

# CODELCO

## Corporate Presentation

September 2020



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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 resource 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 ore is according to the Chilean law (N° 20.235), which is in accordance with other systems widely used within the mining industry. The "Comisión Calificadora de Competencias en Recursos y Reservas Mineras" is the independent Chilean entity who regulates this and it is part of the Committee for Mineral Reserves International Reporting Standards (CRISCO).

The non-GAAP financial measures included in this presentation (including, without limitation, Adjusted EBIT, Adjusted EBITDA, cash cost, total costs and expenses and financial debt) are not GAAP measures of our liquidity and operating performance and should not be considered alternatives to cash flow from operating activities as a measure of liquidity or net income or operating income as measures of operating performance or any other measure derived in accordance with GAAP. The Company has prepared reconciliations of comparable GAAP to Non-GAAP measures in tables included at the end of this presentation.

- Overview
- Covid-19: Action Plan and Status Update
- Copper Market: Main Drivers - Short and Long Term Views
- Codelco: Production & Financial Results
- Looking Ahead: Structural Projects, Challenges and Transformation

# CODELCO

## Overview



CHILE

Codelco is Chile's state-owned copper producer since 1971

**1<sup>st</sup>**

**copper producer**  
worldwide (8%)  
2019

**1.7**

million tons  
**copper production**  
2019

Includes contribution from  
associated companies

**A/A3**

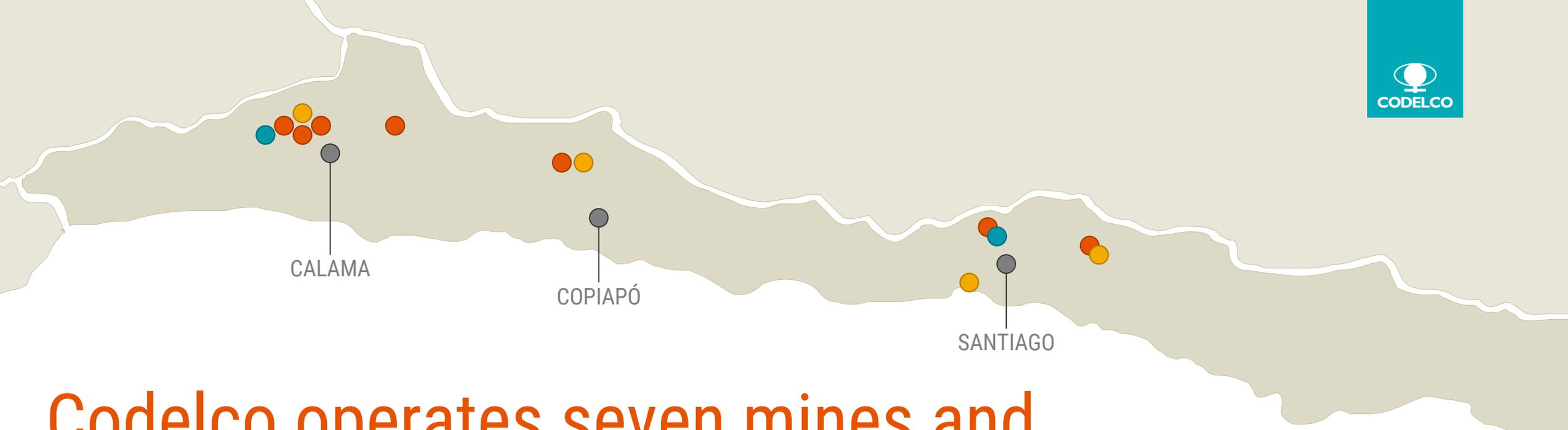
**top rated**  
**mining company**  
S&P / Moody's

**13%**

**of total Chilean**  
**exports**  
2019

**6%**

**of global copper**  
**reserves**  
2019

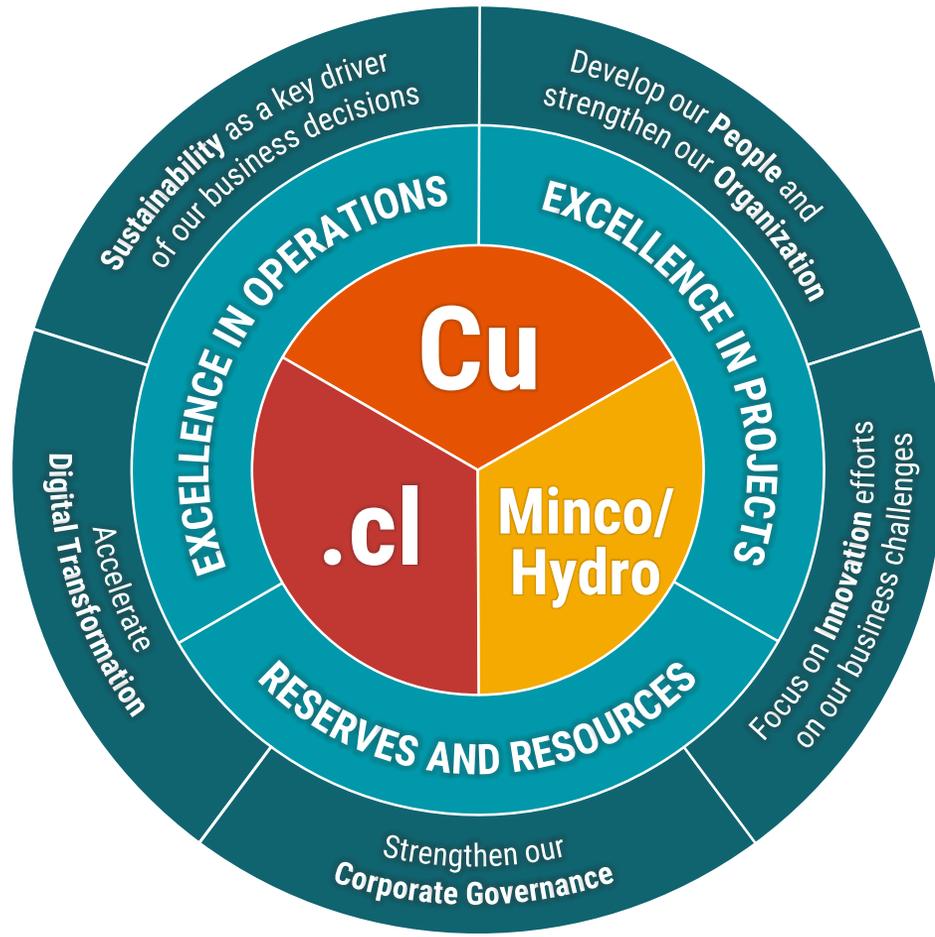


# Codelco operates seven mines and four smelters, all located in Chile

- Mining operation
- Smelter
- Minority stakes

<b>RADOMIRO TOMIC</b> COPPER OUTPUT <b>266 KT</b> 2019	<b>CHUQUI-CAMATA</b> COPPER OUTPUT <b>385 KT</b> 2019	<b>MINISTRO HALES</b> COPPER OUTPUT <b>152 KT</b> 2019	<b>GABRIELA MISTRAL</b> COPPER OUTPUT <b>104 KT</b> 2019	<b>SALVADOR</b> COPPER OUTPUT <b>51 KT</b> 2019	<b>ANDINA</b> COPPER OUTPUT <b>170 KT</b> 2019	<b>EL TENIENTE</b> COPPER OUTPUT <b>460 KT</b> 2019	<b>CHUQUICAMATA POTRERILLOS CALETONES VENTANAS</b> <b>SMELTERS</b>	<b>EL ABRA ANGLO AM. SUR</b> AFFILIATED COMPANIES <b>118KT</b> ATTRIBUTED, 2019
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# Our strategy defines the priorities around a clear focus



## Focus on copper mining business in Chile

- **Excellence in developing and operating** our reserves and resources
- **Sustainability** is a key driver of our business decisions
- Emphasis on **Innovation** and on accelerating **Digital Transformation**

# Sustainability is a key driver of our decisions



## 1 Responsible to our people and territories



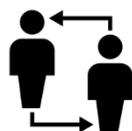
### Responsible Sourcing

- ISO 14001 (environment) and OHSAS 18001 (safety) certification by 2021
- Follow OECD Guidelines (human rights)



### People

- 100% workplaces certification on Gender equality and work-life balance



### Communities & Territories

- Developed community agreements for \$3.6m in 2019
- Implemented social programs focus on scholarships and talent development for \$2.5m in 2019

## 2 Risk management and climate change adaptation



### Water Efficiency

- 77% total water recirculation in 2019
- 10% reduction of 2020 freshwater consumption
- Increase scope of Desalination Plant Project



### Decarbonization

- New PPA for 200MW based on renewable sources
- \$2B+ invested for improving smelter captures



### Tailings Dams

- Corporate governance integrating highest industry standards
- Implemented third-party independent assessments
- Recirculation plan for all tailings dams

## 3 Sustainable development and innovation



### Automation

- Semi-autonomous LHD equipment at El Teniente
- Autonomous CAEX equipment at Gabriela Mistral



### Electromobility – El Teniente

- Tender process for bus service with a minimum of 20% of electromobility
- Transformation plan for diesel minibuses to convert them into electric ones
- Electric pick-up pilot test
- 15 ton electric LHD equipment

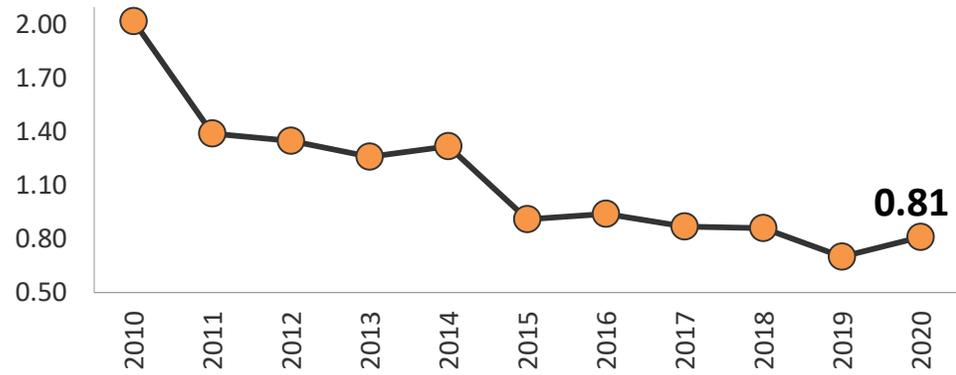
TRACEABILITY

# Employee health and safety remain our top priorities



## Frequency Rate – Own staff & Contractors

(Lost time injury / Million hours worked)



### FREQUENCY RATE

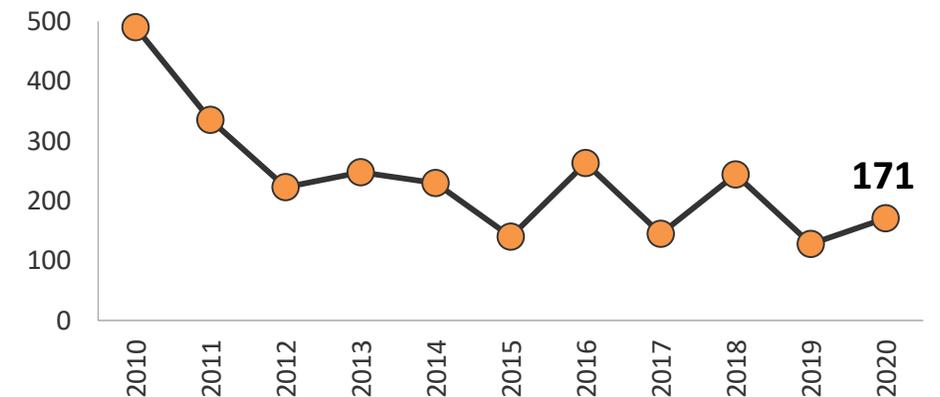
The accident frequency rate slightly increased in 1H20, but remained among the lowest rates in recent years

## SEVERITY RATE

In June 2020, a fatal accident occurred at Radomiro Tomic, which resulted in the death of a contractor. We deeply regret this accident

## Severity Rate – Own staff & Contractors

(Lost days & days charged / Million hours worked)



# Covid-19: Action Plan

Employee Health & Safety and Operational  
Continuity

# Covid-19: Employee safety and operational continuity are our top priorities



- ✓ In response to the pandemic, we performed a detailed planning process to ensure employee health and safety and operational continuity
- ✓ Created a company-wide covid-19 executive committee and specific committees at each of our operations
- ✓ Provided our healthcare centers with the necessary infrastructure to respond to the crisis, including isolation areas and medical supplies
- ✓ Adapted transportation procedures to ensure the safe commute of employees in compliance with new restrictions imposed by the central government
- ✓ Without impacting production, we reduced the number of employees and contractors at operations favoring social distancing

# Covid-19: Everybody is aligned with a common safety goal



- ✓ Unions actively participated in covid-19 committees and implemented measures were monitored by union leaders
- ✓ Temporary changes to shift schedules agreed with unions and employees (14x14; 12x12; 7x7) during the crisis. These changes reduced the number of shifts from 3 to 2 per day, with a direct decline in commuting
- ✓ Signed agreements with 18 unions: El Teniente (6), Ministro Hales (2), Gabriela Mistral (2), Salvador (3) and Chuquicamata (5)
- ✓ Temporarily suspended construction of all projects in our northern operations and construction of El Teniente New Mine Level

# Covid-19: Summary and Situation Update

As of August 24, 2020



- **The Action Plan successfully delayed our employees getting infected.** Currently, it is helping to control new cases
- **Majority of cases happened outside of our operations** (*Causes of infection: 70% non-work related, 25% under investigation; 5% work-related*)
- We had a peak of active cases in late June of around 1,000 people
- New cases have been declining since July. There are currently **166 active cases**
- Cumulative infected cases total **4,075** people. **3,909** people have already recovered
- **Measures in place have not materially affected our production target for 2020**
- Temporary suspended projects are in a **gradual return process**

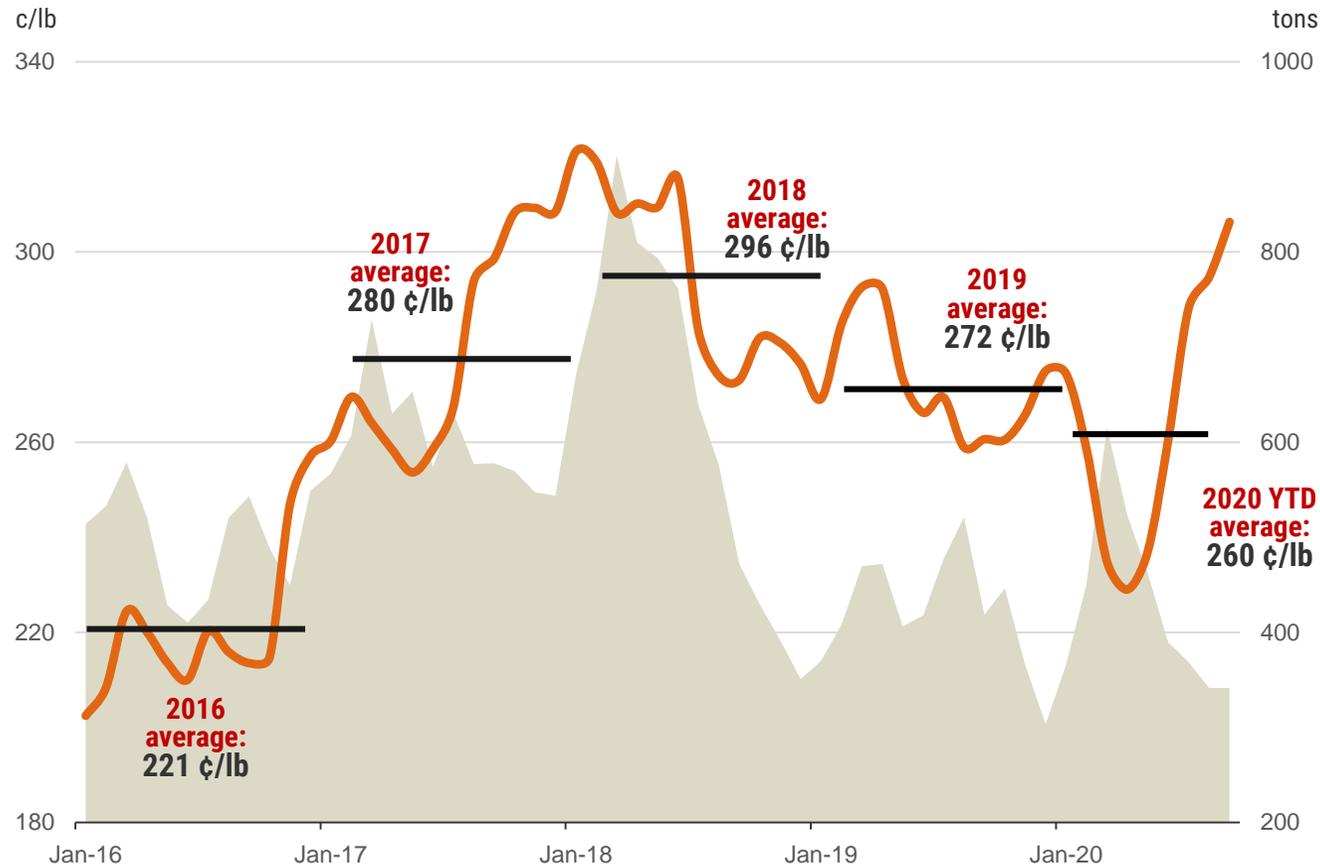
# Copper Market

Main Drivers: Short and Long Term Views

# Changing global growth expectations created price volatility



## 2016-2020 copper price and stocks\*



\* Data until 9/2/2020; London Metal Exchange.

## Short-term drivers

- **Covid-19** impact on global economy
- Supply-side **disruptions and cutbacks**
- Strong demand from **China**
- **Low interest rate** environment
- Developments on **US-China trade discussion**
- **Mixed sentiments** driving financial investment decisions

# Covid-19: supply disruptions would contribute to a balanced market in 2020



## Supply-Demand balance of the refined copper market

		Demand Growth 2020				
Balance (Kt)		-3.6%	-3.3%	-3.0%	-2.7%	-2.4%
Supply Growth 2020	-2.6%	91	20	-51	-121	-192
	-2.1%	209	138	67	-4	-75
	-1.6%	326	255	184	113	42
	-1.1%	443	373	302	231	160
	-0.6%	561	490	419	348	277

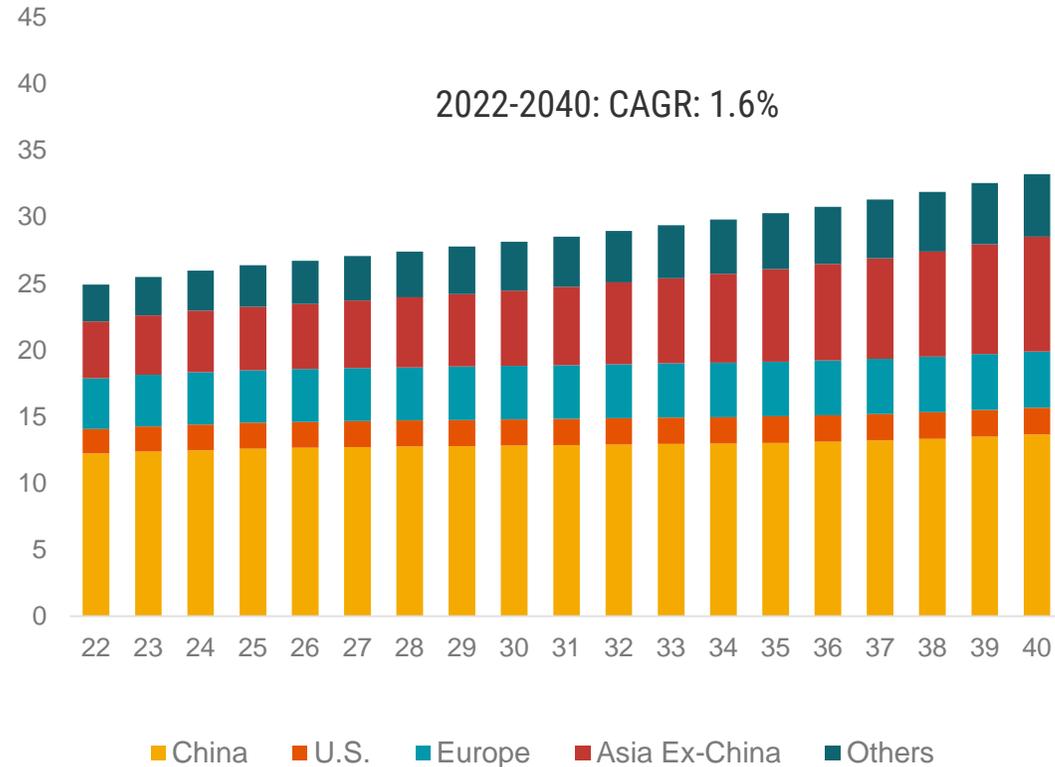
- According to Wood Mackenzie's base case scenario, **demand and supply of copper would decline** in 2020
- Increasing number of mines have announced **covid-19 related production cuts** (Cobre Panama, Cerro Verde, Las Bambas, among others)
- **Less scrap available:** i) interruption of industrial activities in main scrap producing countries such as India and Malaysia; ii) low copper price does not cover scrap processing expenses

Analysts project a **rebound in supply and demand** in 2021: +3.5% and +2.9%, respectively

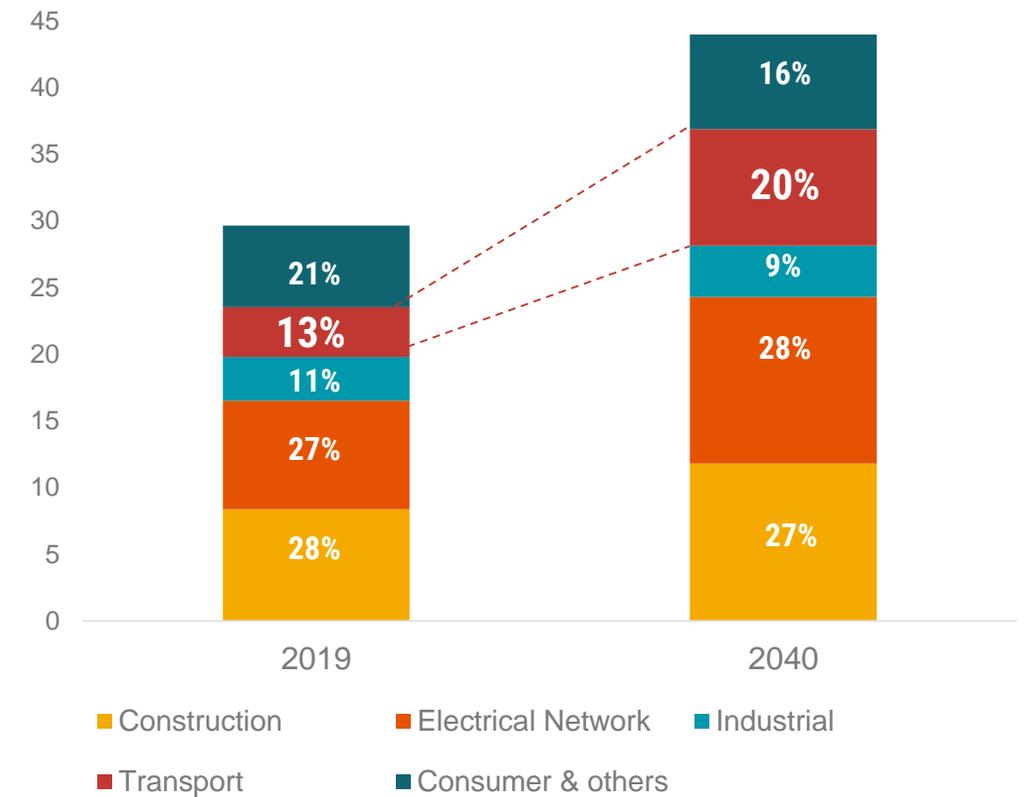
# Demand projections reflect stable long-term growth



**Refined Consumption by Region**  
(Mt)



**Total Consumption by Industry**  
(Mt)



Source: Wood Mackenzie

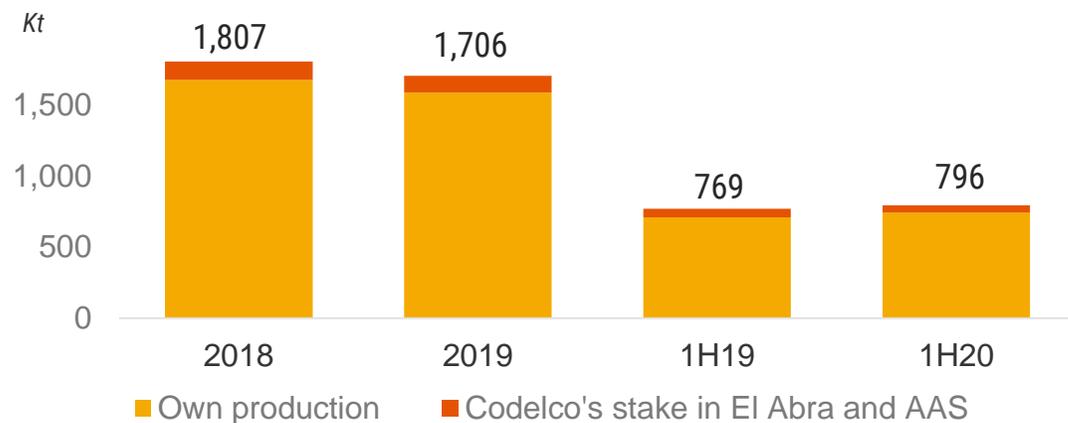
# Codelco: Recent Performance

## Production & Financial Results

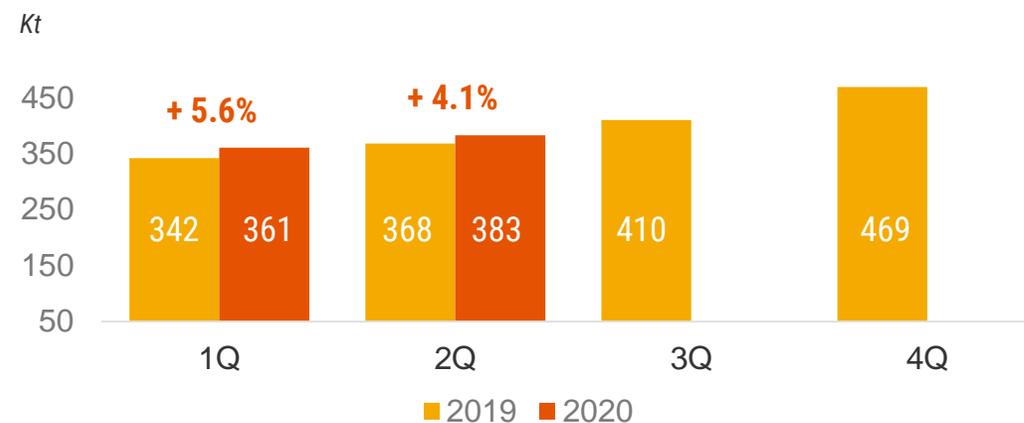
# Production in 2020 is aligned with our original plan



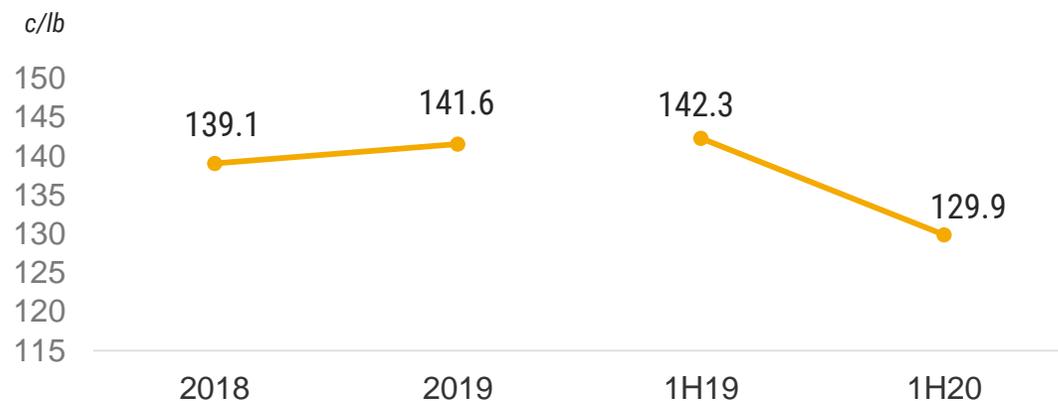
## Copper Production (Full-year & First Half)



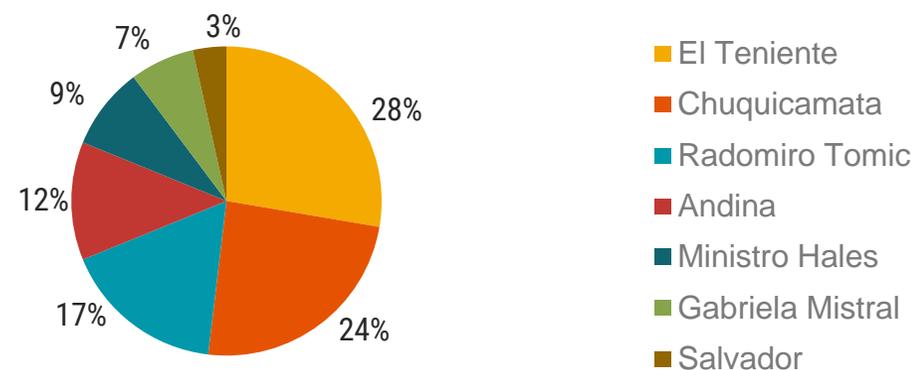
## Quarterly Production (Own production 2019 and 1H20)



## C1 Cash Cost (Full-year & First Half)



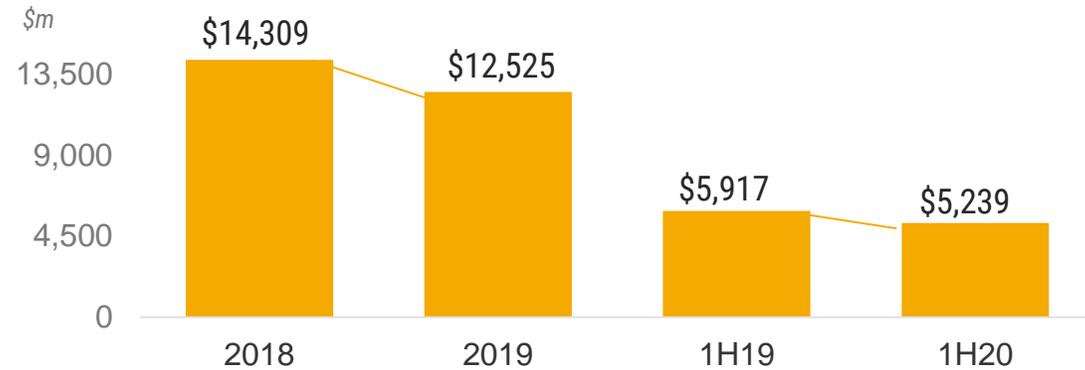
## 2020 Half-year own production by operation



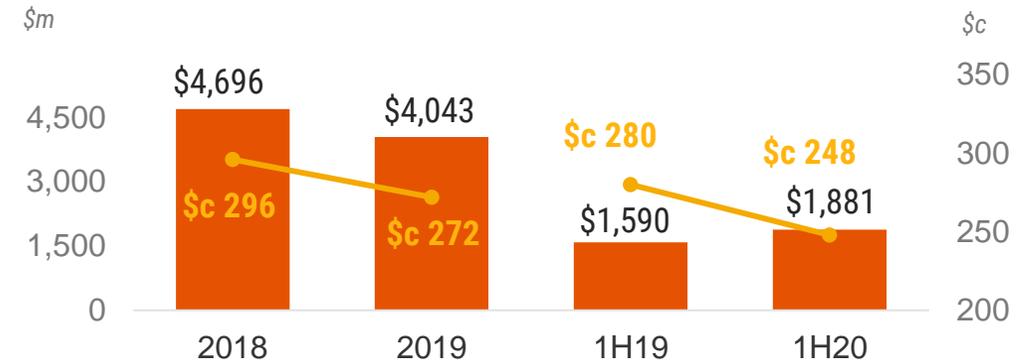
# Financial results 2019 and 1H20

Low copper price has impacted our top line performance

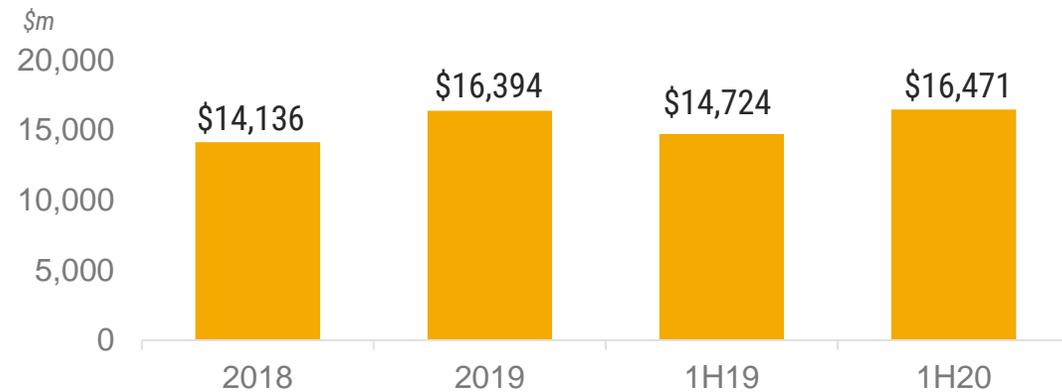
## Revenues



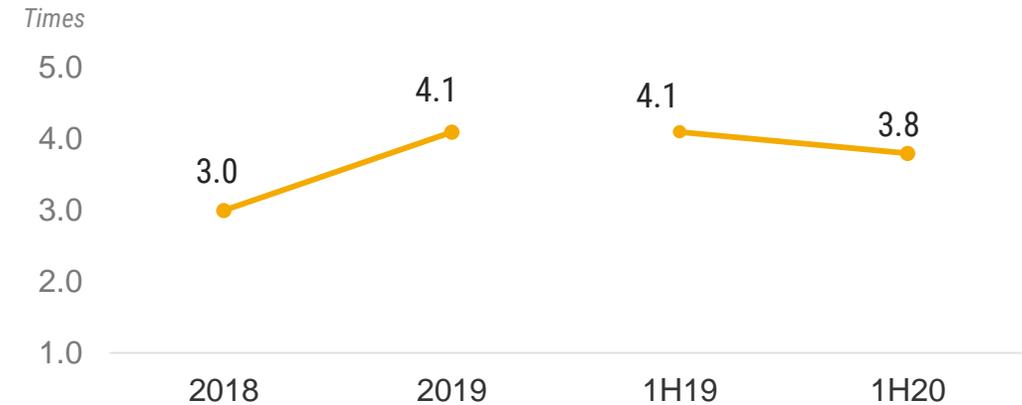
## EBITDA and Average LME Copper Price



## Net Financial Debt



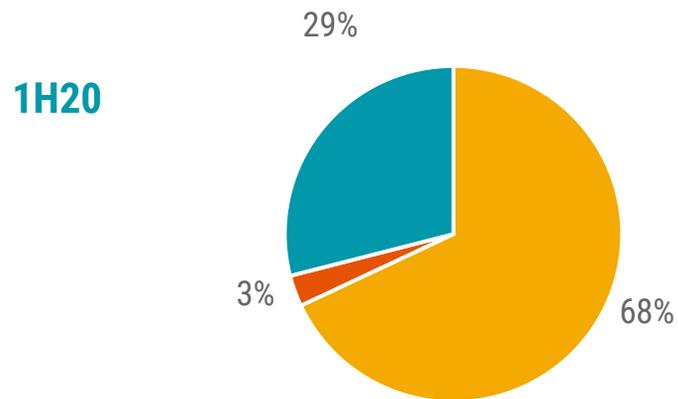
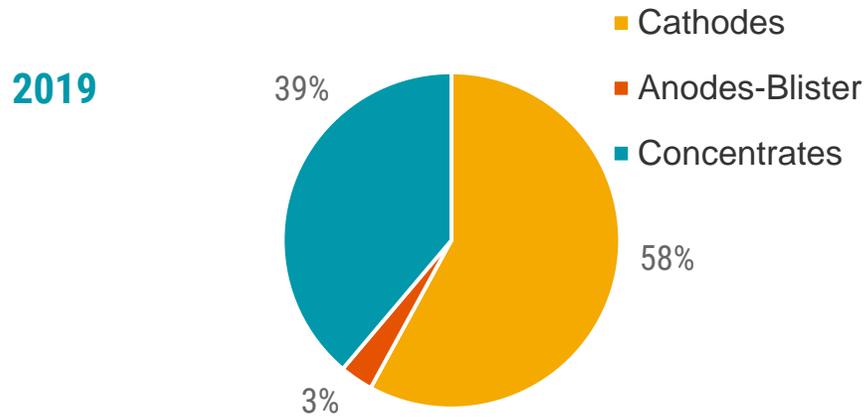
## Net Financial Debt-to-EBITDA ratio



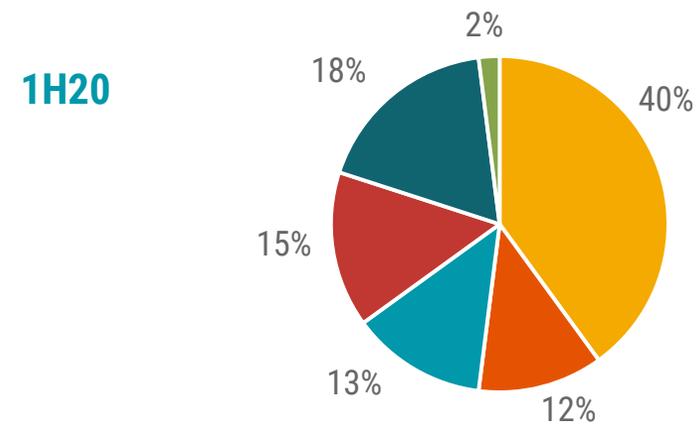
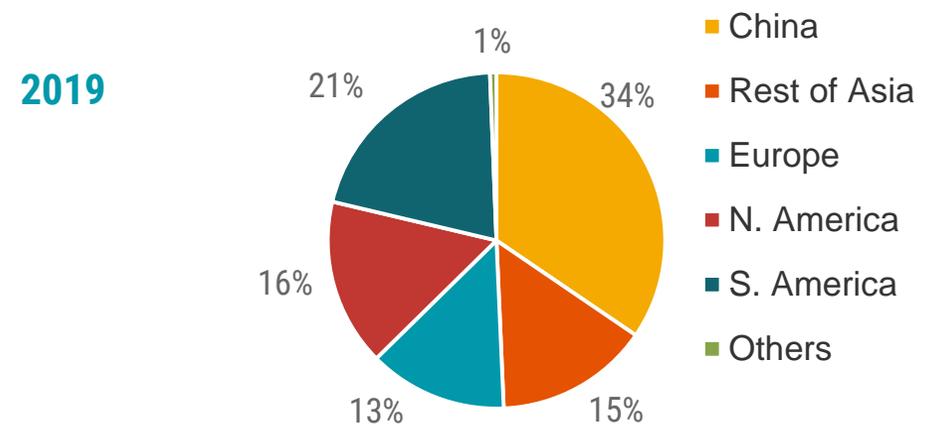
# Copper sales volume breakdown by product and end-market



## Copper sales by product



## Copper sales by end-market

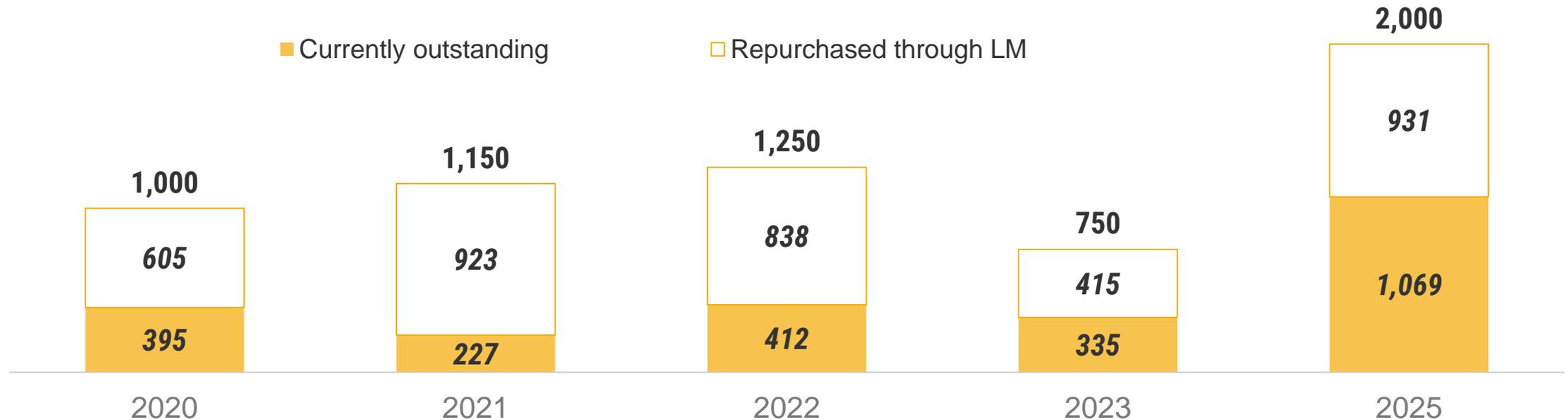


# Liability management (LM) to lighten our debt maturities during investment period



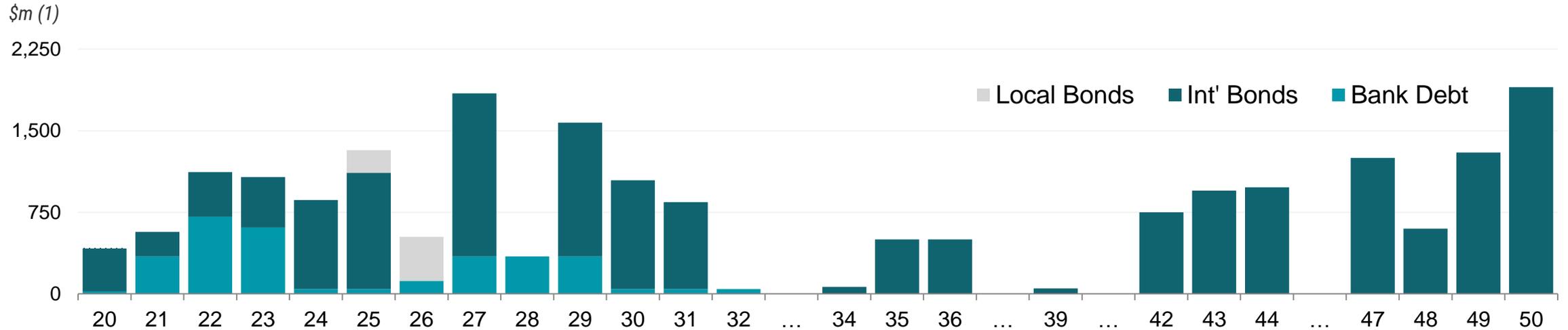
- Five successful debt capital market transactions in the last two years that **raised \$9.45B** (144A-Reg S & Formosa)
- **Repurchased \$4.05B** of higher coupon short-term bonds since 2017

Bonds (114A-Reg S) with maturities between 2020 and 2025 (\$m)

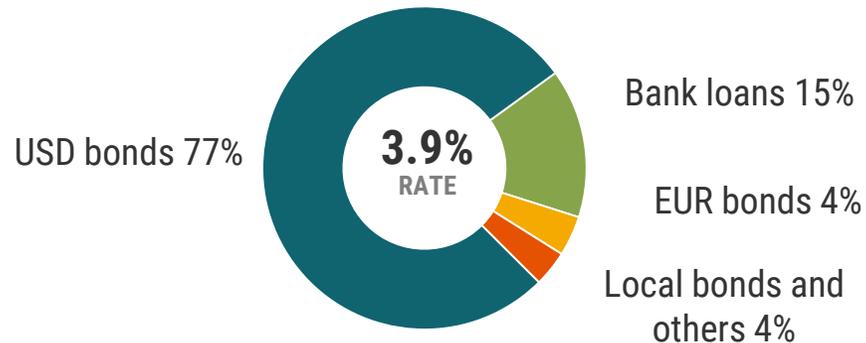


# LMs and new issuances have lengthen our average debt maturity

This strategy is consistent with the current intensive investment period



## Sources of funding



## Planned next steps

- Keep **diversifying sources of funding** by accessing new markets and investors
- Maintain an **active management** of debt maturity profile

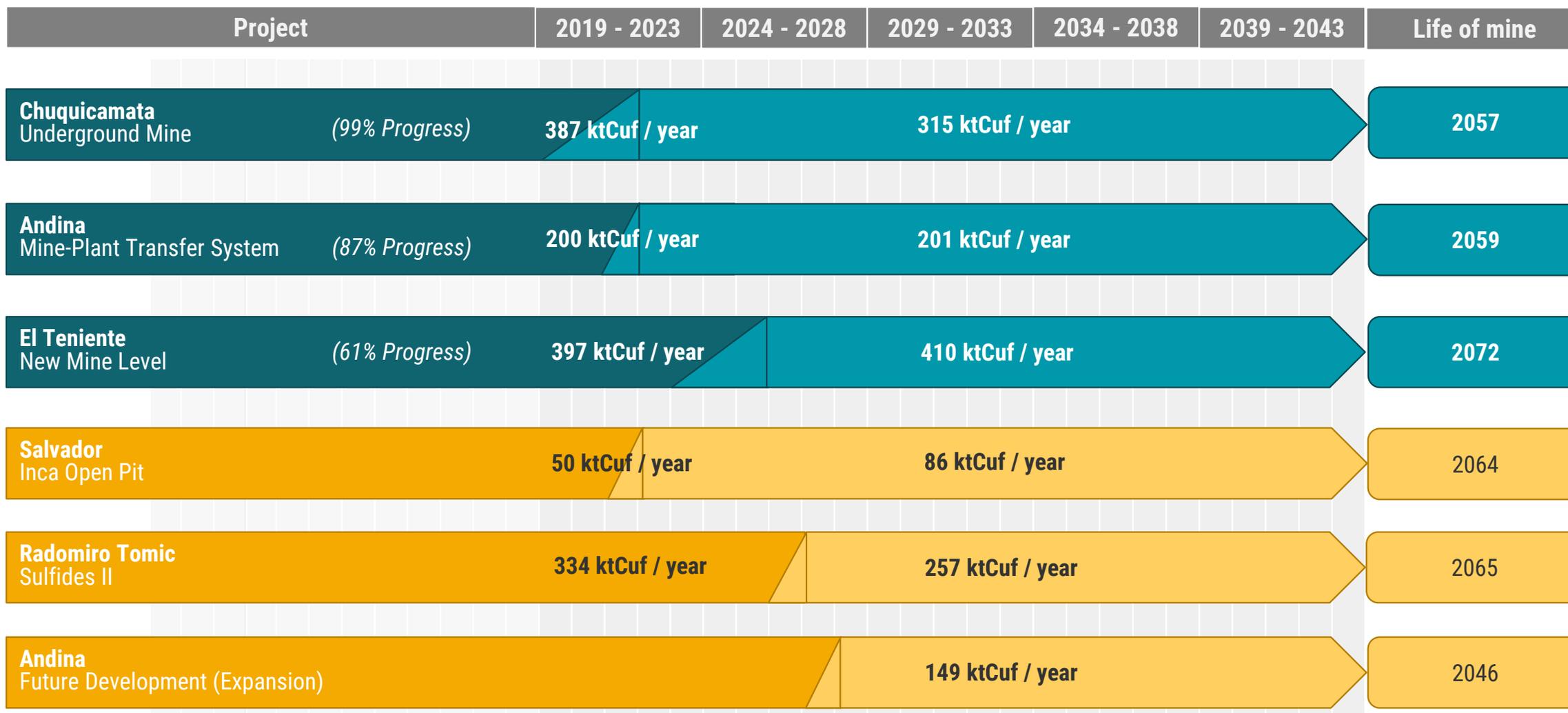
(1) As of June 30, 2020 (includes bank debt and bonds)

# Looking Ahead

Structural Projects, Challenges and Transformation

# Structural projects lengthen the life of mine of our operations

Construction and start-up periods



**LEGEND:** Development Start-up

**Under Study** Start-up

Future project production is calculated as the annual average production until 2044. Project construction progress as of Jun-2020



# We designed a transformation plan that unlocks the value of our reserves



Annual Opex Savings

**\$ 1 billion**

on an ongoing basis starting in 2021, with \$ 400 million in 2020



Capex Savings 2019-2028

**\$ 8 billion**

equivalent to 20% of 10-year Capex plan

The plan targets to position **Codelco in the second quartile** of the global cash cost curve **and optimize the development of our structural projects**

# Summary



1. Covid-19 Action Plan **strengthens our employees' health and safety** and secures operational continuity
2. Implemented measures **have not had a material impact on production** and targets for 2020
3. Temporary suspended projects are in a **gradual return process**
4. Future production goals and planned starting dates of structural projects remain unchanged
5. The **Transformation plan's** cost savings initiatives continue on track



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