




# CONFERENCE CALL 1Q20

*May 26<sup>th</sup>, 2020*

## ***DISCLAIMER***

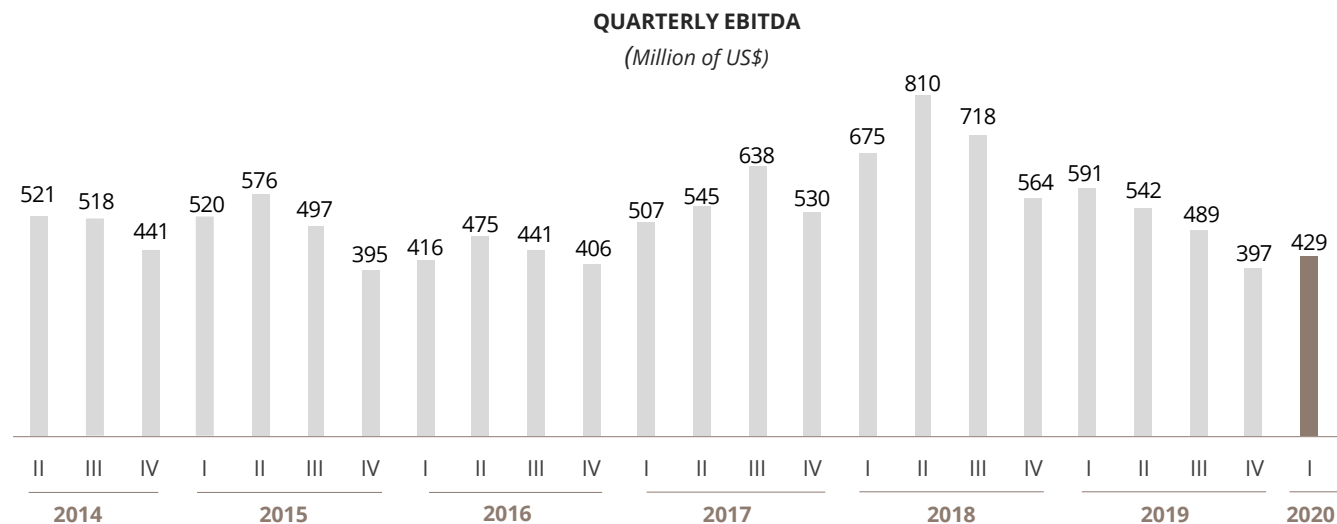
This presentation may include market outlooks and forward-looking statements, which are based on the beliefs and assumptions of Empresas Copec's management and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and 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 Empresas Copec and could cause results to differ materially from those expressed in such forward-looking statements.

This presentation contains certain performance measures that have been adjusted with respect to IFRS definitions, such as "EBITDA".

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- I. CONSOLIDATED RESULTS**
  - II. REVIEW BY BUSINESS DIVISION
  - III. HIGHLIGHTS OF THE QUARTER
  - IV. Q&A

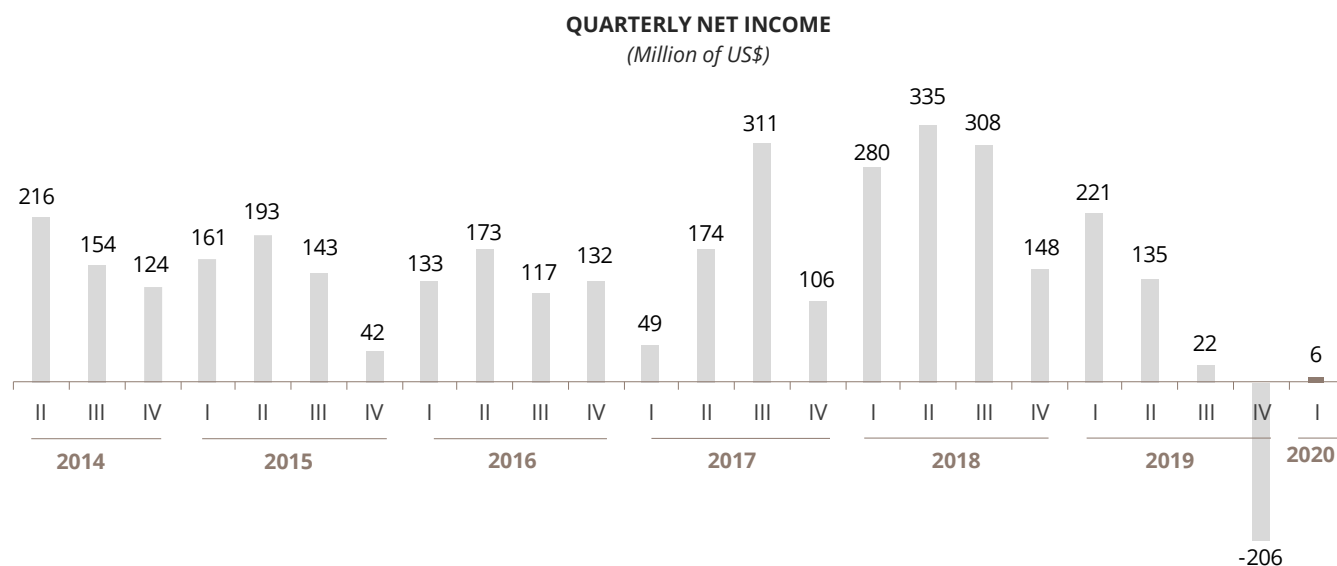


## I. CONSOLIDATED RESULTS – Quarterly Performance



429

EBITDA up 8.1% QoQ and  
down 27.4% YoY.



6

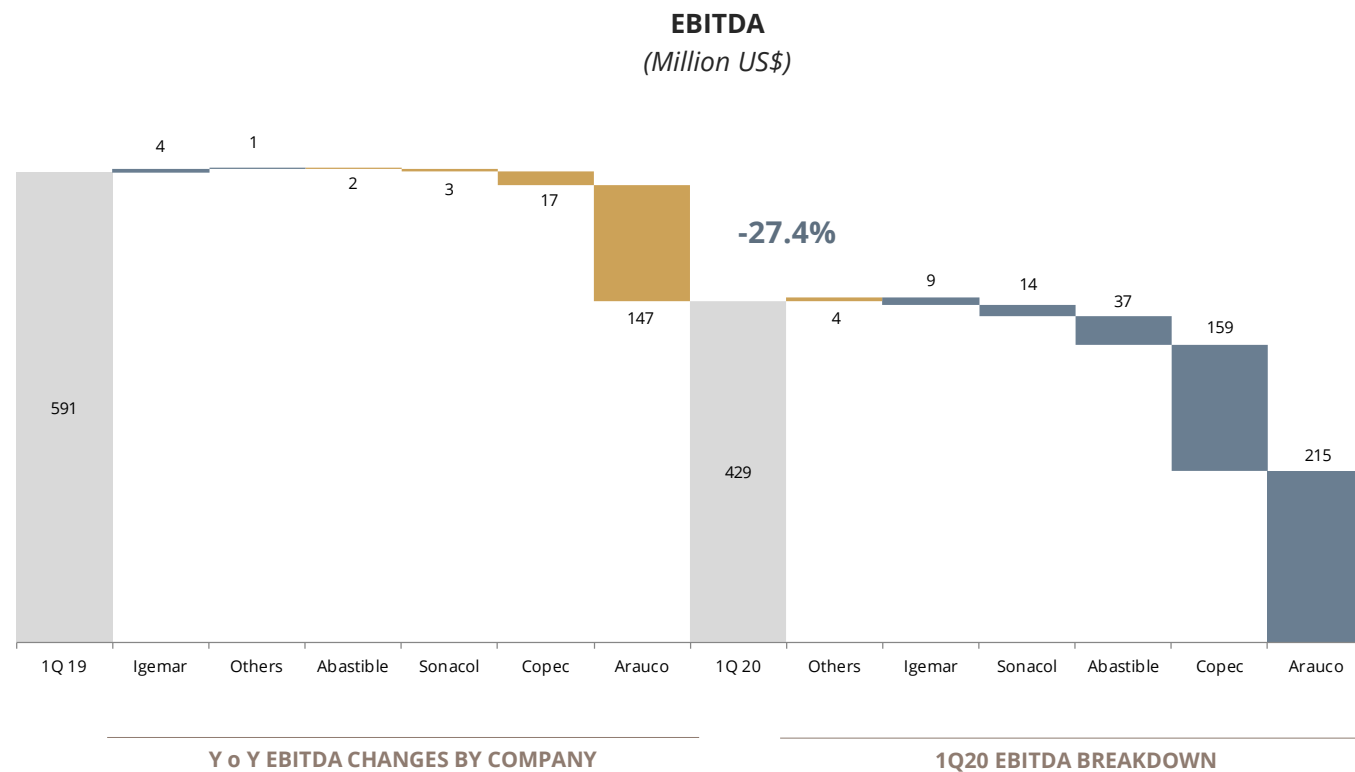
Net income up 103.1% QoQ  
and down 97.1% YoY.



## I. CONSOLIDATED RESULTS – Quarterly Performance

EBITDA decreased mainly in the forestry business, mainly due to a drop in pulp prices.

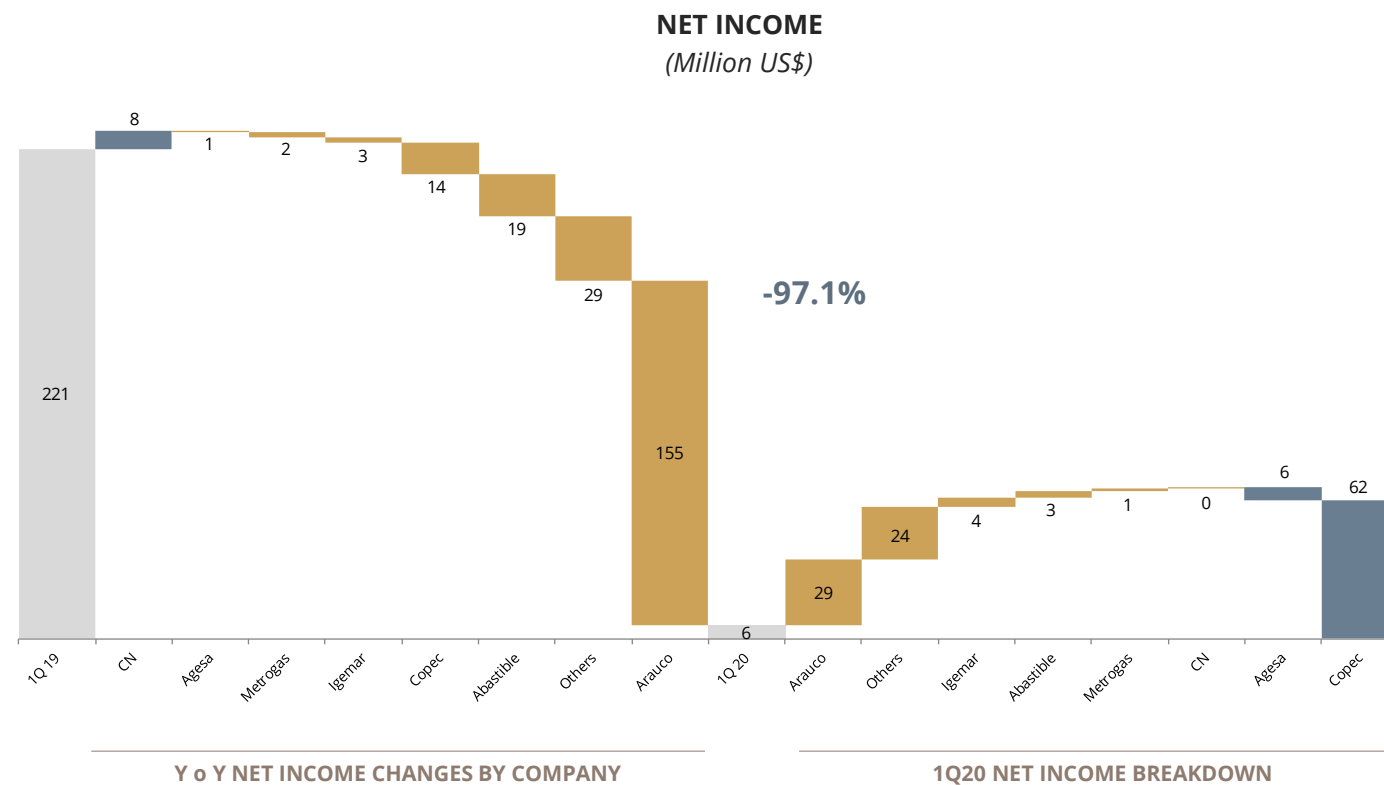
In the fuels business, EBITDA decreased in Copec, Sonacol and Abastible, explained by depreciation of local currencies. In local currency, EBITDA from Copec and Abastible increased.





## I. CONSOLIDATED RESULTS – Quarterly Performance

Net Income decreased in 1Q20, because of a lower operational result. Also there was a drop on non-operational result.





Net income dropped from operational and non-operational income.

#### OPERATING INCOME DROPPED

- Lower results at Arauco, explained by a drop in pulp prices.
- Copec had a drop in operating income, due to a depreciation of the Chilean and Colombian Pesos.
- Abastible also had a decrease due to the depreciation of local currency.

#### LOWER NON-OPERATING INCOME

- Higher other expenses, related to impairments and plant stoppages in Arauco.
- Unfavorable exchange differences.

#### LOWER TAXES

- Related to lower tax base.

#### CONSOLIDATED INCOME STATEMENT

Million USD	1Q 20	1Q 19	Change
<b>Net income</b>	<b>6</b>	<b>221</b>	<b>(215)</b>
Operating income	176	310	(134)
Non operating income	(127)	(25)	(102)
Other Income	73	73	(0)
Other expenses	(62)	(31)	(32)
Other profit (loss)	(1)	2	(3)
Financial Income	11	15	(4)
Financial expense	(108)	(99)	(9)
Profit in associated and JV's	(4)	5	(9)
Exchange Differences	(31)	10	(42)
Gain (losses) on net monetary position	(4)	(0)	(4)
Taxes	(36)	(49)	12
<b>EBITDA</b>	<b>429</b>	<b>591</b>	<b>(162)</b>



## FINANCIAL RATIOS

Profitability	1Q 20	4Q 19	1Q 19
Operating margin	3.2%	1.8%	5.2%
EBITDA margin	7.9%	7.0%	10.0%
ROCE	5.4%	6.3%	10.4%

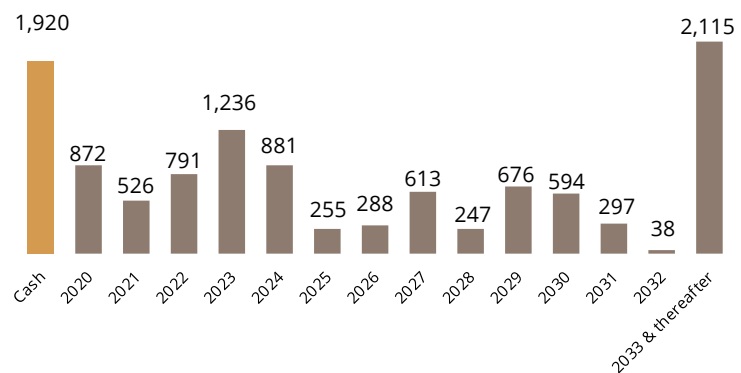
Leverage	1Q 20	4Q 19	1Q 19
EBITDA / net interest expense	4.8	5.3	8.6
Net debt / EBITDA	4.0x	3.4x	2.4x

## COMMENTS

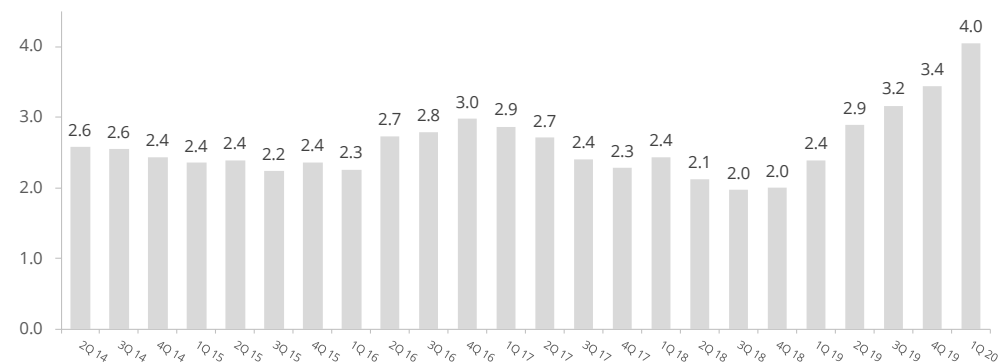
- Net debt / EBITDA up compared to 4Q19.
- EBITDA margin decreased YoY, but up QoQ.
- Well-balanced debt schedule for the coming years.

## FINANCIAL DEBT MATURITIES


Figures in us\$ million



## NET FINANCIAL DEBT / EBITDA





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# FORESTRY





## ARAUCO Net income decreased due to lower results on the pulp business.

### LOWER OPERATING INCOME

- Drop in results due to a weaker pulp price and sales volumes, partially offset by a drop in unitary costs.
- Wood products division results in line YoY, mainly explained by higher panels sales, offset by lower panels prices, and sawn timber prices and volumes.

### DROP IN NON-OPERATING INCOME

- Higher other expenses, explained by impairments in Arauco Line 1 and the cost of stoppages of plants.
- Increased financial expenses, related to higher debt due to ongoing projects.
- Offset by higher other Income, due to revaluation of biological assets.

### ARAUCO – INCOME STATEMENT

Million US\$	1Q 20	1Q 19	Change
<b>Net income</b>	<b>(29)</b>	<b>126</b>	<b>(155)</b>
Operating income	23	162	(139)
Non operating income	(62)	(21)	(41)
Other Income	55	46	10
Other expenses	(51)	(22)	(29)
Other profit (loss)	0	0	0
Financial Income	7	7	0
Financial expense	(72)	(57)	(14)
Profit in associated and JV's	2	4	(3)
Exchange Differences	(3)	2	(6)
Gain (losses) on net monetary position	0	0	0
Taxes	10	(15)	25
<b>EBITDA</b>	<b>215</b>	<b>362</b>	<b>(147)</b>



## Pulp

- **Y o Y:** EBITDA dropped, explained by lower prices and sales volumes.

The unit production costs of bleached softwood, bleached hardwood, and unbleached softwood dropped 6.3%, 0.1% and 2.8%, respectively.

- **Q o Q:** Higher EBITDA due to lower costs.

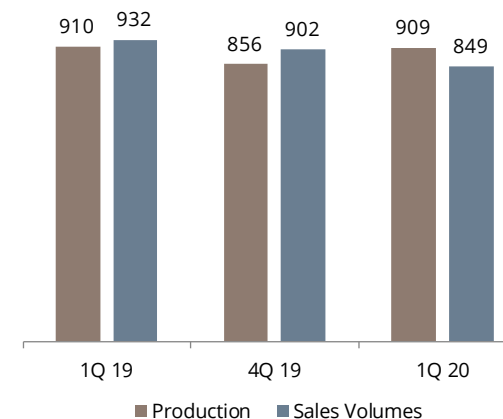
Unit production costs decreased 9.9% and 5.8% for bleached hardwood and unbleached softwood. Bleached softwood unit production costs increased 1.8%.

### SCHEDULED MAINTENANCE STOPPAGES (DAYS)

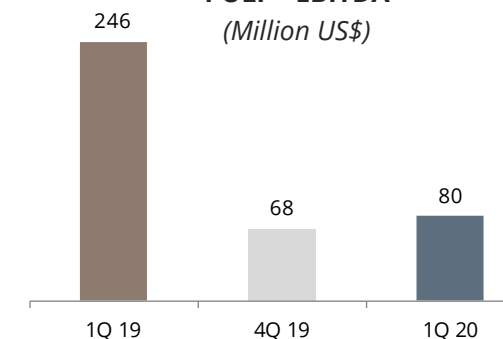
País	Planta	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Chile	Arauco L1			6			
	Arauco L2			13			
	Constitución			6			12
	Licancel			9			
	Valdivia		60				
	Nueva Aldea				6	12	
Argentina	Alto Paraná					13	
Uruguay	Montes del Plata		12				13

\* Additionally, there were stoppages on Arauco L1 (19 days) and L2 (5 days), due to Covid-19 contamination, and Licancel, explained by water shortage (83 days).

### PULP Production & sales volumes (Th. tons)



### PULP - EBITDA (Million US\$)



	Net Sales	Price	Sales Volume
<b>Y o Y</b>	-30.9%	-26.9%	-8.9%
<b>Q o Q</b>	-14.4%	-4.7%	-5.9%

\* Adjusted EBITDA reported by Arauco.

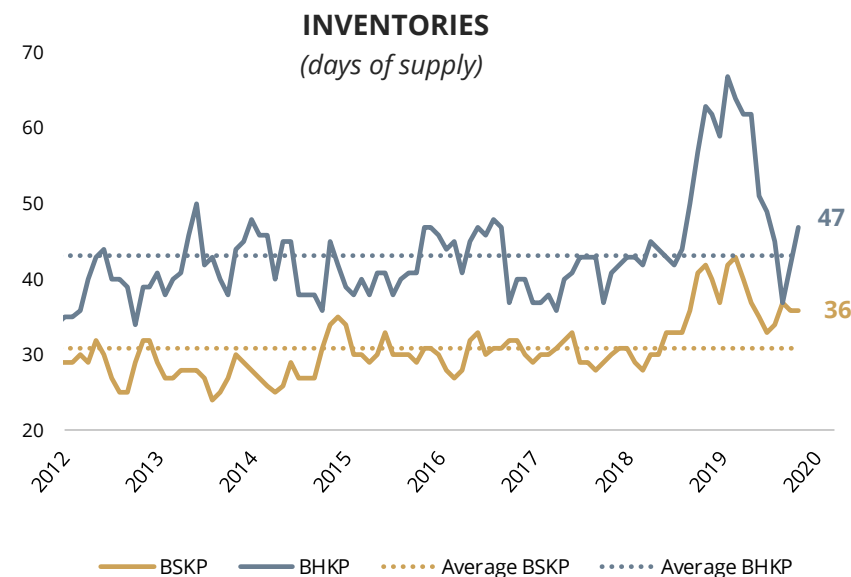


## Pulp

- Q1 2020 was challenging, particularly due to the impact of COVID-19 in the global markets. The tissue market was positively affected due to a higher demand, but P&W markets suffered a significant adverse impact. Global inventories for long fiber pulp remained stable, yet those of short fiber increased on a quarterly basis. Prices remained stable.
- In China, the disruption of supply chains due to COVID-19 did not have major impacts on our sales. Furthermore, the market showed positive signs up until mid-March, when demand for P&W and specialties started to decline associated with lower economic activity.
- In Europe, the quarter began with a strong demand up until the breakout of COVID-19 during March. Like in other markets, this resulted in a higher demand for tissue and lower for P&W, with clients announcing plant stoppages and production cuts.

World Demand Changes*	2 M 20' / 2 M 19'	
North America	1,110	(7.1%)
Western Europe	1,960	1.3%
China	2,245	10.6%
Others	2,190	7.6%
<b>Total (th. tons)</b>	<b>7,505</b>	<b>4.3%</b>

\*PPPC World-20, as of February 19

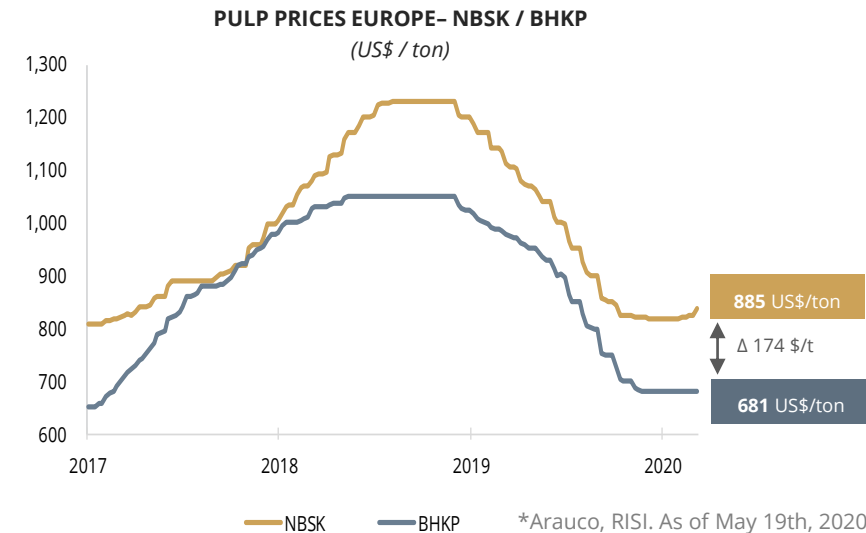
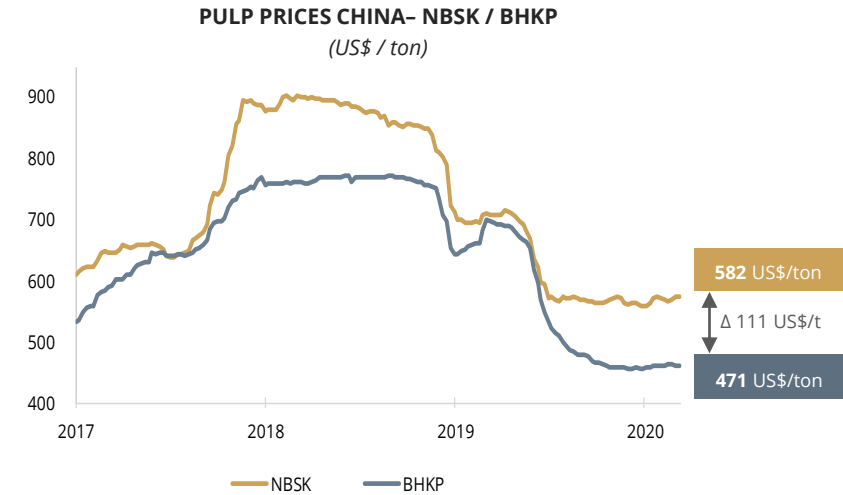
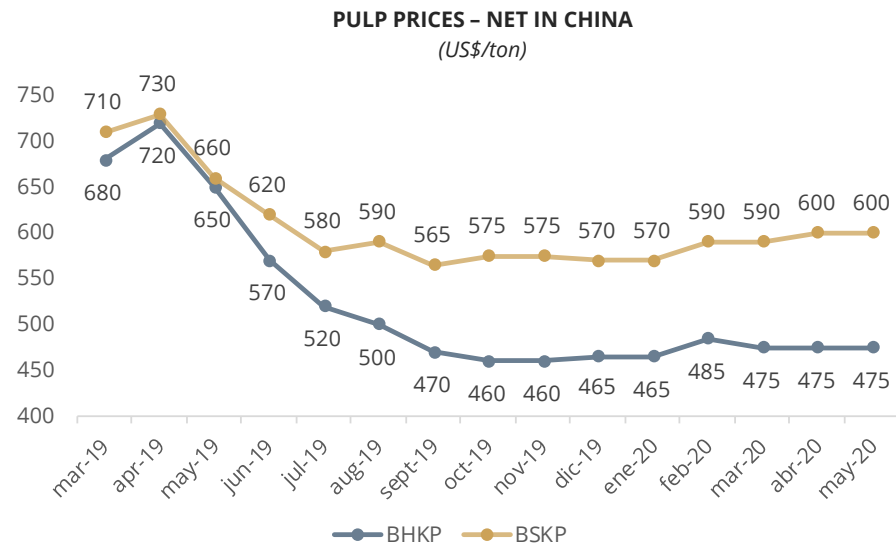


\*Hawkins Wright, as of February, 2020



## Outlook

- For Q2, the market remains challenging. Some paper mills are closing down temporarily because of lower demand of certain paper products. Recently the effects of COVID-19 changed the positive feelings about the market.
- In Asia, P&W and specialties demand started to decline importantly by mid-March. In contrast, consumer tissue demand has increased balancing the decrease in "Away from Home" market. There are signs of normalization in activity and logistics in China.
- In Europe, P&W and specialties demand could continue falling, as in other markets.



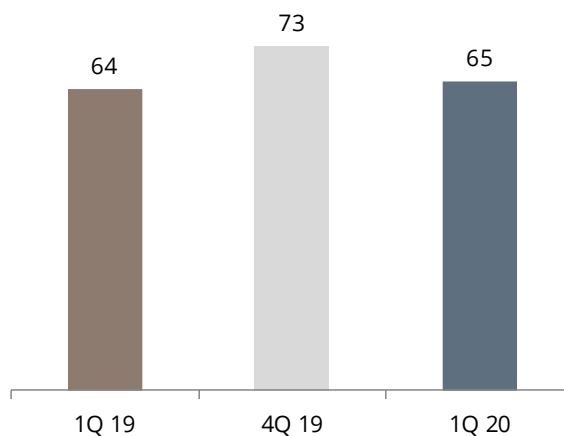
\*Arauco, RISI. As of May 19th, 2020



## II. REVIEW BY BUSINESS DIVISION - FORESTRY – Wood Products

### WOOD PRODUCTS - EBITDA

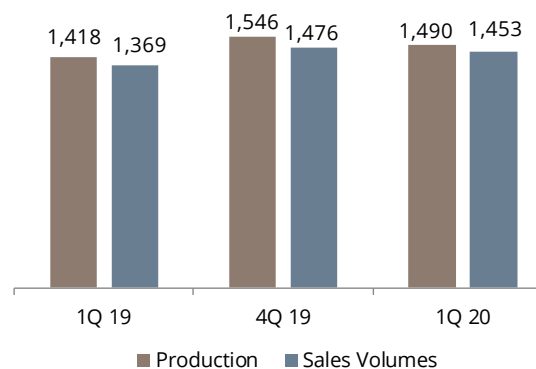
(Million US\$)



### PANELS

#### Production & sales volumes

(Th. m<sup>3</sup>)

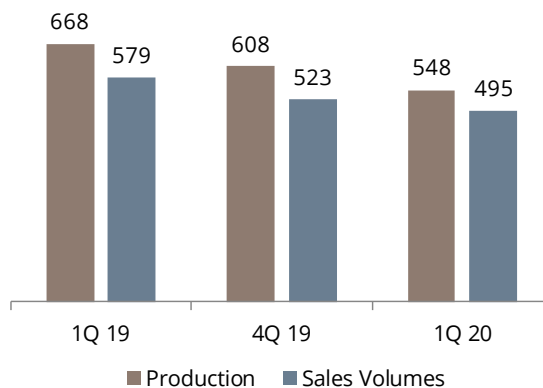


#### Panels

	Price	Sales Volume
Y o Y	-6.2%	6.1%
Q o Q	-1.5%	-1.6%

### SAWN TIMBER

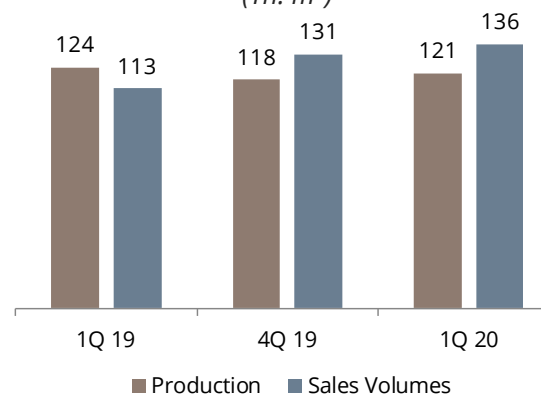
(Th. m<sup>3</sup>)



### PLYWOOD

#### Production & sales volumes

(Th. m<sup>3</sup>)



#### Sawn Timber\*

	Price	Sales Volume
Y o Y	-6.1%	-8.9%
Q o Q	1.7%	-3.4%

\*Includes sawn timber, remanufactured solid wood and plywood.

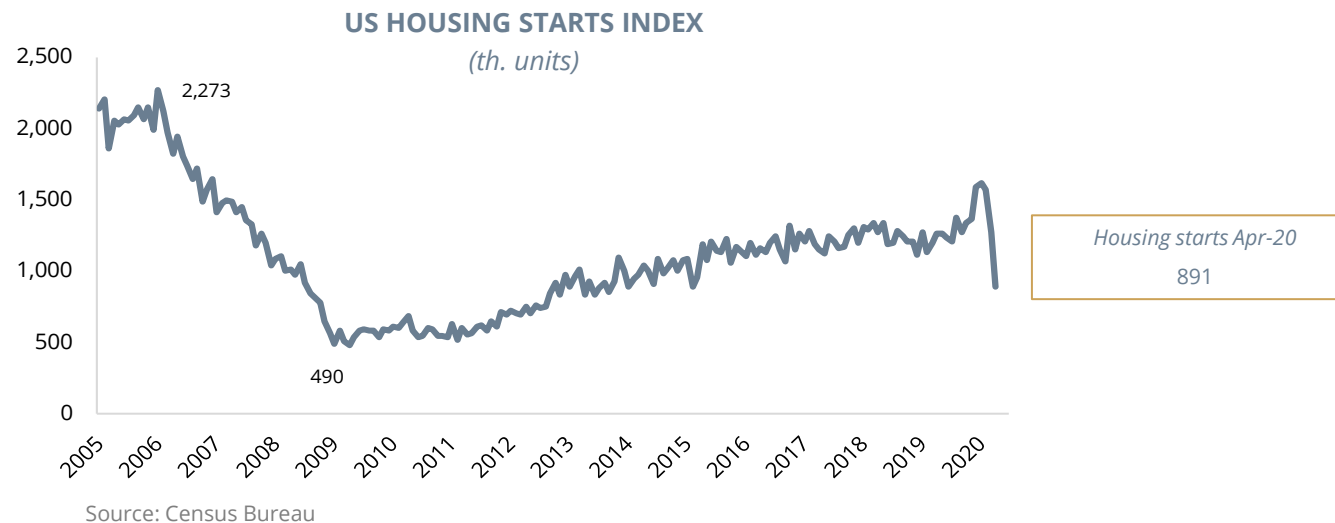


## Outlook

### North America

60%

- **Housing Starts** Index at 0.89 million units per year as of April 2020.
- **PB / MDF**: after a reasonably good first quarter, the effects of COVID-19 started to have a significant impact during April. Sales could recover slightly during May, and normalize by June/July. The recent restructurings in some of our panel mills in North America should allow us to improve results once demand picks up again. Particularly in Mexico, the impact of COVID-19 was later than in other regions. Sales might continue declining for a couple of months and normalize during 2H 2020.
- **Remanufactured products**: outlook continues to be positive. Tariffs on certain Chinese and Brazilian competitors may increase our sales.
- **Plywood**: the market has remained stable during these months and results could be better for the coming quarters.





## Outlook

### South & Central America

29%

- **Brazil:** Market scenario remains complex, due to oversupply in MDF and PB. Significant impact of COVID-19 during April. Market situation remains challenging.
- **Argentina:** COVID-19 and subsequent lockdowns had a very significant impact on this market. Normalization should gradually occur during 2H 2020. Prices expected to follow depreciation of the local currency against the US dollar.
- **Chile:** Sales better than expected during first quarter. Significant impact during April. May started very positively but the effect of increased quarantines adds uncertainty. For the rest of the year, results depend on the evolution of COVID-19.

### Asia & Oceania

9%

- Signs of recovery in some markets, despite exports sector relatively weaker.
- 2Q and 3Q should be balanced, with increased demand and prices.
- Higher supply from other sources could affect these markets.

### Europe & Middle East

2%

- **Europe:** Positive price movements in plywood as well as sales, especially in Northern Europe. Fundamentals show stability in the coming quarters for plywood .
- **Middle East:** Demand and prices expected to remain stable.



# FUELS





## COPEC Drop in non operating income offsets stronger operating income.

### HIGHER OPERATING INCOME

- Stronger results in Chile explained by higher retail and industrial margins.
- Increased margins in Mapco, partially offset by lower volumes.
- Negative effect of revaluation of inventories in Terpel, as well as lower volume and higher distribution costs related to salaries.

### LOWER NON-OPERATING RESULT

- Decrease in other income due to the sale of real estate assets in 1Q19.
- Higher other expenses associated with advisory fees, repairs and deductibles related to the social crisis and Covid-19 related expenses.
- Partially offset by favorable exchange rate differences.

### HIGHER TAXES

- Increased tax base (in CLP) and FX effect on the recognition of international affiliates.

### COPEC – INCOME STATEMENT

Million Chilean Pesos	1Q 20	1Q 19	Change
<b>Net income</b>	<b>49,526</b>	<b>51,109</b>	<b>(1,582)</b>
Operating income	92,634	75,109	17,525
Non operating income	(16,931)	(1,996)	(14,935)
Other Income	8,388	17,921	(9,533)
Other expenses	(8,101)	(4,054)	(4,047)
Other profit (loss)	(442)	(376)	(66)
Financial Income	1,443	1,731	(288)
Financial expense	(23,080)	(20,533)	(2,547)
Profit in associated and JV's	3,068	3,245	(177)
Exchange Differences	3,279	81	3,199
Gain (losses) on net monetary position	(1,486)	(10)	(1,476)
Taxes	(26,263)	(17,199)	(9,064)
<b>EBITDA</b>	<b>141,590</b>	<b>116,879</b>	<b>24,710</b>

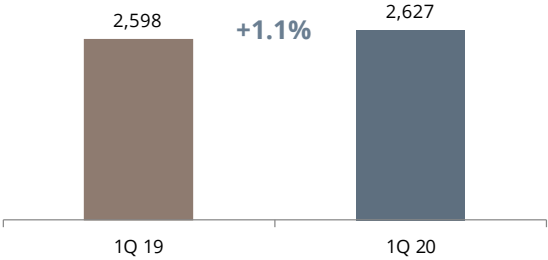


II. REVIEW BY BUSINESS DIVISION – FUELS - Copec

**MARKET SHARE**  
(accumulated February-2020)

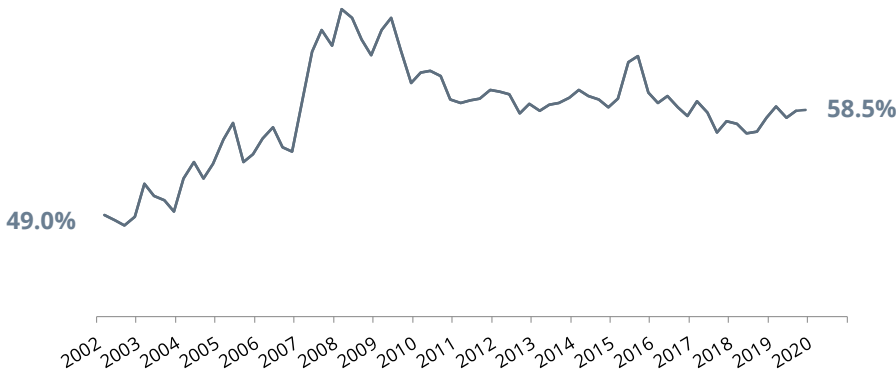


**FUEL VOLUMES IN CHILE YoY**  
(th. m<sup>3</sup>)



- Industrial Channel: volumes 1.3% up YoY.
- Gas Stations: volumes 1.0% up YoY.

**LIQUID FUELS MARKET SHARE EVOLUTION**



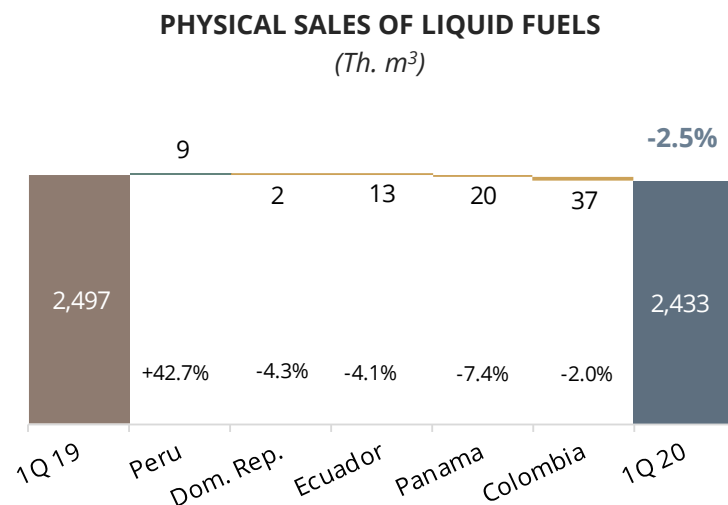
**OUTLOOK**

- Stable margins, excluding potential FIFO effects and industrial variations.
- Sustained leadership in gas stations due to strong network positioning.
- In Mapco, focus on margin stabilization on fuels, operation efficiency, and improvement of the product mix at convenience stores.
- Volumes in months to come will depend on evolution of restrictive measures related to the pandemic.



## TERPEL Net income affected by negative inventory effect.

- Negative impact of inventory revaluation in Colombia, Panama and Dominican Republic.
- Decrease of 2.5% in liquid fuels volumes, explained by decreases in the industrial segment of 9.0%.
- Higher distribution costs associated with salaries and marketing expenses.
- Partially offset by lower non-operational loss, related with a price adjustment in the acquisition of ExxonMobil's assets.



Million COP	1Q 20	1Q 19	Change
Revenues	5.316.782	5.098.210	218.572
EBITDA	153.715	222.116	(68.401)
Operating income	65.262	145.604	(80.343)
Non-operating income	(49.391)	(53.740)	4.348
Net income	6.089	62.252	(56.163)



## ABASTIBLE

Net income affected by exchange rate effects.

### DROP IN NON-OPERATING INCOME

- Lower results in associates, as a consequence of the reclassification of Sonacol and Gasmar as assets to be sold.
- Lower other profits due to the sale of real state assets in 1Q19.
- Unfavorable inflation adjustment and exchange rate differences.

### LOWER OPERATING INCOME

- Weaker margins and higher administrative costs in Chile.
- Offset by stronger volumes and margins in Colombia, higher volumes in Ecuador and higher margins in Peru.

### HIGHER TAXES

- Associated with the FX effect on the recognition of international subsidiaries.

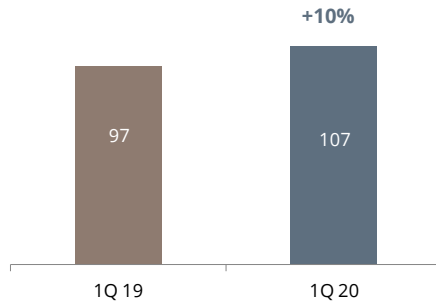
### ABASTIBLE – INCOME STATEMENT

Million Chilean Pesos	1Q 20	1Q 19	Change
<b>Net income</b>	<b>(2.293)</b>	<b>10.591</b>	<b>(12.884)</b>
Operating income	16.565	16.901	(336)
Non operating income	(3.777)	(52)	(3.725)
Other Income	1.000	515	485
Other expenses	(190)	0	(190)
Other profit (loss)	(46)	1.179	(1.226)
Financial Income	286	459	(173)
Financial expense	(3.373)	(4.234)	861
Profit in associated and JV's	495	1.772	(1.277)
Exchange Differences	(325)	257	(582)
Gain (losses) on net monetary position	(1.625)	(1)	(1.624)
Taxes	(13.207)	(4.700)	(8.507)
<b>EBITDA</b>	<b>28.566</b>	<b>25.855</b>	<b>2.711</b>

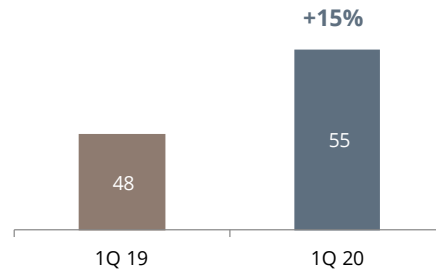


## II. REVIEW BY BUSINESS DIVISION – FUELS - Abastible

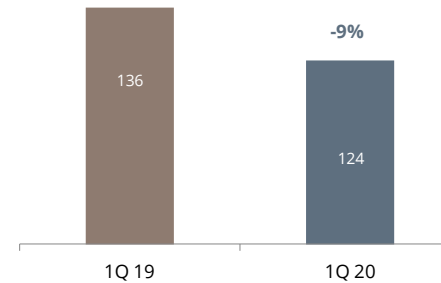
**VOLUMES IN CHILE Y/Y**  
(Th. tons)



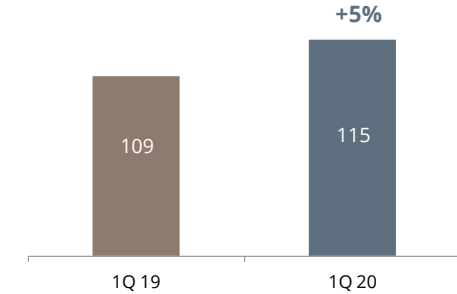
**VOLUMES IN COLOMBIA Y/Y**  
(Th. tons)



**VOLUMES IN PERU Y/Y**  
(Th. tons)



**VOLUMES IN ECUADOR Y/Y**  
(Th. tons)



- **Chile:** Higher bottled sales in all areas, but specially in the metropolitan region. Higher bulk sales, due to industrial clients. However, the bulk segment is impacted by the lockdowns associated with Covid-19, that affected hotels, restaurants and small businesses.

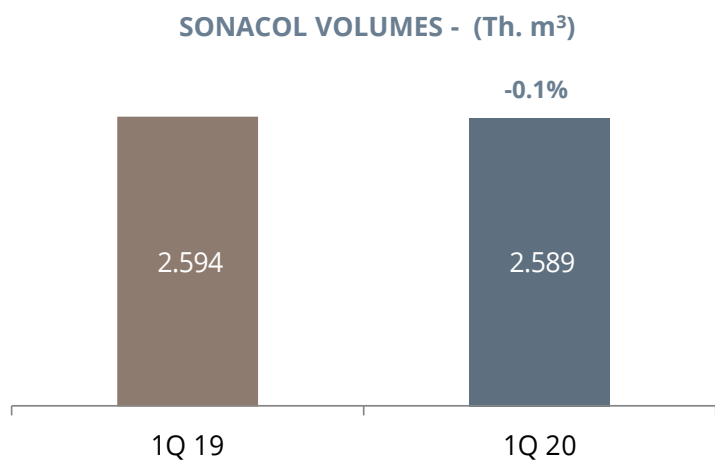
- **Colombia:** Sustained growth in the bottled segment, associated with increases in geographical coverage. Growth in the bulk segment, related to commercial plans in specific sectors. Volumes to be impacted in 2Q by Covid-19.

- **Peru:** Decrease in volumes fully explained by wholesale channel. Local regulator stops issuing commercial permits, after an accident in the operations one competitor, affecting physical sales. Bulk segment currently affected by quarantine measures.

- **Ecuador:** Growth in the domestic bottled segment. Decrease in consumption on the bulk segment, related to Covid-19 closure of businesses.



**SONACOL** Stable volumes, EBITDA and net income. Classified as asset held for sale.



**SONACOL – INCOME STATEMENT**

Million Chilean Pesos	1Q 20	1Q 19	Change
<b>Net income</b>	<b>5,955</b>	<b>6,244</b>	<b>(289)</b>
Operating income	9,095	9,328	(234)
Non operating income	(906)	(697)	(209)
Other Income	1	5	(4)
Other expenses	(48)	(73)	25
Other profit (loss)	0	0	0
Financial Income	9	16	(7)
Financial expense	(591)	(647)	56
Profit in associated and JV's	0	0	0
Exchange Differences	(277)	3	(280)
Gain (losses) on net monetary position	0	0	0
Taxes	(2,233)	(2,387)	154
<b>EBITDA</b>	<b>10,904</b>	<b>10,996</b>	<b>(92)</b>



## OTHER INVESTMENTS





## OTHER INVESTMENTS

**IGEMAR:** Lower result, explained by exchange differences, partially offset by a higher operational result.

**ALXAR INTERNACIONAL:** Recorded losses due to SG&A and financial costs related to Mina Justa project development.

**CORPESCA:** Better non-operational results due to exchange rate differences and higher result in associates.

**CALETA VITOR:** Weaker results on non-operational results explained by exchange differences.

**LAGUNA BLANCA:** As of the close of March, coal mining and production had stopped. It posted a loss on 1Q20.


**METROGAS:** Lower net income with respect to the previous year, due to lower margins.

**AGESA:** Slightly lower net income.

### AFFILIATES AND ASSOCIATES – QUARTERLY NET INCOME

Million US\$	1Q 20	1Q 19	Change
<b>Affiliated Companies</b>			
Igemar	(4.8)	(1.5)	(3.2)
Alxar Internacional	(7.3)	(1.4)	(5.9)
<b>Associated Companies</b>			
Corpesca	(8.6)	(10.8)	2.2
Caleta Vitor	0.0	2.8	(2.8)
Laguna Blanca	(2.5)	(12.3)	9.9
Metrogas	(3.5)	2.2	(5.6)
AGESA	15.0	16.7	(1.7)



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## SANITARY CRISIS DUE TO COVID-19

- In March 2020, the activities of the forestry industry were declared essential in most of the countries in which Arauco operates. Health, hygiene and safety protocols have been put in place at all the company's facilities to prevent infection, which include social distancing, temperature control, remote working policies, among others.
- Copec has rolled out a series of actions to protect the health of its employees and customers, including remote working, temperature control and sanitary shifts at storage plants and distribution centers, social distancing, use of safety and hygiene gear like face masks, face shields and hand sanitizer, and it promoted contactless payment at its gas stations. The company's activities were declared essential, which has made it possible to continue our operations in all the countries in which we operate.
- Abastible has been declared an essential business. The company has implemented a series of protocols and measures to ensure the health and safety of their employees and clients, while keeping the energy supply to strategic clients such as hospitals, health centers, homes, factories, companies, among others. Some of the protocols and measures taken by the company are home office, more sanitary points, social distancing, sanitization of installations and vehicles, and temperature checks.



## EMPRESAS COPEC'S ROLE FIGHTING COVID-19

- The *Fundación Copec-UC* will donate CLP\$ 150 million to fund the development of a Covid-19 vaccine.



- Arauco put at the health authority's disposal robotic RNA extraction equipment for early detection of the virus. Additionally, the company donated sufficient capacity to perform almost 20 thousand tests.



- Copec pledged to donate fuel to all SAMU ambulances in Chile, during this sanitary crises.



- Arauco donated hospital beds, cardiac monitors and mechanical ventilators in the Biobio region.



## **ARAUCO'S PROJECTS STATUS**



### **Valdivia's dissolving pulp plant**

- Project finished.
- Investment was MMUS\$ 200.
- The start-up is expected for June, 2020.
- The mil will keep the flexibility to switch from paper grade to dissolving pulp.



## ARAUCO'S PROJECTS STATUS

### MAPA Project

- Progress of 49% as of April 2020, as expected.
- During this quarter, a 14-day adjustment process in construction activities was carried on in order to enhance the health and safety protocols.
- On April 6th this adjustment process was finished, and these enhanced protocols are in place. Approximately 6,000 people are currently working at the site.
- The start-up of the new Line 3 is expected to take place in the second quarter of 2021, by that time Line 1 will be permanently shut down.





## **MINA JUSTA PROJECT UPDATE**

- As of March, the project exhibits more than 86% progress, in line with the plan.
- Currently working in redesigning health and safety protocols and systems, in order to restart construction.
- Empresas Copec owns 40% of Mina Justa. The project is located in Ica, Peru, and is expected to reach a production of up to 150 thousand tons per year of fine copper during the first years of operation, with an average of 115 thousand tons per year in the 16 years life of mine. It demands an investment of around US\$ 1,600 million.





## **ARAUCO CAPITAL INCREASE**

- Empresas Copec approved in an extraordinary shareholders' meeting a capital increase of up to a maximum of US\$700 million in Arauco.
- It is estimated that US\$250 million will be needed in 2020, and the balance would be completed during the course of 2021, depending on the resources required in such year.
- The aim of the capital increase is to help finance the projects developed by Arauco and enhance its financial standing.






## SALE OF SONACOL

- As of December 20, 2019, Copec and Abastible, along with Esmax Inversiones S.A., Empresa Nacional del Petróleo S.A. and Empresa Nacional de Energía Enx S.A., communicated a mandate given to the investment bank Goldman Sachs to evaluate the divestment of a 100% ownership in Sonacol through a competitive process.
- Progress has been made in defining advisors, lawyers and contracts, and a Vendor Due Diligence process is under way.
- Empresas Copec, through Copec and Abastible, owns 52.8% of Sonacol's shares.





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  - IV. Q&A**



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