

## FITCH UPGRADES CODELCO'S LT FC IDR TO 'A+'; OUTLOOK STABLE

Fitch Ratings-Chicago/Santiago-04 February 2011: Fitch Ratings has upgraded the Issuer Default Ratings (IDRs) and outstanding international debt ratings of Corporacion Nacional del Cobre (Codelco) as follows:

- Foreign currency IDR to 'A+' from 'A';
- Local currency IDR to 'AA-' from 'A+';
- US\$435 million 6.375% notes due Nov. 30, 2012 to 'A+' from 'A';
- US\$500 million 5.5% notes due Oct. 15, 2013 to 'A+' from 'A';
- US\$500 million 4.75% notes due Oct. 15, 2014 to 'A+' from 'A';
- US\$500 million 5.625% notes due Sept. 21, 2035 to 'A+' from 'A';
- US\$500 million 6.15% notes due Oct. 24, 2036 to 'A+' from 'A';
- US\$600 million 7.5% notes due Jan. 15, 2019 to 'A+' from 'A';
- US\$1 billion 3.75% notes due Nov. 2020 to 'A+' from 'A'.

Fitch has also affirmed Codelco's national scale ratings as follows:

- National scale rating at 'AAA(cl)';
- UF7 million 4% notes due Sept. 01, 2012 at 'AAA(cl)';
- UF6.9 million 3.29% notes due April 1, 2025 at 'AAA(cl)';
- UF11 million Undrawn Line Program No. 608 at 'AAA(cl)'.

The Rating Outlook is Stable.

The upgrade of Codelco's international ratings follow Fitch's recent upgrades of Chile's long-term foreign currency IDR to 'A+' from 'A' and local currency IDR to 'AA-' from 'A+' on Feb. 1, 2011. The company's investment grade ratings are linked to those of Chile due to its 100% ownership by the sovereign and its strategic importance to the country. Codelco possesses immense copper deposits, accounting for 10% of the world's reserves and holds a leading global position in the copper mining industry, accounting for 11% of the world's production with 1.78 million metric tons of production during 2009. Fitch views Codelco's long life reserves as a strategic asset for Chile, because it should allow the company to remain an important contributor to government revenues in the future. Should the need ever arise due to the deterioration in the fundamentals of the copper industry; Fitch would expect to see forthcoming financial support from the government in the form of lower dividends.

Notwithstanding its 100% government ownership, Codelco also benefits from a strong standalone investment grade credit profile. Fitch's projected financials for Codelco in 2010 estimate EBITDA in the region of USD7 billion compared to USD5.5 billion in 2009, with the company's CFFO at around USD4.3 billion compared to USD3 billion in 2009, respectively. This improvement in financial performance reflects a period of high copper prices of around USD3.25 per lb on average for 2010. Leverage is also expected to remain low and consistent with the rating category, as reflected by Fitch's projected net debt/EBITDA ratio of around 0.7 times (x) and FFO adjusted net leverage ratio of 0.8x for the year.

Codelco continues to face a number of challenges that are inherent to the copper mining sector. These challenges include volatility of commodity market prices, increased production costs, reduced recovery rates, and labor production costs, which are exacerbated by the appreciation of the Chilean peso. In the near- to medium-term, the outlook for copper is favorable due to low inventory levels, the modest number of new projects and the continued depletion of existing mines.

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Applicable Criteria & Related Research:

--'Corporate Rating Methodology' (Aug. 13, 2010).

--'Notching for Sovereign Ownership and Sovereign Support: Guidelines for Local and Foreign Currency Notching' (May 14, 2010);

--'Parent and Subsidiary Rating Linkage Fitch's Approach to Rating Entities within a Corporate Group Structure' (July 14, 2010).

Applicable Criteria and Related Research:

Corporate Rating Methodology

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=546646](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=546646)

Notching for Sovereign Ownership and Sovereign Support - Guidelines for Local- and Foreign-Currency Notching

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=528727](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=528727)

Parent and Subsidiary Rating Linkage Criteria Report

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=534826](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=534826)

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