STANDARD & POOR'S

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Codelco 'A+' Local Currency Rating Is Placed On CreditWatch Negative

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BUENOS AIRES (Standard & Poor's) July 18, 2006--Standard & Poor's Ratings Services said today that it placed its 'A+' local currency rating on Chile-based copper producer Corporación Nacional del Cobre de Chile (Codelco) on CreditWatch with negative implications, reflecting the ongoing deterioration of the company's stand-alone financial risk profile.

At the same time, Standard & Poor's affirmed its 'A' foreign currency rating with a stable outlook on Codelco, mainly reflecting the company's strong business risk profile and its 100% ownership and strategic importance for the Republic of Chile (foreign currency A/Stable/A-1; local currency AA/Stable/A-1+). The foreign currency rating on Codelco is not higher than that on the sovereign, reflecting our expectation that the government of Chile is highly likely to interfere with Codelco's ability to service its debt under a sovereign default scenario.

The CreditWatch action on the local currency rating indicates that the rating could be lowered or affirmed.

"If lowered, we expect it would be by one notch to 'A', at which point it would be equal to the foreign currency rating," said Standard & Poor's credit analyst Sergio Fuentes. "Specific government support actions in the very short term, such as reducing the dividend payout ratio or moderating the expansion strategy, will likely be necessary to maintain the local currency corporate credit rating at current levels," said Mr. Fuentes.

Codelco's stand-alone financial risk profile has been gradually deteriorating, mainly since fiscal 2002, as a result of its aggressive and growing debt levels deriving from the combination of its high capital expenditures and dividend payments. This has been in spite of its high cash flow generation deriving from the strong increase in copper prices since 2004.

The ratings on Codelco reflect the company's strong market position as the world's largest integrated copper mining company with ample high-grade copper ore reserves, its highly competitive cost structure on a global basis, and its direct ownership by and strategic importance to its 100% shareholder, the Republic of Chile.

These strengths are partly balanced by the inherent cyclicality of the industry, which results in volatile copper prices and cash flow generation; a lack of geographic diversification on the production side, with all operations located in Chile; and the high tax and dividend burden imposed by the Chilean government.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. All ratings referenced herein can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.