



ARAUCO

Corporate Presentation
2nd Quarter 2018

renewables for a better life

arauco

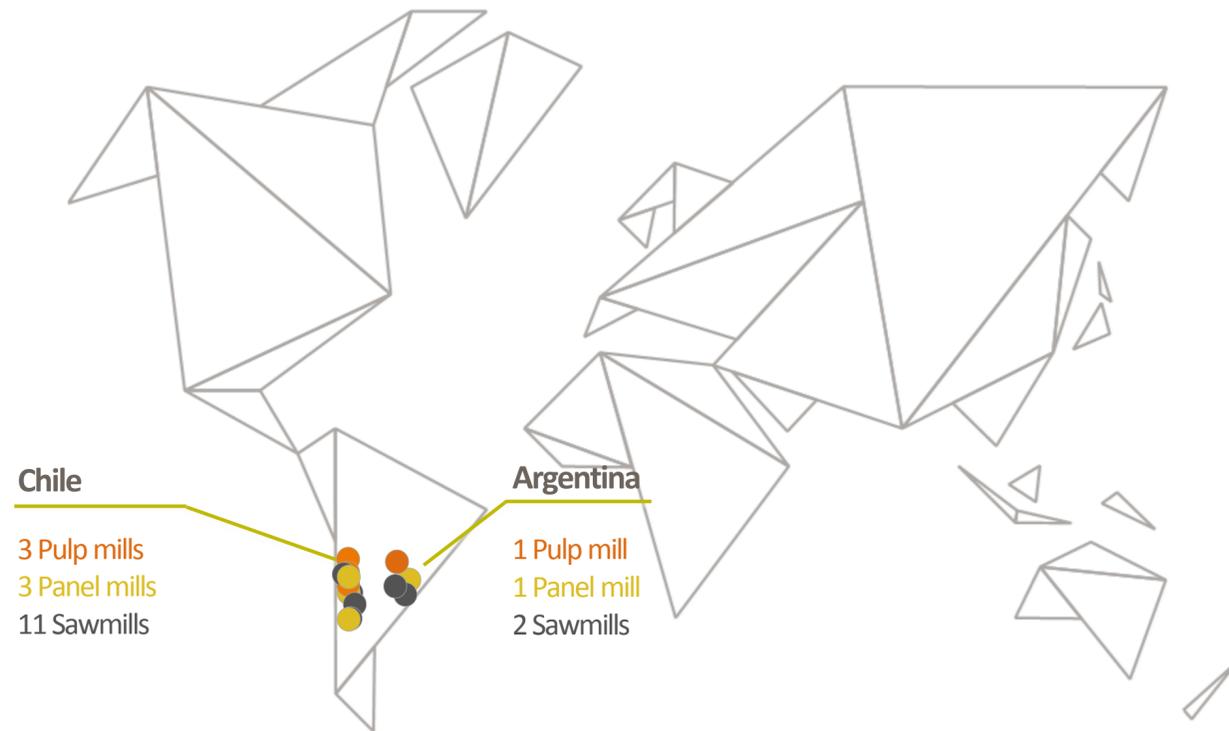
Arauco Overview

Business Segments
Future Investments
Recent Events and Initiatives
Sustainability

HISTORY OF ARAUCO

2003

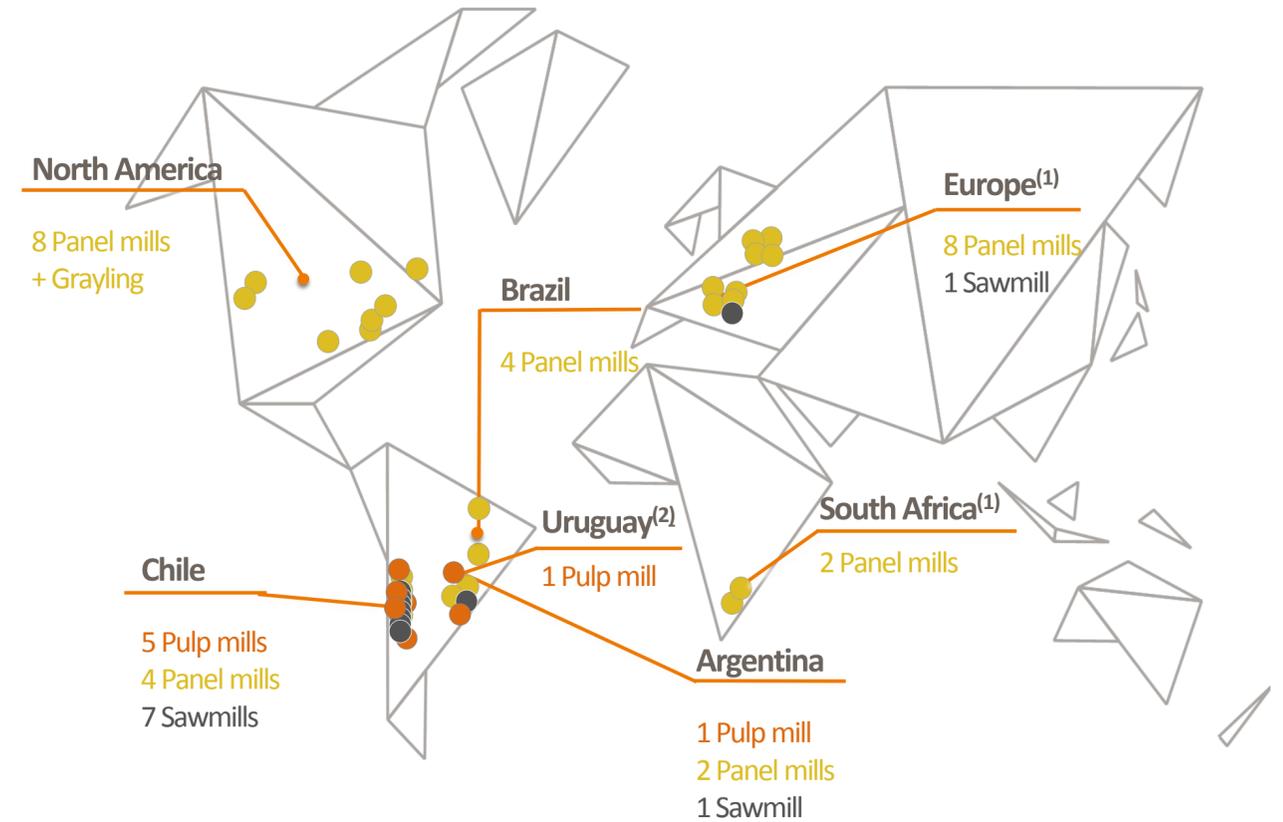
15 years ago, we were a Chilean based forestry and pulp firm...



Revenues	US\$1.5bn
Pulp Capacity	1.6 mm AdT
Panel Capacity	1.0 mm m ³
Sawn Timber Capacity	2.7 mm m ³
Number of Mills	21

...June 2018

...and today we are a world class player in the forestry products Industry



Revenues	US\$5.7bn ⁽³⁾
Pulp Capacity	3.9 mm AdT
Panel Capacity	9.4 mm m ³
Sawn Timber Capacity	2.9 mm m ³
Number of Mills	44

Source: Arauco.
 (1) Arauco owns 50% of Europe and South Africa mills through Sonae Arauco.
 (2) Arauco owns 50% of Montes del Plata mill in Uruguay.
 (3) Revenues figure corresponds to LTM June 2018.

ARAUCO AT A GLANCE

	Angelini Family ⁽¹⁾	Sales ⁽¹⁾	Assets ⁽¹⁾	Consolidated Debt ⁽¹⁾	Market Cap ⁽²⁾
74.68%		22,395	23,396	7,510	7,267
60.82%		22,396	22,946	7,312	20,057
99.99%	arauco	5,749	14,018	4,227	-

► **#1**
in market cap in Chile

► **65%**
of Empresas Copec's EBITDA

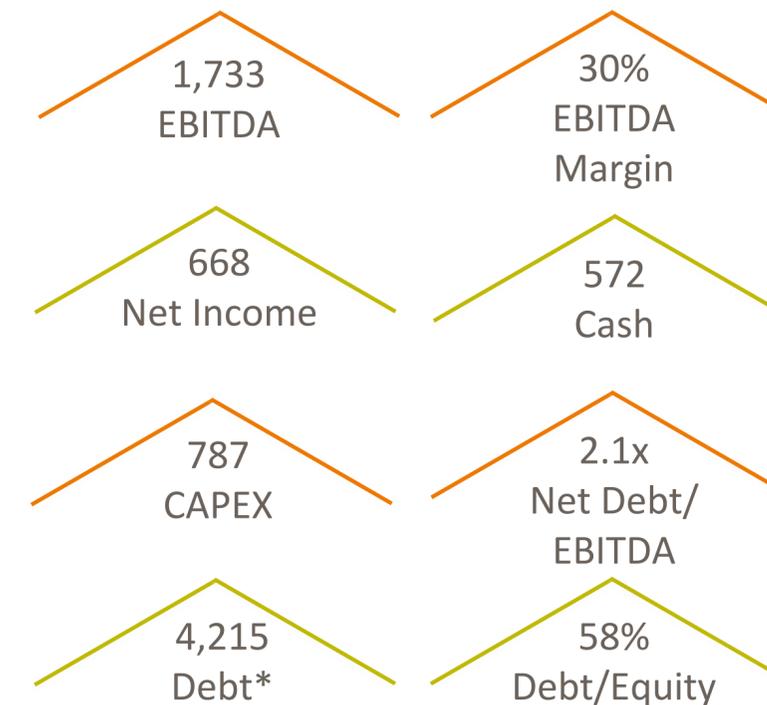
J1) June 2018
(2) August 2018

- SEC-registered
- In the US bond market since 1995

	OUTLOOK
	BBB (Stable)
	BBB- (Stable)
	Baa3 (Stable)

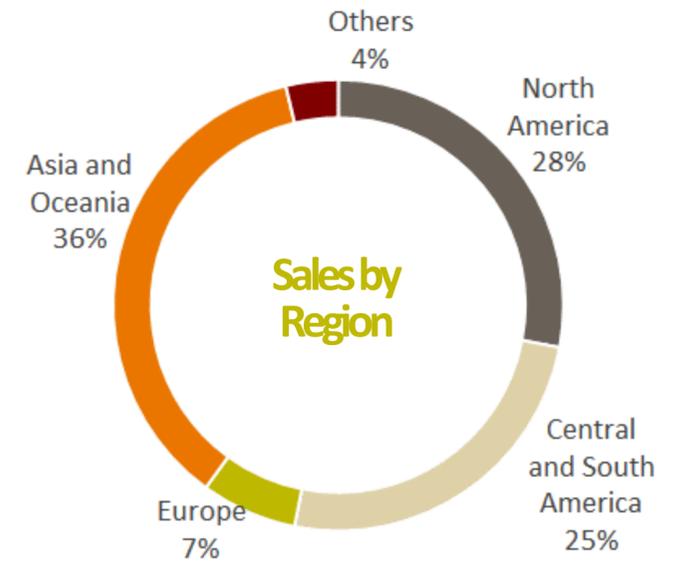
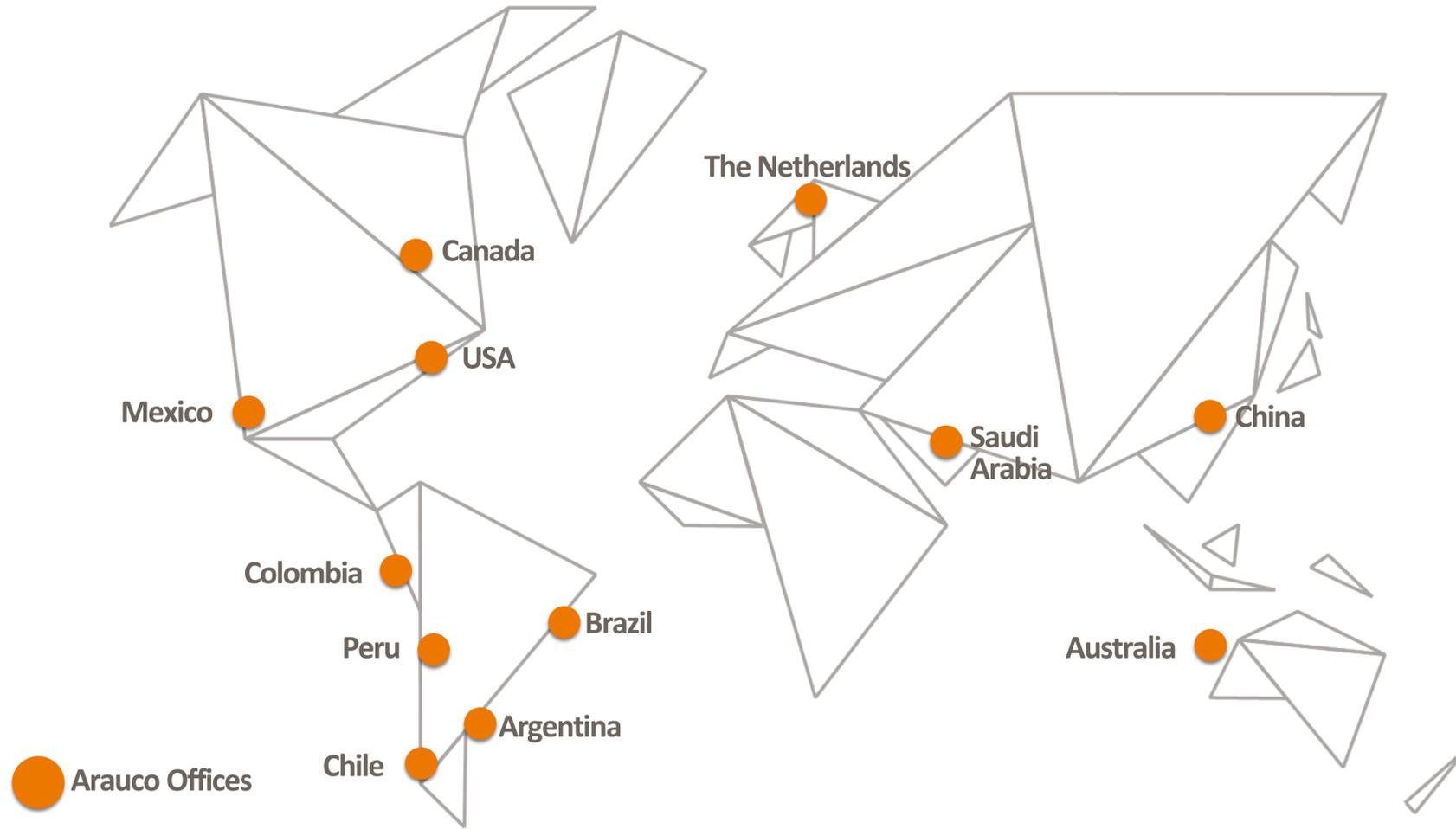
Financial Highlights June 2018 LTM

In US\$ millions

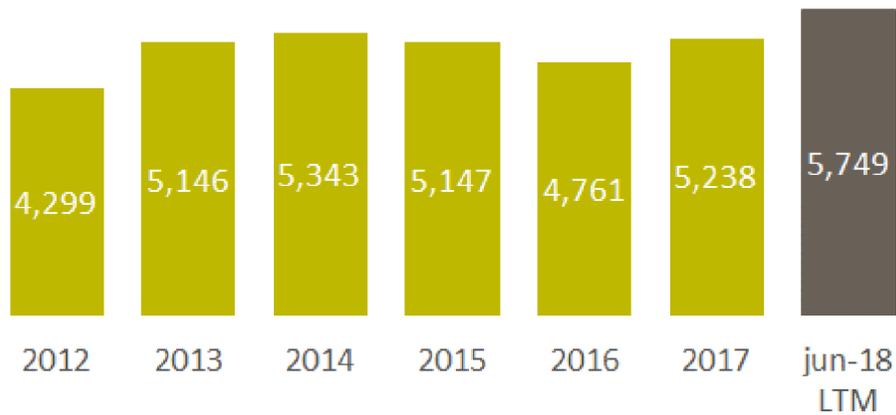


* Does not include swaps & forwards

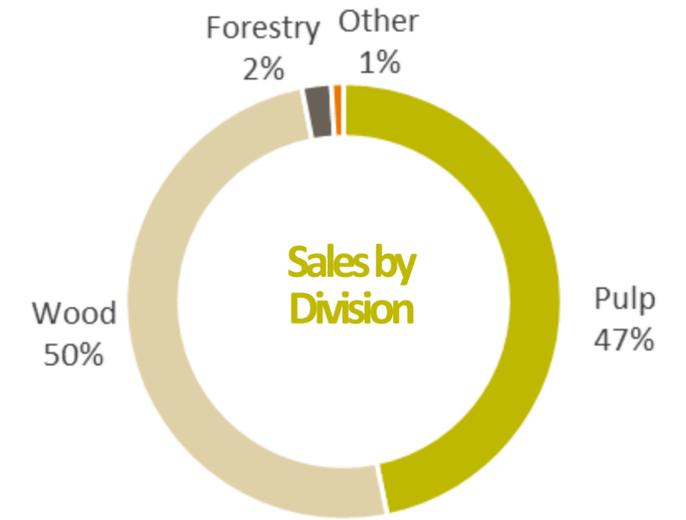
DIVERSIFIED SALES AROUND THE WORLD



Revenues



Dec. 2017



Dec. 2017
Pulp and Wood products includes sales energy

FOUR STRATEGIC BUSINESS SEGMENTS IN A DIVERSIFIED OPERATIONAL FOOTPRINT

	FORESTRY	PULP	WOOD PRODUCTS		COMPLEMENTARY POWER OPERATIONS
	654,239 Ha ⁽¹⁾	5 Mills 2.887,000 tons	4 Mills Plywood: 710,000 m ³ MDF: 515,000 m ³ HB: 60,000 m ³ PB: 300,000 m ³	7 Sawmills 4 Remanufacturing facilities 2,588,309 m ³	10 Power Plants 606 MW Surplus: 209 MW
	132,864 Ha ⁽¹⁾	1 Mill 350,000 tons	2 Mills MDF: 300,000 m ³ PB: 260,000 m ³	1 Sawmill 1 Remanufacturing facility 317,982 m ³	2 Power Plants 78 MW Surplus: 8 MW
	127,658 Ha ⁽¹⁾		4 Mills MDF: 1,530,000 m ³ PB: 720,000 m ³		
	74,352 Ha ⁽¹⁾⁽²⁾	1 Mill 700,000 tons ⁽²⁾			1 Power Plant 90 MW ⁽²⁾ Surplus : 45 MW
			8 Mills MDF: 1,470,000 m ³ PB: 1,520,000 m ³		
			10 Mills ⁽³⁾ MDF: 722,000 m ³ PB: 1,091,000 m ³ OSB: 243,000 m ³	1 Sawmill ⁽³⁾ 25,185m ³	
TOTAL	989,113 Ha	3.9 MM tons	9.4 MM m³	2.9 MM m³	774 MW

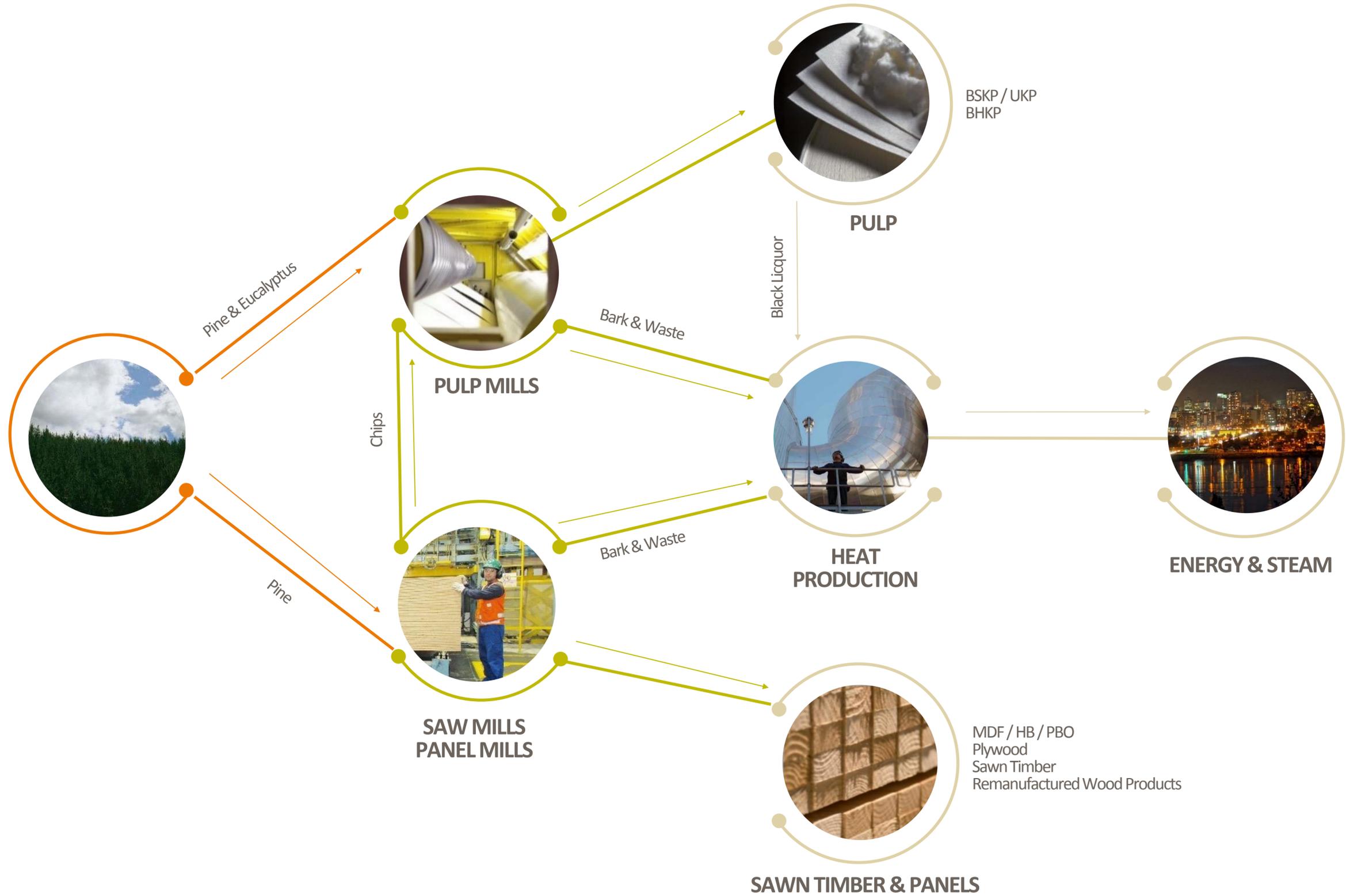
(1) Considers hectares planted

(2) Considers 50% of Montes del Plata

(3) Considers 50% of Sonae Arauco

As of June 2018

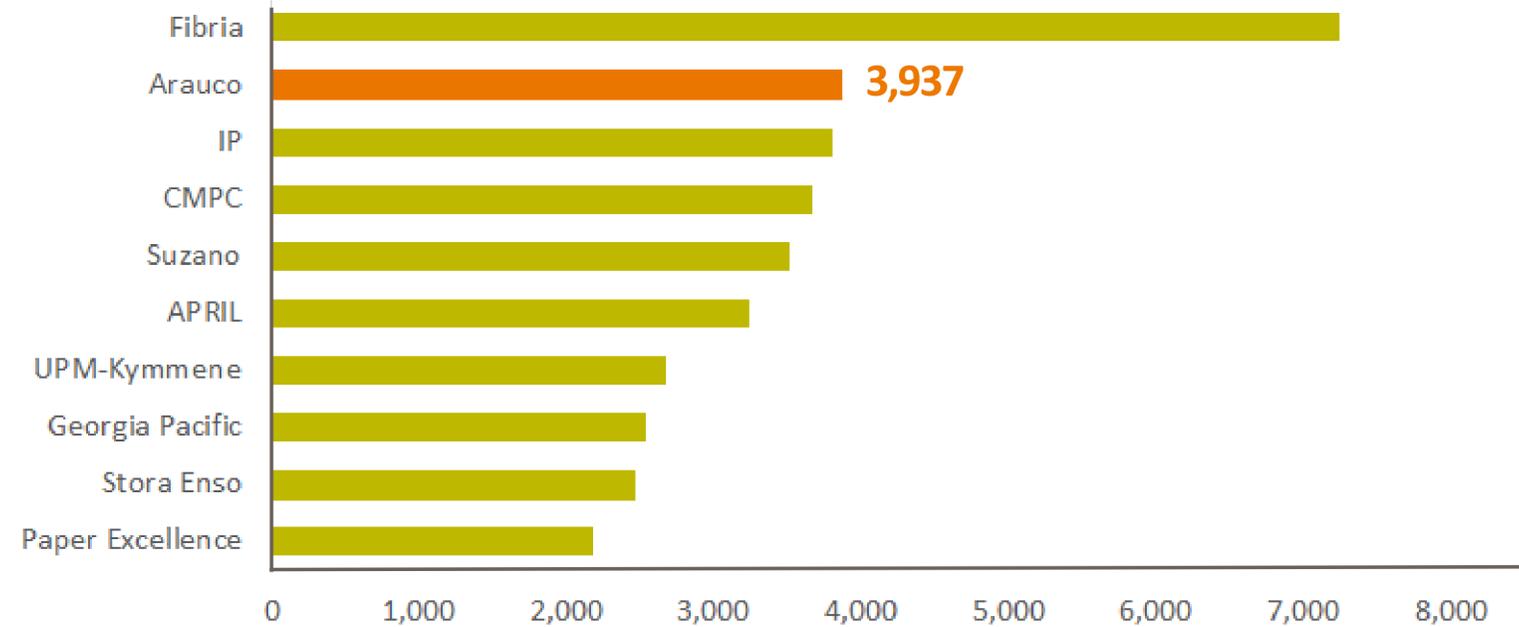
MAXIMIZING THE VALUE OF EVERY TREE



WE ARE A MAIN PLAYER IN THE GLOBAL MARKET

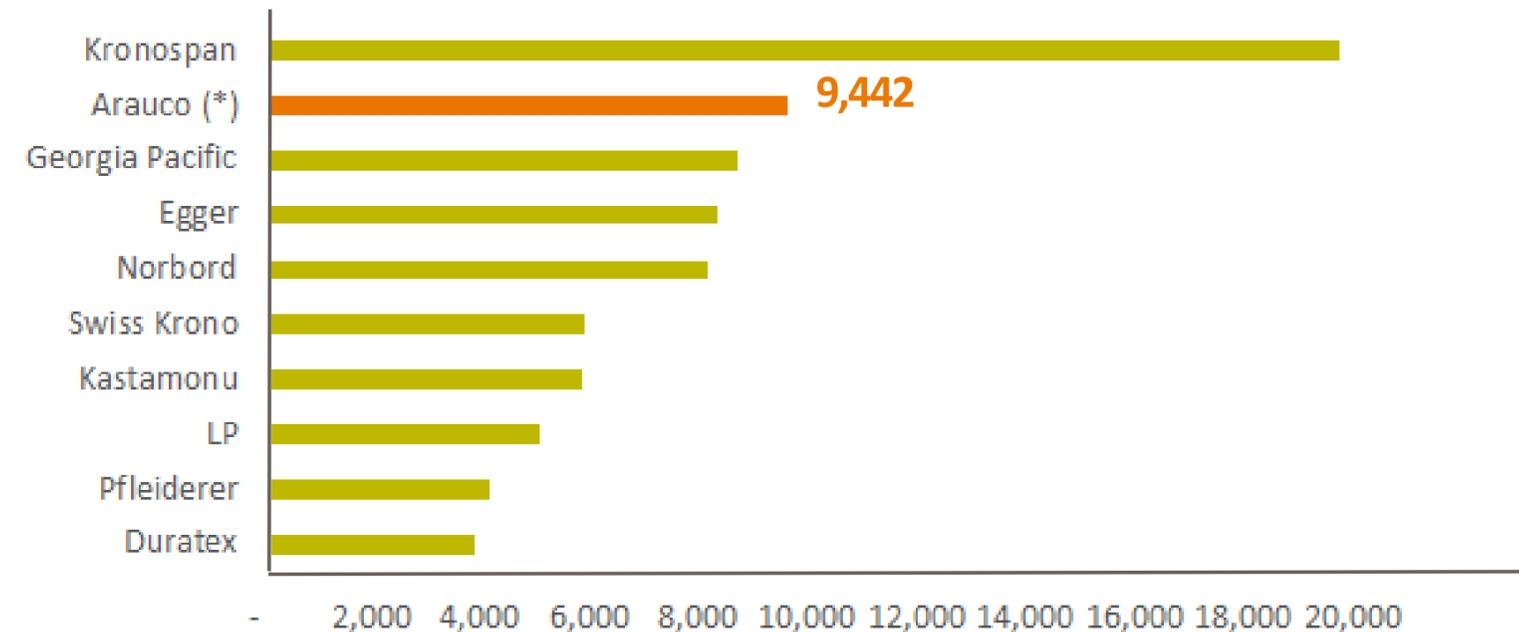
#2
market pulp producer in the world

Market Pulp Capacity (in thousand of tons)



#2
panels producer in the world

World Panels Capacity (in thousand of m3)



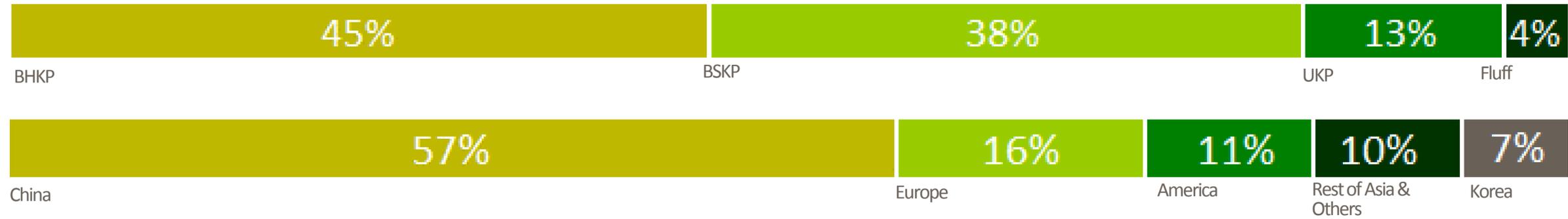
Market Pulp Capacity, December 2017. Arauco capacity includes 50% of Montes del Plata
 World Panels Capacity, December 2017. Arauco capacity includes 50% Sonae Arauco at Dec. 2017
 Source: Hawkins Wright, Arauco estimations and Company information and filings

OUR MAIN PRODUCTS



Pulp

Sales Volume: 3,772 Th. AdT



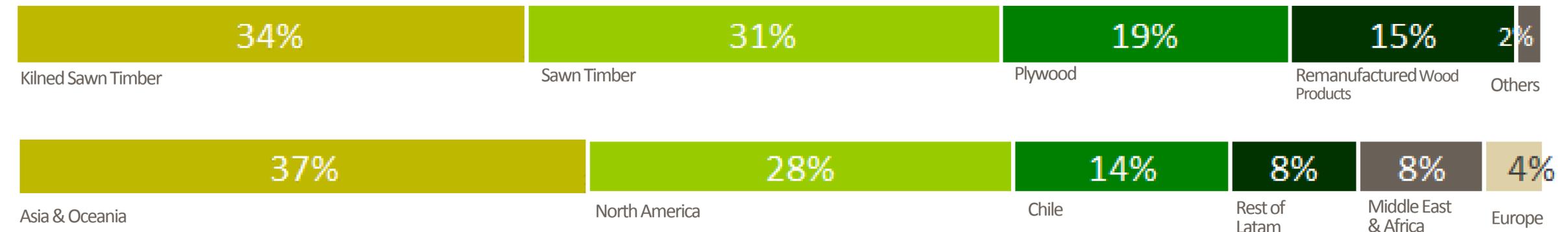
Panels*

Sales Volume: 5,100 Th. m3



Sawn Timber

Sales Volume: 2,921 Th. m3

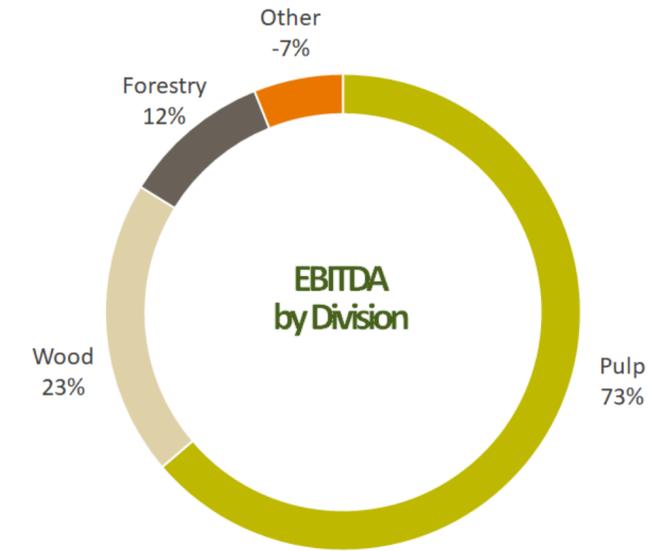
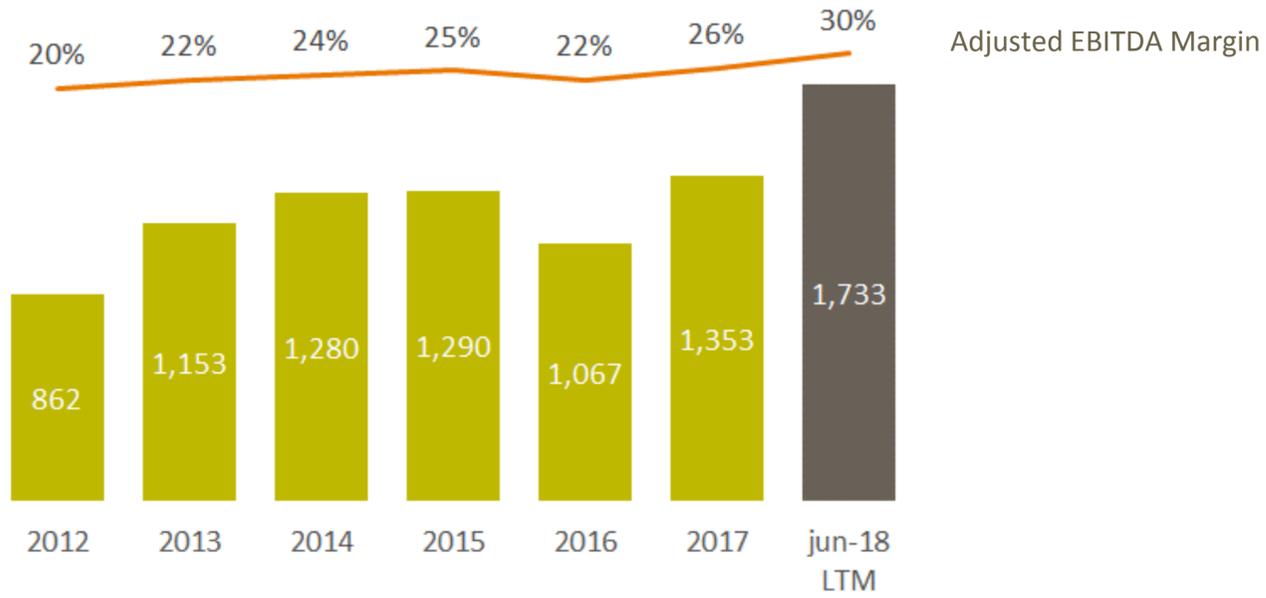


OPERATIONAL EFFICIENCY

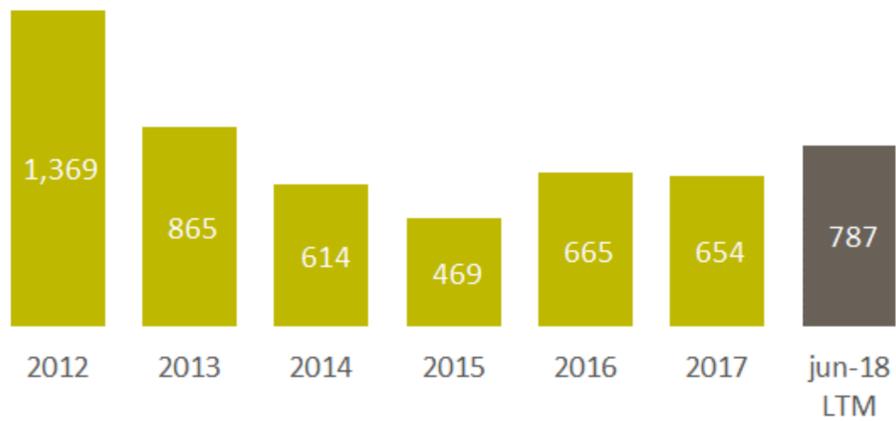


SOLID CAPITAL STRUCTURE

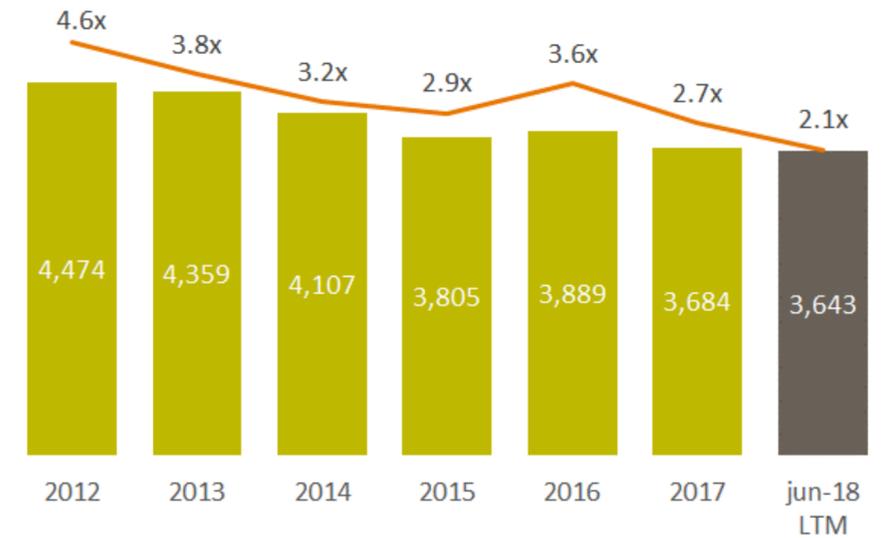
Adjusted EBITDA



CAPEX



Net Debt





Arauco Overview

Business Segments

Future Investments

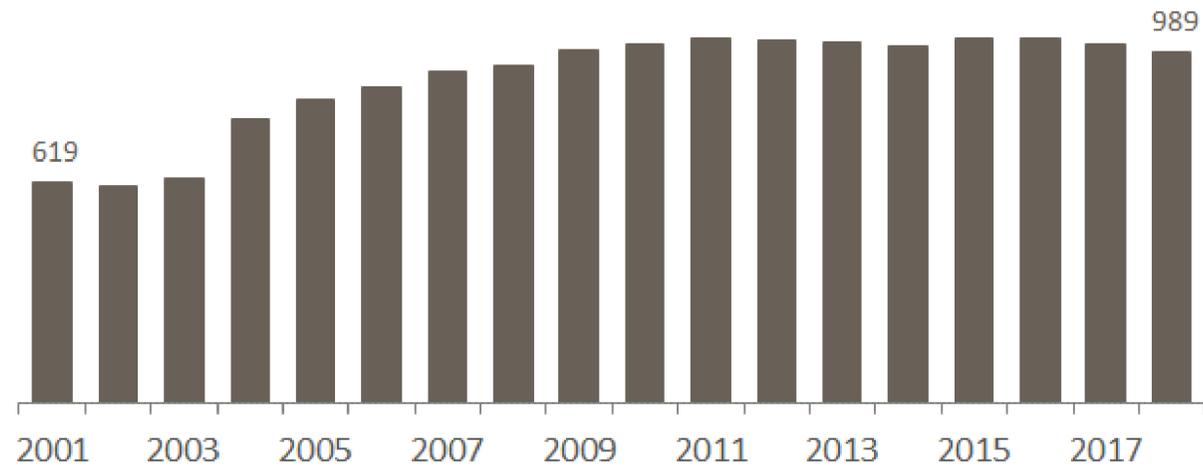
Recent Events and Initiatives

Sustainability

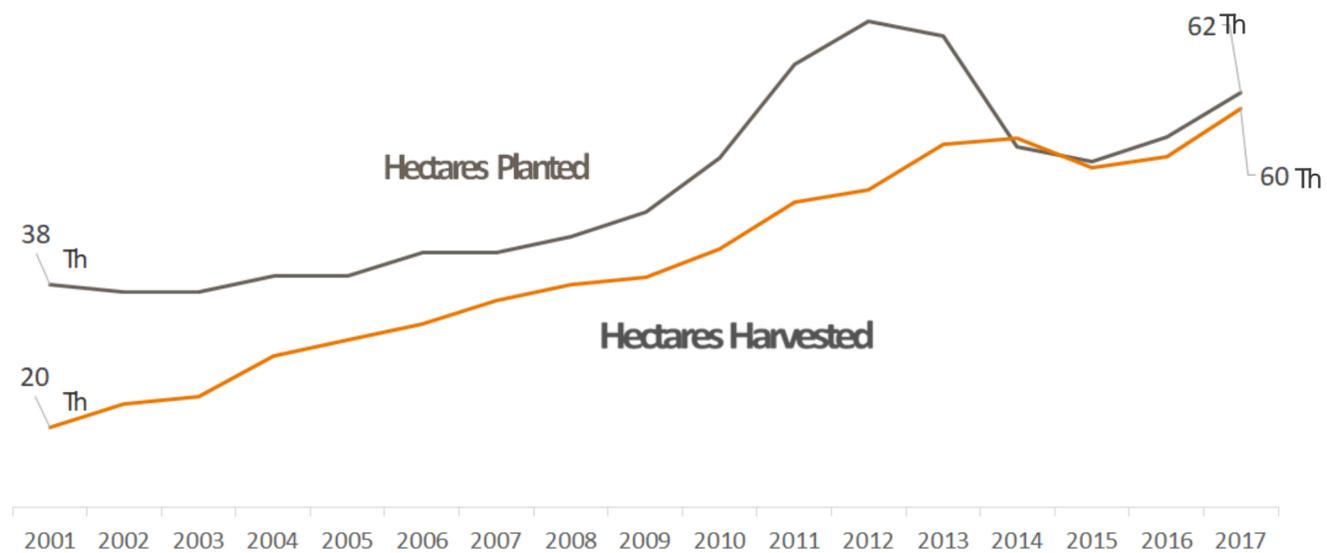
arauco

FORESTRY: THE BASE FOR GROWTH

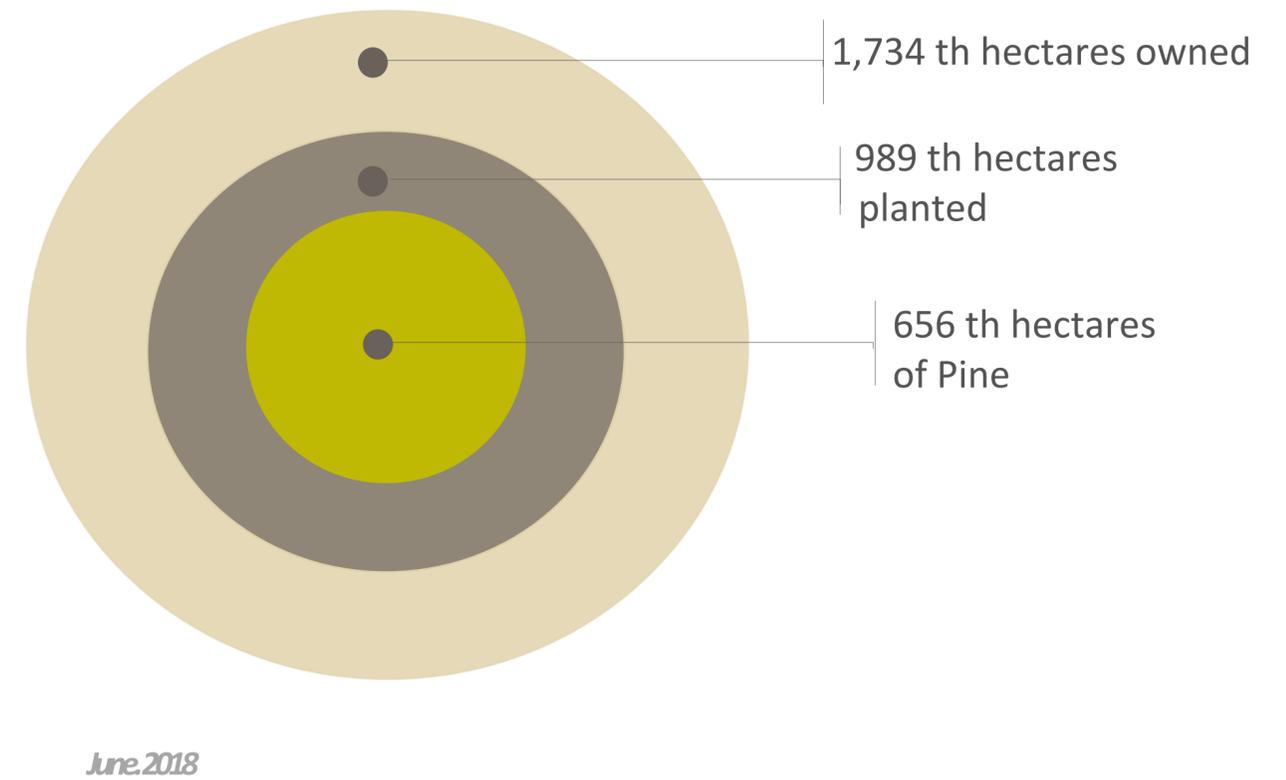
Total Plantations



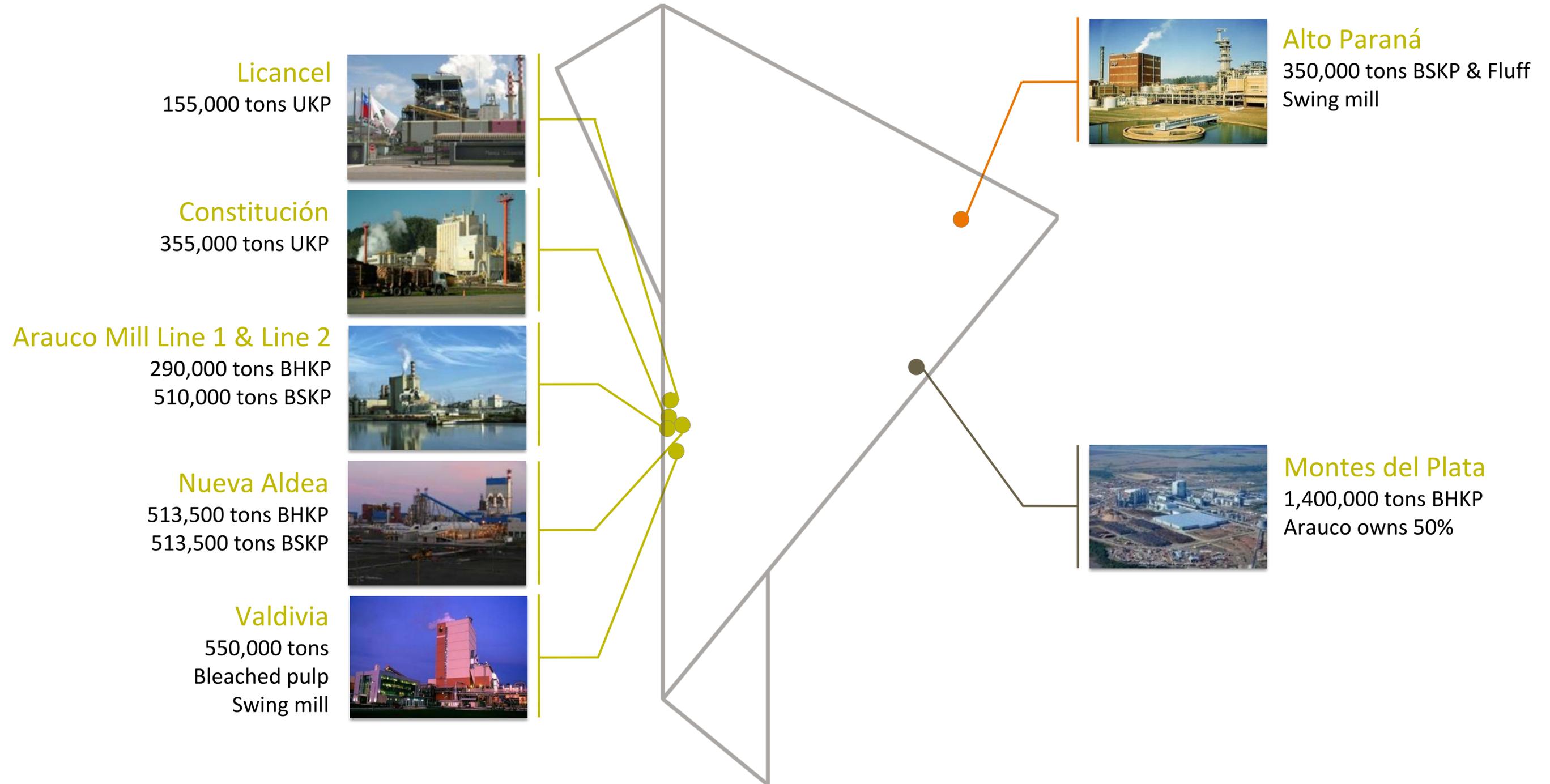
June 2018 In thousands ha.
Includes plantations in Chile, Argentina, Brazil and Uruguay



Dec. 2017



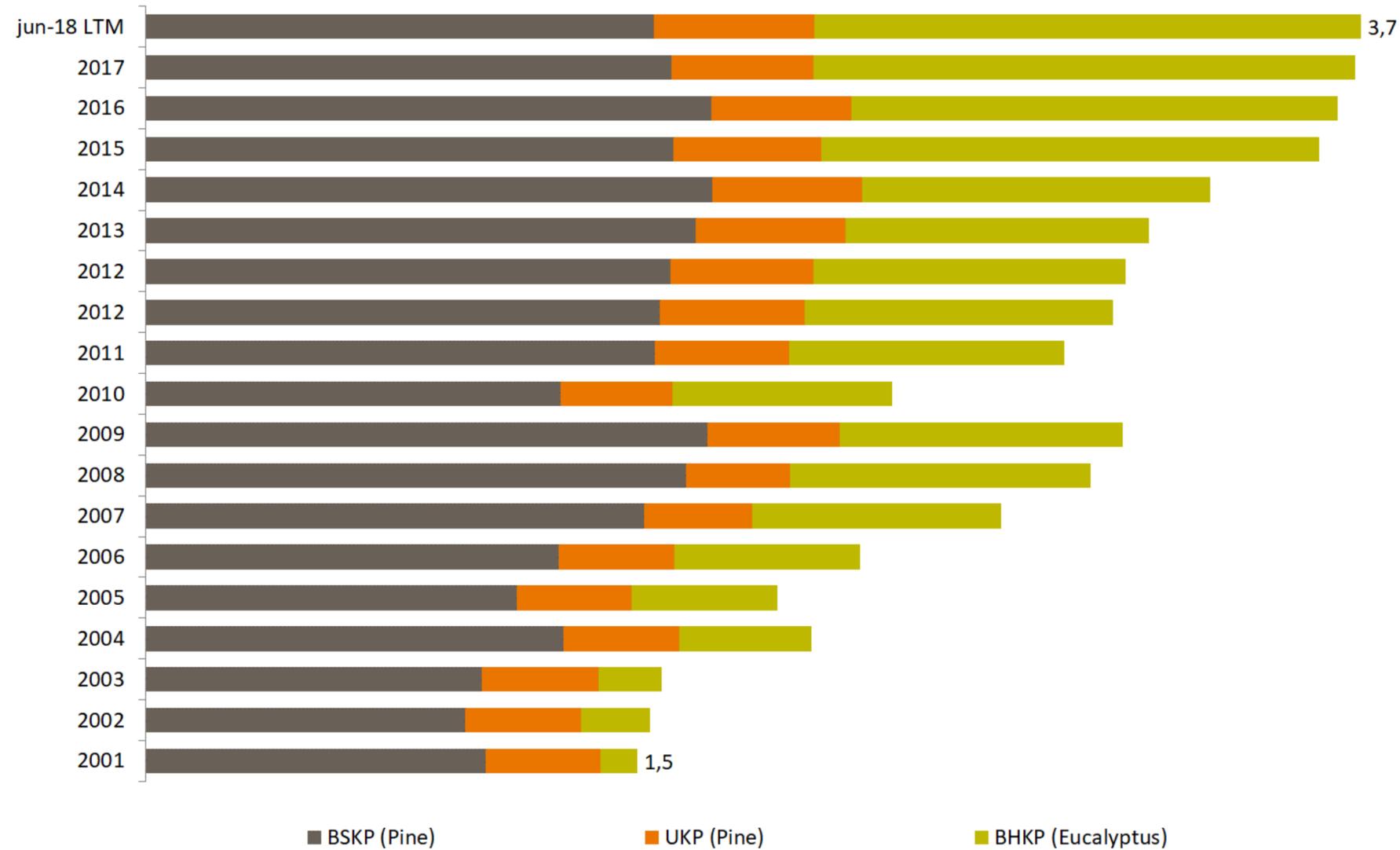
PULP: OUR PULP MILLS



PULP: COMPETITIVE ADVANTAGES TO EFFICIENTLY SUPPLY THE MARKETS

Pulp Production CAGR¹: 5.5%

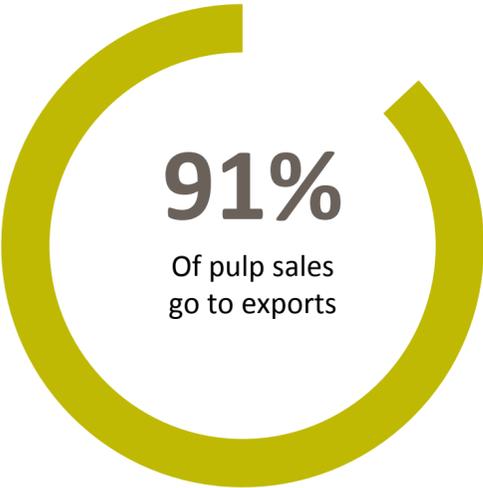
in million of AdT



Balance between short and long fiber

Competitive distances from forest to mills and ports

Cost efficient

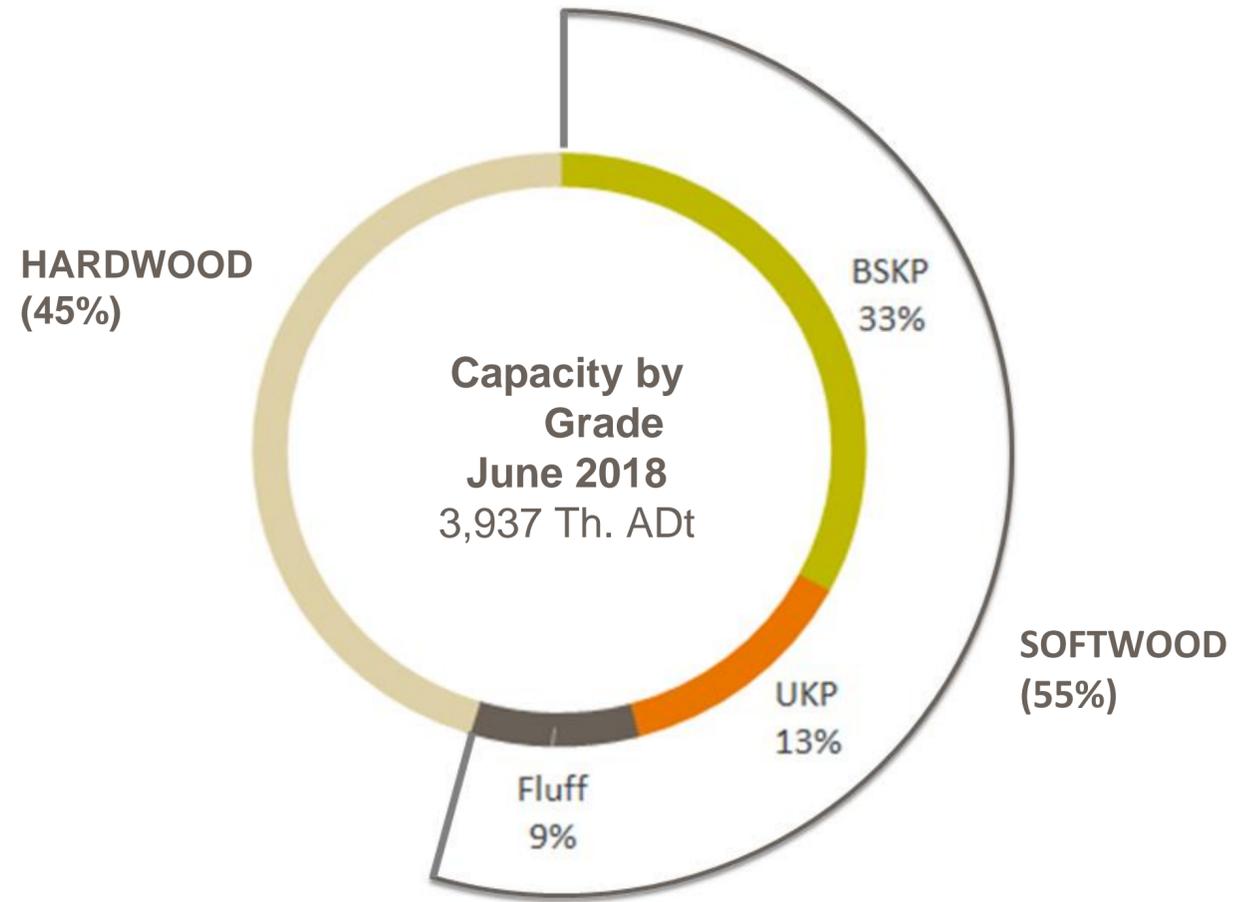


Dec. 2017

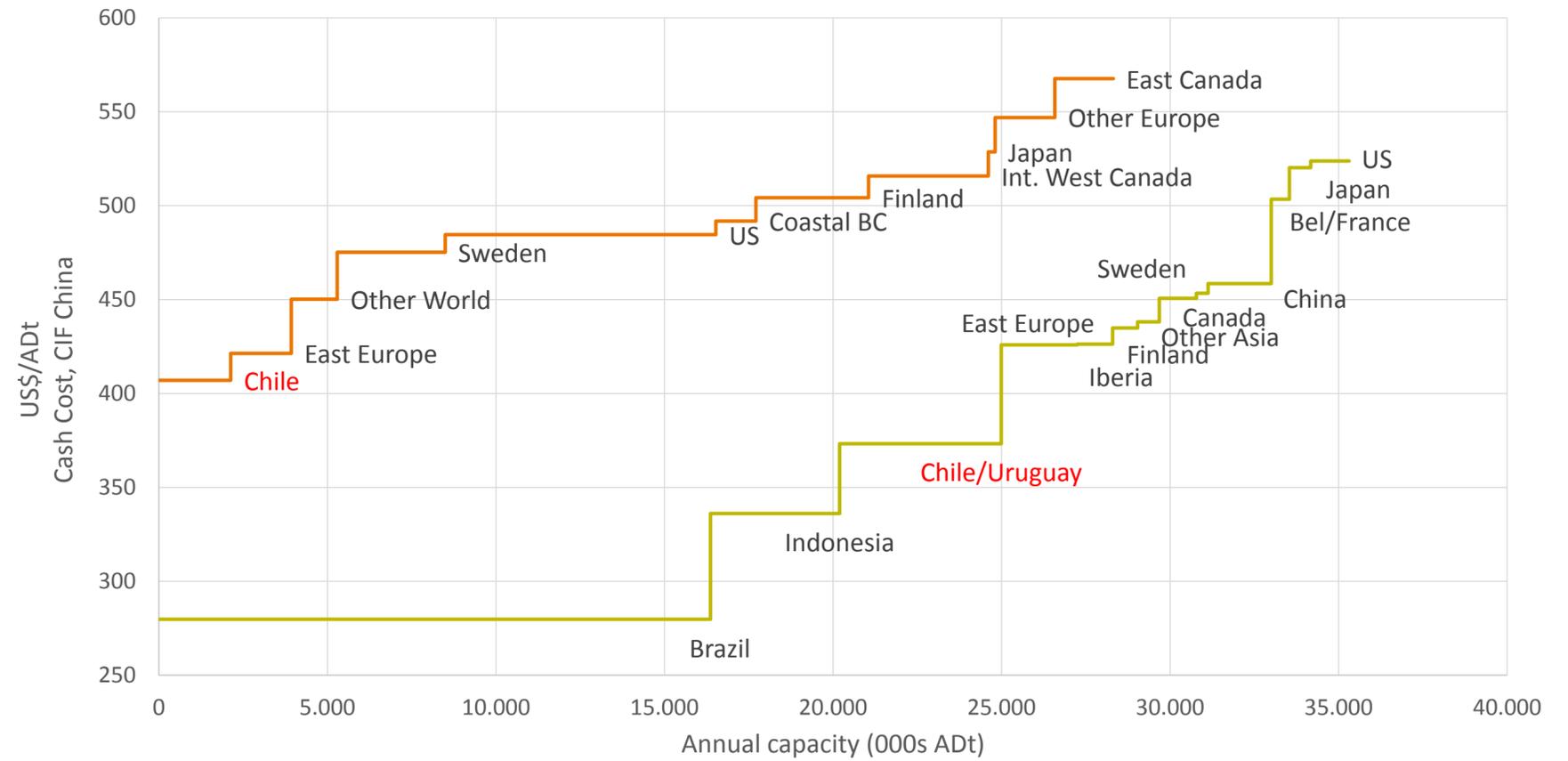
(1) Compounded Annual Growth rate

PULP: COMPETITIVE ADVANTAGES

Balance between short and long fiber



Cost efficient



Source: Hawkins Wright, December 2017

— BSKP
— BHKP

PULP: COMPETITIVE ADVANTAGES

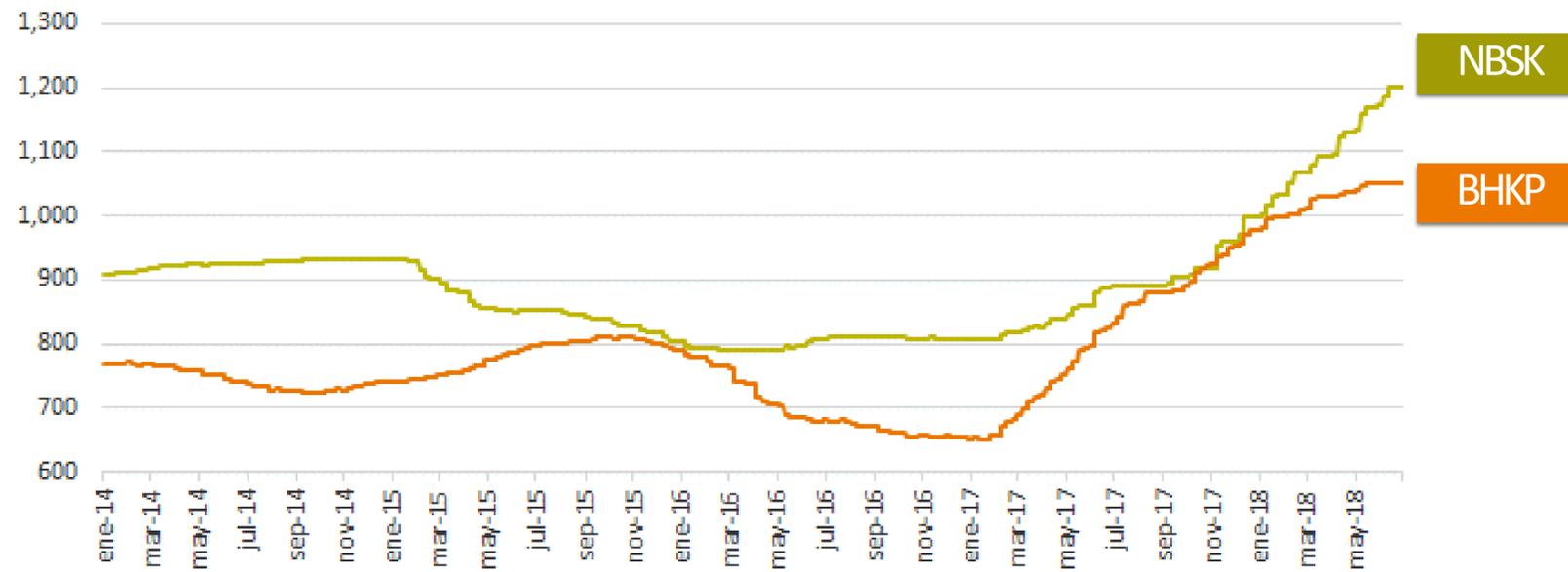
Competitive distances from forest to mills and ports



*Does not include distance in Argentina since pulp sales are mainly inland.
Weighted average distance between our pulp mills located in Chile, Uruguay & Argentina.
November 2015

PULP: PRICES AND DEMAND

BHKP and NBSK Indexes



Global Demand

Demand for bleached chemical pulp June 2018 vs June 2017 (YTD) *In thousand tonnes*

Destination	June 2017	June 2018	Δ	%
North America	3,755	3,590	-165	-4.4%
West Europe	6,920	7,165	245	3.5%
China	7,005	7,295	290	4.1%
Other	6,495	6,525	30	0.5%
W-20 Total BCP	24,175	24,575	400	1.7%

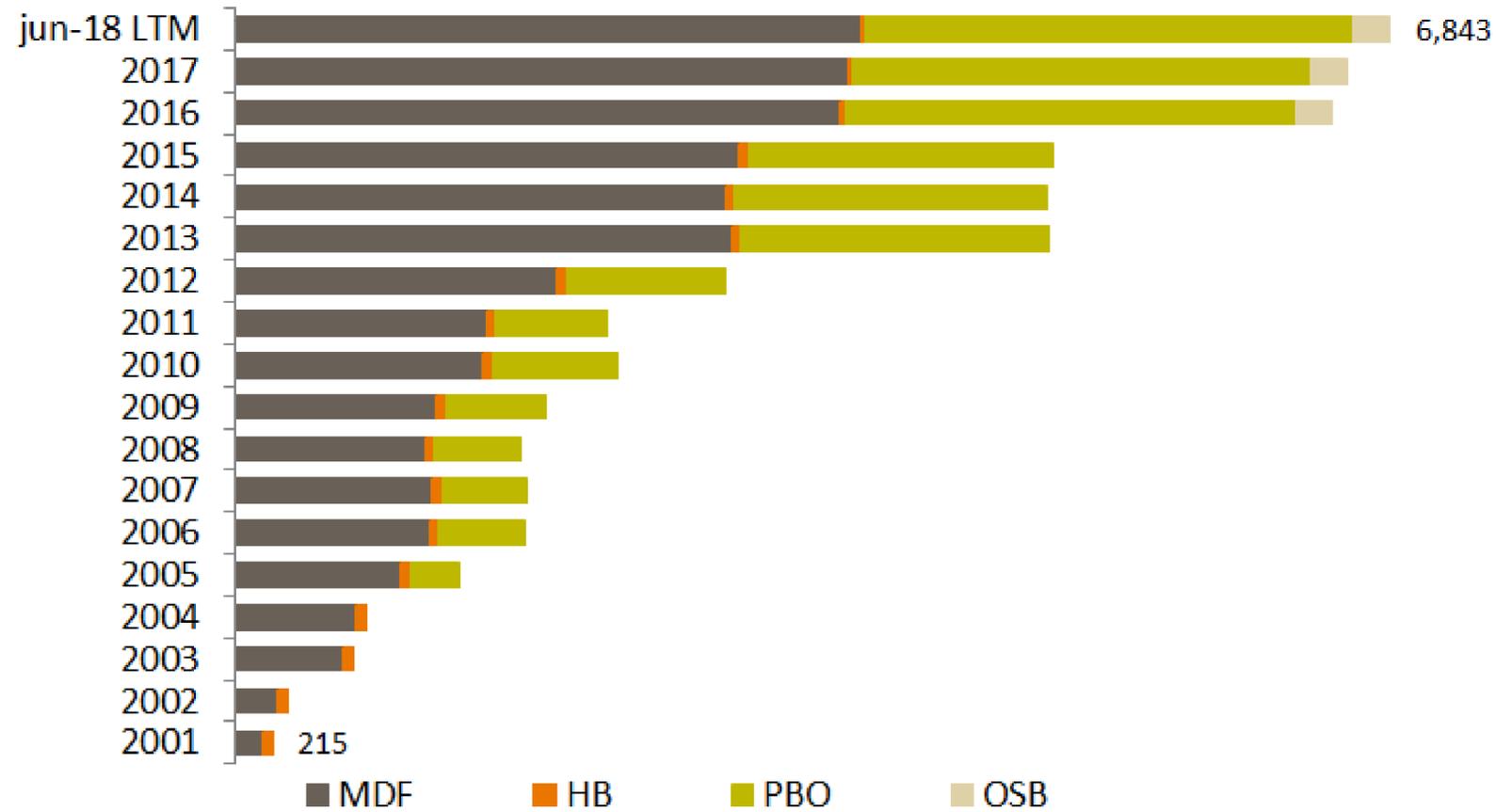
Source: Hawkins Wright

WOOD PRODUCTS: EXPANSION OF THE PRODUCT MIX

Panels Production

CAGR¹: 22.6%

In thousands cubic meters



Sawn Timber Production

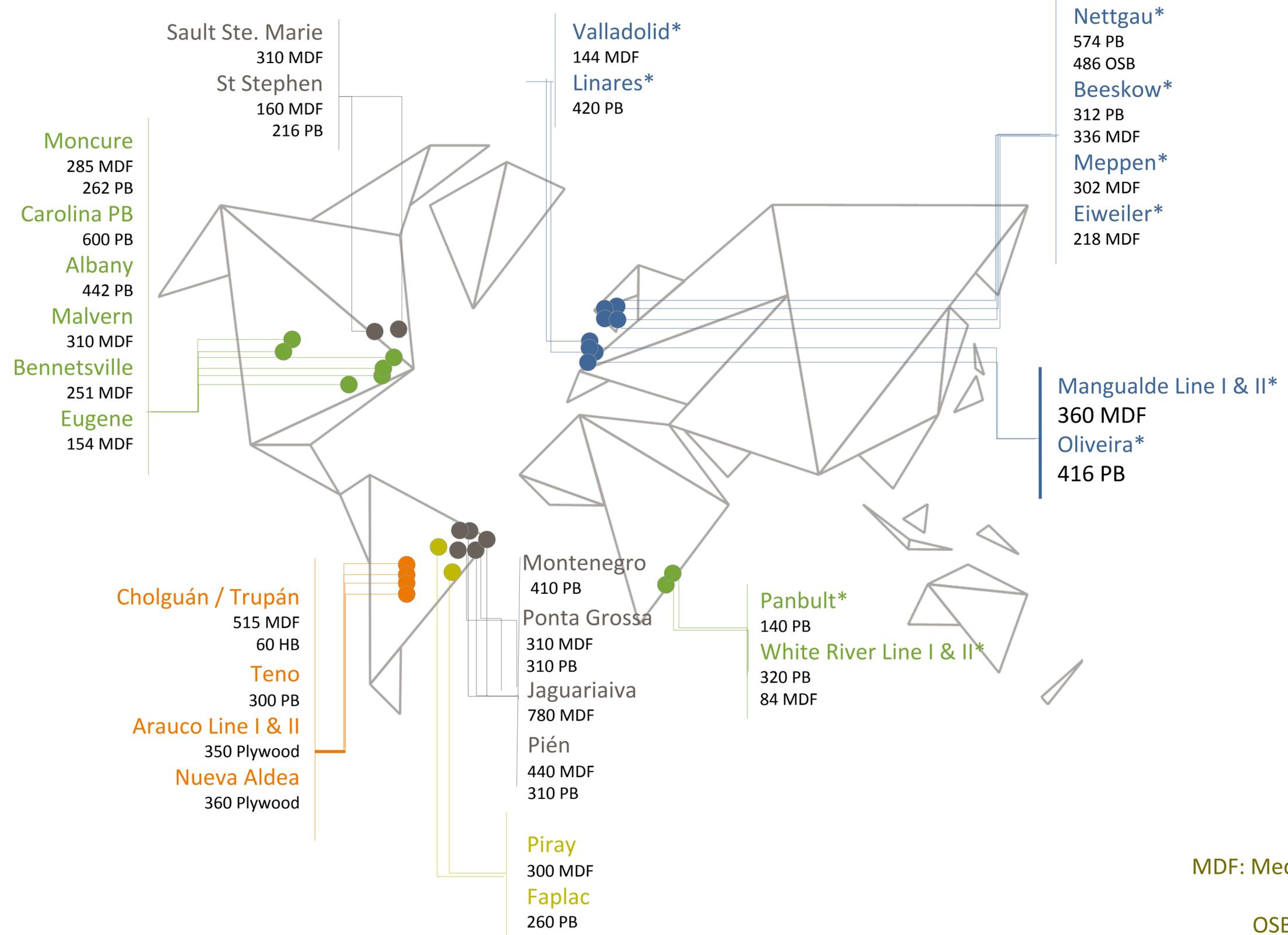
CAGR¹: 5.3%

In thousands cubic meters



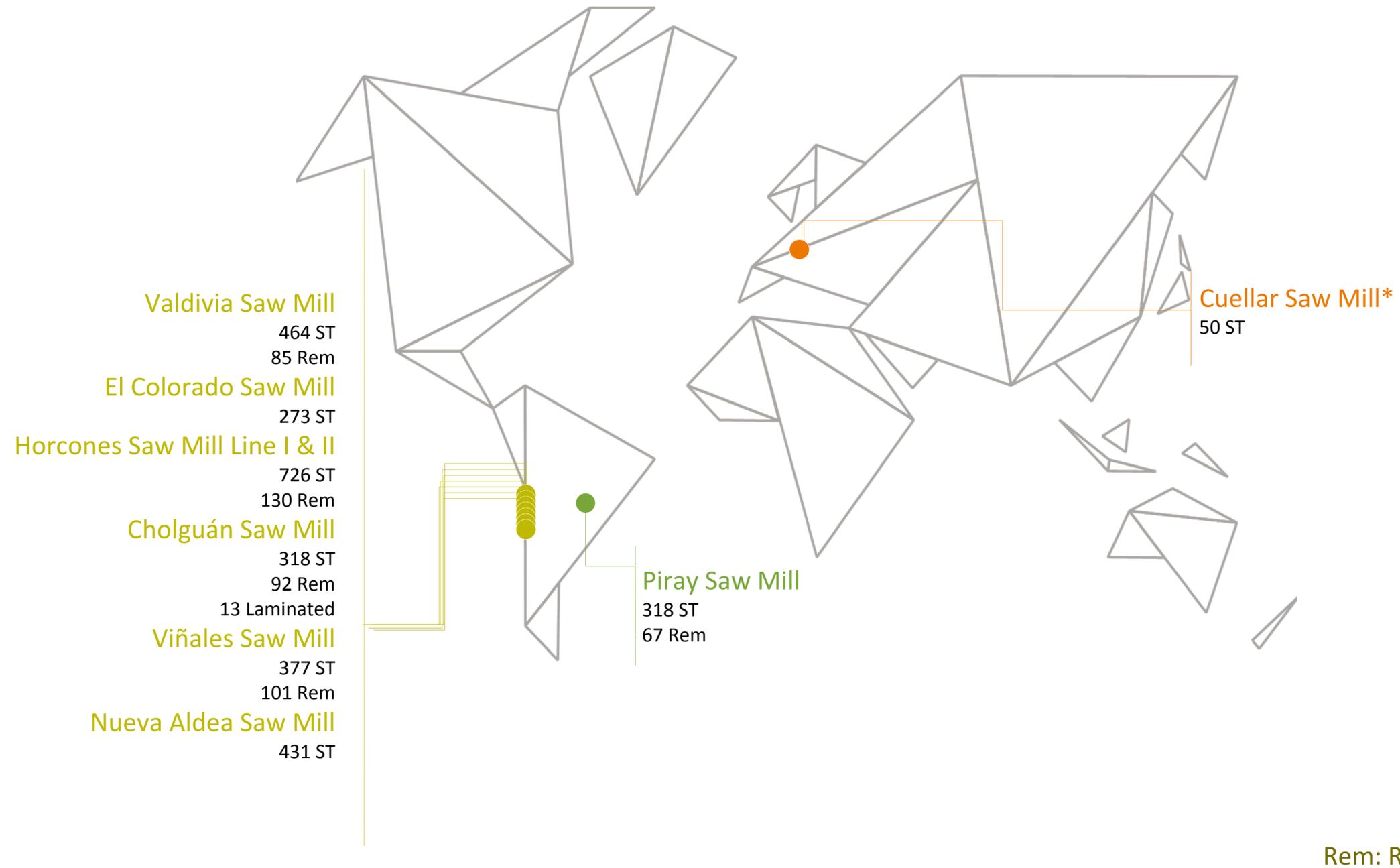
June 2018 LTM
 (1) Compounded Annual Growth rate

WOOD PRODUCTS: OUR PANEL MILLS



In thousand m3
June. 2018
*Arauco owns 50% of Sonae Arauco

WOOD PRODUCTS: OUR SAWN TIMBER MILLS



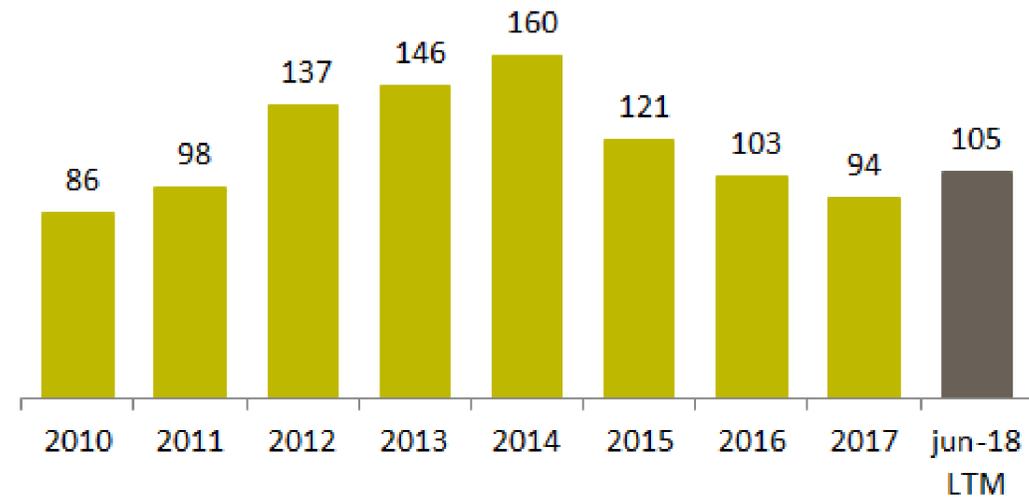
ST: Sawn Timber
Rem: Remanufactured Wood Products

In thousand m3
June. 2018
*Arauco owns 50% of Sonae Arauco

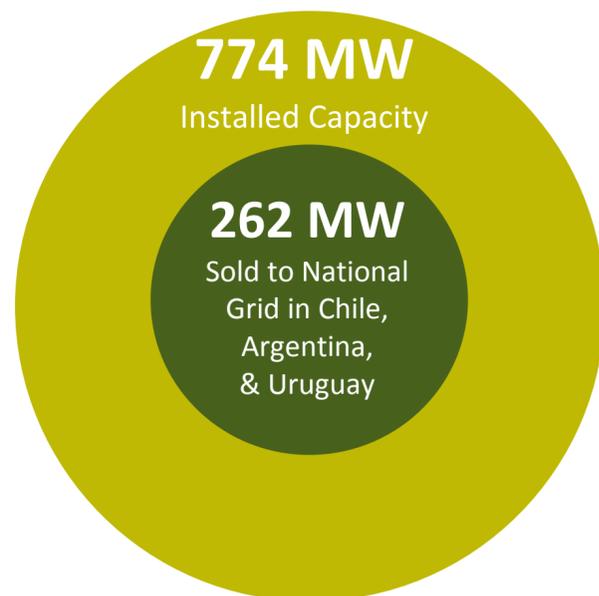
ENERGY: KEY PART OF OUR VALUE CHAIN

Energy Revenues

in US\$ million



- Renewable and environmental friendly energy
- Part of our production process
- Arauco is self-sufficient in net electricity consumption
- All cogeneration plants registered under Kyoto Protocol



June 2018





Arauco Overview
Business Segments

Future Investments

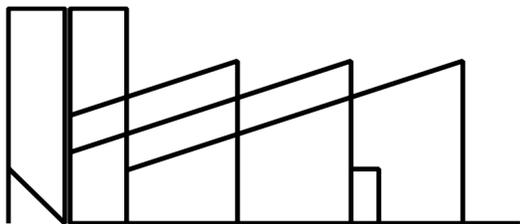
Recent Events and Initiatives
Sustainability

MAPA: NEW LINE AT ARAUCO MILL & COGENERATION PLANT

- Construction of a third pulp line in the Arauco Mill of 1.5 million Adt
- Construction of a 132 MW cogeneration plant
- The project considers the shut down of Arauco's line 1 of 290,000 Adt of short fiber pulp once the new line is operating



- The investment for this project could be approximately US\$ 2,350 million.
- In July 2018, the Board of Directors approved the MAPA project
- It is expected that the mill will start its operations during the second quarter of 2021.



DISSOLVING PULP PROJECT

- The Valdivia mill, currently produces 550,000 AdT of paper grade pulp
- Dissolving pulp is a product used in the textile industry as an alternative of cotton
- Arauco would be the pioneer in dissolving pulp production in Chile.



- US\$185 million in estimated investment for brownfield project
- It will provide flexibility to produce either dissolving or paper grade
- As of July, 2018 the construction phase goes as planned with 31% of construction

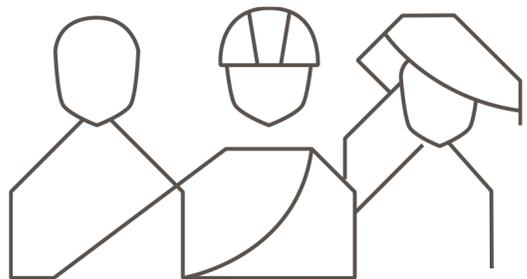


GRAYLING PROJECT, MICHIGAN, US

- Located in Grayling, Michigan
- Annual production of 800,000 m³ of MDP
- The investment of this mill is estimated at US\$ 400 million



- As of August, 2018 the construction phase goes as planned with 80%.
- Rollout of the first panel is expected to occur during the latter part of 2018



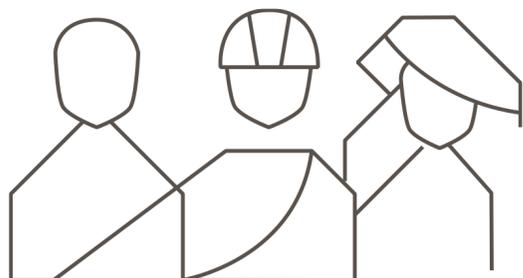
ARAUCO ACQUIRES PANOLAM ASSETS IN OREGON

- In July 2018, Arauco North America announced the purchase of Panolam's industrial assets

- The transaction price was approximately US\$ 13.3 million plus Cost of inventory of approximately U.S.\$ 3 million



- The main assets include two thermally fused laminations lines with an annual installed capacity of 212,000 m³, as well as two impregnation lines and warehouse capacity.
- Panolam assets are in a strategic location, 10 km from our Duraflake mill and 77 km from our Eugene mill



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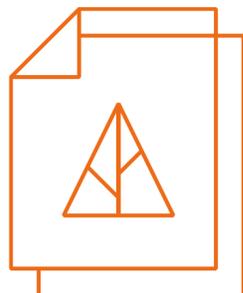
Sustainability

ACQUISITION OF MASISA MEXICO

- In December 2017, Arauco agreed to acquire Masisa's Mexican subsidiaries
- Transaction price for approximately U.S.\$ 245 million
- Main assets consist of three industrial complexes located in Chihuahua, Durango and Zitácuaro in Mexico



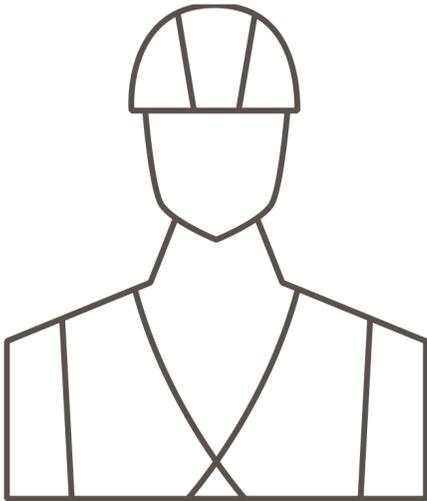
- Total installed capacity of:
 - 220,000 m3 of MDF
 - 519,000 m3 of PB
 - 426,000 m3 of melamine
 - 66,000 tons of resins
 - 60,600 tons of formaldehyde
 - 22.8 million m2 of impregnation lines
- The transaction is subject to a series of conditions precedent, customary in this type of operations, with the most relevant one being the approval by the Mexican antitrust authority.





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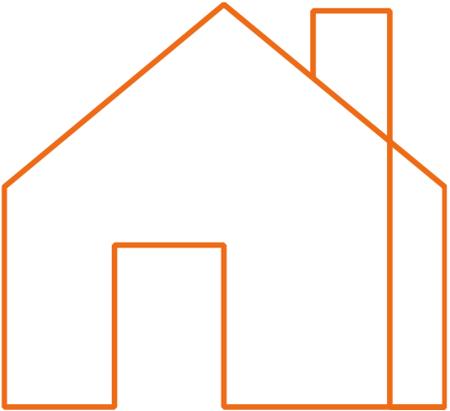
Arauco is committed to the occupational health and **SAFETY** of its workers, to the **ENVIRONMENT** and to the welfare of the **COMMUNITIES** in which it operates



SAFETY



ENVIROMENT



COMMUNITY
PARTICIPATION & DIALOGUE

All our business units are certified as compliant with the **OHSAS 18001 EHS** standard



Our plantation forests are **CERTIFIED** to **INTERNATIONALLY RECOGNIZED STANDARDS**

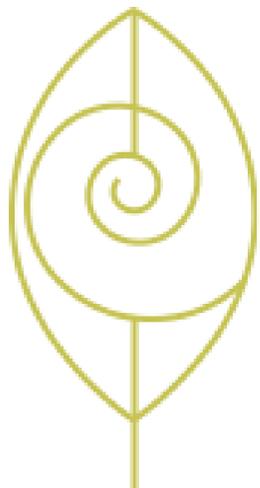
We **DO NOT** source native forests or protected species

We **PROTECT** more than **431,000 HECTARES** (1,000,000 acres) of native forest in permanent conservation set-asides

During 2017 we invested **US\$ 89 MILLION** in environmental improvements

We apply widely accepted **INTERNATIONAL SCIENTIFIC STANDARDS** to our silviculture.

We **DO NOT** use genetically modified plants.



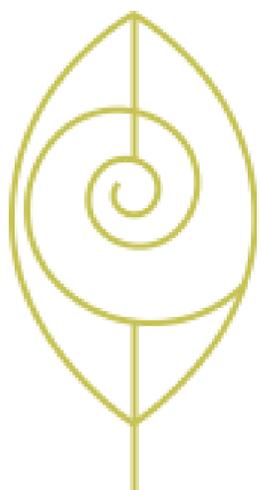
ENERGY

ARAUCO decided over twenty years ago to produce **CLEAN ENERGY** from forestry biomass arising from nature's virtuous cycles

In addition to substantially meeting the needs of its own industrial facilities, ARAUCO can provide a up to **262 MW OF SURPLUS ENERGY** to the SIC, Chile's national energy grid

The company has six cogeneration power plants in Chile and one in Uruguay registered as greenhouse gas (GHG) emission-reduction projects with the Clean Development Mechanism (CDM) of the **KYOTO PROTOCOL**

This allows ARAUCO to annually **OFFSET 500,000 TONS** of **CO₂e**



ENVIRONMENT: A project to renew our way of doing things

deRaíz
#renovaciónforestal

REDUCE PROPAGATION & FACILITATE COMBAT

- ▶ Structural protection network with fuel cutters and more roads



DECREASE FIRE OCCURRENCE

- ▶ Local committees in 300 zones
- ▶ Work integrated with other companies and institutions



PROTECT INHABITED AREAS & INDUSTRIES

- ▶ Protection belt with buffer strips and firewalls near communities



SETTLE FIRES IN THE INITIAL PHASE

- ▶ Increase of aerial and terrestrial resources
- ▶ "Never arrive after 20 minutes"
- ▶ MMUS\$\$10 additional investment



CONTRIBUTING TO COMMUNITIES

Our operations directly benefit more than **14,000** workers and indirectly other **21,000** workers through our contractors.

WE RESPECT LOCAL COMMUNITIES and **CONTRIBUTE TO THEIR DEVELOPMENT** through responsible management of our operations and the implementation of initiatives that generate value based on a method that fosters dialogue and participation.



ARAUCO EDUCATIONAL FOUNDATION

- 26 YEARS PRESENT in communes where we operate in regions Maule, Bío Bío and Los Ríos
- The purpose is to DESIGN, IMPLEMENT AND ASSESS teacher-improvement programs

CAMPUS ARAUCO

- Center for Higher Education and Training for employees, based on an **INNOVATIVE ACADEMIC METHOD** that combines the educational process with on-the-job work experience
- Campus Arauco offers **4 TECHNICAL CAREERS** for more than **660 STUDENTS**, and over **200,000 ANNUAL HOURS** of training for ARAUCO employees and service-providing business employees



SUSTAINABLE RECONSTRUCTION PLAN (PRESS)

- SUSTAINABLE RECONSTRUCTION PLAN for the city of Constitución, that was devastated by the earthquake and tsunami on February 27, 2010
- The PRES Plan encompasses **28 PROJECTS** that are in different stages of development



HOUSING PLAN FOR WORKERS (HPW)

- This program promotes the construction of houses and housing units with a **HIGH TECHNICAL** and **SOCIAL STANDARDS** for company employees and their neighbors
- **9,000** houses will be built between 2013 and 2017



ACERCAREDES FOUNDATION

- NON-PROFIT ORGANIZATION established in 2011 under ARAUCO's innovation area
- AcercaRedes operates based on Hubs: a network of offices that **ATTRACT**, **CONNECT** and **CENTRALIZE** to promote the local development of areas located far from urban centers
- Today there are hubs operating in **MARIQUINA**, **CONSTITUCIÓN**, and **CURANILAHUE**

ARAUCO CULTURAL CENTER

- The **2010 EARTHQUAKE** caused structural damage to the local theater and the municipal library
- Arauco decided to build the cultural center to replace the damaged buildings
- The center is **1,400 SQUARE METERS**, which includes the library, theater, reading rooms and public spaces



FOR FURTHER INFORMATION, PLEASE CONTACT:

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