



Financial Report Codelco January – December 2010

**Diego Hernández,
Codelco CEO**

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MARCH 2011

Material Events 2010

- **Accident Rate:** In 2010, the total accident frequency rate dropped to 2.02 from 2.42 in 2009. Even though it continues to improve, there are still many outstanding tasks, given that the Company had to regret 7 fatal accidents (3 staff and 4 contract workers).
- **Corporate Governance:** Since February Codelco's new Corporate Governance Law has been applied; it includes the world's best corporate practices in this area, and it gives autonomy in order to meet goals, adapting its operation to that of a corporation.
- **Organisational Restructuring :** During the year , the company's organisational restructuring was defined and completed. The North Operation, Centre-South Operation, and the Administration and Finance Vice Presidencies were created; Chuquicamata and Radomiro Tomic Divisions were segregated, and Ministro Hales Division was created
- **Investments and Projects:** For the fourth consecutive year Codelco made record investments totalling US\$ 2.616 million in 2010 portfolio.
 - In 2010 , the following have started operations: Radomiro Tomic Sulphide Deposit – Phase I; Andina Expansion Plan Phase I and Pilar Norte (El Teniente). Gaby Phase II also have started.
 - Ministro Hales project was approved, one of four Codelco's structural projects, and construction work have began.
 - Progresses in the feasibility studies for Chuquicamata Underground, El Teniente New Mine Level and Andina Expansion Phase II projects were made .



Material Events 2010

- **Bond Issue:** In October, Codelco issued US\$ 1 billion 10-year international bond, at the lowest rate for a Latin American Corporate in history.
- **New Financing Policy Definition :** The Government backed the new Investment Grade financing policy for Codelco, which combines capitalisation and debt, maintaining a suitable risk rating.
- **Retirement Plans:** Retirement plans were implemented at all Codelco divisions and Head Office, approved by the trade union leaderships. At the end of 2010, approximately 2,200 people opted for the benefits of these plans, that considered retaining knowledge in key positions. Likewise, a working day shift change was implemented.
- **Labor Relations :** During 2010, there were 8 successful collective bargaining negotiations at Salvador (Unions A, B and Potrerillos Union) Radomiro Tomic (Union B), Chuquicamata (mining union, union B), El Teniente (union A) and Union No. 1 in Antofagasta.
- **Continuity of Salvador:** The Board reverted the decision to close the Division's mining operations, scheduled to start in December 2011, because of an improved copper market outlook. In parallel, the San Antonio project investment study was accelerated.
- **Impact of Earthquake on Operations:** The earthquake (February) had minor impacts and specifically related to electricity shortage. Production losses were estimated at 11,300 tonnes of fine copper and a lower cathode output by 2,600 tonnes, at Ventanas Division.
- **Rescue of 33 Miners at San José Mine:** Codelco provided a team of over 100 people who helped from the beginning of the rescue process (5 August– 13 October).



Total Accident Rate January-December (Staff + Contract Workers)

	2010	2009
Codelco Norte	2,56	2,47
Salvador	1,62	2,76
Andina	1,75	1,36
Ventanas	2,86	2,88
El Teniente	1,83	2,33
Codelco	2,02	2,42
Gaby	1,73	2,54

Accident Rate : lost time accidents per 1 million hours worked

Income Statement January-December

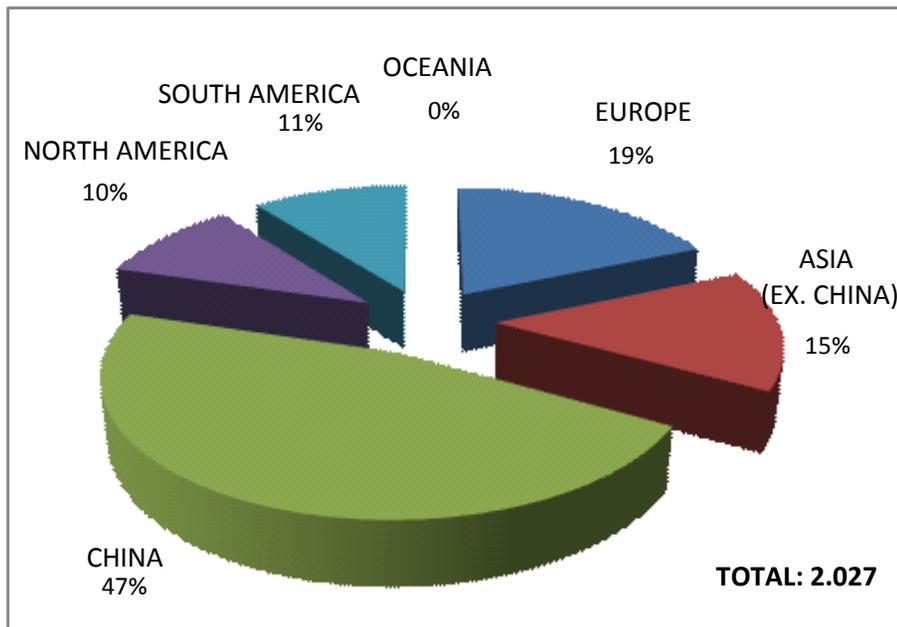
Output and Price Information

	2010	2009
Copper Sales – (1,000 metric tonnes)	<u>1.898</u>	<u>1.937</u>
Own copper	1.673	1.715
Third-party copper	226	222
Molybdenum Sales – (1,000 metric tonnes)	21	21
Own Copper Production – (1,000 metric tonnes)	1.689	1.702
Own Copper Production – (1,000 metric tonnes)	22	22
LME copper prices (c/lb)	342,0	234,2
Metals Week molybdenum prices (US\$/kg)	33,7	24,5
Exchange Rate	510	560

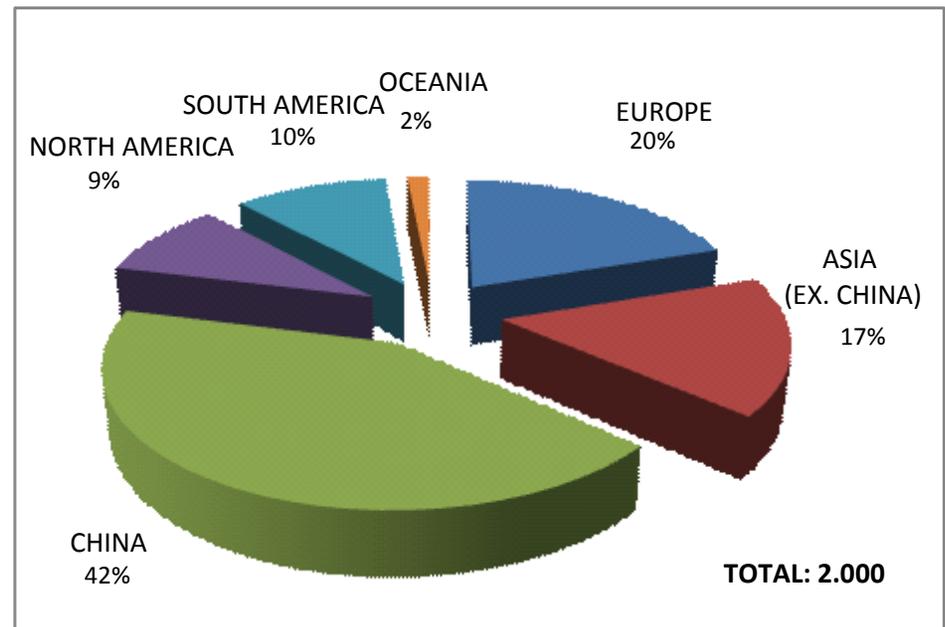


Sales Destination (Mtf)

2009



2010



Income Statement January-December

(in millions of US\$)

	2010	2009
Sales revenue own copper	13.459	10.297
Costs of sales own copper	-7.191	-5.960
Gross profit own copper sales	6.268	4.338
Gross profit by-products & other products	709	557
GROSS PROFIT	6.977	4.895
Other income & expenses	-1.482	-1.258
Related company income	303	311
PRE-TAX PROFIT	5.799	3.948



Pre-Tax Profit Distribution January-December

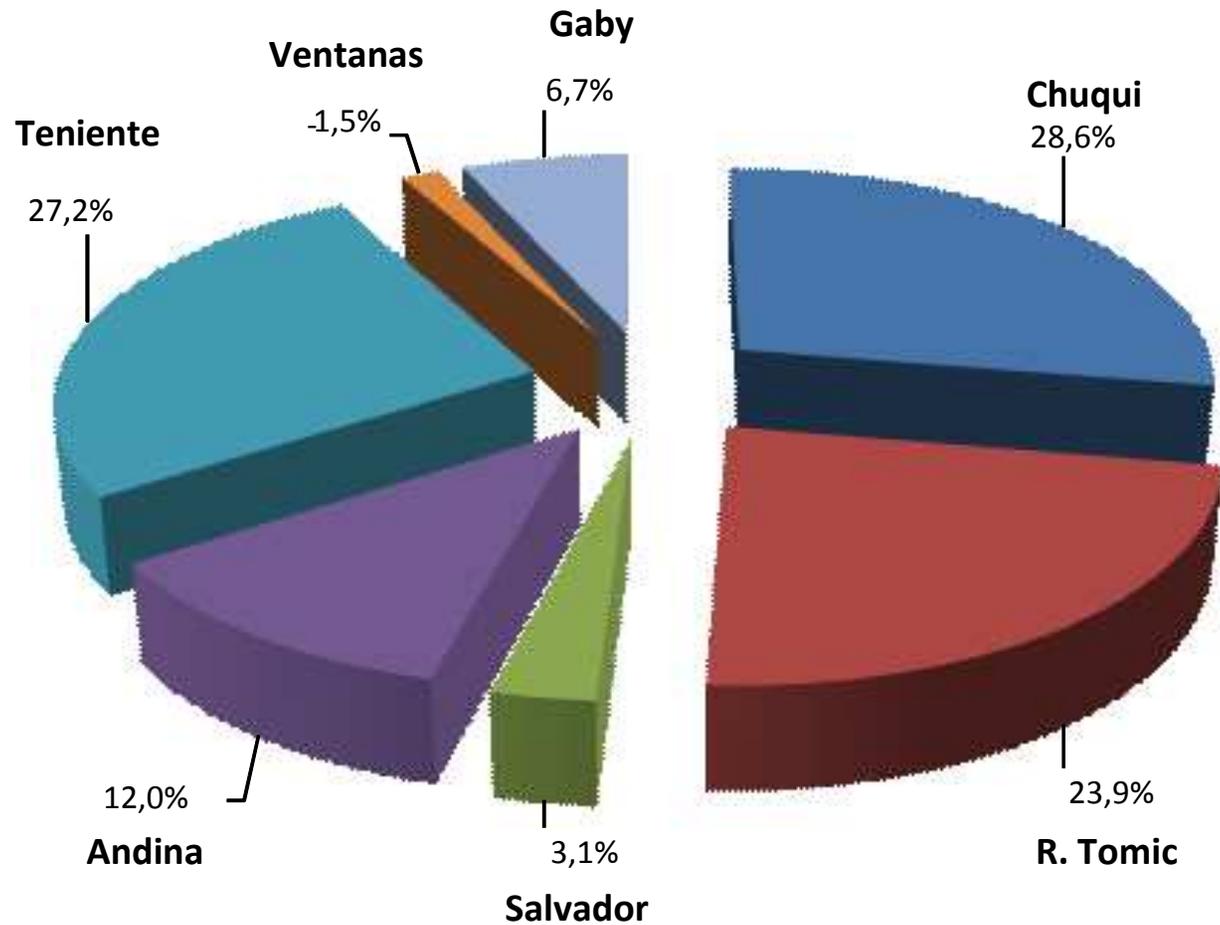
(in millions of US\$)

	2010	2009
Reserve Tax Law No. 13.196	1.311	960
Income Tax (57%)	2.332	1.637
Specific Mining Tax	278	177
Profit	1.878	1.174
TOTAL PROFIT	5.799	3.948
COMPARABLE NET PROFIT(*)	4.610	3.139

(*) Equivalent to Codelco's profits applying the same tax requirements as private sector companies

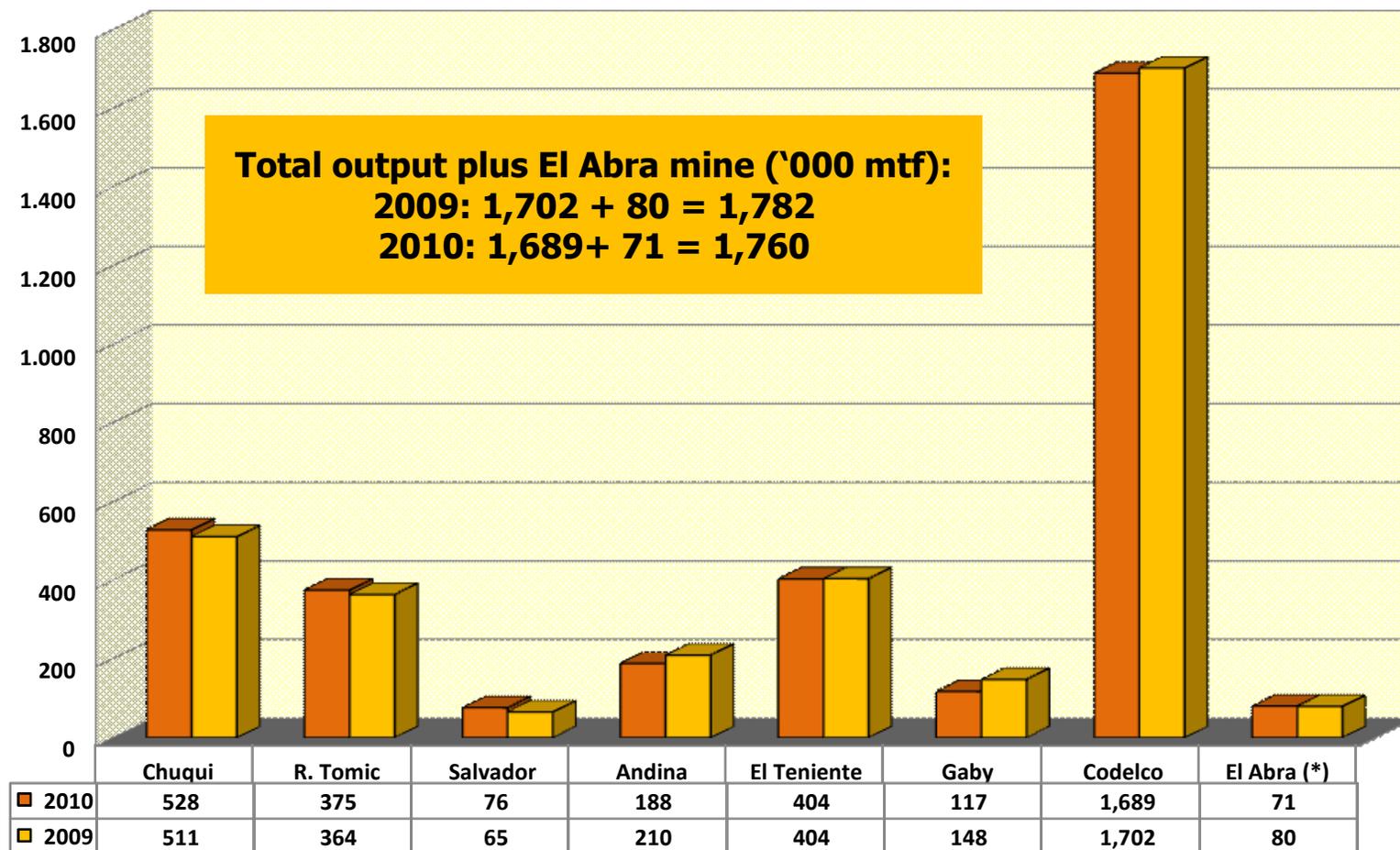


Pre-Tax Profit Distribution January-September 2010 (in millions of US\$)



Copper Output - Own & Subsidiaries - January-September

(in thousands of fine metric tonnes)



(*) Share of production relative to Codelco's ownership interest



Costs

Items included	Total costs & Expenses	Net Cathode Cost C3	Direct Cash cost C1
Operating cost	✓	✓	✓
Non-operating cost	✓	✓	-
Head Office	✓	✓	-
Interest Expense	✓	✓	-
Depreciation & amortization	✓	✓	-
Treatment & refining costs (TC-RC)	-	✓	✓
By-product credits	-	✓	✓



Direct Costs January-December

(US\$ c/lb of copper)

Direct Cash-cost (C1) 2009	92,9	2010	2009
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Salaries & Wages	8,0	41,6	33,6
Material, Fuel & Energy	6,6	56,5	49,9
Third-party & Other Services	3,3	28,9	25,6
Refining, Sales & Other Expenses	-1,0	5,7	6,7
By-product Credit	-5,4	-28,3	-22,9

Cash-cost directo (C1) 2010	104,4	104,4	92,9
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Variation	11,5
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Main Variations

- Salaries & Wages related to copper and molybdenum prices
- Effect of CPI, Exchange Rate and US PPI
- Relevant Input Prices (electricity, oil barrel, spare parts)
- Refining expenses (improved product portfolio)
- Better by-product credit (molybdenum and other products)



Codelco Costs January-December

(US\$ c/lb of copper)

	2010	2009
Total Costs & Expenses	197,6	157,8
Cathode treatment & refining (TC-RC)	2,4	3,7
By-product Credit	-28,3	-22,9
Net Cathode Cost (C3)	171,7	138,6
Depreciation & amortization	-34,2	-27,1
Interest expenses	-7,9	-5,8
Total non-operating expenses	-25,2	-12,9
Direct Cash Cost (C1)	104,4	92,9



Total Costs & Expenses Variation Analysis

(US\$ c/lb of copper)

Total Costs & Expenses 2009 **157,8**

Input prices increase	1,1
Effect of CPI, Exchange Rate and US PPI	11,1
Subtotal	12,2

Mining Variables <small>(less minerals and other treatments, partially offset by better laws)</small>	2,5
Higher depreciation (IFRS)	7,0
Retirement Plans & Collective Labor Agreements	14,4
Higher Non-operating expenses	3,7

Total Costs & Expenses 2010 **197,6**

Variation **39,8**



Net Cathode Costs Variation Analysis

(US\$ c/lb of Copper)

Net Cathode Cost (C3) 2009	138,6
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Higher total costs & expenses	39,8
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Lower TC/RC costs	-1,2
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More by-product credit	-5,4
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Net Cathode Cost (C3) 2010	171,7
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Variation	33,1
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Direct Cash Cost C1 Variation Analysis

(US\$ c/lb of Copper)

Direct Cash Cost (C1) 2009	92,9
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Higher net cathode cost	33,1
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Deduction Depreciation & Amortization	-7,1
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Deduction Non-Operating Expenses	-13,2
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Deduction Corporate Centre Expenses	-1,3
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Direct Cash Cost (C1) 2010	104,4
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Variation	11,5
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