ANTOFAGASTA PLC

**NEWS RELEASE, 16 MARCH 2021**

# PRELIMINARY RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

## Strong EBITDA margins and balance sheet

**Antofagasta plc CEO Iván Arriagada said:** *"The year has been challenging, but we have successfully kept our people safe and healthy, achieved our production and exceeded our cost targets, and increased EBITDA by 12.3% to $2.7 billion, yielding a 53% EBITDA margin. I am proud of how everyone at Antofagasta has worked together and adjusted to overcome the year's challenges.*

*"Our resilient operations performed well with high levels of throughput and our Cost and Competitiveness Programme delivered benefits of $197 million, nearly double the targeted amount. Our balance sheet strengthened even further.*

*"Full year copper production was 733,900 tonnes and net cash costs were $1.14/lb, reflecting the company's agility in changing operating conditions.*

*"In 2021, we will continue to focus on our safety and operating performance, and we expect copper production to be 730-760,000 tonnes at a net cash cost of $1.25/lb as ore grades increase at Centinela Concentrates and our operating efficiency remains high.*

*"We are delighted that 100% of our mining division's electricity consumption in 2022 will be from renewable sources.*

*"The Board has declared a final dividend of 48.5 cents per share, bringing the total dividend for the year to 54.7 cents per share, equivalent to a pay-out ratio of 100%."*

# HIGHLIGHTS

**Financial performance**

- **Revenue for the full year was $5,129 million,** 3.3% higher than in 2019 reflecting increases in copper and gold realised prices, partially offset by the decrease in sales volumes
- **EBITDA[(1)] was $2,739 million**, 12.3% higher than the previous year on higher revenue and lower unit costs due to the weaker Chilean peso, lower input costs and continued tight cost control
- **EBITDA margin[(2)] increased to 53.4%** from 49.1% in 2019
- **Cost and Competitiveness Programme generated benefits of $197 million,** nearly double the original target of $100 million
- **Cash flow from operations was $2,431 million,** 5.4% lower than in 2019 as the higher copper price increased working capital
- **Strong balance sheet with net debt of $82 million at the end of 2020,** equivalent to a Net Debt/EBITDA ratio of 0.03 times
- **Capital expenditure increased to $1,307 million[(3)],** $229 million higher than in 2019 due to increased capital expenditure on the Los Pelambres Expansion project
- **Underlying earnings per share from continuing operations and excluding exceptional items[(1)] of 54.7 cents,** 7.5% higher than in 2019 with higher EBITDA offset by higher depreciation and amortisation, and tax
- **Earnings per share from continuing and discontinued operations including exceptional items were 50.6 cents**, 0.4 cents lower than in 2019

- **Final dividend of 48.5 cents per share declared,** bringing the total dividend for the year to 54.7 cents per share, equal to 100% of underlying earnings per share

**Operating performance (as previously announced)**

- **Safety remains our top priority.** The Group experienced a record safety performance at all its mining and transport operations and is now in its third year without any fatalities
- **Copper production for the full year was 733,900 tonnes,** 4.7% lower than 2019 on expected lower grades at Centinela Concentrates, which will be reversed in 2021
- **Gold production was above guidance at 204,100 ounces**, 27.7% less than in 2019 on expected lower grades at Centinela
- **Molybdenum production in 2020 was 12,600 tonnes**, 8.6% higher than in 2019 and within guidance
- **Cash costs before by-product credits[1] for the full year were $1.56/lb,** 9c/lb lower than last year due to the weaker Chilean peso, lower input costs and continued tight cost control, partially offset by lower production
- **Net cash costs[1] for 2020 were $1.14/lb,** below guidance and 6.6% lower than in 2019 due to lower cash costs before by-product credits

**2021 Guidance (as previously announced)**

- Guidance assumes that COVID-19 will continue for the whole of 2021
- **Production in 2021 is expected to be 730-760,000 tonnes of copper, 240-260,000 ounces of gold and 9,500-11,000 tonnes of molybdenum.** The higher copper and gold production compared to 2020 reflects higher grades at Centinela Concentrates
- **Cash costs in 2021 before and after by-product credits are expected to be $1.65/lb and $1.25/lb respectively**
- **Capital expenditure in 2021 is expected to be $1.6 billion[3]** as the rate of expenditure on the Group's growth projects accelerates following their temporary suspension in 2020 which deferred some $200 million into 2021, and higher expenditure at the Los Pelambres Expansion project

**Other**

- **Separate labour negotiations are currently underway with the plant and mine unions at Los Pelambres** and are expected to be concluded by the end of March

| YEAR ENDING 31 DECEMBER | | 2020 | 2019 | % |
|---|---|---|---|---|
| Revenue | $m | 5,129.3 | 4,964.5 | 3.3 |
| EBITDA[1] | $m | 2,739.2 | 2,438.9 | 12.3 |
| EBITDA margin[1, 2] | % | 53.4% | 49.1% | 8.8 |
| Underlying earnings per share[1] (continuing operations excluding exceptional items) | cents | 54.7 | 50.9 | 7.5 |
| Earnings per share (continuing and discontinued operations including exceptional items) | cents | 51.3 | 50.9 | 0.8 |
| Dividend per share | cents | 54.7 | 17.8 | 207.3 |
| Cash flow from operations (continuing and discontinued) | $m | 2,431.1 | 2,570.7 | (5.4) |
| Capital expenditure[3] | $m | 1,307.4 | 1,078.8 | 20.1 |
| Net debt at period end[1] | $m | 82.0 | 563.4 | (85.4) |
| Average realised copper price | $/lb | 2.98 | 2.75 | 8.4 |
| Copper sales | kt | 738.5 | 772.2 | (4.4) |
| Gold sales | koz | 199.6 | 288.8 | (30.9) |
| Molybdenum sales | kt | 12.5 | 12.1 | 3.3 |
| Cash costs before by-product credits[1] | $/lb | 1.56 | 1.65 | (5.5) |
| Net cash costs[1] | $/lb | 1.14 | 1.22 | (6.6) |

*Note: The financial results are prepared in accordance with IFRS, unless otherwise noted below.*

*(1) Non IFRS measures. Refer to the alternative performance measures in Note 31 to the financial statements*
*(2) Calculated as EBITDA/Revenue. If Associates and JVs revenue is included the EBITDA margin was 50.4% in 2020 and 45.3% in 2019.*
*(3) On a cash basis*

A recording and copy of the 2020 Full Year Results presentation is available for download from the Company's website www.antofagasta.co.uk.

There will be a Q&A video conference call on 16 March 2021 at 12:30pm GMT. Participants can join the conference call here.

Register on our website to receive our email alerts at http://www.antofagasta.co.uk/investors/email-alerts/


| | | | |
|---|---|---|---|
| **Investors – London** | | **Media – London** | |
| Andrew Lindsay | alindsay@antofagasta.co.uk | Carole Cable | antofagasta@brunswickgroup.com |
| *Telephone* | *+44 20 7808 0988* | *Telephone* | *+44 20 7404 5959* |
| Andres Vergara | avergara@antofagasta.co.uk | | |
| *Telephone* | *+44 20 7808 0988* | **Media – Santiago** | |
| | | Pablo Orozco | porozco@aminerals.cl |
| | | Carolina Pica | cpica@aminerals.cl |
| | | *Telephone* | *+56 2 2798 7000* |

# DIRECTORS' COMMENTS FOR THE YEAR ENDED 2020

## 2020 FINANCIAL HIGHLIGHTS

Revenue in 2020 was $5,129.3 million, 3.3% higher than in 2019 reflecting the higher copper and gold realised prices, partially offset by lower copper and gold sales volumes.

EBITDA increased by 12.3% to $2,739.2 million on higher revenue and lower unit cash costs compared to 2019. The EBITDA margin also increased, from 49.1% to 53.4%.

Earnings per share from continuing operations excluding exceptional items for the year were 54.7 cents, an increase of 3.8 cents or 7.5% compared with 2019 on higher EBITDA partially offset by higher depreciation and amortisation, and tax.

Cash flow from continuing operations was $2,431.1 million, a $139.6 million decrease compared to 2019 due to higher working capital of $216.1 million as receivables increased due to the higher copper price at the end of the year.

During the year, copper production was 733,900 tonnes, 4.7% lower compared to 2019, mainly due to lower production at Centinela Concentrates.

Gold production was 204,100 ounces, 27.7% lower than in 2019, on expected lower grades at Centinela.

Molybdenum production increased by 8.6% to 12,600 tonnes compared to 2019, on expected higher grades at Centinela, partially offset by lower production at Los Pelambres.

The Transport division transported 6.4 million tonnes during 2020, 1.4% lower than in 2019.

The Group's Cost and Competitiveness Programme outperformed the target of $100 million generating benefits of $197 million during the year, of which $155 million reflected costs savings and $42 million reflected the value of productivity improvements.

## NET DEBT

Net debt at the end of 2020 was $82.0 million, a decrease of $481.4 million compared to 2019, with Antucoya refinancing $700.0 million of its subordinated debt with equity during the period. The Net Debt/EBITDA ratio fell from 0.23 times at the end of 2019 to 0.03 times at the end of 2020.

The Company successfully issued its inaugural bond, a $500 million 2.375% note due 2030, which was 12 times oversubscribed. The financing diversifies the Company's funding sources and provides access to longer tenors.

## DIVIDENDS

The Board has declared a final dividend for 2020 of 48.5 cents per share, which together with the interim dividend of 6.2 cents per share amounts to a total dividend of 54.7 cents per share. This is equal to a 100% pay-out ratio.

## COPPER MARKET IN 2020

2020 was an unusual year for the copper market. At the beginning of the year the copper price was $2.74/lb and fundamentals were supportive at this level. However, by March, as it became clear that the outbreak of COVID-19 in China in late 2019 was escalating into a pandemic impacting the world economy, the copper price fell to $2.09/lb. From this low point, China's progress in controlling the disease and returning to normality stimulated demand for refined copper, elevating prices by the end of July to $2.90/lb. In the second half of the year, continued progress in key markets to control the spread of the pandemic and support economic recovery, together with encouraging progress on vaccine development, further strengthened demand so that the copper price ended the year at just over $3.50/lb.

The pandemic not only impacted demand during the year, it also affected copper supply with some mining operations temporarily suspended or operating at lower levels of activity. This meant that for the full year there was a relatively small surplus. In addition, visible copper stocks reduced for a second year, this time by approximately 40,000 tonnes to historically low levels, while stocks in Chinese bonded warehouses were estimated to have increased by 120,000 tonnes, reflecting the increased demand for refined copper in China.

Over the year the LME copper price averaged $2.80/lb, 3% higher than in 2019. The Group's realised copper price in 2020 was $2.98/lb, 8.4% higher than in 2019, the realised gold price was $1,797/oz, 26.9% higher compared with $1,416/oz in 2019, while the realised molybdenum price was $8.8/lb, a decrease of 18.5% compared to $10.8/lb in 2019.

## COVID-19

The Company is focused on the health and safety of its employees, contractors and the communities in which it operates. Although the rate of infections of COVID-19 in Chile fell and the vaccine rollout is progressing well, the Company remains vigilant and continues to apply all the health protocols that were put in place.

The first wave of COVID-19 infections in Chile peaked in June before declining to much lower levels that continued to the end of the year when a smaller, second wave began. This seems to have peaked and is declining at the same time as a vaccination programme is being rolled out across the country with more than 25% of the population now vaccinated. Government-imposed restrictions are being eased but at the Company's operations the COVID-19 protocols are being maintained and will continue for the foreseeable future.

The Company continues to operate with approximately two-thirds of its workforce at its operations, with the balance working from home or in preventative quarantine.

The workforce at the Los Pelambres Expansion project is now at approximately 75% of the originally planned numbers and will stay at this level until the COVID-19 restrictions can be relaxed.

## SAFETY AND HEALTH

Antofagasta prioritises the safety and wellbeing of its people.

The Group has had its best safety performance ever with no fatalities for a second year and an improved safety performance at all its mining and transport operations. The Lost Time Injury Frequency Rate (LTIFR) fell by 15% to 0.86, exceeding the target for the year and a new record.

Continuous improvement in safety risk management remains central to the Group's activities.

## ENVIRONMENT

Over the past few years, our mining operations have renegotiated their power purchase agreements (PPAs), switching from conventional sources – principally coal – to renewables. In July 2020, Zaldívar became the first of the Group's mining operations to use 100% renewable energy and by the end of 2020, 19.4% of the Mining division's energy came from renewable sources.

Zaldívar will be followed by Antucoya, Centinela and Los Pelambres, and during 2022, the Group expects that its Mining division's electricity consumption will be supplied exclusively from renewable sources.

This will allow us to achieve the target set in 2018 to reduce our greenhouse gas emissions by 300,000 tonnes by 2022. It will also reduce the Group's energy costs as renewable power in Chile costs less than conventional power.

The most significant impact of climate change in central Chile, where Los Pelambres is located, is on water availability. In the north of Chile our Centinela and Antucoya mines use raw sea water and in 2020 sea water accounted for 43% of the Mining division's water consumption. With the completion of Los Pelambres's expanded desalination plant in 2025, the mine's use of sea and recycled water will increase to over 95%.

During the year, there were no significant environmental incidents and no actions were initiated by the authorities that could result in sanctions.

In 2020, the Company began to implement a programme to comply with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and we expect to report in compliance with the TCFD in the 2021 Annual Report.

## ZALDIVAR WATER PERMIT

An Environmental Impact Assessment (EIA) has been submitted to extend the mine's life to 2031. The application process was delayed during 2020 due to COVID-19 and approval is now expected in early 2022. This EIA includes the extension of the water permit from 2025 to 2031 and remediation.

## COMMUNITIES

Antofagasta seeks to build sustainable long-term relations with the communities near its operations, anchored in proactive and transparent dialogue. The benefits of this engagement for both the communities and the Group are measured to assess its impact.

In response to the pandemic, the Company rapidly refocused its social programmes to support nearby communities in containing the spread of the virus and mitigating its economic impact. In April, a $6 million COVID Fund was established to finance a three-phase response: an Emergency Phase, focusing on preventive health measures; a Recovery Phase to alleviate economic hardship; and a Normalisation Phase to support communities once the worst of the pandemic had passed.

## REKO DIQ PROJECT'S ARBITRATION

In July 2019 the World Bank Group's International Centre for Settlement of Investment Disputes (ICSID) awarded $5.84 billion in damages (compensation and accumulated interest as at the date of the award) to Tethyan Copper Company Pty Limited (Tethyan), a joint venture held equally by the Company and Barrick Gold Corporation, in relation to an arbitration claim filed against the Islamic Republic of Pakistan (Pakistan) following the unlawful denial of a mining lease for the Reko Diq project in Pakistan in 2011.

In 2019, Pakistan requested that ICSID annul the award, and this triggered a provisional stay of enforcement of the award under the ICSID Convention. In March 2020, ICSID appointed a committee to consider Pakistan's request for annulment and whether the provisional stay of enforcement should continue for the duration of the annulment proceedings. The committee issued a decision in October partially terminating the stay of enforcement, permitting Tethyan to enforce 50% of the award plus accrued interest on the condition that any amounts collected through enforcement of the award must be put into escrow and returned if the award is annulled. Tethyan has resumed proceedings to enforce the award in accordance with the conditions set by the annulment committee. The committee is expected to issue a decision on Pakistan's annulment application within the next one to two years.

The proceeds of the award will only be recognised in Antofagasta's financial statements once they are received by the Company.

## CAPITAL EXPENDITURE

Capital expenditure in 2020 was $1,307.4 million, of which $358.2 million was sustaining capital expenditure, $356.7 million mine development and $559.4 million growth expenditure. Further information is included in the Review of Operations below.

## FUTURE GROWTH

The Group has a pipeline of growth projects which it is currently advancing through a disciplined process of project evaluation.

Development of our growth projects at Los Pelambres, Centinela and Zaldívar was impacted by COVID-19 during the year. Work at the Los Pelambres Expansion project was already underway when the pandemic reached Chile and the decision was made to temporarily suspend part of the project to reduce health risks. The start of work on the Esperanza Sur pit and the Zaldívar Chloride Leach projects was delayed for the same reason.

After the initial impact caused by COVID-19, work on all three projects started in the third quarter, but with workforces approximately 75% of the originally planned size. All projects are proceeding with fully integrated COVID-19 health protocols in place.

With the impact of the initial delay and the revised execution schedules that incorporate the COVID-19 health protocols, the projects are now all expected to be completed in 2022.

## 2021 GUIDANCE

As announced on 20 January 2021, Group production for 2021 is expected to be 730-760,000 tonnes of copper, 240-260,000 ounces of gold and 9,500-11,000 tonnes of molybdenum. The higher copper and gold production compared to 2020 reflects higher grades at Centinela Concentrates.

Group cash costs in 2021 before and after by-product credits are expected to be at $1.65/lb and $1.25/lb respectively.

Capital expenditure in 2021 is expected to be $1.6 billion, as the rate of expenditure on our growth projects accelerates following their temporary suspension in 2020, which deferred some $200 million into 2021, and higher costs at the Los Pelambres Expansion project.

Guidance assumes COVID-19 will remain in place for all of 2021, limiting transport to and from site and camp accommodation, and requiring the extensive use of remote working and the implementation of a full set of health controls at our operations and offices. Considering the unprecedented situation, further changes may be required later during the year and we will update the market as necessary.

## MARKET OUTLOOK

In early 2021, sentiment in the copper market is positive despite a second wave of the pandemic in many countries, as markets took encouragement from the successful development of several vaccines and their accelerating rollout.

Demand is expected to recover the volumes lost in 2020, and to grow further. There is, however, some uncertainty about stimulus packages in China continuing as strongly as in 2020, but the economic recovery expected in the USA, Europe and elsewhere in the world, supported by fiscal stimulus packages, will positively impact sectors that use copper. In particular, growth is expected from infrastructure investment and the growth of the electric vehicles and renewable energies sectors. Additionally, constraints on the scrap trade due to restrictions in the Chinese market and supply chain disruptions are also expected to contribute to increased demand for refined copper.

On the supply side, while production is expected to grow as several projects are completed, the risk of impact from COVID-19 remains, including the consequences of past and ongoing reductions in maintenance activity, sustaining capital expenditure and waste rock stripping.

Overall, the copper market in 2021 is expected to be in deficit before remaining tightly balanced for the following years as several large projects are completed.

# REVIEW OF OPERATIONS

## LOS PELAMBRES

### 2020 Performance

***Operating Performance***

Los Pelambres had a strong year with copper production at the top end of guidance and costs outperforming guidance despite restrictions due to the pandemic. This confirms its position as a stable and reliable world-class operation.

EBITDA at Los Pelambres was $1,663 million, compared with $1,384 million in 2019, reflecting higher sales volumes and realised prices, combined with lower operating costs.

***Production***

Copper production for the year decreased by 1.0% to 359,600 tonnes. Molybdenum production in 2020 was 10,900 tonnes, slightly lower than in 2019 as a result of the lower throughput. Gold production was 60,300 ounces, 1.0% higher than the previous year.

***Costs***

Cash costs before by-product credits at $1.27/lb were 9.3%, or 13c/lb, lower than in 2019, reflecting strong cost control during the year and the weaker Chilean peso. Net cash costs for the full year were $0.81/lb, or 11.0% lower than in 2019.

***Capital expenditure***

As a result of the COVID-19 pandemic the Los Pelambres Expansion project was temporarily suspended from March to August. Work resumed with approximately 75% of the original planned workforce on-site and it is assumed that these manpower levels will continue throughout 2021.

A detailed review of the project schedule and costs, including those associated with the realised and continued restrictions due to COVID-19, and changes to the marine works to enable the future expansion of the desalination plant to 800 l/s was completed. The revised capital cost estimate is $1.7 billion and completion is expected in early H2 2022.

Throughput at the plant will increase from the current capacity of 175,000 tonnes of ore per day to an average of 190,000 tonnes of ore per day and copper production will increase by 60,000 tonnes.

At the end of 2020, the Los Pelambres Expansion project (engineering, procurement and construction) was 45% complete.

Capital expenditure during 2020 was $783 million, including $139 million on mine development and $471 million on growth projects.

### Outlook for 2021

The forecast production for 2021 is 340–350,000 tonnes of copper, 8–9,000 tonnes of molybdenum and 50–60,000 ounces of gold.

Cash costs before by-product credits are forecast to be approximately $1.45/lb and net cash costs $1.05/lb as grades decline in 2021.

## CENTINELA

### 2020 Performance

***Operating Performance***

Centinela had a solid year in 2020 despite expected lower copper and gold grades, as throughput increased at both the concentrate and cathodes lines and cash costs outperformed guidance.

EBITDA at Centinela was $912 million, compared with $960 million in 2019, on lower copper and gold sales volumes, offset by higher realised prices and lower unit costs.

***Production***

Copper production was 246,800 tonnes, 10.8% lower than in 2019 due to the expected lower grades at Centinela Concentrates, partially offset by the higher production at Centinela Cathodes due to increased plant throughput during the year.

Production of copper in concentrate was 153,500 tonnes, 21.5% lower than in 2019 as copper grades decreased to an average of 0.53%. Copper cathode production during the year was 93,300 tonnes, 15.0% higher than in 2019, primarily due to higher throughput and grades.

Gold production was 143,700 ounces, 35.4% lower than 2019, due to expected lower grades. Molybdenum production was 1,700 tonnes on improved grades.

***Costs***

Cash costs before by-product credits in 2020 were $1.85/lb, 1.1% higher than in 2019 as a result of the lower copper production offset by tight cost control, a weaker Chilean Peso and lower input costs.

By-product credits were $0.58/lb, $0.01/lb higher than in 2019 as lower gold production was offset by a higher realised gold price.

Net cash costs during the year were $1.27/lb, 0.8% higher than in 2019.

***Capital expenditure***

Capital expenditure was $442 million, including $198 million on mine development.

Pre-stripping started at the Esperanza Sur pit in the third quarter and is expected to be completed in H1 2022. During 2021 and 2022 autonomous trucks will be acquired to continue mining once the contracted stripping has been completed.

## Outlook for 2021

Production for 2021 is forecast at 270–280,000 tonnes of copper, 190–200,000 ounces of gold and 1,500–2,000 tonnes of molybdenum. Copper production should increase compared to 2020 as grades improve at Centinela Concentrates to an expected 0.59%.

Cash costs before by-products are forecast to be approximately $1.75/lb and net cash costs $1.15/lb.

## ANTUCOYA

## 2020 Performance

***Operating Performance***

Antucoya improved its operational reliability and consistency during the year with daily ore throughput increasing by 14.3% compared to 2019.

EBITDA was $166 million compared with $86 million in 2019, reflecting higher sales volumes and realised prices, and lower operating costs.

***Production***

Antucoya produced 79,300 tonnes, 10.3% higher than the previous year on higher throughput, partially offset by lower grades and recoveries.

***Costs***

Cash costs for 2020 were $1.82/lb, 16.1% lower than in 2019 due to tight cost control, higher production, the weaker Chilean peso and lower input prices.

***Capital expenditure***

Capital expenditure was $42 million, including $19 million on mine development.

## Outlook for 2021

Production is forecast to be 75–80,000 tonnes of copper and cash costs are expected to be approximately $1.80/lb.

## ZALDÍVAR

## 2020 Performance

***Operating Performance***

Zaldívar had a challenging 2020 due to lower recoveries compared to 2019.

Attributable EBITDA was $96 million compared with $113 million in 2019.

***Production***

Attributable copper production was 48,200 tonnes, mainly due to lower recoveries. Ore throughput and grades were slightly lower than in 2019.

***Costs***

Cash costs were $1.80/lb, 2.9% higher than in 2019, as lower production was offset by the weaker exchange rate and lower input prices.

***Capital expenditure***

Attributable capital expenditure in 2020 was $74 million, including approximately $18 million of mine development.

## Outlook for 2021

Attributable copper production is forecast to be 45–50,000 tonnes at a cash cost of approximately $1.75/lb.

## TRANSPORT DIVISION

## 2020 Performance

***Operating performance***

Tonnage transported in 2020 was 1.4% lower than in the previous year as a result of the impact of COVID-19 on some of the division's customers, which affected their production levels, and to a lesser extent, adverse weather conditions.

EBITDA was $61 million, 24.5% lower than in 2019, reflecting the lower revenue and decreased EBITDA from associates and joint ventures, partly offset by the lower operating costs.

***Costs***

Management is focused on optimising the division's business processes to ensure its long-term competitiveness. The Group´s Cost and Competitiveness Programme continued to be applied at the division during 2020 to improve its cost structure, revenue stream and operating standards.

## Outlook for 2021

Over the next few years the division will transport an increasing quantity of bulk materials and is currently commissioning a project to further increase transport volumes, particularly of copper concentrates.

The division continues advancing its plans to convert land it owns in the centre of the city of Antofagasta from industrial to urban use. This has involved extensive consultation with communities, neighbours and other stakeholders, and approval of the project's Environmental Impact Assessment is expected in the first half of 2021.

## GROWTH PROJECTS AND OPPORTUNITIES

### Los Pelambres Expansion

This expansion project is divided into two phases.

***Phase 1***

This phase is designed to optimise throughput within the limits of the existing operating, environmental and water extraction permits.

During 2020 the decision was made to change the scope of the project and double the planned capacity of the desalination plant that is part of Phase 1 of the project, from 400 l/s to 800 l/s. The amount of work that can be done on the expansion of the desalination plant during Phase 1 is limited by what is allowed under the permits that have already been issued.

Following the change of scope and the delays due to COVID-19 the project reached 45% overall project completion by the end of the year and is now expected to be completed in the second half of 2022.

As mining progresses at Los Pelambres ore hardness will increase. The expansion is designed to compensate for this, increasing plant throughput from the current capacity of 175,000 tonnes of ore per day to an average of 190,000 tonnes of ore per day. The plant expansion includes not only the desalination plant and pumping infrastructure, but also an additional SAG mill, ball mill and six additional cells in the flotation circuit.

Annual copper production will be increased by an average of 60,000 tonnes per year over 15 years, starting at approximately 40,000 tonnes per year for the first four to five years and 70,000 tonnes for the rest of the period as the hardness of the ore increases and the benefit of the higher milling capacity is fully realised.

The 400 l/s desalination plant includes a 62 km pipeline from the coast to the Mauro tailings storage facility, where it will connect with the existing recycling circuit that returns water to the Los Pelambres concentrator plant.

To complete the expansion of the desalination plant to 800 l/s additional permits will be required, but some preparatory work will be carried out as part of Phase 1 of the Los Pelambres Expansion project. The planned investment to enable the future expansion will be limited to what is allowed under the existing permits and includes changes to the marine works associated with the inlet and outlet pipes, expanding the plant footprint and changes in the piping, cabling and civil works.

The capital cost of the project was revised to $1.7 billion during the year to include the direct costs related to COVID-19 and the delay caused by it, and the investment in enabling the future expansion of the desalination plant.

***Phase 2 - Future expansion***

Following the decision in 2020 to increase the size of the desalination plant, Phase 2 of the expansion requires two separate Environmental Impact Assessment (EIA) applications:

**Desalination plant expansion**

This project is to protect Los Pelambres from the future impact of climate change and the deteriorating availability of water in the region.

The additional works required, beyond those being completed as part of Phase 1, include the expansion of the desalination plant and the construction of a new water pipeline from the Mauro tailings storage facility to the concentrator plant. This project requires a new EIA application which will be submitted in the first half of 2021 following the completion of a community consultation process earlier in the year. The EIA also includes the desalination plant expansion and two sustaining capital infrastructure projects, the replacement of the concentrate pipeline, which is approaching the end of its useful life, and the construction of certain planned enclosures at the Mauro tailings storage facility. The EIA is expected to be approved in approximately two years with the project being completed by 2025 when the desalination plant will be able to supply Los Pelambres with over 95% of its water needs.

**Mine life extension**

The current mine life of Los Pelambres is 14 years and is limited by the capacity of the Mauro tailings storage facility. The scope of the second EIA will include increasing the capacity of the tailings storage facility and the mine waste dumps. This will extend the mine's life by a minimum of 15 years, accessing a larger portion of Los

Pelambres's six billion tonne mineral resources. The EIA will also include the option to increase throughput to 205,000 tonnes of ore per day, increasing copper production by 35,000 tonnes per year.

Critical studies on tailings and waste storage capacity have been completed and are now progressing towards the feasibility study stage. The study will also include repowering the conveyor that runs from the primary crusher in the pit to the concentrator plant to support the additional throughput.

The capital expenditure to extend the mine life was estimated in a pre-feasibility study in 2014 at approximately $500 million, with most of the expenditure on mining equipment and increasing the capacity of the concentrator and the Mauro tailings facility. Community consultation is in its early stages and the EIA application is expected to be submitted to the authorities during 2022.

**Esperanza Sur pit**

The Board has approved a pre-stripping contract to open the Esperanza Sur pit at Centinela. Esperanza Sur is 4 km south of the Esperanza pit and is close to Centinela's concentrator plant. The deposit contains 1.4 billion tonnes of reserves with a grade of 0.4% copper, 0.13 g/t of gold and 0.012% of molybdenum.

Stripping was expected to start in early 2020 but was rescheduled in response to COVID-19 to the third quarter, and is now expected to be completed in the first half of 2022 at an unchanged capital cost of $175 million. The stripping cost is being capitalised and is being carried out by a contractor. Once it is completed, autonomous trucks operated by Centinela will be used to mine the deposit.

Opening the Esperanza Sur pit will improve Centinela's flexibility to supply its concentrator and, over the initial years, the higher-grade material from the pit will increase production by some 10–15,000 tonnes of copper per year, compared to how much would be produced if material was solely supplied from the Esperanza pit. This greater flexibility will allow Centinela to smooth and optimise its year-on-year production profile, which has in the past been variable.

**Centinela Second Concentrator**

We are currently evaluating the construction of a second concentrator and tailings deposit some 7 km from the existing concentrator in two phases.

Phase 1 would have an ore throughput capacity of approximately 90,000 tonnes per day, producing copper, and gold and molybdenum as by-products, with an annual production of approximately 180,000 tonnes of copper equivalent. Once Phase 1 has been completed and is operating successfully, a further expansion (Phase 2) is possible and would involve increasing the capacity of the concentrator to 150,000 tonnes of ore per day with annual production increasing to 250,000 tonnes of copper equivalent, maximising the potential of Centinela's large resource base.

Ore for the second concentrator would be sourced initially from the Esperanza Sur deposit and later from Encuentro Sulphides. The latter lies under the Encuentro Oxides reserves, which are expected to be depleted by 2026.

The EIA for both phases of the project was approved in 2016 and the initial feasibility study for Phase 1 was completed during 2020 with further detailed and supplier engineering progressing during 2021 ahead of an expected decision by the Board in H1 2022. The capital cost estimated in the 2015 pre-feasibility study for Phase 1 was $2.7 billion, which included capitalised stripping, mining equipment, a concentrator plant, a new tailings storage facility, a water pipeline and other infrastructure, plus the owner's and other costs.

In late 2020 a tender process was started to invite third parties to provide water for Centinela's current operations, by acquiring the existing water supply system, and building the new water pipeline. It is expected this process will be completed during 2021.

**Zaldívar Chloride Leach**

The start of the project was rescheduled in response to COVID-19 to the third quarter of 2020 and completion is now expected to be in the first half of 2022.

The project is expected to increase copper recoveries by approximately 10 percentage points with further upside in recoveries possible, depending on the type of ore being processed. This will increase copper production at Zaldívar by approximately 10–15,000 tonnes per annum over the remaining life of the mine.

The project requires an upgrade of the Solvent Extraction (SX) plant, new reagents facilities and the construction of additional washing ponds for controlling the chlorine levels, at an estimated capital cost of $190 million.

As the Group equity accounts for its interest in Zaldívar, capital expenditure at the operation is not included in Group total capital expenditure amounts.

**Twin Metals Minnesota**

In late 2019, Twin Metals Minnesota presented its Mine Plan of Operations (MPO) to the US Bureau of Land Management (BLM) and a Scoping Environmental Assessment Worksheet Data Submittal was also issued to the Minnesota Department of Natural Resources. These submissions start a multi-year scoping and environmental review process that will thoroughly evaluate the proposed project.

In June 2020, the BLM issued its Notice of Intent (NOI) to begin its environmental review, a process that is likely to take several years. The review process will include additional baseline data collection, impact analyses and multiple opportunities for public input. Permitting for the project will follow the environmental review.

Twin Metals Minnesota is a wholly owned copper, nickel and platinum group metals (PGM) underground mining project, which holds the Maturi, Maturi Southwest, Birch Lake and Spruce Road copper, nickel, cobalt-PGM deposits in north-eastern Minnesota, US. The MPO design is based on mining and processing 18,000 tonnes of ore per day for 25 years. The concentrator will produce three saleable concentrates - copper, nickel and cobalt - PGM.

# FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2020

| | Year ended 31.12.2020 | | | Year ended 31.12.2019 |
|---|---|---|---|---|
| | Before exceptional items | Exceptional items | Total | Total |
| | $m | $m | $m | $m |
| Revenue | 5,129.3 | - | 5,129.3 | 4,964.5 |
| EBITDA (including share of EBITDA from associates and joint ventures) | 2,739.2 | - | **2,739.2** | 2,438.9 |
| Total operating costs | (3,537.1) | - | **(3,537.1)** | (3,588.7) |
| **Operating profit from subsidiaries** | 1,592.2 | - | **1,592.2** | 1,375.8 |
| Net share of results from associates and joint ventures | 5.1 | - | **5.1** | 24.4 |
| Impairment of investment in associate | - | (80.8) | **(80.8)** | - |
| **Total profit from operations, associates and joint ventures** | 1,597.3 | (80.8) | **1,516.5** | 1,400.2 |
| Net finance expense | (103.4) | - | **(103.4)** | (51.0) |
| **Profit before tax** | 1,493.9 | (80.8) | **1,413.1** | (1,349.2) |
| Income tax expense | (546.2) | 19.7 | **(526.5)** | (506.1) |
| **Profit from continuing operations** | 947.7 | (61.1) | **886.6** | 843.1 |
| **Profit from discontinued operations** | 7.3 | - | **7.3** | - |
| **Profit for the year** | 955.0 | (61.1) | **893.9** | 843.1 |
| Attributable to: | | | | |
| Non-controlling interests | 408.4 | (20.9) | **387.5** | 341.7 |
| **Profit attributable to the owners of the parent** | 546.6 | (40.2) | **506.4** | 501.4 |
| **Basic earnings per share** | **cents** | **cents** | **cents** | cents |
| From continuing operations | 54.7 | (4.1) | **50.6** | 50.9 |
| From discontinued operations | 0.7 | - | **0.7** | - |
| **Total continuing and discontinued operations** | 55.4 | (4.1) | **51.3** | 50.9 |

The profit for the financial year attributable to the owners of the parent (including exceptional items and discontinued operations) increased from $501.4 million in 2019 to $506.4 million in the current year. Excluding exceptional items and discontinued operations the profit attributable to the owners of the parent increased by $37.9 million to $539.3 million. The full reconciliation between 2019 and 2020 is as follows:

| | $m |
|---|---|
| **Profit attributable to the owners of the parent in 2019** | **501.4** |
| Increase in revenue | 164.8 |
| Decrease in total operating costs | 51.6 |
| Decrease in net share of profit from associates and joint ventures (excluding exceptional items) | (19.3) |
| Increase in net finance expenses | (52.4) |
| Increase in income tax expense | (40.1) |
| Increase in non-controlling interests | (66.7) |
| | 37.9 |
| **Profit attributable to the owners of the parent in 2020, excluding exceptional items and discontinued operations** | **539.3** |
| Exceptional items – impairment of investment in associate | (40.2) |
| Profit from discontinued operations | 7.3 |
| **Profit attributable to the owners of the parent in 2020** | **506.4** |

## COVID-19

The Group's operations were all able to continue to operate without interruption throughout the year, in part reflecting the strict COVID-19 related measures which the Group began to implement from February 2020 onwards. As a result, the Group's production was within the guidance range for the year. The Group's planning assumes that COVID-19 related measures will continue to be required for the rest of 2021.

The Group incurred $40 million of operational expenses (including the 50% attributable share of Zaldívar's expenditure) during 2020 in respect of COVID-19 measures, including additional travel costs for its employees travelling to and from the mine sites, hygiene supplies and additional costs for third-party services. The Group also established a $6 million fund to provide COVID-19 related support to local communities, of which $4 million has been spent during 2020.

Work on the Group's growth projects at Los Pelambres, Centinela and Zaldívar was largely suspended in March 2020, but activity was able to begin increasing during the third quarter of the year. The Group has capitalised $31 million of additional project costs during 2020 which are linked to the impact of the COVID-19 situation, mainly relating to additional costs for the third-party contractors, increased travel costs for employees and project contractors travelling to the sites and the purchase of hygiene supplies.

## Revenue

The $164.8 million increase in revenue from $4,964.5 million in 2019 to $5,129.3 million in the current year reflected the following factors:

| | **$m** |
|---|---:|
| **Revenue in 2019** | **4,964.5** |
| Increase in realised copper price | 348.4 |
| Decrease in copper sales volumes | (153.3) |
| Decrease in treatment and refining charges | 69.7 |
| Decrease in gold revenue | (50.0) |
| Decrease in molybdenum revenue | (45.1) |
| Increase in silver revenue | 6.2 |
| Decrease in transport division revenue | (11.1) |
| | 164.8 |
| **Revenue in 2020** | **5,129.3** |

## Revenue from the Mining division

Revenue from the Mining division increased by $175.9 million, or 3.7%, to $4,979.9 million, compared with $4,804.0 million in 2019. The increase reflected a $264.8 million improvement in copper sales partly offset by a $88.9 million decrease in by-product revenue.

## Revenue from copper sales

Revenue from copper concentrate and copper cathode sales increased by $264.8 million, or 6.5%, to $4,348.2 million, compared with $4,083.4 million in 2019. The increase reflected the impact of $348.4 million from higher realised prices and $69.7 million from lower treatment and refining charges, partly offset by $153.3 million from lower sales volumes.

**(i) Realised copper price**

The average realised price increased by 8.3% to $2.98/lb in 2020 (2019 – $2.75/lb), resulting in a $348.4 million increase in revenue. The increase in the realised price reflected the higher LME average market price, which increased by 2.8% to $2.80/lb in 2020 (2019 - $2.72/lb), and a positive provisional pricing adjustment of $258.5 million. The provisional pricing adjustment mainly reflected the increase in the year-end mark-to-market copper price to $3.52/lb at 31 December 2020, compared with $2.81/lb at 31 December 2019.

Realised copper prices are determined by comparing revenue (before treatment and refining charges for concentrate sales) with sales volumes in the period. Realised copper prices differ from market prices mainly because, in line with industry practice, concentrate and cathode sales agreements generally provide for provisional pricing at the time of shipment with final pricing based on the average market price in future periods (normally around one month after delivery to the customer in the case of cathode sales and normally four months after delivery to the customer in the case of concentrate sales).

Further details of provisional pricing adjustments are given in Note 6 to the preliminary results announcement.

**(ii) Copper volumes**

Copper sales volumes reflected within revenue decreased by 3.5% from 715,500 tonnes in 2019 to 690,200 tonnes in 2020, decreasing revenue by $153.3 million. This decrease was due to lower copper sales volumes at Centinela (40,100 tonnes decrease) mainly as a result of its decreased production volumes, partly offset by higher sales volumes at Los Pelambres (9,900 tonnes increase) and at Antucoya (4,900 tonnes increase).

**(iii) Treatment and refining charges**

Treatment and refining charges (TC/RCs) for copper concentrate decreased by $69.7 million to $182.4 million in 2020 from $252.1 million in 2019, reflecting the lower average TC/RC rates as well as the decrease in the concentrate sales volumes at Centinela. Treatment and refining charges are deducted from concentrate sales when reporting revenue and hence the decrease in these charges has had a positive impact on revenue.

**Revenue from molybdenum, gold and other by-product sales**

Revenue from by-product sales at Los Pelambres and Centinela relate mainly to molybdenum and gold and, to a lesser extent, silver. Revenue from by-products decreased by $88.9 million or 12.3% to $631.7 million in 2020, compared with $720.6 million in 2019.

Revenue from gold sales (net of treatment and refining charges) was $357.7 million (2019 - $407.7 million), a decrease of $50.0 million which mainly reflected a decrease in volumes partially offset by a higher realised price. Gold sales volumes decreased by 30.9% from 288,800 ounces in 2019 to 199,600 ounces in 2020, mainly due to lower grades at Centinela. The realised gold price was $1,796.8/oz in 2020 compared with $1,416.0/oz in 2019, reflecting the average market price for 2020 of $1,770.1/oz (2019 - $1,393,5/oz), plus a provisional pricing adjustment of $3.1 million.

Revenue from molybdenum sales (net of roasting charges) was $209.5 million (2019 - $254.6 million), a decrease of $45.1 million. The decrease was due to the lower realised price of $8.8/lb (2019 – $10.8/lb), partially offset by increased sales volumes of 12,500 tonnes (2019 – 12,100 tonnes).

Revenue from silver sales increased by $6.2 million to $64.5 million (2019 - $58.3 million). The increase was due to a higher realised silver price of $21.3/oz (2019 - $16.4/oz), partly offset by lower sales volumes of 3.1 million ounces (2019 – 3.6 million ounces).

**Revenue from the Transport division**

Revenue from the Transport division (FCAB) decreased by $11.1 million or 6.9% to $149.4 million (2019 - $160.5 million), mainly due to the effect of the weaker Chilean peso, and lower sales volumes of freight transported and industrial water.

**Total operating costs**

The $51.6 million decrease in total operating costs from $3,588.7 million in 2019 to $3,537.1 million in the current year reflected the following factors:

| | $m |
|---|---|
| **Total operating costs in 2019** | **3,588.7** |
| Decrease in mine-site operating costs | (156.8) |
| Increase in closure provision and other mining expenses | 24.0 |
| Decrease in exploration and evaluation costs | (26.0) |
| Decrease in corporate costs | (6.5) |
| Decrease in Transport division operating costs | (14.3) |
| Increase in depreciation, amortisation and loss on disposals | 128.0 |
| | (51.6) |
| **Total operating costs in 2020** | **3,537.1** |

**Operating costs (excluding depreciation, amortisation and loss on disposals) at the Mining division**

Operating costs (excluding depreciation, loss on disposals and impairments) at the Mining division decreased by $165.3 million to $2,390.7 million in 2020, a reduction of 6.5%. Of this decrease, $156.8 million is attributable to lower mine-site operating costs. This decrease in mine-site costs reflected lower key input prices, the weaker Chilean peso, lower sale volumes and cost savings from the Group's Cost and Competitiveness Programme, partly offset by the cost impact of the expected lower ore grades at Centinela and the $33.1 million of mine-site costs incurred related to the COVID-19 pandemic. On a unit cost basis, weighted average cash costs excluding by-product credits (which are reported as part of revenue) and treatment and refining charges for concentrates (which are deducted from revenue), decreased from $1.49/lb in 2019 to $1.43/lb in 2020.

The Cost and Competitiveness Programme was implemented to reduce the Group's cost base and improve its competitiveness within the industry. During 2020 the programme achieved benefits of $197 million, of which $155 million reflected cost savings and $42 million reflected the value of productivity improvements. Of the $155 million of cost savings, $125 million related to Los Pelambres, Centinela and Antucoya, and therefore impacted the Group's operating costs, and $30 million related to Zaldívar (on a 100% basis) and therefore impacted the share of results from associates and joint ventures.

Closure provisions and other mining expenses increased by $24.0 million. Exploration and evaluation costs decreased by $26.0 million to $85.1 million (2019 – $111.1 million), reflecting decreased exploration expenditure principally in respect of the Encierro and Cachorro projects and less drilling activity in relation to the reserve and resource estimates at Centinela and Antucoya. Corporate costs decreased by $6.5 million.

**Operating costs (excluding depreciation, amortisation and loss on disposals) at the Transport division**

Operating costs (excluding depreciation, amortisation and loss on disposals) at the Transport division decreased by $14.3 million to $91.4 million (2019 - $105.7 million), mainly due the effect of the weaker Chilean peso and the lower diesel price, as well as the lower consumption of materials.

**Depreciation, amortisation and disposals**

The depreciation and amortisation charge increased by $128.0 million from $927.0 million in 2019 to $1,055.7 million. This increase is mainly due to higher amortisation of capitalised stripping costs under IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, particularly at Centinela. The loss on disposal of property, plant & equipment was $6.3 million, a decrease of $6.4 million (2019 - $12.7 million).

**Operating profit from subsidiaries**

As a result of the above factors, operating profit from subsidiaries increased by $216.4 million or 15.7% in 2020 to $1,592.2 million (2019 - $1,375.8 million).

**Share of results from associates and joint ventures**

The Group's share of results from associates and joint ventures was a profit of $5.1 million in 2020, compared to $24.4 million in 2019. This was principally due to the impact of the agreement on 31 March 2020 to dispose of the Group's investment in Hornitos (as detailed below). In the 2019 full-year Hornitos had generated a net profit of $10.3 million, but in the first three months of 2020 prior to the disposal agreement Hornitos did not generate a net profit. In addition, there was $3.9 million higher loss from Tethyan Copper Company and $3.4 million of lower profits from Zaldívar.

**EBITDA**

EBITDA (earnings before interest, tax, depreciation and amortisation) increased by $300.3 million or 12.3% to $2,739.2 million (2019 - $2,438.9 million). EBITDA includes the Group's proportional share of EBITDA from associates and joint ventures.

EBITDA from the Mining division increased by 13.6% from $2,358.1 million in 2019 to $2,678.2 million this year. This reflected the higher revenue and lower mine-site costs, decreased exploration and evaluation expenditure and lower corporate costs, partly offset by higher other mining expenses and lower EBITDA from associates and joint ventures.

EBITDA at the Transport division decreased by $19.8 million to $61.0 million in 2020 ($80.8 million – 2019), reflecting the lower revenue and decreased EBITDA from associates and joint ventures, partly offset by the lower operating costs.

*Commodity price and exchange rate sensitivities*

The following sensitivities show the estimated approximate impact on EBITDA for 2020 of a 10% movement in the average copper, molybdenum and gold prices and a 10% movement in the average US dollar / Chilean peso exchange rate.

The impact of the movement in the average commodity prices reflects the estimated impact on the relevant revenues during 2020, and the impact of the movement in the average exchange rate reflects the estimated impact on Chilean peso denominated operating costs during the year. These estimates do not reflect any impact in respect of provisional pricing or hedging instruments, any potential inter-relationship between commodity price and exchange rate movements, or any impact from the retranslation or changes in valuations of assets or liabilities held on the balance sheet at the year-end.

| | Average market commodity price / average exchange rate during the year ended 31.12.20 | Impact of a 10% movement in the commodity price / exchange rate on EBITDA for the year ended 31.12.20 $m |
|---|---|---|
| Copper price | $2.80/lb | 456 |
| Molybdenum price | $8.7/lb | 24 |
| Gold price | $1,770/oz | 35 |
| US dollar / Chilean peso exchange rate | 792 | 123 |

## Net finance expense

Net finance expense increased by $52.4 million to $103.4 million, compared with $51.0 million in 2019.

| | Year ended 31.12.20 $m | Year ended 31.12.19 $m |
|---|---|---|
| Investment income | 18.9 | 47.1 |
| Interest expense | (77.1) | (111.1) |
| Other finance items | (45.2) | 13.0 |
| Net finance expense | **(103.4)** | **(51.0)** |

Interest income decreased from $47.1 million in 2019 to $18.9 million in 2020, mainly due to the decrease in average interest rates partly offset by the higher average cash balance.

Interest expense decreased slightly from $111.1 million in 2019 to $77.1 million in 2020, reflecting both a decrease in the average LIBOR rate and also a reduction in the average relevant debt balances.

Other finance items were a net loss of $45.2 million, compared with a net gain of $13.0 million in 2019, a variance of $58.2 million. This was mainly due to the foreign exchange impact, which was a $28.9 million loss in 2020 compared with a $35.8 million gain in 2019, due to the retranslation of Chilean peso denominated assets and liabilities.

## Profit before tax

As a result of the factors set out above, profit before tax increased by 4.7% to $1,413.1 million (2019 - $1,349.2 million).

## Income tax expense

The tax charge for 2020 excluding exceptional items was $546.2 million (2019 – $506.1 million) and the effective tax rate was 36.6% (2019 – 37.5%). Including exceptional items the tax charge for 2020 was $526.5 million and the effective rate was 37.3%.

| | Year ended 31.12.2020 Excluding exceptional items | | Year ended 31.12.2020 Including exceptional items | | Year ended 31.12.2019 | |
|---|---|---|---|---|---|---|
| | $m | % | $m | % | $m | % |
| **Profit before tax** | **1,493.9** | | **1,413.1** | | 1,349.2 | |
| Tax at the Chilean corporate rate tax of 27% | **(403.4)** | **27.0** | **(381.5)** | **27.0** | (364.3) | 27.0 |
| Exceptional items – impairment of investment in associate | **-** | **-** | **(2.2)** | **0.2** | - | - |
| Mining tax (royalty) | **(101.3)** | **6.8** | **(101.3)** | **7.2** | (66.6) | 4.9 |
| Deduction of mining royalty as an allowable expense in determination of first category tax | **28.1** | **(1.9)** | **28.1** | **(2.0)** | 19.1 | (1.4) |
| Items not deductible from first category tax | **(9.8)** | **0.7** | **(9.8)** | **0.6** | (11.9) | 0.9 |
| Withholding taxes | **(70.0)** | **4.7** | **(70.0)** | **5.0** | (59.3) | 4.4 |
| Tax effect of share of results of associates and joint ventures | **1.4** | **(0.1)** | **1.4** | **(0.1)** | 4.7 | (0.4) |
| Reversal of previously unrecognised tax losses / (unrecognised tax losses) | **10.5** | **(0.7)** | **10.5** | **(0.7)** | (33.0) | 2.5 |
| Adjustment in respect of prior years | **(1.6)** | **0.1** | **(1.6)** | **0.1** | 4.3 | (0.3) |
| Net other items | **(0.1)** | **0.0** | **(0.1)** | **0.0** | 0.9 | (0.1) |
| **Tax expense and effective tax rate for the period** | **(546.2)** | **36.6** | **(526.5)** | **37.3** | (506.1) | 37.5 |

The effective tax rate excluding exceptional items of 36.6% varied from the statutory rate principally due to the mining tax (royalty) (net impact of $73.2 million / 4.9% including the deduction of the mining tax (royalty) as an allowable expense in the determination of first category tax), the withholding tax relating to the remittance of profits from Chile (impact of $70.0 million / 4.7%), items not deductible for Chilean corporate tax purposes, principally the funding of expenses outside of Chile (impact of $9.8 million / 0.7%) and adjustments in respect of prior years (impact of $1.6 million / 0.1%), partly offset by the reversal of previously unrecognised tax losses (impact of $10.5 million / 0.7%) and the impact of the recognition of the Group's share of profit from associates and joint ventures, which are included in the Group's profit before tax net of their respective tax charges (impact of $1.4 million / 0.1%).

The impact of the exceptional items on the effective tax rate including exceptional items was $2.2 million / 0.2%.

## Exceptional items

On 31 March 2020 the Group agreed to dispose of its 40% interest in the Hornitos coal-fired power station to ENGIE Energía Chile S.A. ("ENGIE"), the owner of the remaining 60% holding. This was part of the value accretive renegotiation of Centinela's power purchase agreement which as a result will be wholly supplied from lower cost renewable sources from 2022. Under the terms of the agreement the Group will dispose of its investment to Engie in 2021 for a nominal consideration and will not be entitled to receive any further dividend income from Hornitos from the date of the agreement. Accordingly, the Group no longer has any effective economic interest in Hornitos from 31 March 2020 onwards and has therefore recognised an impairment of $80.8 million in respect of its investment in associates and will no longer recognise any share of Hornitos' results. The post-tax impact of the impairment is $61.1 million, of which $40.2 million is attributable to the equity owners of the Company.

## Non-controlling interests

Profit for 2020 attributable to non-controlling interests (excluding exceptional items) was $408.4 million, compared with $341.7 million in 2019, an increase of $66.7 million. This reflected the increase in earnings analysed above.

## Earnings per share

| | Year ended 31.12.20 $ cents | Year ended 31.12.19 $ cents |
|---|---|---|
| Underlying earnings per share (excluding exceptional items and discontinued operations) | **54.7** | 50.9 |
| Earnings per share (exceptional items) | **(4.1)** | - |
| Earnings per share (discontinued operations) | **0.7** | - |
| Earnings per share (including exceptional items and discontinued operations) | **51.3** | 50.9 |

Earnings per share calculations are based on 985,856,695 ordinary shares.

As a result of the factors set out above, the underlying profit attributable to equity shareholders of the Company (excluding exceptional items and discontinued operations) was $539.3 million compared with $501.4 million in 2019, giving underlying earnings per share of 54.7 cents per share (2019 – 50.9 cents per share). The profit attributable to equity shareholders (including exceptional items and discontinued operations) was $506.4 million, resulting in earnings per share of 51.3 cents per share (2019 – 50.9 cents per share).

## Dividends

Dividends per share proposed in relation to the period are as follows:

| | Year ended 31.12.20 $ cents | Year ended 31.12.19 $ cents |
|---|---|---|
| Ordinary dividends: | | |
| Interim | **6.2** | 10.7 |
| Final | **48.5** | 7.1 |
| Total dividends to ordinary shareholders | **54.7** | 17.8 |

The Board determines the appropriate dividend each year based on consideration of the Group's cash balance, the level of free cash flow and underlying earnings generated during the year and significant known or expected funding commitments. It is expected that the total annual dividend for each year would represent a payout ratio based on underlying net earnings for that year of at least 35%.

The Board has recommended a final dividend for 2020 of 48.5 cents per ordinary share, which amounts to $478.2 million and will be paid on 14 May 2021 to shareholders on the share register at the close of business on 23 April 2021.

The Board declared an interim dividend for the first half of 2020 of 6.2 cents per ordinary share, which amounted to $61.1 million.

This gives total dividends proposed in relation to 2020 (including the interim dividend) of 54.7 cents per share or $539.3 million in total (2019 – 17.8 cents per ordinary share or $175.7 million in total) equivalent to a payout ratio of 100% of underlying earnings.

## Capital expenditure

Capital expenditure increased by $228.6 million from $1,078.8 million in 2019 to $1,307.4 million in the current year, mainly due to expenditure on the Los Pelambres Expansion project.

NB: capital expenditure figures quoted in this report are on a cash flow basis, unless stated otherwise.

## Derivative financial instruments

The Group periodically uses derivative financial instruments to reduce its exposure to commodity price, foreign exchange and interest rate movements. The Group does not use such derivative instruments for speculative trading purposes. At 31 December 2020 the derivative financial instruments in place had a negative fair value of $36.0 million (2019 – negative $7.3 million).

## Cash flows

The key features of the cash flow statement are summarised in the following table.

| | Year ended 31.12.20 $m | Year ended 31.12.19 $m |
|---|---|---|
| **Cash flows from continuing operations** | **2,431.1** | 2,570.7 |
| Income tax paid | (319.7) | (403.6) |
| Net interest paid | (40.1) | (35.3) |
| Capital contributions and loans to associates | (7.2) | (1.8) |
| Purchases of property, plant and equipment | (1,307.4) | (1,078.8) |
| Dividends paid to equity holders of the Company | (131.1) | (470.3) |
| Dividends paid to non-controlling interests | (280.0) | (400.0) |
| Capital increase from non-controlling interest | 210.0 | - |
| Dividends from associates and joint ventures | - | 58.0 |
| Other items | 2.3 | 1.8 |
| Changes in net debt relating to cash flows | **557.9** | 240.7 |
| Other non-cash movements | (68.0) | (214.3) |
| Effects of changes in foreign exchange rates | (8.5) | 6.5 |
| Movement in net debt in the period | **481.4** | 32.9 |
| Net debt at the beginning of the year | (563.4) | (596.3) |
| **Net debt at the end of the year** | **(82.0)** | (563.4) |

Cash flows from continuing operations were $2,431.1 million in 2020 compared with $2,570.7 million in 2019. This reflected EBITDA from subsidiaries for the year of $2,647.2 million (2019 – $2,302.8 million) adjusted for the negative impact of a net working capital increase of $242.5 million (2019 – working capital decrease of $291.9 million) and a non-cash increase in provisions of $26.4 million (2019 – decrease of $24.0 million).

The working capital increase in 2020 was mainly due to an increase in receivables, predominantly due to the higher year-end mark-to-market copper price of $3.52/lb at 31 December 2020, compared with $2.81/lb at 31 December 2019. The 2019 working capital decrease was mainly due to the $275 million refund of the one-off short-term VAT payment which had been made in December 2018 and was refunded to the Group as expected in January 2019.

The net cash outflow in respect of tax in 2020 was $319.7 million (2019 – $403.6 million). This amount differs from the current tax charge in the consolidated income statement (including exceptional items) of $515.3 million (2019 – $354.4 million) mainly because cash tax payments for corporate tax and the mining tax partly include the settlement of outstanding balances in respect of the previous year's tax charge of $8.0 million (2019 - $29.5 million), payments withholding tax by $ 54.5 million, payments on account for the current year based on the prior year's profit levels of $366.8 million, as well as the recovery of $109.7 million in 2020 relating to prior years.

Contributions and loans to associates and joint ventures of $7.2 million (2019 - $1.8 million) relate to Tethyan Copper Company.

Capital expenditure in 2020 was $1,307.4 million compared with $1,078.8 million in 2019. This included expenditure of $782.6 million at Los Pelambres (2019 – $493.8 million), $441.5 million at Centinela (2019 – $457.6 million), $41.9 million at Antucoya (2019 – $49.9 million), $8.3 million at the corporate centre (2019 –

$15.9 million) and $33.1 million at the Transport divisions (2019 - $61.6 million). The increase at Los Pelambres reflects expenditure on the Expansion project.

Dividends paid to equity holders of the Company were $131.1 million (2019 - $470.3 million) of which $70.0 million related to the payment of the final element of the previous year's dividend and $61.1 million to the interim dividend declared in respect of the current year.

Dividends paid by subsidiaries to non-controlling shareholders were $280.0 million (2019 – $400.0 million).

Dividends received from associates and joint ventures was nil for 2020 (2019 – $58.0 million).

A capital contribution of $210.0 million was received from Marubeni, the minority partner at Antucoya, in order to replace part of the subordinated debt financing with equity.

**Financial position**

| | **At 31.12.20** **$m** | At 31.12.19 $m |
|---|---|---|
| Cash, cash equivalents and liquid investments | **3,672.8** | 2,193.4 |
| Total borrowings | **(3,754.8)** | (2,756.8) |
| Net debt at the end of the period | **(82.0)** | (563.4) |

At 31 December 2020 the Group had combined cash, cash equivalents and liquid investments of $3,672.8 million (31 December 2019 – $2,193.4). Excluding the non-controlling interest share in each partly-owned operation, the Group's attributable share of cash, cash equivalents and liquid investments was $3,046.9 million (31 December 2019 – $1,849.7 million).

Total Group borrowings at 31 December 2020 were $3,754.8 million, an increase of $998.0 million on the prior year (31 December 2019 – $2,756.8 million). The increase was mainly due to a $814.8 million increase of the senior loan at Los Pelambres and $495.6 million from the bond issue, partly offset by the $210.0 million repayment of the subordinated debt from Antucoya to Marubeni which was replaced with equity, a $66.0 million repayment of Antucoya's senior loan and a net decrease of lease liabilities of $37.4 million.

Excluding the non-controlling interest share in each partly-owned operation, the Group's attributable share of the borrowings was $2,805.5 million (31 December 2019 – $2,041.3 million).

This resulted in net debt at 31 December 2020 of $82.0 million (31 December 2019 - $563.4 million). Excluding the non-controlling interest share in each partly-owned operation, the Group had an attributable net cash position of $241.4 million (31 December 2019 – net debt $191.6 million).

**Cautionary statement about forward-looking statements**

This preliminary results announcement contains certain forward-looking statements. All statements other than historical facts are forward-looking statements. Examples of forward-looking statements include those regarding the Group's strategy, plans, objectives or future operating or financial performance, reserve and resource estimates, commodity demand and trends in commodity prices, growth opportunities, and any assumptions underlying or relating to any of the foregoing. Words such as "intend", "aim", "project", "anticipate", "estimate", "plan", "believe", "expect", "may", "should", "will", "continue" and similar expressions identify forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that are beyond the Group's control. Given these risks, uncertainties and assumptions, actual results could differ materially from any future results expressed or implied by these forward-looking statements, which apply only as at the date of this report. Important factors that could cause actual results to differ from those in the forward-looking statements include: global economic conditions, demand, supply and prices for copper and other long-term commodity price assumptions (as they materially affect the timing and feasibility of future projects and developments), trends in the copper mining industry and conditions of the international copper markets, the effect of currency exchange rates on commodity prices and operating costs, the availability and costs associated with mining inputs and labour, operating or technical difficulties in connection with mining or development activities, employee relations, litigation, and actions and activities of governmental authorities, including changes in laws, regulations or taxation. Except as required by applicable law, rule or regulation, the Group does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

# Consolidated Income Statement

| | Notes | Year ended 31.12.2020 Excluding exceptional items $m | Year ended 31.12.2020 Exceptional items note 3 $m | Year ended 31.12.2020 Total $m | Year ended 31.12.2019 Total $m |
|---|---|---|---|---|---|
| **Revenue** | 2,6 | **5,129.3** | **-** | **5,129.3** | 4,964.5 |
| Total operating costs | 2 | **(3,537.1)** | **-** | **(3,537.1)** | (3,588.7) |
| **Operating profit from subsidiaries** | 2,5 | **1,592.2** | **-** | **1,592.2** | 1,375.8 |
| Net share of results from associates and joint ventures | 2,5 | **5.1** | **-** | **5.1** | 24.4 |
| Impairment of investment in associate | 3 | **-** | **(80.8)** | **(80.8)** | - |
| **Total profit from operations, associates and joint ventures** | | **1,597.3** | **(80.8)** | **1,516.5** | 1,400.2 |
| Investment income | | **18.9** | **-** | **18.9** | 47.1 |
| Interest expense | | **(77.1)** | **-** | **(77.1)** | (111.1) |
| Other finance items | | **(45.2)** | **-** | **(45.2)** | 13.0 |
| **Net finance expense** | 8 | **(103.4)** | **-** | **(103.4)** | (51.0) |
| **Profit before tax** | | **1,493.9** | **(80.8)** | **1,413.1** | 1,349.2 |
| Income tax expense | 9 | **(546.2)** | **19.7** | **(526.5)** | (506.1) |
| **Profit from continuing operations** | | **947.7** | **(61.1)** | **886.6** | 843.1 |
| Profit from discontinued operations | 10 | **7.3** | **-** | **7.3** | - |
| **Profit for the year** | | **955.0** | **(61.1)** | **893.9** | 843.1 |
| Attributable to: | | | | | |
| Non-controlling interests | | **408.4** | **(20.9)** | **387.5** | 341.7 |
| **Equity holders of the Company (net earnings)** | | **546.6** | **(40.2)** | **506.4** | 501.4 |

| | Notes | Excluding exceptional items | Exceptional items | Total 2020 | Total 2019 |
|---|---|---|---|---|---|
| **Basic earnings per share** | | | | | |
| From continuing operations | 11 | **54.7** | **(4.1)** | **50.6** | **50.9** |
| From discontinued operations | 11 | **0.7** | **-** | **0.7** | **-** |
| **From continuing and discontinued operations** | | **55.4** | **(4.1)** | **51.3** | **50.9** |

# Consolidated Statement of Comprehensive Income

| | Notes | Year ended 31.12.2020 $m | Year ended 31.12.2019 $m |
|---|---|---|---|
| **Profit for the period** | | **893.9** | 843.1 |
| *Items that may be or were subsequently reclassified to profit or loss:* | | | |
| (Losses)/gains on cash flow hedges - time value | | **(19.2)** | 0.4 |
| Losses on cash flow hedges - intrinsic value | | **(12.9)** | (7.7) |
| Deferred tax effects arising on cash flow hedges deferred in reserves | | **2.4** | 2.0 |
| Losses/(gains) in fair value of cash flow hedges transferred to the income statement | | 3.4 | (0.8) |
| Currency translation adjustment | | **0.9** | - |
| **Total items that may be or were subsequently reclassified to profit or loss** | | **(25.4)** | (6.1) |
| *Items that will not be subsequently reclassified to profit or loss:* | | | |
| Actuarial gains/(losses) on defined benefit plans | **19** | **9.8** | (4.7) |
| Tax on items recognised through OCI which will not be reclassified to profit or loss in the future | | **(2.6)** | 0.9 |
| Gains in fair value of equity investments | **16** | **5.5** | 0.3 |
| Share of other comprehensive losses of equity accounted units, net of tax | | **-** | (0.3) |
| **Total Items that will not be subsequently reclassified to profit or loss** | | **12.7** | (3.8) |
| **Total other comprehensive expense** | | **(12.7)** | (9.9) |
| **Total comprehensive income for the period** | | **881.2** | 833.2 |
| Attributable to: | | | |
| Non-controlling interests | | **383.2** | 338.6 |
| **Equity holders of the Company** | | **498.0** | 494.6 |
| Total comprehensive income for the year - continuing operations | | **873.9** | 833.2 |
| Total comprehensive income for the year - discontinued operations | | **7.3** | - |
| | | **881.2** | 833.2 |

# Consolidated Statement of Changes in Equity

## For the year ended 31 December 2020

| | Share capital $m | Share premium $m | Other reserves (Note 23) $m | Retained earnings (Note 23) $m | **Net equity $m** | Non-controlling interests $m | **Total $m** |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2020 | 89.8 | 199.2 | (18.1) | 7,112.8 | **7,383.7** | 2,017.3 | **9,401.0** |
| Capital increases from non-controlling interest [1] | - | - | - | - | **-** | 210.0 | **210.0** |
| Profit for the year | - | - | - | 506.4 | **506.4** | 387.5 | **893.9** |
| Other comprehensive expense for the year | - | - | (12.5) | 4.1 | **(8.4)** | (4.3) | **(12.7)** |
| Dividends | - | - | - | (131.1) | **(131.1)** | (280.0) | **(411.1)** |
| Balance at 31 December 2020 | **89.8** | **199.2** | **(30.6)** | **7,492.2** | **7,750.6** | **2,330.5** | **10,081.1** |

1. A capital contribution of $210 million was received from Marubeni, the minority partner at Antucoya, in order to replace part of Antucoya's subordinated debt financing with equity (see Notes 18).

## For the year ended 31 December 2019

| | Share capital $m | Share premium $m | Other reserves (Note 23) $m | Retained earnings (Note 23) $m | **Net equity $m** | Non-controlling interests $m | **Total $m** |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2019 | 89.8 | 199.2 | (14.5) | 7,084.9 | **7,359.4** | 2,078.7 | **9,438.1** |
| Profit for the year | - | - | - | 501.4 | **501.4** | 341.7 | **843.1** |
| Other comprehensive expense for the year | - | - | (3.6) | (3.2) | **(6.8)** | (3.1) | **(9.9)** |
| Dividends | - | - | - | (470.3) | **(470.3)** | (400.0) | **(870.3)** |
| Balance at 31 December 2019 | **89.8** | **199.2** | **(18.1)** | **7,112.8** | **7,383.7** | **2,017.3** | **9,401.0** |

# Consolidated Balance Sheet

| | Notes | At 31.12.2020 $m | At 31.12.2019 $m |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 13 | **150.1** | 150.1 |
| Property, plant and equipment | 14 | **9,851.9** | 9,556.7 |
| Other non-current assets | | **2.6** | 2.1 |
| Inventories | 17 | **278.1** | 208.0 |
| Investments in associates and joint ventures | 15 | **914.6** | 1,024.8 |
| Trade and other receivables | | **55.9** | 48.2 |
| Derivative financial instruments | 7 | **0.3** | 1.7 |
| Equity investments | 16 | **11.1** | 5.1 |
| Deferred tax assets | | **6.4** | 8.2 |
| | | **11,271.0** | 11,004.9 |
| **Current assets** | | | |
| Inventories | 17 | **592.7** | 586.4 |
| Trade and other receivables | | **1,016.9** | 682.4 |
| Current tax assets | | **49.8** | 140.2 |
| Derivative financial instruments | 7 | **1.1** | 3.1 |
| Liquid investments | 25 | **2,426.0** | 1,539.7 |
| Cash and cash equivalents | 25 | **1,246.8** | 653.7 |
| | | **5,333.3** | 3,605.5 |
| **Total assets** | | **16,604.3** | 14,610.4 |
| **Current liabilities** | | | |
| Short-term borrowings and leases | 18 | **(603.4)** | (723.9) |
| Derivative financial instruments | 7 | **(37.4)** | (9.6) |
| Trade and other payables | | **(808.8)** | (750.6) |
| Short-term decommissioning & restoration provisions | | **(22.2)** | (22.0) |
| Current tax liabilities | | **(153.9)** | (42.8) |
| | | **(1,625.7)** | (1,548.9) |
| **Non-current liabilities** | | | |
| Medium and long-term borrowings and leases | 18 | **(3,151.4)** | (2,032.9) |
| Derivative financial instruments | 7 | **-** | (2.5) |
| Trade and other payables | | **(11.0)** | (8.2) |
| Liabilities in relation to joint ventures | 15 | **(1.1)** | (1.8) |
| Post-employment benefit obligations | | **(123.2)** | (118.7) |
| Decommissioning & restoration provisions | | **(498.0)** | (391.2) |
| Deferred tax liabilities | | **(1,112.8)** | (1,105.2) |
| | | **(4,897.5)** | (3,660.5) |
| **Total liabilities** | | **(6,523.2)** | (5,209.4) |
| **Net assets** | | **10,081.1** | 9,401.0 |
| **Equity** | | | |
| Share capital | 22 | **89.8** | 89.8 |
| Share premium | 22 | **199.2** | 199.2 |
| Other reserves | 23 | **(30.6)** | (18.1) |
| Retained earnings | 23 | **7,492.2** | 7,112.8 |
| **Equity attributable to equity holders of the Company** | | **7,750.6** | 7,383.7 |
| Non-controlling interests | | **2,330.5** | 2,017.3 |
| **Total equity** | | **10,081.1** | 9,401.0 |

The preliminary information was approved by the Board of Directors on 15 March 2021.

# Consolidated Cash Flow Statement

| | Notes | At 31.12.2020 $m | At 31.12.2019 $m |
|---|---|---|---|
| **Cash flows from operations** | **24** | **2,431.1** | 2,570.7 |
| Interest paid | | **(52.7)** | (76.3) |
| Income tax paid | | **(319.7)** | (403.6) |
| **Net cash generated from operating activities** | | **2,058.7** | 2,090.8 |
| **Investing activities** | | | |
| Capital contributions and loan to associates and joint ventures | **15** | **(7.2)** | (1.8) |
| Dividends from associates | **15** | **-** | 58.0 |
| Acquisition of mining properties | | **(1.5)** | (5.2) |
| Proceeds from sale of property, plant and equipment | | **0.8** | 1.9 |
| Purchases of property, plant and equipment | | **(1,305.9)** | (1,073.6) |
| Net increase in liquid investments | **25** | **(886.3)** | (676.5) |
| Interest received | | **12.6** | 41.0 |
| **Net cash used in** | | **(2,187.5)** | (1,656.2) |
| **Financing activities** | | | |
| Dividends paid to equity holders of the Company | | **(131.1)** | (470.3) |
| Dividends paid to preference shareholders of the Company | | **(0.1)** | (0.1) |
| Dividends paid to non-controlling interests | | **(280.0)** | (400.0) |
| Capital increase from non-controlling interest[1] | | **210.0** | - |
| Proceeds from issue of new borrowings | **25** | **2,398.6** | 741.4 |
| Repayments of borrowings | **25** | **(1,393.8)** | (588.1) |
| Repayments of lease obligations | **25** | **(86.5)** | (92.5) |
| **Net cash generated from/(used in) financing activities** | | **717.1** | (809.6) |
| Net increase / (decrease) in cash and cash equivalents | **25** | **588.3** | (375.0) |
| **Cash and cash equivalents at beginning of the period** | | **653.7** | 1,034.4 |
| Net increase / (decrease) in cash and cash equivalents | **25** | **588.3** | (375.0) |
| Effect of foreign exchange rate changes | **25** | **4.8** | (5.7) |
| **Cash and cash equivalents at end of the period** | **25** | **1,246.8** | 653.7 |

1. A capital contribution of $210 million was received from Marubeni, the minority partner at Antucoya, in order to replace part of Antucoya's subordinated debt financing with equity (see Notes 18).

# Notes

## 1. General information and accounting policies

### a) General information

This preliminary results announcement is for the year ended 31 December 2020. While the financial information contained in this preliminary results announcement has been prepared in accordance with International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS. For these purposes, IFRS comprise the Standards issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRS IC") and means that the financial information contained in this preliminary results announcement has been prepared in accordance with both international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Group will send its full financial statements that comply with IFRS to shareholders in April 2021.

The financial information contained in this preliminary results announcement has been prepared on the going concern basis.

**Going concern**

The Group's business activities, together with those factors likely to affect its future performance, are set out in the Directors' Comments, and in particular within the Review of Operations. Details of the cash flows of the Group during the period, along with its financial position at the period-end, are set out in the Financial Review. The financial information contained in this preliminary results announcement includes details of the Group's cash, cash equivalents and liquid investment balances in Note 25, and details of borrowings are set out in Note 18.

When assessing the going concern status of the Group the Directors have considered in particular its financial position, including its significant balance of cash, cash equivalents and liquid investments and the borrowing facilities in place, including their terms and remaining durations. The Group had a strong financial position as at 31 December 2020, with combined cash, cash equivalents and liquid investments of $3,672.8 million. Total borrowings were $3,754.8 million, resulting in a net debt position of just $82.0 million. Of the total borrowings, only 16% is repayable within one year, and 14% repayable between one and two years. 43% of the borrowings are repayable after more than 5 years.

When assessing the prospects of the Group, the Directors have considered the Group's copper price forecasts, the Group's expected production levels, operating cost profile, capital expenditure and financing plans. This analysis has focused on the existing asset base of the Group, without factoring in potential development projects, which is considered appropriate for an assessment of the Group's ability to manage the impact of a depressed economic environment. The analysis has only included the draw-down of existing committed borrowing facilities, and has not assumed that any new borrowing facilities will be put in place. The Directors have assessed the principal risks which could impact the prospects of the Group over the going concern period and consider the most relevant to be risks to the copper price outlook. Robust down-side sensitivity analyses have been performed, assessing the impact of:

- A significant deterioration in the copper price outlook over the going concern period;
- A shut-down of the Group's operations for several months as the result of COVID-19 related issues; and
- The occurrence of several of the Group's most significant potential risks within a single year, such as temporary shut-downs or operational disruption due to issues such as labour strikes or water availability.

These stress-tests all indicated results which could be managed in the normal course of business. Based on their assessment of the Group's prospects and viability, the Directors have formed a judgement, at the time of approving the financial statements, that there are no material uncertainties that cast doubt on the Group's going concern status and that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. The Directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing its financial statements.

**Preliminary results announcement**

This preliminary results announcement does not constitute the Group's statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act") but is derived from those accounts. The statutory accounts for the year ended 31 December 2020 have been approved by the Board and will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 12 May 2021. The auditor has reported on those accounts and their report was unqualified, with no matters by way of emphasis, and did not contain statements under section 498(2) of the Act (regarding adequacy of accounting records and returns) or under section 498(3) (regarding provision of necessary information and explanations).

The information contained in this announcement for the year ended 31 December 2019 also does not constitute statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, with no matters by way of emphasis, and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

The information contained in Notes 30, 31 and 32 of this preliminary results announcement is not derived from the statutory accounts for the years ended 31 December 2020 and 2019 and is accordingly not covered by the auditor's reports.

### b) Adoption of new accounting standards

**Other accounting standards**

The following accounting standards, amendments and interpretations became effective in the current reporting period but the application of these standards and interpretations had no material impact on the amounts reported in these condensed consolidated financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Covid-19-Related Rent Concessions (Amendment to IFRS 16)

### c) Accounting standards issued but not yet effective

The following accounting standards, interpretations and amendments have been issued by the IASB, but are not yet effective:

| **New Standards** | **Effective date (Subject to EU endorsement)** |
|---|---|
| IFRS 17, Insurance Contracts | Annual periods beginning on or after January 1, 2023 |
| **Amendments to IFRSs** | **Effective date (Subject to EU endorsement)** |
| Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) | Annual periods beginning on or after January 1, 2023 |
| Reference to the Conceptual Framework (Amendments to IFRS 3) | Annual periods beginning on or after January 1, 2022 |
| Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16) | Annual periods beginning on or after January 1, 2022 |
| Onerous Contract – Cost of Fulfilling a Contract (Amendments to IAS 37) | Annual periods beginning on or after January 1, 2022 |
| Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) | Annual periods beginning on or after January 1, 2022 |

The item which is expected to have most relevance to the Group is the amendment to *IAS 16 Property, Plant and Equipment – Proceeds before intended use*. Currently the Group deducts amounts received from the sale of products during the initial ramp-up of new projects, before commercial production is achieved, from the capital cost of the project. Under the amendment to IAS 16 such amounts will instead be recognised as revenue in the income statement along with a corresponding allocation of related operating expenses, which is likely to result in increased revenue and operating expenses and a higher initial capitalised amount.

## 2. Total profit from operations, associates and joint ventures

| | **Year ended 31.12.2020** | Year ended 31.12.2019 |
|---|---|---|
| | **\$m** | \$m |
| **Revenue** | **5,129.3** | 4,964.5 |
| Cost of sales | **(2,857.9)** | (2,963.6) |
| **Gross profit** | **2,272.4** | 2,000.9 |
| Administrative and distribution expenses | **(484.6)** | (445.9) |
| Other operating income | **27.0** | 28.4 |
| Other operating expenses | **(222.6)** | (207.6) |
| **Operating profit from subsidiaries** | **1,592.2** | 1,375.8 |
| Net share of results from associates and joint ventures | **5.1** | 24.4 |
| Impairment of investment in associate | **(80.8)** | - |
| **Total profit from operations, associates and joint ventures** | **1,516.5** | 1,400.2 |

Other operating expenses comprise $85.0 million of exploration and evaluation expenditure (2019 - $111.0 million), $17.9 million in respect of the employee severance provision (2019 - $24.8 million), $45.2 million in respect of the closure provision (2019 - $2.8 million credit) and $74.5 million of other expenses (2019 - $74.5 million).

## 3. Exceptional items

Exceptional items are material items of income and expense which are non-regular or non-operating and typically non-cash movements.

On 31 March 2020 the Group agreed to dispose of its 40% interest in Hornitos coal-fired power station to ENGIE Energía Chile S.A. ("ENGIE"), the owner of the remaining 60% interest. This was part of the value accretive renegotiation of Centinela's power purchase agreement which as a result will be wholly supplied from lower cost renewable sources from 2022. Under the terms of the agreement the Group will dispose of its investment to Engie in 2021 for a nominal consideration, and will not be entitled to receive any further dividend income from Hornitos from the date of the agreement. Accordingly, the Group no longer has any effective economic interest in the results or assets of Hornitos from 31 March 2020 onwards, and has therefore recognised an impairment of $80.8 million in respect of its investment in associate balance, and will no longer recognise any share of Hornitos' results. The post-tax impact of the impairment is $61.1 million, of which $40.2 million is attributable to the equity owners of the Company.

There were no exceptional items in 2019.

## 4. Asset sensitivities

Based on an assessment of both qualitative and quantitative factors, there were no indicators of potential impairment, or reversal of previous impairments, for the Group's non-current assets associated with its mining operations at the 2020 year-end, and accordingly no impairment reviews have been performed. The quantitative element of the trigger assessment provides an indication of what the approximate recoverable amount of the Group's operations would be, were a full impairment test under IAS 36 to be performed. In order to provide an indication of the sensitivities of the approximate recoverable amount of the Group's mining operations, a sensitivity analysis has been performed on the preliminary valuation, prepared as part of the Group's impairment indicator analysis.

The COVID-19 situation is not expected to have a relevant negative impact on the future production, operating expenses or capital projects of the Group's mining operations.

If a full IAS 36 impairment test were to be prepared, which was not the case as at 31 December 2020, the recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal reflects the net amount the Group would receive from the sale of the asset in an orderly transaction between market participants. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued use, further development or eventual disposal of the asset. Value in use reflects the expected present value of the future cash flows which the Group would generate through the operation of the asset in its current condition, without taking into account potential enhancements or further development of the asset. The fair value less costs of disposal valuation will normally be higher than the value in use valuation, and accordingly the Group typically applies this valuation estimate in its impairment or valuation assessments.

This impairment indicator valuation exercise demonstrated positive headroom for all of the Group's mining operations, with the recoverable amount of the assets in excess of their carrying value.

The assumption to which the value of the assets is most sensitive is the future copper price. The copper price forecasts (representing the Group's estimates of the assumptions that would be used by independent market participants in valuing the assets) are based on the forward curve for the short term and consensus analyst forecasts including both investment banks and commodity consultants for the longer term. A long-term copper price of $3.10/lb has been used in the base valuations used in the impairment indicator assessment. As an additional down-side sensitivity a valuation was performed with a long-term copper price of $2.90 /lb, reflecting the lower quartile price in the consensus of analyst forecasts used when assessing the appropriate long-term price. Los Pelambres, Centinela, and Zaldívar still showed a positive headroom in this alternative down-side scenario, however the Antucoya valuation indicated a potential deficit of approximately $15 million. This was a simple sensitivity exercise, looking at an illustrative change in the forecast long-term copper price in isolation. In reality, a deterioration in the long-term copper price environment is likely to result in corresponding improvements in a range of input cost factors. In particular, given that copper exports account for over 50% of Chile's exports, movements in the US dollar/Chilean peso exchange rate are highly correlated to the copper price, and a decrease in the copper price is likely to result in a weakening of the Chilean peso, with a resulting reduction in the Group's operating costs and capital expenditure. These likely cost reductions, as well as potential operational changes which could be made in a weaker copper price environment, could partly mitigate the impact of the lower copper price modelled in these estimated potential sensitivities.

In addition to the future copper price, the valuations are sensitive to the assumptions in respect of the discount rate used to determine the present value of the future cash flows, future operating costs, sustaining and development capital expenditure, and the US dollar/Chilean peso exchange rate. As an additional down-side sensitivity a valuation was performed with a 10% stronger long-term Chilean peso exchange rate assumption. Los Pelambres, Centinela, Antucoya and Zaldívar all still showed a positive headroom in this alternative down-side scenario. A real post-tax discount rate of 8% has been used in determining the present value of the forecast future cash flow from the assets as part of the impairment indicator assessment.

**Climate change aspects relevant to asset sensitivities**

The Group is undertaking on-going work to assess and reduce the Group's exposure to climate risks, in line with the TCFD framework. During 2020 the Group conducted an initial qualitative assessment of the potential risks and opportunities and likely business impacts under two climate change scenarios, and during 2021 will select the most material risks and opportunities to undergo a quantitative scenario analysis in order to estimate in more detail the potential operational and financial impact to our operations. The following section provides a high-level summary of the way in which climate change related factors could be relevant to the sensitivities of the values of the Group's mining operations, based on the Group's existing analysis.

Relevant aspects of the Group's operations

The following aspects of the Group's mining operations are particularly relevant when looking at the potential impacts of climate change on the operational performance and value of the Group's mining operations:

- The Group's mining business is focused on copper. The transition to a low-carbon economy requires many carbon reduction measures with two major drivers being the increased demand for renewable energy and the electrification of transportation systems. As copper is a primary component in these technologies, this is expected to have a positive impact on copper demand in the medium- to long-term.

- The Group has been working to eliminate its involvement with coal-fired electricity generation. The Group has electricity supply contracts in place which mean that from 2022 all of the mining operations' electricity supply will be from renewable sources.

  The Group has also held a 40% interest in the Hornitos coal-fired power station in northern Chile. In March 2020 the Group agreed to dispose of this interest, recognising a full impairment of the carrying value of this investment.

- The Group's sensitivity analysis has identified an increased risk of drought in the Coquimbo region where Los Pelambres is situated as one of the principal potential climate related physical risks for the Group. In the Atacama region where Antucoya, Centinela and Zaldívar are situated, water scarcity has always been acute and is expected to remain so. The Group has been focused on reducing its use of continental fresh water for a number of years, through the use of sea water and maximising the level of recycling of water in its operations. Centinela and Antucoya were designed to operate entirely with raw (i.e. non-desalinated) sea water. Los Pelambres is currently constructing a desalination plant, and by 2025 this will result in 95% of its water usage coming from desalinated sea water or recycled water. Zaldívar has submitted an Environmental Impact Assessment for an extension of its mine life to 2031 and this includes an application to extend the mine's water extraction rights from 2025, when they currently expire.

Relevant aspects of the asset sensitivity and valuation analysis

The nature of the asset sensitivity and valuation analysis described above means that some level of assessment of potential future climate-related risks should effectively already be incorporated into a number of the key assumptions used in this analysis. As explained above, the Group typically uses a "fair value less cost to dispose" methodology when performing this analysis, which reflects the price the Group could expect to receive from the sale of the asset to an external market participant. Accordingly, the Group uses assumptions which an external market participant could reasonably be expected to use when valuing the asset. Therefore, where possible the Group uses assumptions which are supported by external market data – in particular, in respect of the forecasts for the future copper price, the future US dollar / Chilean peso exchange rate and the discount rate. This market data should reflect the market's current best estimate of the risks and opportunities impacting, for example, the future copper price or comparable mining assets etc – including within those overall risks and opportunities the market's current assessment of the probable impact of climate-related factors.

## 5. Segmental analysis

The Group's reportable segments are as follows:

- Los Pelambres
- Centinela
- Antucoya
- Zaldívar
- Exploration and evaluation
- Corporate and other items
- Transport division

For management purposes, the Group is organised into two business divisions based on their products – Mining and Transport. The mining division is split further for management reporting purposes to show results by mine and exploration activity. Los Pelambres produces primarily copper concentrate and molybdenum as a by-product. Centinela produces copper concentrate containing gold as a by-product, molybdenum concentrates and copper cathodes. Antucoya and Zaldívar produce copper cathodes. The transport division provides rail and road cargo transport together with a number of ancillary services. All the operations are based in Chile. The Exploration and evaluation segment incurs exploration and evaluation expenses. "Corporate and other items" comprises costs incurred by the Company, Antofagasta Minerals S.A., the Group's mining corporate centre and other entities, that are not allocated to any individual business segment. Consistent with its internal management reporting, the Group's corporate and other items are included within the mining division.

The Chief Operating decision-maker monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on the operating profit of each of the segments.

## a) Segment revenues and results

**For the year ended 31.12.2020**

| | Los Pelambres | Centinela | Antucoya | Zaldívar | Exploration and evaluation[2] | Corporate and other items | **Total Mining** | **Transport division** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| | $m | $m | $m | $m | $m | $m | **$m** | **$m** | **$m** |
| Revenue | 2,655.1 | 1,844.5 | 480.3 | - | - | - | **4,979.9** | 149.4 | **5,129.3** |
| Operating costs excluding depreciation | (992.1) | (932.8) | (314.5) | - | (85.1) | (66.2) | **(2,390.7)** | (91.4) | **(2,482.1)** |
| Depreciation and amortisation | (252.6) | (662.9) | (94.6) | - | - | (7.8) | **(1,017.9)** | (30.8) | **(1,048.7)** |
| Loss on disposals | (2.5) | (1.8) | - | - | - | - | **(4.3)** | (2.0) | **(6.3)** |
| **Operating profit/(loss)** | 1,407.9 | 247.0 | 71.2 | - | (85.1) | (74.0) | **1,567.0** | 25.2 | **1,592.2** |
| Equity accounting profit /(loss) | - | - | - | 12.2 | - | (6.5) | 5.7 | (0.6) | 5.1 |
| Impairment of investment in associate[3] | - | (95.6) | - | - | - | - | (95.6) | 14.8 | (80.8) |
| **Net share of results from associates and joint ventures** | - | (95.6) | - | 12.2 | - | (6.5) | **(89.9)** | 14.2 | (75.7) |
| Investment income | 4.7 | 4.3 | 0.8 | - | - | 9.0 | 18.8 | 0.1 | 18.9 |
| Interest expense | (4.3) | (24.9) | (25.5) | - | - | (20.7) | (75.4) | (1.7) | (77.1) |
| Other finance items | (26.0) | (13.7) | (4.0) | - | - | (5.5) | (49.2) | 4.0 | (45.2) |
| **Profit/(loss) before tax** | 1,382.3 | 117.1 | 42.5 | 12.2 | (85.1) | (97.7) | **1,371.3** | 41.8 | **1,413.1** |
| Tax | (435.8) | (23.0) | (0.3) | - | - | (59.2) | **(518.3)** | (8.2) | **(526.5)** |
| **Profit/(loss) for the year from continuing operations** | **946.5** | **94.1** | **42.2** | **12.2** | **(85.1)** | **(156.9)** | **853.0** | **33.6** | **886.6** |
| Profit for the period from discontinued operations | - | - | - | - | - | 7.3 | **7.3** | - | **7.3** |
| **Profit/(loss) for the year** | **946.5** | **94.1** | **42.2** | **12.2** | **(85.1)** | **(149.6)** | **860.3** | **33.6** | **893.9** |
| Non-controlling interests | 371.5 | 12.9 | 3.1 | - | - | - | **387.5** | - | **387.5** |
| **Profit/(loss) for the period attributable to owners of the parent** | 575.0 | 81.2 | 39.1 | 12.2 | (85.1) | (149.6) | **472.8** | 33.6 | **506.4** |
| **EBITDA[1]** | 1,663.0 | 911.7 | 165.8 | 95.5 | (85.1) | (72.7) | **2,678.2** | 61.0 | **2,739.2** |
| **Additions to non-current assets** | | | | | | | | | |
| Capital expenditure | 827.3 | 441.8 | 44.6 | - | - | 8.4 | **1,322.1** | 26.2 | **1,348.3** |
| **Segment assets and liabilities** | | | | | | | | | |
| Segment assets | 5,475.9 | 5,898.8 | 1,641.5 | - | - | 2,286.8 | **15,303.1** | 386.5 | **15,689.7** |
| Investments in associates and joint ventures | - | - | - | 909.0 | - | - | **909.0** | 5.6 | **914.6** |
| Segment liabilities | (2,700.1) | (1,823.2) | (702.5) | - | - | (1,202.6) | **(6,428.4)** | (94.8) | **(6,523.2)** |

[1] EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA is calculated by adding back depreciation, amortisation, profit or loss on disposals and impairment charges to operating profit. This comprises 100% of the EBITDA from the Group´s subsidiaries, and the Group´s proportional share of the EBITDA of its associates and joint ventures.
[2] Operating cash outflow in the exploration and evaluation segment was $43.1 million
[3] On 31 March 2020 the Group agreed to dispose of its 40% interest in Hornitos coal-fired power station to ENGIE Energía Chile S.A. ("ENGIE"), the owner of the remaining 60% interest. This has resulted in a $80.8 million impairment in respect of the Group's investment in associate balance.

**For the year ended 31 December 2019**

| | Los Pelambres | Centinela | Antucoya | Zaldívar | Exploration and evaluation[2] | Corporate and other items | **Total Mining** | **Transport division** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| | $m | $m | $m | $m | $m | $m | **$m** | **$m** | **$m** |
| Revenue | 2,363.9 | 2,007.9 | 432.2 | - | - | - | **4,804.0** | 160.5 | **4,964.5** |
| Operating costs excluding depreciation | (979.8) | (1,048.4) | (345.9) | - | (111.1) | (70.8) | **(2,556.0)** | (105.7) | **(2,661.7)** |
| Depreciation and amortisation | (258.5) | (532.2) | (92.2) | - | - | (7.9) | **(890.8)** | (23.5) | **(914.3)** |
| Loss on disposals | (10.5) | (1.5) | - | - | - | - | **(12.0)** | (0.7) | **(12.7)** |
| **Operating profit/(loss)** | 1,115.1 | 425.8 | (5.9) | - | (111.1) | (78.7) | **1,345.2** | 30.6 | **1,375.8** |
| Equity accounting profit /(loss) | - | - | - | 15.5 | - | (2.5) | 13.0 | 11.4 | 24.4 |
| Investment income | 11.1 | 7.9 | 1.4 | - | - | 26.2 | 46.6 | 0.5 | 47.1 |
| Interest expense | (7.7) | (36.5) | (42.7) | - | - | (21.7) | (108.6) | (2.5) | (111.1) |
| Other finance items | 8.8 | 3.4 | (0.5) | - | - | 1.8 | 13.5 | (0.5) | 13.0 |
| **Profit/(loss) before tax** | 1,127.3 | 400.6 | (47.7) | 15.5 | (111.1) | (74.9) | **1,309.7** | 39.5 | **1,349.2** |
| Tax | (341.4) | (88.5) | (0.2) | - | - | (68.2) | **(498.3)** | (7.8) | **(506.1)** |
| **Profit/(loss) for the year from continuing operations** | 785.9 | 312.1 | (47.9) | 15.5 | (111.1) | (143.1) | **811.4** | 31.7 | **843.1** |
| Non-controlling interests | (309.0) | (69.4) | 36.7 | - | - | - | **(341.7)** | - | **(341.7)** |
| **Profit/(loss) for the year attributable to owners of the parent** | **476.9** | **242.7** | **(11.2)** | **15.5** | **(111.1)** | **(143.1)** | **469.7** | **31.7** | **501.4** |
| **EBITDA[1]** | **1,384.1** | **959.5** | **86.3** | **112.6** | **(111.1)** | **(73.3)** | **2,358.1** | **80.8** | **2,438.9** |
| **Additions to non-current assets** | | | | | | | | | |
| Capital expenditure | 573.0 | 535.9 | 43.0 | - | - | 16.0 | **1,167.9** | 68.6 | **1,236.5** |
| **Segment assets and liabilities** | | | | | | | | | |
| Segment assets | 4,251.2 | 5,792.2 | 1,647.1 | - | - | 1,548.8 | **13,239.3** | 346.3 | **13,585.6** |
| Investment in associates and joint ventures | - | - | - | 961.8 | - | - | **961.8** | 63.0 | **1,024.8** |
| Segment liabilities | (1,696.7) | (1,789.6) | (933.3) | - | - | (694.0) | **(5,113.6)** | (95.8) | **(5,209.4)** |

[1]EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA is calculated by adding back depreciation, amortisation, profit or loss on disposals and impairment charges to operating profit. This comprises 100% of the EBITDA from the Group´s subsidiaries, and the Group´s proportional share of the EBITDA of its associates and joint ventures.
[2]Operating cash outflow in the exploration and evaluation segment was $43.0 million

## b) Entity wide disclosures

### Revenue by product[1]

| | Year ended 31.12.2020 $m | Year ended 31.12.2019 $m |
|---|---|---|
| **Copper** | | |
| - Los Pelambres | **2,323.6** | 2,009.1 |
| - Centinela concentrates | **940.4** | 1,137.7 |
| - Centinela cathodes | **603.9** | 504.4 |
| - Antucoya | **480.3** | 432.2 |
| **Gold** | | |
| - Los Pelambres | **106.4** | 75.2 |
| - Centinela | **251.3** | 332.5 |
| **Molybdenum** | | |
| - Los Pelambres | **181.8** | 249.0 |
| - Centinela | **27.7** | 5.6 |
| **Silver** | | |
| - Los Pelambres | **43.3** | 30.7 |
| - Centinela | **21.2** | 27.6 |
| **Total Mining** | **4,979.9** | 4,804.0 |
| **Transport division** | **149.4** | 160.5 |
| | **5,129.3** | 4,964.5 |

### Revenue by location of customer[1]

| | Year ended 31.12.2020 $m | Year ended 31.12.2019 $m |
|---|---|---|
| **Europe** | | |
| - United Kingdom | **123.3** | 152.3 |
| - Switzerland | **593.5** | 612.4 |
| - Spain | **29.3** | 158.0 |
| - Germany | **116.4** | 102.7 |
| - Rest of Europe | **92.3** | 85.0 |
| **Latin America** | | |
| - Chile | **224.4** | 213.8 |
| - Rest of Latin America | **182.0** | 95.3 |
| **North America** | | |
| - United States | **216.5** | 88.9 |
| **Asia Pacific** | | |
| - Japan | **1,631.1** | 1,561.5 |
| - China | **531.4** | 517.2 |
| - Singapore | **667.5** | 692.1 |
| - South Korea | **353.4** | 371.2 |
| - Hong Kong | **235.7** | 171.0 |
| - Rest of Asia | **132.5** | 143.1 |
| | **5,129.3** | 4,964.5 |

1 Figures include both revenue from the sale of products and the associated income from the provision of shipping services.

**Information about major customers**

In the year ended 31 December 2020 the Group´s mining revenue included $763.4 million related to one large customer that individually accounted for more than 10% of the Group's revenue (year ended 31 December 2019 – one large customer representing $711.9 million).

**Non-current assets by location of asset**

| | **Year ended 31.12.2020** | Year ended 31.12.2019 Restated |
|---|---|---|
| | **$m** | $m |
| - Chile | **11,092.7** | 10,818.0 |
| - USA | **178.3** | 176.9 |
| - Other | **-** | 0.1 |
| | **11,271.0** | 10,995.0 |

The above amounts reflect non-current assets excluding financial assets (in particular, derivative financial instruments) and deferred tax assets. The prior period comparatives have been restated to exclude financial assets and deferred tax assets, resulting in a reduction in respect of the assets located in Chile of $9.9 million as at 31 December 2019.

## 6. Revenue

Copper and molybdenum concentrate sale contracts and copper cathode sale contracts generally provide for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average London Metal Exchange copper price or monthly average molybdenum price for specified future periods. This normally ranges from one to four months after shipment to the customer. For sales contracts which contains provisional pricing mechanisms the total receivable balance is measured at fair value through profit or loss. Gains and losses from the mark-to-market of open sales are recognised through adjustments to revenue in the income statement and to trade receivables in the balance sheet. The Group determines mark-to-market prices using forward prices at each period end for copper concentrate and cathode sales, and period-end average prices for molybdenum concentrate sales due to the absence of a futures market in the market price references for that commodity in the majority of the Group's contracts.

The Group sells a significant proportion of its products on Cost, Insurance & Freight (CIF) Incoterms, which means that the Group is responsible for shipping the product to a destination port specified by the customer. The shipping service represents a separate performance obligation, and is recognised separately from the sale of the material over time as the shipping service is provided.

The total revenue from contracts with customers and the impact of provisional pricing adjustments in respect of concentrate and cathode sales is as follows:

| | **Year ended 31.12.2020** | Year ended 31.12.2019 |
|---|---|---|
| | **$m** | $m |
| Revenue from contracts with customers | | |
| Sale of products | **4,617.3** | 4,693.4 |
| Provision of shipping services associated with the sale of products | **95.4** | 92.9 |
| Transport services | **149.4** | 160.5 |
| Provisional pricing adjustments in respect of copper, gold and molybdenum | **267.2** | 17.7 |
| Total revenue | **5,129.3** | 4,964.5 |

The categories of revenue which are principally affected by different economic factors are the individual product types. A summary of revenue by product is set out in Note 5.

In addition to mark-to-market and final pricing adjustments, revenue also includes realised gains and losses relating to derivative commodity instruments. Details of these realised gains or losses are shown in the tables that follow.

Copper, gold and molybdenum concentrate sales are stated net of deductions for tolling charges, as shown in the tables that follow.

## For the year ended 31 December 2020[1]

| | $m | $m | $m | $m | $m | $m | $m | $m |
|---|---|---|---|---|---|---|---|---|
| | Los Pelambres | Centinela | Centinela | Antucoya | Los Pelambres | Centinela | Los Pelambres | Los Pelambres |
| | Copper concentrate | Copper concentrate | Copper cathodes | Copper cathodes | Gold in concentrate | Gold in concentrate | Molybdenum concentrate | Molybdenum concentrate |
| **Provisionally invoiced gross sales** | **2,256.7** | **949.3** | **594.8** | **474.8** | **104.9** | **250.6** | **205.0** | **31.6** |
| **Effects of pricing adjustments to previous year invoices** | | | | | | | | |
| Reversal of mark-to-market adjustments at the end of the previous year | **(29.1)** | **(15.2)** | **(0.4)** | **(0.4)** | **-** | **(1.2)** | **0.4** | **-** |
| Settlement of sales invoiced in the previous year | **(43.6)** | **(18.7)** | **(0.3)** | **(0.3)** | **0.2** | **3.7** | **(1.5)** | **(0.2)** |
| **Total effect of adjustments to previous year invoices in the current period** | **(72.7)** | **(33.9)** | **(0.7)** | **(0.7)** | **0.2** | **2.5** | **(1.1)** | **(0.2)** |
| **Effects of pricing adjustments to current period invoices** | | | | | | | | |
| Settlement of sales invoiced in the current period | **194.6** | **67.0** | **11.2** | **7.8** | **1.5** | **(2.0)** | **4.6** | **2.1** |
| Mark-to-market adjustments at the end of the current period | **58.7** | **26.8** | **(0.1)** | **0.5** | **-** | **0.9** | **(0.2)** | **0.3** |
| **Total effect of adjustments to current period invoices** | **253.3** | **93.8** | **11.1** | **8.3** | **1.5** | **(1.1)** | **4.4** | **2.4** |
| **Total pricing adjustments** | **180.6** | **59.9** | **10.4** | **7.6** | **1.7** | **1.4** | **3.3** | **2.2** |
| **Realised losses on commodity derivatives** | **-** | **-** | **(1.3)** | **(2.1)** | **-** | **-** | **-** | **-** |
| **Revenue before deducting tolling charges** | **2,437.3** | **1,009.2** | **603.9** | **480.3** | **106.6** | **252.0** | **208.3** | **33.8** |
| **Tolling charges** | **(113.6)** | **(68.8)** | **-** | **-** | **(0.2)** | **(0.7)** | **(26.5)** | **(6.1)** |
| **Revenue net of tolling charges** | **2,323.7** | **940.4** | **603.9** | **480.3** | **106.4** | **251.3** | **181.8** | **27.7** |

The revenue from the individual products shown in the above table is reconciled to total revenue in Note 5.

[1]Figures include both revenue from the sale of products and the associated income from the provision of shipping services.

## For the year ended 31 December 2019[1]

| | Los Pelambres | Centinela | Centinela | Antucoya | Los Pelambres | Centinela | Los Pelambres | Centinela |
|---|---|---|---|---|---|---|---|---|
| | Copper concentrate | Copper concentrate | Copper cathodes | Copper cathodes | Gold in concentrate | Gold in concentrate | Molybdenum concentrate | Molybdenum concentrate |
| | $m | $m | $m | $m | $m | $m | $m | $m |
| **Provisionally invoiced gross sales** | **2,144.9** | **1,222.3** | **506.1** | **434.8** | **76.2** | **325.3** | **298.1** | **7.4** |
| **Effects of pricing adjustments to previous year invoices** | | | | | | | | |
| Reversal of mark-to-market adjustments at the end of the previous year | 23.6 | 9.5 | 0.7 | 0.7 | - | (0.7) | (0.7) | - |
| Settlement of sales invoiced in the previous year | 0.3 | 9.9 | (1.0) | (0.9) | (1.3) | 1.4 | (8.4) | - |
| **Total effect of adjustments to previous year invoices in the current period** | **23.9** | **19.4** | **(0.3)** | **(0.2)** | **(1.3)** | **0.7** | **(9.1)** | **-** |
| **Effects of pricing adjustments to current period invoices** | | | | | | | | |
| Settlement of sales invoiced in the current period | (41.3) | (14.6) | (1.8) | (2.9) | 0.5 | 6.4 | (7.0) | (0.8) |
| Mark-to-market adjustments at the end of the current period | 29.1 | 15.2 | 0.4 | 0.4 | - | 1.2 | (0.4) | - |
| **Total effect of adjustments to current period invoices** | **(12.2)** | **0.6** | **(1.4)** | **(2.5)** | **0.5** | **7.6** | **(7.4)** | **(0.8)** |
| **Total pricing adjustments** | **11.7** | **20.0** | **(1.7)** | **(2.7)** | **(0.8)** | **8.3** | **(16.5)** | **(0.8)** |
| **Realised losses on commodity derivatives** | **-** | **-** | **-** | **0.1** | **-** | **-** | **-** | **-** |
| **Revenue before deducting tolling charges** | **2,156.6** | **1,242.3** | **504.4** | **432.2** | **75.4** | **333.6** | **281.6** | **6.6** |
| **Tolling charges** | **(147.5)** | **(104.6)** | **-** | **-** | **(0.2)** | **(1.1)** | **(32.6)** | **(1.0)** |
| **Revenue net of tolling charges** | **2,009.1** | **1,137.7** | **504.4** | **432.2** | **75.2** | **332.5** | **249.0** | **5.6** |

The revenue from the individual products shown in the above table is reconciled to total revenue in Note 5.

[1]Figures include both revenue from the sale of products and the associated income from the provision of shipping services.

(i) ***Copper concentrate***

The typical period for which sales of copper concentrate remain open until settlement occurs is a range of approximately three to four months from shipment date.

| | | **At 31.12.2020** | At 31.12.2019 |
|---|---|---|---|
| Open sales | Tonnes | **162,300** | 158,600 |
| Average mark-to-market price | $/lb | **3.52** | 2.81 |
| Average provisional invoice price | $/lb | **3.28** | 2.68 |

***(ii) Copper cathodes***

The typical period for which sales of copper cathodes remain open until settlement occurs is approximately one month from shipment date.

| | | **At 31.12.2020** | At 31.12.2019 |
|---|---|---|---|
| Open sales | Tonnes | **13,800** | 12,000 |
| Average mark-to-market price | $/lb | **3.52** | 2.80 |
| Average provisional invoice price | $/lb | **3.50** | 2.77 |

***(iii) Gold in concentrate***

The typical period for which sales of gold in concentrate remain open until settlement is approximately one month from shipment date.

| | | **At 31.12.2020** | At 31.12.2019 |
|---|---|---|---|
| Open sales | Ounces | **16,300** | 21,200 |
| Average mark-to-market price | $/oz | **1,917** | 1,542 |
| Average provisional invoice price | $/oz | **1,861** | 1,485 |

***(iv) Molybdenum concentrate***

The typical period for which sales of molybdenum remain open until settlement is approximately two months from shipment date.

| | | **At 31.12.2020** | At 31.12.2019 |
|---|---|---|---|
| Open sales | Tonnes | **2,000** | 1,900 |
| Average mark-to-market price | $/lb | **9.34** | 9.20 |
| Average provisional invoice price | $/lb | **9.38** | 9.30 |

As detailed above, the effects of gains and losses from the marking-to-market of open sales are recognised through adjustments to revenue in the income statement and to trade receivables in the balance sheet. The effect of mark-to-market adjustments on the balance sheet at the end of each period are as follows:

| | **Gain/(loss) on debtors of period end mark-to-market adjustments** | |
|---|---|---|
| | **Year ended 31.12.2020** | Year ended 31.12.2019 |
| | **$m** | $m |
| Los Pelambres - copper concentrate | **58.7** | 29.1 |
| Los Pelambres - molybdenum concentrate | **(0.2)** | (0.4) |
| Centinela - copper concentrate | **26.8** | 15.2 |
| Centinela - molybdenum concentrate | **0.3** | - |
| Centinela - gold in concentrate | **0.9** | 1.2 |
| Centinela - copper cathodes | **(0.1)** | 0.4 |
| Antucoya - copper cathodes | **0.5** | 0.4 |
| | **86.9** | 45.9 |

# 7. Financial instruments

## a) Categories of financial instruments

The carrying value of financial assets and financial liabilities is shown below:

| For the year ended 31.12.2020 | At fair value through profit and loss | At fair value through other comprehensive income | Held at amortised cost | **Total** |
|---|---|---|---|---|
| | **$m** | **$m** | **$m** | **$m** |
| *Financial assets* | | | | |
| Derivative financial assets | 1.4 | - | - | **1.4** |
| Equity investments | - | 11.1 | - | **11.1** |
| Loans and receivables | 808.0 | - | 184.6 | **992.6** |
| Cash and cash equivalents | - | - | 1,246.8 | **1,246.8** |
| Liquid investments | 2,426.0 | - | - | **2,426.0** |
| | **3,235.4** | **11.1** | **1,431.4** | **4,677.9** |
| *Financial liabilities* | | | | |
| Derivative financial liabilities | (37.4) | - | - | **(37.4)** |
| Trade and other payables | (0.3) | - | (815.8) | **(816.1)** |
| Borrowings and leases | - | - | (3,754.8) | **(3,754.8)** |
| | **(37.7)** | **-** | **(4,570.6)** | **(4,608.3)** |

| For the year ended 31.12.2019 | At fair value through profit and loss | At fair value through other comprehensive income | Held at amortised cost | **Total** |
|---|---|---|---|---|
| | **$m** | **$m** | **$m** | **$m** |
| *Financial assets* | | | | |
| Derivative financial assets | 4.8 | - | - | 4.8 |
| Equity investments | - | 5.1 | - | 5.1 |
| Loans and receivables (restated[1]) | 571.3 | - | 97.1 | 668.4 |
| Cash and cash equivalents | - | - | 653.7 | 653.7 |
| Liquid investments | 1,539.7 | - | - | 1,539.7 |
| | 2,115.8 | 5.1 | 750.8 | 2,871.7 |
| *Financial liabilities* | | | | |
| Derivative financial liabilities | (12.1) | - | - | (12.1) |
| Trade and other payables | (0.4) | - | (755.9) | (756.3) |
| Borrowings and leases | - | - | (2,756.8) | (2,756.8) |
| | (12.5) | - | (3,512.7) | (3,525.2) |

The fair value of the fixed rate bond included within the "Borrowings and leases" category was $503.5 million at 31 December 2020 compared with its carrying value of $495.6 million. The fair value of all other financial assets and financial liabilities carried at amortised cost is not materially different from the carrying value presented above.

1. The "Loans and receivables" balances for the comparative periods have been restated to exclude certain amounts which are outside the scope of the definition of "financial assets" per IAS 32 Financial Instruments: Presentation, resulting in a $62.2 million reduction in the balance as at 31 December 2019.

**Fair value of financial instruments**

An analysis of financial assets and financial liabilities measured at fair value is presented below:

| | For the year ended 31.12.2020 | | | |
|---|---|---|---|---|
| | **Level 1 $m** | **Level 2 $m** | **Level 3 $m** | **Total $m** |
| *Financial assets* | | | | |
| Derivatives financial assets (a) | - | 1.4 | - | **1.4** |
| Equity investments (b) | 11.1 | - | - | **11.1** |
| Loans and receivables (c) | - | 808.0 | - | **808.0** |
| Liquid investment (d) | 2,426.0 | - | - | **2,426.0** |
| | 2,437.1 | 809.4 | - | **3,246.5** |
| *Financial liabilities* | | | | |
| Derivatives financial liabilities (a) | - | (37.4) | - | **(37.4)** |
| Trade and other payables | - | (0.3) | - | **(0.3)** |
| | - | (37.7) | - | **(37.7)** |

| | For the year ended 31.12.2019 | | | |
|---|---|---|---|---|
| | **Level 1 $m** | **Level 2 $m** | **Level 3 $m** | **Total $m** |
| *Financial assets* | | | | |
| Derivatives financial assets (a) | - | 4.8 | - | **4.8** |
| Equity investments (b) | 5.1 | - | - | **5.1** |
| Loans and receivables (c) | - | 571.3 | - | **571.3** |
| Liquid investment (d) | 1,539.7 | - | - | **1,539.7** |
| | 1,544.8 | 576.1 | - | **2,120.9** |
| *Financial liabilities* | | | | |
| Derivatives financial liabilities (a) | - | (12.1) | - | **(12.1)** |
| Trade and other payables | - | (0.4) | - | **(0.4)** |
| | - | (12.5) | - | **(12.5)** |

Recurring fair value measurements are those that are required in the balance sheet at the end of each reporting year.

a) Derivatives in designated hedge accounting relationships are valued using a discounted cash flow analysis valuation model, which includes observable credit spreads and using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. These are level 2 inputs as described below. Hedging instruments at 31 December 2020 relate to foreign exchange and commodity options.

b) Equity investments are investments in shares on active markets and are valued using unadjusted quoted market values of the shares at the financial reporting date. These are level 1 inputs as described below.

c) Provisionally priced metal sales for the period are marked-to-market at the end of the period. Gains and losses from the marking-to-market of open sales are recognised through adjustments to revenue in the income statement and trade receivables in the balance sheet. Forward prices at the end of the period are used for copper sales while period-end average prices are used for molybdenum concentrate sales. These are level 2 inputs as described below.

d) Liquid investments are highly liquid current asset investments that are valued using market prices at the period end. These are level 1 inputs as described below.

The inputs to the valuation techniques described above are categorised into three levels, giving the highest priority to unadjusted quoted prices in active markets (level 1) and the lowest priority to unobservable inputs (level 3 inputs):

- Level 1 fair value measurement inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2 fair value measurement inputs are derived from inputs other than quoted market prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 fair value measurement inputs are unobservable inputs for the asset or liability.

The degree to which inputs into the valuation techniques used to measure the financial assets and liabilities are observable and the significance of these inputs in the valuation are considered in determining whether any transfers between levels have occurred. In the year ended 31 December 2020, there were no transfers between levels in the hierarchy.

**b) Derivative financial instruments**

The Group periodically uses derivative financial instruments to reduce exposure to foreign exchange, interest rate and commodity price movements. The Group does not use such derivative instruments for trading purposes. The Group has applied the hedge accounting provisions of IFRS 9 Financial Instruments. The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as hedges of future cash flows have been recognised directly in equity, with such amounts subsequently recognised in profit or loss in the period when the hedged item affects profit or loss. Any ineffective portion is recognised immediately in profit or loss. Realised gains and losses on commodity derivatives recognised in profit or loss are recorded within revenue. The time value element of changes in the fair value of derivative options is recognised within other comprehensive income. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value. Changes in fair value are reported in profit or loss for the year.

## 8. Net finance expense

| | **Year ended 31.12.2020 $m** | Year ended 31.12.2019 $m |
|---|---|---|
| **Investment income** | | |
| Interest income | **3.4** | 9.8 |
| Fair value through profit or loss | **15.5** | 37.3 |
| | **18.9** | 47.1 |
| **Interest expense** | | |
| Interest expense | **(77.1)** | (111.1) |
| | **(77.1)** | (111.1) |
| **Other finance items** | | |
| Unwinding of discount on provisions | **(16.7)** | (22.7) |
| Preference dividends | **(0.1)** | (0.1) |
| Foreign exchange | **(28.4)** | 35.8 |
| | **(45.2)** | 13.0 |
| **Net finance expense** | **(103.4)** | (51.0) |

During 2020, amounts capitalised and consequently not included within the above table were as follows: $5.7 million at Centinela (year ended 31 December 2019 - $4.7 million) and $21.0 million at Los Pelambres (year ended 31 December 2019 - $12.5 million). The interest expense shown above includes $9.7 million in respect of leases (2019 - $13.0 million).

## 9. Taxation

The tax charge for the period comprised the following:

| | **Year ended 31.12.2020 $m** | Year ended 31.12.2019 $m |
|---|---|---|
| **Current tax charge** | | |
| Corporate tax (principally first category tax in Chile) | **(353.5)** | (255.5) |
| Mining tax (royalty) | **(106.1)** | (67.2) |
| Withholding tax | **(55.8)** | (32.4) |
| Exchange gains on corporate tax balances | **0.1** | 0.7 |
| | **(515.3)** | (354.4) |
| **Deferred tax** | | |
| Corporate tax (principally first category tax in Chile) | **(1.1)** | (125.1) |
| Mining tax (royalty) | **4.2** | 0.6 |
| Withholding tax | **(14.3)** | (27.2) |
| | **(11.2)** | (151.7) |
| **Total tax charge (income tax expense)** | **(526.5)** | (506.1) |

The rate of first category (i.e. corporate) tax in Chile is 27.0% (2019 – 27.0%).

In addition to first category tax and the mining tax, the Group incurs withholding taxes on any remittance of profits from Chile. Withholding tax is levied on remittances of profits from Chile at 35% less first category (i.e. corporation) tax already paid in respect of the profits to which the remittances relate.

The Group's mining operations are also subject to a mining tax (royalty). Production from Los Pelambres, Antucoya, Encuentro (oxides), the Tesoro North East pit and the Run-of-Mine processing at Centinela Cathodes is subject to a rate of between 5–14%, depending on the level of operating profit margin, and production from Centinela Concentrates and the Tesoro Central and Mirador pits is subject to a rate of 5% of taxable operating profit.

| | **Year ended Excluding exceptional items 31.12.2020** | | **Year ended Including exceptional items 31.12.2020** | | Year ended 31.12.2019 | |
|---|---|---|---|---|---|---|
| | **$m** | **%** | **$m** | **%** | **$m** | **%** |
| **Profit before tax** | **1,493.9** | | **1,413.1** | | 1,349.2 | |
| Tax at the Chilean corporate tax rate of 27% | **(403.4)** | **27.0** | **(381.5)** | **27.0** | (364.3) | 27.0 |
| Impairment of investment in associate | **-** | **-** | **(2.2)** | **0.2** | - | - |
| Mining Tax (royalty) | **(101.3)** | **6.8** | **(101.3)** | **7.2** | (66.6) | 4.9 |
| Deduction of mining royalty as an allowable expense in determination of first category tax | **28.1** | **(1.9)** | **28.1** | **(2.0)** | 19.1 | (1.4) |
| Items not deductible from first category tax | **(9.8)** | **0.7** | **(9.8)** | **0.6** | (11.9) | 0.9 |
| Adjustment in respect of prior years | **(1.6)** | **0.1** | **(1.6)** | **0.1** | 4.3 | (0.3) |
| Withholding tax | **(70.0)** | **4.7** | **(70.0)** | **5.0** | (59.3) | 4.4 |
| Tax effect of share of profit of associates and joint ventures | **1.4** | **(0.1)** | **1.4** | **(0.1)** | 4.7 | (0.3) |
| Reversal of previously unrecognised tax losses/(unrecognised tax losses) | **10.5** | **(0.7)** | **10.5** | **(0.7)** | (33.0) | 2.4 |
| Net other items | **(0.1)** | **-** | **(0.1)** | **-** | 0.9 | (0.1) |
| **Tax expense and effective tax rate for the period** | **(546.2)** | **36.6** | **(526.5)** | **37.3** | (506.1) | 37.5 |

The effective tax rate varied from the statutory rate principally due to the mining tax (royalty) (net impact of $73.2 million / 5.2% including the deduction of the mining tax (royalty) as an allowable expense in the determination of first category tax), the withholding tax relating to the remittance of profits from Chile (impact of $70.0 million / 5.0%), items not deductible for Chilean corporate tax purposes, principally the funding of expenses outside of Chile (impact of $9.8 million / 0.6%), adjustments in respect of prior years (impact of $1.6 million / 0.1%), partly offset by unrecognised tax losses (impact of $10.5 million / 0.7%) and the impact of the recognition of the Group's share of profit from associates and joint ventures, which are included in the Group's profit before tax net of their respective tax charges (impact of $1.4 million / 0.1%).

The impact of the exceptional items on the effective tax rate including exceptional items was $2.2 million / 0.2%.

The main factors which could impact the sustainability of the Group's existing effective tax rate are:

- The level of future distributions made by the Group's Chilean subsidiaries out of Chile, which could result in increased withholding tax charges.
- The impact of expenses which are not deductible for Chilean first category tax. Some of these expenses are relatively fixed costs, and so the relative impact of these expenses on the Group's effective tax rate will vary depending on the Group's total profit before tax in a particular year.

There are no significant tax uncertainties which would require critical judgements, estimates or potential provisions.

## 10. Discontinued operation

In 2016 the Group disposed of Minera Michilla SA, with the profit on disposal, along with the results for that year, being presented on the "Profit for the period from discontinued operations" line in the income statement. The Group retained certain residual options over the Michilla operation, and in December 2020 the current owner of Michilla paid the Group $10.0 million in order to extinguish those options, resulting in a post-tax gain for the Group of $7.3 million. Consistent with the original presentation in 2016, this gain has been reflected on the "Profit for the period from discontinued operations" line in the income statement.

## 11. Earnings per share

| | Year ended 31.12.2020 | Year ended 31.12.2019 |
|---|---|---|
| | **$m** | $m |
| Profit for the year attributable to equity holders of the Company | **506.4** | 501.4 |
| | **Number** | Number |
| Ordinary shares in issue throughout each period | **985,856,695** | 985,856,695 |

| | Year ended 31.12.2020 | Year ended 31.12.2019 |
|---|---|---|
| | **US cent** | US cent |
| Basic earnings per share | | |
| From continuing operations | **50.6** | 50.9 |
| From discontinued operations | **0.7** | - |
| Total continuing and discontinued operations | **51.3** | 50.9 |

Basic earnings per share are calculated as profit after tax and non-controlling interests, based on 985,856,695 (2019: 985,856,695) ordinary shares.

There was no potential dilution of earnings per share in either year set out above, and therefore diluted earnings per share did not differ from basic earnings per share as disclosed above.

Reconciliation of basic earnings per share from continuing operations:

| | | Year ended 31.12.2020 | Year ended 31.12.2019 |
|---|---|---|---|
| Profit for the year attributable to equity holders of the Company | $m | **506.4** | 501.4 |
| Less: profit for discontinued operations attributable to equity holders of the Company | $m | **(7.3)** | - |
| Profit from continuing operations | $m | **499.1** | 501.4 |
| Ordinary shares | Number | **985,856,695** | 985,856,695 |
| Basic earnings per share from continuing operations | US cent | **50.6** | 50.9 |

## 12. Dividends

The Board has recommended a final dividend of 48.5 cents per ordinary share or $478.2 million in total (2019 – 7.1 cents per ordinary share or $70.0 million in total). The interim dividend of 6.2 cents per ordinary share or $61.1 million in total was paid on 2 October 2020 (2019 interim dividend of 10.7 cents per ordinary share or $105.5 million in total). This gives total dividends proposed in relation to 2020 (including the interim dividend) of 54.7 cents per share or $539.3 million in total (2019 – 17.8 cents per share or $175.5 million in total).

Dividends per share actually paid in the year and recognised as a deduction from net equity under IFRS were 13.3 cents per ordinary share or $131.1 million in total (2019 – 47.7 cents per ordinary share or $470.2 million in total) being the interim dividend for the year and the final dividend proposed in respect of the previous year.

Further details of the currency election timing and process (including the default currency of payment) are available on the Antofagasta plc website (www.antofagasta.co.uk) or from the Company's registrar, Computershare Investor Services PLC on +44 370 702 0159.

## 13. Intangible asset

| | At 31.12.2020 | At 31.12.2019 |
|---|---|---|
| | **$m** | $m |
| Balance at the beginning of the year | **150.1** | 150.1 |
| **Balance at the end of the period** | **150.1** | 150.1 |

The $150.1 million intangible asset reflects the value of Twin Metals' mining licences assets included within the corporate segment. These assets are classified as intangible assets as construction of the related mining operation has not yet commenced. When construction commences the licences will be transferred from intangible assets to the mining properties category within property, plant and equipment. Depreciation of these mining licences, along with the construction costs of the related mining operation, will commence when the operation is capable of commercial production.

## 14. Property, plant and equipment

| | Mining | Railway and other transport | At 31.12.2020 | At 31.12.2019 |
|---|---|---|---|---|
| | $m | $m | $m | $m |
| Balance at the beginning of the year | 9,286.3 | 270.4 | **9,556.7** | 9,184.1 |
| Adoption of new accounting standards | - | - | - | 131.4 |
| Additions | 1,322.1 | 26.2 | **1,348.3** | 1,174.4 |
| Additions – depreciation capitalized | 67.8 | - | **67.8** | 62.6 |
| Reclassifications | 11.9 | 6.3 | **18.2** | 19.9 |
| Adjustment to capitalised decommissioning provisions | 59.3 | 0.1 | **59.4** | 24.8 |
| Depreciation | (1,017.9) | (30.8) | **(1,048.7)** | (914.3) |
| Depreciation capitalised in PP&E | (67.8) | - | **(67.8)** | (62.6) |
| Depreciation capitalised in inventories | (74.8) | - | **(74.8)** | (49.7) |
| Asset disposals | (4.2) | (3.0) | **(7.2)** | (13.9) |
| **Balance at the end of the period** | 9,582.7 | 269.2 | **9,851.9** | 9,556.7 |

At 31 December 2020 $142.6 million (31 December 2019 – $112.3 million) of depreciation in respect of assets relating to Los Pelambres, Centinela and Antucoya has been capitalised within property, plant and equipment or inventories, and accordingly is excluded from the depreciation charge recorded in the income statement as shown in Note 5.

At 31 December 2020, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $849.5 million (31 December 2019 - $863.3 million).

There have been no indicators of potential impairments during 2020, and accordingly no impairment reviews have been performed as at 31 December 2020.

Depreciation capitalised in property, plant and equipment of $67.8 million related to the depreciation of assets used in mine development (operating stripping) at Centinela, Los Pelambres and Antucoya (at 31 December 2019 – $62.6 million).

## 15. Investment in associates and joint ventures

| | Inversiones Hornitos(i) | ATI(ii) | Minera Zaldívar(iii) | Tethyan Copper(iv) | At 31.12.2020 | At 31.12.2019 |
|---|---|---|---|---|---|---|
| | $m | $m | $m | $m | $m | $m |
| Balance at the beginning of the year | 56.9 | 6.1 | 961.8 | - | 1,024.8 | 1,056.1 |
| Obligations on behalf of JV at the beginning of the year | - | - | - | (1.8) | (1.8) | (1.0) |
| Capital contribution | 23.9 | - | - | 7.2 | 31.1 | 1.8 |
| Impairment of investment in associate (i) | (80.8) | - | - | - | (80.8) | - |
| Share of profit/(loss) before tax | - | (0.9) | 19.8 | (6.5) | 12.4 | 36.5 |
| Share of tax | - | 0.4 | (7.6) | - | (7.2) | (12.1) |
| Share of income/(loss) from associate | - | (0.5) | 12.2 | (6.5) | 5.2 | 24.4 |
| Dividend receivable | - | - | (65.0) | - | (65.0) | (58.0) |
| Balance at the end of the year | - | 5.6 | 909.0 | - | 914.6 | 1,024.8 |
| Obligations on behalf of JV at the end of the year | - | - | - | (1.1) | (1.1) | (1.8) |

| | Inversiones Hornitos | ATI | Minera Zaldívar | Tethyan Copper | At 31.12.2020 | At 31.12.2019 |
|---|---|---|---|---|---|---|
| | $m | $m | $m | $m | $m | $m |
| Share of income/(loss) from associate | - | (0.5) | 12.2 | (6.5) | **5.2** | **24.4** |
| Other comprehensive income of associates to profit for the year | - | - | - | - | - | **(0.3)** |
| **Net share of profit from associates and joint ventures** | **-** | **(0.5)** | **12.2** | **(6.5)** | **5.2** | **24.1** |

The investments which are included in the $913.4 million balance at 31 December 2020 are set out below:

**Investment in associates**

(i) On 31 March 2020 the Group agreed to dispose of its 40% interest in Hornitos coal-fired power station to ENGIE Energía Chile S.A. ("ENGIE"), the owner of the remaining 60% interest. This was part of the value accretive renegotiation of Centinela's power purchase agreement which as a result will be wholly supplied from lower cost renewable sources from 2022. Under the terms of the agreement the Group will dispose of its investment to Engie in 2021 for a nominal consideration, and will not be entitled to receive any further dividend income from Hornitos from the date of the agreement. Accordingly, the Group no longer has any effective economic interest in the results or assets of Hornitos from 31 March 2020 onwards, and has therefore recognised an impairment of $80.8 million in respect of its investment in associate balance, and will no longer recognise any share of Hornitos' results. The post-tax impact of the provision is $61.1 million, of which $40.2 million is attributable to the equity owners of the Company.

(ii) The Group's 30% interest in ATI, which operates a concession to manage installations in the port of Antofagasta.

**Investment in joint ventures**

(iii) The Group's 50% interest in Minera Zaldívar SpA ("Zaldívar").

(iv) The Group's 50% interest in Tethyan Copper Company Limited ("Tethyan"), which is a joint venture with Barrick Gold Corporation in respect of the Reko Diq project in Pakistan. Tethyan has been pursuing arbitration claims against the Islamic Republic of Pakistan ("Pakistan") following the unlawful denial of a mining lease for the project in 2011. Details in respect of the arbitration are set out in Note 26.

As the net carrying value of the interest in Tethyan is negative it is included within non-current liabilities, as the Group is liable for its share of the joint venture's obligations.

Summarised financial information for the associates at December 2020 is as follows:

| | **ATI** | **Total** | Total |
|---|---|---|---|
| | **31.12.2020** | **31.12.2020** | 31.12.2019 |
| | $m | **$m** | $m |
| Cash and cash equivalents | 0.2 | **0.2** | 30.1 |
| Current assets | 11.3 | **11.3** | 39.2 |
| Non-current assets | 108.2 | **108.2** | 377.6 |
| Current liabilities | (19.9) | **(19.9)** | (62.1) |
| Non-current liabilities | (83.5) | **(83.5)** | (243.9) |
| Revenue | 40.4 | **40.4** | 192.1 |
| Profit/(loss) from continuing operations | (1.9) | **(1.9)** | 29.4 |
| Other comprehensive expense | - | **-** | (0.3) |
| Total comprehensive income | (1.9) | **(1.9)** | 29.1 |

Summarised financial information for the joint ventures at December 2020 is as follows:

| | **Minera Zaldívar** | **Tethyan Copper** | **Total** | Total |
|---|---|---|---|---|
| | **31.12.2020** | **31.12.2020** | **31.12.2020** | 31.12.2019 |
| | $m | $m | **$m** | $m |
| Cash and cash equivalents | 281.0 | 4.2 | **285.2** | 140.4 |
| Current assets | 677.2 | - | **677.2** | 631.3 |
| Non-current assets | 1,856.3 | - | **1,856.3** | 1,846.8 |
| Current liabilities | (290.0) | (6.2) | **(296.2)** | (123.8) |
| Non-current liabilities | (670.4) | (0.1) | **(670.5)** | (518.0) |
| Revenue | 599.3 | - | **599.3** | 687.6 |
| Profit/(loss) after tax | 24.3 | (12.9) | **11.4** | 47.9 |
| Other comprehensive expense | - | - | **-** | (0.4) |
| Total comprehensive income/(expense) | 24.3 | (12.9) | **11.4** | 47.5 |

The above summarised financial information is based on the amounts included in the IFRS Financial Statements of the associate or joint venture (ie. 100% of the results or balances of the associate or joint venture, rather than the Group's proportionate share), after the Group's fair value adjustments.

## 16. Equity investments

| | At 31.12.2020 | At 31.12.2019 |
|---|---|---|
| | **$m** | $m |
| Balance at the beginning of the year | **5.1** | 4.7 |
| Movements in fair value | **5.5** | 0.3 |
| Foreign currency exchange difference | **0.5** | 0.1 |
| **Balance at the end of the period** | **11.1** | 5.1 |

Equity investments represent those investments which are not subsidiaries, associates or joint ventures and are not held for trading purposes. The fair value of all equity investments are based on quoted market prices.

## 17. Inventories

| | At 31.12.2020 | At 31.12.2019 |
|---|---|---|
| | **$m** | $m |
| Current: | | |
| Raw materials and consumables | **178.2** | 219.9 |
| Work in progress | **339.3** | 276.7 |
| Finished goods | **75.2** | 89.8 |
| | **592.7** | 586.4 |
| Non-current: | | |
| Work in progress | **278.1** | 208.0 |
| Total current and non-current inventories | **870.8** | 794.4 |

## 18. Borrowings and leases

| | At 31.12.2020 | At 31.12.2019 |
|---|---|---|
| | $m | $m |
| **Los Pelambres** | | |
| Senior loan | **(1,288.1)** | (469.4) |
| Leases | **(91.4)** | (115.0) |
| **Centinela** | | |
| Senior loan | **(496.5)** | (298.8) |
| Subordinated debt | **(203.0)** | (205.9) |
| Short-term loan | - | (200.0) |
| Leases | **(78.0)** | (81.0) |
| **Antucoya** | | |
| Senior loan | **(261.1)** | (325.4) |
| Subordinated debt | **(191.5)** | (391.9) |
| Short-term loan | **(75.0)** | (75.0) |
| Leases | **(19.9)** | (27.7) |
| **Corporate and other items** | | |
| Senior loan | **(496.6)** | (499.2) |
| Bond | **(495.6)** | - |
| Leases | **(18.6)** | (19.3) |
| **Railway and other transport services** | | |
| Senior loan | **(36.5)** | (44.6) |
| Leases | **(0.3)** | (1.0) |
| **Preference shares** | **(2.7)** | (2.6) |
| **Total** | **(3,754.8)** | (2,756.8) |

(i) The senior loan at Los Pelambres represents a $1,300 million US dollar denominated syndicated loan divided in two tranches. The first tranche has a remaining duration of 5 years and an interest rate of LIBOR six-month rate plus 1.2%. The second tranche has a remaining duration of 8 years and an interest rate of LIBOR six-month rate plus 0.85%. As at 31 December 2020 the loan facility had been fully drawn-down. The loan is subject to financial covenants which require that specified net debt to EBITDA and EBITDA to finance expense ratios are maintained.

(ii) Leases at Los Pelambres are denominated in a mixture of US dollars and Chilean pesos, with a weighted average interest rate of 5.0% and a remaining duration of 1.5 years.

(iii) The previous Centinela senior loan was repaid in February 2020. A new $500 million senior loan was put in place at that time, with a remaining duration of 4.2 years and an interest rate of LIBOR six-month rate plus 0.95%. The loan is subject to financial covenants which require that specified net debt to EBITDA and EBITDA to finance expense ratios are maintained.

(iv) The subordinated debt at Centinela is US dollar denominated, provided to Centinela by Marubeni Corporation with a remaining duration of 5.5 years and a weighted average interest rate of LIBOR six-month rate plus 4.5%. Subordinated debt provided by Group companies to Centinela has been eliminated on consolidation.

(v) Leases at Centinela are mainly Chilean peso denominated, with a weighted average interest rate of 5.1% and a remaining duration of 3 years.

(vi) The senior loan at Antucoya represents a US dollar denominated syndicated loan, with a remaining duration of 3.9 years and an interest rate of LIBOR six-month rate plus 1.3%. The loan is subject to financial covenants which require that specified net debt to EBITDA and EBITDA to finance expense ratios are maintained.

(vii) The subordinated debt at Antucoya is US dollar denominated, provided to Antucoya by Marubeni Corporate with a remaining duration of 4.5 years and an interest rate of LIBOR six-month rate plus 3.65%. Subordinated debt provided by Group companies to Antucoya has been eliminated on consolidation.

(viii) The short- duration loan at Antucoya is US dollar denominated, comprising a working capital loan for an average period of 1 year and has an interest rate of LIBOR six-month rate plus a weighted average spread of 0.53%.

(ix) Leases at Antucoya are denominated in a mixture of US dollars and Chilean pesos, with a weighted average interest rate of 4.6% and a remaining duration of 3 years.

(x) The previous Corporate (Antofagasta plc) senior loan was repaid in August 2020. A new $500 million senior loan was put in place at that time, with an interest rate of LIBOR six-month rate plus 2.25% and has a remaining duration of 4.7 years.

(xi) Antofagasta plc issued a $500 million corporate bond in October 2020 with a 10 year tenor and a yield of 2.415%.

(xii) Leases at Corporate and other items are denominated in Unidades de Fomento (ie inflation-linked Chilean pesos) and have a remaining duration of 7.2 years and are at fixed rates with an average interest rate of 5.3%.

(xiii) Long-term loan at The Transport division is US dollar denominated, with a remaining duration of 4 years and an interest rate of LIBOR six-month rate plus 1.06%.

(xiv) Leases at the Transport division are mainly in Unidades de Fomento (ie inflation-linked Chilean pesos), with a weighted average interest rate of 2.3% and a remaining duration of 1 years.

(xv) The preference shares are Sterling-denominated and issued by Antofagasta plc. There were 2 million shares of £1 each authorised, issued and fully paid at 31 December 2020. The preference shares are non-redeemable and are entitled to a fixed cumulative dividend of 5% per annum. On winding up they are entitled to repayment and any arrears of dividend in priority to ordinary shareholders, but are not entitled to participate further in any surplus. Each preference share carries 100 votes in any general meeting of the Company.

| | **At 31.12.2020** | At 31.12.2019 |
|---|---|---|
| | **$m** | $m |
| Short-term borrowings | **(603.4)** | (723.9) |
| Medium and long-term borrowings | **(3,151.4)** | (2,032.9) |
| **Total** | **(3,754.8)** | (2,756.8) |

At 31 December 2020 $673.1 million (31 December 2019 - $199.3 million) of the borrowings has fixed rate interest and $3,079.0 million (December 2019 - $2,554.9 million) has floating rate interest. The Group periodically enters into interest rate derivative contracts to manage its exposure to interest rates.

## 19. Post-employment benefit obligation

| | **At 31.12.2020** | At 31.12.2019 |
|---|---|---|
| | **$m** | $m |
| Balance at the beginning of the year | **(118.7)** | (107.4) |
| Current service cost | **(17.9)** | (24.8) |
| Actuarial gains/(losses) | **9.8** | (4.7) |
| Interest cost | **(4.9)** | (4.9) |
| Paid in the year | **14.5** | 15.3 |
| Foreign currency exchange difference | **(6.0)** | 7.8 |
| **Balance at the end of the year** | **(123.2)** | (118.7) |

The post-employment benefit obligation relates to the provision for severance indemnities which are payable when an employment contract comes to an end, in accordance with normal employment practice in Chile and other countries in which the Group operates. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the calculation is based on valuations performed by an independent actuary.

## 20. Decommissioning and restoration and other long term provisions

| | At 31.12.2020 | At 31.12.2019 |
|---|---|---|
| | $m | $m |
| Balance at the beginning of the year | **(413.3)** | (409.8) |
| Charge to operating profit in the year | **(45.2)** | 2.8 |
| Unwind of discount to net interest in the year | **(11.8)** | (17.8) |
| Capitalised adjustment to provision | **(59.4)** | (24.8) |
| Utilised in the year | **22.2** | 30.9 |
| Foreign currency exchange difference | **(12.8)** | 5.5 |
| **Balance at the end of the year** | **(520.2)** | (413.2) |

| | At 31.12.2020 | At 31.12.2019 |
|---|---|---|
| | $m | $m |
| Short-term provisions | **(22.2)** | (22.0) |
| Long-term provisions | **(498.0)** | (391.2) |
| **Total** | **(520.2)** | (413.2) |

Decommissioning and restoration costs relate to the Group's mining operations. Costs are estimated on the basis of a formal closure plan and are subject to regular independent formal review by Sernageomin, the Chilean government agency which regulates the mining industry in Chile. There have not been any significant updates to the mining operations closure plans approved by Sernageomin during the year. During 2019 the Pelambres, Centinela and Zaldívar balances were updated to reflect new plans approved by Sernageomin during that year. The provision balance reflects the present value of the forecast future cash flows expected to be incurred in line with the closure plans, discounted using Chilean real interest rates with durations corresponding with the timings of the closure activities. At 31 December 2020 the real discount rates ranged from 0.5% to 0.9%. It is estimated that the provision will be utilised from 2021 until 2068 based on current mine plans, with approximately 22% of the total provision balance expected to be utilised between 2021 and 2030, approximately 46% between 2031 and 2040, approximately 9% between 2041 and 2050 and approximately 23% between 2051 and 2068.

## 21. Deferred tax assets and liabilities

| | At 31.12.2020 | At 31.12.2019 |
|---|---|---|
| | **$m** | $m |
| Net position at the beginning of the year | **(1,097.0)** | (946.3) |
| Charge to tax on profit in year | **(11.2)** | (151.8) |
| Deferred tax recognised directly in equity | **1.7** | 1.1 |
| Disposal | **0.1** | - |
| Net position at the end of the year | **(1,106.4)** | (1,097.0) |
| | | |
| Analysed between: | | |
| Deferred tax assets | **6.4** | 8.2 |
| Deferred tax liabilities | **(1,112.8)** | (1,105.2) |
| Net position | **(1,106.4)** | (1,097.0) |

The deferred tax balance of $1,106.4 million (2019 – $1,097.0 million) includes $1,053.4 million (2019 – $1,039.0 million) due in more than one year. All amounts are shown as non-current on the face of the balance sheet as required by IAS 12 Income Taxes.

## 22. Share capital and share premium

There was no change in share capital or share premium in the year ended 2020 or 2019. Details are shown in the Consolidated Statement of Changes in Equity.

## 23. Other reserves and retained earnings

| | At 31.12.2020 $m | At 31.12.2019 $m |
|---|---|---|
| **Hedging reserve (1)** | | |
| **At 1 January** | **(5.0)** | (1.1) |
| Parent and subsidiaries' net cash flow hedge fair value losses | **(24.2)** | (4.5) |
| Parent and subsidiaries' net cash flow hedge losses / (gains) transferred to the income statement | **3.4** | (0.6) |
| Tax on the above | **1.9** | 1.2 |
| At 31 December | **(23.9)** | (5.0) |
| **Equity investment revaluation reserve (2)** | | |
| At 1 January | **(10.8)** | (11.1) |
| Gains on equity investment | **5.5** | 0.3 |
| At 31 December | **(5.3)** | (10.8) |
| **Foreign currency translation reserve (3)** | | |
| At 1 January | **(2.3)** | (2.3) |
| Currency translation adjustment | **0.9** | - |
| **At 31 December** | **(1.4)** | (2.3) |
| **Total other reserves per balance sheet** | **(30.6)** | (18.1) |
| | | |
| **Retained earnings** | | |
| **At 1 January** | **7,112.8** | 7,084.9 |
| Parent and subsidiaries' profit for the period | **582.1** | 477.0 |
| Equity accounted units' (loss)/profit after tax for the period | **(75.7)** | 24.4 |
| Actuarial gains/(losses) (4) | **4.1** | (3.2) |
| **Total comprehensive income for the period** | **7,623.3** | 7,583.1 |
| Dividends paid | **(131.1)** | (470.3) |
| **At 31 December** | **7,492.2** | 7,112.8 |

(1) The hedging reserve records gains or losses on cash flow hedges that are recognised initially in equity, as described in Note 7.
(2) The equity investment revaluation reserves record fair value gains or losses relating to equity investments, as described in Note 16.
(3) Exchange differences arising on the translation of the Group's net investment in foreign-controlled companies are taken to the foreign currency translation reserve.
(4) The cumulative differences relating to an investment are transferred to the income statement when the investment is disposed of. (4) Actuarial gains or losses relate to long-term employee benefits.

## 24. Reconciliation of profit before tax to net cash inflow from operating activities

| | **At 31.12.2020** | At 31.12.2019 |
|---|---|---|
| | **$m** | $m |
| Profit before tax | **1,413.1** | 1,349.2 |
| Depreciation and amortisation | **1,048.7** | 914.3 |
| Net loss on disposals | **6.3** | 12.6 |
| Net finance expense | **103.4** | 51.1 |
| Share of loss/(profit) associates and joint ventures (exc. exceptional items) | **(5.1)** | (24.3) |
| Impairment of investment in associate | **80.8** | - |
| Increase in inventories | **(13.6)** | (7.6) |
| (Increase)/decrease in debtors | **(259.9)** | 211.5 |
| Increase in creditors | **31.0** | 88.0 |
| Increase/(decrease) in provisions | **26.4** | (24.1) |
| **Cash flow generated from operations** | **2,431.1** | 2,570.7 |

## 25. Analysis of changes in net debt

| | At 31.12.2019 $m | Cash flows $m | Fair value gains $m | New leases $m | Amortisation of finance costs $m | Capitalisation of interest $m | Movement between maturity categories $m | Other $m | Exchange $m | **At 31.12.2020 $m** |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 653.7 | 588.3 | - | - | - | - | - | - | 4.8 | **1,246.8** |
| Liquid investments | 1,539.7 | 887.9 | (1.6) | - | - | - | - | - | - | **2,426.0** |
| Total | 2,193.4 | 1,476.2 | (1.6) | - | - | - | - | - | 4.8 | **3,672.8** |
| Borrowings due within one year | (648.4) | 200.1 | - | - | - | - | (88.8) | 4.7 | 2.6 | **(529.8)** |
| Borrowings due after one year | (1,861.8) | (1,204.9) | - | - | (12.5) | (23.4) | 88.8 | - | - | **(3,013.8)** |
| Leases due within one year | (75.6) | 18.2 | - | - | - | - | (14.1) | (2.1) | - | **(73.6)** |
| Leases due after one year | (168.4) | 68.3 | - | (33.5) | - | - | 14.1 | 0.3 | (15.7) | **(134.9)** |
| Preference shares | (2.6) | - | - | - | - | - | - | - | (0.1) | **(2.7)** |
| Total borrowings | (2,756.8) | (918.3) | - | (33.5) | (12.5) | (23.4) | - | 2.9 | (13.2) | **(3,754.8)** |
| **Net (debt)/cash** | **(563.4)** | **557.9** | **(1.6)** | **(33.5)** | **(12.5)** | **(23.4)** | **-** | **2.9** | **(8.4)** | **(82.0)** |

| | At 31.12.2018 $m | Adoption of new accounting standards | At 01.01.2019 $m | Cash flows $m | Fair value gains $m | New leases $m | Amortisation of finance costs $m | Capitalisation of interest $m | Other $m | Reclassification $m | Exchange $m | **At 31.12.2019 $m** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 1,034.4 | - | 1,034.4 | (375.0) | - | - | - | - | - | | (5.7) | **653.7** |
| Liquid investments | 863.2 | - | 863.2 | 676.5 | - | - | - | - | - | - | - | **1,539.7** |
| Total | 1,897.6 | - | 1,897.6 | 301.5 | - | - | - | - | - | - | (5.7) | **2,193.4** |
| Borrowings due within one year | (607.2) | - | (607.2) | 100.0 | - | - | - | - | 4.3 | (145.5) | - | **(648.4)** |
| Borrowings due after one year | (1,711.9) | - | (1,711.9) | (253.3) | - | - | (4.5) | (37.6) | - | 145.5 | - | **(1,861.8)** |
| Leases due within one year | (38.8) | - | (38.8) | 30.0 | - | - | - | - | (3.3) | (63.5) | - | **(75.6)** |
| Leases due after one year | (133.0) | (131.7) | (264.7) | 62.5 | - | (45.0) | - | - | 3.5 | 63.5 | 11.8 | **(168.4)** |
| Preference shares | (3.0) | - | (3.0) | - | - | - | - | - | 0.1 | - | 0.3 | **(2.6)** |
| Total borrowings | (2,493.9) | (131.7) | (2,625.6) | (60.8) | - | (45.0) | (4.5) | (37.6) | 4.6 | - | 12.1 | **(2,756.8)** |
| **Net (debt)/cash** | (596.3) | **(131.7)** | (728.0) | 240.7 | - | (45.0) | (4.5) | (37.6) | 4.6 | - | 6.4 | **(563.4)** |

**Net debt**

Net debt at the end of each period was as follows:

| | At 31.12.2020 | At 31.12.2019 |
|---|---|---|
| | $m | $m |
| Cash, cash equivalents and liquid investments | 3,672.8 | 2,193.4 |
| Total borrowings | (3,754.8) | (2,756.8) |
| **Net debt** | **(82.0)** | (563.4) |

## 26. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates and joint ventures are disclosed below.

The transactions which Group companies entered into with related parties who are not members of the Group are set out below. There are no guarantees given or received and no provisions for doubtful debts related to the amount of outstanding balances.

**a) Quiñenco SA**

Quiñenco SA ("Quiñenco") is a Chilean financial and industrial conglomerate, the shares of which are traded on the Santiago Stock Exchange. The Group and Quiñenco are both under the control of the Luksic family, and two Directors of the Company, Jean-Paul Luksic and Andronico Luksic, who are also directors of Quiñenco.
The following transactions took place between the Group and the Quiñenco group of companies, all of which were on normal commercial terms at market rates:

- the Group earned interest income of $1.7 million (2019 – $4.0 million) during the year on deposits with Banco de Chile SA, a subsidiary of Quiñenco. Deposit balances at the end of the year were nil (2019 – $67.9 million);
- the Group earned interest income of $0.3 million (2019 – $0.2 million) during the year on investments with BanChile Corredores de Bolsa SA, a subsidiary of Quiñenco. Investment balances at the end of the year were nil (2019 – $6.0 million);
- the Group made purchases of fuel from ENEX SA, a subsidiary of Quiñenco, of $212.6 million (2019 – $159.3 million). The balance due to ENEX SA at the end of the year was nil (2019 – nil).
- the Group purchased shipping services from Hapag Lloyd, an associate of Quiñenco, for $7.0 million (2019 – $1.0 million). The balance due to Hapag Lloyd at the end of the year was nil (2019 – nil).

**b) Compañía de Inversiones Adriático SA**

In 2020, the Group leases office space on normal commercial terms from Compañía de Inversiones Adriático SA, a company in which members of the Luksic family are interested, at a cost of $0.7 million (2019 - $0.6 million)

**c) Antomin 2 Limited and Antomin Investors Limited**

The Group holds a 51% interest in Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors"), which own a number of copper exploration properties. The Group originally acquired its 51% interest in these properties for a nominal consideration from Mineral invest Establishment, which continues to hold the remaining 49% of Antomin 2 and Antomin Investors. Mineralinvest is owned by the E. Abaroa Foundation, in which members of the Luksic family are interested. During 2020 the Group incurred $0.1 million (2019 - $0.1 million) of exploration costs at these properties.

**d) Tethyan Copper Company Limited**

As explained in Note 15, the Group has a 50% interest in Tethyan Copper Company Limited ("Tethyan"), which is a joint venture with Barrick Gold Corporation over Tethyan's mineral interests in Pakistan. During 2020 the Group contribution was $7.2 million (2019 - $1.8 million) to Tethyan.

**e) Compañía Minera Zaldívar SpA**

The Group has a 50% interest in Zaldívar, which is a joint venture with Barrick Gold Corporation. Antofagasta is the operator of Zaldívar. The balance due from Zaldívar to group companies at the end of the year was $0.5 (2019 – 6.0 million). During 2020 the Group has received dividends of $65.0 million from Zaldívar (2019 - $50.0 million).

**f) Inversiones Hornitos SA**

As explained in Note 3, on 31 March 2020 the Group agreed to dispose of its 40% interest in Hornitos coal-fired power station to ENGIE Energía Chile S.A. ("ENGIE"), the owner of the remaining 60% interest. During 2020 the Group paid $128.2 million (2019 – $187.7 million) to Inversiones Hornitos in relation to the energy supply contract at Centinela. During 2020 the Group has not received dividends from Inversiones Hornitos S.A. (2019 - $8.0 million).

**g) Other related parties**

The immediate parent company of the Group is Metalinvest Establishment, which is controlled by the E. Abaroa Foundation, in which members of the Luksic family are interested. The Company's subsidiaries, in the ordinary course of business, enter into various sale and purchase transactions with companies also controlled by members of the Luksic family, including Banco de Chile S.A., Madeco S.A. and Compañía Cervecerías Unidas S.A., which are subsidiaries of Quiñenco S.A., a Chilean industrial and financial conglomerate the shares of which are traded on the Santiago Stock Exchange. These transactions, all of which were on normal commercial terms, are in total not considered to be material.

## 27. Tethyan arbitration award

In July 2019 the World Bank Group's International Centre for Settlement of Investment Disputes ("ICSID") awarded $5.84 billion in damages (compensation and accumulated interest as at the date of the award) to Tethyan Copper Company Pty Limited ("Tethyan"), the joint venture held equally by the Company and Barrick Gold Corporation, in relation to an arbitration claim filed against the Islamic Republic of Pakistan ("Pakistan") following the unlawful denial of a mining lease for the Reko Diq project in Pakistan in 2011.

Damages include compensation of $4.087 billion by reference to the fair market value of the Reko Diq project at the time of the mining lease denial, and interest until the date of the award of $1.753 billion. The Tribunal also awarded Tethyan just under $62 million in costs incurred in enforcing its rights. Compound interest applies to the compensation and cost awards from 12 July 2019 at a rate of US Prime +1% per annum until the award is paid.

Later in 2019, Pakistan requested ICSID to annul the award, triggering a provisional stay of enforcement of the award under the ICSID Convention. In March 2020, ICSID appointed a committee to consider Pakistan's request for annulment and whether the provisional stay of enforcement should continue for the duration of the annulment proceedings. The Committee issued a decision partially terminating the stay of enforcement in October, permitting Tethyan to enforce 50% of the award plus accrued interest on the condition that any amounts collected through enforcement of the award must be put into escrow and returned if the award is annulled. Tethyan has resumed proceedings to enforce the award in accordance with the conditions set by the Committee. The Committee is expected to issue a decision on Pakistan's annulment application within the next one to two years.

It is expected that the proceeds of the award will only be recognised in Antofagasta's financial statements once they are received by the Company.

## 28. Litigation and contingent liabilities

The Group is subject from time to time to legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. The Group cannot predict the outcome of individual legal actions or claims or complaints or investigations. As a result, the Group may become subject to liabilities that could affect our business, financial position and reputation. Litigation is inherently unpredictable and large judgments may at times occur. The Group may incur, in the future, judgments or enter into settlements of claims that could lead to material cash outflows. The Group considers that no material loss to the Group is expected to result from the legal proceedings, claims, complaints and investigations that the Group is currently subject to. Provision is made for all liabilities that are expected to materialise through legal claims against the Group.

## 29. Currency translation

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

| | 2020 |
|---|---|
| Year-end rate | $1.3600=£1; $1 = Ch$710.95 |
| Average rates | $1.2820=£1; $1 = Ch$792.07 |

## 30. Distribution

The Annual Report and Financial Statements for the year ended 31 December 2020, together with the Notice of the 2021 Annual General Meeting, will be posted to all shareholders in April 2021. The Annual General Meeting will be held at Cleveland House, 33 King Street London, SW1Y 6RJ from 2.00 pm on Wednesday 12 May 2021. Given the constantly evolving nature of the ongoing COVID-19 pandemic, it is unlikely that the Company will be able to welcome shareholders to the AGM in the usual way. Please refer to the Notice of the 2021 Annual General Meeting for further information.

## 31. Alternative performance measures (not subject to audit or review)

This preliminary results announcement includes a number of alternative performance measures, in addition to IFRS amounts. These measures are included because they are considered to provide relevant and useful additional information to users of the accounts. Set out below are definitions of these alternative performance measures, explanations as to why they are considered to be relevant and useful, and reconciliations to the IFRS figures.

### a) Underlying earnings per share

Underlying earnings per share is earnings per share from continuing operations, excluding exceptional items. This measure is reconciled to earnings per share from continuing and discontinued operations (including exceptional items) on the face of the income statement. This measure is considered to be useful as it provides an indication of the earnings generated by the on-going businesses of the Group, excluding the impact of exceptional items which are non-regular or non-operating in nature.

### b) EBITDA

EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA is calculated by adding back depreciation, amortisation, profit or loss on disposals and impairment charges to operating profit. This comprises 100% of the EBITDA from the Group´s subsidiaries, and the Group´s proportional share of the EBITDA of its associates and joint ventures.

EBITDA is considered to provide a useful and comparable indication of the current operational earnings performance of the business, excluding the impact of the historical cost of property, plant & equipment or the particular financing structure adopted by the business.

**At 31 December 2020**

| | Los Pelambres | Centinela | Antucoya | Zaldívar | Exploration and evaluation | Corporate and other items | **Mining** | **Railway and other transport services** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| | $m | $m | $m | $m | $m | $m | **$m** | **$m** | **$m** |
| **Operating profit/(loss)** | 1,407.9 | 247.0 | 71.2 | - | (85.1) | (74.0) | **1,567.0** | 25.2 | **1,592.2** |
| Depreciation and amortisation | 252.6 | 662.9 | 94.6 | - | - | 7.8 | **1,017.9** | 30.8 | **1,048.7** |
| Profit on disposals | 2.5 | 1.8 | - | - | - | - | **4.3** | 2.0 | **6.3** |
| **EBITDA from subsidiaries** | **1,663.0** | **911.7** | **165.8** | **-** | **(85.1)** | **(66.2)** | **2,589.2** | **58.0** | **2,647.2** |
| Proportional share of the EBITDA from associates and JVs | - | - | - | 95.5 | - | (6.5) | **89.0** | 3.0 | **92.0** |
| **Total EBITDA** | **1,663.0** | **911.7** | **165.8** | **95.5** | **(85.1)** | **(72.7)** | **2,678.2** | **61.0** | **2,739.2** |

**At 31 December 2019**

| | Los Pelambres | Centinela | Antucoya | Zaldívar | Exploration and evaluation | Corporate and other items | **Mining** | **Railway and other transport services** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| | $m | $m | $m | $m | $m | $m | **$m** | **$m** | **$m** |
| **Operating profit/(loss)** | 1,115.1 | 425.8 | (5.9) | - | (111.1) | (78.7) | **1,345.2** | 30.6 | **1,375.8** |
| Depreciation and amortisation | 258.5 | 532.2 | 92.2 | - | - | 7.9 | **890.8** | 23.5 | **914.3** |
| Profit on disposals | 10.5 | 1.5 | - | - | - | - | **12.0** | 0.7 | **12.7** |
| **EBITDA from subsidiaries** | **1,384.1** | **959.5** | **86.3** | **-** | **(111.1)** | **(70.8)** | **2,248.0** | **54.8** | **2,302.8** |
| Proportional share of the EBITDA from associates and JVs | - | - | - | 112.6 | - | (2.5) | **110.1** | 26.0 | **136.1** |
| **Total EBITDA** | **1,384.1** | **959.5** | **86.3** | **112.6** | **(111.1)** | **(73.3)** | **2,358.1** | **80.8** | **2,438.9** |

### c) Net Earnings

Net Earnings represent profit for the period attributable to the owners of the parent

## d) Cash costs

Cash costs are a measure of the cost of operational production expressed in terms of cents per pound of payable copper produced.

This is considered to be a useful and relevant measure as it is a standard industry measure applied by most major copper mining companies which reflects the direct costs involved in producing each pound of copper. It therefore allows a straightforward comparison of the unit production cost of different mines, and allows an assessment of the position of a mine on the industry cost curve. It also provides a simple indication of the profitability of a mine when compared against the price of copper (per lb).

| | **At 31.12.2020** | At 31.12.2019 |
|---|---|---|
| **Reconciliation of cash costs excluding tolling charges and by-product revenue:** | | |
| Total Group operating costs (Note 5) ($m) | **3,537.1** | 3,588.7 |
| Zaldívar operating costs | **190.9** | 224.3 |
| Less: | | |
| Total – Depreciation and amortisation (Note 5) ($m) | **(1,048.7)** | (914.3) |
| Total – Loss on disposal (Note 5) ($m) | **(6.3)** | (12.7) |
| *Elimination of non-mining operations* | | |
| Corporate and other items – Total operating cost (Note 5) ($m) | **(64.3)** | (70.8) |
| Exploration and evaluation – Total operating cost (Note 5) ($m) | **(85.1)** | (111.1) |
| Railway and other transport services – Total operating cost (Note 5) ($m) | **(91.4)** | (105.7) |
| Closure provision and other expenses not included within cash costs ($m) | **(105.8)** | (81.8) |
| Inventory variation | **11.1** | 3.0 |
| Total cost relevant to the mining operations' cash costs ($m) | **2,337.5** | 2,519.6 |
| Copper production volumes (tonnes) | **733,920** | 769,970 |
| Cash costs excluding tolling charges and by-product revenue ($/tonne) | **3,185** | 3,272 |
| Cash costs excluding tolling charges and by-product revenue ($/lb) | **1.43** | 1.48 |

| | **At 31.12.2020** | At 31.12.2019 |
|---|---|---|
| **Reconciliation of cash costs before deducting by-products:** | | |
| Tolling charges - copper - Los Pelambres (Note 6) ($m) | **113.6** | 147.5 |
| Tolling charges - copper - Centinela (Note 6) ($m) | **68.8** | 104.6 |
| Tolling charges - copper – total ($m) | **182.4** | 252.1 |
| Copper production volumes (tonnes) | **733,920** | 769,970 |
| Tolling charges ($/tonne) | **248.5** | 327.4 |
| Tolling charges ($/lb) | **0.13** | 0.17 |
| Cash costs excluding tolling charges and by-product revenue ($/lb) | **1.43** | 1.48 |
| Tolling charges ($/lb) | **0.13** | 0.17 |
| Cash costs before deducting by-products (S/lb) | **1.56** | 1.65 |

**d) Cash costs (continued)**

| | At 31.12.2020 | At 31.12.2019 |
|---|---|---|
| **Reconciliation of cash costs (net of by-products):** | | |
| Gold revenue - Los Pelambres (Note 5) ($m) | **106.4** | 75.2 |
| Gold revenue - Centinela (Note 5) ($m) | **251.3** | 332.5 |
| Molybdenum revenue - Los Pelambres (Note 5) ($m) | **181.8** | 248.9 |
| Molybdenum revenue - Centinela (Note 5) ($m) | **27.7** | 5.7 |
| Silver revenue - Los Pelambres (Note 5) ($m) | **43.3** | 30.7 |
| Silver revenue - Centinela (Note 5) ($m) | **21.2** | 27.6 |
| Total by-product revenue ($m) | **631.7** | 720.6 |
| | | |
| Copper production volumes (tonnes) | **733,920** | 769,970.0 |
| | | |
| By-product revenue ($/tonne) | **860.7** | 935.9 |
| By-product revenue ($/lb) | **0.42** | 0.43 |
| | | |
| Cash costs before deducting by-products (S/lb) | **1.56** | 1.65 |
| By-product revenue ($/lb) | **(0.42)** | (0.43) |
| Cash costs (net of by-products) ($/lb) | **1.14** | 1.22 |

The totals in the tables above may include some small apparent differences as the specific individual figures have not been rounded.

e) **Attributable cash, cash equivalents & liquid investments, borrowings and net debt**

Attributable cash, cash equivalents & liquid investments, borrowings and net debt reflects the proportion of those balances which are attributable to the equity holders of the Company, after deducting the proportion attributable to the non-controlling interests in the Group's subsidiaries.

This is considered to be a useful and relevant measure as the majority of the Group's cash tends to be held at the corporate level and therefore 100% attributable to the equity holders of the Company, whereas the majority of the Group's borrowings tend to be at the level of the individual operations, and hence only a proportion is attributable to the equity holders of the Company.

| | **Total amount $m** | **December 2020** Attributable share | **Attributable amount $m** | Total amount $m | December 2019 Attributable share | Attributable amount $m |
|---|---|---|---|---|---|---|
| **Cash, cash equivalents and liquid investments:** | | | | | | |
| Los Pelambres | **904.8** | 60% | **542.9** | 405.5 | 60% | 243.3 |
| Centinela | **736.3** | 70% | **515.4** | 491.6 | 70% | 344.1 |
| Antucoya | **143.6** | 70% | **100.5** | 113.4 | 70% | 79.4 |
| Corporate | **1,843.4** | 100% | **1,843.4** | 1,177.2 | 100% | 1,177.2 |
| Railway and other transport services | **44.7** | 100% | **44.7** | 5.7 | 100% | 5.7 |
| Total | **3,672.8** | | **3,046.9** | 2,193.4 | | 1,849.7 |
| | | | | | | |
| **Borrowings:** | | | | | | |
| Los Pelambres (Note 16) | **(1,379.5)** | 60% | **(827.7)** | (584.4) | 60% | (350.6) |
| Centinela (Note 16) | **(777.5)** | 70% | **(544.2)** | (785.7) | 70% | (550.0) |
| Antucoya (Note 16) | **(547.5)** | 70% | **(383.3)** | (820.0) | 70% | (574.0) |
| Corporate (Note 16) | **(1,013.5)** | 100% | **(1,013.5)** | (521.1) | 100% | (521.1) |
| Railway and other transport services (Note 16) | **(36.8)** | 100% | **(36.8)** | (45.6) | 100% | (45.6) |
| Total (Note 16) | **(3,754.8)** | | **(2,805.5)** | (2,756.8) | | (2,041.3) |
| | | | | | | |
| **Net debt** | **(82.0)** | | **241.4** | **(563.4)** | | **(191.6)** |

## 32. Production and Sales Statistics (not subject to audit or review)

a) **Production and sales volumes for copper, gold and molybdenum**

| | Production | | Sales | |
|---|---|---|---|---|
| | **Year ended 31.12.2020** | Year ended 31.12.2019 | **Year ended 31.12.2020** | Year ended 31.12.2019 |
| **Copper** | **000 tonnes** | 000 tonnes | **000 tonnes** | 000 tonnes |
| Los Pelambres | **359.6** | 363.4 | **366** | 356.1 |
| Centinela | **246.8** | 276.6 | **247.7** | 287.8 |
| Antucoya | **79.3** | 71.9 | **76.5** | 71.6 |
| Zaldívar | **48.2** | 58.1 | **48.3** | 56.7 |
| **Group total** | **733.9** | 770.0 | **738.5** | 772.2 |
| **Gold** | **000 ounces** | 000 ounces | **000 ounces** | 000 ounces |
| Los Pelambres | **60.4** | 59.7 | **58.4** | 52.6 |
| Centinela | **143.7** | 222.6 | **141.2** | 236.2 |
| **Group total** | **204.1** | 282.3 | **199.6** | 288.8 |
| **Molybdenum** | **000 tonnes** | 000 tonnes | **000 tonnes** | 000 tonnes |
| Los Pelambres | **10.9** | 11.2 | **10.8** | 11.8 |
| Centinela | **1.7** | 0.4 | **1.7** | 0.3 |
| **Group total** | **12.6** | 11.6 | **12.5** | 12.1 |
| **Silver** | **000 ounces** | 000 ounces | **000 ounces** | 000 ounces |
| Los Pelambres | **2,073.9** | 2,141.7 | **2020.2351** | 1,889.1 |
| Centinela | **1,118.4** | 1,677.0 | **1064.3** | 1,729.2 |
| **Group total** | **3,192.3** | 3,818.7 | **3,084.6** | 3,618.3 |

## b) Cash costs per pound of copper produced and realised prices per pound of copper and molybdenum sold

| | Cash costs | | Realised prices | |
|---|---|---|---|---|
| | **Year ended 31.12.2020** | Year ended 31.12.2019 | **Year ended 31.12.2020** | Year ended 31.12.2019 |
| | **$/lb** | $/lb | **$/lb** | $/lb |
| **Copper** | | | | |
| Los Pelambres | **0.81** | 0.91 | **3.02** | 2.75 |
| Centinela | **1.27** | 1.26 | **2.95** | 2.75 |
| Antucoya | **1.82** | 2.17 | **2.85** | 2.74 |
| Zaldívar (attributable basis – 50%) | **1.80** | 1.75 | **-** | - |
| **Group weighted average (net of by-products)** | **1.14** | 1.22 | **2.98** | 2.75 |
| **Group weighted average (before deducting by-products)** | **1.57** | 1.65 | | |
| **Group weighted average (before deducting by-products and excluding tolling charges from concentrate)** | **1.43** | 1.48 | | |
| **Cash costs at Los Pelambres comprise:** | | | | |
| On-site and shipping costs | **1.10** | 1.17 | | |
| Tolling charges for concentrates | **0.18** | 0.23 | | |
| **Cash costs before deducting by-product credits** | **1.27** | 1.40 | | |
| By-product credits (principally molybdenum) | **(0.46)** | (0.49) | | |
| **Cash costs (net of by-product credits)** | **0.81** | 0.91 | | |
| **Cash costs at Centinela comprise:** | | | | |
| On-site and shipping costs | **1.71** | 1.66 | | |
| Tolling charges for concentrates | **0.14** | 0.17 | | |
| **Cash costs before deducting by-product credits** | **1.85** | 1.83 | | |
| By-product credits (principally gold) | **(0.58)** | (0.58) | | |
| **Cash costs (net of by-product credits)** | **1.27** | 1.26 | | |
| **LME average copper price** | | | **2.80** | 2.72 |
| **Gold** | | | $/oz | $/oz |
| Los Pelambres | | | **1,827** | 1,434 |
| Centinela | | | **1,784** | 1,412 |
| **Group weighted average** | | | **1,797** | 1,416 |
| **Market average price** | | | **1,770** | 1,394 |
| **Molybdenum** | | | $/lb | $/lb |
| Los Pelambres | | | **8.8** | 10.8 |
| Centinela | | | **8.9** | 11.1 |
| **Group weighted average** | | | **8.8** | 10.8 |
| **Market average price** | | | **8.7** | 11.4 |
| **Silver** | | | $/oz | $/oz |
| Los Pelambres | | | **21.7** | 16.5 |
| Centinela | | | **20.4** | 16.4 |
| **Group weighted average** | | | **21.3** | 16.4 |
| **Market average price** | | | **20.5** | 16.2 |

**Notes to the production and sales statistics**

(i) For the Group's subsidiaries the production and sales figures reflect the total amounts produced and sold by the mine, not the Group's share of each mine. The Group owns 60% of Los Pelambres, 70% of Centinela and 70% of Antucoya. For the Zaldívar joint venture the production and sales figures reflect the Group's proportional 50% share.

(ii) Los Pelambres produces copper and molybdenum concentrates, Centinela produces copper concentrate and copper cathodes and Antucoya and Zaldívar produce copper cathodes. The figures for Los Pelambres and Centinela are expressed in terms of payable metal contained in concentrate and in cathodes. Los Pelambres and Centinela are also credited for the gold and silver contained in the copper concentrate sold. Antucoya and Zaldívar produce cathodes with no by-products.

(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 are stated net of by-product credits and include tolling charges for concentrates at Los Pelambres and Centinela. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporate tax for all four operations.

(iv) Realised copper prices are determined by comparing revenue from copper sales (grossing up for tolling charges for concentrates) with sales volumes for each mine in the period. Realised molybdenum and gold prices are calculated on a similar basis. Realised prices reflect gains and losses on commodity derivatives, which are included within revenue.

(v) The totals in the tables above may include some small apparent differences as the specific individual figures have not been rounded.

(vi) The production information and the cash cost information is derived from the Group's production report for the fourth quarter of 2020, published on 20 January 2021.