

Conference Call Presentation

4th Quarter 2014 Financial Results

Celulosa Arauco y Constitución S.A.



Gianfranco Truffello, C.F.O.
Santiago, March 13th, 2015

Disclaimer

Forward-looking statements are based on the beliefs and assumptions of Arauco's management and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Arauco and could cause results to differ materially from those expressed in such forward-looking statements.

This presentation contains certain performance measures that do not represent IFRS definitions, as "EBITDA" and "Net financial debt". These measures cannot be compared with the same previously used by Arauco and the same used by other companies.

Agenda

- **Financial Review 4th Quarter 2014**

- **Review by Business Segment & Outlook**

- **4th Quarter and Subsequent Events**

- **Q&A**

Financial Review > 4Q 2014 Highlights

Highlights

<u>US\$ Million</u>	<u>Q4 2014</u>	<u>QoQ</u>	<u>FY 2014</u>
Revenues	1,380.8	+2.4%	5,328.7
Adjusted EBITDA	334.1	+6.9%	1,272.2
Net income	113.8	+25.8%	436.9
Net Financial Debt	4,107.3	-1.8%	4,107.3
Net financial debt / LTM Adj. Ebitda	3.2x	-9.7%	3.2x

Financial Review > Income Statement

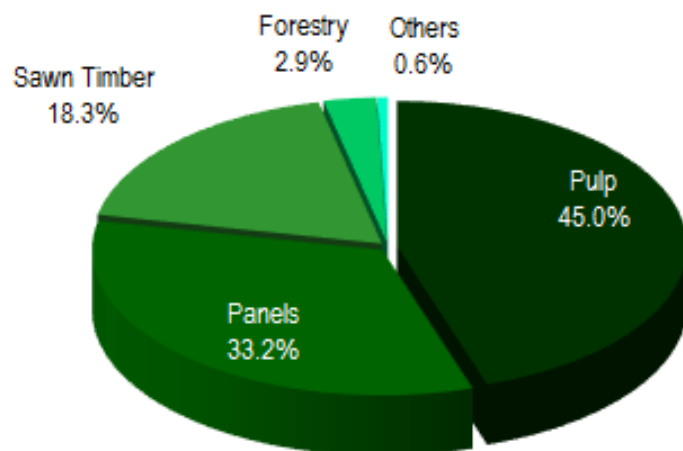
Income Statement

US\$ Million	Q4 2014	Q3 2014	QoQ
Revenue	1,380.8	1,348.6	2.4%
Cost of sales	(987.4)	(940.5)	5.0%
Gross Profit	393.4	408.2	-3.6%
Other operating income	137.1	77.7	76.4%
Administration & Distribution costs	(280.5)	(278.3)	0.8%
Other operating gains (expenses)	(34.4)	(13.7)	150.9%
Financial costs (Net)	(54.3)	(58.9)	-7.8%
Exchange rate differences	(7.0)	(13.1)	-46.4%
Income before income tax	154.3	121.9	26.6%
Income tax	(40.5)	(31.4)	28.8%
Net Income	113.8	90.4	25.8%

Comments

- **Revenues:** An increase of 2.4%, mainly explained by higher pulp sales volume
- **Cost of Sales:** An increase of 5.0% due to the additional Cost of Sales because of higher sales volume from Montes del Plata. By concept, the main increase was in raw material and indirect cost (US\$ 49.3 million) and Depreciation and amortization (US\$ 24.3 million). These were partially offset by lower cost in wood and forestry services
- **Other operating income:** An increase of US\$ 59.4 million, mainly explained by the sale of forestry land

Sales by Business Segment Q4 2014



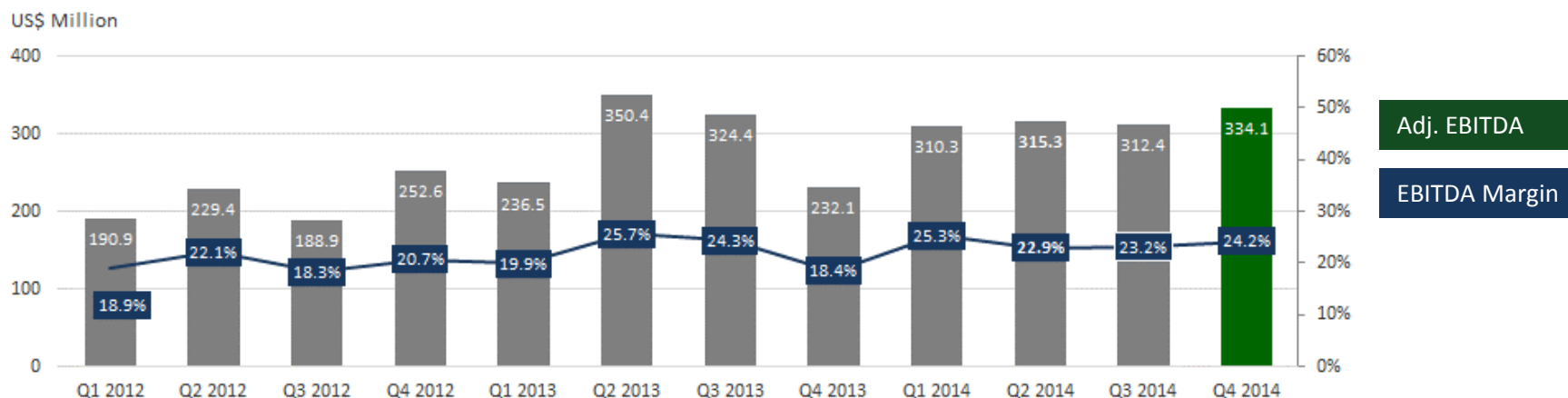
Financial Review > EBITDA

Adjusted EBITDA

In U.S. Million	Q4 2014	Q3 2014	QoQ
Net Income	113.8	90.4	25.8%
Financial costs	69.0	67.4	2.3%
Financial income	-14.7	-8.6	72.0%
Income tax	40.5	31.4	28.8%
EBIT	208.6	180.7	15.4%
Depreciation & amortization, others	109.3	87.7	24.6%
EBITDA	317.8	268.5	18.4%
Fair value cost of timber harvested	93.3	97.7	-4.5%
Gain from changes in fair value of biological assets	-84.0	-66.8	25.7%
Exchange rate differences	7.0	13.1	-46.4%
Adjusted EBITDA	334.1	312.4	6.9%

Comments

- Adjusted EBITDA:** Increased 6.9% compared to 3Q14 driven by higher Adjusted EBITDA of our pulp and forestry divisions. Also, the sale of forestry land in December contributed with a US\$ 46 million gain. On the other hand, lower sales of panels partially offset Arauco's Adjusted EBITDA



Note: Numbers may not add up due to rounding

Financial Review > Debt

Financial Debt

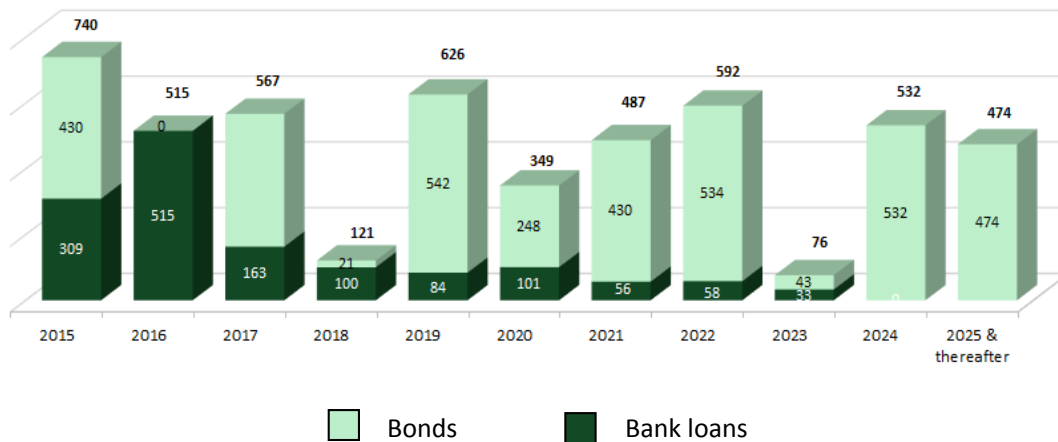
US\$ million	December 2014	September 2014	December 2013
Short term financial debt	739.5	796.1	893.5
Long term financial debt	4,338.9	4,358.5	4,133.0
TOTAL FINANCIAL DEBT	5,078.4	5,154.6	5,026.5
Cash and cash equivalents	971.2	972.2	667.2
NET FINANCIAL DEBT	4,107.3	4,182.4	4,359.3

Comments

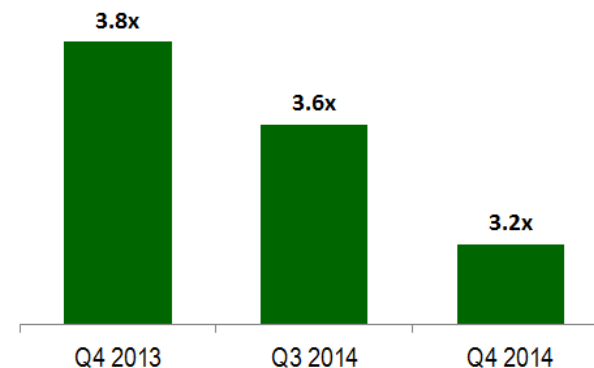
- During 2014 our net leverage improved from 3.8x to 3.2x
- De-leveraging efforts will continue in 2015
- In April we have a US\$ 370 million Yankee bond amortization
- Current cash position is above US\$ 900 million

Financial Debt Profile as of December 31, 2014

In US\$ Million



Net Debt/LTM Adj. EBITDA



Financial Review > Cash Flow

Cash Flow

US\$ Million	Q4 2014	Q3 2014	QoQ
Collection of accounts receivables	1,523.3	1,580.6	-3.6%
Collection from insurance claims	5.1	0	
Other cash receipts (payments)	94.1	82.1	14.7%
Payments of suppliers and personnel (less)	(1,357.7)	(1,253.4)	8.3%
Interest paid and received	(11.3)	(59.8)	-81.1%
Income tax paid	(16.6)	(15.8)	5.6%
Other (outflows) inflows of cash, net	(2.6)	2.5	-205.3%
Net Cash Provided by (Used in) Operating Activities	234.3	336.3	-30.3%
Capital Expenditures	(134.0)	(107.6)	24.5%
Other investment cash flows	73.5	(135.8)	-154.1%
Net Cash Provided by (Used in) Investing Activities	(60.4)	(243.4)	-75.2%
Proceeds from borrowings	56.8	515.2	-89.0%
Repayments of borrowings	(159.2)	(262.9)	-39.5%
Dividends paid	(62.9)	(0.4)	15134.1%
Other inflows of cash, net	(0.1)	(1.6)	-93.4%
Net Cash Provided by (Used in) Financing Activities	(165.4)	250.2	-166.1%
Total Cash Inflow (Outflow) of the Period	8.4	343.1	-97.5%
Effect of exchange rate changes on cash and cash equivalents	(9.5)	(11.6)	-18.2%
Cash and Cash equivalents. at beginning of the period	972.2	640.7	51.7%
Cash and Cash Equivalents at end of the Period	971.2	972.2	-0.1%

Comments

- In December we disbursed US\$ 62.9 million in provisory dividends for FY 2014. The rest will be paid in May 2015
- In December we paid a pre-export finance loan of US\$ 100 million
- In the fourth quarter we paid less interest compared with the previous quarter
- In December we received US\$ 91 million from the sale of forestry lands

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Review by Business Segment > Pulp

Pulp Sales (in US\$ million)



Note: pulp sales include energy

	Net Sales	Price	Volume
QoQ	9.9%	-2.5%	14.1%
YoY	20.6%	-5.4%	26.4%

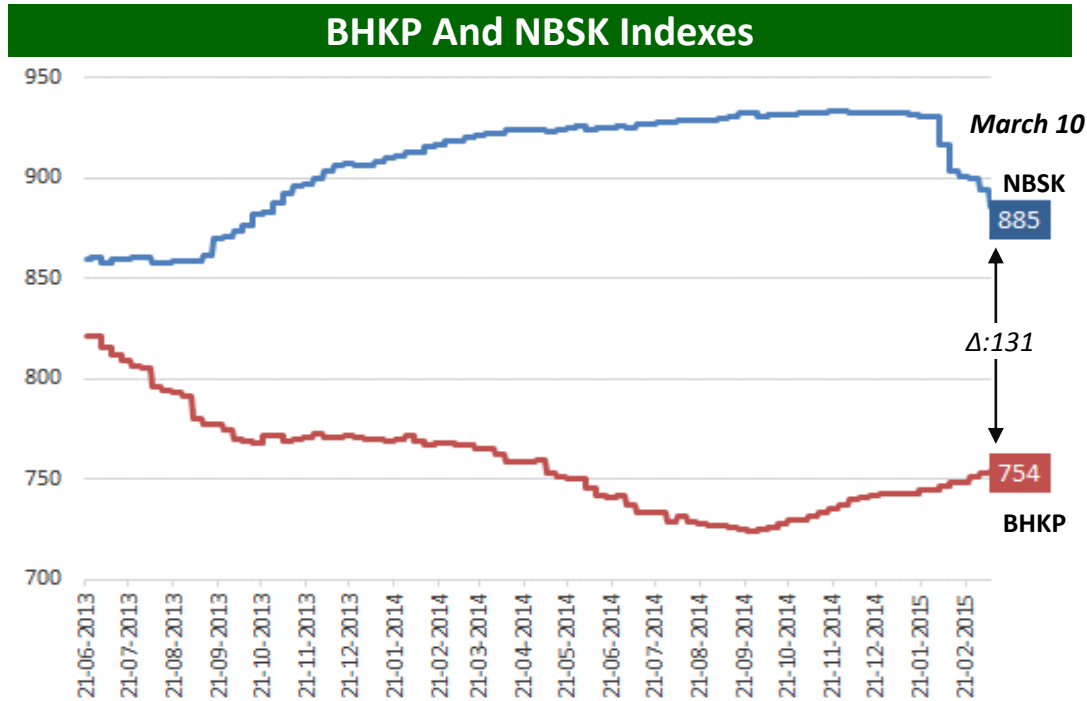
Pulp Production (in 000' ADt)

000' Adt	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Pulp production	801	794	817	668	782	769	867	851



- The increase in sales volume is mainly explained by the new pulp from Montes del Plata, which has been sold to Europe and Asia. Also, high demand in tissue paper drove our EKP sales
- Asian short fiber prices increased around 5%; long fiber prices decreased 3.5% due to competition from Russian producers that sold to China at large discounts
- European short fiber prices increased 2.7% and long fiber prices decreased 2.5%
- Production decreased QoQ due to the maintenance stoppage at some of our pulp mills, partially offset by higher production from Montes del Plata

Review by Business Segment > Pulp > Outlook



Comments

- In Europe paper demand has increased. But due to the devaluation of the Euro and aggressive European competitors we are seeing a decrease in softwood pulp prices
- Asia is stable in hardwood pulp. We increased prices in US\$ 30/ton in three months and we are expecting another increase. Russian producers still affecting softwood pulp prices
- Unbleached pulp still weak, mainly explained by strong competition of roll pulp in U.S.A.
- Spread between NBSK and BHKP at US\$ 131/ton (*previous call was at US\$ 198/ton*)

Global Producers Inventory Levels

In days	March 2013	June 2013	Sept 2013	Dec 2013	Mar 2014	June 2014	Sep 2014	Dec 2014
BSKP	29	28	27	27	28	25	27	31
BHKP	41	41	42	38	48	40	38	36

Source: Bloomberg; Hawkins Wright

Review by Business Segment > Panels

Panels Sales (in US\$ million)



Note: Panels sales include energy

	Net Sales	Price	Volume
QoQ	-6.1%	-2.8%	-4.5%
YoY	-3.2%	-9.4%	5.9%

Panels Production (in 000´m3)

000´ Adt	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Panels production	1,199	1,294	1,332	1,279	1,261	1,232	1,372	1,302



- In order to mitigate an oversupply of MDF in the North American market, we had to adjust production. Overall, 2014 was a good year for North America, mainly in particleboard
- In Brazil there was a drop in volume of MDF and PBO after the recovery we saw in the previous quarter. Prices were stable in Reals but due to FX, we saw a price drop in US\$ terms
- Plywood had an increase in sales. There was a stable price scenario in our export market. Our Nueva Aldea plywood mill increased its production volume

Review by Business Segment > Panels > Outlook



In line with the previous quarter, PBO demand remains strong; Arauco continues to increase sales of melamine. On the other hand, MDF continues with relatively oversupply due to lower demand of molding and flooring producers. Plywood sales in North America should be positive in 2015



In Chile we are improving our product mix and margins. Volume sales of Vesto remain at good levels. The plywood market continues to develop and we foresee a positive outlook for the next year



Sales volume are in good levels in MDF. Inventory levels normalizing and the panels market showing initial signs of recovery during second half of the year



Despite of the uncertainty in the Argentinean economy, sales of MDF and PBO are stable, although production running below mill capacity



Mexico's demand for all products has picked up. We have good expectations with increase of Vesto sales

Review by Business Segment > Sawn Timber

Sawn Timber Sales (in US\$ million)



Note: Sawn Timber sales include energy

	Net Sales	Price	Volume
QoQ	-1.1%	-3.3%	2.3%
YoY	16.9%	10.1%	6.1%

Sawn Timber Production (in 000' m3)

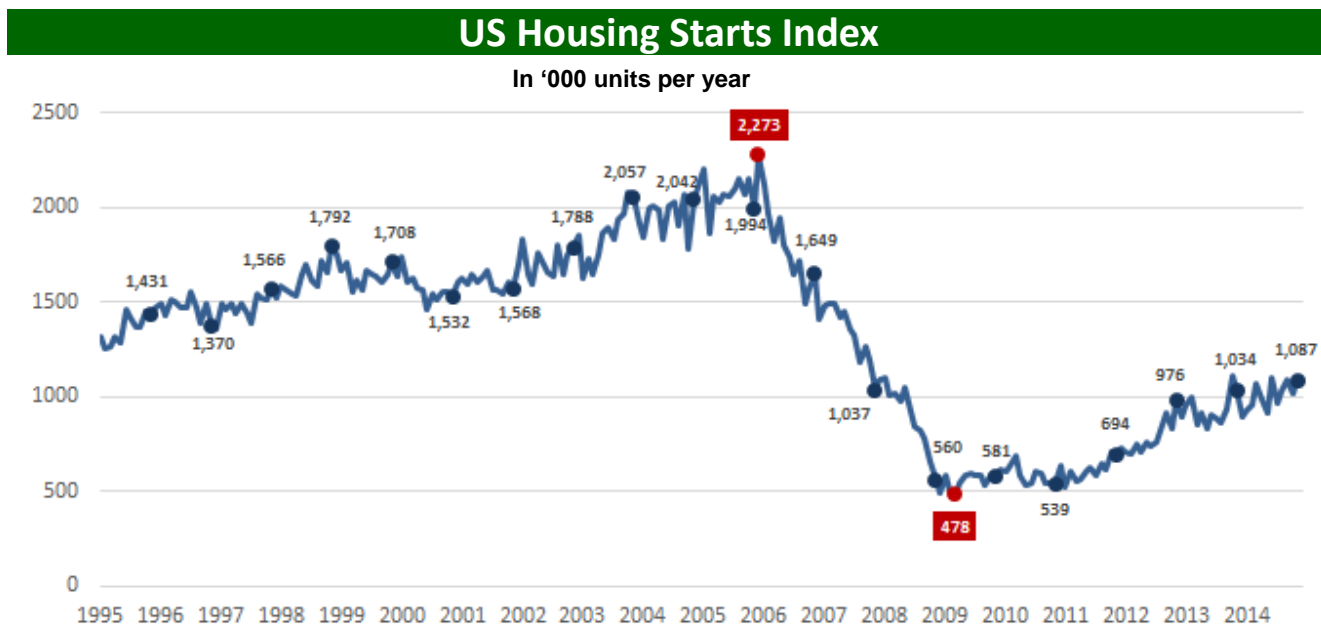
000' Adt	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Sawn Timber production	698	701	733	733	741	725	727	729



- In general, there was a demand correction and slight decrease in prices due to heavier competition from countries where currencies have devalued
- The real estate and construction sectors in the United States showed an improvement during the second half of the year. We continue selling with stable prices
- South Korea, Taiwan, Japan, Australia, China and Middle East all showed some softening in volumes and prices. Forecasts for the first quarter are better

Review by Business Segment > Sawn Timber > Outlook

- Chile and the rest of South America has held up in volumes and prices. In Central America the demand for wood remains stable.
- The demand expectation in Asia and Oceania are positive for the first quarter of 2015, but the price could be affected in these markets by high competition from countries which currencies have been devaluated
- In the North American market moldings are stable



Source: Bloomberg

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4th Quarter and Subsequent Events

Environmental Impact Statement for Arauco's dissolving pulp project was approved

- The Environmental Assessment Service (SEA) unanimously approved the Environmental Impact statement submitted by Arauco
- The project will provide flexibility to produce either dissolving pulp or bleached kraft pulp. In addition it will increase power capacity by approximately 15 MW
- The investment is approximately US\$ 185 million
- Arauco will be the first company in Chile to produce this kind of pulp



4th Quarter and Subsequent Events

Sale of non-core forestry land and plantations

- Arauco sold in December nearly 11,000 hectares of productive land and plantations in Chile
- These plantations are located in areas farther away from Arauco's production facilities. The total surface represents approximately 1% of total plantations of the company
- The transaction totaled US\$ 91 million



4th Quarter and Subsequent Events

Arauco will invest US\$ 30 million in expansion of a particleboard mill in United States

- The project was approved to expand particleboard and melamine capacity in one of Arauco North America's mills in South Carolina
- The increase in production will be 100,000 m³ annually through increased dryer capacity
- This project is expected to be completed in the fourth quarter of 2015

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