

# **Codelco Financial Results January– September 2011**

**Diego Hernández,  
Codelco CEO**

Press Conference November 25<sup>th</sup>, 2011



**CODELCO**  
Orgullo de Todos



# Key Events – September 30<sup>th</sup>, 2011

- **Safety.** On 4 May, Codelco had to regret the fatal accident of Dany Cruz Nogales (RIP), contractor at Chuquicamata Division. Subsequently, on 27 August the fatal accident of Luis González Castro (RIP), contractor at El Teniente Division. While on 17 November another fatality was Sergio Machuca, maintenance operator at Andina Division. Total injury frequency rate for the first three quarters of 2011 was 1.44 , down from 2.03 during the same period in 2010. The company has launched a corporate plan to eradicate fatal accidents in the Company.
- **Financial Results.** Pre-Tax Profits generated during January-September 2011 period totalled US\$ 5.301 billion, a 37% rise over 2010. This increase is mainly due to higher prices of copper and by-products traded by Codelco. This result also increased after Codelco sold its stake in ECL electricity company. The rise in key input prices, a stronger Chilean peso and a contractors' strike at El Teniente Division adversely affected unit costs during this period.
- **Corporate Governance :** In May, Marcos Büchi and Marcos Lima were appointed directors by President Piñera for a new 4-year period. The Supervisors' representative has still not been appointed because AnSCO and Fesuc unions have not reached an agreement.
- **Ecuador :** After a CEO's visit to Ecuador and once the environmental permit would be issued, Codelco will start 4 mining sites in Ecuador, in the framework of the agreement signed with Ecuador's Empresa Nacional de Minería.

# Key Events – September 30<sup>th</sup>, 2011

- **Financing:** In January, the government authorised Codelco to sell its stake in E-CL electricity company (formerly Edelnor) and retain 100 percent of the earnings obtained. The sale was just over US\$ 1 billion.

In April, the Finance and Mining Ministers were present at first Codelco Shareholders' Meeting, where the owner's representatives backed the financing policy which focuses on maintaining the *Investment Grade* of the Company's debt. In June, the government approved a US\$ 376 million capitalization of profits equivalent to 20% of 2010 net income.

- **Investments & Projects:** The Company's structural projects have made significant progress. El Teniente New Mine Level awarded the main tunnel contract (US\$ 394 million). Ministro Hales has continued its prestripping operation and earthworks to build the plants. The engineering studies are underway for Chuquicamata Underground Mine, New Andina Phase II and Radomiro Tomic Phase II. The Environmental Impact Statement for San Antonio Oxides project was approved.
- **Joint Ventures :** The Company entered into a joint venture with Australian PanAust to develop Inca de Oro deposit in the Atacama Region. Codelco also entered into a joint venture with Nikko Copper, an important Korean nonferrous metal company, to study the construction of a noble metal plant, initiative that would primarily permit the recovery of gold, silver and selenium from the anode slimes produced in copper refining.

# Key Events – September 30<sup>th</sup>, 2011

- **Human Resources & Labour Relations:** By the third quarter, collective bargaining negotiations were completed in advance at Minera Gaby and El Teniente Division (Union B). However, the most important event was a 24-hour strike by the Federation of Copper Workers (FTC) that had a negative impact on corporate results. At the end of September, Codelco signed an agreement with SERNAM to promote the incorporation of women at Codelco that today account for 7.6%, higher than the industry average.
- **Contractors:** Towards the end of the first half of 2011, contractors went on an illegal strike at El Teniente Division. The 55-day strike affected the division's operations, own employees and contractors were even attacked in addition to damages and acts of sabotage to corporate facilities. The strike concluded after an agreement reached between contractors and worker representatives.
- **Environment:** Codelco presented its Environment Report and announced that it has started up a structural project in order to overcome the main vulnerabilities in this area.
- **Solar Energy at Minera Gaby:** Codelco put out to tender in order to select before the end of the year a company or holding to design, build and operate a thermal solar plant to incorporate energy at Minera Gaby

# Total Injury Frequency Rate

## January-September

(Employees & Contractors)

	2011	2010
Chuquicamata	1.57	2.84
Radomiro Tomic	1.44	1.50
Ministro Hales	1.16	
Salvador	1.06	1.73
Andina	0.71	1.67
Ventanas	3.26	3.50
El Teniente	1.44	1.52
<b>Codelco</b>	<b>1.44</b>	<b>2.03</b>
Gaby	3.00	2.03

Frequency Rate : lost time accidents per 1 million hours worked

# Performance January-September

## Production and Price Information

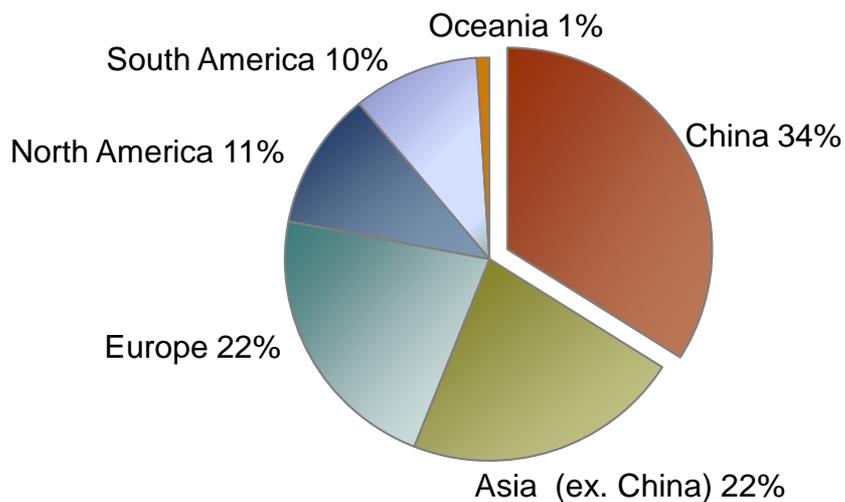
	2011	2010
<b>Own Copper Production – (1,000 metric tonnes)</b>	<b>1,250</b>	<b>1.208</b>
<b>Molybdenum Production - (1,000 metric tonnes)</b>	<b>17</b>	<b>15</b>
<b>Acid Surplus Production - (1,000 metric tonnes)</b>	<b>1,354</b>	<b>1,371</b>
<b>Silver Production (*) - tonne</b>	<b>293</b>	<b>272</b>
<b>Gold Production (*) - gold</b>	<b>2.5</b>	<b>2.5</b>
<b>Copper Sales - (1,000 metric tonnes)</b>	<b>1,319</b>	<b>1,392</b>
<b>Molybdenum Sales - (1,000 metric tonnes)</b>	<b>16.4</b>	<b>15.0</b>
LME copper price (c/lb)	419.8	325.2
Metals Week molybdenum price (US\$/kg)	35.7	34.8
Sulphuric acid price (US\$/ton)	124.3	54.6
Gold price (US\$/oz)	1,531	1,177
Silver price (US\$/oz)	36.2	18.1
<b>Exchange Rate</b>	<b>474</b>	<b>520</b>
CPI	104.2	101.1

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

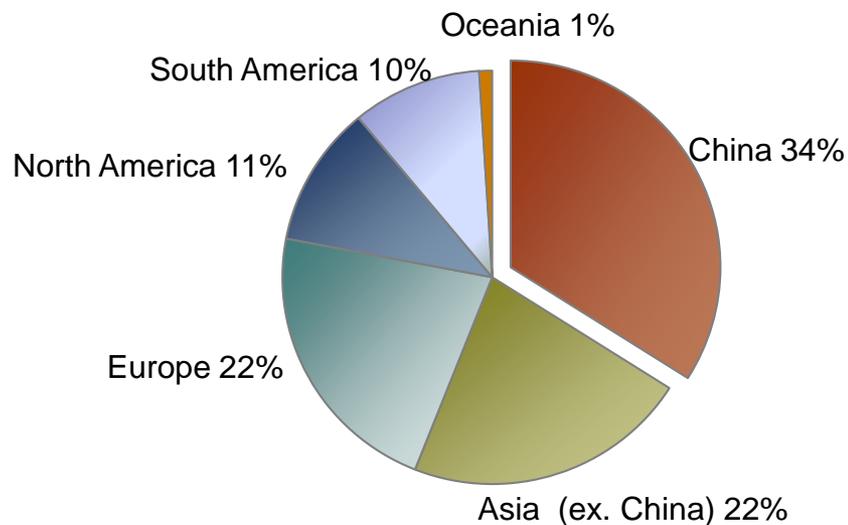
(\*\*) Includes third-party minerals

# Sales Destination (January –September)

**2010**



**2011**



# Income Statement January-September

(in millions of US\$)

	2011	2010
Sales revenue – copper	10,445	9,196
Costs of sales - copper	-5,728	-5,190
<b>Gross profit - copper sales</b>	<b>4,717</b>	<b>4,006</b>
<b>Gross profit – by-products &amp; other products</b>	<b>737</b>	<b>436</b>
<b>GROSS PROFIT</b>	<b>5,453</b>	<b>4,442</b>
Other income & expenses	-406	-769
Related company profit	254	205
<b>PRE-TAX PROFIT</b>	<b>5,301</b>	<b>3,877</b>
<b>COMPARABLE NET PROFIT(*)</b>	<b>3,926</b>	<b>3,088</b>

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

# Pre-Tax Profit Distribution January-September

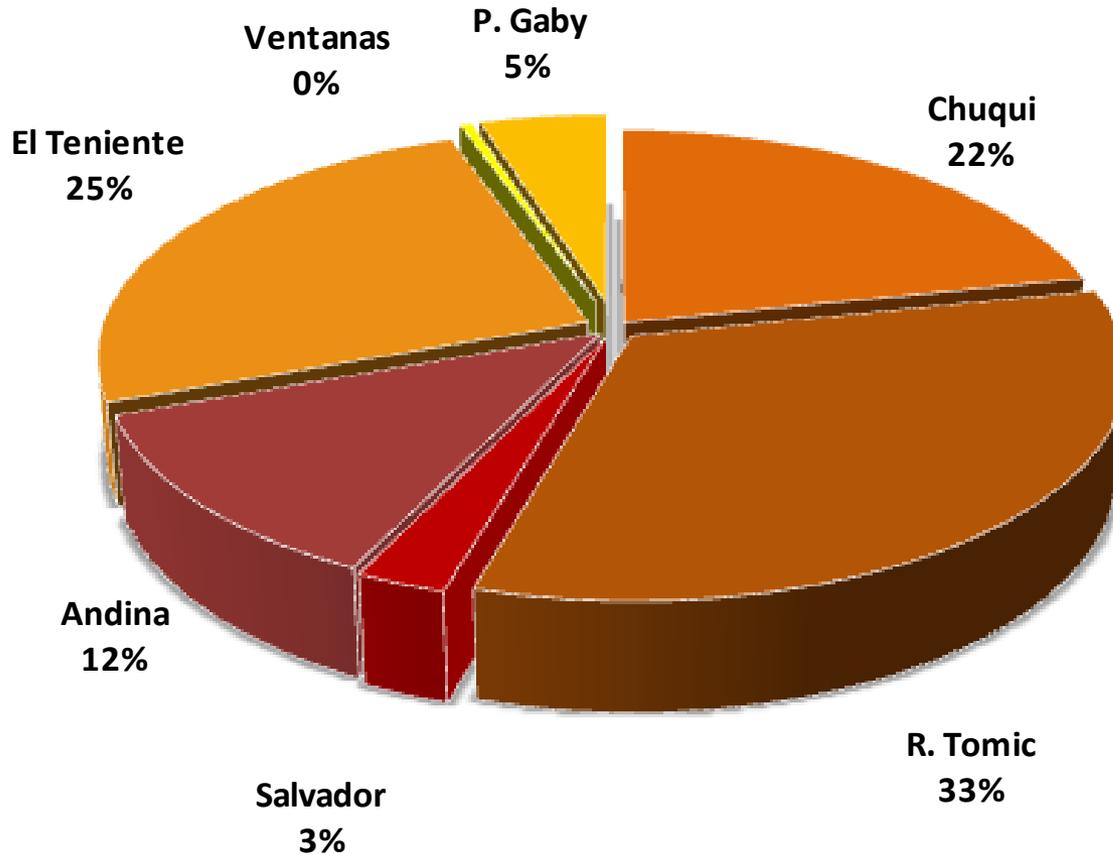
(in millions of US\$)

	2011	2010
<b>Tax Law No. 13,196</b>	<b>1,127</b>	<b>846</b>
<b>Income Tax</b>	<b>2,299</b>	<b>1,574</b>
<b>Specific Mining Tax</b>	<b>275</b>	<b>190</b>
<b>Profit</b>	<b>1,601</b>	<b>1,267</b>
<b>TOTAL PROFIT</b>	<b>5,301</b>	<b>3,877</b>
<b>COMPARABLE NET PROFIT(*)</b>	<b>3,926</b>	<b>3,088</b>

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

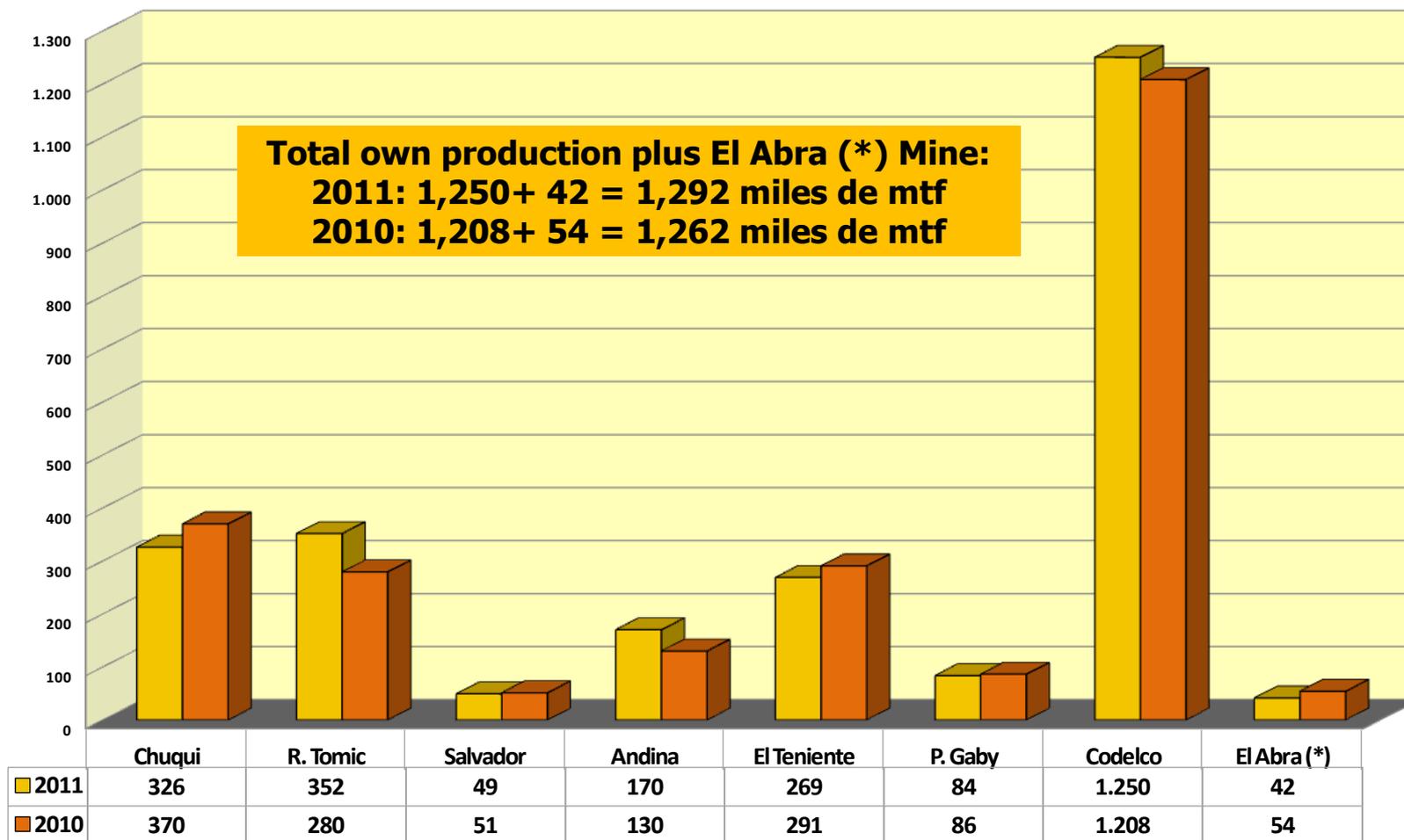
# Pre-Tax Profit Contribution January-September 2011

(in millions of US\$)



# Copper Production January-September

(in thousands of fine metric tonnes)



(\*) Production from Codelco's stake in El Abra

# 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-September

(USc/lb of Copper)

Direct Cash Cost (C1) 2010	101.6	2011	2010
Salaries & wages	2.1	43.7	41.6
Material, fuel & electricity	11.0	67.0	56.0
Third-Party & other services	0.4	24.7	24.3
Refining, sales & other expenses	4.3	10.7	6.4
By-product credit	-11.7	-38.5	-26.7
<b>Direct Cash Cost (C1) 2011</b>	<b>107.6</b>	<b>107.6</b>	<b>101.6</b>
<b>Variation</b>	<b>6.1</b>		

## Main Variations

- Effect of CPI, Exchange Rate, US PPI
- 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)

# Codelco Costs January-September

(USc/lb copper)

	2011	2010
<b>Direct Cash Cost (C1)</b>	<b>107.6</b>	<b>101.6</b>
Depreciation & amortization	38.2	35.3
Interest expenses	6.8	7.3
Total non-operating expenses	12.8	9.0
Corporate Office expenses	4.4	4.2
<b>Net Cathode Cost (C3)</b>	<b>169.8</b>	<b>157.4</b>
Treatment and refining costs (TC-RC)	-3.0	-2.2
By-product credit	38.5	26.7
<b>Total costs &amp; expenses</b>	<b>205.2</b>	<b>181.9</b>



# Total Costs & Expenses Variation Analysis

(US\$ c/lb of copper)

**Total Costs & Expenses 2010** **181.9**

Higher input prices 9.2  
 Effect of CPI, Exchange Rate & US PPI 14.4  
**Subtotal** **23.6**

Mining Variables (more processed ore) -9.8  
 Less operating services -4.8  
 Higher depreciation & amortization 4.9  
 Retirement Plans & Collective Bargaining 9.4

**Total Costs & Expenses 2011** **205.2**

**Variation** **23.3**

# Net Cathode Cost Variation Analysis

(USc/lb of copper)

<b>Net Cathode Cost (C3)</b>	<b>2010</b>	<b>157.4</b>
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Higher total costs & Expenses		23.3
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Higher TC/RC costs		0.8
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Higher by-product credit		-11.7
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<b>Net Cathode Cost (C3)</b>	<b>2011</b>	<b>169.8</b>
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<b>Variation</b>		<b>12.4</b>
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# Direct Cash Cost C1 Variation Analysis

(USc/lb of copper)

<b>Direct Cash Cost (C1) 2010</b>	<b>101.6</b>
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Higher net cathode cost	12.4
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Higher depreciation & amortization	-2.9
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Higher non-operating expenses	-3.3
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<b>Direct Cash Cost (C1) 2011</b>	<b>107.6</b>
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<b>Variation</b>	<b>6.1</b>
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