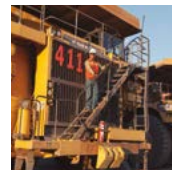


ANNUAL OPERATING SUMMARY 2017





CAP

ANNUAL
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SUMMARY

2017

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SUSTAINABILITY

Sustainability

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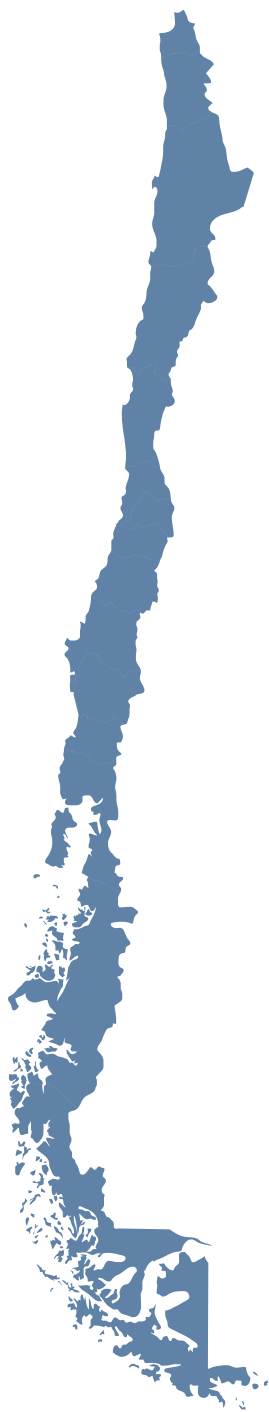
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FINANCIAL STATEMENTS

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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.

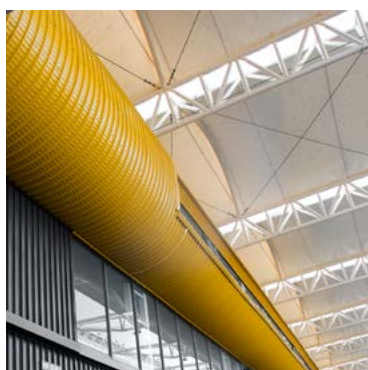
We seek a long-term return for our shareholders, exercising leadership in our businesses through the incorporation of sustainable technologies, process innovation and the promotion of growth with a global perspective.

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 develop our businesses based on the competitive advantages of our environment, our infrastructure and our human capital, ensuring a long-term projection and contributing sustainable value to our internal and external stakeholders.



VISION

To be a global leader in mining in its value chain and in related enterprises, to contribute significantly to the growth and sustainable development of Chile and the countries in which it operates.



LETTER TO SHAREHOLDERS

To our shareholders,

It is my pleasure to address you, for the first time, as Chairman of the Board, on the occasion of our 2017 annual report.

This period was generally good for our group of companies: CAP Minería's profits reached USD 200.8 million, those of the Steel Processing Group were USD 13 million, and infrastructure areas made profits of USD 15.1 million. This means an 89.4%, 41.3% and 7.9% increase, respectively, in comparison to the previous year. The exception was CAP Acero, which again registered a loss, of USD 21.3 million this time. Hence, in consolidated figures, CAP Group's profits reached USD 130.3 million, which constitutes an increase of 116% if compared to 2016. In terms of cash flow, the Group closes the year with a consolidated EBITDA of USD 576 million, an increase of 30% when compared to 2016, and a healthy degree of net financial debt (NFD) of USD 377 million, a decrease of 34%. Thus, the NFD to EBITDA ratio is only of 0.66 times. As it was previously mentioned, the results are good, but our goals are certainly focused on challenging ourselves and performing better.

The solid financial position implied in the aforementioned figures is the testimony of several years of planning and systematic, disciplined, cautious and efficient management, in a period that has been characterized as a time of increased volatility in the prices of the different products sold by CAP. At the same time, the organization has made progress in a methodological and accelerated way in the creation of short-term and long-term strategic plans, based on its competitive advantages (because of its tangible assets –ports and other infrastructure, mining and industrial property, customers– and/or intangible assets –experience, human capital, community and trade union liaisons–), which will tend to mitigate the incidence of this volatility on the Group's revenues. It is thus that certain priorities have been identified. They derive from our "Vision" and respective "Strategic Goals," putting us on the path of a permanent evolution in accordance with, and in anticipation of, the basic and raising needs of society.

In fact, these priorities include a new reduction of costs in our mining subsidiary (based on the expansion of our existing iron ore extraction operations, technology and digitalization), as well as a diversification into other minerals. On the other hand, the Steel Processing Group's priorities are derived from the clear and previously traced strategy, which has been systematically and effectively executed for four years: operational excellence, lower cost operation, evolution of "commoditized" products to solutions and services with a high added value, and organic and inorganic growth.

In terms of infrastructure, our expectation is that of a growth reactivation in Chile, with new opportunities in areas that include port services (whose beginning has already been materialized, as it is detailed below), the development of water supply (an inevitable need in the future), energy (whose market is finally assimilating the competitive advantages of the sun in Atacama to translate them into advantages in industrial processes), as well as other initiatives in which we deem we can add value. These and other diversification projects –always within the frame of our competences and competitive advantages– brought us to a reorganization of our corporate structure, which today includes a considerably active area of "Development and New Businesses" at the management level. Finally, in CAP Acero's case, forced by the national and international circumstances in the steel-making industry, the strategy includes a variety of alternative scenarios, which have been defined and each of which has already shown relevant progress.

In further detail, CAP Minería's results were leveraged through raw material markets with better price conditions for our products, and particularly through the increasing attainment of quality premiums. All this is largely based on the healthy margins of Chinese steel producers (correlated with an increase in the use of installed capacity) and the resulting tendency for productivity, together with the environmental restrictions in this country. Both factors favor the use of high grade ores, as the ones that CAP Minería has been developing for years. Thus, the company kept its position as a relevant medium-scale player in the international iron ore market, in a way that is trustworthy and catering to a first-rate customer base with a range of products that stand out for their metallurgical characteristics, their added-value and their quality. During 2017, CAP Minería's shipments were of 16.1 MT, with larger margins than the previous year, explainable by means of the increase in price and premiums as well as the versatility and operational excellence that have characterized the company in these last few years.

In turn, the Steel Processing Group has been operating in slow-growing markets of weak demand. Notwithstanding, and based on the permanent innovation and migration towards more sophisticated products, Cintac was able to improve its results in comparison to the year before. In fact, the focus on avant-garde products (such as insulated polystyrene, polyurethane and mineral panels; tutoring stakes for agriculture; Tubest One; wall cladding; Metalcon prefabricated buildings; and photovoltaic panel structures and supply), together with a strong control of unit costs, once more confirms the accurate and evolutionary strategic perspective of

the business. Likewise, the growth perspectives of its subsidiary Tupemesa in Peru were heightened by the incorporation of new lines of business, such as electroplating –with the new plant in Lurín– the business of insulated panels with polyurethane core, and the local supply of defenses for traffic control. Similarly, the Argentinian subsidiary Tasa inaugurated the “big tube” plant, which allows for a supply to new market segments in that country.

In terms of infrastructure, the operational performance was consistent, resulting in a stable EBITDA (coming only from the desalinization plant, a power transmission line and Las Losas port) for the third year in a row, reaching USD 53 million in 2017. As it was mentioned before, this area of business is part of our goals to mollify the impact of the volatility in iron ore and steel prices in the Group’s results – an objective that has been met since its creation.

Moreover, in this direction, 2017 saw a landmark for the Group when, on December 3 and 4, the first shipping of copper concentrate for third parties took place in CAP Minería’s Punto Totoralillo port, located in the district of Caldera. This was possible thanks to a project for the port’s improvement through the adaptation of warehouses and loading equipment for an agile and efficient copper shipment process. This new business, which required an investment of USD 37 million, was finished within budget and put to work before the project’s original deadline, is backed by a long-term contract with an important mining company in the area. Said investment puts us in a position with excellent perspectives for the growth of this service supply business.

I have left our steel-making process for last. I do this because, once again, the CAP Group decided to confront new and important losses in 2017, in a growing effort to capitalize an operation that we consider as having vital importance for the region of Biobío and the country. As we have said before, the steel-making industry is not “just another one,” for it possesses a strategic character that depends on each country. In the United States it has even been related to national security, quoting Section 232 of the Trade Expansion Act of that country. In Chile, on the other hand, the seismic character of our land and the resulting building requirements, as well as the relevance of mining in the economy, make steel products, at least in these industries, worthy of a vision that values the relevance of a local and reliable manufacturer.





In this sense, the country's steel-making sector approached the government in order to communicate the need to correct the distortions to trade that are generated due to imports that go against the standards from the World Trade Organization (WTO), as it has been done in many other countries that produce steel. The WTO provides the authorities with a variety of instruments with the simple objective of generating a leveled field. In the case of Chile, however, the coyness and delay with which the legal instruments were implemented, together with the refusal to defend the value chain, have made them barely effective. In fact, the recent reversal of CAP Acero's cash flow losses is mostly due to exogenous factors that have moderated the import of steel products, mainly because of the increasing internal demand in China and Brazil. This, however, is a fragile and unstable balance, still making CAP Acero an operation with marginal profits, particularly in relation to the CAP Group's projects portfolio.

Therefore, during 2017 we have begun a final stage of defining the business with very concrete actions. More specifically, we have decided to split the company's actives which are not particular to steel-making, with a point of view that focuses on their usage in other businesses from the Group (potentially: land sales for industry, housing developments, storage, distribution, etc.). Similarly, we have identified complementary activities that could be executed within our facilities.

In the production of steel, in turn, the company has been forced to, and has achieved to, privilege products of greater added value, increasing sales of bars for grinding minerals (even at distorted prices due to the potential market loss in the face of an unbalanced competition –as it happened with flat products in 2013–) and entering the fields of production of other “special steels” (e.g. for the auto parts industry), whose development has only been possible due to the knowledge and experience amassed during seven decades of world-class metal research and development.

Even with the enormous effort to create a development focus and a competitive industry in Huachipato, and historical successes (in the creation and constant evolution of high-quality products, in the education of front line professionals, and in the prosperity of a community, region and country), the trade's uncontrolled fluctuations in the last ten years have left the company in a vulnerable position. Today, this is worsened by its size, as a consequence of the forced abandonment of the production of flat products, of which a total of 1.3 million tons are imported. Thus, with this historical background and its consequences, it is clear that a prompt decision regarding steel-making will depend on a variety of mainly exogenous factors, such as the determination of our authorities to defend its development and balanced competition as well as international decisions regarding this industry, and which go from the immediacy of potential export diversions to other countries, like ours, of production destined to regions that have decided to protect their steel-making industry (e.g. USA), to the farthest and potential consolidation of a strong reduction of the installed capacity in China and the world.

As I hope it transpires from what I have written, 2017 was a “dizzying” year, with several challenges, changes and decisions to make, while a road to the future is being paved. In this whirlpool it would be easy to neglect what we think is essential for the development of our activities, i.e. sustainability in the broadest sense possible. As we have mentioned repeatedly before, the Group's concern for its workers, its communities and the environment has been at the heart of the company since its conception.

It is because of this that, faithful to our history, we have continued to make progress in our social and environmental performance. For example, looking to achieve greater efficiency in the use of water resources in our operations, and aware of the shortage of this vital element in some areas, approximately 70% of the water we use has been reutilized or recycled. Similar initiatives have been developed in each of our subsidiaries regarding energy consumption.

With regards to our workers, safety continues to be a core aspect and a focus for permanent improvement. Along those same lines, gender pay equity continued to make determined and sustained progress, with no records of a wage gap. Additionally, this year a new CAP Group Complaints and Queries Channel began to operate, allowing anyone in Chile and around the world, 24 hours a day, to inform of potential situations of infringement or transgression to the company's Code of Ethics and Good Practices.

Considering all these issues, and regardless of the period's difficulties, this year pleased us with various awards to our trajectory, which we are still building every day. In mining, our subsidiary was awarded the "Annual Mining Safety Award," granted by Sernageomin, the "John T. Ryan Award" (Los Colorados Mine) –for the third year in a row–, and the "Excellence Award," granted by IST to acknowledge the management and results of accident prevention. In relation to steel, in turn, the Central Autónoma de Trabajadores (Autonomous Workers Organization) and the Clotario Blest Foundation, bestowed CAP Acero and its trade unions with their annual award that recognizes the company that has maintained good relations with their workers' organizations. Likewise, CAP Acero was awarded the 2017 Social Responsibility Cidere prize for decidedly collaborating in regional and national transformation during its history. Additionally, the CAP Group was included for the first time in the Dow Jones Sustainability Index Chile and in the Dow Jones Sustainability MILA Pacific Alliance. These distinctions make us proud, but also commit us to double our efforts in these matters.

In this sense, in 2017, a study of perception and commitment with the "ESG Compass" methodology (focused on the environment, social issues and corporate governance) was made for the first time in all the businesses belonging to the CAP Group in Chile, Argentina and Peru. Workers, suppliers, community, clients and investors were consulted on how they saw sustainability in CAP and what they would suggest as needing improvement. This initiative complements regular surveys on this matter.

In the same way, CAP aspires to be at the forefront of corporate governance transparency and good practices. In this sense, during 2017, and after a long process of surveying and interacting with the administration, the board established a new "Risk Committee" that will strive for the identification and management of the most relevant risks for all the companies in the Group.

Of course, these risks are closely related to the achievement of our Strategic Goals, so the board decided to strengthen its functions through a "Strategic Committee" that will propose objectives to achieve, based on modern and adapted methodologies, with the support and feedback of the administration and taking into consideration the risks, talents, abilities, competitive advantages and business context.

We are certain that a serious, methodological, systematic and periodic reflection regarding associated opportunities and risks, in conjunction with talent and innovation, is the only way to make our company flourish. We strongly believe that this will enrich CAP's vision and promote its constant evolution, creating sustainable value for you, its shareholders, as well as for all its interest groups.

In short, I would like to express my utter confidence in the CAP Group's future. The past few years brought great challenges that we have been able to endure thanks to the commitment, dedication and work of all our collaborators. I am convinced, for I see it every day, that this has given us strength and that we are better prepared than ever to seize the opportunities that are to come. I look forward to 2018's new developments and the opportunity of sharing them with you. In the meantime, we will continue on the road that we have traced, purposefully contributing to growth, "always with Chile,"

Sincerely,



Fernando L. Reitich
CHAIRMAN

RELEVANT FACTS

OWNERSHIP

31.3% INVERCAP



48.8% FREE
FLOAT

19.3% M.C. INVERSIONES

ACTIVITIES AND BUSINESSES

IRON
ORE MINING



STEEL
PRODUCTION



STEEL
PROCESSING



INFRASTRUCTURE

MAIN FIGURES CAP S.A.

MUS\$
576 EBITDA

ThUS\$ 1,931
REVENUES

MUS\$
130 NET
INCOME

29.8% EBITDA
MARGIN

CAP Group is the leading **iron ore and pellets** producer on the American Pacific coast, the largest **steel producer in Chile** and the most important steel processing company in the country.

01

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PRINCIPAL SHAREHOLDERS CAP

The total number of shareholders of CAP S.A. at 12.31.2017 was

3,950



PRINCIPAL SHAREHOLDERS

The twelve largest shareholders of CAP S.A. as of December 31, 2017, by number of shares and percentage holdings, are as follows:

SHAREHOLDERS	N° OF SHARES	PERCENTAGE
INVERCAP S.A.	46,807,364	31.32%
M.C. INVERSIONES LTDA.	28,805,943	19.27%
BCO. DE CHILE ON BEHALF OF THIRD PARTIES	8,349,343	5.59%
ITAU-CORPBANCA ON BEHALF OF FOREIGN INVESTORS	6,737,116	4.51%
BANCHILE CORREDORES DE BOLSA S.A.	5,492,168	3.67%
BCI CORREDORES DE BOLSA S.A.	3,359,559	2.25%
FUNDACION CAP	3,299,497	2.21%
VALORES SECURITY S.A. CORREDORES DE BOLSA	2,805,742	1.88%
LARRAIN VIAL S.A. CORREDORA DE BOLSA	2,657,545	1.78%
ITAU-CORPBANCA CORREDORES DE BOLSA S.A.	2,429,375	1.63%
BOLSA ELECTRONICA DE CHILE BOLSA DE VALORES	1,837,794	1.23%
BANCO SANTANDER CHILE ON BEHALF OF FOREIGN INVESTORS	1,771,080	1.19%
Total	114,352,526	76.53%

From the above, and according to the definition given in Section XV of Law 18,045, Invercap S.A. is the controller of CAP S.A.. 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.



HISTORICAL SUMMARY

1946

- 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

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





1959

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

1972

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

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.

1971

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

1978

- Inauguration of the Huasco pellets plant.

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, Inmobiliaria 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

- 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

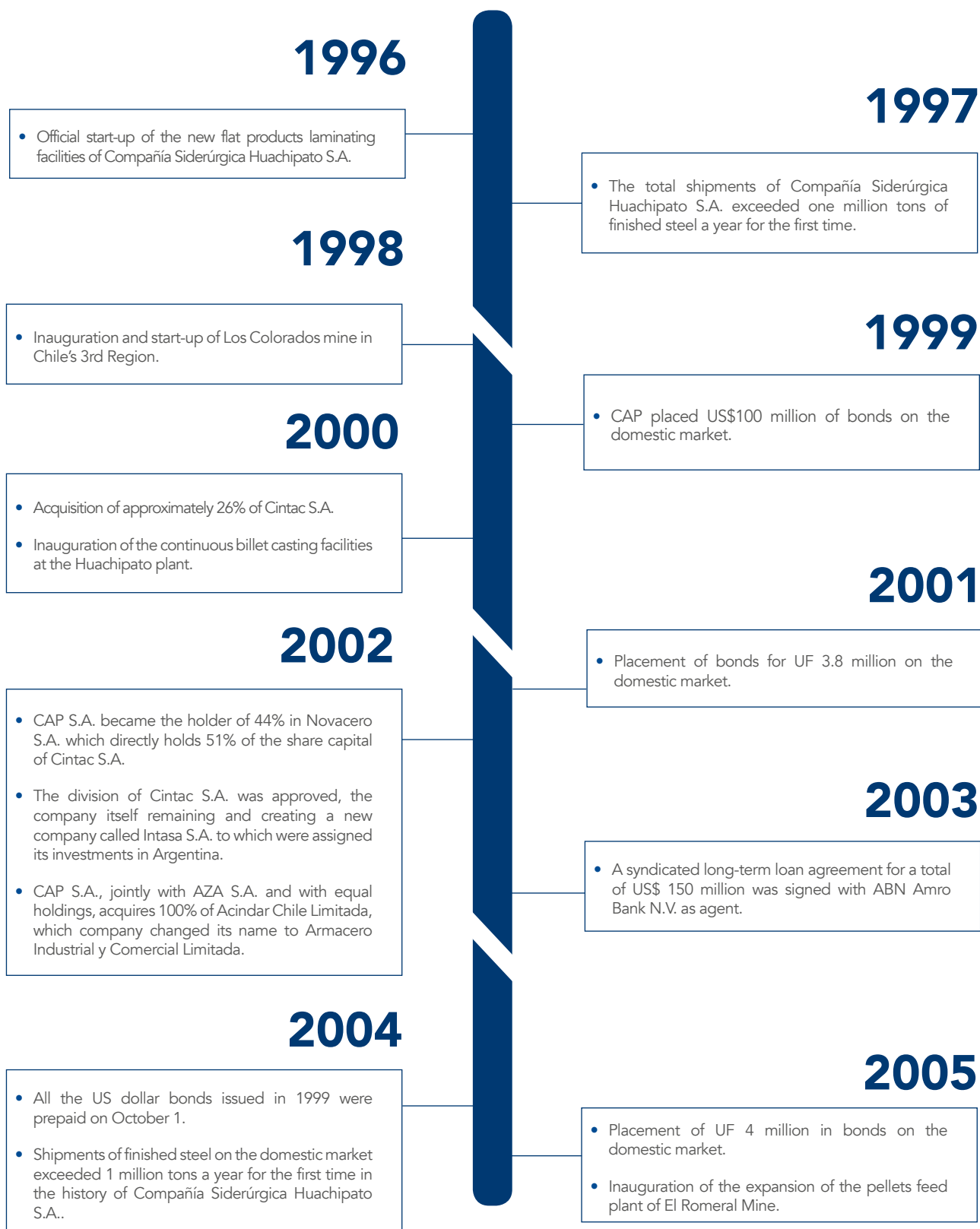
- For the first time in its history, the liquid steel production of the Huachipato plant exceeded one million tons in the year.

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.





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.
- Deliveries 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 slurry pipeline and a mechanized port in Punta Totalillo, 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.

2014

- Beginning of the operations of the desalination plant built by CAP Holding through its subsidiary Aguas CAP (51% CAP and 49% Mitsubishi) in April 2014.
- Start-up of the Cerro Negro Norte mine project with four million tons of annual production capacity, in June 2014.
- New record of 12 million 952 thousand tons of shipments by Compañía Minera del Pacífico S.A.

2015

- Shipments by Compañía Minera del Pacífico S.A. broke a new record, reaching 14 million 327 thousand tons.

2016

- New record of 16 million 757 thousand tons of shipments by Compañía Minera del Pacífico S.A.
- Bonds for UF 6 million for 5 years, equivalent to US\$ 234 million were placed on the domestic market.

2017

- Operations of the new line for copper shipment in Punta Totoralillo port began in December 2017, providing the port with independent lines for iron ore and copper loading.

BOARD OF DIRECTORS 2017

The Company is managed by a Board of Directors composed of 7 members, elected for a 3-year period with the possibility of being re-elected, who were appointed at the ordinary shareholders' meeting held on April 18, 2017.

NOBUYUKI ARIGA

Bachelor in Law, Japanese

Tax ID 24.149.880-8

DIRECTOR

VÍCTOR TOLEDO SANDOVAL

Commercial Engineer, Chilean

Tax ID 5.899.818-4

DIRECTOR

FERNANDO L. REITCH

Doctor on Mathematics,
American

Tax ID 22.832.453-1

CHAIRMAN



EDUARDO FREI BOLÍVAR

Lawyer, Chilean

TAX ID 4.883.266-0

DIRECTOR

TADASHI OMATOI

Metallurgical Engineer, Japanese

Tax ID 21.906.212-5

DIRECTOR

RODOLFO KRAUSE LUBASCHER

Engineer, Chilean
Tax ID 4.643.327-0
DIRECTOR

STEFAN FRANKEN OSORIO

Lawyer, Chilean
Tax ID 13.028.236-9
**CHIEF LEGAL COUNSEL AND SECRETARY
OF THE BOARD**



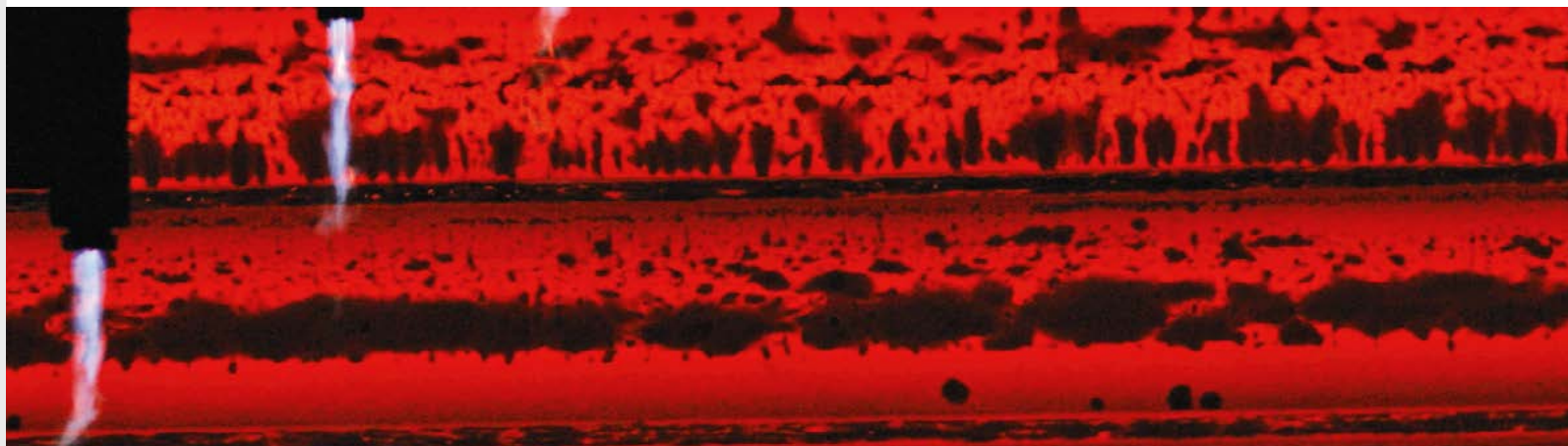
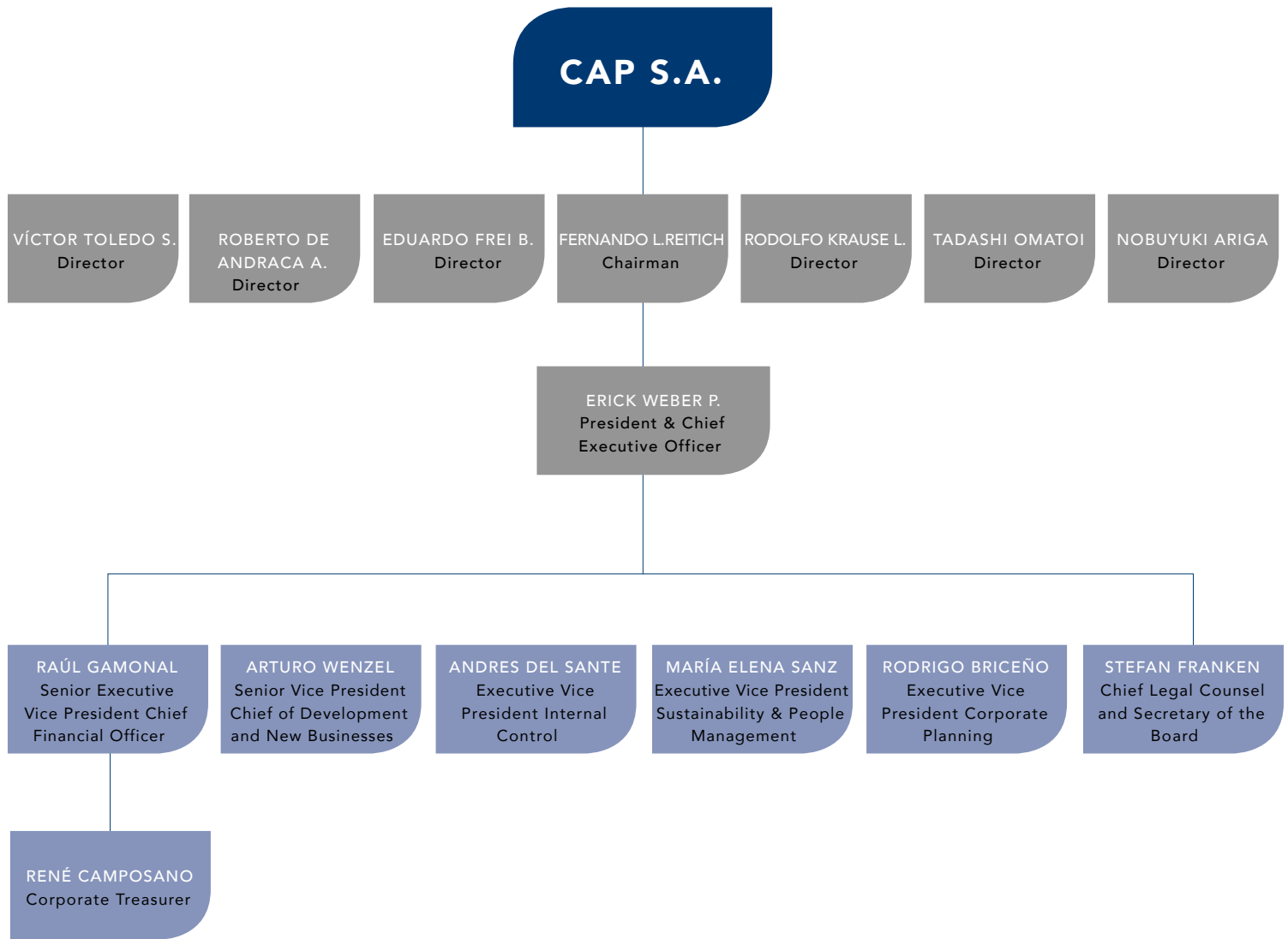
ERICK WEBER PAULUS

Civil Chemical Engineer, Chilean
TAX ID 6.708.980-4
**PRESIDENT & CHIEF EXECUTIVE
OFFICER**

ROBERTO DE ANDRACA ADRIASOLA

Commercial Engineer, Chilean
Tax ID 7.040.854-6
DIRECTOR

ORGANIZATIONAL CHART



CAP MANAGEMENT 2017

1 ERICK WEBER PAULUS

Tax ID 6.708.980-4
Civil Chemical Engineer,
President & Chief Executive Officer
Designation Date: 04.18.2017

5 RODRIGO BRICEÑO CARRASCO

Tax ID 12.011.581-2
Electronic Civil Engineer
Executive Vice President Corporate Planning
Designation Date: 04.18.2017

2 RAÚL GAMONAL ALCAÍNO

Tax ID 8.063.323-8
Commercial Engineer
Senior Executive Vice President Chief
Financial Officer
Designation Date: 05.01.2005

6 MARÍA ELENA SANZ IBARRA

Tax ID 23.370.227-7
Industrial Psychologist
Executive Vice President Sustainability
& People Management
Designation Date: 04.10.2014

3 ARTURO WENZEL ÁLVAREZ

Tax ID 7.375.688-K
Commercial Engineer
Senior Vice President Chief of Development
and New Businesses
Designation Date: 04.18.2017

7 RENÉ CAMPOSANO LARRAECHEA

TAX ID 5.997.120-4
Commercial Engineer
Corporate Treasurer
Designation Date: 06.01.2006

4 ANDRÉS DEL SANTE SCROGGIE

Tax ID 7.034.913-2
Commercial Engineer
Executive Vice President Internal Control
Designation Date: 08.01.2010

8 STEFAN FRANKEN OSORIO

Tax ID 13.028.236-9
Lawyer
Chief Legal Counsel and Secretary of the Board
Designation Date: 04.18.2017



MANAGEMENT OF CAP SUBSIDIARIES 2017

MINING BUSINESS



CARLOS PINEDA WESTERMEIER
Tax ID 6.767.028-0
Civil Mechanical Engineer
President
Compañía Minera del Pacífico S.A.
Designation Date: 04.28.2010



STEEL PRODUCTION BUSINESS



ERNESTO ESCOBAR ELISSETCHE
Tax ID 4.543.613-6
Civil Mechanical Engineer
President
Compañía Siderúrgica Huachipato S.A.
Designation Date: 08.01.2013

STEEL PROCESSING BUSINESS



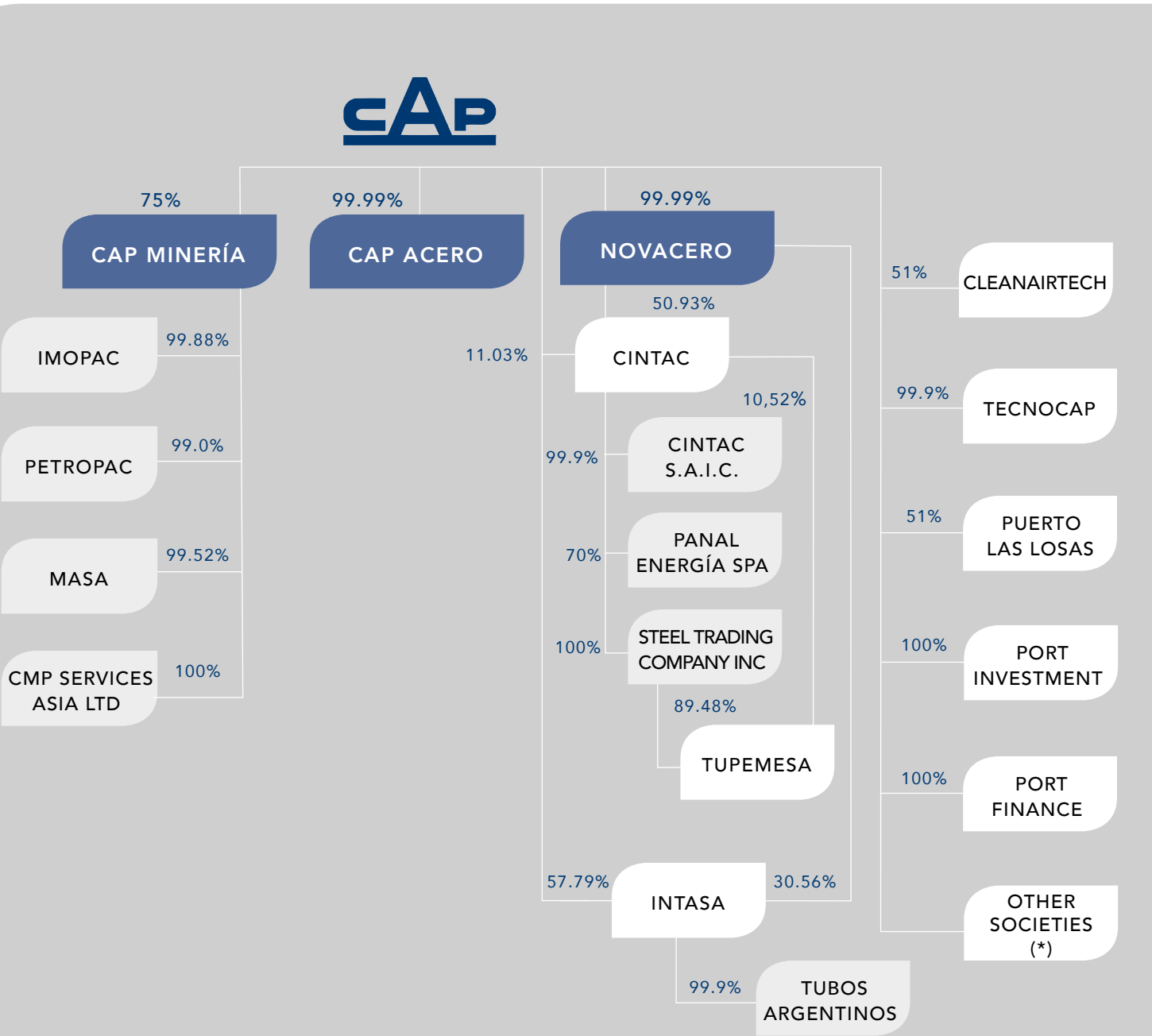
JAVIER ROMERO MADARIAGA
Tax ID 10.286.706-8
Civil Industrial Engineer
President
Cintac S.A.
Designation Date: 07.31.2013



JOSE ANTONIO AGUIRRE SILVA
Tax ID 7.384.453-3
Civil Industrial Engineer
President
Intasa S.A.
Designation Date: 08.08.2013



CAP'S CORPORATE STRUCTURE



(*) Regarding to holding in Abcap S.A. and Inmobiliarias Santiago S.A., Rengo S.A. & Talcahuano S.A.

02

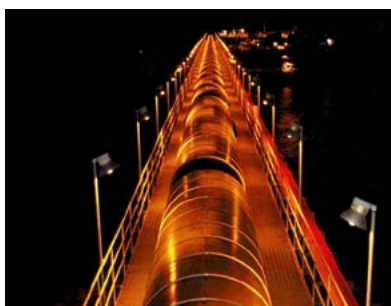
ACTIVITIES AND BUSINESSES

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MINING

Compañía Minera del Pacífico S.A. /CAP MINERÍA



PRODUCTION

The total production of the company during 2017 amounted to 16 million 89 thousand metric tons, of which 8 million 105 thousand metric tons correspond to the production of the Huasco Valley, 6 million 405 thousand metric tons correspond to the production of the Copiapó Valley, and 1 million 579 thousand metric tons to the production of the Elqui Valley. No material purchases from third parties were made during 2017.

The following table compares the production of 2017 with those of 2016:



PRODUCTION	VARIATION			
	2017	2016	ThMT	%
(Thousand of metric tons)				
TOTAL PRODUCTION	16,089	16,080	9	0.1%
HUASCO VALLEY	8,105	8,697	(592)	(6.8%)
Pellets Plant	6,455	6,116	339	5.5%
Self-fluxing Pellets	3,469	3,571	(102)	(2.9%)
Direct-Reduction Pellets	185	35	150	428.6%
Pellet Feed	2,414	2,141	273	12.8%
Pellet Chips	242	239	3	1.3%
Fines	145	123	22	17.9%
Lumps	0	7	(7)	-
Sinter Feed	1,650	2,581	(931)	(36.1%)
Los Colorados mine to Guacolda II port	1,650	2,581	(931)	(36.1%)
ELQUI VALLEY	1,579	1,353	226	16.7%
Fines	80	246	(166)	(67.5%)
Pellet Feed	1,499	1,107	392	35.4%
COPIAPÓ VALLEY	6,405	6,030	375	6.2%
Atacama Pellet Feed	2,215	1,810	405	22.4%
CNN Pellet Feed	4,190	4,220	(30)	(0.7%)

COPIAPÓ VALLEY

MAGNETITE PLANT, CERRO NEGRO NORTE MINE, AND PUNTA TOTORALILLO PORT

During 2017, the Magnetite Plant processed 24 million 940 metric tons of tailings from the Compañía Contractual Minera Candelaria (CCMC), with an average grade of supplied magnetic Fe of 9.89% and DTT Fe of 63.17%. Additionally, the supply of iron ore fines to third parties was continued, processing 462 thousand metric tons originating from the Los Colorados Mine, and a much smaller percentage (0.4%) from the Porvenir mining company, a provider from Atacama region (ore in stock).

The operational time of the magnetite plant was 8,438 hours and the pellet feed processing rate was 239.5 tph. During the year, 1 million 237 thousand cubic meters of desalinated water was supplied, being the main supplier of this material.

The filtered production of Atacama pellet feed originating from the Magnetite Plant amounted to 2 million 215 thousand metric tons. Of this, 85.3% was obtained from fresh tailings from CCMC and the remaining 14.7% from iron ore fines from third parties. The magnetite plant produced an additional 373 thousand metric tons of primary concentrate.

The physical availability of the year was 96.57%.

In Cerro Negro Norte (CNN), the movement of accumulated mine materials amounted to 24 million 99 thousand tons, pit extraction during 2017 amounted to 22 million 243 thousand tons, and filtered production of pellet feed originating from CNN amounted to 190 thousand metric tons.

In the concentration plant, the physical availability of the year was 94.2%, with a utilization rate of 98.6%.

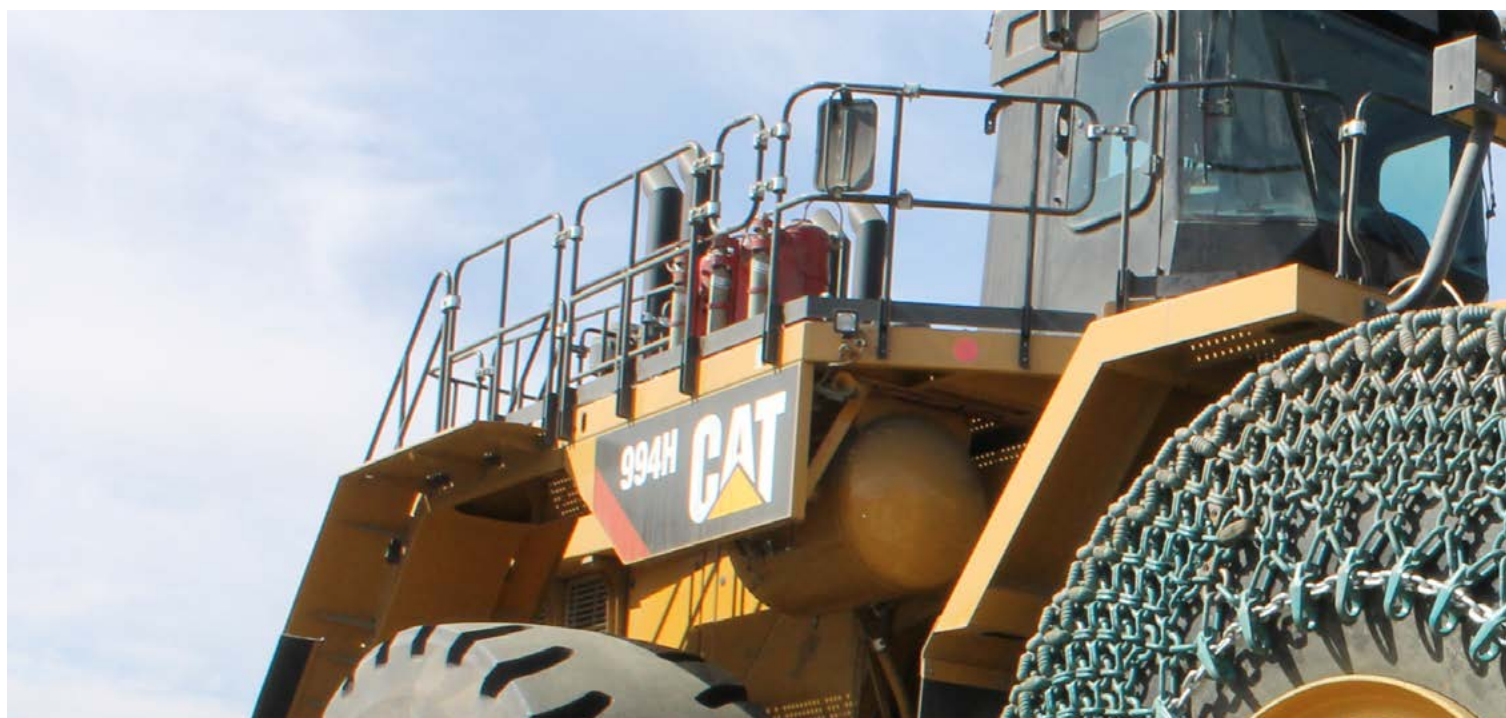
The month of May saw a lower production of concentrate due to rain on the 12th and 13th days of the month, affecting two shifts on Line 1 and three shifts on Line 2.

The main stoppages at CNN were mainly due to scheduled maintenance, including the March maintenance, cleaning, emptying, and filling of tailings thickener No. 1 (137 hours) and stoppage of mill 1 and 2 due to a power cut caused by a fault in the Cardones substation (13 hours). There was also a change in fixed and mobile rollers in the fourth press (92 hours); in September, an unscheduled maintenance of tailings thickener No. 1, causing a 20% decrease in daily production for 5 days; in November, a change in the concave liners of the primary crusher (96 hours); in December, a scheduled maintenance for a lifter change in mill 1 and a major repair of hydroseparator 1 (124 hours).

Since July 2017, a set of measures have been applied at CNN intended to optimize power consumption, in service of the implementation and coming certification of ISO regulation 50,001 concerning power management.

The annual production at Cerro Negro Norte amounted to 4 million 190 thousand metric tons.

44 shipments were made at Punta Totalillo Port, totalling 6 million 385 thousand metric tons. Of these, 10 correspond to Atacama pellet feed totalling 2 million 52 thousand metric tons, 29 shipments of CNN pellet feed totalling 4 million 289 thousand metric tons, 2 regarded as BLEND material, and 3 shipments of copper concentrate totalling 44 thousand metric tons. The utilization rate of Punta Totalillo Port thus reached 47.75%.



Among the main projects carried out in the port are the new installations for the receiving, storage, and shipping of copper concentrate originating from SCM Minera Lumina Copper S.A. - Caserones, including the modifications to the shipping line and ship loader. This project had a cost of US\$36.3 million and was carried out over a period of 13 months, both within initial estimates.

In 2017, 248 thousand cubic meters of desalinated water were received, contributing 2.6 million cubic meters of filtered water to CNN.

HUASCO VALLEY

LOS COLORADOS MINE, PELLET PLANT, ALGARROBO DISTRICT Y GUACOLDA II PORT

The total movement of materials of the Los Colorados Mine in 2017 was 63 million 778 thousand metric tons, including supplying the beneficiation plant with 13 million 78 thousand metric tons, achieving a preconcentrate production yield of 9 million 571 thousand metric tons.

The preconcentrate transport from the Los Colorados Mine to the pellet plant by railroad amounted to 9 million 47 thousand metric tons. Additionally, a total of 241 thousand metric tons of preconcentrate was transported by truck to the magnetite plant and a total of 121 thousand metric tons to the El Romeral Mines. The total transport of preconcentrate from the Los Colorados Mine was thus 9 million 409 thousand metric tons.

The total production of preconcentrate from rejects from Los Colorados Mine was 722 thousand metric tons, requiring to this end the processing of 4 million 96 thousand metric tons of rejects from the beneficiation plant.

447 thousand tons of preconcentrate from rejects was transported to the El Romeral Mines and 293 thousand metric tons to the magnetite plant, reaching a total transport of 740 thousand metric tons from the Los Colorados Mine.





In the relevant events of the Los Colorados Mine we can highlight: a stoppage of extraction activities during January, operating with a minimum fleet to supply ore to plants from stockpiles; highlighted interventions to mining equipment include partial repairs to CAT MD6420 drills (3) and major repairs to Tractors 854K and 834H; as regards the plant, the major stoppage was due to changing pressing rolls 2502; finally, 2 CAT 994K wheel loaders were added to the loading fleet (Nos. 306-307).

In the Huasco Valley, the pellet plant operated for 357 days during 2017, reaching a global production yield of 6 million 455 thousand metric tons, including: 3 million 469 thousand metric tons of self-fluxing pellets, 185 thousand metric tons of pellets for direct reduction, 242 thousand metric tons of pellet chips, 2 million 414 thousand metric tons of pellet feed, and 145 thousand metric tons of Huasco fines. Additionally, a production yield of 1 million 650 thousand tons of sinter feed was registered.

The production yield reached by the pellet plant was 339 thousand metric tons higher than the previous years, mainly due to the favoring of pellet plant production to the detriment of sinter feed.

Pellet production effected an hourly production rate reaching 506 thousand metric tons on average, with an effective operational time of the thermal hardening area of 7,224 hours.

As regards operational results, the production of concentrate from the four grinding lines reached 6 million 581 thousand metric tons with an operational time of 26,070 hours, a supply of 7 million 441 thousand metric tons of preconcentrate, and recovery of 81.71% by weight.

We would like to highlight the following relevant events in the pellet plant: The major repairs of the pelletization area lasting 19.4 days, as well as 5 minor repairs lasting a total of 18.9 days; the major repairs of the grinding, concentration, and filtering area lasting 8.0 days; the implementation of a milling controller



in mill No. 4; and the stoppage of mill No.2 due to repairs of cracks lasting 65.6 days. Additionally, bad weather fronts caused the stoppage of preconcentrate transport in May, June, and August for 182 hours.

In 2017, the El Algarrobo Mines and Cristales Mine sites saw a temporary suspension of activities.

ELQUI VALLEY

EL ROMERAL MINES AND GUAYACÁN PORT

In 2017, the production yield of the El Romeral Mines was 1 million 579 thousand metric tons of ore, broken down into 80 thousand metric tons of fines and 1 million 499 thousand metric tons of pellet feed.

The production of the mines was carried out by moving a total of 17 million 591 thousand metric tons of materials.

The concentrate plant was supplied with a total of 3 million 325 thousand metric tons. This allowed for the production of 81 thousand metric tons of fines and 1 million 165 thousand metric tons of preconcentrate.

The grinding plant had a supply of 2 million 665 thousand metric tons for the production of pellet feed, of which 1 million 165 thousand metric tons was preconcentrate from low-grade stockpiles produced in the concentration plant, 928 thousand metric tons were preconcentrate produced from reprocessing old rejects from mobile plants, 447 thousand metric tons of preconcentrate from rejects, 121 thousand metric tons of preconcentrate from the Los Colorados Mine, and 4 thousand metric tons of preconcentrate from Rumo mobile plants.

The Guayacán Port serviced 12 ships, all destined for the external market.

COMMERCIALIZATION

INDUSTRY

CAP Minería is the primary producer and exporter of high-grade magnetic concentrate and pellets in Chile, and participates as such in the international iron ore and steel market.

The global production of crude steel had reached 1,674 million tons in 2017, reflecting a greater dynamism experienced by the international steelmaking industry during, mainly, the second half of the year. China was ranked first in the main steel-producing countries, with a production of around 832 million tons. This represents an unexpected increase of 3.4% in comparison to the production volume reached the previous year (805 million tons).

Again, Japan and India placed second and third in this ranking, producing 105 million tons (-0.1%) and 101 million tons (+5.6%) of crude steel, respectively. Following the loss seen in 2016, breaking the upward trend of the previous 6 years, Chinese steel exports fell another 30.4% approximately, reaching 75.4 million tons. The exports were impacted by increased internal consumption as well as the effectiveness of protectionist measures imposed by the US and the EU, among others. On an individual level, ArcelorMittal stayed in the lead of the largest steelmaking companies in the world, producing 93.1 million metric tons of crude steel in 2017. A distant second and third were the Chinese integrated steelmakers BaoWu (63.8 million metric tons) and Hebei Iron & Steel (46.2 million metric tons).

Despite the tighter environmental restrictions imposed by the Chinese government, the improved prospects of the global steel industry made the impact on the price of iron ore smaller than expected. The balance of the industry continues to be disturbed by a supply that - at times significantly - exceeds

demand. Although any additional environmental regulations and/or legislation that the Chinese government might suddenly impose could rapidly disturb the balance of the industry, for now there are no major changes foreseen in the current situation. Another interesting point that should be kept under observance is the use of scrap metal in China, which could impact the balance of the industry in the medium term.

As regards supply, the Australian producers BHP Billiton, Rio Tinto, and Fortescue Metals Group and the Brazilian Vale are still strongly dominating the market, producing altogether over 70% of the global supply of iron ore traded by sea, or 1,133.1 million tons. The producers Roy Hill and Anglo American also keep adding significant tonnage to the market.

All in all, the volatility in the price of iron ore is the main characteristic to highlight at the close of 2017, with a minimum of US\$57.20 per dry metric ton in June (in comparison with an average US\$41.58 per dry metric ton in January 2016) and a maximum of US\$88.72 per dry metric ton in February (in comparison with US\$80.41 per dry metric ton in December 2016). The average price, as measured according to the Platts 62% Fe CFR China price index, saw an increase of 22% compared to the previous year, amounting to US\$71.32 per dry metric ton (in comparison with US\$58.45 per dry metric ton in 2016). The average sale price of the company was US\$69.17 per natural metric ton, which can be favorably compared to the US\$56.98 per natural metric ton in 2016 (+21%).



During 2018, products directly loaded into blast furnaces (pellets and lumps) and high-grade ores will stay in high demand, to the detriment of low-grade ores and ores high in impurities. If demand holds, the price differential between high-grade and low-grade ores will stay high.

- Risk factors

The complex international geopolitical stage, growing protectionism in the US under the Trump administration, the net increase of the global iron ore supply, stricter environmental regulations in China as a consequence of its severe pollution problems and their impact on the steelmaking industry, and heavy concentration of the company's sales in Asia and China in particular, are the main risks that the company must face and manage in the near future.

- Commercial Relationships with Subsidiaries and Associates

Compañía Minera del Pacífico S.A. is the main provider of iron ore and pellets of the Chilean integrated steelmaking company Compañía Siderúrgica Huachipato S.A. 898.38 thousand tons of pellets were shipped to this company throughout the year under the terms of a long-term contract, and 8.05 thousand tons of pellet chips under the terms of a spot contract.





SALES

Consolidated iron ore sales during 2017 reached 16 million 135 thousand metric tons, representing a decrease of 3.7% compared to the previous year's sales.

Sales to the external market reached 15 million 223 thousand metric tons, while 912 thousand metric tons were shipped in the internal market. This means that the external market represented 94.3% of sales, while the internal market represented the remaining 5.7%.

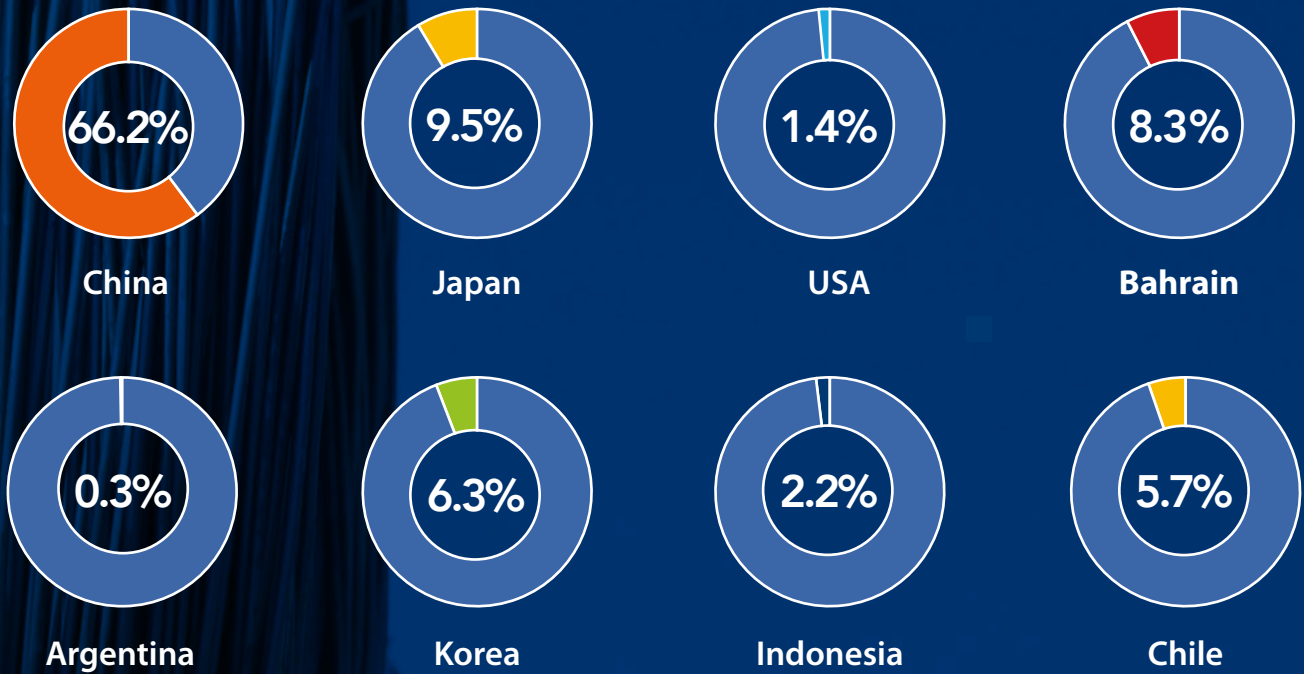
In aggregate figures, the Asian market comprised 93% (14.94 million metric tons) of company exports. Additionally, 66% of sales were concentrated in China

The following table compares the sales of 2017 and 2016:

SALES (thousand of metric tons)	VARIATION			
	2017	2016	ThMT	%
TOTAL CAP MINERÍA	16,135	16,757	(622)	(3.7%)
HUASCO VALLEY	8,199	8,801	(602)	(6.8%)
External market	7,288	7,885	(597)	(7.6%)
Internal market	911	916	(5)	(0.5%)
ELQUI VALLEY	1,595	1,571	24	1.5%
External market	1,594	1,563	31	2.0%
Internal market	1	8	(7)	(87.5%)
COPIAPÓ VALLEY	6,341	6,385	(44)	(0.7%)
External market	6,341	6,385	(44)	(0.7%)
Internal market	-	-	-	-

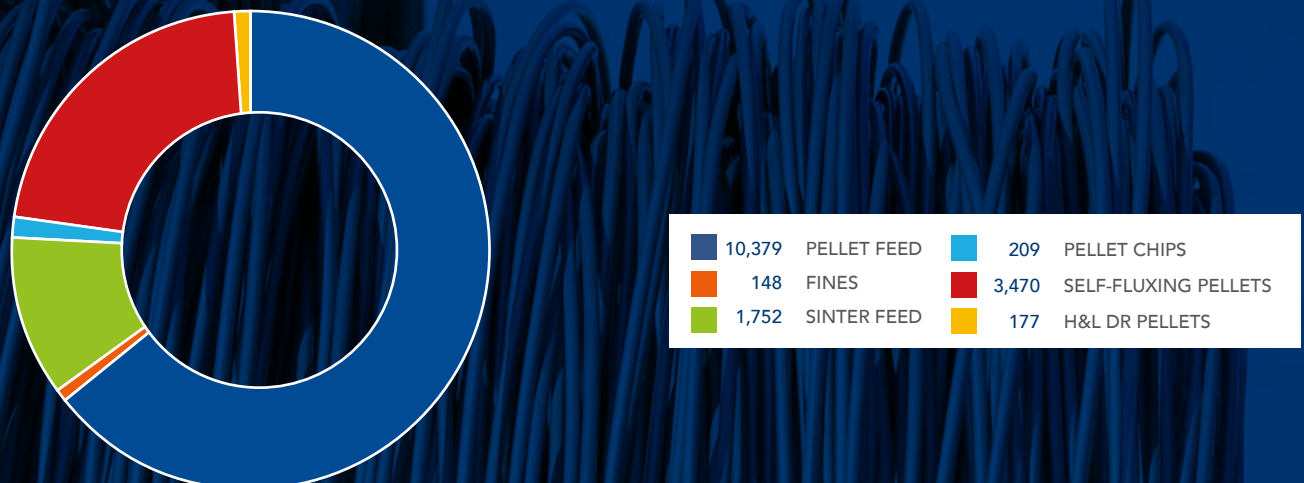
Considering the destinations of the products, during 2017 the company supplied 8 different geographical markets, where Argentina appears as an emerging market. The following graph presents the shipping destinations and volumes:

Total sales by market 2017



As regards the product portfolio, pellet feed is the main product sold. It is followed by blast furnace pellets and sinter feed. These three products amount to 97% of total shipped products. The following graph shows the sales of pellet chips, direct reduction pellets, and fines.

Total sales by products 2017 (ThMT)

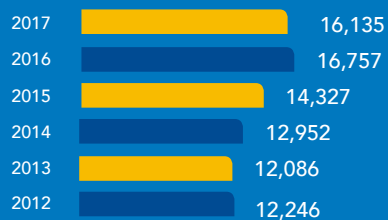


CUSTOMERS CAP MINERÍA 2017

COUNTRY	CUSTOMER
ARGENTINA	Siderar
BAHRAIN	Bahrein Steel
CHILE	CSH
	Ecometales
	Redoxi
	Quimica del Sur
CHINA	RGL Group
	Glencore AG
	Cargill
	GMG
	Mercuria
	RtM
	Ningbo
	Xinyu Iron and Steel
	Baosteel
	Anglo American
	HBIS
	Jiahe International
	Qingdao
	Shandong
CSMM	
INDONESIA	Krakatau
JAPAN	JFE
	KOBE
	NSSMC
	NIS
KOREA	Posco
USA	QM/UM
	Penn Mag
	Global Magnetite

GRAPHICAL SUMMARY

TOTAL SHIPMENTS (ThMT)



FINISHED PRODUCTION OF MINING PRODUCTS (ThMT)



RESERVES AND RESOURCES

We present below information concerning geological resources and mining reserves as of December 31, 2017, with respect to the mines that CAP Minería is currently exploiting, and other iron ore deposits in which CAP Minería has exploitation rights, including tailings from the Candelaria copper mine (in million metric tons).

DEPOSIT		RESOURCES DECEMBER 2017								
NAME	LOCATION	MEASURED	% Fe	INDICATED	% Fe	INFERRED	% Fe	TOTAL	% Fe	
El Laco	Antofagasta							733.9	49.2	*
Cerro Negro Norte	Copiapó	608.1	29.8	38.0	26.8	2.2	27.5	648.4	29.6	©
Candelaria	Copiapó							465.7	11.0	n/c
Los Colorados	Vallenar	512.4	33.9	265.5	34.7	79.5	37.9	857.5	34.5	©
Los Colorados District	Vallenar							26.0	43.3	*
El Algarrobo	Vallenar							134.8	45.5	
Algarrobo		116.2	46.4	8.5	40.1	1.6	41.8	126.4	46.0	©
Stockpiles								8.4	38.6	*
El Algarrobo District	Vallenar							1,120.4	30.3	
Alcaparra D		92.4	32.6	234.3	29.7			326.7	30.5	©
Alcaparra A		67.4	28.6	181.5	29.1	383.8	31.9	632.7	30.7	©
Domeyko II								107.0	28.0	*
Charaña								42.0	27.5	*
Ojos de Agua								12.0	34.5	*
Cristales	Vallenar							149.0	32.8	*
Tofo	La Serena							2,997.4	27.3	
Pleito (Tofo Norte)		946.0	25.5	455.4	23.4	189.7	22.5	1,591.1	24.5	©
Sierra Tofo		188.4	22.6	199.7	22.3	44.6	23.2	432.8	22.5	©
Pleito Este								350.3	24.3	*
Chupete		156.8	34.5	253.4	37.4	213.1	45.49	623.2	39.4	©
Romeral	La Serena							512.3	28.6	
Low grade stockpiles								8.5	19.8	*
Phase 5		339.2	30.5	108.8	25.7	55.8	23.9	503.8	28.7	©
TOTAL								7,645.3	30.4	

Comments:

- © The resources indicated are certified in accordance with Law 20.235 by competent people registered with the Competence Qualification Commission in Mining Resources and Reserves (Mining Commission) who do not work in CAP Minería or in any related company. The competent person who certified the base information and estimate of resources is Mr. Marco Alfaro S., and his Mining Commission registration number is 218. The certification dates are the following :

SECTOR	CERTIFICATION DATE	
Cerro Negro Norte	July 2015	
Los Colorados	November 2013	*
Algarrobo	August 2014	
Alcaparra D	December 2014	
Pleito (Tofo Norte)	November 2013	n/c
Chupete	March 2016	
Alcaparra A	March 2016	
Sierra Tofo	September 2016	
Romeral	March 2017	

The stated resources will be certified during 2018

Deposit not considered in the certification process. Candelaria is a third-party copper deposit, with respect to which CAP Minería has a contractual right to use the iron ore content of the tailings.



DEPOSIT		RESERVES DECEMBER 2017						
NAME	LOCATION	PROVEN	% Fe	PROBABLE	% Fe	TOTAL	% Fe	
El Laco	Antofagasta					376.3	56.7	*
Cerro Negro Norte	Copiapó	309.2	33.8	7.3	31.3	316.5	33.8	©
Candelaria	Copiapó					465.7	11.0	n/c
Los Colorados	Vallenar	324.7	34.9	106.0	41.1	430.7	36.4	©
El Algarrobo	Vallenar					76.8	49.4	
Algarrobo						71.8	50.2	*
Stockpiles						5.0	38.6	*
El Algarrobo District	Vallenar					118.4	35.5	
Alcaparra D						118.4	35.5	*
Pleito (Tofo Norte)	La Serena	720.6	26.2	204.6	24.6	925.2	25.8	©
Romeral	La Serena					100.1	30.3	
Low grade stockpiles						8.5	19.8	*
Phase 5						91.6	31.3	*
TOTAL						2,809.8	32.5	

Comments:

- © The reserves indicated are certified in accordance with Law 20.235 by Mr. Orlando Rojas V. who is a competent person registered with the Competence Qualifier in Mining Resources and Reserves, with registration No.118.
Orlando Rojas is an independent professional and does not work in CAP Minería or in any related company

Sector	Certification date
Cerro Negro Norte	December 2015
Pleito (Tofo Norte)	December 2015
Los Colorados	November 2015

- * The stated resources will be certified during 2018.

- n/c Deposit not considered in the certification process. Candelaria is a third-party copper deposit, with respect to which CAP Minería has a contractual right to use the iron ore content of the tailings.

MINING PROPERTY CONCESSIONS

The following tables show the exploration and exploitation concessions as of December 31, 2017:

	2017	
	NUMBER	AREA (ha)
Exploitation concessions	1,799	414,922
Constituted	1,580	294,208
Constituting in process	219	120,714
Exploration concessions	45	18,200
Constituted	25	15,200
Constituting in process	20	3,000

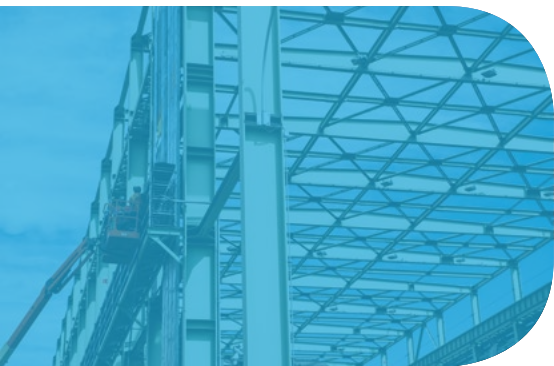




STEEL PRODUCTION

Compañía Siderúrgica Huachipato S.A.

/CAP ACERO



PRODUCTION

During 2017, the finished steel production was 729,067 tons, with a production of liquid steel of 793,757 tons obtained from a production of cast iron of 674,966 tons.

PRODUCTION (thousand metric tons)	VARIATION			
	2017	2016	ThMT	%
PRODUCTION OF LIQUID STEEL	794	815	(21)	(2.6%)
PRODUCTION OF FINISHED STEEL	729	745	(16)	(2.1%)





SALES

The total deliveries of steel products in 2017 were 729,029 tons, of which 87% was to the internal market.

In comparison with the previous year, deliveries increased by 9,119 tons. The external market contributed with 94,489 tons, 29,445 tons more than to 2016.

In 2017, total sales revenues amounted to US\$ 480.6 million, of which US\$ 445.4 million corresponded to sales of steel products and US\$ 35.2 million to sales of other products and services. The difference in revenue from steel products compared to the previous period is US \$ 83.0 million, mainly explained by better prices of products delivered.

DELIVERIES (thousand metric tons)			VARIATION	
	2017	2016	ThMT	%
TOTAL DELIVERIES	729	720	9	1%
Internal market	635	655	(20)	(3%)
External market	94	65	29	45%

AVERAGE PRICES (US\$ per ton)			VARIATION	
	2017	2016	US\$/MT	%
Internal market	607	503	104.4	20.8%
External market	636	509	126.7	24.9%

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 continual-rolled slabs and plates, which it later rolls for delivery to the market of higher added-value products such as grinding bars reinforcing bars, in rolls and straight, wire rod and helicoidal bars.

The company sells its products to processors and industries, construction companies, steel distributors, wire drawers, manufacturers of grinding balls, workshops and copper mining.

The following shows the company's principal customers and a graph is shown of the distribution deliveries in 2017 by industry:

CUSTOMERS 2017

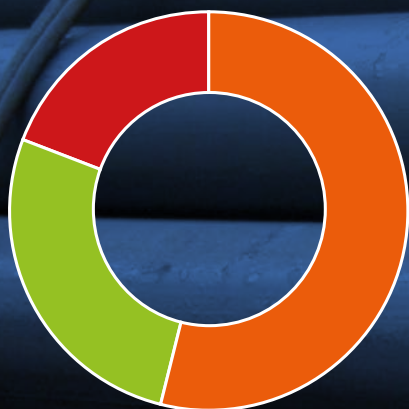
- / ACMA S.A.
- / AMERICAN SCREW.
- / CARLOS HERRERA LTDA.
- / CELULOSA ARAUCO
- / CONSTRUMART S.A.
- / CORPORACIÓN NACIONAL DEL COBRE DE CHILE (CODELCO)
- / EASY S.A.
- / HOCHSCHILD
- / IANSAGRO
- / IDEAL ALAMBREC
- / INDURA
- / INCHALAM S.A.
- / MEPSA
- / MOLY-COP CHILE S.A.
- / PROALCO
- / PRODALAM
- / SK SABO
- / SODIMAC S.A.

SUPPLIERS 2017

- / COMPAÑÍA MINERA DEL PACÍFICO S.A.
- / BHP BILLITON MITSUBISHI ALLIANCE (AUSTRALIA)
- / TECK COAL LTD. (CANADÁ)
- / GUACOLDA ENERGÍA S.A
- / NAVIERA ULTRANAV LTDA.
- / HIDROELÉCTRICA RIO LIRCAY S.A.
- / SAMANCOR AG (SUDÁFRICA)
- / VETORIAL MINERAÇÃO S.A. (BRASIL)
- / NYK BULK & PROYECT CARRIER LTD (JAPÓN)
- / HARSCO METALES CHILE.

Deliveries in 2017 show that the sector of mining accounts for 54% of deliveries. Customers in the building and works industries mainly ordered reinforcing bars, the metallurgical industry wire rod, and mining mainly grinding bars.

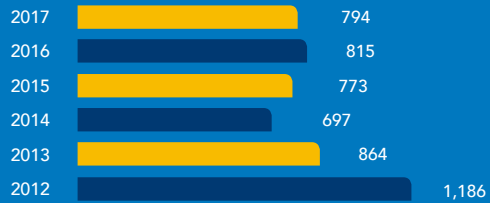
Deliveries by market CAP Acero 2017



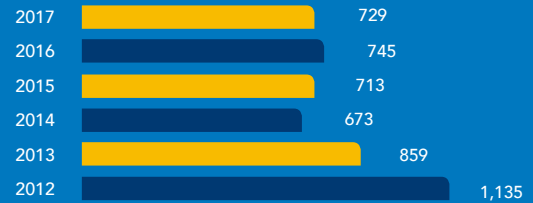
- 54% MINING
- 27% METALLURGICAL INDUSTRIES
- 19% BUILDING & WORKS INDUSTRIES

GRAPHIC SUMMARY

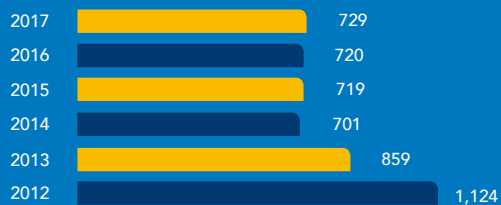
LIQUID STEEL PRODUCTION (ThMT)



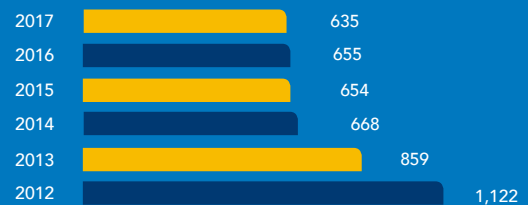
FINISHED STEEL PRODUCTION (ThMT)



TOTAL DELIVERIES (ThMT)



DOMESTIC MARKET DELIVERIES (ThMT)



STEEL PROCESSING

The steel processing business is developed by Cintac S.A. and Intasa S.A., subsidiary companies of Novacero S.A., in which CAP has a shareholding of 99.99%.

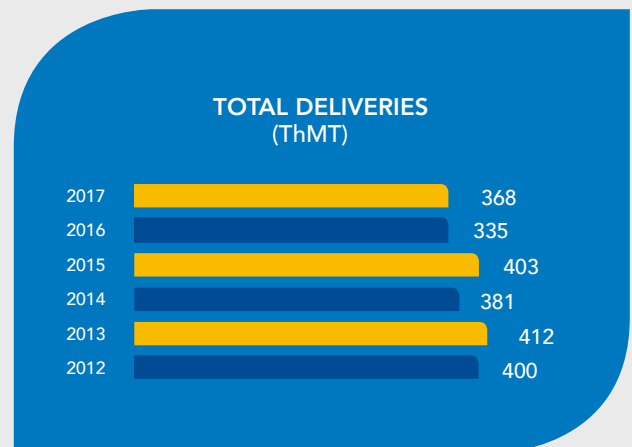
In turn, Novacero S.A. holds 50.93% and 30.56% of Cintac S.A. and Intasa S.A., respectively, which, together with the 11.03% and 57.79% held by CAP, allows for a direct and indirect control of 61.96% in Cintac S.A. and 88.35% in Intasa S.A.

The object of Cintac S.A. and its subsidiary companies Cintac S.A.I.C. and Tupemesa S.A. and Intasa S.A. and its subsidiary Tubos Argentinos S.A., is the creation of steel solutions, mainly for the construction, industry and infrastructure sectors, both in Chile and abroad.

Chilean economy managed to improve towards the end of 2017, the country's growth expectations have been changing positively and it is expected for the construction, industry and mining sectors to begin to increase and maintain an upturn that leads to an increment in the demand for steel products. Cintac S.A. continues with its growth strategy in innovation niches, for which they are already manufacturing products directed to new target markets, such as solar energy and agriculture. Moreover, offers that provide solutions and services related to these products are being generated so that Cintac can participate in businesses that have greater added value. Additionally, a strong focus on operational excellency is maintained, allowing the company to maintain its position as leader in the introduction of new products and solutions, as well as innovating in processes that will allow them to continue optimizing costs and improving sales margins.

Regarding the situation in Peru, the country experienced a difficult first term as it was affected by El Niño on the coast and by a standstill of construction and infrastructure work due to the investigations of corruption in which the main companies of the sector have been involved. However, since the third quarter, the country's economy has experimented greater vitality and Tupemesa was able to resume its expected growth. It is worth mentioning that at the start of the year the electroplating plant that is currently providing coating solutions to a varied number of the sector's industries was inaugurated in Peru. Also, in July, Tupemesa launched its new line of insulating panels that provides the market with insulation solutions for all types of industrial construction.

The following is an evolution of the steel processing group's total deliveries:





CINTAC S.A.I.C.

Created in 1956, this company is dedicated to the production and commercialization of steel products, supplying mainly to the construction industry, residential as well as commercial and industrial, in Chile and abroad.

During 2014, important changes were made to the company's organizational structure, with the materialization, in August, of the merging of the subsidiaries Conjuntos Estructurales S.A., Instapanel S.A. and Centroacero S.A. within Cintac S.A.I.C. In December, the takeover of Cintac S.A.I.C. by Inmobiliaria S.A. took place, under the latter's ID number, but maintaining Cintac S.A.I.C.'s trade name. Additionally, the operations of Santa Marta plant were incorporated to the facilities of the Maipú plant, resulting in the functioning of two out of three production plants (Maipú and Lonquén) with one available for sale (Santa Marta). These changes simplified the group's final structure and strengthened the collaborative focus that the company has implemented in the last few years in order to enhance administrative, operational and cost synergies.

On November 22, 2017, in the city of Santiago, the subsidiary company Panal Energía Spa was constituted. It is dedicated to the manufacturing, installation, commercialization and maintenance of electric generation plants and power backup, based on non-conventional renewable fuels or energies, including the development of photovoltaic, thermal or other solutions, as well as electrical energy storing systems. This company will begin its operations in January 2018. Cintac S.A.I.C. is the shareholder of 70% of this society.

Cintac operates its plant in Santiago with a processing capacity of 175 thousand tons per year.

TUBOS Y PERFILES METÁLICOS S.A. (TUPEMESA)

The company was created in 1965 and currently operates with success in the tubular steel products market in Peru with a wide range of high-quality products.

Tupemesa operates in its plant in Lima, Peru, with a processing capacity of 75 thousand tons per year.

TUBOS ARGENTINOS (TASA)

The company was created in 1909 and is focused in the production of construction systems and integral solutions through the transformation and utilization of steel, together with logistics services and innovation, which add value and greater satisfaction to the end user, in Argentina as well as in other countries.

Tasa operates in two plants; one is located in the Province of Buenos Aires and another in the Province of San Luis. Its total processing capacity is 75 thousand tons per year.

The following are comparative charts of production and deliveries for 2017 and 2016 of Cintac, Intasa and their subsidiaries:



PRODUCTION (thousand metric tons)	VARIATION			
	2017	2016	ThTM	%
TOTAL PRODUCTION	324	297	27	9%
Cintac	200	188	11	6%
Tupemesa (Peru)	63	58	5	8%
Tasa (Argentina)	61	51	10	20%

DELIVERIES (thousand metric tons)	VARIATION			
	2017	2016	ThTM	%
TOTAL DELIVERIES	368	335	34	10%
Cintac	222	213	10	5%
Tupemesa (Peru)	82	68	14	21%
Tasa (Argentina)	64	54	10	19%

Note: The figures exclude inter-company sales.

The steel processing group sells its products through a broad distribution channel network, including main retail chains, construction companies, machine workshops and large customers in the mining, industrial, commercial and service sectors.



INVESTMENT AND FINANCING POLICIES

INVESTMENT

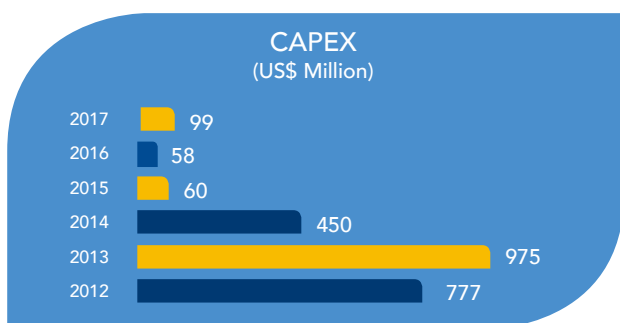
Since its launch in 1950, the company has focused on the production of steel for the domestic market as main activity. Even with the incorporation of other activities, iron ore mining in 1959 and steel production in 2000, during this whole period it is the steel production activity remained the main source of cash flow generation for the Group. This was the case until, in the third quarter of 2008, the subprime crisis caused the fall of Lehman Brothers in the United States and had a severe impact in economic dynamism around the globe. Since then, and as a consequence of the advent of China, the company's mining activity emerged as the new liquid asset-generating motor for the CAP Group. Bypassing in this way the economic cycles of the businesses in which it takes part, CAP continued to grow and, in 2014, incorporated the infrastructure business as its fourth pillar of activity, with the operations of the seawater desalination plant, a power transmission line and Las Losas port.

Indeed, the Group's last investment cycle ended in 2014, the year in which investments concluded in the following ventures: (1) Cerro Negro Norte mine (4 million annual tons), with which CAP Minería reached a nominal capacity of 18 million tons per year; (2) Tecnocap power transmission line, which connects

the site with the Punta Totalillo port, the desalination plant, Amanecer Solar CAP photovoltaic plant of Brookfield, and the Sistema Interconectado Central (National Energy Grid); and (3) the aforementioned desalination plant built by Aguas CAP (51% CAP and 49% Mitsubishi).

Meanwhile, 2015, 2016 and 2017 were characterized by the administration's efforts to safeguard the liquidity of the Group's companies in the face of the decline and volatility of the price of commodities, especially iron ore.

In this way, during the activities of 2015, 2016 and 2017, CAP's CAPEX reached USD 60 million, USD 58 million, and USD 99 million, respectively, as it can be seen in the graph below, while maintaining the investment policy regarding environmental protection, the safety and development of human capital, and the use of the most modern and innovative technologies. This was done within the framework of its vertically integrated iron ore mining and steel production activities, as a relevant actor in the processing of value-added steel products in Chile, Peru and Argentina, and as operator in the production of desalinated water and power transmission.



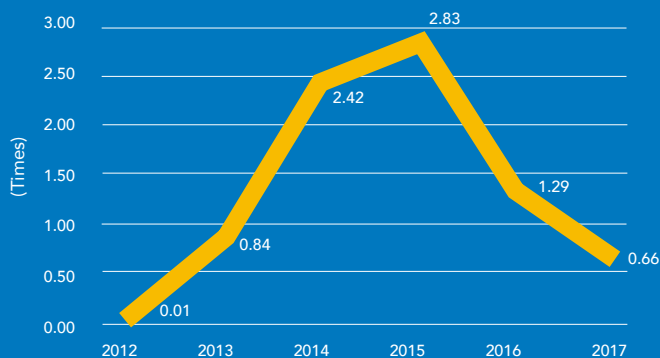
FINANCING

For the 2017 period, CAP's financial policy was carried out as planned, paying special attention to the adequate level of liquidity, seeking to minimize currency exchange risks and to diversify funding sources, and maintaining a balanced mixture between capital and debt, between foreign and local resources, and between short and long term.

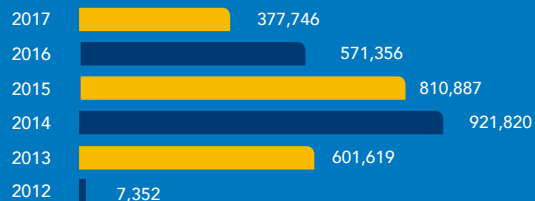
At the end of 2017, the CAP Group boasted a high consolidated liquid resource figure, closing the year with a cash balance of USD 700 million, having begun the period with a total cash available of USD 786 million.

Regarding the Group's gross financial debt, the company reached USD 1,078 million on December 31, 2017. This is compared to the USD 1,357 million of the start of the period, which includes the repayment of committed credit lines. Therefore, the company's net financial debt at the close of the year, was of USD 378 million, which is equivalent to 0.66 times its EBITDA.

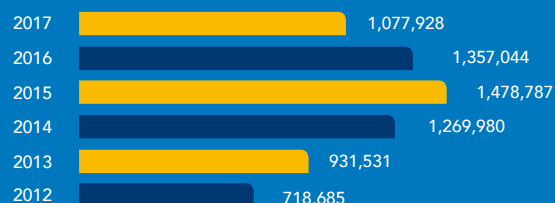
CONSOLIDATED NET FINANCIAL DEBT TO EBITDA RATIO



NET FINANCIAL DEBT (ThUS\$)



GROSS FINANCIAL DEBT (ThUS\$)



LIQUIDITY

CAP's consolidated liquidity is at a level of 1.26 times as of December 31, 2017, compared to 1.84 times at the end of 2016.

DIVIDENDS AND INVESTMENT

During this period, dividends of ThUS\$ 56,771 were distributed. Investments totaled ThUS\$ 99,230.

RISK FACTORS

The production and commercialization of iron ore and steel are international transaction businesses and reflect through their prices the global and local cyclical variations of supply and demand.

On the other hand, neither iron ore nor steel are commodities, except in a limited sense, since the specific chemical composition of each type of iron ore or steel, an essential consideration in client's purchasing decisions, creates a wide variety of products. Nevertheless, the futures transaction of iron ore and steel have

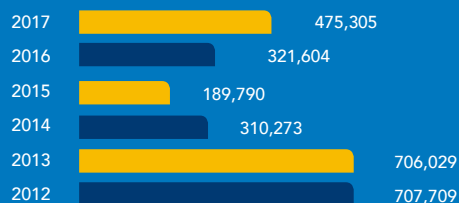
lately gained relevance through financial intermediaries with whom CAP has made minor transactions using hedging instruments.

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

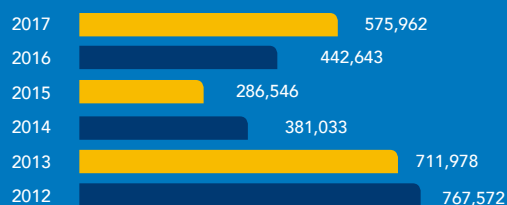
Acknowledging the unique and specific nature of each customer's demands, and for an optimal performance in the face of the aforementioned variables, the CAP Group makes a constant effort to maintain its production processes up to date with the new technologies and to always make emphasis in the provision of accurate and timely responses related to service and supply to the markets it takes part in, thus ensuring a proper communication with 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 fixed or floating interest rates.

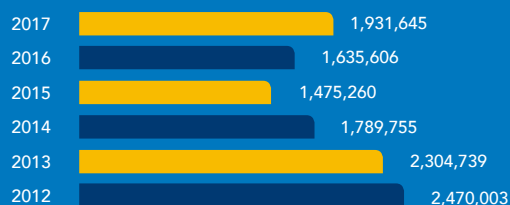
GROSS MARGIN (ThUS\$)



CONSOLIDATED CASH GENERATION (EBITDA) (ThUS\$)



CONSOLIDATED OPERATING REVENUES (ThUS\$)



MARKET RISKS

The main market risks to which the CAP Group is exposed are the following:

- **Exchange rate:** given that CAP's accounting and financial reports are prepared in its functional currency, the US dollar, any operation carried out in a different currency must be converted to US dollars according to the rate at that time. Therefore, the company must face the risk of exchange rate fluctuations, mainly against the Chilean peso.
- **Liquidity and interest rate:** in its financing operations, the company is exposed to the availability of liquidity and to financial costs in the credit and/or capital markets, variables that can be, in turn, affected by activity bubbles, financial crises, economic policies, etc.
- **Competition and prices:** Chile is one of the countries that is most open to international trade, making the company face competition from all origins and price variations of its products in international markets.

RISKS INHERENT TO THE BUSINESS

- **Regulatory changes and permit procurement:** the company increasingly faces more and greater regulatory requirements and permits, such as those related to the environment, maritime concessions, easements, etc.
- **Community Liaison:** the CAP Group's operations are distributed throughout the country's territory, coexisting with different ethnicities and communities who express their own cultures and needs that the company has to consider.
- **Operational risks:** The complexity of mining and steel production operations poses risks that are inherent to these activities, mainly related to the availability of goods and services, human resources, energy, power, etc.

Further information regarding market risk hedging can be found in the management discussion and analysis of the financial statements as of December 31, 2017.

BANKS

INTERNATIONAL BANKS

- / ABN AMRO
- / BBVA
- / Crédit Agricole
- / Corbanca New York
- / Export Development Canada
- / HSBC
- / Banco Estado New York
- / Mizuho Corporate Bank Ltd.
- / Sumitomo Mitsui Banking Corporation
- / The Bank of New York Mellon
- / The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- / Natixis

LOCAL BANKS

- / Banco Bice
- / Banco Consorcio
- / Banco Crédito e Inversiones
- / Banco de Chile
- / Banco ItaúCorpbanca
- / Banco Santander Chile
- / Banco Estado
- / BBVA Chile
- / China Construction Bank
- / HSBC Bank (Chile)
- / Scotiabank
- / The Bank of Tokyo-Mitsubishi UFJ, Ltd.



DIVIDEND POLICY

A dividend distribution of 50% of the net income will be proposed to the shareholders meeting to be held in April 2018.

The meeting will be proposed that during 2018 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 2019, that if earnings are produced in the year 2018, 50% of these will be distributed as the final dividend.

PERSONNEL

As of December 31, 2017, the personnel of CAP S.A. and its subsidiaries totaled 4,132 people, distributed by company and compared to the year before as follows:

COMPANY	2017	2016
CAP S.A. + Infrastructure	74	83
Cía. Siderúrgica Huachipato S.A.	846	949
Cía. Minera del Pacífico S.A.	2,410	2,271
Steel Processing Group	802	816
Total	4,132	4,119

Of the total, 788 are engineers, technicians and other university professionals and 3,344 are employees qualified to carry out operative, administrative and service jobs. During the fiscal year 2017, the number of permanent personnel increased by 13, 0.32% more compared with the previous year. The parent company, CAP S.A., employs 7 managers, 25 professionals and technicians and 23 qualified employees.

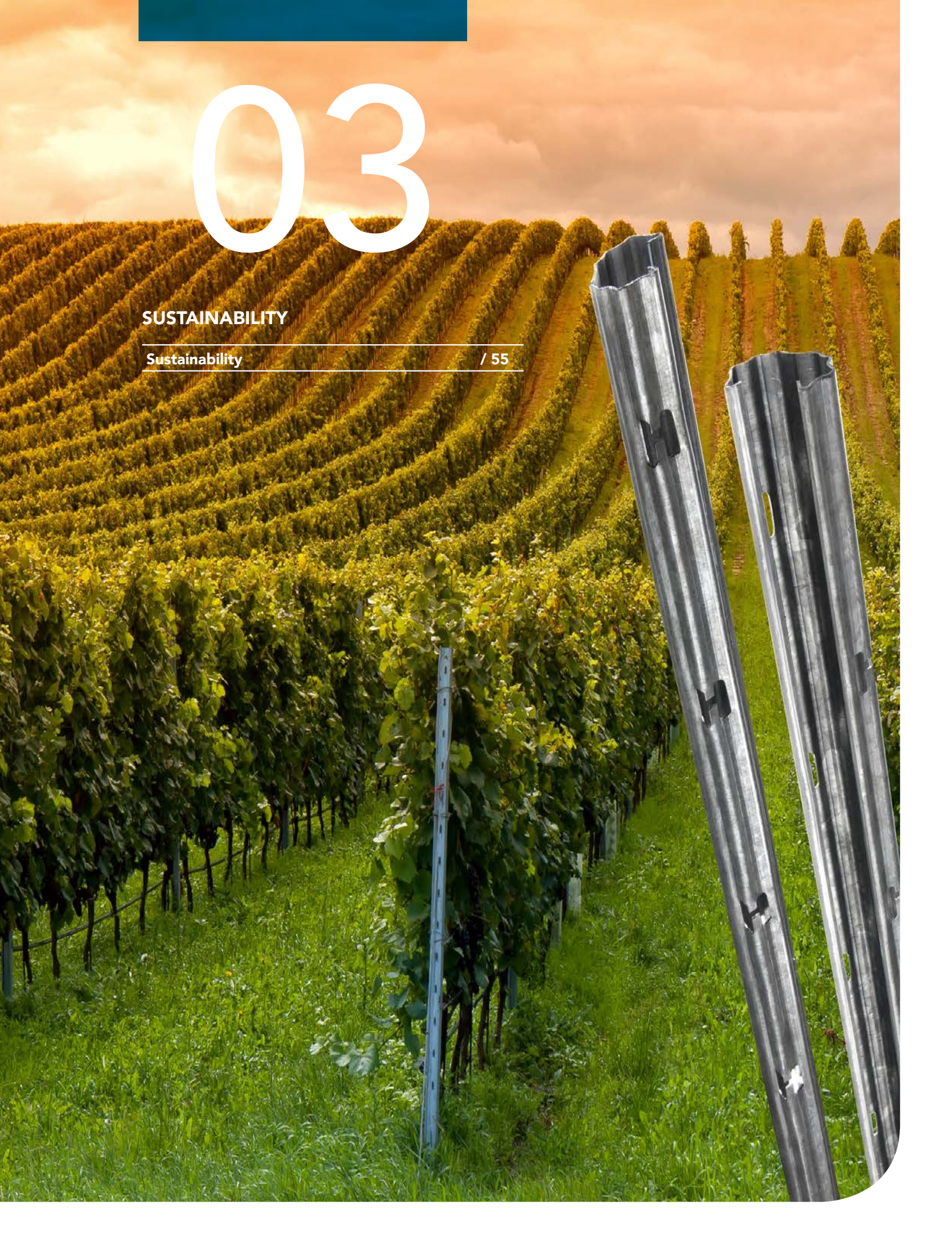


03

SUSTAINABILITY

Sustainability

/ 55



CAP GROUP: SUSTAINABILITY DEVELOPMENT AND GROWTH IN HARMONY WITH THE ENVIRONMENT



Thanks to the management of its intangibles, the CAP group, and organizations in general, can contribute to the creation of greater ethical, economic, social and environmental value for their interest groups while protecting their strategic and reputational risks and strengthening their social license to operate.

It is because of this that, in coherence with our nearly seven decades of existence, the CAP group has incorporated the concept of sustainability as a key and strategic aspect in its long-term business vision and permanent commitment with the country, striving to be a company that preempts the challenges of the future.

Although some years ago the valuation of a business prominently depended on its financial results and tangible assets, for a decade we have been living in an era of hyper-transparency, superconnectivity and speed, in which the valuation increasingly depends on trust.

This means that, today, a company's social and financial appreciation depends, to a great extent, on intangible assets and its corporate reputation, as well as the company's performance. This is perceived by all areas of society regarding issues as relevant as caring for the environment and health and safety in the workplace.

In this context, CAP is constantly seeking to ensure that current and future activity of the Group's companies is done in a way that generates trust and is transparent and ethical, without altering their relationships with the environment, together with adding value to the areas in which they operate. Thus, CAP's strategy voluntarily incorporates the management of ESG intangibles (environmental, social and governance), in its business models and organizational processes, moving towards Creating Value on the basis of three key axes: ensuring a satisfactory quality of employment, operating the business in harmony with the environment and contributing to society.

However, present and future challenges continue. Therefore, we also have the purpose of continuing to bring our social and environmental performance closer to all our interest groups and value chain, showing with ever-increasing transparency our genuine concern for people and the environment, as well as social and corporate governance issues (ESG variables), which grant value in the long term.

Due to the above, in CAP we end 2017 with the implementation of the ESG Compass survey of perception and commitment, targeted to all our groups of interest (workers, suppliers, community, clients, including investors), complementing the existing materiality analyses, and which seek to incorporate an ambitious ESG agenda to our strategic definitions. This would include those issues that are key to our interest groups, together with a plan to improve the communication of our social performance beyond the financial and sustainability reports.

Ultimately, CAP continues to strengthen its commitment with social responsibility and the contribution to the country's sustainable development. "CAP is always with Chile" and we consider that its economic growth is by no means incompatible with a concern for the environment or society in general, as it is shown by the various awards earned by the company and its workers in 2017.





We are part of the territory and we respect its features. Therefore, we analyze each new investment with caution, with a harmonious integration, through environmentally and socially sustainable projects, as well as maintaining an ongoing dialogue with the people who are part of our interest groups.

THE CAP OF THE FUTURE

In order to adapt the company's main activities to the new requirements regarding the economy and intangible assets, CAP has embarked on the Program of Strategic Transformation "Creamos Futuro" (Creating the Future), which seeks to promote creativity, diversify products and business areas, and focus on innovation, productivity, operational optimization and sustainability.

The company's transformation is also linked to the expansion of business to currently related ventures and in which the firm has a competitive advantage. It is because of this that the recent emphasis on leveraging its infrastructure activity (ports, desalination plant, power transmission line), thus developing a new area of business, plays an important role in partially and increasingly mitigating the effects of volatility in the most traditional businesses of the group, although without ever neglecting sustainability.

AWARDS AND RECOGNITION

2017 proved to be a fruitful year for the CAP Group. In addition to operational efficiency and the improvement of average international prices of its main export product, iron ore, it had good results in terms of sustainability and reputation. Consequently, to the awards received due to its optimal performance in accident prevention and mining safety (John T. Ryan, Sernageomin and IST) and its prizes for transparency, talent retention and amicable union relations, we add, for the first time, that the main steel mining holding of the American Pacific coast is part of the exclusive Dow Jones Sustainability index Chile and the Dow Jones Sustainability MILA Pacific Alliance.



The following is a summary of our main:

<p>WORK SAFETY</p>	<p>EXCELLENCE IN SAFETY PERFORMANCE</p> <ul style="list-style-type: none"> • The John T. Ryan Award, granted by SONAMI to CAP Minería's Los Colorados mine, for the third year in a row, for its good performance in safety. Likewise, el Romeral mines, located in the region of Coquimbo, was awarded second place. • Annual Mining Safety Award, granted by SERNAGEOMIN to Los Colorados mine, for the third year in a row. • 2017 Excellence Award, granted by Instituto de Seguridad del Trabajo (IST), in the Large Companies category, to CAP Minería.
<p>ETHICS</p>	<p>NEW COMPLAINTS CHANNEL</p> <p>CAP Group's new Complaints and Queries Channel begins to operate, allowing for whistleblowing and the reporting of infringements to the company's Code of Ethics.</p>
<p>SUPPLIERS</p>	<p>CAP ACERO AND CAP MINERIA DISTINGUISHED AS THE COMPANIES WITH THE BEST PAYMENT CONDITIONS FOR SMALL AND MEDIUM-SIZED BUSINESSES IN CHILE</p> <p>CAP Acero and CAP Minería ranked first in 2017 in the Small and Medium-Sized Business Payers Ranking, made by the Bolsa de Productos (Commodities Exchange) and Asociación de Emprendedores (Asech) (Entrepreneurs Association). This ranking's objective is to improve payment conditions and financing of the country's small and medium-sized businesses.</p>
<p>CORPORATE REPUTATION</p>	<p>CAP GROUP CLIMBS 18 POSITIONS MERCO RANKING</p> <p>The CAP Group went up 18 positions from last year in the international study Monitor Empresarial de Reputación Corporativa (MERCO) (Business Monitor for Corporate Reputation), which assesses more than 500 companies in Chile. The company got second place in the mining sector and 32nd in the general ranking.</p> <p>2017 CLOTARIO BLEST PRIZE</p> <p>Granted by the Clotario Blest Foundation to CAP Acero for maintaining a good relationship with its workers' trade unions, always supporting their development.</p> <p>SOCIAL RESPONSIBILITY AWARD</p> <p>CAP Acero was acknowledged with the 2017 Social Responsibility Cidere Award for being one of the companies that contributed to regional and national transformation in its over 50 years of history.</p>
<p>COMMITMENT WITH SUSTAINABILITY</p>	<p>OPENING OF TWO PLANTS IN TUPEMESA</p> <p>In 2017, the CAP Group inaugurates a new Insulated Panels plant and Electroplating plant, recognized for their innovations in sustainability.</p> <p>INCLUSION IN DOW JONES SUSTAINABILITY INDEX CHILE AND MILA</p> <p>The CAP Group enters the DJSI Chile and DJSI MILA as the first steel producer group in the country to be part of the index, whose goal is to ensure good corporate governance practices, social issues and concern for the environment.</p> <p>ISC CAPITAL MAGAZINE</p> <p>The CAP Group is chosen as part of the Corporate Sustainability Index by Capital Magazine and the ActionAbility Institute as one of the six most sustainable companies in Chile.</p>
<p>ENERGY EFFICIENCY</p>	<p>ENERGY EFFICIENCY CERTIFICATE, SILVER CATEGORY</p> <p>The Ministry of Energy and the Chilean Agency for Energy Efficiency awarded CAP Acero with the 2017 Energy Efficiency Certificate, Silver category, as an acknowledgment to companies that have defined energy efficiency as a transversal policy and that have created units responsible for the monitoring and management of energy, resulting in measures that contribute to competition and productivity, which also care for the environment.</p>





A FOCUS ON INNOVATION AND CREATIVITY

Innovation has a very important role in all the businesses belonging to the CAP Group and it is one of the focuses in its Strategic Priorities for the coming years.

During 2017, all of CAP's business areas had substantial development in innovation. CAP Minería has an area that is exclusively dedicated to innovation, with the following three lines of work: cost reduction and operational efficiency, new technology development and social innovation with neighboring communities.

Similarly, Cintac, which, as well as CAP Acero, has an Innovation and Development Management department, not only has been able to develop new and innovative products, but also has started new businesses, such as photovoltaic power generation and self-sufficiency.

Likewise, CAP Acero continued to work on its Operational Excellence, Cost Reduction and Efficiency Plan.

Along the same lines, CAP as corporation has continued to promote innovation and creativity everywhere in the organization. Consequently, in 2017, the training plan "Somos CAP" ("We Are CAP") was focused on encouraging leadership and promoting that each person working in the company has the tools to become an agent of change and can contribute, from their own area and perspective, to the growth of the company and society.

On the other hand, the CAP holding also began to develop important social innovation projects. The first is Recircula, which seeks to give value to the waste generated by the different business units of the company, through two lines of action: "Zero landfill waste" and "Ecofenix."

As for the projected CAP Volunteer Brigade, this will focus on the "Prevention and Action of Community Emergencies."

By the same token, in 2017, the foundations were laid to materialize an innovation ecosystem for the CAP Group.

DIVERSITY AND QUALITY OF LIFE

The new Corporate Policy for People and Sustainability, approved in 2016, reinforced the Labor Diversity and Quality of Life Policy, published in 2015. It establishes an affirmative anti-discrimination stance, acknowledging the richness of competitiveness and market innovation inherent in people's diversity.

In the framework of this declaration of principles, CAP supports research, teaching and communication programs, both within and outside the organization, and incorporates a system of diversity management that allows all the Group's businesses to move forward in that area.

Similarly, the CAP Group has adhered to the United Nations initiative Women's Empowerment Principles, together with participating in the SERNAM (National Office for Women's Affairs) Expert Committee of the Chilean Law NCh 3262/2012.

Moreover, the firm leads the + Mujeres (More Women) program, launched in October 2015, and which seeks to increase, through voluntary agreements, the number of women in boards of directors and leadership positions in all the large companies in the country. This is a joint public/private initiative in cooperation with the Ministry of Economy Under-Secretariat and the CPC (Manufacturing and Commerce Confederation), among other organizations.



At the same time, CAP endorses the program Promociona Chile (Promote Chile), an initiative that supports balanced management teams and that seeks to increase female presence in executive positions.

COMPLIANCE

Since 2015, the Group has employed a corporate environmental compliance system for ensuring that the commitments outlined in the over 50 Environmental Qualifications Resolutions (RCA) and environmental licenses are met.

In 2018, the Group plans to implement the integration platform SAP EHSM (Environment, Health, and Safety Management) for the management of operational risks, identifying and solving root causes for accidents, with a resulting impact on employees, profit and the environment.

There were no sanctionatory proceedings from the Environment Superintendence in 2017 to any of the Group's firms.

ETHICS AND THE PREVENTION OF CORRUPTION AND BRIBE

Society's natural progression has made it ever more necessary for companies to operate sustainably and with high ethical standards, as well as integrating every group related to its activities. The CAP Group's commitment is to conduct its business with high ethical standards in its relationship with its workers, collaborators, shareholders and investors, clients, suppliers and the community.

The guidelines for preventing and reducing the risks of corruption and bribe are found in the company's Code of Ethics, which has been given to everyone working in the firm. Additionally, at the end of 2015, the Corporate Governance Good Practices Manual, which includes some of these issues, was launched.

In the context of its program "Somos CAP: Liderazgo y Valores" ("We Are CAP: Leadership and Values"), every year, collaborators undergo training sessions in conformity with the Code of Ethics and Good Practices, as well as the Group's renowned Crime Prevention Model (MPD). Also in 2017, courses on the Code of Ethics were imparted to all collaborators of Cintac, CAP Acero and CAP S.A. In 2018, this cycle of courses will extend to CAP Minería.

It is worth mentioning that in the **ESG Survey conducted in 2017** to all the aforementioned interest groups, results showed a positive appreciation of the company's ethics culture. This tool looks to incorporate an ambitious ESG agenda into our strategic definitions in order to include those issues that are key to our interest groups.

Moreover, in 2017, the new **CAP Group Complaint and Queries Channel** was established, where any breach or infringement to the Code of Ethics and Good Practices can be informed. This platform is available in the corporate website, which can be accessed by all interest groups 24 hours a day.

Since 2015, the CAP Group takes part in the +Probidad (More Probity) program headed by ACCION RSE.



LABOR RELATIONS BASED ON TRUST AND COLLABORATION

With regard to trade union relations, CAP has maintained a traditionally open and transparent relationship between its companies and the trade unions born within them, always adhering to current legislation – 2017 was no exception. In fact, CAP Minería reached an early agreement after a collective bargaining process with four of its trade unions. The case was the same with CAP S.A.'s trade union, in which, in addition, an agreement was made for the application of pacts in order to make progress in workplace flexibility to, among other things, make working hours more adaptable.

SOCIAL INVESTMENT

Social Investment is the contribution that the CAP Group makes towards communities in terms of local development and environmental care, thus giving structure to Community Liaisons of the companies in the Group. This is a proactive, voluntary, conscientious and determined stance, realized through the implementation of initiatives that can arise both from the company's internal motivations, as well as from ideas that come from external organizations and entities. Joining forces for territory development allows for the availability and flexibility that makes it possible to generate alliances and collaborative work.

Since 2016, the CAP Group has consolidated a social investment strategy that continued during 2017 and which focuses on four strategic points: (1) Education and employability; (2) Quality of life, sports, recreation, and culture; (3) Environment care and advocacy; and (4) Productive development.

OCCUPATIONAL HEALTH AND SAFETY AT THE HEART OF THE ORGANIZATION

Worker's safety and health care is the company's first priority. It is a strategic value and it constitutes the basis for operational excellence. The CAP Group has continued to work on its Prevention Corporate Plan, according to the established objectives. Thanks to the efforts made by all the companies in the Group, in 2017, and for the fourth year in a row, no deaths were counted in the workforce.

Companies must report monthly on safety indicators, which are then reviewed by the CAP board. Likewise, annual targets are defined, including frequency rates, severity rates, or rates of severe or fatal accidents.

ENVIRONMENTAL STRATEGY

CAP Group's environmental strategy has prioritized improvement in the following issues by 2020:

- To prevent and mitigate the potential impact of operations and projects, including impact on climate change.
- To make progress towards a greater eco-efficiency in the use of water and energy, thus generating a positive impact on the environment and business.
- To ensure compliance with environmental legislation.
- To make progress towards zero waste generation, either through reducing waste generation, increasing reuse, or recycling waste.
- To be transparent and inform promptly, truthfully and clearly on these issues to all interest groups.



UNITED NATIONS GLOBAL COMPACT

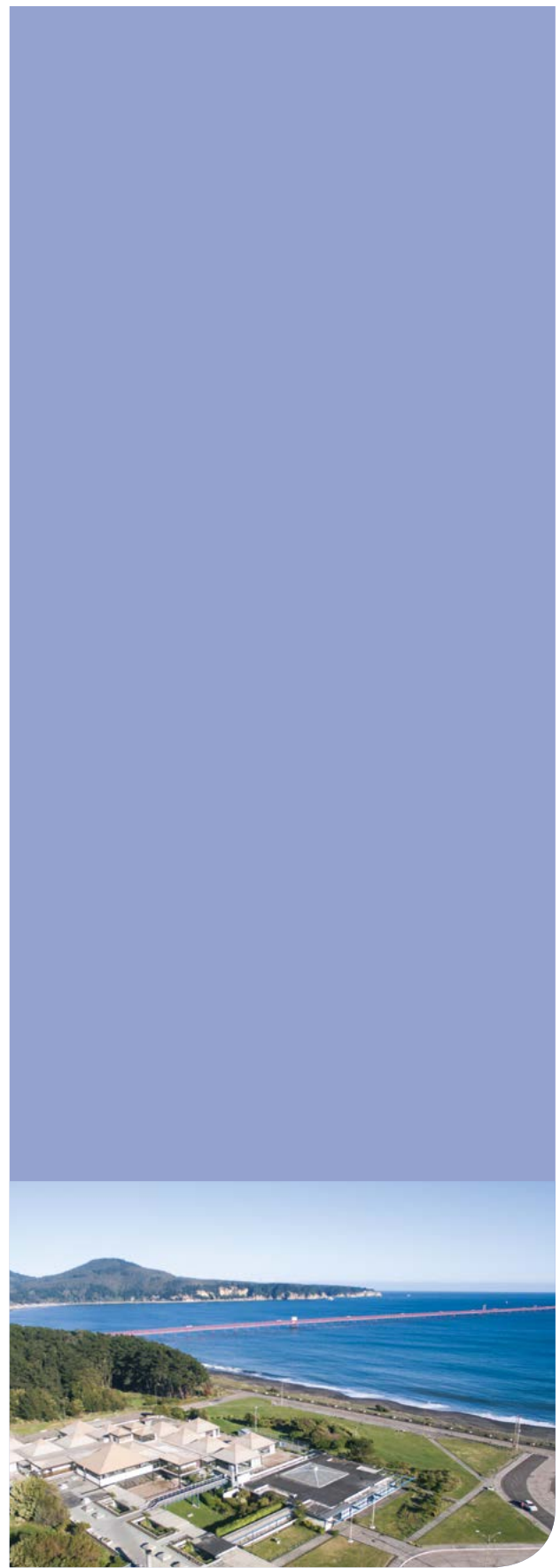
Since 2008, CAP has been participating in the Chilean chapter of the United Nations Global Compact and, with it, has committed to adhere to ten universal principles regarding human rights, labor standards, the environment and anti-corruption policies.

Additionally, the CAP Group has agreed to the Sustainable Development Goals, an initiative promoted by the United Nations since 2015, and to the United Nations Women's Empowerment Principles.

2017 SUSTAINABILITY REPORT

2017 was the tenth year in which the Sustainability Report has been written. This document is in accordance with the Core option of the G4 Global Reporting Initiative (GRI) guidelines, including the Mining and Metals Sector supplement.

More information on CAP's contribution to the country and its communities, as well as other matters of interest, will be available in the CAP Group's 2017 Sustainability Report starting April 2018 on our website www.cap.cl



04

FINANCIAL STATEMENTS

Consolidated Financial Statements 2017

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INDEPENDENT AUDITORS' REPORT OVER CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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To the Shareholders and Directors of
CAP S.A.

The accompanying condensed consolidated financial statements, which comprise the condensed consolidated statements of financial position as of December 31, 2017 and 2016, and the related condensed consolidated 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, 2017 and 2016. We expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 31, 2018. The audited consolidated financial statements, and the condensed consolidated 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 condensed consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards (IFRS). Reading the condensed consolidated 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the condensed consolidated financial statements in accordance to the basis described in Note 3.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on whether the condensed consolidated 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 condensed consolidated financial statements with the related information in the audited consolidated financial statements from which the condensed consolidated financial statements have been derived, and evaluating whether the condensed consolidated 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 condensed consolidated financial statements of CAP S.A. and Subsidiaries as of and for the years ended December 31, 2017 and 2016 are consistent, in all material respects, with the audited consolidated financial statements from which they have been derived, in accordance to the basis described in Note 3.

OTHER-MATTER

The accompanying condensed consolidated financial statements have been translated into English solely for the convenience of readers outside Chile.



March 12, 2018
Santiago, Chile



Mario Muñoz V.

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Deloitte Touche Tohmatsu Limited es una compañía privada limitada por garantía constituida en Inglaterra & Gales bajo el número 07271800, y su domicilio registrado: Hill House, 1 Little New Street, London, EC4A 3TR, Reino Unido.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION, CLASSIFIED

As of December 31, 2017 and 2016
(In thousands of U.S. dollars - ThUS\$)

ASSETS	12.31.2017	12.31.2016
CURRENT ASSETS	ThUS\$	ThUS\$
Cash and cash equivalents	295,338	224,238
Other financial assets, current	404,844	561,450
Other non-financial assets, current	18,292	11,564
Trade and other current receivable, current	285,116	230,597
Accounts receivable from related entities, current	30,268	40,855
Inventories, current	277,017	252,056
Tax assets, current	33,086	57,129
TOTAL CURRENT ASSETS OTHER THAN ASSETS OR DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE OR HELD FOR DISTRIBUTION TO OWNERS	1,343,961	1,377,889
TOTAL CURRENT ASSETS	1,343,961	1,377,889
NON-CURRENT ASSETS		
Other financial assets, non current	55,838	33,221
Other non-financial assets, non-current	21,667	14,840
Non-current receivables	26,452	23,843
Investments accounted for using the equity method	1,482	1,694
Intangible assets other than goodwill	691,521	718,119
Goodwill	1,767	1,767
Property, plant and equipment	3,362,335	3,445,883
Investment property	34,894	6,515
Deferred tax assets	10,384	6,570
TOTAL NON-CURRENT ASSETS	4,206,340	4,252,452
TOTAL ASSETS	5,550,301	5,630,341

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION, CLASSIFIED

As of December 31, 2017 and 2016
(In thousands of U.S. dollars - ThUS\$)

EQUITY AND LIABILITIES	12.31.2017	12.31.2016
	ThUS\$	ThUS\$
LIABILITIES		
CURRENT LIABILITIES		
Other financial liabilities, current	489,352	327,511
Trade and other current payables	378,167	280,139
Accounts payable to related entities , current	99,235	71,416
Other short-term provisions	24,069	8,530
Current tax liabilities	50,591	44,576
Current provisions for employee benefits	21,453	17,924
Other current non-financial liabilities	2,493	519
TOTAL CURRENT LIABILITIES OTHER THAN LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	1,065,360	750,615
TOTAL CURRENT LIABILITIES	1,065,360	750,615
NON-CURRENT LIABILITIES		
Other non-current financial liabilities	588,576	1,029,533
Other long-term provisions	64,771	60,792
Deferred tax liabilities	460,268	470,378
Non-current provisions for employee benefits	70,179	67,438
Other non-current non-financial liabilities	37,355	73,749
TOTAL NON-CURRENT LIABILITIES	1,221,149	1,701,890
TOTAL LIABILITIES	2,286,509	2,452,505
EQUITY		
Issued capital	379,444	379,444
Retained earnings (accumulated losses)	1,572,802	1,511,272
Other reserves	14,540	9,573
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT	1,966,786	1,900,289
Non-controlling interest	1,297,006	1,277,547
TOTAL EQUITY	3,263,792	3,177,836
TOTAL EQUITY & LIABILITIES	5,550,301	5,630,341

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE RESULTS, BY FUNCTION

For the years ended december 31, 2017 and 2016
(In thousands of U.S. dollars - ThUS\$)

	01.01.2017 12.31.2017	01.01.2016 12.31.2016
	ThUS\$	ThUS\$
INCOME STATEMENT		
PROFIT (LOSS)		
Revenues	1,931,645	1,635,606
Cost of sales	(1,456,340)	(1,314,002)
GROSS PROFIT	475,305	321,604
Other income	6,279	29,645
Distribution Costs	(15,832)	(16,208)
Administrative expenses	(90,344)	(75,858)
Other expenses	(20,552)	(40,189)
Other gains (losses)	5,303	1,378
PROFIT (LOSS) FROM OPERATING ACTIVITIES	360,159	220,372
Financial income	15,328	9,853
Financial costs	(91,579)	(80,958)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(198)	177
Exchange differences	(3,410)	(1,735)
Results for indexation units	(301)	296
PROFIT (LOSS) BEFORE TAX	279,999	148,005
Income tax expense	(87,906)	(49,303)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	192,093	98,702
Profit (loss) from discontinued operations	-	-
PROFIT (LOSS)	192,093	98,702
PROFIT (LOSS) ATTRIBUTABLE TO:		
Profit (loss), attributable to owners of the parent	130,296	60,291
Profit (loss), attributable to non-controlling interests	61,797	38,411
PROFIT (LOSS)	192,093	98,702
EARNINGS PER SHARE		
BASIC EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS	US\$	US\$
Basic earnings (loss) per share from continuing operations	0,871848	0,014380
Basic earnings per share from discontinued operations	-	-
BASIC EARNINGS (LOSS) PER SHARE	0,871848	0,014380

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE RESULTS, BY FUNCTION

For the years ended december 31, 2017 and 2016
(In thousands of U.S. dollars - ThUS\$)

	01.01.2017 12.31.2017	01.01.2016 12.31.2016
STATEMENT OF OTHER COMPREHENSIVE INCOME	ThUS\$	ThUS\$
PROFIT (LOSS)	192,093	98,702
OTHER COMPREHENSIVE INCOME		
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS, BEFORE TAX		
Other comprehensive income, before taxes, gains (losses) on investments in instruments	623	14,683
Remeasurement of defined benefit obligation	(853)	479
OTHER COMPREHENSIVE INCOME WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS, BEFORE TAX	(230)	15,162
ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		
EXCHANGE DIFFERENCE ON TRANSLATING:	-	-
Other comprehensive income, before tax, exchange differences on conversion	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS		
CASH FLOW HEDGE		
Gain (loss) on cash flow hedge, before tax	7,004	15,024
OTHER COMPREHENSIVE INCOME, BEFORE TAX, CASH FLOW HEDGE	7,004	15,024
Other comprehensive income that may be reclassified subsequently to profit or loss, before tax	15,024	15,024
OTHER COMPREHENSIVE INCOME, BEFORE TAX	6,774	30,186
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME IS NOT RECLASSIFIED TO PROFIT OR LOSS		
Income tax on investments in equity instruments of other comprehensive income	(168)	(3,524)
Income tax relating remeasurement of defined benefit obligation	230	(115)
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME IS NOT RECLASSIFIED TO PROFIT OR LOSS	62	(3,639)
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	(1,891)	(3,606)
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME IS RECLASSIFIED TO PROFIT OR LOSS	(1,891)	(3,606)
OTHER COMPREHENSIVE INCOME	4,945	22,941
TOTAL COMPREHENSIVE INCOME	197,038	121,643
COMPREHENSIVE INCOME ATTRIBUTABLE TO		
Comprehensive income, attributable to owners of parent	135,241	83,232
Comprehensive income, attributable to non-controlling interests	61,797	38,411
TOTAL COMPREHENSIVE INCOME	197,038	121,643

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, DIRECT

For the years ended december 31, 2017 and 2016
(In thousands of U.S. dollars - ThUS\$)

	01.01.2017 12.31.2017	01.01.2016 12.31.2016
	ThUS\$	ThUS\$
STATEMENT OF CASH FLOWS		
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Classes of cash receipts from operating activities:		
Receipts from sales of goods and rendering of services	1,888,747	1,572,866
Other cash receipts from operating activities	486	497
Classes of cash payments		
Payments to suppliers for goods and services	(1,133,959)	(1,038,091)
Payments to and on behalf of employees	(194,560)	(165,794)
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	560,714	369,478
Interest received	10,442	6,248
Income tax refund (paid)	(70,158)	2,777
Other inflows (outflows) of cash	(6,941)	(6,283)
NET CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	494,057	372,220
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Cash flows used in acquisitions of non- controlling interests	-	(21,500)
Other payments to acquire interests in joint ventures	-	(624)
Proceeds of sales of property, plant & equipment	188	14,589
Purchases of property, plant & equipment	(99,230)	(58,273)
Payments derived from contracts of future, to term, of options and of financial barter	855	(15,017)
Interest received	589	111
Other inflows (outflows) of cash	161,139	(122,138)
NET CASH FLOW FROM (USED IN) INVESTMENT ACTIVITIES	63,541	(202,852)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
TOTAL PROCEEDS FROM BORROWINGS	12,368	287,520
Proceeds of long-term loans	-	241,974
Proceeds from short-term borrowings	12,368	45,546
Repayments of borrowings	(337,260)	(397,857)
Payments of finance lease liabilities	(26,256)	(30,492)
Dividends paid	(81,047)	(11,248)
Interest paid	(53,232)	(18,726)
Other cash inflows (outflows), classified as financing activities	(3,049)	-
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	(488,476)	(170,803)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE CHANGES	69,122	(1,434)
EFFECTS OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS		
Effects of exchange rate change on cash and cash equivalents	1,978	(2,061)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	71,100	(3,495)
Cash and cash equivalents at beginning of period	224,238	227,733
CASH & CASH EQUIVALENTS AT END OF PERIOD	295,338	224,238

CONDENSED STATEMENTS OF CHANGES IN EQUITY

For the years ended december 31, 2017 and 2016
(In thousands of U.S. dollars - ThUS\$)

AS OF DECEMBER 31, 2017	CAPITAL SHARES	FOREIGN CURRENCY TRANSLATION RESERVE	CASH FLOW HEDGING RESERVE	EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE	RESERVE FOR GAINS AND LOSSES ON INVESTMENTS IN EQUITY INSTRUMENTS	OTHER RESERVE	TOTAL RESERVE	RETAINED EARNINGS	ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
OPENING BALANCE AT 01.01.2017	379,444	-	(568)	(1,175)	-	157	9,573	1,511,272	1,900,289	1,277,547	3,177,836
Increase (decrease) from changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) through correction	-	-	-	-	-	-	-	-	-	-	-
BEGINNING BALANCE RESTATED	379,444	-	(568)	(1,175)	-	157	9,573	1,511,272	1,900,289	1,277,547	3,177,836
CHANGES IN EQUITY											
Comprehensive income											
Profit (loss)								130,296	130,296	61,797	192,093
Other comprehensive income			5,113	(623)	455	-	4,945	-	4,945	-	4,945
Comprehensive income								-	135,241	61,797	197,038
Dividends paid								(68,766)	(68,766)	(42,338)	(111,104)
Increase (decrease) through transfers and other changes, equity	-					22	22	-	22	-	22
TOTAL CHANGES IN EQUITY	-	-	5,113	(623)	455	22	4,967	61,530	66,497	19,459	85,956
CLOSING BALANCE TO DECEMBER 31, 2017	379,444	-	4,545	(1,798)	455	179	14,540	1,572,802	1,966,786	1,297,006	3,263,792

CONDENSED STATEMENTS OF CHANGES IN EQUITY

For the years ended december 31, 2017 and 2016
(In thousands of U.S. dollars - ThUS\$)

AS OF DECEMBER 31, 2016	CAPITAL SHARES	FOREIGN CURRENCY TRANSLATION RESERVE	CASH FLOW HEDGING RESERVE	EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE	RESERVE FOR GAINS AND LOSSES ON INVESTMENTS IN EQUITY INSTRUMENTS	OTHER RESERVE	TOTAL RESERVE	RETAINED EARNINGS	ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
OPENING BALANCE AT 01.01.2016	379,444	-	(11,986)	(1,539)	-	378	(13,147)	1,484,894	1,851,191	1,309,587	3,160,778
Increase (decrease) from changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) through correction	-	-	-	-	-	-	-	-	-	-	-
BEGINNING BALANCE RESTATED	379,444	-	(11,986)	(1,539)	-	378	(13,147)	1,484,894	1,851,191	1,309,587	3,160,778
CHANGES IN EQUITY											
Comprehensive income											
Profit (loss)								60,291	60,291	38,411	98,702
Other comprehensive income			11,418	364	11,159	-	22,941	-	22,941	-	22,941
Comprehensive income								-	83,323	38,411	121,643
Dividends paid								(33,913)	(33,913)	(70,451)	(104,364)
Increase (decrease) through transfers and other changes, equity	-					(221)	(221)	-	(221)	-	(221)
TOTAL CHANGES IN EQUITY	-	-	11,418	364	11,159	(221)	22,720	26,378	49,189	(32,040)	17,058
CLOSING BALANCE TO DECEMBER 31, 2016	379,444	-	(568)	(1,175)	11,159	157	9,573	1,511,272	1,900,380	1,277,547	3,177,836

NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

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 Financial Market Commission ("FMC"), before 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 Financial Market Commission ("FMC"), before 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:

Cintac S.A. (Indirect subsidiaries)

Intasa S.A. (Direct subsidiaries)

Additionally, CAP S.A. is the parent of the following direct subsidiaries not registered in the Financial Market Commission:

Puerto Las Losas S.A.

Port Investments Limited N.V. (*)

Port Finance Limited N.V. (*)

Cleanairtech Sudamerica S.A.

Novacero S.A.

Tecnocap S.A.

Abastecimientos CAP S.A. (*)

Inmobiliaria Rengo S.A. (**)

Inmobiliaria Santiago S.A. (**)

Inmobiliaria Talcahuano S.A. (**)

(*) Companies in the process of closing and liquidation.

(**) Since December 2017.

The Corporate purpose of the Company is consolidate its position in the steel business, efficiently managing its three business areas: **iron ore (CAP Mining)**, steel production (**CAP Steel**), Steel Solutions (**CAP Steel Solutions**) and Infrastructure (**CAP Infrastructure**), 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. and CMP Services Asia Limited) 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.

MASA's main purpose is to participate in the mining and iron alloy industry, preferably manganese, by exploiting and selling related products. This subsidiary currently is not active.

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 (formerly Compañía Minera Huasco S. A.), Mina El Algarrobo and Puerto Gualcoda II.
- **Elqui Valley** (*Valle del Elqui*): Includes the activities of Mina El Romeral and Puerto Guayacán.
- **Copiapó Valley** (*Valle de Copiapó*): Comprises of the activities of the Planta Magnetita, Cerro Negro Norte Mine and Puerto Totoralillo.
- **Other**: 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 Municipalidad de Talcahuano, Eighth Region of Chile.

Compañía Siderúrgica Huachipato S.A. is an integrated industry producing pig iron by reduction of ore in blast furnaces; it transforms this pig iron into liquid steel in the steel mill, from which it obtains continuous cast steel billets (semi-finished products), which it then rolls to provide the market with higher added value products, such as rods for ore grinding, rods for reinforcing concrete and other rod products.

In June 2013, because of the situation faced by the subsidiary, it temporarily stopped its lines of hot continuous cast flat sheets and plates due to market conditions.

On December 19, 2017, at Session N° 442 (Ordinary) of the Board of Directors of the subsidiary Compañía Siderúrgica Huachipato S. A., the new Five-Year Business Plan 2018-2022 was announced and approved.

In December 2016, the board of directories of the subsidiary, Compañía Siderúrgica Huachipato S.A., approved the 2017 to 2021 business plan, which, among other considerations, will allow the company to revert its negative working capital situation and recurrent losses; this plan does not consider restarting the operations of the hot flat sheet line, so the assets belonging to this production line were written off.

The subsidiary meets all the legal conditions, has normal production conditions, and operates two thirds of its operating capacity. The gradual implementation of the cost reduction 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, as established by the accounting standards under with these condensed consolidated financial statements are issued.

Compañía Siderúrgica Huachipato S.A. sells their 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.

During December 2017, the CSH subsidiary began a reorganization process for concentrating the activities of CSH in the Iron and Steel sector and placing in other three companies the real estate assets which are not necessary to develop this activity. On December 22, 2017, at an extraordinary shareholders' meeting of CSH, the division of the Company in four companies was approved, one that will retain the name and Tax ID N° of this company, and three new companies that are created by the division, named Inmobiliaria Talcahuano S.A., Inmobiliaria Rengo S.A. and Inmobiliaria Santiago S.A.

CAP Steel Solutions conducts its business through Intasa S.A., subsidiaries (Tubos Argentinos S.A. and Steel House do Brasil Comercio Ltda.), Novacero S.A., and subsidiaries: Cintac S.A. and subsidiaries (Cintac S.A.I.C 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 subsidiary, Cintac, has solutions for the most diverse needs of the market in its product portfolio, serving multiple economic sectors of the country, such as the construction, residential, industrial, commercial, highway engineering and mining sectors, 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.

The assumption of the new government in Argentina has led to the first steps being taken towards change in managing the economic policy. Thus, in the first six months of 2016, new economic measures, such as eliminating exchange restrictions, suspending the retention of exports, adjusting public utility rates, etc. began to be implemented. This economic context of change was reflected in a retraction in the market as a whole, and in the steel market where the subsidiary operates. Faced with a drop in activity, management of the subsidiary decided to schedule the temporary, partial suspension of the production activities of its plants located in Gral. Pacheco and in the province of San Luis, in two stages - the first in the first week of June and the second in July. The main purpose of the suspension, in addition to regularizing the levels of stock of both plants, was to accommodate and speed up the transfers of machineries in order to complete the expansion project known as "Large Pipes", an investment which started in 2015 in the plant located in Gral. Pacheco, which will enable the subsidiary to enter new markets by selling larger diameter pipes.

The economy was expected to recover in the second semester of 2016, but the bonanza took longer than estimated in arriving. Hence, although no further suspensions were made, in the final quarter of the year the subsidiary's management drew up a plan of activities aimed at mitigating the negative results. The plan included mainly a restructuring of personnel and executive staff. In this context, in November and December about 17% of the staff were released, and the analyses of expenses and potential reductions, with a fixed expense structure more in line with the levels of activity projected.

During the first half of 2017, the restructuring of costs continued, which allowed for an improvement in the estimates made by the subsidiary for this part of the year and the extension to the Tubos Grandes work was completed.

The management of Intasa S.A. and subsidiary considers that implementing the cost reduction and increase of production measures with the start-up of the above tubular product line will enable the subsidiary to revert the negative results of 2017.

The companies, Tubos Argentinos S.A. and Intasa S.A., hold interests of 99% and 1%, respectively, in the Brazilian subsidiary Steel House Do Brasil Comercio Ltda.

The main activity of the Brazilian subsidiary, Steel House Do Brasil Comercio Ltda., is selling galvanized steel sections in the Southern zone of Brazil for dry construction, under the STEEL HOUSE brand, produced in the plant in San Luis, Republic of Argentina. Steel House do Brasil has a warehouse and commercial offices in Porto Alegre. Having started selling the products in February 2010 and, after the first year of operation where it achieved acceptance of the product and brand in the southern Region of Brazil, enabling it to achieve a market share of 35% in the zone of influence, the decision was made to expand its penetration of the Brazilian market in 2011, by entering the Sao Paulo market. In 2012, the operation in Sao Paulo, where deliveries were made from a point of sale in the city through a logistics company for storage and delivery of the Steelhouse products, was discontinued. Just as in Argentina, the business model includes providing technical assistance to the construction companies and free labor training, in order to disseminate and achieve growth in the use of the system.

At December 31, 2015, the subsidiary decided to discontinue its commercial operations in Porto Alegre for a time, waiting for improved market and economic conditions, due to the current crisis affecting Brazil towards the end of 2016 and 2015. As of December 31, 2017, the situation with the Brazilian subsidiary remains the same. This subsidiary does not maintain significant assets.

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. The subsidiary operates in its two plants located in Lima, Peru, with a processing capacity of 75,000 tons per year in one shift.

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

On November 22, 2017, the Company SpA was created in the city of Santiago, dedicated to the manufacture, installation, commercialization and maintenance of power generation plants and power backup, based on fuel or renewable energies. unconventional, including the development of solutions in photovoltaic, thermal or other energy, as well as electrical storage system. This subsidiary will enter into operation in 2018.

CAP Infraestructura carries out its business through subsidiaries Cleanairtech Sudamérica S.A., Tecnocap S.A. and Puerto Las Losas S.A.

Cleanairtech Sudamérica S.A.'s main activity is producing and conduct desalinated water in Atacama Region to provide water to the mining companies in that area. That is why it undertook a project including a desalination plant and aqueducts. The desalination plant has a maximum production capacity of 600 liters per second. The first phase of the project has an initial capacity of 200 liters per second. The purpose of the second phase of the project was to increase its capacity to 400 liters per second through the expansion of the plant and the construction of aqueducts. The first phase of the project started operating in April 2014 and the second phase of the project started in November 2014.

In 2011 Tecnocap S.A. started a project for the construction of a power transmission line in the north of Chile in order to meet the demand for electricity of the project of a desalination plant and Cerro Negro Norte project of related companies Cleanairtech Sudamérica S.A. and Compañía Minera del Pacífico S.A., respectively. The power transmission line of Tecnocap S.A. has been operating since September 2013.

The corporate purpose of Puerto las Losas S.A. is managing, operating, developing and preserving Las Losas Port located in Guacolda Bay in the Third Region, including all the related activities and services inherent to the operation of that port.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING PRINCIPLES

These condensed consolidated financial statements are presented in thousands of US dollars and have been prepared based on the accounting records kept by CAP S.A. and its subsidiaries (hereinafter the "Group" or the "Company"). The company's condensed consolidated financial statements for the years ended December 31, 2017 and 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") and approved by the meeting of the board of directors held on January 31, 2018.

The preparation of these condensed consolidated financial statements in accordance with International Financial Reporting Standards requires the use of estimates and assumptions by the Group's Management. These estimates are based on the best knowledge of management on the amounts reported, events or actions.

RESPONSIBILITY FOR THE INFORMATION AND ESTIMATES MADE

The Board of Directors of CAP S.A. is aware of the information contained in these condensed consolidated financial statements and declares that it is responsible for the truthfulness of the information included in them, and the application of the International Financial Reporting Standards.

Preparation of these condensed consolidated financial statements requires the use of estimates and assumptions made by Company's management the CAP S.A. and its subsidiaries. These estimates are based on Management's best knowledge of the amounts, events or actions reported at the date of issue of these condensed consolidated financial statements. However, future events may cause modification (up or downwards) in future periods, which would be done prospectively in accordance with IAS 8, recognizing the effects of the change in estimate in the respective future condensed consolidated financial statements.

In the preparation of the financial statements certain estimates made by the company's management have been used to quantify some of the assets, liabilities, income, expenses and commitments recorded in them. These estimates mainly involve the following:

1. Useful life of mining reserves and production plans;
2. The assumptions used to calculate the impairment of assets;
3. Costs of restoration and environmental rehabilitation;
4. The assumptions used to calculate estimates of irrecoverable amounts of trade receivables and accounts receivable trade;
5. The assumptions used in the actuarial calculation of the liabilities and obligations with the employees;
6. Fair value of derivatives and other financial instruments;
7. The probability of occurrence and the amount of uncertain amount or contingent liabilities;
8. The assumptions used to calculate estimates of inventory obsolescence.

These estimates have been made based on the best information available at the date of issuance of these financial statements. However, it is possible that future events force their modification (upwards or downwards) in the following periods, which shall be performed pursuant to IAS 8, prospectively, recognizing the effects of change of estimation in the corresponding future financial statements.

Below describes the significant accounting policies adopted in the preparation of these financial statements are described below. As required by IAS 1, these policies have been defined based on IFRS in force at December 31, 2017, and have been applied consistently to the periods presented in these financial statements.

3.1 SIGNIFICANT ACCOUNTING POLICIES ADOPTED

The following are the significant accounting policies adopted in the preparation of these condensed consolidated financial statements.

(a) Periods covered - These condensed consolidated financial statements of CAP S.A. and subsidiaries comprise the statements of financial position at December 31, 2017 and 2016, and the statements of comprehensive income for the twelve month periods ended December 31, 2017 and 2016, the statements of changes in equity and the statements of cash flows for the twelve month periods ended December 31, 2017 and 2016.

(b) Bases of preparation - The condensed consolidated financial statements of the CAP Group for the year ended December 31, 2017 and 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB").

The condensed consolidated financial statements have been prepared based on historical costs. Generally, historical cost is based on the fair value of the payment made in exchange for goods and services. The fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless if this price is observable or is estimated using another valuation technique. The Company considers the characteristics of the assets and liabilities if the market participants take those characteristics when fixing the price of the asset or liability at the measurement date. The

fair value for measurement and/or disclosure purposes in these financial statements is determined this way, except for 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 use value of IAS 36.

These condensed consolidated financial statements reflect the financial position of CAP S.A. And subsidiaries as of december 31, 2017 and 2016, and the results of operations for the twelve-month periods ended December 31, 2017 and 2016, changes in shareholders' equity and cash flows The periods of twelve months ending on December 31, 2017 and 2016.

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.

These condensed consolidated financial statements reflect the financial position of CAP S.A. And subsidiaries as of december 31, 2017 and 2016, and the results of operations for the twelve-month periods ended December 31, 2017 and 2016, changes in shareholders' equity and cash flows The periods of twelve months ending on December 31, 2017 and 2016.

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

- Has the power over the investee
- Is exposed, or has the right, to the variable returns from its ownership with investee, 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 if exist any indication that are changes in at least one of the three elements detailed above.

When the Company has less than the majority of the voting rights of an investee, achieved the control when the voting rights are enough and give the unilateral practical ability to manage the significant activities of the investee. The Company considers all the events and circumstances to assess if the voting rights in the investee are enough to give it 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 does not have, the ability to lead the significant activities when decisions are required to be taken, including patterns of voting behavior in previous shareholders meetings.

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 a subsidiary acquired or sold 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 ceases to control the subsidiary.

The gains or loss of each component of other comprehensive income are attributed to owners of the Company and the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and non-controlling interests, even if the result non-controlling interests having a deficit balance.

All the significant intercompany transactions and balances are fully eliminated in consolidation. The Company has also recognized the non-controlling interest that is the percentage of ownership of third parties in subsidiaries, which has been incorporated separately in the condensed 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 condensed 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 condensed 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 Company owns certain organizations related to sports clubs, health services and educational services, which are controlled by the Company; however, these organizations have not been condensed consolidated since they do not have a material effect on the condensed consolidated financial statements of the Group.

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

TAX ID	COMPANY	COUNTRY	RELATIONSHIP WITH PARENT	SHAREHOLDING PERCENTAGE			
				12.31.2017			12.31.2016
				DIRECT	INDIRECT	TOTAL	TOTAL
94.637.000-2	Compañía Siderúrgica Huachipato S.A.	Chile	Direct Subsidiary	99,999	0,000	99,999	99,999
	Inmobiliaria Santiago S.A. (**)	Chile	Direct Subsidiary	99,999	0,000	99,999	-
	Inmobiliaria Rengo S.A. (**)	Chile	Direct Subsidiary	99,999	0,000	99,999	-
	Inmobiliaria Talcahuano S.A. (**)	Chile	Direct Subsidiary	99,999	0,000	99,999	-
94.638.000-8	Compañía Minera del Pacífico S.A.	Chile	Direct Subsidiary	74,999	0,000	74,999	74,999
79.942.400-2	Compañía Distribuidora de Petróleos del Pacífico Ltda.	Chile	Indirect sub.	0,000	74,999	74,999	74,999
79.807.570-5	Sociedad de Ingeniería y Movimientos de Tierra del Pacífico Ltda.	Chile	Indirect sub.	0,000	74,999	74,999	74,999
90.915.000-0	Manganesos Atacama S.A.	Chile	Indirect sub.	0,000	74,184	74,184	74,184
76.498.850-7	Puerto Las Losas S.A.	Chile	Direct Subsidiary	51,000	0,000	51,000	51,000
0-E	CMP Services Asia Limited	Hong Kong	Indirect sub.	0,000	74,999	74,999	74,999
94.235.000-7	Abastecimientos CAP S.A.	Chile	Direct Subsidiary	50,000	43,750	93,750	93,750
76.369.130-6	Tecnocap S.A.	Chile	Direct Subsidiary	99,927	0,064	99,991	99,991
76.399.380-9	Ecocap S.A.	Chile	Direct Subsidiary	0,000	0,000	0,000	99,999
76.399.400-7	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.	Curazao	Direct Subsidiary	100,000	0,000	100,000	100,000
0-E	P.O.R.T. Finance Ltd. N.V.	Curazao	Indirect sub.	100,000	0,000	100,000	100,000
96.925.940-0	Novacero S.A. (*)	Chile	Direct Subsidiary	99,999	0,001	100,000	99,999
99.503.280-5	Intasa S.A. (*)	Chile	Direct Subsidiary	57,787	30,560	88,347	88,347
0-E	Tubos Argentinos S.A. (Argentina)	Argentina	Indirect sub.	0,000	88,347	88,347	88,347
0-E	Steel House Do Brasil Comercio Ltda.	Brasil	Indirect sub.	0,000	88,347	88,347	88,347
92.544.000-0	Cintac S.A.	Chile	Indirect sub.	11,030	50,930	61,960	37,863
76.721.910-5	Cintac S.A.I.C. (ex inmobiliaria Cintac S.A.)	Chile	Indirect sub.	0,000	61,960	61,960	37,863
76.823.019-6	Panal Energía SPA	Chile	Indirect sub.	0,000	61,960	61,960	-
0-E	Steel Trading Co. Inc. (Bahamas)	Bahamas	Indirect sub.	0,000	61,960	61,960	37,863
0-E	Tubos y Perfiles Metálicos S.A. (Perú)	Perú	Indirect sub.	0,000	61,960	61,960	37,863

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

(*) On August 12, 2016, the Board of Directors of CAP S.A. agreed to purchase the shareholding held by its shareholder, Invercap S.A., in Novacero S.A., subsidiary of CAP, for a total of US\$20 million. As a result of this operation, CAP completed ownership of 99.99% of the shares of the subsidiary Novacero S.A., and, consequently, it will establish this company's ownership interest in the companies, Cintac S.A. and Intasa S.A., both strategic companies for developing the Company's business, in its equity. As a result of this operation, an increase of about US\$ 27 million was generated in the Company's equity reserves and no effects were caused on the profit and loss of CAP.

(**) The companies created by the division of CSH, approved at the extraordinary shareholders meeting held on December 22, 2017, were, at the closing of these financial statements, in the process of filing their business start-up statement and obtaining their Tax ID N°.

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

Changes in the ownership interest of a parent in 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 recognized directly in equity and attributed to the owners of the parent.

Changes in the Company's ownership interests in existing subsidiaries

Any changes in the ownership interest of a controller in a subsidiary that do not lead to a loss of control are equity transactions. Any difference between the amount for which the minority interests are adjusted and the fair value of the counterpart paid or received is recognized directly in equity and attributed to the equity holders of the controller. No adjustment is made to the carrying amount of the goodwill, nor are any gains or losses recognized in profit and loss.

When control of a subsidiary is lost, a gain or loss is recognized in profit and loss and it is calculated as the difference between (i) the sum of the fair value of the counterpart received and the fair value of any ownership interest retained; and (ii) the prior carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interest. When the subsidiary's assets are measured

at restated amounts or at fair value and the respective accumulated gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in comprehensive income and accumulated in equity are accounted for as if the Company had sold the relevant assets directly (i.e. reclassified to profit and loss or transferred directly to retained earnings as specified in applicable IFRS). The fair value of any investment retained in the former subsidiary at the date on which control is lost will be considered as the fair value at the time of initial recognition for subsequent measurement under IAS 39 Financial Instruments: Recognition and Measurement, when applicable, as the cost at the time of initial recognition of an investment in an associate or joint venture.

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.

Gain 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.

(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 functional currency of the Company has been determined as the currency of the primary economic environment in which it operates. Transactions other than those performed in the functional currency are translated at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated at the closing exchange rate. Gains and losses on conversion are included in net income or loss 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:

	12.31.2017	12.31.2016
Chilean pesos per US\$	614.75	669.47
Argentine pesos per US\$	18,649	15,890
Peruvian soles per US\$	3.26	3.35
Unidad de Fomento (pesos)	26,798.14	26,347.98

(g) Offsetting of balances and transactions - As a general rule, assets and liabilities, revenues and expenses are not offset in the financial statements, except for those cases in which offsetting is required or is allowed by some standard and the presentation is a reflection of the substance of the transaction.

For construction in progress generating income in its start-up phase, the positive or negative margin is included in the cost of work in progress.

Revenues and expenses from transactions which, contractual 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.

Spare parts associated with fixed assets with a turnover of more than twelve months are classified in property, plant and equipment and they are charged to profit or loss in the period in which they are used by the fixed asset to which they belong.

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.

The subsidiary CINTAC modified the useful life of certain fixed assets of its production lines in Chile and Peru, based on technical studies performed by internal and external specialists. This change meant extending their remaining useful lives, which caused a lower condensed consolidated depreciation expense of ThUS\$ 4,313 in the period ended December 31, 2016.

The subsidiary Compañía Siderúrgica Huachipato S.A. modified the useful lives of certain fixed assets, based on technical studies performed by the engineering firm Mclellan and Partners Ltd. This change meant extending their remaining useful lives, which caused a lower condensed consolidated depreciation expense of ThUS\$ 6,561 in the period ended December 31, 2016.

(j) Assets available for sale and discontinued operations - Non-current assets whose carrying value is recovered via a sales operation, not their continuous use, are classified as available for sale and discontinued operations.

This condition is considered to be met only when the sale is highly probable and the asset is available for immediate sale in its current condition. The sale is anticipated to be completed within one year of the date of classification.

These assets are valued at the lower of their carrying value and their fair value less costs to sell.

(k) Investment Properties - The company recognizes as investment properties those properties held for lease or to obtain goodwill on their sale as a result of future increases in their respective market prices.

Investment properties are recorded initially at cost, including transaction costs. After initial recognition, investment properties are valued at cost less any accumulated depreciation and accumulated impairment losses.

An investment property is written off when it is sold or when the investment property is removed from use on a permanent basis and no future economic benefits are expected from its sale. Any gain or loss arising from writing off the property (calculated as the difference between the net income from the sale and the carrying amount of the asset) is included in profit or loss for the period in which the property is written off.

Investment properties, excluding land, are depreciated on a straight-line basis over the estimated months of useful life, corresponding to:

	FINANCIAL USEFUL LIFE IN YEARS
Buildings	30 y 80

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

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, 2017, CAP S.A. and its subsidiaries evaluated the future cash flows and discount rates updated, according to the current business plan and determined that no additional impairment provisions required.

(q) 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.

(r) 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** - Their 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, 2017, 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.

(s) 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 condensed 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.

(t) 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 changes in the fair value of derivatives denominated and qualified as cash flow hedges is deferred in equity, in an equity reserve called "cash flow hedge". Any gain or loss on the ineffective portion is recognized immediately in the statement of comprehensive income and included in the financial income (costs) line. The amounts deferred in equity are recognized as gains or losses in the periods in which the hedged item is recognized in profit or loss, in the same line of the statement of comprehensive income in which the hedged item was recognized. However, when the anticipated hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred to equity and included in the initial valuation of the cost of the 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 that allows then assessing the existence of embedded derivatives in financial and non-financial arrangements. If an embedded derivative exists, and if the host contract is not recognized at fair value, the procedure to determine whether the characteristics and risks of it are closely related to the host contract, in whose case a separate recognition is required.

The procedure consists of an initial characterization of 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 condensed consolidated financial statements.

To date the analysis performed concluded that there are no embedded derivatives in the contracts of the Company and its subsidiaries that require being separately recorded.

(u) 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.

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

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

(w) 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 in temporary differences and other events creating differences between the tax and accounting base of assets and liabilities are recorded as stipulated in IAS 12 "Income taxes". 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.

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 condensed 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.

(x) 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.

(y) 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 condensed consolidated statements of financial position

(z) 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 any contingent assets or liabilities, except for those arising from contracts with valuable consideration, which are recorded as a provision and reviewed at each balance sheet date to be adjusted to better reflect their best estimate. At this date, analyses performed show that the Company and its subsidiaries do not have any contracts meeting the characteristics of contracts with valuable consideration.

(aa) 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

(ab) 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.

The price of sale of ore is now not a fixed value, but a variable price. This value is structured based on a price formula using as a reference the Platts 62% and 65% Fe CFR China price published in Daily Platts, an international publication commonly used in the iron and steel industry. The price formula is applied over a period of time known as the Settlement Period (SP). The SP is negotiable and may be extended for a few months after shipment, so at each year-end the subsidiary CMP uses the information on future prices of the products sold to quantify the potential differences between the temporary and definitive prices, and the Company uses this to make adjustments to its trade receivables and balances.

- **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.

(ac) 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 not carried out any kind of transaction of potential diluting effect that suggests diluted earnings per share would differ from the basic earnings per share.

(ad) Dividends - The distribution of dividends to shareholders is recognized as a liability at the end of each reporting date in accordance with the dividend policy agreed by the Ordinary Shareholders Meeting, which corresponds to 50% of distributable profits.

(ae) 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 condensed consolidated statement of financial position according to the nature of the asset under the contract, and simultaneously a liability is recognized in the condensed 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 condensed 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.

(af) Classification of balances as current or non-current - In the condensed consolidated statement of financial position, balances are classified their maturities, i.e. current 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.

(ag) Environment - The Group adheres to the principles of Sustainable Development which harmonize the economic development, protecting the environments, safety and health of its employees.

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

1.2 NEW ACCOUNTING STANDARDS

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

AMENDMENTS TO IFRS	MANDATORY APPLICATION DATE
<p>Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12) On January 19, 2016, the IASB published final amendments to IAS 12 Income Tax as follows: Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to deductible temporary differences regardless of whether the holder of the debt instrument expects to recover the book value of the debt instrument through its sale or use. The carrying value of an asset does not limit the estimate of probable future taxable income. Estimates of future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity evaluates a deferred tax asset in combination with other deferred tax assets. Where tax laws restrict the use of tax losses, an entity should evaluate a deferred tax asset in combination with other deferred tax assets of the same type.</p>	Annual periods beginning on or after January 1, 2017
<p>Disclosure Initiative (Amendments to IAS 7) Amend IAS 7 Statement of Cash Flows to clarify that the entities must provide disclosures that allow the users of the financial statements evaluate the changes in the liabilities derived from financing activities.</p>	Annual periods beginning on or after January 1, 2017
<p>Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IFRS 12) IFRS 12 Disclosures about Interest in Other Entities It clarified the scope of the standard to specify disclosure requirements, except that those in paragraphs B10-B16 apply to the interests of an entity listed in paragraph 5, which are classified as held for sale, held for distribution or as discontinued operations in accordance with IFRS 5.</p>	Annual periods beginning on or after January 1, 2017

The application of these amendments has not had a significant effect on the amounts reported in these condensed consolidated financial statements; however, they could affect the accounting of future transactions or agreements. The application of the amendments to IAS 7 has not had a significant effect on the Company's condensed consolidated financial statements.

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

NEW IFRS	MANDATORY APPLICATION DATE
<p>IFRS 9, Financial Instruments. This Standard introduces new requirements for the classification and measurement of financial assets and its effective application date has been postponed for periods after January 1, 2017. IFRS 9 specifies how an entity should classify and measure its financial assets at amortized cost or fair value. It requires that all financial assets be classified in full on the basis of the entity's business model for the management of financial assets and the characteristics of the contractual cash flows of the financial assets. Financial assets are measured at amortized cost or fair value. Only financial assets that are classified as measured at amortized cost will be tested for impairment. On November 19, 2013, the IASB issued a revised version of IFRS 9, which introduces a new chapter in IFRS 9 on hedge accounting, implementing a new hedge accounting model that is designed to be closely aligned with how entities carry out risk management activities when they hedge the exposure of financial and non-financial risks. The revised version of IFRS 9 allows an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated to be measured at fair value through profit or loss without applying the other IFRS 9 requirements, which means that the portion of the change in fair value related to changes in the entity's own credit risk may be presented in other comprehensive income instead of profit and loss. The final version issued in 2014 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and contains the following requirements: - Classification and Measurement: Financial assets are classified on the basis of the business model in which they are held and the characteristics of their contractual cash flows. The 2014 version of IFRS 9 introduces a measurement category called "fair value through other comprehensive income" for certain debt instruments. Financial liabilities are classified in a manner similar to IAS 39 Financial Instruments: Recognition and measurement. However, there are differences regarding the requirements applicable to the measurement of the entity's own credit risk. - Impairment: The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of impairment of financial assets, so there is no need for a credit event to occur before credit losses are recognized. - Hedge Accounting: Introduces a new model that is designed to align hedge accounting more closely with risk management when hedging exposure to financial and non-financial risk. - Write-off: The requirements for the write-off of financial assets and liabilities are maintained in accordance with the requirements of IAS 39 Financial Instruments: Recognition and Measurement.</p>	Effective for annual periods beginning on or after 1 January 2018

NEW IFRS	MANDATORY APPLICATION DATE
<p>IFRS 15, Revenue from contracts with customers IFRS 15 provides a single, five-step, principle-based model that will apply to all customer contracts. The five steps in the model are as follows:</p> <ul style="list-style-type: none"> i) Identify the contract with the customer ii) Identify performance obligations in the contract iii) Determine the price of the transaction iv) Assign the transaction price of the execution obligations in the contracts v) Recognize revenue when the entity meets a performance obligation. <p>Guidance is provided on topics such as the point at which revenue is recognized, and various related issues. New disclosures about revenue are also introduced. This standard will replace IAS 11 and IAS 18, and related interpretations (IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31).</p>	Effective for annual periods beginning on or after 1 January 2018
<p>IFRS 16, Leases On January 13, 2016, the IASB issued a new standard, IFRS 16 "Leases". The new standard will imply that most leases are presented on the lessee balance sheet under a single model, eliminating the distinction between operating and financial leases. However, accounting for lessors remains largely unchanged and the distinction between operating and financial leases is maintained. IFRS 16 replaces IAS 17 "Leases" and related interpretations and is effective for periods beginning on or after January 1, 2019, early application is permitted, provided that IFRS 15 "Revenue from Customer Contracts" is also applied.</p>	Effective for annual periods beginning on or after 1 January 2019
<p>IFRS 17, Insurance Contracts IFRS 17 requires that insurance liabilities be measured at a current compliance value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent and principled accounting for insurance contracts. IFRS 17 replaces IFRS 4 Insurance contracts as of January 1, 2021.</p>	Annual periods beginning on or after January 1, 2021

AMENDMENTS TO IFRS	MANDATORY APPLICATION DATE
<p>Sale or Contribution of assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28) Modification to clarify the treatment of the sale or contribution of the assets of an investor to the associate or joint venture, as follows:</p> <ul style="list-style-type: none"> - Requires full recognition in the investor's financial statements of gains and losses arising from the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations) - Requires partial recognition of gains and losses where assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the interests of investors not related to that associate or business - to disclose the information required by IFRS 3 and other IFRSs for business combinations. 	Effective date indefinitely postponed.
<p>Clarification to IFRS 15 "Revenue from contracts with customers" Modifies IFRS 15, "Revenue from contracts with customers", to clarify three aspects of the standard and provides some transition relief for modified contracts and terminated contracts.</p>	Effective for annual periods beginning on or after 1 January 2018

NEW IFRS	MANDATORY APPLICATION DATE
<p>Classification and measurement of share-based payment transactions (amendments to IFRS 2) Clarifies the standard in relation to accounting for transactions with cash-settled share-based payments that include a performance condition, the classification of share-based payment transactions with balancing offsets, and accounting for changes in cash-based share-based payment transactions.</p>	Effective for annual periods beginning on or after 1 January 2018
<p>Application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (amendments to IFRS 4) On September 12, 2016, The International Accounting Standards Board (IASB) has published 'Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'. The amendments are intended to address concerns about the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard (expected as IFRS 17 within the next six months). As it has become obvious that the effective date of IFRS 17 can no longer be aligned with the effective date of IFRS 9 Financial Instruments there have been calls for the IASB to delay application of IFRS 9 for insurance activities and align the effective date of IFRS 9 for those activities with the effective date of the new insurance contracts standard. The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; an optional temporary exemption from the application of IFRS 9 for entities whose main activity is the issuance of contracts within the scope of IFRS 4; this is the so-called deferral approach. An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements.</p>	The overlay approach is effective when the IFRS 9 is applied for the first time. The deferral approach is effective for annual periods beginning on or after January 1, 2018 and is available only during three years after that date.

NEW IFRS	MANDATORY APPLICATION DATE
<p>Transfers of Investment Property (amendments to IAS 40) On December 8, 2016, the IASB issued "Transfers of Investment Property (amendments to IAS 40) to clarify transfers of property to or from investment property. The amendments to the IAS Investment Property are:</p> <ul style="list-style-type: none"> Amends paragraph 57 to indicate that an entity will transfer a property to, or from, investment property when, and only when, there is evidence of a change of use. A change of use occurs if the property meets, or fails to meet, the definition of investment property. A change in management's intentions for the use of a property alone is not evidence of a change of use. The list of examples of evidence in paragraph 57 (a) - (d) is a non-exhaustive list of examples rather than an exhaustive list. 	Effective for annual periods beginning on or after 1 January 2018
<p>Annual cycle 2014-2016 improvements (amendments to IFRS 1, IFRS 12 and IAS 28) IFRS 1 First-time adoption of International Financial Reporting Standards It eliminated the short-term exemptions in paragraphs E3-E7 of IFRS 1, as they have fulfilled their purpose. IFRS 12 Disclosures about Interest in Other Entities It clarified the scope of the standard to specify disclosure requirements, except that those in paragraphs B10-B16 apply to the interests of an entity listed in paragraph 5, which are classified as held for sale, held for distribution or as discontinued operations in accordance with IFRS 5. IAS 28 Investments in Associates and Joint Ventures It clarified that the choice to measure at fair value through profit or loss an investment in an associate or joint venture, held by an entity that is a venture capital organization or other qualifying entity, is available for each investment in an associated entity or a joint venture on an investment -by- investment basis, at the time of initial recognition.</p>	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018.
<p>Prepaid features with negative compensation (amendments IFRS 9) On October 12, 2017, the IASB published "Prepaid Characteristics with Negative Compensation (Amendments to IFRS 9) to address certain issues related to the classification of certain specific financial assets prepayable under IFRS 9, modifying the existing requirements in IFRS 9 with respect to term rights to allow the measurement at amortized cost (or, depending on the business model, to fair value with changes in other comprehensive income) even in the case of payments with negative compensation.</p>	Annual periods beginning on or after 1 January 2019.

NEW INTERPRETATIONS	MANDATORY APPLICATION DATE
<p>IFRIC 22 Foreign currency operations and early consideration On December 8, 2016, the IASB issued IFRIC 22 "Foreign Currency Transactions and Prepayment Considerations" developed by the IFRS Interpretation Committee to clarify the accounting for transactions that include the receipt or payment of a sum in advance in a foreign currency. The contents of IFRIC 22 are mainly:</p> <p>Scope of interpretation: Interpretation refers to transactions in foreign currency or parts of transactions in which:</p> <ul style="list-style-type: none"> there is consideration that is denominated or quoted in foreign currency, there is consideration that is denominated or quoted in foreign currency; the entity recognizes a prepaid asset or a deferred income liability with respect to that consideration, prior to recognition of the related asset, expense or income; and The prepaid asset or the deferred income liability is not monetary. <p>Consensus: The Interpretation Committee reached the following conclusion:</p> <ul style="list-style-type: none"> The date of the transaction, for the purpose of determining the exchange rate, is the date of the initial recognition of the prepaid non-monetary asset or of the deferred income liability. If there are multiple payments or receipts in advance, a transaction date is established for each payment or receipt. 	Effective for annual periods beginning on or after 1 January 2018

The Administration is analyzing the impact that the application of IFRS 9, IFRS 15 and IFRS 16 will have (whose application will be required as of 2018 and 2019).

At the closing of these condensed consolidated financial statements, Management is executing a work plan to identify and measure the impacts of the application of these standards in its financial statements. In the preliminary stage, the evaluation has focused on the following aspects:

IFRS 9: Classification and measurement of financial assets, analysis of hedging policies and the evaluation of impairment models applied to accounts receivable.

IFRS 15: identification of the types of contracts and of the stipulated commitments, guarantee agreements and implicit future obligations.

The principal revenues analyzed are:

- In the steel processing segment, the contracts for the sale and construction of solar plants.

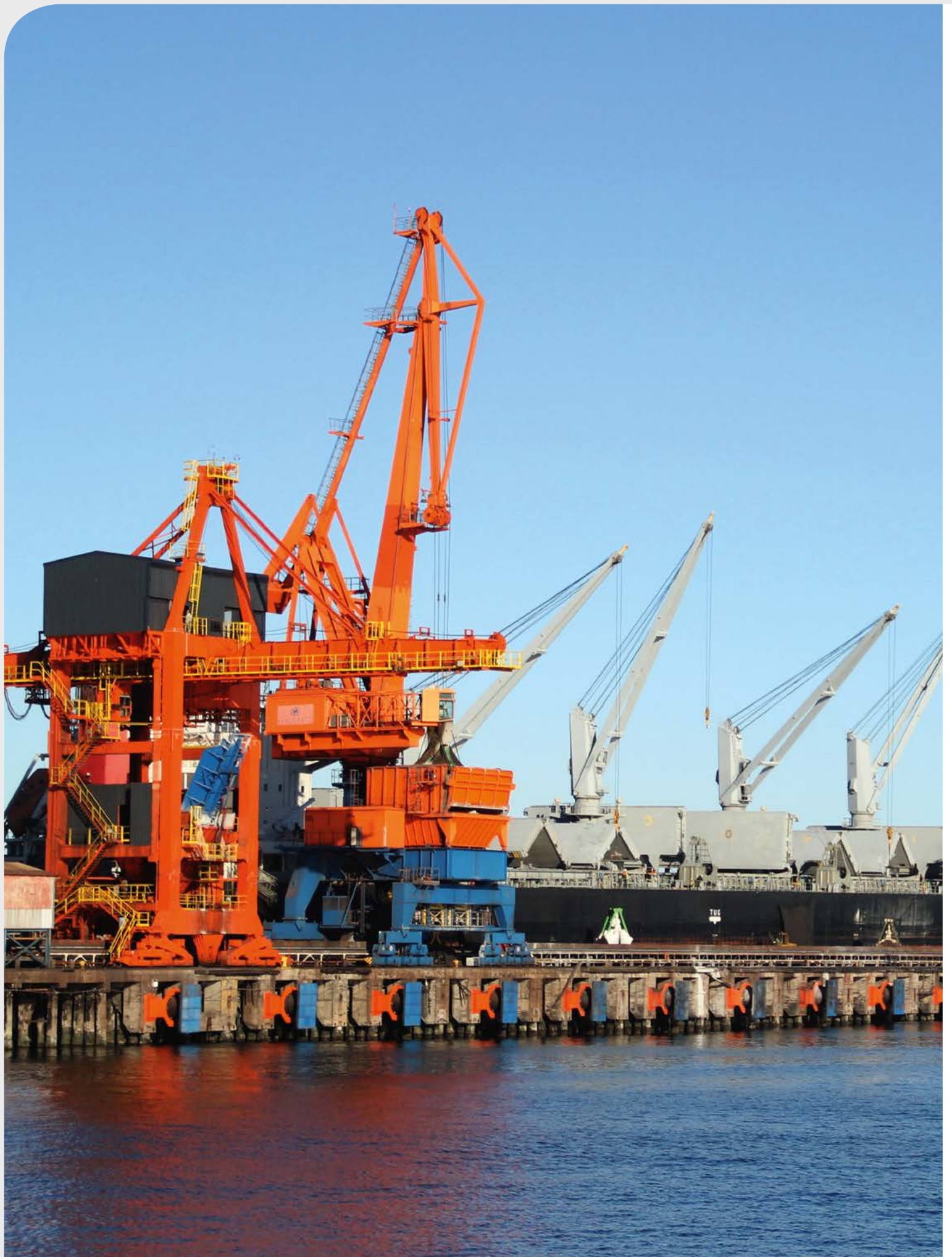
Additionally, IFRS 15 requires more detailed disclosures than current standards, which involves a greater amount of information to disclose in the financial statements.

Management believes that the application of these standards will not have a significant impact on the Group's financial statements. In their implementation, the modified transition approach will be applied, which does not require restating the comparative information.

The complete financial statements of CAP S.A. and subsidiaries and auditor's report are available to the public at the reporting entity's offices and web page and Securities Registry of the Financial Market Commission ("FMC").

The attached pendrive on the front is an integral part of this annual report and includes:

- Independent auditors' report
- Condensed Consolidated Statements of Financial Position of CAP S.A. and subsidiaries (complete).







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