

FINANCIAL STATEMENTS

THE MAIN OBJECTIVE OF CODELCO IS TO MAXIMIZE THE PROFITS FOR ITS SHAREHOLDERS, ALL CHILEANS. FOR THIS IT HAS DEFINED TWO KEY AXES FOR THE FUTURE: GROWTH AND COMPETITIVENESS.

FINANCIAL STATEMENTS



INDEX

INDEPENDENT AUDITOR'S REPORT	87
CONSOLIDATED BALANCE SHEETS	88
CONSOLIDATED INCOME STATEMENTS	90
CONSOLIDATED CASH FLOWS STATEMENTS	91
RECONCILIATION OF NET INCOME AND OPERATING CASH FLOWS	92
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	93
ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS	108
INDEPENDENT AUDITOR'S REPORT	115
INDIVIDUAL BALANCE SHEETS	116
INDIVIDUAL INCOME STATEMENTS	118
INDIVIDUAL CASH FLOW STATEMENTS	119
RECONCILIATION OF NET INCOME AND OPERATING CASH FLOWS	120
SIMPLIFIED NOTES ON INDIVIDUAL FINANCIAL STATEMENTS	121
ANALYSIS OF INDIVIDUAL FINANCIAL STATEMENTS	137
INDEPENDENT AUDITOR'S REPORT	143
DIVISIONAL STATEMENTS OF INCOME	144
CONSOLIDATED DIVISIONAL STATEMENTS OF INCOME	150
INDEPENDENT AUDITOR'S REPORT	153
STATEMENTS OF DIVISIONS' INCOME AND SPENDING ALLOCATIONS CONTROLLED BY THE HEAD OFFICE AND SUBSIDIARIES	154
SUMMARY OF SUBSIDIARIES' FINANCIAL STATEMENTS	156
HIGHLIGHTS	162
OFFICES, SUBSIDIARIES AND SALES REPRESENTATIVES	166

\$ Chilean pesos
\$ Thousands of Chilean pesos
US\$ US dollars
ThUS\$ Thousands of US dollars

Financial Statements **Simplified Consolidated**

To the Chairman and Board of Directors of Corporación Nacional del Cobre de Chile

We have audited the accompanying consolidated balance sheets of Corporación Nacional del Cobre de Chile (the "Company") and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income and of cash flows for the years then ended. These financial statements (including the related notes) are the responsibility of the management of Corporación Nacional del Cobre de Chile. Our responsibility is to express an opinion on these financial statements based on our audits. We have not audited the financial statements at December 31, 2006 and 2005, of certain investees and subsidiaries. Those financial statements were audited by other auditors, whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for such investees and subsidiaries, is based solely on the reports of such other auditors. At December 31, 2006 and 2005, the direct and indirect investment of the Company in such investees and the total assets reflected by the financial statements of such subsidiaries represent 8.6% and 7.5%, respectively, of the total consolidated assets, and the year's net equity in income of these investees and the total sales reflected by the financial statements of these subsidiaries represent 7.6% and 7.1%, respectively, of the total consolidated sales.

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

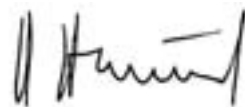
In our opinion, based on our audits and the reports from other auditors, the consolidated financial statements, present fairly, in all material respects, the financial position of Corporación Nacional del Cobre de Chile and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Chile.

The notes to the accompanying financial statements are a simplified version of those included in the consolidated financial statements of Corporación Nacional del Cobre de Chile and subsidiaries filed with the Superintendency of Securities and Insurance, upon which we have issued our report under this same date. Such financial statements contain additional information required by such Superintendency, which is not indispensable for their adequate interpretation.

The accompanying financial statements have been translated into English for the convenience of readers outside of Chile.



February 7, 2007



Mario Muñoz V.

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars - ThUS\$) At December 31, 2006 and 2005

	2006 ThUS\$	2005 ThUS\$
ASSETS		
CURRENT ASSETS:		
Cash and banks	8,419	15,526
Time deposits	821,466	201,720
Marketable securities	3,258	396
Trade receivables, net	1,470,158	1,162,315
Notes receivable	9,739	5,098
Other receivables, net	248,788	158,974
Due from related companies	15,472	3,214
Inventories, net	1,522,527	1,020,600
Taxes recoverable	95,166	89,183
Prepaid expenses	9,186	6,815
Deferred taxes	375,875	108,515
Other current assets	41,932	22,500
Total current assets	4,621,986	2,794,856
PROPERTY, PLANT AND EQUIPMENT:		
Land	58,674	54,962
Buildings and infrastructure	7,389,756	7,055,175
Machinery and equipment	6,871,901	6,477,183
Other plant and equipment	116,999	99,525
Technical appraisal revaluation	368,741	368,901
Accumulated depreciation	(8,203,826)	(7,670,833)
Net property, plant and equipment	6,602,245	6,384,913
OTHER ASSETS:		
Investments in related companies	1,009,968	723,369
Investments in other companies	1,279	3,093
Goodwill	21,670	25,628
Negative goodwill	(392)	-
Long-term receivables	178,548	162,058
Due from related companies	46,679	55,387
Intangibles	21,391	23,703
Accumulated amortization	(6,748)	(1,812)
Other assets	536,217	567,853
Total other assets	1,808,612	1,559,279
TOTAL ASSETS	13,032,843	10,739,048

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEETS

At December 31, 2006 and 2005 (In thousands of dollars - ThUS\$)

	2006 ThUS\$	2005 ThUS\$
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Banks and financial institutions:		
Current	61,049	46,162
Current portion of long-term debt	8,506	306,381
Current portion of bonds payable	36,717	30,740
Dividends payable	300,000	407,000
Accounts payable	596,450	566,236
Notes payable	649	1,899
Miscellaneous payables	112,923	103,190
Due to related companies	145,962	80,114
Accruals	505,865	382,557
Withholdings	150,631	98,043
Income taxes payable	110,322	146,004
Deferred income	40,120	26,920
Other current liabilities	2,610	4,810
Total current liabilities	2,071,804	2,200,056
LONG-TERM LIABILITIES:		
Due to banks and financial institutions	600,000	600,000
Bonds payable	3,213,739	2,722,512
Notes payable	81,853	85,948
Miscellaneous payables	106,952	101,095
Due to related companies	492,291	-
Accruals	1,179,540	994,180
Deferred taxes	674,999	1,008,553
Other long-term liabilities	81,491	82,651
Total long-term liabilities	6,430,865	5,594,939
MINORITY INTEREST	2,573	3,019
EQUITY:		
Paid-in capital	1,524,423	1,524,423
Other reserves	1,332,432	1,325,390
Retained earnings:		
Net income for the year	3,338,789	1,779,609
Profits distribution to the Chilean Treasury	(1,668,043)	(1,688,388)
Total net equity	4,527,601	2,941,034
TOTAL LIABILITIES AND EQUITY	13,032,843	10,739,048

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENTS

At December 31, 2006 and 2005 (In thousands of dollars - ThUS\$)

	2006 ThUS\$	2005 ThUS\$
Sales	17,077,032	10,490,573
Cost of sales	(7,272,311)	(4,801,086)
Gross profit	9,804,721	5,689,487
Administrative and selling expenses	(319,945)	(261,779)
OPERATING INCOME	9,484,776	5,427,708
Interest income	58,124	22,361
Equity in income of related companies	451,877	110,032
Other income	183,631	121,391
Equity in losses of related companies	(7,573)	(10,514)
Amortization of goodwill	(1,176)	(810)
Interest expense	(236,085)	(189,208)
Other expenses	(2,074,611)	(1,301,595)
Price level restatement	(264)	(240)
Foreign exchange differences	42,364	(107,910)
NON-OPERATING EXPENSES	(1,583,713)	(1,356,493)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	7,901,063	4,071,215
Income taxes	(4,564,654)	(2,295,331)
INCOME BEFORE MINORITY INTEREST	3,336,409	1,775,884
MINORITY INTEREST	2,349	3,725
NET PROFIT	3,338,758	1,779,609
Amortization of negative goodwill	31	-
NET INCOME FOR THE YEAR	3,338,789	1,779,609

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENTS

At December 31, 2006 and 2005 (In thousands of dollars - ThUS\$)

	2006 ThUS\$	2005 ThUS\$
CASH FLOW FROM OPERATING ACTIVITIES:		
Collection of accounts receivable	18,504,378	10,855,438
Interest income collected	48,573	19,822
Dividends and other distributions collected	318,500	735
Other income collected	822,495	677,318
Payments to suppliers and personnel	(8,580,429)	(5,258,722)
Interest paid	(69,797)	(23,066)
Income taxes paid	(5,194,888)	(2,214,183)
Law N°13,196 and other expenses paid	(1,464,048)	(1,029,970)
Value added tax and other similar taxes paid	(780,060)	(622,572)
Net cash provided by operating activities	3,604,724	2,404,800
CASH FLOW FROM FINANCING ACTIVITIES:		
Loans obtained	150,000	390,000
Bonds payable	500,000	718,737
Other financing obtained	-	7,870
Profits distribution to the Chilean Treasury	(1,857,009)	(1,389,247)
Loan payment	(468,000)	(393,600)
Net cash used in financing activities	(1,675,009)	(666,240)
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sales of property, plant and equipment	391	44
Proceeds from sales of permanent investments	-	7,000
Proceeds from sale of other investments	1,619	-
Collection of loans to related companies	-	34,300
Other investment income	65,174	87,111
Purchases of property, plant and equipment	(1,218,725)	(1,844,681)
Investments in related companies	(111,046)	(4,098)
Investments in financial instruments	(3,775)	(3,880)
Loans to related companies	0	(12,170)
Other investment disbursements	(47,852)	(39,572)
Net cash used in investing activities	(1,314,214)	(1,775,946)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	615,501	(37,386)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF YEAR	217,642	255,028
CASH AND CASH EQUIVALENT AT THE END OF YEAR	833,143	217,642

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENTS

At December 31, 2006 and 2005 (In thousands of dollars - ThUS\$)

	2006 ThUS\$	2005 ThUS\$
RECONCILIATION BETWEEN NET INCOME AND CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	3,338,789	1,779,609
Income from sale of assets:		
Proceeds from sales of property, plant and equipment	(10,366)	(3,638)
Profit from sale of investments	-	(832)
Charges (credits) to income which do not represent cash flows:		
Depreciation	520,367	457,642
Amortization of assets	255,874	166,720
Write-off and provisions	118,227	144,635
Equity in income of related companies	(451,877)	(110,032)
Equity in losses of related companies	7,573	10,514
Amortization of goodwill	1,176	810
Amortization of negative goodwill	(31)	-
Price level restatement, net	269	240
Foreign exchange differences, net	(42,364)	107,910
Other credits to income which do not represent cash flows	(27,675)	(111,733)
(Increase) decrease in assets that affect operating cash flow:		
Accounts receivable	(320,101)	(498,771)
Inventories	(501,927)	(266,969)
Other assets	(71,101)	(43,083)
Increase (decrease) in liabilities that affect operating cash flow:		
Accounts payable related to operating activities	620,880	161,285
Interest payable	18,146	9,163
Income taxes payable	(35,682)	158,926
Value added tax and other similar taxes payable	186,896	446,129
Minority interest	(2,349)	(3,725)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,604,724	2,404,800

The accompanying notes are an integral part of these consolidated financial statements

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars - ThUS\$)

Management considers these explanatory notes offer sufficient information but less detailed than that contained in the explanatory notes that are an integral part of the consolidated financial statements which were filed with the Superintendency of Securities and Insurance, and are available to the general public. This information is also available at the Company's office.

Note 01 - Registration in the Securities Register

Corporación Nacional del Cobre de Chile, Codelco - Chile ("Codelco", or the "Company") is registered under the Securities Registry No. 785 of the Superintendency of Securities and Insurance (the "Superintendency"). The Company is subject to the regulation of the Superintendency.

The Company was formed as stipulated by Law Decree (D.L.) N° 1,350 dated 1976. Codelco is a state-owned mining, industrial and commercial company, which is a legal entity in itself and with its own equity. Codelco currently carries out its mining business through its Codelco Norte (made up of the following ex divisions: Chuquicamata and Radomiro Tomic), Salvador, Andina, El Teniente, and Ventanas Divisions. The Ventanas Division was formed on May 1, 2005, through the purchase of Fundición y Refinería Las Ventanas from ENAMI. Also, the Company also carries out similar activities in other mining deposits in association with third parties.

As established in D.L. N° 1,350, Codelco's financial activities are conducted following a budgeting system that is composed of an Operations Budget, an Investment Budget and a Debt Amortization Budget.

The Company's tax regime is established in D.L. N°s 1,350, 2,398 and 824.

Note 02 - Significant accounting policies applied

a. Accounting period

These consolidated financial statements reflect the financial position of the Company and its subsidiaries as of December 31, 2006 and 2005, and the results of its operations and cash flows for the years then ended.

b. Basis of preparation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles issued by the Chilean Institute of Accountants, and regulations of the Superintendency.

Should there be any discrepancy between the above mentioned principles and regulations, the regulations of the Superintendency will prevail over accounting principles generally accepted in Chile.

c. Reporting currency

In accordance with Article 26 of D.L. 1,350, the Company's records are maintained in United States dollars.

d. Basis of consolidation

In accordance with the regulations of the Superintendency and Technical Bulletins issued by the Chilean Institute of Accountants. The consolidated financial statements of the Company and its subsidiaries include the assets, liabilities, results of operations, and cash flows of the Company and its subsidiaries:

Asociación Garantizadora de Pensiones, Isapre Chuquicamata Limitada, Instituto de Innovación en Minería y Metalurgia S.A., Isapre San Lorenzo Limitada, Isapre Río Blanco Limitada, Chile Copper Limited (UK), Codelco Group USA Inc. (United States), Codelco International Limited (Bermuda), Codelco Kupferhandel GMBH (Germany), Codelco Services Limited (UK), Metall Agentur GmbH (Germany), Codelco Metals Inc. (United States), Codelco Technologies Ltd. (Bermuda), Codelco Do Brasil Mineracao (Brazil), Copper Technology Investment Inc. (United States), Semi Solid Metal Investors Llc. (United States), Corporación del Cobre (USA) Inc. (United States), Compañía Minera Picacho (SCM), Compañía Contractual Minera Los Andes, Elaboradora de Cobre Chilena Limitada, CMS - Chile Sistemas y Equipos Mineros S.A., Ejecutora Proyecto Hospital del Cobre Calama S.A., Complejo Portuario Mejillones S.A., Santiago de Río Grande S.A., Exploraciones Mineras Andinas S.A., Inversiones Cooperfied Ltda., Alliance Copper Limited, Minera Gaby S.A. and Clínica Río Blanco S.A.. The interest that Codelco holds in the above companies fluctuates between 96% and 100%. Likewise, in Mineracao Vale Do Curaca (Brazil), Mining Information Communications and Monitoring S.A. and Biosigma S.A., Codelco holds an interest of 51%, 66% and 66.67%, respectively.

The consolidated financial statements take into account the elimination of balances, significant intercompany transactions and unrealized gains and losses between consolidated companies, including foreign and local subsidiaries and the participation of minority investors has been recorded as minority interest.

Although Codelco owns 66.75% of Electroandina S.A. and Inversiones Mejillones S.A., directly or indirectly, the Company does not control the management of these companies, and therefore, in accordance with generally accepted accounting principles in Chile, the conditions to include these subsidiaries in the Codelco financial statements consolidation are not met, the ownership is as follows:

Electroandina S.A.

Codelco directly owns 34.8% of Electroandina S.A. and an indirect ownership interest through Inversiones Tocopilla Ltda., in which Codelco has an ownership interest of 49% and its strategic partner Suez Energy Andino S.A. has an interest of 51%. Inversiones Tocopilla Ltda. owns 65.2% of the shares of Electroandina S.A.

Inversiones Mejillones S.A.

Codelco directly owns 34.8% of Inversiones Mejillones S.A. and an indirect ownership interest through Inversiones Tocopilla Ltda., in which Codelco has a 49% interest and its strategic partner Suez Energy Andino S.A. has an interest of 51%. Inversiones Tocopilla Ltda. owns 65.2% of the shares of Inversiones Mejillones S.A.

e. Constant currency restatement

The financial statements of the Chilean subsidiaries, which keep their accounting records in Chilean pesos, have been price-level restated to recognize the effects of the variation in the currency's purchasing power during each year. In line with this, restatements for inflation have been determined using the figures reported by the Chilean Institute of Statistics. The variations reported by the aforementioned Institute for the year ended December 31, 2006 and 2005 were 2.1% and 3.6%, respectively.

f. Basis of conversion

The Company's assets and liabilities in Chilean pesos, mainly composed of cash, accounts receivable, investments in companies in Chile, accounts payable and accruals, have been expressed in United States dollars at the observed exchange rate at each year-end of Ch\$532.39 per US dollar as of December 31, 2006 (2005: Ch\$512.50 per US dollar).

UF-Denominated Assets and Liabilities

At December 31, 2006 and 2005, assets and liabilities in local currency denominated in UF (an inflation index-linked unit used in Chile) have been translated using the US\$ rates effective at the end of the period (2006: Ch\$532.39 and 2005: Ch\$512.5) and the UF value on the closing dates of the financial statements. (2006: \$18,336.38; 2005: \$17,974.81).

The Company's income and expenses in Chilean pesos have been translated into US dollars at the observed exchange rate on the date on which each transaction was recorded in the accounting records.

Foreign exchange differences are debited or credited to income, in accordance with generally accepted accounting principles issued by the Chilean Institute of Accountants and regulations of the Superintendency.

The average exchange rate for the year ended December 31, 2006 was Ch\$530.34 per US dollar, (2005: Ch\$559.68).

Chilean Subsidiaries

Assets and liabilities and income statement accounts in pesos as of December 31, 2006 and 2005 have been translated into US dollars at the exchange rates on those dates, (Ch\$532.39 and Ch\$512.50 per US dollar, respectively).

Foreign subsidiaries

As of December 31, 2006 and 2005, the financial statements of foreign subsidiaries have been translated from their respective foreign currencies into US dollars using the closing exchange rates as of the respective year-end, as follows:

	2006 US\$	2005 US\$
Pound sterling	1.95695	1.71792
Euro	1.31874	1.18259
Mexican peso	0.09259	0.09241

g. Time deposits

Time deposits are recorded at cost plus interest accrued at each year-end.

h. Marketable securities

Marketable securities include mutual fund units stated at market value and other investments defined as marketable securities stated at the lower of cost or market value.

i. Inventories

Inventories are valued at cost, which does not exceed their net realizable value. Cost has been determined using the following methods:

- Finished products and products in process: Following the full-cost absorption method, finished products and products in process are valued at average production cost. Production costs include depreciation of property, plant and equipment and indirect expenses.
- Materials in warehouse: The Company calculates an obsolescence provision depending on the length of time in stock of slow turnover in the warehouse.
- Materials in transit: Materials in transit are valued at the cost incurred as at the year-end.

j. Allowance for doubtful accounts

Management estimates the allowance for doubtful accounts based on its experience and analysis, as well as the aging of the balances.

k. Property, plant and equipment

Property, plant and equipment are valued at historical cost as increased by technical appraisals performed by The American Appraisal Co. during 1982 to 1984, net of accumulated depreciation.

Construction in progress includes the amounts invested in property, plant and equipment under construction and in mining development projects.

The ore bodies owned by the Company are recorded in the accounts at US\$1 each. In accordance with the above, the economic value of these ore bodies differs from the accounting value.

l. Depreciation

Depreciation of property, plant and equipment is calculated on the book values of property, plant and equipment, including the revaluation mentioned in Note 2(k) above, using the straight-line method, and is booked in accordance therewith over the estimated useful lives of the assets.

m. Exploration, mine development and mine operating costs and expenses

- Deposit exploration and drilling expenses: Deposit exploration and drilling expenses are incurred in the identification of mineral deposits and the determination of their possible commercial viability and are charged to income as incurred.
- Mine pre-operation and development costs (property, plant and equipment): Costs incurred during the development phase of projects up to the production stage are capitalized and amortized over future mineral production. These costs include extraction of waste material, constructing the mine's infrastructure and other work carried out prior to the production phase.
- Expenses of developing existing mines: These expenses are incurred for the purpose of maintaining the production volumes from deposits and are charged to income as incurred.
- Costs of delineating new deposit areas in exploitation and of mining operations (property, plant and equipment): These costs are recorded in property, plant and equipment and are amortized to income in the period in which the benefits are obtained.

n. Leased assets

Property, plant and equipment recorded under finance leasing contracts are recorded as other property, plant and equipment. These assets have been valued at their net present value applying the implicit interest rate in the contracts and are depreciated using the straight-line method based on the useful lives of the assets. The Company does not legally own these assets until it exercises the respective purchase option.

o. Investments in related companies

Investments in domestic and foreign related companies, identified as permanent, are valued using the equity method in accordance with Technical Bulletins issued by the Chilean Institute of Accountants. Equity method investments in domestic companies, which are accounted for in Chilean pesos are expressed in US dollars at the year-end exchange rate. The differences which arise and are unrelated to the recognition of income are recognized in the item Other reserves in Equity. In applying the equity method, investments in foreign subsidiaries are expressed in US dollars.

Unrealized gains related to investments in related companies are credited to income at the same rate as the amortization of the transferred assets or mine production, as applicable.

p. Investments in other companies

The item "investments in other companies" represents the value of the shares that the Company has been required to acquire for its operations. These are recorded at cost, which does not exceed market value.

q. Intangibles

Intangibles are recorded at the amount of the disbursements made and are amortized in accordance with Technical Bulletin N°55 issued by the Chilean Institute of Accountants.

r. Income tax and deferred income taxes

Include taxes on first category taxable income and the specific mining activity tax according to D.L. 824, and the D.L. N°2,398 at a 40% tax rate.

The Company recognizes the effects of deferred income taxes arising from temporary differences, which have a different treatment for book and tax purposes, in accordance with the Technical Bulletins issued by the Chilean Institute of Accountants and the regulations of the Superintendency.

s. Severance indemnities and other long-term benefits

The Company has an agreement with its employees for payment of severance indemnities. It is the Company's policy to provide for the total accrued obligation under the shut-down method.

The Company, following its cost-reduction programs through the use of modern technologies, has established personnel severance programs, with benefits that encourage retirement, for which the necessary provisions are made when the employee commits to his/her retirement.

t. Revenue recognition

Revenue is recognized at the time of shipment or delivery in conformity with contractual agreements and is subject to variations in contents and/or the sales price at the transaction settlement date. A provision is made for estimated decreases in sales values on unsettled operations at the end of the period based on the information available as of the date the financial statements are prepared and is presented deducting trade receivables. Sales in Chile are recorded in accordance with Chilean regulations.

According to the note related to the contracts for price-fixing operations, the Company carries out operations in future markets in order to protect its commercial operations, and records the effects of these hedging transactions at the settlement date of the contracts. These results are added or deducted from sales, as they form part of the commercial policy.

u. Derivative contracts

The Company's derivative contracts are entered into based on the following hedging policies:

– Hedging policies for exchange and interest rates

The Company contracts exchange rate hedge transactions to cover exchange rate variations between the US dollar and the other currencies its transactions are made in.

The Company has also contracted interest rate hedge transactions to cover fluctuations of interest rates for future obligations denominated in US dollars.

The results of the exchange rate hedging contracts are recorded as of the date of maturity or settlement of the respective contracts, in conformity with Technical Bulletin N°57 issued by the Chilean Institute of Accountants.

The results of the hedging contracts for interest rates for future liabilities are amortized over the term of those liabilities.

– Hedging policies for future metal prices

Hedging operations, which have to be approved by the Board of Directors, in metal futures markets are carried out in order to protect the Company from risks inherent to the fluctuation of the price of metals. The hedging policy seeks to protect the expected cash flows from sale of products and set prices for a portion of future production. With the transactions that are carried out, the Company takes advantage of the opportunities provided by the market, implying a reduced possibility of risk for the Company. In accordance with the provisions of Technical Bulletin No. 57 of the Chilean Institute of Accountants, the results of these hedging transactions are recorded at the settlement date of the operations, as part of the procedures of the settlement of sale of products. In other words, the Company conducts these futures operations in order to adjust the sales contracts and prices of a portion of future production to the commercial policy. The settlement of these operations coincides with the accounting the corresponding transactions and, therefore, when sales commitments are fulfilled, sales contracts' and future contracts' results are offset.

Hedging operations carried out by the Company are not of a speculative nature.

v. Computer software

The costs associated with computer systems developed using the Company's own human resources and materials are charged to income in the period in which they are incurred.

In accordance with Circular N°981 dated December 28, 1990 of the Superintendency of Securities and Insurance, computer systems acquired by the Company are capitalized at acquisition cost plus all related costs and are amortized over a period not exceeding four years.

w. Research and development expenses

Research and development expenses are charged to income as incurred.

x. Statement of cash flows

Cash and cash equivalents includes unrestricted cash and bank balances, time deposits and as short-term marketable securities maturing within 90 days, in accordance with Technical Bulletins issued by the Chilean Institute of Accountants and the regulations of the Superintendency.

The Company has recognized cash flows from operating, investing or financing activities as required by Technical Bulletins issued by the Chilean Institute of Accountants and the regulations of the Superintendency.

y. Bonds

Bonds are presented at outstanding principal plus accrued interest at each period-end. The discount or premium on bond issuance is capitalized as deferred expenses, is amortized using the straight-line method over the term of the bonds and is classified in the Other under Other Assets on in the item Other long-term liabilities under long-term liabilities, respectively.

z. Environmental exit costs

The Company has established a policy of accruing for future environmental exit costs, which mainly relate to tailing dams, which, subsequent to the end of their useful lives, continue to incur expenses. This policy allows for the allocation of a mine's environmental exit costs during its exploitation stage.

aa. Law N° 13,196

Law No. 13,196 requires the payment of a 10% contribution to the Chilean Government on the export value of copper production and related by-products. The amount is included in the item Other Expenses in the income statements.

ab. Cost of sales

The cost of sales includes direct and indirect costs and depreciation and amortization related to the production process.

ac. Bond issuance cost

Bond issuance cost is charged to the year's results, as is established in Circular 1,370 dated January 30, 1998 issued by the Superintendency.

ad. Goodwill

Goodwill is determined using the purchase method in accordance with the standards established by the Technical Bulletin N°72 of the Chilean Association of Accountants. Goodwill is amortized over the period in which the benefits are expected to be obtained.

ae. Negative goodwill

The negative goodwill corresponds to the investment made by our subsidiary Codelco Technologies Limited in July 2006, and results from the creditor difference generated between the cost of the investment and the equity method of accounting at the purchase date, in accordance with Technical Bulletin N°72 of the Chilean Institute of Accountants.

af. Operations with resale and repurchase agreement

Purchases of financial instruments with resale and repurchase agreements are recorded at cost interest plus and restatements at the year-end and are presented in current assets - other.

ag. Reclassifications

Certain 2005 figures have been reclassified for comparative purposes with 2006 figures.

Note 03 - Changes in accounting principles

From January 1, 2006, the Company records in income collective bargaining bonuses. Until December 31, 2005, these bonuses were capitalized and amortized over the period of the respective collective bargaining agreements. At December 31, 2005, there was an asset for ThUS\$14,805 for collective bargaining bonuses, net of deferred taxes, which was also recognized in 2006 income (Note 15).

At December 31, 2006, there were no other changes in accounting policies and accounting criteria described in Note 2, with respect to the previous year.

Note 04 - Balances and transactions with related companies

Accounts receivable and payable to related Companies are presented in the balance sheets.

a. Related transactions

Codelco Chile's Board of Directors has established the policy under which business transacted with individuals related to the Corporation should be conducted. This has been monitored by management since December 1, 1995 through Corporate Regulation N°18 and its related administrative procedure.

Accordingly, Codelco cannot enter into agreements or acts in which one or more Directors, its Executive President, members of the Divisional Board of Directors, Vice Presidents, Corporate Internal Auditor, Divisional Chief Executive Officers and senior supervisory personnel, including their spouses, children and other relatives, up to the second degree of blood relationship, have direct personal interests, whether they are represented by third parties or they act as representatives of another person, without prior authorization as set forth in the aforementioned Policy and Regulation, and by the Board of Directors, when required by Law or the Company's By-Laws.

This prohibition also includes the companies in which such individuals are involved through ownership or management, whether directly or through representation of other natural persons or legal entities, or individuals who have ownership or management in those companies.

For purposes of this regulation, second and third hierarchical level positions in the Divisions, and Managers and Assistant Managers in the Parent Company are considered as senior supervisory positions.

In accordance with the policy established by the Board of Directors and its related regulation, those transactions affecting the Directors, its Executive President, Vicepresidents, Corporate Internal Auditor, the members of the Divisional Boards of Directors and Divisional Chief Executive Officers should be approved by this Board.

Company name	Nature of the relationship	2006 ThUS\$	2005 ThUS\$
Alquimia Ingenieros S.A.	Executive' ex-spouse	488	-
Insitu Ingeniería y Servicios S.A.	Employee's relative	1,700	792
Marticorena & Cía. July	Employee's relative	-	41
Bosch S.A	Executive' spouse	-	2,385
Prodalam S.A.	Director's	2	-
Comunicaciones Bitelco Ltda.	Employee's relative	-	20
Gestra S.A.	Executive' spouse	-	10
Transbosch Ltda.	Executive' spouse	-	44
CIMM Tecnologías y Servicios S.A.	Executive	261	-
Consorcio Ingenieros ARA-PM Ltda.	Executive participation	60	-
Sodimac	Director	1	-
Domingo Iraola Vela	Employee's relative	9	-
Giovanna Riveri Cerón	Employee' sister	-	33
Ana Mejías Liberona	Employee' daughter	-	2
Juan Costella Montt	Employee' brother	2,606	-
Cristian Aguilera Alcajaga	Executive' son	15	11
Sebastián Sánchez Arenas	Employee' son	8	-
Industrial Support Company Ltda.	Employee's relative	-	301

b) Directors' Remunerations

During 2006 and 2005, the members of the Board of Directors have received the following amounts as per diems, remunerations and fees:

b.1) Directors' per diems

Name	2006 ThUS\$	2005 ThUS\$
Karen Poniachik Pollak	11	–
Andrés Velasco Brañes	11	–
Nicolás Majluf Sapag	36	–
Jorge Bande Bruck	36	–
Eduardo Gordon Valcárcel	34	–
Jorge Candia Díaz	36	–
Raimundo Espinoza Concha	35	–
José Alfonso Dulanto Rencoret	3	17
Nicolás Eyzaguirre Guzmán	3	16
Patricio Meller Bock	8	44
Jorge Navarrete Martínez	8	44
Ricardo Ortega Terrier	8	43
Bismarck Robles Guzmán	8	44
René Valdenegro Oyaneder	8	44

b.2) Remunerations

Name	2006 ThUS\$	2005 ThUS\$
Jorge Candia Díaz	62	–
Raimundo Espinoza Concha	27	–
Bismarck Robles Guzmán	7	54
René Valdenegro Oyaneder	14	75

b.3) Fees

Name	2006 ThUS\$	2005 ThUS\$
Jorge Navarrete Martínez	12	64

c) Operations with Codelco investees

In addition, the Company also performs the necessary commercial and financial transactions with subsidiaries or investees. Commercial transactions are for the purchase and sale of products and services at market conditions and values, and financial transactions are mainly loans in current account, subject to readjustments, interests, and terms of payment agreed in supporting documents.

The main transactions with related companies are with investees and subsidiaries and correspond to purchases for goods and services for ThUS\$821,860 (ThUS\$548,889 in 2005) and sales for goods and services in 2006 for ThUS\$121,971 (ThUS\$27,409 in 2005) all at market prices.

d) Other information

At December 31, 2006, the account payable to the investee Copper Partners Investment Company Ltd. corresponds to the balance of the advance (US\$550 millions) received in accordance with the commercial agreement with Minmetals (Note 19b).

Note 05 - Inventories

At December 31, 2006 and 2005, inventories amounted to ThUS\$1,522,527 and ThUS\$1,020,600, respectively, comprising finished products, products in process and material in warehouse and others. Inventory values are net of obsolescence allowance for material in warehouse for ThUS\$49,837 and ThUS\$46,387 as of December 31, 2006 and 2005, respectively.

At December 31, 2006 finished product are presented net of unrealized profits of ThUS\$68,725 (ThUS\$51,003 in 2005), corresponding to purchase and sale operations to investees, which in accordance with generally accepted accounting principles in Chile, have to be deducted from the items that originated them.

Note 06 - Deferred taxes and income taxes

a) Deferred taxes

The deferred tax calculated in accordance with the policy described in Note 2 r) represents a net liability of ThUS\$299,117 at December 31, 2006 (ThUS\$900,038 in 2005).

b) Income taxes

At December 31, 2006 and 2005, the provisions for first category income tax and that required by D.L. No. 2,398 amount to ThUS\$4,724,510 (2005: ThUS\$2,427,650), and respectively and are shown in income taxes payable in current liabilities, net of estimated monthly payments of taxes and other tax credits.

The subsidiaries' income tax provision charged to income amounted to ThUS\$156 in 2006 and ThUS\$221 in 2005 and is presented in income tax payable, net of estimated provisional monthly tax payments and other tax credits.

c) Tax Law 20,026

On June 16, 2005, income tax law D.L. 824 was modified by Law 20,026, establishing a progressive tax rate on mining activity operating margins in Chile (5% for companies with sales over 50,000 metric tons of equivalent copper) and will be applied as of January 2006. In October 2005, the Chilean Internal Revenue Service issued a regulation regarding the law.

To this effect, at December 31, 2006, ThUS\$440,909 (ThUS\$21,363 in 2005) has been recorded in deferred taxes, under specific tax on mining activities. This tax will apply over net sales of the Company's own production from January 1, 2006.

Note 07 - Property, plant and equipment

Property, plant and equipment at December 31, 2006 and 2005 are detailed below (in ThUS\$):

a) Property, plant and equipment	2006 ThUS\$	2005 ThUS\$
Land and mining rights	58,674	54,962
Buildings and infrastructure	7,389,756	7,055,175
Machinery and equipment	6,871,901	6,477,183
Other plant and equipment	116,999	99,525
Technical appraisal revaluation	368,741	368,901
Total gross property, plant and equipment	14,806,071	14,055,746
b) Accumulated depreciation and depreciation for the year:	2006 ThUS\$	2005 ThUS\$
Buildings and infrastructure	(3,988,259)	(3,759,771)
Machinery and equipment	(4,161,237)	(3,887,455)
Other plant and equipment	(15,882)	(7,853)
Accumulated depreciation - subsidiaries	(38,448)	(15,754)
Total accumulated depreciation	(8,203,826)	(7,670,833)
Depreciation and amortization for the year	704,756	593,077

c) Assets acquired through capital leases correspond to buildings and infrastructure, and are included in other property, plant and equipment. Contracts are expressed in UF, at an average annual interest rate of 7.92%, and with amortization periods of up to 300 months and are included in miscellaneous payables, according to their maturity.

d) As a result of the acquisition of Fundición y Refinería Las Ventanas, from Empresa Nacional de Minería (ENAMI), property, plant and equipment increased as follows:

Item	ThUS\$
Land	24,588
Land improvements	28,574
Buildings	49,056
Work in progress	160
Machinery and equipment	277,732
Total	380,110

e) The Company has deducted ThUS\$46,791 from its assets for those mining sectors of Salvador Division that will have to shut down and has presented them in other non-operating expenses.

f) On January 9, 2006, the Board of Directors of Codelco approved the Gaby Project, which involves the exploitation of 584 million tons with a total investment of US\$898 million. Said project will involve a 23 month construction period from February 2006. At December 31, 2006, US\$110 million are included in works in construction related to Gaby project.

Note 08 - Investments in related companies

At December 31, 2006 and 2005, total investments in investees amount to ThUS\$1,009,968 and ThUS\$723,369, respectively. The net profits of these companies for 2006 and 2005 amounted to ThUS\$444,304 and ThUS\$99,518, respectively.

These investments are expressed net of unrealized gains for ThUS\$140,736 and ThUS\$165,870 in 2006 and 2005, respectively.

In general, Codelco's foreign investments facilitate the Company's commercial activity in different foreign markets.

The Company has not assumed any liabilities as hedging instruments to cover its foreign investments.

a) Principal investees of Codelco:

- *Agua de la Falda S.A.*

In 1996, Agua de la Falda S.A. was formed by Codelco (49%) and Minera Homestake (51%).

The company's objective is the exploration and exploitation of gold and other ore deposits in Region III of Chile.

In 2004, Codelco-Chile did not participate in the capital increase carried out by Agua de la Falda S.A., decreasing its participation from 49% to 43%.

In September 2006, Minera Meridian Limitada acquired 56.72% of Agua de la Falda to Inversiones Copperfield Ltda.. Who held this investment at that date through a purchase at the same date, from Minera Homestake Chile S.A.

- Minera Pecobre S.A. de C.V.

Minera Pecobre S.A. de C.V. is a Mexican with variable capital formed by the Mexican company Minas Peñoles S.A. de C.V. and Codelco, with shareholdings of 51% and 49%, respectively.

The company's line of business is the exploration of copper and by-products in mining area concessions in the state of Sonora, Mexico. Through other mining companies, the company also explores processes and sells minerals found in the mining areas.

- Inversiones Tocopilla Ltda. and Electroandina S.A.

Inversiones Tocopilla Ltda. is a holding company in which Suez Energy Andino S.A. has a 51% interest and Codelco a 49% interest.

The main business of Electroandina S.A., a public company, is the generation, transmission and distribution of electric energy in Region II of Chile. Inversiones Tocopilla Ltda. holds a 65.2% and Codelco holds 34.8%. Electroandina S.A.'s main assets were acquired from the Codelcos' former Tocopilla Division.

- Sociedad Contractual Minera El Abra

Sociedad Contractual Minera El Abra was formed in 1994 by Codelco (49%) and Cyprus El Abra Company (51%), with Cyprus Amax Minerals Company as a guarantor, both linked to the Phelps Dodge mining consortium, to develop and exploit the El Abra deposit.

Codelco's investment in the project consisted of the contribution of a number of mining properties. The financing agreements for the project became effective September 15, 1995 and include the following obligations during the term of the agreements:

- a) A long-term trading agreement with Codelco Services Ltd. for a portion of the production of El Abra.
- b) The commitment from the partners to maintain majority ownership of the property of Sociedad Contractual Minera El Abra.
- c) A pledge on the ownership rights of Sociedad Contractual Minera El Abra in favor of the lending institutions.

- Inversiones Mejillones S.A.

Inversiones Mejillones S.A. was formed on March 20, 2002, with a direct ownership of 34.8% by Codelco and 65.2% by Inversiones Tocopilla Ltda. Codelco owns 49% of the capital of Inversiones Tocopilla Ltda.

Inversiones Mejillones S.A. was formed with the objective of acquiring an 82.34% of the shares of Empresa Eléctrica del Norte S.A. (Edelnor), rescheduling its financial obligations and coordinating the operations of Electroandina S.A. (of which Codelco and Inversiones Tocopilla Ltda. are partners) and Edelnor.

- Sociedad Contractual Minera Purén

Sociedad Contractual Minera Purén was formed on September 23, 2003 by Codelco and Compañía Minera Mantos de Oro, with shareholding of 35% and 65%, respectively.

The company's objective is the exploration, prospecting, research, development and exploitation of mining projects.

- Fundación Talleres S.A.

Fundacion Talleres S.A. is a private company formed on October 1, 2003 by Codelco and Elaboradora de Cobre Chilena Ltda. On October 23, 2003 Fundación Talleres S.A. acquired, from Talleres Division of Codelco, machinery and other operational assets at a book value of Th\$8,066,432 (ThUS\$12,560). On January 23, 2004 Codelco sold 60% of its ownership to Compañía Electro Metalúrgica S.A., generating a loss of ThUS\$2,744, which was charged to 2004 results.

Its purpose is production of steel parts and fittings.

- CMS Tecnología S.A.

CMS Tecnología S.A., a private company, whose purpose is to manufacture, market and distribute mining equipment and spares, and to provide maintenance and repair service for the same.

On October 4, 2005, the Company sold to ABB Chile S.A. 70% of CMS Tecnología S.A. shares for ThUS\$7,000, gaining a ThUS\$832 profit.

- Geotérmica del Norte S.A.

Geotérmica del Norte S.A. is a non-public limited liability company whose business objective is the exploration and exploitation of geothermal deposits located between the Regions I, II and III of Chile and the sale, of all products and by-products derived directly or indirectly from the conduct of the aforementioned activities. In March 2006, the Company sold 45.1% of its ownership to Enel Latin America (Chile) S.A., and therefore at March 31 it records a 5% interest. The selling price of the shares was ThUS\$1,215 generating a loss of ThUS\$12.

- Quadrem International Limited and Copper Partners Invertment Company Ltd.

In addition, through Codelco Internacional and its subsidiary Codelco International Limited, the Company has invested in Quadrem International Holdings Limited, a global company comprised of 18 of the most significant global mining companies to operate in an electronic market, in which companies may buy and sell goods and services.

In March 2006, Codelco Chile through its subsidiary Codelco Internacional Ltd., signed an agreement with Minmetals for the creation of the company Copper Partners Investment Company Ltd, which is equally owned by the two parties.

b) Contributions to related companies

During 2006 and 2005 Codelco-Chile made capital contributions to investees, in cash or by capitalizing accounts receivable, for ThUS\$121,801 and ThUS\$2,548 respectively, according to the following detail:

	2006	2005
	ThUS\$	ThUS\$
Minera Pecobre S.A. de C.V.	3,030	2,548
Soc. Contractual Minera Purén	8,771	-
Copper Partners Investment Company Ltda.	110,000	-

These capital contributions were recorded in accordance with Technical Bulletin N°72 issued by the Chilean Institute of Accountants.

c) Unrealized gains

The Company has recorded unrealized gains on contributions from mining properties, fixed assets and ownership rights. The most significant transactions are detailed below:

- **Sociedad Contractual Minera El Abra**

The Company contributed mining rights to Sociedad Contractual Minera El Abra in 1994. The recognition of income is in relation to the depletion of Sociedad Contractual Minera El Abra. At December 31, 2006 gains for ThUS\$16,019 (2005, ThUS\$20,566) were recognized. At December 31, 2006 finished products are presented under inventories item, net of unrealized gains for ThUS\$37,359.

- **Electroandina S.A.**

There is an unrealized gain on the contribution of fixed assets in 1996. The gain was recognized in annual installments until February 2006. At December 31, 2006, a gain of ThUS\$3,026 (ThUS\$18,159 in 2005) was recognized.

- **Inversiones Tocopilla Ltda.**

There is an unrealized gain on the initial contribution of ownership rights in 1996. The gain was recognized in annual installments until February 2006. At December 31, 2006, a gain of ThUS\$1,089 (ThUS\$6,532 in 2005) was recognized.

Note 09 - Goodwill and bad goodwill

a) Goodwill

The Law No19,993 dated December 17, 2004 authorized ENAMI to sell real estate, equipment, a laboratory, furniture and vehicles, rights and licenses and other movable goods and intangible goods, forming the industrial mining metallurgical complex called Fundición y Refinería Las Ventanas.

Such acquisition was completed on May 1, 2005 for ThUS\$389,226 plus VAT for ThUS\$2,501 on taxed fixed assets. Such transaction mainly consisted in the acquisition of the assets of the industrial complex and certain liabilities related to the industrial complex's employee benefits.

The following is a summary of the operation:

Property, plant and equipment ThUS\$380,110,
Materials in warehouse ThUS\$4,020,
VAT (property, plant and equipment) ThUS\$2,501,
Personnel current accounts ThUS\$10,161,
Recognition of severance indemnity provision ThUS\$29,427,
Recognition of vacation provision ThUS\$2,076.

At December 31, 2006, the goodwill resulting of this transaction, to be amortized in 20 years, in accordance with the estimated life of the investment, was ThUS\$21,670 (ThUS\$25,628 in 2005). Amortization for 2005 amounted to ThUS\$1,176.

b) Negative goodwill

At July 31, 2006, the subsidiary Codelco Technologies Limited acquired the remaining 50% of the ownership in Alliance Cooper Limited in ThUS\$10,000. Said operation generated a net negative goodwill of ThUS\$ 392 at December 31, 2006. The initial fair value study of this investment, in accordance with Technical Bulletin N°72 of the Chilean Institute of Accountants, determined that there are no significant differences with respect to the book value of the investment at said date. Therefore, the Company considered the financial statements of Alliance Copper Ltd. at June 30, 2006, for determining the equity value of this investment. The subsidiary, at December 31, 2006, is obtaining the final fair value study of this investment under the term established in the aforementioned bulletin.

Note 10 - Obligations with banks and financial institutions - current

Current obligations with banks and financial institutions amount to ThUS\$61,049 and ThUS\$46,162 in 2006 and 2005, respectively. At December 31, 2006, ThUS\$22,000 (ThUS\$40,000 in 2005) are denominated in US dollars and pay no interest and ThUS\$39,049 (ThUS\$6,162 in 2005) are denominated in euros at a 4.28% (2005: 3.07%) annual interest rate.

Long - term bank obligations due within one year amount to ThUS\$8,506 in 2006 and ThUS\$306,381 in 2005, they are in US dollars at an average annual interest rate of 5.72% in 2006 and 4.59% in 2005.

Note 11 - Obligations with Banks and financial institutions - long term

At December 31, 2006 and 2005, these obligations amount to ThUS\$600,000 and ThUS\$600,000, respectively, and are denominated in US dollars at an interest rate based on Libor. The average annual interest rate was 5.72% in 2006 and 4.59% in 2005. At December 31, 2006 these obligations mature as follows: ThUS\$300,000 in 2008 and ThUS\$300,000 in 2009.

Note 12 - Current and long-term bonds

On May 4, 1999, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$300,000. These bonds mature in a single installment on May 1, 2009, at an interest rate of 7.375% per annum with interest paid semi-annually. At December 31, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$3,728, in both periods.

On November 18, 2002, the Company issued and placed bonds in the Chilean market, under Superintendency of Securities and Insurance regulations. These bonds were issued for a nominal amount of UF7,000,000, (equivalent to ThUS\$241,091 and ThUS\$245,510 at December 31, 2006 and 2005, respectively) in a single denominated A Series, and are represented by 70,000 certificates for UF100 each. These bonds mature in a single installment on September 1, 2012, at an interest rate of 4.0% per annum with interest paid semi-annually. At December 31, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$3,277, in both periods.

On November 30, 2002, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$435,000. These bonds mature in a single installment on November 30, 2012, at an interest rate of 6.375% per annum interest paid semi-annually. At December 31, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$2,451, corresponding to accrued interest in each period.

On October 15, 2003, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on October 15, 2013, at an interest rate of 5.5% per annum interest paid semi-annually. At December 31, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$5,969 and ThUS\$5,893, respectively.

On October 15, 2004, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on October 15, 2014, at an interest rate of 4.750% per annum interest paid semi-annually. At December 31, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$5,155 and ThUS\$5,089, respectively.

On May 10, 2005, the Company issued and placed bonds in the local market, for a nominal amount of UF6,900,000 (equivalent to ThUS\$237,648 and ThCh\$242,002 at December 31, 2006 and 2005, respectively) in a single denominated B Series, and are represented by 6,900 certificates for UF1,000 each. These bonds mature in a single installment on April 1, 2025, at an interest rate of 3.29% per annum with interest paid semi-annually. At December 31, 2006 and 2005 the current liability for each year's accrued interest was ThUS\$2,433 and ThUS\$2,420 respectively.

On September 21, 2005, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on September 21, 2035, at an interest rate of 5.6250% per annum with interest paid semi-annually. At December 31, 2006 and 2005 the current liability for accrued interest was ThUS\$7,925 and ThUS\$7,882, respectively.

On October 19, 2006, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on October 24, 2036, at an interest rate of 6.15% per annum interest paid semi-annually. At December 31, 2006, the current liability the accrued interest was ThUS\$5,829.

Note 13 - Accruals

At December 31, 2006 and 2005, long-term accruals amount to ThUS\$1,179,540 and ThUS\$994,180, respectively. These accruals cover the Company's long-term commitments, arising from exit plans, contingencies, severance indemnities and others related to personnel benefits in union contracts.

The changes in the long-term accruals for severance indemnities are summarized below:

Movements	Long-term liabilities	
	2006 ThUS\$	2005 ThUS\$
Balance as of January 1, Provision for the year (including effects for variations in exchange rates)	696,033	600,871
	62,079	158,815
Transfers to current liability	(28,896)	(63,653)
Total	729,216	696,033

Note 14 - Changes in equity

a) The Company was formed by D.L. No. 1,350 dated 1976, which establishes that all net income earned by the Company goes to the benefit of the Chilean Government after deducting amounts that, by a charge to net earnings for each year, must be maintained in Other Reserves as established in Article 6 of D.L. N°1,350, and have to be included in the proposal made by the Board of Directors to the Ministry of Mining and the Ministry of Finance.

On January 9, 2006, the Board of Directors agreed to ask the Ministries of Mining and Finance to create a reserve fund charged to 2006 income for an amount equivalent to the total amount of taxes, which, for income tax and advance to clients is for ThUS\$550,000 in accordance with the commercial agreement with Minmetals. At said meeting, the Board also asked to transfer the Chilean Treasury on an annual basis amount equivalent to one fifteenth of the total prepaid taxes, ThUS\$313,500, from December 2006 and charged to the reserve fund.

The composition of Other Reserves as of December 31, 2006 is as follows:

Detail	Year Accumulated	
	ThUS\$	ThUS\$
Capitalization of net income (exempt decree ministry of mining and treasury department)	9,255	636,483
Cumulative translation adjustment - subsidiaries	(2,213)	36,282
Reserves for housing programs	-	35,100
Technical appraisal revaluation D.L. N°3,648	-	624,567
Balance of Other Reserves as of December 31, 2006	7,042	1,332,432

b) At December 31, 2006, the Company recognized a surplus in favor of the Chilean Treasury for ThUS\$1,688,388, charged to 2006 income, which reduces equity. At December 31, 2006, dividends to be paid to the Chilean Treasury are presented in current liabilities, in the dividends payable item. In Current liabilities, within dividends payable, there were fiscal surpluses that were not paid at December 31, 2006 for ThUS\$300,000. These were paid on January 31, 2007.

Changes in equity during 2006 and 2005 are detailed below:

Movements	2006				2005			
	Paid-in capital	Other reserves	Profit distributions	Net income for the year	Paid-in capital	Other reserves	Profit distributions	Net income for the year
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Beginning balance - January 1	1,524,423	1,325,390	(1,688,388)	1,779,609	1,524,423	1,312,568	(1,099,217)	1,134,173
Transfer to reserves and profit distributions	-	-	1,688,388	(1,688,388)	-	-	1,099,217	(1,099,217)
Profit distributions against prior year results	-	-	-	(81,966)	-	-	-	(25,909)
Capitalization of reserves and/or other income	-	9,255	-	(9,255)	-	9,047	-	(9,047)
Net changes in equity in subsidiaries and investees of the company	-	(2,213)	-	-	-	3,775	-	-
Net income for the year	-	-	-	3,338,789	-	-	-	1,779,609
Provisional profit distributions to Chilean Treasury	-	-	(1,668,043)	-	-	-	(1,688,388)	-
Total	1,524,423	1,332,432	(1,668,043)	3,338,789	1,524,423	1,325,390	(1,688,388)	1,779,609

Note 15 - Non-operating income and expenses

Non-operating income and expenses at December 31, 2006 and 2005 are detailed below:

a) Other income

	2006 ThUS\$	2005 ThUS\$
Satep delegated management	4,768	4,950
Penalties to suppliers	7,541	1,672
Sale of basis	171	230
Miscellaneous sales	43,343	9,588
Service sales	16,353	16,199
Proceeds from sales of property, plant and equipment	2,254	-
Realized gains on contributions to companies	20,134	45,257
Other	89,067	43,495
Total	183,631	121,391

b) Other expenses

	2006 ThUS\$	2005 ThUS\$
Export tax (Law N°13,196)	1,311,417	825,702
Adjustments to severance indemnity	42,667	19,198
Satep delegate administration	7,911	8,657
Write-off	5,083	10,258
Collective bar gaining browses	180,492	-
Contingencies accrued	83,693	-
Write-off of property, plant and equipment	48,506	5,072
Closure costs	105,936	69,500
Pre-investment expenses	65,562	89,348
Health plans	83,178	90,958
Retirement plans	20,104	68,625
Other	120,062	114,277
Total	2,074,611	1,301,595

Note 16 - Price level restatement

As stipulated in D.L. No. 1,350 of 1976, the Company records its operations in U.S. dollars. Therefore price level restatement figures stem from the consolidation with subsidiaries, which registered a net charge to income of ThUS\$264 and ThUS\$240 in 2006 and 2005, respectively.

Note 17 - Exchange rate differences

Assets and liabilities, traded in currencies other than US dollars, have been converted at the year-end exchange rate, resulting in a net credit to income of ThUS\$42,364 and net charge to income ThUS\$107,910 in 2006 and 2005, respectively.

Note 18 - Derivative contracts

As was mentioned in Note 2u), the Company had hedge operations to mitigate the risk of fluctuation in interest rates, foreign currency exchange rates and changes selling prices, as follows:

a. Interest rate hedge

At December 31, 2006, the Company has contracts in place to fix the interest rate fluctuations of US dollar - denominated bank loans for ThUS\$300,000. Deferred payments under these contracts amounted to ThUS\$11,369 (2005: ThUS\$26,572), which are shown in Others under Other Assets and amortized over the term of the respective liabilities, from January 2007 to September 2008. A positive exposure of ThUS\$7,901 has been determined as of December 31, 2006.

b. Exchange rate hedge

The Company has exchange rate hedge contracts for ThUS\$373,001, which mature in August 2012 and April 2025. At December 31, 2006, these contracts show a positive exposure of ThUS\$70,695. The net account receivable for said contracts amounts of ThUS\$105,737 (2005: ThUS\$114,511), are classified in Others under Other Assets. In addition, costs arising from said contracts for ThUS\$55,558 (2005: ThUS\$51,599), are recorded in Other long-term liabilities and amortized over the term of the respective liabilities.

c. Contracts for pricing operations

In order to protect its cash flows, the Company carries out operations in futures markets recording the results of these hedging transactions at the maturity date of the contracts. As part of the commercial policy, said results are added to or deducted from sales. The addition or deduction is due to the fact that sales include the positive or negative effect of market prices. At December 31, 2006, said operations generated a net lower income of ThUS\$220,784, which is detailed as follows:

c.1 Commercial operations of outstanding copper contracts

In accordance with the policy of cash flow hedge and adjustment to its commercial policy, from January to December 2006, the Company has carried out operations in futures market, which represent 198,150 metric tons of fine copper. These hedging operations are part of the commercial policy of the Company and mature until June 2008.

The outstanding contracts at December 31, 2006 show a positive exposure of ThUS\$47,147, whose final result could only be known at the maturity date of said operations, after the compensation between the hedging operations and the income from the sale of hedged products.

The operations that ended between January 1 and December 31, 2006 generated a net positive effect on income of ThUS\$34,513 which is deducted from the amounts paid for purchase contracts and added to the amounts received for the contracts for sales of products involved in said pricing operations (ThUS\$8,079 for purchases and ThUS\$26,434 for sales).

c.2 Commercial operations for outstanding gold and silver contracts

At December 31, 2006, the Company has silver pricing hedging operations for 2,217,700 troy ounces.

At that date, the positive exposure amounted to ThUS\$48.

The operations that ended between January 1 and December 31, 2006 generated a negative effect on income of ThUS\$293, which is deducted from the amounts received for the contracts for sale of products involved in said pricing operations. These hedging operations mature until March 2008.

c.3 Operations based on future production

In order to protect its future cash flows by guaranteeing levels of selling prices of project production, futures operations related to said projects have been carried out for MFT1,143,296. These hedging contracts mature until March 2013.

Outstanding futures operations at December 31, 2006 show a negative exposure of ThUS\$2,971,649, whose final result could only be known at the maturity date of said contracts, compensating their effects with the sale of the hedged products.

The futures whose operations ended between January 1 and December 31, 2006, related to the production sold related to said projects, generated a lower income of ThUS\$255,004, which is the result of the compensation between the hedging operation and revenues arising from the contracts for the sale of products involved in said pricing operations. As part of the Company's commercial policy, said results reduce net operating income.

c.4 Asian options

At December 31, 2006, the Company keeps Min/Max option agreements (put purchases and call sales) in order to protect their future cash flows by means of ensuring a minimum sale price of MFT 33,600, related with Sewell production. These operations record at December 31, 2006, a negative exposure of ThUS\$976. These hedging operations mature on March 2009.

Note 19 - Contingencies and Commitments

Codelco is involved in various pending legal actions initiated by, or against, the Company which result from the inherent nature of the industry in which the Company operates. In general, these lawsuits are from civil, tax, labor and mining actions, all of which are related to the Company's operating activities.

In the Company management's and legal advisors' opinion, these lawsuits do not represent significant loss contingencies. In addition, with respect to all such lawsuits, the Company defends its rights and uses all legal and proceeding resources available.

Below is a summary of the most significant lawsuits to which Codelco is a party:

- Tax lawsuits: There are several tax assessments issued by the Chilean Internal Revenue Service for which the Company has presented its corresponding objections.
- Labor lawsuits: Labor lawsuit initiated by employees of Andina Division against the Company in relation to professional diseases (silicosis).
- Mining lawsuits: The Company has been involved, and will probably continue to be involved, as a defendant and plaintiff in a number of proceedings, through which it seeks to protect certain mining concessions already established or in the process of being established. Currently these proceedings have no determined amounts and do not significantly affect Codelco's development.

Other commitments

a) In July the Board of Directors of the Company was informed of the Salvador mineral situation; and hence management initiated activities in order to close the oxide line by 2008 at the latest and the sulphides line by 2011 at the latest.

Additionally, on September 5, 2005, the Board of Directors approved the 2006 exploration plan, which includes the closing of oxide and sulphide mining operations in 2008 and 2011 respectively, as well as the transition plan for that period.

During the second half of 2005, and in accordance with the evaluated impact of this decision, and the mine closure plan the corresponding provisions were recorded.

Additionally, at December 31, 2005, the Company wrote-off assets associated with the activities being closed.

b) On May 31, 2005, Codelco signed an agreement with Minmetals to create a company, in which both companies will participate equally. Also, they agreed on the terms of a 15-year sales agreement regarding cathodes for that joint venture and a purchase agreement with Minmetals for the same term and monthly shipments until completing 836,250 metric tons. Codelco will receive an advance of US\$550 million as a payment from the joint venture. Each shipment will be paid by the purchaser at a price composed of a fixed and a variable component, which will depend on the current price of the copper at the time of the shipment.

On the other hand, Codelco has granted Minmetals an option to acquire, at market price, a minority ownership in a company that will exploit the Gaby mineral deposit, subject to the conditions that Codelco establishes to go forward with said initiative.

During the first quarter of 2006, based on agreed financial conditions, the financing contracts with the China Development Bank were signed, allowing the Copper Partners Investment Company Ltd. to make the US\$550 million payment in March 2006 to Codelco.

At December 31, 2006 is operating and the monthly shipments began in June 2006, the contract in operation.

Nonetheless, on December 20, 2005, the Board of Directors decided to contract price hedging transactions for the equivalent of 27,850 tons in relation to this contract and fixed the hedging criteria operations for the first five years of the contract.

According to the abovementioned agreement of the Board of Directors and the agreements with Minmetals, Codelco contracted hedge transactions for 139,325 tons (including the abovementioned tons), on behalf of the joint venture, which were completed during January and February 2006.

The agreement with Minmetals was reported as a significant event to the Superintendency on February 22, 2006 and explanatory additional communications dated February 27 and March 7, 2006.

c) Law N°19,993 dated December 17, 2004 that authorized the purchase of the assets of Fundición y Refinería Las Ventanas from ENAMI, establishes that the Company should guarantee the necessary smelting and refining capacity, with no restrictions or limitations, for products of the small and medium size mining industry that ENAMI serves, upon terms agreed to by both parties.

d) The Corporation, following its cost-reduction programs through the use of modern technologies, has established personnel early severance programs, with benefits that encourage retirement, which obligation is recognized as a provision when the employee commits to his/her retirement.

Additional Information

In connection with the financial liabilities incurred by the investee Copper Partners Investment Company Ltd. with the China Development Bank, Codelco Chile and Codelco International Ltd. must fulfill certain covenants mainly referred to providing financial information. Additionally, Codelco Chile has to maintain its ownership of 51% in Codelco International Ltd.

In accordance with the Sponsor Agreement dated March 8, 2006, the subsidiary Codelco International Ltd. agreed to transfer its rights held in Copper Partners Investment Company Ltd. as collateral security in favor of China Development Bank.

There are no restrictions or covenants associated with the Company's financial or public obligations.

The Company has obligations with the Chilean Treasury according to Law 18,634 on deferred customs rights for ThUS\$801 (2005: ThUS\$3,675). In addition, the Company records documents delivered as guarantee for ThUS\$40,628 in 2006 (2005: ThUS\$41,442).

Note 20 - Indirect guarantees

At December 31, 2006 and 2005, the Company records and indirect debt for ThUS\$30,038 from guarantees to its investee Electroandina S.A.

Note 21 - Sureties obtained from third parties

The Company has received a number of guarantees that mainly cover supplier and contractors' obligations related to various projects under development in its operating Divisions, which amount to ThUS\$314,256 in 2006 and ThUS\$254,989 in 2005.

Note 22 - Assets and liabilities in local and foreign currency

At December 31, 2006, the Company has assets traded in local currency for ThUS\$495,600 (2005: ThUS\$334,388) and liabilities for ThUS\$1,396,259 (2005: ThUS\$1,305,772).

Note 23 - Sanctions

In exempt resolution No.317 dated August 1, 2006, the Company received a sanction of censure from the Superintendency of Securities and Insurance for infringement penalized in Article 44 of the Chilean Law 18,046 on corporations.

At December 31, 2006, and 2005, Codelco-Chile, its Directors and Management have not been subject to other sanctions applied by the Superintendence or other administrative authorities.

Codelco-Chile, its Directors and Management have not been subject to sanctions applied by the Superintendency or other administrative authorities.

Note 24 - Environment

The practice of exploration and recognition of new resources, which are environmentally sustainable, has been a significant concern for the Company. Consequently, since 1998 the Company has defined its environmental commitments, which are controlled through an environmental management system for explorations that has been improved over time to conform to the worldwide standard ISO 14001, which has assisted in geology, geochemical, geophysical and sounding work directed towards exploration of mineral resources both in Chile and abroad.

At December 31, 2006, Codelco Norte, formed by Chuquicamata and Radomiro Tomic Divisions, Andina, El Salvador and Teniente Divisions, and the head office received ISO 14001 certification.

Also, the subsidiary, Exploraciones Mineras Andinas S.A., received ISO 14001 certification.

In accordance with this policy, in 2006 the Company has made investments, related to environment issues, which amount to ThUS\$60,826 (2005: ThUS\$30,883).

Note 25 - Subsequent events

On January, 22, 2007, Codelco Chile took part, jointly with Honeywell Chile S.A., in the incorporation of Sociedad Kairos Mining S.A., which has an initial equity of ThUS\$100.

On January 31, 2007, Codelco Chile took part, jointly with Sociedad de Inversiones Copperfield Ltda., in the incorporation of Sociedad GNL Mejillones S.A., which has an initial equity of ThCh\$1,000 (Ch\$1 million).

On January 31, 2007, the Company paid an amount of ThUS\$300,000 for fiscal surpluses, on account of surplus for 2006.

The Company's management has no knowledge of any significant events of a financial nature or any other nature, occurring between December 31, 2006 and the date of issuance of these financial statements (February 07, 2007) which might affect them.



José Pablo Arellano Marín
Executive President



Daniel Barría Iroumé
Corporate Vice-President for
Shared Services



Mario Allende Gallardo
Chief Accountant

ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2006 and 2005 (In thousands of dollars - ThUS\$)

The following section is intended to facilitate interpretation of the consolidated financial statements of Codelco during the financial year from 1 January to 31 December of 2006 and 2005 respectively. From these figures can be developed the following financial indicators:

Financial indicators of the company

Balance Sheet	31.12.2006	31.12.2005	Variation
Liquidity	Ratio	Ratio	%
Current assets/Current liabilities	2.23	1.27	76%
(Current assets-Inventories-Prepaid expenses/ Current liabilities)	1.49	0.80	86%
Indebtedness	Ratio	Ratio	%
Total debt (L)/Equity (times)	1.88	2.65	-29%
Current liabilities / Total debt (L)	0.24	0.28	-14%
Long-term liabilities/ Total debt (L)	0.76	0.72	5%
	ThUS\$	ThUS\$	
Liabilities (L)	8,502,669	7,794,995	9%
Income for the year plus income tax and Law	9,214,860	4,900,642	88%
Activity	Ratio	Ratio	%
Trade accounts receivable turnover	11.62	9.03	29%
Collection recovery	31	40	-22%
Inventory turnover (times)	4.78	4.70	2%
Inventory permanence	75	77	-2%
Profitability (Income after taxes)	Ratio	Ratio	%
% of Assets	25.62	16.57	55%
% of Equity	73.74	60.51	22%
% of Operating asset performance (2)	27.77	17.77	56%

Results	31.12.2006 ThUS\$	31.12.2005 ThUS\$	Variation
Net sales	17,077,032	10,490,573	63%
Costs of sales	(7,272,311)	(4,801,086)	51%
Net operating income	9,484,776	5,427,708	75%
Net non-operating loss	(1,583,713)	(1,356,493)	17%
Interest expense	(236,085)	(189,208)	25%
Depreciation for the year	(520,367)	(457,642)	14%
Amortization of intangible assets	(255,874)	(166,720)	53%
EBIT	7,901,063	4,071,215	94%
Law 13,196	(1,311,417)	(825,702)	59%
Income tax	(4,564,654)	(2,295,331)	99%
EBITDAie (1)	8,915,738	4,888,510	82%
Amortization of higher investment value	31	-	
Net income for the year	3,338,789	1,779,609	88%
Patrimoniales	31.12.2006	31.12.2005	
	ThUS\$	ThUS\$	
Equity	4,527,601	2,941,034	54%
Net property, plant and equipment	6,602,245	6,384,913	3%
Total assets	13,032,843	10,739,048	21%
Net income/loss per share in US\$	Not applicable	Not applicable	
	31.12.2006	31.12.2005	
	MFT	MFT	
Physical sales volume (own copper and third party copper)	2,011,854	2,036,104	-1.19%

(1) EBITDAie: Equity before taxes, interest, depreciation, amortization and extraordinary items,

(2) Total assets less investments in other companies and in related companies are considered to be operating expenses,

Analysis of differences between book and economic value

The deposits the company possesses are recognized in accounting at US\$1 each. Consequently, the economic value of these deposits differs from their book value. This results in an understatement in equity and assets for accounting purposes compared to their economic value.

Analysis of market variations

As of 31 December 2006, the markets in which the Company commercializes its products have shown no significant changes. However, since the end of 2005 to November 2006 there has been a sustained increase in the price of copper in international markets which slowed in December 2006, starting a steady fall in prices at the end of the year. The price of molybdenum must also be highlighted, which increased between 2004 and 2005, with a reduction in 2006.

The following table shows the annual average prices from 2000.

	Copper US\$/MFT	Molybdenum US\$/MFT
2000	1,814.27	5,652.65
2001	1,577.78	5,222.31
2002	1,567.64	8,488.68
2003	1,779.88	11,993.36
2004	2,870.90	37,237.39
2005	3,683.44	70,481.10
2006	6,730.60	54,558.00

Balance Sheet

The Balance Sheet shows a growth in assets originating in operational activities and as a consequence of the higher copper prices, which caused an increase in the current account of clients and the collections of the company.

As of 31 December 2006, current liquidity had increased to ThUS\$4,621,986 (December 2005, ThUS\$2,794,856) mainly composed of inventories (net) of ThUS\$1,522,527 (32.94%), trade accounts receivable for ThUS\$1,470,158 (31.81%), term deposits ThUS\$821,466 (17.88%), with the difference composed of other current asset accounts.

The increase in trade accounts receivable associated with debtors from sales is explained by the increase in the average sale price of copper in the last month of the financial year with respect to the same month in the prior financial year. The values that show this variation follow:

	31.12.2006 ThUS\$	31.12.2005 ThUS\$
Indebted balance for sales	1,470,158	1,162,315
Price per pound of copper at end of financial year	285.31 c/US\$	207.95 c/US\$
Tonnage sold in the month (own and third party copper)	234,089	202,825

The inventory increase as at 31 December 2006 compared to the same date in the prior year is due to higher inventory at the close of the financial year, and a higher process cost. A breakdown of the inventory at the end of the financial year follows:

	31.12.2006 ThUS\$	31.12.2005 ThUS\$
Finished products	655,210	459,093
Work-in-progress	660,984	394,022
Materials in warehouses and others, net	206,333	167,485
Final balance of the period	1,522,527	1,020,600

As of 31 December 2006 fixed assets have shown an increase in net terms of ThUS\$217,332 with respect to 31 December 2005.

Item	31.12.2006 ThUS\$	31.12.2005 ThUS\$	Variation
Property, plant and equipment Codelco (Net)	6,602,245	6,384,913	217,332
Land	58,674	54,962	3,712
Buildings and infrastructure			
improvements to land	1,887,338	1,873,704	13,634
Buildings	2,094,071	2,061,573	32,498
Rooms	129,292	129,289	3
Work in progress	910,475	908,994	1,481
Mine development	549,496	622,282	(72,786)
Deposit delimitation	15,720	15,720	–
Mining operations	1,680,978	1,321,146	359,832
Forestation and forest development	944	944	–
Machinery and equipment	6,062,643	5,728,109	334,534
Transport equipment	723,172	712,352	10,820
Furniture and equipment	25,429	25,770	(341)
Branches	184,222	132,475	51,747
Lease assets	114,876	99,525	15,351
Technical reappraisal	368,741	368,901	(160)
Depreciation reserve	(8,203,826)	(7,670,833)	(532,993)

Current liabilities as of 31 December 2006 were ThUS\$2,071,804 (December 2005, ThUS\$2,200,056) and comprise accounts payable of ThUS\$596,450 (28.79%), provisions of ThUS\$505,865 (24.41%), dividends payable of ThUS\$300,000 (14.48%) in addition to other obligations. Bank and other financial institution obligations are as follows:

	Short term ThUS\$	Long term ThUS\$
Balance as of 31 December 2005	346,162	600,000
Amortization	(474,162)	–
Increases	189,049	–
Balance as of 31 December 2006	61,049	600,000

Current assets include the short term portion of US\$37 million in debt to Copper Partners Investment that will be applied to invoices that document shipments realized in the period. This owed balance is presented in accounts payable against companies related to the long term.

With all the above, to 31 December 2006, the current liquidity index presents an increase with respect to 31 December 2005 due to the increment in the proportion of current assets (increase in term deposits, sales debtors, various debtors, inventory) with respect to current liabilities (increase in accounts payable, various creditors, accounts payable to related companies, provisions and retentions).

Long term debt at 31 December 2006 was ThUS\$6,430,865 (December 2005 ThUS\$5,594,939) composed mainly of obligations to the bank and public of ThUS\$3,813,749 (59.3%), deferred tax of ThUS\$674,999 (10.49%) and various provisions of ThUS\$1,179,540 (18.34%).

In long term debt is included the balance of US\$492 million received in anticipation and that must be applied to sales committed to Copper Partners Investment Company Ltd.

With respect to Provisions, the company has registered the commitment to pay the future agreed benefits to its workers, and those that could be derived from worker litigation in the period. These have been classified in the short and long term depending upon the estimated payment horizon. The figures cited above explain the indicators shown on the previous pages.

Equity at 31 December 2006 was ThUS\$4,527,601 (December 2005 ThUS\$2,941,034).

As of 31 December 2006, the total indebtedness of the company was ThUS\$8,502,669 (December 2005, ThUS\$7,794,995) that gives a lower rate of indebtedness for the 2006 financial year of 1.87 times (December 2005 2.65 times), due to an increase in equity.

Analysis of results

Operating income for 2006 amounted to ThUS\$9,484,776, which is higher than the ThUS\$4,057,068 recorded in 2005. Net sales amounted to ThUS\$17,077,032 which is higher than the ThUS\$6,586,459 obtained in 2005, mainly due to higher copper prices.

The sales price for the company's products (its own copper and third party copper) from January to December 2006 was US\$3.098 per pound (compared to US\$1.604 per pound in 2005).

In the period from 1 January to 31 December 2006 the following events can be highlighted:

Income can be sub-divided by type of product as shown in the following table:

	31.12.2006 ThUS\$)	31.12.2005 (ThUS\$)
Net sales	17,077,032	10,490,573
Own copper	12,000,942	6,332,578
Third party copper	1,958,128	1,125,190
Molybdenum (own and third party)	1,657,294	2,254,901
Other by-products	1,460,668	777,904

Operations of subsidiaries together generated sales of ThUS\$1,252,033.

Sales of Codelco's own copper and that of third parties in 2006 was 2,011,845 fine MT (2005 was 2,036,104 MFT) which includes 77,125 MFT by subsidiaries in the UK and USA (2005 was 37,584 MFT), as detailed in the following box:

Shipments	31.12.2006 MFT	31.12.2005 MFT
Own copper	1,756,975	1,790,012
Third party copper	254,879	246,092
Molybdenum (own and third party)	29,376	38,459

The costs associated with these sales are:

	31.12.2006 ThUS\$	31.12.2005 ThUS\$
Cost of sales	4,309,322	4,801,084
Cost of sales of own copper	2,959,483	2,879,740
Third party copper	827,568	1,102,874
Molybdenum (own and third party)	205,544	205,544
Other by-products	316,727	612,926

Subsidiary operations as a whole generated a cost of ThUS\$1,257,533 in 2006.

Non-operating costs were ThUS\$1,583,733 (to December 2005 ThUS\$1,356,493). Other non-operating costs amounted to ThUS\$2,074,814 and include ThUS\$1,311,417 (63.21%) related to tax in accordance with Law 13,196 that charges 10% on exports of Codelco's own copper and by-products.

Codelco's surplus for 2006 (earnings before income tax, extraordinary items and Law 13,196 plus minority interest) was ThUS\$9,214,860, which is more than the ThUS\$4,900,642 obtained in 2005, mainly due to improved operating income of ThUS\$4,057,068.

As a result, income before taxes and extraordinary items amounted to ThUS\$7,901,043 and net income was ThUS\$3,338,789.

Analysis of the Statement of Cash Flows

For 2006, the Company obtained a net positive cash flow from operating activities of ThUS\$3,604,724 higher by ThUS\$1,199,924 compared to the prior year due to an increase in net sales. Within cash flow, the following can be highlighted:

	31.12.2006 ThUS\$	31.12.2005 ThUS\$
Income taxes paid	(5,194,888)	(2,214,183)
Law 13,196 paid	(1,226,487)	(782,462)

On the other hand, financing activities for 2006 generated a negative flow of ThUS\$1,675,009, higher than the negative flow of ThUS\$666,240 generated in the prior year, which is mainly explained by the increase in dividend payments during the year. Regarding financing, the following can be highlighted:

	31.12.2006 ThUS\$	31.12.2005 ThUS\$
Bonds payable	500,000	718,737
Profits distributed to Chilean Treasury	(1,857,009)	(1,389,247)
Loan payments	(468,000)	(393,600)

Finally, as at December 2006, investing activities generated a net negative flow of ThUS\$1,314,214 which is lower than the negative flow of ThUS\$1,775,946 obtained as at December 2005. This reduction is mainly explained by a lower asset acquisitions and more support from associations (Copper Partners Investment Company Ltd. ThUS\$110,000).

In consideration of these flows, plus the opening cash balances, the Company obtained an ending balance of cash and cash equivalents of ThUS\$833,143 for 2006, which is higher than the ThUS\$217,642 obtained as at December 2005.

Financial Statements *Simplified*

To the Chairman and Members of the Board of Directors of Corporación Nacional del Cobre de Chile

We have audited the accompanying balance sheets of Corporación Nacional del Cobre de Chile (the "Company") as of December 31, 2006 and 2005, and the related statements of income and of cash flows for the years then ended. These financial statements (including the related notes) are the responsibility of the management of Corporación Nacional del Cobre de Chile. Our responsibility is to express an opinion on these financial statements based on our audits. We have not audited the financial statements at December 31, 2006 and 2005, of certain investees and subsidiaries. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such investees and subsidiaries, is based solely on the reports of such other auditors. At December 31, 2006 and 2005, the direct and indirect investment of the Company in such investees and subsidiaries represents 6.8% and 6.7%, respectively of the total assets and the year's net equity in income of these companies represents 2.7% and 1.0% in 2006 and 2005, respectively of the total sales.

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The abovementioned financial statements have been prepared to reflect the stand-alone financial position of Corporación Nacional del Cobre de Chile, based on the criteria described in Note 2, before consolidating the financial statements of the subsidiaries detailed in Note 8. Consequently, for an adequate interpretation, these stand-alone financial statements should be read and analyzed together with the consolidated financial statements of Corporación Nacional del Cobre de Chile and subsidiaries, which are required by accounting principles generally accepted in Chile.

In our opinion, based on our audits and the reports of other auditors, the financial statements, present fairly, in all material respects, the financial position of Corporación Nacional del Cobre de Chile as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with the principles described in Note 2.

The notes to the accompanying financial statements are a simplified version of those included in the stand-alone financial statements of Corporación Nacional del Cobre de Chile filed with the Superintendency of Securities and Insurance, upon which we have issued our report under this same date. Such financial statements contain additional information required by such Superintendency, which is not indispensable for their adequate interpretation.

The accompanying financial statements have been translated into English for the convenience of readers outside Chile.



February 7, 2007



Mario Muñoz V.

BALANCE SHEETS

(In thousands of dollars - ThUS\$) At December 31, 2006 and 2005

	2006 ThUS\$	2005 ThUS\$
ASSETS		
CURRENT ASSETS:		
Cash and banks	3,227	10,691
Time deposits	786,764	167,954
Marketable securities	1	1
Trade receivables, net	1,432,372	1,135,177
Notes receivable	72	103
Other receivables, net	244,253	155,889
Due from related companies	46,440	85,216
Inventories, net	1,456,304	964,027
Taxes recoverable	88,994	85,639
Prepaid expenses	6,113	5,900
Deferred taxes	375,626	108,220
Other current assets	7,188	5,405
Total current assets	4,447,354	2,724,222
PROPERTY, PLANT AND EQUIPMENT:		
Land	55,021	51,309
Buildings and infrastructure	7,268,314	6,933,652
Machinery and equipment	6,811,244	6,466,231
Other plant and equipment	114,876	95,139
Technical appraisal revaluation	368,741	368,901
Accumulated depreciation	(8,165,378)	(7,655,079)
Net property, plant and equipment	6,452,818	6,260,153
OTHER ASSETS:		
Investments in related companies	967,393	771,381
Investments in other companies	183	190
Goodwill	21,670	25,628
Long-term receivables	178,548	162,058
Due from related companies	210,792	74,858
Intangibles	21,317	23,622
Accumulated amortization	(6,550)	(1,735)
Other assets	529,904	563,716
Total other assets	1,923,257	1,619,718
TOTAL ASSETS	12,823,429	10,604,093

The accompanying notes are an integral part of these financial statements

BALANCE SHEETS

(In thousands of dollars - ThUS\$) At December 31, 2006 and 2005

	2006 ThUS\$	2005 ThUS\$
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Banks and financial institutions:		
Current	22,000	40,000
Current portion of long-term debt	8,506	306,381
Current portion of bonds payable	36,717	30,740
Dividends payable	300,000	407,000
Accounts payable	536,989	512,406
Miscellaneous payables	108,547	100,632
Due to related companies	169,088	88,032
Accruals	503,110	379,756
Withholdings	149,885	96,966
Income taxes payable	102,532	141,783
Deferred income	607	10,591
Other current liabilities	964	4,766
Total current liabilities	1,938,945	2,119,053
LONG-TERM LIABILITIES:		
Due to banks and financial institutions	600,000	600,000
Bonds payable	3,213,739	2,722,512
Miscellaneous payables	106,949	101,095
Due to related companies	493,178	-
Accruals	1,185,120	1,028,283
Deferred taxes	676,406	1,009,721
Other long-term liabilities	81,491	82,395
Total long-term liabilities	6,356,883	5,544,006
EQUITY:		
Paid-in capital	1,524,423	1,524,423
Other reserves	1,332,432	1,325,390
Retained earnings:		
Net income for the year	3,338,789	1,779,609
Profits distribution to the Chilean Treasury	(1,668,043)	(1,688,388)
Total net equity	4,527,601	2,941,034
TOTAL LIABILITIES AND EQUITY	12,823,429	10,604,093

The accompanying notes are an integral part of these financial statements

INCOME STATEMENTS

(In thousands of dollars - ThUS\$) At December 31, 2006 and 2005

	2006 ThUS\$	2005 ThUS\$
Sales	15,824,999	9,994,870
Cost of sales	(6,014,778)	(4,309,322)
Gross profit	9,810,221	5,685,548
Administrative and selling expenses	(294,766)	(241,122)
OPERATING INCOME	9,515,455	5,444,426
Interest income	55,586	21,444
Equity in income of related companies	450,280	115,874
Other income	163,293	115,372
Equity in losses of related companies	(13,834)	(24,011)
Amortization of goodwill	(1,176)	(810)
Interest expenses	(233,735)	(188,522)
Other expenses	(2,073,025)	(1,300,639)
Foreign exchange differences	40,643	(107,898)
NON-OPERATING EXPENSES	(1,611,968)	(1,369,190)
INCOME BEFORE INCOME TAXES	7,903,487	4,075,236
Income taxes	(4,564,698)	(2,295,627)
NET INCOME FOR THE YEAR	3,338,789	1,779,609

The accompanying notes are an integral part of these financial statements

CASH FLOW STATEMENTS

(In thousands of dollars - ThUS\$) At December 31, 2006 and 2005

	2006 ThUS\$	2005 ThUS\$
CASH FLOW FROM OPERATING ACTIVITIES:		
Collection of accounts receivable	16,735,698	9,962,198
Interest collected income	46,035	18,905
Dividends and other distributions collected	318,500	5,849
Other income collected	801,969	671,299
Payments to suppliers and personnel	(6,751,670)	(4,380,870)
Interest paid	(67,447)	(22,380)
Income taxes paid	(5,194,952)	(2,214,479)
Law N°13,196 and other expenses paid	(1,464,048)	(1,029,970)
Value added tax and other similar taxes paid	(778,271)	(621,616)
Net cash provided by operating activities	3,645,814	2,388,936
CASH FLOW FROM FINANCING ACTIVITIES:		
Loans obtained	150,000	390,000
Bonds payable	500,000	718,737
Loans due to related companies	8,000	-
Profits distribution to the Chilean Treasury	(1,857,009)	(1,389,247)
Loan payments	(468,000)	(393,600)
Net cash used in financing activities	(1,667,009)	(674,110)
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sales of property, plant and equipment	391	44
Proceeds from sale of permanent investments	-	2,898
Proceeds from sales other investment	1,619	-
Collection of loans to related companies	-	37,326
Other investment income	65,174	87,111
Purchases of property, plant and equipment	(1,208,928)	(1,833,036)
Investments in related companies	(34,584)	(8,503)
Investments in financial instruments	(3,775)	(3,880)
Loans to related companies	(139,504)	(20,166)
Other investment disbursements	(47,852)	(39,572)
Net cash used in investing activities	(1,367,459)	(1,777,778)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	611,346	(62,952)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF YEAR	178,646	241,598
CASH AND CASH EQUIVALENT AT THE END OF YEAR	789,992	178,646

The accompanying notes are an integral part of these financial statements

CASH FLOW STATEMENTS

(In thousands of dollars - ThUS\$) At December 31, 2006 and 2005

	2006 ThUS\$	2005 ThUS\$
RECONCILIATION BETWEEN NET INCOME AND CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	3,338,789	1,779,609
Proceeds from sales of property, plant and equipment	(2,254)	(3,638)
Proceeds from sale of investments	—	(757)
Charges (credits) to income which do not represent cash flows:		
Depreciation	518,715	456,540
Amortization of assets	255,874	166,720
Write-off and provisions	120,214	182,861
Equity in income of related companies	(450,280)	(115,874)
Equity in losses of related companies	13,834	24,011
Amortization of goodwill	1,176	810
Foreign exchange differences, net	(40,643)	107,898
Other credits to income which do not represent cash flows	(27,675)	(111,733)
(Increase) decrease in assets that affect operating cash flow:		
Accounts receivable	(258,419)	(489,329)
Inventories	(492,277)	(234,362)
Other assets	(42,590)	(84,451)
Increase (decrease) in liabilities that affect operating cash flow:		
Accounts payable related to operating activities	569,968	155,608
Interest payable	18,146	9,163
Income taxes payable	(39,251)	141,783
Value added tax and other similar taxes payable	162,487	404,077
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,645,814	2,388,936

The accompanying notes are an integral part of these financial statements

SIMPLIFIED NOTES TO THE FINANCIAL STATEMENTS

(In thousands of dollars - ThUS\$)

Management considers these explanatory notes offer sufficient information but less detailed than that contained in the explanatory notes that are an integral part of the stand-alone financial statements which were filed with the Superintendency of Securities and Insurance, and are available to the general public. This information is also available at the Company's office.

Note 01 - Registration in the Securities Register

Corporación Nacional del Cobre de Chile, Codelco - Chile ("Codelco", or the "Company") is registered under the Securities Registry No. 785 of the Superintendency of Securities and Insurance (the "Superintendency"). The Company is subject to the regulation of the Superintendency.

The Company was formed as stipulated by Law Decree (D.L.) N° 1,350 dated 1976. Codelco is a state-owned mining, industrial and commercial company, which is a legal entity in itself and with its own equity. Codelco currently carries out its mining business through its Codelco Norte (made up of the following ex divisions: Chuquicamata and Radomiro Tomic), Salvador, Andina, El Teniente and Ventanas Divisions. The Ventanas Division was formed on May 1, 2005 through the purchase of Fundición y Refinería Las Ventanas from ENAMI. The Company also carries out similar activities in other mining deposits in association with third parties.

As established in D.L. N° 1,350, Codelco's financial activities are conducted following a budgeting system that is composed of an Operations Budget, an Investment Budget and a Debt Amortization Budget.

The Company's tax regime is established in D.L. N°s 1,350; 2,398 and 824.

Note 02 - Significant accounting policies applied

a. Accounting periods - These financial statements reflect the financial position of the Company as of December 31, 2006 and 2005, and the results of its operations and cash flows for the year then ended.

b. Basis of preparation - The financial statements have been prepared in accordance with generally accepted accounting principles issued by the Chilean Institute of Accountants, and regulations of the Superintendency, except for investments in subsidiaries, which are recorded at the equity method in a single line of the balance sheet and, therefore, have not been consolidated on a line-by-line basis. This treatment does not modify the net income for the year or equity.

Should there be any discrepancy between the above mentioned principles and regulations, the regulations of the Superintendency will prevail over accounting principles generally accepted in Chile.

These financial statements have been issued only for a stand-alone analysis of the Company and, consequently, should be read together with the consolidated financial statements, which are required by generally accepted accounting principles in Chile.

c. Reporting currency

In accordance with Article 26 of D.L. No. 1,350, the Company's records are maintained in United States dollars.

d. Basis of conversion

The Company's assets and liabilities in Chilean pesos, mainly composed of cash, accounts receivable, investments in companies in Chile, accounts payable and accruals, have been expressed in United States dollars at the observed exchange rate at each year-end of Ch\$532.39 per US dollar as of December 31, 2006 (2005: Ch\$512.5 per US dollar).

UF-Denominated Assets and Liabilities

At December 31, 2006 and 2005, assets and liabilities in local currency denominated in UF (an inflation index-linked unit used in Chile) have been translated using the US\$ rates effective at the end of the period (2006: Ch\$532.39; 2005: Ch\$512.50) and the UF value on the closing dates of the financial statements (2006: Ch\$18,336.38; 2005: Ch\$17,974.81).

The Company's income and expenses in Chilean pesos have been translated into US dollars at the observed exchange rate on the date on which each transaction was recorded in the accounting records.

Foreign exchange differences are debited or credited to income, in accordance with generally accepted accounting principles issued by the Chilean Institute of Accountants and regulations of the Superintendency.

The average exchange rates for the year ended December 31, 2006 was Ch\$530.34 per US dollar (2005: Ch\$559.68).

Chilean Subsidiaries

Assets and liabilities and income statement accounts in pesos as of December 31, 2006 and 2005 have been translated into US dollars at the exchange rates on those dates (Ch\$532.39 and Ch\$512.50 per US dollar, respectively).

Foreign subsidiaries

As of December 31, 2006 and 2005, the financial statements of foreign subsidiaries have been translated from their respective foreign currencies into US dollars using the closing exchange rates as of the respective year-end as follows:

	2006 US\$	2005 US\$
Pound sterling	1.95695	1.71792
Euro	1.31874	1.18259
Mexican peso	0.09259	0.09424

e. Time deposits

Time deposits are recorded at cost plus interest accrued at each year-end.

f. Inventories

Inventories are valued at cost, which does not exceed their net realizable value. Cost has been determined using the following methods:

- Finished products and products in process: Following the full-cost absorption method, finished products and products in process are valued at average production cost. Production costs include depreciation of property, plant and equipment and indirect expenses.
- Materials in warehouse: The Company calculates an obsolescence provision depending on the length of time in stock of slow turnover materials in the warehouse.
- Materials in transit: Materials in transit are valued at the cost incurred as at the year-end.

g. Allowance for doubtful accounts

Management estimates the allowance for doubtful accounts based on its experience and analysis, as well as the aging of the balances.

h. Property, plant and equipment

Property, plant and equipment are valued at historical cost as increased by technical appraisals performed by The American Appraisal Co. during 1982 to 1984, net of accumulated depreciation.

Construction in progress includes the amounts invested in property, plant and equipment under construction and in mining development projects.

The ore bodies owned by the Company are recorded in the accounts at US\$1 each. In accordance with the above, the economic value of these ore bodies differs from the accounting value.

i. Depreciation

Depreciation of property, plant and equipment is calculated on the book values of property, plant and equipment, including the revaluation mentioned in Note 2(h) above, using the straight-line method, and is booked in accordance therewith over the estimated useful lives of the assets.

j. Exploration, mine development and mine operating costs and expenses:

- Deposit exploration and drilling expenses: Deposit exploration and drilling expenses are incurred in the identification of mineral deposits and the determination of their possible commercial viability and are charged to income as incurred.
- Mine pre-operation and development costs (property, plant and equipment): Costs incurred during the development phase of projects up to the production stage are capitalized and amortized over future mineral production. These costs include extraction of waste material, constructing the mine's infrastructure and other work carried out prior to the production phase.
- Expenses of developing existing mines: These expenses are incurred for the purpose of maintaining the production volumes from deposits and are charged to income as incurred.
- Costs of delineating new deposit areas in exploitation and of mining operations (property, plant and equipment): These costs are recorded in property, plant and equipment and are amortized to income in the period in which the benefits are obtained.

k. Leased assets

Property, plant and equipment recorded under finance leasing contracts are recorded as other property, plant and equipment. These assets have been valued at their net present value applying the implicit interest rate in the contracts and are depreciated using the straight-line method based on the useful lives of the assets. The Company does not legally own these assets until it exercises the respective purchase option.

l. Investments in related companies

Investments in domestic and foreign related companies, identified as permanent, are valued using the equity method in accordance with Technical Bulletins issued by the Chilean Institute of Accountants. Equity method investments in domestic companies, which are accounted for in Chilean pesos are expressed in US dollars at the year-end exchange rate. The differences which arise and are unrelated to the recognition of income are recognized in the item Other reserves in Equity. In applying the equity method, investments in foreign subsidiaries are expressed in US dollars.

Unrealized gains related to investments in related companies are credited to income at the same rate as the amortization of the transferred assets or mine production, as applicable.

m. Investments in other companies

The item "investments in other companies" represents the value of other shares that the Company has been required to acquire for its operations. These are recorded at cost, which does not exceed market value.

n. Intangibles

Intangibles are recorded at the amount of the disbursements made and are amortized in accordance with Technical Bulletin No.55 issued by the Chilean Institute of Accountants.

o. Income tax and deferred income taxes

Include taxes on first category taxable income and the specific mining activity tax according to D.L. No.824, and D.L. No.2,398 at a 40% tax rate.

The Company recognizes the effects of deferred income taxes arising from temporary differences, which have a different treatment for book and tax purposes, in accordance with the Technical Bulletins issued by the Chilean Institute of Accountants and the regulations of the Superintendency.

p. Severance indemnities and other long-term benefits

The Company has an agreement with its employees for payment of severance indemnities. It is the Company's policy to provide for the total accrued obligation under the shut-down method.

The Company, following its cost-reduction programs through the use of modern technologies, has established personnel severance programs, with benefits that encourage retirement, for which the necessary provisions are made when the employee commits to his/her retirement.

q. Revenue recognition

Revenue is recognized at the time of shipment or delivery in conformity with contractual agreements and is subject to variations in contents and/or the sales price at the transaction settlement date. A provision is made for estimated decreases in sales values on unsettled operations at the end of the period based on the information available as of the date the financial statements are prepared and is presented deducting trade receivables. Sales in Chile are recorded in accordance with Chilean regulations.

According to the note related to the contracts for price-fixing operations, the Company carries out operations in future markets in order to protect its commercial operations, and records the effects of these hedging transactions at the settlement date of the contracts. These results are added or deducted from sales, as they form part of the commercial policy.

r. Derivative contracts

The Company's derivative contracts are entered into based on the following hedging policies:

- Hedging policies for exchange and interest rates

The Company contracts exchange rate hedge transactions to cover exchange rate variations between the US dollar and the other currencies its transactions are made in.

The Company has also contracted interest rate hedge transactions to cover fluctuations of interest rates for future obligations denominated in US dollars.

The results of the exchange rate hedging contracts are recorded as of the date of maturity or settlement of the respective contracts, in conformity with Technical Bulletin N°57 issued by the Chilean Institute of Accountants.

The results of the hedging contracts for interest rates for future liabilities are amortized over the term of those liabilities.

- Hedging policies for future metal prices

Hedging operations, which have to be approved by the Board of Directors, in metal futures markets are carried out in order to protect the Company from risks inherent to the fluctuation of the price of metals. The hedging policy seeks to protect the expected cash flows from sale of products and set prices for a portion of future production. With the transactions that are carried out, the Company takes advantage of the opportunities provided by the market, implying a reduced possibility of risk for the Company. In accordance with the provisions of Technical Bulletin No. 57 of the Chilean Institute of Accountants, the results of these hedging transactions are recorded at the settlement date of the operations, as part of the procedures of the settlement of sale of products. In other words, the Company conducts these futures operations in order to adjust the sales contracts and prices of future production to the commercial policy. The settlement of these operations coincides with the accounting for the corresponding transactions and, therefore, when sales commitments are fulfilled, sales contracts' and future contracts' results are offset.

Hedging operations carried out by the Company are not of a speculative nature.

s. Computer software

The costs associated with computer systems developed using the Company's own human resources and materials are charged to income in the period in which they are incurred.

In accordance with Circular No. 981 dated December 28, 1990 of the Superintendency of Securities and Insurance, computer systems acquired by the Company are capitalized at acquisition cost plus all related costs and are amortized over a period not exceeding four years.

t. Research and development expenses

Research and development expenses are charged to income as incurred.

u. Statement of cash flows

Cash and cash equivalents include unrestricted cash and bank balances, time deposits and as short-term marketable securities maturing within 90 days, in accordance with Technical Bulletins issued by the Chilean Institute of Accountants and the regulations of the Superintendency.

The Company has recognized cash flows from operating, investing or financing activities as required by Technical Bulletins issued by the Chilean Institute of Accountants and the regulations of the Superintendency.

v. Bonds

Bonds are presented at outstanding principal plus accrued interest at each period-end. The discount or premium on bond issuance is capitalized as deferred expenses, is amortized using the straight-line method over the term of the bonds and is classified in the item Other under Other Assets or in the item Other Long-Term Liabilities under Long-Term Liabilities, respectively.

w. Environmental exit costs

The Company has established a policy of accruing for future environmental exit costs, which mainly relate to tailing dams, which, subsequent to the end of their useful lives, continue to incur expenses. This policy allows for the allocation of a mine's environmental exit costs during its exploitation stage.

x. Law No. 13,196

Law No. 13,196 requires the payment of a 10% contribution to the Chilean Government on the export value of copper production and related by-products. The amount is included in the item Other Expenses in the income statements.

y. Cost of sales

The cost of sales includes direct and indirect costs and depreciation and amortization related to the production process.

z. Bond issuance cost

Bond issuance cost is charged to the year's results, as is established in Circular No. 1,370 dated January 30, 1998 issued by the Superintendency.

aa. Goodwill

Goodwill is determined using the purchase method in accordance with the standards established by the Technical Bulletin N°72 of the Chilean Institute of Accountants. Goodwill is amortized to income over the period in which the benefits are expected to be obtained.

ab. Operations with resale and repurchase agreement

Purchases of financial instruments with resale and repurchase agreements are recorded at cost plus interest and restatements at the year - end in accordance with the clauses of the respective contracts.

ac. Reclassifications

Certain 2005 figures have been reclassified for comparative purposes with 2006 figures.

Note 03 - Changes in accounting principles

From January 1, 2006, the Company records in income collective bargaining bonuses. Until December 31, 2005, these bonuses were capitalized and amortized over the period of the respective collective bargaining agreements. At December 31, 2005, there was an asset for ThUS\$14,805 for collective bargaining bonuses, net of deferred taxes, which was also recognized in 2006 income (Note 15).

At December 31, 2006, there were no other changes in accounting policies and accounting criteria described in Note 2, with respect to the previous year.

Note 04 - Balances and transactions with related companies

Accounts receivable and payable to related companies are presented in the balance sheets.

a. Related transactions

Codelco Chile's Board of Directors has established the policy under which business transacted with individuals related to the Corporation should be conducted. This has been monitored by the management since December 1, 1995 through Corporate Regulation N°18 and its related administrative procedure.

Accordingly, Codelco cannot enter into agreements or acts in which one or more Directors, its Executive President, members of the Divisional Board of Directors, Vice Presidents, Corporate Internal Auditor, Divisional Chief Executive Officers and senior supervisory personnel, including their spouses, children and other relatives, up to the second degree of blood relationship, have direct personal interests, whether they are represented by third parties or they act as representatives of another person, without prior authorization as set forth in the aforementioned Policy and Regulation, and by the Board of Directors, when required by Law or the Company's By-Laws.

This prohibition also includes the companies in which such individuals are involved through ownership or management, whether directly or through representation of other natural persons or legal entities, or individuals who have ownership or management in those companies.

For purposes of this regulation, second and third hierarchical level positions in the Divisions, and Managers and Assistant Managers in the Parent Company are considered as senior supervisory positions.

In accordance with the policy established by the Board of Directors and its related regulations, those transactions affecting the Directors, its Executive President, Vice Presidents, Corporate Internal Auditor, the members of the Divisional Boards of Directors and Divisional Chief Executive Officers should be approved by this Board.

The Board of Directors became aware of related transactions which, in accordance with internal policy, it should approve. The main transactions are indicated below for the total amounts, which should be performed in the terms specified by each agreement:

Company name	Nature of the relationship	2006 ThUS\$	2005 ThUS\$
Alquimia Ingenieros S.A.	Executive' ex-spouse	488	-
Insitu Ingeniería y Servicios S.A.	Employee's relative	1,700	792
Marticorena & Cía. July	Employee's relative	-	41
Bosch S.A.	Executive' spouse	-	2,385
Prodalam S.A.	Director's	2	-
Comunicaciones Bitelco Ltda.	Employee's relative	-	20
Gestra S.A.	Executive' spouse	-	10
Transbosch Ltda.	Executive' spouse	-	44
CIMM Tecnologías y Servicios S.A.	Executive	261	-
Consorcio Ingenieros ARA-PM Ltda.	Executive participation	60	-
Sodimac	Director	1	-
Domingo Iraola Vela	Employee's relative	9	-
Giovanna Riveri Cerón	Employee' sister	-	33
Ana Mejías Liberona	Employee' daughter	-	2
Juan Costella Montt	Employee' brother	2,606	-
Cristian Aguilera Alcayaga	Executive' son	15	11
Sebastián Sánchez Arenas	Employee' son	8	-
Industrial Support Company Ltda.	Employee's relative	-	301

b) Directors' Remunerations

During 2006 and 2005, the members of the Board of Directors have received the following amounts as per diems, remunerations and fees:

b.1) Directors' per diems

Name	2006 ThUS\$	2005 ThUS\$
Karen Poniachik Pollak	11	-
Andrés Velasco Brañes	11	-
Nicolás Majluf Sapag	36	-
Jorge Bande Bruck	36	-
Eduardo Gordon Valcárcel	34	-
Jorge Candia Díaz	36	-
Raimundo Espinoza Concha	35	-
José Alfonso Dulanto Rencoret	3	17
Nicolás Eyzaguirre Guzmán	3	16
Patricio Meller Bock	8	44
Jorge Navarrete Martínez	8	44
Ricardo Ortega Terrier	8	43
Bismarck Robles Guzmán	8	44
René Valdenegro Oyaneder	8	44

b.2) Remunerations

Name	2006 ThUS\$	2005 ThUS\$
Jorge Candia Díaz	62	-
Raimundo Espinoza Concha	27	-
Bismarck Robles Guzmán	7	54
René Valdenegro Oyaneder	14	75

b.3) Fees

Name	2006 ThUS\$	2005 ThUS\$
Jorge Navarrete Martínez	12	64

c) Operations with Codelco investees

In addition, the Company also performs the necessary commercial and financial transactions with subsidiaries or investees. Commercial transactions are for the purchase and sale of products and services at market conditions and values, and financial transactions are mainly loans in current account, subject to readjustments, interests, and terms of payment agreed in supporting documents.

The main transactions with related companies are with investees and subsidiaries and correspond to purchases for goods and services for ThUS\$821,860 (ThUS\$548,889 in 2005) and sales for goods and services in 2006 for ThUS\$121,971 (ThUS\$27,409 in 2005) all at market prices.

d) Other information

At December 31, 2006, the Company has ThUS\$160,292 in Long-term notes and accounts receivable, relating principally to Codelco Internacional from a loan granted to said subsidiary for its contribution to Copper Partners Investment Company Ltd., and which, at the date the financial statements were issued, has not been capitalized.

At December 31, 2006, the account payable to the investee Copper Partners Investment Company Ltd. corresponds to the balance of the advance (US\$550 million) received in accordance with the commercial agreement with Minmetals (Note 18 b).

Note 05 - Inventories

At December 31, 2006 and 2005, inventories amounted to ThUS\$1,456,304 and ThUS\$964,027 respectively, comprising finished products, products in process and material in warehouse and others. Inventory values are net of obsolescence allowance for material in warehouse for ThUS\$49,837 and ThUS\$46,387 as of December 31, 2006 and 2005, respectively.

At December 31, 2006, finished product are presented net of unrealized profits of ThUS\$37,359 (ThUS\$10,596 in 2005), corresponding to purchase and sale operations to investees, which in accordance with generally accepted accounting principles in Chile, have to be deducted from the items that originated them.

Note 06 - Deferred taxes and income taxes

a) Deferred taxes

The deferred tax calculated in accordance with the policy described in Note 2 o) represents a net liability of ThUS\$300,780 at December 31, 2006 (ThUS\$901,501 in 2005).

b) Income taxes

At December 31, 2006 and 2005, the provisions for first category income tax and that required by D.L. N°2,398 amounted to ThUS\$4,724,510 (2005: ThUS\$2,427,650) and are shown in income taxes payable in current liabilities, net of estimated monthly payments of taxes and other tax credits.

c) Tax Law 20,026

On June 16, 2005, income tax law D.L. 824 was modified by Law 20,026, establishing a progressive tax rate on mining activity operating margins in Chile (5% for companies with sales over 50,000 metric tons of equivalent copper) and will be applied as of January 2006. In October 2005, the Chilean Internal Revenue Service issued a regulation regarding the law.

To this effect, at December 31, 2006, ThUS\$440,909 (2005: ThUS\$21,363) has been recorded in deferred taxes, under specific tax on mining activities. This tax is applied over net sales of the Company's own production since January 1, 2006.

Note 07 - Property, plant and equipment

Property, plant and equipment at December 31, 2006 and 2005 are detailed below:

a) Property, plant and equipment	2006 ThUS\$	2005 ThUS\$
Land and mining rights	55,021	51,309
Buildings and infrastructure	7,268,314	6,933,652
Machinery and equipment	6,811,244	6,466,231
Other plant and equipment	114,876	95,139
Technical appraisal revaluation	368,741	368,901
Total gross property, plant and equipment	14,618,196	13,915,232
b) Accumulated depreciation and depreciation for the year:	2006 ThUS\$	2005 ThUS\$
Buildings and infrastructure	(3,988,259)	(3,759,771)
Machinery and equipment	(4,161,237)	(3,887,455)
Other plant and equipment	(15,882)	(7,853)
Total accumulated depreciation	(8,165,378)	(7,655,079)
Depreciation and amortization for the year	743,604	591,975

c) Assets acquired through capital leases correspond to buildings and infrastructure, and are included in other property, plant and equipment. Contracts are expressed in UF, at an average annual interest rate of 7.92%, and with amortization periods of up to 300 months and are included in miscellaneous payables, according to their maturity.

d) As a result of the acquisition of Fundición y Refinería Las Ventanas, from Empresa Nacional de Minería (ENAMI) in May, 2005, property, plant and equipment of Codelco Chile, increased as follows:

Item	ThUS\$
Land	24,588
Land improvements	28,574
Buildings	49,056
Work in progress	160
Machinery and equipment	277,732
Total	380,110

e) The Company has deducted ThUS\$46,791 from its assets for those mining sectors of Salvador Division that will shut down, and has presented them in other non-operating expenses.

f) On January 9, 2006, the Board of Directors of Codelco approved the Gaby Project, which involves the exploitation of 584 million tons with a total investment of US\$898 million. Said project will involve a 23 month construction period from February 2006. At December 31, 2006, US\$110 million are included in works in construction related to the Gaby project.

Note 08 - Investments in related companies

At December 31, 2006 and 2005, total investments in investees amount to ThUS\$967,393 and ThUS\$771,381, respectively. The net profits of these companies for 2006 and 2005 amounted to ThUS\$436,446 and ThUS\$91,863, respectively.

These investments are expressed net of unrealized gains for ThUS\$165,600 and ThUS\$166,847 in 2006 and 2005, respectively.

In general, Codelco's foreign subsidiaries facilitate the Company's commercial activity in different foreign markets.

The Company has not assumed any liabilities as hedging instruments to cover its foreign investments.

a) Principal investees of Codelco

- *Codelco Group Inc. (U.S.A.)*

Codelco Group Inc. is a holding company which owns the operating companies Codelco (U.S.A.) Inc., Copper Technology Investment Inc. and Codelco Metals Inc.

Codelco (U.S.A.) Inc. is a sales agent for Codelco and manages sales contracts and settlements and coordinates product delivery for markets in the U.S.A., Canada and Mexico.

Codelco Metals Inc. carries out metal sale and purchase operations with Codelco and other companies, and covers the North American market.

Copper Technology Investment Inc., an investment company created for the development and promotion of the Semi Solid Metal Casting technology. This company has a 100% interest in the Semi Solid Metal Investors LLC.

- *Codelco K pferhandel GmbH (Germany)*

Codelco K pferhandel GmbH operates in the copper wire business, through the conversion of refined copper at a plant in Emmerich, Germany, owned by Deutsche Giessdraht GmbH in which Codelco K pferhandel GmbH has a 40% interest.

Codelco K pferhandel Metall Agentur, a subsidiary of Codelco K pferhandel GmbH, is a sales agent for Codelco, manages sales contracts and settlements and coordinates product delivery principally to markets in Germany, Austria, Holland and Denmark.

- *Chile Copper Limited (United Kingdom)*

Chile Copper Limited is a sales agent for Codelco and manages sales contracts and settlements and coordinates product delivery for markets in England, Finland, Norway and Sweden.

Codelco Services Limited, a subsidiary of Chile Copper Limited, carries out metal sale and purchase operations with Codelco and other companies, covering principally the European market.

- *Codelco International Limited (Bermuda)*

Codelco International Limited was formed in July 2001 and is a wholly-owned subsidiary of Codelco. The Company's business objective is the management and control of the interest of Codelco in several international projects. Through both this Company and its subsidiary, Codelco Technologies Limited, Codelco has entered into joint investments with BHP Billiton in Alliance Copper Limited for the use of modern technology in mining operations.

In addition, Codelco made investments through Codelco International Limited in Quadrem International Holdings Limited, a global company comprised of 18 of the most significant global mining companies to operate in an electronic market in which companies may buy and sell goods and services.

Codelco International Limited and Codelco Technologies Limited formed Codelco Do Brasil Mineracao Limitada. The latter has formed Mineracao Vale do Curaca in 2006 whose objective is developing projects for exploration and exploitation, business and market development activities in Brazil. In March 2006, Codelco Chile through its subsidiary Codelco Internacional Ltd., signed an agreement with Minmetals for the creation of the company Copper Partners Investment Company Ltd, which is equally owned by the two parties.

- *Instituto de Innovaci n en Miner a y Metalurgia S.A.*

Instituto de Innovaci n en Miner a y Metalurgia S.A. is a non-public limited liability company which performs activities in connection with research, development and technological innovation in the areas of mining and metallurgy.

- Complejo Portuario Mejillones S.A.

Complejo Portuario Mejillones S.A., a non-public limited liability company, which manages studies and development activities in connection with a port project in Mejillones, Region II of Chile.

- Healthcare institutions

Isapre Chuquicamata Limitada, Isapre San Lorenzo Limitada and Isapre Río Blanco Limitada are civil limited liability companies whose objective is the providing of healthcare services and benefits to Codelco's present and former employees.

- Geotérmica del Norte S.A.

Geotérmica del Norte S.A. is a non-public limited liability company whose business objective is the exploration and exploitation of geothermal deposits located between the Regions I, II and III of Chile and the sale, of all products and by-products derived directly or indirectly from the conduct of the aforementioned activities. In March 2006, the Company sold 45.1% of its ownership to Enel Latin America (Chile) S.A, and therefore at March 31 it records a 5% interest. The selling price of the shares was ThUS\$1,215 generating a loss of ThUS\$12.

- Agua de la Falda S.A.

In 1996, Agua de la Falda S.A. was formed by Codelco (49%) and Minera Homestake (51%).

The company's business objective is the exploration and exploitation of gold and other ore deposits in Region III of Chile.

In 2004 Codelco Chile did not participate in the capital increase carried out by Agua de la Falda S.A., decreasing its participation from 49% to 43%.

In September 2006, Minera Meridian Limitada acquired 56.72% of Agua de la Falda from Inversiones Copperfield Ltda. who held this investment at that date through a purchase at the same date, from Minera Homestake Chile S.A..

- Compañía Contractual Minera Los Andes

Compañía Contractual Minera Los Andes was formed in 1996 through contributions made by Codelco, AMP Chile Holding Ltda., and Australian Mutual Provident Society for the exploitation and development of Exploradora, Sierra Jardín, María Delia and Sierra Morena prospects located in Regions I, II and III of Chile.

The business through both Compañía Contractual Minera Los Andes and Inversiones Minera Los Andes S.A. did not produce the expected results and, therefore, Codelco and AMP Holdings Chile Ltda. opted to terminate their association.

As a result, the Company's Board of Directors extended powers to the Chief Executive Officer to carry out the steps required to reach an agreement with AMP Holdings Chile Ltda. as to the conditions for the termination of the aforementioned association, for which each partner would maintain control of the company most related with its specialty. Under these conditions, in 2001, Codelco assumed the majority control of Compañía Contractual Minera Los Andes S.A. in exchange for its participation in Inversiones Minera Los Andes S.A.

- Minera Pecobre S.A. de C.V.

Minera Pecobre S.A. de C.V. is a Mexican Company with variable capital formed by the Mexican company Minas Peñoles S.A. de C.V. and Codelco, with share holdings of 51% and 49%, respectively.

The company's line of business is the exploration of copper and by-products in mining area concessions in the state of Sonora, Mexico. Through other mining companies, the company also explores processes and sells minerals found in the mining areas.

- Inversiones Tocopilla Ltda. and Electroandina S.A.

Inversiones Tocopilla Ltda. is a holding company in which Suez Energy Andino S.A. has a 51% interest and Codelco 49%.

The main business of Electroandina S.A., a public company, is the generation, transmission and distribution of electric energy in Region II of Chile. Inversiones Tocopilla Ltda. holds a 65.2% and Codelco holds 34.8%. Electroandina S.A.'s main assets were acquired from the Codelcos' former Tocopilla Division.

- Sociedad Contractual Minera El Abra

Sociedad Contractual Minera El Abra was formed in 1994 by Codelco (49%) and Cyprus El Abra Company (51%), with Cyprus Amax Minerals Company as a guarantor, both linked to the Phelps Dodge mining consortium, to develop and exploit the El Abra deposit.

Codelco's investment in the project consisted of the contribution of a number of mining properties. The financing agreements for the project became effective June 15, 1995 and include the following obligations during the term of the agreements:

- a) A long-term trading agreement with Codelco Services Ltd. for part of the production of El Abra.
- b) The commitment from the partners to maintain majority ownership of the property of Sociedad Contractual Minera El Abra.
- c) A pledge on the ownership rights of Sociedad Contractual Minera El Abra in favor of the lending institutions.

- Biosigma S.A.

Biosigma S.A. is a non-public limited liability company formed on May 31, 2002 by Codelco and Nippon Mining & Metals Co. Ltd. with shareholdings of 66.67% and 33.33%, respectively.

Biosigma S.A.'s business objective is the commercial development of process and technology for mining purposes.

- Inversiones Mejillones S.A.

Inversiones Mejillones S.A. was formed on March 20, 2002, with direct ownership of 34.8% by Codelco and 65.2% by Inversiones Tocopilla Ltda.. Codelco owns 49% of the capital of Inversiones Tocopilla Ltda.

Inversiones Mejillones S.A., was formed with the objective of acquiring 82.34% of the shares of Empresa Eléctrica del Norte S.A. (Edelnor), rescheduling its financial obligations and coordinating the operations of Electroandina S.A. (of which Codelco and Inversiones Tocopilla Ltda. are partners) and Edelnor.

- Fundación Talleres S.A.

Fundación Talleres S.A. is a private company formed on October 1, 2003 by Codelco and Elaboradora de Cobre Chilena Ltda. On October 23, 2003 Fundación Talleres S.A. acquired from Talleres Division of Codelco, machinery and other operational assets at a book value of ThCh\$8,066,432 (ThUS\$12,560) which did not generate unrealized gains. On January 23, 2004 Codelco sold 60% of its ownership to Compañía Electro Metalúrgica S.A., generating a loss of ThUS\$2,744, which was charged to 2004 results.

Its purpose is production of steel parts and fittings.

- Sociedad Contractual Minera Purén

Sociedad Contractual Minera Purén was formed on September 23, 2003 by Codelco and Compañía Minera Mantos de Oro, with shareholdings of 35% and 65%, respectively.

The company's objective is the exploration, prospecting, research, developing and exploitation of mining projects.

- Clínica Río Blanco S.A.

Clínica Río Blanco S.A. is a non-public company formed on September 30, 2004 by Codelco and Isapre Río Blanco Limitada with shareholdings of 99.9% and 0.1%, respectively.

Clínica Río Blanco S.A.'s business objective is to provide medical care to the employees.

- Exploraciones Mineras Andinas S.A.

Exploraciones Mineras Andinas S.A. is a non-public company formed on July 29, 2004 and is a wholly owned subsidiary of Codelco.

Exploraciones Mineras Andinas S.A.'s business objective is to provide planning, managing and performing mining services and hydric resources.

- CMS Chile S.A. and CMS Tecnología S.A.

CMS Chile S.A. and CMS Tecnología S.A. are non-public companies whose purpose is to manufacture, market and distribute mining, equipment and spares and to provide maintenance and repair service for the same equipment.

On October 4, 2005 the Company sold to ABB Chile S.A. 70% of CMS Tecnología S.A. shares for ThUS\$2,898, gaining a ThUS\$757, profit.

- Micomo S.A.

On April 11, 2006, the Company in association with NTT Advance Technology Corporation (Japón) y NTT Leasing (USA), Inc. formed the closely held corporation Mining Information Communication and Monitoring S.A., whose corporate purpose is to adapt and incorporate advanced information and communication technologies, developed in Japan, to the needs of Codelco mining processes. Its capital is US\$3 million, and the ownership of Codelco Chile is 66%.

- Minera Gaby S.A.

On September 22, 2006, the Company in association with Inversiones Copperfield Ltda., formed Minera Gaby S.A., whose corporate purpose is exploiting, recognizing, prospecting, researching, and developing ore bodies in order to extract, produce, and process minerals, concentrated or other products obtained from mineral substances. Its capital is US\$20 million, and the ownership of Codelco Chile is 99.99%.

b) Contributions to related companies

During 2006 and 2005 Codelco-Chile made capital contributions to investees, in cash or by capitalizing accounts receivable, for ThUS\$38,767 and ThUS\$7,203, respectively, as follows (in ThUS\$):

	2006 ThUS\$	2005 ThUS\$
Codelco Group USA Inc.	500	250
Minera Pecobre S.A.	3,030	2,548
Mining Information Communication and Monitoring S.A.	1,980	-
Sociedad Contractual Minera Purén	8,771	-
Sociedad Inversiones Copperfield Limitada	1,307	-
Biosigma S.A.	3,199	4,405
Minera Gaby S.A.	19,980	-

These capital contributions were recorded in accordance with Technical Bulletin No.72 issued by the Chilean Institute of Accountants.

c) Unrealized gains

The Company has recorded unrealized gains on contributions from mining properties, fixed assets and ownership rights. The most significant transactions are detailed below:

- *Sociedad Contractual Minera El Abra*

The Company contributed mining rights to Sociedad Contractual Minera El Abra in 1994. The recognition of income is in relation to the depletion of Sociedad Contractual Minera El Abra. At December 31, 2006 gains for ThUS\$16,019 (2005: ThUS\$20,566) were recognized. At December 31, 2006 finished products are presented under inventories item, net of unrealized gains for ThUS\$37,359.

- *Electroandina S.A.*

There is an unrealized gain on the contribution of fixed assets in 1996. The gain was recognized in annual installments until February 2006. At December 31, 2006, a gain of ThUS\$3,026 (ThUS\$18,159 in 2005) was recognized.

- *Inversiones Tocopilla Ltda.*

There is an unrealized gain on the initial contribution of ownership rights in 1996. The gain was recognized in annual installments until February 2006. At December 31, 2006, a gain of ThUS\$1,089 (ThUS\$6,532 in 2005) was recognized.

- *Codelco Group USA Inc.*

Unrealized gain, which is the margin from sales of products that at year-end have balances in the subsidiary. The gain will be recognized from October 2006 awards, as the inventories which generated this gain are sold. At December 31, 2006 unrealized gains of ThUS\$8,994 were provided for, of which ThUS\$2,492 (2005:ThUS\$1,564) are presented as a deduction from the investment and ThUS\$6,502 are presented in long-term provisions in long-term liabilities.

- *Codelco K pferhandel GMBH*

Unrealized gain, which is the margin from sales of copper that at year-end have balances in the subsidiary. The gain will be recognized from January 2007 awards, as the inventories which generated this gain are sold. At December 31, 2006 unrealized gains of ThUS\$22,372 (2005: ThUS\$4,413) were provided for and are presented as a deduction from the investment.

Note 09 – Goodwill

The Law N 19,993 dated December 17, 2004 authorized ENAMI to sell real estate, equipment, a laboratory, furniture and vehicles, rights and licenses and other movable goods and intangible goods, forming the industrial mining metallurgical complex called Fundici n y Refiner a Las Ventanas.

Such acquisition was completed on May 1, 2005 for ThUS\$389,226 plus VAT for ThUS\$2,501 on taxed fixed assets. Such transaction mainly consisted in the acquisition of the assets of the industrial complex and certain liabilities related to the industrial complex's employee benefits.

The following is a summary of the operation:

Property, plant and equipment ThUS\$380,110,
Materials in warehouse ThUS\$4,020,
VAT (property, plant and equipment) ThUS\$2,501,
Personnel current accounts ThUS\$10,161,
Recognition of severance indemnity provision ThUS\$29,427,
Recognition of vacation provision ThUS\$2,076.

At December 31, 2006, the goodwill resulting of this transaction, to be amortized in 20 years, in accordance with the estimated life of the investment, was ThUS\$21,670 (2005: ThUS\$25,628). Amortization for 2006 amounted to ThUS\$1,176.

Note 10 – Obligations with banks and financial institutions – current

At December 31, 2006 current obligations with banks and financial institutions amount to ThUS\$22,000 and ThUS\$40,000 in 2005, are denominated in US dollars and pay no interest.

Long - term bank obligations due within one year amount to ThUS\$8,506 in 2006 and ThUS\$306,381 in 2005, they are in US dollars at an average annual interest rate of 5.72% in 2006 and 4.59% in 2005.

Note 11 - Obligations with Banks and financial institutions - long term

At December 31, 2006 and 2005, these obligations amount to ThUS\$600,000 and ThUS\$600,000, respectively, and are denominated in US dollars at an interest rate based on Libor. The average annual interest rate was 5.72% in 2006 and 3.58% in 2005. At December 31, 2006 these obligations mature as follows: ThUS\$300,000 in 2008 and ThUS\$300,000 in 2009.

Note 12 - Current and long-term bonds

On May 4, 1999, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$300,000. These bonds mature in a single installment on May 1, 2009, at an interest rate of 7.375% per annum with interest paid semi-annually. At December 31, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$3,728 in both periods.

On November 18, 2002, the Company issued and placed bonds in the Chilean market, under Superintendency of Securities and Insurance regulations. These bonds were issued for a nominal amount of UF7,000,000, (equivalent to ThUS\$241,091 and ThUS\$245,510 at December 31, 2006 and 2005, respectively) in a single denominated A Series, and are represented by 70,000 certificates for UF100 each. These bonds mature in a single installment on September 1, 2012, at an interest rate of 4.0% per annum with interest paid semi-annually. At December 31, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$3,227, in both periods.

On November 30, 2002, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$435,000. These bonds mature in a single installment on November 30, 2012, at an interest rate of 6.375% per annum interest paid semi-annually. At December 31, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$2,451, corresponding to accrued interest in each period.

On October 15, 2003, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on October 15, 2013, at an interest rate of 5.5% per annum interest paid semi-annually. At December 31, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$5,969 and ThUS\$5,893, respectively.

On October 15, 2004, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on October 15, 2014, at an interest rate of 4.750% per annum interest paid semi-annually. At December 31, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$5,155 and ThUS\$5,089, respectively.

On May 10, 2005, the Company issued and placed bonds in the local market for a nominal amount of UF6,900,000, (equivalent at December 31, 2006 to ThUS\$242,002) in a single denominated B Series, and are represented by 6,900 certificates for UF1,000 each. These bonds mature in a single installment on April 1, 2025, at an interest rate of 3.29% per annum with interest paid semi-annually. At December 31, 2006 and 2005, the current liability for accrued interest is ThUS\$2,433 and ThUS\$2,420, respectively.

On September 21, 2005, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on September 21, 2035, at an interest rate of 5.6250% per annum interest paid semi-annually. At December 31, 2006 and 2005, the current liability for accrued interest was ThUS\$7,882 and ThUS\$7,882, respectively.

On October 19, 2006, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on October 24, 2036, at an interest rate of 6.15% per annum interest paid semi-annually. At December 31, 2006, the current liability the accrued interest was ThUS\$5,829.

Note 13 - Accruals

At December 31, 2006 and 2005, long-term accruals amount to ThUS\$1,185,120 and ThUS\$1,028,283, respectively. These accruals cover the Company's long-term commitments, arising from exit plans, contingencies, severance indemnities and others related to personnel benefits in union contracts.

The changes in the long-term accruals for severance indemnities are summarized below:

Movements	Long-term liabilities	
	2006 ThUS\$	2005 ThUS\$
Balance as of January 1,	696,033	600,190
Provision for the year (including effects for variations in exchange rates)	62,065	159,496
Transfers to current liability	(28,882)	(63,653)
Total	729,216	696,033

Note 14 - Changes in equity

a) The Company was formed by D.L. No. 1,350 dated 1976, which establishes that all net income earned by the Company goes to the benefit of the Chilean Government after deducting amounts that, by a charge to net earnings for each year, must be maintained in Other Reserves as established in Article 6 of D.L. No. 1,350, and have to be included in the proposal made by the Board of Directors to the Ministry of Mining and the Ministry of Finance.

On January 9, 2006, the Board of Directors agreed to ask the Ministries of Mining and Finance to create a reserve fund charged to 2006 income for an amount equivalent to the total amount of taxes, which, for income tax and advance to clients is for ThUS\$550,000 in accordance with the commercial agreement with Minmetals. At said meeting, the Board also asked to transfer the Chilean Treasury on an annual basis an amount equivalent to one fifteenth of the total prepaid taxes, ThUS\$313,500, from December 2006 and charged to the reserve fund.

The composition of Other Reserves as of December 31, 2006 is as follows:

Detail	Year ThUS\$	Accumulated ThUS\$
Capitalization of net income (exempt decree ministry of mining and treasury department)	9,255	636,483
Cumulative translation adjustment - subsidiaries	(2,213)	36,282
Reserves for housing programs	-	35,100
Technical appraisal revaluation D.L. No. 3,648	-	624,567
Balance of other reserves as of December 31, 2006	7,042	1,332,432

b) At December 31, 2006, the Company recognized a surplus in favor of the Chilean Treasury for ThUS\$1,688,388, charged to 2006 income, which reduces equity. At December 31, 2006, dividends to be paid to the Chilean Treasury are presented in current liabilities, in the dividends payable item. In Current liabilities, within dividends payable, there were fiscal surpluses that were not paid at December 31, 2006 for ThUS\$300,000. These were paid on January 31, 2007.

Changes in equity during 2006 and 2005 are detailed below:

Movements	2006				2005			
	Paid-in capital ThUS\$	Other reserves ThUS\$	Profit distributions ThUS\$	Net income for the year ThUS\$	Paid-in capital ThUS\$	Other reserves ThUS\$	Profit distributions ThUS\$	Net income for the year ThUS\$
Beginning balance - January 1	1,524,423	1,325,390	(1,688,388)	1,779,609	1,524,423	1,312,568	(1,099,217)	1,134,173
Transfer to reserves and profit distributions	-	-	1,688,388	(1,688,388)	-	-	1,099,217	(1,099,217)
Profit distributions against prior year results	-	-	-	(81,966)	-	-	-	(25,909)
Capitalization of reserves and/or other income	-	9,255	-	(9,255)	-	9,047	-	(9,047)
Net changes in equity in subsidiaries and investees of the company	-	(2,213)	-	-	-	3,775	-	-
Net income for the year	-	-	-	3,338,789	-	-	-	1,779,609
Provisional profit distributions to Chilean Treasury	-	-	(1,668,043)	-	-	-	(1,688,388)	-
Total	1,524,423	1,332,432	(1,668,043)	3,338,789	1,524,423	1,325,390	(1,688,388)	1,779,609

Note 15 - Non-operating income and expenses

Non-operating income and expenses at December 31, 2006 and 2005 are detailed below:

a) Other income

	2006 ThUS\$	2005 ThUS\$
Satep delegate management	4.768	4.950
Penalties to suppliers	7.541	1.672
Sales of basis	171	230
Miscellaneous sales	43.343	9.588
Service sales	16.353	16.199
Gains on sale of property, plant and equipment	2.254	3.638
Realized gains on contributions to companies	20.134	45.257
Other	68.729	33.838
Total	163.293	115.372

b) Other expenses

	2006 ThUS\$	2005 ThUS\$
Export tax (Law No.13,196)	1,311,417	825,702
Adjustments to severance indemnity	42,667	19,198
Satep delegate management	7,911	8,657
Write-off of property, plant and equipment	48,506	5,072
Collective bargaining browses	180,492	-
Closure costs	105,936	69,500
Pre-investment expenses	65,562	89,348
Retirement plans	20,104	68,625
Write-off	5,083	10,258
Health plans	83,178	90,958
Contingences accrued	83,693	-
Other	118,476	113,321
Total	2,073,025	1,300,639

Note 16 - Exchange rate differences

Assets and liabilities, traded in currencies other than US dollars, have been converted at the year-end exchange rate, resulting in a net credit to income of ThUS\$40,643 and ThUS\$107,898 in 2006 and 2005, respectively.

Note 17 - Derivative contracts

As was mentioned in Note 2r), the Company had hedge operations to mitigate the risk of fluctuation in interest rates, foreign currency exchange rates and changes selling prices, as follows:

a. Interest rate hedge

At December 31, 2006, the Company has contracts in place to fix the interest rate fluctuations of US dollar - denominated bank loans for ThUS\$300,000. Deferred payments under these contracts amounted to ThUS\$11,369 (2005: ThUS\$26,572), which are shown in Others under Other Assets and amortized over the term of the respective liabilities, from January 2007 to September 2008. A positive exposure of ThUS\$7,901 has been determined as of December 31, 2006.

b. Exchange rate hedge

The Company has exchange rate hedge contracts for ThUS\$373,001, which mature in August 2012 and April 2025. At December 31, 2006, these contracts show a positive exposure of ThUS\$70,695. The net account receivable for said contracts amounts of ThUS\$105,737 (2005: ThUS\$114,511), are classified in Others under Other Assets. In addition, costs arising from said contracts for ThUS\$55,558 (2005: ThUS\$51,599), are recorded in Other long-term liabilities and amortized over the term of the respective liabilities.

c. Contracts for pricing operations

In order to protect its cash flows, the Company carries out operations in futures markets recording the results of these hedging transactions at the maturity date of the contracts. As part of the commercial policy, said results are added to or deducted from sales. The addition or deduction is due to the fact that sales include the positive or negative effect of market prices. At December 31, 2006, said operations generated a net lower income of ThUS\$220,784, which is detailed as follows:

c.1 Commercial operations of outstanding copper contracts

In accordance with the policy of cash flow hedge and adjustment to its commercial policy, from January to December 2006, the Company has carried out operations in futures market, which represent 198,150 metric tons of fine copper. These hedging operations are part of the commercial policy of the Company and mature until June 2008.

The outstanding contracts at December 31, 2006 show a positive exposure of ThUS\$47,147, whose final result could only be known at the maturity date of said operations, after the compensation between the hedging operations and the income from the sale of hedged products.

The operations that ended between January 1 and December 31, 2006 generated a net positive effect on income of ThUS\$34,513 which is deducted from the amounts paid for purchase contracts and added to the amounts received for the contracts for sales of products involved in said pricing operations (ThUS\$8,079 for purchases and ThUS\$26,434 for sales).

c.2 Commercial operations for outstanding gold and silver contracts

At December 31, 2006, the Company has silver pricing hedging operations for 2,217,700 troy ounces.

At that date, the positive exposure amounted to ThUS\$48.

The operations that ended between January 1 and December 31, 2006 generated a negative effect on income of ThUS\$293, which is deducted from the amounts received for the contracts for sale of products involved in said pricing operations. These hedging operations mature until March 2008.

c.3 Operations based on future production

In order to protect its future cash flows by guaranteeing levels of selling prices of project production, futures operations related to said projects have been carried out for MFT1,143,296. These hedging contracts mature until March 2013.

Outstanding futures operations at December 31, 2006 show a negative exposure of ThUS\$2,971,649, whose final result could only be known at the maturity date of said contracts, compensating their effects with the sale of the hedged products.

The futures whose operations ended between January 1 and December 31, 2006, related to the production sold related to said projects, generated a lower income of ThUS\$255,004, which is the result of the compensation between the hedging operation and revenues arising from the contracts for the sale of products involved in said pricing operations. As part of the Company's commercial policy, said results reduce net operating income.

c.4 Asian options

At December 31, 2006, the Company keeps Min/Max option agreements (put purchases and call sales) in order to protect their future cash flows by means of ensuring a minimum sale price of MFT 33,600, related with Sewell production. These operations record at December 31, 2006, a negative exposure of ThUS\$976. These hedging operations mature on March 2009.

Note 18 - Contingencies and Commitments

Codelco is involved in various pending legal actions initiated by, or against, the Company which result from the inherent nature of the industry in which the Company operates. In general, these lawsuits are from civil, tax, labor and mining actions, all of which are related to the Company's operating activities.

In the Company management's and legal advisors' opinion, these lawsuits do not represent significant loss contingencies. In addition, with respect to all such lawsuits, the Company defends its rights and uses all legal and proceeding resources available.

Below is a summary of the most significant lawsuits to which Codelco is a party:

- Tax lawsuits: There are several tax assessments issued by the Chilean Internal Revenue Service for which the Company has presented its corresponding objections.
- Labor lawsuits: Labor lawsuit initiated by employees of Andina Division against the Company in relation to professional diseases (silicosis).
- Mining lawsuits: The Company has been involved, and will probably continue to be involved, as a defendant and plaintiff in a number of proceedings, through which it seeks to protect certain mining concessions already established or in the process of being established. Currently these proceedings have no determined amounts and do not significantly affect Codelco's development.

Other commitments

a) In July 2005, the Board of Directors of the Company was informed of the Salvador mineral situation; and hence management initiated activities in order to close the oxide line by 2008 at the latest and the sulphides line by 2011 at the latest.

Additionally, on September 5, 2005, the Board of Directors approved the 2006 exploration plan, which includes the closing of oxide and sulphide mining operations in 2008 and 2011 respectively, as well as the transition plan for that period.

During the second half of 2005, and in accordance with the evaluated impact of this decision and the mine closure plan the corresponding provisions were recorded.

Additionally, at December 31, 2005, the Company wrote-off assets associated with the activities being closed.

b) On May 31, 2005, Codelco signed an agreement with Minmetals to create a company, in which both companies will participate equally. Also, they agreed on the terms of a 15-year sales agreement regarding cathodes for that joint venture and a purchase agreement with Minmetals for the same term and monthly shipments until completing 836,250 metric tons. Codelco will receive an advance of US\$550 million as a payment from the joint venture. Each shipment will be paid by the purchaser at a price composed of a fixed and a variable component, which will depend on the current price of the copper at the time of the shipment.

On the other hand, Codelco has granted Minmetals an option to acquire, at market price, a minority ownership in a company that will exploit the Gaby mineral deposit, subject to the conditions that Codelco establishes to go forward with said initiative.

During the first quarter of 2006, based on agreed financial conditions, the financing contracts with the China Development Bank were signed, allowing the Cooper Partners Investment Company Ltd. to make the US\$550 million payment in March 2006 to Codelco.

At December 31, 2006 is operating and the monthly shipments began in June 2006, the contract in operation.

Nonetheless, on December 20, 2005, the Board of Directors decided to contract price hedging transactions for the equivalent of 27,850 tons in relation to this contract and fixed the hedging criteria operations for the first five years of the contract.

According to the abovementioned agreement of the Board of Directors and the agreements with Minmetals, Codelco contracted hedge transactions for 139,325 tons (including the abovementioned tons), on behalf of the joint venture, which were completed during January and February 2006.

The agreement with Minmetals was reported as a significant event to the Superintendency on February 22, 2006 and explanatory additional communications dated February 27 and March 7, 2006.

c) Law N°19,993 dated December 17, 2004 that authorized the purchase of the assets of Fundición y Refinería Las Ventanas from ENAMI, establishes that the Company should guarantee the necessary smelting and refining capacity, with no restrictions or limitations, for products of the small and medium size mining industry that ENAMI serves, upon terms agreed to by both parties.

d) The Corporation, following its cost-reduction programs through the use of modern technologies, has established personnel early severance programs, with benefits that encourage retirement, which obligation is recognized as a provision when the employee commits to his/her retirement.

Additional information

In connection with the financial liabilities incurred by the investee Copper Partners Investment Company Ltd. with the China Development Bank, Codelco Chile and Codelco International Ltd. must fulfill certain covenants mainly referred to providing financial information. Additionally, Codelco Chile has to maintain its ownership of 51% in Codelco International Ltd.

In accordance with the Sponsor Agreement dated March 8, 2006, the subsidiary Codelco International Ltd. agreed to transfer its rights held in Copper Partners Investment Company Ltd. as collateral security in favor of China Development Bank.

There are no restrictions or covenants associated with the Company's financial or public obligations.

The Company has obligations with the Chilean Treasury according to Law N°18.634 on deferred customs rights for ThUS\$801 (2005: ThUS\$3,675). In addition, the Company records documents delivered as guarantee for ThUS\$40,628 in 2006 (2005: ThUS\$41,442).

Note 19 - Indirect guarantees

At December 31, 2006 and 2005, the Company records an indirect debt for ThUS\$30,038, from guarantees granted to its investee Electroandina S.A.

The Company is jointly and severally liable of Complejo Portuario Mejillones S.A., recording an indirect guarantee in favor of Empresa Portuaria Mejillones S.A. for ThUS\$84,810 at December 31, 2006 (ThUS\$87,903 in 2005).

Note 20 - Sureties obtained from third parties

The Company has received a number of guarantees that mainly cover supplier and contractors' obligations related to various projects under development in its operating Divisions, which amount to ThUS\$314,256 in 2006 and ThUS\$254,989 in 2005.

Note 21 - Assets and liabilities in local and foreign currency

At December 31, 2006, the Company has assets traded in local currency for ThUS\$409,943 (2005: ThUS\$322,688) and liabilities for ThUS\$1,657,154 (2005: ThUS\$1,412,624).

Note 22 - Sanctions

In exempt resolution No.317 dated August 1, 2006, the Company received a sanction of censure from the Superintendency of Securities and Insurance for infringement penalized in Article 44 of the Chilean Law 18,046 on corporations.

At December 31, 2006, and 2005, Codelco-Chile, its Directors and Management have not been subject to other sanctions applied by the Superintendence or other administrative authorities.

Note 23 - Environment

The practice of exploration and recognition of new resources, which are environmentally sustainable, has been a significant concern for the Company. Consequently, since 1998 the Company has defined its environmental commitments, which are controlled through an environmental management system for explorations that has been improved over time to conform to the worldwide standard ISO 14001, which has assisted in geology, geochemical, geophysical and sounding work directed towards exploration of mineral resources both in Chile and abroad.

At December 31, 2006, Codelco Norte, formed by former Chuquicamata and Radomiro Tomic Divisions, Andina, El Salvador and Teniente Divisions, and the head office received ISO 14001 certification.

Also the subsidiary Exploraciones Mineras Andina S.A. is under standard ISO 14001.

In accordance with this policy, at December 31, 2006 the Company has made investments, related to environment issues, which amount to ThUS\$60,826 (2005: ThUS\$30,883).

Note 24 - Subsequent events

On January, 22, 2007, Codelco Chile took part, jointly with Honeywell Chile S.A., in the incorporation of Sociedad Kairos Mining S.A., which has an initial equity of ThUS\$100.

On January 31, 2007, Codelco Chile took part, jointly with Sociedad de Inversiones Copperfield Ltda., in the incorporation of Sociedad GNL Mejillones S.A., which has an initial equity of ThCh\$1,000 (Ch\$1 million).

On January 31, 2007, the Company paid an amount of ThUS\$300,000 for fiscal surpluses, on account of surplus for 2006.

The Company's management has no knowledge of any other significant events of a financial nature or any other nature, occurring between December 31, 2006 and the date of issuance of these financial statements (February 7, 2007) which might affect them.



José Pablo Arellano Marín
Executive President



Daniel Barría Iroumé
Corporate Vice-President for
Shared Services



Mario Allende Gallardo
Chief Accountant

ANALYSIS OF INDIVIDUAL FINANCIAL STATEMENTS

At December 31, 2006 and 2005 (In thousands of dollars - ThUS\$)

The following section is intended to analyze and explain the main variations in the Individual Financial Statements of Corporación Nacional del Cobre de Chile (Codelco) between the years ended 31 December 2006 and 2005, respectively. Below, is summarized information from the financial statements.

Summary of the Company's Financial Ratios

Balance Sheet	31.12.2006	31.12.2005	Variation
Liquidity	Ratio	Ratio	%
Current Assets/Current Liabilities	2.29	1.29	78%
(Current Assets-Inventories-Prepaid Expenses) /Current Liabilities	1.54	0.83	86%
Indebtedness	Ratio	Ratio	%
Total Debt (L)/Equity (times)	1.83	2.61	-30%
Current Liabilities/Total Debt (L)	0.23	0.28	-15%
Long-Term Liabilities/Total Debt (L)	0.77	0.72	6%
	ThUS\$	ThUS\$	
Liabilities (L)	8,295,828	7,663,059	8%
Income for the year plus income tax and Law 13.196	9,214,904	4,900,938	88%
Activity	Ratio	Ratio	%
Accounts receivable turnover	11.05	8.80	25%
Collection recovery	33	41	-20%
Inventory turnover (times)	4.13	4.47	-8%
Inventory permanence	87	81	8%
Profitability (Income after taxes)	Ratio	Ratio	%
% of Assets	26.04	16.78	55%
% of Equity	73.74	60.51	22%
% of operating asset performance (2)	28.16	18.10	56%

Results	31.12.2006	31.12.2005	
	ThUS\$	ThUS\$	
Net sales	15,824,999	9,994,870	58%
Cost of sales	(6,014,778)	(4,309,322)	40%
Net operating income	9,515,455	5,444,426	75%
Net non-operating loss	(1,611,968)	(1,369,190)	18%
Interest expense	(233,735)	(188,522)	24%
Depreciation for the year	(518,715)	(456,540)	14%
Amortization of intangible assets	(255,874)	(166,720)	53%
EBIT	7,903,487	4,075,236	94%
Law 13,196	(1,311,417)	(825,702)	59%
Income taxes	(4,564,698)	(2,295,627)	99%
EBITDAie (1)	8,911,811	4,887,018	82%
Net income for the year	3,338,789	1,779,609	88%
Equity	31.12.2006	31.12.2005	
	ThUS\$	ThUS\$	
Equity	4,527,601	2,941,034	54%
Net property, plant and equipment	6,452,818	6,260,153	3%
Total Assets	12,823,429	10,604,093	21%
Net income/(loss) per share in US\$	Not Applicable	Not Applicable	
	31.12.2006	31.12.2005	
	MFT	MFT	
Physical sales volume (own copper and third party copper)	2,001,019	2,022,015	-1,04%

(1) EBITDAie: Equity before taxes, interest, depreciation, amortization and extraordinary items.

(2) Total assets less investments in other companies and in related companies are considered to be operating assets.

Analysis of differences between book and economic value

The deposits the company possesses are recognized in accounting at US\$1 each. Consequently, the economic value of these deposits differs from their book value. This results in an understatement in equity and assets for accounting purposes compared to their economic value.

Market

As of 31 December 2006, the markets in which the Company commercializes its products have shown no significant changes. However, since the end of 2005 to November 2006 there has been a sustained increase in the price of copper in international markets which slowed in December 2006, starting a steady fall in prices at the end of the year. The price of molybdenum must also be highlighted, which increased between 2004 and 2005, with a reduction in 2006. The following table shows the annual average prices from 2000.

	Copper US\$/MFT	Molybdenum US\$/MFT
2000	1,814.27	5,652.65
2001	1,577.78	5,222.31
2002	1,567.64	8,488.68
2003	1,779.88	11,993.36
2004	2,870.90	37,237.39
2005	3,683.44	70,481.10
2006	6,730.60	54,558.00

Balance Sheet

The Balance Sheet shows a growth in assets originating in operational activities and as a consequence of the higher copper prices, which caused an increase in the current account of clients and the collections of the company.

As of 31 December 2006, current liquidity had increased to ThUS\$4,447,354 (December 2005, ThUS\$2,724,222) mainly composed of inventories (net) of ThUS\$1,456,304 (32.75%), trade accounts receivable for ThUS\$1,432,372 (32.21%), term deposits ThUS\$786,764 (17.69%), with the difference composed of other current asset accounts.

The increase in trade accounts receivable associated with debtors from sales is explained by the increase in the average sale price of copper in the last month of the financial year with respect to the same month in the prior financial year. The values that show this variation follow:

	31.12.2006 ThUS\$	31.12.2005 ThUS\$
Indebted balance for sales	1,432,372	1,135,177
Price per pound of copper at end of financial year	285.31 c/US\$	207.95 c/US\$
Tonnage sold in the month (own and third party copper)	234,089	202,825

The inventory increase as at 31 December 2006 compared to the same date in the prior year is due to higher inventory at the close of the financial year, and a higher process cost. A breakdown of the inventory at the end of the financial year follows:

	31.12.2006 ThUS\$	31.12.2005 ThUS\$
Finished products	589,463	403,027
Work-in-progress	660,508	394,022
Materials in warehouses and others, net	206,333	167,978
Final balance of the period	1,456,304	964,027
Finished products fine MFT (own and third party copper)	210,340	187,891

As of 31 December 2006 fixed assets have shown an increase in net terms of ThUS\$192,665 with respect to 31 December 2005.

Item	31.12.2006 ThUS\$	31.12.2005 ThUS\$	Variation ThUS\$
Property, plant and equipment Codelco (Net)	6,452,818	6,260,153	192,665
Land	55,021	51,309	3,712
Buildings and infrastructure			
Improvements to land	1,887,338	1,873,704	13,634
Buildings	2,094,071	2,061,573	32,498
Rooms	129,292	129,289	3
Work in progress	910,475	908,994	1,481
Mine development	549,496	622,28	(72,786)
Deposit delimitation	15,720	15,720	-
Mining operations	1,680,978	1,321,146	359,832
Forestation and forest development	944	944	-
Machinery and equipment	6,062,643	5,728,109	334,534
Transport equipment	723,172	712,352	10,820
Furniture and equipment	25,429	25,770	(341)
Lease assets	114,876	95,139	19,737
Technical reappraisal	368,741	368,901	(160)
Depreciation reserve	(8,165,378)	(7,655,079)	(510,299)

Current liabilities as of 31 December 2006 were ThUS\$1,938,945 (December 2005, ThUS\$2,119,053) and comprise accounts payable of ThUS\$536,989 (27.70%), provisions of ThUS\$503,110 (25.95%), dividends payable of ThUS\$300,000 (15.47%) and income tax of ThUS\$102,532 (5.29%) in addition to other obligations. Bank and other financial institution obligations are as follows:

	Short term ThUS\$	Long term ThUS\$
Balance as of 31 December 2005	340,000	600,000
Amortization	(468,000)	–
Increases	150,000	–
Balance as of 31 December 2006	22,000	600,000

Current assets include the short term portion of US\$37 million in debt to Copper Partners Investment that will be applied to invoices that document shipments realized in the period. This owed balance is presented in accounts payable against companies related to the long term.

With all the above, to 31 December 2006, the current liquidity index presents an increase with respect to 31 December 2005 due to the increment in the proportion of current assets (increase in term deposits, sales debtors, various debtors, inventory) with respect to current liabilities (increase in accounts payable, various creditors, accounts payable to related companies, provisions and retentions).

Long term debt at 31 December 2006 was ThUS\$6,356,883 (December 2005 ThUS\$5,444,006) composed mainly of obligations to the bank and public of ThUS\$3,813,739 (59.99%), deferred tax of ThUS\$676,406 (10.64%) and various provisions of ThUS\$1,185,120 (18.64%).

In long term debt is included the balance of US\$492 million received in anticipation and that must be applied to sales committed to Copper Partners Investment Company Ltd.

With respect to Provisions, the company has registered the commitment to pay the future agreed benefits to its workers, and those that could be derived from worker litigation in the period. These have been classified in the short and long term depending upon the estimated payment horizon.

The figures cited above explain the indicators shown on the previous pages.

Equity at 31 December 2006 was ThUS\$4,527,601 (December 2005 ThUS\$2,941,034).

As of 31 December 2006, the total indebtedness of the company was ThUS\$8,295,828 (December 2005, ThUS\$7,663,059) that gives a lower rate of indebtedness for the 2006 financial year of 1.83 times (December 2005 2.61 times), due to an increase in equity.

Analysis of results

Operating income for 2006 amounted to ThUS\$9,515,455, which is higher than the ThUS\$5,444,426 recorded in 2005. Net sales amounted to ThUS\$15,824,999 which is higher than the ThUS\$5,830,129 obtained in 2005, mainly due to higher copper prices.

The sales price for the company's products (its own copper and third party copper) from January to December 2006 was US\$3.1104 per pound (compared to US\$1.6279 per pound in 2005).

In the period from 1 January to 31 December 2006 the following events can be highlighted:

Income can be sub-divided by type of product as shown in the following table:

	31.12.2006 ThUS\$	31.12.2005 ThUS\$
Net sales		
Copper (own and third party)	12,253,618	6,452,650
Third party copper	1,448,073	849,967
Molybdenum (own and third party)	1,595,292	2,311,359
Other by-products	528,016	380,894

Sales of Codelco's own copper and that of third parties in 2006 was 2,001,019 MFT (2005 was 2,022,015 MFT), as detailed in the following box:

	31.12.2006	31.12.2005
Shipments (MFT)		
Copper (own and third party)	1,790,140	1,796,090
Third party copper	210,879	225,925
Molybdenum (own and third party)	29,376	33,320

The costs associated with these sales are:

	31.12.2006 ThUS\$	31.12.2005 ThUS\$
Cost of sales		
Copper (own and third party)	3,956,530	2,959,483
Third party copper	1,470,080	827,568
Molybdenum (own and third party)	182,416	205,544
Other by-products	405,752	316,727

Non-operating costs to 31 December 2006 were ThUS\$1,611,968 (31 December 2005 ThUS\$1,369,190). Other non-operating costs amounted to ThUS\$2,073,026 and include ThUS\$1,311,417 (63.26%) related to tax in accordance with Law 13,196 that charges 10% on exports of Codeclco's own copper and by-products.

Codeclco's surplus for 2006 (earnings before income tax, extraordinary items and Law 13,196 plus minority interest) was ThUS\$9,214,904, which is more than the ThUS\$4,900,938 obtained in 2005, mainly due to improved operating income of ThUS\$4,071,029.

As a result, income before taxes and extraordinary items amounted to ThUS\$7,903,487 and net income was ThUS\$3,338,789.

Analysis of the Statement of Cash Flows

For 2006, the Company obtained a net positive cash flow from operating activities of ThUS\$3,645,814 higher by ThUS\$1,256,878 compared to the prior year due to an increase in net sales. Within cash flow, the following can be highlighted:

	31.12.2006 ThUS\$	31.12.2005 ThUS\$
Income taxes paid	(5,194,952)	(2,214,479)
Law 13,196 paid	(1,226,487)	(782,462)

On the other hand, financing activities for 2006 generated a negative flow of ThUS\$1,667,009, higher than the negative flow of ThUS\$674,110 generated in the prior year, which is mainly explained by the increase in dividend payments during the year. Regarding financing, the following can be highlighted:

	31.12.2006 ThUS\$	31.12.2005 ThUS\$
Bonds payable	500,000	718,737
Profits distributed to Chilean Treasury	(1,857,009)	(1,389,247)
Loan payments	(468,000)	(393,600)

Finally, as at December 2006, investing activities generated a net negative flow of ThUS\$1,367,459 which is lower than the negative flow of ThUS\$1,777,778 obtained as at December 2005. This reduction is mostly explained by lower asset acquisitions.

In consideration of these flows, plus the opening cash balances, the Company obtained an ending balance of cash and cash equivalents of ThUS\$789,992 at 31 December 2006, which is higher than the ThUS\$178,646 obtained as at December 2005.

Divisional Statements Of Income

To the Chairman and Members of the Board of Directors of Corporación Nacional del Cobre de Chile

We have audited the accompanying divisional statements of income of Corporación Nacional del Cobre de Chile for the years ended December 31, 2006 and 2005. The divisional statements of income are the responsibility of the management of Corporación Nacional del Cobre de Chile. Our responsibility is to express an opinion on the divisional statements of income based on our audits. The divisional statements of income are derived from the Corporation's consolidated financial statements for the years ended December 31, 2006 and 2005 and the statement of allocation of controlled income and expenses of Corporación Nacional del Cobre de Chile's Head office and Subsidiaries for the year ended December 31, 2006, on which, based on our audits and the reports of the other auditors, who audited certain affiliates and subsidiaries, we have expressed an unqualified opinion under the same date of this report and the statement of allocation of controlled income and expenses of Corporación Nacional del Cobre de Chile's Head office and Subsidiaries for the year ended December 31, 2005, on which, based on our audit and the reports of the other auditors, who audited certain affiliates and subsidiaries, we expressed an unqualified opinion on February 10, 2006.

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the divisional statements of income are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the divisional statements of income. An audit also includes assessing the accounting principles used and the significant estimates made by the Corporation, as well as evaluating the overall presentation of the divisional statements of income. We believe that our audits provide a reasonable basis for our opinion.

The accompanying divisional statements of income have been prepared in compliance with the Corporation's statutes, in conformity with accounting principles generally accepted in Chile and the bases described in Notes 1 and 2 thereto.

In our opinion, based on our audits and the reports of other auditors, such divisional statements of income present fairly, in all material respects, the results of operations of Corporación Nacional del Cobre de Chile's Divisions for the years ended December 31, 2006 and 2005, in conformity with accounting principles generally accepted in Chile and the bases described in Notes 1 and 2 thereto.

Our audits were conducted for the purpose of expressing an opinion on divisional statements of income for 2006 and 2005. The accompanying divisional consolidated income statements for 2006 and 2005 are presented for the purposes of additional analysis. This additional information has been subjected to the auditing procedures applied in our audit of the divisional statements of income and, in our opinion, is fairly stated, in all material respects, in relation to the divisional statements of income taken as a whole.

The accompanying divisional statements of income have been translated into English for the convenience of readers outside Chile.



February 7, 2007



Mario Muñoz V.

DIVISIONAL STATEMENTS OF INCOME - NORTE

(In thousands of dollars - ThUS\$) At December 31, 2006 and 2005

	2006 ThUS\$	2005 ThUS\$
OPERATING REVENUE		
Income from the sale of owned products	6,368,014	3,444,086
Sale of copper acquired from third parties	1,365,605	663,060
Income from the sale of by-products and others	1,775,005	2,101,691
Total revenue	9,508,624	6,208,837
Costs		
Cost of products of owned copper	(1,605,443)	(1,428,398)
Cost of copper acquired from third parties	(1,360,740)	(649,138)
Cost of sales of by-products and others	(666,112)	(410,864)
Total costs	(3,632,295)	(2,488,400)
GROSS MARGIN	5,876,329	3,720,437
Administrative and selling expenses	(154,842)	(136,353)
OPERATING INCOME	5,721,487	3,584,084
NON-OPERATING INCOME (EXPENSES)		
Financial income	31,841	12,644
Equity in income of related companies	262,841	66,007
Other income	52,440	63,023
Equity in losses of related companies	(3,989)	(6,276)
Financial expenses	(120,048)	(100,999)
Other expenses	(1,033,235)	(697,490)
Price-level restatement	(153)	(144)
Exchange differences	27,942	(65,199)
INCOME BEFORE INCOME TAXES	4,939,126	2,855,650
Income taxes	(2,868,764)	(1,609,938)
INCOME BEFORE MINORITY INTEREST	2,070,362	1,245,712
MINORITY INTEREST	1,366	2,242
NET INCOME	2,071,728	1,247,954
Amortization of negative goodwill	19	-
NET INCOME FOR THE YEAR	2,071,747	1,247,954

The accompanying notes 1 and 2 are an integral part of these statements.

DIVISIONAL STATEMENTS OF INCOME - SALVADOR

(In thousands of dollars - ThUS\$) At December 31, 2006 and 2005

	2006 ThUS\$	2005 ThUS\$
OPERATING REVENUE		
Income from the sale of owned products	895,517	625,236
Sale of copper acquired from third parties	98,743	48,412
Income from the sale of by-products and others	224,859	172,550
Total revenue	1,219,119	846,198
Costs		
Cost of products of owned copper	(810,783)	(494,883)
Cost of copper acquired from third parties	(93,686)	(48,314)
Cost of sales of by-products and others	(112,079)	(136,812)
Total costs	(1,016,548)	(680,037)
GROSS MARGIN	202,571	166,189
Administrative and selling expenses	(38,341)	(31,396)
OPERATING INCOME	164,230	134,793
NON-OPERATING INCOME (EXPENSES)		
Financial income	8,485	2,572
Equity in income of related companies	33,741	9,240
Other income	38,398	14,242
Equity in losses of related companies	(511)	(859)
Financial expenses	(40,719)	(24,367)
Other expenses	(229,160)	(168,108)
Price-level restatement	(20)	(20)
Exchange differences	2,686	(11,518)
LOSS BEFORE INCOME TAXES	(22,870)	(44,025)
Income taxes	40,690	24,945
INCOME (LOSS) BEFORE MINORITY INTEREST	17,820	(19,080)
MINORITY INTEREST	175	307
NET INCOME (LOSS)	17,995	(18,773)
Amortization of negative goodwill	2	-
NET INCOME (LOSS) FOR THE YEAR	17,997	(18,773)

The accompanying notes 1 and 2 are an integral part of these statements.

DIVISIONAL STATEMENTS OF INCOME – ANDINA

(In thousands of dollars - ThUS\$) At December 31, 2006 and 2005

	2006 ThUS\$	2005 ThUS\$
OPERATING REVENUE		
Income from the sale of owned products	1,555,575	779,914
Sale of copper acquired from third parties	161,593	73,550
Income from the sale of by-products and others	292,117	280,869
Total revenue	2,009,285	1,134,333
Costs		
Cost of products of owned copper	(310,217)	(304,949)
Cost of copper acquired from third parties	(153,317)	(72,047)
Cost of sales of by-products and others	(137,534)	(92,280)
Total costs	(601,068)	(469,276)
GROSS MARGIN	1,408,217	665,057
Administrative and selling expenses	(38,346)	(30,710)
OPERATING INCOME	1,369,871	634,347
NON-OPERATING INCOME (EXPENSES)		
Financial income	3,427	1,480
Equity in income of related companies	55,146	12,361
Other income	46,187	9,099
Equity in losses of related companies	(1,553)	(1,247)
Financial expenses	(20,964)	(16,864)
Other expenses	(250,678)	(131,394)
Price-level restatement	(32)	(27)
Exchange differences	2,565	(7,265)
INCOME BEFORE INCOME TAXES	1,203,969	500,490
Income taxes	(706,366)	(282,226)
INCOME BEFORE MINORITY INTEREST	497,603	218,264
MINORITY INTEREST	287	415
NET INCOME	497,890	218,679
Amortization of negative goodwill	4	-
NET INCOME FOR THE YEAR	497,894	218,679

The accompanying notes 1 and 2 are an integral part of these statements.

DIVISIONAL STATEMENTS OF INCOME - EL TENIENTE

(In thousands of dollars - ThUS\$) At December 31, 2006 and 2005

	2006 ThUS\$	2005 ThUS\$
OPERATING REVENUE		
Income from the sale of owned products	2,742,872	1,483,342
Sale of copper acquired from third parties	303,568	199,466
Income from the sale of by-products and others	582,486	467,221
Total revenue	3,628,926	2,150,029
Costs		
Cost of products of owned copper	(769,561)	(651,510)
Cost of copper acquired from third parties	(292,594)	(200,684)
Cost of sales of by-products and others	(293,909)	(180,903)
Total costs	(1,356,064)	(1,033,097)
GROSS MARGIN	2,272,862	1,116,932
Administrative and selling expenses	(67,397)	(62,413)
OPERATING INCOME	2,205,465	1,054,519
NON-OPERATING INCOME (EXPENSES)		
Financial income	11,925	5,378
Equity in income of related companies	100,149	22,424
Other income	42,112	34,391
Equity in losses of related companies	(1,520)	(2,132)
Financial expenses	(43,529)	(45,653)
Other expenses	(503,683)	(300,360)
Price-level restatement	(59)	(49)
Exchange differences	7,912	(20,501)
INCOME BEFORE INCOME TAXES	1,818,772	748,017
Income taxes	(1,053,820)	(421,827)
INCOME BEFORE MINORITY INTEREST	764,952	326,190
MINORITY INTEREST	521	762
NET INCOME	765,473	326,952
Amortization of negative goodwill	6	-
NET INCOME FOR THE YEAR	765,479	326,952

The accompanying notes 1 and 2 are an integral part of these statements.

DIVISIONAL STATEMENTS OF INCOME - VENTANAS

(In thousands of dollars - ThUS\$) At December 31, 2006 and 2005

	2006 ThUS\$	2005 ThUS\$
OPERATING REVENUE		
Income from the sale of owned products	438,964	-
Sale of copper acquired from third parties	28,619	140,702
Income from the sale of by-products and others	243,495	133,573
Total revenue	711,078	274,275
Costs		
Costo de venta de cobre propio	(440,983)	-
Cost of products of owned copper	(25,173)	(132,691)
Cost of sales of by-products and others	(200,180)	(120,712)
Total costs	(666,336)	(253,403)
GROSS MARGIN	44,742	20,872
Administrative and selling expenses	(21,019)	(907)
OPERATING INCOME	23,723	19,965
NON-OPERATING INCOME (EXPENSES)		
Financial income	2,446	287
Other income	4,494	636
Equity in losses of related companies	(1,176)	(810)
Other expenses	(10,825)	(1,325)
Price-level restatement	(57,855)	(4,243)
Exchange differences	1,259	(3,427)
(LOSS) INCOME BEFORE INCOME TAXES	(37,934)	11,083
Income taxes	23,606	(6,285)
(LOSS) INCOME BEFORE MINORITY INTEREST	(14,328)	4,798
MINORITY INTEREST	-	-
NET (LOSS) INCOME	(14,328)	4,798
Amortization of negative goodwill	-	-
NET (LOSS) INCOME FOR THE YEAR	(14,328)	4,798

The accompanying notes 1 and 2 are an integral part of these statements.

BASIS OF PREPARATION OF THE DIVISIONAL STATEMENTS OF INCOME

(In thousands of dollars - ThUS\$) At December 31, 2006 and 2005

On May 1, 2005, the Ventanas Division was incorporated following the acquisition of Las Ventanas Foundry and Refinery from Enami, as authorized by Law N° 19,993.

The divisional statements of income are prepared in compliance with the Corporation's statutes, in conformity with generally accepted accounting principles in Chile and the following bases:

Note 1. Interdivisional transfers

Interdivisional transfers of products and services were made and recorded at the prices agreed to, which are similar to market values. Therefore, the following concepts are included in these divisional statements of income:

- Sales to third parties of products received from other Divisions and the divisional income from transfers to other Divisions are presented in separate lines.
- In accordance with the above, costs of products received from other Divisions and sold to third parties and costs applicable to divisional income from transfers to other Divisions are also presented in separate lines.

Note 2. Allocation of Corporate income and expenses

Income and expenses of the Corporation's Head Office and Subsidiaries were added to direct income and expenses of operating Divisions, in accordance with current bases established for each year, as stated in the Statement of allocation of controlled income and expenses of Head Office and Subsidiaries. Other operating expense includes the expense derived from Law N°13,196, which levies the Corporation by 10% on the foreign currency received for the sale of its copper production abroad, including by-products and their distribution by division is as follows:

	2006 ThUS\$	2005 ThUS\$
Codelco Norte	725,690	513,653
Salvador	125,492	62,629
Andina	154,705	83,059
El Teniente	260,843	166,361
Ventanas	44,687	–
Total Ley N°13,196	1,311,417	825,702

Nota 3. Reclasificaciones

Certain items of the divisional statements of income at December 31, 2005, have been reclassified for comparative purposes.

CONSOLIDATED DIVISIONAL STATEMENTS OF INCOME

Year ended December 31, 2006 / (In thousands of US dollars - ThUS\$)

	DIVISION					Consolidated	Adjustments	Total
	Codelco Norte	Salvador	Andina	El Teniente	Ventanas			
STATEMENT OF INCOME								
OPERATING REVENUE								
Income from the sale of owned products	6,368,014	895,517	1,555,575	2,742,872	438,964	12,000,942	-	12,000,942
Sale of copper acquired from third parties	1,365,605	98,743	161,593	303,568	28,619	1,958,128	-	1,958,128
Income from the sale of by-products and others	1,775,005	224,859	292,117	582,486	243,495	3,117,962	-	3,117,962
TOTAL REVENUE	9,508,624	1,219,119	2,009,285	3,628,926	711,078	17,077,032	-	17,077,032
Cost of products of owned copper	(1,605,443)	(810,783)	(310,217)	(769,561)	(440,983)	(3,936,987)	-	(3,936,987)
Cost of copper acquired from third parties	(1,360,740)	(93,686)	(153,317)	(292,594)	(25,173)	(1,925,510)	-	(1,925,510)
Cost of sales by-products and others	(666,112)	(112,079)	(137,534)	(293,909)	(200,180)	(1,409,814)	-	(1,409,814)
TOTAL COSTS	(3,632,295)	(1,016,548)	(601,068)	(1,356,064)	(666,336)	(7,272,311)	-	(7,272,311)
GROSS MARGIN	5,876,329	202,571	1,408,217	2,272,862	44,742	9,804,721	-	9,804,721
Administrative and selling expenses	(154,842)	(38,341)	(38,346)	(67,397)	(21,019)	(319,945)	-	(319,945)
OPERATING INCOME	5,721,487	164,230	1,369,871	2,205,465	23,723	9,484,776	-	9,484,776
NON-OPERATING INCOME (EXPENSES)								
Add (less):								
Financial income	31,841	8,485	3,427	11,925	2,446	58,124	-	58,124
Equity in income of related companies	262,841	33,741	55,146	100,149	-	451,877	-	451,877
Other income	52,440	38,398	46,187	42,112	4,494	183,631	-	183,631
Equity in losses of related companies	(3,989)	(511)	(1,553)	(1,520)	-	(7,573)	-	(7,573)
Amortization of goodwill	-	-	-	-	(1,176)	(1,176)	-	(1,176)
Financial expenses	(120,048)	(40,719)	(20,964)	(43,529)	(10,825)	(236,085)	-	(236,085)
Other expenses	(1,033,235)	(229,160)	(250,678)	(503,683)	(57,855)	(2,074,611)	-	(2,074,611)
Price-level restatement	(153)	(20)	(32)	(59)	-	(264)	-	(264)
Exchange differences	27,942	2,686	2,565	7,912	1,259	42,364	-	42,364
NON-OPERATING INCOME (EXPENSES)	(782,361)	(187,100)	(165,902)	(386,693)	(61,657)	(1,583,713)	-	(1,583,713)
INCOME (LOSS) BEFORE INCOME TAXES	4,939,126	(22,870)	1,203,969	1,818,772	(37,934)	7,901,063	-	7,901,063
Income taxes	(2,868,764)	40,690	(706,366)	(1,053,820)	23,606	(4,564,654)	-	(4,564,654)
NET INCOME (LOSS) BEFORE MINORITY INTEREST	2,070,361	17,820	497,603	764,952	(14,328)	3,336,409	-	3,336,409
MINORITY INTEREST	1,366	175	287	521	-	2,349	-	2,349
NET INCOME	2,071,728	17,995	497,890	765,473	(14,328)	3,338,758	-	3,338,758
Amortization of negative goodwill	19	2	4	6	-	31	-	31
NET INCOME (LOSS) FOR THE YEAR	2,071,747	17,997	497,894	765,479	(14,328)	3,338,789	-	3,338,789

CONSOLIDATED DIVISIONAL STATEMENTS OF INCOME

Year ended December 31, 2005 / (In thousands of US dollars - ThUS\$)

	DIVISION					Consolidated	Adjustments	Total
	Codelco Norte	Salvador	Andina	El Teniente	Ventanas			
STATEMENT OF INCOME								
OPERATING REVENUE								
Income from the sale of owned products	3,444,086	625,236	779,914	1,483,342	-	6,332,578	-	6,332,578
Sale of copper acquired from third parties	663,060	48,412	73,550	199,466	140,702	1,125,190	-	1,125,190
Income from the sale of by-products and others	2,101,691	172,530	280,869	467,221	133,573	3,155,904	(123,099)	3,032,805
TOTAL REVENUE	6,208,837	846,198	1,131,814	2,150,029	274,275	10,613,672	(123,099)	10,490,573
Cost of products of owned copper	(1,428,398)	(494,883)	(304,949)	(651,510)	-	(2,879,740)	-	(2,879,740)
Cost of copper acquired from third parties	(649,138)	(48,314)	(72,047)	(200,684)	(132,691)	(1,102,874)	-	(1,102,874)
Cost of sales of by-products and others	(410,864)	(136,812)	(92,280)	(180,903)	(120,712)	(941,571)	123,099	(818,472)
TOTAL COSTS	(2,488,400)	(680,009)	(469,276)	(1,033,097)	(253,403)	(4,924,185)	123,099	(4,801,086)
GROSS MARGIN	3,720,437	166,189	665,057	1,116,932	20,872	5,689,487	-	5,689,487
Administrative and selling expenses	(136,353)	(31,396)	(30,710)	(62,413)	(907)	(261,779)	-	(261,779)
OPERATING INCOME	3,584,084	134,793	634,347	1,054,519	19,965	5,427,708	-	5,427,708
NON-OPERATING INCOME (EXPENSES)								
Add (less):								
Financial income	12,644	2,572	1,480	5,378	287	22,361	-	22,361
Equity in income of related companies	66,007	9,240	12,361	22,424	-	110,032	-	110,032
Other income	63,023	14,242	9,099	34,391	636	121,391	-	121,391
Equity in losses of related companies	(6,276)	(859)	(1,247)	(2,132)	-	(10,514)	-	(10,514)
Amortization of goodwill	-	-	-	-	(810)	(810)	-	(810)
Financial expenses	(100,999)	(24,367)	(16,864)	(45,653)	(1,325)	(189,208)	-	(189,208)
Other expenses	(697,490)	(168,108)	(131,394)	(300,360)	(4,243)	(1,301,595)	-	(1,301,595)
Price-level restatement	(144)	(20)	(27)	(49)	-	(240)	-	(240)
Exchange differences	(65,199)	(11,518)	(7,265)	(20,501)	(3,427)	(107,910)	-	(107,910)
NON-OPERATING EXPENSES	(728,434)	(178,818)	(133,857)	(306,502)	(8,882)	(1,356,493)	-	(1,356,493)
INCOME (LOSS) BEFORE INCOME TAXES	2,855,650	(44,025)	500,490	748,017	11,083	4,071,215	-	4,071,215
Income taxes	(1,609,938)	24,945	(282,226)	(421,827)	(6,285)	(2,295,331)	-	(2,295,331)
NET INCOME (LOSS) BEFORE MINORITY INTEREST	1,245,712	(19,080)	218,264	326,190	4,798	1,775,884	-	1,775,884
MINORITY INTEREST	2,242	307	415	762	-	3,725	-	3,725
NET INCOME (LOSS) FOR THE YEAR	1,247,954	(18,773)	218,679	326,952	4,798	1,779,609	-	1,779,609

Statements Of Divisions' Income And **Spending Allocations**
Controlled By The Head Office And Subsidiaries

To the Chairman and Members of the Board of Directors of Corporación Nacional del Cobre de Chile

We have audited the accompanying statement of allocation of controlled income and expenses of Corporacion Nacional del Cobre de Chile's Head office and Subsidiaries for the year ended December 31, 2006. The statement of allocation of controlled income and expenses is the responsibility of the management of Corporacion Nacional del Cobre de Chile. Our responsibility is to express an opinion on this statement of allocation of controlled income and expenses based on our audit. The statement of allocation of controlled income and expenses is derived from the consolidated financial statements of Corporacion Nacional del Cobre de Chile for the year ended December 31, 2006, on which, based on our audit and the reports of the other auditors, who audited certain affiliates and subsidiaries, we have expressed an unqualified opinion under the same date of this report.

We conducted our audit in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of allocation of controlled income and expenses is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of allocation of controlled income and expenses. An audit also includes assessing the accounting principles used and the significant estimates made by the Corporation, as well as evaluating the overall presentation of the statement of allocation of controlled income and expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of allocation of controlled income and expenses has been prepared in compliance with the Corporation's statutes, in conformity with the allocation criteria described in Notes 1 to 12 thereto.

In our opinion, based on our audit and the reports of other auditors, such statement of allocation of controlled income and expenses presents fairly, in all material respects, the allocated income and expenses of Corporacion Nacional del Cobre de Chile's Head office and Subsidiaries for the year ended December 31, 2006, in conformity with the allocation criteria described in Notes 1 to 12 thereto.

The accompanying statement of allocation of controlled income and expenses has been translated into English for the convenience of readers outside Chile.



February 7, 2007



Mario Muñoz V.

STATEMENT OF ALLOCATION OF INCOME AND EXPENSES CONTROLLED BY THE HEAD OFFICE AND SUBSIDIARIES TO THE CORPORATION'S OPERATING DIVISIONS

At 31 December 2006, in thousands of dollars = US\$000

Administrative, selling, financial and other expenses	Total	Codelco Norte	Salvador	Andina	El Teniente	Ventanas
Sales of Head Office and Subsidiaries	2,075,040	1,195,550	153,323	265,122	461,045	—
Cost of sales of Head Office and Subsidiaries	(2,058,316)	(1,197,330)	(153,506)	(251,211)	(456,269)	—
Administrative and selling expenses	(191,501)	(106,260)	(25,915)	(16,622)	(37,277)	(5,427)
Interest income	51,019	26,008	8,777	4,681	9,335	2,218
Equity in income of related companies	451,791	262,808	33,694	55,140	100,149	—
Other income	66,401	29,589	9,049	11,819	15,134	810
Equity in losses of related companies	(6,856)	(3,988)	(511)	(837)	(1,520)	—
Interest expenses	(230,524)	(116,826)	(40,596)	(20,858)	(41,807)	(10,437)
Other expenses	(1,420,851)	(764,072)	(142,537)	(164,144)	(298,663)	(51,435)
Price-level restatement	(269)	(155)	(20)	(33)	(61)	—
Exchange differences	40,410	27,598	2,774	2,306	6,512	1,220
Income taxes	(4,564,654)	(2,868,764)	40,690	(706,366)	(1,053,820)	23,606
Minority interest	2,349	1,366	175	287	521	—
Amortization above investment value	31	18	2	4	7	—
TOTAL	(5,785,930)	(3,514,458)	(114,601)	(820,712)	(1,296,714)	(39,445)

CRITERIA APPLIED TO THE ALLOCATION OF INCOME AND EXPENSES CONTROLLED BY HEAD OFFICE AND SUBSIDIARIES.

Income and expenses controlled by head office and subsidiaries are allocated to each operating division in accordance with criteria set forth for each item of the income statement accounts, as follows:

1. Sales and cost of sales of the commercial activities of the head office and subsidiaries

- Sales and cost of sales of commercial activities are allocated based on the values of products and by-products billed by each division.

2. Administrative and selling expenses

2.1 Administrative expenses

- The cost centres identifiable with each division are allocated directly.
- The cost centres related to the sales function are allocated based on the values billed and accounted for as deliveries of products and by-products of each division.
- The cost centres related to the procurement function are allocated based on the warehouse accounting balances of each operating division.
- The remaining cost centres are allocated based on the operating cash expenses of the respective division.

2.2 Selling expenses

- The selling expenses identifiable with each division are allocated directly.
- Any remaining selling expense is allocated based on the values billed and accounted for as deliveries of products and by-products of each division.

3. Interest income

- Interest income associated and identified with each division is allocated directly.
- Any remaining interest income is allocated based on the operating cash income of each division.

4. Equity in income of related companies

- The income associated and identified with each division is allocated directly.
- Any remaining income is allocated based on the values of own products and by-products billed by each division.

5. Other income

- The other income associated and identified with each division is allocated directly.
- Any remaining other income is allocated based on the balances of the item "Other income" of each division.

6. Equity in losses of related companies

- The loss associated and identified with each division is allocated directly.
- Any remaining loss is allocated based on the values of own products and by-products billed by each division.

7. Interest expenses

- The interest expenses associated and identified with each division are allocated directly.
- Any remaining interest expense is allocated based on the operating cash expenses of each division.

8. Other expenses

8.1 Other expenses

- The other expenses associated and identified with each division are allocated directly.
- Any remaining other expense is allocated based on the balances of the item "Other expenses" of each division.

8.2 Contribution to the Chilean Government Law 13,196

- The amount of the contribution to the Chilean Government is allocated based on the values billed and accounted for from each Division's exports of copper and by-products. Adjustments are made for contributions affecting interdivisional transfer contracts, which are allocated to the Division from which the products originated.

9. Price-level restatement

- The price-level restatement balance of subsidiaries and affiliates is allocated based on the value of own products billed by each division.

10. Foreign exchange differences

- The identifiable exchange difference with each division is allocated directly.
- The exchange differences on the sale of US dollars for Chilean pesos is allocated in relation to the transfer of funds and payments made by head office to the account of each division.
- Any remaining balance is allocated based on the operating cash expenses of each division.

11. Income taxes

- The applicable amount is allocated to each division in accordance with the actual calculation determined based on income before taxes of each division.

12. Minority interest

- Minority interest is allocated to each division based on the value of own products and by-products billed by each division.

SUMMARISED FINANCIAL STATEMENTS OF SUBSIDIARIES

At 31 December 2006, in thousands of dollars = ThUS\$

	Chile Copper Ltd.	Codelco Küpfershandel GMBH	Codelco Group USA Inc	Codelco International Limited y Filiales	S.C. Minera Picacho	CMS Chile S.A.	Complejo Portuario Mejillones S.A.	Ejecutora Hospital del Cobre Calama S.A.	Soc. Elaboradora de Cobre Chilena Ltda.
	ThUS\$	(1) ThUS\$	ThUS\$	ThUS\$	(2) ThUS\$	(2) ThUS\$	ThUS\$	ThUS\$	(1)(2) ThUS\$
Assets									
Total current assets	32,121	112,718	54,321	7,083	149	1	1,692	463	1,195
Total fixed assets	5	10	54	31,859	–	–	105,961	–	–
Total other assets	–	1,887	84	131,139	12	–	1,103	896	–
Total Assets	32,126	114,615	54,459	170,081	161	1	108,756	1,359	1,195
Liabilities									
Total current liabilities	28,993	84,578	51,967	1,590	20	110	4,250	530	3
Total long-term liabilities	–	–	–	160,292	–	2,698	81,805	813	–
Minority interest	–	–	–	–	–	–	–	–	12
Total net equity	3,133	30,037	2,492	8,199	141	(2,807)	22,701	16	1,180
Total Liabilities and Equity	32,126	114,615	54,459	170,081	161	1	108,756	1,359	1,195
INCOME STATEMENTS									
Operating income	(1,515)	985	526	(24,308)	(3)	(111)	(1,341)	–	2
Non-operating expenses	1,952	2,640	200	30,270	1	–	(363)	40	36
Income before income taxes	437	3,625	726	5,962	(2)	(111)	(1,704)	40	34
Income taxes	(131)	1,339	(298)	–	–	–	(290)	(20)	–
Net income (loss) for the year	306	4,964	1,024	5,962	(2)	(111)	(1,994)	20	34
Net cash provided by (used in) operating activities	(24,887)	–	(437)	17,188	–	–	23	60	–
Net cash provided by (used in) financing activities	1,113	–	500	140,289	–	–	–	819	–
Net cash provided by (used in) investing activities	(4)	–	(22)	120,635	–	–	912	(879)	–
Effect of price level restatement on cash and cash equivalents	–	–	–	–	–	–	–	–	–
Net increase (decrease) in cash and cash equivalents	(23,770)	–	41	2,466	–	–	935	–	–

(1) It has not prepared cash flow statements
(2) Unaudited financial statements

Instituto de Innovación en Min. y Metal. S.A.	Asociación Garantizadora de Pensiones	Santiago de Río Grande S.A.	Isapre Chuquicamata Ltda.	Isapre San Lorenzo Ltda.	Isapre Río Blanco Ltda.	BioSigma S.A.	Mining Information Communication and Monitoring S.A.	Minera Gaby S.A	Compañía Contractual Minera Los Andes	Exploraciones Mineras Andinas S.A.	Clínica Río Blanco S.A.	Inversiones Coperfield Ltda.
ThUS\$	ThUS\$	(2) ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	(2) ThUS\$	ThUS\$	ThUS\$	(1) (2) ThUS\$
5,003	751	22	4,183	1,359	2,083	2,064	3,011	20,031	-	1,707	1,765	9,398
54	1	-	2,804	174	40	3,296	1	-	-	187	4,981	-
-	-	-	4,433	699	1,113	-	-	33	-	16	339	20
5,057	752	22	11,420	2,232	3,236	5,360	3,012	20,064	-	1,910	7,085	9,418
1,276	16	1	6,229	803	1,118	681	44	146	-	1,450	3,167	1,378
-	55	-	2,604	322	189	137	-	10	330	240	1,227	-
2	23	-	42	-	1	1,546	1,009	2	-	-	28	-
3,779	658	21	2,545	1,107	1,928	2,996	1,959	19,906	(330)	220	2,663	8,040
5,057	752	22	11,420	2,232	3,236	5,360	3,012	20,064	-	1,910	7,085	9,418
7	(77)	-	(546)	(403)	118	(5,236)	(145)	(156)	(68)	(104)	(511)	-
23	41	(2)	576	473	(30)	1,596	52	(44)	3	143	(509)	8,104
30	(36)	(2)	30	70	88	(3,640)	(93)	(200)	(65)	39	(1,020)	8,104
(9)	-	-	3	(23)	(82)	-	22	34	-	(7)	304	(1,378)
21	(36)	(2)	33	47	6	(3,640)	(71)	(166)	(65)	32	(716)	6,726
(327)	(39)	-	1,556	(166)	82	(4,822)	(20)	9	-	(1,377)	452	-
-	2	-	-	506	-	5,324	3,009	20,021	-	-	-	-
(13)	(1)	-	(1,130)	(127)	(225)	(1,136)	(1)	-	-	(101)	(231)	-
(17)	(8)	-	79	2	(1)	(524)	-	-	-	(16)	(3)	-
(357)	(46)	-	505	215	(144)	(1,158)	2,988	20,030	-	(1,494)	218	-

SUMMARISED FINANCIAL STATEMENTS OF SUBSIDIARIES

At 31 December 2005, in thousands of dollars = ThUS\$

	Chile Copper Ltd.	Codelco Küpf erhandel GMBH	Codelco Group USA Inc	Codelco International Limited y Filiales	S.C. Minera Picacho	CMS Chile S.A.	Complejo Portuario Mejillones S.A.	Ejecutora Hospital del Cobre Calama S.A.	Soc. Elaboradora de Cobre Chilena Ltda.
	(1) ThUS\$	(1) ThUS\$	ThUS\$	ThUS\$	(1) (2) ThUS\$	(1) ThUS\$	ThUS\$	ThUS\$	(2) ThUS\$
Assets									
Total current assets	40,070	49,437	87,508	1,149	150	1	780	193	1,177
Total fixed assets	8	–	46	404	–	–	110,584	121	–
Total other assets	–	3,115	17	21,372	12	–	815	–	–
Total Assets	40,078	52,552	87,571	22,925	162	1	112,179	314	1,177
Liabilities									
Total current liabilities	37,648	30,067	86,007	573	18	149	3,174	317	1
Total long-term liabilities	–	–	–	20,123	–	2,648	84,890	–	–
Minority interest	477	–	–	(58)	–	–	–	–	–
Total net equity	1,953	22,485	1,564	2,287	144	(2,796)	24,115	(3)	1,176
Total Liabilities and Equity	40,078	52,552	87,571	22,925	162	1	112,179	314	1,177
INCOME STATEMENTS									
Operating income	(1,730)	(103)	179	(10,654)	(2)	(7)	(2,097)	–	(2)
Non-operating expenses	1,787	2,530	65	(1,483)	7	2,247	(307)	(53)	393
Income before income taxes	57	2,427	244	(12,137)	5	2,240	(2,404)	(53)	391
Income taxes	(14)	(5)	(124)	–	–	–	403	–	–
Net income (loss) for the year	43	2,422	120	(12,137)	5	2,240	(2,001)	(53)	391
Net cash provided by (used in) operating activities	–	–	551	(10,158)	–	–	(1,304)	12	–
Net cash provided by (used in) financing activities	–	–	(32)	15,205	–	–	–	(121)	–
Net cash provided by (used in) investing activities	–	–	250	(4,947)	–	–	–	111	–
Effect of price level restatement on cash and cash equivalents	–	–	–	–	–	–	–	(2)	–
Net increase (decrease) in cash and cash equivalents	–	–	769	100	–	–	(1,304)	–	–

(1) It has not prepared cash flow statements

(2) Unaudited financial statements

Instituto de Innovación en Min. y Metal. S.A.	Asociación Garantizadora de Pensiones	Santiago de Río Grande S.A.	Isapre Chuquicamata Ltda.	Isapre San Lorenzo Ltda.	Isapre Río Blanco Ltda.	BioSigma S.A.	Sociedad Geotérmica del Norte S.A.	Exploraciones Mineras Andinas S.A.	Clínica Río Blanco S.A.	Compañía Contractual Minera Los Andes
ThUS\$	ThUS\$	(1) (2) ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	(1) ThUS\$	ThUS\$	ThUS\$	(1) (2) ThUS\$
5,870	811	26	2,629	1,056	2,071	3,967	602	2,732	1,780	-
52	-	-	3,025	160	66	2,713	2,340	172	5,069	-
-	-	-	3,656	478	894	-	-	7	43	-
5,922	811	26	9,310	1,694	3,031	6,680	2,942	2,911	6,892	-
2,102	15	3	4,491	627	918	836	133	2,567	2,522	270
-	53	-	2,223	-	158	1,056	-	153	901	-
-	-	-	-	-	-	-	-	-	-	-
3,820	743	23	2,596	1,067	1,955	4,788	2,809	191	3,469	(270)
5,922	811	26	9,310	1,694	3,031	6,680	2,942	2,911	6,892	-
354	(78)	-	(240)	(499)	25	(4,218)	(27)	(163)	329	(129)
(57)	34	(2)	242	746	(182)	1,284	15	165	(220)	-
297	(44)	(2)	2	247	(157)	(2,934)	(12)	2	109	(129)
(53)	-	-	9	(44)	71	-	-	9	44	-
244	(44)	(2)	11	203	(86)	(2,934)	(12)	11	153	(129)
(548)	(67)	-	2,359	113	639	(4,858)	(23)	1,640	677	-
-	-	-	-	-	-	7,751	-	-	-	-
(28)	-	-	(1,922)	(21)	(156)	(2,315)	(464)	(61)	(722)	-
(48)	(15)	1	39	(6)	(1)	(315)	(14)	25	24	-
(624)	(82)	1	476	86	482	263	(501)	1,604	(21)	-

SIGNIFICANT ACCOUNTING POLICIES APPLIED

At 31 December 2006 and 2005

Note 1. Summary of the main accounting principles applied

a) Period

These financial statements are for the fiscal year from 1 January to 31 December 2006 and 2005.

b) Basis of Presentation

These financial statements have been prepared according to accounting principles generally accepted in Chile as issued by the professional association of accountants, the Colegio de Contadores de Chile A.G. and regulations and instructions issued by the Superintendent of Securities and Insurance. In the case of a difference, the latter takes precedence.

c) Currency of Measure

These financial statements are expressed in the currency in effect in the country of origin of the affiliated company.

d) Basis for Consolidation

According to regulations issued by the Superintendent of Securities and Insurance and Technical Bulletins issued by the Colegio de Contadores de Chile A.G., these companies have prepared these consolidated financial statements including assets, liabilities, results and cash flows of subsidiaries.

All significant effects and amounts corresponding to transactions between consolidated companies have been eliminated and the equity corresponding to minority investors has been treated as minority interest. Consolidated financial statements involve the elimination of balances, transactions and unrealized profits between consolidated firms, including foreign and domestic subsidiaries.

e) Currency Correction

The financial statements of domestic subsidiaries whose accounting is conducted in Chilean pesos have incorporated the effects of the pesos' changing purchasing power for the respective fiscal years, according to regulations governing currency correction. Updates have been based on official consumer price indices maintained by the National Statistics Bureau, giving rise to a 2.1% update as of 31 December 2006 (3.6% in 2005).

f) Basis of Conversion

As of 31 December 2006 and 2005, assets and liabilities in foreign currency and unidades de fomento (an inflation indexed accounting unit) have been converted to current pesos according to parities existing at the end of the fiscal year, as follows:

	2006 US\$	2005 US\$
Pounds sterling	1.95695	1.71792
Euro	1.31874	1.18259
Mexican pesos	0.09259	0.09424

g) Time deposits

Time deposits have been posted at their investment value plus the corresponding interest accruing at the close of each fiscal year.

h) Negotiable Securities

This item includes mutual funds and other easily liquidated instruments, posted at their cost or market value (whichever is lower).

i) Inventories

Inventories are valued at cost, which is no higher than their net implementation value. This cost has been determined using the following methods:

- Finished products and those in production: Using absorption costing, including depreciation of fixed assets and indirect costs at the end of each fiscal year. These inventories are valued at their average production cost.
- Warehoused materials: At acquisition cost. The company sets a provision for obsolescence considering the duration in inventory of those materials that turnover slowly.
- Material in transit: At cost incurred by the end of the fiscal year.

j) Estimate of Non-Performing Debt

The company posts a provision for non-performing debt, based on administrative experience and analysis, the debtor portfolio and the age of entries.

k) Fixed Assets

Fixed assets are valued at their historic cost, net accumulated depreciation.

Construction works include the value invested in fixed construction assets.

l) Depreciation

Fixed asset depreciation is based on respective book values, using the linear method and based on the goods' estimated remaining years of use.

m) Leased Assets

Fixed assets belonging to subsidiaries through financial leasing contracts are posted under Other Fixed Assets. These goods have been evaluated at current value applying the interest rate implicit in contracts and depreciated using the linear method, based on the goods' estimated remaining years of use. Legally speaking, these goods do not belong to the companies until the respective purchasing option has been exercised.

n) Investment in Related Firms

Investment in related firms, both Chilean and foreign, of a permanent nature are valued using the proportional equity method, according to rules established in the Technical Bulletins published by the Colegio de Contadores de Chile A.G., except for investment in the subsidiaries in England and Germany.

Investment in other firms is posted by purchasing value, which is not higher than market value.

o) Intangibles

The value of actual disbursements and amortization is estimated according to rules established in Technical Bulletin No 55 of the Colegio de Contadores de Chile A.G.

p) Income Tax and Deferred Income Taxes

Income tax is provided for according to the legal requirements in effect.

Companies include in their financial statements the effect of deferred income taxes assignable to temporary differences, which receive different treatment for tax and accounting purposes, as per Technical Bulletins published by the Colegio de Contadores de Chile A.G. and requirements set by the Superintendent of Securities and Insurance de Chile.

q) Computer Software

Computer systems developed using the company's own human and material resources are charged to the result of the fiscal year in which these expenses were incurred.

r) Research and Development Costs

Spending on research and development is charged to the fiscal year in which it occurred.

s) Cash Flow Statement

Cash on hand, in banks, time deposits and financial instruments classified as unrestrictive short-term negotiable securities maturing in 90 days or less are treated as cash or cash equivalents as per instructions in the Technical Bulletins published by the Colegio de Contadores de Chile A.G. and regulations from the Superintendent of Securities and Insurance.

The company has classified operations-, investment- or finance-related cash movements as per the Technical Bulletins issued by the Colegio de Contadores de Chile A.G. and regulations issued by the Superintendent of Securities and Insurance.

Note 2. Accounting Changes

Isapre San Lorenzo Ltda. y Filial

From 27 April 2006, San Lorenzo Isapre S.A. was created as a subsidiary and division of Isapre San Lorenzo Ltda., and through Exempt Resolution IF/N° 383 of 26 May 2006 (notified 5 June 2006) of the Health Superintendent, was authorized as an Isapre. The aim of the division is to separate the Isapre business from the administrative services that it provides. The objective of Sociedad Isapre San Lorenzo Ltda. is the provision of personnel and equipment rental while sociedad San Lorenzo Isapre Ltda. is a healthcare provider.

Asociación garantizadora de Pensiones

From the start of 2005, financial results were presented according to Technical Bulletin No 63 of the Colegio de Contadores de Chile A.G. that directs all non-profit organizations. According to this Bulletin, the financial results changed their name, as follows:

- Balance Sheet became Financial Position
- Income statements became State of Activity.

At 31 December 2006, there were no other changes in the application of the accounting principles and criteria with regard to the previous year.

HIGHLIGHTS

At 31 December 2006 and 2005, in thousands of dollars = ThUS\$

1) Creation of Companies

The Codelco Board agreed to authorize the Executive President to form a limited closed company, together with Sociedad de Inversiones Copperfield Limitada, under the name Minera Gaby S.A. with a share capital of ThUS\$19,999.

Formation of companies in the USA

On 29 November 2004 the Board authorized the Executive President to form a company in the USA for the development and promotion of Semi Solid Metal Casting technology with an initial capital stake of up to ThUS\$250 that was made in January 2005.

2) Registration with Superintendencia de Valores y Seguros

With agreement No. 23/2002 of 26 August 2002, the Board registered Codelco-Chile with the Superintendencia de Valores y Seguros, and subsequently carried out the steps necessary to issue bonds.

3) Obligations to the public

During its 3 March 2005 session, the Codelco-Chile Board authorized the issue of bonds by Corporación Nacional del Cobre de Chile, within Chile or abroad, for up to US\$400 million.

On 10 May 2005, the company issued and placed the bonds in the local market for an amount of UF6,900,000 for a single series denominated Series B that is composed of 6,900 bonds of UF1,000 each. The term date of these bonds is one quota of 1 April 2025, with an annual interest rate of 3.29%, paid half-yearly. The placing agent was Celfin Gardeweg S.A.

On 21 September 2005, the company issued and placed bonds in the North American market under rule 144-A and Regulation S, for a nominal amount of US\$384.5 million and US\$115.5 million respectively. These bonds are due in one quota on 21 September 2035, with an annual interest rate of 5.6250% paid half yearly. The placing agents were Deutsche Bank Securities and JP Morgan.

The Codelco-Chile Board in session No 9 of 28 September 2006, authorized the issue of bonds by Corporación Nacional del Cobre de Chile, of up to US\$500 million, in the best conditions that could be obtained in the financial market including terms (between ten and thirty years), interest rate, commission and costs. On 19 October 2006, the company issued and placed bonds in the North American market, under rule 144-A and Regulation S, for a nominal amount of US\$500 million. This bond is due in one quota on 24 October 2036, with an annual interest rate of 6.15%, with interest paid half yearly. The placing agents were Deutsche Bank Securities and Mitsubishi UFJ Securities.

4) Asset purchases

In a meeting held 6 August 2004, the Board of Directors agreed to modify the President and CEO's mandate to make an offer to purchase the Ventanas smelter and refinery, which belonged to Empresa Nacional de Minería, for a price in the US\$390-395 million range. This change was based on the fact that the transfer of assets would most likely occur between late 2004 and early 2005, making a recalculation of the offer necessary, to update the value of future flows to 31 December 2004.

On 3 January 2005, a law was passed authorizing the transfer of the Ventanas smelter and refinery from Empresa Nacional de Minería to Codelco on 2 May 2005.

On 2 May, the Ventanas smelter and refinery's assets and liabilities were transferred from Enami's to Codelco's new Ventanas Division.

5) Changes in executives

From 31 January 2005, Alex Acosta Maluenda has been designated as general manager of Ventanas division.

On 30 March 2006 the new Board of Codelco Chile was formed for the 2006-2010 period, which is comprised of the following people:

- Karen Poniachik Pollak, Mining Minister, President
- Andrés Velasco Brañes, Finance Minister
- Jorge Bande Bruck
- Nicolás Majluf Sapag
- Eduardo Gordon Valcárcel
- Jorge Candia Díaz
- Raimundo Espinoza Concha.

On 31 March 2006, José Pablo Arellano Marín replaced Juan Villarzú Rohde as executive president of the company.

On 1 June 2006, Sergio Jarpa Gibert replaced Nelson Pizarro Contador as corporate vice president of Codelco Norte division.

On 1 July 2006, Daniel Barría Iroumé replaced Fernando Moure Rojas as corporate vice president of shared services.

On 21 August 2006 Mario Espinoza Durán was designated vice president of finance and risk management.

On 24 August 2006, Luis Mualim Celume replaced Antonio Nawrath Venegas as General Auditor of the company.

6) Changes to external auditors

Following a bid for external auditing services, the Board in the session of February 2006, decided to renew the contract with Deloitte & Touche Limitada for the external audit of the company for the 2006 to 2008 period.

7) Strategic alliances

In relation to the agreement signed with Billiton Jersey Limited, during the 27 July 2006 Board session, the proposal to buy the shares of Billiton Jersey Limited in Alliance Copper Limited (ACL) and the financing of the closure costs of the ACL business were approved.

China Minmetals Non-ferrous Metals Co. Ltd. (Minmetals), and Compañía Nacional del Cobre de Chile (Codelco) formed a strategic alliance to make the most of new opportunities arising from growing demand for copper in China and Codelco's strengths, capacities and abundant reserves.

To do so, Minmetals and Codelco created a joint venture equally owned by both companies. During the initial stage, the company will invest US\$550 million in prepaying to Codelco part of a long-term contract for copper. The companies placed a US\$2 billion ceiling on this kind of financing. The company's financing needs will be covered by the China Development Bank, which will act as its financial agent.

Codelco has authorized Minmetals an option to acquire, at market price, a minority participation in the company that will exploit the Gaby deposit, subject to the condition that Codelco decides to proceed with this initiative.

8) Sanctions

By exempt resolution No 317, of 1 August 2006, the Superintendencia de Valores de Seguros censured the company for an infraction of article 44 of law 18,046 about limited companies.

9) Judgements

On 26 July, the arbitration between Codelco Chile and Colbún S.A. ended, creating the obligation for Codelco to pay for electricity consumed between 1 April 2004 and 30 June 2006, in relation to the Electricity Supply contract signed on 7 September 2001. The company paid US\$31.152 million net of IVA, on 26 July 2006.

10) Accidents

On 23 July 2006, there was a rockslide in the transfer area of the M-1 crushing system of the Chuquicamata mine of the Codelco Norte Division. This catastrophe generated production losses related to the reduced crushing capacity in the sulphides production line that reached a maximum of 480 fine metric tons/day.

11) Collective negotiations

The approval of the proposal agreed between the administration of the Salvador Division and leaders of the El Salvador Rol A Supervisors Union, ended the collective negotiation. The collective agreement of the professionals and supervisors of the Division, that will be effective from 1 November 2006 until 31 October 2010, includes a one-time pay adjustment of 2.5% above inflation and bonuses for a total of 4 million pesos.

On 10 October 2006, an anticipated collective negotiation was completed with workers of the Andina Division for a new collective work contract. This agreement will last 36 months.

In December 2006, the collective negotiation process ended with six unions of the Codelco Norte Division signing contracts for 38 months for three of them and 36 months for the other three.

DIRECTORS' REMUNERATIONS

At 31 December 2006 and 2005, in thousands of dollars = ThUS\$

During 2006 and 2005, the members of the Board Directors have received the following amounts as per diems, remunerations and fees:

Directors Per Diems

Name	2006 ThUS\$	2005 ThUS\$
Karen Poniachik Pollak	11	–
Andrés Velasco Brañes	11	–
Nicolás Majluf Sapag	36	–
Jorge Bande Bruck	36	–
Eduardo Gordon Valcárcel	34	–
Jorge Candia Díaz	36	–
Raimundo Espinoza Concha	35	–
José Alfonso Dulanto Rencoret	3	17
Nicolás Eyzaguirre Guzmán	3	16
Patricio Meller Bock	8	44
Jorge Navarrete Martínez	8	44
Ricardo Ortega Terrier	8	43
Bismarck Robles Guzmán	8	44
René Valdenegro Oyaneder	8	44

Remuneration

Name	2006 ThUS\$	2005 ThUS\$
Jorge Candia Díaz	62	–
Raimundo Espinoza Concha	27	–
Bismarck Robles Guzmán	7	54
René Valdenegro Oyaneder	14	75

Fees

Name	2006 ThUS\$	2005 ThUS\$
Jorge Navarrete Martínez	12	64

The remuneration of the main executives of the company in 2006 totalled US\$4.602 million (2005 US\$4.424 million). Of this, US\$3.693 million corresponds to fixed pay and US\$910,000 to performance incentives from 2005, but paid during 2006.

Guidelines for setting wages were established by a Board resolution (29 January 2003) and amended by the Board wage committee (2 March 2004), and are as follows:

- Fixed wages will be set at the 50th percentile of the fixed component of wages, plus or minus 15%, for the equivalent position in the reference market.
- The annual value of the non-guaranteed performance bonus will fluctuate according to compliance with targets and individual performance, from zero to three fixed monthly wages. Moreover, two limitations exist: first, Codelco's annual revenues must be higher than 20% of its equity (capital plus reserves) and, second, total bonuses cannot be more than 2.4 times the aggregate amount of the monthly base wage of these executives.
- The total wage, that is the sum of guaranteed fixed wages plus any eventual performance bonus, will not exceed total wages corresponding to the 75th percentile for the equivalent position in the reference market.

OFFICES, SUBSIDIARIES & SALES REPRESENTATIVES

HEAD OFFICE

Huérfanos 1270,
PO Box 150-D
Santiago, Chile
Phone: (56-2) 690 3000
Fax: (56-2) 690 3059
E-mail: comunica@codelco.cl
www.codelco.com

SUBSIDIARIES

Germany

Codelco-Kupferhandel GMBH
Louise-Dumont Strasse 25
40211 Düsseldorf 1, Germany
Phone: (49-211) 1736-80
Fax: (49-211) 1736-818
E-mail: hheitling@codelco-ck.de
MANAGER: HERIBERT HEITLING

China

Codelco-Shanghai Representative Office
Unit 36-01, Bund Centre, 222
Yan An Road East
Shanghai 200002 PRC / PR China
Phone: 86-216-335-0286/287
Fax: 86-216-335-0289/290
E-mail: codelco_sh@codelco.com.cn
MANAGER: LUIS ERNESTO MIQUELES

United States

Codelco Group Inc.
177 Broad Street, 14th Floor
Stamford, CT 06901. USA
Phone: (1-203) 425 4321
Fax: (1-203) 425 4322
E-mail: cjlira@codelcousa.com
MANAGER: CRISTIAN JOSÉ LIRA

England

Chile Copper Ltd.
27 Albemarle Street, London W1S 4HZ
Phone: (44-207) 907 9600
Fax: (44-207) 907 9610
E-mail: gonzalo.cuadra@chilecopper.net
VICEPRESIDENT UK SUBSIDIARIES: GONZALO CUADRA

COPPER SALES REPRESENTATIVES

Germany, Austria and Holland

CK Metall Agentur GMBH
Louise Dumont Strasse 25, Postfach 240226
40091 Düsseldorf 1, Germany
Phone: (49-211) 17368-0
Fax: (49-211) 17368-18
E-mail: hheitling@codelco.de
MANAGER: HERIBERT HEITLING

Saudi Arabia

Paul Weil (Saudi Arabia)
A.IBM Abdul Muthalib St. (140)
Habboubi Bldg. (1st Floor)
Sharfeya Dist. Jeddah 21484
Phone: (961-1) 751201/202
Fax: (961-1) 742731
E-mail: salah@pwarabia.com
MANAGER: CHARBEL KHAYATA

Argentina

Coppermol S.A.
Ricardo Rojas 401, Piso 4, Buenos Aires C 1001 AEA
Phone: (54-11) 4312 7086 al 89
Fax: (54-11) 4311 4007 /4893 1111
E-mail: office@coppermol.com.ar
Manager: EDUARDO ROMERO

Australia

Unimet PTY Ltd.
13 Spring Road Malvern Vic 3144, Melbourne
Phone: (61-39) 824 65 75
Fax: (61-39) 824 70 71
E-mail: joshemet@bigpond.net.au
MANAGER: ESTEBAN CHEMKE

Brazil

Chilebras Metais Ltda.
Avda. Brigadeiro Faria Lima, 2081-8°-CJ.82-A
01452-908, Sao Paulo- SP-Brazil
Phone: (55-11) 3817-5522/3817-4229/5096
Fax: (55-11) 3817-4157
E-mail: cebramet@uol.com.br
MANAGER: JOSE DAYLLER

Korea

K.S. Metals Corp.
Dabo Building 5th Floor
Mapo-Dong 140 Mapo-Ku
Seoul 121-714 Korea
Phone: (82-2) 719 4255 (Rep.)
Fax: (82-2) 719 4340
E-mail: ksmlts@unitel.co.kr
MANAGER: YOUNG CHONG KIM (Y.C.KIM)

United States, Canada and Mexico

Codelco Group Inc.
177 Broad Street, 14th Floor
Stamford, CT 06901
Phone: (1-203) 425 4321
Fax: (1-203) 425 4322
E-mail: cjlira@codelcousa.com
MANAGER: CRISTIAN JOSÉ LIRA

France and Belgium

Francomet S.A.
174 Boulevard Haussmann
75008 Paris, France
Phone: (33-1) 4561 4781
Fax: (33-1) 4289 0412
Télex: 648127 FRANMET
E-mail: paris@francomet.fr
MANAGER: JEAN PIERRE TOFFIER

England, Spain, Finland, Norway, Sweden and Turkey

Chile Copper Ltd.
27 Albemarle Street, London W1S 4HZ
Phone: (44-207) 907 9600
Fax: (44-207) 907 9610
E-mail: gonzalo.cuadra@chilecopper.net
MANAGER: GONZALO CUADRA

India

Trikona Services
Flat N°2
11, Aurangzeb Road, New Delhi-110011
Phone (Gen): (91-11) 301 0974
Phone (Direct): (91-11) 379 3136
Fax: (91-11) 379 4933
E-mail: trikona15@vsnl.net
MANAGER: RENU DAULET SINGH

Italy, Greece and Switzerland

Societa Importazione Metalli S.R.I.
Via Paolo Sarpi 59, 20154 Milan(MI) Italy
Phone: (39-02) 331 1461
Fax: (39-02) 331 06968
E-mail: carlosch@tin.it
MANAGER: CARLO SCHWENDIMANN

Japan

Shimex Ltd.
NBC Nishi-Shimbashi Building.
5-10, Nishi-Shimbashi 2-Chome
Minato-Ku, Tokyo 105-0003, Japan
Phone: (81-3) 3501 7778
Fax: (81-3) 3501-7760
E-mail: shimex@aqu.bekkoame.nj.jp
MANAGER: TADASHI SHICHIRI

Malaysia, Indonesia, Thailand, Myanmar, Shanghai, Vietnam and Hong-Kong

Codelco-Shanghai Representative Office
Unit 36-01, Bund Centre, 222
Yan An Road East
Shanghai 200002 PRC / PR China
Phone: 86-216-335-0286/287
Fax: 86-216-335-0289/290
E-mail: codelco_sh@codelco.com.cn
MANAGER: LUIS ERNESTO MIQUELES

Republic of China

Raw Materials Ltd.
3rd. Floor, 141 Tun Hua North Road
Taipei, Taiwan (R.O.C.)
Republic of China
Phone: (886-2) 2712 8963
Fax: (886-2) 2713 3016
E-mail: rmlfshen@ms14.hinet.net
MANAGER: FRANK H.L. SHEN

MOLYBDENUM SALES REPRESENTATIVE

Germany, Austria, Holland and Denmark

CK Metall Agentur GMBH
Louise Dumont Strasse 25, Postfach 240226
40091 Düsseldorf 1, Germany
Phone: (49-211) 17368-0
Fax: (49-211) 17368-18
E-mail: hheitling@codelco.de
MANAGER: HERIBERT HEITLING

Argentina

Coppermol S.A.
Ricardo Rojas 401, Piso 4, Buenos Aires C 1001 AEA
Phone: (54-11) 4312 7086 al 89
Fax: (54-11) 4311 4007 /4893 1111
E-mail: office@coppermol.com.ar
MANAGER: EDUARDO ROMERO

Australia

Unimet PTY Ltd.
13 Spring Road Malvern Vic 3144, Melbourne
Phone: (61-39) 824 65 75
Fax: (61-39) 824 70 71
E-mail: joshemet@bigpond.net.au
MANAGER: ESTEBAN CHEMKE

Brazil

Chilebras Metais Ltda.
Avda. Brigadeiro Faria Lima, 2081-8°-CJ.82-A
01452-908, Sao Paulo- SP-Brazil
Phone: (55-11) 3817-5522/3817-4229/5096
Fax: (55-11) 3817-4157
E-mail: cebramet@uol.com.br
MANAGER: JOSE DAYLLER

France and Belgium

Francomet S.A.
174 Boulevard Haussmann
75008 Paris, France
Phone: (33-1) 4561 4781
Fax: (33-1) 4289 0412
Télex: 648127 FRANMET
E-mail: paris@francomet.fr
MANAGER: JEAN PIERRE TOFFIER

Italy and Switzerland

Societa Importazione Metalli S.R.I.
Via Paolo Sarpi 59, 20154 Milan(MI) Italy
Phone: (39-02) 331 1461
Fax: (39-02) 331 06968
E-mail: carlosch@tin.it
MANAGER: CARLO SCHWENDIMANN

England, Finland, Sweden and Spain

Chile Copper Ltd.
27 Albemarle Street, London W1S 4HZ
Phone: (44-207) 907 9600
Fax: (44-207) 907 9610
E-mail: gonzalo.cuadra@chilecopper.net
MANAGER: GONZALO CUADRA

Japan

Shimex Ltd.
NBC Nishi-Shimbashi Building,
5-10, Nishi-Shimbashi 2-Chome
Minato-Ku, Tokyo 105-0003, Japan
Phone: (81-3) 3501 7778
Fax: (81-3) 3501 7760
E-mail: shimex@aqu.bekkoame.nj.jp
MANAGER: TADASHI SHICHIRI

South Africa

International Metal Marketing (Pty) Ltd.
P.O. Box 78465, Sandton 2146
Phone: (27-11) 285 0017
Fax: (27-11) 886 8381
E-mail: kh@intmet.co.za
MANAGER: KEES HOEBEN

REFINERY SLIME SALES REPRESENTATIVE

Mexico

Putrade, S.A. de C.V.
Rinconada de Río Grande # 73
Colonia Vista Hermosa
C.P. 62290
Cuernavaca, Morelos, Mexico
Phone: (52-777) 3155500 / 3155919 / 3163213
Fax: (52-777) 3153979
E-mail: putrade@putrademex.com
MANAGER: JAIME PRUDENCIO

Design, production and
editorial production
Conexión XXI
Comunicaciones
www.conexion21.cl

Translation
Paul Harris

Photography
Nicolás Nadjar
Claudio Pérez
Jorge Loyola
Alaluf & Duque
Archivo Codelco

Printed by
Quebecor World Chile S.A.