	180.7
Other recognised gains and losses relating to the period			
- Foreign currency exchange difference	(19.0)	1.3	15.5
Total recognised gains and losses	203.3	68.5	196.2
Dividends (including demerger dividend of US\$181.5 million in 2003)	(29.7)	(21.8)	(250.7)
Opening shareholders' funds	173.6	46.7	(54.5)
Closing shareholders' funds	905.9	960.4	960.4

16 Reconciliation of operating profit to net cash inflow from operating activities

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
Operating profit	445.9	153.2	387.3
Depreciation and amortisation	71.4	64.8	136.8
Loss on disposal of tangible fixed assets	7.3	0.6	0.2
Increase in stocks	(20.1)	(0.1)	(1.6)
(Increase)/decrease in debtors	(2.9)	1.0	(23.7)
Increase/(decrease) in creditors and provisions	15.7	(13.3)	11.2
Net cash inflow from operating activities	517.3	206.2	510.2

17 Reconciliation of net cash flow to movement in net debt

	Unaudited half year to 30.06.04 US\$'m	Unaudited half year to 30.06.03 US\$'m	Audited year to 31.12.03 US\$'m
Net cash (outflow)/inflow in the period	(1.9)	0.3	(1.5)
Cash outflow from decrease in debt	112.9	60.0	111.4
Cash outflow/(inflow) from increase/(decrease) in liquid resources	299.9	49.0	(52.9)
Change in net debt resulting from cash flows	410.9	109.3	57.0
Interest accrued on long-term loan balances and amortisation of deferred financing costs	(0.9)	(0.8)	(1.5)
New leases	-	-	(1.3)
Foreign currency exchange difference	(2.3)	0.5	(3.1)
Movement in net debt in the period	407.7	109.0	51.1
Net debt at the beginning of the period	(661.8)	(712.9)	(712.9)
Net debt at the end of the period	(254.1)	(603.9)	(661.8)

Composition of net debt

	Unaudited half year to 30.06.04 US\$m	Unaudited half year to 30.06.03 US\$m	Audited year to 31.12.03 US\$m
Cash in hand and demand deposits	3.6	4.3	7.6
Current asset investments	487.7	298.1	188.1
Long and short term loans including finance leases (Note 13)	(745.4)	(906.3)	(857.5)
Net debt at the end of the period	(254.1)	(603.9)	(661.8)

18 Financial information

The Group's statutory accounts for the year to 31 December 2003 have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not include a statement under s237(2) or (3) of the Companies Act 1985. The 31 December 2003 profit and loss account, balance sheet and cash flow statement shown in this interim report are abridged versions of those contained in the statutory accounts. The financial information contained in this statement does not constitute statutory accounts within the meaning of s240 of the Companies Act 1985.

19 Currency translation

Results denominated in foreign currencies have been translated into dollars at the average rate for each period.

	Period end rates	Average rates
30.06.04	US\$ 1.8185 = £1; US\$1 = Ch\$636	US\$1.8222 = £1; US\$1 = Ch\$608
30.06.03	US\$1.6469 = £1; US\$1 = Ch\$699	US\$1.6098 = £1; US\$1 = Ch\$724
31.12.03	US\$1.7727 = £1; US\$1 = Ch\$594	US\$1.6321 = £1; US\$1 = Ch\$692

20 Distribution

These results will be sent by first class post to all shareholders on 7 September 2004. Copies of this report will be available for members of the public who are not shareholders at the Company's Registered Office, 5 Princes Gate, London SW7 1QJ (telephone: +44 20 7808 0988).

Independent Review Report to Antofagasta plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2004 which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement and related Notes 1 to 20, with the exception of Note 2. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

Deloitte & Touche LLP
Chartered Accountants
London

7 September 2004