

Conference Call Presentation

1st Quarter 2014 Financial Results

Celulosa Arauco y Constitución S.A.

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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 1st Quarter 2014**

- **Review by Business Segment & Outlook**

- **1st Quarter and Subsequent Events**

- **Q&A**

Financial Review > 1Q 2014 Highlights

- Revenues of US\$ 1,224.6 million
(3.5% lower than 4Q13)
- Adjusted EBITDA of US\$ 303.0 million
(25.1% higher than 4Q13)
- Net Income of US\$ 105.5 million
(131.7% higher than 4Q13)
- Net Financial Debt of US\$ 4,415.1 million
(1.3% higher than 4Q13)
- Net Debt/EBITDA decreased to 3.6x
(from 3.8x at 4Q13)

Financial Review > Income Statement

INCOME STATEMENT

In U.S. Million	1Q 14	4Q 13	QoQ
Revenues	1,224.6	1,269.6	(3.5%)
Cost of sales	(797.9)	(880.1)	(9.3%)
Gross Margin	426.7	389.5	9.6%
Other operating income	77.7	119.5	(35.0%)
Administration & Distribution costs	(247.7)	(279.1)	(11.2%)
Other operating gains (expenses)	(58.9)	(78.5)	(25.0)
Financial costs (Net)	(49.7)	(56.9)	(12.7%)
Exchange rate differences	4.9	(2.6)	(290.1%)
Income Before Income Tax	153.1	92.0	66.4%
Income tax	(47.6)	(46.5)	2.5%
Net Income	105.5	45.5	131.7%

ADJUSTED EBITDA

In U.S. Million	1Q 14	4Q 13	QoQ
Net Income	105.5	45.5	131.7%
Financial costs	53.2	59.7	(10.8%)
Financial Income	(3.6)	(2.8)	27.6%
Income Tax	47.6	46.5	2.5%
EBIT	202.8	148.9	36.2%
Depreciation & amortization, others*	102.7	79.1	29.9%
EBITDA	305.5	228.0	34.0%
Fair value cost of timber harvested	69.0	78.6	(12.2%)
Gain from chg. in fair value of bio. Assets	(66.6)	(67.1)	(0.7%)
Exchange rate differences	(4.9)	2.6	(290.1%)
Adjusted EBITDA	303.0	242.1	25.1%

Note: Numbers may not add up due to rounding

** 1Q2014 includes a provision for forestry losses due to fire of US\$ 30.2 million*

Comments

- **Revenues:** Lower sales of Panels, Sawn Timber and Forestry. Main cause was lower volume; Port strikes in February delayed shipments
- **Cost of Sales:** Decreased 5.0% mainly explained by lower volume sold and an improvement in unitary cost of pulp
- **Other operating gains (expenses):** Includes a provision of US\$ 30.2 million in forestry losses due to fires
- **Adjusted EBITDA:** Increased 25.1% as a result of better electricity sales. Also our unitary cost of pulp decreased in BKP and UKP, while average prices were stable
- **EBITDA Margin** for the quarter rose to 24.7% as compared to 19.1% obtained in 4Q13

Financial Review > Cash Flow

CASH FLOW

In U.S. Million

	1Q 14	1Q 13	YoY
Collection of account receivables	1,176.5	1,332.2	(11.7%)
Collection from insurance claims	0.0	29.8	(100.0%)
Other cash receipts (payments)	93.8	171.2	(45.2%)
Payments of suppliers and personnel (less)	(1,108.7)	(1,304.0)	(15.0%)
Dividends and other distributions received	0.0	0.0	-
Interest paid and received	(47.8)	(59.2)	(19.2%)
Income tax paid	(13.0)	(19.4)	(32.7%)
Other (outflows) inflows of cash, net	1.2	(0.4)	(447.5%)
Net Cash Provided by (Used in) Operating Activities	102.1	150.3	(32.1%)
Capital Expenditures	(198.8)	(205.1)	(3.1%)
Other investment cash flows	13.1	38.9	(66.4%)
Net Cash Provided by (Used in) Investing Activities	(185.8)	(166.2)	11.8%
Proceeds from borrowings	246.8	276.1	(10.6%)
Repayments of borrowings	(327.4)	(321.7)	1.8%
Dividends paid	(0.1)	(6.2)	(98.9%)
Net Cash Provided by (Used in) Financing Activities	(80.6)	(51.8)	55.5%
Total Cash Inflow (Outflow) of the Period	(164.3)	(67.7)	142.5%
Effect of exchange rate changes on cash and cash equivalents	2.5	(1.0)	(360.7%)
Cash and Cash equivalents, at beginning of the period	667.2	488.5	36.6%
Cash and Cash Equivalents at end of the Period	505.5	419.8	20.4%

Comments

- **Cash from Operating Activities:** In 1Q last year we received US\$ 29.8 million in insurance claims
- **Cash from Investing Activities:**
 - Restricted capex program continues in 2014
 - Only growth capex is completion of Montes del Plata
- **Cash from Financing Activities:**
 - Main financing activity is Pre-export financing loans

Note: Due to the 50% proportional consolidation of Montes del Plata that begun with our 2013 annual Financial Statements, our 4Q 2013 cash flow statements are not comparable to those of 1Q 2014, and are not included in this analysis

Financial Review > Debt

Financial Debt

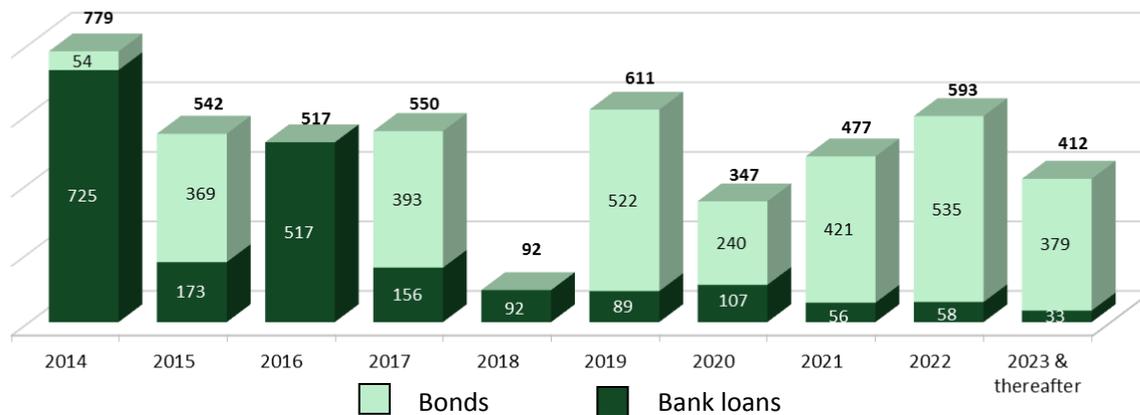
In U.S. Million	March 2014	December 2013	QoQ
Short term financial debt	849.7	893.5	(4,9%)
Long term financial debt	4,070.8	4,133.0	(1,5%)
TOTAL FINANCIAL DEBT	4,920.6	5,026.5	(2,1%)
Cash and cash equivalents	505.5	667.2	(24,2%)
NET FINANCIAL DEBT	4,415.1	4,359.3	1,3%
<i>Montes del Plata debt 50%</i>	<i>706.5</i>	<i>723.3</i>	<i>(2.3%)</i>

Comments

- Net Debt/EBITDA ratio declined to 3.6x; excluding Montes del Plata's debt, same ratio would have reached 3.1x
- Total Financial Debt decreased 2.1%
- During April we issued UF 7,000,000 in local bonds to refinance maturities due in 2014

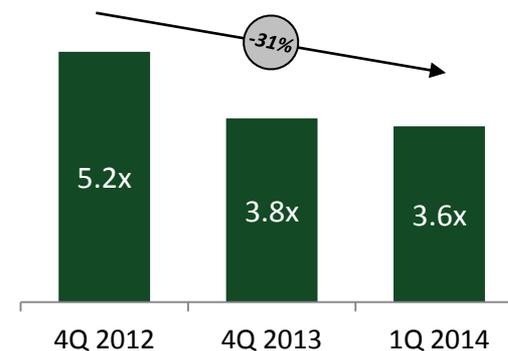
Financial Debt Profile as of March 31, 2014

In US\$ Million



Note: Short term debt numbers include accrued interest

Net Debt/EBITDA



Financial Review > Ratios

KEY FINANCIAL RATIOS

	1Q 2014	4Q 2013	1Q 2013
Profitability			
Gross margin	34.8%	30.7%	28.3%
Operating margin	14.6%	8.7%	8.2%
LTM ⁽¹⁾ Adjusted EBITDA margin	23.3%	22.2%	20.3%
ROA (EBIT / Total assets)	5.6%	4.2%	NC
LTM ROCE (EBIT x (1-tax) / (Working Cap+Fixed assets)	5.2%	4.9%	NC
ROE (Net income / Equity)	5.9%	2.6%	NC
Leverage			
Interest coverage ratio (Adj. EBITDA LTM / Financial costs)	5.3x	4.9x	3.9x
Net financial debt / Adjusted EBITDA LTM	3.6x	3.8x	NC
Financial debt / Total capitalization ⁽²⁾	40.7%	41.6%	NC
Net financial debt / Total capitalization	36.5%	36.1%	NC
Financial debt / Shareholders' equity	69.2%	71.9%	NC
Net financial debt / Shareholders' equity	62.1%	62.3%	NC

(1): LTM. Last Twelve Months

(2): Capitalization = Total financial debt + Equity

NC: Not comparable

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Review by Business Segment > Pulp

PULP SALES (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
1Q 14	548				
4Q 13	516	QoQ	6.2%	0.9%	(0.3%)
1Q 13	501	YoY	9.4%	7.8%	(0.1%)

Note: pulp sales include energy sales

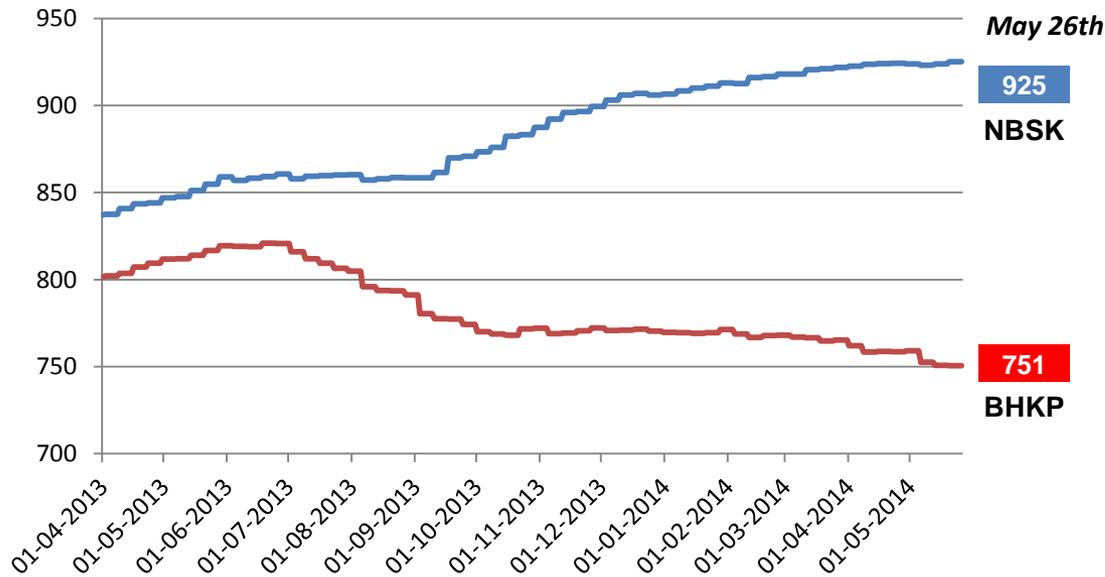


- Markets with good demand during the quarter
- Total sales of our Pulp business benefitted from an increase in electricity sales QoQ of US\$ 24.9 million
- Pulp prices during the first quarter stood relatively stable, with an increase of 0.9%
 - Long fiber with increase in prices
 - Short fiber stable with small a small declines up to -1.5%
- Asia with oversupply in short fiber, but increase in long fiber prices of up to 4%.
- European market very stable but with drops in short fiber prices between 1% - 2%
- During 1Q 2014 production volume increased compared to the previous quarter. Accordingly, there was a decrease in unitary cost of pulp QoQ: -2.1% in BKPR, -3.3% in EKP and -7.3% in UKP

Pulp production in 000' tons	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14
	763	732	726	749	801	794	817	668	782

Review by Business Segment > Pulp > Outlook

BHKP AND NBSK INDEXES



Comments

- During the second quarter Hardwood pulp prices have declined
- Long fiber market is balanced, but important price increases unlikely to occur given the weak short fiber market
- Spread between NBSK and BHKP at US\$ 175/ton (*previous call was at US\$ 153/ton*)
- Hardwood represents 28% of Pulp sales and only 11% of total sales of Arauco
- Arauco has the ability to shift more production to softwood

GLOBAL PRODUCERS INVENTORY LEVELS

In days	June 2012	Sept 2012	Dec 2012	March 2013	June 2013	Sept 2013	Dec 2013	Mar 2014
BSPK	29	27	29	29	28	27	27	28
BHKP	40	39	34	41	41	42	38	48

Source: Bloomberg; Hawkins Wright

Review by Business Segment > Panels

Panels Sales (in US\$ million)

Period	Sales (US\$ million)	QoQ	YoY	Net Sales	Price	Volume
1Q 14	441					
4Q 13	474	(6.9%)		(6.9%)	(2.6%)	(2.7%)
1Q 13	450		(1.9%)	(1.9%)	(1.7%)	1.8%

Note: Panels sales include energy sales



- Sales volume decreased 2.7%, with Brazil and Argentina as main markets that explain this drop. North America, on the other hand increased volume
- Average panels prices dropped 2.6%, mainly in Brazil, Chile and Argentina

Panels production in 000' m3

1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14
637	684	731	1,194	1,199	1,294	1,332	1,279	1,270

Review by Business Segment > Panels > Outlook

- We expect good results coming from our North American operations , mainly due to a healthy situation of the economy and a stable operation from our industrial facilities
- The Brazilian market has been cooling, and we foresee weaker demand in the upcoming months. Prices could drop in the following months due to oversupply from Arauco and its competitors
- Despite the uncertainty in the Argentinean economy, we expect goods results in this market.
- In May we will catch up with delayed shipping due to the port strikes in Chile in February. In the next months we should expect stable sales volumes and average prices of our products in regular markets, however, average prices could drop due to higher sales mix towards marginal markets in Asia
- As the Nueva Aldea plywood mill ramps up, we should expect higher sales volume from this product

Review by Business Segment > Sawn Timber

Sawn Timber Sales (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
1Q 14	190				
4Q 13	216	QoQ	(11.8%)	5.0%	(12.3%)
1Q 13	187	YoY	1.9%	16.0%	(4.9%)

Note: Sawn Timber sales include energy sales



- First quarter of 2014 was impacted by the port stoppages in Chile, which explains the strong drop in sales volume
- Also, the cold winter in the United States affected the Housing Starts index, which at March 2014 declined 5% when compared to March 2013
- Despite these two negative effects, on average sawn timber markets had a positive behavior during the first quarter with good demand and increase in average prices

Sawn Timber production in 000' m3

1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14
600	660	659	661	698	701	733	733	741

Review by Business Segment > Sawn Timber > Outlook

- US molding demand continues strong and with good margins. 2Q and 3Q should be good in terms of volume and margins
- Strong demand for packaging lumber in Asia (Korea, Japan, Taiwan); which drives to good margin expectations for 2Q and 3Q
- We will normalize volume lost in the port strike in May



- Housing starts index for April 2014 was 1,072,000 units per year

Source: U.S. Census Bureau

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1st Quarter and Subsequent Events

Arauco Issued UF 7,000,000 in the Local Bond Market

- On April 10th, Arauco issued approximately US\$ 302 million in two series of local bonds:
 - **Series R:** UF 5,000,000 with a 21-year bullet maturity and a 3.6% coupon interest rate
 - **Series Q:** UF 2,000,000 with a 7-year maturity (3-year grace period), and a 3.0% coupon interest rate
- Aggregated demand for both series was UF 15,000,000
- Use of proceeds is for refinancing debt
- 100% of the bonds were swapped to US Dollars



Arauco Issuance Document for April 2014. The document features the Arauco logo and tagline 'Sembremos Futuro.' at the top. Below the logo, it states 'EMISION DE BONOS CORPORATIVOS' and 'UF 7.000.000'. The central image shows a dense forest of trees. At the bottom, the details for Series Q and Series R are provided, including maturity, coupon, and interest rate. The document is signed by IMTrust and CREDICOR capital.

Abril 2014

 **ARAUCO.**
Sembremos Futuro.

EMISION DE BONOS CORPORATIVOS

UF 7.000.000

Serie Q	Serie R
7 años con 3 de gracia	21 años <i>bullet</i>
BCU 5 + 94 pbs	BTU 20 + 133 pbs
UF + 2,65%	UF + 3,60%

ASESOR FINANCIERO Y AGENTE COLOCADOR EXCLUSIVO

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