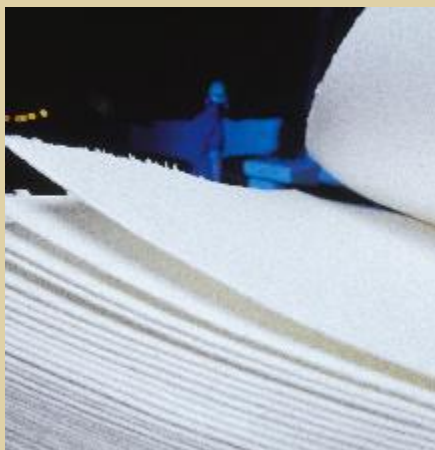
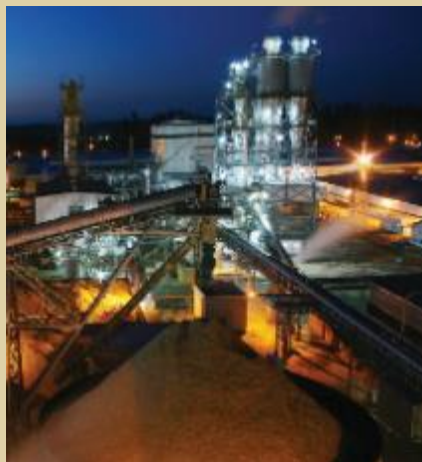


arauco



4Q 2018 Results

March 8<sup>th</sup>, 2019



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

## HIGHLIGHTS

**REVENUES US\$1,377.6 MILLION**

Arauco's revenues reached US\$1,377.6 million during the fourth quarter of 2018, a 11.3% decrease compared to the US\$1,553.3 million obtained in the third quarter of 2018, and a 3.5% or US\$46.3 million increase compared to the fourth quarter of 2017. YTD total revenues increased by 13.7% reaching US\$5,954.8 million in 2018.

**NET INCOME US\$70.1 MILLION**

Net income reached US\$70.1 million, a 68.2% or US\$150.6 million decrease compared to the US\$220.7 million obtained in the third quarter of 2018, and a 15.7% or US\$13.0 million increase compared to the fourth quarter of 2017. YTD net income increased significantly by US\$168.8 million totaling US\$726.8 million in 2018.

**ADJUSTED EBITDA US\$342.6 MILLION**

Adjusted EBITDA reached US\$342.6 million, a 33.2% or US\$170.0 million decrease compared to the US\$512.6 million obtained during the third quarter of 2018, and a 1.3% or US\$4.4 million increase compared to the fourth quarter of 2017. YTD Adjusted EBITDA increased by 36.8%, totaling US\$1,850.5 million in 2018.

**NET FINANCIAL DEBT/ LTM ADJUSTED EBITDA 1.9x**

Net Financial Debt / LTM Adjusted EBITDA ratio reached 1.9x in this quarter, with no significant differences from the 1.9x obtained during the third quarter of 2018.

**CAPEX**

CAPEX reached US\$341.2 million, a 76.1% or US\$147.5 million increase compared to the US\$193.7 million during the third quarter of 2018. YTD CAPEX increased by 40.7%, amounting a total of US\$920.3 million in 2018.

**Conference Call****March 14<sup>th</sup>, 2019****13:30 Santiago Time****12:30 Eastern Time (New York)**

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For more details on Arauco's financial statements please visit [www.cmfchile.cl](http://www.cmfchile.cl) or [www.arauco.cl](http://www.arauco.cl)

Readers are referred to the documents filed by Arauco with the United States Securities and Exchange Commission, specifically the most recent filing on Form 20-F that identifies important risk factors that could cause actual results to differ from those contained in the forward-looking statements. All forward-looking statements are based on information available to Arauco on the date hereof and Arauco does not assume any obligation to update such statements. References herein to "U.S.\$" are to United States dollars. Discrepancies in any table between totals and sums of the amounts listed are due to rounding. This report is unaudited.

## OVERVIEW

Arauco's fourth quarter net income was US\$70.1 million, a decrease of 68.2% compared to the third quarter, driven by lower revenues mainly in the pulp segment, and higher other expenses. This lower income explains the decrease by 33.2% in our Adjusted EBITDA compared to last quarter, reaching US\$342.6 million. Our Adjusted EBITDA margin was 24.9%, down from 33.0% in the previous quarter.

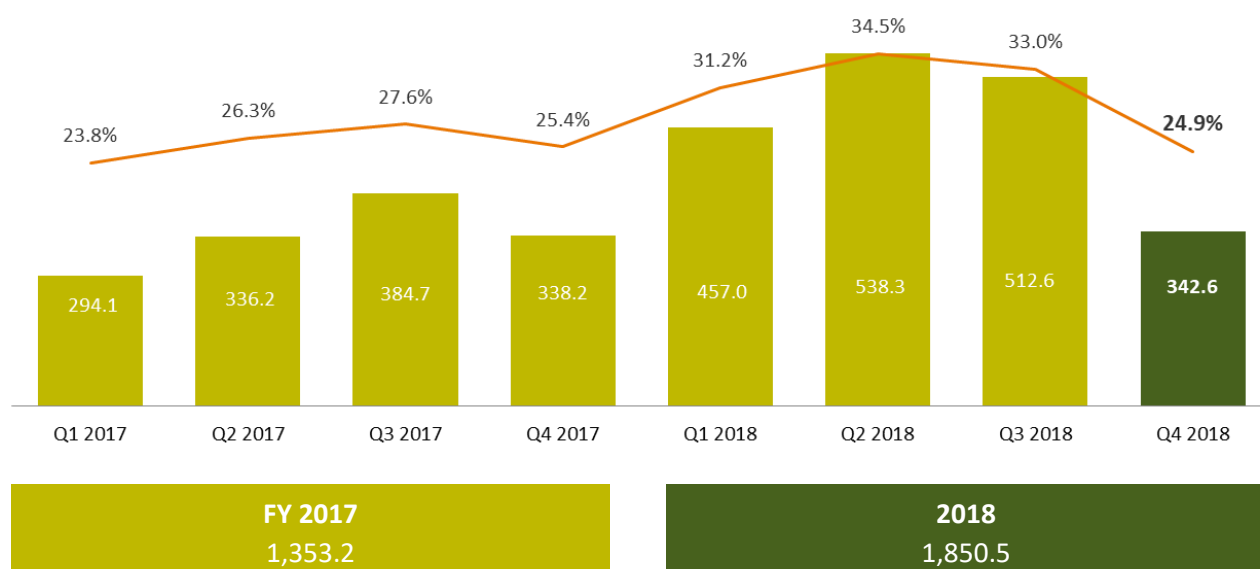
In general, all markets showed a stable demand, however, the pulp industry was affected by the uncertainty of the trade war between United States and China.

Pulp division and wood products sales decreased compared to the last quarter, due to a slight fall in prices and sales volume. This was mainly as result of the delayed impact of the trade war between China and U.S. and seasonality effects that decrease demand. This result was slightly offset by an increase in forestry products sales.

Our Net Debt/LTM EBITDA ratio reached 1.9x, with no changes compared to the third quarter.

In US\$ Million	Q4 2018	Q3 2018	Q4 2017	QoQ	YoY	YTD 2018	YTD 2017	YoY Acum
Revenue	1,377.6	1,553.3	1,331.3	-11.3%	3.5%	5,954.8	5,238.3	13.7%
Net income	70.1	220.7	83.2	-68.2%	-15.7%	726.8	270.4	168.8%
Adjusted EBITDA (*)	342.6	512.6	338.2	-33.2%	1.3%	1,850.5	1,353.2	36.8%
Adjusted EBITDA Margin	24.9%	33.0%	25.4%	-24.6%	-2.1%	31.1%	25.8%	20.3%
LTM Adj. EBITDA	1,850.5	1,846.1	1,353.2	0.2%	36.8%	1,850.5	1,353.2	36.8%
CAPEX	341.2	193.7	232.8	76.1%	46.5%	920.3	653.9	40.7%
Net Financial Debt	3,434.3	3,431.7	3,683.6	0.1%	-6.8%	3,434.3	3,683.6	-6.8%
Net Financial Debt / LTM Adj. EBITDA	1.9x	1.9x	2.7x	-0.2%	-31.8%	1.9x	2.7x	-31.8%

Adjusted EBITDA and EBITDA Margin (\*)  
(In US\$ Million)



(\*) By the end of 2018, there were some reclassifications in the fair value cost of timber harvested, which affected backwards our adjusted EBITDA in -US\$6.5, -US\$7.9 and -US\$12.3 for the first, second and third quarter 2018, respectively.

## INCOME STATEMENT

Net income for the fourth quarter of 2018 was US\$70.1 million, a decrease of 68.2% or US\$150.6 million compared to US\$220.7 million in the third quarter of 2018. This was mainly due to lower revenues and higher other expenses associated to higher impairment provisions in property, plant and equipment as well as a minor expense due to forestry wildfires. Also, unlike to the third quarter, during the fourth quarter there were losses in associated and joint ventures.

In US\$ Million	Q4 2018	Q3 2018	QoQ
Revenues	1,377.6	1,553.3	-11.3%
Cost of sales	(927.1)	(937.6)	-1.1%
Distribution costs	(142.0)	(147.1)	-3.5%
Administrative expenses	(138.1)	(140.7)	-1.9%
Other income	22.6	35.2	-35.8%
Other expenses	(44.5)	(17.7)	151.2%
Financial income	8.8	4.8	84.7%
Financial costs	(58.9)	(52.8)	11.5%
Share of profit (loss) of associates and joint ventures accounted for using equity method	(11.4)	4.7	-344.5%
Other Income (loss)	14.2	-	
Exchange rate differences	(4.2)	(6.0)	-30.4%
<b>Income before income tax</b>	<b>97.0</b>	<b>295.9</b>	<b>-67.2%</b>
Income tax	(26.8)	(75.2)	-64.3%
<b>Net income</b>	<b>70.1</b>	<b>220.7</b>	<b>-68.2%</b>

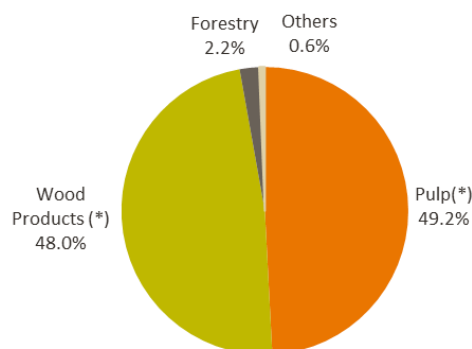
**Revenues** reached US\$1,377.6 million during the fourth quarter of 2018, a decrease of 11.3% compared to the US\$1,553.3 million in the previous quarter. This is explained primarily by a decrease in our pulp sales and, additionally, by lower wood products sales, which were partly offset by an increase in our forestry segment sales. Pulp revenues decreased by 16.4% compared to the previous quarter, resulting from a decrease in sales volume of 11.6% and average prices of 4.2%, because of a lower demand in our main market, China. Wood products sales fell by 7.3% compared to the third quarter, due to lower panel sales volume.

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

Sales by Business Segment 4Q 2018

In US\$ Million	Q4 2018	Q3 2018	QoQ
Pulp(*)	677.3	810.2	-16.4%
Wood Products(*)	661.4	713.9	-7.3%
Forestry	30.0	22.0	36.4%
Others	8.7	7.1	-25.4%
<b>Total</b>	<b>1,377.6</b>	<b>1,553.3</b>	<b>-11.3%</b>

(\*) Pulp and Wood division sales include energy



**Cost of sales** for the fourth quarter of the year decreased slightly by 1.1% or US\$10.4 compared to the third quarter. This is mainly explained by lower forestry labor costs associated to lower production and sales and by lower chemical costs of 8.7%, due to lower pulp production because of maintenance stoppages during the fourth quarter. These decreases were offset by other raw materials and indirect costs which had the most relevant increase of 41.8%, mainly due to forestry roads investments.

In US\$ Million	Q4 2018	Q3 2018	QoQ
Timber	172.0	163.3	5.3%
Forestry costs	162.0	178.2	-9.1%
Depreciation and amortization	88.8	96.4	-7.8%
Maintenance costs	76.0	74.1	2.5%
Chemical costs	135.6	148.5	-8.7%
Sawmill services	27.6	35.2	-21.6%
Other raw materials and indirect costs	125.2	88.3	41.8%
Energy and fuel	53.0	57.4	-7.7%
Cost of electricity	4.7	8.6	-45.3%
Wage, salaries and severance indemnities	82.2	87.6	-6.2%
<b>Cost of Sales</b>	<b>927.1</b>	<b>937.6</b>	<b>-1.1%</b>

**Administrative expenses** remained flat compared to the third quarter, decreasing by 1.9% or US\$2.7 million mainly explained by lower Wages and salaries expenses due to an adjustment in this account because of the Masisa Brazil acquisition.

In US\$ Million	Q4 2018	Q3 2018	QoQ
Wages, salaries and severance indemnities	60.0	65.5	-8.3%
Marketing, advertising, promotion and publications expenses	3.7	3.2	17.7%
Insurance	3.8	4.3	-11.1%
Depreciation and amortization	7.3	6.9	5.7%
Computer services	6.6	5.5	19.1%
Lease rentals (offices, warehouses and machinery)	3.2	3.8	-14.9%
Donations, contributions, scholarships	5.7	2.5	129.1%
Fees (legal and technical advisories)	12.5	11.6	8.0%
Property taxes, patents and municipality rights	3.4	4.4	-23.0%
Other administration expenses	31.8	33.2	-4.0%
<b>Administrative Expenses</b>	<b>138.1</b>	<b>140.7</b>	<b>-1.9%</b>

**Distribution costs** decreased by 3.5% or US\$5.2 million, due to lower freight costs, explained by lower sales volume specially to Asian costumers, mainly China. Other selling costs increased by 86.2% mainly due to higher bad debt provisions and because of the implementation of exports taxes in Argentina during the fourth quarter.

In US\$ Million	Q4 2018	Q3 2018	QoQ
Commissions	3.4	3.6	-7.8%
Insurance	1.2	0.9	25.5%
Other selling costs	9.4	5.1	86.2%
Port services	6.8	7.4	-8.2%
Freights	108.2	119.3	-9.3%
Other shipping and freight costs	13.0	10.8	19.8%
<b>Distribution Costs</b>	<b>142.0</b>	<b>147.1</b>	<b>-3.5%</b>

As a percentage, administrative expenses and distribution costs combined were 20.3% of sales, showing an increase compared to the 18.5% in the previous quarter, and an upward trend compared to 17.7% in the quarter before that.

**Other income** decreased by 35.8% or US\$12.6 million this quarter compared to the third quarter. The fall is explained by lower gain from changes in the fair value of biological assets, due to the review of the valuation model that took place in December 2018.

In US\$ Million	Q4 2018	Q3 2018	QoQ
Gain from changes in fair value of biological assets	6.2	26.4	-76.6%
Net income from insurance compensation	0.3	0.3	-9.0%
Leases received	0.6	0.5	21.7%
Gains on sales of assets	3.9	2.7	43.3%
Other operating results	11.7	5.3	120.5%
<b>Other Income</b>	<b>22.6</b>	<b>35.2</b>	<b>-35.8%</b>

**Other expenses** overall rose by US\$26.8 million compared to the third quarter, mainly explained by a U.S.\$17.8 million increase in Impairment provision for property, plant and equipment associated to the Arauco I mill and St. Stephen mill in Canada. Also, higher expenses of US\$2.5 million in provision for forestry fire losses during the fourth quarter.

In US\$ Million	Q4 2018	Q3 2018	QoQ
Depreciation	0.1	0.1	0.0%
Legal payments	1.5	0.8	86.8%
Impairment provision property, plant and equipment and others	20.6	2.7	659.0%
Project expenses	5.8	5.1	13.2%
Loss (gain) from asset sales	4.3	2.3	90.0%
Loss and repair of assets	0.0	0.2	-89.7%
Provision for forestry fire losses	2.5	(0.6)	-538.8%
Other taxes	5.2	3.3	55.0%
Other expenses (donations, repayments insurance)	4.5	3.7	20.8%
<b>Other expenses</b>	<b>44.5</b>	<b>17.7</b>	<b>151.2%</b>

**Foreign exchange differences** showed a loss of US\$4.2 million, a US\$1.8 million of difference when compared to the third quarter that ended at a US\$6.0 million loss. The average of the Chilean peso against the US dollar during the fourth quarter depreciated by 2.6% compared to the previous quarter. On the other hand, the average of the Argentine peso depreciated by 15.4% against the US dollar compared to the third quarter and appreciated 4.9% 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 fourth quarter reached US\$26.8 million, a decrease of US\$48.4 million compared to the US\$75.2 million in the third quarter.

## ADJUSTED EBITDA

Adjusted EBITDA for the fourth quarter of 2018 was US\$342.6 million, 33.2% or US\$170.0 million lower than the US\$512.6 million reached during the third quarter, mainly due to a decrease in sales volume of our pulp business that affected our net income. This was offset by Others, explained by higher provisions from fixed assets. In terms of Adjusted EBITDA by business, during the fourth quarter we had a decrease in our three main business, being pulp the biggest one with US\$110.9 million decrease compared to the third quarter due to lower revenues, while forestry decreased US\$45.6 million explained by higher costs of sales.

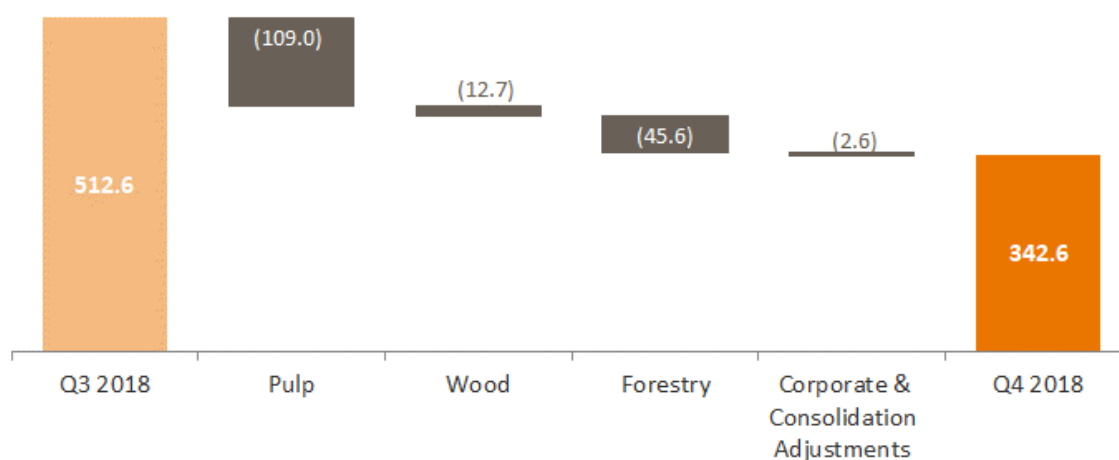
Comparing with the same quarter of 2017, the Adjusted EBITDA increased by 1.3% or US\$4.4 million.

In US\$ Million	Q4 2018	Q3 2018	Q4 2017	QoQ	YoY
Net Income	70.1	220.7	83.2	-68.2%	-15.7%
Financial costs	58.9	52.8	116.2	11.5%	-49.3%
Financial income	(8.8)	(4.8)	(4.0)	84.7%	120.4%
Income tax	26.8	75.2	(95.0)	-64.3%	-128.3%
<b>EBIT</b>	<b>147.0</b>	<b>344.0</b>	<b>100.4</b>	<b>-57.3%</b>	<b>46.5%</b>
Depreciation & amortization	97.0	103.7	109.3	-6.5%	-11.3%
<b>EBITDA</b>	<b>244.0</b>	<b>447.7</b>	<b>209.6</b>	<b>-45.5%</b>	<b>16.4%</b>
Fair value cost of timber harvested	77.5	83.1	78.4	-6.8%	2.9%
Gain from changes in fair value of biological assets	(6.2)	(26.4)	18.1	-76.6%	-134.1%
Exchange rate differences	4.2	6.0	2.6	-30.4%	60.2%
Others (*)	23.1	2.1	29.4	983.8%	-21.6%
<b>Adjusted EBITDA(**)</b>	<b>342.6</b>	<b>512.6</b>	<b>338.2</b>	<b>-33.2%</b>	<b>2.2%</b>

(\*) Includes provision from forestry fire losses, provision from fixed assets and others

(\*\*) By the end of 2018, there were some reclassifications in the fair value cost of timber harvested, which affected backwards our adjusted EBITDA in -US\$6.5, -US\$7.9 and -US\$12.3 for the first, second and third quarter 2018, respectively.

### Adjusted EBITDA Variation by Business Segment Q3 2018 – Q4 2018 (In US\$ Million)

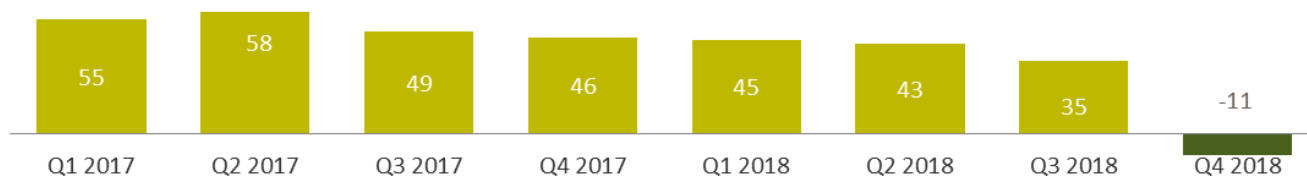




## FORESTRY BUSINESS

The Adjusted EBITDA for our forestry business was -US\$10.6 million during this quarter, which translates to 130.3% or US\$45.6 million decrease compared to the third quarter. This fall is mainly explained by a write-off of forestry roads investments during December.

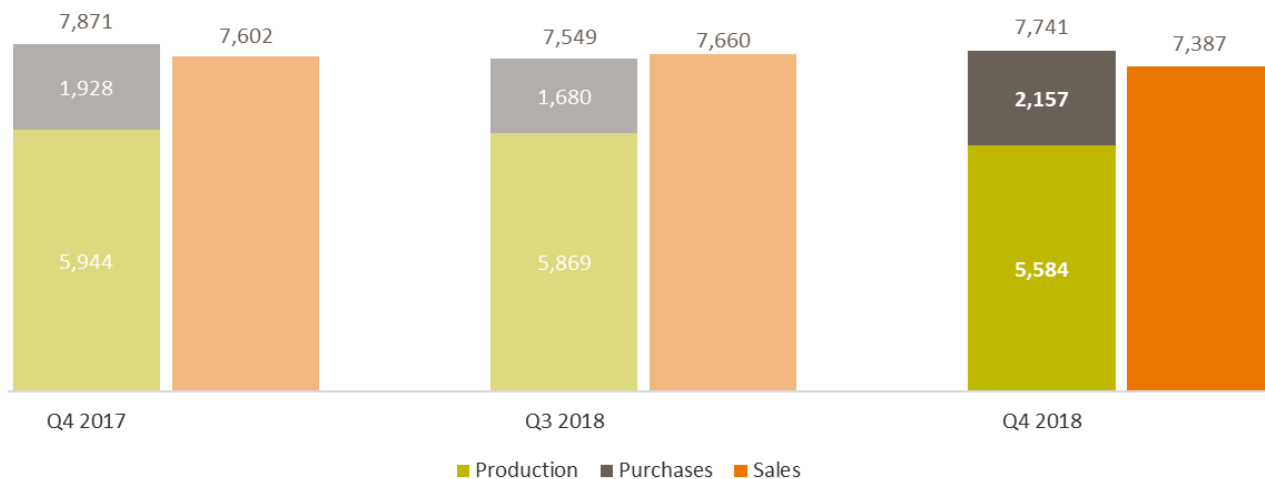
**Adjusted EBITDA for Forestry Business (\*)**  
(In US\$ Million)



(\*) 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 fourth quarter, our forestry production was 5.6 million m<sup>3</sup>, a 5.1% decrease compared to the U.S.\$5.9 million m<sup>3</sup> produced in the third quarter. Sales volume decreased by 3.7% from U.S.\$7.7 million m<sup>3</sup> to U.S.\$7.4 million m<sup>3</sup>.

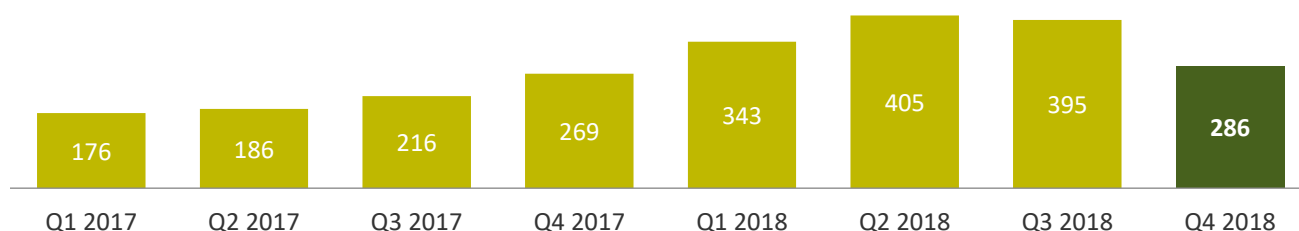
**Production, Purchases and Sales Volume**  
(In Thousand m<sup>3</sup>)



## PULP BUSINESS

The Adjusted EBITDA for our pulp business reached US\$285.6 million during this quarter, which translates to a 27.6% decrease or US\$109.0 million compared to the third quarter.

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



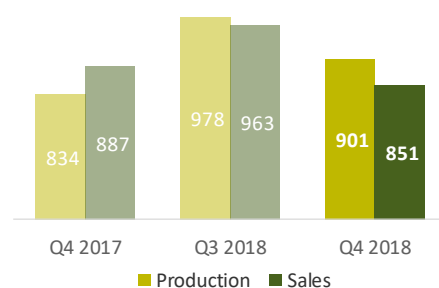
(\*) Due to a change in the calculation methodology of the adjusted EBITDA by business, there is a change in this measure from 2017.

**Global Pulp Demand Change**  
Q4 2018 – Q3 2018

Global Pulp Demand Change

North America	▬	-1.1%
West Europe	▾	-8.6%
China	▾	-10.2%
Others	▬	0.3%
Total	▾	-5.6%

**Production and Sales Volume**  
(In Thousand AdT)



During the fourth quarter, we experienced a change in the market trend compared to the stability that we saw during the third quarter. The above was reflected in sales volume and prices, which decreased 11.6% and 4.2%, respectively. Global inventories grew during the fourth quarter in all types of fibers ending at 44 days. The main issue that affected demand during the fourth quarter was the uncertainty of the main economies: China and the U.S. In view of this uncertainty, many paper mills experienced an increase in paper inventories, so they regulated their pulp buying.

The Asian market, specially China, showed a more aggressive change in trend. This was mainly due to the trade war between China and the U.S., that generated uncertainty and changes in the import restrictions that both countries had. The paper sector was not the only one affected, the packaging sector was also impacted because shipping decreased and then, boxes that are made with pulp where less demanded. Due to the lower imports and higher inventories of our customers, the demand fell, therefore, prices showed some adjustments during the fourth quarter. Korea followed the Chinese trend in prices while the demand was stable.

In Europe, the trend was like China but less aggressive, with a slight adjustment in prices. However, in December, paper demand decreased. Pulp inventory levels started growing, specially from pulp producers that didn't adapt to this new price scenario. The European situation was also affected by the increase of paper coming from China (paper producers started exporting to Europe instead of the U.S. due to higher tariffs) with demand that fell at a slow rate during the last three months of the year.

Middle East, specially Turkey, showed a healthy demand with stable volume and prices, which were leading by European market.

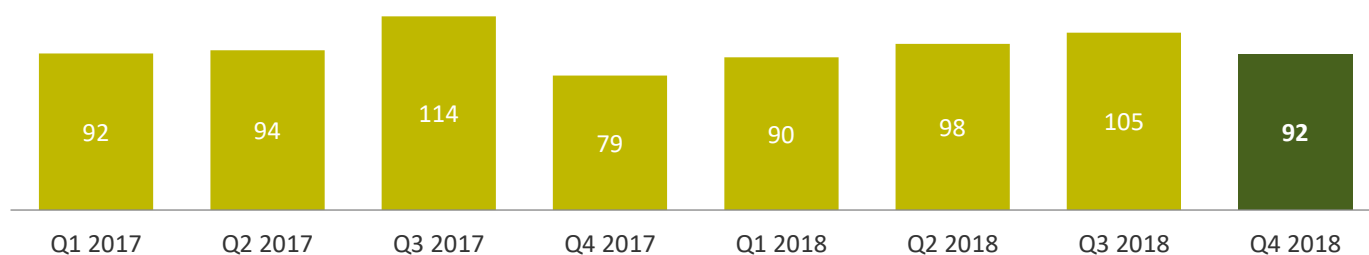
The Latin American market, was very stable during the quarter in terms of demand. Due to the adjustments of prices in Asia, some customers also expected some decreased but in a lower rate.

Pulp production during the fourth quarter compared to the third quarter decreased by 7.8%, in accordance with plant maintenance during the fourth quarter and some losses in the production in our Montes del Plata Mill. Regarding the same quarter of 2017, the production increased by 8%.

## WOOD PRODUCTS BUSINESS

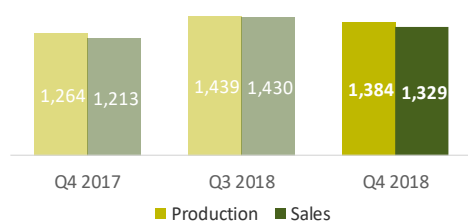
The Adjusted EBITDA for our wood products business reached US\$92.0 million during the fourth quarter, which translates to a 12.2% decrease or US\$12.7 million compared to the previous quarter.

Adjusted EBITDA for Wood Product 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.

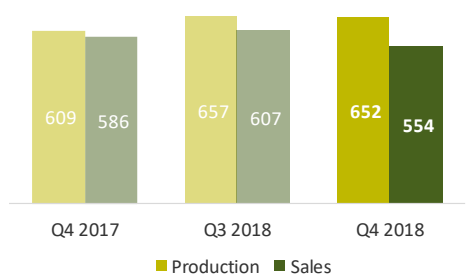
Production and Sales Volume: Panels <sup>(1)</sup>  
(In Thousand m<sup>3</sup>)



**Composite panel** sales decreased compared to the previous quarter, with sales volume going down by 7.1% (including both MDF and PBO products) and average price increasing by 1.2%. Chile and Mexico showed an increase in sales volume compared to the third quarter while Argentina remained weak in the local market.

The North American market showed sales volume slightly lower than expected and some adjustments in prices due to oversupply as well as the stable housing market index, not to mention the seasonality effects on the MDF and PB sales during the fourth quarter. In Mexico, we are reaching new markets, introducing new designs and, in general, demand forecast is positive for the next period in this country.

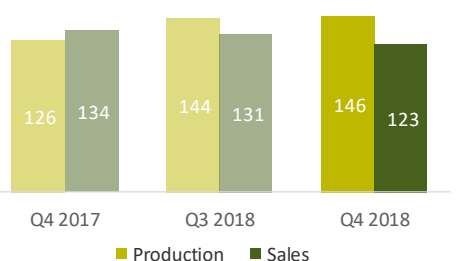
Production and Sales Volume: Sawn Timber <sup>(2)</sup>  
(In Thousand m<sup>3</sup>)



Latin America showed a positive trend during the fourth quarter, with good demand specially in Colombia and Peru. Brazil showed a positive signal after elections with the economy expected to start improving, which allows us to maintain sales volume and increase prices.

**Sawn timber** sales volume decreased during the fourth quarter with a slight decrease in prices by the end of the year. This decrease is a consequence of the oversupply, the lower demand from China and less consumption because of seasonality. China, as it was expected, showed an unstable demand because of the uncertainty of the duties from U.S. This general situation was offset by the relocation of some products in the Middle East and Japan, where we saw a healthy demand, which has been positive to keep our prices in a good level.

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



In North America, remanufactured products segments showed healthy, increasing volumes and prices, but the scenario is still expectant to the trade war results between United States and China.

**Plywood** demand remained slow with some price adjustments. In Europe the demand remained low due to the seasonality effects during the fourth quarter, but it is expected to be stable in the coming months, even though there are higher supply levels from South America and Asia. Same trend was seen in United States and Canada.

(1) Includes HB, MDF, OSB, PB

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

Note: Sales include trading

## CAPITAL EXPENDITURES

US\$ Million	Q4 2018	Q3 2018	Q4 2017	YTD 2018	YTD 2017
Cash flow used to obtain control of subsidiaries or other businesses	0.0	0.0	15.9	16.6	15.9
Cash flow used to purchase in associates	2.1	0.2	-	3.0	-
Purchase and sale of property, plant and equipment	283.3	143.5	158.6	676.0	448.3
Purchase and sale of intangible assets	1.9	0.3	0.6	2.7	10.5
Purchase of other long-term assets	53.9	49.6	57.6	222.0	179.2
<b>Total CAPEX</b>	<b>341.2</b>	<b>193.7</b>	<b>232.8</b>	<b>920.3</b>	<b>653.9</b>

During this quarter, capital expenditures increased by US\$147.5 million or 76.1% compared to the third quarter of 2018, totaling US\$341.2 million. This is explained by a significant increase in purchase and sale of property, plant and equipment associated to projects expenditures. The main projects expenditures are detailed below:

- MAPA Project capital expenditures: US\$122.1 million
- Grayling Project MDP capital expenditures: US\$76.7 million
- Dissolving Pulp Project capital expenditures: US\$29.3 million

During the fourth quarter, plantation capex amounted a total of US\$53.9 million, an increase of 8.7% compared to the third quarter, mainly due to investments in Chile and Uruguay. The remaining amount correspond to maintenance capex.

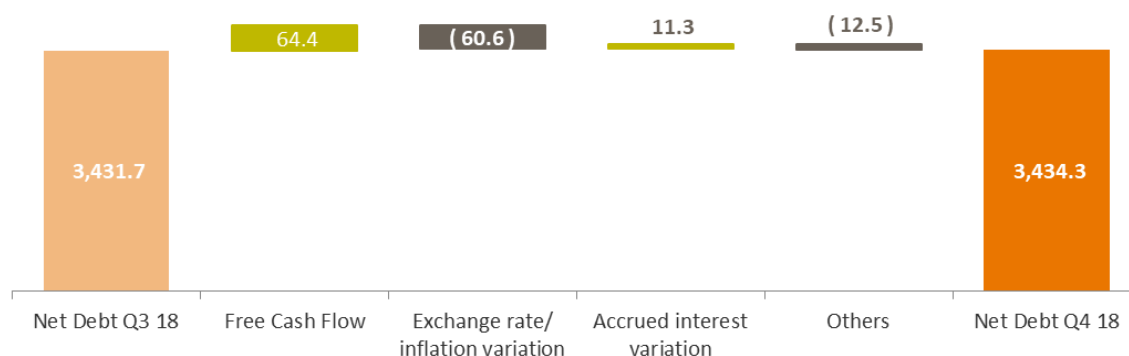
## FREE CASH FLOW

During the fourth quarter, Free Cash Flow decreased significantly by US\$261.3 million compared to the third quarter, ending up in a deficit of US\$64.4 million. The main reason was the sharp increase in capital expenditures associated to projects development which reached US\$341.2 million in the fourth quarter. Additionally, during the fourth quarter we paid dividends for US\$142.7 million.

Cash provided by operating activities increased by US\$36.3 million, mainly due to a positive working capital variation, offset by lower Adjusted EBITDA. Cash used by investment activities increased significantly to US\$335.2 million compared to US\$182.5 million in the third quarter, which is mainly explained by higher capex. On the other hand, cash used by financing activities during this quarter was US\$143.0 million which is mainly due to dividends paid, as a part of our dividends policy.

US\$ Million	Q4 2018	Q3 2018	Q4 2017
Adjusted EBITDA	342.6	512.6	338.2
Working Capital Variation	141.8	(74.5)	96.6
Interest paid and received	(39.2)	(39.4)	(87.1)
Income tax paid	(20.9)	(19.4)	(12.1)
Other cash inflows (outflows)	(5.2)	3.5	4.8
<b>Cash from Operations</b>	<b>419.1</b>	<b>382.7</b>	<b>340.4</b>
Capex	(341.2)	(193.7)	(232.8)
Proceeds from investment activities	5.1	3.4	3.5
Other inflows of cash, net	0.9	7.8	1.2
<b>Cash from (used in) Investment Activities</b>	<b>(335.2)</b>	<b>(182.5)</b>	<b>(228.1)</b>
Dividends paid	(142.7)	(0.2)	(60.5)
Other inflows of cash, net	(0.2)	0.0	(3.6)
<b>Cash from (used in) Financing Activities - Net of Proceeds and Repayments</b>	<b>(143.0)</b>	<b>(0.2)</b>	<b>(64.1)</b>
Effect of exchange rate changes on cash and cash equivalents	(5.3)	(3.1)	(1.5)
<b>Free Cash Flow</b>	<b>(64.4)</b>	<b>196.9</b>	<b>46.7</b>

**Net Debt Variation Q3 2018 – Q4 2018**  
(In US\$ Million)



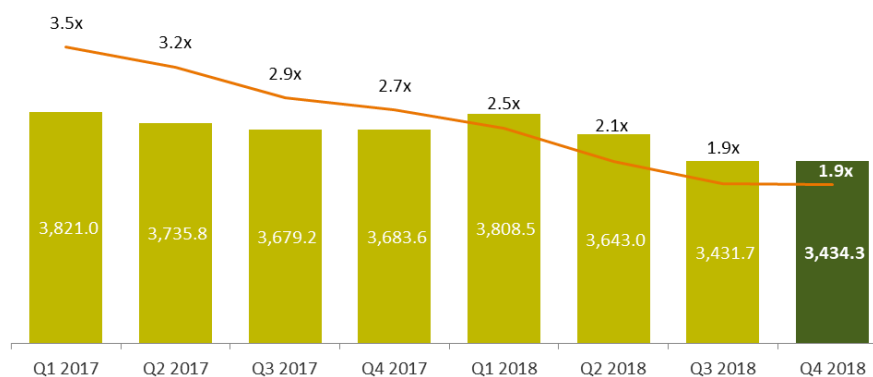
## FINANCIAL DEBT AND CASH

Arauco's total financial debt as of December 31, 2018 reached US\$4,510.3 million, an increase of 8.3% or US\$343.8 million when compared to September 30, 2018 due to our bond issue in the local market for approximately US\$340 million in October 2018. Of our committed facility line for the Grayling Project, a total of US\$66.0 million was disbursed during the fourth quarter, amounting a total of US\$287.0 million of the line used at the end of 2018. Our consolidated net financial debt increased 0.1% or US\$2.6 million when compared with September 30, 2018, while cash and cash equivalents increased by US\$341.2 million.

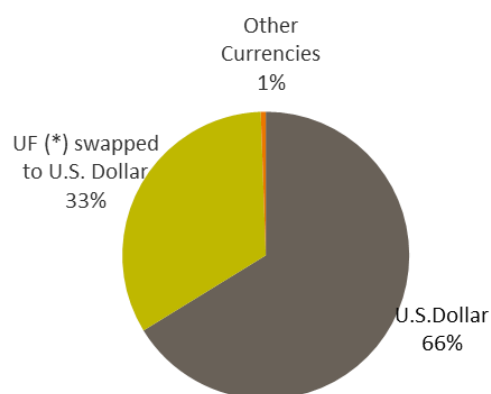
Our leverage, measured as Net Financial Debt/LTM Adjusted EBITDA remained steady at 1.9x compared to the third quarter.

In US\$ Million	December 2018	September 2018	December 2017
Short term financial debt	535.8	502.2	500.2
Long term financial debt	3,974.4	3,664.3	3,773.3
<b>TOTAL FINANCIAL DEBT</b>	<b>4,510.3</b>	<b>4,166.5</b>	<b>4,273.5</b>
Cash and cash equivalents	1,075.9	734.8	589.9
<b>NET FINANCIAL DEBT</b>	<b>3,434.3</b>	<b>3,431.7</b>	<b>3,683.6</b>
<b>LTM Adjusted EBITDA</b>	<b>1,850.5</b>	<b>1,846.1</b>	<b>1,353.2</b>

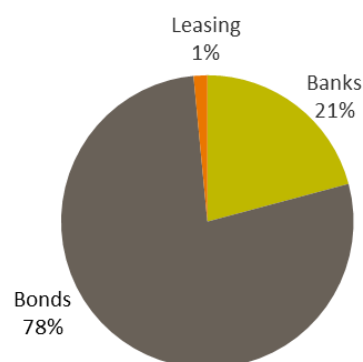
Net Financial Debt and Leverage  
(In US\$ Million)



Debt by Currency



Debt by Instrument

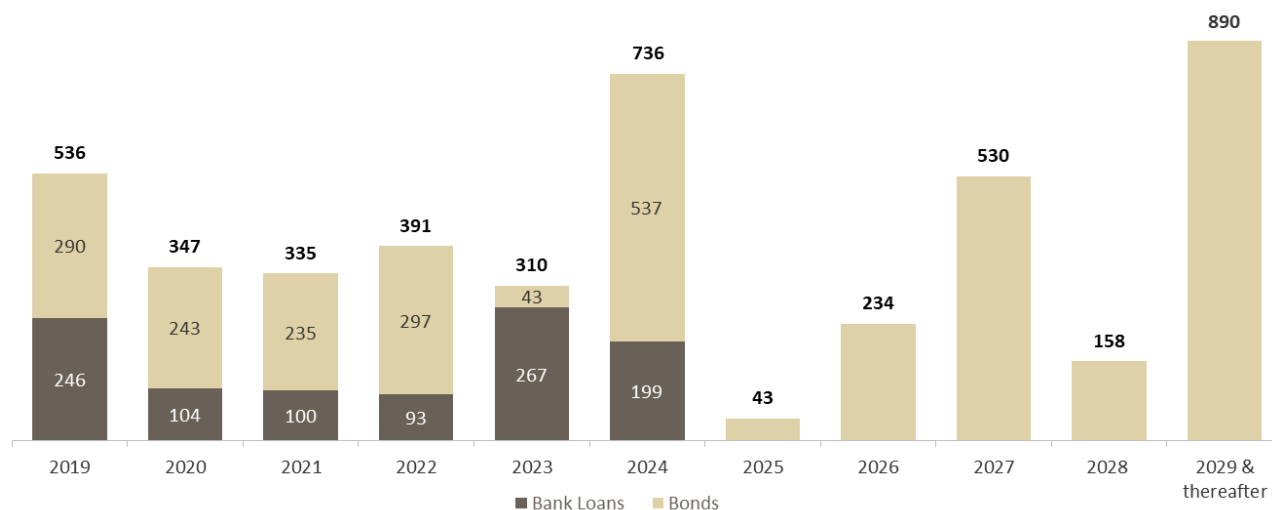


(\*) UF is a Chilean monetary unit indexed to inflation.

## Financial Debt Profile

For the year 2019, bank and bonds obligations (which include accrued interest) sum up US\$536 million. This total amount includes the following maturities: US\$173.8 million loans in Montes del Plata, US\$30.9 million of leasing, US\$28.2 million of credit loans in Argentina, US\$2.1 million from our United States subsidiaries and US\$8.9 million in our Brazilian subsidiaries. Bond obligations include the maturity of US\$202.8 million Yankee Bond in July 2019 and the amortizations of two local bonds BARAU-F and BARAU-Q.

Financial Obligation by Year as of December 31, 2018  
(In US\$ Million)



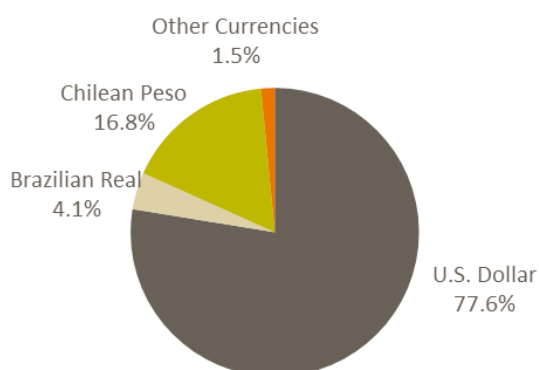
Short term debt includes accrued interest

## Cash

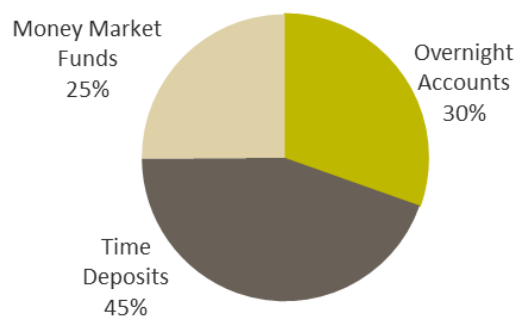
Our cash position was US\$1,075.9 million at the end of the fourth quarter, which was a US\$341.2 million or 46.4% higher compared to the third quarter of 2018. Cash provided from operating activities increased by US\$36.3 million, mainly due to higher receipts from sales which increased by US\$169.9, offset by higher payments to suppliers and personnel which increased by 12.2%.

Cash provided by investing activities rose significantly by 83.7% explained by higher capital expenditure incurred during the fourth quarter. On the other hand, cash provided by financing activities also increased compared to the third quarter reaching U.S.\$262.6 because of our bond issued during the fourth quarter, compensated by the dividends payment of US\$142.7 million.

Cash by Currency



Cash by Instrument



## FOURTH QUARTER, SUBSEQUENT EVENTS AND NEWS

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### Local Bonds Issuance

On October 26, 2018, Arauco issued two bonds in the local market for a total of UF 8.5 million, or approximately US\$340 million. The first one has a tenor of 10 years with a yield of 2.38% and the second bond has a tenor of 25 years, with a yield of 2.88%. The purpose of these bonds issue was to finance part of the MAPA Project.

### Acquisition of MASISA Mexico

On January 31, 2019, Arauco through its subsidiaries, Inversiones Arauco International Limitada and AraucoMex S.A. de C.V., acquired the shares of Masisa S.A.'s Mexican subsidiaries. The acquisition included two industrial complexes located in Durango and Zitacuro, that jointly account for three Particleboard lines with a total capacity of 300.000 m<sup>3</sup> and 1 MDF line with a total capacity of 250.000 m<sup>3</sup>. The transaction totaled U.S.\$160.0 million.

### Dissolving Pulp Project update

The Dissolving Pulp Project had a 65% advance in January 2019. The investment for the project is approximately US\$190 million and the start-up is expected to be at the end of 2019.

### Grayling Project update

In February 2019, we had the first rollout of panels in the new particleboard mill located in Grayling, Michigan, United States. The amount of this investment is approximately US\$450.0 million and the capacity is 800,000 cubic meters of PB per year. It is expected to start with the regular panels production in March 2019.

### Forestry wildfires

By the end of February 2019, the area affected by fires reached approximately 555 hectares, which translates into 5.5% decrease compared to the same period of 2018 and a significant decrease compared to the 72,500 hectares affected in 2017.

### MAPA project

On February 2019, the earth-moving works started. The new line is expected to start its operations in the second quarter of 2021.



## FINANCIAL STATEMENTS

## Income Statement

In US\$ Million	Q4 2018	Q3 2018	Q4 2017	01-12-2018	01-12-2017
Revenues	1,377.6	1,553.3	1,331.3	5,954.8	5,238.3
Cost of sales	(927.1)	(937.6)	(884.9)	(3,722.7)	(3,574.5)
<b>Gross profit</b>	<b>450.4</b>	<b>615.7</b>	<b>446.4</b>	<b>2,232.1</b>	<b>1,663.8</b>
Other income	22.6	35.2	(11.7)	124.3	111.5
Distribution costs	(142.0)	(147.1)	(132.9)	(556.8)	(523.3)
Administrative expenses	(138.1)	(140.7)	(150.1)	(561.3)	(521.3)
Other expenses	(44.5)	(17.7)	(47.1)	(95.9)	(240.2)
Financial income	8.8	4.8	4.0	20.9	19.6
Financial costs	(58.9)	(52.8)	(116.2)	(214.8)	(288.0)
Share of profit (loss) of associates and joint ventures accounted for using equity method	(11.4)	4.7	(1.6)	17.2	17.0
Other income (loss)	14.2	0.0	0.0	14.2	0.0
Exchange rate differences	(4.2)	(6.0)	(2.6)	(26.5)	0.1
<b>Income before income tax</b>	<b>97.0</b>	<b>295.9</b>	<b>(11.8)</b>	<b>953.5</b>	<b>239.4</b>
Income tax	(26.8)	(75.2)	95.0	(226.8)	31.0
<b>Net income</b>	<b>70.1</b>	<b>220.7</b>	<b>83.2</b>	<b>726.8</b>	<b>270.4</b>
Profit attributable to parent company	68.4	220.8	82.9	725.5	269.7
Profit attributable to non-parent company	1.7	(0.1)	0.2	1.3	0.6

## Balance Sheet

In US\$ Million	Q4 2018	Q3 2018	Q4 2017
Cash and cash equivalents	1,075.9	734.8	589.9
Other financial current assets	0.5	2.2	3.5
Other current non-financial assets	129.9	135.2	129.8
Trade and other receivables-net	839.2	989.8	814.4
Related party receivables	7.3	5.6	3.5
Inventories	1,030.2	948.5	868.5
Biological assets, current	315.9	296.1	307.8
Tax assets	36.5	20.7	49.5
Non-Current Assets classified as held for sale	5.7	5.7	3.5
<b>Total Current Assets</b>	<b>3,441.2</b>	<b>3,138.5</b>	<b>2,770.4</b>
Other non-current financial assets	20.3	52.6	56.6
Other non-current and non-financial assets	86.9	139.3	121.5
Non-current receivables	15.6	18.7	17.1
Investments accounted through equity method	358.1	369.0	368.8
Intangible assets	90.1	84.9	88.6
Goodwill	65.9	65.1	69.9
Property, plant and equipment	7,174.7	6,971.4	7,034.3
Biological assets, non-current	3,336.3	3,363.6	3,459.1
Deferred tax assets	4.6	8.5	8.3
<b>Total Non-Current Assets</b>	<b>11,152.6</b>	<b>11,073.0</b>	<b>11,224.2</b>
<b>TOTAL ASSETS</b>	<b>14,593.7</b>	<b>14,211.5</b>	<b>13,994.6</b>
Other financial liabilities, current	537.6	504.6	500.3
Trade and other payables	659.6	584.3	717.3
Related party payables	10.2	10.9	11.2
Other provisions, current	0.4	0.4	2.7
Tax liabilities	153.6	143.2	8.1
Current provision for employee benefits	5.7	6.1	5.7
Other non-financial liabilities, current	212.6	314.8	154.0
<b>Total Current Liabilities</b>	<b>1,579.8</b>	<b>1,564.3</b>	<b>1,399.4</b>
Other non-current financial liabilities	4,044.3	3,676.2	3,778.6
Other provisions, non-current	33.9	32.7	36.0
Deferred tax liabilities	1,417.7	1,443.4	1,485.4
Non-current provision for employee benefits	64.9	70.1	66.0
Other non-financial liabilities, non-current	112.1	106.2	112.3
<b>Total Non-Current Liabilities</b>	<b>5,675.0</b>	<b>5,328.6</b>	<b>5,478.3</b>
Non-parent participation	37.2	36.5	41.9
<b>Net equity attributable to parent company</b>	<b>7,301.8</b>	<b>7,282.1</b>	<b>7,075.0</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>14,593.7</b>	<b>14,211.5</b>	<b>13,994.6</b>

## Cash Flow Statement

US\$ Million	Q4 2018	Q3 2018	Q4 2017	FY 2018	FY 2017
Receipts from sales of goods and rendering of services	1,687.7	1,517.8	1,472.1	6,129.8	5,508.7
Other cash receipts (payments)	51.7	50.3	74.0	184.8	236.9
Payments of suppliers and personnel (less)	(1,261.4)	(1,124.1)	(1,104.8)	(4,857.6)	(4,382.6)
Interest paid and received	(39.2)	(39.4)	(87.1)	(160.5)	(242.2)
Income tax paid	(20.9)	(19.4)	(12.1)	(12.7)	(37.9)
Other (outflows) inflows of cash, net	1.1	(2.4)	(1.7)	(2.8)	(10.5)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>419.1</b>	<b>382.7</b>	<b>340.4</b>	<b>1,280.9</b>	<b>1,072.4</b>
Capital Expenditures	(341.2)	(193.7)	(232.8)	(920.3)	(653.9)
Other investment cash flows	5.9	11.2	4.7	26.3	20.5
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(335.2)</b>	<b>(182.5)</b>	<b>(228.1)</b>	<b>(894.0)</b>	<b>(633.3)</b>
Proceeds from borrowings	418.1	161.0	1,015.9	863.6	1,312.5
Repayments of borrowings	(12.5)	(194.9)	(958.3)	(475.3)	(1,627.7)
Dividends paid	(142.7)	(0.2)	(60.5)	(257.4)	(121.6)
Other inflows of cash, net	(0.2)	0.0	(3.6)	(1.0)	(2.3)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>262.6</b>	<b>(34.1)</b>	<b>(6.5)</b>	<b>129.9</b>	<b>(439.1)</b>
<b>Total Cash Inflow (Outflow) of the Period</b>	<b>346.4</b>	<b>166.1</b>	<b>105.8</b>	<b>516.8</b>	<b>(0.0)</b>
Effect of exchange rate changes on cash and cash equivalents	(5.3)	(3.1)	(1.5)	(30.8)	(2.3)
Cash and Cash equivalents at beginning of the period	734.8	571.8	485.6	589.9	592.3
<b>Cash and Cash Equivalents at end of the Period</b>	<b>1,075.9</b>	<b>734.8</b>	<b>589.9</b>	<b>1,075.9</b>	<b>589.9</b>