

Santiago de Chile, March 27, 2020 – Corporación Nacional del Cobre (CODELCO) released its full-year 2019 Operational and Financial Performance Report:

- **Risk mitigation measures linked to Covid-19.** CODELCO’s executive committee, with the support of Chile’s health authorities and Catholic University’s Department of Infectious Diseases, meets through video-conference on a daily basis to address the crisis. CODELCO put in place several health and safety measures to mitigate contagion risk among employees and secure operational activities. We reduced the number of own and third-party employees in order to maintain only personnel needed for production.
- **Cash and equivalents** reached US\$ 1.3 billion as of December 31, 2019. Additionally, CODELCO’s cash position was further strengthened with the proceeds of a US\$ 2.0 billion issuance of long-term 144A/RegS bonds in January 2020.
- **2019 Revenues** were US\$ 12.5 billion, 12.5% lower than the reported US\$ 14.3 billion in 2018, mainly due to a 7.9% fall in average LME copper prices and 7.4% decrease in total sales volume of copper. We highlight that the first semester concentrated most of the decline in sales, while in the second semester volumes recovered significantly.
- **Adjusted EBITDA<sup>(1)</sup>** was US\$ 4.0 billion, 13.9% lower than the US\$ 4.7 billion reported for the same period in 2018. Lower average LME copper price and sales volume were the main drivers of the decline.
- **Net financial debt<sup>(2)</sup>** reached US\$ 16.4 billion on December 31, 2019, 16.0% higher than the US\$14.1 billion reported on the same date in 2018. An increase in Net financial debt and a lower Adjusted EBITDA had a negative impact on the net debt to last twelve months adjusted EBITDA ratio that reached 4.1x, higher than the 3.0x in December 2018.
- **Profit before tax** decreased from US\$ 547 million in 2018 to US\$ 408 million in 2019. Lower revenues because of lower average LME copper prices and sales volume were the main drivers.
- **Operating cash flows** were US\$ 2.4 billion, 38.3% lower than the reported US\$ 3.9 billion in 2018 primarily due to a decrease in cash received from sales of goods because of lower copper prices and sales volume.
- **Capex program.** Chuquicamata Underground operation began on April 30, 2019. In 2019, El Teniente New Mine Level and Andina Mineral Transfer System progress continued as well as feasibility studies for Andina Future Development. Inca Pit project at Salvador Division is in the final review stage. On March 25, 2020, CODELCO announced a 15-day interruption of construction works for Chuquicamata Underground, Andina Transfer System and early works of Inca Open Pit at Salvador. This measure is in line with others for mitigating covid-19 contagion risks. We

estimate that these measures would not have impact on production and only a temporal delay of projects. Regarding the North District Desalination Plant, in December 2019, CODELCO announced the postponement of the project and the beginning of a new bidding process.

- **Capital injection** of US\$ 400 million was received in February 2019, complementing the US\$ 600 million received in December 2018.
- **Total copper mine production**, including CODELCO's stake in El Abra and Anglo American Sur, reached 1,706 ktons, compared to 1,806 ktons in 2018. Unusual situations in the first half of 2019, such as rainfall that impacted operations at Chuquicamata, Radomiro Tomic and Ministro Hales, and a 14-day union strike at Chuquicamata, partially explain this decline. Additionally, operational issues also impacted production during the first semester 2019. During the second semester, production normalized and increased 24% versus the first semester.
- **Direct Cash Cost C1** per pound of copper was US\$ 141.6, compared to US\$ 139.1 for full year in 2018. This 1.8% increase was primarily attributable to lower production and by-product credits, which were partially offset by cost-reduction initiatives and favorable CLP-USD exchange rate depreciation (average exchange rate was CLP 703 per dollar compared to CLP 640 per dollar for the same period in 2018).
- **9 collective bargaining agreements** were finalized, involving nearly 5,000 workers in six negotiation processes. Salary adjustments and conditions were adjusted to the reality of the business.

- (1) Adjusted EBITDA is calculated by adding finance cost, income tax expense, depreciation and amortization of assets plus export taxes and impairment charges to profit (loss) for the period.
- (2) We have adjusted our credit metric calculations versus previous reports. We are including leasings and Oriente Copper Netherlands loan in our financial debt to reflect IFRS16 and financial debt of a wholly-owned subsidiary.



**FINANCIAL AND OPERATING DATA SUMMARY**

	December 31,		Change	
	2018	2019	Amount	%
Total Copper Production ('000 mft) <sup>(1)</sup>	1,806	1,706	(100)	(5.5)
Total Own Molybdenum Production ('000 mtf)	24	22	(2)	(6.8)
Cash Cost (USc/lb)	139.1	141.6	2.5	1.8
Total Own Copper Sales ('000 mft)	1,838	1,804	(34)	(1.9)
Total Molybdenum Sales ('000 mft)	25	24	(2)	(6.9)
LME Copper Price (USc/lb)	295.88	272.4	(23.5)	(7.9)
Metals Week Molybdenum Price (US\$/lb)	11.94	11.4	(0.6)	(4.9)
Average Exchange Rate (CLP/US\$)	640	703	63	9.8
Closing Exchange Rate (CLP/US\$)	662	745	83	12.6
Total Revenues (US\$ million)	14,309	12,525	(1784)	(12.5)
Gross Profit (US\$ million)	3,114	2,473	(641)	(20.6)
Gross Margin (%)	21.8	19.7	(2)	(9.3)
Adjusted EBITDA (US\$ million) <sup>(2)</sup>	4,696	4,043	(653)	(13.9)
Adjusted EBITDA Margin (%)	32.8	32.3	(1)	(1.6)
Net Financial Debt (US\$ million) <sup>(3)</sup>	14,136	16,394	2258	16.0
Net Interest Expenses (US\$ million)	412	442	30	7.3
Net Financial Debt to LTM Adjusted EBITDA	3.01	4.06	1.04	34.7
Adjusted EBITDA to Net Interest Expenses	11.4	9.1	(2.2)	(19.7)
Net Financial Debt to total Capitalization (%)	52.93	55.87	2.9	5.6
Contribution to the Chilean Treasury (US\$ million /cash flow)	1,809	1,340	(469)	(25.9)

<sup>(1)</sup> Total Production includes Codelco's share in El Abra and Anglo American Sur

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

<sup>(3)</sup> Net Financial Debt is Financial Debt minus Cash and Cash Equivalents.

**OPERATION: PRODUCTION, REVENUES, COST & ADJUSTED EBITDA**

**Consolidated Production.-** In 2019, consolidated copper mine production, including CODELCO's stake in El Abra and Anglo American Sur attributable production, decreased 5.5% to 1,706 ktons compared to 1,806 ktons in 2018. Unexpected situations in the first half of 2019, such as exceptional rainfall that impacted operations at Chuquicamata, Radomiro Tomic and Ministro Hales, and a 14-day union strike at Chuquicamata, partially explain this decline. Lower copper grades in Ministro Hales and Andina also impacted production. Additionally, operational disruption impacted production in Gabriela Mistral, Salvador and Andina. As for the production from subsidiaries, Anglo American Sur's production decreased 7.8% while El Abra production decreased 10.3% due to the above-mentioned rainfall.

Molybdenum production decreased 6.8% from 24.0 ktons in 2018 to 22.4 ktons in 2019, mainly due to a decline in production at Chuquicamata and Andina, partially offset by an increase at El Teniente.

Copper Production (K ton)	DIVISION	2018	2019	Δ%
	Chuquicamata	321	385	20.1%
	Radomiro Tomic	333	266	-19.9%
	Mina Ministro Hales	196	152	-22.4%
	Gabriela Mistral	107	104	-3.0%
	El Teniente	465	460	-1.1%
	Andina	196	170	-12.9%
	Salvador	61	51	-16.8%
	El Abra <sup>(1)</sup>	45	40	-10.3%
	Anglo American Sur <sup>(2)</sup>	84	78	-7.8%
	<b>CODELCO Total</b>	<b>1807</b>	<b>1706</b>	<b>-5.5%</b>

(1) CODELCO's figures presented for El Abra include 49% of the mine's total production (the share of production which corresponds to CODELCO's 49% ownership interest in the mine).

(2) CODELCO's figures presented for Anglo American Sur include 20% of the mine's total production (the share of production which corresponds to CODELCO's 20% ownership interest in the mine).

**Revenues.-** Revenues in 2019 declined 12.5% to US\$ 12.5 billion from US\$ 14.3 billion in the same period of 2018. Lower average LME copper prices in 2019 (US\$2.72/lb) versus that of 2018 (US\$2.96/lb) and 7.4% YoY decrease in own copper sales volume were the main drivers of the revenue performance. Revenues do not reflect 100% of the LME price effect due to open invoice provisions. In the case of molybdenum, revenues also decreased, mainly driven by 6.9% lower sales volume.

**Consolidated Costs.-** Unit cash costs vary with fluctuations in payable production and average realized prices of by-products. During 2019, CODELCO's cash cost was 141.6 cents per pound, compared to 139.1 cents per pound in 2018. This 1.8% increase was primarily attributable to lower production and by-product credits, which were

partially offset by cost-reduction initiatives and favorable exchange rate depreciation of the Chilean peso against the U.S. dollar (average exchange rate was CLP 703 per dollar compared to CLP 640 per dollar for the same period in 2018).

**Adjusted EBITDA.**- In 2019, CODELCO's Adjusted EBITDA totaled US\$ 4,043 million, down 13.9% from US\$ 4,696 million in 2018. Lower average LME copper price and sales volume were the main drivers of this decline. As of December 31, 2019, the ratio of net debt to Adjusted EBITDA was 4.06x, higher than the 3.01x in December 2018. Additionally, the adjusted EBITDA coverage ratio decreased to 9.1x in 2019 from 11.4x in the same period in 2018.

Adjusted EBITDA is calculated by adding finance cost, income tax expense, depreciation and amortization of assets plus export taxes (Copper Reserve Law) and impairment charges to profit (loss) for the period. Impairment charges include charges and reversals of charges of investment projects, research projects and investment in associates and joint ventures. Debt is defined as bonds issued plus loans from financial institutions and leasings. Net debt is defined as debt net of cash and cash equivalents. Adjusted EBITDA coverage ratio is the ratio of Adjusted EBITDA to finance cost net of finance income.

	<u>2018</u>	<u>2019</u>
	<b>(in thousands of U.S.\$)</b>	
Profit (loss) for the period	189,747	14,528
Income tax expense	357,283	393,245
Finance costs	463,448	479,307
Impairments	395,965	-
Depreciation and amortization of assets	2,181,140	2,220,069
Copper Reserve Law	1,108,209	935,599
<b>Adjusted EBITDA</b>	<b>4,695,792</b>	<b>4,042,748</b>

#### **CAPITAL EXPENDITURE: STRUCTURAL PROJECTS**

**Chuquicamata Underground Mine:** The underground operation start-up began on April 30, 2019. Currently, production is on its ramp-up period. As of December 31, 2019, overall progress was 97%.

**Andina Mineral Transfer System:** Under construction and overall progress was 83% as of December 31, 2019. Operation is scheduled to start in 2020.

**El Teniente New Mine Level (NML):** Under construction and overall progress was 56% as of December 31, 2019. The main mining contracts for Andes Norte NML area have been awarded as well as the contracts for the access works and construction facilities for the Diamante and Andesita areas. Operation is scheduled to start in 2023.

**Salvador Inca Pit projects:** Feasibility study was completed. Mining development activities and early works are underway (83% progress).

**Andina Future Development:** Feasibility study is 56% completed and the main engineering contract was awarded in March 2019.

**North District Desalination Plant:** In December 2019, CODELCO announced the postponement of the project and the beginning of a new bidding process. Adjustments to the project include new requirements to meet the revised mining plan in response to CODELCO's transformation plan. The new process will be extended for up to 24 months and will incorporate some adjustments to the original project.

**Emission Standards for Smelters (DS No. 28):** All smelters are in compliance with the regulatory standard. Total investment reached approximately US\$ 2.36 billion.

### CAPITALIZATION PROGRAM

In October 2014, the multi-year capitalization law, approved and enacted by the Chilean Congress, became effective following its publication in the Official Gazette. This law allocates a maximum of US\$ 3 billion to CODELCO in the form of a capital injection by the Chilean Treasury over the 2014-2019 period. On the same date that the multi-year capitalization law was enacted, the Chilean President announced a commitment to authorize CODELCO to retain an additional US\$ 1 billion of profit.

As part of this capitalization program, in June 2018, the Government approved a capital injection of US\$ 1 billion; the first payment of US\$ 600 million was received in December 2018 and a second payment of US\$ 400 million in February 2019.

The following table shows the funds received as a result of the above-mentioned law:

<i>US\$ million</i>	Authorized	2014	2015	2016	2017	2018	2019	Total Capitalization
Capital injection	3,000	-	600	500	520	600	400	2,620
Retained Earnings	1,000	200	-	-	-	-	-	200
<b>Total (US\$m)</b>	<b>4,000</b>	<b>200</b>	<b>600</b>	<b>500</b>	<b>520</b>	<b>600</b>	<b>400</b>	<b>2,820</b>

**AVERAGE METAL PRICE**

	LME Copper (US\$/lb.)	COMEX Copper (US\$/lb.)	Molybdenum (US\$/lb.)
<b>1Q 2019</b>	2.82	2.81	11.7
<b>2Q 2019</b>	2.77	2.78	12.1
<b>3Q 2019</b>	2.63	2.62	11.8
<b>4Q 2019</b>	2.67	2.68	9.6
<b>Average 2019</b>	2.72	2.72	11.4
<b>1Q 2018</b>	3.16	3.14	12.2
<b>2Q 2018</b>	3.12	3.09	11.6
<b>3Q 2018</b>	2.77	2.73	11.7
<b>4Q 2018</b>	2.80	2.74	12.0
<b>Average 2018</b>	2.96	2.93	11.9
<b>Variation: 4Q 2019 vs. 4Q 2018</b>	-4.6%	-2.2%	-19.9%
<b>Variation: 2019 vs. 2018</b>	-7.9%	-7.2%	-4.3%

Sources: LME, COMEX and Metals Week Dealer Oxide

**CASH FLOWS**

In 2019, net cash flows from operating activities totaled US\$ 2,431 million, 38.3% lower than US\$ 3,938 million in 2018. Decrease in cash received from sales of goods because of lower copper prices and sales volume were the main drivers of the decline in cash flows from operating activities.

**CASH AND DEBT**

Net financial debt<sup>(1)</sup> increased to US\$ 16.4 billion with US\$ 1.3 billion in cash and equivalents as of December 31, 2019.

In 2019, CODELCO carried out financing operations for an aggregate amount of US\$ 4.4 billion. These funds were used to refinance liabilities and pre-finance the investment program, reducing 2020 funding needs. CODELCO issued US\$ 3.4 billion in USD-denominated long-term bonds, of which US\$ 2.2 billion were 144A/RegS 30-year notes, US\$ 1.1 billion were 144A/RegS 10-year notes and US\$ 130 million was a private placement. Additionally, CODELCO issued long-term debt in other currencies, but swapped to US dollars. For example, US\$ 64 million 15-year bonds denominated in Hong Kong dollars and US\$ 49 million 20-year bonds denominated in Australian dollars. These issuances provided access to a new investor base at attractive interest rates.

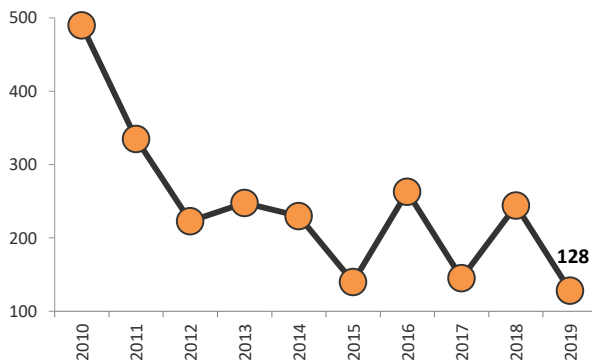
As mentioned before, CODELCO used part of the proceeds from these issuances to buy back bonds. In 2019, CODELCO repurchased US\$ 1.7 billion of international bonds maturing between 2020 and 2025.

With respect to funding from banks during 2019, we highlight two bilateral loans: a US\$ 300 million 10-year loan and a US\$ 75 million 7-year loan.

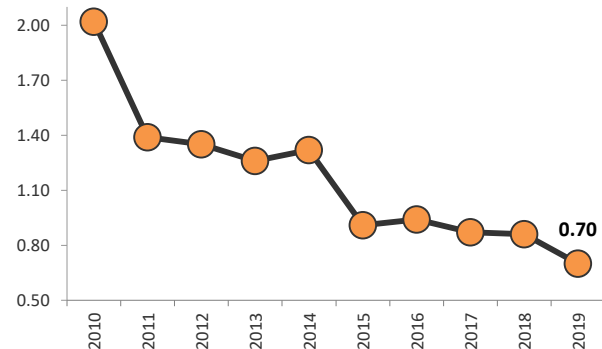
**SUSTAINABILITY FOCUS: ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

**Safety.-** The accident severity rate decreased significantly compared to last year. It has declined to a historically low level. Additionally, the accident frequency rate has maintained the downward trend shown in recent years with an 18% improvement compared to 2018.

**Severity Rate - Own Staff & Contractors**  
(Days lost & days charged / Million hours worked)



**Frequency Rate - Own Staff & Contractors**  
(Lost time injury / Million hours worked)



**Collective bargaining agreements.-** During 2019 CODELCO negotiated 9 collective bargaining agreements, involving nearly 5,000 employees. These agreements are enforceable over the next 36 months (one for 29 months). The largest collective bargaining agreements were with Chuquicamata’s unions 1, 2 and 3, involving approximately 2,700 employees and a 14-day strike.



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (ThUS\$)**

Profit (loss)	Twelve months ended December 31,		
	2018	2019	Δ %
Revenue	14,308,758	12,524,931	(12.5)
Cost of sales	(11,194,341)	(10,051,441)	(10.2)
<b>Gross profit</b>	<b>3,114,417</b>	<b>2,473,490</b>	<b>(20.6)</b>
Other Income, by function	124,826	360,690	189.0
Impairment and reversed impairment according to IFRS 9	158	378	139.2
Distribution costs	(18,262)	(17,069)	(6.5)
Administrative expenses	(465,328)	(409,234)	(12.1)
Other expenses	(2,115,314)	(1,747,838)	(17.4)
Other gains (losses)	21,395	22,672	6.0
<b>Profit (losses) from operating activities</b>	<b>661,892</b>	<b>683,089</b>	<b>3.2</b>
Finance income	51,329	36,871	(28.2)
Finance costs	(463,448)	(479,307)	3.4
Share of profit of associates and joint ventures accounted for using the equity method	119,114	13,203	(88.9)
Foreign exchange differences	178,143	153,917	(13.6)
<b>Profit for the period before tax</b>	<b>547,030</b>	<b>407,773</b>	<b>(25.5)</b>
Income tax expense	(357,283)	(393,245)	10.1
<b>Profit for the period</b>	<b>189,747</b>	<b>14,528</b>	<b>(92.3)</b>
Profit (loss) attributable to:			
Profit (loss) attributable to owners of the parent	155,719	6,637	(95.7)
Profit (loss) attributable to non-controlling interests	34,028	7,891	(76.8)
<b>Profit for the period</b>	<b>189,747</b>	<b>14,528</b>	<b>(92.3)</b>

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (THUS\$)**

Assets	December 31,	
	2018	2019
<b>Current Assets</b>		
Cash and cash equivalents	1,229,125	1,303,105
Other current financial asset	231,409	172,951
Other current non-financial assets	6,805	20,969
Trade and other current receivables	2,212,209	2,588,268
Accounts receivables due from related companies, current	92,365	20,874
Inventory	2,042,648	1,921,135
Current tax asset	13,645	22,719
<b>Total current assets</b>	<b>5,828,206</b>	<b>6,050,021</b>
<b>Non-current asset</b>		
Non-current inventories	457,070	585,681
Other non-current financial assets	145,751	91,800
Other non-current non-financial assets	6,817	4,561
Non-current receivables	84,731	98,544
Accounts receivables due from related companies, non-current	20,530	15,594
Investment accounted for using the equity method	3,568,293	3,483,523
Intangible assets other than goodwill	48,379	47,837
Property, Plant and Equipment, net	26,754,998	29,700,164
Investment property	981	981
Assets for current taxes, not current	143,606	222,169
Deferred tax assets	31,443	43,736
<b>Total non-current asset</b>	<b>31,262,599</b>	<b>34,294,590</b>
<b>TOTAL ASSETS</b>	<b>37,090,805</b>	<b>40,344,611</b>

<b>Liabilities</b>	<b>December 31,</b>	
	<b>2018</b>	<b>2019</b>
<b>Current liabilities</b>		
Other current financial liabilities	872,277	1,378,351
Trade and other current payables	1,546,584	1,420,915
Accounts payables to related companies, current	150,916	137,234
Other current provisions	384,249	502,172
Current tax liabilities	10,777	13,857
Current employee benefit accruals	510,034	435,565
Other current non- financial liabilities	64,575	34,863
<b>Total current liabilities</b>	<b>3,539,412</b>	<b>3,922,957</b>
<b>Non-current liabilities</b>		
Other non-current financial liabilities	14,674,510	16,538,223
Other non-current liabilities	26,613	8,346
Other non-current provisions and accrued expenses	1,600,183	2,090,487
Deferred tax liabilities	4,586,168	4,860,881
Non-current employee benefit accruals	1,315,520	1,283,357
Other non-current non-financial liabilities	4,530	5,693
<b>Total non-current liabilities</b>	<b>22,207,524</b>	<b>24,786,987</b>
<b>Total liabilities</b>	<b>25,746,936</b>	<b>28,709,944</b>
<b>Equity</b>		
Issued Capital	5,219,423	5,619,423
Retained earnings	(198,917)	(196,260)
Other Reserves	5,354,159	5,291,747
<b>Equity attributable to owners of the parent</b>	<b>10,374,665</b>	<b>10,714,910</b>
Non-controlling interests	969,204	919,757
<b>Total equity</b>	<b>11,343,869</b>	<b>11,634,667</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>37,090,805</b>	<b>40,344,611</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS (ThUS\$)**

	Twelve months ended	
	December 31,	
	2018	2019
<b>Cash flow provided by (used in) operating activities:</b>		
Cash income provided by operating activities		
Cash flows provided by sales of goods and rendering of services	15,428,893	12,553,666
Other cash flows provided by operating activities	1,733,555	1,827,264
Types of cash payments		
Payments to suppliers for goods and services	(8,870,763)	(7,917,563)
Payments to and on behalf of employees	(1,920,204)	(1,800,223)
Other cash flows used in operating activities	(2,555,184)	(2,237,355)
Dividends received	188,749	87,434
Income taxes paid	(67,326)	(81,762)
<b>Net cash flows provided by operating activities</b>	<b>3,937,720</b>	<b>2,431,461</b>
<b>Cash flows provided by (used in) investing activities:</b>		
Other payments to acquire equity or debt instruments of other entities	21,504	193,240
Purchases of property plant and equipment	(3,893,851)	(4,102,073)
Interest received	47,259	33,874
Other inflows (outflows) of cash	(127,570)	(5,078)
<b>Net cash flows from (used in) investing activities</b>	<b>(3,952,658)</b>	<b>(3,880,037)</b>
<b>Cash flows used in financing activities:</b>		
Proceeds from long term borrowings	900,000	3,918,199
Proceeds from short term borrowings	-	465,000
Repayments of borrowings	(259,011)	(2,234,446)
Payments of liabilities for financial leases	(20,291)	(148,181)
Dividends paid	(602,461)	-
Interest paid	(634,289)	(656,705)
Other inflows (outflows) of cash	500,802	197,555
<b>Net cash flows used in financing activities</b>	<b>(115,250)</b>	<b>1,541,422</b>
<b>Net increase (decrease) in cash and cash equivalents before foreign exchange difference</b>	<b>(130,188)</b>	<b>92,846</b>
Foreign Exchange Rate Net increase (decrease) in cash and cash equivalents	(82,683)	(18,866)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(219,710)</b>	<b>73,980</b>
Cash and cash equivalents at beginning of period	1,448,835	1,229,125
<b>Cash and cash equivalents at end of period</b>	<b>1,229,125</b>	<b>1,303,105</b>



### **COMPANY PROFILE**

CODELCO is the world's largest copper producer primarily engaged in the exploration, development and extraction of copper-bearing ores and by-products, processing ore into refined copper and international trade of refined copper and by-products. CODELCO is 100% owned by the Republic of Chile and controls approximately 6% of the world's proven and probable copper reserves; as defined by the U.S. Geological Survey. In 2018, CODELCO had an estimated 9% share of the total world copper production, producing approximately 1.81 million metric tons (including CODELCO's share in El Abra deposit, which is mined by Sociedad Contractual Minera El Abra and its share in Anglo American Sur) and an estimated 9% share of the world's molybdenum production with approximately 24,031 metric tons.

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As an Industry Standard, CODELCO divides its mineral holdings into two categories, reserves and resources. Resources are ore bodies of economic value that have been identified and evaluated through exploration, reconnaissance and sampling. Reserves are the portion of the resources that can be extracted based on an economic, environmental and technological analysis set forth in the mining plan. Reserves and resources are both subdivided further, based on the degree of knowledge that CODELCO has of their extent and composition. The system used by CODELCO for categorizing mineral ores is according to the Chilean law (N° 20.235), which is in accordance with others systems widely used within the mining industry. The "Comisión Calificadora de Competencias en Recursos y Reservas Mineras" is the independent Chilean entity that regulates this and it is part of the Committee for Mineral Reserves International Reporting Standards (CRISCO).