

# 2018 THIRD QUARTES

## STATEMENT OF RESULTS

Nelson Pizarro Contador  
CEO

NOVEMBER 29, 2018

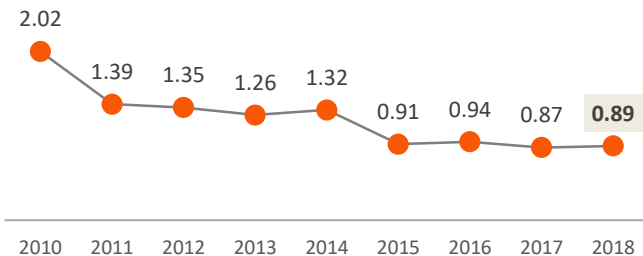


# SAFETY: IMPROVED, BUT IT IS NEVER ENOUGH

During the last quarter, the frequency rate was maintained and serious incidents decreased. However, this is never sufficient and thus we strive to move forward in building a culture of mining safety.

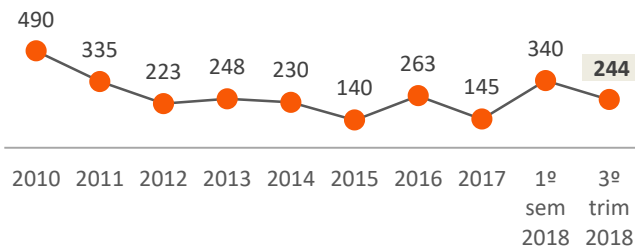
## Codelco and third party staff incident frequency rate

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



## Codelco and third party staff severity rate

(Days lost and days charged / million hours / employees worked)



## Ongoing

Monthly corporate security talks; XIII Corporate Meeting of Joint Committees of Codelco at the Radomiro Tomic Division.

## Ongoing updates to internal regulations

- New procedures and standards: change management and hot works permits; fatality control in road management and eradication of silicosis.
- New technical and arsenic training groups.
- Updates to procedure: emergency readiness and response; security risk management; health at the workplace and operational risks.

## Recognition

The National Security Council recognized El Teniente Division for 7 million MH worked without incapacitating accidents.

# COLLECTIVE BARGAINING THAT REFLECTS MARKET CONDITIONS



**9 thousand**

workers (approx) renewed their collective agreement or contract; 90% of the total to be negotiated in 2018.



Conditions compatible with current **business reality.**



**36 months**

term of the agreements or contracts.

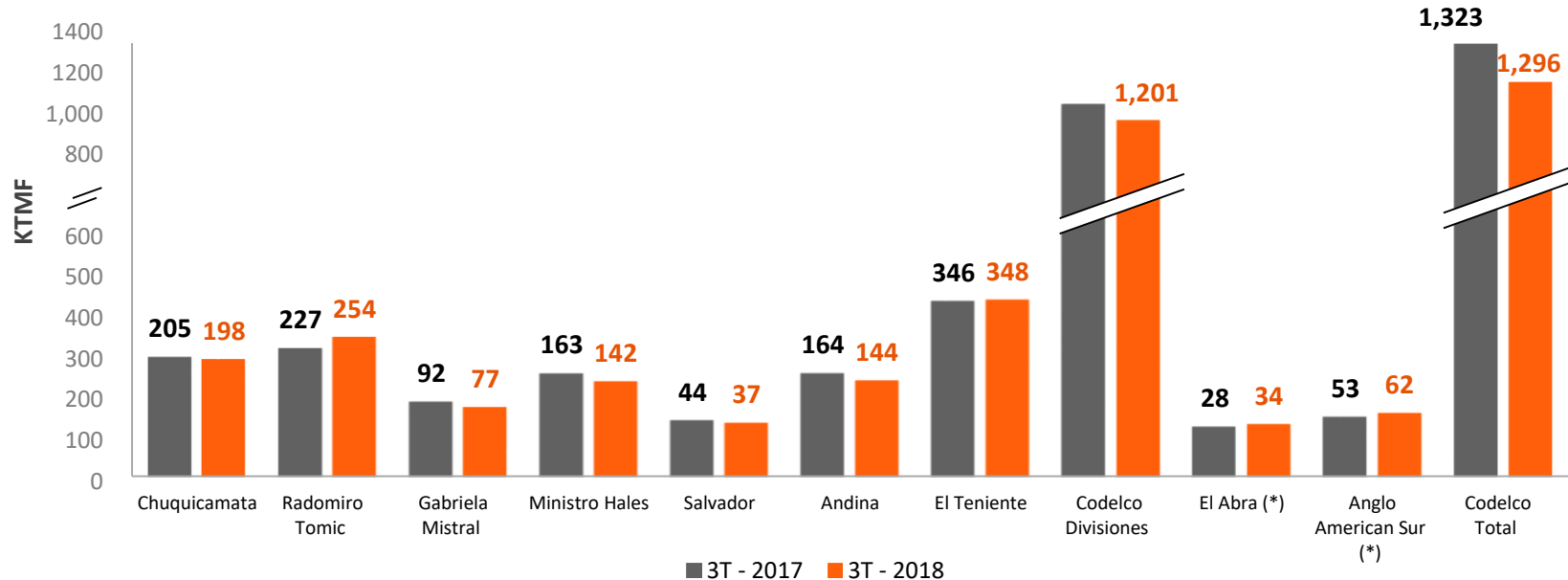
Elena Barraza, Radomiro Tomic Division

# RESULTS

DESPITE DECREASED ORE GRADE:

# CODELCO ACHIEVED A PRODUCTION OF 1,201 KTMF

The 5% drop in the ore grade with respect to the same period over the previous year (-56 KTMF), was partially offset by increased copper recovery.



(\*) Production figure reflects Codelco's ownership share: El Abra 49%, Anglo American Sur 20%

# CODELCO COSTS ARE 5% LOWER THAN THOSE OF CHILE'S INDUSTRIAL AVERAGE

	Q3 - 2017 (c/lb)	Q3 - 2018 (c/lb)	Var. (%)
DIRECT COST (C1)	131.8	<b>138.9</b>	5%
NET COST TO CATHODE (C3)	211.4	<b>225.8</b>	7%

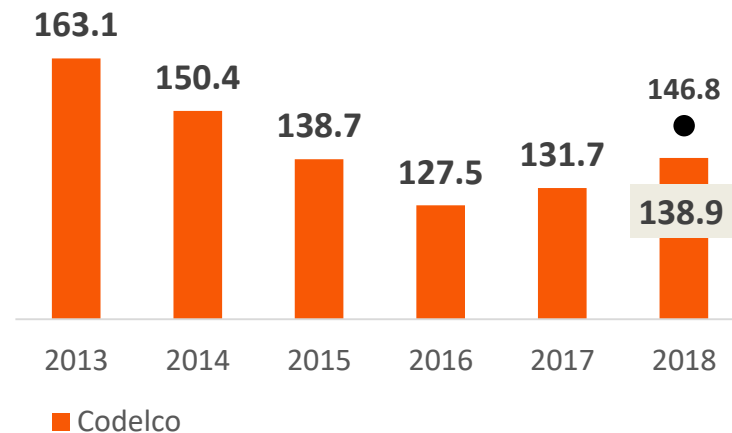
Direct cost increase (C1) due to:

- lower exchange rate (\$ 654 during Q3 2017, \$ 629 Q3 2018)
- higher price of inputs

Increase of the net cost to cathode C3 in response to:

- collective bargaining
- higher price of inputs

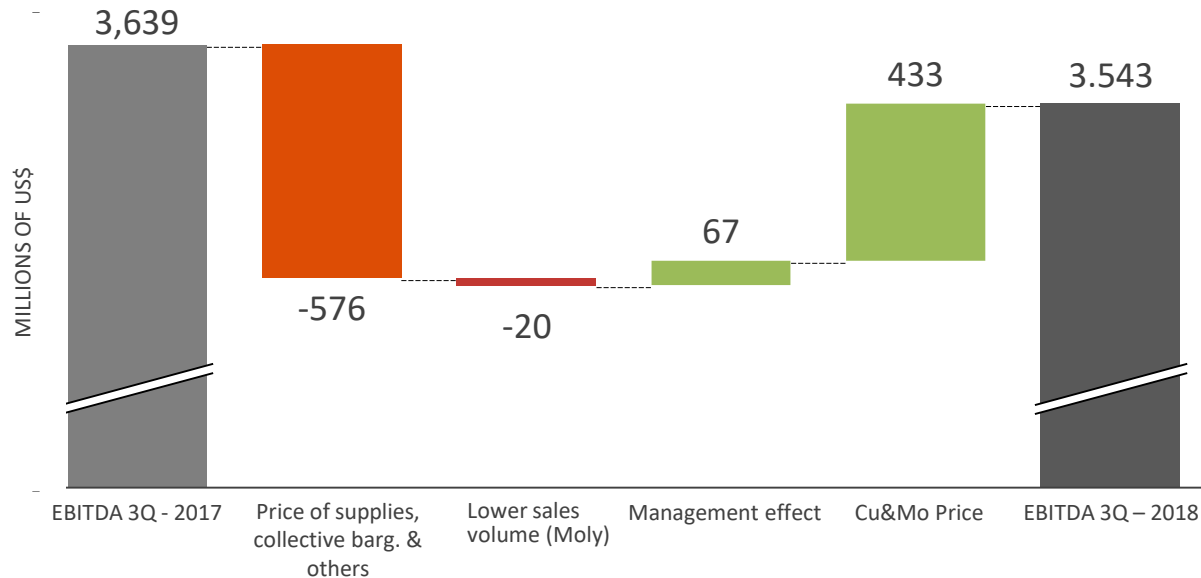
Codelco / national industry C1 direct costs (without Codelco)



Sources: Wood Mackenzie and Codelco.

# EBITDA\* REACHED US \$ 3,544 MILLION

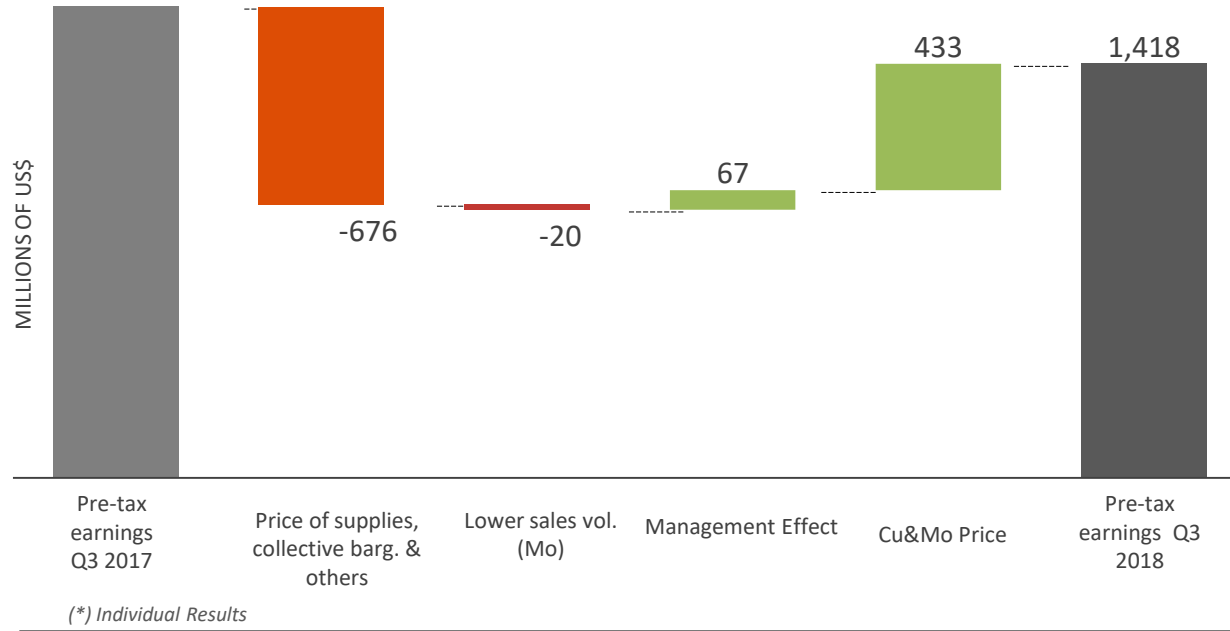
- The EBITDA margin was 33%.
- The variation with respect to the previous year is primarily a consequence of a rise in the price of inputs and as a result of one-time expenses such as collective bargaining agreements for approximately nine thousand workers over the next 36 months.
- This was offset by enhanced management and by the higher price of copper and molybdenum.



(\*) Consolidated, before Copper Reserve Law contribution.

# CODELCO GENERATED US\$ 1,418 MILLION FOR CHILE

Earnings were primarily influenced by the higher price of inputs and collective bargaining during the period, which was compensated by enhanced management and the higher price of copper and molybdenum.





# STRUCTURAL PROJECTS THAT ENSURE THE FUTURE OF CODELCO



## PROJECTS IN EXECUTION

### CHUQUICAMATA UNDERGROUND

Total advance of 68.9%.

We have built 123 kilometers of tunnel of a total of 142 kilometers. The assembly contract for the crusher control rooms and mine interior belts system.

### ANDINA TRANSFER

Total advance of 60.5%.

Secondary crusher excavation began. Civil works continue for the primary crusher and tunnel assembly of the Haulage III belt and electrical rooms

### MINE NEW LEVEL

Total progress at 47.7%.

The execution of the Andes Norte NNM Project and early works at the Andesita and Diamante Projects (Projects of the El Teniente Division Development Plan) were authorized.

## OTHER INITIATIVES

### NORTH DISTRICT DESALINATION PLANT

The bidding process continues, according to schedule.

### LITHIUM

The exploration process of Codelco mining properties in Salar de Maricunga begins and an Environmental Impact Statement has been prepared.

## PROJECTS IN STUDY

### RAJO INCA MINE

Feasibility study being developed, with 88.8% progress. In process of revision for authorization of the early works. Entry to SEIA (October).

### ANDINA FUTURE DEVELOPMENT

In process of revision to authorize the feasibility (authorized in October).

### RADOMIRO TOMIC SULPHIDE PHASE II

In process of revision to optimize the business case.

# INVESTMENTS TO COMPLY WITH SUPREME DECREE N° 28

Overview to September 2018



**VENTANAS 100%**  
**US \$ 113 million (2016)**



**CHUQUICAMATA 72%**  
**US \$ 1,013 million**



**EL TENIENTE 79%**  
**US \$ 601 million**



**SALVADOR 72%**  
**US \$ 425 million**

- **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:** 78% progress.
- **Flash Furnace improvement:** Detail engineering completed and construction contract award has commenced.

- **Gas cleaning plant emissions reduction:** Advances according to schedule with 92% progress.
- **Anode furnace smoke opacity reduction:** Progress according to schedule with 81% progress.

- Comprehensive improvement of gas capture and processing: 76% progress.
- **Black smoke treatment:** Detailed engineering was completed and construction contract commenced.

# INVESTMENTS TO COMPLY WITH DS N° 28

**CODELCO  
HAS DEVELOPED  
PROJECTS  
FOR APPROXIMATELY  
US \$ 2,150 MILLION**

- The Ventanas smelter has been compliant with regulations since December 2016.
- The Caletones smelter will comply with regulations as of next December 13.
- Chuquicamata and Potrerillos smelters will be delayed for a few weeks, during which the maintenance scheduled for 2019/2020 will be advanced.

**WHY?**

The complexity of the projects and the continuous operation of the smelters has involved managing interferences between the operation and the implementation of large-scale initiatives.



Dino Ortega, Vice Presidency of Projects

# MANAGEMENT SUMMARY

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# SUMMARY

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**US\$ 1,418 million** pre-tax earnings

**EBITDA US \$ 3,544 million** | 33% margin

**1,201 kt** of fine copper produced - 1,296 kt, considering participation by AAS and El Abra

**C1 138.9 c/lb | C3 225.8 c/lb**

Codelco's costs are lower than the average in Chile's copper industry

**Chuquicamata Underground prepares for first caving dig** by mid-2019.

**Collective bargaining with 15 unions**, 9 thousand workers, for 36 months and according to current business reality.



Verónica Catalán, Chuquicamata Division



WE ARE CHILE'S MOST VALUED  
PUBLIC MINING COMPANY



Claudio Mancilla, Ministro Hales Division

# APPENDIX

# STATEMENT OF RESULTS **JANUARY - SEPTEMBER** 2017- 2018 (US\$ million)

	Q3 - 2018	Q3 - 2017	Var.
SALES REVENUE - OWN COPPER	8,410	7,610	800
COSTS OF SALES - OWN COPPER	-6,426	-5,356	-1,070
GROSS PROFIT ON COPPER SALES	1,984	2,254	-270
<b>GROSS PROFIT ON SALES OF BY-PRODUCTS AND OTHERS</b>	431	298	133
<b>GROSS PROFIT</b>	2,414	2,552	-137
<b>NON-OPERATING RESULTS</b>	-952	-901	-52
<b>PRE-TAX PROFIT</b>	<b>1,462</b>	<b>1,651</b>	<b>-189</b>
TAX EXPENDITURE - ASSOCIATED COMPANIES	-15	6	-21
MINORITY INTEREST	-29	-42	13
<b>CODELCO PRE-TAX PROFIT</b>	<b>1,418</b>	<b>1,614</b>	<b>-196</b>



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<b>PRE-CONSOLIDATED TAX EARNINGS</b>	<b>610</b>	<b>905</b>	<b>-294</b>
TAX ON EARNINGS	-392	-589	197
<b>NET PROFIT, CONSOLIDATED</b>	<b>218</b>	<b>315</b>	<b>-97</b>
MINORITY INTEREST	-29	-42	13
<b>NET PROFIT, CODELCO</b>	<b>190</b>	<b>273</b>	<b>-84</b>

# DISTRIBUTION OF EARNINGS **JANUARY - SEPTEMBER** 2017- 2018 (US\$ millions)

	Q3 - 2018	Q3 - 2017	Var.
RESERVED TAX LAW No. 13.196	851	746	105
INCOME TAX	304	541	-237
ROYALTY	73	54	19
PROFIT	190	273	-84
<b>TOTAL PRE-TAX EARNINGS</b>	<b>1,418</b>	<b>1,614</b>	<b>-196</b>
COMPARABLE PROFIT (*)	975	1,103	123

Accrued amounts

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