Rating Report

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Insight beyond the rating.

Corporación Nacional del Cobre de Chile (Codelco)

Analysts

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The Company

Corporación Nacional del Cobre de Chile (Codelco), owned by the Chilean government, is the world's largest producer of copper and second largest producer of molybdenum. Codelco controls 20% of the world's known copper reserves, mining approximately 1.6 million tonnes of copper annually. Codelco's operations account for more than 20% of all Chilean exports and approximately 10% of the country's gross domestic product.

Rating

Debt	Rating	Rating Action	Trend
Senior Unsecured Debt	A	Confirmed	Stable

Rating Update

DBRS has confirmed the rating of the Corporación Nacional del Cobre de Chile (Codelco or the Company) at "A" with a Stable trend. Codelco remains the premier copper producer in the world, with a large resource base; cost-competitive, long-lived operations; and ample development opportunities. In addition, the importance of the Company to Chile's economic development and the positive outlook for copper markets underpin the Company's rating. Codelco's financial profile has been strained by the 2009 downturn in copper and molybdenum prices and its obligations to provide cash to the Chilean state, but coverage metrics remain adequate for an "A"-rated mining company at a low point in the economic cycle.

Codelco's earnings are closely tied to the price of copper (see the graph in the Earnings and Outlook section). Codelco has performed well despite the volatility in copper prices brought on by the robust world economic growth for most of the 2000s and the price bubble in commodities in 2006, 2007 and the first half of 2008, followed by the economic collapse in late 2008 and early 2009. During the peak of the boom in 2006 and 2007, the Company generated average operating income of $9.8 billion (with the average copper price at $3.15 per pound). For the year ended September 30, 2009, which incorporated much of the downturn and a part of the current recovery, DBRS estimates the Company maintained operating income of $2.6 billion (with the average copper price at $2.03 per pound). (Continued on page 2.)

Rating Considerations

Strengths

(1) Very large base of copper and molybdenum reserves and resources
(2) Low-cost, large-scale producer of copper and molybdenum
(3) Important to the state of Chile
(4) Solid track record of positive EBITDA generation

Challenges

(1) Volatile metal markets
(2) Lack of product and geographic diversification
(3) Thin capitalization and high debt as a result of close government relationship
(4) Mining is highly regulated and subject to significant specific operating risks

Financial Information

(USD millions)	Nine Months To September 30		Twelve Months To September 30	For the year ended December 31 DEC. 31	DEC. 31	DEC. 31	DEC. 31	DEC. 31
	2009	2008	2009	2008	2007	2006	2005	2004
Sales	7,839	12,044	10,219	14,425	16,988	17,077	10,491	8,204
EBITDA	3,068	5,598	3,704	6,233	9,449	10,243	6,052	4,066
Operating income	2,267	4,907	2,590	5,230	8,615	9,467	5,428	3,512
Net income before extras.	629	1,595	601	1,567	2,982	3,339	1,780	1,134
EBITDA gross int. coverage	16.8	31.8	15.1	26.2	38.5	43.4	32.0	28.5
% gross debt in capital structure	55.3%	53.8%	55.3%	55.4%	48.3%	46.9%	56.3%	51.5%
Return on equity	20.0%	48.4%	14.3%	36.4%	64.3%	89.4%	61.2%	39.8%
Cash flow from operations	1,219	2,001	1,503	2,285	3,356	3,668	2,301	1,601
Cash flow/total debt	0.30	0.57	0.28	0.47	0.76	0.92	0.61	0.53
% net debt in capital structure	50.4%	50.9%	50.4%	53.4%	33.2%	41.2%	54.8%	49.3%

Rating Rationale (Continued from page 1.)

DBRS views the ability of Codelco to generate positive operating income during the economic downturn as solid evidence of the competitiveness of the Company's copper operations. Although Codelco's competitiveness has been eroded somewhat by persistent cost increases due to rising input prices such as energy costs and labour costs as well as the strength of the Chilean peso, many of Codelco's competitors have faced similar challenges. On the demand side, copper consumption growth since the year 2000 has been driven by rapid demand growth from China and other lesser-developed countries, although it has been offset by declining consumption by member countries of the Organisation for Economic Co-operation and Development (OECD). Copper consumption growth in China and other lesser-developed countries is expected to continue, complemented by a resumption of modest growth of copper consumption in OECD countries. In the environment described, DBRS expects copper prices to be supported by rising demand and that potential cyclical drops in copper prices will be restricted by the industry's rising cost profile. DBRS expects Codelco will be able to maintain its leading industry position under these conditions.

DBRS views the strategic role of Codelco in the Chilean economy and the long-term support of the Republic of Chile (rated at A (high) by DBRS) as important factors in the Company's rating. Codelco's financial and other obligations are generally not guaranteed by the Chilean state, but the Company is (1) 100% state-owned, (2) is the largest company in the country (by sales) and (3) is a key contributor to the Chilean budget, making approximately $6.8 billion in payments to the government in 2008.

The Company's thin capitalization (a result of its high payments to the government and lack of sources of equity capital) inhibits its ability to fund the development of its extensive resource base. The Company has historically carried a high level of debt relative to its capitalization (its leverage ratio is more than 50%), although the absolute amount of its debt is not high ($5.4 billion) compared with its productive asset base. Historically, Codelco's coverage metrics have been strong, with cash flow-to-total debt greater than 0.5 times and EBITDA interest coverage at more than 20.0 times. The recent economic downturn has eroded these metrics (with cash flow-to-total debt at 0.3 times for the nine months ending September 30, 2009, and interest coverage at 17.0 times). DBRS views the weakening of Codelco's coverage metrics as a temporary phenomenon associated with the economic downturn, which we believe bottomed out in 2009; therefore, they are acceptable for its current rating.

The rebound of the copper market following the recent economic collapse has been the most robust among the base metals group. Key to the rapid recovery has been strong demand from China, which has offset weakness in OECD countries. DBRS expects Chinese consumption growth to moderate somewhat in 2010 as the impact of stimulus spending abates. We also expect copper demand in North America and Europe to grow in 2010 as recovery takes a firmer hold, resulting in a positive tone in copper markets and pricing well above Codelco's costs. Nonetheless, Codelco will be faced with funding its expansion plans and the high level of cash withdrawal of funds by the Chilean government. In response, the Chilean government made a $1 billion capital injection into the Company as part of the country's stimulus response to the 2009 economic crisis. Despite the added capital, Codelco's leverage is expected to remain greater than 50%, although coverage metrics are expected to improve from the cyclically weak levels experienced in 2009.

Over the longer term, Codelco's large reserve and resource base and competitive operating assets can be expected to maintain the Company as a leading player in the copper markets. The ongoing industrialization and urbanization of China, India and other lesser-developed economies should provide ready markets for this widely used commodity.

Codelco will remain challenged in funding investment required to maintain and expand the productive capacity of its asset base. In strong copper markets, the bulk of the Company's cash flow will be paid to the Chilean Treasury and there is no obligation for the state to fund Codelco if cash flow is reduced by weak copper markets. A significant escalation of leverage at Codelco or a protracted period of impairment of coverage metrics of the Company without support by the Chilean government could lead to a downgrade of the rating. Additionally, the impact of the results of the recent Chilean election remains uncertain at this stage, even though the new government has indicated it will review Codelco's mandate.

Rating Considerations Details

Strengths

(1) Codelco includes in its business and development plans 6.7 billion tonnes of proven and probable reserves, with an average grade of 0.787% copper as of December 2008. This is the core of the world's largest reserve and resource base of copper-bearing ores (approximately 10% of the world's demonstrated copper reserve as defined by the U.S. Geological Survey (USGS)). Codelco's demonstrated copper reserves could support its 2009 production levels for more than 30 years. A portion of Codelco's reserves contain significant amounts of the by-product molybdenum, which contributes to revenue potential. Codelco's reserves and resources are located in Chile, which produces about 36% of the world's primary copper (2008 estimate) and where the Company is the largest mining enterprise.

(2) The Company is one of the world's lowest-cost copper producers, with 2008 direct cash costs estimated at $0.70 per pound. Codelco has been the world's leading copper producer for many years and is the world's second largest producer of molybdenum. The Company's operations are vertically integrated, from mine exploration and development through to finished metal production. Codelco also has investments in mine inputs, including power production. It has been a successful surface and underground mine operator for many years and its smelting and refining facilities are competitive in international markets.

(3) Codelco is an autonomous company, 100%-owned by the Republic of Chile and the largest company in the country in terms of sales. Chile has long been the largest producer of copper in the world and has about 29% of the world's copper reserves (as determined by the USGS). Codelco has made more than $35 billion in payments to the Chilean state in the five years ended December 31, 2008. Although Codelco's debt obligations are not generally guaranteed by the Chilean government, the Company's success is closely linked to industrial development in Chile and the exploitation of one of the country's most important natural resources.

(4) Codelco generated $35 billion in EBITDA (before income and export taxes) in the five years ending December 31, 2008. Even though copper and molybdenum prices fell sharply in 2009, the Company generated $2.3 billion in EBITDA on a comparable basis for the first nine months of the year.

Challenges

(1) Copper and molybdenum prices are volatile and dependent on factors outside the control of Codelco or Chile. To a lesser extent, demand for these products ebbs and flows with worldwide industrial production. Both metals are generally sold at U.S.-dollar prices, but Codelco's costs are largely denominated in Chilean pesos, making the Company's earnings subject to changes in foreign exchange rates. Codelco hedges the selling price of a modest portion of its annual copper production, usually related to the early years of a new mine operation, other large capital investments or contracted copper supply commitments not directly related to market prices. The Company does not hedge the cost of its production input materials.

(2) Codelco is focused on copper mining and the fortunes of the copper markets (molybdenum is one of several by-products of its copper mining). The Company has all of its operating assets in Chile and about 75% of the Company's 2004–2008 production came from just two areas: the Codelco Norte and El Teniente Divisions. Accordingly, the Company's earnings and cash flow can be expected to be more volatile than a more diversified commodity producer.

(3) As an important state-owned enterprise, Codelco may be influenced or directed in its business decisions to meet broader social or political objectives. According to an agreement with the government, 100% of Codelco's net income is to be transferred to the Chilean Treasury. As a result, the Company, on average, pays about 80% of its EBITDA (before income and export taxes) to the Chilean state, leaving little in the way of retained earnings to fund growth programs. Its thin capitalization inhibits its ability to fund the development of its extensive resource base. The Company has historically carried a high level of debt relative to its capitalization (its leverage ratio is greater than 50%). Codelco's financial and other obligations are generally not guaranteed by the Chilean state.

(5) Mining, smelting and refining are highly regulated and most of the Company's activities are subject to a variety of environmental and health and safety laws and regulations. Such regulations may change and may give rise to significant costs and liabilities. Mining, smelting and refining are also subject to a number of specific risks and hazards, including industrial accidents, labour disputes, unexpected geological conditions, mine collapses, unusual weather conditions and other natural phenomena such as earthquakes and floods. Some mining regions of Chile are subject to water shortages and others are in active earthquake zones. Both Codelco's surface and underground operations could experience damage and/or cessation of production due to these conditions, which could impair the Company's ability to meet its obligations.

Earnings and Outlook

(USD millions)	Nine Months To September 30		Twelve Months To September 30	For the year ended December 31				
				DEC. 31	DEC. 31	DEC. 31	DEC. 31	DEC. 31
	2009	2008	2009	2008	2007	2006	2005	2004
Sales	7,839	12,044	10,219	14,425	16,988	17,077	10,491	8,204
EBITDA	3,068	5,598	3,704	6,233	9,449	10,243	6,052	4,066
Operating income	2,267	4,907	2,590	5,230	8,615	9,467	5,428	3,512
Net income before non-recurring	629	1,595	601	1,567	2,982	3,339	1,780	1,134
Net income	629	1,595	601	1,567	2,982	3,339	1,780	1,134
Return on equity	14.3%	64.3%	89.4%	14.3%	64.3%	89.4%	61.2%	39.8%

Summary

Codelco reported strong, but reduced 2008 sales revenue in the face of a 7% reduction in copper production and modestly lower (2.5%) average copper prices than in 2007. Copper sales represented about 76% of total sales, with by-products making up the remainder. Declining to flat copper output from traditional operations was only partially offset by new production from the Gabriela Mistral (Gaby) mine, which began production in 2008. Lower average ore grades of aging mines (0.78% copper in 2008 versus 0.88% in 2007), weather-related issues and labour unrest contributed to lower production. Moreover, declining molybdenum prices contributed to lower by-product credits, which further eroded margins.

Cost inflation continued to be severe, with higher costs for key input materials, including electricity and somewhat lower by-product credits from molybdenum. Violent protests by a group of subcontractors and adverse weather conditions negatively affected output and costs. With lower output, the cost per pound of copper (i.e., direct cash costs (C1 costs) – direct cost net of by-product credits and before treatment charges – see the table below) rose 75% over the 2007 level, reflecting a persistent trend of cost increases since 2005.

Copper Production	Nine Months To September 30		Twelve Months To September 30	For the year ended DEC. 31	DEC. 31	DEC. 31	DEC. 31	DEC. 31
(Tonnes)	2009	2008	2009	2008	2007	2006	2005	2004
Codelco Norte	612,638	552,000	815,896	755,258	896,308	940,613	964,930	982,817
Salvador	46,174	36,000	52,856	42,682	63,885	80,615	77,520	74,874
Andina	159,438	159,000	219,992	219,554	218,322	236,356	248,137	239,862
El Teniente	286,302	271,000	396,526	381,224	404,738	418,332	437,393	435,658
Gaby	109,619	29,000	148,351	67,732	0	0	0	0
El Abra (49%)	59,000	61,000	79,255	81,255	81,347	107,122	103,203	106,824
Total Copper	1,273,171	1,108,000	1,712,876	1,547,705	1,664,600	1,783,038	1,831,183	1,840,035
Total Molybdenum Production	16,169	15,000	21,694	20,525	27,857	27,204	36,567	32,324

Metal Costs and Prices	Nine Months To September 30		Twelve Months To September 30	For the year ended DEC. 31	DEC. 31	DEC. 31	DEC. 31	DEC. 31
Copper Production Costs (US cents/lb.)	2009	2008	2009	2008	2007	2006	2005	2004
Total costs	158	181	161	178	142	116	98	81
Net cathode costs (C3)	138	111	139	120	87	68	38	56
Direct cash costs (C1)	92	63	91	70	40	37	12	32
Metal Prices								
Copper (USD/lb.)	2.12	3.61	2.37	3.15	3.23	3.05	1.67	1.30
Molybdenum (USD/lb.)	11.02	33.16	15.37	28.42	30.23	24.75	32.10	16.40

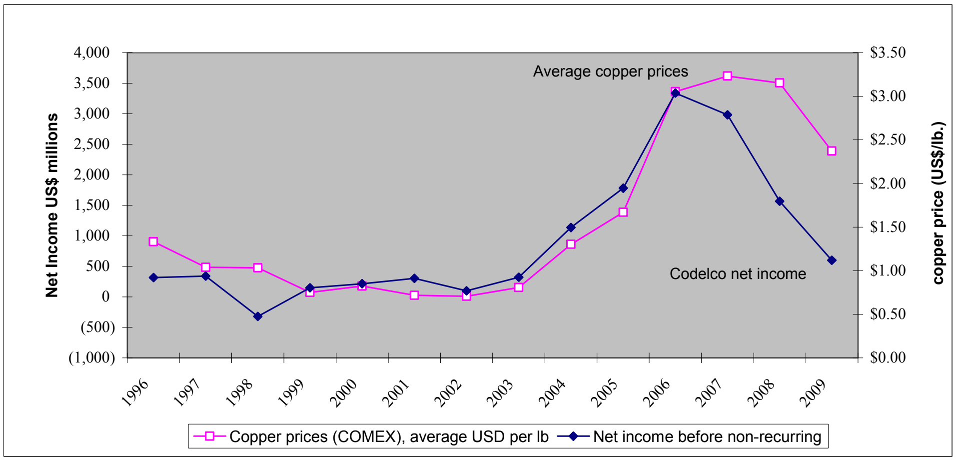
C1 costs - cash costs incurred at each processing stage to recoverable metal delievered to market including treatment and refining costs, direct selling expenses, less by-product credits.

C3 costs -C1 costs plus depreciation, depletion and amortization as well as non-operating costs, corporate overhead, and net financing costs

Total costs -C3 costs before treatent and refining costs and before by-product credits

Source: Codelco annual reports and presentations.

Operating income fell 39% in 2008 from 2007 levels as lower revenues and higher costs squeezed what had been very high levels of profitability in the 2005–2007 period. Codelco net income continued to track changes in copper prices relatively closely.



In the nine months ending September 30, 2009, sales dropped 35% from the comparable period in 2008 as average copper prices plunged from $3.61 per pound to $2.12 per pound and average molybdenum prices from $33.16 per pound to $11.02 per pound. Against the backdrop of very weak economic conditions and falling metal prices, copper production in the first nine months of 2009 increased by 15%, half attributable to increased output from the new Gaby operation and the other half attributable to improved performance at older operations.

Cost escalation continued to plague the Company despite increased production volume as C1 costs for the first nine months rose 46% from the comparable 2008 period. A significant factor in late 2008 and 2009 C1 cost increases has been the fall of molybdenum prices from record levels seen in the 2005 to mid-2008 period. In response to the economic slowdown in late 2008 and early 2009, Codelco has initiated plans to reduce short- and medium-term costs. The plans include rescheduling maintenance, freezing the contracting of labourers, renegotiating lower-cost supply contracts and reducing administrative expenses.

Operating income for the first nine months of 2009 dropped 54% from the comparable period in 2008, which incorporated the last three quarters of the spectacular copper price spike of the 2000–2008 bull market in metals. In 2009, net income to September 30, 2009, of $629 million was 61% less than 2008 net income for the first nine months as lower equity earnings and a higher book tax rate further eroded earnings.

Outlook

DBRS expects Codelco's 2010 earnings will be up significantly from 2009 levels, but they will not reach the earnings levels of 2008. DBRS remains concerned about what appears to be a relentless increase in the Company's production costs. Although operating margins remain positive, the Company's results in 2009 demonstrate that its cash-generating power is susceptible to declines in metal prices.

In 2010, annual copper mine production is projected to be about 1.7 million tonnes as mine expansions more than offset the impact of reduced grades at some of the older mines. Copper and molybdenum prices are expected to average about one-third higher than their average levels in the first three quarters of 2009 as European and North American demand continues on a path of recovery and China maintains a robust rate of growth.

The benefits of volume and price increases are expected to be partially offset by a continuation of cost increases as energy prices remain well above lows reached in 2009 and a strong Chilean peso supports cost inflation in U.S.-dollar terms. Codelco has experienced some labour unrest in 2008 and 2009, which may again inhibit earnings potential in 2010.

Corporación Nacional del Cobre de Chile

Report Date:
January 29, 2010

Financial Profile

(USD millions)	Nine Months To September 30		Twelve Months To September 30	For the year ended December 31 DEC. 31	DEC. 31	DEC. 31	DEC. 31	DEC. 31
	2009	2008	2009	2008	2007	2006	2005	2004
EBITDA	3,068	5,598	3,704	6,233	9,449	10,243	6,052	4,066
Net Income before Extras.	629	1,595	601	1,567	2,982	3,339	1,780	1,134
Add: DD&A	801	691	1,114	1,004	835	776	624	554
Add: other non-cash items	(211)	(284)	(212)	(286)	(460)	(447)	(103)	(88)
Cash Flow from Operations	1,219	2,001	1,503	2,285	3,356	3,668	2,301	1,601
Less: capital expenditures	1,185	1,491	1,669	1,975	1,605	1,219	1,845	893
Less: dividends	150	2,989	393	3,232	2,268	1,857	1,389	1,003
Gross Free Cash Flow	(116)	(2,479)	(560)	(2,923)	(517)	592	(933)	(295)
Add: change in working capital	(724)	(51)	(216)	457	519	(201)	(604)	(127)
Net Free Cash Flow	(840)	(2,530)	(776)	(2,466)	2	391	(1,538)	(422)
Net dispositions (acquisitions)	(107)	(199)	(136)	(228)	(12)	(161)	(18)	20
Other	1,064	891	694	520	873	203	796	537
Subtotal	117	(1,839)	(217)	(2,174)	863	433	(760)	135
Net debt issuance (repayment)	458	295	649	486	378	182	723	60
Net equity issuance (buyback)	0	0	0	0	0	0	0	0
Change in Cash	575	(1,544)	432	(1,687)	1,241	615	(37)	195
Total debt	5,394	4,717	5,394	4,824	4,434	4,003	3,794	3,049
% gross debt in the capital structure	55.3%	53.8%	55.3%	55.4%	48.3%	46.9%	56.3%	51.5%
% net debt in the capital structure	50.4%	50.9%	50.4%	53.4%	33.2%	41.2%	54.8%	49.3%
EBITDA gross interest coverage (times)	16.8	31.8	15.1	26.2	38.5	43.4	32.0	28.5
Cash flow/total debt	0.30	0.57	0.28	0.47	0.76	0.92	0.61	0.53
Cash flow/capital expenditure	1.03	1.34	0.90	1.16	2.09	3.01	1.25	1.79
Cash flow/(capex + dividends)	0.91	0.45	0.73	0.44	0.87	1.19	0.71	0.84
Debt/EBITDA	1.32	0.63	1.46	0.47	0.39	0.63	0.75	2.47

Summary

Cash flow from operations declined sharply in 2008, in line with earnings, but continued to be favourable compared with historical averages. With about 80% of Codelco's EBITDA (before income and export taxes) on average going to the Chilean government, gross free cash flow for the Company is generally limited and closely related to depreciation and amortization. In 2008, cash payments to the Chilean state exceeded EBITDA by 7% due to sustained high dividends and a sharp decline in EBITDA in the fourth quarter, following the economic downturn.

Capex was more than $1.9 billion in 2008, about double depreciation levels, as the Company sought to expand several operations. Codelco completed the $1.3 billion Gaby mine in 2008, which is expected to contribute approximately 150,000 tonnes of copper per year, replacing, in part, the lower ore grades of the older mines and helping improve overall competitiveness. Higher capital expenditures and dividends to the Chilean government led to a large deficit in free cash flow

The Company funded its high cash usage with cash on hand (largely accumulated in 2007 and 2006), reduced working capital and a modest increase in borrowing. Leverage remained high (greater than 50%), which is aggressive for a cyclical mining company; however, the Company's gross debt outstanding ($4.8 billion) was modest compared with most comparable mining companies and its EBITDA interest coverage remained strong in 2008 at 26.0 times.

For the first nine months of 2009, reduced earnings and operating cash flow (net of non-dividend payments to the Chilean Treasury) were more than matched by a sharp reduction in dividends to the state. Capex was slightly below that incurred in the first trimester of 2008, resulting in a small deficit of gross free cash flow. A large increase in accounts receivable ($662 million), augmented by a reduction of accounts payable ($144 million), were the main contributors to a use of funds for working capital in the first nine months of 2009. This was more than offset by the non-cash impact of write-offs and provisions, foreign exchange differences and reduction of a deferred tax asset, which contributed to $1.0 billion in other sources of cash, resulting in a small cash surplus before financing. During the period, $458 million in net debt issuance added to cash balances on hand at September 30, 2009.

Gross debt at the end of the period was $5.4 billion, while net leverage remained flat at 50.4%. The decline in EBITDA and cash flow to September 30, 2009, reduced EBITDA interest coverage to 16.0 times for the period and cash flow-to-total debt to 0.30 times, which is weak historically and for the Company's rating.

DBRS views Codelco's weaker financial metrics as reflective of the severe economic downturn. Historically, the Chilean government has been flexible and judicious to ensure Codelco has adequate liquidity to fund its operations and we expect this to continue.

Outlook

With an anticipation of increased earnings in 2010, operating cash flow is expected to increase. Given that a change in government policy with respect to various taxes and charges Codelco must bear is not expected in the near term, the impact of increased earnings on available operating cash flow after dividends to the state will be modest. At the same time, capital expenditures are expected to remain well in excess of depreciation levels for the next few years, resulting in a need for additional (external) funding. Approximately $2 billion is estimated for total 2010 capital spending and the government will provide an additional $1 billion in funding to help fund the 2010 expenditures. The impact of the newly elected government on these expectations remains to be seen.

On December 4, 2009, the government of Chile indicated its support for Codelco's capex program by granting the Company $1 billion as part of the country's stimulus plan to face the international financial crisis. With the new funding, debt and leverage is expected to change modestly, but coverage metrics are expected to improve in 2010 over 2009 due to higher earnings.

With a large undeveloped resource base and a pipeline of significant projects approved or awaiting approval, Codelco continues to examine its funding strategy, which may lead to a different sharing of cash flow generation between the Company and the government. Significant near-term copper projects include a 20,000-tonne expansion of the Gaby mine ($150 million), a 30,000-tonne expansion of the Andina mine ($937 million), exploitation of sulphides at the Codelco Norte Division (160,000 tonnes for $370 million) and the $121 million development of the Pilar Norte area of El Teniente to yield 55,000 tonnes of copper output annually.

In addition to expanding copper output, Codelco is developing its energy supply portfolio, including the construction of a partially owned liquefied natural gas (LNG) facility at Mejillones. DBRS expects these projects will lead to increased copper output and more control over input costs, increasing the Company's earnings power and reducing earnings volatility.

Contributions to the Chilean Treasury

Cash paid to the Chilean Treasury	Nine Months To September 30		Twelve Months To September 30	For the year ended DEC. 31	DEC. 31	DEC. 31	DEC. 31	DEC. 31
(USD millions)	2009	2008	2009	2008	2007	2006	2005	2004
Income tax	265	1,182	1,217	2,134	4,265	5,195	2,214	1,334
Tax Law No. 13,196	617	2,085	(93)	1,375	1,325	1,226	782	556
Dividends	150	2,989	393	3,232	2,268	1,857	1,389	1,003
Others	65	66	87	88	75	56	57	116
Total	1,097	6,322	1,604	6,829	7,933	8,334	4,442	3,009

Source: Codelco annual reports and presentations.
Codelco is subject to Law No.13,196 , which requires the payment of a 10% contribution to the Chilean Government on the foreign currency received from the export sale of
Year-to-date 2009 and 2008 contain estimates

Codelco fulfills its mission to maximize its long-term economic value and its contributions to the Chilean budget primarily through four payment streams: income taxes, a tax on foreign currency sales, dividends and a mining royalty. The payments total on average about 80% of EBITDA, reducing the earnings and cash retained in the Company. They are also sufficiently large that they represent a material component of Chilean government revenues.

Chile's corporate income tax rate is 17% and as a state-owned enterprise, Codelco pays an additional 40% special tax on its pre-tax earnings (Decree Law No. 2,398). Thus, the Company's income tax rate is 57%. Under Law No. 13,196, Codelco is required to pay the Chilean government 10% on the foreign currency received from the export sale of copper production and related by-products. Effective January 1, 2006, Codelco is also subject to a 5% mining royalty, based on its operating income.

Long-Term Debt Maturities and Bank Lines

Codelco has adequate liquidity. The Company's primary sources of liquidity are funds from operations, domestic and international borrowings from banks and public debt offerings in the domestic and international capital markets. Due to Codelco's current agreement to transfer all of its net income to the Chilean Treasury, its funding via internally generated cash is limited to deferred taxes, amortization and depreciation, which currently provide about $1.0 billion annually, as well as special allocations made by the Chilean state. In addition, Codelco seeks to maintain approximately $2.0 billion in available short- and medium-term credit facilities.

Codelco had $5.4 billion in debt outstanding at September 30, 2009, of which $0.4 billion was short term. Cash, time deposits and marketable securities amounted to $1.0 billion. The Company has approximately $2.0 billion in uncommitted lines. In January 2009, the Company issued $600 million of 24-year notes to partially finance capital expenditures and refinance liabilities.

Although Codelco is owned by the Chilean government, Chile is not legally liable for Codelco's obligations unless expressly guaranteed by Chile nor do such obligations form any part of the direct public debt of the country. Pursuant to the Chilean mining code, mining concessions and certain raw materials and property related to the extraction of minerals cannot be subject to an order of attachment, except with respect to mortgages or, in the case that the debtor consents to the attachment, the same enforcement proceedings. As well, under the constitution of Chile, mining concessions designated for Codelco's exploitation at its creation in 1976 cannot be subject to attachment nor to an act of disposition by Codelco, which may limit the rights of Codelco's debtholders.

Debt at September 30, 2009	Current	Long-term	Total
	326	1,350	1,676
	1		1
		98	98
	58	3,561	3,619
	385	5,009	5,394
	385	5,009	5,394

Codelco's debt maturities are well spaced. Taking into account debt payments made during 2009 and the issue of $600 million in notes due 2036, the Company's maturity schedule is as follows.

Debt Maturity Profile (USD millions)	2010	2011	2012	2013	2014 and thereafter
Debt due	200	200	933	633	3,428

The Company has no financial restrictions or covenants associated with obligations with banks and financial institutions or with the public.

Bank Debt
Codelco has short-term and medium-term uncommitted lines of credit available of approximately $2 billion, of which $1.25 billion was used as at September 30, 2009. Approximately $650 million of this amount was repaid in the fourth quarter of 2009 from the proceeds of the $1 billion of capital injected into the Company by the government. Codelco has provided a direct guarantee of $650 million in support of a standby letter of credit that has been provided in favour of certain borrowers. In addition, Codelco-Kupferhandel GmbH has a short-term line of credit for approximately $43 million, with a comfort letter provided by Codelco.

Notes and Bonds
The bulk of Codelco's external (non-government) financing ($3.6 billion at September 30, 2009) is provided by way of bonds and notes issued in international markets in U.S. dollars and in the Chilean market in pesos. These notes and bonds are direct, unsecured and unsubordinated obligations of the Company, ranking pari passu with all other unsecured and unsubordinated obligations of Codelco, other than certain obligations granted preferential treatment pursuant to Chilean law.

Approximately $373 million of the debt that has been issued in Chilean markets contains a put option that enables holders to require Codelco to repurchase the notes in the event there is a change of control in the ownership of Codelco. The notes contain no restrictions on the amount of additional indebtedness (liens) that may be incurred by Codelco or its subsidiaries; however, they do contain certain restrictions on the ability of Codelco and its subsidiaries to incur secured indebtedness. In addition, the notes contain covenants, including but not limited to (1) limitations on liens, (2) limitations on sale and lease-back transactions and (3) limitations regarding consolidation, merger, conveyance, sale or lease transactions.

Company Profile

Codelco is a state-owned enterprise, organized under the laws of Chile, with a mandate for mining, trading and industrial activities. The Company's stated mission is to fully develop its mining and related business areas in a responsible and flexible manner in order to maximize its long-term economic value and its contributions to the Chilean budget. Currently, Codelco primarily explores, develops and extracts ores bearing copper and by-products, processes the ore into refined copper and sells refined copper and by-products internationally.

The Company was formed in 1976 under Decree Law No. 1,350 (1976) to create a single company to house large ore deposits nationalized by the state in 1971. Codelco's mission is to responsibly develop all its mining and related business capacity in Chile and throughout the world in order to maximize its long-term economic value and contribution to the Chilean state. Codelco sees itself as a key company for the development of Chile through its direct contributions to the state through profits and providing support to the communities in which it operates. In addition, the Company has a great number of corporate linkages throughout the Chilean economy, making it a central driving force behind the development of other economic activity.

In 2008, Codelco produced 1.5 million tonnes of fine copper, including its stake in El Abra. This is equivalent to 10% of the world's refined copper production. The Company is one of the largest molybdenum producers in the world, totalling 20,525 tonnes in 2008. Codelco has about 17% of the world's copper reserves and its ore deposits have a useful life of more than 70 years at 2008 production rates. In 2008, proven geological resources increased 9% and mineral reserves (proven and probable) increased 20%.

Codelco reports to the government through the Ministry of Mining and is governed by ordinary legislation, except for specific provisions included in Decree Law No. 1,350. The Company is managed and supervised by a seven-member board of directors, consisting of the Minister of Mining, who is the chairman; and the Minister of Finance, two of the three members appointed by the President of Chile; two members, also appointed by the President of Chile, chosen from a list of candidates presented by employee and supervisor unions; and two members appointed by employees. Legislation changes in 2009 were intended to make the appointment of Codelco's board become less tied to changes in government and will become effective in March 2010. Nonetheless, the change in government as a result of the January 2010 election in Chile is likely to lead to further changes in the governance structure of the Company.

Codelco's annual budget is approved through a supreme decree jointly issued by the ministries of Mining and Finance. Codelco is overseen by Chile's National Comptroller's Office (Contraloría General de la República) through the Chilean Copper Commission. The Company is subject to the provisions under the *Securities Market Law* and, therefore, has to submit to the Chilean Securities and Insurance Supervisor (SVS) and the general public the same information that is required of all public companies. Codelco is subject to Decree Law No. 13,196, which requires the payment to the Chilean government of 10% on the foreign currency received from the export sale of copper production and related by-products.

Codelco's ten largest customers account for approximately 30% of sales and more than 90% of Codelco's clients are supplied under annual contracts. Codelco is divided into seven divisions: Codelco Norte, El Teniente, Salvador, Andina, Gaby, Ventanas and a 49% participation in the El Abra mine joint venture.

Description of Operations

Codelco Norte

Codelco's largest division, Codelco Norte, is located 1,650 kilometres north of Santiago. It consists of Chuquicamata, the world's third largest copper mine, and the nearby Radomiro Tomic mine, the first mine to have been entirely developed by Codelco. The division also includes the Chuquicamata I and II smelters and refineries. Codelco Norte produces about 50% of Codelco's total copper production, or approximately 755,000 tonnes of electro-refined and electro-winned copper cathodes, at a 2008 cash cost of $0.68 per pound. It also produces approximately 19,000 tonnes of molybdenum. Other by-products are anodic sludge and sulphuric acid. Proven and probable reserves at December 31, 2008, were 2.476 billion tonnes of 0.7% copper.

Chuquicamata is one of the world's lowest-cost copper producers. The Chuquicamata mining complex includes two open-pit mines: Chuquicamata and Mina Sur. Chuquicamata began production in 1910 and is expected to slow down and stop being profitable by the end of the next decade. The prefeasibility study for the Chuquicamata underground mine project to mine the resources located under the current open pit is underway. At an estimated cost of $1.8 billion, the underground operation will produce 340,000 tonnes of copper per year for 50 years, with an estimated production start in 2018.

Radomiro Tomic is an open-pit mine with oxidized ore that began operation in 1995. Copper metal recovery is by heap leaching and electro-winning. The mine is the world's largest solvent extraction-electro-winning (SX-EW) producer of copper.

In August 2008, the Radomiro Tomic sulphide mining project to crush and transport sulphide ore to the concentrator plants at Chuquicamata, located 8.2 kilometers away, was implemented. The $370 million project is expected to start up in 2010 and will produce 160,000 tonnes of copper per year.

Work has been started on construction of the Ministro Hales mine (MMH) project at Codelco Norte. The MMH project will require a $1.7 billion investment to produce 170,000 tonnes of copper per year during a life of at least 12 years, starting in mid-2013.

El Teniente

El Teniente is the world's largest underground copper mine and has been in operation since 1905. It is located approximately 100 kilometres south of Santiago. Main products are copper blister, fire-refined products, electro-winned cathodes and molybdenum concentrates. In 2008, El Teniente produced approximately 381,000 tonnes of copper at a cash cost of $0.55 per pound. The division also includes the Caletones I and II smelters and the Caletones II refinery. Proven and probable reserves at December 31, 2008, were 1.613 billion tonnes of 1.0% copper.

During 2008, progress was made on the $121 million Pilar Norte project, designed to contribute 55,000 tonnes of copper per year from ore with an average copper grade of 1.32%. Pilar Norte will replace the production from zones within the El Teniente mine that are depleting. The work is expected to be completed in 2010.

A prefeasibility study and initial work stage has been approved for the New Mine Level project, which is intended to extend the life of El Teniente a further 50 years at its current production capacity (430,000 tonnes per year). The project is estimated to require an estimated $1.5 billion investment, with start-up scheduled for 2017.

Salvador

The Salvador Division, about 1,100 kilometres north of Santiago, includes the Inca underground mine, the Campamento Antiguo and Damiana Norte open-pit mines and a concentrator. Production began in 1959 and both sulphide and oxide ores are processed, each with its own copper recovery plant. The division also includes the Potrerillos smelter and refinery (671,000 tonnes annual concentrate processing capacity). In 1995, a hydro-metallurgical line capable of producing 25,000 tonnes of copper annually was added. The main products are electro-refined and electro-winned cathodes, refinery slime and molybdenum concentrate. In 2008, Salvador produced approximately 43,000 tonnes of copper at a cash cost of $1.51 per pound. Proven and probable reserves at December 31, 2008, were 0.036 billion tonnes of 0.6% copper.

The Salvador Division has set 2011 as the date for the closure of operations, which will mark the first Codelco operation to undergo the closure process. Post-mine closure, the Potrerillos smelter and refinery complex will continue to operate.

Andina

The Andina Division has two mines, the Río Blanco underground mine and the Sur Sur open-pit mine. Both mines extract sulphide ores, producing copper and molybdenum concentrates. The division does not have independent smelting capacity. In 2008, Andina produced approximately 220,000 tonnes of copper at a cash cost of $0.71 per pound. Proven and probable reserves at December 31, 2008, were 1.980 billion tonnes of 0.8% copper.

In 2008, construction work advanced for the initial stage of the Andina Development Plan – Phase I. The project consists of raising mine capacity by 30% to 94,000 tonnes per day (tpd) by transforming the open-pit mine and deploying a new crush-grind-float line in the underground concentrator, resulting in an additional 30,000 tonnes of annual copper output. The project is expected to cost $937 million and start operation in 2010.

A prefeasibility study has been completed for the Andina Development Plan – Phase II and the approval process is underway for the feasibility study. Phase II will expand open-pit mining and build new concentrator facilities, in addition to other works, which will increase mine output and processing capacity to produce up to 350,000 tonnes of copper per year. The estimated $4.8 billion cost of Phase II is supported by the Andina mine resources contained in the open-pit and underground mines, totalling 5.8 billion tonnes at an average copper grade of 0.8%.

Ventanas

The Ventanas complex is located about 164 kilometres north of Santiago. The construction of this complex began in 1950 and was completed in 1964. It consists of a smelter and electrolytic refinery, with annual capacity of 425,000 tonnes of copper. The location is important due to its proximity to the ports of Quintero and Valparaíso (to load its products) and the mining centres (for its feed). Ventanas processes concentrate from Codelco's Andina mine and from small- and medium-sized mines in central Chile. Products include electrolytic copper, silver, gold and sulphuric acid.

Minera Gaby

The Gaby deposit is located 200 kilometres east of the Antofagasta port. This open-pit mine started up in May 2008, producing its first batch of electro-refined cathodes. The project required $1.0 billion to build and it was implemented as scheduled. Its output capacity is 150,000 tonnes of fine copper per year for high-purity cathodes. In 2008, the mine produced 67,700 tonnes of copper at a cash cost of $1.12 per pound. Proven and probable reserves at December 31, 2008, were 0.571 billion tonnes of 0.4% copper.

Gaby Project – Phase II is under development. Its goal is to increase output capacity by up to 170,000 tonnes of copper by 2011.

El Abra

El Abra is a joint venture formed in 1994 between Codelco (49%) and Freeport-McMoRan Copper & Gold Inc. (51%). Mining operations began in 1996. El Abra is an open-pit mine and processing facility that has leachable oxide and sulphide mineralization. El Abra is a SX-EW facility, with a capacity of 227,000 tonnes of copper cathode per year from a 120,000 tpd crushed leach circuit and a similar-sized run-of-mine leaching operation. Proven and probable reserves at December 31, 2008, were 1.120 billion tonnes of 0.5% copper. In 2008, El Abra produced approximately 163,000 tonnes of copper (100% basis).

El Abra is examining the opportunity to develop a large sulphide deposit and extend the mine life by more than ten years, with annual copper production estimated at approximately 150,000 tonnes, at an estimated cost of $450 million. The timing of the project is subject to market conditions.

Other Holdings

In addition to its copper operations, Codelco has a number of joint-venture and other interests, including a 66.75% indirect interest in Electroandina S.A., an electric power-generation and transmission company that owns 992 megawatts of installed electric power-generating capacity in northern Chile, and a 55% indirect interest in Empresa Eléctrica del Norte Grande S.A. (Edelnor), an electric power-generating and transmission company that owns approximately 720 megawatts of installed electric power-generating capacity.

Corporación Nacional del Cobre de Chile

Report Date:
January 29, 2010

Corporación Nacional del Cobre de Chile (Codelco)

Assets	2008	2007	2006	**Liabilities**	2008	2007	2006
Cash and securities	387	2,074	833	Short-term borrowings	808	26	62
Accounts and other receivable	830	1,439	1,729	Dividends & tax payable	3	821	410
Inventories	1,547	1,705	1,523	Accounts payable	967	1,190	855
Other debtors	802	761	528	Other creditors	274	145	153
Prepaid expenses	16	10	9	Accruals & def. income	499	772	546
				L.t.d. due in one year	637	346	45
Total Current Assets	**3,581**	**5,990**	**4,622**	**Total Current Liab.**	**3,188**	**3,300**	**2,072**
Investments	1,899	1,709	1,787	Long-term debt	3,379	4,063	3,896
Fixed assets	7,840	7,098	6,234	Provisions & accruals	758	820	675
Evaluation properties	368	368	369	Deferred taxes	2,503	2,255	1,860
Goodwill	19	20	21	Minority interest	3	4	3
				Common equity	3,876	4,744	4,528
Total Assets	**13,707**	**15,186**	**13,033**	**Total Liab. & Equity**	**13,707**	**15,186**	**13,033**

*Restated	9 months to		12 months to	For the year ended December 31				
Balance Sheet Ratios	Sept. 30 2009	Sept. 30 2008	Sept. 30 2009	2008	2007	2006	2005	2004
Current ratio	1.84	1.28	1.84	1.12	1.81	2.23	1.27	1.98
Acc. rec. + invent./short-term debt	7.40	2.57	7.40	1.64	8.46	30.41	6.09	14.61
Inventory turnover (days)	121	94	79	67	74	64	67	66
Receivable turnover (days)	54	35	50	29	34	33	37	28
Cash flow/current liabilities	0.53	0.59	0.66	0.72	1.02	1.77	1.05	1.55
Accounts payable/inventory	0.50	0.45	0.50	0.63	0.70	0.56	0.73	0.58
EBITDA gross interest coverage	16.8	31.8	15.1	26.2	38.5	43.4	32.0	28.5
Operating inc. gross int. coverage	12.4	27.9	10.6	22.0	35.1	40.1	28.7	24.6
% gross debt in the cap. struc.	55.3%	53.8%	55.3%	55.4%	48.3%	46.9%	56.3%	51.5%
% net debt in the capital structure	50.4%	50.9%	50.4%	53.4%	33.2%	41.2%	54.8%	49.3%
Cash flow/total debt	0.30	0.57	0.28	0.47	0.76	0.92	0.61	0.53
Debt/EBITDA	1.32	0.63	1.46	0.47	0.39	0.63	0.75	2.47
Fixed-charge coverage	8.7	22.8	6.7	17.0	29.8	34.5	22.5	19.9
Asset coverage	1.8	1.9	1.8	1.8	2.1	2.1	1.8	1.9
Cash flow/capital expenditure	1.0	1.3	0.9	1.2	2.1	3.0	1.2	1.8
Cash flow/(capex + dividends)	0.9	0.4	0.7	0.4	0.9	1.2	0.7	0.8

Income Statement	9 months to		12 months to	For the year ended December 31				
(USD millions)	Sept. 30 2009	Sept. 30 2008	Sept. 30 2009	2008	2007	2006	2005	2004
Sales	**7,839**	**12,044**	**10,219**	**14,425**	**16,988**	**17,077**	**10,491**	**8,204**
Less: operating expenses	4,771	6,447	6,516	8,191	7,539	6,834	4,439	4,138
Less: depreciation, depletion, amort.	801	691	1,114	1,004	835	776	624	554
Operating Income	**2,267**	**4,907**	**2,590**	**5,230**	**8,615**	**9,467**	**5,428**	**3,512**
Less: gross interest expense	183	176	245	238	245	236	189	143
Add: other income	(882)	(1,182)	(1,164)	(1,465)	(1,757)	(1,774)	(1,267)	(753)
Income before Taxes	**1,203**	**3,549**	**1,180**	**3,527**	**6,612**	**7,457**	**3,972**	**2,616**
Less: income tax	784	2,238	792	2,246	4,091	4,565	2,295	1,569
Income after Taxes	**418**	**1,310**	**389**	**1,281**	**2,521**	**2,892**	**1,676**	**1,047**
Add: equity income and minority int.	211	284	213	286	460	447	103	88
Net Income before Extra.	**629**	**1,595**	**601**	**1,567**	**2,982**	**3,339**	**1,780**	**1,134**
Add: extraordinary items	0	0	0	0	0	0	0	0
Net Income	**629**	**1,595**	**601**	**1,567**	**2,982**	**3,339**	**1,780**	**1,134**
Cash Flow (USD millions)								
Cash Flow from Operations	**1,219**	**2,001**	**1,503**	**2,285**	**3,356**	**3,668**	**2,301**	**1,601**
Less: capital expenditures	1,185	1,491	1,669	1,975	1,605	1,219	1,845	893
Less: dividends	150	2,989	393	3,232	2,268	1,857	1,389	1,003
Gross Free Cash Flow	**(116)**	**(2,479)**	**(560)**	**(2,923)**	**(517)**	**592**	**(933)**	**(295)**
Working capital changes	(724)	(51)	(216)	457	519	(201)	(604)	(127)
Net Free Cash Flow	**(840)**	**(2,530)**	**(776)**	**(2,466)**	**2**	**391**	**(1,538)**	**(422)**
Acquisitions	(107)	(214)	(150)	(256)	(111)	(163)	(25)	(64)
Divestitures	0	14	15	29	99	2	7	84
Other	1,064	891	694	520	873	203	796	537
Subtotal	**117**	**(1,839)**	**(217)**	**(2,174)**	**863**	**433**	**(760)**	**135**
Share issue	0	0	0	0	0	0	0	0
Share buyback	0	0	0	0	0	0	0	0
Debt issue	1,890	600	2,176	886	579	650	1,117	837
Debt repayment	(1,432)	(305)	(1,527)	(400)	(201)	(468)	(394)	(778)
Change in Cash	**575**	**(1,544)**	**432**	**(1,687)**	**1,241**	**615**	**(37)**	**195**
Profitability Ratios								
Gross margin	42.0%	48.8%	39.2%	45.7%	57.9%	62.0%	60.2%	52.1%
EBITDA margin	39.1%	46.5%	36.2%	43.2%	55.6%	60.0%	57.7%	49.6%
EBIT margin	28.9%	40.7%	25.3%	36.3%	50.7%	55.4%	51.7%	42.8%
Net profit margin	8.0%	13.2%	5.9%	10.9%	17.6%	19.6%	17.0%	13.8%
Return on equity	20.0%	48.4%	14.3%	36.4%	64.3%	89.4%	61.2%	39.8%
Return on capital	7.3%	19.0%	5.8%	14.1%	26.8%	34.8%	22.4%	15.8%
Total Debt	5,394	4,717	5,394	4,824	4,434	4,003	3,794	3,049
Net Debt	4,432	4,187	4,432	4,437	2,360	3,169	3,576	2,794
EBITDA	3,068	5,598	3,704	6,233	9,449	10,243	6,052	4,066
Gross Interest Expense	183	176	245	238	245	236	189	143

Corporación Nacional del Cobre de Chile

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Rating

Debt	Rating	Rating Action	Trend
Senior Unsecured Debt	A	Confirmed	Stable

Rating History

	Current	2009	2008	2007	2006	2005
Senior Unsecured Debt	A	A	A	A	A	A

Notes
All figures are in U.S. dollars unless otherwise noted.