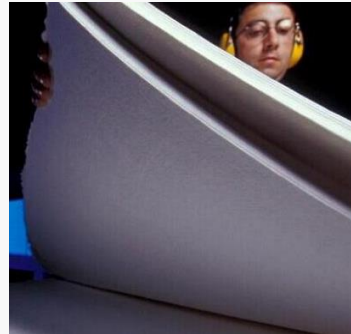


Conference Call Presentation

# 4<sup>th</sup> Quarter 2015 Financial Results



**Gianfranco Truffello, C.F.O**

Santiago, March 22<sup>nd</sup>, 2016

# 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 4<sup>th</sup> Quarter 2015**

- **Review by Business Segment & Outlook**

- **4<sup>th</sup> Quarter and Subsequent Events**

- **Q&A**

# Financial Review > 4Q 2015 Highlights

## Highlights

<i>US\$ Million</i>	4Q 2015	QoQ	FY 2015	YoY
Revenue	1,206.8	-6.2%	5,146.7	-3.7%
Adjusted EBITDA	289.1	-10.9%	1,282.4	0.8%
Net income	89.1	2.5%	367.7	-15.8%
Net Financial Debt	3,805.4	0.2%	3,805.4	-7.3%
Net financial debt / LTM Adj. Ebitda	3.0x	3.7%	3.0x	-8.1%

# Financial Review > Income Statement

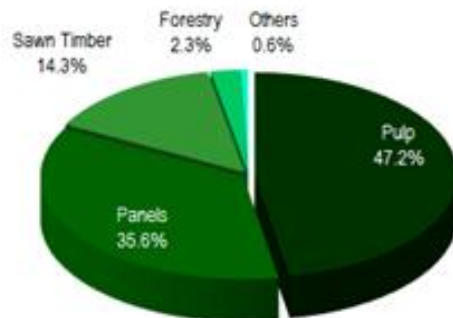
## Income Statement

US\$ Million	Q4 2015	Q3 2015	QoQ
Revenue	1,206.8	1,285.9	-6.2%
Cost of sales	(843.3)	(890.9)	-5.3%
<b>Gross Profit</b>	<b>363.5</b>	<b>395.0</b>	-8.0%
Other income	90.5	72.3	25.1%
Distribution costs and Administrative expenses	(265.9)	(268.9)	-1.1%
Other operating gains (expenses)	(5.6)	(15.8)	-64.6%
Financial costs (Net)	(54.0)	(46.8)	15.2%
Exchange rate differences	(13.3)	(22.6)	-40.8%
<b>Income before income tax</b>	<b>115.3</b>	<b>113.3</b>	<b>1.7%</b>
Income tax	(26.1)	(26.3)	-0.7%
<b>Net Income</b>	<b>89.1</b>	<b>87.0</b>	<b>2.5%</b>

## Comments

- **Revenue:** A decrease of 6.2% due to lower sales volume and average prices from pulp, panels and sawn timber
- **Cost of Sales:** A reduction of 5.3% mainly due to lower sales volume in panels and sawn timber businesses
- **Exchange rate differences:** Main part of the exchange rate loss during Q4 is explained by the depreciation of the Argentinean peso (39.7%), which affected our cash position and receivables held in local currency

Sales by Business Segment Q4 2015



# Financial Review > Adjusted EBITDA

## Adjusted EBITDA

In U.S. Million	Q4 2015	Q3 2015	QoQ	FY 2015	FY 2014	FYoFY
Net Income	89.1	87.0	2.5%	367.7	436.9	-15.8%
Financial costs	69.2	62.6	10.4%	263.0	246.5	6.7%
Financial income	-15.2	-15.8	-3.7%	-50.3	-30.8	63.4%
Income tax	26.1	26.3	-0.7%	129.7	155.9	-16.8%
<b>EBIT</b>	<b>169.2</b>	<b>160.1</b>	<b>5.7%</b>	<b>710.1</b>	<b>808.5</b>	<b>-12.2%</b>
Depreciation & amortization	101.3	102.1	-0.8%	400.1	353.4	13.2%
<b>EBITDA</b>	<b>270.5</b>	<b>262.2</b>	<b>3.1%</b>	<b>1,110.2</b>	<b>1,162.0</b>	<b>-4.5%</b>
Fair value cost of timber harvested	75.2	81.3	-7.6%	306.7	353.3	-13.2%
Gain from changes in fair value of biological assets	-69.8	-46.6	49.7%	-210.5	-284.5	-26.0%
Exchange rate differences	13.3	22.6	-40.8%	41.2	10.0	313.3%
Others (*)	-0.1	5.1	-102.3%	34.9	31.5	10.6%
<b>Adjusted EBITDA</b>	<b>289.1</b>	<b>324.6</b>	<b>-10.9%</b>	<b>1,282.4</b>	<b>1,272.2</b>	<b>0.8%</b>

### Comments

- Adjusted EBITDA for year 2015 increased 0.8% compared to year 2014; Margin rose from 23.8% to 24.9%
- Fourth quarter Adjusted Ebitda had a 10.9% decrease mainly as a result of lower sales of pulp, panels and sawn timber

*Note: Numbers may not add up due to rounding*

# Financial Review > Debt

## Financial Debt

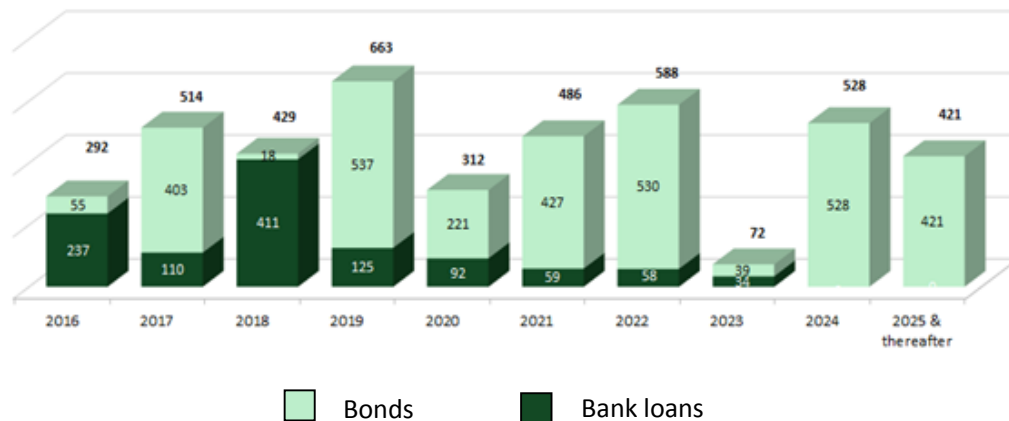
In US\$ million	December 2015	September 2015	December 2014
Short term financial debt	291.8	319.7	739.5
Long term financial debt	4,013.6	4,008.1	4,338.9
<b>TOTAL FINANCIAL DEBT</b>	<b>4,305.4</b>	<b>4,327.7</b>	<b>5,078.4</b>
Cash and cash equivalents	500.0	528.9	971.2
<b>NET FINANCIAL DEBT</b>	<b>3,805.4</b>	<b>3,798.9</b>	<b>4,107.3</b>

## Comments

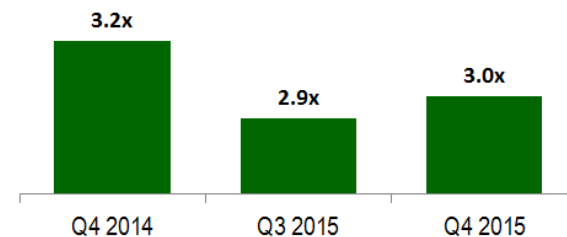
- Total financial debt dropped US\$ 773.0 million YoY
- Main part of FY2015 amortizations were financed with cash
- In one year our net leverage improved from 3.2 x to 3.0x
- QoQ leverage increased from 2.9x to 3.0x mainly because of a weaker EBITDA and lower cash
- Most maturities of year 2016 are from Montes del Plata

## Financial Debt Profile as of December 31, 2015

In US\$ Million



## Net Debt/LTM Adj. EBITDA



# Financial Review > Cash Flow

## Cash Flow

US\$ Million	Q4 2015	Q3 2015	Q4 2014	FY 2015	FY 2014
Collection of accounts receivables	1,362.8	1,492.3	1,523.3	5,733.7	5,629.2
Collection from insurance claims	0.0	1.7	5.1	4.7	5.1
Other cash receipts (payments)	83.1	35.6	94.1	333.0	359.5
Payments of suppliers and personnel (less)	(1,224.9)	(1,210.0)	(1,357.7)	(4,920.5)	(4,811.7)
Interest paid and received	(29.0)	(69.2)	(11.3)	(212.2)	(158.3)
Income tax paid	(23.8)	(15.1)	(16.6)	(87.8)	(37.3)
Other (outflows) inflows of cash, net	(2.6)	4.2	(2.6)	2.8	(1.4)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>165.6</b>	<b>239.4</b>	<b>234.3</b>	<b>853.7</b>	<b>985.2</b>
Capital Expenditures	(83.5)	(103.5)	(134.0)	(468.7)	(612.0)
Other investment cash flows	2.3	7.7	73.5	(9.1)	(43.1)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(81.2)</b>	<b>(95.8)</b>	<b>(60.4)</b>	<b>(477.8)</b>	<b>(655.2)</b>
Proceeds from borrowings	31.9	47.8	56.8	280.9	1,035.6
Repayments of borrowings	(86.7)	(153.9)	(159.2)	(949.2)	(900.6)
Dividends paid	(43.9)	(0.4)	(62.9)	(143.0)	(141.1)
Other inflows of cash, net	0.1	(0.1)	(0.1)	(0.9)	(1.8)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(98.7)</b>	<b>(106.6)</b>	<b>(165.4)</b>	<b>(812.2)</b>	<b>(7.9)</b>
<b>Total Cash Inflow (Outflow) of the Period</b>	<b>(14.2)</b>	<b>37.0</b>	<b>8.4</b>	<b>(436.3)</b>	<b>322.1</b>
Effect of exchange rate changes on cash and cash equivalents	(14.6)	(20.0)	(9.5)	(34.8)	(18.2)
Cash and Cash equivalents at beginning of the period	528.9	511.9	972.2	971.2	667.2
<b>Cash and Cash Equivalents at end of the Period</b>	<b>500.0</b>	<b>528.9</b>	<b>971.2</b>	<b>500.0</b>	<b>971.2</b>

- FY 2015 was FCF positive, and was mainly used to decrease our financial debt
- We reduced our annual CAPEX by 23.4%, which was mainly for our existing PP&E and forestry
- Q4 2015 includes US\$ 43.9 million in advanced payment of 2015's dividends
- Compared to Q3 2015, our cash position had a decrease of US\$ 28.9 million – almost half was due to the effect of exchange rates



# Agenda

- Financial Review 4<sup>th</sup> Quarter 2015

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# Review by Business Segment > Pulp

## Pulp Revenues (in US\$ million)



*Note: pulp sales include energy*

	Net Sales	Price	Volume
QoQ	-3.0%	-5.8%	3.2%
YoY	-8.5%	-5.6%	-2.0%

## Pulp Production (in 000' ADt)

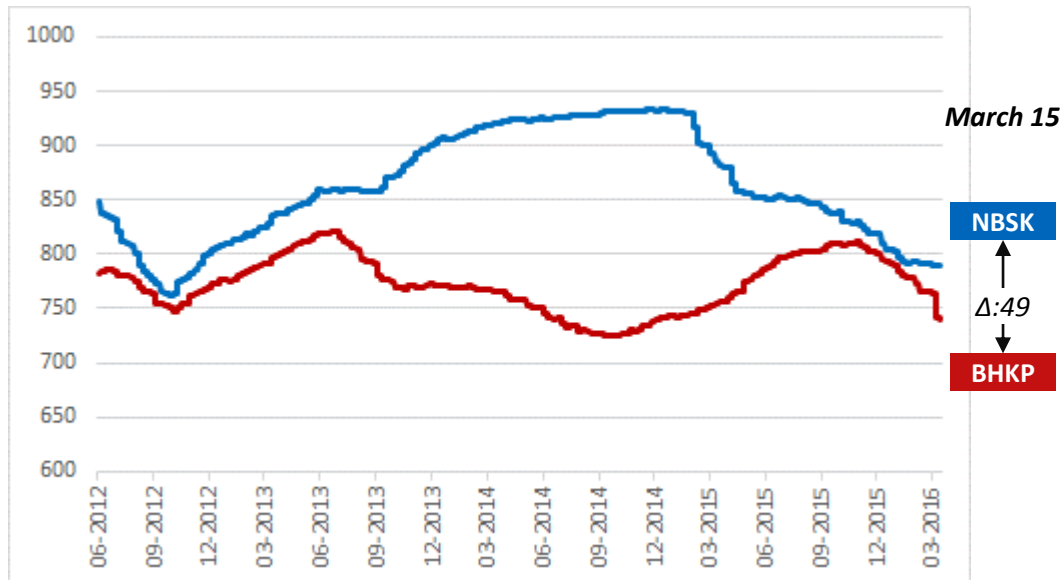
000' Adt	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Pulp production	851	890	937	875	900



- Last quarter of 2015 experienced a drop in prices, due to changes in demand and supply. Long and short fiber prices fell gradually throughout the quarter in Asia
- The devaluation of the Yuan was an important factor during this quarter
- European markets also saw negative price adjustments, although more moderate than in Asia. Both fibers decreased
- In the Middle East, markets remain active and buyers are benefiting from Europe's oversupply and China's instability
- In terms of net prices, short fiber went back to being below long fiber prices

# Review by Business Segment > Pulp > Outlook

## BHKP and NBSK Indexes



## Comments

- Softwood pulp prices are showing signs of stability, especially in China
- Demand from Europe is picking up
- Chinese demand, although less active than Europe, is growing
- Hardwood prices may continue challenged in the short term, however, we believe the market is reaching bottom levels
- Inventories are stable with respect to last quarter (September) in both fibers
- Spread between NBSK and BHKP at US\$ 49/ton (*previous call was at US\$ 16/ton*)

## Global Producers Inventory Levels

In days	Mar 2014	Jun 2014	Sep 2014	Dec 2014	Mar 2015	Jun 2015	Sep 2015	Dec 2015
BSKP	28	25	27	31	33	29	30	29
BHKP	47	40	38	36	39	38	38	39

Source: Bloomberg; Hawkins Wright

# Review by Business Segment > Panels

## Panels Revenues (in US\$ million)



	Net Sales	Price	Volume
QoQ	-7.1%	-2.9%	-4.5%
YoY	-12.0%	-10.2%	-0.2%

*Note: Panels sales include energy*

## Panels Production (in 000´m3)

000' Adt	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Panels production	1,302	1,277	1,372	1,337	1,282



- This fourth quarter continued with a trend we already saw in the previous quarter, with Panels revenues decreasing mainly because of lower prices from countries with depreciated currencies
- Particleboard sales in North America kept strengthening thanks to our value added products
- MDF market continues to be less active in North America, due to lower demand and more supply from Canada and Brazil
- Devaluation of the Real in Brazil, along with a lower demand in the local market and higher supply levels put pressure in domestic prices and has triggered exports to other markets

# Review by Business Segment > Panels > Outlook



MDF continues with imports from Canadian and Brazilian players. As we enter Spring in the Northern Hemisphere we should see a seasonal increase in demand. Good demand for particleboard, especially for melamine value-added products



Good start for 2016, with an increase in sales of PB and value-added products from our Teno mill. Also, we see a recovery in prices of plywood, which fell last year as a result of increased competition from other Chilean and Brazilian players



We have not seen clear recovery signs from the Brazilian domestic market; in terms of sales, the beginning of 2016 has been similar to the last months of 2015



In Argentina we are focusing our sales efforts in the domestic market. Depreciation not yet in levels for supporting exports

# Review by Business Segment > Sawn Timber

## Sawn Timber Revenues (in US\$ million)



	Net Sales	Price	Volume
QoQ	-15.7%	-5.2%	-10.8%
YoY	-23.3%	-2.8%	-20.9%

*Note: Sawn Timber sales include energy*

## Sawn Timber Production (in 000' m3)

000' Adt	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Sawn Timber production	729	694	705	700	675

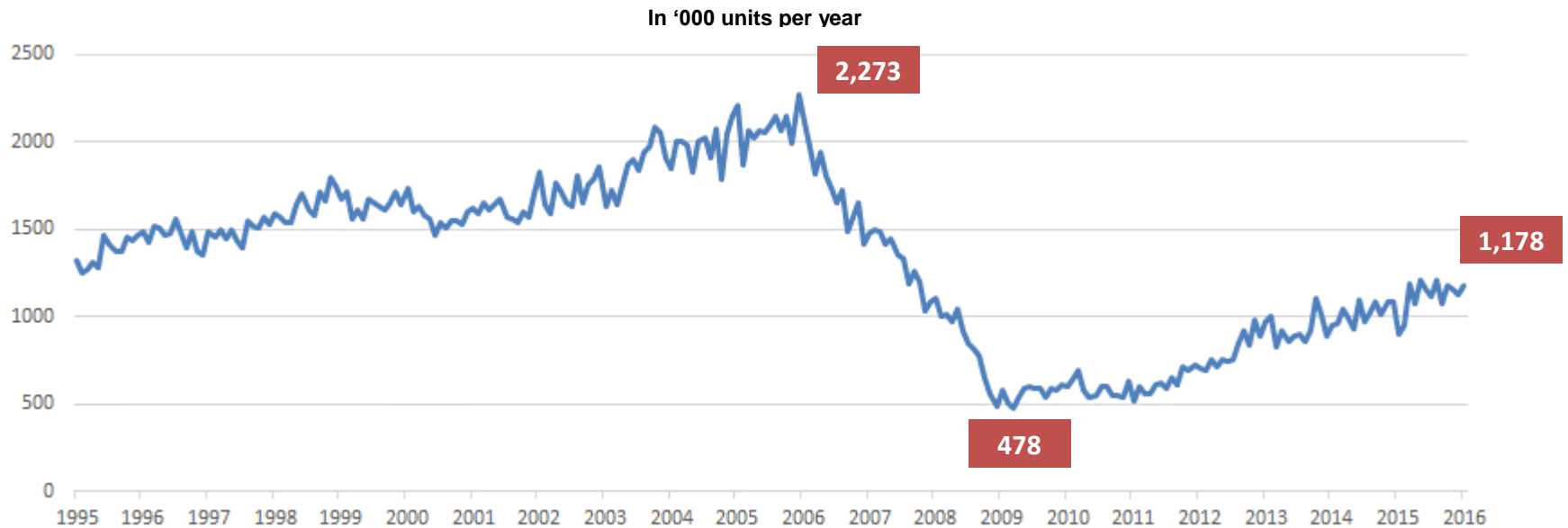


- Overall we saw a general drop in revenues of sawn timber products mainly driven by excess supply from countries that have become more competitive in export markets
- In line with the previous quarter, the North-American market continues with a positive scenario of new construction and renovations, translating into a stable market for our moldings
- The rest of Latin America continues to show a stable demand

# Review by Business Segment > Sawn Timber > Outlook

- February's Housing Starts index had a 5.2% increase compared to January, reaching 1.178 million units per year
- North America has remained active in terms of new construction and home remodeling, which has favored sales of solid wood moldings
- In the first months of 2016 demand in the rest of the world has stabilized and we are seeing prices with signs of recovery
- Chile, Argentina and rest of Latin America have continued with the same good momentum of Q4 2015, which should allow us to increase market share and achieve target sales product mix plans

## US Housing Starts Index



# Agenda

- Financial Review 4<sup>th</sup> Quarter 2015

- Review by Business Segment & Outlook

- 4<sup>th</sup> Quarter and Subsequent Events

- Q&A



## 4<sup>th</sup> Quarter and Subsequent Events

### **Arauco announces the purchase of 50% of the Spanish company Tafisa**

- In Nov-2015, Arauco announced the signing of a share contribution agreement for the 50% of Tafisa through a joint venture with Sonae Industria
- Tafisa will be renamed Sonae-Arauco and will have panel board mills distributed in Spain, Portugal, Germany and South Africa with combined production capacity of 4.2 million m<sup>3</sup> of MDF, PB and OSB
- This joint venture will enable Arauco to become the second largest producer of composite panels in the world, reaching an annual production capacity of approximately 9 million m<sup>3</sup>
- Closing is subject to completion of conditions precedent customary to these types of transactions

## 4<sup>th</sup> Quarter and Subsequent Events

### Three of Arauco's companies merge to form a single sawn timber – panels business

- In Dec-2015, Aserraderos Arauco S.A., Arauco Distribución S.A. and Paneles Arauco S.A. merged to create a single legal entity for Arauco's offer in the sawn timber and panel production business in Chile
- The remaining legal continuer is Paneles Arauco S.A.
- This merger enables Arauco to streamline processes, and therefore provide a better service to our clients and suppliers

# Agenda

- Financial Review 4<sup>th</sup> Quarter 2015

- Review by Business Segment & Outlook

- 4<sup>th</sup> Quarter and Subsequent Events

- Q&A

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