



CAP GROUP UPDATE
Deutsche Bank 4th Annual Chile Conference

Fernando Reitich
President & CEO

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CFO

London - May 2014

Agenda



Company overview

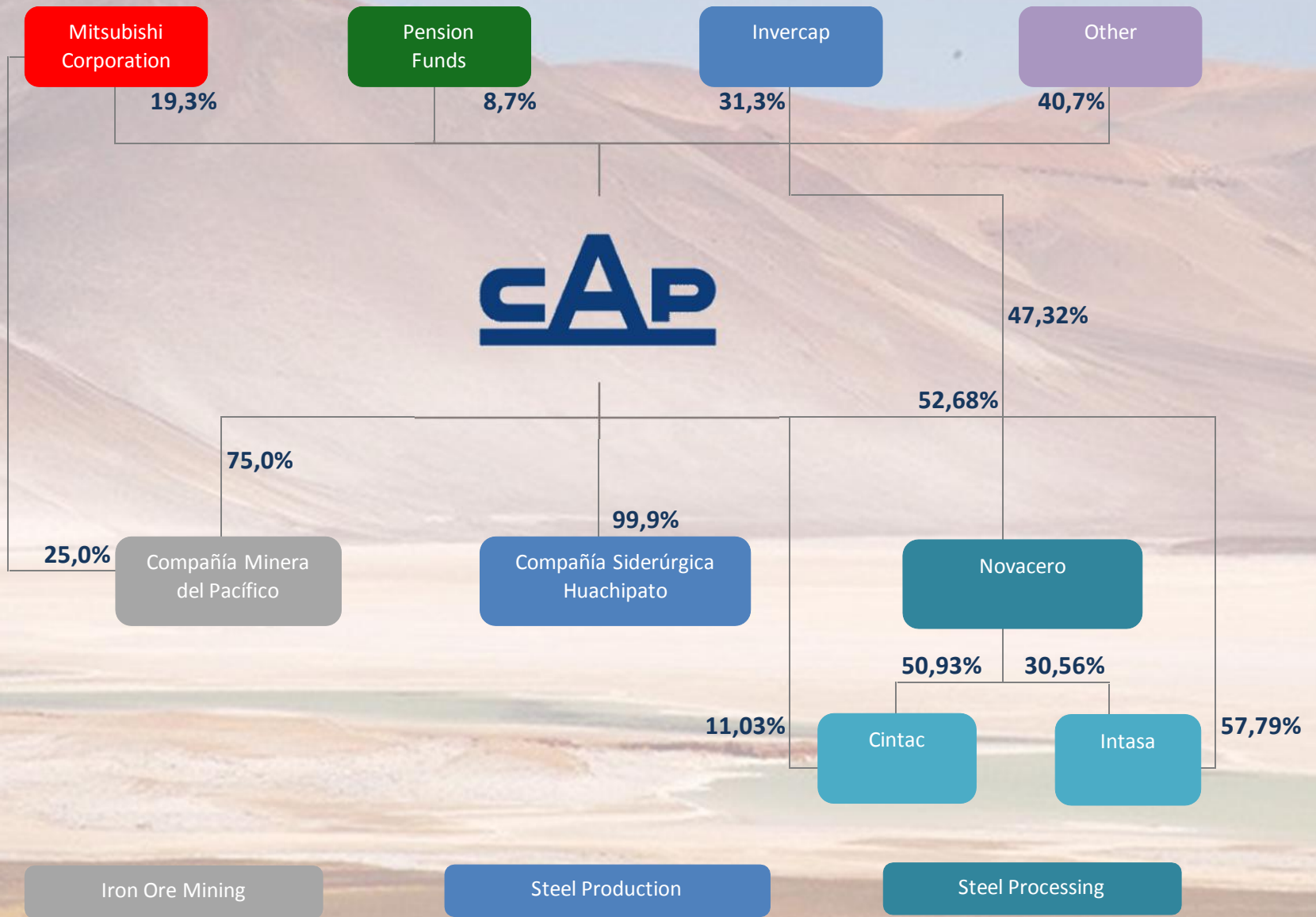
Global industry update

Financial performance

Future prospects

Final remarks

Ownership structure





Mining



- Production capacity: 15 Mt/y
- Only large-scale iron ore producer in Chile
- On track to reach 18 million tons production capacity
- 85% exports, mainly to Asia



Steel



- Production: 0.7 Mt/y
- Nominal capacity: 1.45 Mt/y
- Focus on grinding media, rebar & wire rod for the domestic market
- 50% of target market



Steel Processing



- Production capacity: 400 kt/y
- Leading steel processor in Chile
- Regional player: Chile, Peru and Argentina

Iron ore mining

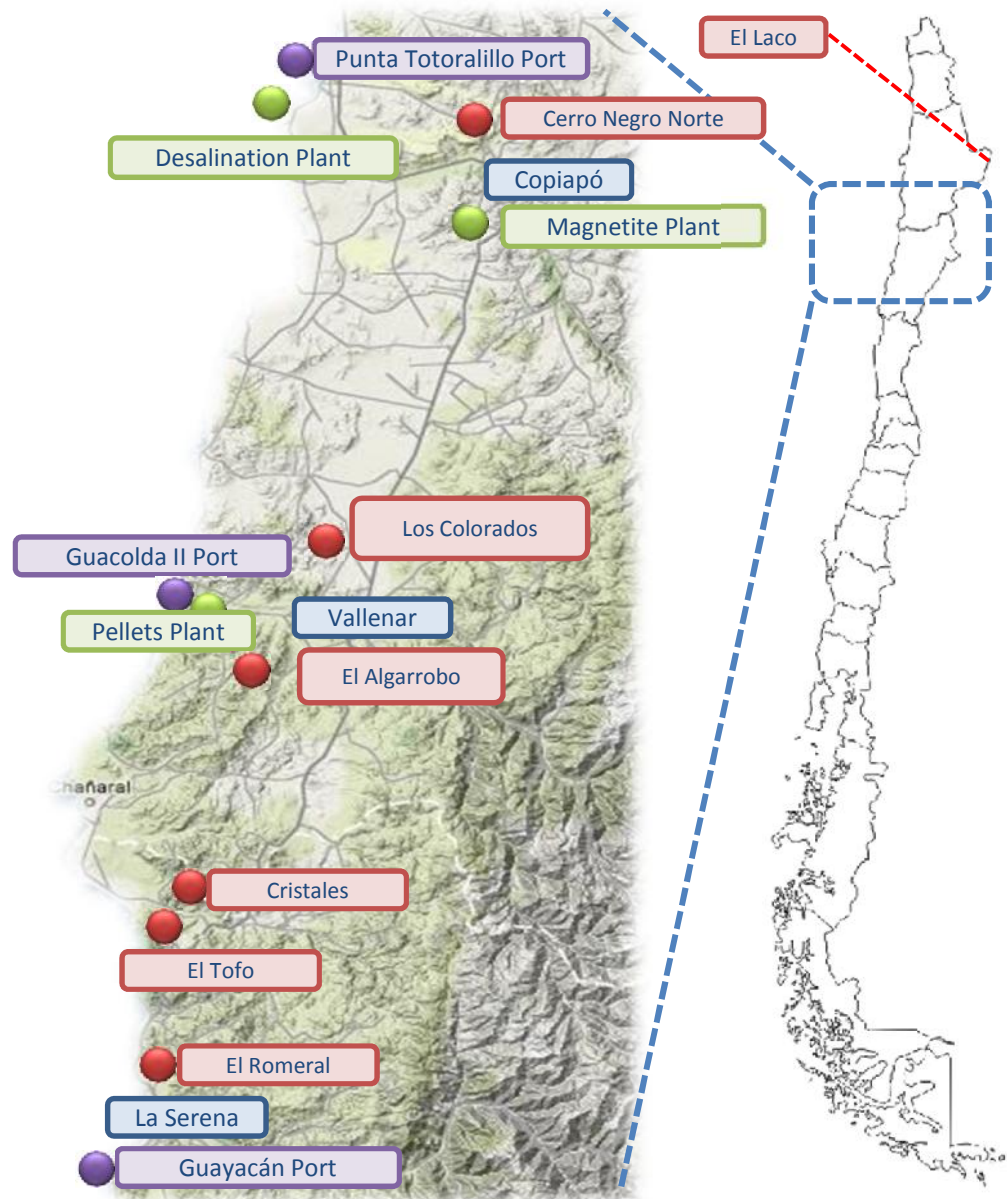
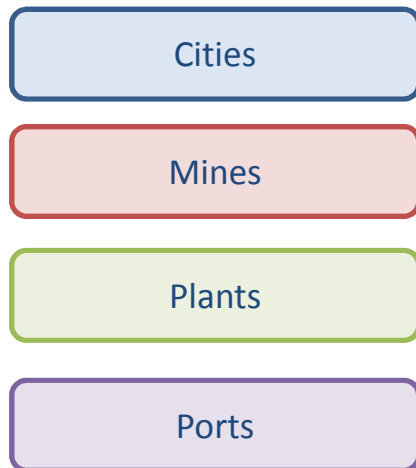


Cerro Negro Norte Mine

Mining sites

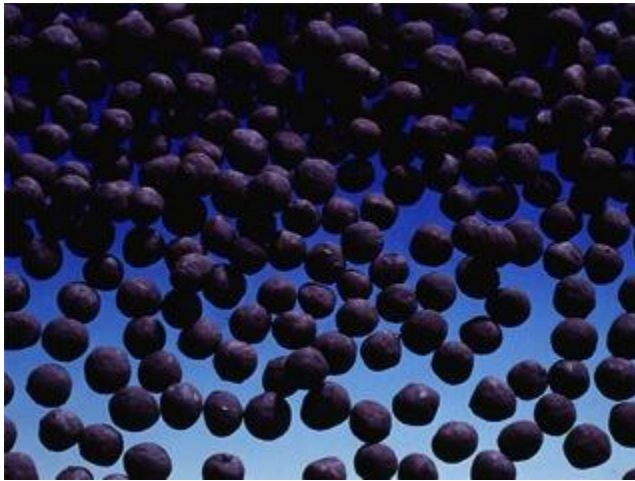
CAP Mining has three different areas of operation in the north of Chile, located around the cities of:

- La Serena
- Vallenar
- Copiapó



Mining products

BF and DR Pellets (Fe 65% - 66%)



Lumps (Fe 62%)



Pellet Feed (Fe 67% - 68%)



Fines (Fe 62%)



Los Colorados Mine



Mining property



Ranking 2012
Hectares in **exploration** concessions - Chile

| N° | Company | Hectares | % |
|----|--|-----------|-------|
| 1 | BHP Chile Inc. | 2,219,500 | 12.38 |
| 2 | Codelco | 969,400 | 5.41 |
| 3 | Antofagasta Minerals S.A. | 736,800 | 4.11 |
| 4 | Teck Exploraciones Mineras Chile Ltda. | 728,600 | 4.07 |
| 5 | CAP | 609,400 | 3.4 |

Ranking 2012
Hectares in **exploitation** concessions - Chile

| N° | Company | Hectares | % |
|----|---------------------------|-----------|-------|
| 1 | Soquimich S.A. | 2,876,778 | 20.98 |
| 2 | Codelco | 838,207 | 6.11 |
| 3 | Minera Escondida Limitada | 362,108 | 2.64 |
| 4 | SCM Virginia | 256,751 | 1.87 |
| 5 | Enami | 254,229 | 1.85 |
| 6 | Antofagasta Minerals S.A. | 208,292 | 1.52 |
| 7 | CAP | 193,601 | 1.41 |

- Top 5 position in exploration concessions
- More than 700.000 meters drilled over the period 2008-2013

Resources and reserves of magnetite ore



As a result of continued successful exploration campaigns, iron ore resources have increased progressively over the years, reaching 6,350 million tons in 2013

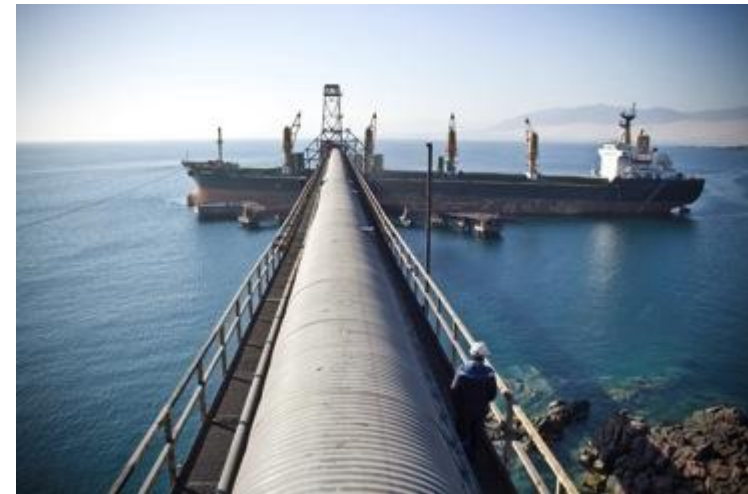
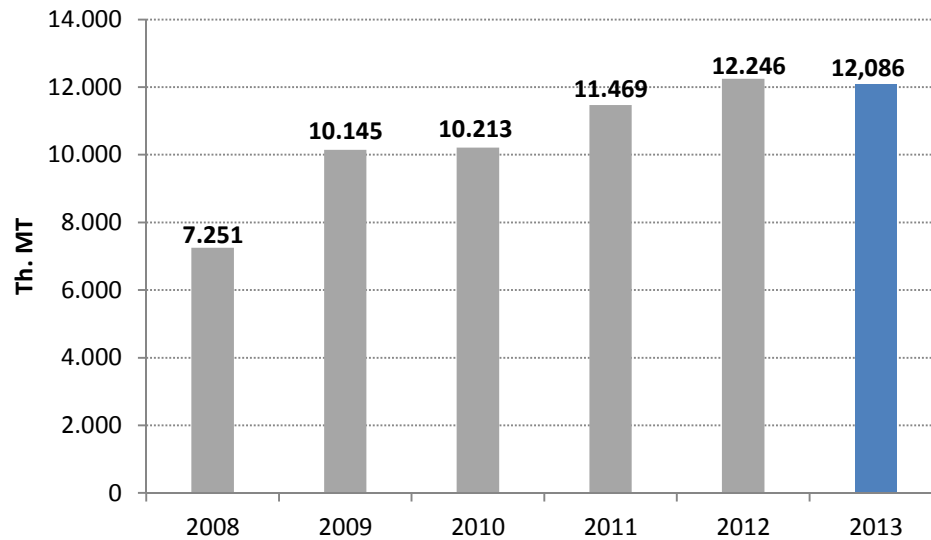
| Mine / Deposit | | Total Mineral Resources (1) | | Reserves (2) | |
|--|-------------|-----------------------------|--------------|--------------|--------------|
| Mine | Location | Ton | Grade (% Fe) | Ton | Grade (% Fe) |
| Existing operations | | | | | |
| Los Colorados | Vallenar | 943 | 34,7% | 509 | 36,5% |
| Los Colorados District | Vallenar | 26 | 43,3% | | |
| Romeral | La Serena | 455 | 28,3% | 101 | 30,6% |
| Hierro Atacama I - Candelaria (3) | Copiapó | 374 | 10,0% | 374 | 10,0% |
| El Algarrobo | Vallenar | 136 | 45,8% | 81 | 49,5% |
| Projects under construction | | | | | |
| Cerro Negro Norte | Copiapó | 377 | 32,8% | 190 | 36,5% |
| Reserves for future development | | | | | |
| El Laco | Antofagasta | 734 | 49,2% | 376 | 56,7% |
| Algarrobo District | Vallenar | 606 | 33,5% | 118 | 35,5% |
| Cristales | Vallenar | 149 | 32,8% | | |
| Tofo District | La Serena | 2.551 | 25,6% | 529 | 26,1% |
| TOTAL | | 6.351 | 30,8% | 2.278 | 33,2% |

Source: CAP, March 2014

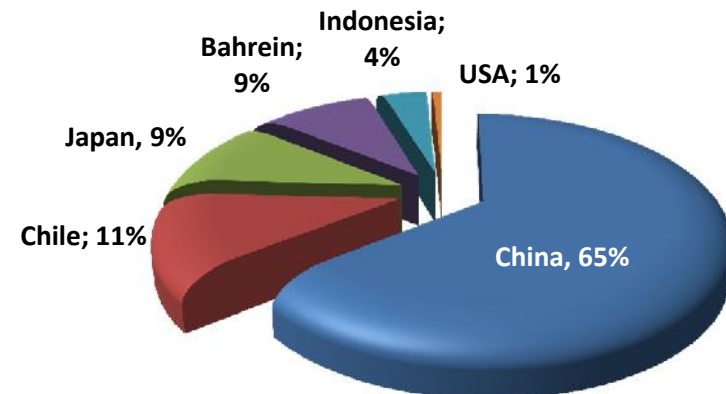
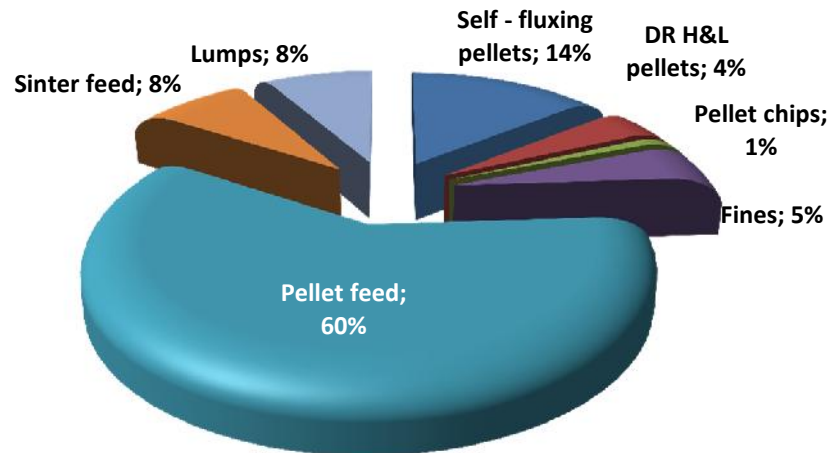
(1) Resources: Minerals measured on a geological ore content feasible of being mined. (2) Reserves: Minerals measured on a geological content feasible of being mined economically. (3) CMP has the contract for processing the tailings of the Candelaria copper mine.

Mining shipments and markets

Shipments



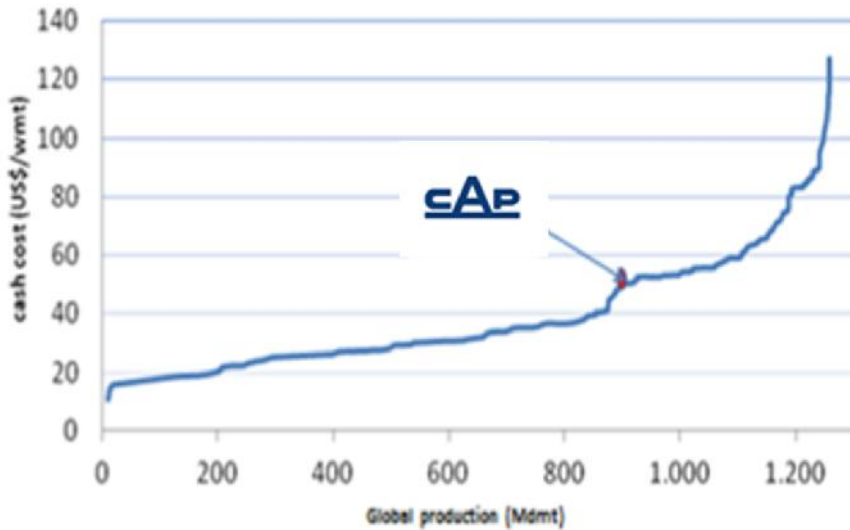
Shipments by markets and products (CY 2013)



Cash cost curve

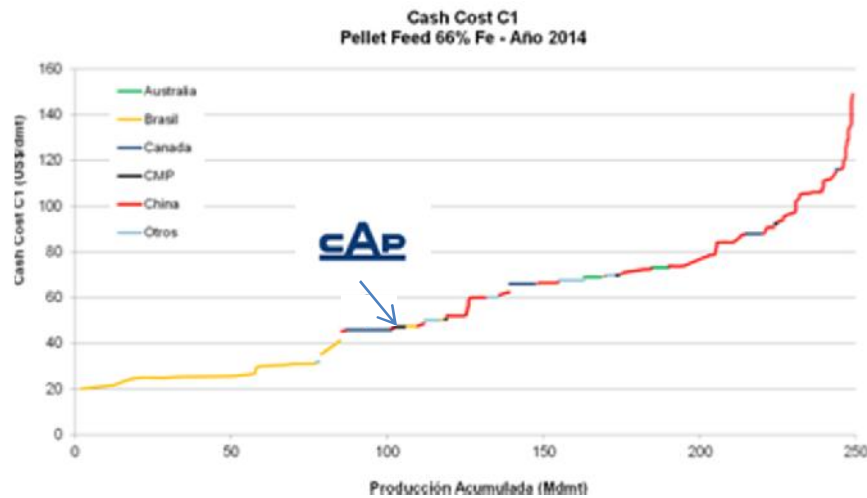


Global production cost

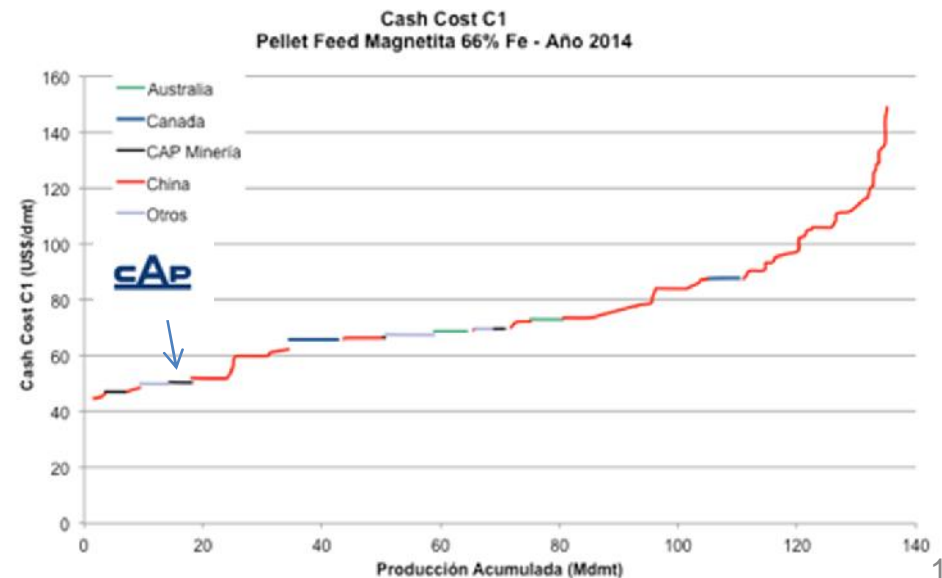


- CAP Mining is a low cost producer of high grade magnetite concentrate
- Mine depletion will lead to higher demand for high grade pellet feed
- Environmental and economic constraints support the increased need for magnetite concentrate

Pellet feed global production cost



Magnetic pellet feed global production cost

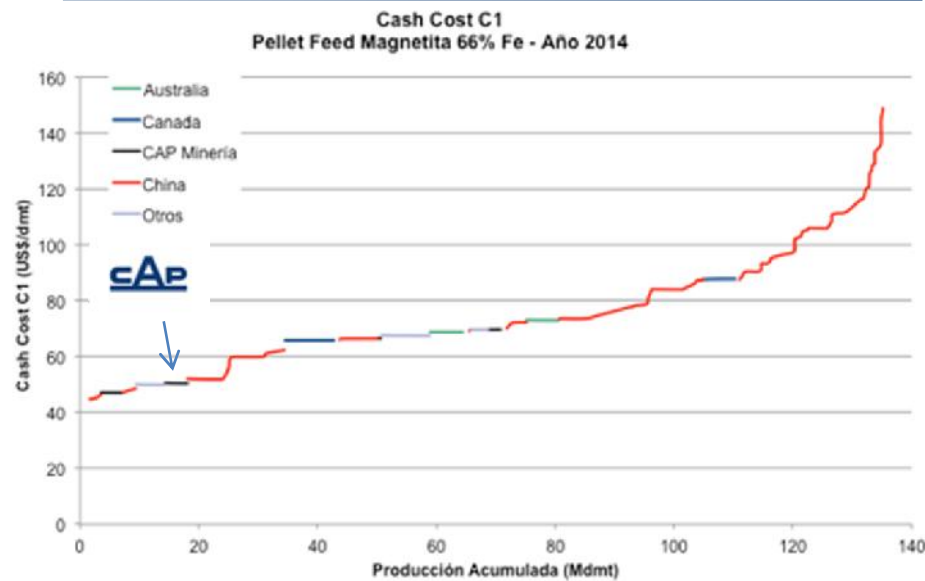


Magnetite pellet feed production 2013



| Country | Market | Production (Mt) |
|--------------|----------|-----------------|
| Australia | Seaborne | 11 |
| Canada | Seaborne | 14 |
| Chile | Seaborne | 6 |
| China | Domestic | 83 |
| Kazakhstan | Domestic | 8 |
| Mauritania | Seaborne | 3 |
| Peru | Seaborne | 5 |
| USA | Domestic | 1 |
| Total | | 132 |

Magnetic pellet feed global production cost



Source: CAP Minería

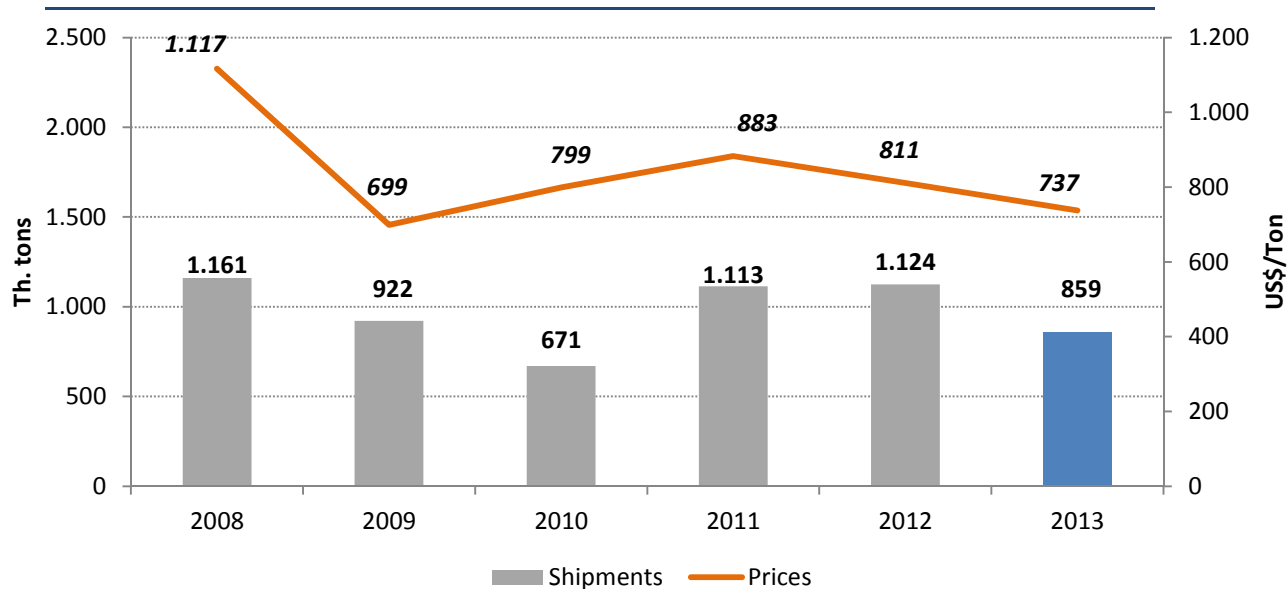
Steel



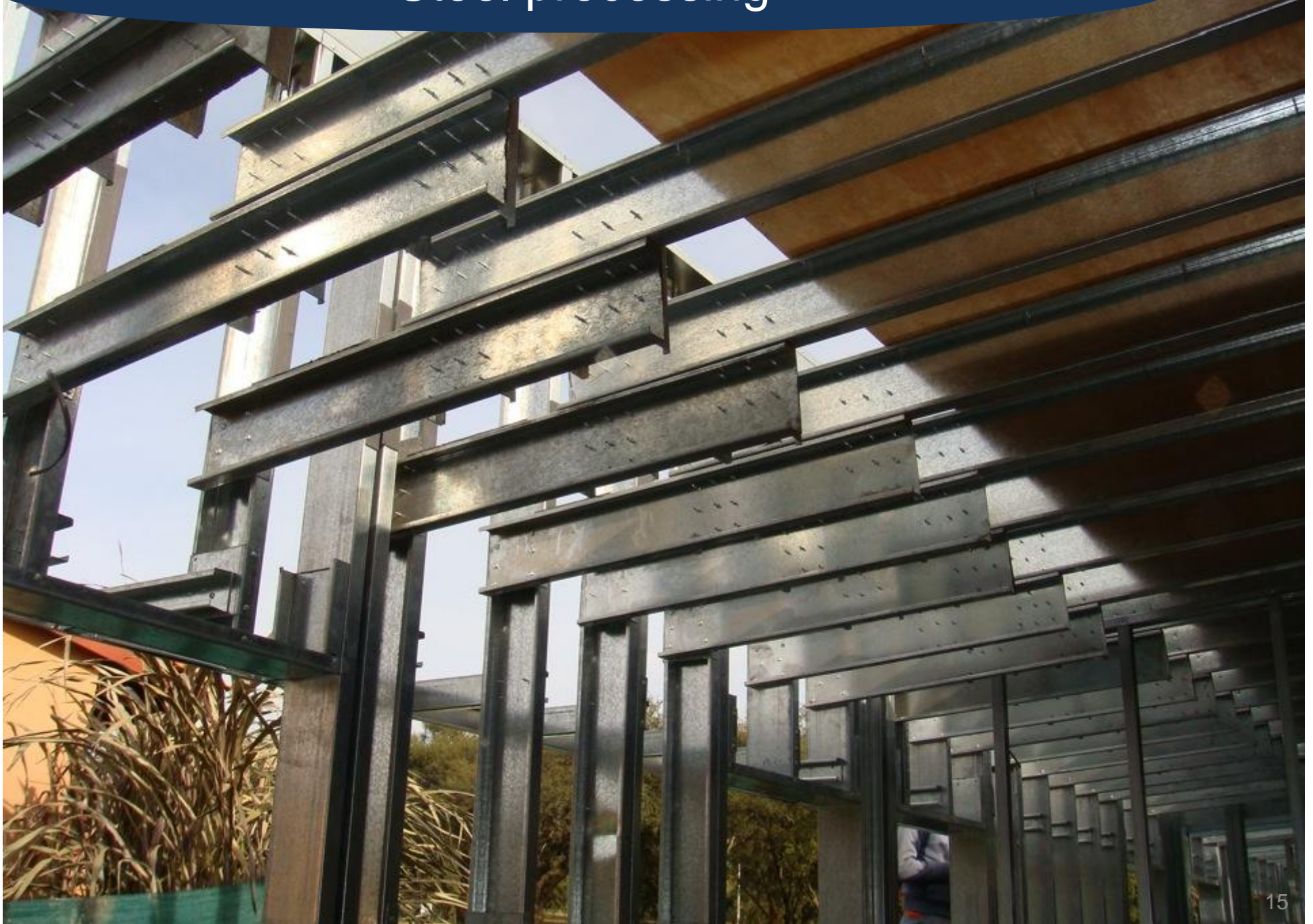
Steel focus on long products only

- Reorganization of the plant to produce 700 kt/y, operating with only one blast furnace
- Strong adjustment in its industrial processes and workforce
- Long products demand underpinned by domestic construction and mining sectors

Shipments and prices



Steel processing

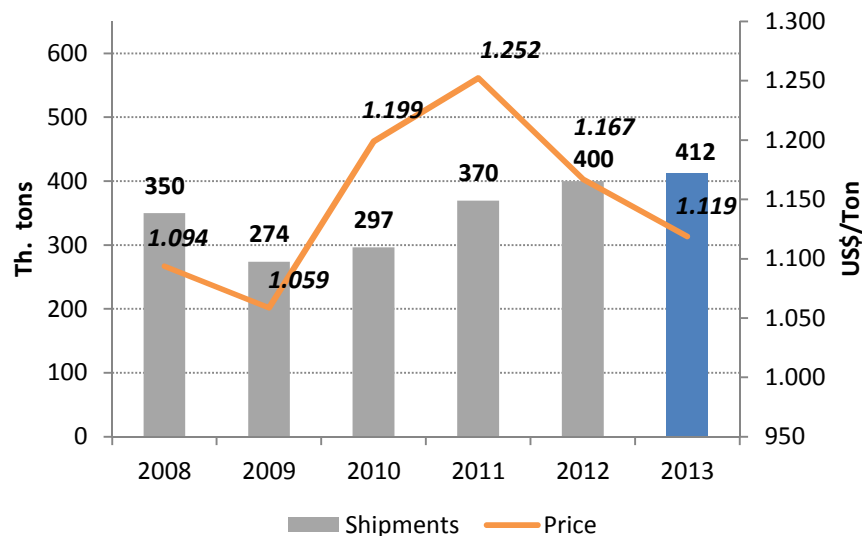


Steel processing

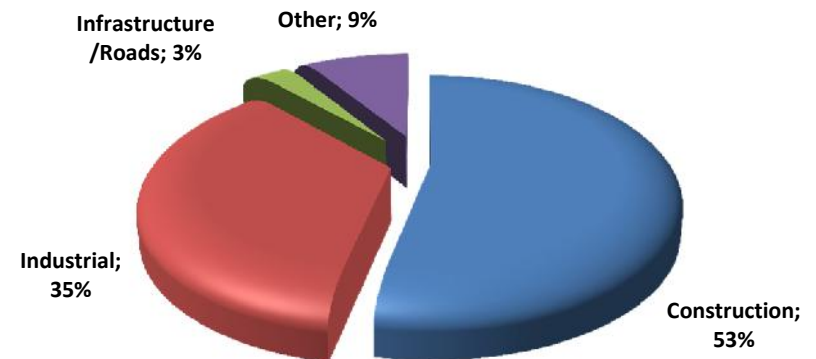
- Main flat steel importer of the Pacific coast of South America
- Creates value-added solutions for the construction, industry and infrastructure sectors in Chile, Peru and Argentina
- Chile is LATAM's most intensive user of steel in construction



Shipments and prices



Sales by Sector 2013



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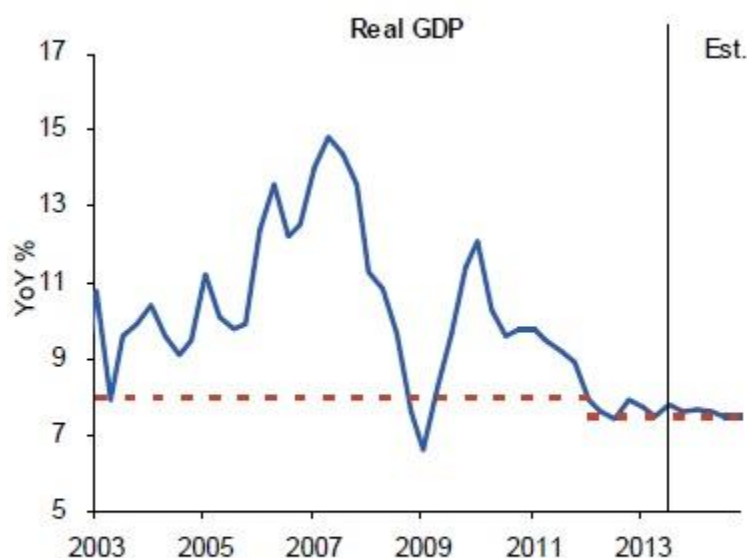
Future prospects

Final remarks

Short-term growth in China

- GDP growth reached 7.7% in year 2013
- Growth led by domestic demand should continue, even though fixed assets investment slows
- This divergent development will continue in 2014

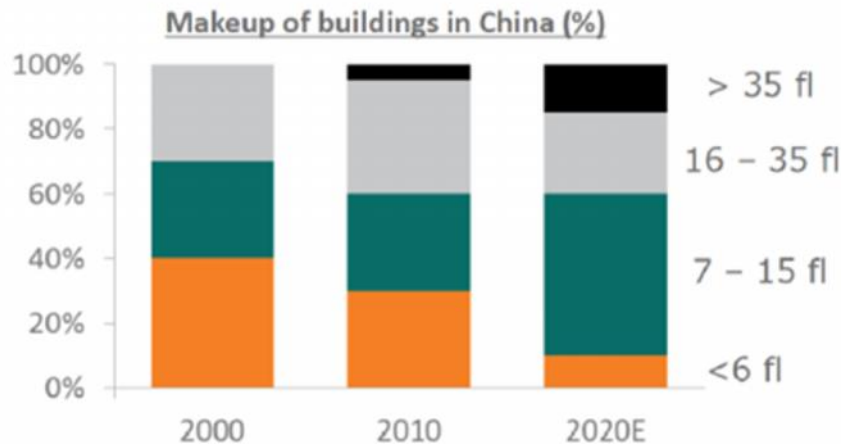
Expected 7.5% YoY GDP growth in 2014



| | Consumption | Investment | Net exports | GDP (YoY%) |
|-----------|-------------|------------|-------------|------------|
| 3/2013 | 4.3 | 2.3 | 1.1 | 7.7 |
| 6/2013 | 3.4 | 4.1 | 0.1 | 7.5 |
| 9/2013 | 3.5 | 4.3 | -0.1 | 7.8 |
| 12/2013 | 3.9 | 4.2 | -0.3 | 7.6 |
| 3/2014 E | 3.8 | 3.6 | 0.1 | 7.5 |
| 6/2014 E | 3.8 | 3.6 | 0.2 | 7.6 |
| 9/2014 E | 3.7 | 3.6 | 0.2 | 7.5 |
| 12/2014 E | 3.7 | 3.5 | 0.3 | 7.5 |
| 2014E | 3.8 | 3.6 | 0.2 | 7.5 |

Source: CEIC, Mizuho research

Taller buildings...

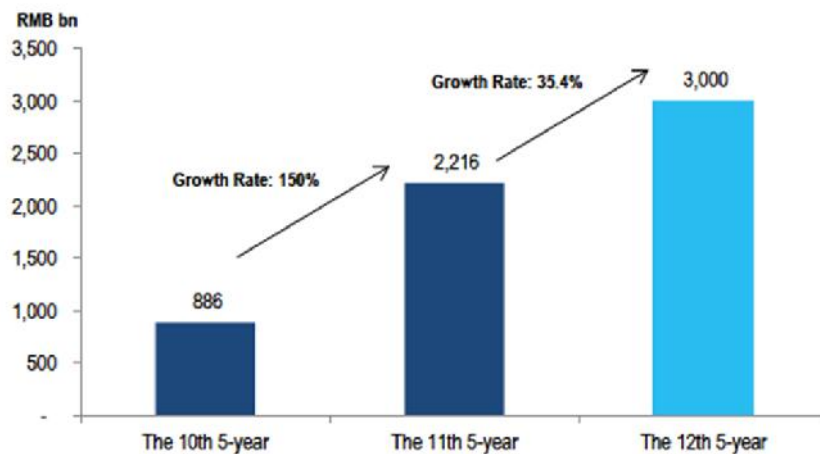


Source: The Economist, McKinsey Global Institute; Vale Market Intelligence

More cars...

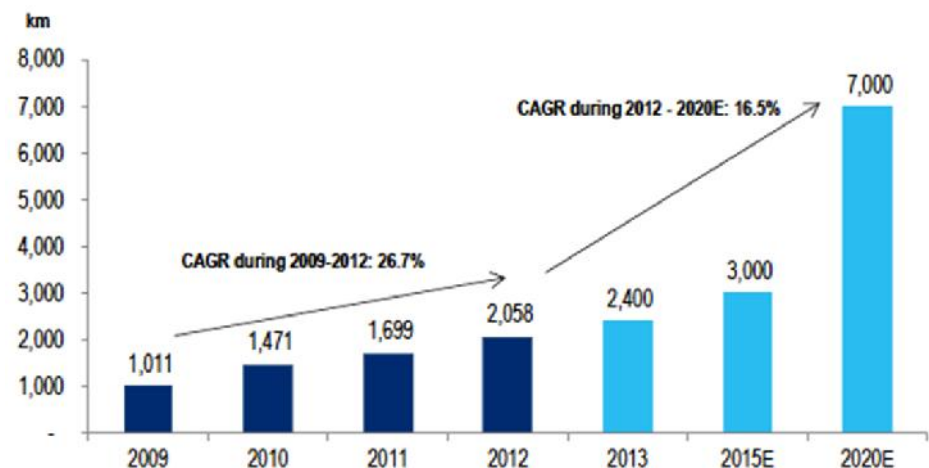


Expressway construction investment



Source: Citi, April 2014

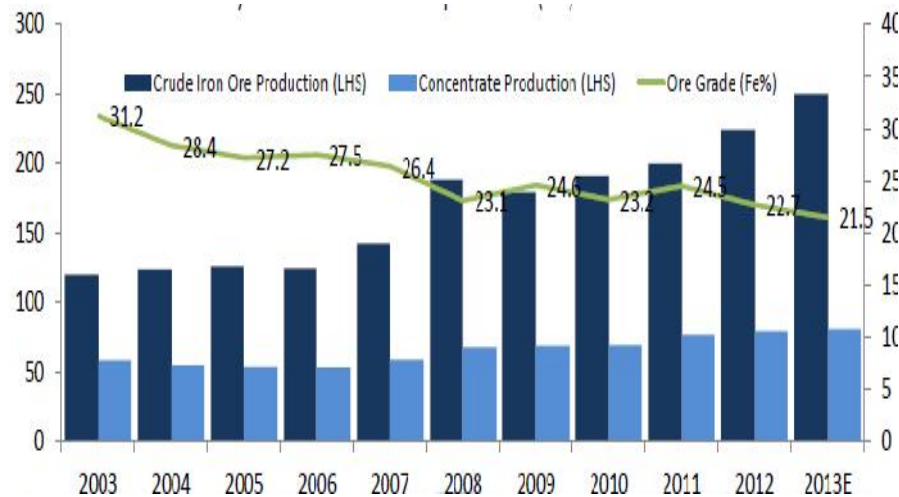
Urban rail transit construction



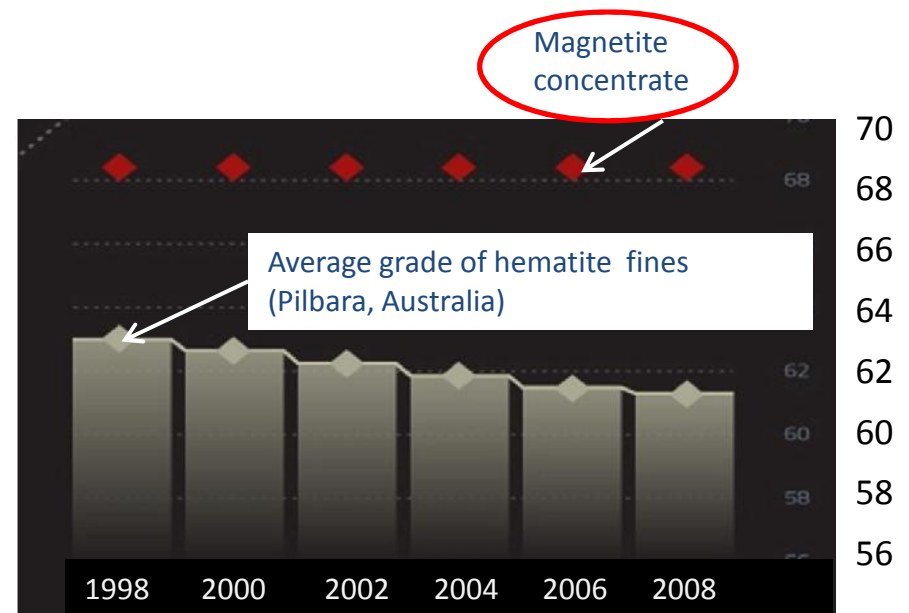
Iron ore quality evolution

- Crude iron ore grade is dropping
- Mine depletion will lead to higher demand for high grade concentrates

Production from key CISA Chinese iron ore producers (Mt)



Source: Hatch, UNCTAD

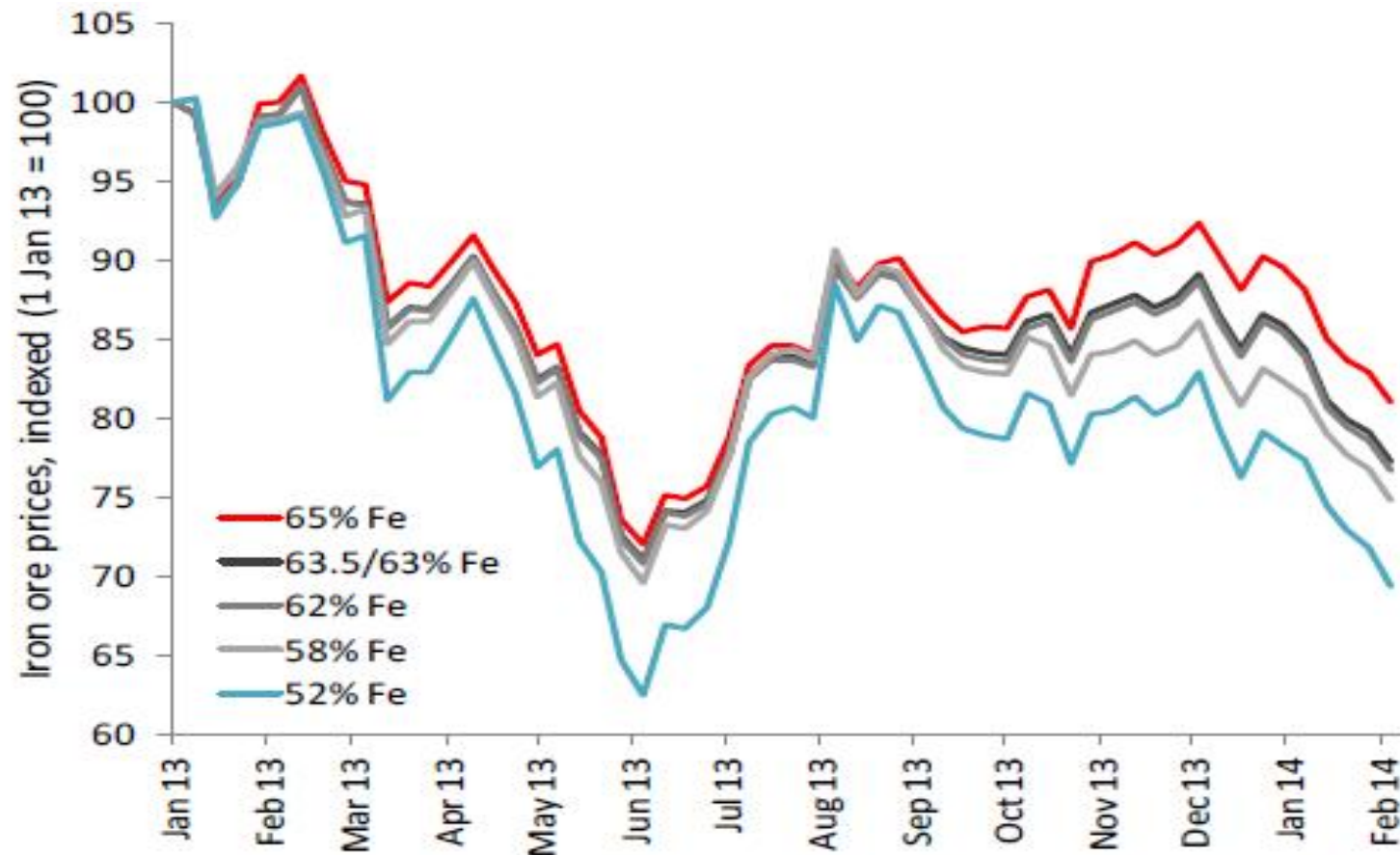


Source: www.visualcapitalist.com

Preference for higher quality iron ore



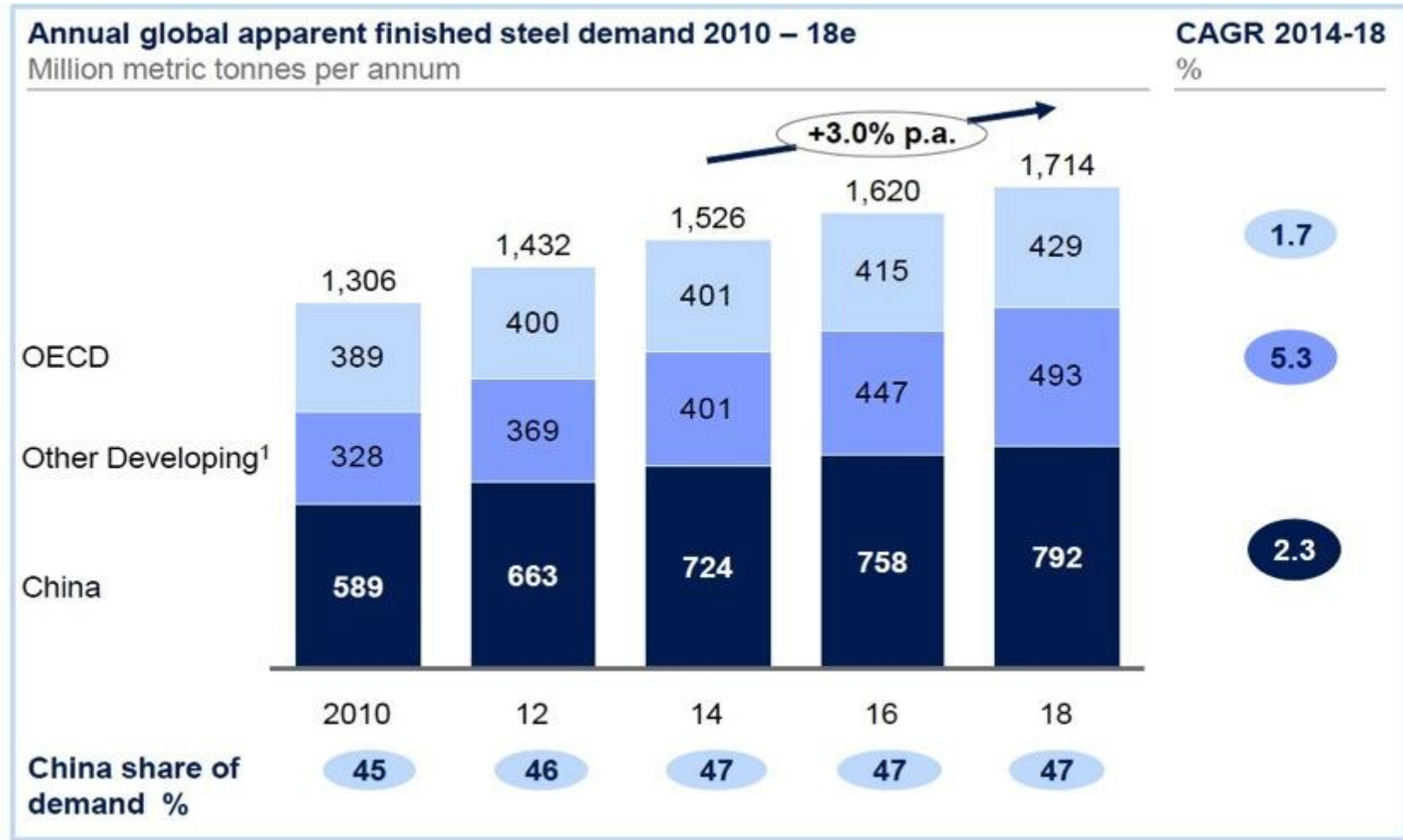
Relative price performance of ores of different grades



SOURCE: Macquarie, commodities research

Global steel demand growth

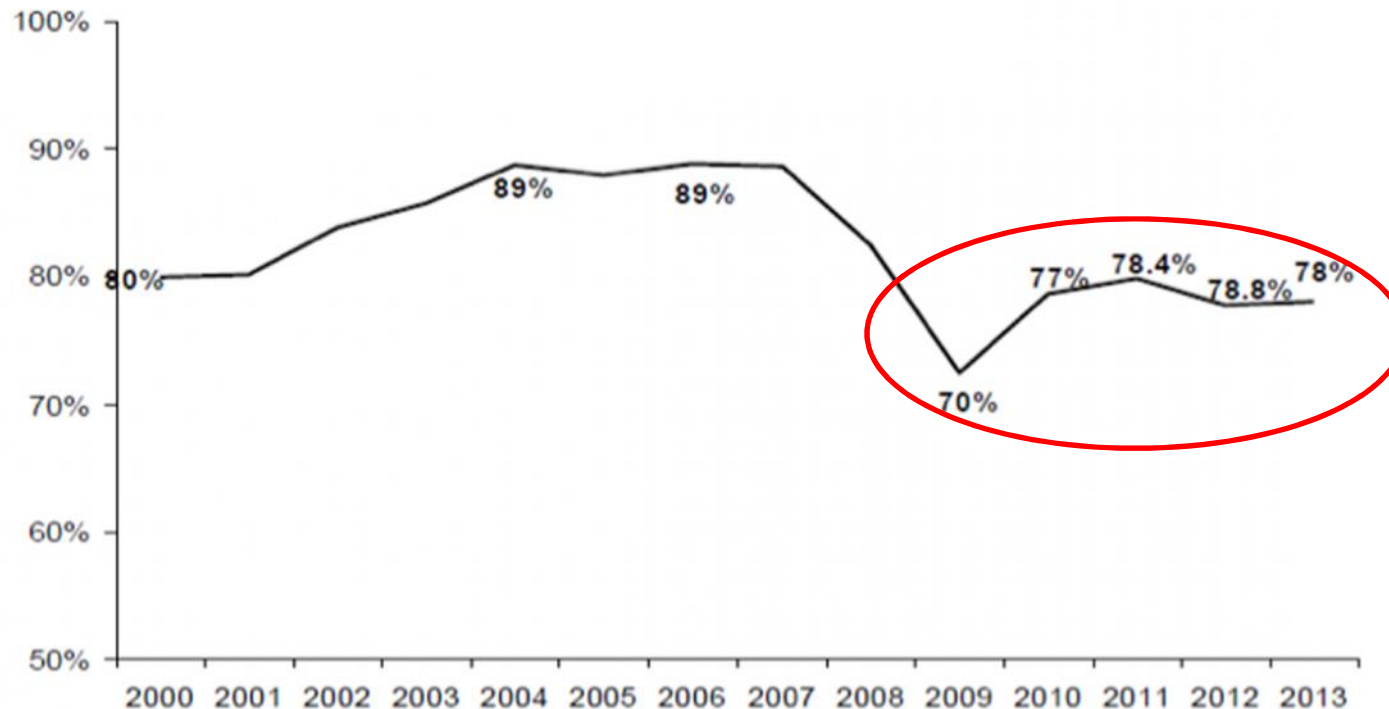
- Global apparent finished steel demand will grow from 1.5 bn tons in 2014 to 1.7 bn tons by 2018 (implied 3% CAGR)



(1) Other Developing includes CIS, MENA, Sub-Saharan Africa, Latin America, India, and Other Asia
SOURCE: WSA; McKinsey Steel Demand Model Oliver Ramsbottom, Partner, McKinsey & Company, February 2014

Global steel capacity utilization

- Nevertheless, world capacity utilization has been below 80% for the last 5 years, thereby practically destroying the margins of the steel production industry
- Most of the excess capacity is concentrated in China. Current efforts to diminish this excess capacity have not yielded significant progress yet.
- Annual average for world's crude steel capacity utilization rate was 78% in 2013, down 0,8% over 2012



Source: worldsteel

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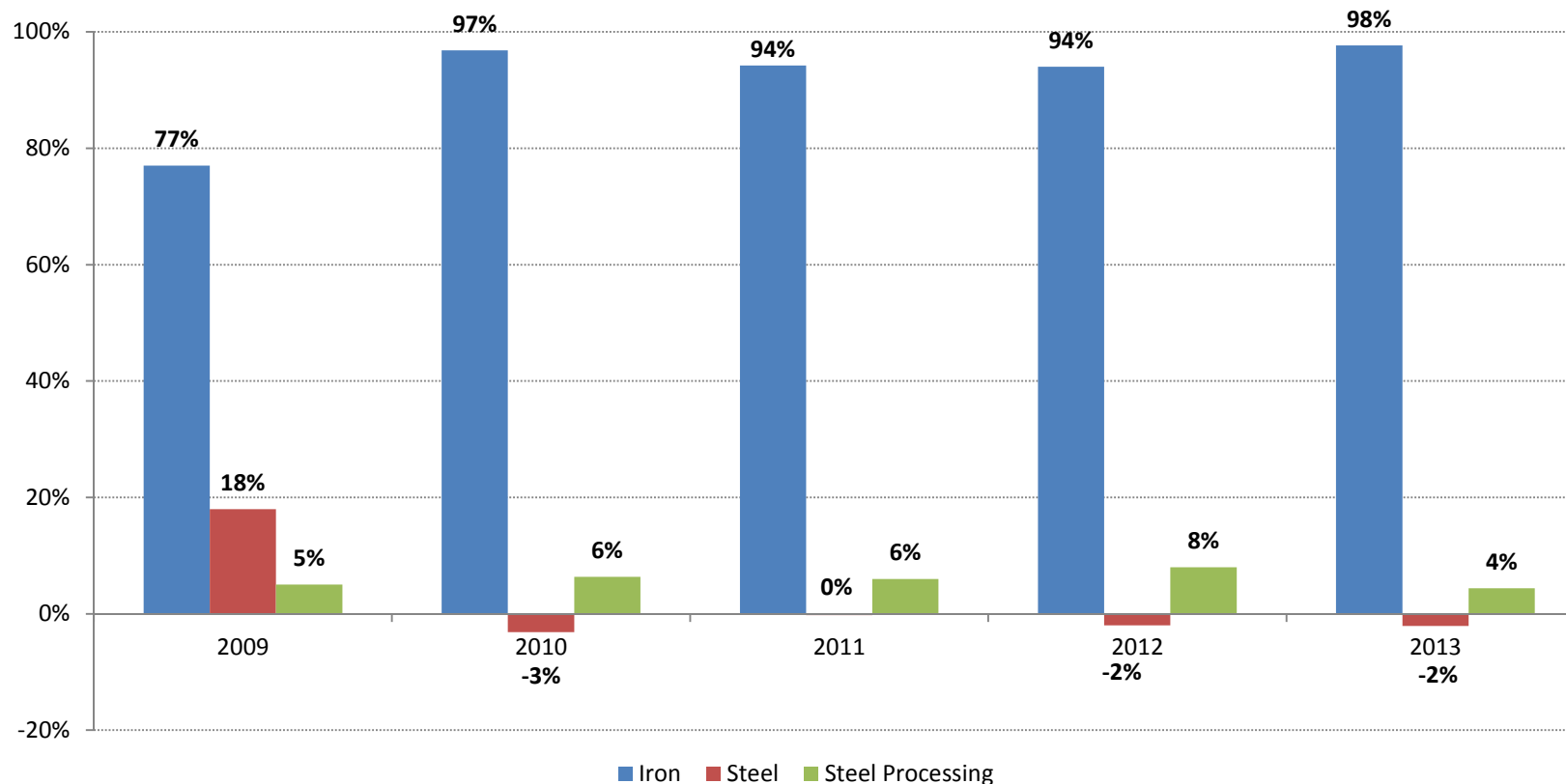
CAP – Financial evolution



| USD Million | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------|-------|-------|-------|-------|-------|--------------------|
| Sales | 1.972 | 1.375 | 1.994 | 2.787 | 2.470 | 2.297 |
| EBITDA | 534 | 128 | 740 | 1.184 | 764 | 708 |
| EBITDA Margin | 27,1% | 9,3% | 37,1% | 42,5% | 30,9% | 30,8% |
| Net Income | 291 | 25 | 590 | 442 | 234 | 184 ⁽¹⁾ |
| Cash | 379 | 393 | 981 | 883 | 711 | 309 |
| Gross Financial debt | 880 | 907 | 1.001 | 628 | 719 | 932 |
| Net Financial debt | 501 | 514 | 20 | -255 | 8 | 623 |
| Net Financial Debt /EBITDA | 0,94 | 4,01 | 0,03 | -0,22 | 0,01 | 0,88 |
| Capex | 161 | 142 | 207 | 282 | 777 | 975 |

(1) Net income includes a MUS\$ 58 expense related to write-off and impairment in the steel business

EBITDA contribution by business



(1) EBITDA: Gross Margin – S&AE + Depreciation and Amortization + Dividends received in cash, over the last twelve months

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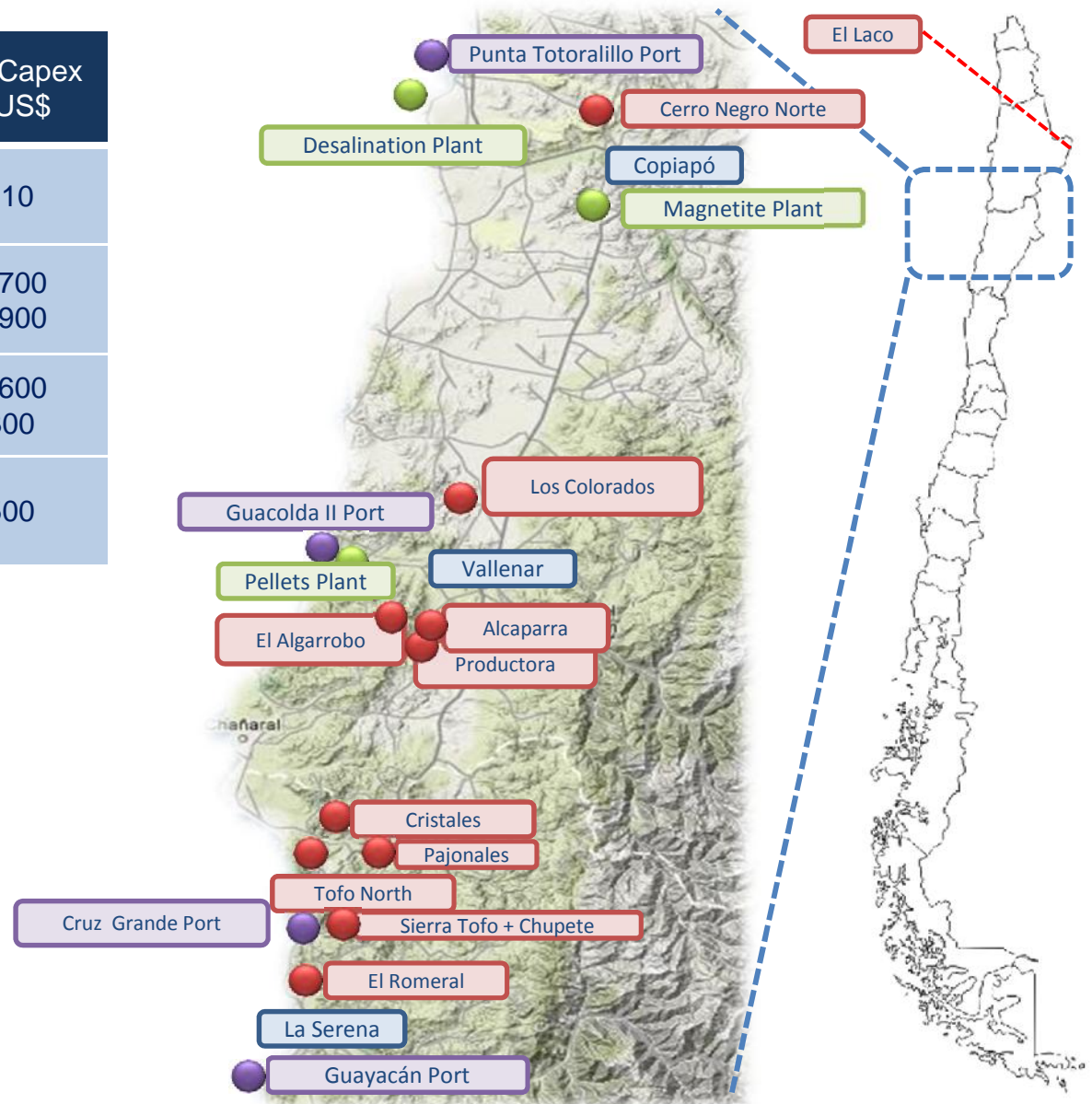
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Mining future prospects

| Project | Production Mt | Est. Capex MUS\$ |
|---------------------------|------------------------|------------------|
| Magnetite Plant Expansion | 1 PF | 110 |
| Tofo | 6,5 PF 13,5 PF | 1,700 2,900 |
| Alcaparra | 6 PF 135 Kt Conc-Cu | 1,600 300 |
| Los Colorados Expansion | 4 SF | 500 |



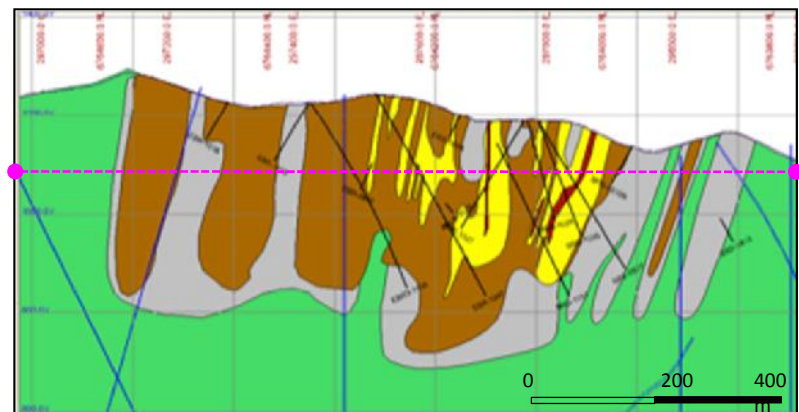
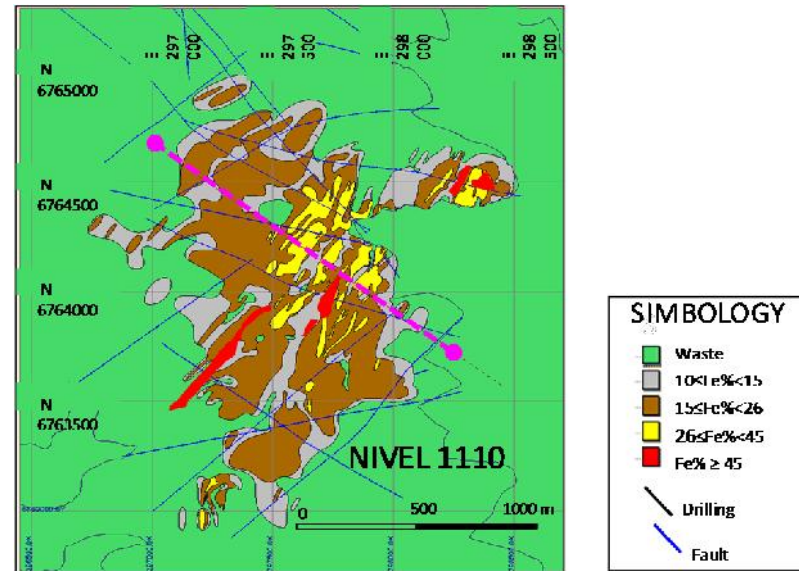
Investment (E) : 1,700 – 2,900 MUS\$

- Greenfield

Production: 6.5-13,5 Mt/y of pellet feed

Stage: Conceptual engineering

| Resources | Volume [Mt] | Fe [%] |
|--------------|--------------|-------------|
| Measured | 946 | 25.5 |
| Indicated | 455 | 23.4 |
| Inferred | 190 | 22.5 |
| Total | 1,591 | 24.5 |

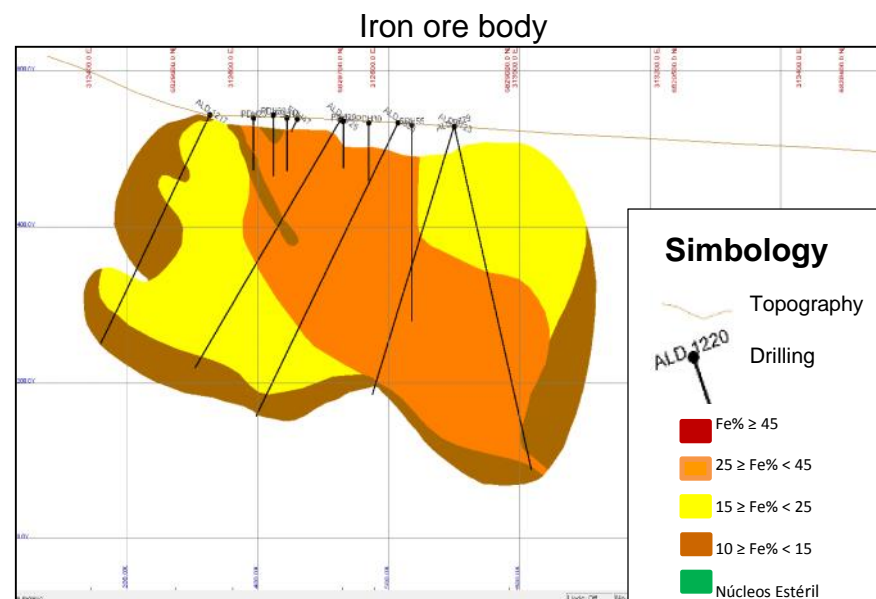


Alcaparra iron/copper

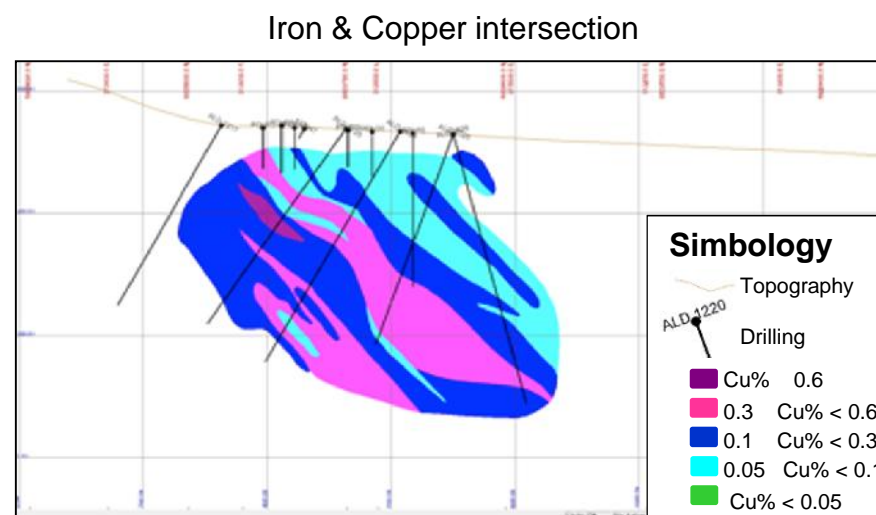
Investment (E): 1,600 + 300 MUS\$

Production: 6 Mt/y of pellet feed
135 kt/y of copper concentrate

Stage: Advanced exploration
Exploratory metallurgy



| Resources | Volume [Mt] | Fe/Cu [%] |
|-----------|-------------|-----------|
| Iron | 674 | 24.5 |
| Copper | 423 | 0.26 |



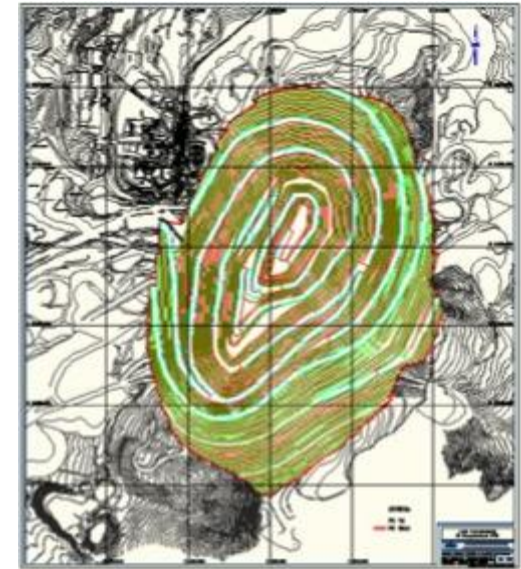
Los Colorados expansion

Investment : 500 MUS\$

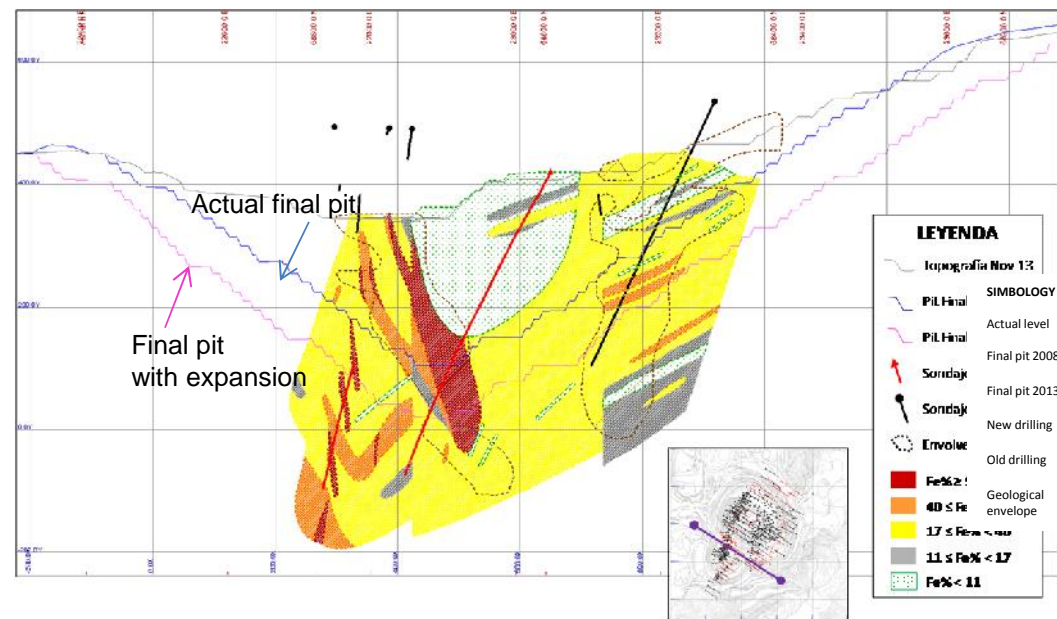
- Brownfield

Production: 4 Mt/y of fines

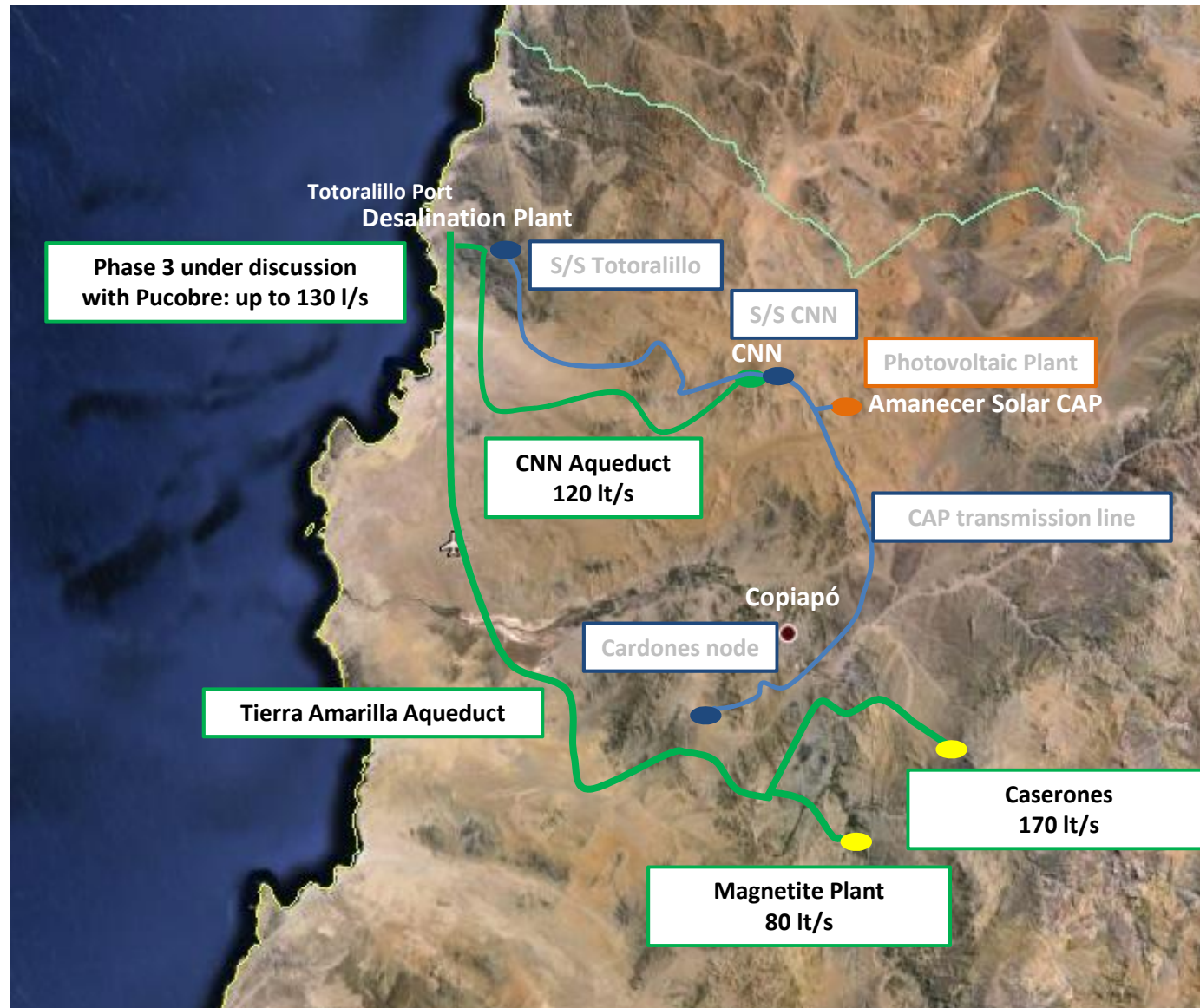
Stage: Basic engineering



| Resources 2012 | Volume [Mt] | Fe [%] |
|----------------|--------------|-------------|
| Measured | 694 | 31.5 |
| Indicated | 343 | 31.4 |
| Inferred | 100 | 33.9 |
| TOTAL | 1,137 | 31.7 |



Sustainable mining operations



Desalination plant



Total capacity CAP ports: 34.8 Mt/y



Punta Totoralillo:

- 29 km north of Caldera
- Iron ore shipping
- 200,000 dwt
- Max capacity: 12 million t/y
- Effective utilization: 4.5 million t/y



Guayacán:

- Herradura bay, Coquimbo
- Iron ore shipping
- 165,000 dwt
- Max capacity: 6 million t/y
- Effective utilization: 2.7 million t/y



Guacolda II:

- Located in Huasco City
- Iron ore shipping
- 300,000 dwt
- Max capacity: 12 million t/y
- Effective utilization: 7.2 million t/y



Huachipato:

- Talcahuano bay
- Unloading coal an iron ore & finished steel shipping
- Max capacity: 2 million t/y
- Effective utilization: 1 million t/y



Las Losas:

- Located in Huasco City
- Multi purpose port
- Max capacity: 2 million t/y
- Effective utilization: 0.4 million t/y



Guarello:

- Guarello island, south
- Limestone shipping
- 800 kt/y
- Max capacity: 0.8 million t/y
- Effective utilization: 0.5 million t/y

Note: Weighted average of port utilization: 47%

CAP Mining Totalillo Port

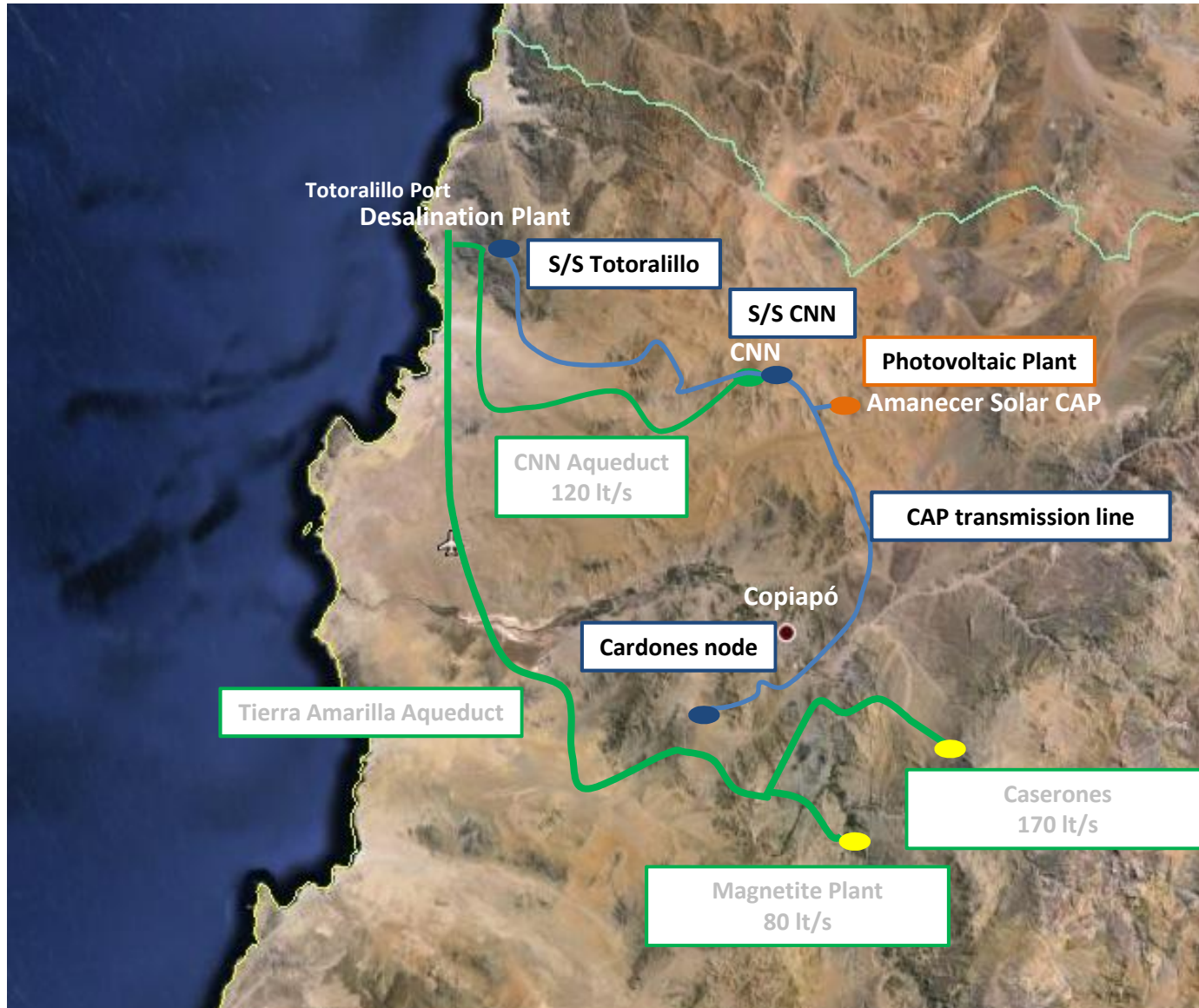
- Third-party iron ore loading and storage capacity at Totalillo port is 3 Mt/y
- Loaded tonnages: 2 Mt in 2013 and 2,5 Mt in 2014
- EBITDA generation: MUS\$20 in 2013 and MUS\$22 in 2014
- With the addition of 1 Mt/y of copper loading services under preliminary negotiation, EBITDA could reach MUS\$35 per year (expected by 2017)

Other CAP Ports

- Copper storage and loading services in preliminary negotiation stage at Las Losas port, and under study at Guayacan port
- Copper loading services at Guayacán port, and various possibilities for CSH's port under study (expected to be defined by 2014)



Solar energy



- 100 MW Photovoltaic power plant fully committed to CAP (PPA)
- Located nearby CNN Mine
- CAP retains call option for up to 40% of the equity
- Financial hedge
- Compliance with NCRE law
- Connected to a 142 km long 220 kv transmission line owned by CAP



General view of the “Amanecer Solar” Plant site, as of March 2014

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- **CAP Mining**

- On track for expansion of 50% production capacity to 18 Mt/y
- Ample portfolio of future prospects based on abundant reserves; further expansion to be defined in 2014
- Global environmental and economic constraints support the growing need for CAP's magnetite concentrate

- **CAP Steel**

- Focus on long steel products that distinguishes from competitors through technology and/or logistics
- Expectation of cash neutrality and profitability in the near term
- Versatility: possible re-expansion dependent on market conditions

- **CAP Steel Processing**

- Already largest flat steel processor in the Pacific coast of South America
- Leader in innovative solutions for industrial and residential construction
- Strong plans for organic and inorganic growth

Final remarks



- CAP is advancing through sustainable development based on competitive advantages
- Concurrently, cost reduction initiatives and productivity improvements will be at the center of management efforts
 - CAP Mining: operational improvements
 - CAP Steel: optimize raw materials and energy utilization; maximize semi-finished steel for the given pig iron production
 - CAP Steel Processing: minimize inventory; reduction of lead time and freight costs



CAP GROUP UPDATE
Deutsche Bank 4th Annual Chile Conference

Fernando Reitich
President & CEO

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London - May 2014