

Corporación Nacional del Cobre de Chile


Insight beyond the rating.

Ratings

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Debt	Rating	Rating Action	Trend
Issuer Rating	A	Confirmed	Stable
Senior Unsecured Debt	A	Confirmed	Stable

Rating Update

On January 29, 2016, DBRS Limited (DBRS) confirmed the Issuer Rating and Senior Unsecured Debt rating of the Corporación Nacional del Cobre de Chile (Codelco or the Company) at "A" with Stable trends. The rating confirmations and Stable trends primarily reflect the continuing implicit support of Codelco's 100% owner, the Republic of Chile (Chile), rated AA (low) with Stable trend by DBRS. The rating also reflects the fact that the debt issued by Codelco is not guaranteed by Chile.

Codelco is the largest copper producer in world. The Company plays a strategic role in Chile's economic development and is a key revenue contributor to the Chilean Treasury. The mining sector is one of the pillars of Chile's economy, and copper accounts for a significant part of government income. Since Codelco has no access to the equity market, the financing of its substantial capex program has to be funded with its own debt issuances and financial support by the Chilean government in the forms of (1) equity injection and (2) reduction of dividends. The Stable trends reflect DBRS's expectation that the Chilean government will provide a strong level of financial support going forward.

Assessing Codelco from a stand-alone perspective, the Company's business risk profile is viewed as strong, underpinned by its large copper reserves, cost competitiveness and strong production profile. However, its financial risk profile has deteriorated over the past few years because of weaker cash flows and rising debt levels to finance the Company's substantial capex program and

the resulting free cash flow deficits. In the first nine month to September 30, 2015 (9M 2015), most of the Company's credit metrics fell into DBRS's BB range.

Global copper inventories have declined substantially, and production surplus in 2016 is expected to be significantly lower than in 2015. However, weaker demand from China, challenging macro-economic conditions in other Emerging Markets, the pessimistic outlook among momentum investors, and the strong U.S. dollar are likely to keep prices depressed in 2016. As a result, Codelco's cash flows and EBITDA are not expected to improve from 2015 levels. In addition, given Codelco's large capex program of \$21 billion to \$22 billion over the next several years, DBRS expects Codelco's free cash flow deficit to remain substantial. DBRS notes that in late 2014, Chile's congress approved a special capital contribution of \$4.0 billion, consisting of \$3.0 billion in the form of a capital injection by the Chilean Treasury and \$1.0 billion of retained earnings for the period between 2014 and 2018 to assist in the Company's extensive capex program, with the first instalment of \$600 million approved in October 2015. While this should help to support the balance sheet, given the estimated free cash flow deficits during this period, DBRS expects debt levels to continue to rise, negatively affecting Codelco's credit metrics. Consequently, continuing financial support and commitments from the Chilean government are key to maintaining the current rating for Codelco.

Financial Information

Corporación Nacional del Cobre de Chile

	9 mos. Sep. 30		12 mos. Sep. 30	For the year ended December 31			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash flow / debt	18.3%	22.4%	22.2%	25.5%	26.3%	20.8%	36.9%
Debt / EBITDA (times)	4.7	2.8	4.3	2.9	2.3	1.8	1.0
EBITDA interest coverage (times)	6.2	9.6	6.8	9.4	12.0	12.3	27.9
EBIT interest coverage (times)	2.6	5.5	3.4	5.5	8.0	8.7	22.4
Debt / capital	57.9%	52.1%	57.9%	54.4%	49.0%	45.2%	54.2%

Issuer Description

Corporación Nacional del Cobre de Chile (Codelco) is owned by the Chilean government and is the world's largest producer of copper (over 1.8 million tonnes per year). The Company's most important product is refined copper, primarily in the form of cathodes. The Company also produces copper concentrates, blister and anode copper and by-products such as molybdenum.

Rating Considerations

Strengths

1. Support from the Chilean government

Codelco is 100% owned by the Republic of Chile (rated AA (low) with Stable trend by DBRS). Codelco is one of the largest companies in Chile. Although Codelco's debt obligations are not generally guaranteed by the government, the Company is strategically important to the economic development of Chile and has been a strong revenue contributor to the Chilean Treasury through taxes, royalties and dividends. Chile has been supportive of Codelco through special capital contributions and allowances to retain earnings and reduce dividends. As a result, DBRS's ratings for Codelco reflect DBRS's expectation of ongoing support from the Chilean government with respect to funding, capital expenditures and balance sheet capitalization. On January 29, 2016, DBRS confirmed the sovereign rating of Chile, reflecting (a) a sustained commitment to sound macroeconomic policymaking, (b) a strong public sector balance sheet and (c) high-quality public institutions. These factors, along with Chile's stable political environment, have contributed to three decades of robust growth and macroeconomic stability.

2. Large size and scale in terms of production and reserve base

Codelco has the world's largest reserves of copper ores (approximately 8% of the world's copper reserves, as estimated by the U.S. Geological Survey). Codelco produces approximately 10% of the world's copper (1.8 million tonnes) and molybdenum (30.6 thousand tonnes), making it the largest and second-largest producer, respectively. At current production rates, Codelco has mineral resources for at least the next 70 years.

3. Cost-competitive producer

Codelco's estimated net cash cost of copper production (\$1.38 per pound for the first nine months of 2015) places it in the low end of the second quartile of the industry cash cost curve. The Company's operations are largely vertically integrated, from mine exploration and development through to finished metal production, adding to opportunities for cost efficiency.

Challenges

1. Exposure to cyclical and volatile end markets

Copper prices have declined significantly over the past few years (please refer to page 6 for details), in part because of weaker demand from China and new mines brought into production during the past few years. As a result of the weak commodity price environment and that the Company's extensive capital expenditure program is not covered by internally generated cash flows, Codelco's financial metrics have been depressed.

2. Lack of product and geographic diversification

Codelco is largely focused on the development, mining and sale of copper. Its earnings and cash flow are tied to copper markets, particularly copper demand and prices. Furthermore, its operations are concentrated in Chile. Accordingly, the Company's earnings and cash flow can be expected to be more volatile than a more diversified commodity producer.

3. Project execution risks

Codelco has an ambitious schedule of capital investments (\$21 billion to \$22 billion over the next several years). Major capital investment programs are inherently risky because of difficulties in estimating cost and time to complete construction as well as risks in the technical performance of the project post completion. In addition, major projects may add financial risk as a result of higher external indebtedness if specific additional funding from the Chilean government is not provided.

4. Industry regulation and operational risk

Exploration, development, mining, smelting and refining operations are highly regulated, and most of Codelco's activities are subject to a variety of environmental, health and safety laws and regulations. Such regulations may change, as they did in 2011 regarding the need to provide security for future reclamation, and may give rise to significant costs and liabilities. The Company is also subject to a number of specific risks and hazards, including industrial accidents, labour disputes, unexpected geological conditions, mine collapses, unusual weather conditions and other natural phenomena such as earthquakes and floods. Some mining regions of Chile are subject to water shortages, and others are in active earthquake zones. Both Codelco's surface and underground operations could experience damage and/or cessation of production as a result of these conditions, which could impair the Company's ability to meet its financial and other obligations.

Earnings and Outlook

Corporación Nacional del Cobre de Chile

(USD millions, where applicable)	9 mos. Sep. 30		12 mos. Sep. 30	For the year ended December 31			
	2015	2014	2015	2014	2013	2012	2011
Revenues	8,724	10,069	12,481	13,827	14,956	15,860	17,515
EBITDA	2,493	3,507	3,660	4,674	5,159	5,476	7,503
EBIT	1,052	1,986	1,794	2,727	3,411	3,870	6,017
Net income, core	(5)	586	135	727	1,112	1,683	1,905
Net Income	(25)	586	111	722	1,073	3,983	2,056
EBITDA margin	28.6%	34.8%	29.3%	33.8%	34.5%	34.5%	42.8%
Return on capital	2.0%	4.3%	2.7%	4.4%	5.9%	8.7%	19.8%

Overview: Overall, despite the Company's cost-cutting initiatives, lower energy costs, favourable currency movements and slightly higher production and sales volumes, Codelco's profitability weakened during 9M 2015, reflecting weaker copper prices and, to a lesser extent, lower molybdenum prices. The Company's EBITDA margin fell below the 30% range in 2015, and return on capital dropped to below 1%.

Production

Copper: Production volumes increased during 9M 2015. Copper Production increased 1.4% during 9M 2015 to 1.3 million tonnes compared with the same period in 2014, mainly because of new production from Ministro Hales and increased production from El Teniente as a result of higher ore grades. These increases were, however, partially offset by diminished production from Chuquicamata as result of lower mineral processed.

Molybdenum: Production in 9M 2015 decreased 12% in comparison with the same period last year, primarily because of the production decrease at Chuquicamata.

Prices: Copper prices continued to deteriorate in 2014 to \$3.11 per pound but especially during 9M 2015 to \$2.59 per pound. Molybdenum prices declined to \$7.20 per pound during 9M 2015 (\$11.30 per pound in 2014).

Costs: Codelco is positioned in the low end of second cost quartile on the industry cash cost curve and planned for \$1.0 billion in cost-cutting initiatives during 2015, with \$1.2 billion realized at the end of the third quarter 2015. Codelco's direct copper net cash cost (C1 costs) decreased to \$1.54 per pound in 2014 and to \$1.38 per pound during 9M 2015, primarily as a result of external factors, such as lower energy costs, favourable exchange rate movements and the Company's internal cost-cutting initiatives.

Outlook: Weak commodity prices are expected to persist over the near to medium term, and DBRS expects Codelco to continue to realize weak earnings in 2016. DBRS expects that it will be difficult for Codelco to restore EBITDA margins of above 30% despite further cost cutting initiatives. A weaker peso, cost-saving initiatives and lower energy costs should help to partially offset the negative impact of low copper prices (Codelco expects \$617 million in cost reductions during 2016).

Financial Profile

Corporación Nacional del Cobre de Chile ¹

	9 mos. Sep. 30		12 mos. Sep. 30		For the year ended December 31		
(USD millions, where applicable)	2015	2014	2015	2014	2013	2012	2011
Operating cash inflows	9,952	11,827	13,934	15,809	17,246	19,095	21,546
Operating cash outflows	(7,756)	(9,817)	(10,164)	(12,225)	(13,827)	(15,510)	(15,129)
Dividends received	180	413	263	496	605	277	86
Income taxes paid	(218)	(251)	(546)	(579)	(887)	(1,778)	(3,852)
Cash flow from operations	2,159	2,172	3,487	3,501	3,137	2,084	2,650
Capital expenditures	(2,823)	(2,717)	(3,907)	(3,800)	(4,437)	(3,687)	(2,252)
Dividends	0	(357)	(304)	(661)	(776)	(106)	(1,472)
Cash flow, free	(664)	(901)	(723)	(960)	(2,076)	(1,710)	(1,073)
Net dispositions (acquisitions)	(2)	(21)	(4)	(23)	(25)	(2,831)	1,129
Other	(404)	(249)	(619)	(464)	(412)	(654)	(261)
Subtotal	(1,071)	(1,170)	(1,347)	(1,446)	(2,513)	(5,194)	(206)
Net debt issuance (repayment)	2,065	1,073	2,966	1,975	1,985	3,976	715
Net equity issuance (buyback)	0	0	0	0	0	1,100	0
Change in cash	994	(97)	1,619	528	(529)	(119)	509
Total debt	15,712	12,943	15,712	13,753	11,923	10,030	7,178
Cash flow / debt	18.3%	22.4%	22.2%	25.5%	26.3%	20.8%	36.9%
Debt / EBITDA (times)	4.7	2.8	4.3	2.9	2.3	1.8	1.0
EBITDA interest coverage (times)	6.2	9.6	6.8	9.4	12.0	12.3	27.9
EBIT interest coverage (times)	2.6	5.5	3.4	5.5	8.0	8.7	22.4
Debt / capital	57.9%	52.1%	57.9%	54.4%	49.0%	45.2%	54.2%

¹ As reported by the Company using the direct method in accordance with IFRS.

Overview: Codelco's financial profile continued to weaken in 2015, with most credit metrics falling into DBRS's BB rating category. The weakening of Codelco's financial profile is primarily the result of weaker cash flows and rising debt levels driven by the Company's debt financing to fund its large capex program.

Capital Expenditures: Codelco is in the midst of a major multi-year capital expenditure program for mine refurbishment/life extension, which is expected to be \$21 billion to \$22 billion over the next several years. The capital expenditures are necessary to address declining ore grades, production volume decline and to ensure the long-term sustainment of Codelco's operations. DBRS notes that Codelco expects no significant increase in production volumes as a result of these expenditures. Codelco decreased its original five-year capital expenditure program from \$25 billion in H2 2015 in response to the lower commodity price environment. During 9M 2015, Codelco continued to work on its structural projects, including the El Teniente New Mine Level, the Chuquibambilla Underground Mine and the Andina reallocation.

Dividends: Dividend payments were reduced to \$0 in 9M 2015 to preserve cash to finance capex. In July 2015, Chile's government authorized \$225 million capitalization by allowing Codelco to retain 2014 profits.

Free Cash Flow and Financing: Codelco continues to generate substantial free cash flow deficits in 9M 2015, resulting in a weaker balance sheet, as the deficits have been financed with debt since 2013. In late 2014, Chile's congress approved a special capital contribution of \$4.0 billion, consisting of \$3.0 billion in the form of a capital injection by the Chilean Treasury and \$1.0 billion of retained earnings for the period between 2014 and 2018 to assist in the Company's extensive capital expenditure program. In October, 2015 Chile's finance ministry announced the first instalment (\$600 million) of the \$3.0 billion capital injection program for Codelco.

Outlook: Codelco's financial profile is expected to remain weak for the full-year 2015 and 2016, primarily as a result of the continued weak commodity pricing environment. DBRS expects the Company to continue to generate significant free cash flow deficits over next few years, as its capex program remains high. As a result, DBRS does not expect Codelco's credit metrics to improve over the near to medium term.

Debt and Liquidity

Corporación Nacional del Cobre de Chile

Debt Outstanding (USD millions)	9 mos. Sep.	For the year ended December 31			
	<u>30, 2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash	2,289	1,311	751	1,264	1,383
Short-term debt	1,158	829	521	220	41
Long-term debt due in one year	148	143	633	630	826
Debt, subtotal	1,306	972	1,154	849	867
Long-term debt	14,406	12,781	10,769	9,180	6,311
Debt, Total	15,712	13,753	11,923	10,030	7,178

- Codelco has reasonable liquidity consisting primarily of cash on hand (\$2.3 billion as at September 30, 2015) to support ongoing working capital and near-term maturities. The Company's subsidiary, Codelco-Kupferhandel GmbH, has a short-term line of credit for EUR 60 million, for which Codelco provides a guarantee letter.
- The Chilean government has historically provided specific added funding to Codelco through various means, including direct capital contributions to the Company, allowing portions of sale proceeds of assets/investments to be retained or providing Codelco access to short-term credit lines issued by financial institutions to the government. DBRS expects these and similar practices to continue.
- In late 2014, the Chilean government approved a special capital contribution to Codelco of up to \$4.0 billion to be dispensed between 2014 and 2018 based upon an annual reporting requirement.

Corporación Nacional del Cobre de Chile (As of September 30, 2015)

Debt Maturity Profile (USD millions)	<u>2015</u> ¹	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020+</u> ²	<u>Total</u>
Debt Balances ³	686	949	0	1,197	1,082	11,675	15,589
Finance Leases	6	15	18	14	28	43	123
Total	693	963	18	1,210	1,109	11,718	15,712
% Total	4%	6%	0%	8%	7%	75%	100%

¹ Includes credit lines. ² Includes other balances. ³ Includes current and non-current debt balances for each year.

- Codelco's debt maturities are well spread over the next few years. The refinancing risk remains modest and manageable as long as the Company's credit profile is supported by the Chilean government.
- Codelco must obtain the approval of the Ministry of Finance before it can assume any financial indebtedness and before it can acquire assets outside of Chile with financial or payment terms exceeding one year. However, the government of Chile is not legally liable for Codelco's obligations unless expressly guaranteed by the government, nor do such obligations form any part of the direct public debt of Chile.
- DBRS notes that pursuant to the Chilean Mining Code, mining concessions as well as certain raw materials and other property or assets permanently dedicated to the exploration or extraction of minerals cannot be subject to an order of attachment, except with respect to mortgages, in the case that the debtor consents to the attachment in the same enforcement proceeding or when the debtor is a stock corporation. Also, pursuant to the Chilean Constitution, mining concessions corresponding to mining deposits exploited by Codelco upon its creation in 1976 cannot be subject to attachment nor to any act of disposition by Codelco. As a result, the rights of debtors to attach property of Codelco in the event of a default under its notes and other obligations are limited.

Contributions to the Chilean Treasury

Corporación Nacional del Cobre de Chile

Payments to Chilean Treasury (USD millions)	9 mos. Sep. 30		12 mos. Sep. 30		For the year ended December 31		
	2015	2014	2015	2014	2013	2012	2011
Income tax	218	251	546	579	887	1,778	3,852
Law No. 13,196	749	748	990	989	1,198	1,264	1,576
Dividends	0	357	304	661	776	106	1,472
Total	967	1,356	1,840	2,229	2,860	3,148	6,901

- As a state-owned enterprise, Codelco pays taxes under Article 26 of Decree Law No. 1,350, which refers to Decree Law No. 824 on Income Tax of 1974 and a 40% special tax on its pre-tax earnings (Decree Law No. 2,398), 10% on the foreign currency received from the export sale of copper and by-products (Law No. 13,196), and is also subject to a specific mining tax Law No. 20,026, which is a tax on operating income that was set at 5% for 2014.
- Dividends:** Codelco is required to pay 100% net income as presented in the financial statements less authorized retained earnings as dividends under Article 6 of D.L. 1.350.
- On September 29, 2014, Law No. 20.780 named "Tax Reform," which modifies the Tax System on the income and which introduces various adjustments on the Tax System, was published. For the calculation of the deferred taxes, the Corporation has applied a General Taxation Regime, with tax rates notched for commercial years 2014, 2015, 2016 and 2017 onward, increasing it to 21%, 22.5%, 24% and 25%, respectively.
- The payments total an average of about 63% of EBITDA (2011–2014 as calculated by DBRS), reducing the earnings and cash retained in the Company. This means the Company has little internally generated cash available to finance its expansion/project capital expenditures and acquisitions, and must resort to debt or special contributions from the state to fund these.

Operating Statistics and Operating Units

Corporación Nacional del Cobre de Chile

Sales, Production and Avg. Prices (USD millions)	9 mos. Sep. 30		12 mos. Sep. 30		For the year ended December 31		
	2015	2014	2015	2014	2013	2012	2011
Own Copper Sales (thousand tonnes)	1,257	1,189	1,756	1,688	1,723	1,740	1,855
Own Molybdenum Sales (thousand tonnes)	18.8	19.2	26.6	27.0	22.0	19.0	23.0
LME Copper Price (USD/lb)	2.59	3.15	2.55	3.11	3.32	3.53	3.81
Metals Week Molybdenum Price (USD/lb)	7.20	12.00	6.50	11.30	10.31	12.90	15.45
Direct cash costs (C1 costs)	1.38	1.54	1.35	1.50	1.63	1.64	1.16
Total Copper Prod. (thousand tonnes)	1,379	1,360	1,860	1,841	1,792	1,758	1,796
Total Molybdenum Prod. (thousand tonnes)	20.2	22.9	27.9	30.6	23.0	20.0	23.0
Gross Profit after Admin. Exp. 1							
(USD millions)							
Chuquicamata	115	576	302	762	444	647	1,459
Radomiro Tomic	357	475	584	701	1,291	1,644	2,222
Codelco Norte	473	1,051	885	1,463	1,735	2,291	3,682
Salvador Division	(75)	(49)	(87)	(62)	(110)	(119)	183
Andina Division	102	333	245	476	716	808	876
El Teniente Division	674	1,048	1,026	1,400	1,441	1,656	1,958
Gabriela Mistral	79	91	143	156	187	361	376
Ventanas	16	(59)	2	(73)	(104)	(54)	(8)
Ministro Hales/Other	55	79	79	103	(11)	0	(0)
Major divisions	1,324	2,493	2,294	3,463	3,854	4,943	7,066
Subsidiaries, associates and Head office, net	(84)	(135)	(157)	(208)	(183)	(247)	(298)
Total Consolidated	1,239	2,358	2,136	3,255	3,672	4,696	6,769

1 Gross profit less administrative and distribution costs as reported by Codelco.

Operating Statistics and Operating Units (CONTINUED)

DBRS notes that Codelco is currently reevaluating its projects and, as a result, production guidance and completion dates for individual projects may change.

Key operating units include:

1. Chuquicamata Division (100% owned)

- Operates the Chuquicamata mine (340,000 tonnes or 18.5% of Codelco's production in 2014), an open-pit copper mine, which is one of the largest copper-producing mines in the world.
- In operation since 1915, it produces predominantly sulfide concentrates that are smelted and refined largely on site to yield electro-refined and electro-won copper cathodes.

Projects

- Codelco is developing underground mining operations at Chuquicamata to process 140,000 tonnes per day (tpd) of ore to produce 367,000 tonnes per year (tpy) of copper plus by-product molybdenum.
- The project will mine reserves under the current deposit over approximately 40 years.

2. Radomiro Tomic Division (100% owned)

- Operates the Radomiro Tomic open-pit mine, producing electro-won copper cathodes (327,000 tonnes or 17.8% of Codelco's production in 2014).
- In production since 1997, it is the world's largest producer of copper using SX-EW technology.
- The mine lies five kilometres north of the main pit at Chuquicamata.

Projects

- The proposed construction of the RT Sulphides Phase II project is in early works development to clear and scale interferences to build future facilities.
- The project includes an open-pit mine, a semi-autogenous grinding (SAG) mill and a desalination plant to provide process water.
- The project is estimated to have a 354,000 tpy copper production capacity.

3. Gabriela Mistral Division (formerly Minera Gaby S.p.A.) (100% owned)

- The Gabriela Mistral mine is a low-grade, open-pit copper mine operating since 2008 and producing electro-refined cathodes using SX-EW technology (121,000 tonnes or 6.6% of Codelco's production in 2014).

4. El Teniente Division (100% owned)

- El Teniente, located south of Santiago, began production in 1905 and is the world's largest underground copper mine

(455,000 tonnes or 24.7% of Codelco's production in 2014).

- El Teniente Division produces concentrates that are smelted at its Caletones smelter supplemented by concentrates from Andina. Caletones has the capacity to smelt 1.25 million tpy of concentrate.
- Caletones produces and sells fire-refined copper and produces copper anodes, which are further refined at electrolytic refining operations at the Ventanas smelter or at Chuquicamata.

Projects

- The New Mine Level project is in the execution stage and is intended to extend the life of El Teniente a further 50 years by the construction of a new mine level under the current mine level.
- The new operations will be highly automated and remotely operated and are expected to access about 1.7 billion tonnes of reserves at an average 0.9% copper.
- This will allow the mine to maintain its current ore treatment capacity at 137,000 tpd and continue copper output of approximately 432,000 tpy at capacity.

5. Andina Division (100% owned)

- The Andina Division consists of two mines, the Andina underground mine and the Sur-Sur open-pit mine (232,000 tonnes or 12.6% of Codelco's production in 2014).
- Operations began in 1970, and both mines extract sulphide ores and produce copper concentrate.
- The mine exploits the northwest portion of one of the largest copper ore bodies in Chile. The southwest portion of the ore deposit is owned by AA Sur and supports its Los Broncos and El Soldado mines.
- In 2012, Codelco acquired from AA Sur certain undeveloped mining properties to the east of the Andina mine, which are expected to offer significant synergies to Codelco.
- Concentrate is delivered to Caletones smelter, Ventanas refinery or to third parties.

Projects

- The Andina mine-plant relocation project involves building an adit to transfer ore from the open pit mine to the plant, which will help maintain the long-term ore processing capacity of the existing concentrator and facilitate future expansion.
- The Andina Phase II project is currently being reevaluated and redefined.

6. Salvador Division (100% owned)

- Salvador Division includes the Salvador mine (54,000 tonnes or 2.9% of Codelco's production in 2014) and concentrator and a smelter/refinery complex at Potrerillos, which has a capacity to treat 671,000 tpy of concentrate.

Operating Statistics and Operating Units (CONTINUED)

- Production began in 1959. Products include electro-refined and electro-won cathodes and concentrates.
- The Salvador Division is currently projected to close mining operations between 2016 and 2021, depending on copper market conditions.
- The Potrerillos smelter and refinery will continue to operate upon cessation of the mining operations.

Projects

- Codelco is in the preliminary stages of examining the feasibility of a mine development (the Inca pit) at Salvador Division.

7. Ventanas Division (100% owned)

- The Ventanas Division was created following the 2005 acquisition of the Ventanas smelter and electrolytic refinery complex from Chile's state-owned mining company Empresa Nacional de Minería (ENAMI).
- It has been in operation since 1964 and produces copper cathodes, gold bars and silver grains as well as sulphuric acid as a by-product.
- The Ventanas smelter has a capacity to treat 400,000 tpy of concentrate and processes concentrate from Codelco's Andina mine and from third-party mines in central Chile.

8. Mina Ministro Hales Division (100% owned)

- The Mina Ministro Hales Division, located in Calama region of Chile, was created in September 2010 for the exploitation of the Mina Ministro Hales ore body (141,000 tonnes or 7.7% of Codelco's production in 2014).
- The Division includes an open-pit mine operation, mill and concentrator (primary crushing, grinding and flotation) that will process 50,000 tpd and, in addition to other works, roasting and acid plants.

Other Holdings

El Abra (49% owned)

- El Abra is a joint venture between Codelco (49%) and Freeport-McMoRan Copper & Gold Inc. (51%).
- It is an open-pit mine and processing facility in Chile, producing copper cathodes via SX-EW facilities since 1996. Design capacity (100% basis) is approximately 225,000 tpy of copper (proportional production according to Codelco's share was 87,000 tonnes or 4.7% of Codelco's production in 2014).
- During 2011, El Abra commenced production from newly commissioned stacking and leaching facilities to begin transitioning from production of oxide to sulphide ores.

Anglo American Sur (20% owned)

- Anglo American Sur S.A. (AA Sur) is a Chilean copper producer that owns and operates the Los Bronces, and El Soldado open-pit copper mines and the Chagres smelter in Chile (proportional production according to Codelco's share was 81,000 tonnes or 4.4% of Codelco's production in 2014).
- It is owned by Anglo American (50.1%), Mitsubishi Corporation (Mitsubishi; 20.4%), Codelco (20.0%) and Mitsui. & Co., Ltd. (9.5%).
- Codelco's 20% interest in AA Sur, acquired in 2012, is pledged as collateral to support the project financing of the acquisition, which is non-recourse to Codelco.

Other

- In addition to its copper operations, Codelco has a number of joint ventures and other interests.
- Codelco is also involved in a number of exploration joint ventures with other mining companies.

Corporación Nacional del Cobre de Chile

(As of December 31, 2014)	Measured Resources			Measured Resources			Measured Resources		
	Ore (Mt)	Cu Grade (%)	Fine Cu (Mt)	Ore (Mt)	Cu Grade (%)	Fine Cu (Mt)	Ore (Mt)	Cu Grade (%)	Fine Cu (Mt)
Radomiro Tomic	1,465	0.50	7.3	1,347	0.43	5.8	5,309	0.30	16.1
Chuquicamata	2,942	0.66	19.5	1,777	0.52	9.2	10,696	0.38	40.9
Ministro Hales	302	1.06	3.2	474	0.86	4.1	924	0.72	6.7
Gabriela Mistral	460	0.37	1.7	84	0.30	0.2	510	0.33	1.7
Salvador	496	0.51	2.5	545	0.42	2.3	2,514	0.42	10.5
Andina	2,785	0.73	20.4	2,192	0.67	14.6	14,790	0.57	83.9
El Teniente	2,704	0.86	23.2	2,819	0.57	16.0	9,948	0.48	48.2
Other	161	0.26	0.4	64	0.25	0.2	2,718	0.35	9.6
Total	11,315	0.69	78.2	9,303	0.56	52.3	47,408	0.46	217.6

Company Profile

- Codelco is a state-owned enterprise organized under the laws of Chile, with a mandate for mining, trading and industrial activities. Codelco primarily explores, develops and mines copper-bearing ores and by-products, processes the ore into refined copper and sells refined copper and by-products internationally.
- The Company was formed in 1976 to create a single company to house large ore deposits nationalized by the state in 1971. It is a state-owned mining, industrial and commercial enterprise of indefinite duration with its own legal personality and capital. A constitutional amendment would be required to allow private participation in Codelco's ownership.
- In 2014, Codelco, including its share of 49%-owned El Abra and 20%-owned AA Sur production, produced about 10% of the world's refined copper production and about 10% of the world's molybdenum production, making it the world's largest copper and the world's second-largest molybdenum producer.
- Codelco's financial activities must be sanctioned by the government. The Company must submit its proposed annual budget to the Ministries of Mining and Finance for approval and possible revision.
- The President of Chile names Codelco's nine directors and approves any amendments to the Company's bylaws. Three directors are appointed directly by the President; four are appointed based on a shortlist presented by Senior Public Management, an entity within the National Civil Service Bureau that advises on appointments of high-ranking public positions; and one each from shortlists provided by the Copper Workers' Federation and the National Association of Copper Supervisors to represent Codelco employees.

Corporación Nacional del Cobre de Chile

	Sep. 30	As at December 31			Sep. 30	As at December 31	
	2015	2014	2013		2015	2014	2013
Balance Sheet (USD millions)							
Assets				Liabilities & Equity			
Cash and securities	2,289	1,311	751	Short-term borrowings	1,158	829	521
Accounts receivable	1,831	2,187	2,217	Accounts payable	1,227	1,594	1,727
Inventories	2,502	2,406	2,244	L.T.D. due in 1 year	148	143	633
Prepaid expenses and others	301	253	212	Taxes Payable	3	2	16
				Other current liabilities	818	1,007	882
Total Current Assets	6,922	6,157	5,424	Total Current Liabilities	3,576	3,576	3,779
Fixed assets	22,858	22,053	20,127	Long-term debt	14,406	12,974	10,999
Goodwill and Intangibles	19	18	19	Provisions & other liabilities	3,206	2,977	2,771
Investments	6,831	7,028	7,785	Deferred tax	4,204	4,204	3,398
				Minority interest	1,861	1,864	2,047
				Common equity	9,566	9,662	10,361
Total Assets	36,630	35,257	33,355	Total Liabilities & Equity	36,630	35,257	33,355

Company Profile (CONTINUED)

Corporación Nacional del Cobre de Chile

	9 mos. Sep. 30		12 mos. Sep. 30		For the year ended December 31		
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Financial Ratios							
Current ratio	2.06	1.77	2.06	1.72	1.44	1.58	1.34
Acc. rec. + invent. / short-term debt	3.32	6.15	3.32	4.73	3.87	5.70	4.66
Cash flow / current liabilities	0.83	0.83	1.06	0.95	0.79	0.49	0.55
Accounts payable/inventory	0.49	0.47	0.49	0.66	0.77	0.98	0.95
EBITDA gross interest coverage	6.2	9.6	6.8	9.4	12.0	12.3	27.9
EBIT gross interest coverage	2.6	5.5	3.4	5.5	8.0	8.7	22.4
Total debt / capital	57.9%	52.1%	57.9%	54.4%	49.0%	45.2%	54.2%
Lease-adjusted debt / EBITDA	4.81	2.95	4.40	3.09	2.50	1.98	1.07
Cash flow / debt	18.3%	22.4%	22.2%	25.5%	26.3%	20.8%	36.9%
Lease-adjusted debt / capital	60.0%	55.2%	60.0%	56.9%	52.3%	48.1%	57.6%
Net debt / capital	54.0%	50.8%	54.0%	51.9%	47.4%	41.9%	48.9%
Lease-adjusted cash flow / debt	18.5%	22.2%	22.1%	25.0%	25.7%	20.8%	34.9%
Asset coverage	1.73	1.92	1.73	1.84	2.04	2.21	1.84
Cash flow / capital expenditure	0.76	0.80	0.89	0.92	0.71	0.57	1.18
Cash flow / (capex + dividends)	0.76	0.71	0.83	0.78	0.60	0.55	0.71
Profitability Ratios							
Gross margin	32.1%	38.1%	32.8%	37.1%	37.6%	38.0%	45.4%
EBITDA margin	28.6%	34.8%	29.3%	33.8%	34.5%	34.5%	42.8%
EBIT (operating) margin	12.1%	19.7%	14.4%	19.7%	22.8%	24.4%	34.4%
Net profit margin	-0.1%	5.8%	1.1%	5.3%	7.4%	10.6%	10.9%
Return on equity	-0.1%	7.7%	1.4%	7.3%	10.9%	20.8%	36.0%
Return on capital	2.0%	4.3%	2.7%	4.4%	5.9%	8.7%	19.8%

Rating History

	Current	2015	2014	2013	2012	2011
Issuer Rating	A	A	A	A	A	NR
Senior Unsecured Debt	A	A	A	A	A	A

Previous Action

- Confirmed, February 3, 2015.

Related Research

- Corporación Nacional del Cobre de Chile, Rating Report, February 23, 2015.
- Republic of Chile, Rating Report, January 29, 2016.

Notes:

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

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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