

# 2018 FIRST SEMESTER RESULTS

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CEO

August 31, 2018



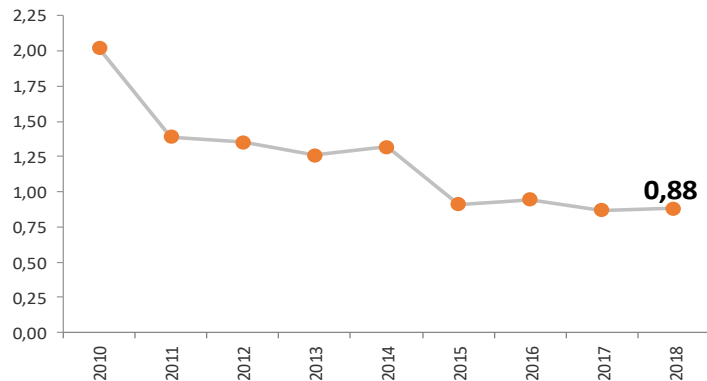
# SAFETY: UNFAVORABLE RESULTS DURING THE PERIOD

During the first half of 2018, Codelco lamented the occurrence of three fatal accidents.

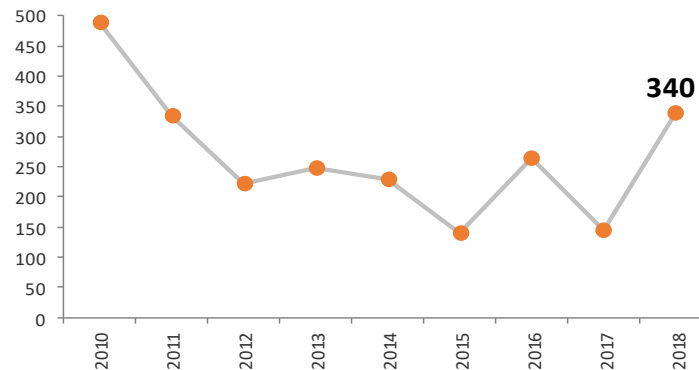
The accident frequency rate remained within the trend demonstrated over recent years, complying with the maximum tolerable level set for the year.

The severity rate increased significantly, mainly due to the three fatalities that occurred during this semester.

**Codelco and third party staff frequency rate**  
(Accidents with lost time / million hours / employees worked)



**Codelco and third party staff severity rate**  
(Days lost and days charged / million hours / employees worked)



# COLLECTIVE BARGAINING NEGOTIATIONS

## PRODUCTIVITY GUIDELINES, ACCORDING TO THE REALITY OF THE BUSINESS

- 6 trade unions, close to three thousand workers.
- Responsible dialogue with mutual benefit agreements reached.
- Salary readjustments, negotiation term bonus and validity terms, in accordance with business conditions.
- No strike action

2018 COLLECTIVE BARGAINING NEGOTIATIONS				
DIVISION	UNION	DATE	BASE SALARY READJUSTMENT	TERM
ANDINA	Unificado de Trabajadores (SUT)	Jan. 2018	1.00%	36
ANDINA	Industrial de Integración Laboral (SIIL)	Jan. 2018	1.00%	36
MINISTRO HALES	Professionals	Mar. 2018	1.00%	36
RADOMIRO TOMIC	Workers (Plant Administration Establishment)	Feb / April 2018	1.00%	36
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CHUQUICAMATA	Supervisors	Feb / April 2018	1.00%	36

# INCENTIVES IN RESPONSE TO MARKET SITUATION AND PRODUCTIVITY

- To date in 2018, 14 unions have been in negotiations, representing approximately 8,900 people.
- Four negotiations currently remain this year.

Beyond the negotiation term bonus, Codelco is evolving towards a structure of incentives according to productivity.

NEGOTIATIONS JULY - AUGUST						
DIVISION	UNION	DATE	READJUSTMENT	TERM	SBTN	PREVIOUS BTN %
SALVADOR	Union No. 6 Benito Tapia Tapia	July 2018	1.00%	36	5.975.000	60%
ANDINA	Supervisors Union	July 2018	1.00%	36	7.875.000	60%
SALVADOR	Union No. 2 Potrerillos	July 2018	1.00%	36	5.975.000	60%
EL TENIENTE	Union Caletones, El Teniente, No. 7, No. 5, Sewell and Mina Unificado	Aug. 2018	1.50%	36	9.500.000	63%



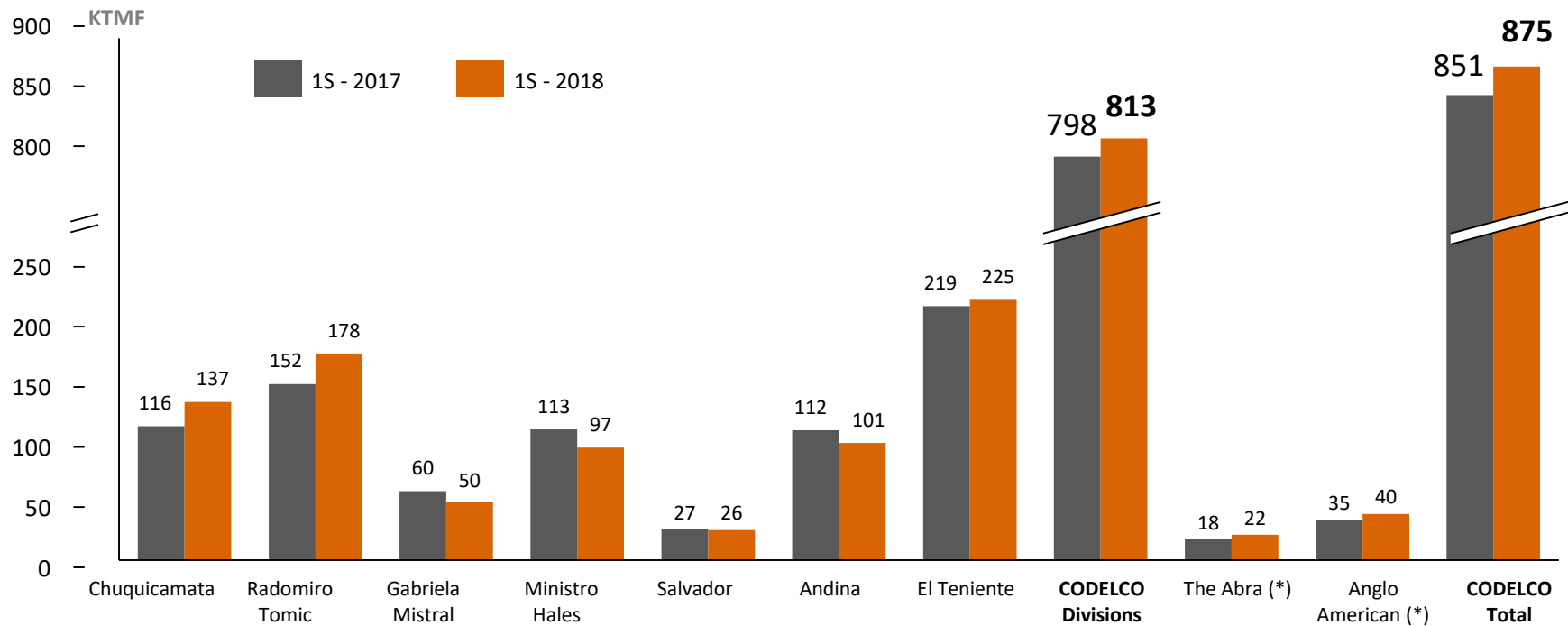


The image shows five workers in a tunnel, all wearing extensive personal protective equipment (PPE). They are wearing helmets with headlamps, respirators covering their noses and mouths, safety glasses, and high-visibility work clothes. Some are wearing harnesses. The background shows the interior of a tunnel with concrete walls and some equipment. A red car is partially visible on the right. A semi-transparent orange banner is at the bottom of the image.

# RESULTS

# CODELCO ACHIEVED A TOTAL PRODUCTION OF 813 THOUSAND METRIC TONS

This figure represents **2% increase in own production** over the same period of the previous year.



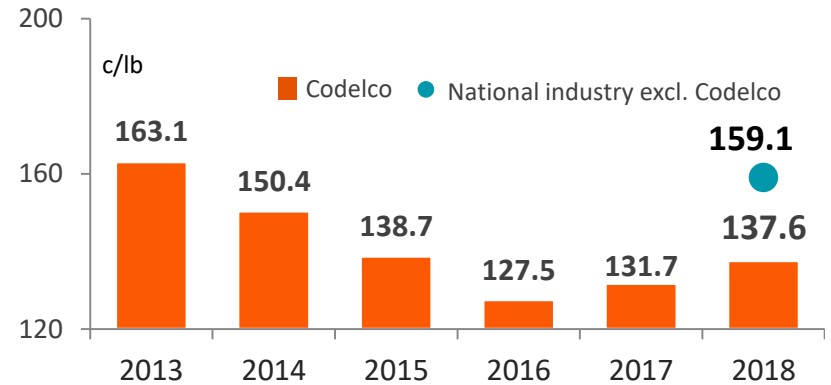
(\*) The production reflects the proportion of Codelco ownership: El Abra 49%, Anglo American Sur 20%

# CODELCO'S COSTS ARE **13% LOWER** THAN THE INDUSTRY'S AVERAGE

	1S 2017 (c/lb)	1S 2018 (c/lb)	Var (%)
Direct cost (C1)	131,7	137,6	4%
Net cathode cost (C3)	204,4	219,0	7%

The exchange rate effect (average \$660 during 1<sup>st</sup> semester of 2017; average \$611 during 1<sup>st</sup> semester of 2018) and the rise in the price of inputs, explain the cost increase.

Codelco / national industrial direct costs (not incl. Codelco)

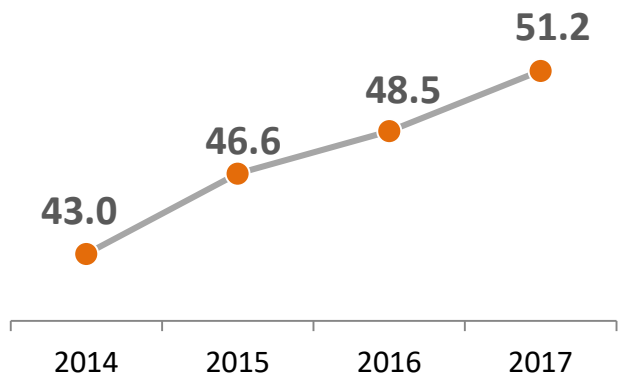


**The increase in productivity and the reduction of third party service expenses have permitted us to maintain competitiveness**

Sources: Wood Mackenzie and Codelco.

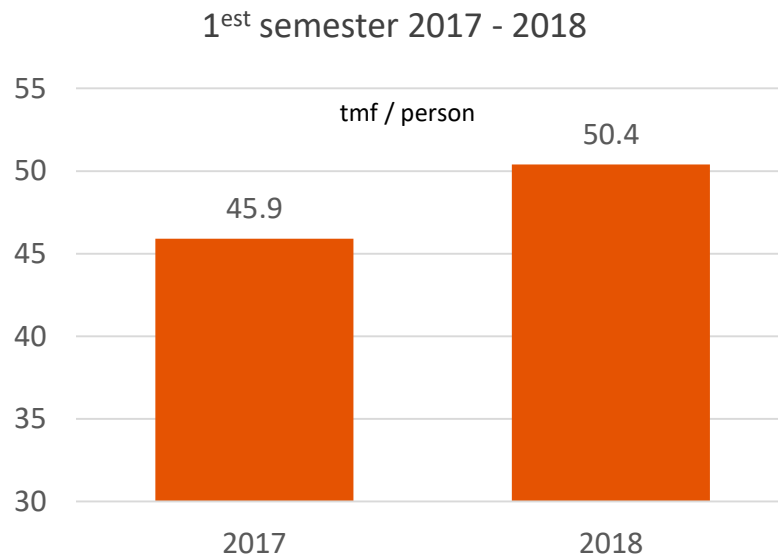
# CONTINUED IMPROVEMENTS IN LABOR PRODUCTIVITY

## ANNUAL LABOR PRODUCTIVITY



From 2014 to date, Codelco has increased its labor productivity by 19%

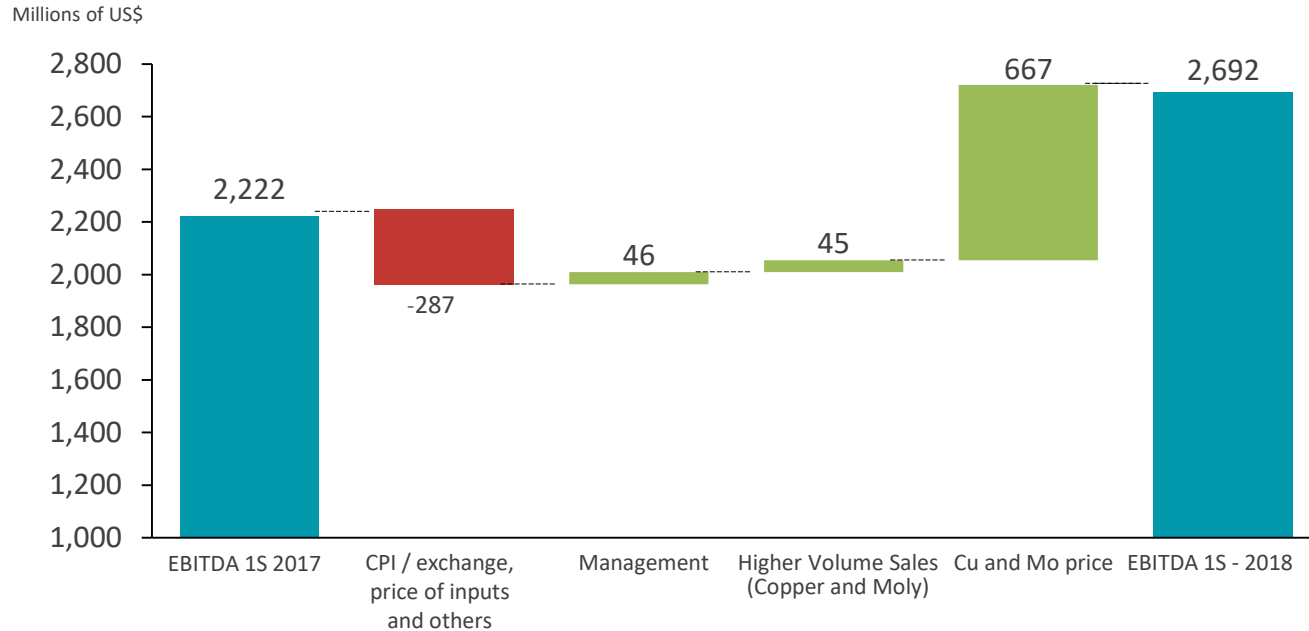
In comparison to the same period of the previous year, labor productivity has increased by almost 10%





# THE EBITDA\* ROSE BY 11% , SIMILAR TO THE SAME PERIOD IN 2017

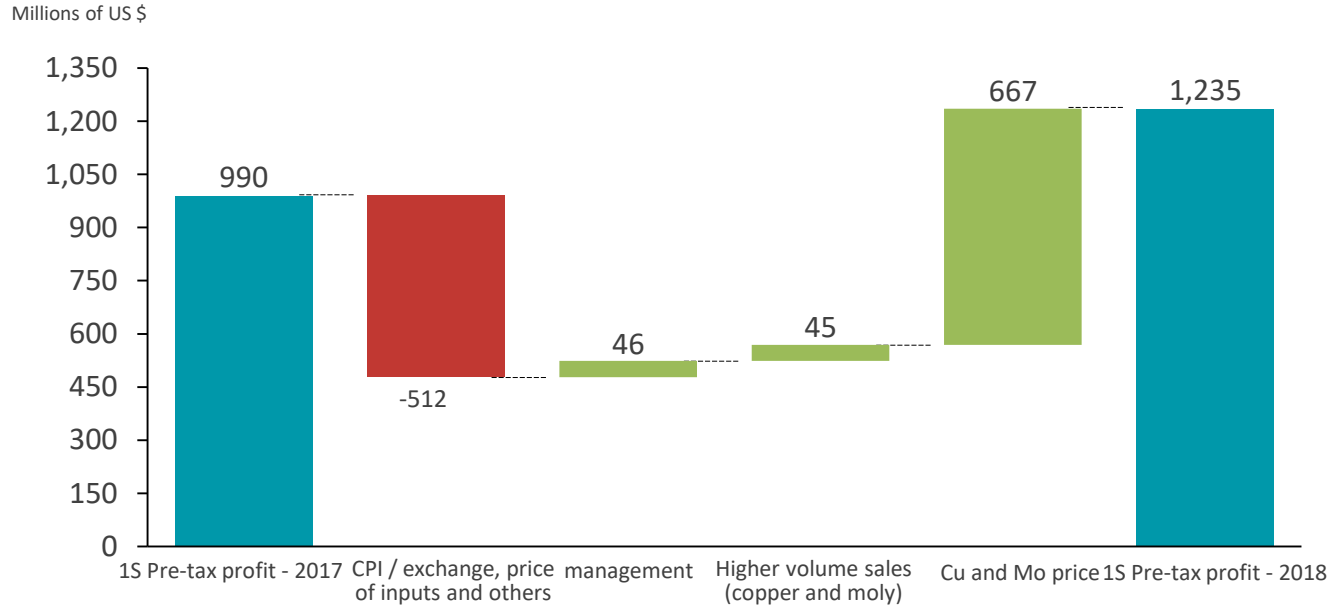
Given the increased copper price, optimized management and sales, the EBITDA reached **US \$ 2,692 million**.



(\* ) Consolidated, before the Copper Reserve Law transfers.  
In both years, extraordinary provisions are not considered.

# CODELCO EARNINGS SURPASSED THE SAME 2017 PERIOD BY 25%

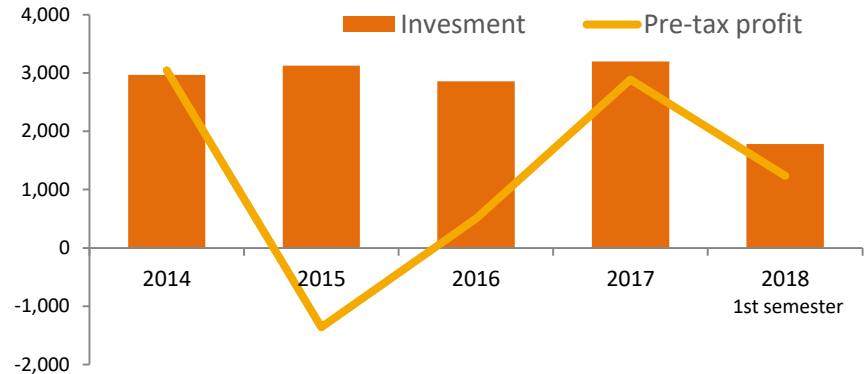
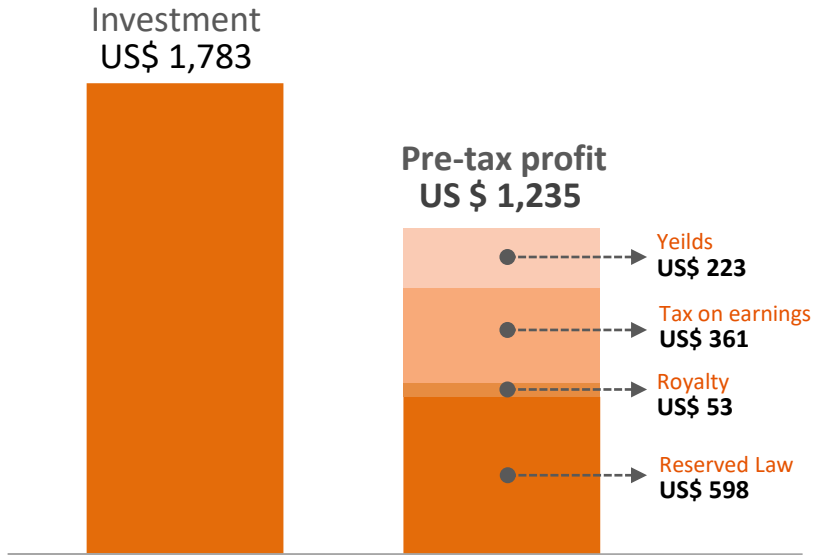
Pre-tax profit during the first semester of 2018 reached **US\$ 1,235 million**, mainly due to higher copper price, management and greater sales volume, compared to the same period of the previous year



(\*) Individual Results

# WE NEED TO INCREASE THE GENERATION OF CASH FLOW AND CAPITAL TO ENSURE THE FINANCING OF INVESTMENTS

FIRST SEMESTER 2018



Codelco's challenge is **to invest 39 billion dollars over the next 10 years,**  
with a current debt of US\$ 14.4 billion

# STRUCTURAL PROJECTS **MAINTAIN ON-SCHEDULE PROGRESS**



## PROJECTS IN EXECUTION

### **CHUQUICAMATA UNDERGROUND**

Total progress at 61.9%.

113 kilometers of tunnels built for a total of 142 kilometers. The Board approved the reformulation of the project, subject to recommendations from the Ministry of Social Development and Cochilco.

### **ANDINA TRANSFER**

Total progress at 56.9%.

Concluded excavation works for 9.5 km of the Haulage Tunnel III and the cover assembly for the Primary Crusher Dome. Commenced construction of the electro-mechanical construction and erection contract.

### **MINE NEW LEVEL**

Total progress at 47.9%.

Recently authorized the execution of the Andes Norte MNL project and early works for the Andesita and Diamante projects (projects that are part of the El Teniente Division development plan).

## PROJECTS IN STUDY

### **RAJO INCA MINE**

Feasibility study underway, with 56% progress. Forthcoming submittal to SEIA.

### **ANDINA FUTURE DEVELOPMENT**

Reviews are being conducted for the authorization of the feasibility study.

### **NORTH DISTRICT DESALINATION PLANT**

The bidding process continues, as scheduled.

# WE CONTINUE INVESTMENTS TO COMPLY WITH THE REGULATIONS ON THREE SMELTERS FOR DECEMBER 2018

PROGRESS OF DS 28 PROJECTS:



VENTANAS 100%



CHUQUICAMATA 66%



EL TENIENTE 64%



SALVADOR 68%

US\$ 113 million (2016)

US\$ 997 million December '18

US\$ 602 million December '18

US\$ 428 million December '18

- **Projects completed and in operation since 2016**
- Annual compliance DS 28 - year 2017:
  - S capture = 95.7 (≥ 95%)
  - As capture = 95.3% (≥ 95%)

- **Acid Plants 3 and 4:** Attained 67% progress.
- **Flash smelter improvements:** We are finalizing detailed engineering and the construction contracts are in the process of being awarded.

- **Reduction of emissions at the gas cleaning plant:** Progress has been achieved as scheduled, at 79%.
- **Smoke opacity reduction from anode furnaces:** Progress has been achieved as scheduled, at 58%.

- **Comprehensive improvements to gas collection and processing:** Commenced primary construction and erection contract, phase 2.
- **Black smoke treatment:** In the process of awarding the construction and erection contract.





# MANAGEMENT SUMMARY



# CONCLUSION

## US\$ 1,235 million

Codelco's pre-tax earnings **surpassed the same 2017 period** by 25%.

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## Ebitda US\$ 2,692 million

During the first semester of 2018 **the Ebita was 21% greater** the same period of 2017.

Investment for the period was US\$ 1,783 (US\$ 3,600 projected for 2018).

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## 813 ktmf

Codelco's own production **rose 2%** over the first quarter of 2017, despite a 3.4% drop in the copper grade.

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## C1 137.6 c/lb | C3 219.0 c/lb

Codelco's costs are greater than Chile's national industrial average costs.

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Codelco's projects make it imperative to maintain efforts to increase **productivity**, and to **secure cash flow and capital** to address a demanding level of **investment**.

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# APPENDICES

# STATEMENT OF RESULTS JANUARY - JUNE 2017- 2018 (MILLIONS OF US\$)

	1S - 2018	1S - 2017	Var.
OWN COPPER SALES REVENUE	5,795	4,593	1,202
OWN COPPER SALES REVENUE	-4,250	-3,338	-912
<b>GROSS PROFIT ON COPPER SALES</b>	<b>1,545</b>	<b>1,255</b>	<b>290</b>
<b>GROSS PROFIT ON SALES OF BY-PRODUCTS AND OTHERS</b>	<b>305</b>	<b>201</b>	<b>104</b>
<b>GROSS PROFIT</b>	<b>1,849</b>	<b>1,456</b>	<b>393</b>
<b>NON-OPERATIONAL RESULTS</b>	<b>-577</b>	<b>-433</b>	<b>-144</b>
<b>PRE-TAX PROFIT</b>	<b>1,273</b>	<b>1,023</b>	<b>250</b>
TAX EXPENDITURE - ASSOCIATED COMPANIES	-17	4	-20
MINORITY INTEREST	-21	-36	16
<b>CODELCO PRE-TAX PROFIT</b>	<b>1,235</b>	<b>990</b>	<b>245</b>

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<b>(LOSS) PRE-TAX CONSOLIDATED INCOME</b>	<b>673</b>	<b>556</b>	<b>117</b>
TAX ON EARNINGS	-430	-350	-81
<b>NET PROFIT, CONSOLIDATED</b>	<b>244</b>	<b>206</b>	<b>36</b>
MINORITY INTEREST	-21	-36	16
<b>NET PROFIT, CODELCO</b>	<b>223</b>	<b>170</b>	<b>52</b>



# DISTRIBUTION OF EARNINGS

## JANUARY - JUNE 2017- 2018 (MILLIONS OF US \$)

	1S - 2018	1S - 2017	Var.
RESERVED TAX LAW NO. 13.196	598	467	132
INCOME TAX	361	320	40
MINING-SPECIFIC TAX	53	33	20
EARNINGS	223	170	53
<b>TOTAL PRE-TAX PROFIT</b>	<b>1,235</b>	<b>990</b>	<b>245</b>
<b>COMPARABLE PROFIT (*)</b>	<b>868</b>	<b>745</b>	<b>123</b>

Accrued amounts

\* Net profit with private sector type taxation, Codelco Individual



THANK YOU