

**Rating Action:** [Corporacion Nacional del Cobre de Chile](#)

**Moody's Assigns Aa3 Foreign-Currency Rating to CODELCO's Sr. Unsecured Note Issue; Outlook Stable**

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**Approximately US\$500 million of Long-Term Debt Instruments Rated**

New York, October 16, 2006 -- Moody's Investors Service assigned an Aa3 rating to Corporacion Nacional del Cobre de Chile's (CODELCO) US\$500 million senior unsecured note issue. Proceeds will be used to refinance maturing debt obligations and to provide funding to capital expenditures. At the same time, Moody's affirmed CODELCO's existing Aa3 rated senior unsecured foreign currency notes. The rating outlook is stable. CODELCO is 100% owned by the Chilean State.

The Aa3 rating on the foreign currency notes reflects the application of Moody's rating methodology for government related issuers (refer to Moody's Rating Methodology entitled "The Application of Joint Default Analysis to Government-Related Issuers", published in April 2005, and Moody's Special Comment "Government-Related Issuers: July 2006 Update" published in July 2006) and is a function of the following inputs:

Baseline credit assessment (BCA) with a 5-7 range on a scale of 1 to 21

A1 local currency rating of the Chilean government

Medium dependence

High support

CODELCO's BCA and resultant ratings reflect the company's position as the largest global copper producer and a major player in the molybdenum markets, with a significant reserve position. The company's multiple mine operating profile, mix of SX-EW and refined copper production and competitive cost position further support the rating. This operating profile contributes to a robust performance in a strong copper price environment and acceptable performance during cyclical downturns. As a state owned entity, CODELCO is required to pay 100% of its income to the Chilean Treasury and pays significant amounts in export, royalty and income taxes. As a consequence, its cash flow available to cover capital expenditures and debt repayments is limited to depreciation and other non cash-add backs. The ratings consider the substantial capital expenditure program possible over the next several years and the continued incremental increases in debt to fund. However, the ratings also contemplate the level of earnings and cash flow generation that the asset base and cost position of CODELCO can generate, the strong coverage metrics provided by earnings levels, and the importance of CODELCO within the Chilean economy.

The medium dependence and high support factors consider the moderate correlation of default risk between the company and the Chilean government and the importance of the company to Chile respectively. In 2005, CODELCO contributed US\$4.4 billion to the Chilean treasury and accounted for roughly 23% of exports from Chile.

The stable outlook reflects Moody's expectation that copper market fundamentals and prices will remain favorable over the next twelve to fifteen months although prices are anticipated to retreat from the high levels experienced in 2006. This will translate into continued strong earnings performance for CODELCO. The outlook also incorporates Moody's view that CODELCO will continue to prudently manage its overall debt levels while pursuing its strategic growth objectives. Should debt levels continue to show significant increases and the debt/EBITDA ratio move into the 2.5x range, the outlook or rating could be negatively impacted.

Assignments:

..Issuer: Corporacion Nacional del Cobre de Chile

....Senior Unsecured Regular Bond/Debenture, Assigned Aa3

Headquartered in Santiago, Chile, CODELCO, a mining, industrial and commercial state-owned enterprise active primarily in the production of copper, had revenues of \$10.5 billion in 2005.

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