

# CHAIRMAN'S LETTER

## Dear shareholders, collaborators and related entities:

Before entering the numerical subjects that account for the past year, I want to give my thanks to all our collaborators who made it possible to take on very changing challenges and to manage our global operation in a good way.

The year 2019 presented us with very diverse scenarios, both worldwide, with a situation of prolonged instability due to the trade war between the superpowers, and a highly complex internal situations, with an unexpected strike at the end of the first semester and a climate of political tension that resulted in a scenario of social unrest in our country, towards the end of the year.

Despite these circumstances, MOLIBDENOS y METALES S.A. maintained its leadership position thanks to a business model that was able to adapt to supply, market and production variables, closing the year with a positive operating result and a robust liquidity position and very stable to face the future. Thus, we were also able to fulfill each of our clients and stakeholders 100%, both in the quality of our rhenium and molybdenum products and in the delivery opportunity in each of our contracts.

The fiscal year that ended last December reached an EBITDA of US \$ 134.51 million and a profit of US \$ 62.5 million, which although correspond to 27.5% and 35.35% lower compared to the results in 2018, this is due to a much more declining and fluctuating market situation than in the previous year, which involved lower volumes and margins.

In the European market, which is our main focus, the situation was quite stable and there was a decline in demand during the second semester. However, the price of Molybdenum oxide suffered a decrease of just 4.94% between December 2018 and December 2019. Regarding sales volume, we saw a significant decrease, from 156.12 to 148.84 million pounds during this last period.

Regarding our financial position, our net term debt was US \$ 78.79 million, against a previous net debt of US \$ 105.2 million, having paid a significant loan during this last period and having financed significant investments in our subsidiaries in Germany and Belgium. These investments will mean an increase in our production capacity of metallic molybdenum at the Chemiometall plant (located in Bitterfeld, Germany) with an investment of more than US \$ 9 million and a new chemical plant at our subsidiary in Sadaci, Belgium, where Investments of more than US \$ 55 million have been approved. Both new projects are completed and will be launched during the first semester of 2020.

Taking this into account, we are taking a significant step towards greater productive capacity, towards products with higher added value, and at the same time giving our subsidiaries in Europe greater flexibility in the processing of molybdenum concentrates.

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Along these same lines, during May 2019, the Board of Directors (where I have to preside) approved an investment of more than US \$ 50 million, for the modernization of our cleaning systems at the Molymet plant located in Nos, San Bernardo. This investment project, which is representative of the vision of our company, will be carried out over three years and will enhance the environmental sustainability of our operation, positioning it as a world leader in the industry.

At the end of 2019, MOLYMET maintained its status as INVESTMENT GRADE, obtained for the first time in the international market in 2007. With ratings of BBB- by Standard & Poor's, and BBB by Fitch Ratings, both confirmed with "stable forecast" during this last year.

As part of the challenge of contributing to the development of our collaborators in their daily work, during the last 16 months we put special emphasis on the joint construction of the Purpose of Molymet. It was wonderful to have the active and enthusiastic participation of more than 25% of our collaborators in all our plants and at operational, executive and managerial levels. The fruits of this joint work will be obtained from this year. I especially want to congratulate our Vice President of Human Resources, María Inés Gómez,

and to our CEO, John Graell, for their perseverance and good leadership during this significant project, as well as to each of those who have committed their time and unconditional will to this challenge, which will allow us to draw the new routes of the future, motivating all the members of our entity to fulfill their personal and professional dreams, and the groups of the organization to which we belong.

Complementary and as part of our strategic plan, the LEAN philosophy has been put into operation in MolymetNos, which implies putting into practice a permanent learning format among all the units, constant improvements and early detection of the inconveniences of these industrial operations. Its joint implementation will allow us to operate with better levels of efficiency and improve responsiveness to increasingly changing and demanding markets.

In another area and considering your good contributions to the company, we want to offer a warm farewell and a well-deserved thanks to our Vice President of Research and Development, Mr. Manuel Guzmán, for his loyalty and very high contribution to the development of our technical and environmental capacity for more 40 years. We also want to extend a well-deserved recognition to former director Mr. Jorge Gabriel Larraín,

who served in his duties until May 2019. His ability and contribution to the development of Molymet were very consistent. As new director, Mr. Juan Manuel Gutiérrez was appointed to replace him.

In terms of labor relations, during 2019 we worked incessantly to create relationships of trust, based on sincerity, mutual commitment and respect for current agreements and regulations, convinced that only together and considering a common purpose can we face future challenges.

Regarding relevant operations, it should be noted that in May 2019, the sale of all the shares and the indirect participation of Molibdenos y Metales S.A. in the Chinese company Luoyang Hi-Tech Metals Co Ltd. was carried out for an amount of US \$ 17.36 million, which implied recognizing a profit of US \$ 11.64 million. Then, during June 2019, the subsidiary Carbomet Energía S.A. materialized the acquisition of 33% of the shares of Compañía Auxiliar de Electricidad del Maipo S.A., thereby adding 100% to the ownership of the latter company. The purchase price was 2,500 million Chilean pesos, equivalent to US \$ 3.7 million.

Considering the result of US \$ 62.57 million obtained during the period between January and December 2019, the Board of Directors decided to submit to the consideration and determination of the Ordinary Shareholders' Meeting the payment of a dividend of US \$ 0.25 per share. If this dividend is approved by said Ordinary Shareholders' Meeting, it would be paid on April 29 of this year.

Finally, I reiterate my thanks to all the collaborators of Molymet and subsidiaries for their commitment, in addition to their personal and professional quality. Furthermore, we thank the shareholders for the trust placed in their Board of Directors.

Certainly the year 2020 will bring new challenges for the molybdenum and rhenium industry, but we believe that it will also create great opportunities for the development of Molymet, for each of us and our stakeholders.

**George Anastassiou Mustakis**  
CHAIRMAN OF THE BOARD  
OF MOLIBDENOS Y METALES S.A.

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