

REPORT

ANNUAL



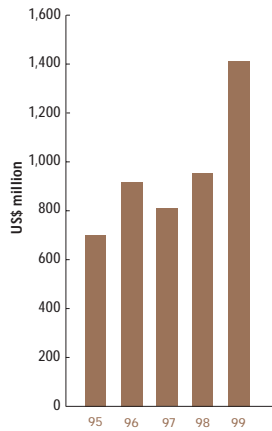
1999

CODELCO

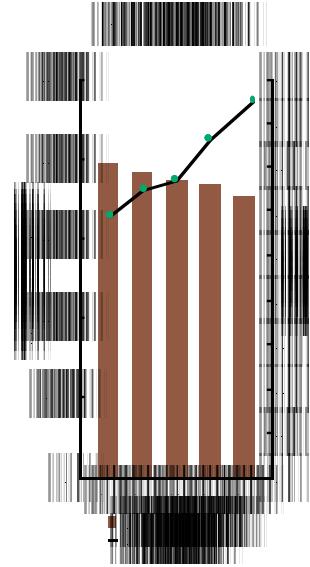
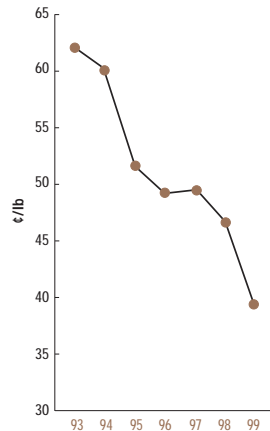
**CODELCO'S MISSION IS TO
MAXIMIZE THE LONG-TERM
GENERATION OF PROFITS
AND ITS CONTRIBUTION TO
THE NATIONAL TREASURY.**

HIGHLIGHTS

Income before taxes 1995-1999
(Using constant copper and molybdenum prices)



Cash costs
(1999 currency and molybdenum price)



Financial performance (US\$ million)	1999	1998	1997	1996	1995
Sales	2,886.2	2,730.2	3,426.1	2,940.2	3,926.0
Income before taxes	572.5	355.3	1,010.8	1,103.3	1,763.6
Treasury contributions	268.7	354.6	1,173.3	1,044.2	1,735.0
Total assets	5,816.5	5,823.3	5,172.1	4,952.9	4,743.6
Total liabilities	3,034.9	3,127.1	2,489.6	2,190.7	2,293.7
Equity	2,781.6	2,696.2	2,682.5	2,762.2	2,449.9
Investment	355.7	670.1	872.8	712.4	357.7
Copper production (*)					
Thousands of metric fine tons	1,615.3	1,500.5	1,326.4	1,237.0	1,164.7
Personnel (dec. 31st)					
Company personnel	17,313	18,258	18,496	18,879	19,753
Operating contractors	9,346	9,595	9,686	7,998	8,913
Investment contractors	3,500	6,307	11,350	8,421	4,720
Average copper price (¢/lb)					
LME Grade A cathodes	71.4	75.0	103.2	103.9	133.2

(*) Includes Codelco's share of El Abra

DIRECTORS



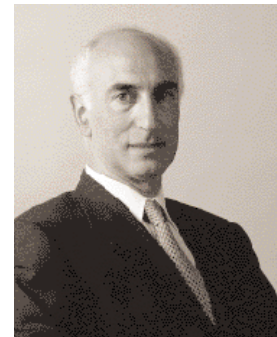
PRESIDENT
Minister of Mining
Sergio Jiménez Moraga



DIRECTOR
Minister of Finance
Manuel Marfán Lewis



DIRECTOR
Representative of H.E. President of the Republic
Jorge Awad Mehech



DIRECTOR
Representative of H.E. President of the Republic
Nicolás Majluf Sapag



DIRECTOR
Representative of H.E. President of the Republic
Rear-Admiral
Guillermo Valenzuela Goudie



DIRECTOR
Representative of the National
Association of Copper Supervisors
Luis Castelli Sandoval



DIRECTOR
Representative of the Copper
Workers Federation
Raimundo Espinoza Concha



OFFICERS

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Marcos Lima Aravena

CHIEF MARKETING OFFICER

Juan Eduardo Herrera Correa

CHIEF DEVELOPMENT OFFICER

Juan Enrique Morales Jaramillo

CHIEF ADMINISTRATIVE AND FINANCIAL OFFICER

Mario Espinoza Durán

CHIEF OF HUMAN RESOURCES

Eduardo Loyola Osorio

CHIEF OF EXPLORATION AND MINING JOINT VENTURES

Iván Valenzuela Rabi

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Marcelo Mobarec Asfura

GENERAL MANAGER CHUQUICAMATA DIVISION

Rafael González Amaral

GENERAL MANAGER RADOMIRO TOMIC DIVISION

Luis Farias Lasarte

GENERAL MANAGER SALVADOR DIVISION

Fidel Báez Núñez

GENERAL MANAGER ANDINA DIVISION

Carlos Rubilar Ottone

GENERAL MANAGER EL TENIENTE DIVISION

Patricio Guajardo Ahumada

GENERAL MANAGER TALLERES DIVISION

Alex Acosta Maluenda



**FAR FROM AN ISOLATED
ACHIEVEMENT, 1999'S
EXCELLENT RESULTS
REFLECT THE COMPANY'S
ENORMOUS GAINS IN
EFFICIENCY SINCE 1994.**

LETTER FROM THE PRESIDENT

THE YEAR WE LIVED DANGEROUSLY

Every time I face the task of analyzing Codelco's past year in this presidential letter, I face the same dilemma: how, in a few brief lines, to reflect all the different facets and challenges, the successes, hardships, sorrows and joys of a company, for which we are all responsible at what is such an exciting time in our professional lives. Whenever I recall 1999, I will always remember it as the year we lived dangerously.

In fact, as the year began, copper and molybdenum prices were the lowest in a hundred years, placing the Corporation in a particularly difficult situation. For the first time in its history, Codelco was in danger of running a deficit.

Given this dramatic outlook, not only did we take steps to save the country from the psychological impact of seeing its main company, its greatest financial fortress and one of the State's most valuable assets appear in the red, but also to provide additional resources for the Treasury from one of its most significant resources.

This meant slashing costs even further, beyond our usual efforts to cut costs and boost productivity, ongoing since 1993. The collective task, therefore, was to turn crisis into opportunity and continue to improve both competitiveness and efficiency.

1999 results: a major team effort

The results for this period fill us with satisfaction. Company earnings before tax reached US\$572 million, almost US\$220 million more than in 1998, in spite of the copper price being almost four cents per pound lower. In fact, if calculated using constant copper and molybdenum prices, these results are the best in history and reflect one of the few times when the company has been able to increase earnings in spite of dropping prices.

Production went on rising too, as investment projects begun in the mid-nineties when prices were higher came onstream, bringing production to 1.6 million metric fine tons of copper.

Higher earnings were complemented by 1999's exemplary cost reductions, which reached almost ten cents per pound at the level of total costs and expenditures (an unheard of achievement in the company's history), and a productivity increase of about 13%, consistent with trends from 1992 on.

These splendid accomplishments would not have been possible without our "Contingency Plan", which systematically ensured that the entire company focus efforts on factors crucial to cost reductions, forcing each area to commit to specific cuts, which were monitored regularly throughout the year.

Contributions to the national treasury reached US\$269 million, which was less than the previous year due to the recovery of excess dividend and tax payments from 1998.

Total sales were over US\$2.9 billion, with physical shipments to copper markets up 9% and physical shipments of molybdenum up 15%. Refined products (cathodes and fire refined) accounted for 90% of sales, which shipped to every corner of the planet, an indication of the enormous stability of our customer portfolio.

Finally, investments for the year totaled US\$356 million, a reflection of the natural life cycle of projects. Initiation of the Radomiro Tomic optimization project, scheduled for completion during the first half of 2001, stood out in this area.



LETTER FROM THE PRESIDENT

Our Strategic Plan and management commitments

1999's excellent results are more than just isolated achievements. Rather, they reflect the ongoing effort the company has made since 1994, when it began a major modernization drive to recover competitiveness lost during the mid-eighties.

Thanks to a Strategic Alliance between our workers, unions and administration, over the past six year Codelco has boosted production by half a million tons - more than any other company in the world - increased productivity 84% and slashed costs by more than 35%, in spite of the strong performance of the Chilean peso, which greatly influences labor costs.

Our six-year investment plan for 1994-1999, worth US\$3.3 billion and a key factor in developing Codelco's enormous mining potential, was higher than originally agreed upon and focused on new projects, particularly Radomiro Tomic, the Andina expansion, Teniente's Esmeralda, and Salvador's Damiana; environmental investment to bring operations up to date; and modernization of equipment and facilities.

Thanks to the above, the company's ability to generate earnings and therefore total value, has increased year after year, from US\$744 million on average between 1990-1993 to over US\$1.4 billion in 1999, if we estimate this using a constant price of 97¢/lb for copper and a constant price for molybdenum. If this trend holds steady in the future, we will have more than doubled Codelco's value.

In this regard it is very revealing to review the commitments made to Codelco by both the Government of President Frei Ruiz-Tagle and the company's own administration at the beginning of his presidential period.

The program of the Government of the Concertación of Parties for Democracy (Chile's governing coalition) for 1994-2000 established the following tasks for the State's main company:

"Codelco is a strategic company for Chile. As such, deposits currently in operation and those destined to replace them must continue to be state-owned. Overcoming extreme poverty and transforming the country into a modern and fair society depend to a large degree on the success of its management. This very reality imposes greater demands for efficiency and competitiveness...".

And it continues: "To do this, the authorities will carry out a program to optimize the economic performance of the huge mining resources and assets that it controls, reducing costs, eliminating inefficiencies and functions, and increasing productivity. A labor policy giving priority to cooperation and participation will be key to the effort to improve company efficiency and competitiveness".

As we said when we began the modernization process, "If you don't know where you're going, you'll never get there". Codelco defined its goal and met it.

New efforts: a bright future

Given the enormous effort made to achieve these results, one might think that everything has been accomplished. The great leap forward reflected in costs, productivity and earnings for these years are motive enough for considerable satisfaction. However, we can't forget another famous saying: "When something stops moving, it starts to die". What, then, are the strategic challenges Codelco faces in the coming years?

We often emphasize the change in organizational focus based on the idea that because each division has the same product, technology and customer portfolio, the divisions must work together as a single enterprise, even though each one originated in a different company and culture. This approach mirrors current management trends around the world.

Although we have advanced in this area thanks to initiatives like the SWING (Integrated Management Software) project or the creation of IM2 (the Institute for Mining and Metallurgy Innovation), we think there's still a lot of room for applying this approach to many other areas, among them administrative services, maintenance and engineering, which would not only create new opportunities for Codelco's workers but would also increase the company's value. One recently completed study of shared administrative services showed that we could generate significant savings by taking advantage of synergies and economies of scale.

A second challenge involves making the most of the experience and knowledge that have accumulated over the years along the entire productive chain, the company's superior financial position, and its good image within the industry, to move beyond our own borders. Particularly important, in this sense, is the development of international mining projects and businesses that could complement exploration and development within Chile. Better knowledge of what goes on throughout the production chain, beyond refined, could also be put to good use, in order to better monitor future demand for our metal. This is particularly critical in markets involving electrical, wire and cable uses, which currently consume over 60% of copper.

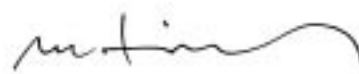
Finally, the task remains of continuing to strengthen Codelco's leadership within the industry worldwide. In recent years it has been working for the recognition of a new international paradigm to replace the traditional approach (in which cost cutting and higher production improve profits) with a new one, in which company value and earnings rise thanks to creating and expanding demand.

With this new approach, the Corporation has been able to convince other major producers of the need to review the International Copper Association (ICA) and its strategic plan to focus more on defending and developing copper markets. At the same time, it has improved its relationship with the main companies that are end-consumers of the metal and is encouraging the creation of a company to research and develop new copper products.

Thus, Codelco has created the conditions to improve future demand and with it prices and returns, not only for companies, but also for industry producers as a whole.

Codelco has been a great business for Chile for a long time. The greatest lesson to be learned from this experience is that when everyone pulls together, with clear goals, coherent strategies and determined leaders, good results aren't far behind.

Codelco has once again become a copper industry leader, in terms of efficiency, technology and new ideas. These achievements must never be lost. Every single Chilean, and particularly the poorest among us, demand it. We must never forget.



MARCOS LIMA ARAVENA
PRESIDENT AND CHIEF EXECUTIVE OFFICER

COMPANY PROFILE



Codelco is the world's main copper producer and one of the industry's most profitable companies. It belongs to the State of Chile and its main business is exploring for, developing and mining copper and its by-products, along with refining and selling them.

As of December 31st, 1999, company assets were worth US\$5.8 billion, for a net worth of US\$2.8 billion. Its main product is Grade A copper cathodes.

In the past six years, the Company has accounted for over 18% of the country's exports and about 3.4% of Gross Domestic Product. Codelco's contributions to the treasury average 8% of total state income.

The Corporation operates through five mining divisions (Chuquicamata, Radomiro Tomic, Salvador, Andina and El Teniente) and a metal - working division (Talleres, in Rancagua). It also holds 49% of El Abra, and shares in other joint ventures, among them Agua de la Falda and Minera Los Andes.

Its status as a major world producer gives Codelco five main competitive strengths when it comes to global markets.

Leadership

With 1999 production of 1.6 million metric fine tons of copper (including its share of El Abra) - about 16% of western world production - Codelco is the world's leading copper producer. Similarly, Codelco is the world's second largest producer of molybdenum.

Cost efficiency

The Corporation is also one of the world's lowest cost producers. In 1999, operating cash costs reached 39.8 cents/pound.

Copper reserves

The company controls about 20% of the world's known copper reserves. As of December 31st, 1999, this amounted to at least 70 years of operations at current levels.



Stable, geographically-diverse customer base

Codelco, with five subsidiaries and 22 sales branches abroad, has developed long-term relationships with most of its customers, including the world's leading manufacturing firms.

Financial strength

In 1999, Codelco's income before interest expense, taxes, depreciation and amortization (EBITDA) reached US\$1.1 billion. On December 31st, 1999, financial debt over equity stood at 51%, while debt was 1.3 times EBITDA.

Vision of the future

The company is well on its way to consolidating its leadership position as the world's largest producer, and it plans to remain one of the industry's most competitive and low-cost firms, at the same time as it increases its contribution to the State. To do so, the Corporation has focused its work on a nine-point strategic agenda, which covers both internal productive challenges and its main external relationships. Goals include:

- Ensuring the company's mining base and stimulating development projects.
- Optimizing productive processes and technological integration, both technically and financially.
- Stimulating innovation for technological leadership.
- Focusing on its main business and optimizing the management of related business.
- Being environmentally responsible.
- Developing and defending the copper market.
- Improving its strategic company-worker alliance.
- Emphasizing the economic benefits of a creative supplies function.
- Resolving outstanding institutional issues affecting competitiveness.

FACED WITH THE LOWEST COPPER PRICES IN A CENTURY, CODELCO
LEADS INDUSTRY EFFORTS TO EXPAND CONSUMPTION.

THE NEW INDUSTRY PARADIGM
CODELCO PROMOTES DEMAND



The Market



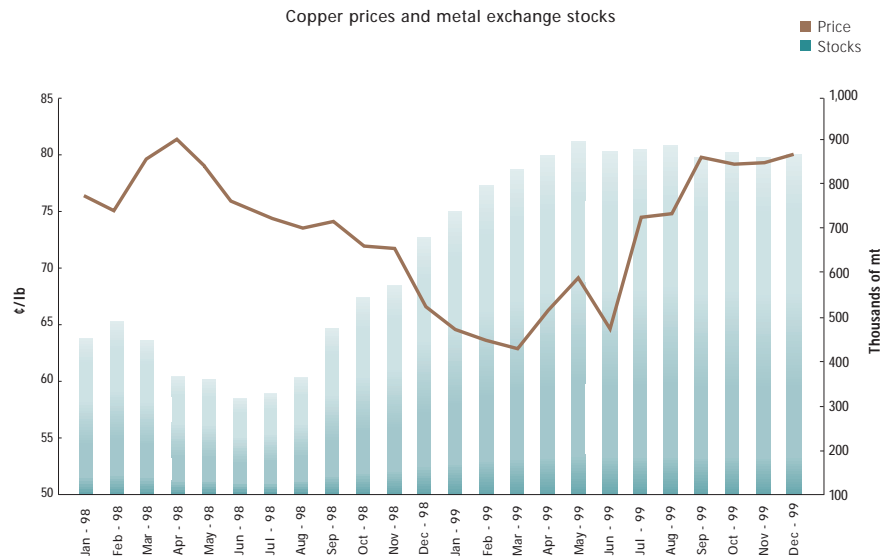
In 1999, copper prices were among the lowest in a century.

LOW PRICES

In 1999, copper markets and prices experienced one of the worst crises in history. The price on the London Metal Exchange averaged 71.4 cents/pound (¢/lb), 4.8% under the already depressed 1998 price.

Prices for the first half were particularly critical, ranging from a low monthly average of 62.5¢/lb in March to a high of 68.5¢/lb in May. One reason was rising total stocks on both the London and New York metal exchanges, which reached over 200,000 mft during this period.

The low price for the first half of 1999 was also influenced by trends in market fundamentals (production, consumption and stocks) in previous years: after three years of overconsumption and decreasing stocks, in mid-1997 the market went into an oversupply phase experiencing high inventories through to mid-1999. In fact, total market stocks rose from 3.2 weeks of consumption in 1996 to almost seven weeks by year's end.



Another factor pushing prices downward included speculation outside the market associated with general uncertainty and pessimism, the result of the Asian crisis and its impact on the world's economy.

In June 1999, stocks stopped rising. Ongoing high demand in North America, recovering consumption in South Korea and other Asian countries, combined with lower production (in response to lower prices) pushed the market toward a more favorable balance. Similarly, expectations improved and, with higher demand again on the horizon, investment funds began buying again.

This led prices to recover during the second half of the year, with the average reaching 80¢/lb by December.

CONSUMPTION AND WORLD PRODUCTION

Western world refined copper consumption grew by 2.5% in 1999, a great improvement over the previous year, when it rose barely 1.4%. In absolute terms, consumption rose most in Canada, the US, South Korea, Taiwan and other Asian countries, except Japan.

Western world copper supply, which includes refined production and net imports from the Eastern Bloc, grew relatively slowly and less than consumption. However, this slow growth wasn't enough to reverse the oversupply phase affecting the market from mid-1997 on.

As a direct result of the low prices in late 1998 and early 1999, several high-cost operations closed down during this period, thus reducing world mine production by 400,000 mft in 1999. If we consider all closures and production cutbacks, the accumulated reduction for 1998-1999 was almost 650,000 mft.

Nonetheless, world mine production still grew 3.8%, due to new projects coming onstream and others reaching full production levels. The net result was a significant increase in mine production in Chile, Australia and Peru versus declining production in the US, Canada and Zambia.

Lower prices also continued to depress production of refined copper from scrap: it dropped another 1% over 1998, when it had already dropped 12% over the previous year.

The world's economy recovered and grew 3%, a signal that improved expectations for future copper consumption.



The Market

Codelco believes that recent mergers of major mining companies will offer interesting opportunities for the copper industry.

INDUSTRY MERGERS

In 1999, the structure of the industry experienced some significant changes, as occurred in other markets as well, in the form of major mergers, mainly to improve economies of scale and get more out of corporate synergies. This offered new ways to cut costs and improve producers' competitiveness.

For mining, the main examples of this trend were the mergers of Phelps Dodge and Cyprus Amax on one hand, and Grupo Mexico and Asarco, on the other, both last year. If this trend continues, it will have a significant impact on the industry, with concentration rising again to levels typical of the fifties and sixties.

Historically, copper producers have behaved as price takers, boosting production and cutting costs to meet demand, which, it was assumed, would grow "spontaneously". In recent years however, these agents have begun to overcome concern about the free rider effect (that is, the difficulties involved in reaping the benefits of promotion and market development), as can be seen, for example, in the fact that they are spending on marketing.

The trend toward greater concentration of ownership will speed this transformation by making it easier for companies to both agree on initiatives to defend and promote their products and reap the benefits of these efforts. Similarly, it will enhance strategic alliances with end users, joint efforts to develop new products and better utilization of the potential for copper consumption.

In addition, the fact that producers are both fewer in number and larger in size will make the market more orderly and improve the industry's ability to respond to unfavorable price scenarios.

In short, in contrast with the enormous destruction of recent years, the Corporation believes these trends will help to push prices higher.

ADVANCES IN CODELCO'S STRATEGY

The Corporation has led the industry in developing a new paradigm that treats expanding demand as an efficient way to increase returns and add value to companies. The vision behind this concept depends on leaving behind the traditional producers' strategy of cutting costs and boosting production to increase profits.

A significant achievement in 1999 was the company's effort to work with other major producers to reformulate the mission and strategic plan of the International Copper Association (ICA). During the year, ICA held a Strategic Planning Workshop directed by a distinguished MIT professor, Arnoldo Hax. This session redefined ICA's mission to include the task of stimulating world demand for copper. To reach this goal, ICA will focus on industrial sectors with the most potential for growth in consumption, among them construction (both residential and commercial), energy (generation,

transmission and distribution), automobile and motor manufacturing, and telecommunications, particularly in the USA, Western Europe, Japan, Brazil, China, India and Eastern Europe.

This all involves working closely with consumers, as well as emphasizing copper's usefulness in electrical applications. The idea is to generate a strong industry commitment, strengthen technical knowledge of copper uses, emphasize positive health and environmental impacts, and adopt better methodologies for measuring the effects and benefits of marketing.

Codelco's own priorities include forging alliances with major consumers to improve mutual awareness of respective industries, detect threats and opportunities, and ease the development of new applications and products. To do this, Codelco has strengthened its ties with Electrolux, Siemens, ABB, Carrier and General Electric.

With Alcatel it is currently developing two products: a new, higher-capacity data transmission cable (Cat6 and Cat7) and a new underground high-tension electrical cable. Both projects will last until 2001 and require an investment of about US\$4 million.

At the same time, Codelco and KME are working on a market study to evaluate introducing copper/nickel brake tubes into the car industry. In the case of a business opportunity in this field, we'll consider forming a new company to develop this initiative.

**The new industry paradigm
will increase returns and
company value.**



The Market

In 1999, ICA set itself the goal of boosting world demand for copper by 1% over its historic growth rate.

On the technological front, we continue to study the feasibility of a research-oriented company developing new products. Similarly, we signed a contract with Stanford Research Institute to analyze alternatives for and the potential of applying a layer of silicon to copper surfaces (sheets, tubes, wires) to inhibit corrosion.

Finally, during the year Codelco continued to actively support the Government of Chile in responding to unjustified concerns about the environmental and health-related impacts of copper that threaten its consumption around the world.

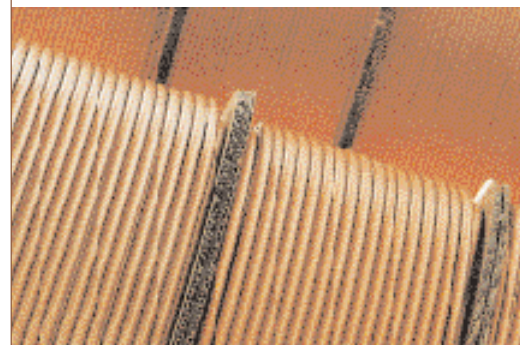
INCREASED SALES

In 1999, sales of physical copper reached 1.7 million metric fine tons (mft), up 9% over the previous year. The company also expanded its portfolio of client countries, adding or increasing sales to Saudi Arabia, Southeast Asia, Turkey, China, Mexico and the USA. The general trend throughout the year was for increased sales in higher demand markets, particularly in Asia where economies enjoyed a strong recovery, with levels holding steady in North America.

The company's special concern for eliminating barriers or duties affecting the copper trade also stands out, particularly the 1% tariff on Chilean cathodes entering the North American market.

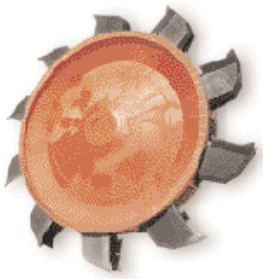
Ongoing improved customer service was a priority for the company's marketing efforts, with a special focus on reliability, dependable delivery and flexible negotiations. Consequently, in 1999 Codelco set up a web page that not only provides information on marketable products, agents and/or sales representatives by country and contact method, but also offers customers with an interactive application ensuring quick access to contract information, including quantities shipped, materials, transportation mode, departure date from cargo port, estimated arrival, and so on.

COPPER SALES BY COUNTRY AND REGION (METRIC TONS)		
Country/Region	1999	%
China	207,756	
Hong Kong	3,141	
India	8,995	
Indonesia	7,877	
Japan	51,180	
Malaysia	15,701	
Singapore	26,400	
South Korea	261,662	
Taiwan	90,593	
Thailand	350	
United Arab Emirate	2,842	
ASIA	676,497	40.0
Belgium	2,124	
Bulgaria	5,589	
Finland	2,963	
France	137,191	
Germany	258,183	
Great Britain	9,220	
Greece	14,210	
Holland	250	
Italy	98,993	
Rumania	2,987	
Spain	37,142	
Turkey	13,992	
EUROPE	582,844	34.4
Argentina	14,817	
Brazil	75,085	
Chile	61,285	
Colombia	2,498	
Peru	5,573	
Venezuela	1,457	
SOUTH AMERICA	160,715	9.5
Mexico	73,972	
USA	191,509	
NORTH AMERICA	265,481	15.7
South Africa/AFRICA	6,658	0.4
TOTAL	1,692,195	100.0



WITH AN EYE TO THE FUTURE AND A STRONG SENSE OF ENVIRONMENTAL RESPONSIBILITY, THE CORPORATION HAS CARRIED OUT THE MOST AMBITIOUS INVESTMENT PLAN IN ITS HISTORY.

WORKING FOR THE FUTURE
DEVELOPING MINING POTENTIAL



Development

The Investment Plan made new mining projects possible, among them, the Radomiro Tomic division, El Teniente's Esmeralda mine and the Andina expansion.

INVESTMENT PLAN

As mentioned in previous years, the Government of President Eduardo Frei Ruiz-Tagle and the current administration of Codelco committed themselves to an ambitious **Modernization Plan** for the Corporation. Consolidating the State's most important company as one of the world's most highly efficient, competitive producers has been the main focus of this effort. This made the **Investment Plan** crucial to modernization and establishing the foundations for Codelco's long-term future.

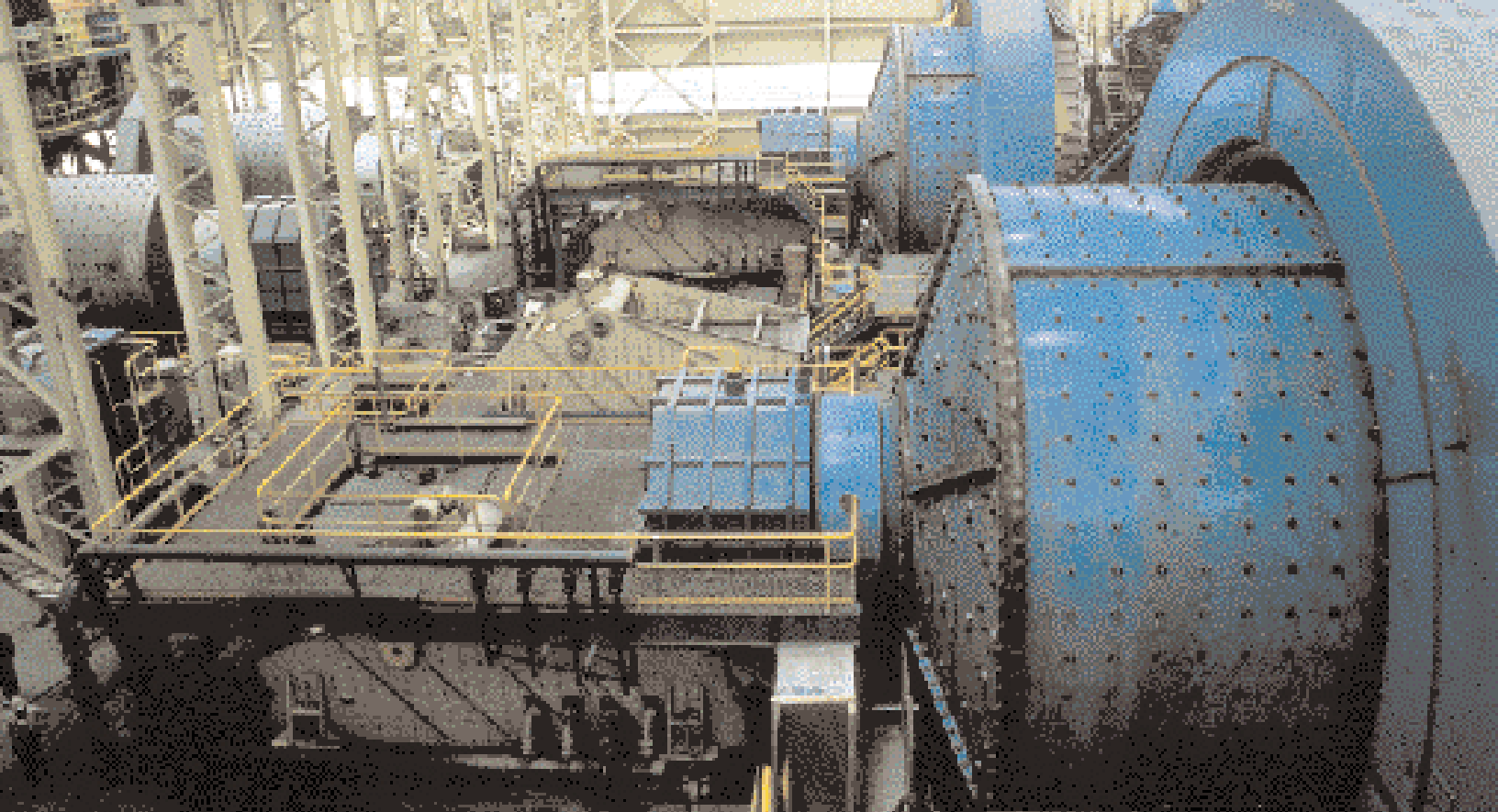
For the 1994-1999 six-year period, this Plan called for a total investment of US\$3.344 billion, making it possible to implement some very profitable projects. In 1999, this effort required US\$356 million, down from US\$670 million the year before. This difference reflects the cyclical nature of project development and expense structure, which involves less spending during the early and final stages, both of which applied in 1999.

This year, optimization began at Radomiro Tomic, and is scheduled for completion during the first half of 2001, for a production increase of 256,000 tons per year (tpy) of cathodes.

The investment is part of the division's strategic plan, which includes optimizing current facilities to increase productivity and cut its already low production costs even further. To date, basic engineering for the project has received approval and major equipment is now being purchased.

Meanwhile, the El Teniente division continued to build its second sulfuric acid plant in 1999 and began a transportation project, which includes a road, a truck-railway transfer facility and rail transport. Similarly, construction of the third stage of the Caren tailing management dam continued.

INVESTMENT 1994-1999	US\$ million (1999 currency)
Development projects	2,044
Environment	727
Equipment replacement and facility maintenance	282
Research, development and feasibility studies	129
Geological exploration	99
Occupational safety and welfare	63
TOTAL	3,344



DEVELOPMENT PROJECTS

Among the Investment Plan's major development projects, one of the most significant was the creation of the **Radomiro Tomic** division to manage a mine by the same name. Its completion represents a dual landmark in the company's development. Not only is it the first division wholly developed by Codelco, it quickly positioned itself in the vanguard of world copper mining thanks to its low-cost operations and high profitability.

To a large degree, this leadership is the result of clean, state-of-the-art technology, high productivity, an efficient management model, modern organizational design and a small staff. It is an open-pit operation, with 2.51 billion tons of reserves, and an average ore grade of 0.59% total copper.

Radomiro Tomic cost US\$642 million, with real production at 180,000 tons surpassing design capacity (150,000 tons of cathodes per year), thanks to optimization during the construction phase.

Another major project was the **Andina Expansion**, which improved that division's competitiveness and gave it another 25 years of life. Officially opened in 1999, the project cost US\$450 million and virtually doubled ore processing capacity, from 34,000 tons per day (tpd) to 64,500 tpd, boosting concentrate production to 250,000 mft per year. One of the great strengths of this project is the presence of confirmed resources and reserves of 1.5 billion metric tons of ore, with an average grade of 0.8%.

With an efficient management model, Radomiro Tomic is one of the industry's lowest-cost operations worldwide.

Development

The company's new mining projects consolidate the long-term economic viability of the business.



The Andina expansion posed a real challenge to Chilean engineering, as it involved creating a new underground deposit high up in the mountains, without affecting the continuity of division operations. To do this took 21 million person/hours, 700,000 cubic meters of underground excavation, vertical transfer shafts 480 meters deep, and the building of a huge, semi-autogenous grinding cavern, among others.

A third, recently-inaugurated project is El Teniente's **Esmeralda** mine, which promises benefits similar to Andina's: for an investment of US\$177 million, Codelco has ensured the division's long-term viability, adding 350 million tons of reserves, with an average grade of 0.96% copper.

This involved building infrastructure to carry ore from a new productive area of the mine into the concentrator plant. Full production capacity should be reached by 2005, adding 45,000 tpd of copper.

Esmeralda was conceived as a model project within the division. Located on primary rock, which constitutes a daunting technological and engineering challenge, this new deposit required optimization of El Teniente's current operating systems, including the latest technology and a management system that noticeably improved production standards and labor performance.

Finally, in 1999 our development strategy completed the Salvador division's US\$78 million **heapleaching project**, providing modern infrastructure to process 65 million tons, of which 41 million are oxides and 24 million sulfides. The project is supposed to start off generating 12,000 tpy of Grade A cathodes, and then, during the second stage, 25,000 tpy of cathodes, using electro-winning technology.

INVESTMENT IN THE ENVIRONMENT

Codelco's current Administration faced the challenge of giving life to the company's environmental commitment. Consequently, the company implemented an **Environmental Policy** and US\$727 million **Investment Plan** from 1994 to 1999.

1999 brought major advances in the **Corporate Decontamination Plan** applied to every company smelter. The goal of this strategy is to capture over 95% of pollutants and ensure all facilities meet the highest international environmental standards.

In 1999, Chuquicamata completed the second stage of capturing and treating gases using its Pierce-Smith converters and the arsenic reduction plan. This, combined with the previous year's advances, will allow the division to capture 95% of sulfur and 97% of arsenic, for a total investment of US\$107 million.

Similarly, this fiscal year brought completion of the first phase of El Teniente's Caletones US\$70 million decontamination plan, which involved building Gas Cleaning Plant No. 1. This will reduce particle and sulfur dioxide emissions by 35%, with work on a second gas treatment plant, to come onstream in 2001, also begun. Altogether both plants will capture 95% of Caletones' emissions.

Salvador, meanwhile, began operating its MALIGAS project for managing and cleaning gases, at the same time as it began building a sulfuric acid plant for treating gases. Once finished, during the second half of 2000, this division should raise the capture of fugitive gases and particulate at its Potrerillos smelter to 70%, thanks to a US\$139 million investment.

Respect for and preservation of the environment constitute key priorities for both management and investment.



Development

Codelco also has an extensive portfolio of projects associated with technological reconversion and tailing management. In the case of the latter, in 1999 there was particular emphasis on works to raise the Los Leones tailing dam and complete the Ovejería dam, both belonging to the Andina division, for an investment of US\$275 million.

The new Ovejería dam includes an 82-kilometer conduit to move tailings from high up in the mountains down into the central valley, a service road of the same length, 23 kilometers of tunnels and a system for capturing clean water.

JOINT VENTURES AND EXPLORATION

In terms of Codelco's mining business, 1999 brought a historic breakthrough: the company set up its first mining joint venture abroad. At the same time, it consolidated the Gaby exploration project. Both achievements were the direct result of decisions made in 1994, giving priority to Codelco's growth and development.

Codelco signed an agreement with Mexico's Grupo Minero Peñoles to explore and eventually operate copper deposits in the state of Sonora, one of the most attractive areas in that country. Codelco holds a 49% stake, with an option to boost it to a controlling 50% interest if it discovers a significant deposit. The Peñoles Group is the world's largest silver producer.

The Corporation is currently developing several projects associated with technological reconversion and tailing management.





This fiscal year saw major breakthroughs in the search for new business, as Codelco completed its first joint venture in mining abroad.

Codelco also considered buying Zambian mining assets, as part of this thrust abroad. With Anglo American Plc and a top-level technical team it evaluated properties put up for sale by the Zambian state company. Although by the end of the process the company decided not to go ahead with a buy, the experience was very useful, as the company successfully formed work teams abroad for large-scale mining operations.

JOINT VENTURES IN CHILE

Within Chile, the company's main achievement during 1999 was expanding activities with Agua de la Falda SA, a joint venture set up in 1996 with the American firm, Homestake, to explore for and operate gold deposits. This expansion required a US\$14.8 million capital increase to expand exploration and put the company on a sounder financial footing, thus increasing the value of Codelco's mining properties.

The Agua de la Falda deposit kept 1999 production at about 50,000 ounces of gold, with sales reaching US\$13.4 million. Today company capital has reached US\$39.8 million, with Codelco holding 49%.

MINING JOINT VENTURES			
	Partner	Metal	Status
Projects in Operation:			
El Abra	Phelps Dodge (USA)	Copper	In effect
Agua de la Falda	Homestake (USA)	Gold	In effect
Exploration Projects:			
Yabricoya	Cominco (Canada)	Copper	In effect
Anillo	Billiton (South Africa)	Copper	In effect
Aguila	Rio Algom (Canada)	Copper	In effect
San Bartolo y Pasaca	Minorco (England)	Copper	Being processed
Tuina	Inversiones North (Australia)	Copper	Being processed
Sierra Mariposa	Outokumpu (Finland)	Copper	Being processed
Mamiña	Lowell minerals	Copper	Being processed
Exploration Abroad:			
State of Sonora	Peñoles (Mexico)	Copper	In effect

Development

An innovative approach to the geology of exploration and leading-edge technology have become the trademark of Codelco's joint ventures.



Also in 1999, Codelco reworked the business aspects of its San Antonio project. Initially, we had offered controlling interest to third parties through a public bidding process that closed without a successful bid. When this happened, we split it into separate copper and gold projects. This allowed us to capitalize on existing synergies with the Salvador division, and for the first time opened the way for participation from institutional investors as minority partners.

Thus, 1999 became the year in which Codelco developed the most joint ventures since Law 19,137, permitting this approach, was passed.

EXPLORATION IN CHILE

Faced with an increasingly competitive scenario, Codelco has taken a strategic position in the Domeyko mountain range of Regions II and III, where it is rising to the challenge of finding copper deposits hidden under plains where direct observation is impossible. As part of this effort, the company has developed an innovative approach to exploration geology, using remote detection technologies and drilling aggressively for samples.

This year, investment in terms of "targets" or prospects under study and drilled was double last year's. At the same time, we added a lot of third party properties and prospects around the Chuquicamata, Radomiro Tomic and Andina divisions. Of 62 targets explored in detail, 29 were drilled (4,294 meters), with five justifying continued exploration.

The total central investment was US\$12.5 million in 1999.



GABY PROJECT

Undoubtedly, the most significant effort in the area of exploration during this fiscal year was the consolidation of the **Gaby Sur** copper porphyry project, discovered by Codelco in 1996. This very attractive prospect is ready for a pre-feasibility study.

According to what has been discovered so far, the deposit potentially offers annual production of 100,000 mft over 14 years based on known oxides and excluding existing sulfide resources. Underground water reserves nearby offer guaranteed water supply in this desert area.

Finally, another outstanding achievement during this fiscal year was the application of internal regulations governing the environmental management of all exploration projects. Given this regulatory framework, the National Environmental Corporation approved the environmental impact statement for the development of the Gaby Sur project tunnel, another sign of Codelco's firm commitment to preserving the environment.

The Gaby Sur project, along with Opaque and San Antonio, add 9.3 million tons of copper to the company's mining base.



CODELCO IS WORKING TO CONSOLIDATE ITSELF AS A SINGLE, EFFICIENT, COMPETITIVE COMPANY, AND TO REMAIN A GLOBAL LEADER, CAPABLE OF RISING TO THE MANY CHALLENGES.

MANAGEMENT FOR LEADERSHIP

INTEGRATION AND LEADING-EDGE TECHNOLOGY



Management

Leading-edge technology has turned Codelco's many divisions into a single, large company, which is modern, efficient and integrated.

Codelco's administration has placed priority on consolidating its organization by applying the latest management trends from around the world. Implementing this ambitious strategy required several major initiatives, among them the SWING project, shared services, information technology centers, strong support for technological innovation and the introduction of an environmental management system in line with international standards.

The ultimate goal of these programs was to turn Codelco into a single large company, which is efficient and competitive thanks to effective use of economies of scale, homogenization of administrative information, and the reinforcement of a strong corporate culture.

SWING, A SINGLE PLATFORM

As part of the process of corporate integration, the development and full implementation of the SWING project (Integrated Management Software) was a major achievement. Step by step, this new platform applied the latest informational technology to every company function, business and area, integrating them all into a single on-line data base.

The system multiplies efficiency standards: with 1.2 million transactions every day and 1200 concurrent users, SWING allows different work units to monitor information for their own division, as well as access general company information. Along with modernization of practices, a valuable by-product of this process has been technological upgrading that included replacing 60% of old applications whose access was restricted to a small group of specialists.

Among the direct benefits generated by this new working system is more and faster control of losses, preventive action and availability of up-to-date inventories. Similarly, it provides a common basis for generating solutions, promoting a culture of greater participation and responsibility in administrative processes.

The first phase began in mid-1996 and the project concluded with the full implementation of the SAP R3 system throughout the company during the first half of 1998. In 1999, SWING was fully functional, surpassing the original goals and consolidating the functions and new practices developed under SAP.

1999 also saw the successful execution of the Y2K Project. Work covered all systems not included in the SWING project in terms of hardware, software, process control, and coordination with suppliers, customers, financial and governmental bodies, among others.

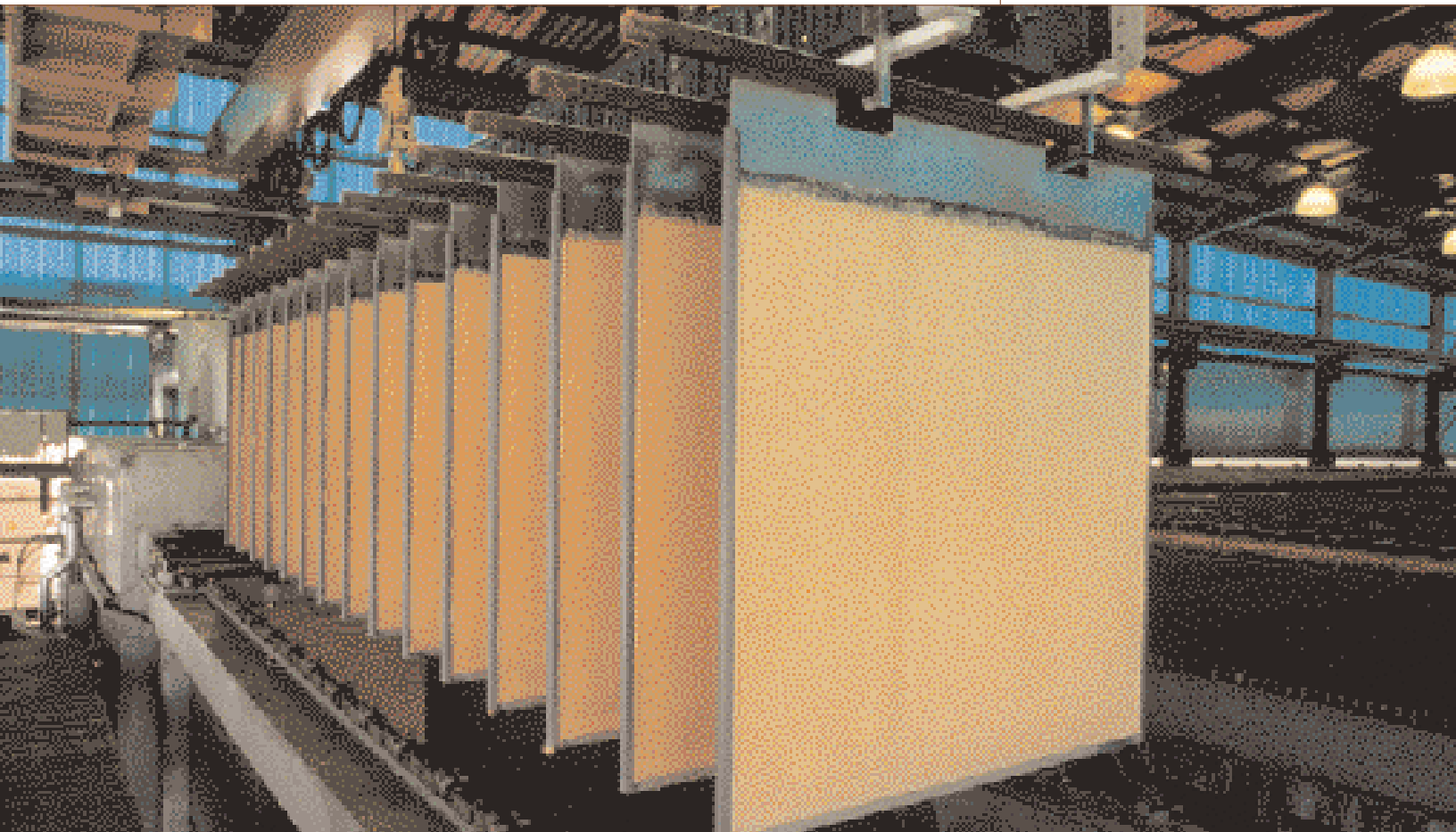
INTEGRATIVE STRATEGY

Similarly, in 1999, Codelco decided to complete the horizontal integration of its **Information Technology Centers**. A major achievement of the fiscal year was this reorganization, which allowed information sharing throughout the company. We also established corporate informational policies and advanced in the functional integration of different information centers.

As part of this integrative effort the company began to study the technical-economic feasibility of applying a modern Shared Services System. This initiative should incorporate a customer-supplier system based on set tariffs and agreed-upon service levels. Designed for use in administrative tasks, this system offers significant opportunities for renegotiating contracts and optimal purchasing management, among others.

Shared Services poses a new cultural challenge and its purpose is to fully exploit the synergies and economies of scale. Within the framework of the Strategic Alliance that the company has with its workers, the project will make a significant contribution to cost-cutting and increase Codelco's competitiveness by applying the latest administrative trends available in the marketplace.

The new Information Technology Centers and the Shared Services model strengthen synergies and make new management practices more uniform.



Management

Technological innovation is an imperative for the company, especially wherever ongoing improvements and very complex processes are concerned.



CORPORATE TECHNOLOGY

Given the size and range of its mineral resources, Codelco faces unique technological and scientific challenges. This has made technological innovation and research within the company a high priority in recent years as part of its business strategy.

At the division level, efforts have focused primarily on ongoing improvements to operations and adapting available technologies. Similarly, in the case of very complex processes, we've set up study groups composed of company and external personnel to make the most of existing skills and facilities in Chile and abroad.

In 1998, Codelco created the **Institute for Mining and Metallurgical Innovation (IM2)** to encourage an integrated approach to the growing technological challenges it faced. 1999 marked the consolidation of this subsidiary, in terms of both its operating structure and administration, and its relationship with the Head Office and divisions.

IM2 has two locations. The Santiago office is staffed by specialists in phenomenological modeling of mining and metallurgical processes, automation, monitoring, information technologies and equipment design. The Rancagua office concentrates on geomechanics, mine planning, underground mining methods, and also employs specialists in pyrometallurgy. A Calama office is scheduled to open in 2000.

In 1999, IM2 was involved in 25% of the company's technological innovation projects. Its more outstanding achievements for the year included application for three invention patents for mining equipment and instrument designs, now at the industrial scale implementation stage.

TECHNOLOGICAL INNOVATION

Codelco's technological innovations and research focused on programs able to produce significant breakthroughs within a context of horizontal integration of divisions. A brief description of the three main programs currently underway follows.



The **Teniente Converter (TC)** program focuses on optimizing technology in the smelting of copper concentrates. It consists of 19 projects being carried out at the Caletones, Chuquicamata and Potrerillos smelters. For an investment of US\$8.5 million, the program aims to increase the capture of sulfur and arsenic, boost productivity significantly and reduce smelters' cash costs.

To date, thirteen projects have completed the research phase. Of these, two are undergoing industrial testing and five are fully operative.

Codelco's **Underground Mining Program**, on the other hand, seeks to make its underground deposits, marked by unique features found nowhere else in the world, more competitive. Begun in 1998, it will carry out 47 projects in four years, for an overall investment of US\$15.3 million. Its main goals are to optimize current technologies already in operation and develop new technologies for distance extraction.

1999 also saw the completion of the *"Mechanics of cave-ins and collapse generation"* studies, which are now in operating use at El Teniente. Meanwhile, the *"Real time control systems"* study is being applied at the El Teniente, Andina and Salvador divisions. With regard to *"Operation systems using microditches for primary rock"*, El Teniente began industrial-scale evaluation. At the same time, the Salvador division, having successfully completed industrial testing, plans to replace hammer stations with three jaw-crushers.

Finally, the **Ore Processing Program**, consisting of 22 projects, should improve ore concentration, primarily by improving recovery of copper and molybdenum and automating many operations. The Chuquicamata, Salvador, Andina and El Teniente divisions participate in this program and its deadline for completion is two years.

Among the main advances in 1999 in this area, the most outstanding are the rationalization of the molybdenum plant circuits at Chuquicamata and the implementation of the SuperSAG control system at the Andina division.

Programs like the Teniente Converter, Underground Mining and Ore Processing are among the high-tech research initiatives being carried out by the company, showing significant advances during this fiscal year.



A benefit of technological management has been to strengthen alliances with distinguished specialized bodies from mining and academic backgrounds to work together on areas of common interest.

TECHNOLOGICAL ALLIANCES

In recent years, Codelco has been involved in an energetic plan of alliances with companies, research centers and universities to take on activities of common interest, sharing costs, risks and benefits.

In this area, the cooperation agreement signed with Billiton to study and develop bio-heapleaching technology for copper concentrates, stands out. 1999 saw experimental programs for bio-heapleaching using standard and complex concentrates at the Chuquicamata division at both the pilot plant and continual levels.

Similarly, Billiton is studying the application of bio-heapleaching to Andina division chalcopryrite concentrates at its laboratories in South Africa. Metallurgical testing has proven promising. Given these results, Codelco and Billiton have established the commercial terms for developing, marketing and patenting improvements to the concentrate bio-heapleaching process.

A second area of work in this field is the close cooperation between Codelco, the University of Chile and other mining companies. A 1996 agreement formalized this relationship, the main purpose of which is to strengthen Chile's academic resources in both teaching and research, in disciplines related to copper and by-product mining and metallurgy.

The most significant result in 1999 was the creation of a *diploma in innovation* for the *mining industry*, with a mention in geomechanics and geotechniques, a technical upgrading program currently well underway.

ENVIRONMENTAL MANAGEMENT

Committed to modernization, Codelco's management has assumed a decisive and responsible attitude to environmental issues that is reflected in a solid investment plan and the inclusion of an internationally accredited environmental management system. These are two examples of how the Company is meeting these commitments to its owner, the Chilean State, its workers and the community at large.

Among the advances achieved in 1999, several tasks forming part of the implementation of the **Environmental Management System**, which follows ISO 14,001 guidelines, stand out, as do efforts made in every division and Head Office to obtain environmental certification by early 2003.

During this fiscal year, we held two courses for training environmental auditors, bringing the total of trained and duly certified professionals to 150. Working under the supervision of an international expert, this staff went ahead with an audit of the Environmental Management System at all divisions and in individual exploration projects. Action plans for operations have been developed and work for 2000 will focus on insufficiencies detected during these audits.

WASTE CONTROL

In the area of management and control of solid industrial waste (SIW), Codelco developed plans at every division to ensure its proper treatment and final disposal, all of which are now being implemented.

Concretely, in 1999 the Chuquicamata division took on the completion of an integrated plan for mining, industrial and hazardous wastes over a three-year period. Meanwhile, the Radomiro Tomic and Salvador divisions are completing their management plans.

El Teniente separated its environmental improvements into two stages: the first, implemented during the first half of 1998, involved formulating the plan, as well as identifying and quantifying the solid industrial wastes generated by this center. During the second half, work began to design a system for identifying and monitoring SIW, along with basic engineering of infrastructure for its management. 1999 saw the completion of these studies and implementation began, with this phase including an invitation to bid on building and eventually administering the site. The Environmental Impact Study for this entire initiative has already been approved.

Codelco's modernization has placed special emphasis on environmental responsibility, reflected in a committed investment plan and the application of an internationally accredited management system.



Management



The Company's ongoing concern has been to increase the efficiency of two crucial resources: water and energy.

Andina, for its part, has outsourced the management, transportation and final disposal of solid wastes since 1998, while the Talleres division is developing a dump for non-hazardous solid industrial wastes, which has also been approved according to all the current environmental requirements.

WATER AND ENERGY EFFICIENCY

Another ongoing priority has been the need to increase company efficiency in the use of two crucial resources: water and energy. During 1999, Codelco reduced water and energy consumption by 5% at every one of its operating divisions. This reflected the success of several initiatives to optimize use by area, as well as encourage recirculation of water, especially in concentrators and hydrometallurgical plants.

Encouraging rational water use represents another measure aimed at creating awareness and ensuring savings. This strategy has been applied in all areas of industrial consumption within divisions, as well as in the consumption of drinking water by communities near Chuquicamata and the camp itself.

In 1999 work also began on a project called *"Investment mechanisms for saving energy. Introducing energy-efficient electrical motors into copper mining"*. Application of this model is already underway in all five divisions and is scheduled for completion in 2000.

COMMUNITY RELATIONS

In recent years and particularly in 1999, the company has been particularly active in the area of outreach programs, working to improve integration with the surrounding communities. This strategy continues to encourage workers, supervisors and executives to participate more at the local level in programs and lifestyles open to the community and not restricted to the company.

The actions inspired by this *Good Neighbor* philosophy were many and varied. In the Antofagasta Region, Chuquicamata and Radomiro Tomic have developed a program to support farming communities of the interior, while Codelco participates actively in an urban development program for the city of Calama.

In the case of the Salvador division, closure of the Potrerillos camp was carried out according to a plan that provided suitable solutions for the non-working population of the company, which consisted essentially of relocation to other communities within the region. Similarly, experts are today working on a study to conserve Potrerillos' historical heritage.

With the final closure of Sewell, the Teniente division developed a similar project to maintain and conserve the old camp as part of our cultural heritage. Chile's National Monument Council has already officially recognized this site as a National Monument, while the Chamber of Deputies voted to nominate Sewell to become one of UNESCO's Human Heritage Sites.

Codelco also continued to participate intensely in the "Pro Loa" (Region II) and "Pro O'Higgins" (Region VI) development corporations, which it helped to create the year before. These are the vehicles by which Codelco works with other key private companies and public institutions to promote local development at the level where productive activity is taking place.

Codelco received the 1999 Award for Conservation of National Monuments, in recognition of its work at the Sewell and Potrerillos camps.



PEOPLE HAVE BEEN A KEY FACTOR IN BRINGING ABOUT
REAL CHANGE WITHIN THE COMPANY.

A SUCCESSFUL ALLIANCE

WORKERS' ESSENTIAL CONTRIBUTION



Human Resources



Codelco's workers have become active agents in changing management and have thus contributed to the company's competitiveness.

SUCCESS OF THE STRATEGIC ALLIANCE

Over the past decade, Codelco's administration introduced real changes in its relationships with and management of its workers. Crucial to the success of this strategy was a new style of relationship, based on a joint effort enshrined in the "Strategic Alliance".

This Alliance consists of a long-term commitment to behave consistently with the philosophy, vision and values necessary to fulfill Codelco's mission, which is to maximize the earnings that the Company passes along to the Chilean treasury.

Based on this new platform for labor relations and mutual confidence, workers have become active agents in the company's modernization, finding room to express their own creativity and contribute significantly to innovation. This commonwealth of interests has helped the company maintain its competitive edge and the leadership achieved in recent years.

Among the initiatives involving participatory management, several stand out:

- 131 groups working on continual improvement of processes at the Teniente division.
- 30 groups working on continual improvement of processes and risk management at the Salvador division.
- Participatory management project included in the performance agreement at the Chuquicamata division.
- Supervisor-supervised participatory management project at the Andina division's Concentrator Mine.

THE IMPACT OF THE CRISIS

To face a year that began with the lowest prices in the last century, Codelco moved swiftly to apply its Contingency Plan. This allowed it to finalize key agreements between the administration, its executives, workers, supervisors and union organizations. Everyone assumed an extraordinarily responsible attitude to the critical market juncture and supported the Plan by reaching crucial agreements.

Among the more important were the agreements to de-index wages signed by Rol B workers at the Chuquicamata, Salvador and Andina divisions, which froze their base wage. Another key initiative in this sense was the reduction in executives' and supervisors' salaries throughout the company, all designed to help it face this situation.

COLLECTIVE BARGAINING

Among the most significant achievements of this fiscal year was the successful completion of four rounds of collective bargaining at three divisions. Chuquicamata, with five unions representing 96.7% of Rol B employees began negotiations early. Within the framework of cooperation established by the Strategic Alliance and given the critical situation facing the copper industry, workers approved the extension of the same contract for another 24 months.

At the Salvador division, five unions representing all Rol B workers also completed collective bargaining early, ratifying their contract for another 24 months too.

At the Talleres division, both unions, representing all operators, negotiated separately and reached agreements with the Administration.

All year, at every level, the Company's employees faced the difficult situation by signing crucial agreements and successfully completing four rounds of collective bargaining.



Human Resources

HUMAN RESOURCE DEVELOPMENT

In 1999, we catalogued advances and challenges in human resource management, as well as looking at the best practices used in our industry. The result was a Human Resources Modernization Plan, which will generate new models for the administration and management of people and their talents within the company.

Similarly, we completed the second phase of application of the Competence Management Model, which establishes the skills necessary for each business area in order to improve management and the supply of professionals available within the organization.

This system catalogued the skills of 668 professionals in areas associated with engineering, studies, projects and investment. At the same time, we designed plans for expanding the model to cover other areas and began planning its application in the areas of information technology, future operations of the Salvador division's Damiana project, a shared services project and the company's explorations area.

The Human Resources Modernization Plan aims to optimize advances and strengthen better management practices.

HEALTH AND QUALITY OF LIFE

The company's commitment to the health of workers and their families continued throughout this period. It also persisted in its efforts to improve the cost-benefit ratio of health agreements included in collective bargaining contracts, steadily shifting system management into the hands of specialists in that field.





To achieve these goals, the company focused its efforts on two areas of action: Insurance covering on-the-job accidents and occupational health problems (SATEP), the administration of which is delegated to a third party outside the company as per the Law; and the current care system, which deals with common illnesses and has been based primarily on our own and external services.

In 1999, we completed the technical design necessary to overcome problems with the delegated administration of the SATEP and submitted a series of alternatives to the critical evaluation of the divisions. Similarly, we formed a working commission including representatives from the Copperworkers Federation to evaluate the different options and thus resolve the questions thus detected.

In the case of the regular health care system for workers and their families, we continued to work on changes to the system, moving toward a more preventive family medicine approach with more ability to respond before illness occurs.

Chuquicamata completed the tender process to begin work on a new hospital for Calama. At the same time, Salvador began to operate using a family medicine model and El Teniente and Andina began pilot projects with the FUSAT and Rio Blanco insurance companies respectively.

In terms of heavy-duty work, in 1999 the National Ergonomic Commission and the company's union organizations continued to work on their evaluation of conditions on the job.

Finally, in late 1999, the Chief Executive's Office issued company guidelines on Alcohol and Drugs that, in the context of programs for improving the quality of life, have generated the creation of task forces at the divisional level to focus on detecting, preventing and treating both kinds of dependency.

Codelco is moving toward a new health care model, which will provide workers with protection at the same time as the system's management is in the hands of specialists.



MANAGEMENT INDICATORS

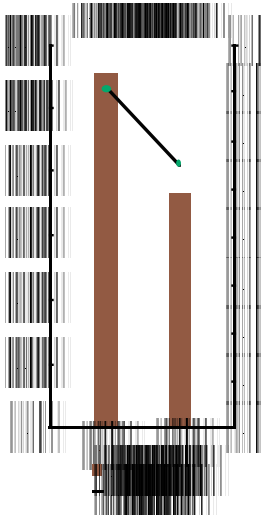
Accident rates

The Modernization Plan gave priority to people, as the company's most important resource. This has led to a strong concern for employee safety and the development of plans whose primary goal is to care for and protect workers, always within the context of the Strategic Alliance.

These priorities are reflected in improved accident rates and advances in terms of safety on the job: in 1999, frequency went down to 5.4, below the 1998 rate. Seriousness of accidents also dropped, to 784 down from 1,152 in 1998.

Absenteeism and overtime

Another achievement of this period in the area of human resource management was that workers successfully raised labor performance standards, leading to a drop (-1.5%) in absenteeism compared to the previous year. Similarly, overtime also dropped, significantly, (-27.2%) during this fiscal year.



	1998	1999
Absenteeism	4.74	4.67
Overtime	5.22	3.80

1999 saw the consolidation of Coya as an initiative encouraging professional development for Codelco's executives, professionals, technicians and workers. Its success has led to the conclusion that this has been one of Codelco's most profitable ventures ever.

The current Administration gave a high priority to this unique professional development effort, which takes place every year in the town of Coya, Region VI. There, hundreds of participating executives, professionals, technicians and workers build the foundations for the development of company business, applying a unique administrative model centering on the identification of activities that could add value to Codelco.

Since 1996, when Coya began, some 500 executives and professionals have participated. In 1998, a special program for operations level workers and technicians began, and some 290 have participated so far during its first two years of existence. Our goal is to cover 1000 operations level workers.

The program formula is simple: for one week every month, participants from all the divisions interact with a resource person, examining mining-related technical issues, economic, financial, and administrative concepts, and the characteristics of other kinds of business.

Teachers come primarily from the ranks of the company's own executives and professionals, including the Chief Executive Officer.

In 1999, 65 people participated in the two Business Administration for Professionals courses; 31 people studied under the Executive Development Program; and 130 people under the two Workers' Development Programs.

1999 saw the consolidation of Coya as a highly effective tool for organizational development and integration. Its contributions covered a broad range of areas, including new projects for operating excellence, significant management improvements that cut costs and optimized service and supply negotiations. The results of this experience have led to the conclusion that this is one of the company's most profitable investments.



EARNINGS ROSE 61% OVER THE PREVIOUS YEAR, WHILE CASH COSTS DROPPED 21.9 CENTS BETWEEN 1993 AND 1999.

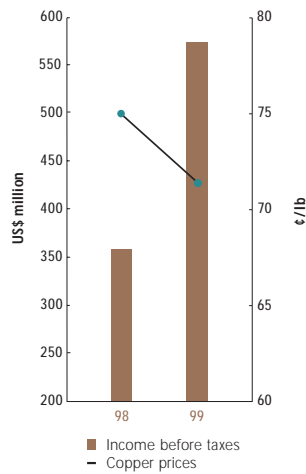
COMPANY RESULTS

SUPPORTING A CHANGING NATION



Company Results

Income before taxes and copper prices



HIGHER INCOME

Company income before taxes during 1999 reached US\$572 million, up 61% over the previous year's earnings of US\$355 million.

This was achieved in spite of the worst prices in the industry's history, with the price at the London Metal Exchange averaging 71.4¢/lb, 3.6 cents less than the 75¢/lb average for 1998. In practical terms, these reduced prices were two cents lower for Codelco's product portfolio, causing a US\$66 million drop in earnings. This was more than compensated for by a US\$283 million increase, which was primarily the result of lower production unit costs and higher volumes shipped, mainly due to the Andina Expansion coming onstream and Radomiro Tomic reaching full production levels.

Operating income reached US\$600 million, up US\$152 million over 1998, thanks to the company's lower production costs and higher volumes shipped, and in spite of low average prices for both copper and molybdenum during 1999.

Non-operating income showed a loss of -US\$27 million, down from -US\$92 million the previous year, due primarily to a reduction in retirement plans, fewer provisions for contingencies and for bad debt.

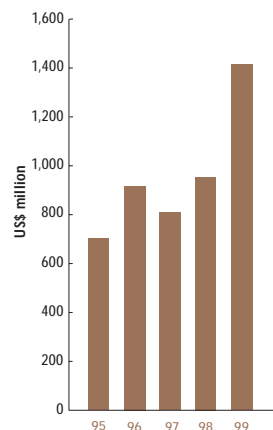
Profitability indicators for the period show an operating margin (operating income over total sales) of 21%, while profits over assets (income before taxes over net fixed assets) reached 14%. Both are higher than the previous year's indicators, which reached 15% and 9% respectively.

The cost cutting strategy applied in 1999 deserves special mention, as Codelco implemented an efficient contingency plan in every company unit, which led to higher earnings than the previous year.

If the price of copper had averaged 97¢/lb, molybdenum had held constant, and other components had been adjusted according to the US Wholesale Price Index (WPI), analysis reveals that 1999 would have been the year with the highest income before taxes for the previous five-year period, at US\$1.414 billion, over 48% higher than the next closest year.

Income before taxes 1995-1999

(Using constant copper and molybdenum prices)



TREASURY CONTRIBUTIONS

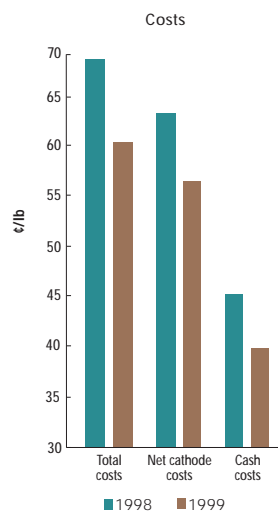
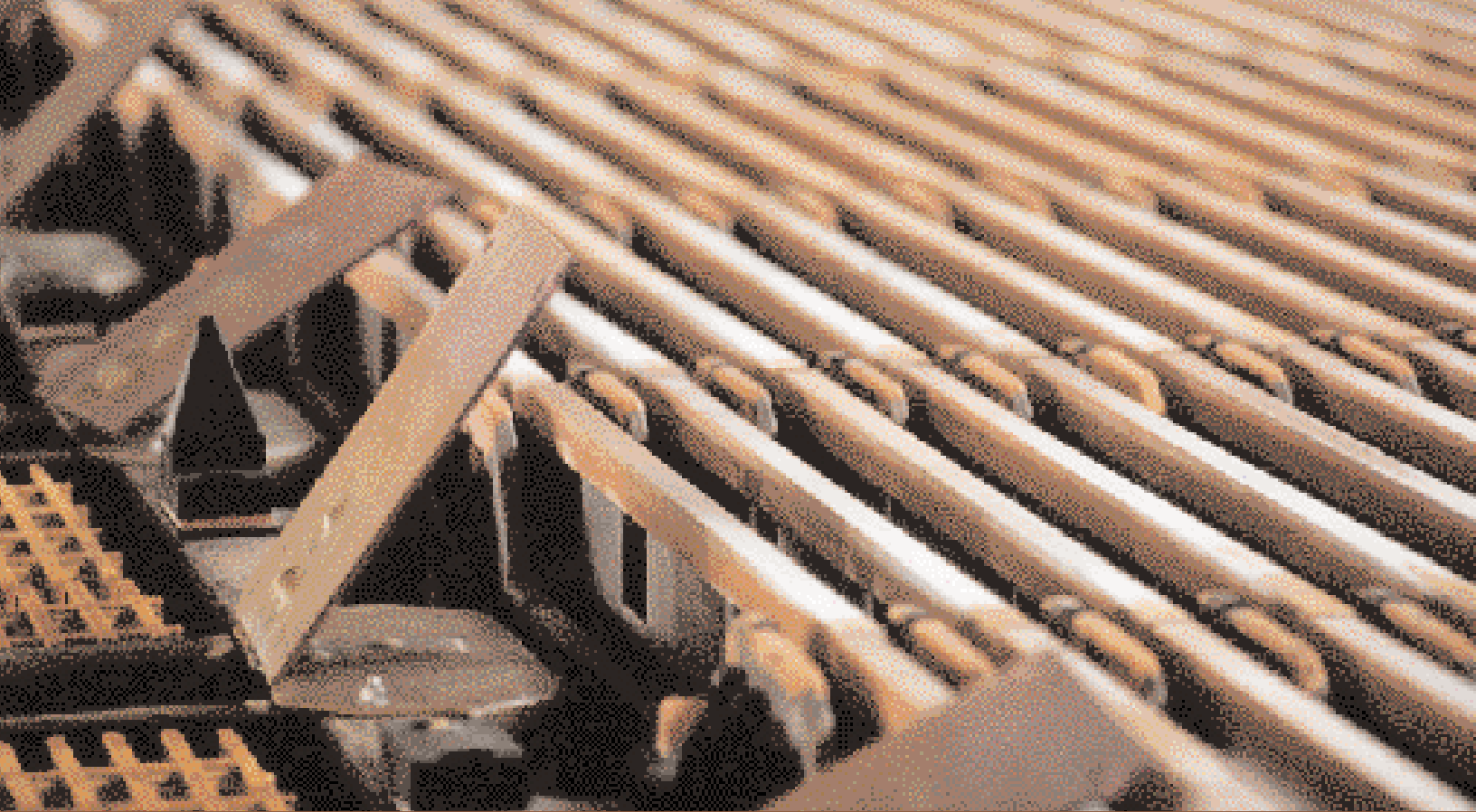
In 1999, treasury contributions reached US\$269 million, compared to US\$355 million the previous year, distributed as follows:

TREASURY CONTRIBUTION (US\$ MILLION)	1999	1998
Law 13,196	231	215
Profit distribution	31	43
Income tax and others	7	97
TOTAL	269	355

Toward the end of 1998, falling cash and futures prices for copper made additional provisions necessary, reducing earnings for the period. This, in turn, led to overpayments of income tax and dividends for that year. Recovery from this situation led to lower contributions in 1999.

In 1999, total costs and spending reached 60.3¢/lb, down 9.3 cents from the 69.6¢/lb registered in 1998.





COST REDUCTIONS

Continuing a general trend in recent years, Codelco significantly reduced costs even further during 1999, for a total reduction in costs and spending of about 13%. Thus, the company strengthened its position as a low-cost producer, which is essential to maintaining a competitive edge within the industry.

Implementation of the Contingency Plan mentioned above played a decisive role in this achievement, along with increased production of 115,000 metric fine tons, mainly from the Andina Expansion.

In 1999, total costs and spending reached 60.3€/lb, down 9.3 cents from the 69.6€/lb of the previous year. Net cathode costs were 56€/lb, down from 63.5€/lb the previous year.

Cash costs, which in 1998 were 45.1€/lb, dropped 12% to 39.8€/lb.

The drop in spending from one year to the next occurred practically across the board. Remuneration went down due to employee reductions and spending on materials, fuel, electrical power and contractors also decreased.

These cost reductions are particularly striking given that they include higher depreciation and interest charges, the latter being the result of more debt assumed to finance Codelco's investment plan.

THE STORY BEHIND CODELCO'S COST REDUCTIONS

In early 1994, the company set itself the goal of reducing cash costs by at least 10 cents per pound - in constant terms - before the end of the decade. By the end of 1999, the company had not only met this goal but doubled it, positioning itself in the industry's lowest cost quartile.

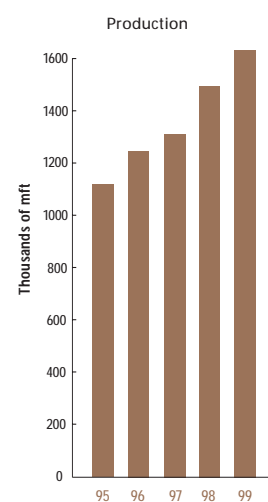
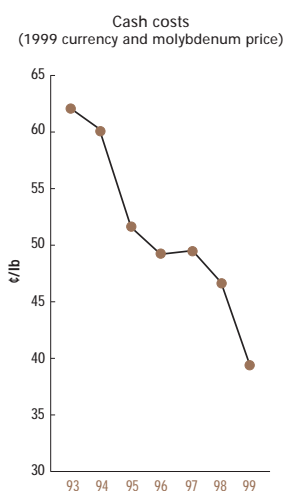
In nominal terms, the company successfully slashed cash costs by 18.9 cents/pound (32%), from 58.7¢/lb in 1993 to 39.8¢/lb in 1999. To express these figures in terms of similar purchasing power, we adjusted historic cash costs to 1999 levels, using the United States Wholesale Price Index. Also, to avoid distortions, we used the 1999 molybdenum price to calculate by-product credits.

This gave us 61.7¢/lb as the real cash cost in 1993, for a real reduction of 21.9¢/lb, that is over one-third. For every penny costs were reduced, the company saved US\$33 million.

INCREASING PRODUCTION

Codelco produced 1,615,340 metric fine tons of copper in 1999, 114,859 tons (over 7%) more than in 1998. This increase was primarily due to the Andina expansion starting up and the Radomiro Tomic division reaching full production levels. These figures include 49% of El Abra production, reflecting Codelco's share in that company.

Production (metric fine tons)	Copper		Molybdenum	
	1999	1998	1999	1998
Chuquicamata	630,067	650,154	14,194	14,861
Radomiro Tomic	190,104	161,896		
Salvador	91,702	88,143	2,059	1,740
Andina	249,328	163,998	3,294	1,622
El Teniente	346,283	338,574	4,240	3,385
El Abra (% Codelco)	107,856	97,716		
TOTAL	1,615,340	1,500,481	23,787	21,608

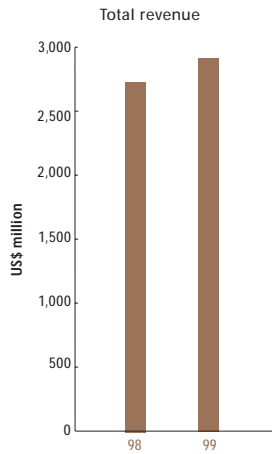


Company Results

In 1999, ore treated within the company amounted to 173 million dry metric tons, with an average grade of 1.05%. In 1998, 155 million dry metric tons were processed, with an average grade of 1.07%.

The company's production of molybdenum rose 10%, that is 2,179 tons.

Between 1995-1999, Codelco's copper production rose 450,000 mft (39%). Of this, 190,000 mft came from Radomiro Tomic, 107,000 mft from El Abra, 103,000 mft from Andina, 24,000 mft from El Teniente, 20,000 mft from Chuquicamata and 6,000 mft from Salvador.



SALES

In 1999, copper and by-products sales totaled US\$2.886 billion, up US\$156 million from the previous year. Shipments rose 9% over 1998, to 1,692,195 mft, including Codelco's own and third party production.



Sales volumes of Codelco's own copper reached 1,490,885 mft, up 152,198 tons over 1,338,687 mft in 1998. Income rose to US\$2.292 billion, up from US\$2.117 billion the previous year. The difference of US\$175 million was the result of shipments rising by US\$241 million, minus US\$66 million less income due to low copper prices.

Third party copper sales reached US\$324 million, the result of 201,319 mft shipped, down from US\$325 million in 1998, when 207,442 mft were shipped. By-product sales (molybdenum, metal doré, sulfuric acid, Talleres division products and others) reached US\$270 million. In the case of molybdenum, our main by-product, sales income reached US\$130 million, US\$8 million less than in 1998, due to an 18% drop in prices and a resulting US\$28 million less in income, that was partially compensated for by increased shipments (2,956 mft).

Analysis of our copper portfolio indicates that 90% of sales were refined (cathodes and fire refined) products, with remainder unrefined products.

CORPORATE PRODUCTIVITY

Codelco calculates productivity by dividing production (excluding El Abra) by either its own employees or total personnel, including operating contractors.

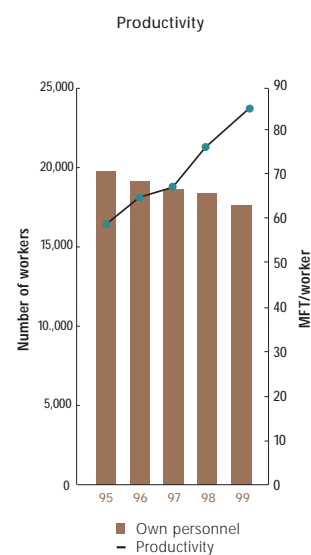
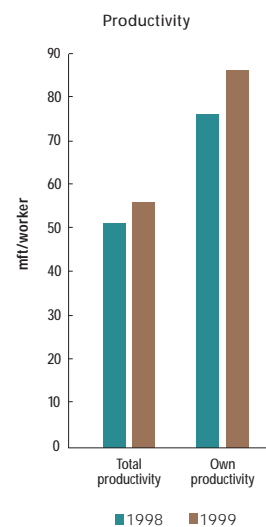
Thus, in 1999, Codelco's own productivity reached 86.1 mft/worker, up 13% over the 76.2 mft achieved in 1998, while total productivity for the period rose from 50.1 mft/worker in 1998 to 56.3 mft/worker in 1999, a 12% rise.

For 1995-1999, the company's own productivity rose 46%, from 58.8 mft/worker to 86.1 mft/worker, while total productivity rose 42%.

Codelco's own personnel averaged 17,501 people in 1999, down from 18,418 in 1998. All divisions reduced the number of employees, except Radomiro Tomic and Andina, which started up new operations during the fiscal year.

FINANCIAL HIGHLIGHTS

In 1999, Codelco issued its first bonds ever, in New York. Total value of the issue was US\$300 million at 217 basis points over US Treasury Bonds, maturing in ten years.



Company Results



If calculated using constant prices, 1999 earnings were the highest for the entire decade.

The significance of this issue lies in the fact that it opens up new sources of long-term financing for Codelco, which will allow it to face the future in excellent shape. What is more, the company got the loan in the best financial conditions of any Latin American firm.

As part of the bond issue, the company's risk rating was ratified as A- by Standard & Poor's and Baa1 by Moody's, thus maintaining the excellent ratings of 1997 and 1998.

At the end of 1999, income before interest expense, taxes, depreciation and amortization (EBITDA) reached US\$1.081 billion, well up from US\$801 million in 1998. Financial debt over equity reached 51%, down from 58% in 1998.

FACTORS CONTRIBUTING TO THIS SUCCESS

Several factors contributed to the company's successful campaign to cut costs and boost productivity in recent years, particularly in the areas of our: Strategic Alliance, new management style and technology and investment.

Strategic Alliance. Begun in 1994, the Strategic Alliance has consolidated the worker-company relationship, ensuring a good balance between competitiveness and job security, multi-tasking and productivity-related compensation, leadership and responsible participation.

The Alliance has led to retirement plans that, in an atmosphere of consideration and respect for workers and their union organizations, have allowed us to downsize by about 7,000 people between 1993 and 1999.

Some of these achievements have been enhanced even further by a strong training strategy that has allowed all groups of workers not only to improve the way they work but also to work more safely. Training in business administration deserves special mention, as it has provided participants with a unique approach to company management, as well as encouraging them to apply new projects to improve operations in the areas where they work and thus improve performance.

New management style. A new business-style management has played a decisive role in these achievements. The transformation is reflected in the organization and operation of productive and service units and Business Units, with clearly measurable individual results; in the use of market-based transfer prices for transactions within the company; in the application of economic criteria to mining planning processes; and in the effort to get the most out of corporate synergies that has led to operating improvements at the divisions using the Corporation's most suitable resources. This set of initiatives has aimed to rationalize resource use and give priority to financial results over purely operational aspects.

This new management style has involved advances in both the supplies and the contracts areas, among them, expansion of supply markets, the development of corporate supplies agreements and a significant drop in inventories.

Modernization of information systems has been another key element in cutting costs, with the SWING project a prime example. This new state-of-the-art technological platform has not only turned Codelco into a single company, but has also introduced re-engineering of business areas and inclusion of best management practices across the board.

The Contingency Plan carried out during 1999, mentioned above, deserves special attention. The Plan took into account the price crisis affecting copper during this period and allowed us to face it with additional cost cutting.

Technology and investment. Codelco's quest for operating excellence has brought with it the development of projects and the use of leading-edge technology to optimize productive processes and activities, allowing the company to improve mining plans and bring onstream very low-cost projects. In this sense we should also mention the advances in increased recovery of copper at concentrator plants and smelters.

In terms of technology, the Corporation's investment plan has been fundamental to positioning Codelco among the industry's lowest-cost producers. An extensive portfolio, including significant works to protect the environment and ensure safety on the job, has provided these results. Between 1993 and 1999, technologically complex mining projects included in this plan have raised company output (excluding El Abra) by about 370,000 mft of copper.

All these efforts have joined others designed to get the most out of corporate resources and economies of scale, and thus contribute to today's increased production of higher value-added products and by-products.

As 1999 drew to a close, Codelco had reduced costs by more than double the amount committed to in 1994.



FINANCIAL STATEMENTS



Codelco 1999

CONSOLIDATED BALANCE SHEETS • CONSOLIDATED STATEMENTS OF INCOME
CONSOLIDATED STATEMENTS OF CASH FLOWS • NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS • REPORT OF INDEPENDENT AUDITORS • ANALYSIS OF THE
CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF INCOME BY DIVISIONS • STATEMENT OF
ALLOCATION OF INCOME AND EXPENSES OF THE HEAD OFFICE
AND SUBSIDIARIES • REPORT OF INDEPENDENT AUDITORS

US\$ - United States dollars
Th.US\$ - Thousands of United States dollars
Ch.\$ - Chilean pesos
Th.Ch.\$ - Thousands of Chilean pesos
UF - The Unidad de Fomento (U.F.) is a monetary unit that is adjusted on a daily basis in conformity with the variations in the Consumer Price Index (C.P.I.) of the previous month.

Consolidated Balance Sheets

December 31, 1999 and 1998

ASSETS	1999 Th. US\$	1998 Th. US\$
Current assets:		
Cash	14,879	17,475
Time deposits and marketable securities	166,219	219,164
Trade accounts receivable	207,791	191,402
Other accounts receivable	182,352	222,431
Inventories	552,647	482,673
Prepaid expenses	6,910	16,504
Other current assets	1,849	3,605
TOTAL CURRENT ASSETS	1,132,647	1,153,254
Property, plant and equipment:		
Land, infrastructure and equipment, net	3,115,728	3,147,574
Construction-in-progress	730,003	724,760
Mine development, net	269,722	268,129
TOTAL PROPERTY, PLANT AND EQUIPMENT	4,115,453	4,140,463
Other assets:		
Other assets	251,678	221,619
Investments in other companies	190,099	163,286
Long-term accounts receivable	126,639	144,722
TOTAL OTHER ASSETS	568,416	529,627
TOTAL ASSETS	5,816,516	5,823,344

The accompanying notes 1-18 form an integral part of these consolidated financial statements.

Consolidated Balance Sheets

December 31, 1999 and 1998

LIABILITIES AND EQUITY	1999 Th US\$	1998 Th US\$
Current liabilities:		
Bank debt	292,771	566,456
Accounts payable	198,307	204,794
Accrued liabilities and withholdings	255,681	280,848
Other current liabilities	5,569	7,649
Income taxes	19,311	0
TOTAL CURRENT LIABILITIES	771,639	1,059,747
Long-term liabilities:		
Bank debt	832,677	1,001,029
Notes payables	300,000	0
Provisions	588,282	607,745
Deferred taxes	530,340	449,315
Other long-term liabilities	12,019	9,292
TOTAL LONG-TERM LIABILITIES	2,263,318	2,067,381
Equity:		
Paid-in capital	1,524,423	1,524,423
Other reserves	1,193,095	1,200,268
Net income for the year	143,321	56,679
Less: Distribution advances from profits to the Chilean Treasury Department	(79,280)	(85,154)
TOTAL EQUITY	2,781,559	2,696,216
TOTAL LIABILITIES AND EQUITY	5,816,516	5,823,344

The accompanying notes 1-18 form an integral part of these consolidated financial statements.

Consolidated Statements of Income

For the years ended December 31

	1999 Th US\$	1998 Th US\$
Operating Income:		
Sales of copper	2,291,909	2,117,185
Sales of copper acquired from third parties	323,973	324,534
Sales of by-products	270,274	288,516
	2,886,156	2,730,235
Cost of sales	(1,862,028)	(1,862,357)
Cost of copper acquired from third parties	(315,773)	(320,959)
GROSS PROFIT	708,355	546,919
Selling and administrative expenses	(73,528)	(75,180)
Other operating expenses	(51,811)	(34,416)
Foreign exchange adjustments	16,796	10,444
OPERATING INCOME	599,812	447,767
Non-Operating Income:		
Interest income	16,858	17,234
Other income	102,551	92,948
Interest expense	(101,868)	(91,196)
Other expenses	(44,871)	(111,483)
NON-OPERATING LOSS	(27,330)	(92,497)
Income before taxes	572,482	355,270
Tax Law No. 13196	(238,057)	(218,014)
Income taxes	(191,104)	(80,577)
NET INCOME FOR THE YEAR	143,321	56,679

The accompanying notes 1-18 form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31

	1999 Th US\$	1998 Th US\$
Cash Flows from Operating Activities:		
Receipts from customers	2,867,287	2,816,897
Other receipts	55,817	49,681
Payments to supplier, salaries and other costs	(2,100,588)	(2,122,158)
V.A.T. paid	(263,437)	(363,411)
V.A.T. recovered	244,388	318,897
Interest received	8,888	5,787
Interest paid	(92,864)	(79,296)
Income taxes paid	(2,288)	(58,278)
Hedging operations	6,155	(28,411)
Tax Law No. 13196	(230,525)	(214,525)
Dividends received	18,101	14,465
NET CASH FLOWS FROM OPERATING ACTIVITIES	510,934	339,648
Cash Flows from Investing Activities:		
Proceeds from sale of fixed assets	796	3,178
Investments in related companies	(15,508)	(8,075)
Additions to property, plant and equipment and mine development	(434,204)	(664,832)
Collection of accounts receivable	29,940	30,801
Long-term loans	(65,332)	(57,704)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(484,308)	(696,632)
Cash Flows from Financing Activities:		
Bank financing	646,838	1,224,385
Repayment of debt	(698,000)	(679,274)
Distribution advances from profits to the Chilean Treasury Department	(31,005)	(42,943)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(82,167)	502,168
Change in cash and cash equivalents	(55,541)	145,184
Opening balance of cash and cash equivalents	236,639	91,455
ENDING BALANCE OF CASH AND CASH EQUIVALENTS	181,098	236,639

The accompanying notes 1-18 form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Reconciliation of Net Income to Cash Flows from Operating Activities

For the years ended December 31

	1999 Th US\$	1998 Th US\$
NET INCOME FOR THE YEAR	143,321	56,679
CHARGES (CREDITS) TO INCOME NOT REPRESENTING MOVEMENTS OF CASH:	468,395	467,278
Depreciation and amortization	406,909	354,957
Write-off of fixed assets, net	6,485	12,711
Realized gain on investments in other companies	(46,230)	(44,491)
Equity income of subsidiaries	(6,427)	(4,605)
Increase in long-term provisions, including the impact of exchange rate variation	31,962	53,175
Deferred income taxes, net	81,025	113,146
Accrual for financial transactions	11,467	(7,171)
Impact of exchange rate variation in other accounts	(16,796)	(10,444)
DECREASE (INCREASE) IN CURRENT ASSETS	(34,934)	(94,284)
Trade accounts receivable	(16,389)	29,406
Other accounts receivable	40,079	(79,628)
Inventories	(69,974)	(65,751)
Prepaid expenses	9,594	7,426
Other current assets	1,756	14,263
INCREASE (DECREASE) IN CURRENT LIABILITIES	(65,848)	(90,025)
Accounts payable to suppliers	(6,487)	(48,130)
Accrued liabilities and withholdings	(76,592)	(20,573)
Other current liabilities	(2,080)	(5,418)
Income taxes payable	19,311	(15,904)
NET CASH FLOWS FROM OPERATING ACTIVITIES	510,934	339,648

The accompanying notes 1-18 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

1. DESCRIPTION OF THE COMPANY

1.1 Corporación Nacional del Cobre de Chile, Codelco-Chile, was formed as stipulated by Decree Law No. 1350 of 1976 as a government owned entity engaging in mining, industrial and other activities which are developed through its Chuquicamata, Radomiro Tomic, El Salvador, Andina, El Teniente and Talleres operating divisions. The Company is also authorized by the Law to perform similar activities either directly or in association with third parties.

1.2 Codelco-Chile manages its financial activities in accordance with a budgeting system, which consists of an Operating Budget, an Investment Budget and a Loan Amortization Budget.

1.3 The tax regime of Codelco-Chile is defined by Decree Law No. 1350.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are summarized as follows:

2.1 BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Chile and include consolidation of the Company's local and foreign subsidiaries. All significant intercompany balances and transactions and unrealized profits have been eliminated in the consolidated financial statements.

The consolidated subsidiaries are as follows:

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

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

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

Codelco Metals Inc. conducts metal sales and purchase operations with Codelco-Chile and other companies, and covers the North American market.

Codelco France (France)

Codelco France manages Codelco-Chile's requirements for the transformation of refined copper into copper wire at an industrial plant located in Lens, France, owned by Société Lensoise du Cuivre, in which Codelco France holds a 26% interest.

Chile Copper Limited (United Kingdom)

Chile Copper Limited is a sales agent for Codelco-Chile 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, conducts metal sales and purchase operations with Codelco-Chile and other companies, covering principally the European market.

Codelco Kupferhandel GmbH (Germany)

Codelco Kupferhandel GmbH manages Codelco-Chile's requirements for the transformation of refined copper into copper wire at an industrial plant in Emmerich, Germany, owned by Deutsche Giessdraht GmbH, which is 40% owned by Codelco Kupferhandel GmbH.

Codelco Kupferhandel Metall Agentur, a subsidiary of Codelco Kupferhandel GmbH, is a sales agent for Codelco-Chile and manages sales contracts and settlements and coordinates product delivery principally for markets in Germany, Austria, Holland and Denmark.

Asociación Garantizadora de Pensiones

Asociación Garantizadora de Pensiones is a private, legally incorporated, non-profit entity which, acting on behalf of the companies affiliated with it, guarantees the payment of the welfare contributions and social security pensions stipulated by the Accidents at Work Law No. 4055.

Complejo Portuario Mejillones S.A.

Complejo Portuario Mejillones S.A. manages studies and development activities in connection with a port project in Mejillones, in Region II of Chile.

Sociedad Contractual Minera Picacho

Sociedad Contractual Minera Picacho carries out studies, evaluations and exploration of mining concessions.

Ejecutora Proyecto Hospital del Cobre - Calama S.A.

Ejecutora Proyecto Hospital del Cobre - Calama S.A. manages a hospital construction project in Calama, Region II of Chile.

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

CMS Chile S.A. and CMS Tecnología S.A. manufacture, sells and distributes machinery, equipment and spare-parts and provides maintenance and repair services.

Elaboradora de Cobre Chilena Limitada

Elaboradora de Cobre Chilena Limitada manages studies and develops projects and investments in the production and sale of manufacturing of non-ferrous metals either directly or in association with third parties.

Instituto de Innovación en Minería y Metalurgia S.A.

Instituto de Innovación en Minería y Metalurgia S.A. performs activities in connection with to research, development and technological innovation in the areas of mining and metallurgy.

2.2 ACCOUNTING CURRENCY

In accordance with Decree Law No. 1350, the accounting records of the Company are maintained in US dollars. The Company is not required nor permitted to adjust the historical dollar amounts for the effects of inflation.

Assets and liabilities denominated in Chilean pesos (consisting mainly of cash, accounts receivable, obligations and provisions), have been translated into US dollars at the year-end exchange rate of Ch.\$ 527.70 per US\$ 1 (1998: Ch.\$ 472.41). Translation gains and losses resulting from changes in the exchange rate between the Ch.\$ and the US\$ have been included in the determination of net income.

Revenues and expenses in Chilean pesos have been translated into US dollars at the daily average exchange rates. The average exchange rate during 1999 for the Company's operations was Ch.\$ 508.81 per US\$ 1 (1998: 460.32).

2.3 TIME DEPOSITS AND MARKETABLE SECURITIES

Time deposits and other short-term investments are carried at cost plus accrued interest at year-end, which is not significantly different from the market value of the respective instruments.

2.4 INVENTORIES

Inventories are valued at cost, which does not exceed net realizable value and have been determined as follows:

Finished goods and work-in-process

At average production cost including fixed asset depreciation and indirect costs.

Materials and supplies

At average acquisition cost.

Materials-in-transit

At costs incurred through to year-end.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded in U.S. dollars at acquisition cost plus revaluation adjustments recorded as a result of technical appraisals performed during 1982 through 1984 by the American Appraisal Co., net of depreciation.

Construction-in-progress includes the amounts invested in fixed assets under construction and mine development projects.

2.6 DEPRECIATION

Depreciation expense is calculated on historical cost plus the technical appraisal indicated above in Note 2.5, using the straight-line method based on the estimated useful life of the respective assets.

2.7 EXPLORATION AND MINE DEVELOPMENT COSTS

Exploration and drilling costs

Expenditures incurred for the identification of mineral deposits and the determination of their possible commercial output are expensed as incurred.

Pre-operating and mine development expenses

Expenditures incurred during the development of projects up to the production phase are capitalizable costs, which are amortized based on future production. These costs include the extraction of the waste material and the construction of the infrastructure of the mine along with other costs incurred prior to the production phase.

Development expenses of existing mines

Normal production maintenance costs are expensed as incurred.

Expenditures for delineation of new areas of deposits in exploitation and of mining operations

These costs are deferred in Other assets and are charged to income during the period in which the benefits are obtained using the straight-line method up to a maximum of 5 years.

2.8 CLOSING COSTS

The Company has implemented a policy of accruing for the future costs of closing existing operating assets, mainly related to tailing dams, which, once their useful lives have expired, require further expenditure. This policy provides for the distribution of closing costs over the useful lives of the mines (Note 9).

2.9 INVESTMENTS IN OTHER COMPANIES

Investments in other companies are accounted for using the equity method. Exchange differences due to translation are recorded in equity accounts beginning on January 1, 1999.

Unrealized gains arising from the transfer of assets and the sale of rights to equity-owned investees are initially credited to the investment. The unrealized gains are credited to income when the properties or rights are sold to a third party.

2.10 EMPLOYEE SEVERANCE INDEMNITIES

The Company has an agreement with its employees to pay severance indemnity for years of service in all cases, except when an employee contract is terminated for cause in accordance with local laws. The Company's policy is to provide for the total accrued liability at the undiscounted current cost.

The additional costs for special workforce reduction plans are also recorded on an accrual basis.

2.11 INCOME TAXES AND DEFERRED INCOME TAXES

The Company provides for income taxes in accordance with current regulations, including the first category tax of 15% and the 40% tax specified by Decree Law No. 2398, Art. 2.

In addition, Law No. 13196 requires the payment of a 10% tax on the export value of copper and related by-products.

The Company recognizes the effects of deferred taxes arising from timing differences which have different tax and accounting treatments, calculated at the income tax rate in the year in which the differences originated.

2.12 SALES REVENUES

Sales revenues are recorded at the date of the shipment of products, in conformity with current agreements and are subject to variations in content and / or the price of the sale at the date of settlement. Estimated decreases in values from that recorded at the shipment date for sales revenues are accrued in accordance with the information available at the date of the preparation of the financial statements.

2.13 COST OF SALES

Cost of sales includes the direct, indirect and depreciation costs related to the production process.

2.14 FUTURES CONTRACTS

The Company has defined policies to cover or minimize the risks associated with fluctuations in the price of metals, in foreign exchange rates and in interest rates, through hedging operations in futures markets. The foreign exchange hedging program includes contracts which mitigate the risk of fluctuations between the U.F. and the US\$ exchange rate, and the interest rate hedging program includes contracts for fixing interest rates for future liabilities.

The Company does not conduct speculative activities in the futures markets.

The results of the metal hedging contracts in futures markets are recorded at their settlement as part of product revenues. On the same basis, the results of foreign exchange contracts are recorded at their settlement. The settlements of these hedging transactions coincide with the accounting for the underlying hedged transactions. The results of the hedging contracts for fixing interest rates for future liabilities are recorded during the term of those liabilities, on a monthly basis.

The results of foreign exchange rate hedging activities and interest rate hedging activities are recorded on an accrual basis and coincide with the accounting for the underlying hedged transactions.

3. CHANGES IN ACCOUNTING PRINCIPLES

Beginning on January 1, 1999, the Company records exchange differences arising from translation of investments in other companies in equity accounts in conformity with Technical Bulletin No. 64 of the Chilean Association of Accountants. This change in accounting policy implied the recognition of a credit amounting to Th.US\$ 26,973 to 1999 income (Note 11).

Notes to the Consolidated Financial Statements

4. INVENTORIES

Inventories at December 31, 1999 and 1998 are comprised as follows:

	1999 Th US\$	1998 Th US\$
Finished goods	189,420	149,642
Products-in-process	191,634	165,131
Materials and supplies	171,593	167,690
Materials-in-transit	0	210
TOTAL INVENTORIES	552,647	482,673

The value of inventories is presented net of a reserve for obsolescence of materials in warehouses of Th.US\$ 25,950 (1998: Th.US\$ 34,423).

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 1999 and 1998 are as follows:

	1999 Th US\$	1998 Th US\$
Land	25,708	25,636
Land improvements	1,651,839	1,628,469
Buildings	1,848,512	1,779,572
Machinery and equipment	4,282,893	4,173,842
Transportation equipment	403,574	397,574
Furniture and fixtures	41,174	39,866
Housing	196,070	197,551
	8,449,770	8,242,510
Less: Accumulated depreciation	(5,005,721)	(4,783,484)
Current-year depreciation	(328,321)	(311,452)
	3,115,728	3,147,574
Construction-in-progress	730,003	724,760
Mine development costs	485,757	460,688
Accumulated amortization	(216,035)	(192,559)
TOTAL PROPERTY, PLANT AND EQUIPMENT	4,115,453	4,140,463

6. INVESTMENTS IN OTHER COMPANIES

At December 31, 1999 and 1998, investments in other companies stated on an equity basis, net of unrealized gains, consisted of:

	1999 Th US\$	1998 Th US\$
Equity Basis Value of:		
Sociedad Contractual Minera El Abra	339,906	337,935
Electroandina S.A. and Inversiones Tocopilla Ltda.	266,515	285,621
Agua de la Falda S.A.	13,078	7,579
Other companies, net	15,983	16,528
	635,482	647,663
Less:		
Unrealized gains in the investments in:		
Sociedad Contractual Minera El Abra	(270,966)	(290,454)
Electroandina S.A. and Inversiones Tocopilla Ltda.	(152,258)	(176,949)
Agua de la Falda S.A.	(9,303)	(4,102)
Other unrealized gains	(12,856)	(12,872)
	(445,383)	(484,377)
TOTAL INVESTMENTS	190,099	163,286

7. BANK DEBT

As of December 31, 1999 and 1998, bank debt with variable interest rates based on Libor consisted of:

	1999 Th US\$	1998 Th US\$
SHORT-TERM:	292,771	566,456
Long-term:		
2000	0	201,029
2001	607,677	575,000
2002	150,000	150,000
2003	75,000	75,000
TOTAL LONG-TERM BANK DEBT	832,677	1,001,029

Notes to the Consolidated Financial Statements

8. NOTES PAYABLES

On May 4, 1999, the Company issued and placed notes in the US market under the 144-A Regulation. This allowed the Company to obtain financial resources amounting to Th.US\$ 300,000. Notes expire in one single installment on May 1, 2009 and accrue a nominative interest rate of 7 3/8% per annum payable on a semi-annual basis.

9. ACCRUED LIABILITIES AND WITHHOLDINGS

As of December 31, 1999 and 1998, accrued liabilities and withholdings consisted of:

	Short-term		Long-term	
	1999 Th US\$	1998 Th US\$	1999 Th US\$	1998 Th US\$
Employee severance indemnities	35,389	40,354	391,095	435,235
Closing costs	0	0	68,113	54,661
Accrued vacations	47,310	55,874	0	0
Other accruals and withholdings	172,982	184,620	129,074	117,849
TOTAL	255,681	280,848	588,282	607,745

The movement in the reserve for employee severance indemnities for each year was as follows:

	Short-term		Long-term	
	1999 Th US\$	1998 Th US\$	1999 Th US\$	1998 Th US\$
Balance at January 1°	40,354	20,389	435,235	461,437
Payments	(51,540)	(28,861)	0	0
Provision for the year charged to income, including the effect of exchange rate variations	0	0	2,435	22,624
Transfer to short-term	46,575	48,826	(46,575)	(48,826)
TOTAL SEVERANCE INDEMNITIES FOR YEARS OF SERVICE	35,389	40,354	391,095	435,235

10. INCOME TAXES

Income taxes payable and deferred taxes, calculated in accordance with current tax regulations as discussed in Note 2.11 were as follows:

10.1 CURRENT INCOME TAXES

	1999 Th US\$	1998 Th US\$
Net charge to income	191,104	80,577
(Deduct) add:		
Net deferred taxes for current-year timing differences	(81,025)	(113,146)
CURRENT INCOME TAX	110,079	(32,569)
Less:		
Tax provisional payments	(2,288)	(42,203)
Net tax provisional payments of subsidiaries	0	(1,780)
Training, mineral rights and other income tax credits	(4,922)	(7,006)
Balance of credits against future income taxes	(83,558)	83,558
INCOME TAX PAYABLE	19,311	0

The Th.US\$ 83,558 balance for 1998 included in Other accounts receivable within Current assets was applied to 1999 income tax payable.

10.2 DEFERRED TAXES

The net balance of deferred income taxes are calculated using historical rates and are classified as long-term liabilities as follows:

	1999 Th US\$	1998 Th US\$
Deferred tax liability (asset) attributable to		
Accelerated depreciation	921,698	858,820
Unrealized gains from associations with third parties	(244,961)	(266,407)
Other provisions, net	(146,397)	(143,098)
NET DEFERRED INCOME TAXES	530,340	449,315

Notes to the Consolidated Financial Statements

11. EQUITY

At December 31, 1999 and 1998, changes in equity were as follows:

	Paid-in Capital Th US\$	Other Reserves Th US\$	Retained Earnings Th US\$	Total Th US\$
Balance at January 1, 1998	1,524,423	1,193,463	(35,406)	2,682,480
Capitalization of 1997 net income		6,805	(6,805)	0
Surplus distribution of 1997 net income			(42,211)	
1998 net income			56,679	56,679
Distribution advances from profits			(42,943)	(42,943)
BALANCE AT DECEMBER 31, 1998	1,524,423	1,200,268	(28,475)	2,696,216
Capitalization of 1998 net income		19,800	(19,800)	0
Surplus distribution of 1998 net income			(48,275)	
Exchange difference arising from translation of investments in other companies		(26,973)		(26,973)
1999 net income			143,321	143,321
Distribution advances from profits			(31,005)	(31,005)
BALANCE AT DECEMBER 31, 1999	1,524,423	1,193,095	64,041	2,781,559

During 1999 and 1998, the Company capitalized Th.US\$ 19,800 and Th.US\$ 6,805, respectively, related to realized gains from the Company's investment in El Abra.

12. ASSETS AND LIABILITIES DENOMINATED IN CHILEAN PESOS

As at December 31, 1999, assets and liabilities denominated in Chilean pesos represented a net liability of Ch.\$ 66,145 million (1998: Ch.\$ 43,652 million), which have been translated into US dollars as discussed in Note 2.2.

13. HEDGING OPERATIONS

As indicated in Note 2.14, the Company has defined a policy to cover or minimize the risks associated with fluctuations in metals market prices, exchange rates and interest rates.

13.1 METALS MARKETS HEDGING

At December 31, 1999, deferred values for futures contracts maturing between January 2000 and March 2001 which are intended to fix minimum selling prices amounted to a positive exposure of Th.US\$ 1,494, which comprises positive exposures of Th.US\$ 895 from copper operations, Th.US\$ 10 from gold operations and Th.US\$ 589 from silver operations.

The net exposure of Th.US\$ 1,494 will be affected by future changes in the market; the magnitude of such positive or negative changes will depend upon changes in the price of metals.

13.2 EXCHANGE RATES HEDGING

At December 31, 1999, deferred values for foreign exchange futures contracts, which are intended to minimize exposure to fluctuations between the U.F./US\$ exchange rate, amounted to a negative exposure of Th.US\$ 32,066. The ultimate gain or loss to be realized on these contracts is dependent on the exchange rate in effect between the U.F./US\$ upon settlement of such contracts.

The results of exchange hedging contracts intended to cover variations in the exchange rate of assets and liabilities denominated in foreign currency other than U.S. dollars are recorded on an accrual basis.

13.3 INTEREST RATES HEDGING

At December 31, 1999, the Company had a number of futures contracts in force for hedging the expected interest rates of financial liabilities.

The related deferred payments of Th.US\$ 984 and Th.US\$ 6,992 arising from these contracts are recorded within Prepaid expenses and Other assets, respectively, and will be amortized over the period in which the underlying debt obligations mature (between January 2000 and September 2008).

14. ASSOCIATION WITH THIRD PARTIES

14.1 MINING ASSOCIATIONS LAW NO. 19137

Law No. 19137 dated May 12, 1992, authorized Codelco-Chile to form associations with third parties in order to expand its activities in mining projects through contributions of capital, technology, and others.

In accordance with the provisions of the aforementioned Law, the Corporation has established certain associations with third parties relating to joint exploration activities and the subsequent exploitation of viable deposits.

The most significant associations are summarized as follows:

14.1.1 SOCIEDAD CONTRACTUAL MINERA EL ABRA

Sociedad Contractual Minera El Abra was formed in 1994 by Codelco-Chile (49%) and Cyprus El Abra Corporation (51%), with Cyprus Amax Minerals Company as its guarantor, for the development and exploitation of the El Abra deposit.

Codelco-Chile's investment in the project consisted of the contribution of a number of mining properties. The agreements for the financing of the project were signed on June 15, 1995 and during the term of the financing, involve: a) a long-term trading agreement with Codelco Services Ltd. for a portion of the production of El Abra; b) the commitment of the Cyprus El Abra Corporation and Codelco-Chile to maintain majority ownership of the property of Sociedad Contractual Minera El Abra; and c) a pledge on the shares of Sociedad Contractual Minera El Abra in favor of the institutions which financed the project.

14.1.2 COMPAÑIA CONTRACTUAL MINERA LOS ANDES AND INVERSIONES MINERAS LOS ANDES S.A.

Compañía Contractual Minera Los Andes and Inversiones Mineras Los Andes S.A. were formed in 1996 by Codelco-Chile, AMP Chile Holding Ltda. and the Australian Mutual Provident Society, for the exploration and development of the Exploradora, Sierra Jardín, María Delia and Sierra Morena sites which are located in Regions I, II and III of Chile.

Codelco-Chile contributed mining properties to the joint-venture companies in exchange for 49% of their share capital. By exercising its right to convert bonds into shares, Codelco-Chile may increase its ownership to 65%.

14.1.3 AGUA DE LA FALDA S.A.

During 1996, Agua de la Falda S.A. was formed by Codelco Chile (49%) and Minera Homestake (51%). The company's business objective is the exploration, exploitation and commercialization of gold and other ore deposits in Region III of Chile.

Codelco-Chile made a contribution consisting of the El Hueso, Agua de la Falda Norte and Saldo del Area mining properties, in addition to certain access rights and rights to an existing mineral processing plant.

During October 1999, Agua La Falda S.A. increased its capital by Th.US\$ 14,800. Codelco-Chile paid the portion relative to its ownership percentage through the contribution consisting of mining properties in the Franja Aurífera and Copiapina-Polvorín prospects.

14.1.4 LAS LEÑAS DEPOSIT

In March 1999, Cemento Melón declined exercising its purchase option to acquire Las Leñas deposit which was won through a bidding process in 1997. Consequently, Codelco-Chile was benefited with the 20% purchase option payment amounting to Th.US\$ 2,251.

14.2 OTHER ASSOCIATIONS

14.2.1 Electroandina S.A. - Inversiones Tocopilla Ltda.

Inversiones Tocopilla Ltda. is a holding company owned 51% by Inversora Eléctrica Andina S.A. (a consortium which includes Powerfin S.A.-Belgium-Iberdrola S.A.-Spain-and Enagas-Chile) and 49% by Codelco-Chile. Inversiones Tocopilla Ltda., as the majority owner, controls Electroandina S.A.

Electroandina S.A. is an open shareholders' company whose principal business activity is the generation and distribution of energy in the Region II of Chile. Inversiones Tocopilla Ltda. owns 65.2% of Electroandina S.A. whereas Codelco-Chile owns 34.8%. The principal assets of Electroandina S.A. were acquired from the former Tocopilla Division of Codelco-Chile.

During 1996, employees of Codelco-Chile and Electroandina S.A. acquired bonds convertible into shares that were issued by Electroandina S.A. through investment companies. In addition, the Company contemplates the involvement of new investors through public offerings of shares of Electroandina S.A.

In December 1999, Inversiones Tocopilla Ltda. increased its capital by Th.US\$ 10,923 and Electroandina S.A. increased its capital by Th.US\$ 16,752, maintaining the shareholders their related above mentioned ownership percentages.

14.2.2 Minera Yabricoya SCM

Minera Yabricoya SCM was formed by Codelco-Chile (45%) and Minera Cominco Chile Ltda. (55%) on March 11, 1998. Codelco-Chile and Minera Cominco Chile Ltda. subscribed to and paid for the shares of Minera Yabricoya SCM through the contribution of rights and mining concessions for the exploration of mining properties located in Pozo Almonte in Region I of Chile.

The company's business objective is the exploration, development and exploitation of mining properties and the sale of the related products.

14.2.3 Alto Cachapoal Power Plant Project

In March 1999, Empresa Eléctrica Alto Cachapoal decided to terminate the agreement for the construction and energy supply that this Company won by way of a bidding process. This allowed Codelco-Chile to recover its water rights without any payment. The Company is currently analyzing a bid for a new project for the construction of a power plant in the Alto Cachapoal basin.

14.2.4 Minera Peñodelco S.A. de C.V.

Minera Peñodelco S.A. de C.V. is a company based in Mexico that was formed through contributions by Minas Peñoles S.A. (a Mexican company) and Codelco-Chile of 51% and 49%, respectively, as at December 31, 1999.

The Company's business objective is the exploration of copper and its by-products in mining concessions consisting of plots in the Sonora State in Mexico. In addition, the Company's operation also contemplates the exploration, processing and disposal of minerals located in these concessions acting through one or several mining companies.

15. GUARANTEES, COMMITMENTS AND CONTINGENCIES

15.1 TRADE COMMITMENTS

It is Company policy to commit its annual production one year in advance.

At December 31, 1999, contractual agreements relating to fine copper amounted to 1,579 MT (1998: 1,381 MT).

15.2 LAWSUITS AND CONTINGENCIES

Codelco-Chile is involved in various pending legal actions initiated by or against the Company which, except for those originating from the speculative futures operations in metals from 1993 through January 21, 1994, are derived from the inherent nature of the industry in which the Corporation operates. In the judgment of the Company's management and legal advisors, no significant loss contingencies exist.

The Company has, with regard to the speculative operations performed in the futures markets referred to above, continued to support the actions addressed to recover damages.

As a result of these investigations, the Company in judicial and out-of-court settlements, obtained compensation from certain of the parties involved amounting to Th.US\$ 40,336.

16. TRANSACTIONS WITH RELATED COMPANIES

Policies with respect to transactions with related companies have been defined by the management of the Company and relevant clauses have been incorporated into the employment contracts of employees, where applicable.

The Company performs certain transactions with related companies and parties during the normal course of business in conformity with terms and conditions similar to those existing in the marketplace.

17. CONTRIBUTION TO THE CHILEAN TREASURY DEPARTMENT BY CODELCO-CHILE

During 1999 and 1998, Codelco-Chile disbursed the following amounts to the Chilean Treasury Department in accordance with current legislation and budget decrees, by means of distribution advances from profits, income taxes and taxes payable under Law No. 13196, as follows:


	1999 Th US\$	1998 Th US\$
Distribution advances from profits to the Chilean Treasury Department	31,005	42,943
Income taxes	2,288	58,278
Tax payable under Law No. 13196	230,525	214,525
TOTAL	263,818	315,746

18. SUBSEQUENT EVENTS


The Company's management is not aware of any other significant events which have occurred between December 31, 1999 and the date of these consolidated financial statements (January 24, 2000) which may affect the Company's results of operations, its financial position or the interpretation of these financial statements.



Marcos Lima Aravena
PRESIDENT AND CHIEF
EXECUTIVE OFFICER



Mario Espinoza Durán
VICE PRESIDENT OF FINANCE AND ADMINISTRATION



Mariano Neira Sáenz
MANAGER OF ADMINISTRATION AND CONTROLLER



Mario Allende Gallardo
CHIEF ACCOUNTANT

Consolidated Financial Statements



REPORT OF INDEPENDENT AUDITORS

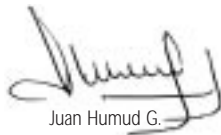
To the Chairman and Members of the Board
Corporación Nacional del Cobre de Chile

We have audited the consolidated balance sheets of Corporación Nacional del Cobre de Chile and its subsidiaries as at December 31, 1999 and 1998 and the related consolidated statements of income and cash flows for the years then ended. These financial statements 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.

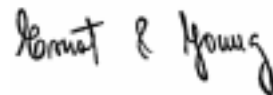
We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis,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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Corporación Nacional del Cobre de Chile and its subsidiaries at December 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Chile.

As explained in Note 3 to the financial statements, during 1999 exchange differences relating to the translation of investments in other companies were recorded in equity accounts.



Juan Humud G.



Santiago, Chile, January 24, 2000

Analysis of the Consolidated Financial Statements

As of December 31st, 1999 and 1998

1. CONSOLIDATED BALANCE SHEETS

	1999 US\$ million	1998 US\$ million
Assets		
Current assets	1,133	1,153
Fixed assets	4,115	4,140
Other assets	569	530
TOTAL ASSETS	5,817	5,823
Liabilities and Equity		
Current liabilities	772	1,060
Long-term liabilities	2,263	2,067
Equity	2,782	2,696
TOTAL LIABILITIES AND EQUITY	5,817	5,823

Between 1998 and 1999, current assets dropped US\$20 million (1.8%).

This decline in current assets was the result of both term deposits and other accounts receivable being lower: the balance available for indexed promissory notes, for example, was down by US\$53 million. Other receivables dropped US\$40 million, reflecting the fact that an US\$83 million tax balance in the company's favor during 1998 was assigned to accrued taxes in 1999, with advance payments to contractors and other payables partially compensating for this decline.

Inventories rose US\$60 million, the result of a US\$32 million increase in finished goods and a US\$34 million increase in products-in-process. Trade accounts receivable also rose, by US\$16 million, due to increased copper and by-product shipments.

Working capital rose by US\$268 million, the result of the above-mentioned drop in current assets and a US\$288 million drop in current liabilities. Lower current liabilities reflects lower short-term bank debt of US\$273 million, a net reduction in credit line debt of US\$340 million, and US\$67 million more in transfers of long-term to short-term debt.

In 1999, accrued liabilities and withholdings dropped by US\$25 million compared to 1998, the result of special provisions for early retirement plans (US\$35 million), created in 1998 and used in 1999. Provisions for years of service also dropped (US\$5 million) and for vacations (US\$9 million). In contrast, provisions for salaries payable rose (US\$22 million).

Analysis of the Consolidated Financial Statements

Net property, plant and equipment dropped by US\$25 million between 1999 and 1998, the result of corporate investment (US\$356 million) and depreciation and amortization of mine development (US\$366 million). The net reduction in assets was US\$15 million. Projects completed in 1999 included El Teniente division's Esmeralda, and Andina division's Ovejería dam.

Other assets rose by US\$39 million, the result of a US\$27 million increase in investment in other companies, a US\$18 million drop in long-term (over one year) accounts receivable and a US\$30 million increase in other assets themselves.

Growth in investment in other companies is fundamentally due to US\$43 million in realized gains from subsidiaries: El Abra (US\$19 million), Electroandina (US\$18 million) and Inversiones Tocopilla Ltda. (US\$6 million). Exchange rate adjustments account for a US\$26 million reduction in the total value of investments. Contributions from Agua de la Falda, the Mejillones Port Complex and others explain the difference.

The US\$18 million drop in long-term receivables reflects their being shifted to short-term.

The US\$30 million increase in other assets is the result of a US\$54 million increase in net mine development (relevant expenses are deferred according to mine operations) and US\$28 million less in balances to cover interest, associated with bond issues and swaps.

Long-term liabilities rose US\$196 million, the result of the bond issue, transfers to short-term by creditor banks, higher deferred taxes and lower provisions.

In 1999, the company issued its first bonds, in New York, for US\$300 million at 217 basis points over US Treasury bonds, maturing in ten years.

Bank debt dropped US\$168 million, due to transfers to short term and debt amortization.

Deferred taxes rose by US\$81 million, US\$63 million the result of applying accelerated depreciation. The difference reflects assorted accrued liabilities.

Equity rose by US\$86 million in 1999 over 1998, the result of net profits (US\$143 million) and advance payments to the Treasury (US\$31 million). Reserves dropped (US\$26 million), the result of exchange differences arising from translating investments in other companies.

2. CONSOLIDATED STATEMENTS OF INCOME

2.1 OPERATING INCOME

Operating income (total sales minus cost of sales, cost of purchasing third-party copper, administrative and other expenses and exchange adjustments) for the 1999 fiscal year reached US\$600 million, up from US\$448 million the previous year. The US\$152 million increase was the result of several factors, explained below.

Sales increase. Sales income, including sales of own and third-party copper and by-products, reached US\$2.89 billion, US\$156 million more than in 1998.

Volumes of own copper shipped reached 1,490,885 mft, up more than 11% from 1,338,687 mft in 1998, with sales income from 1999 shipments reaching US\$2.29 billion, up US\$175 million over 1998.

This increase in income from own copper reflects larger shipments, which brought US\$241 million more in sales, minus US\$66 million due to lower prices. The price obtained for these shipments averaged 70¢/lb, two cents less than in 1998.

Third-party copper sales were 201,310 mft, down from 207,442 tons shipped in 1998. Income from this source reached US\$324 million in 1999, down slightly from US\$325 million in 1998.

By-product sales were US\$270 million, down US\$19 million from the previous year (US\$289 million). Molybdenum was the main by-product, with shipments up 15% (23,079 mft) over 1998 (20,123 tons). Income, however, was lower (by US\$8 million) due to an 18% drop in the 1999 price, which reduced income by US\$28 million, which was counterbalanced by larger shipments.

The following table provides sales volumes and prices for Codelco's copper and molybdenum portfolios. Copper includes cathodes, fire refined, anodes, blister and concentrates. Molybdenum includes oxides and concentrates.

Analysis with ratios of the Consolidated Financial Statements

	1999	1998
Average prices (¢/lb)		
London Metal Exchange	0.71	0.75
Own copper	0.70	0.72
Molybdenum	2.55	3.11
Copper sales (mft)		
Own copper	1,490,885	1,338,687
Third-party copper	201,310	207,442
TOTAL COPPER	1,692,195	1,546,129
Molybdenum sales (mft)	23,079	20,123

Cost of sales. In 1999, the cost of sales held steady at US\$1.86 billion, the same as 1998. Higher volumes shipped caused costs to rise by US\$193 million, but reduced unit costs more than compensated, as they fell from 57.6¢/lb to 51.7¢/lb for a saving of 5.9¢/lb, totaling US\$194 million.

The cost of copper purchased from third parties. The cost of copper purchased from third parties fell to US\$316mn, down from US\$321 million the year before, reflecting smaller amounts shipped.

Gross Profit. Gross profit (sales minus cost of sales and copper acquired from third parties) was US\$708 million, up US\$161 million from 1998. The main reason was lower unit costs, for savings of US\$194 million, minus US\$66 million due to lower copper prices. Larger copper shipments contributed US\$47 million of the increase in gross profit and third-party copper sales US\$4 million, while by-product sales were down US\$18 million.

Administration and Sales Expenses. These reached US\$74 million in 1999, down slightly from 1998 (US\$75 million).

Other Operating Expenses. These reached US\$52 million, compared to US\$34 million the previous year. Higher operating costs were due to US\$13 million more in closure provisions and collective bargaining, which meant contract-signing bonuses went up by US\$8 million.

2.2 NON-OPERATING INCOME

Interest income. Interest income for this fiscal year reached US\$17 million, similar to 1998.

Other income. Other income amounted to US\$103 million, compared to US\$93 million the previous year. The difference was the result of US\$6 million in recovered futures market losses, from Sogemin, and the refund of a US\$5 million overpayment of electric utility bills from previous years.

Interest expense. Interest expense reached US\$102 million, up from US\$91 million in 1998. The increase is mainly due to higher debt assumed to finance the company investment plan, including US\$14 million in interest payments on the bond issue.

Other expenses. Other expenses reached US\$45 million, well down from US\$111 million the previous year. Savings included retirement plans (US\$38 million less), contingency provisions (US\$12 million less) and bad debt provisions, which were US\$6 million less than the previous year when the company had to cover technology sold to Thailand.

2.3 INCOME BEFORE TAXES

Income before taxes for 1999 reached US\$572 million, US\$217 million more than 1998 (US\$355 million), thanks to a US\$152 million increase in operating income and a US\$65 million decrease in non-operating losses.

2.4 TAXES

Law 13,196 taxes amounted to US\$238 million, compared to US\$218 million the previous year, due to larger shipments of copper and molybdenum.

Codelco's income taxes rate is 55%, composed of 15% first category tax and a 40% additional tax, applied because it is state-owned. Income taxes reached US\$191 million, compared to US\$81 million in 1998.

2.5 NET INCOME

Net income reached US\$143 million, up from US\$57 million the previous year.

Analysis of the Consolidated Financial Statements

3. CONSOLIDATED FINANCIAL RATIOS

A summary of the main financial indicators prepared from the consolidated financial statements follows:

	1999	1998
LIQUIDITY		
Current liquidity (Current assets/current liabilities)	1.47	1.09
Acid test (Cash and receivables/current liabilities)	0.74	0.62
DEBT AND SOLVENCY		
Debt exposure (Total liabilities/equity)	1.09	1.16
Long-term debt share (Long-term debt/total liabilities)	0.75	0.66
Coverage (Income before taxes + interest expenses/interest expenses)	6.62	4.90
EBITDA/debt (Income before taxes + interest expenses + depreciation and amortization)/debt)	0.76	0.51
PROFITABILITY		
Operating margin (Operating income/total sales)	0.21	0.16
Profits over assets (Income before taxes/total property, plant and equipment (1))	0.14	0.09
Profit to equity (Income before taxes/equity (1))	0.21	0.13

(1) Start of fiscal year.

Liquidity indicators show the company was in a better position by the end of 1999 compared to 1998, because the long-term bond issue permitted a significant restructuring of current liabilities.

The US\$300 million bond issue also reduced the company's overall indebtedness, with a resulting shift toward long-term debt, apparent in debt indicators.

Better coverage, EBITDA/debt and profitability reflect higher earnings for the year, the result of lower unit costs and larger shipments of copper and molybdenum.

**AS A LEADING, LOW-COST
PRODUCER, CODELCO IS A MAJOR
PLAYER ON WORLD MARKETS.**

Statements of Income by Divisions



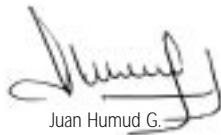
REPORT OF INDEPENDENT AUDITORS

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

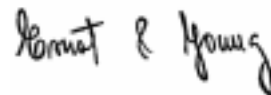
We have audited the statements of income by divisions of Corporación Nacional del Cobre de Chile for the years ended December 31, 1999 and 1998. These statements of income are the responsibility of the management of Corporación Nacional del Cobre de Chile. Our responsibility is to express an opinion on these statements of income based upon our audits.

We have issued an unqualified opinion on the consolidated financial statements of Corporación Nacional del Cobre de Chile for the years ended December 31, 1999 and 1998. Additionally, on January 24, 2000 and February 5, 1999, respectively, we issued our opinion on the allocation to the operating divisions of head office and subsidiaries income and expenses for the years ended December 31, 1999 and 1998, in accordance with the basis established by the Company. The accompanying statements of income by divisions have been prepared in compliance with the Company's statutory obligations on the basis of accounting policies discussed in Notes 1 and 2, and they have been subject to the same audit procedures as were applied to the Company's financial statements.

In our opinion, the statements of income by divisions referred to above present fairly, in all material respects, the results of the operations of the divisions of Corporación Nacional del Cobre de Chile for the years ended December 31, 1999 and 1998, in conformity with accounting principles generally accepted in Chile and the basis of preparation described in the notes to these income statements.



Juan Humud G.



Santiago, January 24, 2000

Statements of Income - Chuquicamata Division

For the years ended December 31

	1999 Th US\$	1998 Th US\$
Operating Income		
Sales	1,120,917	1,122,791
Sales of copper acquired from third parties	218,973	215,505
Sales of products from other divisions	172,539	198,923
Income from transfers	51,711	50,177
OPERATING REVENUES	1,564,140	1,587,396
Cost of sales	(748,192)	(812,089)
Cost of sales of copper acquired from third parties	(211,523)	(209,999)
Cost of sales of products from other divisions	(172,886)	(201,165)
Cost of transfers	(57,809)	(42,696)
TOTAL COST OF SALES	(1,190,410)	(1,265,949)
GROSS MARGIN	373,730	321,447
Add (deduct):		
Selling and administrative expenses	(36,596)	(38,794)
Other operating expenses	(32,757)	(16,913)
Exchange adjustments	4,826	8,739
OPERATING INCOME	309,203	274,479
Non-Operating Income		
Add (deduct):		
Interest income	7,569	7,724
Other income	43,534	44,357
Interest expense	(50,965)	(45,462)
Other expenses	(12,817)	(44,515)
NON-OPERATING LOSS	(12,679)	(37,896)
Income before taxes	296,524	236,583
Tax Law No. 13196	(115,302)	(116,040)
Income taxes	(103,208)	(69,017)
NET INCOME FOR THE YEAR	78,014	51,526

Statements of Income - Radomiro Tomic Division

For the years ended December 31

	1999 Th US\$	1998 Th US\$
Operating Income		
Sales	295,258	251,781
Sales of copper acquired from third parties	15,465	9,879
Income from transfers	477	0
OPERATING REVENUES	311,200	261,660
Cost of sales	(177,879)	(165,906)
Cost of sales of copper acquired from third parties	(15,218)	(10,168)
Cost of transfers	(477)	0
TOTAL COST OF SALES	(193,574)	(176,074)
GROSS MARGIN	117,626	85,586
Add (deduct):		
Selling and administrative expenses	(6,176)	(5,837)
Other operating expenses	(463)	(1,881)
Exchange adjustments	2,137	43
OPERATING INCOME	113,124	77,911
Non-Operating Income		
Add (deduct):		
Interest income	1,088	1,089
Other income	8,174	5,010
Interest expense	(7,984)	(7,058)
Other expenses	(895)	(1,713)
NON-OPERATING INCOME / (LOSS)	383	(2,672)
Income before taxes	113,507	75,239
Tax Law No. 13196	(29,387)	(25,202)
Income taxes	(46,719)	(27,697)
NET INCOME FOR THE YEAR	37,401	22,340

Statements of Income - El Salvador Division

For the years ended December 31

	1999 Th US\$	1998 Th US\$
Operating Income		
Sales	165,728	153,114
Sales of copper acquired from third parties	40,155	34,858
Sales of products from other divisions	95,966	105,683
Income from transfers	575	21,648
OPERATING REVENUES	302,424	315,303
Cost of sales	(157,493)	(161,261)
Cost of sales of copper acquired from third parties	(39,808)	(35,626)
Cost of sales of products from other divisions	(75,129)	(76,943)
Cost of transfers	0	(24,311)
TOTAL COST OF SALES	(272,430)	(298,141)
GROSS MARGIN	29,994	17,162
Add (deduct):		
Selling and administrative expenses	(7,609)	(8,098)
Other operating expenses	(5,121)	(5,910)
Exchange adjustments	222	909
OPERATING INCOME	17,486	4,063
Non-Operating Income		
Add (deduct):		
Interest income	1,875	1,599
Other income	17,789	11,288
Interest expense	(10,639)	(9,663)
Other expenses	(6,124)	(11,413)
NON-OPERATING INCOME / (LOSS)	2,901	(8,189)
Income / (loss) before taxes	20,387	(4,126)
Tax Law No. 13196	(17,719)	(19,395)
Income taxes	(1,884)	12,519
NET INCOME / (LOSS) FOR THE YEAR	784	(11,002)

Statements of Income - Andina Division

For the years ended December 31

	1999 Th US\$	1998 Th US\$
Operating Income		
Sales	225,704	102,053
Sales of copper acquired from third parties	15,521	25,902
Sales of products from other divisions	0	9,563
Income from transfers	76,836	82,922
Operating revenues	318,061	220,440
Cost of sales	(164,509)	(103,942)
Cost of sales of copper acquired from third parties	(15,905)	(26,039)
Cost of sales of products from other divisions	(15,449)	(10,081)
Cost of transfers	(62,085)	(75,926)
TOTAL COST OF SALES	(257,948)	(215,988)
GROSS MARGIN	60,113	4,452
Add (deduct):		
Selling and administrative expenses	(8,073)	(7,175)
Other operating expenses	(2,785)	(2,342)
Exchange adjustments	573	1,311
OPERATING INCOME / (LOSS)	49,828	(3,754)
Non-Operating Income		
Add (deduct):		
Interest income	1,807	1,686
Other income	8,090	7,393
Interest expense	(11,169)	(9,114)
Other expenses	(5,543)	(10,559)
NON-OPERATING LOSS	(6,815)	(10,594)
Income / (loss) before taxes	43,013	(14,348)
Tax Law No. 13196	(28,656)	(14,650)
Income taxes	(8,689)	16,149
NET INCOME / (LOSS) FOR THE YEAR	5,668	(12,849)

Statements of Income - Teniente Division

For the years ended December 31

	1999 Th US\$	1998 Th US\$
Operating Income		
Sales	450,808	430,526
Sales of copper acquired from third parties	33,859	38,390
Sales of products from other divisions	9,256	0
Income from transfers	186,900	191,083
OPERATING REVENUES	680,823	659,999
Cost of sales	(358,225)	(352,661)
Cost of sales of copper acquired from third parties	(33,319)	(39,127)
Cost of sales of products from other divisions	(8,308)	0
Cost of transfers	(154,603)	(151,657)
TOTAL COST OF SALES	(554,455)	(543,445)
GROSS MARGIN	126,368	116,554
Add (deduct):		
Selling and administrative expenses	(14,984)	(15,095)
Other operating expenses	(10,684)	(7,369)
Exchange adjustments	9,310	(376)
OPERATING INCOME	110,010	93,714
Non-Operating Income		
Add (deduct):		
Interest income	4,519	5,128
Other income	24,883	24,846
Interest expense	(20,948)	(19,710)
Other expenses	(19,093)	(43,196)
NON-OPERATING LOSS	(10,639)	(32,932)
Income before taxes	99,371	60,782
Tax Law No. 13196	(46,993)	(42,727)
Income taxes	(30,771)	(11,767)
NET INCOME FOR THE YEAR	21,607	6,288

Statements of Income - Talleres Division

For the years ended December 31

	1999 Th US\$	1998 Th US\$
Operating income		
Sales	26,007	31,267
TOTAL OPERATING REVENUES	26,007	31,267
Cost of sales	(25,483)	(29,549)
TOTAL COST OF SALES	(25,483)	(29,549)
GROSS MARGIN	524	1,718
Add (deduct):		
Selling and administrative expenses	(90)	(181)
Other operating expenses	(1)	(1)
Exchange adjustments	(272)	(182)
OPERATING INCOME	161	1,354
Non-operating income		
Add (deduct):		
Interest income	0	8
Other income	81	54
Interest expense	(163)	(189)
Other expenses	(399)	(87)
NON-OPERATING LOSS	(481)	(214)
Loss/income before taxes	(320)	1,140
Income taxes	167	(764)
NET (LOSS) / INCOME FOR THE YEAR	(153)	376

Consolidated Statement of income

For the year ended December 31, 1999

	Chuquicamata Division Th US\$	R.Tomic Division Th US\$	El Salvador Division Th US\$	Andina Division Th US\$	El Teniente Division Th US\$	Talleres Division Th US\$	Consolidated Balance Th US\$	Adjustments Th US\$	Total Th US\$
Operating Income									
Sales	954,980	294,891	138,046	188,133	438,098	0	2,014,148	0	2,014,148
Sales of copper acquired from third parties	218,973	15,465	40,155	15,521	33,859	0	323,973	0	323,973
Sales of by-products	165,937	367	27,682	37,571	12,710	26,007	270,274	0	270,274
Sales of products from other divisions	172,539	0	95,966	0	9,256	0	277,761	0	277,761
Income from transfers	51,711	477	575	76,836	186,900	0	316,499	(316,499)	0
OPERATING REVENUES	1,564,140	311,200	302,424	318,061	680,823	26,007	3,202,655	(316,499)	2,886,156
Cost of sales	(748,192)	(177,879)	(157,493)	(164,509)	(358,225)	(25,483)	(1,631,781)	0	(1,631,781)
Cost of sales of copper acquired from third parties	(211,523)	(15,218)	(39,808)	(15,905)	(33,319)	0	(315,773)	0	(315,773)
Cost of sales of products from other divisions	(172,886)	0	(75,129)	(15,449)	(8,308)	0	(271,772)	41,525	(230,247)
Cost of transfers	(57,809)	(477)	0	(62,085)	(154,603)	0	(274,974)	274,974	0
TOTAL COST OF SALES	(1,190,410)	(193,574)	(272,430)	(257,948)	(554,455)	(25,483)	(2,494,300)	316,499	(2,177,801)
GROSS MARGIN	373,730	117,626	29,994	60,113	126,368	524	708,355	0	708,355
Add (deduct):									
Selling and administrative expenses	(36,596)	(6,176)	(7,609)	(8,073)	(14,984)	(90)	(73,528)	0	(73,528)
Other operating expenses	(32,757)	(463)	(5,121)	(2,785)	(10,684)	(1)	(51,811)	0	(51,811)
Exchange adjustment	4,826	2,137	222	573	9,310	(272)	16,796	0	16,796
OPERATING INCOME	309,203	113,124	17,486	49,828	110,010	161	599,812	0	599,812
Non-Operating Income									
Add (deduct):									
Interest income	7,569	1,088	1,875	1,807	4,519	0	16,858	0	16,858
Other income	43,534	8,174	17,789	8,090	24,883	81	102,551	0	102,551
Interest expense	(50,965)	(7,984)	(10,639)	(11,169)	(20,948)	(163)	(101,868)	0	(101,868)
Other expenses	(12,817)	(895)	(6,124)	(5,543)	(19,093)	(399)	(44,871)	0	(44,871)
NON-OPERATING INCOME/(LOSS)	(12,679)	383	2,901	(6,815)	(10,639)	(481)	(27,330)	0	(27,330)
Income/(loss) before taxes	296,524	113,507	20,387	43,013	99,371	(320)	572,482	0	572,482
Tax Law No. 13196	(115,302)	(29,387)	(17,719)	(28,656)	(46,993)	0	(238,057)	0	(238,057)
Income taxes	(103,208)	(46,719)	(1,884)	(8,689)	(30,771)	167	(191,104)	0	(191,104)
NET INCOME /(LOSS) FOR THE YEAR	78,014	37,401	784	5,668	21,607	(153)	143,321	0	143,321

Consolidated Statement of income

For the year ended December 31, 1998

	Chuquicamata Division Th US\$	R.Tomic Division Th US\$	El Salvador Division Th US\$	Andina Division Th US\$	El Teniente Division Th US\$	Talleres Division Th US\$	Consolidated Balance Th US\$	Adjustments Th US\$	Total Th US\$
Operating Income									
Sales	928,123	251,781	126,568	77,494	419,050	0	1,803,016	0	1,803,016
Sales of copper acquired from third parties	215,505	9,879	34,858	25,902	38,390	0	324,534	0	324,534
Sales of by-products	194,668	0	26,546	24,559	11,476	31,267	288,516	0	288,516
Sales of products from other divisions	198,923	0	105,683	9,563	0	0	314,169	0	314,169
Income from transfers	50,177	0	21,648	82,922	191,083	0	345,830	(345,830)	0
OPERATING REVENUES	1,587,396	261,660	315,303	220,440	659,999	31,267	3,076,065	(345,830)	2,730,235
Cost of sales	(812,089)	(165,906)	(161,261)	(103,942)	(352,661)	(29,549)	(1,625,408)	0	(1,625,408)
Cost of sales of copper acquired from third parties	(209,999)	(10,168)	(35,626)	(26,039)	(39,127)	0	(320,959)	0	(320,959)
Cost of sales of products from other divisions	(201,165)	0	(76,943)	(10,081)	0	0	(288,189)	51,240	(236,949)
Cost of transfers	(42,696)	0	(24,311)	(75,926)	(151,657)	0	(294,590)	294,590	0
TOTAL COST OF SALES	(1,265,949)	(176,074)	(298,141)	(215,988)	(543,445)	(29,549)	(2,529,146)	345,830	(2,183,316)
GROSS MARGIN	321,447	85,586	17,162	4,452	116,554	1,718	546,919	0	546,919
Add (deduct):									
Selling and administrative expenses	(38,794)	(5,837)	(8,098)	(7,175)	(15,095)	(181)	(75,180)	0	(75,180)
Other operating expenses	(16,913)	(1,881)	(5,910)	(2,342)	(7,369)	(1)	(34,416)	0	(34,416)
Exchange adjustment	8,739	43	909	1,311	(376)	(182)	10,444	0	10,444
OPERATING INCOME/(LOSS)	274,479	77,911	4,063	(3,754)	93,714	1,354	447,767	0	447,767
Non-Operating Income									
Add (deduct):									
Interest income	7,724	1,089	1,599	1,686	5,128	8	17,234	0	17,234
Other income	44,357	5,010	11,288	7,393	24,846	54	92,948	0	92,948
Interest expense	(45,462)	(7,058)	(9,663)	(9,114)	(19,710)	(189)	(91,196)	0	(91,196)
Other expenses	(44,515)	(1,713)	(11,413)	(10,559)	(43,196)	(87)	(111,483)	0	(111,483)
NON-OPERATING LOSS	(37,896)	(2,672)	(8,189)	(10,594)	(32,932)	(214)	(92,497)	0	(92,497)
Income before taxes	236,583	75,239	(4,126)	(14,348)	60,782	1,140	355,270	0	355,270
Tax Law No. 13196	(116,040)	(25,202)	(19,395)	(14,650)	(42,727)	0	(218,014)	0	(218,014)
Income taxes	(69,017)	(27,697)	12,519	16,149	(11,767)	(764)	(80,577)	0	(80,577)
NET INCOME/(LOSS) FOR THE YEAR	51,526	22,340	(11,002)	(12,849)	6,288	376	56,679	0	56,679

State of Income by Divisions

BASIS OF PREPARATION OF THE STATEMENTS OF INCOME BY DIVISIONS

The statements of income by divisions are prepared in compliance with the Company's statutory obligations and on the basis of accounting principles generally accepted in Chile and the following internal accounting policies:

1. INTERDIVISIONAL TRANSFERS

The Company records interdivisional transfers of goods and services at prices which are similar to market values. Therefore, the statements of income by divisions for the year ended December 31, 1999 and 1998 include the following:

- Sales revenues with separate line items related to sales to third parties of products received from other divisions and to revenues generated by transfers to other divisions.
- Costs of sales with separate line items related to cost of products received from other divisions and sold to third parties, and the costs corresponding to revenues from transfers to other divisions.

2. ALLOCATION OF CORPORATE INCOME AND EXPENSES

Income and expenses incurred by the Head Office and by the Company's subsidiaries, are allocated to operating divisions on the basis of established policies as described in the Statement of Allocation of Income and Expenses of the Head Office and Subsidiaries.

Statement of Allocation of Income and Expenses of the Head Office and Subsidiaries



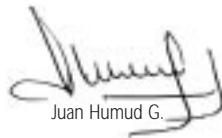
REPORT OF INDEPENDENT AUDITORS

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

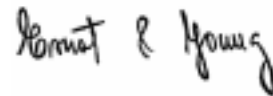
We have reviewed the allocation of income and expenses of the Head Office and Subsidiaries to the operating divisions of Corporación Nacional de Cobre de Chile (Annex A) for the year ended December 31, 1999. Our work consisted principally of a review of the criteria applied for determination of the allocation of income and expenses in compliance with internal regulations established by Corporación Nacional del Cobre de Chile (Annex B).

Amounts included in the Statement of Allocation of Income and Expenses of the Head Office and Subsidiaries formed a part of the consolidated financial statements of Corporación Nacional del Cobre de Chile for the year ended December 31, 1999, on which we issued an unqualified opinion.

In our opinion, the income and expenses of the Head Office and Subsidiaries for the year ended December 31, 1999, have been reasonably allocated to each operating division of Corporación Nacional del Cobre de Chile, in conformity with the Company's internal regulations.



Juan Humud G.



Santiago, January 24, 2000

Statement of Allocation of Income and Expenses of the Head Office and Subsidiaries

ASSIGNMENT CRITERIA

The income and expenses of the Head Office and Subsidiaries are allocated to each operating division in accordance with criteria set forth for each of the income statement accounts, as follows:

1. GENERAL ADMINISTRATIVE EXPENSES

- Costs specifically identifiable to each division are allocated directly to that division.
- Sales Cost Centers are allocated proportionally on the basis of the volume of invoices billed and accounted for by each division upon dispatch of products and by-products.
- Supplies Cost Centers are allocated proportionally on the basis of the stock balance of supplies in each operating division.
- The other Cost Centers are allocated proportionally on the basis of the operational outflows of each division.

2. SELLING EXPENSES

- Costs specifically identifiable to each division are allocated directly.
- Other costs are allocated proportionally on the basis of invoices billed and accounted for by each division upon dispatch of products and /or by-products.

3. EXCHANGE ADJUSTMENTS

- Exchange variations identifiable with each division are allocated directly.
- Differences arising from the conversion of US dollars into Chilean pesos are allocated on the basis of transfers of funds and payments performed by the Head Office on behalf of each division.
- The remaining balance is allocated on the basis of the operational outflows of each division.

4. INTEREST INCOME

- Income associated with and identified as pertaining to each particular division is allocated directly.
- The remaining balance is allocated on the basis of the operational outflows of each division.

5. OTHER INCOME

- Income associated with and identified as pertaining to each particular division is allocated directly.
- The remaining balance is allocated on the basis of the balance of the "other income" account for each respective division.

6. INTEREST EXPENSE

- Expenses associated with and identified as pertaining to each particular division are allocated directly.
- The remaining balance is allocated on the basis of the operational outflows of each division.

Statement of Allocation of Income and Expenses of the Head Office and Subsidiaries

7. OTHER EXPENSES

- Expenses associated with and identified as pertaining to each particular division are allocated directly.
- The remaining balance is allocated on the basis of the balance of the "Other Expenses" account for each division.

8. OPERATING RESULTS ARISING FROM FUTURES HEDGING OPERATIONS

The results arising from futures hedging operations for specific copper and by-product contracts are allocated on the basis of contracts directly associated with each division.

9. TAX LAW NO. 13196

Tax Law No. 13196 is allocated on the basis of copper and by-product exports of each division. Adjustments are made for taxes affecting interdivisional transfers which are assigned to the division from which the products originated.

10. INCOME TAX

Income tax is allocated to each division on the basis of the income before tax of each division.

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

For the year ended December 31, 1999 (In thousands of US dollars)

Administrative, sales, interest, and other expenses	Total	Chuquicamata	R. Tomic	Salvador	Andina	Teniente	Talleres
Selling and administrative expenses	58,744	29,281	4,945	6,132	6,301	11,995	90
Exchange adjustments	(18,078)	(3,929)	(2,137)	(221)	(574)	(11,227)	10
Interest income	(11,973)	(6,017)	(930)	(1,261)	(1,302)	(2,463)	0
Other income	(68,187)	(32,335)	(4,460)	(12,773)	(5,215)	(13,404)	0
Interest expense	101,424	50,830	7,961	10,614	10,976	20,880	163
Other expenses	25,375	13,285	(231)	4,678	1,724	5,919	0
Tax Law No. 13196	238,056	115,302	29,387	17,719	28,656	46,992	0
Income tax	191,104	103,208	46,719	1,884	8,689	30,771	(167)
Total	516,465	269,625	81,254	26,772	49,255	89,463	96

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