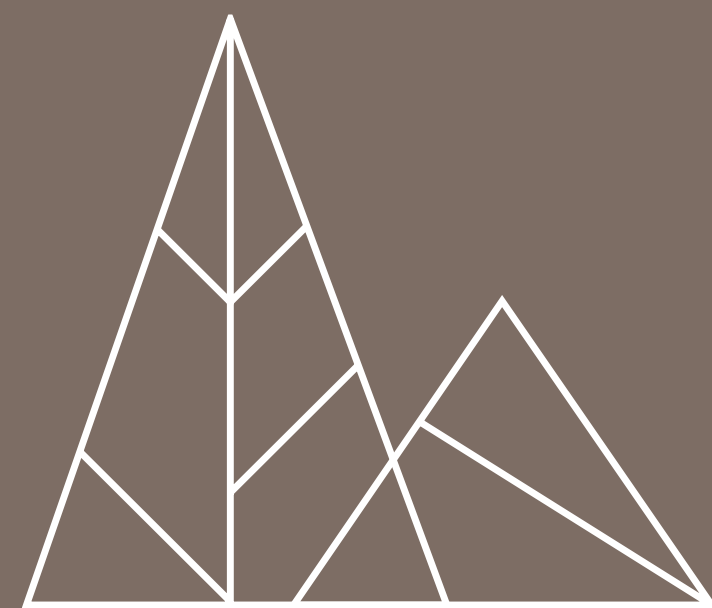


2nd QUARTER  
2023

Financial Results  
Conference Call Presentation  
August 18, 2023

Gianfranco Truffello  
Chief Financial Officer





# Disclaimer

This presentation contains forward-looking statements that are based on the beliefs, assumptions and expectations of the management of the Company based on currently available information.

They involve risks and uncertainties because they relate to future events or expectations and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Arauco and could cause results to differ materially from those expressed in such forward-looking statements. For further discussion of these risks and uncertainties, investors should refer to quarterly and annual Arauco filings with the Chilean CMF and US SEC. The Company undertakes no obligation to publicly update or revise any forward-looking statements due to new information or future developments.

This presentation contains certain performance measures that do not represent IFRS definitions, as “EBITDA” and “Net financial debt”. These measures cannot be compared with the same previously used by Arauco and the same used by other companies.

# HIGHLIGHTS

▶ Quarterly figures, in US\$ million

Revenues  
**US\$1,409**  
-2.1% QoQ

Net Income  
**-US\$47**  
-13.2% QoQ

Adj. EBITDA  
**US\$227**  
20.5% QoQ

LTM Adj. EBITDA  
**US\$1,355**  
-21.5% QoQ

Net Debt to EBITDA  
**4.59x**

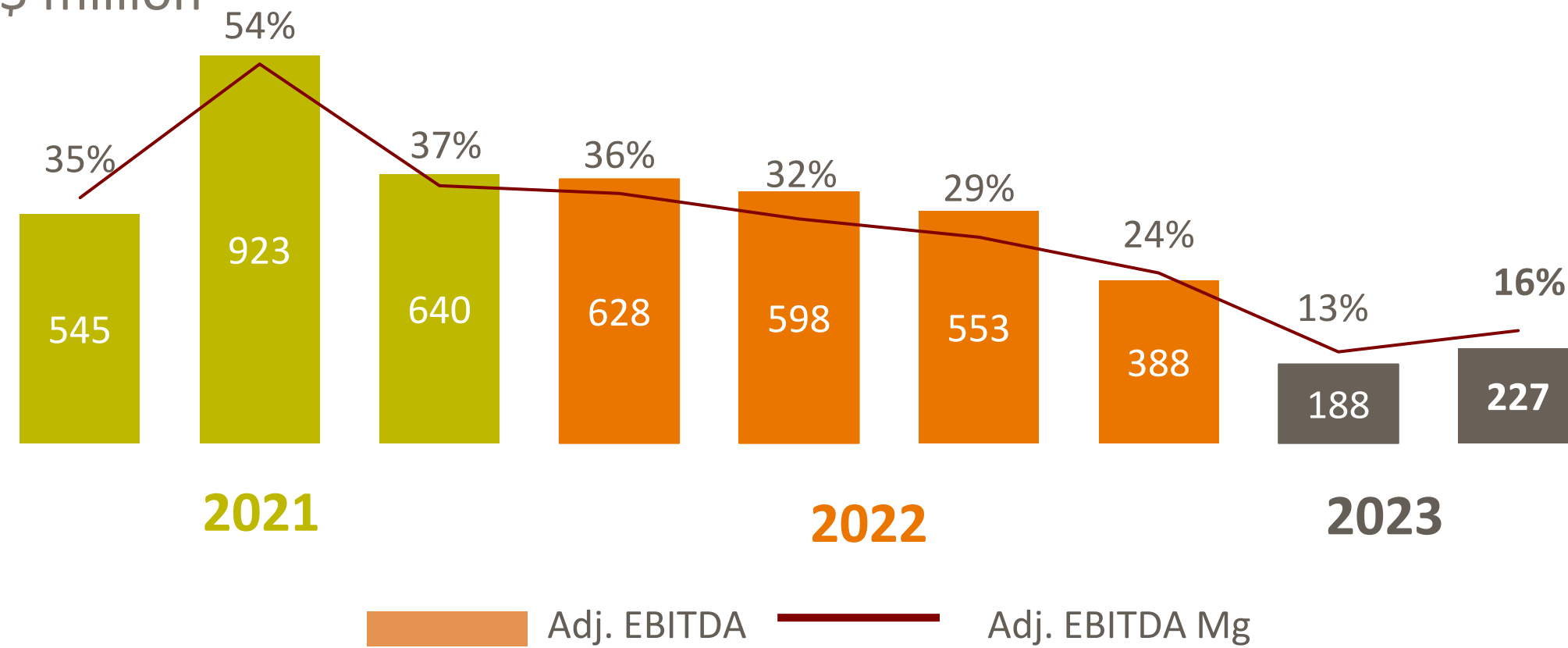
**Valdivia Mill:**  
Re-started its  
operations



# EBITDA & INCOME STATEMENT

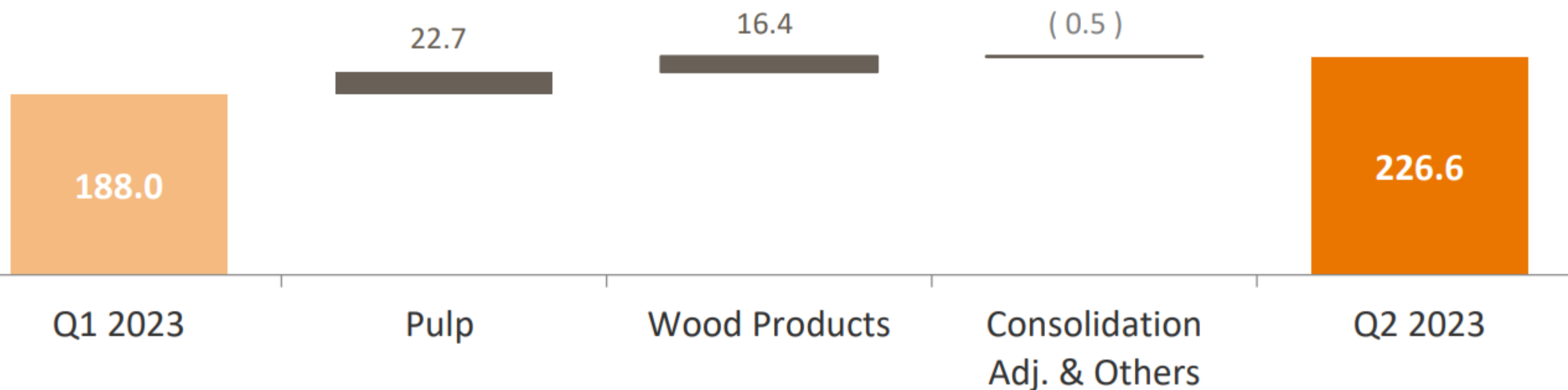
# ADJUSTED EBITDA

► In US\$ million



### Breakdown by division

Pulp	100
Wood Products	152
Consolidated Adj. & Others	-26



- Adjusted EBITDA during the second quarter reached US\$226.6 million.
- Adjusted EBITDA of our pulp business segment increased by 29.3%, mostly due to last quarter's higher expenses related to the ramp up process of Line 3 and non-scheduled mill stoppages. Additionally, in this quarter we received an insurance payment in relation to the Valdivia mill.
- Adjusted EBITDA of our wood products business increased 12.0%, mainly due to higher revenues.

# INCOME STATEMENT

► In US\$ million

	Q2 2023	Q1 2023	Q2 2022	QoQ	YoY
<b>Revenue</b>	<b>1,408.9</b>	<b>1,439.5</b>	<b>1,867.1</b>	<b>-2.1%</b>	<b>-24.5%</b>
Cost of sales	(1,195.6)	(1,034.0)	(1,095.8)	15.6%	9.1%
<b>Gross Profit</b>	<b>213.27</b>	<b>405.46</b>	<b>771.26</b>	<b>-47.4%</b>	<b>-72.3%</b>
Other income	159.2	75.6	89.1	110.6%	78.7%
Distribution costs	(172.2)	(160.9)	(255.6)	7.0%	-32.6%
Administrative expenses	(161.2)	(149.8)	(158.4)	7.6%	1.8%
Other expenses	(38.6)	(209.0)	(58.9)	-81.5%	-34.4%
Financial income	28.2	22.8	15.5	23.7%	82.3%
Financial costs	(92.4)	(80.1)	(46.2)	15.3%	100.1%
Participation in (loss) profit in associates and JVs*	10.1	7.9	24.5	28.6%	-58.6%
Exchange rate differences	(19.9)	(23.7)	(2.4)	-16.0%	719.4%
<b>Income before income tax</b>	<b>(73.6)</b>	<b>(111.9)</b>	<b>378.8</b>	<b>-34.2%</b>	<b>-119.4%</b>
Income tax	26.5	57.6	(74.9)	-53.9%	-135.4%
<b>Net income</b>	<b>(47.1)</b>	<b>(54.3)</b>	<b>303.9</b>	<b>-13.2%</b>	<b>-115.5%</b>

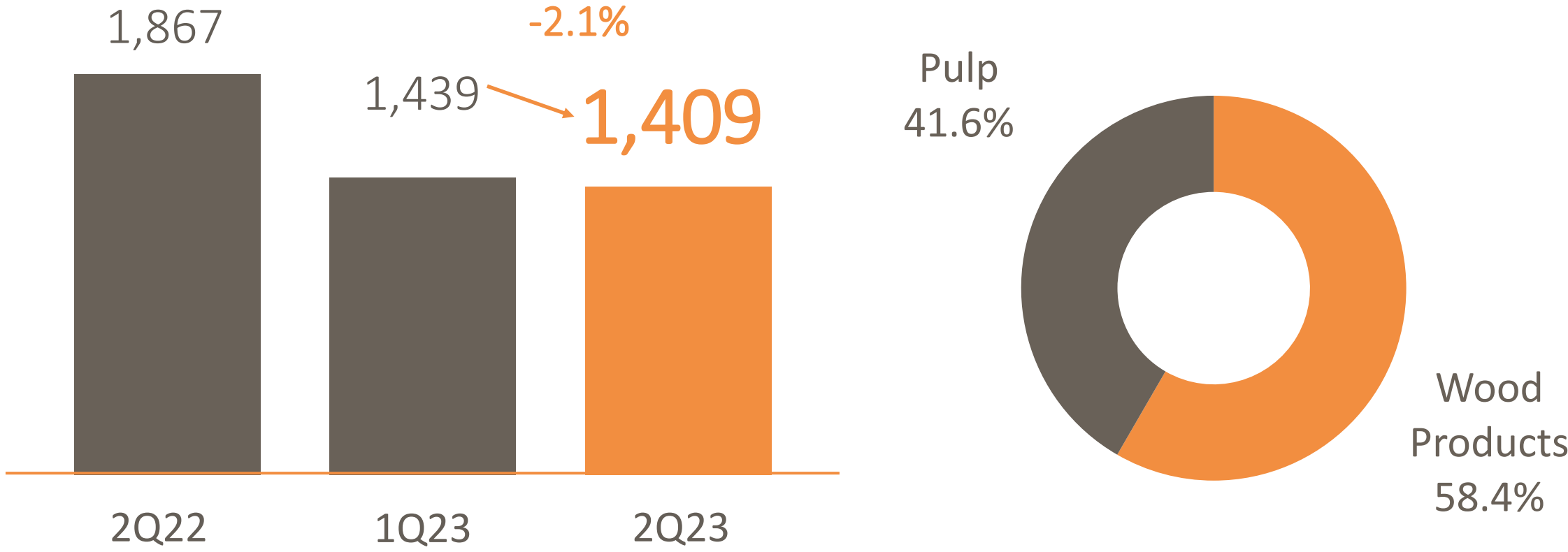
\* Accounted using the equity method.

# INCOME STATEMENT – REVENUES & COST OF SALES

► In US\$ million

**Revenues** decreased 2.1% compared to the first quarter of 2023 and 24.5% compared to the second quarter of 2022 .

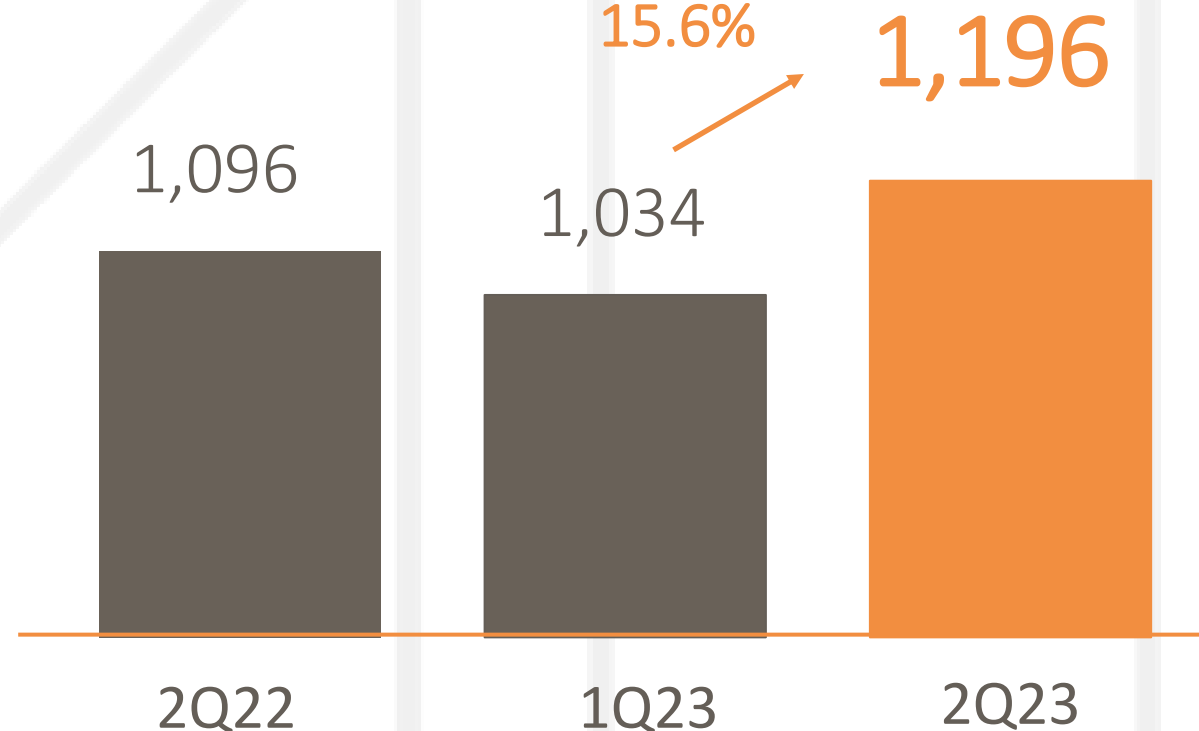
- Pulp revenues decreased by US\$61.7 million or 9.5%, mainly driven by 21.3% decrease in prices, offset by a 16.4% increase in volumes.
- Wood products revenues increased by US\$31.3 million or 4.0%, mainly due to a 9.1% increase in volumes, offset by a 4.5% decrease in prices.



**Cost of sales** increased by 15.6% or US\$161.6 million compared to the first quarter, mainly due to an increase in *Depreciation and Amortization* due to Arauco’s line 3 and *Timber* due to higher sales volumes and cost of timber. Additionally, there was an increase in *Forestry labor costs* related to increases in sales volumes and subcontractor fees in our forestry operations.

**Pulp unitary sale costs QoQ**

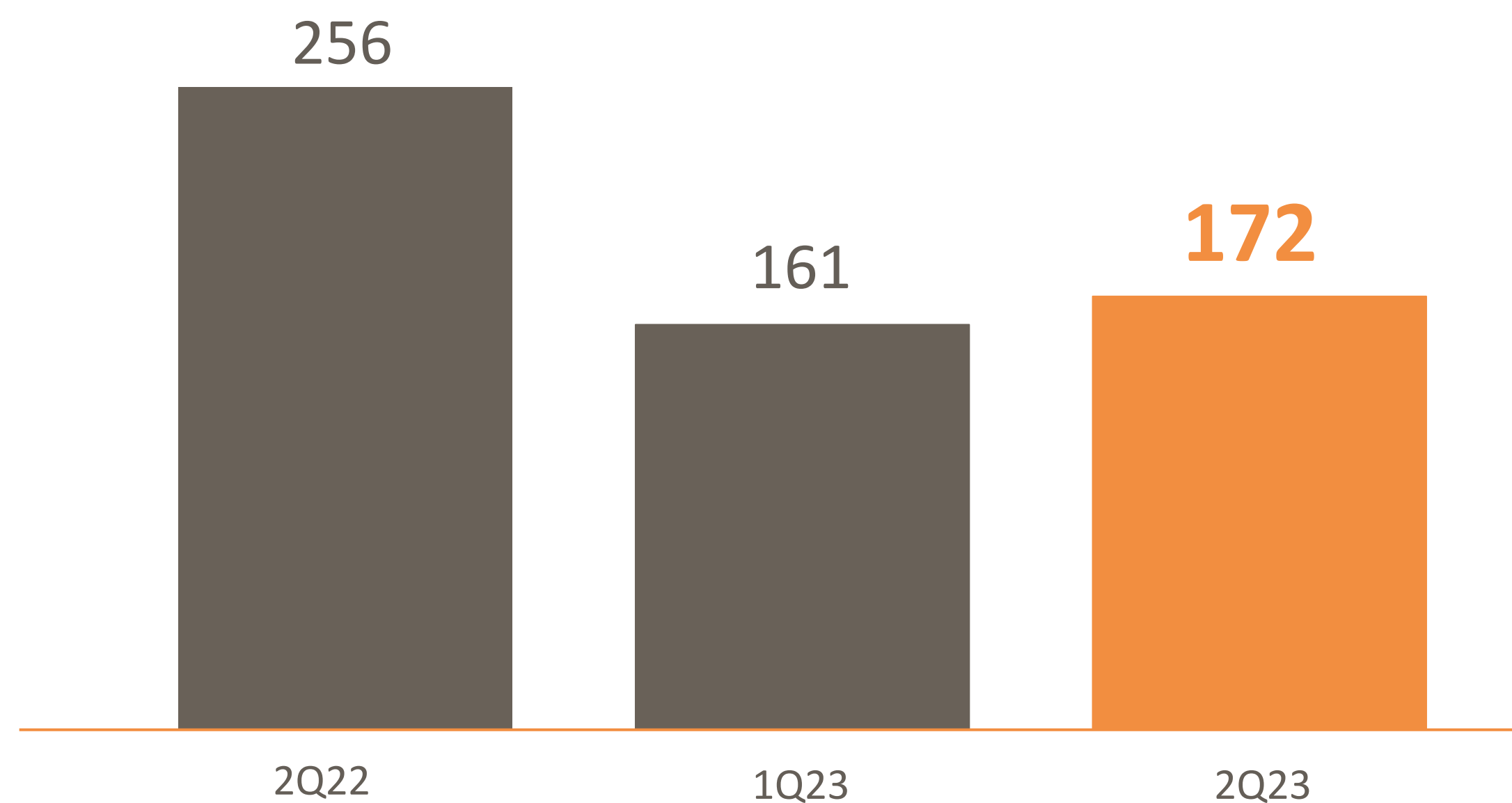
Softwood bleached pulp	▲	6.2%
Hardwood bleached pulp	▲	41.3%
Unbleached softwood pulp	▼	-6.8%
Dissolving pulp	▼	-1.1%



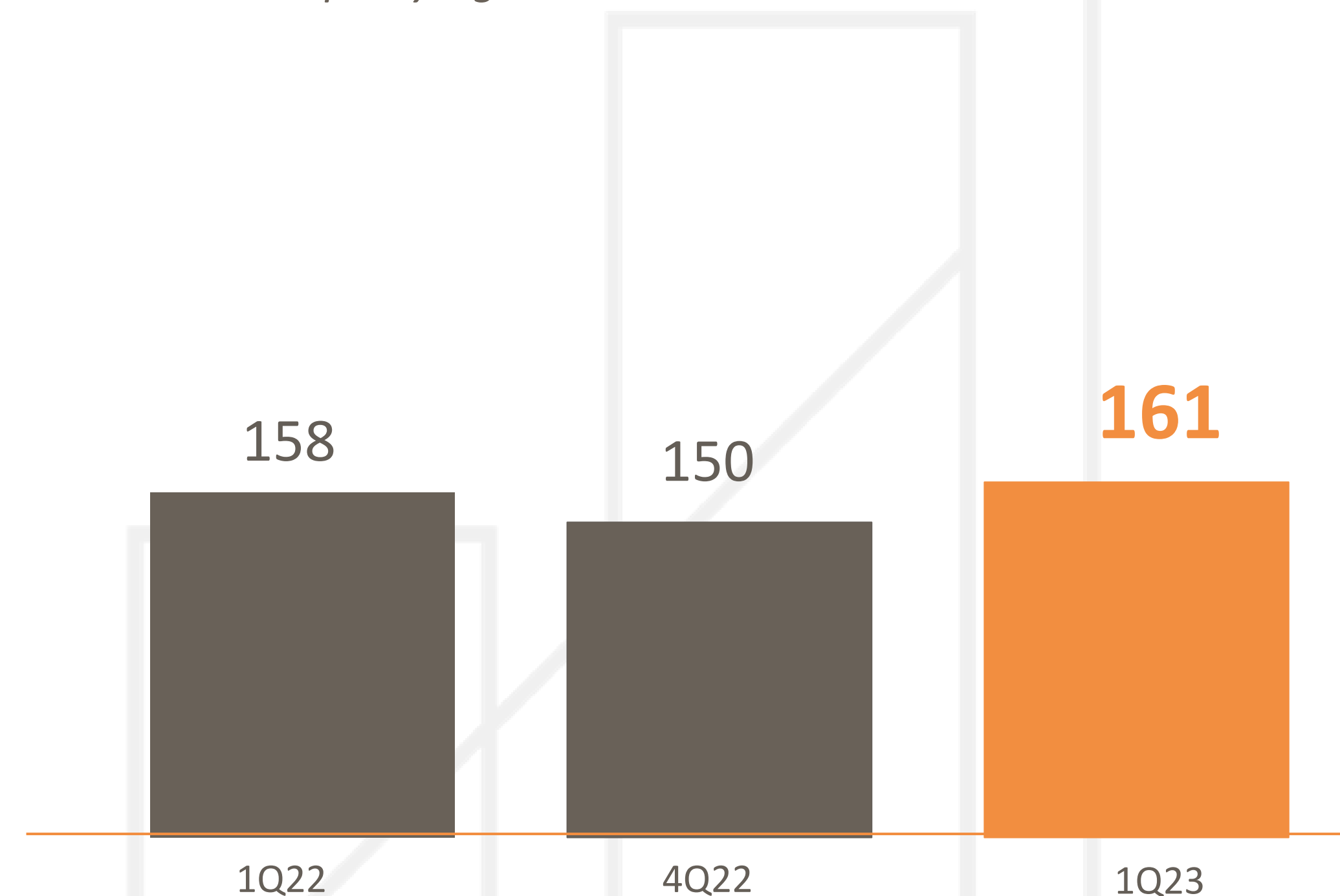
# INCOME STATEMENT – DISTRIBUTION COSTS & EXPENSES

► In US\$ million

**Distribution costs** increased by US\$11.3 million or 7.0% mostly due to an increase of US\$8.0 million or 6.6% in freight costs, mainly explained by higher sales volume and freight cost in our wood products segment.

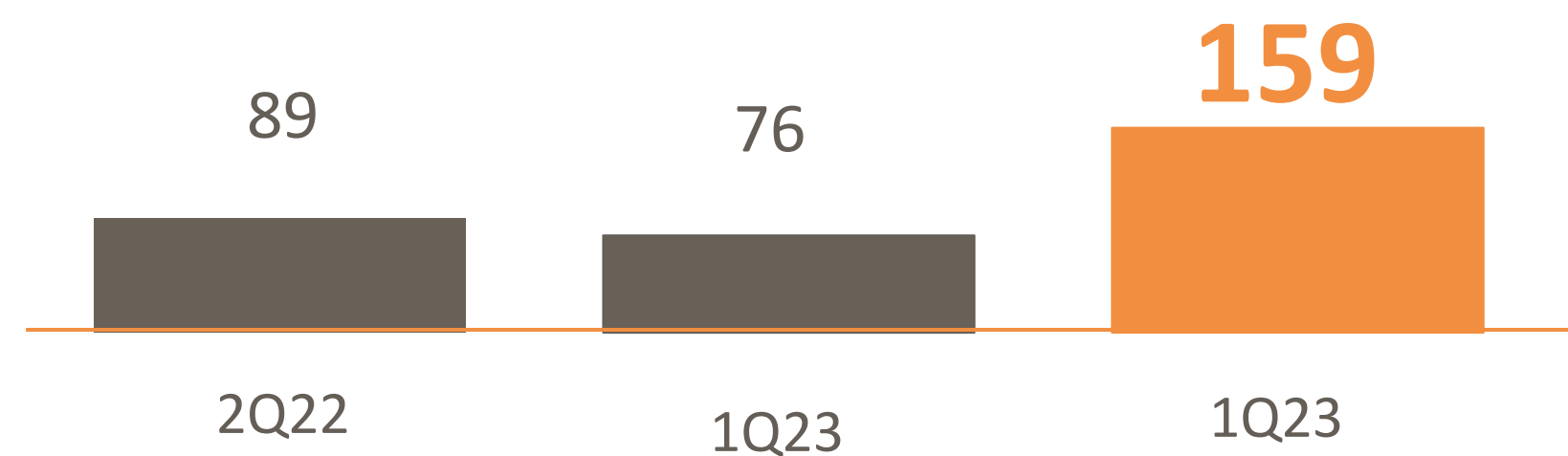


**Administrative expenses** increased by US\$11.4 million or 7.6%. This is mostly due to an increase in *Computer services* and *Property taxes, patents and municipality rights*.

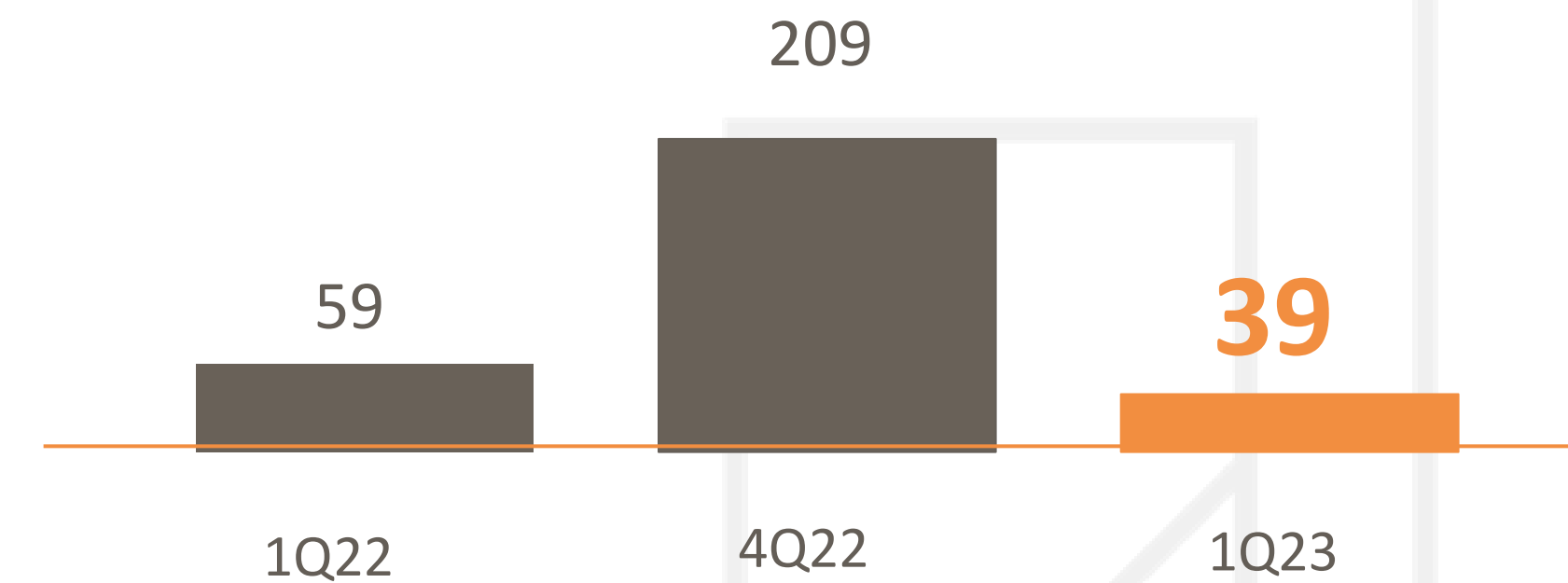




► In US\$ million



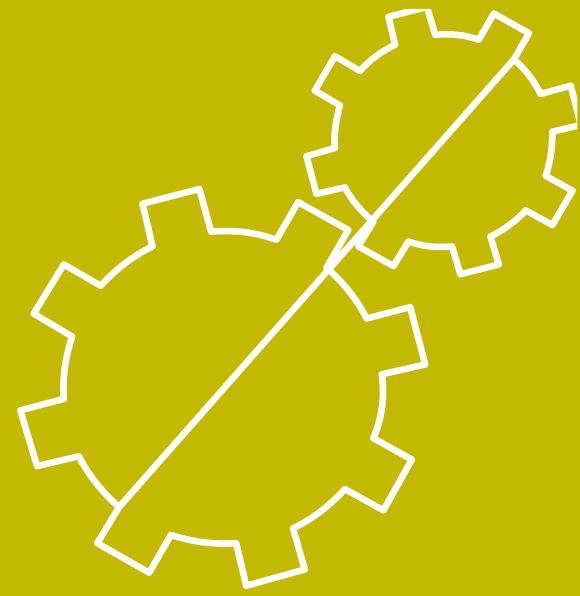
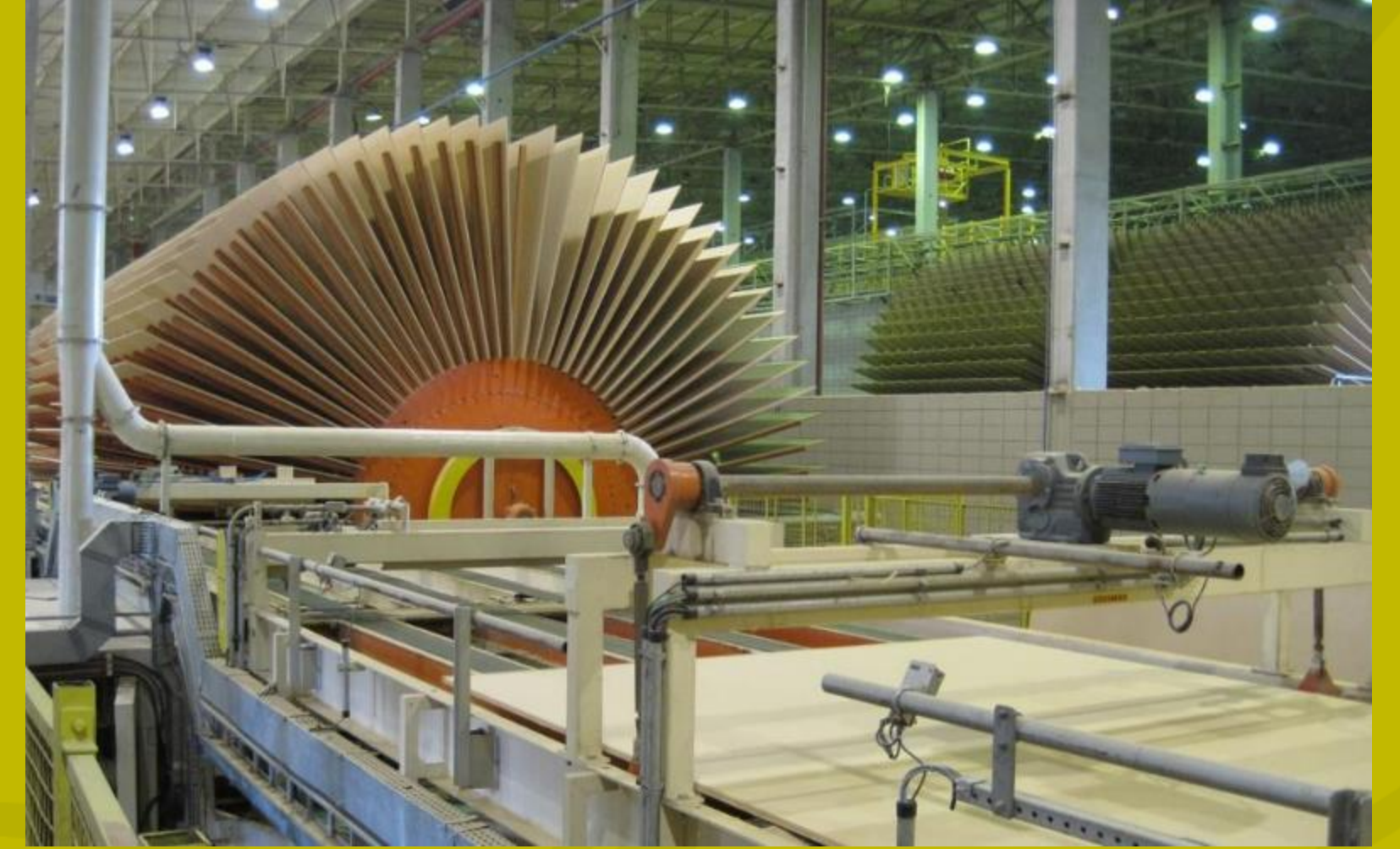
**Other income** increased by US\$83.6 million or 110.6% mostly due to US\$72.0 million received from insurance companies related to our Valdivia mill.



**Other expenses** decreased by US\$170.4 million or 81.5%, mainly explained by high operating expenses accounted in the first quarter related to the ramp up process of our Arauco's Line 3 and operational shutdowns of our Constitución and Nueva Aldea mills.

In relation to *Loss of forests*, we accounted a gain in this quarter of US\$22.8 million due to a provision of the claim from insurance companies related to the last forest fire season.



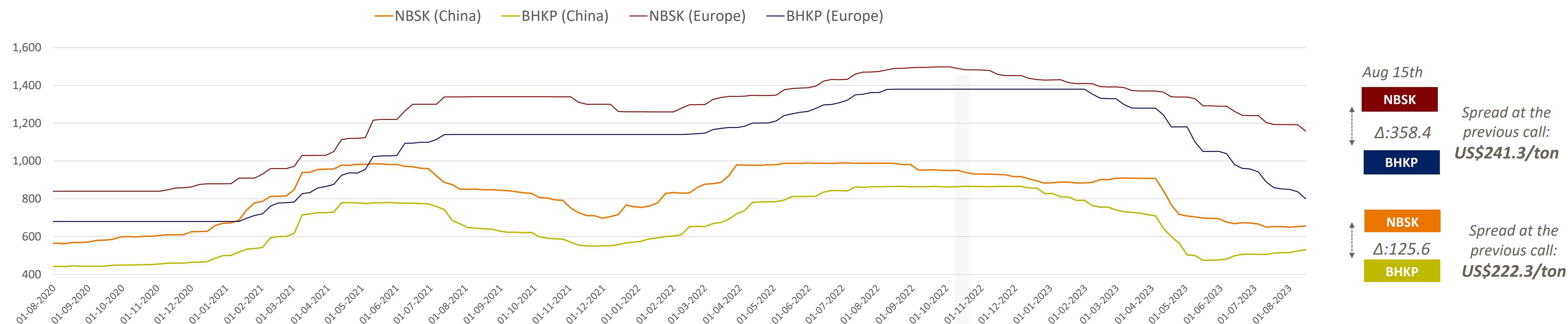


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# REVIEW BY BUSINESS SEGMENT & OUTLOOK



### PIX Pulp Indexes (in US\$)



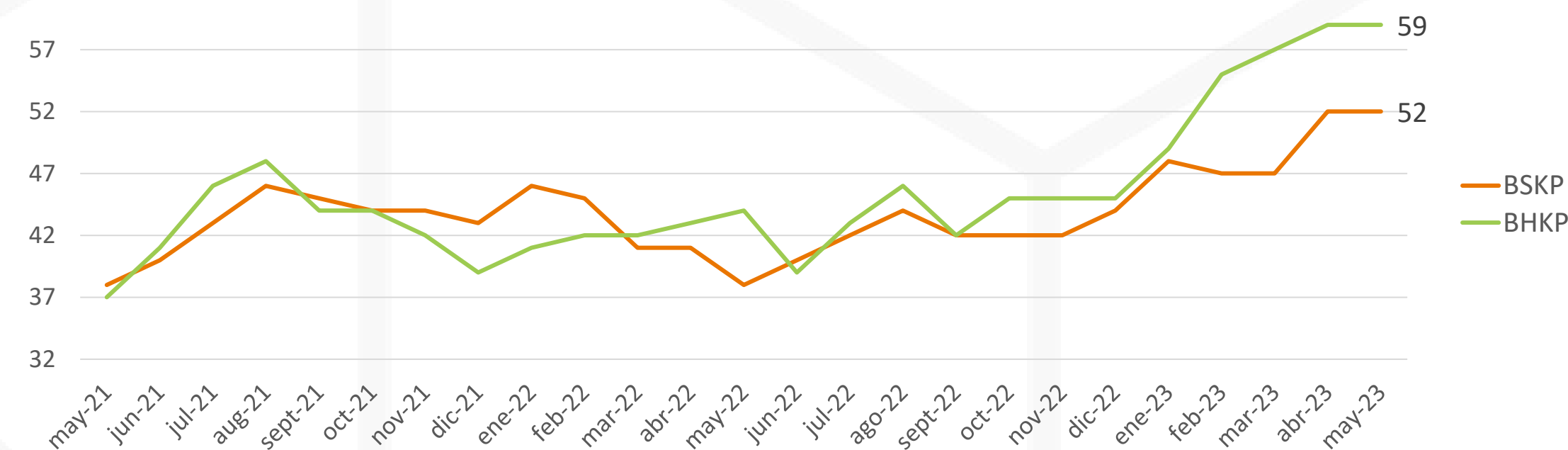
Source: RISI

### Global Bleached Chemical Pulp Shipments variation – (5 months 2022 – 2023)

Global BCP Shipments Change (tonnes)			
	2022	2023	%Var.
China	8,020	9,140 ▲	14.0%
Europe	7,125	5,930 ▼	-16.8%
Other Asia	3,865	3,540 ▼	-8.4%
USA	2,815	2,510 ▼	-10.8%
Rest of the World	1,930	2,125 ▲	10.1%
<b>Total</b>	<b>23,755</b>	<b>23,245 ▼</b>	<b>-2.1%</b>

Source: Hawkins Wright

### Global BCP Producer Stocks In days of supply

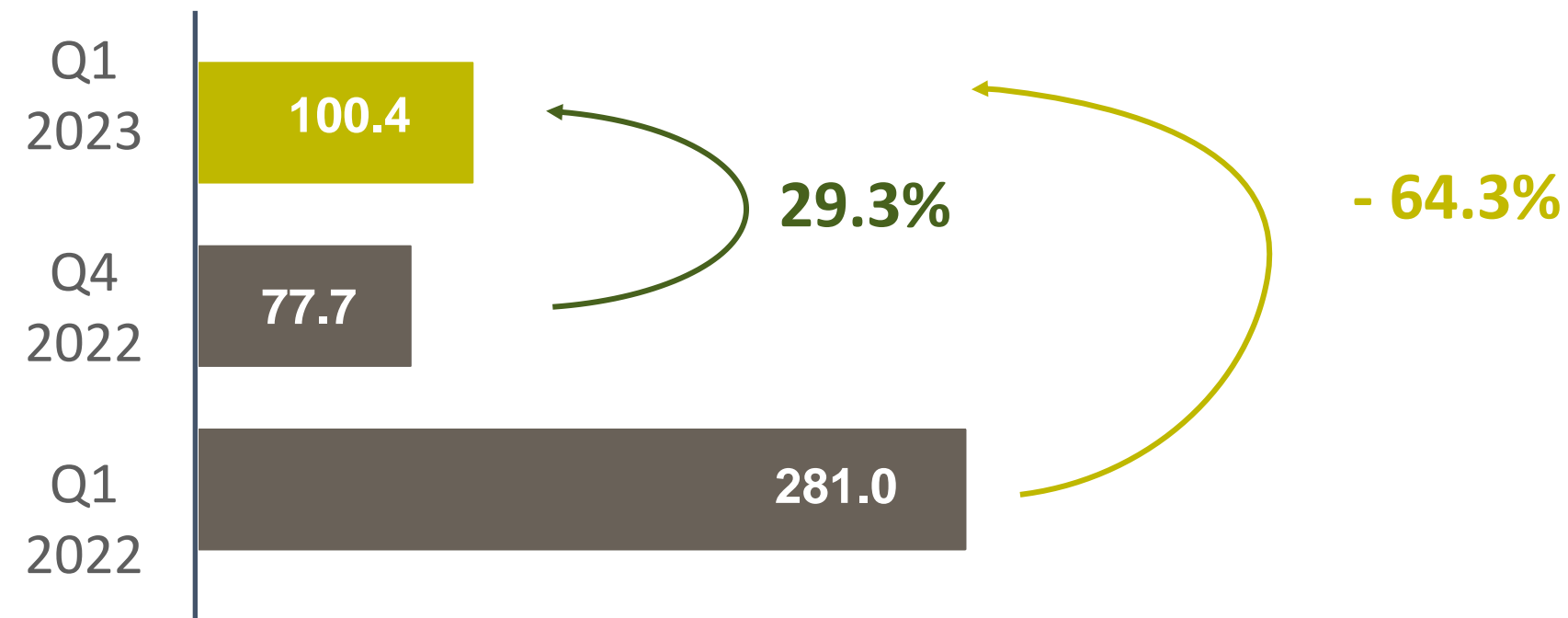


Excludes Russia & Indonesia  
 Source: Hawkins Wright



### Adjusted EBITDA

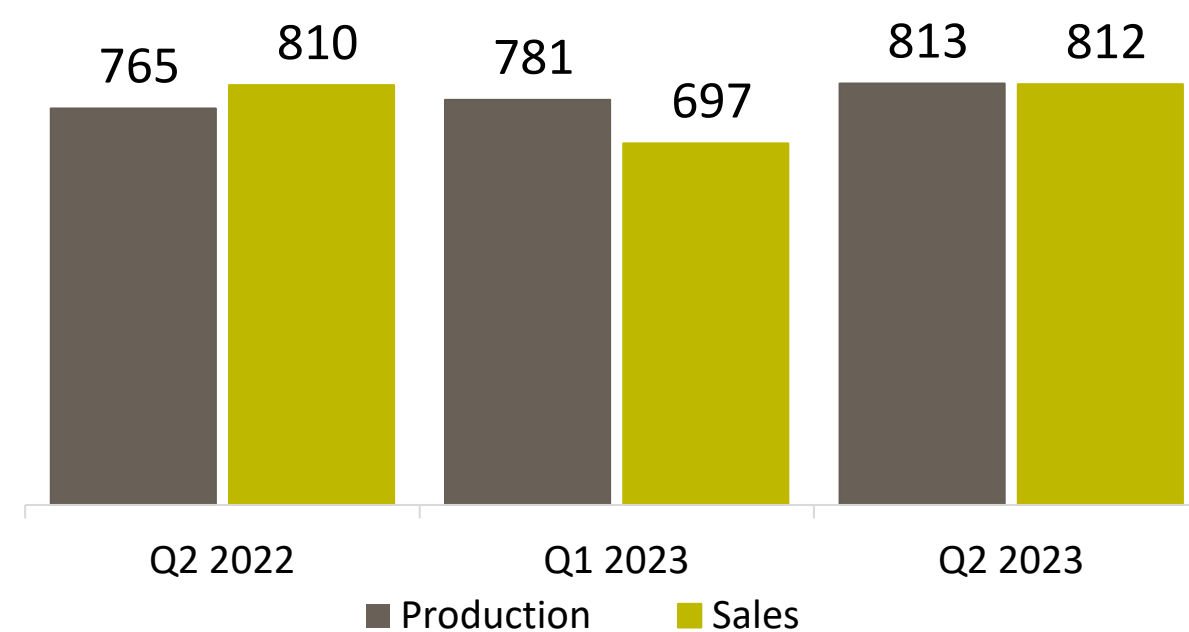
In US\$ million



	Price	Volume	Sales
QoQ	-21.3%	16.4%	-9.5%
YoY	-23.5%	0.2%	-25.8%

### Production and Sales Volume

In thousand tonnes



### 2Q 2023

- Market weakened with an increase in short fiber pulp supply. Additionally, the low season began (summer in Europe), which, together with lower economic activity in various regions, generated lower demand for pulp.
- Total world inventories followed the trend of the first quarter and continued to rise.
- In **China**, the quarter began with pulp prices declining but stabilized in long fiber and increased slightly in short fiber, with a stable and cautious market due to low seasonality. Supply increased due to new mills and the rerouting of Europe shipments to China.
- In **Europe**, the demand for paper remained low, where customers had high inventories of final products and raw materials, however managed to maintain relatively stable prices for their products. During the quarter, the tissue industry began to weaken with both short and long fiber prices reductions and a lot of spot supply from other producers.
- The **dissolving pulp** market during the second quarter was weaker; therefore, some price decreases were made. Additionally, during the quarter the low season began, implying a decrease in the demand.
- Production in the second quarter was affected by the scheduled maintenance stoppages of Nueva Aldea and Montes del Plata mills and the Valdivia mill dryer replacement stoppage. Additionally, the Arauco Line 3 (MAPA project) continued with its production curve as planned.



For the third quarter of 2023,

- In China, local demand is increasing in some grades of paper. Local paper producers are expecting prices to slightly increase supporting an upcoming increase in pulp prices, despite supply.
- In Europe, the demand for paper has decreased drastically triggering spot supply of pulp.
- The next months will continue to be difficult in all markets, we expect pulp prices have touched bottom, ultimately with slight increases in some pulp grades and markets.

Pulp Mills Days of Stoppages

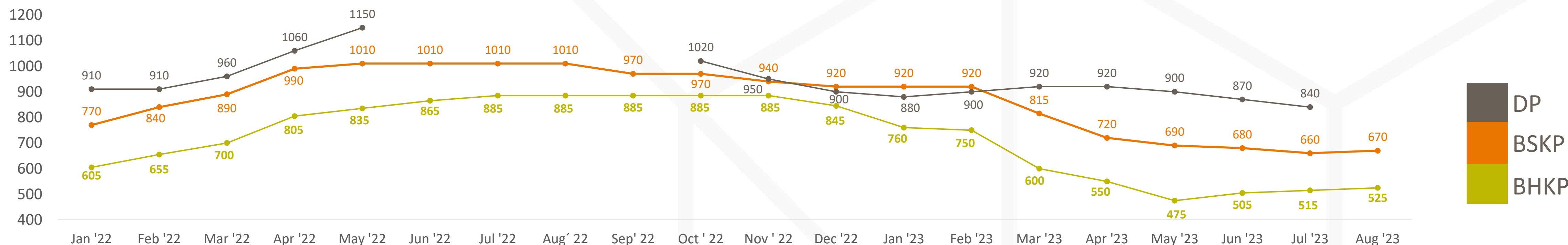
Mill	2023				2024
	1Q	2Q	3Q	4Q	1Q
Arauco - Line 2				16	
Arauco - Line 3					15
Constitución	117				
Licancel			14		
Nueva Aldea		17			
Valdivia		126			
Esperanza	35			12	
Montes del Plata		15			

Finished

In Progress

Planned

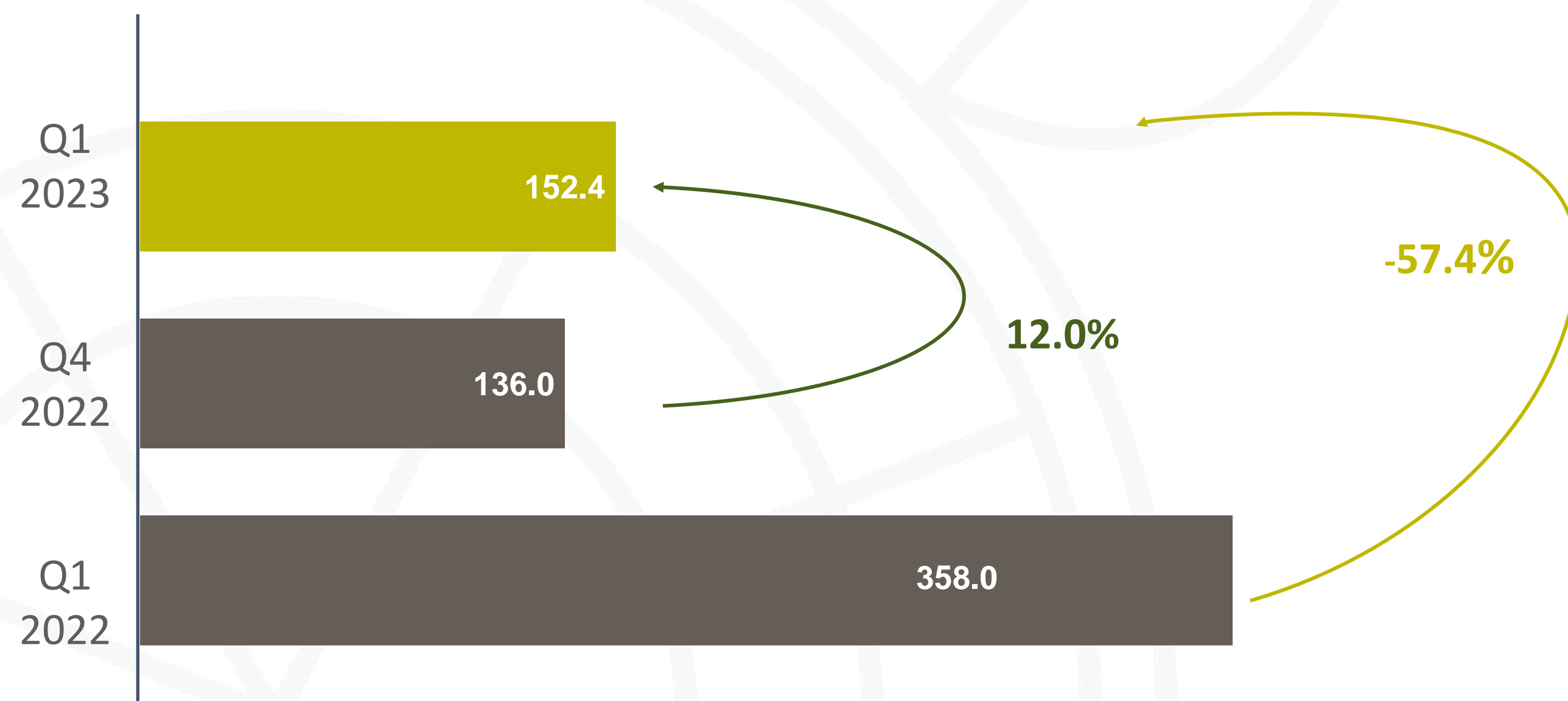
BSKP, BHKP and DP Net Prices - China



Source: ARAUCO



**Adjusted EBITDA**  
In US\$ million



### Q2 2023

Adjusted EBITDA of our wood products business segment increased 12.0%, mostly due to a 9.1% increase in sales volume, offset by a 4.5% decrease in average prices.

### Wood Products

	Price	Volume
QoQ	-4.5%	9.1%
YoY	-15.0%	-12.8%

### Panels\*

	Price	Volume
QoQ	-1.0%	5.6%
YoY	-10.5%	-10.9%

### Solid Wood\*\*

	Price	Volume
QoQ	-11.6%	17.3%
YoY	-23.7%	-16.5%

\*MDF, PBO, HB

\*\*Sawn Timber, Remanufactured Wood products and Plywood



# WOOD PRODUCTS PRODUCTION AND SALES VOLUME

REVIEW BY BUSINESS SEGMENT & OUTLOOK

► In thousand m<sup>3</sup>



<sup>(1)</sup> Includes PB, MDF and OSB, Composite Panels and Retail Panels

<sup>(2)</sup> Includes sawn timber, kilned sawn timber, remanufactured wood products, pallets

Note: Sales include trading

● Production ● Sales

**54%**  
North  
America

### MDF:

- Higher supply from Brazil is putting pressure in the market.
- On the demand side, higher interest rates and less construction activity are affecting volumes.

### PB:

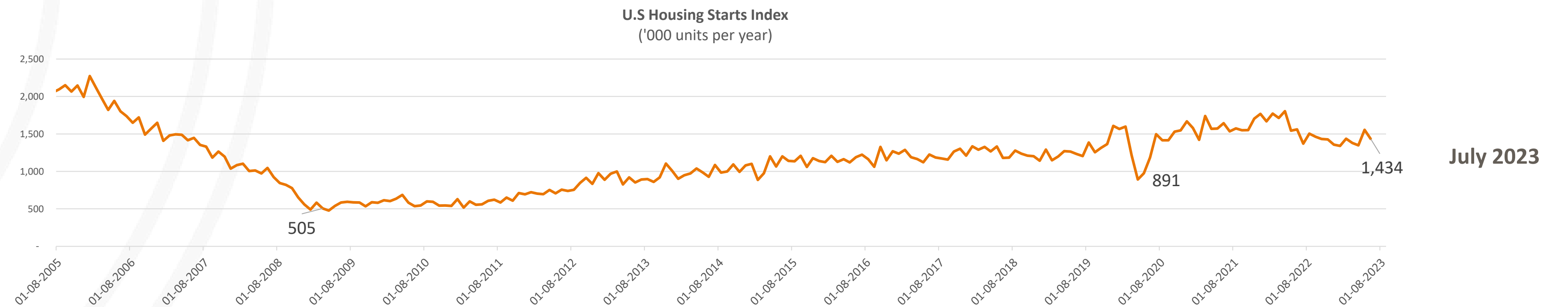
- It continues to have a relatively better situation than MDF with less over supply.

### REMANUFACTURED PRODUCTS:

- We expect the market to continue stabilizing in both prices and volume.

### PLYWOOD:

- Stable market, with supply and demand balanced. We believe that the market will strengthen towards the third quarter.



Source: Bloomberg



**32%**

**Central and  
South America**

**10%**

**Asia and  
Oceania**

**4%**

**Europe and  
Middle East**

### **BRAZIL:**

- The main concern is still domestic market, with more supply coming on MDF.
- More exports going to all the Americas.

### **CHILE:**

- Plywood expected to continue with a high local supply.
- In remanufactured wood products, prices have stabilized
- Construction sector will continue to be slow this year.

### **ARGENTINA:**

- Argentina likely stable for the rest of the year, especially in MDF and value added-products.

### **ASIA:**

- Market still has not recovered yet and continues with some uncertainty, with lower economic growth, downward housing stats, but it is expected that the market will strengthen in the coming months.

### **OCEANIA:**

- Lower demand affected by slower economic activity, high interest rates and excess of plywood supply from Brazil and Chile. Prices have stabilized.

- Plywood sales volumes with a slow recuperation in Europe explained by lower supply. There is uncertainty for what will happen in the third quarter onwards, due to a slower economic activity.





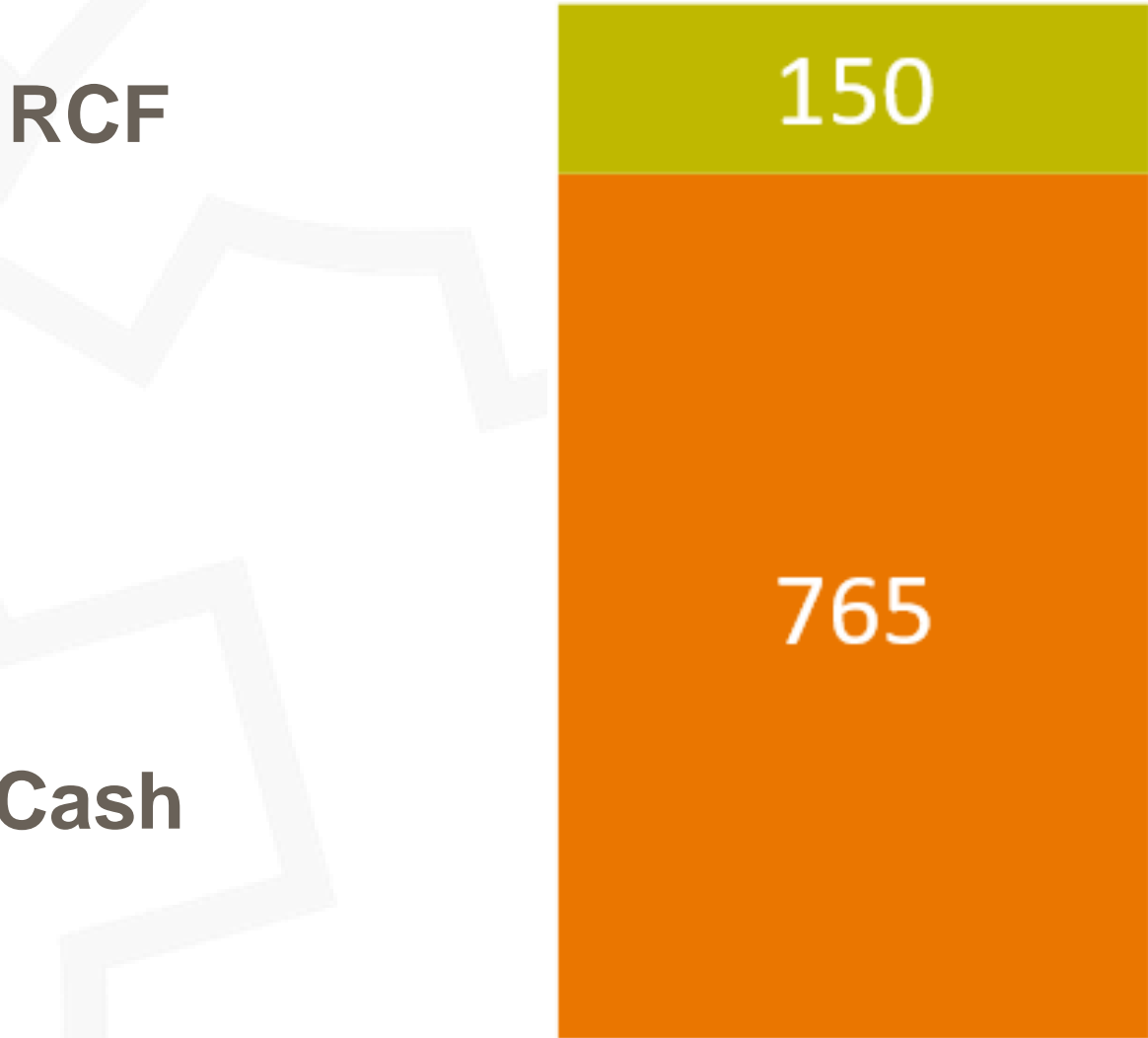
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# FINANCIAL REVIEW



# CASH AND LIQUIDITY

Our cash position was US\$764.6 million at the end of the second quarter of 2023. In addition to our cash position, we have a revolving credit facility (RCF) for a total amount of US\$375 million due in February 2025 of which US\$225 million were withdrawn in June.



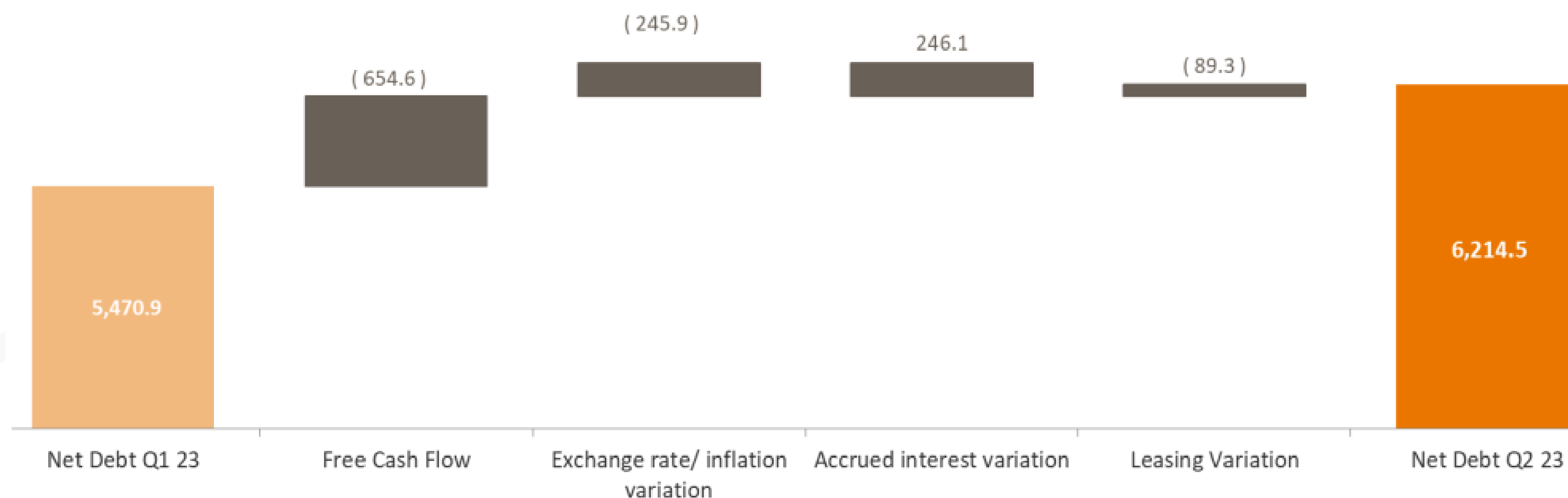
**Total: US\$914.6 million**

# FREE CASH FLOW

► In US\$ million

	Q2 2023	Q1 2023
<b>Adjusted EBITDA</b>	<b>226.6</b>	<b>188.0</b>
Working Capital Variation	(84.1)	(86.0)
Interest paid and received	(69.7)	(18.8)
Income tax received (paid)	(47.7)	(27.0)
Others	20.5	47.6
<b>Cash from Operating Activities</b>	<b>45.5</b>	<b>103.8</b>
Capex (1)	(374.4)	(334.6)
Others	(21.2)	0.1
Proceeds from investment activities	1.2	3.7
<b>Cash from Investment Activities</b>	<b>(394.5)</b>	<b>(330.8)</b>
<b>Cash from Financing Activities (net of debt)</b>	<b>(302.3)</b>	<b>(13.7)</b>
Effect of exchange rate changes on cash	(3.4)	(5.1)
<b>Free Cash Flow</b>	<b>(654.6)</b>	<b>(245.8)</b>

(1) On a cash basis.



**Cash flow from operating activities** decreased US\$58.2 million mostly due to *Interest paid and received*.

**Cash flow from investment activities** increased US\$63.7 million, mostly due to an increase in *CAPEX*.

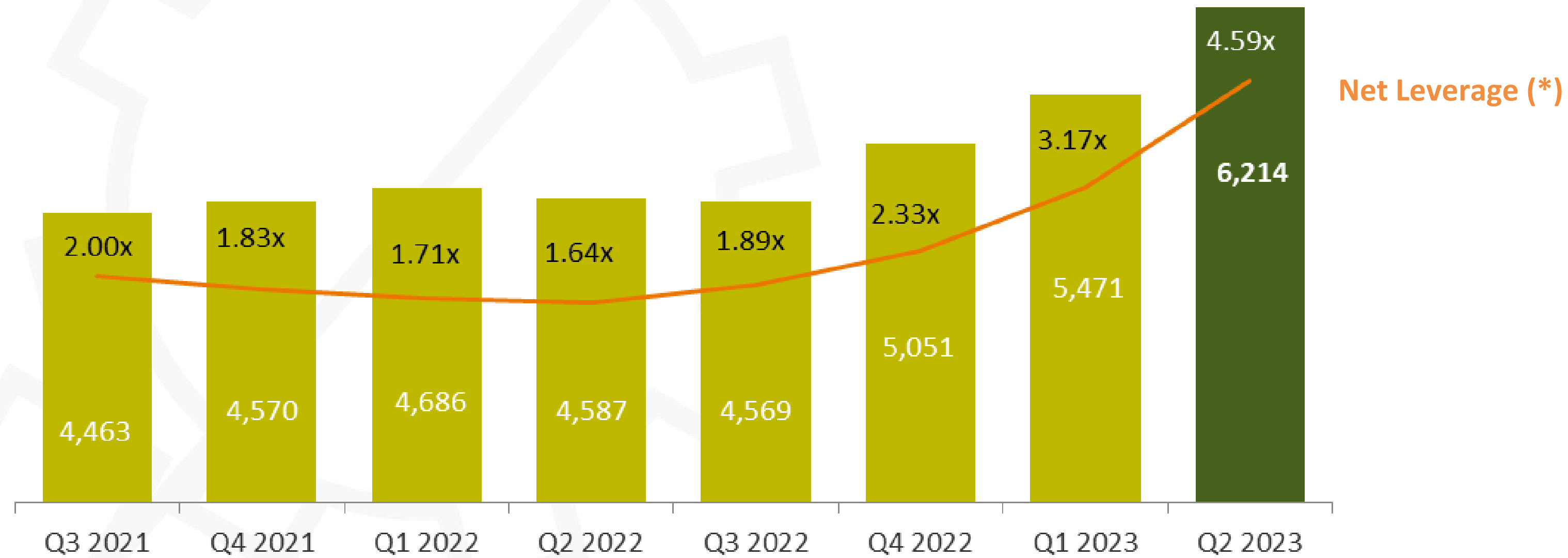
**Cash flow from financing activities** increased by US\$288.6 million mostly due to the dividends paid in May 2023..

► Net Debt increased by US\$743.6 million or by 13,6%, mostly due to a decrease in *free cash flow* and exchange rate/inflation variation, offset by *accrued interest variation*.



# NET FINANCIAL DEBT

► In US\$ million



Cash and cash equivalents decreased by 12.4% or US\$108.2 million.

Total Financial Debt increased by 10.0% or US\$635.4 million.

LTM Adjusted EBITDA was US\$1,355.2 million, 20.3% lower QoQ.

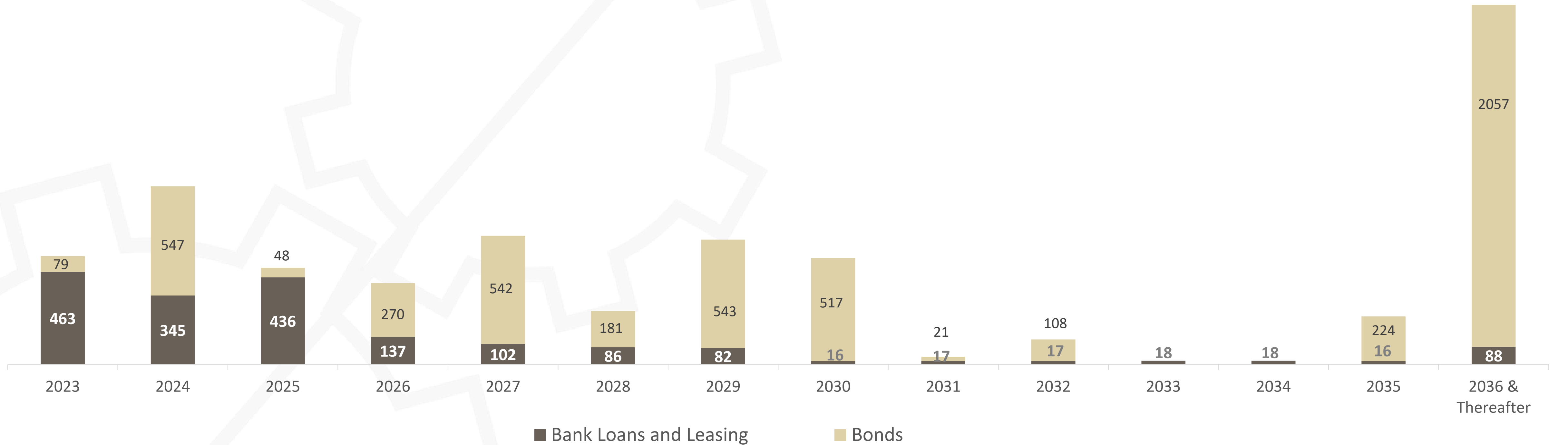
Net Leverage (\*) increased from 3.17x to 4.59x.

	June 2023	March 2023
Short term debt	827	761
Long term debt	6,152	5,583
<b>Total Debt</b>	<b>6,979</b>	<b>6,344</b>
Cash	765	873
<b>Net Debt</b>	<b>6,214</b>	<b>5,471</b>

(\*) Net Debt / LTM Adjusted EBITDA

# DEBT PROFILE

► In US\$ million  
AS OF JUNE 2023



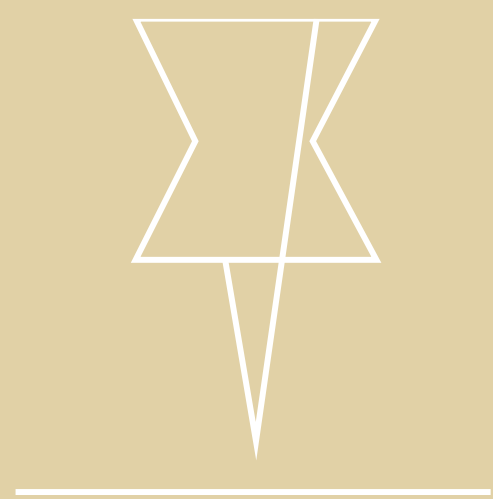
## BANK OBLIGATIONS FOR 2023 INCLUDE:

- US\$ 420 million in bank loans
- US\$ 43 million in leasing

## BOND OBLIGATIONS FOR 2023 INCLUDE:

- US\$ 35 million in local bond obligations.
- US\$ 44 million in USD-denominated bond obligations.





# MATERIAL FACTS AND NEWS

# MATERIAL FACTS AND NEWS

## Valdivia Mill Update

On August 8<sup>th</sup>, the Valdivia pulp mill started operations again, after the fire that affected the drying machine on May 26<sup>th</sup>, 2022 and forced the plant to stop operations for 3 months in 2022 and almost 4 months in 2023. We received part of the insurance claim as of June 30<sup>th</sup> and expect to receive the rest this year.

Since 2020, the Valdivia Mill mainly produces textile pulp (Dissolving Pulp), without prejudice to being able to also produce paper – grade pulp. In addition, the mill produces renewable electricity, injecting significant surpluses into the National Electric System.

## MAPA Update

Arauco's Line 3 sales volumes have been increasing within the past months along with positive feedback from our clients. Production has continued increasing as expected with no significant issues, reaching approximately 325 thousand tones as of July 31<sup>st</sup> 2023 of which, 82.1% or 267 thousand tones were prime pulp. We expect to reach full capacity in the first quarter of 2024 in line with our scheduled ramp-up.



## Horcones II, Arauco

On July 28, ARAUCO informed the difficult decision to close Horcones II Sawmill, this due to the complex situation surrounding our timber business in Chile.

Horcones II sawmill located in the Arauco region was built in 1999 and began operations in 2000. Its production specialized in thin logs and in supplying raw material to produce pallets. The mill had a capacity of 300.000 cubic meters of Sawn Timber, which represents a 10% of our total sawn timber capacity.





## Sustainable Bond

During the second quarter of 2023, ARAUCO issued three Sustainable Bonds in the local market, which most relevant conditions were::

1. A) On April 25th , “Serie Y” Bond, for a total amount of 2,000,000 Unidades de Fomento ("UF"), maturing on April 10, 2032. Interests will accrue on the unpaid principal, expressed in UF, a coupon interest of 3.10% per annum.

B) On April 25th , “Serie Z” Bond, for a total amount of 5,000,000 UF, maturing on April 10, 2044. Interests will accrue on the unpaid principal, expressed in UF, a coupon interest of 3.2% per annum.

C) On June 13th “Serie AB” Bond, for a total amount of 5,000,000 in UF, maturing on May 15, 2046. Interests will accrue on the unpaid principal, expressed in UF, a coupon interest of 3.2% per annum.

2. These series have a Chilean credit risk rating of AA/Stable, according to Fitch Chile and Feller Rate.

3. The proceeds from the placements will be used 100% for general corporate purposes of the Company and/or its subsidiaries. The abovementioned bonds are classified as “sustainable”, since regardless of the use of proceeds described in the previous paragraph, Arauco will destine an amount equivalent to the proceeds to one or more green and social projects selected for the purposes of the issuance in accordance with the Sustainability Bond Framework adopted by the Company and published on its website.

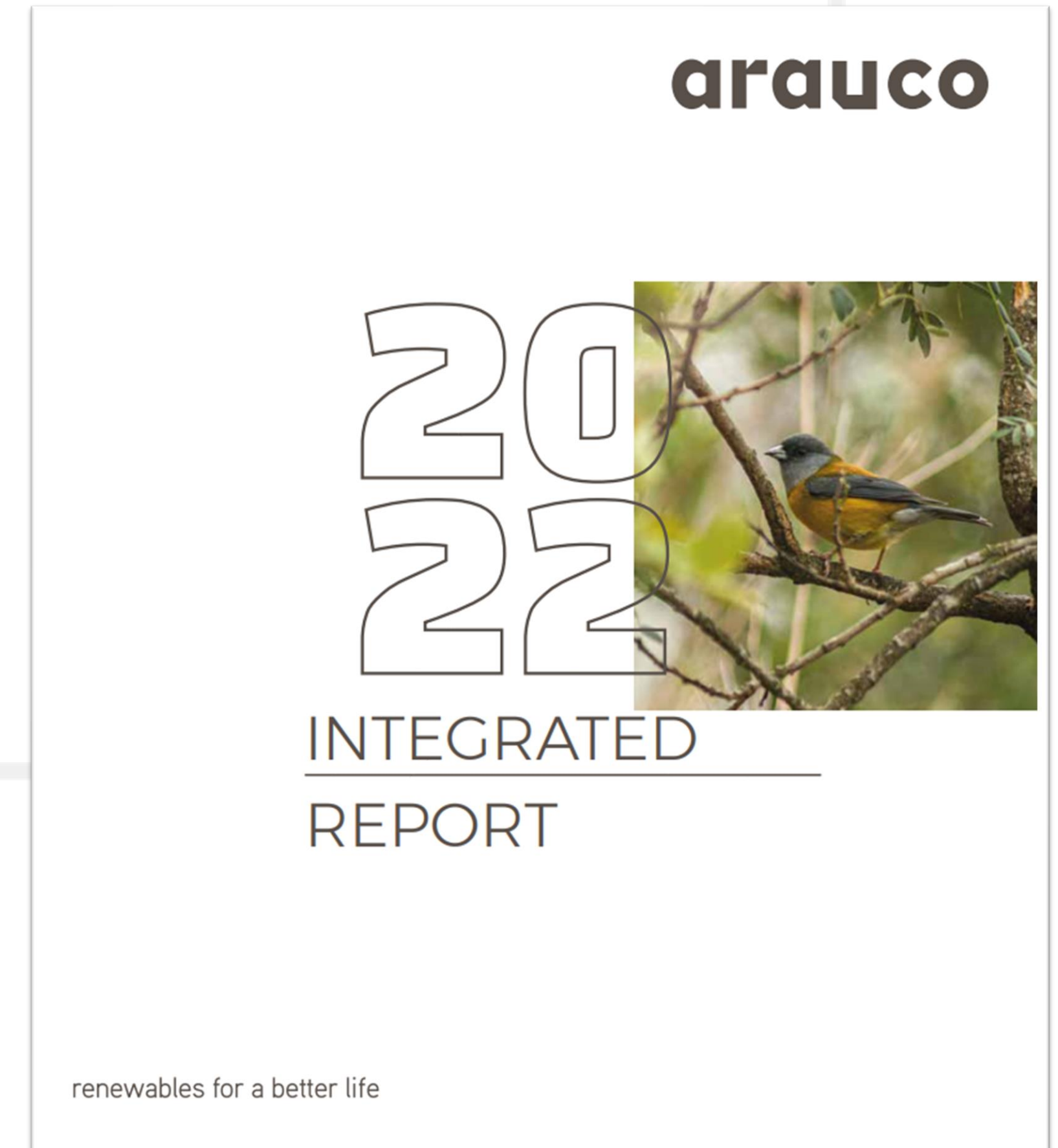
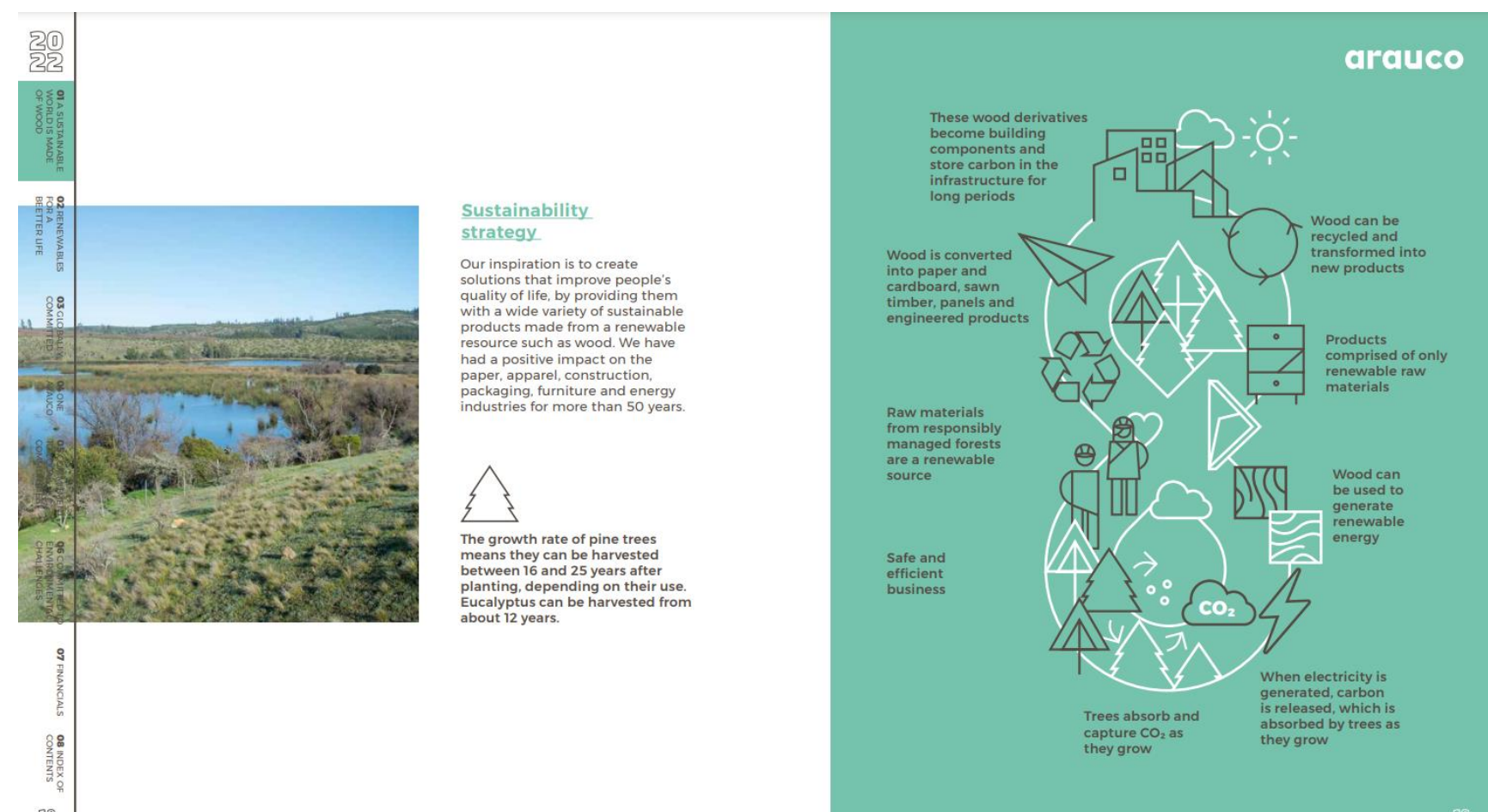
To this date, the total amount of all three bonds is hedged in USD.





## Integrated Report

On April 14th, as a requirement from the CMF (“Comisión para el Mercado Financiero”), we published Arauco’s first Integrated Report, which consolidates the Sustainability Report and the Annual Report, publications that we used to prepare separately. This publication summarizes the performance of the company in 2022 and establishes our medium and long term challenges in financial, social and environmental matters, among others. You will find our Integrated Report for the year 2022.





# TAKEAWAYS

- We have been facing a **challenging period** during this year, reinforcing the importance of approaching our business with a broad perspective that combines **market knowledge, stakeholder engagement, investment grade commitment, shared value creation** and **decisive environmental management**.
- Arauco is a pioneer in UF Sustainable bond placement, which all have been met with great demand from the market.
- Arauco's line 3 is producing as expected with positive feedback from our clients and is expected to reach full capacity in the first quarter of 2024.

3Q 2023  
RESULTS &  
CONF CALL

MID-NOV  
2023



**arauco**



Q&A



## **INVESTOR RELATIONS**

A replay of this conference call will be available on the IR section of our web site and through the following numbers until August 25, 2023

Replay for USA	+1-877-344-7529
Replay for other countries	+1-412-317-0088
Replay Access Code	1115773

## **FOR FURTHER INFORMATION**

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