



1st Quarter 2018

Financial Results

Conference Call

Presentation

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CHIEF FINANCIAL OFFICER

arauco

DISCLAIMER

This presentation contains forward-looking statements that are based on the beliefs, assumptions and expectations of the management of the Company based on currently available information. They involve risks and uncertainties because they relate to future events or expectations 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. For further discussion of these risks and uncertainties, investors should refer to quarterly and annual Arauco filings with the Chilean SVS and US SEC. The Company undertakes no obligation to publicly update or revise any forward-looking statements due to new information or future developments.

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.

Financial Review

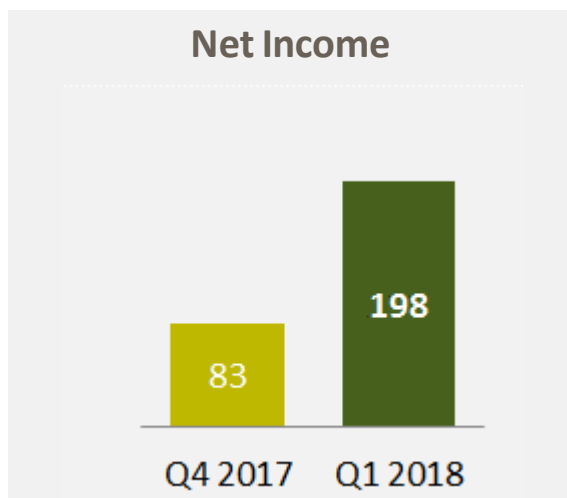
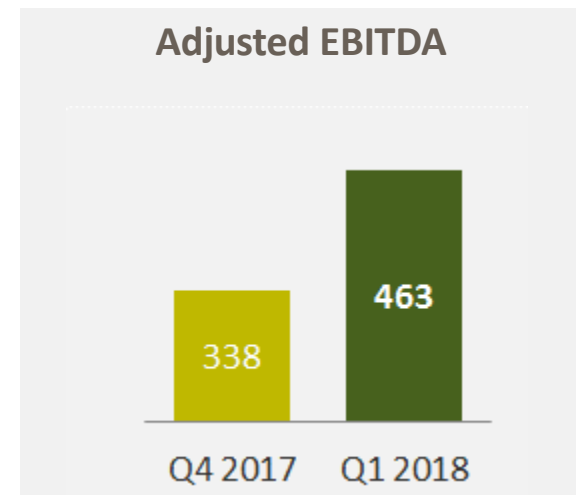
Review by Business Segment & Outlook

Material Facts and News

Q&A

QUARTER MAIN FIGURES

In U.S.\$ million



REVENUES, COSTS AND NON-OPERATIONAL RESULTS

In U.S.\$ million

Revenues increased U.S.\$ 133.4 million or 10.0%:

- Pulp business revenues were 15.1% or U.S.\$ 96.0 million higher, as prices continue in a positive trend
- Wood products revenues increased by 7.3% or U.S.\$ 47.2 million compared to the previous quarter due to higher sales volume, primarily in Brazil and United States

Cost of sales were U.S.\$ 36.7 million or 4.1% higher:

- Forestry costs increased due to higher costs of harvesting, added to an increase in freight (higher average distances)
- Sawmill services costs increased due to changes in the costing method, that mainly implies a reassignment of some labor costs of third parties
- Pulp unitary costs QoQ:
 - ▶ Softwood bleached: ↓ 0.1%
 - ▶ Hardwood bleached: ↑ 0.1%
 - ▶ Unbleached softwood: ↑ 4.7%



REVENUES, COSTS AND NON-OPERATIONAL RESULTS

In U.S.\$ million



Administrative expenses decreased by 5.7% or U.S.\$ 8.6 million:

- Other administration expenses decreased by U.S.\$ 7.6 million due to lower expenses in projects and studies. Also, in the fourth quarter, we had a one-time expense for third parties services in Uruguay (2.1 million)
- Increase of 5.6 million in wages, salaries and severance indemnities, primarily due to change in the calculation of compensation for years of service

Distribution costs decreased by 0.4% or U.S.\$ 0.5 million:

- Increase in freights of 2.5% due to higher sales volume and higher freight costs

REVENUES, COSTS AND NON-OPERATIONAL RESULTS

In U.S.\$ million

Other income rose 418.8% or U.S.\$ 48.9 million:

- Gain from changes in fair value of biological assets increased compared to last quarter due to the adjustment of inventory in our forest done in the fourth quarter



Other expenses fell overall by 64.3% or U.S.\$ 30.3 million:

- Impairment provision of PP&E* fell U.S.\$ 22 million because the fourth quarter of 2017 had a higher obsolescence provision in fixed assets, spare parts and materials
- Other taxes decreased U.S.\$ 6.1 million because during the previous quarter there were tax expenses related to the bond issuance and other tax provisions



REVENUES, COSTS AND NON-OPERATIONAL RESULTS

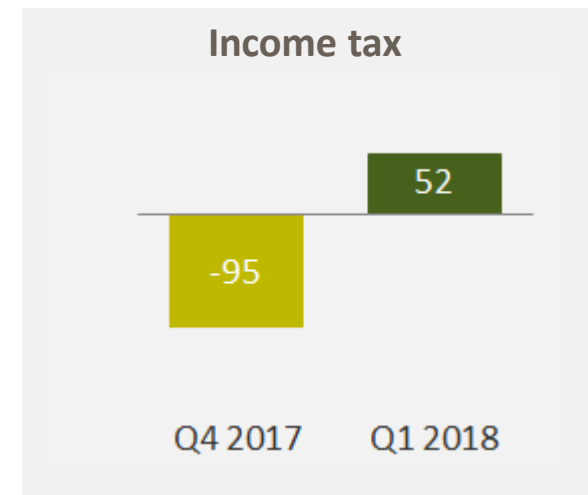
In U.S.\$ million

Financial Cost decreased by 55.5% or U.S.\$ 64.5 million due to the impact of the repurchase of three outstanding bonds done in November 2017



Income tax expense decreased by 154.6% or U.S.\$ 146.8 million:

- Higher income before tax compared to previous quarter
- During the fourth quarter we had a one time gain for the reduction of the tax rate in Argentina

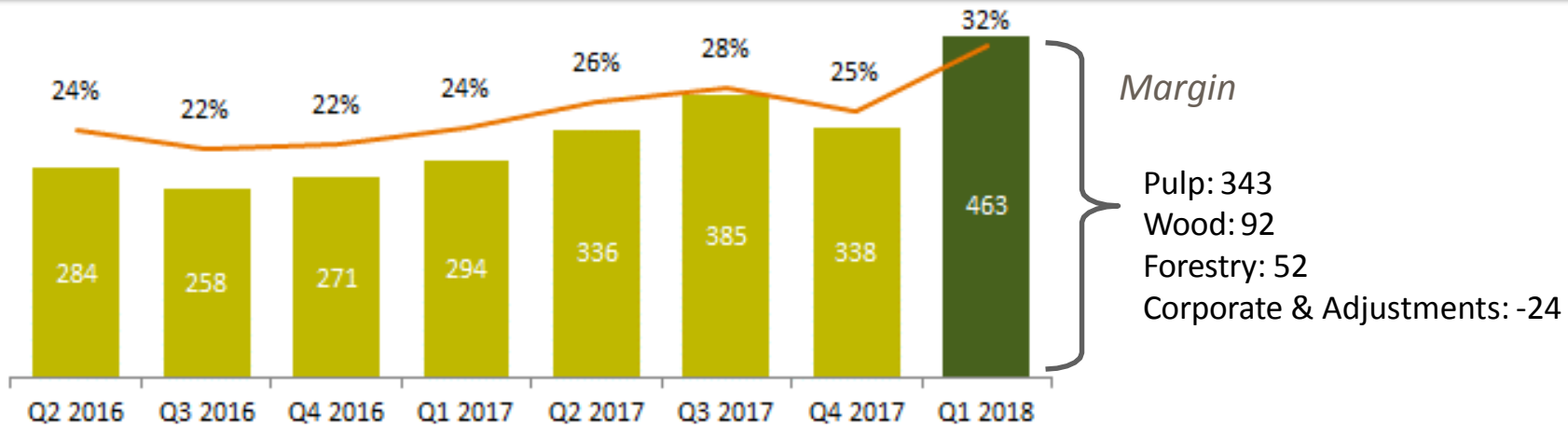


NET INCOME

In U.S.\$ Million	Q1 2018	Q4 2017	QoQ
Revenue	1,464.7	1,331.3	10.0%
Cost of sales	(921.6)	(884.9)	4.1%
Distribution costs	(132.4)	(132.9)	-0.4%
Administrative expenses	(141.5)	(150.1)	-5.7%
Other income	37.2	(11.7)	-418.8%
Other expenses	(16.8)	(47.1)	-64.3%
Financial income	4.8	4.0	19.9%
Financial costs	(51.7)	(116.2)	-55.5%
Participation in (loss) profit in associates and joint ventures accounted through equity method	5.8	(1.6)	-474.2%
Exchange rate differences	1.0	(2.6)	-140.0%
Income before income tax	249.6	(11.8)	-2207.2%
Income tax	(51.8)	95.0	-154.6%
Net income	197.7	83.2	137.8%

ADJUSTED EBITDA

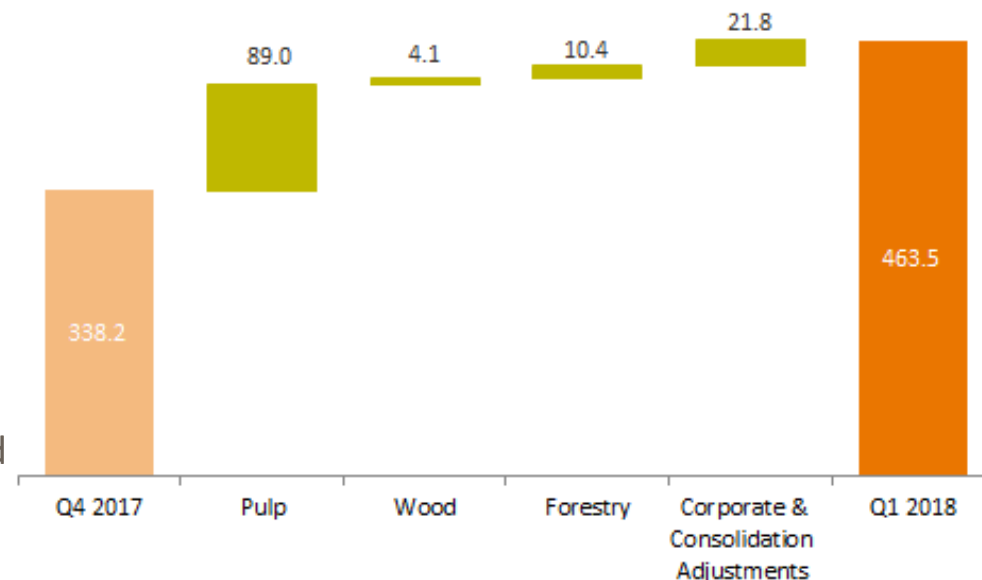
In U.S.\$ million



▶ Adjusted EBITDA rose 37.0% compared to the previous quarter and increased 57.6% compared to the first quarter of 2017

▶ Pulp division EBITDA continued its positive trend, increasing by 35.0% due to higher pulp prices. Pulp EBITDA margin reached 46.8%

▶ Wood division EBITDA increased 4.7% compared to last quarter due to higher sales volume in panels, sawn timber, and plywood



Financial Review

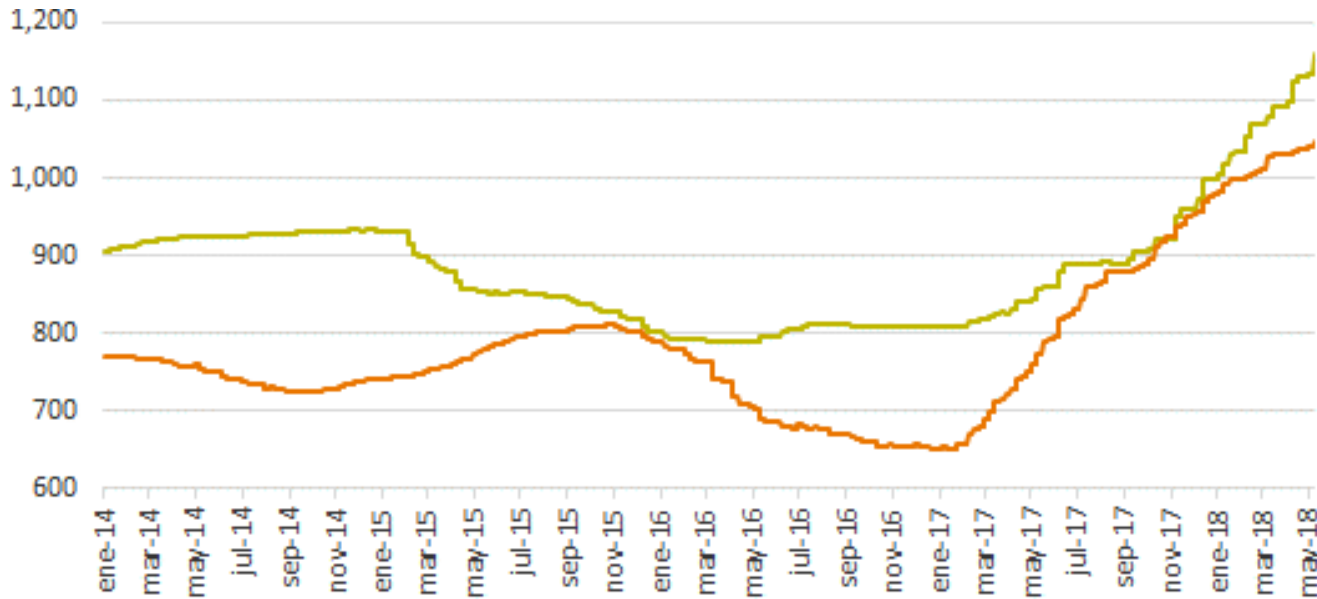
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PULP BUSINESS

BHKP and NBSK Indexes



May 8

NBSK

BHKP

Δ:111 Spread at previous call was U.S.\$ 61/ ton

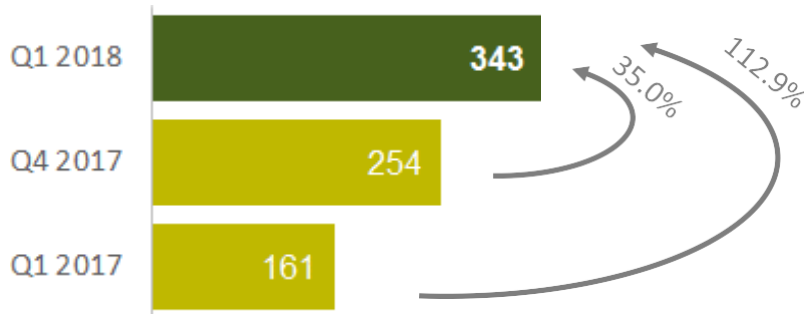
Demand for bleached chemical pulp March 2018 vs March 2017 (YTD)

In thousand tonnes

Destination	March 2017	March 2018	Δ	%
North America	1,815	1,750	- 65	▼ -3.6%
West Europe	3,460	3,605	145	▲ 4.2%
China	3,685	3,595	- 90	■ -2.4%
Other	3,170	3,200	30	■ 0.9%
W-20 Total BCP	12,130	12,150	20	■ 0.2%

PULP BUSINESS

Pulp Adjusted EBITDA
In U.S.\$ million



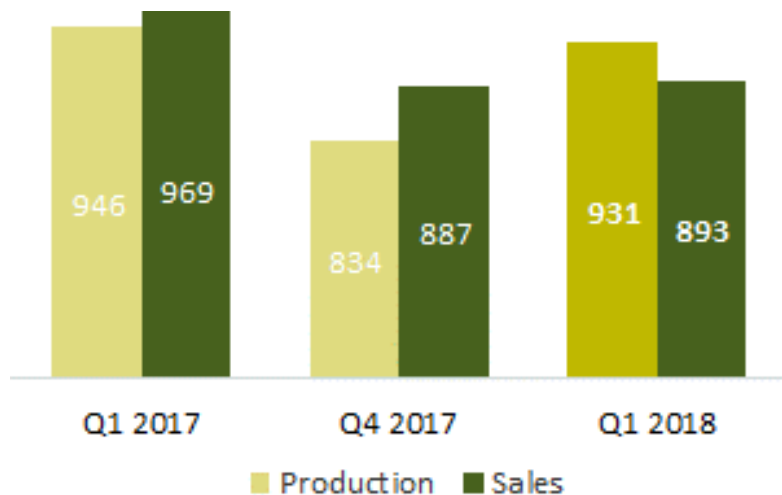
	Price	Volume	Sales
QoQ	13.3%	0.7%	15.1%
YoY	42.7%	-7.9%	30.0%

Q1 2018:

- ▶ Asian markets continued with high demand after the Chinese New Year
- ▶ During the quarter pulp prices remained stable in China and increased in Europe
- ▶ European markets showed a very active demand, with paper producers operating at full capacity, which allowed them to pass costs to their customers. The increase in prices for long fiber grades was due to certain supply restrictions due to harvest problems experienced by Scandinavian pulp producers
- ▶ Arauco production volumes increased, due to less programmed maintenance stoppages and because the fourth quarter was affected by the production losses in Argentina and blockade of the Constitución mill

PULP BUSINESS

Production and Sales Volume
In Thousand ADT



Q4 2017 – Q1 2018 Scheduled Pulp Mill Maintenance Stoppages

Date	Pulp Mill	Annual Capacity (thousand Adt)	Days of Stoppage
Oct	Arauco Line 2	510	18 ✓
Nov	Nueva Aldea	1,027	16 ✓
Nov	Argentina	350	30 ✓
Feb	Licancel	155	9 ✓
Feb	Constitución	355	14 ✓
Mar	Valdivia	550	14 ✓

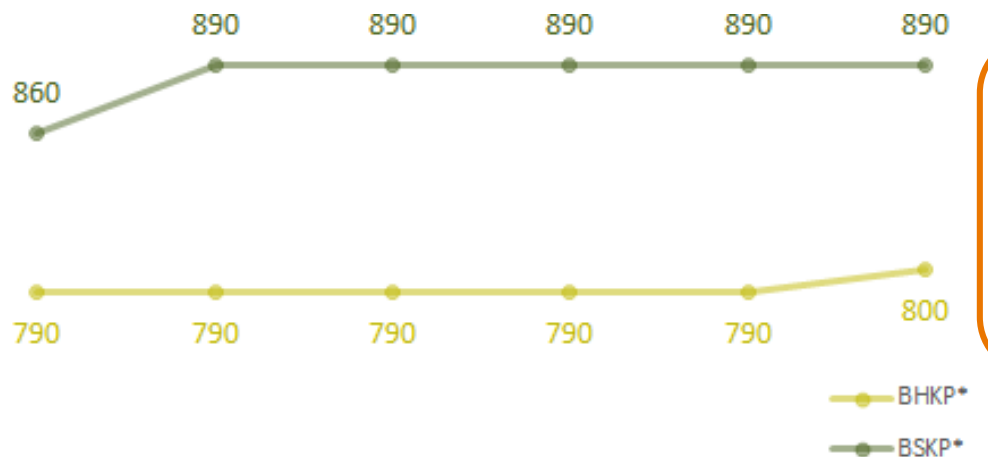
Global Producers Inventory Levels

<i>In days</i>	Mar 2016	Jun 2016	Sep 2016	Dec 2016	Mar 2017	Jun 2017	Sep 2017	Dic 2017	Mar 2018
BSKP	30	28	30	32	29	31	30	29	31
BHKP	46	41	47	37	38	37	43	38	45

PULP BUSINESS

OUTLOOK

- ▶ The demand in the second quarter is very stable, which normally is considered a quarter with less demand due to seasonality.
- ▶ In Asia, both short and long fiber with no significant changes in prices
- ▶ The price scenario in Asia has helped European prices to gradually catch up



Q2 2018 – Q3 2018 Scheduled Pulp Mill Maintenance Stoppages

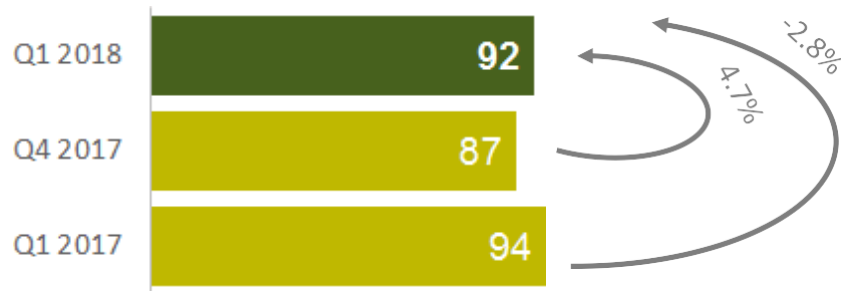
Date	Pulp Mill	Annual Capacity (thousand Adt)	Days of Stoppage
Apr	Arauco Line 1	290	13 days ✓

Dec'17 Jan'18 Feb'18 Mar'18 Apr '18 May '18

* Net prices in China

WOOD PRODUCTS BUSINESS

Adjusted EBITDA
(In U.S.\$ millions)



Panels*

	Price	Volume
QoQ	-1.2%	8.4%
YoY	-1.3%	11.2%

Sawn Timber**

	Price	Volume
QoQ	4.5%	0.5%
YoY	6.9%	-0.8%

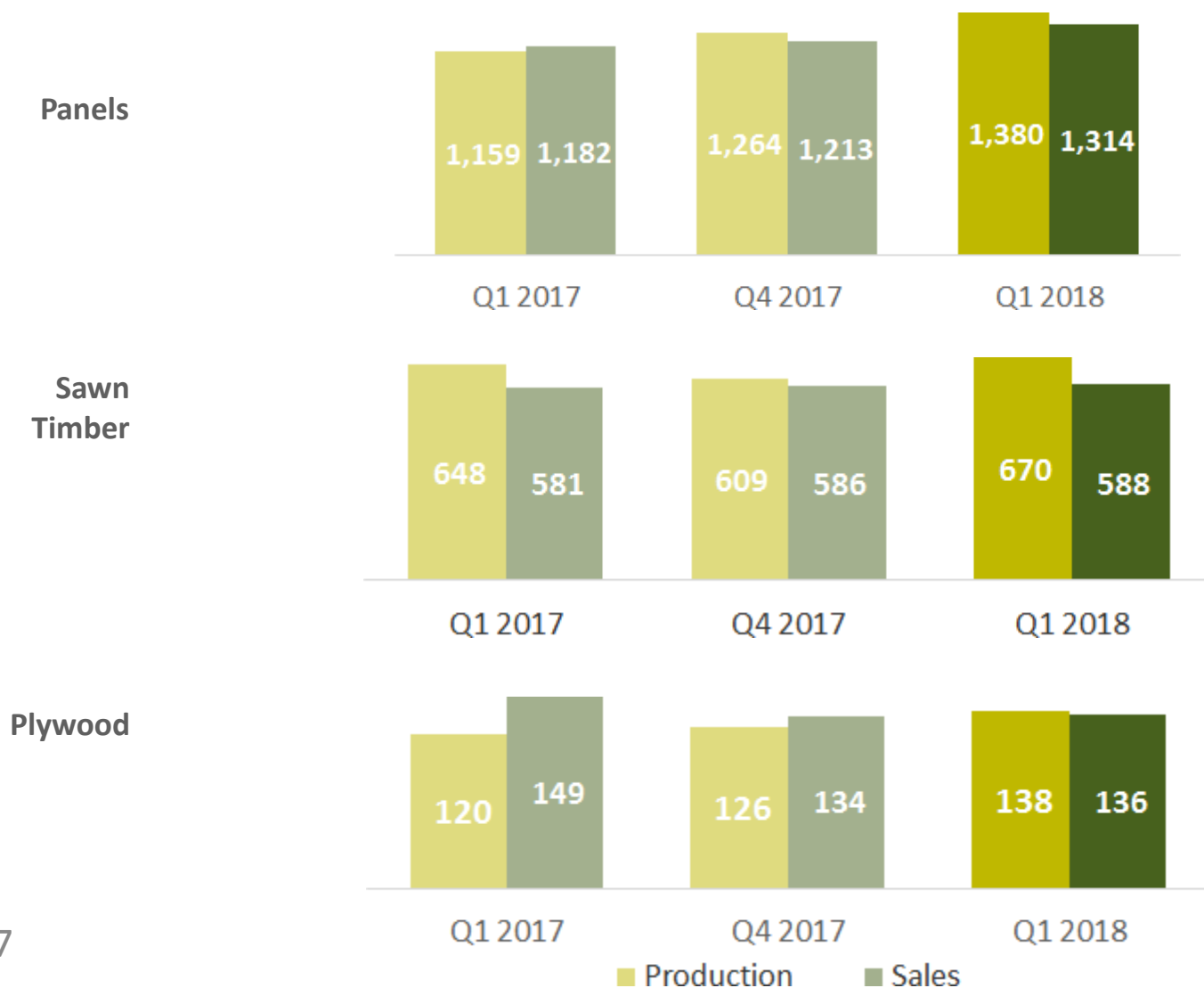
Q1 2018:

- ▶ Composite panels with increased sales volume and slightly decreased average prices. MDF and PBO had higher sales volume in our major markets, North and South America
- ▶ United States and Canada showed stable prices and an increase in sales volume. In Mexico sales volume decreased due to difficulties of transferring higher prices of MDF to customers
- ▶ Sawn Timber markets showed an increase in prices. In Asia, sawn timber demand remained strong. Remanufactured products market maintained a good consumption level thanks to the increased activity in the construction industry, however the increased supply from producers from China and Brazil have affected prices
- ▶ Plywood production and prices increased compared to the previous quarter. These products are experiencing high demand in markets where the construction sector is very dynamic

WOOD PRODUCTS BUSINESS

Production and Sales Volume

In Thousand m³



OUTLOOK

Housing Starts Index at 1.3 million units per year in April 2018

MDF/PBO: demand remains stable

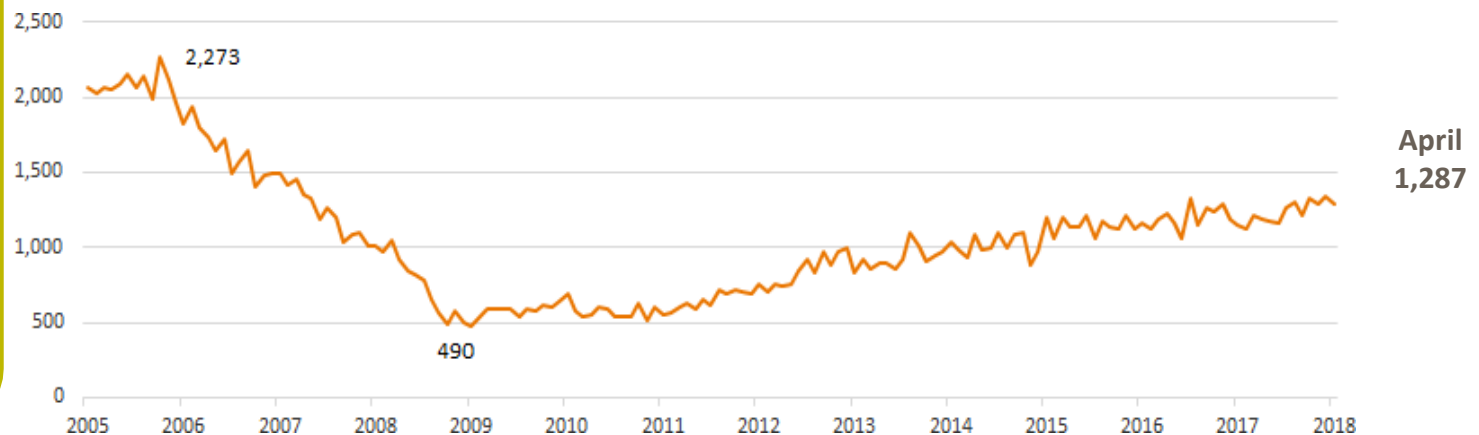
MDF moldings: we expect an improvement in the future due to seasonality

Remanufactured products: after a slow beginning of the year due to a harsh winter and competition from China and Brazil, we are seeing a better demand. New businesses with some American retailers

Plywood: very good demand, the US market is demanding more volumen and accepting Price increases

North
America
46%

U.S. Housing Starts Index
(Thousand units per year)



WOOD PRODUCTS BUSINESS

OUTLOOK

Central and
South
America
35%

Brazil: good integration of the Masisa assets. We are cautious about the future with the four new plants entering the market and with the presidential elections in the second semester.

Argentina: we had a good first quarter in terms of results and sales, the second quarter and the coming months are more uncertain

Chile: good scenario for our panels and sawn timber products, specially in remanufactured products. Price increases and improvements in the mix of products

Asia and
Oceania
14%

Asia: prices increase in most relevant markets such as Japan and Korea. China slower, due to high stocks and aggressive competition, specially from Brazil

Europe and
Middle East
4%

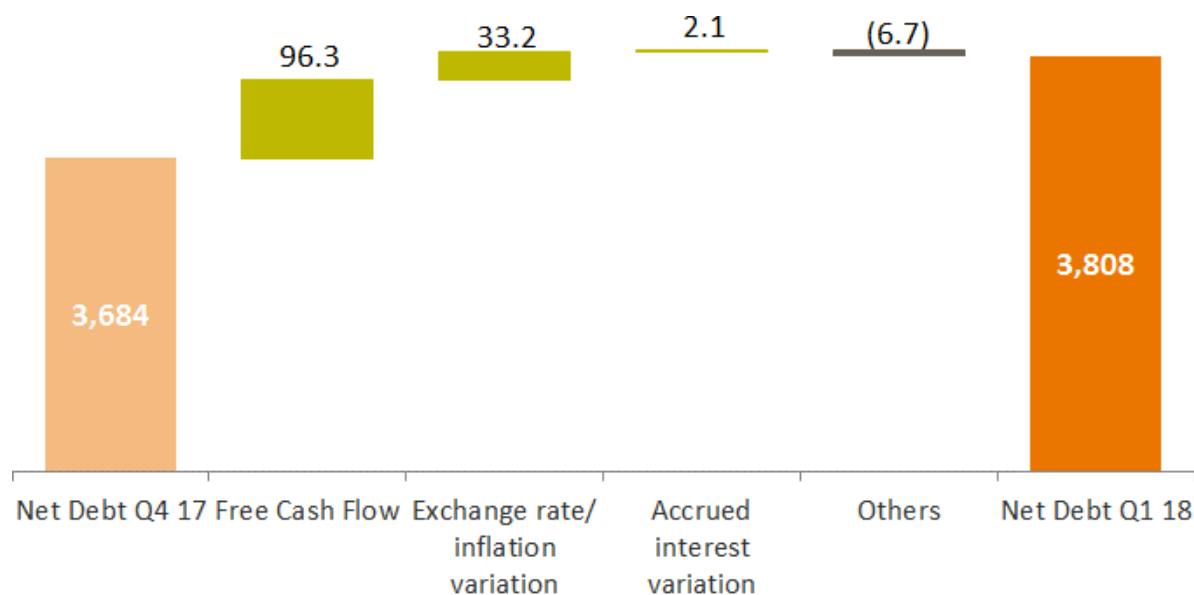
Europe: demand remains strong and plywood consumption is still high. Further price increases may still occur during the year

Middle East: demand of lumber remains stable. Reduced supply in this market is still giving room for higher prices

FREE CASH FLOW

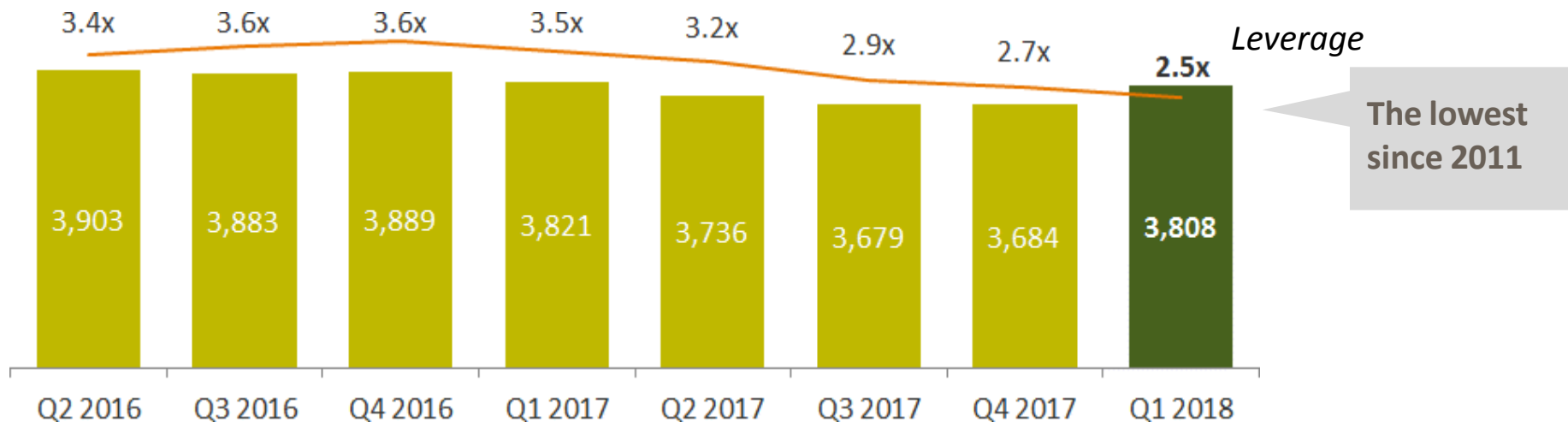
In U.S.\$ million

	Q1 2018	Q4 2017
Adjusted EBITDA	463.5	338.2
<i>Working Capital Variation</i>	(300.8)	96.6
<i>Interest paid and received</i>	(41.1)	(87.1)
<i>Income tax paid</i>	21.8	(12.1)
<i>Others</i>	(59.9)	4.8
Cash from Operations	83.4	340.4
<i>Capex</i>	(183.2)	(232.8)
<i>Others</i>	5.0	4.7
Cash from Investment Activities	(178.2)	(228.1)
Cash from Financing activities (net of deb	(0.6)	(64.1)
Effect of exchange rate changes	(0.9)	(1.5)
Free Cash Flow	(96)	47



NET FINANCIAL DEBT

In U.S.\$ million



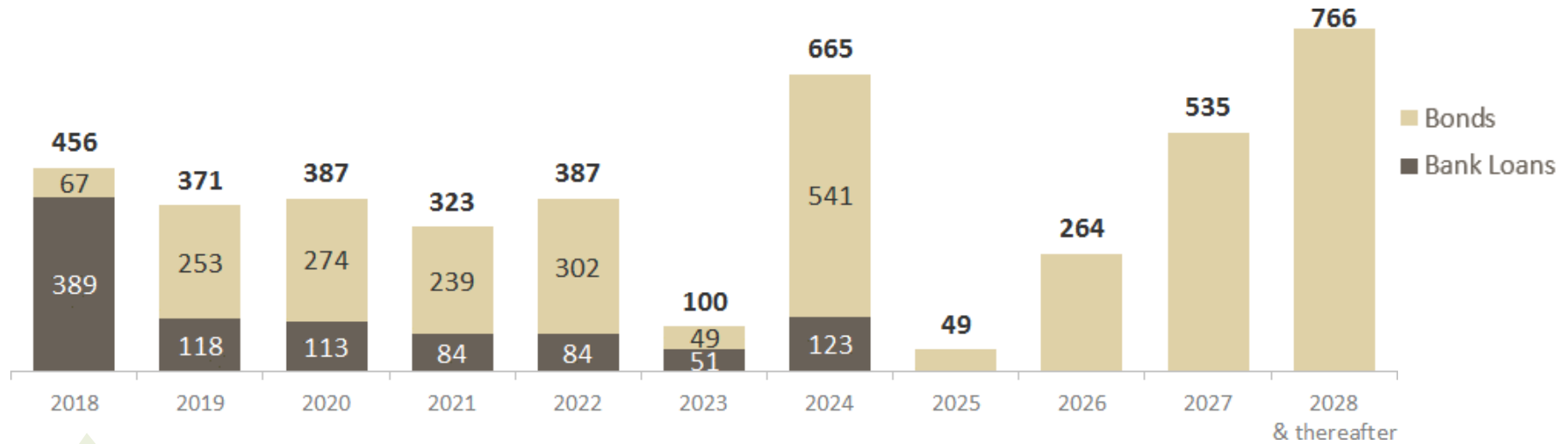
- ▶ **Cash and cash equivalents** decreased 16.3% QoQ. Cash flow from operating activities decreased 75.5%, as receipts from sales decreased U.S.\$ 164.4 million and payment to suppliers and personnel increased U.S.\$ 127.9 million
- ▶ **LTM Adjusted EBITDA** increased 12.5% QoQ, from U.S.\$ 1,353 to U.S.\$ 1,523 million, mainly due to higher pulp prices
- ▶ **QoQ Net Leverage** decreased from 2.7x to 2.5x, the lowest since 2011, due to higher LTM adjusted EBITDA, compensated by higher net financial debt

Short term financial debt	500
Long term financial debt	3,803
TOTAL FINANCIAL DEBT	4,302
Cash and cash equivalents	494
NET FINANCIAL DEBT	3,808

DEBT

In U.S.\$ million

As of March 2018



Bank obligations for the year 2018 include:

- ▶ U.S.\$ 137.2 million in Montes del Plata
- ▶ U.S.\$ 199.7 million of a credit loan
- ▶ U.S.\$ 42.5 million of guaranteed leaseings
- ▶ U.S.\$ 7.9 million in Brazilian subsidiaries

Bond obligations for the year 2018 include:

- ▶ U.S.\$ 22.4 million in amortization of local bonds
- ▶ U.S.\$ 44.5 million in interests of local and USD bonds

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GRAYLING PROJECT, MICHIGAN, US

- ▶ Project at 60% completion
- ▶ The cost of the project is approximately U.S.\$ 400 million
- ▶ The capacity would be 800,000 m³ per year
- ▶ Rollout of the first panel is estimated to occur during latter part of 2018



DISSOLVING PULP PROJECT

- ▶ Project at 20% completion, with 97% of all equipment purchased
- ▶ Total estimated CAPEX is U.S.\$ 185 million, and the start-up is expected during the latter part of 2019
- ▶ Valdivia Mill will be able to switch between paper grade and dissolving pulp
- ▶ Adding the dissolving pulp to our portfolio, will give us a wider range of fiber-based products while accessing new markets



MAPA PROJECT

- ▶ Construction of a third pulp line in the Horcones Complex of 1.56 million Adt of BEK
- ▶ Construction of a 166 MW cogeneration plant
- ▶ The project considers the shut down of Arauco's line 1 of 290,000 Adt of BEK once the new line is operating
- ▶ Meetings with equipment suppliers to define scope of the Project
- ▶ The MAPA project is still subject to technical and economical feasibility studies, and the board of director's approval



RENEWING OUR COMMITMENT TO FSC® CERTIFICATION

- ▶ Our first FSC® re-certification assessment process was carried out during the last two weeks of April
- ▶ Our company completed a new and demanding process of auditing our forest management in all our heritage in Chile
- ▶ FSC® has become an indispensable requirement for the participation of Arauco in global markets and has caused profound changes in the way we work, transforming us into a company that is more connected to its environment



EXCHANGE OFFER OF NOTES DUE IN 2027 AND 2047 ISSUED ON NOVEMBER 2ND, 2017

- ▶ On November 2nd, 2017, we completed the private offering of the Notes due in 2027 and in 2047
- ▶ In the private offering, we agreed to use our reasonable best efforts to complete the exchange offer within 360 days after the date of original issuance of the outstanding notes
- ▶ The exchange offer began on May 7th, 2018 and will end on June 4th, 2018
- ▶ We will exchange all outstanding notes that are validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradeable

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INVESTOR RELATIONS

A replay of this conference call will be available in our web site and available for 7 days through the following numbers:

Replay for USA	+1-877-344-7529
Replay for other countries	+1-412-317-0088
Conference ID	10120519

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