

arauco

ARAUCO
Corporate Presentation
3Q 2018

renewables for a better life



Arauco Overview

Business Segments

Financial Highlights

Future Investments

Recent Events and Initiatives

Sustainability

arauco

HISTORY OF ARAUCO: A CONTINUED EXPANSION

1996

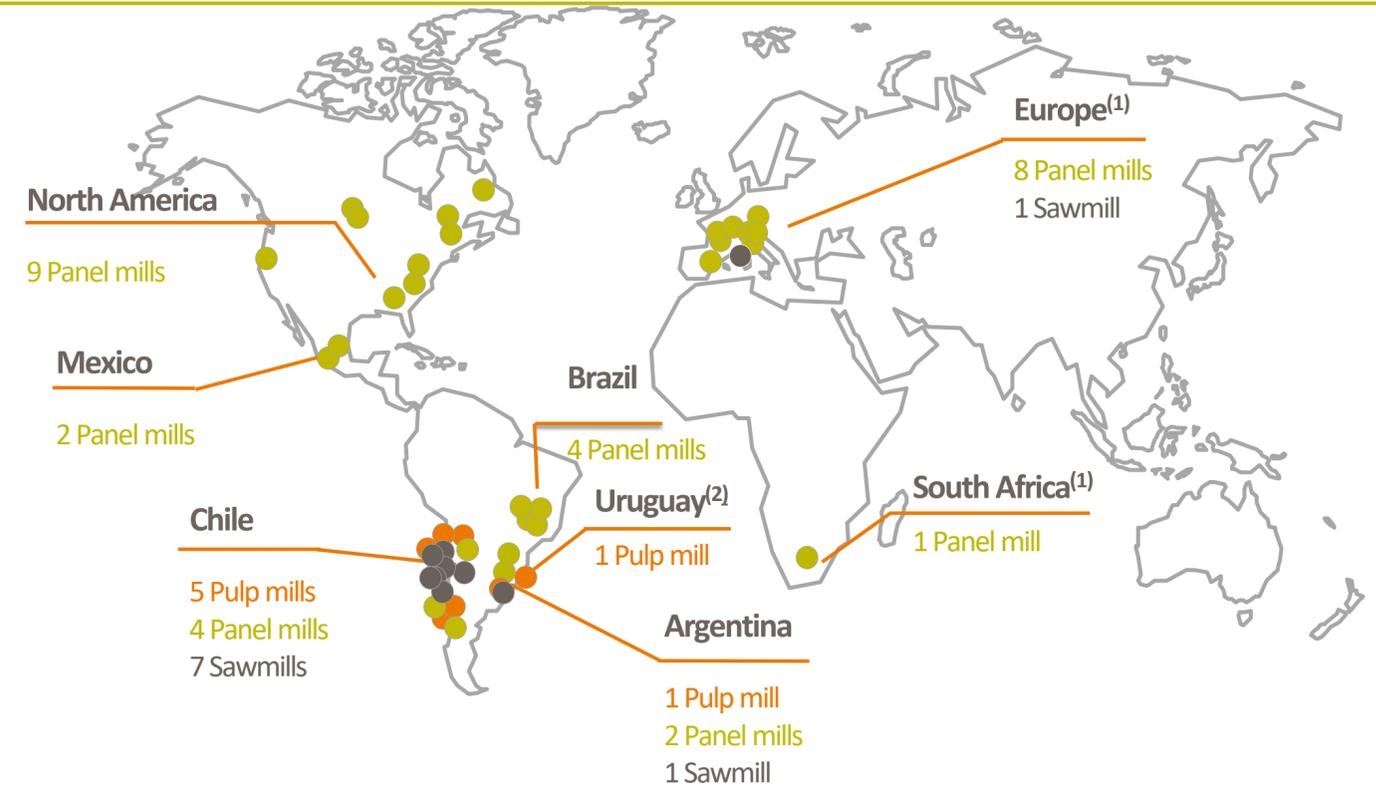
Alto Parana in Argentina, one of the first strategic steps to expand our business



Revenues	US\$641 M
Pulp Capacity	1.1 M tons
Panel Capacity	0 m ³
Sawn Timber Capacity	1,9 M m ³
Number of Mills	11

... Now

Today we are a world class player in the forestry products industry

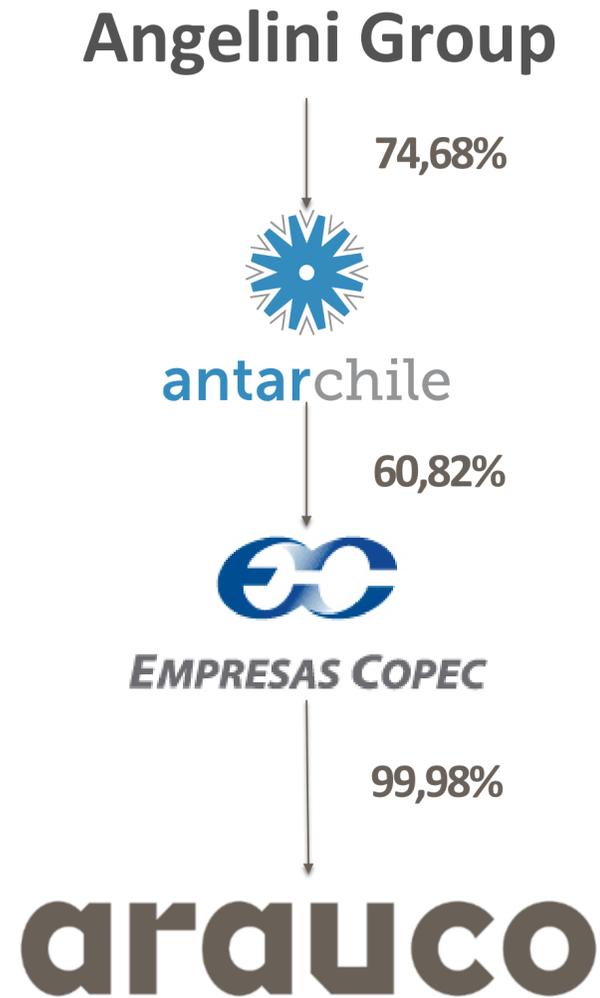


Revenues ⁽³⁾	US\$5.9 bn ⁽³⁾
Pulp Capacity ⁽⁵⁾	3.9 MM tons
Panel Capacity ^{(4) (5)}	10.8 MM m ³
Sawn Timber Capacity ⁽⁵⁾	2.9 MM m ³
Number of Mills ⁽⁴⁾	46

Source: Arauco.
 (1) Arauco owns 50% of European and South African mills through Sonae Arauco.
 (2) Arauco owns 50% of Montes del Plata mill in Uruguay.
 (3) Revenues figure corresponds to LTM Sept 2018.
 (4) It includes mills in Mexico and Grayling
 (5) As of december 2018

ARAUCO AT A GLANCE

Shareholder Structure ⁽¹⁾



National rating ⁽²⁾

FitchRatings **AA-** (Stable)

Feller Strategic Insights **AA** (Stable)

International rating ⁽²⁾

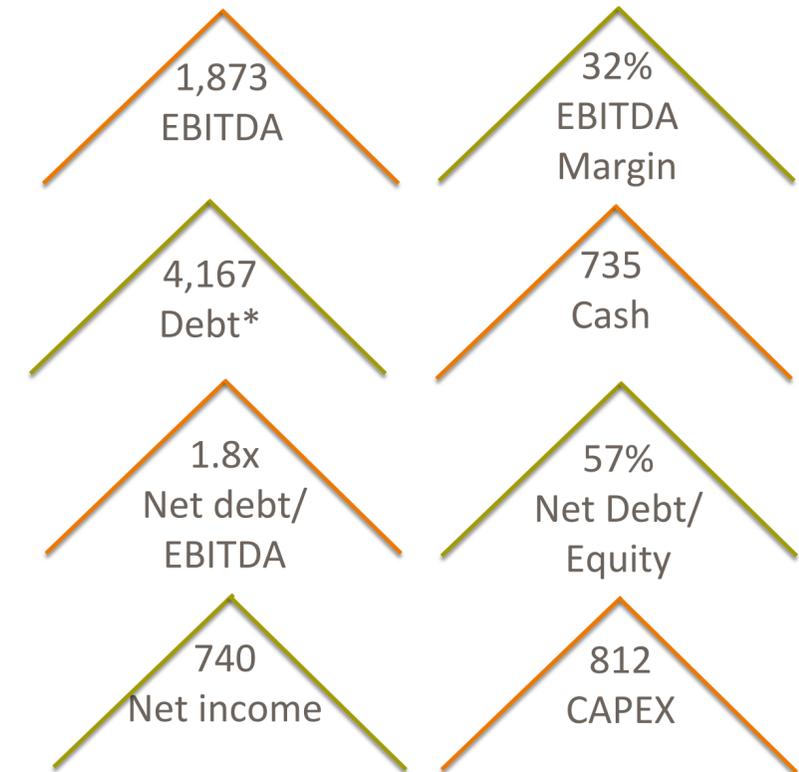
FitchRatings **BBB** (Stable)

STANDARD & POOR'S **BBB-** (Stable)

MOODY'S **Baa3** (Stable)

Financial highlights Sept. 2018 LTM

US\$ million



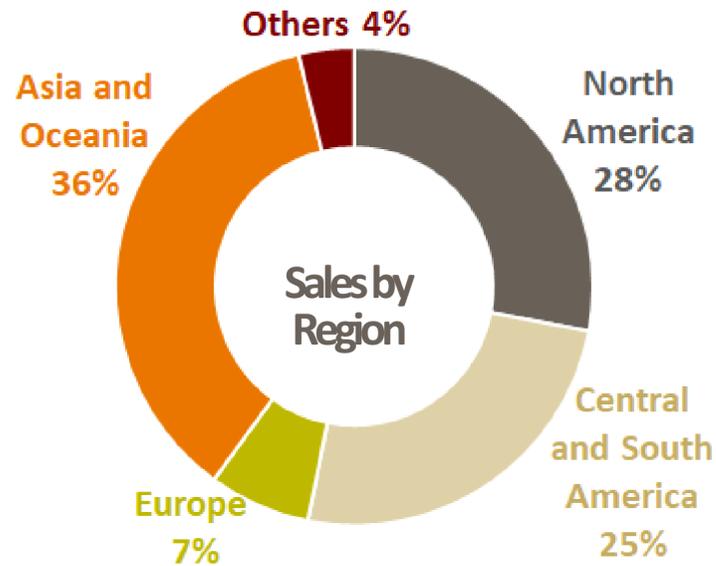
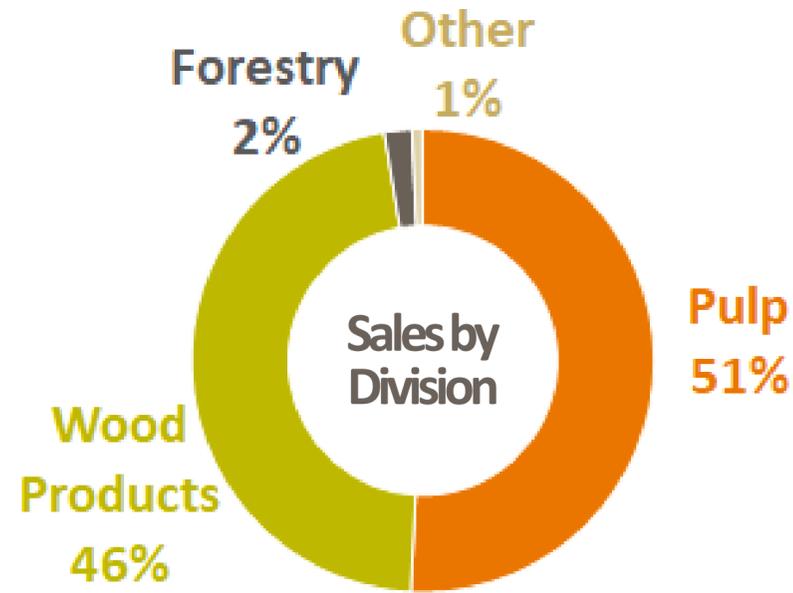
* Does not include swaps and forwards

(1) As of September 2018

(2) As of February 2019

DIVERSIFIED SALES AROUND THE WORLD

Revenues
MUS\$5,909



- Arauco Offices
- Mondes del Plata, JV with Stora Enso
- Sonae Arauco, JV with Sonae Industria

Pulp and Wood products include energy sale

Sept . 2018 LTM

FOUR STRATEGIC BUSINESS SEGMENTS IN A DIVERSIFIED OPERATIONAL FOOTPRINT

	Forestry	Pulp	Wood products		Complementary energy operations
	674,020 Ha ⁽¹⁾	5 Mills 2,905 th. tons	4 Mills Plywood: 710 th. m ³ MDF: 515 th. m ³ HB: 60 th. m ³ PB: 300 th. m ³	7 Sawmills 4 Remanufacturing facilities 2,588 th. m ³	10 Power Plants 606 MW Surplus: 209 MW
	132,617 Ha ⁽¹⁾	1 Mill 350 th. tons	2 Mills MDF: 300 th. m ³ PB: 260 th. m ³	1 Sawmill 1 Remanufacturing facility 317 th. m ³	2 Power Plants 78 MW Surplus: 8 MW
	134,331 Ha ⁽¹⁾		4 Mills MDF: 1,530 th. m ³ PB: 720 th. m ³		
	76,804 Ha ⁽¹⁾⁽²⁾	1 Mill 700 th. tons ⁽²⁾			1 Power Plant 90 MW ⁽²⁾ Surplus: 45 MW
			9 Mills MDF: 1,470 th. m ³ PB: 2,320 th. m ³		
			2 Mills MDF: 250 th. m ³ PB: 300 th. m ³		
			9 Mills ⁽³⁾ MDF: 741 th. m ³ PB: 1,089 th. m ³ OSB: 258 th. m ³	1 Sawmill ⁽³⁾ 25 th. m ³	
	1.02 MM Ha	3.9 MM tons	10.8 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

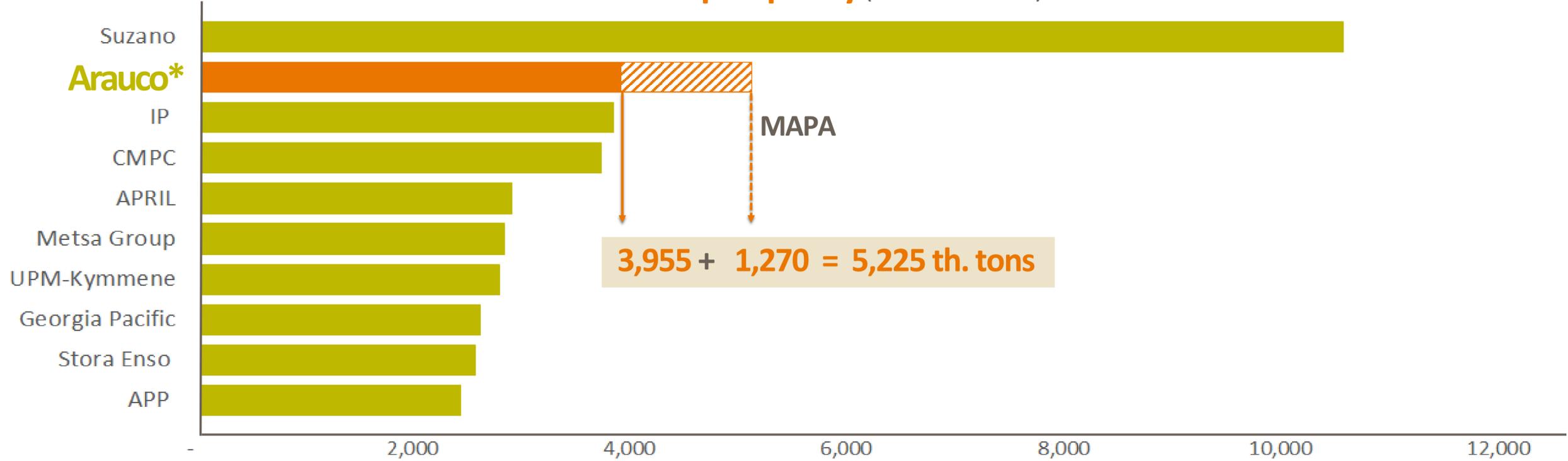
As of December 2018, includes Mexico and Grayling

WE ARE A MAIN PLAYER IN THE GLOBAL MARKET

#2

market pulp producer in the world

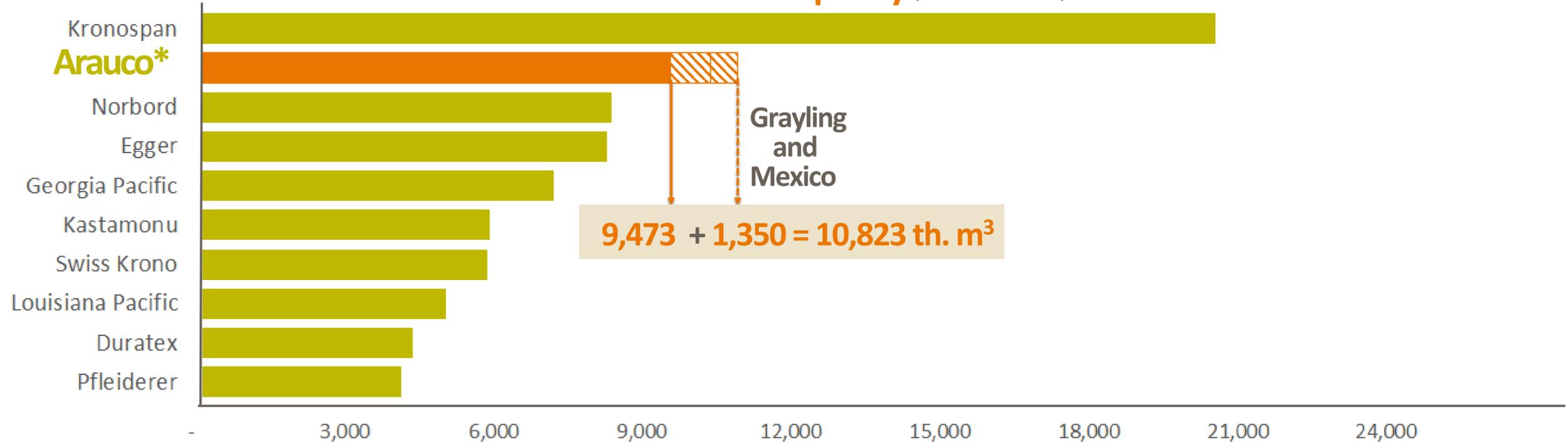
Market Pulp Capacity (thousand tons)



#2

panels producer in the world

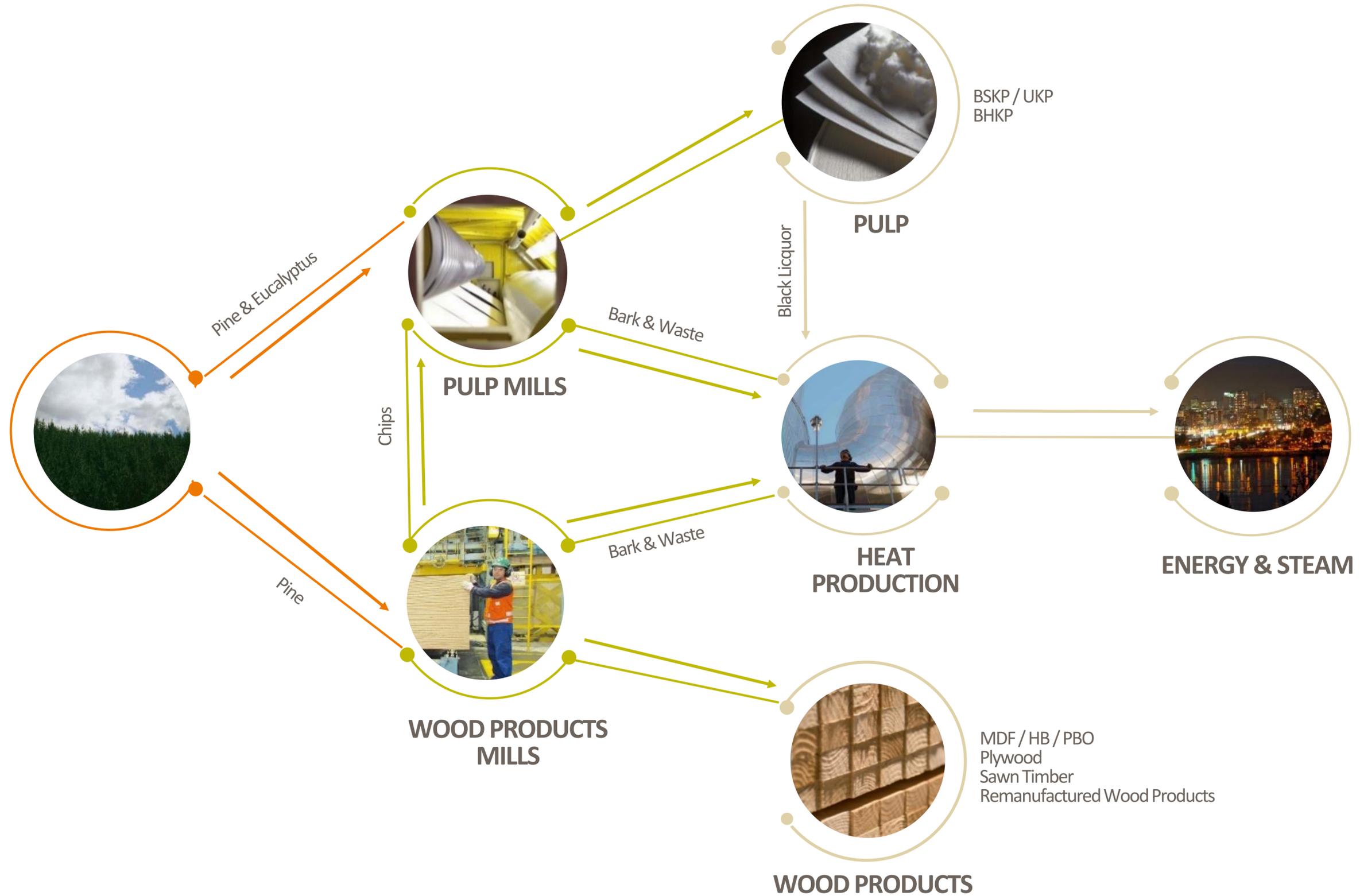
World Panels Capacity (thousand m³)



*Market Pulp and World Panel Capacity as of December 2018. Arauco capacity includes 50% of Montes del Plata, 50% Sonae Arauco, Mexico, Grayling and MAPA Project

Source: Hawkins Wright, Public fillings, Arauco estimations and Company information and fillings

MAXIMIZING THE VALUE OF EVERY TREE





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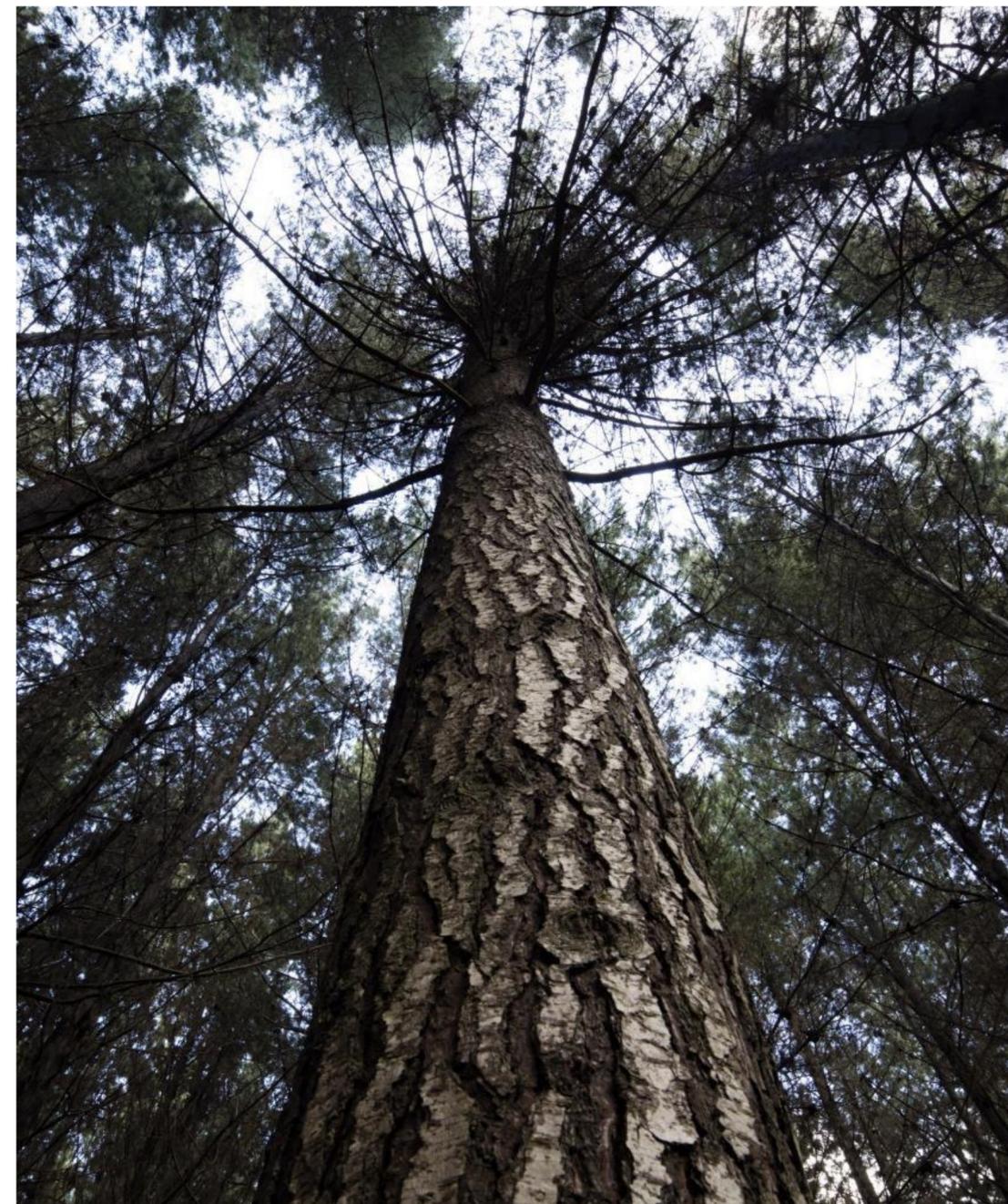
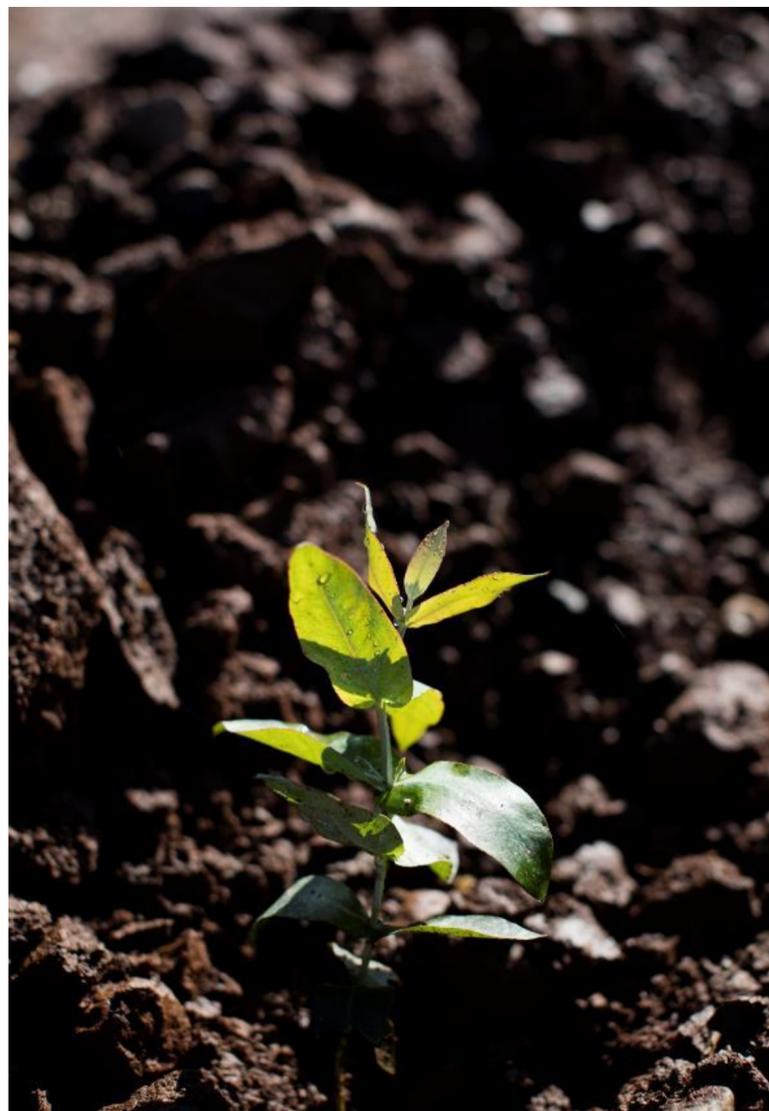
Future Investments

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arauco

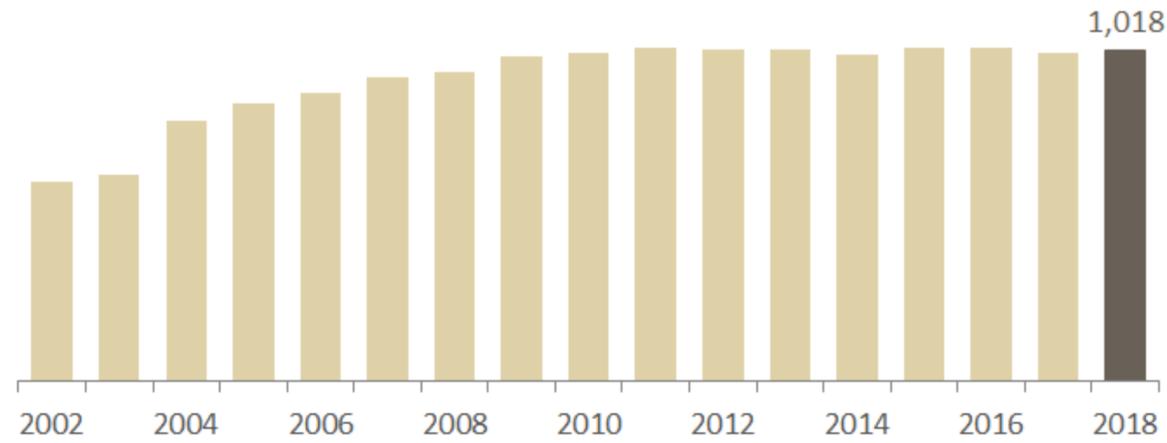
FORESTRY: THE BASE FOR GROWTH



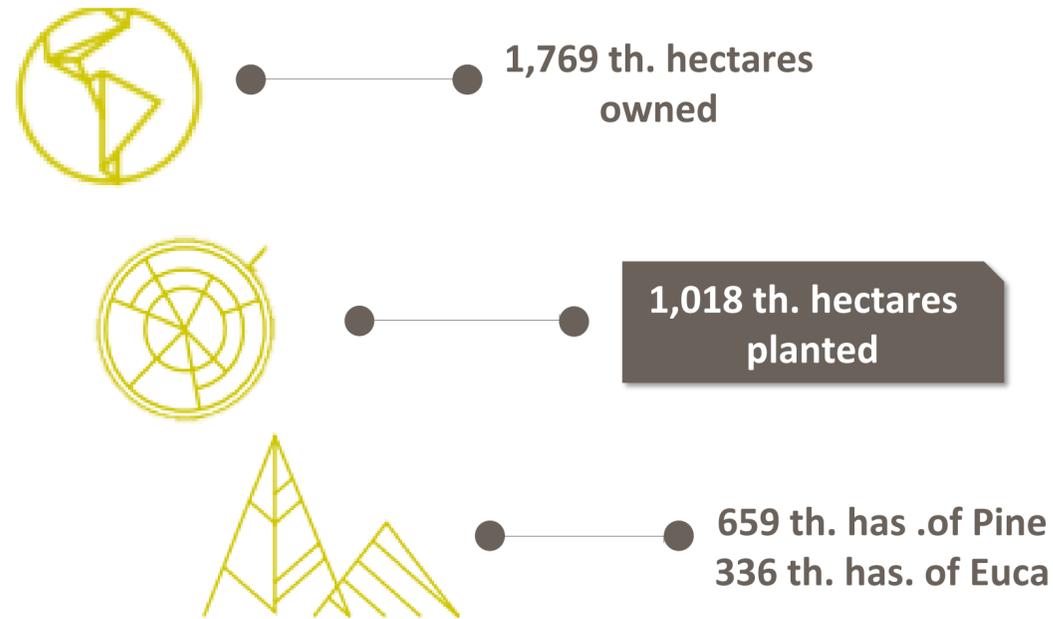
FORESTRY: THE BASE FOR GROWTH

Total Plantations

In thousand hectares

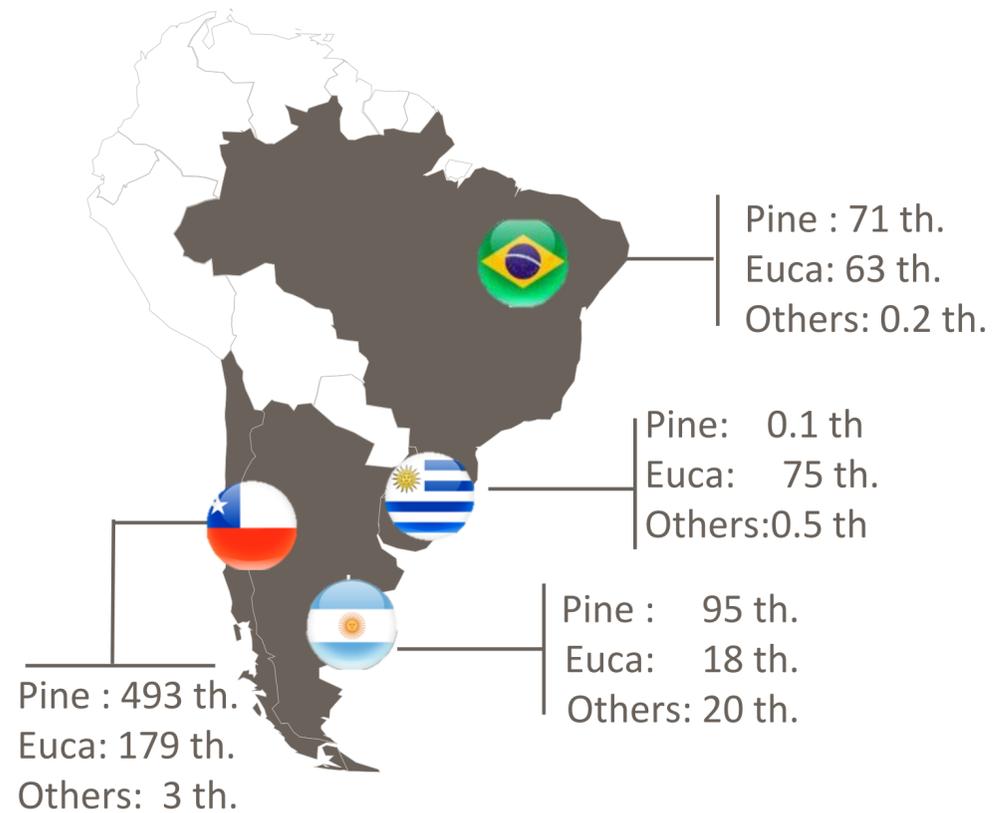
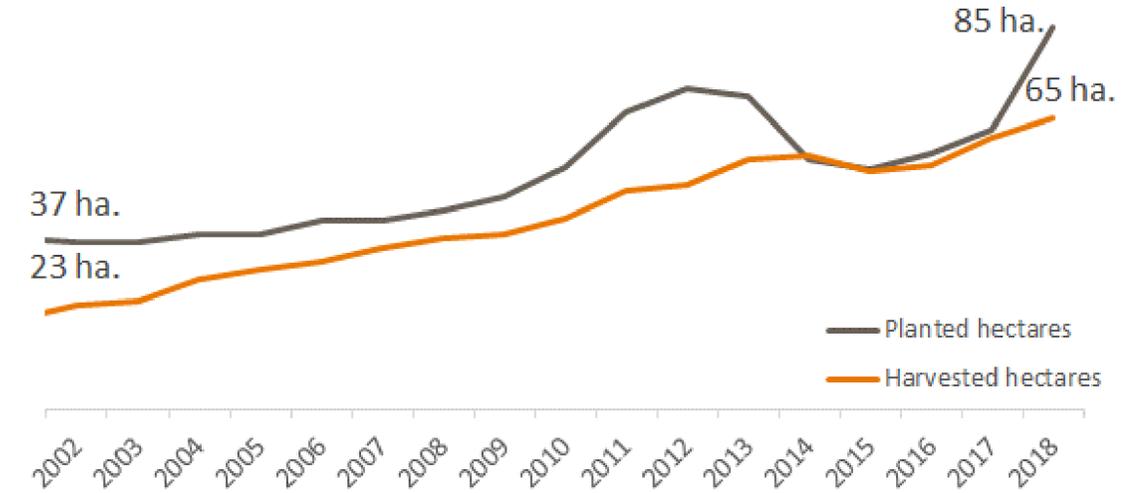


Includes plantations in Chile, Argentina, Brazil and Uruguay



Planting and harvesting

In thousand hectares



Environmental Certifications

Our forests plantations have international certification in Forestry Management and Chain of Custody

For detailed information about each certification, you can visit our web site www.arauco.cl

FORESTRY: THE BASE FOR GROWTH

Bioforest research and development

Bioforest was formed in 1990 by Arauco and one of the achievements has been the increase in the plantations production by 40%

51

researchers
highly
trained

Research
and
innovation

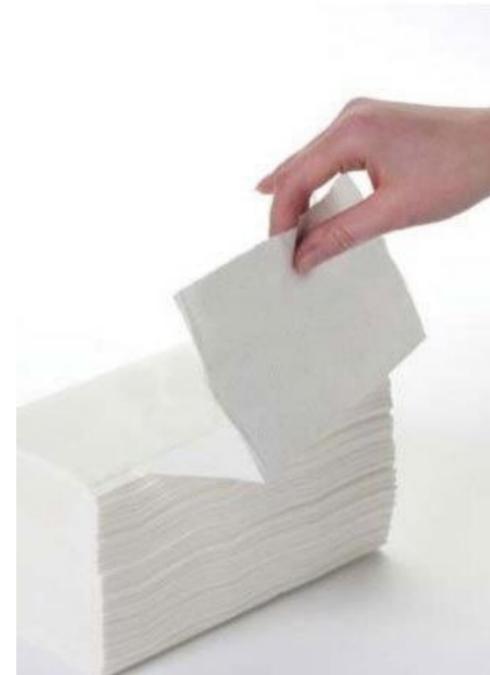
in order to
develop
and

apply the best technologies, maximizing the forestry and industrial resources



- Bioforest has a wide participation in local and international organizations that are leaders in the forestry-industrial scientific knowledge
- In addition, Bioforest aims to fulfill the environmental objectives for the protection and conservation of biodiversity present in our native forests

PULP: ARAUCO'S MAIN INDUSTRIAL ACTIVITY



PULP: ARAUCO'S MAIN INDUSTRIAL ACTIVITY

Pulp Sales

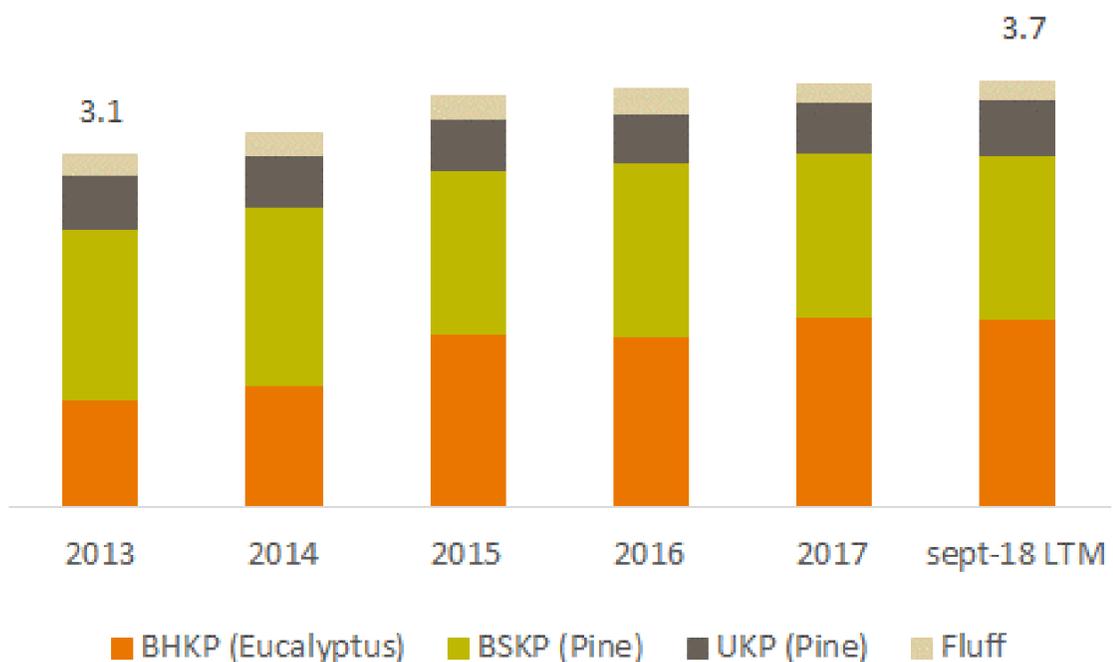
MUS\$2,910

Does not include energy sales

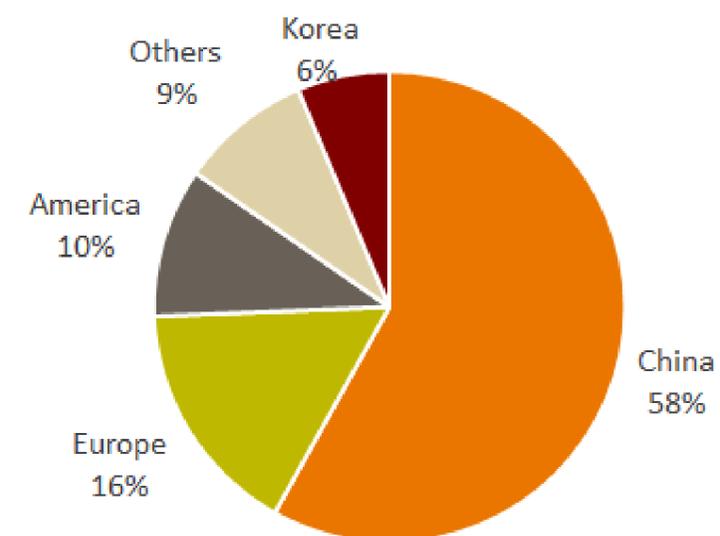
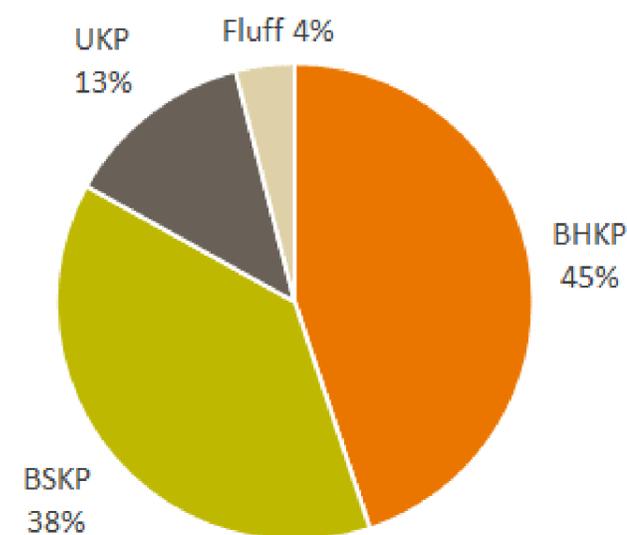


Pulp production

million tons



Sales volume: 3.7 million tons



PULP: OUR MILLS

Licancel
160,000 tons UKP



Constitucion
355,000 tons UKP



Arauco Mill Line 1 &
Line 2
290,000 tons BHKP
510,000 tons BSKP



Nueva Aldea
520,000 tons BHKP
520,000 tons BSKP



Valdivia
550,000 tons
Bleached pulp
Swing mill



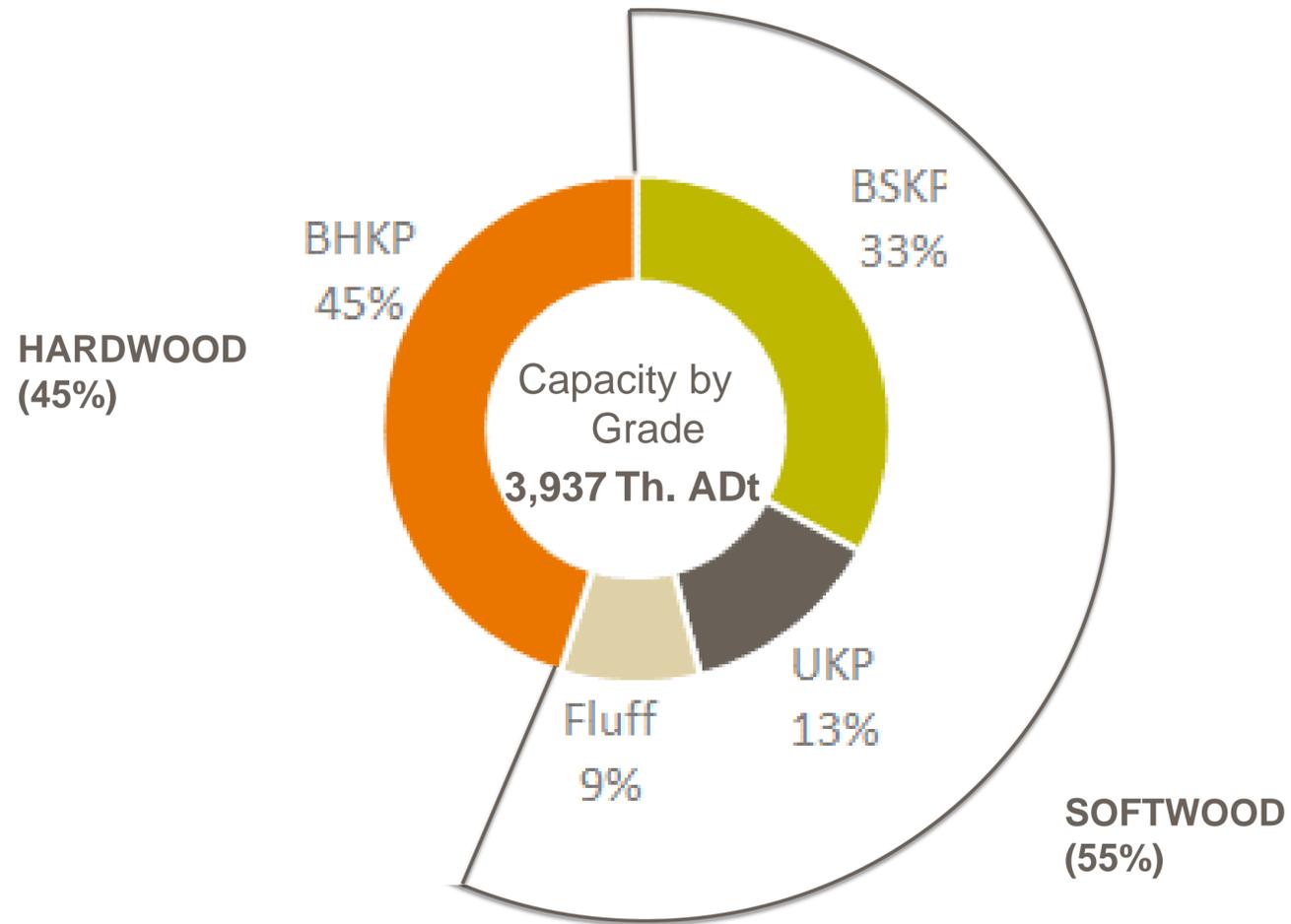
Alto Parana
350,000 tons BSKP & Fluff
Swing mill



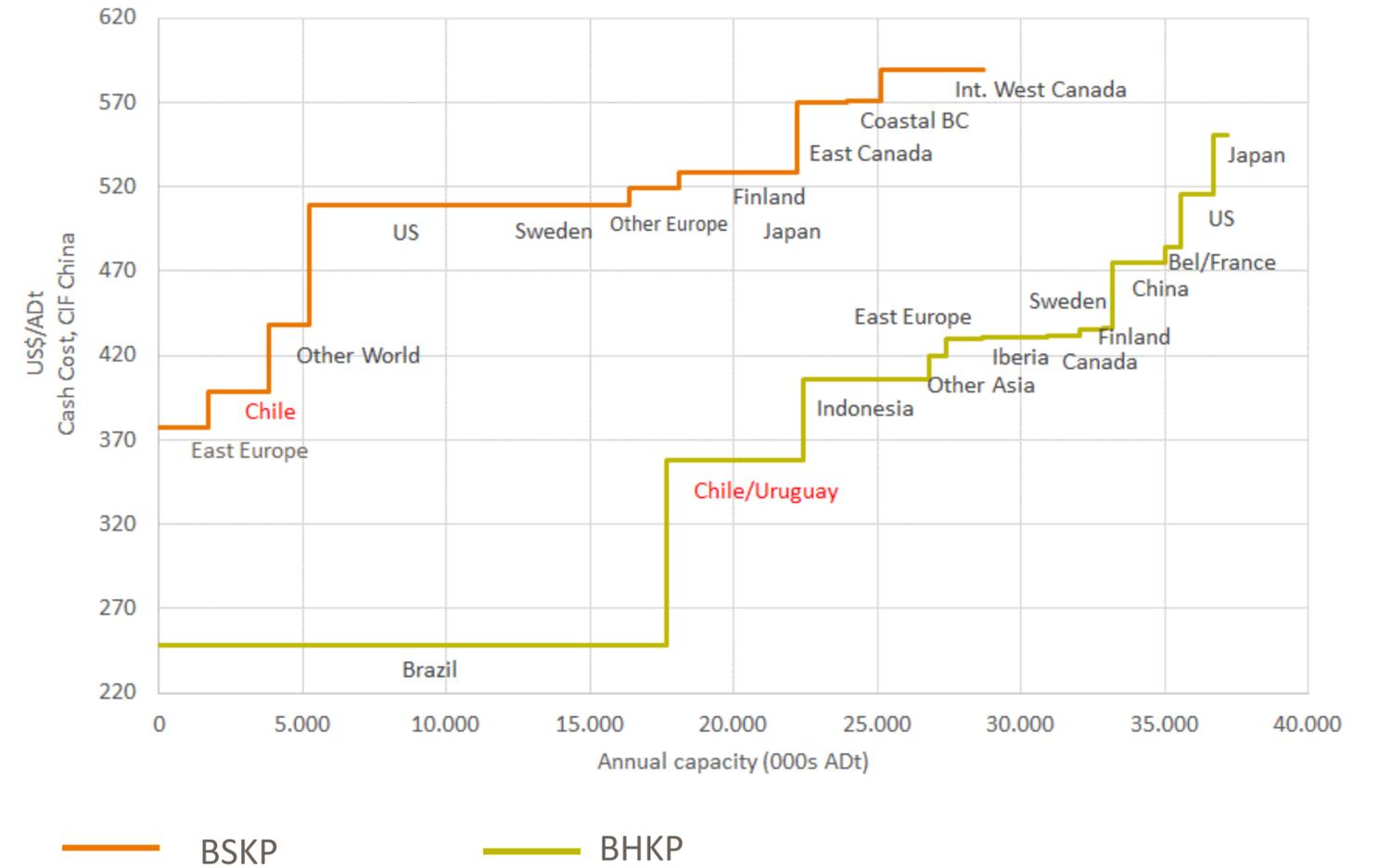
Montes del Plata
1,400,000 tons BHKP
Arauco owns 50%

PULP: COMPETITIVE ADVANTAGES TO EFFICIENTLY SUPPLY THE MARKETS

Balance between short and long fiber



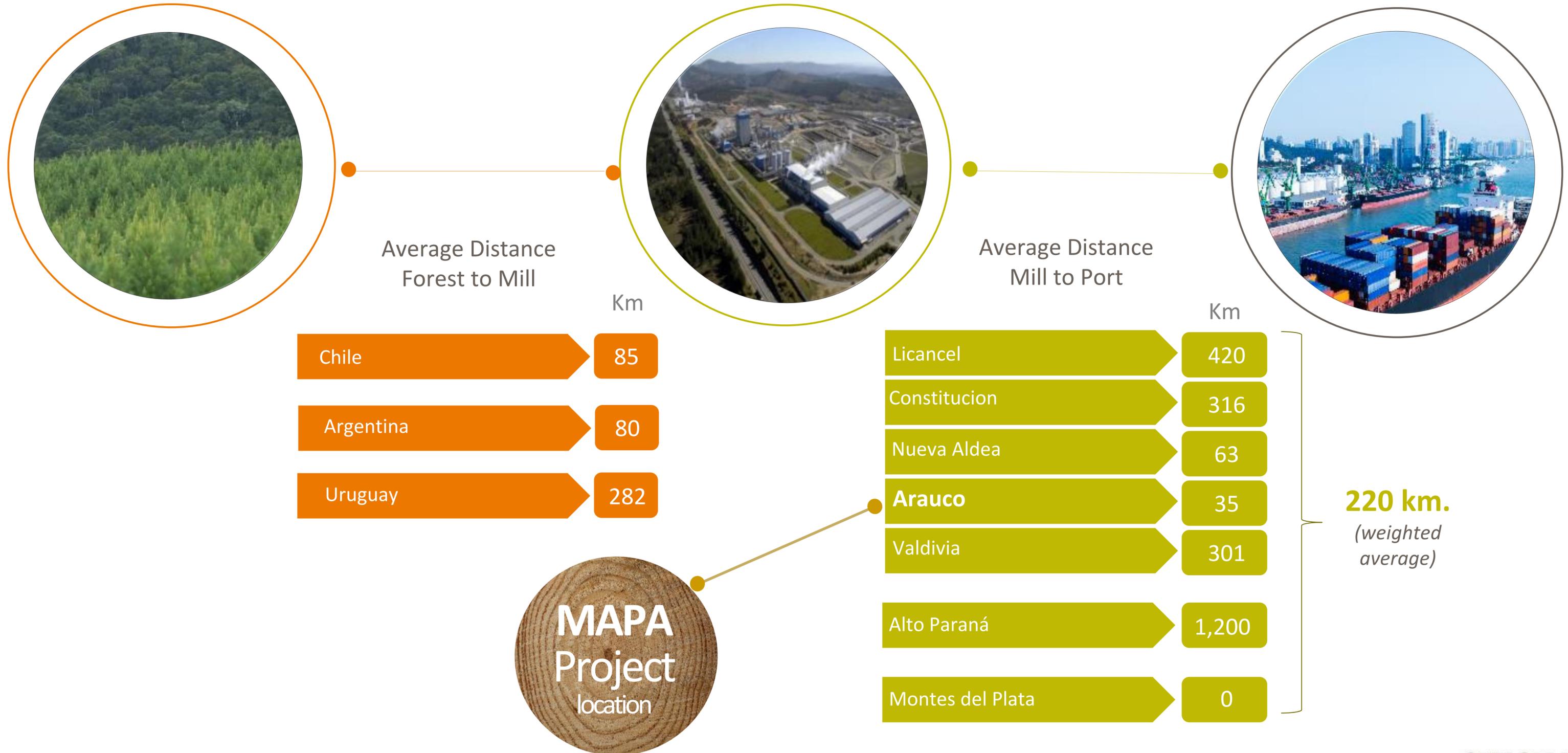
Cost advantage



Source: Hawkins Wright, December 2018

December 2018

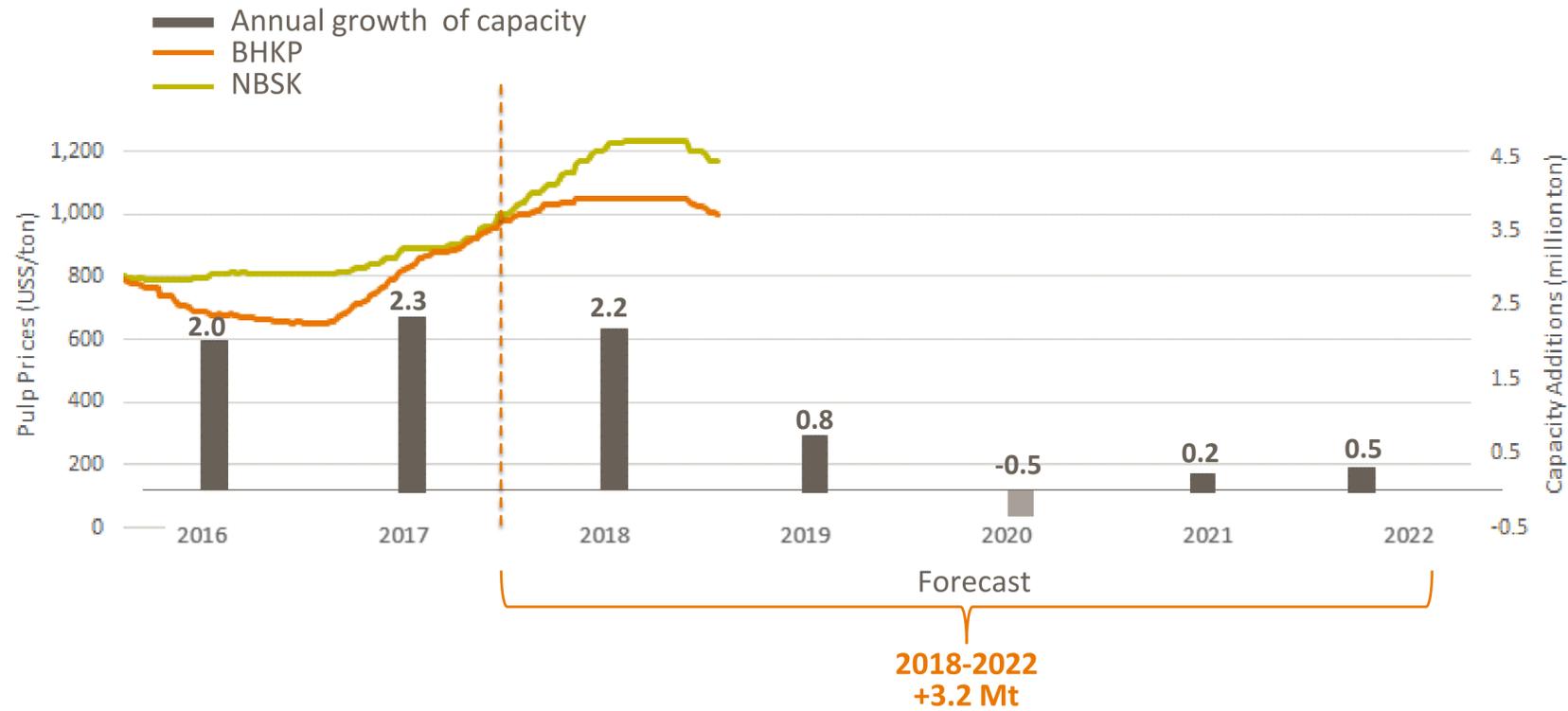
PULP: COMPETITIVE ADVANTAGES TO EFFICIENTLY SUPPLY THE MARKETS



Weighted average distance between our pulp mills located in Chile, Uruguay & Argentina. November 2015

PULP MARKET SCENARIO

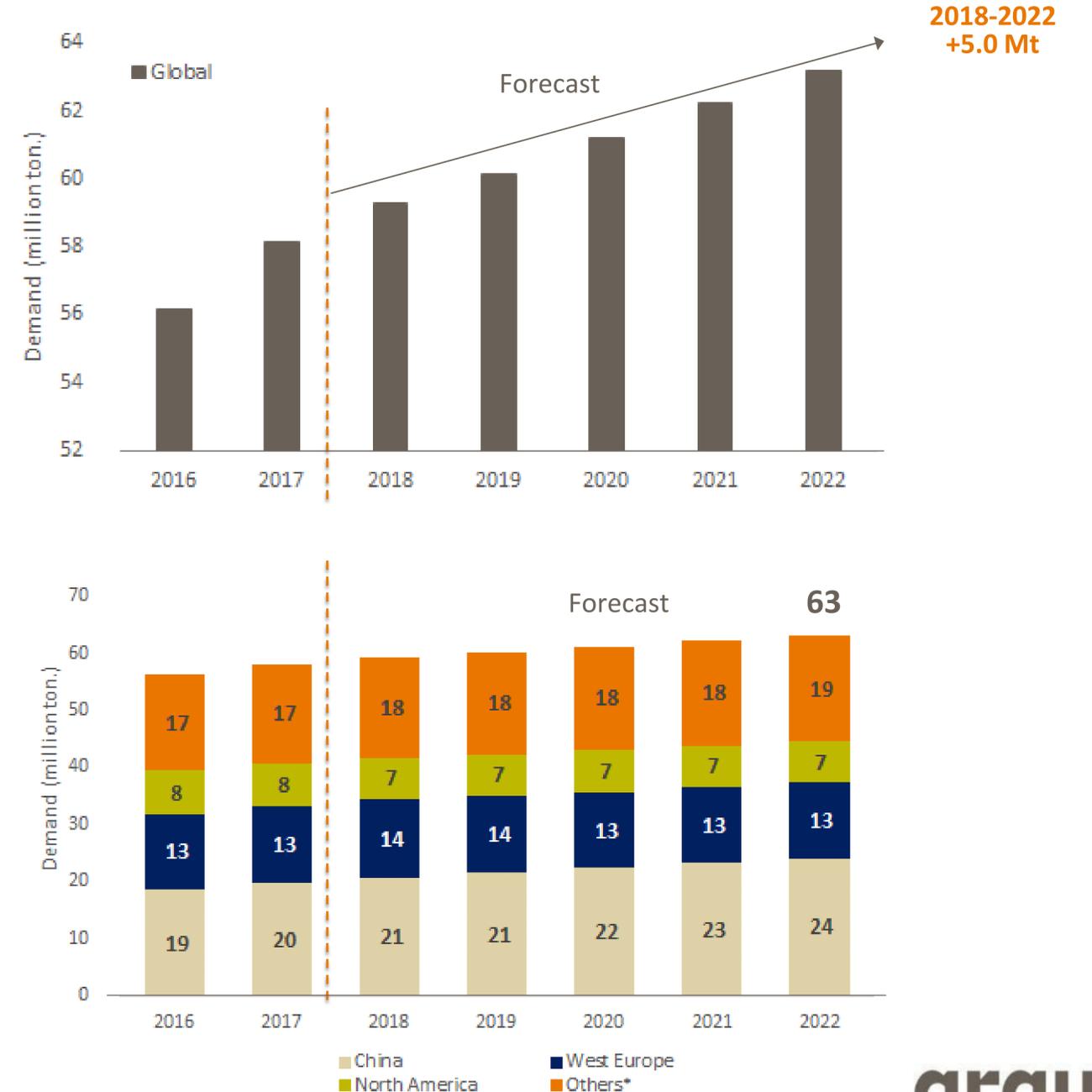
BHKP and NBSK Indexes and BCP capacity growth forecast



Price gap between NBSK and BHKP

- September 2018: **US\$ 180 / ton**
- December 2018: **US\$ 174 / ton**
- Average (Jan. 2018 – Dec. 2018): **US\$ 129 / ton**

BCP demand forecast



Source: Hawkins Wright, forecast 2018; RISI
 Note: BCP: Bleached Chemical Pulp
 * Includes Nordic, East Europe, Latinamerica, Oceania, Japan, Asia/Africa

PANELS: EXPANSION OF THE PRODUCT MIX

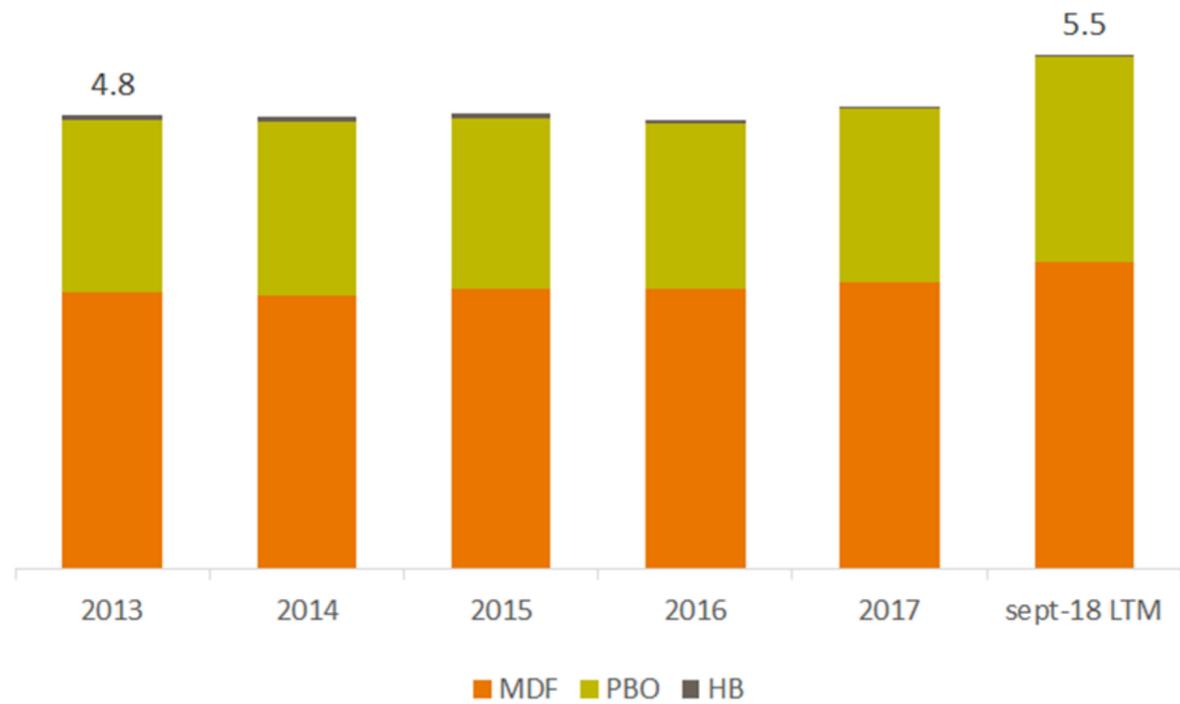


PANELS: EXPANSION OF THE PRODUCT MIX

Panel Sales
MUS\$ 1,721

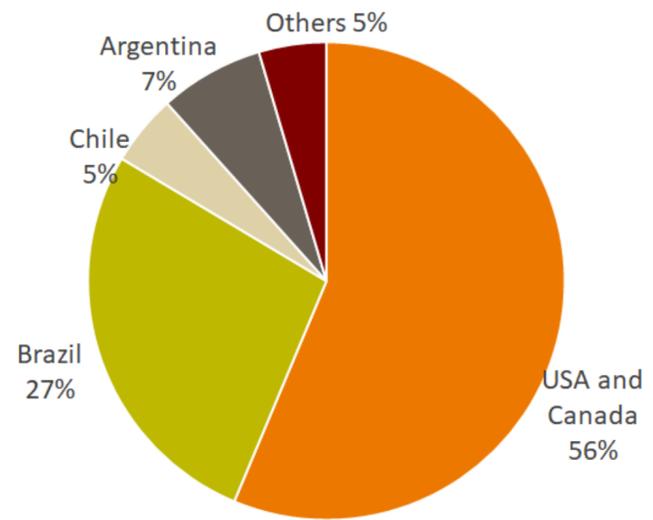
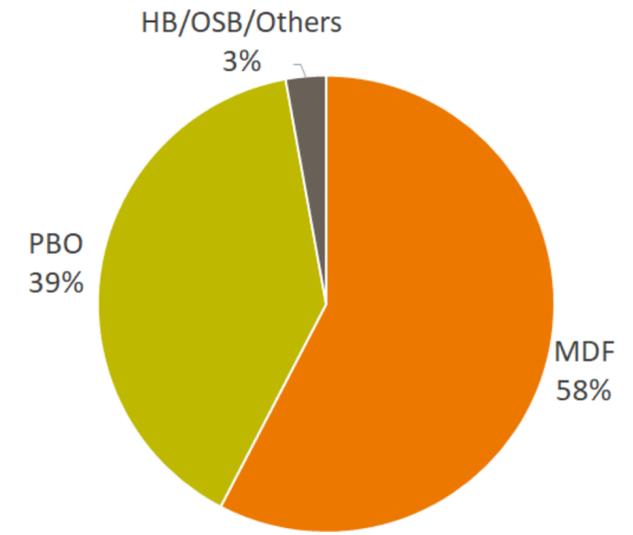
Panels production

In million cubic meters



Sept 2018 LTM
 Does not include Sonae Arauco production and sales volume as it does not consolidate

Sales volume: 5.3 million m³



SOLID WOOD: HIGH QUALITY PRODUCTION STANDARDS

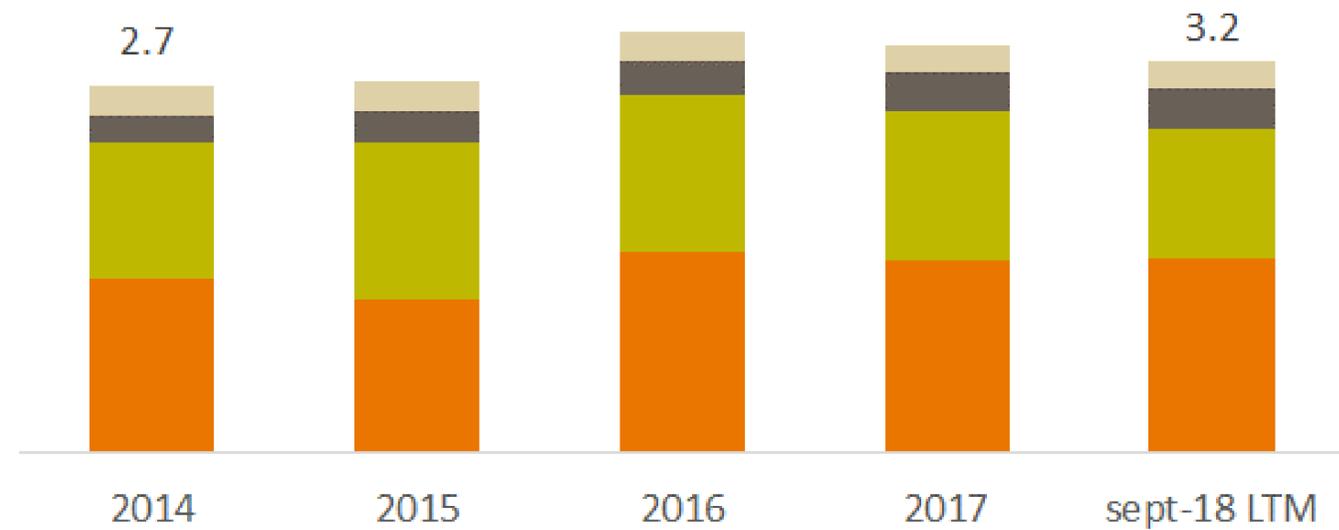


SOLID WOOD: HIGH QUALITY PRODUCTION

Solid Wood Sales
MUS\$997

Solid Wood production

In thousand cubic meters

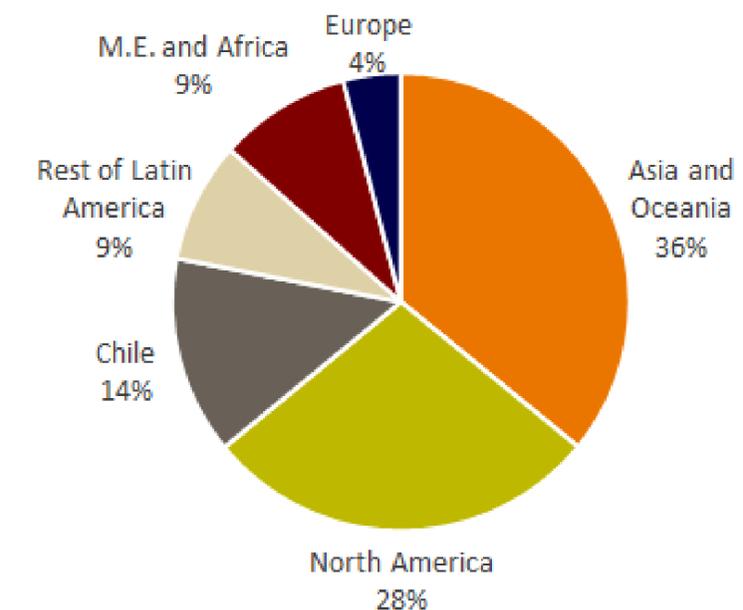
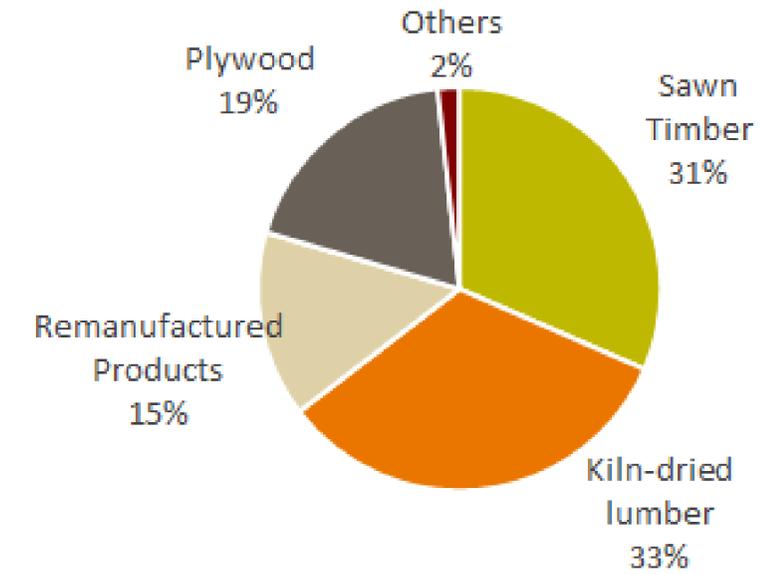


■ Sawn Timber ■ Kilned Sawn Timber ■ Plywood ■ Remanufactured

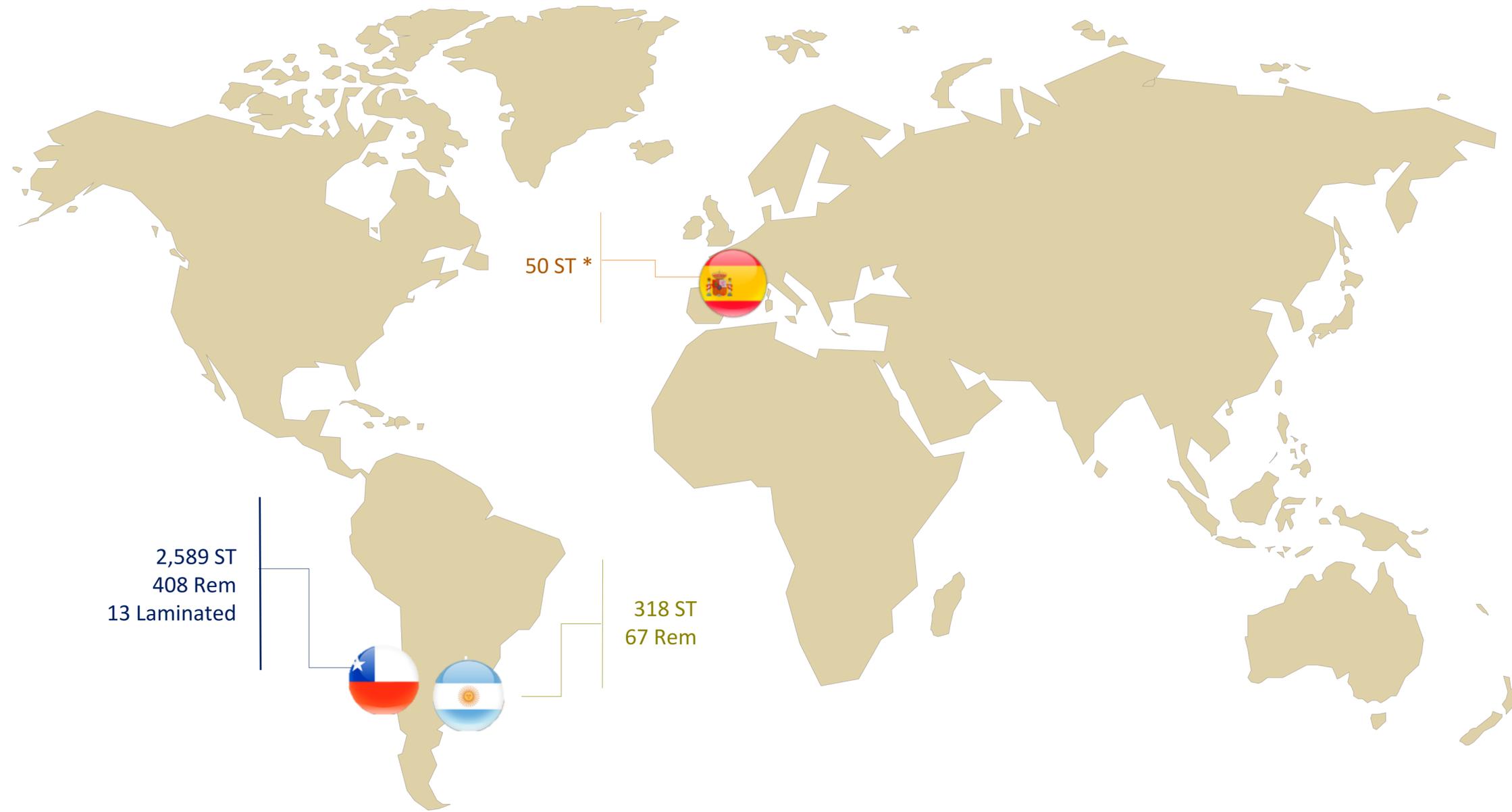
Sept 2018 LTM

Does not include Sonae Arauco production and volume sales as it does not consolidate

Sales volume: 2.9 million m³



SOLID WOOD: OUR MILLS



2,589 ST
408 Rem
13 Laminated

50 ST *

318 ST
67 Rem

ST: Sawn Timber
Rem: Remanufactured Wood Products

*In thousand m3
A of December 2018
Arauco owns 50% of Sonae Arauco

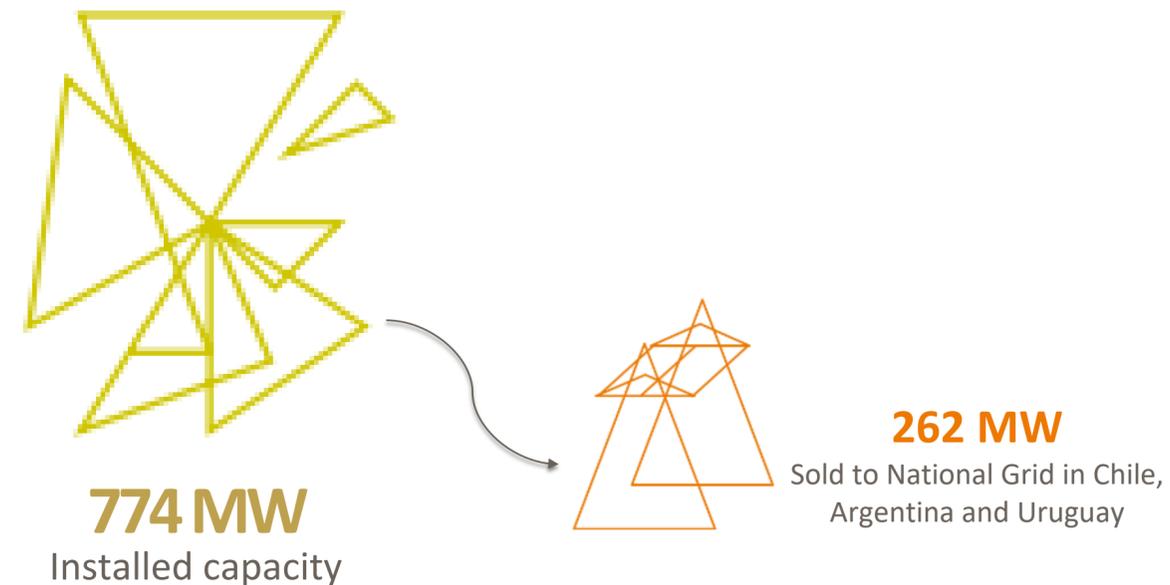
ENERGY: KEY PART OF OUR VALUE CHAIN



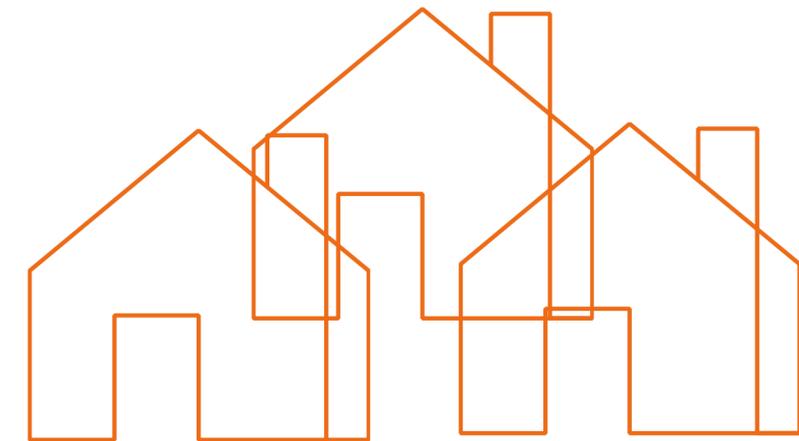
ENERGY: KEY PART OF OUR VALUE CHAIN

Revenues

MUS\$113



The surplus
energy injected
is equivalent to
provide
energy to
550.000 houses



Highlights

- Electricity generation from renewable energies is part of our production process
- Arauco is self-sufficient in net electricity consumption and injects the excedent into the local grid in Chile, Argentina and Uruguay
- 5 cogeneration plants in Chile and 1 plant in Uruguay are registered under the Kyoto Protocol Clean Development Mechanism (CDM)

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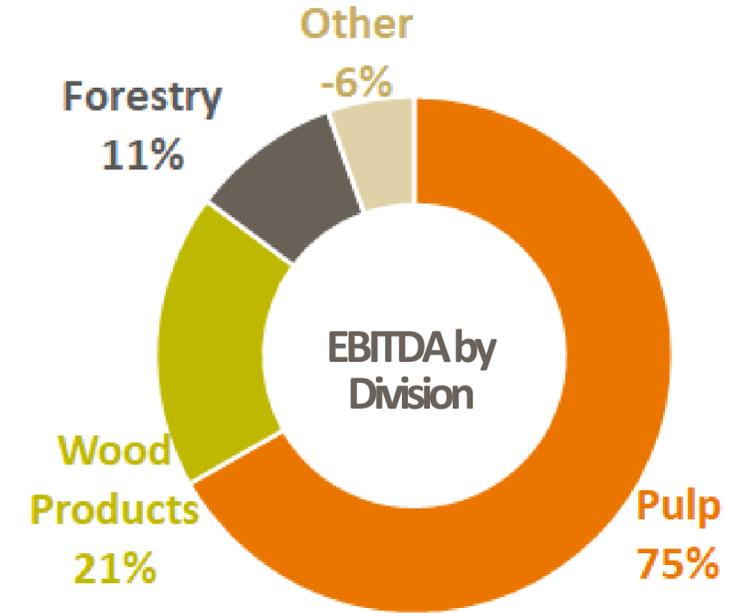
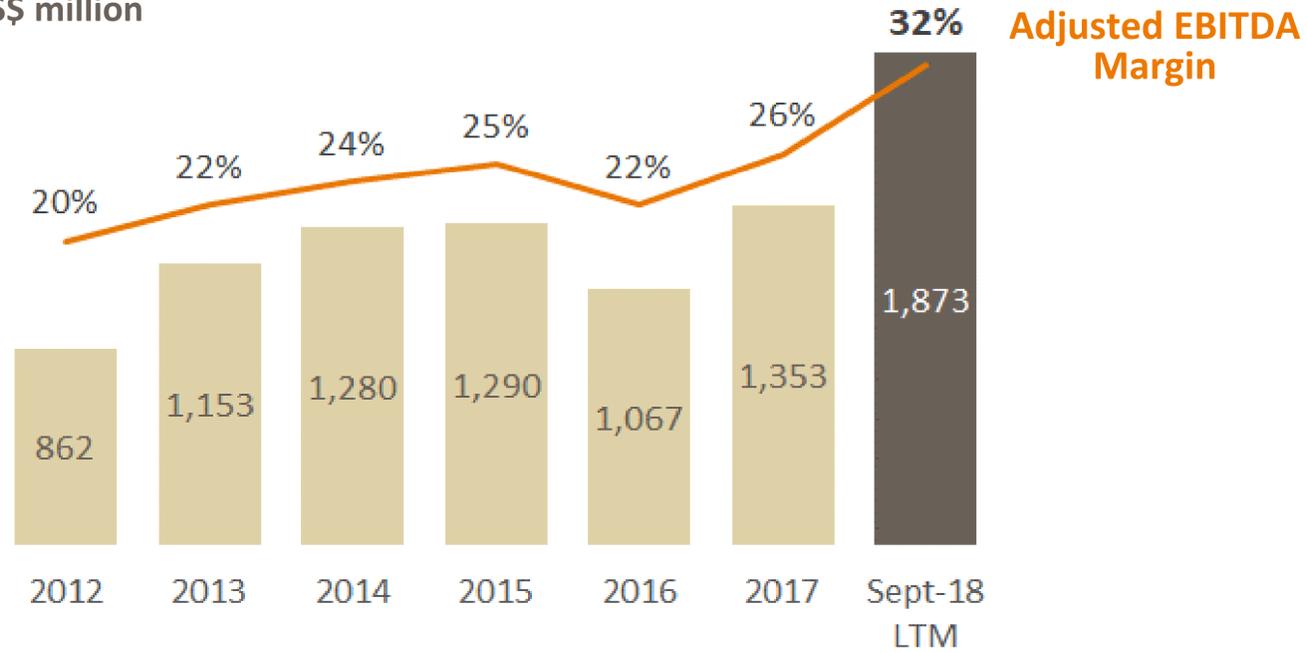
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Sustainability

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SOLID CAPITAL STRUCTURE

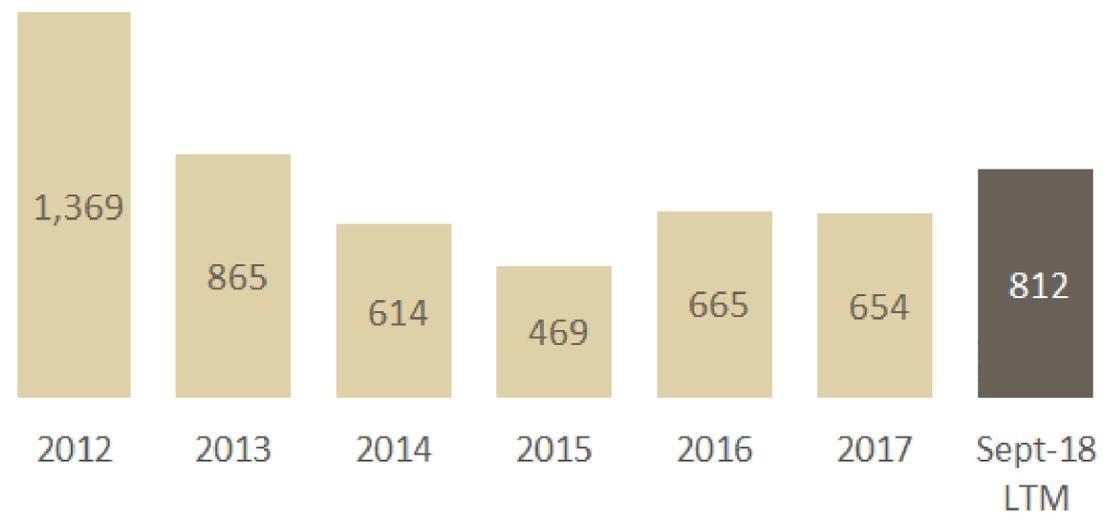
Adjusted EBITDA

US\$ million



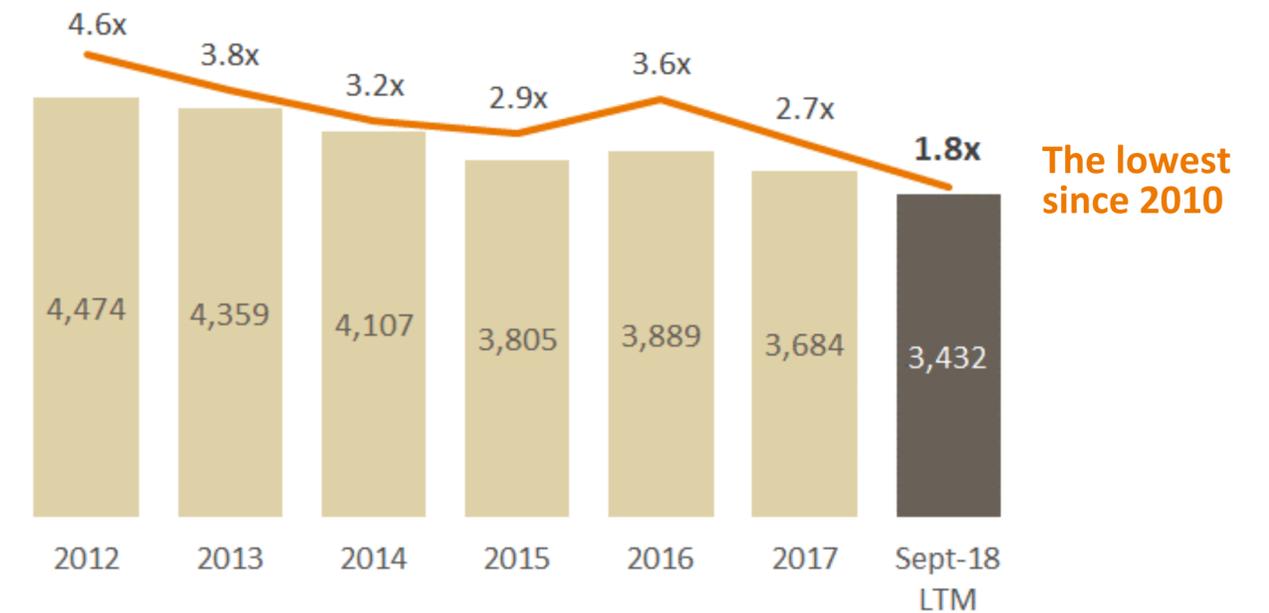
CAPEX

US\$ million



Net Debt

US\$ million



As of September 2018



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Financial Highlights

Future Investments

Recent Events and Initiatives

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MAPA: NEW LINE AT ARAUCO MILL & COGENERATION PLANT

Modernization and Expansion of the Arauco Mill Project (MAPA) consists in the construction of a third pulp line of 1.56 million Adt (short fiber), increasing the Arauco's total pulp capacity to approximately 5 million Adt.

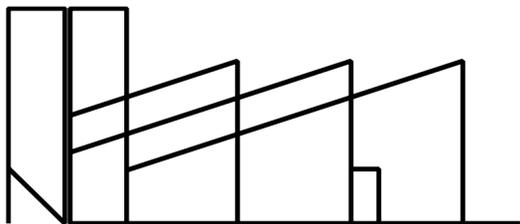
- The project considers the shut down of Arauco's line 1 of 290,000 Adt of short fiber pulp once the new line (line 3) is operating

- Construction of a 132 MW cogeneration plant

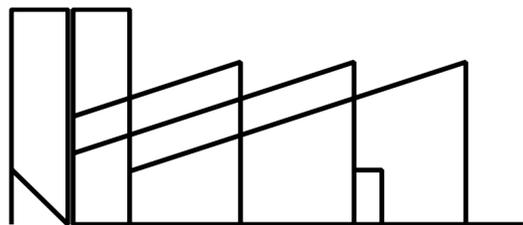


- The investment for this project is approximately US\$ 2,350 million.

- It is expected that the mill will start its operations during the second quarter of 2021.



MAPA: WHERE WE STAND TODAY



ACQUISITION OF MASISA ASSETS IN BRAZIL AND MEXICO

Brazil

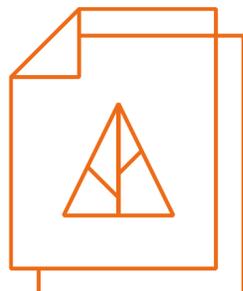
- In September 2017, Arauco subsidiary, Arauco do Brasil, agreed to acquire Masisa do Brasil Ltda.
- Transaction was completed on December 6, 2017 for U.S.\$ 102.8 million, with final disbursement amounting to U.S.\$ 58.1 million
- Main assets consist of two industrial complexes located in Ponta Grossa (Paraná) and Montenegro (Rio Grande do Sul) in Brazil
- Total installed capacity of:
 - 300 th. m³ of MDF
 - 500 th. m³ of MDP



Mexico



- In December 2017, Arauco agreed to acquire Masisa's Mexican subsidiaries
- The transaction was completed on January 31 2019 for US\$160 million
- Main assets consist of two industrial complexes located in Durango and Zitácuaro in Mexico
- Total installed capacity of:
 - 250 th. m³ of MDF
 - 300 th. m³ of PB



DISSOLVING PULP PROJECT: REACHING NEW MARKETS

- As of January 2019, the construction phase is going as planned with 65% of construction completed



- Dissolving pulp is used to produce viscose, an alternative material for cotton



- Valdivia mill will be able to switch from paper grade to dissolving pulp

- Total estimated CAPEX is US\$190 million and the start-up is expected to be by the end of 2019

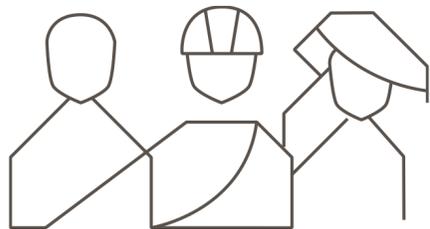


NEW PARTICLE BOARD PLANT IN UNITED STATES

- It is located in Grayling, Michigan, US
- Investment in this mill is estimated to reach US\$ 450 million



- The capacity would be 800,000 m³ per year
- On february 2019, we had the first panel's rollout as part of the first tests



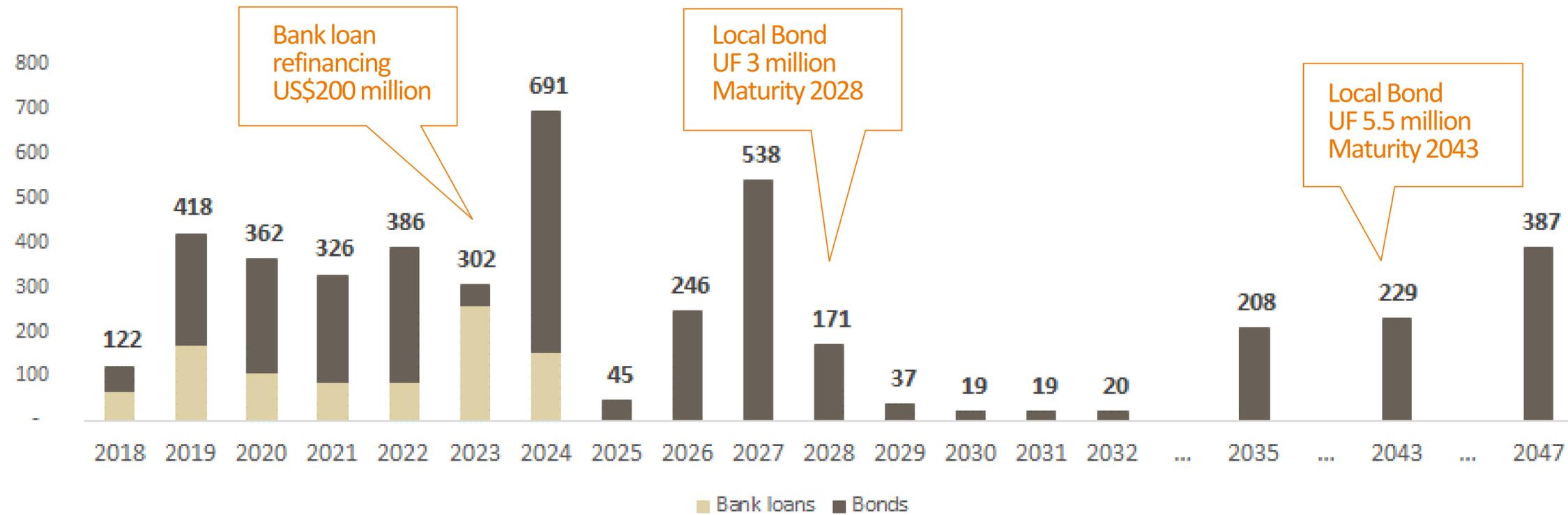
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FINANCIAL ACTIVITY



Bank Loan Refinancing

- US\$200 million bank loan with maturity in September 2018 was refinanced to September 2023
- Arauco extended the final maturity to a year with low financial amortizations

Local Bond Issuance (October 2018)

- Two local bonds (bullet) were issued for UF 3.0 and UF 5.5 million totaling approximately US\$340 million, the biggest local issuance of the year in Chile
- The first one has a 10 years tenor with a yield of 2.38% and the other one has a 25 years tenor with a yield of 2.88%
- Proceeds will be used as part of MAPA Project financing





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SUSTAINABILITY

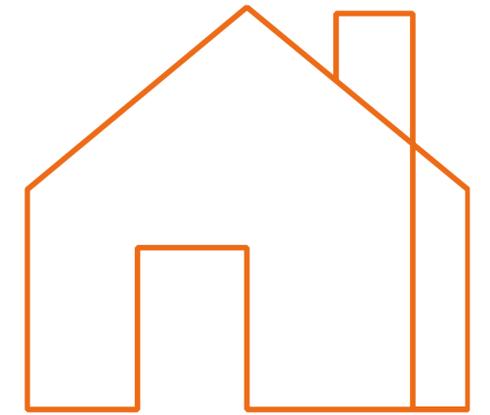
Arauco is committed to the occupational health and **SAFETY** of its workers, to the **ENVIRONMENT** and to the welfare of the **COMMUNITIES** in which it operates



SAFETY



ENVIROMENT



COMMUNITY
PARTICIPATION & DIALOGUE

SAFETY ALWAYS A PRIORITY

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



ENVIRONMENT

Our forest plantations are CERTIFIED to INTERNATIONALLY RECOGNIZED STANDARDS

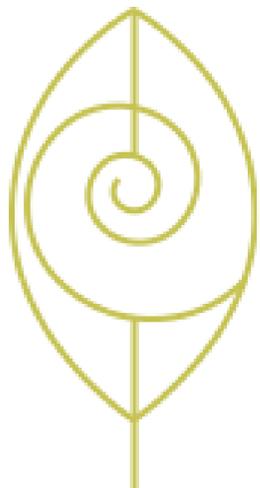
We DO NOT source native forests or protected species

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.



arauco

ENVIRONMENT

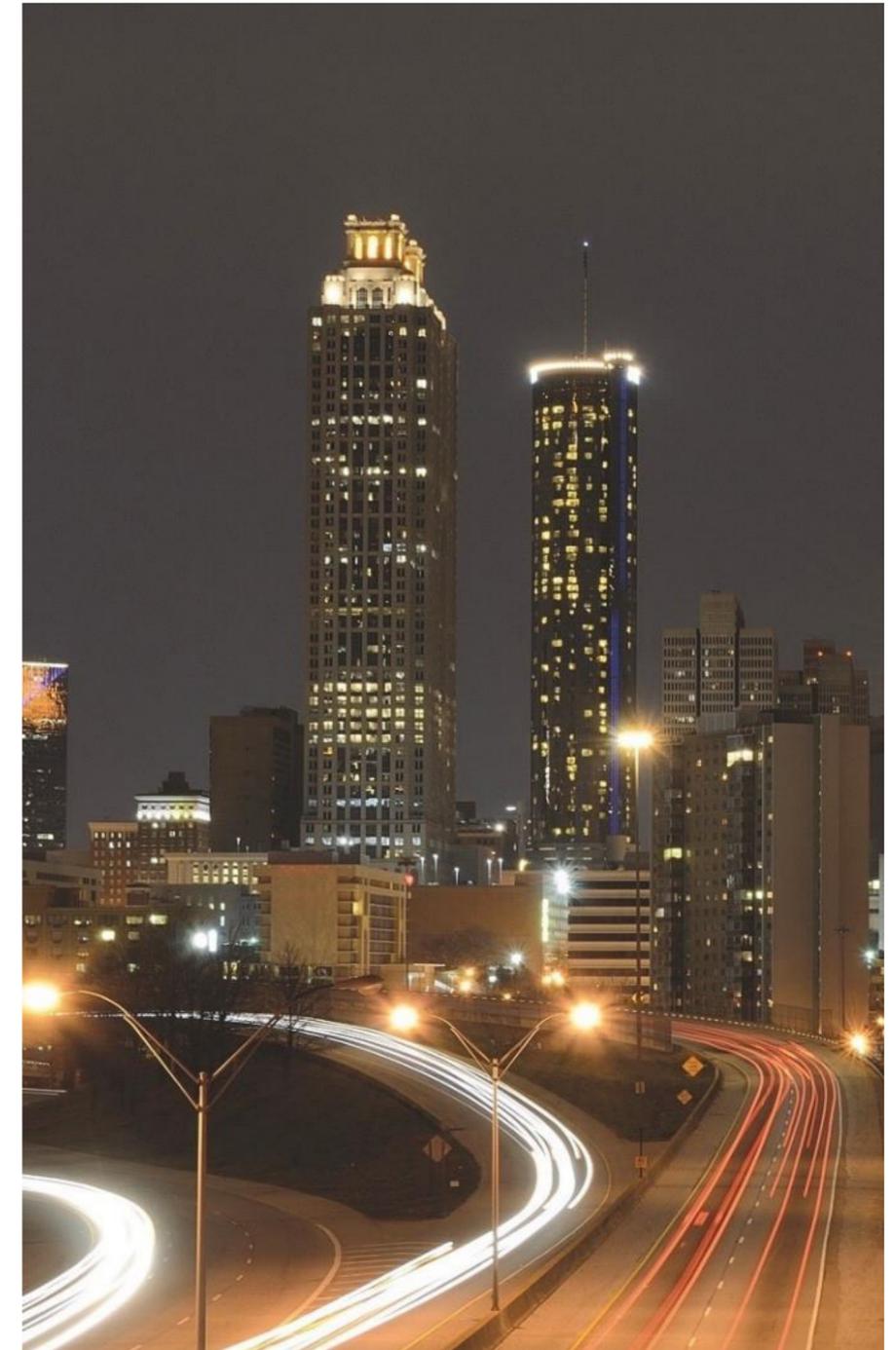
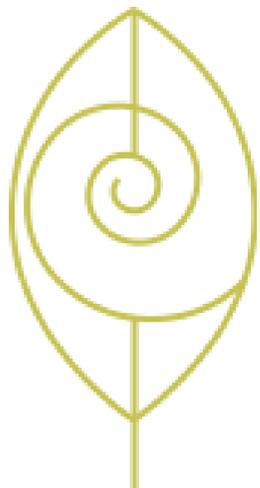
ENERGY

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

ARAUCO can provide up to 262 MW SURPLUS ENERGY to the SIC

The company has FIVE 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 CO₂.



arauco

ENVIRONMENT AND PREVENTION OF FOREST FIRES

deRaiz

#forestryrenovation

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



STRUGGLE FIRES IN THE INITIAL PHASE

- ▶ 2017-2018 total investment of US\$41,9 million
- ▶ Increase of aerial and terrestrial resources
- ▶ “Never arrive after 20 minutes”

COMMUNITY, PARTICIPATION AND DIALOGUE: COMMUNITY SUPPORT

Housing plan for workers (HPW)

- 9,000 houses have been built between 2013 and 2017 for Arauco's employees and subcontractors



Sustainable reconstruction Plan (PRES)

- Plan for Constitución, a city that was affected by the earthquake and tsunami of February 27, 2010.



Arauco Cultural Center

- The earthquake of 2010 affected the local theater and municipal library in Arauco, VIII Region. Arauco rebuilt both buildings and modernized the facilities



COMMUNITY, PARTICIPATION AND DIALOGUE: EDUCATION

Arauco Campus

- Campus Arauco offers 4 technical careers for more than 660 students, and over 200,000 training annual hours for Arauco's employees and service-providing business employees.



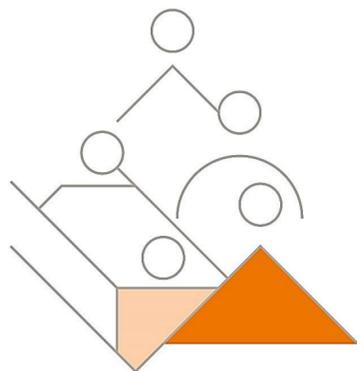
Arauco Educational Foundation

- The purpose is to DESIGN, IMPLEMENT AND ASSESS teacher-improvement programs where Arauco is present



Acerca Redes Foundation

- Acerca Redes operates based on hubs: a network of offices that ATTRACT, CONNECT and CENTRALIZE to promote the local development of locations far from urban centers



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