

# 2017 RESULTS

Nelson Pizarro Contador  
CEO

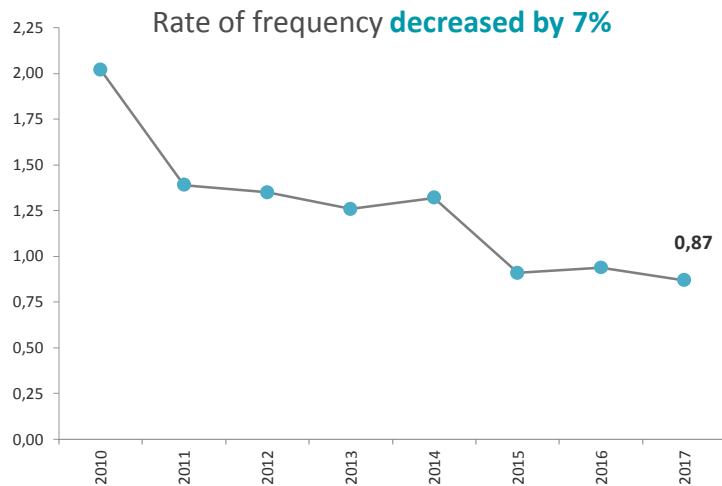
March 29 2018



A man in profile, facing left, is wearing a blue hard hat with a headlamp and a white Tyvek protective suit. He is also wearing sunglasses and has a pink respirator mask hanging from his neck. The background shows an industrial facility with various structures and a large body of water in the foreground. The sky is clear and blue. A teal banner is overlaid across the bottom half of the image.

# SUSTAINABILITY

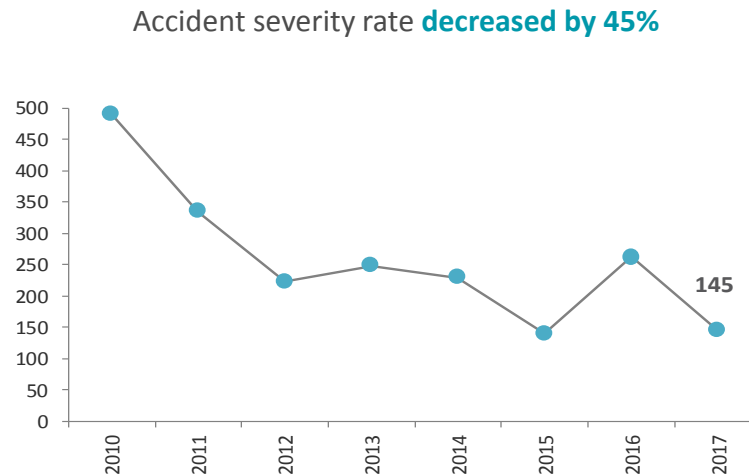
# WITHOUT SAFETY PRODUCTION HAS NO VALUE



## CODELCO AND THIRD PARTY STAFF ACCIDENT FREQUENCY RATE

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

Codelco recorded the lowest accident frequency rate in its history (0.87) and reduced its accident severity rate by 45%, with respect to 2016.



## CODELCO AND THIRD PARTY STAFF ACCIDENT SEVERITY RATE

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

**This was not sufficient:** we regret the death of 2 workers.

# COLLECTIVE BARGAINING NEGOTIATIONS

## LABOR PRODUCTIVITY INCENTIVES

- 9 unions, 9 negotiations, close to two thousand four hundred workers.
- Negotiation settlement ("BTN") between 45 and 50% of that delivered during high Cu price cycle.
- Readjustments, settlements and terms agreed were in accordance with business conditions.
- No strikes.

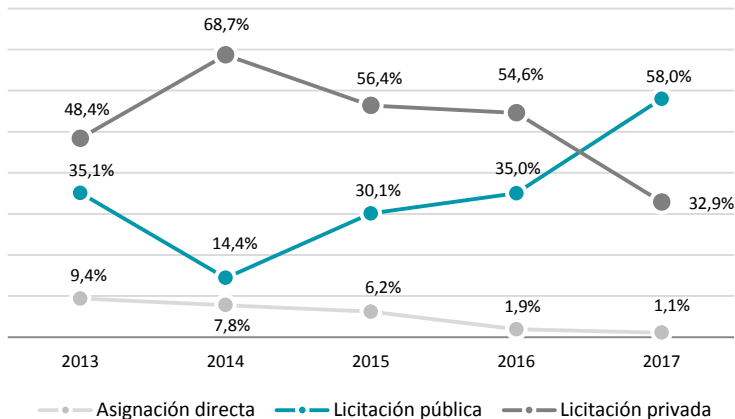
2017 COLLECTIVE NEGOTIATIONS				
DIVISION	UNIONS	DATE	READJUSTMENT	CONTRACT TERM (months)
Salvador	1, Role A	May-17	CPI	24
Radomiro Tomic	1, Rol A	Sept-17	CPI	35
Head Office	1, Rol A	oct-17	CPI	32
El Teniente	1, Rol A	oct-17	CPI	36
El Teniente	1, Rol B	nov-17	CPI	36
El Teniente	1, Rol B	nov-17	CPI	36
Ventanas	2, Rol B	dec-17	1,00%	36
Head Office	1, Rol B	dec-17	1.00%	36

Transparency, probity and good corporate governance:

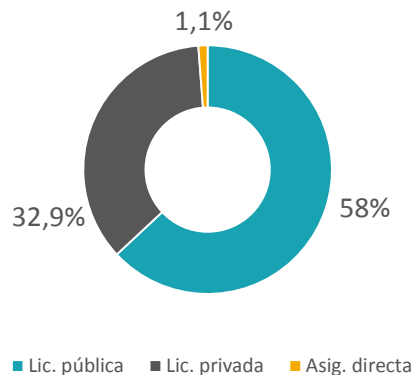
# SUCCESSFUL TRANSPARENCY MEASURES IN PURCHASING PROCESS

**2013 to 2017:** Public tenders increased by **65%**  
 Private tenders decreased by **32%**  
 Direct assignments decreased **88%**

Evolution of public versus private tenders



## 2017



Note: Figures do not include business activities with subsidiaries and affiliates

## ACKNOWLEDGMENTS

Top 10 ranking, MERCO Companies Ranking for corporate reputation.

1st among public companies Corporate Transparency Index, Business Intelligence.

1st among mining companies, Ethical Boardroom Awards

1st among state companies at the global level, transparency and accountability index and accountability, Natural Resource Governing Institute

100% compliance with Transparency Law, Council for Transparency

1st in Best Practices Award, Council for Transparency

# RESPONSIBLE COPPER INITIATIVE (RCI)

The **Responsible Copper Initiative (RCI)** is a pioneering project that accelerates Codelco's response to a **new market configuration** .

## CATHODES DISTINGUISHED WITH "CODELCO SEAL"

- Emissions Footprint
- Carbon and water footprint
- Respect for Human Rights
- Occupational health & safety
- Community and territorial impact
- Transparency, ethics & *compliance*
- Equal opportunity and inclusion

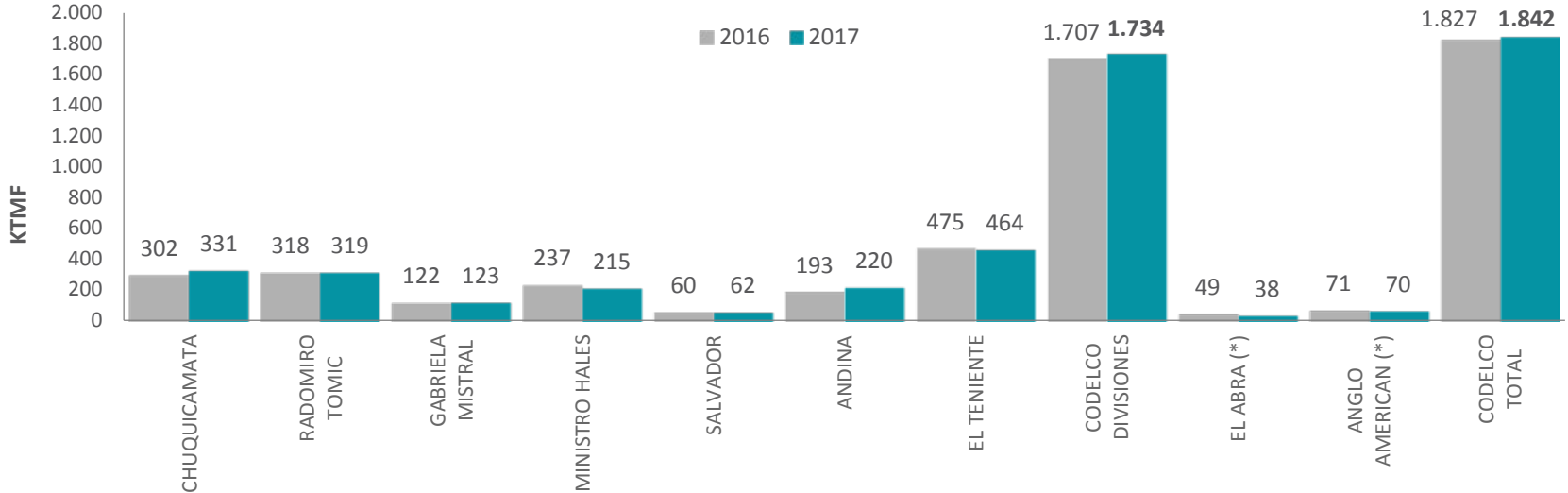


MITSUI & CO.

# RESULTS

# CODELCO ACHIEVED THE **SECOND BEST PRODUCTION IN ITS HISTORY** IN SPITE OF THE **LOWEST COPPER GRADE** RECORDED TO DATE

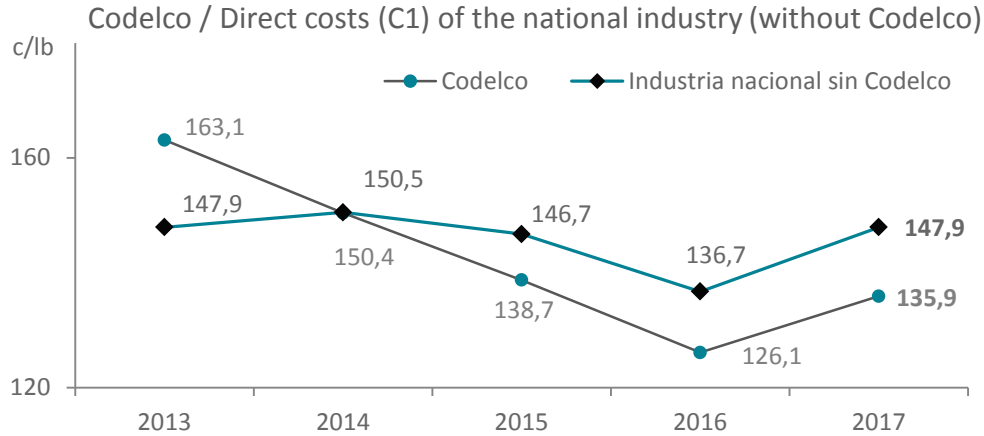
Despite a 0.9% decrease in the ore grade (2016/2017), Codelco achieved a production of **1,734 metric kilotons of fine copper, 1.5% higher than 2016**



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



# CODELCO MAINTAINED COMPETITIVE COSTS DURING 2017



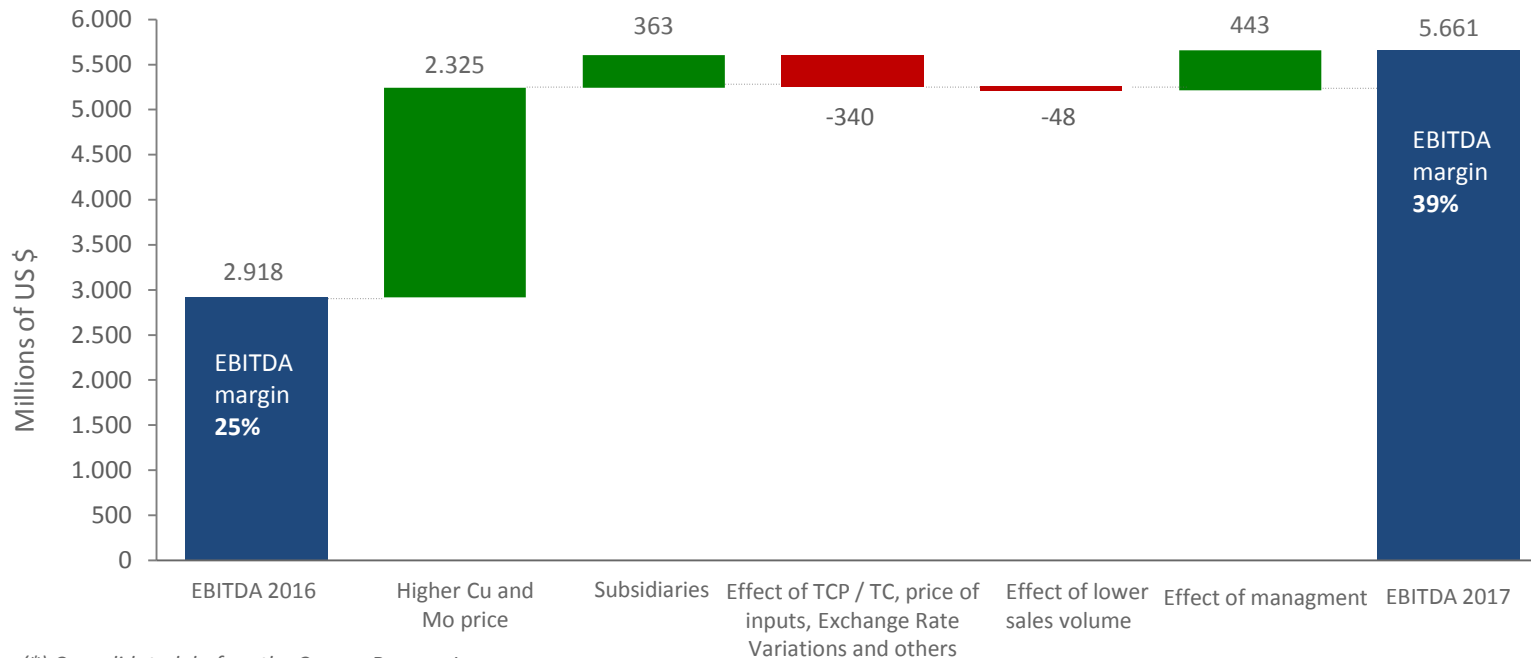
	2016 (c/lb)	2017 (c/lb)	Var (%)
Direct cost (C1)	126,1	135,9	+ 7.8%
Net cathode cost (C3)	204,1	218,0	+ 6.8%

In 2013, Codelco reported C1 10% higher than the industry that reported for 2017 with **costs 8% lower.**

The decline in the exchange rate and the higher price of supplies explain **the increase in direct cost (C1) and the net cathode cost (C3).**

# IN 2017, THE EBITDA MARGIN<sup>(\*)</sup> WAS 39%

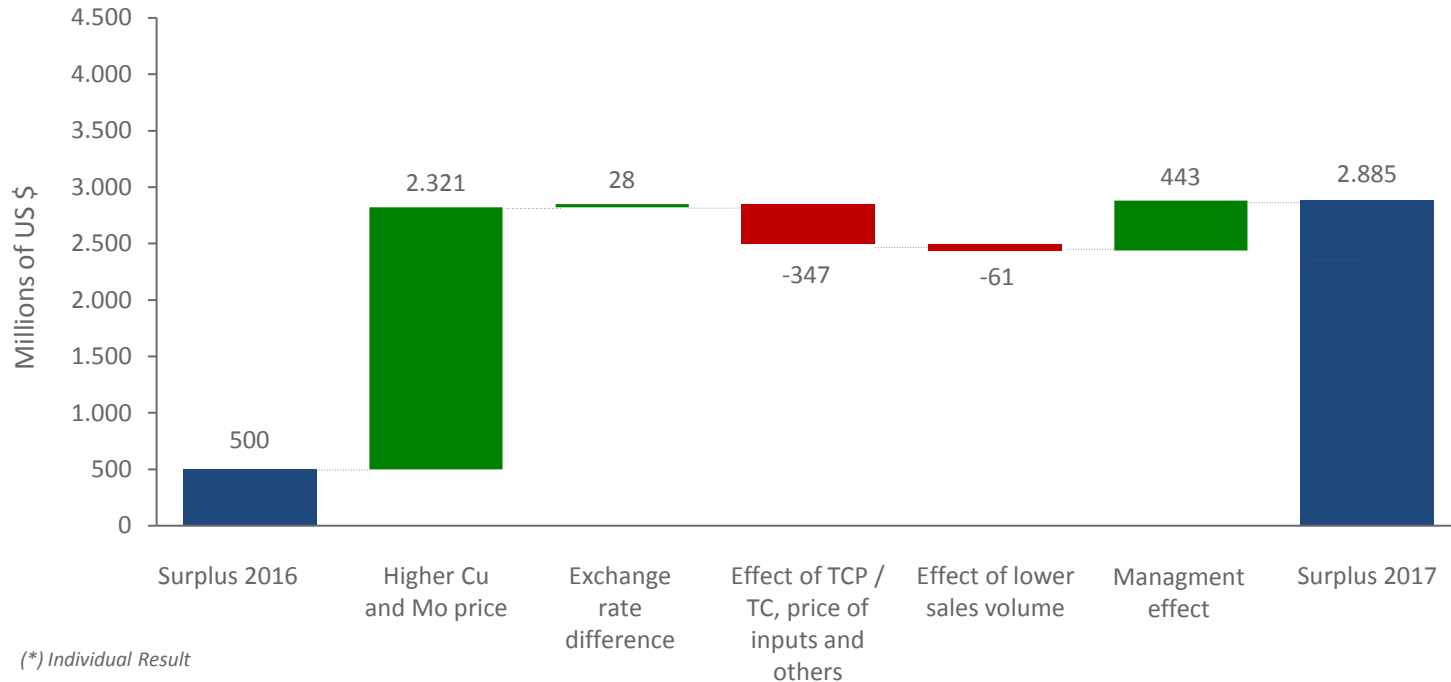
EBITDA in 2017 reached US \$ 5,661 million, mainly due to the higher price of copper, improved management and subsidiary results. of subsidiaries.



(\*) Consolidated, before the Copper Reserve Law.  
London Metal Exchange (LME) reference prices

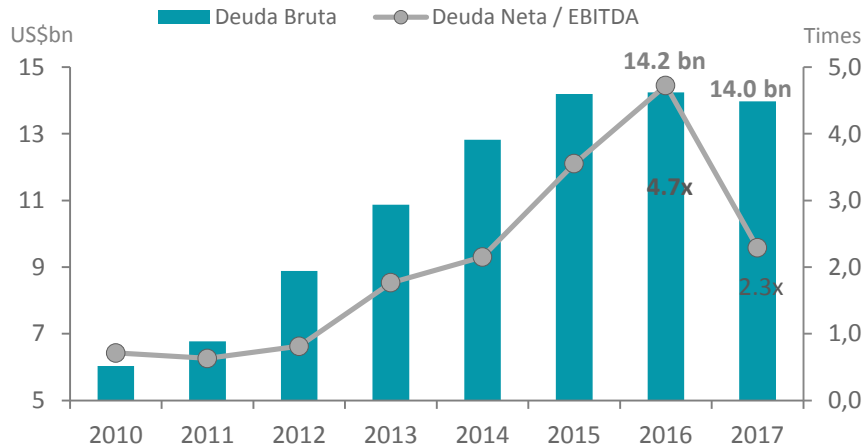
# CODELCO GENERATED US \$ 2.885 MILLION IN EARNINGS FOR CHILE

Codelco's surplus was almost six times of that obtained in 2016

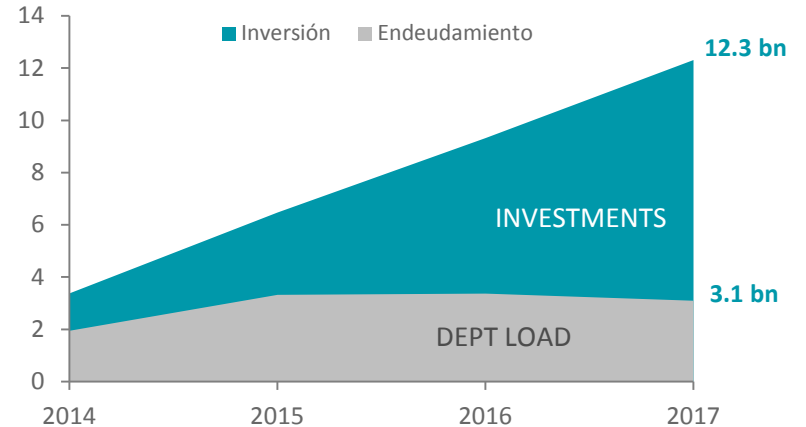


# THE GROSS FINANCIAL DEBT IN DECEMBER 2017 DECREASED FOR THE FIRST TIME IN NINE YEARS

Gross debt and debt ratio\*



Investments \*\* and dept load (accumulated since 2014)



- The **debt level has remained stable** over recent years despite the significant flow of investment.
- The **financial ratios improved considerably** with respect to December 2016.

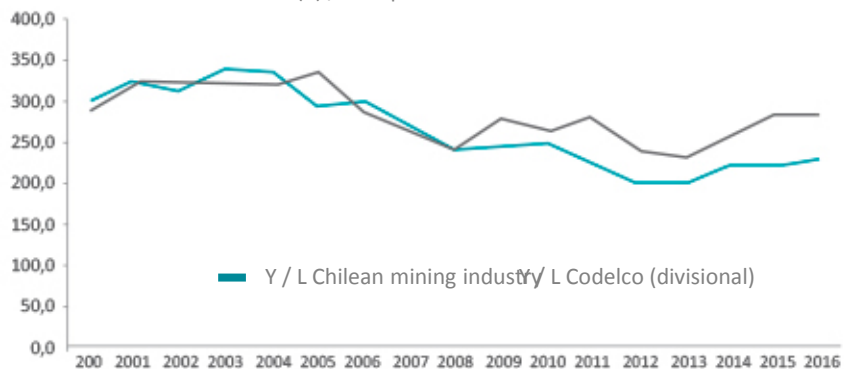
\*: Codelco's individual debt . | \*\*: Purchase of property, plants and equipment.

# SUSTAINED INCREASE IN PRODUCTIVITY

Clapes UC, "Analysis of the productivity of Codelco and its divisions 2000-2016":

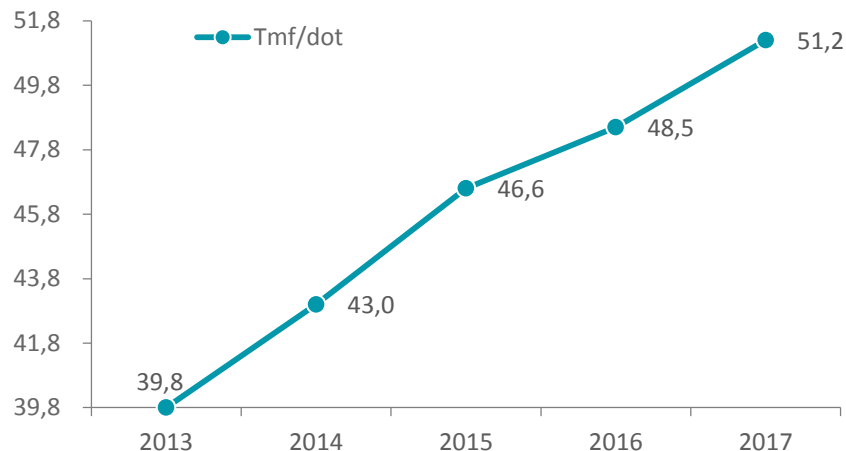
## CODELCO'S PRODUCTIVITY EXCEEDS THE CHILEAN INDUSTRY AVERAGE

Average labor productivity for Codelco (divisional) and for the mining industry in Chile Added value of total (\$) / own personnel total



From 2013 to date, Codelco has increased its productivity by 29%.

## PRODUCTIVIDAD CODELCO



# STRUCTURAL PROJECT PROGRESS



## PROJECTS IN EXECUTION (under construction)

### CHUQUICAMATA UNDERGROUND

Total progress 51.3%.

The main access tunnel was enabled. We have built 96 kilometers of tunnels for a total of 140 kilometers.

### ANDEAN TRANSFER

Total progress 48.6%.

Primary Crushing excavation is completed and contract awarded for civil works and electromechanical erection.

### MINE NEW LEVEL

Total progress 44.6%.

We have built 39.3 kilometers of 80.2 kilometers total of tunnels.

## PROJECTS IN STUDY

### RAJO INCA MINE

Feasibility study was authorized

### FUTURE ANDINA DEVELOPMENT

Reviews are being conducted to define the authorization of the feasibility study.

### NORTH DISTRICT DESALINATION PLANT

Tender process currently in the Q&A stage

# DS28 PROJECTS DECEMBER 2017

**VENTANAS 100%**



**US \$ 105 million DEC 16**

- Projects completed and in operation.
- Annual DS28 compliance - Year 2017
  - S capture = 95.7 (≥ 95%)
  - As capture = 95.2% (≥ 95%)



**CHUQUICAMATA 47%**

**US\$ 919 million. DEC 18**

- Acid Plants 3 and 4: Finishing detailed engineering, contact plants under construction and overhauling of gas scrubber plants.
- Improved flash smelter: Details engineering and procurement underway

**EL TENIENTE 43%**



**US \$ 558 million DEC 18**

- The gas scrubbing plant and slag treatment plant projects are progressing according to schedule.
- Detailed engineering for smoke opacity reduction from anode furnaces finalized. Gas treatment plants received.



**SALVADOR 76%**

**US \$ 395 million DEC 18**

- Comprehensive improvements to gas collection and processing: The PEM of the Phase 1 of the project was completed and Phase 2 construction begins.

A full-page photograph of a male worker in an industrial setting. He is wearing a white hard hat, safety glasses, and a bright orange high-visibility safety vest over a grey long-sleeved shirt and blue jeans. He is standing on a yellow metal walkway or staircase, with his hands resting on the railings. He is looking upwards and to the right. The background shows a blue sky with some clouds and industrial structures. A teal banner is overlaid at the bottom of the image.

# 2018 CHALLENGES



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- ◆ Guarantee occupational safety standards: zero fatalities.
- ◆ Ensure the execution of the structural projects and the implementation of projects for compliance with DS28.
- ◆ Progress in the development of the evaluation phases for the Llurimagua project in Ecuador.
- ◆ Continue the implementation of plans to increase labor productivity and assets.
- ◆ Maintain a relationship of productivity and incentives in collective bargaining processes.
- ◆ Implement the innovation management system to be at the leading edge of national and global industry.
- ◆ Maintain good results that ensure capitalization on behalf of the owner.



# MANAGEMENT SUMMARY

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## US \$ 395 million

Codelco greatly exceeded its earnings commitment to the Chilean State.

EBITDA US\$ 5,657 million | **Margin of 38%**  
94% higher than 2016

## 1,734 ktmf

Historic production with lower ore grade.

## C1 135.9 c/lb | C3 218.0 c/lb

Despite the rise, Codelco maintained competitive costs.

**Codelco will maintain its efforts towards greater efficiency and productivity, the only formula for ensuring the completion of our project portfolio.**



A photograph of three miners in a dark underground tunnel. They are wearing hard hats with headlamps and high-visibility orange safety vests. One miner in the foreground is holding a handheld light, illuminating the scene. The background is dark, with only the lights from the miners providing illumination.

# APPENDIX





# STATUS OF RESULTS

January - December: 2016 - 2017 (millions of US \$)

	2017	2016	VAR
SALES REVENUE - OWN COPPER	11.637	8.781	2.855
COSTS OF SALES - OWN COPPER	-7.793	-7.140	-653
<b>GROSS PROFIT ON COPPER SALES</b>	<b>3.844</b>	<b>1.641</b>	<b>2.202</b>
<b>GROSS PROFIT ON SALES OF BY-PRODUCTS AND OTHERS</b>	<b>417</b>	<b>446</b>	<b>-28</b>
<b>GROSS PROFIT</b>	<b>4.261</b>	<b>2.087</b>	<b>2.174</b>
NON-OPERATIONAL RESULTS	-1.346	-1.652	306
<b>PRE-TAX PROFIT</b>	<b>2.915</b>	<b>435</b>	<b>2.480</b>
TAX EXPENDITURE - ASSOCIATED COMPANIES	25	7	17
MINORITY INTEREST	-54	58	-113
<b>PRE-TAX PROFIT - CODELCO</b>	<b>2.885</b>	<b>500</b>	<b>2.385</b>

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<b>(LOSS) PRE-TAX CONSOLIDATED INCOME</b>	<b>1.817</b>	<b>-431</b>	<b>2.247</b>
INCOME TAX	-1.193	97	-1.290
<b>(LOSS) NET CONSOLIDATED INCOME</b>	<b>624</b>	<b>-334</b>	<b>957</b>
MINORITY INTEREST	-54	58	-113
<b>(LOSS) NET CONSOLIDATED INCOME</b>	<b>569</b>	<b>-275</b>	<b>845</b>



# DISTRIBUTION OF SURPLUS

2016 vs 2017 (millions of US\$)

	2017	2016	VAR
RESERVED TAX LAW N° 13.196	1.099	866	233
INCOME TAX	1.107	-181	1.288
TAX SPECIFIC TO MINING	111	91	20
NET INCOME	569	-275	845
<b>TOTAL PRE-TAX PROFIT</b>	<b>2.885</b>	<b>500</b>	<b>2.385</b>
<b>COMPARABLE PROFIT (*)</b>	<b>1.936</b>	<b>320</b>	<b>1.616</b>

*Accrued amounts*

*\* Net profit with private sector type taxation.*



THANK YOU FOR YOUR TIME