

**FREE TRANSLATION, FOR INFORMATION PURPOSES ONLY****MOLYMET PARTICIPANTS**

**Andres Ovalle** - *MolyMet* – Investor Relations Deputy Manager

**Maximiliano De Tezanos Pinto** - *MolyMet* - Corporate Finance Analyst

---

**PRESENTATION**

**Maximiliano De Tezanos Pinto** – *MolyMet*

Good afternoon, we welcome you to this earnings call of the third quarter of 2020. The MolyMet team is here, with Andrés Ovalle and Maximiliano De Tezanos Pinto speaking to you.

I wanted to ask if you can keep your microphones silent until the end of the presentation, where we will proceed to answer all your questions.

To start with the financial performance of the company, we can see that as of September 2020, MolyMet sold 123.46 million pounds of molybdenum products in all its forms, compared to 107.96 million pounds the previous year, representing an increase, which is positive. However, this in terms of sales income does not translate into an increase, which was 15% lower than that obtained in the third quarter of the previous year, reaching a value of US\$ 768.00 million at the end of the third quarter.

Regarding the net profit attributable to MolyMet shareholders, this was lower than the same period of the previous year, mainly due to a lower gross profit, and reached a value of US\$ 28.05 million at the end of September 2020, which represents a 51% decrease.

Regarding EBITDA, this also decreased reaching a value of US\$ 78.73 million, in part due to the lower gross profit of US\$ 32 million, reaching a value of US\$ 99.33 million. As a factor of this decrease in EBITDA is included the sale in 2019 of our Chinese subsidiary Luoyang Hi-tech, which had an effect on EBITDA of approximately US\$ 11 million

Regarding the net debt as of September 2020, it was negative US\$ 8.8 million, and corresponds to a net debt / EBITDA ratio of -0.09 times, compared to what was in 2019. This represents a decrease of 111%, and the net debt was US\$ 78.79 million, and the decrease is mainly explained because the debt fell from US\$ 279 million to US\$ 242 million, while the consolidated cash increased from US\$ 200.27 million to US\$ 250.78 million.

Regarding the evolution of the international price of molybdenum oxide, this varied on average during the year until September from US\$ 11.94 per pound in September 2019, to US\$ 8.58 per pound in September 2020, representing a 28% decrease. It should be noted that during the last 8 months approximately, since March the price has remained around less than US\$ 9 per pound and above US\$ 7-7.5 pounds during all these months, which means that prices are quite stable, and toughs in this range are expected in the future.

Regarding the relevant events of the Company that occurred during 2020, on April 21, the Ordinary Shareholders' Meeting agreed to renew the Company's Board of Directors for 3 years, and in turn, George Anastassiou and Karlheinz Wex were appointed as Chairman and Vice Chairman of the Board, respectively.

On April 29, dividends were paid for a total of approximately US\$ 33 million.

On April 2 and May 19, Fitch Ratings and S&P ratified the Investment Grade rating in the international market of Molybdenum of BBB and BBB- respectively, both with stable outlook, which is very positive considering the world scenario in which we find ourselves this year.

On June 9, Molybdenum learned of the resignation of the Director Mr. Bernhard Shretter, which became effective on June 30, 2020

On June 23, Mr. Wolfgang Koeck was appointed in replacement of Mr. Bernhard Shretter, to assume the position of Director of the Company from July 1, 2020, until the next Ordinary Shareholders' Meeting, where will carry out a renewal of the directory.

On June 13, the second sustainability report was presented, and currently Molybdenum is preparing the third sustainability report, which we expect to publish during the first quarter of 2021. This is in line with Molybdenum's responsible view of sustainability, and along with this, a series of actions have been taken such as waste management, the modernization of infrastructure that impacts the production processes for a lower environmental impact, together with an entire economic, social and environmental perspective of which Molybdenum has taken charge of throughout its history, taking beyond the legal regulations to be at the forefront of these issues that are so important in today's world.

On October 2, the Colombian Stock Exchange approved the renewal of the Issuers Recognition - IR to Molybdenum, which will be valid for one year from this date. This Recognition seeks to highlight the issuers in the Colombian market that voluntarily adopt best practices in terms of information disclosure and investor relations.

Finally, Molybdenum defined its purpose, which is "Create value for the evolution of humanity, through products developed by people, who think about the welfare of the planet." This is accompanied by a whole change of image and brand, which Molybdenum faces the future in a more innovative way, also in line with the sustainability issues and the contingencies that we are currently experiencing.

Thus we conclude the presentation of results, and proceed to answer any questions they may have.

## ROUND OF QUESTIONS

**Daniel Auza** - *Banchile Inversiones*

Thank you very much for this instance of results. Given the cash generated this year, the EBITDA margin also changed due to a price issue, there may be an amount as well, but due to the business model you have, you released cash and that is why you have negative net debt. I have 2 questions. Going forward, if prices rise, does this also reactivate in volumes, is it normal to assume that you will consume cash?

**Andres Ovalle** - *Molybdenum*

Yes Daniel, as you say, this year's cash increase of US\$ 50 million is due in large part to this drop in the price of molybdenum as mentioned by Max before, given that the year started with prices around the US\$ 10-11 per pound, and ended up falling to levels around US\$ 8.5 per pound. This directly impacted the operating flows, which were quite positive, above the US\$ 100 million accumulated as of September, to which a dividend payment of US\$ 33 million is added as a counterpart, a debt payment of US\$ 40 million, and capital investments around US\$ 20 million, and despite these expenses, cash was able to increase by US\$ 50 million, which indicates and confirms this business model that Molybdenum has where this virtuous cycle of liquidity recovery is generated in periods of low prices. And as you also say well Daniel, if the price were to rise to 10, 11 or 12 dollars per pound, indeed our cash would suffer in the short term, and liquidity levels would fall. On the other hand, we have a negative net debt, which indicates that we have plenty of space and an important cushion in terms of liquidity to support any price increase or unexpected strong expenses.

**Daniel Auza** - *Banchile Inversiones*

Perfect, thanks. The second question is that I am seeing here that inventories also fell and obviously working capital is released. Specifically, in finished goods there are about US \$ 55 million less. I want to understand if this line "finished goods", this fall, how much corresponds to volume, and how much to price?

**Andres Ovalle** - *Molymet*

Let's see, as we also mentioned, and you can see in the reports, sales in terms of volume were historically high, specifically the own sales line. As you know, the maquiladora line is not considered part of the inventory, therefore, it is not reported in the financial statements, but the own sale is indeed, and the higher value we have in that line. These 123 million pounds that we sold this year is historic in terms of our own sales and positions us as world leaders not only in processing capacity, but also in total volumes sold to end customers. The decrease in inventories is mainly due to this higher sales volume, which could be said to be greater than the production volume, and therefore this decrease is generated. On the other hand, the price of molybdenum also impacts inventories, as well as accounts payable. Therefore, as we have said, the fall in the price of molybdenum from March to September has impacted the valuation in dollars of inventories, but adding and subtracting the greatest impact is due to sales volumes.

**Daniel Auza** - *Banchile Inversiones*

Thanks Andres, I wanted to confirm that, and here they explain the same thing that we talked about in the first question, right? As more activity begins and with higher prices, the needs of working capital increase.

**Andres Ovalle** - *Molymet*

Exactly.

**Daniel Auza** - *Banchile Inversiones*

In volumes. In how many days of inventory are they in volumes, and versus the historical average?

**Andres Ovalle** - *Molymet*

I do not have the exact data for this year now, but historically it is around 3 - 4 months, and that has decreased somewhat this year due to the higher sales volume, which has been greater than the production volume. But it always moves between 3 and 4 months.

**Hernán Kisluk** - *Metlife*

My question is in line with the previous questions regarding the cash issue. Although now there is very high liquidity due to the drop in price and all the effect that we know on working capital, in any case, Molymet usually generates a lot of cash and this is also how we have reached a negative net cash situation. How much excess cash do you think you have at this time, if that is what can be defined in some way, even knowing that if prices rise and volumes rise, liquidity will decrease? Is there any excess cash that could be used to pay an extraordinary dividend, or perhaps make a debt buyback?

**Andres Ovalle** - *Molymet*

Yes, in fact, that is a topic that especially this year has caught our attention. On the one hand, it has been positive to have in quotation marks this excess cash that one could see given the negative net debt, mainly due to the global context. In other words, the fact of having had this liquidity cushion allowed us to ride out the wave in the best possible way and not to panic with more expensive debt. Given that, and given that perhaps the worst of the pandemic is over, and we could be in a stable period next year or more similar to previous years, indeed the point of excess liquidity will begin to attract attention if this is what it keeps. Our liquidity ratios can be seen in our rationale and press release, and they are quite high with a current liquidity over 4 times, a fairly high ratio too, and we could deal with this in the future, as you say,

paying perhaps a dividend a little higher than 40% of the profit, which was what we gave for example in 2020 without going any further. Debt repurchase is unlikely, given that it is not easy to obtain the approval of the bondholders, to reverse the cross currency swaps that we have, so it is an unlikely source of use of funds. And especially in 2021 we are going to have strong investments, mainly in Chile, in the Nos plant, with the gas treatment system modernization project, which is the project that we announced last year, and we postpone a large part of the expense to the next year. I can tell you some preliminary numbers that we have for next year's budget: Moly met Chile alone is going to invest around US\$ 25-30 million in CAPEX, and that would be a use of funds that we could give to this excess liquidity.

**Hernán Kisluk** - *Metlife*

Thanks for the reply. I have other questions regarding Q3 operating expenses, a couple of pieces of information that are obvious. One is that there is a big jump in the volumes sold from own sales, and there is also a big jump in the price for maquila sales. What can you comment on es?

**Andres Ovalle** - *Moly met*

Yes, in terms of the price of the maquila, there is indeed a higher average price, and there is also a higher volume than last year, and that is mainly due to higher returns from companies like Codelco, which were requesting higher volumes than previous years. And regarding own sales volumes, Codelco and Sierra Gorda, which are 2 of the main contracts, have an average rate higher than Kennecott, which in recent times had been more prevalent and this year is Sierra Gorda and Codelco, in terms of total percentages with higher than last year, so that explains a bit the average price that is slightly higher. And with respect to the volumes of own sales, in fact there has been a rather little counterintuitive situation regarding the world situation. One sees that global demand in general, in all products, not just commodities, has decreased, economic activity around the world is quite down, but in the case of molybdenum, and specifically in markets such as China, the demand did not decline, but increase. This year we have sold a lot of volume to China, being that although this was a market in which we had a presence more than a decade ago, it did not represent more than 5 - 8% of sales, and today it is a much higher percentage, without abandoning traditional markets such as Europe and the United States, Korea and Japan, and this is what largely explains what has happened with our own sales volumes, and as I said before, that has allowed us in what we carry to the date and what we expect by the end of the year, to become the largest seller to final consumers of molybdenum.

Because although the molybdenum product sold under the Moly met brand, we have been the largest for a long time, but they are sold directly by Moly met, it is the first time in recent years that we have done this, which we are very happy and especially in the middle of a pandemic.

**Hernán Kisluk** - *Metlife*

Perfect, and is there any difference in terms of trade or prices when selling to China compared to other markets?

**Andres Ovalle** - *Moly met*

More than the conditions of sale, they are the types of products. In China we have sold a lot of technical oxide of molybdenum powder, which is the base product, so obviously if your sales mix is more loaded towards technical oxide, although it leaves an interesting margin, it is not as high as that of the pure products, for example. That they are products that have greater added value, and therefore greater margin, and leave us a greater gross profit. And on the other hand, is rhenium which we have not mentioned, and this was the product that was affected by the pandemic. Our sales volumes have decreased a lot, and therefore our income as well, and that is because our main clients, which are manufacturers of turbines and aircraft parts, among other things, were among the most affected by the pandemic. Many of the airlines canceled orders to Airbus, Boeing, etc. And so, they requested fewer parts and pieces from our customers, therefore, their rhenium requirements were lower this year. We hope this picks up next year.



November 27<sup>th</sup>, 2020 / 12:00 pm (Chile time) – Earnings Call Q3 2020

**Maximiliano De Tezanos Pinto** – *MolyMet*

As there are no more questions, we end this earnings call for the third quarter of 2020, we thank you for your presence, and I remind you that this call will be transcribed and translated, and will be published on our website within the next few days. Thank you very much.