

# STATEMENT OF RESULTS

FIRST  
HALF

2019

Nelson Pizarro Contador  
CEO

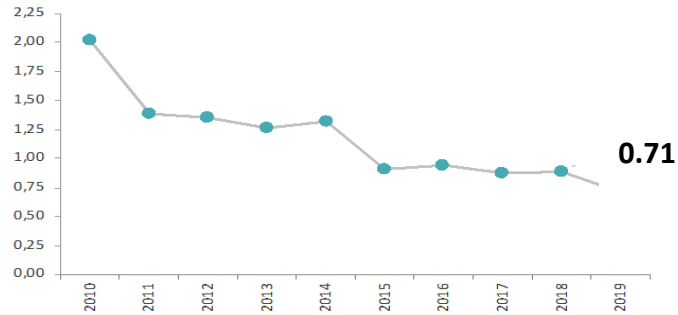
August 2019



# OCCUPATIONAL SAFETY: LOWER FREQUENCY AND SEVERITY RATES

## Codelco's internal and third party staff incident frequency rate

(Accidents with lost time / million hours / employees worked)



### FREQUENCY RATE

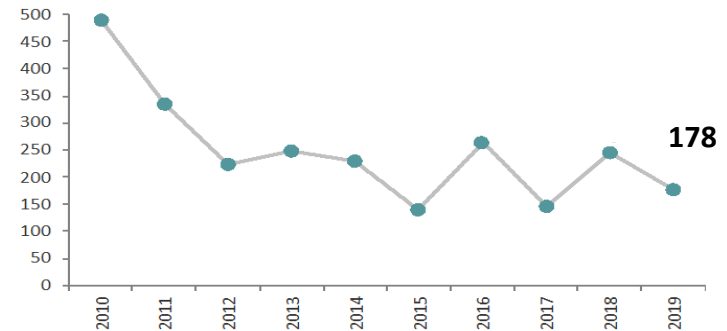
During the first half of 2019 we worked approximately 13 million hours / person more than the same period in 2018. However, the incident frequency rate has lowered.

## SEVERITY RATE

Although the variability of recent years remains unchanged, when compared with the first half of 2018, the severity rate was reduced by 50% (from 349 to 178)

## Internal and third party staff severity rate

(Days lost and days charged / million hours worked)



# PERIOD COMMENCED **WITHOUT COLLECTIVE NEGOTIATIONS**

## AGREEMENTS



- **Gabriela Mistral:** Professionals and Analysts' Union
- **Chuquicamata:** Miner Unions No. 1, 2, 3, 5, and No. 1 in Antofagasta
- **Salvador:** Supervisors' Union

## 9 TRADE UNIONS

Aproximately 5,000 workers

- **Responsible dialogue with mutual benefit agreements reached.**
- **Readjustments made according to current business reality**
- **The next collective negotiations will reconvene after the second half of 2020:** This period will be used to help strengthen labor relations and focus on the continuous improvement of our business management variables.



# COLLECTIVE BARGAINING NEGOTIATIONS

- 9 unions, approximately 5.000 workers, 6 negotiations.
- Responsible dialogue with mutual benefit agreements reached.
- Readjustment, settlements and terms agreed in accordance with current business conditions.

## 2019 CODELCO COLLECTIVE BARGAINING CLOSED

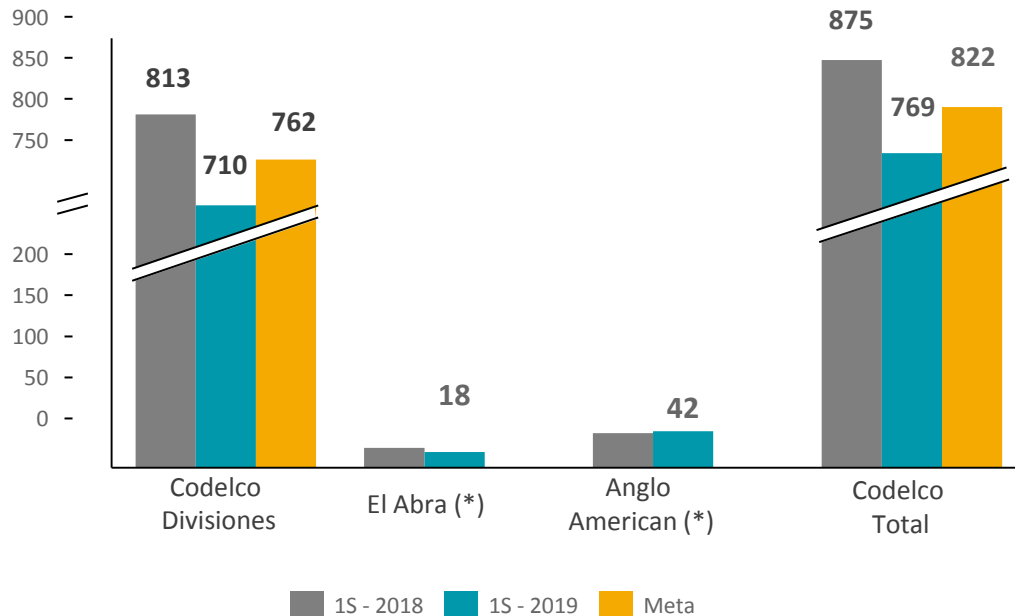
WORK CENTER	TRADE UNION	DATE	BASE SALARY READJUSTMENT	TERM
GABRIELA MISTRAL	Professionals and Analysts' Union (Professionals)	Jan-19	1.00%	36
	Professionals and Analysts' Union (Analysts)			29
CHUQUICAMATA	Union No. 5	Jan-19	1.20%	36
CHUQUICAMATA	Mining Union	Jan-19	1.20%	36
SALVADOR	Professionals and Supervisors' Union	May-19	1.00%	36
CHUQUICAMATA	Trade unions No. 1, 2 and 3	June-18	1.20%	36
CHUQUICAMATA	Union No. 1 Antofagasta	June-18	1.20%	36





# RESULTS

# CODELCO ACHIEVED AN INTERNAL PRODUCTION OF 710 KTMF



The production decrease can be explained by different factors:

- **Climate event and strike by unions No. 1, 2 and 3 in Chuquicamata:**  
-32 thousand tons in the Northern District
- **Lower ore grades:** -15 thousand tons
- **Inventory accumulation** (startup of smelters) : -43 thousand tons

# CODELCO KEPT COSTS C1 AT COMPETITIVE LEVELS. HOWEVER, C3 COSTS INCREASED

	S1 2019	TARGET	VAR.	S1 2018
Direct cost (C1) c/lb	142.3	143.5	-0.8%	137.6
Net cost to cathode (C3)	250.4	238.8	4.8%	219

## WE SURPASSED OUR C1 TARGET IN SPITE OF:

- Impact of a climatic event in the north zone
- Strike at Chuquicamata
- Decreased production

## AS A RESULT OF:

- Savings in services, material purchasing and use of warehouses, contract optimization, lower staff and increased exchange rate, among others.

## INCREASE IN NET COST TO CATHODE (C3) INCREASES IN ADDITION TO C1:

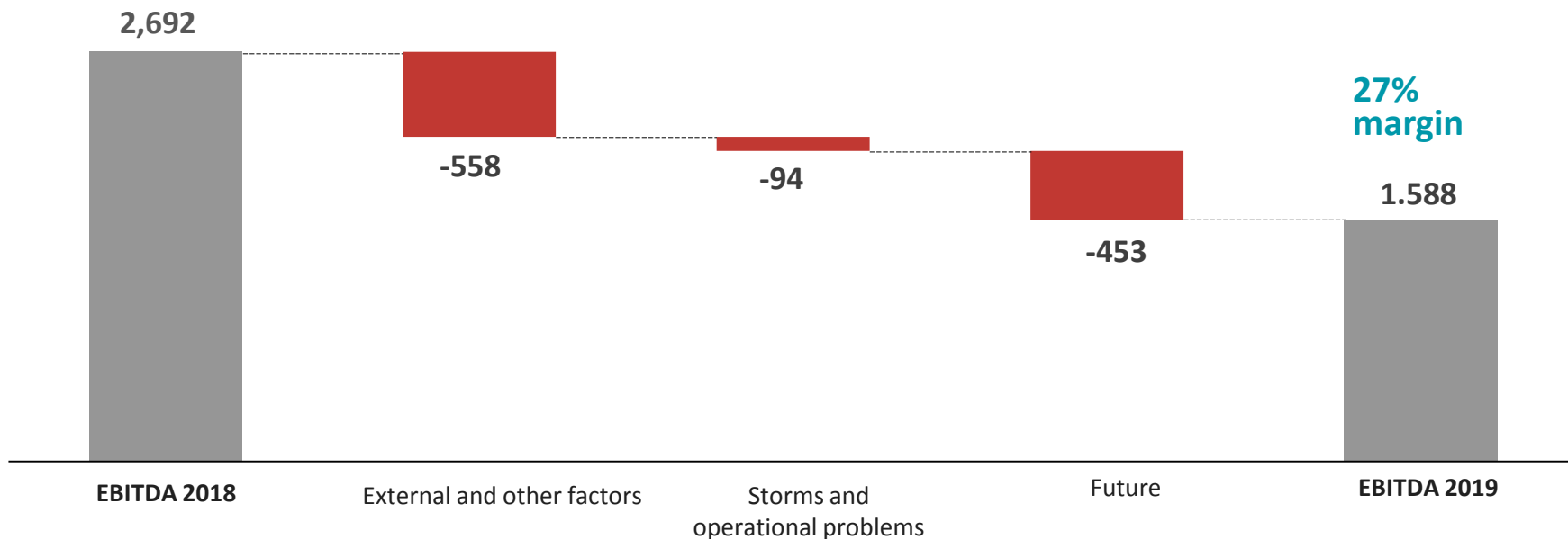
- Collective bargaining
- Variation in liabilities in pesos expressed in dollars.
- Impact due to the delay in startup of smelter.



# GENERATED OPERATING CASH FLOW (EBITDA\*) REACHED US\$ 1,588 million



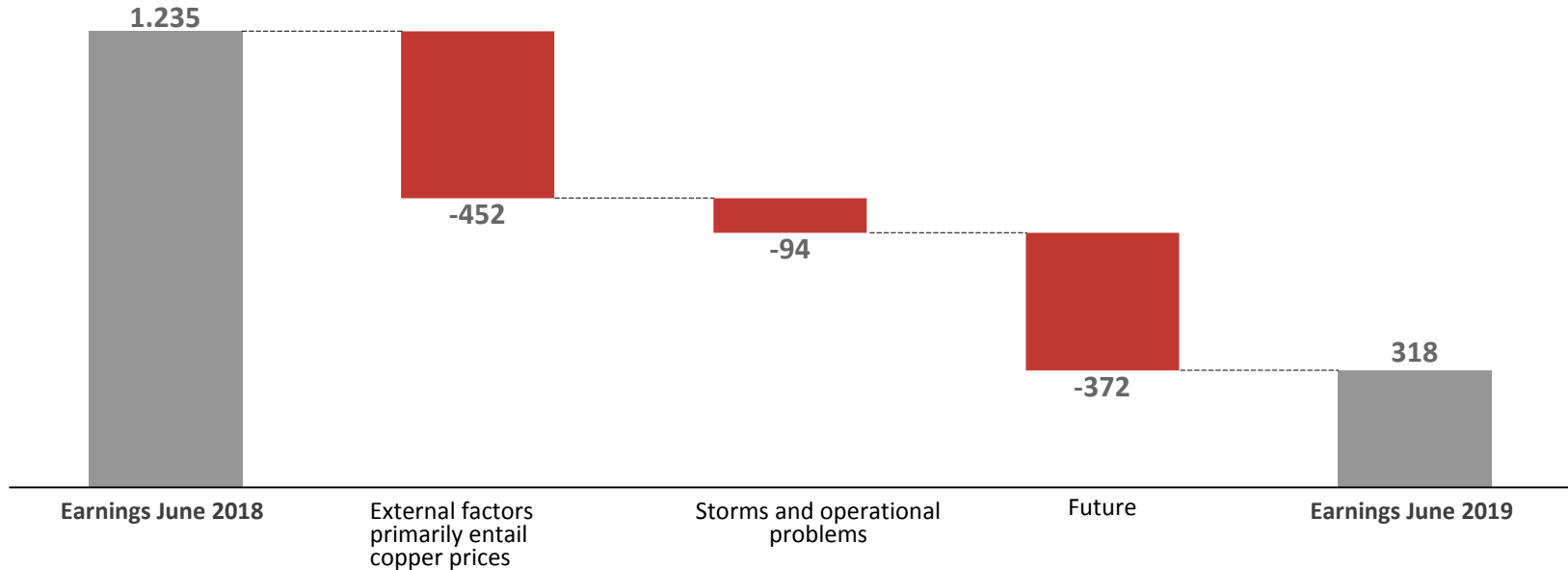
■ The lower generated cash flow was primarily a result of lower copper prices and decreased production.





# EARNINGS

Decreased pre-tax earnings: **49% can be explained by external factors** including market conditions which the Corporation have no influence over; **10% result from climate and operational problems** and **41% result from pre-emptive / future issues** involving the start-up of the smelters to maintain our license to operate and enable the Chuquicamata Subterránea project.



# CLOSE TO 100% COMPLIANCE WITH DS No. 28 AT ALL SMELTERS

## OVERVIEW TO JUNE 2019



**VENTANAS 100%**

**CHUQUICAMATA 96%**

**EL TENIENTE 95%**

**SALVADOR 97%**

**US\$ 113 million (2016)**

**US\$ 1.079 million**

**US\$ 703 million**

**US\$ 441 million**

- **Projects completed and in operation since 2016**
- **Annual DS28 compliance - Year 2018**
  - S capture = 95.7 (≥ 95%)
  - As capture = 95.3% (≥ 95%)

- **Acid Plants 3 and 4 / Flash smelter optimization:** The plants are in operation and compliant with DS No. 28.
- **Refinery gas treatment:** First plant is in operation and compliant with regulations as of May 2019. Second plant is scheduled for operations in October.

- **Emissions reductions at the gas cleaning plant:** Plants have been in operation since December 2018 and are compliant with DS No. 28 (SO content<sub>2</sub> <600 ppm).
- **Smoke opacity reduction from anode furnaces:** The plants are in operation and compliant with DS No. 28 (opacity < 20%).
- **Slag flotation plant:** Start of commissioning is scheduled for September 2019.

- **Comprehensive improvements to gas collection and processing:** Underway, achieving target parameters to comply with regulations.
- **Black smoke treatment:** Compliant with regulations through reductions with liquefied gas. Mechanical completion is scheduled for August 2019 and commissioning planned for September.

*Note 1: Percentage gains correspond to physical progress as of June 2019.*

*Note 2: Amounts were adjusted to control base currency 2019.*

# STRUCTURAL PROJECTS THAT ENSURE THE FUTURE OF CODELCO CONTINUE TO ADVANCE



## ON EXECUTION

### CHUQUICAMATA SUBTERRÁNEA

Total progress of 90%

In May, blasting for the first caving milestone commenced at Chuquicamata's "central macroblocks"  
No-load testing of the *overland* belt commenced.

(\*Chuquicamata Subterránea was inaugurated in August 2019)

Note: Percentage gains correspond to physical progress as of June 2019.

### ANDEAN TRANSFER

Total progress of 77%

Secondary crusher excavation commenced.  
Electrical substations commenced energization for the electromechanical contract.

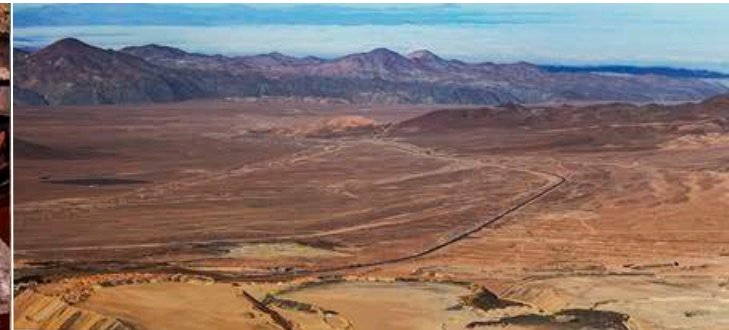


### NUEVO NIVEL MINA

Total progress of 52%

**Andes Norte NNM:** Major mining contracts are in execution

**Diamante / Andesita early works:** Contracts in execution for construction access and facility works.



## ON STUDY

### MINA RAJO INCA

Investment project in process of review prior to taking a decision. Early construction activities continue underway.

### DESARROLLO FUTURO ANDINA

Feasibility study underway, with 31% progress. Contract process for primary engineering and mining underway.

### NORTH DISTRICT DESALINATION PLANT

Bid evaluation process underway

# CHUQUICAMATA SUBTERRÁNEA



## NEW MINING

Operations that mark the beginning of the new way of mining in Chile.

## TRANSFORMATIVE PROJECT

Significant investment, technological works, employment (internal, external services), cultural transformation, contribution of resources to Chile, automated and remote operation, contribution to the development of knowledge, etc.

## CODELCO FOR 50 MORE YEARS

Chuquicamata Subterránea is part of the six structural projects that Codelco must implement to maintain a steady level of production and continue contributing to Chile for another 50 years.

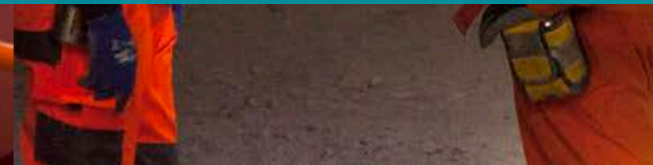
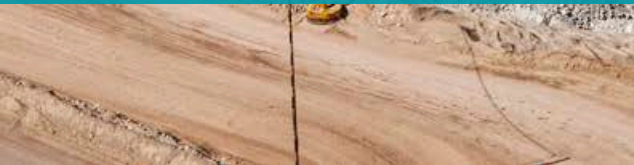
## ENVIRONMENT

97% lower particulate material produced, less use of diesel and no increase of water use.





# MANAGEMENT SUMMARY





## KEY FACTS

- **US\$ 318 million** of pre-tax earnings (impact resulting from trade war, copper prices, exchange rate and other factors)
- **Operating cash flow generation (EBITDA) US\$ 1,588\* million** | Margin of 27%
- **710 thousand tons of internal copper** production.
- **C1 142.3 c/lb**
- **Inauguration of Chuquicamata Subterránea**
- **Almost 100% of investment completed for smelters**





# NELSON PIZARRO MANAGEMENT SUMMARY (2014 - 2019)

# MANAGEMENT 2014 - 2019

- **-39% in the accident frequency rate and -35% in the severity and fatality rate** during the 2015-2019 period compared to 2010-2014.
  - **Average of 1.68 million tons of fine copper** between 2014 and first quarter of 2019. Codelco fulfilled its commitments to the owner, despite the sharp fall in ore grades.
  - **20% increase in productivity** between 2014-2018, meeting the targets set forth in our Strategic Pact.
  - **US \$ 17.4 billion in investments** between 2014 and first quarter of 2019, equivalent to 27% of Codelco's investment throughout its history.
- **US\$ 3.3 billion investment in sustainability** , occupational safety and health, emissions control (DS 28), waste and tailings management, water treatment, slag treatment, environmental management of structural projects from 2014-2019. This figure represents **41% of Codelco's investment** in sustainability over the last 40 years.
  - **39 projects submitted** to the SEIA from 2014-2019; all approved.
  - **10% reduction from 2013-2018 in the use of energy** per unit of treated ore.



# 2014 - 2019 MANAGEMENT

- **92% of current tenders are open tenders** (in 2014 only 14% were open). Panel tenders were 1.7% (69% in 2014) and direct awards were 1.1% (7.9% in 2014).
- **In 2018, 9.9% of the staff were female** (8.7% in 2014).
- **66 vacancies out of a total of 87 (76%)** were filled through the Succession System in 2018.
- **Leading company in talent recruitment over** the last five years.
- **95% of the 60 collective bargaining** were anticipated or regulated and only 5% resulted in strike action between 2014 and the first quarter.

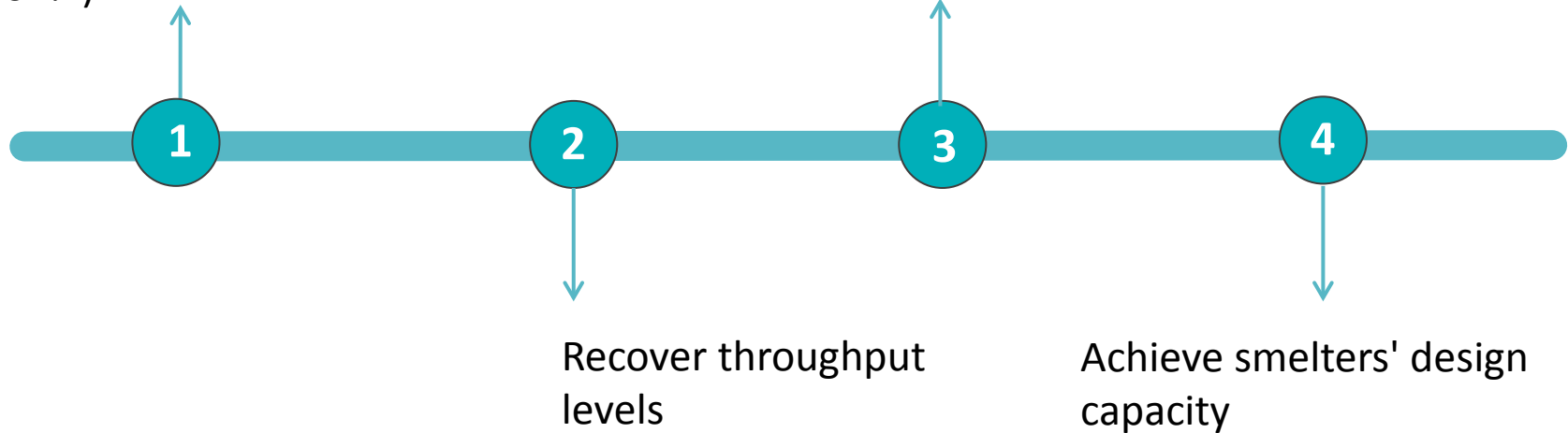




# CODELCO CHALLENGES IMMEDIATE AND FUTURE

# SECOND HALF 2019 CHALLENGES TO RECOVER PRODUCTION

Access to better head grades at División Chuquicamata (0.72% to 1.02%)



# CHALLENGES OF THE NEXT YEARS: REPOSITION CODELCO AMONG THE MOST COMPETITIVE, SUSTAINABLE AND PROFITABLE COPPER PRODUCERS IN THE WORLD

- **Complex market environment**
- **Transformation:** The structural projects have made it possible to step up our efforts along this transformative road that involves us all.
- The construction of this new Codelco means adapting to the challenges of the 21st century: the introduction of advanced technology, **different cultural characteristics in our workforce**, becoming aware of environmental requirements and the need to maintain discipline and austerity.

WE WILL MEET THE FOLLOWING COMMITMENTS:

- **Excellence in project execution in terms of quality**, on schedule and at a lower cost
- **Excellence in operations**
- **Develop the broad base of mineral resources** for the company





# EXHIBITS



# STATEMENT OF RESULTS JANUARY - JUNE

## 2019- 2018 (millions of US\$)

	1S - 2019	1S - 2018	Var
Own copper sales earnings	4.884	5.795	-911
Own copper sales costs	-3.865	-4.250	385
Copper sales gross earnings	<b>1.018</b>	<b>1.545</b>	<b>-526</b>
By-product sales gross earnings	<b>237</b>	<b>305</b>	<b>-68</b>
Gross earnings	<b>1.255</b>	<b>1.849</b>	<b>-594</b>
Non-operating result	<b>-933</b>	<b>-577</b>	<b>-356</b>
<b>PRE-TAX PROFIT</b>	<b>322</b>	<b>1.273</b>	<b>-951</b>
Associate company tax expenditure	0	-17	17
Minority interest	-4	-21	16
<b>CODELCO PRE-TAX PROFIT</b>	<b>318</b>	<b>1.235</b>	<b>-918</b>

Note: Consolidated financial statements

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Gross profit	<b>1.255</b>	<b>1.849</b>	<b>-594</b>
Codelco realized net profits	<b>-105</b>	<b>223</b>	<b>-328</b>

Note: Consolidated financial statements

# PRE-TAX EARNINGS DISTRIBUTION JANUARY - JUNE 2019- 2018 (millions of US\$)

	1S - 2019	1S - 2018	Var
RESERVED LAW NO. 13.196 TAX	457	598	-142
INCOME TAX	-57	361	-417
SPECIFIC MINING TAX	22	53	-31
TOTAL EARNINGS	-105	223	-328
<b>TOTAL PRE-TAX PROFIT</b>	<b>318</b>	<b>1.235</b>	<b>-918</b>
COMPARABLE PROFIT	186	868	-682

Accrued amounts

(\*)Net profit with private sector type taxation, distinct to Codelco





WE INVITE YOU TO REVIEW THE RESULTS  
OF THE COPPER COMPANY  
OF ALL CHILEAN MEN AND WOMEN AT

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