



Corporación Nacional del Cobre de Chile

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Despite the 11.4% drop in the price of copper from last year:

Codelco generated US\$ 380 million in pretax earnings, up 20% over the first half of 2019

During these first six months, Codelco produced more fine copper than during the same period last year, while lowering its costs and optimizing its operating cash flow.

Santiago, July 31, 2020. - During this first semester, and in the midst of the coronavirus pandemic, Codelco produced 744 thousand tons of fine copper, up 4.7% over the same period in 2019. We also generated pretax earnings of US\$ 380 million, a figure that exceeds last year's first half figures by almost 20%.

The early measures taken by Codelco to protect the health of its workers allowed it to maintain operational continuity. Moreover, an increase in plant processing and improvements in ore grades explain the 34 thousand ton increase in production compared to last year.

Direct cost (C1) fell 9% to 129.9 cents per pound (c/lb), down 12.4 cents from 142.3 c/lb last year. This figure is explained by the operational continuity of our smelters, which improved the state-owned company's product portfolio, in addition to higher production, an increase in the sale of by-products such as molybdenum and the positive effect of a higher US dollar.

Meanwhile, the net cost to cathode (C3) saw a significant decrease of 17% compared to the same period of the previous year, reaching 207.7 c/lb. This is explained by the same reasons that affected direct costs, which added to the lower non-operating expenses. In addition, last year's C3 costs included the impact of collective bargaining during the period.

As for the generation of operational cash flow, EBITDA reached US\$ 1,881 million; up 18% over the same period of the previous year with a margin of 36%.

Codelco's excellent operational and cost management performance allowed the Corporation to attain pretax earnings amounting to US\$ 380 million, almost 20% above the US\$ 318 million from the previous year, despite a greater burden due to the depreciation of the company's assets because of the strong level of investments and the lower copper price by 11.4%. The copper price was also affected by the health crisis and averaged out over the period at US\$ 2.48, against US\$ 2.80 / pound during the first half of 2019; that is, 32 cents less.

Finally, the start-up dates for Codelco's primary development projects have not been affected, despite the temporary stoppage of certain contracts to minimize the risk of contagion on site.



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Strict measures to protect staff and maintain operational continuity

During this period, marked by the pandemic, Codelco took several preemptive measures to protect the health of its workers. These measures included reducing the number of in-house and contractor workers on job sites, using buses at 50% capacity and taking staff temperatures upon entry to job sites. A health survey was also established for the beginning of work shifts in addition to exhaustive controls of the measures adopted by the collaborating companies were put into place.

Personnel on site were tested on a mass scale. Also, Codelco's facilities were modified to ensure physical distancing in common spaces such as mess halls and change houses. We also established a permanent sanitation plan for industrial areas and equipment defined rules for to immediately respond to the presence of symptoms in any personnel during a shift. Furthermore, Codelco entered into agreements with almost twenty trade unions to implement exceptional working hours to control the possibility of infection and ensure its traceability.

Additionally, due to the health crisis we temporarily halted the construction of our structural and development projects to contain the number of people on site. Among the projects temporarily halted included Chuquicamata Subterránea, which reached 99% progress for the first of its three underground levels; and Nuevo Nivel Mina (Andes Norte, Diamante and Andesita), with progress at 61%. Meanwhile, the construction of Traspaso Andina progressed to 87% before total stoppage in April. It was later reactivated with gradual remobilization of personnel between May and June.

"The first priority of the strict protocols implemented was to avoid exposing workers to risk, ensuring that we provide them with all the sanitary conditions necessary to protect their health and the health of their families. The second priority was to maintain operational continuity in order to generate earnings for Chile. We understand well that in order to get out of the economic crisis that this pandemic is causing, Chile will require Codelco's resources.," says CEO Octavio Araneda.

Mr. Araneda also reiterated that the state-owned company will continue to make every effort to maintain the production levels it has recorded thus far, while safeguarding people's health, in order to sustain Codelco's earnings commitment to the people of Chile.

HIGHLIGHTS OF THE FIRST SEMESTER

- **US\$ 380 million in pretax earnings**, up 20% over the previous year. This was due to the increase in the value of the observed dollar, operational continuity and optimized process management (despite a higher depreciation of Codelco's assets and a weaker copper price).
- **744 thousand tons of own copper**, up 4.7% over the previous year.
- **C1 costs reached 129.9 c/lb** versus the previous year's 142.3 c/lb, representing a 9% reduction against the first semester of 2019.
- **C3 costs reached 207.7 c/lb**, down 17% from the first 6 months of the previous year, when C3 costs reached 250.6 c/lb.



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- **Codelco's EBITDA reached US\$ 1,881 million, with a margin of 36%**, and a positive variation of US\$ 291 million; that is, up 18% over last year.

Codelco