



4th Quarter 2018

Financial Results Conference Call Presentation
March 14th, 2019

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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 CMF 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.

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Financial Review

Review by Business Segment & Outlook

Material Facts and News

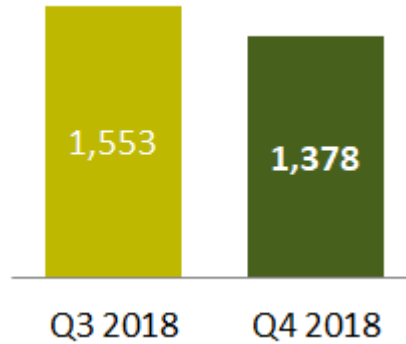
Q&A



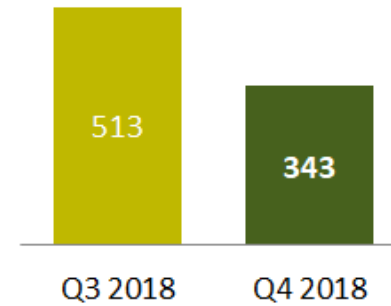
QUARTER MAIN FIGURES

In US\$ million

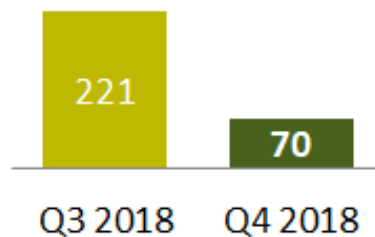
Revenues



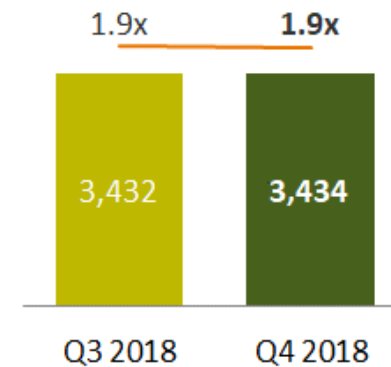
Adjusted EBITDA



Net Income



Net Debt & Leverage

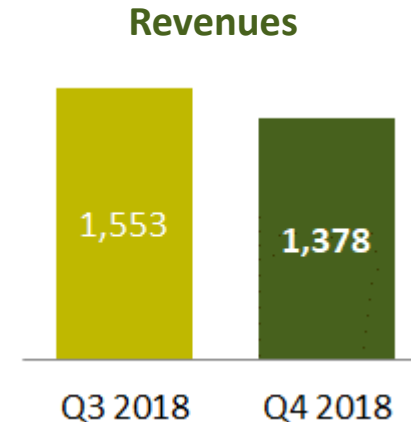


REVENUES, COSTS AND NON-OPERATIONAL RESULTS

In US\$ million

Revenues decreased by 11.3% or US\$175.7 million QoQ

- Pulp business revenues were US\$132.9 million lower, driven by a decrease in sales volume and a slight fall in prices
- Wood products revenues were US\$52.4 million below the previous quarter due to a decrease in sales volume while average prices remained stable

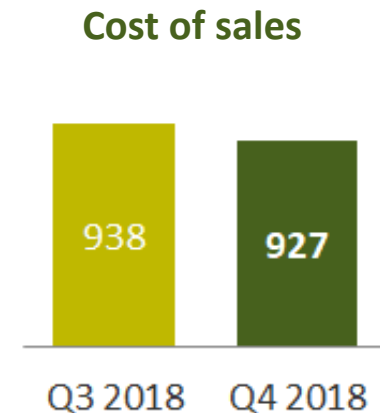


Cost of sales decreased by 1.1% or US\$10.4 million

- Forestry labor costs and chemical costs decreased due to lower sales volume

Pulp unitary sale costs QoQ

- ▶ Softwood bleached pulp: ↑ 12.8%
- ▶ Hardwood bleached pulp: ↑ 10.4%
- ▶ Unbleached softwood pulp: ↑ 7.3%



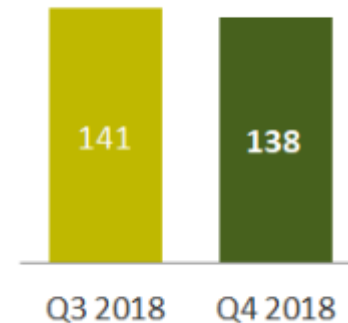
REVENUES, COSTS AND NON-OPERATIONAL RESULTS

In US\$ million

Administrative expenses decreased by 1.9% or US\$2.7 million QoQ

- Wages and salaries decreased by 8.3% or US\$5.4 million due to an adjustment in this account related to the Masisa Brazil acquisition

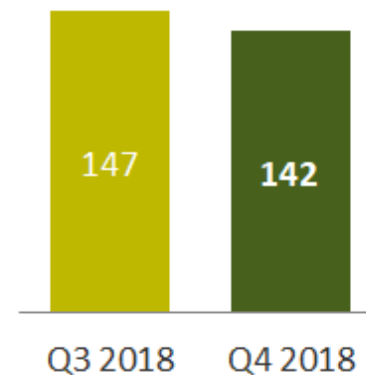
Administrative expenses



Distribution costs decreased by 3.5% or US\$5.2 million

- Freight costs fell by 9.3% or US\$11.0 million mainly due to lower exports volume to Asia
- The decrease was offset by higher other selling costs that include bad debt provisions and exports taxes implemented in Argentina

Distribution costs

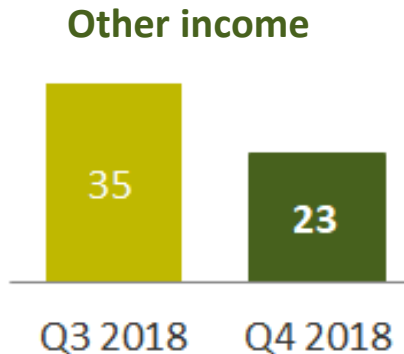


REVENUES, COSTS AND NON-OPERATIONAL RESULTS

In US\$ million

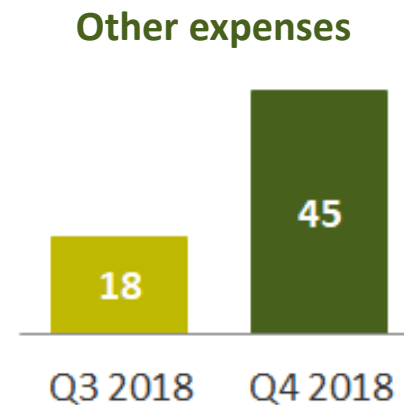
Other income decreased by 35.8% or US\$12.6 million

- Gain from changes in fair value of biological assets decreased compared to the last quarter due to a review of the valuation model in December



Other expenses increased by 151.2% or US\$26.8 million

- Impairment provision for property, plant & equipment and others increased due to an update of Arauco I mill fixed asset accounting records
- Provisions for forestry fire losses increased by US\$2.5 million compared to the 3Q



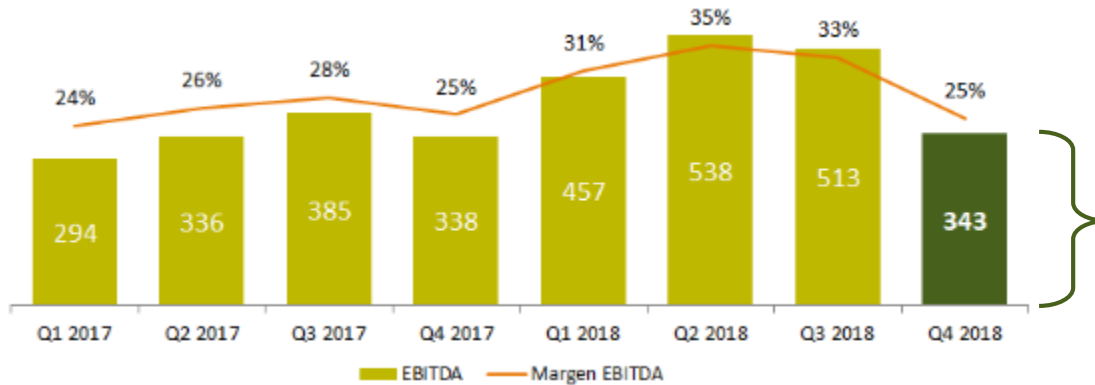
NET INCOME

In US\$ million

In US\$ Million	Q4 2018	Q3 2018	QoQ
Revenues	1,377.6	1,553.3	-11.3%
Cost of sales	(927.1)	(937.6)	-1.1%
Distribution costs	(142.0)	(147.1)	-3.5%
Administrative expenses	(138.1)	(140.7)	-1.9%
Other income	22.6	35.2	-35.8%
Other expenses	(44.5)	(17.7)	151.2%
Financial income	8.8	4.8	84.7%
Financial costs	(58.9)	(52.8)	11.5%
Share of profit (loss) of associates and joint ventures accounted for using equity method	(11.4)	4.7	-344.5%
Other Income (loss)	14.2	-	
Exchange rate differences	(4.2)	(6.0)	-30.4%
Income before income tax	97.0	295.9	-67.2%
Income tax	(26.8)	(75.2)	-64.3%
Net income	70.1	220.7	-68.2%

ADJUSTED EBITDA

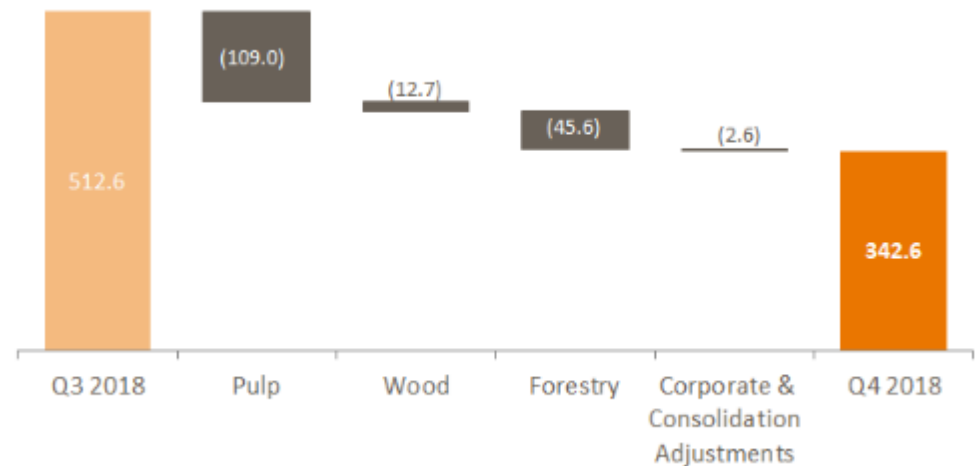
In US\$ million



Ebitda by business 4Q

Pulp: 286
Wood: 92
Forestry: -11
Corporate & Adjustments: -24

- ▶ Adjusted EBITDA fell by 33.2% compared to the 3Q and increased by 1.3% compared to the 4Q 2017
- ▶ Pulp Adjusted EBITDA decreased by 27.6% after a fall in sales volume of 11.6% and in average prices of 4.2%, QoQ
- ▶ Wood products Adjusted EBITDA decreased by 12.2% QoQ, due to a decrease in sales volume



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Financial Review

Review by Business Segment & Outlook

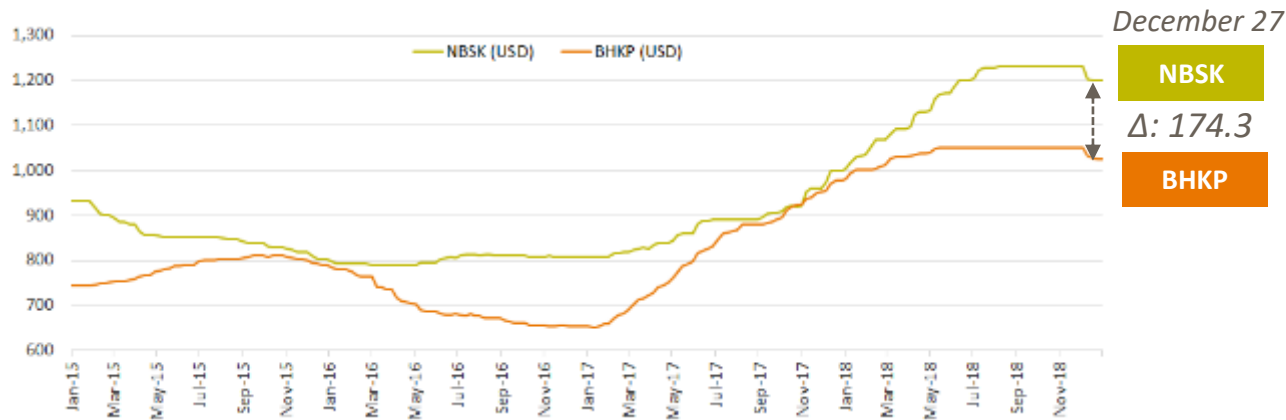
Material Facts and News

Q&A



PULP BUSINESS

BHKP and NBSK Indexes



December 27
NBSK
 $\Delta: 174.3$
BHKP
 Spread at the previous call:
 US\$ 180 /ton

Source: RISI

Demand for bleached chemical pulp (YTD)

In thousand tonnes

Destination	Dec-17	Dec-18	Δ	%
North America	7,695	7,320	- 375	▼ -4.9%
West Europe	13,910	14,210	300	▲ 2.2%
China	14,375	14,585	210	▲ 1.5%
Other	12,985	13,125	140	▲ 1.1%
W-20 Total BCP	48,965	49,240	275	▲ 0.6%

Source: Hawkins Wright

Global Producers Inventory Levels

In days

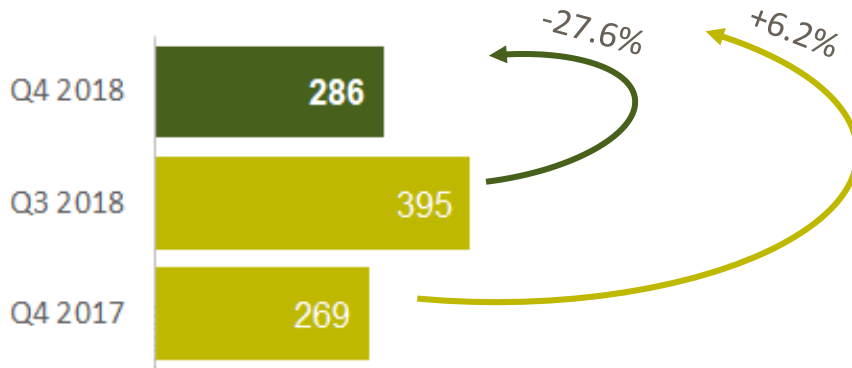
	Mar 2017	Jun 2017	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018
BSKP	29	31	30	29	31	30	33	41
BHKP	38	37	43	38	45	45	41	57

Source: World Report

PULP BUSINESS

Adjusted EBITDA

In US\$ million

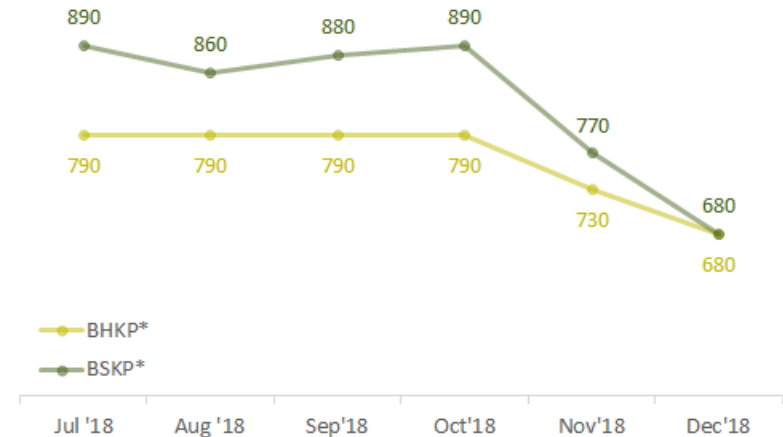


	Price	Volume
QoQ	↓ -4.2%	↓ -11.6%
YoY	↑ 11.8%	↓ -4.0%

Q4 2018

- ▶ Pulp industry trend changed compared to the 3Q due to the uncertainty of the trade war between United States and China
- ▶ Asian markets showed a fall in pulp demand and prices going down, as a result of the trade conflict
- ▶ European markets showed a less aggressive trend change, with some prices adjustments and a falling demand at a lower rate

BHKP and BSKP prices

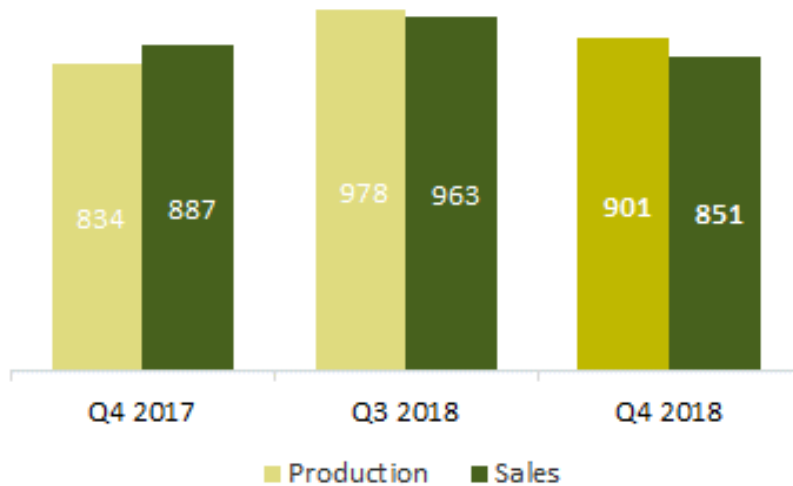


* Net prices in China

PULP BUSINESS

Production and Sales Volume

In Thousand ADT



Q1 - Q4 2018 Scheduled Pulp Mill Maintenance Stoppages

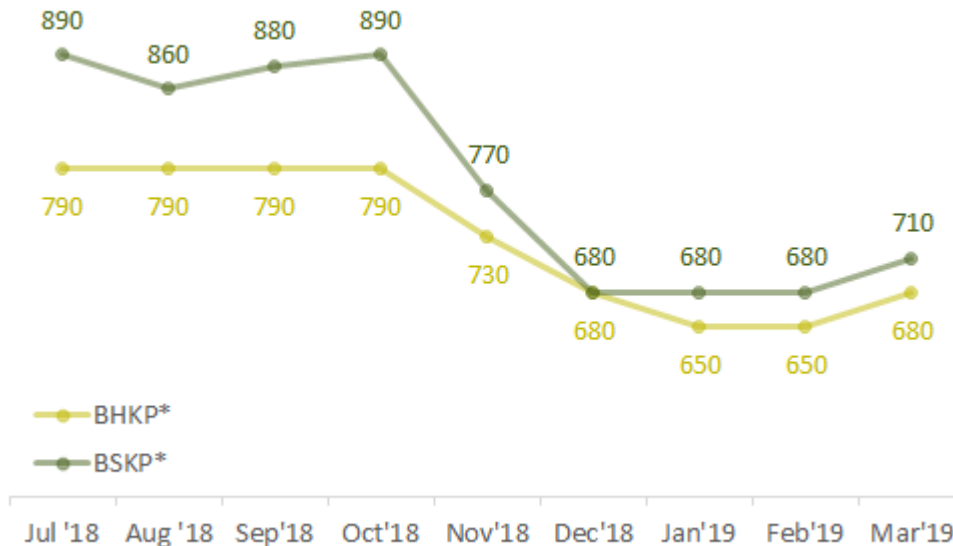
Date	Pulp Mill	Annual Capacity (thousand Adt)	Days of Stoppage
Feb	Licancel	155	9 ✓
Feb	Constitución	355	14 ✓
Mar	Valdivia	550	14 ✓
Apr	Arauco Line 1	290	13 ✓
Oct	Arauco Line 2	510	10 ✓
Nov	Valdivia	550	13 ✓
Nov	Montes del Plata	1,400	10 ✓

PULP BUSINESS

Outlook

- ▶ Even though the uncertainty of the trade war between China and United States still remains, there is a positive feeling about the ongoing negotiations
- ▶ The forecast in Asia looks positive, with prices stabilizing and recovering after the Chinese New Year, period in which demand tends to go down
- ▶ In Europe, a falling pulp demand and price downturn is expected to last for the first quarter of 2019
- ▶ High inventories (specially in hardwood) are expected to be absorbed in the coming months

BHKP and BSKP prices



* Net prices in China

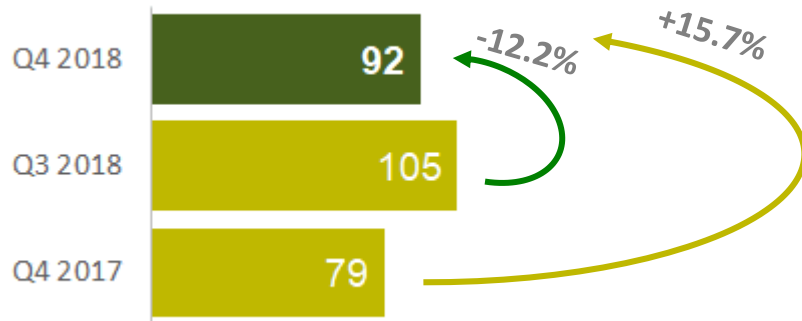
Q1 2019 – Q2 2019 Scheduled Pulp Mill Maintenance Stoppages

Date	Pulp Mill	Annual Capacity (thousand Adt)	Days of Stoppage
Jan	Nueva Aldea	1,040	10 ✓
Feb	Licancel	160	10 ✓
Mar	Constitucion	355	21
Mar	Alto Parana	350	15
May	Arauco Line 1	290	13

WOOD PRODUCTS BUSINESS

Adjusted EBITDA

In US\$ million



Composite Panels*

	Price	Volume
QoQ	↑ 1.2%	↓ -7.1%
YoY	↓ -5.9%	↑ 9.6%

Solid Wood**

	Price	Volume
QoQ	↑ 0.2%	↓ -8.1%
YoY	↑ 5.9%	↓ -5.9%

Q4 2018

- ▶ Sales volume of composite panels decreased, offset by a slight increase in average prices. MDF, PBO and Melamine had a healthy demand in Latin America with higher sales volume
- ▶ In Sawn timber, prices continued going down during the 4Q as it was expected due to seasonality, the oversupply and the lower demand from China caused by the trade conflict. Remanufactured products showed a balance in demand and supply, considering a flat construction market and uncertainty by the US and China conflict
- ▶ Plywood sales volume was lower because of the oversupply from Brazil, Unites States and Asia and seasonality in the North Hemisphere. Plywood prices had some adjustment during the 4Q

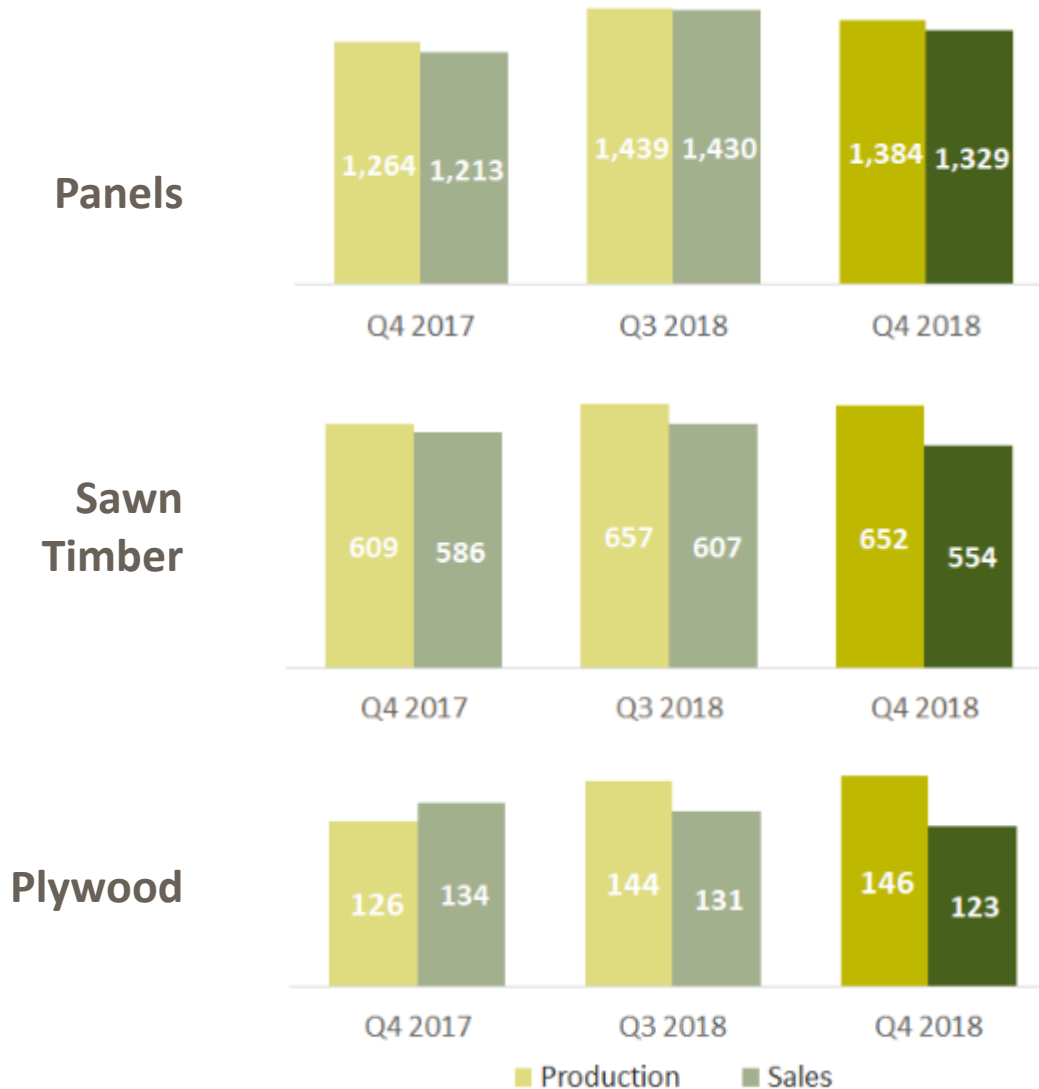
* MDF, PBO, HB

** Sawn timber, remanufactured solid wood, plywood

WOOD PRODUCTS BUSINESS

In thousand m³

Production and Sales Volume



WOOD PRODUCTS BUSINESS

Outlook

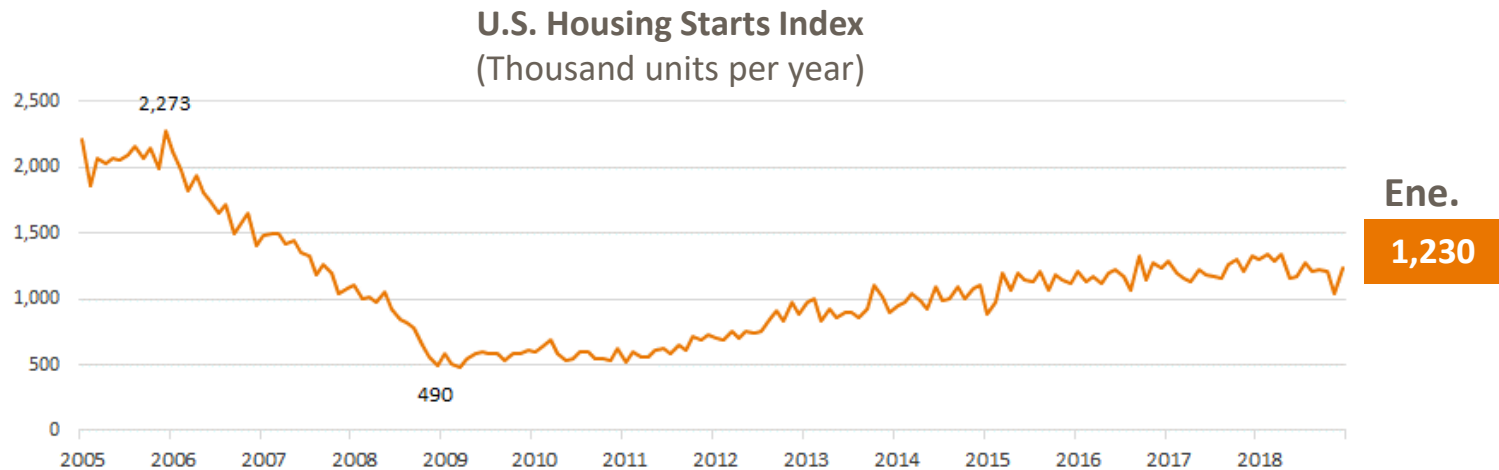
Housing Starts Index at 1.2 million units per year in January 2019

PB/MDP: due to the extreme weather conditions during the fourth quarter of 2018, there was a slight delay in Grayling production start, however, forecast for PB is positive, with no pressure on the demand. MDF trend shows a more significant change in the coming months due to oversupply

Remanufactured products: the demand is expected to fall due to the slow construction market and the seasonality effects during the 1Q 2019. Higher sales volume are expected for 2Q 2019

Plywood: the market trend is viewed with more caution because of the oversupply from Chile, Brazil and local producers.

North
America
46%



WOOD PRODUCTS BUSINESS

Outlook

Central and
South America
37%

Brazil: the forecast is positive with price increases and an upward demand from March onward.

Argentina: due to the economic situation, margins are expected to remain tight. However, melamine products demand is expected to remain stable, generating positive margins.

Chile: composite panels demand is expected to remain healthy while Plywood and MDF demand is expected to have a slight increase.

Asia and
Oceania
12%

Asia: the trend is expected to continue the same, with pulp demand going down and lower prices. Taiwanese and Korean demand is expected to decrease because of the trade war effects. However, there is a positive forecast for Asian markets in the 2Q 2019, with an upward demand and prices with no relevant changes.

Europe and
Middle East
5%

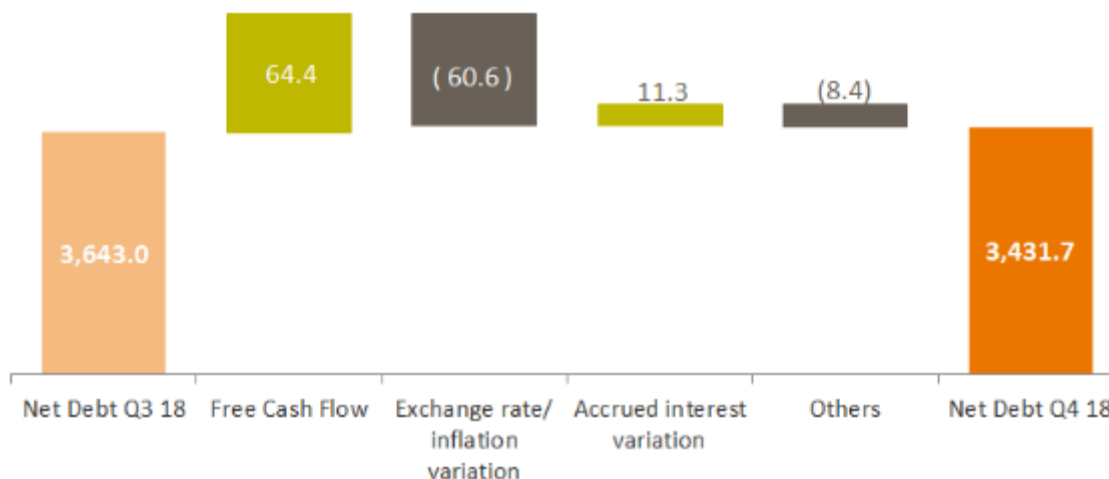
Europe: plywood market is expected to remain stable with no significant changes in prices. For the 2Q 2019, the forecast is still better as the weather conditions improve and with that the construction market.

Middle East: sawn timber sales volume are expected to be positive in spite of the oversupply in solid wood. A prices decrease is expected to be significant in the 2Q of 2019.

FREE CASH FLOW

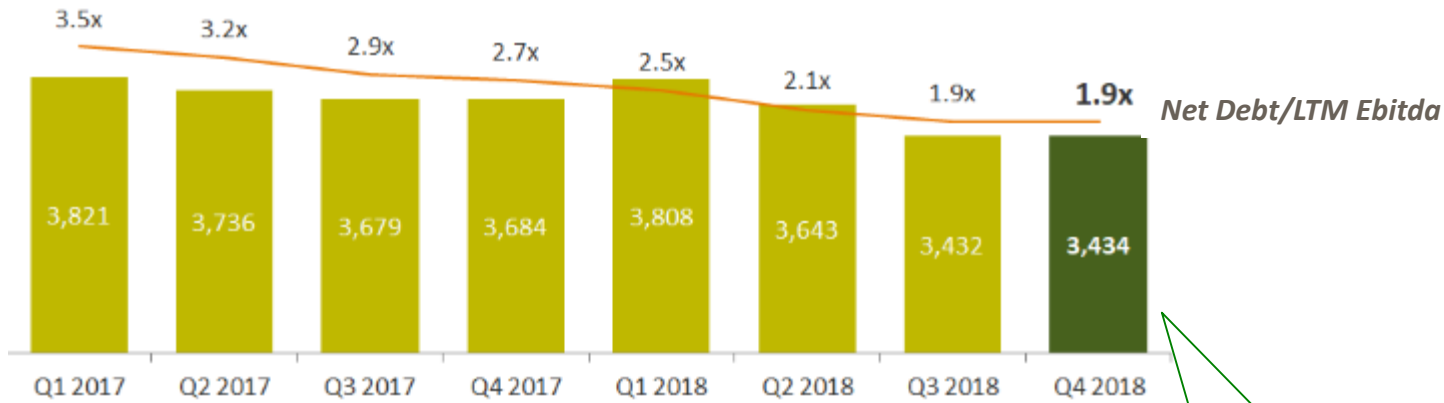
In US\$ million

	Q4 2018	Q3 2018
Adjusted EBITDA	342.6	512.6
<i>Working Capital Variation</i>	141.8	(74.5)
<i>Interest paid and received</i>	(39.2)	(39.4)
<i>Income tax paid</i>	(20.9)	(19.4)
<i>Others</i>	(5.2)	3.5
Cash from Operations	419.1	382.7
<i>Capex</i>	(341.2)	(193.7)
<i>Others</i>	5.9	11.2
Cash from Investment Activities	(335.2)	(182.5)
Cash from Financing activities (net of debt)	(143.0)	(0.2)
Effect of exchange rate changes	(5.3)	(3.1)
Free Cash Flow	(64.4)	196.9



NET FINANCIAL DEBT

In US\$ million



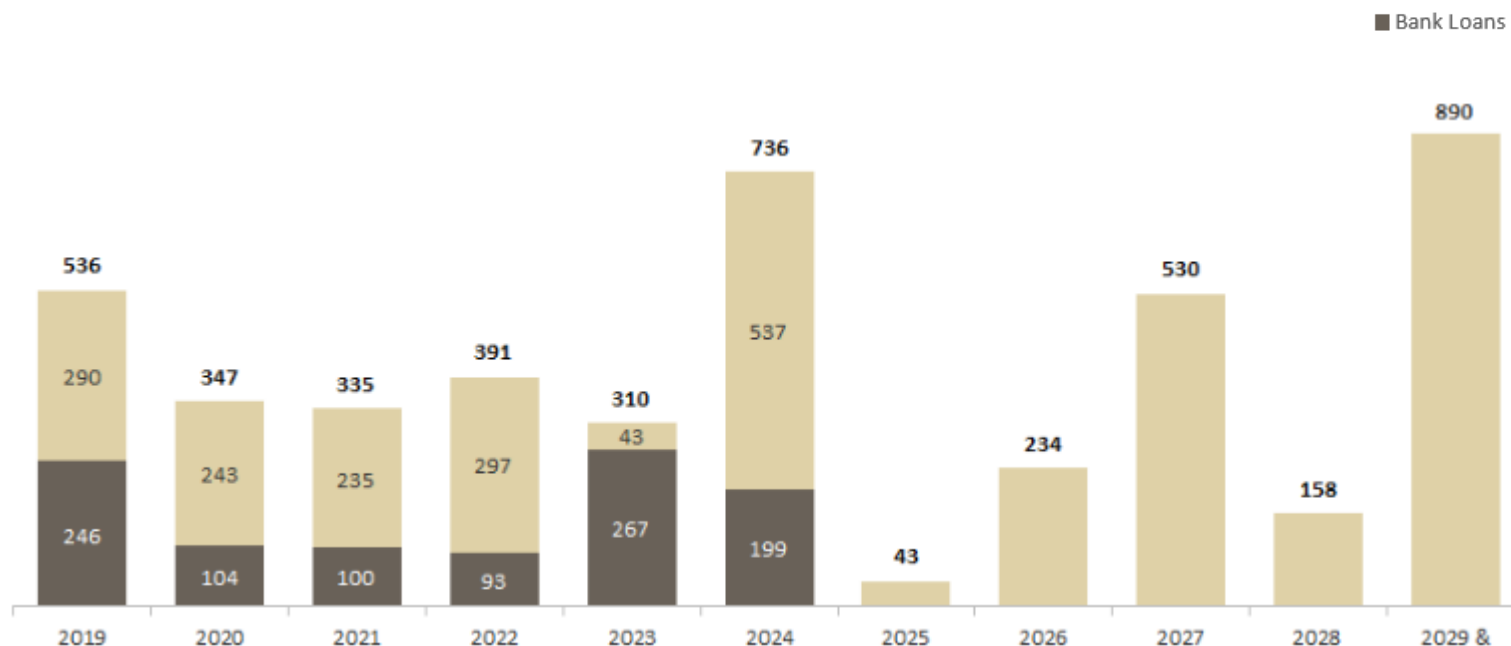
- ▶ **Cash and cash equivalents** increased 46.6% QoQ. Cash flow from operating activities increased by US\$36.3 million and cash provided by financing activities increased because of our bond issue in the 4Q, compensated by the dividends payment
- ▶ **LTM Adjusted EBITDA** decreased by 33.2% QoQ, mainly due to lower pulp sales volume that affected our net income. YTD Adjusted EBITDA increased by 36.8%, totaling US\$1,850.5 million in 2018.
- ▶ **QoQ Net Leverage** remaining in 1.9x, the lowest since 2010

Short term financial debt	536
Long term financial debt	3,974
TOTAL FINANCIAL DEBT	4,510
Cash and cash equivalents	1,076
NET FINANCIAL DEBT	3,434

DEBT

In US\$ million

As of December 2018



Bank obligations for the year 2019 include:

- ▶ US\$173.8 million in Montes del Plata
- ▶ US\$ 30.9 million of guaranteed leasing
- ▶ US\$ 28.2 million in Argentina
- ▶ US\$ 9.0 million in Brazil
- ▶ US\$ 2.1 million of Flakeboard Company
- ▶ US\$ 1.9 million in other subsidiaries

Bond obligations for the year 2019 include:

- ▶ US\$46.9 million in amortization of local bonds
- ▶ US\$202.8 million in USD bonds with maturity in 2019
- ▶ US\$40.0 million in interests of local and USD bonds



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MAPA PROJECT UPDATE

- ▶ The investment for this project is approximately US\$2,350 million
- ▶ On October 2018, Arauco signed the main equipment contracts with Andritz and Valmet
- ▶ On February 2019, the earth-moving works started
- ▶ The new line 3 is expected to start operating on 2021 with Line 1 shutdown



Model of the project for 2021

MASISA MEXICO ACQUISITION

- ▶ The transaction was completed on January 31st, 2019 for US\$160 million
- ▶ Main assets consist of two industrial complexes located in Durango and Zitácuaro



Total annual installed capacity

- 250 th. m³ of MDF
- 300 th. m³ of PB

GRAYLING PROJECT UPDATE

- ▶ On February 2019, we had the first panel's rollout as part of the first tests
- ▶ Investment in this mill is estimated to reach US\$ 450 million



Total annual installed capacity

- 800 th. m³

DISSOLVING PULP PROJECT UPDATE

- ▶ As of January 2019, the construction phase is going as planned with **65%** of construction completed
- ▶ The start-up is expected to be at the end of 2019
- ▶ The total CAPEX is estimated to be US\$190 million
- ▶ This project will enable us to develop another type of pulp used as raw material in rayon or viscose production
- ▶ The mill will keep the flexibility to switch from paper grade to dissolving pulp



FOREST FIRES

From early January until mid-March 2019, the plantations affected by forest fires are estimated in 1,579 hectares, an increase of 992 hectares compared to the forest fire season of 2018, and a significant decrease compared to the 72,500 hectares affected in 2017

- ❖ Early warning plans to detect fire outbreaks and to prevent fire bursts
- ❖ Coordinated efforts with communities, authorities and fire brigades
- ❖ Fire prevention and combat are managed with our resources, which include:

Brigades:

- 129 (1,594 members)

Aerial firefighting:

- 2 S64 AIRCRANE helicopters
- 13 KOALA helicopters
- 13 heliports
- 13 AT-802 airplanes
- 23 airport runways
- 1 coordination and monitoring airplane

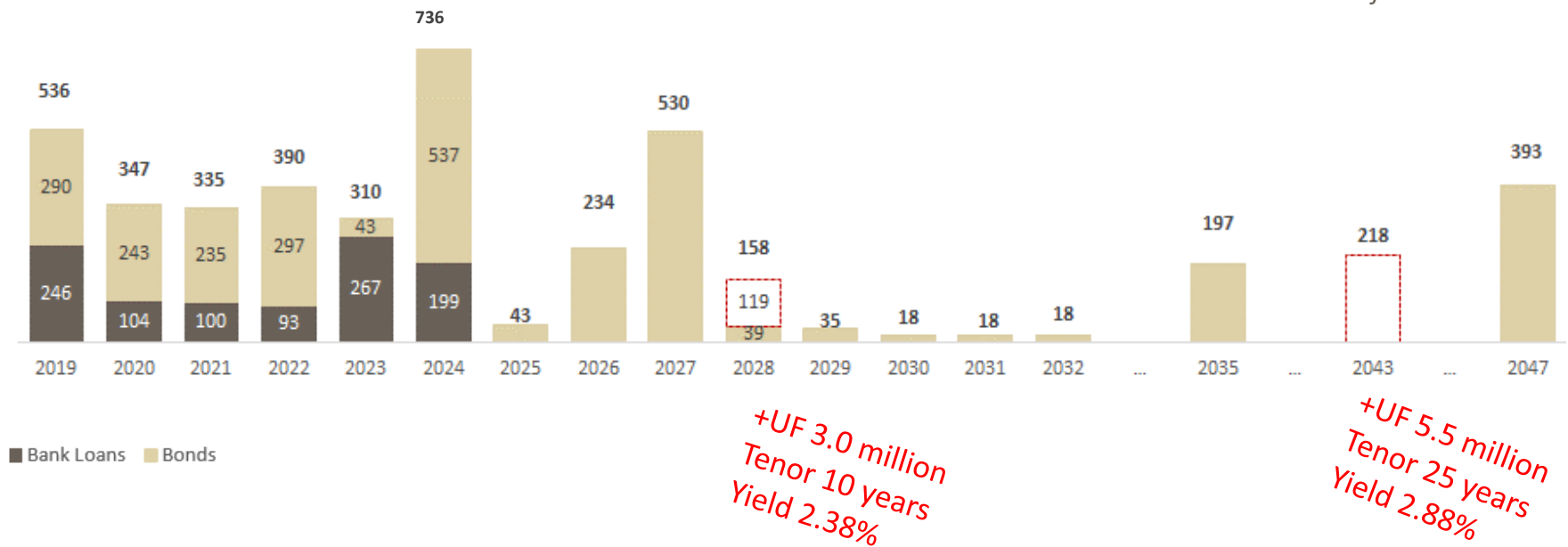


New Issuance in October 2018

In US\$ million

- ▶ Total amount issued was approximately US\$340 million
- ▶ Proceeds will be used as part of MAPA Project financing

As of December 2018

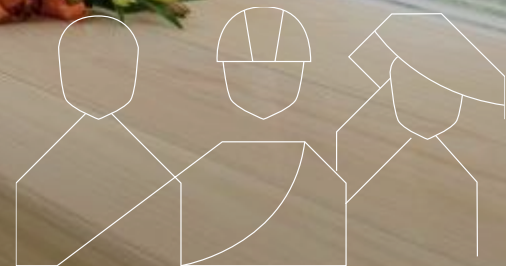


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INVESTOR RELATIONS

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	10129409

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