1Q 2019 Results

May 14, 2019

CELULOSA **ARAUCO** Y CONSTITUCIÓN S.A.

HIGHLIGHTS

REVENUES
US$1,388.2 million

Arauco's revenues reached US$1,388.20 million during the first quarter of 2019, a 0.8% increase compared to the US$1,377.6 million obtained in the fourth quarter of 2018 and a 5.2% decrease compared to the first quarter of 2018.

NET INCOME
US$126.1 million

Net income reached US$126.1 million, a 79.8% or US$56.0 million increase compared to the US$70.1 million obtained in the fourth quarter of 2018, and a 36.2% or US$71.6 million decrease compared to the first quarter of 2018.

ADJUSTED EBITDA
US$354.9 million

Adjusted EBITDA reached US$354.9 million, a 3.6% or US$12.3 million increase compared to the US$342.6 million obtained during the fourth quarter of 2018, and a 22.3% or US$102.1 million decrease compared to the first quarter of 2018.

NET DEBT TO EBITDA
2.3x

Net Financial Debt / LTM Adjusted EBITDA ratio reached 2.3x in this quarter, an increase compared to the 1.9x obtained in the last quarter and a decrease compared to the 2.5x obtained in the first quarter of 2018.

CAPEX
US$394.6 million

CAPEX reached US$394.6 million, a 15.5% or US$53.0 million increase compared to the US$341.6 million during the fourth quarter of 2018.

Conference Call
May 22, 2019
10:30 Santiago Time
10:30 Eastern Time (New York)
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Conference ID: Arauco

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For more details on Arauco´s financial statements please visit **www.cmfchile.cl** or **www.arauco.com**

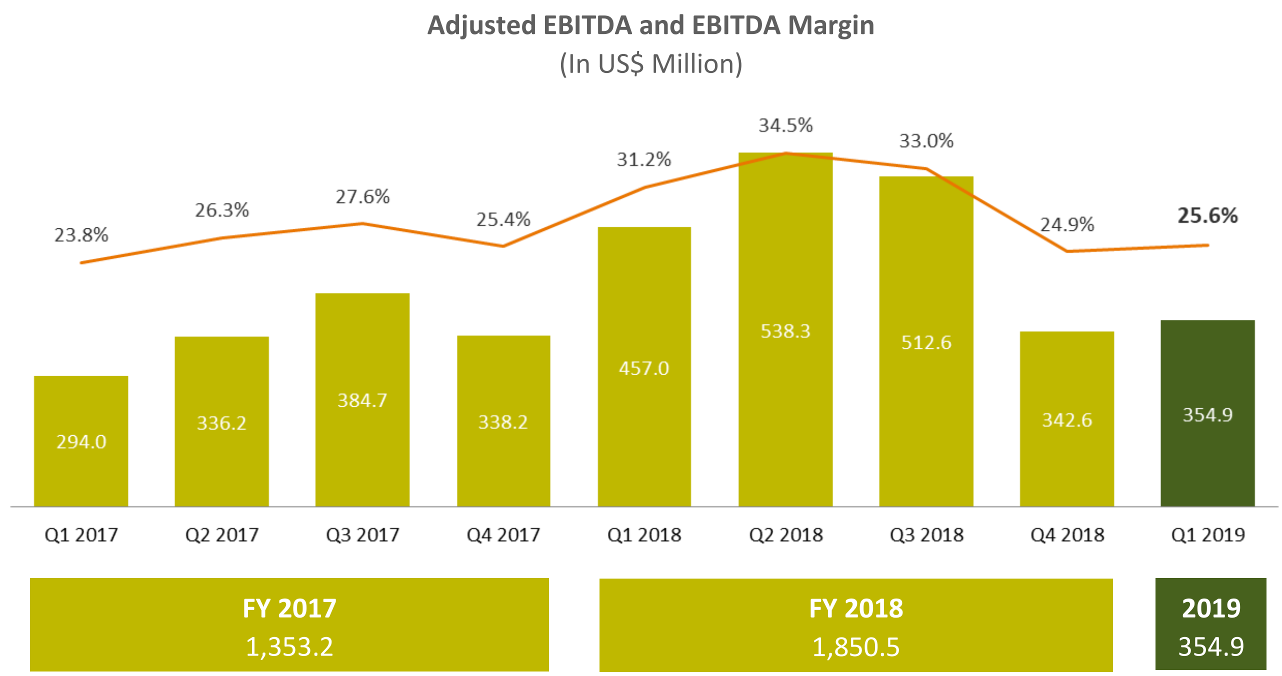
OVERVIEW

Arauco´s first quarter 2019 net income was US$126.1 million, an increase of 79.8% compared to the fourth quarter of 2018, driven by higher other income and lower other expenses associated to our forestry business and Impairments, respectively. The higher net income mainly explains the increase of 3.6% in our Adjusted EBITDA compared to last quarter, reaching US$354.9 million. Our Adjusted EBITDA margin was 25.6%, up from 24.9% in the previous quarter.

As it was expected for the first quarter of 2019, sales of pulp and wood products were influenced by some residual uncertainty surrounding the trade war between China and the US. However, a slight increase was seen in demand of PB and remanufactured wood products in the Northern Hemisphere, resulting from positive seasonal effects.

Our Net Debt/LTM EBITDA ratio reached 2.3x, 0.4x more than the 1.9x obtained in the last quarter

In US$ Million	Q1 2019	Q4 2018	Q1 2018	QoQ	YoY	YTD 2019	YTD 2018	YoY Acum
Revenue	1,388.2	1,377.6	1,464.7	0.8%	-5.2%	1,388.2	1,464.7	-5.2%
Net income	126.1	70.1	197.7	79.8%	-36.2%	126.1	197.7	-36.2%
Adjusted EBITDA (*)	354.9	342.6	457.0	3.6%	-22.3%	354.9	457.0	-22.3%
Adjusted EBITDA Margin	25.6%	24.9%	31.2%	2.8%	-18.1%	25.6%	31.2%	-18.1%
LTM Adj. EBITDA	1,748.4	1,850.5	1,516.1	-5.5%	15.3%	1,748.4	1,516.1	15.3%
CAPEX	394.6	341.6	183.2	15.5%	115.0%	394.6	183.2	115.4%
Net Financial Debt	4,017.8	3,434.3	3,808.5	17.0%	5.5%	4,017.8	3,808.5	5.5%
Net Financial Debt / LTM Adj. EBITDA	2.3x	1.9x	2.5x	23.8%	-8.5%	2.3x	2.5x	-8.5%



INCOME STATEMENT

Net income for the first quarter of 2019 was US$126.1 million, an increase of 79.8% or US$56.0 million compared to US$70.1 million in the fourth quarter of 2018. This was mainly due to higher Gains from changes in biological asset and lower Other expenses. The latter, unlike to the fourth quarter of 2018, is related to lower impairment provisions in property, plant and equipment Additionally, we had higher revenues, specifically in our wood products division.

In US$ Million	Q1 2019	Q4 2018	QoQ
Revenues	1,388.2	1,377.6	*0.8%*
Cost of sales	(941.9)	(927.1)	*1.6%*
Distribution costs	(142.9)	(142.0)	*0.6%*
Administrative expenses	(141.3)	(138.1)	*2.3%*
Other income	45.5	22.6	*101.3%*
Other expenses	(22.3)	(44.5)	*-49.9%*
Financial income	6.7	8.8	*-23.3%*
Financial costs	(57.4)	(58.9)	*-2.5%*
Share of profit (loss) of associates and joint ventures accounted for using equity method	4.4	(11.4)	*-138.1%*
Other Income (loss)	0.0	14.2	*-100.0%*
Exchange rate differences	2.1	(4.2)	*-150.6%*
Income before income tax	**141.2**	**97.0**	***45.6%***
Income tax	(15.1)	(26.8)	*-43.7%*
Net income	**126.1**	**70.1**	***79.8%***

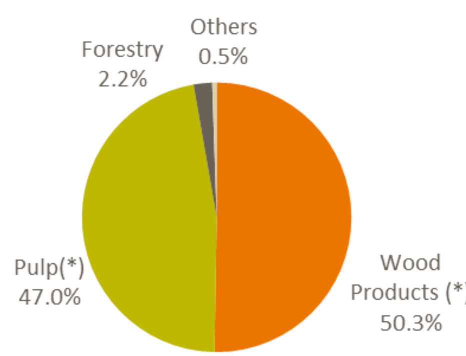
Revenues reached US$1,388.2 million during the first quarter of 2019, an increase of 0.8% compared to the US$1,377.6 million in the previous quarter. This is explained primarily by an increase in our wood products sales and, additionally, by a slight increase in forestry sales. This was partly offset by a decrease in our pulp division sales. Wood Products revenues increased by 5.5% compared to the previous quarter mainly due to higher prices and demand. Pulp revenues decreased by 3.7%, resulting from a 10.9% decrease in average prices, offset by a 9.4% increase in sales volume.

The following table shows a breakdown of the revenue sales distributed by business segment:

In US$ Million	Q1 2019	Q4 2018	QoQ
Pulp(*)	652.2	677.3	*-3.7%*
Wood Products(*)	697.8	661.4	*5.5%*
Forestry	30.7	30.0	*2.3%*
Others	7.4	8.7	*-14.7%*
Total	**1,388.2**	**1,377.6**	***0.8%***

(*) Pulp and Wood division sales include energy

Sales by Business Segment 1Q 2019



Cost of sales for the first quarter of the year increased slightly by 1.6% or US$14.8 million compared to the fourth quarter of 2018. This is mainly explained by higher wages and salaries associated to the Mexican subsidiaries acquired on January 2019 and the adoption of the IFRS 16, which involves the Depreciation for right of use from January 2019 onwards. Timber costs increased due to higher production in the Montes del Plata mill, compared to the last quarter, when we had a maintenance stoppage. These increases were offset by lower Other raw materials and Indirect costs, associated to a decrease in forestry road investment and by lower Forestry labor costs, explained by lower road costs during the harvesting season.

In US$ Million	Q1 2019	Q4 2018	QoQ
Timber	184.2	172.0	*7.1%*
Forestry labor costs	133.0	162.0	*-17.9%*
Depreciation and amortization	96.6	88.8	*8.8%*
Depreciation for right of use	18.5	-	
Maintenance costs	74.0	76.0	*-2.5%*
Chemical costs	141.2	135.6	*4.1%*
Sawmill services	36.5	27.6	*32.4%*
Other raw materials and indirect costs	99.2	125.2	*-20.8%*
Energy and fuel	54.5	53.0	*2.8%*
Cost of electricity	8.8	4.7	*85.3%*
Wage, salaries and severance indemnities	95.2	82.2	*15.9%*
Cost of Sales	**941.9**	**927.1**	***1.6%***

Administrative expenses increased slightly by 2.3% or US$3.2 million compared to the last quarter, mainly due to higher Marketing, advertising, promotion and publication expenses and because of the Depreciation for right of use, associated with the adoption of IFRS 16.

In US$ Million	Q1 2019	Q4 2018	QoQ
Wages, salaries and severance indemnities	59.3	60.0	*-1.1%*
Marketing, advertising, promotion and publications expenses	6.6	3.7	*77.7%*
Insurance	4.9	3.8	*29.5%*
Depreciation and amortization	7.0	7.3	*-3.5%*
Depreciation for the right of use	2.1	-	
Computer services	8.0	6.6	*21.7%*
Lease rentals (offices, warehouses and machinery)	3.8	3.2	*17.7%*
Donations, contributions, scholarships	3.4	5.7	*-39.5%*
Fees (legal and technical advisories)	10.8	12.5	*-13.6%*
Property taxes, patents and municipality rights	4.0	3.4	*18.1%*
Other administration expenses	31.2	31.8	*-2.2%*
Administrative Expenses	**141.3**	**138.1**	***2.3%***

Distribution costs increased marginally by 0.6% or US$0.9 million, mainly due to higher pulp sales volume during this quarter and higher freight rates in Canada.

In US$ Million	Q1 2019	Q4 2018	QoQ
Commissions	3.4	3.4	*0.5%*
Insurance	0.9	1.2	*-20.8%*
Other selling costs	5.4	9.4	*-43.3%*
Port services	5.7	6.8	*-16.8%*
Freights	119.2	108.2	*10.2%*
Other shipping and freight costs	8.3	13.0	*-36.0%*
Distribution Costs	**142.9**	**142.0**	***0.6%***

Other income increased by 101.3% or US$22.9 million this quarter compared to the fourth quarter of 2018. The increase is explained by higher Gains from changes in the fair value of biological assets, compared to the last quarter of 2018, when the review of the valuation model had a negative impact.

In US$ Million	Q1 2019	Q4 2018	QoQ
Gain from changes in fair value of biological assets	37.0	6.2	498.6%
Net income from insurance compensation	0.7	0.3	*181.0%*
Leases received	0.6	0.6	*-1.3%*
Gains on sales of assets	4.3	3.9	*10.0%*
Other operating results	3.0	11.7	*-74.7%*
Other Income	**45.5**	**22.6**	***101.3%***

Other expenses overall fell by 49.9% or US$22.2 million, which is mainly explained by a U.S.$17.9 million decrease in Impairment provision for property, plant and equipment compared to the last quarter, when we had higher provisions in the Arauco I mill and St. Stephen mill in Canada.

In US$ Million	Q1 2019	Q4 2018	QoQ
Legal payments	3.3	1.5	*120.5%*
Impairment provision property, plant and equipment and others	2.6	20.6	*-87.2%*
Plant stoppage operating expenses	1.7	1.1	*52.0%*
Project expenses	7.3	5.8	*26.4%*
Loss (gain) from asset sales	1.4	4.3	*-67.3%*
Provision for forestry fire losses	-	2.5	*-100.0%*
Other taxes	3.7	5.2	*-27.7%*
Research and development expenses	0.6	0.4	*43.1%*
Other expenses (donations, repayments insurance)	1.6	3.1	*-14.1%*
Other expenses	**22.3**	**44.5**	***49.9%***

Foreign exchange differences showed a gain of US$2.1 million, a US$6.3 million of difference when compared to the third quarter that ended at a US$4.2 million loss. The average of the Chilean peso against the US dollar during the first quarter appreciated by 1.7% compared to the previous quarter. On the other hand, the average of the Argentine peso depreciated by 5.3% against the US dollar compared to the last quarter and by 15.0% compared to the exchange rate at the end of the last quarter. These currency variations affected our cash and cash equivalents in comparison to the US dollar exchange.

Income tax expense for the first quarter reached US$15.1 million, a decrease of US$11.7 million compared to the US$26.8 million in the fourth quarter of 2018.

ADJUSTED EBITDA

Adjusted EBITDA for the first quarter of 2019 was US$354.9 million, 3.6% or US$12.3 million higher than the US$342.6 million reached during the fourth quarter of 2018. In terms of Adjusted EBITDA by business, during the first quarter we had an increase in forestry adjusted EBITDA and a decrease in our pulp and wood products division. The first one due to higher cost of sales and the latter, explained by higher Administrative and distribution costs.

Comparing with the same quarter of 2018, the Adjusted EBITDA decreased by 22.3% or US$102.1 million.

In US$ Million	Q1 2019	Q4 2018	Q1 2018	QoQ	YoY
Net Income	126.1	70.1	197.7	*79.8%*	*-36.2%*
Financial costs	57.4	58.9	51.7	-2.5%	11.1%
Financial income	(6.7)	(8.8)	(4.8)	*-23.3%*	*41.1%*
Income tax	15.1	26.8	51.8	*-43.7%*	*-70.9%*
EBIT	**191.8**	**147.0**	**296.4**	***30.5%***	***-35.3%***
Depreciation & amortization	124.7	97.0	102.3	*21.8%*	*15.5%*
EBITDA	**316.5**	**244.0**	**398.8**	***27.0%***	***-22.3%***
Fair value cost of timber harvested	74.8	77.5	81.8	*-3.4%*	*-8.6%*
Gain from changes in fair value of biological assets	(37.0)	(6.2)	(29.6)	*498.6%*	*25.0%*
Exchange rate differences	(2.1)	4.2	(1.0)	*-150.6%*	*102.8%*
Others (*)	2.6	23.1	7.0	*-88.6%*	*-62.6%*
Adjusted EBITDA	**354.9**	**342.6**	**457.0**	***1.7%***	***-23.8%***

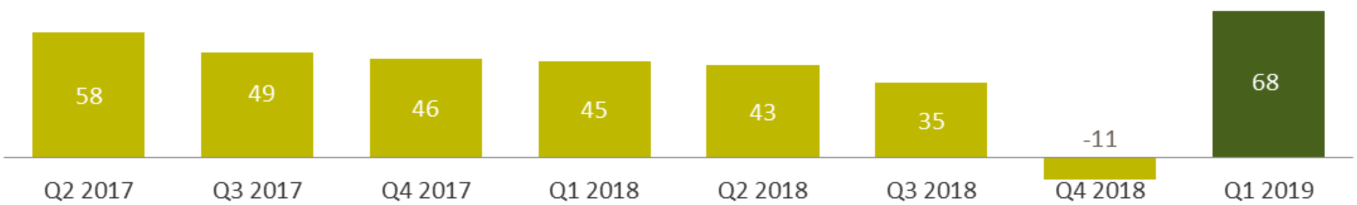
(*) Includes provision from property, plants and equipment, and others

Adjusted EBITDA Variation by Business Segment Q4 2018 – Q1 2019
(In US$ Million)

FORESTRY BUSINESS

The Adjusted EBITDA for our forestry business was US$68.1 million during the first quarter, which translates to US$78.7 million increase compared to the previous quarter. During December 2018 we had write-off of forestry roads investment, which affected negatively our Adjusted EBITDA. If we compare this quarter with the quarters before September 2018, we have presented an increase in our transfer prices between the forestry and pulp division.

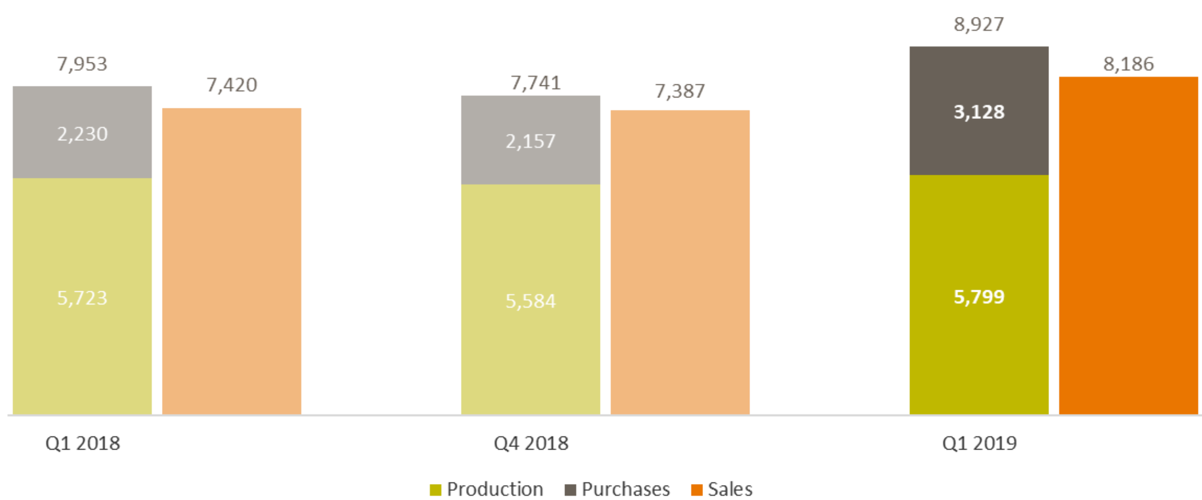
Adjusted EBITDA for Forestry Business (*)
(In US$ Million)



(*) Due to a change in the calculation methodology of the adjusted EBITDA by business, there is a change in this measure from 2017.

During the first quarter our forestry production was US$5.8 million m^3, a 3.7% increase compared to the US$5.6 million m^3 produced in the fourth quarter 2018. Sales volume increased by 9.8% from US$7.4 million m^3 to US$8.2 million m^3.

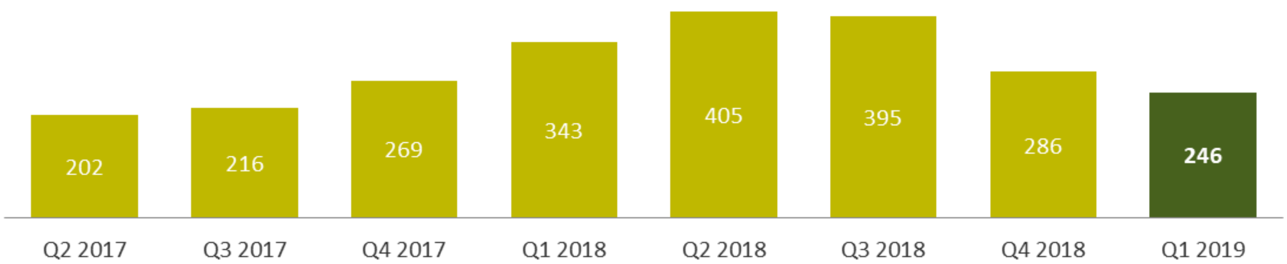
Production, Purchases and Sales Volume
(In Thousand m^3)



PULP BUSINESS

The Adjusted EBITDA for our pulp business reached US$245.8 million during this quarter, which translates to a 13.9% or US$39.8 million decrease compared to the fourth quarter 2018.

Adjusted EBITDA for Pulp Business (*)
(In US$ Million)



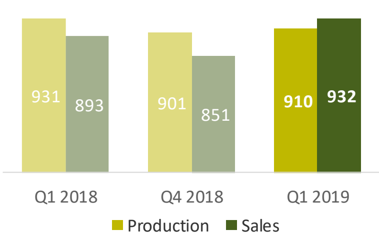
(*) Due to a change in the calculation methodology of the adjusted EBITDA by business, there is a change in this measure from 2017.

Global Pulp Demand Change Q1 2019 – Q4 2018

Global Pulp Demand Change	
North America	-0.5%
West Europe	1.2%
China	3.2%
Others	5.0%
Total	2.5%

Source: Hawkins Wright

Production and Sales Volume
(In Thousand AdT)



At the beginning of the year, we experienced no changes in the pulp market. The demand downtrend seen in the last quarter stabilized and showed a slight increase by the end of the quarter, especially in China. In terms of prices, we didn't see a significant recovery from the last quarter and global inventories remained at high levels. Both scenarios are explained by a general downtrend demand and by pulp production levels that were practically equal to capacity levels. The last eight months remained free of any mayor production or climate issue impacting the market.

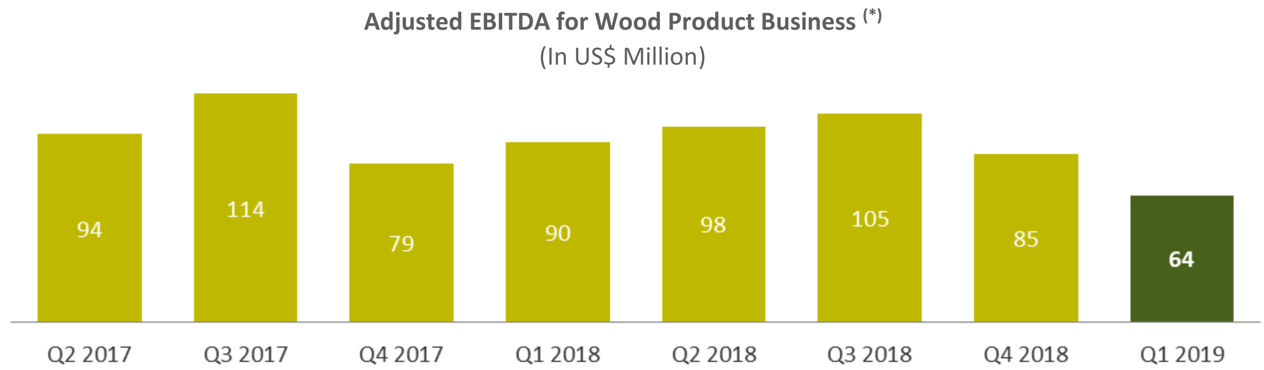
The Asian market, specifically the Chinese one, was the most affected by the trend change from the end of 2018 through January 2019 and it showed a turnaround by the end of this quarter, but it didn't reach the levels that we saw 6 months ago. The pulp demand increase experienced in February was due to higher paper production in order to normalize paper inventory levels after the Chinese New Year, when factories were closed for approximately 14 days. The uncertainty of the trade war between China and US remained high and, even though the negotiations were going as it was expected, paper producers showed prudency by the time they bought their raw material. Korean market distanced itself from Chinese trend with prices slightly higher by the end of March.

In Europe the scenario was slightly different. Compared to the Asian market, the downward trend impact was belated and smoother, and there was no evidence of sustainable recovery with inventories at high levels. Regarding the paper industry, demand remained low. Tissue market, which is key reference in the local industrial trend, showed lower production and not at full capacity as tissue producers would like to. In the Middle East, pulp prices followed the European trend and showed low levels of demand due to the unfavorable economic scenario.

Pulp production during this quarter compared to the last one increased by 1.0%, due to several programmed maintenance stoppages during the fourth quarter of 2018. Regarding the first quarter of 2018, pulp production decreased by 2.2%, which is explained by a lower number of programmed maintenance stoppages at that time.

WOOD PRODUCTS BUSINESS

The Adjusted EBITDA for our wood products business reached US$63.7 million during the first quarter of 2019, which translates to a 24.7% or US$20.9 million decrese, compared to the previous quarter.



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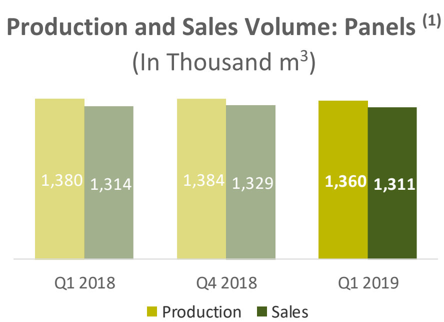
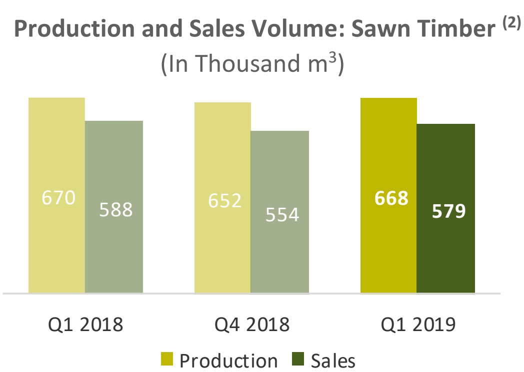
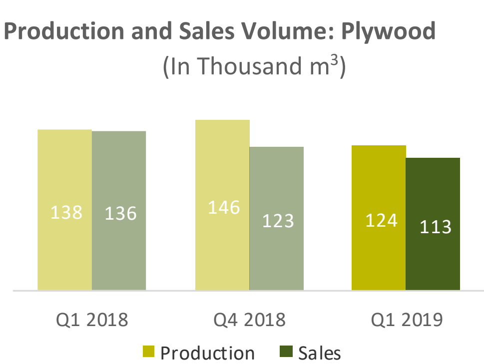






(1) Includes HB, MDF, OSB, PB

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

Note: Sales include trading

Composite panel sales decreased slightly compared to the previous quarter, with sales volume falling by 1.3% (including both MDF and PBO products) and average prices increasing by 1.6% compared to the fourth quarter of 2018.

The Latin-American market showed healthy demand levels during the first quarter of 2019, specially in MDF consumption, highlighting countries such as Peru and Colombia. In Brazil, the year started lower than expected with higher MDF supply and with a slowed down economy affecting negatively the demand. In Argentina, demand stopped declining, but prices in dollar remained low due to the uncertainty that affect the economy and therefore the local currency. In United States and Canada, sales showed an increase compared to the last quarter.

Sawn timber sales volume increased during the first quarter and prices continued its downward trend. In Asia and the Middle East, demand remained low and it reflected the higher European, Canadian and Brazilian supply levels. The next period of this year is expected to remain with a challenging environment due to higher supply levels and lower demand from key markets for this industry.

In remanufactured products, supply and demand remained balanced in the United States mainly because of the positive seasonality effects in the northern hemisphere. The scenario remains expectant because of the trade war between China and the United States and a lower growth rate for the construction market.

Plywood trend remained the same compared to the last quarter, with a decrease in prices and high supply levels from South America and Asia. Additionally, OSB (Oriented Strand Board), which is a substitute for plywood, participated strongly and increased the supply. On the other hand, inventories showed high levels throughout the whole supply chain.

CAPITAL EXPENDITURES

US$ Million	Q1 2019	Q4 2018	Q1 2018	YTD 2019	YTD 2018
Cash flow used to obtain control of subsidiaries or other businesses	150.8	0.5	15.9	150.8	15.9
Cash flow used to purchase in associates	0.5	2.1	-	0.5	-
Purchase and sale of property, plant and equipment	164.2	283.3	96.7	164.2	96.7
Purchase and sale of intangible assets	5.3	1.9	0.3	5.3	0.3
Purchase of other long-term assets	73.9	53.9	70.3	73.9	70.3
Total CAPEX	**394.6**	**341.6**	**183.2**	**394.6**	**183.2**

During this quarter, capital expenditures increased by US$53.0 million or 15.5% compared to the fourth quarter of 2018, totaling US$394.6 million. This is explained by a significant increase in Cash flow used to obtain control of subsidiaries or other businesses associated to the Mexican subsidiaries acquisition.

The main projects expenditures during the quarter are detailed below:

- MAPA Project capital expenditures: US$62.2 million
- Grayling Project MDP capital expenditures: US$26.9 million
- Dissolving Pulp Project capital expenditures: US$25.4 million

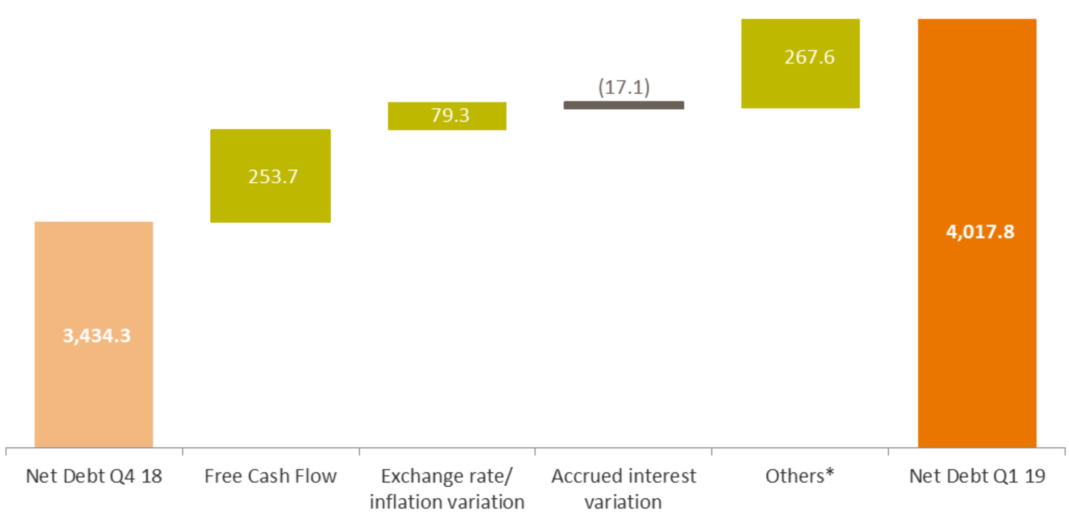
During the first quarter of 2019, plantation capex amounted a total of US$73.9 million. This increase is explained by the purchase in advance of biological assets to supply the Line 3 of Arauco mill (MAPA project). The remaining amount corresponds to maintenance capex.

FREE CASH FLOW

During the first quarter, Free Cash Flow decreased by US$189.3 million compared to the fourth quarter of 2018, ending up in a deficit of US$253.7 million. The main reason was the working capital variation explained by: (i) an increase in Trade and Other Receivables; (ii) an increase in inventory levels, compensated by an increase in Trade and other payables. Cash used by investment activities increased slightly by US$47.7 million compared to the last quarter, which is mainly explained by higher capex. On the other hand, cash used by financing activities during this quarter was US$0.3 million compared to US$143.0 million in the last quarter, mainly due to the dividends payment done in December 2018.

US$ Million	Q1 2019	Q4 2018	Q1 2018
Adjusted EBITDA	354.9	342.6	457.0
Working Capital Variation	(70.9)	141.8	(300.8)
Interest paid and received	(43.3)	(39.2)	(41.1)
Income tax paid	(12.6)	(20.9)	21.8
Other cash inflows (outflows)	(97.9)	(5.2)	(53.4)
Cash from Operations	**130.3**	**419.1**	**83.4**
Capex	(394.6)	(341.6)	(183.2)
Proceeds from investment activities	5.5	5.1	2.8
Other inflows of cash, net	6.2	1.3	2.2
Cash from (used in) Investment Activities	**(382.9)**	**(335.2)**	**(178.2)**
Dividends paid	-	(142.7)	(0.6)
Other inflows of cash, net	(0.3)	(0.2)	0.0
Cash from (used in) Financing Activities - Net of Proceeds and Repayments	**(0.3)**	**(143.0)**	**(0.6)**
Effect of exchange rate changes on cash and cash equivalents	(0.7)	(5.3)	(0.9)
Free Cash Flow	**(253.7)**	**(64.4)**	**(96.3)**

Net Debt Variation Q4 2018 – Q1 2019
(In US$ Million)



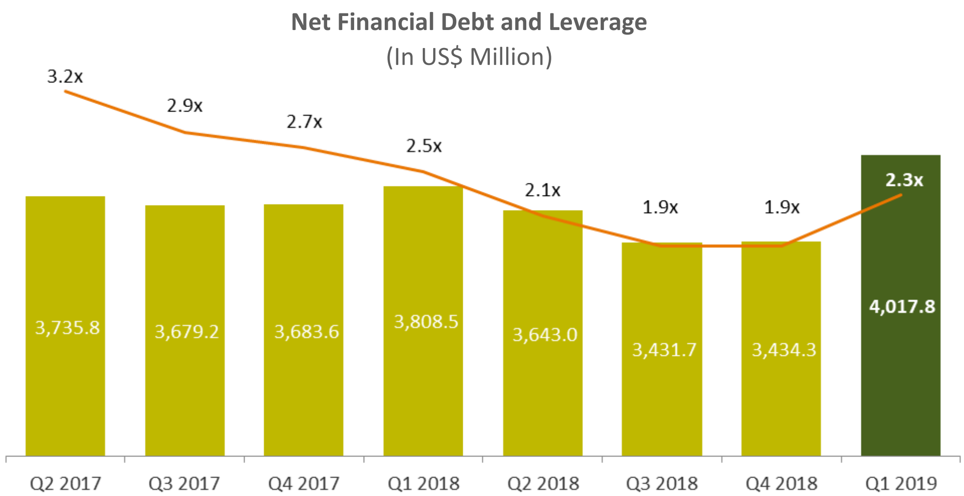
(*) As a result of the adoption of IFRS 16, the Company recognized an increase of $287.6 million in Other financial liabilities. Most of the impact refers to leasing of vehicles (US$135.4 million), followed by Others properties, plants and equipment (US$114.7 million) and land lease (US$65.0 million), which are concentrated mainly in Chile, Uruguay and Brazil. As of December31 2018, these types of leases were recognized as cost of sales or Administrative expenses on the Income Statement and, from January 1, 2019, it is recognized as Depreciation for the right of use and it increases slightly our Financial expenses.

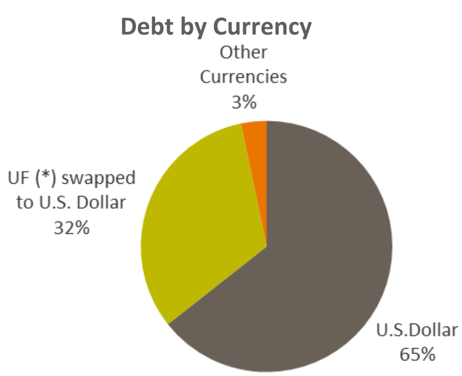
FINANCIAL DEBT AND CASH

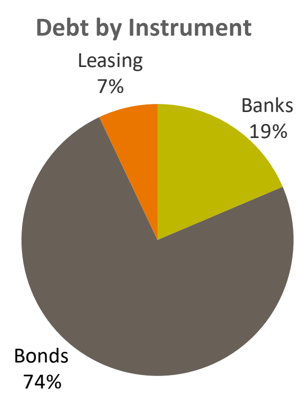
Arauco's total financial debt as of March 31, 2019 reached US$4,765.5 million, an increase of 5.7% or US$255.3 million when compared to December 31, 2018 due to IFRS 16 financial leasing (for further details information, please refer to page 13). Of our committed facility line for the Grayling Project, a total of US$6.0 million was disbursed during the first quarter, amounting a total of US$294.0 million of the line used by the end of March 2019. Our consolidated net financial debt increased 17.0% or US$583.4 million when compared with December 31, 2018, while cash and cash equivalents decreased by US$328.2 million, because in the last quarter we issued a bond for approximately US$340.0 million.

Our leverage, measured as Net Financial Debt/LTM Adjusted EBITDA was 2.3x, an increase compared to the 1.9x in the last quarter.

In US$ Million	March 2019	December 2018	March 2018
Short term financial debt	576.2	535.8	499.6
Long term financial debt	4,189.3	3,974.4	3,802.5
TOTAL FINANCIAL DEBT	**4,765.5**	**4,510.3**	**4,302.1**
Cash and cash equivalents	747.8	1,075.9	493.7
NET FINANCIAL DEBT	**4,017.8**	**3,434.3**	**3,808.5**
LTM Adjusted EBITDA	**1,741.9**	**1,850.5**	**1,516.1**



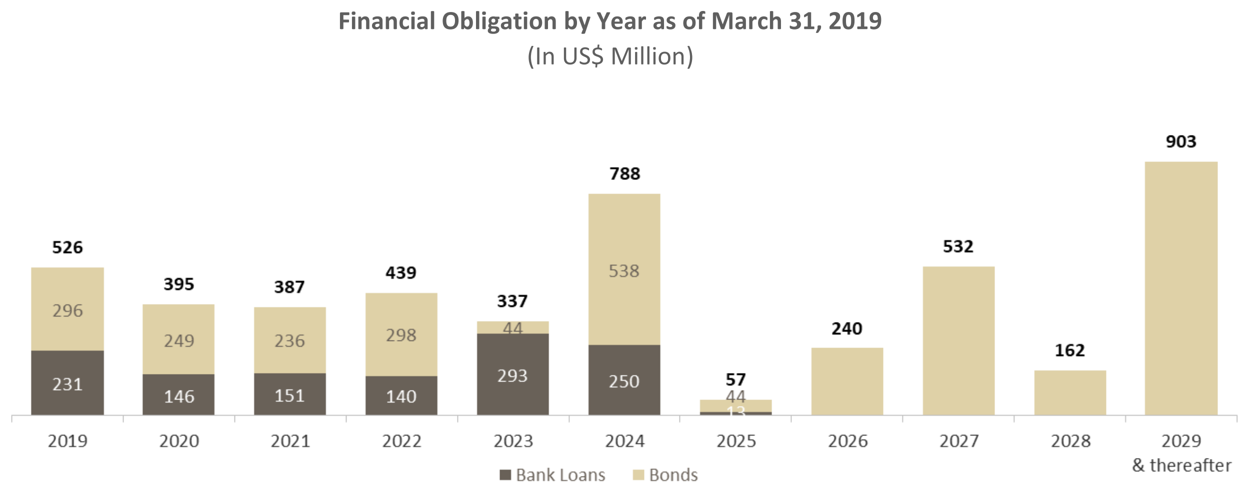




(*) UF is a Chilean monetary unit indexed to inflation.

Financial Debt Profile

For the year 2019, bank and bonds obligations (which include accrued interest) sum up US$526 million. This total amount includes the following maturities: US$137.0 million loans in Montes del Plata, US$66.2 million of leasing, US$13.3 million of credit loans in Argentina, US$8.8 million in our Brazilian subsidiaries and US$5.4 million from our United States subsidiaries. Bond obligations include the maturity of US$202.8 million Yankee Bond in July 2019, from which we repurchased US$33.2 million on April 2019. As a result, the 2019 Yankee Notes outstanding reached US$169.6 million. Additionally, 2019 bond obligations include the amortizations of two local bonds BARAU-F and BARAU-Q.

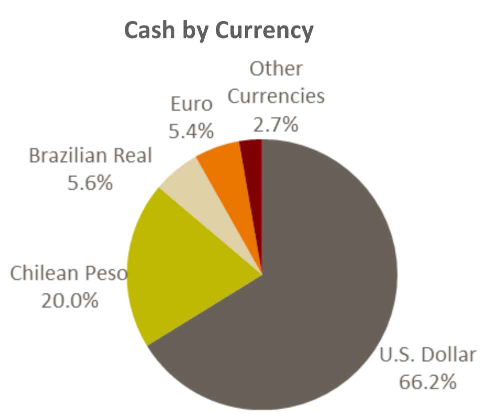


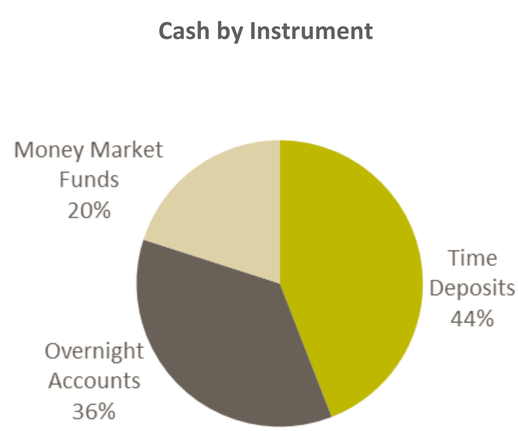
Short term debt includes accrued interest

Cash

Our cash position was US$747.8 million at the end of the first quarter, which was a US$328.2 million or 30.5% lower compared to the fourth quarter of 2018. Cash provided from operating activities decreased by US$288.8 million, mainly due to lower Receipts from sales of goods which were US$311.0 million down compared to the last quarter. Payments to suppliers and employees remained relatively stable.

Cash used in investing activities increase by 14.2% explained by higher capital expedintures incurred during the first quarter. On the other hand, cash used by financing activities reached only US$0.3 million because of the US$142.7 million dividends payment in December 2018.





FIRST QUARTER, SUBSEQUENT EVENTS AND NEWS

Grayling Project update

The new particleboard mill located in Grayling, Michigan, United States was officially inaugurated on April 16. The investment was approximately US$450.0 million, and the annual production capacity is approximately 800,000 m^3 of PB. The plant is currently producing and has already commercialized some volumes.

Dissolving Pulp Project update

The Dissolving Pulp Project had a 75% advance as of March 2019 and the start-up is expected by the end of 2019. The investment for this brownfield project is approximately US$195 million.

MAPA project

On February 2019, the earth-moving works started. The equipment assembly is expected to begin in October 2019. The start-up of the new Line 3 is expected to take place in the second quarter of 2021, by that time Line 1 will be shutdown.

On April 1, 2019, Arauco signed an ECA credit agreement with the Finnish state-owned financing company Finnvera and three banks entities: BNP Paribas, JP Morgan Chase & Co. and Santander for a total of € 555.0 million. The contract considers a disbursement period during the Line 3 construction and 8.5 years with equal amortizations. The funds will be used to buy the main equipment for the mill and the main suppliers are Andritz and Valmet.

Puertos y Logística S.A sale

As of March 2019, we had an equity interest of 20.3% in the subsidiary *Puertos y Logística S.A.* On April 5, 2019, we sold such equity interest to DP World Holding UK Ltd. for approximately US$102 million.

International Bond Issuance

On April 30, 2019, Arauco completed an offering of US$500 million principal amount of 4.25% Notes due 2029 and US$500 million principal amount of 5.5% Notes due 2049. The offering was directed to qualified institutional buyers (QIBs) in the U.S. in reliance upon Rule 144A under the U.S. Securities Act of 1933 (the "U.S. Securities Act") and to non-U.S. persons outside the U.S. in reliance upon Regulation S under the U.S. Securities Act. Both bonds are bullet with interests paid each semester. The main use of proceeds for these bonds was to finance the MAPA Project, to partially repurchase two of our outstanding bonds: (i) 7.250% Notes due 2019, (ii) 5.000% Notes due 2021. In total, the following amounts were validly tendered: US$33.2 million for the 7.250% Notes due 2019 and US$65.0 million for the 5.000% Notes due 2021. The remaining funds will be used for other corporate purposes.

FINANCIAL STATEMENTS

Income Statement

In US$ Million	Q1 2019	Q4 2018	Q1 2018	01-03-2019	01-03-2018
Revenues	1,388.2	1,377.6	1,464.7	1,388.2	1,464.7
Cost of sales	(941.9)	(927.1)	(921.6)	(941.9)	(921.6)
Gross profit	**446.3**	**450.4**	**543.1**	**446.3**	**543.1**
Other income	45.5	22.6	37.2	45.5	37.2
Distribution costs	(142.9)	(142.0)	(132.4)	(142.9)	(132.4)
Administrative expenses	(141.3)	(138.1)	(141.5)	(141.3)	(141.5)
Other expenses	(22.3)	(44.5)	(16.8)	(22.3)	(16.8)
Financial income	6.7	8.8	4.8	6.7	4.8
Financial costs	(57.4)	(58.9)	(51.7)	(57.4)	(51.7)
Share of profit (loss) of associates and joint ventures accounted for using equity method	4.4	(11.4)	5.8	4.4	5.8
Other income (loss)	0.0	14.2	0.0	0.0	0.0
Exchange rate differences	2.1	(4.2)	1.0	2.1	1.0
Income before income tax	**141.2**	**97.0**	**249.6**	**141.2**	**249.6**
Income tax	(15.1)	(26.8)	(51.8)	(15.1)	(51.8)
Net income	**126.1**	**70.1**	**197.7**	**126.1**	**197.7**
Profit attributable to parent company	125.8	68.4	197.8	125.8	197.8
Profit attributable to non-parent company	0.3	1.7	(0.1)	0.3	(0.1)

Balance Sheet

In US$ Million	Q1 2019	Q4 2018	Q1 2018
Cash and cash equivalents	747.8	1,075.9	493.7
Other financial current assets	1.3	0.5	3.0
Other current non-financial assets	223.1	129.9	184.5
Trade and other receivables-net	930.4	839.2	939.5
Related party receivables	5.0	7.3	8.5
Inventories	1,094.6	1,030.2	905.4
Biological assets, current	317.1	315.9	305.2
Tax assets	40.0	36.5	22.8
Non-Current Assets classified as held for sale	5.8	5.7	3.3
Total Current Assets	**3,365.0**	**3,441.2**	**2,865.8**
Other non-current financial assets	26.7	20.3	106.0
Other non-current and non-financial assets	88.5	86.9	121.3
Non-current receivables	12.0	15.6	18.8
Investments accounted through equity method	353.6	358.1	377.4
Intangible assets	95.1	90.1	89.5
Goodwill	65.8	65.9	69.7
Property, plant and equipment	7,651.3	7,174.7	7,015.2
Biological assets, non-current	3,366.2	3,336.3	3,472.9
Deferred tax assets	5.6	4.6	9.3
Total Non-Current Assets	**11,664.6**	**11,152.6**	**11,280.3**
TOTAL ASSETS	**15,029.6**	**14,593.7**	**14,146.1**
Other financial liabilities, current	577.0	537.6	501.0
Trade and other payables	741.0	659.6	585.4
Related party payables	11.3	10.2	9.3
Other provisions, current	1.3	0.4	2.6
Tax liabilities	162.3	153.6	39.1
Current provision for employee benefits	5.8	5.7	6.3
Other non-financial liabilities, current	279.8	212.6	245.7
Total Current Liabilities	**1,778.5**	**1,579.8**	**1,389.5**
Other non-current financial liabilities	4,244.6	4,044.3	3,802.5
Trade and Other payables non-current	2.2	2.2	0.0
Other provisions, non-current	33.7	33.9	35.6
Deferred tax liabilities	1,386.7	1,417.7	1,488.7
Non-current provision for employee benefits	67.5	64.9	72.9
Other non-financial liabilities, non-current	115.3	112.1	115.5
Total Non-Current Liabilities	**5,850.0**	**5,675.0**	**5,515.2**
Non-parent participation	37.3	37.2	41.5
Net equity attributable to parent company	**7,363.9**	**7,301.8**	**7,199.9**
TOTAL LIABILITIES AND EQUITY	**15,029.6**	**14,593.7**	**14,146.1**

Cash Flow Statement

US$ Million	Q1 2019	Q4 2018	Q1 2018	FY 2019	FY 2018
Receipts from sales of goods and rendering of services	1,377.2	1,687.7	1,307.7	1,377.2	1,307.7
Other cash receipts (payments)	64.4	51.7	28.4	64.4	28.4
Payments of suppliers and personnel (less)	(1,253.6)	(1,261.4)	(1,232.7)	(1,253.6)	(1,232.7)
Interest paid and received	(43.3)	(39.2)	(41.1)	(43.3)	(41.1)
Income tax paid	(12.6)	(20.9)	21.8	(12.6)	21.8
Other (outflows) inflows of cash, net	(1.8)	1.1	(0.6)	(1.8)	(0.6)
Net Cash Provided by (Used in) Operating Activities	**130.3**	**419.1**	**83.4**	**130.3**	**83.4**
Capital Expenditures	(394.6)	(341.6)	(183.2)	(394.6)	(183.2)
Other investment cash flows	11.7	6.4	5.0	11.7	5.0
Net Cash Provided by (Used in) Investing Activities	**(382.9)**	**(335.2)**	**(178.2)**	**(382.9)**	**(178.2)**
Proceeds from borrowings	(13.9)	418.1	96.5	(13.9)	96.5
Repayments of borrowings	(60.5)	(12.5)	(96.4)	(60.5)	(96.4)
Dividends paid	0.0	(142.7)	(0.6)	0.0	(0.6)
Other inflows of cash, net	(0.3)	(0.2)	0.0	(0.3)	0.0
Net Cash Provided by (Used in) Financing Activities	**(74.7)**	**262.6**	**(0.5)**	**(74.7)**	**(0.5)**
Total Cash Inflow (Outflow) of the Period	**(327.4)**	**346.4**	**(95.3)**	**(327.4)**	**(95.3)**
Effect of exchange rate changes on cash and cash equivalents	(0.7)	(5.3)	(0.9)	(0.7)	(0.9)
Cash and Cash equivalents at beginning of the period	1,075.9	734.8	589.9	1,075.9	589.9
Cash and Cash Equivalents at end of the Period	**747.8**	**1,075.9**	**493.7**	**747.8**	**493.7**

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.

As a result of the adoption of IFRS 16, the Company recognized a US$290.8 million increase for Property, plant and equipment and a MUS$287.6 million increase for Other financial liabilities.

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.