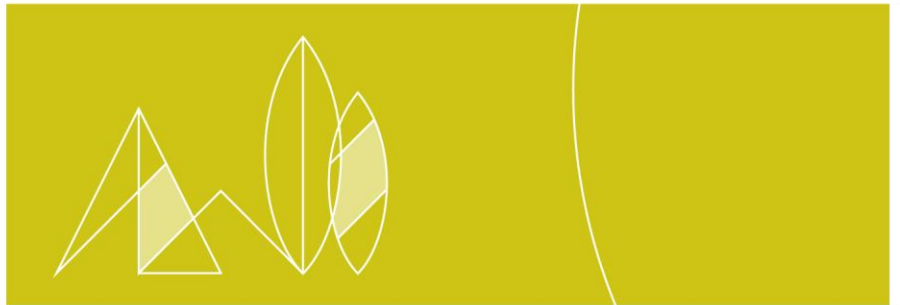
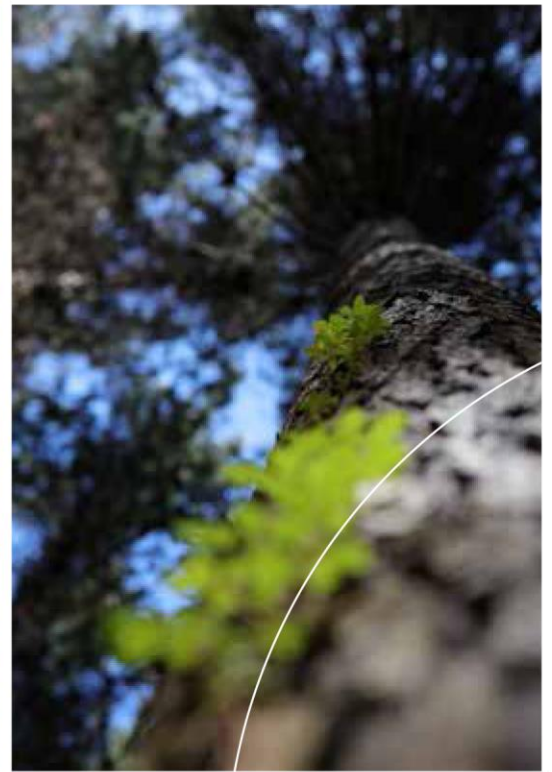
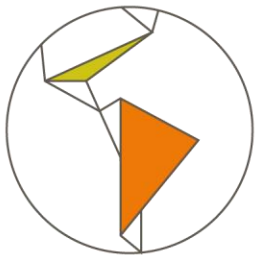


CELULOSA **ARAUCO**  
Y CONSTITUCIÓN S.A.  
Fourth Quarter  
2017 Results  
March 19, 2018



## HIGHLIGHTS

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### **REVENUES U.S.\$ 1,331.3 MILLION**

Arauco's revenues reached U.S.\$ 1,331.3 million during the fourth quarter of 2017, a 4.5% decrease compared to the U.S.\$ 1,393.4 million obtained in the third quarter of 2017. And an increase of 9.1% compared to the U.S.\$ 1,220.6 obtained in the same quarter of 2016

### **NET INCOME U.S.\$ 83.2 MILLION**

Net income reached U.S.\$ 83.2 million, a decrease of 44.0% or U.S.\$ 65.2 million compared to the U.S.\$ 148.4 million obtained in the third quarter of 2017. And an increase of 9.8% or U.S.\$ 7.4 million compared to the same quarter of 2016

### **LTM ADJUSTED EBITDA U.S.\$ 1,366.4 MILLION**

LTM Adjusted EBITDA reached U.S.\$1,366.4 million, an increase of 29.9% or U.S.\$ 314.3 million compared to the U.S.\$1,052.1 million obtained during the full year 2016. Adjusted EBITDA reached U.S.\$ 344.5 million during the fourth quarter, a decrease of 12.4% or U.S.\$ 47.1 million compared to the U.S.\$ 391.6 million obtained during the third quarter of 2017.

### **NET FINANCIAL DEBT/ LTM ADJUSTED EBITDA 2.7x (THE LOWEST SINCE 2011)**

Net Financial Debt / LTM Adjusted EBITDA ratio reached 2.7x in this quarter, a decrease compared to the 2.9x obtained in the third quarter of 2017.

### **CAPEX**

CAPEX reached U.S.\$ 232.8 million, an increase of 37.8% or U.S.\$ 63.8 million compared to the U.S.\$ 169 million spent during the third quarter of 2017.

#### **Conference Call**

**Tuesday, March 20<sup>th</sup>, 2018**

**10:30 Santiago Time**

**09:30 Eastern Time (New York)**

Please Dial:

+1 (844) 839 2184 from USA

+1 (412) 317 2505 from other countries

Password: Arauco



#### **For further information, please contact:**

##### **Marcelo Bennett, TREASURER**

marcelo.bennett@arauco.cl

Phone: (562) 2461 7309

##### **María José Ulloa, INVESTOR RELATIONS**

maria.ulloa@arauco.cl

Phone: (562) 2461 7494

investor\_relations@arauco.cl

For more details on Arauco's financial statements please refer to [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

LTM Adjusted Ebitda reached U.S.\$ 1,366.4 for December 2017, the highest since 2010. Consequently, our Net Debt/LTM Ebitda ratio reached 2.7x, the lowest since 2011.

Arauco's fourth quarter net income amounted U.S.\$ 83.2 million, affected by a decrease in revenues due to lower sales volume, by higher financial costs due to the repurchase of bonds done in November 2017 and by positive income tax due to the reduction of the tax rate in Argentina and United States. Our Adjusted EBITDA Margin was 25.9%, a decreased of 7.9% compared to last quarter.

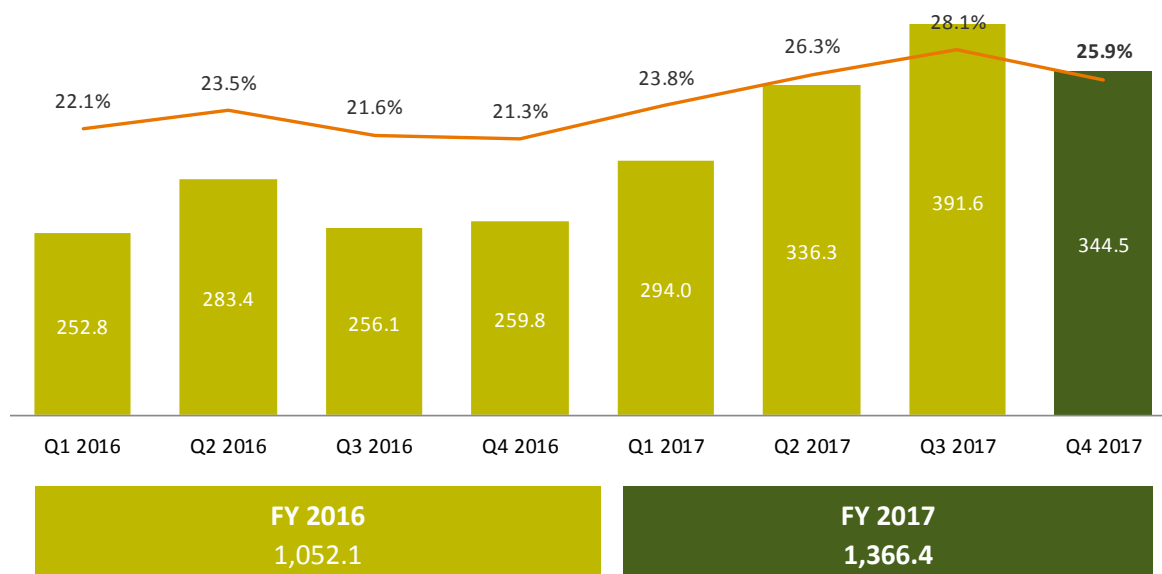
Pulp sales were impacted by a lower production volume affected by the blockade of the Constitution Mill and production losses at our mill in Argentina. However, this was partially offset by pulp prices that increased by 11.2% compared to the third quarter.

Our wood products segment was affected by lower sales volume in the panel and sawn timber markets, due to a general port strike in Chile of 10 days in November, and blockade of the Viñales Sawmill and remanufacturing facility during the end of November and the end of December, and an increase in the supply in the North American market. This was partially offset by prices remaining steady with a smaller increase in the panels market.

Capex for the fourth quarter increase 37.8% compared to third quarter due to the Grayling project that is on construction phase.

In U.S. Million	Q4 2017	Q3 2017	Q4 2016	QoQ	YoY	YTD 2017	YTD 2016	YoY Acum
Revenue	1,331.3	1,393.4	1,220.6	-4.5%	9.1%	5,238.3	4,761.4	10.0%
Net income	83.2	148.4	75.8	-44.0%	9.8%	270.4	217.6	24.3%
Adjusted EBITDA	344.5	391.6	259.8	-12.0%	32.6%	1,366.4	1,052.1	29.9%
Adjusted EBITDA Margin	25.9%	28.1%	21.3%	-7.9%	21.6%	26.1%	22.1%	18.0%
LTM Adj. EBITDA	1,366.4	1,281.8	1,052.1	6.6%	29.9%	1,366.4	1,052.1	29.9%
CAPEX	232.8	169.0	163.5	37.8%	42.4%	653.9	664.9	-1.6%
Net Financial Debt	3,683.6	3,679.2	3,888.8	0.1%	-5.3%	3,683.6	3,888.8	-5.3%
Net Financial Debt / LTM Adj. EBITDA	2.7x	2.9x	3.7x	-6.1%	-27.1%	2.7x	3.7x	-27.1%

**Adjusted EBITDA and EBITDA Margin**  
(In U.S.\$ Million)



## INCOME STATEMENT

Net income for the fourth quarter of 2017 was U.S.\$ 83.2 million, a decrease of 44.0% or U.S.\$ 65.2 million compared to the U.S.\$ 148.4 million obtained in the third quarter of this year. The decrease is mainly explained by one time financial expenses due to the repurchase of three of our outstanding bonds in November 2017, a decrease of other income and an increase in other expenses, compensated by a positive income tax.

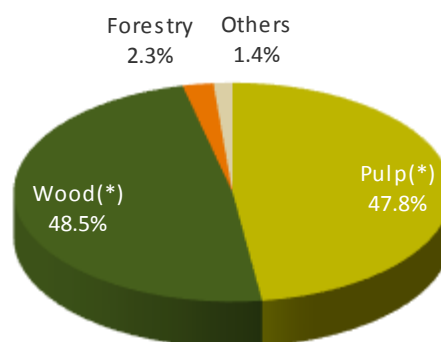
In U.S.\$ Million	Q4 2017	Q3 2017	QoQ
Revenues	1,331.3	1,393.4	-4.5%
Cost of sales	(884.9)	(940.3)	-5.9%
Distribution costs	(132.9)	(138.3)	-3.9%
Administrative expenses	(150.1)	(123.7)	21.4%
Other income	(11.7)	42.2	-127.6%
Other expenses	(47.1)	8.2	-678.5%
Financial income	4.0	3.3	19.6%
Financial costs	(116.2)	(54.1)	114.6%
Participation in (loss) profit in associates and joint ventures accounted through equity method	(1.6)	7.0	-122.3%
Exchange rate differences	(2.6)	2.9	-190.6%
<b>Income before income tax</b>	<b>(11.8)</b>	<b>200.6</b>	<b>-105.9%</b>
Income tax	95.0	(52.2)	-282.0%
<b>Net income</b>	<b>83.2</b>	<b>148.4</b>	<b>-44.0%</b>

**Revenues** reached U.S.\$ 1,331.3 million during the fourth quarter of 2017 compared with the U.S.\$ 1,393.4 million in the previous quarter, as a result of a decrease in sales from our pulp, wood products and forestry sector. Although there was a decrease in sales volumes, revenues from our pulp segment were positively affected by an increase in the average pulp prices of 11.2% compared to last quarter, and 30.1% when compared to the fourth quarter of 2016. Wood products revenues were driven by a decreased sales volume of 5.3% compared to last quarter. Forestry revenues declined 13.4% as our pulp and wood segment sales volume were lower than the third quarter. Other revenues increase by 127.6% mainly because of our energy sales. The following table shows a breakdown of the revenue sales distributed by business segment:

In U.S.\$ Million	Q4 2017	Q3 2017	QoQ
Pulp(*)	636.9	663.2	-4.0%
Wood Products(*)	645.5	687.0	-6.0%
Forestry	30.3	35.0	-13.4%
Others	18.6	8.2	127.6%
<b>Total</b>	<b>1,331.3</b>	<b>1,393.4</b>	<b>-4.5%</b>

(\*) Pulp and Wood division sales include energy

Sales by Business Segment 4Q 2017



**Cost of sales** for the fourth quarter of the year reached U.S.\$ 884.9 million, U.S.\$ 55.4 million or 5.9% lower than the U.S.\$ 940.3 million obtained in the third quarter of 2017. Forestry costs have the most significant decrease of 15.7% due to various factors: (i) a decrease in the costs of roads, since harvesting in spring-summer months implies the use of dirt roads; (ii) a decrease in freights, due to a lower average distance of forest harvested to mills; and (iii) a decrease in harvesting costs due to a higher proportion of mechanized tasks. The second important decrease was lower timber costs of 5.0% due to less sales volume from our pulp and wood products segment. Maintenance costs were 8.5% lower because most of the mills maintenance stoppages in Chile were finalized during the third quarter.

In U.S.\$ Million	Q4 2017	Q3 2017	QoQ
Timber	169.7	178.7	-5.0%
Forestry costs	151.1	179.1	-15.7%
Depreciation and amortization	101.4	102.9	-1.5%
Maintenance costs	63.7	69.6	-8.5%
Chemical costs	131.1	132.8	-1.3%
Sawmill services	24.9	30.9	-19.6%
Other raw materials and indirect costs	93.7	98.4	-4.7%
Energy and fuel	46.9	51.1	-8.3%
Cost of electricity	9.1	9.8	-6.7%
Wage, salaries and severance indemnities	93.3	86.9	7.3%
<b>Cost of Sales</b>	<b>884.9</b>	<b>940.3</b>	<b>-5.9%</b>

**Administrative expenses** overall increased by 21.4% or U.S.\$ 26.5 million compared to the third quarter of the year. Other administration expenses increased by a 41.1% partly due to an increase in third party services in Uruguay. There was also an increase of U.S.\$ 5.4 million in donations, contributions and scholarship due to contributions made to foundations and schools.

In U.S.\$ Million	Q4 2017	Q3 2017	QoQ
Wage, salaries and severance indemnities	59.6	55.7	7.0%
Marketing, advertising, promotion and publications expenses	2.9	2.1	36.2%
Insurance	4.0	3.9	1.3%
Depreciation and amortization	7.0	6.9	1.3%
Computer services	6.7	5.6	18.4%
Lease rentals (offices, warehouses and machinery)	2.9	3.3	-14.0%
Donations, contributions, scholarships	7.1	1.8	301.6%
Fees (legal and technical advisories)	15.2	10.6	43.4%
Property taxes, patents and municipality rights	3.5	4.4	-20.2%
Other administration expenses	41.3	29.2	41.1%
<b>Administrative Expenses</b>	<b>150.1</b>	<b>123.7</b>	<b>21.4%</b>

**Distribution costs** decreased 3.9% or U.S.\$ 5.4 million. Mainly because of freights that decreased by 6.5% or U.S.\$ 6.6 million due to lower sales volume in the pulp division.

In U.S.\$ Million	Q4 2017	Q3 2017	QoQ
Commissions	4.2	4.1	2.4%
Insurance	1.3	0.8	69.5%
Other selling costs	5.0	5.3	-6.3%
Port services	8.2	8.0	3.3%
Freights	94.7	101.3	-6.5%
Other shipping and freight costs	19.4	18.8	3.3%
<b>Distribution Costs</b>	<b>132.9</b>	<b>138.3</b>	<b>-3.9%</b>

As a percentage, administrative expenses and distribution costs combined were 21.3% of sales, showing an upward trend compared to the 18.8% obtained in the previous quarter, and an upward trend compared to 19.9% in the quarter before that.

**Other income** fell 127.6% or U.S.\$ 53.9 million this quarter compared to the third quarter of 2017. Gain from changes in fair value of biological assets decreased compared to last quarter due to an adjustment of inventory in our forest. The rest of the items did not suffer any major fluctuations.

In U.S.\$ Million	Q4 2017	Q3 2017	QoQ
Gain from changes in fair value of biological assets	(18.1)	33.9	-153.5%
Net income from insurance compensation	(0.1)	1.1	-109.5%
Leases received	(0.1)	0.9	-107.5%
Gains on sales of assets	3.7	4.9	-23.7%
Access easement	0.1	-	100.0%
Other operating results	2.8	1.5	85.3%
<b>Other Income</b>	<b>(11.7)</b>	<b>42.2</b>	<b>-127.6%</b>

**Other expenses** reached U.S.\$ 47.1 million an increase of U.S.\$ 55.3 million compared to last quarter. In the third quarter of 2017, an income of U.S.\$ 35 million was accounted in anticipation of the insurance claim related to the forest fires, thus reducing other expenses. Because of this provision, the receipt of the insurance claim in the fourth quarter didn't have any accounting impact. Another impact is the increase by U.S.\$ 27.5 million in the impairment provision of property, plant and equipment related to an obsolescence provision in fixed assets, spare parts and materials.

In U.S.\$ Million	Q4 2017	Q3 2017	QoQ
Depreciation	(0.1)	0.6	-115.5%
Legal payments	1.4	0.5	177.2%
Impairment provision property, plant and equipment and others	29.0	1.5	1803.2%
Plants stoppage operating expenses	2.7	1.0	159.1%
Project expenses	1.4	0.1	1772.3%
Gain (loss) from asset sales	0.2	1.9	-88.4%
Loss of assets	-	0.0	-100.0%
Provision for forestry fire losses	(1.2)	(34.5)	-96.4%
Other taxes	9.4	4.3	115.2%
Research and development expenses	0.5	0.5	9.0%
Fines, readjustments and interest	1.6	1.7	-5.9%
Other expenses (donations, repayments insurance)	2.3	14.2	-83.5%
<b>Other expenses</b>	<b>47.1</b>	<b>(8.1)</b>	<b>-678.5%</b>

**Foreign exchange differences** showed a loss of U.S.\$ 2.6 million, a U.S.\$ 5.5 million difference when compared to the previous quarter profit of U.S.\$ 2.9 million. The Chilean and the Argentine peso appreciated by 3.6% and 7.3% respectively against the U.S. dollar during the quarter, which increased our cash and cash equivalents and outstanding debt in this currency. The average of the Chilean and the Argentine peso also appreciated by 1.5% and 1.4% respectively against the U.S. dollar during the fourth quarter, which increased our revenues and costs in Chilean pesos when converted to U.S. dollar.

**Income tax** for the fourth quarter was a gain of U.S.\$ 95 million compared to an expense of U.S.\$ 52.2 million in the third quarter. The main reason for this gain was a lower Income before Tax, the effect in deferred tax for the reduction of the tax rate in United States and Argentina and the tax effect of the adjustment in the forestry valuation in Chile.

## ADJUSTED EBITDA

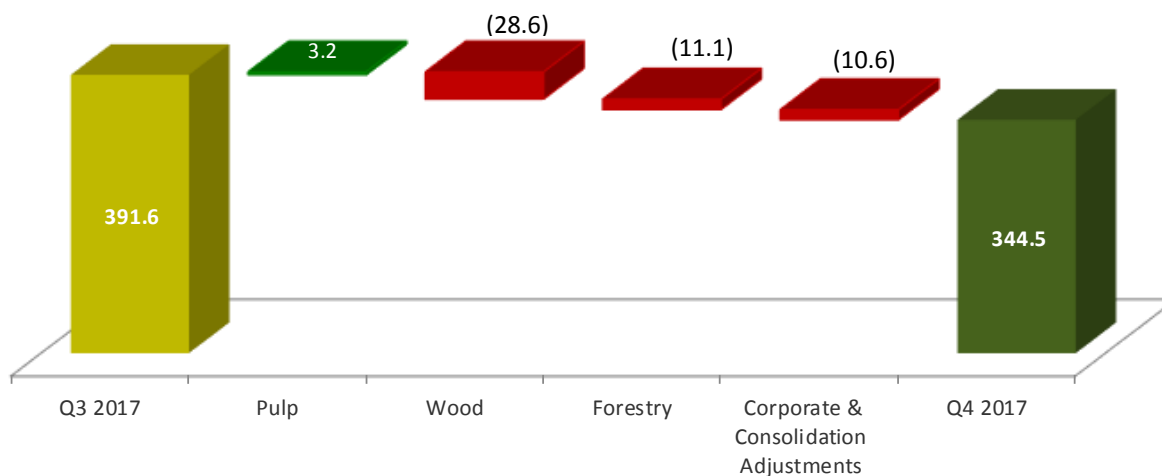
Adjusted EBITDA for the fourth quarter of 2017 was U.S.\$ 344.5 million, 12.0% or U.S.\$ 47.1 million lower than the US\$ 391.6 million reached during the previous quarter. During the fourth quarter, we had an increase in our pulp division Adjusted EBITDA of 1.3%, due to higher average prices (11.2%) offset by a decrease in our sales volume. The increase in the pulp division was offset by a decrease in our wood and forestry divisions by 24.6% and 18.7% respectively. Our wood sales were affected by a lower sales volume during the fourth quarter compared to the third quarter, and our forestry division was also affected by lower sales volume.

Adjusted EBITDA increased 32.6% or U.S.\$ 84.7 million compared to the fourth quarter of 2016, mainly due to higher pulp prices of 30.1% compared to the same quarter in 2016.

In U.S.\$ Million	Q4 2017	Q3 2017	Q4 2016	QoQ	YoY
Net Income	83.2	148.4	75.8	-44.0%	9.8%
Financial costs	116.2	54.1	58.0	114.6%	100.3%
Financial income	(4.0)	(3.3)	(3.9)	19.6%	1.2%
Income tax	(95.0)	52.2	(11.7)	-282.0%	708.7%
<b>EBIT</b>	<b>100.4</b>	<b>251.4</b>	<b>118.1</b>	<b>-60.1%</b>	<b>-15.0%</b>
Depreciation & amortization	109.3	110.5	107.6	-1.1%	1.6%
<b>EBITDA</b>	<b>209.6</b>	<b>361.9</b>	<b>225.7</b>	<b>-42.1%</b>	<b>-7.1%</b>
Fair value cost of timber harvested	78.4	94.0	86.5	-16.6%	-9.4%
Gain from changes in fair value of biological assets	18.1	(33.9)	(68.8)	-153.5%	-126.4%
Exchange rate differences	2.6	(2.9)	3.9	-190.6%	-32.1%
Others (*)	35.7	(27.5)	12.5	-230.2%	185.4%
<b>Adjusted EBITDA</b>	<b>344.5</b>	<b>391.6</b>	<b>259.8</b>	<b>-12.0%</b>	<b>32.6%</b>

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

**Adjusted EBITDA Variation by Business Segment Q3 2017 – Q4 2017**  
(In U.S.\$ Million)

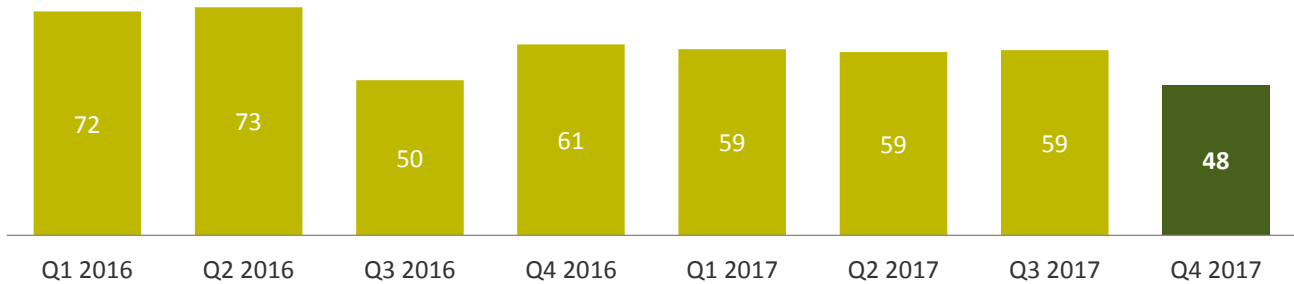




## FORESTRY BUSINESS

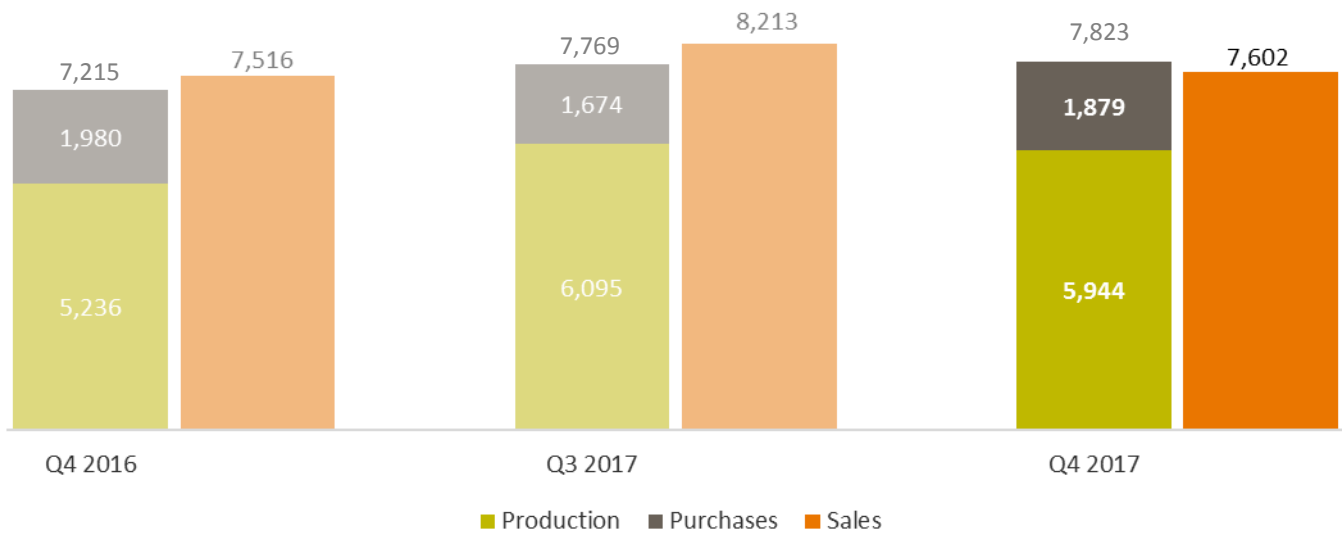
The Adjusted EBITDA for our forestry business reached U.S.\$ 48.1 million during this quarter, which translates to a 18.7% or U.S.\$ 11.1 million decrease compared to the previous quarter.

**Adjusted EBITDA for Forestry Business**  
(In U.S.\$ Million)



During the fourth quarter, our forestry production was 5.9 million m<sup>3</sup>, a 2.5% decrease compared to the 6.1 million m<sup>3</sup> produced in the previous quarter. Sales volume decreased by 8.0% from 8.2 million m<sup>3</sup> to 7.6 million m<sup>3</sup>.

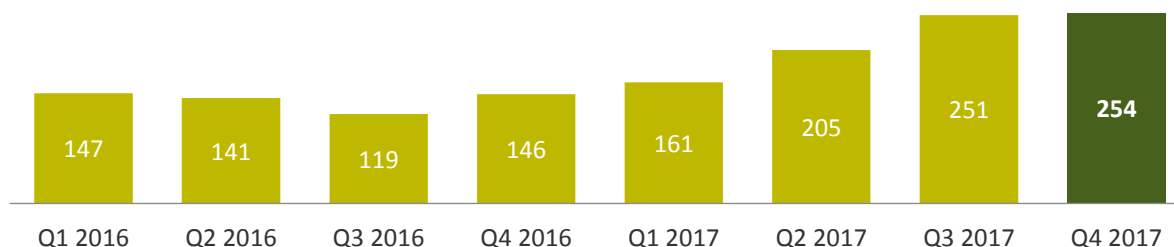
**Production, Purchases and Sales Volume**  
(In Thousand m<sup>3</sup>)



## PULP BUSINESS

The Adjusted EBITDA for our pulp business reached U.S.\$ 254.4 million during this quarter, which translates to a 1.3% increase or U.S.\$ 3.2 million compared to the previous quarter.

**Adjusted EBITDA for Pulp Business**  
(In U.S.\$ Million)



### Global Pulp Demand Change Q3 2017 – Q4 2017

Global Pulp Demand Change		
North America	▼	-3.0%
West Europe	▲	2.9%
China	▲	16.1%
Others	▼	-50.0%
<b>Total</b>	▲	<b>4.7%</b>

Source: Hawkins Wright

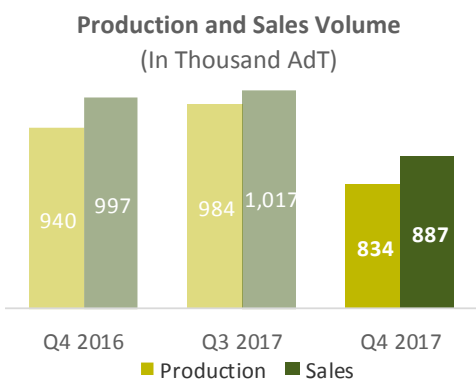
Prices during the fourth quarter experienced an increase of 11.2% compared to the last quarter. In general, all markets were very active in demand because of healthy economies that could absorb the increase in supply of pulp of new production that started at the end of 2016 and during 2017. This new production was also compensated due to operational problems of existing plants that lost a significant part of their annual capacity. The OKI Mill that was expected to reach the 2.8 million tons of annual production, instead is expected to produce 1.7 million tons for the next couple of years.

The Asian markets continue with high demand, especially China that has been affected by the import restrictions of unsorted waste paper. Although prices in the local market in China began to stabilize, there was an important difference between these prices and those of imports, especially in long fiber, that was declining during the fourth quarter. During the fourth quarter, there was more supply of short fiber pulp, so increases in prices were done with caution. Most Asian paper producers managed to pass the increases in pulp prices to their products due to the strong demand, these were materialized specially during the fourth quarter. In Korea, customers were more reluctant to the increases in prices, because there was over supply in the paper market and pulp customers were not able to transfer the increase to their products. The increases in Korea were bigger than China due to higher discounts and adjustments to list prices.

In Europe, the market that was quite depressed for several years, showed clear signs of recovery and demand grew significantly, the market was still particularly active during this fourth quarter and prices continued rising. With the only exception of the tissue industry, the additional costs that paper producers had to absorb were transferred to the final product, and in general, the productions were at full capacity. In the tissue market contracts are annually negotiated so companies have more buying power.

Middle East, specially Turkey also started to have problems to transfer the price of the raw materials and were oversupply in tissue put producers in a very delicate situation in terms of margin. In North and Latin America, the price increases less aggressive. In the fluff market at the beginning of the fourth quarter the increase of prices was slow, but during the quarter prices started going up in a better rhythm.

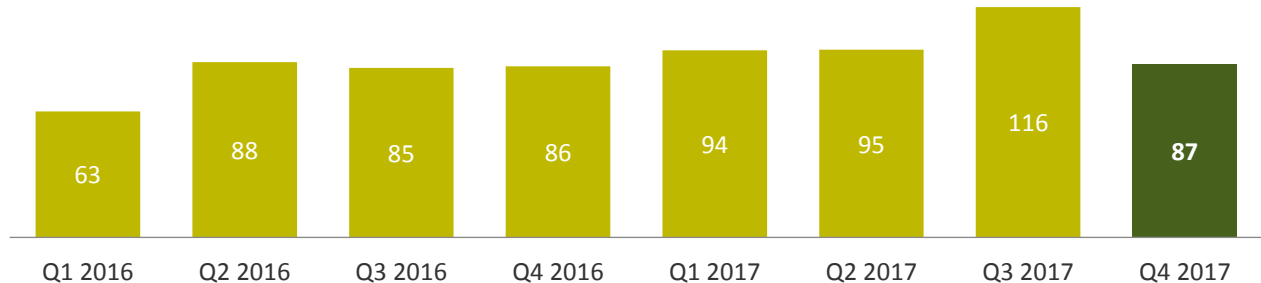
Production during the fourth quarter decreased by 15.2% compared to last quarter and 11.3% compared to the same quarter of last year. The lower production is explained by more programmed maintenance stoppages this quarter, certain production losses at the plant in Argentina and the blockade of the Constitución Mill by an association of truck owners. The blockade lasted 38 days and the effect on the production was of 35,000 tons approximately.



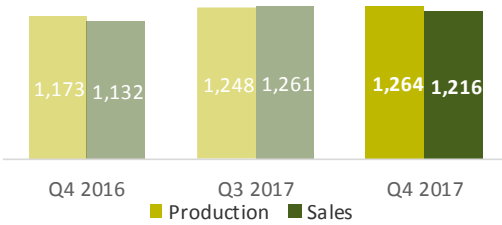
## WOOD PRODUCTS BUSINESS

The Adjusted EBITDA for our wood products business reached U.S.\$ 87.4 million during this quarter, which translates to a 24.6% decrease or U.S.\$ 28.6 million compared to the previous quarter.

**Adjusted EBITDA for Wood Product Business**  
(In U.S.\$ Million)



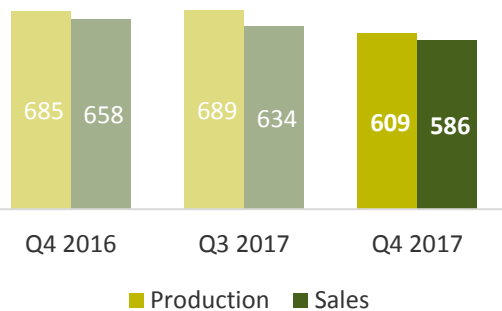
**Production and Sales Volume: Panels<sup>(1)</sup>**  
(In Thousand m<sup>3</sup>)



**Composite panel** sales slightly decreased, with overall sales volume decreasing 3.6% and average prices remain steady. MDF and PBO, both had less sales compared to third quarter, mainly because of competition in the North American markets. OSB sales volume in Chile were lower, however it was compensated with an increase in average prices, thanks to production from Sonae Arauco which we could sell within this market through market trading.

Sales in North American market continued to show stable price levels in comparison to the last quarter, meanwhile sales volume decreased due to more competitors. Brazil was also affected by lower sales volume in MDF, but there is still optimism in the market due to more consumption during the last months.

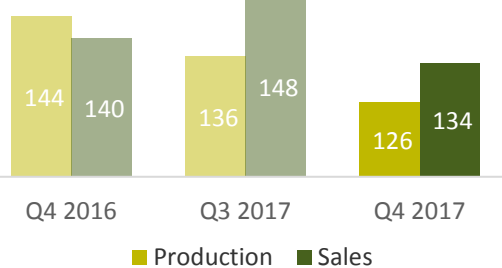
**Production and Sales Volume: Sawn Timber<sup>(2)</sup>**  
(In Thousand m<sup>3</sup>)



The rest of Latin America reached stable sales thanks to our diversified product mix. These markets have not been as dynamic as other parts of the world, as less projects that require construction and furniture products come into execution. In the Melamine market, we are still growing specially in Chile and Perú, where we are developing new supplying choices to cover the demand.

**Sawn timber** markets showed a negative trend from last quarter with sales volume decreasing 7.6%, but with stable average prices. Asia and the Middle East are the principal customers for these products, and sales to this markets during the fourth quarter were lower than the third quarter. Remanufactured sales volume was affected by the new supply coming from Brazil, that was compensated slightly by higher prices. Production was lower than the third quarter due to the stoppages in the Viñales facility.

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



**Plywood** production and sales volume decrease compared to the third quarter by 7.2% and 9.5% respectively. However, average prices increased 3.6% during the fourth quarter. Sales in North America improved as demand grew, especially with the retailer's, due to the hurricanes that affected the southern east of the country. In Latin America, specifically in Chile and Mexico, the demand expanded and we were able to increase prices.

(1) Includes HB, MDF, OSB, PB

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

Note: Sales include trading

## CAPITAL EXPENDITURES

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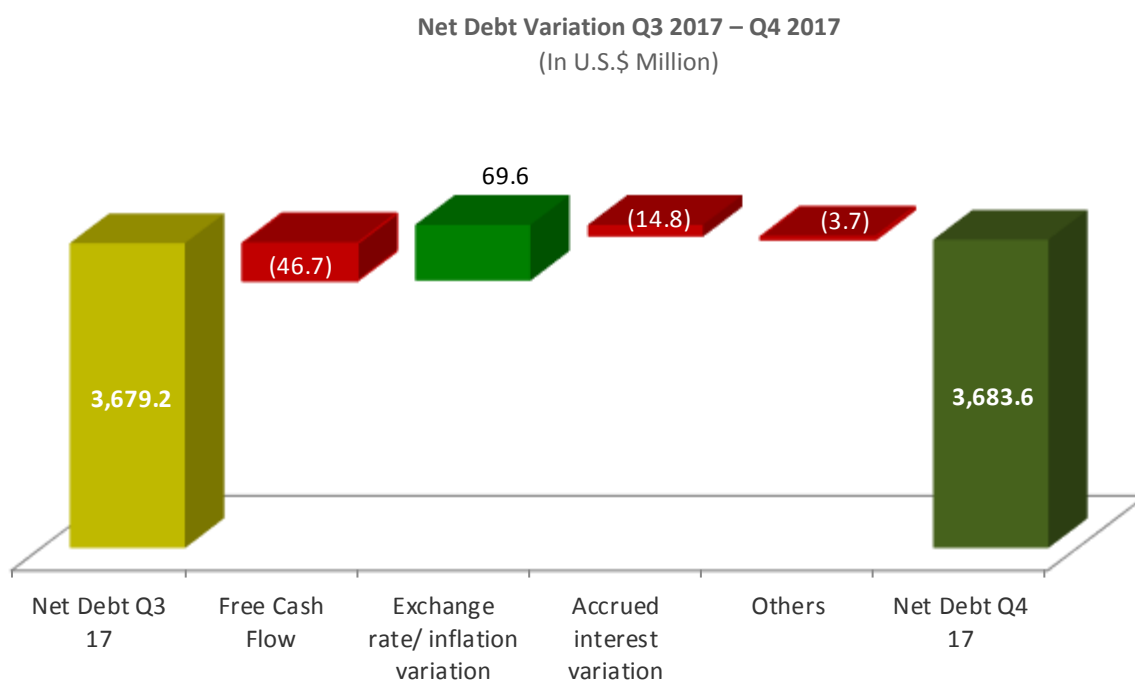
U.S.\$ Million	Q4 2017	Q3 2017	Q4 2016	YTD 2017	YTD 2016
Cash flows used to obtain control of subsidiaries or other businesses	15.9	-	-	15.9	-
Cash flows used to purchase in associates	-	-	-	-	153,1
Purchase and sales of property, plant and equipment	158.6	132.4	113.1	448.3	356.2
Purchase and sales of intangible assets	0.6	2.1	13.0	10.5	14.9
Purchase of other long-term assets	57.6	34.5	37.4	179.2	140.7
<b>Total CAPEX</b>	<b>232.8</b>	<b>169.0</b>	<b>163.5</b>	<b>653.9</b>	<b>664.9</b>

During this quarter, capital expenditures increased by U.S.\$ 63.8 million or 37.8% compared to the third quarter of 2017. The Grayling Project disbursed approximately U.S.\$ 64.4 million during the quarter, accumulating U.S.\$ 165.0 million during the year and U.S.\$ 181.7 million since the beginning of the project. The water treatment plant in Arauco disbursed U.S.\$ 6.7 million during this quarter. During the quarter, plantation capex amounted a total of U.S.\$ 57.6 million. The remaining capex pertains to sustaining business investments.

## FREE CASH FLOW

Our free cash flow continues to be positive during the fourth quarter of 2017, with U.S.\$ 46.7 million. For this quarter, cash provided by operating activities increased U.S.\$ 97.3 million, mainly due to working capital variation. Cash used by investment activities increased due to a higher capex. In addition, cash used by financing activities during this quarter was U.S.\$ 64.1 million compared to U.S.\$ 0.6 million from the last quarter, due to dividends paid on December.

U.S.\$ Million	Q4 2017	Q3 2017	Q4 2016
Adjusted EBITDA	344.5	391.6	259.8
Working Capital Variation	96.6	(13.9)	(34.6)
Interest paid and received	(87.1)	(65.2)	(2.5)
Income tax paid	(12.1)	(12.3)	(12.8)
Other cash inflows (outflows)	(1.5)	(57.1)	(33.7)
<b>Cash from Operations</b>	<b>340.4</b>	<b>243.1</b>	<b>176.2</b>
Capex	(232.8)	(169.0)	(163.5)
Proceeds from investment activities	3.5	1.8	8.3
Other inflows of cash, net	1.2	6.1	(2.6)
<b>Cash from (used in) Investment Activities</b>	<b>(228.1)</b>	<b>(161.1)</b>	<b>(157.8)</b>
Dividends paid	(60.5)	(0.6)	(30.1)
Other inflows of cash, net	(3.6)	1.2	(0.1)
<b>Cash from (used in) Financing Activities - Net of Proceeds and Repayments</b>	<b>(64.1)</b>	<b>0.6</b>	<b>(30.1)</b>
Effect of exchange rate changes on cash and cash equivalents	(1.5)	1.3	4.5
<b>Free Cash Flow</b>	<b>46.7</b>	<b>83.9</b>	<b>(7.2)</b>



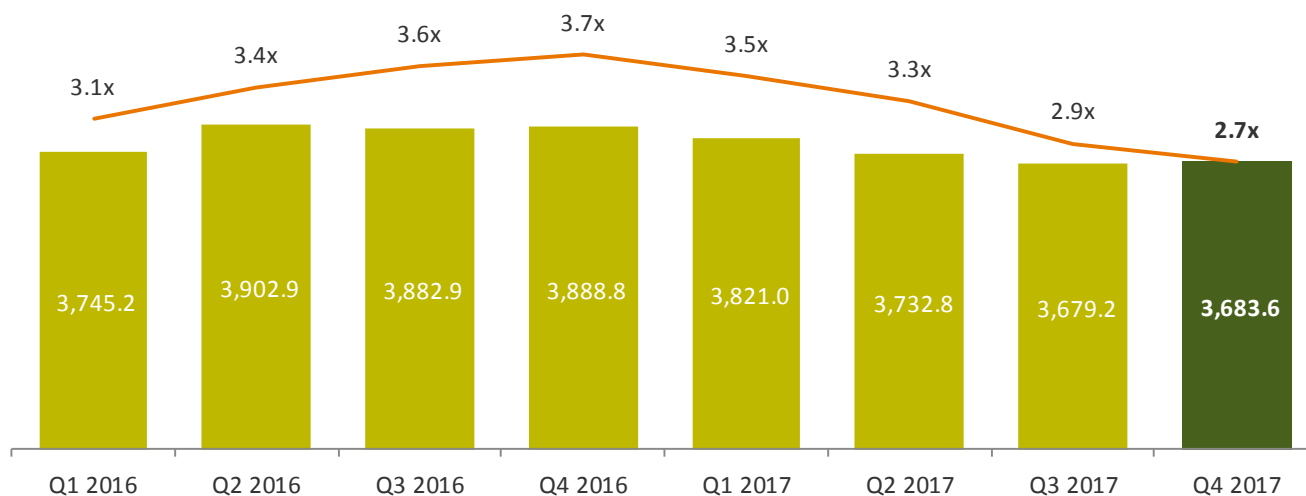
## FINANCIAL DEBT AND CASH

Arauco's financial debt as of December 31, 2017 reached U.S.\$ 4,273.5 million, an increase of 2.6% or U.S.\$ 108.7 million when compared to September 30, 2017. Our consolidated net financial debt increased 0.1% or U.S.\$ 4.4 million when compared with September 2017, specifically the increase in the long-term debt was the net effect between the issuance of two new bonds in November 2017 of U.S.\$ 500 million and U.S.\$ 400 million and the repurchase of three bonds (U.S.\$ 741 million in total). While cash and cash equivalents increased by U.S.\$ 104.3 million.

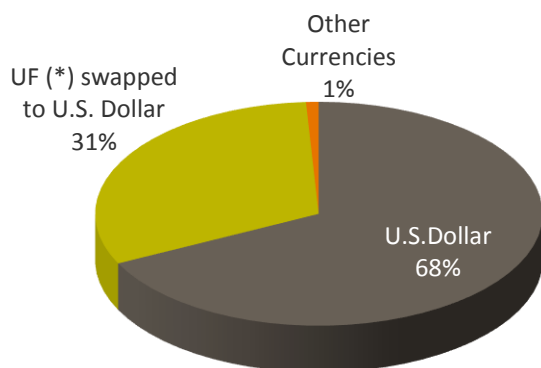
Our leverage, measured as Net Financial Debt/LTM Adjusted EBITDA, decreased compared to last quarter from 2.9 times to 2.7 times, the lowest since 2011.

In U.S.\$ Million	December 2017	September 2017	December 2016
Short term financial debt	500.2	629.5	697.0
Long term financial debt	3,773.3	3,535.3	3,784.0
<b>TOTAL FINANCIAL DEBT</b>	<b>4,273.5</b>	<b>4,164.8</b>	<b>4,481.0</b>
Cash and cash equivalents	589.9	485.6	592.3
<b>NET FINANCIAL DEBT</b>	<b>3,683.6</b>	<b>3,679.2</b>	<b>3,888.8</b>
<b>LTM Adjusted EBITDA</b>	<b>1,366.4</b>	<b>1,281.8</b>	<b>1,052.1</b>

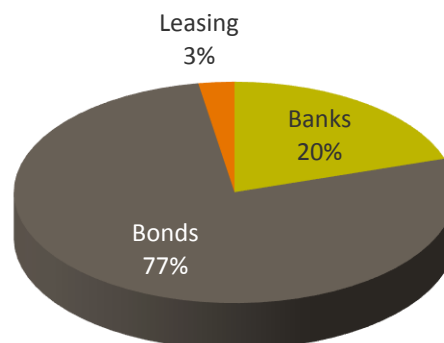
Net Financial Debt and Leverage  
(In U.S.\$ Million)



Debt by Currency



Debt by Instrument

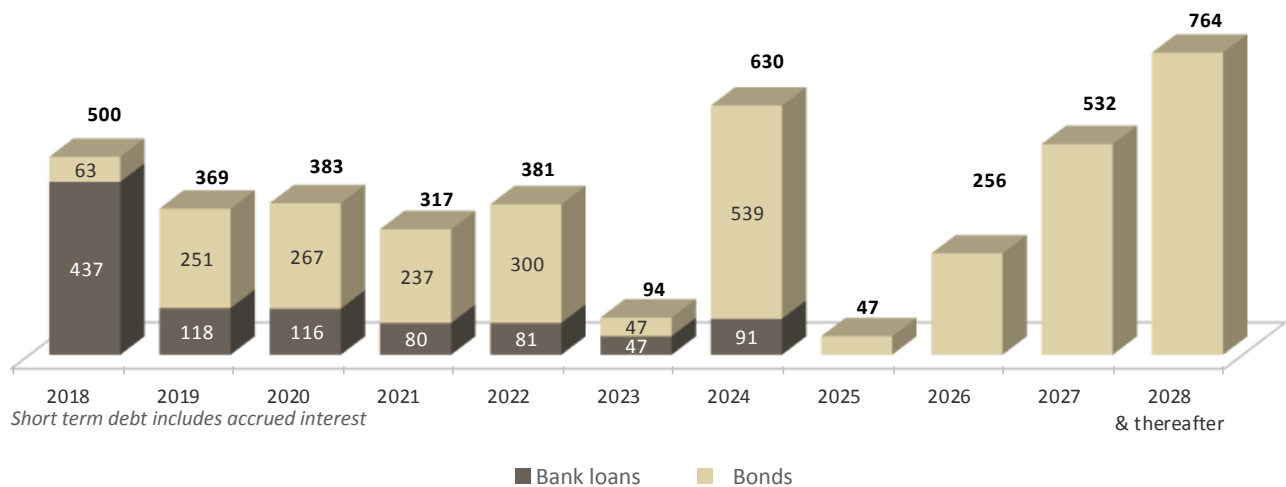


(\*) UF is a Chilean monetary unit indexed to inflation.

## Financial Debt Profile

For the year 2018, bank obligations (which include accrued interest) sum up a total of U.S.\$ 437.2 million, which include the following maturities: U.S.\$ 185.1 million of loans in Montes del Plata, U.S.\$ 199.6 million of a credit loan in Chile, U.S.\$ 44.3 million from leasing, and U.S.\$ 7.4 million in our Brazilian subsidiaries. Bond amortizations include the second and third amortization of a local bond BARAU-Q of U.S.\$ 10.9 million that will be paid in April and October. Of our committed facility line for the Grayling Project, a total of U.S.\$ 64.0 million was disbursed during the quarter, amounting to a total of U.S.\$ 131.0 million of the line used. Disbursements of the committed facility line can be made in the first two years until April 2019. The total amount disbursed during the two years will then be amortized 5% semiannually of the principal amount from 2019 to 2024, with a final balloon payment of 70% of the total loan.

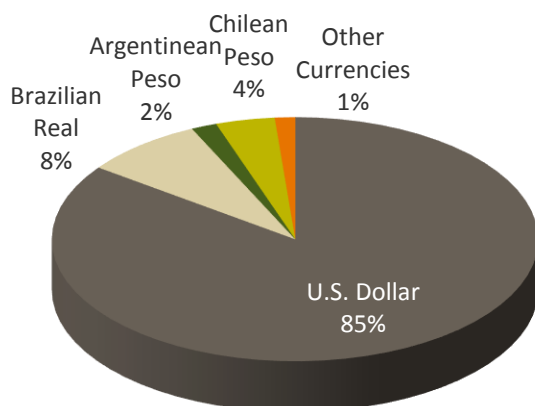
**Financial Obligation by Year as of December 31, 2017**  
(In U.S.\$ Million)



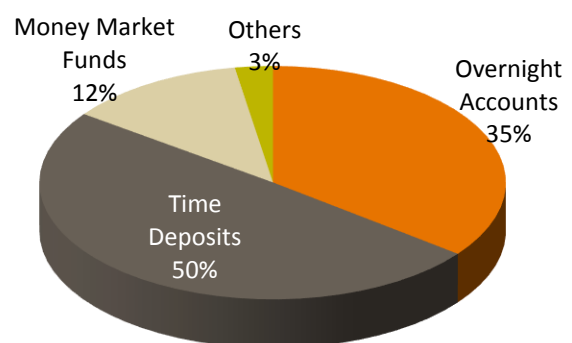
## Cash

Our cash position was U.S.\$ 589.9 million at the end of the fourth quarter, which is a U.S.\$ 104.3 million or 21.5% increase compared to the end of the third quarter of 2017. Cash provided from operating activities increased U.S.\$ 97.3 million, as receipts from sales increased U.S.\$ 124.4 million, compensated by higher net interest paid of U.S.\$ 21.9 million. CAPEX increased U.S.\$ 63.8 million compared to the last quarter with higher expenditures coming from the Grayling construction. We also paid dividends of U.S.\$ 60.5 million in December.

**Cash by Currency**



**Cash by Instrument**



## FOURTH QUARTER AND SUBSEQUENT EVENTS AND NEWS

### **Arauco acquired Masisa's subsidiary in Brazil**

In September 2017, Arauco do Brasil S.A. agreed with Masisa S.A. the total buyout of the social rights of the subsidiary named Masisa do Brasil Ltda. The transaction price was approximately U.S.\$ 102.8 million, with a final payment of U.S.\$ 52.8 million. The main assets of Masisa do Brasil S.A. consists of two industrial complexes located in Ponta Grossa (Paraná) and Montenegro (Rio Grande do Sul) in Brazil, with a total annual installed capacity of 300,000 m<sup>3</sup> of MDF, 500,000 m<sup>3</sup> of MDP and 660,000 m<sup>3</sup> of melamine capacity.

The transaction was finally closed at the end of the year, which means that at December 31<sup>st</sup>, 2017 Arauco do Brasil S.A has consolidated the assets acquired.

### **Arauco to acquire Masisa's subsidiary in Mexico**

In December 2017, Inversiones Arauco Internacional Limitada and AraucoMex, S.A. de C.V. agreed with Masisa S.A. the total buyout of the social rights of its subsidiaries in Mexico. The transaction price is for approximately U.S.\$ 245 million. Main assets consist of three industrial complexes located in Chihuahua, Durango and Zitácuaro in Mexico, with a total annual installed capacity of 220,000 m<sup>3</sup> of MDF; 519,000 m<sup>3</sup> of PB; 426,000 m<sup>3</sup> of melamine; 66,000 tons of resins; 60,600 tons of formaldehyde and 22.8 million m<sup>2</sup> of impregnation lines.

The transaction is subject to a series of conditions precedent, customary in this type of operations, with the most relevant one being the approval by the Mexican antitrust authority. The transaction is estimated to be materialized during 2018.

### **Grayling Project on Schedule**

The Grayling Project continues its course on schedule. As of December 31<sup>st</sup>, 2017, the progress was a 40% completion and today is 70%. The particleboard mill located in Grayling, Michigan, U.S.A., will cost approximately U.S.\$ 400.0 million and will have a capacity of 800,000 m<sup>3</sup> per year. Rollout of the first panel is estimated to occur during the latter part of 2018.

### **Dissolving Pulp**

The Dissolving Pulp Project continues its course, as of December 31<sup>st</sup>, 2017 the progress was 5% and today is 11%. The estimate investment for the project is approximately U.S.\$ 185 million. This project should take about two years of construction, with the ramp-up scheduled to occur during the end of 2019.

### **Significant decreased in forestry fires**

From early January until mid-March 2018 the hectares of plantations affected by forestry fires had been 450 hectares, a decrease of 99.4% compared to the 72,500 hectares burned during the wildfires of 2017.



## FINANCIAL STATEMENTS

### Income Statement

In U.S.\$ Million	Q4 2017	Q3 2017	Q4 2016	FY 2017	FY 2016
Revenues	1,331.3	1,393.4	1,220.6	5,238.3	4,761.4
Cost of sales	(884.9)	(940.3)	(896.7)	(3,574.5)	(3,498.9)
<b>Gross profit</b>	<b>446.4</b>	<b>453.0</b>	<b>323.9</b>	<b>1,663.8</b>	<b>1,262.5</b>
Other income	(11.7)	42.2	68.2	111.5	257.9
Distribution costs	(132.9)	(138.3)	(136.0)	(523.3)	(496.5)
Administrative expenses	(150.1)	(123.7)	(110.6)	(521.3)	(474.5)
Other expenses	(47.1)	8.2	(33.5)	(240.2)	(77.4)
Financial income	4.0	3.3	3.9	19.6	29.7
Financial costs	(116.2)	(54.1)	(58.0)	(288.0)	(258.5)
Participation in (loss) profit in associates and joint ventures accounted through equity method	(1.6)	7.0	9.9	17.0	23.9
Exchange rate differences	(2.6)	2.9	(3.9)	0.1	(3.9)
<b>Income before income tax</b>	<b>(11.8)</b>	<b>200.6</b>	<b>64.0</b>	<b>239.4</b>	<b>263.2</b>
Income tax	95.0	(52.2)	11.7	31.0	(45.6)
<b>Net income</b>	<b>83.2</b>	<b>148.4</b>	<b>75.8</b>	<b>270.4</b>	<b>217.6</b>
Profit attributable to parent company	82.9	148.4	73.6	269.7	213.8
Profit attributable to non-parent company	0.2	(0.0)	2.2	0.6	3.8

## Balance Sheet

In U.S.\$ Million	Q4 2017	Q3 2017	Q4 2016
Cash and cash equivalents	589.9	485.6	592.3
Other financial current assets	3.5	3.0	5.2
Other current non-financial assets	129.8	157.9	144.9
Trade and other receivables-net	814.4	888.3	701.6
Related party receivables	3.5	6.5	12.5
Inventories	868.5	775.1	852.6
Biological assets, current	307.8	312.3	306.1
Tax assets	49.5	41.1	104.1
Non-Current Assets classified as held for sale	3.5	2.9	3.1
<b>Total Current Assets</b>	<b>2,770.4</b>	<b>2,672.7</b>	<b>2,722.4</b>
Other non-current financial assets	56.6	27.8	8.9
Other non-current and non-financial assets	121.5	122.2	130.3
Non-current receivables	17.1	15.2	15.2
Investments accounted through equity method	368.8	361.7	446.5
Intangible assets	88.6	90.6	89.5
Goodwill	69.9	76.0	74.9
Property, plant and equipment	7,034.3	6,985.1	6,919.5
Biological assets, non-current	3,459.1	3,514.6	3,592.9
Deferred tax assets	8.3	7.6	6.1
<b>Total Non-Current Assets</b>	<b>11,224.2</b>	<b>11,200.7</b>	<b>11,283.8</b>
<b>TOTAL ASSETS</b>	<b>13,994.6</b>	<b>13,873.4</b>	<b>14,006.2</b>
Other financial liabilities, current	500.3	629.9	697.5
Trade and other payables	717.3	600.8	537.9
Related party payables	11.2	14.7	3.8
Other provisions, current	2.7	0.4	0.8
Tax liabilities	8.1	9.8	1.6
Current provision for employee benefits	5.7	5.5	5.2
Other non-financial liabilities, current	154.0	153.8	99.2
<b>Total Current Liabilities</b>	<b>1,399.4</b>	<b>1,415.0</b>	<b>1,346.1</b>
Other non-current financial liabilities	3,778.6	3,573.0	3,870.9
Other provisions, non-current	36.0	37.4	38.1
Deferred tax liabilities	1,485.4	1,604.4	1,631.1
Non-current provision for employee benefits	66.0	64.0	60.1
Other non-financial liabilities, non-current	112.3	64.2	60.6
<b>Total Non-Current Liabilities</b>	<b>5,478.3</b>	<b>5,343.0</b>	<b>5,660.8</b>
Non-parent participation	41.9	44.9	44.0
<b>Net equity attributable to parent company</b>	<b>7,075.0</b>	<b>7,070.5</b>	<b>6,955.3</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>13,994.6</b>	<b>13,873.4</b>	<b>14,006.2</b>

## Cash Flow Statement

U.S.\$ Million	Q4 2017	Q3 2017	Q4 2016	FY 2017	FY 2016
Receipts from sales of goods and rendering of services	1,472.1	1,347.6	1,139.6	5,508.7	5,020.6
Other cash receipts (payments)	74.0	54.0	35.0	236.9	238.5
Payments of suppliers and personnel (less)	(1,104.8)	(1,076.6)	(983.0)	(4,382.6)	(4,235.7)
Interest paid and received	(87.1)	(65.2)	(2.5)	(242.2)	(162.2)
Income tax paid	(12.1)	(12.3)	(12.8)	(37.9)	(83.9)
Other (outflows) inflows of cash, net	(1.7)	(4.5)	(0.1)	(10.5)	(3.7)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>340.4</b>	<b>246.1</b>	<b>176.2</b>	<b>1,072.4</b>	<b>773.6</b>
Capital Expenditures	(232.8)	(169.0)	(163.5)	(653.9)	(664.9)
Other investment cash flows	4.7	7.9	5.7	20.5	24.6
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(228.1)</b>	<b>(161.1)</b>	<b>(157.8)</b>	<b>(633.3)</b>	<b>(640.2)</b>
Proceeds from borrowings	1,015.9	218.9	195.2	1,312.5	737.7
Repayments of borrowings	(958.3)	(333.0)	(55.4)	(1,627.7)	(645.2)
Dividends paid	(60.5)	(0.6)	(30.1)	(121.6)	(130.6)
Other inflows of cash, net	(3.6)	1.2	(0.1)	(2.3)	(0.3)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(6.5)</b>	<b>(113.5)</b>	<b>109.7</b>	<b>(439.1)</b>	<b>(38.5)</b>
<b>Total Cash Inflow (Outflow) of the Period</b>	<b>105.8</b>	<b>(28.5)</b>	<b>128.1</b>	<b>(0.0)</b>	<b>94.9</b>
Effect of exchange rate changes on cash and cash equivalents	(1.5)	1.3	4.5	(2.3)	(2.7)
Cash and Cash equivalents at beginning of the period	485.6	512.7	459.7	592.3	500.0
<b>Cash and Cash Equivalents at end of the Period</b>	<b>589.9</b>	<b>485.6</b>	<b>592.3</b>	<b>589.9</b>	<b>592.3</b>