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Second Quarter 2018 Earnings Results

2Q18 Earnings Conference Call

Date: August 10, 2018

Time: 10:00 AM ET

US Toll Free: 1-877-407-9205

Intl. Dial In: 1-201-689-8054

Webcast: click here

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CMPC Reports 2018 Second Quarter Results

Santiago de Chile, Chile, August 9, 2018 – Empresas CMPC S.A. (BCS: CMPC) ("CMPC" or "the Company") a leading large-scale Latin American producer of pulp, tissue, wood and paper products, serving global and local markets, today announced its unaudited results for 2Q18.

2Q18 HIGHLIGHTS

- Consolidated sales of US$1,618 million, up 8% QoQ and 26% YoY, with sequential and annual growth across all business areas.
- Record pulp production of 1,051,000 tons, up 8% QoQ and 7% YoY.
- Market Pulp volumes of 927,000 tons, up 11% QoQ and 19% YoY.
- Hardwood prices up 3% QoQ and 31% YoY, reaching CIF US$757/ton. Softwood prices up 2% QoQ and 34% YoY to CIF US$854/ton.
- Pulp sales of US$899 million, an increase of 14% QoQ and 49% YoY.
- EBITDA of US$507 million, an increase of 27% QoQ and 75% YoY.
- EBITDA margin of 31.3%, up from 26.7% in 1Q18 and 22.7% in 2Q17, with the increase driven by Pulp, with 49.4% margin in 2Q18.
- Free cash flow of US$103 million, up from US$70 million in 1Q18 and from US$122 million in 2Q17.
- Net debt to EBITDA ratio of 2.2x, down from 2.5x in 1Q18 and 3.4x in 2Q17.

US$ Million	2Q17	1Q18	2Q18	QoQ	YoY	6M17	6M18	YoY
Sales	1,280	1,495	1,618	8%	26%	2,493	3,113	25%
EBITDA	290	399	507	27%	75%	501	906	81%
EBITDA Margin	22.7%	26.7%	31.3%	463 bps	865 bps	20.1%	29.1%	901 bps
Net Income (Loss)	26	144	95	-34%	269%	8	239	-2970%
CAPEX	108	103	99	-3%	-8%	219	202	-8%
Total Assets	15,279	15,164	14,770	-3%	-3%	15,279	14,770	-3%
Net Debt	3,229	3,143	3,223	3%	0%	3,229	3,223	0%
Market Capitalization	5,975	9,500	9,201	-3%	54%	5,975	9,201	54%
Closing Exchange Rate (CLP/US$)	664.29	603.39	651.21	8%	-2%	664.29	651.21	-2%
Average Exchange Rate (CLP/US$)	660.05	602.08	611.82	2%	-7%	660.05	611.82	-7%
Closing Exchange Rate (BRL/US$)	3.31	3.31	3.86	17%	17%	3.31	3.86	17%
Average Exchange Rate (BRL/US$)	3.18	3.25	3.42	6%	8%	3.18	3.42	8%

MANAGEMENT COMMENTARY

In the second quarter of 2018, CMPC continued to benefit from supportive market conditions in pulp, where we had stable operations during the quarter. The continuous and disciplined execution of our strategic plan allowed us to overcome the operational challenges we faced over the past few years. As a result, we are now more operationally efficient, and able to take full advantage of the current market conditions, as can be seen by our second consecutive record quarterly EBITDA.

Strong cash generation this quarter also advanced another fundamental part of our strategy, the continuous strengthening of our capital structure. With free cash flow of US$103 million for the quarter, deleveraging continues on trend. Leverage, as measured by the ratio of net debt to EBITDA, declined to 2.2 times at the end of the quarter, and has trended lower in every quarter since 1Q17.

The solid operational performance during the quarter leaves us in better shape to continue executing our growth strategy. This quarter we started the construction of a new tissue machine in the Zarate mill. When complete, the new line will allow us to continue to strengthen our competitive position in the Argentinean market. Despite our Tissue business facing a more volatile environment, with currency depreciation and increasing fiber costs, they delivered volume and revenue growth during the quarter, showing the resilience of our consumer business.

Also in the Tissue business, we are glad to confirm that the restitution agreement reached with the consumer representatives was closed in June of this year. As per our agreement with the Chilean authorities, we made the final disbursement of US$158 million to SERNAC, which is now making the payments to consumers.

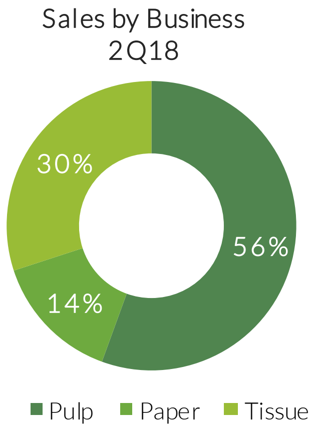
We continue analyzing different initiatives via which to execute our growth strategy and consolidate our leading positon in the markets in which we operate, always maintaining our commitment to being a solid investment grade company with a prudent approach regarding our financial metrics. We firmly believe this is fundamental for us and will allow us to continue capitalizing on favorable market conditions, creating value for all stakeholders.

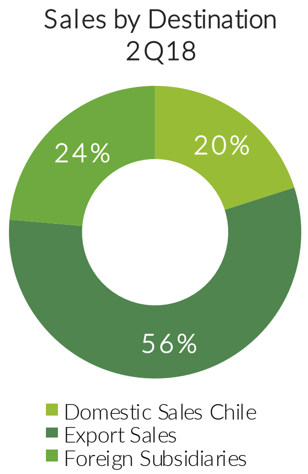
REVIEW OF 2Q18 CONSOLIDATED RESULTS

SALES

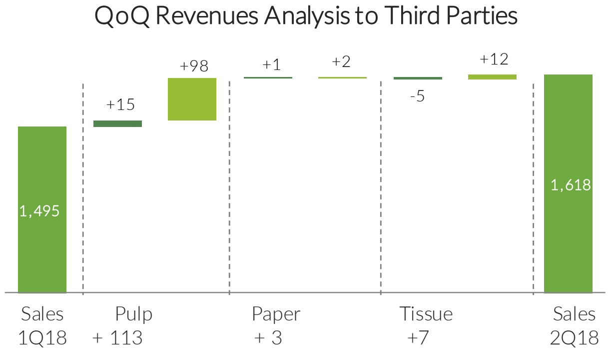
Total **Revenue** reached US$1,618 million for the second quarter of 2018, up 8% compared to 1Q18, and 26% compared to 2Q17.

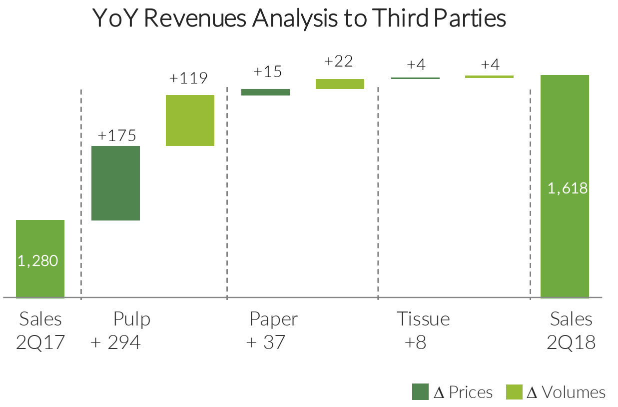
QoQ, revenue grew in all business divisions. In **Pulp**, higher prices and solid wood products contributed to the 14% (US$113 million) revenue increase. **Tissue** also saw higher volumes of tissue paper and sanitary products, resulting in a 2% (US$7 million) revenue increase. Finally, revenue was up 1% (US$3 million) in **Papers**.





YoY, revenue growth was driven by increases of 49% (US$294 million) in **Pulp** 19% (US$37 million) in **Papers** and 2% (US$8 million) in **Tissue**. The main contributors to growth in **Pulp** were higher pulp prices, and the normalization of production at the Guaíba mill. The Paper business also benefitted from higher volumes and prices in most products.





OPERATING COSTS

Operating Costs, excluding depreciation, stumpage and decreases due to harvest, were US$915 million, stable sequentially and 13% higher annually. The QoQ result is explained by an increase in direct costs, mainly related to higher sales volumes, offset by lower costs in the Pulp business, related to the lack of maintenance stoppages and forestry protection costs during the quarter. YoY, the increase in operating costs is mainly related to higher sales volumes, especially in Pulp, and an increase in direct costs in Tissue and Papers due to higher pulp prices. Also, there was a positive effect due to the depreciation of local currencies during the quarter, both QoQ and YoY. 2Q18 Consolidated Operating Costs represented 57% of total revenues, down from 61% in 1Q18 and 63% in 2Q17.

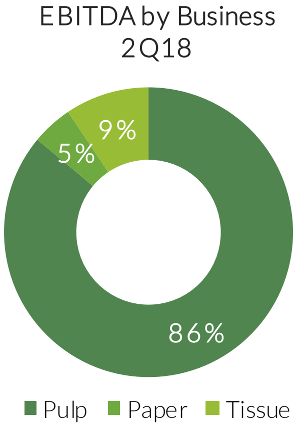
OTHER OPERATING EXPENSES

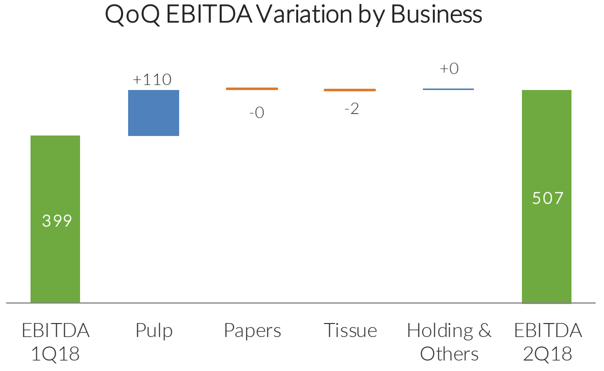
Other Operating Expenses totaled US$196 million, up 9% QoQ and 8% YoY. The QoQ increase is a result of higher administrative expenses in the Pulp and Tissue businesses, mainly driven by higher labor costs and property taxes. Also there were higher expenses in the Tissue business related to brand investments. The YoY increase was also due to higher administrative expenses in all business divisions, related to higher labor costs. There was a positive effect due to the depreciation of local currencies during the quarter, both QoQ and YoY. Consolidated Other Operating Expenses in 2Q18 were 12% of total revenues, stable compared to 1Q18 and down from the 14% reported in 2Q17.

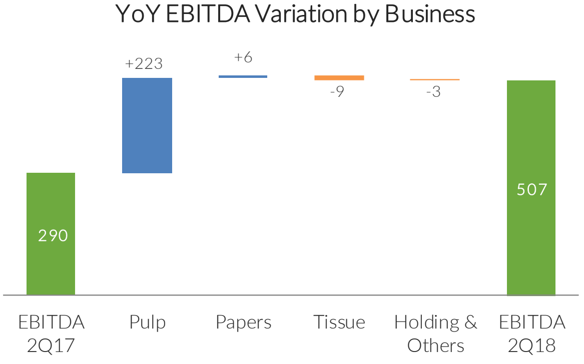
EBITDA

EBITDA totaled US$507 million during the quarter, up 27% QoQ and 75% YoY, with 31.3% **EBITDA Margin**, up from 26.7% in 1Q18 and 22.7% in 2Q17.

The growth in **Pulp** division EBITDA, reflecting higher sales volumes and better pulp prices, drove sequential and annual EBITDA growth. QoQ Pulp EBITDA expanded by US$110 million (+33%), while YoY the increase reached US$223 million (+101%). **Paper** EBITDA also contributed YoY, expanding US$6 million (+31%) as a reflection of higher revenues in most products. Higher fiber costs, however, negatively impacted EBITDA generation in **Tissue**.





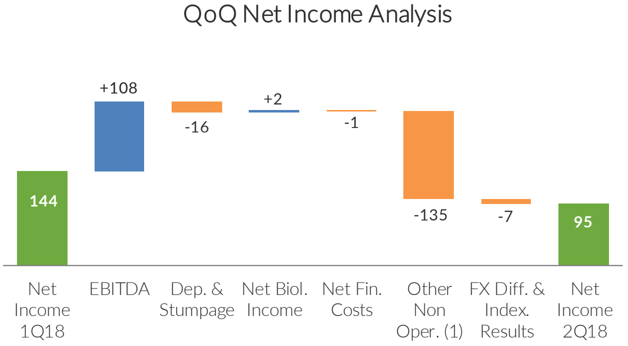


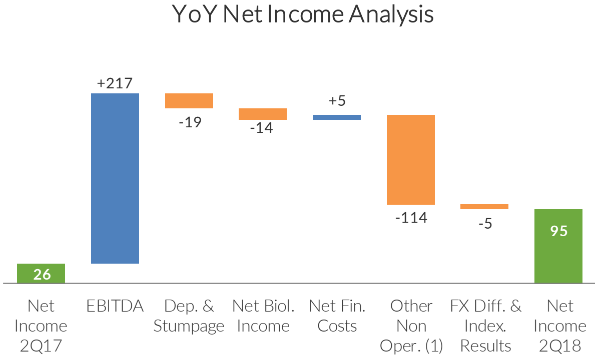
FINANCIAL RESULT

Financial Expenses totaled US$53 million, up 2% compared to 1Q18 and down 9% compared to 2Q17. CMPC's **Financial Income** totaled US$3.2 million, below the US$3.4 million in 1Q18, as a result of the lower cash position held by the Company, but above the US$3.1 million in 2Q17.

NET INCOME (LOSS)

CMPC reported a **Net Income** of US$95 million in 2Q18, compared to a Net Income of US$144 million in 1Q18 and US$26 million in 2Q17. Adjusted for the impact of currency movement on deferred taxes, Net Income would have been US$207 million in 2Q18.





1) Other Non Operating includes: Share Results in Associated Companies, Other Gains (Losses) and Income Taxes.

Currency **Exchange Rate Differences** resulted in a US$9.5 million loss in the quarter, compared to losses of US$2.2 million in 1Q18 and of US$4.4 million in 2Q17, mostly as a result of the depreciation of the Argentinean Peso. The currency hedges taken in the previous periods have effectively reduced the exposure to the volatility of the Chilean Peso and the Brazilian Real.

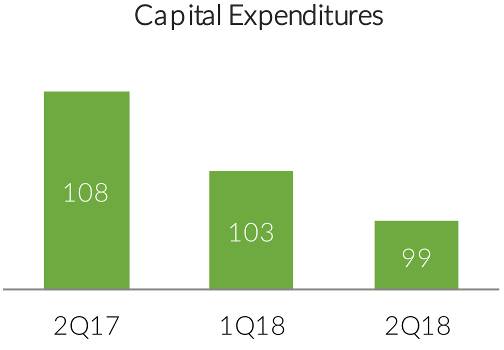
Indexation Unit Results registered a US$0.8 million loss in the quarter, compared to US$0.7 million loss in 1Q18 and US$0.6 million loss in 2Q17.

Other Gains (Losses) resulted in a US$8 million loss. Other Gains (Losses) may include non-core business revenues and other items, such as insurance deductibles on losses, donations, and the relative effects of changes in the fair value of financial instruments including forwards and swaps (different from those under hedge accounting), among others.

Income Taxes amounted to a US$170 million loss in 2Q18, compared to a loss of US$40 million in 1Q18 and US$46 million in 2Q17. The result for the quarter includes a US$99 million income tax provision, US$41 million gain from a lower deferred tax provision and a US$112 million loss related to the effect of currency exchange rate movement on deferred taxes. As CMPC's tax accounting is in local currencies (except in Chile), the depreciation of these currencies against the US dollar, particularly the Brazilian Real, decreases the tax base of assets measured in dollars, and therefore increases the Deferred Taxes account, which is a non-cash effect.

CAPITAL EXPENDITURES

Capital Expenditures in 2Q18 totaled US$99 million, 3% lower QoQ and 8% lower YoY. These capital expenditures are mainly related to forestry maintenance and disbursements related to the Zarate and Laja projects and the expansion in diaper production capacity in Brazil.



FREE CASH FLOW

Free Cash Flow reached US$103 million in 2Q18, compared to US$70 million in 1Q18 and US$122 million in 2Q17. The higher QoQ free cash flow generation relates to higher EBITDA generation, partially mitigated by higher Dividends, Financial Expenses and Income taxes.

US$ Million	2Q17	1Q18	2Q18	QoQ	YoY	6M17	6M18	YoY
EBITDA	290	399	507	27%	75%	501	906	81%
(-) Capex	(108)	(103)	(99)	-3%	-8%	(219)	(202)	-8%
(-) Dividends	(5)	(0)	(66)	-	1313%	(5)	(66)	1308%
(-) Net Financial Expenses	(47)	(22)	(60)	166%	26%	(93)	(82)	-12%
(-) Income tax	(6)	(22)	(74)	242%	1168%	(37)	(96)	159%
(+/-) Working Capital Variation	(3)	(182)	(103)	-43%	3389%	81	(285)	-450%
Free Cash Flow	122	70	103	47%	-15%	228	174	-24%

DEBT

	US$ Million	2Q17	1Q18	2Q18	QoQ	YoY
(i)	Current Interest-Bearing Liabilities	851	327	329	1%	-61%
(ii)	Non-Current Interest-Bearing Liabilities	3,796	3,724	3,573	-4%	-6%
(iii)	Other Obligations	(33)	(31)	(31)	-1%	-5%
(iv)	Net Hedging Current Liabilities related to Debt Instruments	(7)	(5)	(2)	-66%	-77%
(v)	Net Hedging Non-Current Liabilities related to Debt Instruments	27	(30)	(6)	-78%	-124%
	Total Debt ((i) + (ii) + (iii) + (iv) + (v))	4,633	3,986	3,863	-3%	-17%
	Cash*	1,260	843	639	-24%	-49%
	Net Debt	3,374	3,143	3,223	3%	-4%

*Cash and cash equivalents + Term deposits within 90 to 360 days of maturity

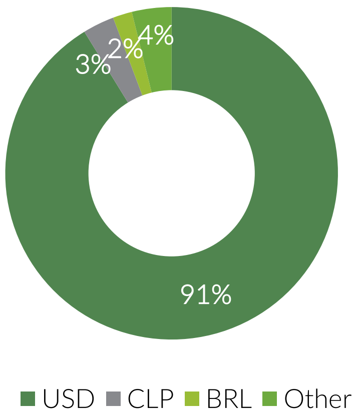
As of June 30, 2018, CMPC's **Financial Debt** stood at US$3,863 million, 3% lower than in March 31, 2018, and 17% lower than in June 30, 2017.

Cash held by the Company at the end of 2Q18 totaled US$639, 24% lower QoQ and 49% lower YoY. The decreases are explained by the US$158 million disbursement related to the restitution to Chilean tissue consumers during 2Q18.

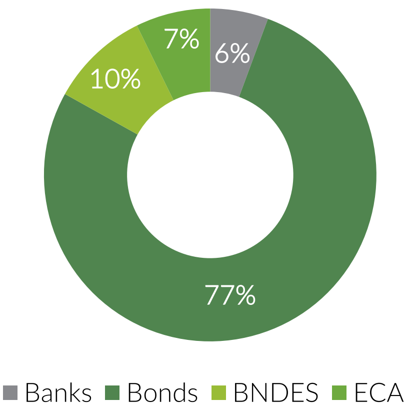
Net Financial Debt stood at US$3,223 million as of June 30, 2018, up 3% compared to March 31, 2018, but down 4% compared to June 30, 2017.

Debt Breakdown

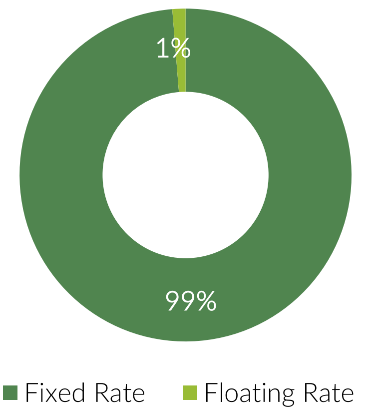
Debt by Currency



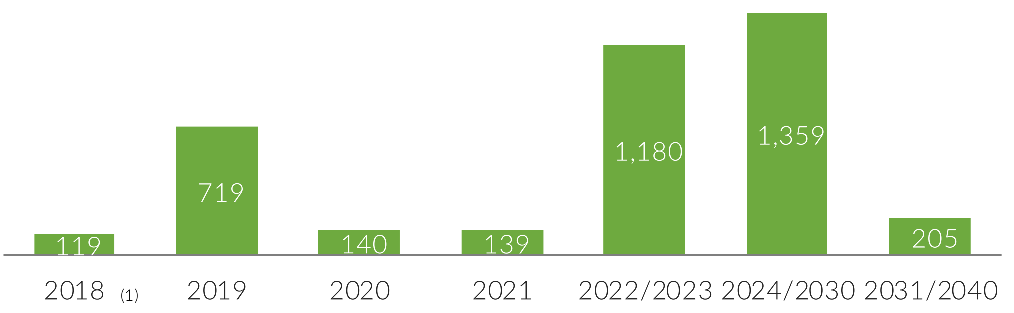
Debt by Type



Debt by Interest Rate



Amortization Schedule



(1) The 2018 figure includes US$87 million in amortization and US$32 million related to accrued interest.

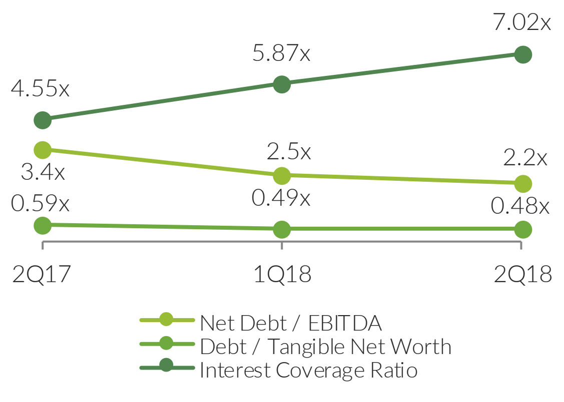
FINANCIAL RATIOS

The **Net Debt/EBITDA** ratio in 2Q18 was 2.2x, down from 2.5x in 1Q18 and 3.4x in 2Q17.

The **Debt/Tangible Net Worth** ratio was 0.48x, down from 0.49x in 1Q18 and 0.59x in 2Q17.

The **Interest Coverage** ratio was 7.02x, compared to 5.87x in 1Q18 and 4.55x in 2Q17.

Financial Ratio Evolution



REVIEW OF RESULTS BY BUSINESS

PULP MARKET

Supply/Demand balance remained tight in 2Q18 as several supply disruptions occurred during the quarter. RISI estimates 530,000 tons of market pulp production was lost last quarter, just from World-20 (W-20) mills. This is a significant portion of market pulp capacity that was idle, helping to mitigate the effect of slowing demand and avoiding the price decrease that was forecasted at the end of last year.

According to PPPC, W-100 market pulp demand increased at a 2.5% rate YoY in 1H18: Softwood +0.3% and Hardwood +4.1%. While Chinese market pulp demand is growing more slowly than in previous years, the bright spot now is that European market pulp demand awoke from a long lethargy and began to grow significantly. More than 6 weeks of price stability in China is by all historical records something extraordinary, considering in addition the Renminbi's steady devaluation since mid-April of this year. This tight balance also shielded pulp prices during a period when the value of the US$ strengthened against the currencies of the other market pulp producers' countries, which was historically meant lower pulp prices. Prices in other regional markets kept their upward trajectory and currently net price differentials with China have almost vanished.

According to Hawkins Wright, many Chinese papermakers facing increasing fiber cost pressures have so far been able to pass these higher costs on to their final customers by raising paper prices to maintain margins. However, the weakening Renminbi has made the situation more challenging. Official data show that Chinese Paper & Board production fell 0.7% YoY in 1H18 and we think this behavior is consistent with almost flat Chinese market pulp demand. In Europe, paper prices are responding poorly to fiber cost pressures and that could derail the significant recovery we experienced in the first half of the year.

Besides Arauco MAPA, there are no large expansion projects in the pipeline for either BSKP or BHKP market pulp from the second half 2018 through 1Q20 and customers, therefore, continue strengthening ties with reliable suppliers.

Source: PPPC, World Chemical Market Pulp Global 100 Report – June, 2018

PULP BUSINESS

During 2Q18, Pulp & Forestry sales increased 14% QoQ, and 49% YoY, reaching US$899 million.

Pulp Sales & EBITDA

US$ Million	2Q17	1Q18	2Q18	QoQ	YoY	6M17	6M18	YoY
Pulp Sales	605	786	899	14%	49%	1,148	1,685	47%
- Pulp Sales	*479*	*662*	*749*	*13%*	*57%*	898	1,411	*57%*
- Forestry Sales	*126*	*123*	*150*	*21%*	*19%*	250	273	*9%*
EBITDA	221	333	444	33%	101%	351	777	121%
EBITDA Mg.	36.6%	42.4%	49.4%	693 bps	1282 bps	30.6%	46.1%	1556 bps

FORESTRY

Third Party Sales Volumes

	2Q17	1Q18	2Q18	QoQ	YoY	6M17	6M18	YoY
- Pulpwood	18	23	16	-30%	-11%	45	39	-14%
- Sawing Logs	413	354	457	29%	11%	833	810	-3%
- Sawn Wood	194	181	202	11%	4%	360	383	7%
- Remanufactured Wood	44	39	44	11%	0%	90	83	-8%
- Plywood	96	99	123	25%	29%	199	222	12%
- Others	140	114	148	29%	5%	325	262	-20%
Total **(th. m^3)**	905	810	989	22%	9%	1,852	1,799	-3%

Forestry sales **volumes** to third parties increased 22% QoQ, with growth across most products. Sawing logs (+29%) benefited from higher sales in Chile, plywood (+25%) also had higher sales in Chile and higher exports to Latin America and the U.S., while sawn wood (+11%) had higher sales to Asia, and remanufactured wood (+11%) benefited from higher sales in Chile and higher exports to Asia and the U.S.. On the downside, we saw a 30% decrease in pulpwood as a result of lower sales in Argentina.

The 9% YoY increase in **forestry volumes** sold to third parties is mostly explained by increases in plywood (+29%) as a result of higher sales to Europe and Latin America, increases in sawing logs (+11%) due to higher sales in Chile, and an increase in sawn wood (+4%) due to more exports to China. An 11% decrease in pulpwood, as a result of lower sales in Argentina, partially offset these increases.

Forestry average **sale prices** decreased 1% QoQ, related to lower pulpwood prices mitigated by higher sawing logs prices, and increased 8% YoY, mainly due to higher prices in plywood and sawn wood partly offset by lower pulpwood prices.

PULP

Pulp Production

	2Q17	1Q18	2Q18	QoQ	YoY	6M17	6M18	YoY
BSKP(1)	203	186	204	10%	1%	384	390	1%
BEKP	784	784	847	8%	8%	1,374	1,631	19%
Total Pulp **(th. Tons)**	987	970	1,051	8%	7%	1,759	2,021	15%
Papers(2)	32	31	28	-8%	-13%	59	59	0%

(1) Includes UKP

(2) Includes Sackraft produced in the Laja mill and P&W paper produced in the Guaiba mill

CMPC's pulp mills operated at capacity during 2Q18, as there was no **maintenance downtime**. The Company has no scheduled maintenance downtime for 3Q18, but has scheduled maintenance at Santa Fe I (11 days), Laja (16 days), Guaíba I (15 days) and Guaíba II (18 days) for 4Q18.

Pulp **production** totaled 1,051,000 tons in 2Q18, increasing 8% QoQ and 7% YoY. Hardwood production totaled 847,000 tons in 2Q18, increasing 8% both QoQ and YoY. The QoQ increase relates to the Santa Fe mill resuming production after downtime of its second line in 1Q18. YoY the increase is due to the fact that the Guaiba mill resumed its normal operations.
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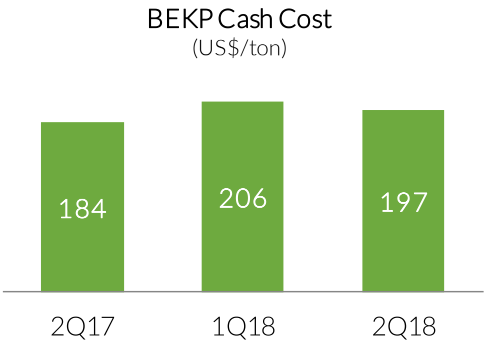
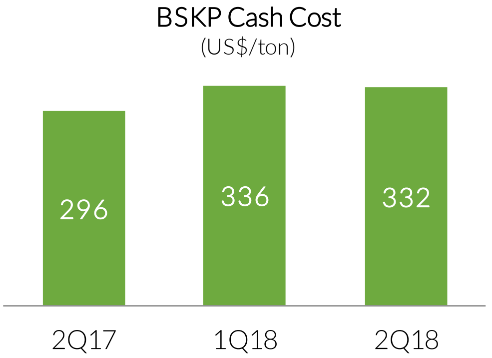
Softwood production totaled 204,000 tons increasing 10% QoQ, due to Pacifico resuming production after its 1Q18 maintenance downtime, and 1% YoY, driven by higher production at the Laja mill.



BEKP cash cost[3] reached US$197/ton during 2Q18. QoQ costs were 4% lower due to a decrease in chemical costs at both Santa Fe and Guaiba mills and lower pulpwood costs in Brazil. This was partly offset by higher energy costs in Santa Fe. YoY costs increased 8%, as pulpwood costs in Santa Fe went up.



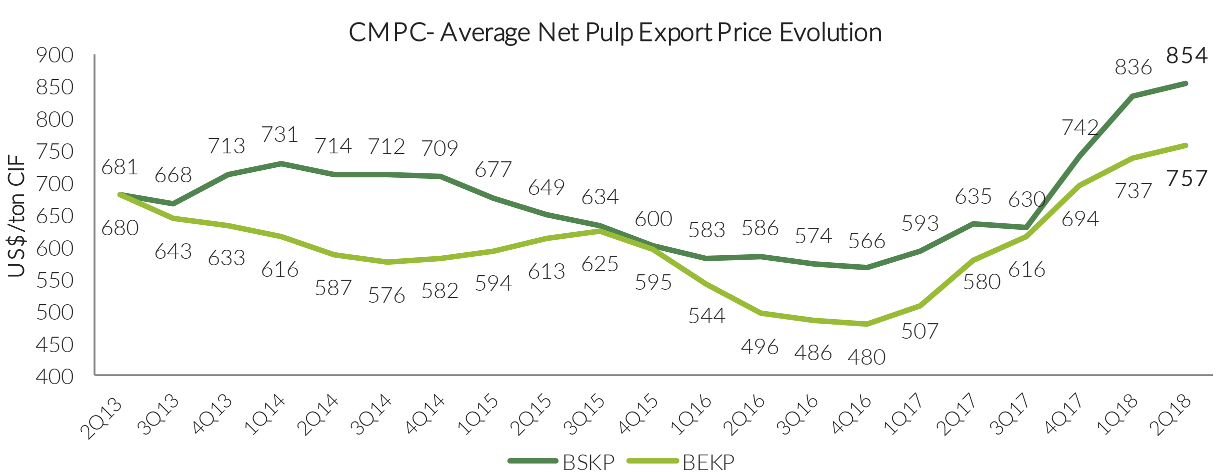
BSKP cash cost[3] reached US$332/ton during 2Q18, decreasing 1% QoQ and increasing 12% YoY. The QoQ decrease was mainly due to lower energy costs during the downtime at the Pacifico mill in 1Q18, which was offset by an increase in chemical and pulpwood costs. YoY, energy costs increased due to higher petrol prices and pulpwood costs at both the Laja and Pacifico mill.

[3] Cash cost = wood plus chemicals plus energy plus materials plus labor costs.

Third Party Sales Volumes

	2Q17	1Q18	2Q18	QoQ	YoY	6M17	6M18	YoY
BSKP	157	164	170	4%	8%	314	334	6%
BEKP	619	674	757	12%	22%	1,226	1,431	17%
Total Market Pulp (Th. Tons)	**777**	**838**	**927**	**11%**	**19%**	**1,540**	**1,765**	**15%**
P&W Guaiba (Th. Tons)	14	13	10	-24%	-32%	25	22	-11%

Market pulp sales **volumes** increased 11% from 1Q18 and 19% from 2Q17. The 4% QoQ increase in softwood sales volumes was mainly due to higher exports to Asia and Europe, while the 8% YoY expansion is explained by higher exports to China. Hardwood volumes increased 12% QoQ, as a result of higher exports to all markets, and 22% YoY on higher exports to China.



Pulp average **sales prices** (including a small tonnage of P&W papers and energy sold to the Chilean grid) increased 2% QoQ and 31% YoY. The average effective net export price for softwood was CIF 854 US$/ton; CIF 757 US$/ton for hardwood. During 2Q18, the price spread between the two fibers was CIF 97 US$/ton, compared with CIF 99 US$/ton in 1Q18.

EBITDA increased 33% QoQ and 101% YoY, with **EBITDA margin** reaching 49.4%, higher compared to the 42.4% in 1Q18 and to the 36.6% in 2Q17.

The QoQ EBITDA increase resulted from, on the positive side, higher hardwood and softwood volumes, as production increased in the Santa Fe and Pacifico mills respectively. Higher forestry volumes, higher prices in both hardwood pulp (+3%) and softwood pulp (+2%), and lower costs, as a result of the lack of maintenance stoppages and forestry protection costs during the quarter also contributed. On the negative side we had the impact of higher administrative expenses. The YoY increase resulted mainly from the price increase in softwood (+34%) and hardwood (+31%) and to higher pulp volumes, only partly offset by higher administrative expenses and higher pulp cash cost.

TISSUE BUSINESS

In 2Q18, Tissue sales increased 2% both QoQ and YoY to US$486 million.

Tissue Sales & EBITDA

US$ Million	2Q17	1Q18	2Q18	QoQ	YoY	6M17	6M18	YoY
Sales	478	479	486	2%	2%	930	964	4%
EBITDA	58	51	49	-4%	-16%	110	99	-10%
EBITDA Mg.	12,0%	10,6%	10,0%	-61 bps	206 bps	11,8%	10,3%	-155 bps

Third Party Sales Volumes

	2Q17	1Q18	2Q18	QoQ	YoY	6M17	6M18	YoY
- Chile	37	37	40	9%	7%	73	77	5%
- Brazil	34	31	33	5%	-4%	66	64	-2%
- Mexico	33	34	31	-8%	-5%	66	66	0%
- Argentina	26	24	26	8%	1%	51	50	-2%
- Peru	22	24	23	-3%	5%	44	47	8%
- Uruguay	5	5	5	6%	-7%	11	10	-8%
- Colombia	6	6	7	8%	4%	13	13	2%
- Ecuador	4	4	4	3%	12%	8	8	10%
Total Tissue Paper (Th. Tons)	168	165	169	3%	1%	329	334	1%
- Diapers	760	770	797	4%	5%	1,472	1,568	7%
- Feminine Care	331	324	313	-3%	-5%	655	638	-3%
- Others	230	205	231	13%	1%	485	437	-10%
Total Sanitary (M. Units)	1,320	1,300	1,342	3%	2%	2,612	2,642	1%

Tissue Paper sales **volumes** increased 3% from 1Q18 and 1% from 2Q17. QoQ, sales volumes benefitted from higher volumes in most countries, except for Mexico and Peru. YoY sales volumes increases in Chile, Peru and Colombia, offset by decreases in Mexico and Brazil.

Sanitary Products sales **volumes** increased 3% from 1Q18 and 2% from 2Q17. Driving the QoQ increase were higher baby diaper volumes in all countries, except for Brazil, and higher wet wipe volumes in Chile, partially offset by lower feminine care volumes in most countries of operation. The combination of higher diaper volumes in Argentina, Brazil, Mexico and Chile and a decrease in feminine care volumes in Argentina, Colombia, Peru and Uruguay explain the YoY results.

Average **sales prices** (measured in US Dollars) decreased sequentially by 1% for tissue paper and by 2% for sanitary products. Annually, prices increased by 1% for both tissue paper and sanitary products. Both the QoQ and YoY changes relate to higher prices in local currencies in most markets and the negative effect in prices measured in dollars due to the depreciation of local currencies, mainly the Argentinean peso and the Brazilian real during the quarter.

EBITDA in 2Q18 decreased 4% QoQ and 16% YoY. **EBITDA margin** was 10.0% in 2Q18, down from the 10.6% in 1Q18 and 12.0% in 2Q17.

The sequential decrease in EBITDA is mainly due to higher SG&A expenses related to higher labor costs and brand investment, higher operating costs related to increased pulp prices and the negative effect of the depreciation of local currencies, partially mitigated by higher sales volumes of tissue paper and sanitary products. The YoY decrease is mainly due to higher pulp prices, higher SG&A expenses and the negative effect of the depreciation of local currencies, only partly offset by higher revenues for both tissue paper and sanitary products.

PAPER BUSINESS

In 2Q18, Paper sales increased 1% QoQ and 19% YoY to US$233 million.

Papers Sales & EBITDA

US$ Million	2Q17	1Q18	2Q18	QoQ	YoY	6M17	6M18	YoY
Sales	197	231	233	1%	19%	415	464	12%
EBITDA	18	24	24	-2%	31%	51	48	-6%
EBITDA Mg.	9.2%	10.4%	10.1%	-31 bps	95 bps	12.2%	10.3%	-198 bps

Third Party Sales Volumes

	2Q17	1Q18	2Q18	QoQ	YoY	6M17	6M18	YoY
- Boxboard	82	78	90	15%	10%	163	169	4%
- Paper Bags	22	21	23	7%	2%	43	44	2%
- Other Papers	20	23	22	-6%	11%	40	45	13%
- Corrugated Paper	21	26	29	9%	37%	49	55	11%
- Corrugated Boxes	36	52	37	-28%	2%	89	89	-1%
- Molded Pulp Trays	7	6	8	27%	11%	13	13	1%
Total **(Th. Tons)**	188	207	208	1%	11%	398	415	4%

Sales **volumes** to third parties increased 1% QoQ, driven by 27% higher volumes of molded pulp trays, as a result of increased apple trays, 15% higher volumes of boxboard, with higher exports to Latin America and Europe, 9% higher volumes of corrugated paper, with higher exports to Latin America, and 7% higher volumes in paper bags, driven by increased volumes in Peru. Offsetting the increases were lower volumes of corrugated boxes (-28%) as a result of the end of the fruit season in Chile.

The YoY sales **volumes** sold to third parties increased 11%, with increases in all products. Higher exported volumes to Latin America resulted in increases of 37% in corrugated paper and of 10% in boxboard. In addition, molded pulp trays (+11%) benefited from sales increases in Chile, while paper bags and corrugated boxes (+2%) saw higher sales in Chile and higher sales of fruit boxes, respectively.

Average **sale prices** were stable QoQ and increased 7% YoY, mainly due to higher prices for all packaging products.

EBITDA in 2Q18 decreased 2% from 1Q18 but increased 31% from 2Q17. **EBITDA margin** was 10.1% in 2Q18, compared with 10.4% in 1Q18 and 9.2% in 2Q17.

The sequential decrease in EBITDA is mainly related to lower corrugated boxes volumes, as a result of the end of the fruit season in Chile, and also higher operating costs. On the upside we had higher EBITDA generation from the boxboard segment, which benefitted from the higher production of the Maule mill as well as higher prices. The annual increase is a result of the higher revenues in all product categories, especially boxboard and corrugated paper, partly offset by higher operating costs, related to increased fiber costs, maintenance expenses, and higher administration expenses.

RELEVANT EVENTS

Energy Management Insight Award – In May 2018, CMPC received the Energy Management Insight Award after presenting a case study of its ISO 50001-certified Energy Management System of the pulp mills in Chile. The 22% improvement in energy performance from 2014 to 2017 led to a US$40 million cost reduction and 198 Mton reduction in CO_2-equivalent emissions. The award is presented by the Clean Energy Ministerial (CEM) forum, composed of 24 countries that represent 90% of the global investment in clean energy and that are responsible for 75% of the greenhouse gas emissions.

Disbursement of restitution to Chilean tissue consumers – On June 5, 2018, CMPC deposited CLP$99,803 million in a SERNAC account, including the agreement principal and the net interest generated by the deposit, fulfilling the restitution agreement. The amount will be distributed to consumers according to the deadlines and the mechanisms established by the above-mentioned government entity.

Appointment of a new Chief Executive Officer– On June 7, 2018, the Board of Directors of Empresas CMPC accepted the resignation presented by Mr. Hernán Rodríguez Wilson from the position of Chief Executive Officer of the Company. On the same date, the Board of Directors agreed to designate as new Chief Executive of Empresas CMPC S.A. Mr. Francisco Ruiz-Tagle Edwards, current Chief Executive Officer of the Pulp subsidiary.

SUBSEQUENT EVENTS

Bond issuance in Chilean local market – On July 12, 2018, Inversiones CMPC S.A. issued bonds in the Chilean local market for an amount of 8,000,000 *Unidades de Fomento*, in the Series referred to below, with respect to which Empresas CMPC S.A., in its capacity as parent company of the issuer, has become a guarantor and co-debtor. The bonds issued are as follows: Series 'H' bonds for an amount of 3,000,000 *Unidades de Fomento*, with a term of 7 years, and with a placement rate of 1.77%; Series 'M' bonds for an amount of 5,000,000 *Unidades de Fomento*, with a term of 10 years and with a placement rate of 2.55%.

Tender offer 144A bond – On July 17, 2018, CMPC announced the tender offer for US$315 million of the US$500 million 144A bond due November 2019. The process ends on August 17, 2018.

About CMPC

Empresas CMPC produces forestry, pulp, paper, tissue and packaging products throughout Latin America. The Company aims to deliver world-class products, from forestry to finished products, to its global customer base. Its high quality timber and production facilities are strategically located in countries including Chile, Brazil, Argentina, Mexico, Peru, Colombia, Uruguay and Ecuador, hiring more than 17 thousand direct employees, making CMPC a truly regional company with a competitive cost structure. The Company sells more than 25 different product lines in more than 45 countries, always seeking long-term relationships.

Forward-Looking Statements

This earnings release may contain forward-looking statements. Such statements are subject to risks and uncertainties that could cause Empresas CMPC's actual results to differ materially from those set forth in the forward-looking statements. These risks include: market, financial and operational risks. All of them are described in CMPC's Financial Statements, Note 3 ("Gestión de Riesgos").

In compliance with the applicable rules, Empresas CMPC S.A. publishes this document on its web site (www.cmpc.cl) and sends to the Superintendencia de Valores y Seguros the Financial Statements of the Company and its corresponding notes, which are available for consultation and review on its website (www.svs.cl).

FINANCIAL TABLES FOLLOW

BALANCE SHEET

US$ Thousands	2Q17	1Q18	2Q18	QoQ	YoY
Current Assets	3,707,451	3,600,925	3,417,114	-5%	-8%
Cash and Cash Equivalents	1,259,726	843,117	639,472	-24%	-49%
Operative Receivables	732,167	913,038	988,124	8%	35%
Inventories	1,159,120	1,242,276	1,200,703	-3%	4%
Biological Assets	356,293	330,183	327,176	-1%	-8%
Tax Assets	163,427	237,212	222,954	-6%	36%
Other Current Assets	36,718	35,099	38,685	10%	5%
Non Current Assets	11,571,614	11,563,160	11,352,887	-2%	-2%
Intangible Assets, Different from Goodwill	14,121	16,768	20,342	21%	44%
Goodwill	111,763	110,963	105,086	-5%	-6%
Property, Plant and Equipment, Net	7,929,563	7,903,752	7,759,399	-2%	-2%
Biological Assets	3,208,370	3,168,458	3,143,728	-1%	-2%
Deferred Tax Assets	53,756	83,724	82,720	-1%	54%
Other Non Current Assets	254,041	279,495	241,612	-14%	-5%
TOTAL ASSETS	15,279,065	15,164,085	14,770,001	-3%	-3%
Current Liabilities	1,755,678	1,540,157	1,276,280	-17%	-27%
Other Financial Liabilities	876,202	333,737	335,137	0%	-62%
Operative Liabilities	647,704	764,461	694,624	-9%	7%
Other Current Liabilities	231,772	441,959	246,519	-44%	6%
Non Current Liabilities	5,511,768	5,363,721	5,279,396	-2%	-4%
Other Financial Liabilities	3,838,713	3,743,634	3,600,047	-4%	-6%
Deferred Tax Liabilities	1,563,162	1,502,207	1,576,376	5%	1%
Other Non Current Liabilities	109,893	117,880	102,973	-13%	-6%
Non Controlling Participations	1,335	2,410	2,186	-9%	64%
Equity Attributable to the Owners of the Controller	8,010,284	8,257,797	8,212,140	-1%	3%
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	15,279,065	15,164,085	14,770,001	-3%	-3%

Balance Sheet numbers are based on CMPC's quarterly financial data, which is presented to the "Superintendencia de Valores y Seguros" (SVS) .

INCOME STATEMENT

US$ Thousands	2Q17	1Q18	2Q18	QoQ	YoY	6M17	6M18	YoY
Sales	1,279,714	1,494,860	1,618,259	8%	26%	2,492,760	3,113,119	25%
Operating Costs(1)	(807,247)	(915,542)	(914,991)	0%	13%	(1,647,057)	(1,830,532)	11%
Operating Margin	472,467	579,318	703,268	21%	49%	845,703	1,282,587	52%
Other Operating Expenses(2)	(182,361)	(180,406)	(196,461)	9%	8%	(345,181)	(376,868)	9%
EBITDA(3)	290,106	398,912	506,807	27%	75%	500,522	905,719	81%
EBITDA Margin (%)	22.7%	26.7%	31.3%	721 bps	934 bps	40.0%	58.0%	1799 bps
Depreciation, Amortizations and Stumpage	(139,998)	(142,778)	(158,716)	11%	13%	(282,358)	(301,494)	7%
Increase in Biological Assets due to Forests Growth and Price Effects	51,829	30,178	26,842	-11%	-48%	87,217	57,020	-35%
Decrease in Biological Assets due to Harvest	(52,851)	(48,031)	(42,249)	-12%	-20%	(101,749)	(90,280)	-11%
Operating Income	149,086	238,281	332,684	40%	123%	203,632	570,965	180%
Financial Expenses	(58,159)	(51,797)	(52,812)	2%	-9%	(110,476)	(104,609)	5%
Financial Income	3,093	3,432	3,169	-8%	2%	5,634	6,601	17%
Share Results in Associated Companies	1	3	3	0%	200%	7	6	14%
Foreign Exchange Difference	(4,427)	(2,168)	(9,489)	338%	114%	276	(11,657)	4324%
Indexation Unit Results	(603)	(655)	(772)	18%	28%	(979)	(1,427)	-46%
Other Gains (Losses)	(16,813)	(3,221)	(8,074)	151%	-52%	(69,435)	(11,295)	84%
Income Taxes	(46,439)	(39,610)	(169,857)	329%	266%	20,871	(209,467)	904%
Net Income (Loss)	25,739	144,265	94,852	-34%	-269%	7,788	239,117	2970%
Net Income (Loss), attributable to owners of the parent	25,740	144,223	95,081	-34%	-269%	9582	239304	2397%
Net Income (Loss), attributable to non-controlling interest	(1)	42	(229)	-645%	-22800%	(1,794)	(187)	90%

(1) Operating Costs are calculated as: Costs of Sales minus Stumpage minus Decrease in Biological Assets due to Havest minus Depreciation

(2) Other Operating Expenses are calculated as: Distribution Costs plus Administration Expenses plus Other Functional Expenses

(3) EBITDA is calculated as: Sales minus Operating Costs minus Other Operating Expenses

CASH FLOW STATEMENT

US$ Thousands	2Q17	1Q18	2Q18	QoQ	YoY	6M17	6M18	YoY
Cash Flow from Operating Activities	282,190	191,578	111,262	-42%	-61%	524,928	302,840	-42%
Cash collection from operating activities								
Proceeds from sales of goods and services delivered	1,472,467	1,462,669	1,635,044	12%	11%	2,887,451	3,097,713	7%
Proceeds of premiums and services, annuities and other obligations on policies subscribed	13	16,869	4,434	-74%	34008%	1,433	21,303	1387%
Other proceeds from operating activities	57,895	84,397	60,608	-28%	5%	114,992	145,005	26%
Payments for operating activities								
Payments to suppliers for goods and services	(1,046,648)	(1,158,636)	(1,185,485)	2%	13%	(2,097,898)	(2,344,121)	12%
Payments to and on behalf of employees	(120,772)	(128,128)	(111,622)	-13%	-8%	(226,326)	(239,750)	6%
Payments for premiums, benefits, annuities, and other obligations derived from suscribed policies	(1,466)	(3,581)	(1,122)	-69%	-23%	(4,500)	(4,703)	5%
Other payments from operating activities	(73,424)	(60,210)	(216,099)	259%	194%	(113,113)	(276,308)	144%
Net cash flows from (used in) operating activities	288,065	213,380	185,758	-13%	-36%	562,039	399,138	-29%
Income taxes paid (reimbursed)	(5,875)	(21,803)	(74,496)	242%	1168%	(37,111)	(96,299)	159%
Cash Flow from Investment Activities	(98,796)	(98,754)	(95,083)	-4%	-4%	(199,007)	(193,836)	-3%
Amounts obtained from the sale of property, plant and equipment	7	-	-	-	-100%	53	-	-100%
Purchases of property, plant and equipment	(85,682)	(83,482)	(77,719)	-7%	-9%	(171,509)	(161,201)	-6%
Purchases of other long-term assets	(18,615)	(19,112)	(21,606)	13%	16%	(35,455)	(40,717)	15%
Interest received	4,221	3,840	4,242	10%	0%	6,624	8,082	22%
Other cash inflows (outflows)	1,273	-	-	0%	-100%	1,280	-	-100%
Cash Flow from Financing Activities	400,842	(84,196)	(200,332)	138%	-150%	343,065	(284,528)	-183%
Proceeds raised through short-term loans	59,328	86,893	32,984	-62%	-44%	219,327	119,877	-45%
Proceeds raised through long-term loans	684,460	-	-	0%	-100%	700,005	-	-100%
Proceeds raised through loans	743,788	86,893	32,984	-62%	-96%	919,332	119,877	-87%
Loans reimbursements	(283,079)	(142,983)	(102,385)	-28%	-64%	(463,786)	(245,368)	-47%
Payments of financing lease liabilities	(3,572)	(1,758)	(468)	-73%	-87%	(6,420)	(2,226)	-65%
Dividends paid	(4,702)	(44)	(66,429)	150917%	1313%	(4,722)	(66,473)	1308%
Interest paid	(51,593)	(26,304)	(64,034)	143%	24%	(99,947)	(90,338)	-10%
Other cash inflows (outflows)	-	-	-	-	-	(1,392)	-	-
Net increase (decrease) in cash and cash equivalents before effect of exchanges rate change	584,236	8,629	(184,153)	2234%	-132%	668,986	(175,524)	-126%
Effects of variation in the exchange rate on cash and cash equivalents	(1,459)	1,734	(19,492)	-1224%	-1236%	(5,103)	(17,758)	248%
Net increase (decrease) in cash and cash equivalents	582,777	10,363	(203,645)	-2065%	-135%	663,883	(193,282)	-129%
Cash and cash equivalents at beginning of period	676,949	832,754	843,117	1%	25%	1,272,793	1,675,872	32%
Total Cash at the end of the period	1,259,726	843,117	639,472	-24%	-49%	1,936,676	1,482,590	-23%

INCOME STATEMENT DATA BY BUSINESS UNIT

June, 2018

In th. US$	Business Areas (Operating Segments)					Adjustments & Eliminations	Total CMPC
	Pulp	Paper	Tissue	Total	Other (3)		
Operating income from external customers	1,684,625	464,160	964,334	3,113,119	-	-	3,113,119
Operating income between operating segments of the same entity	162,546	13,923	743	177,212	14,489	(191,701)	-
Income from External and Related Customers	1,847,171	478,083	965,077	3,290,331	14,489	(191,701)	3,113,119
Cost of Sales	(1,285,042)	(414,758)	(697,295)	(2,397,095)	(0)	174,788	(2,222,307)
Distribution Costs	(34,401)	(13,313)	(87,305)	(135,019)	-	2,819	(132,200)
Administrative Costs	(54,539)	(22,839)	(44,579)	(121,957)	(32,493)	13,579	(140,871)
Raw Materials an Supplies Used	(873,298)	(365,008)	(651,856)	(1,890,162)	-	165,751	(1,724,411)
Employee Benefit Expenses	(108,396)	(49,405)	(123,318)	(281,119)	(13,563)	-	(294,682)
Depreciation & Amortization Expense	(163,953)	(26,319)	(44,266)	(234,538)	(3,047)	3,869	(233,716)
Interest Income	1,642	1,489	901	4,032	49,322	(46,753)	6,601
Interest Expense	(53,376)	(2,316)	(19,279)	(74,971)	(76,391)	46,753	(104,609)
Other Significant Income (Expense) Items	(7,403)	1,510	(428)	(6,321)	(2,625)	(2,349)	(11,295)
Total Other Significant Income (Expense) Itms	(59,137)	683	(18,806)	(77,260)	(29,694)	(2,349)	(109,303)
Share in Income of Associates	6	-	-	6	-	-	6
Income Tax (Charge) Credit	(201,835)	(7,861)	(17,748)	(227,444)	17,976	-	(209,468)
EBITDA Determined by Segment (1)	777,225	47,591	99,275	924,091	(14,957)	(3,415)	905,719
Operating Profit (Loss) (2)	512,234	21,272	55,009	588,515	(18,004)	454	570,965
Profit (Loss) Before Taxes	457,118	19,549	(12,177)	464,490	221,328	(237,234)	448,584
Profit (Loss)	255,283	11,689	(29,925)	237,047	239,304	(237,234)	239,117

June, 2017

In th. US$	Business Areas (Operating Segments)					Adjustments & Eliminations	Total CMPC
	Pulp	Paper	Tissue	Total	Other (3)		
Operating income from external customers	1,147,764	414,619	930,377	2,492,760	-	-	2,492,760
Operating income between operating segments of the same entity	137,724	13,611	451	151,786	17,292	(169,078)	-
Income from External and Related Customers	1,285,488	428,230	930,828	2,644,546	17,292	(169,078)	2,492,760
Cost of Sales	(1,168,944)	(366,239)	(644,629)	(2,179,812)	-	148,648	(2,031,164)
Distribution Costs	(30,371)	(11,662)	(83,134)	(125,167)	-	3,065	(122,102)
Administrative Costs	(41,910)	(19,267)	(40,945)	(102,122)	(28,019)	18,346	(111,795)
Raw Materials an Supplies Used	(763,350)	(318,203)	(607,652)	(1,689,205)	-	141,165	(1,548,040)
Employee Benefit Expenses	(90,844)	(43,458)	(124,175)	(258,477)	(10,533)	-	(269,010)
Depreciation & Amortization Expense	(160,234)	(26,315)	(35,171)	(221,720)	(2,591)	3,825	(220,486)
Interest Income	1,206	2,246	2,158	5,610	98,537	(98,513)	5,634
Interest Expense	(92,039)	(4,357)	(28,488)	(124,884)	(84,105)	98,513	(110,476)
Other Significant Income (Expense) Items	(47,872)	(52)	(25,934)	(73,858)	6,211	(1,788)	(69,435)
Total Other Significant Income (Expense) Itms	(138,705)	(2,163)	(52,264)	(193,132)	20,643	(1,788)	(174,277)
Share in Income of Associates	7	-	-	7	-	-	7
Income Tax (Charge) Credit	(3,848)	(3,785)	(6,851)	(14,484)	(6,387)	-	(20,871)
EBITDA Determined by Segment (1)	350,922	50,716	110,234	511,872	(8,837)	(2,513)	500,522
Operating Profit (Loss) (2)	114,284	24,401	75,063	213,748	(11,428)	1,312	203,632
Profit (Loss) Before Taxes	(23,285)	22,811	33,626	33,152	15,579	(20,072)	28,659
Profit (Loss)	(27,133)	19,026	26,775	18,668	9,192	(20,072)	7,788