



ARAUCO®

Growing the Future

3rd Quarter 2016

Financial Results
Conference Call Presentation
November 18, 2016

Gianfranco Truffello
Chief Financial Officer



DISCLAIMER

This presentation contains forward-looking statements that are based on the beliefs, assumptions and expectations of the management of the Company based on currently available information. They involve risks and uncertainties because they relate to future events or expectations and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Arauco and could cause results to differ materially from those expressed in such forward-looking statements. For further discussion of these risks and uncertainties, investors should refer to quarterly and annual Arauco filings with the Chilean SVS and US SEC. The Company undertakes no obligation to publicly update or revise any forward-looking statements due to new information or future developments.

This presentation contains certain performance measures that do not represent IFRS definitions, as “EBITDA” and “Net financial debt”. These measures cannot be compared with the same previously used by Arauco and the same used by other companies.



Financial Review

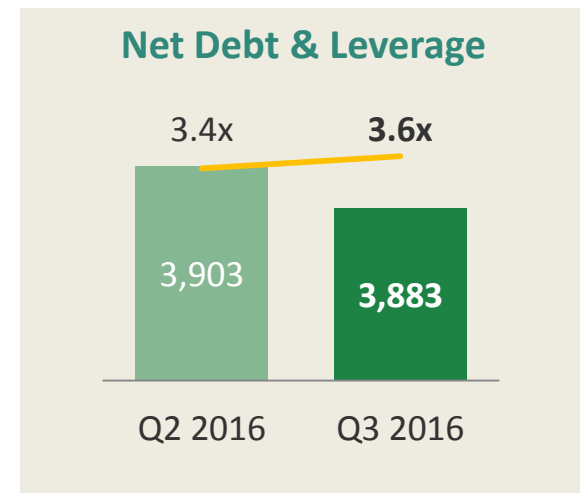
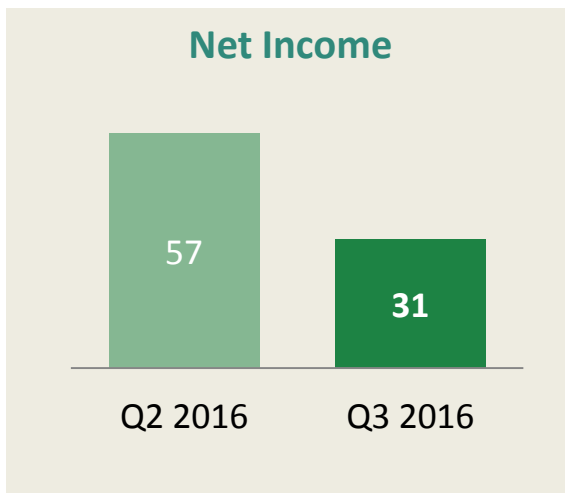
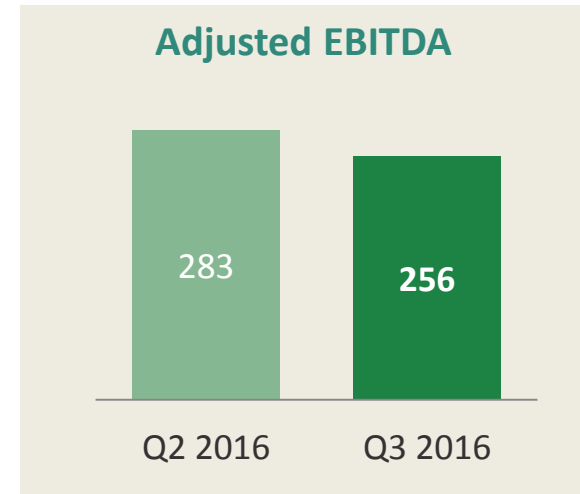
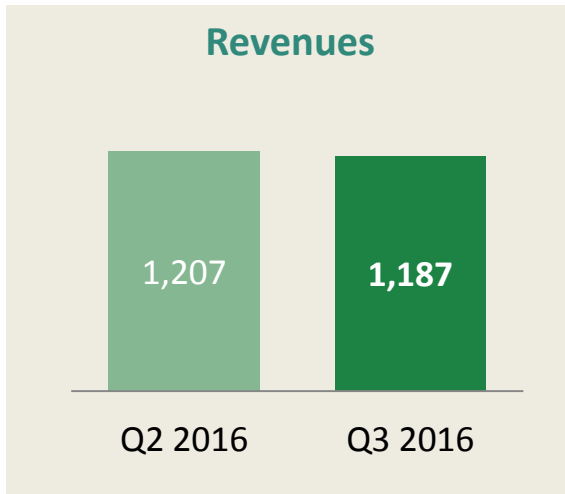
Review by Business Segment & Outlook

Material Facts and News

Q&A

QUARTER MAIN FIGURES

In U.S.\$ millions

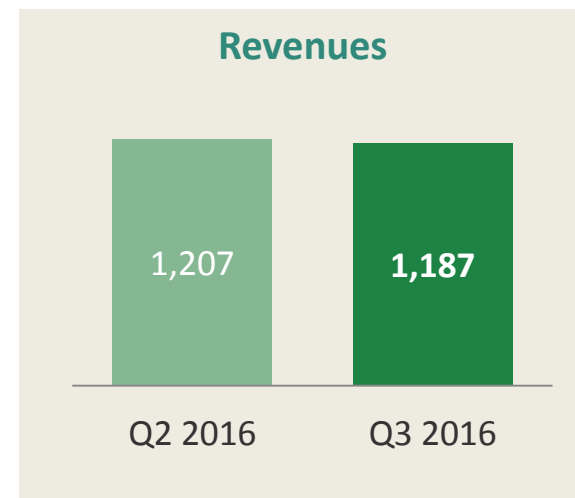


REVENUES, COSTS AND NON-OPERATIONAL RESULTS

In U.S.\$ millions

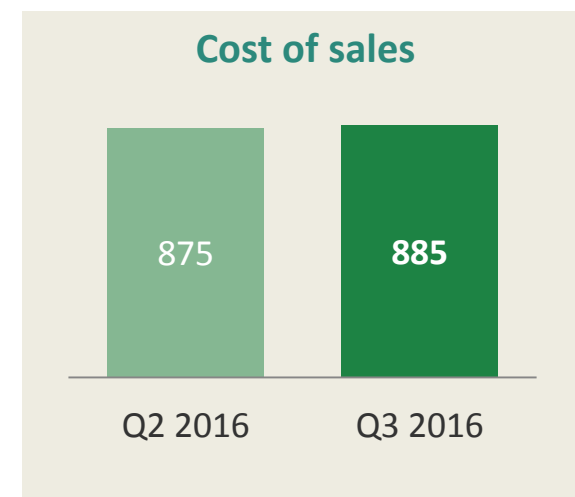
Revenues were U.S.\$ 19.8 million or 1.6% lower:

- Pulp business revenues were U.S.\$ 20.0 million lower, driven by lower prices in both fibers
- Wood products revenues were similar to the previous quarter, with volume slightly lower than last quarter



Cost of sales were U.S.\$ 10.5 million or 1.2% higher:

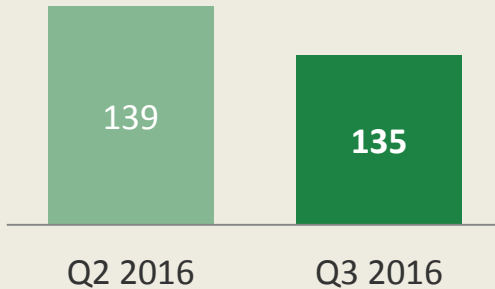
- Forestry costs increased due to accounting adjustments for amortization of road constructions in forestry lands
- Timber, sawmill services as well as energy and fuel costs decreased, in line with overall decline in sales volume



REVENUES, COSTS AND NON-OPERATIONAL RESULTS

In U.S.\$ millions

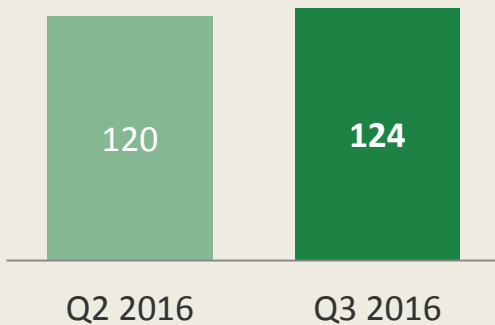
Administrative expenses



Administrative expenses decreased by 3.1% or U.S.\$ 4.3 million:

- Cost reduction “SES Project” provisions were higher than expenses
- Group insurance policies were renegotiated in better terms for Arauco

Distribution costs



Distribution costs increased by 3.4% or U.S.\$ 4.1 million:

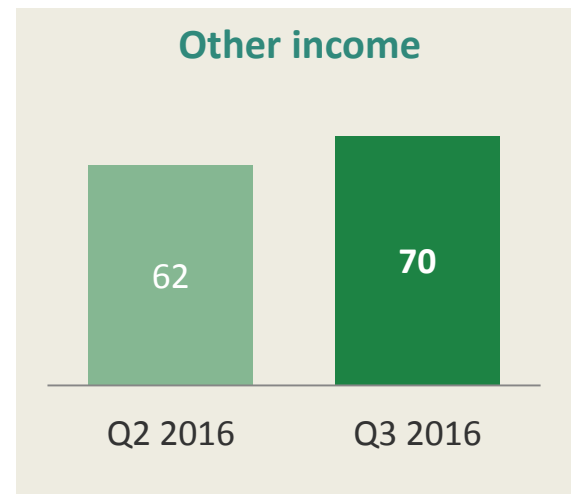
- Arauco Argentina increased export to Chinese markets

REVENUES, COSTS AND NON-OPERATIONAL RESULTS

In U.S.\$ millions

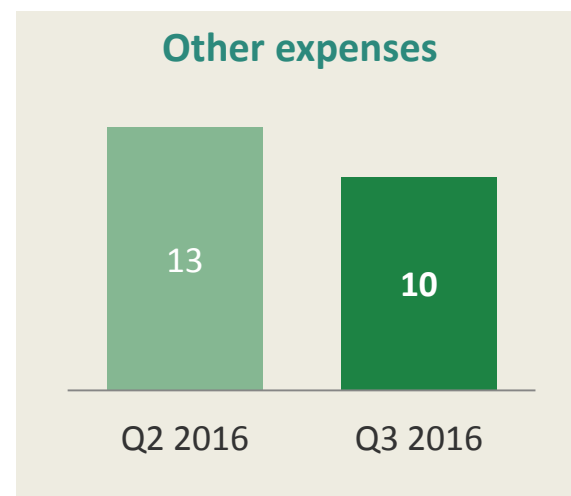
Other income increased by 13.2% or U.S.\$ 8.1 million:

- Reversal of provision
- Lower Gain from changes in fair value of biological assets



Other expenses decreased by 18.9% or U.S.\$ 2.4 million:

- Lower provision for forestry fire losses in Chile
- Other taxes decreased due to lower payment of withholding taxes in Chile



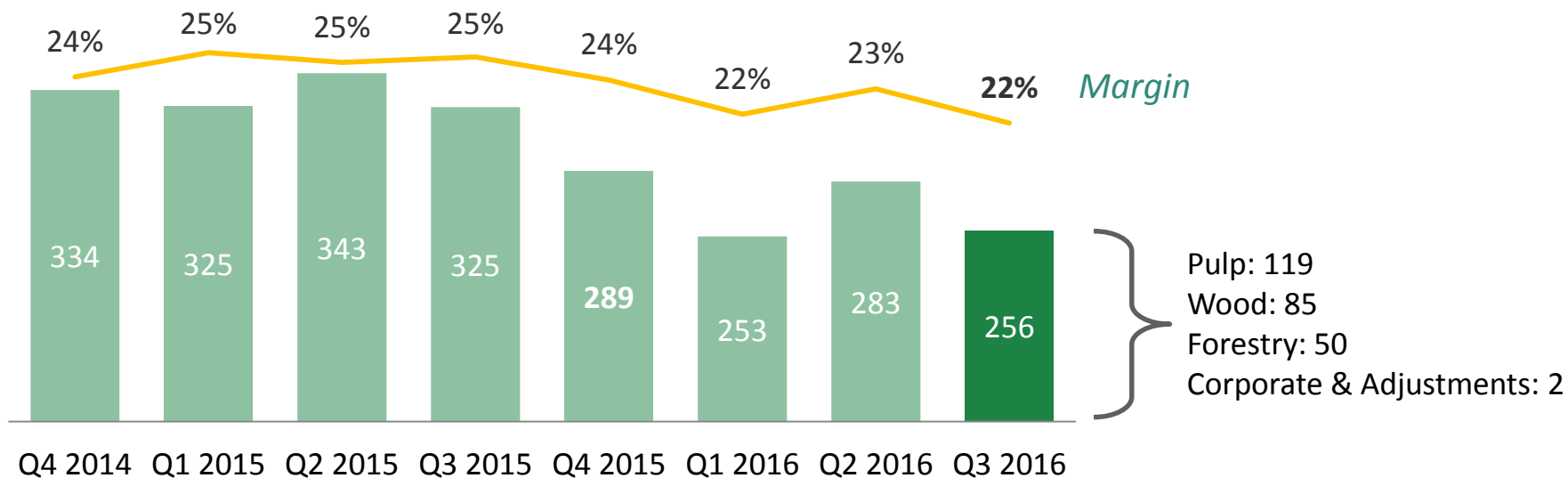
NET INCOME

In U.S.\$ millions

| | Q3 2016 | Q2 2016 | QoQ |
|---|-------------|-------------|---------------|
| Revenue | 1,187.5 | 1,207.3 | -1.6% |
| Cost of sales | (885.2) | (874.6) | 1.2% |
| Distribution costs | (123.8) | (119.6) | 3.4% |
| Administrative expenses | (134.9) | (139.1) | -3.1% |
| Other income | 69.9 | 61.7 | 13.2% |
| Other expenses | (10.5) | (12.9) | -18.9% |
| Financial income | 7.9 | 6.6 | 19.4% |
| Financial costs | (64.7) | (65.5) | -1.2% |
| Participation in (loss) profit in associates and joint ventures accounted through equity method | 4.0 | 6.0 | -33.7% |
| Exchange rate differences | (1.0) | (0.2) | 419.4% |
| Income before income tax | 49.3 | 69.7 | -29.3% |
| Income tax | (17.8) | (12.2) | 46.4% |
| Net income | 31.4 | 57.5 | -45.3% |

ADJUSTED EBITDA

In U.S.\$ millions



- ▶ Adjusted EBITDA fell 9.6% compared to the previous quarter and decreased 12.7% compared to the third quarter of 2015
- ▶ Adjusted EBITDA for our pulp business was impacted by price decrease in both fibers



Financial Review

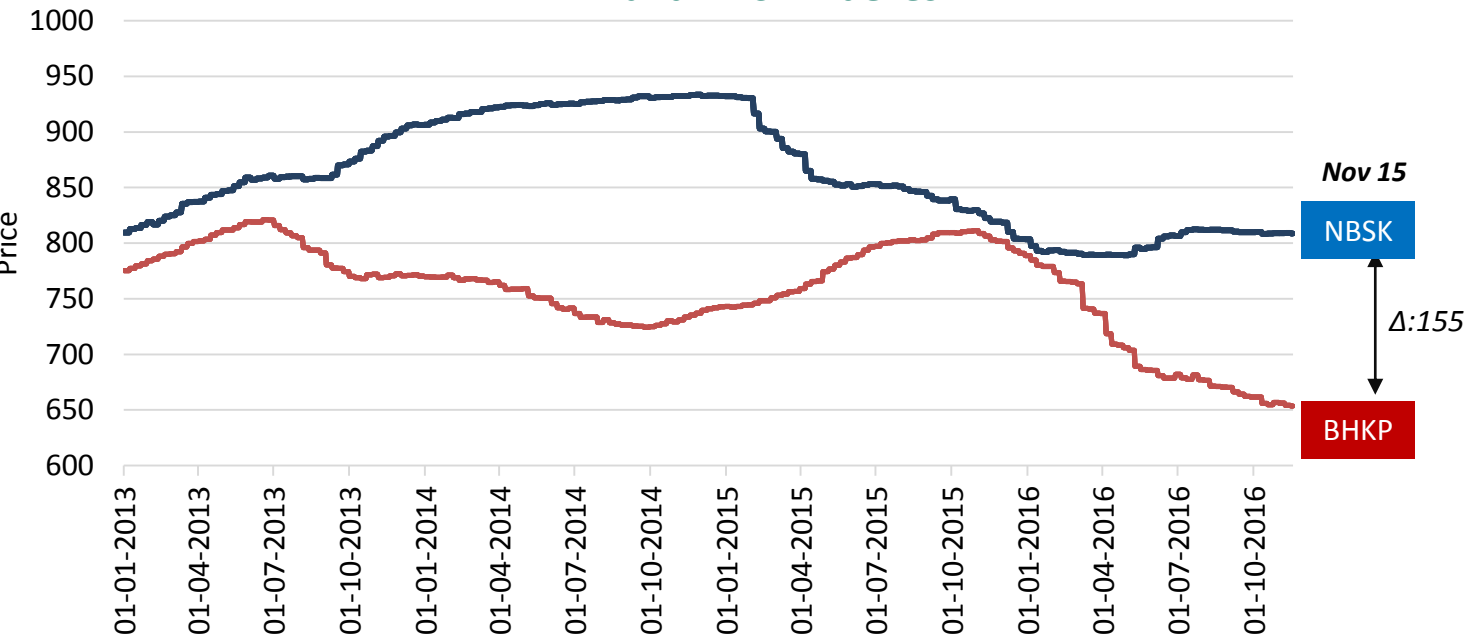
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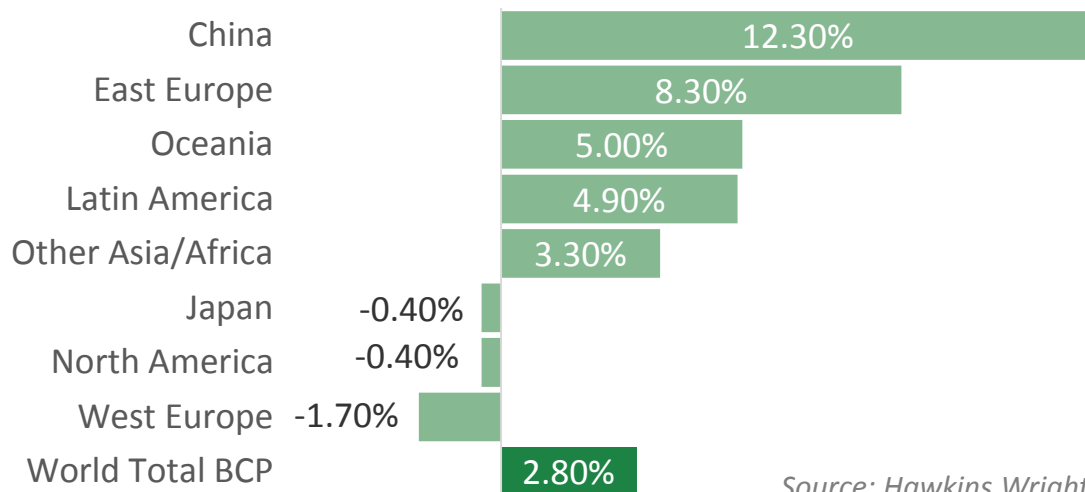
PULP BUSINESS

BHKP and NBSK Indexes



Spread at previous call was U.S.\$ 141/ton

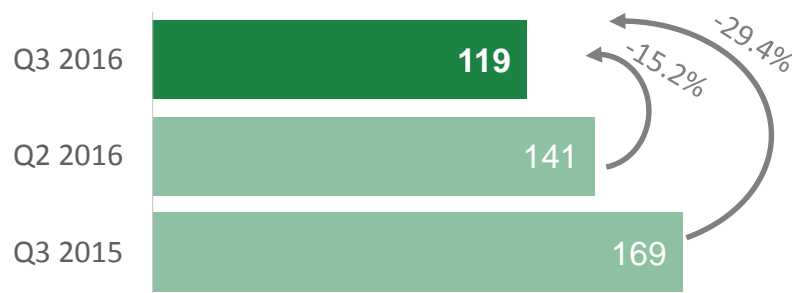
Demand for bleached chemical pulp Sept. 2016 vs Sept. 2015



Source: Hawkins Wright

PULP BUSINESS

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

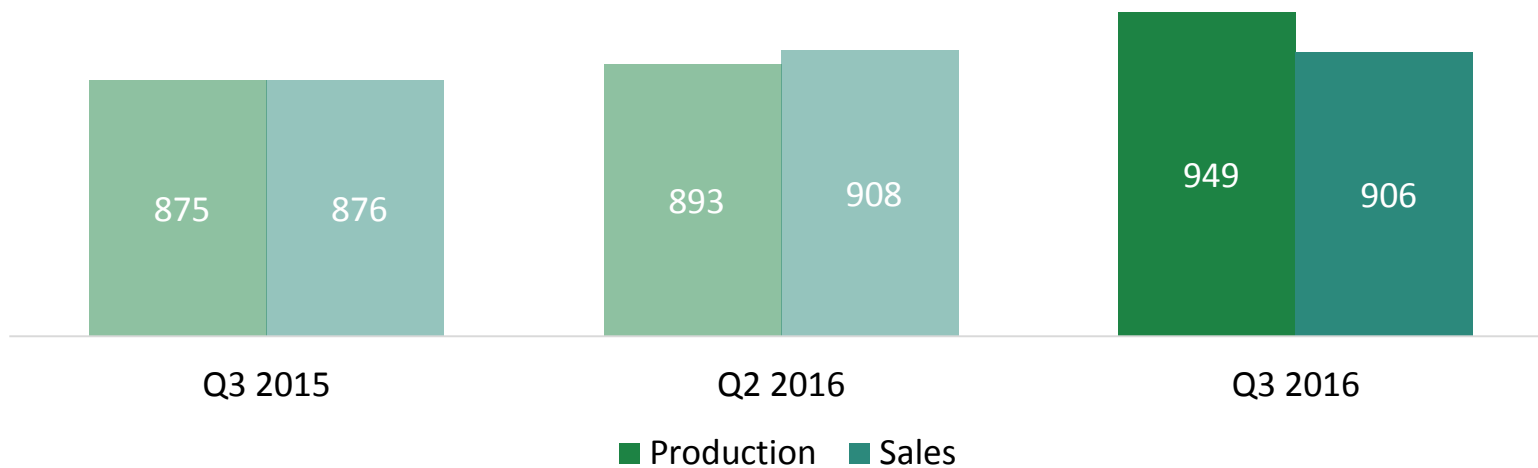


| | Price | Volume | Sales |
|-----|--------|--------|--------|
| QoQ | -3.2% | -0.2% | -3.7% |
| YoY | -16.1% | 3.4% | -11.3% |

Q3 2016

- ▶ Prices reached the lowest levels of the year in both fibers
- ▶ Asia suffered setbacks after leading recovery last quarter
- ▶ Additional volume from North America sold in Asian markets. This volume in the medium term will be used for fluff production
- ▶ Prices in Europe remained fairly stable, with 2% to 3% adjustments in both fibers
- ▶ Brazil with lower average pulp prices after new supply being sold in local market
- ▶ Maintenance stoppages in our Licancel and Arauco Line 2 Pulp Mill
- ▶ Energy sales decreased 9.2% QoQ, mainly due to price effect

Production and Sales Volume (In 000 ADT)



Global Producers Inventory Levels

| <i>In days</i> | Dec 2014 | Mar 2015 | Jun 2015 | Sep 2015 | Dec 2015 | Mar 2016 | Jun 2016 | Sep 2016 |
|----------------|----------|----------|----------|----------|----------|----------|----------|----------|
| BSKP | 31 | 33 | 29 | 30 | 29 | 30 | 28 | 30 |
| BHKP | 36 | 39 | 38 | 38 | 39 | 46 | 41 | 47 |

OUTLOOK

Long Fiber

- ▶ Prices will continue to adjust to new supply from North America
- ▶ Price gap tightening

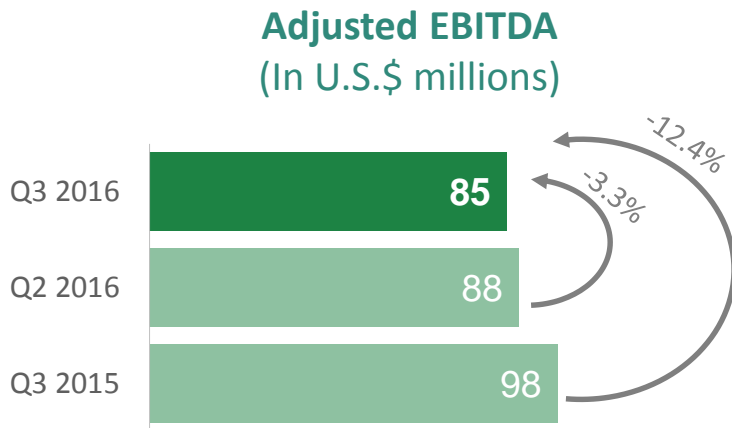
Short Fiber

- ▶ Prices seem to finally have reached needed support to start recovering
- ▶ China: Prices could bounce back
- ▶ Europe: Prices could remain stable

Q4 2016 – Q1 2017 Scheduled Pulp Mill Maintenance Stoppages

| Date | Pulp Mill | Annual Capacity (thousands Adt) | Days of Stoppage |
|-----------|----------------|------------------------------------|------------------|
| October | Nueva Aldea | 1,027 | 11 days |
| November | Alto Paraná | 350 | 10 days |
| November | Valdivia | 550 | 11 days |
| March '17 | Arauco, Line 1 | 290 | 5 days |

WOOD PRODUCTS BUSINESS



| | Price | Volume |
|-----|-------|--------|
| QoQ | 2.6% | -1.7% |
| YoY | -2.2% | -3.1% |

Panels*

| | Price | Volume |
|-----|-------|--------|
| QoQ | -2.0% | 2.8% |
| YoY | -7.1% | -4.2% |

Sawn
Timber**

Q3 2016

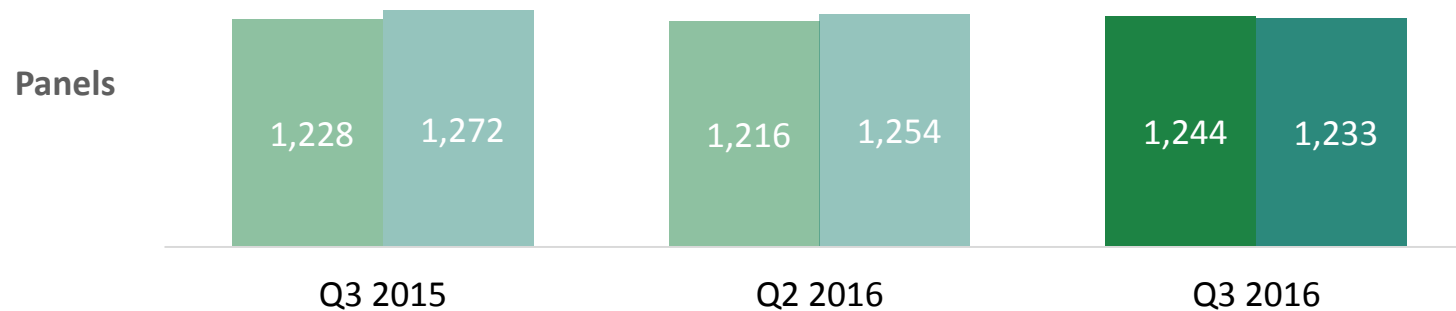
- ▶ In panels, prices improved while volume slightly decreased. Prices are still below what they were a year before, but are on their way to recovery
- ▶ Products that differentiate us from competitors helped maintain sales volume
- ▶ North America imported MDF from our production facilities in Brazil, Argentina, and Chile to meet demand
- ▶ Sawn timber sales volume improving. Asia and Oceania showing healthy demand
- ▶ Plywood picking up strength in Europe and the United States

*MDF, PBO, HB

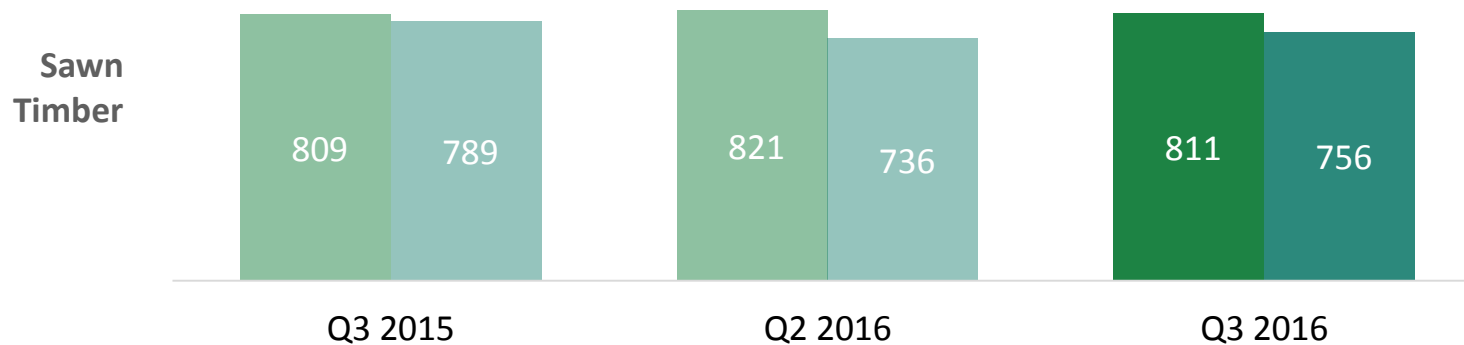
**sawn timber, remanufactured solid wood, plywood

WOOD PRODUCTS BUSINESS

Production and Sales Volume (In 000 m³)



■ Production ■ Sales

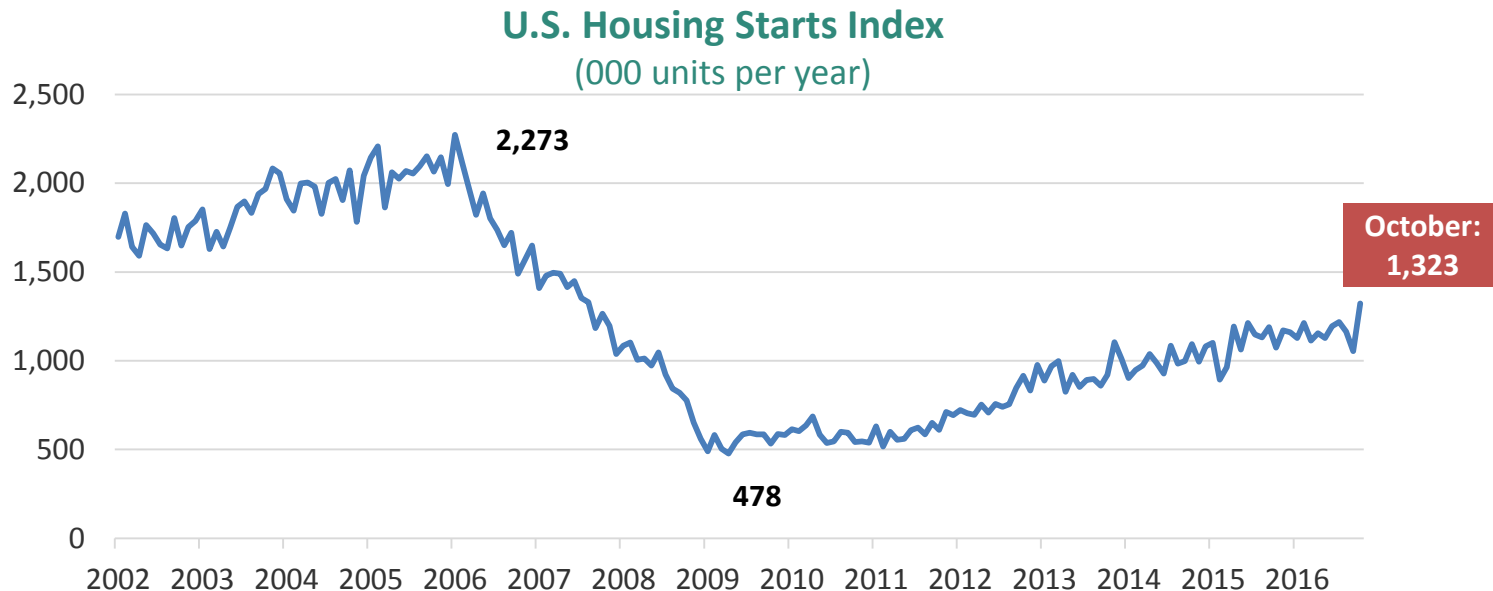


■ Production ■ Sales

OUTLOOK

- Housing Starts Index with minor setback during August and September but recovering, with a rate of 1,323 thousand units per year in October
- MDF: Market is at equilibrium. Two mills damaged by fires in 1H2016 are starting up again, and new mills in Mexico are injecting supply to markets. Demand is growing at a steady pace
- MDF moldings: Prices have increased thanks to increasing demand
- Particleboard: Demand growth is slowing down, while imports have increased
- Plywood: Improving overall prices each quarter this year

North America
49%



OUTLOOK

Central and South America 33%

Brazil: MDF sales improving, with prices in Brazilian real terms fairly stable. We continue exporting to other markets. Particleboard sales still under pressure

Argentina: Economy and construction growth are slow. Main focus in increasing market share. Prices have increased in terms of Argentine Pesos, but lower in U.S. dollar terms

Chile: Good demand for our plywood products to export markets. We have sold according to plan and prices have increased

Asia and Oceania 13%

Asia: Price hikes have been consolidated. In Japan, Korea and Taiwan, our strategy has focused on niche markets, which have been receiving stable margins.

Oceania: Stable sales volume and prices. Seasonally slower months ahead due to summer

Europe and Middle East 5%

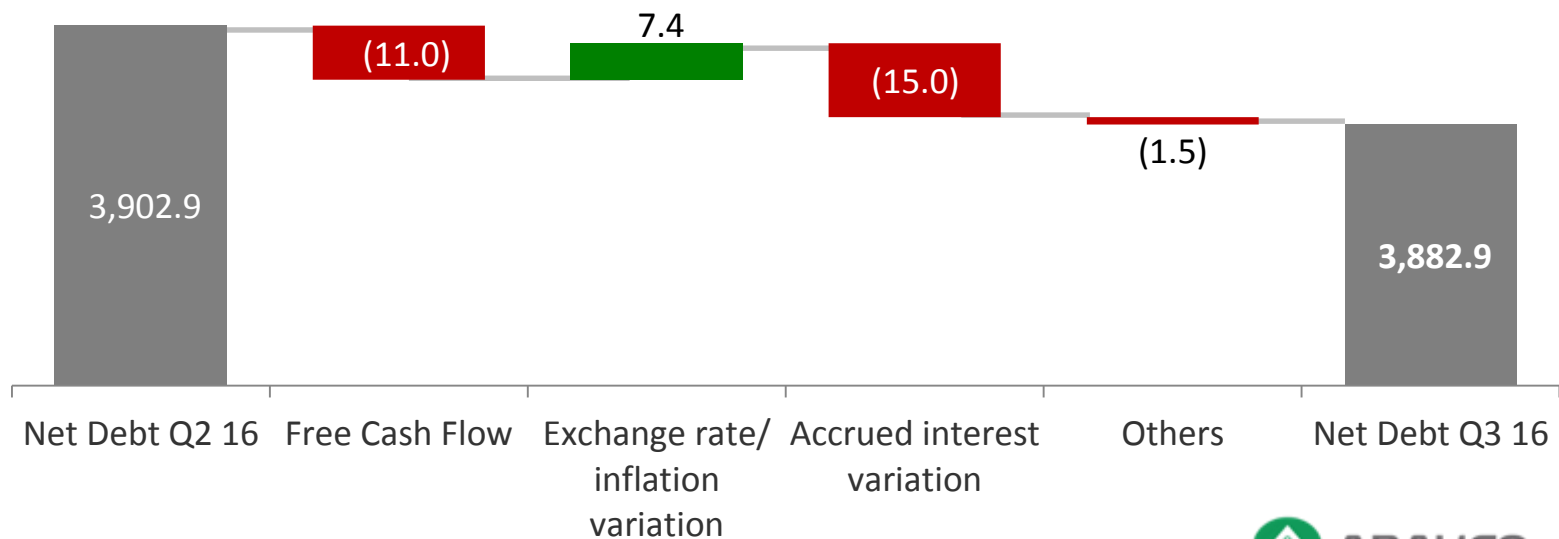
Europe: Prices have recovered in Euro terms. Stable prospects, despite Brexit

Middle East: Lower oil prices have affected the economy. Price improvements foreseen, especially for year-end

FREE CASH FLOW

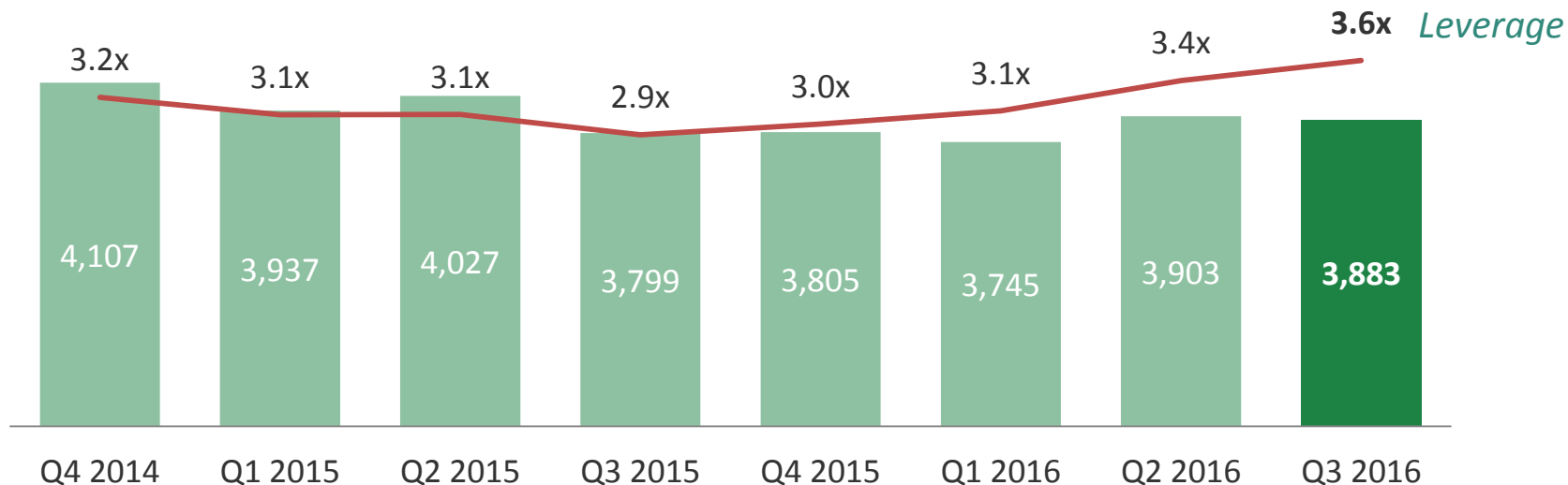
In U.S.\$ millions

| | Q3 2016 | Q2 2016 |
|---|--------------|--------------|
| Adjusted EBITDA (a) | 256 | 283 |
| <i>Others (b)</i> | (112) | (40) |
| Cash from Operations (a+b) | 144 | 243 |
| <i>Capex (c)</i> | (129) | (272) |
| <i>Others (d)</i> | 4 | 11 |
| Cash from Investment Activities (c+d) | (125) | (261) |
| Cash from Financing activities (net of debt) | (1) | (100) |
| Effect of exchange rate changes | (7) | 7 |
| Free Cash Flow | 11 | (111) |



NET FINANCIAL DEBT

In U.S.\$ millions

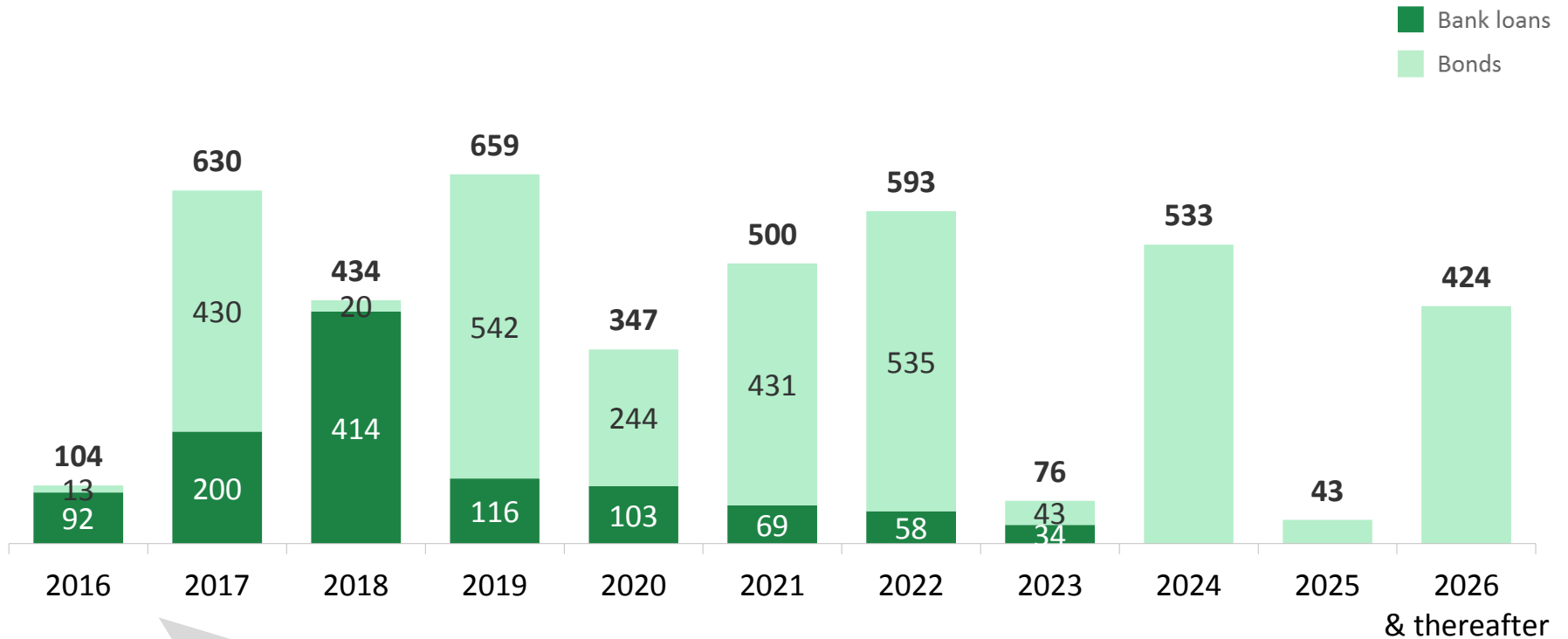


- ▶ **Total financial debt** decreased 0.5% QoQ, mainly led by an decrease in accrued interests. Pre export loans for U.S.\$ 50 million are due in December of this year
- ▶ **Cash and cash equivalents** decreased 12.8% QoQ
- ▶ **QoQ Net Leverage** increased from 3.4x to 3.6x mainly because of lower LTM EBITDA

| | |
|-----------------------------|--------------|
| Short term financial debt | 717 |
| Long term financial debt | 3,626 |
| TOTAL FINANCIAL DEBT | 4,343 |
| Cash and cash equivalents | 460 |
| NET FINANCIAL DEBT | 3,883 |

DEBT

In U.S.\$ millions



Bank obligations for the remaining of 2016 include:

- ▶ U.S.\$ 23.4 million in Montes del Plata
- ▶ U.S.\$ 50.0 million in Pre-export financing
- ▶ U.S.\$ 10.6 million of guaranteed leaseings
- ▶ U.S.\$ 6.1 million in Brazilian subsidiaries



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MDP GRAYLING PROJECT APPROVED

- ▶ Particleboard mill in Grayling, Michigan was approved by Arauco's Board of Directors in October
- ▶ Approval of local and state agencies have also been obtained
- ▶ Investment of U.S.\$ 400 million, with capacity for 800,000 m³ with lamination capabilities for 300,000 m³
- ▶ Will create 250 jobs once in operation, with yearly sales estimated at U.S.\$ 200 million
- ▶ Project estimated to start up late 2018





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INVESTOR RELATIONS

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

| | |
|----------------------------|-----------------|
| Replay for USA | +1-877-344-7529 |
| Replay for other countries | +1-412-317-0088 |
| Conference ID | 10096562 |

FOR FURTHER INFORMATION, PLEASE CONTACT:

Marcelo Bennett

marcelo.bennett@arauco.cl

Phone: (562) 2461 7309

Fernanda Paz Vásquez

fernanda.vasquez@arauco.cl

Phone: (562) 2461 7494

investor_relations@arauco.cl



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