

**ARAUCO**

**Press Release**  
**3Q 2019**



# Highlights

For more details on ARAUCO's financial statements please visit [www.cmfchile.cl](http://www.cmfchile.cl) or [www.arauco.com](http://www.arauco.com)

*Readers are referred to the documents filed by ARAUCO with the United States Securities and Exchange Commission, specifically the most recent filing on Form 20-F that identifies important risk factors that could cause actual results to differ from those contained in the forward-looking statements. All forward-looking statements are based on information available to ARAUCO on the date hereof and ARAUCO does not assume any obligation to update such statements. References herein to "U.S.\$" are to United States dollars. Discrepancies in any table between totals and sums of the amounts listed are due to rounding. This report is unaudited.*

## REVENUES

**US\$1,387.2 million**

ARAUCO's revenues reached US\$1,387.2 million during the third quarter of 2019, a 2.6% increase compared to the US\$1,351.6 million obtained in the second quarter of 2019 and a 10.5% decrease compared to the same period of 2018.

## NET INCOME

**-US\$29.6 million**

The company's net income was of -US\$29.6 million, a 151.5% decrease, equivalent to US\$87 million, compared to the US\$57.4 million net income obtained during the second quarter of 2019, and a 113.4% or US\$250.3 million decrease compared to the same period of 2018.

## ADJUSTED EBITDA

**US\$238.2 million**

Adjusted EBITDA reached US\$238.2 million, a 30.6% or US\$105.1 million decrease compared to the US\$343.3 million obtained during the second quarter of 2019, and a 53.8% or US\$277.1 million decrease compared to the same period of 2018.

## NET DEBT TO EBITDA

**3.3x**

Net Financial Debt decreased by US\$201.6 million or 4.5% compared to the last quarter.

Net Financial Debt / LTM Adjusted EBITDA ratio reached 3.3x in this quarter, an increase compared to 2.9x in the second quarter of 2019 and to the 1.9x reached in the third quarter of 2018.

## CAPEX

**US\$281.0 million**

CAPEX reached US\$281.0 million during this quarter, 17.0% or US\$40.9 million higher than the US\$240.1 million from the previous quarter.

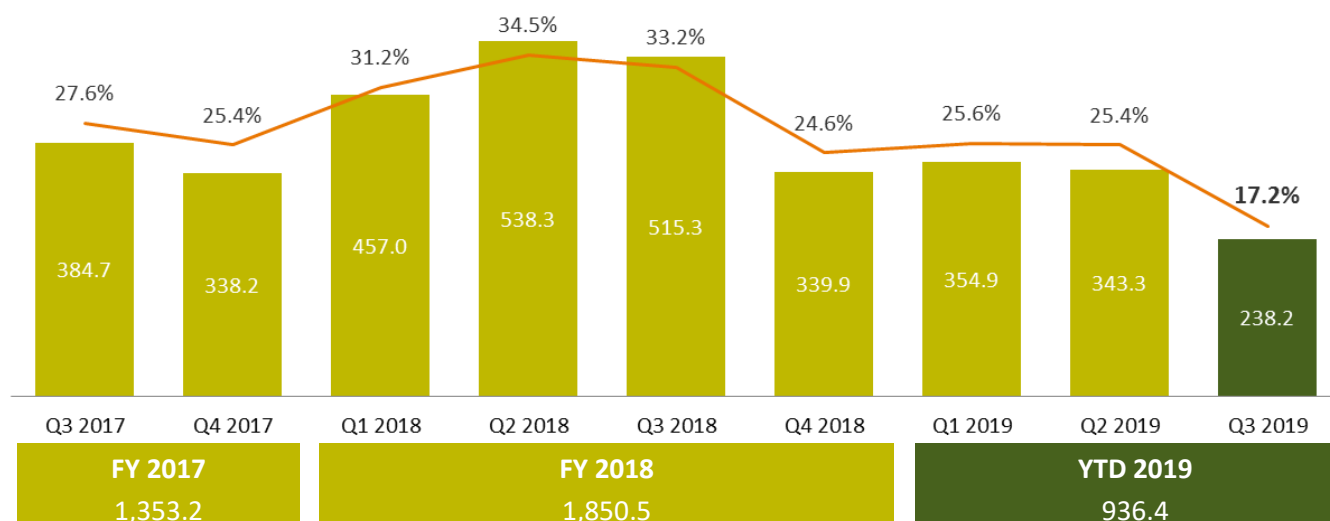
ARAUCO's third quarter 2019 net income was -US\$29.6 million, which translates to a US\$87.0 million decrease compared to the second quarter of 2019. This is mainly explained by a decrease in average pulp prices of 19.0%, partially offset by an increase in pulp sales volume of 25.3% and higher wood products sales volume by 6.8%. Our Adjusted EBITDA was 30.6% lower than the second quarter, reaching US\$238.2 million. Adjusted EBITDA margin decreased to 17.2% compared to the 25.4% of the second quarter.

## Overview

Net Financial Debt decreased by US\$201.6 million or 4.5% compared to the last quarter. Our Net Debt/LTM EBITDA ended up in 3.3x, higher than the 2.9x reached in the second quarter of 2019.

In US\$ Million	Q3 2019	Q2 2019	Q3 2018	QoQ	YoY	YTD 2019	YTD 2018	YoY Acum
Revenue	1,387.2	1,351.6	1,549.9	<b>2.6%</b>	-10.5%	4,126.9	4,573.9	-9.8%
Net income	(29.6)	57.4	220.7	<b>-151.5%</b>	-113.4%	153.9	656.6	-76.6%
Adjusted EBITDA (*)	238.2	343.3	515.3	<b>-30.6%</b>	-53.8%	936.4	1,510.6	-38.0%
Adjusted EBITDA Margin	17.2%	25.4%	33.2%	<b>-32.4%</b>	-48.4%	22.7%	33.0%	-31.3%
LTM Adj. EBITDA	1,276.3	1,553.4	1,848.8	<b>-17.8%</b>	-31.0%	1,276.3	1,848.8	-31.0%
CAPEX	281.0	240.1	193.7	<b>17.0%</b>	45.1%	915.7	579.1	58.1%
Net Financial Debt	4,253.2	4,454.8	3,431.7	<b>-4.5%</b>	23.9%	4,253.2	3,431.7	23.9%
Net Financial Debt / LTM Adj. EBITDA	3.3x	2.9x	1.9x	<b>16.2%</b>	79.5%	3.3x	1.9x	79.5%

Adjusted EBITDA and EBITDA Margin  
(in US\$ Million)



# Income Statement

Net income decreased by 151.5% during the third quarter of 2019 reaching -US\$29.6 million. This is explained mostly by the pulp division, because of lower average prices of 19.0% compared with the last quarter and higher sales volume. Additionally, Other Income decreased compared to the second quarter when we had the sale of our shares in *Puertos y Logística S.A.*

In US\$ Million	Q3 2019	Q2 2019	QoQ
Revenues	1,387.2	1,351.6	2.6%
Cost of sales	(1,054.3)	(966.0)	9.1%
Distribution costs	(160.4)	(143.3)	12.0%
Administrative expenses	(140.4)	(146.2)	-4.0%
Other income	41.6	86.4	-51.9%
Other expenses	(37.2)	(27.7)	34.3%
Financial income	7.5	8.1	-7.6%
Financial costs	(65.8)	(69.5)	-5.4%
Share of profit (loss) of associates and joint ventures accounted for using equity method	(5.8)	5.3	-209.1%
Exchange rate differences	(12.3)	(9.3)	31.5%
<b>Income before income tax</b>	<b>(39.9)</b>	<b>89.3</b>	<b>-144.7%</b>
Income tax	10.3	(31.9)	-132.4%
<b>Net income</b>	<b>(29.6)</b>	<b>57.4</b>	<b>-151.5%</b>

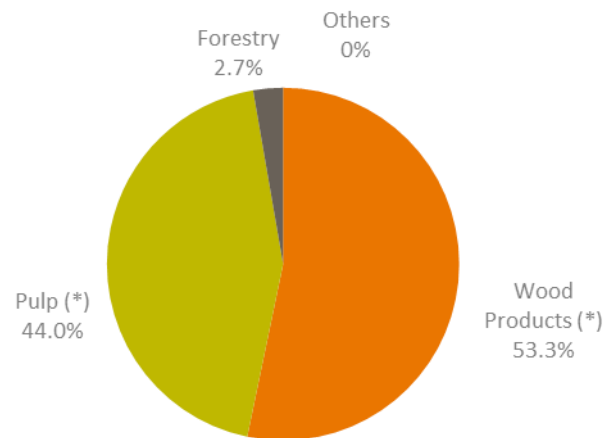
## Revenues

ARAUCO's revenues reached US\$1,387.2 million in the third quarter, remaining stable when compared to the last quarter with only a 2.6% increase. This variation is mainly explained by higher pulp revenues due to a 25.3% increase in sales volume, partially offset by a 19.0% decrease in average prices.

The following table shows a revenue's breakdown by business segment:

In US\$ Million	Q3 2019	Q2 2019	QoQ
Pulp(*)	610.5	583.0	4.7%
Wood Products(*)	738.8	733.8	0.7%
Forestry	37.7	34.7	8.6%
Others	0.1	0.0	88.4%
<b>Total</b>	<b>1,387.2</b>	<b>1,351.6</b>	<b>2.6%</b>

3Q 2019 Revenue's breakdown



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

## Cost of sales

Increased by 9.1% or US\$88.3 million compared to the second quarter. This is explained by an increase in Timber and Maintenance costs, both of them associated with higher sales volume in our pulp and wood products divisions. This was offset by the decrease of the Depreciation for right of use due to a reversal of provisions on some lease contracts.

In US\$ Million	Q3 2019	Q2 2019	QoQ
Timber	246.9	211.2	16.9%
Forestry labor costs	148.8	147.5	0.9%
Depreciation and amortization	109.5	101.5	7.9%
Depreciation for right of use	11.5	17.9	-35.7%
Maintenance costs	80.5	65.4	23.1%
Chemical costs	151.1	137.6	9.8%
Sawmill services	33.3	39.7	-16.3%
Other raw materials and indirect costs	103.3	89.4	15.6%
Energy and fuel	60.3	51.2	17.7%
Cost of electricity	8.5	9.5	-10.5%
Wage, salaries and severance indemnities	100.6	95.1	5.8%
<b>Cost of Sales</b>	<b>1,054.3</b>	<b>966.0</b>	<b>9.1%</b>

## Administrative expenses

Decreased by 4.0% or US\$5.8 million compared to the second quarter, mainly due to lower Computer services expenses because of software licenses paid last quarter. This was partially offset by an increase in Depreciation for the right of use due to the signing of new IFRS 16 lease contracts.

In US\$ Million	Q3 2019	Q2 2019	QoQ
Wages, salaries and severance indemnities	60.5	62.6	-3.4%
Marketing, advertising, promotion and publications expenses	3.9	4.7	-17.3%
Insurance	5.2	4.6	13.6%
Depreciation and amortization	7.4	6.7	9.7%
Depreciation for the right of use	4.2	1.2	259.5%
Computer services	6.4	11.6	-45.0%
Lease rentals (offices, warehouses and machinery)	1.3	0.8	-59.8%
Donations, contributions, scholarships	1.6	2.5	-36.7%
Fees (legal and technical advisories)	13.1	12.5	4.9%
Property taxes, patents and municipality rights	4.5	5.0	-10.1%
Other administration expenses	32.4	34.0	-4.6%
<b>Administrative Expenses</b>	<b>140.4</b>	<b>146.2</b>	<b>-4.0%</b>

## Distribution costs

Increased by 12% or US\$17.1 million compared to the last quarter, mainly due to an increase in Freight costs explained by higher sales volume.

In US\$ Million	Q3 2019	Q2 2019	QoQ
Commissions	4.5	3.2	39.9%
Insurance	1.5	1.3	10.5%
Other selling costs	5.1	5.9	-13.1%
Port services	10.5	8.6	22.1%
Freights	128.2	114.6	11.9%
Depreciation for the right of use	0.4	0.9	-52.8%
Other shipping and freight costs	10.1	8.7	16.6%
<b>Distribution Costs</b>	<b>160.4</b>	<b>143.3</b>	<b>12.0%</b>

## Other income

Decreased by 51.9% equivalent to US\$44.8 million, mainly explained by the sale of our shares of *Puertos y Logística S.A.* in the second quarter.

In US\$ Million	Q3 2019	Q2 2019	QoQ
Gain from changes in fair value of biological assets	36.1	37.4	-3.6%
Net income from insurance compensation	0.2	0.5	-63.0%
Leases received	0.3	0.7	-51.6%
Gains on sales of assets	2.2	5.1	-56.3%
Gain on sales of associates	-	40.8	-100%
Other operating results	2.8	1.9	45.6%
<b>Other Income</b>	<b>41.6</b>	<b>86.4</b>	<b>-51.9%</b>

## Other expenses

Increased by US\$9.5 million or 34.3% compared to the previous quarter, mainly due to higher Impairment provision property, plant and equipment and others related to the Line 1 at the Arauco Mill. This was partially offset by a decrease in the Provision for forestry fire losses, because no new provisions were added.

In US\$ Million	Q3 2019	Q2 2019	QoQ
Legal payments	(0.1)	1.9	-104.0%
Impairment provision property, plant and equipment and others	19.9	6.2	221.8%
Operating expenses related to plant stoppages	4.5	0.6	642.5%
Project expenses	0.4	1.7	-74.3%
Loss (gain) from asset sales	4.5	3.0	52.5%
Provision for forestry fire losses	-	6.2	-100.0%
Other taxes	3.2	4.1	-20.9%
Research and development expenses	1.3	1.1	19.7%
Other expenses (donations, repayments insurance)	3.4	3.0	13.5%
<b>Other expenses</b>	<b>37.2</b>	<b>27.7</b>	<b>34.3%</b>

## Foreign exchange differences

Showed a loss of US\$12.3 million, a US\$2.9 million difference when compared to the second quarter that ended with a US\$9.3 million loss.

During the third quarter, the exchange rate of the Chilean peso against the US dollar depreciated by 3.1% compared to the previous quarter. Additionally, the Argentine peso depreciated by 15.0% against the US dollar compared to the last quarter.

These currency variations affected our cash and cash equivalents as measured in US dollar.

## Income tax

For the third quarter, income tax reached a gain of US\$10.3 million, US\$42.2 million higher than the US\$31.9 million loss in the second quarter. This gain is mainly due to this quarter's negative income before tax.



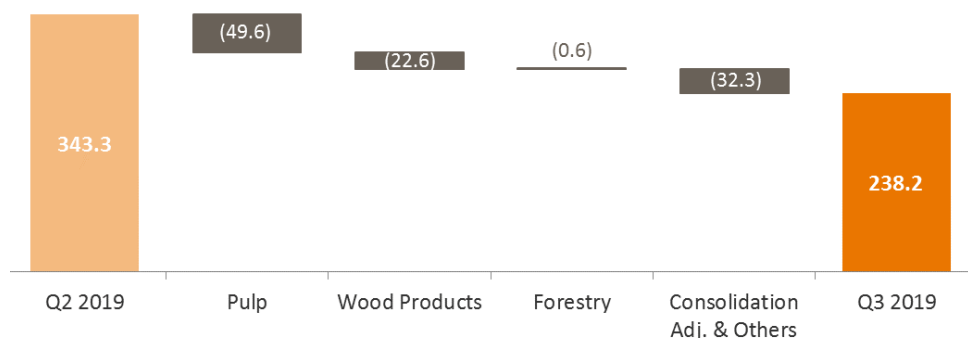
# Adjusted Ebitda

Adjusted EBITDA for the third quarter of 2019 was US\$238.2 million. In terms of Adjusted EBITDA by business, the most significant variations were in our pulp and wood products divisions, with a decrease of 25.1% and 26.7%, respectively. Additionally, Consolidation Adjustments and Other's Adjusted EBITDA decreased by US\$32.3 million mainly due to the gains in the sale *Puertos y Logística S.A.* during the past quarter.

In US\$ Million	Q3 2019	Q2 2019	Q3 2018	QoQ	YoY
Net Income	(29.6)	57.4	220.7	-151.5%	-113.4%
Financial costs	65.8	69.5	56.2	-5.4%	17.0%
Financial income	(7.5)	(8.1)	(5.5)	-7.6%	36.1%
Income tax	(10.3)	31.9	75.2	-132.4%	-113.7%
<b>EBIT</b>	<b>18.4</b>	<b>150.7</b>	<b>346.7</b>	<b>-87.8%</b>	<b>-94.7%</b>
Depreciation & amortization	133.6	128.7	103.7	3.8%	28.8%
<b>EBITDA</b>	<b>151.9</b>	<b>279.4</b>	<b>450.4</b>	<b>-45.6%</b>	<b>-66.3%</b>
Fair value cost of timber harvested	90.1	79.6	83.1	13.3%	8.4%
Gain from changes in fair value of biological assets	(36.1)	(37.4)	(26.4)	-3.6%	36.6%
Exchange rate differences	12.3	9.3	6.0	31.5%	103.6%
Others (*)	19.9	12.4	2.1	60.5%	832.7%
<b>Adjusted EBITDA</b>	<b>238.2</b>	<b>343.3</b>	<b>515.3</b>	<b>-30.6%</b>	<b>-53.8%</b>

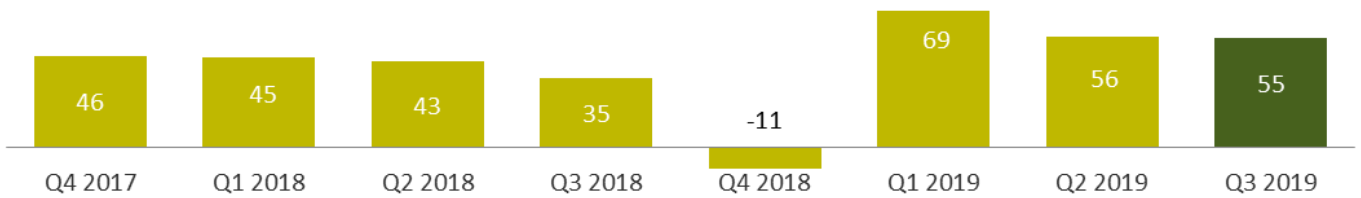
(\*) Includes provision from property, plants and equipment, and others

Adjusted EBITDA variation by business segment (in US\$ million)



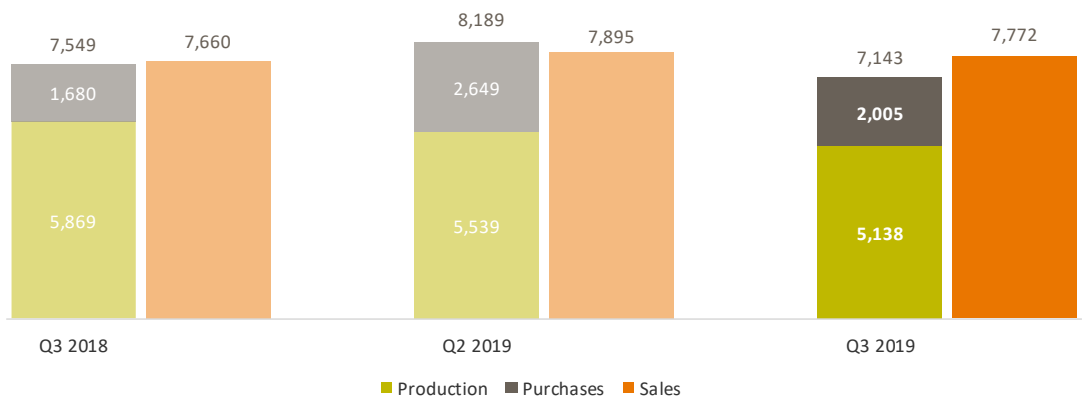
# Forestry Business

The Adjusted EBITDA for our forestry business was US\$55.1 million for the third quarter, which translates to a US\$0.6 million decrease compared to the previous quarter.



The production during the third quarter was 5.1 million m<sup>3</sup>, 7.8% down compared to the second quarter. On the other hand, sales volume reached 7.8 million m<sup>3</sup>, a decrease of 1.6% compared to the last quarter.

Production, Purchase and Sales Volume (in thousand m<sup>3</sup>)



# Pulp Business

During the third quarter of 2019, no significant changes were seen regarding the market situation and compared to the second quarter results: the demand didn't recover significantly and prices suffered even more deterioration. Only by the end of the quarter, a few markets showed stability in prices, but this was not yet enough to signal a trend reversal.

High inventory levels, economic uncertainty, the ongoing trade war and the lower demand from the northern hemisphere in the summer season affected the market recovery.

Global Pulp Demand variation		
Last 8 months		
North America	△	2.1%
West Europe	▽	-10.5%
China	△	6.4%
Others	▽	-0.5%
<b>Total</b>	▽	<b>-1.0%</b>

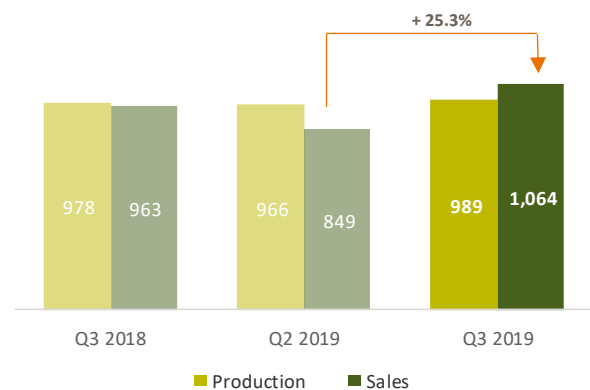
Source: World-20 Bleached Chemical Pulp Demand. Hawkins Wright Report

In China and the rest of the Asian markets, paper production showed a slight recovery, as the high demand season started (usually between September and December). Even though prices for softwood stabilized, prices for hardwood continued falling during the third quarter. With this scenario for both fibers, the gap between them increased. Paper producers have been increasing their margins due to pulp prices and a slight recovery in paper demand.

In Europe, the paper market's situation was different, characterized by lower consumption and low economic activity. All of these factors pushed some companies into reducing their production and to some lines shutdowns. This situation offset all positive margins that could have been generated by the fall in pulp prices. Additionally, European paper exporters had to deal with Chinese competitors mainly in the Middle East and Africa.

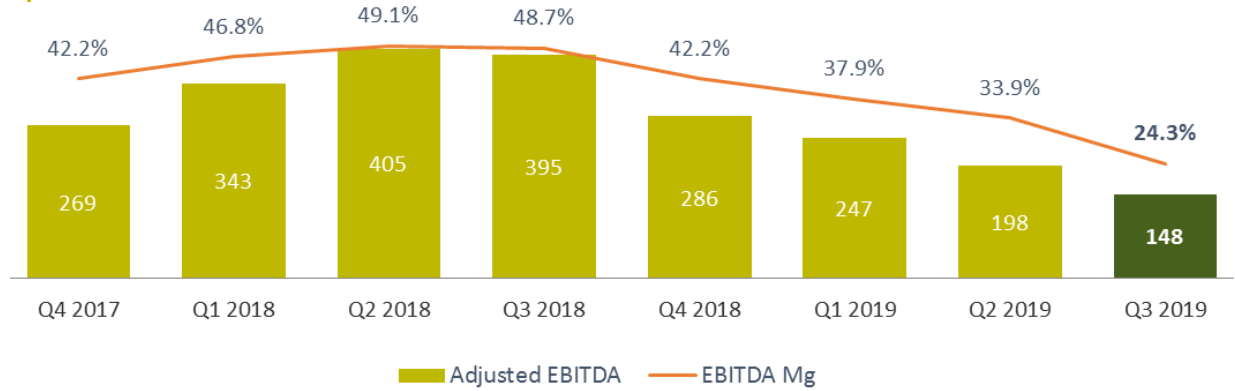
Our production, during the third quarter, showed a slight increase compared to the last quarter, mainly due to less programmed maintenance stoppages. Compared to the same period of 2018 production increased by 1.1%. Sales volume increased by 25.3%, as our total stock decreased by approximately 75 thousand tonnes.

Production and Sales Volume (In thousand tonnes)



The Adjusted EBITDA for our pulp business reached US\$148.2 million during this quarter, which translates to a 25.1% or US\$49.6 million decrease compared to the second quarter 2019.

Pulp EBITDA Mg reached 24.3%, 9.7% down from the last quarter.



Days of Maintenance Stoppages

Mill	2019				2020
	1Q	2Q	3Q	4Q	1Q
Arauco - Line 1		10			
Arauco - Line 2					13
Constitución		18			7
Licancel	11				10
Nueva Aldea	11				
Valdivia			5	43	
Alto Paraná	22				
Montes del Plata				10	

Finished  
 In progress  
 Planned

# Wood Product Business

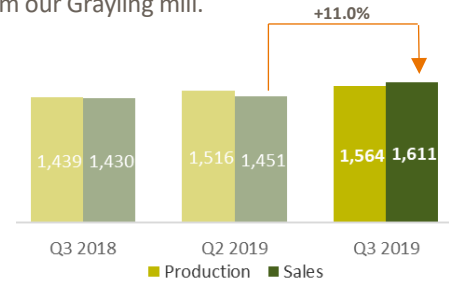
## Panels

Sales increased compared to the previous quarter, with sales volume going up 11.0%, slightly offset by a decrease in price of 3.8%.

During the third quarter, the Latin American market remained stable showing a close fit between supply and demand, except in Brazil and Argentina. The Brazilian market didn't show any significant improvement, mainly due to a weak economy and oversupply, particularly in MDF. In contrast, the Argentine market has been showing signs of improvement which have resulted in higher sales volume and better prices. Despite that, US\$ denominated income has been affected by the depreciation of the Argentine Peso.

In US and Canada, sales have remained healthy, mainly due to a decrease in local supply and higher sales from our Grayling mill.

**Production and Sales Volume: Panels<sup>(1)</sup>**  
(In thousand m<sup>3</sup>)

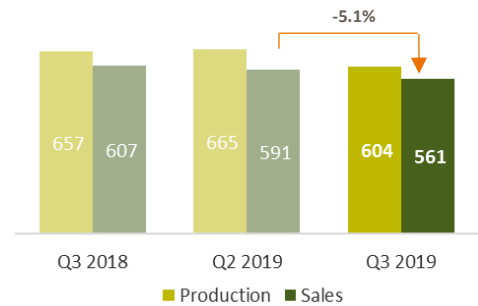


## Sawn timber

During the third quarter, the demand for sawn timber was affected mainly by the ongoing US-China trade war and due to oversupply, particularly in Asia and Oceania, which are one of our main markets. Sales volume decreased by 5.1%.

In remanufactured wood products, North America, which is one of our main markets, showed positive results due to the introduction of new products and less competition from Chinese producers because of the tariffs imposed by the US.

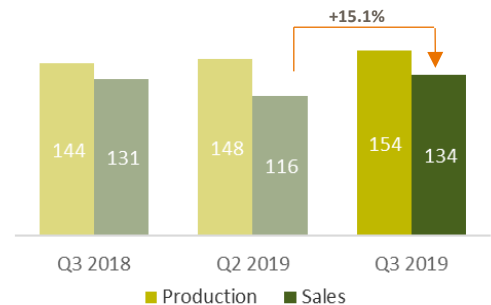
**Production and Sales Volume: Sawn Timber<sup>(2)</sup>**  
(In thousand m<sup>3</sup>)



## Plywood

Sales volume increased 15.1%, with the US demand remaining positive. The oversupply from Brazil, Chile and China and a generalized low global demand led to some price decreases.

**Production and Sales Volume: Plywood**  
(In thousand m<sup>3</sup>)



(1) Includes OSB and HB.

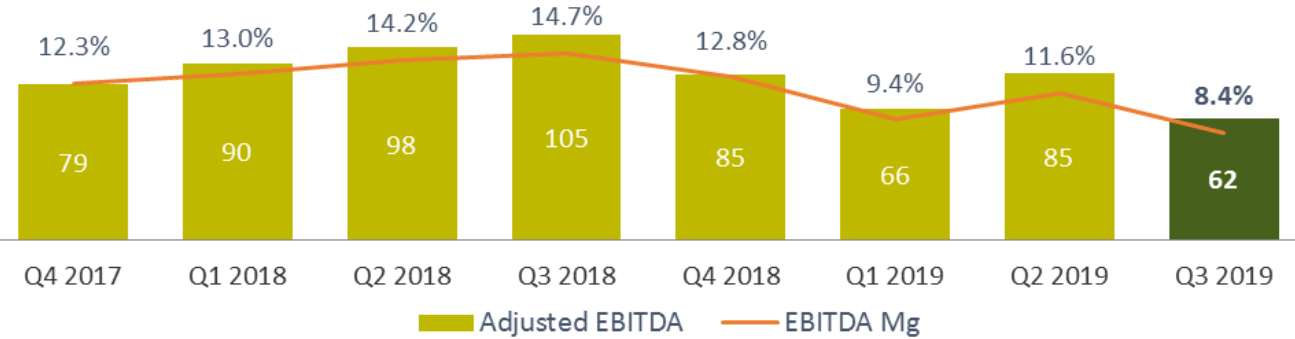
(2) Includes sawn timber, kilned sawn timber, remanufactured wood products, pallets.

Note: Sales include trading



Adjusted EBITDA for our wood products business reached US\$62.2 million during the third quarter of 2019, which means a 26.7% or US\$22.6 million decrease, compared to the second quarter.

Wood products EBITDA Mg was 8.4%, lower than the 11.6% reached in the second quarter.



# Capital Expenditures

During this quarter, capital expenditures reached US\$281.0 million, US\$40.9 million or 17.0% higher than the second quarter. Purchase and sale of property, plant and equipment decreased compared to the second quarter. The main expenditures during the quarter were:

MAPA Project: US\$93.7 million  
Dissolving Pulp Project: US\$21.7 million

The second quarter of 2019 showed a positive effect due to the proceeds from the sale of *Puertos y Logística S.A.* Additionally, during the third quarter we paid approximately US\$12.3 million for the acquisition of Prime Line.

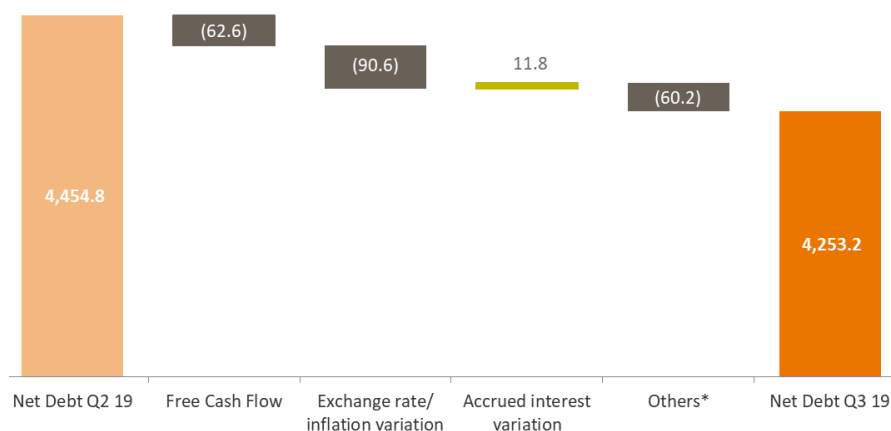
US\$ Million	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Cash flow used to obtain control of subsidiaries or other businesses	21.0	(102.0)	0.0	69.7	16.6
Cash flow used to purchase in associates	-	-	0.2	0.5	1.0
Purchase and sale of property, plant and equipment	208.9	277.8	143.5	652.5	392.7
Purchase and sale of intangible assets	6.5	5.2	0.3	15.3	0.8
Purchase of other long-term assets	44.7	59.2	49.6	177.7	168.1
<b>Total CAPEX</b>	<b>281.0</b>	<b>240.1</b>	<b>193.7</b>	<b>915.7</b>	<b>579.1</b>

## Free Cash Flow

During the third quarter, Free Cash Flow increased by US\$499.3 million compared to the second quarter of 2019, ending up in a surplus of US\$62.6 million. Cash provided by operating activities increased by US\$372.1 million mainly due to (i) an increase in working capital variation and (ii) a decrease in income tax paid, because during the second quarter we paid the annual taxes. Cash used by investment activities increased due to higher Capex. Cash used by financing activities decreased compared to the last quarter because of dividends paid during that quarter.

US\$ Million	Q3 2019	Q2 2019	Q3 2018
Adjusted EBITDA	238.2	343.3	515.3
Working Capital Variation	152.2	(27.6)	(74.5)
Interest paid and received	(39.8)	(55.9)	(39.4)
Income tax paid	(50.9)	(210.0)	(40.8)
Other cash inflows (outflows)	74.1	(47.9)	24.7
<b>Cash from Operations</b>	<b>373.8</b>	<b>1.8</b>	<b>385.2</b>
Capex	(281.0)	(240.1)	(193.7)
Proceeds from investment activities	2.5	3.2	3.4
Other inflows of cash, net	6.5	0.7	7.8
<b>Cash from (used in) Investment Activities</b>	<b>(272.0)</b>	<b>(236.3)</b>	<b>(182.5)</b>
Dividends paid	-	(182.1)	(0.2)
Other inflows of cash, net	(19.1)	(27.3)	(5.2)
<b>Cash from (used in) Financing Activities - Net of Proceeds and Repayments</b>	<b>(19.1)</b>	<b>(209.4)</b>	<b>(5.4)</b>
Effect of exchange rate changes on cash and cash equivalents	(20.1)	7.3	(3.1)
<b>Free Cash Flow</b>	<b>62.6</b>	<b>(436.7)</b>	<b>194.1</b>

Net Debt Variation Q3 2019 – Q2 2019 (in US\$ million)



(\*) The total amount corresponds to leasing variation.



# Financial Debt and Cash

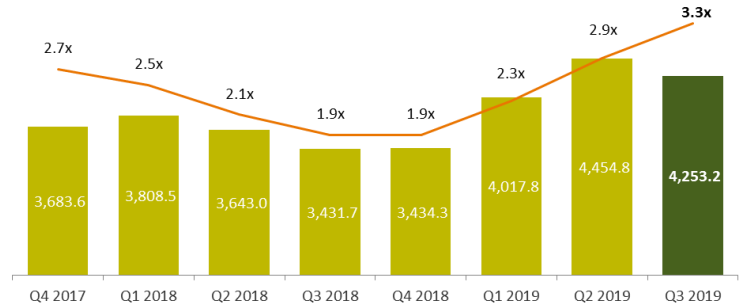
ARAUCO 's total financial debt as of September 30, 2019 reached US\$5,395.4 million, a decrease of 5.4% or US\$ 310.3 million compared to the end of June 2019, mainly due to a US bond maturity on July 2019.

Our consolidated net financial debt decreased 4.5% or US\$201.6 million. Cash and cash equivalents decreased by US\$108.6 million.

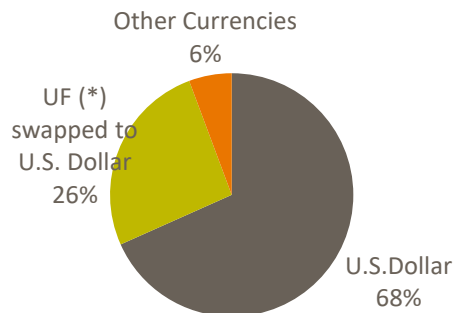
Our leverage, measured as Net Financial Debt/LTM Adjusted EBITDA was 3.3x, an increase compared to the 2.9x in the last quarter due to a decrease of the LTM Adjusted EBITDA of 17.8%.

In US\$ Million	Sept 2019	June 2019	Sept 2018
Short term financial debt	557.7	543.3	502.2
Long term financial debt	4,839.8	5,162.3	3,664.3
<b>TOTAL FINANCIAL DEBT</b>	<b>5,395.4</b>	<b>5,705.7</b>	<b>4,166.5</b>
Cash and cash equivalents	1,142.2	1,250.9	734.8
<b>NET FINANCIAL DEBT</b>	<b>4,253.2</b>	<b>4,454.8</b>	<b>3,431.7</b>
<b>LTM Adjusted EBITDA</b>	<b>1,276.3</b>	<b>1,553.4</b>	<b>1,848.8</b>

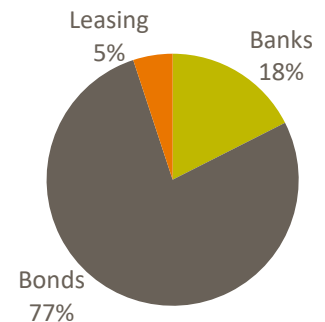
Net Financial Debt and Leverage (In US\$ Million)



Debt by Currency



Debt by Instrument



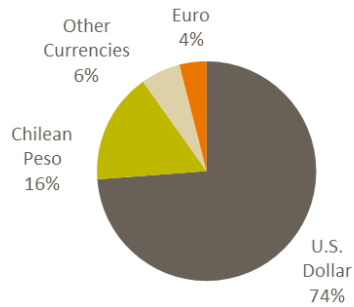
(\*) UF is a Chilean monetary unit indexed to inflation.



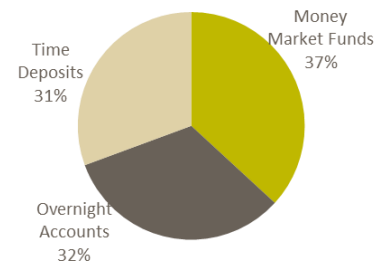
## Cash

Our cash position was US\$1,142.2 million at the end of the third quarter, which translates to US\$108.6 million or a 8.7% decrease compared to the last quarter. Cash provided from operating activities increased by US\$372.1 million, mainly due to less income tax paid and less payments of suppliers and personnel. Additionally, inventories and trade and other receivables decreased by approximately US\$78 million each. Cash used in investing activities increased by 15.1% explained by higher capital expenditures incurred during the third quarter. On the other hand, cash used by financing activities decreased, reaching US\$190.4 million, because (i) during the second quarter we issued an international bond and (ii) dividends paid during the last quarter.

Cash by Currency



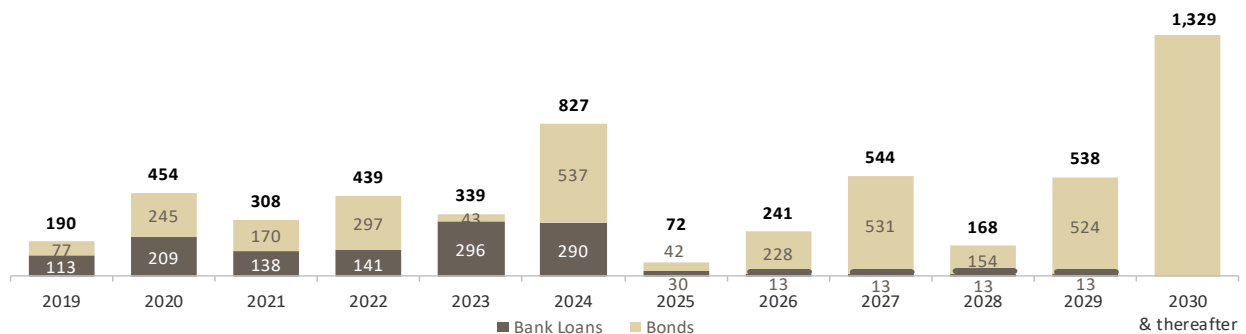
Cash by Instrument



## Financial Debt Profile

For the last quarter of 2019, bank and bonds obligations (which include accrued interest) sum up US\$189.7 million. Bank obligations include the following maturities: US\$67.6 million in loans in Montes del Plata, US\$37.7 million of leasing, US\$5.5 million of credit loans in the United States, US\$2.0 million in our Brazilian subsidiaries and US\$0.4 million from loans in Chile. Bond obligations for the remainder of the year sum up US\$ 113.2 million. These include interest and amortization payments for local bonds, and interest payments for US\$ denominated bonds. Amortization payments for local bonds include US\$12.2 million for the BARAU-F and US\$9.6 million for the BARAU-Q.

Debt Amortization Profile as of September 30, 2019 (In US\$ Million)



# Third quarter, subsequent events and News

## **Dissolving Pulp Project** *update*

The Dissolving Pulp Project had a 98% advance as of September 2019.

The start-up is expected by the beginning of 2020. Total investment for this brownfield project is approximately US\$195 million.

## **MAPA Project** *update*

MAPA Project progress goes as expected with a 22% accumulated advance.

During this quarter, civil and electromechanical works started. Additionally, contracts for the construction of the administration building and others were awarded.

The start-up of the new Line 3 is expected to take place during the second quarter of 2021. At that point Line 1 will shut down.

## **Sustainable Bond**

On October 24, ARAUCO completed an offering of US\$500 million principal amount of 4.200% notes due 2030 and US\$500 million principal amount of 5.150% notes due 2050. Both bonds are sustainable, a category which encompasses green and social projects. ARAUCO is the first forestry company in Latin America to ever issue sustainable bonds. We also achieved the lowest coupon rate in ARAUCO's history for a 30-year bond.

The use of proceeds for these bonds are (i) to finance part of the MAPA project, (ii) to pay the purchase price to holders of our notes due 2021 and 2022 that are validly tendered and accepted to be purchased by us pursuant to the terms of the cash tender offers being concurrently conducted by us and (iii) other capital management activities, with the remainder to be held in cash and/or cash equivalents and/or invested in other short-term liquid investments.

Regarding the tender offer, the following amounts were validly tendered: US\$43.3 million for the principal amount of our 5.000% notes due 2021 and US\$129.3 million for the principal amount of our 4.750% notes due 2022.

## UPCOMING EVENTS

### CONFERENCE CALL

Nov. 19, 2019

11:00 Santiago Time

09:00 Eastern Time (New York)

Dial in:

+1 (844) 450 3845 from USA

+56 (44) 208 1274 from Chile

+1 (412) 317 6368 from other countries

Conference ID: Arauco

For further information, please contact:

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# Financial Statements

## Income Statement


In US\$ Million	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Revenues	1,387.2	1,351.6	1,549.9	4,126.9	4,573.9
Cost of sales	(1,054.3)	(966.0)	(938.5)	(2,960.2)	(2,796.5)
<b>Gross profit</b>	<b>332.9</b>	<b>385.6</b>	<b>611.4</b>	<b>1,166.7</b>	<b>1,777.4</b>
Other income	41.6	86.4	36.7	173.6	103.2
Distribution costs	(160.4)	(143.3)	(147.1)	(448.6)	(414.8)
Administrative expenses	(140.4)	(146.2)	(133.8)	(427.9)	(416.3)
Other expenses	(37.2)	(27.7)	(19.2)	(87.2)	(52.8)
Financial income	7.5	8.1	5.5	22.3	12.8
Financial costs	(65.8)	(69.5)	(56.2)	(192.7)	(159.3)
Share of profit (loss) of associates and joint ventures accounted for using equity method	(5.8)	5.3	4.7	3.9	28.7
Other income (loss)	0.0	0.0	0.0	0.0	0.0
Exchange rate differences	(12.3)	(9.3)	(6.0)	(19.5)	(22.3)
<b>Income before income tax</b>	<b>(39.9)</b>	<b>89.3</b>	<b>295.9</b>	<b>190.6</b>	<b>856.6</b>
Income tax	10.3	(31.9)	(75.2)	(36.6)	(199.9)
<b>Net income</b>	<b>(29.6)</b>	<b>57.4</b>	<b>220.7</b>	<b>153.9</b>	<b>656.6</b>
Profit attributable to parent company	(29.5)	57.3	220.8	153.7	657.1
Profit attributable to non-parent company	(0.1)	0.1	(0.1)	0.3	(0.4)

## Balance Sheet

In US\$ Million	30-09-2019	30-06-2019	30-09-2018
Cash and cash equivalents	1,142.2	1,250.9	734.8
Other financial current assets	0.4	1.0	2.2
Other current non-financial assets	168.9	192.9	135.2
Trade and other receivables-net	773.5	852.0	989.8
Related party receivables	6.2	4.4	5.6
Inventories	1,074.8	1,153.7	948.5
Biological assets, current	324.4	308.6	296.1
Tax assets	106.8	60.7	20.7
Non-Current Assets classified as held for sale	5.5	5.7	5.7
<b>Total Current Assets</b>	<b>3,602.7</b>	<b>3,829.9</b>	<b>3,138.5</b>
Other non-current financial assets	31.3	49.2	52.6
Other non-current and non-financial assets	93.2	114.2	139.3
Non-current receivables	11.3	11.3	18.7
Investments accounted through equity method	284.8	305.0	369.0
Intangible assets	96.7	96.7	84.9
Goodwill	73.5	66.3	65.1
Property, plant and equipment	7,773.1	7,810.2	6,971.4
Biological assets, non-current	3,308.6	3,374.6	3,363.6
Deferred tax assets	6.6	6.2	8.5
<b>Total Non-Current Assets</b>	<b>11,679.1</b>	<b>11,833.7</b>	<b>11,073.0</b>
<b>TOTAL ASSETS</b>	<b>15,281.8</b>	<b>15,663.6</b>	<b>14,211.5</b>
Other financial liabilities, current	557.5	544.4	504.6
Trade and other payables	696.8	696.7	584.3
Related party payables	4.5	8.1	10.9
Other provisions, current	1.3	1.3	0.4
Tax liabilities	1.9	7.2	143.2
Current provision for employee benefits	5.6	6.0	6.1
Other non-financial liabilities, current	115.2	118.3	314.8
<b>Total Current Liabilities</b>	<b>1,382.8</b>	<b>1,381.9</b>	<b>1,564.3</b>
Other non-current financial liabilities	4,951.3	5,191.2	3,676.2
Trade and Other payables non-current	2.2	2.6	0.0
Other provisions, non-current	31.8	34.1	32.7
Deferred tax liabilities	1,371.8	1,390.0	1,443.4
Non-current provision for employee benefits	65.1	69.0	70.1
Other non-financial liabilities, non-current	110.3	120.3	106.2
<b>Total Non-Current Liabilities</b>	<b>6,532.6</b>	<b>6,807.1</b>	<b>5,328.6</b>
Non-parent participation	35.7	37.7	36.5
<b>Net equity attributable to parent company</b>	<b>7,330.8</b>	<b>7,436.9</b>	<b>7,282.1</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>15,281.8</b>	<b>15,663.6</b>	<b>14,211.5</b>

## Cash Flow Statement

US\$ Million	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Receipts from sales of goods and rendering of services	1,536.2	1,549.4	1,517.8	4,462.7	4,442.1
Other cash receipts (payments)	124.8	52.0	51.3	241.1	124.2
Payments of suppliers and personnel (less)	(1,195.2)	(1,332.0)	(1,101.3)	(3,780.7)	(3,513.7)
Interest paid and received	(39.8)	(55.9)	(39.4)	(138.9)	(121.4)
Income tax paid	(50.9)	(210.0)	(40.8)	(273.5)	(60.2)
Other (outflows) inflows of cash, net	(1.3)	(1.7)	(2.4)	(4.8)	(3.9)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>373.8</b>	<b>1.8</b>	<b>385.2</b>	<b>505.9</b>	<b>867.1</b>
Capital Expenditures	(281.0)	(240.1)	(193.7)	(915.7)	(579.1)
Other investment cash flows	9.0	3.8	11.2	24.5	20.4
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(272.0)</b>	<b>(236.3)</b>	<b>(182.5)</b>	<b>(891.2)</b>	<b>(558.8)</b>
Proceeds from borrowings	58.2	1,081.9	163.8	1,146.2	445.5
Repayments of borrowings	(229.5)	(141.2)	(194.9)	(431.2)	(462.8)
Dividends paid	0.0	(182.1)	(0.2)	(182.1)	(114.7)
Other inflows of cash, net	(19.1)	(27.3)	(5.2)	(67.7)	(6.0)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(190.4)</b>	<b>730.4</b>	<b>(36.6)</b>	<b>465.2</b>	<b>(138.0)</b>
<b>Total Cash Inflow (Outflow) of the Period</b>	<b>(88.5)</b>	<b>495.8</b>	<b>166.1</b>	<b>79.9</b>	<b>170.4</b>
Effect of exchange rate changes on cash and cash equivalents	(20.1)	7.3	(3.1)	(13.6)	(25.5)
Cash and Cash equivalents at beginning of the period	1,250.9	747.8	571.8	1,075.9	589.9
<b>Cash and Cash Equivalents at end of the Period</b>	<b>1,142.2</b>	<b>1,250.9</b>	<b>734.8</b>	<b>1,142.2</b>	<b>734.8</b>

A vertical image on the left side of the page shows a stack of papers and a book spine. The papers are white and slightly textured, with some overlapping. The book spine is visible at the bottom, showing the binding. The background is black.

## Accounting Policies: IFRS 16

IFRS 16 includes changes in ARAUCO's accounting as lessee, by requiring a similar treatment than that of financial leases for all the leases that are currently classified as operational with an effective term exceeding 12 months. This means, in general terms, that it will be necessary to acknowledge an asset that represents the right of use over the goods that are subject to operational leasing agreements as well as a liability, equal to the present value of the payments associated to the agreement. Regarding the effects over the results, the payment of monthly leases shall be replaced by the depreciation for the asset's right of use and the acknowledgement of a financial expense.

ARAUCO recognized leases retroactively with the cumulative effect of the initial application of the standard recognized as of January 1, 2019, consistently with all leases where it acts a lessee.

ARAUCO has chosen not to recognize a liability and an asset for right-of-use for low value leases or whose term of the contract is 12 months or less.