



5th Annual Larrain Vial  
International Investor's Conference  
March, 2011

# Agenda

**Company overview**

**Global environment**

**Business plan**

**Financial highlights**

# Vertically integrated ferrous metal company

- Exporter of iron ore products, primarily to Asia
- Producer of steel for the domestic market
- Processes value-added steel solutions in Chile, Peru and Argentina
- Since May, 2010, Mitsubishi Corp. acquired a 25% interest in CMP, via a capital increase and exchange of assets
- Mining capacity expansion underway

## Mining



- Production capacity: 12 million tons
- Only producer established in Chile
- Independent operator for over 50 years

## Steel



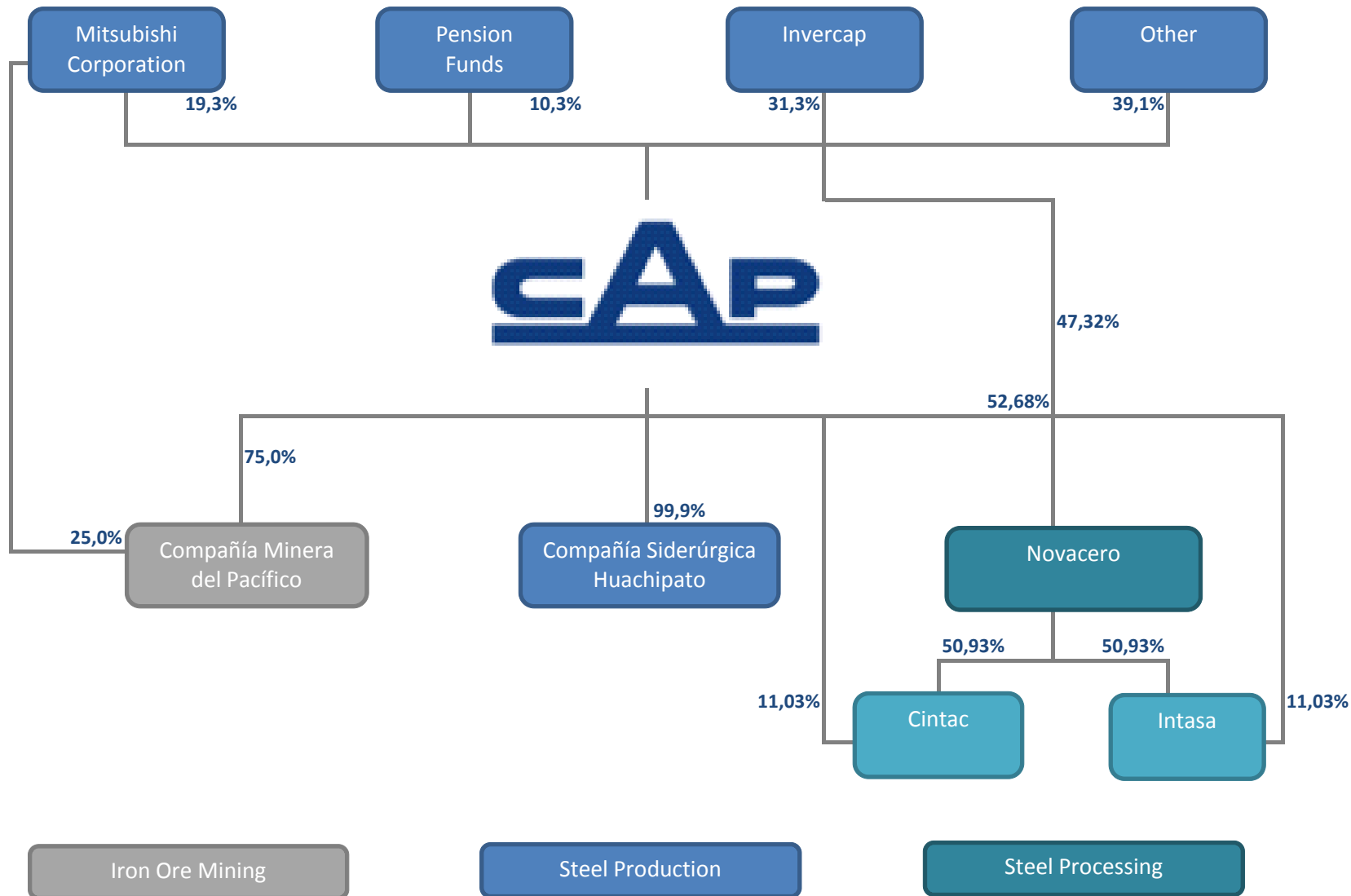
- Production capacity: 1.45 million tons
- Dominant position in Chile
- Over 50% of total steel market
- Over 60% of target market

## Steel Processing



- Production capacity: 400 thousand tons
- Leading steel processor in Chile
- Regional player

# Corporate structure



# Iron ore mining



*Los Colorados mine*

# Iron ore mining operations

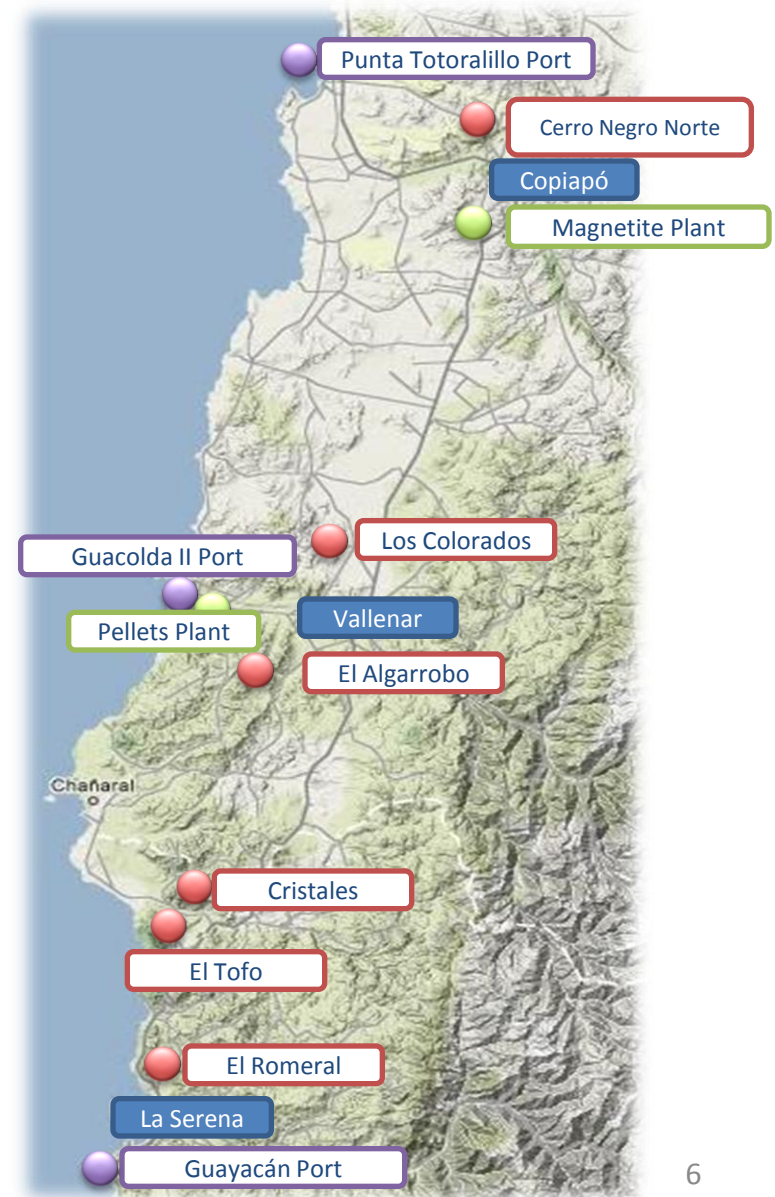
There are currently three different and independent areas of operation in the north of Chile, located around the cities of La Serena, Vallenar and Copiapó:

Cities

Mines

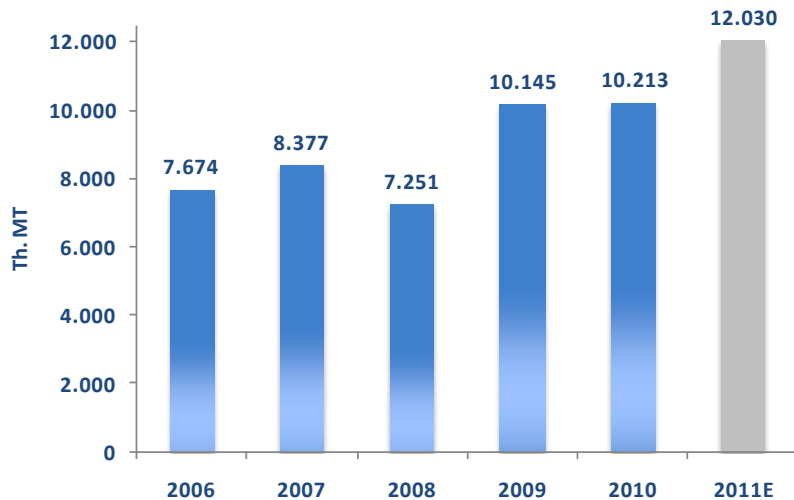
Processing Plants

Ports

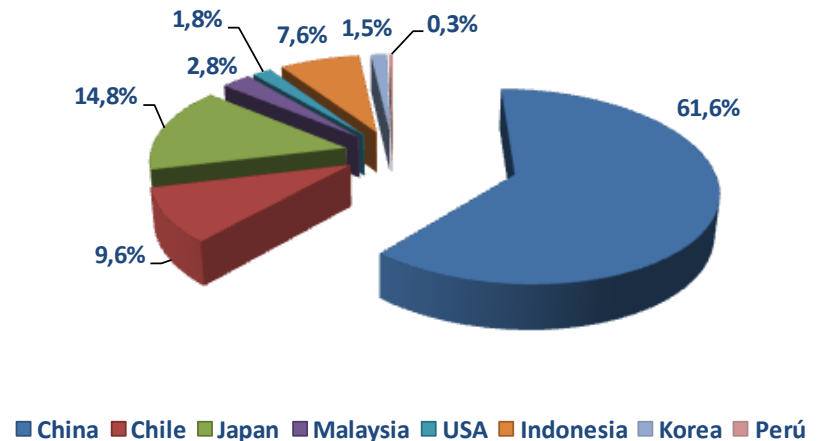


# Deliveries, markets and resources

## Deliveries



## Markets 2010



## Resources

As a result of continued exploration campaigns, iron ore resources have increased progressively over the years; 2.352 million MT in 2007, reaching 3.478 million MT in 2010

# Resources and reserves

| Mine / Deposit                    | Total Mineral Resources (1) |               | Reserves (2) |              |
|-----------------------------------|-----------------------------|---------------|--------------|--------------|
|                                   | MTM                         | Grade (% Fe)  | MTM          | Grade (% Fe) |
| El Laco                           | 734                         | 49,2%         | 376          | 56,7%        |
| Cerro Negro Norte                 | 457                         | 34,6%         | 177          | 39,0%        |
| Los Colorados                     | 410,7                       | 45,0%         | 256          | 43,6%        |
| Hierro Atacama I - Candelaria (3) | 302                         | 10,0%         | 302          | 10,0%        |
| El Romeral                        | 282                         | 33,9%         | 86           | 39,7%        |
| Pleito Cristales                  | 586                         | 28,4%         | ---          | ---          |
| El Algarrobo                      | 143                         | 41,3%         | 47           | 47,8%        |
| El Algarrobo - District           | 536                         | 33,2%         | 118,4        | 35,5%        |
| Los Colorados - District          | 26                          | 43,3%         | ---          | ---          |
| El Tofo                           | 1,4                         | 39,2%         | 1,4          | 40,1%        |
| <b>Total</b>                      | <b>3.478</b>                | <b>35,80%</b> | <b>1.364</b> |              |

Source: CAP

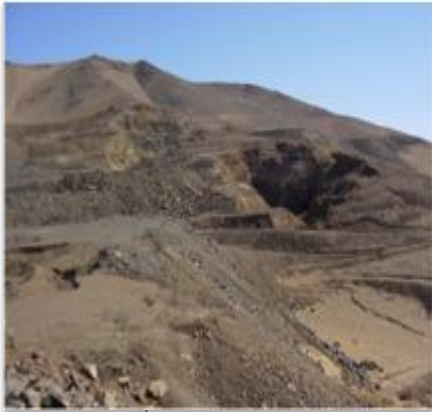
(1) Those minerals measured on a geological ore content feasible of being mined.

(2) Those geological resources that are feasible of being mined economically.

(3) CMP has the contract for processing the tailings of the Candelaria copper mine.



# Development program underway



## Cerro Negro Norte

- Production: 4.0 million tons / Pellet feed
- Capex: US\$574.5 million
- Start date of production: 1Q 2013



## Los Colorados Expansion

- Production: 5.2 million tons / Pellets and pellet feed
- Production increase: 2.0 million tons / Pellet Feed
- Capex: US\$ 342 million
- Start date of production: 1Q 2013

# Steel production

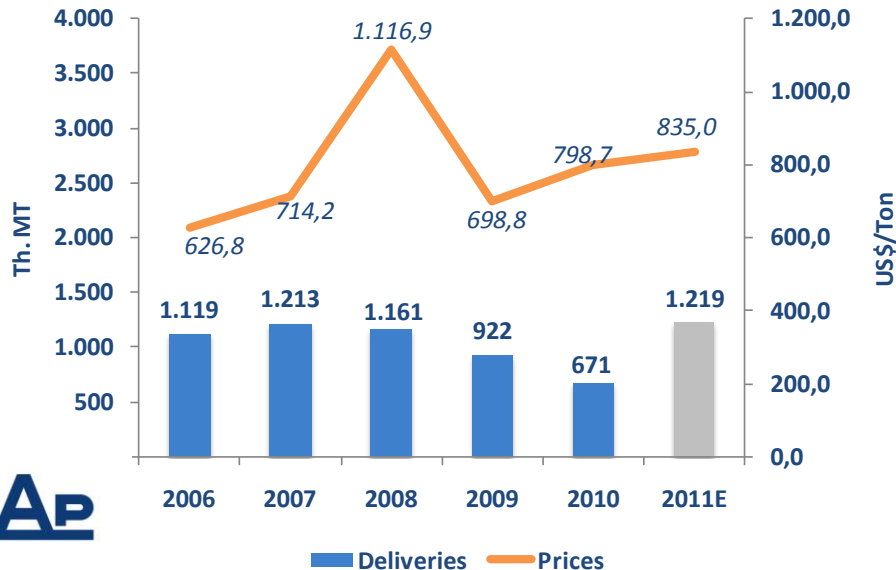


*Blast Furnace at CSH*

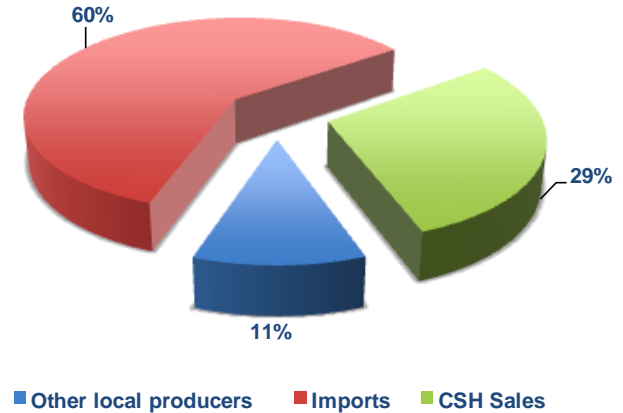
# Steel production

- 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 an advantage in economic cycles
- Long products: Rebar, wire rod and grinding bars; Flat steel: HRC, CRC and zincaluminum

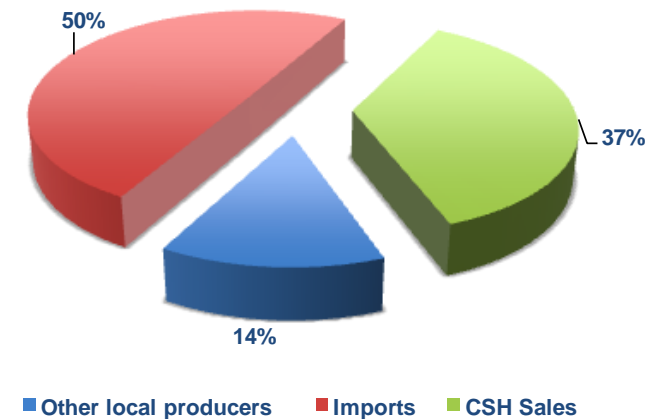
## Deliveries and Prices



## Total Steel Market 2010

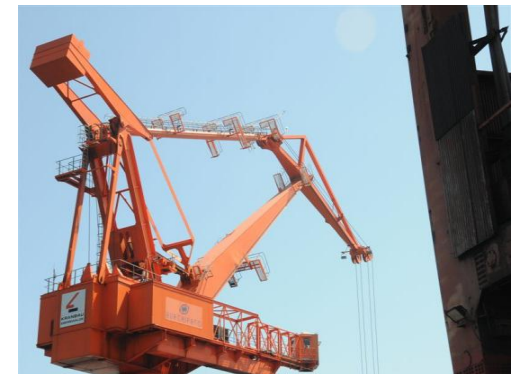


## Target Market 2010



# Steel production

- The earthquake of February 27, 2010, severely damaged our steel mill, causing a 3 months detention
- Greater damage done in primary production area: pier, coke plant, blast furnaces and steel shop
- Production restarted within June , 2010
- Plant currently operating at full capacity (100 Th tons of finished product per month)



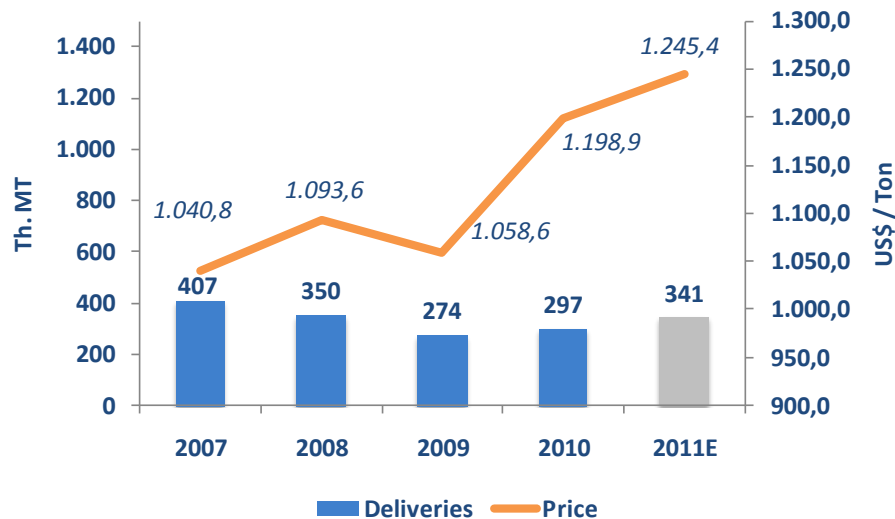
# Steel processing



# Steel processing

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

## Deliveries and Prices



# Steel processing

- Production at full capacity in Chile throughout 2010, participating in the country's reconstruction efforts after the earthquake
- Potential for growth in Pacific Coast countries



# Agenda

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**Global environment**

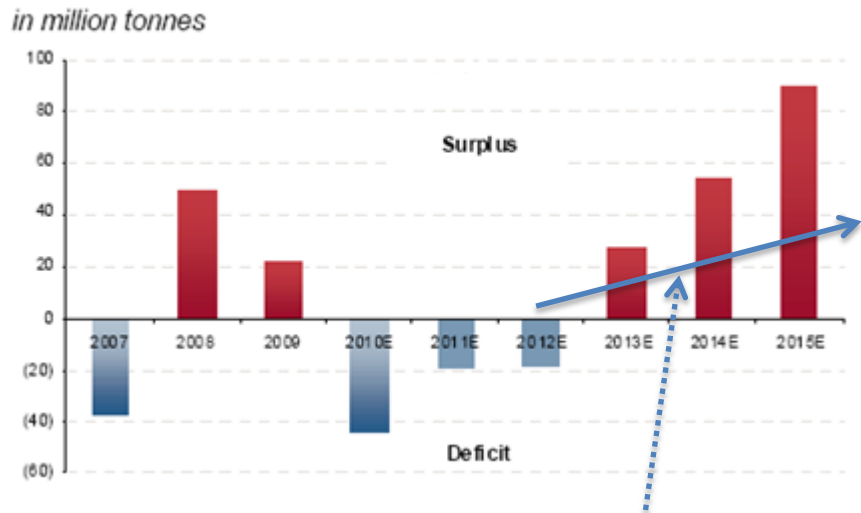
**Business plan**

**Financial highlights**



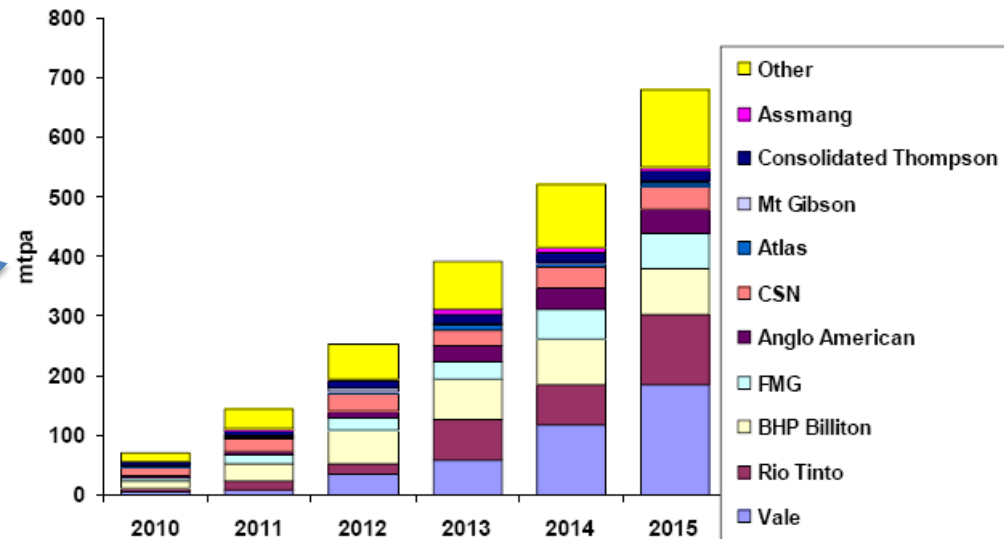
# Seaborne supply – demand balances

## Supply and demand for iron ore



**Most likely scenario**

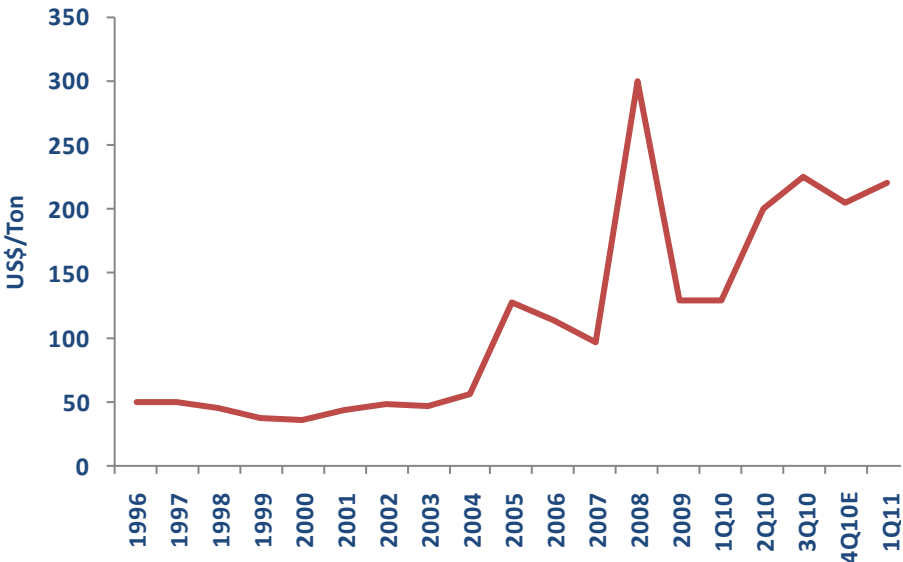
## New projects



- Iron ore supplies will remain tight for (at least) the next three years, as no important projects will be commissioned within this period. Position beyond 2013 depending upon growth in emerging markets and principally progress in various African projects

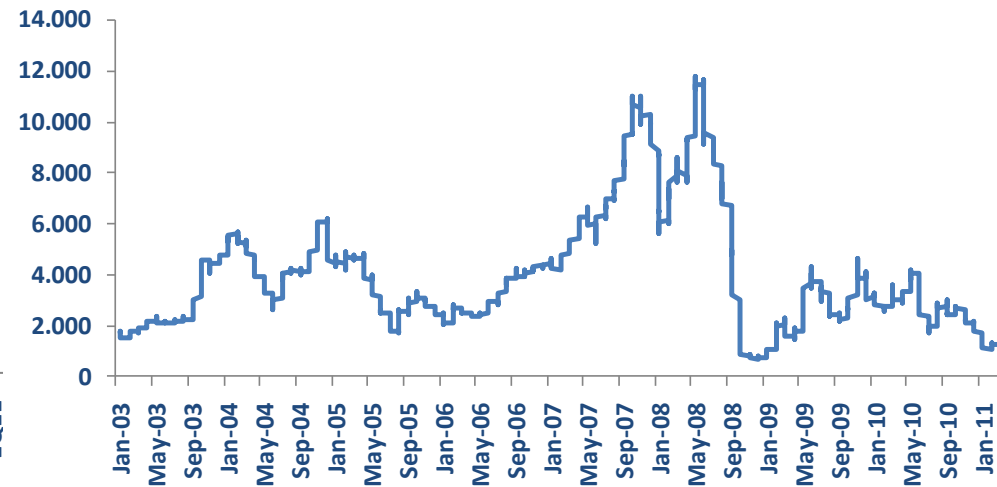
# Price evolution of raw materials

## Metallurgical Coal



Source: CAP

## Baltic Dry Index

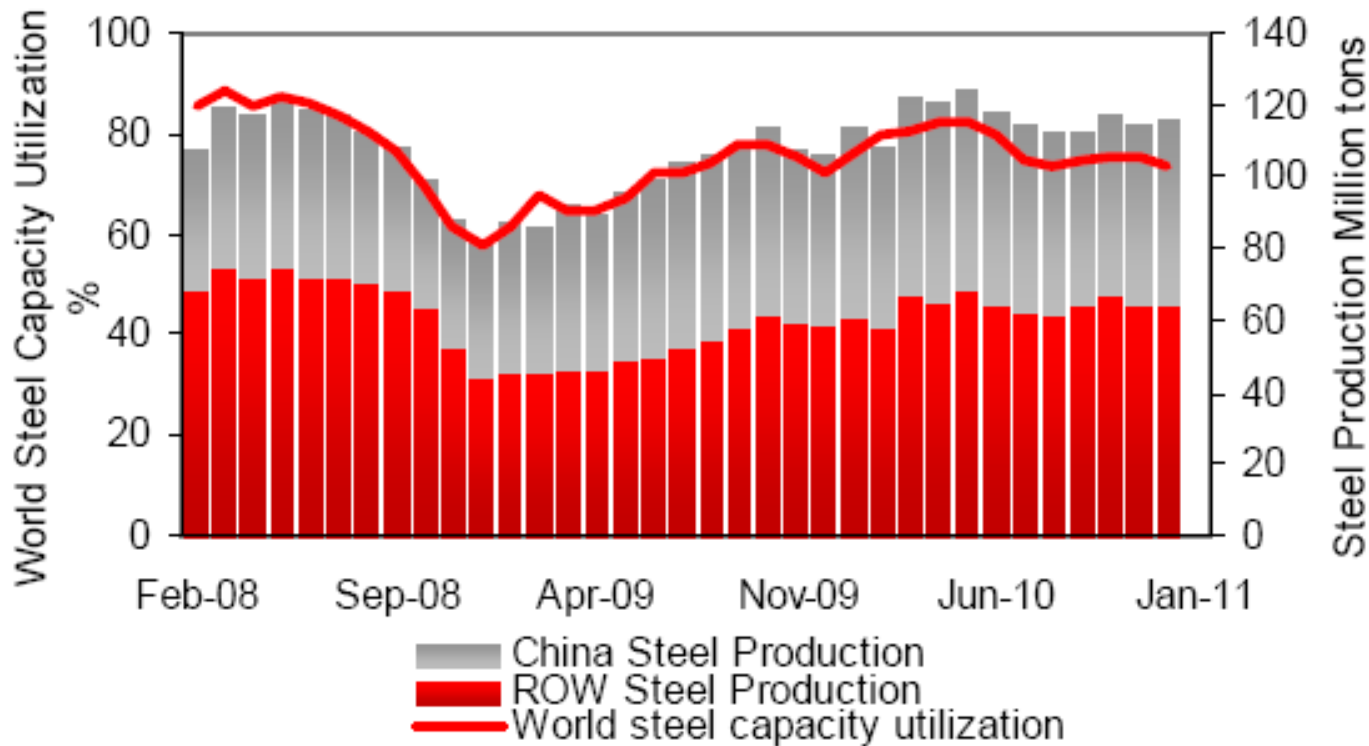


Source: The Baltic Exchange

- Both graphs show a sharp drop following the start of the global economic crisis in 2008. Shortly after, the prices began to recover but the Baltic Dry Index still displays major price volatility

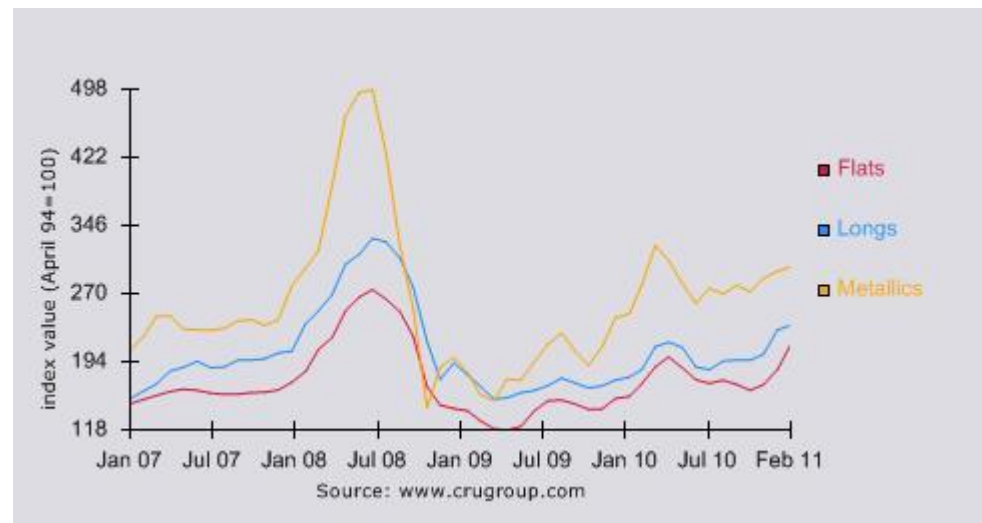
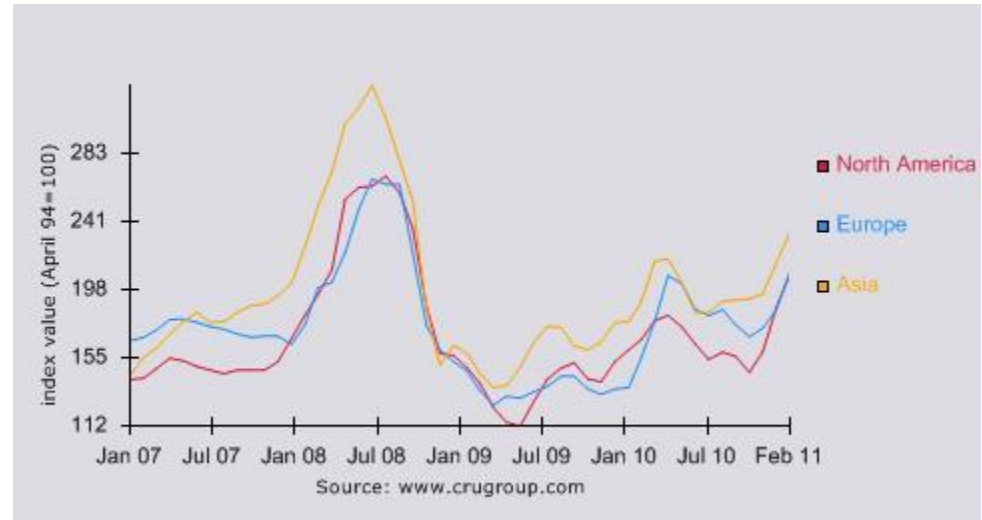
# Steel production

World Steel Production (MTM) v/s World Steel Plants Capacity Utilization

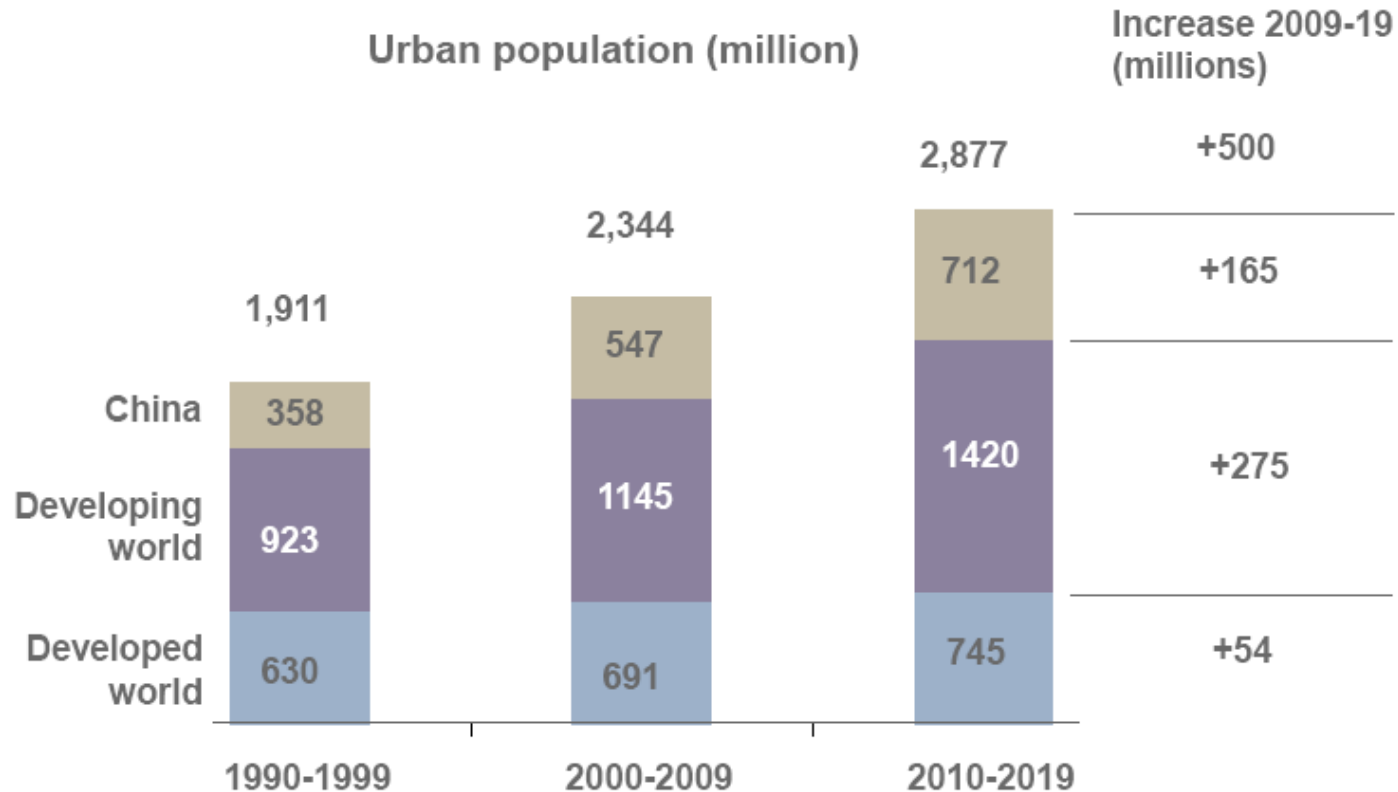


# Price evolution of steel

- Following the initial drop in prices caused by the economic crisis, all markets show improvement in quantities and prices
- With regard to specific steel products, metallics were beginning to show a downward trend in May 2010 but have leveled since then



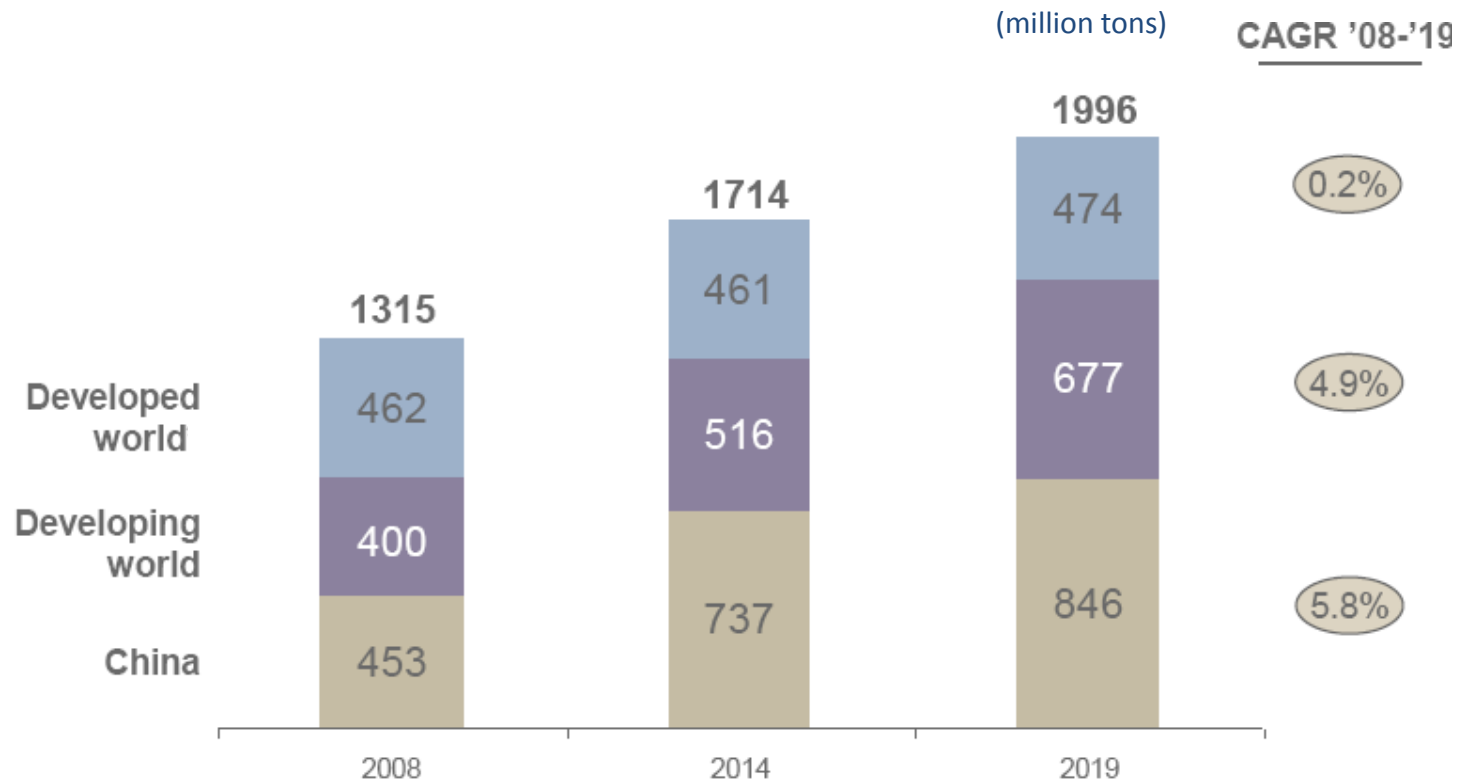
# Urbanization in progress



Source: Arcelor Mittal, Metal Bulletin

- Growing urban population levels in developing countries will have an impact on levels of iron ore imported as well as steel production and consumption

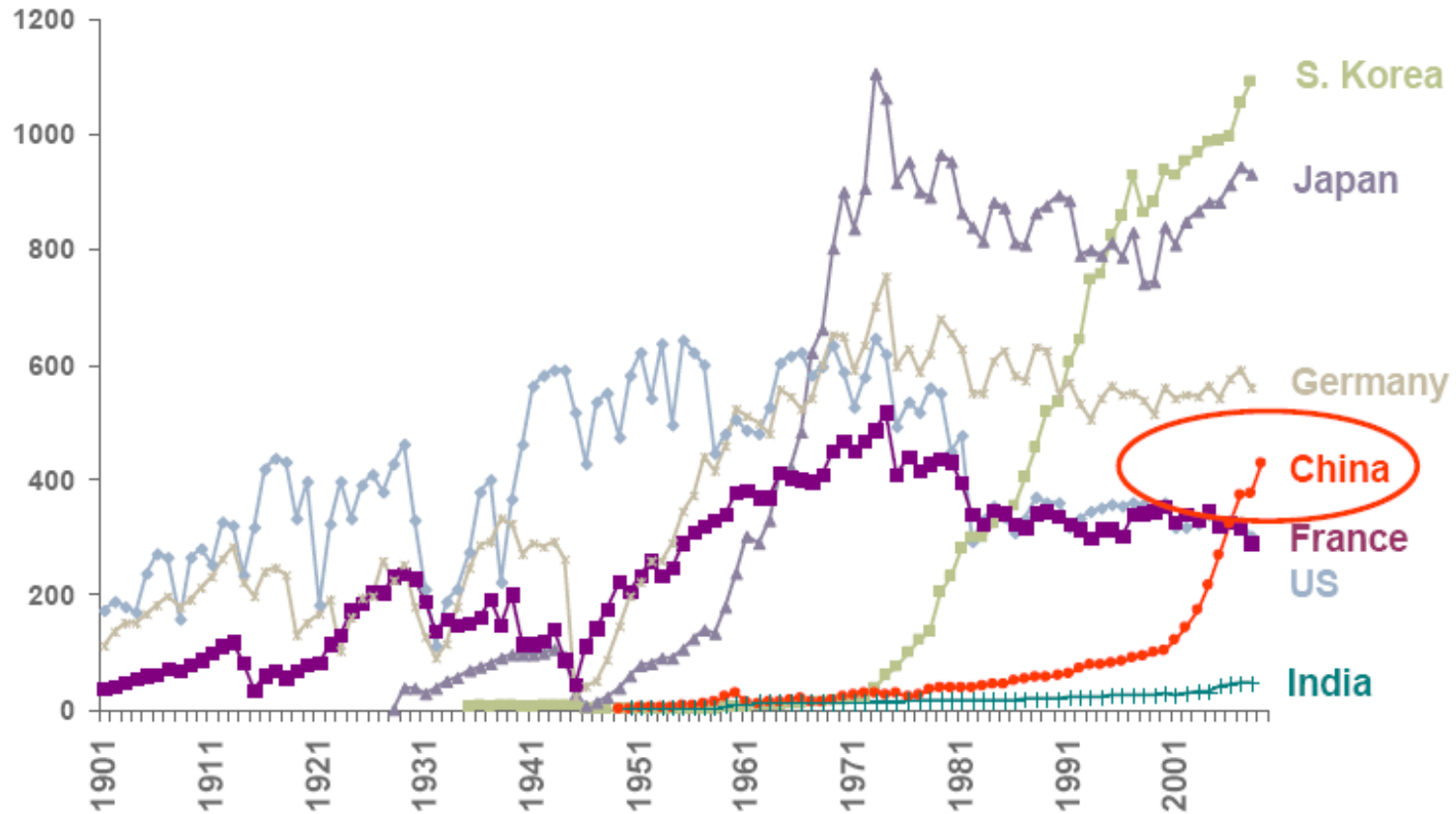
# Crude steel consumption



Source: Arcelor Mittal, Metal Bulletin

- Within the developing world, steel consumption is forecasted to continue to grow strongly beyond 2014

# Per capita crude steel consumption



Source: Arcelor Mittal, Metal Bulletin

- Chinese steel consumption is following the same pattern as other developed countries have done earlier in history. It is expected the same will happen with India

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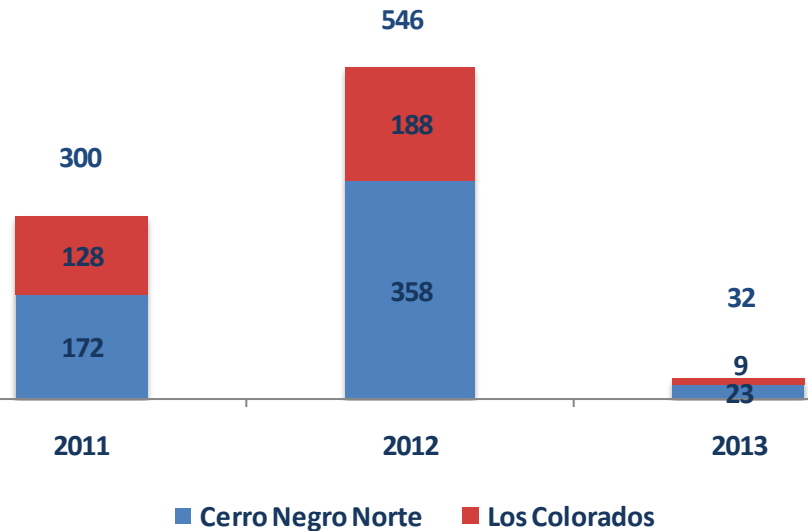
**Business plan**

**Financial highlights**

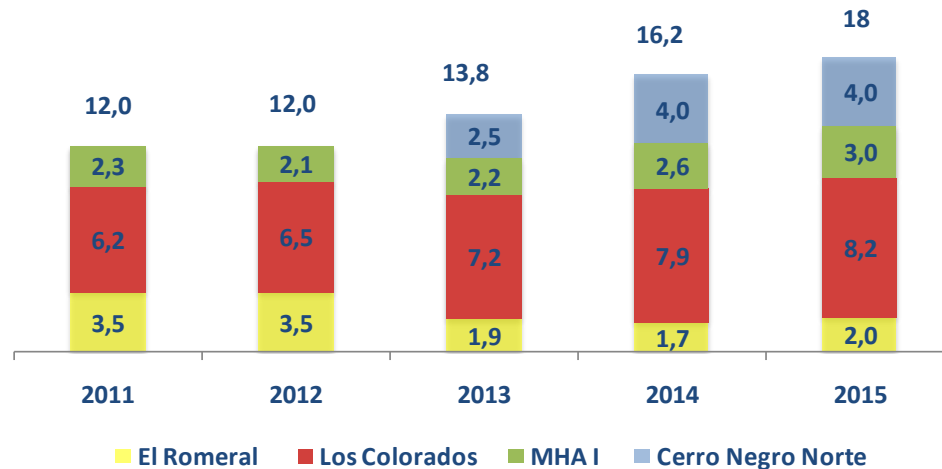


# Iron ore mining

Capex (US\$ Million)



Production (Million tons)



- Capex for 2010 – 2013: approximately US\$900 million
- Production capacity will increase from 12 million MT in 2010 to 18 million MT in 2015
- Investment in exploration will continue to ensure further development and growth
- Advanced Payment Structure (APS) in place to assist in financing of capacity expansions currently being done (US\$ 250 million)

# Steel production

- Repairs and reconstruction allowed production to restart in June 2010
- CAP's steel long term development plan is currently being defined
- CAP is also considering strategic associations with third-party steel operators



# Steel processing

- Steel processing operated at full capacity throughout 2010 in Chile, helping the country's recovery efforts following the earthquake
- Displayed strong momentum for 2011
- Exploring potential for growth in Pacific Coast countries



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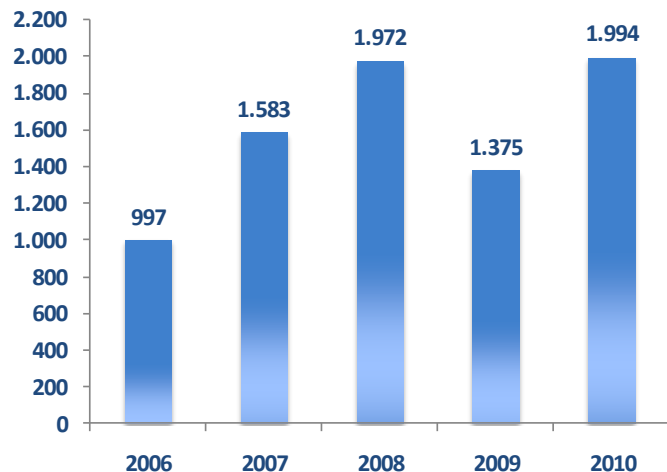
**Global environment**

**Business plan**

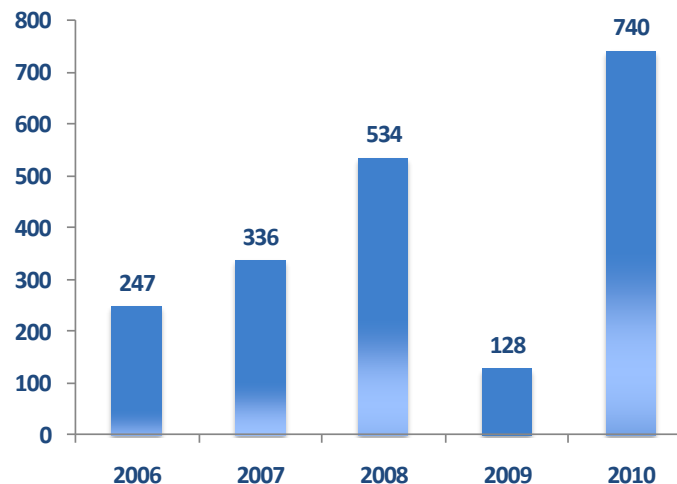
**Financial highlights**

# Financial highlights

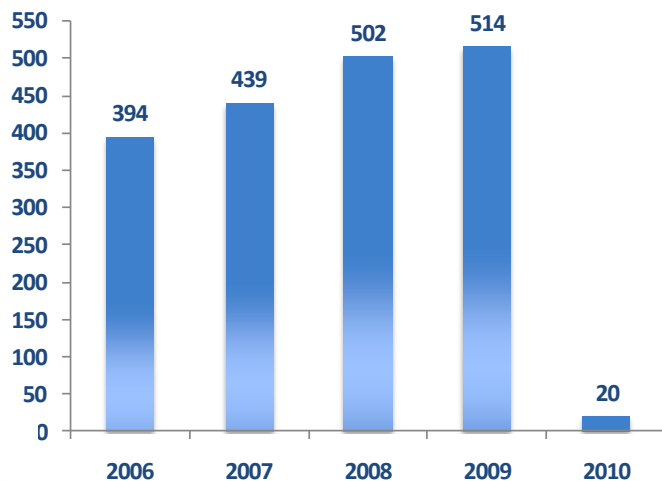
## Sales (US\$ Million)



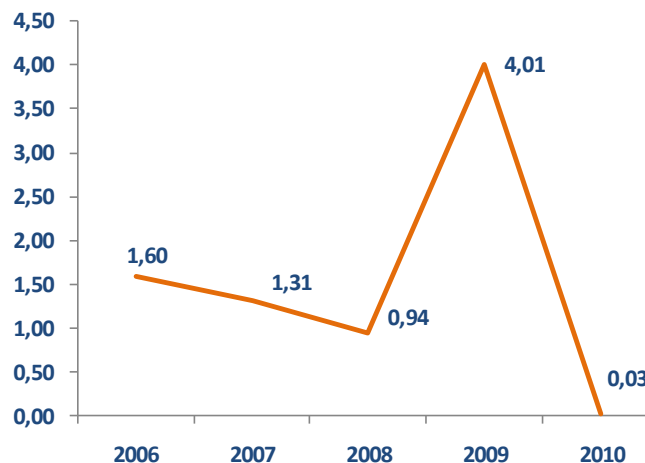
## EBITDA<sup>1</sup> (US\$ Million)



## Net Financial Debt (US\$ Million)



## Net Financial Debt / EBITDA

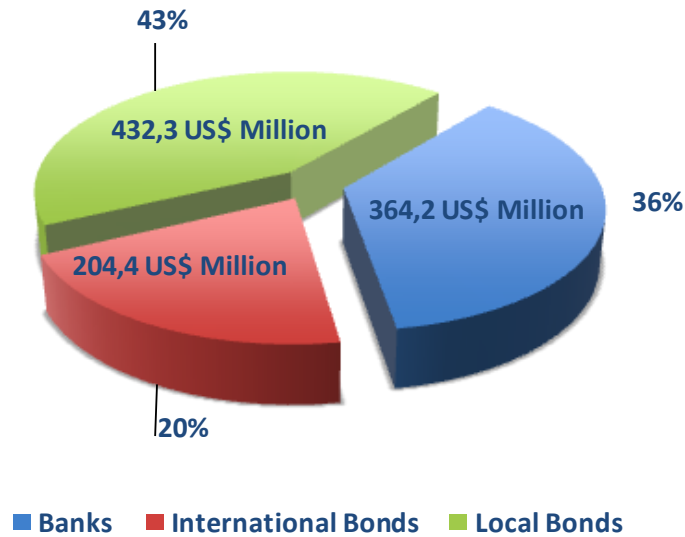


# Financial evolution

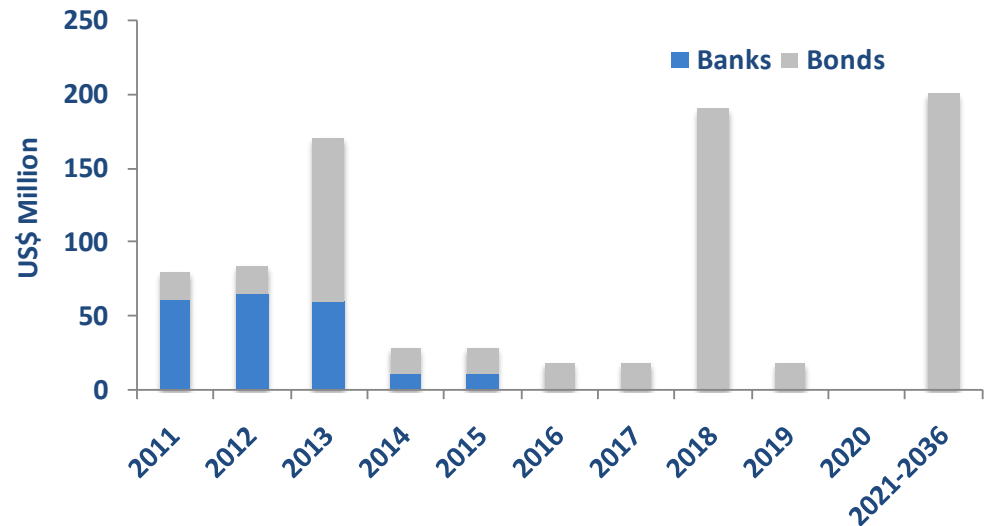
| (US\$ million)                     | 2006         | 2007         | 2008         | 2009         | 2010         |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash                               | 242          | 184          | 379          | 393          | 981          |
| Short Term Debt                    | 97           | 81           | 111          | 84           | 219          |
| Long Term Debt                     | 539          | 543          | 769          | 823          | 781          |
| <b>Total Financial Debt</b>        | <b>636</b>   | <b>623</b>   | <b>880</b>   | <b>907</b>   | <b>1.001</b> |
| <b>Net Financial Debt</b>          | <b>394</b>   | <b>439</b>   | <b>501</b>   | <b>514</b>   | <b>20</b>    |
| <b>Net Financial Debt / EBITDA</b> | <b>1,60x</b> | <b>1,31x</b> | <b>0,94x</b> | <b>4,01x</b> | <b>0,03x</b> |
| Equity                             | 732          | 884          | 1.039        | 1.238        | 2.686        |
| CAPEX                              | 119          | 309          | 161          | 142          | 207          |

# Debt profile

## Debt breakdown (December 2010)



## Debt maturity profile



# Strong fundamentals

- Substantial margin of improvement in iron ore
- Doubling mining capacity through development projects
- Steel strategy to further consolidate already dominant position in Chile
- Growth potential in steel processing in Pacific Coast countries







[www.cap.cl](http://www.cap.cl)