

# Economic-financial results

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In 2015, we reduced costs and improved productivity, offsetting decline in copper prices.

**We delivered pre-tax profits of US\$1.075 billion (excluding extraordinary items) to the Chilean State in 2015**

In 2015, pre-tax profits were primarily affected by falling copper and by-products prices; but this was partially offset by the Company's continuity plan, reducing costs and increasing productivity.

Pre-tax profit refers to earnings before tax and Law 13,196 that levies a 10% tax on return on foreign sales of own-sourced copper and by-products.

Pre-tax profits delivered by Codelco in 2015 totalled US\$1.075 billion (excluding extraordinary items). This net pre-tax profit was achieved, despite a 20% fall in copper prices, 41% in molybdenum and 18% in silver. This transfer of resources was achieved thanks to the cost reduction plan announced in January 2015, exceeding expected results.

The pre-tax profits declined 65% to US\$1.075 billion, compared to US\$ 3.046 billion in 2014, primarily because of declining copper sales prices and lower subsidiary performance. This was partially offset by lower production costs, lower management costs, and the stronger US dollar.

### Impairments

Given the pessimistic medium-term outlook for copper, global mining companies reviewed their asset values, applying impairment. Codelco reviewed its assets and recorded an impairment loss in its financial statements amounting to US\$ 2.431 billion. The adjusted EBIT loss (after taxes and Reserve Law) was US\$1.492 billion in 2015.

Pre-tax profits, including extraordinary items (US\$ 2.431 billion in asset impairment loss), recorded a loss of US\$ 1.357 billion (excludes minority interest). These results did not affect the resources Codelco delivers to the Treasury nor the cash available for its operations, nor the development of its investment portfolio.

### Copper and by-products prices

The London Metal Exchange (LME) average price was US\$249.2 cents per pound (c/lb) in 2015, down 20% compared to US\$311.3 c/lb in 2014.

Molybdenum is a key product marketed by the Company. Molybdenum prices fell 42% to US\$14.7/kg in 2015, based on the prices published by Metals Week; Meanwhile, gold prices fell 8% and silver 18%.

In 2015, primarily due to copper price declines, the Company's earnings fell US\$ 2.430 billion compared to 2014.

### Contribution to the treasury

Codelco delivered US\$1.083 billion to the treasury in 2015, as shown in the comparison table below:

### Contribution to the treasury

(US\$ million)	2015*	2014
Net Earning paid	0	661
Income Tax	216	583
Law 13,196	867	989
<b>Total</b>	<b>1,083</b>	<b>2,233</b>

\* Cifras no incluyen impuestos de filiales.

### Production

Codelco's produced 1,891,376 tonnes of refined copper in 2015, from its own operations, plus its stake in Minera El Abra (49%) and in Anglo American Sur S.A. (20%).

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In 2015, production was 51,000 tonnes (2.8%) higher than in 2014 (1,840,691 tonnes), primarily thanks to the contribution from Ministro Hales Division, it increased its concentrator plant and roaster plant performance, and from El Teniente Division. This improved performance was offset by lower production at Chuquicamata and Radomiro Tomic Divisions.

Production from all divisions, excluding El Abra and Anglo American Sur, totalled 1,731,688 tonnes, up 3.6% from 2014.

Our production results in 2015 are the third highest in company history; the difference is only a thousand tonnes compared to the highest production. This is despite the fact that ore grades have dropped nearly 20% over the last decade.

Molybdenum production, Codelco's second most important product, was down 10% to 27,683 tonnes compared to 2014, primarily due to lower molybdenum output from Chuquicamata Division.

### Copper and molybdenum production

(Refined tonnes)				
	Copper		Molybdenum	
	2015	2014	2015	2014
Radomiro Tomic	315,747	327,278	1,176	909
Chuquicamata	308,625	340,363	12,637	14,620
Gabriela Mistral	125,009	121,012	0	0
Ministro Hales	238,305	141,206	0	0
Salvador	48,582	54,015	828	730
Andina	224,264	232,444	5,717	6,873
El Teniente	471,157	455,444	7,326	7,496
<b>Codelco</b>	<b>1,731,688</b>	<b>1,671,761</b>	<b>27,683</b>	<b>30,628</b>
El Abra	72,131	81,545	0	0
Anglo American Sur S.A.	87,557	87,385	0	0
<b>Total</b>	<b>1,891,376</b>	<b>1,840,691</b>	<b>27,683</b>	<b>30,628</b>

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Furthermore, sulphuric acid production totalled 2.8 million de tonnes, 47% was marketed and the rest was used at our heap leach operations. While, precious metal output, contained in anode slime, concentrates, anodes and blister, totalled 2.5 tonnes of gold and 663 tonnes of silver.

### By-products

	Gold		Silver		Acid	
	2015	2014	2015	2014	2015	2014
Radomiro Tomic	0	0	0	0	0	0
Chuquicamata	1,037	757	173,343	186,941	1,021,529	1,042,610
Gabriela Mistral	0	0	0	0	0	0
Ministro Hales	0	0	293,049	249,494	0	0
Salvador	596	1,097	37,997	43,938	311,566	421,648
Andina	0	0	56,066	58,111	0	0
El Teniente	853	803	102,709	96,722	1,182,518	1,190,581
Ventanas	0	0	0	0	331,857	343,040
<b>Codelco</b>	<b>2,486</b>	<b>2,657</b>	<b>663,164</b>	<b>635,207</b>	<b>2,847,470</b>	<b>2,997,878</b>

### Cost reduction plan

During the course of 2015, Codelco committed to save US\$ 1 billion, focusing on two management imperatives:

- **Efficiency and productivity:** improved use indicators, streamlined contracts, maintenance management and minimised consulting services, studies, investments and other activities.
- **Critical inputs and exchange rate:** take advantage of opportunities arising from declining input prices, especially oil. In this context, we should also consider the positive effect of the current exchange rate.

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At the end of the year, our cost reduction plan was 120% on target, saving US\$ 1.203 billion.

Therefore, key indicators for unit costs fell compared to 2014; and for the third-consecutive year this allowed us to maintain the downward trend in costs.

During the period under review, our total costs and expenses were US\$203.0 c/lb (\*) down 12% against US\$230.6 c/lb in 2014

Net cathode cost fell 8% from US\$213.3 c/lb to 196.9 c/lb (\*).

Our Net direct cash cost (C1) in 2015 was US\$138.7 c/lb of copper, down 8% from 2014. C1 is the type of cost used by global mining industry to compare cost competitiveness of different companies.

### Unit costs

(US cents per pound)		
	2015	2014
Total costs	203,0*	230,6
Net cathode cost (C3)	196,9*	213,3
Net direct cash cost (C1)	138,7	150,4

\* The above chart does not include extraordinary items.

### Funding activities

Our Company has regular access to capital markets and bank facilities to fund its investments. Our long and respected history in local and foreign markets has allowed us to develop an extensive, geographically diverse and high-quality banking and investor base. Thus we have access to North American, Asian and European financial markets, by issuing bonds, bilateral and syndicated loans.

In September 2015, we participated in the international capital market and issued a record 10-year, US\$ 2billion, 4.5% annual coupon bonds. These resources will be used to partially fund investments and to refinance obligations during 2015 and 2016. This bond placement attracted orders from more than 260 prestigious global investors, and the demand was led by investment fund administrators, insurance companies, pension funds, private banks and hedge funds. This transaction was managed by Bank of America Merrill Lynch, HSBC and JP Morgan.

### Capitalisation

In the context of the Codelco multiannual capitalisation law (2014-2018), Law 20,790, during the course of 2015 the Government authorised US\$ 225 million in retained earnings and a US\$ 600 million capital injection.

### Financial management

Copper prices had a significant impact on the Company's financial results. Therefore, to face this market volatility, our main strategy is to maintain a competitive cost structure with regard to the industry.

Our Company uses derivatives to ensure shipments have a fair market value in line with the production profile and at market prices existing the month they are produced. These derivative transactions do not include speculative activities.

### Foreign exchange and interest rate

At Codelco we have policies to manage foreign exchange risk and interest rate fluctuations. Currency risk hedging covers fluctuations in foreign liabilities, excluding the US dollar; while interest rate hedging involves contracts to set the interest rates for existing liabilities. These measures do not include speculative transactions.

### Insurance

Codelco has insurance plans to cover assets, employees and potential losses caused by business interruption. In turn, these insurance policies contain risk prevention terms and conditions that duly consider the current situation of the insurance market and Codelco's own capacity to absorb losses.

### Insured losses

All facilities used for its main line of business are insured.

### Losses

All pending losses are currently being analysed by the adjuster. The incidents were:

- **Fire loss at the secondary crusher plant:** On 29 January 2015, there was a fire incident at the Colón secondary crusher plant, at El Teniente Division.
- **Flood loss in Northern Chile:** On 25 March 2015 a storm hit the Region of Atacama causing considerable damages to Salvador Division.
- **Fire loss K1-K2 conveyor belts:** On 17 August 2015 there was a fire incident in the conveyor-belt system in the primary crusher at Chuquicamata Division.

### Risk rating

Our Company is analysed by four rating agencies: Moody's, Standard & Poor's, Fitch Ratings and Feller-Rate. In 2015, we maintained our international credit rating for foreign currency at A1 by Moody's and AA- by S&P, both with negative outlook. In the case of local rating, it was affirmed at AAA by Fitch Ratings and Feller-Rate, both with stable outlook.