

**ARAUCO**

**Press Release**  
**1Q 2020**



# 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\$1,127.2 million**

ARAUCO's revenues reached US\$1,127.2 million during the first quarter of 2020, a 6.2% decrease compared to the US\$1,202.3 million obtained during the fourth quarter of 2019 and a 18.8% decrease compared to the first quarter of 2019.

## NET INCOME

**-US\$29.7 million**

ARAUCO's net income was -US\$29.7 million, a reduction in losses equivalent to US\$62.3 million, compared to the -US\$92.0 million net income obtained during the fourth quarter of 2019, and a US\$155.8 million decrease compared to the first quarter of 2019.

## ADJUSTED EBITDA

**US\$194.6 million**

Adjusted EBITDA reached US\$194.6 million, a 7.8% or US\$16.5 million decrease compared to the US\$211.0 million obtained during the fourth quarter of 2019, and a 45.2% or US\$160.3 million decrease compared to the same period of 2019.

## NET DEBT TO EBITDA

**4.9x**

Net Financial Debt increased by US\$327.4 million or 7.3% compared to the last quarter.

Net Financial Debt / LTM Adjusted EBITDA ratio reached 4.9x in this quarter, an increase compared to 3.9x in the fourth quarter of 2019 and to the 2.3x reached in the first quarter of 2019.

## CAPEX

**US\$445.5 million**

CAPEX reached US\$445.5 million during this quarter, 2.6% or US\$11.3 million higher than the US\$434.3 million from the fourth quarter of 2019.

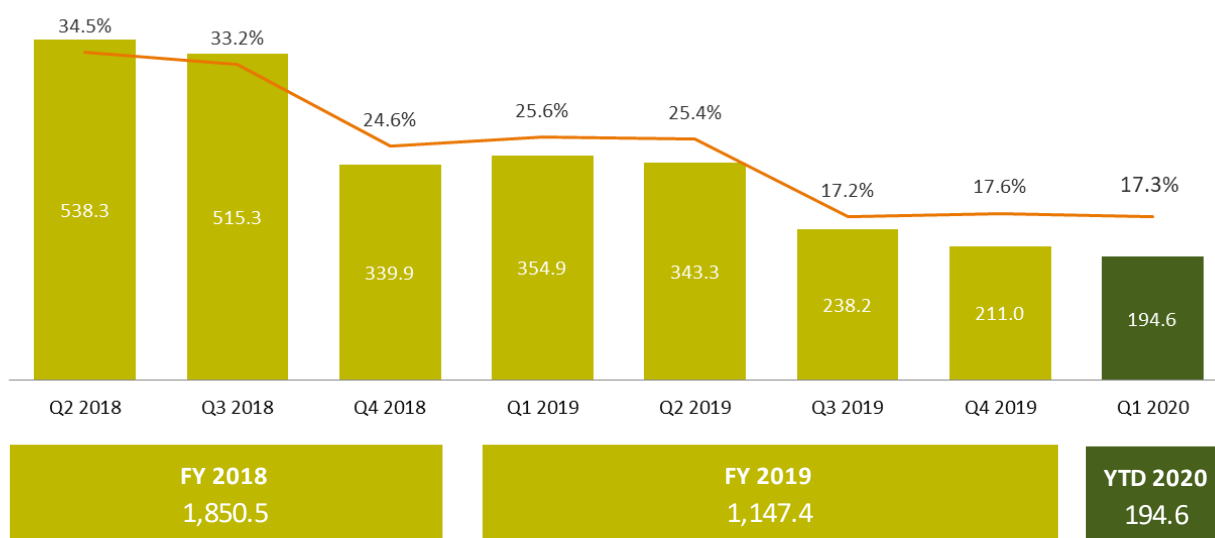
ARAUCO's first quarter 2020 net income was -US\$29.7 million, which translates to a decrease in losses of US\$62.3 million compared to the fourth quarter of 2019. This is mainly explained by a better operational result and lower *other expenses*. Our Adjusted EBITDA was 7.8% lower than the fourth quarter, reaching US\$194.6 million. Adjusted EBITDA margin decreased to 17.3% compared to the 17.6% of the fourth quarter.

## Overview

Net Financial Debt increased by US\$327.4 million or 7.3% compared to the last quarter. Our Net Debt/LTM EBITDA ended up in 4.9x, compared to the 3.9x reached in the fourth quarter of 2019.

In US\$ Million	Q1 2020	Q4 2019	Q1 2019	QoQ	YoY	YTD 2020	YTD 2019	YoY Acum
Revenue	1,127.2	1,202.3	1,380.9	-6.2%	-18.8%	1,127.2	1,388.2	-18.8%
Net income	(29.7)	(92.0)	70.1	-67.7%	-123.6%	(29.7)	126.1	-123.6%
Adjusted EBITDA	194.6	211.0	354.9	-7.8%	-45.2%	194.6	354.9	-45.2%
Adjusted EBITDA Margin	17.3%	17.6%	25.6%	-1.7%	-32.5%	17.3%	25.6%	-32.5%
LTM Adj. EBITDA	987.1	1,147.4	1,748.4	-14.0%	-43.5%	987.1	1,748.4	-43.5%
CAPEX	445.5	434.3	394.6	2.6%	12.9%	445.5	394.6	12.9%
Net Financial Debt	4,817.2	4,489.8	4,017.8	7.3%	19.9%	4,817.2	4,017.8	19.9%
Net Financial Debt / LTM Adj. EBITDA	4.9x	3.9x	2.3x	24.7%	112.4%	4.9x	2.3x	112.4%

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



# Income Statement

Net income shows a reduction in losses of 67.7% during the first quarter of 2020 reaching -US\$29.7 million. This is explained by better operational results compared to the last quarter, mainly due to a higher decrease in cost of sales than in revenues, particularly in our pulp (maintenance costs) and forestry business segments.

Additionally, *other expenses* decreased because of less *impairment provisions of property plant and equipment*.

In US\$ Million	Q1 2020	Q4 2019	QoQ
Revenues	1,127.2	1,202.3	-6.2%
Cost of sales	(843.6)	(950.2)	-11.2%
Distribution costs	(137.4)	(138.3)	-0.6%
Administrative expenses	(123.5)	(126.1)	-2.1%
Other income	55.2	58.8	-6.1%
Other expenses	(50.9)	(116.5)	-56.3%
Financial income	7.2	10.3	-29.7%
Financial costs	(71.8)	(80.9)	-11.3%
Share of profit (loss) of associates and joint ventures accounted for using equity method	1.6	3.9	-60.1%
Other income (loss)	0.0	21.7	-100.0%
Exchange rate differences	(3.4)	(13.0)	-73.6%
<b>Income before income tax</b>	<b>(39.5)</b>	<b>(128.1)</b>	<b>-69.2%</b>
Income tax	9.8	36.1	-73.0%
<b>Net income</b>	<b>(29.7)</b>	<b>(92.0)</b>	<b>-67.7%</b>

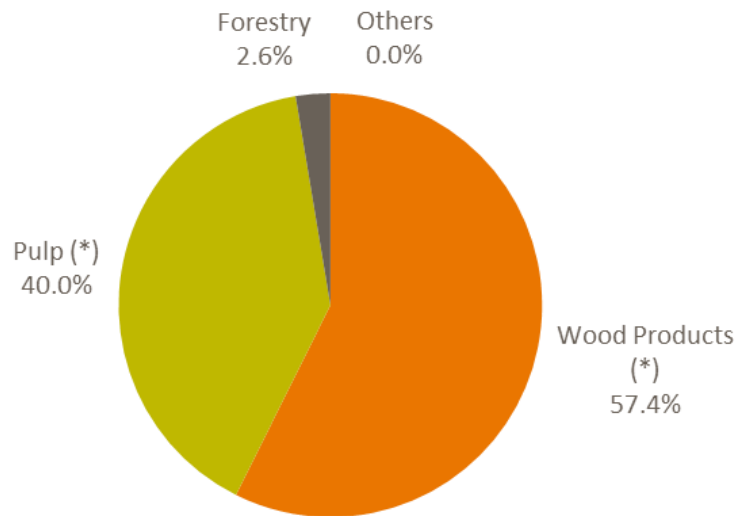
## Revenues

ARAUCO's revenues reached US\$1,127.2 million in the first quarter, a decrease of 6.2% when compared to the previous quarter. This variation is mainly explained by lower revenues in our pulp division, due to lower sales volume of 5.9% and lower average prices of 4.7%. Revenues in our wood products segment remained stable, only increasing 0.6% or US\$3.6 million.

The following table shows a breakdown of our revenues by business segment:

In US\$ Million	Q1 2020	Q4 2019	QoQ
Pulp(*)	450.9	526.7	-14.4%
Wood Products(*)	646.6	642.9	0.6%
Forestry	29.6	32.5	-8.9%
Others	0.1	0.1	-43.1%
<b>Total</b>	<b>1,127.2</b>	<b>1,202.3</b>	<b>-6.2%</b>

1Q 2020 Revenue's breakdown



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

## Cost of sales

Decreased by 11.2% or US\$106.7 million compared to the fourth quarter of 2019. This is primarily explained by lower timber costs, associated to a decrease in timber prices and purchased volumes.

Additionally, the decrease in maintenance costs is mainly because of less maintenance stoppages when compared to the previous quarter. Also, forestry labor costs decreased due to cost reductions in felling, transportation, processing and road construction.

In US\$ Million	Q1 2020	Q4 2019	QoQ
Timber	191.3	237.2	-19.4%
Forestry labor costs	107.5	118.5	-9.3%
Depreciation and amortization	98.3	101.8	-3.4%
Depreciation for right of use	14.9	16.4	-9.0%
Maintenance costs	58.9	75.0	-21.4%
Chemical costs	118.4	127.2	-6.9%
Sawmill services	27.9	30.7	-9.1%
Other raw materials and indirect costs	83.2	96.2	-13.6%
Energy and fuel	41.7	46.6	-10.5%
Cost of electricity	8.8	8.1	8.5%
Wage, salaries and severance indemnities	92.6	92.5	0.2%
<b>Cost of Sales</b>	<b>843.6</b>	<b>950.2</b>	<b>-11.2%</b>

## Administrative expenses

Decreased by 2.1% or US\$2.6 million compared to the previous quarter, mainly due to a decrease in *other administration expenses* due to lower travel expenses. Additionally, computer services expenses decreased because of less software licenses payments. This was partially offset by a 14.4% increase in *wages, salaries and severance indemnities* equivalent to US\$6.7 million, mainly as a result of adjustments to bonus provisions during the past quarter, and new provisions made during this quarter.

In US\$ Million	Q1 2020	Q4 2019	QoQ
Wages, salaries and severance indemnities	53.5	46.7	14.4%
Marketing, advertising, promotion and publications expenses	3.4	2.9	15.0%
Insurance	5.7	5.0	13.7%
Depreciation and amortization	7.6	8.3	-7.9%
Depreciation for the right of use	2.8	3.3	-16.7%
Computer services	5.3	8.9	-40.1%
Lease rentals (offices, warehouses and machinery)	1.5	1.2	26.1%
Donations, contributions, scholarships	2.6	2.5	4.1%
Fees (legal and technical advisories)	9.3	11.4	-18.3%
Property taxes, patents and municipality rights	3.9	2.9	33.4%
Other administration expenses	27.9	32.9	-15.1%
<b>Administrative Expenses</b>	<b>123.5</b>	<b>126.1</b>	<b>-2.1%</b>

## Distribution costs

Distribution costs remained stable. There were no significant variations related to distribution costs during this quarter.

In US\$ Million	Q1 2020	Q4 2019	QoQ
Commissions	3.1	2.5	25.6%
Insurance	0.8	0.7	19.7%
Other selling costs	4.7	3.8	26.0%
Port services	8.6	9.3	-7.3%
Freights	110.3	110.4	-0.1%
Depreciation for the right of use	0.4	0.4	-5.7%
Other shipping and freight costs	9.4	11.2	-16.3%
<b>Distribution Costs</b>	<b>137.4</b>	<b>138.3</b>	<b>-0.6%</b>

## Other income

Decreased by 6.1% equivalent to US\$3.6 million, mainly explained by other operating results which decreased due to a provision reversal occurred during the previous quarter, and due to lower gains on sales of assets due to one-time effects during the past quarter. This was partially offset by an increase in *gains from changes in fair value of biological assets*.

In US\$ Million	Q1 2020	Q4 2019	QoQ
Gain from changes in fair value of biological assets	52.0	44.2	17.7%
Net income from insurance compensation	0.0	0.8	-97.4%
Leases received	0.3	0.3	0.3%
Gains on sales of assets	1.5	4.1	-63.8%
Gain on sales of associates	-	-	
Other operating results	1.4	9.4	-85.4%
<b>Other Income</b>	<b>55.2</b>	<b>58.8</b>	<b>-6.1%</b>

## Other expenses

Decreased by US\$65.6 million or 56.3% compared to the previous quarter, primarily due to a decrease in *impairment provisions of property, plant and equipment and others* due to provisions made during the previous quarter related to some of our North American panel mills. The provisions made during this quarter are mostly related to the Line 1 of the Arauco mill, which will be shut down once the Line 3 starts its operations.

In US\$ Million	Q1 2020	Q4 2019	QoQ
Legal payments	1.4	2.3	-40.0%
Impairment provision property, plant and equipment and others	18.1	87.1	-79.3%
Operating expenses related to plant stoppages	13.1	11.4	14.7%
Project expenses	3.6	3.9	-8.5%
Loss (gain) from asset sales	0.9	2.8	-66.7%
Loss and repair of assets	2.5	0.6	310%
Provision for forestry fire losses	5.1	1.3	279.6%
Other taxes	3.9	4.8	-19.1%
Research and development expenses	0.5	0.9	-44.9%
Other expenses (donations, repayments insurance)	1.9	1.2	57.3%
<b>Other expenses</b>	<b>50.9</b>	<b>116.5</b>	<b>-56.3%</b>

## Foreign exchange differences

Showed a net loss of US\$3.4 million, a US\$9.6 million reduction when compared to the fourth quarter that ended with a US\$13.0 million loss.

The main significant effects are given by the variation of the currencies of the countries where we have industrial operations. These currency variations affected our cash and cash equivalents as measured in US dollar.

## Income tax

For the fourth quarter, income tax reached US\$9.8 million, US\$26.3 million lower than the US\$36.1 million gain in the previous quarter. This gain is mainly due to this quarter's negative income before tax.



# Adjusted EBITDA

Adjusted EBITDA for the first quarter of 2020 was US\$194.6 million. In terms of Adjusted EBITDA by business, the most significant variation was in our pulp division with an increase of 17.7% or US\$12.0 million. This was mostly related to lower maintenance costs when compared to the previous quarter. This was partially offset by a decrease in the Adjusted EBITDA of our wood products and forestry divisions of 10.3% and 0.8% respectively.

In US\$ Million	Q1 2020	Q4 2019	Q1 2019	QoQ	YoY
Net Income	(29.7)	(92.0)	126.1	-67.7%	-123.6%
Financial costs	71.8	80.9	57.4	-11.3%	25.1%
Financial income	(7.2)	(10.3)	(6.7)	-29.7%	6.8%
Income tax	(9.8)	(36.1)	15.1	-73.0%	-164.6%
<b>EBIT</b>	<b>25.1</b>	<b>(57.4)</b>	<b>191.8</b>	<b>-143.7%</b>	<b>-86.9%</b>
Depreciation & amortization	125.4	132.5	124.7	-5.3%	0.6%
<b>EBITDA</b>	<b>150.5</b>	<b>75.1</b>	<b>316.5</b>	<b>100.5%</b>	<b>-52.4%</b>
Fair value cost of timber harvested	67.0	78.7	74.8	-14.8%	-10.4%
Gain from changes in fair value of biological assets	(52.0)	(44.2)	(37.0)	17.7%	40.7%
Exchange rate differences	3.4	13.0	(2.1)	-73.6%	-261.1%
Others (*)	25.6	88.5	2.6	-71.0%	875.1%
<b>Adjusted EBITDA</b>	<b>194.6</b>	<b>211.0</b>	<b>354.9</b>	<b>-7.8%</b>	<b>-45.2%</b>

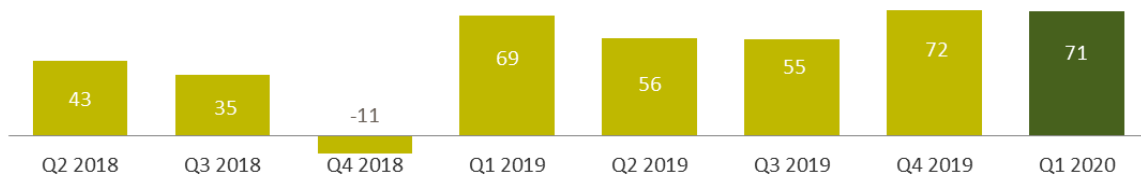
(\*) Includes provision from forestry fires and provisions from property, plants and equipment, and others

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



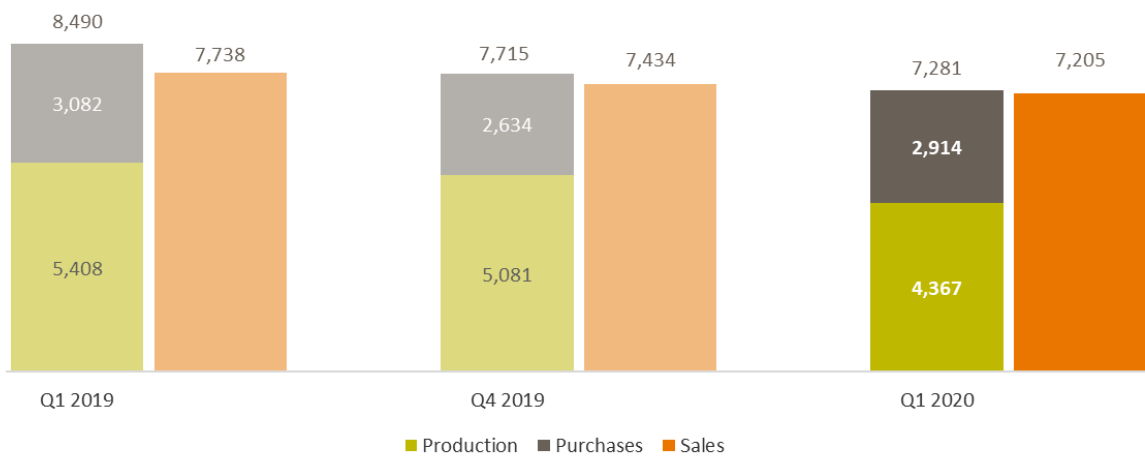
# Forestry Business

The Adjusted EBITDA for our forestry business was US\$71.3 million for the first quarter, which translates to a US\$0.6 million decrease compared to the previous quarter.



The production during the fourth quarter was 4.4 million m<sup>3</sup>, 16.3% down compared to the previous quarter. Sales volume reached 7.2 million m<sup>3</sup>, a decrease of 3.2% compared to the last quarter.

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



# Pulp Business

The first quarter of 2020 was challenging, especially due to the effects 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 because of the shutdown of offices, schools and universities. Global inventories for long fiber pulp remained stable, yet those of short fiber increased on a quarterly basis (although not reaching 1Q 2019 levels). All of this led to prices remaining stable for both fibers in most of the markets we take part in.

Global Pulp Demand Change		
North America	▼	-7.1%
West Europe	▬	1.3%
China	▲	10.6%
Others	▲	7.6%
<b>Total</b>	▲	<b>4.3%</b>

*Last 2 months, Jan-Feb 2019 and 2020*

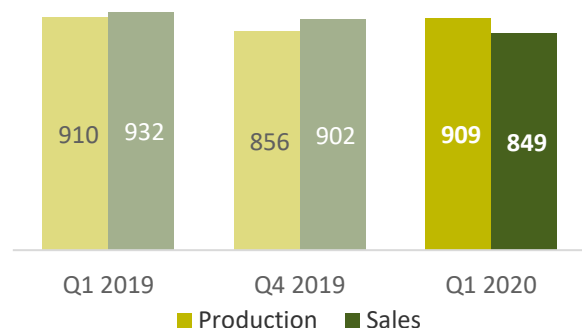
Source: World-20 Bleached Chemical Pulp Demand. Hawkins Wright Report

In China, the quarter began with a positive trend in terms of demand prior to the Chinese New Year. During those festivities, the COVID-19 breakout led to a prolonged holiday as well as quarantines across the country in order to prevent movements of people. This generated disruptions to supply chains which, nevertheless, didn't have any major impact on our sales. The market showed positive signs up until mid-March, when demand for P&W paper and specialties started to decline associated to lower economic activity both in domestic and export markets.

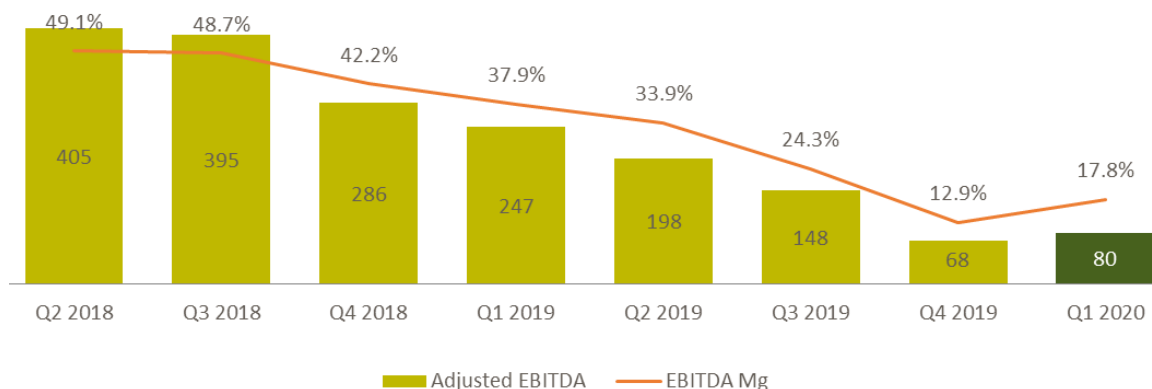
In Europe, the quarter began with a strong demand even with some clients asking to anticipate deliveries. During March, the COVID-19 broke out in Italy to then expand to other countries. As in other markets, demand for tissue remained strong. This contrasts with the demand for P&W which fell, with clients announcing plant stoppages and production cuts. Prices remained stable throughout the quarter, with a slight decrease at the end of it.

Production increased during the quarter by 6.1% or approximately 52 th. tonnes, mainly due to less maintenance stoppages during this quarter. This increase was partially offset by the Licancel mill stoppage, which wasn't operating since December 2019, because of low water flow in the Mataquito river. This mill resumed operations on March 20<sup>th</sup>. During this period, we also undertook the annual maintenance stoppage of the mentioned mill. Additionally, the Constitución mill undertook its annual maintenance stoppage (6 days). Moreover, both production lines of our Arauco mill had to stop because of a quarantine required by the health authorities because a contractor's employee tested positive for COVID-19 in the canteen. Line 2 was stopped for 5 days, and Line 1 for nearly a month as we anticipated our annual maintenance stoppage initially programmed for June 2020.

Production and Sales Volume (In thousand tonnes)



The Adjusted EBITDA for our pulp business reached US\$80.2 million during this quarter, which translates to a 17.7% or US\$12.0 million increase compared to the fourth quarter 2019. Pulp EBITDA Mg reached 17.8%, 4.8% up from the last quarter.



Days of Stoppages

Mill	2019		2020	
	3Q	4Q	1Q	2Q
Arauco - Line 1			19	6
Arauco - Line 2			13	5
Constitución				6
Licancel			67	9
Nueva Aldea				6
Valdivia		60		
Alto Paraná				
Montes del Plata		12		

Maintenance Stoppages:

Finished  
Planned

Non-operational Stoppages:

COVID-19  
Water Shortage

# Wood Products Business

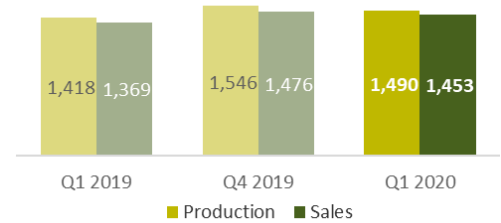
## Panels

Sales decreased compared to the fourth quarter, with sales volume and prices decreasing by 1.6% and 1.5%, respectively.

During the beginning of the first quarter the Latin American market showed encouraging signs, but the impact of COVID-19 has been significant in the region due to ongoing quarantines in some countries. This started to affect our sales at the end of March, and uncertainty going forward remains.

In the US and Canada sales volumes and prices remained stable.

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

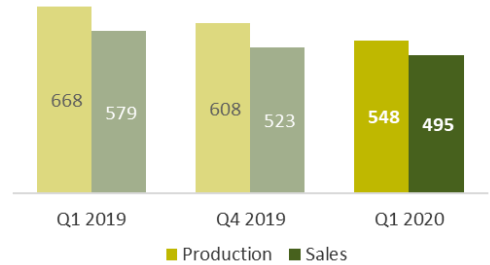


## Sawn timber

During the first quarter, sales volume and prices were similar to the previous quarter. Even as we noted signs of recovery from Asian markets, total sales volume decreased by 3.4% compared to the last quarter.

Results for remanufactured wood products were stable. We were able to capture additional market share in part due to competitors facing possible tariffs, and a generalized supply deficit.

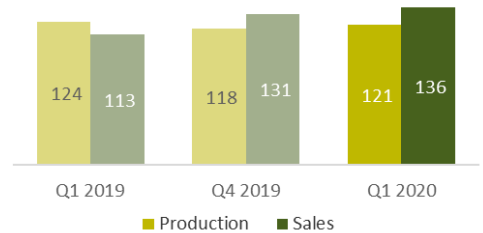
**Production and Sales Volume: Sawn Timber<sup>(2)</sup>**  
(In thousand m<sup>3</sup>)



## Plywood

Sales volume increased by 4.1% during the first quarter. The year began with an improvement in some markets with respect to the previous quarter. In terms of supply, we have noted competitors leaving the market due to low profitability.

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



(1) Includes OSB and HB.

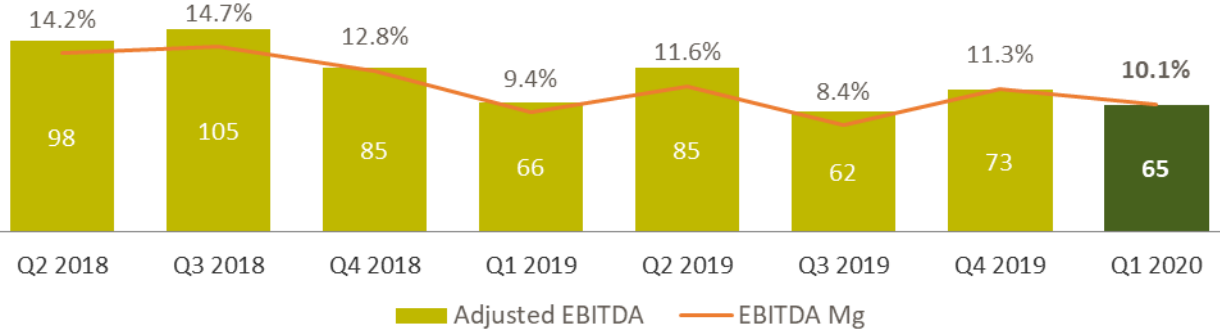
(2) Includes sawn timber, kilned sawn timber, remanufactured wood products, pallets.

Note: Sales include trading



Adjusted EBITDA for our wood products business reached US\$65.4 million during the first quarter of 2020, which translates to a 10.3% or US\$7.5 million decrease, compared to the fourth quarter.

Wood products EBITDA Mg was 10.1%, lower than the 11.3% reached in the fourth quarter.



# Capital Expenditures

During this quarter, capital expenditures reached US\$445.5 million, US\$11.2 million or 2.6% higher than the previous quarter.

This was mainly due to a 2.6% or US\$8.9 million increase in *purchase and sale of property, plant and equipment*, mostly related to the ongoing MAPA project.

Our main project-related expenditures during the first quarter were:

MAPA Project: US\$213.8 million

Dissolving Pulp Project: US\$13.3 million

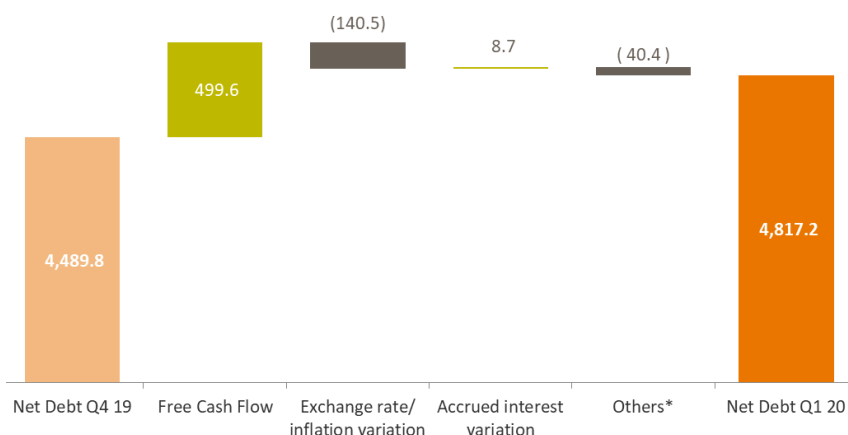
US\$ Million	Q1 2020	Q4 2019	Q1 2019	YTD 2020	FY 2019
Cash flow used to obtain control of subsidiaries or other businesses	-	(0.6)	150.8	-	69.2
Cash flow used to purchase in associates	15.1	(0.1)	0.5	15.1	0.6
Purchase and sale of property, plant and equipment	356.8	347.9	165.9	356.8	1,000.4
Purchase and sale of intangible assets	6.1	16.8	3.6	6.1	32.0
Purchase of other long-term assets	67.5	70.1	73.9	67.5	247.8
<b>Total CAPEX</b>	<b>445.5</b>	<b>434.3</b>	<b>394.6</b>	<b>445.5</b>	<b>1,350.0</b>

# Free Cash Flow

During the first quarter, free cash flow decreased by US\$212.0 million compared to the previous quarter, ending with a deficit of US\$499.6 million. Cash provided by operating activities decreased by US\$182.7 million mainly due to *working capital variation*, and a decrease in Adjusted EBITDA. Cash used in investment activities remained stable increasing by 2.4% or US\$10.3 million. Cash used in financing activities decreased by 8.9% or US\$2.1 million.

US\$ Million	Q1 2020	Q4 2019	Q1 2019
Adjusted EBITDA	194.6	211.0	354.9
Working Capital Variation	(87.7)	121.4	(70.9)
Interest paid and received	(35.3)	(97.4)	(43.5)
Income tax paid	(55.5)	(56.4)	(28.1)
Other cash inflows (outflows)	(31.8)	(11.7)	(82.2)
<b>Cash from Operations</b>	<b>(15.7)</b>	<b>167.0</b>	<b>130.3</b>
Capex	(445.5)	(434.3)	(394.6)
Proceeds from investment activities	5.7	5.3	5.5
Other inflows of cash, net	2.9	2.5	6.2
<b>Cash from (used in) Investment Activities</b>	<b>(436.9)</b>	<b>(426.5)</b>	<b>(382.9)</b>
Dividends paid	-	-	-
Other inflows of cash, net	(21.2)	(23.2)	(21.3)
<b>Cash from (used in) Financing Activities - Net of Proceeds and Repayments</b>	<b>(21.2)</b>	<b>(23.2)</b>	<b>(21.3)</b>
Effect of exchange rate changes on cash and cash equivalents	(25.9)	(4.9)	(0.7)
<b>Free Cash Flow</b>	<b>(499.6)</b>	<b>(287.7)</b>	<b>(274.7)</b>

Net Debt Variation Q1 2020 – Q4 2019 (in US\$ million)



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



# Financial Debt and Cash

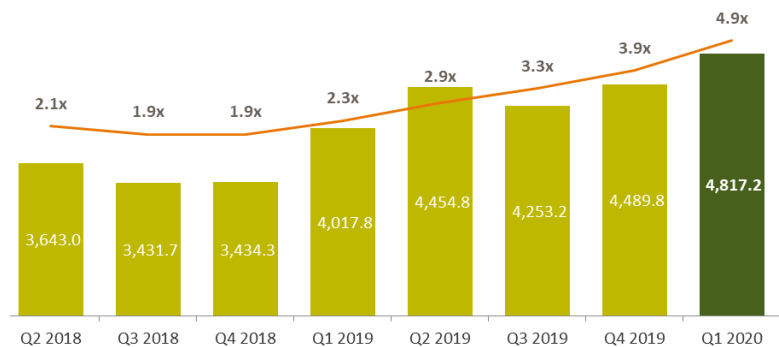
ARAUCO 's total financial debt as of March 31, 2020 reached US\$5,972.7 million, a decrease of 1.3% or US\$77.1 million when compared to December 31, 2019.

Our consolidated net financial debt increased 7.3% or US\$327.4 million when compared with December 2019, while cash and cash equivalents decreased by US\$404.6 million.

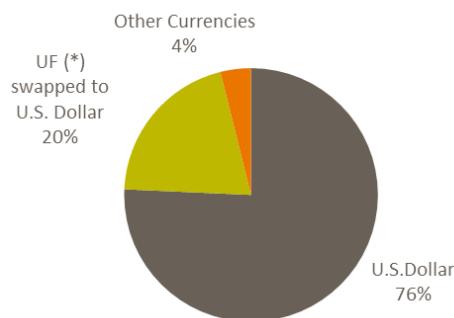
Our leverage, measured as Net Financial Debt/LTM Adjusted EBITDA was 4.9x, which compares to the 3.9x in the last quarter.

In US\$ Million	Mar 2020	Dec 2019	Mar 2019
Short term financial debt	639.6	529.2	576.2
Long term financial debt	5,333.1	5,520.6	4,189.3
<b>TOTAL FINANCIAL DEBT</b>	<b>5,972.7</b>	<b>6,049.8</b>	<b>4,765.5</b>
Cash and cash equivalents	1,155.5	1,560.0	747.8
<b>NET FINANCIAL DEBT</b>	<b>4,817.2</b>	<b>4,489.8</b>	<b>4,017.8</b>
LTM Adjusted EBITDA	987.1	1,147.4	1,748.4

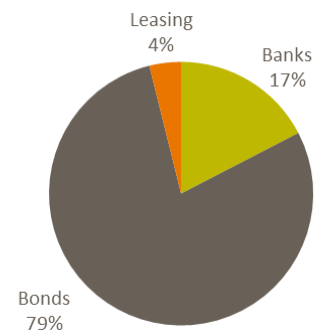
Net Financial Debt and Leverage (In US\$ Million)



Debt by Currency



Debt by Instrument



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

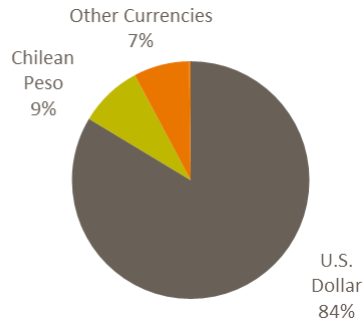


## Cash

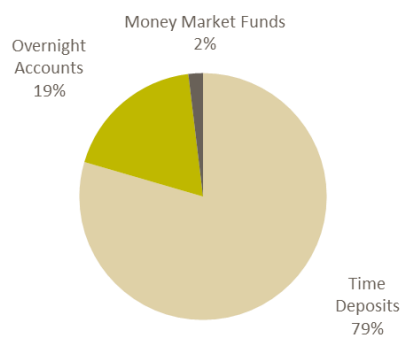
Our cash position was US\$1,155.5 million at the end of the first quarter, which translates to a 25.9% decrease or US\$404.6 million when compared to the end of the fourth quarter of 2019. Cash provided by operating activities decreased by US\$182.7 million, mainly due to a decrease in sales. Cash provided by financing activities decreased by US\$608.3 million or 89.2% mainly because during the previous quarter we issued US\$1,000 million through a sustainable US bond.

In terms of liquidity, and additionally to our strong cash position, the Company has a committed credit facility for a total amount of US\$375 million, which as of the date of this report hasn't been withdrawn. This facility is due in February 2025.

Cash by Currency



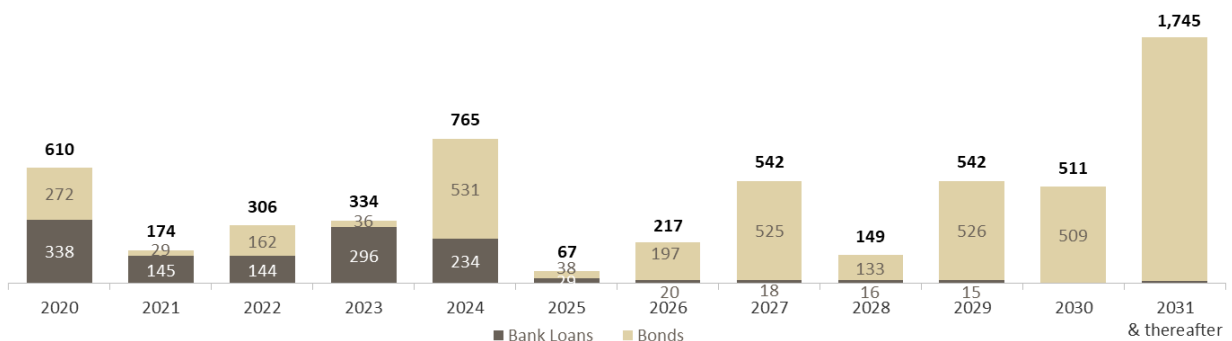
Cash by Instrument



## Financial Debt Profile

For the remainder of 2020, bank and bond obligations (which include accrued interest) sum up US\$609.9 million. Bank obligations include the following maturities: US\$140.5 million in Chile (Pre-export financing), US\$129.2 million of loans for Montes del Plata, US\$60.1 million in leasing, US\$5.3 million of loans in the United States and US\$3.6 million of our Brazilian subsidiaries. Bond obligations for the remainder of the year sum up US\$272.1 million. Amortization payments for local bonds amount to US\$206.0 million, which include the final amortization payment of US\$167.8 million for the BARAU-J on September, and amortization of 2 local bonds (BARAU-F and BARAU-Q).

Debt Amortization Profile as of March 31, 2020 (In US\$ Million)



# First Quarter

## Subsequent Events and News

### **COVID-19** *update*

During March 2020, our industrial activities were declared as essential businesses by the authorities in most of the countries where we have operations.

We have implemented enhanced health and safety protocols in all our facilities in order to prevent COVID-19 contagions. These include social distancing, body temperature measurement, home office policies, limiting the number of people in meetings, preventive testing, increasing workplace sanitation frequency, suspending domestic and international travels, among others. We have also requested our contractors, including those of the MAPA project, to take similar measures. These efforts have been further extended to support local communities and hospitals with medical devices and a wide range of sanitary and health related actions.

### **Capital Increase**

On April 28, 2020, the ARAUCO Board of Directors agreed to convene an Extraordinary Shareholder's Meeting to be held on May 19, 2020, for such Shareholders' Meeting to decide on 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 proposed for the capital increase, it is estimated that US\$250 million will be required to be paid during 2020, while the remaining US\$450 million could be paid during the course of 2021, depending on the required resources in such 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 is observed worldwide as a result of the COVID-19 pandemic.

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

The Dissolving Pulp Project was completed as of February 2020.

The start-up is expected by June 2020. Originally it was programmed for January 2020 but was delayed as a precautionary measure to start production closer to the autumn/winter when water flow of the Cruces River usually increases. Total investment for this brownfield project was approximately US\$200 million.

### **MAPA Project** *update*

MAPA Project progress as of the end of April 2020 was 48.6%.

During this quarter, we started a 14-day adjustment process in construction activities in order to enhance the health and safety protocols to prevent possible contagions of COVID-19 among the workers. On April 6th this adjustment process was finished, and enhanced health and safety 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 during the second quarter of 2021. At that point the existing eucalyptus line (Line 1) will be permanently shut down.

### **North American Mills** *update*

On April 22, 2020, we announced that we will be ending operations of our Bennettsville MDF mill effective May 18, 2020. The reasons of this difficult decision are related to our permanent efforts to maintain and enhance the operational efficiency of our mills. This mill was built in 1991 and has a production capacity of 251,000 m<sup>3</sup> of MDF.

### **Forestry Fires** *update*

During the 2019-2020 forestry fire season the area affected reached 2,700 hectares, which had a fair value of approximately US\$5 million. This compares to 1,347 hectares affected during the 2018-2019 forestry fire season.

## UPCOMING EVENTS

### CONFERENCE CALL

May 20, 2020

12:00 Santiago Time

12:00 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

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# Financial Statements

## Income Statement

In US\$ Million	Q1 2020	Q4 2019	Q1 2019	YTD 2020	YTD 2019
Revenues	1,127.2	1,202.3	1,388.2	1,127.2	1,388.2
Cost of sales	(843.6)	(950.2)	(941.9)	(843.6)	(941.9)
<b>Gross profit</b>	<b>283.6</b>	<b>252.1</b>	<b>446.3</b>	<b>283.6</b>	<b>446.3</b>
Other income	55.2	58.8	45.5	55.2	45.5
Distribution costs	(137.4)	(138.3)	(142.9)	(137.4)	(142.9)
Administrative expenses	(123.5)	(126.1)	(141.3)	(123.5)	(141.3)
Other expenses	(50.9)	(116.5)	(22.3)	(50.9)	(22.3)
Financial income	7.2	10.3	6.7	7.2	6.7
Financial costs	(71.8)	(80.9)	(57.4)	(71.8)	(57.4)
Share of profit (loss) of associates and joint ventures accounted for using equity method	1.6	3.9	4.4	1.6	4.4
Other income (loss)	0.0	21.7	0.0	0.0	0.0
Exchange rate differences	(3.4)	(13.0)	2.1	(3.4)	2.1
<b>Income before income tax</b>	<b>(39.5)</b>	<b>(128.1)</b>	<b>141.2</b>	<b>(39.5)</b>	<b>141.2</b>
Income tax	9.8	36.1	(15.1)	9.8	(15.1)
<b>Net income</b>	<b>(29.7)</b>	<b>(92.0)</b>	<b>126.1</b>	<b>(29.7)</b>	<b>126.1</b>
Profit attributable to parent company	(29.5)	(91.9)	125.8	(29.5)	125.8
Profit attributable to non-parent company	(0.2)	(0.1)	0.3	(0.2)	0.3

## Balance Sheet

In US\$ Million	31-03-2020	31-12-2019	31-03-2019
Cash and cash equivalents	1,155.5	1,560.0	747.8
Other financial current assets	52.6	3.4	1.3
Other current non-financial assets	174.9	174.1	223.1
Trade and other receivables-net	667.4	642.3	930.4
Related party receivables	15.2	17.5	5.0
Inventories	1,055.2	1,053.9	1,094.6
Biological assets, current	260.7	275.8	317.1
Tax assets	247.2	200.0	40.0
Non-Current Assets classified as held for sale	4.3	4.4	5.8
<b>Total Current Assets</b>	<b>3,633.1</b>	<b>3,931.4</b>	<b>3,365.0</b>
Other non-current financial assets	0.1	9.4	26.7
Other non-current and non-financial assets	126.9	112.4	88.5
Non-current receivables	8.6	9.5	12.0
Investments accounted through equity method	288.1	293.1	353.6
Intangible assets	104.1	106.3	95.1
Goodwill	59.3	65.8	65.8
Property, plant and equipment	7,943.2	7,932.6	7,651.3
Biological assets, non-current	3,347.8	3,393.6	3,366.2
Deferred tax assets	6.4	6.1	5.6
<b>Total Non-Current Assets</b>	<b>11,884.5</b>	<b>11,928.6</b>	<b>11,664.6</b>
<b>TOTAL ASSETS</b>	<b>15,517.6</b>	<b>15,860.0</b>	<b>15,029.6</b>
Other financial liabilities, current	647.2	530.1	577.0
Trade and other payables	614.5	673.1	741.0
Related party payables	4.0	8.9	11.3
Other provisions, current	1.2	1.3	1.3
Tax liabilities	2.6	2.2	162.3
Current provision for employee benefits	5.3	6.0	5.8
Other non-financial liabilities, current	34.8	40.1	279.8
<b>Total Current Liabilities</b>	<b>1,309.5</b>	<b>1,261.5</b>	<b>1,778.5</b>
Other non-current financial liabilities	5,716.3	5,654.0	4,244.6
Trade and Other payables non-current	2.2	2.2	2.2
Other provisions, non-current	31.1	31.8	33.7
Deferred tax liabilities	1,316.3	1,360.2	1,386.7
Non-current provision for employee benefits	62.1	69.5	67.5
Other non-financial liabilities, non-current	88.0	111.4	115.3
<b>Total Non-Current Liabilities</b>	<b>7,216.0</b>	<b>7,229.1</b>	<b>5,850.0</b>
Non-parent participation	30.1	35.0	37.3
<b>Net equity attributable to parent company</b>	<b>6,962.0</b>	<b>7,334.4</b>	<b>7,363.9</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>15,517.6</b>	<b>15,860.0</b>	<b>15,029.6</b>

## Cash Flow Statement

US\$ Million	Q1 2020	Q4 2019	Q1 2019	YTD 2020	YTD 2019
Receipts from sales of goods and rendering of services	1,122.8	1,450.7	1,377.2	1,122.8	1,377.2
Other cash receipts (payments)	75.1	78.2	63.8	75.1	63.8
Payments of suppliers and personnel (less)	(1,121.8)	(1,206.8)	(1,237.4)	(1,121.8)	(1,237.4)
Interest paid and received	(35.3)	(97.4)	(43.5)	(35.3)	(43.5)
Income tax paid	(55.5)	(56.4)	(28.1)	(55.5)	(28.1)
Other (outflows) inflows of cash, net	(1.1)	(1.4)	(1.8)	(1.1)	(1.8)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(15.7)</b>	<b>167.0</b>	<b>130.3</b>	<b>(15.7)</b>	<b>130.3</b>
Capital Expenditures	(445.5)	(434.3)	(394.6)	(445.5)	(394.6)
Other investment cash flows	8.6	7.7	11.7	8.6	11.7
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(436.9)</b>	<b>(426.5)</b>	<b>(382.9)</b>	<b>(436.9)</b>	<b>(382.9)</b>
Proceeds from borrowings	140.0	996.2	7.0	140.0	7.0
Repayments of borrowings	(44.9)	(290.8)	(60.5)	(44.9)	(60.5)
Dividends paid	0.0	0.0	0.0	0.0	0.0
Other inflows of cash, net	(21.2)	(23.2)	(21.3)	(21.2)	(21.3)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>73.9</b>	<b>682.2</b>	<b>(74.7)</b>	<b>73.9</b>	<b>(74.7)</b>
<b>Total Cash Inflow (Outflow) of the Period</b>	<b>(378.7)</b>	<b>422.6</b>	<b>(327.4)</b>	<b>(378.7)</b>	<b>(327.4)</b>
Effect of exchange rate changes on cash and cash equivalents	(25.9)	(4.9)	(0.7)	(25.9)	(0.7)
Cash and Cash equivalents at beginning of the period	1,560.0	1,142.2	1,075.9	1,560.0	1,075.9
<b>Cash and Cash Equivalents at end of the Period</b>	<b>1,155.5</b>	<b>1,560.0</b>	<b>747.8</b>	<b>1,155.5</b>	<b>747.8</b>