

# ANNUAL OPERATING SUMMARY 2020



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Annual Operating  
Summary  
**2020**




## Letter from the Chairman of the Board

In 2020, CAP executed a complete restructuring and modernization of CAP Group's corporate governance, migrating from a centralized plan to a decentralized one, providing its operating companies with greater autonomy, restructuring each board and defining CAP S.A.'s "strategic investor" role.

Consequently, 2020 saw the definition of CAP Group's long-term corporate strategy, which considers, in its various stages, initial strategic axes, such as ensuring Compañía Minera del Pacífico's ("CMP") operational stability and continuity, redesigning Compañía Siderúrgica Huachipato's ("CSH") commercial strategy, and consolidate CINTAC's national and international growth to then boost its operation's growth and ultimate greater internationalization. As a key and transversal component to all its operations, CAP Group is going to promote the principles of a solid "ESG" (environmental, social and governance responsibility) within the whole group and is going to consider them in each and every one of its strategic decisions.

CAP Group's corporate strategy was determined from a quickly evolving perception on the new market context and the identification of CAP Group's resources and capacities along its whole value chain, from iron ore mining, to steel production and all the way to steel processing. This process allowed CAP Group to agree on a new Purpose that guides its actions and which consists in contributing "in the transformation of national resources to deliver value, always committed to society's sustainable progress".



**All these achievements and results  
have been possible thanks to the work,  
commitment and ability of the team  
of people that makes up  
CAP Group**

CAP Group's strategy considers adaptations to the business models of the group's companies, strengthening virtuous interdependence relations among them and developing complementing relations, cost reduction and differentiation in all their products and services. The investment initiatives and projects defined in the corporate strategy will allow the attainment of high levels of efficiency in natural resource transformation, encouraged by a sustainable development of complementary resources like water, solar energy and, eventually, green hydrogen, which will contribute to the decarbonization of productive processes and an additional cost optimization. Together with that, CAP Group is planning to regain its avant-garde position in the application of modern and innovative technologies in all its operations and processes.

By 2020, CAP Group has already reached certain milestones related to its new corporate strategy, such as the approval of development investments of Phase V North in El Romeral Mines, in the region of Coquimbo; the signing of a renewable energy supply contract with Engie, starting in 2021, by CSH; CINTAC'S acquisition of 60% of Promet,

a company that develops building solutions for the mining sector; the development of a ship-loading system for iron-ore in Las Losas Port and the beginning of construction works of Cruz Grande Port, projecting that these investments will prove beneficial not only economically for CAP and its shareholders, but will also bring social benefits to the communities surrounding the group's operations and visionary, progressive and permanent environmental solutions.

In 2020, some of the Company's executive bodies were renewed, continuing with the process that was started in 2019 and which will also reach the Board. This process also reached the Group's operating companies, in which, taking a place at the forefront of a valuable worldwide trend, it successfully promoted the incorporation of female directors, professionals and administrative officers in all of the group's companies, now representing 12% of the workforce. As part of the new corporate design, several committees of directors were created in relation to strategic issues and they have worked efficiently and in a coordinated way with executive teams.



Relevant markets in which CAP Group participates were not without variation in their context conditions, showing a 6% growth in the demand of iron ore from China due to the fiscal stimuli in the construction and infrastructure sectors, positively affecting, in turn, the price of the commodity, despite the scenario of global economic depression caused by the sanitary crisis. In contrast, the demand for steel experienced a 2% drop in international markets, with substantial declines in the price of steel, which were not able to be countered by the 5% increase of the demand for steel in the Chinese market.

Meanwhile, CAP S.A.'s results reached US\$300 million in profit, compared to a US\$104 million loss in 2019, evidencing substantial improvements in the operational area, optimization in the productive chain of the group's companies, and the delineation of growth programs for the years to come – all of which fills us with satisfaction and enthusiasm.

CAP Group's consolidated EBITDA reached US\$974 million, which favorably compares to an EBITDA of US\$200 million from 2019, achieving better operational results in all of the group's companies. In CMP, the reinstatement of its iron ore export levels to 16.5 million MT, due to the commissioning of Guacolda II Port, the stabilization of operations and logistics systems and the commercialization of products at higher prices than those in 2019, mainly explained the year's better results. In turn, CSH increased its EBITDA in US\$47 million compared to the previous year, in a scenario of low steel prices and sustained rises in steel costs, which were mainly countered by an 8% increase in its steel shipments compared to 2019. Cintac's EBITDA rise was of US\$25 million, boosted by the acquisition of 60% of its subsidiary Promet,

dedicated to building solutions for the mining sector and an optimized commercial management in processed steel sales through Cintac SAIC and Tupemesa in Peru. The assets in the areas of Infrastructure, Aguas CAP, Tecnocap and Las Losas Port also experienced an increase of US\$10 million in their consolidated EBITDA.

In 2020, CAP Group paid special attention to the care and health of all our collaborators and their families, introducing measures to guarantee the safety of operations and people's health, beyond the pandemic, to some extent managing to diminish the collateral effects of the sanitary crisis and introduce new operational processes that allowed us to keep up with our activities in the group's different companies. In the 2020 period, all CAP Group companies experienced relevant improvements in safety standards and indicators for their collaborators, achieving an accident frequency rate of 1.7, compared to 2.6 in 2019. CMP, moreover, reached an accident frequency rate of 0.8 – the lowest in its history.

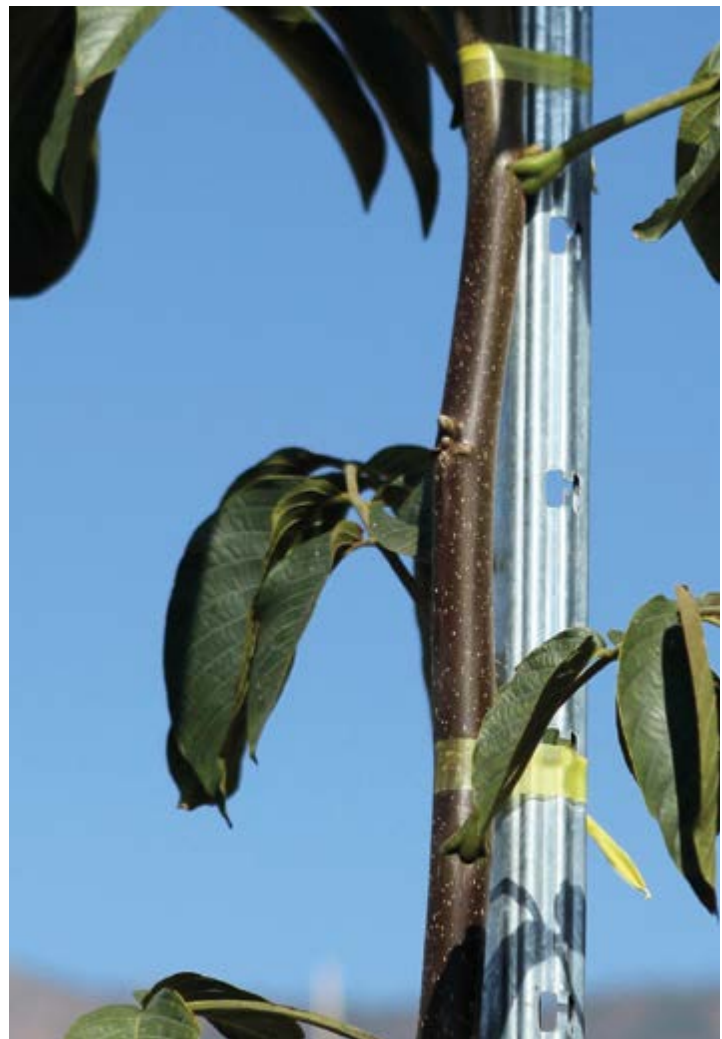
Likewise, in 2020, CAP Group achieved significant improvements in promoting an ESG culture within the whole group through strategic actions and decisions, such as the signing of a renewable energy contract for CSH's operations, which should immediately reduce its carbon dioxide emissions in 5%. The figures should progressively increase, not only in the Huachipato-based steel producer company, but also in the Mining Company, through initiatives that have already been delineated and are currently in progress. In the Social area, we can highlight the hiring of 64% of contractors for mining services who are local to the areas in which CMP operates, as well as Cintac's implementation of technical training courses in the field of construction, regarding the use of its products, for communities in different municipalities.



All these achievements and results have been possible thanks to the work, commitment and ability of the team of people that makes up CAP Group and who have made the company's purpose their own personal challenge, always contributing to Chile's development and prosperity, thus allowing CAP Group to continue its legacy.

Finally, 2021 brings great challenges in operational terms, considering substantial increments in production and shipment levels in CMP, which would reach 16.6 million tons, in addition to the reduction of costs achieved from a sustainable operational management, the establishment of a new commercial positioning in CSH, focused on the distribution of high-value steels for the mining and construction sectors, and the consolidation and integration, in Cintac, of new construction services companies, acquired in 2020. This year, stable demands are projected in the iron ore and steel market, derived from the ongoing fiscal stimuli for the Chinese industry and the reinstatement of demand from North American markets, which have consistently had price levels over those originally estimated and which will allow CAP Group to expect fairly promising results.

**RODOLFO KRAUSE L.**  
Chairman



# CAP GROUP (History-Achievements)

## 1946

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

## 1971

- Acquisition of "El Romeral" iron ore mine.

## 1985

- Beginning of the re-privatization process of the Company.

## 1978

- Inauguration of Huasco pellets plant.

## 1987

- Re-privatization of 100% of the Company. The Board decided to diversify the Company's activities, formally creating its forestry area through its investments in Andinos S.A. and Sociedad Forestal Millalemu S.A.



## 1950

- Inauguration and commissioning of Huachipato Steel Plant.

## 1981

- Reorganization of the Company and 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.
- Renaming of the Company to Compañía de Acero del Pacífico S.A. de Inversiones.

## 1988

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

## 1959

- Addition of mining activities. "El Algarrobo" iron ore deposits were acquired.

## 1990

- Inauguration of the new coke plant and Zincalum line of Compañía Siderúrgica Huachipato S.A., and the pellet feed plant in Compañía Minera del Pacífico S.A.

## 1991

- Renaming of the Company from Compañía de Acero del Pacífico S.A. de Inversiones to CAP S.A.



## 1993

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

## 1994

- Division of CAP Group into three companies: CAP S.A., with a capital of US\$ 379.4 million, grouping mining and steel processing activities; Forestal Terranova S.A., which is responsible of all forestry activities; and Invercap S.A., which concentrates the rest of the investments managed by the Group.



## 1995

- Through its subsidiary Compañía Minera del Pacífico S.A., the Company signs a joint venture agreement with MC Inversiones Limitada, a Mitsubishi Corporation subsidiary, for the development and exploitation of the extension project of Los Colorados iron ore mine. For this purpose, both companies form Compañía Minera Huasco S.A., with equal shareholdings.

## 1996

- Official commissioning of the new flat product lamination facilities of Compañía Siderúrgica Huachipato S.A.



## 1997

- For the first time in its history, shipments of Siderúrgica Huachipato S.A. exceed a million tons of finished steel per year.

## 1998

- Inauguration and commissioning of Los Colorados mine in the region of Atacama.

## 2000

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

## 2004

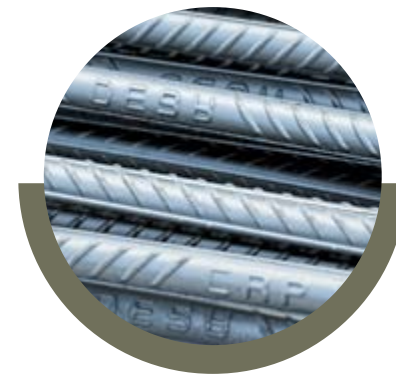
- Shipments of finished steel on the domestic market exceeded 1 million tons a year for the first time in the history of Compañía Siderúrgica Huachipato S.A.

## 2008

- Inauguration and commissioning of the new straight bar roller mill at Compañía Siderúrgica Huachipato S.A.
- Inauguration of Phase I of the Hierro Atacama project, which comprises the commissioning of a magnetite plant at the south of Copiapó, a 120 km mineral pipeline which connects it to the mechanized port Punta Totoralillo in Caldera, Atacama region.

## 2005

- Inauguration of the extension of the pellet feed plant in El Romeral mine.



## 2002

- CAP S.A. becomes the holder of 44% of Novacero S.A., which directly owns 51% of Cintac S.A.'s shares.
- Approval of the division of Cintac S.A., with the company itself remaining and the creation of Intasa S.A., which is assigned the investments the first held in Argentina.

## 2006

- Through the increase of capital by Novacero S.A., in December 2006, CAP S.A. comes to hold 52.68% of Novacero S.A., which directly owns 51% shares of Cintac and Intasa, and their respective subsidiaries.

## 2009

- Inauguration of CAP Group's new corporate building in Las Condes, Santiago, Metropolitan region.

## 2007

- Creation of Minera Hierro Atacama S.A., subsidiary of CMP, for the exploration of the Hierro Atacama project in the region of Atacama.

## 2010

- CMP's shares are distributed into 25% for MCI and 75% for CAP, following the merger through which CMP absorbed CMH's assets, as well as CMP's capital increase for US\$ 401 million, fully subscribed and paid for by MCI.

## 2013

- Commissioning of the Huasco Valley extension to achieve a production of an additional two million tons in August 2013.
- Restructuring of Compañía Siderúrgica Huachipato S.A.'s productive activities, focusing on the manufacture of long products with greater margins, halting the manufacture of flat products.



## 2017

- Beginning of operations of the new line for the copper loading in Punta Totoralillo port in December 2017, providing the port with independent lines for iron ore and copper loading.
- CAP Group is included for the first time in the Dow Jones Sustainability Chile Index and Mila Pacific Alliance.



## 2019

- Construction, assembly, and commissioning of the new shiploader in the Huasco Valley terminal, in Guacolda II port.
- CAP Group achieves its best results of frequency and severity rates in the last 10 years.



## 2014

- Beginning of operations in the desalination plant built by CAP Holding through its subsidiary Aguas CAP (51% CAP and 49% Mitsubishi), in April 2014.
- Commissioning of the Cerro Negro Norte mine, with a capacity of four million tons of annual production, in June 2014.

## 2016

- Los Colorados mine is awarded the 2016 Prize for Excellence by the Instituto de Seguridad del Trabajo, in the Large Companies category, for its contribution and results in prevention management.

## 2018

- Cintac S.A. acquires Calaminón in Lima, Peru, dedicated to the construction sector, providing the market with modular building solutions.
- Cintac S.A. acquires Signovial and Sehover in Lima, Peru, dedicated to the road development sector, providing equipment and road maintenance solutions.

## 2020

- Compañía Siderúrgica Huachipato signs a contract with Engie for the supply of 100% renewable energy sources starting in 2021.
- Approval of the development of Phase V North in El Romeral mines.
- Cintac S.A. acquires 60% of Promet Servicios, dedicated to construction solutions for the mining sector.



# CAP Group's Sustainable Strategy

CAP Group, which was created in 1946, has always been committed to Chile's advancement through the development of the different activities that make up its value chain, from iron ore mining to steel production and processing. Seeking to adapt in the best possible way to the new realities of its surroundings to provide high-quality services and products, CAP Group has adjusted its business models. Nowadays, businesses face a context that changes rapidly and where variables such as digitalization, climate change, social, sanitary and economic crises, and the need to safeguard the planet's biodiversity and resources, force them to make adaptive changes to their business models to generate virtuous coherences and create value that is shared with society, thus achieving sustainable growth.

In 2020, CAP Group started the process for defining its corporate strategy for the next 10 years, having already established a new corporate governance system in which CAP S.A. takes the role of *strategic investor*, covering paramount functions in the definition of the corporate strategy and its decentralized implementation through its different operational companies. This way, CAP Group's new corporate governance would be founded on the decentralization of the implementation of CAP Group companies' strategies and in their coherence with the corporate strategy.

A future vision about the exponential evolution of the market's new context, defined by the need of creating shared value with all the interest groups, considering the new technological-digital reality, the prioritization of the use of renewable energies and the commitment to the communities' social development and wellbeing, allowed CAP S.A. to agree on a new Purpose: *to "contribute in the transformation of natural resources to deliver value, always committed to society's sustainable progress"*.

In addition, the identification of CAP Group's resources and capacities throughout its whole value chain, from iron ore mining, steel production and all the way to steel processing to provide building solutions, allowed to determine strategic focuses that would concentrate investment initiatives and projects, to be implemented in a decentralized way in each of the group's operating companies. The corporate strategy would

**CAP,**  
EXCELLENCE IN  
OPERATIONS

consider adaptations to the business models of Compañía Minera del Pacífico (“CMP”), Compañía Siderúrgica Huachipato (“CSH”), and of steel processing (“CINTAC”), creating relations of virtuous interdependence among them and developing complementary relations, cost reduction, and service and product differentiation. To this end, the first stage of CAP Group’s corporate strategy would comprise ensuring CMP’s operational stability and continuity, redesigning CSH’s commercial strategy, and consolidating CINTAC’s national and international growth, in addition to defining a strategic investment portfolio to be effected in the medium term.

The corporate strategy would be defined by investment initiatives and projects where the *“overall value would be greater than the sum of its parts”* by generating interdependent and complementary relations among the business models that are to be adapted in each of CAP Group’s companies, which would allow the attainment of high levels of sustainability in the development of natural resources. The development of natural resources such as water, solar energy and, eventually, green hydrogen, through new business models that complement CAP Group companies’ existing business models, is what would provide CAP Group with cost optimization and product/service differentiation. The development of these natural resources would also allow CAP Group to generate shared value with communities through access to these resources, reduction of polluting gas emissions, and the development of high health and social development standards.

CAP Group’s corporate strategy also considers port infrastructure as strategic assets which, apart from providing services of loading and reception of iron-ore and steel products, would allow to promote decarbonization through access to less polluting fuels, such as gas (in the transition to the eventual use of green hydrogen), to develop logistics optimizations among CAP Group companies, and to contribute to the creation of new sources of work and services with clients and suppliers.

Already in 2020, corporate CAP and its different operating companies began the implementation of strategic initiatives contemplated in the new corporate strategy, as the definition of an ESG model (Environmental,

Social and Governance) and the corresponding cultural transformation at CAP Group, the replacement of contracts of coal-generated energy to renewable energies in CSH, the development of compliance and remediation programs in CMP and CSH, the definition of new business models for ports and the development of a long-term mining plan. Likewise, Cintac began the expansion of the commercialization business model of steel products towards the procurement of building solutions that generate shared value.

The stabilization of the operation in CMP did not only allow to reach high levels of safety for workers, but also optimizations in operational costs, which would make feasible to plan exploration and sustainable exploitation programs for high-grade iron ore deposits. CSH developed a new commercial policy that contemplates the production on high-quality steels and which are specific to the new requirements from strategic sectors like mining and construction in Chile. CAP Group has designated CSH as a strategic company for Chile, given its high impact in the mining and construction activities, its access and proximity to CMP’s steel production, and its contribution to reducing carbon footprint, compared to steel importation alternatives from other markets. CAP Group’s corporate strategy sees innovation as a recurring practice in the development and transformation of its natural resources, through the substitution of coal for gas in its operations, and the transition, in the medium term, to the generation and use of hydrogen in its logistics, mining, and plant processes, with the purpose of achieving to produce green iron ore and steel.





# Purpose

"We contribute in the transformation  
of natural resources to deliver value,  
always committed to society's sustainable  
progress."

# CAP S.A. Values

## **SUSTAINABILITY**

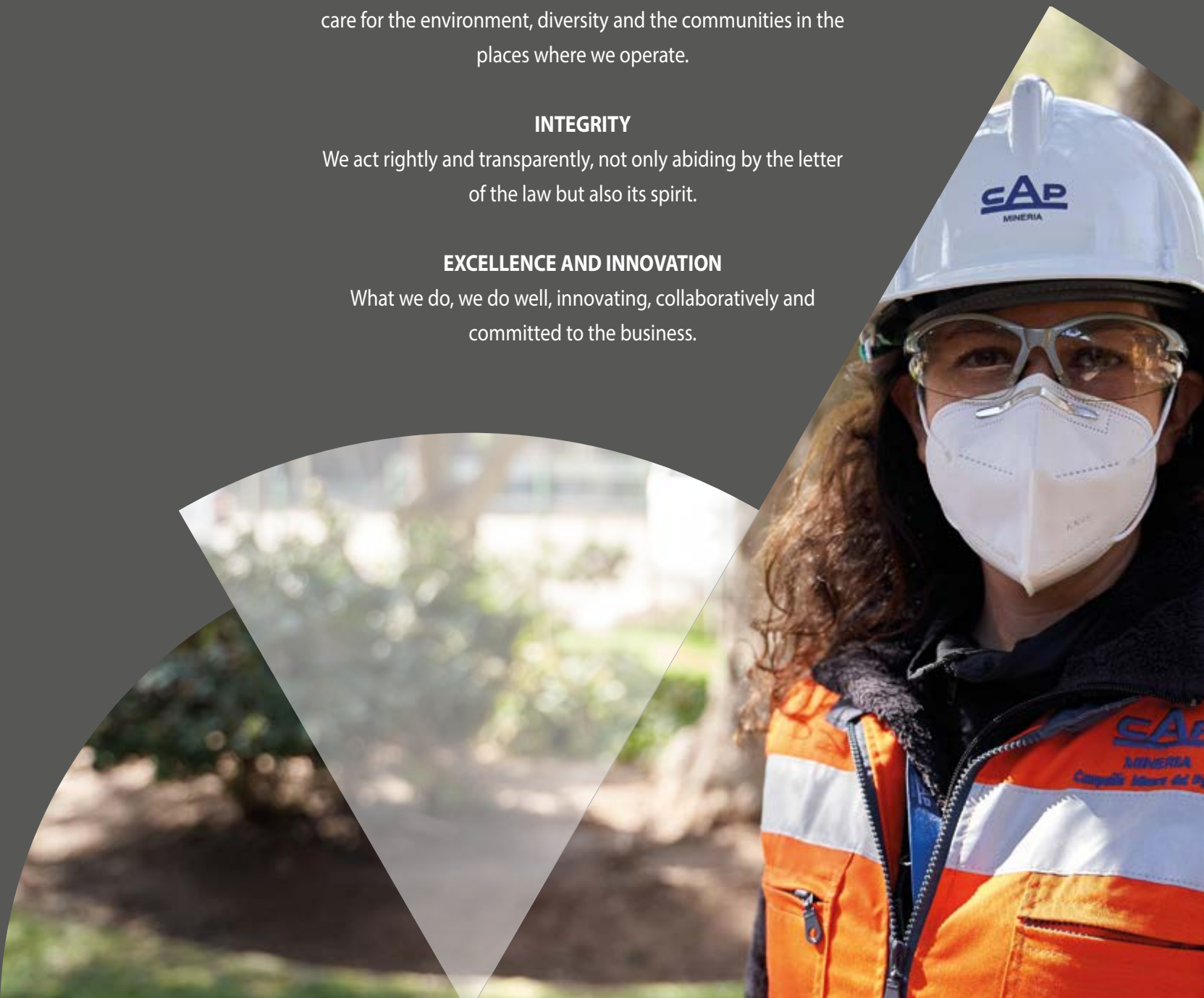
Safety without excuses; throughout the whole value chain, we care for the environment, diversity and the communities in the places where we operate.

## **INTEGRITY**

We act rightly and transparently, not only abiding by the letter of the law but also its spirit.

## **EXCELLENCE AND INNOVATION**

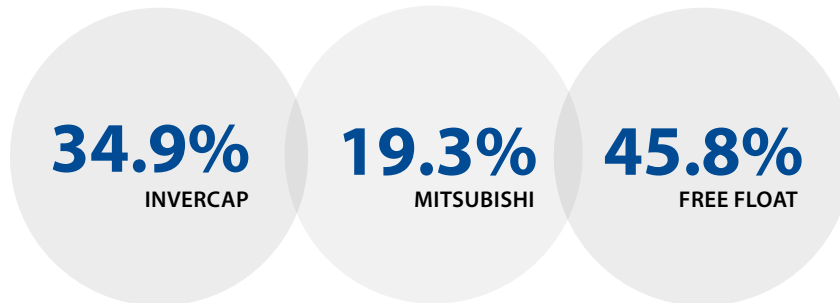
What we do, we do well, innovating, collaboratively and committed to the business.



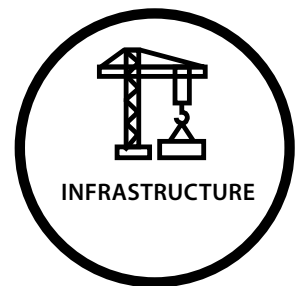


## Relevant figures

### Ownership



### Activities and Businesses



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

### CAP S.A. Main Figures

**US\$**  
**974** million  
EBITDA

**US\$**  
**2,679** million  
of consolidated  
revenues

**36.4%**  
EBITDA  
MARGIN

**US\$**  
**300** million  
Net Income

# Social and Environmental Progress



Thanks to the deliberate and coordinated effort of CAP Group companies, and the implementation of process control and risk management practices, a significant improvement in our safety indicators was achieved. The frequency rate dropped from 2.6 in 2019 to 1.7 in 2020, and there were no fatal accidents to regret for the second year in a row.



Reflecting CAP Group's utmost commitment with its team of people, approximately US\$5.5 million were invested in timely and effective measures to ensure their wellbeing. With it, the COVID-19 infection rate at the workplace was 4.3%. This also contributed in minimizing operational interruptions and allowed to avoid contract terminations due to the pandemic in all of the group's companies.



In a year marked by COVID-19, the group continued to be a driver for local development – a key role given that 94% of its personnel live in the same region as its site and operations. This is why CAP Group companies strived to make important contributions to communities near its facilities, mainly aiding with sanitary supplies and contributions to local entrepreneurs in order to overcome the effects of the pandemic, as well as ensuring the continuity of long-standing support programs to local economic, social and cultural activities.



The strengthening of environmental management processes and systems has allowed to minimize the environmental impact of operations. As of the end of 2020, 94.4% of all waste generated in the group's facilities were reused or recycled.



For the fourth year in a row, CAP S.A. was included in the list of the prestigious Dow Jones Sustainability Index, in its Chilean version as well as in the Latin American Integrated Market (MILA).





# CORPORATE GOVERNANCE



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## Board of Directors

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 16, 2019.

As of December 31st 2020, the Board of CAP S.A. is composed by the following members:



**RODOLFO KRAUSE LUBASCHER**

Chairman

Tax ID 4.643.327-0

Civil Chemical Engineer, Chilean

*Appointment/Reelection: 04/16/2019*



**JUAN RASSMUSS RAIER**

Vicepresident

Tax ID 7.410.905-5

Civil Industrial Engineer, Chilean

*Appointment/Reelection: 04/16/2019*



**JUAN GERARDO JOFRÉ MIRANDA**

Director

Tax ID 5.672.444-3

Bs. in Business Administration, Chilean  
*Appointment/Reelection: 04/16/2019*



**ROBERTO DE ANDRACA ADRIASOLA**

Director

Tax ID 7.040.854-6

Bs. in Business Administration, Chilean  
*Appointment/Reelection: 04/16/2019*



**MARCELO AWAD AWAD**

Director

Tax ID 6.374.984-2

Civil Industrial Engineer, Chilean  
*Appointment/Reelection: 04/16/2019*



**TADASHI OMATOI**

Director

Tax ID 21.906.212-5

Metallurgical Engineer, Japanese  
*Appointment/Reelection: 04/16/2019*



**JORGE SALVATIERRA PACHECO**

Director

Tax ID 6.557.615-5

Civil Industrial Engineer, Chilean  
*Appointment/Reelection: 04/16/2019*



# CAP S.A. Management



**JULIO BERTRAND PLANELLA**  
Chief Executive Officer  
Tax ID 11.834.121-K  
Civil Industrial Engineer  
*Date of Appointment: 05/04/2020*



**FRANCISCO LEPELEY CONTESSE**  
Chief Financial Officer  
Tax ID 8.322.331-6  
Civil Industrial Engineer  
*Date of Appointment: 08/10/2020*



**STEFAN FRANKEN OSORIO**  
Chief Legal Counsel and  
Sustainability Officer  
Tax ID 13.028.236-9  
Lawyer  
*Date of Appointment: 04/18/2017*



**MARCEL DEPREZ MATELJAN**  
Corporate Strategy Manager  
Tax ID 12.585.315-3  
Civil Industrial Engineer  
*Date of Appointment: 06/03/2019*



**JOAQUÍN PÉREZ URBINA**  
Internal Audit Manager  
Tax ID 8.725.100-4  
Accountant  
*Date of Appointment: 02/17/2020*



**PATRICIA LÓPEZ MANIEU**  
Infrastructure Manager  
Tax ID 12.488.429-2  
Civil Industrial Engineer  
*Date of Appointment: 05/14/2020*

# Management of CAP Subsidiaries

## COMPAÑÍA MINERA DEL PACÍFICO S.A.

### FRANCISCO CARVAJAL PALACIOS

Tax ID 9.047.354-9

Civil Mining Engineer

**President**

*Date of Appointment: 11/01/2019*



## COMPAÑÍA SIDERÚRGICA HUACHIPATO S.A.

### RODRIGO BRICEÑO CARRASCO

Tax ID 12.011.581-2

Civil Electronic Engineer

**President**

*Date of Appointment: 10/01/2018*



## CINTAC GROUP

### JAVIER ROMERO MADARIAGA

Tax ID 10.286.706-8

Civil Industrial Engineer

**President**

*Date of Appointment: 07/31/2013*



## INTASA S.A.

### PEDRO OLIVERA URRUTIA

Tax ID 7.018.048-0

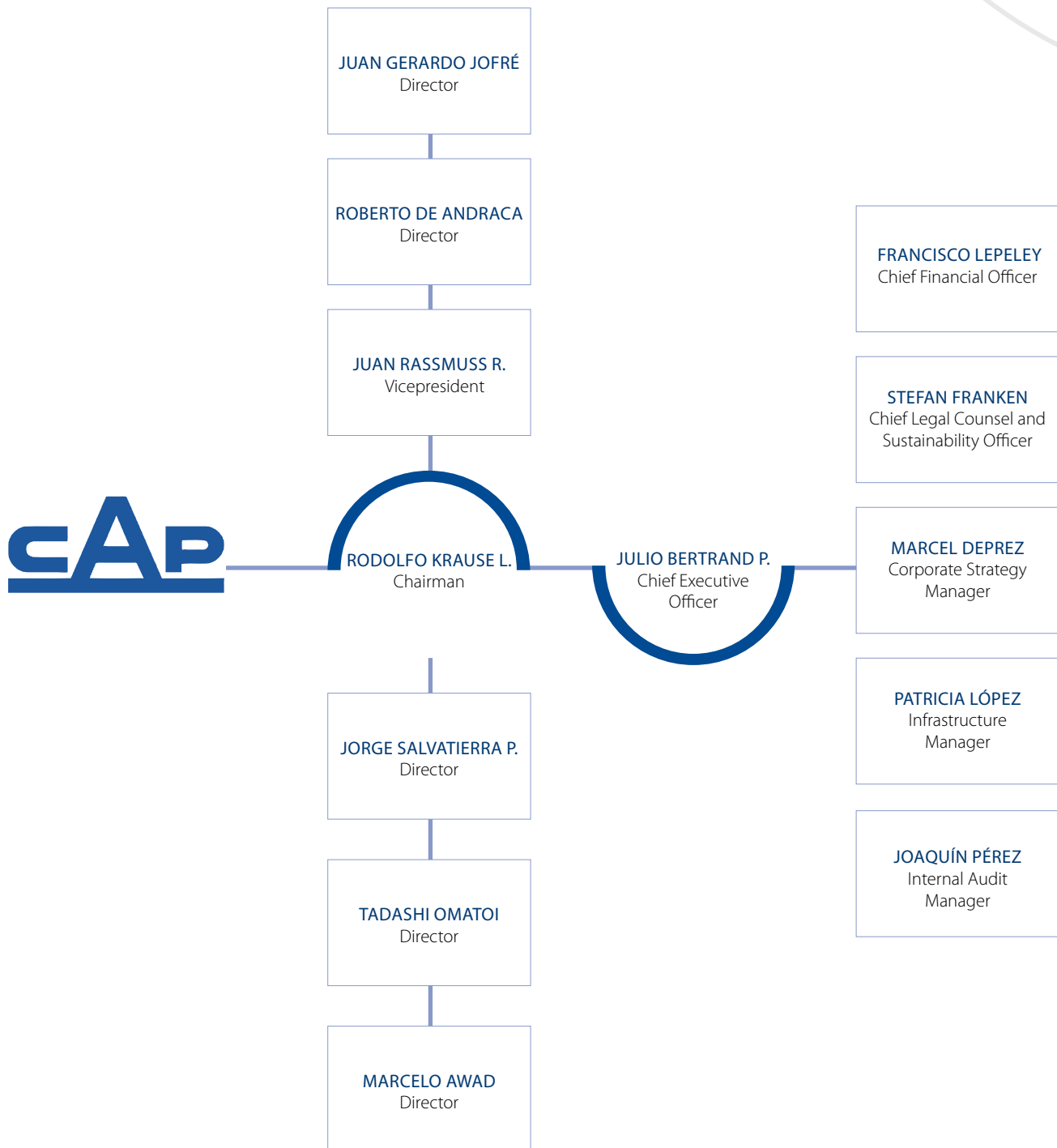
Civil Industrial Engineer

**President**

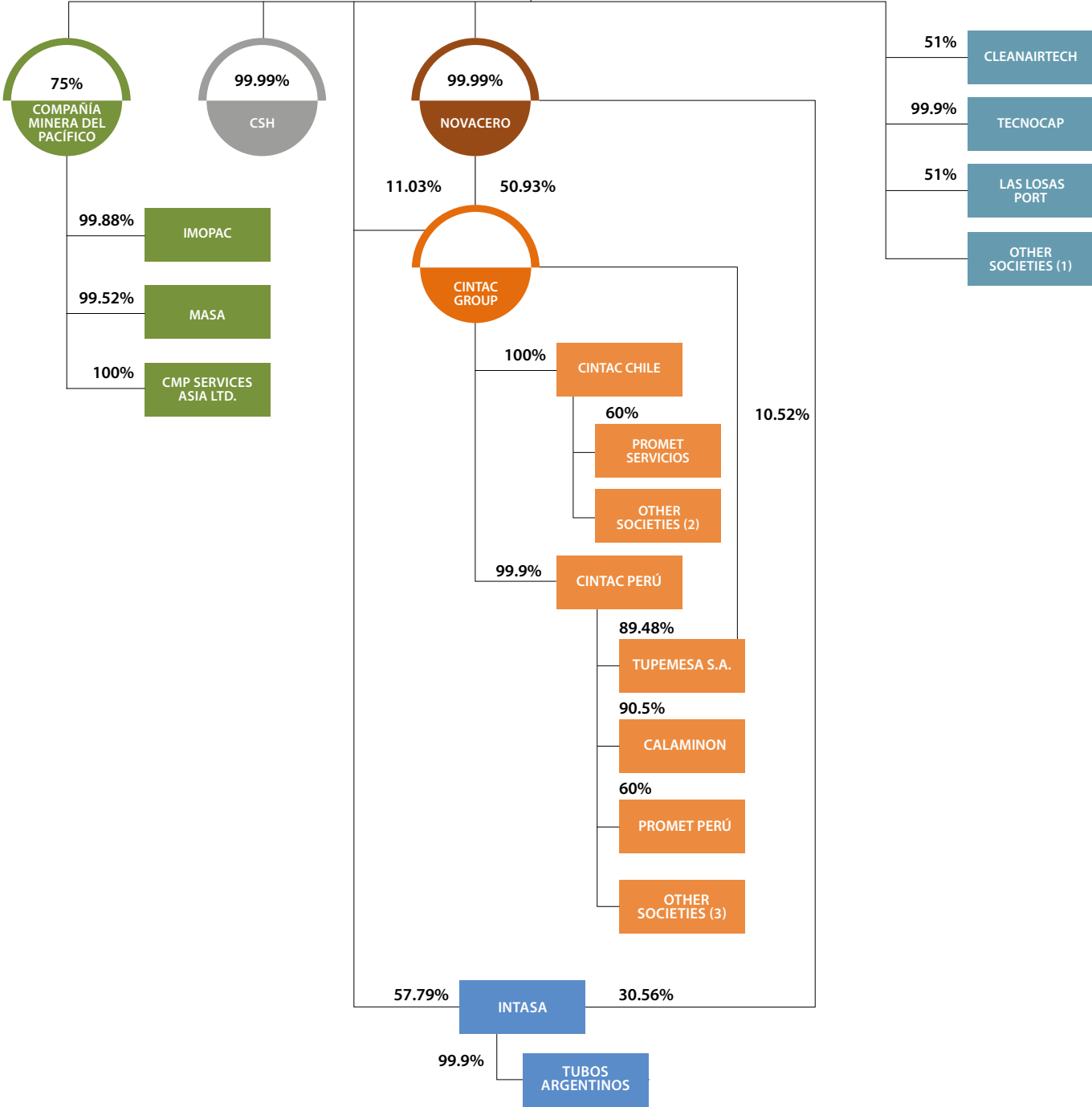
*Date of Appointment: 10/28/2020*



# Organizational Chart



# CAP's Corporate Structure



(1) Regarding to holdings of CAP in Gas Natural Zona Sur SpA, Inmobiliaria Santiago S.A., Inmobiliaria Rengo S.A. and Inmobiliaria Talcahuano S.A.

(2) Regarding to holdings of Cintac Chile in Agrow Spa, Attom Chile, Fundo Santo Tomás and Cintac S.A.I.C.

(3) Regarding to holdings of Cintac Perú in Attom Perú, Inmobiliaria Cintac Perú, Sehover, Signovial, Agrow Perú and Fricam.



## Legal Framework

The Company, as an open limited company, is regulated by laws n°18,045 about the securities market and n°18,046 about limited companies. In addition, the Company and its subsidiaries must abide by the norms applicable to all activities and businesses that they carry out.

### Comments and motions from the committee of directors and shareholders

There were no comments or motions from the Shareholders and the Directors Committee, in conformity of section 3 of article 74 in law n° 18,046.



## CAP Group's Integrity and Compliance Program

Integrity is one of the main values to inspire CAP Group and all its collaborators. Any action or decision executed in the Company must be in line with this, so that we always act abiding by the ethical standards that have characterized it throughout its history.

In view of this, in 2020, our Integrity and Compliance Program made great strides, with efforts focusing on its implementation at a Group level. All this is considered within the framework of its relationship with its stakeholders, with the values and principles that the Company has defined always taking center stage. These are included in our Integrity Code, which also establishes the directives that should guide the conduct of all those who make up CAP Group.

As part of said implementation, in June 2020, the compliance structure was reorganized with the purpose of guaranteeing that its application and continuous functioning are effective both at CAP S.A. and each of its operating companies. To this effect, a Compliance Officer/Crime Prevention Manager was appointed in each of them. They are in charge of implementing the Program, adapting it to their context, operations and risk management needs.

Under the umbrella of this new structure, the Integrity and Compliance Committee was created with the purpose of allowing a good flow of communication and reportability with senior management, between CAP S.A. and its operating companies, as well as within them. In fact, the committee is found both at company and Group level, with latter occurring at the Corporate Committee which is celebrated biannually.

*The goal of our Program is to endow the Group with an institutionalism that can make a culture of integrity and compliance it promotes sustainable in time, so that we always act not only according to the current legislation, but also abiding by the ethical standards that will allow us to create solid relationships and, with it, ensure the Company's long-term sustainability.*

Thus, and under the new structure, a process was started which has involved a series of different activities:

- In 2020, two term reports were presented to the Board, with an account on Program's implementation, its progress and the complaints received in that period. Likewise, a report was presented



to the Directors Committee, informing on the functionality of the Group's new compliance structure.

Along the same lines, in December, the first session of the Integrity and Corporate Compliance Committee took place, considering its new composition.

- Seeking to strengthen our Program, in July and August, respectively, the CAP Board approved a Conflict of Interest Policy, and another one regarding Donations, Sponsorships and Memberships, which establish guidelines that our collaborators should follow for the correct management of both matters and instances to be reviewed if required.
- Along the same lines, we initiated a certification process of our Crime Prevention Model, made by a specialized third-party certifying company. Every company in the Group has a Crime Prevention Model.
- The constant training on the Program's guidelines, contents and practical application ensures its effective implementation and allows us to continued progressing in the development and strengthening of our integrity culture. To that end, and considering the challenges brought by the pandemic, we adapted our annual training plan and carried out different remote activities, through Microsoft Teams, with an instructional and practical focus, and

where the Company's collaborators were trained in different areas related to Compliance, among them: Crime Prevention Model, Integrity Channel (for reporting), Due Diligence, Conflict Interests, Interaction with Public Servants, and Free Competition.

Said events included external guest speakers, among whom we can highlight Alberto Precht, Executive Director of the Chilean chapter of Transparency International, who carried out the Workshop on Interacting with Authorities.

- Along the same lines and under the concept of "Count on Me", a communications campaign was run with the purpose of bringing collaborators closer to the Program and periodically inform about the most relevant compliance topics.
- Finally, among the improvements that our Program went through in 2020, a noteworthy case is the implementation of a platform named "Compliance Record System", which allows all collaborators in the Group to record any conflicts of interest, meetings with public servants, and the delivery or reception of gifts or hospitality online.

Particularly, the declaration of conflict of interest must be filled in yearly and we have included our directors as users in the System.

# Internal Audit Policy

After the review by its Directors Committee, in the session which took place on July 2nd 2020, CAP S.A.'s Board approved a Corporate Internal Audit Policy, which, based on 9 fundamental principles, guides the design of a role of Internal Audit in line with international regulations for the profession, with guidelines for its planning, execution and reporting based on the strategic risks faced by CAP Group in its most relevant processes, while also encouraging the incorporation of information technologies, to manage conventional auditing projects as well moving towards a future environment of Continuous Audit.

The Policy defines the corporate reach of the role in all of the companies in which CAP S.A. holds, directly or indirectly, more than 50% of shares, or has control over financial and operational decisions, **with its precepts, thus, becoming mandatory for all staff members in those companies.**

What follows is a summary of the fundamental principles of the Corporate Internal Audit Policy:

1. **CAP Group's Internal Audit will be dedicated to protecting and/or adding value to the most relevant business processes in the companies within its reach**, prioritized according to the inherent and most critical risks that may threaten said processes.
2. **Internal Audit will always perform with Objectivity and Independence of judgment from the administration of processes, sub-processes or audited activities.** It will base its observations on objective evidence and will permanently evaluate any conflict that may affect its independence.
3. **The company's values, its corporate policies, the law and regulations are all references in the performance of the Internal Audit.** In the exercise of its functions, and whenever it is relevant to the defined goal and reach, Internal Audit will evaluate the administration's observance of CAP Group's Integrity Code and its complementary regulation.
4. **Internal Audit is the "Control of Controls", and a professional support to the Board and senior management in their supervising responsibilities in internal Risk Management and Control activities.** The implementation of a solid Internal Control System, including good practices in Risk Management, is the responsibility of the administration as a whole, under the leadership of General Management.
5. **CAP Group companies should provide Internal Audit with timely access to all the necessary information and sources for the execution of its work programs**, including minutes from Board and Committee meetings, documents, books, databases and/or systems of information, values and other records or information of interest for their work, as well as access to directors, executives and other people that should be contacted for the same purpose.
6. **The management of the audited processes is responsible for committing to the necessary actions to mitigate the control weaknesses observed by Internal Audit.** The methodology of the internal audit will regulate the way in which the observed control weaknesses shall be rated, the formulation of action plans



by management documented in the audit's own reports, as well as follow-up practices to verify compliance with the management's commitments.

7. **Internal Audit needs to form and keep a competent team that is appropriate for the size of the organization and for implementing planning, execution, reporting and follow-up Internal Audit processes**, based on methodologies and parameters that are technical, realistic, measurable, and periodically reviewed. Consequently, it shall consider training opportunities for internal auditors.
8. **Internal Audit will have the same hierarchy of a Corporate Management, reporting directly to CAP S.A.'s Board through its Directors Committee, in order to guard its independence from the processes, sub-processes and activities it audits, as well as having sufficient resources and authority in order to meet this policy's mandate.** Its administrative report will be presented to CAP S.A. General Management, and will make periodical reports on the progress of its Annual Audit Plan.

9. **The incorporation of data analysis technologies is just as relevant for implementing Continuous Audit activities and for adding efficiency to the Audit processes of planning, execution, reporting and follow-up**, and, bearing this and the available resources in mind, the role will include among its responsibilities the gradual implementation of technologies that support the management of the auditing work.

The Internal Audit Policy also establishes the Internal Audit's Mission and Strategic Goals, its ethical commitment with the profession and CAP's Integrity Code, and its main roles and responsibilities, among other definitions of interest for the role's performance.





## CAP Group's Risk Management

### Introduction

CAP Group companies take on the responsibilities and obligations they have to their interest groups and the environment in which they operate, for which CAP, besides defining a series of Corporate strategic risks, establishes a Policy and Corporate Framework which provide the main guidelines regarding the Identification, Analysis, Assessment and Risk Management for the group's companies.

To implement an appropriate Governance structure, Risk Management teams at corporate level and at each operating company periodically report to their respective committees in charge of risks. These committees include at least three of its directors and they deal with issues such as Risk Management performance, the period's contingencies, and the analysis of possible emerging risks.



## Risks inherent to the business

**Operational:** CAP faces a variety of operational risks, such as natural disasters, supply shortages, critical equipment failures, which could cause accidents in the workplace or prolonged unplanned interruptions.

In order to manage these risks effectively, CAP has considered a number of mitigation measures that seek to ensure the correct operation of its sites. One of them is the system for Process Risk Management (PRM), driven by Compañía Minera del Pacífico (CMP) and which allows for an identification of hazards, assess and control existing risks in order to minimize or eliminate the occurrence of incidents and accidents in the company.



Other relevant measures to mitigate risks are: maintenance plans, safe work procedures, contingency plans, audit plans, insurance contracts, among others.

**Environmental and social:** Due to the nature of CAP's mining and industrial activity, the company is subject to risks related to environmental accidents, challenges with communities, permit obtainment, among others.

With the purpose of avoiding the above, CAP has three plans to ensure compliance with RCAs and environmental, social and workplace safety regulations, a program for community relations, and communications and public representation protocols.

**Governance:** The right organizational structure and policies in line with CAP's needs promote efficacy and efficiency in the company's decision-making processes.

In 2020, a new model was designed and approved for CAP'S and its operating companies' corporate government. This model includes formal instances of directors committees in each company, where apart from directors from each company, participants include representatives from CAP (and associates), who review issues that are later validated by the Board.

**Human Resources:** To CAP, human resources is the strategic pillar in ensuring the company's long-term sustainability and, thus, its continuity in contributing to the country. Therefore, the company seeks to identify, retain, attract and develop talents that aid in meeting the group's challenges.

To ensure this, CAP had incentive systems, career path and succession plans, among others.

**Compliance:** The compliance with norms, laws, and regulations that penalize corruption, collusion and fraud is key to ensuring sustainability of the group's businesses, given that any situation of this kind may mean serious sanctions and risk CAP's reputation and image.

In order to prevent this type of risk, there are measures such as continuous team training, the integrity channel, Compliance risk mapping, among others.

## Market risks

**Financial:** Both the operating companies' and the holding's liquidity and solvency may be affected by operational incidents, poor investment portfolio management, market conditions, among other factors, which would negatively impact on the company's cash flow and its access to capital markets.

To mitigate these risks, CAP has implemented liquidity and debt policies, dividend policies, commodity insurance policies, permanent and continuous contact with the market's relevant agents, constant covenant monitoring and permanent reviewing of cash flow forecasts.

**Competitive position:** The competitive position of the group's companies may be weakened by sustained increases in unit costs of production and sales, new strategies from competitors, or other market-related factors.

In order to prepare for possible negative market scenarios, CAP applies measures such as defining investment projects and plans to achieve cost optimization, defining commercial strategies, and establishing investment decisions that increase contribution margins and generate long-term competitive advantages.

\* More information on market risks coverage can be found in the analysis of financial statements up to December 31st 2020.



## Emerging Risks

**Cybersecurity:** Although cyber attacks have been a latent risk for some years, especially in those economic sectors with a greater level of digitalization, this risk may become more relevant for CAP in the next few years. This is due to a greater dependence on the use of IT networks and systems for the analysis, processing and storing of data, in addition to the exponential development of new cyber crime techniques. If this risk is not appropriately managed, critical information may be lost, confidential information may be leaked, or even, critical processes for the operation may be compromise.

In order to face this situation, CAP has increased its cybersecurity budget and has implemented a series of actions destined to minimize this risk. Among the measures adopted, we find: cybersecurity specialists, training opportunities to raise staff's awareness, communication network to alert of possible cyber attacks, and services dedicated to protect and back up data.

**Climate change:** For the past few years, there have been physical manifestations of climate change, such as the long drought that has affected the north of Chile. It is to be expected that in the years to come

these effects will intensify in magnitude and frequency, which could ultimately impact the operational continuity of the group's operating companies. Likewise, as we move into low-carbon economy, it can be expected that there will be greater restrictions for the use of coal or changes in the norms that regulate industrial water uses, emissions of greenhouse effect gases, the use of non-conventional renewable energies or other factors that may impact on the company's costs and investment plans.

CAP has advanced early measures to face these challenges, aligned with the establishment of a sustainable strategy. Among these measures we find the desalination plant that supplies CMP's sites in Copiapó Valley with water, the new contract that will provide CSH with 100% renewable energy from 2021, the energy self-sufficiency plan through CINTAC's solar panels, the decarbonization plans in the group's operating companies, the design and implementation of an "ESG" model that, apart from ensuring compliance with the RCAs, stimulates carbon footprint and energy and hydrological efficiency strategies, among others.





# GROUP'S COLLABORATORS

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# Collaborator Policy and Development

## Organizational Development

The 2020 goals in the Organizational Development area were focused on starting the implementation of the corporate strategy, fomenting the alignment of the companies and their managements with the strategic objectives, promoting an ESG culture within the whole group, as well as talent identification and development in critical roles for the company. In addition to this, there was the parallel management of the pandemic and the constant preoccupation for the wellbeing of the organization's collaborators it involved.

The 2020 working pillars were three: Implementing a Performance and Variable Income Management system, Survey and Design of ESG Culture, and Talent Development.

These pillars will continue to be implemented in their corresponding stages as part of the Corporate strategy for the 2021-2023 period.

1. **Performance and Variable Income.** A performance and variable income management system was implemented that allowed the achievement of three relevant milestones:
  - a. To align all companies and their managements with common financial, operational, strategic and leadership objectives. This multidimensional outlook of performance allowed for the alignment of variables under the companies' control and the design and implementation of strategies that would cause an impact from the corresponding dimensions in the different areas of influence.
  - b. To structure the payment of executives' variable income, standardizing the allocation depending on role, goal achievement and development of competences, integrating it as a part of the performance system, unifying criteria and delivering transparency and justice in the process.
  - c. To train all management areas on goal-setting, feedback, performance assessment and professional development conversation strategies, empowering senior roles in the development of their team through the learning human resources management tools.



2. **ESG culture.** The implementation of the SSIindex survey by ESG Compass was started in each of the Group's companies. This initiative will allow:
  - a. To establish a baseline of sustainability practices and their impact on the involved actors: collaborators, suppliers, clients, communities and investors, in social and environmental areas, both internally and externally.
  - b. To contrast policy development with their implementation and the perception of the impact of the implemented practices have on the companies' involved actors.
  - c. To design specific strategies in those ESG areas that are diminished as well as those that are an axis for the development of the group's corporate strategy, allowing for the prioritization of initiatives in favor of the strategy's development.
3. **Talent Development.** Having the appropriate talents for the implementation of the strategy is defined as a strategic pillar. This involves the right identification and development in each of the Group's companies.
  - a. This project began its identification phase in the last quarter of 2020 and will continue with the design of development strategies in 2021.
4. **Pandemic – COVID-19 management.** In an unprecedented year, it was determined to form a Covid committee that would session biweekly and, thus, diagnose, design and implement strategies focused on the wellbeing of CAP S.A.'s collaborators.
  - a. Bimonthly implementation of the social-emotional survey recommended by the WHO. Its results allowed to design and implement specific benefits for the group with a focus on the teams' physical, emotional, and psychological wellbeing.
  - b. Physical wellbeing: Materials and equipment (chairs, printers, etc.) were provided to those that solicited them, in order to satisfy basic remote working needs to allow for a good performance and sense of achievement for workers. In addition, voluntary and free COVID tests were carried out every two weeks on CAP S.A. facilities.
  - c. Emotional wellbeing: workshops for support and social-emotional skills development were carried out, as well as forming a culture committee, with 15 team members, that held monthly sessions. It was in charge of promoting the team's wellbeing through the development of recreational activities and campaigning for high-impact policies on workers' health.
  - d. Psychological wellbeing: free on-site and remote psychological therapy was offered to those who required it, as well as support from preschool teachers for out collaborators' children, fixed hours free of meetings during the week and daily sessions of active breaks and physical activity, among other activities that seek to support and promote workers' mental health.



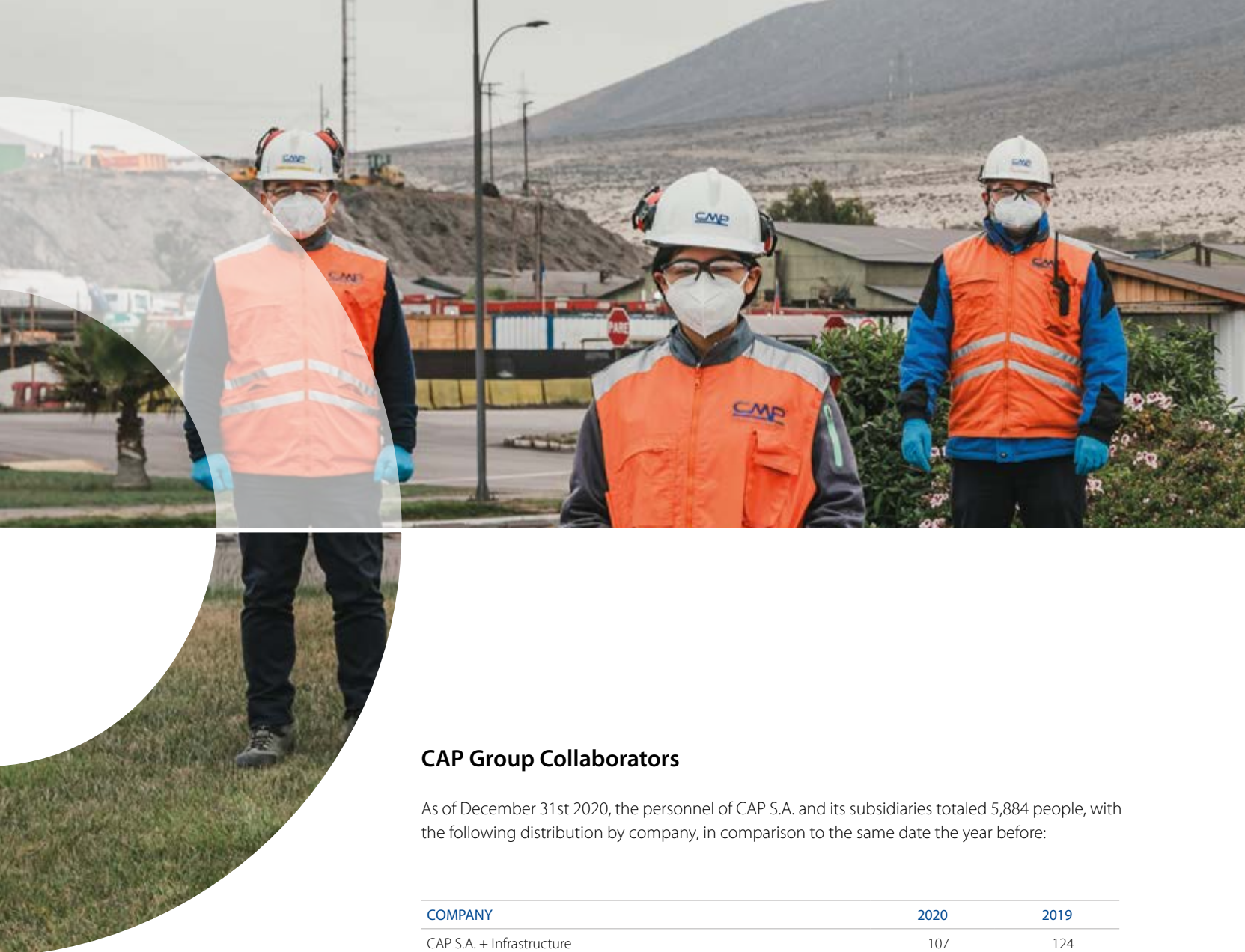
## Sustainability in the Strategy and its Impact on People Development

With the purpose of promoting and consolidating the commitment of its interest groups and fomenting a culture of sustainability, CAP has joined the group of leading companies that implement the Stakeholders Sustainability Index (SSIndex), which allows for the definition of an integrated strategy regarding its interest groups through a transversal risk analysis of: employees, clients, suppliers, communities, and others; to then set management focuses, by group, through an intelligent software.

The result of the 2020 SSIndex among CAP S.A. Collaborators was 86%, which means that an 86% of employees surveyed are committed to the work carried out by CAP on Environmental, Social and Governance (ESG) variables which have an impact on the future of the company and the commitment of its stakeholders to it.

Likewise, CAP was certified in 2020 for its management regarding Collaborators, where 86% of this group is committed to and favorably values its risk and sustainability management, with a statistical level of trust of 95%.





## CAP Group Collaborators

As of December 31st 2020, the personnel of CAP S.A. and its subsidiaries totaled 5,884 people, with the following distribution by company, in comparison to the same date the year before:

COMPANY	2020	2019
CAP S.A. + Infrastructure	107	124
Cía. Siderúrgica Huachipato S.A.	833	860
Cía. Minera del Pacífico S.A.	2,364	2,516
Steel Processing Group	2,580	1,356
<b>TOTAL</b>	<b>5,884</b>	<b>4,856</b>

Of the total shown in the table above, 1,712 people are engineers, technicians and other specialist university professionals and 4,172 people are qualified workers for operational, administrative and service tasks. At CAP S.A. headquarters there was a distribution of 6 managers, 47 professionals and technicians, and 20 qualified workers employed.



## Diversity

	GENDER		NATIONALITY	
	Male	Female	Chileans	Foreigners
Board of Directors (*)	7	-	6	1
Chief Executive Officer and Direct Reports (*)	6	1	7	-
Company (**)	5.063	814	4.656	1.221

	AGE					
	< 30	30 - 40	41 - 50	51 - 60	61 - 70	> 70
Board of Directors (*)	-	-	-	3	2	2
Chief Executive Officer and Direct Reports (*)	-	1	5	1	-	-
Company (**)	796	2.086	1.449	1.169	374	3

	SENIORITY				
	< Less than 3 years	Between 3 and 6 years	Between 6 and 9 years	Between 9 and 12 years	More than 12 years
Board of Directors (*)	4	2	-	1	-
Chief Executive Officer and Direct Reports (*)	6	-	-	-	1
Company (**)	2.522	792	613	513	1.437

(\*) These figures belong to corporate CAP S.A.

(\*\*) These figures consider management roles at subsidiaries and CAP S.A. Group staff at a consolidated level.

Company	GAP %
CAP S.A.	No gender wage gap

### Gender wage gap:

\* Wage gap: Difference in wages between men and women, expressed as percentage of men's salaries.

\*\* Gross average wages were used to calculate the wage gap.



03



# Purpose

From the very heart of our processes,  
we create a different type of mining,  
for the sustainable development  
of the territory and its people.

# Strategy

- 1.- To ensure operational continuity
- 2.- To stabilize the operation
- 3.- To optimize work
- 4.- To seek for opportunities of growth

# Board of Directors

As of December 31st 2020, the Board of Compañía Minera del Pacífico S.A. is composed by the following members:



**JUAN ENRIQUE RASSMUSS RAIER**  
Chairman  
Civil Industrial Engineer



**MARCELO AWAD AWAD**  
Director  
Civil Industrial Engineer



**JULIO BERTRAND PLANELLA**  
Director  
Civil Industrial Engineer



**VICTORIA VÁSQUEZ GARCÍA**  
Director  
Bs. in Business Administration



**VICENTE IRARRÁZAVAL LLONA**  
Director  
Geologist



**YASUHARU TANAKA**  
Director  
Commerce



**ÁNGEL MILANO RODRIGUEZ**  
Director  
Bs. in Business Administration

# Management

## **FRANCISCO CARVAJAL PALACIOS**

Chief Executive Officer  
Civil Mining Engineer

## **CESAR GARRIDO QUINTANA**

Operations Vice President  
Electrical Engineer

## **JOHN P. MC NAB MARTIN**

Sustainability Manager  
Lawyer

## **MAKARINA ORELLANA FARIAS**

Planning and Development Manager  
Civil Mining Engineer

## **CAROLINA LOMUSCIO ZAMORANO**

Personnel Manager  
Psychologist

## **PATRICIO VENEGAS TRONCOSO**

Commercial Vice President  
Civil Industrial Engineer

## **MACARENA HERRERA SANDOVAL**

Occupational Health and Safety Manager  
Journalist

## **CARLOS SEPÚLVEDA VÉLEZ**

Finance and Administration Vice President  
Bs. In Business Administration

## **CARLOS GOMEZ VEGA**

Project Development Vice President  
Civil Industrial Engineer





## Production

In 2020, the Company's total production and purchases was 14 million 968 thousand MT, of which 6 million 7 thousand MT were from the production in Copiapó Valley, 5 million 847 thousand MT from the production in Huasco Valley, and 2 million 800 thousand MT from the production in Elqui Valley. In 2020, purchases of sinter feed from third parties totaled 313 thousand MT.

The following table compares the production of 2020 to that of 2019:

(thousands of metric tons)	2020	2019	VARIATION	
			Th MT	%
<b>TOTAL PRODUCTION AND PURCHASES</b>	<b>14,968</b>	<b>10,090</b>	<b>4,879</b>	<b>48%</b>
<b>TOTAL PRODUCTION</b>	<b>14,655</b>	<b>9,950</b>	<b>4,706</b>	<b>47%</b>
<b>HUASCO VALLEY</b>	<b>5,847</b>	<b>1,576</b>	<b>4,271</b>	<b>271%</b>
<b>Pellets Plant</b>	<b>3,942</b>	<b>1,574</b>	<b>2,368</b>	<b>150%</b>
Self-fluxing Pellets	1,714	969	745	77%
Direct-Reduction Pellets	-	374	-374	-100%
Pellets Feed	2,098	230	1,868	811%
Pellets Chips	130	-	130	-
Fines	-	-	-	-
<b>Sinter Feed</b>	<b>1,905</b>	<b>2</b>	<b>1,903</b>	<b>95,150%</b>
Los Colorados mine to Guacolda II port	1,905	2	1,903	95,150%
<b>ELQUI VALLEY</b>	<b>2,800</b>	<b>2,177</b>	<b>623</b>	<b>29%</b>
Lumps	162	96	67	70%
Fines	120	66	54	83%
Sinter Feed	688	431	257	60%
Pellets Feed	1,829	1,585	244	15%
<b>COPIAPÓ VALLEY</b>	<b>6,007</b>	<b>6,197</b>	<b>-190</b>	<b>-3%</b>
Sinter Feed	423	528	-105	-20%
Atacama Pellet Feed	2,207	2,445	-238	-10%
CNN Pellet Feed	3,377	3,224	153	5%
<b>TOTAL PURCHASES</b>	<b>313</b>	<b>140</b>	<b>173</b>	<b>124%</b>



# Copiapó Valley

## Magnetite Plant

In 2020, the Magnetite Plant processed 18 million 795 thousand MT from Compañía Contractual Minera Candelaria (CCMC), with an average magnetic Fe grade of 6.46% and Fe dtt of 58.59%. Additionally, it continued with the feed of third-party iron ore fines, processing 1 million 183 thousand MT from Los Colorados Mine and 166 thousand 194 tons from Minera Alianza, a supplier from the Atacama region.

Operating time in the Magnetite Plant was 8,550 hours and the production rhythm of pellet feed was 302.7 t/h. In the year, there was a feed of 1 million 142 thousand m<sup>3</sup> of desalinated water.

The filtered production of Atacama pellet feed from the Magnetite plant was of 2 million 207 thousand MT. 44.74% of this production was obtained from fresh CCMC tailings, while the remaining 55.26% was from third-party iron ore fines. Production quality was a Fe grade of 65.77%. Average production rhythm was 6.17 MT per day, the equivalent to 359 days of operation.

Physical availability during 2020 was 96%. It complied with programmed closures, within budget, despite contingencies related to the pandemic and CCMC operating conditions (workers' strike).

The Magnetite Plant's electric consumption was 111,235.94 MWh.

## Cerro Negro Norte

In Cerro Negro Norte (CNN), the movement of accumulated material was of 26 million 75 thousand MT, and the open pit extraction totaled 23 million 386 thousand MT. The average rhythm of material movement was 71.32 MT per day, the equivalent to 365.58 days of operation and a specific consumption of oil of 0.42 liters per moved ton. The filtered production of pellet feed from CNN was 3 million 377 thousand MT with a Fe grade of 65.50%. Average production rhythm was 9.24 MT per day, the equivalent to 365.58 days of operation.

Since July 2020, a pre-concentrate is received from Los Colorados Mine, totaling 273 thousand MT received in the year.

The total of Crushed material was 6 million 940 thousand MT and the total of processed material was 7 million 103 thousand MT.

In the Concentration plant, physical availability during the year was 91.9%, utilizing 92.5%

In 2020, 4.44 million m<sup>3</sup> of mixing water were received, of which 1.60 million was desalinated water and 2.84 million was filtered water.

Cerro Negro Norte's electric consumption was 183,747.28 MWh.

## Punta Totalillo Port

In Punta Totalillo Port, 70 shipments took place, with a total of 6 million 978 thousand MT. Quantities are broken down into 5 million 856 thousand MT of pellet feed, 800 thousand MT of sinter feed, 322 thousand MT of copper concentrate from SCM Minera Lumina Copper S.A. – Caserones. While, the 70 loadings are broken into 38 loads of pellet feed, 7 of sinter feed, 5 combined loads of pellet and sinter feed and 20 ships of copper concentrate.

Thus, the utilization rate of the docks in Punta Totalillo Port reached 66%.

Shipment qualities for sinter feed were 63.95% Fe grade, the pellet feed from the Magnetite Plant to China was 65.60% Fe grade, and the pellet feed from CNN to China 65.64% Fe grade.

The total inventory at Puerto Punta Port was 70 thousand MT, corresponding to 20 thousand MT of Magnetite Plant pellet feed, 40 thousand MT CNN pellet feed, 3 thousand MT MLC sinter feed, and 7 thousand MT third-party sinter feed.

Puerto Totalillo Port's electric consumption was 14,987.96 MWh.

In 2020, 423 thousand MT of sinter feed were received from MLC and 313 thousand Mt of sinter feed were bought from SCM Desierto de Hierro.

Among the main executed projects in the port, we find the fire systems updating projects (with 86% of physical progress) and the implementation of the Cancha 1 and 2 VDF Feeder (with 80% of physical progress).



# Huasco Valley

## Los Colorados Mine

The total movement of materials from Los Colorados Mine in 2020 was of 46 million 855 thousand MT, which included a feed of the Beneficiation Plant of 10 million 339 thousand MT, achieving a pre-concentrate production of 7 million 724 thousand MT with a Fe grade of 61.6%.

The production of pre-concentrates from rejects from Los Colorados Mine totaled 233 thousand MT, requiring the processing of 812 thousand MT of rejects from the Beneficiation Plant, with a physical availability of 92.1%.

The transported amount of pre-concentrates from Los Colorados Mine via rail to the Pellet Plant totaled 6 million 519 thousand MT. Moreover, 1 million 885 thousand MT were transported by trucks to Copiapó Valley and 1 million 225 thousand MT to Elqui Valley. This way, the total transported amounts of pre-concentrates from Los Colorados Mine was 9 million 629 thousand MT.

186 thousand MT of pre-concentrates from rejects were transported to El Romeral Mines and 42 thousand MT to the Magnetite Plant, thus reaching a total shipment of 228 thousand MT from Los Colorados Mine.

## Pellet Plant

In 2020, the production achieved by the Pellet Plant reached the global figure of 3 million 812 thousand MT, which include: 1 million 714 thousand MT of self-reducing pellets, with a Fe grade of 65.86%, and 2 million 98 thousand MT of pellet feed, with a Fe grade of 68.77%. Additionally, it registered a sinter feed production of 1 million 905 thousand MT.

## Guacolda II Port

Guacolda II Port serviced 41 loadings, with a total of 6 million 617 thousand MT destined to the internal and external markets. Of that total, 2 million 10 thousand MT were self-reducing pellets for China, Korea, and the national customer CSH; 2 million 366 thousand MT were pellet feed for China and Japan; 1 million 983 thousand MT were sinter feed for China; 20 thousand MT were lumps for China; 192 thousand MT were pellet chips with China as final destination; and 47 thousand MT were fines from Huasco going to China.

Of the 41 total shipments, 11 were of basic pellet, 11 of pellet feed, 9 of sinter feed, 4 were mixed loadings of sinter feed and pellet feed, 3 mixed loadings of sinter feed and basic pellets, 1 mixed loading of pellet chips and Huasco fines, 1 mixed loading of pellet chips and sinter feed, and 1 mixed loading of sinter feed, pellet feed and lumps.

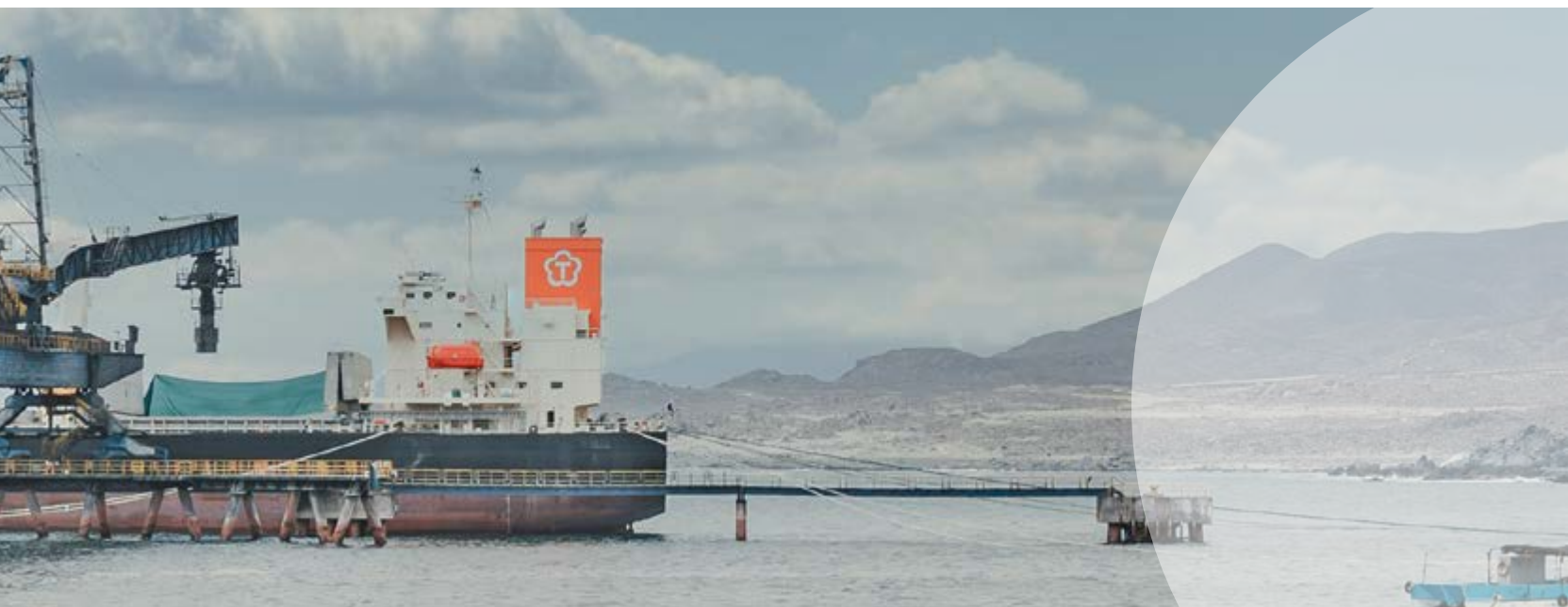
Las Losas Port serviced 11 ships with loading totals of 396 thousand MT of basic pellet for national client CSH.

Together, both ports loaded a total of 7 million 14 thousand MT.

## Relevant Facts

Among the relevant facts about Los Colorados Mine (MLC), in 2020, the highlight is the collective vacation in the mining area in January, only feeding the plant with a reduced group of operators.

Among operational parameters, energy consumption in the MLC Plant was of 41,371.68 MWh; physical availability reached 83.0% for



the Beneficiation Plant; the mine's specific oil consumption was 0.62 liters per ton, and physical availability of loading ships and transport were 61.7% and 59.9%, respectively.

Regarding FFCC transport, we can highlight the commissioning of a seventh locomotive, increasing the transport of pre-concentrates from MLC.

Regarding the Pellet Plant, we can highlight the commissioning of the Rotating Blast Furnace, which allowed to comply with the environmental norms on NOx limits. Moreover, the commissioning of the NaOH Plant (caustic soda), allowing to comply with the environmental norms SO2 limits.

The production achieved by the Pellet Plant was 2 million 238 thousand MT higher than the previous year, mainly due to the reception of the shiploader in Guacolda II Port, which allowed to go back to the previous loading rates, as well as the change in mixed production due to a new loading strategy, prioritizing sinter feed production.

Regarding operational results, the production of concentrates in the four grinding lines reached a total of 4 million 295 thousand MT, with a mill operating time of totaling 164 days, a pre-concentrate feed of 4 million 582 thousand MT, and a weight recovery of 87.8%.

Among operational parameters, the Concentration Plant had a physical availability of 69.1%, and the Pellet Plant 51.3%. This meant an energy consumption of 205,576.9 MWh.

Pellet production generated a production rhythm that reached an average 453 MT per hour, with an effective operating time of the Heat Hardening area, equivalent to 164 days.

Among the main shutdowns due to maintenance in the Pellet Plant, the following can be highlighted: one major repair in the Pelletizing area, which began in January and lasted 54 days; two minor repairs that took 14 days in total, in May and December; two special repairs totaling 57 days between August, September, October and November, a pellet feed production reserve of 26 days between September and October, and works on the furnace for 17 days in March.

Guacolda Port records the ending of the first loading by the new shiploader in January as a noteworthy event. With the application of new GRP technologies and new maintenance strategies, it managed to load over 1 million MT in December.

Total Huasco Valley inventories total 129 thousand MT, broken into 2 thousand MT of pre-concentrates and 5 thousand MT of pre-concentrate rejects (P-40), 30 thousand MT of pellet chips. In Guacolda Port: a thousand MT of basic pellets, 32 thousand MT of pellet feed, 27 thousand MT of sinter feed, 6 thousand MT of pellet chips and 27 thousand MT of lumps.

In 2020, activity at the sites of El Algarrobo Mines and Cristales Mine continued to be suspended.

# Elqui Valley

## El Romeral Mines

In 2020, the production of El Romeral Mines was 2 million 800 thousand MT of iron ore stocked in the port of Guayacán. This is broken down into 120 thousand MT of Pleito sinter feed with a Fe grade of 60.43%, 688 thousand MT of Huasco sinter feed, 162 thousand MT of Pleito lumps of 59.81% Fe grade and 1 million 829 thousand MT of 66.63% Fe grade pellet feed.

Regarding fuel and electricity, there was a specific consumption of oil of 3.084 L/t and an electric energy consumption 84,161.2 MWh.

The production of El Romeral Mines was achieved with a total movement of material of 17 million 431 thousand MT, with a plant performance of 38.1 MT per day, and of which 4 million 445 thousand MT of mineral from low-grade stockpiles were fed to the Crushing Plant, with a performance of 12.2 MT per day.

The Concentration Plant was fed with 2 million 445 thousand MT. This allowed for a production of 1 million 500 thousand MT of pre-concentrate material, with a performance of 4.1 MT per day.

In the Grinding plant, 2 million 536 thousand MT of pre-concentrate material were used to produce pellet feed were fed, of which 1 million 244 thousand MT were pre-concentrates from low-grade stockpiles produced in the Concentration plant, 142 thousand MT were pre-concentrates produced from the reworking of old rejects by mobile plants, 252 thousand MT were recovered pre-concentrates for repulping, 186, 500 and 58 thousand MT were P-40 pre-concentrates, P-55 pre-concentrates and sinter feed, respectively, from Los Colorados Mine, 154 thousand MT were fine pre-concentrates brought from the Pleito district, with a plant production performance of 4.8 MT per day.

## Guayacán Port

Guayacán Port catered 35 vessels, destined to the internal and external markets. Of the total, 21 ships were loaded with 1 million 716 thousand MT of pellet feed for China, USA, Algeria and Australia; 7 ships were loaded with 750 thousand MT of sinter feed for China; 1 ship was loaded with 44 MT of lumps for China, and 2 vessels were loaded with a combination of 85 thousand MT of sinter feed and 153 thousand MT of pellet feed, with China as final destination. For the internal market, 4 ships were loaded with 126 thousand MT of lumps for San Vicente.

As a result of the years operations, Elqui Valley has had inventory remainders: at the Pleito site, 887 MT of sinter feed; in El Romeral mine, 5 thousand MT of MLC sinter feed and 1.4 thousand MT of pellet feed; in Guayacán Port, 23 thousand MT of Pleito lumps, 8 thousand MT of Pleito sinter feed and 30 thousand MT of pellet feed.

## Relevant Facts

On April 2<sup>nd</sup> 2020, Pleito District began the development of its Phase II, with its first blasting. On September 8th, the inauguration of Phase V of El Romeral Mines took place and it was attended by Company executives, regional authorities and the Mining Ministry, Mr Baldo Prokurica. On December 9th 2020, Pleito District celebrated the first blasting that initiated the exploitation of the Bronze open pit.





# Commercialization

## Industry

Compañía Minera del Pacífico S.A. (CMP) is the main producer and exporter of high grade magnetic iron ore concentrates and pellets in Chile, participating as such in the international iron ore and steel markets.

In 2020, the global production of crude steel is estimated in 1,864 million tons, which represents a decrease of 0.9% under the 1,880 million tons produced in 2019. China again individually led the ranking of main crude steel producers with a production of 1,053 million tons, i.e. a 5.2% increase regarding last year's volumes (1,001 million MT). This way, China's global participation rose from 53.3% in 2019 to 56.5% in 2020. India is in second place, with a production of 99.6 million MT, and, in third place is Japan, with a production of 83.2 million MT. Steel exports from China to the rest of the world dropped for the fourth year in a row, reaching 53.67 million MT versus 64.3 million MT exported in 2019. This is explained by a greater need for steel inside China, diminishing the interest for exporting. On the other hand, the increasing global policy for establishing antidumping measures together with a drop in global consumption due to the Covid-19 pandemic, also caused this lower

level of exports. All over the world, many steel making companies had to shut down due to the lower demand of steel during lockdowns caused by the pandemic.

Regarding the supply, 2020 continued to be marked by the slow recovery of production caused by the accident at Vale SA's tailings dam in their Feijão mine, located in Brumadinho, in the province of Minas Gerais, on January 25th, 2019. Another important effect was the smaller production of iron ore due to the Covid-19 pandemic. This provoked an important decrease of iron ore offer, causing the Platts 62% price to rise considerably in 2020 and which worsened during the second half of the year for fears of shortages. The four most relevant actors in the iron ore market continue to be the four producers that represent about two thirds of the world sea-trading market, who are the Australian BHP Billiton, Rio Tinto and FMG (Fortescue Metals Group), as well as the Brazilian Vale. Meanwhile, other minor producers, such as Roy Hill in Australia, Anglo American and CSN in Brazil have consolidated their production levels.



The price for iron ore calculated according to the IODEX Platts 62% Fe CFR China price showed an increase of 16.56% compared to 2019. It reached an average price of US\$ 108.87 per dry MT (compared to the US\$ 93.40 per dry MT in 2019). On the other hand, the 65% Fe price rose 16.79% compared to 2019, averaging US\$ 122.01 per dry MT (versus US\$ 104.47 per dry MT in 2019). Standard deviation, to look at price stability, was two times higher than in 2019. Platts 62% reached a deviation of US\$ 21.4 per dry MT, compared to US\$ 12.1 per dry MT the previous year. While the deviation for Platts 65% was of US\$ 20.13 per dry MT versus US\$ 12.31 per dry MT in 2019.

During 2021, the market is expected to privilege direct loading products and high-grade iron ore instead of low-grade products that are high in impurities. The smaller global pellet supply combined with a greater global expected demand could encourage a rise in pellet premiums, both blast furnaces and direct reduction processes. Likewise, the deployment of the economies worldwide could foment a greater demand for steel and the possible inoculations against Covid-19 may help keep economies thriving all over the world.

## Risk factors

The complex international geopolitical scenario, led by the effects of the Covid-19 pandemic and vaccination campaigns; virus mutations that may bring with them a third or fourth wave of infections; international financial weakness caused by a high level of debt; a global economic slowdown that started in 2020; and the strong concentration of the Company's sales in Asia, particularly China, all appear as the main risks that the Company will need to face and deal with in 2021.

## Commercial relationships with subsidiaries and associates

CMP is the main iron ore and pellet provider of the integrated Chilean steel company Compañía Siderúrgica Huachipato S.A. During the past year, 665.123 tons of pellets and 126.065 tons of lumps were shipped to this company, regulated by a long-term contract.

## Sales

The consolidated iron ore sales in 2020 reached a total of 16 million 549 thousand MT, which represents a rise of 78.2% compared to total sales from the previous year. The main reason for this relevant increase was the rise in shipments from Guacolda II Port, which went back into operation in December 2019.

Sales in the external market reached 15 million 753 thousand MT, while those in the internal market totaled 796 thousand MT. This means that the external market represented 95.2% of total sales, while the internal market represented the remaining 4.8%.

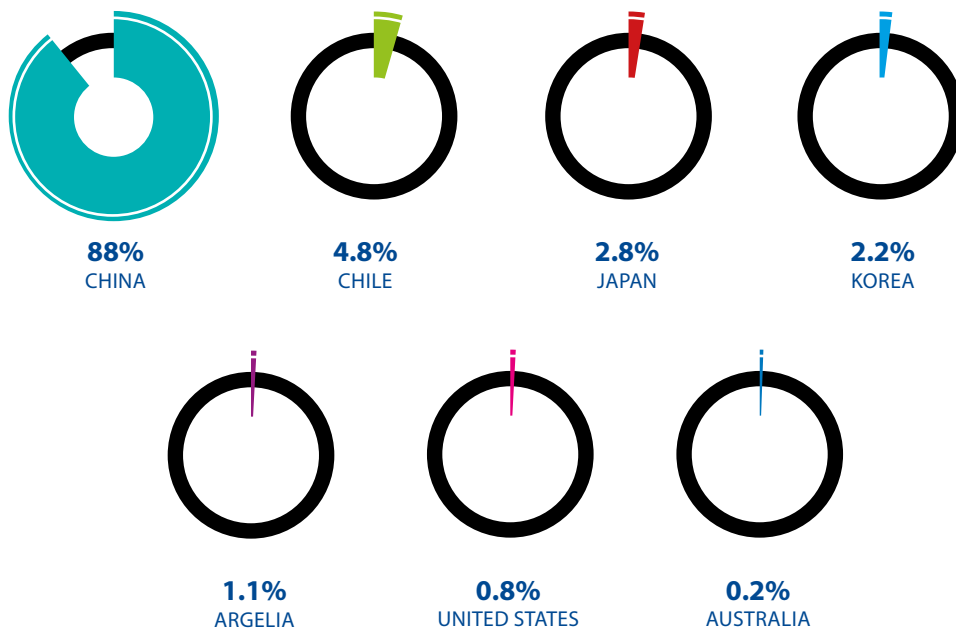
In aggregate figures, the Asian market represented 93% (15,4 million MT) of the Company's total exports. Likewise, China concentrated 88% of total sales.

The following table compares the sales of 2020 and 2019:

CMP's sales (thousands of metric tons)	VARIATION			
	2020	2019	Th MT	%
<b>TOTAL</b>	<b>16,549</b>	<b>9,285</b>	<b>7,264</b>	<b>78%</b>
<b>HUASCO VALLEY</b>	<b>7,017</b>	<b>1,169</b>	<b>5,848</b>	<b>500%</b>
External market	6,348	471	5,877	1,249%
Internal market	669	698	-29	-4%
<b>ELQUI VALLEY</b>	<b>2,876</b>	<b>2,143</b>	<b>733</b>	<b>34%</b>
External market	2,749	2,143	606	28%
Internal market	127	1	126	-
<b>COPIAPÓ VALLEY</b>	<b>6,656</b>	<b>5,973</b>	<b>684</b>	<b>11%</b>
External market	6,656	5,973	684	11%
Internal market	-	-	-	-

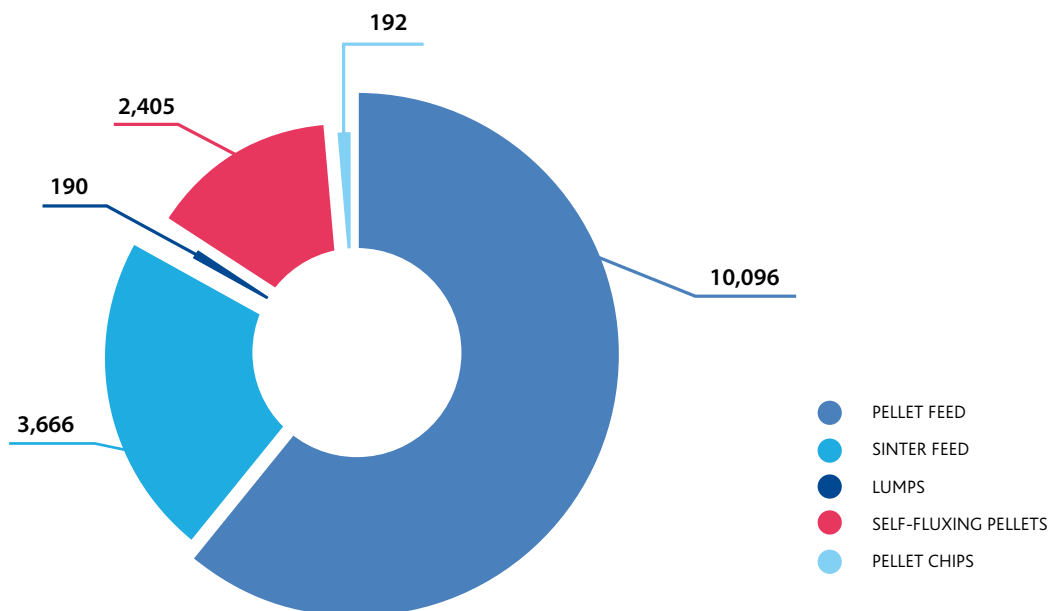
## Sales By Market 2020

Considering the destination of the products, in 2020, the Company supplied 7 different geographical markets. The following table shows these destinations and shipped amounts:



## Total Sales by Products 2020 (Th MT)

In terms of the product portfolio, pellet feed is the top one in sales, followed in quantity by the pellet for blast furnace and sinter feed. All three products represent 98% of all shipments. Next, the sales of fines, pellet chips and lumps were identified:

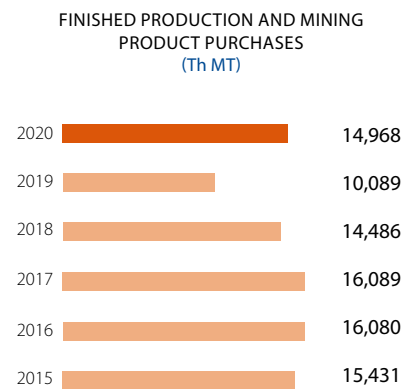
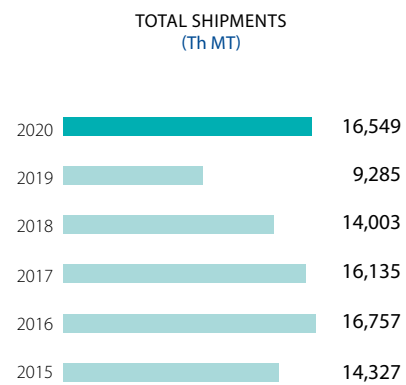




### CMP'S Customers 2020

COUNTRY	CUSTOMER
CHINA	RGL group
	Xinyu
	GMG
	Glencore
	Wuhu Fuxin
	Ningbo I&S
	Shenlong
	Jiahe International
	Mercuria
	RtM
	HBIS
	Rizhao
	Jianlong
	Cargill
Shagang	
CHILE	CSH
	Ecometales
	Redoxi
	Quimica del Sur
JAPAN	Kobe
KOREA	Posco
ARGELIA	Tosyali
UNITED STATES	Umi
AUSTRALIA	Umi

### Graphic Summary



# Reserves and Resources

Below, we present the information concerning geological resources and mining reserves as of December 31st 2020, with respect to the mines that CMP is currently exploiting, and other iron ore deposits where CMP has exploitation rights, including tailings from the Candelaria copper mine (in million metric tons).

DEPOSIT		RESOURCES DECEMBER 2020 (million of tons)								
Name	Location	Measured	%Fe	Indicated	%Fe	Inferred	%Fe	TOTAL	%Fe	
El Laco	Antofagasta							733.9	49.2	*
Cerro Negro Norte	Copiapó	580.2	29.6	38.0	26.9	2.2	27.5	620.4	29.5	©
Candelaria	Copiapó							645.3	11.4	n/c
Los Colorados	Vallenar	771.1	34.4	41.3	29.5	18.3	30.0	830.8	34.1	©
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							3,157.9	27.1	
- Pleito (Tofo Norte)		941.5	25.4	455.0	23.4	189.7	22.5	1,586.2	24.5	©
- Sierra Tofo		188.4	22.6	199.7	22.3	44.6	23.2	432.8	22.5	©
- Pleito Este		187.5	24.7	232.8	23.7	90.5	22.6	510.8	23.9	©
- Chupete		156.8	34.5	253.4	37.4	213.1	45.5	623.2	39.4	©
Romeral	La Serena							561.4	27.3	
- Low grade stockpiles								6.0	16.7	*
- Phase 5		417.8	28.7	114.3	24.1	23.3	20.2	555.5	27.4	©
<b>TOTAL</b>								<b>7,975.0</b>	<b>29.7</b>	

## 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 CMP 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 following:

Sector	Certification date
Pleito (Tofo Norte)	January 2014
Algarrobo	October 2014
Alcaparra D	January 2015
Cerro Negro Norte	July 2015
Chupete	March 2016
Alcaparra A	March 2016
Sierra Tofo	October 2016
Romeral	April 2019
Los Colorados	April 2019
Pleito Este	October 2019

- \* The stated resources will be certified during 2021 and 2022

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



DEPOSIT		RESERVES DECEMBER 2020 (million of tons)						
Name	Location	Proven	%Fe	Probables	%Fe	TOTAL	%Fe	
El Laco	Antofagasta					376.3	56.7	*
Cerro Negro Norte	Copiapó	288.0	33.8	7.3	31.3	295.3	33.7	©
Candelaria	Copiapó					645.3	11.4	n/c
Los Colorados	Vallenar	296.2	34.5	96.8	40.4	393.0	36.0	©
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	716.1	26.1	204.3	24.6	920.4	25.7	©
Romeral	La Serena					93.3	30.3	
- Low grade stockpiles						6.0	16.7	*
- Phase 5						87.4	31.2	*
<b>TOTAL</b>						<b>2,918.8</b>	<b>29.9</b>	

**Comments:**

© The reserves indicated are certified in accordance with Law 20,235 by 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 CMP or in any related company.

Sector	Certification Date
Los Colorados	November 2013
Cerro Negro Norte	December 2015
Pleito (Tofo Norte)	December 2015

\* The stated resources will be certified during 2021 and 2022

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

## Mining property concessions

The following table shows the exploration and exploitation concessions as of December 31<sup>st</sup> 2020:

2020		
	Number	Area (ha)
<b>Exploitation concessions</b>	<b>1,869</b>	<b>431,737</b>
Constituted	1,839	422,785
In process	30	8,952
<b>Exploration concessions</b>	<b>30</b>	<b>11,200</b>
Constituted	25	8,500
In process	5	2,700

## Sustainability

The company focused its work on the continuity and optimization of its operations, taking measures to improve its infrastructure, community relations, environmental compliance, corporate governance and the organizational area. This way, it seeks to prepare for a future growth stage. This scenario evidenced an important change in the management of all its processes, incorporating sustainability criteria as its central axes. For example, an operational risk management system that includes environmental and community risks, so that they are part of the daily concerns of those who work in these operations and that potential breaches in the compliance of norms and commitments are dealt with proactively.

## Health and safety

Regarding accidents, in 2020, the company achieved the lowest frequency rate in its history. In terms of health, the COVID-19 pandemic was one of the most relevant issues of the year. To this day, CMP has one of the lowest infection rates in the industry. This is aided by the fact that 97.2% of its staff live near its sites, which allowed for early preventive measures, such as the end of all air travel. To this we can add a series of controls and measures, which include a reduction of on-site personnel (reaching 34%), the use of data analytics to map risk zones, and the organization for cell work to which traceability is applied. A COVID committee was formed with contractors which was in charge of identifying risks, analyzing controls and defining protocols. An epidemiological service for follow-up and case traceability, quick random testing and the distribution of prevention kits was also implemented. Despite the measures detailed above, we were sorry to have to include one death due to COVID-19 in 2020.

### Safety indicators (own workers and contractors)

	Unit	2019	2020
Worked hours	Hours	14,737,739	14,833,085
Lost time accidents	N° of accidents	17	12
Frequency rate	Rate <sup>1</sup>	1.15	0.81
Workplace fatalities	N° of people	0	0

### COVID-19 indicators (own workers and contractors)

	Unit	2020
COVID-19 fatalities	N° of people	1
COVID-19 infections	N° people	148 <sup>2</sup>
Infection percentage	% <sup>3</sup>	2.03
Investment for COVID-19 prevention and mitigation <sup>4</sup>	Thousand US\$	1.384



**7,284 people**  
Staff total as of the end of 2020  
(own workers and contractors)

<sup>1</sup> Number of lost time accidents in the year by million of worked hours.

<sup>2</sup> Operational personnel.

<sup>3</sup> Number of infections divided by total number of staff members.

<sup>4</sup> It does not include community support activities.





## Environmental compliance

CMP does a comprehensive follow-up of compliance programs related to site controls and environmental obligations surveys (RCA) of its current projects. The widest of the is the Compliance Program (PDC) for Huasco Valley, approved by the Environmental Superintendence. It includes 101 measures, in different areas, among which we can highlight the termination of tailing dumping at the Pellet Plant disposal, in bay of Chapaco. A land deposit will be dedicated to that purpose in plots owned by CAP in Huasco. The construction considers an anti-seismic design and a storage capacity of 7.6 million m<sup>3</sup> of tailings. After its closure in 2030, it will be completely covered by soil from the area and native species. Moreover, it will mean saving water, given that the tailings will be filtered. The appropriate environmental impact study was submitted in January 2020.

The program also includes the installation of protective panels in concentration yards, paving of roads and cleaning of vehicle tires inside the Pellet Plant, closing and cleaning of train wagons, continuous cleaning of the railway and welding of tracks, among other measures that amount to an investment of about US\$ 37 million. As of December 2020, 86% had been completed.

The PDC is linked to the Reduction of Air Pollution Prevention Plan for Huasco and its surrounding areas (PPDA Huasco). Its terms include the installation of a second electrostatic precipitator in the Pellet Plant, which will make possible for 100% of emissions associated to combustion processes on CMP sites to have an abatement system.

The project, which was planned to be ready in September 2021, was held up by three months because of the difficulties for importing the precipitator from China due to the pandemic. However, despite the delay, CMP already complies with the new SO<sub>2</sub> and NO<sub>x</sub> regulations, which began in 2020, as well as with the new regulation of particulate matter which is in force since January 1st 2021. The introduction of the new precipitator will help us go beyond the demands of current regulations.

### Environmental management indicators

	Unit	2020
Total waste generated in a year, including hazardous and non-hazardous materials	tons	9,138.3
Total recycled waste in a year	tons	3,663.9
Recycled waste percentage	% <sup>5</sup>	40%
Desalinated water used in a year	m <sup>3</sup>	2,946,812

### Community Relations

CMP is one of the main local employers, beside the fact that all its executives live in the regions of Atacama and Coquimbo. This makes it easier for the company to stay in tune with communities and territorial development. The restrictions on mobility brought by the pandemic have deepened this logic, which has expanded to suppliers, prioritizing the hiring of local services in different fronts. For instance, the company is one of the largest users of highway trucks in the country (over 400 a day), and today, all of them are hired locally. To ensure that each supplier complies with the required safety and maintenance standards, CMP is working to include them in its asset management system and is currently certifying mechanical workshops in the area. Alongside this, it has shopped locally for its office supplies and catering services, among other services. For this, digital platforms were created in which an offering business can apply through, in order to keep the advantages of technology and, at the same time, benefit the community.

The pandemic also made the company reallocate the efforts and resources it usually assigns to the communities, focusing on sanitary needs and economic support. Different projects took place regarding street and infrastructure sanitization, as well as donations of medical supplies, PPE and boxes with essential supplies for the areas the company operates in. In Caldera, CMP launched a contest for small local businesses and 90% of the applicants received a capital between 200 thousand and one million pesos to work on their projects (Caldera Impulsa). In Huasco, the company made available to the community a free online platform so that traders and local transport companies could offer their services for those needing to shop remotely—CMP Contigo—, an application that until then did not exist in the area.

Additionally, long-standing initiatives continued, such as the project financing program to increase self-sufficiency levels in fishermen of Caldera and link up their skills (Programa FISE). During the reported period, the company financed a refrigerated vehicle so that they could store their production, and helped them develop a website where they could market themselves<sup>6</sup>.

### Local impact

	Unidad	2020
Own staff and contractors that live in the region	%	91
Purchase of local products and services	Thousand US\$	142,794

### Community investment

Investment for COVID-19 prevention and mitigation in local communities	Thousand US\$	433
Investment for actions in support of the local communities (productive development, education, culture, etc.) <sup>7</sup>	Thousand US\$	1,934

### Future Projects

In the medium and long term, the company expects to grow based on its natural resources. Hence, one of its main projects is related to the mining district called El Tofo, whose future port, Cruz Grande, saw its first construction works begin in 2020. This infrastructure will provide reception, storage and loading services of bulk minerals and will be located in the same place as another port which, under the same name, which serviced the original site of El Tofo for six decades. As part of the commitments made in its RCA, CMP submitted the declaration of a private protection area of 400 hectares that is rich in biodiversity, and which is already being managed. It will allow to further scientific knowledge on local flora and fauna, conserving endangered shrub species and endemic cacti, such as the lucumillo (*Myrcianthes coquimbensis*). For this same purpose, surveys and studies of the sea fauna are also being carried out. The company will liaise with local authorities and communities in order to generate plans for the promotion of tourism and improve the infrastructure of the neighboring village of Chungungo.

<sup>5</sup> Total of recycled waste divided by total generated waste.

<sup>6</sup> [www.pescadoresybuzoscaldera.cl](http://www.pescadoresybuzoscaldera.cl)

<sup>7</sup> It does not include COVID-19 prevention and mitigation actions.



COMPAÑÍA  
SIDERÚRGICA  
HUACHIPATO S.A.

04



## Purpose

From Chile, we innovate in sustainable steel for Latin America, generating value and wellbeing for our clients, communities and all of society.



## Strategy and objectives

- 1.- To reposition CSH as a leading steelmaker in the supply of special steels for the mining and construction sectors, in Chile as well as other countries in the Pacific coast.
- 2.- To modify the production and logistics chain, reaching high levels of efficiency and sustainability in its operational processes.
- 3.- To generate shared value with all interest groups by contributing to decarbonization and social development.
- 4.- To innovate in the production chain's processes and activities, migrating towards the production of green steels.

# Board of Directors

As of December 31st 2020, the Board of Compañía Siderúrgica Huachipato S.A. is composed by the following members:



**ROBERTO DE ANDRACA ADRIASOLA**  
President  
Bs. in Business Administration



**JULIO BERTRAND PLANELLA**  
Director  
Civil Industrial Engineer



**CATALINA MERTZ KAISER**  
Director  
Economist



**JORGE SALVATIERRA PACHECO**  
Director  
Civil Industrial Engineer



**ALEJANDRO ADRIÁN FIGUEROA**  
Director  
Mechanical Engineer

# Management

**RODRIGO BRICEÑO CARRASCO**  
President  
Civil Electronic Engineer

**FILIPPO BUSTOS LOYOLA**  
Manager of Finance and Planning  
Civil Industrial Engineer

**PABLO PACHECO BASTIDAS**  
Sustainability & Personnel Manager  
Psychologist

**JAIME QUADRI ROSEN**  
Commercial Manager  
Civil Chemical Engineer

**MARCO CARRASCO MENCARINI**  
Innovation and Development Manager  
Metallurgical Engineer

**JUAN CARLOS PONTI CISTERNAS**  
Operations Manager  
Mechanical Engineer

**HERNÁN DEL VALLE ARANDA**  
Engineering Manager  
Metallurgical Engineer



# World Stage 2020

The year 2020 was marked by the coronavirus pandemic, which caused market closures and had an impact on the demand for steel worldwide.

Despite restrictions imposed by the pandemic, there was no interruption of steelmaking activities, but the lower demand forced a slowing down of production rhythms during the second and third quarters, which was reverted towards the end of the year.

This difficult international scenario did not stop CSH from reaching its biggest amount of exported volume, surpassing last year's by 7%, expanding its position in the Latin American market.

## Production

During the 2020 period, the finished steel production was 728,060 tons, with a production of liquid steel of 800,594 tons, obtained from a production of cast iron of 664,495 tons.

PRODUCTION (thousand metric tons)	VARIATION			
	2020	2019	Th MT	%
Production of liquid steel	801	724	77	10.6%
Production of finished steel	728	714	14	2.0%

## Sales

The total shipments of steel products in 2020 were of 755,209 tons, of which 71% was for the national market.

Compared to the previous year, shipments increased by 60,059 tons, where the external market contributed with 220,408 tons, 13,488 tons more than the year before.

SHIPMENTS (thousand metric tons)	VARIATION			
	2020	2019	Th MT	%
<b>TOTAL SHIPMENTS</b>	<b>755</b>	<b>695</b>	<b>60</b>	<b>9%</b>
Internal market	535	488	47	10%
External market	220	207	13	7%

In 2020, total sales revenues reached US\$ 488.2 million, of which US\$ 435.2 million corresponded to steel product sales and US\$ 52.9 million to sales of other products and services. The difference in revenue from steel products compared to the previous period is US\$ 9.0 million, explained by lower prices mitigated by larger volumes.

AVERAGE PRICES (US\$ per ton)	VARIATION			
	2020	2019	US\$/MT	%
Internal market	573	626	-53,4	-9%
External market	585	671	-85,8	-13%

CSH, the only integrated steel company in Chile, produces cast iron by reduction of iron ore in blast furnaces. It then transforms this 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 bars for grinding media, reinforcement 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 companies.

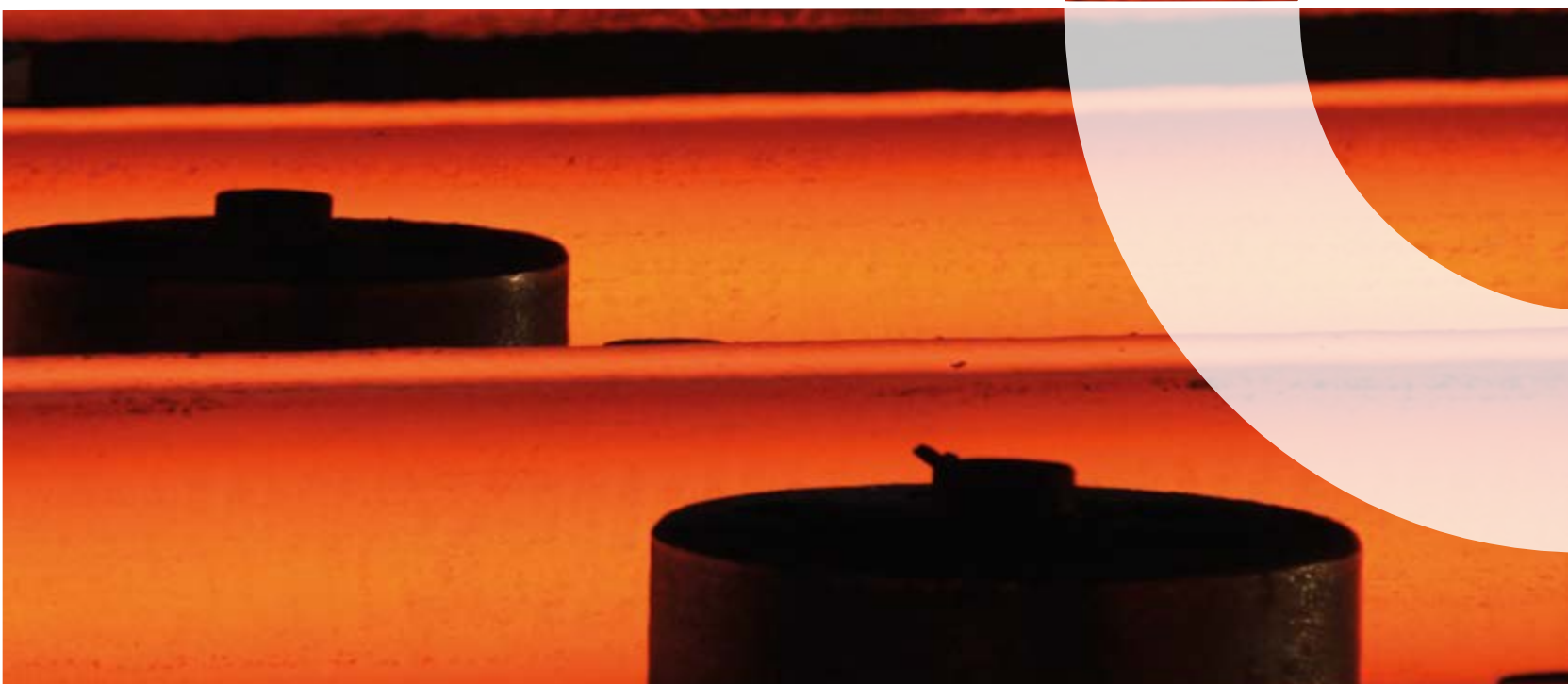
The following shows the Companies main clients and suppliers, and a graph of shipment distribution for 2020 is shown by industry type:

#### Customers 2020

- Acma S.A.
- Aceros Chilca S.A.
- American Screw
- Arauco
- Carlos Herrera Ltda.
- Cementos Bío Bío S.A.
- Construmart S.A.
- Corporación Nacional Del Cobre De Chile (Codelco)
- DSC
- Easy S.A.
- Enap
- Full Acero
- Iansagro
- Inchalam S.A.
- Magotteaux
- Moly-Cop
- Prodalam
- Sodimac S.A.

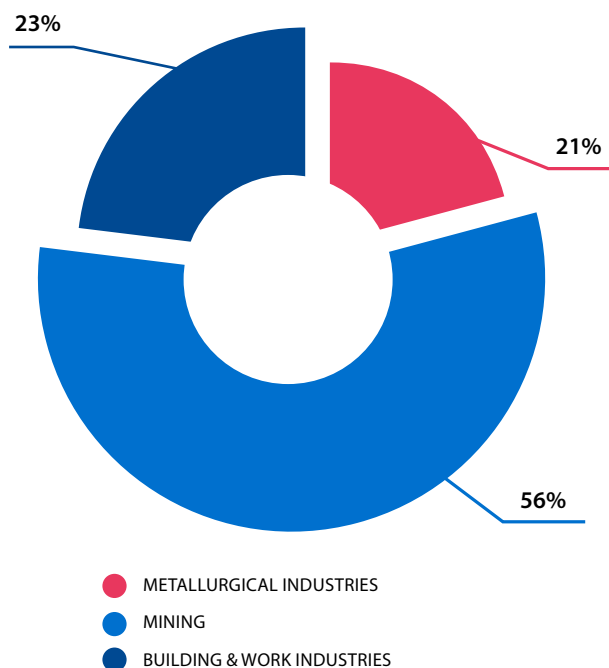
#### Suppliers 2020

- Compañía Minera Del Pacífico S.A.,
- BHP Billiton Mitsubishi Alliance (Australia)
- Teck Coal Ltd. (Canadá)
- Guacolda Energía S.A.
- Naviera Ultrana Ltd.
- Hidroeléctrica Rio Lircay S.A.
- Ronly Ltd. (Reino Unido)
- NYK Bulk & Project Carrier LTD (Japón).
- RHI Chile S.A.
- Heavy Movement Chile Spa.



Shipments in 2020 show that the mining sector accounts for 56% of shipments. Clients in the building and works industries mainly ordered bars for concrete, while the metallurgical industry required wire rod, and mining mainly purchased grinding bars.

SHIPMENTS BY MARKET CSH 2020



## Risk

Supply and demand international variations of steel products and the transactions of raw materials like iron ore and metallurgical coal, used in CHS's productive process, have a direct influence on local prices of finished products. This, in addition to the specific characteristics of the local economy and HQ financial policies, make CSH to be constantly striving to achieve good costs, long-term relationships with its clients, and openings into new markets to maintain and ensure the business's sustainability.

2020 was marked by the pandemic that affected the whole world, generating volatilities in the markets that applied sanitary control and even border closures as a way to mitigate the propagation of infections.

Regionally, economies like that in Argentina, Brazil and Peru, there were even shutdowns of mining sites, commercial ports, and public and private construction works. In Chile, lockdowns imposed mainly in Santiago involved restrictions to the construction sector and other industries of high economic value and influence in employment. During this period, CSH carried on with its operations continuously, thanks to the implementation of strict sanitary protocols and a permanent communication with the health authority, which, together with an aligned and disciplined organization, allowed it not only to continue operating and supplying its clients in a regular manner, but also continue to move forward in improving operational performance levels and the participation of high added value in Chile and Latin American countries of the Pacific coast.

## Sustainability

Chile's main steelmaking company continues to carry out the plan called "Sustainable Huachipato" ("Huachipato sostenible"), which seeks to ensure its long-term operation, transforming it into a high-quality steelmaking company, focused on producing sustainable steel in an integrated way with its industrial clients. In 2020, the company made great strides in this direction.

## Health and safety

To face the pandemic, the company deployed a sanitary protocol that was stricter than the one imposed by the health authority, widening the concept of close contact when defining who had to be quarantined. Moreover, from the start of the pandemic, it introduced temperature checks in the access to the plant, a maximum capacity of 20 people on personnel buses, constant sanitizations, the adaptation of canteens and focused testing, among other preventive measures. The involvement of workers has been key in its success: audit teams were created, formed members of unions, health and safety committees, executives and collaborators. Thus, from the 11 controls made by the national Health Service at the company's sites, none ended in summary procedures.

At the same time, the pandemic boosted prevention practices that have contributed in improving safety performance, with an annual reduction of 30% of the frequency rate and the surpassing of 58 million working hours with no fatal accidents. This is also fruit of the joint effort that CSH has been doing since 2019 with contractors that showed a lower level of performance in this area. In addition, in 2020 the application of the Health Ministry's protocols to minimize exposure to risks that may affect the health of our own workers as well as contractors was dealt with strongly.

### Safety indicators (own workers and contractors)

	Unit	2019	2020
Worked hours	Hours	7,097,620	6,483,750
Lost time accidents	N° of accidents	38	24
Frequency rate	Rate <sup>1</sup>	5.35	3.70
Workplace fatalities	N° of people	0	0

### COVID-19 indicators (own workers and contractors)

	Unit	2020
COVID-19 fatalities	N° of people	0
COVID-19 infections	N° of people	35
Infection percentage	% <sup>2</sup>	4.44
Investment for COVID-19 prevention and mitigation <sup>3</sup>	Thousand US\$	2,400

<sup>1</sup> Number of lost time accidents in the year by million of worked hours.

<sup>2</sup> Number of infections divided by total number of staff members.

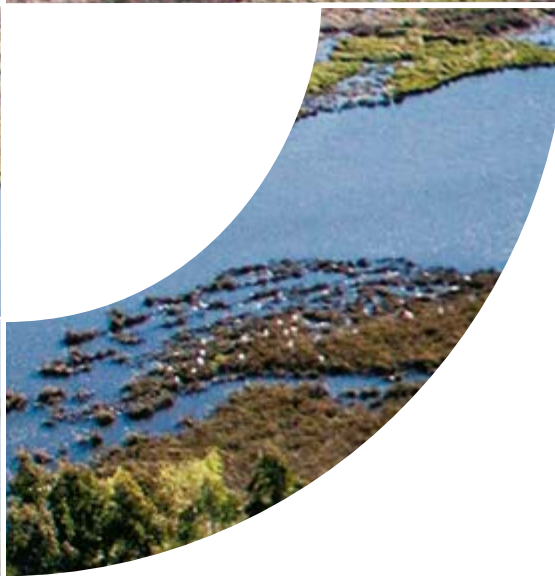
<sup>3</sup> It does not include community support activities.



**2,522 people**

Staff total as of the end of 2020  
(own workers and contractors)





## Decarbonization

According to the “Fugas de carbono” study (“Carbon Fuges”), done by Implementa Sur, CSH grinding balls for grinding mills used in mining have a carbon footprint that is 20% lower than those imported from China. This is due to the fact that sea transport adds emissions and that the Asian country favors coal-based electric generation.

On January 1st 2021, the contract signed in 2020 by CSH with Engie Energía Chile came into effect. It includes the supply of 420 GWh of certified renewable energy for 15 years. Thanks to this agreement, the steelmaking company will reduce its total CO2 emissions in 10%, i.e. about 165 thousand tons a year. After that, CSH grinding balls will have a carbon footprint that is 31% lower than imported ones.



Moreover, in 2020, the company began the definition of its decarbonization agenda with the aid of Prime Metals, an Austrian consulting company that is the leader of its kind in the area of steelmaking engineering. The axes defined, which shall be translated into investment in the next few years, include the injection of gas in the blast furnace, the use of expert systems that increase energy efficiency, and the increment of the percentage of scrap material used in the steel plant (currently, 25% of CSH's steel production comes from scrap material).

Another challenge is the creation of steel solutions that contribute to the country's decarbonization process – a goal that has been taken up by the area of Metallurgical Innovation and Product Development. A fruit of this labor is the high-resistance and low-abrasion concrete bar, which lower steel requirements per ton of concrete. The companies supplies these bars to the bridge that is being built over the Chacao Canal in Chiloé. It has already won two tenders (in 2019 and 2020) and totals shipments for 9,936 ton of 80 Fe grade steel.

#### Environmental management indicators

Waste management	Unit	2020
Total waste generated in a year, including hazardous and non-hazardous materials	Tons	403,108
Total recycled waste in a year	Tons	386,674
Recycled waste percentage	% <sup>4</sup>	95.9

Carbon footprint		
Direct emissions (reach 1)	Ton CO2 e	1,499,094
Indirect emissions (reach 2)	Ton CO2 e	186,779

<sup>4</sup> Total of recycled waste divided by total generated waste.

#### *CSH is given the Energy Management Insight Award*

Clean Energy Ministerial, an international organization that promotes the use of clean energies, decided award this prize to the company for the implementation of its Energy Management System, certified ISO 50001. Clean Energy projects that this initiative will generate energy savings of about 105 exajoules by 2030, besides avoiding the emission of 6,500 million MT of CO2.

#### *Responsible waste management*

The company reuses more than 95% of its waste. For example, the slag from blast furnaces is sold to Cementos Bío Bío. Their use in construction material reduces the need for calcination and, therefore, also reduces CO2 emissions. Moreover, in 2020, the sanitary authorization was obtained for reusing tar sludge, generated in the Coke Plant. Due to its high levels of carbon, it can be loaded in the coke battery once more instead of disposing of it. The plan is to begin this process in 2021.

## Community relations

In its 70 years of history, steelmaker Huachipato has been a center of economic and social development in Biobío, either through its taxes or salary payments, or by shopping local products and services, mostly from small and medium-sized enterprises. During the pandemic, CSH was declared an essential industry, which allowed all productive links to continue to operate normally – yet another sample of the central role played by steelmaking plants in resilient value chains.

In addition, the company staid close to its neighboring communities through initiatives such as the delivery of materials to make face masks, donation of food boxes, and sanitization of streets and public infrastructure.

On the other hand, the cultural organization Artistas del Acero, supported by CSH, continued to offer free online lessons and events. In 2020, it also finished the renovation of its Sala100, a project that was favored with financing from the Infrastructure Program by the Arts and Heritage Ministry. In turn, Club Deportivo Huachipato also held a number of activities for the community through digital media and suspended payment requirements during the whole period it had to be closed.

### Local impact

	Unit	2020
Own staff and contractors that live in the region	%	98%
Purchase of local products and services	Thousand US\$	279,891

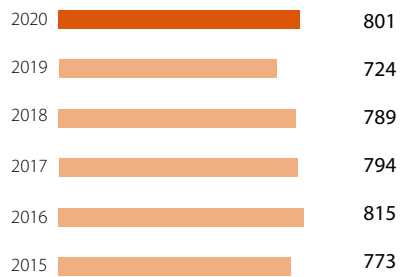
### Community investment

Investment for COVID-19 prevention and mitigation in local communities	Thousand US\$	58
Investment for actions in support of the local communities (productive development, education, culture, etc.) <sup>5</sup>	Thousand US\$	311

<sup>5</sup> It does not include COVID-19 prevention and mitigation actions.

## Graphic summary 2020

LIQUID STEEL PRODUCTION  
(Th MT)



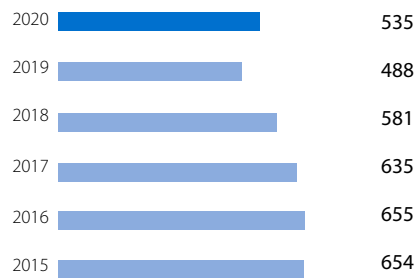
FINISHED STEEL PRODUCTION  
(Th MT)



TOTAL SHIPMENTS  
(Th MT)



INTERNAL MARKET SHIPMENTS  
(Th MT)





STEEL  
PROCESSING

05

73 CINTAC Group  
80 Tubos Argentinos

# Steel processing

The steel processing business is executed through Cintac S.A. and Intasa S.A., subsidiary companies of Novacero S.A., of which CAP owns 99.99%.

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

## CINTAC Group

### Strategy:



Cintac Group has been developing a business strategy to extend on to other markets of greater contribution, always seeking to attain a leading position, contributing with value and generating greater profits for the company.

## Mission

We contribute to the sectors of the economy with sustainable solutions made of steel and other materials.

# Board of Directors

As of December 31st 2020, the Board of Cintac S.A. is composed by the following members:



**ROBERTO DE ANDRACA ADRIASOLA**  
**Chairman**  
Bs. in Business Administration



**MARÍA CECILIA FACETTI DE SAVOLDI**  
**Vicepresident**  
Chemical Engineer



**FELIPE DÍAZ RAMOS**  
**Director**  
Bs. in Business Administration



**CLAUDIA BOBADILLA FERRER**  
**Director**  
Lawyer



**JULIO BERTRAND PLANELLA**  
**Director**  
Civil Industrial Engineer



**SUSANA TORRES VERA**  
**Director**  
Civil Chemical Engineer



**GERARDO JOFRÉ MIRANDA**  
**Director**  
Bs. in Business Administration

# Management

**JAVIER ROMERO MADARIAGA**

**President**

Civil Industrial Engineer

**MIGUEL REYES GÓMEZ**

**Finance Manager**

Bs. in Business Administration

**PEDRO PABLO OLIVERA URRUTIA**

**Innovation and Development Manager**

Civil Industrial Engineer

**MARÍA LUISA GODOY CASTILLO**

**Sustainability & Personnel Manager**

Social Worker

**CRISTIAN SOTO PEREIRA**

**Manager for Strategic and Operational Excellence**

Civil Industrial Engineer

**JUAN FONSECA GONZÁLEZ**

**Strategic Procurement Manager**

Civil Industrial Engineer

**CARLOS ÁVALOS EGUIGUREN**

**Risk and Internal Control Manager**

Bs. in Business Administration





## Activities and businesses

Cintac S.A. consolidates its investment in Chile and Peru through its investment holdings Cintac Chile SpA and Cintac Perú SAC.

Regarding Cintac Chile, Cintac SAIC participates in the manufacturing market with steel products that are used in residential and industrial construction and road infrastructure. It is also in the energy solutions market through its Cintac Solar area, which is dedicated to the construction of rooftop and ground photovoltaic plants. Moreover, the company offers construction solutions through Metalcon CNC for the housing market, KIT Storerooms for the industrial warehouses market, toilet PODS for expandable homes and housing at height, as in residential projects.

Agrow SPA participates in the markets of manufacturing and structures made of steel and other materials, providing solutions for the agricultural market, as well as selling the main products the sector requires.

Promet Servicios is focused on the development of projects in engineering and modular construction for mining camps for sale or rent. In addition, through its modular hotels, it incorporates a wide array of hospitality services for workers and contractors of the mining and energy sectors in general.

Regarding Cintac Peru, the company participates, through its subsidiary Tupemesa, in the steel product manufacturing market for different economic sectors, mainly housing and industrial construction. Additionally, the company offers a hot-dip galvanizing service in its modern plant located in the town of Lurín, Lima.

In turn, the Peruvian subsidiary Calaminon participates in the modular construction market, offering solutions of the highest quality for the education, health and housing sectors.

This company develops its projects across Peruvian territory (coast, mountains and jungle).

Corporación Sehover SAC and Signo Vial SAC participate in the Peruvian markets of road safety, infrastructure, maintenance and signposting, through the commercialization of products and services that provide a wide offer to all the demands of the highway sector.

At a consolidated level, Cintac Group increased its sales revenue by 14.3%, compared to the year before. This growth was attained in a year with a sanitary crisis that heavily impacted the economies in Chile and Peru. However, this growth was the product of a diversification strategy and the introduction into new business segments through the acquisition of new companies in Peru and Chile in the last few years.

Its consolidated EBITDA reached US\$ 50 million, a figure 94% larger than that obtained in 2019.

TOTAL SHIPMENTS  
(Th MT)





## **Cintac S.A.I.C.**

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

In 2014, important changes were made to the company's organizational structure, with the materialization of the merging of the subsidiaries Conjuntos Estructurales S.A., Instapanel S.A. and Centroacero S.A. into Cintac S.A.I.C. happening in August. In December, Cintac S.A.I.C. merged with Inmobiliaria S.A., using the latter's tax I.D. 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 been implementing in the last few years with the purpose of enhancing administrative, operational and cost synergies.

On November 22nd 2017, in the city of Santiago, the subsidiary company Panal Energía Spa was created. It is dedicated to the manufacturing, installation, commercialization and maintenance of power generation and power backup plants, based on non-conventional, renewable fuels or energies, including the development of photovoltaic, thermal and other energy solutions, as well as electric storing systems. This society will enter into operation in January 2018. Cintac SAIC owns 70% of the company.

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

## **Promet Servicios**

Chilean company with presence in Peru, it executes its business in the area of engineering and construction, offering an integral service, accompanying its clients from the early stages with modular solutions to the final development of their construction works. It focuses on the mining, furnishing and rental markets.

## **Tubos y Perfiles Metálicos S.A. (TUPEMESA)**

The company was created in 1965 and currently operates successfully 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 90 thousand tons per year.

## **Calaminon (EGA, Fera, Vitusac y Frío Panel)**

Founded by the engineer Enrique Goytizolo Tesson in 1966, it was born as a company that is dedicated to the manufacturing of Metal Coating. A few years later, it delved into the manufacture of different products (Polyurethane, Polyisocyanurate and Polystyrene Thermal Insulation Panels, Structural Profiling and Metal Accessories), which together allow for the design of Modular Constructive Systems for Housing, Schools, Campsites, Industrial Plants and Warehouses.

## Corporación Sehover y Signovial S.A.C.

On October 18th 2018, Cintac S.A. signed an agreement through its Peruvian subsidiary Steel Building S.A.C., of USD 4.5 million, for the purchase of 60% of shares of Corporación Sehover S.A.C. and Signo Vial S.A.C. This operation was made official on January 4th 2019.

Sehover society is in charge of providing road signposting and safety services and road works maintenance, both in the private and public sectors. In the meantime, Signovial society is in charge of the sale of signposting products and road safety solutions. Its product sales are segmented in the public and the private sectors.

## Sustainability

Cintac Group has high standards in safety and occupational health that were enhanced in 2020 with the incorporation of Promet. This year was particularly challenging for the teams that had to face, in a parallel way, on one hand, the challenges brought by the pandemic and, on the other, the demanding requirements from the safety area. In this context, synergies are created from sharing good practices, among which we find: COVID protocols standardization and the creation of a safety and environment committee, headed by three Cintac S.A. managers with an ample trajectory in operational excellence and safety, and which meets periodically with General Managers and other executives from the group's subsidiaries, belonging to the Human Resources and Sustainability areas, among others, with the purpose of generating synergies and establishing guiding principles for each organization's safety plans.

### Safety indicators (own workers and contractors)

	Unit	2019	2020
Worked hours	Hours	4,419,946	7,253,179
Lost time accidents	N° of accidents	8	5
Frequency rate	Rate <sup>1</sup>	1.8	0.69
Workplace fatalities	N° of people	0	0

### COVID-19 indicators (own workers and contractors)

	Unit	2020
COVID-19 fatalities	N° of people	0
COVID-19 infections	N° of people	447
Infection percentage	% <sup>2</sup>	12.27
Investment for COVID-19 prevention and mitigation <sup>3</sup>	Thousand US\$	2,018

<sup>1</sup> Number of lost time accidents in the year by million of worked hours.

<sup>2</sup> Number of infections divided by total number of staff members.

<sup>3</sup> It does not include community support activities.



**3,642 people**

Staff total as of the end of 2020  
(own workers and contractors)

In terms of the environment, 35% of the energy required for the manufacturing of Cintac's products comes from the solar panels that have been installed in its plants, in line with the strategy of promoting renewable sources and foregoing the supply from the public network. Because of this, the company can offer products with a smaller carbon footprint than the competition. Likewise, it makes the adoption of renewable energies easier for its client; in fact, in 2020, it reached 14,000 m2 of solar installed plants. The arrival of Promet widened the group's sustainable offer, strengthening its bet for modular construction, a more efficient and cleaner constructive method, with less impact on the territories.

#### Environmental management indicators

Waste management	Unit	2020
Total waste generated in a year, including hazardous and non-hazardous materials	tons	14,984
Total recycled waste in a year	tons	12,913
Recycled waste percentage	% <sup>4</sup>	86.18

Regarding community relations, Cintac is developing a Shared Value Project: Trade Training, a program oriented to people in vulnerable circumstances that seek to be trained in a trade or job in order to improve their qualifications and employability, specifically in the use of Cintac materials and construction skills, providing them with other benefits for their timely adaptation to the market.



Still in relation to community relations, it is important to note the important role played by the subsidiary Calaminon in Peru, building a hospital in record time in Tacna. This was a building of 12 thousand m2 that allowed to better face the pandemic in the south of that country. In turn, the road building and maintenance works performed by proved key for the preservation of mobility in extreme areas of Peru due to the effects of El Niño.

<sup>4</sup>Total of recycled waste divided by total generated waste.

# 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.

During the 2020 period, industrial management kept to the guidelines for supplying the internal market, giving priority to purchases related to essential activities. The management area had to adapt to working with a smaller team (as people with pathologies considered risk factors are staying at home and forbidden to go to work), adapt entry and exit schedules for the staff, and modify communal facilities in order to comply with sanitary protocols established by the company and checked by municipal, provincial and national authorities. Even under the conditions mentioned, the production achieved managed to meet product demand.

## Sustainability

After having defined safety as a strategic value, the Argentinean company reduced its accident frequency rate in over two points, compared to the year before. In 2021, it is expected to keep progressing in the adoption of a self-care culture, for which the company will work together with Cintac.

To keep its team safe from the risks of the pandemic, Tubos Argentinos adapted shifts and created different entry and exit schedules in order to avoid crowds. In addition, it introduced physical barriers in communal areas and ensured that all collaborators who are over 60 years old and those most vulnerable to coronavirus stayed at home, among other measures.

Likewise, it continued to promote products that are more environmentally friendly, such as the industrialized steel frame construction system, which produces less waste and impact on the territory. Within its internal operation, Tubos Argentinos also seeks to contribute to sustainability, through waste reduction and treatment, water recycling and the use of LED lighting.



### Safety indicators (own workers and contractors)

	Unit	2019	2020
Worked hours	Hours	430,321	354,096
Lost time accidents	N° of accidents	6	4
Frequency rate	Rate <sup>5</sup>	13.94	11.30
Workplace fatalities	N° of people	0	0

### COVID-19 indicators (own workers and contractors)

	Unit	2020
COVID-19 fatalities	N° of people	0
COVID-19 infections	N° of people	10
Infection percentage	% <sup>6</sup>	5.03
Investment for COVID-19 prevention and mitigation <sup>7</sup>	Thousand US\$	114

### Local impact

	Unit	2020
Own staff and contractors that live in the region	%	100
Purchase of local products and services	Thousand US\$	44,175

<sup>5</sup> Number of lost time accidents in the year by million of worked hours.

<sup>6</sup> Number of infections divided by total number of staff members.

<sup>7</sup> It does not include community support activities.



**199 people**

Staff total as of the end of 2020  
(own workers and contractors)

## Steel processing production and shipments summary:

The following are comparative tables of production and shipments for 2020 and 2019:

PRODUCTION (thousand metric tons)	VARIATION			
	2020	2019	Th MT	%
<b>Total Production</b>	<b>256</b>	<b>306</b>	<b>-51</b>	<b>-17%</b>
Chile	155	173	-18	-10%
Peru	58	86	-28	-32%
Tasa (Argentina)	43	48	-5	-11%

SHIPMENTS (thousand metric tons)	VARIATION			
	2020	2019	Th MT	%
<b>Total Shipments</b>	<b>310</b>	<b>353</b>	<b>-43</b>	<b>-12%</b>
Chile	191	206	-15	-7%
Peru	73	97	-24	-25%
Tasa (Argentina)	46	50	-4	-8%

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.



INFRASTRUCTURE

06

- 83 Tecnocap
- 83 Cleanairtech
- 84 Las Losas Port S.A.

# Infrastructure

## Strategy

Infrastructure Management is a CAP S.A. corporate area that is responsible for business development in the infrastructure unit at CAP Group, gathering port, water and energy assets, corresponding to the operating companies of Las Losas Port S.A., Cleanairtech Sudamérica S.A. and Tecnocap S.A. Management has the purpose of boosting and developing initiatives that add value by means of the development of competitive advantages that make these companies the best alternative for offering services to the mining and steelmaking units at CAP and to other potential clients located in the places of operation.

In 2020, Cleanairtech reviewed different initiatives to improve the business' edge among the competition, giving way to its refinancing process from the company's original Project Finance, in order to take advantage of the market's conditions and lower interest rates, in addition to matching the new refinancing deadline with the end date of current client contracts, allowing for the improvement of contract conditions. Together with that, a series of different commercial initiatives were started to provide water for new clients.

In 2020, Las Losas Port, made a commercial deal with Compañía Siderúrgica Huachipato for the loading of iron ore and began the project of loading iron ore with a new system that will allow it to improve transference speed and boast of a world-class operation.

The main strategic goals for 2021 are to extend current business models, taking as much advantage as possible of them in the search for the infrastructure companies' growth and the development of competitive advantages, as it was done in 2020. It has also been decided to contribute to projects within the whole area of infrastructure, seeking to develop strategic initiatives in water, port and energy infrastructure that generate complementary value to the CAP business units of mining and steelmaking.

## Tecnocap S.A.

Tecnocap S.A. manages the power transmission line it owns. The society's shareholders are CAP S.A., with 99.926%, while the remaining 0.074% is divided between Compañía Siderúrgica Huachipato S.A. and Compañía Minera del Pacífico S.A. in equal parts.

In 2020, 257 GWh were transported in Tecnocap S.A.'s power transmission line.

## Cleanairtech Sudamérica S.A.

Cleanairtech Sudamérica S.A. is owned by CAP S.A. (51%) and Mitsubishi Corporation (49%), created with the purpose of satisfying water requirements for CMP's operations in the north of the country.

In 2020, its activities were focused on complying with water supply programs directed to its clients, including CMP's Cerro Negro Norte site and Magnetite Plant, or the town of Caldera and Mal Paso Canal in Tierra Amarilla for its client SCM Minera Lumina Copper S.A., as well as activities related to an improvement in the operations' reliability, involving investments of US\$ 17.5 million in 2020.

During the 2020 period, Cleanairtech S.A. delivered a total volume of 10,859 thousand m<sup>3</sup>, of which 8,026 thousand m<sup>3</sup> is desalinated water.





## Las Losas Port S.A.

Las Losas Port S.A. is owned by CAP S.A. (51%) and Agrocomercial A.S. Ltda (49%) and was created with the purpose of catering for its partners' transportation needs, as well as those of the growing industry of the Atacama region in Chile. In 2020, its activities focused on unloading related to the wind farms for the Atacama region and pellet loading for Compañía Minera del Pacifico S.A., totaling almost US\$ 3.2 million in investment for a mechanized system for loading bulk minerals, and which is currently being built.

In 2020, Las Losas Port moved a total of 435 thousand tons, which meant a utilization rate of 50% of site 1.



## Sustainability

The assets managed by CAP Infrastructure provide essential services for Chile's development, aiding in the solution of the increasingly urgent environmental and economic solutions. The scarcity of these assets have caused its relevance to increase in the last few years.

Cleanairtech Sudamérica S.A. (Aguas CAP)'s desalination plant supplies CMP mining sites in Copiapó valley with desalinated water, in addition to making possible its commitment with voluntary environmental commitments in Caldera and Tierra Amarilla through the supply of water to other mining clients in the area. This way, the company contributes to reduction of water stress in the Atacama region. In 2020, it produced over 8 million m3 of desalinated water.

Annual production of desalinated water – Aguas CAP	
2019	2020
7,799,513	8,025,944

On the other hand, Las Losas Port does not only act as a loading harbor for CMP, but it also provides services to external clients in projects as important as the construction of the Cabo Los Leones II Wind Farm and y Cabo Los Leones III Wind Farm, ran by Siemens Gamesa in the province of Huasco. A 2020 milestone was the 8-year contract signed with Compañía Siderúrgica Huachipato for loading and shipping 840 thousand tons of CMP pellets to Talcahuano. The agreement gave way to the activation of the construction project "Modificación, recepción y embarque de graneles minerales" ("Modification, reception and loading of bulk minerals"), which expects to initiate its operation phase in 2021, obtaining its RCA at the end of August 2020. The works, which involve an investment of US\$ 9 million, include the automatization and mechanization of loading processes, which comes with a series of benefits: since it will no longer be necessary to move minerals on trucks to the ships, all movement will be done through capsuled lines that will take the material to a shiploader. This will mean a 100% reduction of particulate matter emissions. Moreover, loading rates will increase and safety will be reinforced by avoiding the movement of vehicles at the docks and access bridge.

### 2020 Safety indicators (own workers and contractors)

	Unit	Aguas CAP	Las Losas Port
Worked hours	Hours	295,055	167,480
Lost time accidents	N° of accidents	2	2
Frequency rate	Rate <sup>1</sup>	6.78	11.94
Workplace fatalities	N° of people	0	0



### 2020 COVID-19 indicators (own workers and contractors)

	Unit	Aguas CAP	Las Losas Port
COVID-19 fatalities	N° of people	0	0
COVID-19 infections	N° of people	0	0
Infection percentage	% <sup>2</sup>	0	0
Investment for COVID-19 prevention and mitigation <sup>3</sup>	Thousand US\$	140	23

<sup>1</sup> Number of lost time accidents in the year by million of worked hours.

<sup>2</sup> Number of infections divided by total number of staff members.

<sup>3</sup> It does not include community support activities.



**Main measures for infection prevention**

CAP Infrastructure did not show coronavirus infections in the workplace in 2020, a noteworthy record that was only possible due to the timely introduction of a series of measures:

Aguas CAP	Las Losas Port
<ul style="list-style-type: none"> <li>• Preventive medical examinations</li> </ul>	<ul style="list-style-type: none"> <li>• PCRs for loaders, both hired by the company and on-site contractors</li> </ul>
<ul style="list-style-type: none"> <li>• Quick tests and temperature checks at the start and end of each shift</li> </ul>	<ul style="list-style-type: none"> <li>• Weekly quick tests and temperature checks to internal personnel and contractors</li> </ul>
<ul style="list-style-type: none"> <li>• Implementation of an online platform with COVID-19 questionnaires (Zight).</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of an online platform with COVID-19 questionnaires (Zight).</li> </ul>
<ul style="list-style-type: none"> <li>• Sanitization of communal areas, tools, vehicles and equipment.</li> </ul>	<ul style="list-style-type: none"> <li>• Sanitization of communal areas, tools, vehicles and equipment.</li> </ul>



## Community relations

Just as the other companies in the group, CAP Infrastructure privileges local hiring, both for its internal staff and third-party services. For example, all specialist and construction contractors who participated in the mechanization project in Las Losas port come from regions in the north. During the pandemic, there were no lay-offs and pre-existing working conditions were maintained.

Together with the Regional Government of Atacama, Universidad Católica de Valparaíso, the Municipality of Caldera and CMP, Aguas CAP have deployed the educational project called "FIC - ConCiencia Lab Caldera", which seeks to boost local entrepreneurship by developing new ways of relating with communities training the local population in innovative skills. Moreover, and among other local initiatives, we can highlight: the delivery of desalinated water to the Colla Inti Wañuy community for the growth of hydroponic vegetables; the collaboration with Corporación de Pescadores de Caldera (Fishermen Organization of Caldera) for the ChaoPescao festival, a joint effort by means of collaboration agreements signed with fishing organizations in the area; and the sponsorship of the municipal Christmas program "Regalando esperanza en tiempos de crisis" ("Giving hope in times of crisis").

## Local impact in 2020

	Unit	Aguas CAP	Las Losas Port
Own staff and contractors that live in the region	%	71.2	77

Purchase of local products and services	Thousand US\$	1,850	1,119
---	---------------	-------	-------

### Community investment

Investment for actions in support of the local communities (productive development, education, culture, etc.) <sup>4</sup>	Thousand US\$	199	-
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<sup>4</sup> It does not include COVID-19 prevention and mitigation actions.





# FINANCIAL PERFORMANCE

# 07

- 89 Investment and Financing Policies**
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# Investment and Financing Policies

## Investment

In 2014, the group's last cycle of big investments was finished, with the completion of the following projects: (1) Cerro Negro Norte mine (4 million annual tons), which allowed CMP to reach a nominal production capacity of 18 million tons per year, (2) the desalinization plant built by Aguas CAP (51% CAP and 49% Mitsubishi), and (3) Tecnocap's power transmission line that connects the aforementioned mine to Punta Totalillo port, the desalinization plant, Brookfield's Amanecer Solar CAP photovoltaic plant and the Central Interconnected System.

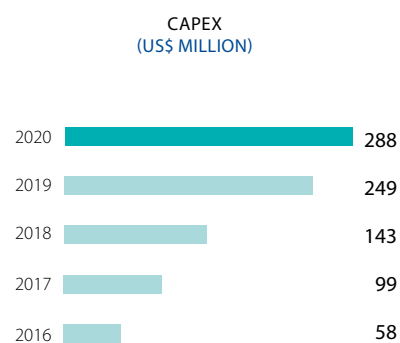
Later, between 2014 and 2018, the company moderated its investments and focused on protecting the liquidity of the group's companies in the face of the drop and volatility of raw material prices, particularly iron ore.

This, however, did not stop the company from developing projects such as the loading of copper in Punta Totalillo port in 2017, for US\$ 38 million, and the acquisition, in 2018, of Calaminon in Lima, Peru, for US\$ 40 million. The latter is a company from the modular construction industry that comes to add value to the steel solutions industry in Chile, Peru and Argentina.

In 2019, the company focused its investment efforts on the manufacturing, assembly and start of the new shiploader in the Huasco Valley terminal, Guacolda II port, and on the environmental compliance program it has pledged to in said valley.

Looking towards the future, the investment strategy has been migrating to an implementation of better practices in processes and cutting-edge technology that seek to improve operational productivity, reducing production costs and staying totally committed to safety and sustainability. Thus, the significant investment plan considers the latest advancements in tailings management, filters for the containment of CO2 emissions, use of desalinated water in mining processes, energy consumption from renewable sources and the search for autonomy and automatic coordination among mobile equipment.

The evolution of CAP's CAPEX between 2016 and 2020 can be seen in the following graph.





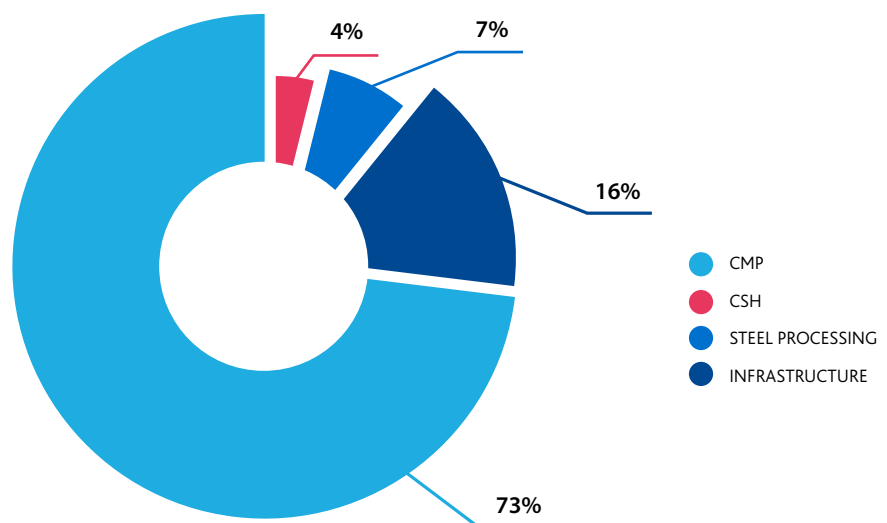
## Financing

During the 2020 period, CAP Group maintained a cautious financial policy, paying attention to consolidated liquidity, looking out for a minimization of exchange risks and the diversification of financing sources, and keeping a balanced mixture between capital and debt, between local and external resources, and between short and long term.

As a result of its good performance in 2020, which translated into a US\$ 974 million, EBITDA, CAP Group registered an increase in its consolidated liquid assets, closing 2020 with a cash balance of US\$ 557 million, significantly over last year's US\$ 339 million in cash flow. Regarding the group's gross financial debt, this reached US\$ 744 million as of 31st December 2020, recording an important drop from the US\$ 962 million at the beginning of the period.

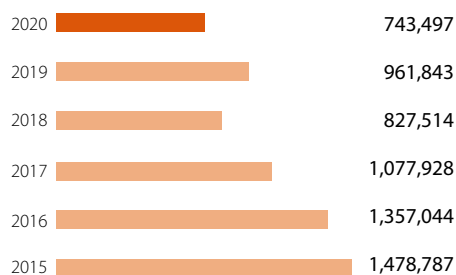
With it, the company's net financial debt by the end of 2020 reached US\$ 187 million, which equals 0.19 times its EBITDA.

INVESTMENT BY BUSINESS AREA

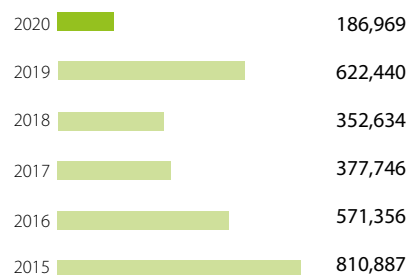


# CAP S.A. Graphs

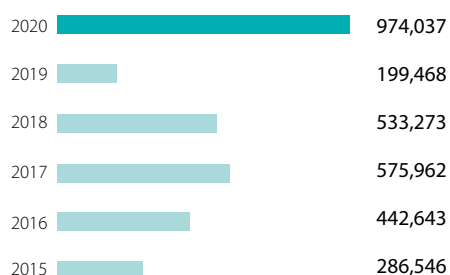
GROSS FINANCIAL DEBT  
(Th US\$)



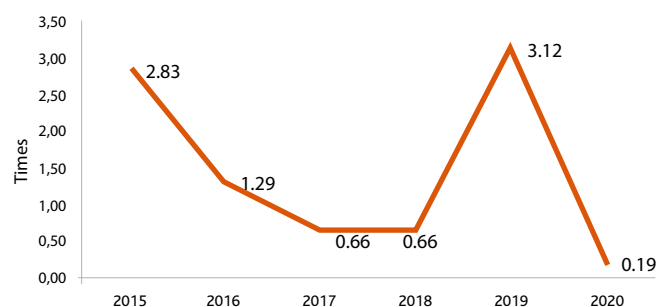
NET FINANCIAL DEBT  
(Th US\$)



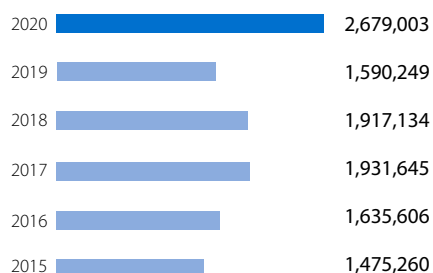
EBITDA  
(Th US\$)



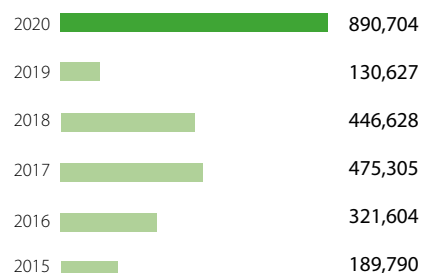
CONSOLIDATED NET FINANCIAL DEBT TO EBITDA RATIO  
(TIMES)



CONSOLIDATED OPERATING REVENUES  
(Th US\$)



GROSS MARGIN  
(Th US\$)



## Liquidity

CAP's consolidated liquidity is 0.95 times by December 31st 2020, which compares to 1.08 times at the end of 2019.

## Dividends

During the year, dividends were distributed for a total of US\$ 50 million.

# Dividend Policy

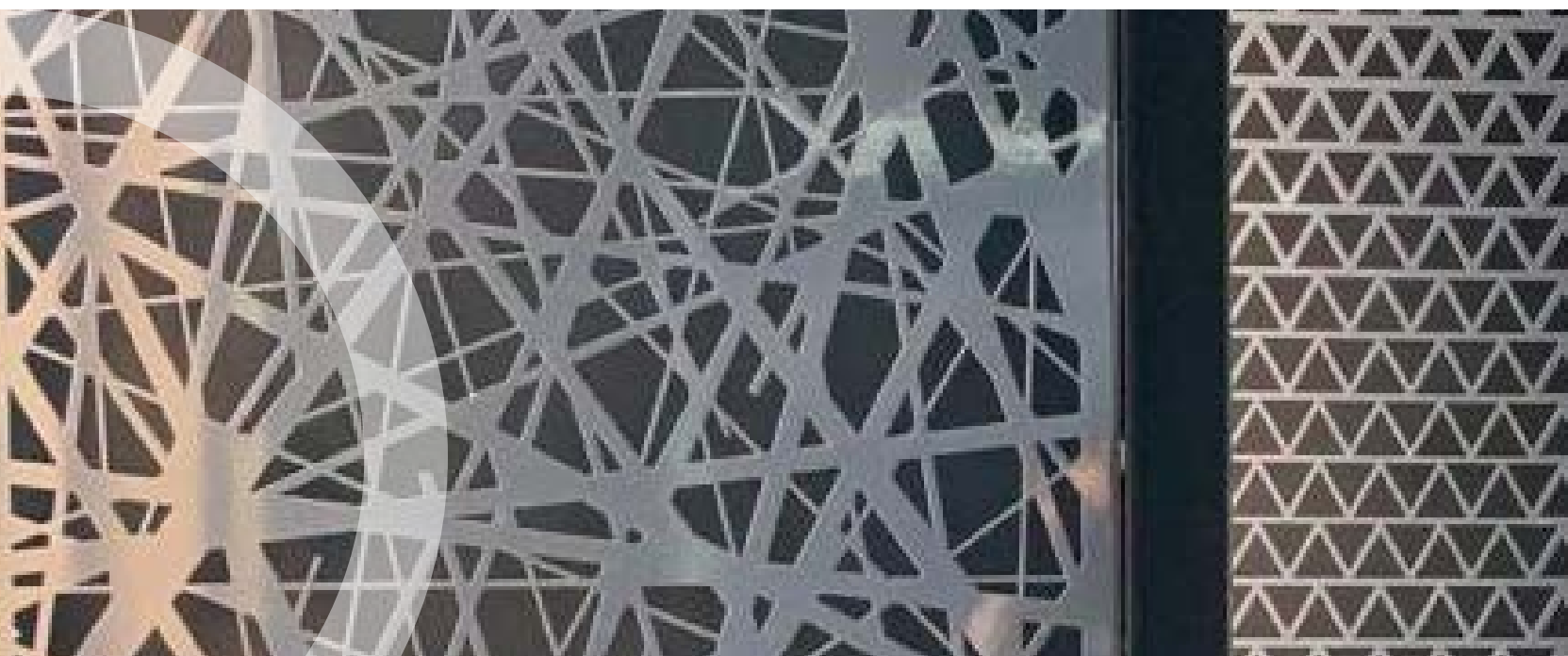
A dividend distribution of 50% of the net income will be proposed to the shareholders meeting to be held in April 2021.

The meeting will be proposed that during 2021 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 2022, that if earnings are produced in the year 2021, 50% of these will be distributed as the final dividend.

NUMBER	TYPE OF DIVIDEND	PAYMENT DATE	US\$ PER-SHARE
126	Final	04-28-16	0.0325
127	Final	04-27-17	0.2269
128	Interim	12-14-17	0.1529
129	Final	04-26-18	0.3079
130	Interim	12-19-18	0.1743
131	Final	04-26-19	0.2592
132	Interim	11-03-20	0.1283
133	Interim	12-22-20	0.2043



# Banks and Financial Institutions

During 2020, CAP Group received support from the following banks:

## INTERNATIONAL BANKS

ABN AMRO  
Banco Estado New York  
BBVA  
Crédit Agricole  
Export Development Canada  
HSBC  
ItaúCorpbanca New York  
Mizuho Corporate Bank Ltd.  
Natixis  
Sumitomo Mitsui Banking Corporation  
The Bank of New York Mellon  
MUFG Bank Ltd.

## LOCAL BANKS

Banco Bice  
Banco Consorcio  
Banco Crédito e Inversiones  
Banco de Chile  
Banco Itaú  
Banco Santander Chile  
Banco Estado  
Credicorp Capital  
China Construction Bank  
HSBC Bank (Chile)  
Scotiabank  
EuroAmerica S.A.  
BTG Pactual Chile  
Tanner Servicios Financieros S.A.





## PROPERTY, SHARES AND LEGAL INFORMATION

# 08

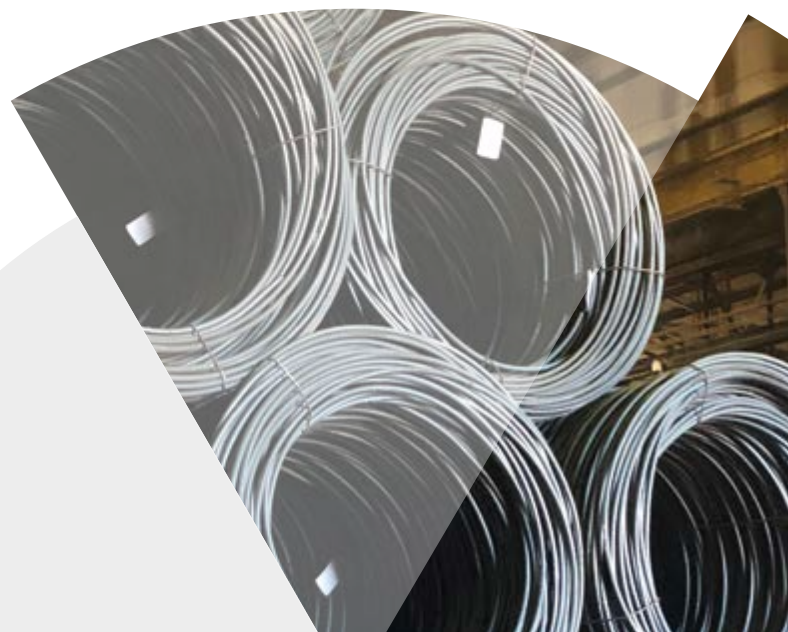
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# Legal Information

The Company was established by Public Deed on April 27th 1946, before Notary Public Mr. Pedro Cuevas, in the city of Santiago. Its existence and corporate statutes were authorized by Treasury Decree N° 2,004, on May 3rd 1946. The extracts were registered on the Commercial Record, on May 18th 1946, on pages 1.356 and 1.358, N° 983 and N° 984, respectively, published in the Official Newspaper on May 20th 1946. Treasury Decree N° 3.418 declares de Company as legally established.

## Latest Modifications to the Company:

- A. The Public Deeds from January 26th 1981 and February 23rd 1981, before Notary Public Mr. Eduardo González Abbott, modify the object and trade name, becoming Compañía de Acero del Pacífico S.A. de Inversiones. The extracts were registered on the Commercial Record of Santiago on page 4.527, under N° 2.441, 1981, and were published in the Official Newspaper on March 12th 1981. Resolution N° 148-S, on March 19th 1981, from the Superintendence of Securities authorizes the modifications.
- B. The Public Deed from May 3rd 1982, before Notary Public Mr. Miguel Aburto, probated the minutes of the April 12th 1982 Extraordinary Shareholders Meeting, which approved modifications to the Social Statute, to adapt it to the norms in Law N° 18,046 regarding limited liability companies. The extract was registered in the Commercial Record of Santiago, on pages 7.350 N° 4.014, 1982, and published in the Official Newspaper on May 7th 1982.
- C. The Public Deed from July 21st 1983, before Notary Public Mr. Miguel Aburto, probated the minutes of the April 28th 1983 Extraordinary Shareholders Meeting, which approved new modifications to its statutes, as per the suggestions made by the Superintendence of Securities, according to Law N° 18,046. The extract was registered in the Commercial Record of Santiago, on pages 11,228 N° 6.519, 1983, and published in the Official Newspaper on July 28th 1983.
- D. The Public Deed from December 28th 1984, before Notary Public Mr. Félix Jara Cadot, , probated the minutes of the November 16th 1984 Extraordinary Shareholders Meeting, which approved, among a series of modifications to the Social Statute, to eliminate the nominal value of shares and the share denomination series "A" and "B", and issuing 329,794,619 shares at a minimum price of US\$ 0.25 per share. The extract was registered in the Commercial Record of Santiago, on pages 1.431 N° 695, 1985, and was published in the Official Newspaper on January 28th 1985.
- E. The Public Deed from May 8th 1986, before Notary Public Mr. Mario Baros González, probated the minutes of the April 30th 1986 Extraordinary Shareholders Meeting, which agreed on capital reductions, with the purpose of limiting issued shared (referenced in the previous letter), and on CAP rescuing up to 320,000,000 of its own issued shares, with a price of US\$ 0.25 per share, thus resulting in a capital of US\$ 419,247,994.34, divided into 118,089,188 shares with no nominal value. The extract was registered in the Commercial Record of Santiago, on pages 8.645 N° 5.349, 1986, and was published in the Official Newspaper on May 14th 1986.
- F. The Deed of Declaration from June 30th 1986, before Notary Public Mr. Mario Baros González, puts on record that only 288,641,076 shares were rescued, at US\$ 0.25 per share, resulting in an actual capital of US\$ 427,087,725.34 divided into 149,448,112 shares of no nominal value. This deed was added on the margins of the company's register.
- G. The Public Deed from August 18th 1986, before the same Notary Public, probated the minutes of the August 1st 1986 Extraordinary Shareholders Meeting, which agreed to include the use of the acronyms "CAP S.A. DE I." or "CAP S.A." for marketing and advertising purposes. The extract was registered on pages 8.645 N° 5.349 bis, August 20th 1986, and was published in the Official Newspaper on August 25th 1986.
- H. The Public Deed from May 3rd 1991, before Notary Public Mr. Félix Jara Cadot, from the 41st Notary Public Office of Santiago, probated the minutes of the April 26th 1991 Extraordinary Shareholders Meeting, which agreed to replace the company's name by "CAP S.A.", as well as the ensuing modification of the first article of the corporate statutes. The extract was registered in the Commercial Record of Santiago, on pages 13.249 N° 6.575, and was published in the Official Newspaper on May 15th 1991.





- I. The Public Deed from July 27th 1992, before Notary Public Mr Félix Jara Cadot, probated the minutes of the July 24th 1992 Extraordinary Shareholders Meeting, which agreed on increasing capital from US\$ 427,087,725.34 to US\$ 690,293,847.93, always divided into 149,448,112 shares with no nominal value; increasing the number of Board members from seven to nine; accepting the resignation of the directors on that date; designating by acclamation and unanimity the new proposed Board and the subsequent reform of the Company's corporate statutes in a series of articles related to the agreements made.
- J. The Public Deed from August 2nd 1994, before Notary Public Mr Félix Jara Cadot, probated the minutes of the July 29th 1994 Extraordinary Shareholders Meeting, which agreed to divide CAP S.A. starting on May 1st 1994; to reduce its capital from US\$ 690,293,847.93 to US\$ 379,443,645.64 and distribute its estate among itself and the two new companies, Invercap S.A. and Forestal Terranova S.A., constituted for the division; to modify its clause related to the company's duration and to approve the new companies' statutes. The extract was registered in the Commercial Record of Santiago, on pages 17.972 N° 14.778, 1994, and was published in the Official Newspaper on August 19th 1994.
- K. In turn, the new companies Invercap S.A. and Forestal Terranova S.A. were registered on October 20th 1994 at the Superintendence of Securities under N° 0492 and N° 0493, respectively.
- L. The Public Deed from April 13th 1995, before Notary Public Mr. Félix Jara Cadot, probated the minutes of the April 7th 1995 Extraordinary Shareholders Meeting, which agreed to reduce the number of Board members, making the necessary statutes modifications.
- M. The Public Deed from August 4th 2008, before Notary Public Mr. Félix Jara Cadot, probated the minutes of the Extraordinary Shareholders Meeting, held on the same date, which agreed to increase the capital from US\$379,443,645.64 divided into 149,448,112 shares with no nominal values, to US\$929,443,645.64 divided into 162,698,889 shares with no nominal value, through the issuing of 13,250,777 shares, modifying the status accordingly. The extract was registered in the Commercial Record of Santiago, on pages 36.877 N° 25.392, August 11th 2008, and was published in the Official Newspaper N° 39,135 on August 11th 2008.
- N. The Public Deed from April 30th 2009, before Notary Public Mr. Félix Jara Cadot, probated the minutes of the April 13th 2009 Extraordinary Shareholders Meeting, which agreed to dismiss the capital increase mentioned above in letter M, modifying the statutes accordingly. The extract was registered in the Commercial Record of Santiago, on pages 20.863 N° 14.246, May 12th 2009, and was published in the Official Newspaper N° 39,360 on May 13th 2009.



## Company Objective

The Company has a main objective to invest its capitals in any type of intangible property, such as shares, bonds, debentures, savings and capitalization plans, shares or rights in companies or mutual funds, and any other type of titles or transferable securities, as well as managing said investments. In addition, the Company has the following specific objectives:

- a. To promote, organize and establish companies of any kind and purpose, and buy and sell shares and rights.
- b. To provide management, financial and legal consulting, audit and other necessary services for the best possible development of the companies of which it is shareholder or associate, or third-party companies.
- c. To coordinate the management of the companies of which it is shareholder or associate, in order to obtain the best productivity and profitability possible.

**The Company has an indefinite duration.**

CAP, as per its corporate statutes, provides its subsidiaries with management, financial and legal consulting, audit and other necessary services for their best possible development.

## CAP S.A. Shareholders

The twelve largest shareholders of CAP S.A. as of December 31, 2020, by number of shares and percentage holdings, are as follows:



SHAREHOLDERS	N° OF SHARES	PERCENTAGE
Invercap S.A.	52,124,389	34.88%
M.C. Inversiones Ltda.	28,805,943	19.27%
Banchile corredores de bolsa S.A.	5,254,178	3.52%
Banco de Chile por cuenta de State Street Bank	4,000,921	2.68%
Larrain Vial S.A. corredora de bolsa	3,691,597	2.47%
Fundación CAP	3,299,497	2.21%
Banco Santander Chile para inv.extranjeros	3,191,141	2.14%
South Pacific Investments S.A.	2,860,970	1.91%
Banco de Chile por cuenta de terceros no residentes	2,789,454	1.87%
Bolsa de Comercio de Santiago, Bolsa de Valores	2,633,160	1.76%
BCI corredores de bolsa S.A.	2,533,612	1.70%
Santander corredores de bolsa Ltda.	1,996,792	1.34%
Otros	36,266,458	24.25%
<b>TOTAL</b>	<b>149,448,112</b>	<b>100.00%</b>

As per articles 97 and 99 of the Securities Market, Invercap S.A. is the controller of CAP S.A, Tax ID N° 96,708,470-0. The controller of Invercap S.A. is Inversiones Hierro Viejo Limitada, Tax ID N° 76,051,930-8, owner of 38.67% of its share capital. This company is controlled by Mr. Juan Enrique Rassmuss Raier, ID N° 7,410,905-5. Minera e Industrial Quimpro Limitada, Tax ID N° 79,779,160-1, owner of 0.027% of Invercap S.A.'s share capital has the same controller.

There were no relevant changes this year in the ownership of the Company.

# 4,347

**THE TOTAL NUMBER OF SHAREHOLDERS**  
of CAP S.A., as of 12.31.2020



## Identification of majority shareholders

The following are the shareholders, as distinct from controllers, who by themselves or with others with whom they may have joint action agreements, can designate at least one member of the company's administration, or who hold more than 10% or more of capital or capital with voting rights in the case of a joint-stock company:

NAME	TAX ID N°	SHARES	%
M.C. INVERSIONES LTDA <sup>(*)</sup>	79,866,800 -5	28,805,943	19.27%

<sup>(\*)</sup> M.C. Inversiones Limitada (MCI), is a subsidiary of Mitsubishi Corporation, which is the largest trading company in Japan, with over 200 offices all over Japan and about 90 countries.

### There are no shareholders under the following conditions:

Natural persons that hold less than 10% of the shared capital, and who, together with their spouse and/or relatives, have more than said percentage, whether directly or through a legal person. Relatives are to be understood as those up to a third degree of kinship.

# Transactions with related parties

## 2020

Name or trade name	Relation to the company	PURCHASES		SALES	
		N°shares traded	Traded amount	N°shares traded	Traded amount
Javier Romero Madariaga	Executive management	27,000	184,872,875	-	-
Sociedad de Inversiones Santa Luisa SPA	EPGG *	18,152	109,980,430	-	-
Invercap S.A.	Controller	5,317,025	21,851,709,168		

\*EPGG : Entity controlled, directly or through third parties, by relative up to a 2° degree of kinship to the General Manager.

## 2019

In 2019, there were no transactions with related parties.

# Traded CAP S.A. Shares

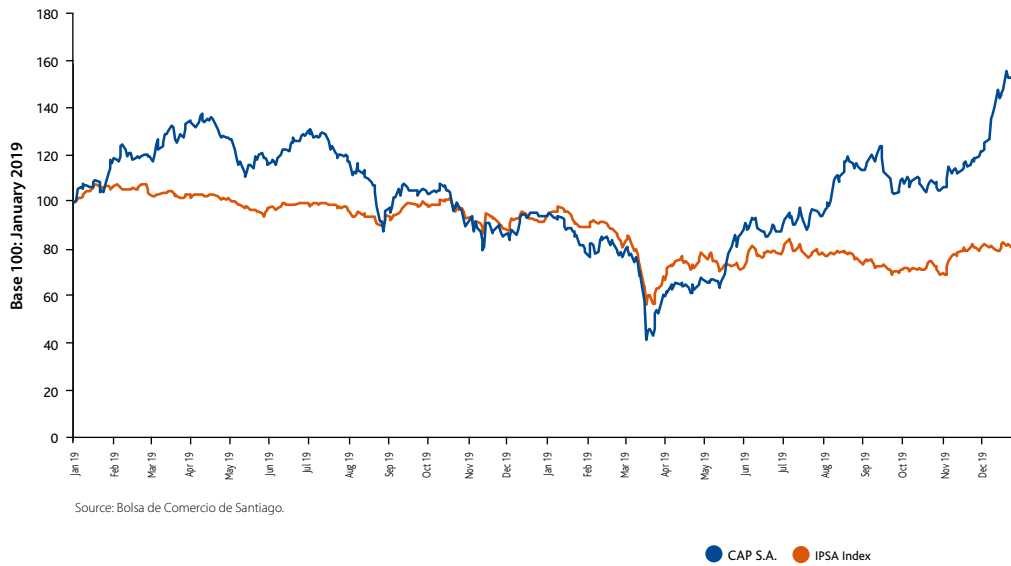
Below is a summary of the company's share transactions made in 2018, 2019 and 2020.

PERIOD	N° SHARED (thousands of shares)	TRADED AMOUNT (thousand pesos)	AVERAGE PRICE (pesos per share)
<b>2020</b>			
Jan-Mar	34,074	146,397,201	4,296
Apr-Jun	29,497	136,241,783	4,619
Jul-Sep	26,377	167,046,055	6,333
Oct-Dec	21,217	162,309,771	7,650
<b>2019</b>			
Jan-Mar	24,792	180,559,207	7,283
Apr-Jun	21,254	160,665,322	7,559
Jul-Sep	21,996	147,835,477	6,721
Oct-Dec	23,909	135,627,086	5,673
<b>2018</b>			
Jan-Mar	25,624	201,339,320	7,858
Apr-Jun	21,194	147,547,013	6,962
Jul-Sep	15,847	99,578,669	6,284
Oct-Dec	15,758	106,172,862	6,738





Chart CAP S.A. v/s IPSA



# Shares held by related parties

## Board of Directors

TAX ID	NAME	ROLE	CAP SHARES	PERCENTAGE OF SHARES IN COMPANIES RELATED TO CAP	#
4.643.327-0	Rodolfo Krause Lubascher	Chairman	3,745	60%	(3)
7.410.905-5	Juan Rassmuss Raier	Vice-Chairman	-	-	
6.557.615-5	Jorge Salvatierra Pacheco	Director	-	-	
5.672.444-3	Juan Gerardo Jofré Miranda	Director	-	-	
21.906.212-5	Tadashi Omatoi	Director	-	-	
6.374.984-2	Marcelo Awad Awad	Director	-	-	
7.040.854-6	Roberto De Andraca Adriasola	Director	-	9%	(1)
				50%	(2)

#	COMPANY	NUMBER OF CAP SHARES
(1)	South Pacific Investment S.A.	2,860,970
(2)	Ko Investment LTDA.	4,000
(3)	Inversiones Tañimapu Ltda.	5,500

## Management

TAX ID	NAME	MAIN EXECUTIVE ROLE	CAP SHARES
11.834.121-K	Julio Bertrand Planella	Chief Executive Officer	2,500
9.047.354-9	Francisco Carvajal Palacios	Compañía Minera del Pacífico S.A. CEO	-
12.011.581-2	Rodrigo Briceño Carrasco	Compañía Siderúrgica Huachipato S.A. CEO	-
10.286.706-8	Javier Romero Madariaga	Cintac S.A. CEO	27,000
7.018.048-0	Pedro Pablo Olivera Urrutia	Intasa S.A. CEO	-
8.322.331-6	Francisco Lepeley Contesse	Chief Financial Officer	1,540
13.028.236-9	Stefan Franken Osorio	Chief Legal Counsel and Sustainability Officer	10,510
12.585.315-3	Marcel Deprez Mateljan	Corporate Strategy Manager	-
12.488.429-2	Patricia Nicole López Manieu	Infrastructure Manager	-
8.725.100-4	Joaquín Pérez Urbina	Internal Audit Manager	-



# Trademarks

The main trademarks registered under CAP S.A. are the following:

**“CAP”** which identifies the industrial establishment for the manufacture of iron bars and laminate steel; as well as identifying practically all products; commercial establishment of the purchase and sale of practically all products; and, to identify services related to mining, and importation, exportation and representation of class 06 products; it also includes radio or televised transmission services; programs on radio, TV, shared in writing, spoken or performed; maritime port services; vessel, traveller and maritime cargo reception and shipment; dockage, towing and salvage; product and goods storage; and it includes customs and insurance services; insurers; management and placement of capitals and funds; loan studies; financing, bonds and cautions, mutuels, bank and financier operations in general; in addition to extraction, melting, lamination, wire drawing, tempering, testing, and general industrial processing of metals and minerals by any means, industrial processing of non-metallic minerals by any means, mineral extraction and mining; technical assistance services and legal, financial, administrative and any type of consulting for enterprises, businesses and projects.

**“CAP”**: it identifies products like metals, machinery and tools, oils and greases for industrial use, fuels and lighting materials; as well as import, export and representation services for class 06 products; bulldozing and earth movement services, supervision over construction works, and reception and loading of vessels, dockage, towing and salvage, storage of products and goods.

**“CAP-75”**: to identify metal bars.

**“DEL PACIFICO”**: to identify commercial establishments for the purchase and sale of all types of products in regions III, IV and XIII; to identify among mining, steelmaking or metalworking company services, or storage services for the industry or commercialization on its own or from a third party of products of all types; as well as mineral extraction services and product commercialization, and to identify the industrial establishment for mineral extraction and mining.



**“HUACHIPATO”**, to identify the industrial establishment for the manufacture of metals and their alloys, metallic construction materials; mobile metal constructions; metallic materials for rails; non-electrical cables and threads; metallic locksmith and hardware articles; metal tubes and pipes; safes; metal ores.

**“DUR-CAP”**, to identify the anti-abrasive steel product.

**“ZINC-CAP”** to identify metals and their alloys; metallic construction materials; mobile metal constructions; metallic materials for rails; non-electrical cables and threads; metallic locksmith and hardware articles; metal tubes and pipes; safes; metal products that are not included in other classes; mineral ores, and non-metallic construction materials, non-metallic rigid tubes for construction; asphalt, pitch and bitumen; non-metallic mobile constructions; non-metallic monuments.

**“(.)”;“(..)”;**“(...)”;“(....)””: to identify metals and their alloys. It includes metallic manufacturing, forge, hardware, pieces for metallic constructions and metallic cables, metal formworks and pipes, (class 6).

**“GALVALUM” y “GALVALUME”**, to identify metals and their alloys; metallic construction materials; mobile metal constructions; non-electrical cables and threads; metal tubes and pipes; mineral ores and import and export services for those products.

**“ZINC-ALUM”** to identify the commercial establishment for metals and their alloys, and construction materials, metallic and non-metallic class 6.

**“CAP-SOL”**: to identify steel bars.

**“DUR-CAP”**: to identify anti-abrasive steel product.

**“COR-CAP”**: to identify products like metals, alloys and metallic compounds.

**“CAP SOLUCIONES EN ACERO”**: to identify products to be used in prints in general, to identify services for radio or TV transmissions; programs on radio, TV or transmitted in writing, spoken or performed.

**“CAP PROCESAMIENTO DE ACERO”**: to be used in the company everywhere in the country, mining, steelmaking or metalworking or for supply to the industry, or commercialization on its own or by a third party of all types of products and services; to identify products, to be used in metals, alloys and mechanical materials.

**“PETROPAC”**: To identify oil and grease products, lighting materials; and to identify a commercial establishment for the purchase and sale of said products; distribution services for all types of products.

**“CMP”**: to identify mineral products; and services for extraction and mineral substance treatment, and mining exploitation equipment.

**“TECNOCAP”**: to identify services for importation, exportation, distribution and commercialization of all types of industrial products and technology investment company, and related areas.



# Remunerations

## Directors

In 2020 and 2019, CAP S.A. directors and committee members have received, by concept of allowances and representation expenditures, the following remunerations in the national currency:

NAME	2020				2019			
	REMUNERATION	REPRESENTATION EXPENDITURES	DIRECTORS' COMMITTEE	TOTAL	REMUNERATION	REPRESENTATION EXPENDITURES	DIRECTORS' COMMITTEE	TOTAL
	Th US\$	Th US\$	Th US\$	Th US\$	Th US\$	Th US\$	Th US\$	Th US\$
Rodolfo Krause	107	30	-	137	117	34	-	151
Roberto de Andraca Adriasola	53	15	18	87	59	16	13	88
Jorge Salvatierra	53	15	18	87	59	16	20	95
Juan Rassmuss R.	53	15	-	69	59	16	-	75
Tadashi Omatoi	53	15	-	69	59	16	7	82
Gerardo Jofre Miranda	53	15	18	87	38	11	13	62
Marcelo Awad Awad	53	15	-	69	38	11	-	49
Victor Toledo <sup>(1)</sup>	-	-	-	-	20	6	7	33
Nobuyuki Ariga <sup>(1)</sup>	-	-	-	-	20	6	-	26
<b>TOTAL</b>	<b>428</b>	<b>122</b>	<b>54</b>	<b>604</b>	<b>469</b>	<b>132</b>	<b>60</b>	<b>661</b>

<sup>(1)</sup> Had the role of director until April 16th 2019, when the Ordinary Company Shareholders Meeting took place and the Board was completely renewed.

## Managers

CAP S.A., as parent company, is responsible for the salaries of its managers and those assigned to its subsidiaries. Total gross remuneration in 2020 reached ThUS\$ 2,769, of which ThUS\$ 2,135 correspond to remunerations and ThUS\$ 634 to shares. (ThUS\$ 3,551 in 2019, of which ThUS\$ 2,641 correspond to remunerations and ThUS\$ 910 to shares). CAP S.A. has no incentive plans for its directors or executives.



# Directors Committee Annual Report

## CAP S.A. 2020

In compliance with article 50 bis of Law N°18,046 about Limited Liability Companies, CAP S.A.'s Directors Committee, had approved the following annual report on the Committee's management during the 2020 period and incurred expenses over the same time.

In conformity with the aforementioned article 50 bis, this report is to be included in the Company's Annual Report and informed about in the next Ordinary Shareholders Meeting.

### 1. Composition of the Directors Committee

During the whole 2020 period, the Company's Directors Committee was composed of its President, Independent Director Mr. Gerardo Jofré M. and Directors Mr. Jorge Salvatierra P. and Roberto de Andraca A., having been constituted in April 2019.

### 2. Main activities carried out in 2020

During the 2020 period, the Directors Committee gathered monthly and its main activities where the following:

#### a) Review of Annual Financial Statements

On the session that took place on February 27th 2020, the Committee reviewed, with CAP's Chief Financial Officer and external EY auditors, the records related to CAP's financial statements for the 2019 period, including the external auditors' report, recommending its approval to the Company's Board of Directors, who approved it during a session on the same date.

Likewise, in a session which took place on January 28th 2021, the Committee, together with the Company's Chief Financial Officer, its General Accountant, and external EY auditors, reviewed CAP's financial statements for the 2020 period, including a review of the external auditors' report, recommending its approval to the Company's Board of Directors, who approved it during a session on the same date.



#### **b) Review of Mid-Term Financial Statements**

In the sessions that took place on May 7th and November 5th 2020, the Committee, together with the Company's Chief Financial Officer and its General Accountant, reviewed CAP's financial statements as of March 31st and September 31st, respectively, considering that said statements appropriately reflected the Company's financial situation.

In the session that took place on August 6th 2020, the Committee, together with the Company's Chief Financial Officer, its General Accountant and external EY auditors, reviewed CAP's financial statements as of June 30th 2020, including the external auditors' report, considering they appropriately reflected CAP's financial situation.

#### **c) Proposals for external auditors and private risk classifiers**

In the session that took place on March 5th 2020, the Committee agreed to recommend the Board the appointment of EY as external auditors to the company for the 2020 period. This was in view of the tender results from 2019 and the convenience of giving continuity to EY so that they can keep deepening in their analyses and reviews of the Company's and the Group's processes, as they were chosen as CAP's external auditors for the first time in 2019.

Likewise, the Committee analyzed the performance of private risk classifiers which currently classify the Company's risks and securities: Fitch Ratings, Feller Rate, S&P and Humphreys. Considering that they met all the independence, experience and trajectory requirements to fulfill their roles, as well as having the appropriate certification by regulating authorities, the Committee proposed to the Board to keep Fitch Ratings, Feller Rate and S&P as risk classifiers for the 2020 period, and terminate its relationship with Humphreys.

The proposed names for external auditors and private risk classifiers were approved by the Company's Board of Directors and the Ordinary CAP Shareholders Meeting.

#### **d) External Audit Plan**

In its February 27th 2020 session, EY external auditors presented the Committee with the situations of interest that they reviewed in all of the Group's companies during 2019, and the subsequent challenges for 2020.

#### **e) Internal Audit Plan**

In the January 29th 2020 session, the President of the Committee informed of the creation of the new Internal Audit Management and the addition of a new Manager since February, and analyzed the report made by the Head of Internal Audit of the Company regarding the results of the internal audit plan for 2019, as well as the work plan for 2020.

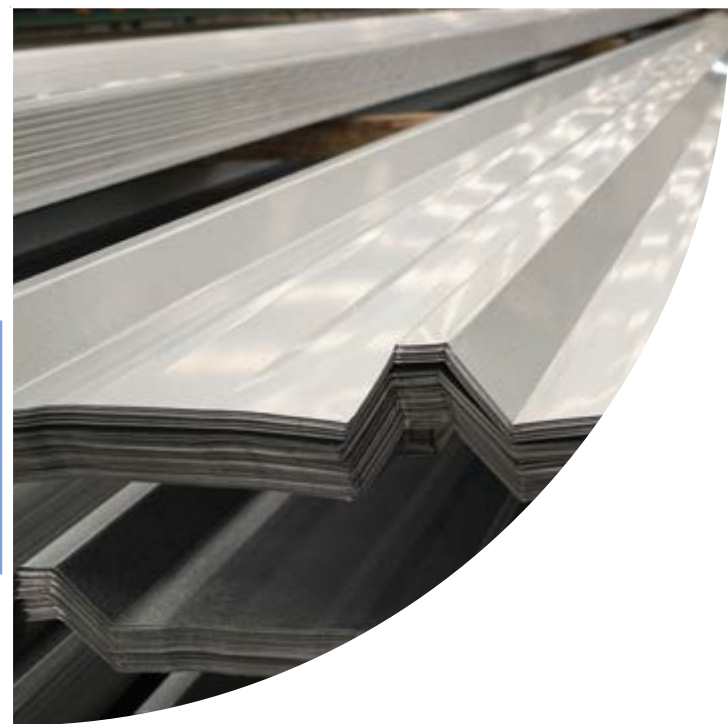
In its April 2nd 2020 session, the Committee, together with the new Internal Audit Manager and CAP's Head of Internal Audit, reviewed the progress made in the internal audit plan and the focuses of 2020, highlighting induction activities for the new Management, a review of the strategy and the auditing role, the introduction of IT, and the supervision and follow-up of the plan.

In its June 11th 2020 session, the Directors Committee agreed to recommend to the Board the approval of a Corporate Internal Audit Policy, with the purpose of implementing an internal audit role that is consistent with international audit norms, CAP Group's values, as well as its policies and procedures. Said policy was approved by the Board of Directors on July 2nd 2020.

In its September 3rd 2020 session, the Committee, together with the Internal Audit Manager, analyzed the progress of the internal audit plan in 2020 and approved some changes made to it in order to better include the view of a corporate group with an investment-strategic character, and also to improve on the limitations suffered with the original plan regarding the COVID-19 pandemic. Likewise, in this session, they also approved the introduction of IT to the audit function, in order to automate certain processes and have the capacity to detect anomalies early.

On October 1st 2020, the Committee approved a new Internal Audit Manual for the Company and the interactions of between the Internal Audit Manager and all other instances of CAP's corporate governance.

Finally, in its December 3rd 2020 session, the Committee, together with the Internal Audit Manager, analyzed the results of an audit report made regarding severance payments made to executives laid-off during the first half of 2020.



#### f) Integrity and Compliance Program

In April, the Company's compliance area presented the strategy for upcoming years to the Directors Committee, making reference to the legal framework, the management of company reputation and the integrity and compliance program.

On July 2nd 2020, CAP's Chief Legal Counsel presented a new Conflict of Interest Policy to the Committee, with the purpose of strengthening the Company's principles and procedures in order to manage situations in which directors, executives and workers may, in virtue of their roles, participate, decide or influence on matters where they have a personal interest. The Committee recommended to the Board to approve said policy. It was decided to approve it in the session celebrated on the same day.

On August 6th 2020, CAP's Chief Legal Counsel presented a Donations, Sponsorships and Memberships Policy to the Directors Committee, with the purpose of establishing basic guidelines, consisting in the ethical and integrity values adopted by the Company, that regulate the form, cases, potential beneficiaries, terms and conditions for these

contributions, establishing a system of annual budgets and records that will allow to keep an appropriate trace of donations made. Likewise, in the same session, the Legal Manager presented an update to the Market Information of Interest Management Manual with the purpose of modernizing the policies for the management of market information and update the policy on securities trade for the company and subsidiaries, establishing new blocked periods in line with better market practices.

The Committee recommended the approval of the Market Information of Interest Management Manual and the new Donations, Sponsorships and Memberships Policy to the Board, which agreed to do so on the same date.

In the session that took place on November 5th 2020, the Directors Committee received a presentation by CAP's Head of Compliance, and approved a new structure and functioning for the area of compliance inside the Company and CAP Group. It also reviewed the main milestones achieved by that area during the year, as well as the implemented policies and procedures, and re reportability structure. In the same session, the Committee agreed that the compliance area is to report to the Directors Committee every trimester and to the Board twice a year.

#### **g) Variable income system**

In July, the Committee analyzed the implementation of a new variable income system proposed by General Management. The main advantages of the system have to do with the formalization of the category, as well as a standardization of the granting of the variable income based on financial, operational, strategic and individual performance metrics or dimensions. Additionally, the new policy establishes the number of salaries to which the Company's analysts, heads, deputy managers, managers and general managers can access to, starting from the degree of achievement in the different metrics associated to their roles.

The Committee recommended the approval of the variable income system to the Board, which approved it on July 2nd 2020.

#### **h) Loans to Company executives**

As part of the retention policy for the executive team with high influence on the Company's strategy execution, the Committee analyzed, in June and July, to grant a loan to CAP Managers and Deputy Managers, destined to buy CAP S.A. shares through the secondary market. The main goal of this benefit is to provide an incentive to Company executives for a good implementation of and commitment with the company's and its operating companies' strategy, making them directly part of CAP Group's results through a loan to buy shares, which would be pledged and progressively freed within seven years.

In the Directors Committee session on July 2nd 2020, and after having asked for legal reports to different external consultants, the Committee agreed to recommend the approval of said loans to company executives to the Board. In the same session, the Committee presented the Board with a report made by themselves regarding this matter, understanding that the operation constitutes an operation among related parts as established by Title XVI of the Limited Liabilities Companies Law. The Company's Board of Directors approved the grant of the loans in the sessions that took place on July 2nd and August 6th 2020.

#### **i) Review of main litigations of CAP Group**

In the December 3rd session, the Company's Chief Legal Counsel presented an update of the status of CAP Group's main litigations to the Committee, informing also on their matter, their progress, money amounts involved and the involved consulting of external lawyers.

#### **j) CAP S.A. General Policy about Operations with Related Parties and General Policy on Habituality**

On July 2nd 2020, the Committee, together with the Company's Chief Legal Counsel, analyzed an update for the general policy on operations with related parties and the general policy on habituality, reviewing the operations with related parties celebrated by CAP in the last period, to then determine which where the operations of greater habituality.

The Committee agreed to recommend the approval of these policies to the Board, which approved them on their session on the same day.



During the second half of 2020, the Committee analyzed and approved a series of operations with related parties of amounts that were not relevant and/or habitual in the application of new policies. Among said operations we highlight the modification of the provision of administration and support services contract, for the services that the Company provides to the related company Compañía Minera del Pacífico S.A.

#### k) Cybersecurity

Considering the current relevance of risks associated to cybersecurity issues, in an extraordinary session on October 13th 2020, the Committee and the IT area of the Company received a comprehensive presentation from EY's IT partner on the ways to mitigate and have an appropriate plan to remedy a potential cyber attack.

#### l) Administration report

In December 2020, the Committee, together with the Chief Financial Officer and external EY auditors, reviewed the Administration Report, which contains the observations made by the aforementioned auditors on the internal control on the Company's processes of preparation and presentation of financial information.

#### m) Visits to operating companies

Despite the mobility restrictions imposed during the COVID-19 pandemic, some members of the Committee visited the operations of Compañía Minera del Pacífico and Compañía Siderúrgica Huachipato during the year.

During said visits, they walked around the facilities, met with executives and staff, and were briefed on each subsidiary's main activities, plans and opportunities.

### 3. Incomes and incurred expenses

The members of the Directors Committee received a monthly remuneration of 23.33 UTM, as per agreed in the Ordinary CAP S.A. Shareholders Meeting that took place in April 2020.

Regarding expenses and hiring of external consultants, the Directors Committee did not make use of the approved budget for these purposes in the aforementioned Ordinary Shareholders Meeting, the equivalent of the sum of the annual allowances of the Committee members.

### 4. Proposal for external auditors and private risk classifiers for the 2021 period

In its March 4th 2021 session, the Directors Committee agree to recommend the appointment of EY as external auditors for the Company for 2021 to the Board, considering that EY was chosen as external auditor for CAP Group for the first time in 2019, and it is deemed convenient to give the company continuity for it to keep going further in their analysis and revisions of the Company's and the Group's different processes.

Likewise, in the same session, the Committee analyzed the performance of the different private risk classifiers who currently do the Company's and its values' risk classification, deciding to propose to the Board to keep Fitch Ratings, Feller Rate and S&P as risk classifiers for the 2021 period.

Santiago, March 4th 2021



**GERARDO JOFRÉ MIRANDA**

President of the CAP S.A. Directors Committee





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# Consolidated Classified Statements of Financial Position

As of december 31, 2020 and 2019

(Figures in thousands of united states dollars ThUS\$)

<b>ASSETS</b>	<b>12.31.2020</b> <b>ThUS\$</b>	<b>12.31.2019</b> <b>ThUS\$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	421,937	261,218
Other financial assets	134,591	78,185
Other non-financial assets	22,401	18,782
Trade and other accounts receivable	507,504	271,109
Accounts receivable from related parties	40,851	31,636
Inventory	308,861	512,169
Current tax assets	49,039	68,052
<b>TOTAL CURRENT ASSETS</b>	<b>1,485,184</b>	<b>1,241,151</b>
<b>NON-CURRENT ASSETS</b>		
Other financial assets	2,991	4,498
Other non-financial assets	21,125	18,448
Accounts receivable	22,227	5,626
Investments accounted for using the equity method	1,506	2,507
Intangible assets other than goodwill	643,465	664,841
Goodwill	51,927	43,061
Property, plant and equipment	3,467,509	3,323,751
Investment properties	29,110	29,110
Right of use assets	125,150	128,825
Current tax assets, non-current	315	329
Deferred tax assets	15,679	16,588
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,381,004</b>	<b>4,237,584</b>
<b>TOTAL ASSETS</b>	<b>5,866,188</b>	<b>5,478,735</b>

# Consolidated Classified Statements of Financial Position

As of december 31, 2020 and 2019

(Figures in thousands of united states dollars ThUS\$)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>12.31.2020 ThUS\$</b>	<b>12.31.2019 ThUS\$</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Other financial liabilities	495,066	447,572
Lease liabilities	17,756	27,416
Trade and other accounts payable	556,216	445,548
Accounts payable to related parties	219,121	103,995
Other short-term provisions	52,209	80,947
Current tax liabilities	151,955	7,819
Provisions for current employee benefits	34,244	17,299
Other non-financial liabilities	30,151	14,234
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,556,718</b>	<b>1,144,830</b>
<b>NON-CURRENT LIABILITIES</b>		
Other non-current financial liabilities	230,816	484,574
Lease liabilities	41,020	47,121
Accounts payable to related parties	17,430	0
Other long-term provisions	78,873	70,511
Deferred tax liabilities	411,920	409,631
Non-current employee benefits	72,387	62,984
Other non-current non-financial liabilities	7,519	15,829
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>859,965</b>	<b>1,090,650</b>
<b>TOTAL LIABILITIES</b>	<b>2,416,683</b>	<b>2,235,480</b>
<b>SHAREHOLDERS' EQUITY</b>		
Issued capital	379,444	379,444
Retained earnings-losses	1,675,206	1,528,014
Other reserves	6,257	12,696
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>2,060,907</b>	<b>1,920,154</b>
Non-controlling interest	1,388,598	1,323,101
<b>TOTAL EQUITY</b>	<b>3,449,505</b>	<b>3,243,255</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>5,866,188</b>	<b>5,478,735</b>



# Consolidated Income Statements, by Function

For the years ended december 31, 2020 and 2019

(Figures in thousands of united states dollars ThUS\$)

INCOME STATEMENT	01.01.2020 12.31.2020 ThUS\$	01.01.2019 12.31.2019 ThUS\$
<b>PROFIT (LOSS)</b>		
Revenue	2,679,003	1,590,249
Cost of sales	(1,788,299)	(1,459,622)
<b>GROSS PROFIT</b>	<b>890,704</b>	<b>130,627</b>
Other revenue, by function	7,900	10,268
Distribution costs	-19,681	-18,587
Administrative expenses	-113,239	-92,107
Other expenses, by function	-60,709	-64,604
Other profits (losses)	-5,963	4,407
<b>PROFITS (LOSSES) FROM OPERATING ACTIVITIES</b>	<b>699,012</b>	<b>-29,996</b>
Finance income	6,463	11,653
Finance costs	-85,275	-98,459
Share in profits (losses) of associates and joint ventures accounted for using the equity method	704	21
Foreign currency translation	364	-3,911
Income from indexation units	-455	-69
<b>PROFIT (LOSS), BEFORE TAXES</b>	<b>620,813</b>	<b>-120,761</b>
Income tax expense	-188,774	31,381
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>432,039</b>	<b>-89,380</b>
Profit (loss) from discontinued operations	-	-
<b>PROFIT (LOSS)</b>	<b>432,039</b>	<b>-89,380</b>
<b>PROFIT (LOSS), ATTRIBUTABLE TO</b>		
Profit (loss), attributable to owners of the parent	300,422	-104,118
Profit (loss), attributable to non-controlling interests	131,617	14,738
<b>PROFIT (LOSS)</b>	<b>432,039</b>	<b>-89,380</b>
<b>PROFITS PER SHARE</b>		
<b>BASIC EARNINGS PER SHARE</b>	<b>US\$</b>	<b>US\$</b>
Basic earnings (loss) per share from continuing operations	2.010209	(0.696683)
Basic profit (loss) per share from discontinued operations	-	-
<b>BASIC PROFIT (LOSS) PER SHARE</b>	<b>2.010209</b>	<b>(0.696683)</b>

# Consolidated Comprehensive Income Statements

For the years ended december 31, 2020 and 2019

(Figures in thousands of united states dollars ThUS\$)

<b>COMPREHENSIVE INCOME STATEMENT</b>	<b>01.01.2020 12.31.2020 ThUS\$</b>	<b>01.01.2019 12.31.2019 ThUS\$</b>
<b>PROFIT (LOSS)</b>	<b>432,039</b>	<b>-89,380</b>
OTHER COMPREHENSIVE INCOME		
COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO INCOME FOR THE PERIOD, BEFORE TAXES		
Other comprehensive income, before taxes, actuarial profits (losses) on defined benefit plans	-11,982	1,647
<b>OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO INCOME FOR THE PERIOD, BEFORE TAXES</b>	<b>-11,982</b>	<b>1,647</b>
COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO INCOME FOR THE PERIOD, BEFORE TAXES		
FOREIGN CURRENCY TRANSLATION		
Profits (losses) on foreign currency translation, before taxes	9,953	684
<b>OTHER COMPREHENSIVE INCOME, BEFORE TAXES, FOREIGN CURRENCY TRANSLATION</b>	<b>9,953</b>	<b>684</b>
CASH FLOW HEDGES		
Profits (losses) on cash flow hedges, before taxes	-6,792	-6,430
<b>OTHER COMPREHENSIVE INCOME, BEFORE TAXES, CASH FLOW HEDGES</b>	<b>-6,792</b>	<b>-6,430</b>
<b>OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO INCOME FOR THE PERIOD, BEFORE TAXES</b>	<b>3,161</b>	<b>-5,746</b>
<b>OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME, BEFORE TAXES</b>	<b>-8,821</b>	<b>-4,099</b>
INCOME TAXES RELATED TO COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO INCOME FOR THE PERIOD		
Income taxes related to new measurements of other comprehensive income defined benefits plans	3,235	-445
<b>INCOME TAXES RELATED TO COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO INCOME FOR THE PERIOD</b>	<b>3,235</b>	<b>-445</b>
INCOME TAXES RELATED TO COMPONENTS OF OTHER COMPREHENSIVE INCOME QUE WILL BE RECLASSIFIED TO INCOME FOR THE PERIOD		
Income taxes related to other comprehensive income foreign currency translation	-2,688	-185
Income taxes related to other comprehensive income cash flow hedges	1,835	1,736
<b>INCOME TAXES RELATED TO COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO INCOME FOR THE PERIOD</b>	<b>-853</b>	<b>1,551</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-6,439</b>	<b>-2,993</b>
<b>COMPREHENSIVE INCOME</b>	<b>425,600</b>	<b>-92,373</b>
COMPREHENSIVE INCOME ATTRIBUTABLE TO		
Comprehensive income attributable to owners of the parent	293,983	-107,111
Comprehensive income attributable to non-controlling interest	131,617	14,738
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>425,600</b>	<b>-92,373</b>



# Consolidated Statements of Cash Flows – Direct Method

For the years ended december 31, 2020 and 2019

(Figures in thousands of united states dollars ThUS\$)

<b>STATEMENT OF CASH FLOWS – DIRECT METHOD</b>	<b>01.01.2020 12.31.2020 ThUS\$</b>	<b>01.01.2019 12.31.2019 ThUS\$</b>
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Types of proceeds from operating activities		
Proceeds from sale of goods and providing of services	2,312,375	1,639,978
Proceeds from premiums and benefits, annuities and other benefits of policies subscribed	-	1,303
Other proceeds from operating activities	384	284
<b>TYPES OF OPERATING ACTIVITIES PAID IN CASH</b>		
Payments to suppliers for supplying goods and services	-1,136,302	-1,320,193
Payments to and on account of employees	-232,295	-219,65
Cash flows provided by (used in) operating activities	944,162	101,722
Interest received, classified as operating activities	15,548	7,124
Income taxes (paid) reimbursed, classified as operating activities	-92,315	-47,467
Other cash inflows (outflows), classified as operating activities	11,487	30,632
Net cash flows provided by (used in) operating activities	878,882	92,011
<b>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Cash flows used to obtain control of subsidiaries or other businesses, classified as investing activities	-38,767	-3,013
Cash flows used in the acquisition of non-controlling interests	-621	-
Other proceeds from disposal of equity or debt instruments of other entities, classified as investing activities	-	7,029
Proceeds from disposal of property, plant and equipment, classified as investing activities	-	2,168
Additions to property, plant and equipment, classified as investing activities	-248,856	-248,711
Additions to intangible assets, classified as investing activities	-	-930
Payment of futures, forwards, options and financial trading, classified as investing activities	-6,279	-14,233
Proceeds from futures, forwards, options and financial trading, classified as investing activities	1,987	-
Interest received, classified as investing activities	1,615	2,300
Other cash inflows (outflows), classified as investing activities	-21,240	195,708
Net cash flows provided by (used in) investing activities	-312,161	-59,682
<b>CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
<b>PROCEEDS FROM LOANS, CLASSIFIED AS FINANCING ACTIVITIES</b>	<b>-155,601</b>	<b>224,338</b>
Proceeds from long-term loans	-200,837	190,000
Proceeds from short-term loans	45,236	34,338
Reimbursement of loans, classified as financing activities	-80,126	-59,534
Payment of finance lease liabilities, classified as financing activities	-22,836	-32,143
Dividends paid, classified as financing activities	-82,737	-41,989
Interest paid, classified as financing activities	-65,199	-53,392
Other cash inflows (outflows), classified as financing activities	-3,760	-369
Net cash flows provided by (used in) financing activities	-410,259	36,911
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, BEFORE THE EFFECT OF CHANGES IN THE EXCHANGE RATE</b>	<b>156,462</b>	<b>69,240</b>
<b>EFFECTS OF CHANGES IN THE EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>		
Effects of changes in the exchange rate on cash and cash equivalents	4,257	-2,811
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>160,719</b>	<b>66,429</b>
Cash and cash equivalents at beginning of year	261,218	194,789
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>421,937</b>	<b>261,218</b>

# Consolidated statements of net changes in equity

For the years ended december 31, 2020 and 2019

(Figures in thousands of united states dollars ThUS\$)

AS OF DECEMBER 31, 2020	ISSUED CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	CASH FLOWS HEDGING RESERVE	DEFINED EMPLOYEE BENEFITS PLAN PROFIT OR LOSS RESERVE	EQUITY INSTRUMENT INVESTMENT PROFIT AND LOSS RESERVE	OTHER MISCELLANEOUS RESERVES	OTHER RESERVES	RETAINED PROFITS (LOSSES)	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	EQUITY
<b>EQUITY AT BEGINNING OF YEAR 01.01.2020</b>	379,444	-232	2,565	-628	10,813	178	12,696	1,528,014	1,920,154	1,323,101	3,243,255
Changes in equity											
Comprehensive income											
Profit (loss)								300,422	300,422	131,617	432,039
Other comprehensive income		7,266	-4,958	-8,747	-	-	-6,439		-6,439	-66,12	-72,559
Comprehensive income									293,983	65,497	359,48
Dividends								-153,230	-153,230	-	-153,230
Increase (decrease) due to transfers and other changes in equity	-	-	-	-	-	-	-	-	-	-	-
<b>INCREASE (DECREASE) IN EQUITY</b>	-	7,266	-4,958	-8,747	-	-	-6,439	147,192	140,753	65,497	206,250
<b>EQUITY AS OF DECEMBER 31, 2020</b>	<b>379,444</b>	<b>7,034</b>	<b>-2,393</b>	<b>-9,375</b>	<b>10,813</b>	<b>178</b>	<b>6,257</b>	<b>1,675,206</b>	<b>2,060,907</b>	<b>1,388,598</b>	<b>3,449,505</b>

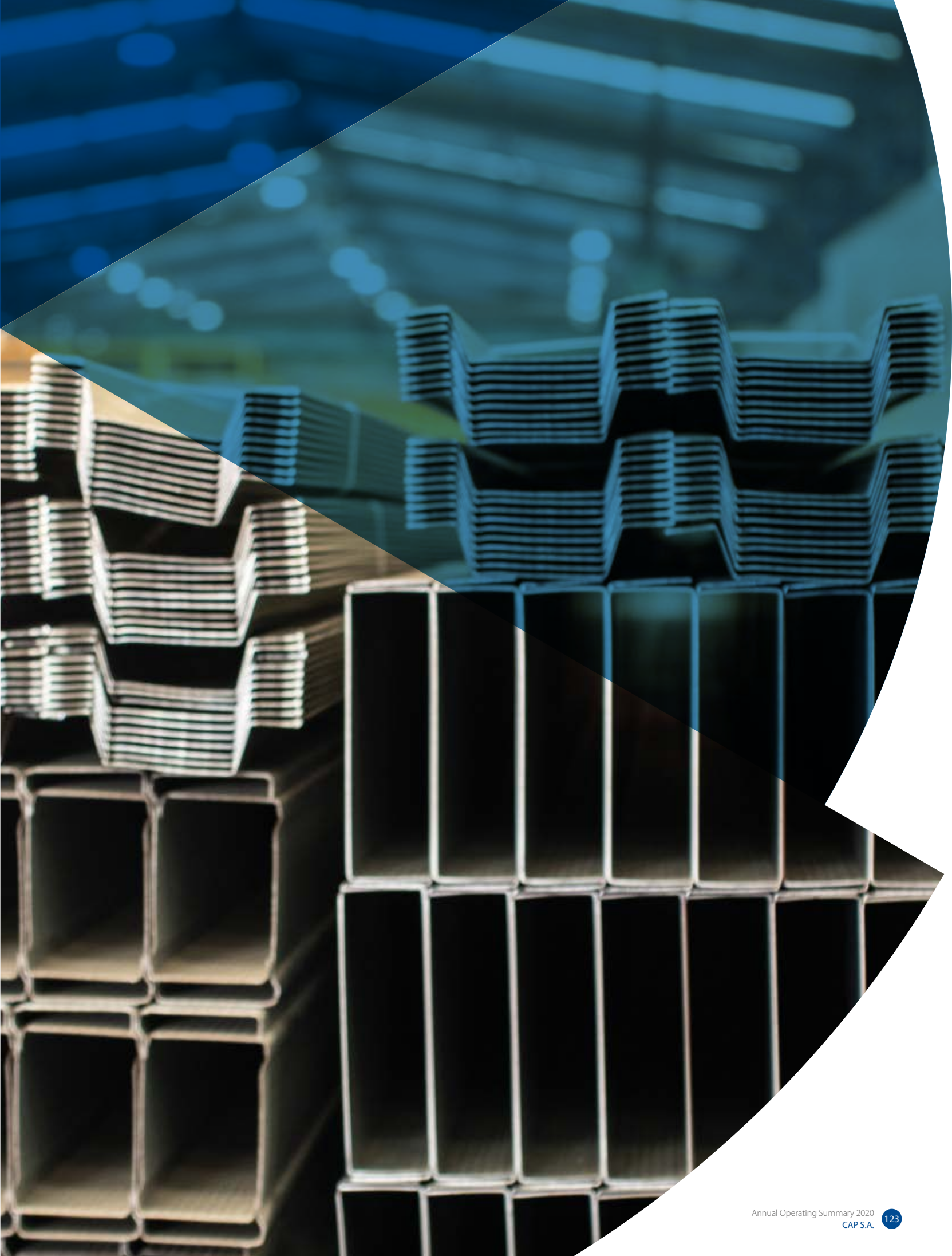


## Consolidated statements of net changes in equity

For the years ended december 31, 2020 and 2019

(Figures in thousands of united states dollars ThUS\$)

AS OF DECEMBER 31, 2019	ISSUED CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	CASH FLOWS HEDGING RESERVE	DEFINED EMPLOYEE BENEFITS PLAN PROFIT OR LOSS RESERVE	EQUITY INSTRUMENT INVESTMENTS PROFIT AND LOSS RESERVE	OTHER MISCELLANEOUS RESERVES	OTHER RESERVES	RETAINED PROFITS (LOSSES)	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	EQUITY
<b>EQUITY AT BEGINNING OF YEAR 01.01.2019</b>	379,444	-731	7,259	1,830	10,813	178	15,689	1,632,132	2,027,265	1,314,991	3,342,256
Changes in equity											
Comprehensive income											
Profit (loss)								-104,118	-104,118	14,738	-89,380
Other comprehensive income		499	-4,694	1,202	-		-2,993		-2,993	-	-2,993
Comprehensive income									-107,111	14,738	-92,373
Dividends								-	-	-	-
Increase (decrease) due to transfers and other changes in equity	-	-	-	-	-	-	-	-	-	-6,628	-6,628
<b>INCREASE (DECREASE) DUE TO TRANSFERS AND OTHER CHANGES IN EQUITY</b>	-	499	-4,694	1,202	-	-	-2,993	-104,118	-107,111	8,110	-99,001
<b>EQUITY AS OF DECEMBER 31, 2019</b>	379,444	-232	2,565	3,032	10,813	178	12,696	1,528,014	1,920,154	1,323,101	3,243,255





# Analysis of the Consolidated Financial Statements

As of december 31, 2020

The following document analyzes the Consolidated Financial Statements of CAP S.A. and its subsidiaries ("CAP Group") corresponding to the period ended December 31, 2020, which have been prepared under the International Financial Reporting Standards (IFRS).

The CAP Group is composed of the parent company, CAP S.A. (the "Company") and subsidiaries grouped into four segments: (1) Iron Mining (CAP Mining), through Compañía Minera del Pacífico S.A. ("CMP") and its subsidiaries; (2) Steel Production (CAP Steel), through the subsidiary Compañía Siderúrgica Huachipato S.A. ("CSH"); (3) Steel Processing (CAP Steel Solutions), which operates its business through Intasa S.A. and subsidiaries, and Novacero S.A. and subsidiaries (Cintac S.A. and subsidiaries); and finally, (4) Infrastructure (CAP Infrastructure), through the subsidiaries Cleanairtech Sudamérica S.A., Tecnocap S.A. and Puerto Las Losas S.A.



## 1. Summary of the income obtained by the company

The following table presents the main components of CAP S.A. Consolidated Statement of Income, for both the fourth quarter and the year as a whole:

**Table No. 1: Summary of the CAP S.A. Consolidated Statement of Income**

FIGURES IN THOUSANDS OF US\$	Q4 2020	Q4 2019	VAR Q-Q	2020	2019	VAR Y-Y
Operating Revenue	905,302	360,490	+151%	2,679,003	1,590,249	+68%
Gross Earnings	379,929	-14,521	-	890,704	130,627	+582%
Administrative Expenses	43,614	30,525	+43%	132,920	110,694	+20%
Net Profit	150,768	-83,000	-	300,422	-104,118	-
EBITDA	396,106	5,975	+6,529%	974,037	199,468	+388%

At the end of the fourth quarter, the CAP Group's income reached US\$ 2.679 billion for the 2020 calendar year, which reflects a growth of 68% over 2019. Meanwhile, the Net Profit as of December was US\$300.4 million (versus a loss of US\$ -104.1 million in 2019) and EBITDA grew by 388% from US\$ 199.5 million in 2019 to US\$ 974.0 million in 2020, US\$ 396.1 million of which reflects EBITDA generated during the fourth quarter.

The better results in 2020 are explained primarily by the higher sales revenue in the mining business and a lower relative increase in the respective operational costs. The other segments' income was also higher than in 2019 for the CAP Steel Solutions and CAP Infrastructure segments, and while the CAP Steel segment saw negative income, the losses in this segment were significantly reduced. The income for this last business unit is explained primarily by the economic depression observed at the national and international levels, caused by the Covid-19 pandemic, which pushed steel prices and demand down in the construction and mining sectors, particularly in the second and third quarters, in addition to a scenario of high prices among raw materials, such as iron. The following section presents a breakdown of the income by segment.



## 2. Analysis of revenue and income by business segment

The following table shows the income obtained during 2019 and 2020 for the CAP Group's different business segments.

**Table No. 2: Summary of income by business segment**

FIGURES IN THOUSANDS OF US\$	MINING		STEEL		STEEL PROCESSING		INFRASTRUCTURE	
	2020	2019	2020	2019	2020	2019	2020	2019
Operating Revenue	1,815,917	778,953	488,169	475,508	444,535	397,813	96,065	85,558
Gross Margin	799,222	105,715	-30,212	-73,995	75,797	54,278	47,149	30,113
Administrative Expenses	80,857	44,523	24,860	25,716	37,150	34,077	2,303	1,929
Depreciation and Amortization	156,599	132,642	22,786	20,949	17,957	9,620	17,909	15,753
EBITDA	874,964	193,834	-32,106	-78,762	56,604	29,821	62,755	52,937
Profits (losses) after taxes	448,321	14,864	-57,052	-114,173	16,657	1,097	26,335	20,255

**Note: Values reflect individual figures for each segment, without purging related company transactions.**

During the fourth quarter, **CAP Mining** continued to consolidate the productive recovery observed during the first nine months of 2020 over the previous year, after the Guacolda II Port started operating again in December 2019. The reopening of the port, followed by a successful start-up, allowed CMP to resume production and mineral shipment levels prior to the accident that occurred in the facility at the end of 2018. Thus, during 2020 mineral shipments reached 16.5 million tons, 78.2% higher than shipments in 2019. This, when added to a 32.7% increase in prices in 2020 over 2019, allows CMP to increase its sales by 133.1%, for a total of US\$ 1,815.9 million.

Operational costs in the mining segment dropped on a unitary basis from US\$ 72.5 to US\$ 61.4 per ton, mainly due to greater scale economies related to the higher shipment volumes, particularly in Huasco Valley, whose operations (Los Colorados mine and pellets plant) use Guacolda II Port as its main port of departure and represent 50% of the mining company's total shipments. The gross earnings for this segment increased by 656%, reaching US\$ 799.2 million, whereas the EBITDA rose by 351%, to reach US\$ 875.0 million. Meanwhile, the mining segment's net profit reached US\$ 448.3 million by December, which is much higher than the US\$ 14.9 million obtained in 2019 as a whole.

In **CAP Steel** (CSH) during 2020, revenue and EBITDA reached US\$ 488.2 million and US\$ -32.1 million, respectively. Revenue was 27% higher than in 2019, which is primarily explained by the 8.6% increase in the shipment volumes, despite a 9.8% drop in the sale price of steel. Unitary steel production costs showed a favorable evolution, reaching US\$ 686 per ton, 13.2% lower than that obtained in 2019. In terms of net income, the steel segment saw a loss of US\$ -57.1 million as of December, which compares favorably to the net loss of US\$ -114.2 million seen in 2019. While CSH managed to increase its physical sales in 2020 and obtain better prices for its products during the fourth quarter, the lower steel prices observed during the better part of the year as a result of the weakening of the infrastructure and construction sector, derived from the Covid-19 pandemic, and the higher prices of its main input, iron mineral, prevented CSH from reversing its prior year losses.

In the **Steel Processing** segment, which is composed of Cintac in Chile, Tupemesa, Calaminon, Sehover and Signovial in Peru, TASA in Argentina, and since May 2020 Promet in Chile and Peru, the cumulative revenue and EBITDA for 2020 reached US\$ 444.5 million and US\$ 56.6 million, respectively. These figures represent an 11.7% increase in sales and a 90.0% increase in EBITDA over 2019, primarily due to the incorporation of Promet and better profit margins on the products. The net profit for this segment in 2020 reached US\$ 16.7 million, which is a great improvement over the net profit of US\$ 1.1 million in 2019.

Finally, the **CAP Infrastructure** segment, composed of the desalinated water production and distribution company Cleanairtech Sudamérica, the electric transmission company Tecnocap and the Las Losas Port, observed revenue and EBITDA in 2020 of US\$ 96.1 million and US\$ 62.8 million, respectively, reflecting increases of 12.3% and 18.5% over 2019. The net profit for this segment during 2020 also increased from US\$ 20.3 million in 2019 to US\$ 26.3 million in 2020. The better results in this business area are due to the positive operational performance of the salt water desalination plant and the greater flow of cargo at the Las Losas Port.

Consequently, the CAP group's consolidated net profit in 2020, after deducting non-controller interest, was US\$ 300.4 million, which compares favorably to the net loss of ThUS\$ -104.1 million recorded in 2019.



## 3. Trends in the CAP Group Businesses

During 2020, the Covid-19 pandemic spread across the world, not only producing serious effects for global health, with over 100 million cases and two million deaths during the year, but also a deep recession in most countries with the implementation of significant restrictions on mobility and, therefore, the normal operation of many economic activities. This impairment in activity has directly affected some of our most important markets, especially with respect to the consumption of steel or processed metal products in the mining and construction sectors in Chile, Peru and Argentina. As these countries have begun to loosen up confinement measures and gradually resume activity, the sales of these products have begun to recover, particularly during the last quarter.

In iron mining, despite the complex local and international scenario, the start-up of the new ship loader in Guacolda II allowed for **CAP Mining** to recover the shipment capacity it boasted prior to the accident in November 18, and thus, support a shipment schedule that surpassed 16 million tons in 2020.

In the area of external trade, Asian and primarily Chinese customers, maintained a stable demand for the high-grade magnetic concentrates produced by CMP, including 62-64% iron sinter feed, 65-69% iron pellet feed, and 65-67% iron pellets. Despite the effects of Covid-19 around the world, and an extremely weak Q1-2020 for the Chinese economy, it saw a strong recovery during the remaining part of the year, where the construction and infrastructure sectors consumed more steel than in 2019, driven primarily by tax stimulus measures. In terms of supply, Brazil's main iron producer began to show signs of recovery in its shipment levels during the second half of the year, but still far from reaching prior year levels. These market balance conditions have led to iron prices in 2020 not seen since 2013.

Meanwhile in the **Steel** sector, China's excess steel production capacity, with steel plants not centrally approved in terms of their operating specifications and potential causes of high contamination, could trigger the closure of some of these plants, resulting in a lower steel production, which would eventually reduce the volatility of the price of this metal in international markets. In fact, greater restrictions on steel production are projected to maintain contamination levels under control during the Chinese winter. Even still, the levels of usage of Chinese steel capacity were higher in 2020 than in 2019.

As the effects of the pandemic diminish and economic activity begins to recover, possible scenarios of a stronger international steel market is envisioned, based on lower production in China and a greater demand from Western countries. These new market balances could provide greater stability for international steel prices, positively affecting the Chilean and Peruvian markets, where CSH holds a majority market share.

The **Steel Processing** business activities, on the other hand, adjust to the growth and investment levels of the economies where they operate and their own efforts in terms of efficiency and innovation. After a Q1-2020 highly impacted by the pandemic and obligatory lockdowns in Argentina and Peru, as well as the lower activity in Chile, the annual close saw clear signs of recovery, reflected in the operational activities of this business segment and higher prices. Nevertheless, as long as the economies where the Cintac and Tubos Argentinos Group operate do not return to a more normal scenario, their efforts will continue to focus on maintaining healthy liquidity levels, reducing costs and expenses, and putting off non-critical investments.

## 4. Market Analysis

In the Iron market, the average price of CMP's commodities basket in 2020 was US\$ 108.5 per metric ton, which is 32.7% greater than the average price of US\$ 81.8 per ton recorded in 2019. It must be reiterated that the increase in the average price of CMP's product offer is explained primarily by stimuli in the Chinese economy, which have helped drive activity in the construction and infrastructure sectors, propelling the consumption of steel and, with it, the demand for iron.

In terms of mineral shipment volumes in 2020, these reached 16.5 million tons, which is 78.2% higher than the 9.3 million tons shipped during 2019. Shipments to the external market, on the other hand, reached 15.7 million tons, with 795 thousand tons delivered to the domestic market. As a result, the CAP Mining sales in 2020 reached US\$ 1.8159 billion, which is 133.1% higher than that obtained in 2019.

In the case of **Steel**, the average price in 2020 reached US\$ 576.3 per ton, which is 9.8% lower than the price of US\$ 639.1 in 2019.

Shipments during 2020 reached 755,209 tons, which represents an 8.6% increase over the 695,152 tons sold in 2019. In 2020, 534,801 tons were delivered to the domestic market, which is 9.5% higher than the 488,230 tons sent to the domestic market during 2019; while shipments to the external market were 220,408 tons, 6.5% higher than the 206,920 tons the previous year. Thus, the CAP Steel revenue in 2020 reached US\$ 488.2 million, which reflects a 2.7% increase over the previous year revenue.

In 2020, the **Steel Processing** segment saw a cumulative average price for the year of US\$ 958.3 per ton, which is 15.0% lower than the price of US\$ 1,127.2 obtained in 2019. Meanwhile, shipments reached 310 thousand tons, versus 353 thousand tons in 2019. Services and solutions revenue was US\$ 144.9 million, an increase over the US\$ 19.5 million in 2019. Thus, at the close of 2020, Novacero and Intasa, the two companies that consolidate the steel processing business, saw revenue of US\$ 444.5 million, which is 11.7% higher than the 2019 sales of US\$ 397.8 million.

During 2020, the **CAP Infrastructure** subsidiaries, Cleanairtech and Tecnocap, achieved a production of 8.1 million cubic meters of desalinated water and a transmission of 257 GWh of electricity, respectively. Thus, their contribution to the group's total revenue, including the sales of Las Losas Port, reached US\$ 96.1 million for the year, representing a 12.3% increase over 2019.

### Costs of Sales

When comparing the average cumulative costs of sales per ton in 2020 with those corresponding to the previous year, they dropped by 15.3% and 13.2% for **iron** and **steel** products, respectively. In terms of the **steel processing** business costs, these increased in absolute terms by 7.3% over those reported for 2019.

### Administrative and Sales Expenses

Consolidated administrative and sales expenses were 5.0% of sales in 2020 (versus 7.0% in 2019). In absolute terms, these expenses increased from US\$ 110.7 million in 2019 to US\$ 132.9 million in 2020.

### Finance Expenses and Foreign Currency Translation

CAP's consolidated finance expenses dropped from US\$ 98.5 million in 2019 to US\$ 85.3 million during 2020. Meanwhile, finance revenue decreased in 2020 from US\$ 11.7 million to US\$ 6.5 million as a result of lower interest rates offered by the financial system for the investment of financial surpluses.

Consequently, the net finance expenses dropped from US\$ 86.8 million in 2019 to US\$ 78.8 million 2020.

With respect to variations in the exchange rate, in 2020 these yielded an income of US\$ 364 thousand, in comparison to the loss of US\$ -3.9 million in 2019. In both cases, the foreign currency translation changes are produced by variations in the value of the US dollar applied to temporary market gaps in asset and liability accounts in other currencies.

## 5. Analysis of the statement of financial position

Table No. 3 summarizes the main items of the CAP S.A. balance sheet as of December 31, 2020 and 2019, whose main variations are analyzed below.

**Table No. 3: Summary of the Statement of Financial Position**

FIGURES IN THOUSANDS OF US\$	31-DEC-20	31-DEC-19
Current Assets	1,485,184	1,241,151
Non-Current Assets	4,381,004	4,237,584
<b>TOTAL ASSETS</b>	<b>5,866,188</b>	<b>5,478,735</b>
Current Liabilities	1,556,718	1,144,830
Non-Current Liabilities	859,965	1,090,650
<b>TOTAL LIABILITIES</b>	<b>2,416,683</b>	<b>2,235,480</b>
<b>EQUITY</b>	<b>3,449,505</b>	<b>3,243,255</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,866,188</b>	<b>5,478,735</b>

The increase of US\$ 387.4 million in **Total Assets** is largely explained by the increase of US\$ 244.0 million in **Current Assets**, which is mainly due to the generation of cash in the amount of US\$ 160.7 million during 2020 and an increase of US\$ 236.4 million in accounts receivable from non-related third parties. These effects are partially offset by a reduction in current inventory to the tune of US\$ 203.3 million. The increase in total assets is also explained by an increase of US\$ 143.4 million in **Non-Current Assets**, which is primarily explained by an increase of US\$ 143.7 million in Property, plant and equipment.

**Total Liabilities** rose by US\$ 181.2 million, largely explained by an increase of US\$ 225.8 million in accounts payable, due primarily to provisioned dividends corresponding to the income for 2020, and an increase of US\$ 144.1 million in current tax liabilities resulting from higher income for the year, both offset by a decrease of US\$ 206.3 million in financial liabilities. The decrease of US\$ 230.7 million in **Non-Current Liabilities** is primarily explained by the decrease of US\$ 253.8 million in other non-current financial liabilities, due to the reclassification of non-current debt to current debt, given that this will mature within less than one year.

Finally, the increase in **Equity** is due to positive income for the year in the amount of US\$ 300.4 million, net of the dividends provisioned or paid provisionally with charge to the 2020 year, according to the Company's current dividend policy.

## 6. Analysis of the statement of cash flows and liquidity

The following table summarizes the cash activity during 2019 and 2020

**Table No. 4: Summary of the Statement of Net Cash Flows**

FIGURES IN THOUSANDS OF US\$	2020	2019
Cash flows provided by (used in) operating activities	878,882	92,011
Cash flows provided by (used in) investing activities	-312,161	-59,682
Cash flows provided by (used in) financing activities	-410,259	36,911
Effectives of variation in the exchange rate	4,257	-2,811
<b>NET INCREASE IN CASH</b>	<b>160,719</b>	<b>66,429</b>
Cash at the beginning of the year	261,218	194,789
Cash at the end of the year	421,937	261,218

The **operational** cash flows for 2020 were US\$ 878.8 million (vs. US\$ 92.0 million in 2019). The increase in operating cash generated is explained in large part by a greater collection from the sale of goods and services (US\$ 2,312.4 million in 2020 versus US\$ 1,640.0 million in 2019) and lower payments to goods and service providers (US\$ 1,136.3 million in 2020 versus US\$ 1,320.2 million in 2019). The higher collection of sales revenue is explained mostly by greater sales volumes and prices in the mining segment.

In **investing** activities, the negative flow of US\$ -312.2 million (vs. US\$ -59.7 million in 2019) is primarily due to the purchase of property, plant and equipment in the amount of US\$ 248.9 million, and the investment in subsidiaries of US\$ -39.4 million (US\$ 23 million of which correspond to the purchase of 60% of Promet S.A. in May).

The flows from **financing** activities shows a net outflow for the year of US\$ -410.3 million (vs. Inflow of US\$ 36.9 million in 2019), explained primarily by the net amortization of finance debt in the amount of US\$ 235.7 million, the payment of dividends to the shareholders of the Company and some subsidiaries in the amount of US\$ 82.7 million and the payment of finance interest to the tune of US\$ 65.2 million.

As a result of the foregoing, the CAP Group generated cash in the amount of US\$ 160.7 million in 2020 (vs. US\$ 66.4 million in 2019), reaching a cash position of US\$ 421.9 million as of December 31, 2020.

## 7. Financial indicators

Table No. 5: Liquidity Indicators

CURRENT LIQUIDITY	PARAMETERS	12-31-2020	12-31-2019	VARIATION
<b>CURRENT RATIO</b>				
Current Assets/Current Liabilities	Times	0.95	1.08	-0.13
<b>ACID TEST RATIO</b>				
Cash and Cash Equivalent + Other Current Financial Assets) / Current Liabilities	Times	0.36	0.30	0.06

The **current liquidity** ratio of CAP S.A. dropped in 2020 from 1.08 to 0.95, due to a greater increase in current liabilities with respect to an increase in cash and other short-term assets. As already indicated, the increase in current liabilities is due primarily to the increase in accounts payable and greater income tax payable for 2020.

Meanwhile, the **acid-test ratio**, rose from 0.30 to 0.36 due to the increase in the Company's cash position, which was proportionally higher than the increase in current liabilities.

Table No. 6: Debt Indicators

INDEBTEDNESS	PARAMETERS	12-31-2020	12-31-2019	VARIATION
<b>TOTAL FINANCIAL INDEBTEDNESS</b>				
Other current financial liabilities + other non-current financial liabilities	ThUS\$	743,497	961,843	-218,346
<b>NET FINANCIAL INDEBTEDNESS</b>				
Total financial indebtedness - (Cash and cash equivalent + other current financial assets)	ThUS\$	186,969	622,440	-435,471
<b>NET FINANCIAL INDEBTEDNESS TO EBITDA</b>				
Net financial indebtedness / Ebitda last 12 months	Times	0,19	3,12	-2.93
<b>NET FINANCIAL INDEBTEDNESS TO EQUITY</b>				
Net financial indebtedness / equity	Times	0,05	0,19	-0.14
<b>HEDGING OF NET FINANCE EXPENSES</b>				
Ebitda last 12 months (finance expenses last 12 months - finance revenue last 12 months)	Times	12,36	2,30	10,06
<b>SHORT-TERM DEBT TO TOTAL DEBT</b>				
Current liabilities /Total liabilities	%	64	51	13,00
<b>LONG-TERM DEBT TO TOTAL DEBT</b>				
Non-current liabilities /Total liabilities	%	36	49	-13.00

The Company's **financial indebtedness** decreased by US\$ 218.3 million during 2020, mainly due to the amortizations of current and non-current debt. In net terms, this dropped significantly by US\$ 435.5 million, given the cash levels generated during the year.

The combination of a decrease in net financial indebtedness and positive income generated during the year, with an Ebitda of US\$ 974.0 million, allowed the **Net Financial Debt over EBITDA** to drop sharply during 2020, from 3.12 to 0.19. Similarly, the **Interest Coverage** ratio rose from 2.30 to 12.36, based on the higher EBITDA and the reduction in finance expenses.

Finally, current debt is observed to hold a greater relative weight in total debt, which is explained by the maturity of debt within 12 months, previously classified as non-current, as indicated above.

Table No. 7: Inventory Turnover Indicators

ACTIVITY	PARAMETERS	12-31-2020	12-31-2019	VARIATION
<b>INVENTORY TURNOVER</b>				
Cost of Sales / Stock	Times	4.53	3.19	1.34
<b>INVENTORY PERMANENCE</b>				
(Stock/cost of sales) * Days in period	Days	81	114	-33

The **inventory turnover** increased from 3.19 to 4.53 in 2020, due to a significant reduction in finished product stock, primarily in the mining business, and despite the drop in the costs of sales for the different segments. The same effect led the **inventory permanence** ratio to drop by 33 days, from 114 days in 2019 to 81 in 2020.

**Table No. 8: Profitability Indicators**

	PARAMETERS	12-31-2020	12-31-2019	VARIATION
<b>PROFITABILITY</b>				
<b>PROFITABILITY OF EQUITY</b>				
Profit (Loss)/ Total equity	%	12.52	-2.76	15.28
<b>PROFITABILITY OF ASSETS</b>				
Profit (Loss)/ Total assets	%	7.36	-0.16	7.52
<b>PROFIT PER SHARE</b>				
Profit (Loss) attributable to controller's owners/Number of shares issued	US\$	2.01	-0.70	2.7102
<b>DIVIDEND RETURN*</b>				
Dividends last 12 months / Closing share price	%	2.48	5.73	-3.25

Given the 2020 cumulative net profit of US\$ 300.4 million, practically all profitability indicators show an improvement over 2019, where cumulative losses reached US\$ -104.1 million. The return on dividends, however, shows a drop, given the low dividend amounts paid during the last 12 months and the increase in the share price.



## 8. Market risks

### Accounting in US Dollars and Exchange Rate

The CAP Group's predominant functional currency is the US dollar, therefore, most of its subsidiaries keep its accounting in that currency, allowing them to value a significant amount of their assets, liabilities and equity in the same currency.

The same occurs in the income accounts, where revenue and expenses are credited and charged, respectively, in this currency from the moment they occur or are accrued.

Likewise, CAP's assets and liabilities recorded and controlled in pesos and currencies other than the USD may lead to changes due to foreign currency translation based on valuation at the balance sheet date, if the exchange rate of those currencies to the USD experiences variations. The difference for foreign currency translation is carried to income for the year.

Based on the above, the Company makes an effort to obtain an adequate balance between its assets and liabilities in other currencies or one that is satisfactory in light of the prevailing realities in the international and local exchange markets, trying to avoid significant impact on its income. For this purpose, it may at times perform currency hedging operations with derivative instruments.

### Commodities

CAP's businesses reflect cyclical variations in global and local supply and demand through their prices.

On the other hand, iron and steel are not traditional commodities, as the specific chemical composition of each type of iron or steel, which is essential in most users' purchasing decision, leads to a large variability of types. However, the trading of iron and steel futures through financial brokers has recently gained relevance. In this regard, since 2017, the CAP group has occasionally performed operations using these hedge instruments for around 10% of mineral shipments.

### Sensitivity Analysis

CAP's operations are mainly exposed to variations in iron and steel prices, whose levels are determined by global supply and demand.

The group estimates that at the production and shipment levels recorded during the year, an increase/(decrease) of 10% in the average iron price would cause the group's revenue to increase/(decrease) by US\$ 166.7 million. In terms of steel, it is estimated that a 10% increase/(decrease) in the average price recorded in the same period would increase/(decrease) the group's revenue by US\$ 47.4 million.

### Debt in Other Currencies and Interest Rates

Along with the cyclical nature of revenue, the Statement of Income of CAP S.A. is exposed to the effects of variations in the market's financial parameters, which it seeks to mitigate by determining adequate levels of debt proportion in different currencies or interest rate formats, whether fixed or variable, and possibly using the available instruments in the market to hedge these.

Historically, CAP has sought to contract debt in USD, with the exception of bond investments in UF in the local market. These liabilities have been hedged with Cross Currency Swaps to USD, preferably on the same investment date. Likewise, the Company has taken out hedging instruments to fix variable interest rates on some loans.

If any assets or liabilities were to be created from hedging operations, these would be presented at their fair value on the respective financial statement dates.





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