

# Letter from the CEO

NICOLÁS BURR GARCÍA DE LA HUERTA

Dear Shareholders,

Filled with enthusiasm and pride, I address you for the first time as Chief Executive Officer at CAP to inform you of the main activities and achievements in 2022, a year that has given us challenges that undoubtedly demanded additional effort and dedication from our workers. For this reason, I would like to start this letter by especially thanking the more than 13,000 collaborators in CAP Group for their work and strong commitment to the company and the country.

“Our purpose and renewed ambition inspire and drive us to continue contributing with Chile’s sustainable development Chile.”



I joined this team in September 2022 to lead the challenge of continuing and promoting the Group's Purpose: generate wellbeing and shared progress, transforming resources with Chile and the world. In the year's last quarter, we carried out a strategic reflection that concluded with renewed commitments, a solid alignment with our operating companies' strategies in terms of a new ambition: to be a Group that is recognized for its sustainable strategy, focused on the development of an industrial value chain based on decarbonization.

These purpose and renewed ambition inspire and drive us to continue contributing with Chile's sustainable development, especially in the regions where we operate. In addition, we updated and, in some cases, reformulated the strategies of operating companies, with three main focuses: to ensure our operations' continuity and efficiency, to promote the Group's current businesses strengthening their own value propositions, and to develop and diversify our business portfolio.

Likewise, and as part of the same exercise, we have aligned the Group's governance, identifying six critical functions for adding value and strengthening its management and decision-making processes and instances, which will undoubtedly translate into a consolidation of the traditional and historical group spirit that has characterized us, and will encourage greater integration and collaboration between the corporate center and our operating companies.

To All these adjustments in our strategy, governance and culture constitute what we have internally named "Starlink Project", whose implementation will be a priority during 2023.

In the 2022 period, relevant investments were materialized in all different segments of the business, adding up to almost, US\$ 471 million. Here, we can highlight the progress in the pre-stripping of phase six in our Los Colorados Mine and sustainability projects, such as the progress on the prototype of the Green Hydrogen Pilot Plant in Huachipato, for the direct reduction of the mineral and future green steel production, the start of the decarbonization project, replacing coal for natural gas, in our Pellet

Plant, Compañía Minera del Pacífico in the town of Huasco.

In terms of financial results, net profit consolidated as of December 31st 2022 reached US\$ 226 million, while the EBITDA totaled US\$ 910 million. By the end of 2022, CAP Group's revenues reached US\$ 3,006 million.

Our mining segment, via Compañía Minera del Pacífico (CMP), had a good year, given that the company got an EBITDA of US\$941million and a net profit of US\$480 million in a context of positive prices, reaching average levels of 112 US\$/ton. Cash cost reached 51.5 US\$/ton, 11% over last year, which reflects the inflationary pressures that have affected mining costs in Chile and the world. In 2022, CMP obtained positive annual production and shipment levels of iron ore and pellets, for 16.5 million tons and 16.3 million tons, respectively.

In Compañía Siderúrgica Huachipato (CSH), the year saw an EBITDA and negative profit of US\$91 million and US\$122 million, respectively, due to, among other factors, the temporary unprogrammed halt of Blast Furnace N°2 at the start of the year, caused by cooling, as well as a lessened activity



in the building sector, which has had an impact on the country's steel bars. In addition, high levels of inflation, both local and global, also influenced results, as the rises in costs could not be transferred to prices. This was a consequence of the large volumes of imported steel products from China, where internal demand was shrunk. In CSH, we have promoted a series of initiatives that point to reducing costs and elevating our operation standards in the supply chain and industrial processes – projects which will be led by César Garrido, CEO at CSH, from March 1st 2023. *In the context of our sustainable growth strategy, the future of Siderúrgica Huachipato is to become a company focused on special steels and main supplier of grinding bars for the country's mining activity.*

In the Steel Processing sector, business comprised by companies in Chile, Peru and Argentina, such as Cintac, Tupemesa, Promet and TASA, the EBITDA and net profit in 2022 reached US\$ 4 million and US\$-39 million, respectively. The complex year is mainly explained by a reduction of the demand for steel products of approximately 18%, as a result of the lessened activity in the construction sector, both in Chile and in Peru. Additionally, our margins were adjusted downwards as a result of higher production costs and higher steel inventory cost, which was impossible to fully transfer to the price. *In the steel processing business, we are focused on consolidating and boosting greater growth in the insulation panel business and, thus, contribute with housing solution with better energy efficiency as well as strengthen the growth of our modular construction, contributing*

*creatively with solutions that allow to reduce the existing housing deficit in our country.*

In CAP Infrastructure, in turn, an activity that includes the company that produces and distributes desalinated water, Aguas CAP, electric transmission with Tecnocap and the multi-purpose port Puerto Las Losas, the EBITDA and net profit increased US\$ 59 million and US\$ 25 million, respectively. As of December 31st 2022, CAP Infrastructure subsidiaries, Aguas CAP and Tecnocap, achieved a production of 7.82 million cubic meters of desalinated water and a transmission of 247.3 GWh of electric energy, respectively. In the Infrastructure unit, we are working from the basis of a commercial plan to better utilize our installed capacity in port services and electric energy transmission, and analyzing projects that could allow us to increase our desalinating capacity to the levels that are currently authorized in Aguas CAP. Moreover, we continue to support our operating units in the future supply of renewable energy, developing solar parks to cover almost a third of our needs by 2030.

*Going back to our vision of the future, in 2023, CAP Group is looking at investments nearing US\$ 500 million, around 30% of which will go to sustainability projects.* Furthermore, we will continue moving forward with the development of energy, green hydrogen and water desalination projects, complementary activities that allow us to reduce climate change risks and capture opportunities related to the development of new products and markets.

*We have defined a sustainable growth strategy that seeks to consolidate and*

*promote our current business, in addition to developing new future businesses; and we are convinced that, in this way, we will continue contributing sustainable growth in Chile and the other countries where we operate.*

**Nicolás Burr García de la Huerta**  
CAP S.A. CEO