



ARAUCO®

Growing the Future

4th Quarter 2016

Financial Results
Conference Call Presentation
March 17, 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

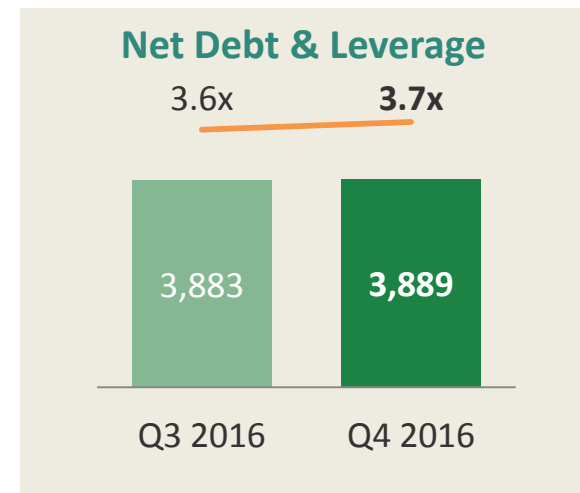
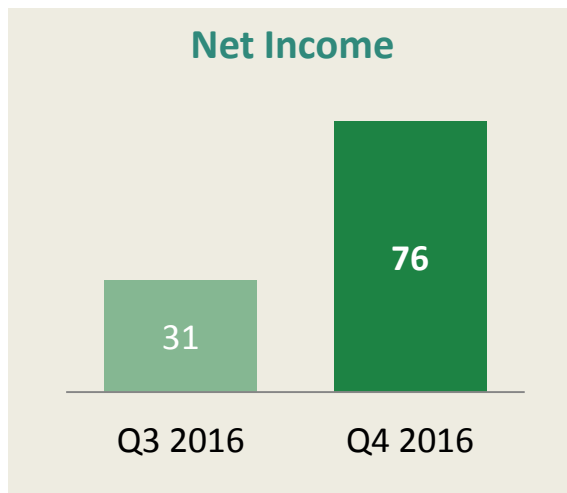
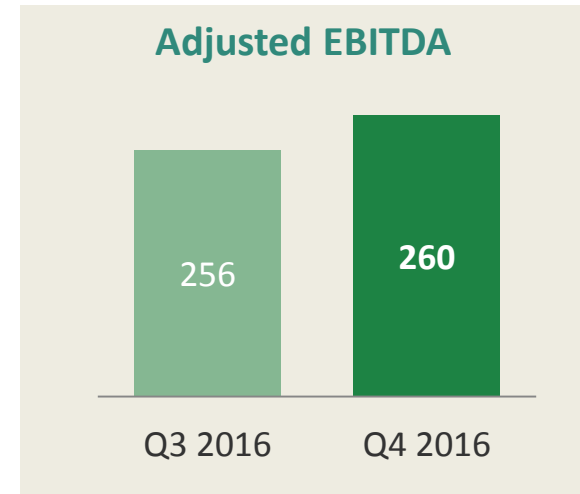
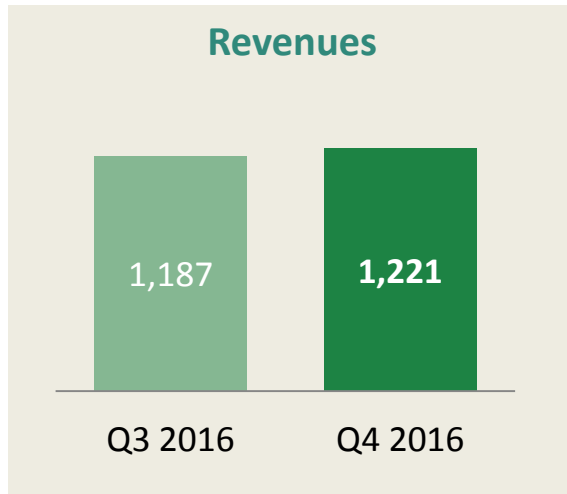
Review by Business Segment & Outlook

Material Facts and News

Q&A

QUARTER MAIN FIGURES

In U.S.\$ million

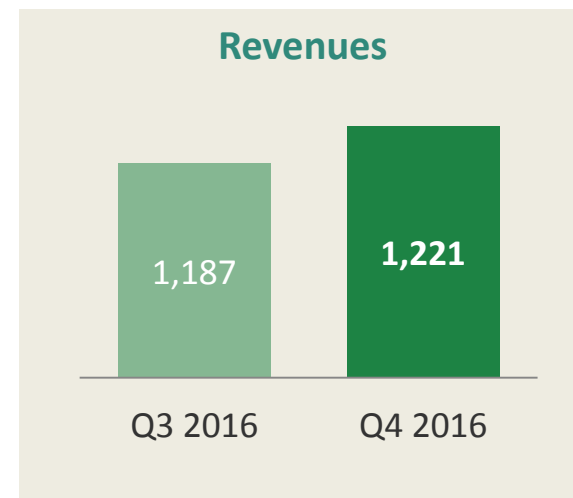


REVENUES, COSTS AND NON-OPERATIONAL RESULTS

In U.S.\$ million

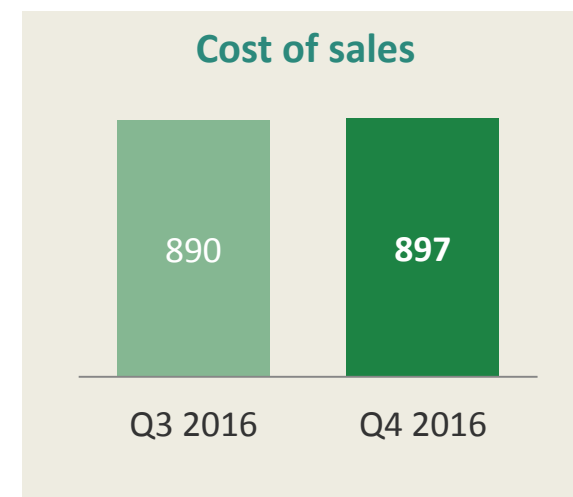
Revenues were U.S.\$ 33.1 million or 2.8% higher:

- Pulp business revenues were U.S.\$ 35.9 million higher, driven by recovering prices in both fibers
- Wood products revenues were U.S.\$ 8.3 million below the previous quarter, with lower panel sales counteracted by higher sawn timber sales



Cost of sales were U.S.\$ 6.2 million or 0.7% higher:

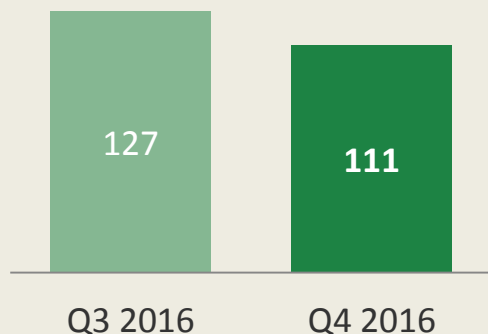
- Timber costs increased due to higher sales volume in pulp and sawmill services increased due to higher sawn timber sales volume
- Unitary costs QoQ:
 - ▶ Softwood bleached pulp: ↓0.8%
 - ▶ Hardwood bleached pulp: –
 - ▶ Unbleached softwood pulp: ↓ 10.5%



REVENUES, COSTS AND NON-OPERATIONAL RESULTS

In U.S.\$ million

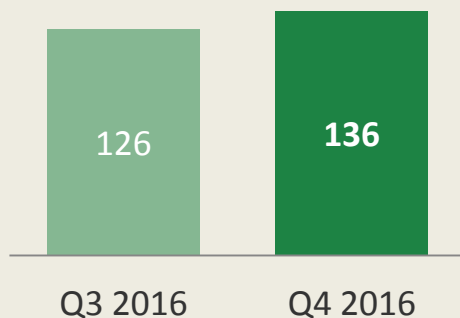
Administrative expenses



Administrative expenses decreased by 13.1% or U.S.\$ 16.7 million:

- Negative effect from reversal of provision (SES), from Other Income to Other administration expenses

Distribution costs



Distribution costs increased by 7.9% or U.S.\$ 10.0 million:

- Increased sales volume in our pulp business segment
- Argentina continues to expand sales in Asian markets

REVENUES, COSTS AND NON-OPERATIONAL RESULTS

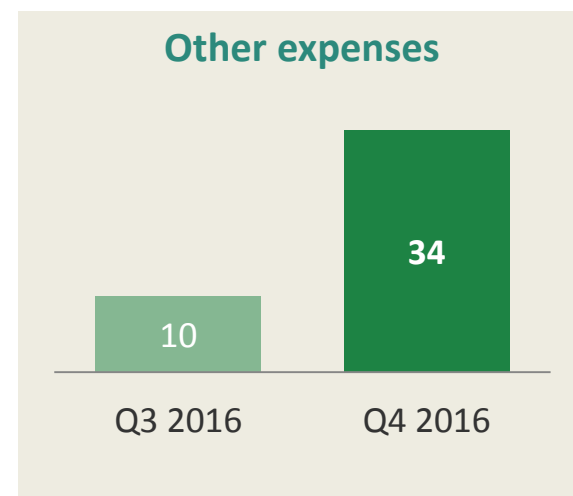
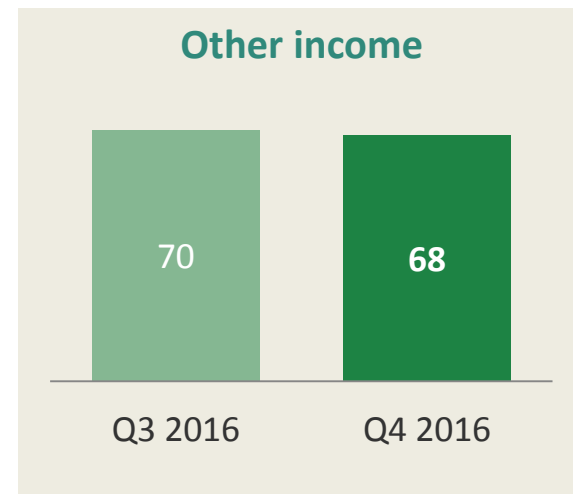
In U.S.\$ million

Other income decreased by 2.3% or U.S.\$ 1.6 million:

- Reclassification of a reversal of provision to Administrative Expenses
- Gains from changes in biological assets increased due to gains not accounted for in 3Q. Taking into account this change, overall gains fluctuate around U.S.\$ 50 million each quarter

Other expenses increased by 220.4% or U.S.\$ 23.1 million:

- Provision for forestry fires losses increased U.S.\$ 11.9 million with the start of forest fire season
- Project expenses start accumulating due to Grayling Project
- Impairment provisions in Argentina, Chile, and North America



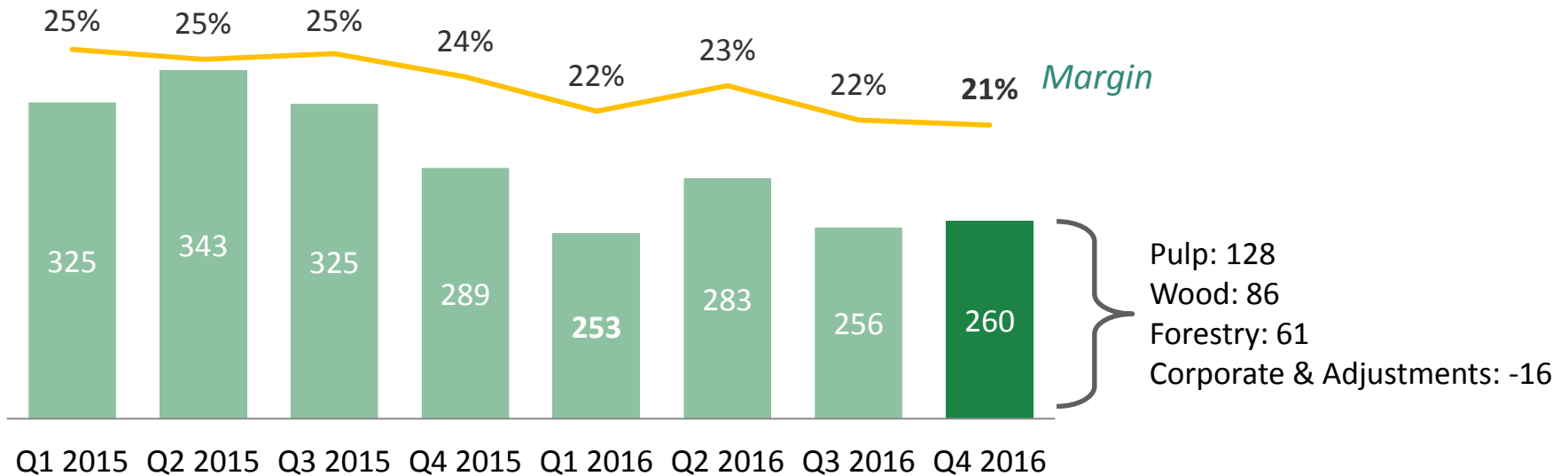
NET INCOME

In U.S.\$ million

	Q4 2016	Q3 2016	QoQ
Revenues	1,220.6	1,187.5	2.8%
Cost of sales	(896.7)	(890.5)	0.7%
Distribution costs	(136.0)	(126.1)	7.9%
Administrative expenses	(110.6)	(127.3)	-13.1%
Other income	68.2	69.9	-2.3%
Other expenses	(33.5)	(10.5)	220.4%
Financial income	3.9	7.9	-49.9%
Financial costs	(58.0)	(64.7)	-10.3%
Participation in (loss) profit in associates and joint ventures accounted through equity method	9.9	4.0	150.2%
Exchange rate differences	(3.9)	(1.0)	289.2%
Income before income tax	64.0	49.3	29.9%
Income tax	11.7	(17.8)	-165.8%
Net income	75.8	31.4	141.1%

ADJUSTED EBITDA

In U.S.\$ million



- ▶ Adjusted EBITDA rose 1.5% compared to the previous quarter and decreased 11.4% compared to the fourth quarter of 2015
- ▶ All of our business segments increased quarterly EBITDA
- ▶ Pulp price hikes were achieved during latter part of the quarter
- ▶ Higher pricing and sales volume in sawn timber supported wood products gain



Financial Review

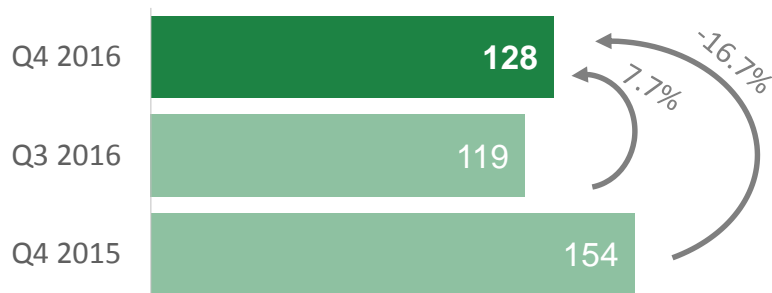
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PULP BUSINESS

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



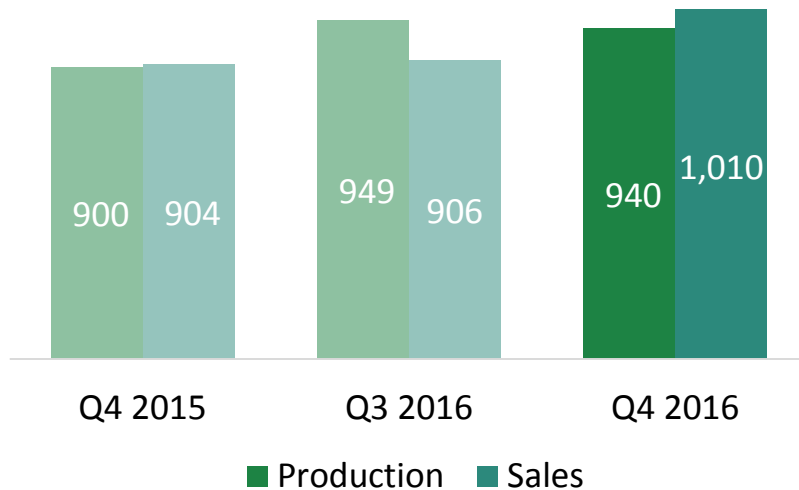
	Price	Volume	Sales
QoQ	-0.8%	11.3%	6.9%
YoY	-11.8%	11.8%	-2.2%

Q4 2016

- ▶ Pulp market started the quarter with high uncertainty as to when new incoming supply would impact the market
- ▶ Asia Pulp and Paper Line 1 started producing in November, Line 2 set to start up during April 2017
- ▶ Estimations of new market pulp set between 1.1 and 1.3 million tons, which market should be able to absorb
- ▶ Asian pulp markets tightened, with short fiber leading price hikes
- ▶ European markets had restrained demand, with long fiber prices decreasing
- ▶ In Brazil, new supply from Klabin pulp mill has placed added pressure to market
- ▶ Normal maintenance stoppages in our Nueva Aldea Mill, Alto Paraná Mill, and Valdivia Mill

PULP BUSINESS

Production and Sales Volume (In Thousand ADT)



Q3 2016- Q4 2016 Scheduled Pulp Mill Maintenance Stoppages

Date	Pulp Mill	Annual Capacity (thousands Adt)	Days of Stoppage
Jul	Licancel	155	10 ✓
Aug	Arauco, Line 2	510	15 ✓
Oct	Nueva Aldea	1,027	12 ✓
Nov	Alto Paraná	350	10 ✓
Nov	Valdivia	550	11 ✓

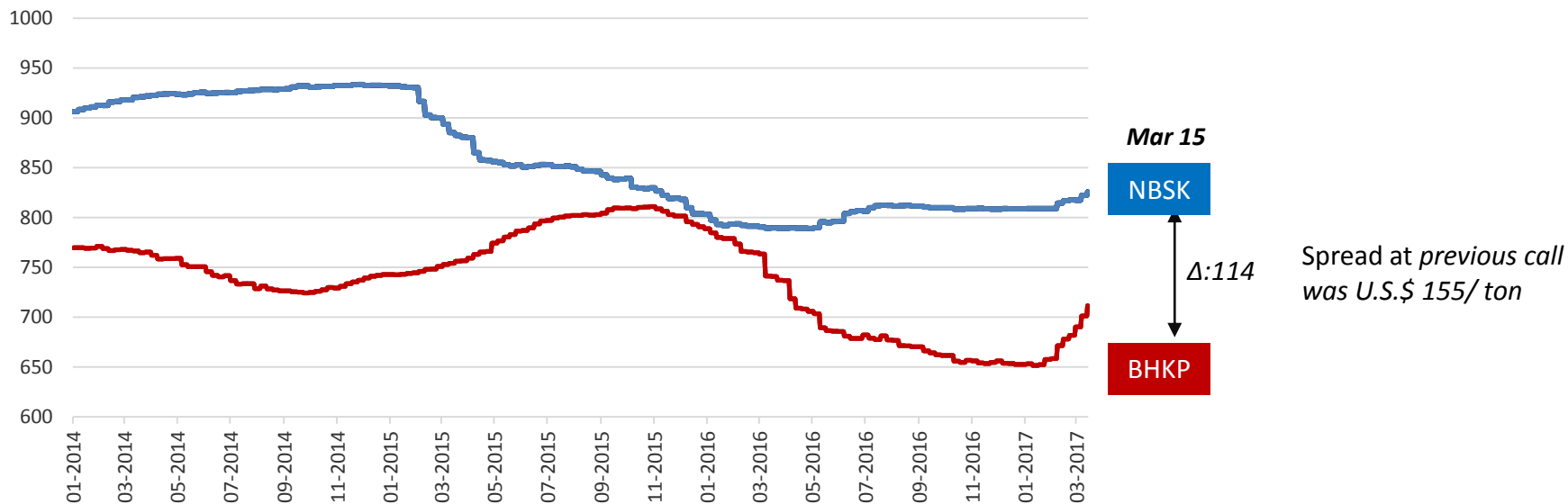
Global Producers Inventory Levels

<i>In days</i>	Mar 2015	Jun 2015	Sep 2015	Dec 2015	Mar 2016	Jun 2016	Sep 2016	Dec 2016
BSKP	33	29	30	29	30	28	30	32
BHKP	39	38	38	39	46	41	47	37

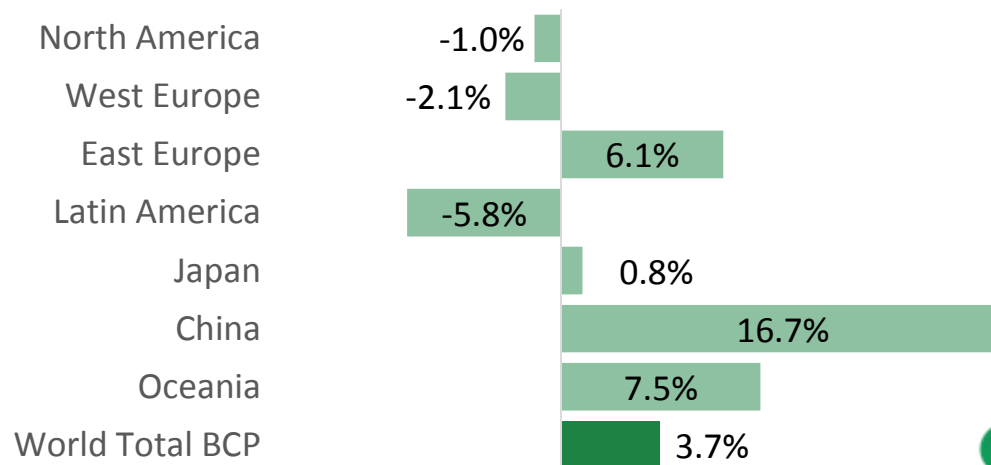
Source: Pulp and Paper Products Council

PULP BUSINESS

BHKP and NBSK Indexes



Demand for bleached chemical pulp Dec. 2016 vs Dec. 2015 (Accumulated)



Source: Hawkins Wright



PULP BUSINESS

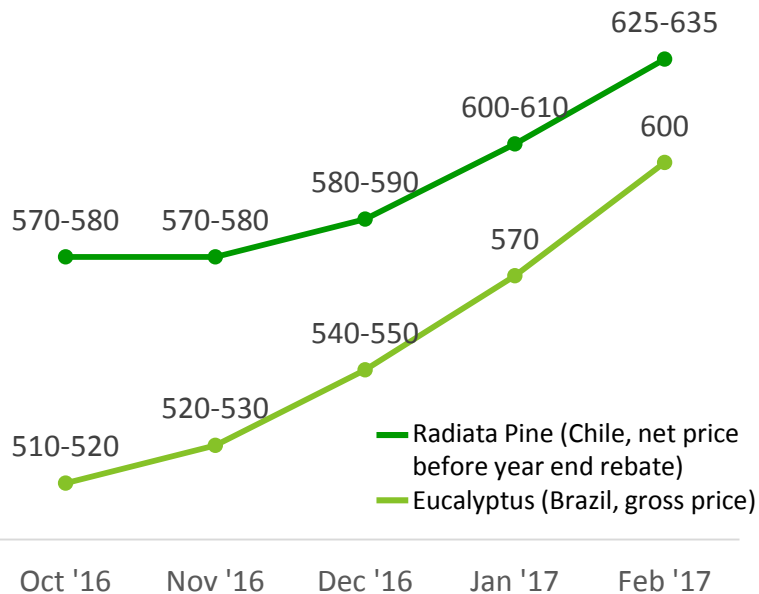
OUTLOOK

Long Fiber

- ▶ China: Price hikes of similar amount to short fiber price hikes. Price gap fluctuates around U.S.\$ 10
- ▶ Europe: Prices also follow upward trend, which counteracts higher discounts for 2017

Short Fiber

- ▶ More balanced inventory levels foresee possible price hikes in April and May
- ▶ China: Higher prices buoyed by strong demand
- ▶ Europe: Delayed response to price hikes

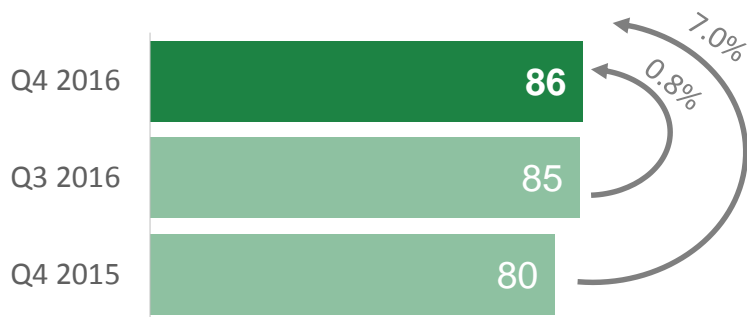


Q1 2017-Q2 2017 Scheduled Pulp Mill Maintenance Stoppages

Date	Pulp Mill	Annual Capacity (thousands Adt)	Days of Stoppage
Feb	Constitución	350	15 days ✓
Mar	Arauco, Line 1	290	5 days
May	Montes del Plata	1,300	11 days

WOOD PRODUCTS BUSINESS

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



	Price	Volume
QoQ	0.2%	-7.7%
YoY	18.6%	-5.1%

Panels*

	Price	Volume
QoQ	6.3%	3.2%
YoY	-20.7%	19.5%

Sawn
Timber**

Q4 2016

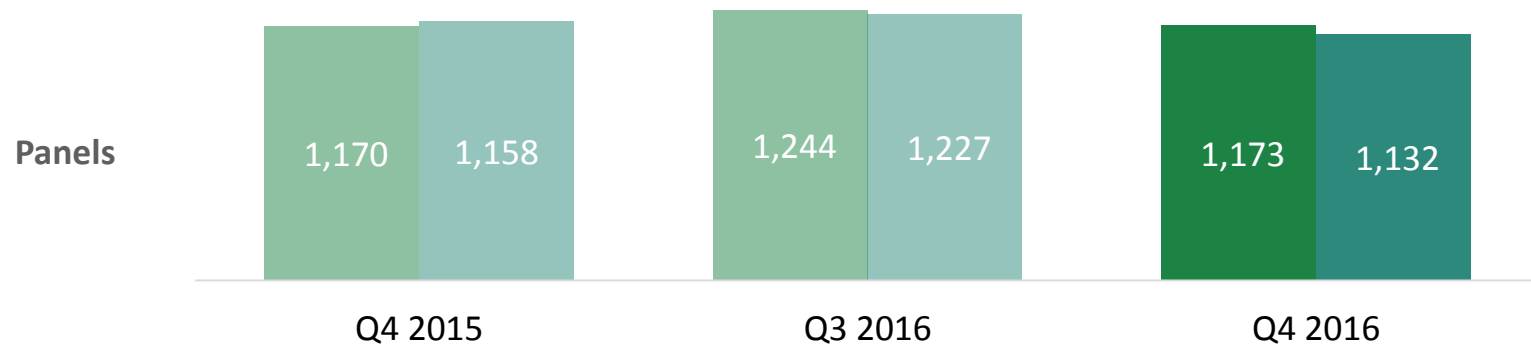
- ▶ Panels market had a drop in sales
- ▶ North America had lower seasonal sales due to harsher weather and the holiday season
- ▶ New panels production coming in from West Fraser and Mexican producers
- ▶ Brazilian panels exports increased, while Argentina had limited opportunities to export
- ▶ In sawn timber, product mix crucial to remain ahead of competition

*MDF, PBO, HB

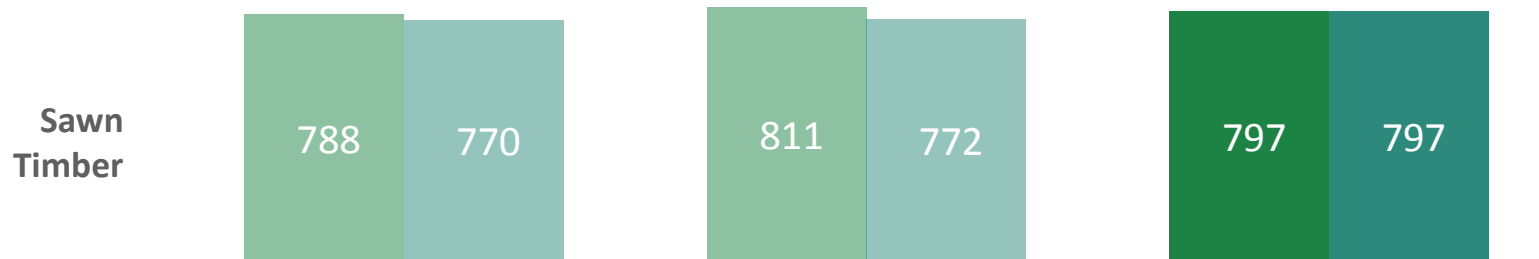
**sawn timber, remanufactured solid wood, plywood

WOOD PRODUCTS BUSINESS

Production and Sales Volume (In Thousand m³)



■ Production ■ Sales



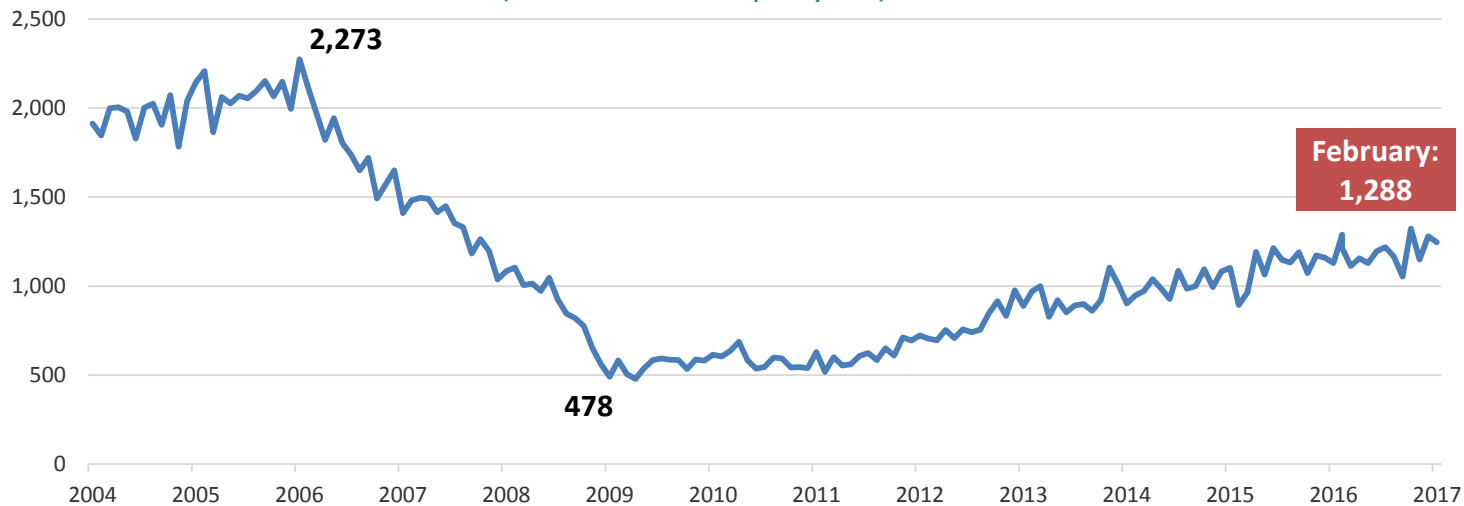
■ Production ■ Sales

OUTLOOK

- Housing Starts Index at 1.3 million units per year, led by strongest single-family homebuilding in nearly a decade
- MDF: Market is at equilibrium. Looking to push through price hikes during the next few months, but remain cautious as new supply comes on line from Mexican producers
- MDF moldings: Stable demand and prices
- Particleboard: Imports from Brazilian competitors have increased pressures in market
- Plywood: Price hikes have been established. Pushing value added products

North America
47%

U.S. Housing Starts Index
(Thousand units per year)



WOOD PRODUCTS BUSINESS

OUTLOOK

Central and South America 33%

Brazil: New year kick-starts with better volumes compared to the same quarter of last year. Market is still unstable, but some products have shown signs of recovery. Price boosts foreseen to counteract a lower-than-normal 2016 results

Argentina: Higher interest in public works boosts demand, already showing signs of improvement compared to last year

Chile: Optimal product mix, increasing participation of value added products. Positive view of the rest of the year, with the caveat that internal wood supply might be affected after forest fires

Asia and Oceania 14%

Asia: Stable demand has led way to general price hikes

Oceania: Price and sales volume recovery throughout the year

Europe and Middle East 6%

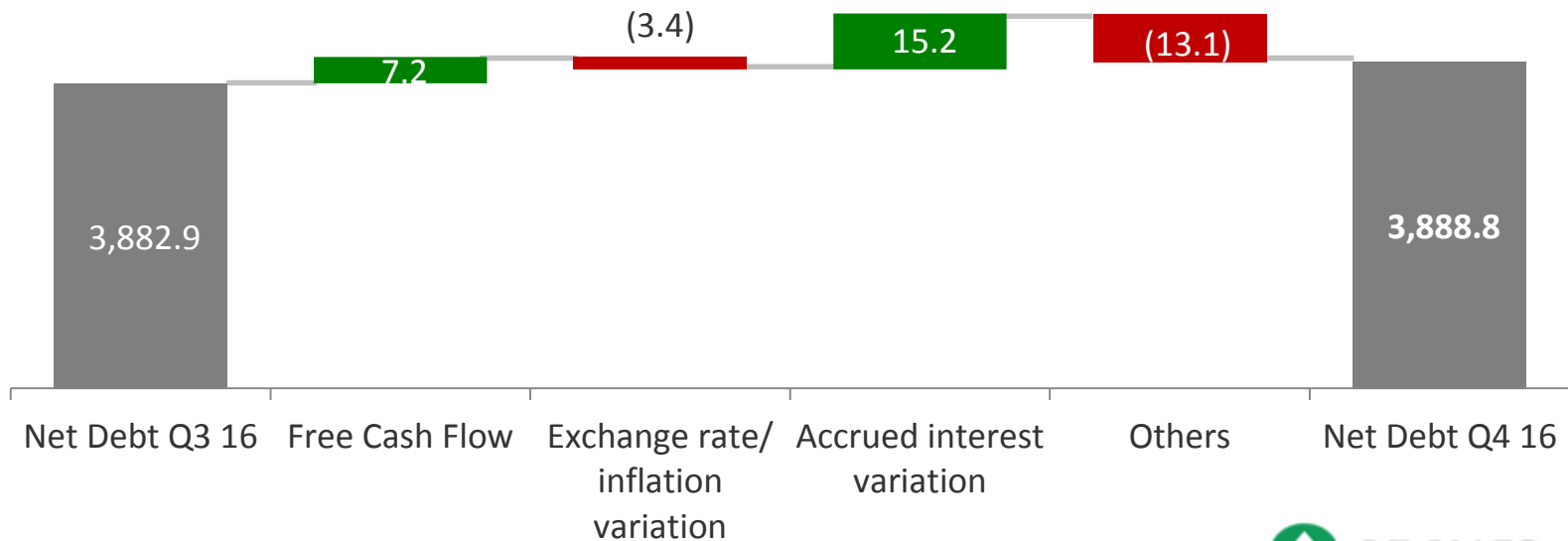
Europe: Positive trend continues in products we sell from Sonae Arauco, and plywood we import

Middle East: Better-than-expected margins from higher prices and lower shipping costs. Overall prospects are positive, but restricted by increasing supply

FREE CASH FLOW

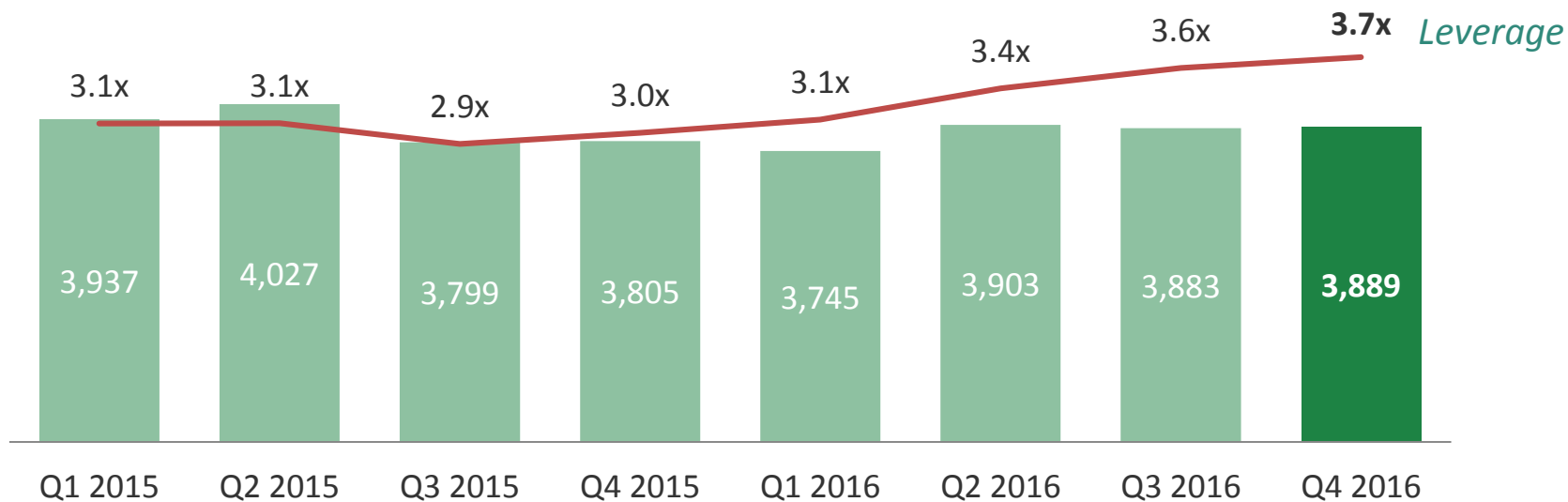
In U.S.\$ million

	Q4 2016	Q3 2016
Adjusted EBITDA (a)	260	256
<i>Others (b)</i>	(184)	(112)
Cash from Operations (a+b)	176	144
<i>Capex (c)</i>	(164)	(129)
<i>Others (d)</i>	6	4
Cash from Investment Activities (c+d)	(158)	(125)
Cash from Financing activities (net of debt)	(30)	(1)
Effect of exchange rate changes	5	(7)
Free Cash Flow	(7)	11



NET FINANCIAL DEBT

In U.S.\$ million

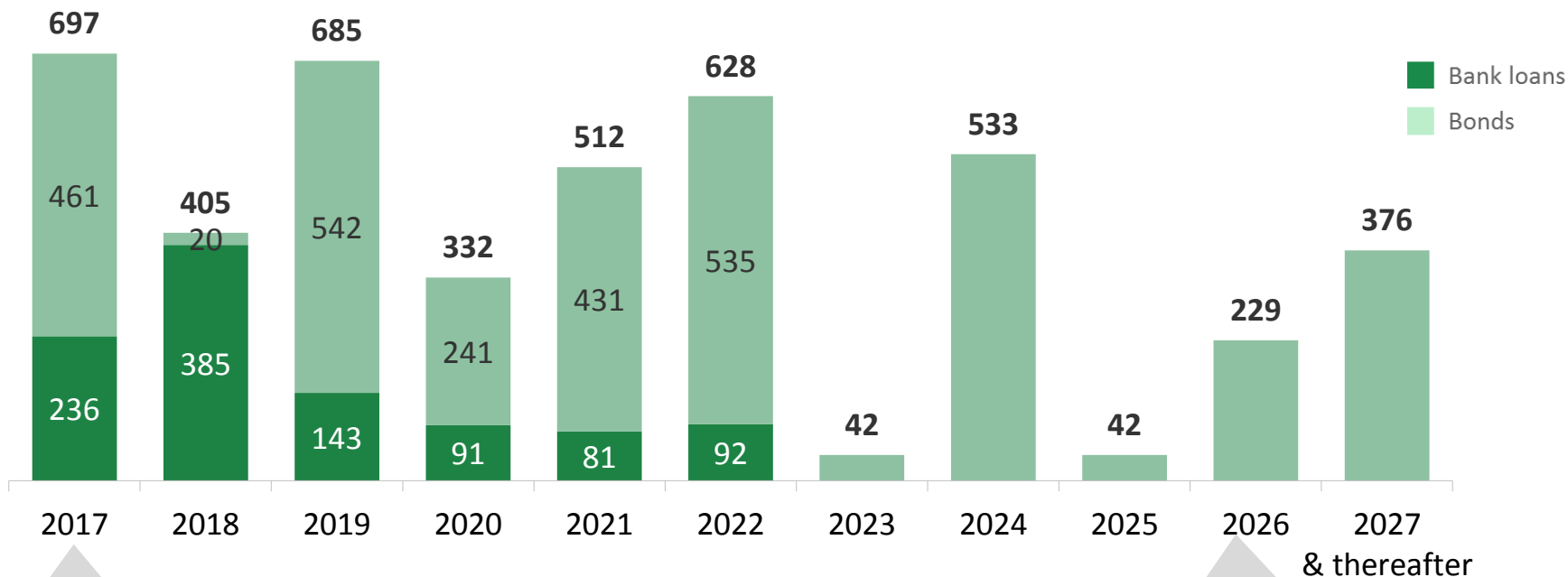


- ▶ **Total financial debt** increased 0.2% QoQ, mainly led by
- ▶ **Cash and cash equivalents** increased 28.8% QoQ
- ▶ **QoQ Net Leverage** increased from 3.6x to 3.7x

Short term financial debt	697
Long term financial debt	3,784
TOTAL FINANCIAL DEBT	4,481
Cash and cash equivalents	592
NET FINANCIAL DEBT	3,889

DEBT

In U.S.\$ million



Bank obligations for the year 2017 include:

- ▶ U.S.\$ 185.4 million in Montes del Plata
- ▶ U.S.\$ 40.4 million of guaranteed leaseings
- ▶ U.S.\$ 5.0 million in Brazilian subsidiaries
- ▶ U.S.\$ 5.0 million in Argentinian subsidiary

Bond obligations for the year 2017 include:

- ▶ U.S.\$ 270.0 million in Alto Paraná bond
- ▶ U.S.\$ 125.0 million in Yankee bond
- ▶ U.S.\$ 9.8 million in amortization local bond

On December 1, 2016:

New issue of local bond for UF 5.0 million

- ▶ U.S.\$ 201.4 million
- ▶ Tenor: 10 years
- ▶ Bullet
- ▶ Due November 2026



Financial Review

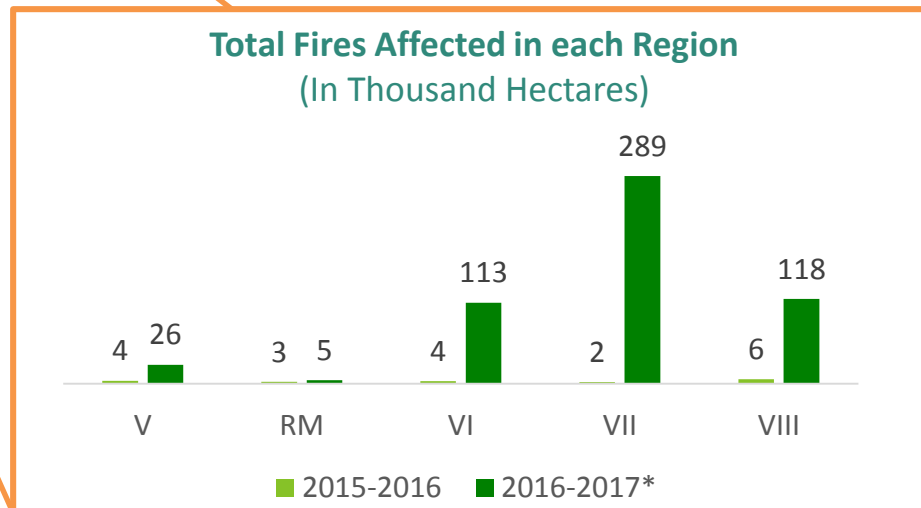
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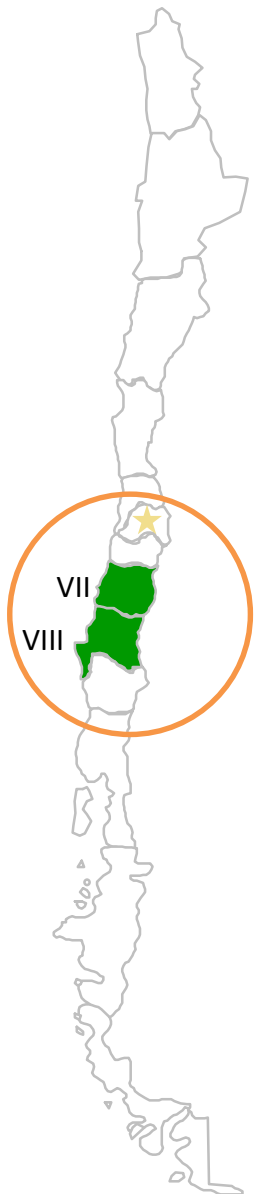
Forest fires in Chile during first quarter of 2017

- ▶ Large forest fires during January and February mainly affected the Maule and Bio Bio regions
- ▶ To date approximately 607,600 hectares have been damaged during this fire season in Chile
- ▶ For the last five years, about 70,900 hectares on average have been damaged by fires each forest season in Chile
- ▶ To prevent forest fires, Arauco has:
 - ▶ 1,300 professional forest firefighters
 - ▶ 8 airplanes
 - ▶ 10 helicopters
 - ▶ 19 landing strips
 - ▶ 100 water carrying moving equipment
 - ▶ 120 surveillance towers
 - ▶ U.S.\$ 25 million in yearly investments

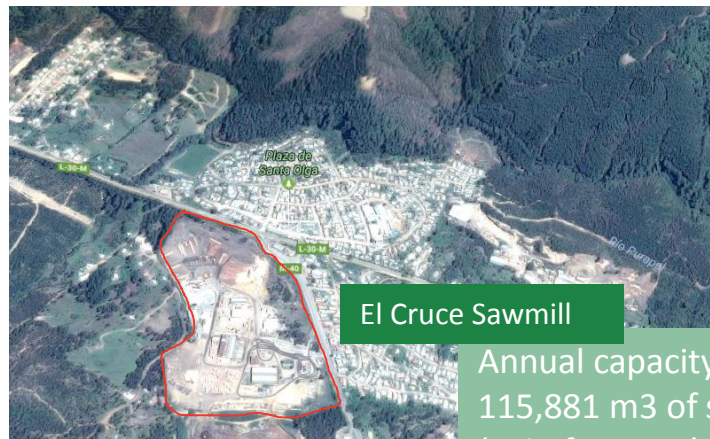


Source: CONAF
* Official data as of Mar 16, 2017

Forest fires in Chile during first quarter of 2017



- ▶ Arauco has 80,000 hectares of plantations that were damaged to some extent
- ▶ Hectares affected valued at approximately U.S.\$ 240 million in our books, equivalent to 6% of total plantations under IFRS, and approximately 2% of the total assets of Arauco
- ▶ 10% to 20% of value affected could be recoverable
- ▶ Forest insurance could indemnify up to U.S.\$ 35 million
- ▶ El Cruce Sawmill also damaged during fires

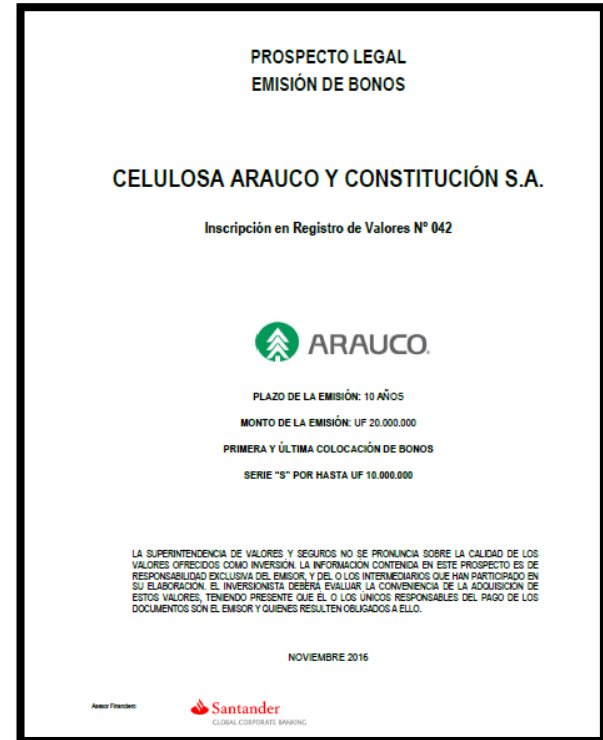


Source: Google Maps

Annual capacity:
115,881 m³ of sawn timber
(4% of Arauco's total sawn timber production capacity)

Arauco issued UF 5.0 million bond in local markets

- ▶ Local bond for UF 5.0 million, or U.S.\$ 201.4 million
- ▶ Bond tenor is 10 years and principal paid in one installment on November 2026, with interest payments paid semiannually
- ▶ Bond swapped to U.S. dollar
- ▶ Use of proceeds are to refinance short and long term debt
- ▶ Total line registered in SVS for a maximum of UF 10.0 million, giving Arauco ability to issue and additional UF 5.0 million if the need arises





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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

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