antarchile

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In Collaboration with RobecoSAM

# EARNINGS ANALYSIS

First Quarter
2020

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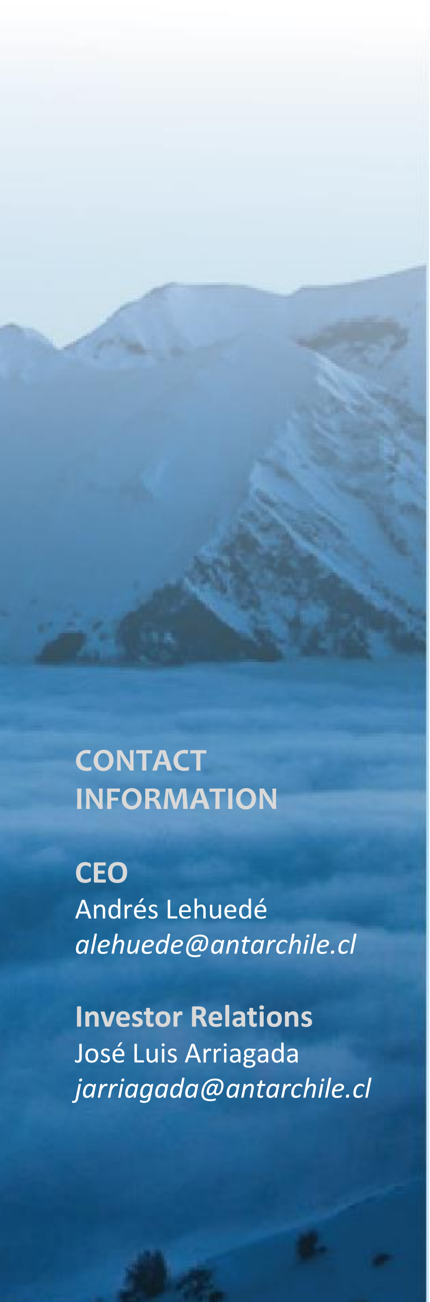

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## 1Q20 1Q19

AntarChile posted a net income loss of US$3 million in 1Q20, dropping US$135 million year-over-year (YoY).

This change was because of an operating income decrease of US$133 million, mainly explained by Arauco (-US$139 million) from lower revenue in the pulp business due to prices and sales volumes dropping 26.9% and 8.9%, respectively. Besides this, Abastible reported a drop in operational income of -US$4 million, on account of lower unit margins in Chile and greater distribution and administration expenses. That was partly offset by higher operating income at Copec (+US$4 million) and Igemar (+US$4 million).

Non-operating income dropped US$106 million, mainly due to Arauco (-US$41 million) from a fixed asset write-off provision and plant stoppage expenses. There was also lower non-operating income in the Others segment (-US$38 million), largely due to negative exchange rate differences at Empresas Copec. Copec also had a non-operating income decrease (-US$18 million), related to the non-recurring net income generated from the sale of real estate assets in the first quarter of 2019.

## 1Q20 4Q19

AntarChile had a net income increase of US$117 million quarter-over-quarter (QoQ), due to higher non-operating and operating income.

Non-operating income rose US$175 million, mainly because of the Others segment (+US$121 million) due to the impairment charges recognized by Mina Invierno and Alxar in December 2019, offset by unfavorable exchange rate differences at Empresas Copec. Arauco also had higher non-operating income (+US$54 million) because of lower other expenses due to impairment at mills in North America the previous quarter and lower financial expenses.

Operating income rose US$74 million, due to Arauco (+US$35 million) as a result of unit production costs of hardwood and raw fiber dropping 9.9% and 5.8%, respectively, and a sawn timber price increase of 1.7%. Copec also had an operating income increase (+US$22 million), mainly explained by Copec Chile from a higher industrial and commercial margin, and lower administration expenses. There was also higher income at Abastible (+US$9 million), Igemar (+US$5 million ) and Sonacol (+US$2 million).

There was also a negative tax variation of US$55 million, largely due to Arauco (-US$26 million) and Abastible (-US$15 million).

| US$ million | 1Q 2020 | 4Q 2019 | 1Q 2019 | Q-Q Var. | Y-Y Var. | YTD 2020 | YTD 2019 | Y-Y Acc. Var. |
|---|---|---|---|---|---|---|---|---|
| Sales revenue | 5,405 | 5,641 | 5,927 | -4% | -9% | 5,405 | 5,927 | -9% |
| EBIT | 175 | 101 | 308 | 73% | -43% | 175 | 308 | -43% |
| **EBITDA*** | **428** | **396** | **589** | **8%** | **-27%** | **428** | **589** | **-27%** |
| Non-operating income | (133) | (308) | (27) | 57% | -398% | (133) | (27) | -398% |
| Net Income | 6 | (189) | 233 | 103% | -98% | 6 | 233 | -98% |
| **Net income of controlling interest** | **(3)** | **(120)** | **132** | **97%** | **-102%** | **(3)** | **132** | **-102%** |
| Net income of minority interest | 9 | (68) | 102 | 113% | -91% | 9 | 102 | -91% |
| EBITDA Margin | 8% | 7% | 10% | 13% | -20% | 8% | 10% | -20% |
| EBITDA / net financial expense | 4.3 x | 4.0 x | 7.0 x | 7% | -38% | 4.3 x | 7.0 x | -38% |

*(*) EBITDA = Operating Income + Depreciation + Amortization + Stumpage (fair value of harvested timber)*

# BALANCE SHEET

consolidated

antarchile

| US$ million | mar 2020 | dec 2019 | Variation US$ million | Variation % |
|---|---|---|---|---|
| Current Assets | 6,481 | 7,078 | (598) | -8.4% |
| Non-current Assets | 17,945 | 18,449 | (504) | -2.7% |
| **Total Assets** | **24,425** | **25,527** | **(1,101)** | **-4.3%** |
| Other current financial liabilities | 976 | 843 | 133 | 15.7% |
| Other current liabilities | 1,870 | 2,308 | (438) | -19.0% |
| Other non-current financial liabilities | 7,909 | 7,812 | 98 | 1.3% |
| Other non-current liabilities | 3,021 | 3,212 | (191) | -5.9% |
| **Total liabilities** | **13,776** | **14,175** | **(398)** | **-2.8%** |
| **Equity of minority interest** | **4,382** | **4,655** | **(273)** | **-5.9%** |
| **Equity attributable to controlling interest** | **6,268** | **6,697** | **(429)** | **-6.4%** |
| Leverage | 0.72 | 0.62 | N.A. | 15.3% |
| Net financial debt | 7,640 | 7,065 | 575 | 8.1% |

As of March 31, 2020, AntarChile's total consolidated assets dropped 4.3% on those as of December 31, 2019.

Current assets fell 8.4%, driven by lower cash and cash equivalents at Arauco, related to disbursements made for the Arauco mill modernization and expansion (MAPA, according to the Spanish acronym) project. There were also lower trade receivables mainly at Copec. That was partly offset by an increase in current tax assets at Arauco. On the other hand, the assets held for sale account increased due to the reclassification of the assets of Sonacol and Gasmar, which are in sale processes, and the same occurred with the mining assets in Chile.

Non-current assets dipped 2,7%, explained by lower property, plant and equipment at Copec and mainly related to the higher exchange rate effect on assets measured in pesos.

On the other hand, current liabilities dropped 9.7%, on account of a drop in trade payables and mainly at Copec.

Non-current liabilities fell 0.9%, mainly due to a decrease in deferred tax at Copec, Arauco and Abastible. There were also lower other non-financial liabilities at Arauco and Abastible.

Lastly, total shareholders' equity dropped 6.4% on that as of December 2019, because of lower other reserves from exchange rate changes in the first quarter of 2020.

# CASH FLOW

consolidated

| US$ million | mar 2020 | dec 2019 | Variation US$ million | Variation % |
|---|---|---|---|---|
| Cash flow from (used in) operating activities | (54) | 263 | (317) | -121% |
| Cash flow from (used in) investing activities | (569) | (301) | (268) | -89% |
| Cash flow from (used in) financing activities | 232 | (148) | 380 | 257% |
| **Net increase (decrease) in cash and cash equivalents, before exchange rate adjustments** | **(391)** | **(187)** | **(205)** | **-110%** |

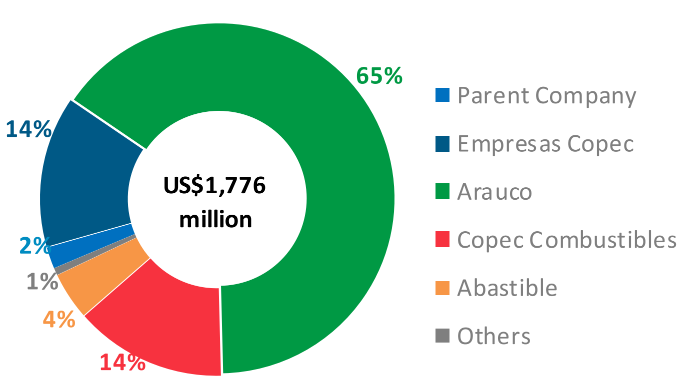
The company's cash flow before the exchange rate effect was -US$391 million as of March 2020, which was a decrease on the cash flow of -US$187 million in the same period in 2019.

The operating cash flow as of March 2020 dropped US$317 million on the previous year, mainly explained by lower charges from sales at Copec and Arauco, along with a higher tax payment. That was partly offset by lower payments to suppliers at Copec and Arauco.

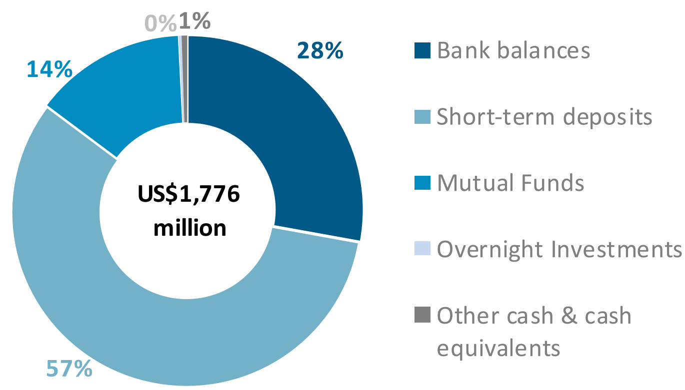
The investing cash flow in 1Q20 was US$268 million less YoY. The main reason was the investment in property, plant and equipment at Arauco due to the MAPA project. That was partly offset by lower disbursements than in the first quarter of 2019 when payments were made to control subsidiaries or other businesses after the purchase of the assets of Masisa México.

The financing cash flow increased US$380 million YoY, explained by a greater securing of loans at Copec and Arauco.

## CASH AND CASH EQUIVALENTS
by entity



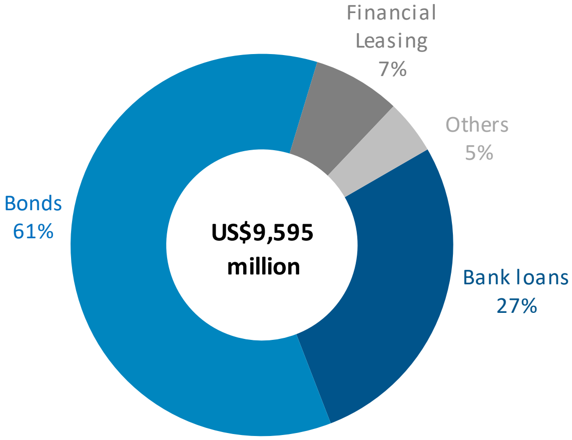

## BREAKDOWN
by instrument



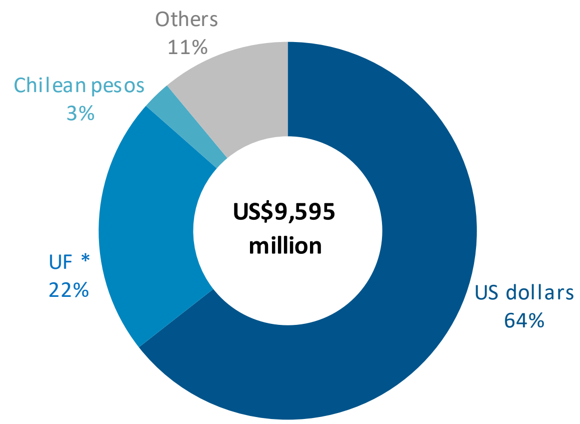
# FINANCIAL DEBT consolidated

antarchile

## BREAKDOWN
by instrument




## BREAKDOWN
by currency

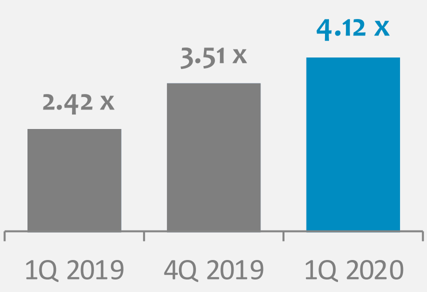



*(*) "Chilean inflation-indexed currency unit"*
*Source: Ministry of Finance, Chile*

## FINANCIAL DEBT
Net

| US$ million | 1Q 2020 | 4Q 2019 | 1Q 2019 |
|---|---|---|---|
| Current financial liabilities | 1,092 | 972 | 1,303 |
| Non-current financial liabilities | 8,503 | 8,470 | 6,924 |
| **Total financial liabilities** | **9,595** | **9,442** | **8,227** |
| Cash and cash equivalents | 1,776 | 2,253 | 1,569 |
| Current financial assets | 179 | 125 | 196 |
| **Net financial debt*** | **7,640** | **7,065** | **6,462** |

## NET DEBT/ EBITDA LTM

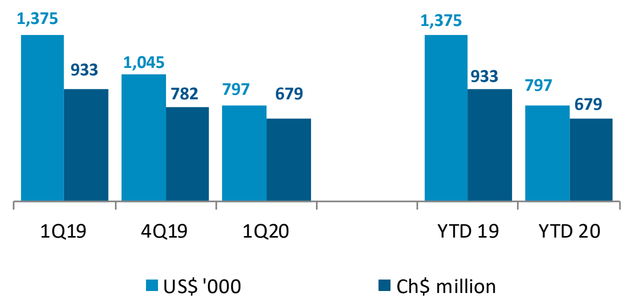



** Net Debt = Current financial liabilities + Non-current financial liabilities - cash and cash equivalents - Other current financial assets.*

# EARNINGS consolidated by segment

| US$ million | 1Q 2020 | 4Q 2019 | 1Q 2019 | Var. Q-Q | Var. Y-Y | YTD 2020 | YTD 2019 | Acc. Var. Y-Y |
|---|---|---|---|---|---|---|---|---|
| **Sales** | | | | | | | | |
| Forestry | 1,127 | 1,202 | 1,388 | -6% | -19% | 1,127 | 1,388 | -19% |
| Fuels | 4,228 | 4,392 | 4,496 | -4% | -6% | 4,228 | 4,496 | -6% |
| Fisheries | 50 | 46 | 42 | 9% | 18% | 50 | 42 | 18% |
| Other companies | 0 | 0 | 0 | 7% | 21% | 0 | 0 | 21% |
| **Total** | **5,405** | **5,641** | **5,927** | **-4%** | **-9%** | **5,405** | **5,927** | **-9%** |
| **EBITDA** | | | | | | | | |
| Forestry | 215 | 199 | 362 | 8% | -38% | 215 | 362 | -41% |
| Fuels | 209 | 198 | 230 | 5% | -9% | 209 | 230 | -9% |
| Fisheries | 9 | 4 | 4 | 103% | 103% | 9 | 4 | 103% |
| Other companies | (5) | (6) | (7) | 11% | 30% | (5) | (7) | 30% |
| **Total** | **428** | **396** | **589** | **8%** | **-27%** | **428** | **589** | **-27%** |
| **Net income** | | | | | | | | |
| Forestry | (30) | (92) | 126 | 68% | -124% | (30) | 126 | -124% |
| Fuels | 71 | 56 | 111 | 26% | -36% | 71 | 111 | -36% |
| Fisheries | (5) | (8) | (1) | 38% | -391% | (5) | (1) | -391% |
| Other companies | (31) | (145) | (3) | 79% | -908% | (31) | (3) | -908% |
| **Total** | **6** | **(189)** | **233** | **103%** | **-98%** | **6** | **233** | **-98%** |
| **Capex** | | | | | | | | |
| Forestry | 445 | 437 | 395 | 2% | 13% | 445 | 395 | 13% |
| Fuels | 93 | 138 | 88 | -32% | 4% | 93 | 88 | 5% |
| Fisheries | 1 | 6 | 23 | 25% | -94% | 1 | 23 | -94% |
| Other companies | 45 | 42 | 1 | 7% | 3,678% | 45 | 1 | 3,678% |
| **Total** | **585** | **623** | **508** | **-6%** | **15%** | **585** | **508** | **15%** |

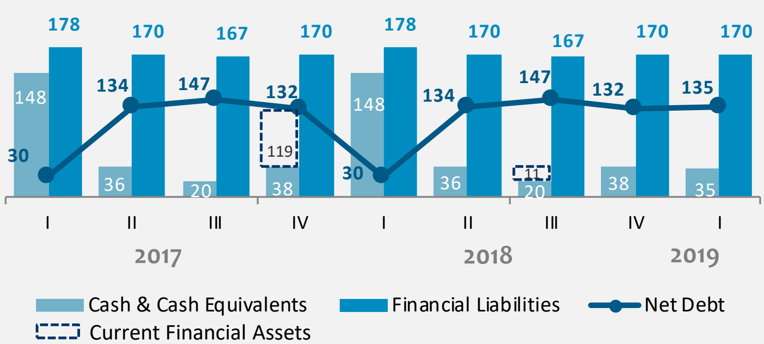
## SALES AND ADMINISTRATION EXPENSES




- The administration expenses of AntarChile (individual) YTD dropped on those in the same period in 2019 due to the adjustment effect on severance and bonus provisions due to the increase in the dollar.

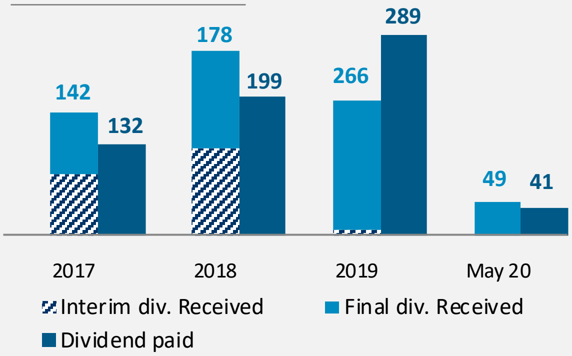
## NET DEBT

US$ million




## DIVIDENDS

US$ million




AntarChile seeks to maintain a relatively constant level of financial liabilities over time but with a downward trend.

Cash and cash equivalents are fully related to the dividends received by Empresas Copec and Colbún and those paid by AntarChile.

AntarChile's dividend policy is linked to that of Empresas Copec, which prevents an unnecessary build-up of cash at the holding company.

In April 2020, it was agreed to modify the dividend policy of AntarChile by reducing the percentage of net profits in the year to be distributed as a dividend from 40% to 30%. This was since Empresas Copec modified its dividend policy in the same way; along with the need of maintaining a suitable level of liquidity at AntarChile in the light of a market affected by great uncertainty, particularly from the COVID-19 pandemic. To such effect, Empresas Copec decided not to distribute an interim dividend in December 2019.

Both Empresas Copec and AntarChile pay a final dividend in May, so cash and cash equivalents normally drop in the second quarter. Besides this, in December 2018, May 2019, December 2019 and May 2020 the company received a dividend payment from Colbún.

## EMPRESAS COPEC CONSOLIDATED

| US$ million | 1Q 2020 | 4Q 2019 | 1Q 2019 | Q-Q Var. | Y-Y Var. | YTD 2020 | YTD 2019 | Y-Y Acc. Var. |
|---|---|---|---|---|---|---|---|---|
| Sales revenue | 5,405 | 5,641 | 5,927 | -4% | -9% | 5,405 | 5,927 | -9% |
| EBIT | 176 | 102 | 310 | 73% | -43% | 176 | 310 | -43% |
| **EBITDA*** | **429** | **397** | **591** | **8%** | **-27%** | **429** | **591** | **-27%** |
| Non-operating income | (127) | (314) | (25) | 60% | -409% | (127) | (25) | -409% |
| Net income | 12 | (195) | 236 | 100% | -95% | 12 | 236 | -95% |
| **Net income of controlling interest** | **6** | **(206)** | **221** | **95%** | **-97%** | **6** | **221** | **-97%** |
| Net income of minority interest | 5 | 11 | 15 | -51% | -63% | 5 | 15 | -63% |

*(*) EBITDA = Operational income + Depreciation + Amortization + Stumpage (Fair value of harvested timber)*

AntarChile's results are highly correlated with those of its subsidiary Empresas Copec.

The following pages contain a brief analysis of the key variations of 1Q 2020 for the principal subsidiaries.

For further details, please refer to:

- Empresas Copec, press release, at investor.empresascopec.cl
- Celulosa Arauco y Constitución, press release, at www.arauco.cl,
- Terpel, results presentation, at www.terpel.com/en/Accionistas

## CELULOSA ARAUCO Y CONSTITUCIÓN, CONSOLIDATED

| US$ million | 1Q 2020 | 4Q 2019 | 1Q 2019 | Q-Q Var. | Y-Y Var. | YTD 2020 | YTD 2019 | Y-Y Acc. Var. |
|---|---|---|---|---|---|---|---|---|
| Sales revenue | 1,127 | 1,202 | 1,388 | -6% | -19% | 1,127 | 1,388 | -19% |
| EBIT | 23 | (12) | 162 | 284% | -86% | 23 | 162 | -86% |
| **Adjusted EBITDA*** | **195** | **211** | **355** | **-8%** | **-45%** | **195** | **355** | **-45%** |
| Non-operating income | (62) | (116) | (21) | 46% | -197% | (62) | (21) | -197% |
| Net income | (30) | (92) | 126 | 68% | -123% | (30) | 126 | -123% |
| **Net income of controlling interest** | **(29)** | **(92)** | **126** | **68%** | **-123%** | **(29)** | **126** | **-123%** |
| Net income of minority interest | (0) | (0) | 0 | -284% | -194% | (0) | 0 | -194% |

*(*) Adjusted EBITDA = Net Income + Financial costs – Financial income + Taxes + Depreciation and Amortization + Fair value of harvested timber – Changes in the valuation of biological assets + Exchange rate differences + Provision.*

**1Q20 1Q19**

Arauco posted a loss of US$29 million in 1Q20, US$155 million down YoY. That was mainly due to a US$139 million drop in operating income, related to pulp revenue falling US$201 million from prices and sales volumes decreasing 26.9% and 8.9%, respectively. That was partly offset by lower unit production costs of 6.3% for bleached softwood, 2.8% for unbleached softwood and 0.1% for bleached hardwood. On the other hand, wood products revenues dropped 8.3% due to sawn timber and panel sales price decreases of 6.1% and 6.2%, respectively. Sawn timber sales volumes also dropped 8.9%, which was partly offset by a 6.1% increase in the panel volume.

Non-operating income dropped US$41 million, explained by higher other expenses (-US$29 million), and mainly from a fixed asset write-off provision at line 1 of the Arauco pulp mill, plant stoppage expenses and forest fires.

There were also higher financial expenses (-US$14 million) and unfavorable exchange rate differences (-US$6 million). That was partly offset by higher other revenue (+US$10 million) due to the revaluation of biological assets.

**1Q20 4Q19**

Net income in 1Q20 was US$63 million up QoQ. That was due to a US$54 million increase in non-operating income from lower other expenses, mainly due to impairment charges at mills in North America booked the previous quarter (+US$69 million) and also lower financial expenses (+US$9 million). That was partly offset by the roll-back of a property, plant and equipment provision made in 4Q19 (-US$22 million).

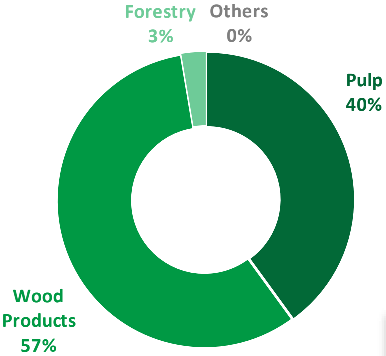
Operating income increased US$35 million on account of lower unit production costs of 9.9% for hardwood and 5.8% for unbleached fiber. There was also a sawn timber price increase of 1.7%. That was partly offset by pulp and panel prices dropping 4.7% and 1.5%, respectively. The unit production costs of softwood also rose 1.8%.

## SALES
by segment

| US$ million | 1Q 2020 | 4Q 2019 | 1Q 2019 | Q-Q Var. | Y-Y Var. |
|---|---|---|---|---|---|
| Pulp (*) | 451 | 527 | 652 | -14% | -31% |
| Wood Products (*)(**) | 647 | 643 | 705 | 1% | -8% |
| Forestry (*) | 30 | 33 | 31 | -9% | -3% |
| Others | - | - | - | 43% | - |
| **Total** | **1,127** | **1,202** | **1,388** | **-6%** | **-19%** |

(*) Sales include energy
(**) Include panels and timber

**Total 1Q20: US$1,127 million**



## PULP

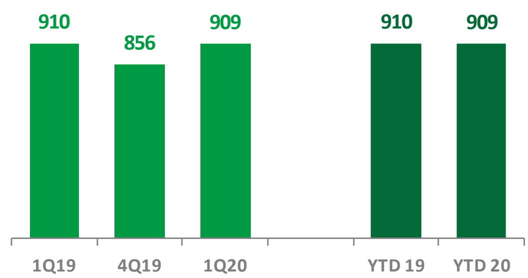
The pulp market was hit by the COVID-19 pandemic in the first quarter of 2020. Tissue demand has increased, but the printing and writing paper market has declined due to the closure of schools, universities and offices. Global softwood inventories have remained steady compared to the prior quarter and hardwood inventories have increased. On the other hand, prices have dropped compared to the same period in 2019.

Before the Chinese New Year there was good demand. The outbreak of the COVID-19 pandemic caused logistical difficulties regarding the declaration of quarantine and movement restrictions. Despite this, there was no large impact on sales in the quarter. As of mid-March, there has been lower demand for printing, writing and specialty paper due to a drop in the domestic economy and in exports.

In Europe, early in the year the market started out with high demand and some customers asked for volumes to be moved forward. In March and the onset of the COVID-19 sanitary emergency, and just as in the rest of the markets, demand for tissue has increased but has dropped for printing and writing paper. That led some paper producers to decrease their production and announce mill stoppages. The pulp price was stable in the quarter but dropped slightly by late March.

Arauco had various mill stoppages in the quarter. The Licancel mill was halted due to a water shortage but the company took advantage of the situation to undertake facility maintenance. The Constitución mill was down due to a scheduled stoppage, and the Arauco mill was stopped because of scheduled quarantine for a case of COVID-19. That meant that line 2 was stopped for a few days and line 1 for nearly a month because the company advanced its annual maintenance.

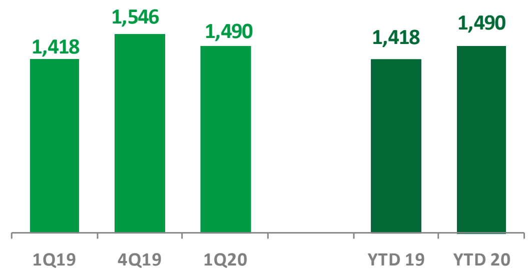
**PRODUCTION**
Thousands of Adt




## PANELS

The Latin American market had a good start early in the quarter with sales price and volume increases. Despite this, the market has been really hit by the COVID-19 pandemic. The depreciation of the exchange rate will affect the results in dollars of some countries and there is uncertainty over economic recovery.

**PRODUCTION**
Thousands of m3



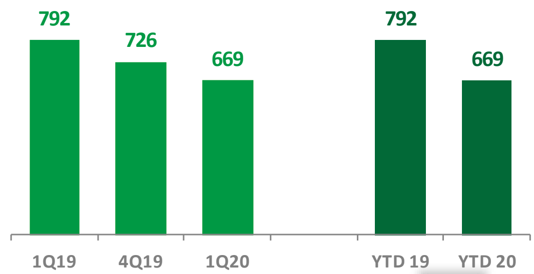

## SAWN TIMBER

In the first quarter of 2020 there was higher demand for plywood in some markets and sales therefore improved on the previous quarter. Due to low profitability, some producers have left the market.

Sawn timber sales volumes and prices remained stable compared to the prior quarter. There was a recovery of purchase orders in Asian markets but uncertainty prevails in the market over the pandemic and its effects on supply and demand.

The scenario is positive for the remanufactured product market, particularly in the United States. The fallout of the pandemic has hit demand, but as there is a supply shortage and some competitors are facing possible tariffs in the United States, there has been an improvement of the market.

**PRODUCTION**
Thousands of m3



## COPEC CONSOLIDATED

| Millions of Chilean Pesos | 1Q 2020 | 4Q 2019 | 1Q 2019 | Q-Q Var. | Y-Y Var. | YTD 2020 | YTD 2019 | Y-Y Acc. Var. |
|---|---|---|---|---|---|---|---|---|
| Sales | 3,180,904 | 3,090,360 | 2,821,140 | 3% | 13% | 3,180,904 | 2,821,140 | 13% |
| EBIT | 92,634 | 72,257 | 75,109 | 28% | 23% | 92,634 | 75,109 | 23% |
| **EBITDA** | **141,590** | **122,089** | **116,879** | **16%** | **21%** | **141,590** | **116,879** | **21%** |
| Non-operating income | (16,931) | (16,623) | (1,996) | -2% | -748% | (16,931) | (1,996) | -748% |
| **Net Income** | **49,526** | **27,213** | **51,109** | **82%** | **-3%** | **49,526** | **51,109** | **-3%** |
| Copec Chile's physical sales (thousands of m³) | 2,627 | 2,596 | 2,598 | 1% | 1% | 2,627 | 2,598 | 1% |
| Copec Chile's market share | 58.5% | 57.8% | 58.1% | 1% | 1% | 58.5% | 58.1% | 1% |
| MAPCO's sales (US$ million) | 386 | 437 | 398 | -12% | -3% | 386 | 398 | -3% |
| MAPCO's EBITDA (US$ million) | 15 | 12 | 13 | 20% | 10% | 15 | 13 | 10% |
| MAPCO's physical sales (thousands of m³) | 485 | 521 | 507 | -7% | -4% | 485 | 507 | -4% |

### 1Q20 1Q19

Copec posted net income of Ch$49,526 million in 1Q20, Ch$1,583 million down YoY. That was due to lower non-operating income and a higher tax expense. Non-operating income dropped Ch$14,935 million, mainly due to the net income generated from the sale of real estate assets in the first quarter of 2019. There were also higher other expenses due to advisory services, additional expenditure because of the COVID-19 pandemic, and greater financial costs. Taxes increased from the appreciation of the dollar and the impact on investments abroad.

Operating income rose Ch$17,525 million, mainly on account of Copec Chile that had a unit margin increase in the industrial channel and a more favorable effect of the revaluation of inventories. Sales volumes climbed 1.0% in the dealer channel and 1.3% in the industrial channel, which increased market share from 58.1% to 58.5% this quarter. Moreover, MAPCO had a higher EBITDA from greater sales unit margin, but its sales volume dipped 4.5%. That was partly offset by Terpel, which had lower sales volumes and decreased margins from inventory revaluation losses.

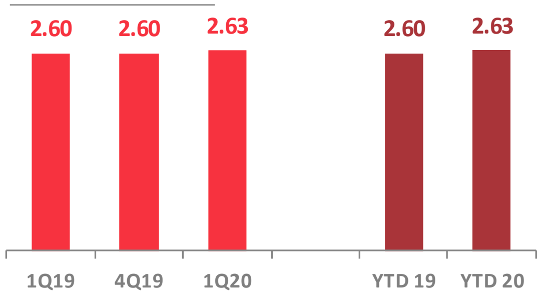
### 1Q20 4Q19

Net income in the quarter was Ch$22,313 million up QoQ. That was due to higher operating income of Ch$20,377 million, largely at Copec Chile on account of a higher industrial and commercial margin and lower administration expenses. That was partly offset by a drop in income at Terpel from a lower revaluation of inventories.

Non-operating income dropped Ch$308 million on account of greater other expenses related to higher taxes from transactions and lower other revenue.

**COPEC CHILE FUEL SALES**

Millions of m³



## ORGANIZACIÓN TERPEL CONSOLIDATED

| Millions of Colombian Pesos | 1Q 2020 | 4Q 2019 | 1Q 2019 | Q-Q Var. | Y-Y Var. | YTD 2020 | YTD 2019 | Y-Y Acc. Var. |
|---|---|---|---|---|---|---|---|---|
| Sales | 5,316,782 | 6,037,873 | 5,098,210 | -12% | 4% | 5,316,782 | 5,098,210 | 4% |
| EBIT | 65,262 | 148,567 | 145,604 | -56% | -55% | 65,262 | 145,604 | -55% |
| **EBITDA** | **153,715** | **237,860** | **222,116** | **-35%** | **-31%** | **153,715** | **222,116** | **-31%** |
| Non-operating income | (49,391) | (65,214) | (53,740) | 24% | 8% | (49,391) | (53,740) | 8% |
| **Net income of controlling interest** | **6,089** | **65,346** | **62,255** | **-91%** | **-90%** | **6,089** | **62,255** | **-90%** |
| **Net income of minority interest** | **0** | **1** | **(3)** | **-39%** | **114%** | **0** | **(3)** | **114%** |
| **Physical sales of Terpel (thousands of m³)** | | | | | | | | |
| Colombia | 1,813 | 2,035 | 1,850 | -11% | -2% | 1,813 | 1,850 | -2% |
| Panama | 248 | 272 | 268 | -9% | -7% | 248 | 268 | -7% |
| Ecuador | 290 | 315 | 302 | -8% | -4% | 290 | 302 | -4% |
| Dominican Republic | 54 | 58 | 56 | -7% | -4% | 54 | 56 | -4% |
| Peru | 28 | 36 | 20 | -20% | 43% | 28 | 20 | 43% |
| **Physical sales of Gazel (thousands of m³)** | | | | | | | | |
| Colombia | 55 | 65 | 60 | -16% | -8% | 55 | 60 | -8% |
| Peru | 17 | 22 | 21 | -21% | -18% | 17 | 21 | -18% |

**1Q20 1Q19**

Terpel's net income in 1Q20 dropped COP$56,166 million YoY. Operating income was down COP$83,305 million due to lower sales volumes and decreased unit margins from higher inventory revaluation losses. Liquid fuel volumes dipped 2.5% in consolidated terms, explained by decreases in Panama, Dominican Republic, Ecuador and Colombia of 7.4%, 4.3%, 4.1% and 2.0%, respectively. Vehicular natural gas (VNG) sales dropped 17.9% in Peru and 7.9% in Colombia. This was all related to the initial fallout of the COVID-19 pandemic.

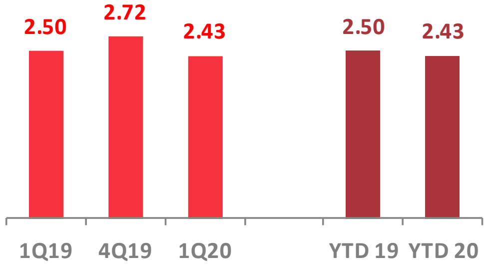
All that was partly offset by higher non-operating income of COP$4,349 million, largely due to a recovery of guarantees that were pending from the sale of ExxonMobil's assets.

**1Q20 4Q19**

Net income in 1Q20 fell COP$59,257 million QoQ, due to operating income dropping COP$83,305 million from a lower revaluation of inventories. Liquid fuel volumes dipped 10.4% at consolidated level, explained by a decrease in Peru, Colombia, Panama, Ecuador and the Dominican Republic of 19.8%. 10.9%, 8.8%, 8.1% and 6.8%, respectively, along with VNG volumes dropping 21.3% in Peru and 15.6% in Colombia. Non-operating income rose COP$15,823 million, mainly because of a price adjustment of the ExxonMobil transaction. That was partly offset by lower tax expenses of COP$8,225 million QoQ.

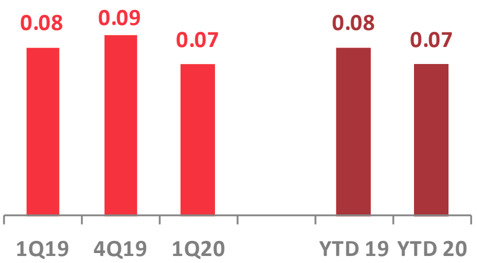
**TERPEL FUEL SALES**

Millions of m³




**GAZEL FUEL SALES**

Millions of m³



## ABASTIBLE CONSOLIDATED

| Millions of Chilean Pesos | 1Q 2020 | 4Q 2019 | 1Q 2019 | Q-Q Var. | Y-Y Var. | YTD 2020 | YTD 2019 | Y-Y Acc. Var. |
|---|---|---|---|---|---|---|---|---|
| Sales | 194,801 | 214,569 | 182,435 | -9% | 7% | 194,801 | 182,435 | 7% |
| EBIT | 16,565 | 8,735 | 16,901 | 90% | -2% | 16,565 | 16,901 | -2% |
| **EBITDA** | **28,566** | **23,045** | **25,855** | **24%** | **10%** | **28,566** | **25,855** | **10%** |
| Non-operating income | (3,777) | (3,832) | (52) | 1% | -7,105% | (3,777) | (52) | -7,105% |
| **Net Income** | **(2,293)** | **1,358** | **10,591** | **-269%** | **-122%** | **(2,293)** | **10,591** | **-122%** |
| Physical sales of LPG in Chile (thousands of tons) | 107 | 107 | 97 | 0% | 10% | 107 | 97 | 10% |
| Physical sales of LPG in Colombia (thousands of tons) | 55 | 56 | 48 | -1% | 15% | 55 | 48 | 15% |
| Physical sales of LPG in Peru (thousands of tons) | 124 | 142 | 136 | -13% | -9% | 124 | 136 | -9% |
| Physical sales of LPG in Ecuador (thousands of tons) | 115 | 123 | 109 | -6% | 5% | 115 | 109 | 5% |

**1Q20 1Q19**

Abastible posted a loss of Ch$2,293 million in 1Q20, Ch$12,884 million down YoY. That is mainly explained by a higher tax expense (-Ch$8,823 million) due to the effect of the exchange rate variation on investments abroad.

Non-operating income dropped Ch$3,725 million on account of lower earnings in associates from the classification of assets available for sale of Sonacol and Gasmar and greater exchange rate differences.

Operating income fell Ch$336 million from lower margins in Chile and higher distribution and administration expenses. That was partly offset by greater sales volumes in Chile, Colombia and Ecuador of 10.4% 15.1% and 5.4%, respectively. Sales volumes in Peru dropped 9.2%. Non-operating income was Ch$601 million more negative due to higher other expenses by function and other earnings.

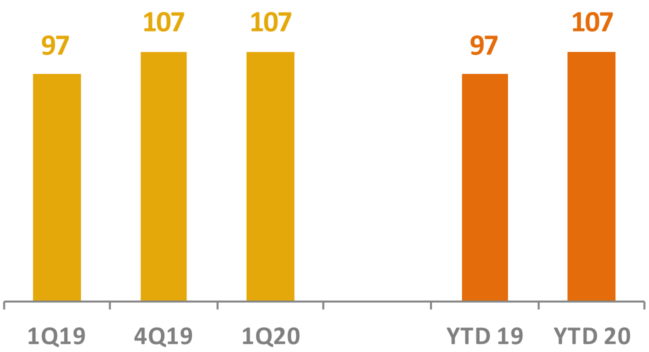
**1Q20 4Q19**

Abastible had a net income decrease of Ch$3,651 million QoQ, because of higher taxes (-Ch$11,535 million) from the exchange rate effect on investments abroad. Operating income rose Ch$7,829 million on account of a higher gross margin related to lower sales costs. That was partly offset by higher administration and distribution expenses.

Non-operating income increased Ch$55 million due to decreased financial costs and lower other expenses.

## ABASTIBLE CHILE LPG SALES

Thousands of tons



## EMPRESA PESQUERA EPERVA

| US$ million | 1Q 2020 | 4Q 2019 | 1Q 2019 | Q-Q Var. | Y-Y Var. | YTD 2020 | YTD 2019 | Y-Y Acc. Var. |
|---|---|---|---|---|---|---|---|---|
| Sales | 78.5 | 68.7 | 88.0 | 14% | -11% | 78.5 | 88.0 | -11% |
| EBIT | (11.1) | 2.1 | (9.5) | -638% | -18% | (11.1) | (9.5) | -18% |
| **EBITDA*** | **(3,4)** | **1.9** | **(2,1)** | **-275%** | **-63%** | **(3,4)** | **(2,1)** | **-63%** |
| Non-operating income | (4.3) | (0.3) | (0.9) | -1,491% | -385% | (4.3) | (0.9) | -385% |
| Income (loss) from discontinued operations | - | - | - | - | - | - | - | - |
| **Net income of controlling interest** | **(6.1)** | **(0.8)** | **(5.0)** | **-669%** | **-22%** | **(6.1)** | **(5.0)** | **-22%** |
| **Net income of minority interest** | **(3.4)** | **1.3** | **(3.0)** | **-357%** | **-14%** | **(3.4)** | **(3.0)** | **-14%** |
| **Physical Sales** | | | | | | | | |
| Fishmeal & other protein foods (tons) | 84,495 | 79,806 | 87,075 | 6% | -3% | 84,495 | 87,075 | -3% |
| Fish oil (tons) | 1,044 | 1,089 | 3,457 | -4% | -70% | 1,044 | 3,457 | -70% |

*(*) EBITDA = Gross earnings – Distribution cost – Administration expenses + Depreciation + Amortization of intangibles + Other revenues – Other expenses.*

1Q20
1Q19

Net income in 1Q20 dropped US$1.1 million YoY. Such change is explained by a US$3.4 million decrease in non-operating income from unfavorable exchange rate differences. Operating income fell US$1.7 million due to a US$0.9 million loss of gross earnings related to fishmeal and fish oil revenues dropping 7.5% and 65%, respectively. The sales volume fell 3% for fishmeal and 70% for fish oil. Other revenue by function was also down US$0.5 million, mainly since in 2019 there was an expense recovery from a maritime concession.

All that was partly offset by an increase in revenue from taxes of US$3.5 million.

1Q20
4Q19

Eperva posted a loss of US$6.1 million in 1Q20 against a loss of US$0.8 million QoQ. That change was due to operating income dropping US$13.2 million on account of a US$23.4 million decrease in other revenue by function, as in the last quarter of 2019 there were earnings from the fair value of residual quotas of 10% of CJ. Selecta. That was offset by lower expenses by function of US$9.2 million due to adjustments of the fishmeal inventory realizable value made in 2019.

Non-operating income was down US$4 million, because of unfavorable exchange rate differences and income in associates dropping US$1.8 million, largely on account of KMP and FASA.

All that was partly offset by an increase in revenue from taxes of US$7.1 million.

## PESQUERA IQUIQUE-GUANAYE, IGEMAR

| US$ million | 1Q 2020 | 4Q 2019 | 1Q 2019 | Q-Q Var. | Y-Y Var. | YTD 2020 | YTD 2019 | Y-Y Acc. Var. |
|---|---|---|---|---|---|---|---|---|
| Sales | 49.8 | 45.7 | 42.1 | 9% | 18% | 49.8 | 42.1 | 18% |
| EBIT | 5.3 | 0.5 | 1.5 | 1,063% | 250% | 5.3 | 1.5 | 250% |
| **EBITDA** | **8.6** | **4.2** | **4.2** | **103%** | **103%** | **8.6** | **4.2** | **103%** |
| Non-operating income | (10.2) | (9.7) | (5.7) | -5% | -79% | (10.2) | (5.7) | -79% |
| **Net income** | **(4.8)** | **(6.5)** | **(1.5)** | **25%** | **-209%** | **(4.8)** | **(1.5)** | **-209%** |
| **Physical Sales** | | | | | | | | |
| Fishmeal (tons) | 6,043 | 9,597 | 4,352 | -37% | 39% | 6,043 | 4,352 | 39% |
| Fish oil (tons) | 682 | 1,508 | 1,031 | -55% | -34% | 682 | 1,031 | -34% |
| Canned fish (cases) | 994,415 | 820,825 | 733,875 | 21% | 36% | 994,415 | 733,875 | 36% |
| Frozen fish (tons) | 10,808 | 3,564 | 5,125 | 203% | 111% | 10,808 | 5,125 | 111% |
| **Catch (tons)** | 76,355 | 26,707 | 79,624 | 186% | -4% | 76,355 | 79,624 | -4% |

### 1Q20 1Q19

Igemar reported a loss of US$4.8 million in 1Q20 against a loss of US$1.5 million YoY. Non-operating income dropped US$4.5 million from unfavorable exchange rate differences. That was partly offset by an operating income increase of US$3.8 million due to the sales volume rising 38.8% for fishmeal, 35.5% for canned fish and 110.9% for frozen fish. That was offset by the fish oil sales volume dropping 33.8%, and fishmeal, canned and frozen fish price decreases of 11.9%, 7.2% and 42.5%, respectively. The fish oil price increased 26.8%.

### 1Q20 4Q19

Net income in 1Q20 increased US$1.7 million QoQ. That is explained by an operating income increase of US$4.8 million, due to higher fish oil and fishmeal sales prices, and a sales volume increase of 203% for frozen fish and 21% for canned fish. That was partly offset by fish oil and fishmeal sales volumes dropping 55% and 37%, respectively.

Non-operating income dipped US$0.5 million, on account of unfavorable exchange rate differences and lower income in associates.

# HIGHLIGHTS

## PROGRESS WITH THE MAPA PROJECT

- In July 2018, the Arauco board approved the Arauco mill modernization and expansion (MAPA, according to the Spanish acronym) project, with an estimated Capex of US$2,350 million. The new line 3 is expected to start operations in the second quarter of 2021, when line 1 will close.
- In October 2018, the company signed contracts with the suppliers Andritz and Valmet to purchase the main equipment of the MAPA project.
- In February 2019, the company started the earthworks.
- In April 2019, Arauco signed a financing agreement with Finland's Export Credit Agency (ECA) Finnvera and BNP Paribas, JP Morgan Chase & Co and Santander banks of €555 million to buy the principal equipment.
- MAPA has 49% progress as of late April 2020. In March and April adjustments were made to the process to prevent the number of people infected by COVID-19 and enhance the related sanitary protocols.
- 6,000 people are currently working at the site.
- The estimated closure date of line 1 and the start-up of line 3 is the second quarter of 2021.

## ARAUCO'S DISSOLVING PULP PROJECT IS COMPLETED

- The dissolving pulp project was completed in February 2020. The investment was about US$200 million.
- It is expected to start up in June 2020

## PROGRESS WITH THE MINA JUSTA PROJECT

- On April 23, 2018, Inversiones Alxar S.A. signed an agreement with the Peruvian mining company Minsur S.A. to develop the copper project of Mina Justa and its surrounding properties. The project will entail an investment of around US$1.6 billion.
- Alxar has a 40% interest in Mina Justa, which is its venture into the large-scale copper mining industry. The project is at Ica in Peru and is expected to attain production of up to 150,000 tons of fine copper a year, with an average of 115,000 tons a year in its planned 16-year life.
- The project had construction progress of over 86% by March 26, 2020, and construction is expected to be completed by late this year.

## WILDFIRE SEASON 2020

- 2,700 hectares were affected in the 2019-2020 season, which was worse than the 1,347 hectares of the previous period. The fair value of these affected hectares is US$5 million.

## MILLS IN NORTH AMERICA

- On May 18, 2020, the MDF line of Bennettsville will end operations. The announcement was made on April 22 and is due to the continuous improvement of mill efficiency. The MDF production capacity of the line is 251,000 $m^3$.

## ARAUCO CAPITAL INCREASE

- The Arauco board proposed a maximum capital increase of US$700 million to be approved in an extraordinary shareholders' meeting. It is estimated that US$250 million will be needed in 2020 and the rest in 2021.

## COVID-19 SANITARY CRISIS

- In March, the activities of the forestry industry were declared essential in most of the areas where Arauco operates. Safety action involving health and hygiene processes was undertaken at all facilities to prevent infection.
- Copec's activities were also declared essential, allowing for the continuity of operations. To protect the health of employees and customers, the company has implemented protocols like remote working, social distancing, temperature control, sanitary shifts at storage plants and distribution centers, and the use of face masks and hand sanitizer. It also promoted contactless payment at gas stations.
- To protect operations that supply homes, industries, companies and critical centers like hospitals and health centers, Abastible has carried out a series of actions to protect the health of workers and customers like those already mentioned.

## BALANCE SHEET

| US$ million | 1Q 2020 | 4Q 2019 | 1Q 2019 |
|---|---|---|---|
| Cash and cash equivalents | 1,776 | 2,253 | 1,569 |
| Other current financial assets | 179 | 125 | 196 |
| Other current non-financial assets | 231 | 211 | 269 |
| Trade and other receivables, current | 1,578 | 1,676 | 2,029 |
| Related party receivables | 81 | 85 | 49 |
| Inventories | 1,748 | 1,824 | 1,847 |
| Current biological assets | 261 | 276 | 317 |
| Current tax assets | 308 | 270 | 112 |
| Non-current assets classified as held for sale | 318 | 359 | 17 |
| **Total current assets** | **6,481** | **7,078** | **6,406** |
| Other non-current financial assets | 346 | 377 | 477 |
| Other non-current non-financial assets | 174 | 181 | 158 |
| Non-current fees receivable | 17 | 20 | 26 |
| Non-current accounts receivable from related parties | 8 | 7 | 7 |
| Investments accounted for using the equity method | 1,059 | 1,072 | 1,241 |
| Intangible assets other than goodwill | 885 | 978 | 1,058 |
| Goodwill | 393 | 414 | 424 |
| Property, plant and equipment | 10,439 | 10,684 | 11,406 |
| Right-of-use assets | 735 | 802 | - |
| Non-current biological assets | 3,348 | 3,394 | 3,366 |
| Investment property | 31 | 35 | 42 |
| Deferred tax assets | 511 | 485 | 380 |
| **Total non-current assets** | **17,945** | **18,449** | **18,584** |
| **TOTAL ASSETS** | **24,425** | **25,527** | **24,989** |
| | | | |
| Other current financial liabilities | 976 | 843 | 1,303 |
| Current lease liabilities | 117 | 129 | - |
| Trade and other current payables | 1,389 | 1,794 | 1,787 |
| Related party payables | 8 | 6 | 11 |
| Other short-term provisions | 20 | 19 | 21 |
| Current tax liabilities | 37 | 25 | 182 |
| Current provisions for employee benefits | 10 | 12 | 11 |
| Other current non-financial liabilities | 128 | 136 | 538 |
| Liabilities included in groups of disposal assets classified as held for sale | 161 | 187 | - |
| **Total current liabilities** | **2,846** | **3,151** | **3,853** |
| Other non-current financial liabilities | 7,909 | 7,812 | 6,924 |
| Non-current lease liabilities | 593 | 659 | - |
| Other non-current accounts payable | 3 | 3 | 7 |
| Non-current account payable to related companies | - | - | - |
| Other long-term provisions | 69 | 81 | 90 |
| Deferred tax liabilities | 2,101 | 2,169 | 2,177 |
| Non-current provisions for employee benefits | 105 | 115 | 114 |
| Other non-current non-financial liabilities | 151 | 185 | 191 |
| **Total non-current liabilities** | **10,930** | **11,023** | **9,504** |
| Non-parent participation | 4,382 | 4,655 | 4,717 |
| **Net equity attributable to owners of parent** | **6,267** | **6,697** | **6,915** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **24,425** | **25,527** | **24,989** |

## INCOME STATEMENT

| US$ million | 1Q 2020 | 4Q 2019 | 1Q 2019 | YTD 2020 | YTD 2019 |
|---|---|---|---|---|---|
| Sales revenue | 5,405 | 5,641 | 5,927 | 5,405 | 5,927 |
| Cost of sales | (4,679) | (4,960) | (5,007) | (4,679) | (5,007) |
| **Gross Margin** | **726** | **680** | **920** | **726** | **920** |
| Other income | 73 | 75 | 73 | 73 | 73 |
| Distribution costs | (311) | (318) | (350) | (311) | (350) |
| Administration expenses | (241) | (262) | (262) | (241) | (262) |
| Other expenses | (62) | (178) | (31) | (62) | (31) |
| Other income (loss) | (1) | 19 | 2 | (1) | 2 |
| Net financial expenses | (99) | (98) | (85) | (99) | (85) |
| Share of profit (loss) of associates and joint ventures | (5) | (110) | 4 | (5) | 4 |
| Exchange rate differences | (38) | (17) | 10 | (38) | 10 |
| **Income (loss) before tax** | **42** | **(207)** | **282** | **42** | **282** |
| Income tax expense | (36) | 18 | (48) | (36) | (48) |
| Income (loss) from continuing operations | 6 | (189) | 233 | 6 | 233 |
| Income (loss) from discontinued operations | - | - | - | - | - |
| **Income (loss) attributable to owners of parent** | **(3)** | **(120)** | **132** | **(3)** | **132** |
| Income (loss) attributable to minority interests | 9 | (68) | 102 | 9 | 102 |
| **Net Income** | **6** | **(189)** | **233** | **6** | **233** |

## CONSOLIDATED CASH FLOW

| US$ million | YTD 2020 | YTD 2019 |
|---|---|---|
| Cash received from sale of goods and service provision | 5,700 | 6,339 |
| Cash received from premiums and claims, annuties and other policy benefits | 0 | 0 |
| Other cash received from operating activities | 199 | 95 |
| Payments to suppliers for goods and services | (5,380) | (5,723) |
| Payments to and on behalf of employees | (284) | (295) |
| Payment for premiums and claims, annuties and other policy obligations | (5) | (5) |
| Other cash payments for operating activities | (151) | (60) |
| Dividends received | 2 | 0 |
| Interest paid | (46) | (51) |
| Interest received | 9 | 12 |
| Income tax rebates (paid) | (97) | (51) |
| Other cash inflows (outlays) | (0) | 0 |
| **Net cash flow from (used in) operating activities** | **(54)** | **263** |
| Cash flows used in obtaining control of subsidiaries or other business | (2) | (151) |
| Cash flows used in the purchase of non-controlling interests | (60) | (22) |
| Other cash receipts from the sale of equity or debt instruments of other entities | 7 | - |
| Other cash payments to acquire an interest in joint ventures | - | - |
| Loans to related parties | - | - |
| Proceeds from the sale of property, plant and equipment | 3 | 50 |
| Purchase of property, plant and equipment | (440) | (252) |
| Proceeds from the sale of intangible assets | - | - |
| Purchase of intangible assets | (13) | (10) |
| Proceeds from other long-term assets | 3 | 2 |
| Purchase of other long-term assets | (70) | (74) |
| Cash advances and loans to third parties | (0) | (0) |
| Charges to related parties | - | - |
| Dividends received | 4 | 7 |
| Interest received | 0 | 0 |
| Other cash inflows (outlays) | (1) | 148 |
| **Net cash flow from (used in) investing activities** | **(569)** | **(301)** |
| Proceeds from issuing shares | (0) | 8 |
| Proceeds from issuing other equity instruments | - | - |
| Payments for acquiring or redeeming shares of the entity | - | - |
| Amounts paid for equity stakes | - | - |
| Proceeds from long-term borrowings | 133 | 7 |
| Proceeds from short-term borrowings | 467 | 254 |
| Payments of lease liabilities | (15) | - |
| Loans from related parties | 0 | - |
| Payment of borrowings | (288) | (334) |
| Payments of financial leasing liabilities | (24) | (27) |
| Dividends paid | (11) | (19) |
| Interest paid | (30) | (37) |
| Other cash inflows (outlays) | 0 | (0) |
| **Net cash flow from (used in) financing activities** | **232** | **(148)** |
| **Net increase (decrease) in cash and cash equivalents before the exchange rate change effect** | **(391)** | **(187)** |
| Effect of exchange rate changes on cash and cash equivalents | (86) | 11 |
| Cash and cash equivalents at the beginning of the year | 2,253 | 1,745 |
| **Cash and cash equivalents at the end of the year** | **1,776** | **1,569** |