



## RESULTS 1H 2016

Santiago de Chile, August 26, 2016 – Corporación Nacional del Cobre (CODELCO) reported June 30, 2016 operational and financial results:

- **1H 2016 revenues** were US\$ 5.4 billion, 7.9% below the reports US\$ 5.9 billion for the first six months of 2015, due to the 21% decrease in the average LME copper price, partially offset by an increase in the copper volume sold.
- **Adjusted EBITDA** for the first six months of 2016 was US\$ 1.2 billion (22.4% margin) compared to US\$ 2.1 billion (35.3% margin) in the same period of 2015 principally due to the decrease of the average copper price in 2016 and an increase of the cost of sales mainly due to higher volume sold.
- **Loss before tax** in the first six months of 2016 was US\$ 496 million (-9.2% of sales), compared to a profit of US\$ 442 million (7.5% of sales) in the same period of 2015 basically due to a lower average copper price and the impact of the foreign exchange rate differences due to the strength of the Chilean peso to CLP 661 per dollar as of June 30, 2016 from CLP 707 per dollar as of December 30, 2015.
- **Total copper mine production**, including El Abra and Anglo American Sur shares, decreased 0.5% in the first six months of 2016 to 906 thousand tons compared to 910 thousand tons for the first half of 2015, especially due to lower production coming from Anglo American Sur and El Abra, Andina, Gabriela Mistral and El Teniente divisions.
- **Direct Cash Cost C1** per pound of copper was US\$ 127.5 in the first half of 2016, compared to US\$ 140.0 in the same period of 2015. This decrease of 9% is primarily attributable to the control cost program reflected in savings in salaries and wages, materials and third party services, helped by the global decrease in the fuel price and the benefit of a weaker average exchange rate for the first half 2016 (CLP 690 per dollar) compared to the same period of 2015 (CLP 621 per dollar).
- **Operating cash flows** totaled US\$ 506 million in the first six months of 2016 compared to US\$ 1.1 billion in the same period of 2015 principally due to the decrease in the receipts from sales of goods due to lower copper and molybdenum prices as well as lower receipts from other operational activities.
- **Capex program** has been adjusted by the board of Directors and management to maximize long-term economic value.



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### SUMMARY FINANCIAL AND OPERATING DATA

	June 30,			
	2016	2015	Amount	Variation %
Copper Production* ('000 mft)	906	910	(4)	(0.4)
Own Molybdenum Production ('000 mft)	15	16	(1)	(6.3)
Cash Cost (Usc/Pound)	127.5	140.0	(12.5)	(8.9)
Copper Sales ('000 mft)	1,171	967	204	21.1
Molybdenum Sales ('000 mft)	15	13	2	15.4
LME Copper Price (Usc/Pound)	213.2	268.9	(55.7)	(20.7)
Metals Week Molybdenum Price (US\$/Pound)	6.1	7.9	(1.8)	(22.8)
Average Exchange Rate (CLP/US\$)	690	621	69	11.1
Closing Exchange Rate (CLP/US\$)	661	635	26	4.1
Total Revenues (US\$ mn)	5,406	5,867	(461)	(7.9)
Gross Profit (US\$ mn)	672	1,145	(473)	(41.3)
Gross Margin (%)	12.4	19.5	(7.1)	(36.4)
Adjusted EBITDA (US\$ mn)	1,211	2,070	(859)	(41.5)
Adjusted Mining EBITDA Margin (%)	22.4	35.3	(12.9)	(36.5)
Net Financial Debt** (US\$ mn)	13,631	12,226	1,405	11.5
Net Interest Expense (US\$mn)	266	220	46	20.9
Net Debt to LTM Adjusted EBITDA	5.0	3.4	1.6	47.1
Adjusted EBITDA to Net Interest Expenses	4.5	9.4	(4.9)	(52.1)
Net Debt to total Capitalization (%)	58.0	50.3	7.7	15.3
Contribution to the Chilean Treasury	538	571	(33)	(5.8)

\*Includes El Abra and Anglo American Sur shares of production relative to Codelco

\*\*Net of cash and cash equivalents. Excludes Mitsui debt to acquire 20% of Anglo American Sur asset, because is non-recourse to CODELCO

### OPERATION: PRODUCTION, REVENUES & COST

**Consolidated Production.-** Consolidated copper mine production, including El Abra and Anglo American Sur shares, decreased 0.5% in the first six months of 2016 to 906 thousand tons compared to 910 thousand tons for the first half of 2015, due to lower production in El Abra, Anglo American Sur, Andina, Gabriela Mistral and El Teniente divisions, partially offset by higher production in Chuquicamata, Ministro Hales and Salvador divisions. On the other hand, Codelco's own production increased 1.4% in the first half 2016 compared to the same period of 2015. Chuquicamata and Ministro Hales increased their productions because of higher mineral ore processed partially offset by lower ore grade. In the case of Salvador, production increased due to higher ore grade partially offset by lower ore mineral processed. Furthermore, molybdenum production in the first six months of 2016 decreased by 2.5% to 15,315 tons from 15,708 tons in the same period of 2015 especially due to lower production in El Teniente division.



**Codelco Total Copper Production**

	June 30,	
	2016	2015
Chuquicamata Division .....	149	131
Radomiro Tomic Division.....	156	156
Ministro Hales .....	124	108
Gabriela Mistral Division .....	59	62
El Teniente Division .....	233	239
Andina Division .....	93	112
Salvador Division .....	29	23
El Abra <sup>(1)</sup> .....	26	38
Anglo American Sur <sup>(2)</sup> .....	37	42
<b>CODELCO Total Production .....</b>	<b>906</b>	<b>910</b>

(1) CODELCO's figures presented for El Abra include 49% of the mine's total production (the share of production which corresponds to CODELCO's 49% ownership interest in the mine).

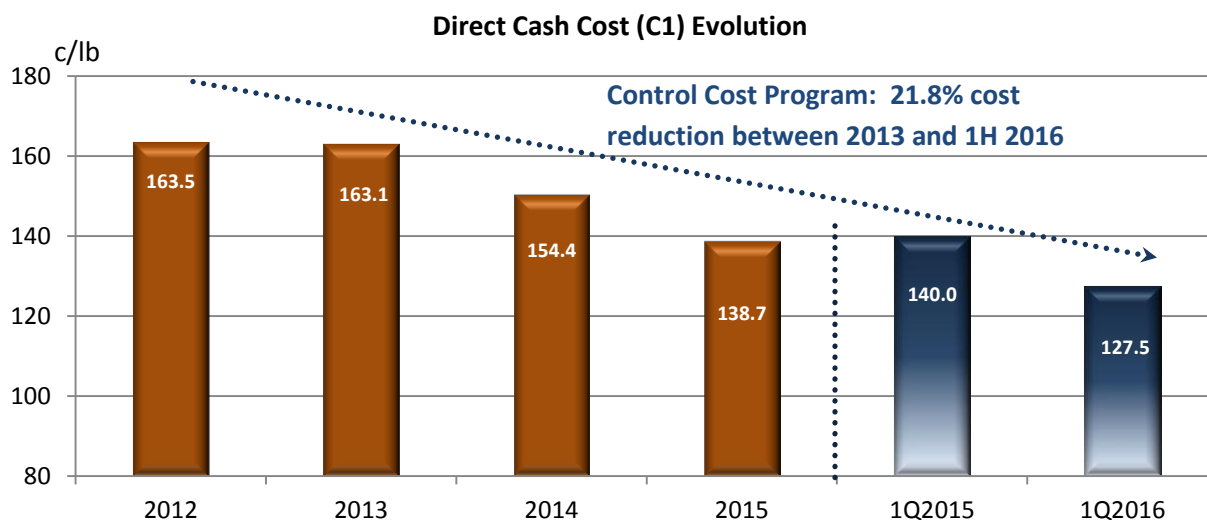
(2) CODELCO's figures presented for Anglo American Sur include 20% of the mine's total production (the share of production which corresponds to CODELCO's 20% ownership interest in the mine).

**Consolidated Revenues.-** The first six months of 2016 revenues decreased 7.9% to US\$ 5.4 billion compared to the same period of 2015. Revenues from own copper sales decreased 8.7% mainly due to the decline of the average LME copper price, 20.7%, partially offset by an increase in the volume sold during the first half of 2016 compared to the same period of 2015. Moreover, third-party copper sales decreased 5.1% due to the decrease in the average LME copper price, despite the 62.0% increase in volume sold.

**Consolidated Costs.-** Unit cash costs will vary with the fluctuations in payable production and average realized prices for by-products. In the first six months of 2016, CODELCO's cash cost was 127.5 cents per pound, compared to 140.0 cents per pound in the same period of 2015. A decrease of 8.9% primarily attributable to:

- 1) Lower operational costs: savings in wages, third party services, fuel and input costs.
- 2) Favorable exchange rate movements (1H 2016 average exchange rate of CLP 690 per dollar compared to CLP 621 per dollar for the same period of 2015)

The cash cost reduction trend evidence the consolidation of the control cost program.



### CAPITAL EXPENDITURE: STRUCTURAL PROJECTS

The board of Directors and the management of the Company have adjusted its capex program on the basis of the following criteria:

- Fulfill our mission to maximize long-term economic value and the contribution to the state of Chile.
- Accomplish a financing policy consistent with the **investment grade** rating
- Adjust investments minimizing the effect on the project critical path.

**Chuquicamata Underground.-** Progressing as scheduled to be operating by 2019 (33.1% as of June 2016).

**Andina Plant Reallocation.-** Under construction with progress of 26.1% as of March 2016.

**El Teniente New Mine Level.-** Significant progress in the tunnels strengthening and seeking for technical alternatives to continue the project. In parallel, operating alternatives are being analyzed for current operation to compensate the project delays

**RT Sulphides Phase II.-** Rethinking the project to seek a better business case since, in relative terms, project profitability, as it is, is not as competitive as the rest of the project portfolio.

**Northern District Desalination Plant.-** Construction of a sea water desalination plant to contribute to the Northern district water needs.



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**Andina Phase II.**- Analyzing the project to achieve financial viability, limited risk analyzes, and higher environmental standards.

### AVERAGE METAL PRICE

	LME Copper (US\$/lb.)	COMEX Copper (US\$/lb.)	Molybdenum (US\$/lb.)
<b>1Q 2016</b>	2.12	2.11	5.27
<b>2Q 2016</b>	2.15	2.13	6.89
<b>1H 2016</b>	2.13	2.12	6.08
<b>1Q 2015</b>	2.64	2.66	8.41
<b>2Q 2015</b>	2.75	2.77	7.45
<b>3Q 2015</b>	2.38	2.40	5.75
<b>4Q 2015</b>	2.22	2.20	4.75
<b>1H 2015</b>	2.69	2.72	7.93
<b>Average 2015</b>	2.50	2.51	6.59
<b>Variation: 2Q 2016 vs. 2Q 2015</b>	(21.8)%	(23.1)%	(7.5)%
<b>Variation: 2Q 2016 vs. 1Q 2015</b>	1.4%	0.9%	30.7%
<b>Variation: 1H 2016 vs. 1H 2015</b>	(20.8)%	(22.1)%	(23.3)%

### CASH FLOWS

For the first six months of 2016, net cash flow from operating activities decreased by 55.8% to US\$ 506 million from US\$ 1.1 billion for the same period in 2015. This decrease in cash flow resulted primarily from the decrease in cash received from sales of goods, mainly due to a lower average copper and by-product prices, and the decline in other cash flows provided by operating activities..

### CASH AND DEBT

At June 30, 2016, CODELCO had consolidated cash and cash equivalents for US\$ 339 million compared to US\$ 638 million at the same date of 2015. At June 30, 2016, CODELCO's financial debt achieved US\$ 14.0 billion compared to US\$ 12.9 billion at June 30, 2015. CODELCO's financial debt excludes the loan from Mitsui, non-recourse to CODELCO, to execute the Anglo American Sur option to acquire 20% of the asset. CODELCO's net financial debt\* reached US\$ 13.6 billion by June 30, 2016 compared to US\$ 12.2 by June 30, 2015. First half 2016 debt increase includes the issuance of CODELCO 2025 for US\$ 2 billion in September 2015 in the international capital markets. Regarding the bank market, since the second part of 2015 CODELCO had paid bilateral loan maturities for US\$1.1 billion, of which US\$ 788 million corresponded to 2015 and 2016 maturities and the other US\$ 350 million to 2016 maturities prepayment.

\* Net of cash and cash equivalents. Excludes Mitsui debt to acquire 20% of Anglo American Sur asset, because is non-recourse to CODELCO



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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<b>Profit (loss)</b>	<b>1/1/2016 6/30/2016</b>	<b>1/1/2015 6/30/2015</b>	<b>Var Amnt</b>	<b>%</b>
Revenue	5,406,033	5,867,322	(9,380)	(0.3)
Cost of sales	(4,734,154)	(4,722,678)	(177,020)	7.8
<b>Gross profit</b>	<b>671,879</b>	<b>1,144,644</b>	<b>(186,400)</b>	<b>(40.0)</b>
Other Income, by function	78,918	54,809	(4,485)	(32.1)
Distribution costs	(5,401)	(5,031)	(79)	2.9
Administrative expenses	(176,145)	(198,043)	6,561	(6.5)
Other expenses	(545,454)	(594,850)	(16,317)	6.9
Other gains (losses)	14,363	12,903	827	13.8
<b>Profit (losses) from operating activities</b>	<b>38,160</b>	<b>414,432</b>	<b>(199,893)</b>	<b>(138.5)</b>
Finance income	13,401	7,528	(364)	(8.4)
Finance costs	(279,711)	(227,560)	(14,219)	11.3
Share of profit of associates and joint ventures accounted for using the equity method	(28,919)	54,566	(1,134)	(13.3)
Foreign exchange differences	(239,253)	192,646	(265,480)	(285.8)
<b>Profit for the period before tax</b>	<b>(496,322)</b>	<b>441,612</b>	<b>(481,090)</b>	<b>(387.3)</b>
Income tax expense	292,509	(504,200)	350,060	(296.8)
<b>Profit for the period</b>	<b>(203,813)</b>	<b>(62,588)</b>	<b>(131,030)</b>	<b>(2,095.8)</b>
Profit (loss) attributable to:				
Profit attributable to owners of the parent	(191,812)	(53,668)	(138,225)	(869.4)
Loss attributable to non-controlling interests	(12,001)	(8,920)	7,195	(74.6)
<b>Profit for the period</b>	<b>(203,813)</b>	<b>(62,588)</b>	<b>(131,030)</b>	<b>(2,095.8)</b>



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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	6/30/2016	6/30/2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	339,112	638,435
Other current financial asset	7,272	16,758
Other current non-financial assets	51,804	71,643
Trade and other current receivables	1,705,074	1,767,883
Accounts receivables due from related companies, current	1,072	25,451
Inventory	2,052,399	2,582,968
Current tax asset	259,190	39,113
<b>Total current assets</b>	<b>4,415,923</b>	<b>5,142,251</b>
<b>Non-current asset</b>		
Non-current inventories	240,363	-
Other non-current financial assets	52,194	52,111
Other non-current non-financial assets	27,884	31,376
Non-current receivables	88,218	104,969
Accounts receivables due from related companies, non-current	20,796	224
Investment accounted for using the equity method	3,952,973	6,744,052
Intangible assets other than goodwill	191,819	18,893
Property, Plant and Equipment, net	22,919,552	22,475,294
Investment property	5,830	5,842
<b>Total non-current asset</b>	<b>27,499,629</b>	<b>29,432,761</b>
<b>TOTAL ASSETS</b>	<b>31,915,552</b>	<b>34,575,012</b>



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**Liabilities**

	<b>6/30/2016</b>	<b>6/30/2015</b>
<b>Current liabilities</b>		
Other current financial liabilities	1,069,303	1,106,191
Trade and other current payables	974,845	1,007,928
Accounts payables to related companies, current	92,795	186,943
Other current provisions	201,372	295,046
Current tax liabilities	1,984	3,475
Current employee benefit accruals	303,418	356,027
Other current non- financial liabilities	135,481	101,274
<b>Total current liabilities</b>	<b>2,779,198</b>	<b>3,056,884</b>
<b>Non-current liabilities</b>		
Other non-current financial liabilities	14,005,596	12,853,776
Other non-current liabilities	71,826	-
Accounts payables to related companies, non-current	-	175,364
Other non-current provisions and accrued expenses	1,305,440	1,269,641
Deferred tax liabilities	2,933,383	4,518,129
Non-current employee benefit accruals	1,299,559	1,264,507
Other non-current non-financial liabilities	5,586	4,170
<b>Total non-current liabilities</b>	<b>19,621,390</b>	<b>20,085,587</b>
<b>Total liabilities</b>	<b>22,400,588</b>	<b>23,142,471</b>
<b>Equity</b>		
Issued Capital	2,524,423	2,524,423
Retained earnings	57,801	1,473,026
Other Reserves	5,902,182	5,553,640
<b>Equity attributable to owners of the parent</b>	<b>8,484,406</b>	<b>9,551,089</b>
Non-controlling interests	1,030,558	1,881,452
<b>Total equity</b>	<b>9,514,964</b>	<b>11,432,541</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>31,915,552</b>	<b>34,575,012</b>





**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>1/1/2016 6/30/2016</b>	<b>1/1/2015 6/30/2015</b>
<b>Cash flow provided by (used in) operating activities:</b>		
Cash receipts provided by operating activities		
Cash flows provided by sales of goods and rendering of services	5,591,044	6,246,640
Other cash flows provided by operating activities	695,998	906,665
Types of cash payments		
Payments to suppliers for goods and services	(3,809,159)	(4,029,817)
Payments to and on behalf of employees	(898,298)	(944,308)
Other cash flows used in operating activities	(1,055,277)	(1,099,457)
Dividends received	24,558	107,741
Income taxes paid	(42,842)	(41,330)
<b>Net cash flows provided by operating activities</b>	<b>506,024</b>	<b>1,146,134</b>
<b>Cash flows provided by (used in) investing activities:</b>		
Other payments to acquire equity or debt instruments of other entities	(81)	(1,830)
Purchases of property plant and equipment	(1,691,331)	(1,639,967)
Interest received	9,079	3,208
Other inflows (outflows) of cash	207,940	(2,211)
<b>Net cash flows from (used in) investing activities</b>	<b>(1,474,393)</b>	<b>(1,640,801)</b>
<b>Cash flows used in financing activities:</b>		
Proceeds from current borrowings	217,460	290,660
Repayments of borrowings	(400,145)	(248,291)
Dividends paid	-	-
Interest paid	(260,135)	(216,331)
<b>Net cash flows used in financing activities</b>	<b>(442,820)</b>	<b>(173,962)</b>
<b>Net increase (decrease) in cash and cash equivalents before foreign exchange difference</b>	<b>(1,411,189)</b>	<b>(668,629)</b>
Foreign Exchange Rate Net increase (decrease) in cash and cash equivalents	2,583	(3,552)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,408,606)</b>	<b>(672,181)</b>
Cash and cash equivalents at beginning of period	<b>1,747,718</b>	<b>1,310,616</b>
Cash and cash equivalents at end of period	<b>339,112</b>	<b>638,435</b>



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### COMPANY PROFILE

CODELCO is the world's largest copper producer engaging primarily in the exploration, development and extraction of ores bearing copper and by-products, the processing of ore into refined copper and the international sale of refined copper and by-products. CODELCO is 100% owned by the Republic of Chile and controls approximately 7% of the world proven and probable copper reserves; as such term is defined by the U.S. Geological Survey. In 2015, CODELCO had an estimated 10% share of the total world copper production, with production of approximately 1.89 million metric tons (including CODELCO's share in the El Abra deposit, which is mined by Sociedad Contractual Minera El Abra and its share in Anglo American Sur) and an estimated 10% share of the world's molybdenum production with own production of approximately 27,684 metric tons.

### CODELCO CORPORATE ADDRESS

1270 Huerfanos St.  
P.O. Box 150 – D  
Santiago, CHILE  
Phone: (56-2) 2690 3000

### INVESTOR CONTACT

Lucila Siskind  
Director of Investor Relations  
Phone: (56-2) 2392 2337  
FAX: (56-2) 2690 3641  
e-mail: [lsiskind@odelco.cl](mailto:lsiskind@odelco.cl)

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