



CAP S.A.  
2023 Fourth Quarter Results

March 12th, 2024

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# AGENDA

1. Overview 2023
2. Highlights
3. Market context
4. Financial results
5. CAPEX
6. *Huachipato* Sostenible
7. Cintac capital increase
8. Way forward





# 1. Overview

# 1. Overview 2023



## Key facts

- Positive performance in mining business offset by weak results in the steel business segment, mainly explained by distortion in prices
- Mining business achieved record iron ore production of 17.4 million tons in 2023
- US\$ 149 million impairment provision on *Huachipato* assets increases negative performance



## Market background

- 62% Fe iron ore price averaged US\$ 119.8/ton in 2023 (CFR China index), similar to the average registered in 2022 (US\$ 120.3/ton)
- Unclear signs of a recovery in China's real estate and construction sector
- Global steel prices following a downward trend, while raw materials are increasing



## Financial results

- Revenues decreased 1.4%, from US\$ 3,006 million in 2022 to US\$ 2,965 million in 2023
- EBITDA decreased 7.5%, from US\$ 910 million in 2022 to US\$ 842 million in 2023
- Net income of US\$ -7.0 million (vs US\$ 226 million in 2022)



## Way forward

- Stop losses at Huachipato
- Focus on improving profitability of key businesses
- Prepare the implementation of Strategy 2030



## 2. Highlights

## 2. Highlights



CAP reaches 3<sup>rd</sup> position worldwide in DJSI mining and steel category

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The recognition, granted by the Dow Jones Sustainability Index (DJSI), highlights the group's ongoing commitment to responsible business practices and contributing to sustainability in the steel industry

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CMP leads SME supplier payment ranking

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According to the ranking elaborated by the Product Exchange (BPC) and the Association of Entrepreneurs of Chile (Asech), CMP achieved a perfect score of 100 points for payments to SMEs suppliers during 2023

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Felipe Gazitua assumed as CAP Group Chief Financial Officer

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CAP's new CFO brings extensive expertise in Strategy, Finance, and Operations to the company. He began his career in investor relations and evaluating investment opportunities. For the past 5 years, Felipe worked as a Partner at BCG, where he collaborated with leading mining and industrial companies in the region.

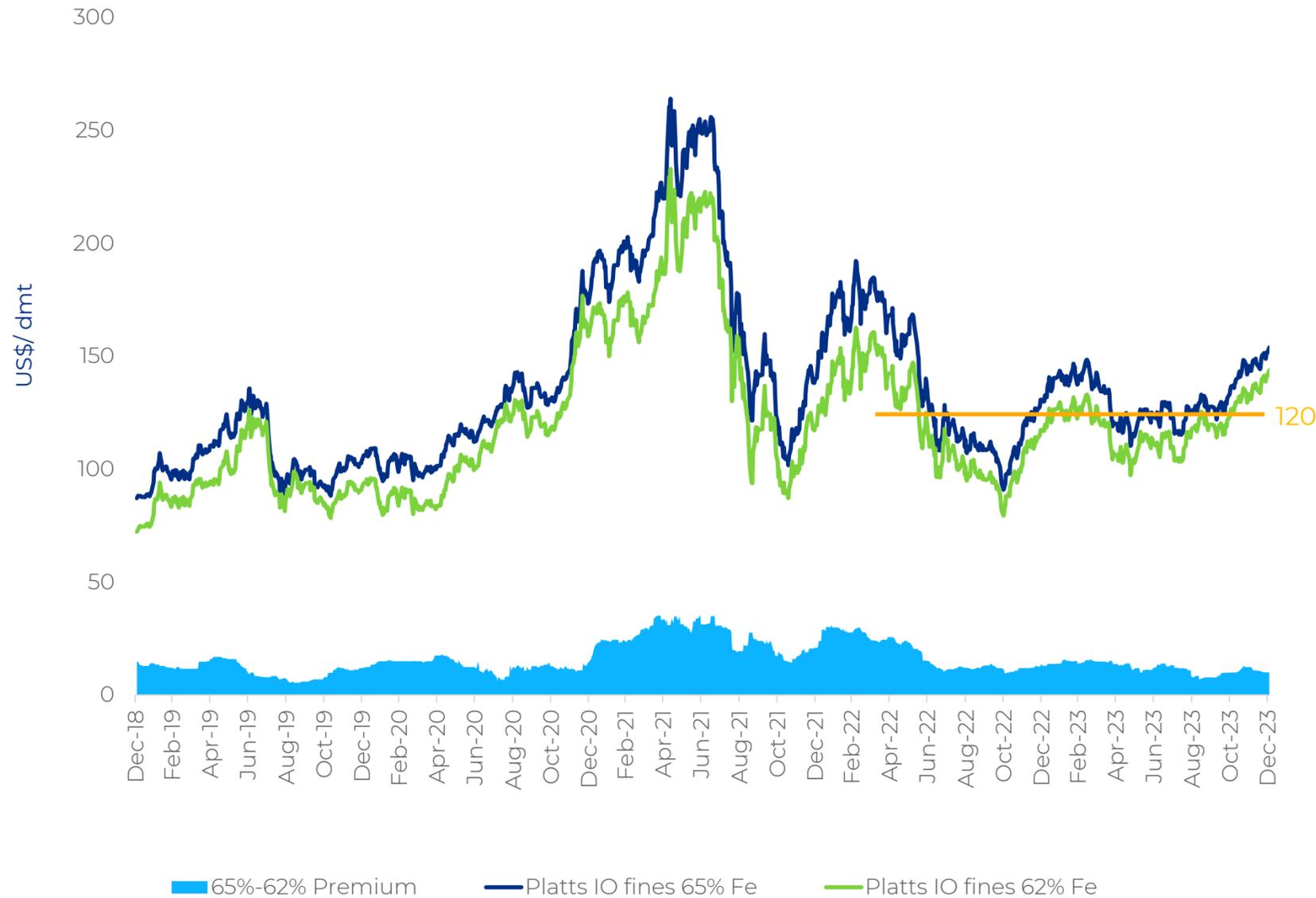
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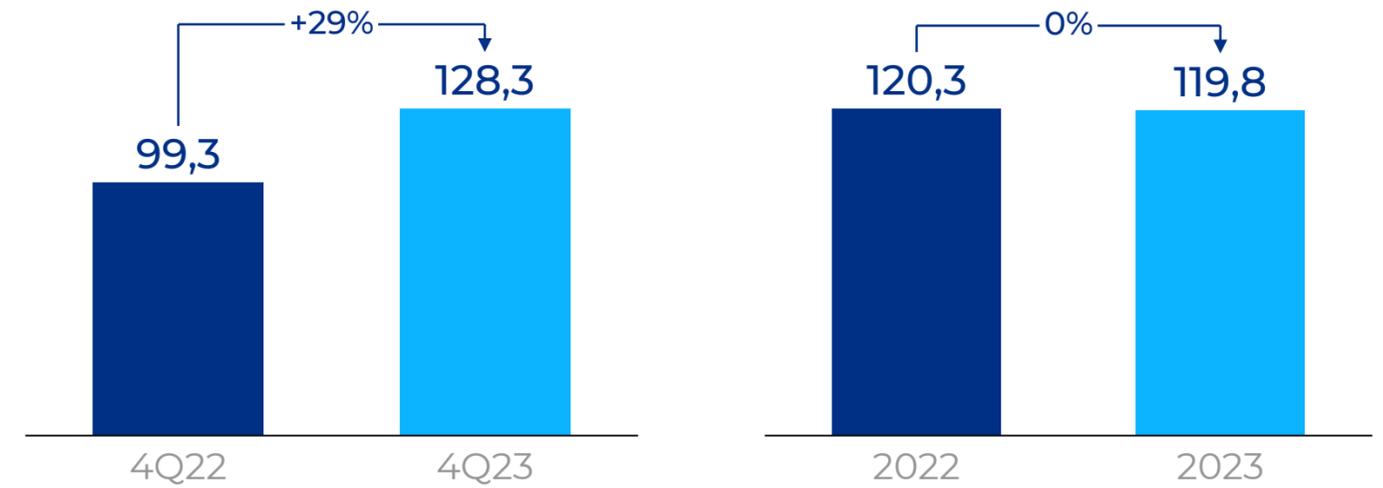
### 3. Market context

# Average iron ore price recorded good levels, with no major variations with respect to the year 2022

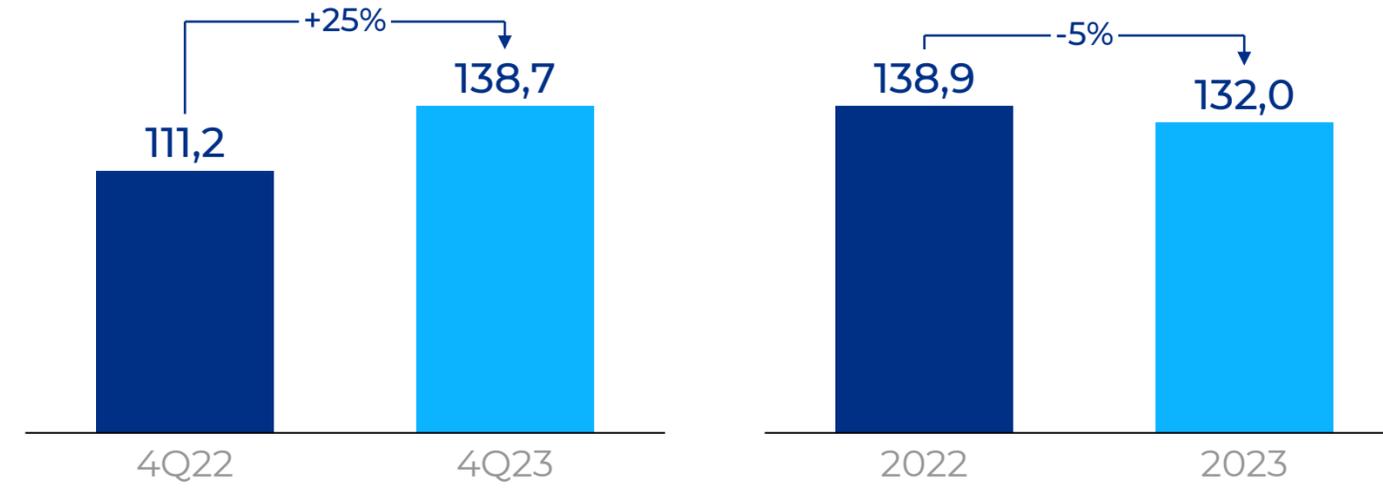
**Iron ore price (CFR China)**



**Platts 62% Fe avg**

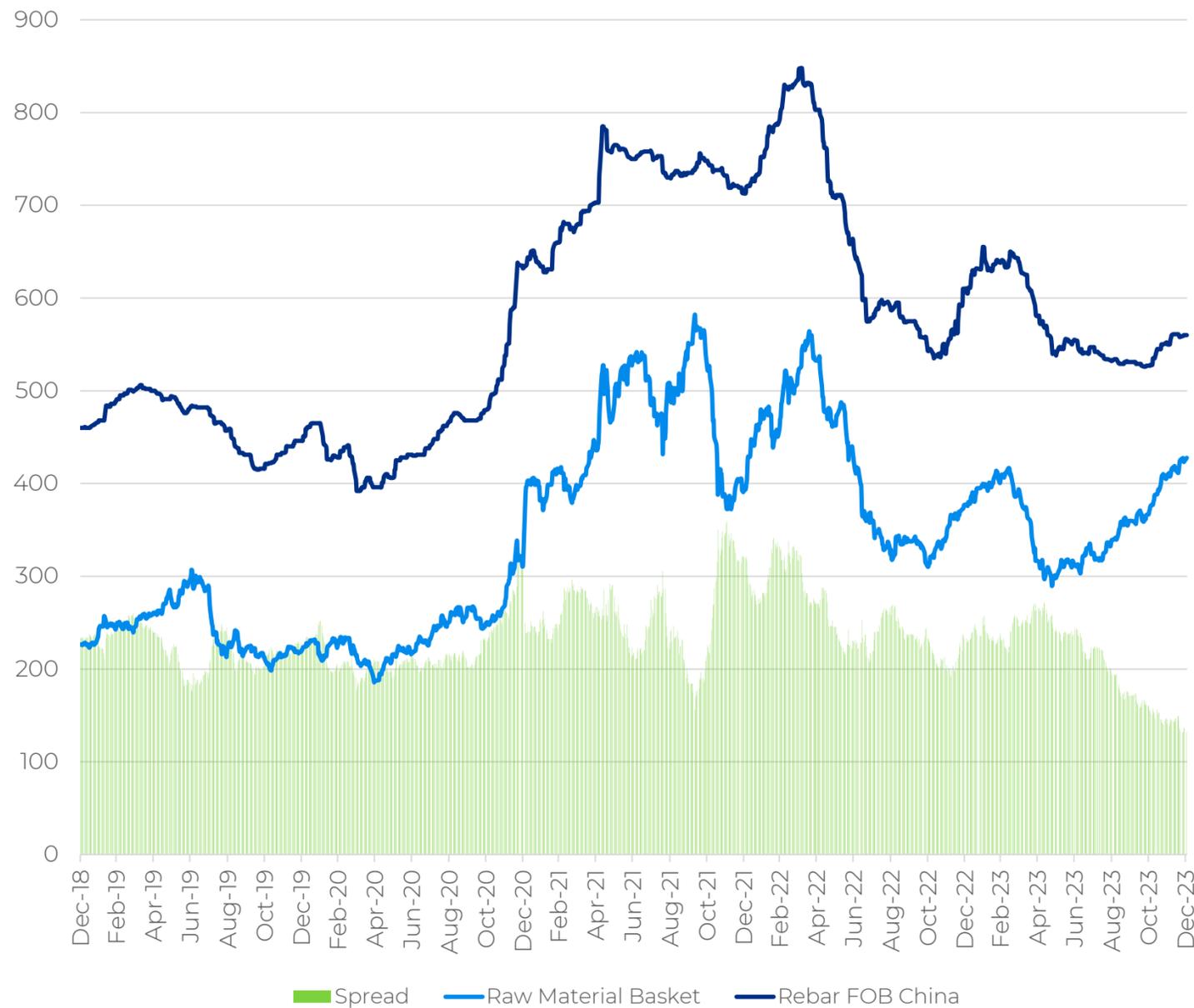


**Platts 65% Fe avg**

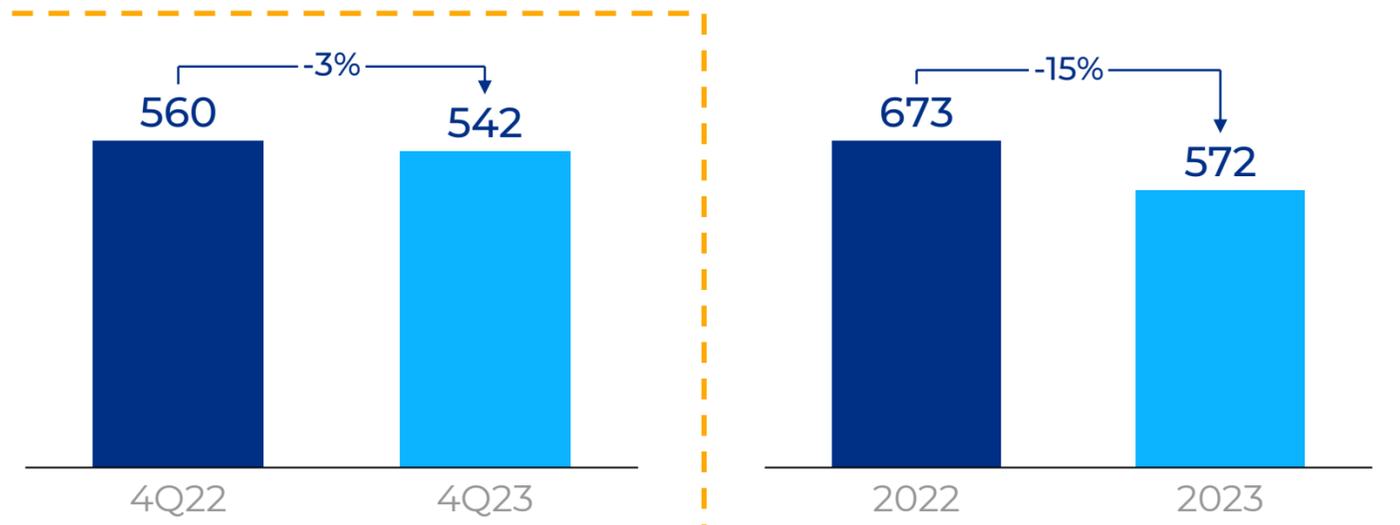


# Steel prices decreased while input prices (raw materials) increased

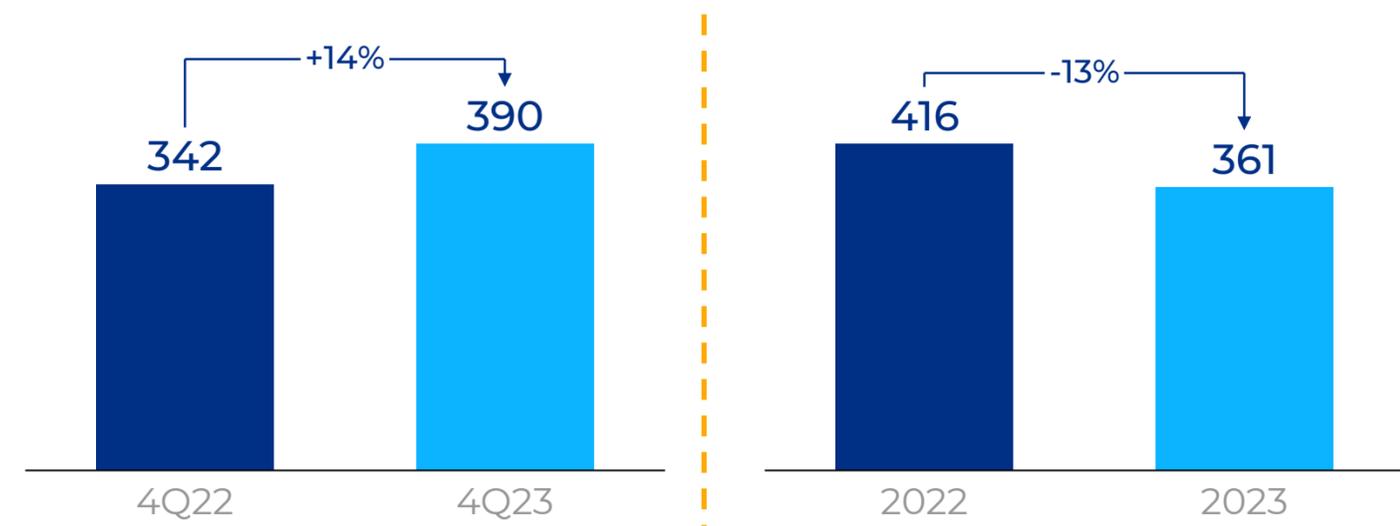
**Spread Rebar FOB China – Raw Materials basket<sup>1</sup>**



**Rebar FOB China**



**Raw Material Basket<sup>1</sup>**



Price distortion impacting CSH's financial performance

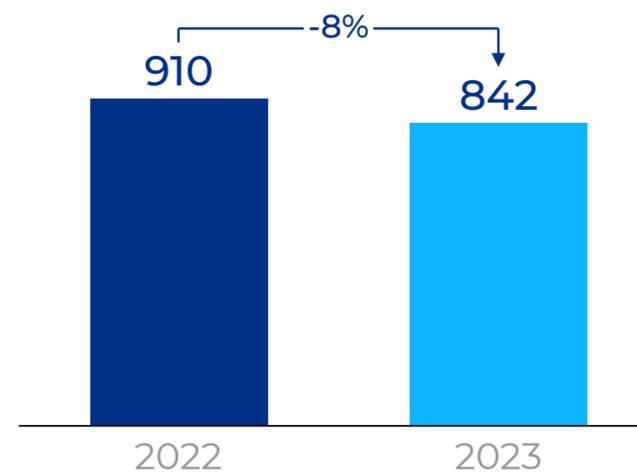
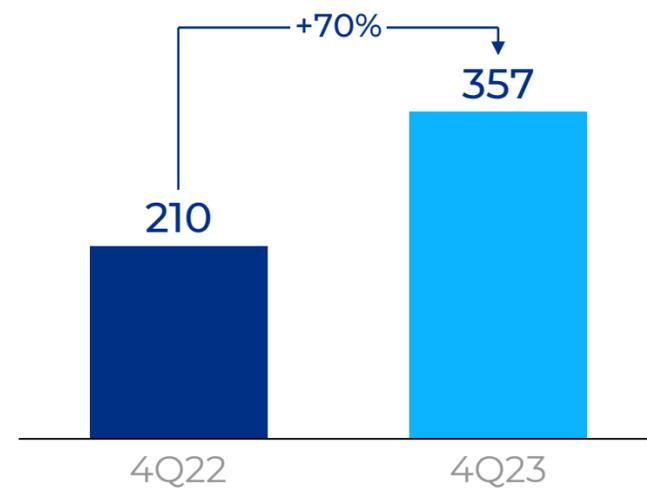
<sup>1</sup>Raw Material Basket = 1,6 x Iron Ore 62% Fe + 0,6 Metallurgical Coal



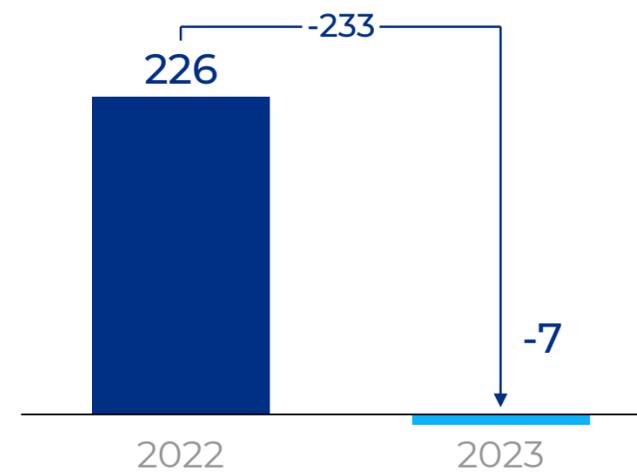
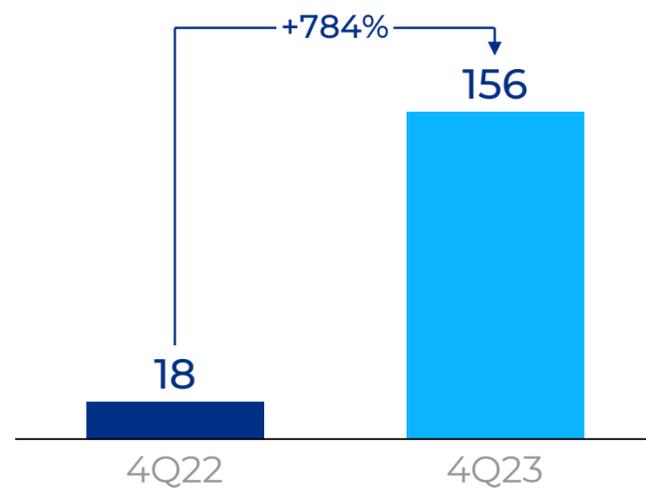
## 4. Financial results

# Lower consolidated results in 2023, mainly due to the performance of steel production business

## EBITDA (US\$ million)



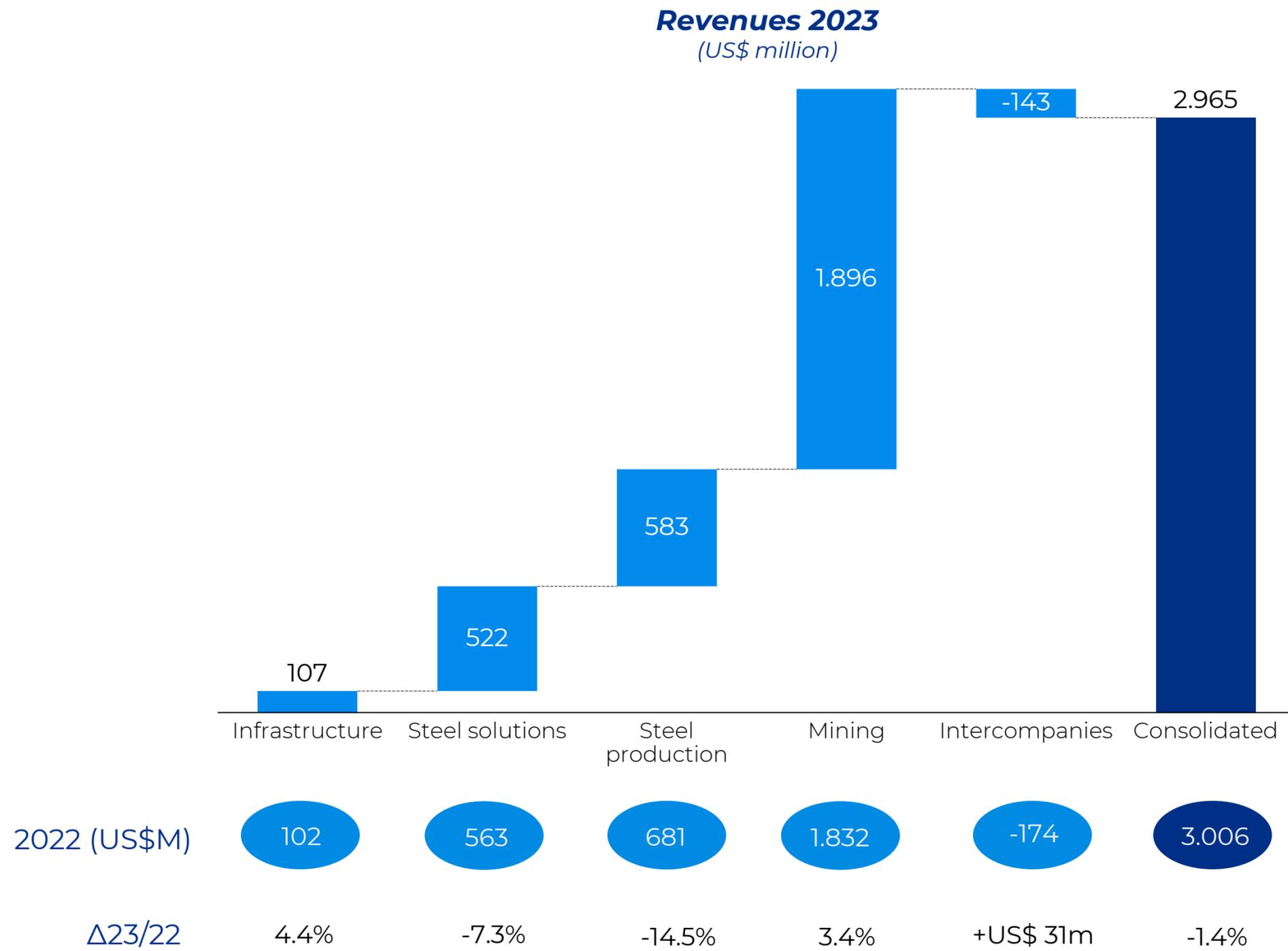
## Net income (US\$ million)



## Key highlights

- 2023 EBITDA and Net income lower than in 2022
- Reduced EBITDA mainly explained by lower steel prices and higher costs in mining business
- In addition, Net Income impacted by the impairment in steel production segment.

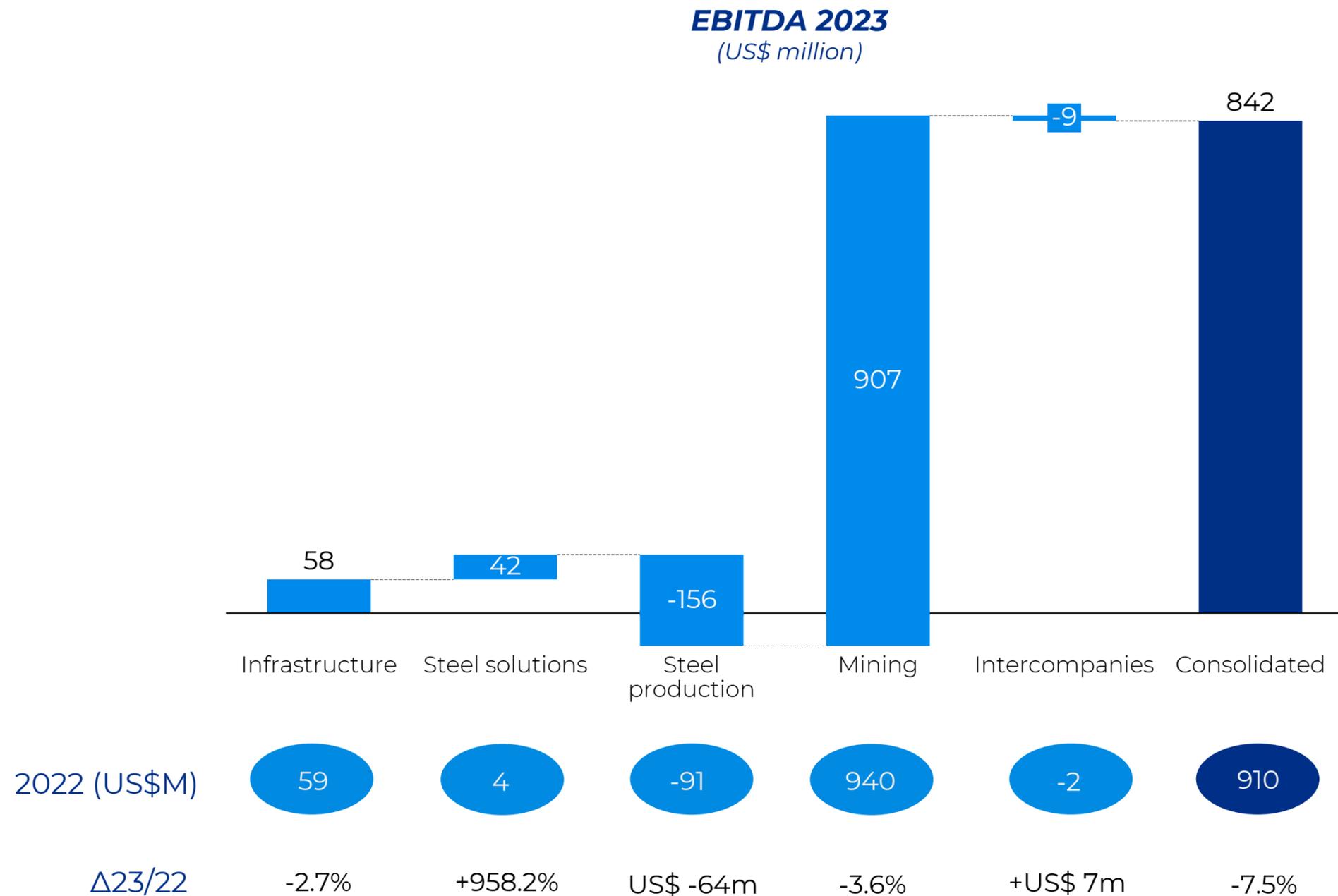
# Record revenues in the mining business



## Key highlights

- CMP reached a record production level of 17,4Mt, 4,3% higher than in 2023, partially offset by lower prices of 1%
- Steel production sales were 14,5% lower in 2023, mainly explained by lower average prices of 21.4% versus 2022, partially offset by higher volumes
- Sales in Steel solutions 7,3% lower in 2023 due to the lower activity in the construction sector

# Mining continues to be the main driver of consolidated EBITDA

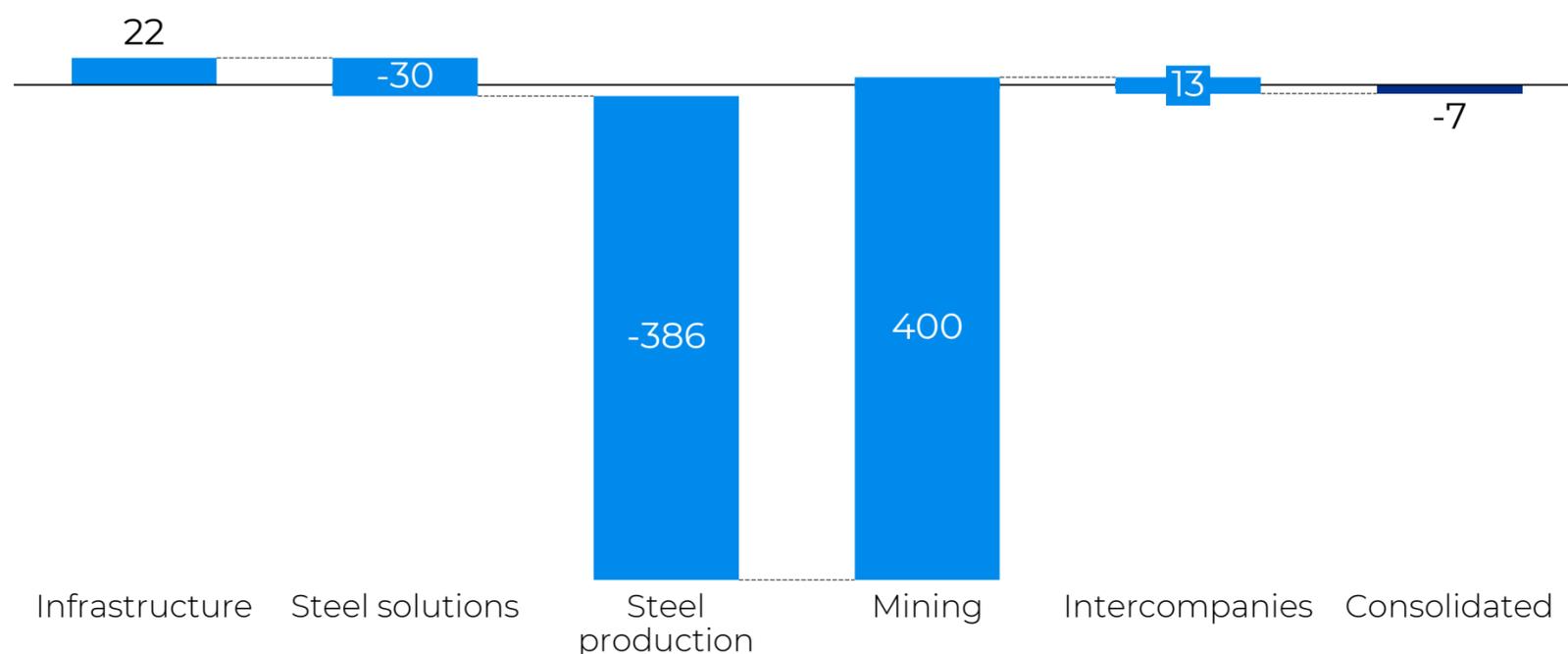


## Key highlights

- Mining: 6% higher cash cost per ton due to higher energy and services costs
- Steel production: 12% lower costs per ton due to operational efficiency initiatives
- Steel solutions: 15% lower costs than in 2022, explained by the impact in 2022 of high cost steel inventories

# Net income negatively impacted by steel production business

**Net income 2023**  
(US\$ million)



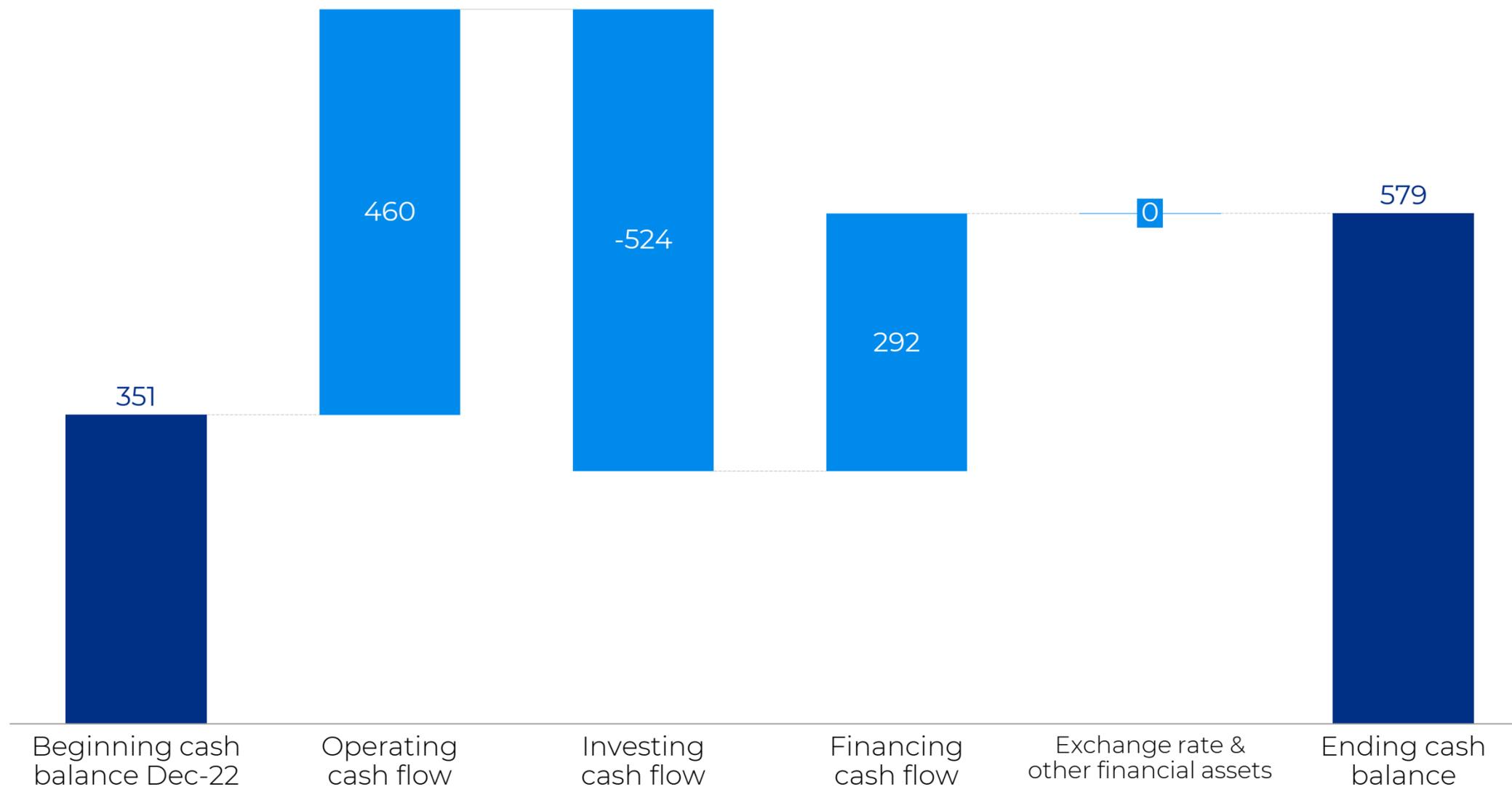
## Key highlights

- Steel production: Negative results increased by impairment in 2Q23
- Other: Tax recovery from holding company losses, as result of restructuring to reduce costs and administrative burden

	Infrastructure	Steel solutions	Steel production	Mining	Intercompanies	Consolidated
2022	25	-36	-122	480	-121	226
Δ23/22	-11.7%	+US\$ 5.4m	-US\$ 263	-16.5%	+US\$ 134	-US\$ 233

# CAP Group increased its cash balance throughout the year

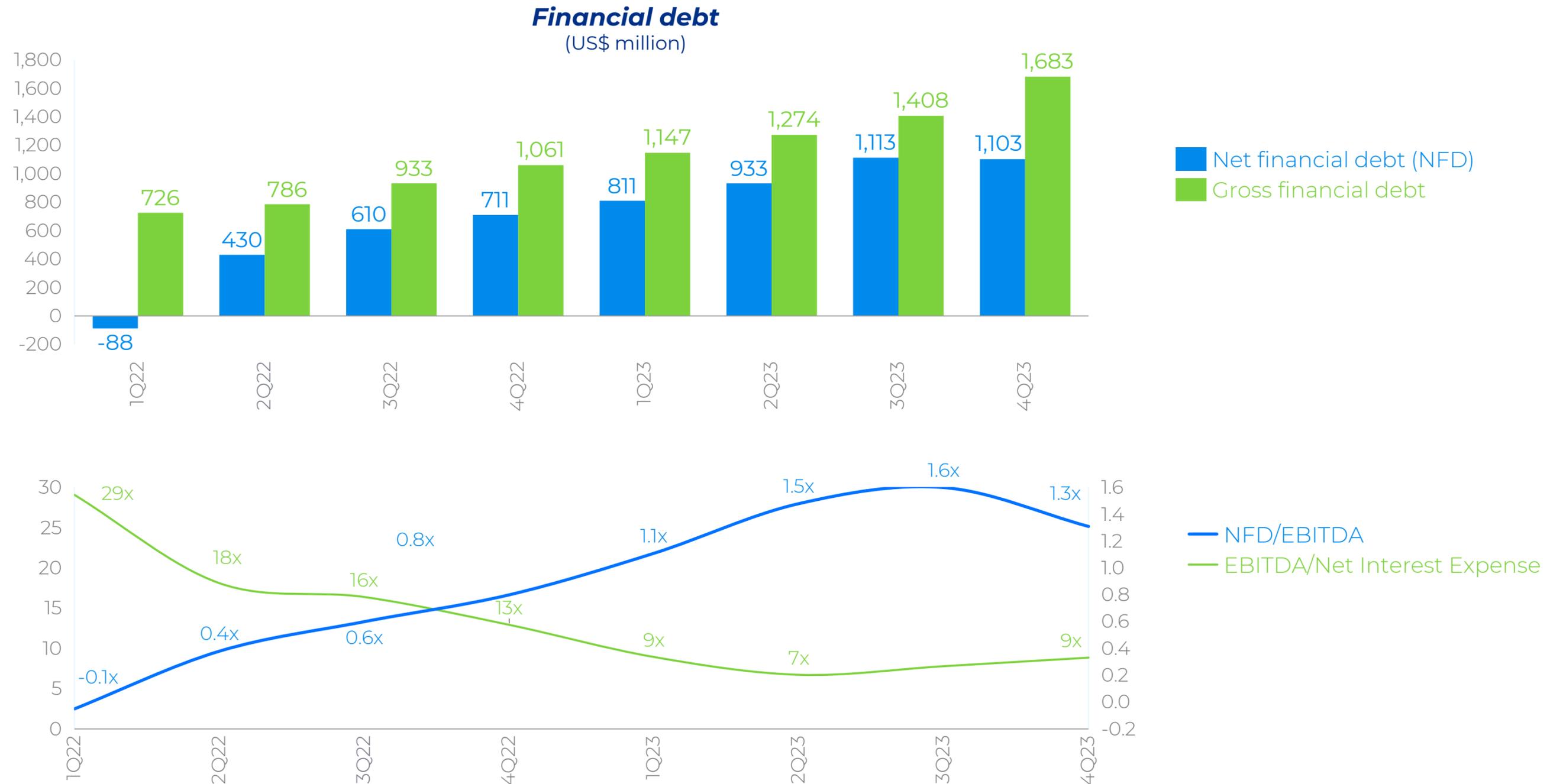
**Cash Balance 4Q22 VS 4Q23**  
(US\$ million)



## Key highlights

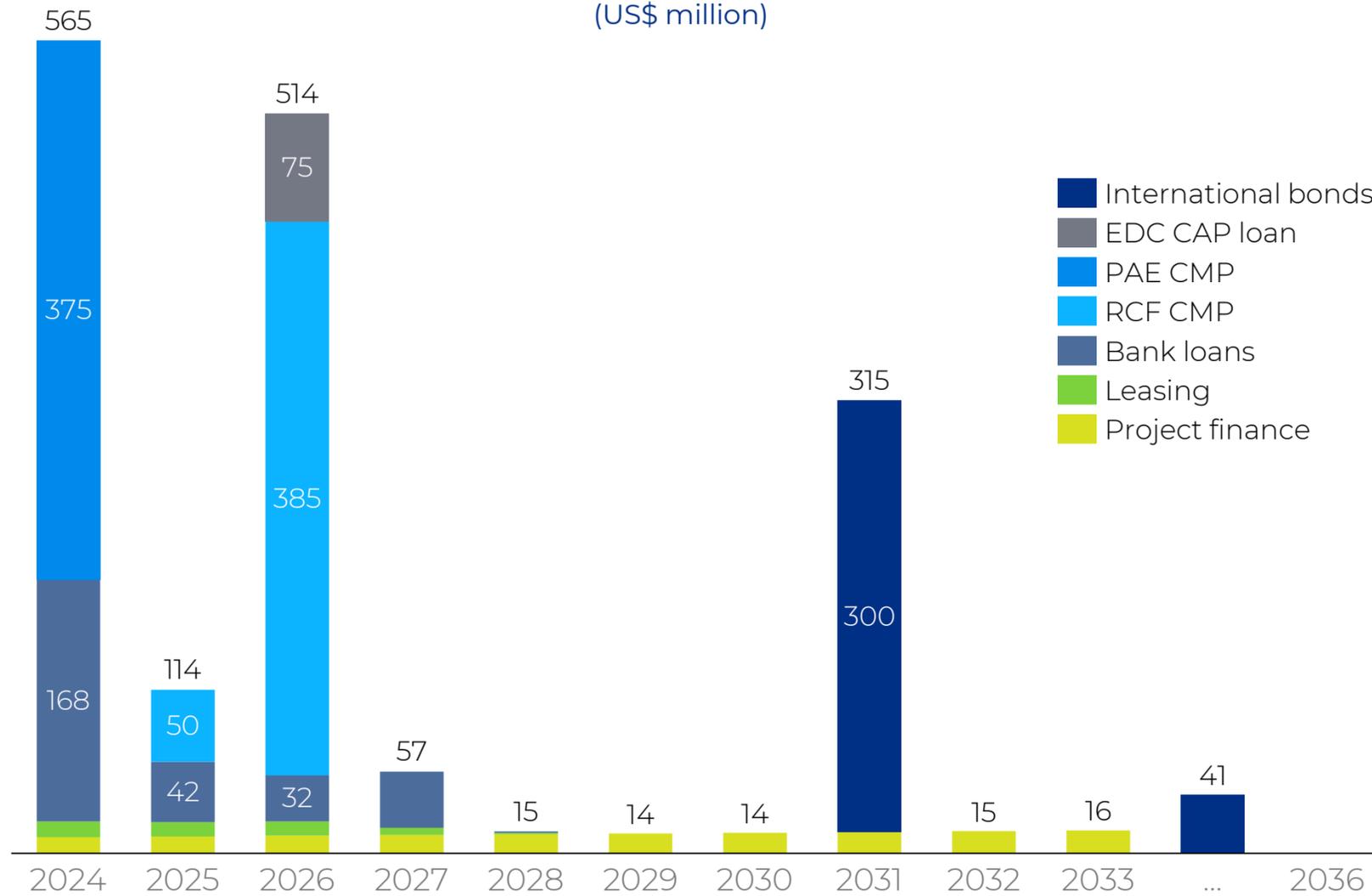
- Revenue of US\$ 3,021 million
- Tax payment of US\$ 210 million
- Consolidated CAPEX of US\$ 516 million, with CMP representing 86% of that figure
- Financing cash flow positively impacted from new CMP debt (US\$ 593 million)
- Dividend payment of US\$ 219 million

# Financial covenants remain at healthy levels, despite the increase in debt



# Increase in CMP's debt; objective is to move debt from short to long term

**Financial debt**  
(US\$ million)



**Debt indicators as of December 2023**

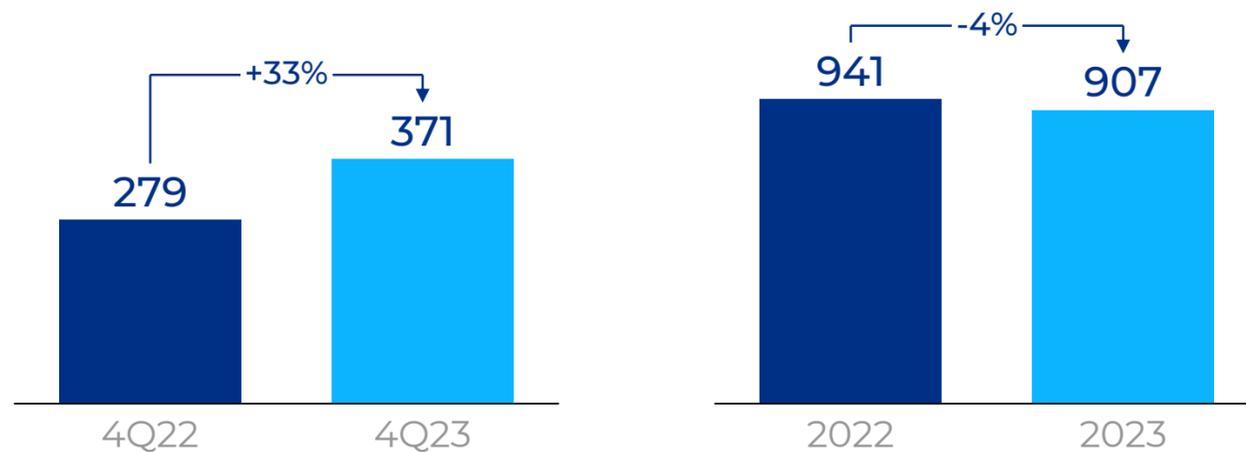
Gross financial Debt (US\$)	1,683 million
Net financial Debt (US\$)	1,103 million
Net Financial Debt /EBITDA	1.3x
EBITDA/Net interest expense	9x

# 4. Financial results

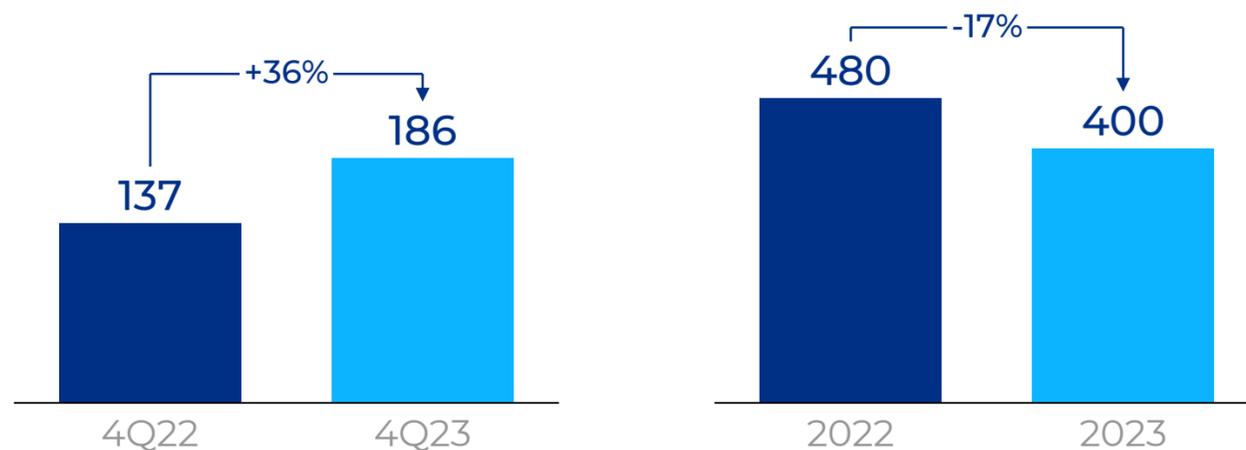
## Mining business

*Compañía Minera del Pacífico is the leading iron ore and pellets producer on the American Pacific coast, with operations in Chile's Atacama and Coquimbo regions.*

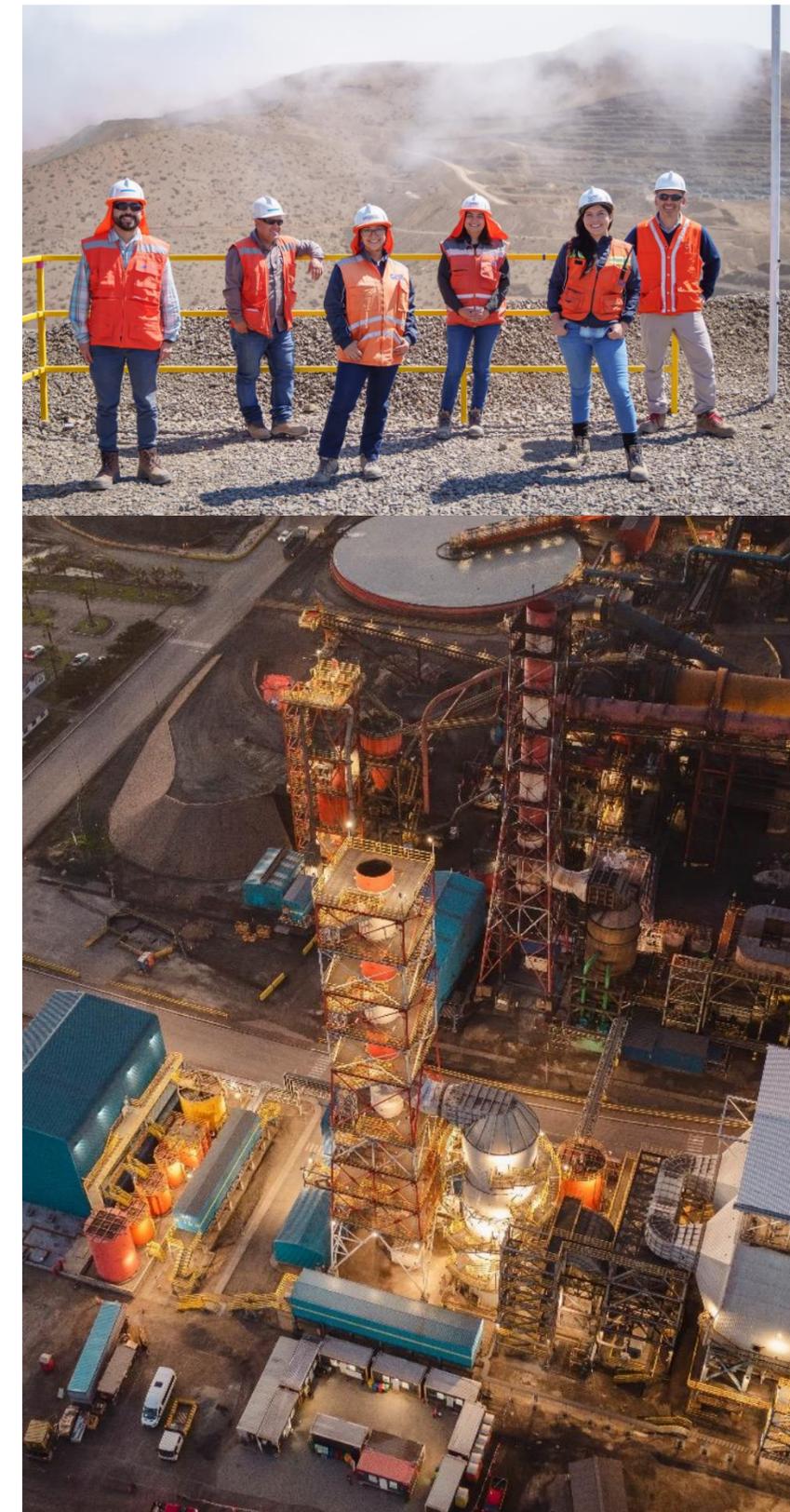
**EBITDA**  
(US\$ million)



**Net income**  
(US\$ million)

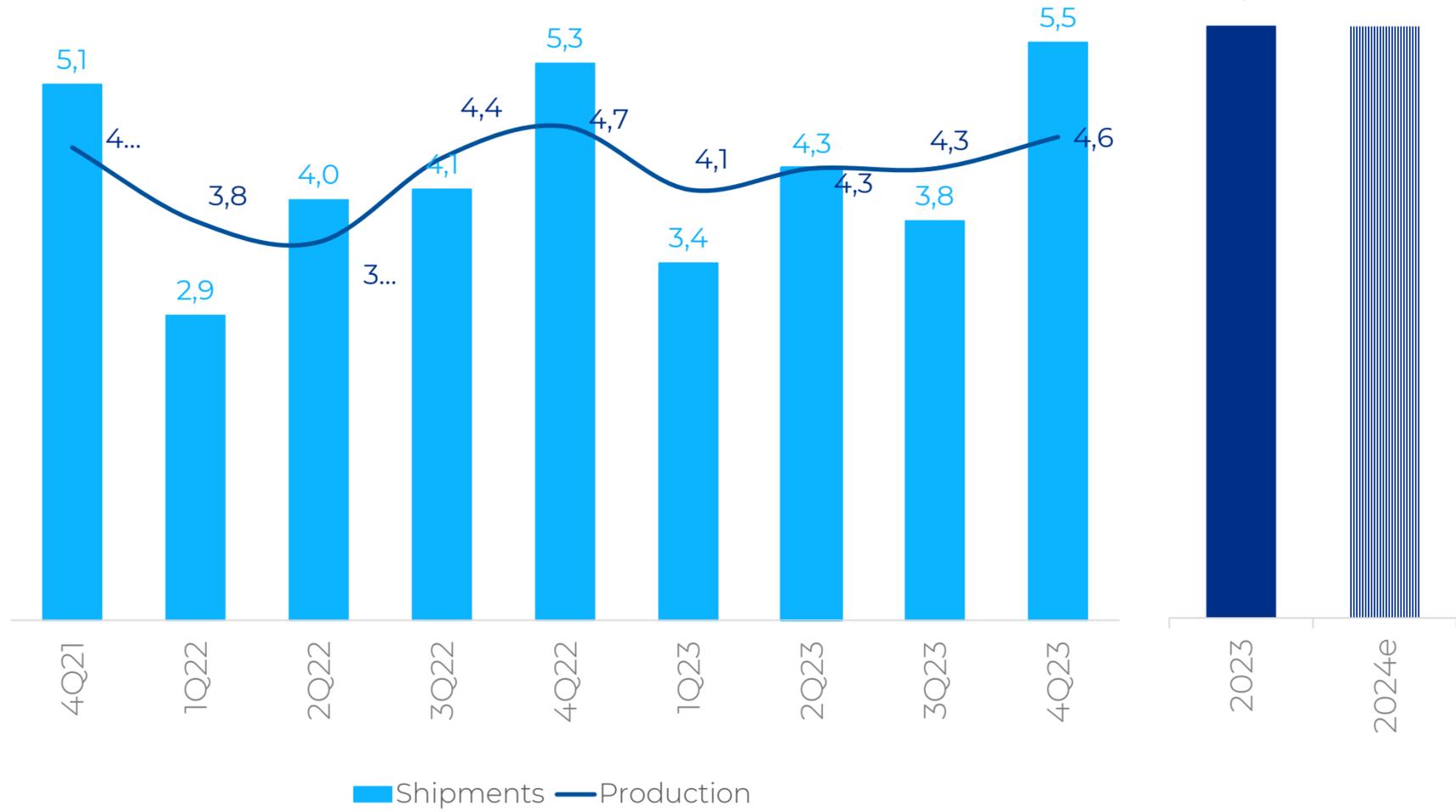


- **4% higher shipments**, from 16.3 million tons in 2022 to 17.0 million tons in 2023
- **1% decrease in realized prices**, from US\$111.5 per ton in 2022 to US\$110.4 per ton in 2023
- **5% increase in cash cost**, from US\$ 51.5 per ton in 2022 to US\$ 54.2 per ton in 2023



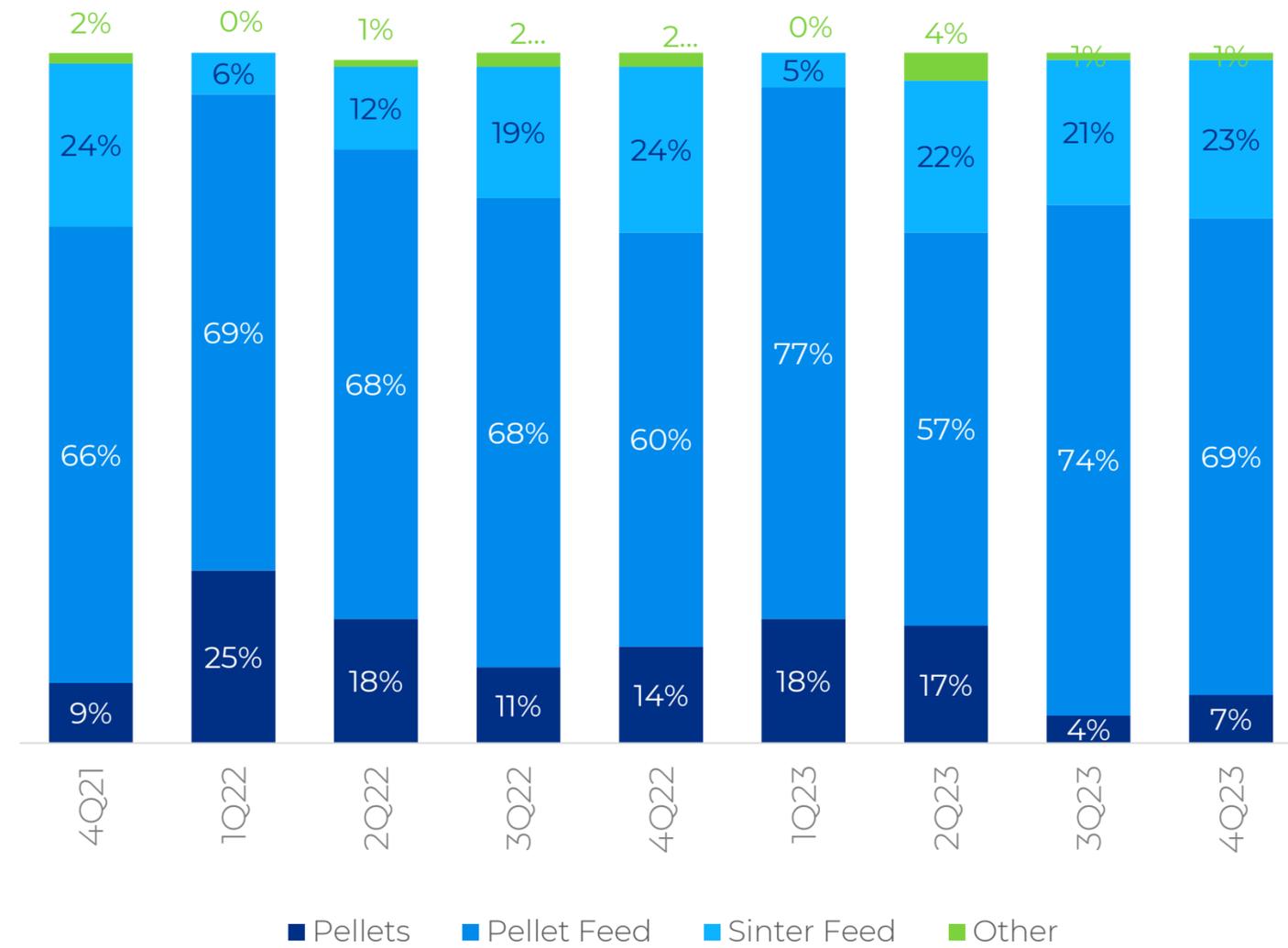
# CMP achieved record production and shipments in 2023

**Shipments and production**  
(million ton)



**Annual shipments and guidance**

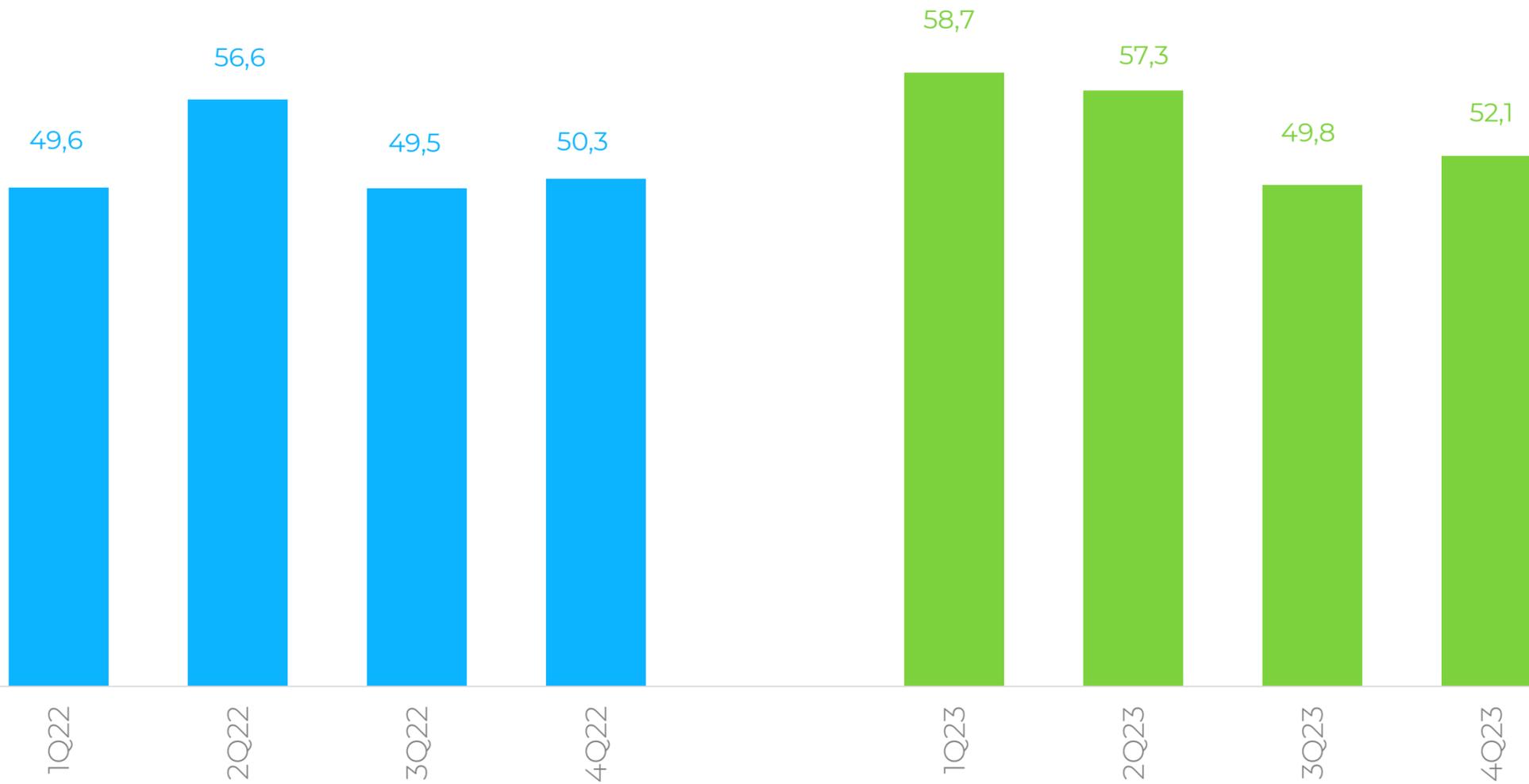
**Product Mix (shipments)**



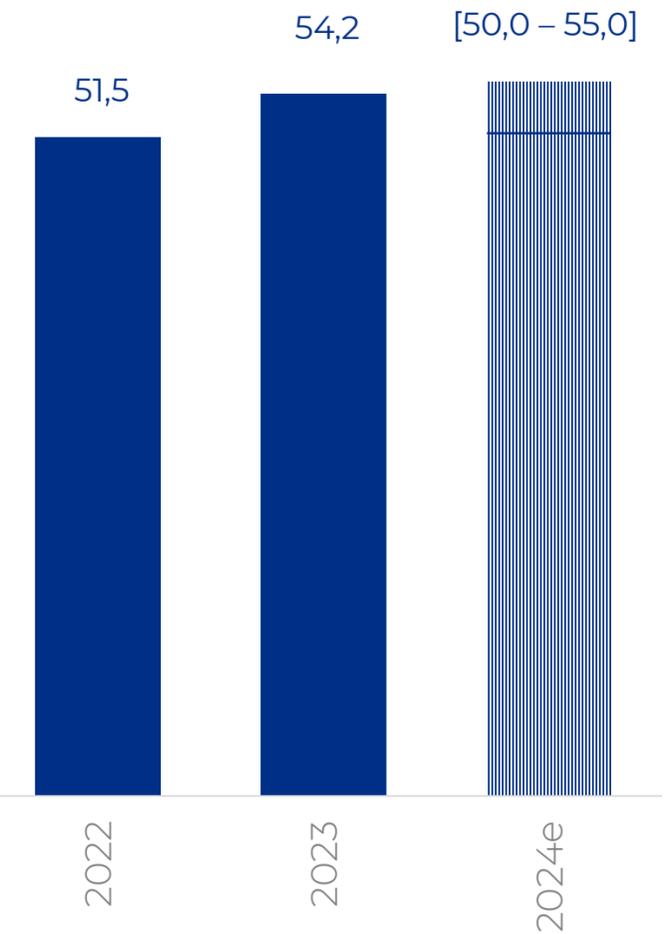
# 4. Financial results – Mining business

CMP cash cost<sup>1</sup>

**Quarterly cash cost**  
(US\$/t)



**Annual cash cost and guidance**  
(US\$/t)

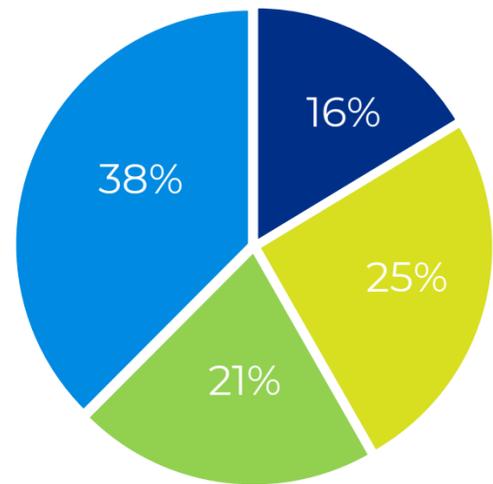


<sup>1</sup> Calculated as cost of sales not including depreciation and amortization, based on tons shipped

# 4. Financial results – Mining business

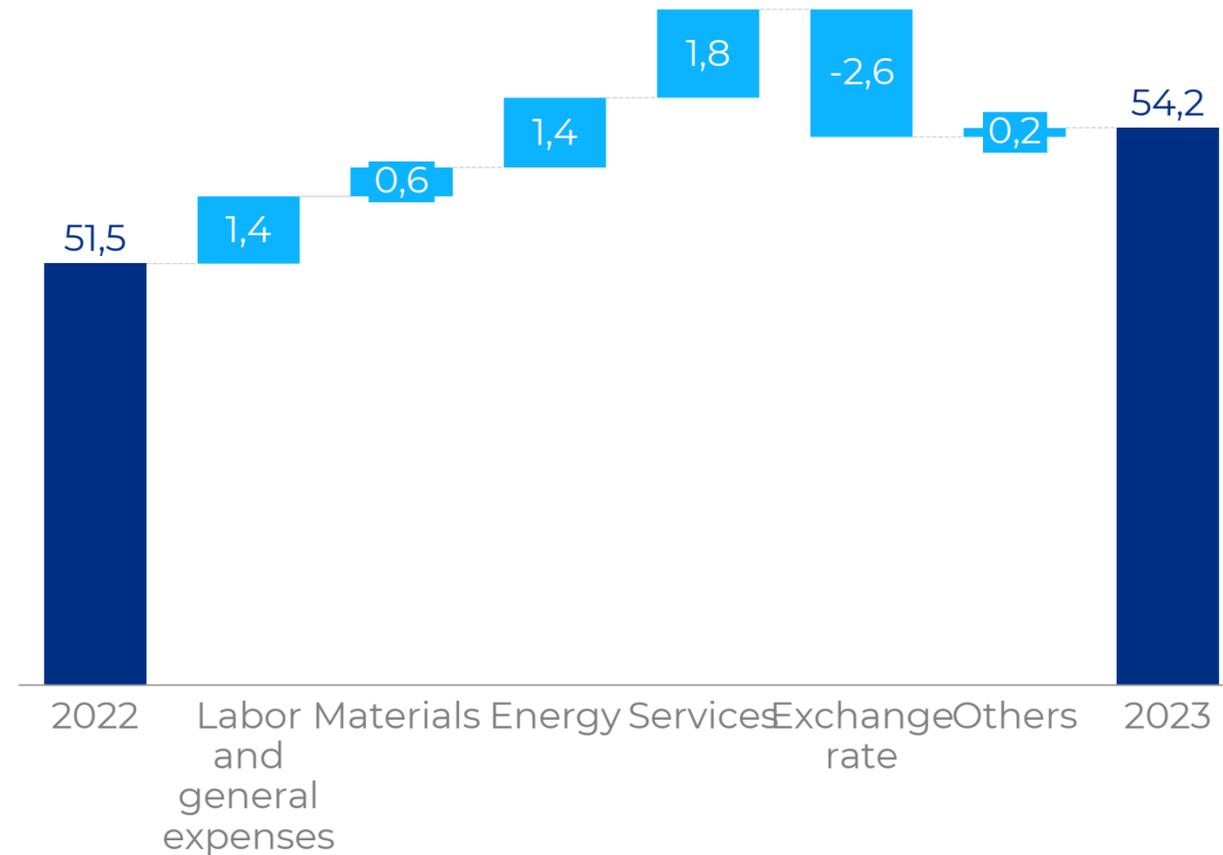
## CMP cash cost variation 2022 vs 2023

**Cash cost distribution**



- Labor & general expenses
- Materials
- Energy
- Services

**Cash cost YoY**  
(US\$/t)



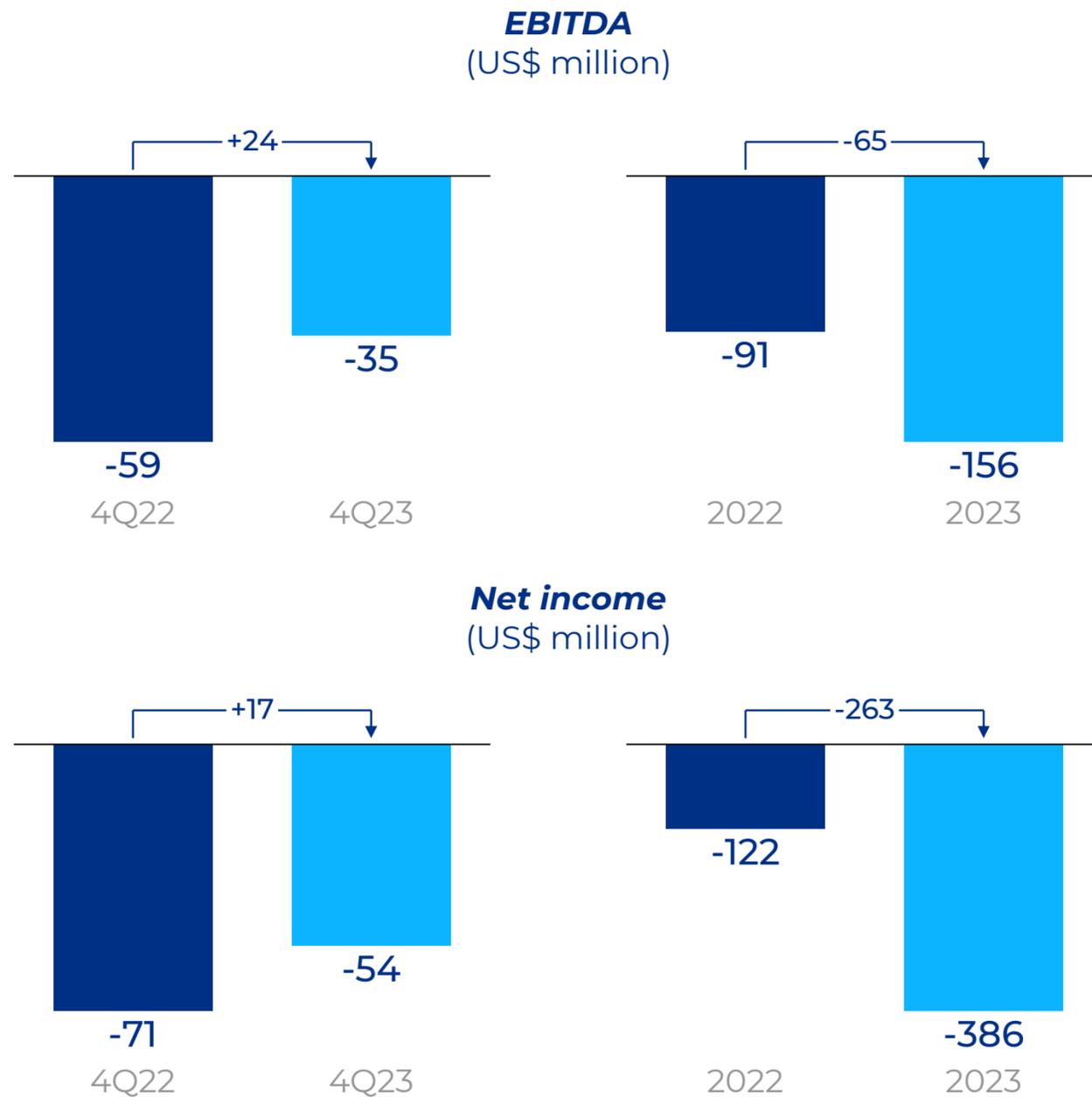
### Key highlights

- Higher cash cost mainly explained by an increase in labor, and services (mainly due to CPI), and energy (because of higher coal prices and its impact on the energy tariff)
- The increase was partially offset by the depreciation of the Chilean peso

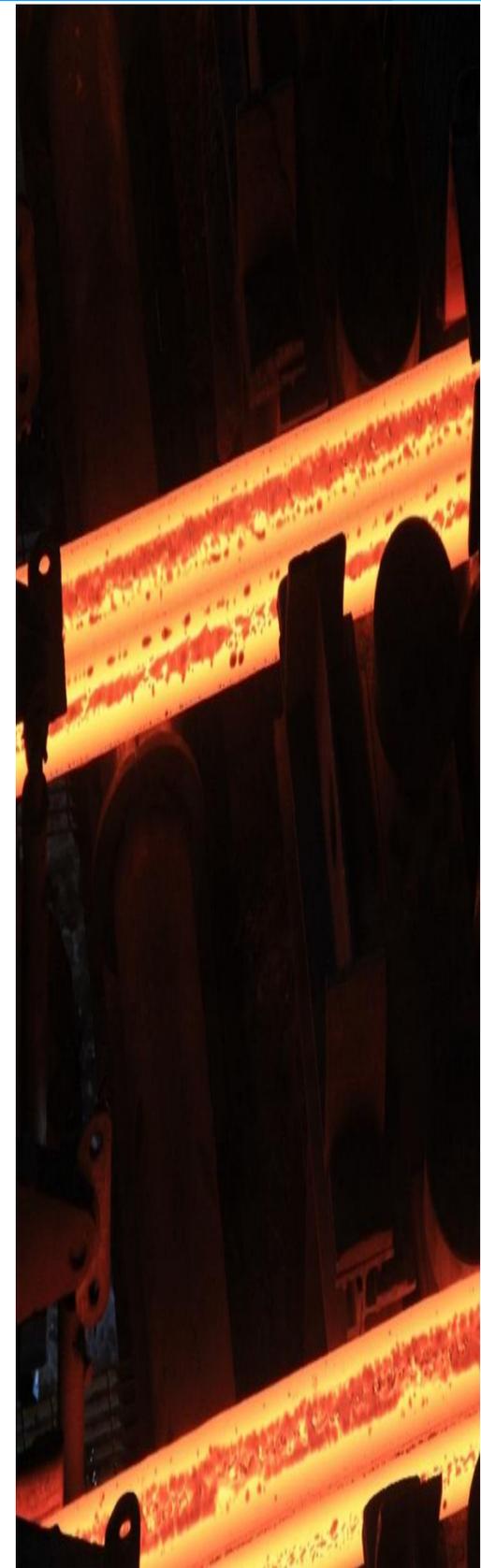
## 4. Financial results

### Steel production business

*Compañía Siderúrgica Huachipato is the leading steel producer in Chile*



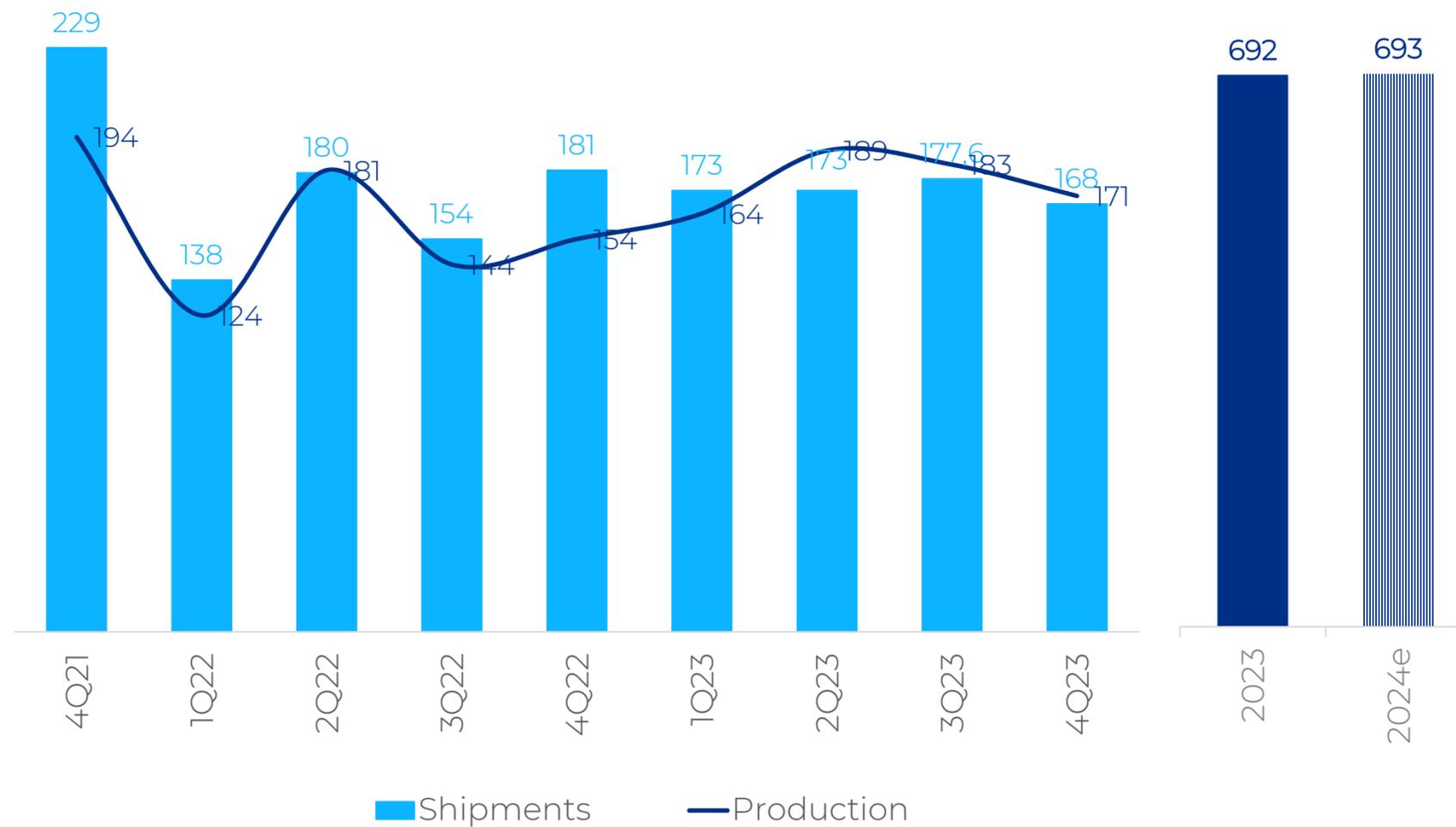
- **Shipments increased 6%**, from 653 kt in 2022 to 692 kt in 2023
- **21% decrease in realized prices**, from US\$ 998 per ton in 2022 to US\$ 784 per ton in 2023
- **Reduction of 12% in costs**, from US\$ 1,170 per ton in 2022 to US\$ 1,036 per ton in 2023
- **Impairment of US\$ 149 million** in 2Q23



# 4. Financial results – Steel business

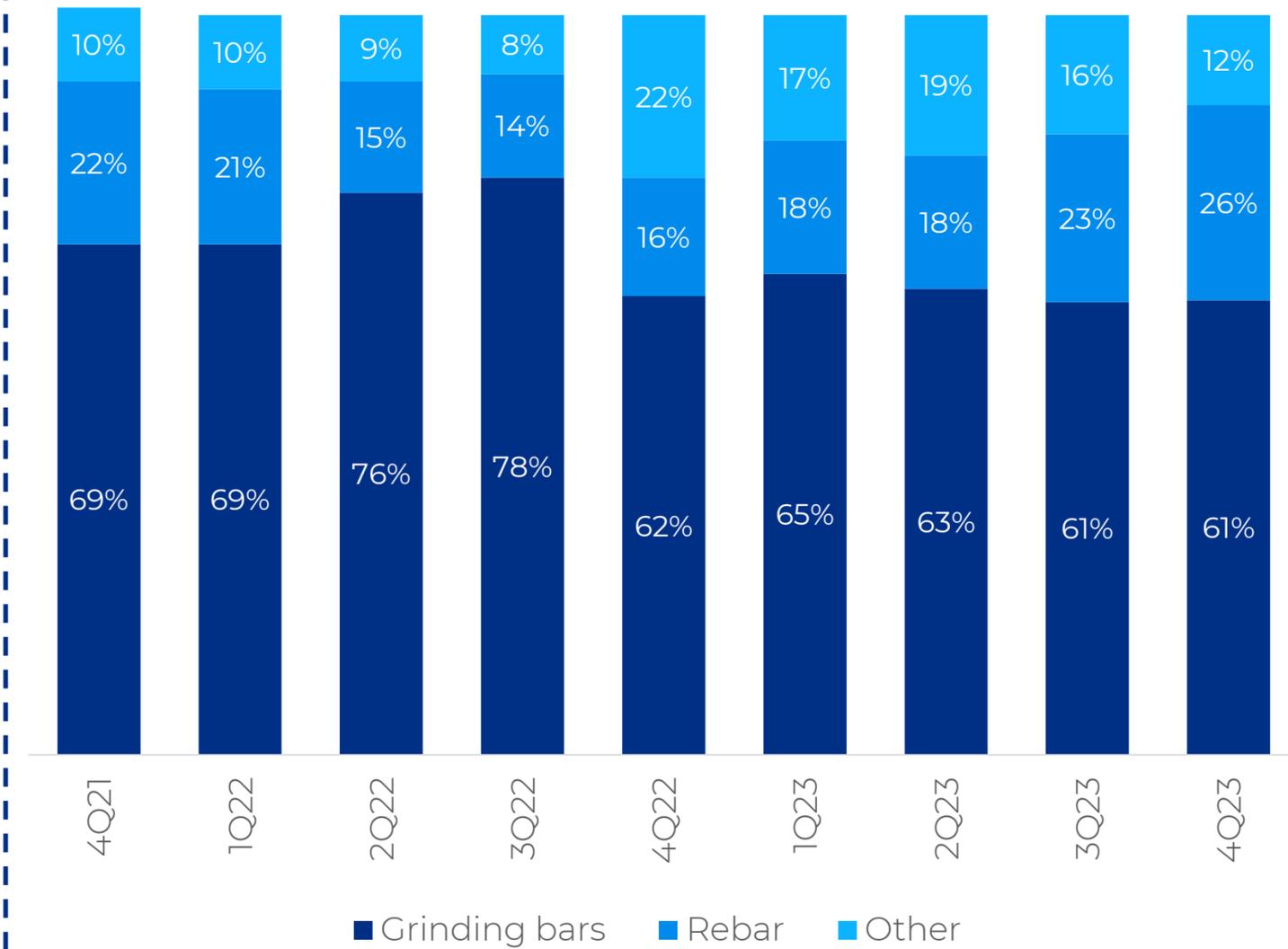
## Steel volumes and product mix

**Shipments and production**  
(thousand tons)



**Annual shipments and guidance**

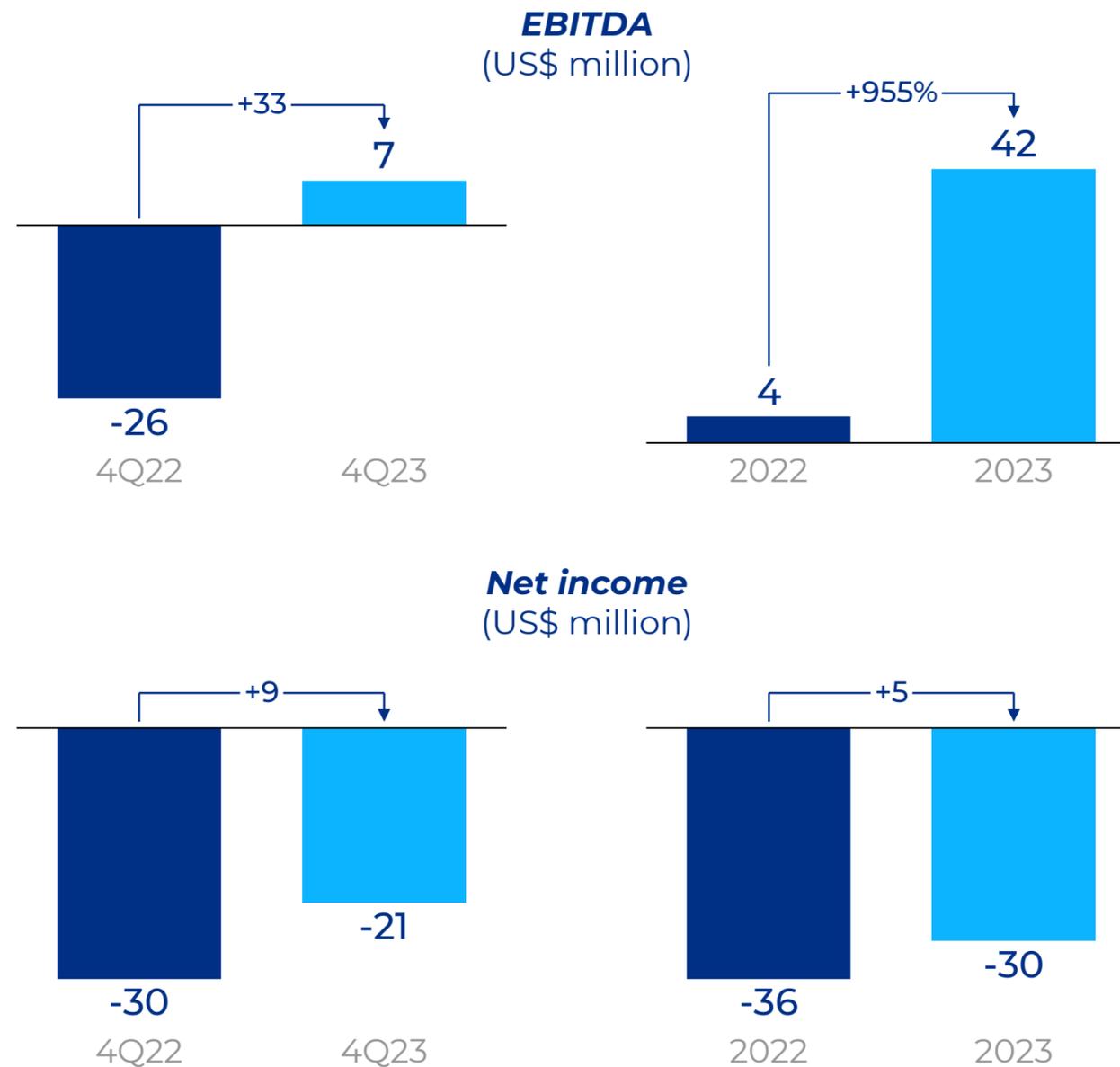
**CSH Product Mix**



# 4. Financial results

## Steel solutions business

With presence in Chile, Peru and Argentina, the Steel solutions business is composed by the following companies: Cintac, Promet, Calaminon, Tupemesa, Agrow and Tubos Argentinos (TASA).



- **Reduction of 8% in volumes**, from 294 thousand metric tons in 2022 to 270 thousand metric tons in 2023
- **3% lower prices in steel products**, from US\$ 1,406 per ton in 2022 to US\$ 1.364 per ton in 2023
- **15% reduction in costs**, from US\$ 525 million in 2022 to US\$ 448 million in 2023

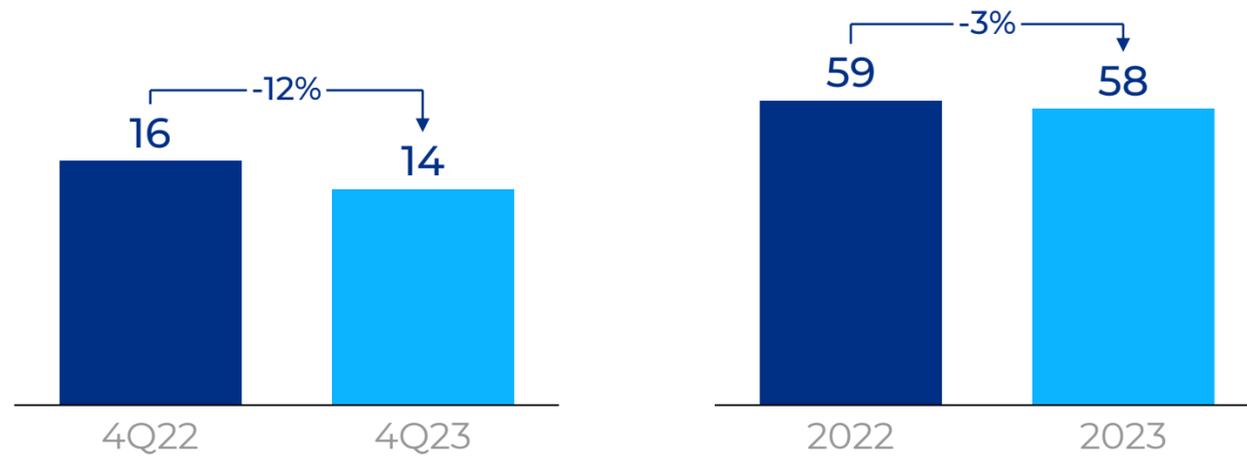


# 4. Financial results

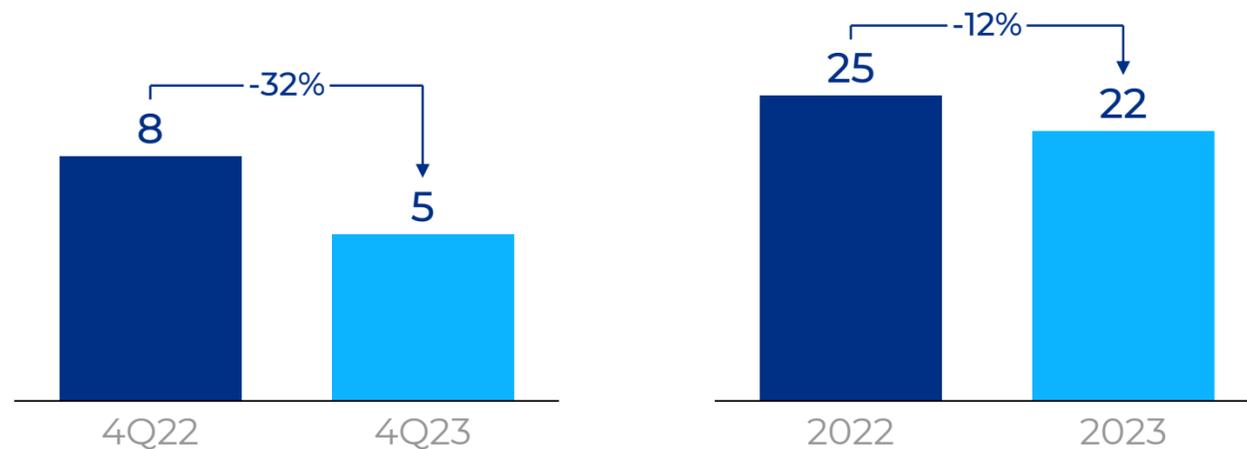
## Infrastructure business

*Includes port, water and energy assets that provide services to our mining and steel businesses and other customers located in the area of operation.*

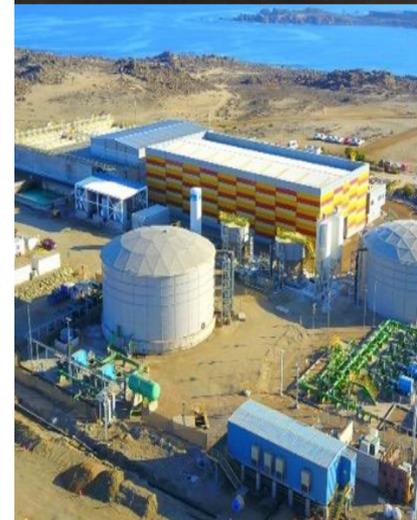
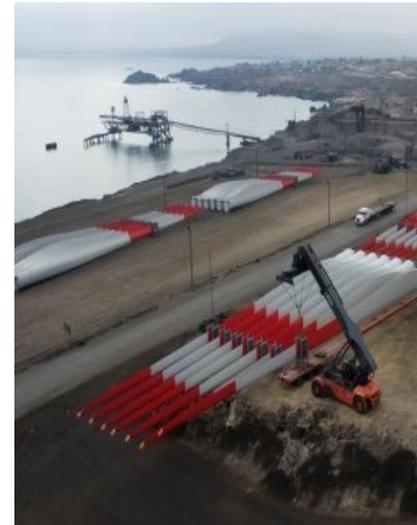
**EBITDA**  
(US\$ million)



**Net income**  
(US\$ million)



- **Cleanairtech** produced 7,6 million cubic meters of desalinated water in 2023
- **Tecnocap** reported a power transmission of 253 GWh during 2023

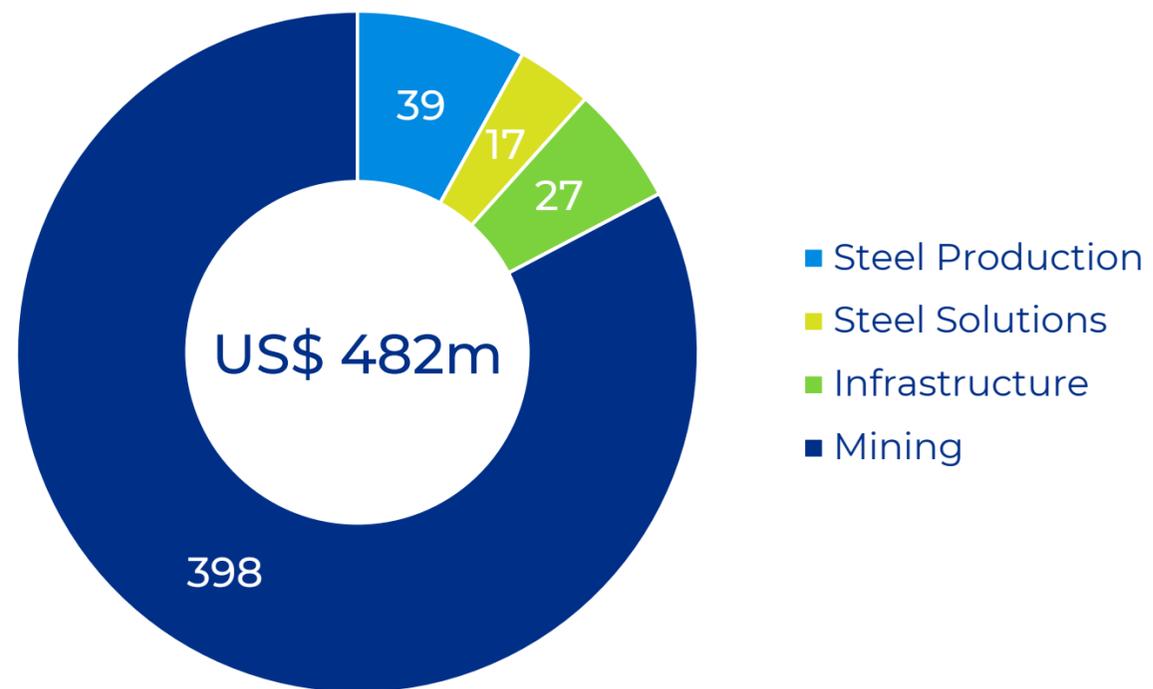


# 5. CAPEX

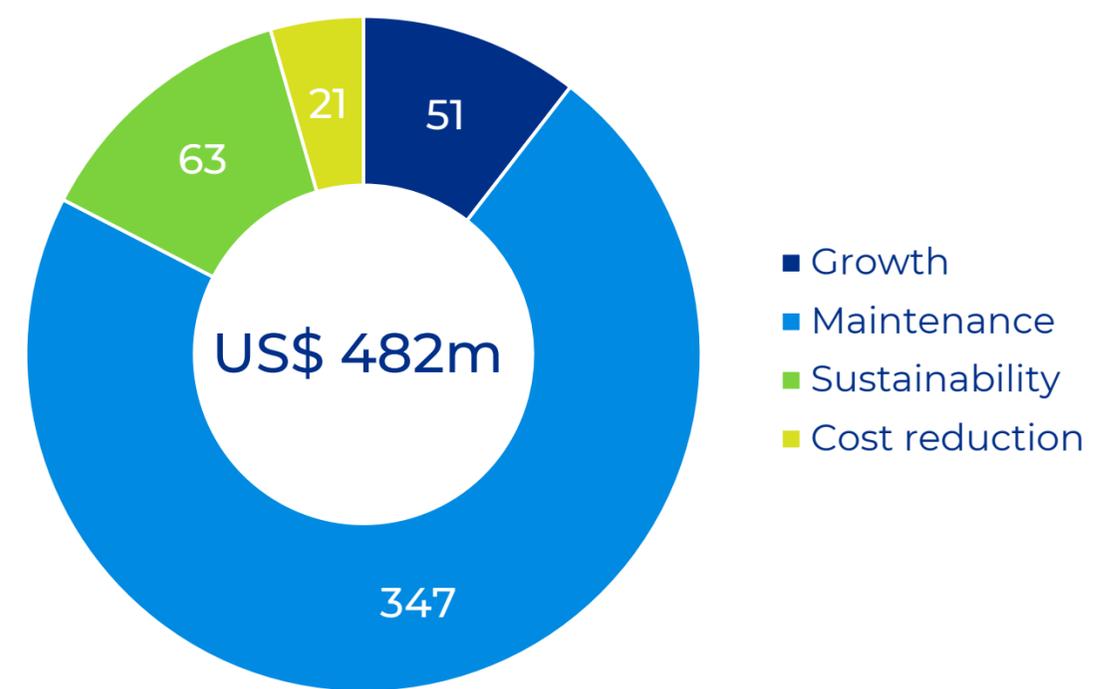
## Guidance 2024

US\$ 482 million CAPEX expected for year 2024

By segment



By type





## 6. Huachipato Sostenible

## 6. The strategy to stop losses in steel production is based on 3 pillars

### I. Pursuing competitive fairness in steel market

- Obtain support from the government to **level the playing field** with imported steel

### II. Contingency plan

- Achieve cost savings of **US\$ 60 million/year** by 2024

### III. Value proposition

- Improving margins by becoming a **specialty steelmaker**, meeting specific durability and emission reduction needs of the mining industry for grinding media



## 6. Pursuing competitive fairness in steel market

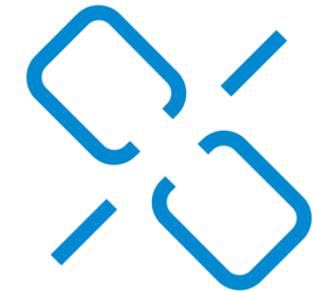


We're still waiting for **the anti-distortion commission resolution.**

We expect it to be announced during the following days



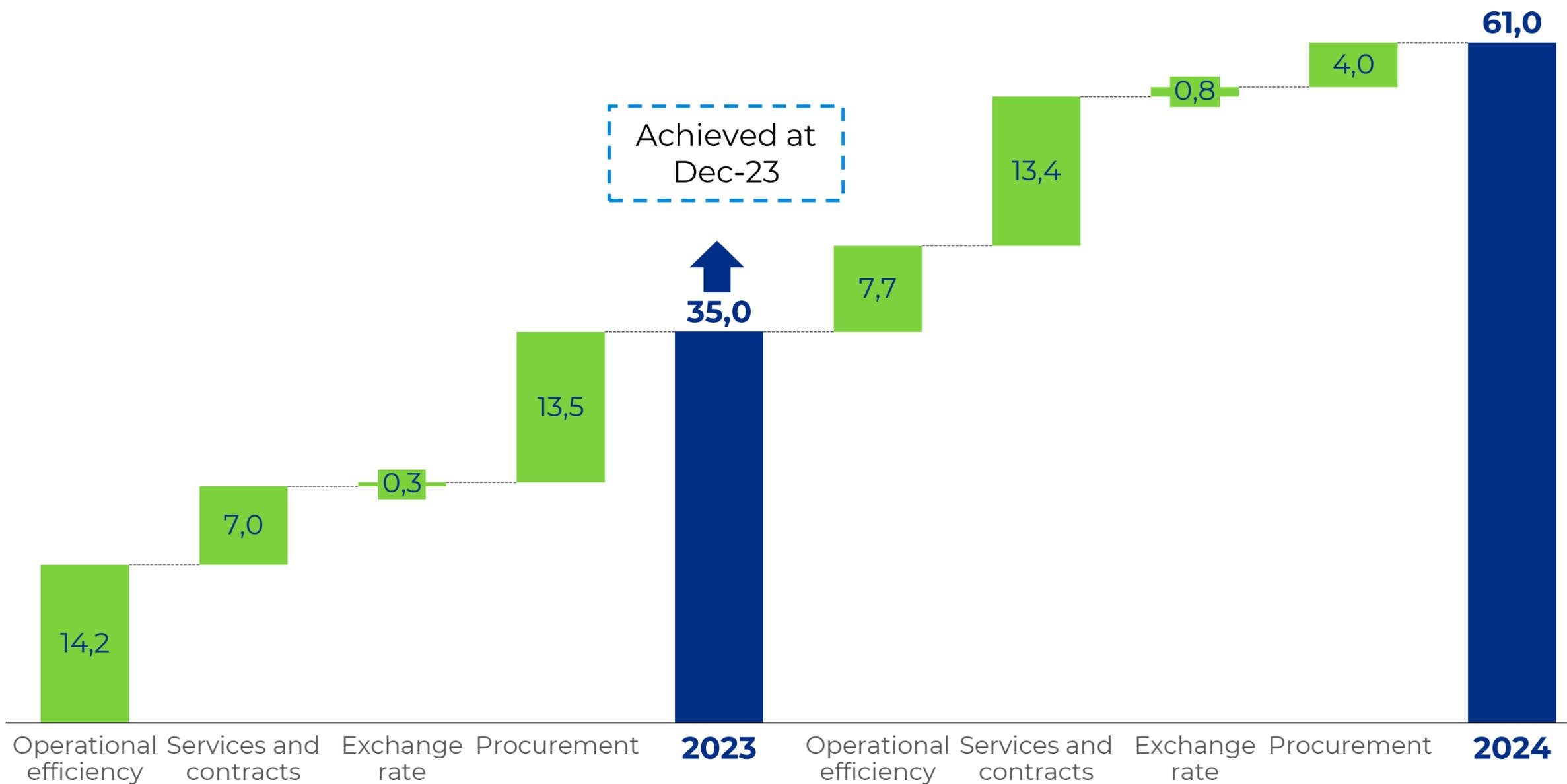
We requested an **effective<sup>1</sup> antidumping rate on grinding bars of ~25%**, which is the level we need to stabilizing cashflows in the current market conditions, heavily affected by the Chinese dumping



**Effective antidumping rates in the requested ballpark are critical to ensure operational continuity**

# 6. Contingency plan

Progress towards achieving ~US\$ 60 million cost savings by 2024



Variations from a March 2023 cost baseline, holding raw material variables constant.

## 6. Value proposition: Implementing “Circular HTO”

Circular HTO offers a unique value proposition to the mining industry through:



**Redesign to reduce steel consumption in the grinding process**, improving performance based on anti-wear recipe

• **Ferroalloys Development**

- R&D initiatives, including studies and tests of new alloys to reduce material wear.



Contributes to **reduce scope 3 carbon emissions** in the mining industry

• **Decarbonization Roadmap**

- Carbon footprint measurement
- “Huella Chile” and Circular TEC certifications
- Energy improvement opportunities identification
- Hydrogen pilot project
- Study of technologies for producing green steel



**The circular economy model reduces the consumption of fresh steel** in mining and promotes becoming a reliable local supplier

• **Product-as-a-service**

- Comprehensive business plan to sell products to mining companies, through robust pilot testing

# 7. Cintac capital increase

CAP supports Cintac Group capital increase process

<b>Strategic fit</b>	<b>Cintac Strategic pillars aligned with CAP's long term vision</b> <ul style="list-style-type: none"><li>i. Modular construction</li><li>ii. Construction industrialisation</li><li>iii. Energy efficiency</li></ul>  <p>Decarbonization</p>
<b>Value capture</b>	<b>High potential for unloking value in Strategic Roadmad</b> <ul style="list-style-type: none"><li>i. Financial restructuring and non-core assets sale</li><li>ii. Corporate restructuring and capturing synergies between subsidiaries</li><li>iii. Focus on higher-margin and product-as-a-service products</li></ul>
<b>Actionability</b>	<b>Competitive advantages to materialise Strategy</b> <ul style="list-style-type: none"><li>i. Experienced executive team committed to the Group's challenges</li><li>ii. Technology, processes and certifications that make it possible to deliver a differentiating product</li><li>iii. Brand and reputation; market dominance</li></ul>



## 8. Way forward



## Way forward

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- Stop losses at Huachipato
  - Focus on improving profitability of key businesses
  - Prepare the implementation of 2030 strategy
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CAP S.A.

2023 Fourth Quarter Results Presentation