

LarrainVial

7th Annual Andean Conference 2013

W Hotel, Santiago, March 20th, 2013



Agenda

Company overview

Global industry update

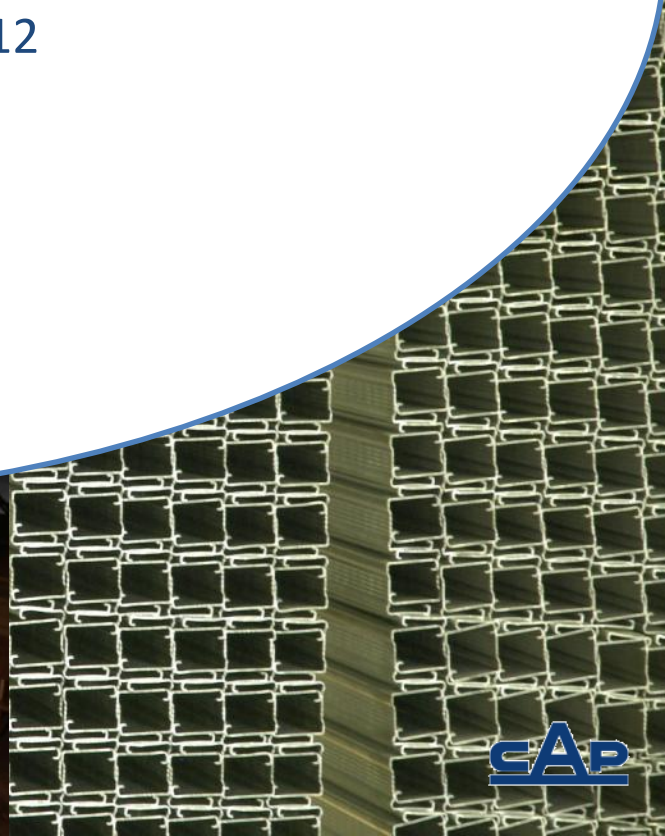
Financial performance

Business plan

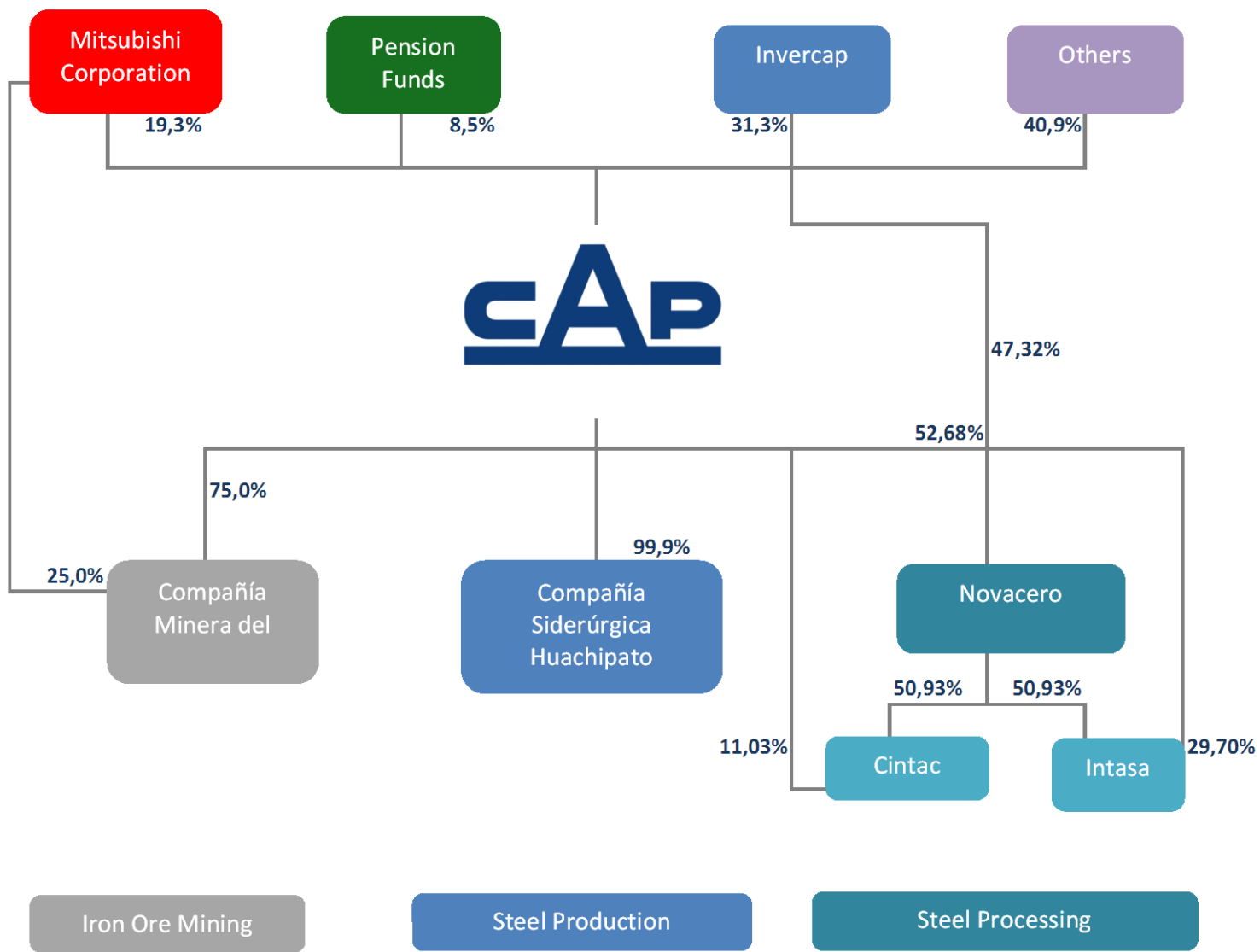
Conclusion

CAP S.A. – Vertically integrated company

- Exports **iron ore** products, mainly to Asia
- Produces **steel** for the domestic market
- Processes **value-added steel solutions** in Chile, Peru and Argentina
- Consolidated Revenues, EBITDA₍₁₎ and Net Income of US\$ 2.5 billion, US\$ 764 million and US\$ 231 million, respectively in 2012



Corporate structure



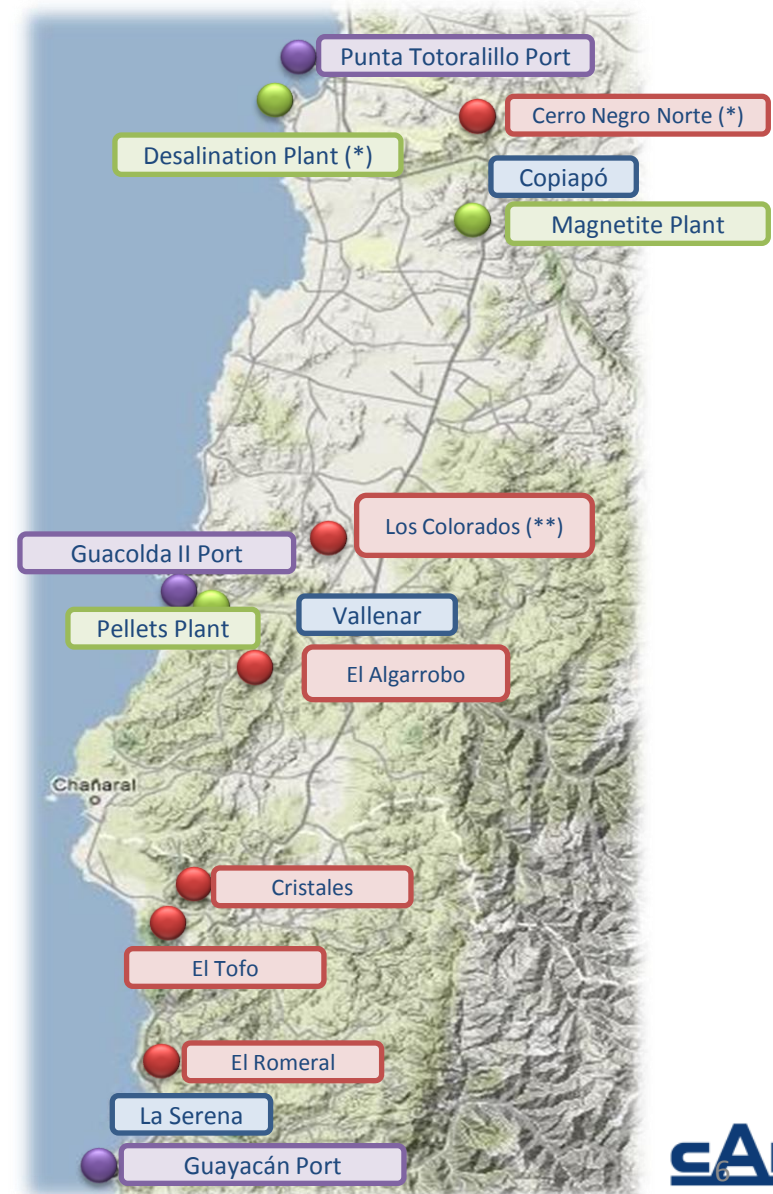
Iron ore mining



Los Colorados Mine, Huasco, Chile

Iron ore mining operations

Consist of three different and independent areas of operation in the north of Chile, located around the cities of La Serena, Vallenar and Copiapó:

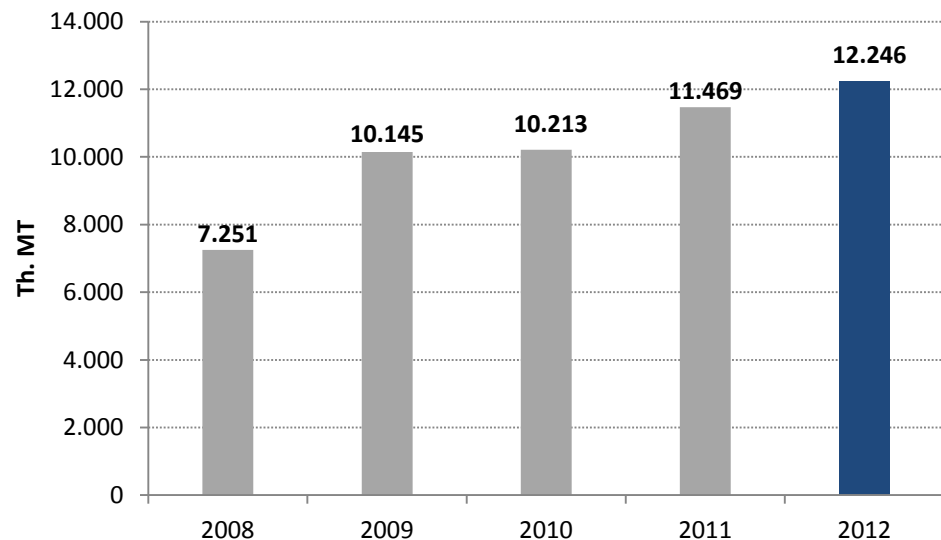


* Under construction

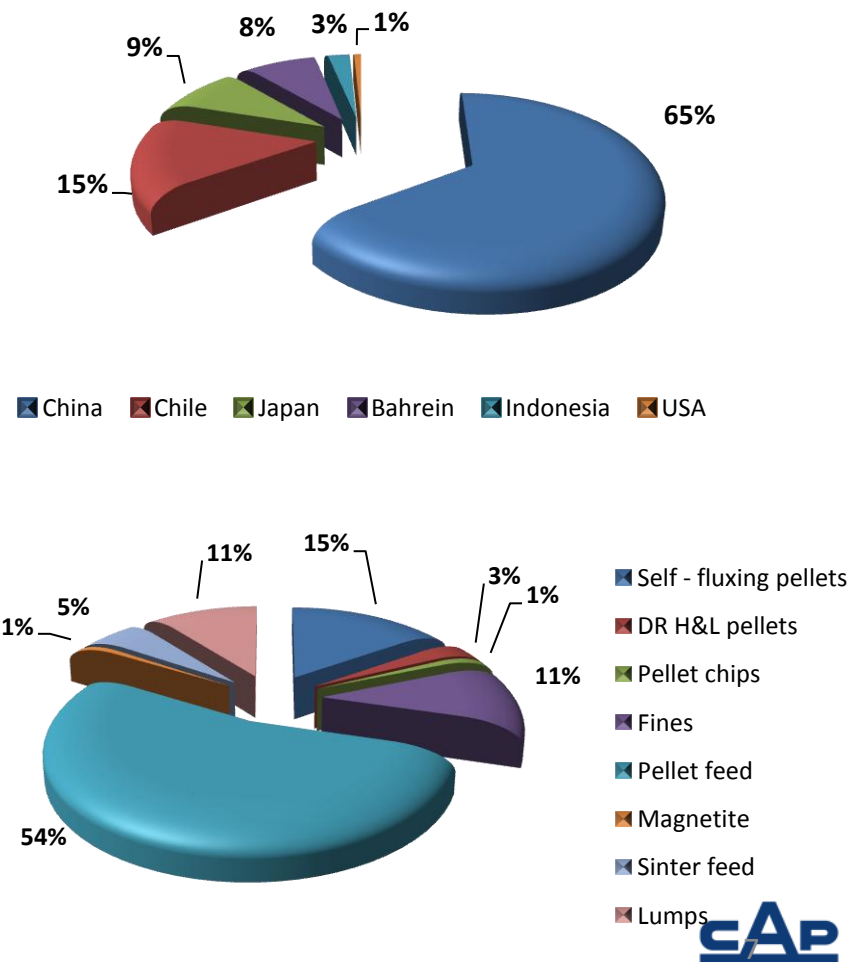
** Under expansion process

Shipments and markets

Shipments



Shipments by markets and products 2012



Resources and reserves of magnetite ore

Mine / Deposit	Total Mineral Resources (1)		Reserves (2)	
	MTM	Grade (% Fe)	MTM	Grade (% Fe)
Existing operations				
Los Colorados (under expansion)	986	34,8%	244	46,4%
El Romeral	459	28,3%	105	30,2%
El Algarrobo	133	45,9%	46	49,3%
Hierro Atacama I - Candelaria (3)	268	10,0%	268	10,0%
Projects under construction				
Cerro Negro Norte	377	32,8%	189	36,5%
Reserves for future development				
Tofo District	1.671	26,0%	690	28,7%
El Laco	734	49,2%	376	56,7%
El Algarrobo District	590	32,8%	118	35,5%
Cristales	149	32,0%	2	57,3%
Total	5.367	32,1%	2.040	35,2%

Source: CAP

- As a result of continued successful exploration campaigns, iron ore resources have increased progressively over the years, reaching 5.367 million MT in 2012
- Current resources would allow for a potential production of over 40 million MT per year

(1) Those minerals measured on a geological ore content feasible of being mined. **(2)** Those 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.

Note: Tonnages and grades of Fe are estimated by CAP's Minería specialized professionals. The information presented, to comply with Chilean law 20.235, is currently under certification process by independent professionals in mining resources and reserves. The referred process will take approximately three years, starting on 2012, to be completed.

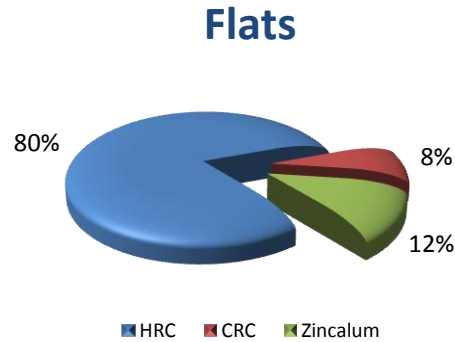
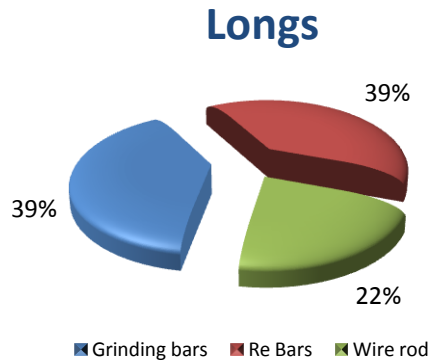
Steel production



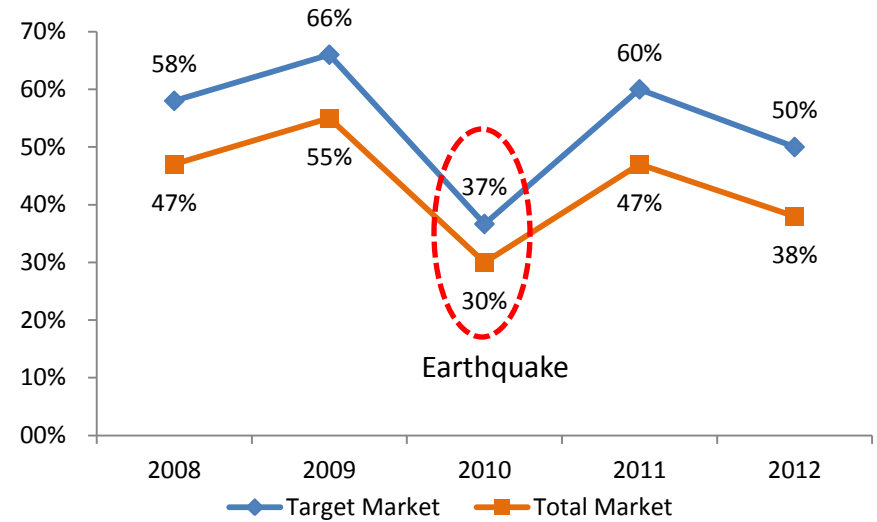
Huachipato, Talcahuano, Chile

Steel production

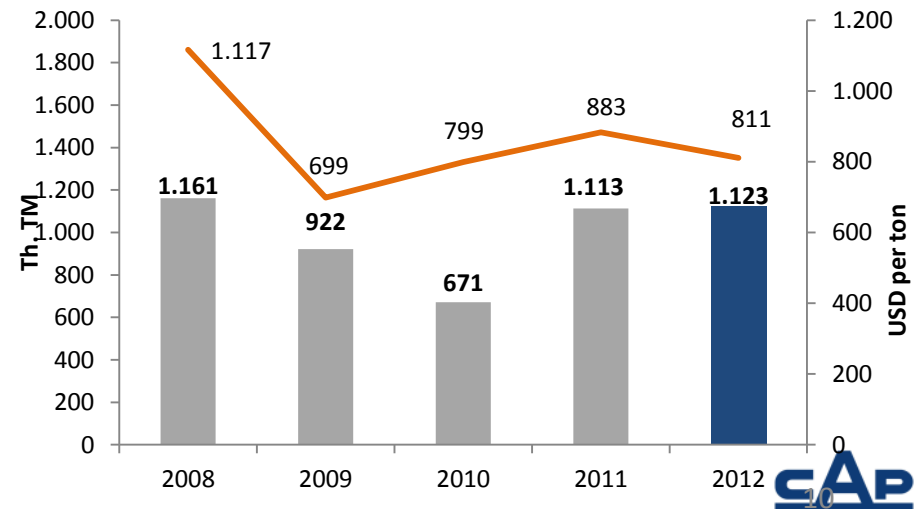
- The leader in Chile's steel market
- 1.45 million tons of annual liquid steel production capacity
- Strong long term commercial relations with customers in Chile
- Vertical integration in iron and limestone provides a competitive advantage in economic cycles
- Products:



Market share



Shipments and prices



Steel processing

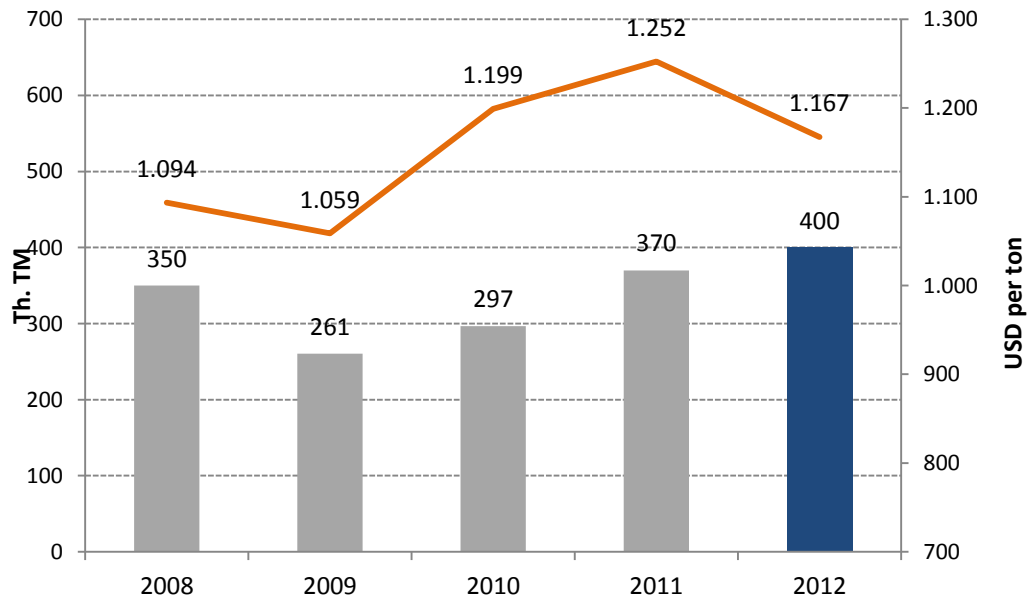


Cintac, Santiago, Chile

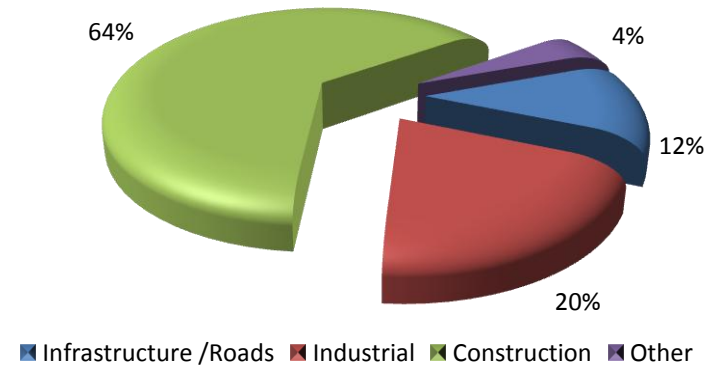
Steel processing

- Creates value-added solutions for the construction, industry and infrastructure sectors in Chile, Peru and Argentina
- Chile is Latinamerica's most advanced user of steel in construction
- Seeks to promote steel consumption

Shipments and prices



Sales by Sector



Agenda

Company overview

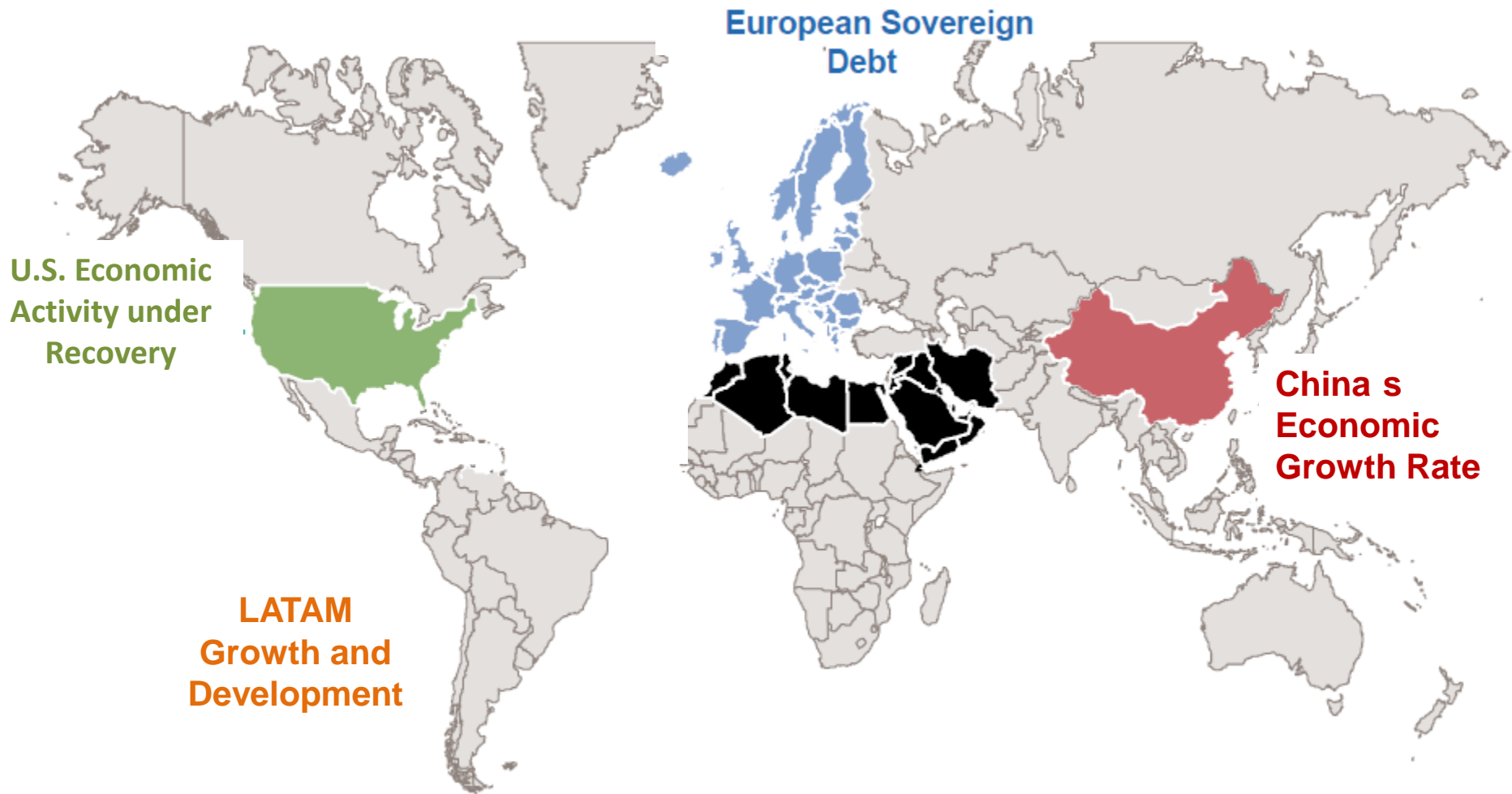
Global industry update

Financial performance

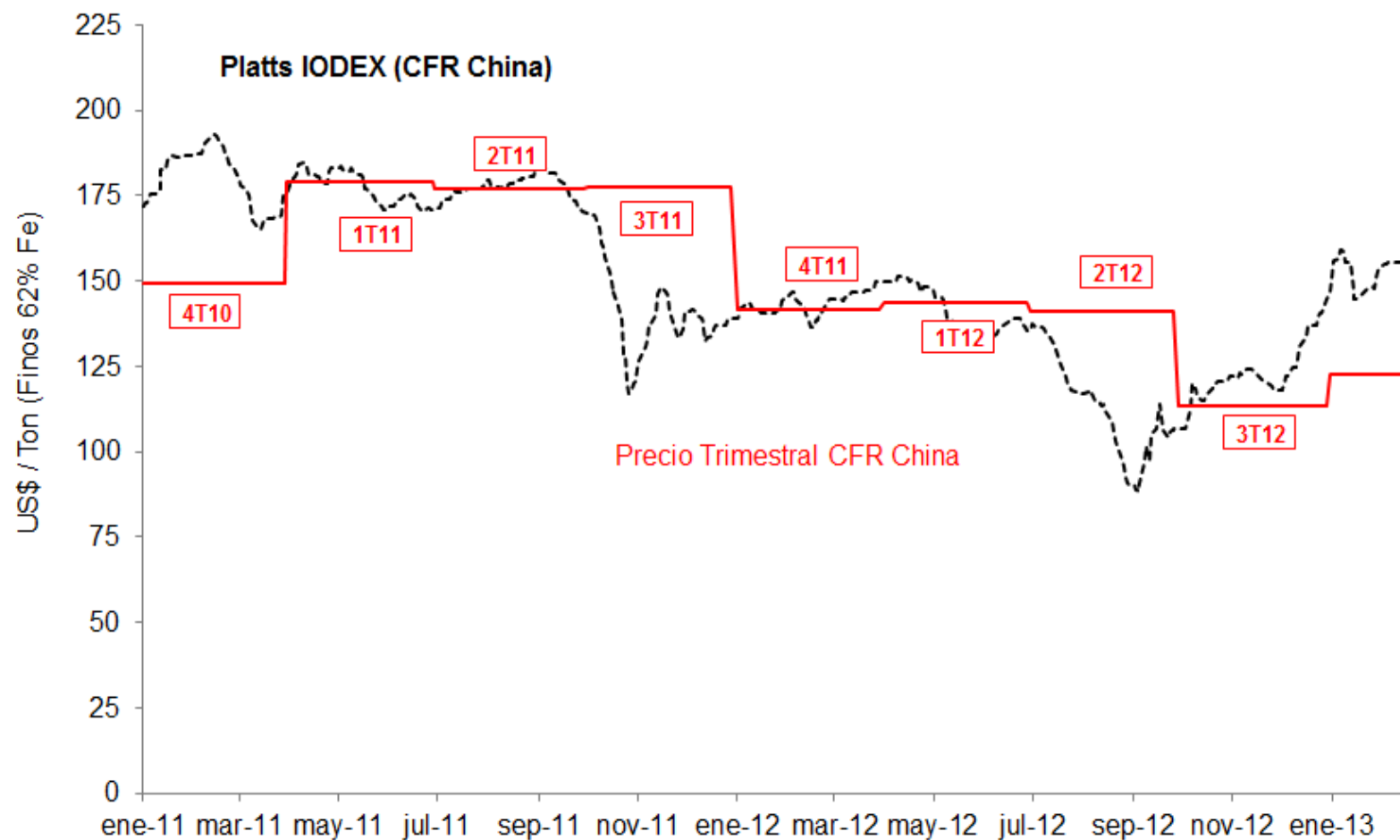
Business plan

Conclusion

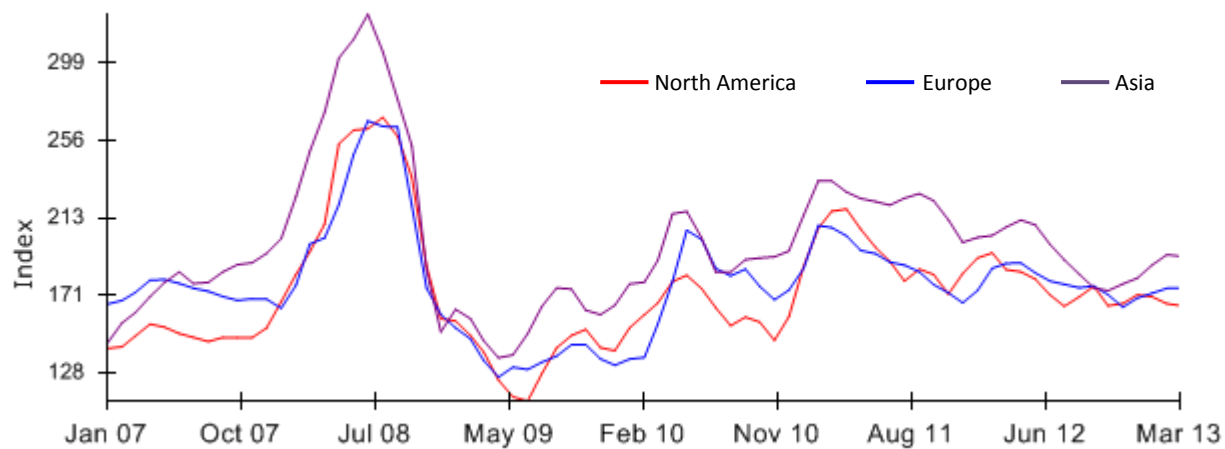
Areas to watch



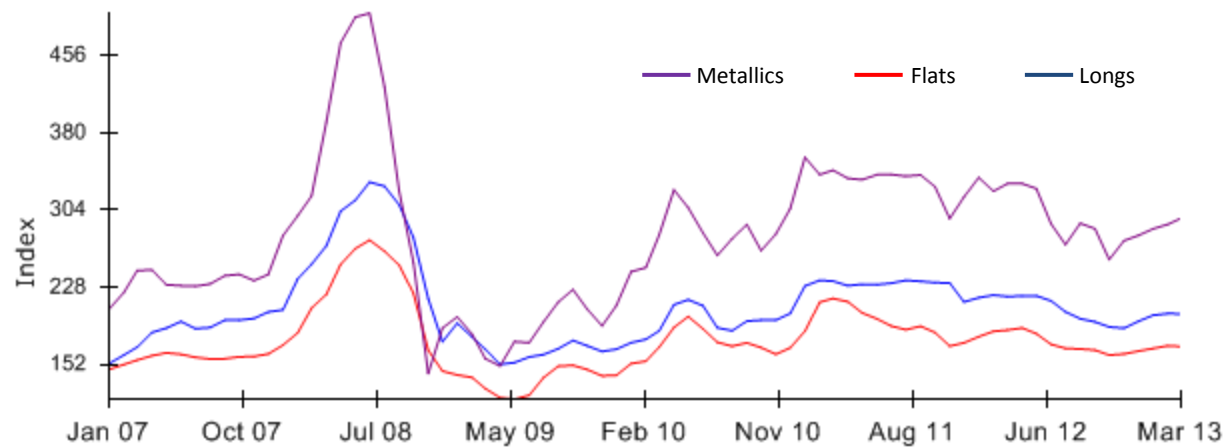
Iron ore spot and quarterly prices



Evolution of steel prices



Source: www.crugroup.com

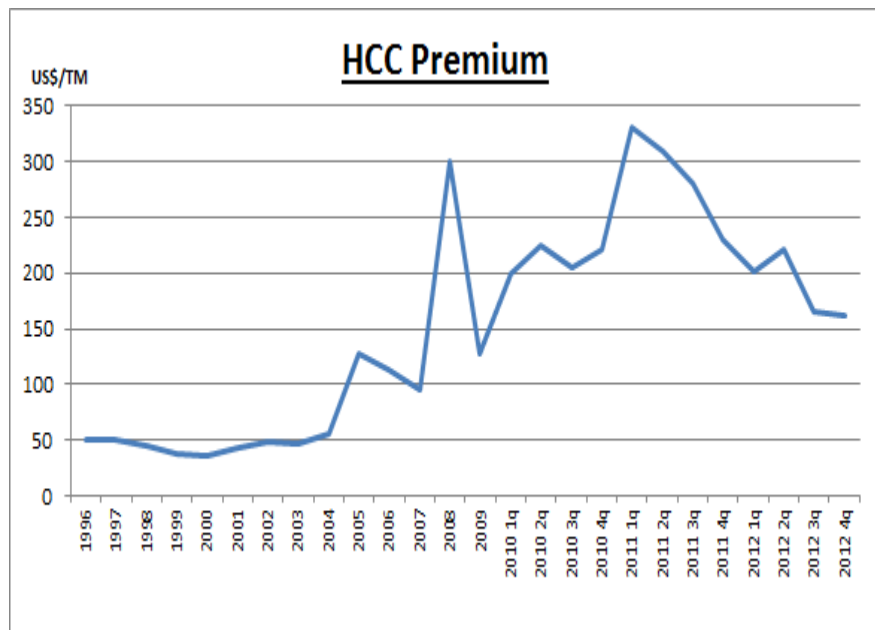


Source: www.crugroup.com

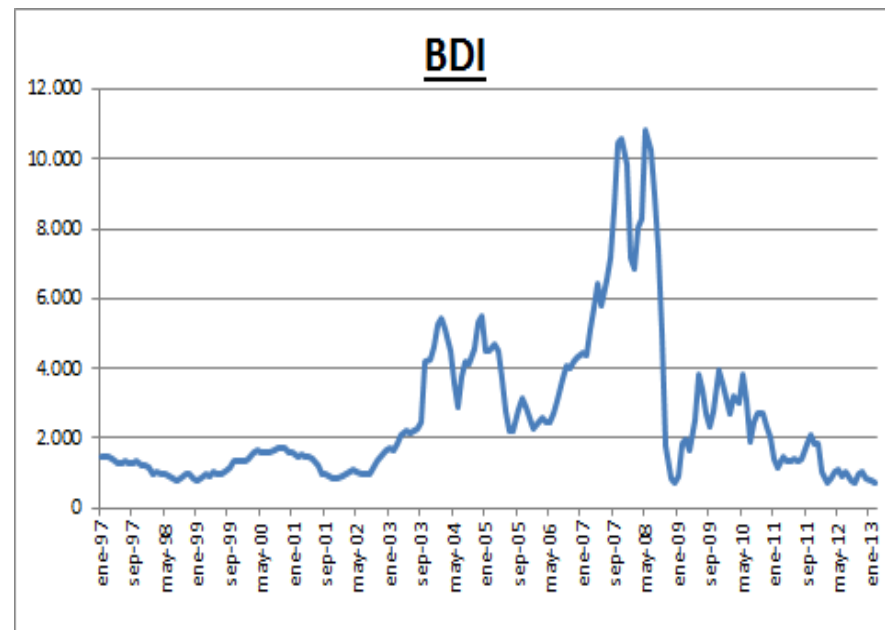
Source: www.crugroup.com, March 2013

Evolution of key raw materials

Metallurgical Coal



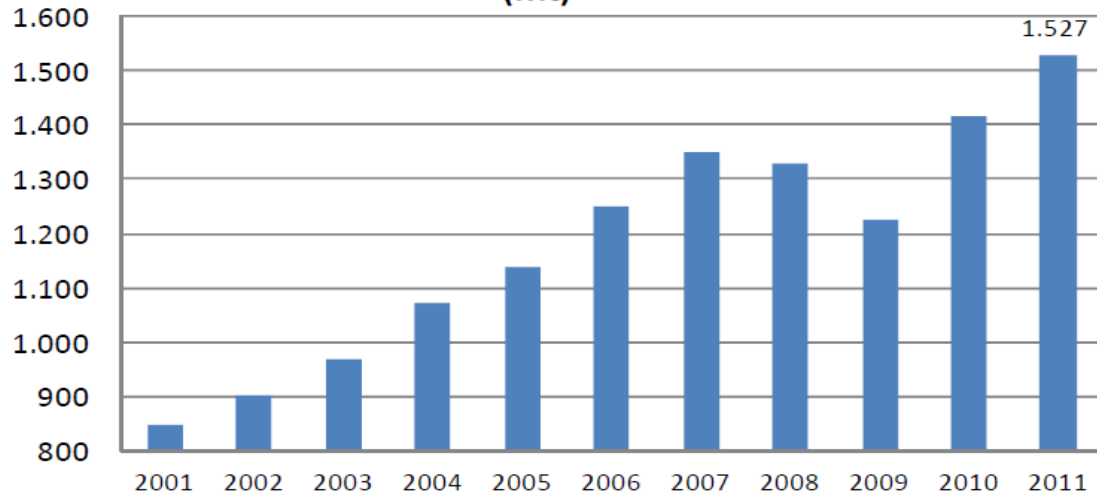
Baltic Dry Index



Source: CAP and The Baltic Exchange, Jan 2013

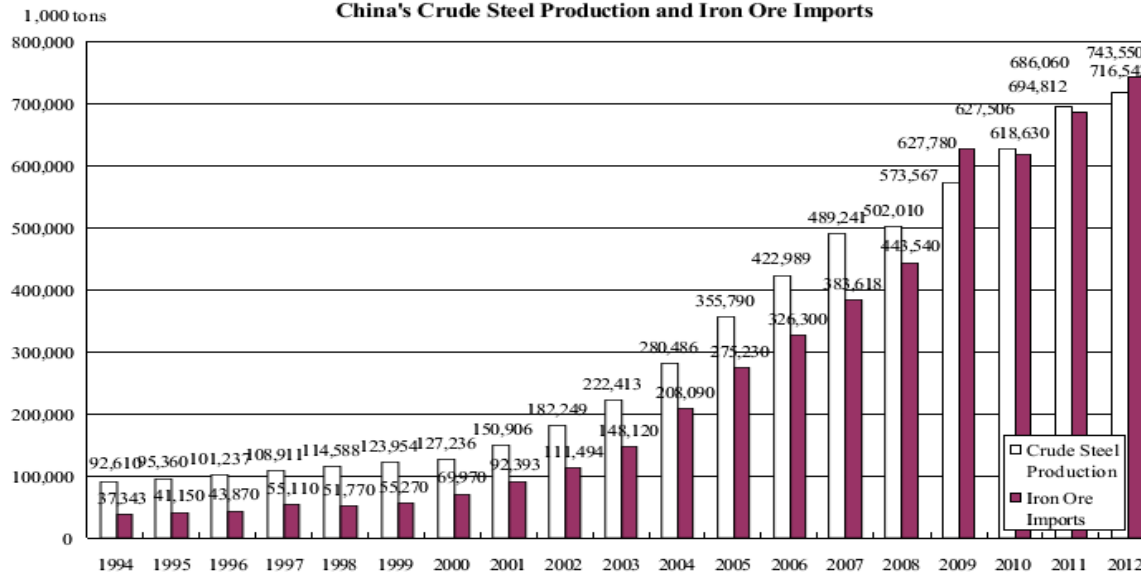
Growing world steel and China's production

World Crude Steel Production (Mt)



In 2012, the WORLD Crude Steel production was 1.549 MT, a 1.4 % growth over 2011

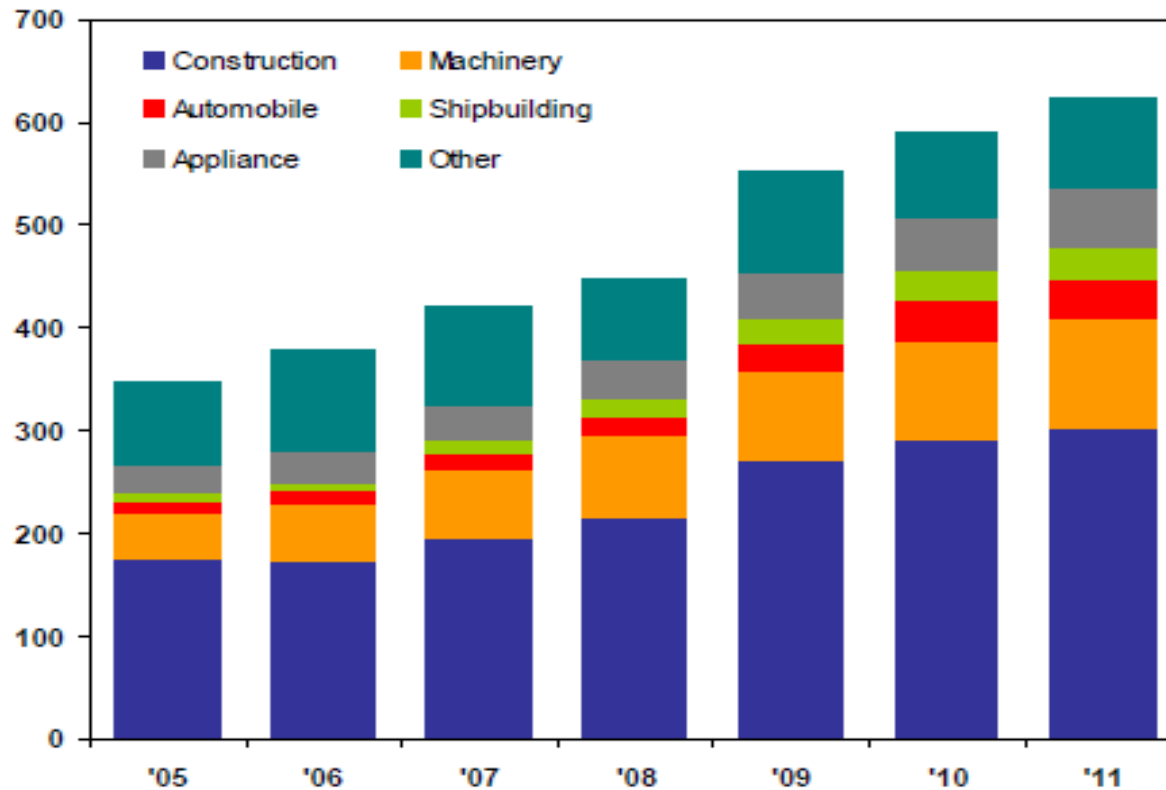
China's Crude Steel Production and Iron Ore Imports



In 2012, China crude steel production grew a 3,2% and the iron ore imports grew 8,3%.

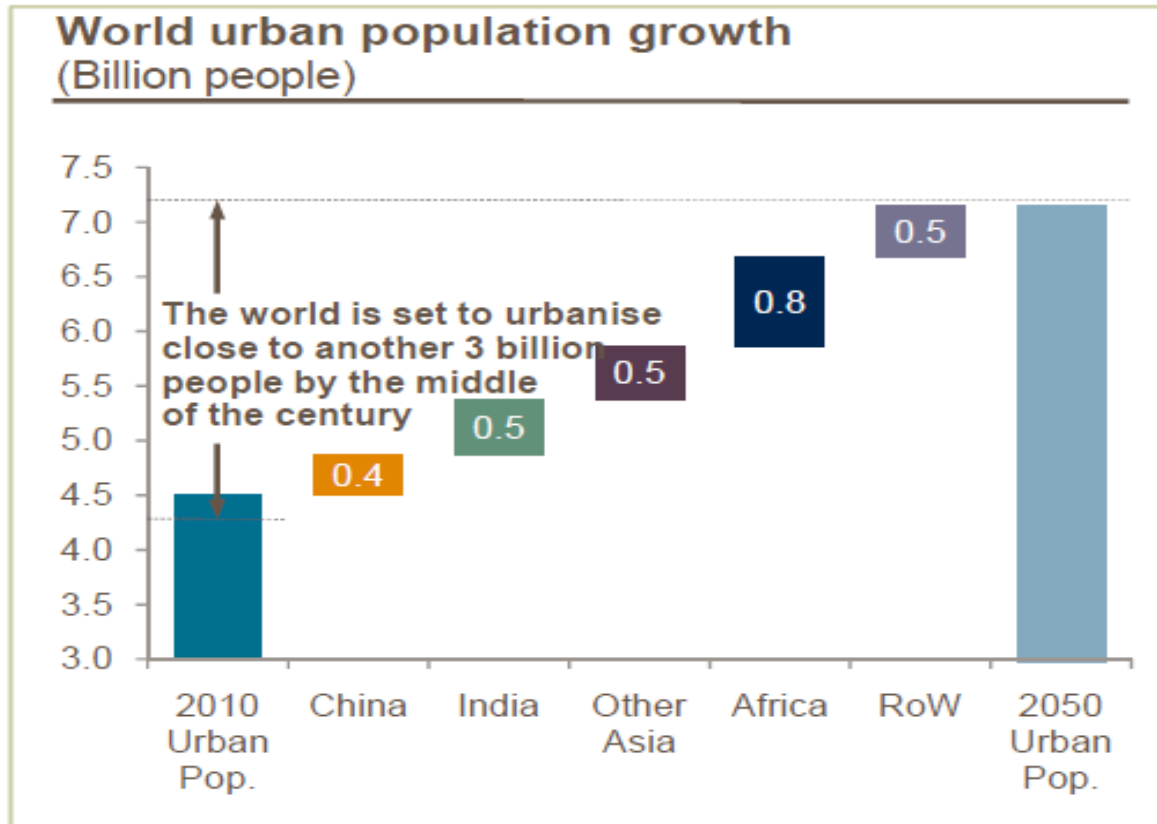
Uses of steel in China

Steel consumption China by sector (mln tonnes)



Source: CLSA Asia-Pacific Markets
February 2013

Global urbanization

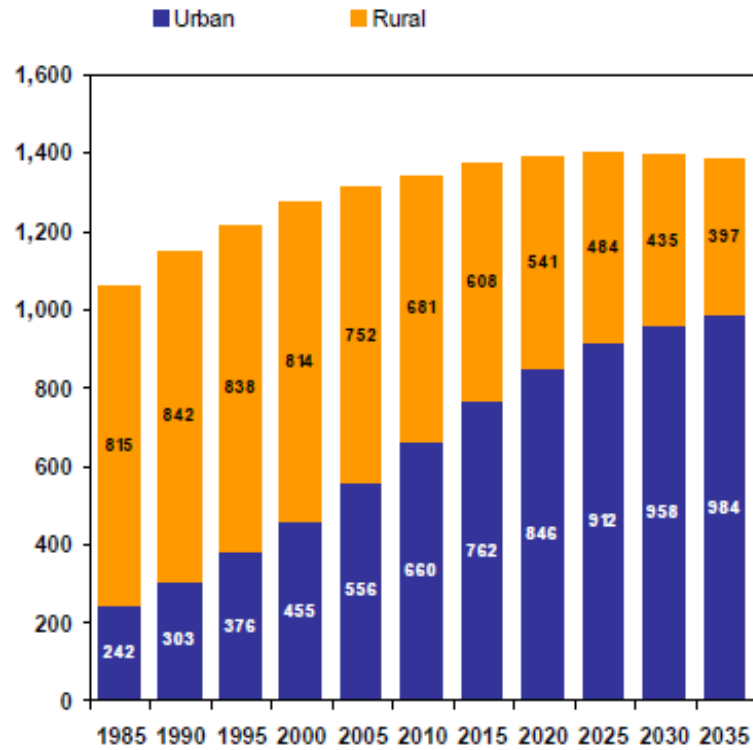


Source: UN, McKinsey, Rio Tinto

20 March 2012

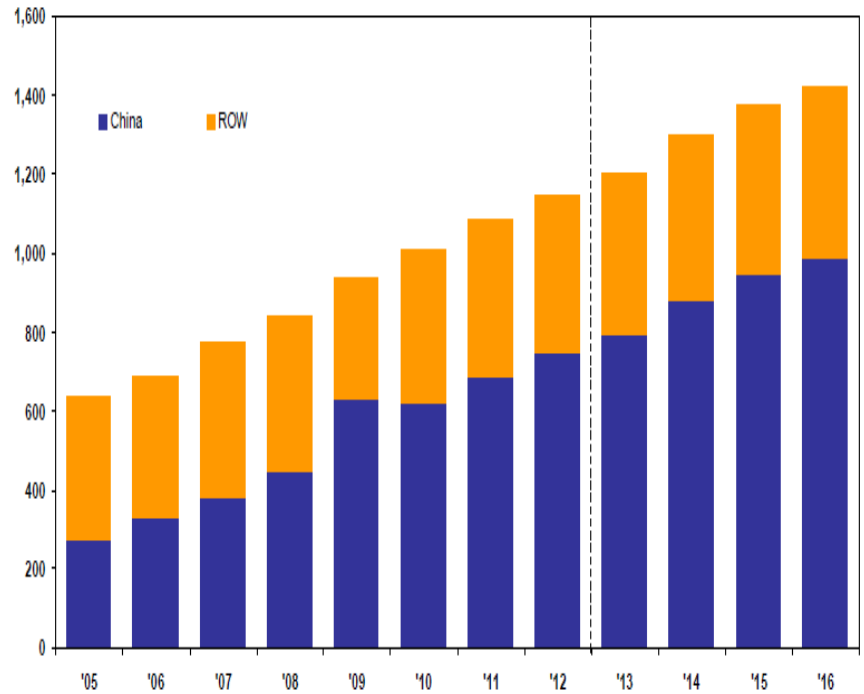
China's urbanization

Urbanization China (mln people)



Source: United Nations Population Statistics
February 2013

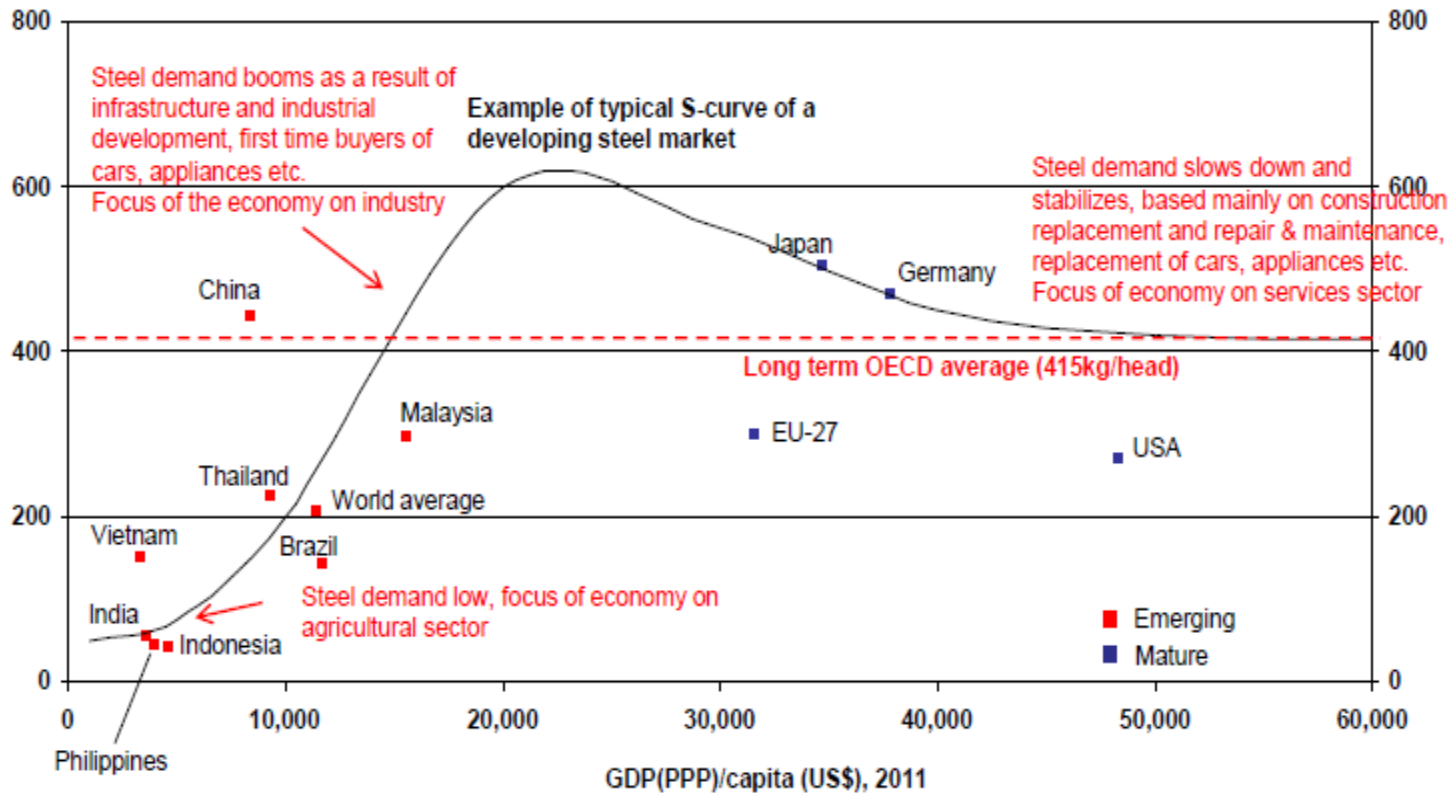
Seaborne imports of iron ore (mln tonnes)



Source: CLSA Asia-Pacific Markets, SteelConsult
February 2013

Sustained growth of steel consumption

Finished steel consumption/capita (kg), 2010



Source: WSA, CIA, Tata Steel Construction Centre NL, SteelConsult
February 2013

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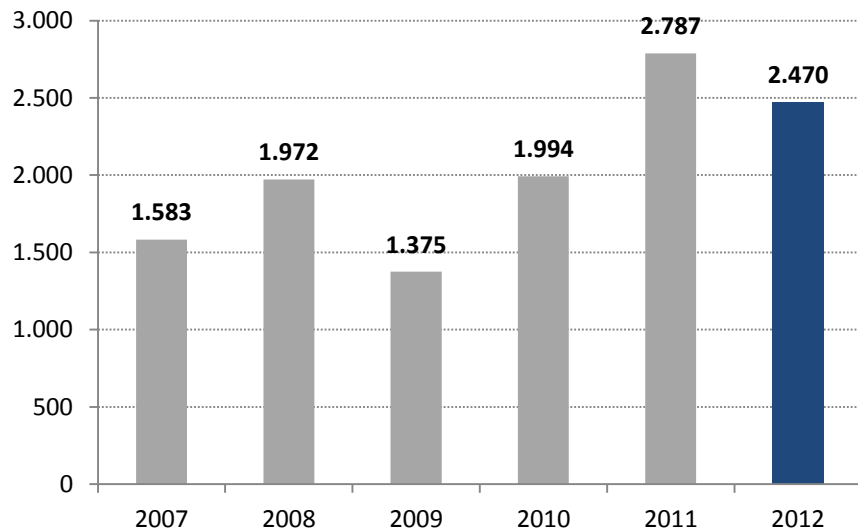
Conclusion

Financial evolution

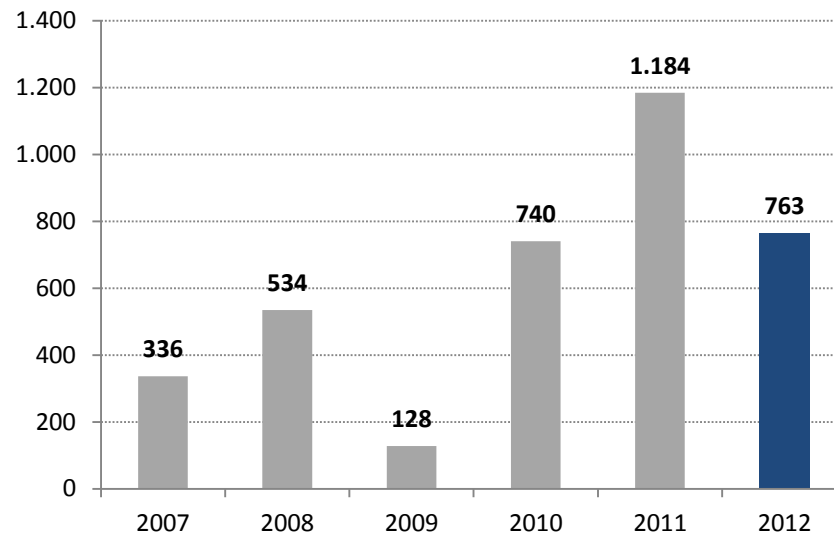
USD Million	2008	2009	2010	2011	2012
Sales	1.972	1.375	1.994	2.787	2.470
EBITDA	534	128	740	1.184	764
EBITDA Margin	27,1%	9,3%	37,1%	42,5%	30,9%
Net Income	291	25	590	442	231
Cash	379	393	981	883	711
Gross Financial debt	880	907	1.001	628	719
Net Financial debt	501	514	20	(255)	8
Net Financial Debt /EBITDA	0,94	4,01	0,03	(0,22)	0,01
Capex	161	142	207	282	777

Financial performance

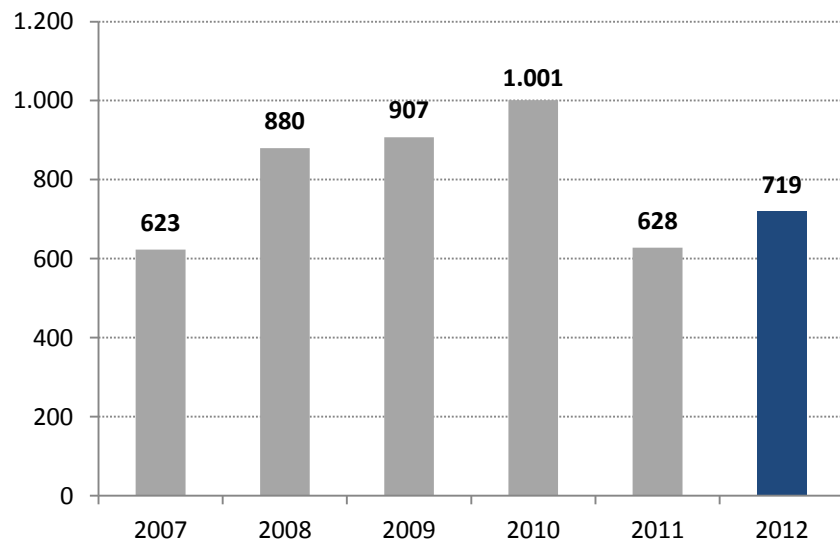
Sales (US\$ million)



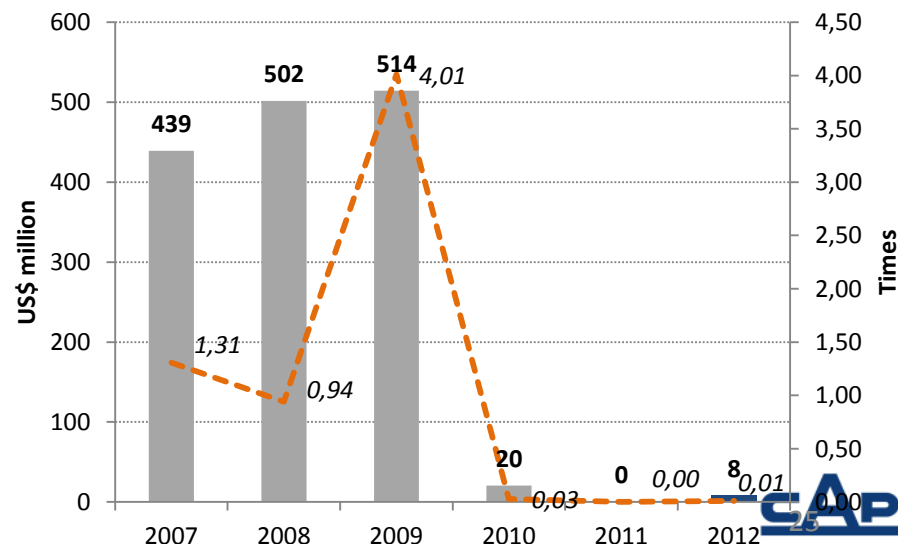
EBITDA (US\$ million)



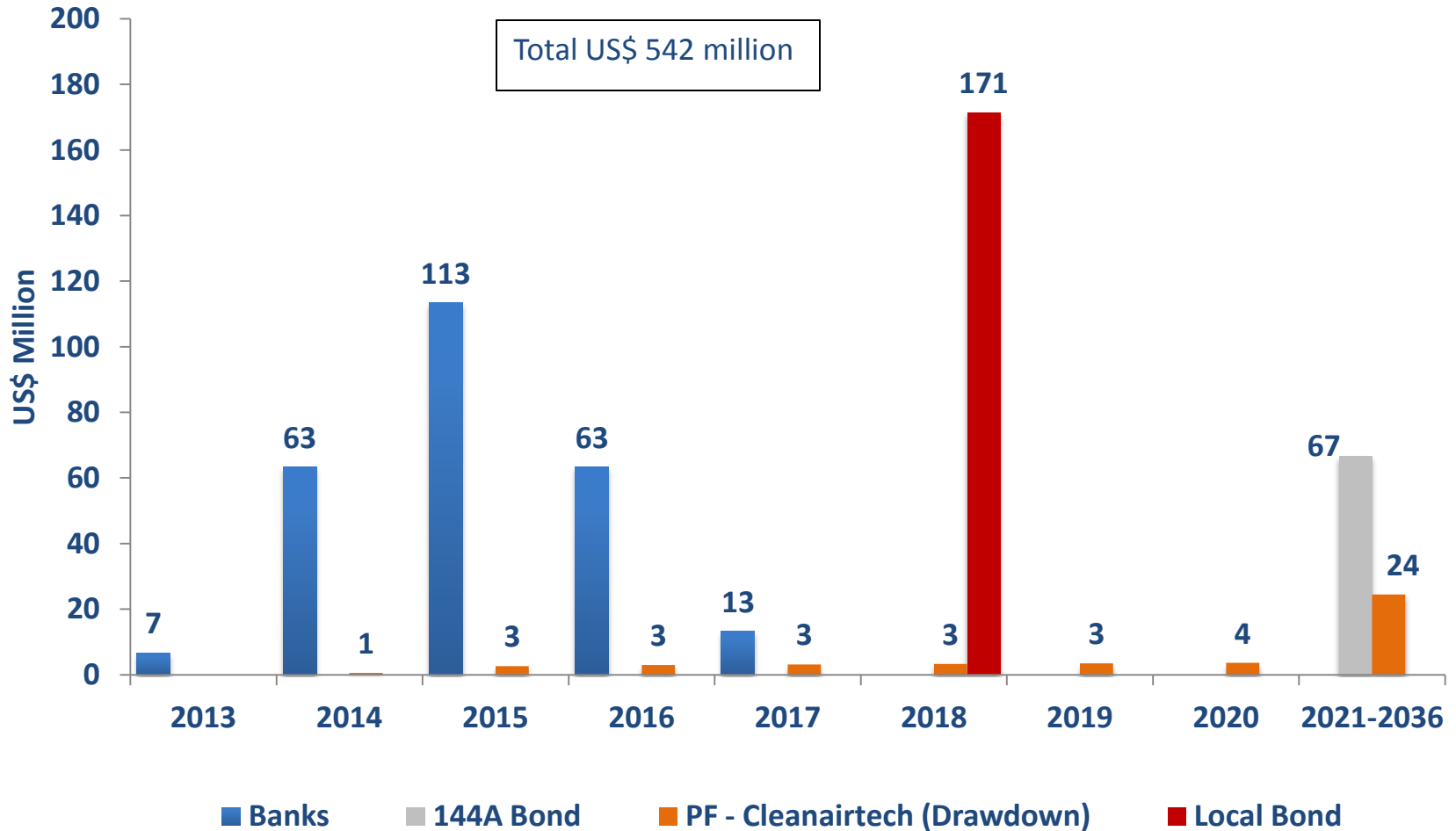
Gross financial debt (US\$ million)



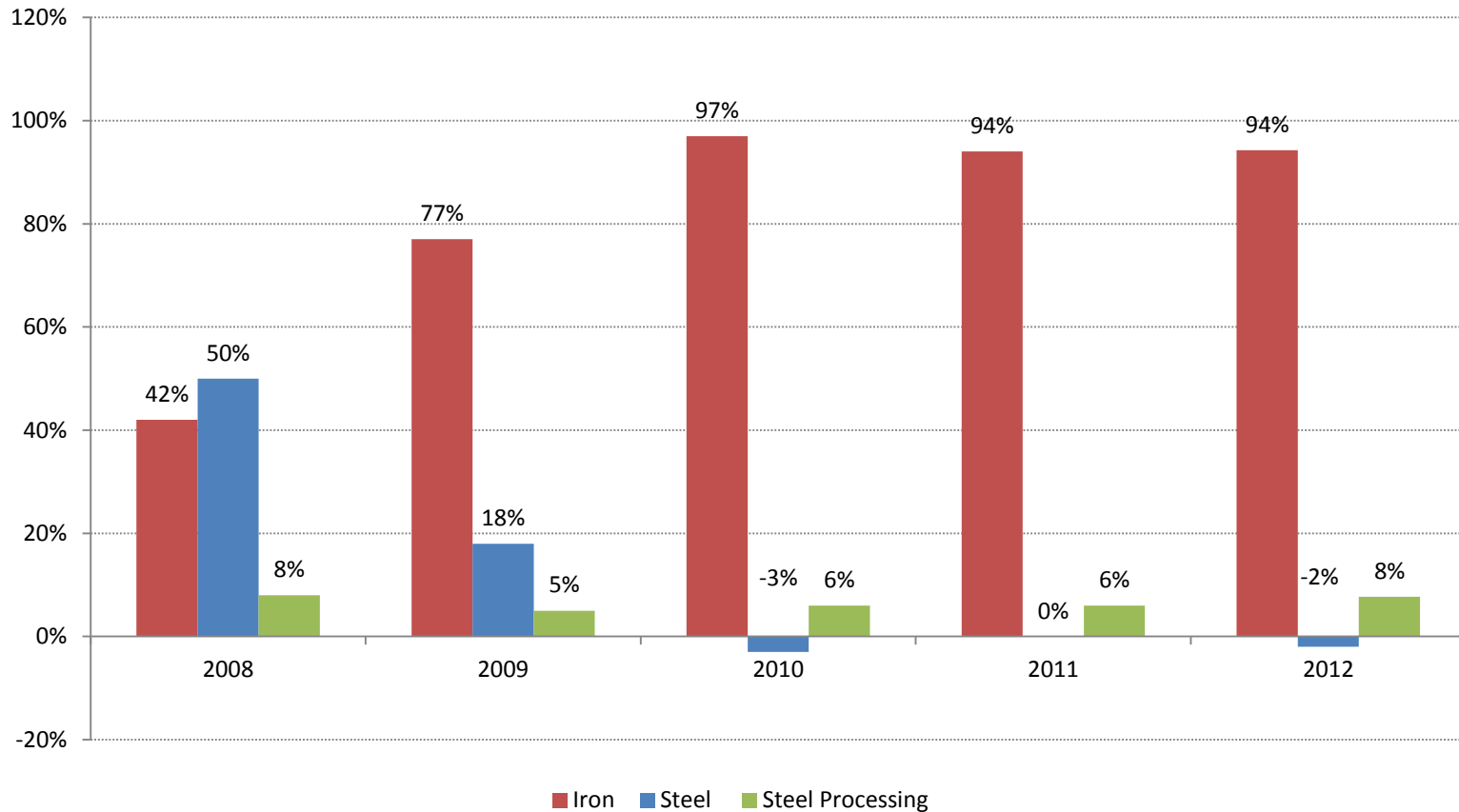
Net financial debt / EBTDA



CAP S.A. - Debt maturity profile



EBITDA contribution by business



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Development program underway



Los Colorados (brownfield expansion)

- Current production: 5.2 million tonnes / Pellets and pellet feed
- Projected increase: 2.0 million tonnes / Pellet Feed
- Under construction and estimated production start-up: 1S 2013
- CAPEX: US\$ 413 million



Cerro Negro Norte (greenfield project)

- Production: 4.0 million tonnes / Pellet feed
- Under construction and estimated production start-up: 4Q 2013
- CAPEX: US\$ 880 million

Development program underway



Romeral Phase V (mine life extension)

- CAPEX: US\$ 198 million
- Start - up: 1S 2014

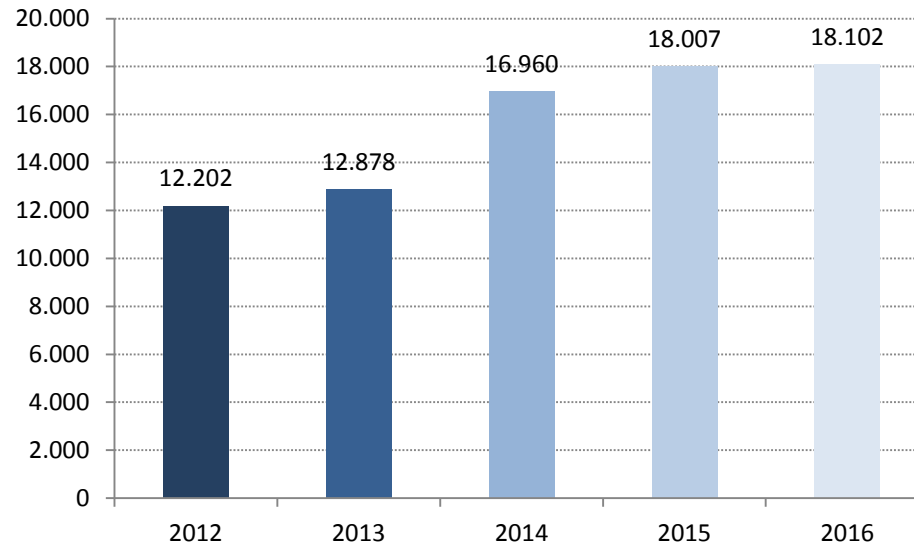


Desalination plant

- Capacity up to 400 lt/sec
- Under construction and estimated production start-up: September 2013
- CAPEX: US\$ 360 million

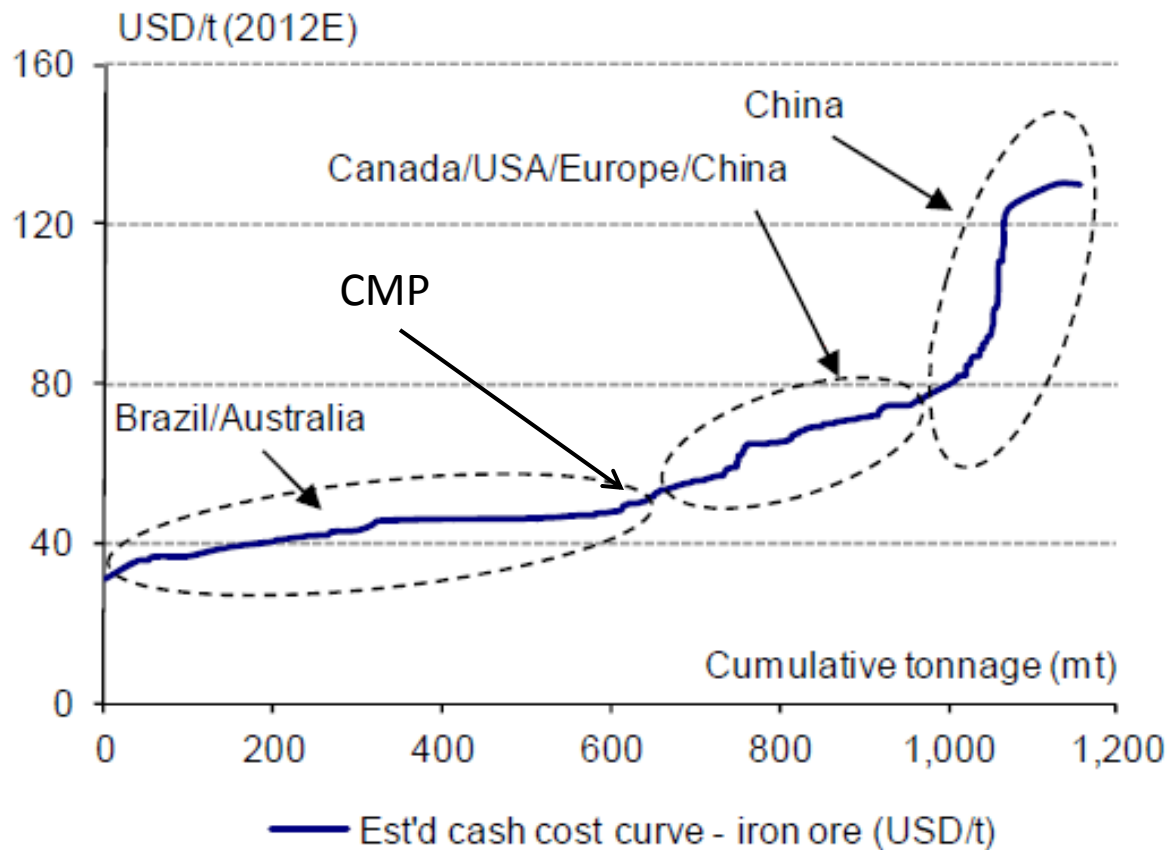
Iron ore - Production capacity

Production (Th. tonnes)



- The market projects a stronger demand for high quality pellet feed
- In 2012 the average cash cost per ton was US\$ 48,76 FOB
- At production level of 18 million tons, cash cost is expected to reach US\$50,0 FOB
- Financing of existing expansion projects would be through internal cash generation
- Construction of a Desalination Plant (up to 600 lt/s) will cover water needs of Cerro Negro Norte project and third parties mining operations in the zone
- Investment in exploration will continue to improve knowledge of our mining property for future development and growth

Iron ore – Cash cost curve



Source: Deutsche Bank

- CMP has a very competitive cash cost position

Steel production

- Domestic demand for steel is strongly influenced by Construction and Mining sectors. Demand for long steel in Chile substantially exceeds that for flat steel, due to the dinamism of the above mentioned industries
- Optimization of its steel production capabilities, through a gradual reorientation towards long steels
- Substantial global overcapacity in steel production, a significant obstacle to an increase in CAP's steel capacity
- Operational focus in cost efficiency and optimization of product lines and seeking commercialization synergies with steel processing business
- Main goal is to secure a domestic market share with tonnages of CAP's own steel and/or alternatively imported material

Steel processing

- Main focus is to serve the construction, industry and infrastructure sectors
- Chile is Latin America's most advanced user of steel in construction
- Operating at full capacity in Chile since 2010, following the country's GDP
- Growth focus in Peru and interest to enter Colombia and/or Brazil markets

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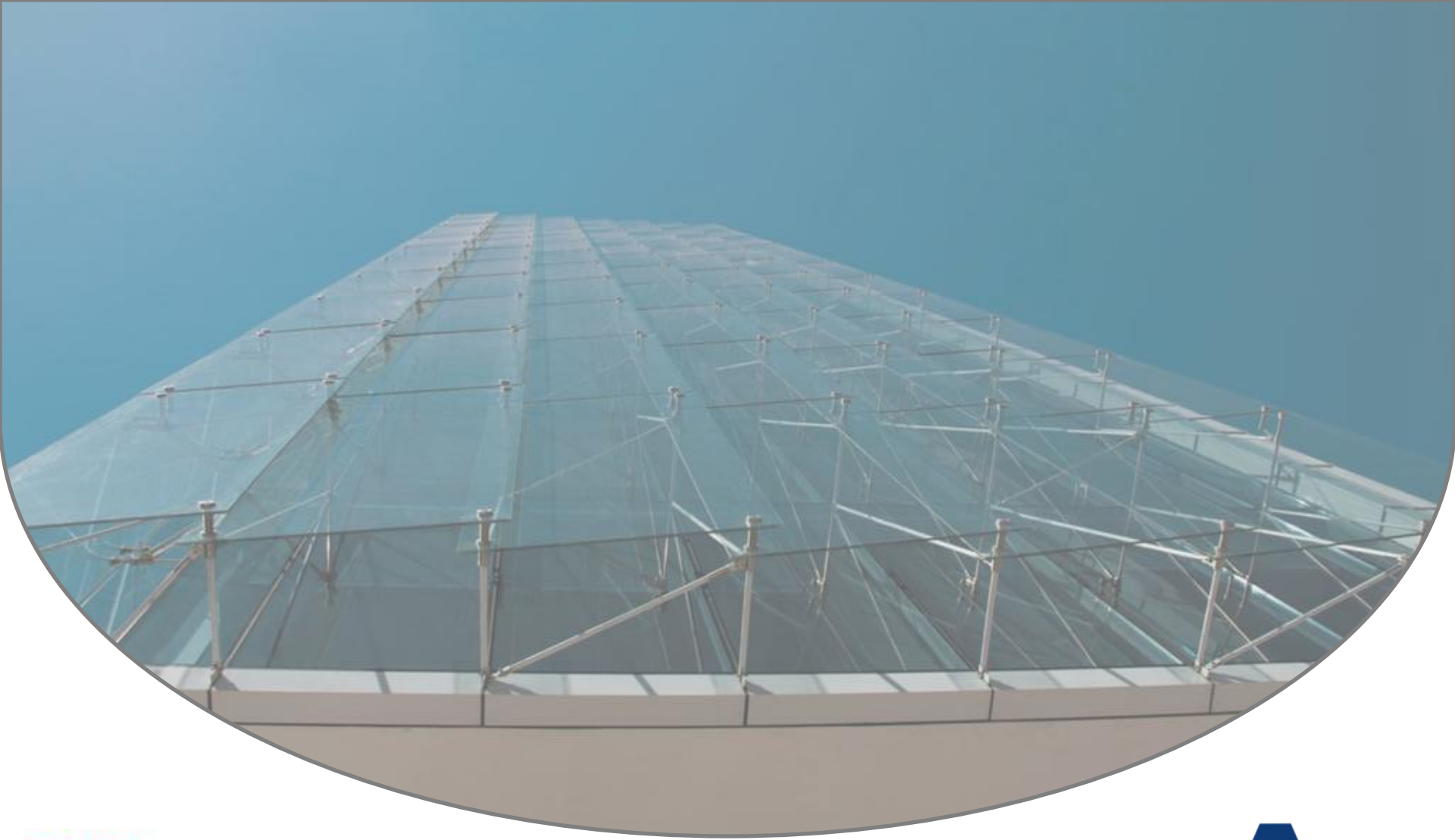
Business plan

Conclusion

Strong fundamentals

- Substantial growth in the iron ore business
- Further expansion to 30 – 40 million tonnes possible through iron ore development projects currently under consideration
- Steel strategy to maintain its predominant position in Chile and have at least neutral EBITDA contribution to CAP Group
- CAP group is well positioned to benefit from a high growth potential of the steel processing business in Latin America
- Strong financial position provides viability to growth objectives

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