

Chairman's statement

Dear Shareholders:

2019 was a challenging year for Empresas Copec, not only due to the global and local context that we had to face, but also directly related to our operations and results. Nevertheless, our team continued to promote important initiatives in Chile and abroad, with a permanent spirit of innovation and the desire to advance the objectives of value creation and social welfare that we have always set for ourselves.

At Empresas Copec we feel part of the contemporary trend that requires private companies to go beyond the responsibility of creating immediate economic value. We have always understood that the long-term vision that characterizes us cannot be independent of our environment. Company and society are closely linked, and this unbreakable bond is increasingly visible and indispensable today. Our role is key to achieving the desired convergence of purposes and, through it, the elusive goal of development. We have spent decades pushing the borders of what has traditionally been considered to do business, expanding our scope of action far beyond the productive and commercial focus and making society's major challenges our own.

Financially, Empresas Copec recorded a profit of US\$ 172 million last year, well below the

slightly more than a thousand million dollars in 2018. This substantial variation is explained by a sharp drop in pulp prices, as well as some non-recurring effects, such as impairment of assets, all of which are detailed in the financial information section of this Annual Report. EBITDA, a concept that best reflects the state of our operations, was US\$ 2,018 million and, although it is 27% lower than the previous year, it reflects the resilient cash generation capacity of our activities, a consequence of well-focused investments and carefully designed business strategies.

Our Company has had to unwind a dynamic world, taking a more relevant position in local and global markets, and facing today's key challenges. The phenomenon of increasing globalization that we have been experiencing in recent decades has continued to accelerate, particularly due to the hyper-connection of global economy. Whether it is tensions between major trade blocks, political ups and downs in certain geographies, or a pandemic like the one we started to suffer in 2020, its effects spread to the world economy in a matter of days, if it's not hours. All this has an impact on prices of products such as pulp, panels and fishmeal, which affected our exporting businesses in 2019.

At the regional level, although we see more dynamic fuel

markets, with higher volumes in all businesses, 2019 will be remembered as a year of major political challenges. Peru, Ecuador, Colombia, and especially Chile, have experienced massive social mobilizations, marked by a high distrust within society towards the established order, and increasingly diverse demands. In the case of our country, solutions have been directed towards deep structural reforms, which could even involve a new Political Constitution, if this were decided in the plebiscite called for the coming months.

Whichever path is chosen, Empresas Copec's conviction is that, in order to improve the foundations of our social coexistence, we urgently need to move towards national unity, based on peaceful dialogue and the construction of widely shared consensus. Essential conditions are the rule of law and the supremacy of law; coexistence and democratic debate in a context of social peace; rebuilding of trust between the different levels of society, putting people at the center; fair weighting of technical opinions specialized in complex matters, and, not least, the assessment of the role of companies and entrepreneurs as agents of social transformation, innovation and creation of wealth and well-being. Chile needs all of us, joining efforts, working together and

Roberto Angelini
Chairman



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collaboratively, without mirages or short-sightedness. All of these conditions are even more pivotal in the complex health emergency that we are beginning to experience as I write this letter.

Beyond this uncertain and complex context, during 2019 we continued to lay the foundations for future growth, guided by the same long-term vision that has been the axis of our way of conceiving a company. Investment in 2019 totaled US\$ 2,058 million, with an emphasis that confirms our continued focus on natural resources and energy; more than 90% was concentrated in our main businesses, the forestry and fuel sectors.

Our way of doing business also allows us to maintain broad access to financial markets, which, among other things, made it easier for us to raise resources

under very favorable conditions in 2019, including the first sustainable bonds in Chile and Latin America, issued by Arauco, worth US\$ 1,000 million. This is a concrete example of investor confidence in our management capacity, as well as in the philosophy and principles that guide our way of doing business.

In short, in 2019 we continued to make firm progress along the path of growth that we have been charting, around large investment projects, with greater geographic diversification and continuous innovation, always faithful to the purpose that inspires us.

Arauco, our forestry affiliate, continued to make progress in its Arauco Mill Modernization and Expansion (MAPA) project, aimed at increasing production capacity by up to 2.1 million tons of pulp per year, with cutting edge technology and

state-of-the-art environmental equipment. It is a project of extreme importance to our country and the Biobío Region, including resources of the order of US\$ 2,350 million, the largest investment in the company's history, that injects dynamism and funds into the local community. The project achieved an advance of more than 30% at the end of 2019, on schedule, and will allow renovating and increasing efficiency and productivity of the oldest facilities in Arauco, at the heart of our forestry activities, increasing by more than 30% our total pulp production capacity. It also includes a cogeneration plant that, in addition to supplying renewable energy to the new operations, will allow for a surplus of up to 166 MW of electric power for Chile. This adds to another 180 MW capacity, also environmentally friendly, which will be provided

by the Viento Sur Wind Park in the same area, through an investment by Arauco of close to US\$ 250 million, whose Environmental Impact Study was submitted last year.

In December 2019, Arauco also completed the construction of its first dissolving pulp mill, located in Valdivia. This will make the company the country's sole manufacturer of this type of cellulose, used as a raw material for textile fibers such as rayon and viscose, and cellophane paper and filters, among other final products. Given its original design, transforming this plant to this new type of material was very efficient, at a fraction of the cost of transforming any other facility in the industry, and, in addition, with a production process of high environmental standards, which will allow an additional 30 MW of electrical power to be injected into the National Electric System. In this way, we are innovating in our production and commercial processes, to enter a fast-growing market driven by factors other than traditional pulp, thus allowing us to create a more robust business model in this area.

In another major initiative, our affiliate Alxar continued to promote the Mina Justa metal mining project, which is being built together with the prestigious Breca Group in a prime location

on the southern coast of Peru. It is a world-class development, with 432 million tons of mining resources, which will produce more than 100,000 tons of fine copper per year, in addition to an attractive exploration potential for future growth. As of December 2019, this project, with an estimated investment of US\$ 1,600 million, was 75% completed, on schedule. Mina Justa responds to the challenge of finding new growth areas that are well integrated into our activities in the field of natural resources, leaning on the competitive advantages offered by our region and taking advantage of knowledge gained from other ventures. We look for opportunities that pose challenges similar to those we have already addressed, with financial profiles similar to those that we master well, while at the same time constituting prudent risk exposure and interesting avenues of potential growth where we can add value from our experience.

The search for new partnerships also allows us to open opportunities and increase the flexibility of our company, which is more valuable today than ever, in a rapidly and ever-changing environment. Wherever there is compatibility of interests, complementary skills and a common vision, it is key to gather the necessary skills to continue growing efficiently and

sustainably. Partnerships are also a natural consequence of our broader geographical presence, which allows us to access all local talent in different latitudes.

In this way, we have gradually consolidated ourselves as a multinational company, with commercial presence in more than 80 countries and productive presence in 16. Over the years, we have been building a more balanced portfolio, less exposed to what happens in a particular geography or business. We continue to focus on those activities where we can make a difference and occupy long-term leadership positions, creating greater economic and social value for our shareholders, employees and the communities that embrace us.

Thus, together with our partners in Colombian affiliate Terpel, we have made substantial progress in integrating the operations and assets acquired from ExxonMobil, and we continued to expand the regional network of airports supplied by Terpel, which covers 32 operations in Colombia, Panama, Peru and Dominican Republic, in addition to the 10 that Copec already has in our country.

In the United States, our affiliate Mapco made significant investments to strengthen its market position, through the acquisition of properties and the

renewal of branding. Indeed, all our liquid fuel operations reaffirmed their leadership in their respective markets, which means that more than two million customers continue to favor them, day by day. Its value offer, based on an excellent service, agile understanding of changes and the generation of the best consumer experience, is based on the strength of each brand, anticipating the energy needs of its customers to satisfactorily meet them. This is the service philosophy that our fuel affiliates have been extending to the different latitudes of the American continent in which they operate.

With regard to liquefied petroleum gas, Abastible and its subsidiaries Solgas, Duragas and Norgas each consolidated as leader in their respective countries on the Pacific coast. Under a regional perspective, Abastible continued to develop the necessary infrastructure to provide its clients with a timely, innovative, efficient, and safe service. Solgas significantly increased its storage capacity with a third sphere at its Callao plant in Peru. This effort is in addition to the import terminal in Cartagena, which was inaugurated by Norgas in 2017, along with other Colombian distributors; progress made by Duragas in strengthening its logistics in Ecuador; and the role that the associate Gasmar

has played in Chile, guaranteeing security and continuity of supply. All these facilities, together with the San Vicente terminal, which is operated by the Hualpén Gas affiliate, are a true secure LPG supply network.

In the forestry business, Arauco continued to strengthen its operational internationalization process. First, it opened its panel plant in Grayling, Michigan, the largest Chilean investment in a production facility in the United States. The particleboard mill is North America's most modern, with a production capacity of 800 thousand m³ per year, and it began operations after an investment of US\$ 450 million. Additionally, Arauco took a new step in its international operational expansion by acquiring two industrial complexes in Mexico from the Chilean company Masisa, through an investment of US\$ 168 million. These are two mills located in Durango and Zitácuaro. The first one manufactures Melamine, Particleboard and MDF Boards. The second one manufactures Particleboard. Thus, the forestry company continues to consolidate its competitive position, already being the major panel producer in Mexico and the United States, and the second in the world.

Maintaining a long-term track record and growing in a

challenging, continually evolving environment requires anticipating change and having enough adaptive capacity to address them on time. A true culture of change must encourage and know how to accept sometimes disruptive modifications in organizational structures, forms of collaboration and work focuses, since, in addition to developing and introducing new capabilities, technologies, products and services, innovating also means opening up doors and multiply the connectivity channels of companies with the rest of society. Everything can be done differently, but always true to our purpose.

Thus, our fishing companies have been raising their gaze from their traditional raw material markets to broader ones, moving towards greater participation in the vast field of healthy nutrition, which also includes products for direct human consumption, functional foods, nutraceuticals and even pharmaceuticals. In this context, and after entering the food distribution market through the representation of important foreign brands, Orizon signed an agreement with St. Andrews Smoky Delicacies S.A. in 2019, to consolidate its capacity, processing and production of mitilidae operations, as well as its marketing abroad. At the same time, the affiliate will host



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the Technological Center for Food Innovation (CETA for its Spanish acronym) in its Coquimbo facilities, aimed at encouraging R&D+i in the industry.

In the same vein, to improve the way we operate the fishery in the northern zone, Corpesca developed a big data program to support sustainable management of anchovy catch, through more efficient navigation and lower prospecting costs, by inferring fishing distribution based on historical, biological, altimetric and climatic data. On the other hand, in order to optimize management of assets that are outside the strictly fishing business, that is, those corresponding to the businesses in Brazil, Germany and those associated with Kabsa S.A., the company was split and the new associate Inversiones Caleta Vitor S.A. was founded.

Golden Omega, for its part, continued to consolidate its technological leadership by completing the acquisition of the Norwegian company OmegaTri, owner of patented technology to manufacture an innovative compressible powder with a high content of Omega-3, a product that will allow nutraceutical companies to offer tablets of different shapes and sizes. The benefits of this oil derivative were endorsed by new publications and clinical studies that expand scientific evidence, and by the qualified health claim approved by the US Food and Drug Administration (FDA) this year.

These are just some examples of how the will to stay on the frontier of technological progress now adds to the commercial leadership that our companies have maintained in their respective

industries. The alliance sealed by Arauco and MIT in 2018 –a step that extended the decades-long trajectory of Bioforest, our leading forestry research center– adds to other similar ones by Coprec with the same university and Abastible's work with McCann, initiatives that insert our affiliates in the most important innovation ecosystems worldwide.

This allows the unprecedented scenario that is shaping the varied and simultaneous disruptive innovations in the forms of mobility and collaborative transport technologies, as well as changes in user preferences, to be conceived not only as a challenge for Coprec, but rather as an attractive opportunity. In this context, the affiliate doubled Voltex' coverage, South America's most extensive network of fast electric chargers, embracing



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more than 1,400 kilometers of the national territory.

True to our tradition of leading changes in the markets in which we participate, and together with the Terpel Voltex brand, the first electric service point in Colombia was inaugurated in 2019, which in its first stage will cover the Bogotá-Medellín route. In this way, we are entering a new world, where different technologies and preferences coexist, taking advantage of synergies, leading transformations, helping our customers to travel at their choice, whatever the energy they choose, and always with the Copec seal of quality of service.

Also, with the aim of gaining skills and knowledge, and inserting itself further into this innovation ecosystem, with a global perspective and the mandate to challenge its main

business, Copec created in 2019 its "Innovation Garage", which has already given its first fruits, by investing in pioneering companies in the energy field, among which are Stem in the United States, Ampere Energy in Spain, and Flux Solar in Chile.

Innovating also means adapting strategies over time, reviewing all activities to focus on those where we have more competitive advantages and where we add more value. For several years now, we have been making progress in integrating the knowledge spread across our investor base, which are increasingly sophisticated and interconnected, and which provide us a critical vision of what we do, constructively, through various channels to be in constant communication.

An example of this is that, over decades, our fuel operations

have been developing major infrastructure works, in order to ensure optimum performance of their supply chains. However, although scale is part of the strategic advantage of our businesses, their success and differentiation are primarily result of the service they provide and the proximity to their customers, rather than to the operation of large facilities.

On the other hand, large-scale logistics infrastructure is a more attractive type of asset today for a different investor profile than ours, less inclined to reinvestment, and with lower profitability requirements, which opens up space for value creation, as happened with the successful sale of our stake in Puertos y Logística S.A. in 2019. All these led us to agree with our partners in 2019 to sell 100% of the shares in Sonacol S.A. and Gasmar S.A., in



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the latter case also conditioned by a ruling by the court of justice. We hope to complete these processes in the shortest possible time.

The DNA of innovation is an essential part of the culture of all our companies, and is also reflected in the multiple collective instances of exchange of good practices, innovations and experiences that we promote, and that seek to standardize policies and operating standards, also calling to global experts in areas such as security, cybersecurity and risk management, among others. Each operation thus has access to the know-how of the others, to learn from each other and better adapt the business models in a better way to the realities of each market. In this sense, I cannot fail to highlight the work of the Abastible team that, through

the so-called Regional Summits, has implemented best practices in the four countries where it is present today. A learning process to and from Chile. In short, the same culture, a common purpose and shared values, in many companies.

One of the toughest times in 2019 happened in the Magallanes Region, where our related company Mina Invierno was forced to halt operations due to the incomprehensible precautionary measure by the Valdivia Environmental Court, causing enormous economic damage to its workers, shareholders and the community where it is inserted. Since the State of Chile invited us to develop this deposit in the first decade of this century, and throughout its operation, Mina Invierno has been a key pillar in supplying safe, efficient

and storable primary energy, playing a key role in our parent company's transition to more renewable sources, in addition to being an important regional development pole, with quality jobs and huge contributions to environmental preservation. Here, I thank, with a touch of pride, the dedication and effort of all those who have been part of this initiative, an example of sustainable mining for Chile and the world. We are not sure of its future, but we know that in the past we have always done things in the best way in this southern activity.

In this regard, our business management model is characterized by placing sustainability at its center, constantly raising the standards of our operations. I invite you to read, in addition to the other contents in this Annual Report,



The extensive journey traveled over so many years would not be possible without each of the people who are or have been part of our business group. To all of them, my deepest and most sincere acknowledgments and gratitude".

our Annual Sustainability Report, which is prepared under the GRI standard and which is the result of an important effort to collect, consolidate and systematize the experience of our affiliates in areas such as the relationship with all stakeholders, with society, care for the environment and governance.

There you will find more details of the various initiatives in which we participate and that embody a long-term vision, helping to address the major challenges we face as a society, with financial resources, human capital, technology, innovative capacity and management. They are permanent and significant contributions to education, innovation, culture, sports, social housing, among many others,

that span decades, foreign to fashions and with the profile that characterizes us, through pioneering institutions in their respective areas. Among them, most prominent are the Copec-UC Foundation and its Venture Capital Fund; the UC Anacleto Angelini Innovation Center; the Arauco Foundation, Belén Educa and Enseña Chile.

In these areas, it is worth noting the commitment made by Arauco to achieve carbon neutrality by 2020, also adhering to Science Based Targets, thus becoming the first forestry company in the world to achieve this important goal.

We believe that this long-term approach and deep connection with the environment is the basis for having been ratified by

selective international indexes that highlight companies for their performance in environmental, social and governance matters, as prestigious as DJSI both in Chile and in MILA, FTSE4Good Emerging Index and MSCI Sustainability Index.

Certainly, and in relation to this last dimension, another key factor in these distinctions is our corporate governance structure, which seeks to ensure efficient and timely management, but at the same time transparent and sustainable, in each of our areas of activity, consistent with our values and principles, whose strategy has been in the hands of our directors' team. Through them, as well as our executives and employees, we are giving answers to the need to

provide appropriate guidelines and decision and monitoring systems to our increasingly global companies.

In this sense, we have continued to make progress in adding more independent directors, and with different profiles, in each business, fostering the operation of more specific committees, relying on external assessments and training, introducing new and more effective instances of risk control and management, as well as improving access and timely delivery of information and its transparency, among many other initiatives, which have been recognized on multiple occasions, including the recent recognition "La Voz del Mercado", awarded by the Santiago Stock Exchange, in conjunction with EY.

When recounting what we are and have become as a Company, it is impossible not to recognize a large group of directors, executives and employees, who have put all their commitment, professional talent and human quality to accompany us in this long corporate history. And at this point I cannot fail to mention the sadness that meant the departure of Mr. José Tomás Guzmán Dumas at the beginning of this year 2020. A key collaborator, director of our companies, partner of the Group

and friend for more than six decades. Mr. José Tomás played a key role and was a decisive part in the development, strategy, growth and internationalization of Empresas Copec and its affiliates. I cannot fail to highlight in these pages his sense of justice, human quality and social vocation, which translated into a significant contribution to the development of our beloved Chile. Thus, his tireless commitment to sensitive and relevant issues, such as the education of the most vulnerable, leave an invaluable legacy in as many institutions as the Arauco Educational Foundation and the Copec-UC Foundation. I only have feelings of admiration and gratitude towards him and the mission to continue working for his convictions, which are also ours.

The extensive journey traveled over so many years would not be possible without each of the people who are or have been part of our business group. To all of them, my deepest and most sincere acknowledgments and gratitude.

Ladies and gentlemen shareholders, this is the summary of the 2019 financial year. Despite the challenging environment, we continue to advance at a steady pace, thanks to the continued support of you and also of all the directors, executives and

employees, who do not hesitate to ratify their trust, inspiring us day by day in our business management.

Empresas Copec continues to grow in line with a strategy sustained over time, taking relevant steps both in Chile and abroad, with a long-term vision and a constant effort to raise the standards of our activities and create maximum value for all around us.

We are growing, with conviction, but also with humility. We increase the scale of our operations, the number of relationships and the languages of dialogue. We proactively seek to learn from other cultures, from other institutional arrangements, from other ways of doing business. We also seek that they know us, that we can build trust.

Because trust is key to successfully face this increasingly dynamic and uncertain reality. Confidence in the meaning of the company, in its purpose.

We want our companies to continue to be and increasingly stronger, a source of well-being for our customers, employees, suppliers and shareholders. Taking care of the necessary economic balances, we want them, to generate quality products and services, at competitive prices. That they



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provide professional and personal growth pathways that help those who are part of our work teams to fulfill their dreams. That they not only take care of, but also contribute to improving the environment. That they provide opportunities for everyone, especially young people, to develop their talents, and to promote new ideas to transform them into improvements to the quality of life of all. That they integrate and train their suppliers, learning from them and with them to develop production processes that are more and more connected, clean and efficient. That they generate virtuous circles with the communities in which they are inserted, that contribute to all of us growing.

Today, more than ever, we feel called to put all our efforts, wills and energies, to deliver everything that society expects from us, and more. In articulating our shared dreams towards a more reliable and sustainable future for all. In continuing to build, for the next generations, a better world.

Roberto Angelini
Chairman
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