ANNUAL OPERATING SUMMARY
2013

CONTENTS

ANNUAL OPERATING SUMMARY **2013**

CAP

CAP GROUP PROFILE

The CAP Group, since its formation in 1946, has been committed to the progress of Chile and the prestige of business activities. We form an extensive value chain that starts with iron-ore mining, continues with steel production and ends with steel processing. We have different operations spread throughout the country, providing direct and indirect employment to close to 10,000 people.

We serve our customers on the domestic and export markets, adding value to their businesses through a range of excellent-quality products and services on competitive terms.

We give priority to human resources as a fundamental factor for success, we provide constant training in the search for working excellence, and we assign top importance to the strict compliance with safety and occupational health regulations.

In all our activities we strive to act always with responsibility, transparency and equity, respecting the preservation of the environment and relations with society, particularly in those communities where we carry out our operations.

We seek a long-term return for our shareholders, exercising leadership in our businesses through the incorporation of sustainable technologies, process innovation and the promotion of growth with a global perspective.

In our daily activities, both local and in the various destinations where we are present with our products, we make reality the slogan:

"CAP, EXCELLENCE IN OPERATIONS"

MISSION

To lead in the businesses in which we participate, creating sustainable value in iron-ore mining, steel production and steel processing, and offering products and innovative solutions to our customers. We seek operational and environmental excellence, giving priority to personal development as a determining success factor.

VISION

We seek to be an important player at the regional level, capable of growing in order to respond quickly to changes in the requirements of the markets where we are present. We will continue to contribute to the development of the communities where our businesses are located and the progress of Chile.

LETTER TO SHAREHOLDERS

Dear Shareholders,

While the global economy in 2013 was still not able to leave behind some of the negative effects of the crisis of 2008, the Chinese economy managed to maintain a high rate of growth, the United States grew with some ups and downs, and Japan gave signs of advancing out of its nil growth and persistent deflation. On the other hand, the euro-zone was not able to materialize the expected take-off and the so-called emerging economies showed uneven results. In this context of greater volatility, the sustained rate of growth in China, the incipient recovery of Japan and growth in the Middle East, were fundamental to our mining business. And this is what mainly explains the evolution in the results of the CAP Group for the year 2013, in which earnings were US$ 241.6 million. The sustained demand for our mining product however contrasts with the situation in the global steel industry which, in our case, forced a reorganization of our steel business which in turn resulted in an accounting write-off for disuse and impairment of assets totaling US$ 58.1 million. With this provision, the final earnings for the year were US$ 183.5 million.

More specifically, the global scenario produced a 7.7% increase in iron-ore production in 2013, which exceeded 1,900 million tons, while the sea-borne international trade in these products (in which CAP has a share of around 1%) passed the barrier of 1,110 million

tons. The destination of the latter was much dominated by China, with 68% of the total.

The complexity of the state of the world steel business was reflected in the contradictory production and idle capacity figures. The industry operated in 2013 at an average of approximately 75% of production capacity, with a slight increase of 3.5% in raw steel production compared to 2012 to reach 1,607 million tons this year. However, production in China rose by 7.5% in the year to a new record of 779 million tons of steel. This increase was sufficient to meet the needs of Asian giant and still have available some 62 million tons for export; of these, some 782 thousand tons were sold to Chile.

Regarding our operations, the sales of CAP Mining amounted to 12 million 86 thousand tons, which represents a decline of 1.3% from the level of the previous year. Of these, 88% were exports, 65% of which were specifically to China. CAP Mining's commercial strategy was focused on achieving a suitable balance between customers with long-term contracts and business on the spot market. By the end of the year, long-term customers accounted for 69% of sales while spot sales were 31%. Apart from China and Chile, the principal destinations of our exports were Japan, Bahrain, Indonesia and the United States.

Despite a certain volatility in the first half of the year, the average price of our product mix showed an important recovery in the second half which enabled the year to close with an average sale price of US$ 115.2 per ton, which compares favorably with US$ 113.2 per ton in 2012.

The operating revenue of CAP Mining in 2013 amounted to US$ 1,430 million, 1.8% higher than the year before. Earnings and EBITDA were US$ 402 million and US$ 678 million respectively, which represents a 13.2% increase and a 5.9% reduction, compared to 2012.

The company in 2013 continued with its exploration program, giving priority to its own ferrous mining districts. As a result, important new magnetic resources were identified which constitute solid support for the company's development. At the end of the year, geological resources were 6,351 million tons, which represents growth of 18.3% compared to 2012.

The two principal mining projects in progress continued their development, not exempt from the situation faced by the whole global mining industry, including increases in construction times and investment costs. The start-up was successfully made of the Huasco Valley Production Increase project which permits on increase in production of 2 million tons of pellet feed annually. The Cerro Negro Norte Project, whose start-up is planned for May 2014, will enable us to produce a further 4 million tons a year of this product.

In contrast to the good year of CAP Mining, our subsidiary CAP Steel was the victim again of a combination of global and local factors that led to the fifth consecutive year of losses. These factors, combined with the aggressive sale of surplus stocks of various origins at prices below those in their own markets, complete opening policies and weak quality-inspection policies in Chile, now appear as structural. As was warned in these pages last year, this scenario obliged CAP Steel's management to adopt a strategy that goes against the growth of steel consumption in Chile, with the sole purpose of trying to secure the persistence of the Chilean steel industry.

The board of CAP therefore had to take the difficult decision to carry out a reorganization that focuses on the production of "long" products, mainly for construction and mineral grinding. As a result, CAP Steel left aside the production of "flat" products whose margins had been the most hit by the conditions described above. This necessary reduction in steel production involved the stoppage of one of the two blast furnaces operated by the company and a consequent reduction in personnel.

With the adaptations indicated and the implementation of a rigorous cost savings plan and further improvements based on modest investments begun jointly and in complementation, we expect CAP Steel to reach operational break-even that will allow it to return to profitability in the

near future. CAP is thus expecting a fast recovery that will enable it to grow in a more favorable scenario. On the other hand, and as stated in this column last year, the consequences of a continued deterioration in the business conditions will make the survival of the national steel industry unsustainable.

In 2013, and influenced by the reorganization and stoppage of a blast furnace, CAP Steel's deliveries amounted to 860 thousand tons, all sold on the domestic market. This is 23% less than in 2012 and represents a 49% share in its objective market in long products.

The average sale price of the long-products mix was 4% lower than in 2012, in line with the downward trend in the global market price. Revenue was therefore adversely affected, falling by 29% to US$ 658 million.

As a result of the shutdown of flat products production and the worsened prospects for the steel business, the IFRS accounting standards required accounting write-offs and provisions of amounts of fixed assets. As anticipated above, this was reflected in a book loss of US$ 58.1 million, which impacted negatively on the result for the year. CAP Steel's operating income showed a loss of US$ 59.6 million, 11% below 2012, which was increased by the adjustment of value of assets of US$ 58.1 million, thus making a total loss of US$ 117.7 million. The total accumulated losses of CAP Steel over the last five years amount to US$ 362.5 million.

A third area of the CAP Group is the steel-processing business, consisting of Cintac S.A. and its subsidiaries in Chile, Tupemesa in Peru and Intasa S.A. in Argentina. During 2013, CAP subscribed to the capital increase of Intasa S.A. in 2013, raising its shareholding (directly and indirectly through its subsidiary Novacero) in the company to 73.9%.

The business of this group are focused on the transformation of steel into building products and solutions, both housing and industrial, and infrastructure, with an accent on continuous innovation and the incorporation of new technologies, which has enabled it to maintain a solid participation in the market segments in which it operates.

During 2013, these market segments have shown a certain degree of dynamism although, as in steel production and for similar reasons, the business is showing a reducing-margin trend. The deliveries of the steel processing area in 2013 amounted to 413 thousand tons, 3% more than in 2012; the average price of its products mix, on the other hand, was 4% lower than the year before. This group produced total revenue and a loss of US$ 460 million and US$ -0.3 million respectively.

Combining the results of all the business areas, the CAP Group obtained consolidated revenue and EBITDA of US$ 2,297 million and US$ 708 million respectively, with similar 7% reductions when compared to the figures for the previous year.

The CAP Group's investments in 2013 amounted to US$ 975 million, a record for the company. Even so, the group's gross financial debt at the end of 2013 stood at US$ 932 million and the level of cash was US$ 309 million, resulting in a healthy net financial debt to EBITDA ratio of 0.88 times.

None of the above achievements and sacrifices would have been possible without the invaluable commitment of each and every one of the 17,751 people working in the CAP Group. At the end of 2013, it has an own workforce of 5,220, plus 12.531 external personnel of which 6,383 worked temporarily on the construction of the mining projects. The CAP Group is therefore currently employing approximately 1 out of every 1,000 Chileans.

The current collective labor agreements with CAP Steel's No. 1 and 2 Unions were renewed during the year. The impact of the operational adjustment process clearly affected the normal past smoothness of the process. The advanced bargaining process with the No.2 Union was

nevertheless concluded successfully, while the No.1 Union decided to maintain the conditions of the current agreement, relying on article 369 of the Labor Code.

In CAP Mining, collective agreements were signed in advance with the Minas El Romeral Workers Union and the No.1, 2 and 5 Workers Unions of Huasco Valley, all until May 2018. A collective agreement was also signed with the Cerro Negro Norte Workers Union for a term until June 2015.

The development and safety of our personnel is a central focus in the culture of the CAP Group. During 2013, training and development activities were arranged with an emphasis on improving personal and working abilities in order to strengthen the skills of our human resources. The accident frequency rate of the CAP Group was 3.0, showing a reduction of 12% with respect to 2012, continuing the favorable trend of various consecutive years.

However, the group was unfortunately was unable to reach its target of zero fatalities, following two fatal accidents to a worker of Cintac and another to an external worker on CAP Mining's projects. The focus on the continuous reduction in accidents in all areas persists unchanged and new initiatives are continuously incorporated in order to prioritize safety in the work places and prevention, identification of "quasi-accidents" and self care.

The permanent commitment of the CAP Group with the sustainability of its operations is evidenced by various initiatives related to care for the environment and continuous support for the communities neighboring its operations.

This year CAP has completed the works for the functioning of the new operation in Cerro Negro Norte as part of an innovative framework in sustainable mining. The works related to this new mining project contemplate the use of desalinated seawater taken into the region of Atacama by a 82 km viaduct. This desalination plant, located 25 km to the north of the town of Caldera, will permit the sustainable viability of our own Minera Hierro Atacama operation (through an additional 117 km of aqueduct) and will have ample additional capacity for promoting the continuous development of mining projects in the region.

In this context, the CAP Group made viable, through the signing of long-term contracts and a purchase option, the construction of the CAP Amanecer solar photovoltaic electricity generating plant, the largest in South America, situated some 40 km from the city of Copiapó. This plant, with 100 MW of capacity, is already functioning and injecting energy into the SIC. Apart from its intrinsic social value, the plant provides the group with important cost savings and positions it in the vanguard in compliance with future requirements in the use of non-conventional renewable energies for all its operations.

Further information on the contributions made by the CAP Group to the sustainable development of the industry in Chile can be found in the Sustainability Report for 2013, which describes the commitments of our Corporate Sustainability Plan, including those related to the group's adhesion to the United Nations Global Compact.

The prospects for the coming years are seen to be favorable, but with important challenges. We see that, despite forecasts of a probable general over-supply of iron ore, should this occur it would be concentrated on products that will be seen frankly as inferior to ours. The high-concentration magnetic products of CAP Mining already occupy a preferential place in the market in general and with our broad range of customers in particular. The growing tendencies of environmental restrictions and the cost of energy provide our products with competitive advantages which can only accentuate in the context of a world shortage of iron of similar characteristics.

Capturing the consequent demand, on the other hand, obliges us in the short term to make our best efforts for the start-up of the Cerro Negro Norte and Romeral Phase V projects, in order to arrive soon in establishing a sustained production of 18 million tons annually

beginning in 2015. At the same time, we are working on the definition of our next large project which we hope to reveal in the near future. CAP Mining is in the fortunate position of possessing a number of alternatives that enable us to carry out a precise assignment of capital that maximizes returns.

Regarding CAP Steel, and as we have noted in previous years, we expect the domestic market to maintain a favorable level of dynamism that could augur a stable framework of activity for steel products and for those of the processing area.

However, as I have said, it is probable that once again this will not be sufficient for the national steel-making industry to perform adequately. Steel making in Chile has been developed in an open-market environment, which can only go hand in hand with constant vigilance with respect to quality standards and the rules of free and fair international trade. We call on the authorities to act on these matters whose continued neglect, we believe, places our country on a road toward de-industrialization.

Finally, I wish to highlight my deepest recognition of Jaime Charles Coddou (R.I.P.), who did invaluable work for the company for more than 20 years. Mr Charles ended his brilliant career as president of CAP from 2005, a position he held for the following eight years. In that period, he led with vision and diligence the continual growth of the group, enabling CAP to become consolidated as one of the country's leading companies.

I should also like to thank our personnel, shareholders, customers and our suppliers of goods and services, material resources, financial and of any other kind, for their contribution to the results reported here today.

ROBERTO DE ANDRACA BARBÁS
Chairman

COMPANY OVERVIEW

1.

1.1 / PRINCIPAL SHAREHOLDERS

The twelve largest shareholders of CAP S.A. as of December 31, 2013, by number of shares and percentage holdings, are as follows:

SHAREHOLDERS	N° OF SHARES	PERCENTAGE
INVERCAP S.A.	46,807,364	31.32%
MITSUBISHI CORPORATION	28,805,943	19.27%
BANCO DE CHILE POR CUENTA DE TERCEROS CA	7,662,245	5.13%
BANCO ITAU POR CTA.DE INV. EXTRANJEROS	6,412,923	4.29%
BANCO SANTANDER CHILE PARA INV.EXTRANJEROS	3,932,093	2.63%
FUNDACION CAP	3,288,069	2.20%
BANCHILE CORREDORES DE BOLSA S.A.	3,281,511	2.20%
LARRAIN VIAL S.A. CORREDORA DE BOLSA	2,956,601	1.98%
A.F.P. CAPITAL S.A. FONDO TIPO C	1,370,426	0.92%
A.F.P. HABITAT S.A. FONDO TIPO C	1,367,824	0.92%
SOUTH PACIFIC INVESTMENTS S.A.	1,317,580	0.88%
BTG PACTUAL CHILE S.A. CORREDORES DE BOLSA	1,291,759	0.86%

The total number of shareholders of CAP S.A. at 12.31.2013 was 4,476

From the above, and according to the definition given in Section XV of Law 18,045, Invercap S.A. is the controller of CAP. At the same time, Invercap S.A., according to that definition, lacks a controller and none of its individual shareholders has a shareholding greater than 0.417%. Invercap S.A. has no joint management agreement with other parties.

There were no changes of importance during the year in the ownership of the Company.

1.2 / HISTORICAL SUMMARY

/1940s

Under the chairmanship of Juan Antonio Ríos, Compañía de Acero del Pacífico S.A. was formed with 53% of its shares subscribed by the private sector, 33% by Corporación de Fomento de la Producción (CORFO) (state development corporation) and 14% by the Caja de Amortización de la Deuda Pública.

/1950 - 1960

1950
Inauguration and start-up of the Huachipato steel plant.

1959
Addition of mining activities. The El Algarrobo deposits were acquired.

/1970 - 1980

1971
Acquisition of the "El Romeral" iron-ore mine.

1972
The iron trading agency, Pacific Ores and Trading N.V., was created in Curaçao with an office in The Hague, Holland.

1978
Inauguration of the Huasco pellets plant.

/1980 - 1990

1981
Reorganization of the Company and the formation of the CAP Group of companies. Creation of Compañía Siderúrgica Huachipato S.A., Compañía Minera del Pacífico S.A. and Abastecimientos CAP S.A.. The company changed its name to Compañía de Acero del Pacífico S.A. de Inversiones.

1985
Start of the re-privatization process of the Company.

1987
Re-privatization of 100% of the Company. The board decided to diversify the Company's business, formally creating the forestry sector through its investments in Andinos S.A. and in Sociedad Forestal Millalemu S.A.. As a manner for economically disposing of fixed assets, Inmobilaria y Constructora San Vicente Limitada was formed for their sale.

1988
Creation of Sociedad de Ingeniería y Movimientos de Tierra del Pacífico Limitada (Imopac Ltda.).

1989
Repayment of the balance of the restructured foreign debt at January 31, 1983.
Creation of Compañía Distribuidora de Petróleo del Pacífico Ltda. (Petropac Ltda.).

/1990 - 2000

1990
Inauguration of the new coke plant and zinc-alum line of Compañía Siderúrgica Huachipato S.A. and the pellets-feed plant of Compañía Minera del Pacífico S.A.

1991
The Company changed its name from Compañía de Acero del Pacífico S.A. de Inversiones. to CAP S.A.

1993
For the first time in its history, the liquid steel production of the Huachipato plant exceeded one million tons in the year.

1994
The CAP group was divided into three companies: CAP S.A. with a capital of US$ 379.4 million grouping together the mining and steel-making activities, Forestal Terranova S.A. responsible for the forestry sector and Invercap S.A. concentrating the other Group investments.

1995
The Company, through its subsidiary Compañía Minera del Pacífico S.A., signed a joint venture agreement with MC Inversiones Limitada, a subsidiary of Mitsubishi Corporation, to develop and manage the expansion of the Los Colorados iron-ore mine. The two companies formed Cía. Minera Huasco S.A. for this purpose, with equal shareholdings.
The subsidiary Compañía Minera del Pacífico S.A. exercised an option to buy shares in Sociedad Contractual Minera Carmen de Andacollo, giving it a 27% holding.

1996
Official start-up of the new flat-products laminating facilities of Compañía Siderúrgica Huachipato S.A

1997
The total shipments of Compañía Siderúrgica Huachipato S.A. exceeded one million tons of finished steel a year for the first time.

1998
Inauguration and start-up of Los Colorados mine in Chile's 3rd Region.

1999
CAP placed US$100 million of bonds on the domestic market.

1.2 / HISTORICAL SUMMARY

/2000 - 2014

2000
Acquisition of approximately 26% of Cintac S.A.
Inauguration of the continuous billet-casting facilities at the Huachipato plant

2001
Placement of bonds for UF 3.8 million on the domestic market.

2002
CAP S.A. became the holder of 44% in Novacero S.A. which directly holds 51% of the share capital of Cintac S.A.
The division of Cintac S.A. was approved, the company itself remaining and creating a new company called Intasa S.A. to which were assigned its investments in Argentina.
CAP S.A., jointly with AZA S.A. and with equal holdings, acquires 100% of Acindar Chile Limitada, which company changed its name to Armacero Industrial y Comercial Limitada.

2003
A syndicated long-term loan agreement for a total of US$ 150 million was signed with ABN Amro Bank N.V. as agent.

2004
All the US dollar bonds issued in 1999 were prepaid on October 1.
Shipments of finished steel on the domestic market exceeded 1 million tons a year for the first time in the history of Compañía Siderúrgica Huachipato S.A..

2005
Placement of UF 4 million in bonds on the domestic market.
Inauguration of the expansion of the pellets feed plant of El Romeral Mine.

2006
Through a capital increase made by Novacero S.A. in December 2006, CAP S.A. acquired a 52.68% holding in that company, which directly owns 51% of the shares of Cintac and Intasa and their respective subsidiaries (Cintac: Instapanel, Varco Pruden, Centroacero and Tupemesa / Intasa: Tasa and Coselava), thus consolidating these businesses at 12.31.2006.
Bonds were placed for US$ 200 million for 30 years on the international market.

2007
The 27% holding in Compañía Minera Carmen de Andacollo was sold to Aur Resources, Canada.
Minera Hierro Atacama S.A. was formed, a subsidiary of CMP for the exploitation of the Hierro Atacama Project in Chile's 3rd Region.
Shipments of Compañía Siderúrgica Huachipato S.A. reached 1,213 million tons, a company record.

2008

Bonds for UF 2 million for 5 years and US$ 171.5 million for 10 years were placed on the domestic market.

The new straight bar roller mill was inaugurated and began operating at Compañía Siderúrgica Huachipato S.A.

Phase I of the Hierro Atacama Project was inaugurated which comprises the start-up of a magnetite plant to the south of Copiapó, a 120 km mineral pipeline and a mechanized port in Punta Totoralillo, at Caldera in Chile's 3rd Region.

2009

The new corporate building of the CAP Group was inaugurated in Las Condes, Santiago, in the Metropolitan Region.

Shipments by Compañía Minera del Pacífico S.A. reached 10,146 million tons, the largest in the Company's history.

2010

The shareholdings in CMP are distributed 25% MCI and 75% CAP following the merger in which CMP absorbed the assets of CMH, and the capital increase of CMP for ThUS$ 401,000 fully subscribed and paid by MCI.

Shipments by Compañía Minera del Pacífico S.A. amounted to 10,213 million tons, the highest in the Company's history.

2011

Shipments by Compañía Minera del Pacífico S.A. broke a new record for the third consecutive year, reaching 11 million 469 thousand tons.

CAP's financial debt decreased by 37% to ThUS$ 627,874, following the early redemption of ThUS$ 393,100 of bonds placed on the local and international markets.

2012

Shipments by Compañía Minera del Pacífico S.A. broke a new record, reaching 12 million 246 thousand tons.

2013

Start-up of the expansion project of Huasco Valley to provide two million additional tons of production, in August 2013.

Reorganization of the production activities of Compañía Siderúrgica Huachipato S.A., focusing on the manufacture of long products which offer larger margins, and suspending the manufacture of flat products.

1.3 / BOARD OF DIRECTORS

DIRECTORS

/ 1. **ROBERTO DE ANDRACA BARBÁS**
Tax ID 3.011.487-6
Commercial Engineer,
Chilean
CHAIRMAN

/ 2. **EDDIE NAVARRETE CERDA**
Tax ID 2.598.242-8
Lawyer,
Chilean
DIRECTOR

/ 3. **HERNÁN ORELLANA HURTADO**
Tax ID 8.818.570-6
Electronic Civil Engineer,
Chilean
DIRECTOR

/ 4. **RODOLFO KRAUSE LUBASCHER**
Tax ID 4.643.327-0
Engineer,
Chilean
DIRECTOR

Members of the Director's Commitee at December 31,2013.

/ 5. **TOKURO FURUKAWA YAMADA**
Tax ID 22.464.577-5
Engineer,
Japanese
DIRECTOR

/6. **OSAMU SASAKI**
Passport: TZ0770690
Degree in Philosophy,
Japanese
DIRECTOR

/ 7. **FERNANDO REITICH SLOER**
Tax ID 48.106.405-8
Doctor on Mathematics,
American
PRESIDENT & CHIEF EXECUTIVE OFFICER

/8. **EDUARDO FREI BOLÍVAR**
Tax ID 4.883.266-0
Lawyer,
Chilean
CHIEF LEGAL COUNSEL

CAP MANAGEMENT

/3 /5 /4 /7 /6 /2 /1

/1
FERNANDO REITICH SLOER
Tax ID 48.106.405-8
Doctor on Mathematics, American
PRESIDENT & CHIEF EXECUTIVE OFFICER

/2
EDUARDO FREI BOLÍVAR*
Tax ID 4.883.266-0
Lawyer
CHIEF LEGAL COUNSEL

/3
SERGIO VERDUGO AGUIRRE
Tax ID 5.316.689-K
Civil Industrial Engineer
SENIOR ADVISOR FOR STRATEGY, PROCESS AND OPERATIONS

/4
RAÚL GAMONAL ALCAÍNO
Tax ID 8.063.323-8
Commercial Engineer
CHIEF FINANCIAL OFFICER

/5
ARTURO WENZEL ÁLVAREZ
Tax ID 7.375.688-K
Commercial Engineer
PLANNING & STRATEGIC RESOURCES

/6
ANDRÉS DEL SANTE SCROGGIE
Tax ID 7.034.913-2
Commercial Engineer
INTERNAL CONTROL MANAGER

/7
ROBERTO DE ANDRACA ADRIASOLA
Tax ID 7.040.854-6
COMMERCIAL ENGINEER
MANAGER, INFRASTRUCTURE DEVELOPMENT

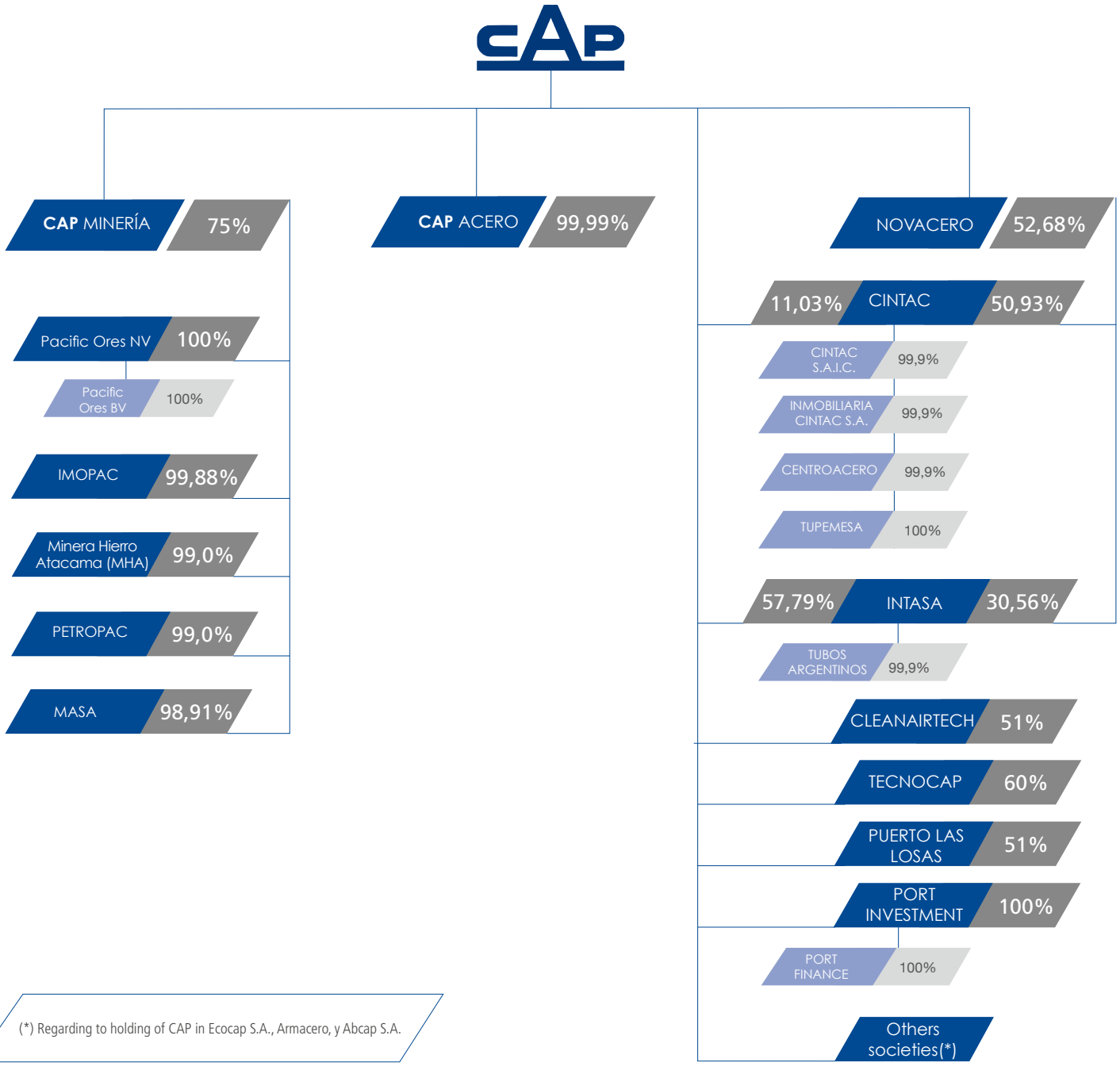
* Acts as Secretary of the Board

MANAGEMENT OF CAP SUBSIDIARIES

STEEL PROCESSING AREA

MINING AREA	STEEL PRODUCTION AREA	CINTAC S.A	INTASA S.A
			
Erick Weber Paulus Tax ID 6.708.980-4 Civil Chemical Engineer President **Compañía Minera del Pacífico S.A.**	Ernesto Escobar Elissetche Tax ID 4.543.613-6 Civil Mechanical Engineer President **Compañía Siderúrgica Huachipato S.A.**	Javier Romero Madariaga Tax ID 10.286.706-8 Civil Industrial Engineer President **Cintac S.A.**	Jose Antonio Aguirre Silva Tax ID 7.384.453-3 Civil Industrial Engineer President **Intasa S.A**

1.4 / CAP'S CORPORATE STRUCTURE



(*) Regarding to holding of CAP in Ecocap S.A., Armacero, y Abcap S.A.

ACTIVITIES AND BUSINESSES

2.

2.1 / ACTIVITIES AND BUSINESSES

MINING / Compañía Minera del Pacífico S.A. (CAP Mining)

PRODUCTION

Total production and purchases of CMP in 2013 were 11 million 754 thousand metric tons, of which 7 million 51 thousand metric tons relate to the production of Huasco Valley, 2 million 204 thousand metric tons to that of Elqui Valley and 2 million 375 thousand metric tons to that of Copiapó Valley. Purchases amounted to 124 thousand metric tons.

The following table compares the production and purchases of 2013 with those of 2012:

PRODUCTION			VARIATION	
(thousands of metric tons)	2013	2012	ThMT	%
TOTAL PRODUCTION AND PURCHASES	11,754	12,055	(301)	(2.5%)
TOTAL PRODUCTION	11,630	12,043	(413)	(3.4%)
HUASCO VALLEY	7,051	6,781	270	4.0%
Pellets Plants	5,707	5,567	140	2.5%
Self-fluxing pellets	1,721	1,871	(150)	(8.0%)
Direct-reduction pellets	529	264	265	100.4%
Pellets Feed	3,339	3,325	14	0.4%
Pellets Chips	118	107	11	10.3%
Algarrobo District	482	616	(134)	(21.8%)
Lumps (Algarrobo)	461	418	43	10.3%
Lumps (Cristales)	21	198	(177)	(89.4%)
Sinter Feed - Los Colorados	862	598	264	44.1%
ELQUI VALLEY	2,204	3,674	(1,470)	(40.0%)
Lumps	281	731	(450)	(61.6%)
Fines	492	1,232	(740)	(60.1%)
Pellets Feed	1,431	1,711	(280)	(16.4%)
COPIAPÓ VALLEY	2,375	1,588	787	49.6%
Final concentrate in Punta Totoralillo port	2,375	1,588	787	49.6%
TOTAL PURCHASES	124	12	112	933.3%

COPIAPÓ VALLEY

Magnetite Plant and Punta Totoralillo Port

The Magnetite Plant in 2013 processed 27 million 262 thousand metric tons of tailings from Compañía Contractual Minera Candelaria (CCMC) with an average Fe mag fed grade of 8.4%. It also continued to supply iron fines from third parties, processing 1 million 172 thousand tons from Los Colorados and 259 thousand metric tons from different suppliers in the Atacama region.

The operating time of the Magnetite Plant was 8,154 hours, the processing rate 289 tons/hr and the production rate of the ceramic filters for the year was 172 tons/hr. During the year, 476 thousand cubic meters of water treated by the company Aguas Chañar was fed by the CCMC – Magnetite Plant aqueduct.

The production of Atacama pellet feed in Punta Totoralillo Port was 2 million 375 thousand metric tons, a record annual production. Of this, 58% was obtained from fresh tailings from CCMC and 42% from third-party iron fines. The Magnetite Plant had an additional production of primary concentrates of 523 thousand metric tons.

The physical availability of the Magnetite Plant was 96.6%, with a use of 96.5%. Punta Totoralillo Port made 22 shipments of third parties with 2 million 195 thousand metric tons 19 shipments of Atacama pellet feed with 2 million 390 thousand metric tons during 2013. 56 thousand metric tons were also bought of Atacama SinterFeed, of which 13 thousand were shipped in September. The use of the quay of Punta Totoralillo Port therefore reached 40% over the year, the highest ever reached by the port.

Among the principal projects carried out was the operation of port equipment with energy supplied by the Central Electricity Grid, the acid cleaning of the concentrates duct and the preparation of Yard 3 of Punta Totoralillo Port for third-party shipments.

HUASCO VALLEY

Los Colorados Mines, Pellets Plant, El Algarrobo Mines and Guacolda II Port

The production of Los Colorados Mine moved a total of 80 million 641 thousand metric tons of material, which included a plant feed of 10 million 750 thousand metric tons.

The production of the Los Colorados rejects plant, for supplying the Magnetite Plant of Hierro Atacama, was 933 thousand metric tons of P40 pre-concentrates, with a requirement for this purpose of the processing of 4 million 564 thousand metric tons.

The transportation of pre-concentrates from Los Colorados Mine to the Pellets Plant was 7 million 488 thousand metric tons, of which 6 million 195 thousand metric tons were by rail and 1 million 293 thousand metric tons in trucks.

The APVH project was completed during the year, the most important highlights being the tie-in in the plant area between February 25 and March 15, the beginning of the start-up of the APVH plant on August 3, and the finish of the rump-up on December 31.

With respect to mining equipment, a new fleet of 8 Cat-793F trucks of 240 tons was acquired, 6 of which were delivered during the year and the other 2 will be delivered in January 2014.

The Huasco Valley Pellets Plant operated the equivalent of 204 effective days in 2013, achieving a total production was 5 million 707 thousand metric tons which includes 1 million 721 thousand metric tons of self-fluxing pellets, 529 thousand metric tons of pellets for direct H&L reduction, 118 thousand metric tons of pellet chips and 3 million 339 thousand metric tons of pellet feed.

The Pellets Plant production was 140 thousand metric tons more than the year before. The greater production of the DR product was

mainly due to the needs of our only customers for this. The pellets production caused the hourly-production rate to reach an average of 460 metric tons per hour, with an effective operating time of the thermal hardening area of 4,895 hrs.

Regarding operating results, the feeding of pre-concentrates to the grinders was 6 million 706 thousand metric tons. The production of concentrates for grinders was 5 million 553 thousand metric tons, producing a weight recovery of 82.8%. The re-pulping plant also produced 69 thousand metric tons of concentrates from material recovered from spillages from the barrages and rejects from the sifting and grinding plant.

The Company maintained the exploitation of Minas El Algarrobo, awarding the loading and transport work to third parties and the operation of the Algarrobito plant to IMOPAC Ltda. In October, it resumed the exploitation of Cristales Mine, stopped since December 2012, which work was performed by third parties and the plant operation by IMOPAC Ltda. The production of both works totaled 482 thousand tons of lumps.

Guacolda II port attended 76 ships of which 44 were shipments abroad and 32 to Compañía Siderúrgica Huachipato S.A.

ELQUI VALLEY

El Romeral Mines and Guayacán Port

The production and purchases of El Romeral mines in 2013 were 2 million 271 thousand metric tons, consisting of 281 thousand metric tons of lumps, 559 thousand metric tons of fines and 1 million 431 thousand metric tons of pellet feed.

The production of El Romeral Mines was achieved through a total movement of material of 8 million 838 thousand metric tons, 12% more than in the year.

At the concentrator plant, there was a greater feed with a reduced recovery in weight with respect to 2012. This permitted a production of 180 thousand metric tons of lumps, 355 thousand metric tons of fines and 2 million 204 thousand metric tons of pre-concentrates.

At the grinding plant, there was greater feed with a reduced recovery in weight, of 2 million 988 thousand metric tons, to produce pellet feed.

In August, the Company approved the Phase V project which will extend the life of these works by 14 years from 2014.

Guayacán port attended 24 ships of which 17 were shipments to the external market and 7 to Compañía Siderúrgica Huachipato S.A.

COMMERCIALIZATION

THE INDUSTRY

The company is the principal producer and exporter of iron ore and pellets in Chile and participates as such in the international iron and steel market.

The deceleration of economic growth in China, the low profitability of the steel industry and iron ore prices falling in the first half of the year, but with an upward trend in the second, were the external scenario in which the company carried on its business in 2013. International sea-borne trade in iron ore passed the barrier of US$ 1,110 million tons and Australian and Brazilian producers continued to dominate the market, trading over 2/3rds of the business. The company's share would be around 1%.

According to the World Steel Association (WSA), the global production of raw steel was 1,607 million tons in 2013, an increase of 3.5% over the 1,553 million tons produced the previous year. China once again led this expansion of world steel-making activity, breaking a new industry record in production of 779 million tons of raw steel in the year, 7.5% more than in 2012. In the same period, China imported 819 million tons of iron ore, another record for that country and a significant increase of 10.8% over the year before. The company's participation was slightly over 1% (7.78 million tons).

RISK FACTORS

The global economic uncertainty, the appearance of new producers of magnetic iron ore in Australia, stricter environmental regulations in China following serious environmental contamination problems and their impact on the steel industry, and the heavy concentration of the company's sales in Asia, particularly China, appear as the principal risks that the company should face in the near future.

COMMERCIAL RELATIONS WITH SUBSIDIARIES AND ASSOCIATES

Compañía Minera del Pacífico S.A. is the sole supplier of iron ore and pellets to the integrated Chilean steel-maker Compañía Siderúrgica Huachipato S.A. During 2013, 386 thousand tons of iron ore (lumps) and 996 thousand tons of pellets were delivered to it under long-term contracts.

SALES

Consolidated sales of iron ore during 2013 amounted to 12 million 86 thousand metric tons which represents a decline of 1.3% from the total sold the previous year.

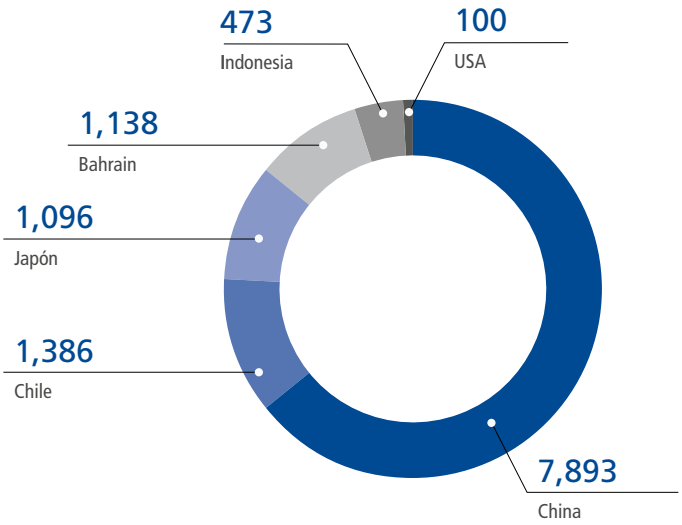
Export sales were 10 million 700 thousand metric tons, while 1 million 386 thousand metric tons were sold on the domestic market. This led the external market to representing 88.5% of total sales and the domestic market the remaining 11.5%.

In aggregate, the Asian market represented 78.3% of the company's total exports, with China concentrating 65.3% of these.

The following table compares the sales of 2013 with 2012:

TOTAL SALES BY MARKETS 2013

(ThMT)



SALES			VARIATION	
(thousands of metric tons)	2013	2012	ThMT	%
TOTAL CMP	12,086	12,246	(160)	(1.3%)
HUASCO VALLEY	7,382	6,714	668	9.9%
External market	6,211	5,533	678	12.3%
Internal market	1,171	1,181	(10)	(0.8%)
ELQUI VALLEY	2,301	3,844	(1,543)	(40.1%)
External market	2,086	3,230	(1,144)	(35.4%)
Internal market	215	614	(399)	(65.0%)
COPIAPÓ VALLEY	2,403	1,688	715	42.4%
External market	2,403	1,688	715	42.4%

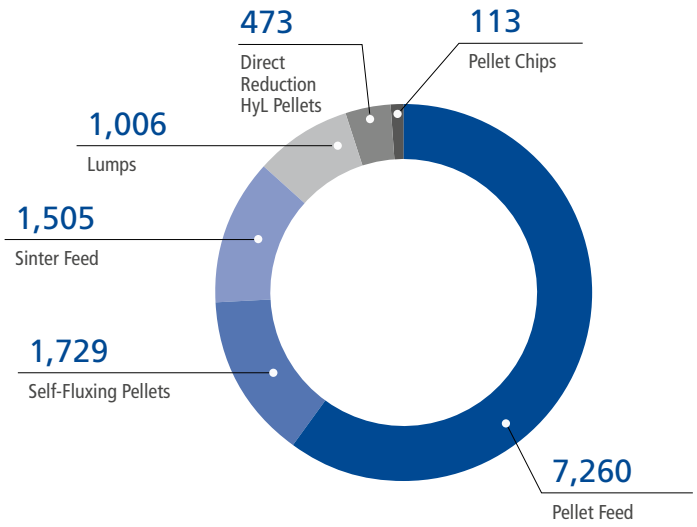
The following were the 6 different markets for the products of Compañía Minera del Pacífico S.A. during 2013:

COUNTRIES	CUSTOMERS
BAHRAIN	BAHRAIN STEEL
CHILE	CSH
CHINA	BAO
	CARGILL
	Continental Minerals
	Deutshe Bank
	GLENCORE
	HAIYI
	HANGZHOU
	JINAN
	POLY
	RGL
	RIZHAO
	WANBAO
	XINYU
USA	KOCH
INDONESIA	KRAKATAU
JAPAN	JFE
	KOBE

Regarding the product range, pellet feed is the principal sales product. This is followed in volume by self-fluxing pellets and sinter feed, these three products representing 87% of deliveries. The following shows the sales of lumps, H&L direct-reduction pellets and pellet chips.

DISTRIBUTION OF SHIPMENTS BY PRODUCTS

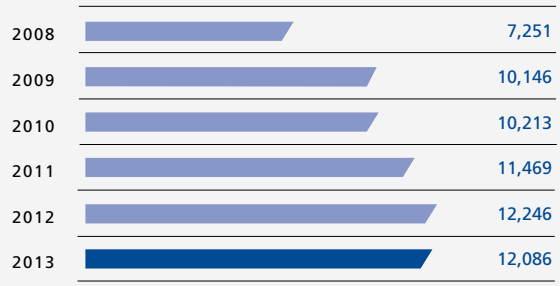
(ThMT)



GRAPHICAL SUMMARY

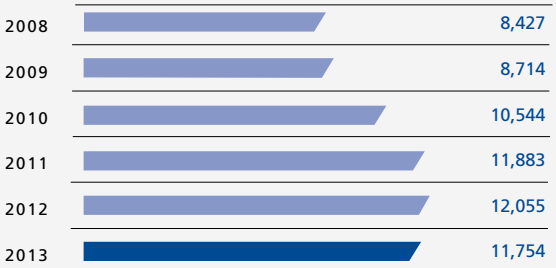
TOTAL SHIPMENTS

(ThMT)



FINISHED PRODUCTION OF MINING PRODUCTS

(ThMT)



RESERVES Y RESOURCES

The following is information about our geological resources and mining reserves as of December 31, 2013, with respect to the mines that CMP is currently exploiting and other iron deposits in which CMP has exploitation rights, including the tailings of the Candelaria copper mine.

DEPOSITS		GEOLOGICAL RESOURCES (1)				MINING RESERVES (2)			
NAME	LOCATION	MT (*)	ORE CONTENT			MT (*)	ORE CONTENT		
El Laco	Antofagasta	733,9	49.2%	Fe		376,3	56.7%	Fe	
Cerro Negro Norte	Copiapó	376,7	32.8%	Fe		189,5	36.5%	Fe	
Candelaria (3)	Copiapó	374,2	10.0%	Fe		374,2	10.0%	Fe	
Los Colorados	Vallenar	943,2	34.7%	Fe	(4)	509,2	36.5%	Fe	(4)
Los Colorados District	Vallenar	26,0	43.3%	Fe					
El Algarrobo	Vallenar	136,3	45.8%	Fe		81,1	49.5%	Fe	
- Algarrobo		127,0	45.9%	Fe		71,8	50.2%	Fe	
- Stockpiles		9,3	43.8%	Fe		9,3	43.8%	Fe	
El Algarrobo District	Vallenar	605,5	33.5%	Fe		118,4	35.5%	Fe	
- Alcaparra D		322,5	31.4%	Fe		118,4	35.5%	Fe	
- Alcaparra A		122,0	46.0%	Fe					
- Domeyko II		107,0	28.0%	Fe					
- Charaña		42,0	27.5%	Fe					
- Ojos de Agua		12,0	34.5%	Fe					
Cristales	Vallenar	149,0	32.8%	Fe					
Tofo	La Serena	2,551.5	25.6%	Fe					
- Pleito (Tofo Norte)		1,591.1	24.5%	Fe	(4)	528,6	26.1%	Fe	(4)
- Sierra Tofo		460,2	25.5%	Fe					
- Pleito Este		151,3	23.7%	Fe					
- Chupete		349,0	31.1%	Fe					
Romeral	La Serena	454,5	28.3%	Fe		101,1	30.6%	Fe	
- Low grade stockpiles		16,6	20.9%	Fe		9,5	23.8%	Fe	
- Phase 5		437,9	28.6%	Fe		91,6	31.3%	Fe	
TOTAL		6,350.8	30.8%	Fe		2,278.4	33.2%	Fe	

(*) Million

(1) Minerals measured on a geological ore content basis feasible to be mined

(2) Geological resources that are feasible for mining economically

(3) CMP has a contractual right to process the tailings of Candelaria copper mine

(4) The resources and reserves stated are certified in accordance with Law 20.235 by competent persons registered with the Commission for Qualifying Competence in Mining Resources and Reserves (Mining Commission) and who do not work in CAP Mining or any of its related companies. The rest of the resources and reserves will be certified during 2014 and 2015, except for Candelaria which is a third-party copper deposit with which CAP Mining has a contract for using the iron contained in the tailings.

STEEL MAKING ACTIVITY/ Compañía Siderúrgica Huachipato S.A. (CAP Acero)

PRODUCTION

During 2013, the finished steel production was 859,291 tons, with a production of liquid steel of 864,411 tons obtained from a production of cast iron of 879,996 tons.

PRODUCTION			VARIATION	
(thousands of metric tons)	2013	2012	ThMT	%
LIQUID STEEL PRODUCTION	864	1,186	(322)	(27%)
FINISHED STEEL PRODUCTION	859	1,135	(276)	(24%)
Bars	670	723	(53)	(7%)
Flats	189	412	(223)	(54%)

COMMERCIALIZATION

The total deliveries of steel products in 2013 were 859,479 tons, all in the domestic market.

Total sales revenue in 2013 amounted to ThUS$ 657,521, reflecting a fall of 28.5% compared to the previous year.

DELIVERIES			VARIATION	
(thousands of metric tons)	2013	2012	ThMT	%
TOTAL DELIVERIES	859	1,124	(265)	(23.6%)
Domestic market	859	1,122	(263)	(23.4%)
External market	0	2	(2)	(100%)

AVERAGE PRICES			VARIATION	
(US$ per ton)	2013	2012	US$/MT	%
Domestic market	737.3	810.7	(73)	(9.1%)

CAP Steel, the only integrated steel company in Chile, produces cast iron by reduction of iron ore in blast furnaces. It then transforms the cast iron into liquid steel in the steel mill to obtain continued rolled slabs and plates, which it later rolls for the delivery to the market of higher added-value products such as bars for concrete, bars for mineral grinding, and wire rod for wire drawing.

The company sells its products to steel distributors and construction companies, processors and industries, manufacturers of metal packaging, wire drawers, manufacturers of pipes and profiles, workshops and mining.

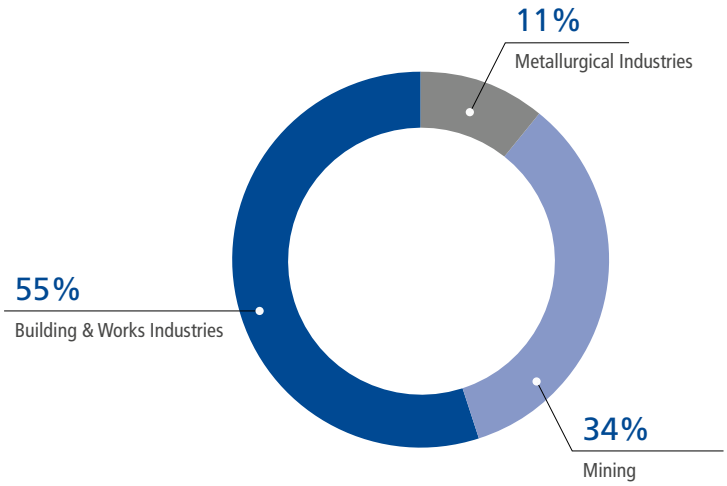
The following shows the company's principal customers and a graph is shown of the distribution deliveries in 2013 by industry:

CUSTOMERS 2013

ACMA S.A.
ARMACERO INDUSTRIAL Y COMERCIAL S.A.
CARLOS HERRERA LTDA.
CINTAC S.A.I.C.
CEMENTOS BIO BIO S.A.
COMERCIAL A Y B LTDA.
CONSTRUMART S.A.
CORPORACIÓN NACIONAL DEL COBRE DE CHILE
EASY S.A.
FORMACIÓN DE ACEROS S.A.
GARIBALDI S.A.
IMEL LTDA.
INDAMA
INCHALAM S.A.
MOLY-COP CHILE S.A.
PRODALAM
SACK
SK SABO
SODIMAC S.A.
VH MANUFACTURA DE TUBOS DE ACERO

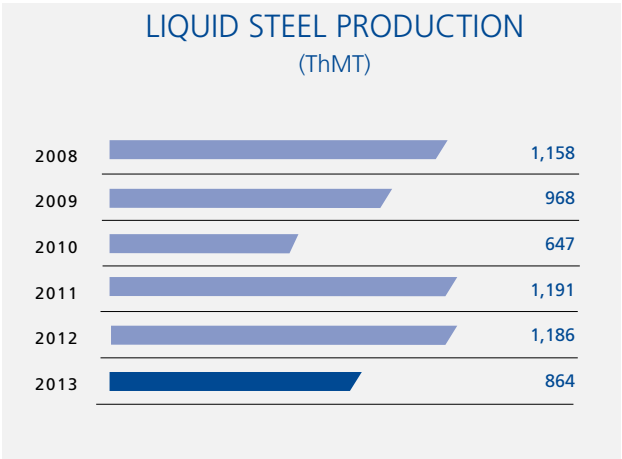
Deliveries in 2013 show that the sectors of metallurgical industries, and building and works, account for 66% of deliveries. Customers in the building and works industry mainly ordered cars for concrete, the metallurgical industry wire rod, and mining mainly grinding bars.

SHIPMENTS BY MARKET
CAP ACERO 2013

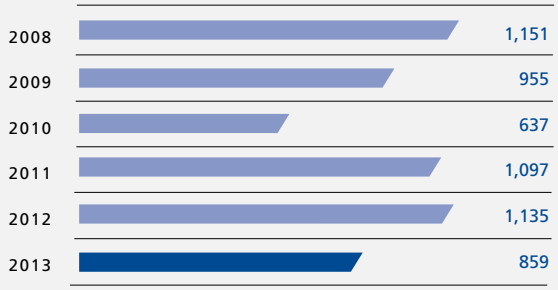


GRAPHICAL SUMMARY 2013

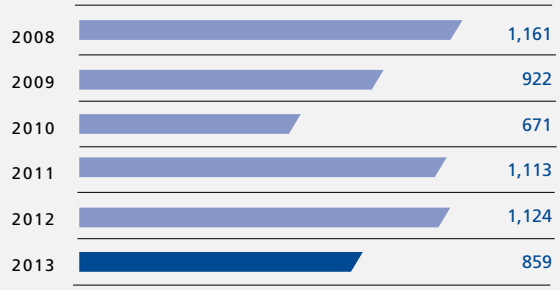
LIQUID STEEL PRODUCTION
(ThMT)



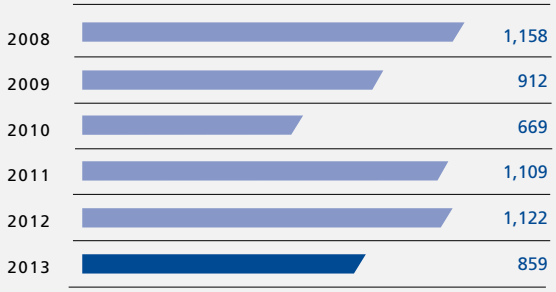
FINISHED STEEL PRODUCTION
(ThMT)



TOTAL SHIPMENTS
(ThMT)



DOMESTIC MARKET SHIPMENTS
(ThMT)



STEEL PROCESSING

The steel processing business is performed through Cintac S.A. and Intasa S.A., subsidiary companies of Novacero S.A. in which CAP has a shareholding of 52.68%.

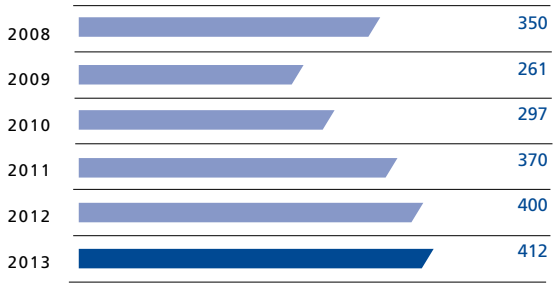
Novacero S.A. in turn has shareholdings of 50.93% in Cintac S.A. and of 30.56% in Intasa S.A. which, together with the shareholdings of 11.03% and 57.79% that CAP has in them, permits a direct and indirect control of 61.96% in Cintac S.A. and 88.35% in Intasa S.A..

The objects of Cintac S.A. and its subsidiaries Cintac S.A.I.C., Instapanel S.A., Centroacero S.A. and Tupemesa S.A. and Intasa S.A. and its subsidiary Tubos Argentinos S.A., is the creation of solutions in steel, principally for the construction, industry and infrastructure sectors in Chile and abroad.

The incorporation of the steel-processing group into the traditional businesses of CAP of mining and steel-making, permits the expectation of an improvement in consolidated returns as the result of the participation in the whole value-added chain, taking advantage of the opportunities of the synergies of a vertically-integrated business.

The following shows the evolution of the total deliveries of the steel-processing group:

TOTAL SHIPMENTS STEEL PROCESSING
(ThMT)



CINTAC S.A.I.C.

A company created in 1956 for the production and sale of steel products, mainly for supplying the construction industry, both housing and commercial and industrial, in Chile and abroad.

Cintac operates a plant in Santiago with a processing capacity of 190 thousand tons annually.

INSTAPANEL

This company was formed in 1964 to offer the domestic and international markets steel panels for industrial coverings and sidings through a broad range of products with high quality standards.

Instapanel operates plants in Santiago with a processing capacity of 50 thousand tons annually.

CENTROACERO

This company was created in 1991 to develop specific steel solutions, selling high value-added products to thus become a strategic partner of its customers.

Centroacero operates a plant in Santiago with a processing capacity of 70 thousand tons annually.

TUBOS Y PERFILES METÁLICOS S.A. (TUPEMESA)

A company formed in 1965 which currently operates successfully in the tubular steel products market in Peru, with a wide range of high-quality products.

Tupemesa operates a plant in Lima, Peru, with a processing capacity of 70 thousand tons annually.

TUBOS ARGENTINOS (TASA)

This company was created in 1909 and is focused on the production of construction systems and integral solutions through the transformation and use of steel, accompanied by logistical services and innovation which add value and greater satisfaction to the end user both in Argentina and other countries.

Tasa operates two plants, one in the Province of Buenos Aires, Argentina and a second in the Province of San Luis. Its processing capacity is 75 thousand tons annually.

The following shows comparative tables of production and deliveries for the years 2013 and 2012 of Cintac, Intasa and their respective subsidiaries:

PRODUCTION			VARIATION	
(in thousands of metric tons)	2013	2012	ThMT	%
Cintac	148	161	(13)	(8.0%)
Instapanel	48	62	(14)	(21.9%)
Centroacero	61	95	(34)	(35.7%)
Tupemesa (Peru)	41	39	2	3.8%
Tasa (Argentina)	66	57	9	15.4%
TOTAL PRODUCTION	364	414	(50)	(12.1%)

DELIVERIES			VARIATION	
(in thousands of metric tons)	2013	2012	ThMT	%
Cintac	181	182	(1)	(0.4%)
Instapanel	46	44	2	5.2%
Centroacero	66	72	(6)	(8.6%)
Tupemesa (Peru)	47	37	10	27.8%
Tasa (Argentina)	71	64	7	11.0%
TOTAL DELIVERIES	412	399	13	3.2%

Notes: The figures exclude inter-company sales.

The steel-processing group sells its products through a broad network of distribution channels which include the principal retail chains, construction companies, workshops and the large requirements of the mining, industrial, commercial and services sectors.

2.2 / FINANCE

INVESTMENT AND FINANCING POLICIES

INVESTMENTS

During 2013, CAP has applied its usual investment policy, taking into account care for the environment, the safety and development of its human capital and the use of the most efficient technologies, in its efforts to carry out the projects within the framework of its activities as an vertically-integrated producer in iron mining, steel production and an important player in the processing higher value-added steel products in Chile, Peru and Argentina.

The world in recent years has been characterized by an environment of greater instability, as evidenced by the economic volatility in all sectors of the global economy. In 2013 however, there was a greater clarity that the American economy was showing signs of recovery and that in the euro-zone the difficult adjustment process continued but in an atmosphere of less social alarm. In Asia, Japan showed some dynamism thanks to the liquidity injected into the economy, and in China, focused on domestic consumption and reduction in contamination, acceptable GDP growth rates were maintained at around 7.5%.

In the middle of the above scenario, CAP Mining is reaching the final stage of its investment program. In August 2013, the start-up was begun of production in Huasco Valley (by another 2 million tons annually), and the start-up is planned for May 2014 of the Cerro Negro Norte mine (4 million tons capacity annually), with it is expected to raise the annual volume sold to 15 million tons of iron in 2014, and to 18 million tons in 2015.

In addition to the above projects, CAP Holding in September 2013, through its subsidiary Tecnocap, began the operation of an electricity transmission line connecting the Cerro Negro Norte mine with the port of Punta Totoralillo and a desalination plant to Chile's Central Electricity Grid. This desalination plant, also built by CAP Holding through its subsidiary Cleanairtech (51% CAP and 49% Mitsubishi), is planned to start operating in February 2014.

CAP Mining also continued with its exploration and soundings programs in different zones of interest, located mainly in its own mining districts.

Regarding the steel business, the year 2013 was characterized for investments in maintenance, particularly in the relining of the blast furnace No.1 and limited technical improvements and adjustments for greater energy efficiency. The subsidiary in fact began a deep reorganization process, focusing on the production of long products for mineral grinding and construction, and discontinuing the manufacture of flat products.

In the steel-processing business, developed in Chile and Peru through Cintac S.A. and in Argentina through Intasa S.A., the investment emphasis was on efforts to double the installed capacity in Peru, whose economy is passing through a boom that has lasted now for several years.

FINANCING

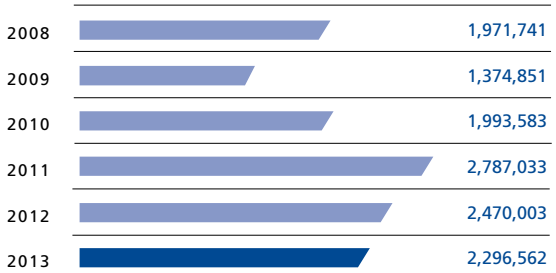
CAP's financial policy is carried out in the accustomed way through the maintenance of adequate liquidity, minimization of exchange risks and the diversification of funding sources, while maintaining a mixed balanced of capital and debt, between local and foreign sources and between short or long term.

In 2013, The CAP group finances were characterized by the gradual reduction in consolidated liquidity, its available cash ending the year at US$ 309 million, after having begun the year at US$ 711 million. This reflects the company's investment program which has been mainly financed from own resources.

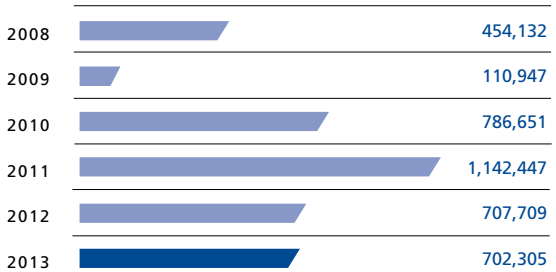
Regarding the group's gross financial debt, this amounted to US$ 932 million as of December 31, 2013, compared to US$ 719 million at the beginning of the year. This reflects the project financing used for the construction of the desalination plant and the use of leasing for the acquisition of mobile mining equipment.

With respect to the credit ratings for its debt issues, CAP retains A+ from Fitch Ratings and Feller Rate at the domestic level, and BBB from Fitch Ratings and BBB- from Standard & Poor's at the international level.

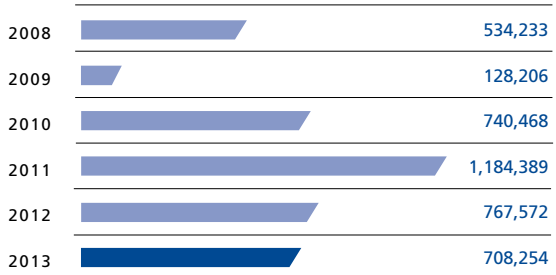
CONSOLIDATED REVENUE
(ThUS$)



GROSS MARGIN
(ThUS$)

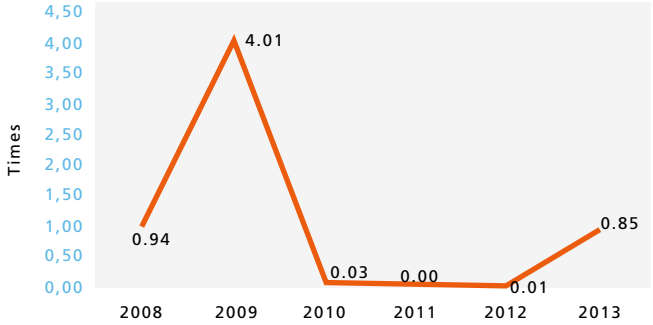


CASH GENERATION (EBITDA)
(ThUS$)

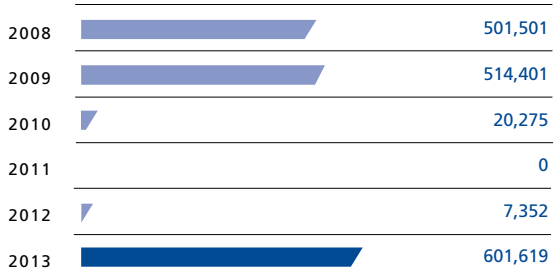


(*) As from 2011, the amount of amortization is considered in the calculation of EBITDA.

CONSOLIDATED NET FINANCIAL DEBT TO EBITDA RATIO
(ThUS$)



NET FINANCIAL DEBT
(ThUS$)



GROSS FINANCIAL DEBT
(ThUS$)

(*) The net financial debt in 2011 was a negative ThUS$ (255,370).

LIQUIDITY

CAP's consolidated liquidity is at a level of 1.55 times as of December 2013, compared to 1.99 times in 2012.

DIVIDENDS AND INVESTMENTS

Dividends of ThUS$ 153,754 were distributed during the year. Investments totaled ThUS$ 974,791.

RISK FACTORS

The businesses of production and commercialization of iron and steel are traded internationally and reflect in their prices the cyclical changes in global and domestic supply and demand.

Iron and steel are not commodities, except in a very restricted sense, as the chemical composition of the iron ore or steel products is essential in purchasing decisions for the vast majority of users, and this generates a wide variety of types of products. This is why, although iron and steel futures have recently gained greater importance, there are no exchanges where these products are traded with ample liquidity and there are only some markets where futures are traded in limited types of products with shallow depth.

Regarding the steel-processing business, this is strongly influenced by the costs of its raw material, i.e. steel, and dynamism of the domestic markets and in general the local business environment.

Recognizing the unique and specific character of each customer's requirements, and for an optimum performance in the face of the variables described above, the CAP Group makes a constant effort to maintain its production processes technologically up to date and always emphasizes the provision of suitable and timely responses in service and supply to its markets, thus ensuring proper satisfaction for its customers.

Together with the cyclical nature of revenues, the CAP Group's statement of results is exposed to the effects of its financial policies which determine the proportion of debt in various currencies and the corresponding applicable fixed or floating interest rates.

2.3 / BANKS

INTERNACIONAL BANKS

Banco Santander
BBVA
Crédit Agricole
Deutsche Bank
Export Development Canada
HSBC
JP Morgan Chase
Mizuho Corporate Bank Ltd.
Scotiabank
Société Générale
Sumitomo Mitsui Banking Corporation
The Bank of New York Mellon
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

LOCAL BANKS

Banco Bice
Banco Consorcio
Banco Crédito e Inversiones
Banco de Chile
Banco Itaú
Banco Santander Chile
Banco Security
Banco Estado
BBVA Chile
Corpbanca
HSBC Bank (Chile)
Scotiabank
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

2.4 / DIVIDEND POLICY

A dividend distribution of 50% of the net income will be proponed to the shareholders meeting to be held in April 2014.

The meeting will be proposed that during 2014 the board may pay interim dividends against the earnings for the year, provided there are no accumulated losses.

It will also be proposed that the board, at its discretion, may agree to pay eventual dividends against present retained earnings, as foreseen in article 80 of Law 18,046.

It is also the intention to propose to the ordinary shareholders meeting to be held in 2015, that if earnings are produced in the year 2014, 50% of these will be distributed as the final dividend.

2.5 / PERSONNEL

As of December 31, 2013, the personnel of CAP S.A. and its subsidiaries totaled 5,220 people, distributed by company and compared to the year before as follows:

COMPANY	2013	2012
CAP S.A.	76	72
Cía. Siderúrgica Huachipato S.A.	1,261	1,716
Cía. Minera del Pacífico S.A.	3,021	2,778
Steel Processing Group	862	888
Total	5,220	5,454

Of the total, 921 are engineers, technicians and other university professionals and 4,299 are employees qualified to carry out operative, administrative and service jobs. During the fiscal year 2013, the number of permanent personnel decreased by 234, representing a 4.29% drop off the previous year. The parent company, CAP S.A., employs 13 managers, 26 professionals and technicians and 37 qualified employees.

SUSTAINABILITY

3.

3.1 Sustainability

3.1 / SUSTAINABILITY

The CAP Group has incorporated the concept of corporate social responsibility since its creation over 60 years ago. The Company continuously seeks to ensure that the group's present and future activities can be carried out without altering relations with its environment, and also contribute value to the areas where it operates.

The strategy is thus directed to creating value on the basis of three key pillars: to ensure proper employment quality, operate the business in harmony with the environment and contributing to society, based on compliance with the Cap Group's business principles and the company's economically-efficient operation.

During 2013 CAP analyzed its risks in sustainability, including social, environmental, labor safety, employment, ethical and corporate governance aspects. The risks associated with each subsidiary are managed through the management systems like ISO 9001 (quality), ISO 14001 (environmental) and OHSAS 18001 (health and safety).

It also continued to stimulate the application of the Corporate Sustainability Strategic Plan, as well as adhering and promoting the ten universal principles of the United Nations Global Compact, an initiative in which it has actively participated since 2008.

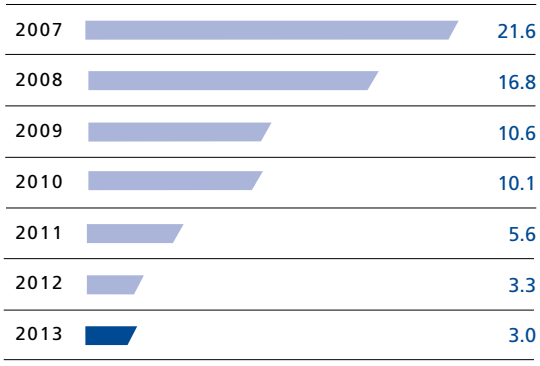
Regarding reporting, 2013 was the fifth consecutive year for which the Sustainability Report was prepared, being published for the first time in April together with annual report and financial statements. This reflects the Company's constant interest in continuously improving relations with its stakeholders, providing them with transparent, useful and timely information on the group's activities. This document follows the guidelines of the Global Reporting Initiative (GRI), self-qualified at level A, in compliance with the voluntarily-adopted guidelines.

SAFETY AND OCCUPATIONAL HEALTH POLICY

The CAP Group in 2013 continued working to the objectives set out in 2012 in its Corporate Prevention Plan, i.e. to have zero fatal accidents, zero serious accidents and reduce the accident frequency rate.

Despite the Company's efforts in terms of safety, the year produced two regrettable fatal accidents; one to an employee of Cintac and the other an external worker on the electricity line that will feed Mina Cerro Negro Norte. These accidents led to investigation and a recording of the lessons learnt. Preventive measures were doubled, establishing priorities, demanding targets, new performance indicators and committing the leadership of the whole supervisory line in this area, in order to ensure the achievement of the defined objectives.

However, the frequency rate has continued to improve, reducing by 9% at the group level, a trend that has been maintained over the last seven years.



The CAP Group also produced a seriousness rate of 537 (+21%), affected by the fatal accidents mentioned above.

CAP GROUP ENVIRONMENTAL POLICY

In developing the tasks of its corporate mission, the CAP Group is concerned about the quality of the environment, protecting the ecosystems where it operates, giving full compliance with current environmental legislation and the voluntary agreements it has made. The CAP Group therefore:

/ Seeks to optimize its environmental management system for the continuous improvement of its production activities.

/ Promotes re-use and recycling in its processes, reducing the generation of waste and seeking a more efficient consumption of energy and materials.

/ Maintains contingency plans for potential risks to the environment, its personnel and the communities close to its installations, arising from its operations.

/ Organizes training and prevention programs in environmental matters for its personnel and external contractors.

/ Promotes initiatives and new technologies that contribute value in the areas where it operates.

Further information on these matters is included in the Sustainability Report 2013 which will be available from April 2014 on our web site www.cap.cl


CAP

FINANCIAL STATEMENTS

4.

4.1 Consolidated Financial Statements 2013

INDEPENDENT AUDITOR'S REPORT OVER CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

Deloitte
Auditores y Consultores Limitada
RUT: 80.276.200-3
Rosario Norte 407
Las Condes, Santiago
Chile
Fono: (56-2) 2729 7000
Fax: (56-2) 2374 9177
e-mail: deloittechile@deloitte.com
www.deloitte.cl

To the Shareholders and Directors of
CAP S.A.

The accompanying condensed consolidated financial statements, which comprise the summary statements of financial position as of December 31, 2013 and 2012, and the related summary statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the condensed consolidated financial statements, are derived from the audited consolidated financial statements of CAP S.A. and Subsidiaries as of and for the years ended December 31, 2013 and 2012. We express an unmodified audit opinion on those audited consolidated financial statements in our report dated January 31, 2014. The audited consolidated financial statements, and the summary financial statements derived therefrom, do not reflect the effect of events, if any, that occurred subsequent to the date of our report on the audited consolidated financial statements. The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards (IFRS). Reading the summary financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of CAP S.A. and Subsidiaries.

Management's Responsibility for the Summary Financial Statements
Management is responsible for the preparation of the summary financial statements on the basis described in Note 3.

Auditors' Responsibility
Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with auditing standards generally accepted in Chile. The procedures consisted principally of comparing the summary financial statements with the related information in the audited consolidated financial statements from which the summary financial statements have been derived, and evaluating whether the summary financial statements are prepared in accordance with the basis described in Note 3. We did not perform any audit procedures regarding the audited consolidated financial statements after the date of our report on those financial statements.

Opinion
In our opinion, the summary financial statements of CAP S.A. and Subsidiaries as of and for the years ended December 31, 2013 and 2012 are consistent, in all material respects, with the audited consolidated financial statements from which they have been derived, on the basis described in Note 3.

Other-matter
The accompanying summary financial statements have been translated into English solely for the convenience of readers outside Chile.

Deloitte
July 4, 2014
Santiago, Chile

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION, CLASSIFIED

AS OF DECEMBER 31, 2013 AND 2012
(IN THOUSANDS OF U.S. DOLLARS - THS$)

ASSETS	12.31.2013 ThUS$	12.31.2012 ThUS$
CURRENT ASSETS		
Cash and cash equivalents	111,193	295,297
Other financial assets, current	197,832	416,036
Other non-financial assets, current	30,748	43,031
Trade and other current receivable	463,202	450,607
Accounts receivable from related entities, current	4,032	6,509
Inventories, current	418,499	416,162
Tax assets, current	130,207	78,268
Total current assets other than assets or disposal groups classified as held for sale or held for distribution to owners	**1,355,713**	**1,705,910**
TOTAL CURRENT ASSETS	1,355,713	1,705,910
NON-CURRENT ASSETS		
Other non-current financial assets	37,350	1,567
Other non-financial assets, non-current	25,467	7,066
Non-current receivables	6,065	7,243
Investments accounted for using the equity method	11,183	11,401
Intangible assets other than goodwill	813,266	855,005
Goodwill	1,767	1,767
Property, plant and equipment	3,426,863	2,560,258
Deferred tax assets	14,148	12,626
TOTAL NON-CURRENT ASSETS	4,336,109	3,456,933
Total assets	5,691,822	5,162,843

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION, CLASSIFIED

AS OF DECEMBER 31, 2013 AND 2012
(IN THOUSANDS OF U.S. DOLLARS - THS$)

EQUITY AND LIABILITIES	12.31.2013 ThUS$	12.31.2012 ThUS$
LIABILITIES		
CURRENT LIABILITIES		
Other financial liabilities, current	136,148	156,480
Trade and other current payables	586,467	485,405
Accounts payable to related entities , current	76,774	116,587
Other short-term provisions	21,355	21,558
Current tax liabilities	10,769	24,840
Current provisions for employee benefits	38,160	46,637
Other current non-financial liabilities	4,315	5,773
TOTAL CURRENT LIABILITIES OTHER THAN LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	873,988	857,280
TOTAL CURRENT LIABILITIES	873,988	857,280
NON-CURRENT LIABILITIES		
Other non-current financial liabilities	795,383	562,205
Other long-term provisions	15,287	13,920
Deferred tax liabilities	350,838	366,133
Non-current provisions for employee benefits	115,212	158,800
Other non-current non-financial liabilities	301,600	96,095
TOTAL NON-CURRENT LIABILITIES	1,578,320	1,197,153
TOTAL LIABILITIES	2,452,308	2,054,433
EQUITY		
Issued capital	379,444	379,444
Retained earnings (accumulated losses)	1,562,797	1,477,114
Other reserves	(17,856)	(18,745)
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT	1,924,385	1,837,813
Non-controlling interest	1,315,274	1,270,597
Total equity	3,239,659	3,108,410
Total equity & liabilities	5,691,967	5,162,843

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE RESULTS, BY FUNCTION

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(IN THOUSANDS OF U.S. DOLLARS – THS$)

INCOME STATEMENT	01.01.2013 12.31.2013 ThUS$	01.01.2012 12.31.2012 ThUS$
PROFIT (LOSS)		
Revenues	2,296,562	2,470,003
Cost of sales	(1,594,257)	(1,762,294)
GROSS PROFIT	702,305	707,709
Other income	18,779	16,673
Distribution costs	(28,680)	(24,935)
Administrative expenses	(116,336)	(119,504)
Other expenses	(134,878)	(78,228)
Other gains (losses)	(789)	15,175
PROFIT (LOSS) FROM OPERATING ACTIVITIES	440,401	516,890
Financial income	13,444	51,846
Financial costs	(40,560)	(49,529)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(1,070)	(351)
Exchange differences	(7,305)	(1,128)
Results for indexation units	525	333
PROFIT (LOSS) BEFORE TAX	405,435	518,061
Income tax expense	(122,717)	(187,310)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	282,718	330,751
Profit (loss) from discontinued operations	-	-
PROFIT (LOSS)	282,718	330,751
PROFIT (LOSS) ATTRIBUTABLE TO:		
Profit (loss), attributable to owners of the parent	183,526	233,699
Profit (loss), attributable to non-controlling interests	99,192	97,052
PROFIT (LOSS)	282,718	330,751
EARNINGS PER SHARE		
BASIC EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS	**US$**	**US$**
BASIC EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS	1.228025	1.563747
Basic earnings (loss) per share	1.228025	1.563747

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE RESULTS, BY FUNCTION

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(IN THOUSANDS OF U.S. DOLLARS – THS$)

STATEMENT OF OTHER COMPREHENSIVE INCOME	01.01.2013 12.31.2013 ThUS$	01.01.2012 12.31.2012 ThUS$
PROFIT (LOSS)	282,718	330,751
OTHER COMPREHENSIVE INCOME **ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS, BEFORE TAX** Remeasurement of defined benefit obligation	4,270	(3,648)
OTHER COMPREHENSIVE INCOME WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS, BEFORE TAX	4,270	(3,648)
ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		
EXCHANGE DIFFERENCE ON TRANSLATING: Exchange differences arising during the year, before tax	(969)	1,105
OTHER COMPREHENSIVE INCOME, BEFORE TAX, EXCHANGE DIFFERENCES ON CONVERSION	(969)	1,105
AVAILABLE-FOR-SALE FINANCIAL ASSETS		
CASH FLOW HEDGE Gain (loss) on cash flow hedge, before tax	(2,134)	9,838
OTHER COMPREHENSIVE INCOME, BEFORE TAX, CASH FLOW HEDGE	(2,134)	9,838
OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS, BEFORE TAX	(3,103)	10,943
OTHER COMPREHENSIVE INCOME, BEFORE TAX	1,167	7,295
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME IS NOT RECLASSIFIED TO PROFIT OR LOSS Income tax relating remeasurement of defined benefit obligation	(854)	730
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME IS NOT RECLASSIFIED TO PROFIT OR LOSS	(854)	730
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME IS RECLASSIFIED TO PROFIT OR LOSS Income tax related to cash flow hedges of other comprehensive income	427	(1,968)
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME IS RECLASSIFIED TO PROFIT OR LOSS	427	(1,968)
OTHER COMPREHENSIVE INCOME	740	6,057
TOTAL COMPREHENSIVE INCOME	283,458	336,808
COMPREHENSIVE INCOME ATTRIBUTABLE TO Comprehensive income, attributable to owners of parent Comprehensive income, attributable to non-controlling interests	 184,266 99,192	 239,756 97,052
Total comprehensive income	283,458	336,808

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, DIRECT

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(IN THOUSANDS OF U.S. DOLLARS – THS$)

STATEMENT OF CASH FLOWS	01.01.2013 12.31.2013 ThUS$	01.01.2012 12.31.2012 ThUS$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Classes of cash receipts from operating activities:		
Receipts from sales of goods and rendering of services	2,542,272	2,647,300
Other cash receipts from operating activities	25,192	7,544
Classes of cash payments		
Payments to suppliers for goods and services	(1,334,318)	(1,244,385)
Payments to and on behalf of employees	(284,202)	(256,708)
Cash flow from (used in) operating activities	948,944	1,153,751
Interest received	7,933	15,094
Income tax refund (paid)	(141,329)	(170,648)
Other inflows (outflows) of cash	(38,757)	(19,206)
Net cash flow from (used in) operating activities	776,791	978,991
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Cash flows used in acquisitions of non- controlling interests	(15,065)	(809)
Other payments for acquiring equity or debt instruments of other entities	(20,889)	-
Proceeds of sales of property, plant & equipment	262	484
Purchases of property, plant & equipment	(974,791)	(777,379)
Cash advances and loans to third	(1,803)	(10,604)
Payments derived from contracts of future, to term, of options and of financial barter	(9,630)	(9,705)
Collections proceeding from contracts of future, to term, of options and of financial operations	5,487	18,253
Interest received	308	385
Other inflows (outflows) of cash	205,983	324,906
Net cash flow from (used in) investment activities	(810,138)	(454,469)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from issuing shares	25,223	5,672
Proceeds of long-term loans	135,050	45,000
Proceeds from short-term borrowings	117,134	179,290
Repayments of borrowings	(175,102)	(296,660)
Payments of finance lease liabilities	(1,015)	(2,434)
Dividends paid	(229,794)	(265,229)
Interest paid	(23,115)	(27,395)
Other inflows (outflows) of cash	277	(2,033)
Net cash flow from (used in) financing activities	(151,342)	(363,789)
Net increase (decrease) in cash and cash equivalents before the effect of exchange rate changes	(184,689)	160,733
EFFECTS OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS		
Effects of exchange rate change on cash and cash equivalents	585	1,097
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(184,104)	161,830
Cash and cash equivalents at beginning of period	295,297	133,467
Cash & cash equivalents at end of period	111,193	295,297

CONDENSED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(IN THOUSANDS OF U.S. DOLLARS – THS$)

AS OF DECEMBER 31, 2013	CAPITAL SHARES ThUS$	FOREING CURRENCY TRANSLATION RESERVE ThUS$	CASH FLOW HEDGING RESERVE ThUS$	EQUITY- SETTLED EMPLOYEE BENEFITS RESERVE ThUS$	OTHER RESERVE ThUS$	TOTAL RESERVE ThUS$	RETAINED EARNINGS ThUS$	ATTRIBUTABLE TO OWNERS OF THE PARENT ThUS$	NON-CONTROLLING INTEREST ThUS$	TOTAL THUS$
OPENING BALANCE AT 01.01.2013	**379,444**	**3,898**	**(19,092)**	**-**	**342**	**(14,852)**	**1,473,221**	**1,837,813**	**1,270,597**	**3,108,410**
Increase (decrease) from changes in accounting policies	-	-	-	(3,893)	-	(3,893)	3,893	-	-	-
Increase (decrease) for bug fixes	-	-	-	-	-	-	-	-	-	-
BEGINNING BALANCE RESTATED	**379,444**	**3,898**	**(19,092)**	**(3,893)**	**342**	**(18,745)**	**1,477,114**	**1,837,813**	**1,270,597**	**3,108,410**
Changes in equity										
Comprehensive income							183,526	183,526	99,192	282,718
Profit (loss)										
Other comprehensive income		(969)	(1,707)	3,416	-	740		740	-	740
Comprehensive income						-			99,192	283,458
Dividends paid						-	(97,843)	(97,843)	(78,476)	(176,319)
Increase (decrease) through transfers and other changes, equity	-	-	-	-	149	149	-	149	23,961	24,110
TOTAL CHANGES IN EQUITY	**-**	**(969)**	**(1,707)**	**3,416**	**149**	**889**	**85,683**	**86,572**	**44,677**	**131,249**
Closing balance To December 31, 2013	**379,444**	**2,929**	**(20,799)**	**(477)**	**491**	**(17,856)**	**1,562,797**	**1,924,385**	**1,315,274**	**3,239,659**

CONDENSED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(IN THOUSANDS OF U.S. DOLLARS – THS$)

AS OF DECEMBER 31, 2012	CAPITAL SHARES ThUS$	FOREING CURRENCY TRANSLATION RESERVE ThUS$	CASH FLOW HEDGING RESERVE ThUS$	CHANGES IN EQUITY- SETTLED EMPLOYEE BENEFITS RESERVE ThUS$	OTHER RESERVE ThUS$	TOTAL RESERVE ThUS$	RETAINED EARNINGS ThUS$	ATTRIBUTABLE TO OWNERS OF THE PARENT ThUS$	NON-CONTROLLING INTEREST ThUS$	TOTAL ThUS$
OPENING BALANCE AT 01.01.2012	379,444	2,793	(26,962)	-	-	(24,169)	1,368,803	1,724,078	1,246,348	2,970,426
Increase (decrease) from changes in accounting policies	-	-	-	(975)	-	(975)	975	-	-	-
Increase (decrease) for bug fixes	-	-	-	-	-	-	-	-	-	-
BEGINNING BALANCE RESTATED	379,444	2,793	(26,962)	(975)	-	(25,144)	1,369,778	1,724,078	1,246,348	2,970,426
Changes in equity										
Comprehensive income										
Profit (loss)							233,699	233,699	97,052	330,751
Other comprehensive income		1,105	7,870	(2,918)	-	6,057		6,057	-	6,057
Comprehensive income								239,756	97,052	336,808
Dividends paid							(126,363)	(126,363)	(72,803)	(199,166)
Increase (decrease) through transfers and other changes, equity	-	-	-	-	342	342	-	342	-	342
TOTAL CHANGES IN EQUITY	-	1,105	7,870	(2,918)	342	6,399	107,336	113,735	24,249	137,984
Closing balance To December 31, 2012	379,444	3,898	(19,092)	(3,893)	342	(18,745)	1,477,114	1,837,813	1,270,597	3,108,410

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013 AND 2012

1. GENERAL INFORMATION

CAP S.A. (hereinafter "Company") was established in Chile by public deed dated April 27, 1946 under the name of Compañía de Acero del Pacífico S.A., being legally declared as established by the Finance Ministry Decree No. 3418. Subsequently, in February 1981 it was renamed Compañía de Acero del Pacífico S.A. de Inversiones and in May 1991 it adopted the name of CAP S.A., currently used.

CAP S.A. is a publicly traded corporation, its Tax ID number is 91,297,000-0, it is registered in the Securities Registry of the Superintendency of Securities and Insurance under No. 0131 and its legal registered address is No. 220 Gertrudis Echenique, Las Condes, Santiago de Chile.

The majority shareholder of CAP S.A. is Invercap S.A. with 31.32% of its ownership interest, as such it is in a position to exercise significant influence, but it has no control over the investee, as it is not exposed and has no right to the variable returns of the involvement in the investee and has no power to affect the investee returns.

For the purpose of the definition given in title XV of Law No.18,045, it is concluded that Invercap S.A. qualifies as the controller of CAP S.A.

2. DESCRIPTION OF THE BUSINESS

The Company's main activity is to invest in any kind of incorporeal property, including shares, bonds, debentures, savings and capitalization plans, shares or rights in companies or mutual funds and any kind of securities as well as administering such investments.

The Company's specific purposes are to promote, organize and set up companies of any nature and purpose, to buy or sell shares and social rights; provide managerial, financial and legal, engineering, auditing and other necessary services for the better development of companies in which it is a shareholder or partner; or of third party companies; coordinate the management of the companies of which it is a shareholder or partner to maximize productivity and profitability.

CAP S.A. is the parent of the following direct and indirect subsidiaries registered in the Superintendency of Securities and Insurance:

Direct subsidiaries registered in the Special Register of Reporting Entities:

Compañía Siderúrgica Huachipato S.A.
Compañía Minera del Pacífico S.A.

Direct subsidiary registered in the Securities Registry:

Intasa S.A. (2013)

Indirect subsidiaries registered in the Securities Registry:

Cintac S.A.
Intasa S.A. (2012)

Additionally, CAP S.A. is the parent of the following direct subsidiaries not registered in the Superintendency of Securities and Insurance:

Puerto Las Losas S.A.
Port Investments Limited N.V.
Cleanairtech Sudamerica S.A.
Novacero S.A.
Tecnocap S.A.
Abastecimientos CAP S.A.
Ecocap S.A. (2013)

CAP S.A. aims to consolidate its position in the steel business, efficiently managing its three business areas: iron ore (CAP Mining), steel production (CAP Steel) and CAP Steel Solutions, using the best technology available, being competitive in terms of costs and complying with strict measures for the safety and protection of the environment where it operates.

CAP Mining conducts its business through its subsidiary Compañía Minera del Pacífico S.A. (CMP) and its subsidiaries (Sociedad de Ingeniería y Movimiento de Tierra del Pacífico S.A., Compañía Distribuidora de Petróleos del Pacífico S.A., Manganesos Atacama S.A., Minera Hierro Atacama S.A., CMP Services Asia Limited and Pacific Ores and Trading N.V.) whose main purpose is to evaluate, develop and exploit mineral ores; process and trade their products; develop complementary, derived, secondary or supplying of raw materials, supplies or services industries, or directly or indirectly related with the above purposes; provide geological and mining research, engineering, industrial and mechanical maintenance, construction and earthmoving services; create and establish companies for the purposes of achieving any of these goals.

CAP Mining is the largest producer of iron ore and pellets in the Pacific coast, with extensive known resources and reserves and ever-expanding exploitation programs to ensure continuity of operations for many decades.

For management purposes, Compañía Minera del Pacífico S.A. is organized into four main units:

- **Huasco Valley:** (Valle del Huasco): Includes the pellet plant activities, Los Colorados (former Compañía Minera Huasco S. A.), El Algarrobo Mines and Guacolda II Port.
- **Elqui Valley:** (Valle del Elqui): Includes the activities of El Romeral Mine and Port Guayacán.
- **Copiapó Valley:** (Valle de Copiapó): Comprises of the activities of the Magnetite plant and Port Totoralillo.
- **Others:** Includes overall management of the Company and the results of the subsidiaries.

CAP Steel operates through its subsidiary Compañía Siderúrgica Huachipato S.A. (CSH), which has its facilities in the municipality of Talcahuano, Eighth Region of Chile.

Compañía Siderúrgica Huachipato S.A. is an integrated processing plant that produces pig iron as a result of reduction of the ore in blast furnaces, transforms pig iron into liquid iron in a steel mill, from which it obtains sheets and steel billets of continued melt (semi-finished products), which are then rolled to deliver higher added value products to the market, such as hot laminated bars and slabs. This subsidiary ceased the operations of its cold rolling, zincalume and tin plate plant temporarily in 2012. At December 31, 2013 the management decided to write off the assets related to those production lines, as the related products are not considered in the future business plan. In 2013 it also ceased the operations of the line of hot slab rolling and blast furnaces temporarily; however, the operations will be restarted in the future in accordance with the business plan.

In June 2013 due to the situation that the subsidiary has had to face as a result of the overproduction in the global steel industry, it decided to focus its activities in the production of long products, that is, bars for the supply of the mining and the construction industries, which are the segments with the highest projection in the market, due to the characteristics of the local demand for steel.

The subsidiary meets all the legal conditions to which it is subject, has normal production conditions, and currently operates in two thirds of its operating capacity. The phased implementation of the cost reduction measures and operating strategy will allow the subsidiary to ensure the continuity of its profitable operations in the short term. Through its parent Company, the subsidiary is able to access the financial system to finance its operations. In accordance with the management, this determines its ability to continue as a going concern in conformity with the accounting standards under which these financial statements are issued.

Compañía Siderúrgica Huachipato sells its steel products to distributors and construction companies, processors and industrial companies, manufacturers of metal packaging, wire drawers, tubes and profiles factories, metals workshops and mines.

CAP Steel Solutions conducts its business through Intasa S.A. and subsidiaries (Tubos Argentinos S.A. and Steel House do Brasil Comercio Ltda.) and Novacero S.A. and subsidiaries: Cintac S.A. and subsidiaries (Instapanel S.A., Centroacero S.A. and Tubos y Perfiles Metálicos S.A.). Its main purpose is the manufacture, distribution, sale, representation, import and export of all kinds of steel and metal products; the execution of civil works, housing construction, installation and manufacture of specialty products in which goods manufactured by the Company are used, organizing transportation to complement these purposes, the sale, import and export of all kinds of movable goods in order to complement its activities.

The Company has in its product portfolio solutions to several market needs, serving multiple economic sectors such as construction, real estate, industrial, commercial, road construction and mining, among others.

In Argentina, CAP Steel Solutions has the subsidiary Tubos Argentinos S.A. whose main activities the Company are the cutting of coils, the pressing of cold, hot and galvanized rolled sheet and the manufacture and sale of seamed steel pipes, and steel pipes and profiles for dry construction. The Company has two plants, one located at Talar de Pacheco in the province of Buenos Aires and another at Justo Daract in the province of San Luis, Argentina Republic.

Under the present exchange controls regime in Argentina for access to US dollars, Intasa S.A. and its subsidiary are analyzing the way for transferring funds to Intasa S.A. with respect to dividend and other payments.

It also has the subsidiary Tubos y Perfiles Metálicos S.A. (Tupemesa) in Lima, Peru which operates successfully in the market for tubular steel products, with a broad range of products of high quality standards.

In Brazil, the subsidiary Tubos Argentinos S.A., together with Intasa S.A., have set up the Company Steel House Do Brasil Comercio Ltda., headquartered in the city of Porto Alegre, which began its operations in January 2010. The principal business of this Company is the commercialization in the south of Brazil of galvanized profiles for dry construction, under the trade name STEEL HOUSE, produced at the San Luis plant in Argentina.

The incorporation of the steel solutions group into the traditional businesses of the CAP Group has allowed the strengthening of steel consumption in Chile and an improvement in the consolidated returns as a result of participating in the whole steel value chain.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting principles

These consolidated financial statements are presented in thousands of United States dollars and have been prepared from the accounting records kept by CAP S.A. and its Subsidiaries (the "Group" or the "Company") and have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) The completed consolidated financial statements of december 31,2013, and were approved by the Board of Directors at its meeting held on January 31, 2014.

These consolidated financial statements presents fairly the consolidated Group's financial position as of December 31, 2013 and 2012, and the results of their operations, changes in equity and their cash flows for the years then ended.

Responsibility for the information and estimates made

CAP S.A. and its subsidiaries' management are responsible for the information contained in these consolidated financial statements.

The preparation of these consolidated financial statements in accordance with IFRS requires the use of estimates and assumptions by CAP S.A. and its subsidiaries' management. These estimates are based on management's best knowledge of the amounts reported, events or circumstances, at the date of issuance of these consolidated financial statements. However, it is possible that future events force them to be modified (downward or upward) in subsequent periods which would be made prospectively, in accordance with IAS 8, presenting the effects of changes in estimates in the corresponding future consolidated financial statements.

3.1 Significant Accounting Policies Adopted

The following are the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been defined based on the IFRS effective as of December 31, 2013, and have been consistently applied in all periods presented in these consolidated financial statements.

(a) Periods covered - These consolidated financial statements of CAP S.A. and subsidiaries comprise the statements of financial position and of changes in equity as of December 31, 2013 and 2012, and the statements of comprehensive income and of cash flows for the years then ended.

(b) Basis of preparation - These consolidated financial statements have been prepared in accordance with IFRS, and in accordance with the requirements and options presented by the Superintendency of Securities and Insurance (SVS), and represent the full, explicit and unreserved adoption of these international standards. Additionally, communications and circulars issued by the Superintendency of Securities and Insurance in regard to the preparation and presentation of the financial statements under IFRS issued by the International Accounting Standards Board (hereinafter "IASB") have been considered.

These consolidated financial statements have been prepared from the accounting books kept by CAP S.A. and its Subsidiaries.

The financial statements have been prepared based on the historical cost. Usually, the historical cost is based on the fair value of the consideration provided for the goods and services. The fair value is the price that would be received from selling an asset or paid to transfer a liability in a transaction between players in the market at the measurement date, regardless if this price is observable or estimated by using other valuation technique. The Company considers the characteristics of the assets and liabilities, if the players in the market take those characteristics when fixing the price of the asset or liability at the measurement date. The fair value for the purpose of measurement and/or disclosure in the financial statements is calculated in that way, except for the measurements that have some similarities with the market value, but that are not fair value, such as the net realizable value of IAS 2 or the value in use of IAS 36.

(c) Basis of consolidation - The consolidated financial statements include the financial statements of the parent Company and the companies controlled by the Company. The control is attained when the Company:

- has the power over the investment,
- is exposed or has the right to the variable returns of the involvement in the investment, and
- is able to use its power to affect the investment returns.

The Company evaluated the control based on all the events and circumstances and the conclusion is re-evaluated to see whether there is any indication that there are changes in at least one of the three aforementioned elements.

When the Company has less than most of the voting rights of an investment, the Company attains control when the voting rights are enough and give the Company the unilateral practical ability to manage the significant activities of the investment. The Company considers all the events and circumstances in the evaluation whether the voting rights in an investment are enough to give the Company the power, including:

- The size of the ownership in the Company's voting rights in regard to the size and scattering of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from contractual agreements; and
- Any event and/or additional circumstances indicating that the Company has or has no current ability to manage the significant activities when decisions are required to be made, including patterns of voting behavior in meetings of previous shareholders.

The consolidation of a subsidiary starts when the Company obtains control over the subsidiary and finishes when the Company loses control of the subsidiary. Specifically, income and expenses of an acquired or sold subsidiary during the year are included in the statement of comprehensive income from the date on which the Company obtains control over the subsidiary until the date when the Company does not control the subsidiary anymore.

The profit or loss and each component of other comprehensive income are attributed to the owners of the Company and the non-controlling interests. The total comprehensive income of the subsidiaries is attributed to the owners of the Company and the non-controlling interests, even if the non-controlling interests have a negative balance.

All the significant intercompany transactions and balances have been eliminated upon consolidation. The Company has also recognized the non-controlling interest that is the percentage of ownership of third parties in subsidiaries, which is separately included in the consolidated equity of CAP S.A.

Subsidiaries - A subsidiary is an entity over which the group directly or indirectly exercises control as defined above. Those entities in which despite not holding this level of ownership interest, it is understood that the entities activities are performed to the benefit of the Company that it is exposed to most of the risks and benefits of the related entities, are also consolidated by this method.

When evaluating whether the Company controls another entity, the existence and effect of the potential voting rights currently exercised are considered. Subsidiaries are consolidated as of the date on which control is transferred to the group, and they are excluded from the consolidation on the date when the control ceases.

The following table sets forth the direct and indirect subsidiaries that have been consolidated by the CAP Group:

				SHAREHOLDING PERCENTAGE			
				12.31.2013			12.31.2012
TAX NO.	COMPANY	ADDRESS	RELATIONSHIP	DIRECT	INDIRECT	TOTAL	TOTAL
94637000-2	Compañía Siderúrgica Huachipato S.A.	Chile	Direct subsidiary	99.999	0.000	99.999	99.999
94638000-8	Compañía Minera del Pacífico S.A.	Chile	Direct subsidiary	74.999	0.000	74.999	74.999
79942400-2	Compañía Distribuidora de Petróleos del Pacífico Ltda.	Chile	Indirect sub.	0.000	74.999	74.999	74.999
79807570-5	Sociedad de Ingeniería y Movimientos de Tierra del Pacífico Ltda.	Chile	Indirect sub.	0.000	74.999	74.999	74.999
0-E	Pacific Ores & Trading N.V.	Dutch Antilles	Indirect sub.	0.000	74.999	74.999	74.999
0-E	Pacific Ores & Trading B.V.	Holland	Indirect sub.	0.000	74.999	74.999	74.999
90915000-0	Manganesos Atacama S.A.	Chile	Indirect sub.	0.000	74.184	74.184	74.184
76498850-7	Puerto Las Losas S.A.	Chile	Direct subsidiary	51.000	0.000	51.000	51.000
76800010-7	Minera Hierro Atacama S.A.	Chile	Indirect sub.	0.000	74.999	74.999	74.999
0-E	CMP Services Asia Limited	Hong Kong	Indirect sub.	0.000	100.000	100.000	0.000
94235000-7	Abastecimientos CAP S.A.	Chile	Direct subsidiary	50.000	43.750	93.750	93.750
76369130-6	Tecnocap S.A.	Chile	Direct subsidiary	60.000	34.999	94.999	94.999
76399380-9	Ecocap S.A.	Chile	Direct subsidiary	99.731	0.268	99.999	95.000
76399400-7	Cleanairtech Sudamérica S.A.	Chile	Direct subsidiary	51.000	0.000	51.000	51.000
0-E	P.O.R.T. Investments Ltd. N.V.	Dutch Antilles	Direct subsidiary	100.000	0.000	100.000	100.000
0-E	P.O.R.T. Finance Ltd. N.V.	Dutch Antilles	Indirect sub.	0.000	100.000	100.000	100.000
96925940-0	Novacero S.A.	Chile	Direct subsidiary	52.682	0.000	52.682	52.682
99503280-5	Intasa S.A.	Chile	Direct subsidiary	57.787	16.101	73.888	56.536
0-E	Tubos Argentinos S.A. (Argentina)	Argentina	Indirect sub.	0.000	56.536	56.536	56.536
0-E	Steel House Do Brasil Comercio Ltda.	Brasil	Indirect sub.	0.000	56.536	56.536	56.536
92544000-0	Cintac S.A.	Chile	Indirect sub.	11.031	26.832	37.863	37.863
0-E	Steel Trading Co. Inc. (Bahamas)	Bahamas	Indirect sub.	0.000	37.863	37.863	37.863
96919030-3	Conjuntos Estructurales S.A.	Chile	Indirect sub.	0.000	37.863	37.863	37.863
0-E	Tubos y Perfiles Metálicos S.A. (Perú)	Perú	Indirect sub.	0.000	37.863	37.863	37.863
96705210-8	Cintac S.A. (ex Acero Cintac S.A.)	Chile	Indirect sub.	0.000	37.863	37.863	37.863
96859640-3	Instapanel (ex Varco Pruden Chile S.A.)	Chile	Indirect sub.	0.000	37.863	37.863	37.863
76721910-5	Inmobiliaria Cintac S.A.	Chile	Indirect sub.	0.000	37.863	37.863	37.863
99537280-0	Tecnoacero S.A.	Chile	Indirect sub.	0.000	37.863	37.863	37.863
99553700-1	Tecnoacero Uno S.A.	Chile	Indirect sub.	0.000	37.863	37.863	37.863
76734400-7	Centroacero S.A. ex Nueva Centroacero S.A.	Chile	Indirect sub.	0.000	37.863	37.863	37.863

All the companies have the U.S. dollar as their functional currency.

Non-controlling interests - A controlling entity will present the non-controlling interest in the consolidated statement of financial position under equity, separately from the equity of the owners of the controlling Company.

The changes in the Company's interest in the ownership of a subsidiary that do not result in loss of control over the subsidiaries are recorded as equity transactions. Book values of the Company's interest and the non-controlling interests are adjusted to reflect the change in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is directly recognized in equity and attributed to the owners of the Company.

Associates and joint ventures: An associate is an entity over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an investee, but it is not control or joint control over those policies.

A joint venture is a joint arrangement in which the parties having the joint control of the agreement have rights over the net assets of the joint arrangement. Joint control is the contractual agreement to share the control over an agreement that exists only when the decisions of significant activities require the unanimous consent of the parties that share the control.

Profit or loss, assets and liabilities of the associates and/or joint ventures are included in the financial statements by using the equity method, except when the investment is classified as held for sale, in which case it is recorded in conformity with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, the investments in associates and/or joint ventures are initially recorded at cost, and are subsequently adjusted based on the changes that it has after the acquisition, the portion of net assets of the associate that is for the Company, less any impairment of the individual investments.

When the group's interest in the losses of an associate or joint venture exceeds its interest in them, the entity will stop recognizing its interest in the additional losses. The interest in an associate or joint venture shall be the book value of the investment in the associate or joint venture calculated in accordance with the equity method, together with any long-term interest that is, in substance, part of the net investment of the entity in the associate or joint venture.

An investment in an associate and/or joint venture shall be recorded by using the equity method from the date on which it becomes an associate or joint venture. At the time of acquisition of the investment in an associate or joint venture, any excess of the cost of the investment and the Company's interest in the net fair value of the identifiable assets and liabilities of the investee, shall be recorded as goodwill and included in the book value of the investment. Any excess of the entity's interest in the net fair value of the investee's identifiable assets and liabilities over the cost of the investment, after re-evaluating, shall be recognized immediately in profit or loss in the period in which the investment was acquired.

The Company's jointly-controlled entities are as follows:

	OWNERSHIP PERCENTAGE	
	12.31.2013	12.31.2012
Armacero Industrial y Comercial S.A	50%	50%

(d) Business combinations - Business combinations are recorded by using the acquisition method. This involves the recognition of the identifiable assets (including intangible assets not previously recorded) and liabilities (including contingent liabilities and excluding future restructurings) of the business acquired at fair value. If these business combinations imply acquiring control of an investment in which the Company has significant influence or joint control, such prior participation is recorded at fair value presenting the effect on profit or loss.

(e) Currency - The Company's functional currency has been determined as the currency of the main economic environment in which it operates. Transactions other than those carried out in the functional currency are translated at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency have been translated at the closing exchange rate. Gains and losses on the translation have been included in profit or losses for the year under exchange differences.

The Group's presentation currency is the U.S. dollar. In the consolidation, items of the statement of comprehensive income corresponding to entities with a functional currency other than the US dollar are translated to the latter at the average exchange rates. Items in the statement of financial position are translated at closing date exchange rates. Exchange differences arising from the translation of these entities net assets are recorded in equity and presented as a separate translation reserve.

(f) Foreign currency translation - Transactions in a currency other than the functional currency are considered as foreign currency transactions and are recognized in the functional currency at the exchange rate at the date of the transaction. Assets and liabilities denominated in Chilean pesos, Argentine pesos, Peruvian soles and Unidades de Fomento are translated to US dollars at the exchange rates prevailing at the closing date of financial statements, as follows:

	12.31.2013	12.31.2012
Chilean pesos per US$	524.61	479.96
Argentine pesos per US$	6,521	4,918
Unidad de Fomento (pesos)	23,309.56	22,840.75
Peruvian soles per US$	2,80	2,55

(g) Offsetting of balances and transactions - As a general rule, neither assets and liabilities, nor revenues and expenses are offset in the financial statements, unless offsetting is required or permitted by an IFRS and such presentation reflects the substance of the transaction.

Revenues and expenses arising from transactions that, contractually or according to law, include the possibility of settlement on a net basis, and the Group intends either to settle the net amount or to realize the asset and settle the liability simultaneously, are shown net in the statement of comprehensive income.

(h) Property, plant and equipment - Property, plant and equipment are recorded at cost, excluding periodic maintenance costs, less accumulated depreciation and accumulated impairment losses.

The cost of the items of property, plant and equipment comprises their purchase price plus all costs directly attributable to bringing the asset to the location and condition for its operating use in the manner intended by management and the initial estimate of any cost for dismantling and removing the asset or restoring the site on which it is located.

Additionally, borrowing costs directly attributable to the acquisition or construction of assets that require a substantial period of time before being ready for use or sale will be considered as cost of items property, plant and equipment.

The costs of expansion, modernization or improvements that represent an increase in productivity, capacity or efficiency or an increase in useful life are capitalized by increasing the carrying amount of the assets.

The costs of repairs, preservation and maintenance are charged to comprehensive income for the year in which they are incurred. It is important to note that certain elements of the Group's property, plant and equipment require periodic reviews. In this case, the elements to be replaced are presented separately from the rest of the assets and with a disaggregation level that allows them to be depreciated in the period between the current and the following repair.

At the reporting date or whenever there is an indication that there may be impairment of assets, the recoverable amount will be compared with the net carrying amount. Any recognition or reversal of an impairment loss arising as a result of such comparison is presented as a debit or credit to comprehensive income, as appropriate.

Also, this item includes investments made in assets acquired under lease agreements meeting the conditions of a financial lease in accordance with IAS 17. These assets do not legally belong to the Company until the purchase option is exercised.

The gain or loss on the disposal or retirement of an asset is calculated as the difference between the proceeds of its disposal and its carrying amount, and it is recognized in comprehensive income for the period.

(i) Depreciation - The items of property, plant and equipment are depreciated using the straight-line method, through the distribution of the assets' acquisition costs minus the expected residual value between the assets' estimated years of useful life.

The residual value and useful life of the elements of property, plant and equipment are reviewed annually and depreciation begins when the assets are available for use.

Land is separately recognized from the buildings or facilities that may be on it. It is understood that its useful life is indefinite and is not therefore subject to depreciation. Likewise, other assets, which include balances of construction works in progress, are depreciated from the date when they are in use according to their nature.

The useful life of property, plant and equipment used in mining works is determined based on technical studies prepared by internal and external specialists. These studies are also used for new purchases of property, plant and equipment or when there are indications that the useful lives of these assets should be changed.

The technical studies take into account certain factors for the determination of the useful life of certain assets, including:

- Production expectations of units or volumes,
- Quality of additions to the production process, and
- Extraction and processing method.

(j) Mine development - The costs incurred during the execution of a project and until its start-up are capitalized and amortized in relation to future mineral production. These costs include the extraction of sterile overload, the construction of mine infrastructure and works prior to normal operating work.

(k) Cost of removal to access ore - The costs of activities of removal of overburden in open-pit deposits that are in production phase incurred in order to access ore deposits, are recognized in property, plant and equipment, provided that the following criteria in IFRIC 20 are complied:

- It is probable that future economic benefits associated with these removal activities will become cash flows for the Company.
- It is possible to identify the components of the ore body to which the Company will access as a result of these removal activities.
- The cost related to these removal activities may be measured reasonably.

The amounts recognized in property, plant and equipment are amortized based on production units extracted from the ore-bearing zone specifically related to the respective removal activity that generated those amounts.

(l) Goodwill - Goodwill arises when the acquisition cost is higher than the fair value of the identifiable assets, liabilities and contingent liabilities of the entity acquired. Goodwill is initially measured at cost and subsequently is measured at cost less impairment losses, if any.

Goodwill is annually tested to determine whether there are indications of impairment or more frequently when there are events or changes in circumstances indicating that the carrying amount might be impaired. Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates.

When the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated, an impairment loss is recognized. Impairment losses related to goodwill cannot be reversed in future periods.

(m) Intangible assets - Intangible assets with a finite useful life acquired separately are measured initially at cost. Subsequent to initial recognition, they measured at cost less any accumulated amortization and any accumulated impairment losses.

(n) Impairment of non-financial assets - Intangible assets with an indefinite useful life and goodwill are not amortized and are annually tested for impairment.

Assets subject to amortization are tested for impairment if there is objective evidence that as a result of one or more events occurring after initial recognition, the carrying amount may not be recoverable.

For the purposes of assessing impairment losses, assets are grouped together at the lowest level at which there are identifiable separate cash flows (cash generating units).

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher between the fair value of an asset less costs of sale and its value in use. In evaluating value in use, the estimated future cash flows are discounted to their present value using a discount pre-tax rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is less than its carrying amount, the latter is reduced to the recoverable amount. Impairment is recognized immediately as depreciation. If impairment is subsequently reversed, the carrying amount is increased to the revised estimate of the recoverable amount, but it should not exceed the carrying amount that would have been determined had no impairment losses for the asset had been previously recognized. A reversal is immediately recorded as a reduction of the depreciation charge.

Non-financial assets other than goodwill that have suffered an impairment loss are reviewed at the date of each statement of financial position in case reversals of the loss have occurred.

Assets on which the methodology described above is applied, are:

- Investments in subsidiaries
- Investments in associates
- Investments in joint ventures

In the case of mining properties, estimated future cash flows are based on estimates of the amounts of proven and probable reserves, and on assumptions about future production levels, future commodity prices, future production costs and capital investment projects. IAS 36 "Impairment of assets" includes a series of restrictions on the future cash flows that may be recognized with respect to future restructurings and improvements related to expenses. In calculating the value in use, it is also necessary for these to be based on exchange rates in force at the time of the appraisal. As of December 31, 2013 impairment testing performed indicates that there is no observable impairment.

(o) Useful economic lives of assets and estimated mineral reserves

i. Useful economic life of assets - The useful life of property, plant and equipment that are used to calculate the depreciation is determined based on technical studies prepared by internal experts. Additionally, these studies are used for new purchases of properties, plant and equipment or when there are indicators that useful lives of these assets should be changed.

The studies consider some factors to calculate the useful life of certain assets including:

- Expected units or production volume;
- Quality of inputs into the production process; and
- Method of extraction and processing.

ii. Iron ore reserves - Estimates of ore reserves are based on estimates of ore resources and reflect management's beliefs regarding the amount of resources that could be recovered and sold at prices that exceed the total cost associated with the extraction and processing. The estimates of reserves are internally prepared by using standard methods of the mining industry and supported by historical experience and management's assumptions regarding production cost and market prices.

Management applies its judgment to calculate probable resources to exploit. Therefore, possible changes in these estimates could have a significant impact on profits as a result of changes in useful lives of certain assets and the recognition of certain decommissioning and restoration costs that require being re-evaluated.

(p) Financial assets - Financial assets are classified into the following categories:

- Financial assets at fair value through profit and loss.
- Held-to-maturity investments.
- Available-for-sale financial assets.
- Loans and accounts receivable.

Classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

- **Financial assets at fair value through profit and loss -** TTheir feature is that they are mainly held to be sold in the near future in order to obtain return and liquidity. These instruments are measured at fair value and variations in their value are recognized in profit and loss when they are incurred.

- **Held-to-maturity investments -** Are non-derivative financial assets with determinable payments and fixed maturities that the Group's management has the intention and ability to hold to maturity. Where the Group sells a significant amount of the held-to-maturity financial assets, the complete category would be reclassified as available-for-sale.

  These financial assets are included in non-current assets except for those whose maturity is less than 12 months from the date of the statement of financial position.

- **Available - for - sale financial assets -** Available-for-sale financial assets are non-derivative financial assets specifically designated in this category or that are not classified in any of the previous categories. These financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months from the date of the statement of financial position.

- **Loans and receivable -** Are recorded at their amortized cost, which corresponds to the cash disbursed less repayments of principal made, plus interest accrued but not collected in the case of loans and at present value for accounts receivable. They are included in current assets, except for those with maturities over 12 months from the statement of financial position date which are classified as non-current assets. Loans and receivable are included in trade and other current receivables in the statement of financial position.

Effective interest rate method - Correspond to the method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all the fees and points received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), over the expected life of the financial asset.

Purchases and sales of financial assets are recognized at their trade date, i.e. the date on which the Group is committed to acquire or sell the asset.

Impairment of financial assets - Financial assets, other than those measured at fair value through profit and loss, are assessed at the date of each statement of financial position to establish whether there is any evidence of impairment indicators. Financial assets are impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the asset that have impacted the estimated future cash flows of the financial asset.

In the case of financial assets measured at amortized cost, the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate. As of December 31, 2013, the impairment tests carried out indicate that no impairment loss exists.

Derecognition of financial assets - The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when substantially all the risks and rewards inherent to the ownership of the financial asset are transferred to another entity. If the Company retains substantially all the risks and rewards of ownership of the financial asset, the asset shall continue to be recognized, as well as a liability, for the cash flows received.

(q) Financial liabilities - Financial liabilities are classified either as financial liability "at fair value through profit and loss" or as "other financial liabilities".

- **Financial liabilities at fair value through profit and loss -** Financial liabilities are classified at fair value through profit and loss when they are held for trading or are designated at fair value through profit and loss.

- **Other financial liabilities -** Other financial liabilities, including loans, are measured initially at the cash amount received net of transaction costs. They are subsequently measured at amortized cost using the effective interest rate method, recognizing the interest expense on the basis of effective interest rate.

- **Effective interest rate method -** Correspond to the method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period when the related liability has a prepayment option that it is expected of being exercised.

  As of the close of these consolidated financial statements, the effective interest rate does not differ significantly from the nominal interest rate of the financial liabilities. Financial loans are presented at their net value, i.e. deducting the associated issuance costs.

  The Group derecognizes the financial liabilities only when the obligations are paid, cancelled or have expired.
  Modifications of the conditions of a financial loan are booked as the extinction of a financial liability only when such modifications are substantial.

- **Classification as liability or equity -** Debt and equity instruments are classified either as financial liabilities or as equity according to the substance of the contractual agreement.

- **Equity instruments -** An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The equity instruments issued by the Group are recognized at the amount of the consideration received, net of direct issuance costs. Currently, the Group has only issued shares of a single series.

  Capital increases made through assets and liabilities received other than cash and cash equivalents are recognized at their fair value.

(r) Derivative and hedging financial instruments - The derivative contracts entered into by the Group to hedge the risk exposure to exchange rates and interest rates fluctuations are mainly forward exchange contracts and currency and interest rate swaps. All of them relate to hedging contracts therefore the effects of changes in the fair value of this type of instrument are recognized as hedging assets or liabilities to the extent that the hedge of the item has been determined effective according to its purpose. A hedge is considered to be highly effective when changes in the fair value or in the underlying cash flows attributable to the risk hedged are compensated by changes in the fair value or cash flows of the hedging instrument, with effectiveness in the range of 80% - 125%. The corresponding gain or loss is recognized in comprehensive income for the year only in those cases in which the contracts are settled or no longer meet the requirements of a hedging contract; otherwise they are recognized in equity.

Derivatives are recognized initially at fair value at the date of signing the derivative contract and are subsequently measured at fair value on the date of each reporting period. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for similar maturities.

The total fair value of hedging derivatives is classified as non-current asset or liability if the remaining maturity is more than 12 months and as current asset or liability if the remaining maturity is less than 12 months.

Cash flow hedges - The effective portion of the changes in fair value of derivative instruments that are designated and qualify as cash flow hedging instruments are deferred in equity in a reserve called "Cash flow hedges." The gain or loss related to the ineffective portion is recognized immediately in the statement of comprehensive income, in the line "Other gains (losses)." The amounts deferred in equity are recognized as gains or losses in the periods in which the hedged item is recognized, within the same line item of the statement of comprehensive income where the hedged item was recognized. However, when the forecasted hedged transaction results in the recognition of a non-financial asset or liability, the gains and losses previously deferred are transferred from equity and are included in the initial cost of that asset or liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminates or exercised, or no longer qualifies for hedge accounting. Any deferred gain or loss deferred in equity at that time remains in equity and is recognized in gains or losses when the forecasted transaction occurs. When it is no longer likely that a forecasted transaction will occur, the accumulated gain or loss that was deferred in equity is immediately recognized in profit or loss.

Embedded derivatives - The Company and its subsidiaries have established a procedure to evaluate the existence of embedded derivatives in financial and non-financial contracts. Where an embedded derivative exists, and if the host contract is not recognized at fair value, the procedure determines whether its characteristics and risks are closely related to the host contract, in which case a separate recognition is required.

The procedure consists of an initial featuring each contract in order to identify those in which there might exist an embedded derivative. In such case, the contract is analyzed in further detail. If such evaluation determines that the contract contains an embedded derivative that needs to be recognized separately, it is measured and the movements in its fair value are recognized in comprehensive income in the consolidated financial statements.

Up to date, the analyses indicate that there are no embedded derivatives in the Company's and subsidiaries' contracts that need to be recognized separately.

(s) Inventories - Inventories are shown at cost using the following methods:

- **Finished and in-process products:** at the average monthly production cost which includes the depreciation of fixed assets and the amortization of mining properties.
- **Raw materials, supplies and consumption spare parts:** at acquisition cost.
- **Stockpiled ore:** at the lower of average monthly extraction cost or its recoverable amount.
- **Raw materials and supplies in transit:** at acquisition cost.

The cost assigned to inventories does not exceed their net realization value.

The cost price includes direct materials' costs and any handling costs, indirect costs incurred in transforming the raw materials into finished goods and general expenses incurred in transforming the raw materials into finished goods, and general expenses incurred in moving inventories to their current location and conditions.

Net realization value represents the estimated sale price minus all estimated costs of completion, and costs that will be incurred in marketing, sales and distribution processes.

(t) Statement of cash flows - The Group has defined the following for the purposes of preparing the statement of cash flows:

Cash and cash equivalents include cash, time deposits with financial entities, mutual fund shares and other highly liquid short-term investments that are readily convertible and have a low risk of changes in their value with an original maturity of up to three months. In the statement of financial position, bank overdrafts are classified as third party resources in current liabilities.

- **Operating activities:** Are the Group's principal revenue-producing activities and other activities that are not classified as investing or financing activities.
- **Investment activities:** Are the acquisition, disposal or disposition by other means of long-term assets and other investments not included in cash equivalents.
- **Financing activities:** Are activities that result in changes in the size and composition of net equity and of liabilities of a financial nature.

(u) Income tax - The Company and its Chilean subsidiaries determine taxable income and calculate their income tax in accordance with current legislation. Its foreign subsidiaries do so under the regulations of their respective countries.

Deferred taxes originating from timing differences and other events that create differences between the financial and tax accounting for assets and liabilities are recognized in accordance with IAS 12 "Income taxes".

Similarly, the subsidiary, Compañía Minera del Pacífico S.A., recognizes the temporary differences arising from tax and financial items that result from the determination of the Operating Taxable Result (OTR) for the purpose of calculating the specific mining tax.

Corporate taxes are recognized in comprehensive income or in equity within the statement of financial position depending on where the resulting gains or losses have been recognized. The differences between the carrying amount of assets and liabilities and their tax base result in balances of deferred tax assets and liabilities that are calculated using the tax rates expected to be effective when the assets and liabilities are realized.

Variations during the year in deferred tax assets and liabilities are recognized in the consolidated statement of comprehensive income or directly in the equity within the statement of financial position, as appropriate.

Deferred tax assets are recognized only when it is expected that sufficient future taxable income will be available to recover deductions for temporary differences.

Non-monetary tax assets and liabilities determined in Chilean pesos or in the corresponding local currency are translated to the Company's functional currency at the closing exchange rate of each period. Variations in the exchange rate give rise to temporary differences.

(v) Provisions - Provisions are recognized when the Company has a present obligation (whether legal or constructive) as a result of a past event, it is probably the Company will have to pay the obligation, and its amount could be reliably estimated.

The amount recognized as a provision must be the best estimate of the disbursement needed to pay the present obligation at the end of the reporting period, taking into account the risks and uncertainties inherent to the obligation. When a provision is measured using the estimated cash flow method to pay the present obligation, its carrying value represents the current value of such cash flows (when the effect of the time value of the money is significant).

When a third party is expected to recover some or all of the economic benefits required to cancel a provision, an account receivable is recognized as an asset, if it is practically certain that the disbursement will be received and the amount of the account receivable can be measured reliably.

(w) Employee benefits - Employment terms establish the payment of a severance indemnity for years of service when a work contract expires. Normally this corresponds to the proportion of one month for each year of service, based on the final salary. This benefit has been defined as a long-term benefit.

On the other hand, the Company and some of its subsidiaries have agreed a year of service award with certain of their employees, which is paid on the basis of an incremental percentage in their salary according to a specific table. This benefit has been defined as a long-term benefit.

The provisions for severance indemnities and year of service awards are calculated based on valuations prepared by an independent actuary, using the projected unit credit method, which are periodically updated. The obligation recognized in the statement of financial position represents the present value of the obligation for severance indemnities and year of service awards. Actuarial gains and losses are recognized immediately in other comprehensive income.

The costs associated with employee benefits, related to the services provided by employees during the year, are charged to comprehensive income in the corresponding period.

Management makes assumptions for determining the best estimate of these benefits. These expectations and assumptions are established in conjunction with an actuary independent from the Company, and include an annual discount rate, expected salary increases, turnover rate, etc.

The amount of the net actuarial liabilities accrued at year-end is presented in current and non-current employee benefits provisions in the consolidated statements of financial position.

(x) Contingent liabilities - Contingent liabilities are obligations arising from past events whose existence is subject to the occurrence or non-occurrence of events not wholly within the control of the Company, or present obligations arising from past events whose amount cannot be reliably estimated or it is not probable that an outflow of resources will be required for its settlement.

The Company does not record contingent assets or liabilities except those deriving from onerous contracts which are recognized as a provision and reviewed on the date of each statement of financial position to revise them to present the best estimate.

(y) Provisions for decommissioning and restoration costs - An obligation to incur in decommissioning and restoration costs arise when the environment is altered as a result of the development or ongoing production of a mining property. The costs are estimated based on a formal closure plan and are subject to a regular reviews.

The costs arising from setting up a plant or another project for the preparation of its location, discounted at their net present value, are provisioned and capitalized at the beginning of each project, as soon as the obligation to incur these costs arises. These decommissioning costs are charged to comprehensive income over the life of the mine by means of the depreciation of the asset and amortization or deduction from the provision. Depreciation is included in operating costs while amortization is included as a finance cost.

Costs of restoration due to damages in the location, which are generated progressively during production, are provisioned at their net present value when the damage is caused and charged to comprehensive income for the period as extraction continues.

Provisions for decommissioning and restoration and environmental provisions are determined at the present value at the time the obligation is known. Environmental costs are estimated also using the work of an external specialist and/or internal experts. Management uses its judgment and experience in provisioning and amortizing these estimated costs over the useful life of the mine.

(z) Revenues - Revenues are recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. The following specific criteria should also be met before recognizing revenue.

- **Sale of goods -** Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; this normally occurs when the goods are dispatched.

- **Revenue from services** - Revenue from services rendered is recognized by reference to the stage of completion of the services at the end of the reporting period, to the extent that the amount of revenue can be measured reliably.

- **Interest gained -** Income is recognized as interest accrues on the basis of the principal outstanding and the applicable interest rate.

- **Revenue generated by industrial promotion -** The indirect subsidiary Tubos Argentinos S.A. has recognized in operating revenue the effects of the industrial promotion granted through fiscal credit certificates by the Argentine Federal Administration of Public Revenues.

(aa) Earnings per share - Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

The Company has no carried out any kind of transaction of potential diluting effect that suggests diluted earnings per share would differ from the basic earnings per share.

(ab) Dividends - The distribution of dividends to shareholders is recognized as a liability at the end of each period in the financial statements based on the dividend policy agreed by the ordinary shareholders meeting, which corresponds to 50% of distributable profits.

(ac) Leases - There are two kinds of leases:

- **Financial leases -** This is the case when the lessor transfers substantially all the risks and rewards incidental to ownership of the asset leased. The ownership of the asset may or may not be transferred.

  When the Group's companies act as lessees of an asset under a financial lease, the cost of the assets leased is presented in the consolidated statement of financial position according to the nature of the asset under the contract, and simultaneously a liability is recognized in the consolidated statement of financial position for the same amount. This amount will be the lesser of the leased asset's fair value and the present value of the minimum lease payments to the lessor plus, if applicable, the price for exercising the purchase option.

  These assets are amortized following criteria similar to that applied to the items property, plant and equipment for its own use.

  The interest expenses derived from the financial updating of the liability recognized are charged to "Finance costs" in the consolidated statement of comprehensive income.

- **Operating leases -** These are leases in which the ownership of the leased asset and substantially all the risks and benefits that fall upon the asset remain with the lessor.

ad) Classification of balances as current or non-current - In the consolidated statement of financial position, balances are classified depending on their maturities, i.e. current being those maturing at no more than twelve months, and non-current being those maturing at over that term. Where there are obligations maturing at less than twelve months but whose long-term refinancing is assured at the Company's discretion, by committed available loan agreements with long-term maturities, they may be classified as non-current liabilities.

(ae) Environment - The Group adheres to the principles of sustainable development which balance economic development with care for the environment and the safety and health of its personnel.

The Company recognizes that these principles are key to the well-being of its employees, the care of the environment and the success of its operations.

3.2 New accounting standards

a) The following new standards and interpretations have been adopted in these financial statements:

NEW STANDARDS	EFFECTIVE DATE
IFRS 10, CONSOLIDATED FINANCIAL STATEMENTS The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. NIIF 10 provides detailed guidance on how to apply the control principle in a number of situations, including agency relationships and holdings of potential voting rights. An investor would reassess whether it controls an investee if there is a change in facts and circumstances. IFRS 10 replaces those parts of IAS 27 that address when and how an investor should prepare consolidated financial statements and replaces SIC – 12 in its entirety.	Annual periods beginning on or after January 1, 2013

IFRS 11, JOINT ARRANGEMENTS IFRS 11 clasifica joint arrangements as either joint operations (combining the existing concepts of jointly controlled assets and jointly controlled operations) or joint ventures (equivalent to the existing concept of a jointly controlled entity). A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. NIIF 11 requires the use of the equity method of accounting for interests in joint ventures thereby eliminating the proportionate consolidation method.	Annual periods beginning on or after January 1, 2013
IFRS 12, DISCLOSURE OF INTERESTS IN OTHER ENTITIES IFRS 12 establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. An entity should disclose information that helps users of its financial statements evaluate the nature and risks associated with interests in other entities and the effects of those interests on its financial statements.	Annual periods beginning on or after January 1, 2013
IAS 27 (2011), SEPARATE FINANCIAL STATEMENTS IAS 27 (2008) Consolidated and Separate Financial Statements has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements.	Annual periods beginning on or after January 1, 2013
IFRS 13, FAIR VALUE MEASUREMENT The Standard applies to both financial and non-financial items measured at fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e., an exit price).	Annual periods beginning on or after January 1, 2013
AMENDMENT TO IAS 19, EMPLOYEE BENEFITS The amendments require the recognition of changes in the defined benefit obligation and in plan assets when those changes occur, eliminating the corridor approach and accelerating the recognition of past service costs. Changes in the defined benefit obligation and plan assets are disaggregated into three components: service costs, net interest on the net defined benefit liabilities (assets) and remeasurements of the net defined benefit liabilities (assets). Net interest is calculated using high quality corporate bond yield. This may be lower than the rate used to calculate the expected return on plan assets, resulting in a decrease in net income.	Annual periods beginning on or after January 1, 2013

AMENDMENT A STANDARDS	EFFECTIVE DATE
AMENDMENTS TO IAS 1, PRESENTATION OF FINANCIAL STATEMENTS The amendments retain the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements. Items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss. Tax on items of other comprehensive income is required to be allocated on the same basis. The measurement and recognition of items of profit or loss and other comprehensive income are not affected by the amendments. IAS 1 Presentation of Financial Statements The amendments to IAS 1 clarify that an entity is required to present a statements of financial position at the beginning of the preceding period (third statement of financial position) only when the retrospective application of an accounting policy, restatement or reclassification has a material effect on the information in the third statement of financial position and that the related notes are not required to accompany the third statement of financial position.	Annual periods beginning on or after January 1, 2013
AMENDMENT TO IFRS 7, FINANCIAL INSTRUMENTS: DISCLOSURES – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES. NIIF 7Financial Instruments: Disclosures was amended to require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The IASB believes that these disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The amendments are effective for annual periods beginning on or after January 1, 2013. Early application is permitted.	Annual periods beginning on or after January 1, 2013
ANNUAL IMPROVEMENTS 2009 – 2011 CYCLE IFRS 1 First-time Adoption of International Financial Reporting Standards - Repeated application of IFRS 1 IFRS 1 First-time Adoption of International Financial Reporting Standards - Borrowing costs IAS 1 Presentation of Financial Statements - Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment - Classification of servicing equipment IAS 32 Financial Instruments: Presentation Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities	Annual periods beginning on or after January 1, 2013
AMENDMENTS TO IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS; IFRS 11 – JOINT ARRANGEMENT AND IFRS 12 – DISCLOSURE OF INVOLVEMENT OTHER ENTITIES – TRANSITION GUIDANCE The amendments are intended to provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The effective date of these amendments is for periods. The effective date of these amendments, annual periods beginning on or after 1 January 2013, is aligned with the effective dates of IFRS 10, IFRS 11 and IFRS 12.	Annual periods beginning on or after January 1, 2013

NEW INTERPRETATIONS	EFFECTIVE DATE
IFRIC 20, STRIPPING COSTS IN THE PRODUCTION PHASE OF A SURFACE MINE IFRIC 20 applies to all types of natural resources that are extracted using the surface mining activity process. The costs from a stripping activity which provide improved access to ore should be recognized as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal operational stripping activities should be accounted for in accordance with the principles in IAS 2 Inventories. The stripping activity asset should be initially measured at cost and subsequently carried at cost or its revalued amount less depreciation and amortization and impairment losses. The interpretation is effective for annual periods beginning on or after January 1, 2013, with early application permitted.	Annual periods beginning on or after January 1, 2013

The application of these standards has not had a significant impact on the amounts reported in these financial statements; however, they could affect the accounting of future transactions or agreements.

b) The following new standards and interpretations have been issued, but they are not yet effective:

NEW IFRS	EFFECTIVE DATE
IFRS 9, FINANCIAL INSTRUMENTS This Standard introduces new requirements for the classification and measurement of financial assets and is effective from 1 January 2013 with early adoption permitted. IFRS 9 specifies how an entity shall classify and measure its financial assets. This Standard requires that all financial assets be classified on the basis of an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are either measured at amortized cost or at fair value. Only those financial assets measured at amortized cost are tested for impairment.	Annual periods beginning on or after January 1, 2015

AMENDMENT A STANDARDS	EFFECTIVE DATE
AMENDMENT TO IAS 32, FINANCIAL INSTRUMENTS: PRESENTATION Amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures. These amendments are the result of the IASB and US Financial Accounting Standards Board ('FASB' undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Both require restrospective application for comparative periods.	Annual periods beginning on or after January 1, 2014

INVESTMENT ENTITIES – AMENDMENTS TO IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS; IFRS 12 – DISCLOSURES OF INVOLVEMENT IN OTHER ENTITIES AND IAS 27 – SEPARATE FINANCIAL STATEMENTS

Annual periods beginning on or after January 1, 2014

Providing an exemption from consolidation of subsidiaries under IFRS 10 'Consolidated Financial Statements' for entities which meet the definition of an 'investment entity', such as certain investment funds. Instead, such entities would measure their investment in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 'Financial Instruments' or IAS 39 'Financial Instruments: Recognition and Measurement'.

The amendments also require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries. In addition, the amendments require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated). The amendments are effective for anual periods beginning on or after January 1, 2014, with early application permitted.

AMENDMENTS TO IAS 36 – RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS

Annual periods beginning on or after January 1, 2014

The publication of IFRS 13 Fair Value Measurements amended certain disclosure requirements in IAS 36 Impairment of Assets with respect to measuring the recoverable amount of impaired assets. However, one of the modifications to the disclosure requirements was more extensive than originally intended. The IASB has rectified this with the publication of these amendments to IAS 36.
The amendments to IAS 36 removed the requirement to disclose the recoverable amount of each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) was significant compared with the total carrying amount of goodwill or intangible assets with indefinite useful life of the entity. The amendments require an entity to disclose the recoverable amount of an individual asset (including goodwill) or a cash-generating unit to which the entity recognized or reversed a deterioration during the reporting period. An entity shall disclose information about the fair value less costs to sell of an individual asset, including goodwill, or a cash-generating unit to which the entity recognized or reversed an impairment loss during the reporting period, including: (i) the level of the fair value hierarchy (IFRS 13), (ii) the valuation techniques used to measure fair value less costs to sell, and (iii) the key assumptions used in fair value measurement categorized within "Level 2" and "Level 3" of the fair value hierarchy. In addition, an entity should disclose the discount rate used when an entity recognized or reversed an impairment loss during the reporting period and the recoverable amount should be based on the fair value less costs to sell determined using a present value valuation technique. The amendments should be applied retrospectively for annual periods beginning on or after January 1, 2014. Earlier application is permitted.

AMENDMENTS TO IAS 39 – NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING	Annual periods beginning on or after January 1, 2014
This modification permits the continuation of hedge accounting (under IAS 39 and the next chapter on hedge accounting under IFRS 9) when a derivative is novated to a central counterparty and certain conditions are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty must happen as a consequence of laws or regulations or the introduction of laws or regulations. The amendments are effective for anual periods beginning on or after January 1, 2014, with early application permitted.	

NEW INTERPRETATIONS	EFFECTIVE DATE
IFRIC 21, LEVIES	Annual periods starting on January 1, 2014
The new interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. This interpretation defines a levy as "a resource outflow involving future economic benefits that are imposed by governments on entities in accordance with the law". Taxes within the scope of IAS 12 Income Taxes are excluded from the scope as well as fines and penalties. The payments to governments for services or the acquisition of an asset under a contractual arrangement are also excluded. That is, the tax should be a non-reciprocal transfer to a government when the tax paying entity does not receive goods or services in return. For the purpose of interpretation, a "government" is defined in accordance with IAS 20 Accounting for Government Grants and Disclosures of Government Assistance. When an entity acts as an agent of a government to collect a tax, the cash flows received from the agency are outside the scope of this interpretation. This interpretation identifies the event which gives rise to the obligation to recognize a liability, which is the payment of tax in accordance with the relevant legislation. IFRIC 21 provides the following guidance on recognition of a liability to pay levies: (i) the liability is recognized progressively if the obligating event occurs over a period of time; (ii) if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. The interpretation is applicable retrospectively for annual periods beginnings on or after January 1, 2014.	

Management believes that the future adoption of the above regulations, amendments and interpretations will have no significant impact on the Group's consolidated financial statements.

c) Effects from changes in accounting standards and policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with the accounting policies applied in the preparation of the Company's annual consolidated financial statements for the year ended December 31,2012, except for the adoption of new standards and interpretations in effect from January 1, 2013 wich are as follows:

- IAS 19 - Employee Benefits (revised in 2011) (IAS 19R)

Until December 31, 2012 the Company recognized actuarial profits and losses in net income for the year: The aforementioned revised standard introduces the recognition of these actuarial profits or losses as part of other comprehensive income and their permanent exclusion from the profits and losses for the year.

Other changes include new disclosures, such as disclosures of quantitative sensitivity of the variables used in the calculations of defined benefit liabilities.

The application of IAS 19R required the retrospective application of the associated effects. This involved the restatement of the financial statements from prior years.

The adoption of the new version of the aforementioned standard involved making re-classifications in actuarial profits and losses from accumulated profits (losses) to the respective other comprehensive income, changing the figures in the statement of comprehensive income as follows:

IMPACT AS OF JANUARY 1, 2012	EARNINGS (ACCUMULATED LOSSES) ThUS$	EQUITY – SETTLED EMPLOYEE BENEFITS RESERVE ThUS$
Previously reported in IAS 19	1,368,803	-
Adjustments for the aplication of IAS 19	975	(975)
Total for the aplication of IAS 19 reviewed	1,369,778	(975)

IMPACT AS OF DECEMBER 31, 2012	EARNINGS (ACCUMULATED LOSSES) ThUS$	EQUITY – SETTLED EMPLOYEE BENEFITS RESERVE ThUS$
Previously reported in IAS 19	1,473,221	-
Adjustments for the aplication of IAS 19	3,893	(3,893)
Total for the aplication of IAS 19 reviewed	1,477,114	(3,893)

· IAS 1 - Presentation of Items of Other Comprehensive Income – Changes to IAS 1

The changes in the standards require to distinguish the items of other comprehensive income that could be re-classified to the statements of comprehensive income in the future (for example, the net income of derivatives of cash flow hedges or differences of conversion of operations in foreign currency) from those that the standards do not allow to be re-classified to income (for example, actuarial profits or losses in benefit plans).

The change only affects the presentation of the statement of comprehensive income and has no impact on the Company's financial position.

· IFRS 10 - Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 replaces the sections in IAS 27 Consolidated and Separated Financial Statements that refer to consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control so that an investor controls an investee when it is exposed or has the right to variable returns from its involvement in the investee and is able to affect the returns through its power over the investee. The application of IFRS 10 had no impact on the determination of the existence of control or the consolidation of the investments held by the Company.

· IFRS 11 - Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers IFRS 11 eliminates the option to account for jointly controlled entities (JCE) by using proportionate consolidation. The only option left is the equity method. The application of IFRS 11 had no impact on the Company's consolidated financial statements.

· IFRS 12 - Disclosure of Interests in Other Entities

This standard establishes requirements for the disclosure of the entity's interests in affiliates, joint arrangements, associates and structured entities.

· IFRS 13 - Fair Value Measurement

IFRS establishes a single source for fair value measurements. This standard provides guiding on the way to measure fair value when the IFRS require or allow its use. The application of IFRS 13 has not affected materially the measurements at fair value made by the Company.

- IFRIC 20 - Stripping Costs in the Production Phase

The accounting criterion of IFRIC 20 states that the costs of activities for the removal of overburden in open-pit deposits that are in production phase (stripping of production phase), incurred in order to access ore deposits are recognized in property, plant and equipment and amortized based on production units extracted from the ore-bearing zone specifically related to the respective removal activity that generated that amount.

The accounting treatment applied by the Company before the adoption of IFRIC 20 mainly stated, in contrast with such standard, an amortization criterion using the straight-line method of the aforementioned costs of removal capitalized.

These consolidated financial statements are prepared by using the policies in IFRIC 20, which were applied from January 1, 2013 and that represented for the Company a change in the accounting policy in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The application of IFRS 20 had no significant impacts on the Company's consolidated financial statements.

Reclassifications

- In subsidiaries CMP and CSH in 2013 spare parts, the consumption of which is estimated beyond 12 months, are presented in the item property, plant and equipment, which at December 31, 2012 were included in the item inventories for ThUS$ 58,060.

- In the financial statements of the subsidiary Cintac at December 31, 2012 the Company changed the criterion of open presentation of the balances for current and deferred tax assets and liabilities by a net presentation, as required by IAS 12.

	12.31.2012	
CONCEPT	PREVIOUSLY REPORTED MUS$	RECLASS MUS$
Current tax assets	18,227	17,841
Current tax liabilities	(2,994)	(2,608)
Deferred tax assets	6,354	2,957
Deferred tax liabilities	(6,218)	(2,821)

* * * * * *

The completed financial statements of Cap S.A. and subsidiaries and the auditors' report, are available to the public at the reporting Entity's offices and web page and Superintendency of Securities and Insurance and the stock exchange.
The attached CD on the front is an integral part of this report and includes:

- Independent Auditors' Report
- Consolidated Statements of Financial Position of CAP S.A. and Subsidiaries (complete).


CAP

www.cap.cl

Design by ICONO / Photographs CAP Archive / Printed by Quadgraphics

Gertrudis Echeñique 220
Las Condes, Santiago, Chile
Telephone: (56-2) 2818 6000
Fax: (56-2) 2818 6116
Casilla 167-D, Santiago, Chile