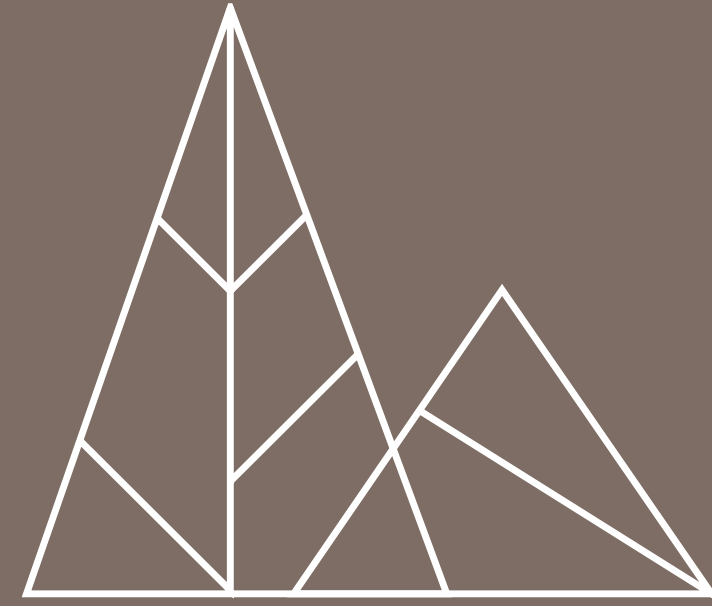


3rd QUARTER  
2020

Financial Results  
Conference Call Presentation  
November 18, 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.

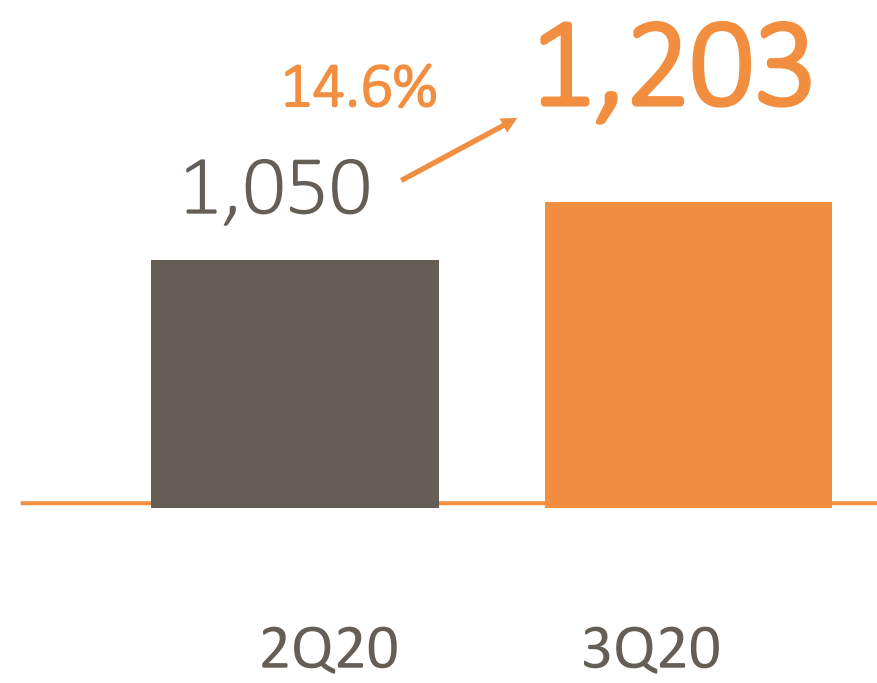
This presentation contains certain performance measures that do not represent IFRS definitions, as “EBITDA” and “Net financial debt”. These measures cannot be compared with the same previously used by Arauco and the same used by other companies.



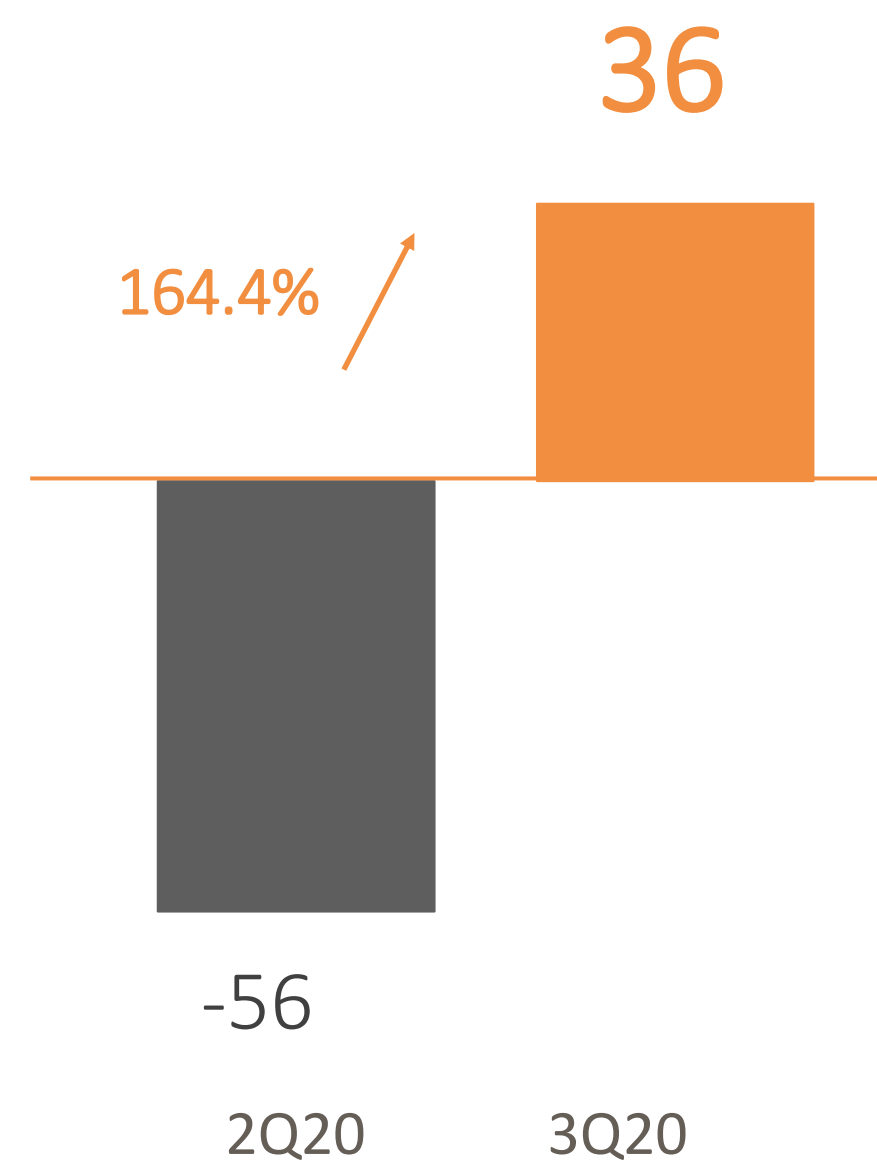
# FINANCIAL REVIEW

► In US\$ million

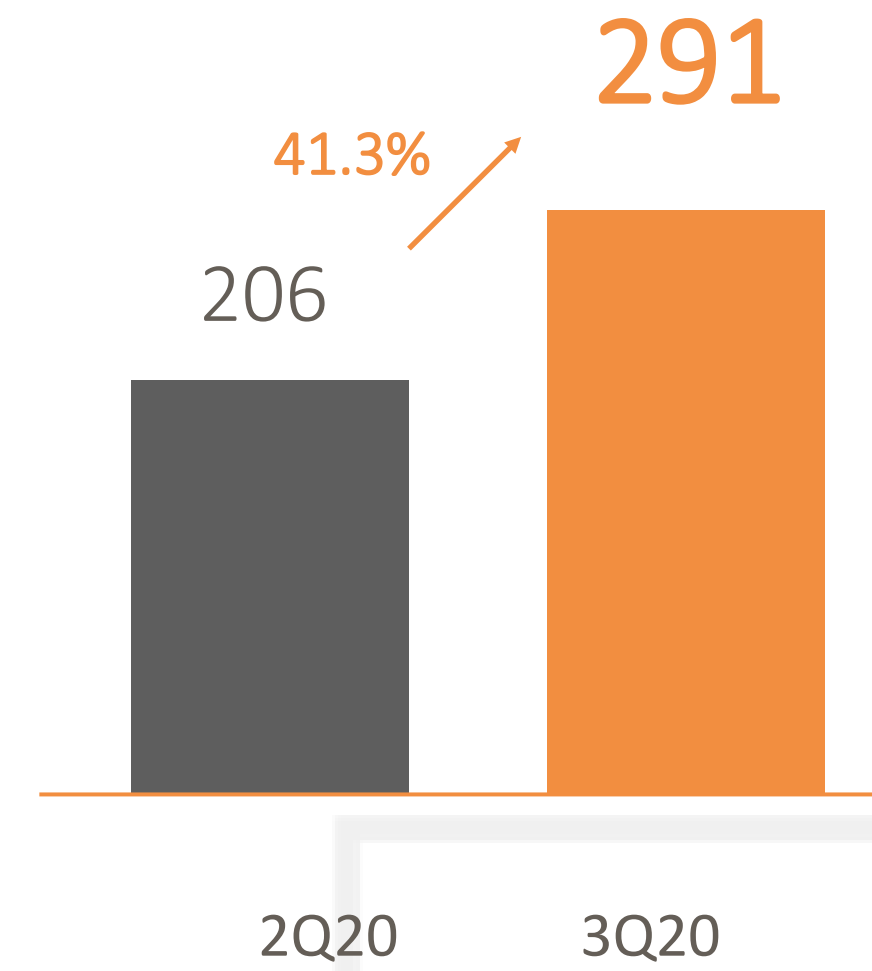
### Revenues



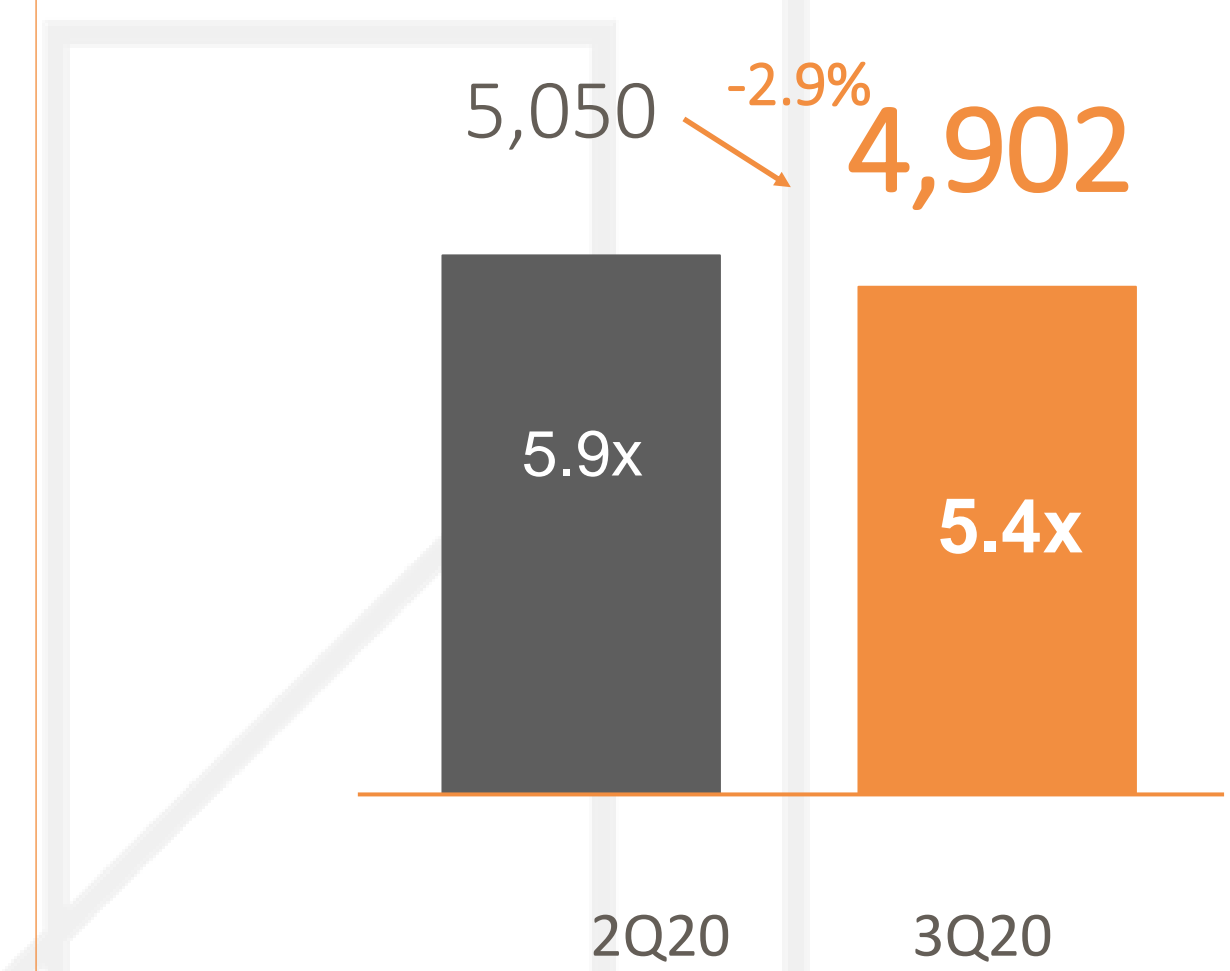
### Net Income



### Adjusted EBITDA



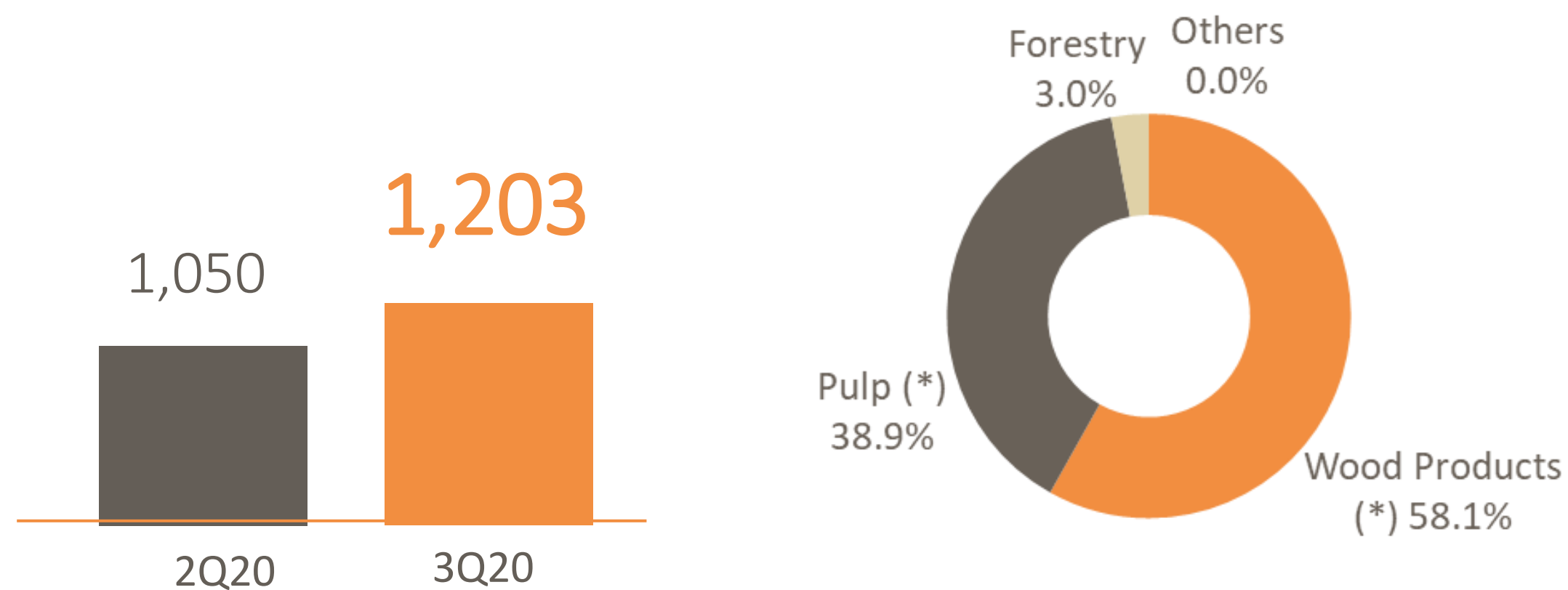
### Net Debt & Leverage



► In US\$ million

**Revenues** increased by 14.6% compared to the second quarter.

- Pulp revenues decreased by US\$30.2 million or 6.1%, mainly driven by a decrease of 5.1% in sales volume. Average prices decreased by 2.2%.
- Wood product revenues increased by US\$179.1 million or 34.4%, mainly due to an 33.2% increase in sales volume. Average prices remained stable.



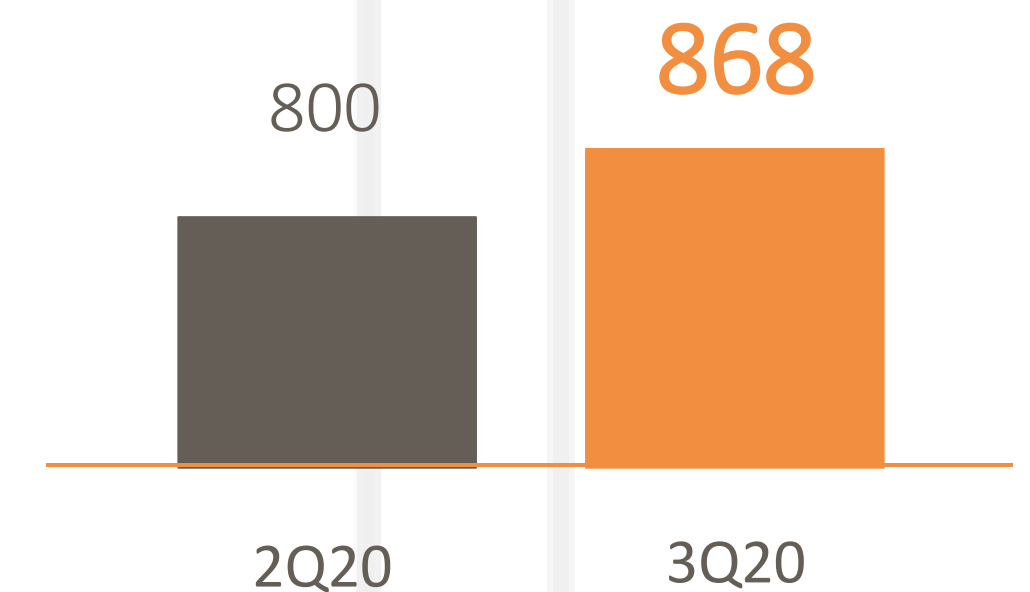
(\*) Pulp and Wood division sales include energy.

**Cost of sales** increased by 8.5% or US\$67.8 million QoQ mainly due to an increase in sales volume in our wood products division. The main increases in costs related to this effect are:

- Timber costs increased by a US\$16.1 million or 8.1%.
- Forestry labor costs increased by US\$14.1 million or 13%.
- Other raw materials and indirect costs increased by US\$16.5 million or 23.4%.

**Pulp unitary sale costs QoQ**

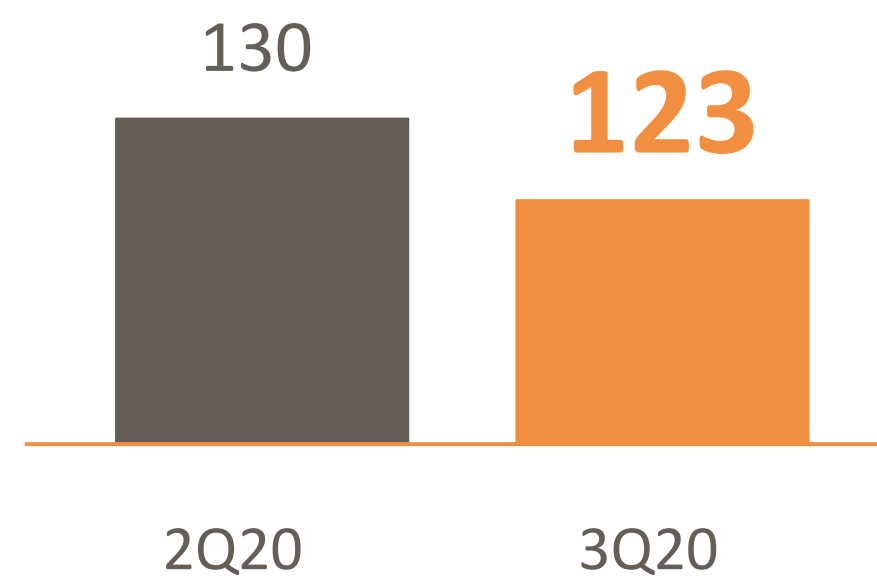
- Softwood bleached pulp ▼ 2.3%
- Hardwood bleached pulp ▼ 0.7%
- Unbleached softwood pulp ▼ 3.4%



► In US\$ million

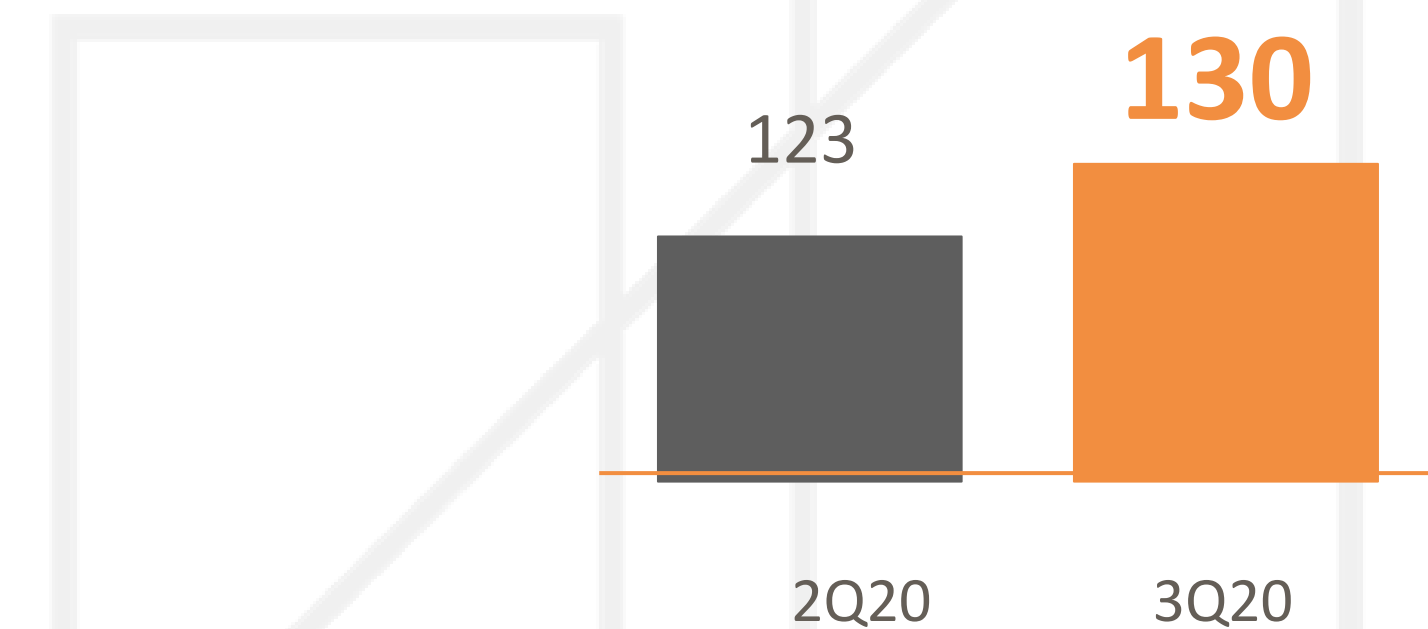
**Administrative expenses** decreased by US\$7.6 million or 5.8% QoQ.

- Donations, contributions and scholarships decreased by US\$ 5.3 million.
- Expenses related to computer services decreased by US\$4.4 million or 37.5% mainly due to periodic software license payments normally paid during the past quarter.
- The decrease in administrative expenses was partially offset by an increase in wages, salaries and severance indemnities of US\$2.2 million.

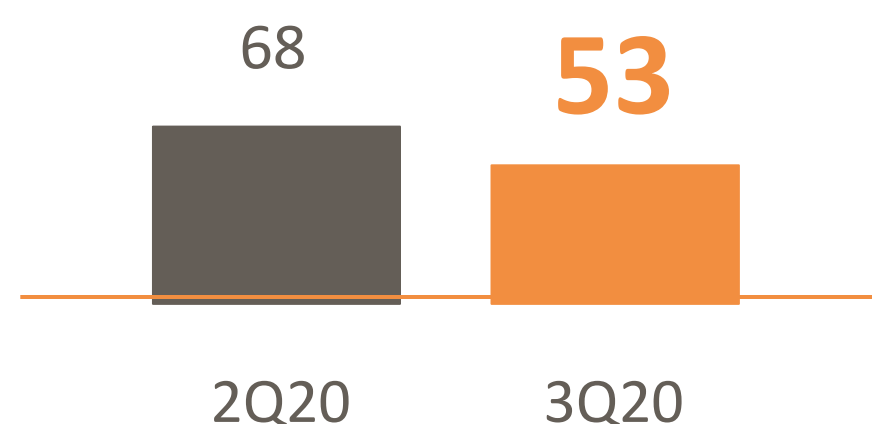


**Distribution costs** increased by 5.5% or US\$ 6.8 million.

- Freight costs increased by US\$6.0 million or 6.5%. This is mainly explained by an increase in sales volume in our wood products business segment.

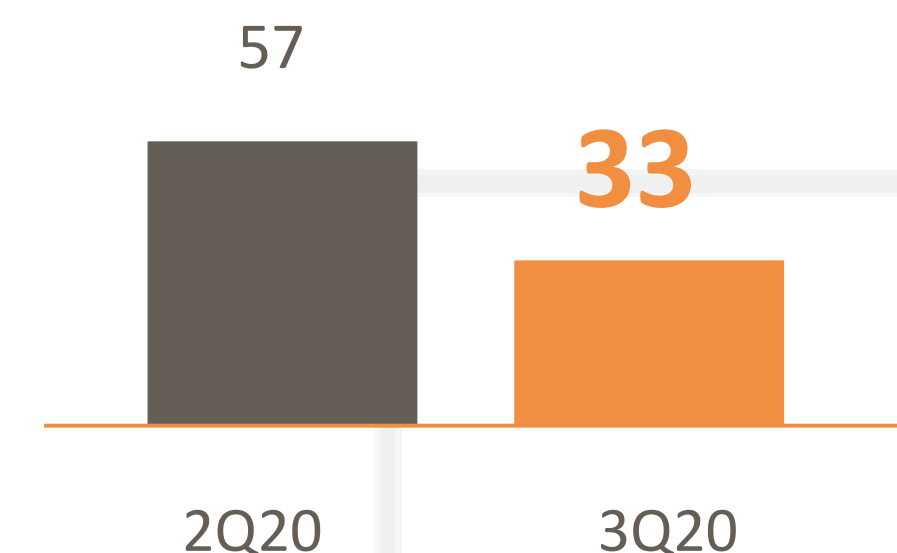


► In US\$ million



**Other income** decreased by US\$14.8 million or 21.9% QoQ.

- The decrease in other income is mainly explained by the US\$21.1 million tax credit recovery received during the past quarter.
- Gains from changes in fair value of biological assets increased by US\$5.7 million.



**Other expenses** decreased by US\$24.2 million or 42.2%.

- This is mainly explained by a US\$33.6 million decrease in impairment provisions of property, plant and equipment and others, mainly related to impairment assessments associated with Line 1 of our Arauco mill and the recent closures of some of our North American mills
- Plants stoppages and operating expenses decreased in US\$5.3 million or 66.3%.
- The decrease in other expenses was partially offset by a US\$13.8 million increase in loss of forests, mainly due to a fire which affected some of our forestry assets in Matto Grosso, Brazil.

# INCOME STATEMENT

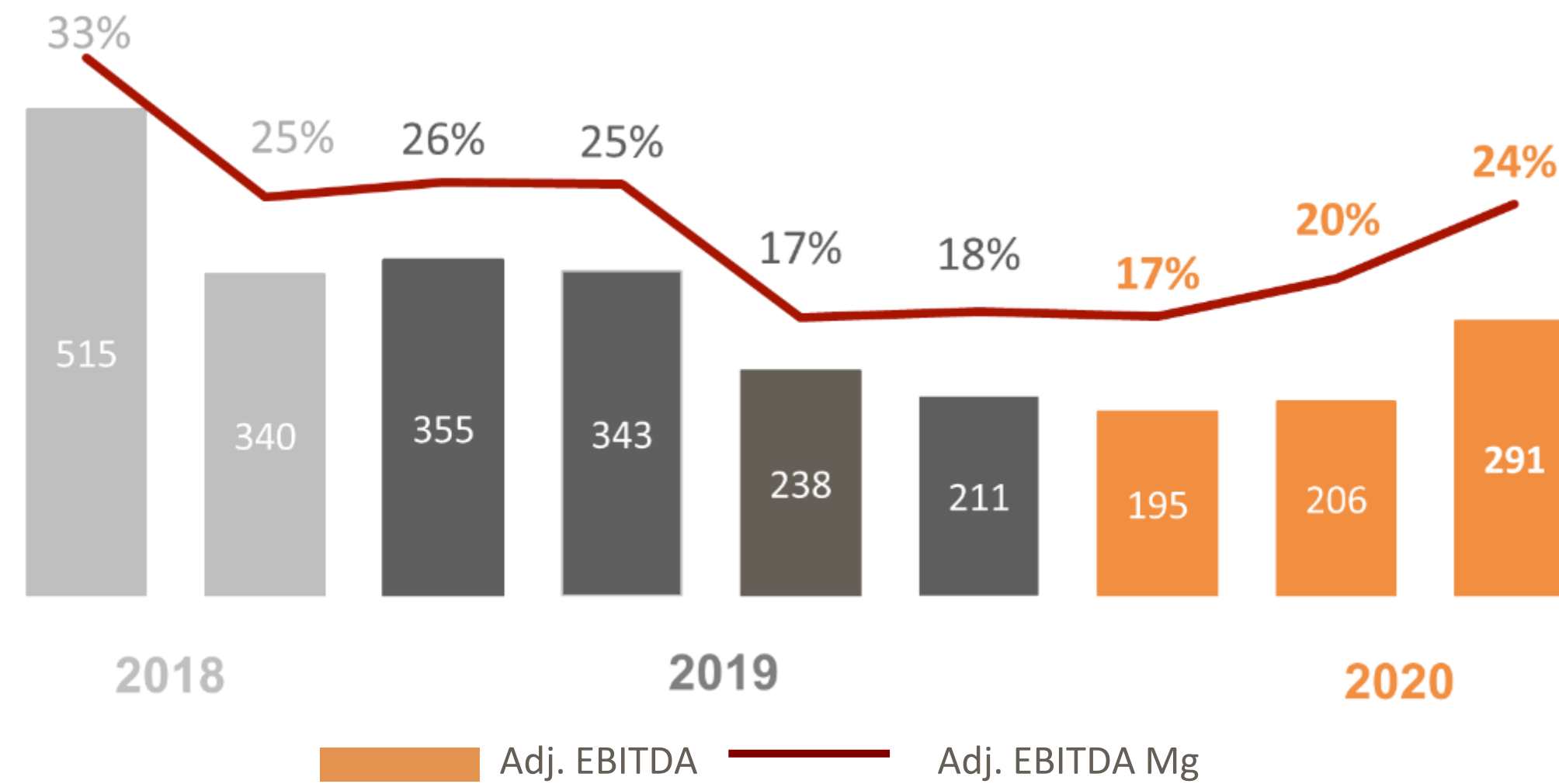
FINANCIAL REVIEW

► In US\$ million

	Q3 2020	Q2 2020	QoQ
<b>Revenue</b>	<b>1,202.9</b>	<b>1,049.9</b>	<b>14.6%</b>
Cost of sales	(867.9)	(800.1)	8.5%
<b>Gross profit</b>	<b>335.1</b>	<b>249.8</b>	<b>34.1%</b>
Other income	52.8	67.6	-21.9%
Distribution costs	(129.6)	(122.8)	5.5%
Administrative expenses	(122.7)	(130.2)	-5.8%
Other expenses	(33.1)	(57.4)	-42.2%
Financial income	4.2	12.3	-66.2%
Financial costs	(64.4)	(65.9)	-2.3%
Participation in (loss) profit in associates and joint ventures accounted through equity method	1.3	(2.0)	164.0%
Other income (loss)	0.0	0.0	-
Exchange rate differences	13.9	(26.7)	152.1%
<b>Income before income tax</b>	<b>57.4</b>	<b>(75.3)</b>	<b>176.3%</b>
Income tax	(21.4)	19.4	210.5%
<b>Net income</b>	<b>36.0</b>	<b>(55.9)</b>	<b>164.4%</b>

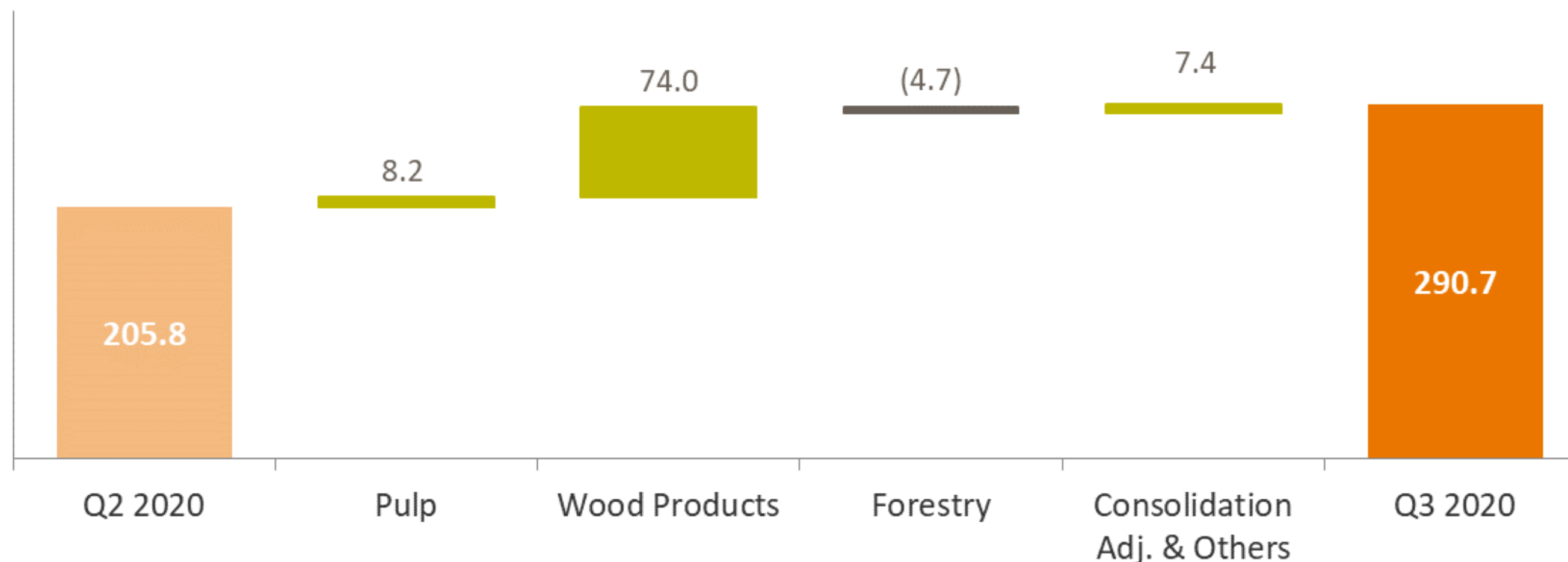


► In US\$ million

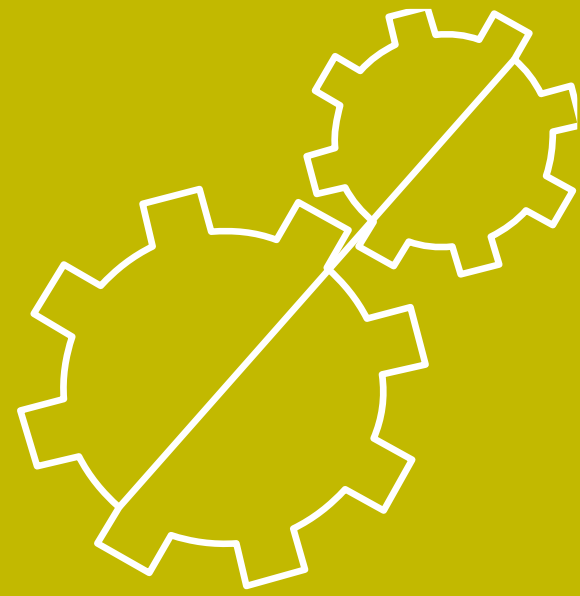


### Breakdown by division

Pulp	104
Wood Products	141
Forestry	68
Consolidated Adj. & Others	-22



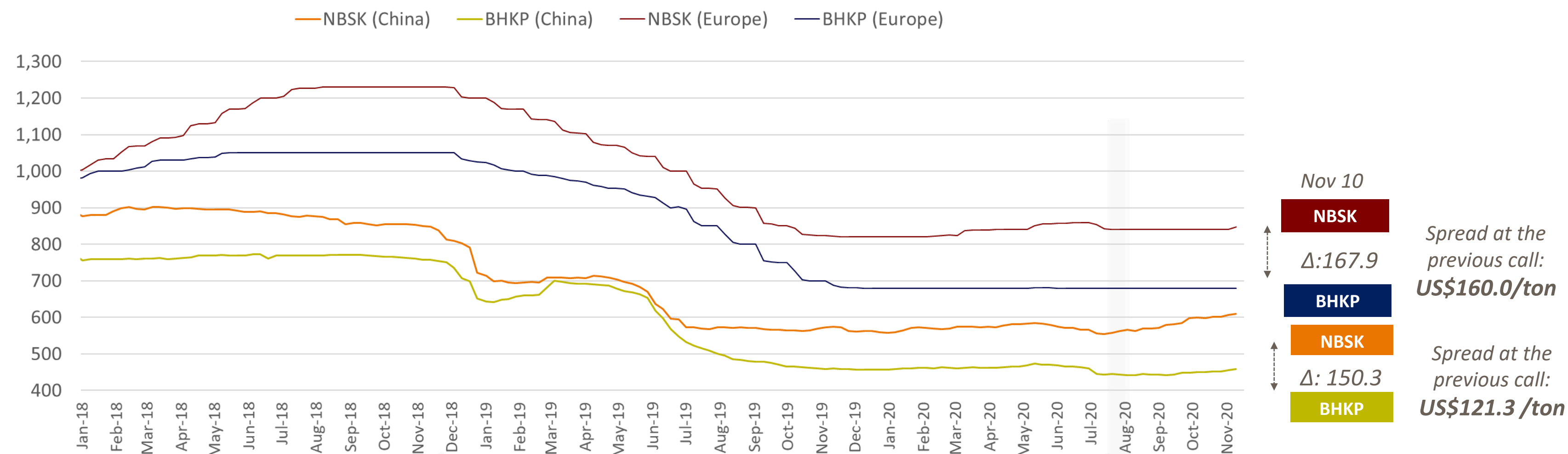
- Adjusted EBITDA during the third quarter reached US\$290.7 million. The most significant variation was in our wood products business segment, with an increase of 110.3% or US\$74.0 million, primarily related to higher sales volume.
- Adjusted EBITDA of our pulp division increased by 8.6% while that of our forestry division decreased by 6.6%.



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# REVIEW BY BUSINESS SEGMENT & OUTLOOK

## PIX Pulp Indexes (in US\$)



Source: RISI

## Global Bleached Chemical Pulp Demand variation – (8 months 2019 – 2020)

In '000 tonnes

Destination	Jan-Aug 2019	Jan-Aug 2020		%
North America	4,790	5,010	▲	4.6%
West Europe	8,510	8,090	▼	-4.9%
China	10,590	11,430	▲	7.9%
Others	8,995	9,875	▲	9.8%
W-20 Total BCP	32,885	34,405	▲	4.6%

Source: PPPC World-20

## Global Producers Inventory Levels

In days of supply

	Mar 2018	Jun 2018	Sept 2018	Dec 2018	Mar 2019	Jun 2019	Sept 2019	Dec 2019	Mar 2020	Jun 2020	Sept 2020
BSKP	31	29	34	42	37	43	35	37	36	42	42
BHKP	43	42	42	57	74	72	61	37	43	41	43

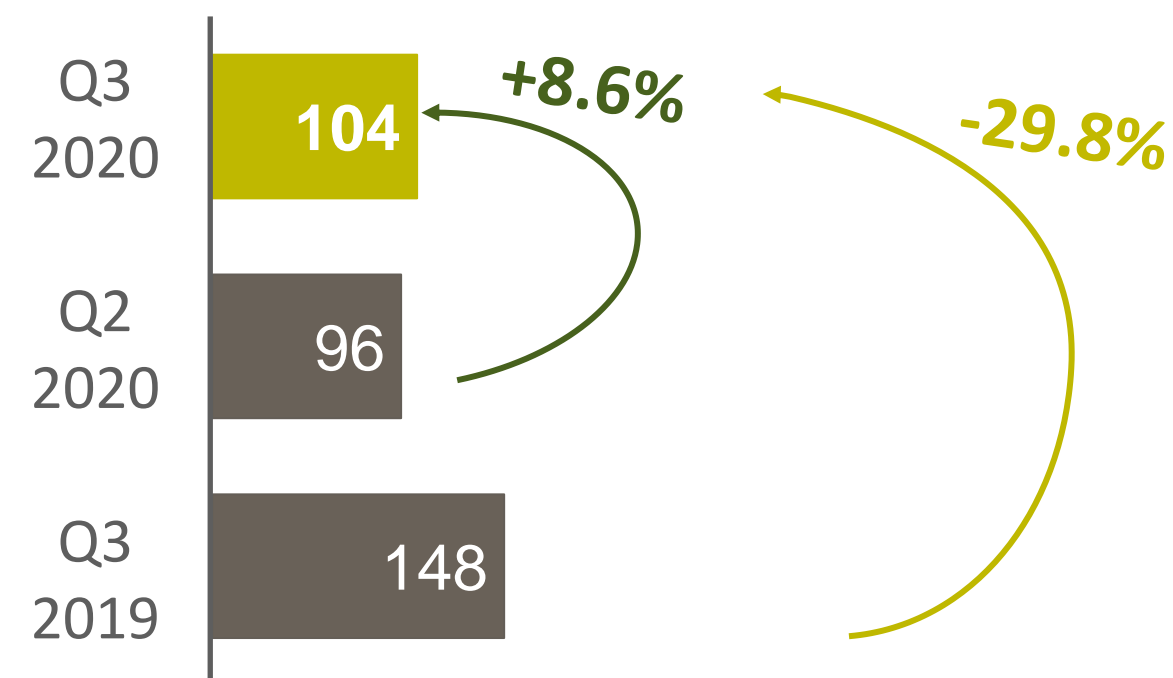
Source: PPPC, September 2020

# PULP / ADJUSTED EBITDA

## REVIEW BY BUSINESS SEGMENT & OUTLOOK

### Adjusted EBITDA

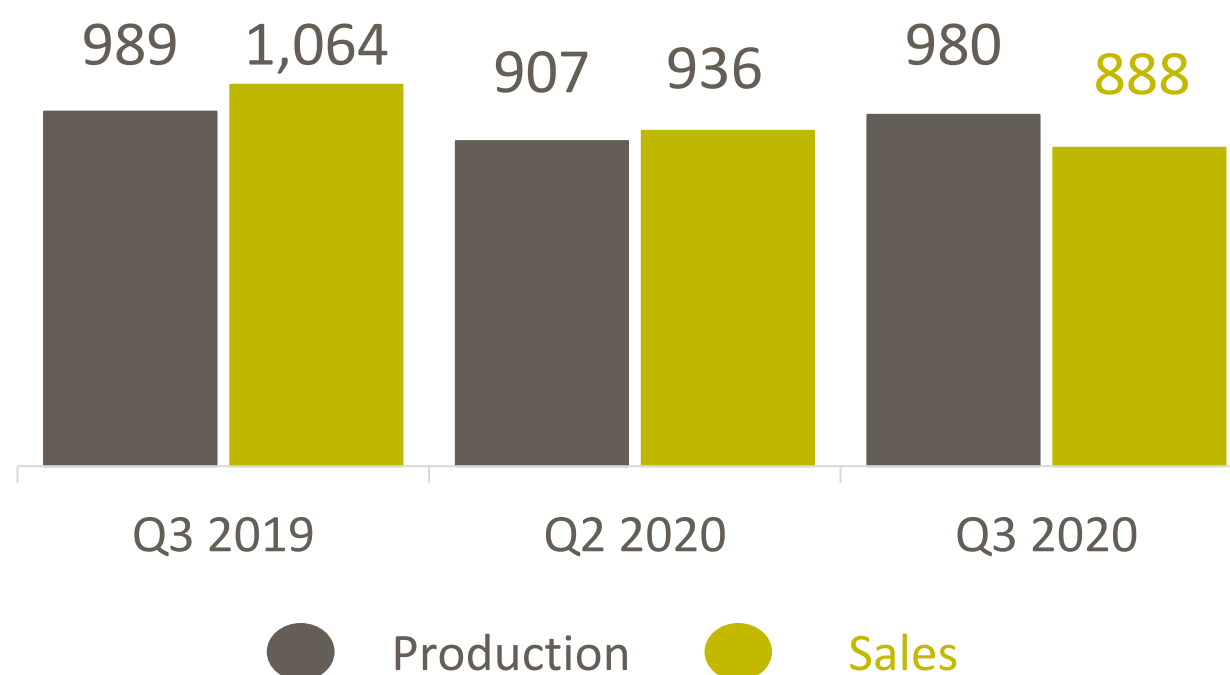
► In US\$ million



	Price	Volume	Sales
QoQ	-2.2%	-5.1%	-6.1%
YoY	-8.9%	-16.5%	-23.4%

### Production and Sales Volume

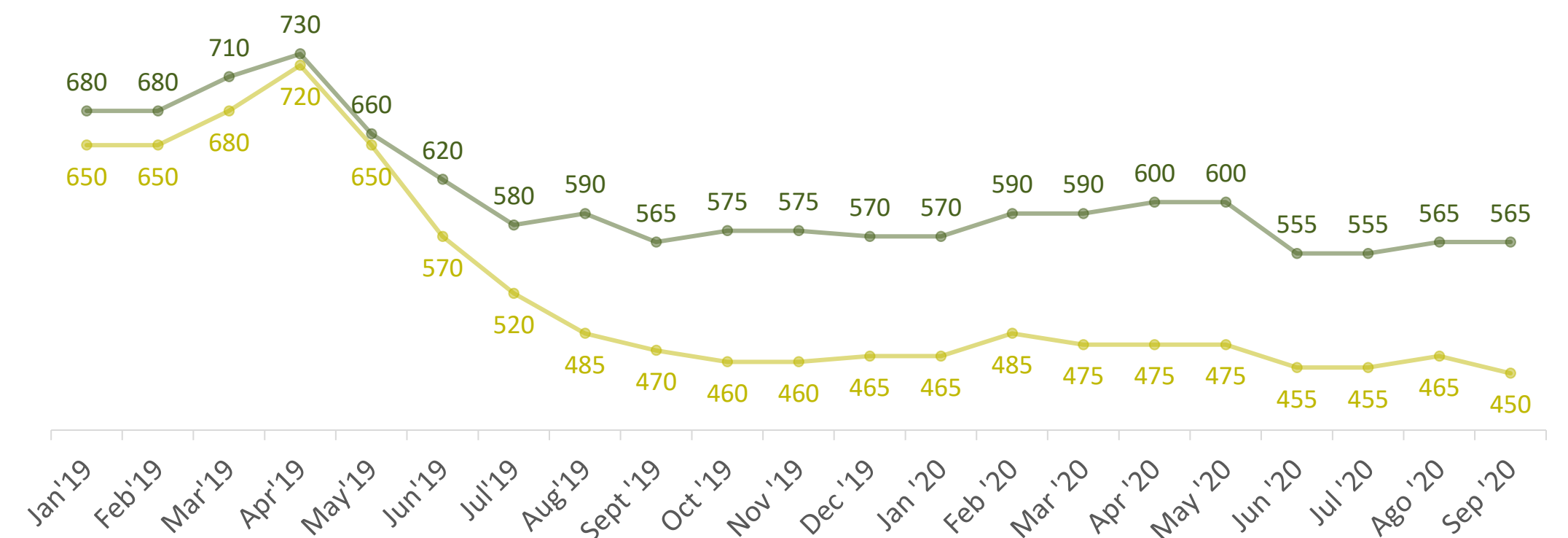
In thousand tonnes



### Q3 2020

- The third quarter of 2020 began with a lower demand due to the seasonality effects of summer in the northern hemisphere. There was a decrease in supply of market pulp, in comparison to the second quarter, due to integrated paper and/or dissolving pulp producers that decided to switch back from producing paper-grade pulp as they did during the past quarter. Nevertheless, supply continued to surpass demand thereby keeping prices stable. On a quarterly basis, there was a decline in tissue demand, partially offset by an increase in P&W.
- In China we observed increases in demand, yet prices remained stable because of seasonality and high levels of supply and inventories.
- In Europe, the decrease of lockdown-related measures led to an improvement of P&W and specialties. This allowed some of our clients' mills to reopen.

### BHKP and BSKP Net prices - China



Source: ARAUCO

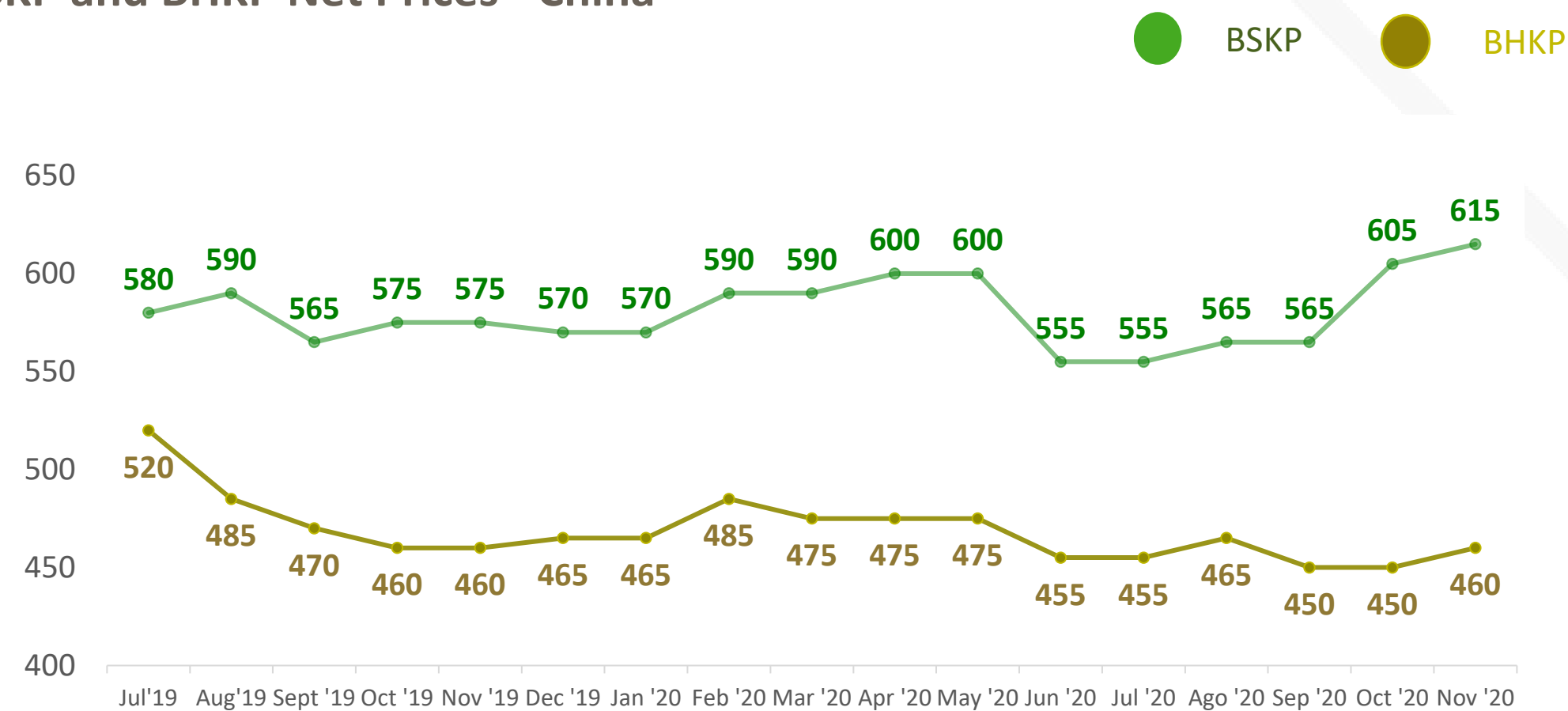
● BSKP ● BHKP



### For the fourth quarter of 2020,

- We were able to implement price increases (such as +40 USD/t for BSKP in October), and we have confirmed prices of 675-680 USD/t for dissolving pulp in November.
- In the coming months we expect stable price increases in bleached grades, and a stronger recovery for unbleached kraft pulp given its usage in packaging and construction (fiber cement). We also expect a strong improvement for dissolving pulp.
- In Europe, we expect demand to remain stable and without major increases, as well as pulp production. In China, despite expecting stable price increases due to higher demand, particularly when it comes to BHKP we believe such increases are likely to be under pressure due to high levels of supply.

BSKP and BHKP Net Prices - China



Source: ARAUCO

### 2019-2020 Pulp Mills Days of Stoppages

Mill	2020				2021	
	1Q	2Q	3Q	4Q	1Q	2Q
Arauco - Line 1		19	6		7	
Arauco - Line 2	13		5			20
Constitución			6			
Licancel	57	9	16			10
Nueva Aldea			10			18
Valdivia			7			10
Alto Paraná				12		24
Montes del Plata				13		

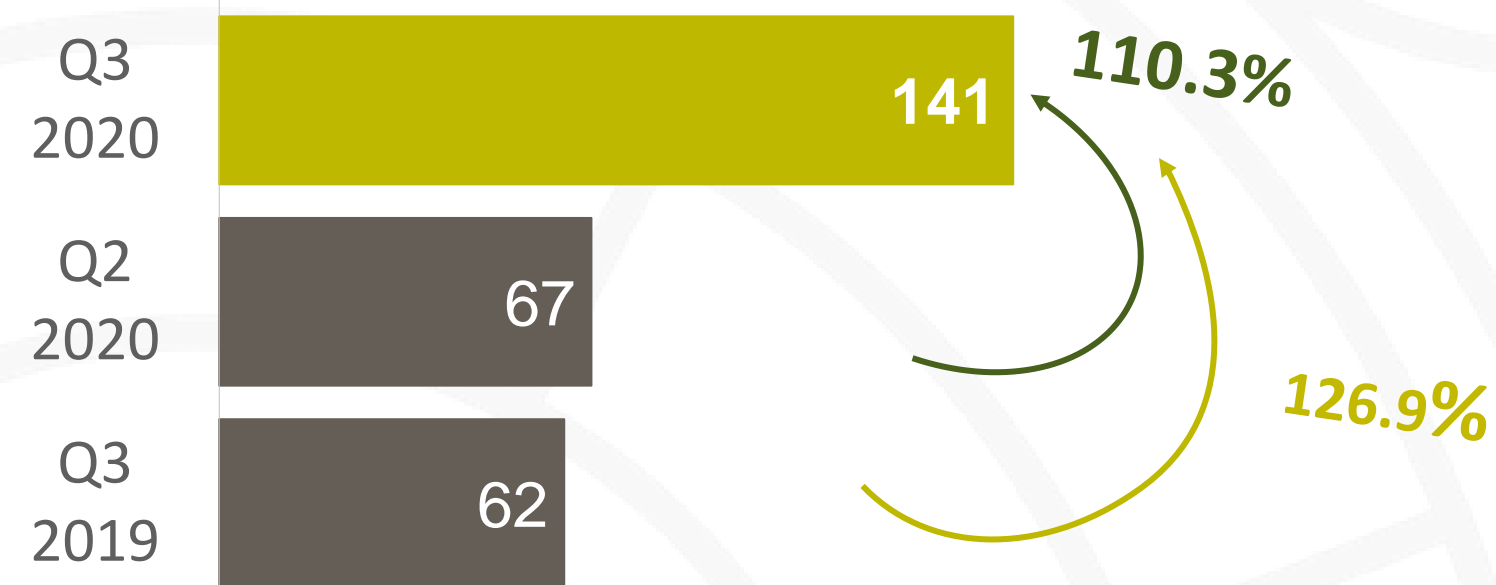
#### Maintenance Stoppages:



#### Non-operational Stoppages:



### Adjusted EBITDA In US\$ million



### Panels\*

	Price	Volume
QoQ	-1.8%	40.2%
YoY	-3.1%	-3.1%

### Solid Wood\*\*

	Price	Volume
QoQ	2.1%	20.2%
YoY	-0.7%	5.0%

\*MDF, PBO, HB

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

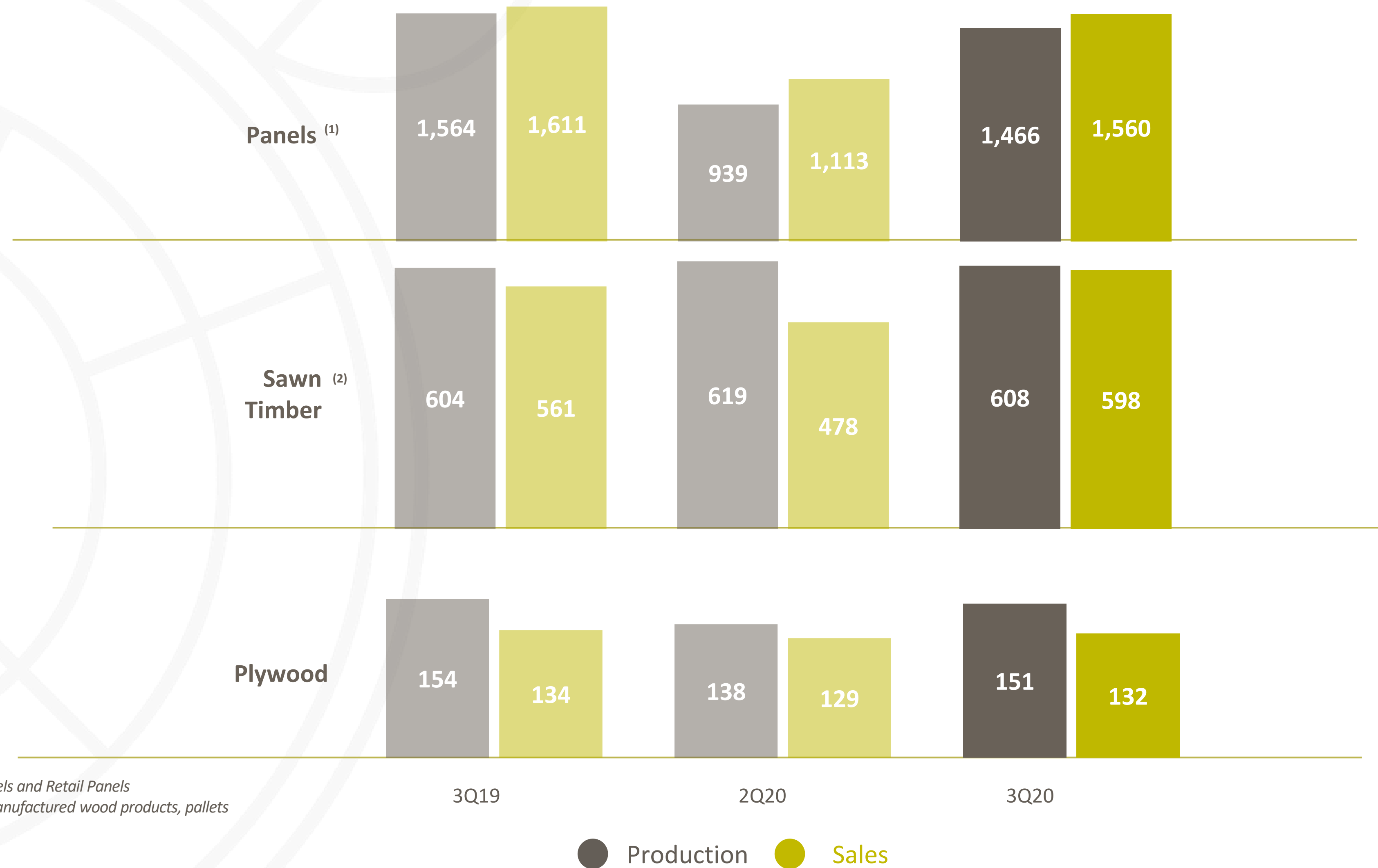
### Q3 2020

- Panels sales increased on a quarterly basis mainly due to a significantly higher sales volume (+40.2%). During this quarter, we saw a reactivation of markets and improvements coming from consumption-encouraging measures taken by different governments.
- Sawn timber sales volume also increased during this quarter (+20.2%). A highlight of the quarter were the results of remanufactured wood products in the US which remained positive due to strong retail channels and the recovery of economic activity.
- During the third quarter, Plywood average prices increased by 14.5%, while sales volume increased by 2.4%. This was mainly due to higher demand in markets such as the US, Europe and Oceania, coupled with logistical complications of some of our competitors.

# WOOD PRODUCTS PRODUCTION AND SALES VOLUME

REVIEW BY BUSINESS SEGMENT & OUTLOOK

► In '000 m<sup>3</sup>



*(1) Includes PB, MDF, HB and OSB, Composite Panels and Retail Panels*

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

*Note: Sales include trading*

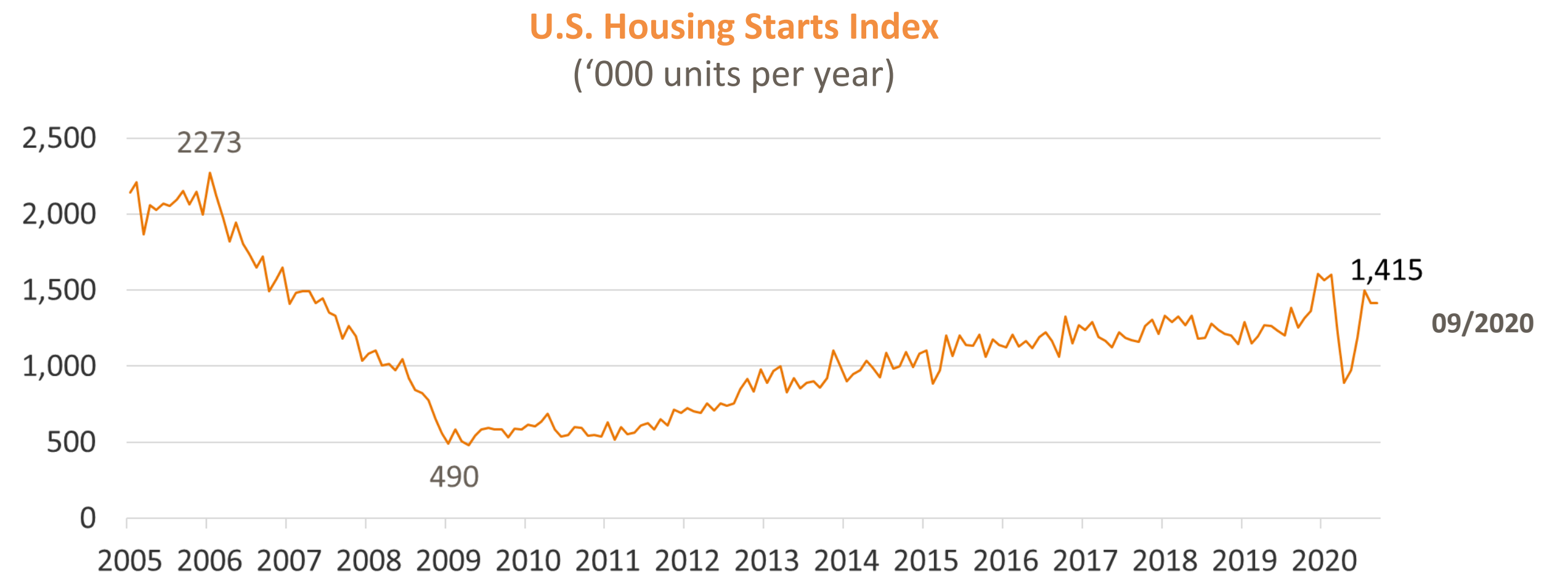
● Production ● Sales

**50%**  
North  
America

**PB/MDF:** despite 3Q being a very successful quarter, we expect market conditions to remain active up to the first quarter of 2021. Strong repair and remodeling and new construction segments, added to logistical and supply challenges for some of our competitors, have increased demand for our products. This situation is subject to the potential impact of a “second wave” of COVID-19 contagions.

**REMANUFACTURED PRODUCTS:** we continue observing a very active market. Markets in the US, Latam and Oceania continue to experience high levels of consumption (which are atypical for this time of the year due to seasonality). Reduced supply from China due to import duties has also tightened the market.

**PLYWOOD:** demand has steadily increased during the past months, while prices have reached record levels. There have recently been, however, some signs of stabilization.



Source: Bloomberg



**35%**  
Central and  
South America

**11%**  
Asia and Oceania

**4%**  
Europe and  
Middle East

### **BRAZIL:**

- Demand remains stronger than supply, when it comes to panels. A change when compared to previous quarters where the Brazilian market was highly oversupplied
- We expect volumes and prices to remain stable in the coming months, subject to the development of the situation regarding COVID-19

### **CHILE:**

- Demand higher than supply, subject to the COVID-19 situation development.
- Increased activity in plywood and panels (especially on channels such as furniture, kitchen, cabinets and mouldings). Sawn timber also in high demand.
- Political uncertainty an issue for local clients

### **ASIA:**

- Improvements especially on sawn timber, and particularly in China with prices reaching levels not seen since 2018.

### **EUROPE:**

- Plywood still improving albeit with signs of normalization

### **MIDDLE EAST:**

- Demand and prices expected to remain stable

### **ARGENTINA:**

- As in Brazil and Chile, we have seen an increase in demand and prices
- There have been price increases that have more than compensated inflation and devaluation

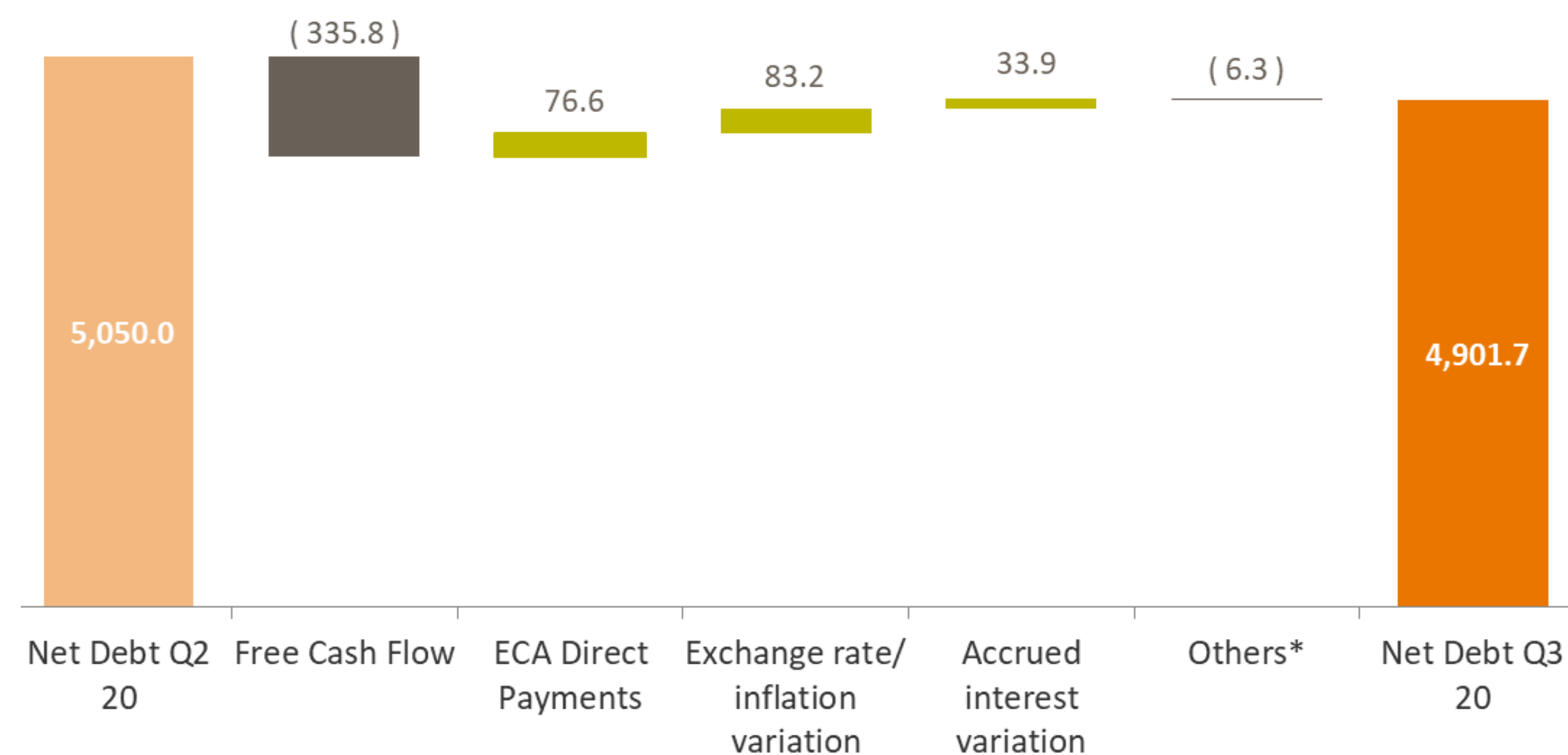
- Sales also strong in SE Asia
- Packaging lumber has yet to recover

# FREE CASH FLOW

► In US\$ million

	Q3 2020	Q2 2020
<b>Adjusted EBITDA</b>	<b>290.7</b>	<b>205.8</b>
Working Capital Variation	76.7	5.8
Interest paid and received	(44.9)	(87.0)
Income tax received (paid)	8.7	83.0
Others	221.4	57.4
<b>Cash from Operations</b>	<b>552.6</b>	<b>265.0</b>
Capex (1)	(453.9)	(384.2)
Others	4.0	4.3
<b>Cash from Investment Activities</b>	<b>(449.9)</b>	<b>(379.9)</b>
<b>Cash from Financing activities (net of debt)</b>	<b>234.1</b>	<b>(25.1)</b>
Effect of exchange rate changes	(1.0)	(3.4)
<b>Free Cash Flow</b>	<b>335.8</b>	<b>(143.4)</b>

(1) On a cash basis.



\* Leasing variation

**Cash flow from operating activities** increased US\$287.6 million, mainly due to an decrease in payments to suppliers and an increase in cash receipts.

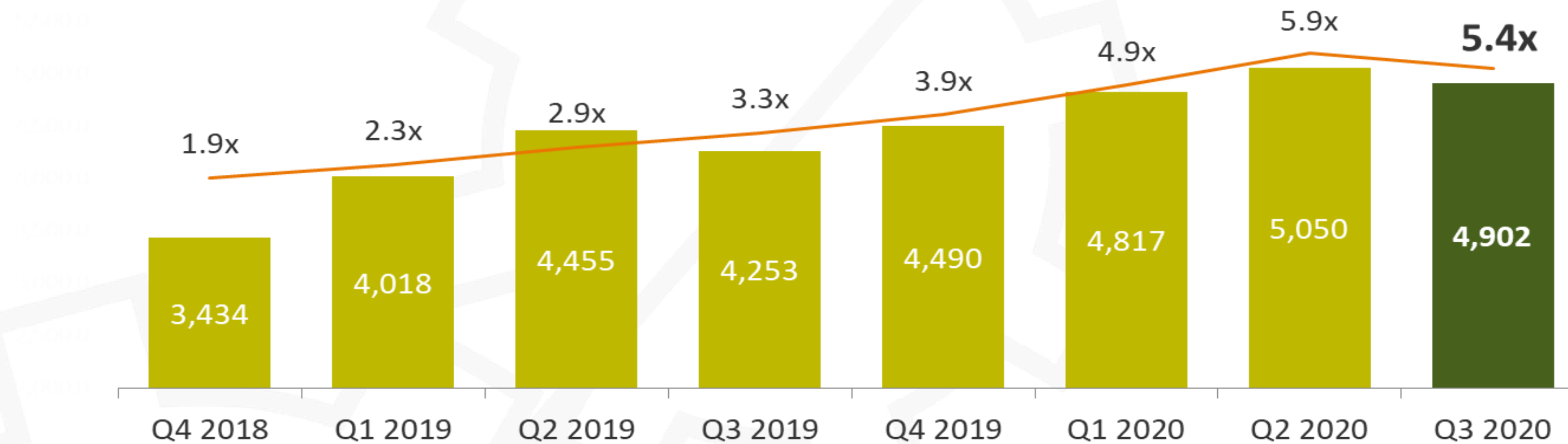
**Cash flow used in investment activities** increased 18.4% mainly due to higher Capex. MAPA-related Capex continues to be a large portion of these net cash outflows.

**Cash flow used in financing activities** increased by US\$259.2 million, mainly due to the capital increase of US\$250.0 million received during September.

► Net Debt decreased by US\$148.3 million or by 2.9% QoQ, mainly due to the positive free cash flow.

# NET FINANCIAL DEBT

► In US\$ million



Net Leverage (\*)

**Cash and cash equivalents** decreased by 5.5% or US\$67.3 million QoQ.

**Total Financial Debt** decreased by 3.4% or US\$215.6 million QoQ.

**LTM Adjusted EBITDA** reached US\$902.1 million, 6.2% higher QoQ.

**Net Leverage (\*)** decreased from 5.9x to 5.4x QoQ, mainly due to the increase of LTM Adjusted EBITDA and decrease of financial debt.

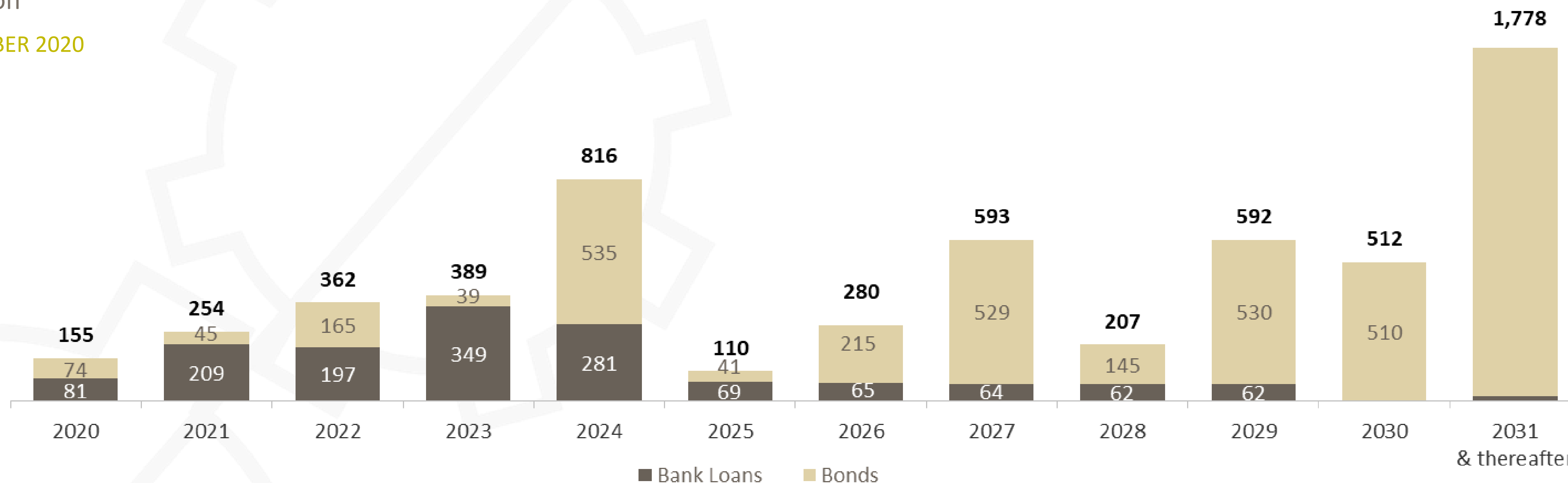
	September 2020	June 2020
Short Term Debt	336	660
Long Term Debt	5,729	5,620
<b>Total Debt</b>	<b>6,064</b>	<b>6,280</b>
Cash	1,163	1,230
<b>Net Debt</b>	<b>4,902</b>	<b>5,050</b>

(\*) Net Debt / LTM Adjusted EBITDA

# DEBT

► In US\$ million

AS OF SEPTEMBER 2020



## BANK OBLIGATIONS FOR THE REMAINDER OF 2020 INCLUDE:

- US\$ 57 million in bank loans
- US\$ 24 million in leasing

## BOND OBLIGATIONS FOR THE REMAINDER OF 2020 INCLUDE:

- US\$ 74 million in bond obligations. This includes amortizations of local bonds and interest payments.



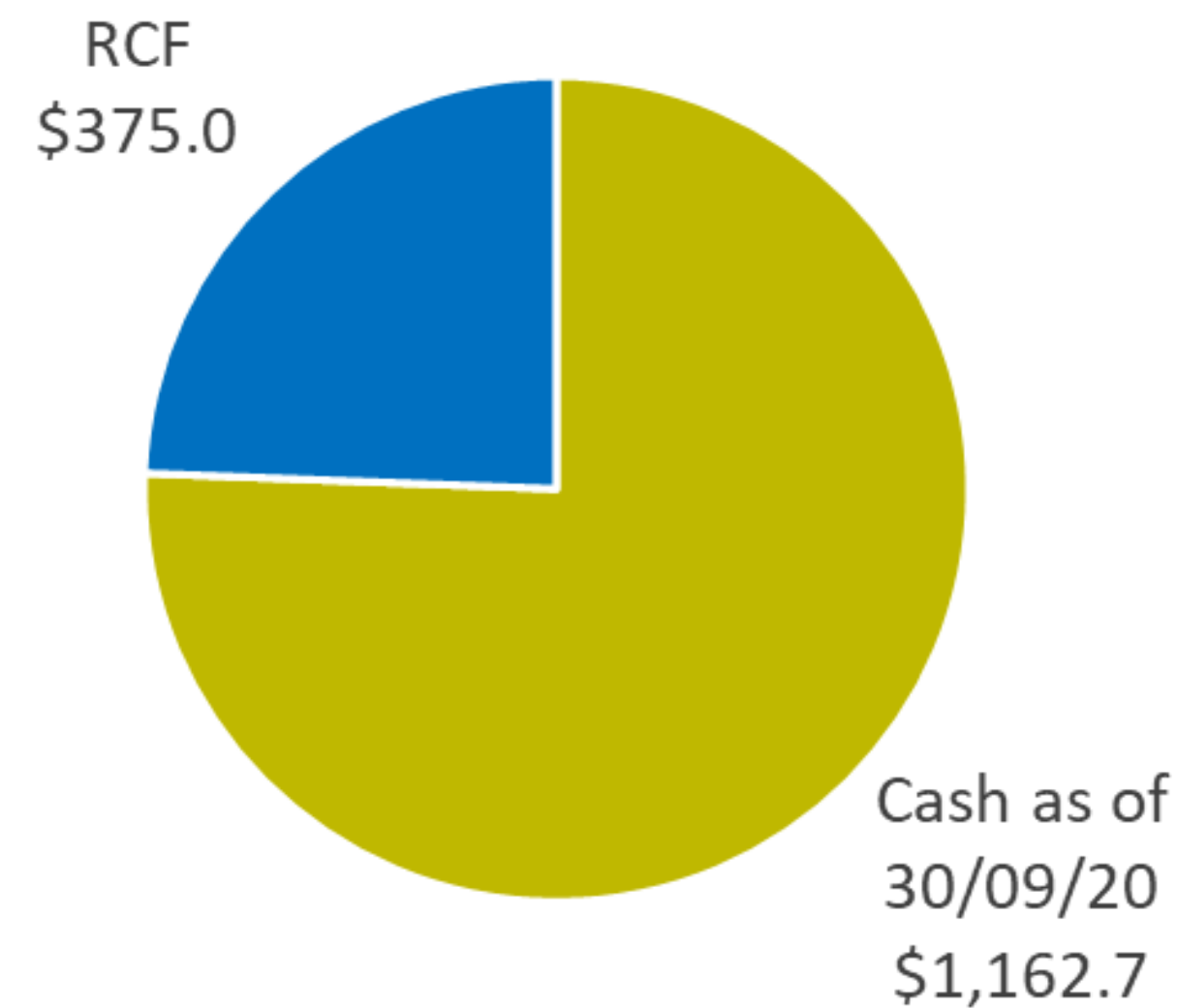
# MATERIAL FACTS AND NEWS



- 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 were 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\$1,162.7 million at the end of the third 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. During September 2020, we received US\$250.0 million as part of the capital increase previously approved by the board.

An additional US\$450.0 million may be received during 2021 also as a capital increase, depending on the required resources in that year.



**Total: US\$1,537.7 million**



- **MAPA Project progress as of the end of September 2020 was 63.2%.** We have already received the main equipment and parts to complete the project, and the construction and assembly of equipment continues.
- **Recently, we installed 5 test centers on site with a capacity of performing up to 1,000 PCR exams per day, with the ability of delivering test results in a matter of hours.**
- **To date, almost 50,000 PCR tests have been applied to workers of the project, with a positivity rate significantly lower than the national average** informed by the Health Ministry in the daily COVID-19 report.







- The government has recently authorized construction projects -such as MAPA- to **continue even in quarantined zones, using defined procedures and complying with strict sanitary standards** (most of which have been in place in the Project since March 2020).
- In coordination with our contractors and subcontractors, we have taken action and enacted measures by generating protocols and reorganizing MAPA Project work systems.
- In accordance with the contractors, we now estimate that the startup will take place at the beginning of the fourth quarter of 2021. At that point the existing eucalyptus line (Line 1) will be permanently shut down in accordance with the environmental permit.



Q&A

## **INVESTOR RELATIONS**

A replay of this conference call will be available on our web site  
and through the following numbers until November 25, 2020

Replay for USA	+1-877-344-7529
Replay for other countries	+1-412-317-0088
Replay Access Code	10149850

## **FOR FURTHER INFORMATION**

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