



ARAUCO®

Growing the Future

2nd Quarter 2017

Financial Results
Conference Call Presentation
August 28, 2017

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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

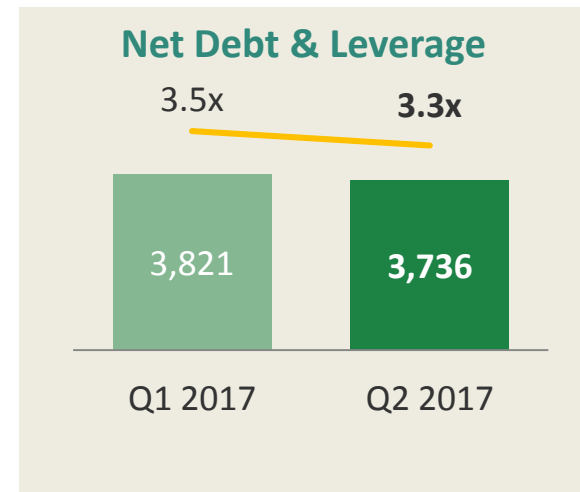
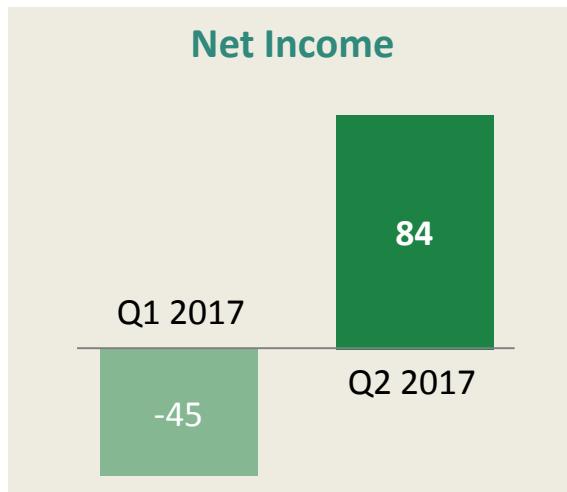
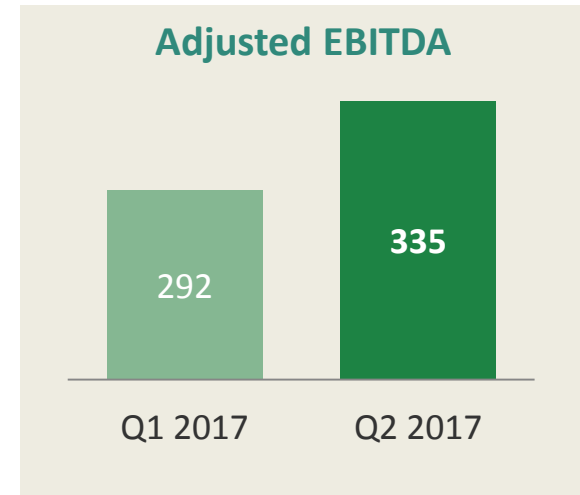
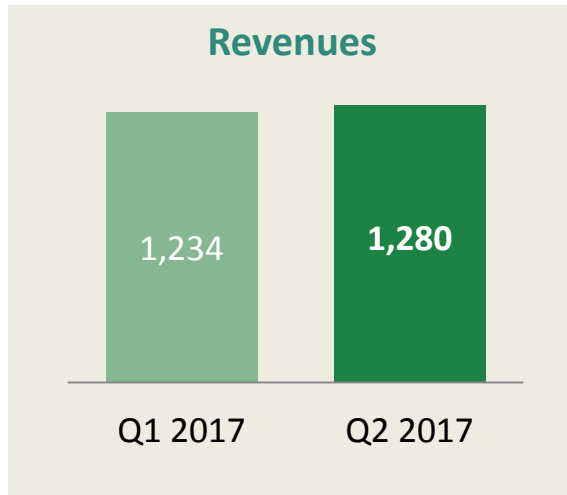
Review by Business Segment & Outlook

Material Facts and News

Q&A

QUARTER MAIN FIGURES

In U.S.\$ million

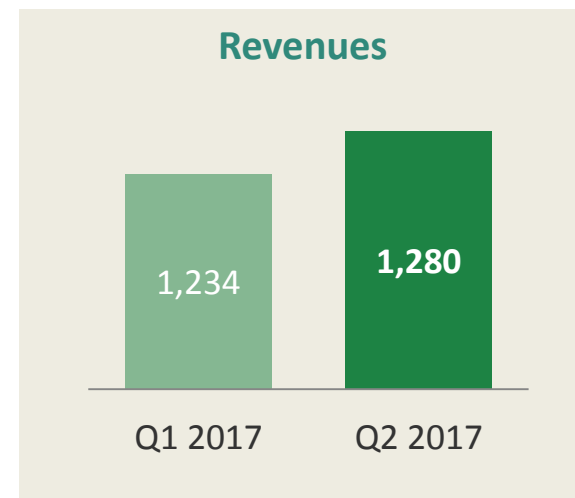


REVENUES, COSTS AND NON-OPERATIONAL RESULTS

In U.S.\$ million

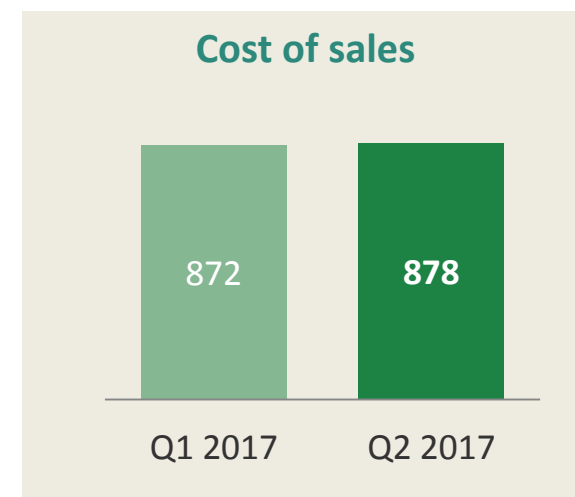
Revenues were U.S.\$ 46.2 million or 3.7% higher:

- Pulp business revenues were U.S.\$ 24.1 million higher, driven by an increase in prices
- Wood products revenues were U.S.\$ 12.7 million above the previous quarter, due to a 1.2% increase in sales volume and price



Cost of sales were U.S.\$ 6.1 million or 0.7% higher:

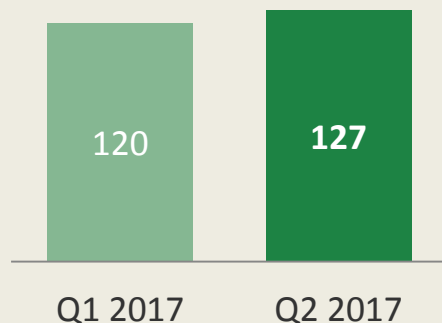
- Higher cost of electricity due to higher sales volume to national grid
- Unitary costs QoQ:
 - ▶ Softwood bleached pulp: ↓2.1%
 - ▶ Hardwood bleached pulp: ↑ 5.5%
 - ▶ Unbleached softwood pulp: ↓8.2%



REVENUES, COSTS AND NON-OPERATIONAL RESULTS

In U.S.\$ million

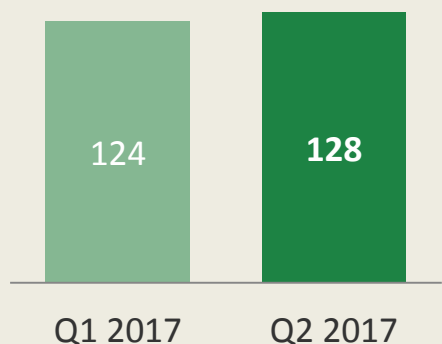
Administrative expenses



Administrative expenses increased by 5.7% or U.S.\$ 6.8 million:

- Wage, salaries and severance indemnities increased by U.S.\$ 3.2 million after small reversal of provision after bonus payments, changes in actuarial losses
- Other items remained fairly stable

Distribution costs



Distribution costs increased by 3.3% or U.S.\$ 4.1 million:

- Higher freights and other shipping and freight costs, in line with increase in sales volume of wood

REVENUES, COSTS AND NON-OPERATIONAL RESULTS

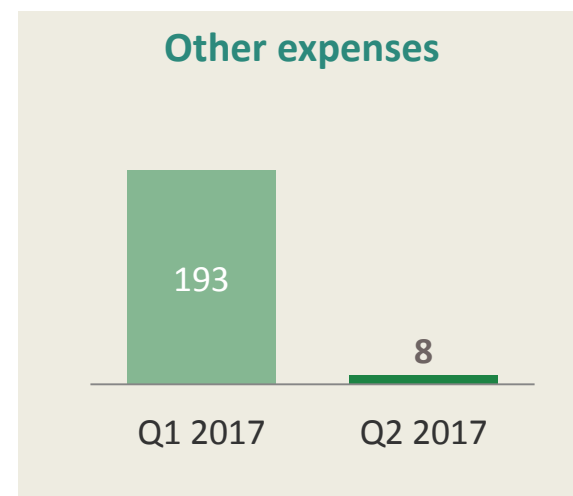
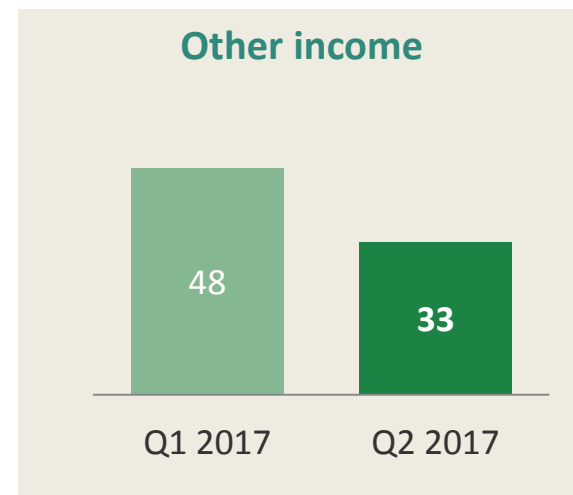
In U.S.\$ million

Other income decreased by 32.5% or U.S.\$ 15.7 million:

- Gain from changes in fair value of biological assets decreased due to adjustments to calculation of this item
- Other items did not suffer any major fluctuations

Other expenses decreased by 95.8% or U.S.\$ 185.1 million:

- Provision of forestry fire of U.S. 178.4 million during first quarter corrected by U.S.\$ 4.5 million this quarter. This provision could vary depending on actual damage found



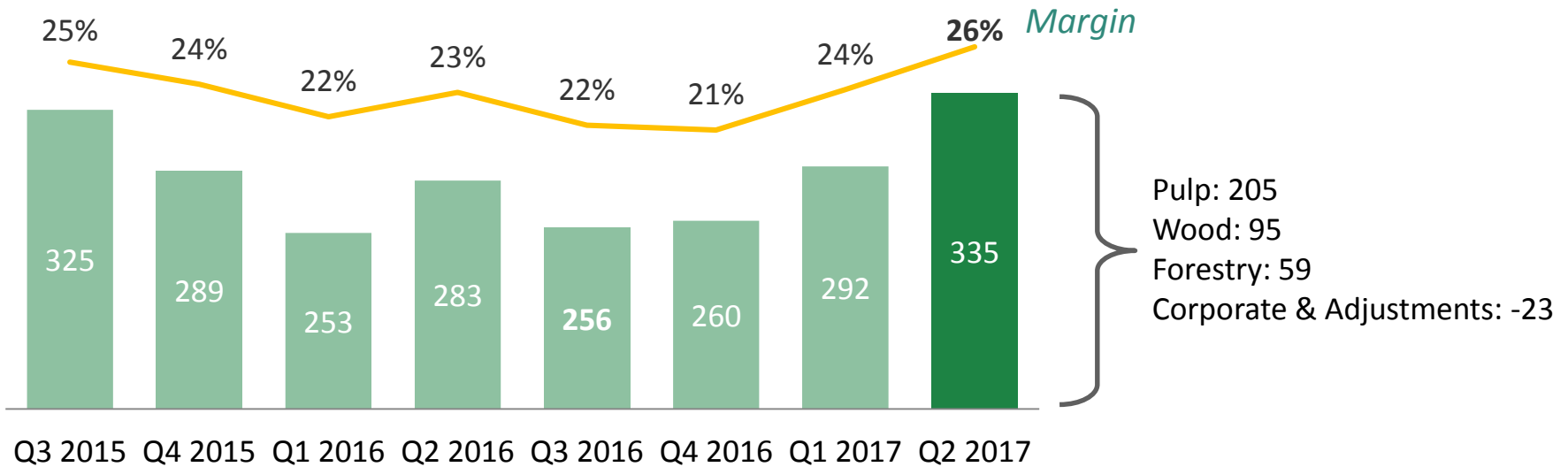
NET INCOME

In U.S.\$ million

	Q2 2017	Q1 2017	QoQ
Revenues	1,279.9	1,233.7	3.7%
Cost of sales	(877.7)	(871.6)	0.7%
Distribution costs	(128.1)	(124.0)	3.3%
Administrative expenses	(127.2)	(120.4)	5.7%
Other income	32.6	48.3	-32.5%
Other expenses	(8.1)	(193.1)	-95.8%
Financial income	5.9	6.4	-7.9%
Financial costs	(57.7)	(59.9)	-3.6%
Participation in (loss) profit in associates and joint ventures accounted through equity method	3.4	8.1	-57.7%
Exchange rate differences	(1.6)	1.5	-212.0%
Income before income tax	121.5	(70.9)	-271.4%
Income tax	(37.4)	25.6	-246.1%
Net income	84.1	(45.3)	-285.7%

ADJUSTED EBITDA

In U.S.\$ million



- ▶ Adjusted EBITDA rose 14.7% compared to the previous quarter and increased 18.1% compared to the second quarter of 2016
- ▶ Pulp division EBITDA continued its positive trend, increasing 26.9% Q-o-Q. Pulp EBITDA margin reached 35%
- ▶ Wood division EBITDA slightly increased 0.4% compared to last quarter after small overall increase in sales volume and prices



Financial Review

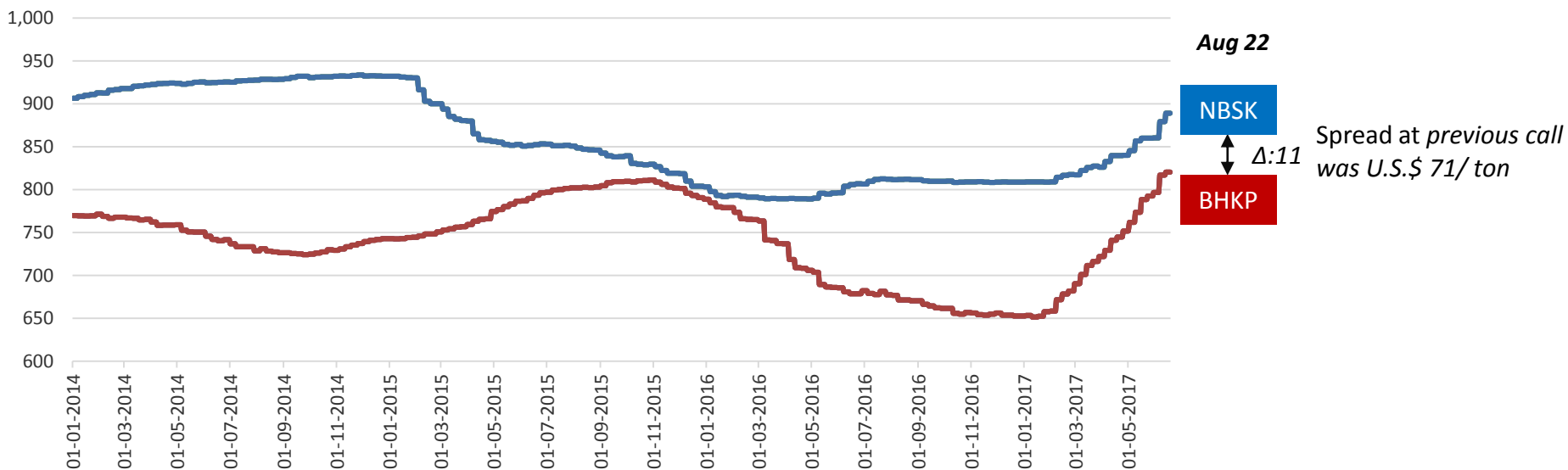
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Q&A

PULP BUSINESS

BHKP and NBSK Indexes



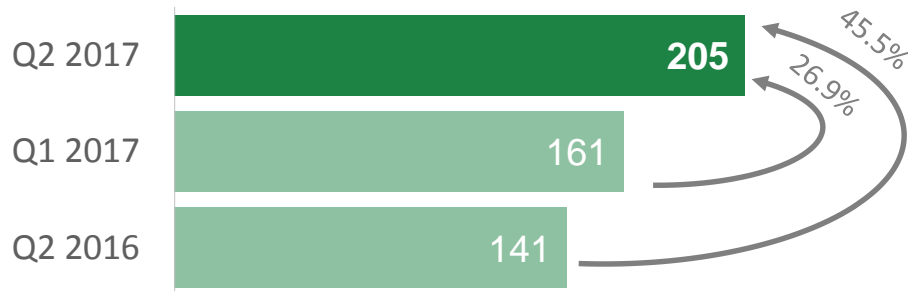
Demand for bleached chemical pulp June 2017 vs June 2016 (YTD)

Destination	June 2016	June 2017	Δ	%
North America	3,640	3,755	115 ▲	3.2%
West Europe	7,090	6,910	180 ▬	-2.5%
East Europe	645	675	30 ▲	4.7%
Latin America	1,615	1,610	5 ▬	-0.3%
Japan	895	925	30 ▲	3.4%
China	6,385	7,005	620 ▲	9.7%
Other Asia/Africa	2,800	3,135	335 ▲	12.0%
Oceania	135	150	15 ▲	11.1%
W-20 Total BCP	23,205	24,165	960 ▲	4.1%

Source: Hawkins Wright

PULP BUSINESS

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



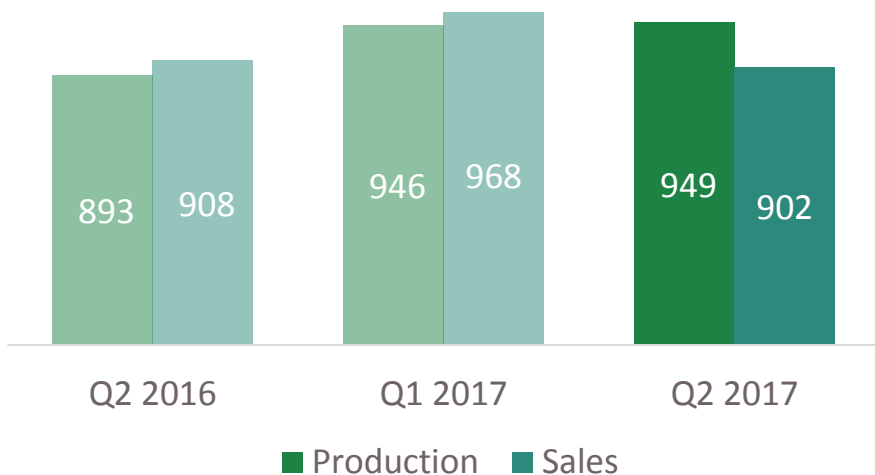
	Price	Volume	Sales
QoQ	11.0%	-7.0%	4.3%
YoY	9.9%	-0.8%	8.5%

Q2 2017:

- ▶ Pulp prices continued their positive rally despite seasonally weaker demand due to beginning of summer in Northern Hemisphere
- ▶ New production from OKI Mill did not have impact as partially offset by lower production from CMPC's Guaiba Mill
- ▶ Less sales volume during quarter due to storm surges in Chilean coast delaying some shipments
- ▶ In Asia, dynamism in paper market allowed prices to rise, although they did correct last month of the quarter
- ▶ European prices nearly caught up to Asian prices, although margins continue pressured in comparison
- ▶ Annual maintenance stoppages of Line 1 of our Arauco Mill and Montes del Plata

PULP BUSINESS

Production and Sales Volume (In Thousand ADT)



Q1 - Q2 2017 Scheduled Pulp Mill Maintenance Stoppages

Date	Pulp Mill	Annual Capacity (thousand Adt)	Days of Stoppage
Mar	Constitución	355	15 ✓
Apr	Arauco Line 1	290	12 ✓
May	Montes del Plata	1,300	11 ✓

Global Producers Inventory Levels

<i>In days</i>	Sep 2015	Dec 2015	Mar 2016	Jun 2016	Sep 2016	Dec 2016	Mar 2017	June 2017
BSKP	30	29	30	28	30	32	29	31
BHKP	38	39	46	41	47	37	38	37

PULP BUSINESS

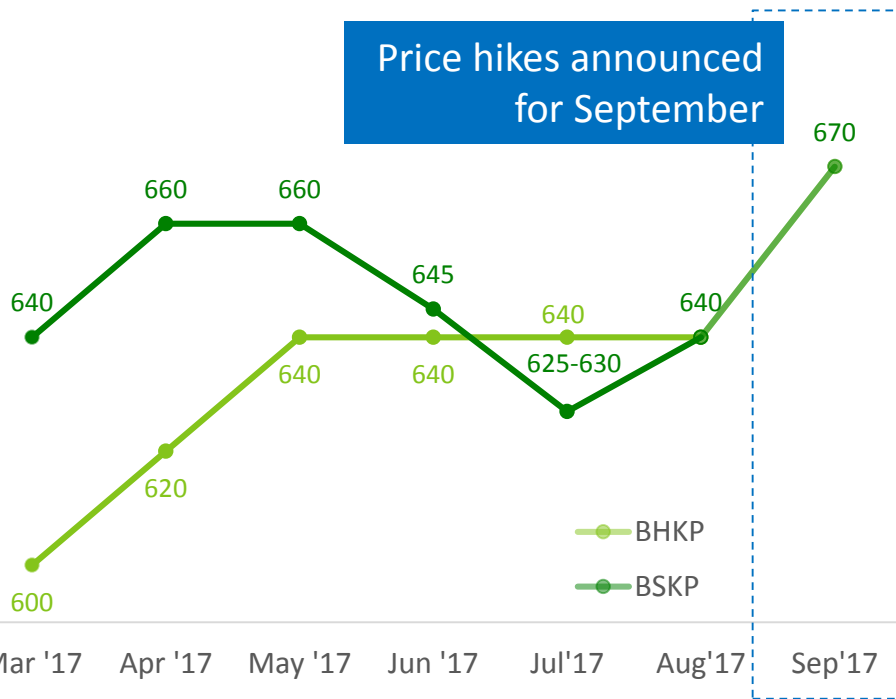
OUTLOOK

Long Fiber

- ▶ Minor adjustments at end of 2Q bring good news since prices usually decrease more due to seasonality. Prices continue to improve in 3Q

Short Fiber

- ▶ For the next months, we expect prices to rally upwards in tandem with higher demand.

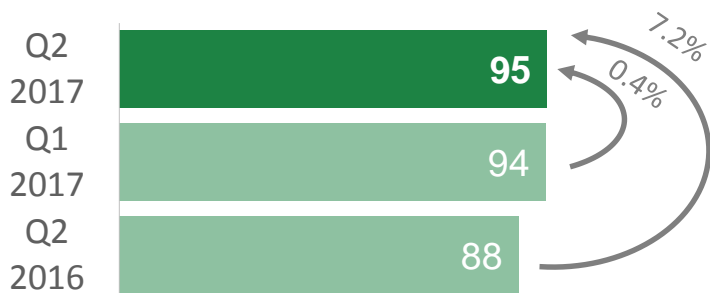


Q3 - Q4 2017 Scheduled Pulp Mill Maintenance Stoppages

Date	Pulp Mill	Annual Capacity (thousand Adt)	Days of Stoppage
Jul	Licancel	155	11 days
Oct	Arauco, Line 2	510	13 days
Nov	Nueva Aldea	1,027	10 days
Nov	Argentina	350	25 days
Nov-Dec	Valdivia	550	11 days

WOOD PRODUCTS BUSINESS

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



	Price	Volume
QoQ	1.4%	2.4%
YoY	4.5%	-3.0%

Panels*

	Price	Volume
QoQ	0.9%	-0.6%
YoY	5.5%	-3.5%

Sawn
Timber**

Q2 2017:

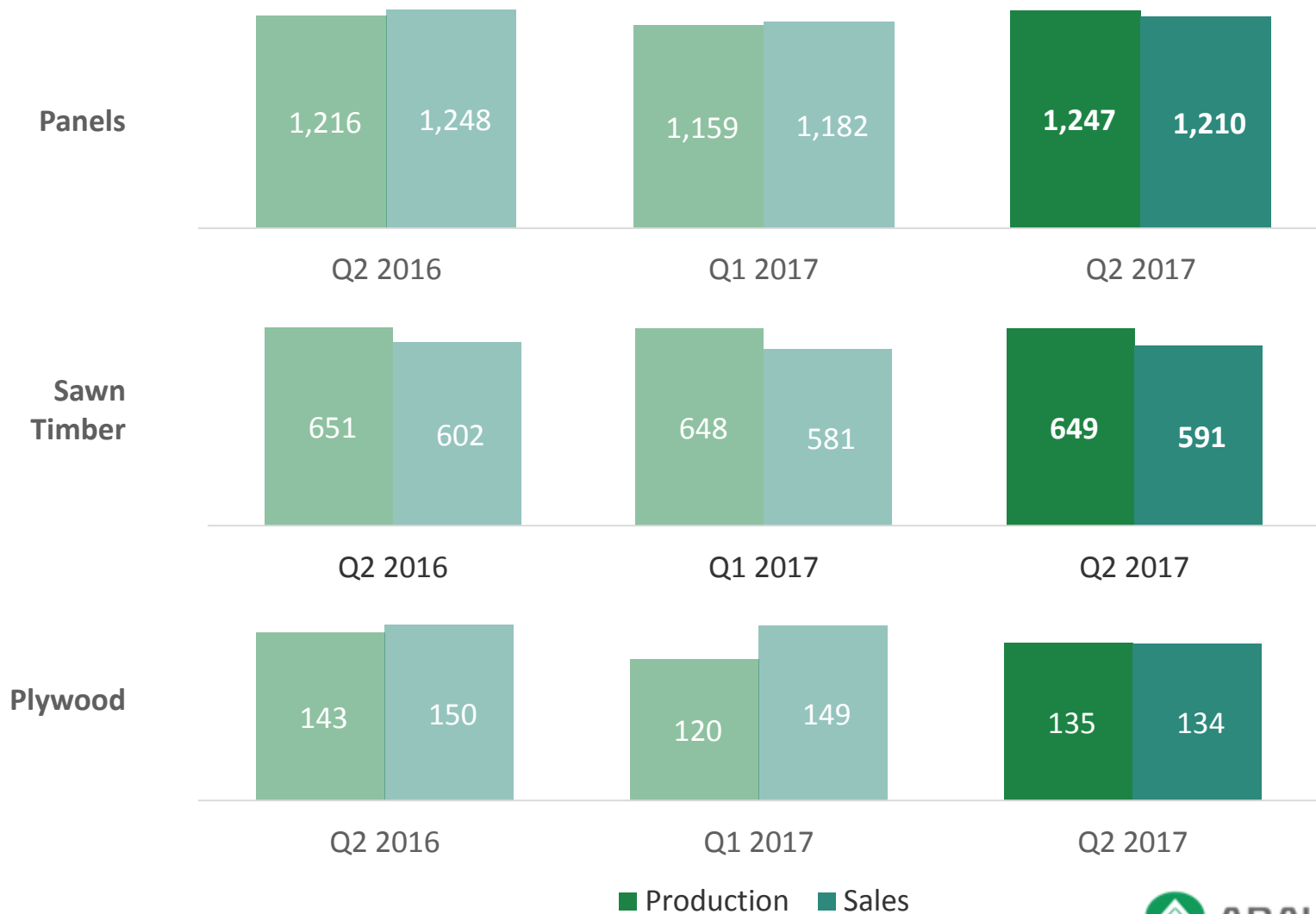
- ▶ Composite panels increased prices and sales volume
- ▶ In North America, disruptions in production enabled Brazilian imports to permeate the market without impacting prices. Mexican sales remain subdued due to volume from new plants penetrating market
- ▶ Sales in Latin America mixed. Brazil remained strained, Chile was impacted by lower economic activity and Colombia was pressured with incoming supply from local and international producers. On the other hand, Argentina shows improvements
- ▶ Sawn timber sales increased due to higher prices and sales volume
- ▶ Plywood prices increased 3.3% in detriment of sales volume which decreased 10.2%

*MDF, PBO, HB

**sawn timber, remanufactured solid wood, plywood

WOOD PRODUCTS BUSINESS

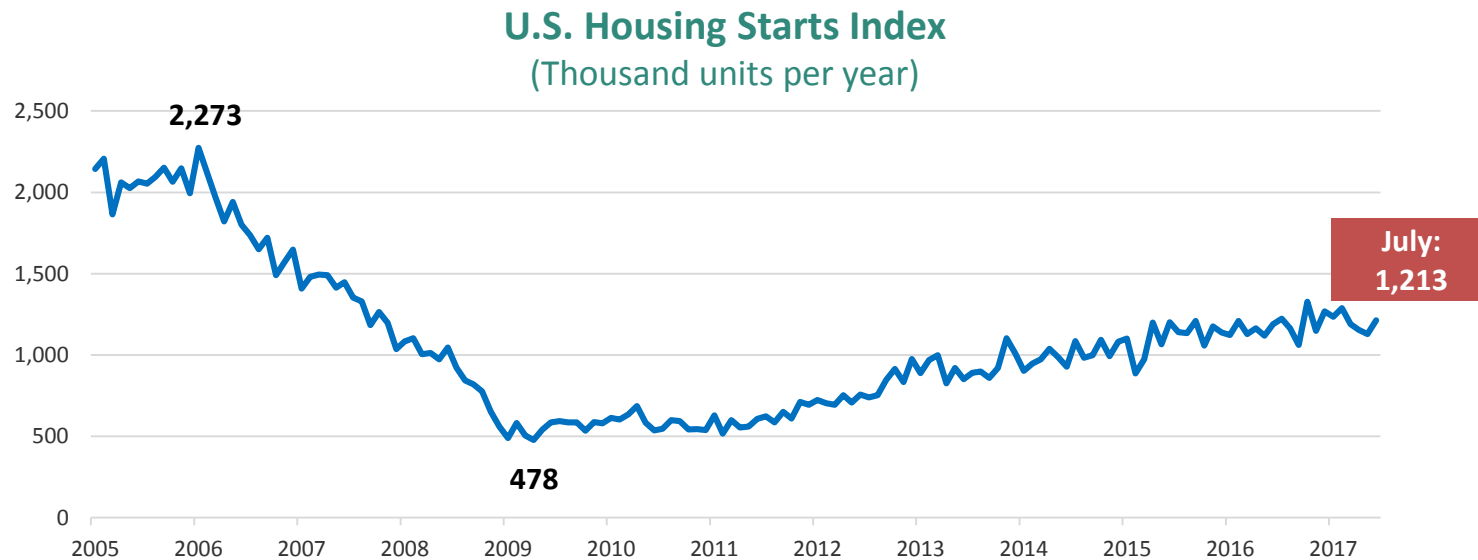
Production and Sales Volume
(In Thousand m³)



OUTLOOK

- Housing Starts Index at 1.2 million units per year, showing fluctuation between 1.1 and 1.3 million throughout this year
- MDF: Market stable despite increased import volumes hitting the market
- MDF moldings: Stable volumes at stable prices
- Particleboard: Sales to remain steady due to no major fluctuations in supply or demand
- Plywood: Price remain stagnate as competition increases from Brazilian producers. Improving product mix with valued added products

North America
51%



OUTLOOK

Central and South America 32%

Brazil: Demand somewhat activated by improvement in industrial sector, but there is still need to export volume to other markets in order to not overflood market.

Argentina: Supply and demand in balance, without the need to export volumes. New competition in local markets have not affected sales strategy thus far.

Chile: Sales have remained stable and market shows muted optimism.

Asia and Oceania 13%

Asia: Korea remains stable, while Japan has positive outlook on prices. China continues to have normal levels of sales in sawn timber and logs.

Oceania: Volumes remain stable with slight improvement in prices

Europe and Middle East 5%

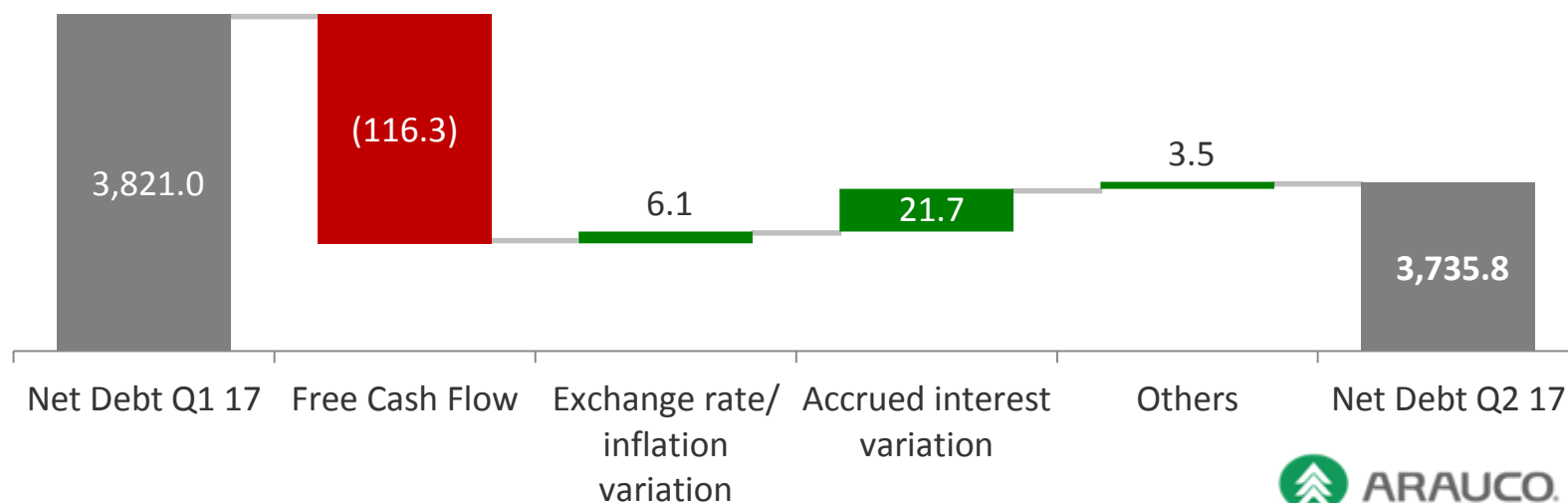
Europe: Solid demand expected to be sustainable. Our prices have improved thanks to the appreciation of the euro and higher demand

Middle East: Prices have been increasing consistently while sales volume have remained stable

FREE CASH FLOW

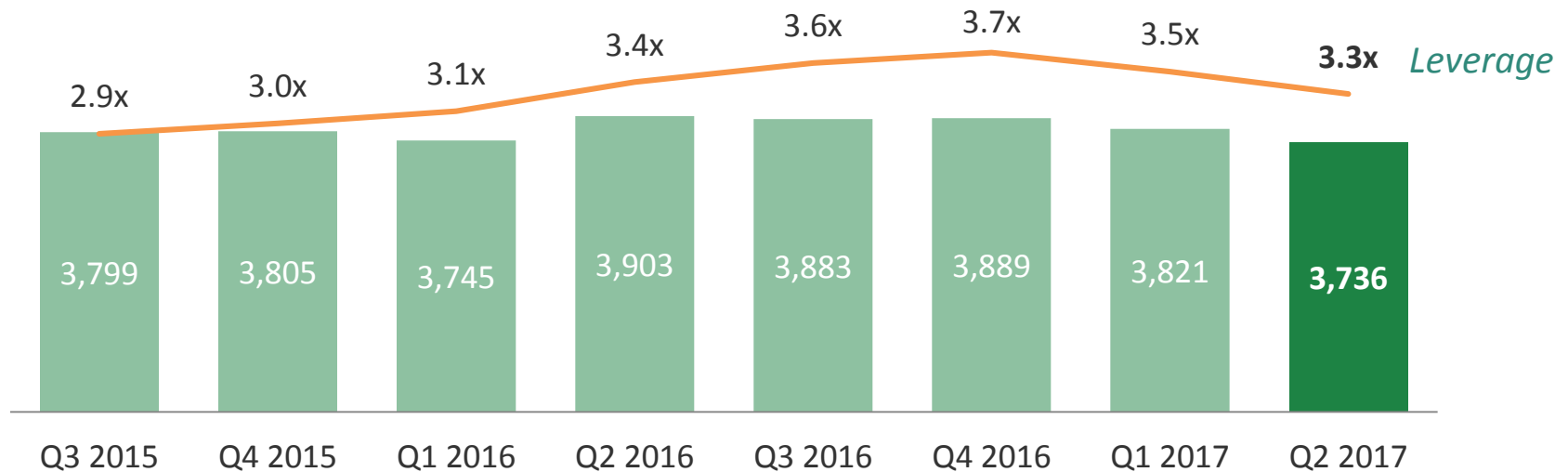
In U.S.\$ million

	Q2 2017	Q1 2017
Adjusted EBITDA (a)	335	292
<i>Others (b)</i>	(29)	(111)
Cash from Operations (a+b)	305	181
<i>Capex (c)</i>	(132)	(120)
<i>Others (d)</i>	7	1
Cash from Investment Activities (c+d)	(125)	(119)
Cash from Financing activities (net of debt)	(60)	(1)
Effect of exchange rate changes	(4)	2
Free Cash Flow	116	63



NET FINANCIAL DEBT

In U.S.\$ million

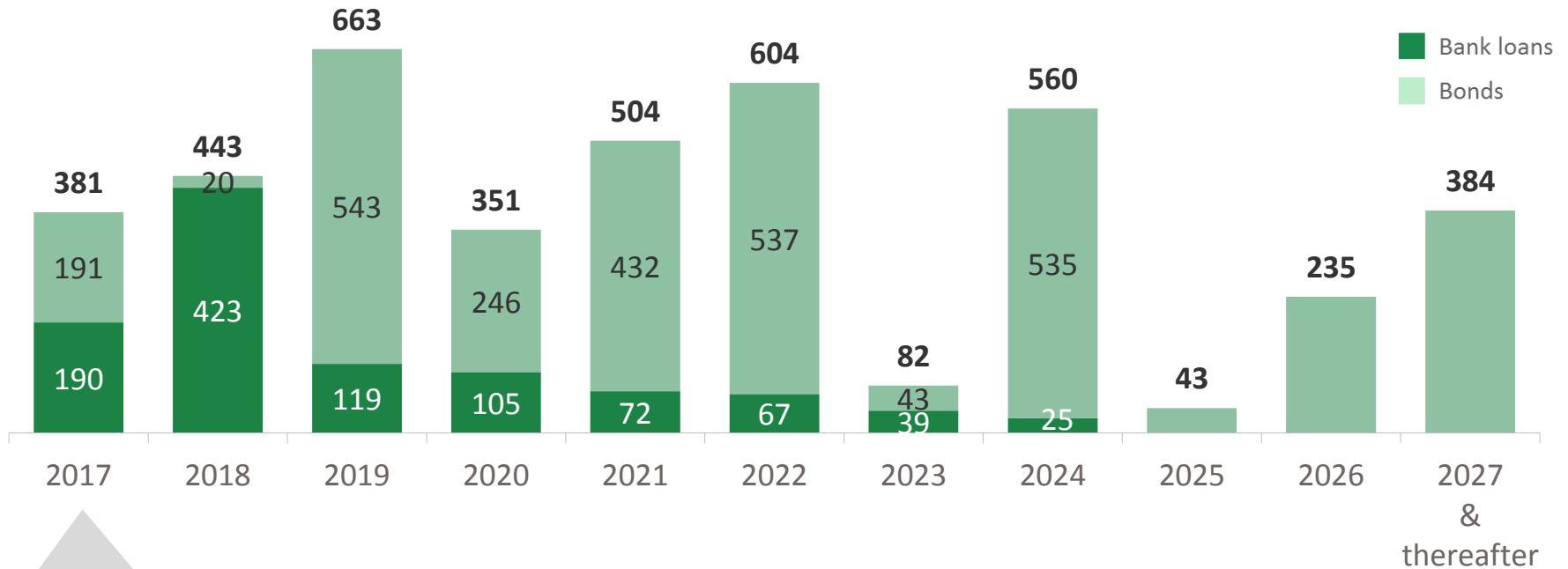


- ▶ **Total financial debt** decreased 2.2% QoQ, mainly led by the payment of a U.S.\$ 270 million Yankee bond from Arauco Argentina in Q2
- ▶ **Cash and cash equivalents** decreased 15.7% QoQ
- ▶ **LTM Adjusted EBITDA** increased 4.7% QoQ
- ▶ **QoQ Net Leverage** decreased from 3.5x to 3.3x

Short term financial debt	454
Long term financial debt	3,795
TOTAL FINANCIAL DEBT	4,249
Cash and cash equivalents	513
NET FINANCIAL DEBT	3,736

DEBT

In U.S.\$ million



Bank obligations for the remainder of 2017 include:

- ▶ U.S.\$ 149.0 million in Montes del Plata
- ▶ U.S.\$ 20.1 million in Arauco Argentina
- ▶ U.S.\$ 17.1 million of guaranteed leaseings
- ▶ U.S.\$ 4.1 million in Brazilian subsidiaries

Bond obligations for the remainder of 2017 include:

- ▶ U.S.\$ 125.0 million in Yankee bond (Chile)
- ▶ U.S.\$ 10.0 million in amortization of local bond
- ▶ U.S.\$ 55.5 million in accrued interest



Financial Review

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Q&A

MAPA and Dissolving Pulp Projects Receive Favorable Rulings

Apr 2012

Arauco submits environmental study to Environmental Assessment Service (SEA in Spanish)

Feb 2014

Environmental study is approved

Mar 2014

A group of communities files a constitutional act (recurso de protección) against the SEA

...

May 2017

Supreme Court rules in favor of project.



Jul 2014

Arauco files request for industrial modifications with SEA

Mar 2015

SEA unanimously approves the environmental impact statement

Nov 2015

A group of communities files a constitutional act (recurso de protección) against the SEA. Supreme Court votes against constitutional act.

...

Jul 2017

Arauco reaches a settlement with the communities, and Supreme Court accepts withdrawal of the communities' claim



Both projects are subject to technical and feasibility studies as well as the approval of the Board of Directors before going forward

Grayling Project on Schedule and within Budget

- ▶ As of June 2017, project at 15% completion
- ▶ Currently in construction of main building, to be finished before winter
- ▶ External equipment will be set up during August and September of this year
- ▶ During winter months, assembly of internal equipment will take place



Capacity 800,000 m3 per year
Total Cost U.S.\$ 400 million
Rollout of first panel: 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	10111566

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