



## RESULTS

### JUNE 30, 2018

Santiago de Chile, August 31, 2018 – Corporación Nacional del Cobre (CODELCO) reported June 30, 2018 operational and financial results:

- **Six months ended June 30, 2018 revenues** were US\$ 7.4 billion, up 24.0% from the reported US\$ 6.0 billion for the first six months of 2017, mainly due to a 20.3% increase in average LME copper prices.
- **Adjusted EBITDA**, for the first six months of 2018, was US\$ 2.7 billion (36.2% margin) compared to US\$ 2.2 billion (37.1% margin) in the same period of 2017 principally due to a rise in average copper prices in 2018, partially offset by higher costs and expenses.
- **Net financial debt** was down 7.3% to US\$12.4 billion in the first half of 2018 compared to US\$13.4 billion in the same period of 2017 principally due to more cash available. Therefore, the net debt reduction together with an increase in adjusted EBITDA have had a positive impact on the net debt to last 12-month adjusted EBITDA ratio totaling 2.0x compared to 3.3x in the first half of 2017.
- **Profit before tax** in the first six months of 2018 was US\$ 674 million (9.1% of sales), compared to US\$ 556 million (9.3% of sales) in the same period of 2017 basically due to higher average copper prices and a positive impact of foreign exchange rate differences, partially offset by higher costs and expenses due to input costs, negative impact of the exchange rate, export tax, collective bargaining agreements and impairments.
- **Operating cash flows** increased by 60.6% to US\$ 2.9 billion in the first six months of 2018 compared to US\$ 1.8 billion in the same period of 2017 primarily due to an increase in cash received from sales of goods as a direct consequence of higher average prices for CODELCO's product portfolio, partially offset by an increase in expenses.
- **Capex program** for the three structural projects under construction, Chuquicamata Underground, El Teniente New Mine Level and Andina Mineral Transfer System, continues to move forward, as well as the feasibility study for the Inca Pit structural project at Salvador division. On the other hand, while the overhaul of Andina Future Development project is in the process of defining the feasibility study authorization, the North District Desalination Plant tender process is on schedule. During the first half of 2018, CODELCO invested a total of US\$1.8 billion in structural projects as well as in sustaining capex.
- **Total copper mine production**, including El Abra and Anglo American Sur production attributable to CODELCO, increased 2.8% in the first six months of 2018 to 875 thousand tons compared to 851 thousand tons for the first half of 2017, especially due to higher output at Radomiro Tomic and Chuquicamata divisions.



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- **Direct Cash Cost C1** per pound of copper was US\$ 137.6 in the first half of 2018, compared to US\$ 131.7 in the same period of 2017. This increase of 4.5% is primarily attributable to higher input prices and the negative effect of the appreciation of the Chilean peso against the U.S. dollar.
- **Fourteen collective bargaining agreements**, covering approximately 8,900 employees, have been negotiated during 2018 with 1 - 1.5% salary increases, for a 36-month period and agreements are evolving toward a productivity-based incentive structure. Four remaining labor agreements will be under negotiation during the last months of 2018.
- **Productivity** of CODELCO's employees has improved approximately 10% during the first six months of 2018 to 50.4 mft/person from 45.9 mft/person for the same period of 2017.

### SUMMARY FINANCIAL AND OPERATING DATA

	June 30,			
	2018	2017	Amount	Variation %
Copper Production <sup>(1)</sup> ('000 mft)	875	851	24	2.8
Own Molybdenum Production ('000 mft)	13	14	(1)	(5.6)
Direct Cash Cost C1 (Usc/Pound)	137.6	131.7	5.9	4.5
Copper Sales ('000 mft)	895	805	90	11.2
Molybdenum Sales ('000 mft)	14	14	-	(3.0)
LME Copper Price (Usc/Pound)	313.7	260.8	52.9	20.3
Metals Week Molybdenum Price (US\$/Pound)	11.9	8.0	3.9	50.1
Average Exchange Rate (CLP/US\$)	611	660	(49)	(7.3)
Closing Exchange Rate (CLP/US\$)	651	664	(13)	(2.0)
Total Revenues (US\$ mn)	7,426	5,990	1,436	24.0
Gross Profit (US\$ mn)	1,849	1,456	393	27.0
Gross Margin (%)	24.9	24.3	0.6	2.4
Adjusted EBITDA <sup>(2)</sup> (US\$ mn)	2,692	2,222	470	21.2
Adjusted EBITDA Margin (%)	36.2	37.1	0.9	(2.3)
Net Financial Debt <sup>(3)</sup> (US\$ mn)	12,402	13,375	(973)	(7.3)
Net Interest Expense (US\$mn)	213	250	(37)	(14.9)
Net Debt to LTM Adjusted EBITDA	2.0	3.3	(1.3)	(38.3)
Adjusted EBITDA to Net Interest Expenses	12.6	8.9	3.7	42.4
Net Debt to total Capitalization (%)	48.9	54.3	(5.4)	(9.9)
Contribution to the Chilean Treasury (US\$ mn)	473	475	(2)	(0.4)

(1) Includes El Abra and Anglo American Sur production attributable to CODELCO

(2) Adjusted Ebitda is defined as Net Income plus Income Tax, Royalty, Export Tax, Interest Expenses and Depreciation and Amortization and Impairments

(3) Net of cash and cash equivalents. Excludes Mitsui debt to acquire 20% of Anglo American Sur asset, because it is a non-recourse loan to CODELCO



**OPERATION: PRODUCTION, REVENUES & COST (CONSOLIDATED)**

**Production.-** Consolidated copper mine production, including El Abra and Anglo American Sur production attributable to CODELCO, increased 2.8% in the first six months of 2018 to 875,391 tons compared to 851,057 thousand tons for the first half of 2017, mainly due to higher production at Radomiro Tomic and Chuquicamata divisions and, to a lesser extent, at El Teniente and production from CODELCO’s interest in Anglo American Sur and El Abra. Nonetheless, lower production at Mina Ministro Hales, Andina and Gabriela Mistral divisions partially offset the above performance. CODELCO’s own production increased by 1.9% in the first half of 2018 compared to the same period of 2017 mainly due to a rise in mineral ore mined and higher ore grades at Radomiro Tomic. The rise in the amount of ore mined at Chuquicamata, together with the use of stocks, offset the lower ore grades. Ministro Hales production fell in accordance with its mining plan due to a lower amount of mineral ore mined partially offset by higher ore grades. A fall in production at Andina division is related to a fatal accident that occurred in February at the mine, while at Gabriela Mistral division to decreasing ore grades.

Molybdenum production decreased by 5.6% in the first half of 2018 to 12,942 tons from 13,711 tons for the same period of 2017 mainly due to a fall in production at Radomiro Tomic division and, to a lesser extent, at Andina and Chuquicamata divisions, partially offset by an increased production at El Teniente division.

	DIVISION	2018	2017
Copper Production (K ton)	Chuquicamata	137	116
	Radomiro Tomic	178	152
	Mina Ministro Hales	97	113
	Gabriela Mistral	50	60
	El Teniente	225	219
	Andina	101	112
	Salvador	26	27
	El Abra <sup>(1)</sup>	22	18
	Anglo American Sur <sup>(2)</sup>	40	35
	<b>CODELCO Total</b>	<b>875</b>	<b>851</b>

- (1) CODELCO’s figures for El Abra include 49% of the mine’s total production (production attributable to CODELCO’s 49% ownership interest in the mine).
- (2) CODELCO’s figures for Anglo American Sur include 20% of the mine’s total production (production attributable to CODELCO’s 20% ownership interest in the mine).

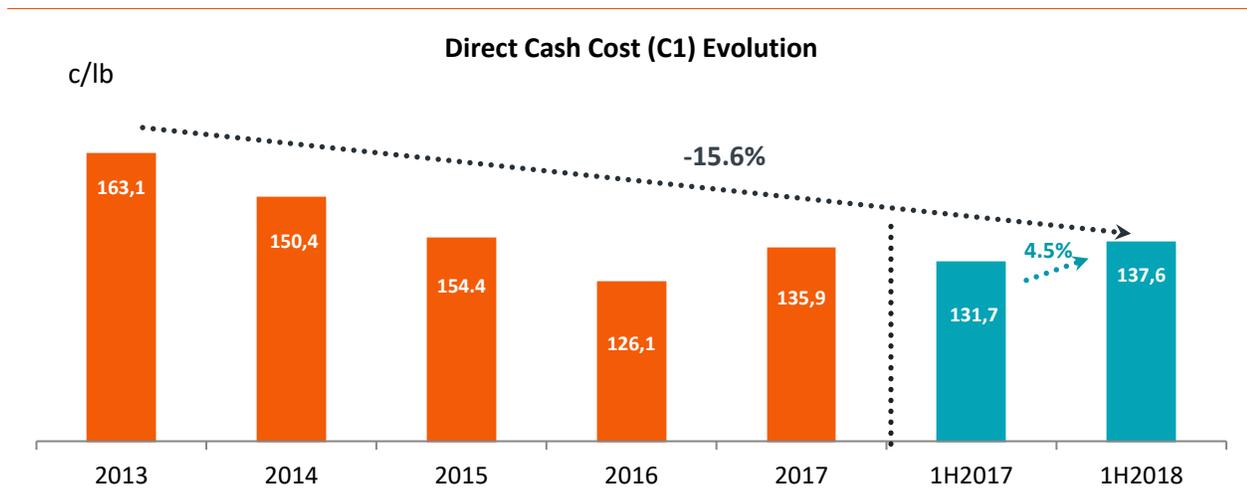


## RESULTS JUNE 30, 2018

**Revenues.-** Revenues for the first six months of 2018 increased by 24.0% to US\$ 7.4 billion compared to US\$ 6.0 billion in the same period of 2017 mainly due to 26.2% higher revenues from own copper sales as a result of 20.3% rise in average LME copper prices and a 11.2% rise in own copper volumes sold. Revenues do not reflect 100% of these effects due to open invoices provisions. In the case of molybdenum, revenues increased by 47.6% due to average prices increasing by 50.1% partially offset by a 3.0% fall in tonnage sold. Finally, other by-products revenues improved by 12.7% mainly due to higher sulfuric acid average prices and volumes sold.

**Costs.-** Unit cash costs will vary with fluctuations in payable production and average realized prices for by-products. In the first six months of 2018, CODELCO's cash cost was 137.6 cents per pound, compared to 131.7 cents per pound in the same period of 2017. This 4.5% increase is primarily attributable to:

- 1) Higher input prices
- 2) Unfavorable exchange rate movements due to the appreciation of the Chilean peso against the U.S. dollar impacting CODELCO's input prices (1H 2018 average exchange rate was CLP 611 per dollar compared to CLP 660 per dollar for the same period of 2017)
- 3) Higher by-product credits partially offset operational cost increases.





### **CAPITAL EXPENDITURE: PROJECTS PROGRESS**

**Chuquicamata Underground:** Under construction with an overall progress of 61.9% as of June 2018. 113 km of tunnels have been completed (79.6%). The Board recently approved the reformulation of the project which is subject to the Ministry of Social Development and Cochilco recommendations. Operation is schedule to start in 2019.

**Andina Plant Relocation:** Under construction with an overall progress of 56.9% as of June 2018. 9.5 km of the Haulage III Tunnel have been excavated and the primary crushing dome cover have been completely assembled. The construction work and the electromechanical assembly contracts have commenced. Project will be ready by 2020.

**El Teniente New Mine Level:** Under construction with an overall progress of 47.9% as of June 2018. The Andes Norte NNM project as well as the early works for the Andesita and Diamante projects (El Teniente Division development plan projects) are in the process of being authorized. Operation is schedule to start by 2023.

**Salvador Inca Pit project:** Feasibility study under development with an overall progress of 56%

**Andina Development:** Prefeasibility studies have been completed. Overhaul is being done to define the feasibility study authorization.

**Northern District Desalination Plant:** The competitive tender process to build and operate the plant is on schedule.

**New Smelter Emission Standards (DS N°28):** Total capex of US\$2.1 bilion to comply with environmental regulations:

- **Ventanas:** 100% progress - Project completed.
- **Salvador:** 68% progress.
- **Chuquicamata:** 66% progress.
- **El Teniente:** 64% progress.



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#### AVERAGE METAL PRICE

	LME Copper (US\$/lb.)	COMEX Copper (US\$/lb.)	Molybdenum (US\$/lb.)
<b>1Q 2018</b>	3.16	3.14	12.14
<b>2Q 2018</b>	3.12	3.09	11.55
<b>1H 2018</b>	3.14	3.12	11.85
<b>1Q 2017</b>	2.65	2.65	7.74
<b>2Q 2017</b>	2.57	2.58	8.00
<b>3Q 2017</b>	2.88	2.89	8.05
<b>4Q 2017</b>	3.09	3.10	8.72
<b>1H 2017</b>	2.61	2.62	7.87
<b>Average 2017</b>	2.80	2.80	8.13
<b>Variation: 2Q 2018 vs. 2Q 2017</b>	21.4%	19.8%	44.4%
<b>Variation: 2Q 2018 vs. 1Q 2017</b>	(1.3)%	(1.6)%	(4.9)%
<b>Variation: 1H 2018 vs. 1H 2017</b>	20.3%	19.1%	50.6%

#### CASH FLOWS

For the first six months of 2018, net cash flow from operating activities increased by 60.6% to US\$ 2.9 billion from US\$ 1.8 billion in the same period of 2017, primarily due to an increase in cash received from the sales of goods as a direct consequence of higher average prices for CODELCO's product portfolio, partially offset by an increase in expenses.

#### CASH AND DEBT

As of June 30, 2018, CODELCO had consolidated US\$2.0 billion in cash and cash equivalents compared to US\$ 889 million as of June 30, 2017. It is important to highlight that a change in the payment mechanism of the Copper Reserved Law 13,196, also known as export tax, has had a positive impact on cash resources. Starting from January 1, 2018, CODELCO will pay the export tax at the end of each year instead of on a daily basis as it was until the aforementioned date.

As of June 30, 2018, CODELCO's financial debt increased to US\$ 14.5 billion compared to US\$ 14.3 billion as of June 30, 2017. CODELCO's financial debt excludes the non-recourse loan extended by Mitsui to CODELCO in order to execute the Anglo American Sur option to acquire 20% of the asset. CODELCO's net financial debt\* was US\$ 12.4 billion as of June 30, 2018 compared to US\$ 13.4 the previous year. Over the last twelve months debt movements include the issuance in the 144-a and RegS market of CODELCO 2027 for US\$ 1.50 billion and CODELCO 2047 for US\$ 1.25 billion in August 1, 2017 to buy-back short and medium-term debt for US\$ 2.4 billion (Any & All tender offer for 2019, 2020 and 2021 notes and maximum tender offer for 2022, 2023 and 2025 notes). Moreover, it includes CODELCO debut in the Formosa market on May 15, 2018 issuing a 30-year bond with a par call option



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from the fifth year and until maturity. Since July 1, 2017, CODELCO has done rollovers for US\$300 million in bilateral loan maturities and repaid US\$ 751 million in loans.

(1) Net of cash and cash equivalents. Excludes Mitsui debt to acquire 20% of Anglo American Sur asset, because it is a non-recourse loan to CODELCO



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (US\$ Th)**

Profit (loss)	Six month ended June 30,	
	2018	2017
Revenue	7,426,464	5,989,650
Cost of sales	(5,577,274)	(4,533,889)
<b>Gross profit</b>	<b>1,849,190</b>	<b>1,455,761</b>
Other Income, by function	65,511	72,725
Impairment and reversed impairment according to IFRS 9	1,315	-
Distribution costs	(9,746)	(5,272)
Administrative expenses	(232,345)	(207,781)
Other expenses	(964,409)	(605,341)
Other gains (losses)	8,248	3,010
<b>Profit (loss) from operating activities</b>	<b>717,764</b>	<b>713,102</b>
Finance income	24,709	11,842
Finance costs	(237,609)	(262,040)
Share of profit of associates and joint ventures accounted for using the equity method	73,723	118,658
Foreign exchange differences	95,645	(25,493)
<b>Profit (loss) for the period before tax</b>	<b>674,232</b>	<b>556,069</b>
Income tax expense	(430,318)	(349,740)
<b>Profit (loss) for the period</b>	<b>243,914</b>	<b>206,329</b>
Profit (loss) attributable to:		
Profit (loss) attributable to owners of the parent	223,307	169,863
Loss attributable to non-controlling interests	20,607	36,466
<b>Profit for the period</b>	<b>243,914</b>	<b>206,329</b>



**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (US\$ Th)**

	6/30/2018	6/30/2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	2,013,099	888,627
Other current financial asset	64,138	1,638
Other current non-financial assets	25,318	25,798
Trade and other current receivables	1,996,785	1,893,575
Accounts receivables due from related companies, current	126,253	148,437
Inventory	2,068,167	1,997,837
Current tax asset	12,884	3,668
<b>Total current assets different from other than assets or groups of assets for disposition classified as held for sale or held as distributable to owners</b>	<b>6,306,644</b>	<b>4,959,580</b>
Non-current assets or groups of assets for disposition classified as held as distributable to owners	2,804	-
<b>Total current assets</b>	<b>6,309,448</b>	<b>4,959,580</b>
<b>Non-current asset</b>		
Non-current inventories	441,879	401,834
Other non-current financial assets	157,695	89,985
Other non-current non-financial assets	7,497	13,337
Non-current receivables	113,187	89,006
Accounts receivables due from related companies, non-current	25,325	22,217
Investment accounted for using the equity method	3,614,263	3,658,371
Intangible assets other than goodwill	44,109	201,178
Property, Plant and Equipment, net	26,032,844	24,373,362
Investment property	981	981
Non-current tax asset	177,093	233,772
Diferred tax assets	32,413	28,706
<b>Total non-current asset</b>	<b>30,647,286</b>	<b>29,112,749</b>
<b>TOTAL ASSETS</b>	<b>36,956,734</b>	<b>34,072,329</b>



**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (US\$ Th)**

<b>Liabilities</b>	<b>6/30/2018</b>	<b>6/30/2017</b>
<b>Current liabilities</b>		
Other current financial liabilities	943,741	372,180
Trade and other current payables	1,321,155	1,157,269
Accounts payables to related companies, current	123,513	122,287
Other current provisions	976,280	223,212
Current tax liabilities	36,338	15,323
Current employee benefit accruals	333,859	298,338
Other current non- financial liabilities	49,032	52,808
<b>Total current liabilities</b>	<b>3,783,918</b>	<b>2,241,417</b>
<b>Non-current liabilities</b>		
Other non-current financial liabilities	14,450,764	14,964,789
Other non-current liabilities	35,791	54,101
Accounts payables to related companies, non-current	-	-
Other non-current provisions and accrued expenses	1,721,071	1,620,821
Deferred tax liabilities	4,711,571	3,486,280
Non-current employee benefit accruals	1,338,779	1,314,357
Other non-current non-financial liabilities	3,358	4,186
<b>Total non-current liabilities</b>	<b>22,261,334</b>	<b>21,444,543</b>
<b>Total liabilities</b>	<b>26,045,252</b>	<b>23,685,951</b>
<b>Equity</b>		
Issued Capital	4,619,423	4,099,423
Retained earnings	(37,902)	(35,333)
Other Reserves	5,359,343	5,315,864
<b>Equity attributable to owners of the parent</b>	<b>9,940,864</b>	<b>9,379,954</b>
Non-controlling interests	970,618	1,006,424
<b>Total equity</b>	<b>10,911,482</b>	<b>10,386,378</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>36,956,734</b>	<b>34,072,329</b>



**CONSOLIDATED STATEMENTS OF CASH FLOWS (US\$ Th)**

	<b>Six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flow provided by (used in) operating activities:</b>		
Cash receipts provided by operating activities		
Cash flows provided by sales of goods and rendering of services	8,366,174	6,352,238
Other cash flows provided by operating activities	858,939	1,040,836
Types of cash payments		
Payments to suppliers for goods and services	(4,634,204)	(3,688,784)
Payments to and on behalf of employees	(1,041,767)	(911,337)
Other cash flows used in operating activities	(701,726)	(1,036,651)
Dividends received	59,971	44,743
Income taxes paid	(27,973)	(8,672)
<b>Net cash flows provided by operating activities</b>	<b>2,879,414</b>	<b>1,792,373</b>
<b>Cash flows provided by (used in) investing activities:</b>		
Other payments to acquire equity or debt instruments of other entities	-	-
Purchases of property plant and equipment	(1,855,342)	(1,648,758)
Interest received	16,458	3,262
Other inflows (outflows) of cash	(131,338)	(8,280)
<b>Net cash flows from (used in) investing activities</b>	<b>(1,970,222)</b>	<b>(1,653,776)</b>
<b>Cash flows used in financing activities:</b>		
Proceeds from current borrowings	626,807	319,826
Repayments of borrowings	(185,219)	(345,794)
Financial leasings	(11,966)	(12,017)
Dividends paid	(445,245)	-
Other cash inflow	1,832	488,424
Interest paid	(292,622)	(277,450)
<b>Net cash flows used in financing activities</b>	<b>(306,413)</b>	<b>172,989</b>
<b>Net increase (decrease) in cash and cash equivalents before foreign exchange difference</b>	<b>602,779</b>	<b>311,586</b>
Foreign Exchange Rate Net increase (decrease) in cash and cash equivalents	(38,515)	315
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>564,264</b>	<b>311,901</b>
Cash and cash equivalents at beginning of period	1,448,835	576,726
<b>Cash and cash equivalents at end of period</b>	<b>2,013,099</b>	<b>888,627</b>



### **COMPANY PROFILE**

CODELCO is the world's largest copper producer engaging primarily in the exploration, development and extraction of ores bearing copper and by-products, the processing of ore into refined copper and the international sale of refined copper and by-products. CODELCO is 100% owned by the Republic of Chile and controls approximately 7% of the world proven and probable copper reserves; as such term is defined by the U.S. Geological Survey. In 2017, CODELCO had an estimated 9% share of the total world copper production, with production of approximately 1.83 million metric tons (including CODELCO's attributable production in the El Abra deposit, which is mined by Sociedad Contractual Minera El Abra, and Anglo American Sur) and an estimated 10% share of the world's molybdenum production with own production of approximately 30,641 metric tons.

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