



CAP S.A.
2Q24 Results

August 20th, 2024

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AGENDA

1. Overview 2Q24
2. Highlights
3. Market context
4. Financial results
5. Huachipato
6. Cintac restructuring process
7. Way forward



AGENDA

1. Overview 2Q24
2. Highlights
3. Market context
4. Financial results
5. Huachipato
6. Cintac restructuring process
7. Way forward



1. Overview 2Q24

(1/2)



Key facts

- Huachipato's steel production suspension announced on August 7th, 2024, after sustained operational losses during the quarter due to failure to transfer antidumping tariffs to clients
- Consolidated Net Income of US\$ -312 million during the second quarter, impacted by US\$ -336 million one-time restructuring provision for Huachipato (related to the suspension decision)
- Consolidated EBITDA increased 68% in 2Q24 vs 2Q23, explained by a mining EBITDA that was 58% higher than same quarter last year due to lower cash costs and positive MtM effects
- Steel solutions continue to be impacted by the construction sector



Market background

- Global steel spreads over the raw material basket averaged US\$ 196.8/ton in 2Q24, 21% lower than the average registered in 2Q23 (US\$ 249.8/ton)
- 62% Fe iron ore price recorded an average of US\$ 111.8/ton in 2Q24 (CFR China index), similar to 2Q23 of US\$ 111.0/ton. Also, China's economy still showing weak property and manufacturing sectors
- Chile construction sector still weak, with IMACON during 2Q24 not showing signs of recovery and ~7% lower than 2Q23



Financial results

- EBITDA increased by 68%, from US\$ 127 million in 2Q23 to US\$ 214 million in 2Q24, mainly explained by CMP
- Huachipato's showed a negative EBITDA of US\$ -22 million and bottom-line losses of US\$ -370 million during 2Q24 (which includes US\$336 million one-time restructuring provision). Net cash costs of suspension expected to be between US\$120-140 million
- CMP EBITDA of US\$ 216 million during 2Q24 versus US\$137 million in 2Q23, mainly explained by lower cash costs and positive MtM effects
- Steel solutions EBITDA decreased from US\$22 million to US\$ 10 million quarter versus quarter due to market conditions

1. Overview 2Q24 (2/2)



Way
forward

1. Huachipato: Implement the indefinite suspension process of the steel operations, taking care of our collaborators who, for so many years, gave their best for the Company and for the industrial development of the Bio-Bio region. Main objectives in the short run:

- Execute a safe and controlled steel suspension process, with no safety or environmental incidents
- Implement employee transition program, supporting our collaborators in the best way possible
- Finalize the business plan to continue port, warehousing and limestone activities
- Continue to develop green projects and initiatives in the region to support its industrialization (Ex: Green Steel, REE Alloys)

2. Finalize Cintac's turnaround

- Financial restructuring
- Cost reduction and synergies realization

3. Continue the implementation of Strategy 2030

- Engineering studies for expansion at CMP, progressing towards achieving FEL2
- Environmental study for Aclara

AGENDA

1. Overview 1Q24
2. Highlights
3. Market context
4. Financial results
5. Huachipato
6. Cintac restructuring process
7. Way forward



2. Highlights



Huachipato's steel production indefinite suspension

CAP has decided to suspend steel operations indefinitely. The main reasons were the impossibility to transfer the antidumping rates due to the market structure, and the current institutional framework, which does not allow to ensure the short-term and medium-term financial viability of CSH. We are already developing new ideas for the Biobío Region, such as rare earths with Aclara or a green steel project



CAP reaffirms its commitment to decarbonization

In line with its 2030 Strategy, CAP Group has reinforced its commitment to decarbonization and has updated its CO2 emissions reduction target in Scope 1 and 2 from the 24-30% range to 31%*. This is based on the execution of a series of projects associated with the incorporation of new technologies and the adoption of renewable energies, mainly in our mining operations and infrastructure segments



CMP strengthens its low carbon transport target

CMP continues to make progress in the field of electromobility and the reduction of transport emissions. In addition to the previous initiatives of an electric fleet at Pellet Plant, the two electric shovels at MLC, and the successful implementation of a fleet of electric buses in 2023, the company has recently introduced its new corporate fleet of electric and hybrid vehicles

* This percentage does not consider the indefinite suspension of steel operations at CSH

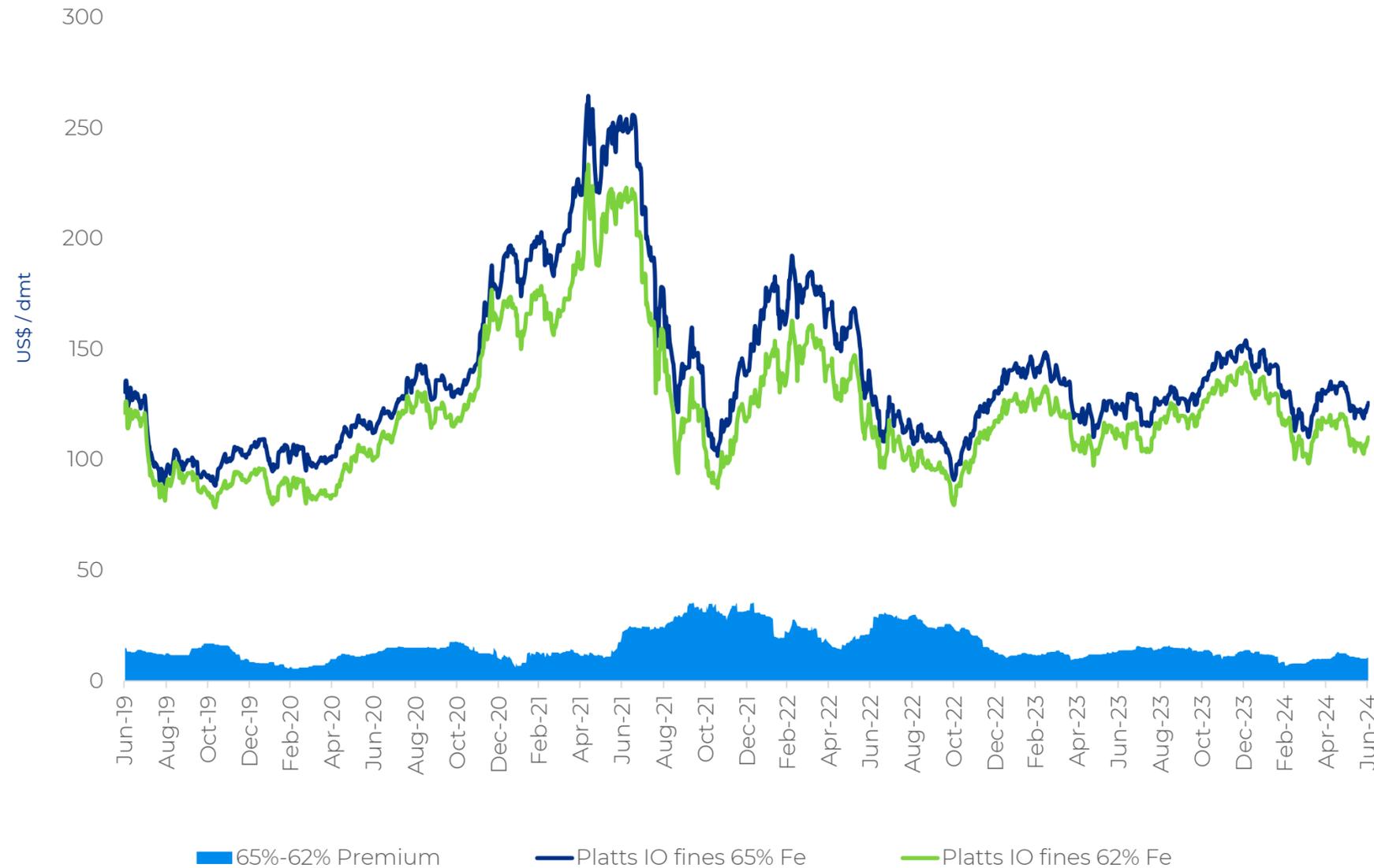
AGENDA

1. Overview 1Q24
2. Highlights
3. Market context
4. Financial results
5. Huachipato
6. Cintac restructuring process
7. Way forward

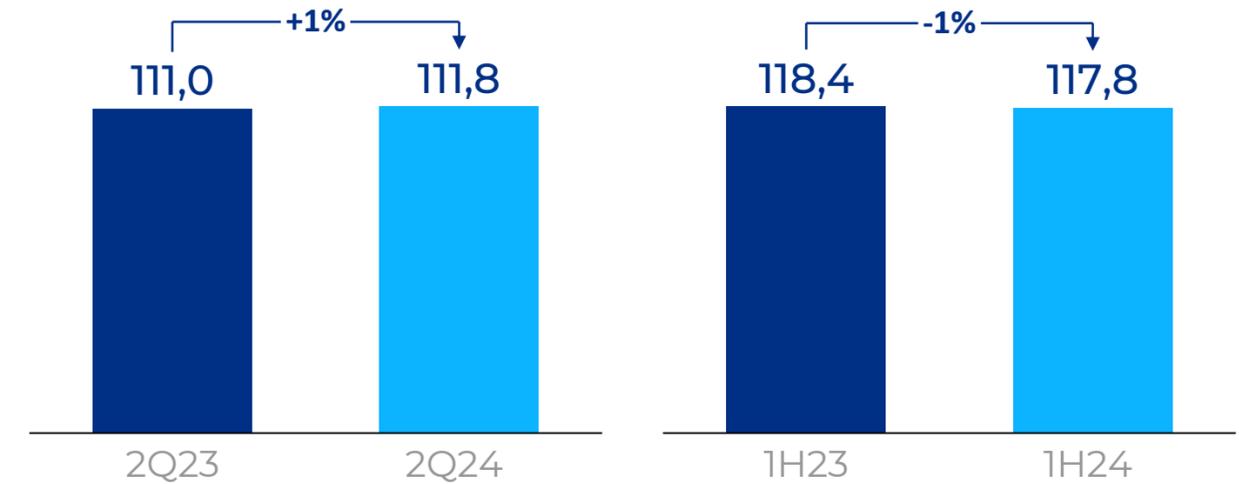


During the second quarter of the year, iron ore prices remained stable compared with 2Q23

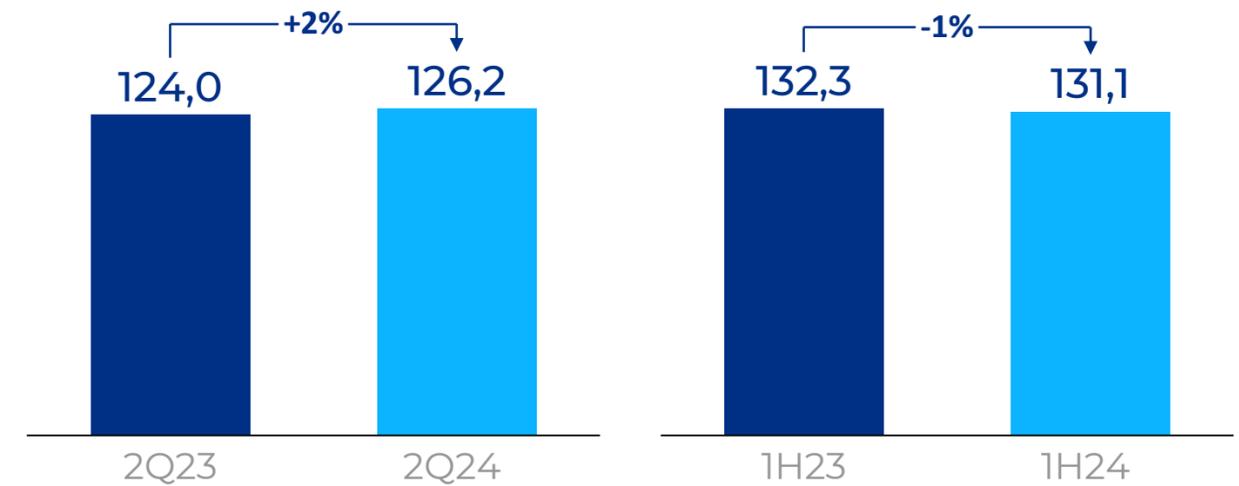
Iron ore price (CFR China)



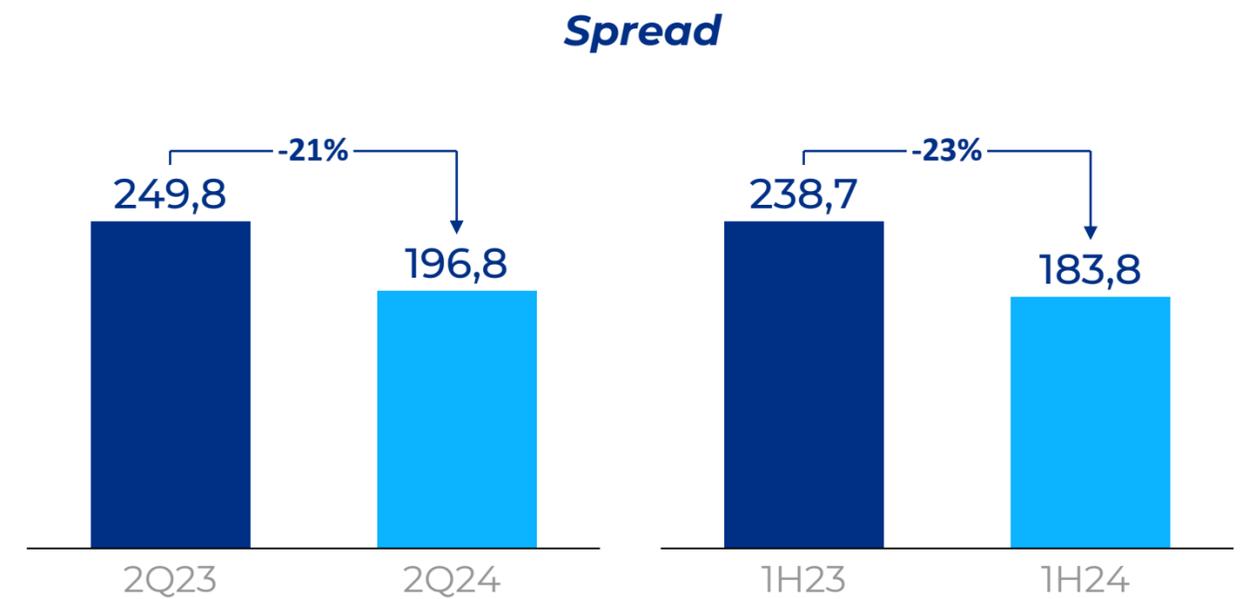
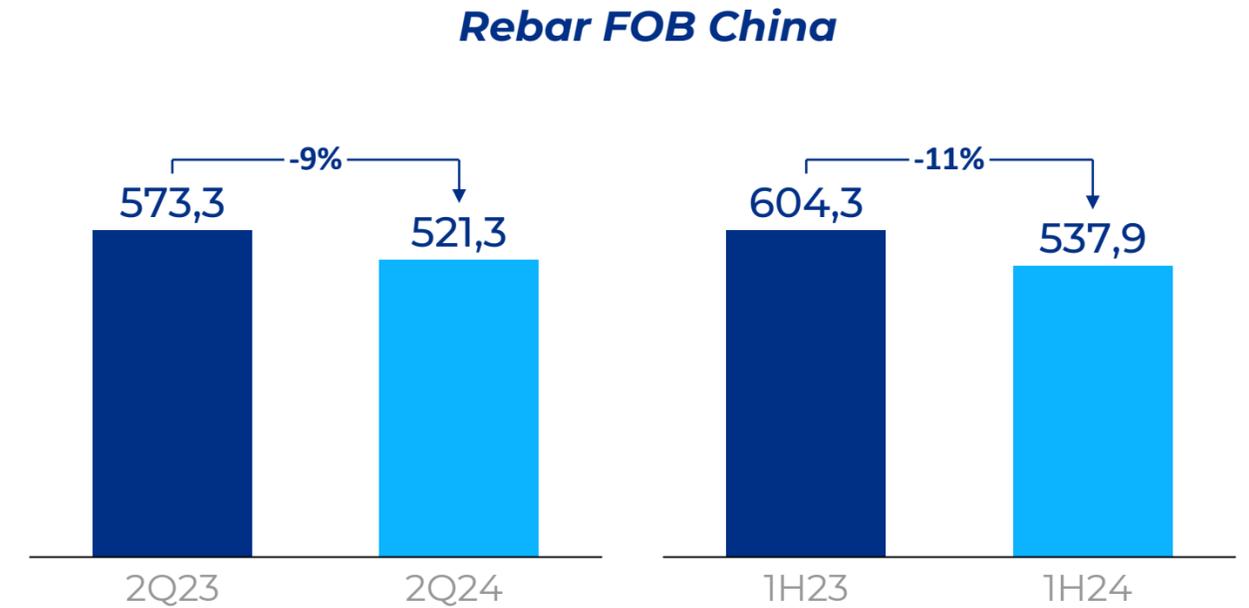
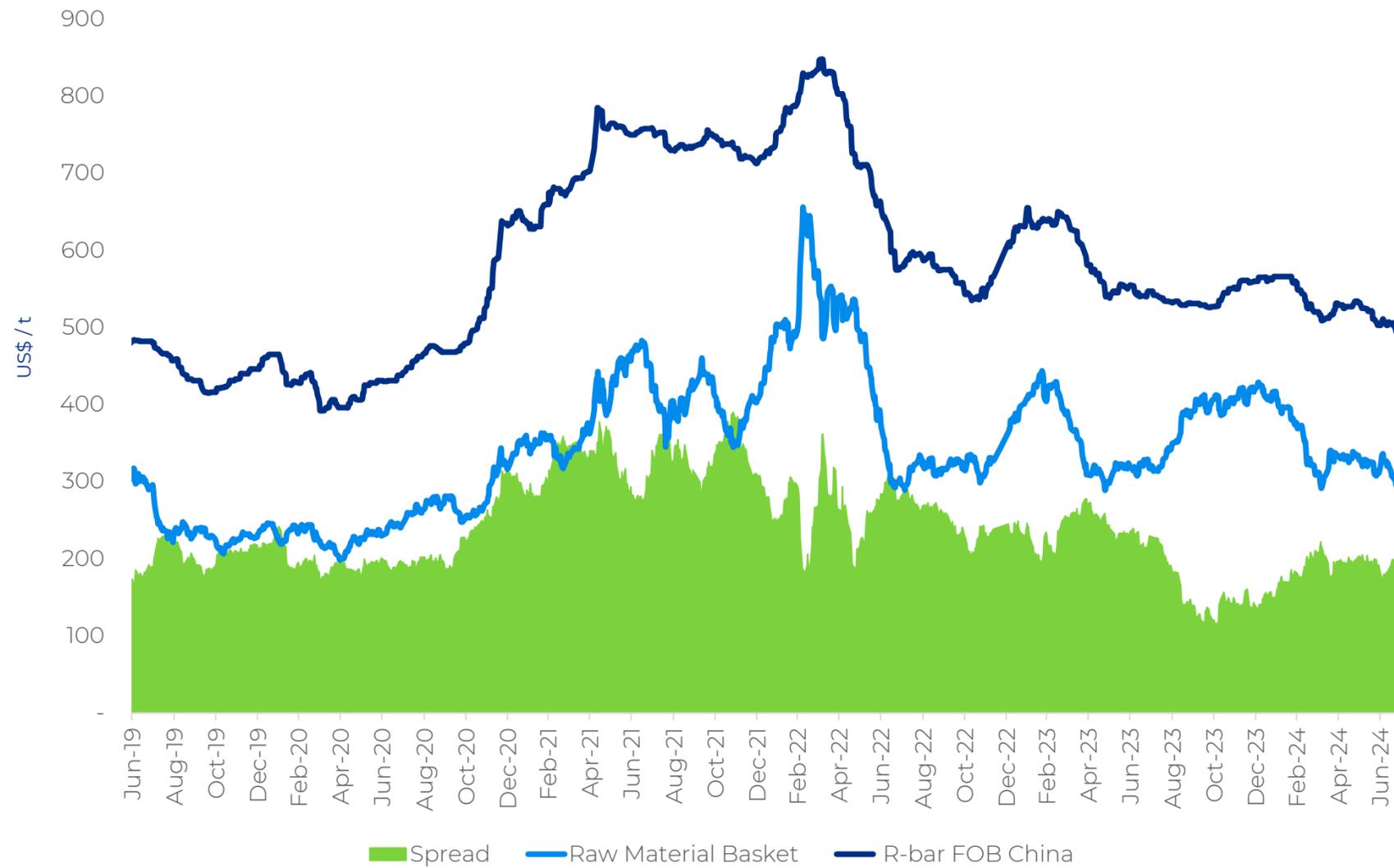
Platts 62% Fe avg



Platts 65% Fe avg



Steel prices were 9% lower versus 2Q23, while spread of raw material basket was 21% lower versus the same period



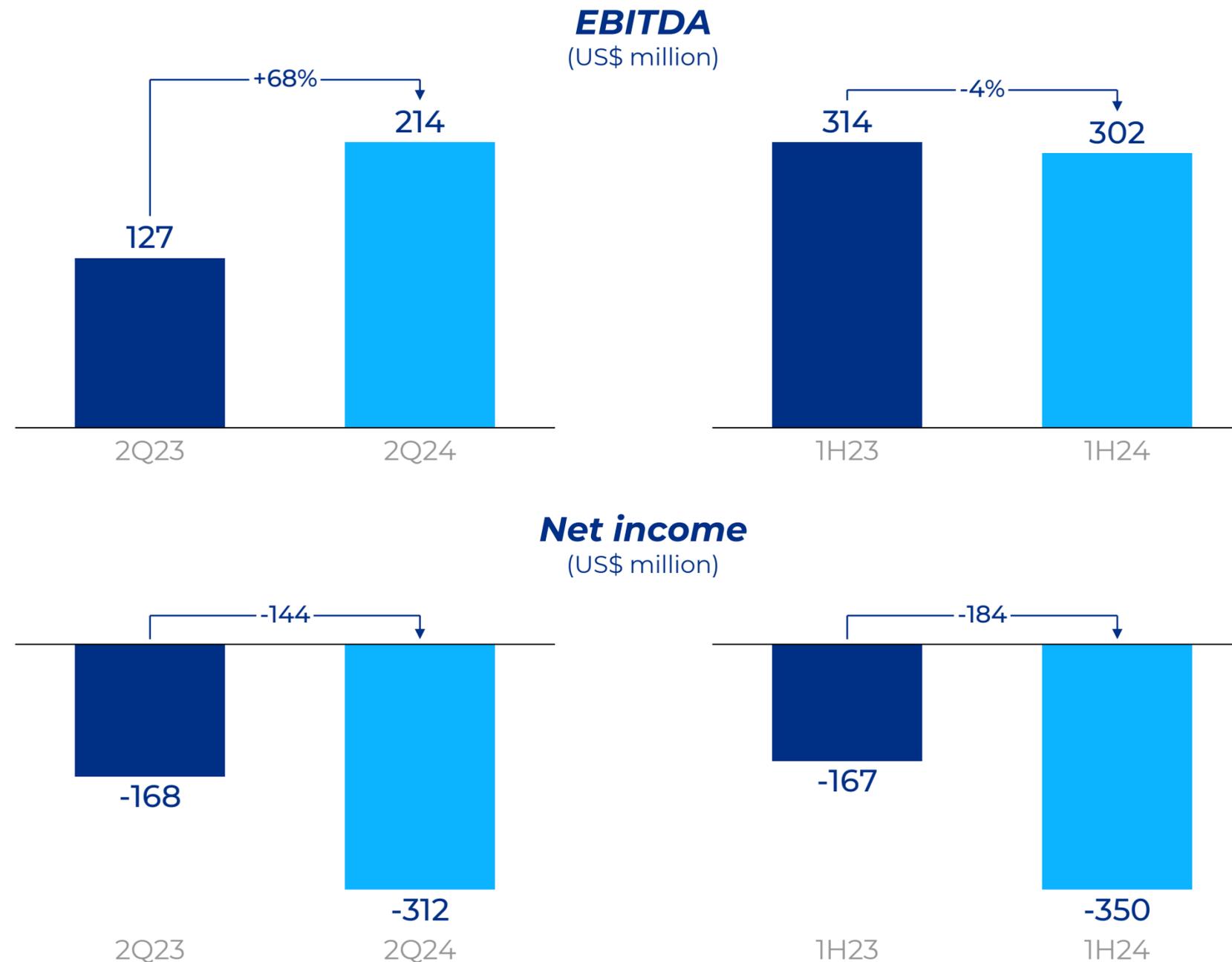
¹Raw Material Basket = 1,6 x Iron Ore 62% Fe + 0,6 Metallurgical Coal

AGENDA

1. Overview 1Q24
2. Highlights
3. Market context
4. Financial results
5. Huachipato
6. Cintac restructuring process
7. Way forward



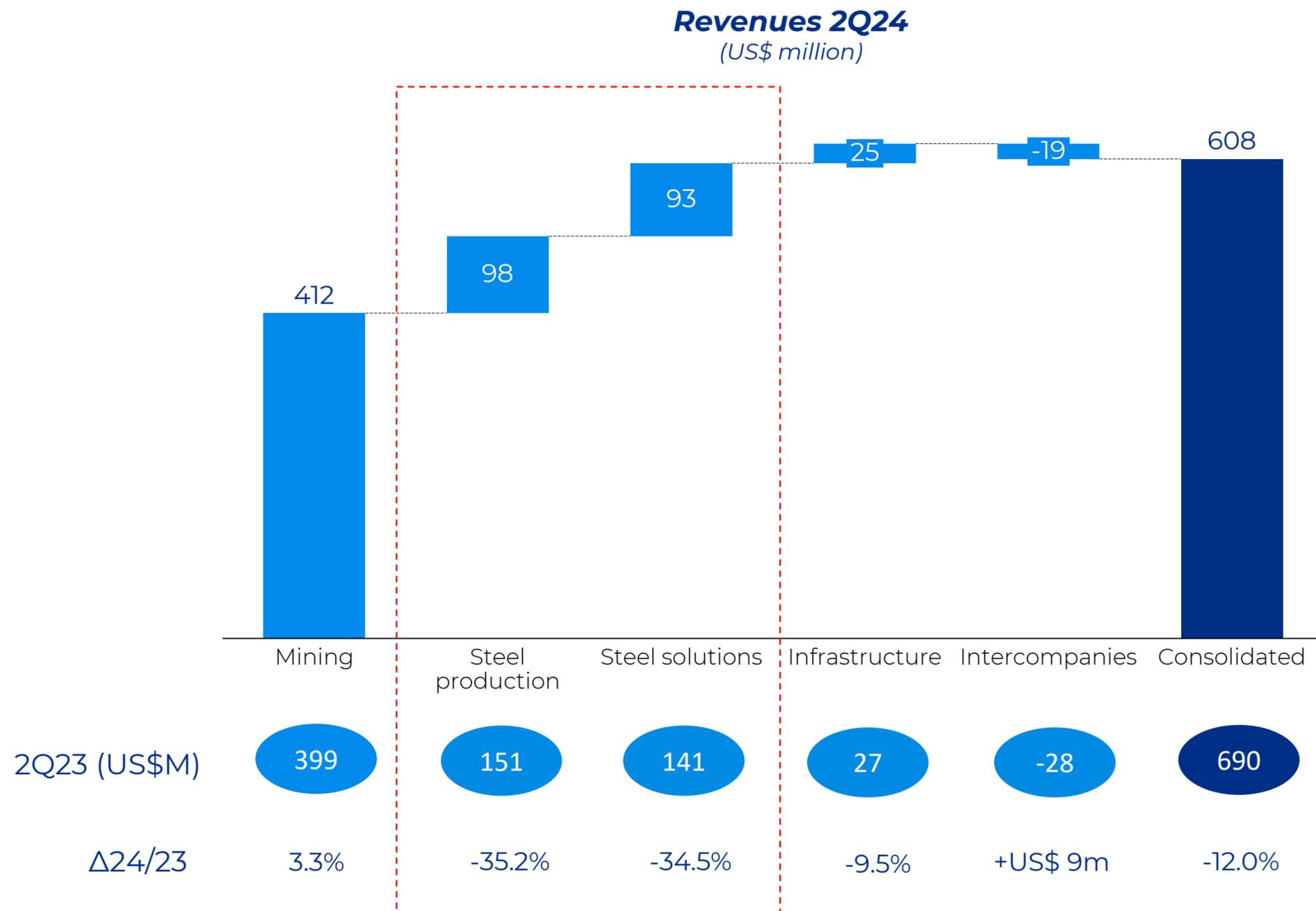
Consolidated EBITDA increased during 2Q24 explained by mining, while NI showed big losses explained by 1-time restructuring provisions at CSH



Key highlights

- Higher EBITDA in 2Q24, mainly explained by mining lower costs and MtM effects
- Steel Production continued to show operational losses during 2Q24, which coupled with a 1-time restructuring provision of US\$ 336m explain the bottom line losses (note that in 2Q23 an impairment of US\$ 149m was recorded)
- Steel Solutions reported negative results compared with 2Q23, primarily explained by a construction sector still depressed and lower results in TASA affected by Argentina's economy

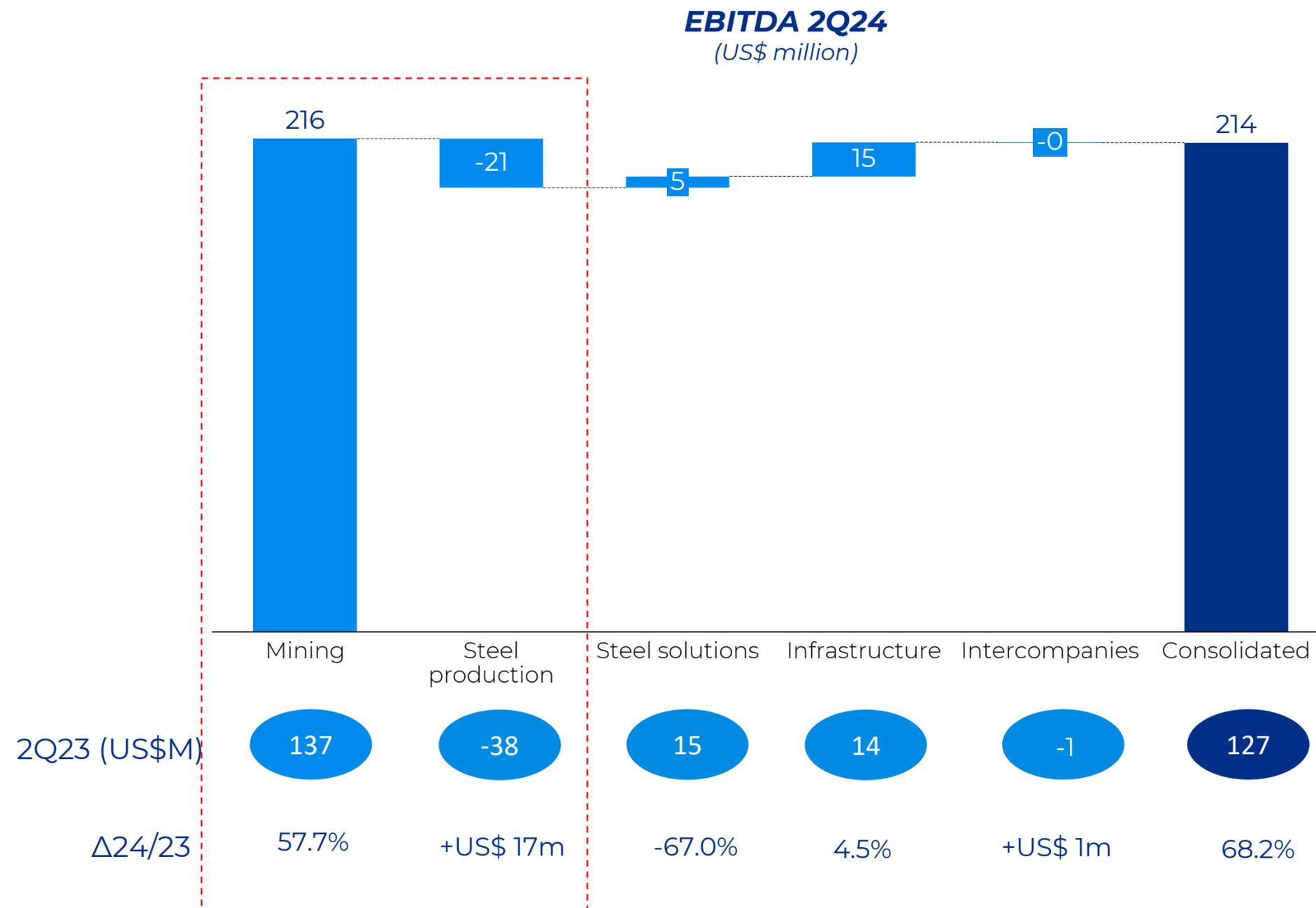
Total revenues were 12% lower versus same quarter last year, explained mainly by steel production and steel solutions



Key highlights

- Mining: 3.3% increase in revenues mainly explained by a higher MtM in 2Q24 compared with 2Q23 (US\$ 27.7m vs US\$ -63.7m) partially offset by lower shipments and prices
- Steel production: sales 35% lower than in 2Q23, driven by a 32.8% decrease in shipments and 5.1% lower prices
- Steel solutions: 34.5% decrease in revenues, mostly explained by lower shipments and prices due to a weak construction sector and the situation in Argentina

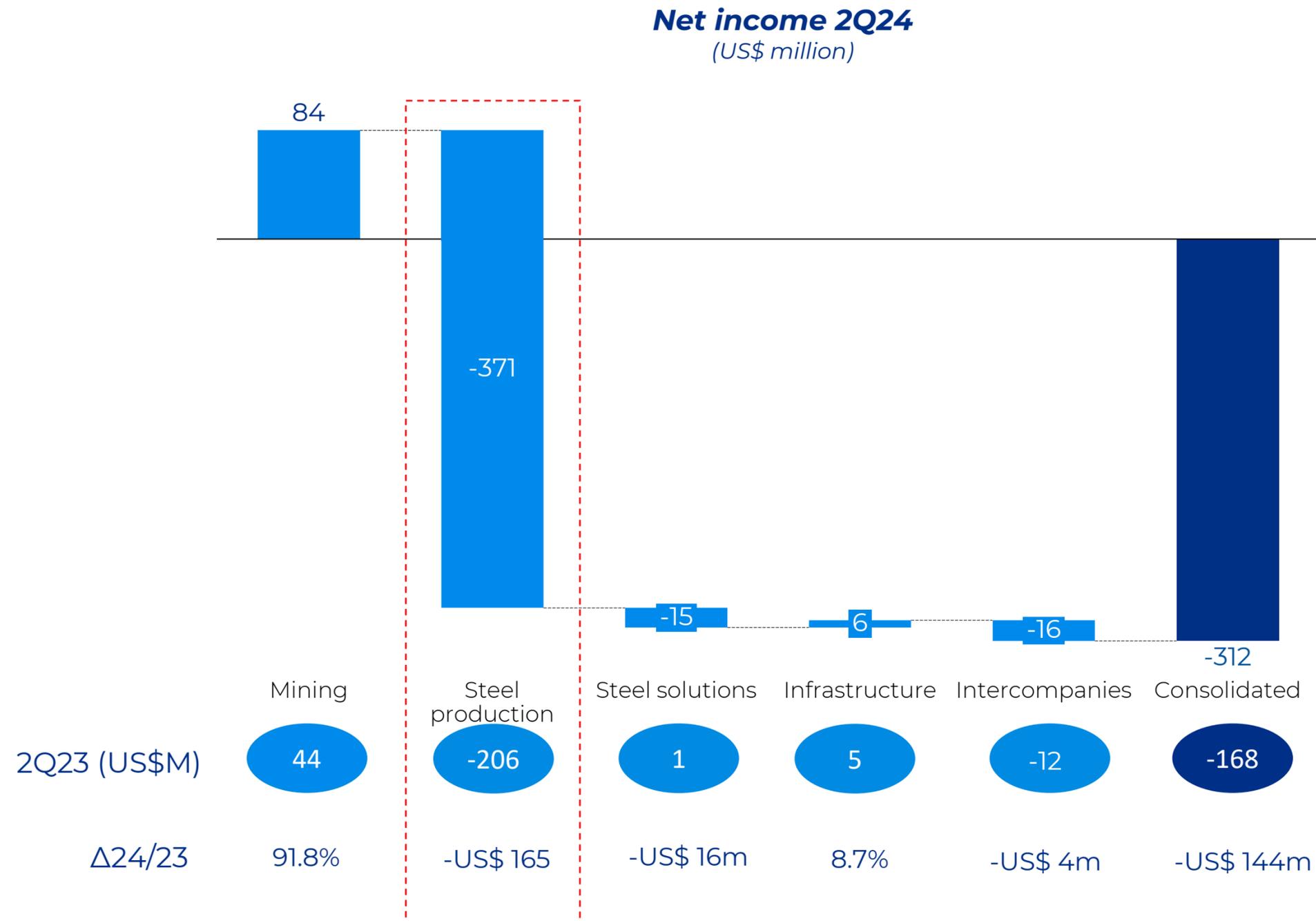
Total EBITDA was 68.2% higher, mainly explained by an increase in mining and smaller losses in steel production



Key highlights

- Mining: higher EBITDA due to the US\$ 91 million in MtM effect and to lower unitary costs
- Steel production: smaller losses than in 2Q23, in spite of lower sales, due to 8.3% lower costs per ton
- Steel solutions: despite reduction in CINTAC costs, EBITDA impacted by lower performance of Tubos Argentinos

Net Income heavily impacted by Huachipato losses



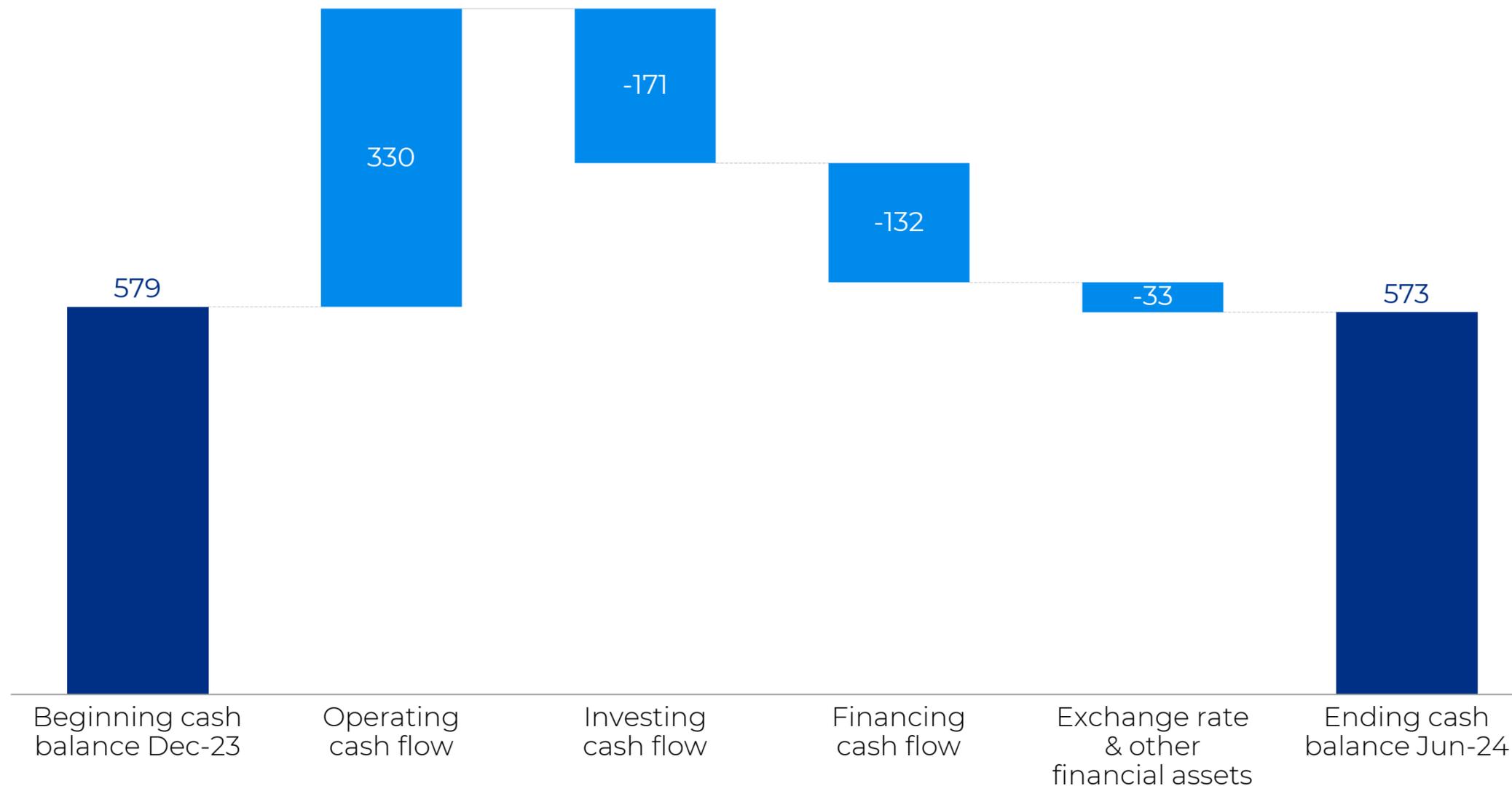
Key highlights

- Mining: Higher results due to the aforementioned MtM impact and lower costs
- Steel production: losses explained by negative EBITDA plus US\$ 336m one-time restructuring provision
- Steel solutions: Negative results due to a weak construction activity in Chile and Peru, and the contraction of Argentina's economy.

CAP Group maintains a healthy consolidated cash position to face the steel production suspension and other potential contingencies

Key highlights

Consolidated Cash Balance 2Q24 VS 4Q23
(US\$ million)



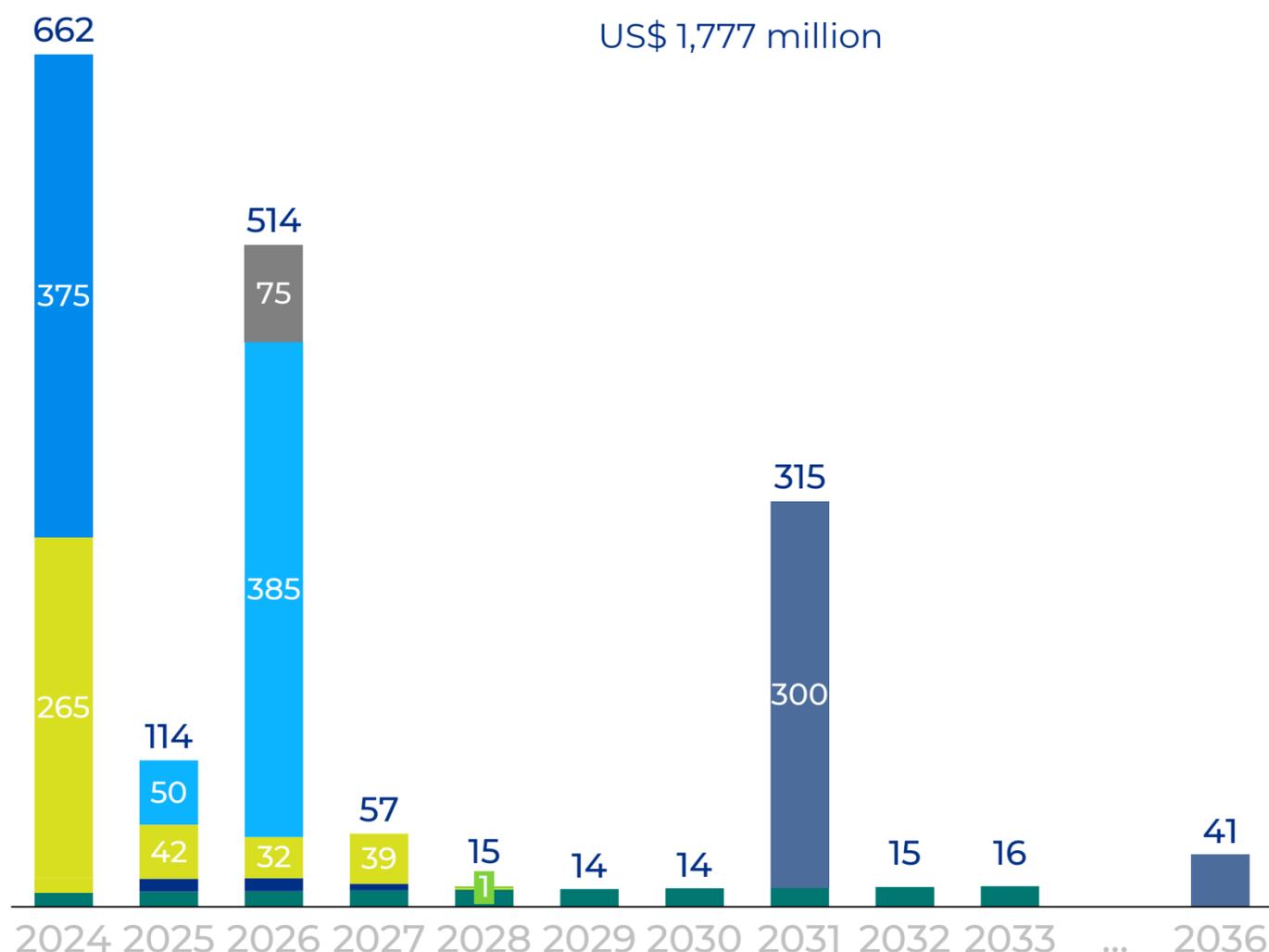
- Net cash flows coming from the operation reached US\$ 376 million, partially offset by a tax payment of US\$ 46 million
- Consolidated CAPEX of US\$ 187 million (with CMP and CSH representing 84% and 14%, respectively), partially offset by short-term deposits of Aguas CAP (US\$ 27 million)
- Negative financing cash flow explained by repayments of debt, in a higher amount than new borrowings, in addition to interest payments

Total debt was reduced by US\$ 72m compared to December 2023, and the maturity profile improved due to partial prepayment of its RCF

Total Financial Debt
(US\$ million)

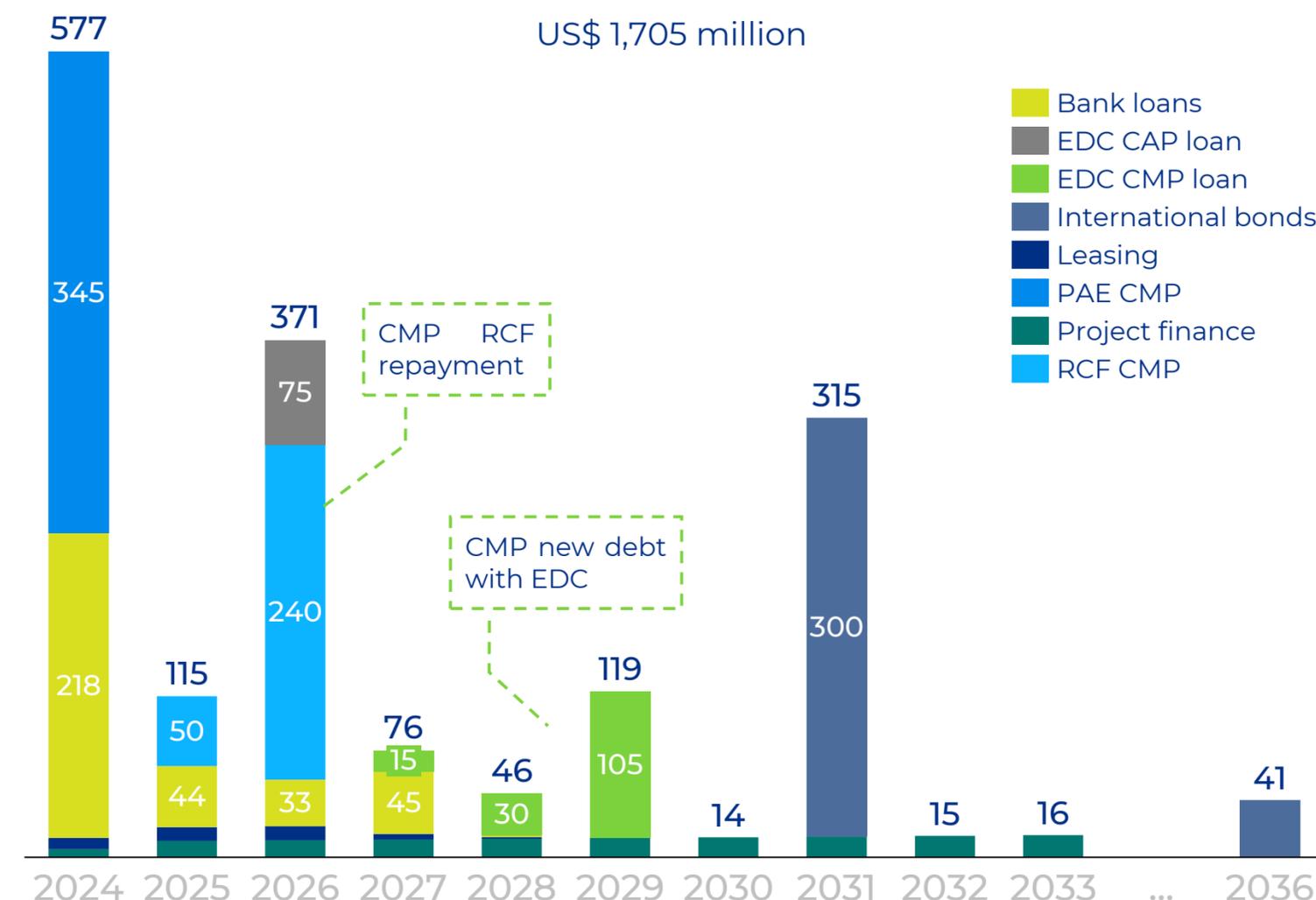
Total debt, as of December 2023

US\$ 1,777 million



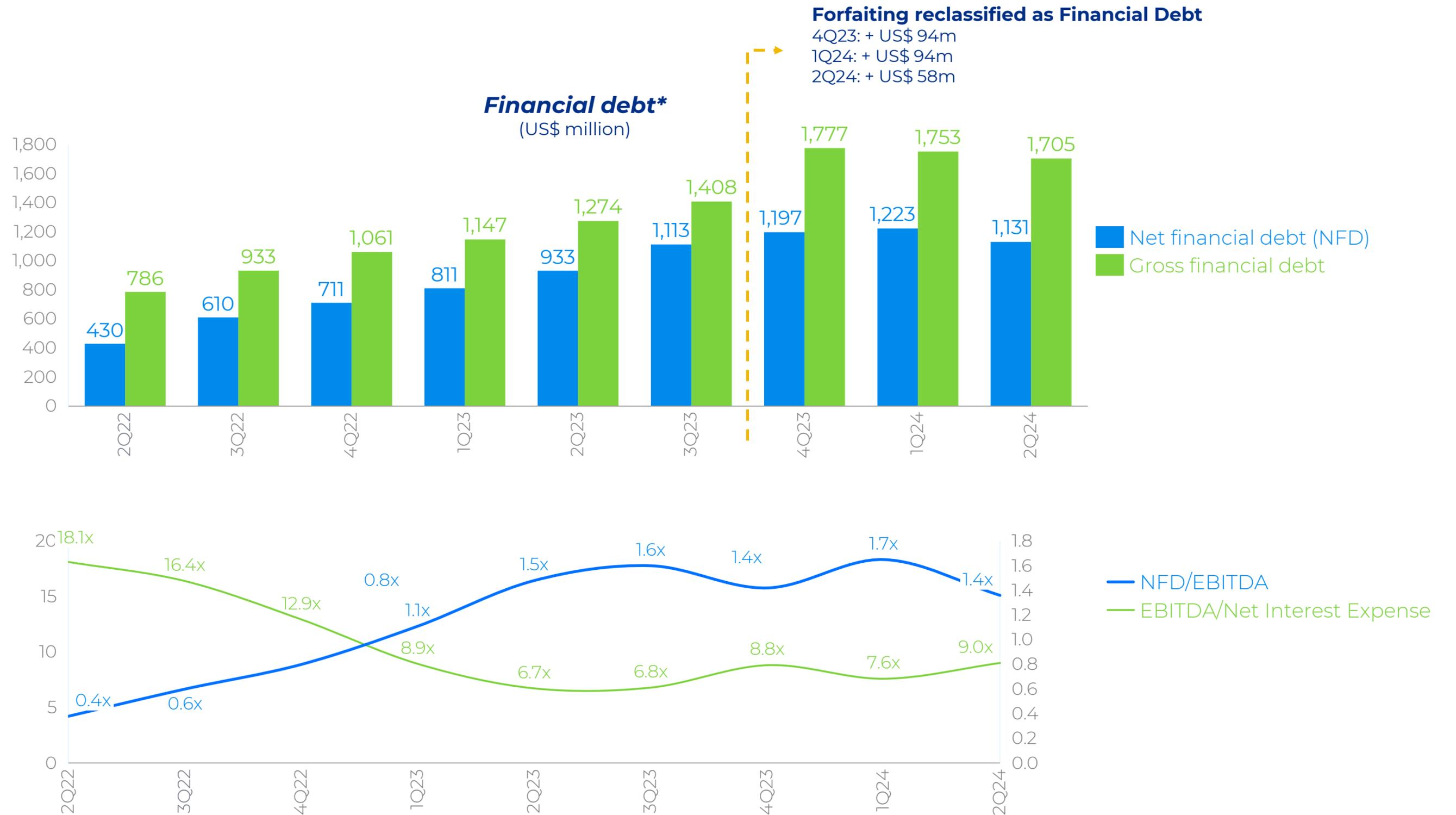
Total debt, as of June 2024

US\$ 1,705 million



Obs: Does not include Cintac's refinancing of US\$ 143 million because it occurred after June's closing

Financial covenants remain at healthy levels



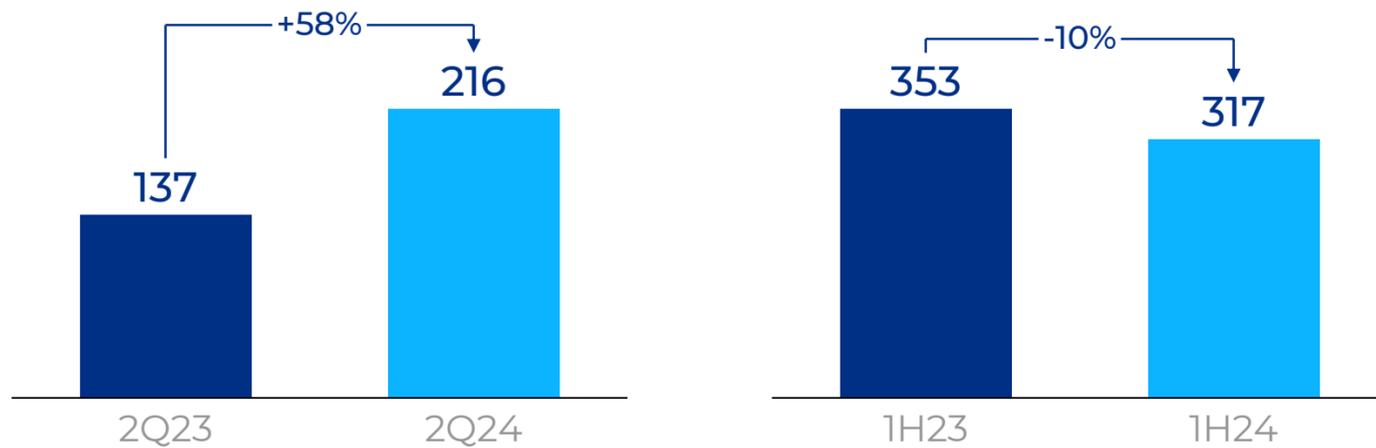
4. Financial results

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.

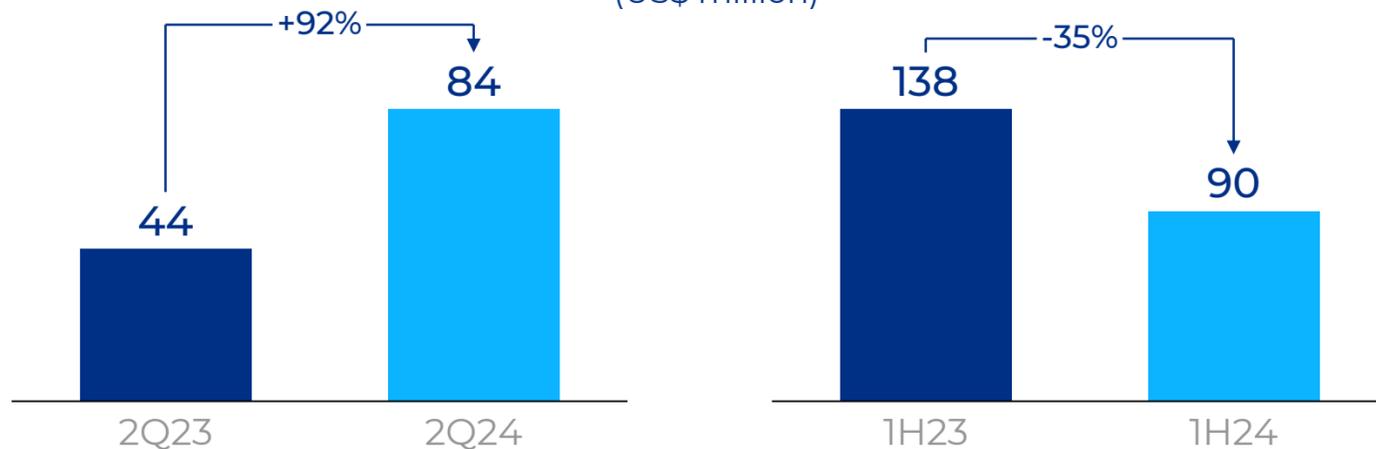
EBITDA

(US\$ million)

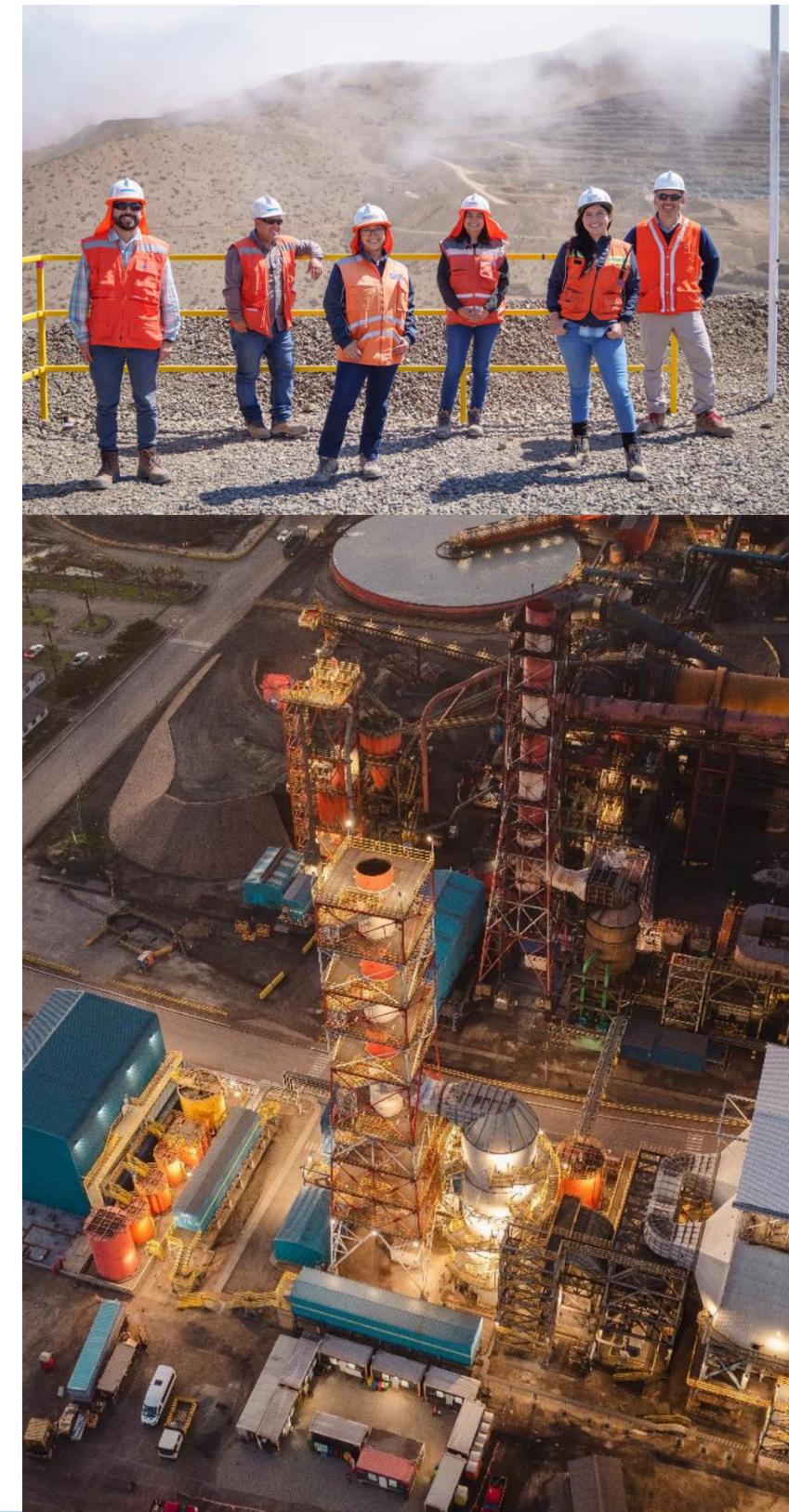


Net income

(US\$ million)

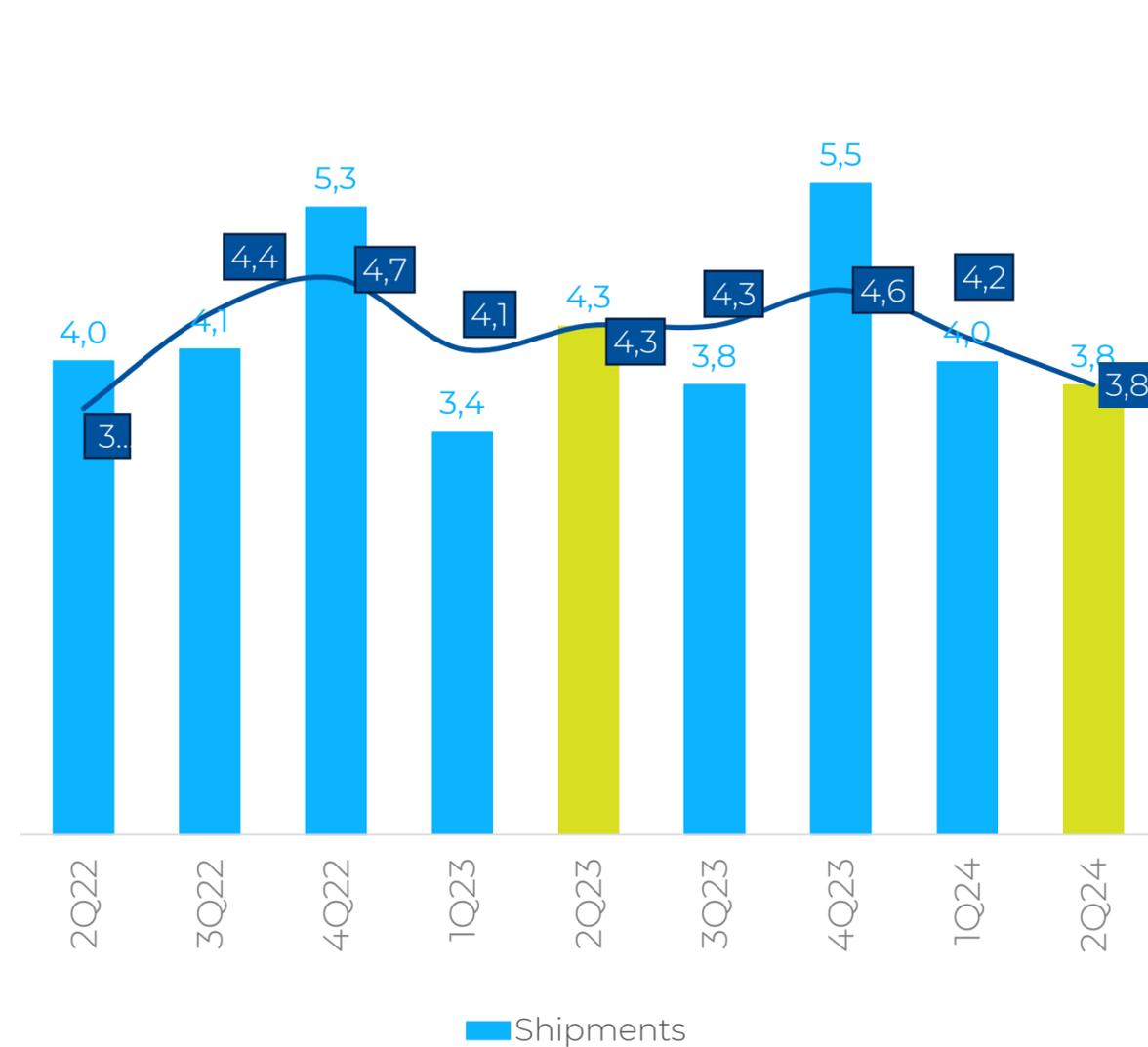


- **11% decrease in shipments**, from 4.3 million tons in 2Q23 to 3.8 million tons in 2Q24 due to plant maintenance and mill availability at Romeral
- **8% decrease in realized prices**, from US\$107 per ton in 2Q23 to US\$99 per ton in 2Q24 due to change in product mix (pellets)
- **5% decrease in cash cost (C1)**, from US\$ 55 per ton in 2Q23 to US\$ 52 per ton in 2Q24
- As of June 30, **MtM effect** has accumulated a net impact of US\$ -126,7 million (vs US\$ -23.5 million in 1H23)

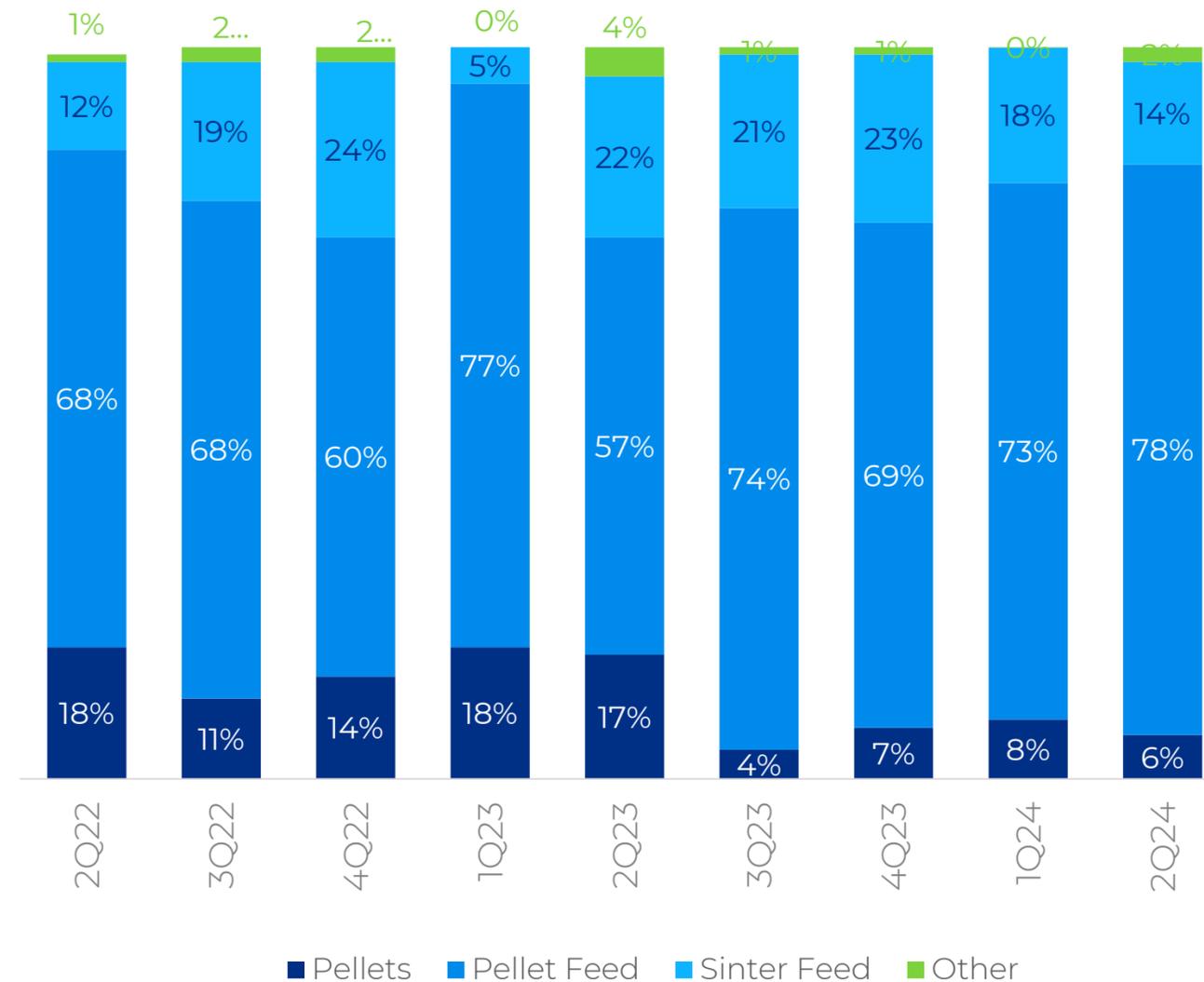


CMP's production was hit by availability of mill at Romeral, while product mix was affected by pellet plant maintenance and market conditions

Shipments and production
(million ton)



Product Mix (shipments)

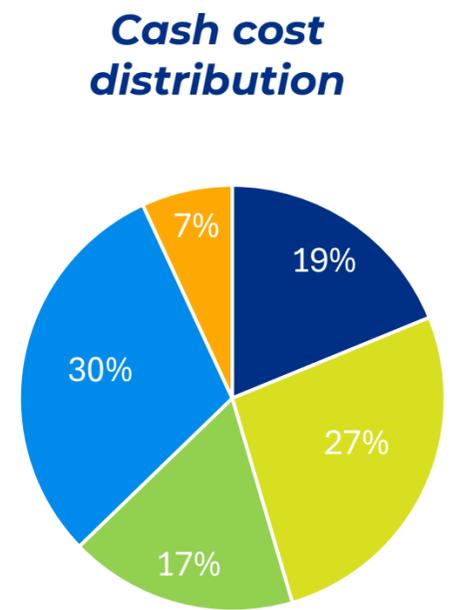


Lower Pellet production:

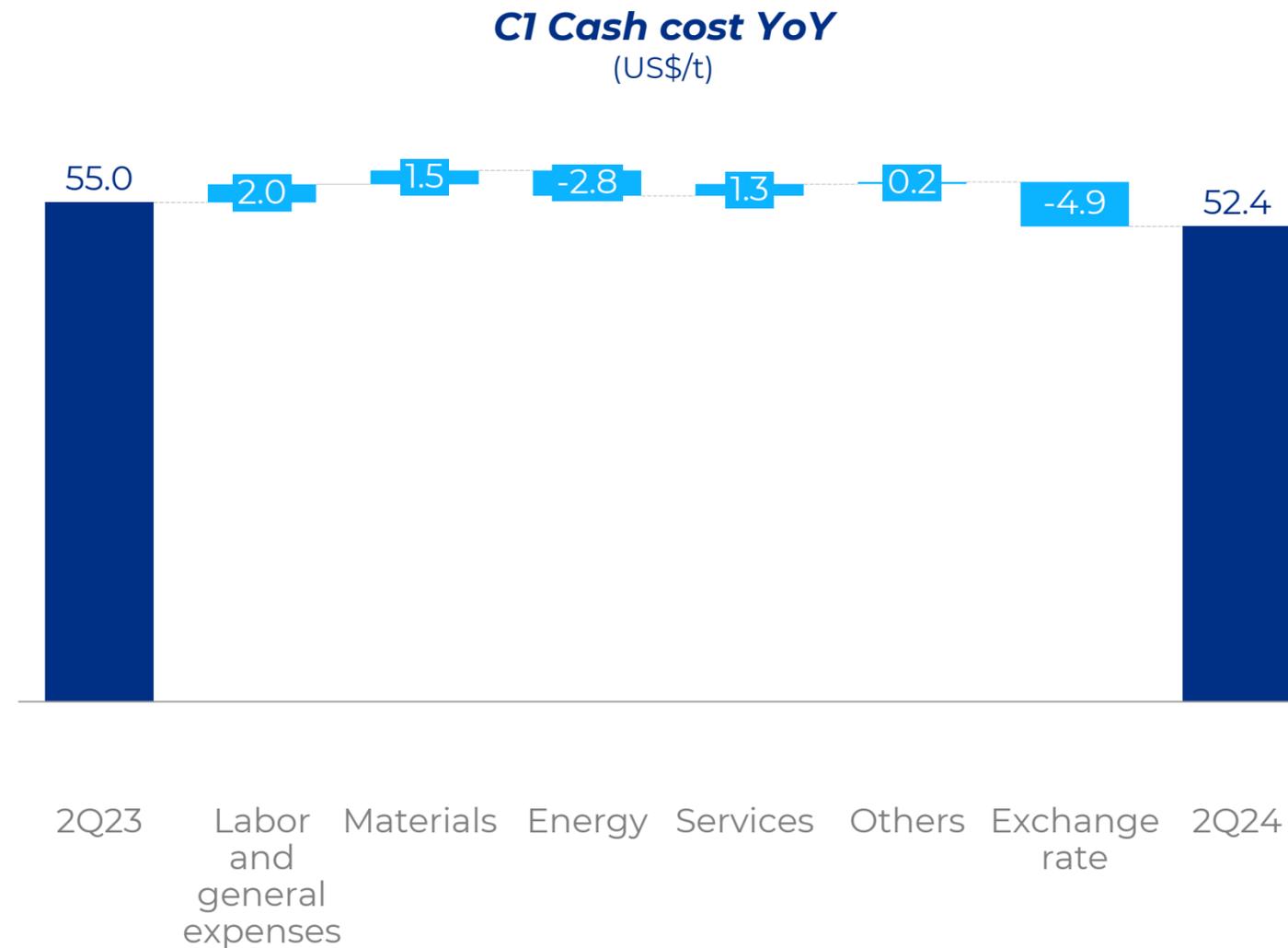
- Pellet plant maintenance to take advantage of filtered tailings ramp-up
- Less attractive spot pellet premiums
- Reduction in the shipments to CSH

4. Financial results – Mining business

CMP cash cost variation 2Q23 vs 2Q24



- Labor & general expenses
- Materials
- Energy
- Services
- Others



Key highlights

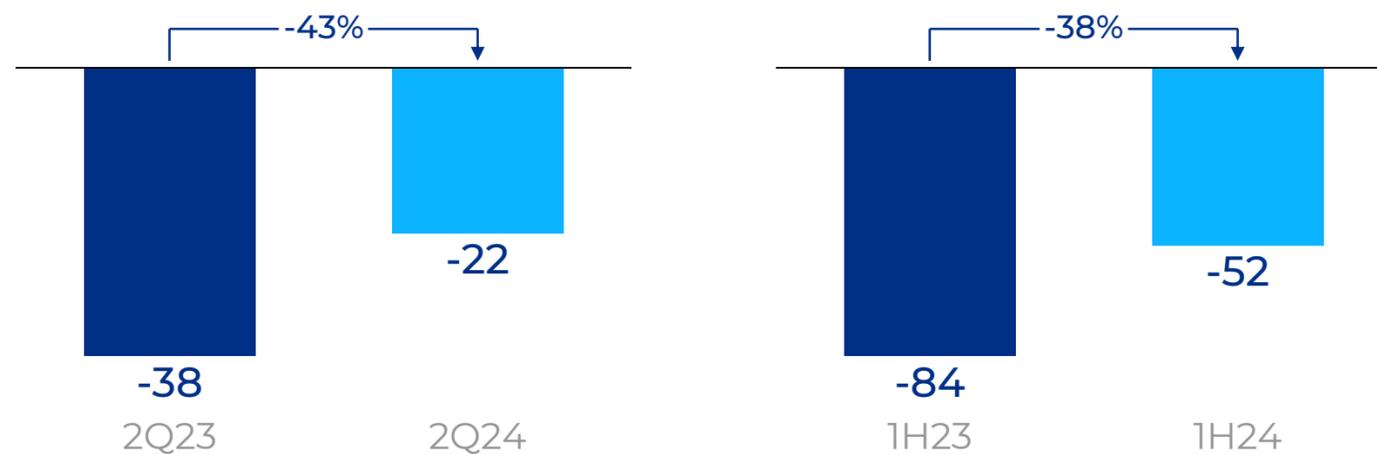
- Increase in provision for annual incentive and exit plan expenses
- Lower energy costs due to a reduction in coal tariff from 280 US\$/MWh to 198 US\$/MWh
- Product mix with lower Pellets production
- Chilean peso depreciation, from an average of 801/US\$ in 2Q23 to 935/US\$ in 2Q24

4. Financial results

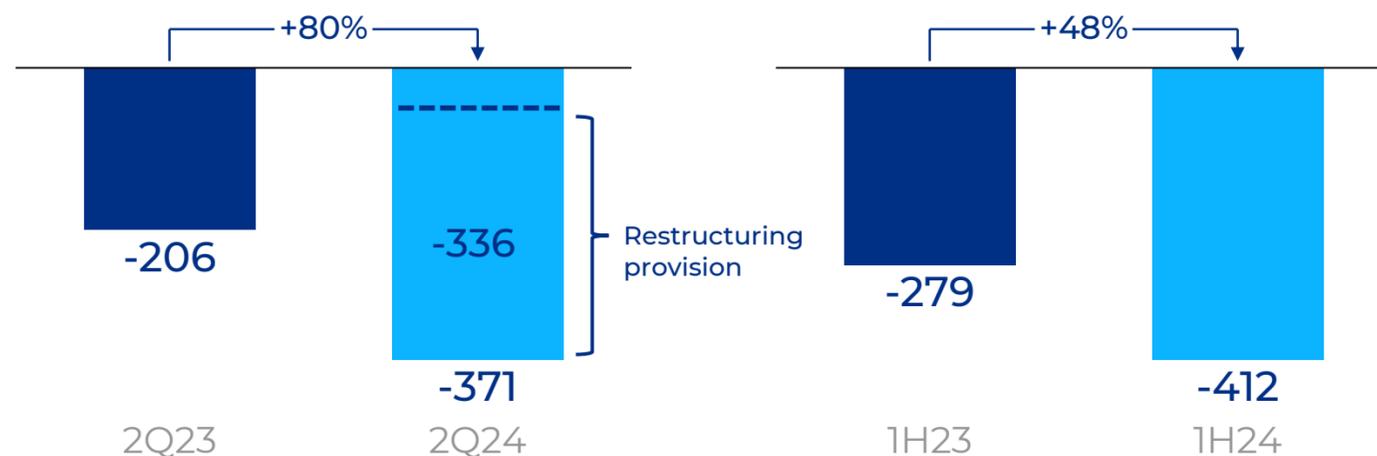
Steel production business

Compañía Siderúrgica Huachipato is the leading steel producer in Chile

EBITDA (US\$ million)

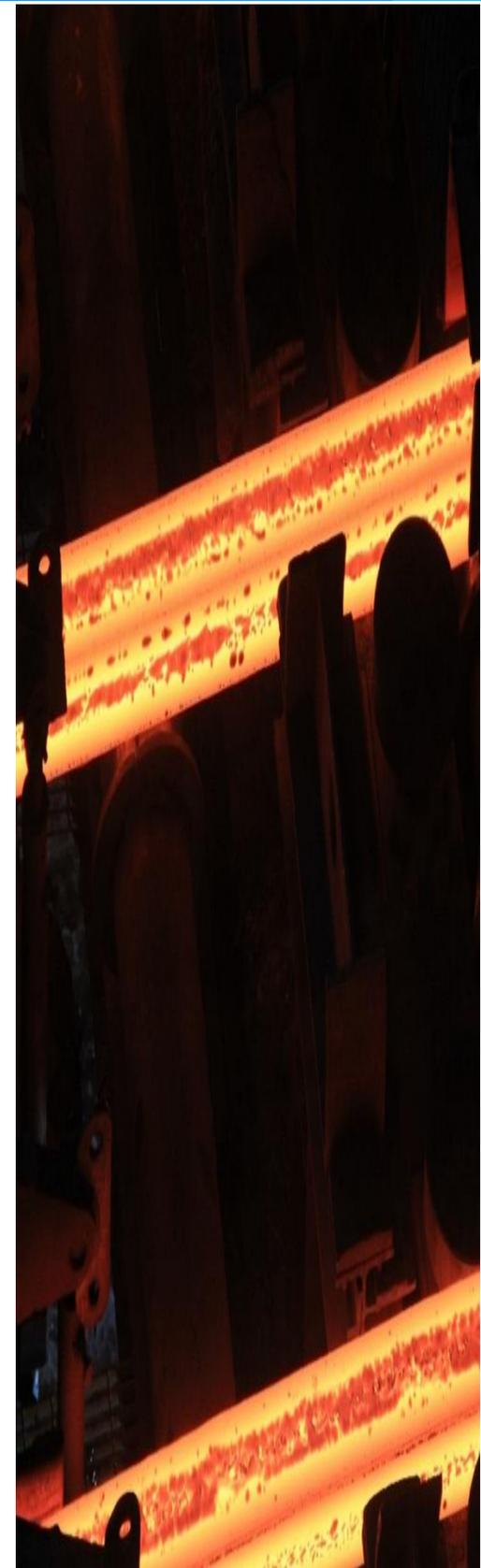


Net income (US\$ million)



Key highlights

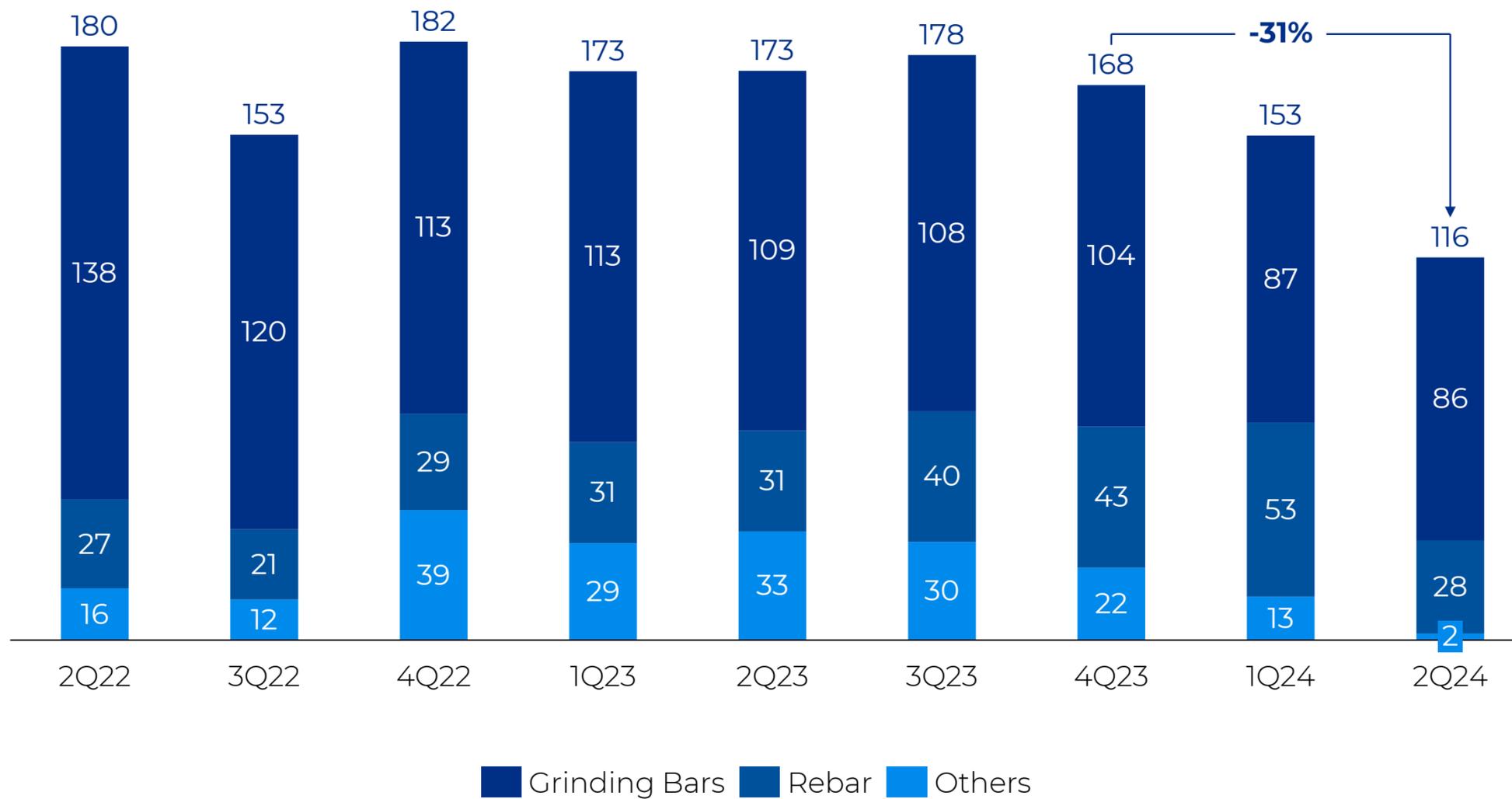
- **Shipments decreased 33%**, from 172.8 kt in 2Q23 to 116.2 kt in 2Q24
- **5% decrease in realized prices**, from US\$ 824 per ton in 2Q23 to US\$ 783 per ton in 2Q24
- **Reduction of 8% in costs**, from US\$ 1,067 per ton in 2Q23 to US\$ 979 per ton in 2Q24 due to costs reduction program
- **US\$ 336 million restructuring provision** was recognized due to the indefinite suspension



4. Financial results – Steel business

Steel volumes and product mix

Shipments (thousand tons)



Key highlights

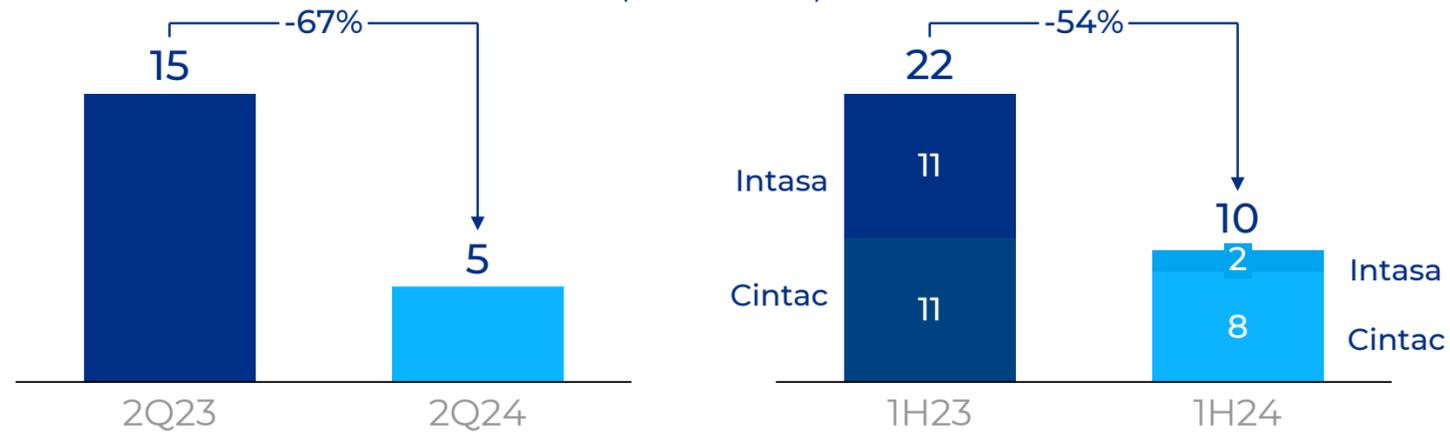
- **Shipments during 2Q24** decreased by 31% compared to 4Q23, and by 33% YoY
- **Grinding bars** average sales decreased in 18k tons from 4Q23

4. Financial results

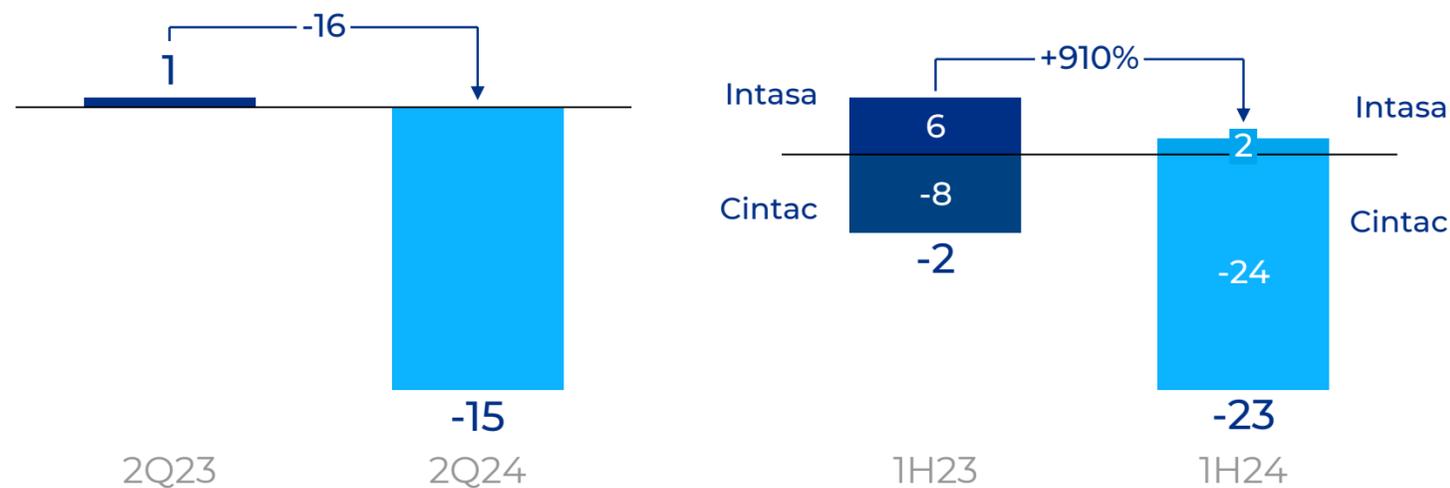
Steel solutions business

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

EBITDA
(US\$ million)



Net income
(US\$ million)



Key highlights

- **Reduction of 20% in volumes**, from 71.2 thousand metric tons in 2Q23 to 56.7 thousand metric tons in 2Q24
- **15% lower prices in steel products**, from US\$ 1,406 per ton in 2Q23 to US\$ 1,189 per ton in 2Q24
- **32% reduction in costs**, from US\$ 119.1 million in 2Q23 to US\$ 80.9 million in 2Q24

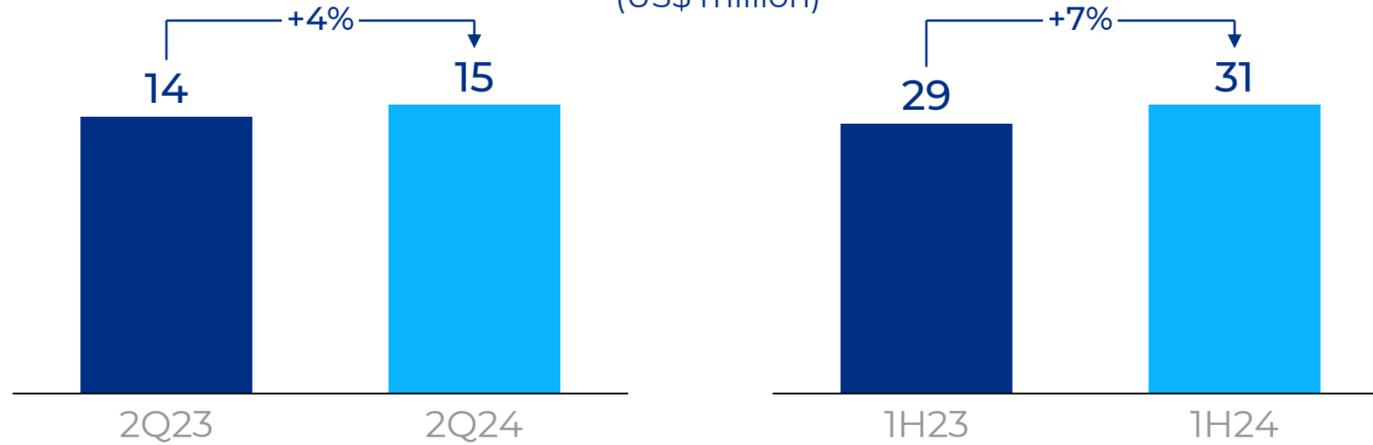


4. Financial results

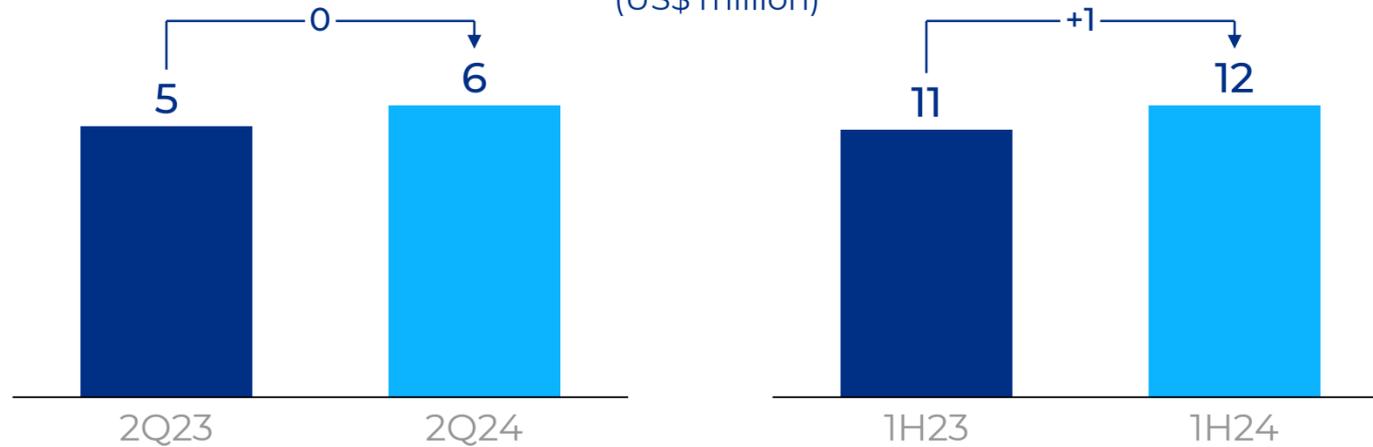
Infrastructure business

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)

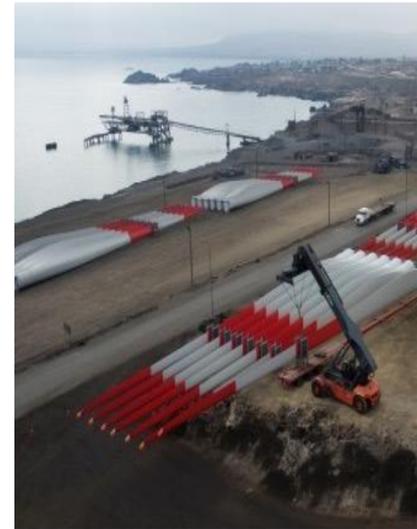


Net income (US\$ million)



Key highlights

- **Cleanairtech** produced 4.1 million cubic meters of desalinated water in 1H24, whilst in 1H23 they produced 4 million cubic meters
- **Tecnocap** reported a power transmission of 129 GWh during 1H24 compared to 126 GWh reported in 1H23

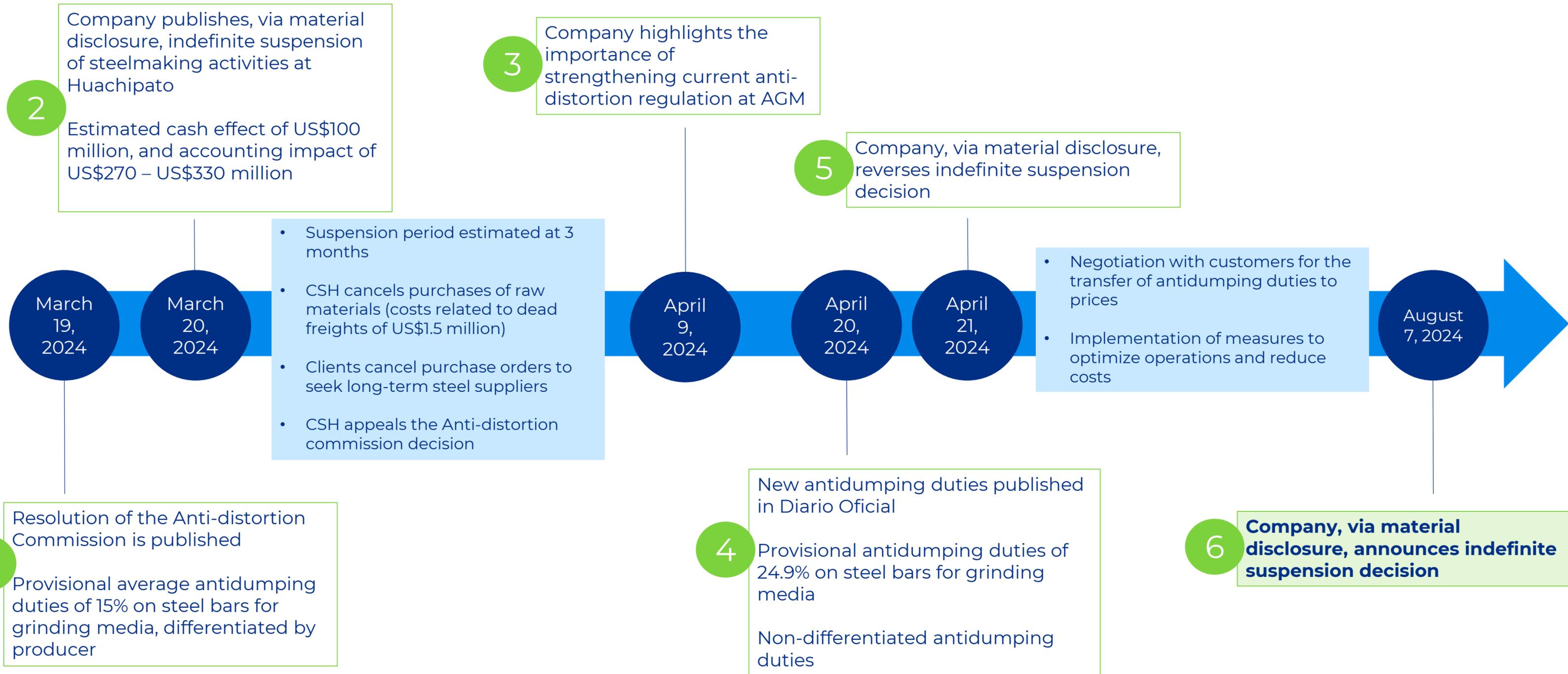


AGENDA

1. Overview 1Q24
2. Highlights
3. Market context
4. Financial results
5. Huachipato
6. Cintac restructuring process
7. Way forward



On August 7th, despite all the efforts of the company and its employees, the suspension of the company's steelmaking operation was announced

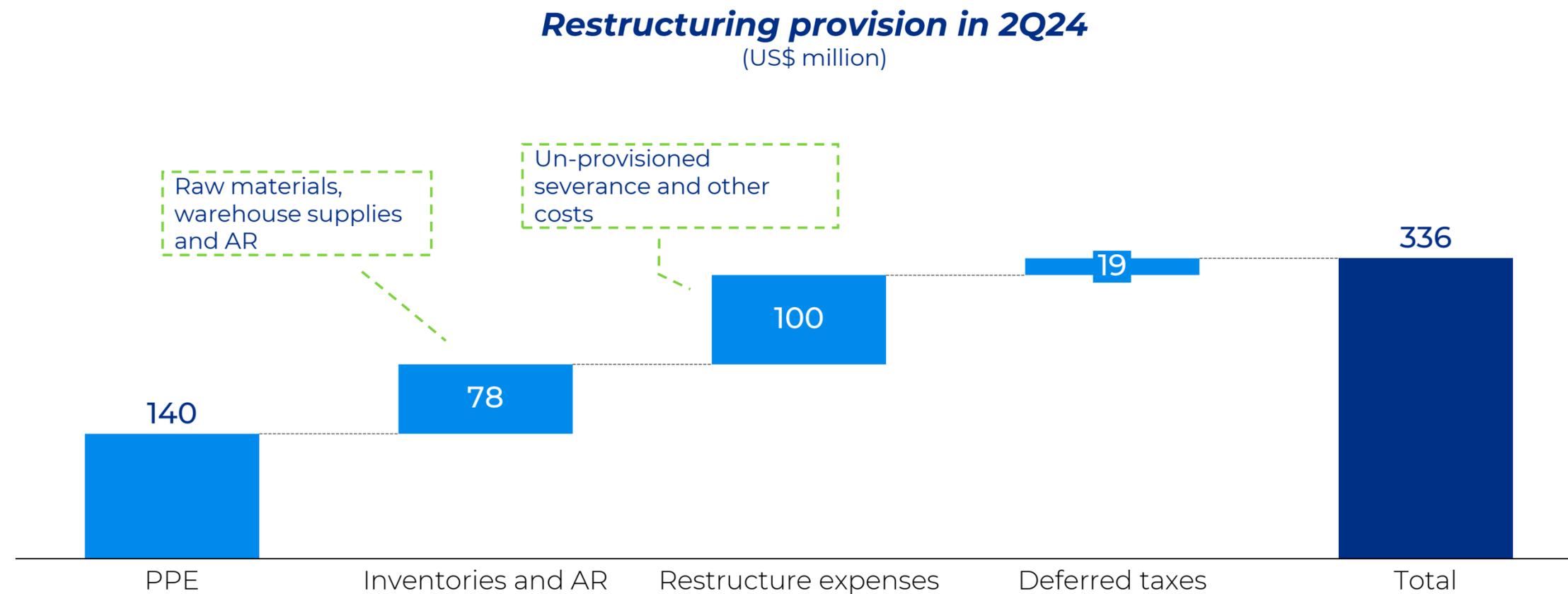


Even though the provisional measures were good news at the time, there were several challenges we had to overcome to ensure continuity

	Challenge	Result
Price	Effectively transfer the 25% surcharge to the sale price, as price increase is not necessarily automatic	<ul style="list-style-type: none"> The structure of the Chilean steel industry and the market response did not allow antidumping duties to be carried over to price
Customers	Win back customers who switched to imports	<ul style="list-style-type: none"> The structure of the Chilean steel industry and the market response did not allow antidumping duties to be carried over to price, therefore sales volumes fell
Definitive measures	Ensure provisional measures are confirmed by September in the form of definitive measures for 12 more months	<ul style="list-style-type: none"> Definitive measures were uncertain in their application
Modification of current regulation	Current regulation only allows for 1 period of 12 months of definitive measures	<ul style="list-style-type: none"> By September 2025 CSH could be in the same situation as it was before the antidumping duties No guarantees or signs of changes in anti-distortion regulation

The suspension has a financial impact in terms of cash and results

- > In a material disclosure, CAP announced that the indefinite suspension will result in a **cash impact of US\$ 120 – 140 million** over the next 12 months, and a negative accounting **impact to earnings of US\$ 320 – 350 million**, due to a restructuring provision
- > As of June 30, from the total amount of the restructuring provision, **we have already recognized US\$ 335.5 million**, composed as below:



As a Group we remain committed to the Biobío Region by maintaining our non-steel operations...

Maintaining its non-steel operations

Ports and logistics

Develop port and logistics business

- CSH has approximately 400 hectares of land and a port
- Capacity to provide port and logistics services, including loading, unloading and warehousing

Limestone

Extraction of limestone at Guarello island

- Develop the lime and limestone business

...and developing new business lines in the region

New business lines, to promote their productive development

Green steel pilot

**Rare earths extraction &
processing**

**Development and
production of alloys for
permanent magnets**

Critical materials for decarbonization

The company's main focus now is on accompanying CSH employees in the process of suspending operations

Best possible exit
plan

On-site personal
support

Support for re-
insertion into the
labor market

Reskilling and
certification for
future
employability

One-on-one
support for 6
months

AGENDA

1. Overview 1Q24
2. Highlights
3. Market context
4. Financial results
5. *Huachipato Sostenible*
6. Cintac restructuring process
7. Way forward

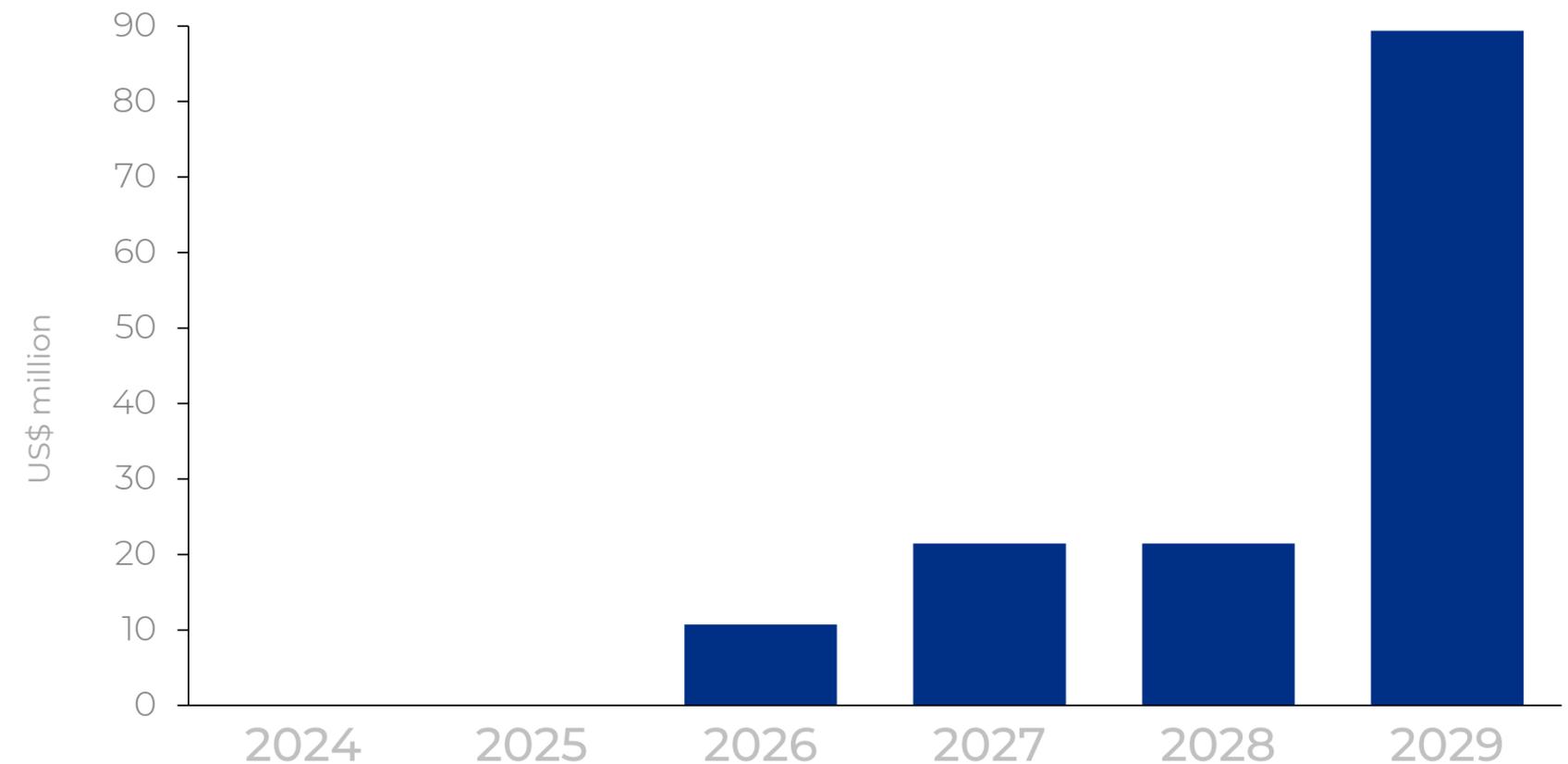


Cintac's financial restructuring was successfully completed during July, with the approval of a US\$ 143 million syndicated loan.

Bank	US\$ million
BCI	60
Itaú	25
Scotiabank	20
Internacional	15
Santander	23
Total	143



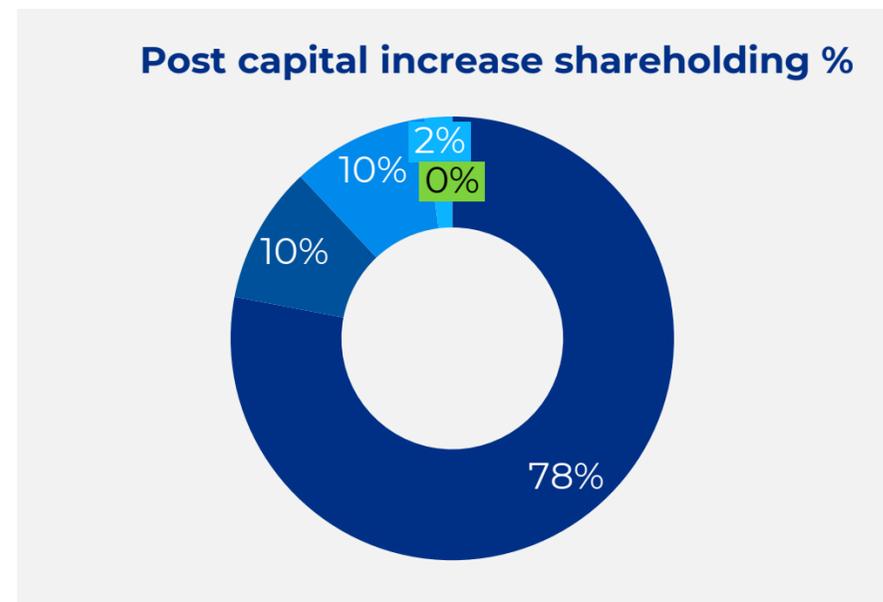
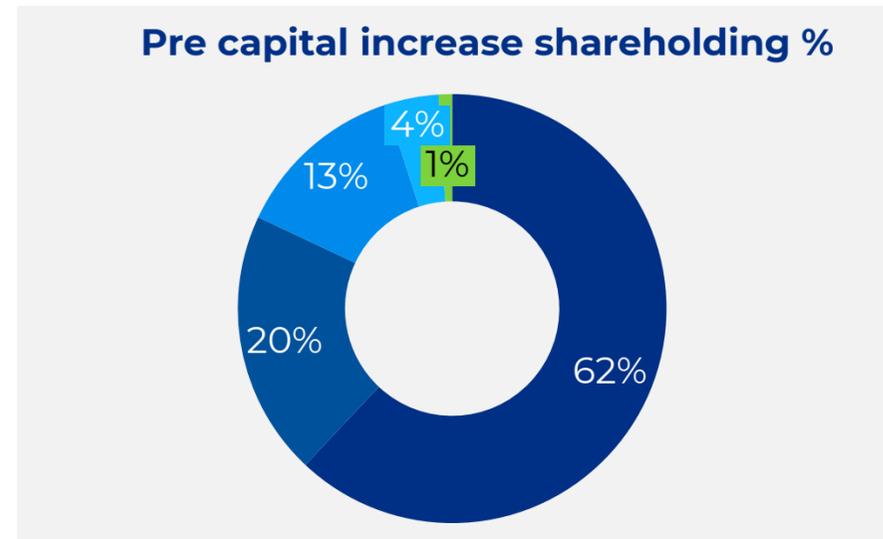
Syndicated loan maturity profile



5-year loan with 2-year grace period

Cintac raised US\$ 61 million in POP1 of its capital increase

Capital raise
US\$ 61.4 million
77% (of US\$ 80m)
Suscription
705.8 million of shares
70.6%



- CAP
- Pension funds
- Investment funds
- Broker
- Others

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1. Overview 1Q24
2. Highlights
3. Market context
4. Financial results
5. *Huachipato* Sostenible
6. Cintac restructuring process
7. Way forward





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- Continue to develop green projects and initiatives in the region to support its industrialization (Ex: Green Steel, REE Alloys)

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- Engineering studies for expansion at CMP, progressing towards achieving FEL2
- Environmental study for Aclara



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