



Corporación Nacional del Cobre de Chile

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CODELCO generated US\$ 1.34 billion in pre-tax earnings during 2019

In the second half of the year, the state-owned copper company got back on track in terms of production and costs, which impacted positively this figure.

Santiago, March 27 2020.- In 2019 CODELCO generated US\$ 1.34 billion pre-tax earnings, according to its report to the Commission for the Financial Market (Chilean regulator). The copper giant managed to get its production and costs back on track during the second half of the year, achieving a positive impact on its end-of-year financial results.

The company's copper production amounted to 1,588,000 tons, 5.3% lower than the previous year production, due to extreme weather events in Northern Chile, a strike by some unions at Chuquicamata, and operational issues that took place during the first two quarters.

Direct costs (C1) were slightly higher than in 2018 (1.8%) due to a drop in production. This was offset by the implementation of a meaningful cost-cutting plan, lower service expenses, renegotiation of critical contracts, low-cost suppliers, and enhanced stock information systems.

The net cathode cost was 225 c/lb, 2.8% lower than the previous year. This positive evolution comes from the reduction of non-operating costs (impairments, provisions and other items) and the sale of our minority equity stake in GNL Mejillones, in line with the company's strategic goal of focusing on its core business: copper production.

The results clearly show the efforts that were committed and carried out in the second semester. For example, C3 costs were 19% lower than in the first two quarters. Meanwhile, in the second two quarters production rose by 24%, spurred by enhanced operational continuity and more effective management. These efforts in the second half of 2019 added US\$1.02 billion to the US\$318 million pre-tax profit generated in the first half, reaching US\$1.34 billion in 2019.

Meanwhile, EBITDA amounted to US\$4.04 billion, US\$653 million lower than that of the previous year, with an EBITDA margin of 32%. This change is due to lower copper prices and production.

Before the complex ongoing scenario, CODELCO issued US\$ 2 billion in long-term bonds with maturities of 10 and 30 years. This financing activities, among others, strengthened the cash position on its balance sheet. This brought the company's debt ratio to 4.06x.

Opening of Chuquicamata Underground and progress in structural projects

This year was marked by inauguration of the first of CODELCO's structural projects, Chuquicamata Underground: a high-technology mine that meets safety and sustainability standards of the 21st century. Chuquicamata Underground, within a couple of years, will replace production of the world's largest open-pit mine.

Meanwhile, the Traspaso Andina project in Valparaíso Region has reached 83% completion and will be completed in 2020, extending Andina's life of mine.



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In O'Higgins Region, Andes Norte has reached 56% completion, and early works have progressed at Andesita (32%) and Diamante (22%). These three projects make up the El Teniente Development Project, which will extend operations by 50 years, accessing the deepest level of the mine.

Furthermore, the Rajo Inca project, located in Atacama Region, has attained 83% completion.

Transformation plan already underway

The company's strategic business plan was launched in December 2019, with a transformation sets out to enhance productivity, cut costs, and increase pre-tax earnings: the goals are increase US\$1 billion in pre-tax earnings from 2021 onwards (compared to 2018) and US\$8 billion in investments savings for the 2019-2028 period.

The company has a road map featuring 150 initiatives that are under implementation, representing a major challenge. Over these few months, the company has made advances in prioritizing the best projects, applying a lean design philosophy to them, and enhancing construction productivity, while also optimizing all contracts with suppliers and service providers and implementing maintenance strategies for operational continuity.

CODELCO's specific goal is to focus on its core business, the production of fine copper.

KEY FIGURES:

- **With a severity index of 0.70 and a frequency index of 128**, the company achieved the lowest workplace accident indicators in its history.
- **Over 95%** of emissions capture as stipulated in Supreme Decree were achieved at all of the state-owned company's smelter units: Chuquicamata, Potrerillos, Ventanas, and Caletones.
- **Codelco generated US\$1.34 billion** in pre-tax earnings during 2019.
- **1,588,000 tons of copper** were produced by the company, rising to 1,706,000 when including holdings in El Abra and Anglo American Sur
- **2019 saw a 2.8% lower net cathode cost** than 2018, with direct costs increasing by 1.8%.
- **US\$4.04 billion** in EBITDA, with a margin of 32%.



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Copper company explains its measures to prevent coronavirus.

Reduction of on-site staffing, rigorous cleaning of spaces, personal distancing, and working from home for administrative personnel – these are just some of the highlights of the state mining company's strict protocol for the times of COVID-19.

CODELCO reiterates that its foremost value is its care for life and health, so it is implementing the strictest hygiene and risk prevention measures to fight coronavirus.

Its operations are applying rigorous cleaning of spaces and personal distancing methods. It has also reduced site staffing levels, and administrative personnel are working remotely.

On Wednesday, the company also announced a 15-day interruption of the remaining works on the Chuquicamata Underground Mine Project, early works at Rajo Inca, and assembly activities at Traspaso Andina, to minimize the density of personnel and reduce ground and air transportation needs, to bolster safety.

It must be noted that the sudden crisis has hit copper prices hard, with a historic drop and demand for the metal falling each day. CODELCO is working to preserve operational continuity, liquidity, and financial health: all key factors for keeping its commitment to the country, particularly as the resources that the copper giant generates will be more relevant than ever for helping overcome the pandemic's economic impacts.

CODELCO