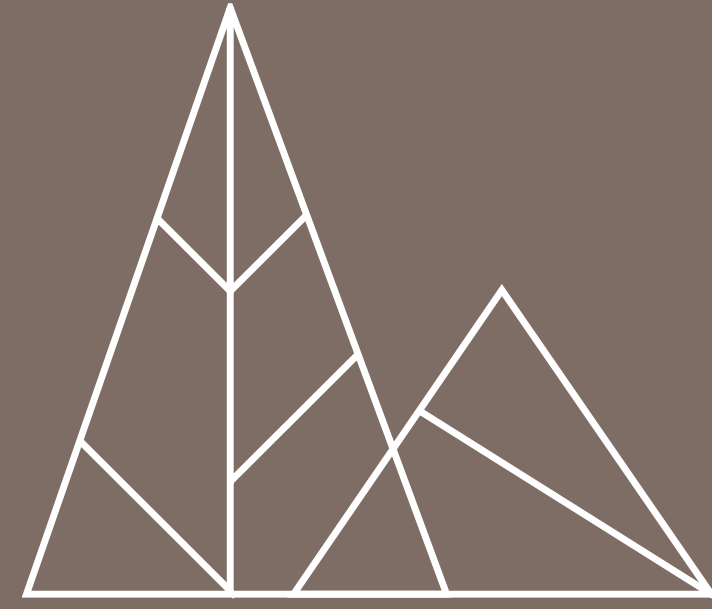


2nd QUARTER  
2020

Financial Results  
Conference Call Presentation  
August 19, 2020

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.

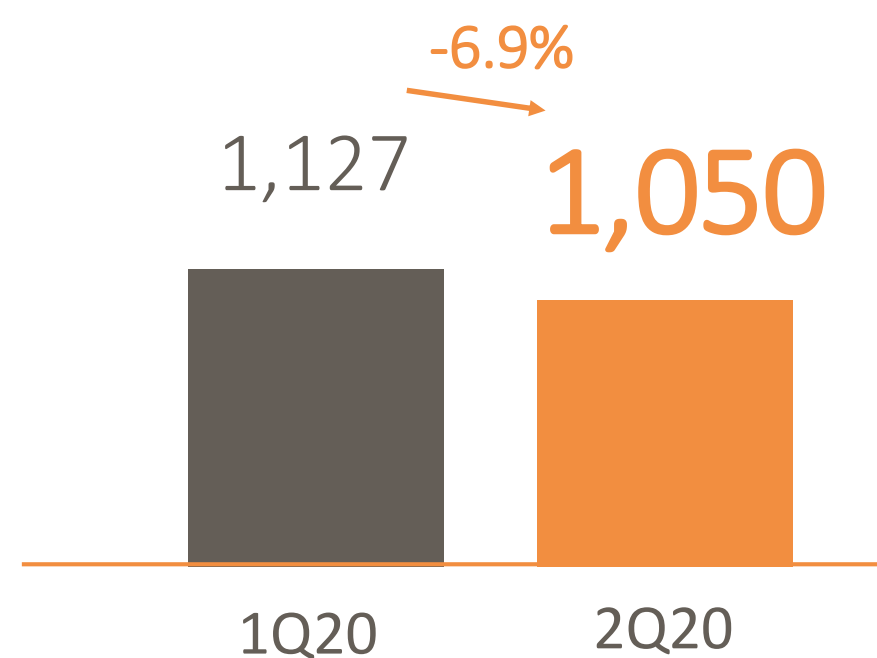
This presentation contains certain performance measures that do not represent IFRS definitions, as “EBITDA” and “Net financial debt”. These measures cannot be compared with the same previously used by Arauco and the same used by other companies.



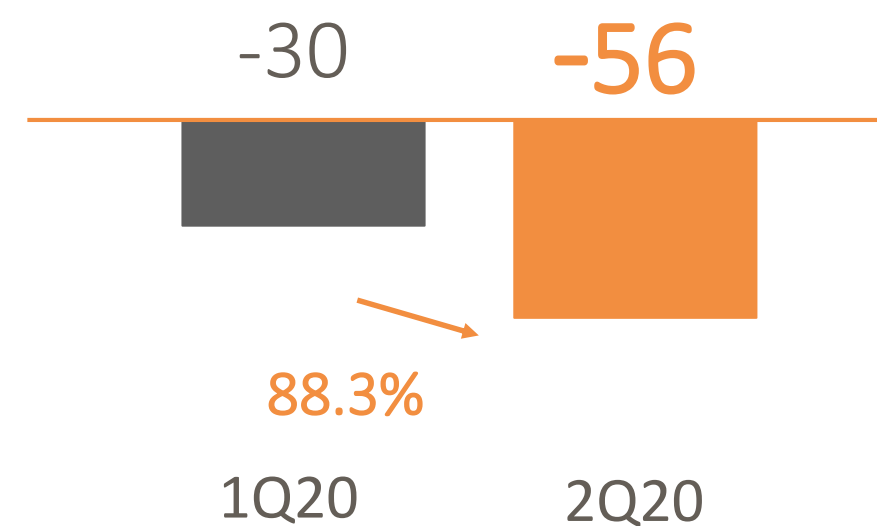
# FINANCIAL REVIEW

► In US\$ million

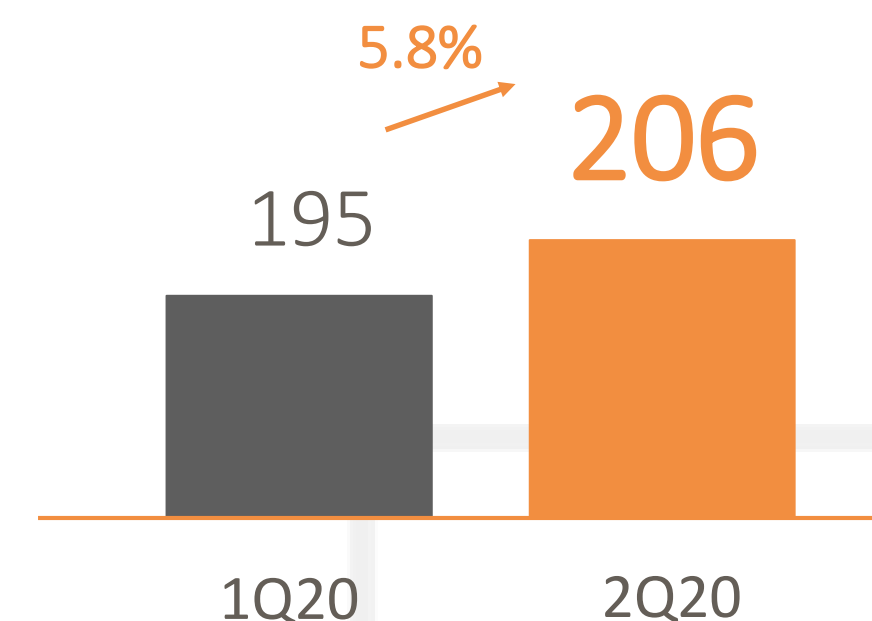
### Revenues



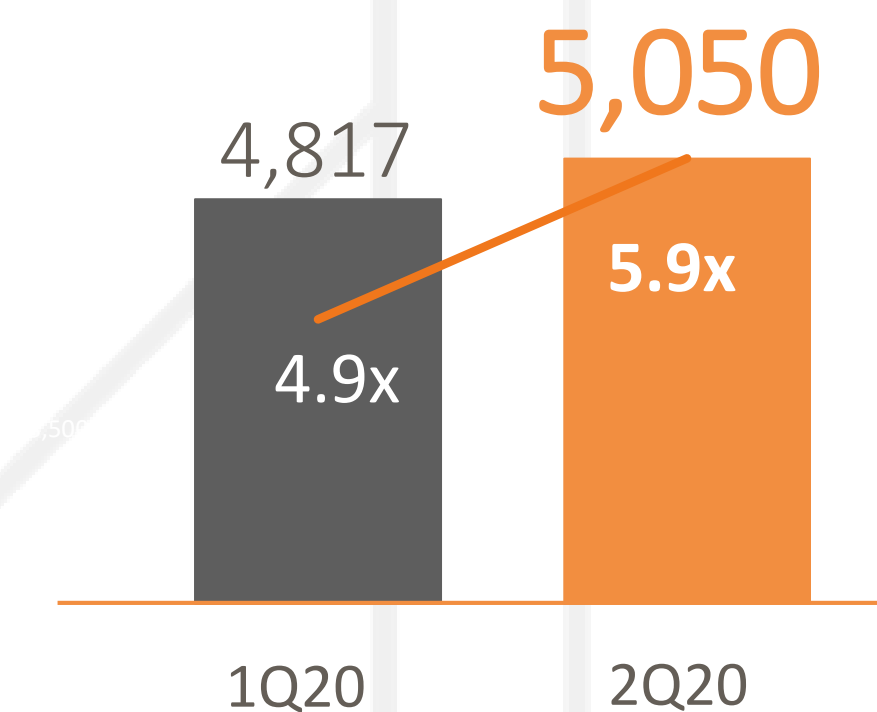
### Net Income



### Adjusted EBITDA



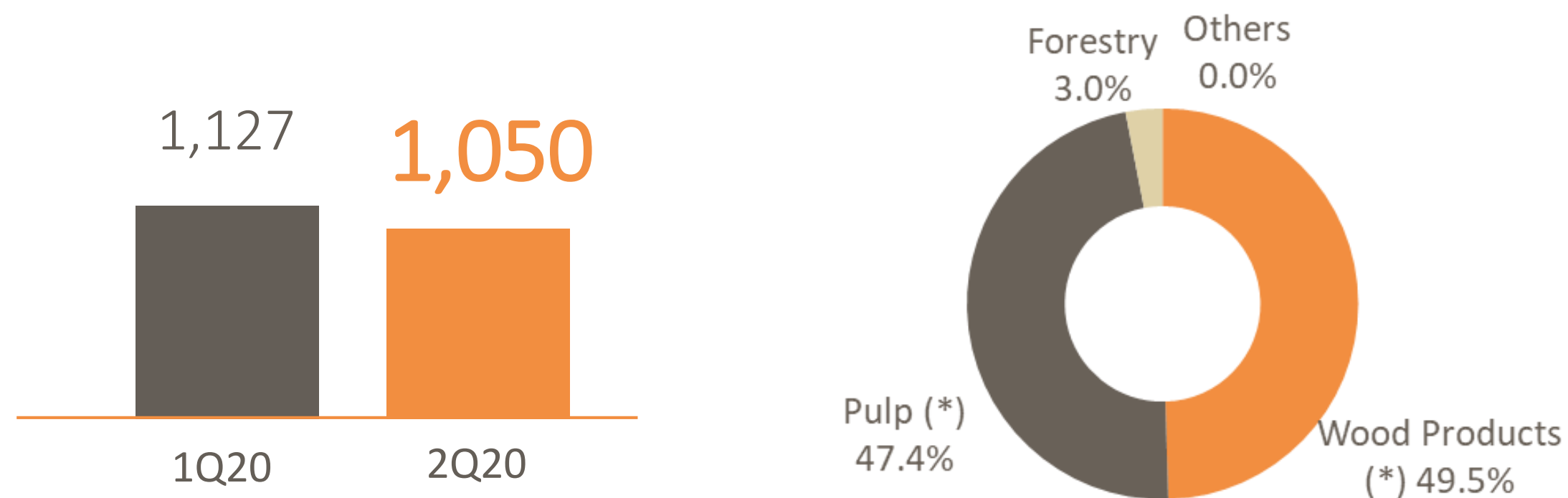
### Net Debt & Leverage



► In US\$ million

**Revenues** decreased by 6.9% compared to the first quarter.

- Pulp revenues increased by US\$46.8 million or 10.4%, driven by an increase of 10.2% in sales volume. Average prices remained stable.
- Wood products revenues decreased by US\$126.4 million or 19.5%, mainly due to an 18.0% decrease in sales volume. Average prices remained stable.



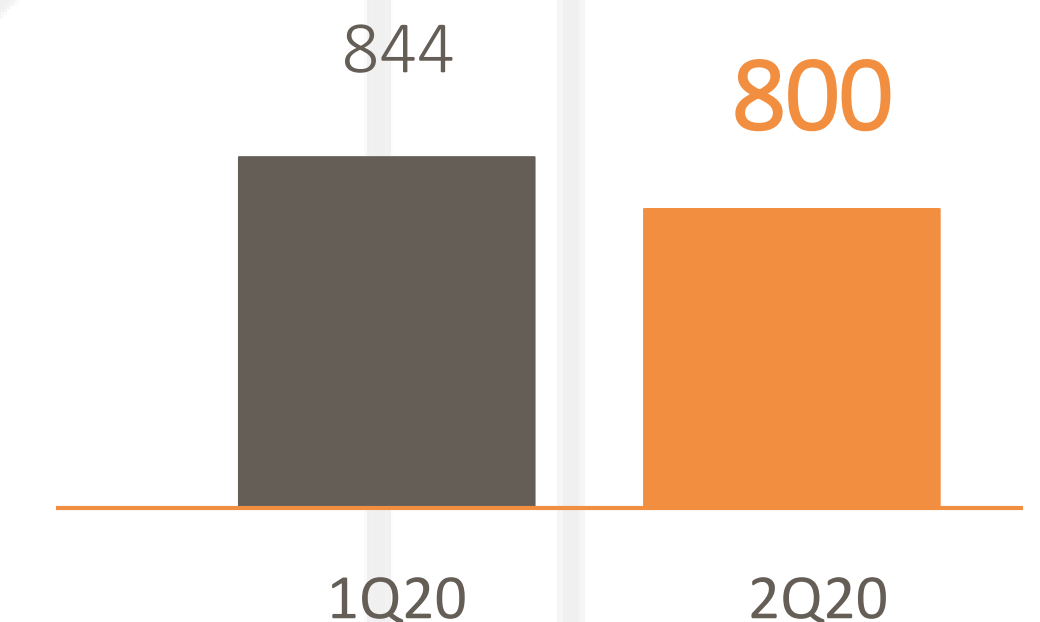
(\*) Pulp and Wood division sales include energy.

**Cost of sales** decreased by 5.2% or US\$43.5 million QoQ

- Chemical costs decreased by US\$12.9 million or 10.9%. This is explained mainly by a lower sales volume in our wood products division.
- Wages, salaries and severance indemnities decreased by US\$12.8 million or 13.8%, mainly due to lower Wood Products sales volume, and cost reductions associated to recent closures of some of our mills.
- Timber costs increased by a US\$8.6 million or 4.5%, due to the net effect of the increase and decrease in sales volume for pulp and Wood Products, respectively.

### Pulp unitary sale costs QoQ

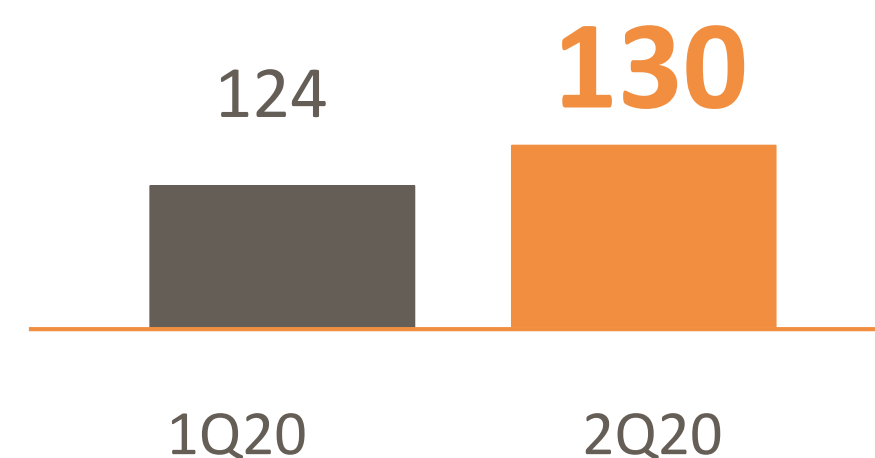
- Softwood bleached pulp ▲ 1.1%
- Hardwood bleached pulp ▼ 3.2%
- Unbleached softwood pulp ▲ 4.2%



► In US\$ million

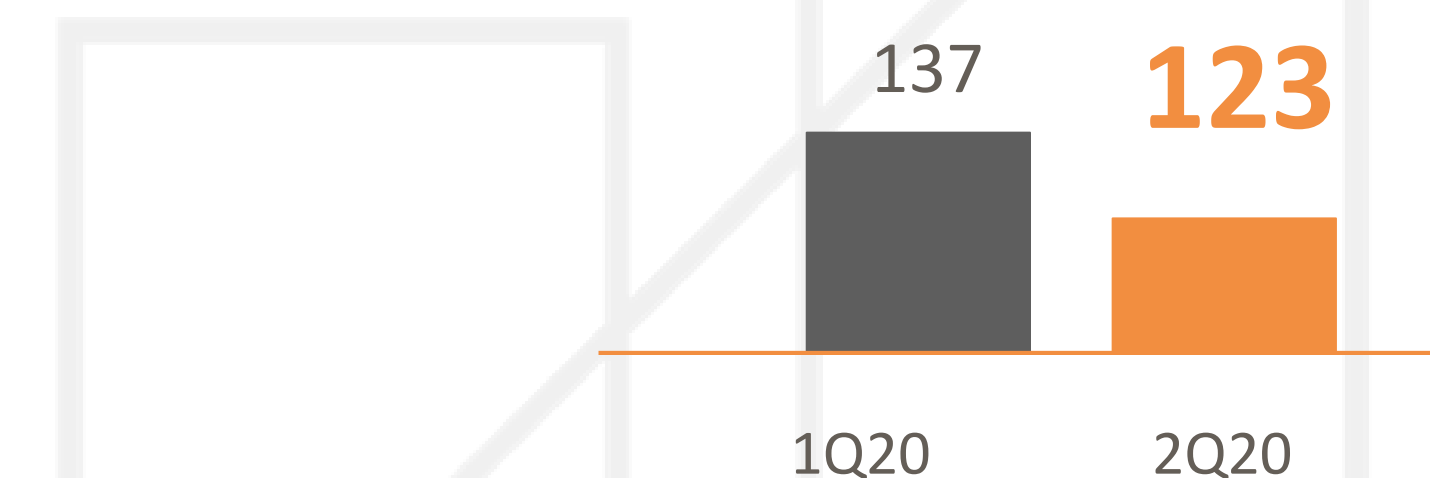
**Administrative expenses** increased by US\$6.7 million or 5.4% QoQ.

- Computer services increased by US\$6.3 million mainly because of periodic software license payments usually done during the second quarter.
- Wages, salaries and severance indemnities decreased by US\$2.7 million or 5.0%, mainly due to effects related to foreign exchange rates.

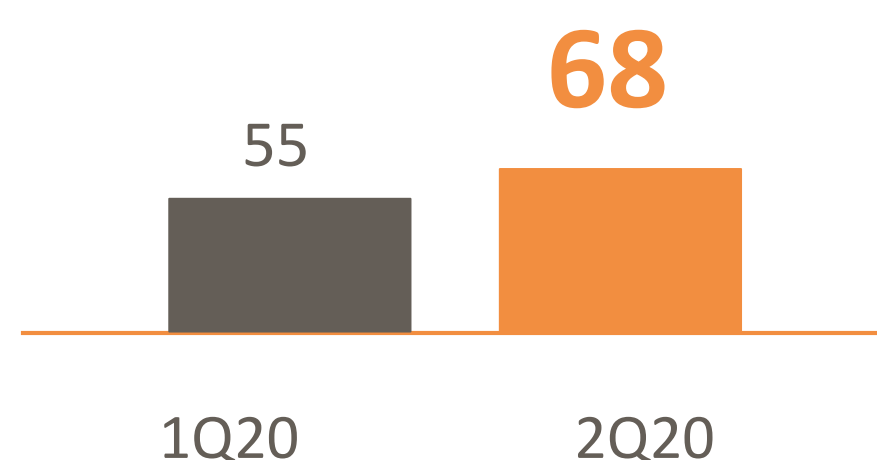


**Distribution costs** decreased by 10.6% or US\$ 14.6 million.

- Freight costs decreased by US\$19.2 million or 17.4%. This is explained by the decrease in sales volume in our wood products business.

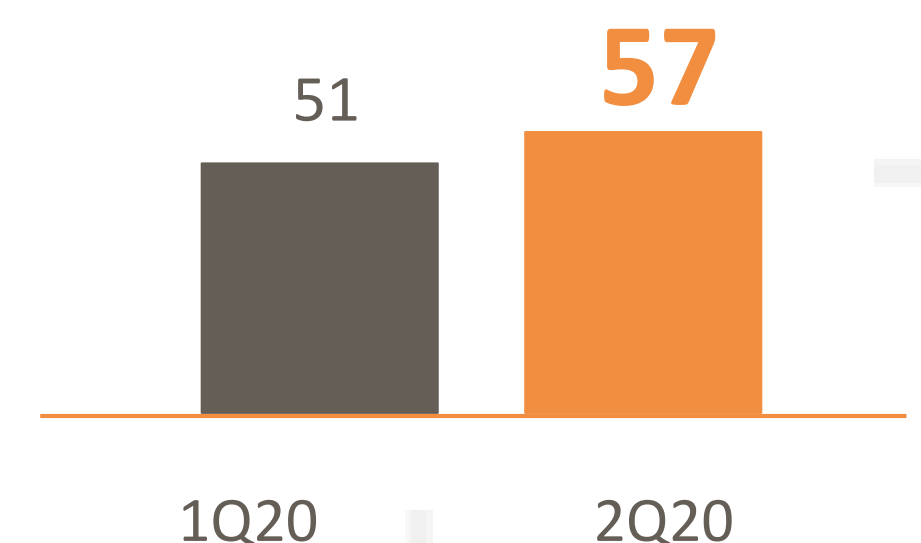


► In US\$ million



**Other income** increased by US\$12.4 million or 22.4% QoQ.

- We accounted for a tax recovery of approximately US\$21.1 million in our Brazilian subsidiaries.
- Other operating results increased by US\$5.7 million mainly due to COVID-19 related government subsidies in Argentina, and the reversal of a provision related to a trial in Mexico.
- Gains from changes in fair value of biological assets decreased by US\$15.9 million or 30.5%, due to an adjustment to a provision made during the past quarter.



**Other expenses** increased by US\$6.4 million or 12.6%.

- This is mainly explained by a 90.8% or US\$16.4 million increase in impairment provisions of property, plant and equipment related to the recent closure of the Line 3 of our Albany mill in the US.
- Provisions for forestry fire losses decreased 97.2% or US\$4.9 million.

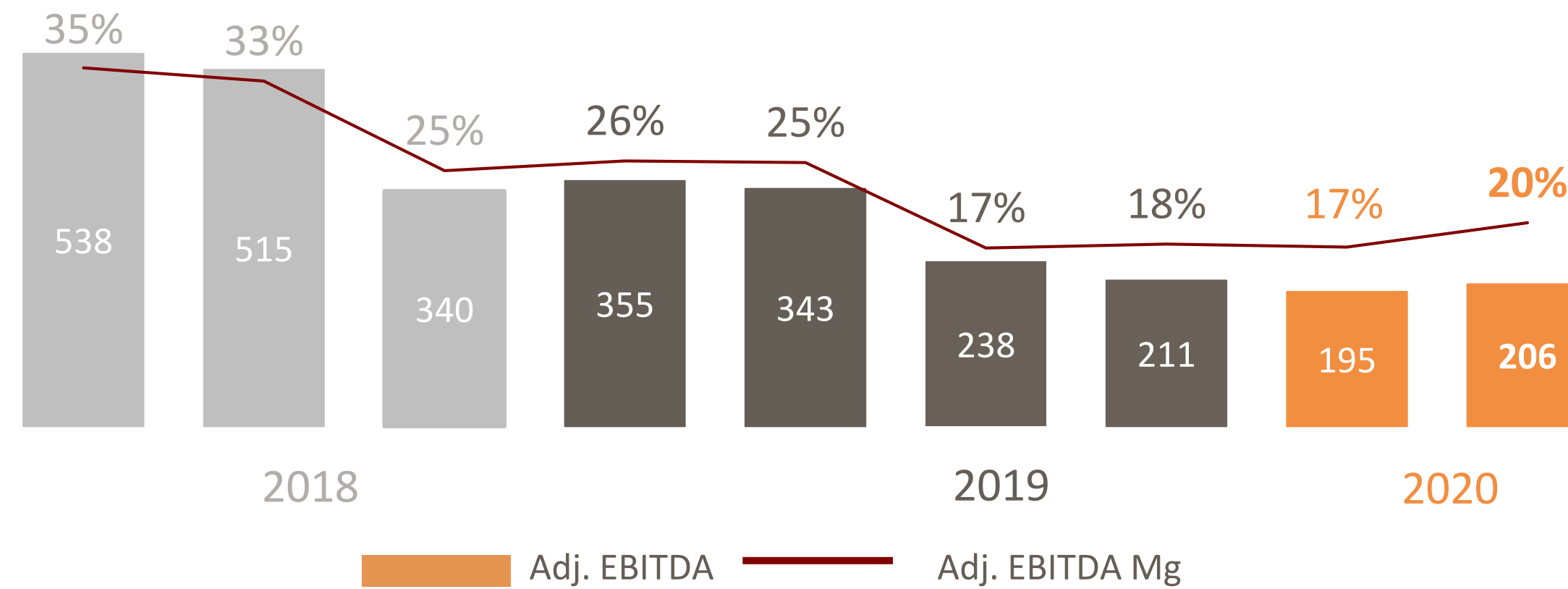
# INCOME STATEMENT

► In US\$ million

	Q2 2020	Q1 2020	QoQ
<b>Revenue</b>	<b>1,049.9</b>	<b>1,127.2</b>	<b>-6.9%</b>
Cost of sales	(800.1)	(843.6)	-5.2%
<b>Gross profit</b>	<b>249.8</b>	<b>283.6</b>	<b>-11.9%</b>
Other income	67.6	55.2	22.4%
Distribution costs	(122.8)	(137.4)	-10.6%
Administrative expenses	(130.2)	(123.5)	5.4%
Other expenses	(57.4)	(50.9)	12.6%
Financial income	12.3	7.2	70.8%
Financial costs	(65.9)	(71.8)	-8.2%
Participation in (loss) profit in associates and joint ventures accounted through equity method	(2.0)	1.6	-231.4%
Other income (loss)	0.0	0.0	-
Exchange rate differences	(26.7)	(3.4)	677.9%
<b>Income before income tax</b>	<b>(75.3)</b>	<b>(39.5)</b>	<b>90.8%</b>
Income tax	19.4	9.8	98.2%
<b>Net income</b>	<b>(55.9)</b>	<b>(29.7)</b>	<b>88.3%</b>



► In US\$ million



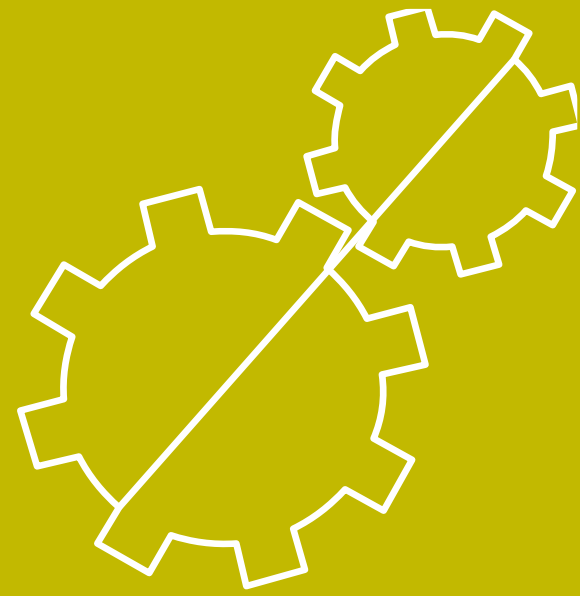
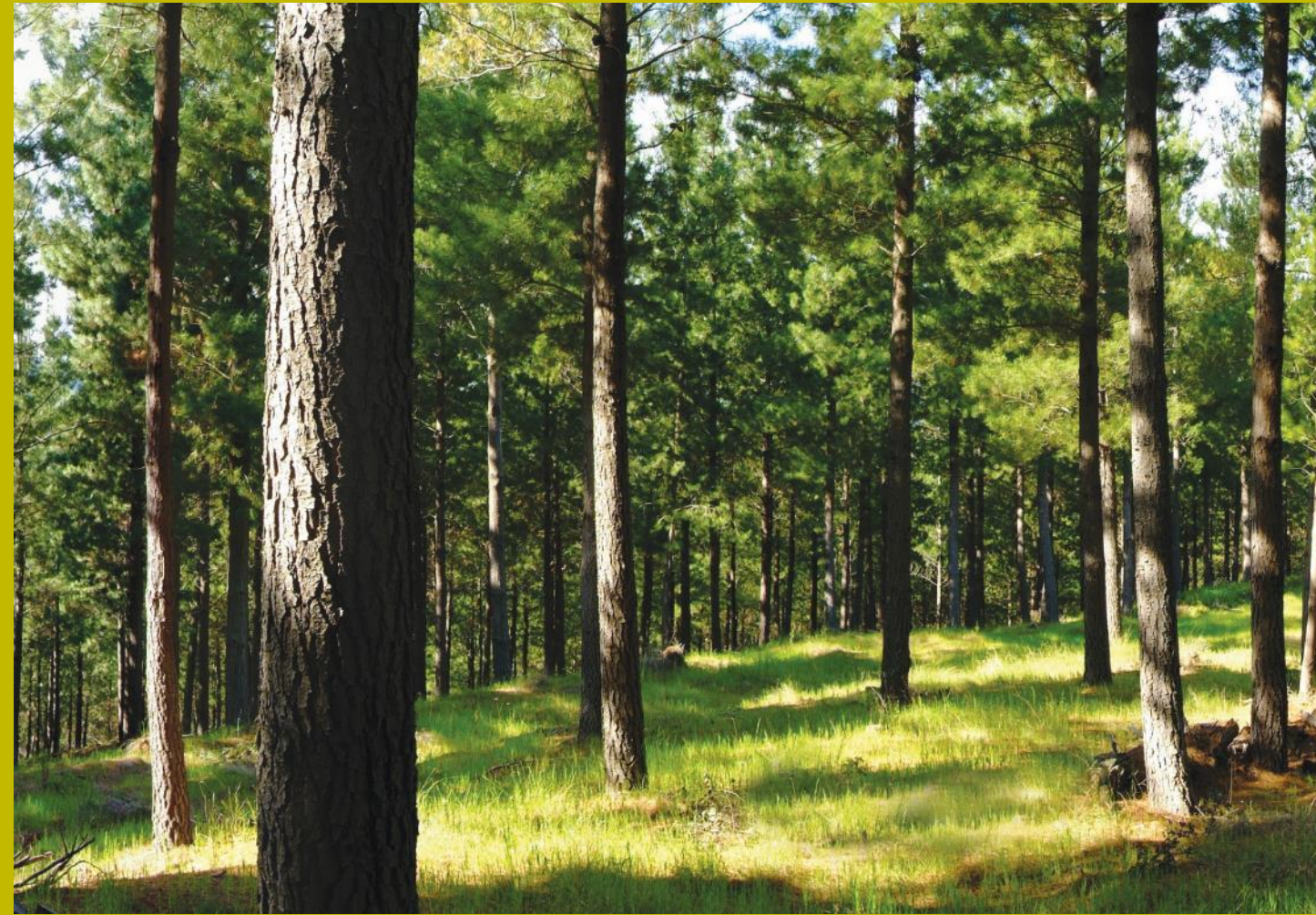
### Breakdown by division

Pulp	96
Wood Products	67
Forestry	72
Consolidated Adj. & Others	-30



- Adjusted EBITDA during the second quarter reached US\$205.8 million. The most significant variation was in our pulp business, with an increase of 19.4% or US\$15.6 million. This was mainly related to an increase in sales volume.
- Adjusted EBITDA remained stable both in our Wood Products and Forestry divisions with a 2.7% and 1.6% increase, respectively.



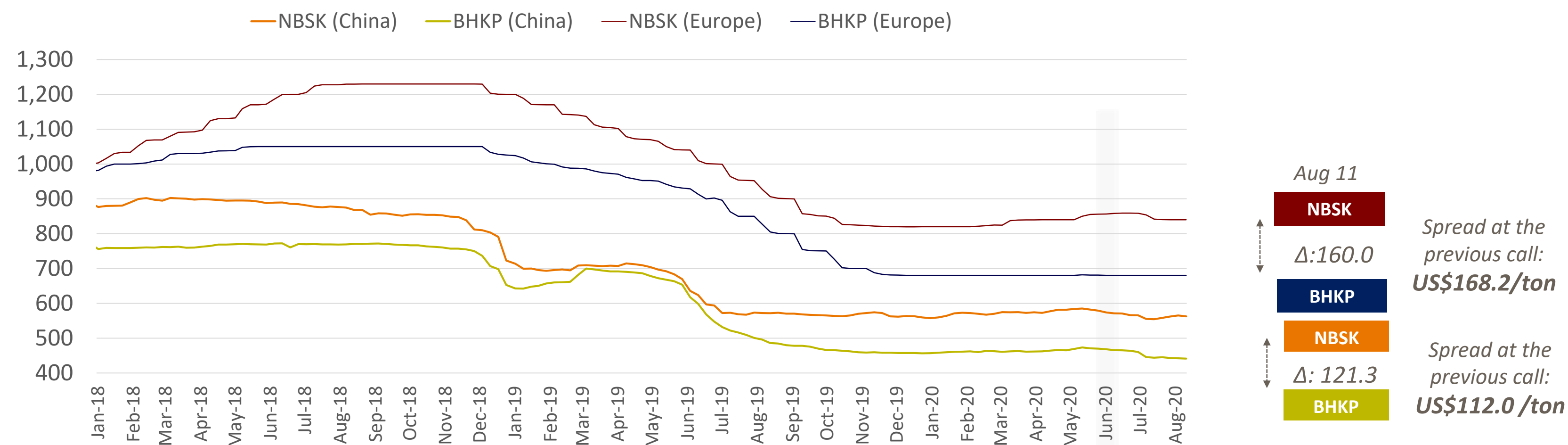


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# REVIEW BY BUSINESS SEGMENT & OUTLOOK



## PIX Pulp Indexes (in US\$)



Source: RISI

## Global Bleached Chemical Pulp Demand variation – (6 months 2019 – 2020)

In '000 tonnes

Destination	Jan-Jun 2019	Jan-Jun 2020		%
North America	3,640	3,725	▲	2.3%
West Europe	6,340	6,130	▼	-3.3%
China	7,385	7,970	▲	7.9%
Others	6,620	7,585	▲	14.6%
W-20 Total BCP	23,985	25,410	▲	5.9%

Source: PPPC World-20

## Global Producers Inventory Levels

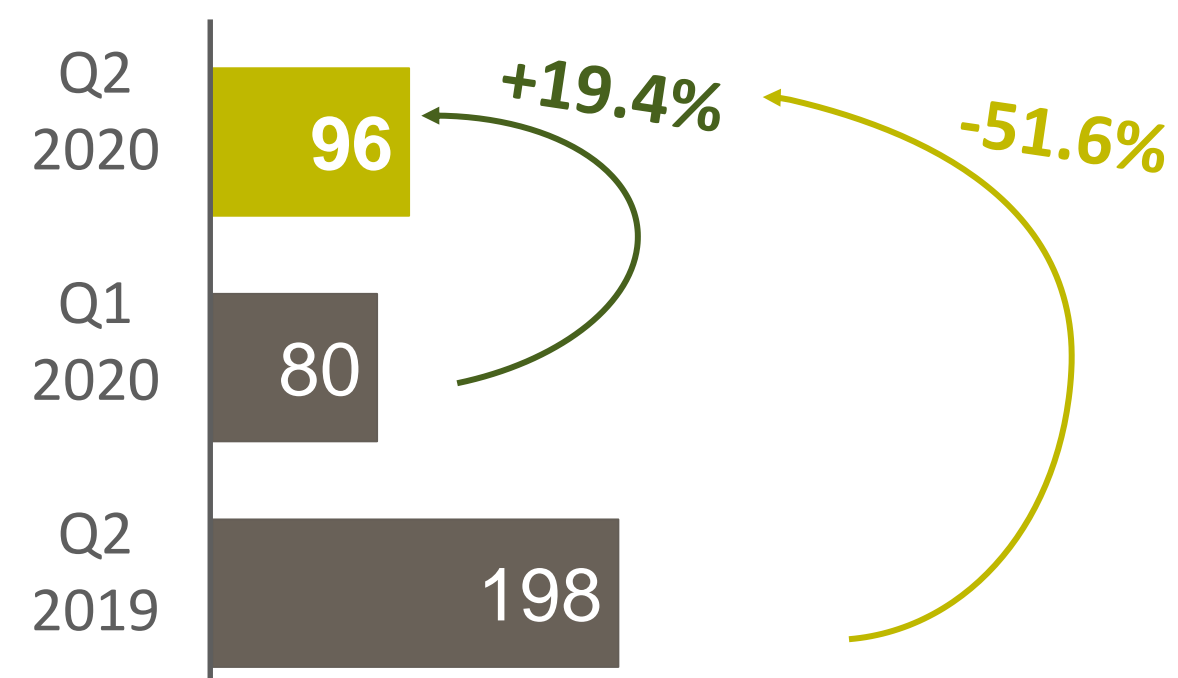
In days of supply

	Mar 2018	Jun 2018	Sept 2018	Dic 2018	Mar 2019	Jun 2019	Sept 2019	Dic 2019	Mar 2020	Jun 2020
BSKP	31	29	34	42	37	43	35	37	36	42
BHKP	43	42	42	57	74	72	52	37	43	49

Source: PPPC, June 2020

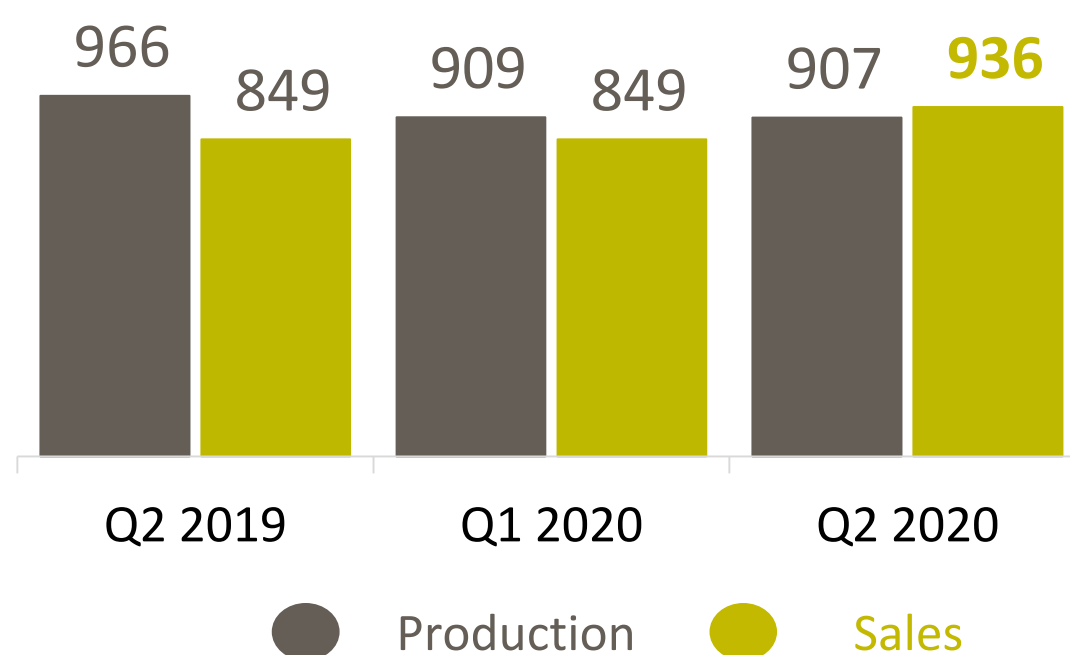
### Adjusted EBITDA

► In US\$ million



	Price	Volume	Sales
QoQ	0.8%	10.2%	10.4%
YoY	-24.5%	10.2%	-14.6%

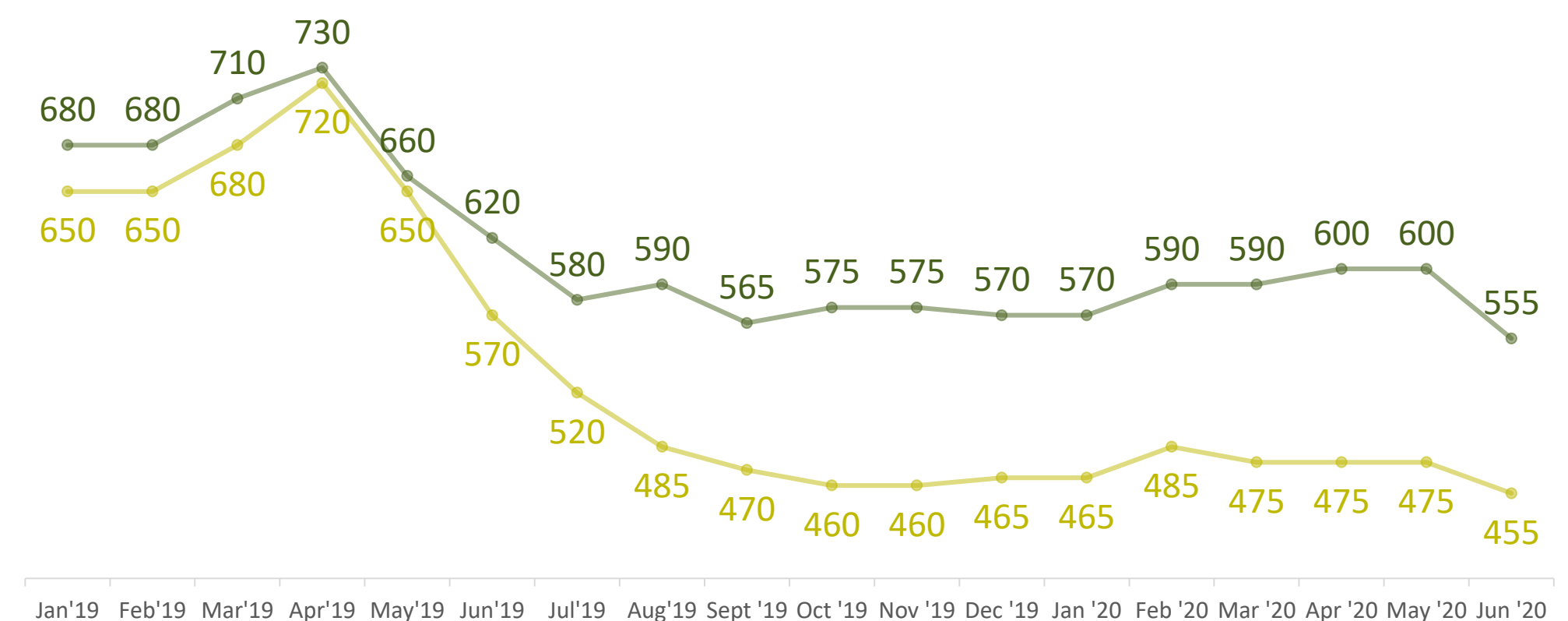
### Production and Sales Volume In thousand tonnes



### Q2 2020

- This quarter remained challenging due to the effects of COVID-19. These were more widespread than during the first quarter when China was mostly affected. The increase in pulp demand coming from tissue producers was not enough to compensate drops in other segments. Integrated paper producers switched to produce market pulp which contributed to increase global inventories on a quarterly basis.
- In China, the quarter began with strong tissue demand, yet it weakened when restrictions eased. This quarter is normally affected by seasonality. Inventories in China remained stable, as well as prices.
- In Europe, prices remained stable. Tissue demand began strong, but started to decline when restrictions eased.

### BHKP and BSKP Net prices - China



Source: ARAUCO

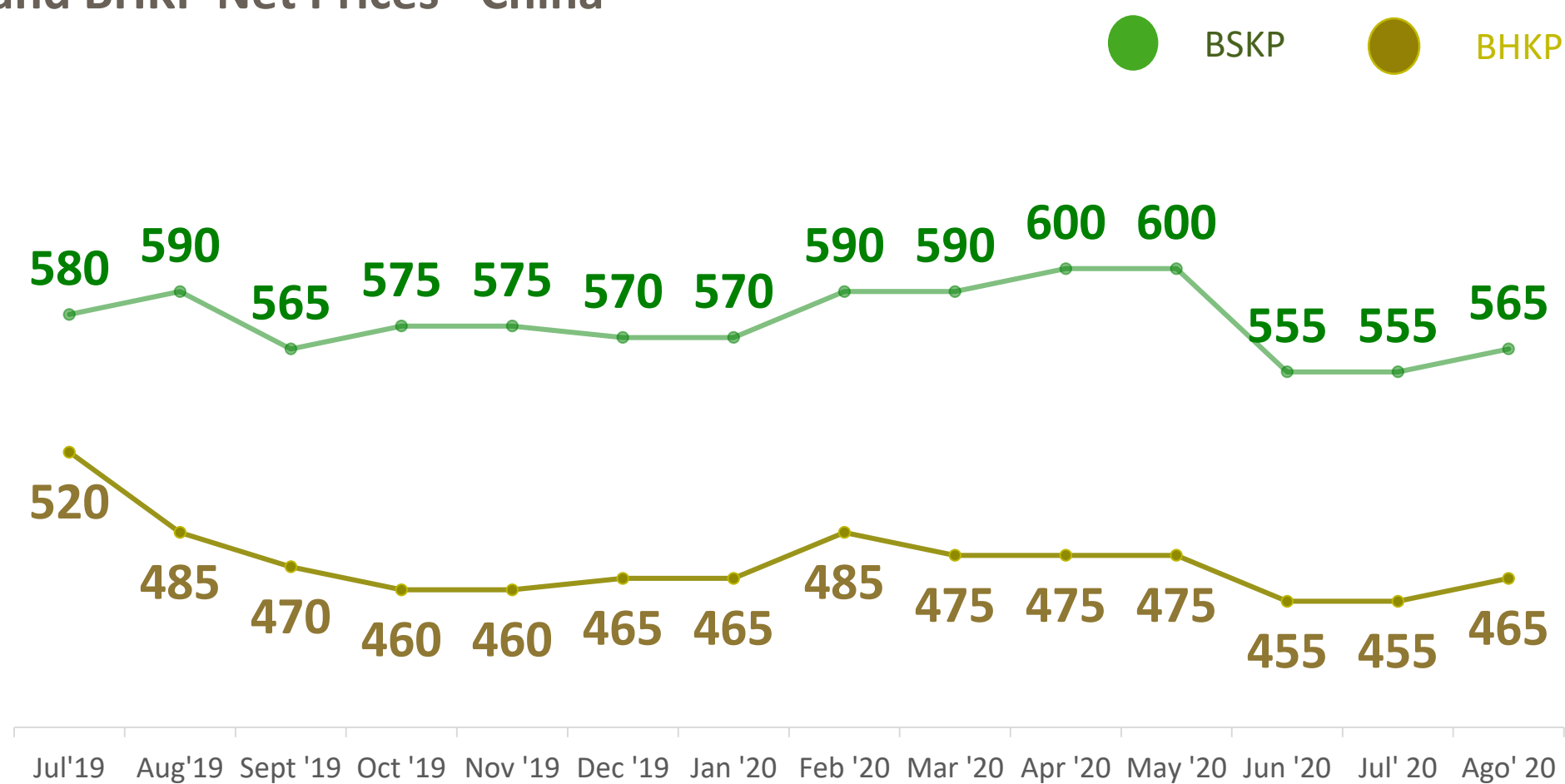
● BSKP ● BHKP



### For the third quarter of 2020,

- For Q3, the outlook for the pulp market remains uncertain. Prices for P&W and tissue seems to be stabilizing, affected by seasonality due to the summer season in the northern hemisphere.
- Normally, the “Away from Home” tissue segment would counterbalance the seasonal effects, but since tourism and economic activity remain low this doesn’t seem likely.

### BSKP and BHKP Net Prices - China



Source: ARAUCO

### 2019-2020 Pulp Mills Days of Stoppages

Mill	2019	2020			
	4Q	1Q	2Q	3Q	4Q
Arauco - Line 1		19	6		
Arauco - Line 2		13	5		
Constitución		6			13
Licancel		67	9	16	
Nueva Aldea			10		
Valdivia	55				
Alto Paraná					10
Montes del Plata	12				13

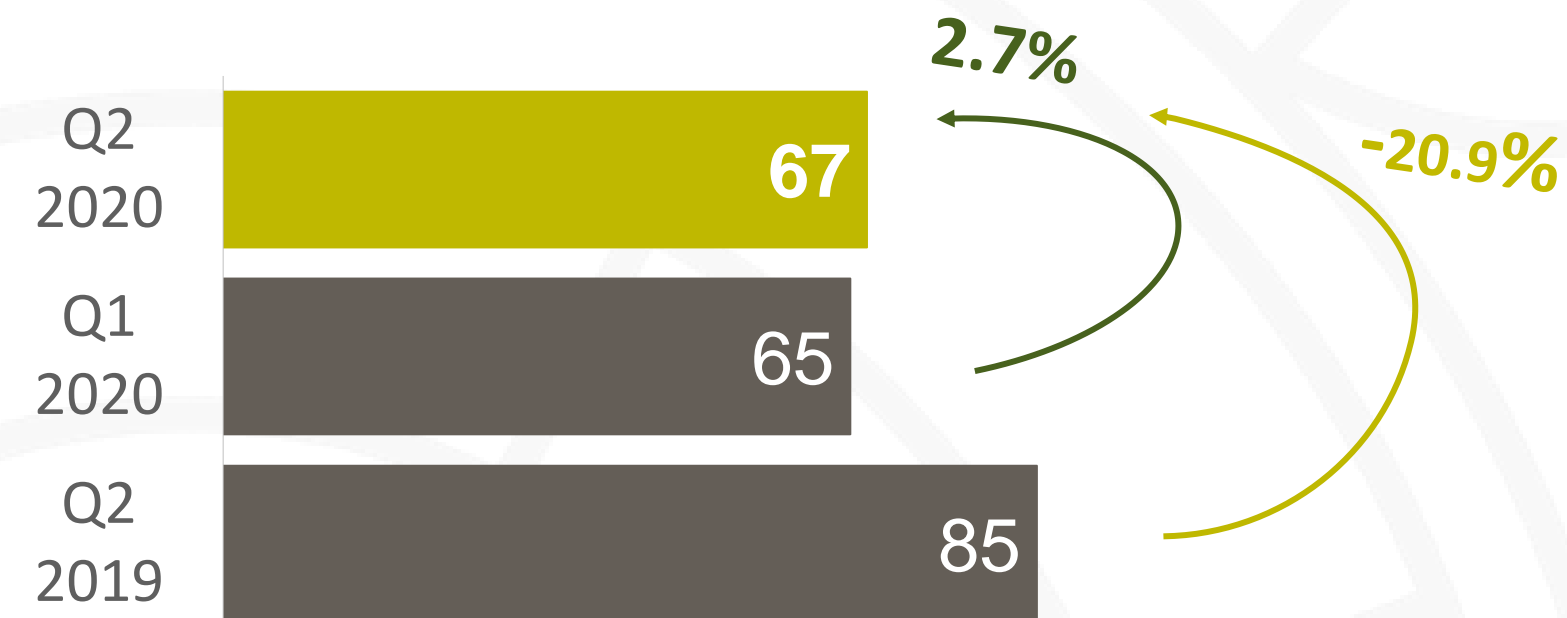
Maintenance Stoppages:



Non-operational Stoppages:



### Adjusted EBITDA In US\$ million



### Panels\*

	Price	Volume
QoQ	-0.2%	-24.4%
YoY	-5.0%	-23.3%

### Solid Wood\*\*

	Price	Volume
QoQ	2.9%	-2.6%
YoY	-3.6%	-14.2%

\*MDF, PBO, HB

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

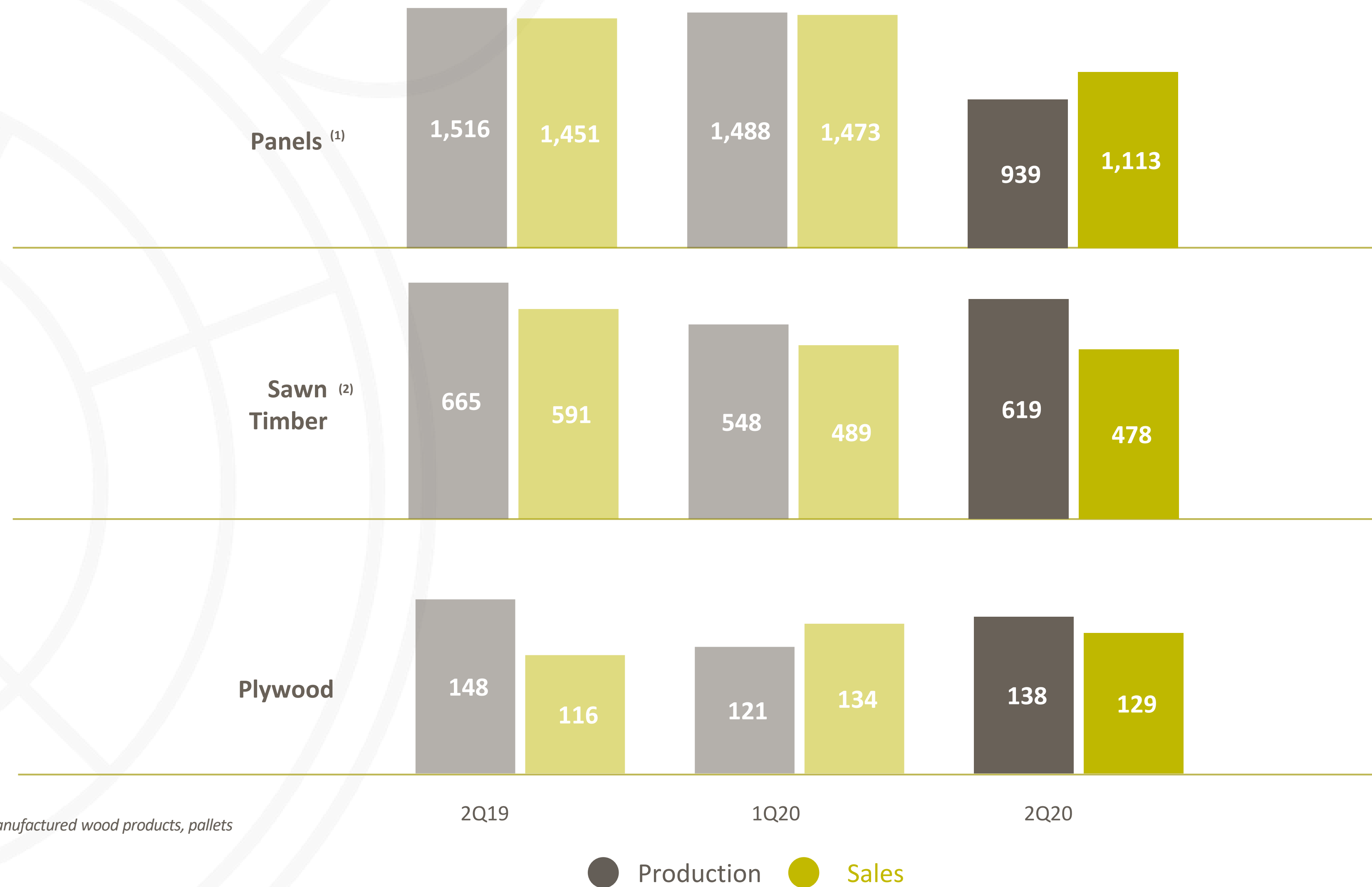
### Q2 2020

- Panels sales decreased QoQ due to lower sales volume. This quarter was more complex than the previous one, particularly during April and May when the pandemic significantly affected our sales due to quarantines and restrictions.
- During this quarter our sawn timber sales volume also decreased, with some encouraging signs in the US mainly due to a strong retail channel and a rise in construction activity. Prices increased slightly.
- Plywood sales volume decreased by 4.0% during the second quarter. Prices increased mainly due to an increase in demand from major markets and supply disruptions associated to the pandemic.

# WOOD PRODUCTS PRODUCTION AND SALES VOLUME

REVIEW BY BUSINESS SEGMENT & OUTLOOK

► In '000 m<sup>3</sup>



(1) Includes PB, MDF, HB and OSB

(2) Includes sawn timber, kilned sawn timber, remanufactured wood products, pallets

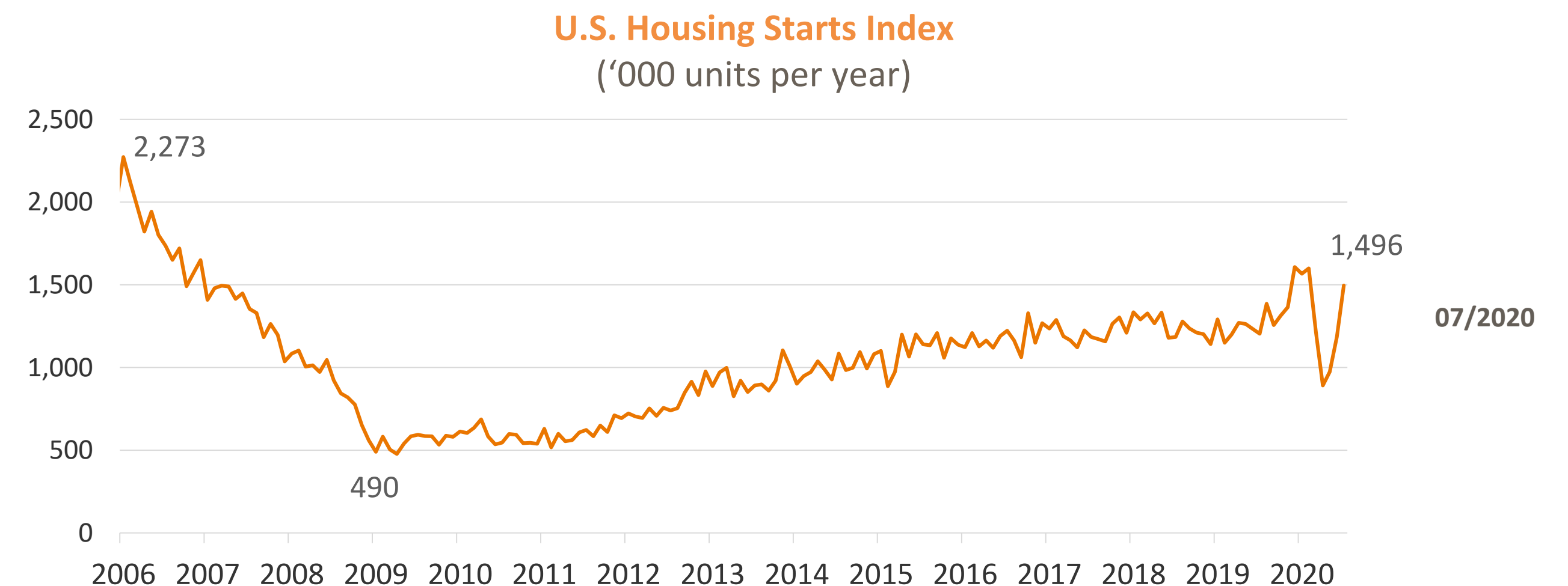
Note: Sales include trading

**55%**  
North  
America

**PB/MDF:** after a very complex second quarter, there has been an improvement in sales volumes and prices. We expect to reach normal levels during August, uncertainty remains about how the COVID-19 situation will develop.

**REMANUFACTURED PRODUCTS:** we have seen increases both in sales volumes and prices in the past few weeks. In addition, antidumping duties to certain producers from China and Brazil may have a positive impact in the short term.

**PLYWOOD:** the market has been improving, with increases in sales volume and prices which allow us to remain optimistic. Supply disruptions from Brazilian producers have helped balance the market.



Source: Bloomberg



**29%**  
Central and  
South America

**13%**  
Asia and Oceania

**3%**  
Europe and  
Middle East

### **BRAZIL:**

- Market scenario remains complex, even though July sales improved significantly
- We expect volumes and prices to continue normalizing in the coming months

### **CHILE:**

- Sales have been below normal levels, but better than the second quarter
- Higher demand depends on construction and industrial activity
- Political uncertainty an issue for local clients

### **ASIA:**

- Depending on the country, prices have remained stable or improved
- There have been logistical difficulties because of shipping delays

### **EUROPE:**

- Positive trend in plywood continues, due to a decrease in supply coming from Brazil and other countries
- We expect to continue improving in the coming months for Plywood

### **ARGENTINA:**

- During July and August, we saw a strong recovery in demand
- There have been price increases that have more than compensated inflation and devaluation

### **MIDDLE EAST:**

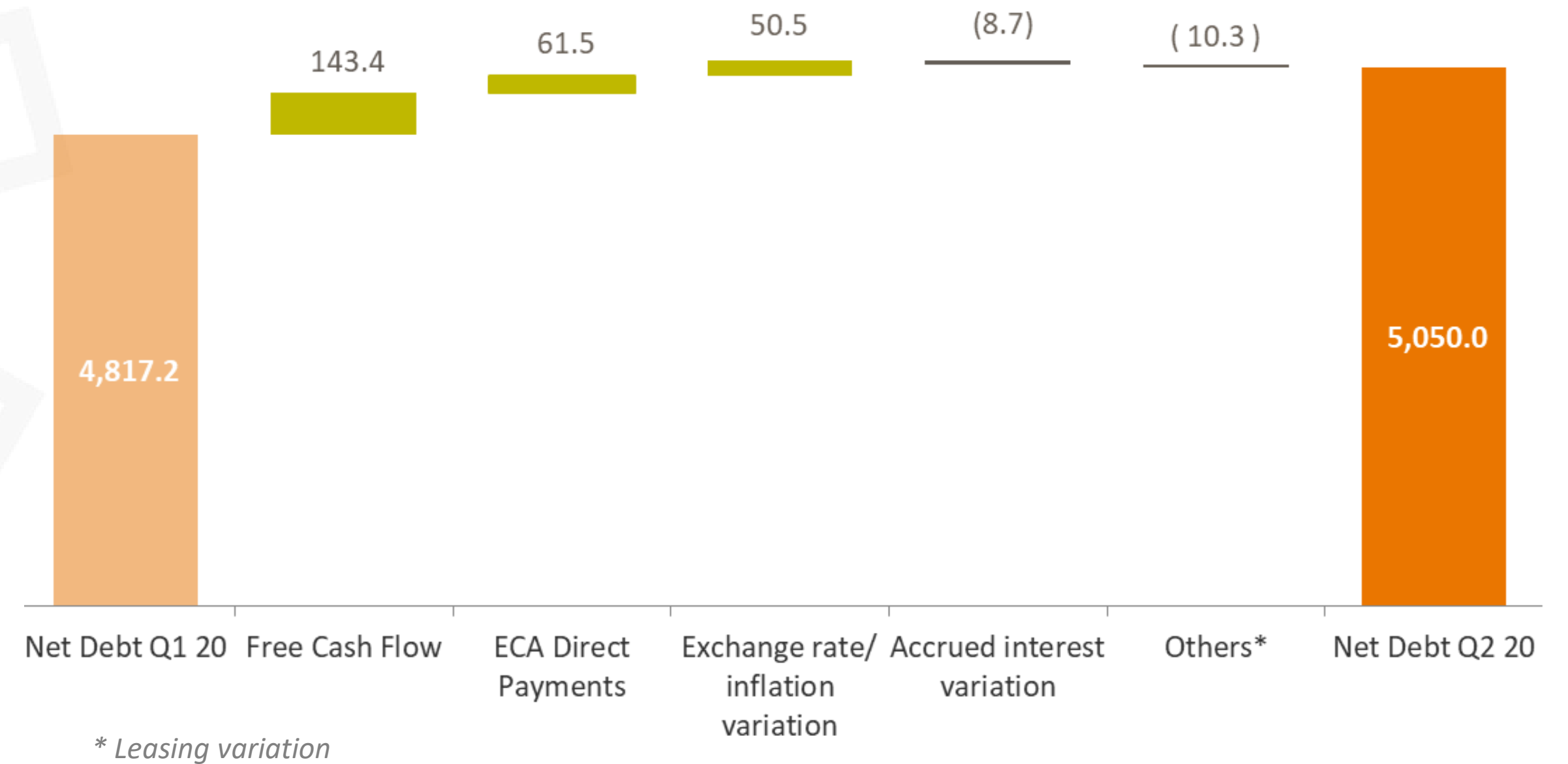
- Demand and prices expected to remain stable

# FREE CASH FLOW

► In US\$ million

	Q2 2020	Q1 2020
<b>Adjusted EBITDA</b>	<b>205.8</b>	<b>194.6</b>
Working Capital Variation	5.8	(87.7)
Interest paid and received	(87.0)	(35.3)
Income tax received (paid)	83.0	(55.5)
Others	57.4	(31.8)
<b>Cash from Operations</b>	<b>265.0</b>	<b>(15.7)</b>
Capex (1)	(384.2)	(445.5)
Others	4.3	8.6
<b>Cash from Investment Activities</b>	<b>(379.9)</b>	<b>(436.9)</b>
<b>Cash from Financing activities (net of debt)</b>	<b>(25.1)</b>	<b>(21.2)</b>
<b>Effect of exchange rate changes</b>	<b>(3.4)</b>	<b>(25.9)</b>
<b>Free Cash Flow</b>	<b>(143.4)</b>	<b>(499.6)</b>

(1) On a cash basis.



**Cash flow from operating activities** increased US\$280.7 million, mainly due to an increase in income tax received and working capital variation.

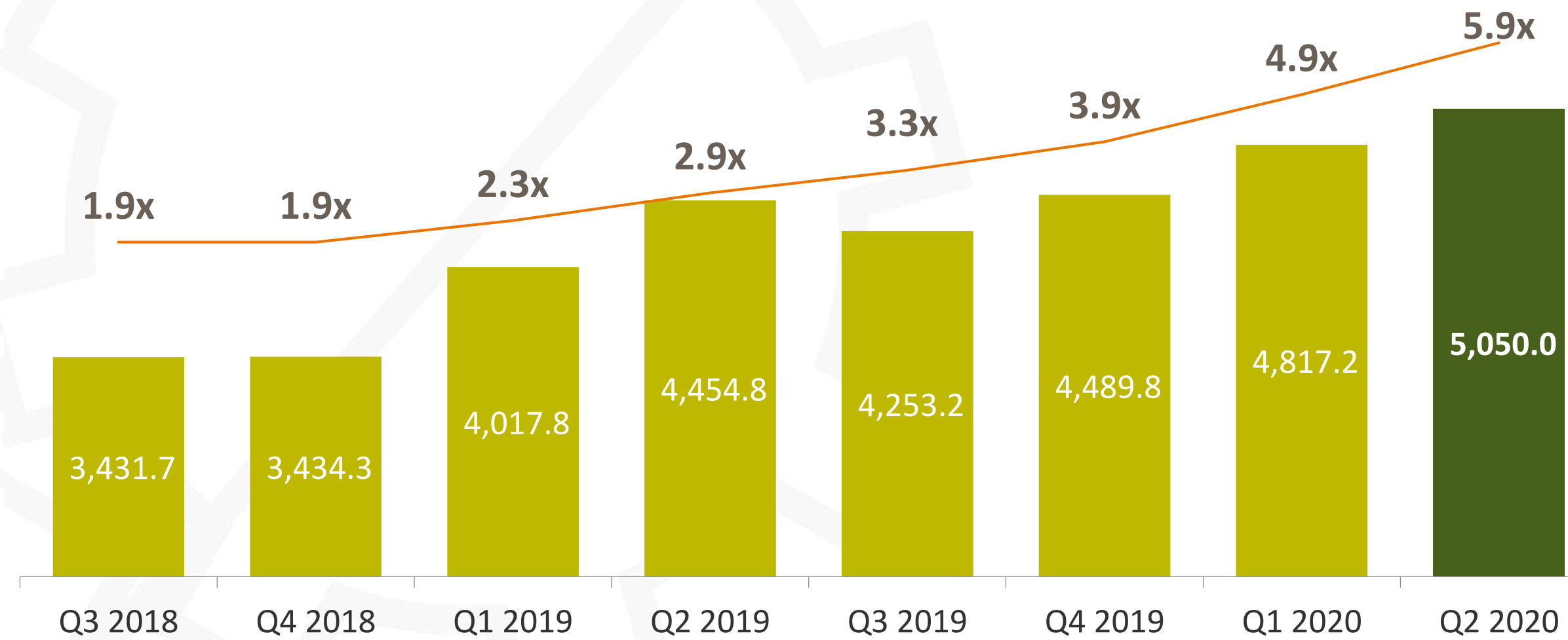
**Cash flow used in investment activities** decreased 13% mainly due to lower Capex. MAPA-related Capex continues to be a large portion of these net cash outflows.

**Cash flow used in financing activities** increased slightly by US\$4.0 million.

► Net Debt increased by US\$232.8 million or by 4.8% QoQ, mainly due to the negative free cash flow.

# NET FINANCIAL DEBT

► In US\$ million



Net Leverage (\*)

**Cash and cash equivalents** increased by 6.5% or US\$74.5 million QoQ.

**Total Financial Debt** increased by 5.1% or US\$307.3 million QoQ.

**LTM Adjusted EBITDA** reached US\$849.6 million, 13.9% lower QoQ.

**Net Leverage (\*)** increased from 4.9x to 5.9x QoQ, mainly due to the decrease of LTM Adjusted EBITDA and increase of financial debt.

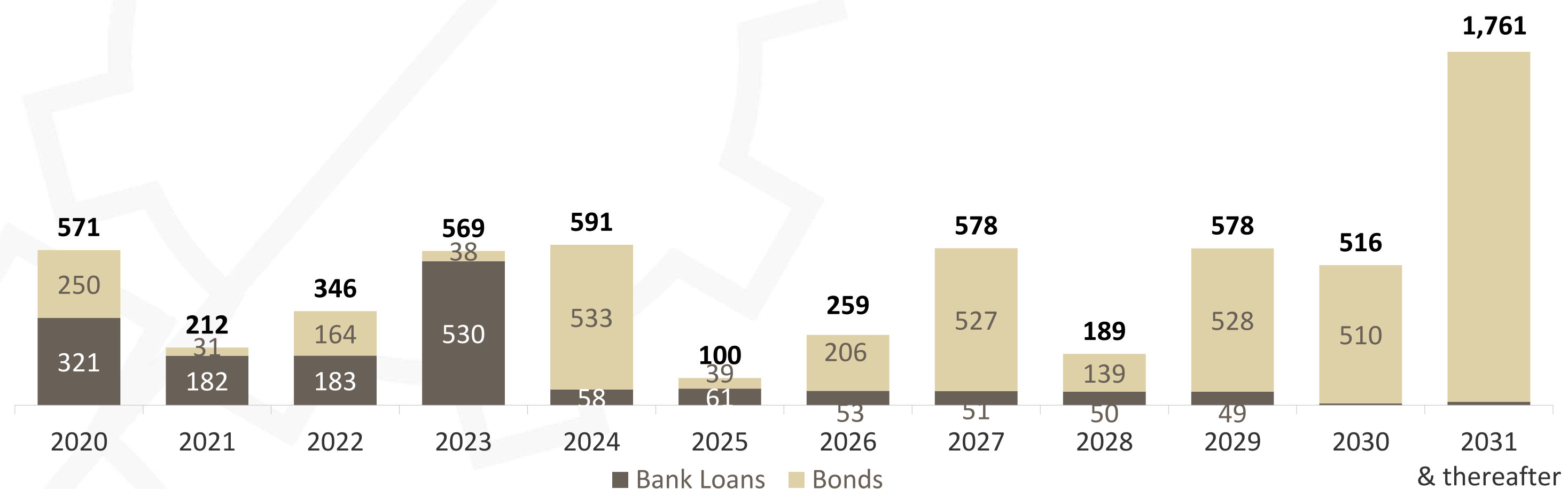
	June 2020	March 2020
Short Term Debt	660	640
Long Term Debt	5,620	5,333
<b>Total Debt</b>	<b>6,280</b>	<b>5,973</b>
Cash	1,230	1,155
<b>Net Debt</b>	<b>5,050</b>	<b>4,817</b>

(\*) Net Debt / LTM Adjusted EBITDA

# DEBT

► In US\$ million

AS OF JUNE 2020



## BANK OBLIGATIONS FOR THE REMAINDER OF 2020 INCLUDE:

- US\$ 151 million of pre-export financing
- US\$ 135 million in bank loans
- US\$ 35 million in leasing

## BOND OBLIGATIONS FOR THE REMAINDER OF 2020 INCLUDE:

- US\$ 203 million in amortization of local bonds, including US\$175 million of the BARAU-J with final amortization in September 2020.
- US\$ 47 million in interest payments





# MATERIAL FACTS AND NEWS

During March 2020, our industrial activities were declared as essential businesses by the authorities in most of the countries where we operate. Our strategy regarding COVID-19 prevention strictly follows guidelines issued by health authorities and is based on three basic principles: test, track and isolate.

As of June 2020, we have made several donations to different institutions to finance efforts regarding COVID-19 treatment and prevention. Also, more than 400 volunteers of our Company are helping deliver boxes with essential goods to families in 5 regions of Chile. More than 5,200 boxes have been delivered.

We have also implemented enhanced health and safety protocols in all our facilities which include:

- Social distancing
- Home office policies
- Body temperature measurement
- Limiting number of people in meetings
- Preventive testing
- Increasing workplace sanitation frequency
- Restricting domestic and international travels
- Requesting similar actions from our contractors

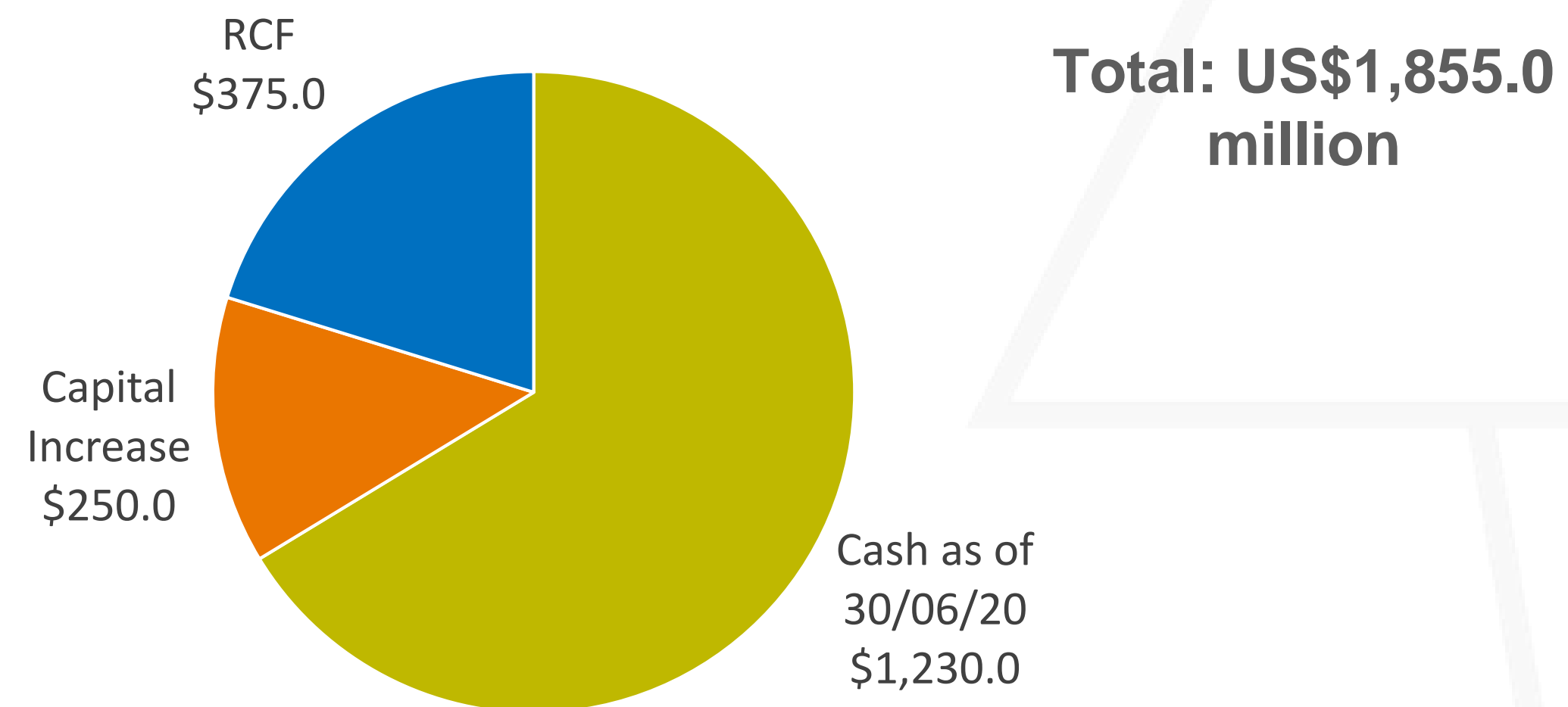






- On May 19, 2020, ARAUCO's Shareholders' Meeting approved the proposal of the Board of Directors to increase the capital of ARAUCO, up to a maximum amount of US\$700 million. Of the total amount approved, US\$250 million will be paid during 2020, while the remaining US\$450 million could be paid during 2021, depending on the resources required in that year.
- The capital increase would aim to strengthen ARAUCO's financial position which has been affected by ongoing and past projects, trade tensions between China and the US, and the decrease in the demand of products that has been observed worldwide as a result of the COVID-19 pandemic.

Our cash position was US\$1,230.0 million at the end of the second quarter. In terms of liquidity, the Company has a revolving credit facility (RCF) for a total amount of US\$375 million due in February 2025, which as of the date of this report hasn't been withdrawn. Additionally, the Company will receive US\$250 million during 2020 as a capital increase.







- MAPA Project progresses with a 57.1% accumulated advance, as of the end of July 2020.
- The start-up of the new Line 3 is expected to take place during mid-year 2021. At that point the existing Line 1 will be permanently shut down.
- Currently, approximately 8,500 people are working on-site of which more than 2,000 come from local municipalities.

- During the last quarter we enhanced the health and safety protocols to prevent possible contagions of COVID-19. We have done more than 13,300 tests, including *polymerase chain reaction* (PCR) and rapid tests.



## DISSOLVING PULP PRODUCTION START

- At the beginning of June, the first dissolving pulp bales started coming out of our Valdivia mill, meaning the completion of our Dissolving Pulp Project. Our dissolving pulp will be marketed under the brand name ARAUCO CREATE.
- The production start up has progressed as planned and we are currently in the process of sending samples to our clients and receiving their feedback. As of today, the laboratory analysis we have done have been very successful in terms of the quality of the product.



**CREATE**  
Sustainable Fiber



Q&A



## **INVESTOR RELATIONS**

A replay of this conference call will be available at our web site  
and through the following numbers until August 31, 2020

Replay for USA	+1-877-344-7529
Replay for other countries	+1-412-317-0088
Replay Access Code	10147209

## **FOR FURTHER INFORMATION**

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