



INVESTOR UPDATE

OCTOBER 2018



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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 others 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).



Codelco at a Glance – 1H 2018

1st worldwide
copper producer

2nd worldwide
molybdenum
producer

875 thousand tons
copper production¹

138 cents per pound
C1 cash cost

100% owned by the
Republic
of Chile

1st contributor to the
Chilean treasury

¹ Includes El Abra and Anglo American Sur attributable production to Codelco's share

Recent Developments

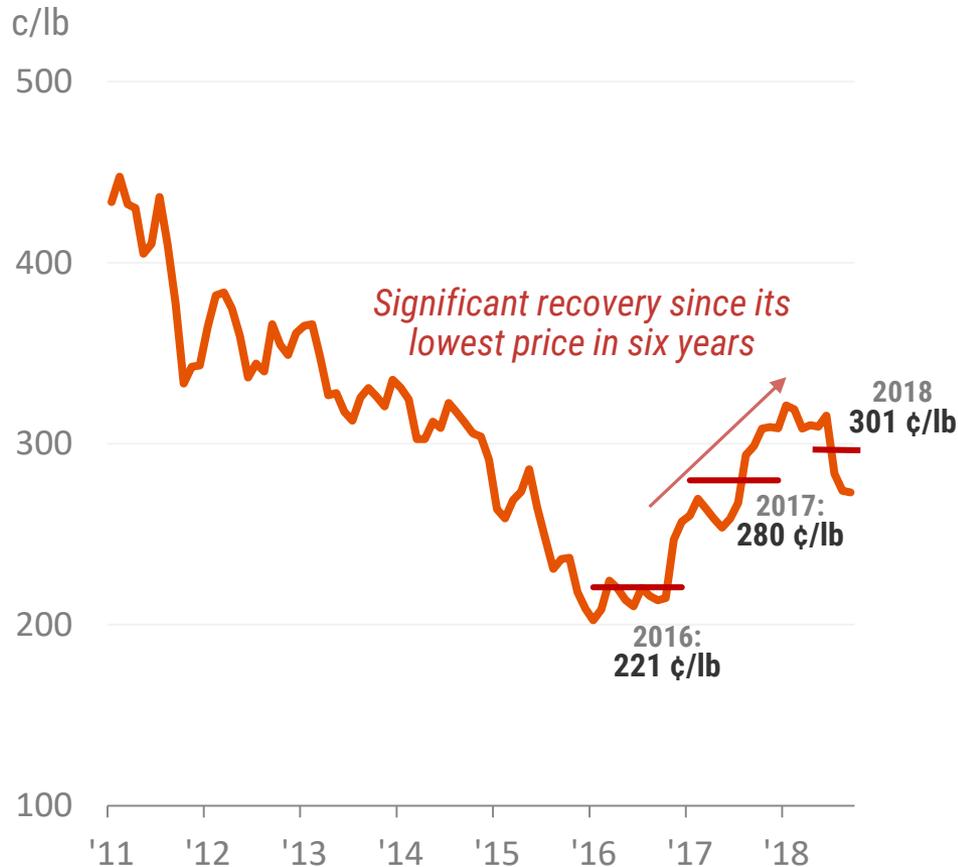
- **EBITDA** increased 21.2% to US\$2.7 billion during 1H 2018.
- **Productivity** continued upward trend (+9.8% during 1H 2018).
- **10 Collective bargaining** agreements successfully reached during 2018 – 1-1.5% real-terms wage increases, reduced bonuses and 36-month length.
- **Low financing cost:** 30-year NC5 US\$ 600m Formosa bond issued at 4.85% in May 2018.
- **Strong owner support** reflected in US\$ 1bn capital injection commitment in June 2018 to be disburse until February 2019.
- **Corporate governance** has been uphold through the appointment of three new Directors of the Board: Juan Benavides (Chairman), Hernan De Solminihac and Ignacio Briones and even strengthened through the confirmation of the executive team.



Market conditions
have improved
but volatility plays an
important role

Copper: not devoid of market volatility...

2011-2018 copper price¹ (¢/lb)



¹ Data until 9/30/2018.

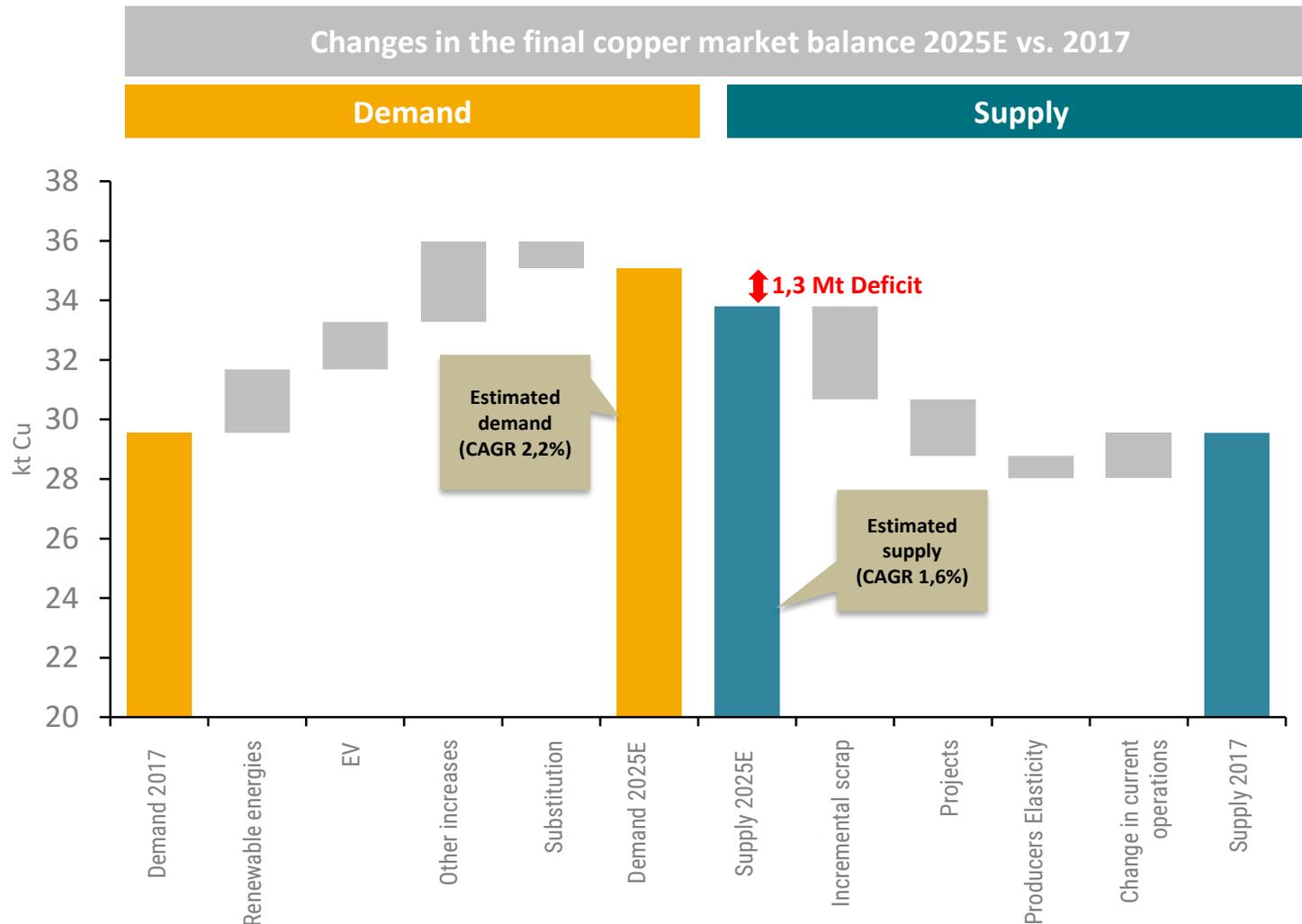
Short term

- Fears about **trade war** impacting world growth, specially China.
- **No supply disruption** unlike prior expected impact due to labor negotiations.
- **Dollar strength**

Long Term

- **Greater demand expectations** associated with technological changes:
 - Electromobility.
 - Energetic transition: from Decarbonisation to Electrification and Green Energies.
- **Limited supply** due to growing restrictions and reduced project pipeline

... but with strong long term fundamentals



Source: Wood Mackenzie, BMO and Codelco

* Considers the projects under execution and part of the probable ones

How to take advantage of market conditions avoiding past mistakes

Current operations

1H 2018 • Copper production and C1 cash cost

Total copper output: **875 kt**

C1 cash cost: **137.6 ¢/lb**

Mineral Resources: **20.1 bn t**

Mineral Reserves: **7.2 bn t**



225 kt Cu
109 ¢/lb C1
1,583 Mt Reserves

El Teniente



178 kt Cu
135 ¢/lb C1
2,215 Mt Reserves

Radomiro Tomic



137 kt Cu
133 ¢/lb C1
1,333 Mt Reserves

Chuqui camata



101 kt Cu
161 ¢/lb C1
965 Mt Reserves

Andina



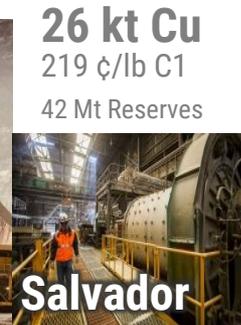
97 kt Cu
111 ¢/lb C1
225 Mt Reserves

Ministro Hales



50 kt Cu
196 ¢/lb C1
393 Mt Reserves

Gabriela Mistral



26 kt Cu
219 ¢/lb C1
42 Mt Reserves

Salvador



62 kt Cu
533 Mt Reserves

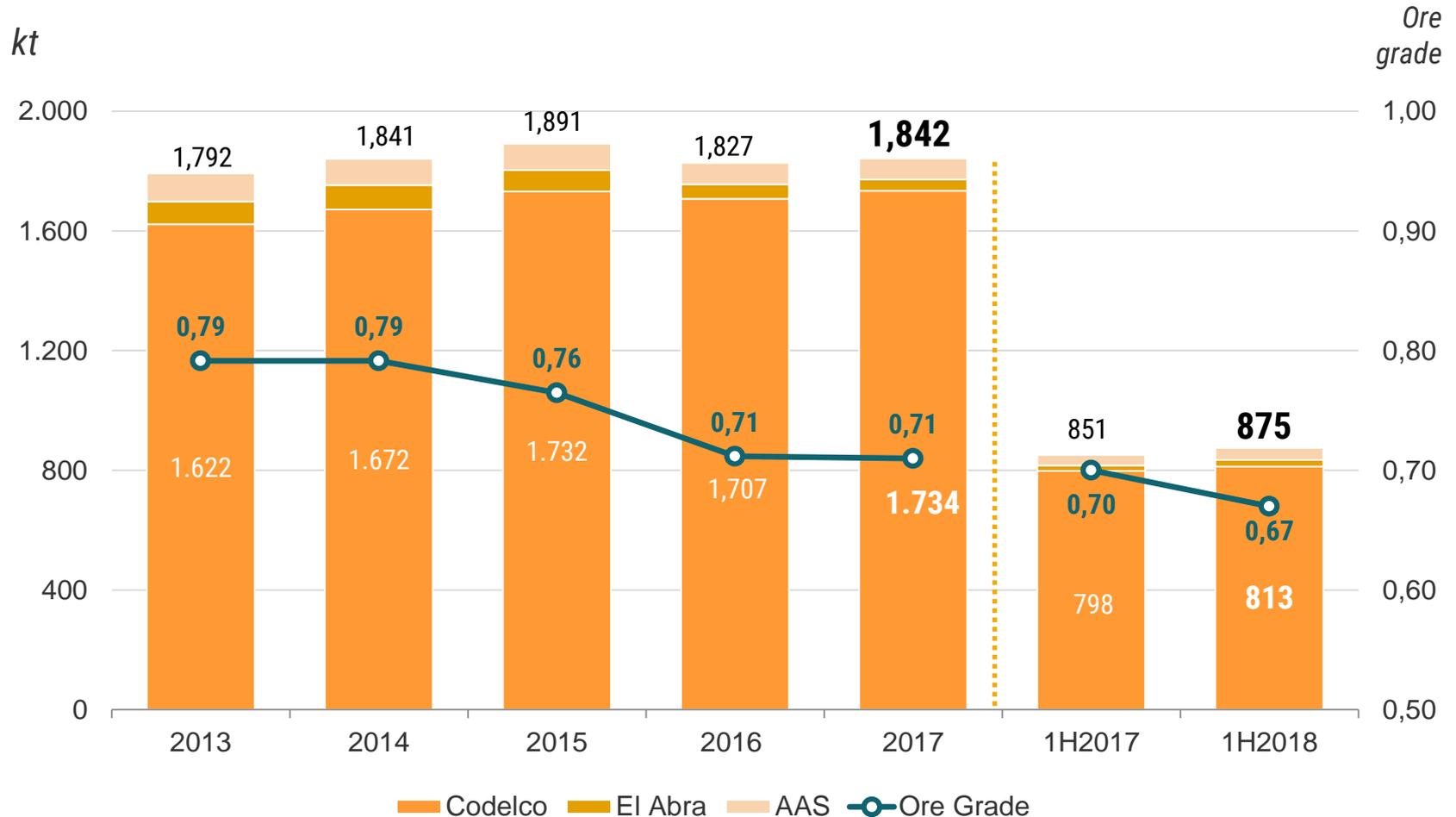
Anglo American Sur + El Abra

Attributable production to Codelco's share

Productivity agenda allowed to maintain production despite ore grade reduction...

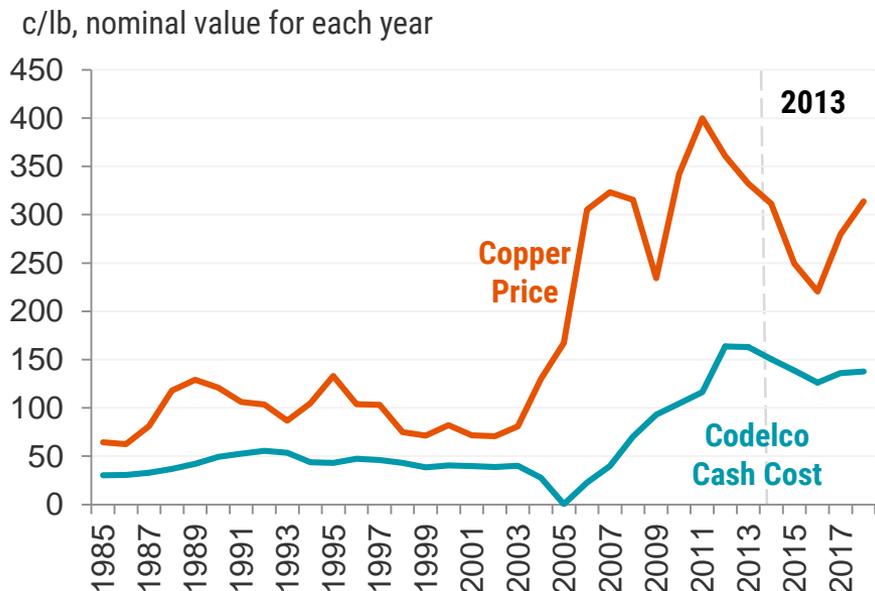


Copper production and ore grade

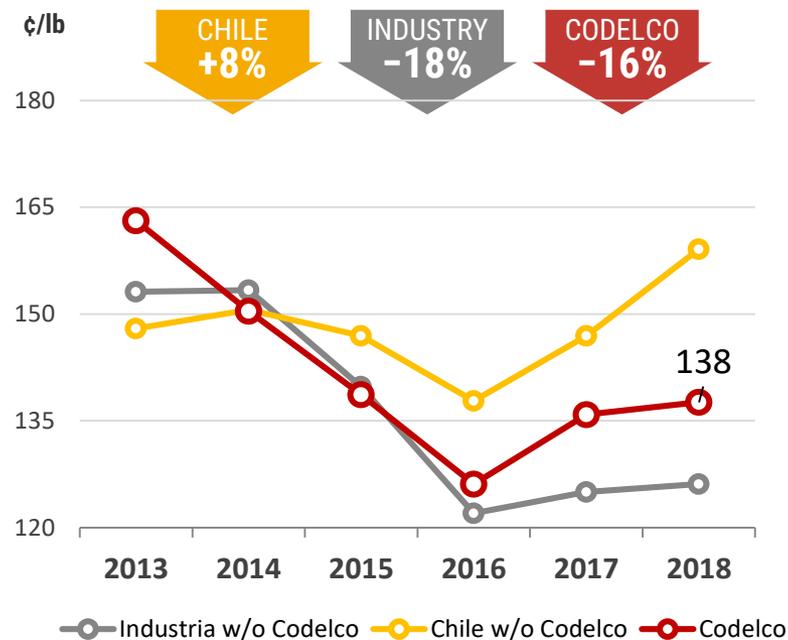


... and cost control program enhance CODELCO'S competitive position

COPPER PRICE & CODELCO CASH COST C1



CASH COST C1



- Price recovery boosts producer margins.
- Producers face upward cost pressures.
- CODELCO has demonstrated strict discipline in terms of cost reductions, making an important contribution to the country competitiveness.

Source: Codelco and Wood Mackenzie.

Consolidated 1H2018 results

		June 30,		Change
		2017	2018	
Copper Production¹	<i>kton</i>	851	875	2.8%
LME Copper Price	<i>S\$/pound</i>	260.8	313.7	20.3%
Cash Cost²		131.7	137.6	4.5%
Total Revenues	<i>US\$ million</i>	\$5,990	\$7,426	24.0%
Gross Profit		\$1,456	\$1,849	27.0%
Adjusted EBITDA³		\$2,222	\$2,692	21.2%
Adjusted EBITDA Margin	<i>%</i>	37,1	36,2	(2,3)%
Financial Debt⁴	<i>US\$ million</i>	\$14,264	\$14,451	1.3%
Net Financial Debt/LTM Adjusted EBITDA	<i>times</i>	3.3	2.0	(38.3%)

1) Includes El Abra and Anglo American Sur attributable production to Codelco's share.

2) Expressed per unit of production. It includes all cash expenses of production net of the revenues from by-products.

3) Calculated as Net Profit plus Taxes (includes export tax), Finance Cost, and Depreciation and Amortization; does not consider impairments or other non-cash charges.

4) Excludes Mitsui debt to acquire 20% of Anglo American Sur asset as it is non-recourse to CODELCO.

Labor relations: Adjusting conditions to industry challenges



- **10** collective bargaining agreements in 2018 (14 unions involved)
- **1-1.5%** real terms wage increase.
- **Considerably reduced** bonuses as compared to the previous cycle.

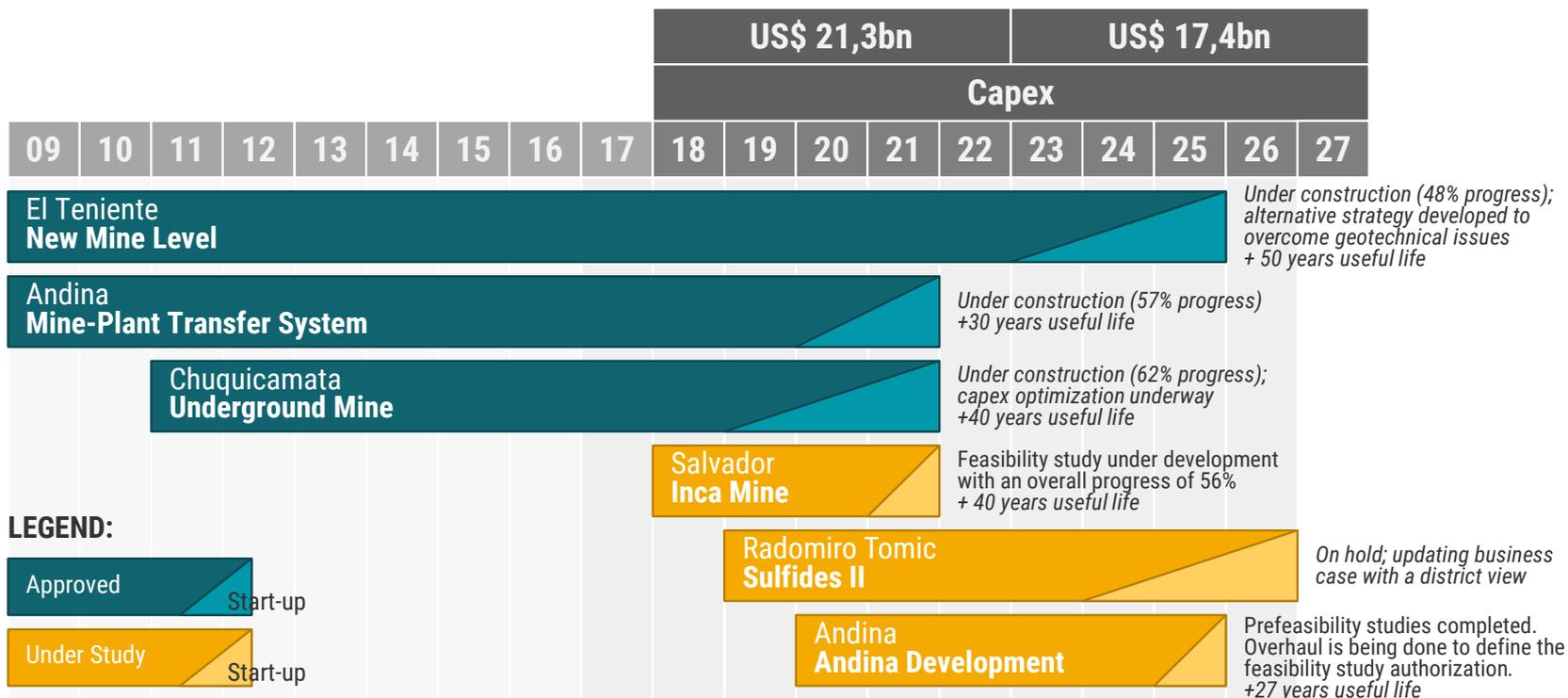
*Responsible dialogue,
aligning expectations to
productivity*

COLLECTIVE BARGAINING AGREEMENTS 2018					
Division	Union	Date	Real Wage change .	Bonus (US\$k)	Length
Andina	Workers	Jan -18	1%	13.2	36
Andina	Workers	Jan - 18	1%	13.2	36
Ministro Hales	Professionals	Mar - 18	1%	11.8	36
Radomiro Tomic	Workers	Apr - 18	1%	14.5	36
Radomiro Tomic	Workers	Apr - 18	1%	14.5	36
Chuquicamata	Supervisors	Apr - 18	1%	12.2	36
Salvador	Workers	Jul - 18	1%	9.3	36
Andina	Supervisors	Jul - 18	1%	12.1	36
Salvador	Workers	Aug - 18	1%	9.6	36
El Teniente	Workers	Aug - 18	1.5%	22.7	36

CODELCO must maintain discipline in the **investment plan and productivity and costs** management to ensure an optimal allocation of its resources and improve its competitive position

Investment program streamlined to preserve cash and reduce risks

Construction and start-up periods



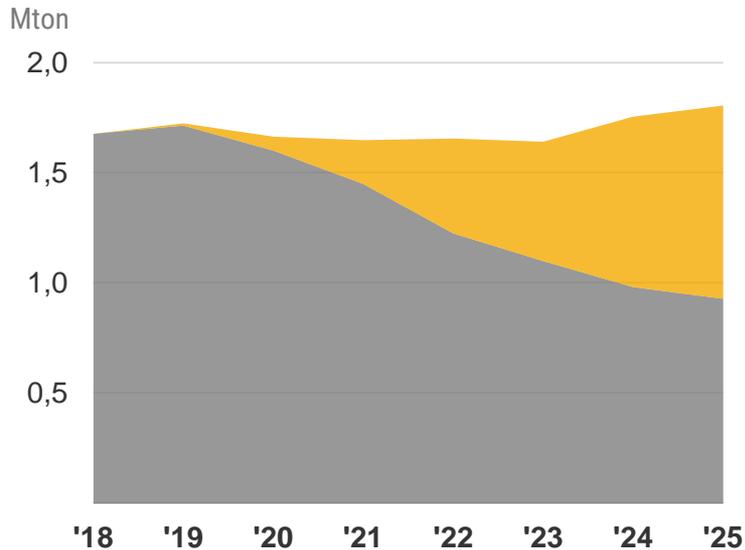
- **Layered project execution** reduces portfolio risk and concentration of cash needs.
- Ongoing review of project portfolio with a **district view**.

Note: Progress figures as of June 30, 2018

Project pipeline allows to materially extend mine life and maintain current production



Projected copper production¹



¹ Production from Codelco divisions; excludes subsidiaries.

Long-life reserves and resources

Potential lifetime	Mineral Resources ²	Geological Resources ³
Andina	116 years	402 years
El Teniente	86	215
Ministro Hales	57	87
Salvador	55	198
Radomiro Tomic	49	87
Chuquicamata	41	183
Gabriela Mistral	10	25

² Includes reserves.

³ Potential lifetime estimated at cut-off grade 0.2% CuT (0.5% average ore grade).

World-class resources support operation in the long term

- Largest proven and probable reserve base (6%).
- Attractive mix of scale and long life resources.
- Average production costs in the second quartile, with space for improvement.
- Extensive, high-quality resources to support further organic growth.

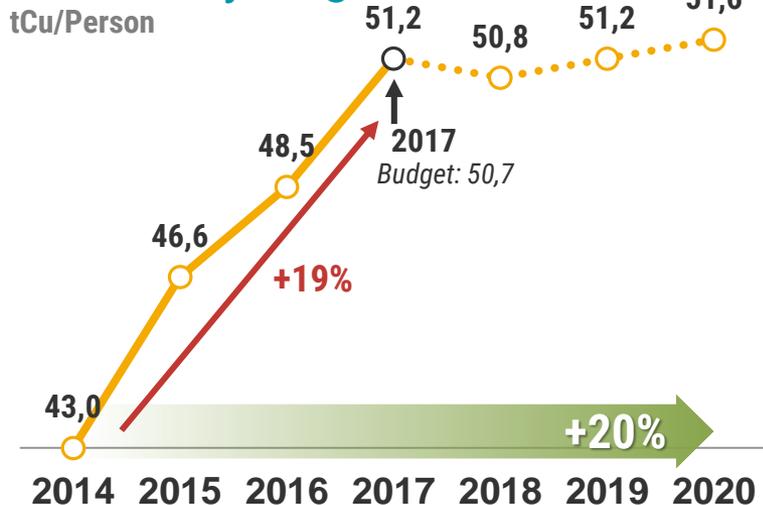
Substantial productivity improvements achieved up to date

However, most challenging stage is yet to come

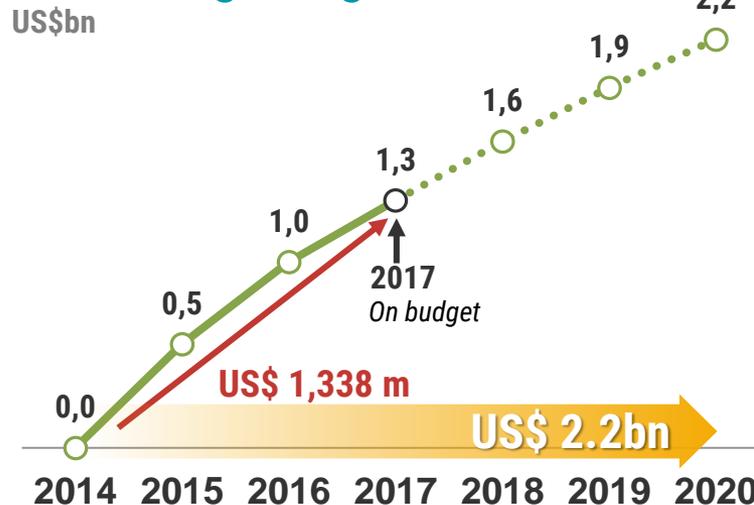
Three-stage program to improve performance



Productivity¹ targets



Cost savings² targets



¹ Productivity includes production and workforce of mining divisions and is calculated on each division product portfolio basis.

² Cost savings as compared to 2016 Business Plan, except 2015 which is compared to the year's Budget.
2017^P = Projected result for year end 2017

CODELCO must focus on
Balance sheet strength
to shape a more profitable
future while provide
resilience against volatility

Debt profile management



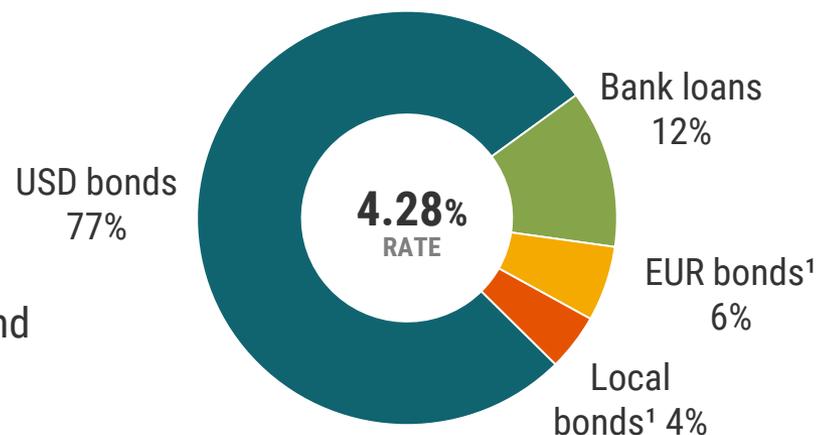
July 2017 bond issuance for LM Exercise

- 10 & 30 year bonds for **US\$ 1.500m** and **US\$ 1.250m**, respectively
 - 3.625% coupon for 10's and 4,50% coupon for 30's.
 - Well diversified demand, particularly from Asia.

Liability Management

- 94% of proceeds were deployed to buy-back short and medium term debt for **US\$ 2.4 billion**
 - Include '19s, '20s and '21s, '22s, '23s and '25s bond maturities
 - Extended average maturity in **3.3 years** and reduced Codelco's annual interest in **5 bps**
- Roll-over of **US\$ 600 million** in bank debt, extending maturity from 2018 to 2022 and pre-payment of **US\$600 million** bank debt originally maturing in 2018.

Sources of funding²



¹ Local and EUR bonds swapped to USD.

² Excludes Mitsui debt to acquire 20% of Anglo American Sur asset, because it is non-recourse to CODELCO. As of June 30, 2018

New Formosa Bond – Issued in April 2018

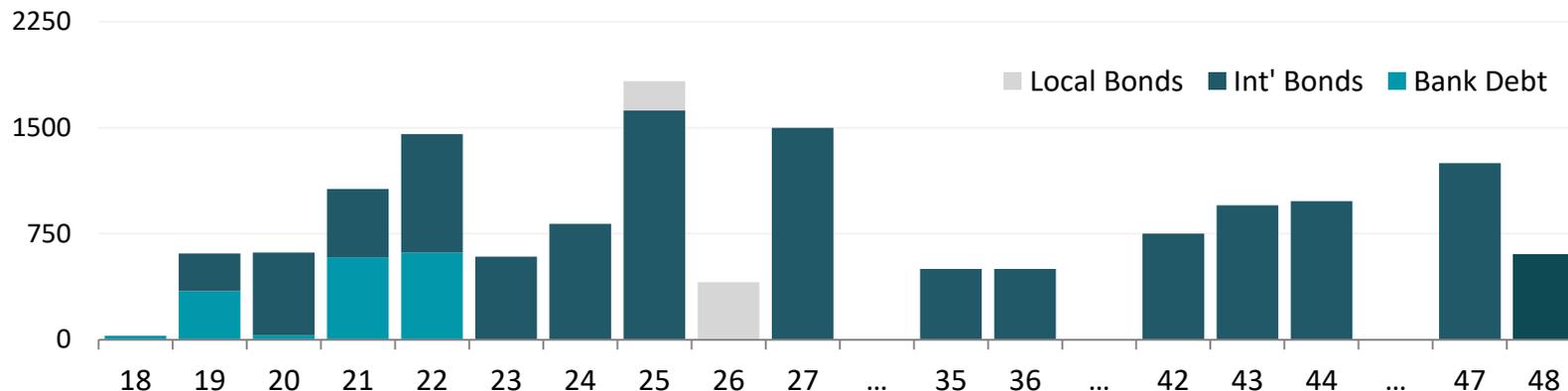


- Amount: **US\$ 600 millones**
 - Yield: **4.85%**
 - **Callable option at par value:**
Yearly option since the 5th year and up to maturity
 - 3 bps⁽¹⁾ cost for the callable option (estimated traditional market fair value price of 70 bps)
 - **30-year bond**
 - **Taipei Exchange (TPEX) listed**
- **First Chilean corporate bond** in Formosa market.
 - **First Latin American callable bond** in this market.
 - **First miner issuer bond** in this market.

(1) 2047 Secondary value: 4.66%; curve extension: 1pb; estimated NIP: 15 bps. Fair value without callable option: 4.82%.

Debt maturity profile

Debt maturity profile¹

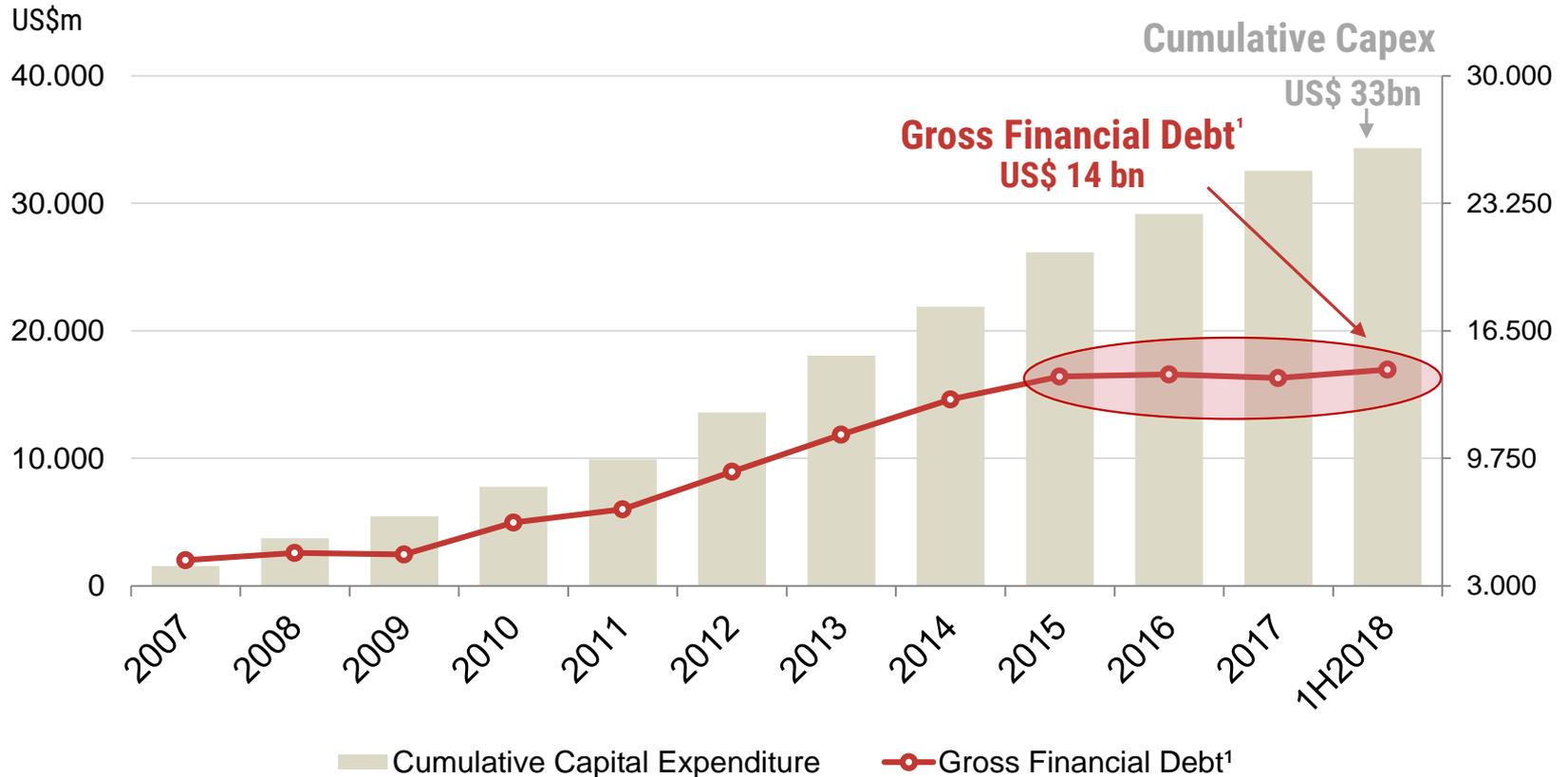


¹ Excludes Mitsui debt to acquire 20% of Anglo American Sur asset, because it is non-recourse to CODELCO. As of June 30, 2018.

Next Steps

- Keep **diversifying the sources of funding** by accessing new markets and investors.
- Defined **a new sustainable capitalization policy** after 2019.

Capital Discipline: Stable debt levels, despite intense capex program



Our financial focus is on maintaining our **credit quality** through copper price cycles, while developing our capex plan.

¹ Excludes Mitsui debt to acquire 20% of Anglo American Sur asset, because it is non-recourse to CODELCO.

Strong government support...

- Government **capitalized CODELCO with US\$3.3bn** between 2014 and 2018, confirming the **State's commitment** to the development plan and contributing to maintain the Company **competitive financing** costs.

<i>US\$ m</i>	Authorized	Received	Committed ¹	Total Capitalization
Capital injection	3,000	1,620	1,000	2,620
Retained Earnings	1,000	200	0	200
Δ Export tax over Pre-tax profit	950	475	0	475
Total (US\$m)	4,950	2,295	1,000	3,295

¹Capital injection committed in June 2018, but not disbursed yet. The government has until February 2019 to disburse it in one or more installments.

Summary: Lessons are learned

1. **Maintaining the discipline across cycles** to ensure competitiveness.
2. **Good investments**, well executed: value-over-volume
3. **Productivity and cost management** should be installed as the cornerstone of the organization culture.
4. Continued focus on maintaining a **strong and flexible balance sheet** across cycles.
5. The importance of a stable **capitalization policy** to continue exploiting Chile's main resource.



