



CAP GROUP UPDATE

Fernando Reitich
President & CEO

March, 2014

Company overview

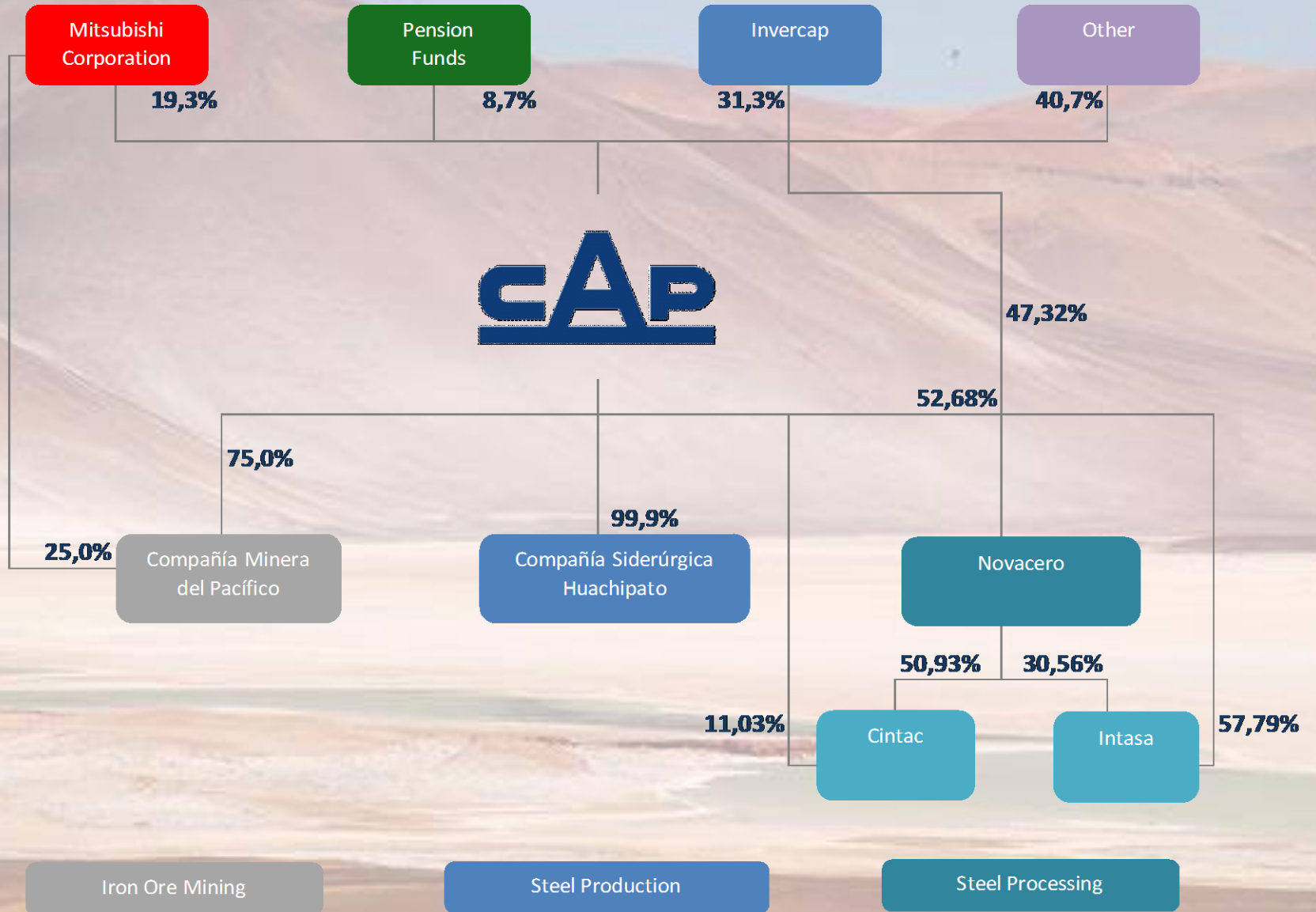
Global industry update

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

 Mining

Steel



- Production: 0,7 Mt/y
- Nominal capacity: 1.45 Mt/y
- Domestic market
- Focus on grinding media, rebar & wire rod
- 50% of target market

 Steel

Steel Processing



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

 Steel processing ³

Iron ore mining



Los Colorados mine

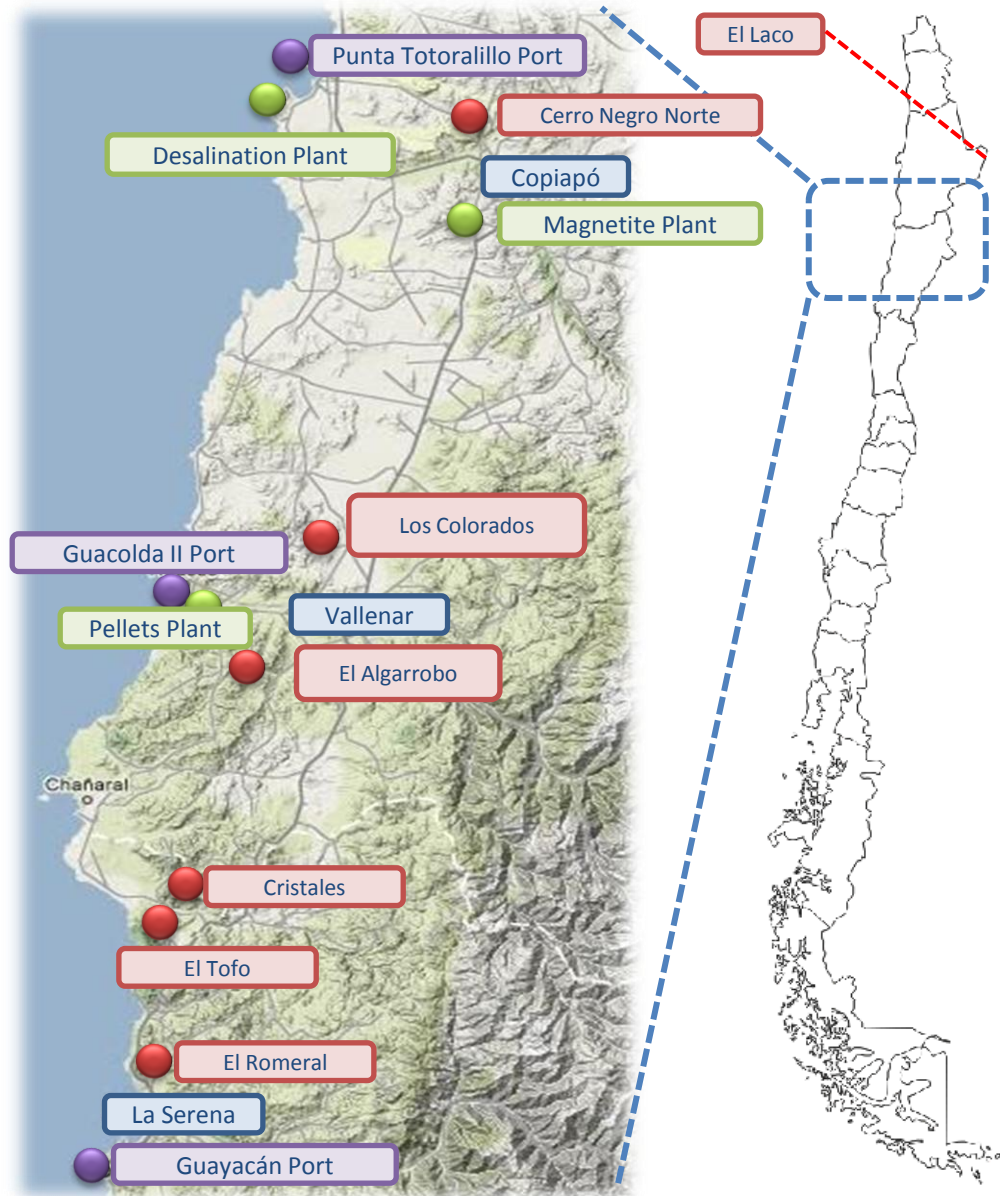
Mining sites

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

- La Serena
- Vallenar
- Copiapó

Legend for mining sites:

- Cities (Blue box)
- Mines (Red box)
- Plants (Green box)
- Ports (Purple box)





Elqui Valley / La Serena

- El Romeral Mine / 4.0 million tons
- Pellet Feed, Lumps and Fines
- Infrastructure: Guayacan Port (165.000 dwt) and Railroad (38 km)



Huasco Valley / Vallenar

- Los Colorados Mine - Pellet Plant / 7.2 million tons
- Pellets, Pellet Feed, Lumps and Fines
- Infrastructure: Guacolda II Port (300.000 dwt) and Railroad (140 km)



Copiapo Valley / Copiapó

- Magnetite Plant / 3.0 million tons
 - Pellet Feed
 - Infrastructure: Punta Totalillo Port (200.000 dwt) and Slurry Pipeline (120 km)
- Cerro Negro Norte Mine (commissioning by May 2014) / 4.0 million tons
 - Pellet Feed
 - Infrastructure: Slurry Pipeline (81 km)



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



Lumps (Fe 62%)



Pellet Feed (Fe 67% - 68%)



Fines (Fe 62%)



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



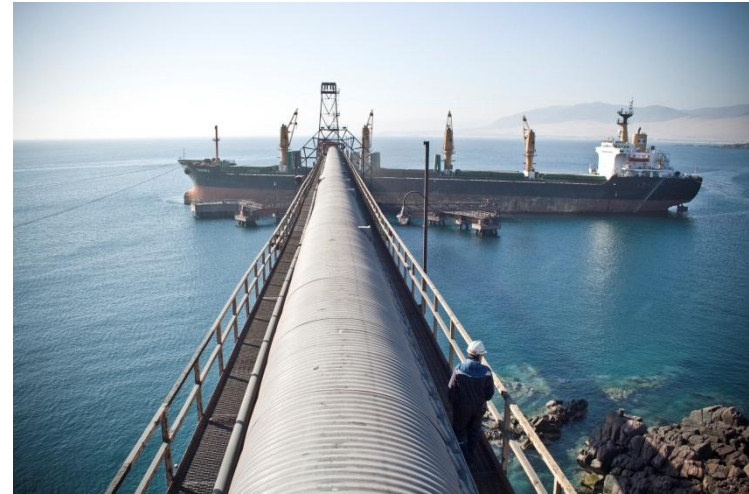
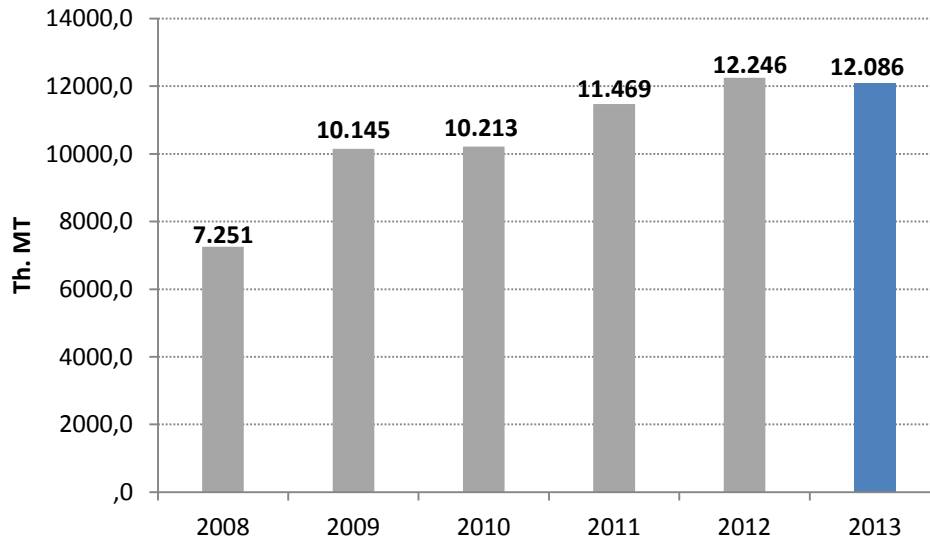
As a result of continued successful exploration campaigns, iron ore resources have increased progressively over the years, reaching 6.350 million tons in 2013

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%

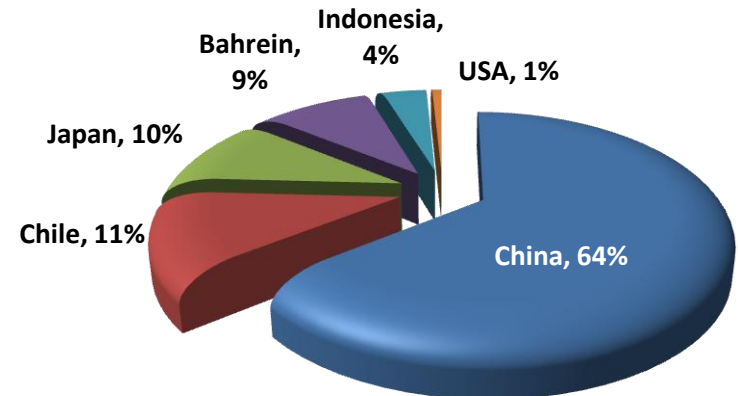
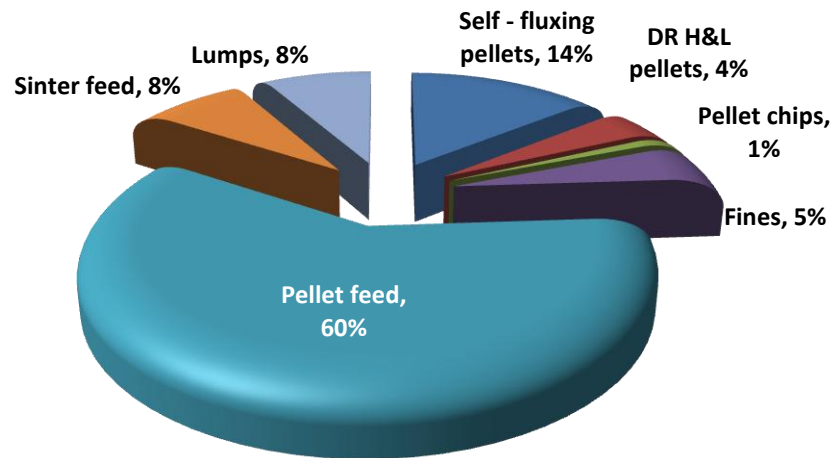
Source: CAP, March 2014

(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.

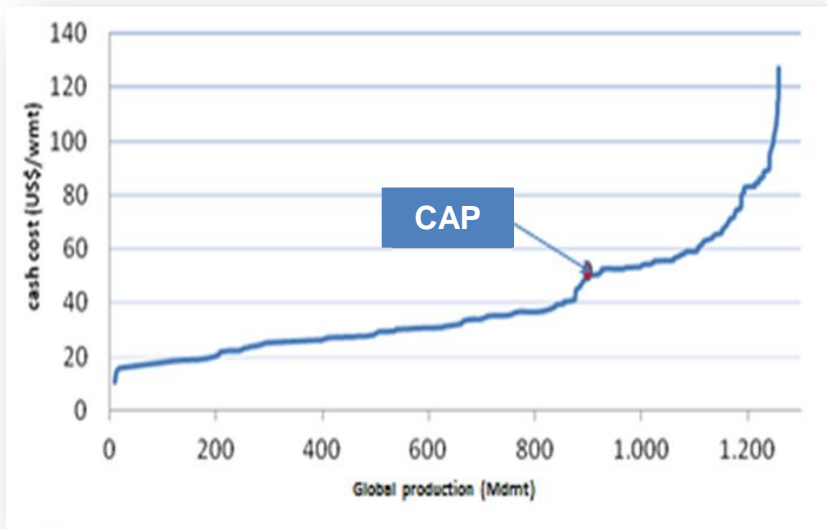
Shipments



Shipments by markets and products (CY 2013)

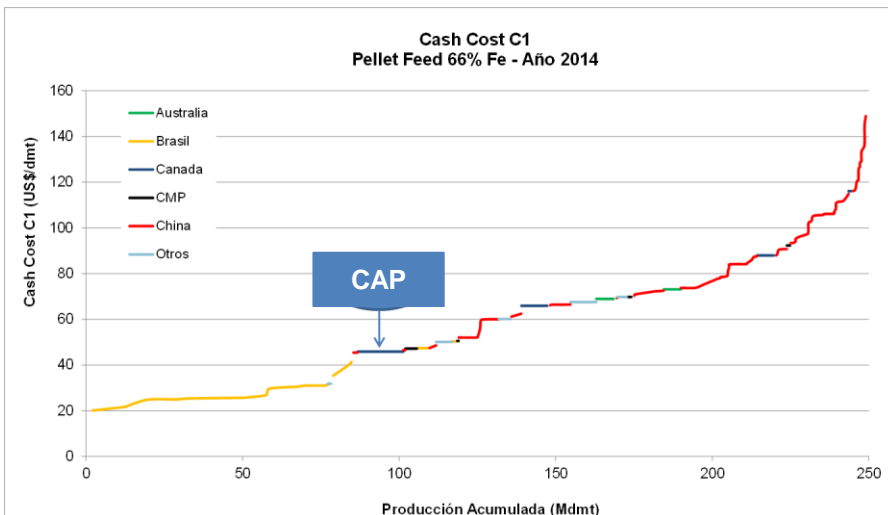


Global production cost

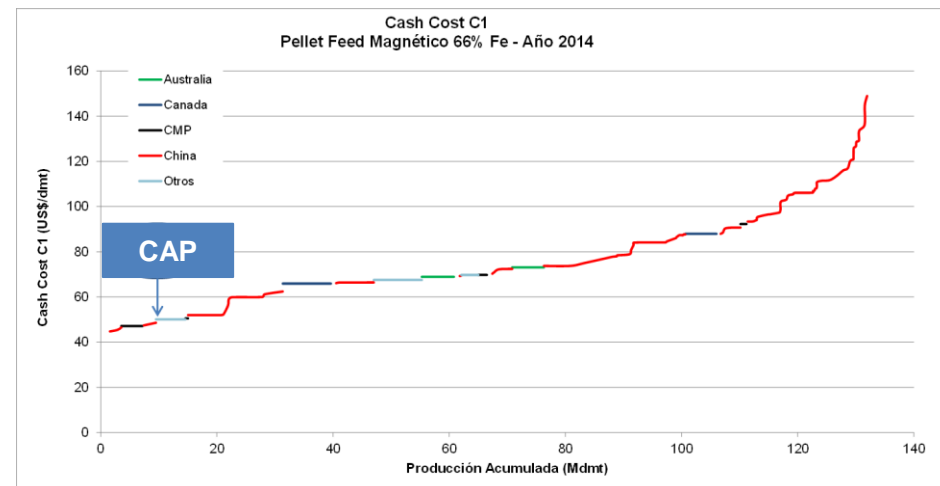


- CAP Mining is a low cost producer of high grade magnetite concentrate
- Mine depletion will lead to higher demand for high grade pellet feed
- Environmental and economic constraints support the increased need for magnetite concentrate

Pellet feed global production cost



Magnetic pellet feed global production cost



Steel

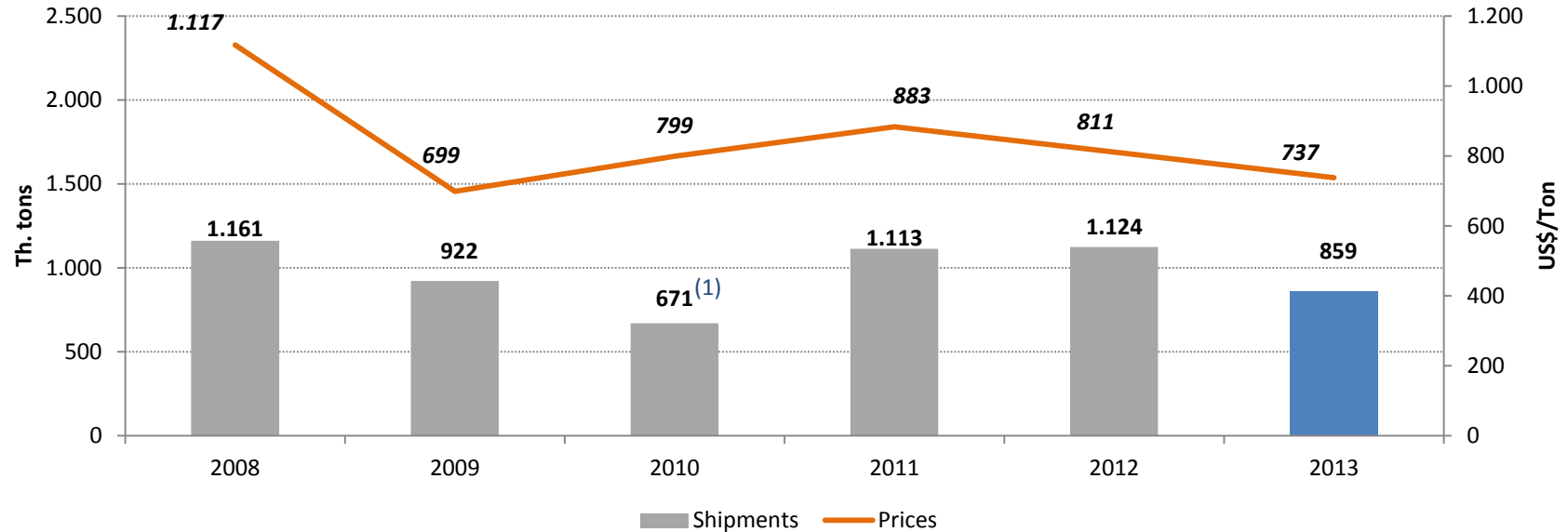


- Strategically located. Good logistics for raw materials, water and energy.
- Pier available more than 95% of the year.
- Part of an industrial area, near to universities and technical educational centers.



- Worldwide low capacity utilization has destroyed steel producers margins in the last years
- During 2013 the company shifted focus to long products only, aiming to exploit its competitive advantages
 - HRC: Negative margins due to oversupplied market and subsidized export surplus from China and others
 - Long products demand underpinned by domestic construction and mining sectors
 - Reorganization of the plant to produce 700 kt/y, operating with only one blast furnace
 - Strong adjustment in its industrial processes and workforce
- US dollar appreciation and lower raw materials prices are helping to lower production cost

Shipments and prices



(1) 2010 production was affected by an earthquake

Product portfolio



- Reinforcing bars to construction, 6mm to 36mm coils or straight bars. Earthquake resistant



- Wired rod mesh or drawing, 5.5mm a 12mm



- Grinding media for grinding balls or mills, 25,4mm to 101,6mm

Market leadership	<ul style="list-style-type: none">■ Strong market position based on high quality products and good logistics that over perform foreign competitors■ Independent player in Latin America■ Undisputed leadership in Chilean market, 49% share on long products target market in 2013
Secured raw materials supply	<ul style="list-style-type: none">■ Iron ore and limestone supplied by sister company CAP Minería■ Competitive freight costs given geographic proximity
Strong client relationships and superior logistics	<ul style="list-style-type: none">■ Longstanding, strong client relationships and strategic partnerships<ul style="list-style-type: none">■ Long-term contracts and agreements with main customers■ Preferred supplier for MolyCop and Inchalam Group (Bekaert) accounting for almost 60% of long products market■ High technical skills and capabilities allow development of tailored made steel grades to satisfy end user needs.■ Lead times as short as 24 hr, production scheduling tuned with customer demand, high production planning flexibility allows superior logistics, building a strong distinction with imported steel.■ Superior logistic service, fast and reliable supply of steel products■ Reliable truck, ship and train transportation network
Growth prospects	<ul style="list-style-type: none">■ The Chilean steel market will grow driven by increased demand from the construction and mining sectors■ Stable Chilean economy gives reliable business environment■ Chile's annual steel consumption per capita remains relatively low when compared against more developed countries outside the region



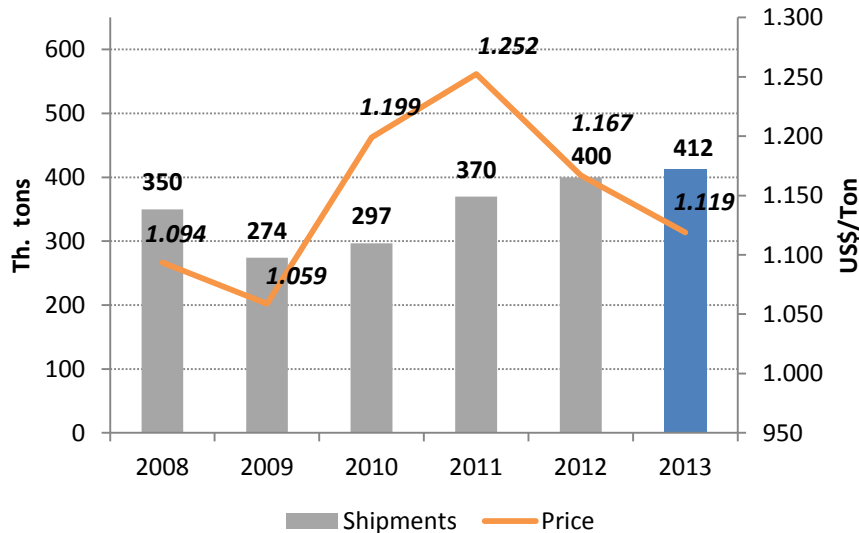
Steel processing



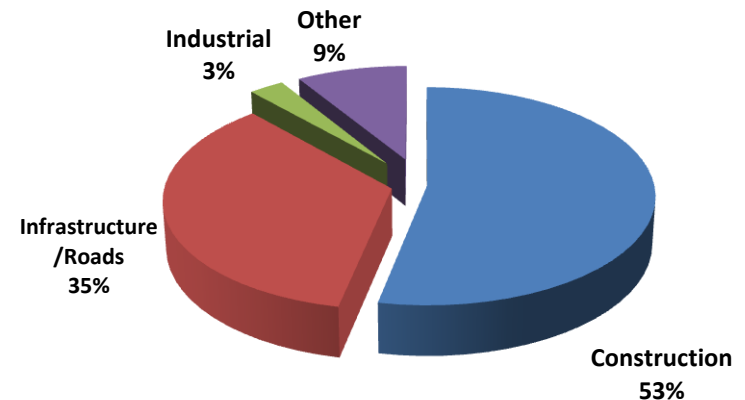
- Main flat steel importer of the Pacific coast of South America
- Creates value-added solutions for the construction, industry and infrastructure sectors in Chile, Peru and Argentina
- Chile is LATAM's most intensive user of steel in construction



Shipments and prices

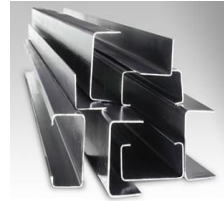


Sales by Sector 2013



Market Leader

- CAP Steel Processing is the largest processor and seller of flat steel products in the Pacific coast of South America
- Revenues of MUS\$ 365 per year, with a market share of 30%.
- World class plants and equipment



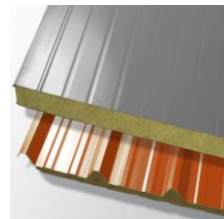
Innovation

- From a manufacturer of steel tubes and frames to a leader company in innovation
- Differentiated products that give added value to industrial, residential and infrastructure construction
- 35% of sales come from products developed internally such as Metalcon, Tubest, insulated panels and roofing tiles



Logistics Strength

- Larger volumes allows synergies and economies of scale, improving competitiveness
- Supply management of raw materials and steel products is key for Chile and Perú



Market Vision

- CAP Steel Processing has a significant presence among main steel distributors
- Wide market presence through distributors network allows reaching all customers
- Provides more than 500 products to the market



Company overview

Global industry update

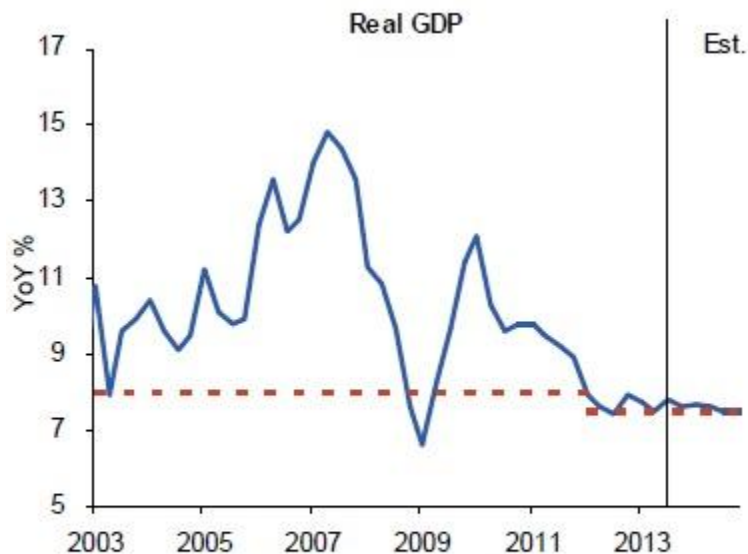
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Final remarks

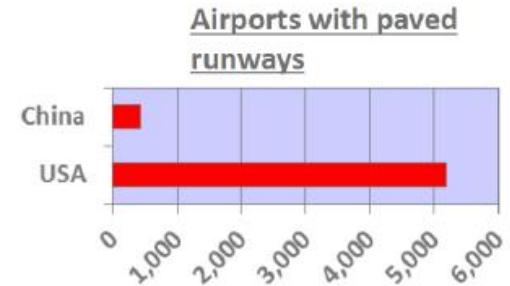
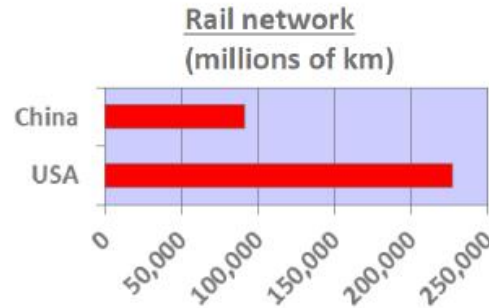
- GDP growth reached 7.7% in year 2013
- Growth led by domestic demand should continue, even though fixed assets investment slows.
- This divergent development will continue in 2014

Expect 7.5% YoY GDP growth in 2014

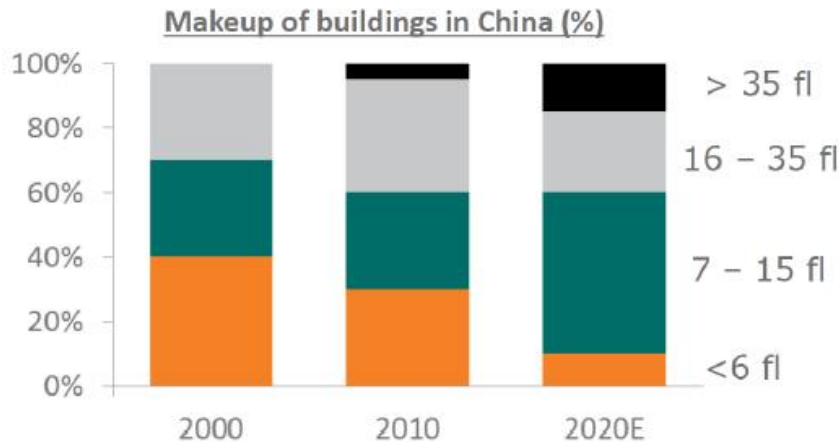


	Consumption	Investment	Net exports	GDP (YoY%)
3/2013	4.3	2.3	1.1	7.7
6/2013	3.4	4.1	0.1	7.5
9/2013	3.5	4.3	-0.1	7.8
12/2013	3.9	4.2	-0.3	7.6
3/2014 E	3.8	3.6	0.1	7.5
6/2014 E	3.8	3.6	0.2	7.6
9/2014 E	3.7	3.6	0.2	7.5
12/2014 E	3.7	3.5	0.3	7.5
2014E	3.8	3.6	0.2	7.5

More infrastructure....

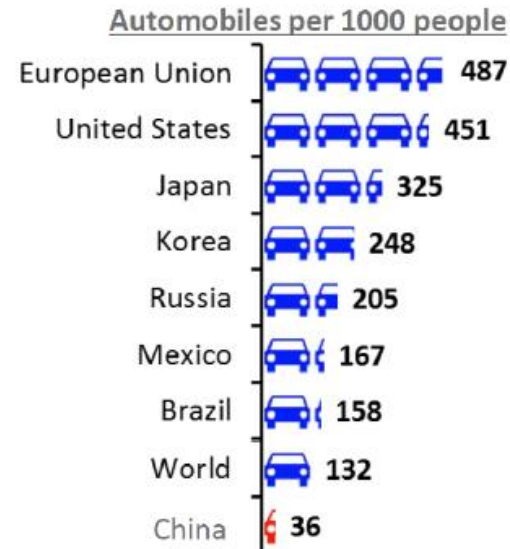


Taller buildings...



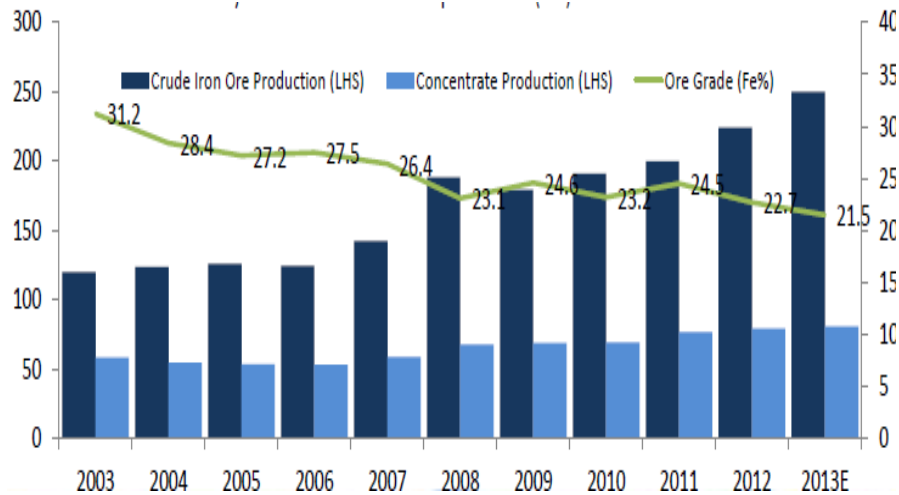
Source: The Economist, McKinsey Global Institute; Vale Market Intelligence

More cars...

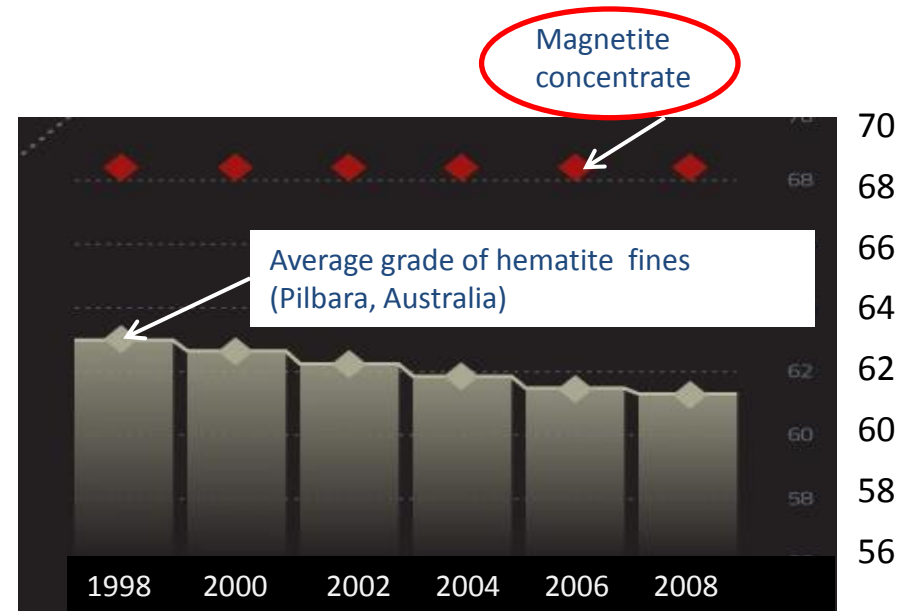


- Crude iron ore grade is dropping
- Mine depletion will lead to higher demand for high grade concentrates

Production from key CISA Chinese iron ore producers (Mt)



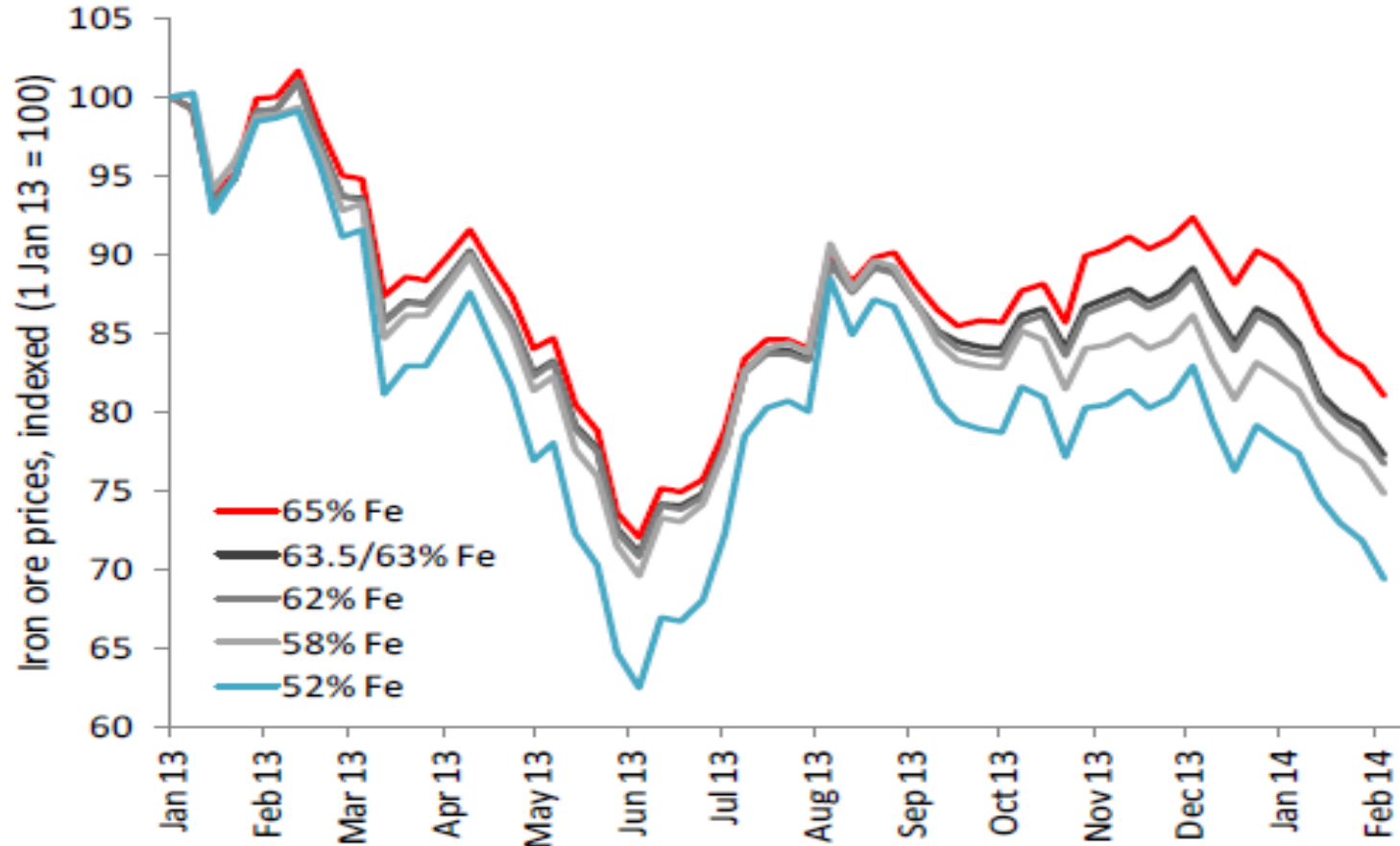
Source: Hatch, UNCTAD



Source: www.visualcapitalist.com

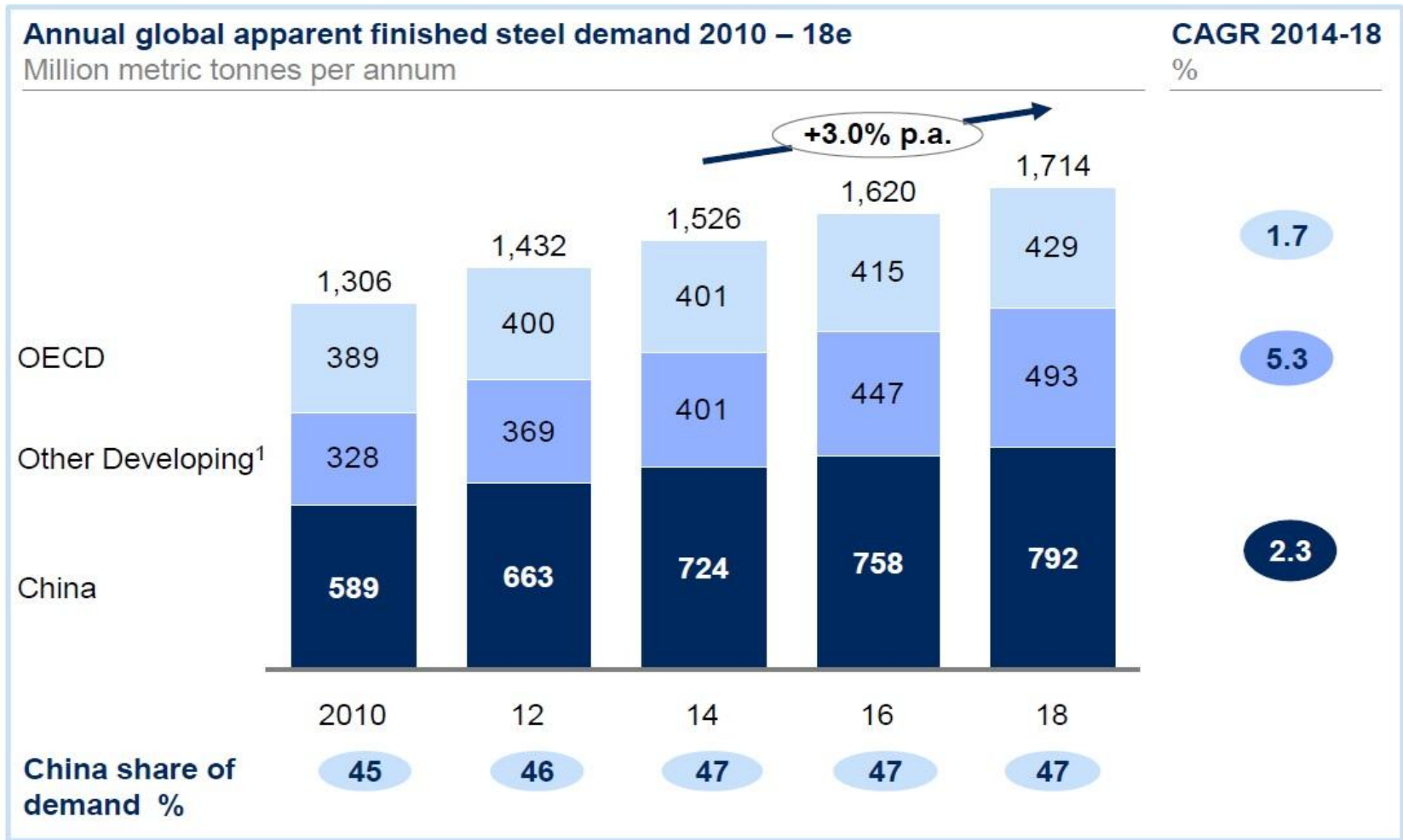
Preference for higher quality iron ore

Relative price performance of ores of different grades



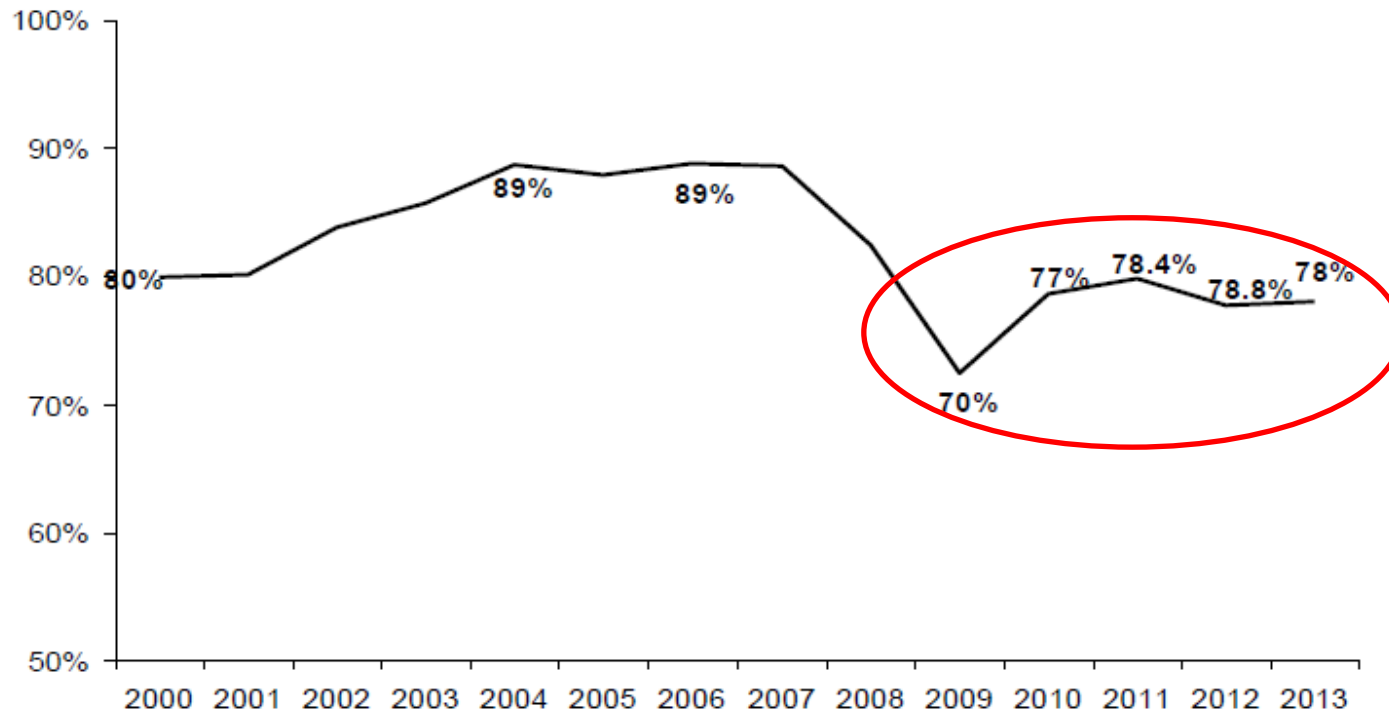
Global steel demand growth

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



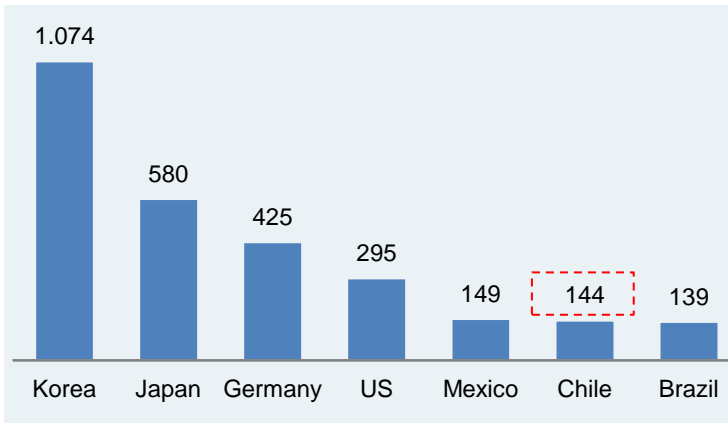
(1) Other Developing includes CIS, MENA, Sub-Saharan Africa, Latin America, India, and Other Asia
 SOURCE: WSA; McKinsey Steel Demand Model Oliver Ramsbottom, Partner, McKinsey & Company, February 2014

- 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



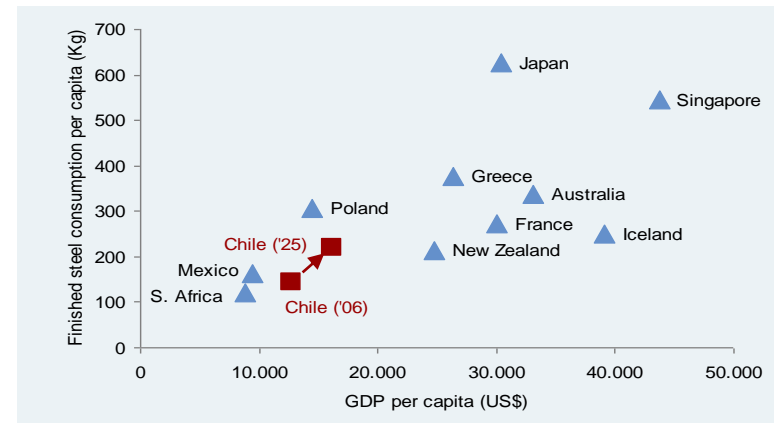
Source: worldsteel

2011 steel per capita consumption (kg per capita)



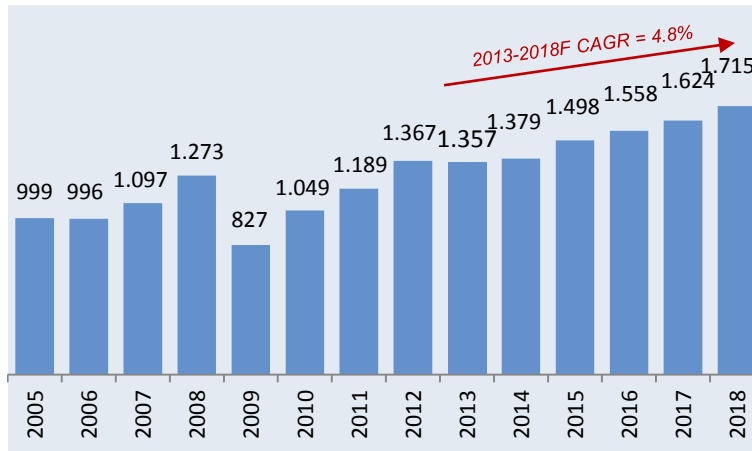
Source: AME and IMF. Based on finished steel apparent demand

Steel consumption per capita



Source: World Steel Association, Inter-American Development Bank

Chilean long steel market forecast (kt)



Source: CSH

Product Family	Growth 2005-2013	Projected Growth 2013-2018
Wire Rod	-0.8%	1.1%
Rebar	4,6%	5.0%
Grinding Media	5,0%	6,0%
Total	3,8%	4,8%

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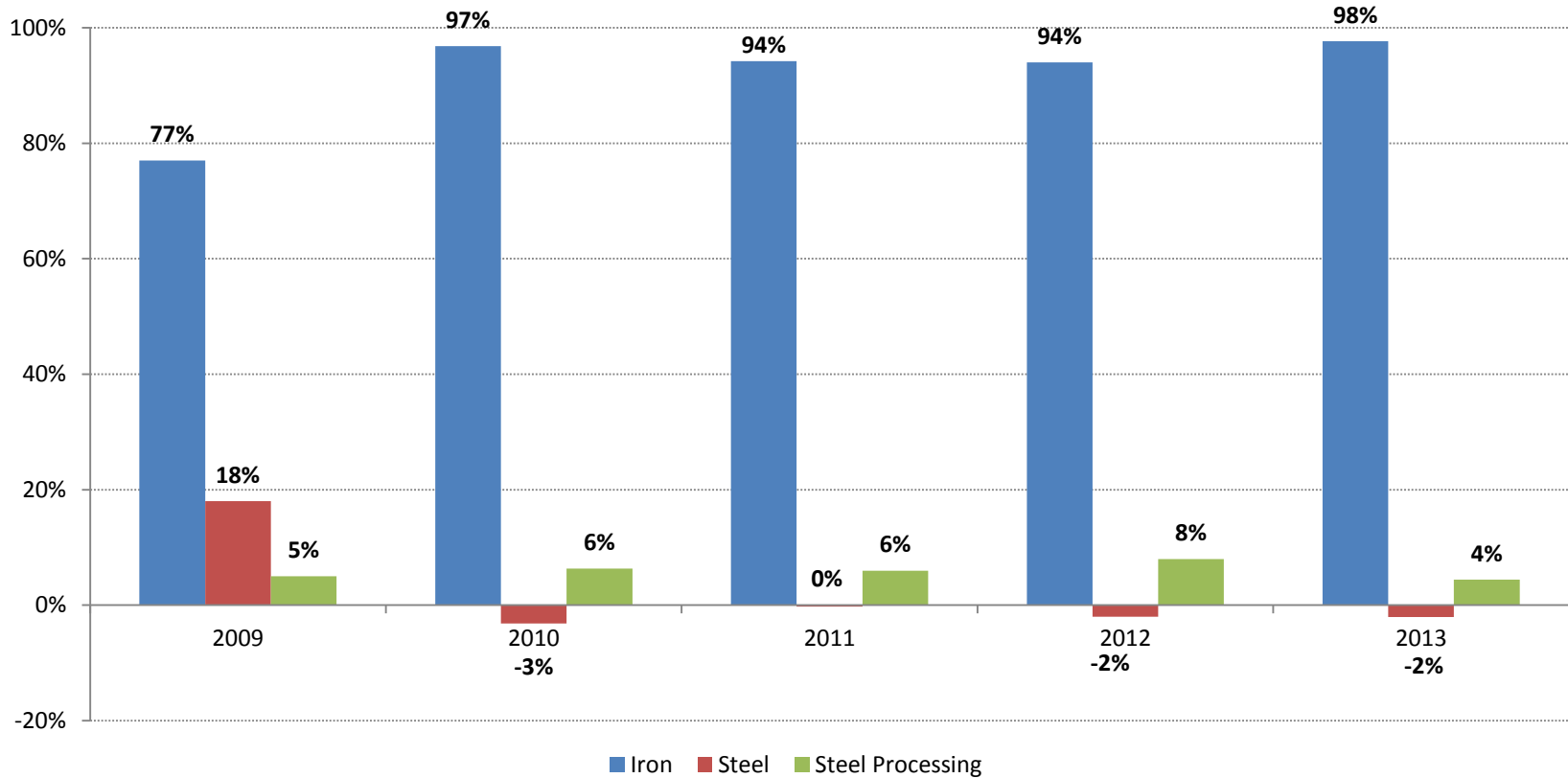
CAP - Financial evolution



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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Global industry update

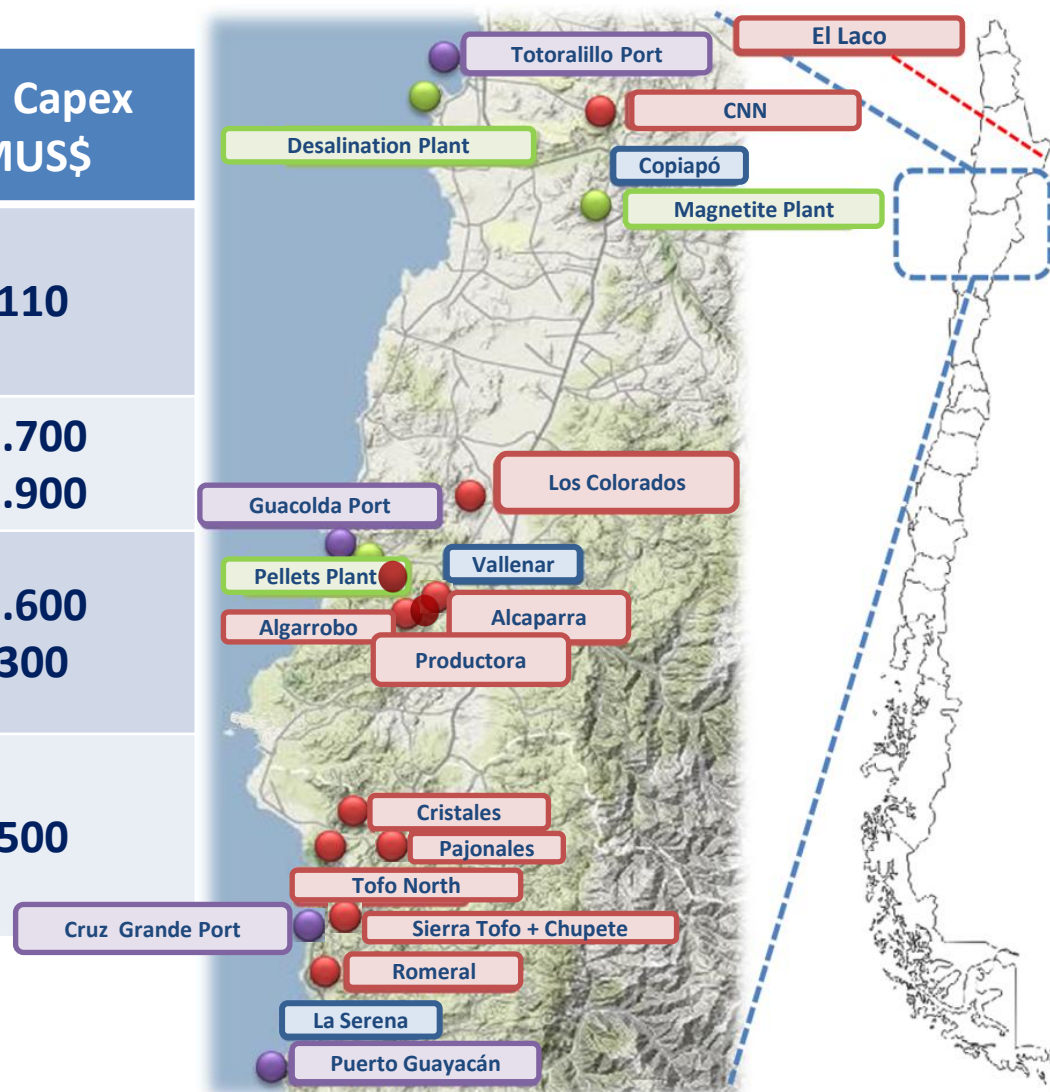
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Mining – Future Prospects

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



- The project consists in designing and building a third grinding and concentration line at the existing magnetite plant, to increase production in 1 Mt/y.
- Some of the expected benefits are:

Better utilization of mining resources

- **Increased volumes of preconcentrate from Los Colorados and CNN**
- **Use of Candelaria's tailing dam**

Concentration process improvements

- **Flotation**
- **Rougher concentration process**

Process yield improvement

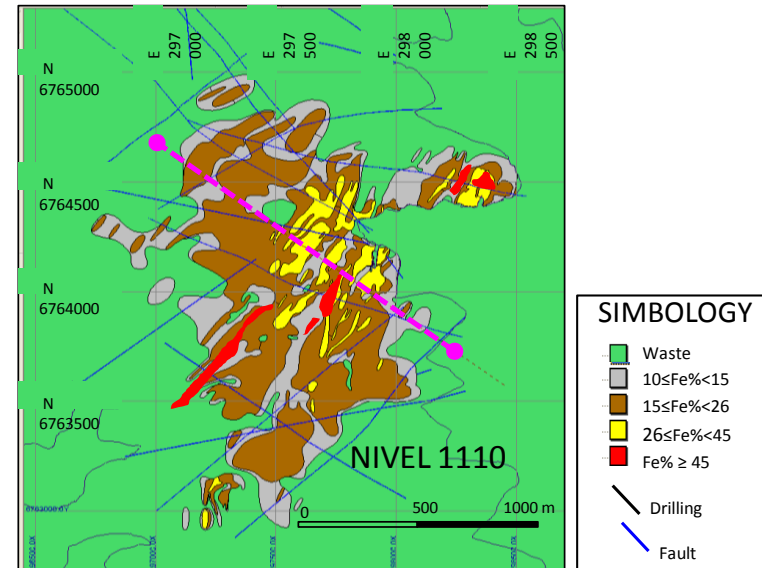
- **Optimization along the entire process**

Investment (E) : 1,700 – 2,900 MUS\$

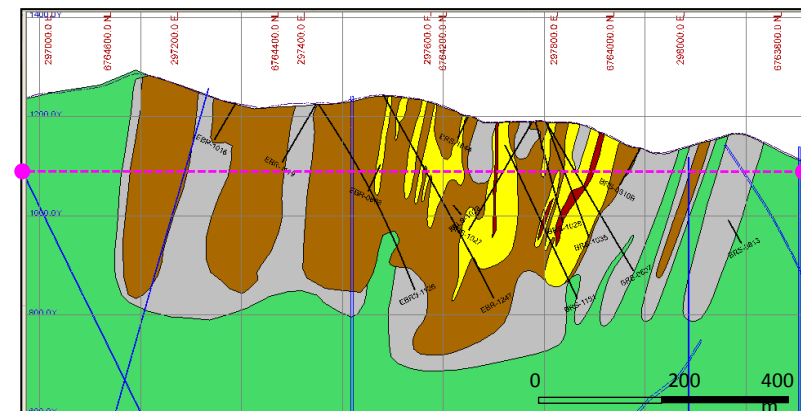
- Greenfield

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



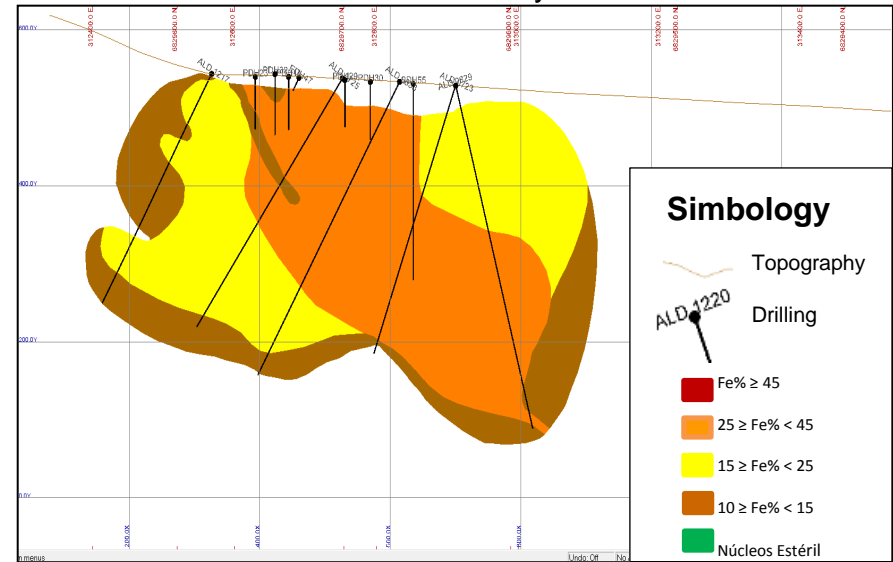
Investment (E): 1,600 + 300 MUS\$

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

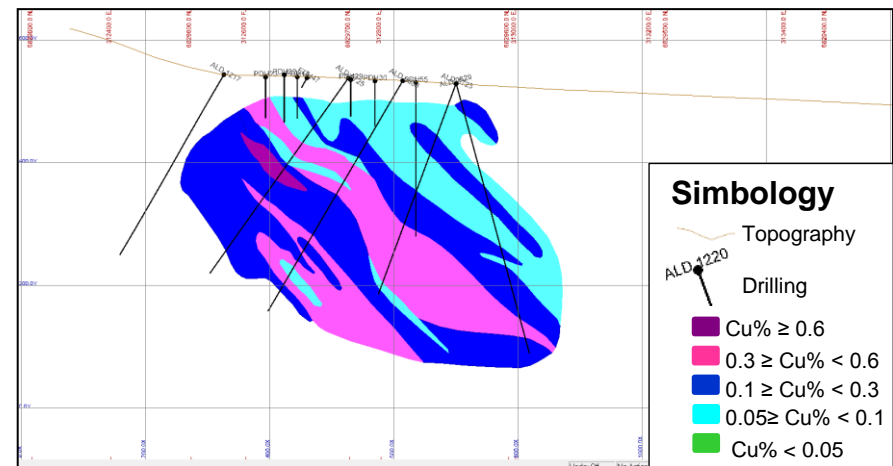
Stage: Advanced exploration
Exploratory metallurgy

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

Iron ore body



Iron & Copper intersection

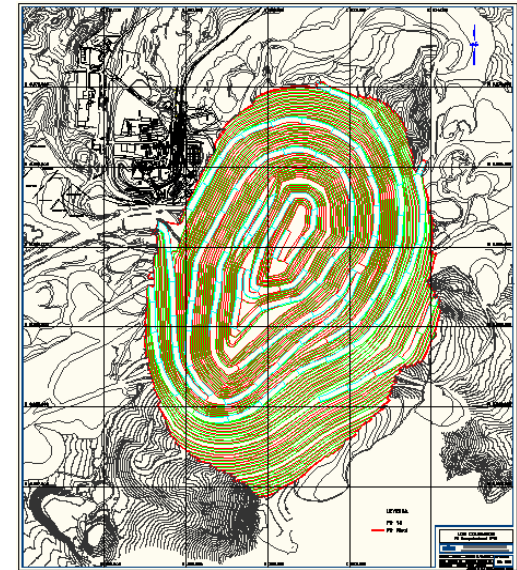


Investment : 500 MUS\$

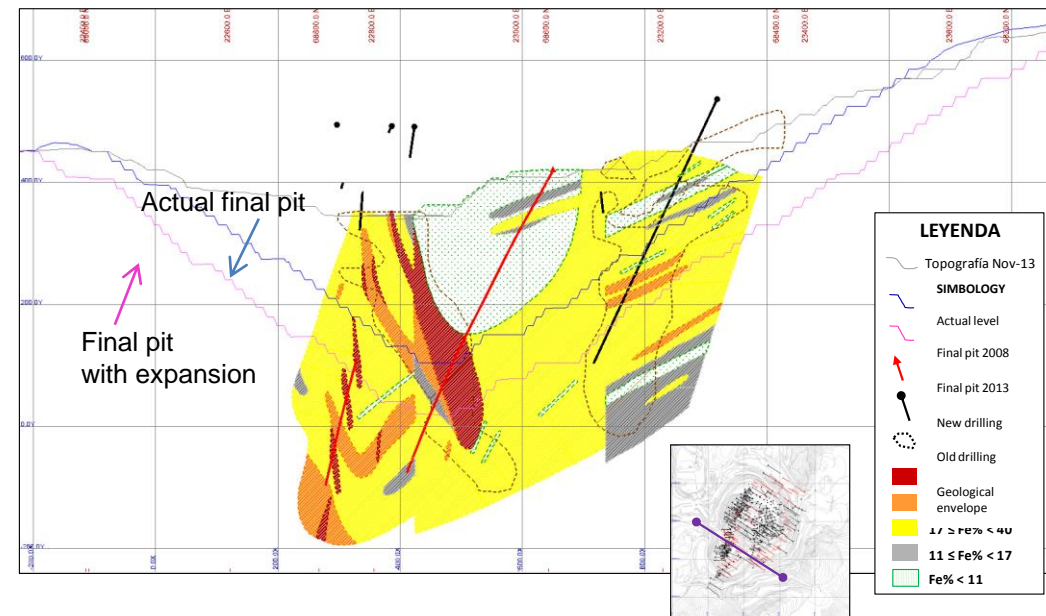
- Brownfield

Production: 4 Mt/y of fines

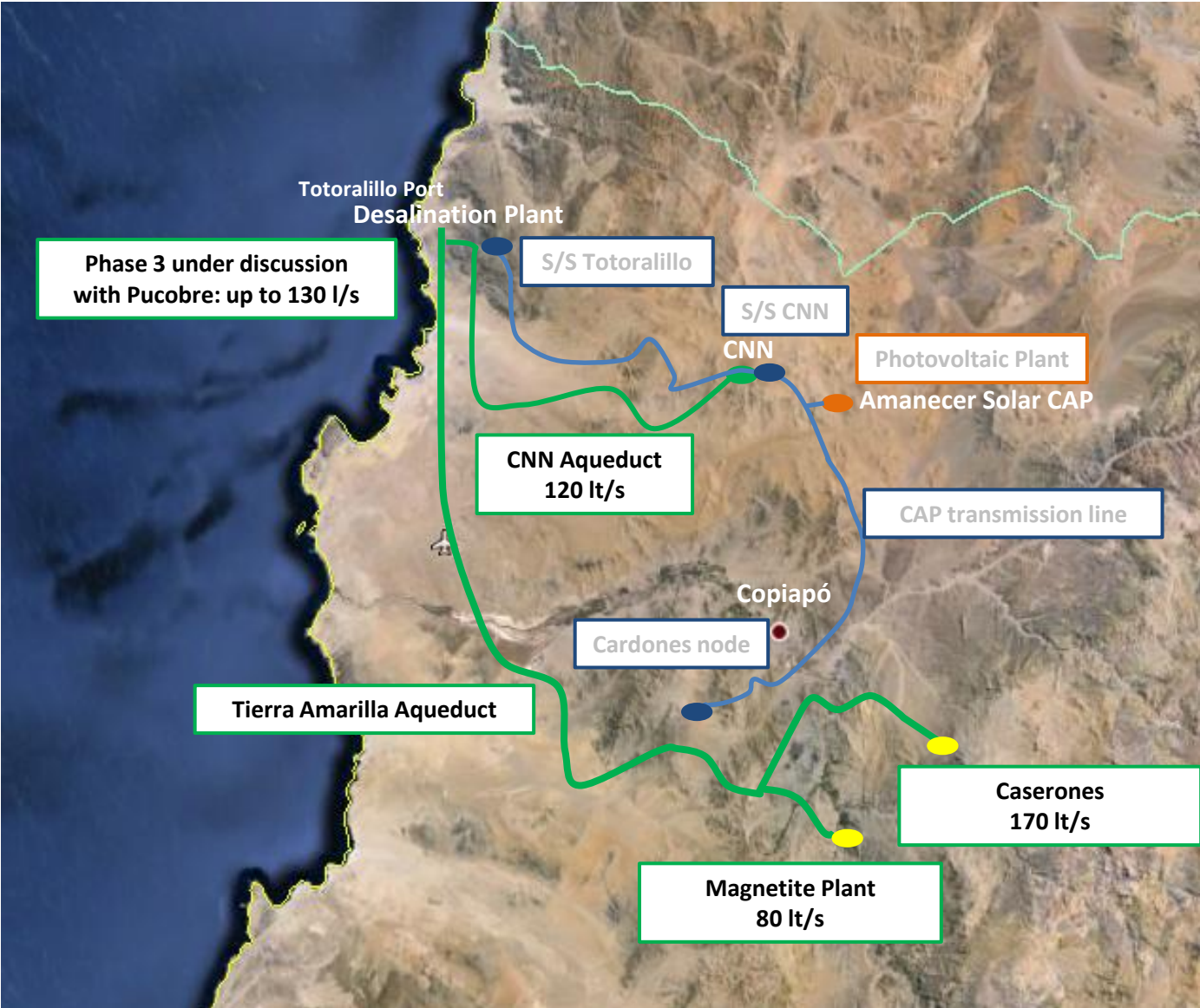
Stage: Basic engineering



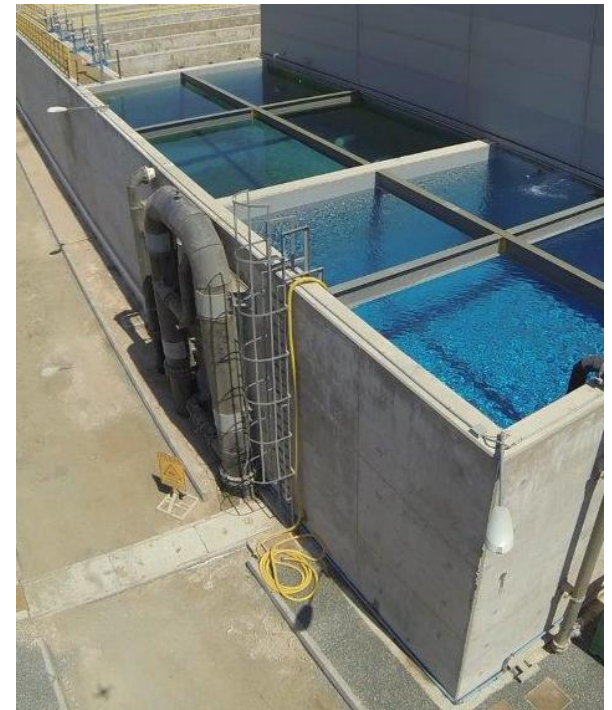
Resources 2012	Volume [Mt]	Fe [%]
Measured	694	31,5
Indicated	343	31,4
Inferred	100	33,9
TOTAL	1.137	31,7



Future prospects - Infrastructure – Desalination Plant



- Desalination Plant and CNN Aqueduct is operating from Feb 2014 and will provide 120 l/s to CNN
- Tierra Amarilla Aqueduct will be completed in April 2014 and will transport:
 - 80 l/s to CMP s magnetite plant
 - 170 l/s to Caserones mine
- CAP(51%) / Mitsubishi (49%)
- Capex: MUS\$ 407



CAP Ports



Punta Totalillo:

- 29 km north of Caldera
- Iron ore shipping
- 200,000 dwt



Guayacán:

- Herradura bay, Coquimbo
- Iron ore shipping
- 165,000 dwt



Guacolda II:

- Located in Huasco City
- Iron ore shipping
- 300,000 dwt



Huachipato:

- Talcahuano bay
- Unloading coal and iron ore & finished steel shipping



Las losas:

- Located in Huasco City
- Multi purpose port



Guarello:

- Guarello island, south
- Limestone shipping
- 800 kt/y

Future prospects - Infrastructure – Providing services to third parties



CAP Mining Totalillo Port

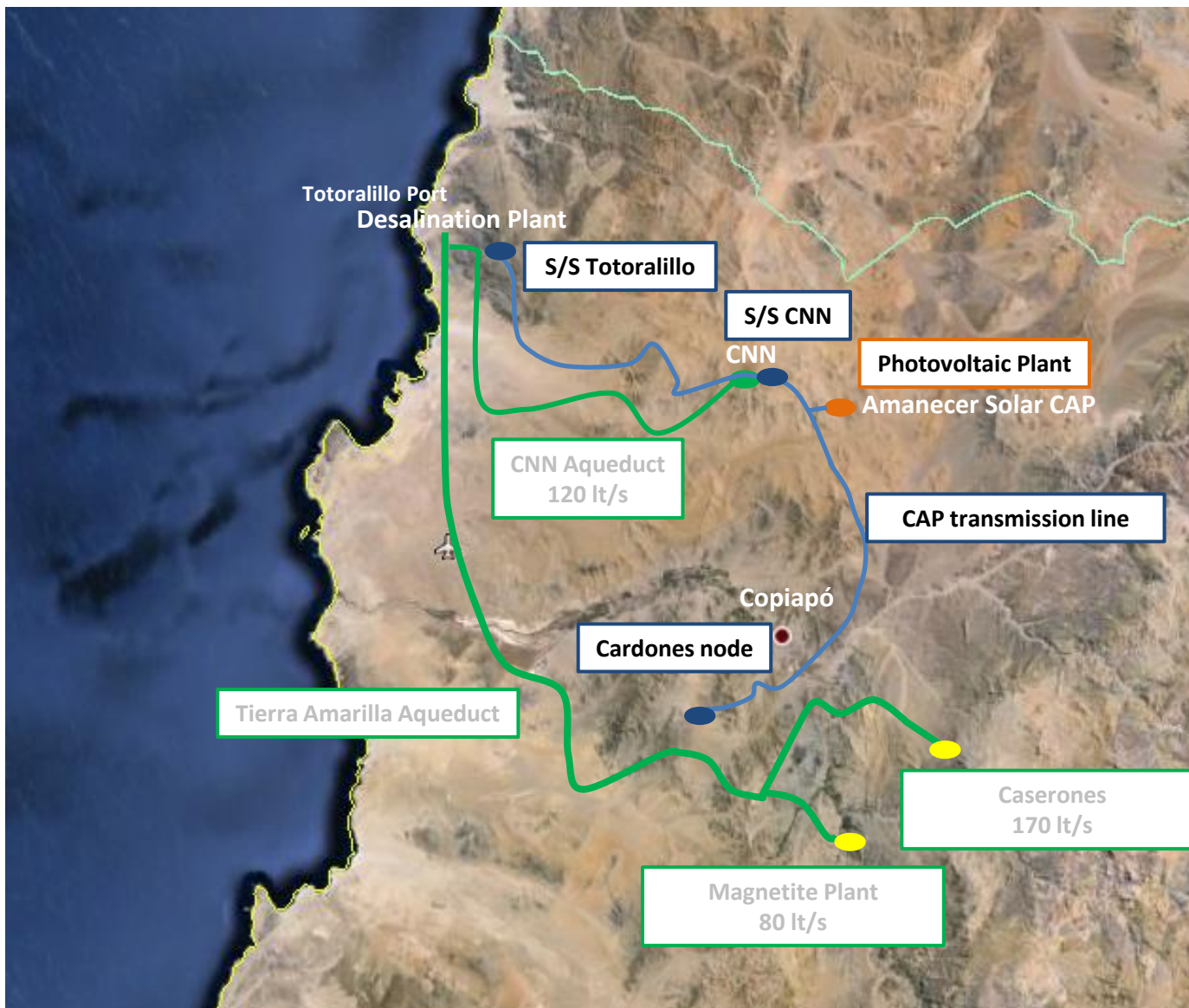
- Third-party iron ore loading and storage capacity at Totalillo port is 3 Mt/y
- Loaded tonnages: 2 Mt in 2013 and 2,5 Mt in 2014
- EBITDA generation: 20 MUS\$ in 2013 and 22 MUS\$ in 2014
- With the addition of 1 Mt/y of copper loading services under preliminary negotiation, EBITDA could reach MUS\$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

Future prospects - Infrastructure – 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 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; achievement of overcapacity; ...
 - 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 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



CAP GROUP UPDATE

Fernando Reitich
President & CEO

March, 2014