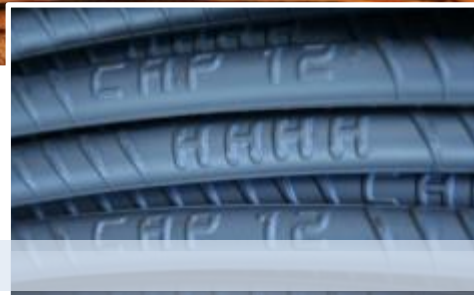
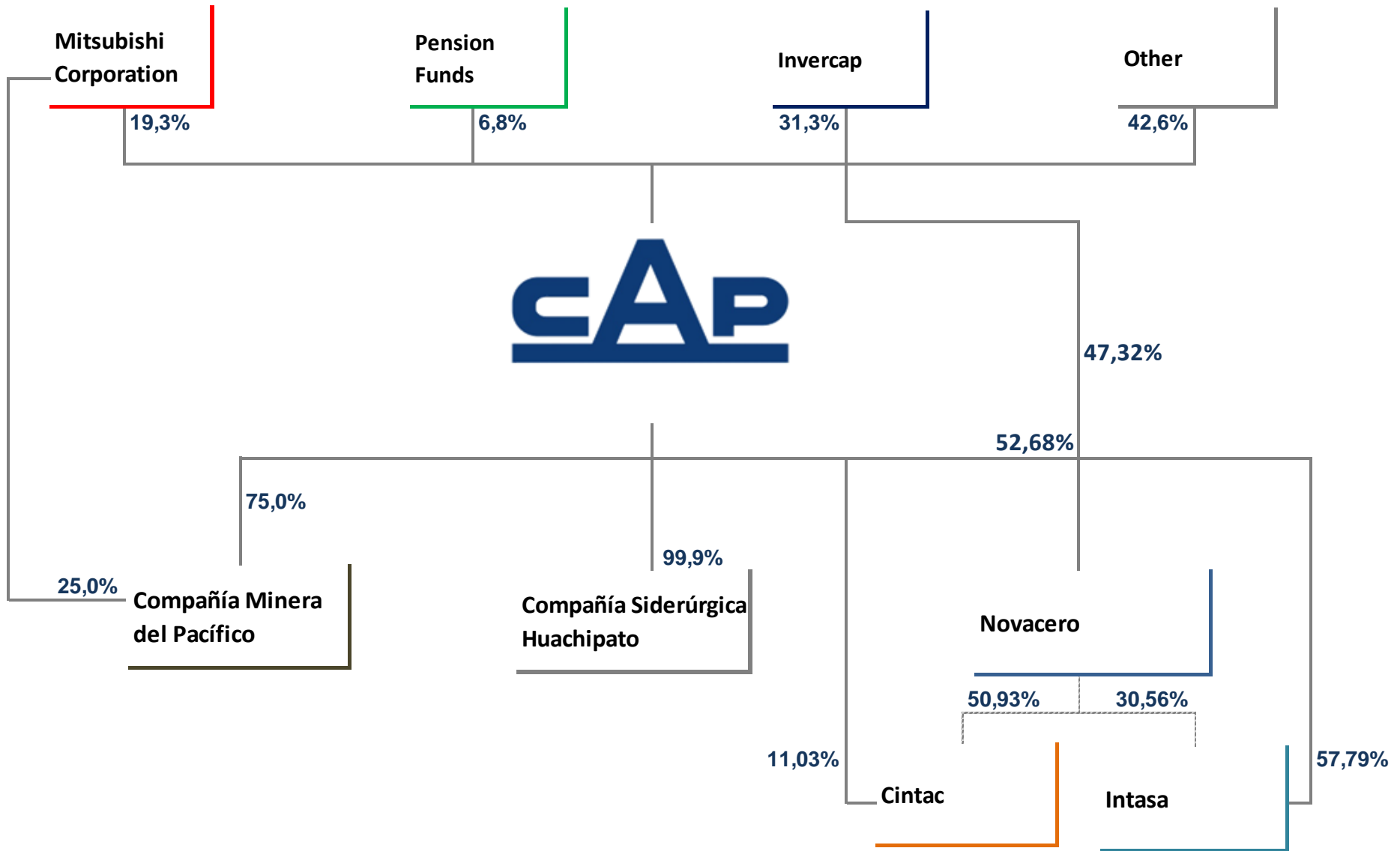


# CAP Group update – March 2015



# Ownership structure



# Iron ore mining

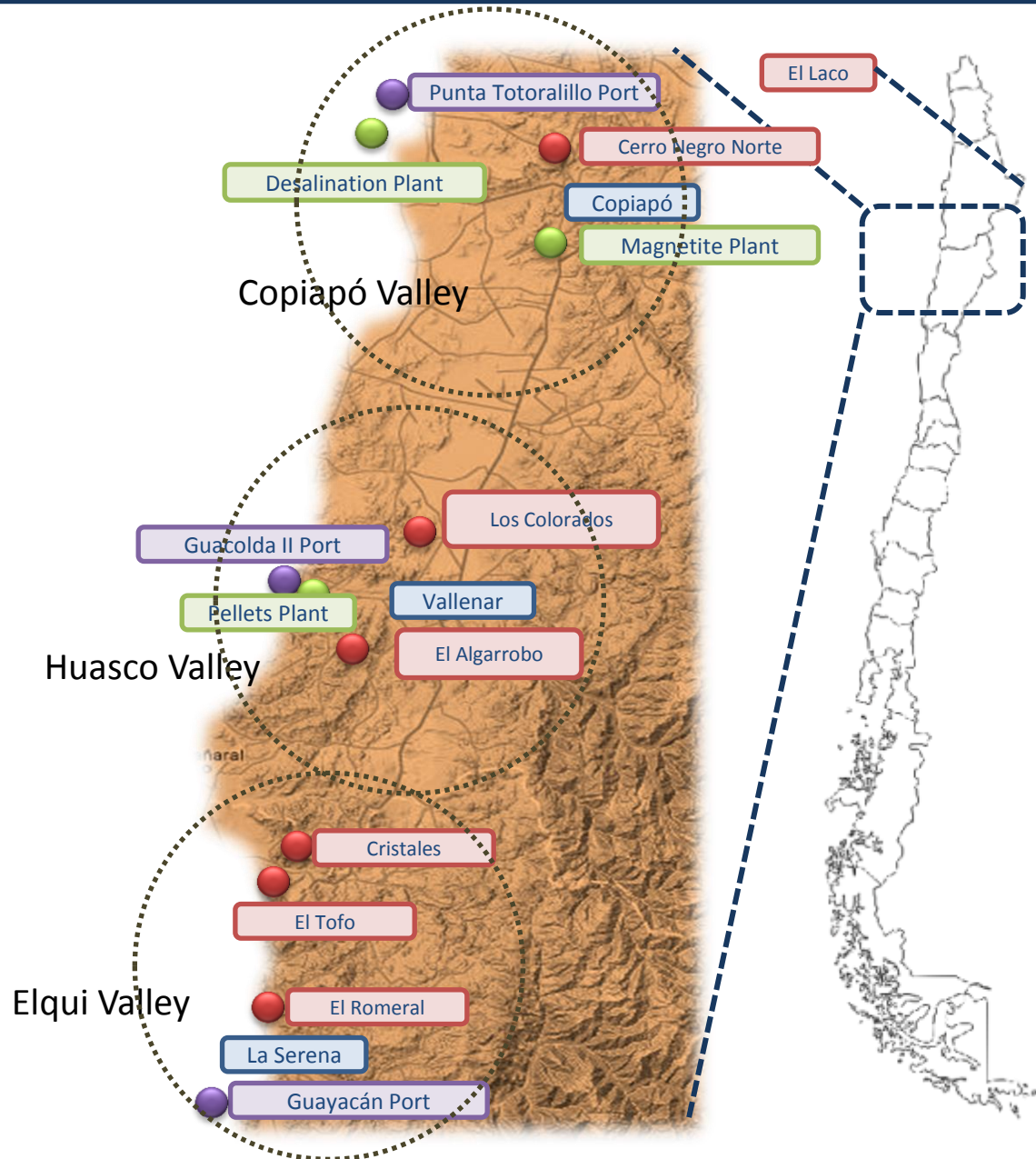




# Mining sites

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

- Copiapó
- Vallenar
- La Serena



Cities

Mines

Plants

Ports

# Cerro Negro Norte mine



# Magnetite plant





# Los Colorados mine





# El Romeral mine





## Ranking 2013

### Hectares in exploration concessions - Chile

N°	Company	Hectares	%
1	BHP Chile Inc	1.917.100	11,33
2	Compañía Contractual Minera Los Andes	841.100	4,97
<b>3</b>	<b>CAP</b>	<b>677.700</b>	<b>4,01</b>
4	Teck Exploraciones Mineras Chile Ltda	629.700	3,72
5	Antofagasta Minerals S.A.	514.500	3,04
6	Codelco	435.500	2,57

## Ranking 2013

### Hectares in exploitation concessions - Chile

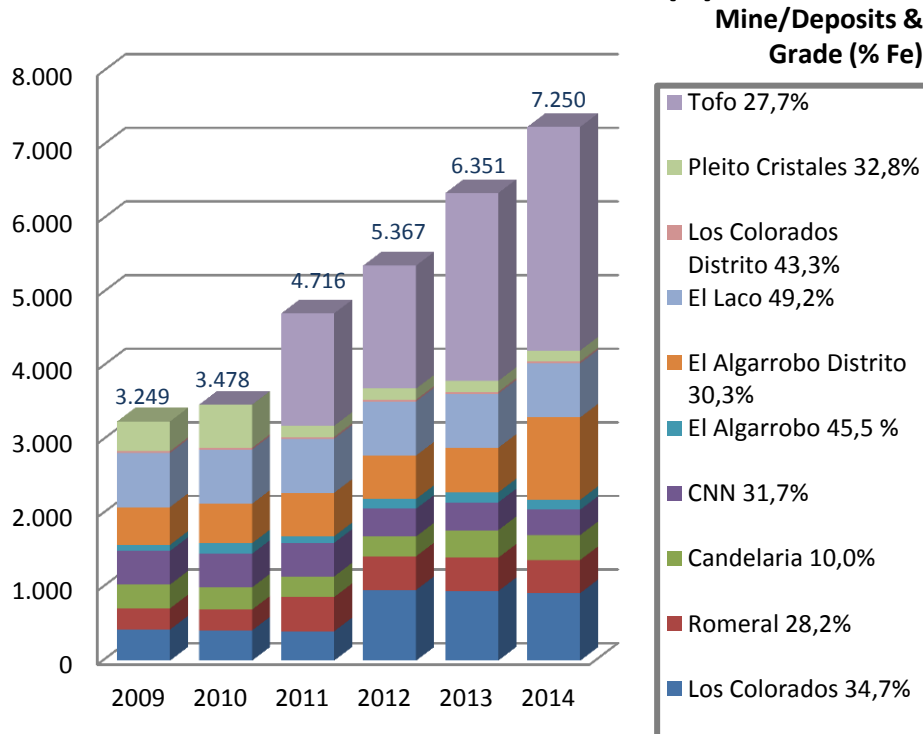
N°	Company	Hectares	%
1	Soquimich S.A.	2.861.157	20,06
2	Codelco	840.704	5,89
3	Minera Escondida Limitada	363.798	2,55
4	SCM Virginia	252.532	1,77
5	Enami	250.847	1,76
6	Antofagasta Minerals S.A.	231.392	1,62
<b>7</b>	<b>CAP</b>	<b>205.788</b>	<b>1,44</b>

- Top 3 position in exploration concessions
- More than 700.000 meters drilled over the period 2008-2013

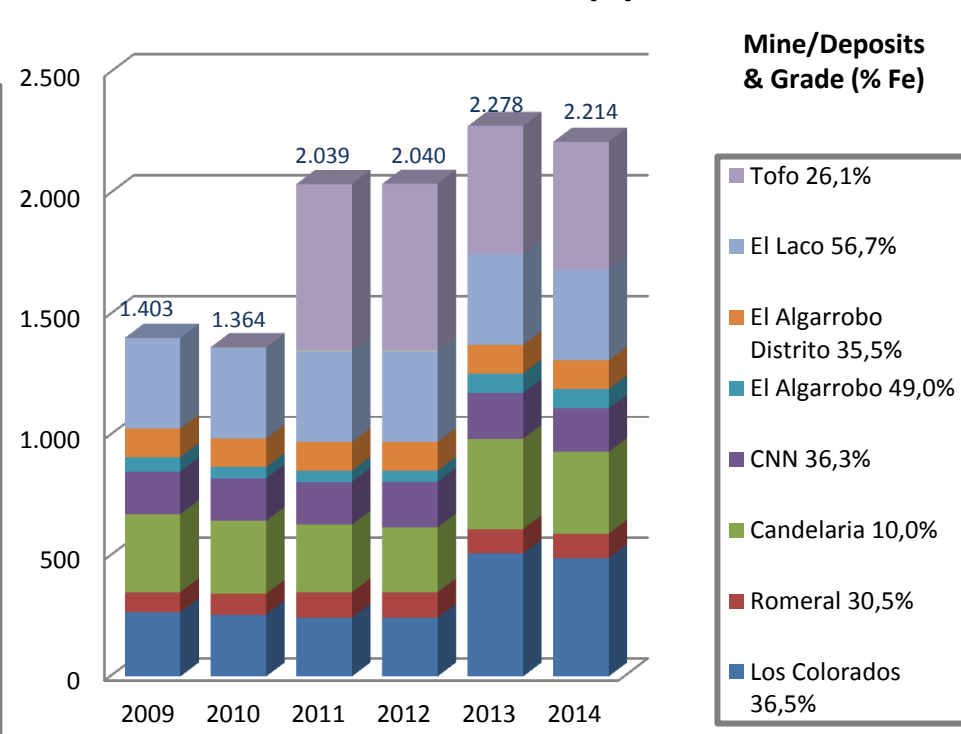
# Resources and reserves of magnetic ore

As a result of continued successful exploration campaigns, iron ore resources have increased progressively over the years, reaching 7,250 million tons in 2014

## Mineral resources (1)



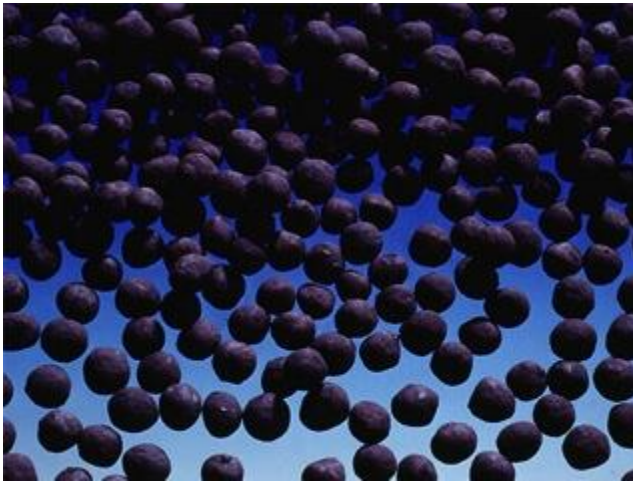
## Reserves (2)



(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.



**BF and DR Pellets (Fe 65% - 67%)**



**Lumps (Fe 62%)**



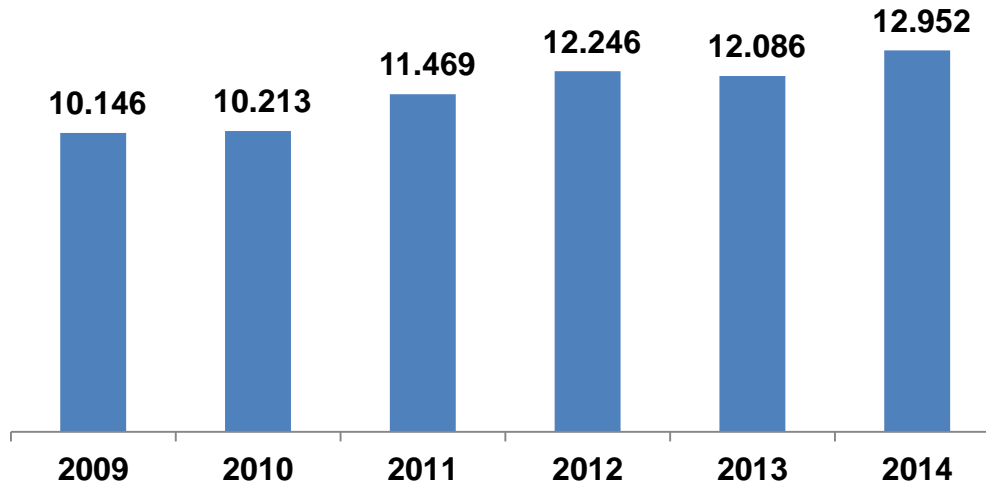
**Pellet Feed (Fe 67% - 68%)**



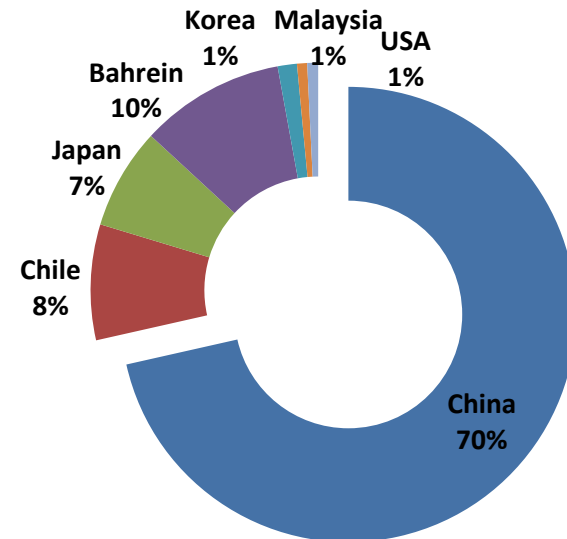
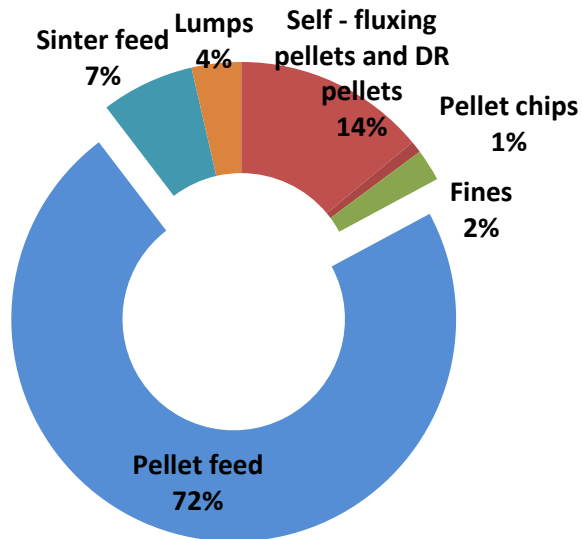
**Fines (Fe 62%)**



## Shipments (Th.MT)

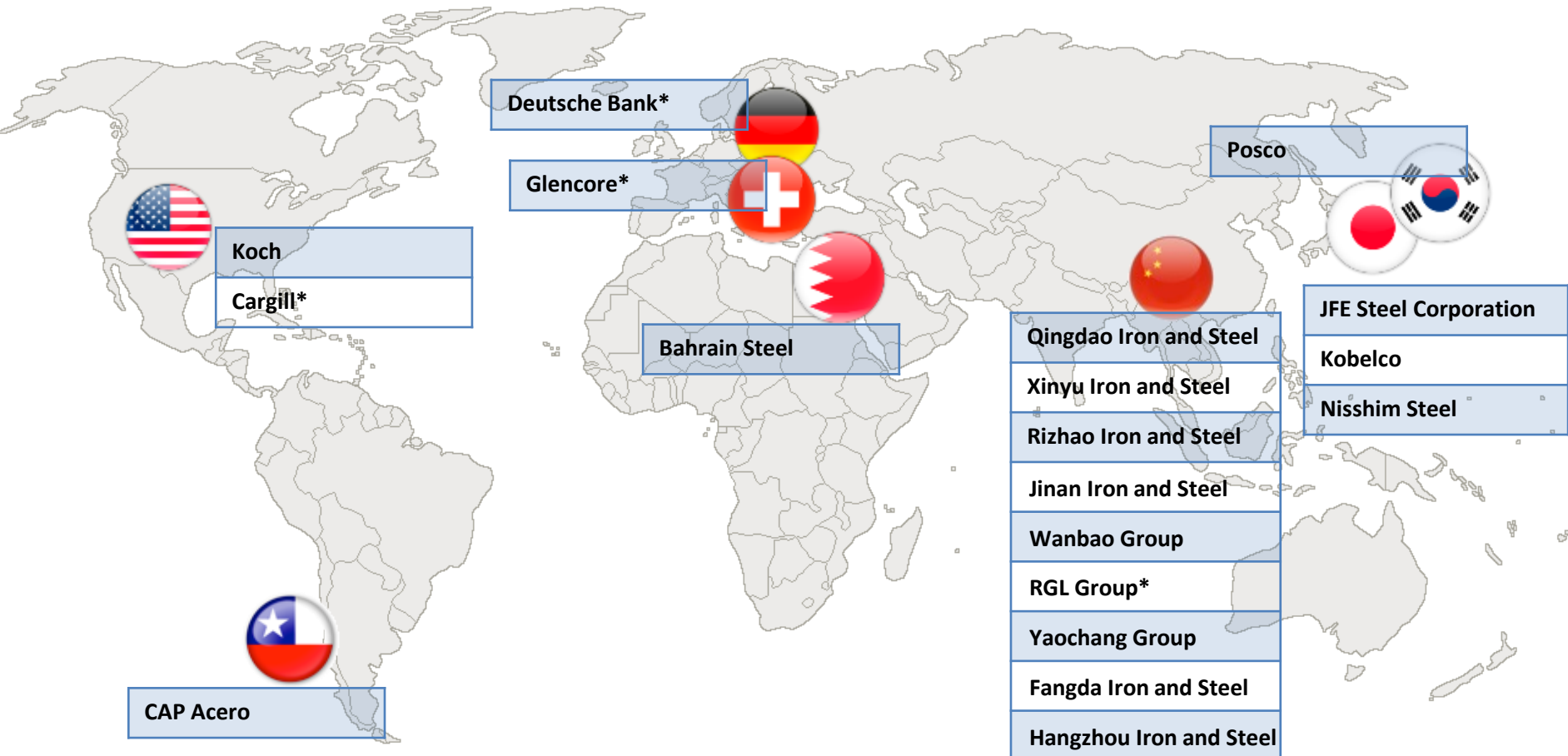


## Shipments by markets and products 2014



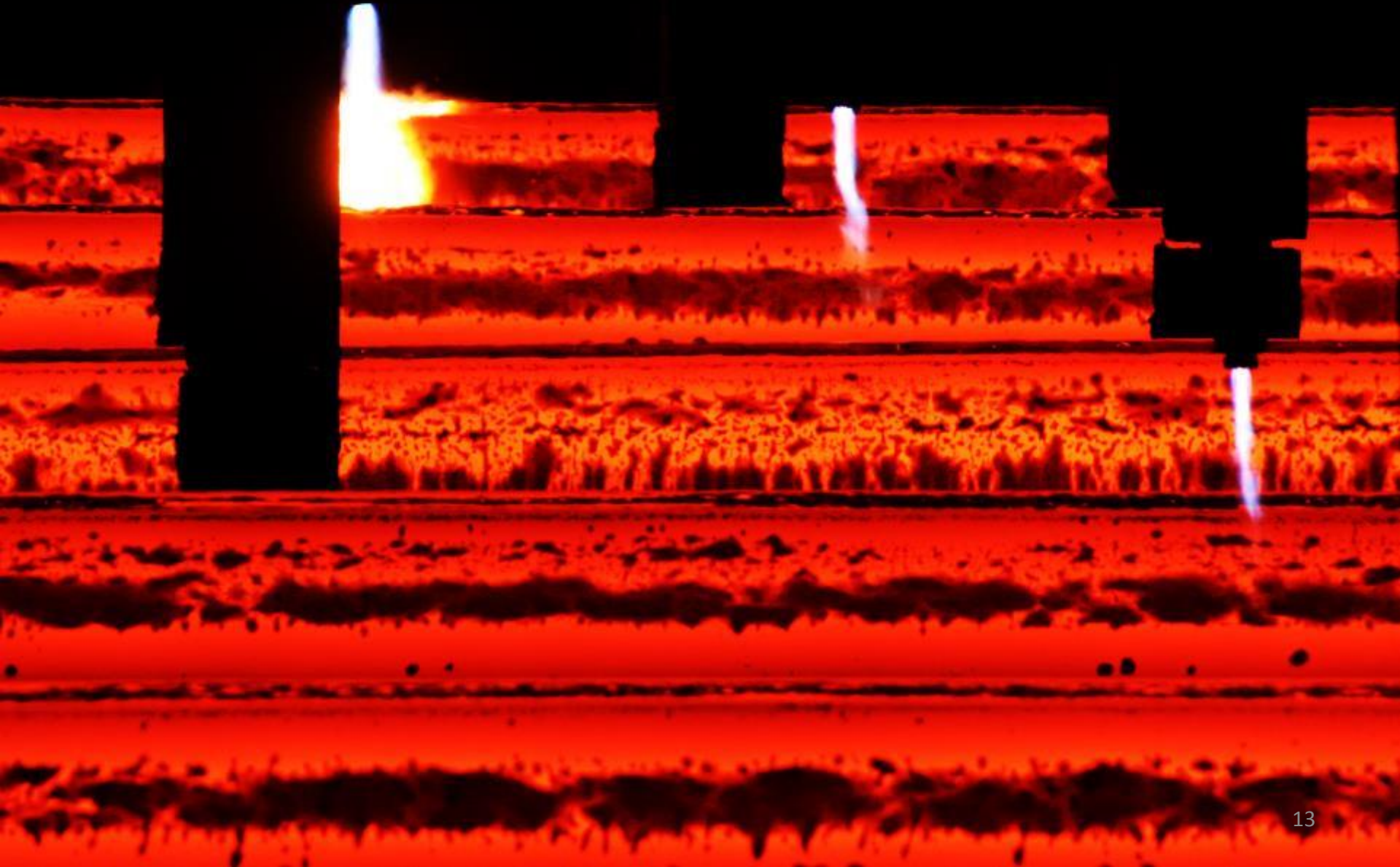


# Main customers



\* Acts as trader

# Steel production

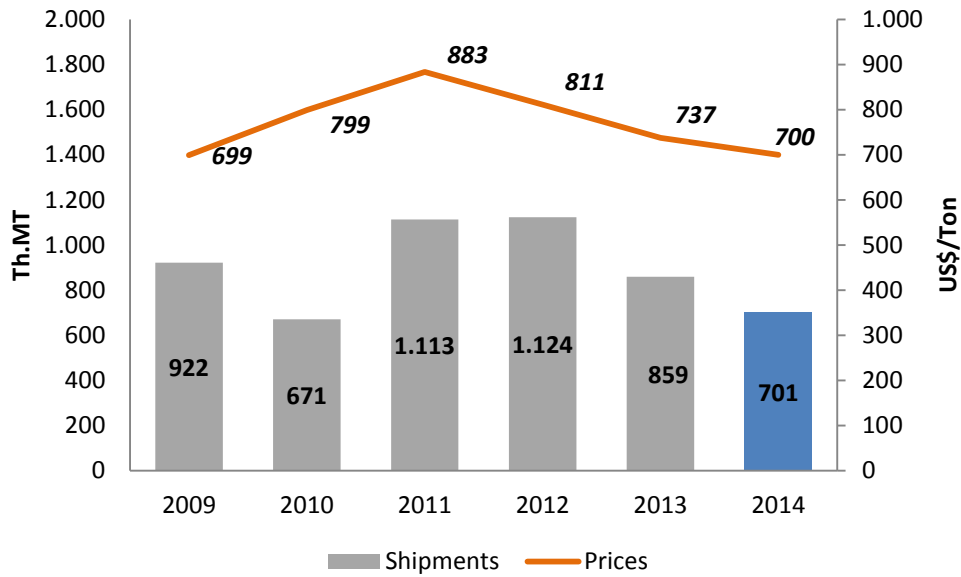




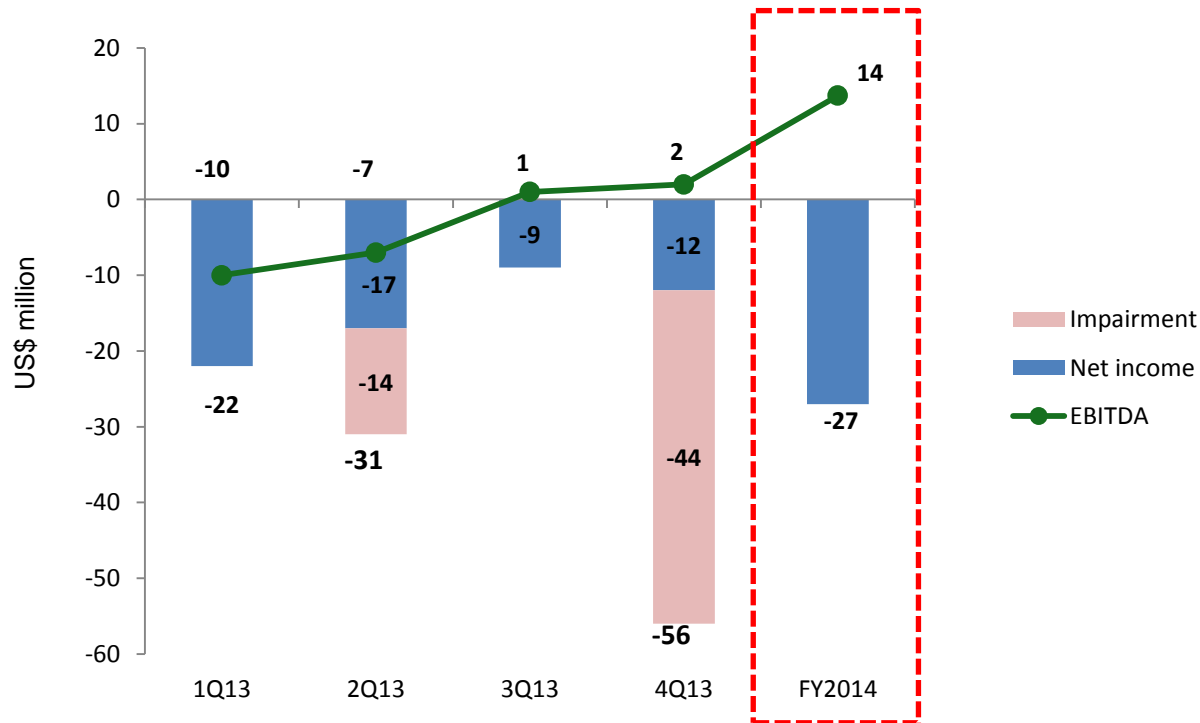
# Steel focus on long products

- Steel business reorganization in 2H13 to produce 700 kt/y, with one blast furnace
- Strong adjustment in its industrial processes and workforce lowering costs and expenses
- Sustainable growth in long products demand mainly due to the need of grinding media supply to the mining sector

## Shipments and prices



## Net Income and EBITDA evolution



- Due to the reorganization and adjustment in industrial processes, the steel company has managed to generate positive cash flow over the last six quarters



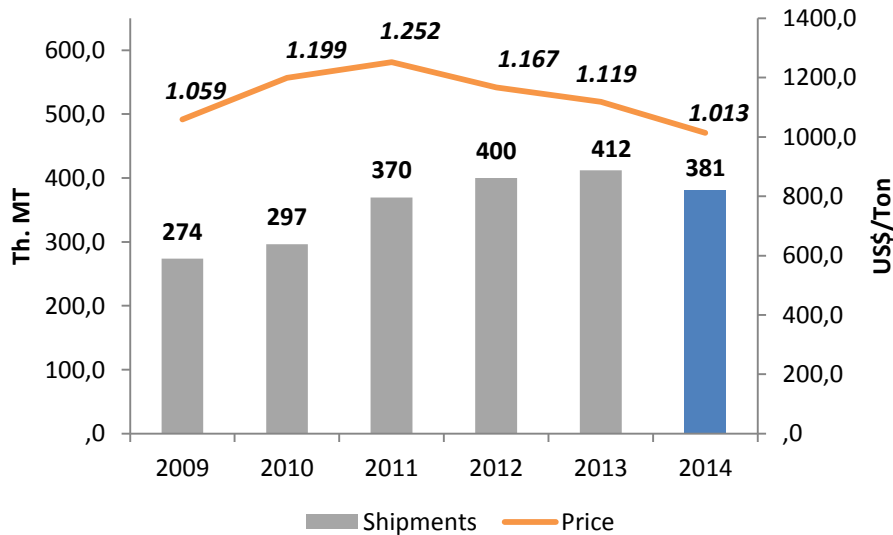
**Steel processing**



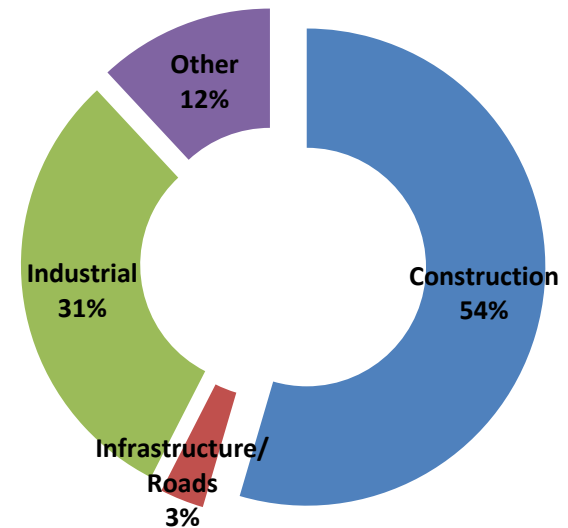
- Creates value-added solutions for the construction, industry and infrastructure sectors in Chile, Peru and Argentina
- Chile is LATAM's most intensive user of steel in construction
- Transition to establish new and competitive supply sources of flat steel



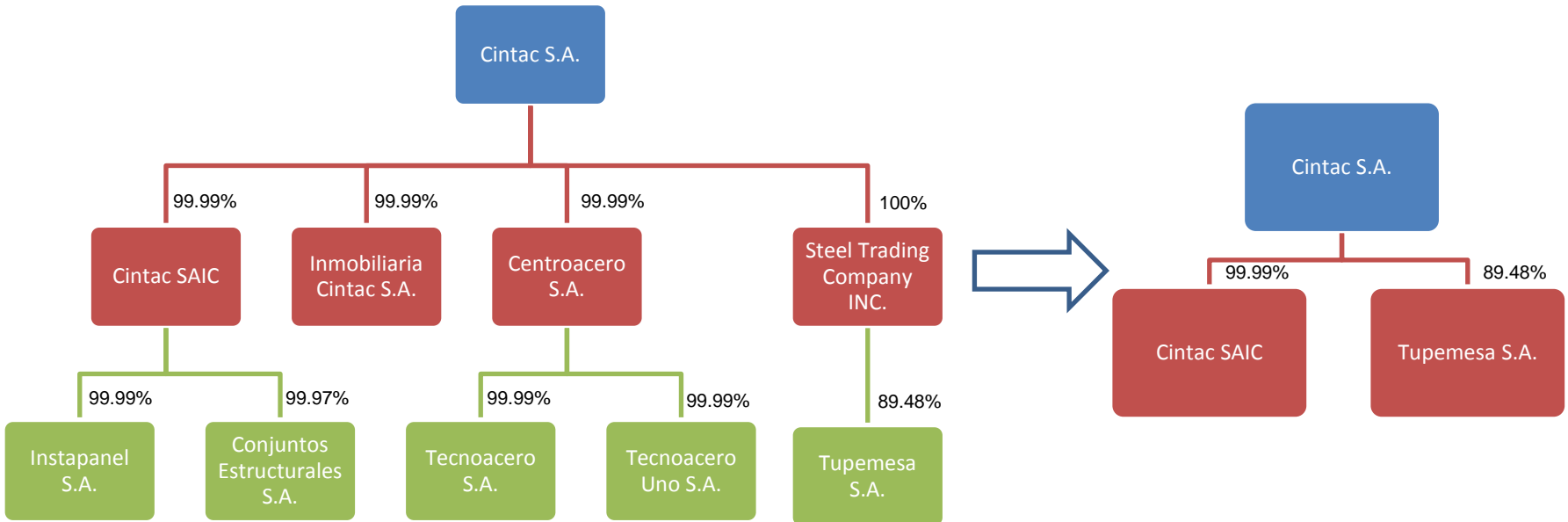
## Shipments and prices



## Sales by Sector December 2014



Steel processing reorganization towards a lighter and lower cost structure



- Assets availability for rental (or sale): Centroacero, 55,600 m<sup>2</sup>, US\$1.3 million yearly  
Varco Pruden, 36,000 m<sup>2</sup>, US\$0.8 million yearly

# Other consolidated assets



Desalination plant



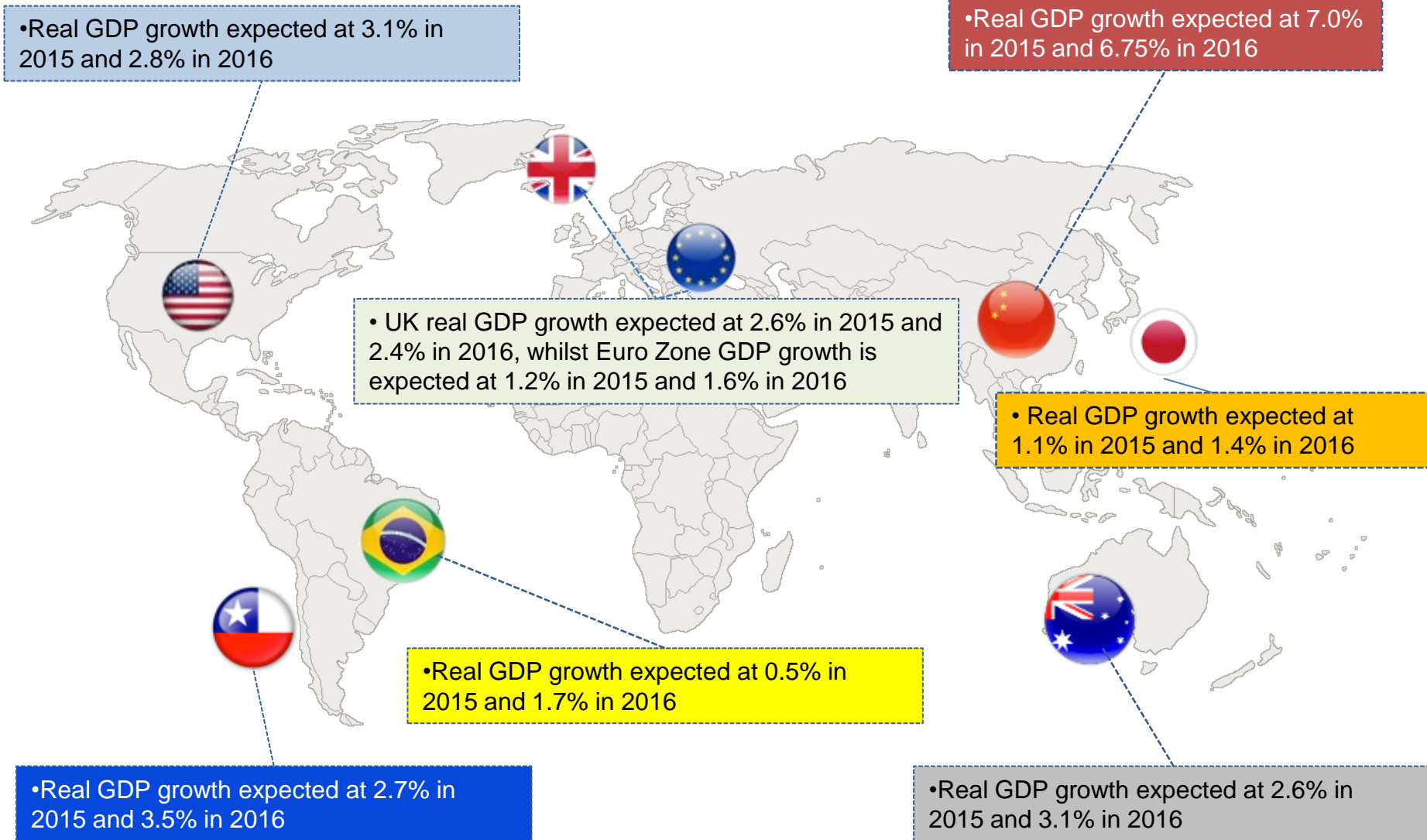
# Other consolidated assets



Power transmission line



# Global industry update

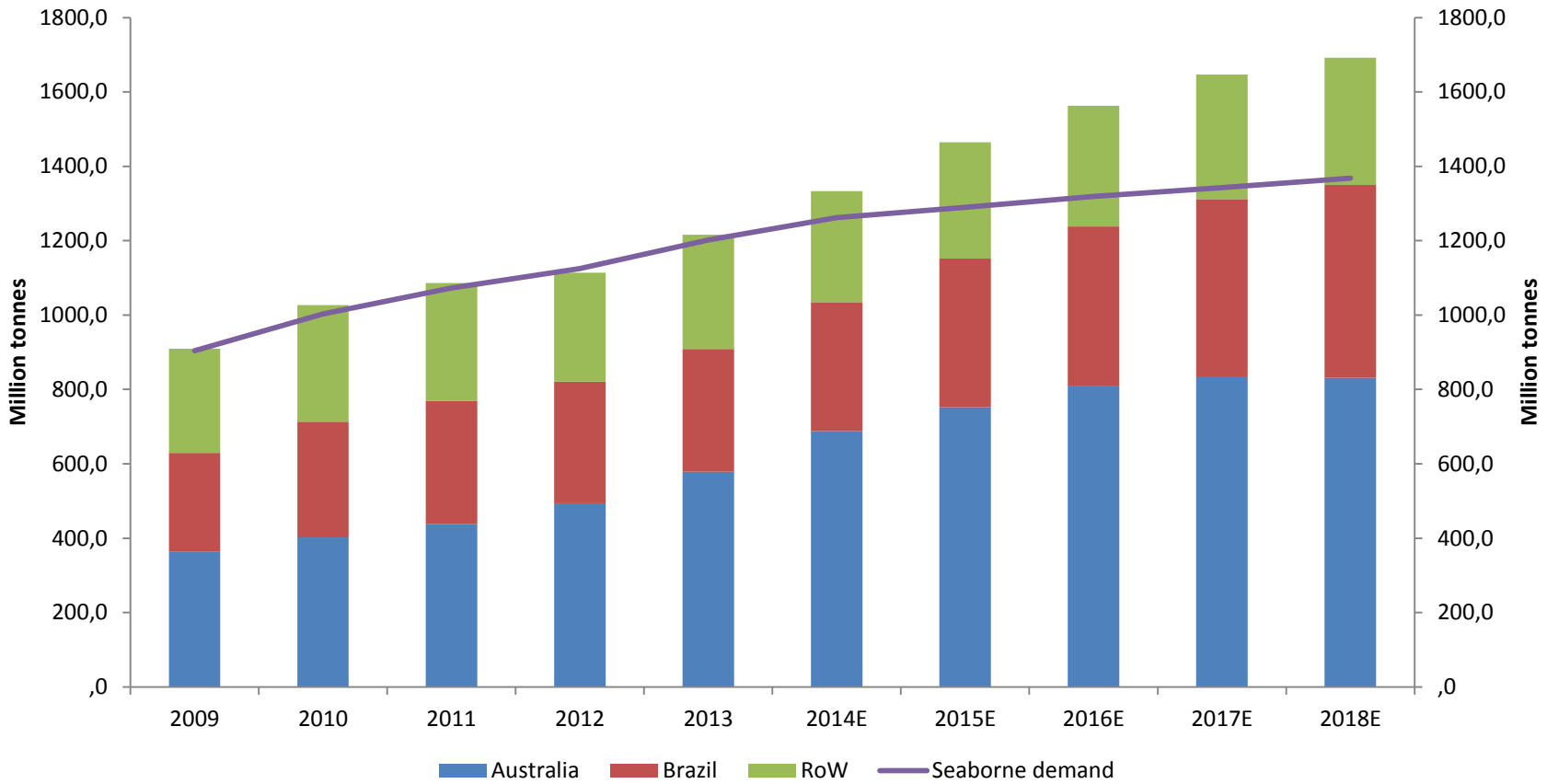




# Seaborne iron ore supply/demand projection

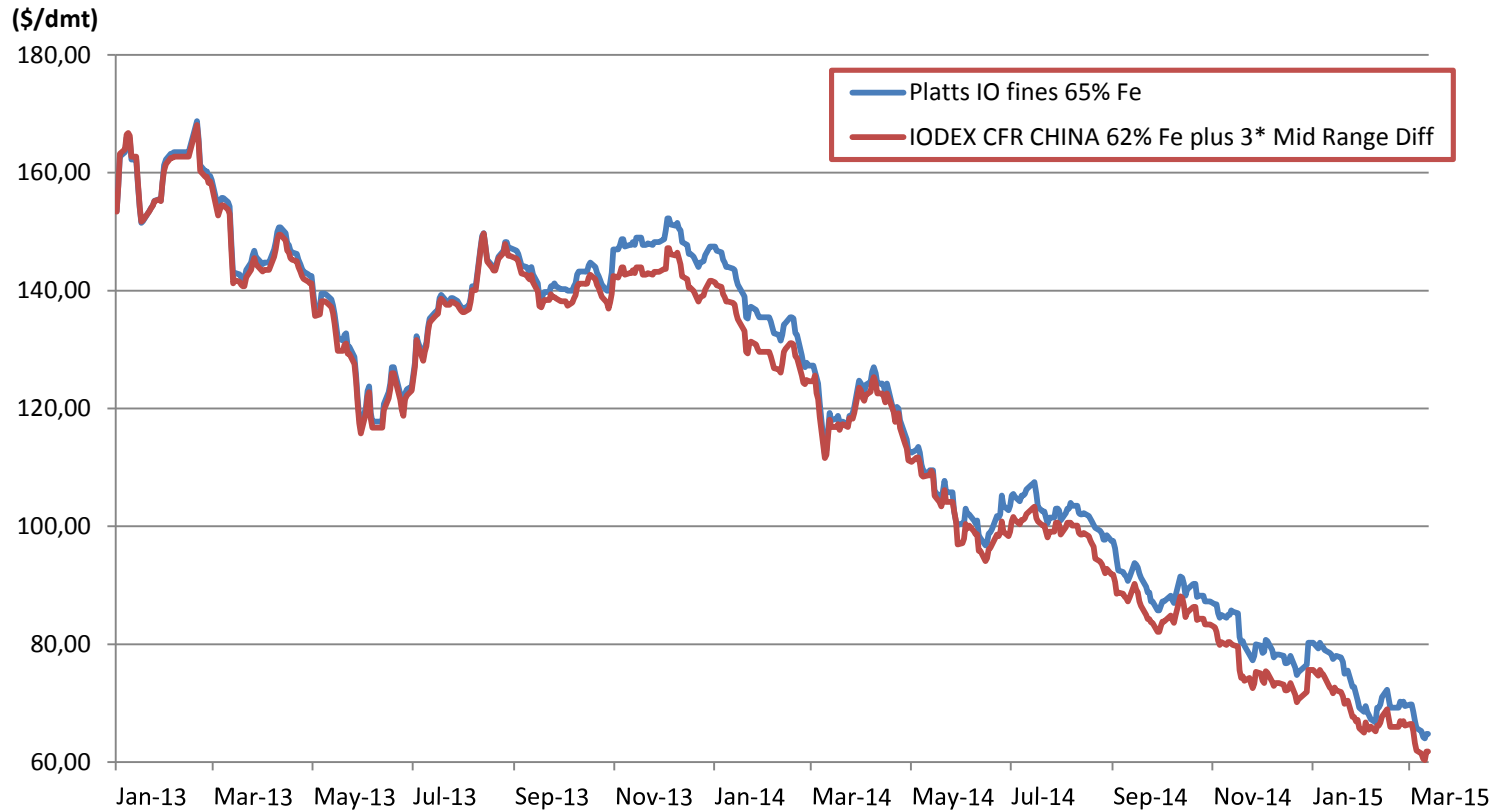


- Global oversupply in fines products with grades lower than 62% Fe content



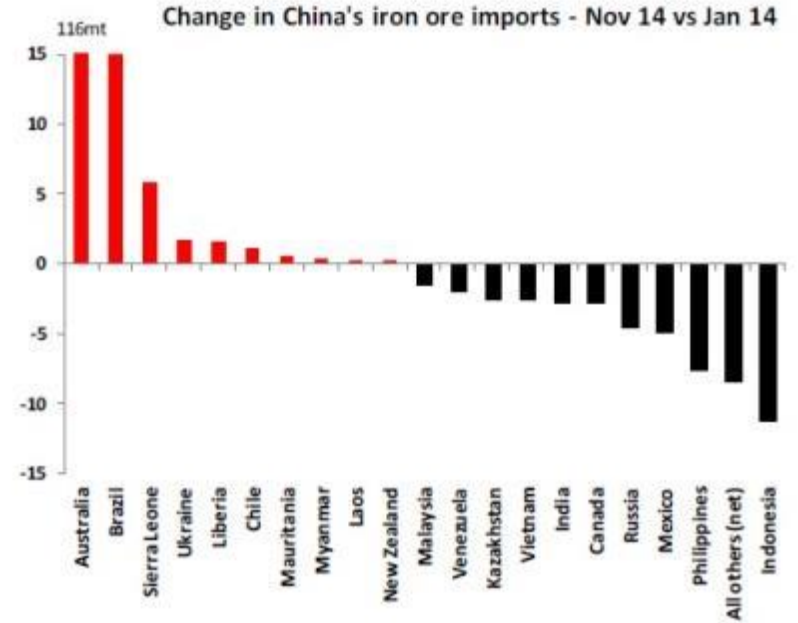
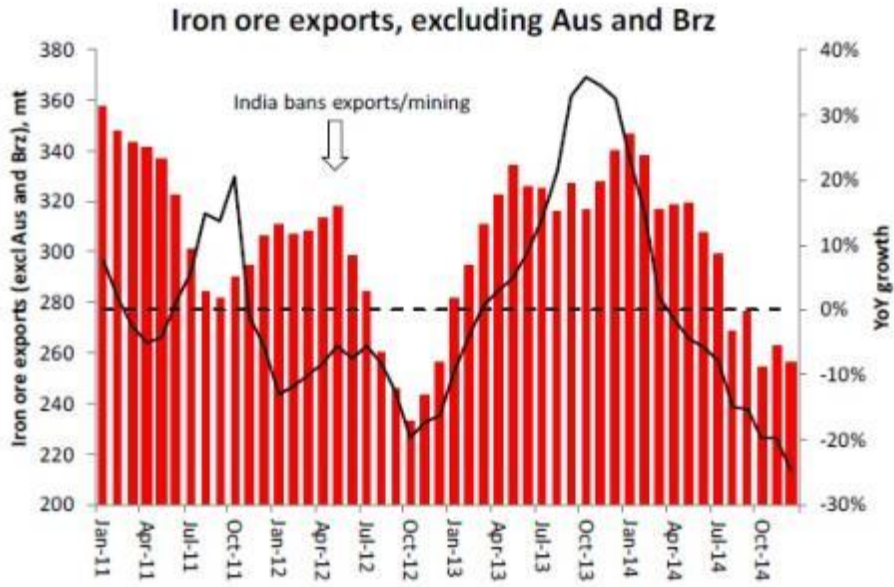
Source: Goldman Sachs, September 2014

## Platts IODEX and 1% diff vs Platts IO fines 65%



# Supply additions is forcing displacement of higher-cost tonnes

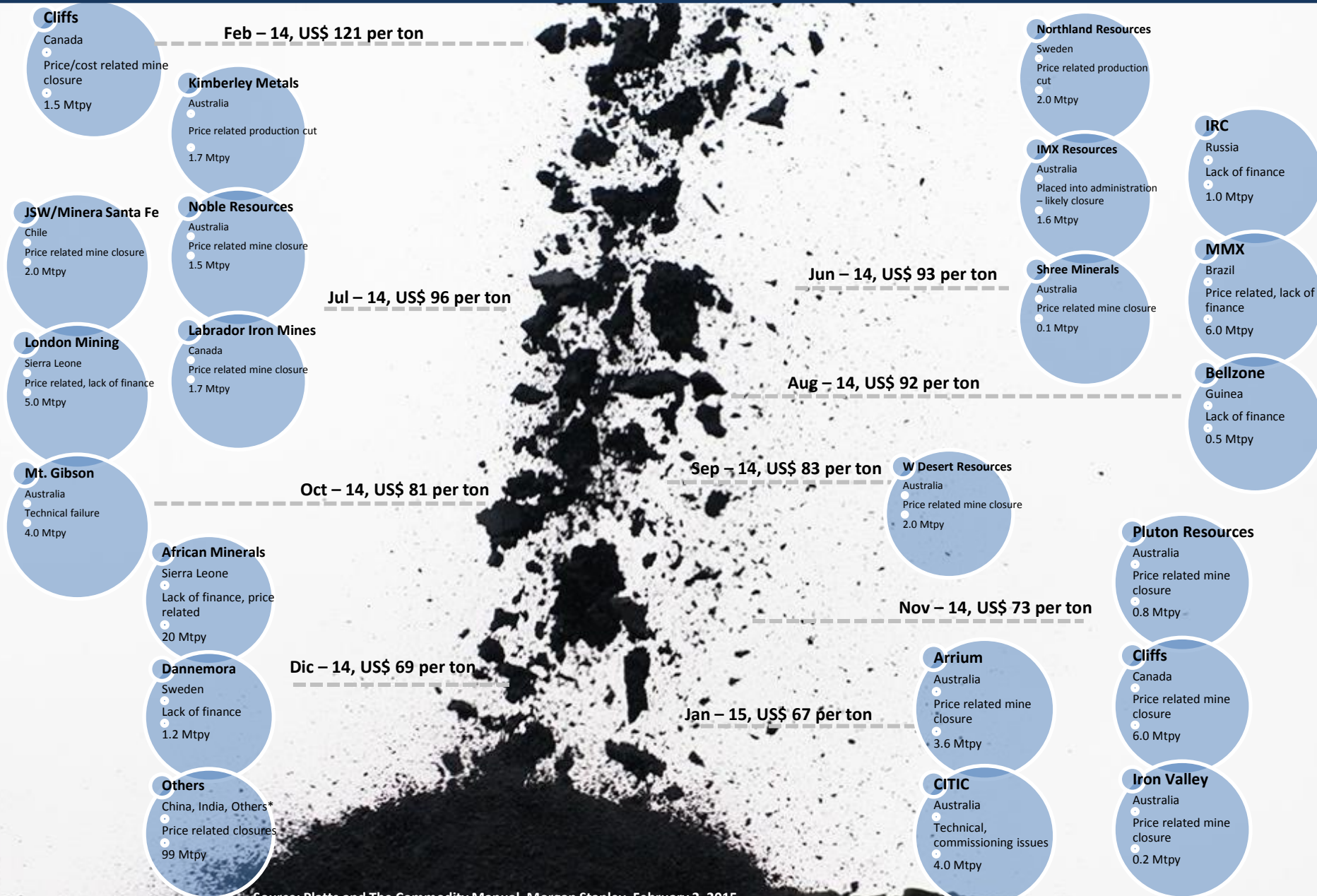
- Displacement has occurred both in China and among non-major seaborne suppliers



Source: GTIS, Macquarie Research, February 2015



# Iron ore production cuts: 170 Mtpy in 2014



Source: Platts and The Commodity Manual, Morgan Stanley, February 2, 2015

\* Others include Iran, Canada, Malaysia, Peru, Mongolia, Indonesia, Mexico, Russia, Venezuela, USA, New Zealand, Kazakhstan, Serbia

# Further cuts ex-China in 2015...?

Country	Company	Asset	Prod'n (Mtpy)
<b>At high risk of closure: 12.4 Mtpy</b>			
Sierra Leone	Timis Corporation	Marampa	5.0
Australia	Mineral Resources	Carina	4.2
Norway	Northern Iron	Sydvaranger	2.2
Sweden	Dannemora Mining	Dannemora	1.0
<b>At moderate risk of closure: 98.5 Mtpy</b>			
Australia	FMG	Cloudbreak	40.0
Australia	Arrium	Middleback ranges	13.0
Australia	Atlas Iron	Pilbara assets	12.0
Ukraine	Ferrexpo	Poltava/Yeristovo	11.5
Australia	Cliffs	Koolyanobbing	11.0
Australia	BC Iron	Nullagine JV	5.5
Chile	CAP Minería	El Romeral	3.0
Australia	Grange Resources	Savage River	2.5

Premium for higher grades ... but most concentrate producers are struggling ...

<b>PLATTS DAILY IRON ORE PRICE ASSESSMENTS</b>					
<b>Platts daily iron ore assessments, December 29</b>					
	<b>\$/dmt</b>	<b>Midpoint</b>	<b>Change</b>	<b>% Chg</b>	
IODEX 62% Fe CFR North China	67.50-68.50	68.00	0.50	0.74	
63.5/63% Fe CFR North China	69.00-70.00	69.50	0.50	0.72	
65% Fe CFR North China	76.00-77.00	76.50	0.50	0.66	
58% Fe low Al CFR North China	59.00-60.00	59.50	0.50	0.85	
58% Fe* CFR North China	55.50-56.50	56.00	0.75	1.36	
52% Fe CFR North China	37.00-38.00	37.50	0.75	2.04	
*Al = 4.0% max					
<b>Per 1% differentials (Range 60-63.5% Fe), \$/dmt</b>					
	<b>Within Min-Max</b>	<b>\$/dmt</b>	<b>Change</b>		
Per 1% Fe	60-63.5% Fe	1.30	0.00		
Per 1% Alumina	1-2.5% Al <sub>2</sub> O <sub>3</sub>	0.50	0.00		
Per 1% Silica	4.5-6.5% SiO <sub>2</sub>	1.50	0.00		
	6.5-9% SiO <sub>2</sub>	1.75	0.00		

Source: Platts, December 2014

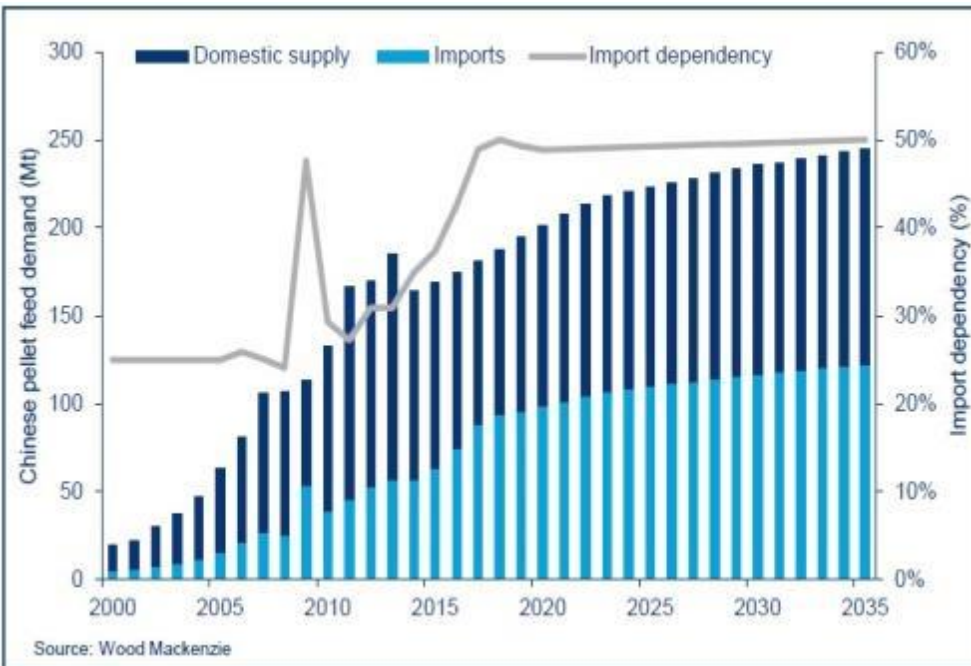
	<b>2013</b>	<b>2014</b>
<b>CMP's cash cost (US\$/t)</b>	<b>57,4</b>	<b>49,2</b>



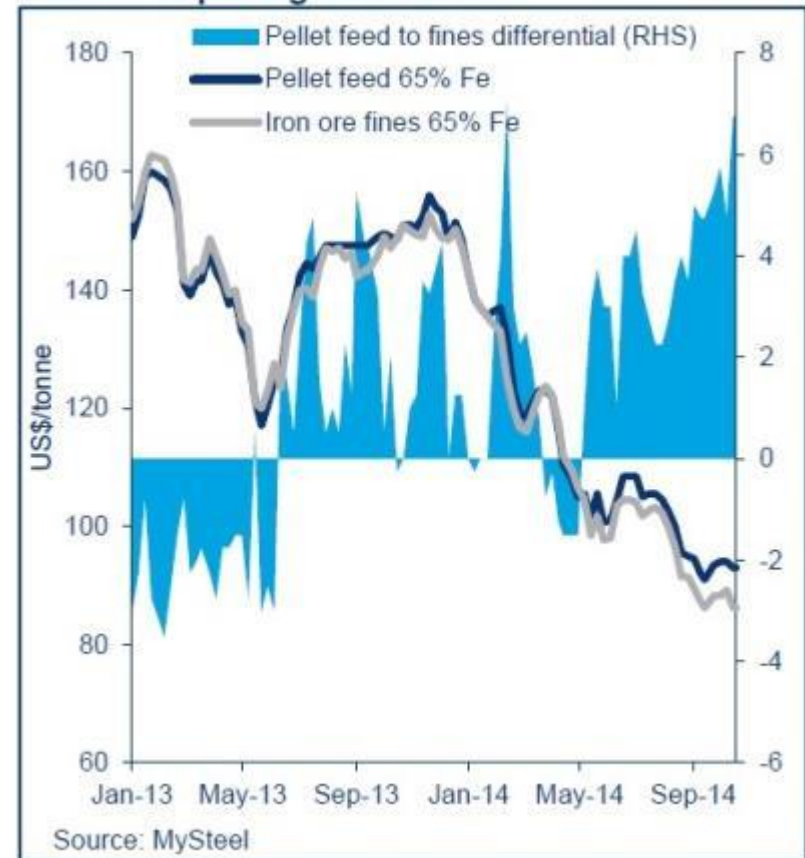
	US\$/t
Magnetite plant	39.5
Cerro Negro Norte mine	41.8
Los Colorados mine	45.5
El Romeral mine	56.1
<b>Average cash cost</b>	<b>44.4</b>

# High quality pellet feed - a market with big potential

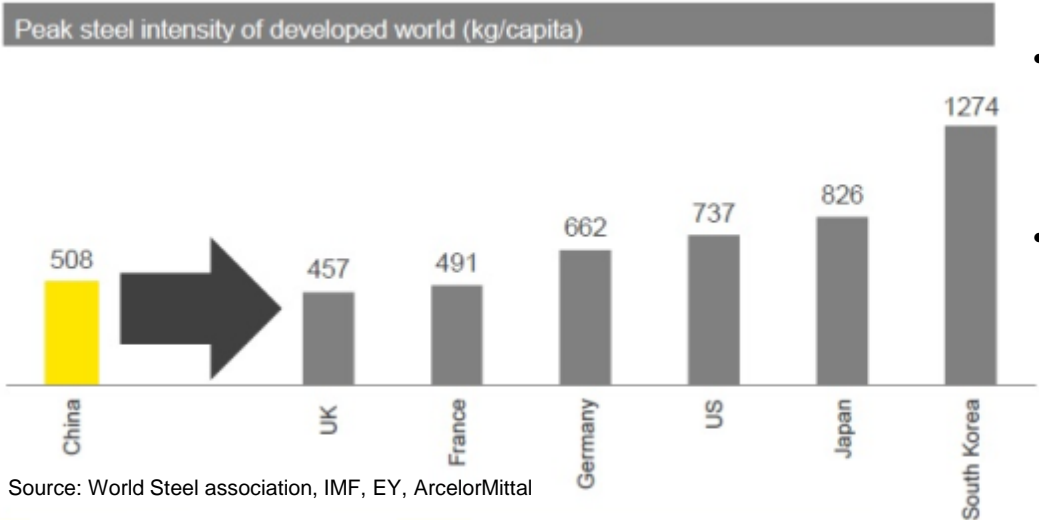
- Pellet feed imports will almost double over the next five years, reaching 110Mt by 2020, taking China's import dependency for pellet feed from 35% to 50%.
- The spread between pellet feed and sinter fines switched from a discount to a premium. This premium has averaged almost US\$3/t during 2014.



**Pellet feed pricing since 2013**



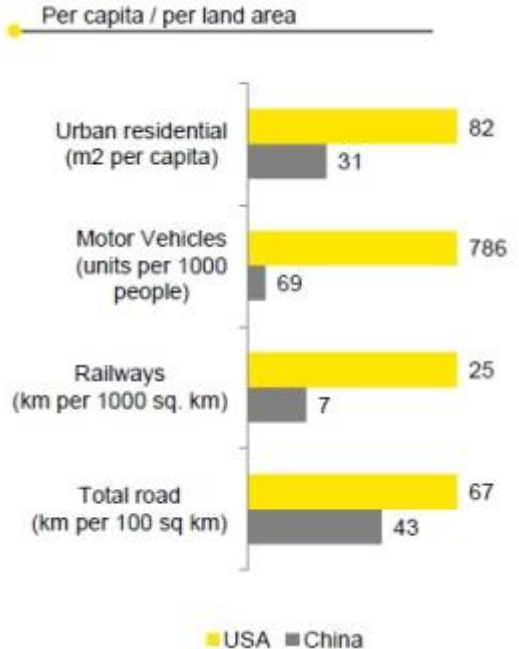
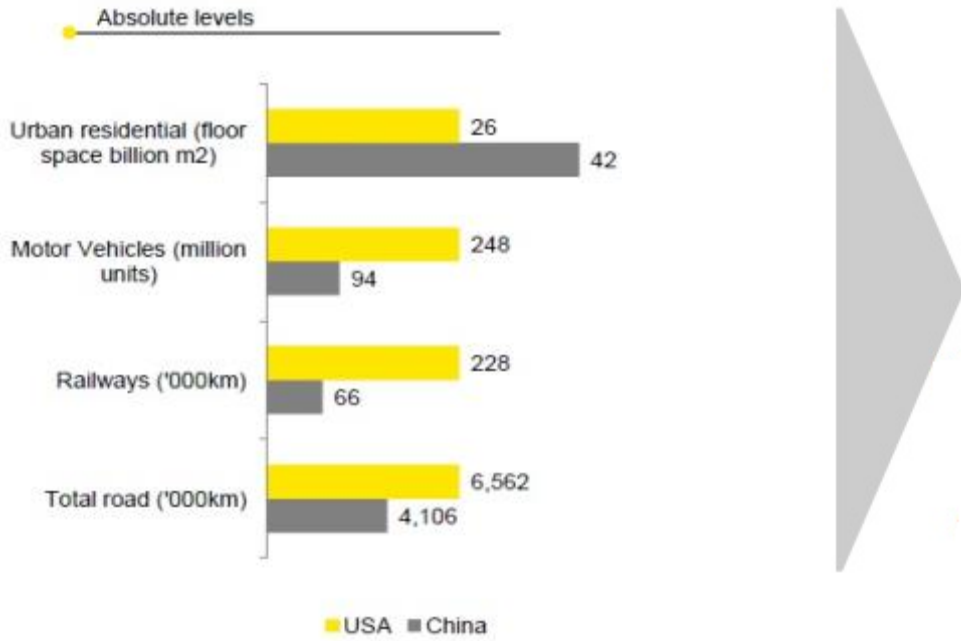
# China has yet to reach peak steel per capita



- Steel intensity stabilizes or starts to decline at around US\$15,000 to US\$20,000 GDP per capita
- China GDP per capita as well as its comparison with peak steel per capita use, especially with the US, shows upside from current levels

Source: World Steel association, IMF, EY, ArcelorMittal

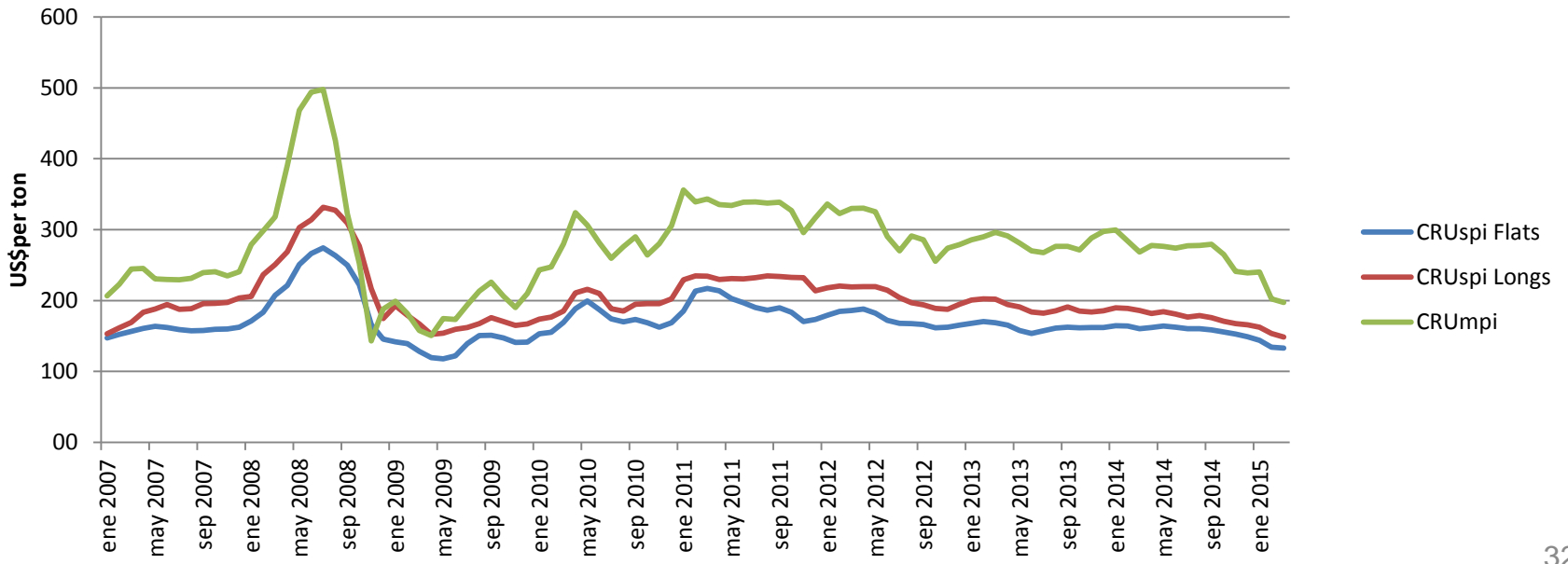
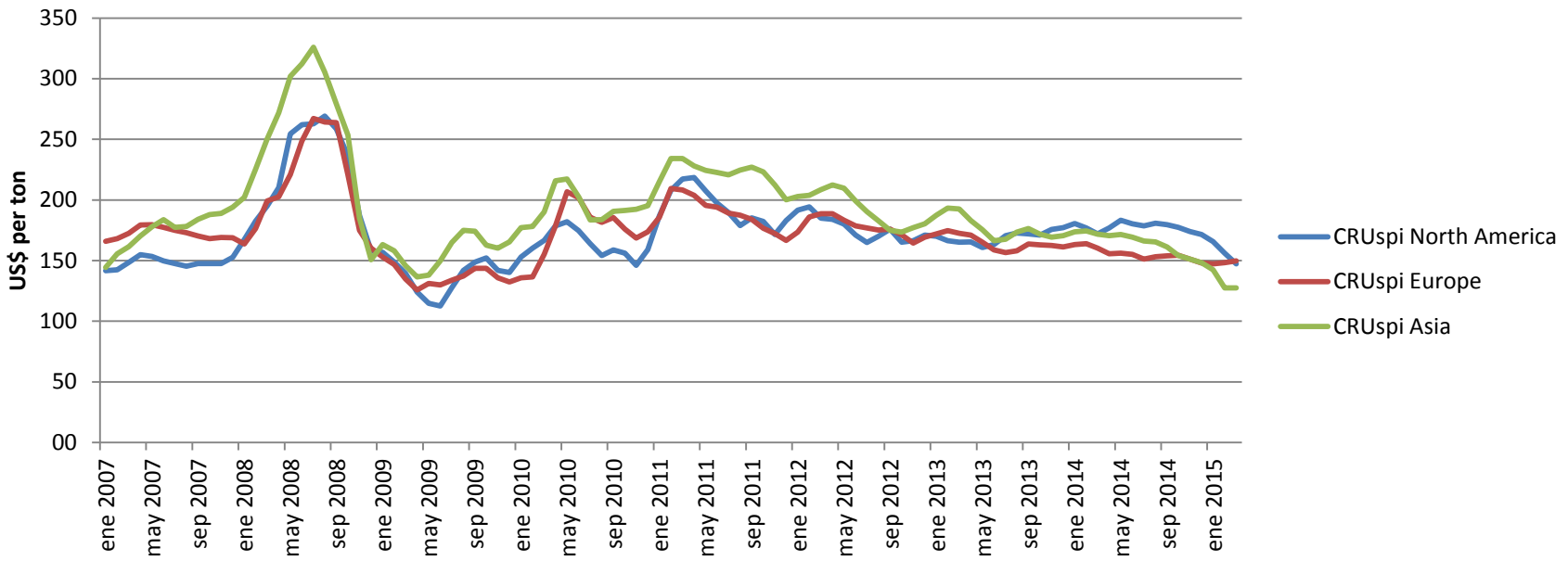
## Drivers of steel intensive growth



SOURCE: Metal Bulletin Events, Drivers of Chinese steel demand, Peter Markey, February 2015

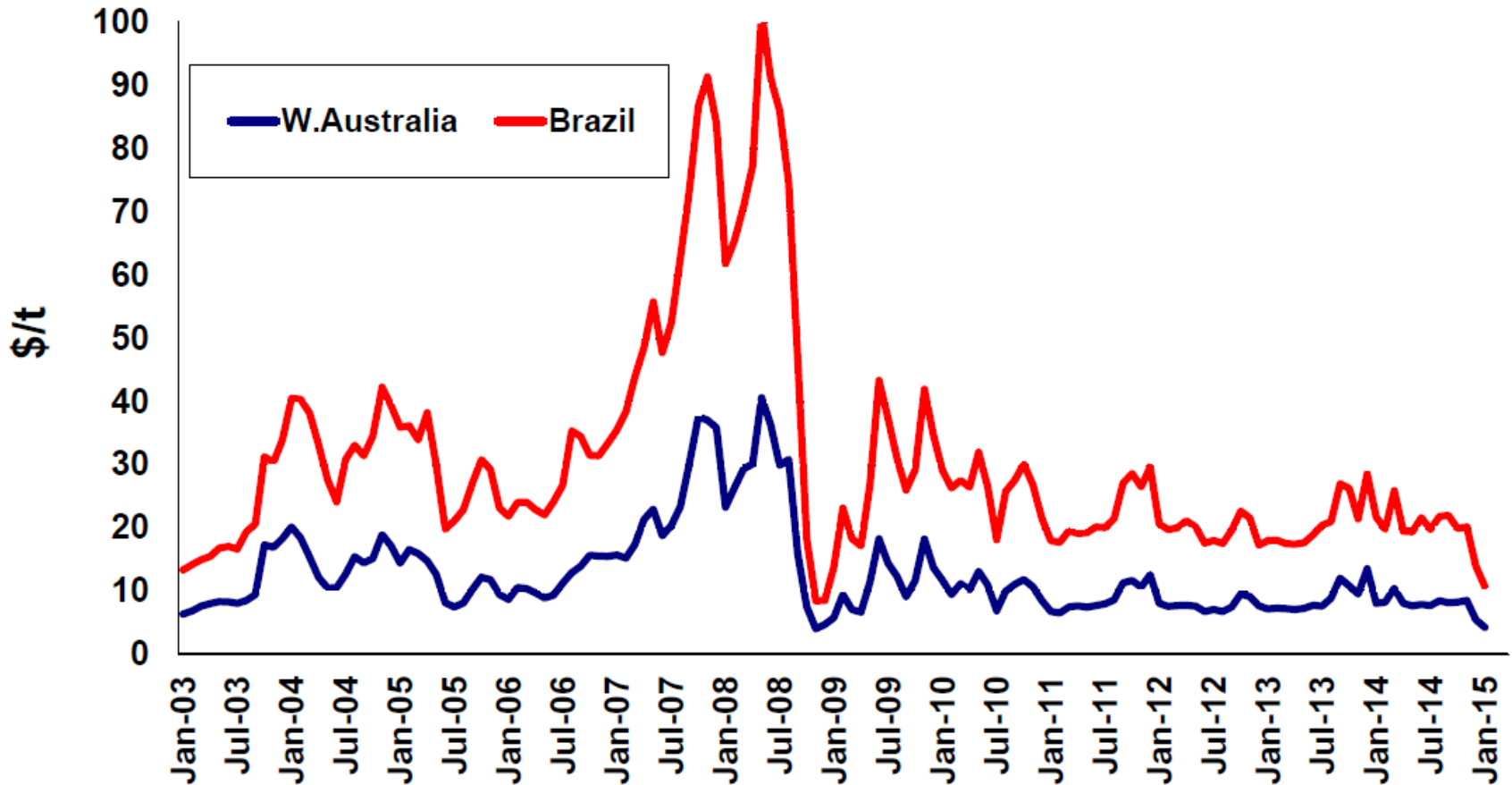


# Steel price evolution



Source: CRUspi, March 2015

# Freight rates to China monthly average



**CINTAC**

Cintac S.A.

USD 30.000.000

April 2018  
US\$24,000,000

**CAP**

**Financial performance**



# CAP – Consolidated financial evolution



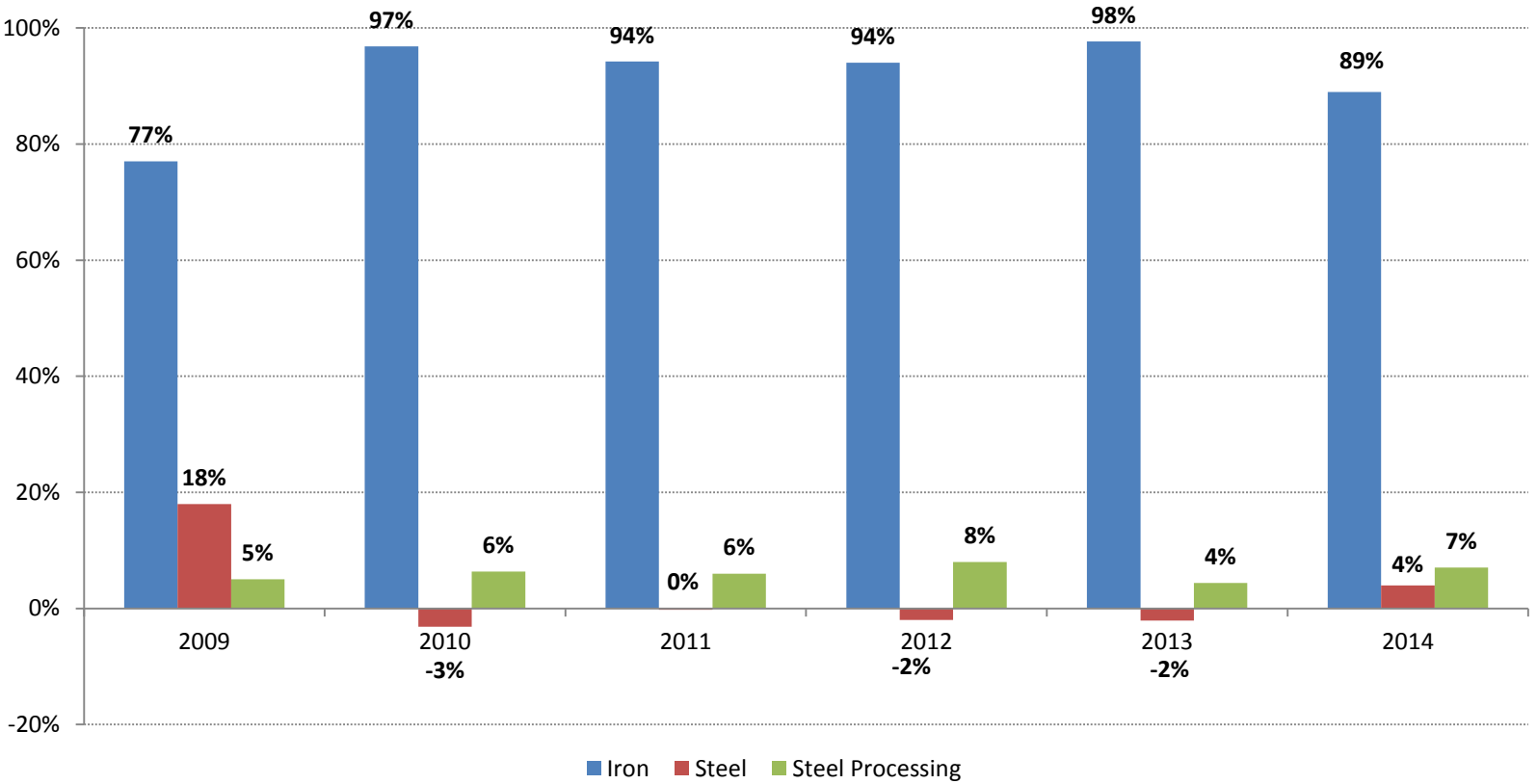
USD Million	2010	2011	2012	2013	2014
Sales	1.994	2.787	2.470	2.297	1.790
EBITDA	740	1.184	764	708	381
EBITDA Margin	37,1%	42,5%	30,9%	30,8%	21,3%
Net Income	590	442	234	184	56
Cash	981	883	711	309	348
Gross Financial debt	1.001	628	719	932	1.270
Net Financial debt	20	(255)	8	623	922
Capex	207	282	777	975	450
<b>Net Financial Debt/EBITDA</b>	-	-	-	<b>0,88</b>	<b>2,42</b>
Iron Ore Shipments (Th tons)	10.213	11.469	12.246	12.086	12.952
Platts 62% Fe CFR China (US\$/t)	146,82	169,37	130,08	135,13	96,77

# CMP – Financial evolution



USD Million	2010	2011	2012	2013	2014
Sales	1.271	1.770	1.406	1.431	942
EBITDA	782	1116	720	678	309
EBITDA Margin	61,5%	63,1%	51,2%	47,4%	32,8%
Net Income	902	700	355	402	113
Cash	558	501	205	46	50
Gross Financial debt	-	-	-	159	483
Net Financial debt	(558)	(501)	(205)	113	433
Capex	121	222	655	911	299
<b>Net Financial Debt /EBITDA</b>	-	-	-	<b>0,17</b>	<b>1,40</b>
Iron Ore Shipments	10.213	11.469	12.246	12.086	12.952
Platts 62% Fe CFR China	146,82	169,37	130,08	135,13	96,77

# EBITDA contribution by business



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

	2013	2014	2015
Fitch Ratings	BBB/Stable outlook	BBB/Stable outlook	BBB/Negative outlook
S&P	BBB-/Stable outlook	BBB-/Stable outlook	BB+/Negative outlook

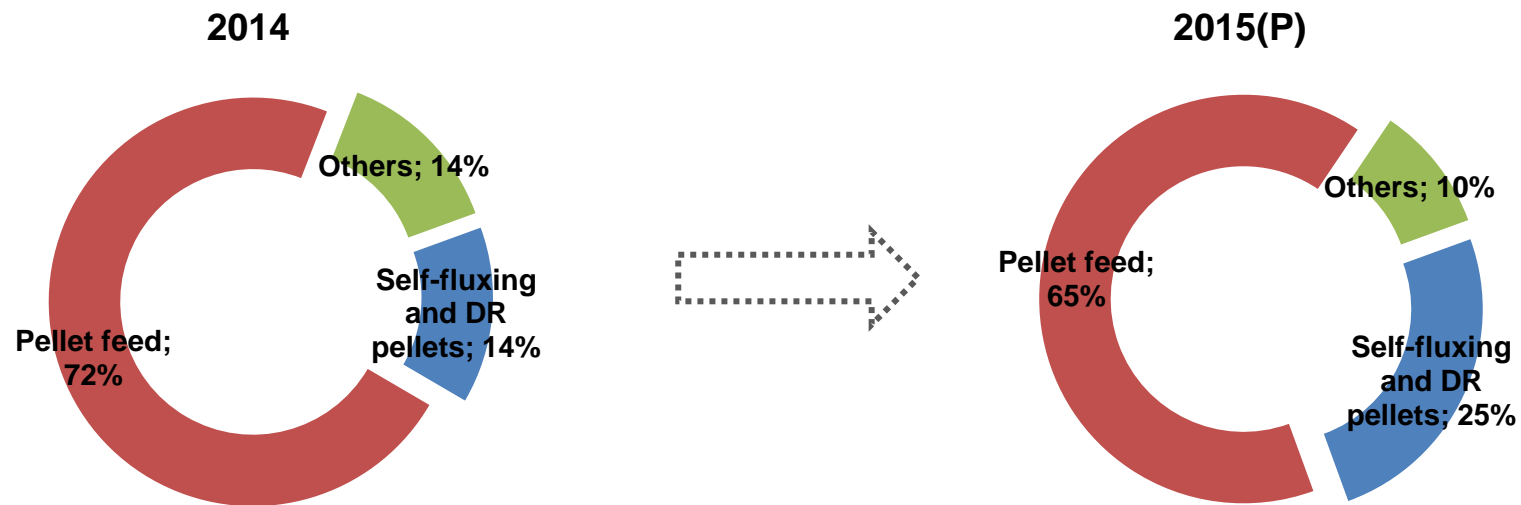


# Business outlook



## Reorientation of product mix

- Shipments for around 16 million MT in 2015 consider an increase in pellets, to a total of 4 million MT
- The change in the mix should enhance margins, as pellets have a premium over the pellet feed



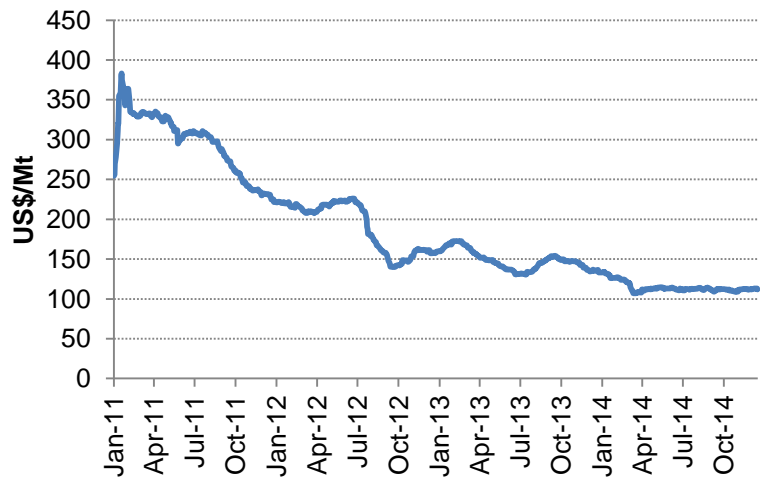
Continued efforts in reducing costs and expenses, combined with a weaker Chilean Peso, lower oil prices and idle capacity in the mining services industry in Chile will **reduce the average 2014 FOB cash cost** of US\$ 49.2 per ton to approximately US\$ 44.0 per ton in 2015

# External factors could bring benefits to CAP Steel

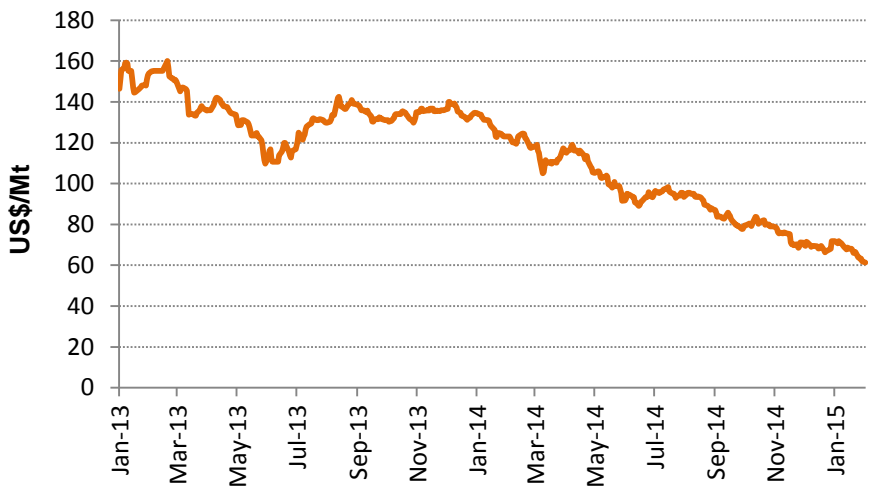


Lower prices of raw materials for steel production, and a depreciated Chilean Peso would lead CSH to positive results during 2015

### Metallurgical Coal



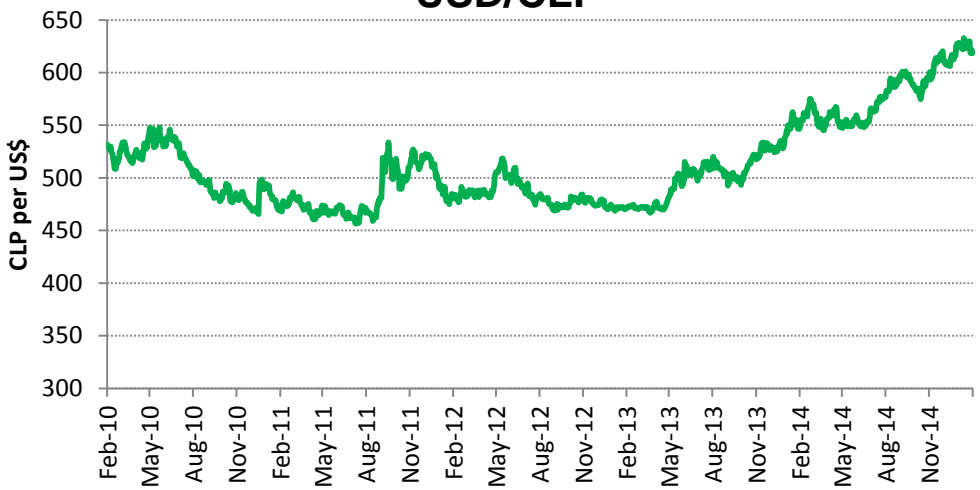
### Iron Ore



41

A weaker Chilean Peso adds **competitiveness to domestic production**, as imports become more expensive

### USD/CLP



## Reorganization of the company

- The reorganization of the company to achieve a simpler organizational structure decreased SG&A expenses in 18.2% as of December 2014, YoY
- It also resulted in the availability of assets for sale or rental:
  - Centroacero: 55,600 m<sup>2</sup>, US\$1.3 million yearly
  - Varco Pruden: 36,000 m<sup>2</sup>, US\$0.8 million yearly

## Working capital adjustments

- Inventories will be reduced during 2015, to free up cash

## Positive economic outlook for Peru

- Through its business in Peru, Tupemesa S.A., the steel processing group will benefit from good levels of GDP growth expected for the Peruvian economy

	2015 (f)	2016 (f)
<b>Peru</b>		
GDP growth	4.3	5.0
<b>Chile</b>		
GDP growth	2.7	3.5

Source: Bloomberg consensus, February 2015



# New EBITDA from CAP infrastructure in 2015

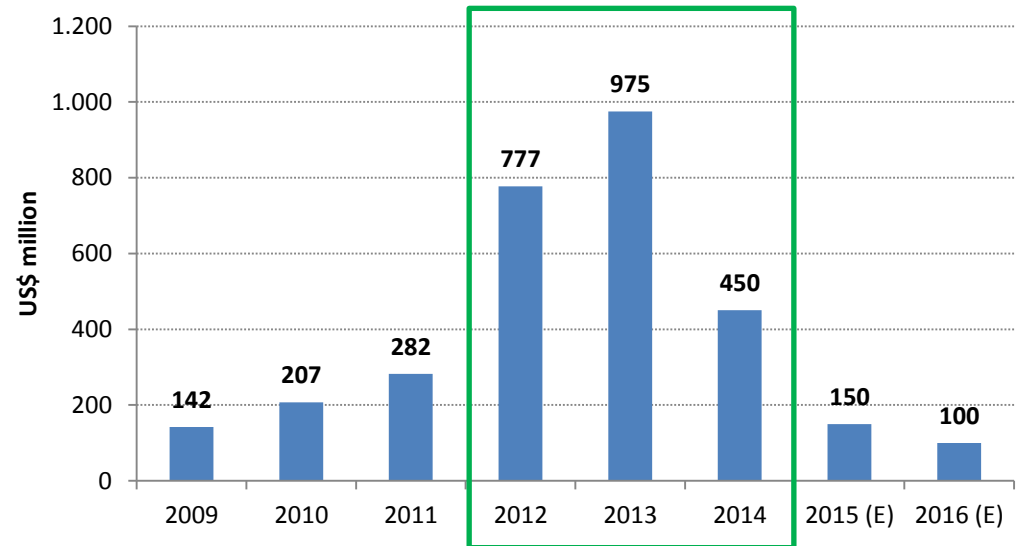
- Cleanairtech (desalination plant) and Tecnocap (electric transmission line) started their operations during 2014 and are projected to contribute to the consolidated 2015 EBITDA and net income as follows:

US\$ million	Cleanairtech	Tecnocap
EBITDA (E)	43,6	7,4
Net income (E)	7,1	3,0



## Current investment plan reached its final stage

- The period within 2011 and 2014 was strong in terms of capital expenditure, due to the capacity increase in Los Colorados mine (brownfield) and the development of Cerro Negro Norte (greenfield)
- There are **no relevant investments planned for the short-term**, therefore pressure on cash disbursements will be diminished



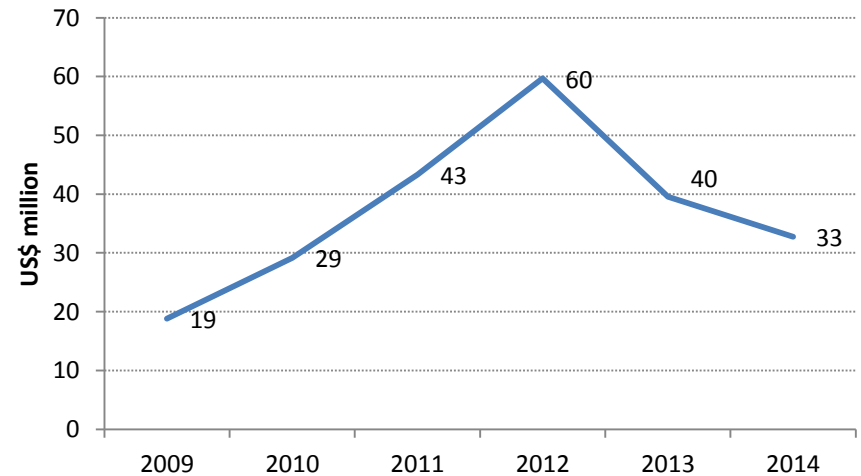
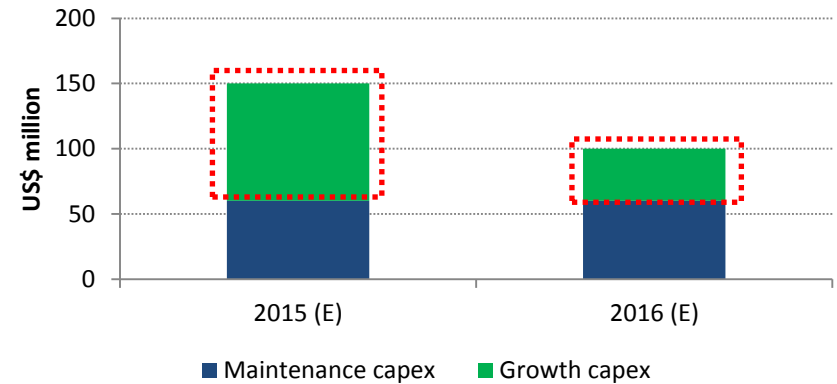
CAPEX for 2015 will **not exceed US\$ 150 million**, of which US\$ 60 million correspond to consolidated maintenance CAPEX

- **CAPEX reduction**

Potencial cut on CAPEX related mainly to future development in the mining business

- **Drilling and exploration expenses reduction**

Expenses have averaged US\$ 41 million per year during the last 5 years. This concept could be reduced



## 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:

- San Vicente bay
- Unloading coal, limestone and 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%



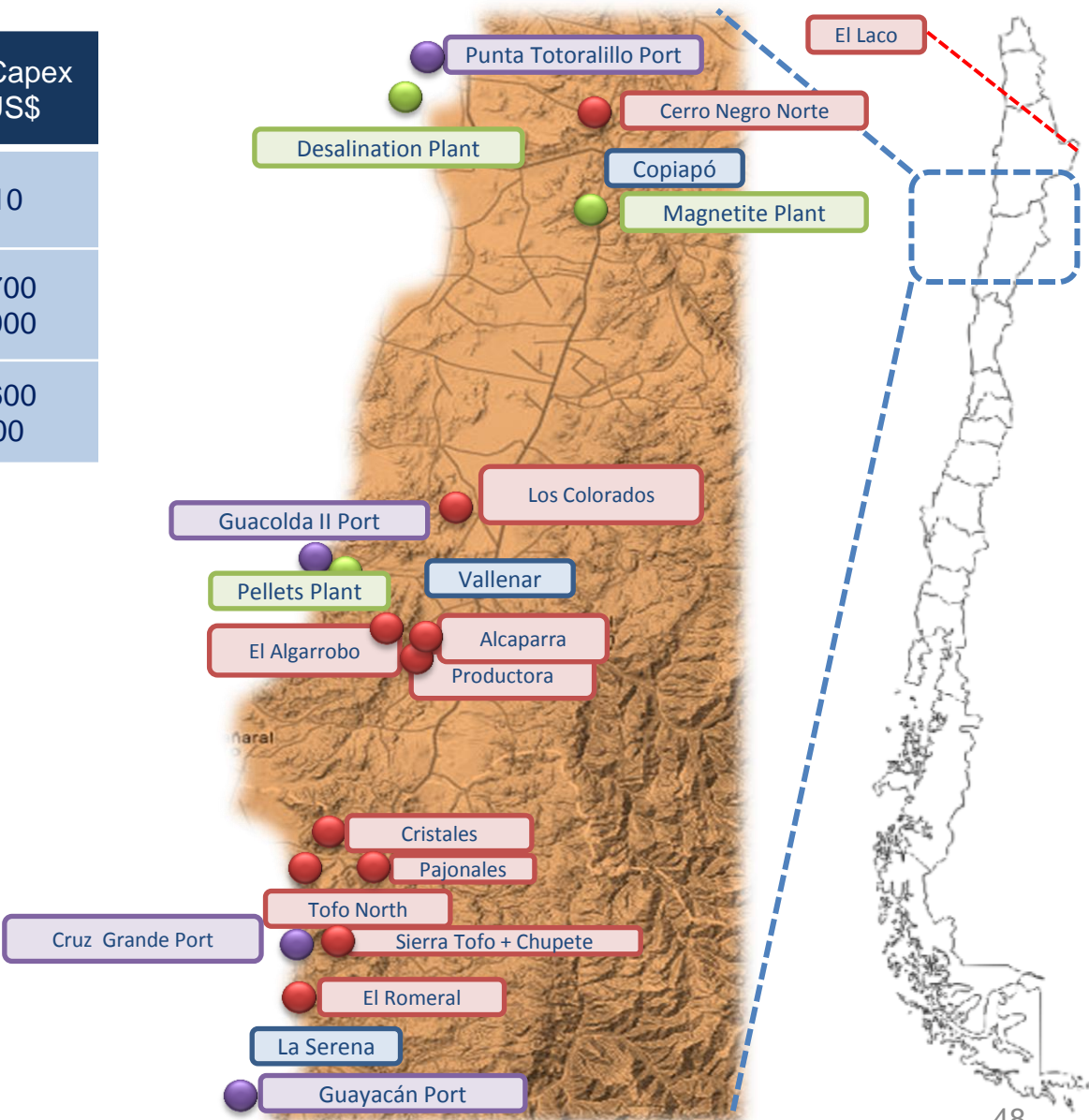


**CAP is in a long  
term business**

# 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



Investment (E) : 1,700 – 2,900 MUS\$

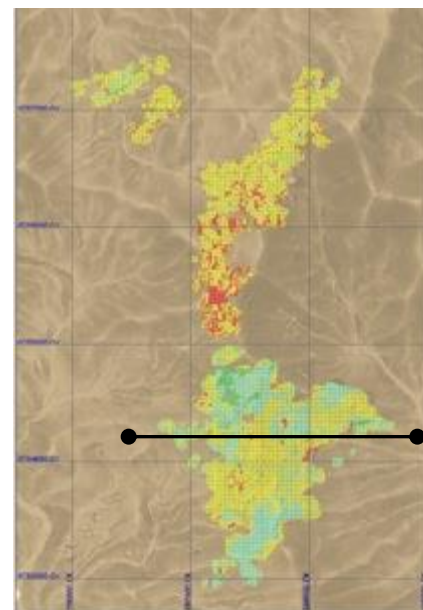
- Greenfield

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

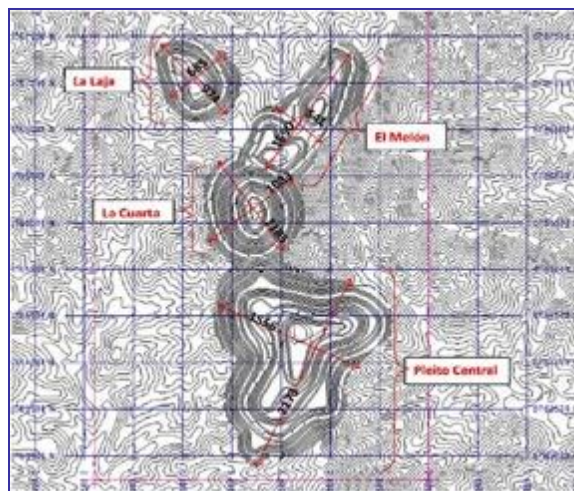
Stage: Conceptual engineering

Resources	Volume [Mt]	Fe [%]
Measured	946	25.5
Indicated	455	23.4
Inferred	190	22.5
<b>Total</b>	<b>1,591</b>	<b>24.5</b>

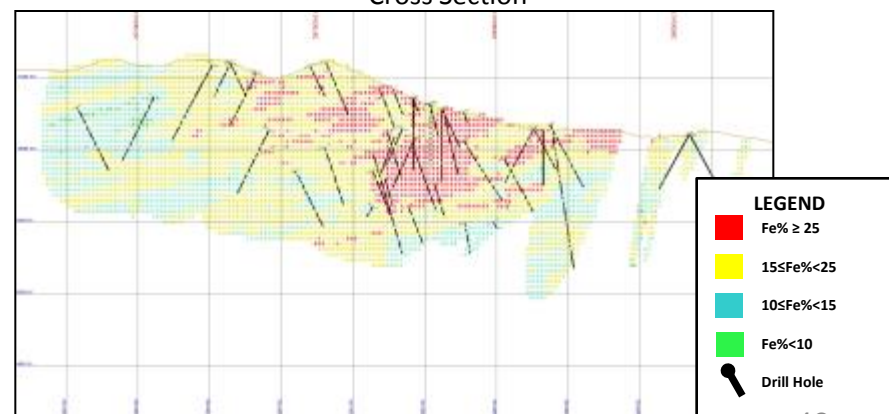
Geological Projection



Pit Design



Cross Section



# Alcaparra (iron/copper)

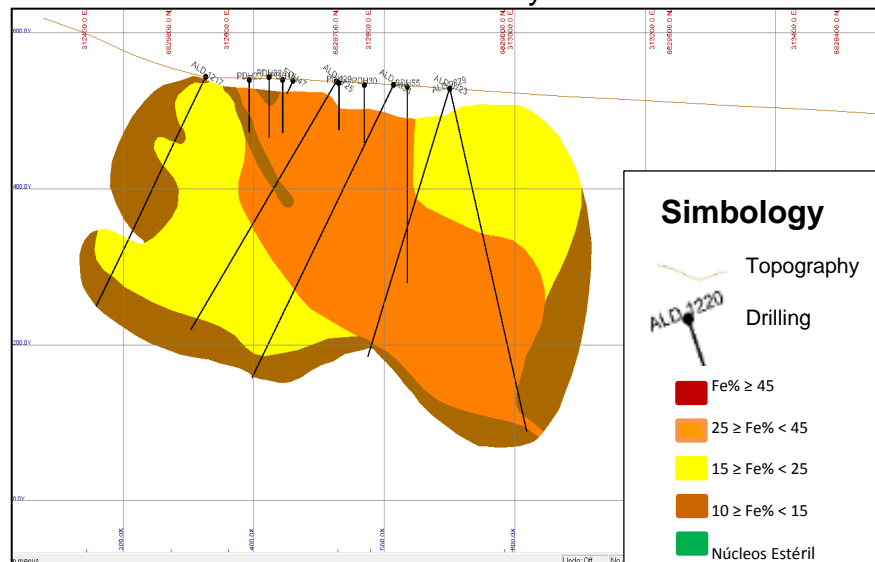
Investment (E): 1,600 + 300 MUS\$

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

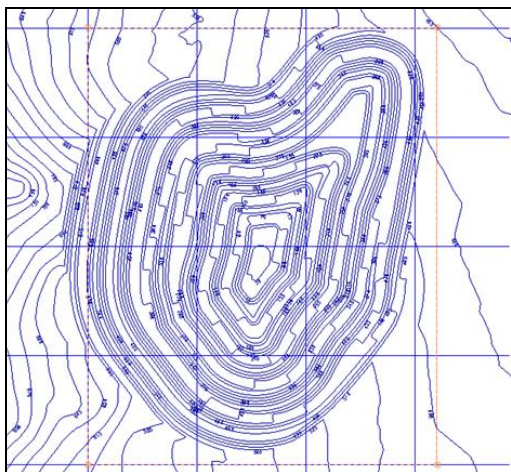
Stage: Advanced exploration  
Exploratory metallurgy

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

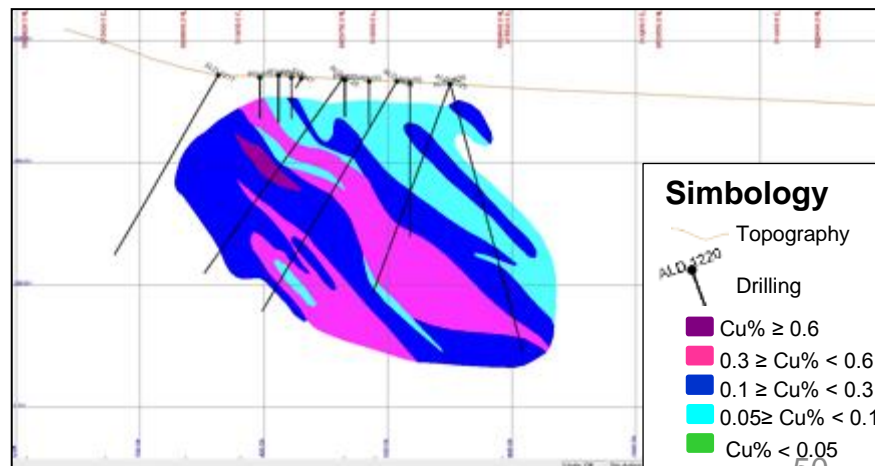
Iron ore body



Pit Design



Iron & Copper intersection





**Under current market conditions, the protection of the company's cash flow and liquidity levels are of the utmost importance**

**Cost reduction initiatives and productivity improvements are at the center of management efforts**

- **CAP Mining**

- Ample portfolio of future prospects based on abundant reserves
- Projects under study are being analyzed considering current market conditions
- Global environmental constraints support the growing need for magnetite concentrate

- **CAP Steel**

- Focus on long steel products that distinguishes from competitors through technology and/or logistics
- Positive cash generation attained, continuous cost cutting efforts geared towards profitability

- **CAP Steel Processing**

- Largest flat steel processor in the Pacific coast of South America
- Leader in innovative solutions for industrial and residential construction

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# CAP Group update – March 2015

