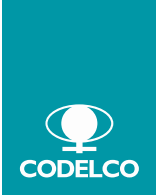
A photograph of an underground tunnel. The tunnel walls are dark and textured, with a large, bright, circular opening in the center. Several workers in orange safety vests and hard hats are standing in the foreground, looking towards the opening. A camera on a tripod is visible on the left side of the frame.

## 2017 Half-Year RESULTS

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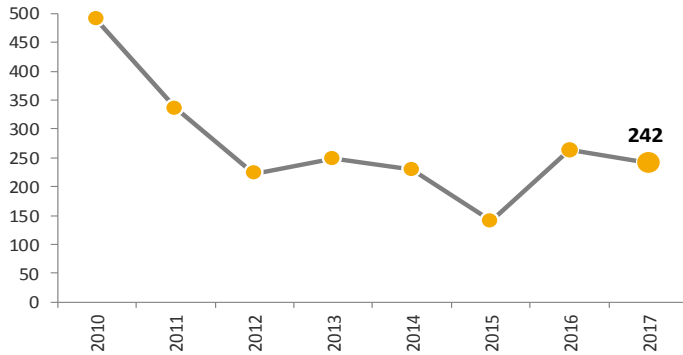
Nelson Pizarro, CEO  
5 September 2017



# Codelco redoubles safety efforts

## Severity Rate – Own Staff & Contractors

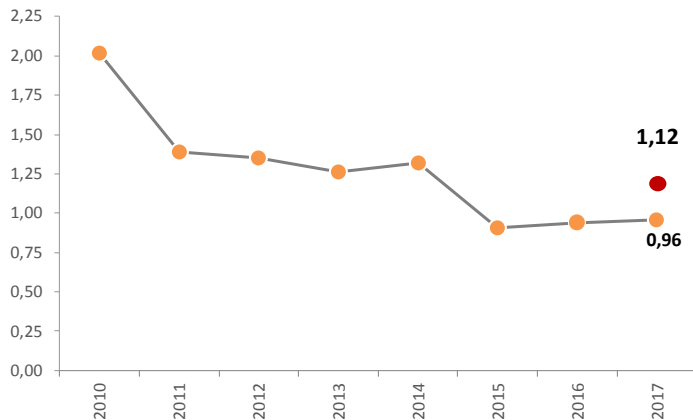
(Days lost & days charged / Million hours worked)



**Severity rate declined 8% over 2016**

## Frequency Rate- Own Staff & Contractors

(Lost time injury / Million hours worked)



**Frequency rate rose by 2.1%, over 2016, 14% less than the average of the large-scale mining.\***

In respect of 2016, during the first quarter of 2017 **the Company's safety indicators did not undergo any significant changes.**

However, Codelco had to regret the death of two co-workers during this period.

\*Employment & Safety report, medium & large-scale mining. Sonami, May 2017.

● LARGE-SCALE MINING COMPANIES

# Licence to operate a Sustainable Business



## 1990 - 2009

### Context:

- Institutional Strengthening
- Socio-environmental Standards.
- Empowered Community.

### Goal of companies :

- Have a licence to operate, to maintain and enable business continuity.

## 2010 – To date

### Context:

- Standard compliance is indispensable, but it does not enable the business.

**Codelco's goal** is to create value for the business based on sustainable attributes.

**Codelco's key challenge:** Sustainable Business



# Codelco obtains **first position in transparency indicators and good corporate governance**

Ranking/indicator	2014	2016 -2017
Corporate Transparency Index <b>(Business Intelligence)</b>	3 <sup>rd</sup> place	1 <sup>st</sup> place
Public Information Access Law <b>(Transparency Council)</b>	83%	100%
Natural Resources Governance Index <b>(Natural Resource Governance Institute)</b>	10 <sup>th</sup> place (2013)	1 <sup>st</sup> place (2017)



# New general managers at four divisions



**André Sougarret**  
**El Teniente**  
**General Manager**

30 years' experience  
**Key challenge:**  
Successfully develop the New Mine Level and meet goals.



**Mauricio Barraza**  
**Chuquicamata**  
**General Manager**

25 years' experience  
**Key Challenge:**  
Transform Chuquicamata and make the underground mine project profitable.



**Jaime Rivera**  
**Ministro Hales**  
**General Manager**

10 years' experience  
**Key Challenge:**  
Ensure operational continuity and excellence.



**Lindor Quiroga**  
**Radomiro Tomic**  
**General Manager**

29 years' experience  
**Key Challenge:**  
Ensure the divisions long-term sustainable development.

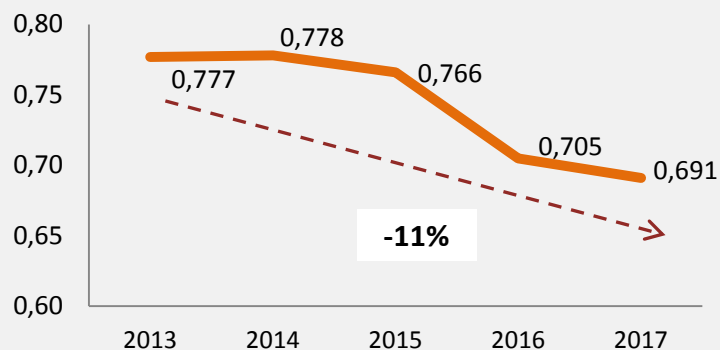


# RESULTS

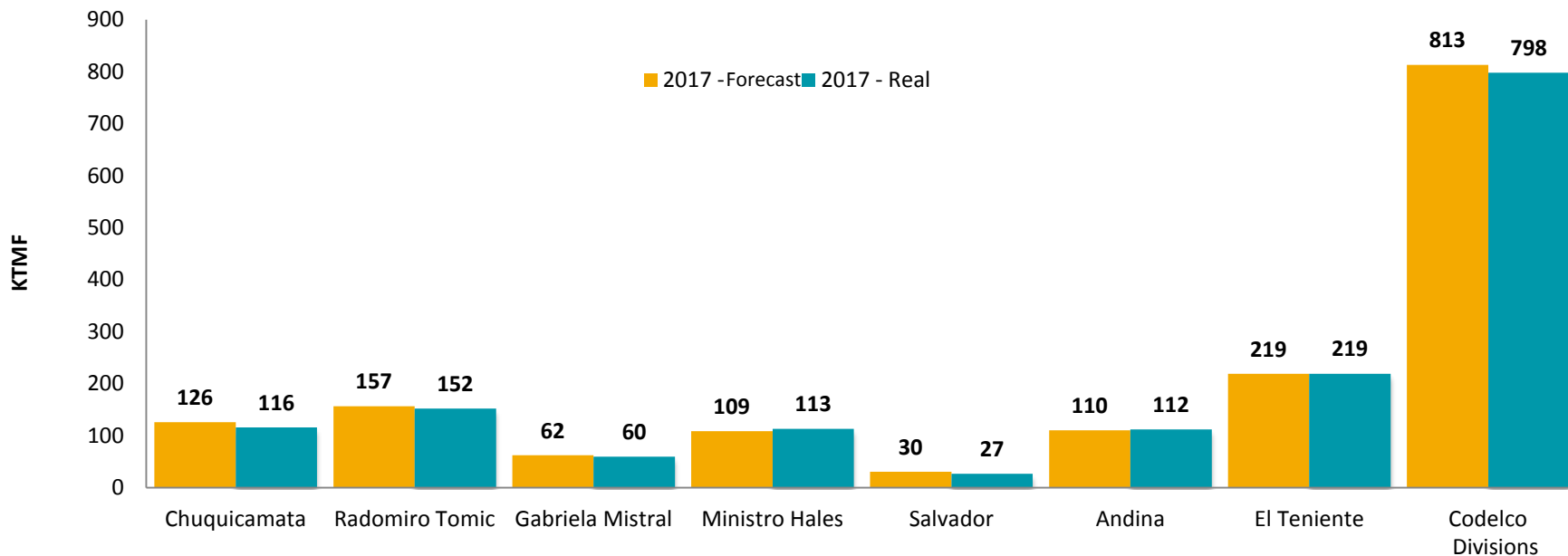


# Codelco is in line with its production goals for the first half of the year

## Declining Ore Grades

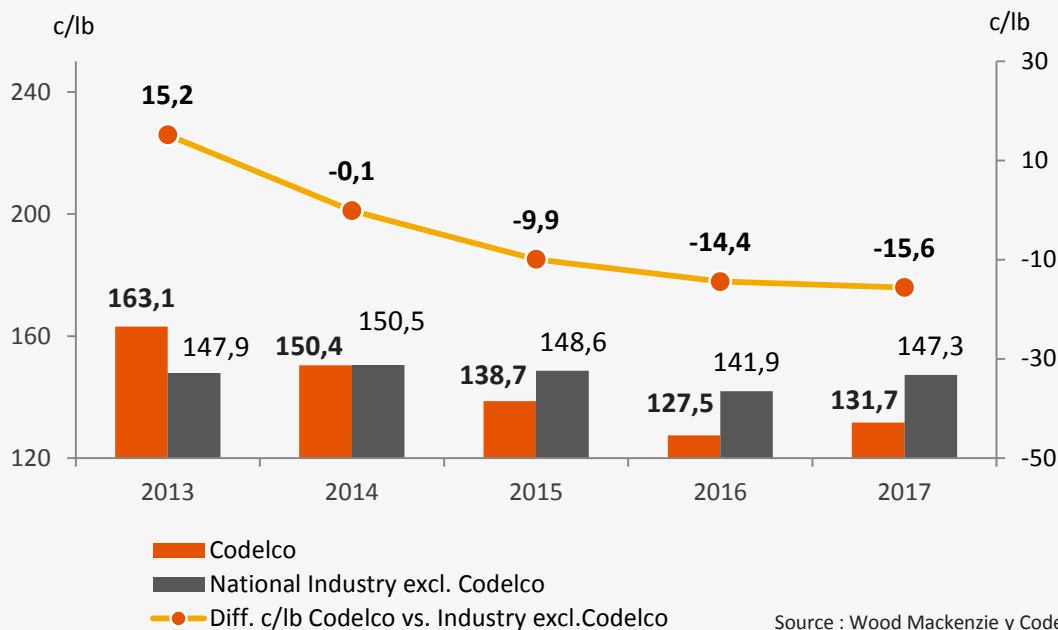


Despite declining ore grades, Codelco's **own-sourced production was 798,000 tonnes (+2% within the estimated ranges for the second half of the year)**. Its annual production target still stands at **1.7 million tonnes**.



# Codelco maintains competitive costs during first six months of 2017

Codelco / Direct Costs (C1) | National Industry (excluding Codelco)



In 2013 Codelco's costs (C1) were 10% higher than the industry average and now in 2017, its **costs are 11% lower**

Direct costs increased (C1) **3%**

This increase is due to lower output, exchange rate depreciation and higher input prices.

Net Cathode cost fell (C3) **3%**

Thanks to exchange difference and depreciation.

	1 HY -2016 (c/lb)	1HY - 2017 (c/lb)	Var (%)
Direct Cost (C1)	127.5	<b>131.7</b>	<b>+ 3%</b>
Cathode Net Cost (C3)	210.9	<b>204.4</b>	<b>- 3%</b>

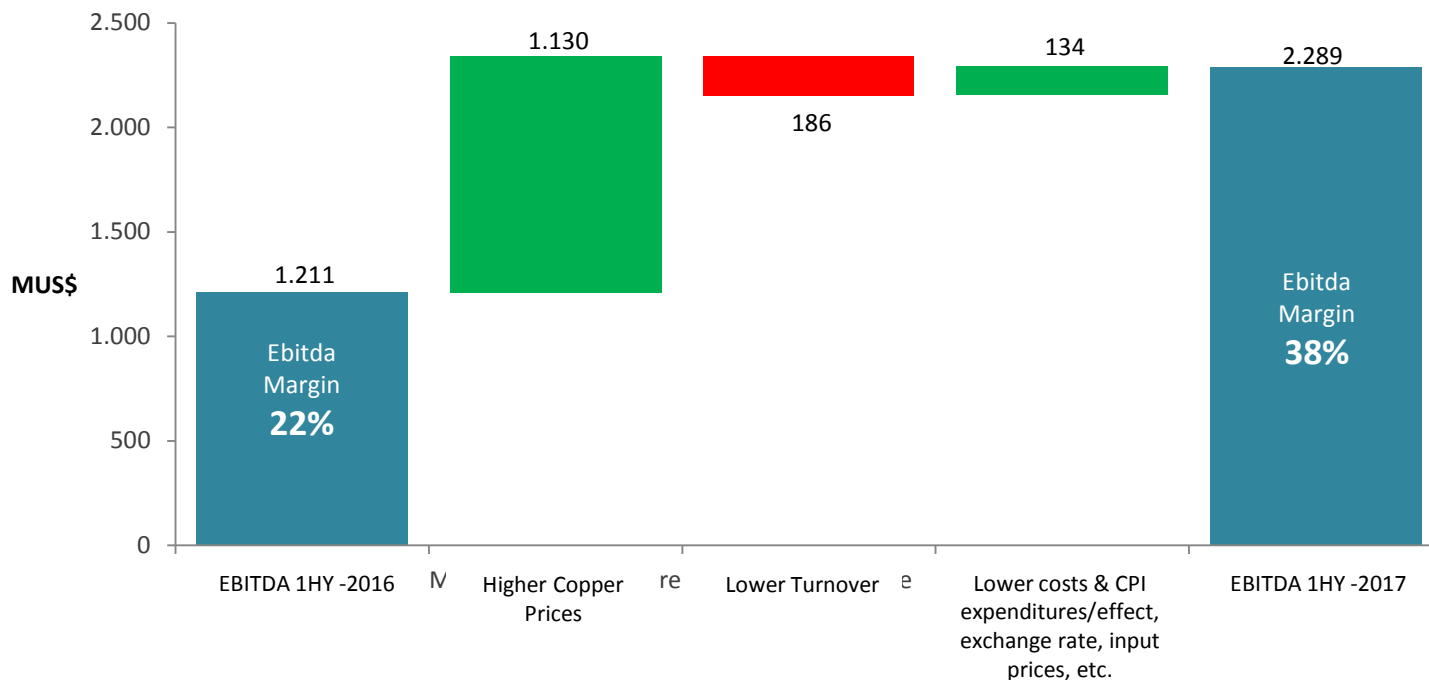


# In the first six months **Ebitda<sup>(\*)</sup> was 89% higher** than HY 2016

Ebitda for the first six months was **USD 2.289 billion.**

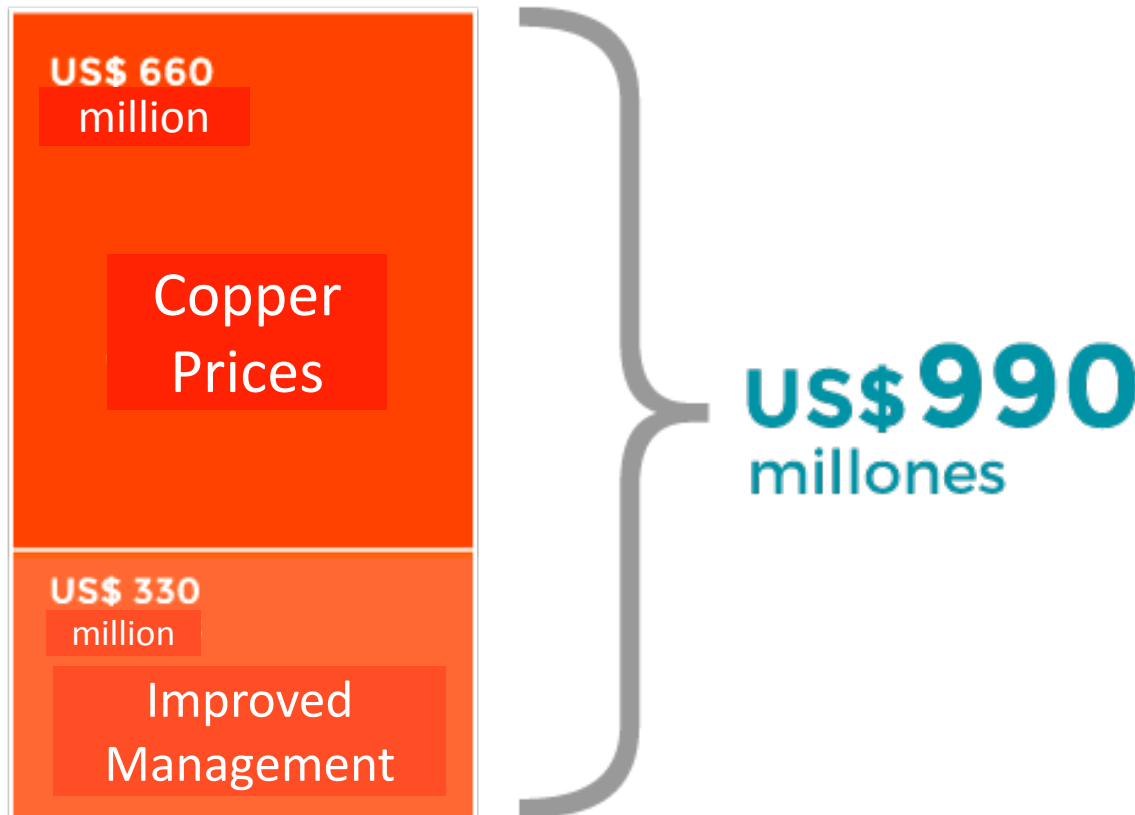
Thanks to reduced costs, the Ebitda margin was 38%. This was achieved with **copper prices at 2.61 c/lb., equal to Ebitda obtained when copper prices were over USD 3/lb.**

USD Millions



(\*) Consolidated, before Copper Reserve Law.

# Pre-tax Profit for the country was USD 990 million, nearly doubling 2016



In the first six months, Codelco widely exceeded (15 times) its pre-tax profit target of USD 66 million, as a result of **improved management**, **reduced costs** and **higher** copper prices. It also nearly doubled its 2016 results (US\$ 500 million). A third of its pre-tax profit today is due to its focus on cutting costs since 2014.

# How to sustain a competitive advantage

## Codelco's Competitive Advantage

### External factors

- Copper prices
- Exchange rate
- Input prices
- Lower ore grades

### Internal factors

- Employee productivity
- Asset productivity
- Operational culture & discipline

## AGENDA 2020

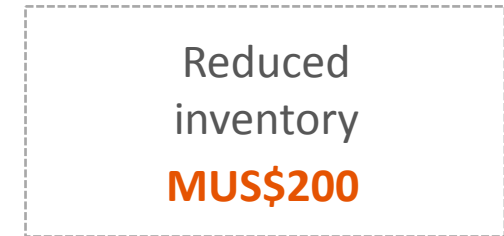


# Transforming Procurement 2020

✓ The Company is boosting Procurement.

✓ It includes 8 key components:

- Category Management
- Transactional purchasing
- Storage & Logistics Management
- Inventory Management
- Compliance & risk
- Supplier relations
- Organisation, capability & potential
- Business intelligence & LCC





# Significant progress in investment portfolio

## Projects underway

### Chuquicamata Underground Mine

Progress: 51.4%.  
Start operations : 2019



**Andina Transfer**  
Progress: 41.7%  
Start operations : 2020



**New Mine Level**  
Progress : 43.9%.  
Start operations: 2023



# Other Capex projects & initiatives

## Rajo Inca Mine

Currently reviewing the feasibility study approval.

## Andina Future Expansion

Prefeasibility underway.

## North District Desalination Plant

Progress: Tender procedure

## Lithium Mining

At the end of September a shortlist from the partner proposals will be defined. Applicants will be invited to present binding proposals.

## Internationalisation

**Ecuador:** In accordance with Enami EP, Codelco has assessed more than 20 prospects, of which Llurimagua and Mina Real are active.

**Brazil and other exploration targets :** Codelco is currently conducting a preliminary analysis.

## Smelters

Compliance with DS 28 emission standards

**Total investment:**

**USD 1.9 billion**

## Ventanas

Progress: 100%

Investment: USD 107 million

## Chuquicamata

Progress: 26%

Investment: USD 908 million

## El Teniente

Progress: 23%

Investment: USD 557 million

## Salvador

Progress: 55%

Investment: USD 328 million



# Management Summary





# Conclusions

## **USD 990 million**

Codelco far exceeded its pre-tax profit commitment with the Chilean State.

## **Ebitda US\$ 2.289 billion | 38% Margin**

In the first six months, Ebitda was up 89% versus the same period in 2016

## **798 tonnes of refined copper**

Production was in line with the target set for the period.

## **C1 131.7 c/lb | C3 204.4 c/lb**

Although direct costs (C1) rose slightly, net cathode cost (C3) declined. Codelco's costs are 11% lower than the average for the copper industry in Chile.

**Codelco will maintain its cost cutting and productivity plans, because the Company's competitive advantage is essential for its sustainable development and future.**

Its demanding investment portfolio depends on sustaining high productivity, low costs and the Company's capitalisation.





# Appendices

# Income Statement

January– June: 2016– 2017  
(USD Million)

**Income Statement**  
(USD Million)

	1HY - 2016	1HY - 2017	Var
Sales Revenue – own-sourced copper	4.042	4.595	553
Cost of Sales – own-sourced copper	-3.546	-3.338	207
<b>Gross Profit - copper sales</b>	<b>496</b>	<b>1.257</b>	<b>761</b>
<b>Gross Profit - by products and other products</b>	<b>176</b>	<b>199</b>	<b>23</b>
<b>Gross Profit</b>	<b>672</b>	<b>1.456</b>	<b>784</b>
Non-Operating Income	-769	-433	336
<b>Pre-Tax Profit</b>	<b>-97</b>	<b>1.023</b>	<b>1.120</b>
Related Company Tax	-4	4	8
Minority Interest	12	-36	-48
<b>Codelco's Pre-Tax Profit</b>	<b>-89</b>	<b>990</b>	<b>1.079</b>



# Income Statement

## January – June: 2016– 2017

### (USD Million)

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<b>Gross Profit</b>	<b>672</b>	<b>1.456</b>	<b>784</b>
(Loss) Profit, before consolidated tax	-496	556	1.052
Income Tax	293	-350	-642
<b>Net (Loss) Profit, consolidated</b>	<b>-204</b>	<b>206</b>	<b>410</b>
Minority Interest	12	-36	-48
<b>Codelco Net (Loss) Profit</b>	<b>-192</b>	<b>170</b>	<b>362</b>



# Pre-Tax Profit Distribution

January – June : 2016– 2017  
(USD million)

	1HY - 2016	1HY - 2017	Var
Reserve Tax Law 12,196	399	467	67
Income Tax	-334	320	654
Specific Mining Tax	37	33	-4
Profit	-192	170	362
<b>Total Pre-Tax Profit</b>	<b>-89</b>	<b>990</b>	<b>1.079</b>
<b>Comparable Profit (*)</b>	<b>-71</b>	<b>745</b>	<b>816</b>

Amount accrued

\* Net profit applying the same tax requirements as private-sector companies.



A large, circular underground mine tunnel with a rough, rocky interior. Several workers wearing hard hats and safety vests are visible in the center, illuminated by bright lights. The tunnel walls are dark blue, and the floor is covered in rock debris.

# 2017 Half-Year RESULTS

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Nelson Pizarro, CEO  
5 September 2017