

## MOODY'S ASSIGNS A2 FOREIGN CURRENCY RATING TO CODELCO'S SENIOR UNSECURED NOTE ISSUE; OUTLOOK STABLE

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

Moody's Investors Service assigned an A2 foreign currency rating to Corporacion Nacional del Cobre de Chile's (CODELCO) \$500 million private placement note issue due 2014. Proceeds will be used to refinance approximately \$300 million of debt with the balance used to partially finance capital expenditures. The rating outlook is stable.

The A2 foreign currency rating reflects CODELCO's strength and position in the global copper markets, its operational efficiency and its earnings and cash generating power given its production volumes. Other considerations in the rating include CODELCO's multiple mine profile, containing several world class mines in their own right, the company's vertical integration, which includes SX/EW and conventional smelting facilities, and its competitive, low cost position. CODELCO's ownership by the Chilean government and the framework under which the company operates is also a factor in the rating.

The A2 foreign currency rating not only reflects the operating strengths of CODELCO, but also incorporates the element of convertibility risk, or the likelihood that the Chilean government might declare a general debt moratorium to counter a foreign currency crisis. The foreign currency rating for CODELCO considers the probability of a sovereign foreign currency default implied by the government's Baa1 foreign currency rating and the small likelihood that, in the event of such a default, the government would impose a general foreign currency payments moratorium. In addition, the rating considers that CODELCO, as a strategically important issuer, major exporter and significant generator of US dollar based revenue might be exempt from a debt moratorium, if such a moratorium were to be imposed. In fiscal 2003, CODELCO generated approximately 14% of exports from Chile and accounted for about 3% of gross domestic product.

The stable outlook acknowledges the improved fundamentals in the copper industry and CODELCO's dramatic strengthening in earnings and cash flow generation. Given continued favorable fundamentals in the copper industry, Moody's expects CODELCO's performance in the second half of 2004 to be similar to that experienced in the period to June 30, 2004. In addition, while prices are likely to retreat from current levels and could trend lower in 2005, Moody's expects prices to remain acceptably ahead of the levels seen in 2003 and 2002. Moody's notes however, that despite CODELCO's strong cash generating ability, as a government owned entity, CODELCO remits all earnings to the Chilean government and as a consequence actual cash flow that can be directed to investments and debt repayment is limited to depreciation and other non-cash add backs. CODELCO has been extending debt maturities in the last twelve months and refinancing short term obligations into longer dated tenors and as a consequence has no significant debt repayments until 2006. However, the company has indicated that planned capital expenditures over the period to 2008 could approximate \$5 billion, if all plans under evaluation were to be approved. Given that depreciation runs at about \$550 million, other non-cash add backs are either not material or fluctuate significantly, and capital expenditures of roughly \$1 billion per year are possible, continued increases in the company's debt profile would be likely.

With an improved production profile, higher shipments, which included sales from the inventory stockpile, and higher prices, CODELCO's generated revenues of \$3.9 billion for the six months to June 30, 2004, as compared with \$1.7 billion for the comparable period in 2003. Lower cash costs, principally due to higher by-product credits on molybdenum, further benefited performance with operating income advancing to \$1.6 billion.

Rating assigned:

Corporacion Nacional Del Cobre de Chile: A2 senior unsecured \$500 million note issue due 2014.

Moody's notes that these securities will be sold in privately negotiated transactions without registration under the Securities Act of 1933 (the Act) under circumstances reasonably designed to preclude a distribution thereof in violation of the Act.

Headquartered in Santiago, Chile, CODELCO, a mining, industrial and commercial state-owned enterprise, had fiscal 2003 revenues of \$3.8 billion