

Codelco Financial Results January – December 2011

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Codelco CEO

Press Conference
23 March 2012



Key Events 2011

- **Safety** : Codelco had to regret 4 fatal accidents in 2011.
 - May 4: Dany Cruz Nogales, contractor at Chuquicamata Division.
 - August 27: Luis González Castro, contractor at El Teniente Division.
 - November 17^t: Sergio Machuca from Andina Division.
 - December 13: Juan Troncoso Avendaño from Chuquicamata Division, after suffering a head injury on June 30, 2011.

Total accident frequency rate in 2011 was 1.39, the lowest in Codelco's history.

- **Financial Results**. Codelco's pre-tax profits were US\$ 7.033 billion in 2011, up 21.2% from 2010. This is one of the Company's best results, thanks to a record output, higher copper prices and the sale of its stake in E-CL (formerly Edelnor). Therefore, the Company confirmed it is the top earning company operating in Chile.
- **Corporate Governance**: In May, President Sebastián Piñera appointed Marcos Büchi and Marcos Lima as directors for a new 4-year period. The appointment of the Supervisors' representative is still pending.
In April: The first Shareholders' Meeting was held, which was attended by the minister of Finance and the minister of Mining. The owner's representatives supported the finance policy to maintain the Investment Grade rating for the Company's debt.
- **Financing**: In January, the Government authorised Codelco to sell its stake in the electricity company E-CL (formerly Edelnor) and retain 100% of the earnings obtained. The sale was for just over US\$ 1 billion.
In June, the Government approved a US\$ 376 million capitalisation of profits equivalent to 20% of 2010 profits; while in October, Codelco placed a record US\$ 1.15 billion bond issue on international markets. In addition, Codelco obtained US\$ 850 million in loans that will draw during 2012.
- **Joint Ventures**: In February, the Government authorised Codelco to transfer 66% of Inca de Oro deposit to the Australian miner Pan Aust. This process was undertaken pursuant to Law 19,137.
In 2011, Codelco also entered into a joint venture with LS Nikko, the most important non-ferrous metal company in Korea, in order to study the construction of a noble metal plant in Chile.

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Key Events 2011

- **Investments & Projects** : Important progress was made in structural projects.
Ministro Hales: completed early works; progress was made in prestripping operation and plant construction.
El Teniente New Mine Level: final phase of early works
Chuquicamata Underground Mine: feasibility study and started implementing early works.
Andina 244 Expansion, RT Sulphide Mine - Phase II and San Antonio Oxides: In feasibility engineering stage.
- **49% Anglo American Sur (AAS) Option**: In October, the Codelco Board of Directors approved the decision to exercise the option to buy a 49% stake in Anglo American Sur (AAS). Previously, Codelco had signed a financing agreement with Japanese Mitsui of up to US\$ 6.75 billion to finance this purchase.

However, in November Anglo American sold 24.5 % of AAS to Mitsubishi, creating a legal dispute where Codelco defends its legitimate interests. On January 2, 2012, Codelco exercised its option to buy 49% of Anglo American Sur. This dispute is currently in court.
- **Explorations**: In November, the exploration agreement with Empresa Nacional Minera del Ecuador (Enami EP) was confirmed, which will strengthen the Company's prospect portfolio that will be explored as of 2012. At the end of the year, authorisations were obtained to begin test drilling in the El Palmar Project, located 80 km from Quito.
- **HR & Labour Relations**: In 2011 collective bargaining negotiations were successfully completed at Head Office and at El Teniente, Ministro Hales, Chuquicamata and RT divisions. On July 11, the Federation of Copper Workers (FTC) went on a 24-hour strike that had a negative impact on the Company's results. Subsequently, Codelco and the FTC signed a Labour Dialogue Framework Agreement for Codelco's Future and Competitiveness; and a Basic Agreement was signed with the FESUC: The Future of Codelco is a Shared Responsibility.

In September, Codelco signed an agreement with Sernam to promote the incorporation of women in the company; today women represent 7.6%, higher than the mining industry average.



Key Events 2011

- **Contractor Strike:** Towards the end of June contractors went on an illegal strike at El Teniente Division. The 55-day strike affected the division's operations, and some employees and contractors were also attacked, in addition to damages and acts of sabotage to corporate facilities. The strike caused Codelco a loss of US\$ 130 million.
- **New Uses of Copper:** Eco Sea, a Codelco subsidiary for the use of copper in aquaculture, obtained the 2011 Avonni Award in the Industrial Innovation Category. In January: the commercial alliance InCuba, Copper Andino and Monarch, successfully launched copper fibre socks in the market. In 2011, more than 200,000 pairs of socks where sold. In November: the subsidiary InCuba with Kawell launched antimicrobial, copper-alloy horseshoes that prevent and minimise infections and fungi; as well as injuries and traumas to horse legs, since they absorb impact.
- **Sustainability:** An Occupational Health and Safety Structural Project and an Environment and Community Structural Project were implemented, in order to close the gaps related to these issues and transform management, ensuring performance excellence.

In March: 18 days after the scheduled annual maintenance of the Ventanas smelter, an unexpected operation event occurred that caused abnormal secondary gas emissions which, in addition to adverse meteorological conditions, prevent their adequate dispersion. From this date onwards, during the last 12 months, Codelco has invested approximately US\$ 22 million in reducing fugitive emissions, confining concentrates, improving facilities and changing processes. Additionally, it has promised US\$ 2 million to build a new school for La Greda and signed a Clean Production Agreement, together with other firms, in order to reduce pollution, prevent and repair the environmental impact of the industrial activity Puchuncaví-Quintero area.

In October: Codelco became a member of the International Council on Mining and Metals (ICMM), a leading organisation in sustainability. In October, Codelco was also the first company to agree to voluntarily enter its environmental commitments in the new online system of the Environmental Superintendency (SMA).



Total Accident Frequency Rate

January - December

(Employees & Contractors)

	2011	2010
Chuquicamata	1.19	2.80
Radomiro Tomic	1.31	1.36
Ministro Hales	0.74	
Salvador	0.94	1.62
Andina	0.93	1.75
Ventanas	3.09	2.86
El Teniente	1.57	1.83
Codelco	1.39	2.02
Gaby	2.07	1.73

Accident Frequency Rate : lost time accidents per 1 million hours worked

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Income Statement January – December

Production and Price Information

	2011	2010
Own Copper Production – (1,000 metric tonnes)	1,735	1,689
Molybdenum Production - (1,000 metric tonnes)	23	22
Acid Surplus Production - (1,000 metric tonnes)	1,818	1,877
Silver Production (*) - tonne	393	394
Gold Production (*) - tonne	3.3	3.5
Copper Sales(**) - (1,000 fine metric tonnes)	1,855	1,898
Own copper	1,668	1,673
Third-party copper	187	225
Molybdenum Sales - (1,000 fine metric tonnes)	23	21
LME copper price(c/lb)	399.7	342.0
Metals Week molybdenum price (US\$/kg)	34.2	34.8
Sulphuric acid price(US\$/tonne)	123.3	55.7
Gold price (US\$/oz)	1,570	1,225
Silver price (US\$/oz)	35.1	20.2
Exchange Rate	484	510
CPI	104.7	101.4

(*) Gold and silver contained in anode slimes, concentrates, anodes and blister

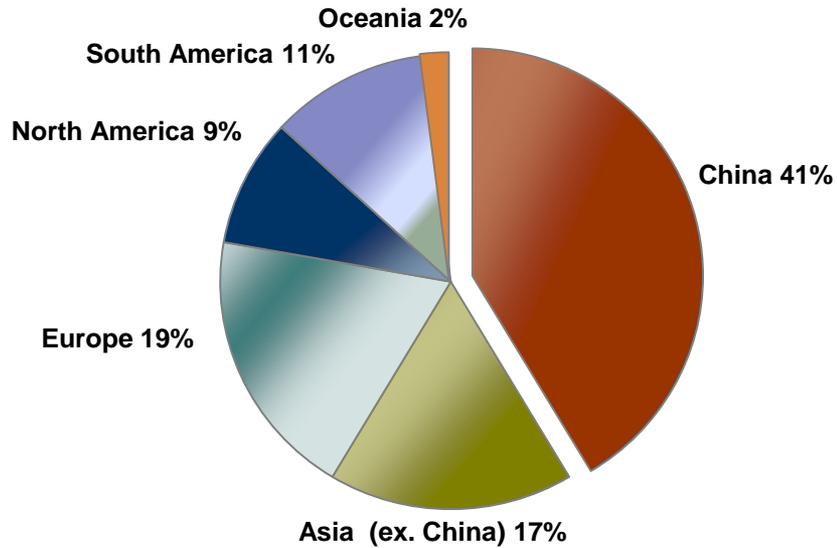
(**) Includes third-party minerals

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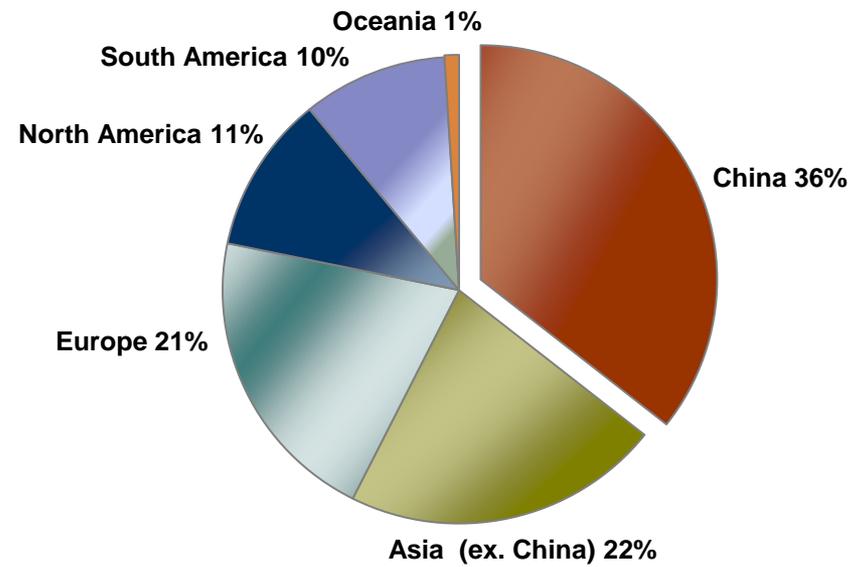


Sales Destination (January - December)

2010



2011



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Income Statement January-December

(in millions of US\$)

	2011	2010
Sales revenue – copper	14,338	13,459
Costs of sales - copper	-8,114	-7,191
Gross profit - copper sales	6,223	6,268
Gross profit – by-products & other products	1,009	709
GROSS PROFIT	7,232	6,977
Other income & expenses	-553	-1,482
Related Company Profit	353	303
PRE-TAX PROFIT	7,033	5,799
COMPARABLE NET PROFIT(*)	5,253	4,605

(*) Equivalent to Codelco's profit applying the same tax regime as private sector companies

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Pre-Tax Profit Distribution January –December

(in millions of US\$)

	2011	2010
Tax Law No. 13,196	1,486	1,311
Income Tax	3,133	2,333
Specific Mining Tax	359	278
Profit	2,055	1,876
TOTAL PROFIT	7,033	5,799
COMPARABLE NET PROFIT(*)	5,253	4,605

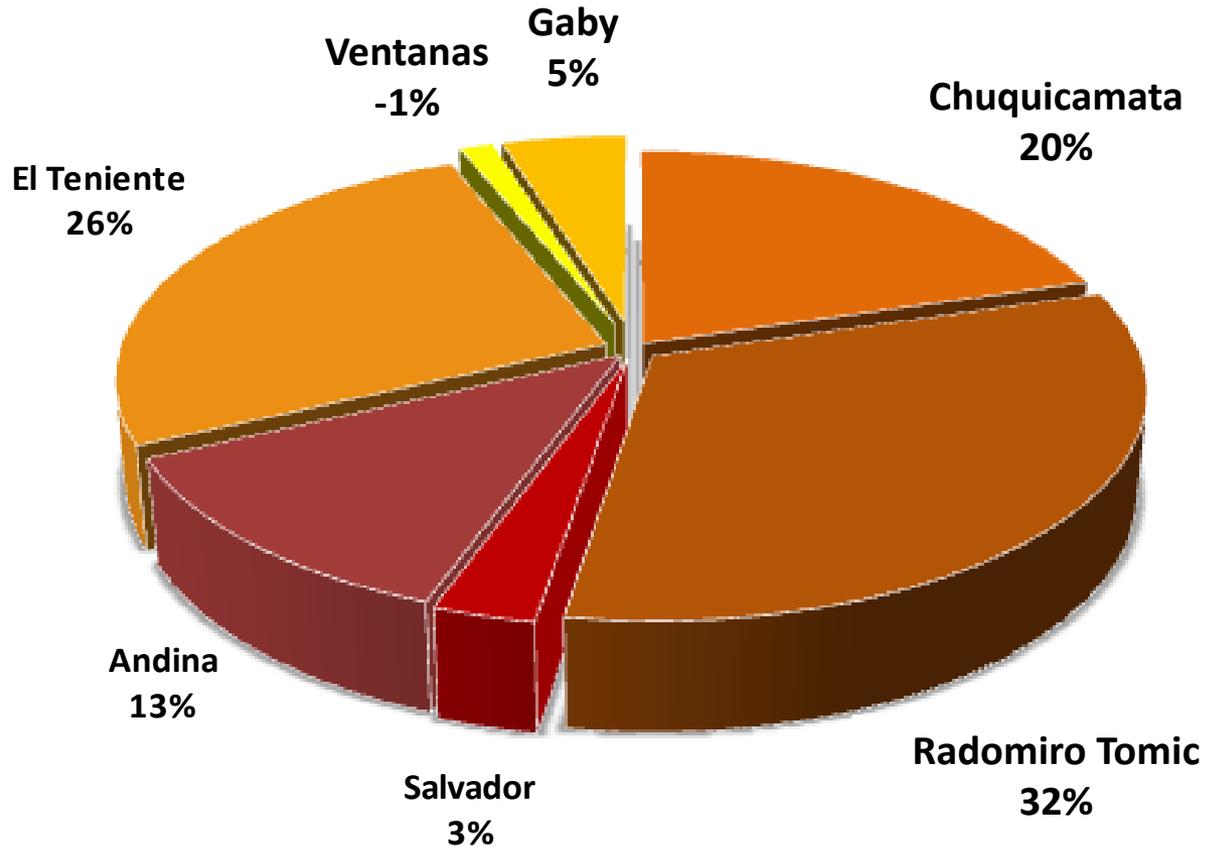
(*) Equivalent to Codelco's profit applying the same tax regime as private sector companies

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Pre-Tax Profit Contribution January- December 2011

(in millions of US\$)

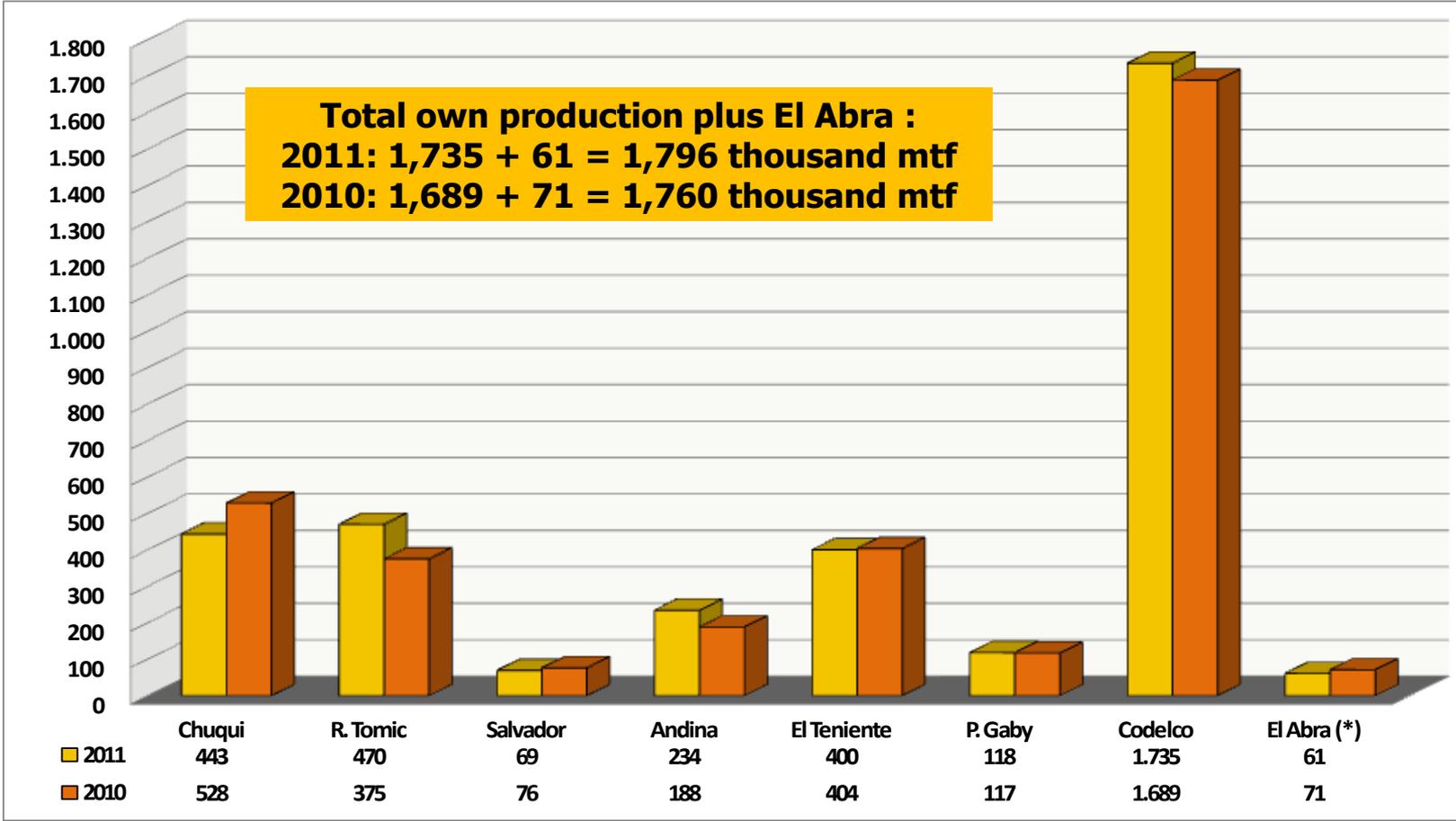


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Copper Production – January - December

(in thousands of fine metric tonnes)



(*) Share of production related to Codelco's stake



Costs

Items Included	Total costs & expenses	Net Cathode cost C3	Direct Cash cost C1
Operating Cost	✓	✓	✓
Non-operating cost	✓	✓	-
Head Office	✓	✓	-
Interest Expense	✓	✓	-
Depreciation & amortization	✓	✓	-
Treatment & refining costs (TC-RC)	-	✓	✓
By-product credit	-	✓	✓



Direct Costs January- December

(US c/lb of copper)

Direct Cash Cost (C1) 2010	104.4	2011	2010
Salaries & wages	0.7	42.3	41.6
Materials, fuel & energy	10.3	66.8	56.5
Third-Party & other services	5.0	33.5	28.6
Refining, sales & other expenses	4.8	10.8	6.1
By-product credit	-8.7	-37.0	-28.3
Direct Cash Cost (C1) 2011	116.4	116.4	104.4
Variation	-12.0		

Main Variations

- Effect of CPI, Exchange Rate, US PPI
- Higher relevant input prices (electricity, oil barrel, spare parts)
- Product Portfolio (higher sales of semi-finished products and higher refining expenses)
- Better by-product credit (Molybdenum and other products)

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Codelco Costs January-December

(US c/lb of copper))

	2011	2010
Direct Cash Cost (C1)	116.4	104.4
Depreciation & amortization	37.4	34.2
Interest expense	6.5	7.8
Total non-operating expenses	7.1	20.8
Corporate Office expenses	4.3	4.5
Net Cathode Cost (C3)	171.6	171.7
TC-RC costs	-3.0	-2.4
By-product credit	37.0	28.3
Total costs & expenses	205.6	197.6

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Total Costs & Expenses Variation Analysis

(US c/lb of copper)

Total Costs & Expenses 2010 **197.6**

Higher input prices	7.5
Effect of CPI, Exchange Rate & US PPI	10.8
Subtotal	18.3

Mining Variables (more ore mined)	-7.6
Less operating services	-5.2
Higher depreciation & amortization	4.7
Retirement Plans & Collective Bargaining	-2.2

Total Costs & Expenses 2011 **205.6**

Variation **8.0**

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Net Cathode Cost Variation Analysis

(US c/lb of copper)

Net Cathode Cost (C3)	2010	171.7
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Higher total costs & Expenses	7.9
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Higher TC/RC costs	0.6
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Higher by-product credit	-8.7
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Net Cathode Cost (C3)	2011	171.6
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Variation	-0.1
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Direct Cash Cost C1 Variation Analysis

(US c/lb of copper)

Direct Cash Cost (C1) 2010	104.4
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Higher net cathode cost	-01
Higher depreciation & amortization	-3.2
Lower non-operating expenses	15.1

Direct Cash Cost (C1) 2011	116.4
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Variation	12.0
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