29 atomic number

Cu

name Copper

CODELCO

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ANNUAL REPORT 2001

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ANNUAL REPORT 2001

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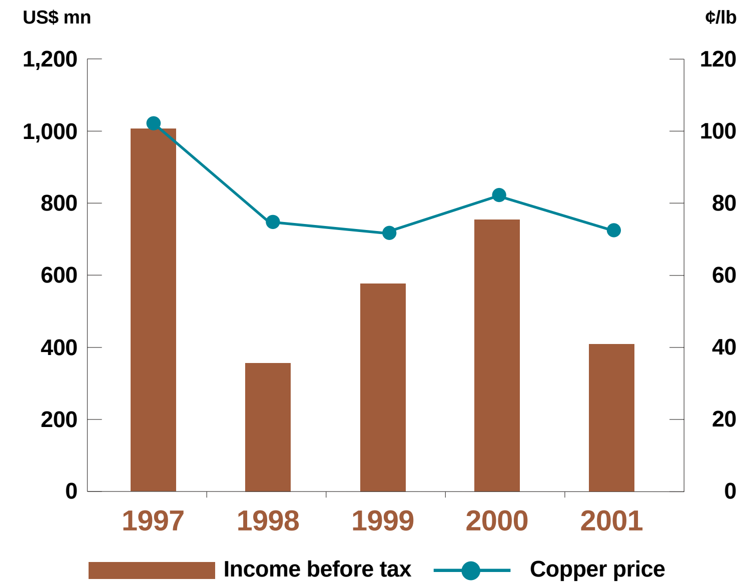
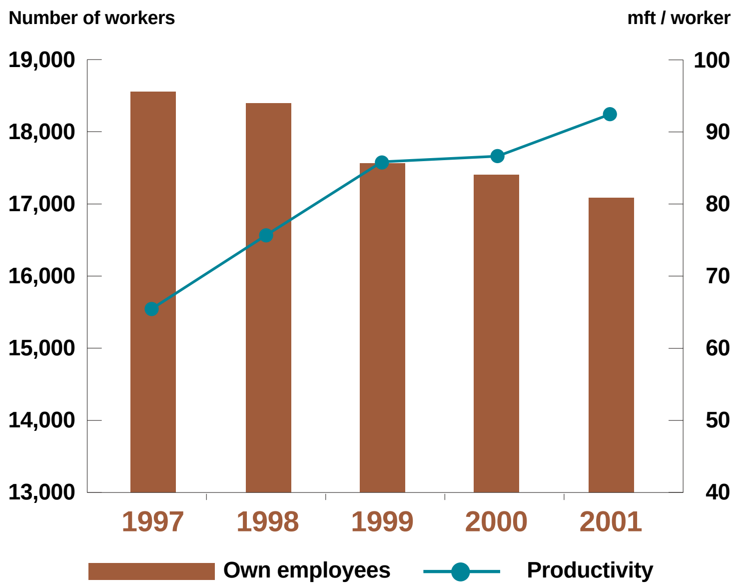
Highlights

Income before tax and the copper price



Productivity



Financial performance (US$ million)	1997	1998	1999	2000	2001
Sales	3,426	2,730	2,944	3,610	3,422
Income before taxes	1,011	355	572	753	410
Treasury contributions	1,173	355	269	702	370
Total assets	5,172	5,823	5,817	5,819	6,104
Total liabilities	2,490	3,127	3,035	3,042	3,404
Equity	2,683	2,696	2,782	2,777	2,700
Investment	873	670	356	504	472
Copper production (*)					
Thousands of metric tons	1,326	1,501	1,615	1,612	1,699
Personnel (December 31st)					
Company personnel	18,496	18,258	17,313	17,349	17,166
Operating contractors	9,686	9,595	9,346	10,786	13,641
Investment contractors	11,350	6,307	3,807	5,410	5,532
Average copper price (¢/lb)					
LME grade A cathodes	103.2	75.0	71.4	82.3	71.6

(*) Includes Codelco's share of El Abra

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P

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Mining and Energy
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Minister of Finance
Nicolás Eyzaguirre Guzmán

D

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Representative of the
President of the Republic
Jorge Navarrete Martínez

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Representative of the
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Vice-Admiral
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General Manager Talleres Division
Alex Acosta Maluenda

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Copper

Officers

Letter from the President and Chief Executive Officer

Throughout 2001, the global economy suffered a serious slowdown that affected copper consumption and its price.

World copper consumption in 2001 fell by 3.4% over the previous year, declining 10.5% in the United States and 13.8% in Japan. Under these conditions, prices plunged below 60 ¢/lb. The average annual price, at 71.6 ¢/lb, was one of the lowest in the past 100 years. Nonetheless, Codelco posted US$ 410 million in pre-tax profits.

These results were possible thanks to the Strategic Alliance agreement signed by the Copper Worker's Federation and Codelco management back in 1994, which allowed the company to survive the crisis it was then experiencing. Amongst other achievements, that agreement has allowed the company to cut costs by around 20 ¢/lb and to successfully weather the economic storm that is currently sweeping the copper industry.

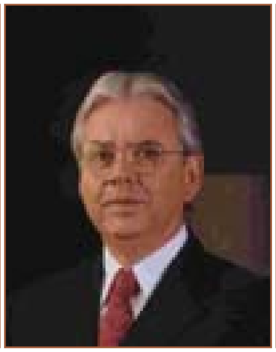
In 2001, we came under pressure to further reduce our production. We resisted this pressure because, unlike other companies, not one of our operations suffers from a situation where variable costs exceed prices. When it became clear that prices in the short term would remain significantly below normal, medium-term prices for some time, however, we decided to revise our mining plans. Given new price trends, we found it necessary to maximize revenues by adjusting mining grades and other operating parameters. We did this without having to downsize personnel, even when this meant reducing production and profits in the short-term. We acted with a clear economic rationale that was well received by the market.

We have not let the economic situation get the better of us. On the contrary, we have focused our energy on shaping the company's Joint Strategic Plan, which reflects a commitment assumed by workers, supervisors and management to join forces and realize the company's full business potential to the benefit of all Chileans.

Thus, last July, amidst celebrations of the 30th anniversary of the nationalization of copper and Codelco's founding, in the presence of the president of Chile, we signed an agreement with the presidents of the Federation of Copper Workers (FTC) and Federation of Copper Supervisors (FESUC), which detailed the fundamentals and commitments contained in the Joint Strategic Plan. From then on, we began to put the plan into practice.

Within the framework of the Joint Strategic Plan we formed several tripartite (management, supervisors and workers) working groups to develop personnel, quality of life, management style, synergies and management of change within the company.

We are committed to doubling Codelco's value from 2001-2006 and the Joint Strategic Plan presents us with an impressive range of opportunities for that six-year period. To make the most of these opportunities, Codelco is investing heavily in training and career development. The Plan guarantees all Codelco employees the right to periodical training throughout their whole working life with the company.



Juan Villarzú Rohde
President and Ceo

By increasing low-cost production, creating new business opportunities, developing markets and making the most of synergies and economies of scale, we add value to the economy and this is where our focus lies.

Today, the company's main areas under development include the El Teniente Development Plan, the Mejillones smelter and refinery, the Gaby and Mansa Mina projects. In the area of new business opportunities, it is worth highlighting the Alliance Copper Ltd board's approval to build a model plant for commercially testing bioleaching technology, which we have jointly developed with BHP-Billiton. We also consolidated important partnerships for exploration in Brazil and opened up the possibility of expanding into Peru. We made a serious move to try and acquire Compañía Minera Disputada de Las Condes, wich owns Los Bronces, a deposit which, along with the Andina Division, constitute a single orebody. However, we suspended this effort when our best offer did not meet the seller's expectations.

We were aware that to successfully carry out the Joint Strategic Plan we needed to modernize the Corporation, implementing best practices as developed worldwide. To do this, we hired the Boston Consulting Group, which has been helping us re-design our organization, providing it with a new structure, which we hope to implement in 2002.

The new design is based on the value chain and underlines the importance of optimizing mining resources and market development. It reinforces the concept of Codelco as a single company with an active corporate center, focused on strategic planning and identifying areas with enormous potential for developing synergies. One of the main conclusions drawn from this analysis is that we can add value by integrating the management of company assets in Chile's Second Region.

I think it is particularly important to mention that during this period we bargained collectively in nearly all our Divisions, with unions affiliated to the both the FTC and the FESUC. The fact that we achieved agreements with no major conflicts is a credit to the spirit of internal company relations.

I would also like to praise the agreement reached by the Chuquicamata Division, supervisors and workers about transfer conditions to Calama.

This provides an example of how, with trust and goodwill, extremely complex problems can be solved and solutions applied in which everyone is a winner. In fact, in this case everyone wins: workers, the company and Calama. Calama will be transformed from little more than a city-camp without much future into one of Chile's most modern cities.

I am pleased to say that we have progressed significantly in forming the basis that will help us reach the goals we have set for ourselves. We will continue to advance with enthusiasm toward our common goal.

JUAN VILLARZU ROHDE
PRESIDENT AND CHIEF
EXECUTIVE OFFICER

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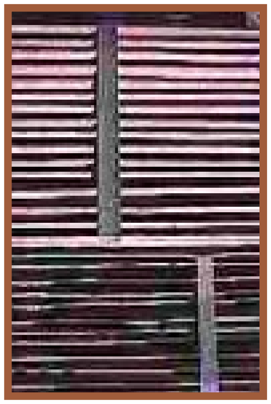

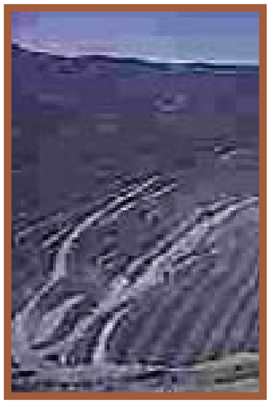

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Name / Chuquicamata Division
Type of deposit / open pit mine
In operation / since 1915
Location / Calama, Chile's Second Region
Products / electro-refined and electrowon cathodes and copper concentrates

Name / astrolabe with signs of the zodiac engraved in its rings
Origin / India
Material / copper and zinc
Collection / Codelco

CODELCO 2001

1 The Company’s joint strategic plan

Cjs

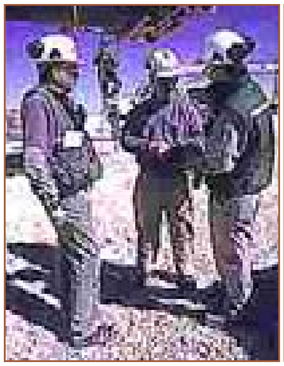
Building the future, based on an ideal

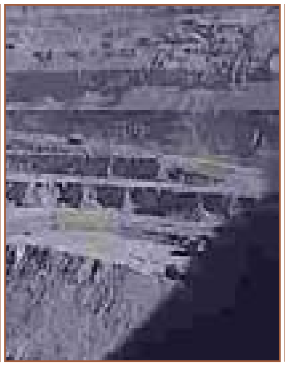
The Company's joint strategic plan

everybody's business

Codelco began 2000 by launching the company`s Joint Strategic Plan, which has been designed to fully realize its business potential and maximize its economic value and the company`s contributions to the Treasury, giving priority to personal and improving the quality of life of all of its workers.

The company committed itself to facing some major challenges, opting for a management plan based on cooperation, persuasion, participation and teamwork. This reflects the shared values, such as respect for the dignity of every individual, mutual trust, truthfulness and loyalty, which is the ideal environment for confronting and overcoming the challenges inherent in today`s competitive, globalized market, where the only survivors will be those who can keep production high, maintain reliable access to financing and hold operating costs within the first or second quartile of the industrial curve.





On 17 April 2000, the company began a strategic reflection process, involving 140 executives and more than 600 representatives of the FTC, FESUC and the National Association of Copper Supervisors (ANSCO). This resulted in a project approved at the end of 2000, which reflected the interests of workers, supervisors and management.

Codelco President and CEO Juan Villarzú, FTC President Raimundo Espinoza and FESUC President Grimaldo Ponce signed the company's Joint Strategic Plan on 5 July 2001, during a ceremony attended by the Chilean President, Ricardo Lagos.

Vision of the future. The idea of the Joint Strategic Plan is first and foremost to define the Codelco we would like to have in 2006. The plan states that "Codelco, 100% state-owned, will be a world leader, maximizing the collective abilities of its people and its business acumen to position itself strongly in the world."

The plan also recognizes its commitment to its owners – every Chilean – to double Codelco's economic value from 2000-2006. This means "generating annual profits of US$1.4 billion for the first three years and US$1.5 billion for the second three years of its US$4.3 billion, six-year investment and improved management plan. These profits are calculated assuming copper prices at 97 ¢/lb and molybdenum at US$7.7/ kg". At the same time, other business projects "will provide, up until 2006, at least US$200 million in additional income every year."

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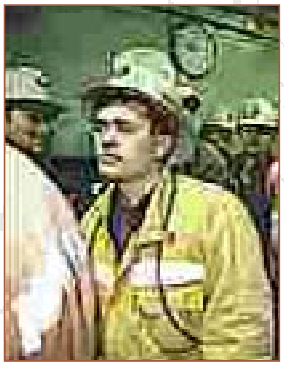
The Company's joint strategic plan



The project also establishes commitments between management and workers and between Codelco and its owner, the State. To make these commitments a reality, Codelco has laid down seven priorities which form the basis of its Joint Strategic Plan, as follows:

- To fully develop its business potential, both in Chile and abroad.
- To develop the potential of workers and supervisors, increasing participation in management and strengthening the Strategic Alliance.
- To ensure quality as a whole and constant improvement of all aspects of the productive process.
- To incorporate new technology as essential to remaining competitive.
- To create new markets and promote copper consumption.
- To reinforce its commitment to protecting the environment and strengthening its ties with the community.
- To ensure Codelco`s institutional framework is solid enough to enable it to compete on an equal footing with the industry`s private companies.

Organization and progress in 2001

On August 1, 2001, representatives from management, the FTC and the FESUC forming part of the General Council responsible for the company's Joint Strategic Plan, the highest body involved in this aspect of the company, met for the first time. The meeting led to the founding of a working group, responsible for coordinating the efforts of four sub-working groups, which, with participation from the three bodies involved in the company, define the priorities within the Joint Strategic Plan. The General Council must approve all proposals from these working groups, which deal with the following subjects: Getting the most out of synergies and management of change, which focuses primarily on a proposal to organize company assets more efficiently, applying best practices and making the most of synergies; Quality of life, which involves efforts to create better working conditions to benefit both workers and the Corporation; Personnel development, which attempts to combine Codelco's interest in the personal development of its employees with the company's general goals and targets; and the Management model, which seeks to build a unique participatory management style.

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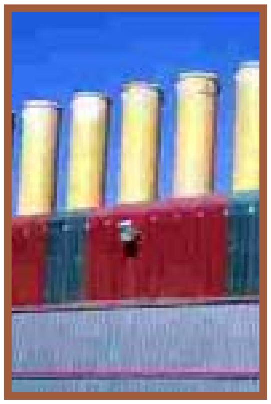

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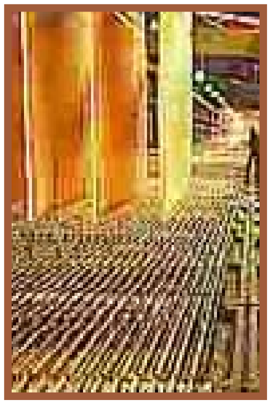
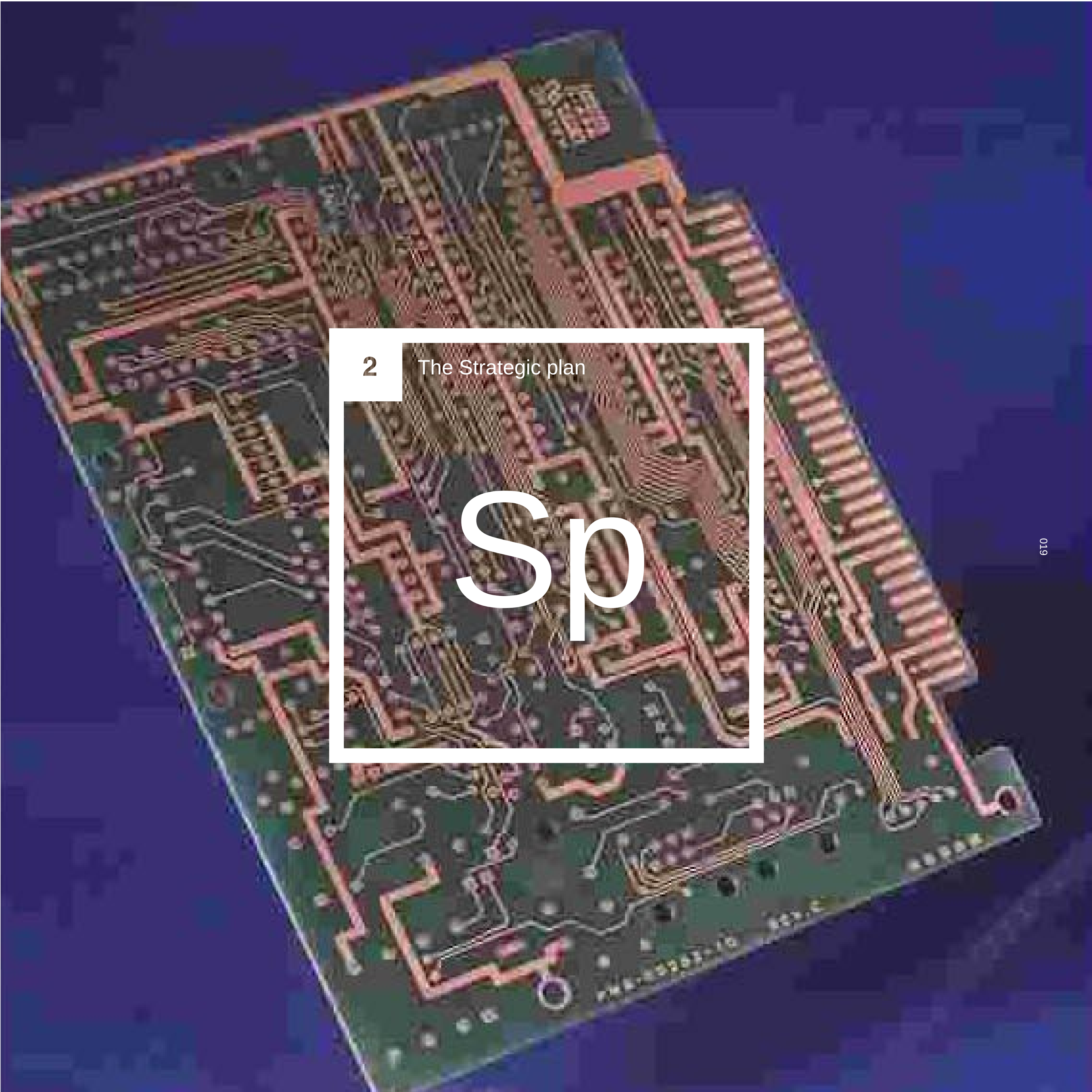


Name / Radomiro Tomic Division
Type of deposit / open pit mine
In operation / since 1997
Location / Calama, Chile's Second Region
Products / electro-winning cathodes

Name / printed circuit board
Material / copper
Use / basis of electronic equipment, appliances and instruments



2 The Strategic plan

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Strategic plan and its progress

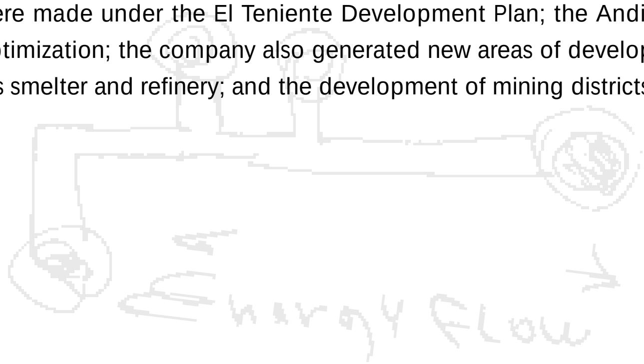
Investment and projects

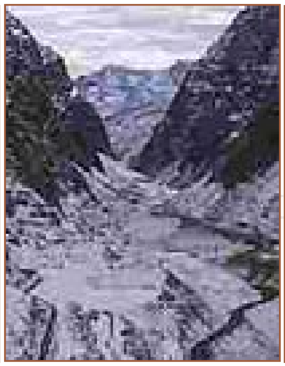
As part of its Development Plan, Codelco invested US$472 million in 2001 in 400 projects, the benchmarks for which demonstrated highly efficient management. The main projects over the past year included: more efficient metallurgical extraction (from ore) at concentrate plants and the improved competitiveness of the Chuquicamata Division smelter; completion of gravel leaching and optimization projects at Radomiro Tomic; progress was made in upgrading technology at the Salvador Division's Potrerillos smelting plant; the Andina Division's treatment capacity was increased to 72,000 tons per day; and the El Teniente Division expanded mining to its northern reserves and began to boost output capacity, both projects included in the Division's expansion plan.

Other advances were made under the El Teniente Development Plan; the Andina expansion; Radomiro Tomic optimization; the company also generated new areas of development, among them the Mejillones smelter and refinery; and the development of mining districts.

Investment 2001

	US$ million
Development projects	277
Equipment replacement and repairs to facilities	79
Environment and occupational safety	66
Research and studies	37
Exploration	13
TOTAL	**472**





Teniente Development Plan. This initiative aims to increase the El Teniente Division's production capacity, starting in the second half of 2003, from 350,000 to 480,000 metric fine tons of copper per year, through management and expansion projects that will help maximize profits in the long term.

In the second half of 2000 and throughout 2001, the Division started up a series of projects worth a total investment of US$ 430 million. These included mining northern reserves, increasing T8 transport capacity, expanding mining electrical systems, increasing output, and handling primary CPS gases.

During the last quarter of 2001 three new projects were approved including the Pipa Norte and Diablo Regimiento and Phase II of the plan for increasing output. The El Teniente Development Plan is worth an overall investment of US$ 1.126 billion, which includes infrastructure projects and supply contracts.

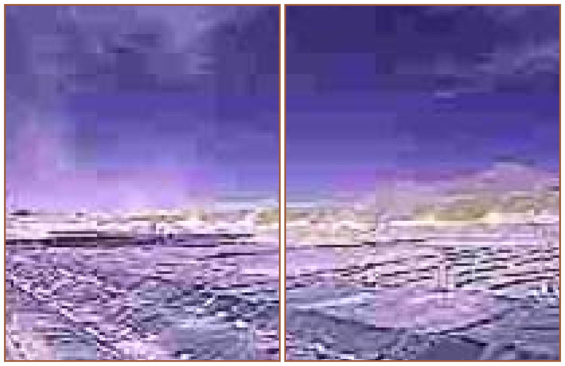
Andina expansion. The Andina expansion project seeks to boost annual production from 250,000 to 430,000 metric fine tons (mft) of copper in 2005, which will involve expanding the open pit mine, building crushers and mills, transporting pulp and expanding the concentrates plant.

In 2001, the project's conceptual engineering design was completed and the environmental impact study was presented to the relevant authorities.

Radomiro Tomic optimization. This project will require a total investment of US$ 279 million. In 2001, for an investment of US$ 60 million, production capacity was boosted to 272,000 mft, making Radomiro Tomic the world's largest electro-winning cathode facility and one of its lowest cost copper operations. The project requires a total investment of US$ 279 million.

Expansion at Radomiro Tomic involved increasing the number of teams working in the mine, modifying the crushing plant and adding a secondary ore storage area through a tertiary crushing plant.

Mejillones Smelter and Refinery. In 2001, Codelco successfully completed pre-feasibility studies for the Mejillones smelter and refinery and formed a group of smelting and refining specialists to study different ways of integrating the new smelter and refinery at Mejillones into Codelco.



Project goals include introducing technology that will give Codelco a competitive advantage in continuous pyrometallurgical and decoupling within the fusion-conversion and permanent cathode processes, as well as managing Codelco's smelting and refining area as a single, integrated business unit, taking into consideration developments at existing facilities and the inclusion of a new facility at Mejillones.

District mining development. Over the past decade, Codelco has explored, reevaluated and redefined a series of new ore deposits located in northern and central Chile. In the north, the company has added the Mansa Mina, Gaby, Toki, Genoveva, and Opache projects to its Chuquicamata and Radomiro Tomic Divisions, as well as several other projects still at the exploration stage.

In central Chile, Andina continues to study new reserves, in terms of both size and depth, which could transform the Division from a productive unit into a world-class mining district.

Based on these developments, Codelco's mining development has matured to a stage where production and economic expansion projects are no longer treated as isolated individual productive units or enclaves, but rather as district mining centers. This means the company now considers each productive unit as part of a single mining center, identifying synergies between the different units, studying the available resources (mine, energy, water, employees, inputs and others), looking for the best way to use existing machinery and installations, and deciding what else needs to be built.

All this forms part of Codelco's new mining development plan, based on the concept of district mining resources and reserves. This perspective makes it easier to articulate more consistent, internally coherent, integrated production prospects.

Sustainability and environmental management

Codelco continued with its environmental protection policy in 2001, investing almost US$ 50 million in this area.

The company made progress in the area of sustainable development, officially adopting a sustainable development stance as part of company management policy. In a demonstration of its commitment, the company created a Markets and Sustainability Vice-Presidency in November.

In September, Codelco published its new Corporate Environmental Management, Occupational Health and Safety Policy.

Among other strategic initiatives, Codelco plans to implement an Environmental Management System and achieve ISO 14001 certification at all Divisions, by April 2003.

Radomiro Tomic became the first Division to meet the ISO 14001 standards, a major stride forward that demonstrates Codelco's commitment to environmental protection and to working towards ensuring that all of its processes and products are environmentally sustainable.

Exploration and mining joint ventures

In recent years, Codelco has increased investment in geological exploration and seeking to generate new mining business opportunities. In 2001 the company allocated US$13 million to this end.

In Chile, the most important advance was consolidating the Toki deposit and developing the ore deposits cluster concept. Along with other prospective sites, such as Genoveva and Opache, these advances represent 7 to 8 million metric fine tons of copper in leachable resources and primary sulfides.

These resources are particularly valuable thanks to their proximity to the industrial hubs of Chuquicamata and Radomiro Tomic, offering potential synergies in project resources and complementing Codelco's integration plan for the northern district.

Moreover, exploration in Chile increased significantly, with 25% more drilling than the previous year. Drilling took place mainly in copper porphyry seams located in First, Third, Fourth and Sixth Regions, and in the southern-central zone. Also last year a significant number of new areas were explored: 37 sites were drilled to a total of 70,000 meters, resulting in the identification of six to eight ore systems offering good prospects.

Codelco started to apply this strategy of identifying opportunities in third-party properties following a series of joint ventures in 2000, after it teamed up with Barrick to explore Rio Hurtado, a site still being explored.

Exploration joint ventures

Projects in Chile	Partner	Type
Yabricoya	Cominco (Canada)	Copper
San Bartolo	Minorco (England)	Copper
Sierra Mariposa	Placer Dome (Canada)	Copper
Rio Hurtado	Barrick (USA)	Copper / gold
Projects abroad	**Partner**	**Type**
Sonora state	Peñoles (Mexico)	Copper
Gradaus	Barrick (Brazil)	Copper
Rondonia	Santa Elina (Brazil)	Copper

Internationalization

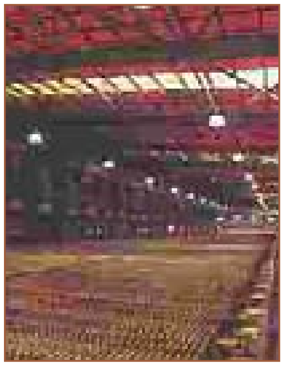
Codelco's new strategy of exploring opportunities outside Chile steamed ahead in 2001, with exploration deals signed in Brazil, Mexico and Peru.

Brazil

Barrick-Brazil and Minera Santa Elina. Kicking off exploration in Brazil was a milestone in international exploration for Codelco. Negotiations with Barrick-Brazil and the Santa Elina firm throughout 2001 ended in successful joint ventures allowing Codelco to explore promising new areas, particularly Gradaus in the state of Pará (with Barrick) and Nova Brasilandia in the state of Rondonia (with Santa Elina).

With these partnerships Codelco has gained access to more than 2 million hectares of prospects and the possibility of clinching 51% of shares in new discoveries.

Vale do Rio Doce. Codelco and the world's largest iron ore producer, Vale do Rio Doce, signed a memorandum of understanding on 28 November. Among the main provisions, the agreement specified the companies' intentions to negotiate a strategic partnership that would help increase Codelco's international presence and their decision to set up an international exploration joint ventures for promoting copper exploration and production at all potential mining sites.



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Mexico

Pecobre. The Pecobre mining corporation, formed by Codelco and Mexico's Grupo Minero Peñoles, completed its second year of exploration in the Sonora distric in Mexico. Exploration concentrated on finding porphyry copper in covered areas. Development of these projects required drilling twice the amount as in 2000, totaling 23,000 meters drilled at 13 sites.

Also in Mexico, efforts throughout the year revealed the existence of the Los Humos site. By negotiating with third parties and including properties belonging to Peñoles, Los Humos has become a priority site, where Codelco hopes to find more reserves.

Peru

Peru, which is already a priority country when it comes to mining in Latin America, became more attractive to Codelco following statements from the Peruvian government indicating its approval of Codelco's increased activity in that country. This led Codelco to renew contacts and evaluate new opportunities with local and foreign companies.

Research and technological innovation

In 2001, Codelco spent US$15.5 million on research and technological innovation. For Codelco, taking advantage of new technologies is vital to remain competitive. As a result, throughout 2001 the company stepped up technological and research programs and the search for the knowledge necessary to support identifying and developing high-impact technological breakthroughs in the area of copper production. The company also sought to develop technology-based business opportunities that are expected to add value to the corporation.

Company technological projects. This past year, the company focused on evaluating and validating pilot and large-scale studies to test new technologies.

These included important advances in underground mining, ore processing and finetuning the Teniente technology for smelting and converting concentrates.

IM2. In 1998, Codelco created this subsidiary to face the challenges of developing innovative mining methods. Known as IM2, the mining and metallurgy innovation unit carried out more than 85 projects and presented 14 patent applications in 2001.

During this period, IM2 has increased its know-how in different mining-metallurgical areas, such as the geomechanics and geo-techniques of blasting and blasting designs using electronic detonators. This knowledge has been key to

developing the concepts and carrying out tests of rock preparation at Andina and regulating energy consumption in Chuquicamata's ore processing.

In the area of hydrometallurgy, knowledge of geometallurgy and the leaching of complex oxide and altered ores was applied to evaluate the ore leaching process at the Damiana deposit. It was also used to design and test several leaching alternatives at the San Antonio and Extension Norte de Mina Sur ore bodies.

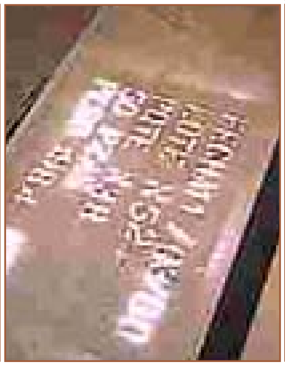
Alliance Copper Ltd. The Alliance Copper, which is jointly owned by Codelco and BHP-Billiton, looks for new metallurgical mining opportunities. It develops bio-leaching technology for concentrates, making it easier to mine ore bodies high in arsenic.

In 2001, Alliance Copper completed the feasibility study for a prototype plant with a capacity for 20,000 tons per year using concentrates with 1.8%, 2.5% and 4% arsenic content. Getting approval to build the plant and testing the technology will involve a US$56 million capital increase. The plant is expected to start up in the second half of 2003.

Bio-mining program. Codelco has close to 3 billion low-grade mining resources containing significant amounts of chalcopyrite, which require competitive technology if they are to be commercialy developed. Codelco, Corfo, the state development organization, and the national science and technology research commission, Conicyt, signed a bio-mining development agreement, which forms part of the Chile Genoma Initiative within the Chilean government's program for Technological Development and Innovation.

The agreement will develop know-how in genomics, proteomics and bio-information technology using microorganisms useful for mining, as well as industrial applications designed specifically for the mining industry.

Outokumpu agreement. In 2001, Codelco and Outokumpu signed an agreement recognizing the complementary nature of the two companies and the potential for cooperation to increase mutually worthwhile business opportunities, particularly in terms of developing innovative technologies and forming alliances to explore, develop and operate copper mining operations in other countries.



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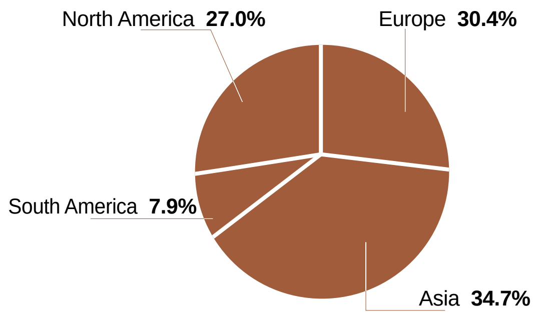
Market development

During the past fiscal year, copper sales rose 11.6% by volume over the previous year, reaching 2.09 million metric fine tons per year. Codelco's marketing strategy has been based on giving priority to selling refined copper to manufacturers and producers of semi-manufactured goods, in order to develop clients who are also long-term strategic partners, able to help guarantee Codelco's presence in regional copper markets.

Similarly, Codelco expanded its portfolio in markets consuming large amounts of refined copper, such as the United States and China. Despite the global economic slowdown, China has become the fastest growing copper market and shows great potential. It has become an increasingly important market for Codelco, not only due to increased sales, but also because the corporation has kept up contracts with its clients. The world's biggest refined copper consumer, the United States, trimmed its own production in 2001, creating a growing market deficit. This opened up opportunities for Codelco, causing it to renew efforts to develop a subsidiary there.

Copper sales by region, 2001



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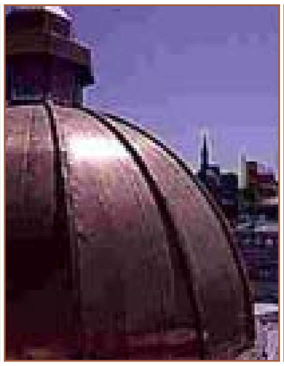
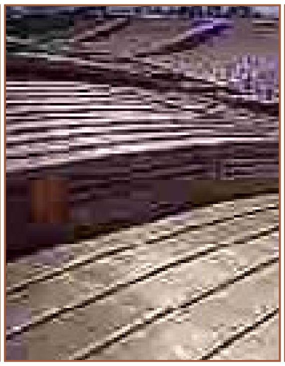
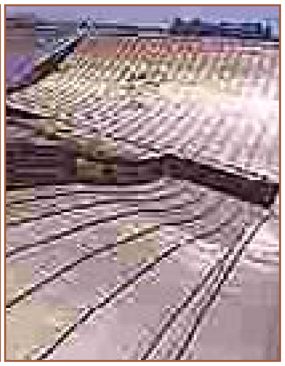






In recent years, Codelco has become a world leader in production and sales of copper by-products, particularly molybdenum. In 2001, Codelco produced 24,238 mft of molybdenum, which represented 18% of world molybdenum production.

Codelco's molybdenum sales grew 1.7% compared to 2000, with the main destination being steel markets in the European Union, Asia and Latin America.

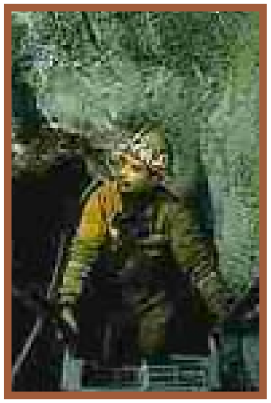
Codelco is conscious of the fact that apart from selling and distributing these products efficiently, its policies ensure that it meets environmental standards in Chile and abroad in destination countries.

In 2001, the corporation created the Markets and Sustainability Vice-Presidency, to strengthen the company's strategy of defending and developing copper markets. The company also increased its presence in international organizations working toward these objetives and has campaigned for changes that help strengthen corporate structure and improve efficiency.

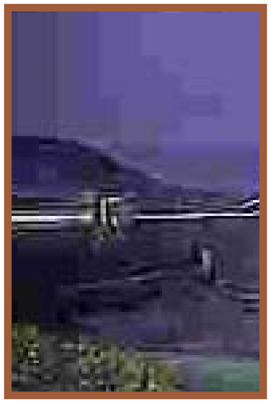
Last year, the International Copper Association (ICA) approved a new structure that should provide to greater unity and efficiency for the industry as a whole, including regional organizations and local promotion centers. Codelco actively participated in the restructuring process and committed its support at all levels of the ICA and to regional and local promotion centers in the main copper markets.

ICA strengthened its technology initiative, forming a committee headed by Codelco. The committee hopes to play a more dynamic role in the development of new products and technologies. Similarly, the ICA team will play a more prominent role in pre- and post-evaluations of promotion projects.

Fer



Name / El Teniente Division
Type of deposit / underground mine
In operation / since 1904
Location / Rancagua, Chile's Sixth Region
Products / fire-refined and copper anodes



Fer

Name / GIO lamp
Origin / Italy, designed by Andrea Ponsi
Year / 1993
Material / copper

3

Financial and economic results

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Financial and economic results

Income before tax and contributions to the Treasury

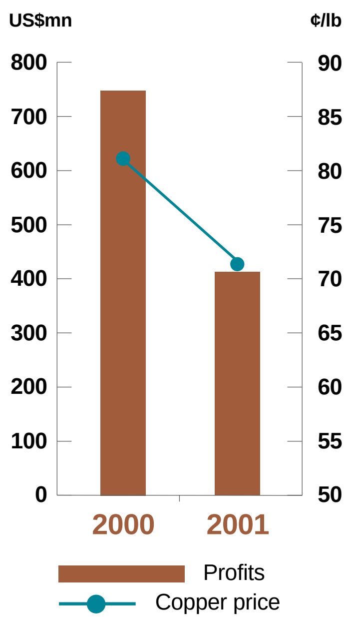
In 2001, Codelco's before tax income reached US$ 410million, down from US$753 million in 2000, largely due to plunging copper prices. The average annual price for the year on the London Metal Exchange was 71.6 ¢/lb, some 10.7 cents less than the 2000 average of 82.3 ¢/lb.

The price drop spelt US$487 million less in profits, a loss that was mitigated by greater sales and cuts to costs and spending.

EBITDA (earnings before interest, tax, depreciation and amortization) reached US$ 980 million, down US$306 million from the US$1.286 billion posted in 2000.

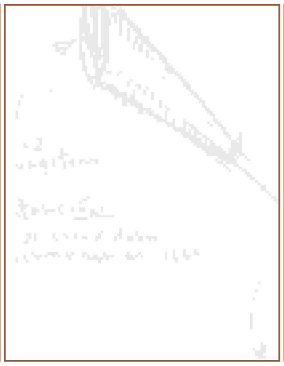
In 2001, Codelco's contribution to the Treasury fell to US$370 million compared with US$702 million the previous year, as the following figures reveal.

Profits and copper prices



Contributions to the Treasury
US$ million

	2001	2000
Income tax	3	162
Law Nº 13.196	257	296
Profit sharing	102	237
Other	8	7
TOTAL	**370**	**702**



Ibt

Corporate costs

In 2001, the company's unit costs reached 61.7 ¢/lb of copper in total costs and spending; 58.1 ¢/lb in net cathode costs; and 40.7 ¢/lb in cash costs.

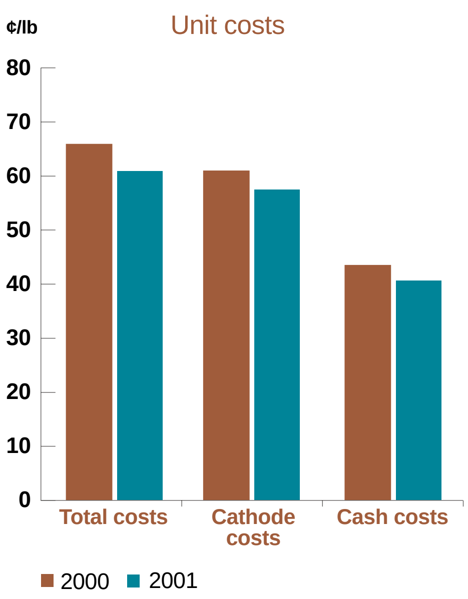
Costs fell significantly over the previous year, expressed in constant currency. Total costs fell 4.3 ¢/lb, from 66.0 ¢/lb to the aforementioned 61.7 ¢/lb. Net cathode costs fell 3.5 ¢/lb from 61.6 ¢/lb in 2000. Lastly, cash costs slipped 3.5 ¢/lb from 44.2 ¢/lb in 2000.

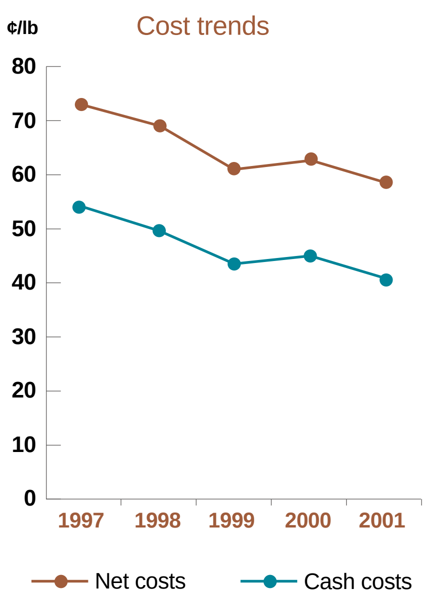
In 2000, some extraordinary spending took place that was not directly linked to operating activity. The most significant items included corrections to valuations and liquidation of transactions carried out in previous periods, including charges due to differences in converting investment in other firms, which did not occur in 2001, and more spending on UF-dollar hedging than the previous year. The reduction in extraordinary expenditure amounted to 1.7 ¢/lb of copper produced. Note that that in 2001 there was greater depreciation and amortization, which totaled 0.9 ¢/lb, the result of carrying out the investment plan and significant mine development at deposits.

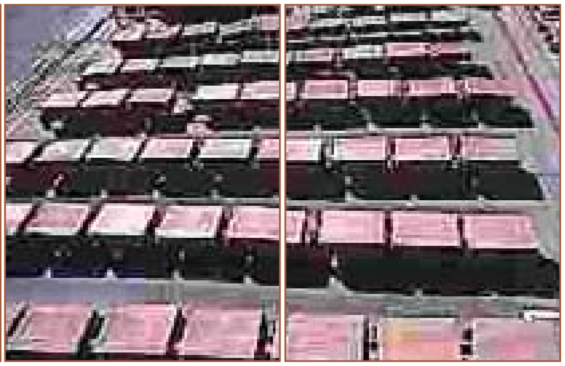
Cost trends. Company costs are extremely important in the copper industry given that company competitiveness is directly associated with this indicator. Adequate cost control enables companies to face periods of depressed prices, as was the case in 2001. At Codelco, strict cost controls ensure the company continues contribute significantly to the national treasury.

To form an idea of Codelco's performance in this area, we must look at trends over the past five years using two cost indicators: net costs and cash costs. Past costs have been corrected to 2001 prices, using changes in the Producers Price Index of the United States. Moreover, to avoid distortions, credit calculations for by-products use the molybdenum price for 2001.

Over the past five years, net costs have fallen about 14.2 ¢/lb from 72.3 ¢/lb in 1997 to 58.1 ¢/lb in 2001. Cash costs have fallen by 24.6%.





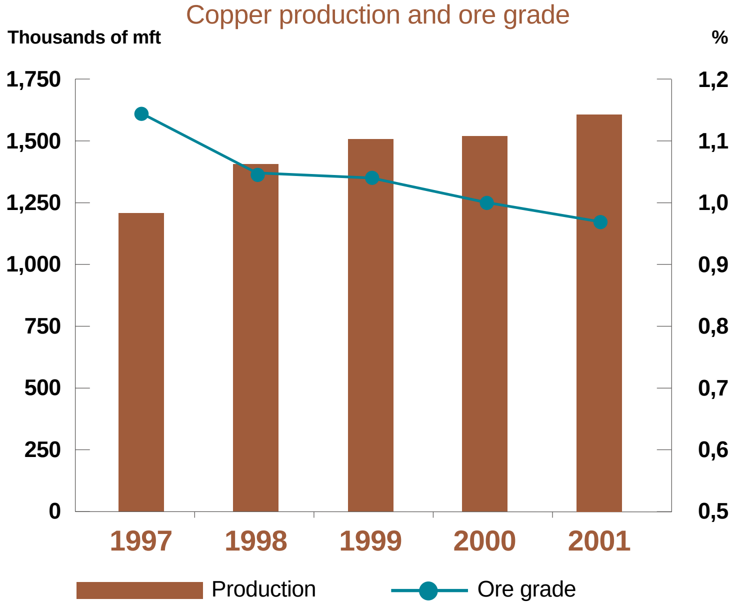


Production and sales

Production. In 2001, Codelco produced 1,698,978 metric fine tons of copper, 86,621 mft more than 2000. This figure includes the 49% of El Abra's production that corresponds to Codelco's share of that company. However, the higher production came mostly from the Radomiro Tomic expansion.

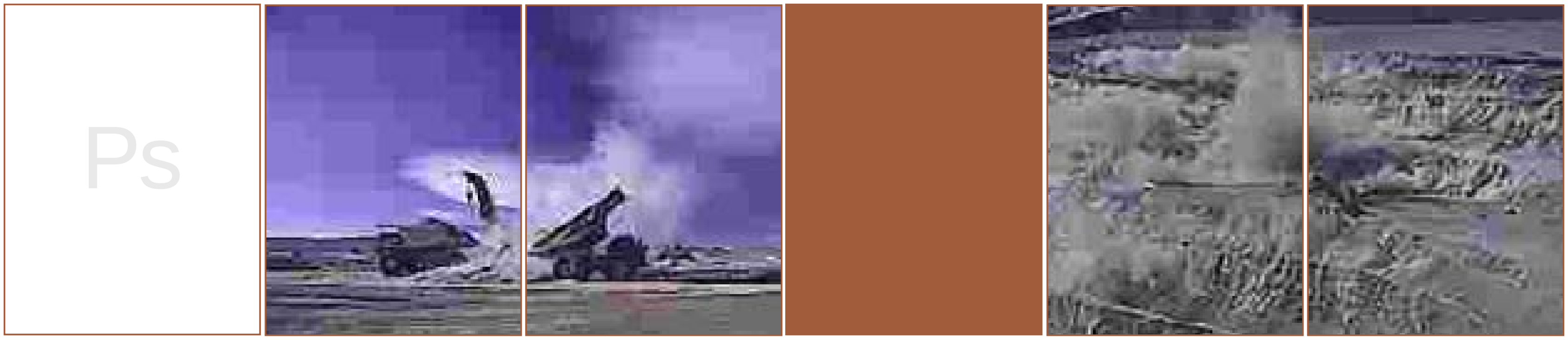
The average ore grade in 2001 was 0.97%, compared to 1.02% in 2000. From 1997 to 2001, the ore grade fell by approximately 15%.

Copper production and ore grade



Production, by division
mft

	Copper 2001	Copper 2000	Molybdenum 2001	Molybdenum 2000
Chuquicamata	641,931	630,119	15,219	13,906
Radomiro Tomic	260,336	191,429		
Salvador	81,166	80,538	1,575	2,259
Andina	253,341	257,970	2,724	3,592
El Teniente	355,600	355,664	4,720	5,188
El Abra (% Codelco)	106,604	96,637		
TOTAL	**1,698,978**	**1,612,357**	**24,238**	**24,945**



Sales. The Corporation's total income from copper and by-products totaled US$3.422 billion in 2001, down US$188 million from 2000. 2001 saw shipments of 2,089,785 mft of own and third-party copper, up 11.6% over shipments made the previous fiscal year.

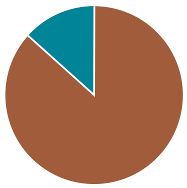
Copper sales totaled US$2.585 billion, down from US$2.742 billion in 2000. The US$157 million difference was due to a US$487 million loss from low copper prices. The loss was partly offset by an additional US$330 million thanks to increased shipments.

Sales of third-party copper reached US$554 million down from US$568 million in 2000.

By-product sales totaled US$283 million, down US$16 million from 2000: molybdenum, generated income worth US$122 million, down US$9 million on 2000 because of poor prices.

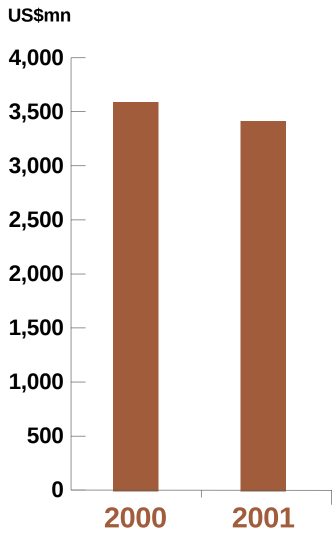
Around 90% of copper sales were refined copper, cathodes and fire refined, with the remainder being non-refined products.

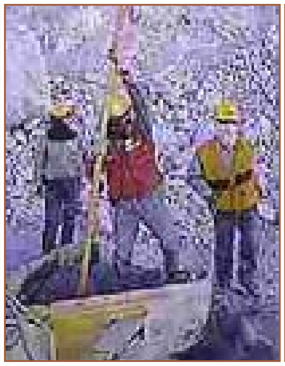
Structure of copper sales 2001

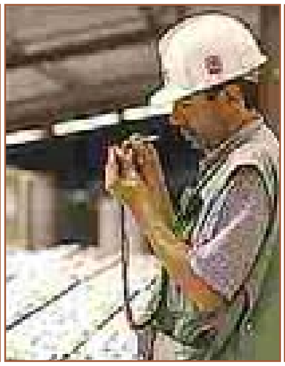


- Refined copper
- Non-refined copper

Total earnings







Pro

Productivity

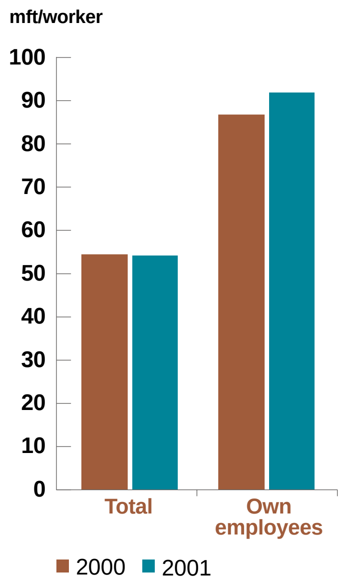
Labor productivity. Productivity refers to the ratio between copper production for a given period and the number of personnel employed over the same period. Similarly, Codelco distinguishes between the productivity of its own employees and total employee productivity. The former deals with those employed directly by the Corporation, while total productivity includes both the company`s own employees and those of contractors involved in operations.

The number of company employees averaged 17,147 in 2001, down from 17,403 the previous year. Using this figure and excluding from the calculation Codelco`s share of El Abra`s copper production, in 2001 the Corporation`s own productivity was 92.9 tons per worker, up from 87.1 tons per worker the previous year.

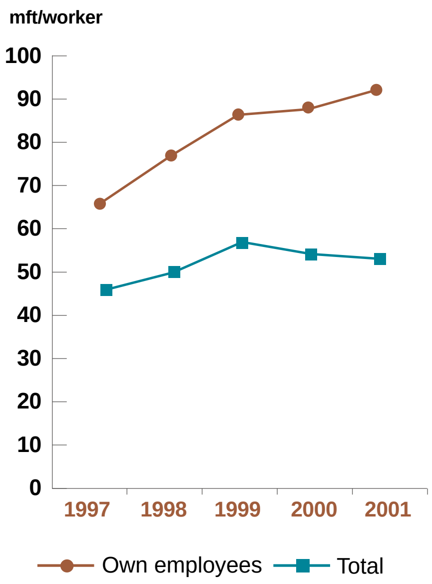
Total productivity remained virtually the same, dropping very slightly from 54 tons per person in 2000 to 53.5 tons in 2001.

If we examine trends over the past five years, it is clear that Codelco’s own productivity increased by 40%, rising from 66.2 tons per worker in 1997 to 92.9 tons in 2001. In the same period total productivity rose 18%.

Labor productivity



Productivity trends



Human resource management

Protecting the physical integrity and health of company employees is an ethical duty and a top priority for the company's development.

Accident risk. Codelco places special emphasis on occupational safety with major campaigns carried out throughout the company. Despite its efforts, the accident rate remained more or less the same as in 2000. In fact, the frequency of accidents rose to 4.9% from 4.4% in 2000. Although the number of serious accidents fell to 881 in 2001 from 1,340 in 2000, the company still considers this high.

Absenteeism and overtime. Labor performance was not as good in 2001 as in 2000. Absentee rates rose from 5.4 in 2000 to 5.7 in 2001, while overtime rose from 4.3 to 4.6.

Health and training. In 2001, the company addressed health issues through discussions at the Quality of Life Commission, which forms part of the Company's Common Plan, to bring health issues in line with the general vision of the company.

Moreover, Codelco launched a series of performance - oriented agreements defining five-year targets in the areas of general health, service and management quality. Last year also saw the company evaluate indicators and adjust certain benchmarks and targets for the first time.

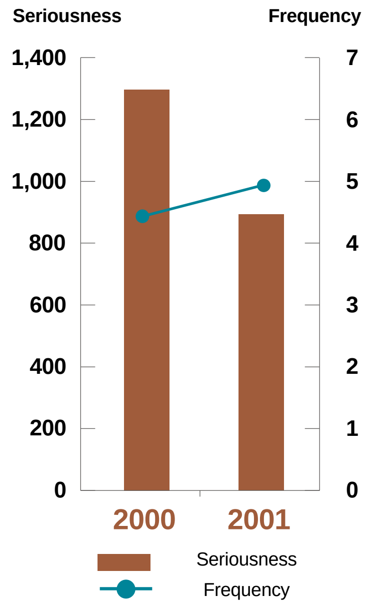
Codelco carried out the first general company personnel study using a special body mass index prepared in conjunction with the College of Public Health, and carried out the first Health Services Quality study, realized by an external specialist company. The latter dealt with users' perceptions about the quality of company facilities, clinics and hospitals.

Commitments made by management and workers, in the framework of the company's Common Plan, called for heavy investment in training to develop individual potential in order to keep up the company's competitiveness and meet employability requirements.

This included investing US$8.5 million in 2001 in training and development programs, more than twice the amount invested in similar projects in 2000. The programs included 5,817 courses for 74,000 participants ringing up 1,247,093 teaching person hours for the year.

The main training programs included development programs, one for executives, two business administration courses for professionals and three work development programs for other workers.

Accident rates



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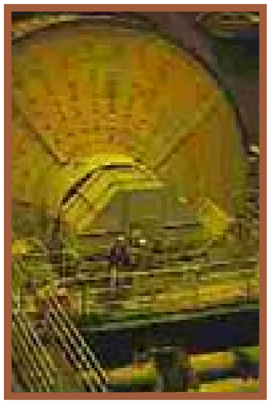

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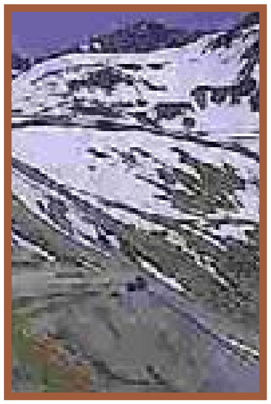
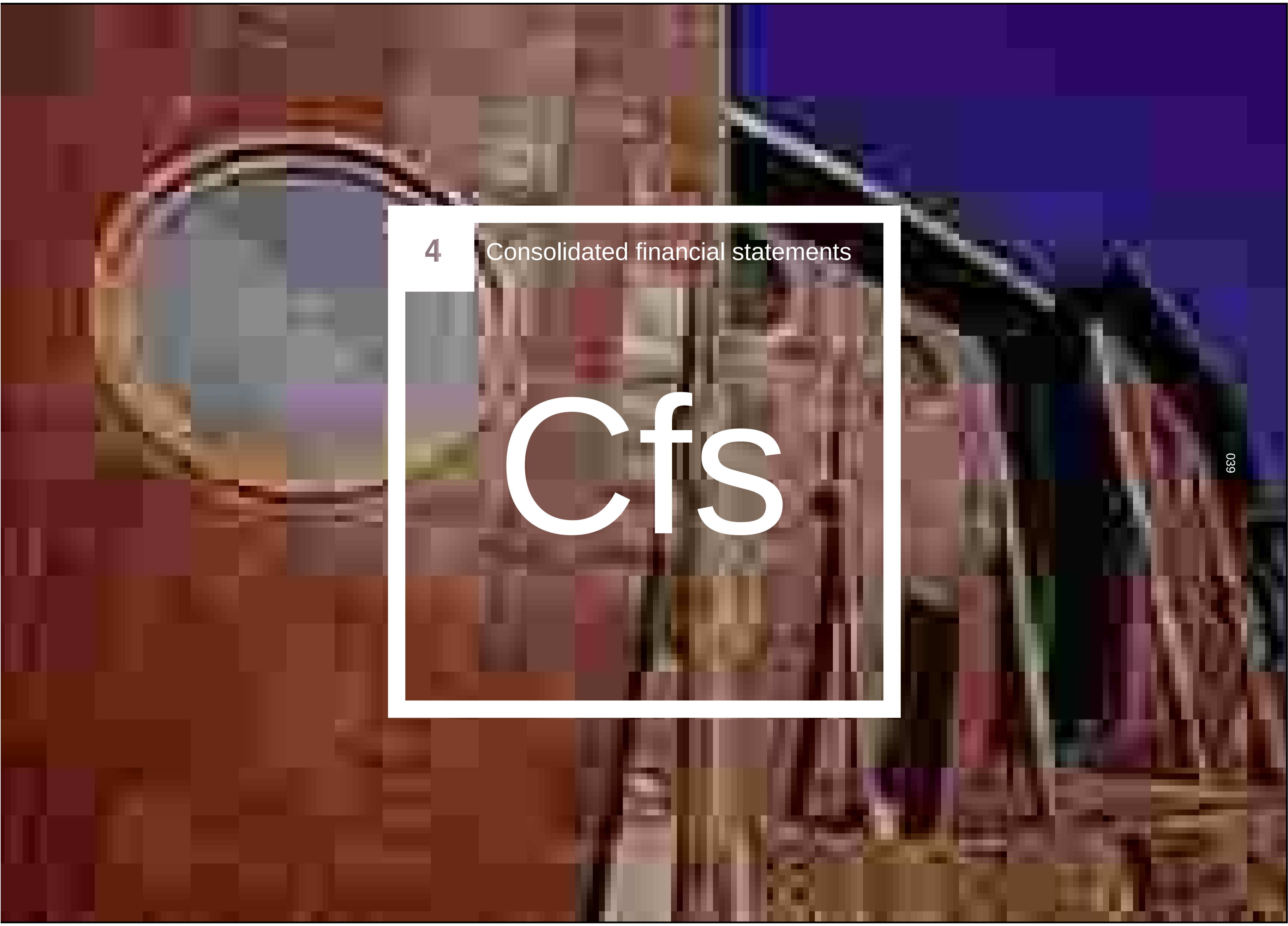


Name / Andina Division
Type of deposit / underground and open pit mine
In operation / since 1970
Location / Los Andes, Chile's Fifth Region
Product / copper concentrates

Name / housing
Location / Pucon, Chile's Ninth Region
Material / copper and wood



4 Consolidated financial statements

Cfs

CODELCO 2001 / Financial Statements

CODELCO

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.

Bs

Consolidated balance sheets

ASSETS	December 31, 2001 Th.US$	2000 Th.US$
Current assets		
Cash	9,620	10,445
Time deposits and marketable securities	27,043	41,194
Trade accounts receivable	207,601	136,898
Other accounts receivable	297,658	214,755
Inventories	509,272	599,708
Prepaid expenses	7,350	6,209
Other current assets	3,488	2,451
Total current assets	1,062,032	1,011,660
Property, plant and equipment		
Land, infrastructure and equipment, net	3,514,671	3,406,398
Construction-in-progress	435,974	478,532
Mine development, net	282,721	292,259
Total property, plant and equipment	4,233,366	4,177,189
Other assets		
Other assets	466,050	296,868
Contribution and investments	205,715	230,741
Long-term accounts receivable	136,378	102,357
Total other assets	808,143	629,966
Total assets	6,103,541	5,818,815

The accompanying notes 1 to 20 form an integral part of these consolidated financial statements.

Bs

Consolidated balance sheets

LIABILITIES AND EQUITY	December 31, 2001 Th.US$	2000 Th.US$
Current liabilities		
Bank debt	323,030	350,569
Accounts payable	295,080	218,660
Accrued liabilities and withholdings	207,886	215,626
Other current liabilities	9,161	7,053
Income taxes	0	3,115
Total current liabilities	835,157	795,023
Long-term liabilities		
Bank debt	875,000	725,020
7.375% notes due May 1, 2009	300,000	300,000
Provisions	549,687	551,062
Deferred taxes	829,663	652,117
Other long-term liabilities	14,093	18,817
Total long-term liabilities	2,568,443	2,247,016
Equity		
Paid-in capital	1,524,423	1,524,423
Other reserves	1,226,797	1,215,885
Net income for the year	25,574	205,387
Less: Distribution advances from profits to the Chilean Treasury Department	(76,853)	(168,919)
Total equity	2,699,941	2,776,776
Total liabilities and equity	6,103,541	5,818,815

The accompanying notes 1 to 20 form an integral part of these consolidated financial statements.

Consolidated statements of income

	For the years ended December 31, 2001 Th.US$	2000 Th.US$
Operating income		
Sales of copper	2,585,262	2,742,360
Sales of copper acquired from third parties	553,902	568,366
Sales of by-products	282,745	299,319
	3,421,909	3,610,045
Cost of sales	(2,291,102)	(2,094,974)
Cost of copper acquired from third parties	(543,880)	(562,366)
Gross profit	586,927	952,705
Add (deduct):		
Selling and administrative expenses	(67,623)	(65,683)
Other operating expenses	(64,997)	(70,899)
Foreign exchange adjustments	27,953	17,303
Operating income	482,260	833,426
Non-operating income		
Add (deduct):		
Interest income	11,380	14,150
Other income	70,164	123,138
Interest expense	(99,570)	(108,008)
Other expenses	(53,885)	(110,109)
Non-operating loss	(71,911)	(80,829)
Income before taxes and contribution	410,349	752,597
Contribution Law No. 13196	(260,070)	(274,796)
Income taxes	(124,705)	(272,414)
Net income for the year	25,574	205,387

The accompanying notes 1 to 20 form an integral part of these consolidated financial statements.

Scf

Consolidated statements of cash flows

	For the years ended December 31, 2001 Th.US$	2000 Th.US$
Cash flows from operating activities		
Receipts from customers	3,243,478	3,570,707
Other receipts	59,388	56,333
Payments to suppliers, salaries and other costs	(2,231,349)	(2,332,089)
V.A.T. paid	(343,680)	(368,868)
V.A.T. recovered	299,945	317,828
Interest received	4,365	5,763
Interest paid	(98,705)	(96,538)
Income taxes paid	(2,565)	(161,752)
Hedging operations	(4,747)	(24,185)
Dividends received	4,317	4,587
Net cash flows from operating activities	930,447	971,786
Cash flows from investing activities		
Proceeds from sale of fixed assets	0	768
Investments in related companies	(38,315)	(7,726)
Sale and liquidation of companies	24,073	875
Additions to property, plant and equipment and mine development	(548,748)	(484,947)
Collection of accounts receivable	57,806	33,663
Long-term loans and other	(192,326)	(60,658)
Net cash flows from investing activities	(697,510)	(518,025)
Cash flows from financing activities		
Bank financing	1,290,416	300,880
Repayment of debt	(1,155,000)	(350,554)
Distribution advances from profits to the Chilean Treasury Department	(102,409)	(237,143)
Contribution under Law No. 13196	(256,708)	(296,418)
Interest rate hedging	(24,197)	0
Net cash flows from financing activities	(247,898)	(583,235)
Change in cash and cash equivalents	(14,961)	(129,474)
Beginning balance of cash and cash equivalents	51,624	181,098
Ending balance of cash and cash equivalents	36,663	51,624

The accompanying notes 1 to 20 form an integral part of these consolidated financial statements.

Rni

Reconciliation of net income to cash flows from operating activities

	For the years ended December 31, 2001 Th.US$	2000 Th.US$
Net income for the year	25,574	205,387
Contributions Law No. 13196	256,708	296,418
Operating income	282,282	501,805
Charges (credits) to income not representing movements of cash	697,122	520,850
Depreciation and amortization	470,394	425,782
Write-off of fixed assets, net	3,329	9,396
Realized gain on investments in other companies	(52,816)	(52,920)
Equity income of subsidiaries	47,534	(3,124)
Increase (decrease) in long-term provisions, including the impact of exchange rate variation	(1,375)	30,638
Deferred income taxes, net	177,546	121,777
Accrual for financial transactions	7,756	4,662
Impact of exchange rate variation in other accounts	44,754	(15,631)
Decrease (increase) in current assets	(65,377)	(8,472)
Trade accounts receivable	(70,733)	70,893
Other accounts receivable	(82,903)	(32,403)
Inventories	90,436	(47,061)
Prepaid expenses	(1,141)	701
Other current assets	(1,036)	(602)
Increase (decrease) in current liabilities	16,420	(42,127)
Accounts payable	25,167	12,640
Accrued liabilities and withholdings	(7,740)	(40,055)
Other current liabilities	2,108	1,484
Income taxes payable	(3,115)	(16,196)
Net cash flows from operating activities	930,447	971,786

The accompanying notes 1 to 20 form an integral part of these consolidated financial statements.

Nfs

Notes to the consolidated financial statements

December 31, 2001 and 2000

1. Description of the company

1.1 Corporación Nacional del Cobre de Chile, Codelco, 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 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 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 from 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 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 and other companies, and covers the North American market.

- Chile Copper Limited (United Kingdom)

Chile Copper Limited is a sales agent for Codelco 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 and other companies, covering principally the European market.

- Codelco Kupferhandel GmbH (Germany)

Codelco Kupferhandel GmbH operates in the copper wire business, through the transformation of refined copper 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 and manages sales contracts and settlements and coordinates product delivery principally for markets in Germany, Austria, Holland and Denmark.

- Codelco International Limited (Bermudas)

Codelco International Limited was formed in July 2000. The Company's business objective is the management and control of interests of Codelco in different international projects. Through both this Company and its subsidiary, Codelco Technologies Limited, Codelco formalized joint investments with Billiton in Alliance Copper Limited for the use of modern technology in mining operations. In addition, Codelco made investments through Codelco International Limited in Quadrem International Holdings Limited, a global company comprised of 18 of the most significant mining companies in the World to operate in an electronic market where companies may buy and sell goods and services.

Codelco International Limited and Codelco Technologies Limited formed Codelco Do Brasil Mineracao Limitada, located in Brazil, with the objective of developing projects for exploration and exploitation, business and market development activities.

- 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, Region II of Chile, whose activities commenced in January 2002.

- 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.

In accordance with the purpose for which this company was formed, the company has established with the owner of the hospital building, Las Américas Administradora de Fondos de Inversión S.A., the contracts required for this building be used by Codelco.

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

CMS Chile S.A. and CMS Tecnología S.A. manufacture, sell and distribute machinery, equipment and spare-parts and provide 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 research, development and technological innovation in the areas of mining and metallurgy.

- Geotérmica del Norte S.A.

Geotérmica del Norte S.A. is a unlisted shareholders' corporation whose business objective is the exploration and exploitation of geothermal deposits located between the Regions I, II and III of Chile and the sale, using whatever means necessary, of all products and by-products derived directly or indirectly by the performance of the aforementioned activities.

- Inversiones Enercobre S.A. – Inversiones Cobre Dos S.A.

These are public companies formed by the employees of Codelco and Electroandina S.A. The business objective of these companies was the acquisition and use of convertible bonds or shares issued by Electroandina S.A. Codelco assumed the controlling interest of these companies subsequent to a bidding process in March 2001. During November 2001, the termination of the company's business activities was approved. Consequently, the company is currently being liquidated.

- Santiago de Río Grande S.A.

Santiago de Río Grande S.A. is a unlisted shareholders' corporation whose business objective is obtaining water rights through water licenses and the acquisition of different rights for their use.

- Sociedad de Inversiones Copperfield Limitada

Sociedad de Inversiones Copperfield Limitada is a limited liability partnership whose objective is the exploitation and exploration of mining resources and the acquisition, establishment and exploitation of mining properties, deposits and rights.

- Sociedad Contractual Minera Los Andes

Sociedad contractual Minera Los Andes is a limited liability partnership whose business objective is the exploration and development of Exploradora, Sierra Jardín, María Delia and Sierra Morena prospects located in Regions I, II and III of Chile.

- Healthcare institutions

Isapre Chuquicamata Limitada, Isapre San Lorenzo Limitada and Isapre Río Blanco Limitada are civil limited liability companies whose objective is the provision of healthcare services and benefits to their members.

2.2 Accounting currency

In accordance with Decree Law No. 1350, the accounting records of the Company are maintained in US dollars. Assets and liabilities denominated in Chilean pesos (consisting mainly of cash, accounts receivable, investments in Chilean companies, obligations and provisions), have been translated into US dollars at the year-end exchange rate of Ch.$ 656.20 per US$ 1 (2000: Ch.$ 572.68).

Revenues and expenses in Chilean pesos have been translated into US dollars at the daily average exchange rates. Exchange differences are either charged or credited to income, where applicable. The average exchange rate during the year ended December 31, 2001 for the Company's operations was Ch.$ 634.28 per US$ 1 (2000: Ch.$ 538.74).

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 each 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.

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.

2.9 Investments in other companies

Investments in other companies are accounted for using the equity method.

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 benefits for years of service. 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. Law No. 19753 established a gradual increase in the first category tax rate to 16% for 2002, 16.5% for 2003 and 17% for 2004.

In addition, Law No. 13196 requires the payment of a 10% contribution 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.

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's Board of Directors has defined policies to cover or minimize the risks associated with fluctuations in the price of metals through hedging operations in futures markets. The results of the metal hedging contracts in futures markets are recorded at their expiration or settlement as part of product revenues. The settlements of these hedging transactions coincide with the accounting for the underlying hedged transactions and, therefore, upon compliance of sales commitments, the results of physical and future sales contracts are offset.

Codelco has also defined policies to cover the risk in foreign exchange rates and in interest rates. 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 results of exchange insurance operations are recorded at the date of expiration or settlement of each related contract.

The results of the hedging contracts for fixing interest rates for future liabilities are amortized during the term of those liabilities.

The results of exchange rate forward operations are recorded at the date of expiration or settlement of each related contract.

The results of exchange and interest rate hedging transactions and the underlying hedged rights and liabilities are recorded on an accrual basis.

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

3. Inventories

Inventories at December 31, 2001 and 2000 are comprised as follows:

	2001 Th.US$	2000 Th.US$
Finished goods	186,438	218,948
Products-in-process	201,395	251,193
Materials, supplies and other	121,439	129,567
Total	509,272	599,708

The inventory balance is presented net of a reserve for obsolescence of materials in warehouses of Th.US$ 25,866 (first half of 2000: Th.US$ 28,814).

4. Property, plant and equipment

Property, plant and equipment at December 31, 2001 and 2000 are as follows:

	2001 Th.US$	2000 Th.US$
Land	25,743	25,743
Land improvements	1,950,961	1,923,658
Buildings	1,974,869	1,966,075
Machinery and equipment	4,643,301	4,342,509
Transportation equipment	542,885	511,202
Furniture and fixtures	49,007	45,488
Housing	194,552	196,070
	9,381,318	9,010,745
Less: Accumulated depreciation	(5,494,508)	(5,249,124)
Current-year depreciation	(372,139)	(355,223)
	3,514,671	3,406,398
Construction-in-progress	435,974	478,532
Mine development costs	510,074	500,657
Accumulated amortization	(227,353)	(208,398)
Total	4,233,366	4,177,189

5. Other assets

As of December 31, 2001 and 2000, other assets consisted of:

	2001 Th.US$	2000 Th.US$
Deferred expenses in mining operations and others, net	342,699	280,056
Nueva Calama integration project	36,675	0
Interest rate hedging	26,698	6,992
Other intangible assets, net	59,978	9,820
Total	466,050	296,868

6. Investments in other companies

At of December 31, 2001 and 2000, investments in other companies stated on an equity basis, net of unrealized gains, consisted of:

	2001 Th.US$	2000 Th.US$
Equity basis value of		
Sociedad Contractual Minera El Abra	309,140	336,401
Electroandina S.A.	105,281	118,308
Inversiones Tocopilla Ltda.	118,387	144,550
Agua de la Falda S.A.	8,589	10,303
Other companies, net	3,844	13,642
	545,241	623,204
Less		
Unrealized gains in the investments in:		
Sociedad Contractual Minera El Abra	(224,652)	(248,685)
Electroandina S.A.	(75,661)	(93,821)
Inversiones Tocopilla Ltda.	(27,215)	(33,747)
Agua de la Falda S.A.	(1,860)	(5,881)
Other unrealized gains	(10,138)	(10,329)
	(339,526)	(392,463)
Total contributions and investments	205,715	230,741

7. Bank debt

As of December 31, 2001 and 2000, bank debt with variable interest rates based on Libor consisted of:

	2001 Th.US$	2000 Th.US$
Short-term	323,030	350,569
Long-term		
2002	0	150,020
2003	275,000	275,000
2004	200,000	200,000
2005	100,000	100,000
2006	300,000	0
Total long-term bank debt	875,000	725,020

8. 7.375% notes due May 1, 2009

On May 4, 1999, the Company issued and placed notes in the US market under Regulation 144-A. This allowed the Company to obtain financing of Th.US$ 300,000. The notes expire in one single installment on May 1, 2009 and accrue an interest rate of 7.375% per annum payable on a semi-annual basis.

9. Accrued liabilities and withholdings

As of December 31, 2001 and 2000, accrued liabilities and withholdings consisted of:

	Short-term		Long-term	
	2001 Th.US$	2000 Th.US$	2001 Th.US$	2000 Th.US$
Employee severance	26,480	30,537	370,594	391,412
Closing costs	0	0	57,190	48,666
Accrued vacation	47,642	48,773	0	0
Other accruals and withholdings	133,764	136,316	121,903	110,984
Total	207,886	215,626	549,687	551,062

The activity for each period of employee severance was as follows:

	Short-term		Long-term	
	2001 Th.US$	**2000** Th.US$	**2001** Th.US$	**2000** Th.US$
Balance at January 1,	30,537	35,389	391,095	391,095
Payments	(15,081)	(15,962)	0	0
Provision for the year charged to income, including the effect of exchange rate variations	0	0	(9,477)	11,427
Transfer to short-term	11,024	11,110	(11,024)	(11,110)
Total employee severance	26,480	30,537	370,594	391,412

10. Income taxes

As of December 31, 2001 and 2000, income taxes payable and deferred taxes, calculated in accordance with current tax regulations as discussed in Note 2.11 are as follows:

10.1 Current income taxes

	2001 Th.US$	**2000** Th.US$
Net charge to income	124,705	272,414
(Deduct): Net deferred taxes for current-year timing differences	(177,546)	(121,777)
Current income tax provision	(52,841)	150,637
Less:		
Tax provisional payments	0	(142,596)
Training, mineral rights and other income tax credits	(4,595)	(4,926)
Balance to be applied to future income taxes	57,436	0
Income tax payable	0	3,115

The balance of Th.US$ 57,436 is presented as Other accounts receivable within current assets for application to future period income taxes payable.

10.2 Deferred taxes

The net balance of deferred income taxes are classified as long-term liabilities as follows:

	2001 Th.US$	2000 Th.US$
Deferred tax liability (asset) attributable to:		
Accelerated depreciation	1,142,118	1,023,024
Unrealized gains from associations with third parties	(193,598)	(215,854)
Other provisions, net	(118,857)	(155,053)
Net deferred income taxes	829,663	652,117

In accordance with Law No. 19753 and Technical Bulletin No. 71 of the Chilean Association of Accountants, the Company recognized the effects of an increase in the first category income tax rate. This recognition resulted in a higher charge to income in 2001 of Th.US$ 34,529 (Note 2.11).

11. Equity

The changes in equity for the years ended December 31, 2001 and 2000 were as follows:

	Paid-in capital Th.US$	Other reserves Th.US$	Retained earnings Th.US$	Total Th.US$
Balance at January 1, 2000	1,524,423	1,193,095	64,041	2,781,559
Capitalization of 1999 net income		21,168	(21,168)	0
Excess of capitalization of prior years net income		(25,351)	25,351	0
Reverse of exchange difference from translation of investments in other companies		26,973		26,973
Net income for the period			205,387	205,387
Profit distributions to the Chilean Treasury Department:				
Excess of capitalization			(25,351)	(25,351)
From previous period			(42,873)	(42,873)
From the current period			(168,919)	(168,919)
Balance as of December 31, 2000	1,524,423	1,215,885	36,468	2,776,776
Capitalization of 2000 net income		10,912	(10,912)	0
Net income for the period			25,574	25,574
Profit distributions to the Chilean Treasury Department:				
From previous period			(25,556)	(25,556)
From the current period			(76,853)	(76,853)
Balance as of December 31, 2001	1,524,423	1,226,797	(51,279)	2,699,941

12. Assets and liabilities denominated in Chilean pesos

At December 31, 2001, assets and liabilities denominated in Chilean pesos represented a net liability of Ch.$ 70,249 million (2000: Ch.$ 131,514 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, 2001, Codelco maintained futures operations which are compatible with its business policy. The metal markets futures contracts mature between January 2002 and February 2003. These contracts determined a positive exposure of Th.US$ 191 which comprises negative exposures of Th.US$ 180 and Th.US$ 18 from copper and gold operations, respectively less a positive exposure of Th.US$ 7 from silver operations.

Upon compliance of sales commitments, the results from sales and hedging contracts are offset.

13.2 Exchange rate hedging

At December 31, 2001, the Company maintained the following exchange rate hedging contracts:

Exchange forward contracts destined to hedge variations derived from changes in the UF/US dollar exchange rate. As of December 31, 2001, the valuation of these contracts showed a net positive exposure of Th.US$ 4,558, which will be affected by future changes; the magnitude of such positive or negative changes will depend upon changes in the UF/US dollar exchange rate.

Codelco also maintained contracts destined to hedge variations in the exchange rate for assets and liabilities denominated in foreign currency other than US dollars. The results of these contracts are recorded on an accrual basis.

13.3 Interest rate hedging

At December 31, 2001, 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$ 26,698, are amortized over the period in which the underlying debt obligations mature (between January 2002 and September 2008).

14. Association with third parties

14.1 Mining associations Law No. 19137

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

In accordance with the provisions of the aforementioned Law, Codelco 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 (49%) and Cyprus El Abra Corporation (51%), with Cyprus Amax Minerals Company as its guarantor, both companies related with the mining consortium Phelps Dodge, for the development and exploitation of the El Abra deposit.

Codelco 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 shareholders to maintain majority ownership of the property of Sociedad Contractual Minera El Abra; and

c) a pledge of the shares of Sociedad Contractual Minera El Abra in favor of the institutions which financed the project.

14.1.2 Compañía 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, 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.

The business did not provide the results planned and therefore Codelco and AMP Chile Holding Ltda. decided to terminate the association.

Consequently, the Board of Directors empowered Codelco's Chief Executive Officer to negotiate the conditions for the termination of the aforementioned association with AMP Chile Holding Ltda. resulting in each company controlling the company with the most similar business objective. Under these conditions, in December 2001, Codelco assumed the controlling ownership of Sociedad Minera Los Andes (Note 2).

14.1.3 Agua de La Falda S.A.

During 1996, Agua de la Falda S.A. was formed by Codelco (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.

14.2 Other associations

14.2.1 Inversiones Tocopilla Ltda. and Electroandina S.A.

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. 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 Region II of Chile. Inversiones Tocopilla Ltda. owns 65.2% of Electroandina S.A. whereas Codelco owns 34.8%. The principal assets of Electroandina S.A. were acquired from the former Tocopilla Division of Codelco.

During 1996, employees of Codelco and Electroandina S.A. acquired bonds convertible into shares that were issued by Electroandina S.A. through investment companies. These bonds were subsequently repaid, at its due date.

14.2.2 Sociedad Minera Yabricoya SCM

Sociedad Yabricoya SCM was formed by Codelco (45%) and Minera Cominco Chile Ltda. (55%) on March 11, 1998. Codelco and Minera Cominco Chile Ltda. subscribed and paid for the shares of Sociedad 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 Minera Pecobre S.A. de C.V.

Minera Pecobre S.A. de C.V. is a public company based in Mexico that was formed through contributions by Minas Peñoles S.A. de C.V. (a Mexican company) and Codelco of 51% and 49%, respectively.

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. As of December 31, 2001, contractual agreements relating to sales and transformation of fine copper amounted to 1.5 million MT (2000: 1.6 million MT).

15.2 Lawsuits and contingencies

Codelco is involved in various pending legal actions initiated by or against the Company which, are derived from the inherent nature of the industry in which the Company 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 of metals from 1993 through January 21, 1994, continued to support the actions addressed to recover damages. As of December 31, 2001, as a result of these investigations, the Company is involved in judicial and out-of-court settlements, and has obtained compensation from certain of the parties involved amounting to Th.US$ 58,400.

15.3 Investment program

Codelco has established an investment program for the six-year period between 2001 and 2006 which mounts to approximately Th.US$ 4,300,000. This investment program is revised each year.

15.4 Purchase commitment

Codelco has a promise for the direct or indirect acquisition of the shares of the company which will be the owner of Hospital El Cobre in Calama in Region II of Chile upon the expiration of the rental period.

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. Bidding process for Minera Disputada de Las Condes

As informed to the public, Codelco has expressed its interest in acquiring Compañía Minera Disputada de Las Condes owned by Exxon Mobil Corporation. For this purpose, the Company has maintained the negotiations it has deemed appropriate.

18. Contribution to the Chilean Treasury Department by Codelco

During 2001 and 2000, Codelco 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 contribution payable under Law No. 13196, as follows:

	2001 Th.US$	2000 Th.US$
Distribution advances from profits to the Chilean Treasury Department (Note 11)	102,409	237,143
Income taxes	2,565	161,752
Contribution payable under Law No. 13196	256,708	296,418
Total	361,682	695,313

19. Public offers for the acquisition of shares

During December 2000, the directors authorized the acquisition of up to 100% of Inversiones Enercobre S.A., Inversiones Cobre Dos S.A., Inversiones Energía del Norte S.A., Inversiones Energía del Norte Dos S.A., Inversiones Tocopilla S.A. and Inversiones Tocopilla Dos S.A. companies formed by employees of Codelco and Electroandina S.A., in accordance with the sales agreements for the assets of the former Tocopilla Division.

Subsequent to the acquisition of the shares of these companies, Codelco absorbed Inversiones Energía del Norte S.A., Inversiones Energía del Norte Dos S.A., Inversiones Tocopilla S.A. and Inversiones Tocopilla Dos S.A. and assumed the controlling interest of Inversiones Enercobre S.A. and Inversiones Cobre Dos S.A. (Note 2.1).

20. Subsequent events

On March 1, 2002, Exxon Mobil corporation informed Codelco that its last offer for the acquisition of 100% of the shares of the companies, Compañía Minera Disputada de Las Condes and Inmobiliaria CMD Limitada, have not yet satisfied its expectations. Consequently, Codelco decided not to insist in the acquisition of these assets and declined to continue its participation in the bidding process.

The Company's management is not aware of any other significant events which have occurred between December 31, 2001 and the date of these consolidated financial statements (January 30, 2002) which may affect the Company's results of operations, its financial position or the interpretation of these financial statements.

Juan Villarzú Rohde
Chief Executive Officer

Juan Eduardo Herrera Correa
Vice President of Finance and Administration

Patricio Mac-Niven Silva
Manager of Administration and Controller

Mario Allende Gallardo
Chief Accountant

Ria

Report of independent auditors

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

We have audited the accompanying consolidated balance sheets of Corporación Nacional del Cobre de Chile and its Subsidiaries at December 31, 2001 and 2000 and the related consolidated statements of income and cash flows for the years then ended. These financial statements (including the related notes) 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 upon 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 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, 2001 and 2000, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Chile.

Juan Humud G.

Ernst + Young

Santiago, Chile, January 30, 2002 (except for Note 20 dated March 1, 2002).

CONSOLIDATED BALANCE SHEETS (US$ million)

	31.12.01	31.12.00
Assets		
Current assets	1,062	1,012
Fixed assets	4,234	4,177
Other assets	808	630
Total assets	6,104	5,819
Liabilities and equity		
Current liabilities	835	795
Long-term liabilities	2,569	2,247
Equity	2,700	2,777
Total liabilities and equity	6,104	5,819

At the end of 2001, the total balance of assets had risen by US$ 285 million, while liabilities had increased by US$ 362 million and equity had fallen by US$ 77 million.

ASSETS

Current assets
In 2001, current assets increased by US$ 50 million over the previous fiscal period. Among the main changes in current assets were fewer time deposits, which fell by US$ 14 million.

Trade accounts receivable rose by US$ 71 million, the result of increased payment periods and more dispatches in December 2001. Other receivables increased by US$ 83 million, mainly due to US$ 57 million in taxes to be recovered and US$ 21 million in personnel checking accounts.

Inventories fell by US$ 90 million, due to a US$ 48 million drop in finished goods because of fewer products in process.

Fixed assets
In 2001, net fixed assets increased by US$ 57 million over the previous fiscal period, the result of company investments worth US$472 million and mine development depreciation and amortization worth US$ 391 million. The difference was due to pre-investment spending and asset withdrawals, write-offs and transfers.

Other assets
Other assets rose US$ 178 million, due mainly to a US$ 127 million increase in investment in mine operations, which by nature is treated as deferred spending: amortization on this type of investment reached US$ 62 million.

The increase also reflects collective bargaining bonuses. In 2001 negotiations took place in all divisions except Andina, culminating in the payment of US$ 50 million in signing bonuses. These are charged to company results during the period covered by new contracts, so that of the US$ 50 million, US$ 8 million were charged to profits this fiscal year.

Expenses incurred in transferring workers' housing from Chuquicamata to Calama accounted for US$ 37 million of the increase in other assets. These expenses were also deferred.

Long-term trade accounts receivable increased year on year as did the balance due to interest rate hedging.

Similarly, contributions and investment fell US$ 27 million due to a US$ 76 million reduction in contributions to subsidiaries, offset somewhat by profits realized from SC Minera El Abra, Electroandina SA, Inversiones Tocopilla Ltda., and Aguas de la Falda SA.

LIABILITIES

Financial debt
At the end of the fiscal year, financial debt stood at US$ 1.498 billion, up US$ 122 million from 2000, while equity reached US$ 2.7 billion, bringing Codelco's debt / equity ratio to 0.55, higher than the 0.50 posted at the end of the previous fiscal year.

In 2001, the company took out a US$ 300 million syndicated loan, maturing in five years, with seven first-rate financial institutions, handled and managed mainly by Salomon Smith Barney Inc. and Citibank. Other positions are held by the Royal Bank of Canada, Bank of Tokyo-Mitsubishi, Bilbao Vizcaya Argentaria, HSBC Securities (USA) Inc. and the Royal Bank of Scotland PLC.

The purpose of the operation was to finance investment and ensure the refinancing of credits. The annual rate is LIBOR plus 45 basis points.

The company maintained its excellent financial rating, first obtained in 1997 and ratified in 2001: an A- rating from Standard & Poor's, Baa 1 from Moody's.

Other liabilities
Short-term payables rose by US$ 76 million, due to higher debts with suppliers and creditors.

Deferred taxes also rose by US$ 178 million over 2000, due mainly to US$ 119 million in accelerated depreciation, US$ 22 million in unrealized profits and US$ 36 million in provisions.

Equity

Equity fell by US$ 77 million over 2000, the result of paying out US$ 26 million in transfers to the Treasury from the previous fiscal year and a prepayment of some US$ 77 million made to the Treasury on profits in 2001, with the balance reaching US$ 26 million. This constitutes an overpayment in 2001, which the company should recover in future fiscal years.

STATEMENTS OF INCOME

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 2001 fiscal year reached US$ 482 million, down from US$ 833 million in 2000. The US$ 351 million decrease was due to several factors, both negative and positive, explained below.

Sales income

Sales income, including sales of own and third-party copper and by-products, reached US$ 3.422 billion, US$ 188 million less than in 2000.

Copper sales income totaled US$ 2.585 billion, down by US$ 157 million from US$ 2.742 billion in 2000. The fall was mainly due to depressed copper prices, which registered a yearly average of 71.6 ¢/lb in the London Metal Exchange, 10.7 ¢/lb less than the 82.3 ¢/lb average in 2000. For Codelco, this difference meant US$ 487 million less income, which was offset slightly by US$ 330 million in additional shipments in 2001. These figures include own and third-party copper sales, mainly concentrates, and to a lesser extent, anodes, which are processed in each division and are sold as grade A cathodes.

Volumes of own copper shipped totaled 1,624,688 tons, up from 1,530,529 tons in 2000.
Shipments of third-party copper reached 110,927 tons, up from 92,000 tons in the previous year.

Third-party copper sales were 354,170 metric fine tons, up from 323,255 tons in 2000. Income from this source was US$ 554 million in 2001, down from US$ 568 million in 2000.

By-product sales were US$ 283 million, down US$ 16 million from the US$ 299 million sold in the previous year. Molybdenum was the main by-product, with shipments reaching 24,385 metric fine tons, up 2% from shipments in 2000. Income reached US$ 122 million, down 6.6% from the previous year, still managing to fall less than the total 8.2% decline in prices.

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

	2001	2000
Average prices, ¢/lb		
Own copper	0.68	0.80
Molybdenum	2.27	2.47
Sales, metric fine tons		
Own copper	1,735,615	1,549,037
Third-party copper	354,170	323,255
Total copper	2,089,785	1,872,292
Molybdenum	24,385	23,976

Sales costs

Sales costs reached US$ 2.291 billion, up US$ 196 million over the previous year. More copper shipped brought with it US$ 252 million in higher costs, which were offset somewhat by a US$ 56 million reduction in unit costs during the year.

The cost of third-party copper

The cost of copper purchased from third parties fell to US$ 544 million, down from US$ 562 million the year before, reflecting lower copper prices.

Administration and sales costs

Administration and sales costs reached US$ 68 million, up slightly from last year.

Operating expenditures

Operating costs totaled US$ 65 million, down US$ 6 million from 2000, due to a reduction in closure provisions, associated with tailing dams.

Differences and exchange rate corrections

Differences and exchange rate corrections reached US$ 28 million, a positive increase from US$ 17 million in 2000.

Non-operating income

Net non-operating expenditures reached US$ 72 million, down by US$ 9 million from the previous year. Changes included lower spending (US$ 32 million) to cover UF-US$ mismatches, differences due to exchange rate conversion of investment in other companies (US$ 27 million) carried over from 2000, which were partially offset by US$ 48 million in losses in subsidiaries and companies associated with Codelco. This brought profits to US$ 3 million in 2000.

Income before tax

Income before tax for the year was US$ 410 million, down US$ 342 million from US$ 752 million in 2000. The difference is the result of a US$ 351 million decrease in operating income and a US$ 9 million reduction in non-operating losses.

Taxes

Law No. 13,196 taxes amounted to US$ 260 million, down from US$ 275 million the previous year, as a result of fallen copper prices.

Codelco's income tax rate is 55%, composed of 15% in first category tax and a 40% additional tax applied because it is state-owned (as per Article 2 of DL 2,398). Law 19,753 implemented a progressive increase in first category tax to 16% in 2002, 16.5% in 2003 and 17% in 2004. Income tax for 2001 fell to US$ 125 million, down from US$ 272 million in 2000.

As per Law 19,753 and the Chilean Accountants' Association Technical Bulletin No. 71, in 2001 the higher rate for first category company taxes led to a US$ 35 million increase in the income tax paid by Codelco.

Net profits

Net profits for the fiscal year reached US$ 26 million, down from US$ 205 million the previous year.

1. Consolidated financial ratios

	2001	2000
Liquidity indicators		
Current liquidity	1.27	1.27
(Current assets/current liabilities)		
Acid test	0.65	0.51
(Cash and receivables/current liabilities)		
Debt and solvency		
Debt exposure	1.26	1.10
(Total liabilities/equity)		
Long-term debt share	0.75	0.74
(Long-term debt/total liabilities)		
Coverage	5.12	7.97
[(Income before taxes + interest expenses)/interest expenses]		
Ebitda/Debt	0.65	0.94
[(Income before taxes + interest expenses + depreciation and amortization)/debt]		
Profitability		
Operating margin	0.14	0.23
(Operating income/total sales)		
Profits over assets	0.10	0.18
(Income before taxes/total property, plant and equipment (1))		
Profit to equity	0.15	0.27
(Income before taxes/equity (1))		

(1) Start of the fiscal year

Liquidity indicators show the company was better off at the end of 2001 compared to 2000, as a result of the increase in current assets, which rose more than current liabilities.

Debt indicators demonstrated a rising tendency over 2000. Total liabilities increased by US$ 362 million, mainly due to a US$ 122 million increase in financial debt and a US$ 178 million increase in deferred taxes.

Drops in coverage, Ebitda / financial debt and profitability reflect lower earnings for the year due to low copper prices, partly offset by increased volumes of shipments.

Ria

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, 2001 and 2000. 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, 2001 and 2000. Additionally, on January 30, 2002 and 2001, 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, 2001 and 2000, 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, 2001 and 2000, 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.

Ernst + Young

Santiago, January 30, 2002.

Si

Statements of income Chuquicamata division

	For the year ended December 31, 2001 Th.US$	2000 Th.US$
Operating income		
Sales	1,203,784	1,220,191
Sales of copper acquired from third parties	317,888	344,059
Sales of products from other divisions	187,225	196,665
Income from transfers	34,837	46,394
Operating revenues	1,743,734	1,807,309
Cost of sales	(907,648)	(788,821)
Cost of sales of copper acquired from third parties	(310,786)	(338,973)
Cost of sales of products from other divisions	(185,722)	(183,474)
Cost of transfers	(25,081)	(45,435)
Total cost of sales	(1,429,237)	(1,356,703)
Gross margin	314,497	450,606
Add (deduct):		
Selling and administrative expenses	(32,216)	(32,005)
Other operating expenses	(40,689)	(60,749)
Exchange adjustments	12,671	9,387
Operating income	254,263	367,239
Non-operating income		
Add (deduct):		
Interest income	4,458	6,221
Other income	27,116	49,228
Interest expenses	(47,020)	(52,400)
Other expenses	(20,089)	(48,563)
Non-operating loss	(35,535)	(45,514)
Income before taxes and contribution	218,728	321,725
Contribution Law N° 13,196	(122,421)	(126,333)
Income taxes	(71,341)	(111,785)
Net income for the year	24,966	83,607

Si

Statements of income Radomiro Tomic division

	For the year ended December 31, 2001 Th.US$	2000 Th.US$
Operating income		
Sales	388,955	344,973
Sales of copper acquired from third parties	42,190	33,067
Sales of products from other divisions	0	0
Income from transfers	1,029	1,225
Operating revenues	432,174	379,265
Cost of sales	(250,345)	(195,482)
Cost of copper acquired from third parties	(41,946)	(33,014)
Cost of sales of products from other divisions	0	0
Cost of transfers	(777)	(422)
Total cost of sales	(293,068)	(228,918)
Gross margin	139,106	150,347
Add (deduct):		
Selling and administrative expenses	(6,739)	(5,442)
Other operating expenses	(1,513)	(1,167)
Exchange adjustments	(492)	(1,325)
Operating income	130,362	142,413
Non-operating income		
Add (deduct):		
Interest income	735	912
Other income	11,721	14,269
Interest expense	(8,570)	(7,967)
Other expenses	(2,706)	(2,851)
Non-operating income / (loss)	1,180	4,363
Income before taxes and contribution	131,542	146,776
Contribution Law N° 13,196	(38,553)	(34,614)
Income taxes	(57,361)	(61,664)
Net income for the year	35,628	50,498

Si

Statements of income Salvador division

CODELCO

	For the year ended December 31, 2001 Th.US$	2000 Th.US$
Operating income		
Sales	157,149	166,840
Sales of copper acquired from third parties	32,588	64,439
Sales of products from other divisions	141,417	135,102
Income from transfers	96	356
Operating revenues	331,250	366,737
Cost of sales	(180,293)	(174,827)
Cost of sales of copper acquired from third parties	(32,317)	(63,614)
Cost of sales of products from other divisions	(137,292)	(125,391)
Cost of transfers	(97)	(115)
Total cost of sales	(349,999)	(363,947)
Gross margin	(18,749)	2,790
Add (deduct):		
Selling and administrative expenses	(6,006)	(6,413)
Other operating expenses	(3,412)	(5,513)
Exchange adjustments	103	1,153
Operating income (loss)	(28,024)	(7,983)
Non-operating income		
Add (deduct):		
Interest income	1,357	1,834
Other income	13,238	21,581
Interest expenses	(9,715)	(11,715)
Other expenses	(922)	674
Non-operating income	3,958	12,374
Income before taxes and contribution	(24,106)	4,391
Contribution Law N° 13,196	(19,065)	(19,097)
Income taxes	21,186	7,168
Net income / (loss) for the year	(21,985)	(7,538)

Si

Statements of income Andina division

	For the year ended December 31, 2001 Th.US$	2000 Th.US$
Operating income		
Sales	305,621	380,267
Sales of copper acquired from third parties	62,103	54,248
Sales of products from other divisions	19,477	0
Income from transfers	80,049	87,151
Operating revenues	447,773	521,666
Cost of sales	(279,998)	(294,049)
Cost of sales of copper acquired from third parties	(61,181)	(54,328)
Cost of sales of products from other divisions	0	0
Cost of transfers	(77,578)	(67,810)
Total cost of sales	(418,757)	(416,187)
Gross margin	29,016	105,479
Add (deduct)		
Selling and administrative expenses	(9,152)	(8,692)
Other operating expenses	(5,433)	(1,791)
Exchange adjustments	2,002	1,390
Operating income	16,433	96,386
Non-operating income		
Add (deduct)		
Interest income	1,250	1,384
Other income	7,380	13,134
Interest expense	(14,029)	(13,660)
Other expenses	(9,715)	(10,789)
Non-operating loss	(15,114)	(9,931)
Income before taxes and contribution	1,319	86,455
Contribution Law N° 13,196	(31,361)	(40,240)
Income taxes	9,391	(26,343)
Net income (loss) for the year	(20,651)	19,872

Si

Statements of income El Teniente division

CODELCO

	For the year ended December 31, 2001 Th.US$	2000 Th.US$
Operating income		
Sales	455,577	564,141
Sales of copper acquired from third parties	99,133	72,553
Sales of products from other divisions	4,704	10,274
income from transfers	206,040	187,673
Operating revenues	765,454	834,641
Cost of sales	(372,004)	(373,050)
Cost of sales of copper acquired from third parties	(97,650)	(72,437)
Cost of sales of products from other divisions	(4,410)	(8,511)
Cost of transfers	(168,941)	(137,917)
Total cost of sales	(643,005)	(591,915)
Gross margin	122,449	242,726
Add (deduct):		
Selling and administrative expenses	(13,420)	(13,041)
Other operating expenses	(13,950)	(1,679)
Exchange adjustments	13,956	7,297
Operating income	109,035	235,303
Non-operating income		
Add (deduct):		
Interest income	3,140	3,799
Other income	9,928	24,610
Interest expenses	(20,094)	(22,127)
Other expenses	(19,468)	(48,508)
Non-operating loss	(26,494)	(42,226)
Income before taxes and contribution	82,541	193,077
Contribution Law N° 13,196	(48,670)	(54,512)
Income taxes	(26,466)	(79,647)
Net income for the year	7,405	58,918

Si

Statements of income Talleres division

	For the year ended December 31, 2001 Th.US$	2000 Th.US$
Operating income		
Sales	23,575	23,226
Total operating revenues	23,575	23,226
Cost of sales	(22,967)	(22,469)
Total cost of sales	(22,967)	(22,469)
Gross margin	608	757
Add (deduct):		
Selling and administrative expense	(90)	(90)
Other operating expenses	0	0
Exchange adjustments	(287)	(599)
Operating income	231	68
Non-operating income		
Add (deduct):		
Interest income	440	0
Other income	781	316
Interest expenses	(142)	(139)
Other expenses	(985)	(72)
Non-operating income	94	105
Income before taxes	325	173
Income taxes	(114)	(143)
Net income for the year	211	30

Csi

Consolidated statement of income

CODELCO

For the year ended December 31, 2001

	Chuquicamata Division Th.US$	R. Tomic Division Th.US$	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	1,036,983	388,663	124,758	268,215	433,297	0	2,251,916	0	2,251,916
Sales of copper acquired from third parties	317,888	42,190	32,588	62,103	99,133	0	553,902	0	553,902
Sales of by-products	166,801	292	32,391	37,406	22,280	23,575	282,745	0	282,745
Sales of products from others divisions	187,225	0	141,417	0	4,704	0	333,346	0	333,346
Income from tranfers	34,837	1,029	96	80,049	206,040	0	322,051	(322,051)	0
Operating revenues	1,743,734	432,174	331,250	447,773	765,454	23,575	3,743,960	(322,051)	3,421,909
Cost of sales	(907,648)	(250,345)	(180,293)	(279,998)	(372,004)	(22,967)	(2,013,255)	0	(2,013,255)
Cost of sales of copper acquired from third parties	(310,786)	(41,946)	(32,317)	(61,181)	(97,650)	0	(543,880)	0	(543,880)
Cost of sales of products from other divisions	(185,722)	0	(137,292)	0	(4,410)	0	(327,424)	49,577	(277,847)
Cost of transfers	(25,081)	(777)	(97)	(77,578)	(168,941)	0	(272,474)	272,474	0
Total cost of sales	(1,429,237)	(293,068)	(349,999)	(418,757)	(643,005)	(22,967)	(3,157,033)	322,051	(2,834,982)
Gross margin	314,497	139,106	(18,749)	29,016	122,449	608	586,927	0	586,927
Add (deduct):									
Selling administrative expenses	(32,216)	(6,739)	(6,006)	(9,152)	(13,420)	(90)	(67,623)	0	(67,623)
Other operating expenses	(40,689)	(1,513)	(3,412)	(5,433)	(13,950)	0	(64,997)	0	(64,997)
Exchange adjustment	12,671	(492)	103	2,002	13,956	(287)	27,953	0	27,953
Operating income (loss)	254,263	130,362	(28,064)	16,433	109,035	231	482,260	0	482,260
Non-operating income									
Add (deduct):									
Interest income	4,458	735	1,357	1,250	3,140	440	11,380	0	11,380
Other income	27,116	11,721	13,238	7,380	9,928	781	70,164	0	70,164
Interest expense	(47,020)	(8,570)	(9,715)	(14,029)	(20,094)	(142)	(99,570)	0	(99,570)
Other expenses	(20,089)	(2,706)	(922)	(9,715)	(19,468)	(985)	(53,885)	0	(53,885)
Non-operating income (loss)	(35,535)	1,180	3,958	(15,114)	(26,494)	94	(71,911)	0	(71,911)
Income before taxes and contribution	218,728	131,542	(24,106)	1,319	82,541	325	410,349	0	410,349
Contribution Law N° 13,196	(122,421)	(38,553)	(19,065)	(31,361)	(48,670)	0	(260,070)	0	(260,070)
Income taxes	(71,341)	(57,361)	21,186	9,391	(26,466)	(114)	(124,705)	0	(124,705)
Net income / (loss) for the year	24,966	35,628	(21,985)	(20,651)	7,405	211	25,574	0	25,574

CODELCO

Csi

Consolidated statement of income

For the year ended December 31, 2000

	Chuquicamata Division Th.US$	R. Tomic Division Th.US$	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	1,039,214	344,692	131,927	332,121	552,365	0	2,400,319	0	2,400,319
Sales of copper acquired from third parties	344,059	33,067	64,439	54,248	72,553	0	568,366	0	568,366
Sales of by-products	180,977	281	34,913	48,146	11,776	23,226	299,319	0	299,319
Sales of products from other divisions	196,665	0	135,102	0	10,274	0	342,041	0	342,041
Income from transfers	46,394	1,225	356	87,151	187,673	0	322,799	(322,799)	0
Operating revenues	1,807,309	379,265	366,737	521,666	834,641	23,226	3,932,844	(322,799)	3,610,045
Cost of sales	(788,821)	(195,482)	(174,827)	(294,049)	(373,050)	(22,469)	(1,848,698)	0	(1,848,698)
Cost of sales of copper acquired from third parties	(338,973)	(33,014)	(63,614)	(54,328)	(72,437)	0	(562,366)	0	(562,366)
Cost of sales of products from other division	(183,474)	0	(125,391)	0	(8,511)	0	(317,376)	71,100	(246,276)
Cost of transfers	(45,435)	(422)	(115)	(67,810)	(137,917)	0	(251,699)	251,699	0
Total cost of sales	(1,356,703)	(228,918)	(363,947)	(416,187)	(591,915)	(22,469)	(2,980,139)	322,799	(2,657,340)
Gross margin	450,606	150,347	2,790	105,479	242,726	757	952,705	0	952,705
Add (deduct)									
Selling and administrative expenses	(32,005)	(5,442)	(6,413)	(8,692)	(13,041)	(90)	(65,683)	0	(65,683)
Other operating expenses	(60,749)	(1,167)	(5,513)	(1,791)	(1,679)	0	(70,899)	0	(70,899)
Exchange adjustment	9,387	(1,325)	1,153	1,390	7,297	(599)	17,303	0	17,303
Operating income / (loss)	367,239	142,413	(7,983)	96,386	235,303	68	833,426	0	833,426
Non-operating income									
Add (deduct)									
Interest income	6,221	912	1,834	1,384	3,799	0	14,150	0	14,150
Other income	49,228	14,269	21,581	13,134	24,610	316	123,138	0	123,138
Interest expense	(52,400)	(7,967)	(11,715)	(13,660)	(22,127)	(139)	(108,008)	0	(108,008)
Other expenses	(48,563)	(2,851)	674	(10,789)	(48,508)	(72)	(110,109)	0	(110,109)
Non-operating income / (loss)	(45,514)	4,363	12,374	(9,931)	(42,226)	105	(80,829)	0	(80,829)
Income before taxes and contribution	321,725	146,766	4,391	86,455	193,077	173	752,597	0	752,597
Contribution Law N° 13,196	(126,333)	(34,614)	(19,097)	(40,240)	(54,512)	0	(274,796)	0	(274,796)
Income taxes	(111,785)	(61,664)	7,168	(26,343)	(79,647)	(143)	(272,414)	0	(272,414)
Net income / (loss) for the year	83,607	50,498	(7,538)	19,872	58,918	30	205,387	0	205,387

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:

Note 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, 2001 and 2000 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.

Note 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 Allocations of Income and Expenses of the Head Office and Subsidiaries

Ria

Report of independent auditors

SeñoresTo 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 for the year ended December 31, 2001. 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.

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, 2001, 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, 2001, 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.

Ernst + Young

Santiago, January 30, 2002.

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Criteria applied to the allocation of income and expenses of the head office and subsidiaries

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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. Sales and costs of commercial activities of the Head Office and Subsidiaries

- Sales and costs of commercial activities are allocated considering the values of products and by-products billed by each division.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. Contribution Law No. 13,196

Contribution Law No. 13,196 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.

11. Income tax

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

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Criteria applied to the allocation of income and expenses of the head office and subsidiaries

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STATEMENT OF ALLOCATION OF INCOME AND EXPENSES OF THE HEAD OFFICE AND SUBSIDIARIES

For the year ended December 31, 2001
(In thousands of US dollars)

Administrative, sales, interest, and other expenses	Total	Chuquicamata	R. Tomic	El Salvador	Andina	El Teniente	Talleres
Sales	365,346	171,202	42,482	32,561	43,701	75,400	0
Cost of sales	(360,742)	(169,045)	(41,946)	(32,151)	(43,150)	(74,450)	0
Selling and administrative expenses	(67,623)	(32,216)	(6,739)	(6,006)	(9,152)	(13,420)	(90)
Operating expenses	(22,779)	(11,856)	(719)	(1,607)	(2,515)	(6,082)	0
Exchange adjustments	25,895	11,508	(391)	175	1,918	12,995	(310)
Interest income	7,626	3,604	676	740	1,062	1,544	0
Other income	28,139	10,003	7,168	5,361	3,312	2,295	0
Interest expense	(99,556)	(47,014)	(8,569)	(9,715)	(14,029)	(20,087)	(142)
Other expenses	(25,973)	(12,820)	(1,962)	(2,082)	(2,991)	(6,118)	0
Contribution Law N° 13,196	(260,070)	(122,421)	(38,553)	(19,065)	(31,361)	(48,670)	0
Income tax	(124,705)	(71,341)	(57,361)	21,186	9,391	(26,466)	(114)
TOTAL	(534,442)	(270,396)	(105,914)	(10,603)	(43,814)	(103,059)	(656)

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