

**ARAUCO**

**Press Release**  
**4Q 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\$1,202.3 million**

ARAUCO's revenues reached US\$1,202.3 million during the fourth quarter of 2019, a 13.3% decrease compared to the US\$1,387.2 million obtained during the third quarter of 2019 and a 12.9% decrease compared to the fourth quarter of 2018.

## NET INCOME

**-US\$92.0 million**

ARAUCO's net income was -US\$92.0 million, a decrease, equivalent to US\$62.4 million, compared to the US\$29.6 million net loss obtained during the third quarter of 2019, and a US\$162.1 million decrease compared to the fourth quarter of 2018.

## ADJUSTED EBITDA

**US\$211.0 million**

Adjusted EBITDA reached US\$211.0 million, a 11.4% or US\$27.1 million decrease compared to the US\$238.2 million obtained during the third quarter of 2019, and a 37.9% or US\$128.9 million decrease compared to the same period of 2018.

## NET DEBT TO EBITDA

**3.9x**

Net Financial Debt increased by US\$236.6 million or 5.6% compared to the last quarter.

Net Financial Debt / LTM Adjusted EBITDA ratio reached 3.9x in this quarter, an increase compared to 3.3x in the third quarter of 2019 and to the 1.9x reached in the fourth quarter of 2018.

## CAPEX

**US\$434.3 million**

CAPEX reached US\$434.3 million during this quarter, 54.6% or US\$153.3 million higher than the US\$281.0 million from the third quarter of 2019.

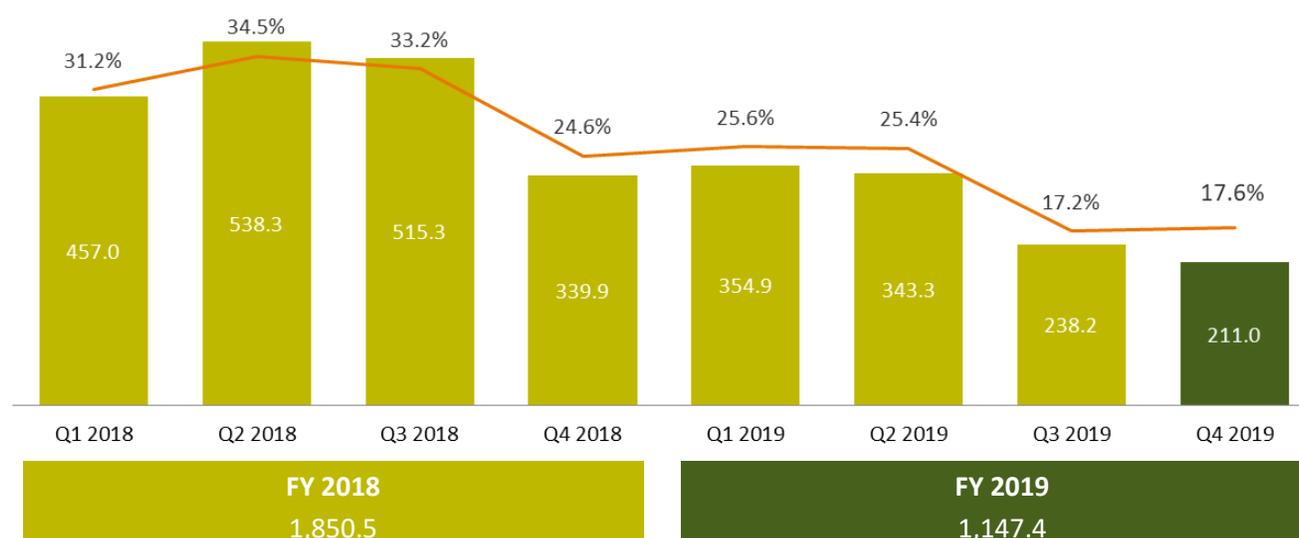
ARAUCO's fourth quarter 2019 net income was -US\$92.0 million, which translates to a US\$62.4 million decrease compared to the third quarter of 2019. This is mainly explained by a decrease in pulp sales volume of 15.2% and average prices of 3.0%, and also to a decrease in wood products sales volume and average prices of 7.7% and 0.9% respectively. Our Adjusted EBITDA was 11.4% lower than the third quarter, reaching US\$211.0 million. Adjusted EBITDA margin increased to 17.6% compared to the 17.2% of the third quarter.

## Overview

Net Financial Debt increased by US\$236.6 million or 5.6% compared to the last quarter. Our Net Debt/LTM EBITDA ended up in 3.9x, higher than the 3.3x reached in the third quarter of 2019.

In US\$ Million	Q4 2019	Q3 2019	Q4 2018	QoQ	YoY	FY 2019	FY 2018	YoY Acum
Revenue	1,202.3	1,387.2	1,380.9	<b>-13.3%</b>	-12.9%	5,329.2	5,954.8	-10.5%
Net income	(92.0)	(29.6)	70.1	<b>210.7%</b>	-231.1%	62.0	726.8	-91.5%
Adjusted EBITDA	211.0	238.2	339.9	<b>-11.4%</b>	-37.9%	1,147.4	1,850.5	-38.0%
Adjusted EBITDA Margin	17.6%	17.2%	24.6%	<b>2.2%</b>	-28.7%	21.5%	31.1%	-30.7%
LTM Adj. EBITDA	1,147.4	1,276.3	1,850.5	<b>-10.1%</b>	-38.0%	1,147.4	1,850.5	-38.0%
CAPEX	434.3	281.0	341.6	<b>54.6%</b>	27.1%	1,350.0	920.7	46.6%
Net Financial Debt	4,489.8	4,253.2	3,434.3	<b>5.6%</b>	30.7%	4,489.8	3,434.3	30.7%
Net Financial Debt / LTM Adj. EBITDA	3.9x	3.3x	1.9x	<b>17.4%</b>	110.9%	3.9x	1.9x	110.9%

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



# Income Statement

Net income decreased by 210.7% during the fourth quarter of 2019 reaching -US\$92.0 million. This is mainly explained by lower revenues in the wood products and pulp businesses. Additionally, other expenses were higher due to impairment provisions. This was partially offset by lower cost of sales and distribution costs.

In US\$ Million	Q4 2019	Q3 2019	QoQ
Revenues	1,202.3	1,387.2	-13.3%
Cost of sales	(950.2)	(1,054.3)	-9.9%
Distribution costs	(138.3)	(160.4)	-13.8%
Administrative expenses	(126.1)	(140.4)	-10.2%
Other income	58.8	41.6	41.4%
Other expenses	(116.5)	(37.2)	213.4%
Financial income	10.3	7.5	37.0%
Financial costs	(80.9)	(65.8)	23.0%
Share of profit (loss) of associates and joint ventures accounted for using equity method	3.9	(5.8)	-167.4%
Other income (loss)	21.7	0.0	-
Exchange rate differences	(13.0)	(12.3)	5.8%
<b>Income before income tax</b>	<b>(128.1)</b>	<b>(39.9)</b>	<b>220.8%</b>
Income tax	36.1	10.3	249.5%
<b>Net income</b>	<b>(92.0)</b>	<b>(29.6)</b>	<b>210.7%</b>

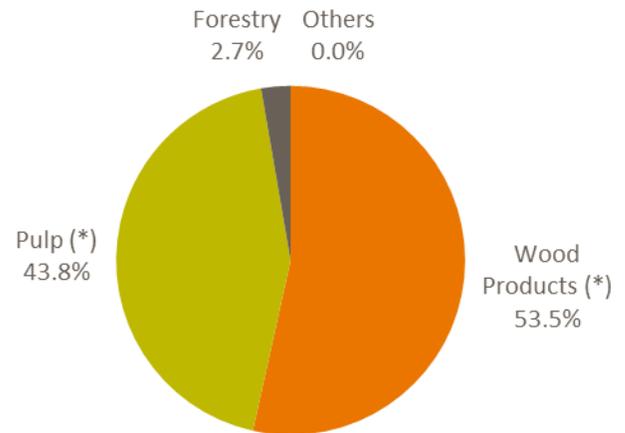
## Revenues

ARAUCO's revenues reached US\$1,202.3 million in the fourth quarter, a decrease of 13.3% when compared to the third quarter. This variation is mainly explained by lower revenues in our (i) wood products division, due to lower sales volume of 7.7% and lower prices of 0.9%, and (ii) our pulp division mainly because of a decrease in sales volume of 15.2% and also in prices with a decrease of 3.0%.

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

In US\$ Million	Q4 2019	Q3 2019	QoQ
Pulp(*)	526.7	610.5	-13.7%
Wood Products(*)	642.9	738.8	-13.0%
Forestry	32.5	37.7	-13.8%
Others	0.1	0.1	77.8%
<b>Total</b>	<b>1,202.3</b>	<b>1,387.2</b>	<b>-13.3%</b>

4Q 2019 Revenue's breakdown



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

## Cost of sales

Decreased by 9.9% or US\$104.1 million compared to the third quarter of 2019. This is primarily explained by lower forestry labor costs due to a decrease in road costs, since harvesting in spring - summer implies the use of dirt roads. Costs associated to this type of road are lower than roads built in winter, mainly because (i) they require less maintenance and (ii) can be built with less gravel.

Chemical costs, and energy and fuel costs also decreased due to lower sales volume in the pulp division.

In US\$ Million	Q4 2019	Q3 2019	QoQ
Timber	237.2	246.9	-4.0%
Forestry labor costs	118.5	148.8	-20.4%
Depreciation and amortization	101.8	109.5	-7.1%
Depreciation for right of use	16.4	11.5	42.4%
Maintenance costs	75.0	80.5	-6.9%
Chemical costs	127.2	151.1	-15.8%
Sawmill services	30.7	33.3	-7.7%
Other raw materials and indirect costs	96.2	103.3	-6.9%
Energy and fuel	46.6	60.3	-22.6%
Cost of electricity	8.1	8.5	-4.3%
Wage, salaries and severance indemnities	92.5	100.6	-8.0%
<b>Cost of Sales</b>	<b>950.2</b>	<b>1,054.3</b>	<b>-9.9%</b>

## Administrative expenses

Decreased by 10.2% or US\$14.3 million compared to the third quarter, mainly due to a decrease in wages, salaries and severance indemnities due to a provision reversal. This was partially offset by an increase in computer services.

In US\$ Million	Q4 2019	Q3 2019	QoQ
Wages, salaries and severance indemnities	46.7	60.5	-22.7%
Marketing, advertising, promotion and publications expenses	2.9	3.9	-24.0%
Insurance	5.0	5.2	-4.0%
Depreciation and amortization	8.3	7.4	11.9%
Depreciation for the right of use	3.3	4.2	-19.8%
Computer services	8.9	6.4	38.3%
Lease rentals (offices, warehouses and machinery)	1.2	1.3	-5.6%
Donations, contributions, scholarships	2.5	1.6	58.8%
Fees (legal and technical advisories)	11.4	13.1	-13.1%
Property taxes, patents and municipality rights	2.9	4.5	-35.4%
Other administration expenses	32.9	32.4	1.5%
<b>Administrative Expenses</b>	<b>126.1</b>	<b>140.4</b>	<b>-10.2%</b>

## Distribution costs

Decreased by 13.8% or US\$22.1 million compared to the last quarter, mainly due to a decrease in freights associated with a lower sales volume in the wood products and pulp divisions. Commissions decreased due to lower sales from our commercial offices.

In US\$ Million	Q4 2019	Q3 2019	QoQ
Commissions	2.5	4.5	-45.0%
Insurance	0.7	1.5	-52.3%
Other selling costs	3.8	5.1	-26.3%
Port services	9.3	10.5	-11.8%
Freights	110.4	128.2	-13.9%
Depreciation for the right of use	0.4	0.4	0.9%
Other shipping and freight costs	11.2	10.1	10.4%
<b>Distribution Costs</b>	<b>138.3</b>	<b>160.4</b>	<b>-13.8%</b>

## Other income

Increased by 41.4% equivalent to US\$17.2 million, mainly explained by higher gains from changes in fair value of biological assets. Additionally, other operating results increased due to some provision reversals.

In US\$ Million	Q4 2019	Q3 2019	QoQ
Gain from changes in fair value of biological assets	44.2	36.1	22.5%
Net income from insurance compensation	0.8	0.2	372.1%
Leases received	0.3	0.3	2.7%
Gains on sales of assets	4.1	2.2	85.0%
Gain on sales of associates	-	-	-
Other operating results	9.4	2.8	237.3%
<b>Other Income</b>	<b>58.8</b>	<b>41.6</b>	<b>41.4%</b>

## Other expenses

Increased by US\$79.3 million or 213.4% compared to the previous quarter, primarily due to an increase in impairment provision of property, plant and equipment and others, explained by provisions in the Eugene and Bennettsville mills in North America. This is mainly due to the upcoming closure of the Eugene mill and spare parts related provisions. Operational expenses related to plant stoppages increased mainly due to the programmed maintenance stoppage of the Valdivia mill.

In US\$ Million	Q4 2019	Q3 2019	QoQ
Legal payments	2.3	(0.1)	-3148.7%
Impairment provision property, plant and equipment and others	87.1	19.9	338.6%
Operating expenses related to plant stoppages	11.4	4.5	151.6%
Project expenses	3.9	0.4	764.1%
Loss (gain) from asset sales	2.8	4.5	-37.5%
Provision for forestry fire losses	1.3	-	-
Other taxes	4.8	3.2	51.0%
Research and development expenses	0.9	1.3	-29.2%
Other expenses (donations, repayments insurance)	1.8	3.4	-45.8%
<b>Other expenses</b>	<b>116.5</b>	<b>37.2</b>	<b>213.4%</b>

## Foreign exchange differences

Showed a loss of US\$13.0 million, a US\$0.7 million difference when compared to the third quarter that ended with a US\$12.3 million loss.

This is mainly due to variations of the Chilean peso against the US dollar, as during the fourth quarter the exchange rate of the Chilean peso depreciated by 2.8% compared to the previous quarter.

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

## Income tax

For the fourth quarter, income tax reached a gain of US\$36.1 million, US\$25.8 million higher than the US\$10.3 million gain in the third quarter. This gain is mainly due to this quarter's negative income before tax.

# Adjusted EBITDA

Adjusted EBITDA for the fourth quarter of 2019 was US\$211.0 million. In terms of Adjusted EBITDA by business, the most significant variation was in our pulp division, with a decrease of 54.0% or US\$80.0 million related to lower sales volume and prices. This was partially offset by an increase in the adjusted EBITDA of our wood products and forestry divisions of 52.1% and 30.5%

In US\$ Million	Q4 2019	Q3 2019	Q4 2018	QoQ	YoY
Net Income	(92.0)	(29.6)	70.1	210.7%	-231.1%
Financial costs	80.9	65.8	55.5	23.0%	45.9%
Financial income	(10.3)	(7.5)	(8.1)	37.0%	27.3%
Income tax	(36.1)	(10.3)	26.8	249.5%	-234.5%
<b>EBIT</b>	<b>(57.4)</b>	<b>18.4</b>	<b>144.4</b>	<b>-412.4%</b>	<b>-139.8%</b>
Depreciation & amortization	132.5	133.6	97.0	-0.8%	36.6%
<b>EBITDA</b>	<b>75.1</b>	<b>151.9</b>	<b>241.3</b>	<b>-50.6%</b>	<b>-68.9%</b>
Fair value cost of timber harvested	78.7	90.1	77.5	-12.7%	1.6%
Gain from changes in fair value of biological assets	(44.2)	(36.1)	(6.2)	22.5%	615.5%
Exchange rate differences	13.0	12.3	4.2	5.8%	209.3%
Others (*)	88.5	19.9	23.1	345.3%	283.2%
<b>Adjusted EBITDA</b>	<b>211.0</b>	<b>238.2</b>	<b>339.9</b>	<b>-11.4%</b>	<b>-37.9%</b>

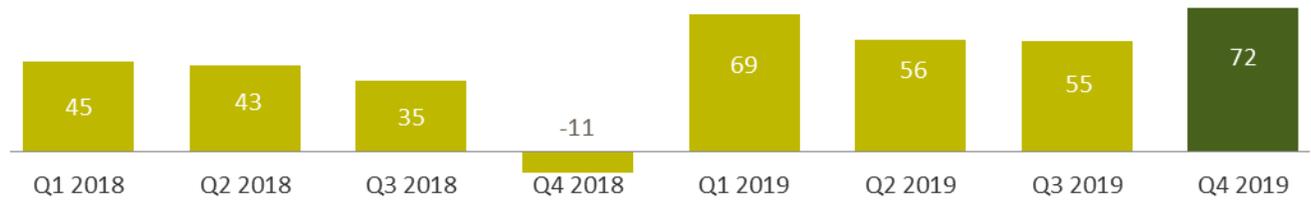
(\*) Includes provision from forestry fires and provisions from property, plants and equipment, and others

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



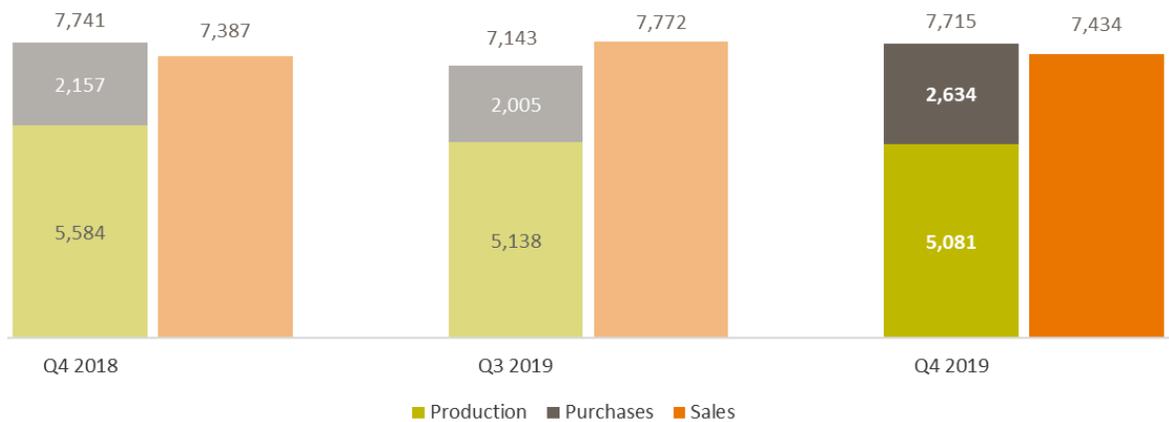
# Forestry Business

The Adjusted EBITDA for our forestry business was US\$71.8 million for the fourth quarter, which translates to a US\$16.8 million increase compared to the previous quarter.



The production during the fourth quarter was 5.1 million m<sup>3</sup>, 1.1% down compared to the third quarter. On the other hand, sales volume reached 7.4 million m<sup>3</sup>, a decrease of 4.6% compared to the last quarter.

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



# Pulp Business

The market situation during the last quarter of 2019 remained affected by trade conflicts between China and the US. Nevertheless, the cycle appears to have bottomed out and prices started to stabilize stopping the downward trend that we saw since the beginning of 2019. The decrease we saw during the third quarter in inventory levels continued through the fourth quarter, reaching the lowest levels of the last 14 months. Additionally, the fourth quarter showed greater balance between supply and demand.

Global Pulp Demand variation	
Last 11 months	
North America	↑ 1.6%
West Europe	↓ -8.5%
China	↑ 13.9%
Others	≈ 0.4%
<b>Total</b>	<b>↑ 1.5%</b>

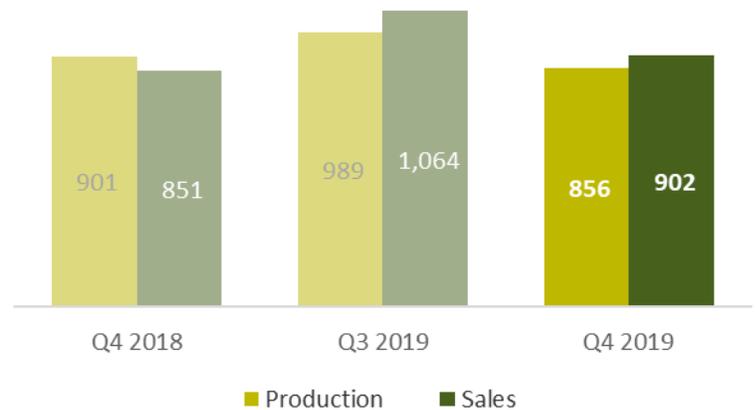
Source: World-20 Bleached Chemical Pulp Demand. Hawkins Wright Report

In China, uncertainty regarding the trade war between China and the US diminished after the phase one of the trade deal, which left proposed tariff increases on Chinese products without effect. At the same time, the agreement implied that tariffs on certain US products did not increase, such as pulp. Chinese paper producers faced good margins due to higher demand and lower raw materials costs. Paper producers started buying port inventories, not necessarily to use them right away but to buy at low prices.

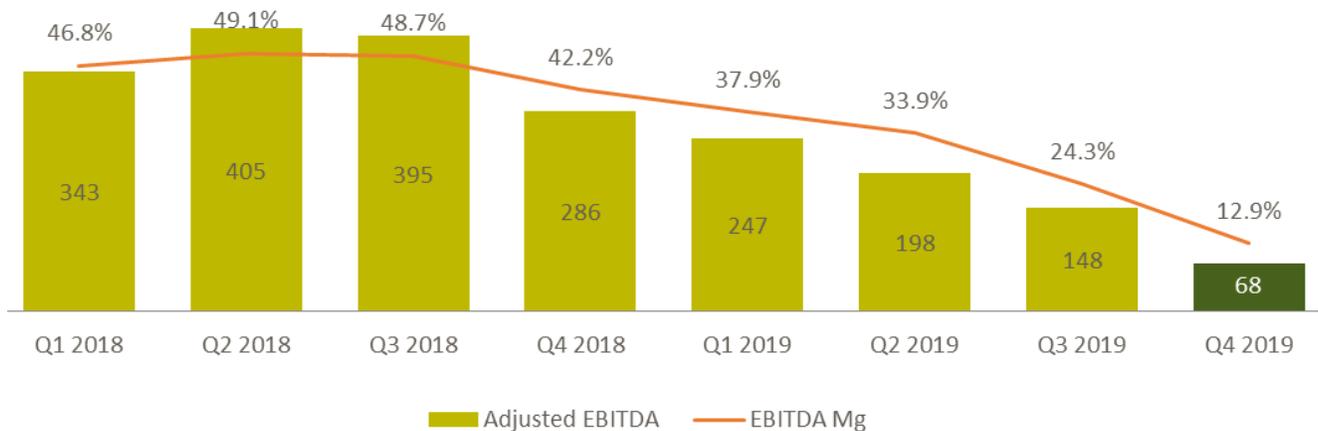
In Europe, paper demand started to recover especially at the end of the fourth quarter. Normally, at the end of the year paper producers lower their inventories, but this time was different and they bought at the usual levels. Paper producer margins remain low, as the increase in paper demand has not been enough to lead price increases.

Production during the fourth quarter was affected by the programmed maintenance stoppages of the Montes del Plata and the Valdivia mills. Additionally, since the end of December 2019 and as of the date of this report, the Licancel mill (annual capacity of 160,000 tonnes) is not operating due to low water flow in the Mataquito river.

Production and Sales Volume (In thousand tonnes)



The Adjusted EBITDA for our pulp business reached US\$68.2 million during this quarter, which translates to a 54.0% or US\$80.0 million decrease compared to the third quarter 2019. Pulp EBITDA Mg reached 12.9%, 11.3% down from the last quarter.



Days of Maintenance Stoppages

Mill	2019				2020	
	1Q	2Q	3Q	4Q	1Q	2Q
Arauco - Line 1		10				8
Arauco - Line 2					12	
Constitución		18				8
Licancel	11				10	
Nueva Aldea	11					16
Valdivia				59		
Alto Paraná	22					
Montes del Plata				10		

Finished  
 In progress  
 Planned

# Wood Products Business

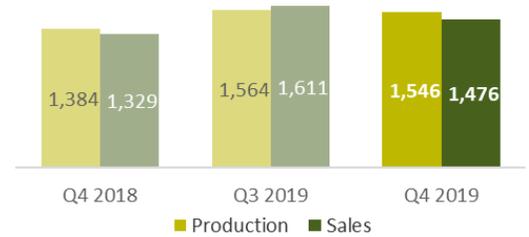
## Panels

Sales decreased compared to the third quarter, with sales volume and prices decreasing by 8.4% and 0.7%, respectively.

During the fourth quarter, the Latin American market was more complex than the third quarter. In Chile, our results were affected by the civil unrest. Brazil, was affected by higher MDF supply and a weaker than expected economy. In Argentina, sales volumes were lower, but compensated by some price increases.

In the US and Canada prices remained stable, even though the seasonality normally affects sales during the fourth quarter. Nevertheless, we have experienced some oversupply due to more imports, which also affected our sales.

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



## Sawn timber

During the fourth quarter, price and sales volume for sawn timber were affected by the trade war and greater supply from Europe, Brazil and Russia, among others. Sales volume decreased by 6.9% compared to the last quarter. Results for remanufactured wood products were good mainly because of a stable American market and less competition from Chinese producers.

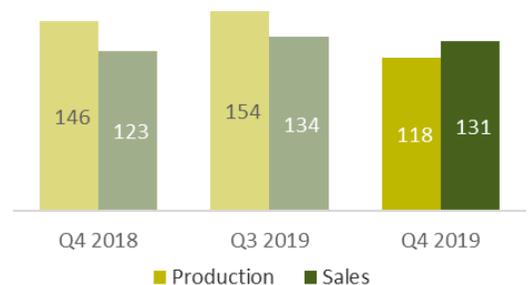
**Production and Sales Volume: Sawn Timber<sup>(2)</sup>**  
(In thousand m<sup>3</sup>)



## Plywood

Sales volume slightly decreased by 2.5% during the fourth quarter. In general, markets were affected by oversupply. Sales in the North American market remained stable, even though they were impacted by the holiday season at the end of the quarter.

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



(1) Includes OSB and HB.

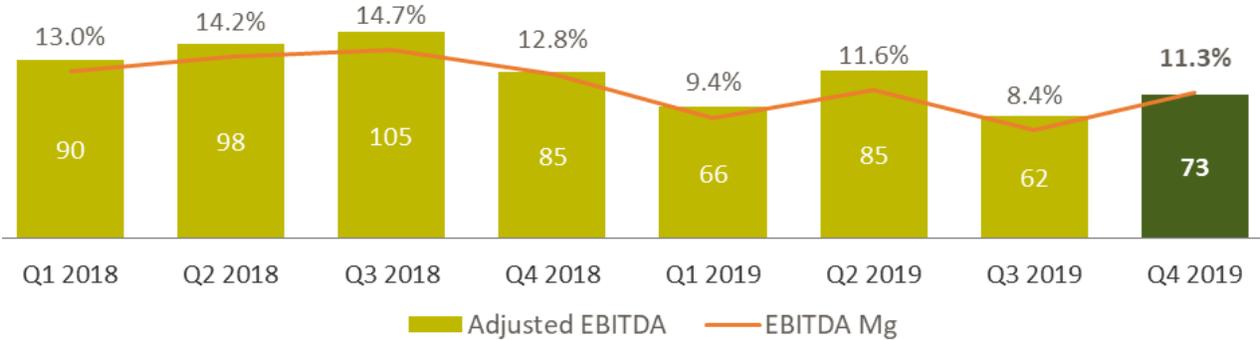
(2) Includes sawn timber, kilned sawn timber, remanufactured wood products, pallets.

Note: Sales include trading



Adjusted EBITDA for our wood products business reached US\$72.9 million during the fourth quarter of 2019, which translates to a 17.2% or US\$10.7 million increase, compared to the third quarter.

Wood products EBITDA Mg was 11.3%, higher than the 8.4% reached in the third quarter.



## Capital Expenditures

During this quarter, capital expenditures reached US\$434.3 million, US\$153.3 million or 54.6% higher than the third quarter. This was mainly due to an increase of 66.5% or US\$139.0 million in purchase and sale of property, plant and equipment, mainly due to the MAPA project. Additionally, purchases of other long-term assets increased by US\$25.5 million.

During the third quarter, we paid approximately US\$12.3 million for the acquisition of Prime-Line Inc.

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

MAPA Project: US\$191.2 million

Dissolving Pulp Project: US\$28.3 million

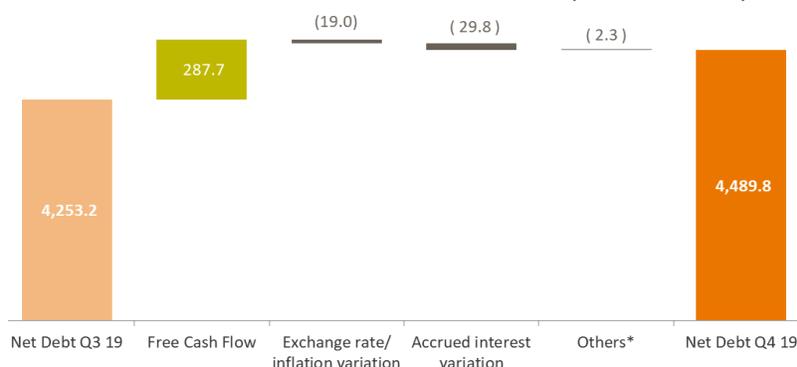
US\$ Million	Q4 2019	Q3 2019	Q4 2018	FY 2019	FY 2018
Cash flow used to obtain control of subsidiaries or other businesses	(0.6)	21.0	0.5	69.2	17.0
Cash flow used to purchase in associates	(0.1)	-	2.1	0.6	3.0
Purchase and sale of property, plant and equipment	347.9	208.9	283.3	1,000.4	676.0
Purchase and sale of intangible assets	16.8	6.5	1.9	32.0	2.7
Purchase of other long-term assets	70.1	44.7	53.9	247.8	222.0
<b>Total CAPEX</b>	<b>434.3</b>	<b>281.0</b>	<b>341.6</b>	<b>1,350.0</b>	<b>920.7</b>

## Free Cash Flow

During the fourth quarter, free cash flow decreased by US\$350.3 million compared to the third quarter of 2019, ending with a deficit of US\$287.7 million. Cash provided by operating activities decreased by US\$206.9 million mainly due to (i) an increase in interest paid and received, (ii) a decrease in working capital variation and (iii) lower adjusted EBITDA. Cash used in investment activities increased by 56.8% or by US\$154.6 million, mainly due to higher CAPEX. Cash used in financing activities remained stable compared to the previous quarter mainly because of the decision of the company to suspend dividend payments for 2019 and 2020, during the construction of the MAPA project. This implies that during the fourth quarter, the provisory dividend of 2019 was not paid.

US\$ Million	Q4 2019	Q3 2019	Q4 2018
Adjusted EBITDA	211.0	238.2	339.9
Working Capital Variation	121.4	152.2	141.8
Interest paid and received	(97.4)	(39.8)	(39.2)
Income tax paid	(56.4)	(50.9)	(30.3)
Other cash inflows (outflows)	(11.7)	74.1	8.2
<b>Cash from Operations</b>	<b>167.0</b>	<b>373.8</b>	<b>420.5</b>
Capex	(434.3)	(281.0)	(341.6)
Proceeds from investment activities	5.3	2.5	5.1
Other inflows of cash, net	2.5	6.5	1.3
<b>Cash from (used in) Investment Activities</b>	<b>(426.5)</b>	<b>(272.0)</b>	<b>(335.2)</b>
Dividends paid	-	-	(142.7)
Other inflows of cash, net	(23.2)	(19.1)	(1.6)
<b>Cash from (used in) Financing Activities - Net of Proceeds and Repayments</b>	<b>(23.2)</b>	<b>(19.1)</b>	<b>(144.4)</b>
Effect of exchange rate changes on cash and cash equivalents	(4.9)	(20.1)	(5.3)
<b>Free Cash Flow</b>	<b>(287.7)</b>	<b>62.6</b>	<b>(64.4)</b>

Net Debt Variation Q4 2019 – Q3 2019 (in US\$ million)



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

# Financial Debt and Cash

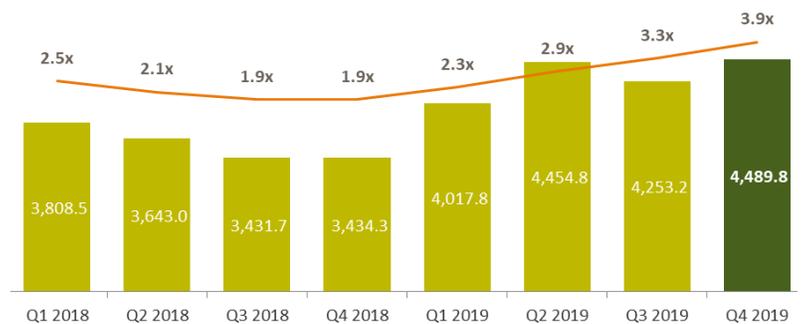
ARAUCO 's total financial debt as of December 31, 2019 reached US\$6,049.8 million, an increase of 12.1% or US\$654.4 million compared to the end of September 2019.

Our consolidated net financial debt increased 5.6% or US\$236.6 million. Compared to September 2019, the increase in the long term debt was mainly the net effect between (i) the issuance of two new sustainable bonds in October 2019 of US\$500 million each, (ii) the repurchase of two bonds for a total of US\$173.2 million, and (iii) the make-whole of our 5.000% notes due 2021 with a total paid amount of US\$91.7 million. Cash and cash equivalents increased by US\$417.8 million.

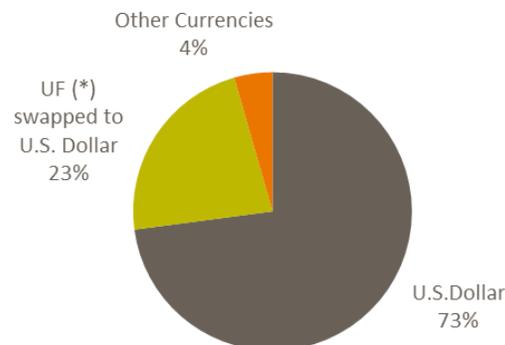
Our leverage, measured as Net Financial Debt/LTM Adjusted EBITDA was 3.9x, an increase compared to the 3.3x in the last quarter.

In US\$ Million	Dec 2019	Sept 2019	Dec 2018
Short term financial debt	529.2	557.7	535.8
Long term financial debt	5,520.6	4,839.8	3,974.4
<b>TOTAL FINANCIAL DEBT</b>	<b>6,049.8</b>	<b>5,395.4</b>	<b>4,510.3</b>
Cash and cash equivalents	1,560.0	1,142.2	1,075.9
<b>NET FINANCIAL DEBT</b>	<b>4,489.8</b>	<b>4,253.2</b>	<b>3,434.3</b>
<b>LTM Adjusted EBITDA</b>	<b>1,147.4</b>	<b>1,276.3</b>	<b>1,850.3</b>

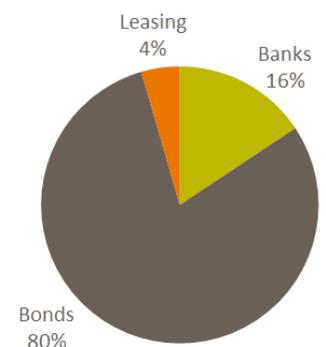
Net Financial Debt and Leverage (In US\$ Million)



Debt by Currency



Debt by Instrument



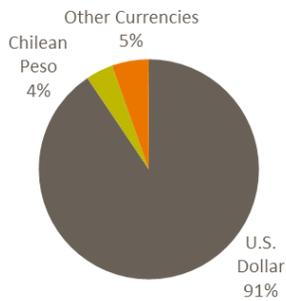
(\*) UF is a Chilean monetary unit indexed to inflation.



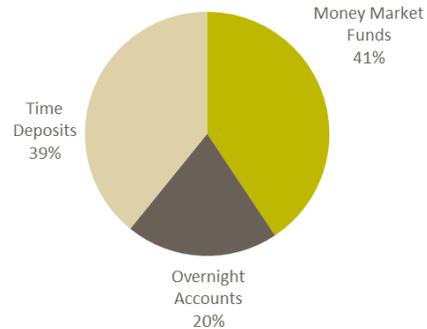
## Cash

Our cash position was US\$1,560.0 million at the end of the fourth quarter, which translates to US\$417.8 million or a 36.6% increase compared to the last quarter. Cash provided by operating activities decreased by US\$204.3 million, mainly due to a decrease in receipts from sales of goods and rendering of services, higher interest paid and received, and a decrease in other cash receipts. Cash used in investing activities increased by 57.8% explained by higher capital expenditures incurred during the fourth quarter. On the other hand, cash provided by financing activities increased, reaching US\$682.2 million, mostly because during the fourth quarter we issued a sustainable US bond.

Cash by Currency



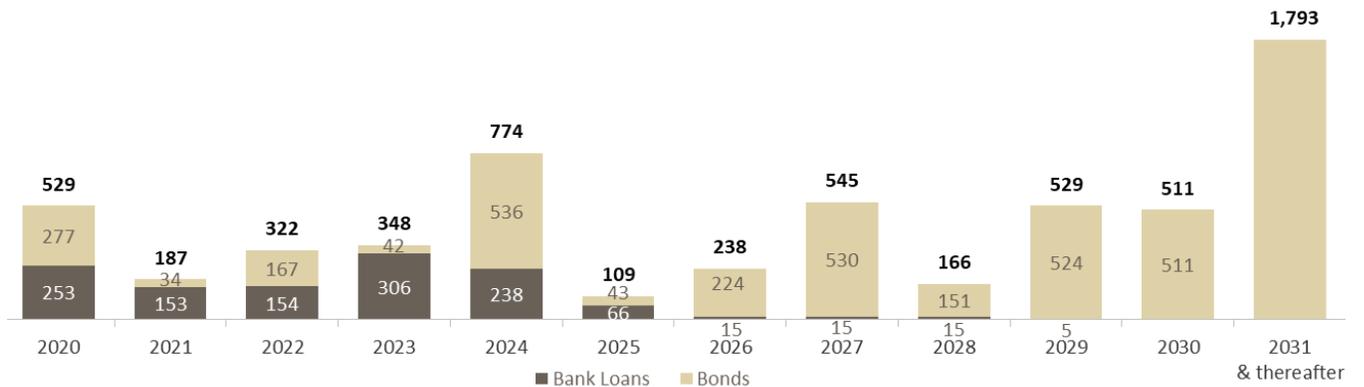
Cash by Instrument



## Financial Debt Profile

For 2020, bank and bond obligations (which include accrued interest) sum up US\$529.2 million. Bank obligations include the following maturities: US\$172.9 million of loans for Montes del Plata, US\$69.2 million of leasing, US\$6.1 million of our Brazilian subsidiaries, US\$2.6 million of loans in the United States and US\$1.7 million in Chile. Bond obligations for the remainder of the year sum up US\$276.7 million. These include interest and amortization payments for our local bonds, and interest payments for our US\$-denominated bonds. Amortization payments for local bonds amount to US\$232.0 million, which include the final amortization of US\$189.0 million for the BARAU-J on September, and the amortization of 2 local bonds (BARAU-F and BARAU-Q).

Debt Amortization Profile as of December 31, 2019 (In US\$ Million)



# Fourth Quarter

## Subsequent Events and News

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

The Dissolving Pulp Project was completed as of February 2020.

The start-up is expected by the second quarter of 2020. Originally it was programmed for January 2020, and it was delayed because of lower water flow in the Cruces River. Total investment for this brownfield project was approximately US\$195 million.

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

MAPA Project progress as to end of February 2020 is 39%.

Engineering and purchasing of equipment and materials is going on according to schedule. During early 2020 the civil works related to main construction contracts are proceeding as expected, starting also with structural steel erection and equipment preassembly at site.

Main equipment for the project has been received such as the digester, boiler buildings, boiler feed water tank, evaporators, lime kilns, DD washers, among others, coming mainly from China and Europe. Besides ongoing main construction contracts, during this period also other construction contracts were awarded, such as administration offices, workshop & spare parts warehouse, aeration lagoon modification, etc. Currently 8,200 people are 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*

During the last quarter of 2019, ARAUCO ended its particleboard manufacturing operations in our mill located in St. Stephen, New Brunswick, Canada. This mill had an annual capacity of 216,000 m<sup>3</sup>. The MDF operations will continue.

On January 30, 2020, ARAUCO announced the closing of its particleboard line in Moncure, North Carolina. This line closure will be effective as of May 1, 2020. This line has an annual capacity of 262,000 m<sup>3</sup>. ARAUCO's Moncure MDF line will be integrated with a moulding line to create an advanced MDF millwork operation.

On January 30, 2020, our Grayling mill suffered a fire. No injuries or deaths occurred. This led to an unplanned maintenance stoppage. Investigations regarding the causes of the fire are in progress. As of the date of this report, Grayling is back in operation.

On February 11, 2020, ARAUCO announced that it would be closing its MDF mill in Eugene, Oregon. This closure will be effective as of May 1, 2020. This mill has an annual capacity of 154,000 m<sup>3</sup>.

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

As of the end of February 2020, there have been approximately 1,600 fires in our forest plantations. The area affected reached 2,200 hectares, which had a fair value of approximately US\$5 million.

### **New Committed Credit Facility**

During the first quarter of 2020, ARAUCO signed an agreement for a new Committed Credit Facility. We previously had two committed lines (one US\$-denominated of US\$200 million, and a UF-denominated equivalent to approximately US\$120 million). The US\$-denominated line was terminated in advance, and the UF-denominated line was not renewed. Neither of these lines were ever used by ARAUCO.

This new facility was signed with 5 banks on February 20, 2020 for a total amount of US\$375 million, and is due in February 2025.

## UPCOMING EVENTS

### CONFERENCE CALL

March 11, 2020

11:00 Santiago Time

10:00 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:

**Marcelo Bennett**

**Treasurer**

marcelo.bennett@arauco.com

Phone: +56 2 2461 7309

**Gonzalo Jofré**

**Investor Relations**

gonzalo.jofre@arauco.com

Phone: +56 2 2461 7494

investor\_relations@arauco.cl

# Financial Statements

## Income Statement

In US\$ Million	Q4 2019	Q3 2019	Q4 2018	FY 2019	FY 2018
Revenues	1,202.3	1,387.2	1,380.9	5,329.2	5,954.8
Cost of sales	(950.2)	(1,054.3)	(926.2)	(3,910.4)	(3,722.7)
<b>Gross profit</b>	<b>252.1</b>	<b>332.9</b>	<b>454.7</b>	<b>1,418.8</b>	<b>2,232.1</b>
Other income	58.8	41.6	21.1	232.4	124.3
Distribution costs	(138.3)	(160.4)	(142.0)	(586.9)	(556.8)
Administrative expenses	(126.1)	(140.4)	(145.0)	(554.0)	(561.3)
Other expenses	(116.5)	(37.2)	(43.0)	(203.7)	(95.9)
Financial income	10.3	7.5	8.1	32.6	20.9
Financial costs	(80.9)	(65.8)	(55.5)	(273.6)	(214.8)
Share of profit (loss) of associates and joint ventures accounted for using equity method	3.9	(5.8)	(11.4)	7.8	17.2
Other income (loss)	21.7	0.0	14.2	21.7	14.2
Exchange rate differences	(13.0)	(12.3)	(4.2)	(32.5)	(26.5)
<b>Income before income tax</b>	<b>(128.1)</b>	<b>(39.9)</b>	<b>97.0</b>	<b>62.5</b>	<b>953.5</b>
Income tax	36.1	10.3	(26.8)	(0.5)	(226.8)
<b>Net income</b>	<b>(92.0)</b>	<b>(29.6)</b>	<b>70.1</b>	<b>62.0</b>	<b>726.8</b>
Profit attributable to parent company	(91.9)	(29.5)	68.4	61.8	725.5
Profit attributable to non-parent company	(0.1)	(0.1)	1.7	0.2	1.3

## Balance Sheet

In US\$ Million	31-12-2019	30-09-2019	31-12-2018
Cash and cash equivalents	1,560.0	1,142.2	1,075.9
Other financial current assets	3.4	0.4	0.5
Other current non-financial assets	174.1	168.9	129.9
Trade and other receivables-net	642.3	773.5	839.2
Related party receivables	17.5	6.2	7.3
Inventories	1,053.9	1,074.8	1,030.2
Biological assets, current	275.8	324.4	315.9
Tax assets	200.0	106.8	36.5
Non-Current Assets classified as held for sale	4.4	5.5	5.7
<b>Total Current Assets</b>	<b>3,931.4</b>	<b>3,602.7</b>	<b>3,441.2</b>
Other non-current financial assets	9.4	31.3	20.3
Other non-current and non-financial assets	112.4	93.2	86.9
Non-current receivables	9.5	11.3	15.6
Investments accounted through equity method	293.1	284.8	358.1
Intangible assets	106.3	96.7	90.1
Goodwill	65.8	73.5	65.9
Property, plant and equipment	7,932.6	7,773.1	7,174.7
Biological assets, non-current	3,393.6	3,308.6	3,336.3
Deferred tax assets	6.1	6.6	4.6
<b>Total Non-Current Assets</b>	<b>11,928.6</b>	<b>11,679.1</b>	<b>11,152.6</b>
<b>TOTAL ASSETS</b>	<b>15,860.0</b>	<b>15,281.8</b>	<b>14,593.7</b>
Other financial liabilities, current	530.1	557.5	537.6
Trade and other payables	673.1	696.8	659.6
Related party payables	8.9	4.5	10.2
Other provisions, current	1.3	1.3	0.4
Tax liabilities	2.2	1.9	153.6
Current provision for employee benefits	6.0	5.6	5.7
Other non-financial liabilities, current	40.1	115.2	212.6
<b>Total Current Liabilities</b>	<b>1,261.5</b>	<b>1,382.8</b>	<b>1,579.8</b>
Other non-current financial liabilities	5,654.0	4,951.3	4,044.3
Trade and Other payables non-current	2.2	2.2	2.2
Other provisions, non-current	31.8	31.8	33.9
Deferred tax liabilities	1,360.2	1,371.8	1,417.7
Non-current provision for employee benefits	69.5	65.1	64.9
Other non-financial liabilities, non-current	111.4	110.3	112.1
<b>Total Non-Current Liabilities</b>	<b>7,229.1</b>	<b>6,532.6</b>	<b>5,675.0</b>
Non-parent participation	35.0	35.7	37.2
<b>Net equity attributable to parent company</b>	<b>7,334.4</b>	<b>7,330.8</b>	<b>7,301.8</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>15,860.0</b>	<b>15,281.8</b>	<b>14,593.7</b>

## Cash Flow Statement

US\$ Million	Q4 2019	Q3 2019	Q4 2018	FY 2019	FY 2018
Receipts from sales of goods and rendering of services	1,450.7	1,536.2	1,687.7	5,913.4	6,129.8
Other cash receipts (payments)	78.2	124.8	44.4	319.3	168.6
Payments of suppliers and personnel (less)	(1,206.8)	(1,195.2)	(1,243.3)	(4,987.5)	(4,757.0)
Interest paid and received	(97.4)	(39.8)	(39.2)	(236.4)	(160.5)
Income tax paid	(56.4)	(50.9)	(30.3)	(329.9)	(90.6)
Other (outflows) inflows of cash, net	(1.4)	(1.3)	1.1	(6.2)	(2.8)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>167.0</b>	<b>373.8</b>	<b>420.5</b>	<b>672.8</b>	<b>1,287.5</b>
Capital Expenditures	(434.3)	(281.0)	(341.6)	(1,350.0)	(920.7)
Other investment cash flows	7.7	9.0	6.4	32.2	26.8
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(426.5)</b>	<b>(272.0)</b>	<b>(335.2)</b>	<b>(1,317.7)</b>	<b>(894.0)</b>
Proceeds from borrowings	996.2	58.2	418.1	2,142.4	863.6
Repayments of borrowings	(290.8)	(229.5)	(12.5)	(722.0)	(475.3)
Dividends paid	0.0	0.0	(142.7)	(182.1)	(257.4)
Other inflows of cash, net	(23.2)	(19.1)	(1.6)	(90.9)	(7.6)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>682.2</b>	<b>(190.4)</b>	<b>261.2</b>	<b>1,147.4</b>	<b>123.2</b>
<b>Total Cash Inflow (Outflow) of the Period</b>	<b>422.6</b>	<b>(88.5)</b>	<b>346.4</b>	<b>502.5</b>	<b>516.8</b>
Effect of exchange rate changes on cash and cash equivalents	(4.9)	(20.1)	(5.3)	(18.5)	(30.8)
Cash and Cash equivalents at beginning of the period	1,142.2	1,250.9	734.8	1,075.9	589.9
<b>Cash and Cash Equivalents at end of the Period</b>	<b>1,560.0</b>	<b>1,142.2</b>	<b>1,075.9</b>	<b>1,560.0</b>	<b>1,075.9</b>