

arauco



# 3Q 2019 Corporate Presentation

# OVERVIEW

---



# ARAUCO: A CONTINUED EXPANSION

## 1996

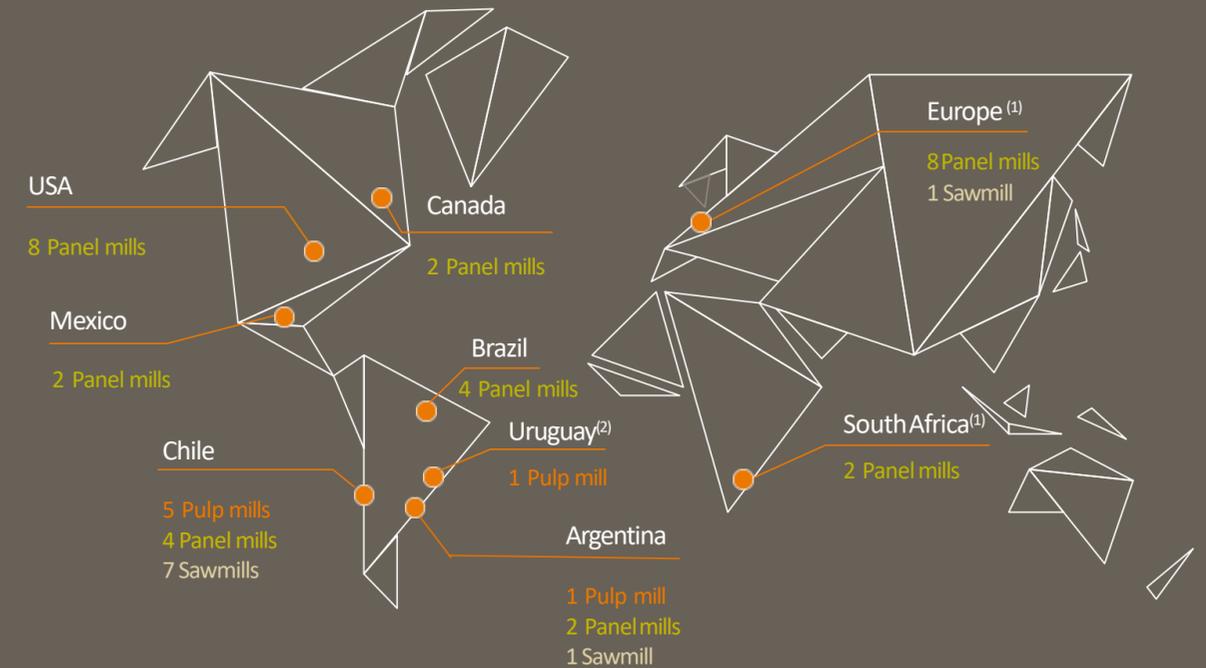
Alto Parana in Argentina, one of the first strategic steps to expand our business



Revenues	US\$641 million
Pulp Capacity	1.1 million tonnes
Panel Capacity	0 m <sup>3</sup>
Sawn Timber Capacity	1.9 million m <sup>3</sup>
Number of Mills	11

## NOW

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



Revenues <sup>(3)</sup>	US\$5.5 billion
Pulp Capacity	4.0 million tonnes
Panel Capacity	11.0 million m <sup>3</sup>
Sawn Timber Capacity	3.1 million m <sup>3</sup>
Number of Mills	48

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) September 2019 LTM

As of September 2019

# ARAUCO AT A GLANCE

## Shareholder Structure



## National rating

Fitch  
**AA-**  
(Negative)

Feller  
**AA**  
(Stable)

## International rating

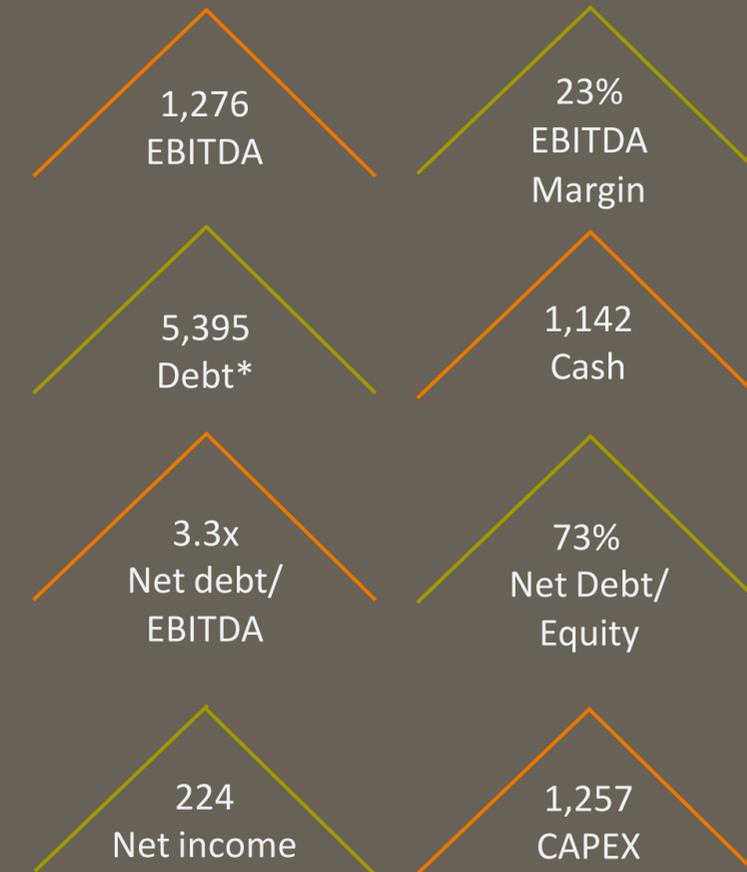
Fitch  
**BBB**  
(Negative)

S&P  
**BBB-**  
(Negative)

Moody's  
**Baa3**  
(Stable)

## Financial highlights LTM

US\$ million

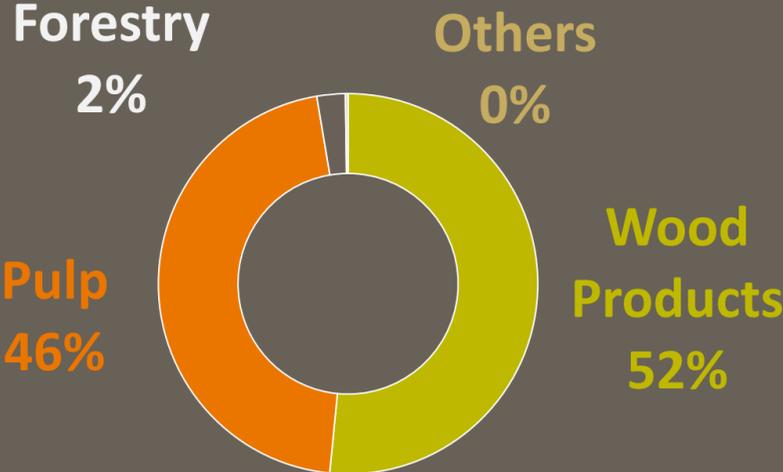


\* Does not include swaps and forwards

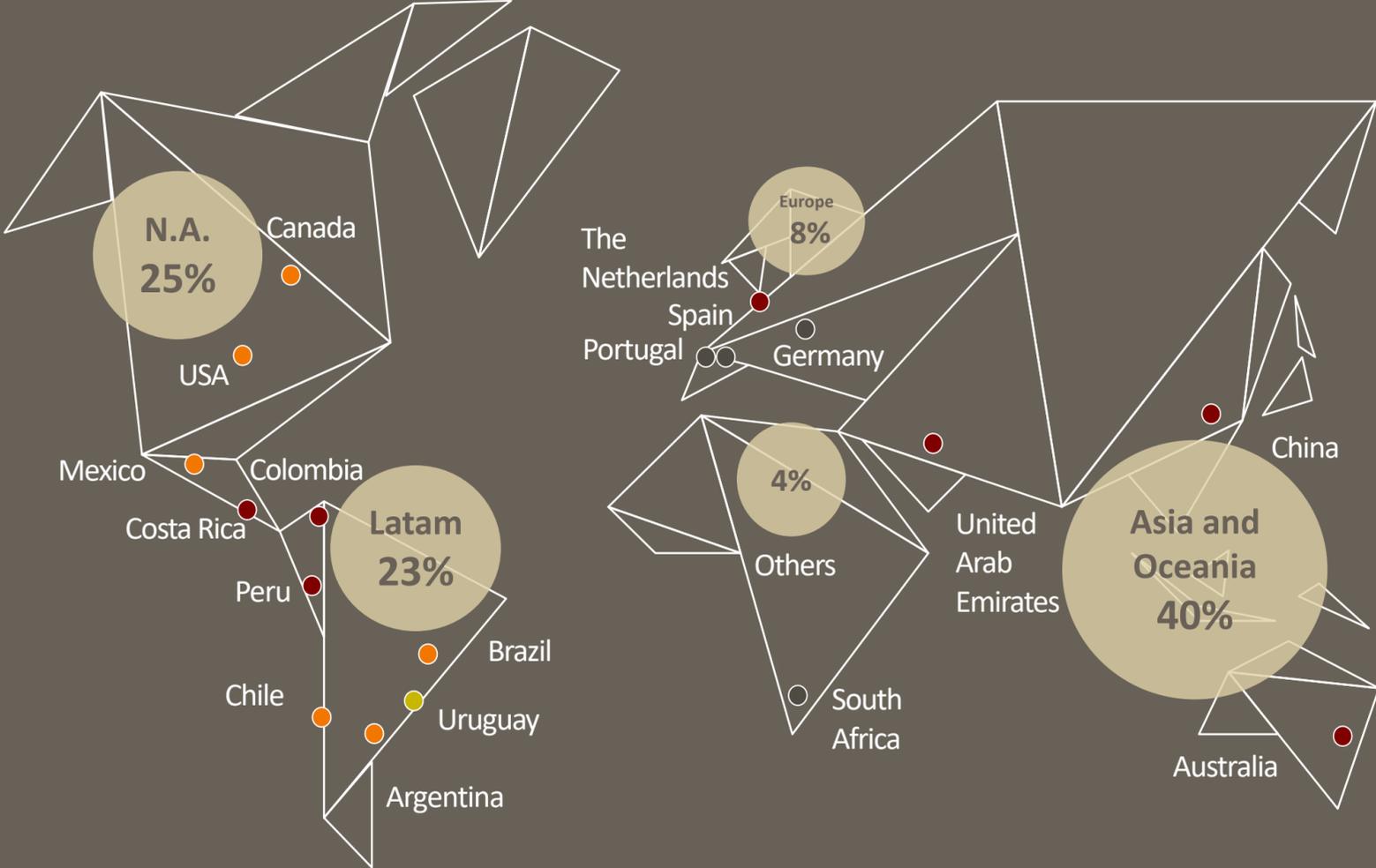
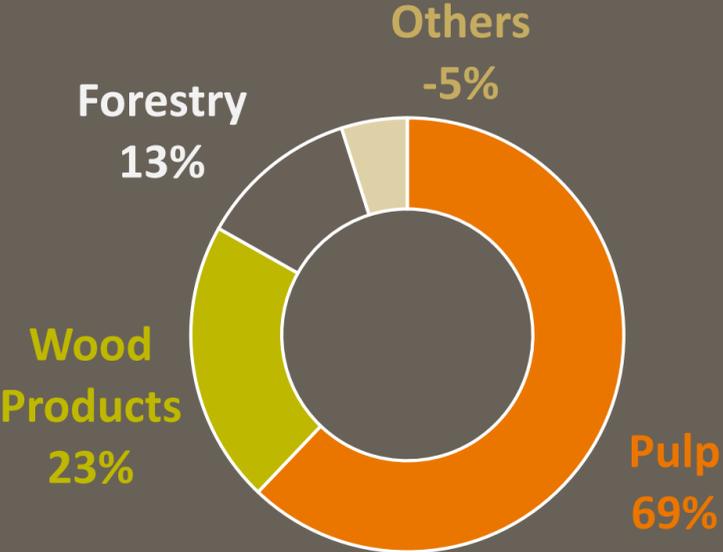
As of September 2019

# DIVERSIFIED SALES AROUND THE WORLD

**Revenues**  
MUS\$5,508



**Adjusted EBITDA**  
MUS\$1,276



- Industrial operations
- Commercial Offices
- Montes del Plata, JV with Stora Enso
- Sonae Arauco, JV with Sonae Industria
- World sales breakdown, as of December 2018

As of September 2019 LTM  
(1) Pulp and Wood products include energy sales

# THREE STRATEGIC BUSINESS SEGMENTS

in thousands

	Forestry	Pulp	Wood products		Complementary energy operations
	665 Ha <sup>(1)</sup>	5 Mills 2,905 t	4 Mills Plywood: 710 m <sup>3</sup> MDF: 515 m <sup>3</sup> PB: 300 m <sup>3</sup>	7 Sawmills 2,759 m <sup>3</sup> 4 Rem. Facilities	10 Power Plants 606 MW Surplus: 219 MW
	133 Ha <sup>(1)</sup>	1 Mill 350 t	2 Mills MDF: 300 m <sup>3</sup> PB: 260 m <sup>3</sup>	1 Sawmill: 350 m <sup>3</sup> 1 Rem. Facility	2 Power Plants 82 MW Surplus: 15 MW
	132 Ha <sup>(1)</sup>		4 Mills MDF: 1,530 m <sup>3</sup> PB: 720 m <sup>3</sup>		
	76 Ha <sup>(1) (2)</sup>	1 Mill 708 t <sup>(2)</sup>			1 Power Plant 91 MW <sup>(2)</sup> Surplus: 50 MW
			10 Mills MDF: 1,605 m <sup>3</sup> PB: 2,320 m <sup>3</sup>		
			2 Mills MDF: 250 m <sup>3</sup> PB: 339 m <sup>3</sup>		
			10 Mills <sup>(3)(4)</sup> PB: 1,165 m <sup>3</sup> MDF: 741 m <sup>3</sup> OSB: 258 m <sup>3</sup>	1 Sawmill <sup>(3)</sup> 25 m <sup>3</sup>	
<b>Total</b>	<b>1.0 million ha</b>	<b>4.0 million t</b>	<b>11.0 million m<sup>3</sup></b>	<b>3.1 million m<sup>3</sup></b>	<b>779 MW</b>

(1) Considers hectares planted, in thousands

(2) Considers 50% of Montes del Plata

(3) Considers 50% of Sonae Arauco

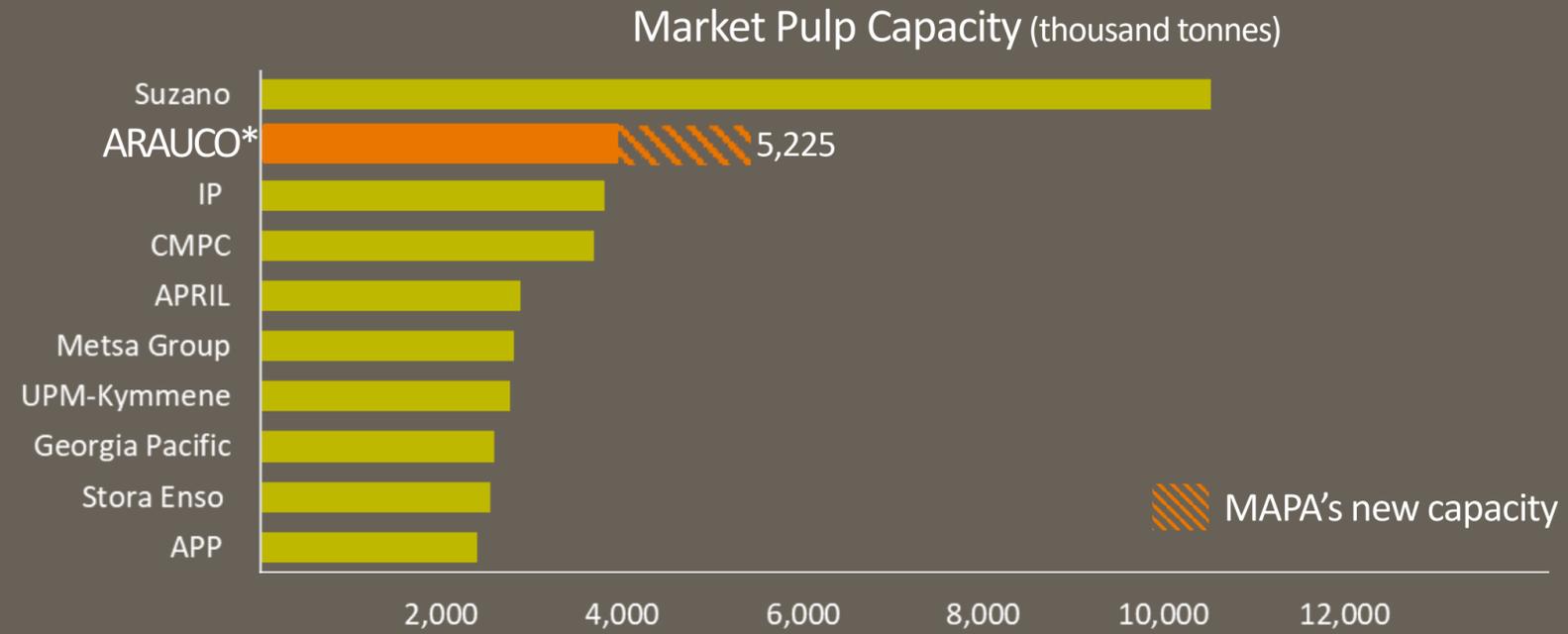
(4) One PB mill in South Africa is currently shut down.

As of September 2019

# WE ARE A MAIN PLAYER IN THE GLOBAL MARKET

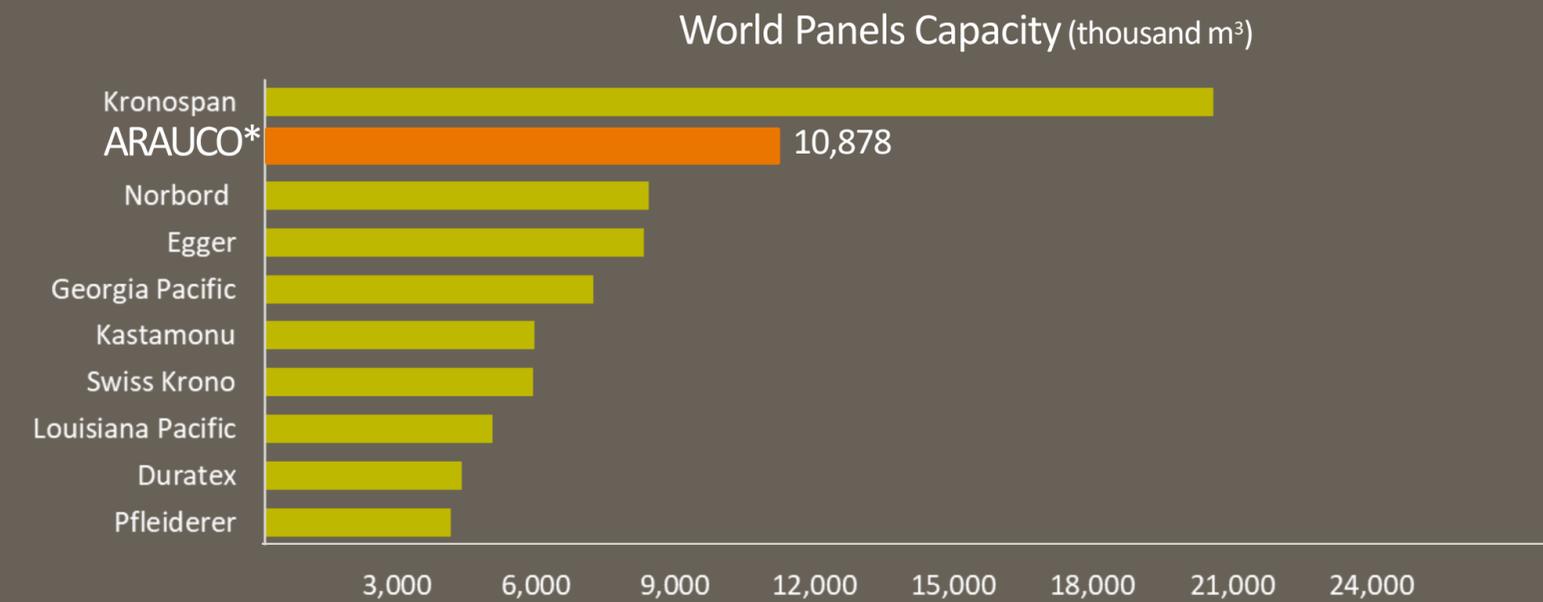
#2

In market pulp capacity in the world



#2

In Panels capacity in the world

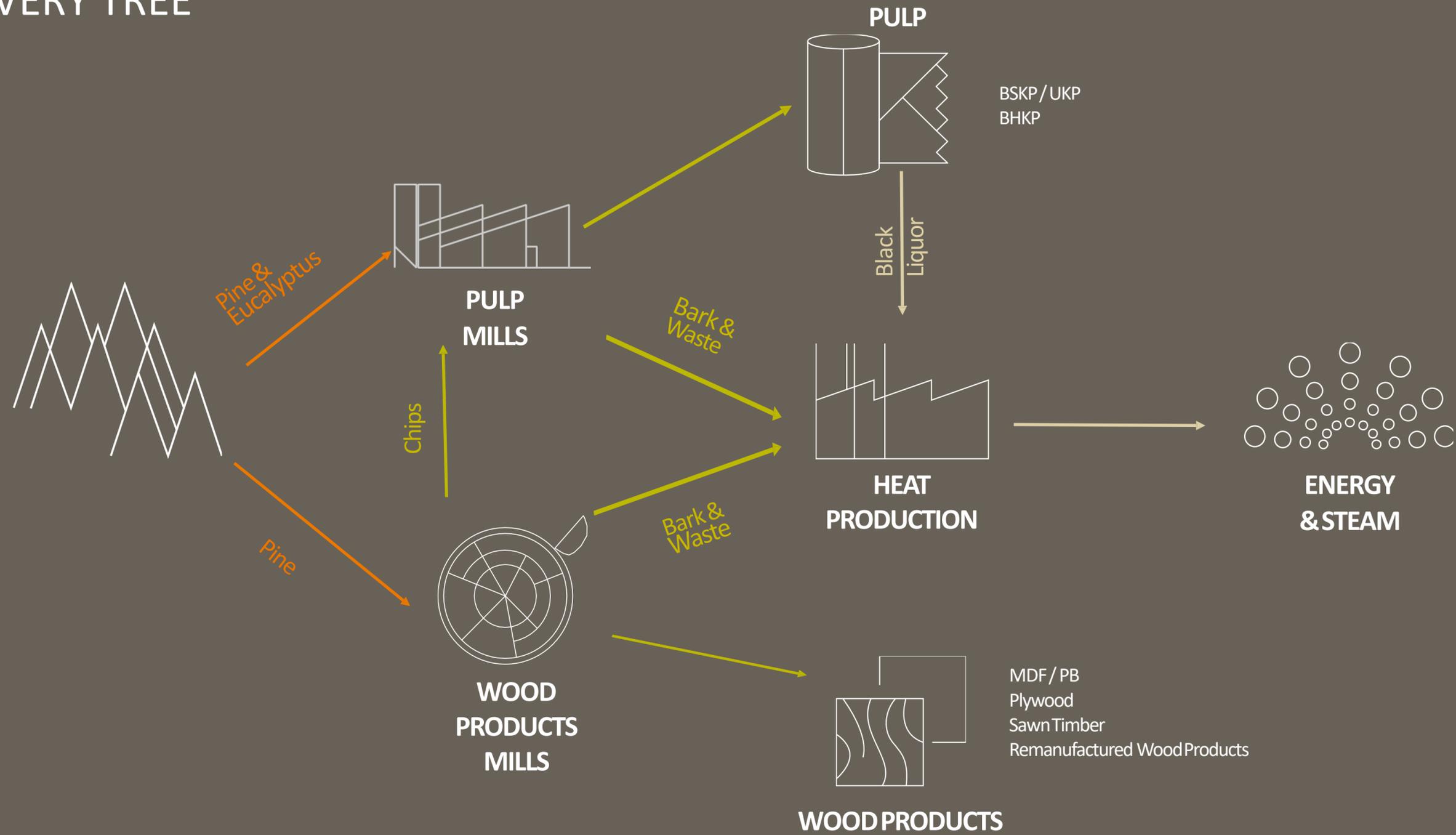


World market pulp and panel competitors capacity as of December 2018.

\*Arauco capacity includes 50% of Montes del Plata, 50% Sonae Arauco, and MAPA Project, as of September 2019

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

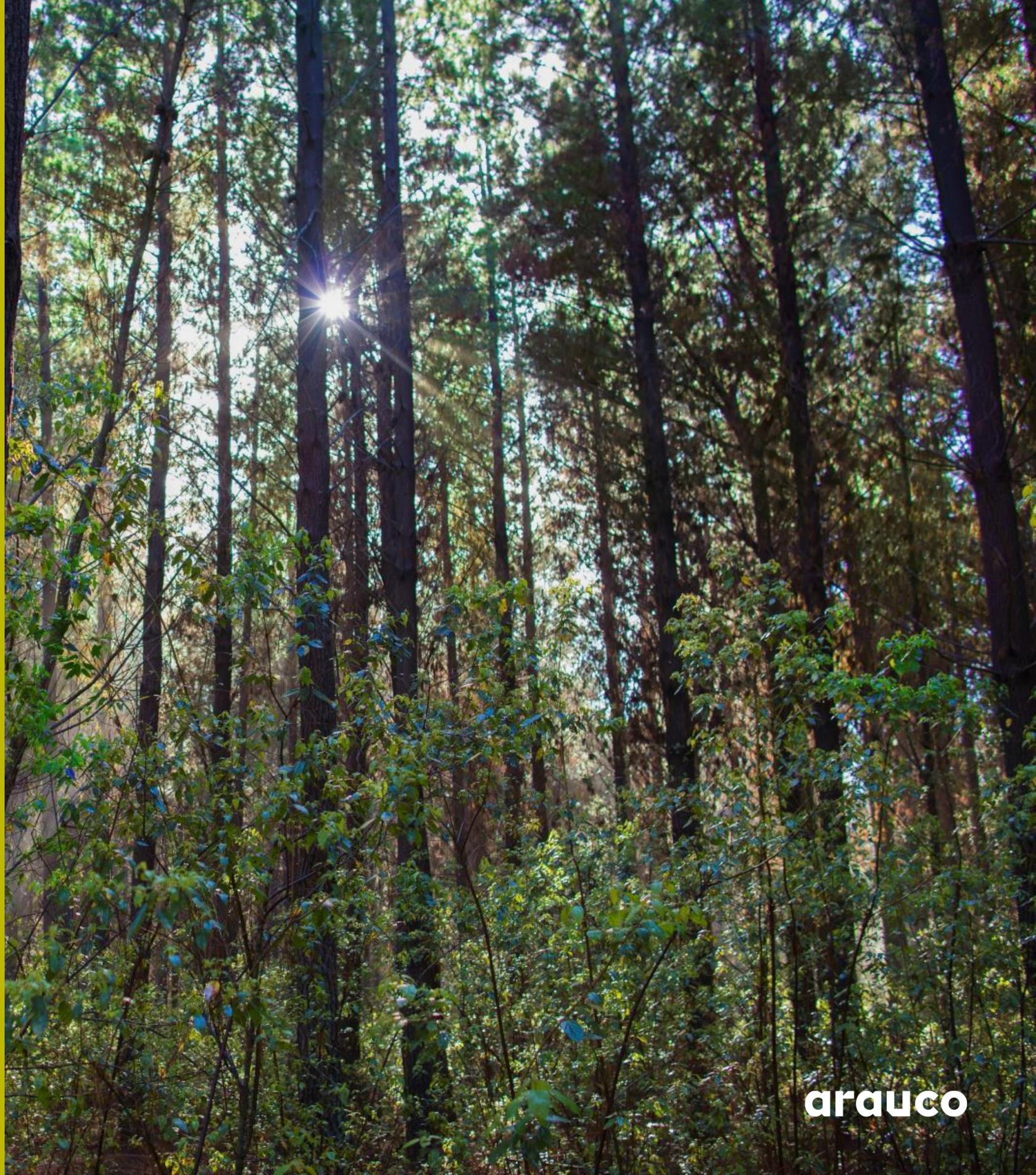
# MAXIMIZING THE VALUE OF EVERY TREE



A man wearing a white hard hat with a logo, safety glasses, and an orange safety vest over a light blue shirt is holding a walkie-talkie. He is standing in a paper mill, with large stacks of paper visible in the foreground and background. Other workers in green hard hats are visible in the distance. The scene is dimly lit, suggesting an indoor industrial setting.

# BUSINESS SEGMENTS

# FORESTRY BUSINESS



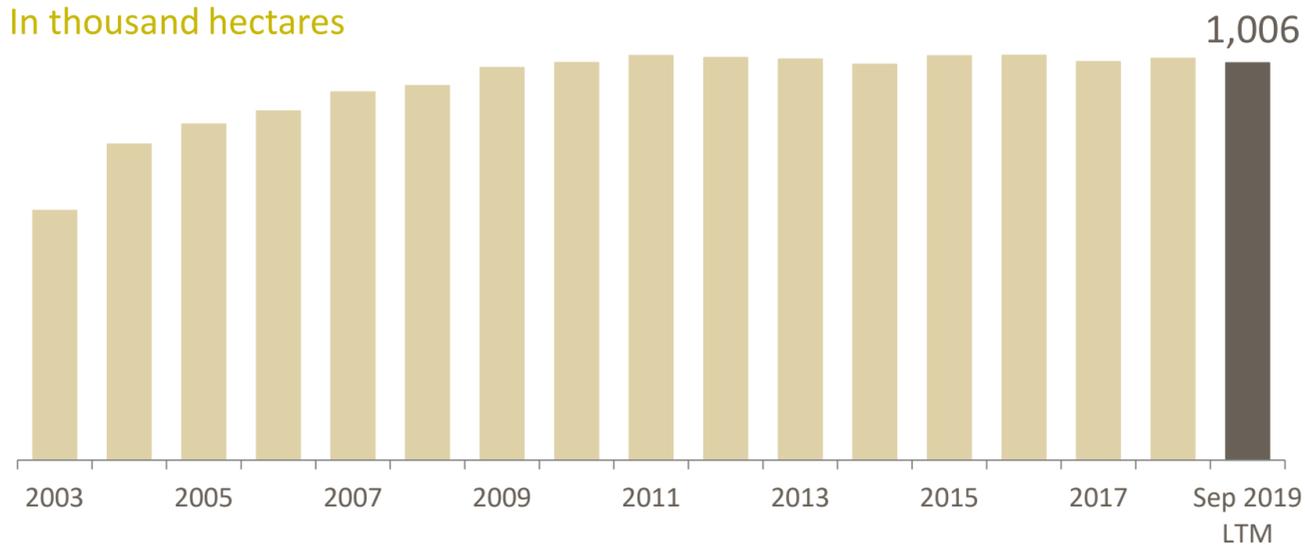
**arauco**

# FORESTRY BUSINESS

## Total Plantations

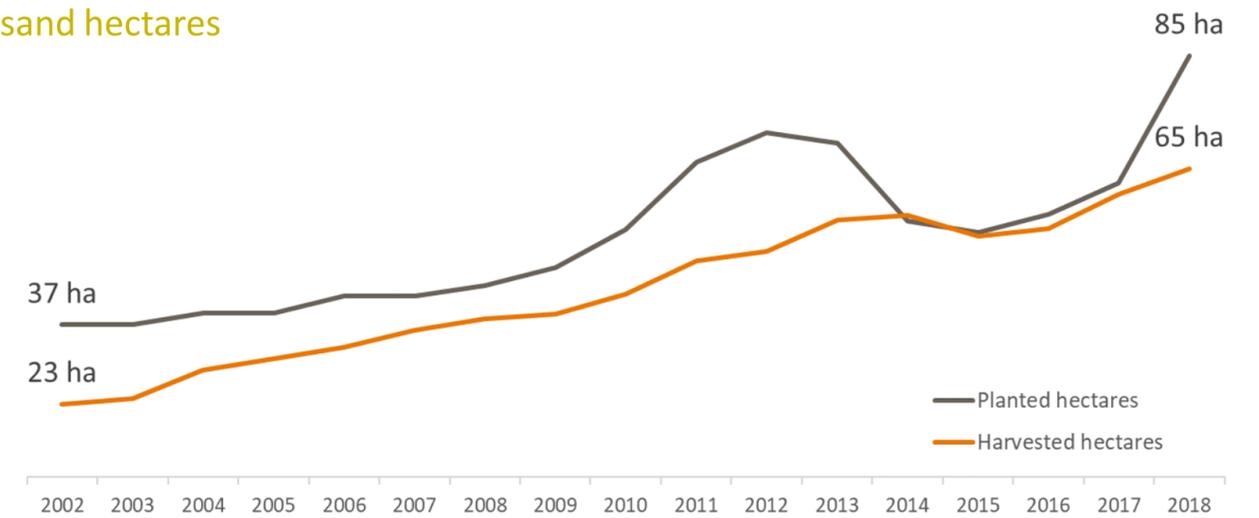
Includes plantations in Chile, Argentina, Brazil and Uruguay

In thousand hectares



## Planting and harvesting

In thousand hectares



**1.7 million (\*)**

hectares owned



**1.0 million**

hectares planted



647 th. of Pine  
335 th. of Euca  
24 th. Others



Pine : 483 th.  
Euca: 179 th.  
Others: 3 th.  

---

665 th.



Pine : 70 th.  
Euca: 62 th.  
Others: 0.2 th.  

---

132 th.



Euca: 75 th.  
Pine: 0.1 th.  
Others: 0.4 th.  

---

76 th.



Pine : 94 th.  
Euca: 19 th.  
Others: 20 th.  

---

133 th.

## 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.com](http://www.arauco.com)

**(\*) includes 436 hectares of native forest plantations.**

# FORESTRY BUSINESS

## 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** Highly trained researchers

work 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
- During October 2019 and after 3 years of work, Bioforest discovered a species of fungus that is affecting more than 80% of the chilean Araucaria. This fungus has already killed 10% of that protected native tree species.

**PULP  
BUSINESS**



# PULP BUSINESS

Pulp Sales  
MUS  
\$2,480

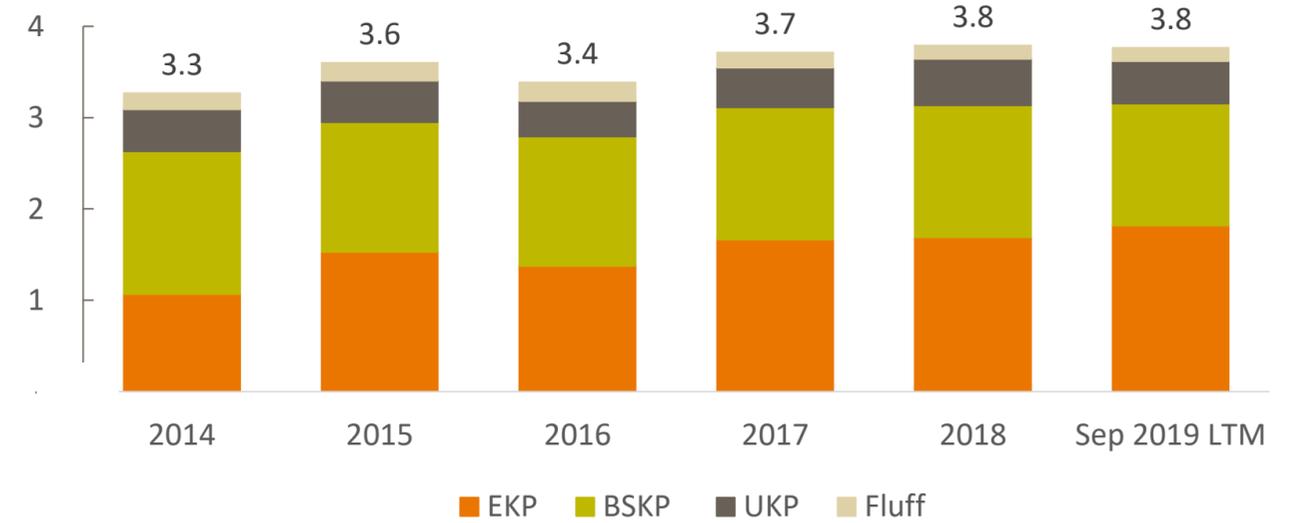
Does not include energy sales  
As of September 2019 LTM



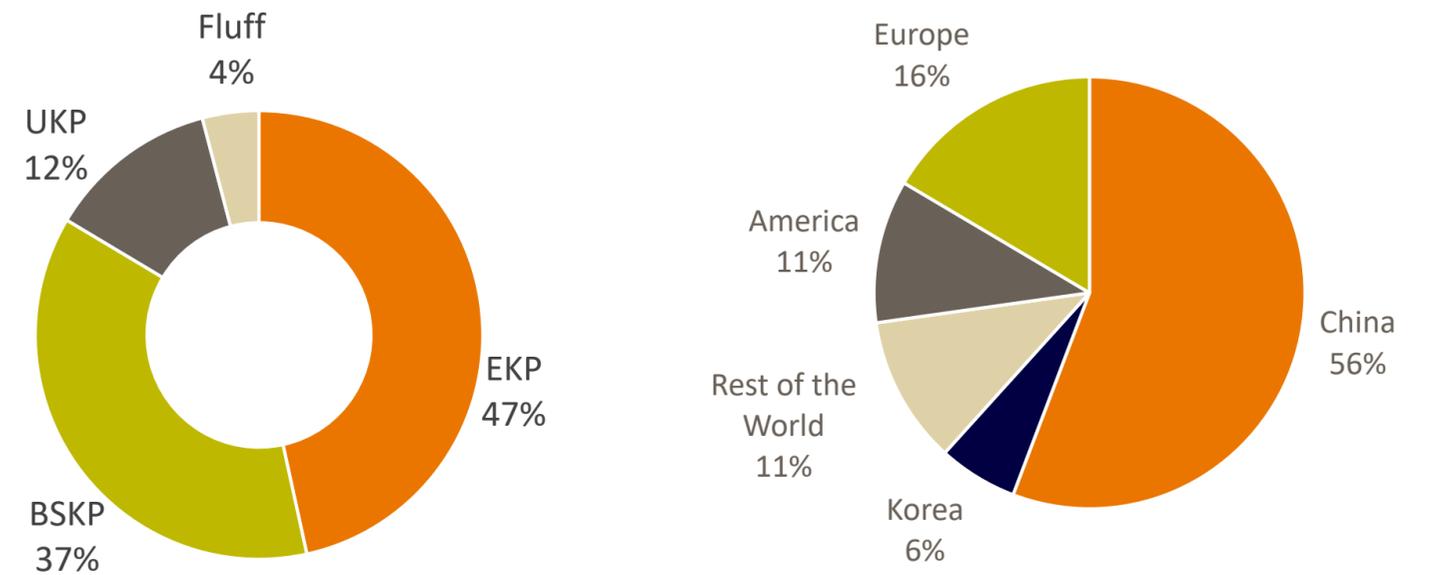
- (1) Eucalyptus Kraft Pulp
- (2) Bleached Softwood Kraft Pulp
- (3) Unbleached Kraft Pulp
- (4) Dissolving Pulp

## Production

million tonnes



Sales volume: 3.7 million tonnes

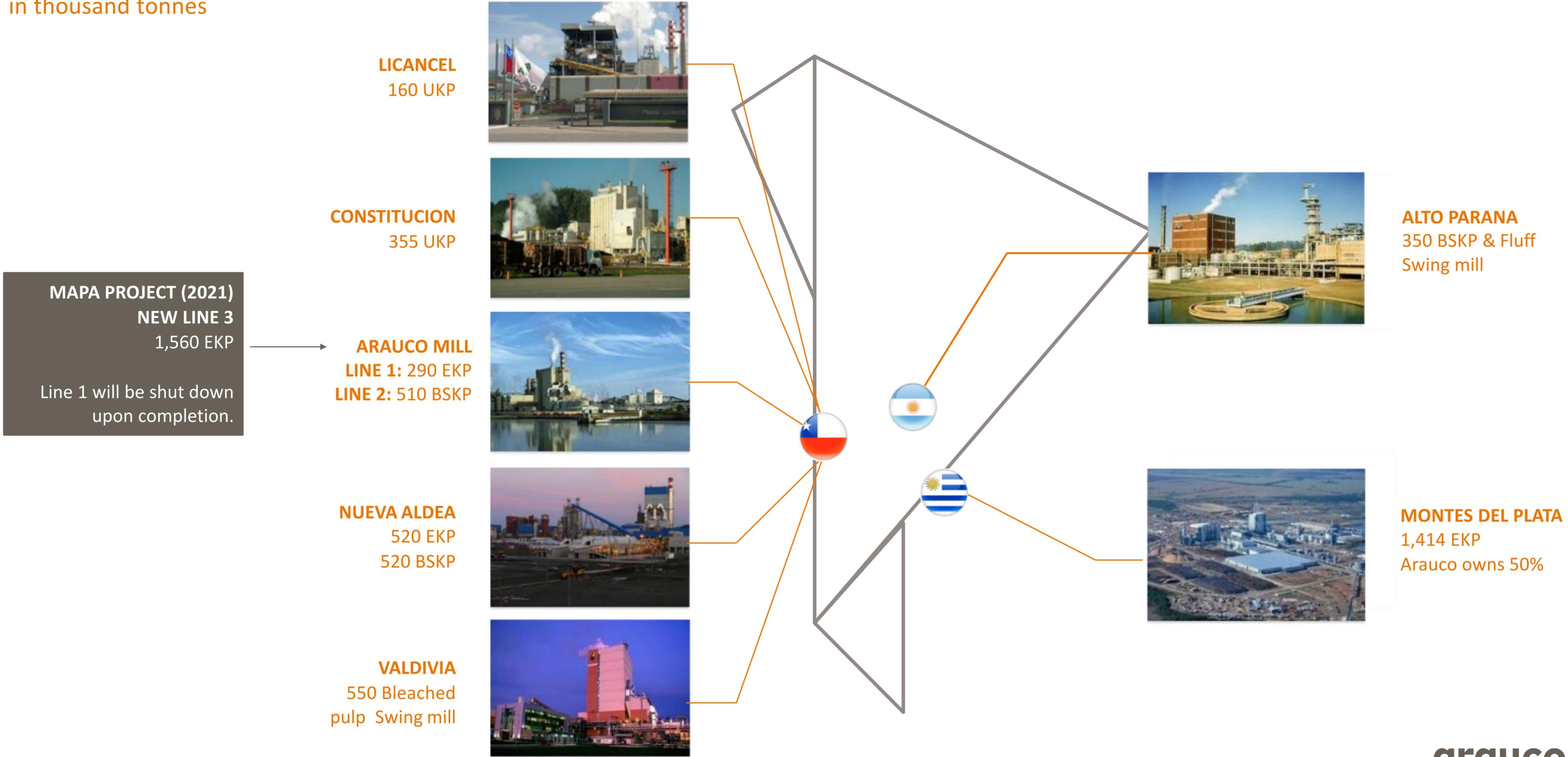


As of September 2019 LTM

# PULP BUSINESS

## OUR MILLS

in thousand tonnes



# PULP BUSINESS COMPETITIVE ADVANTAGES

## 1. Logistic Efficiency



Average distances from  
Forests to Mills

Chile	85
Argentina	80
Uruguay	282

Average distances from  
Mills to Ports

	Km
Licancel	420
Constitucion	316
Nueva Aldea	63
Arauco	35
Valdivia	301
Alto Paraná	1,200
Montes del plata	0
<b>Weighted Avg.</b>	<b>158<sup>(1)</sup></b>
	<b>123<sup>(2)</sup></b>

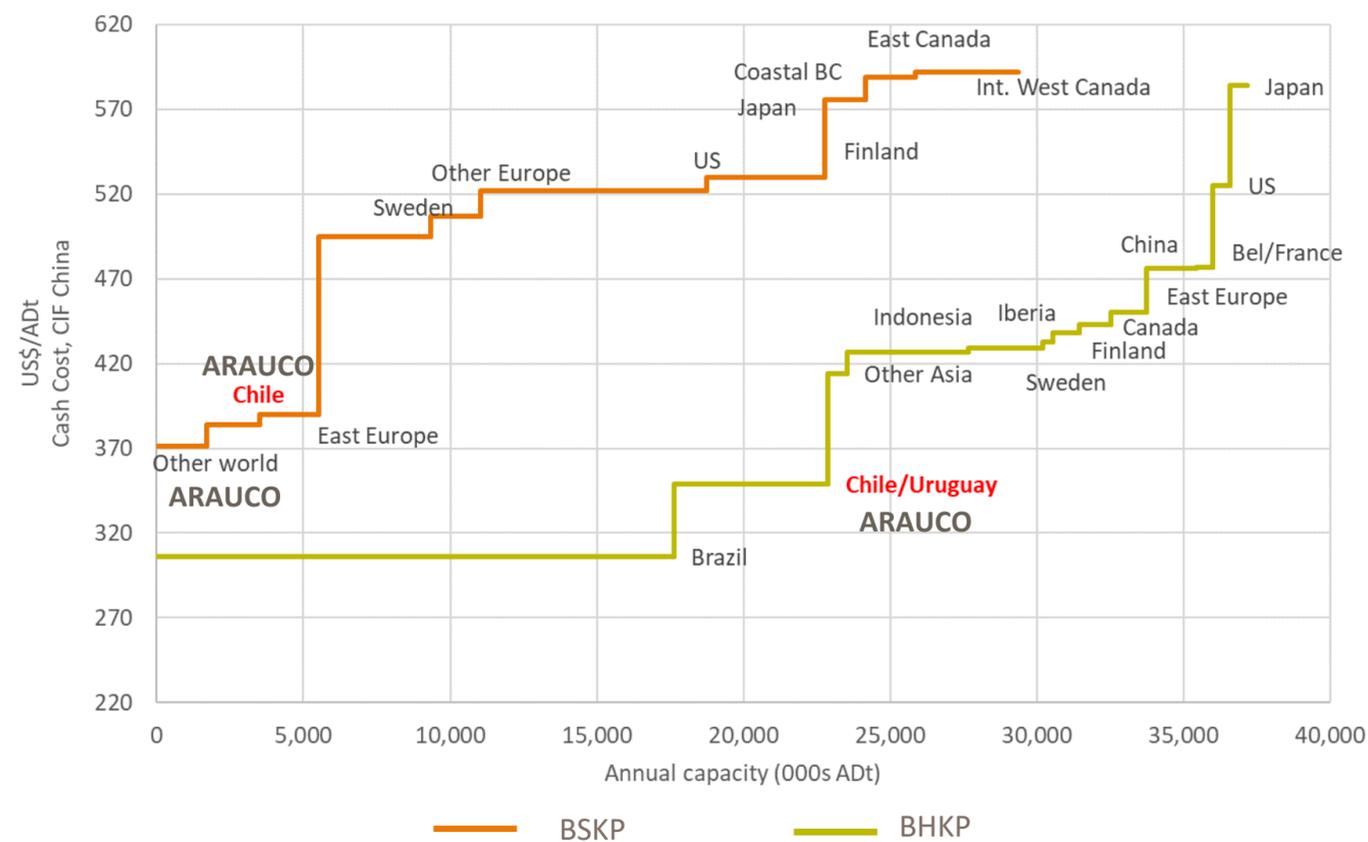
with MAPA

Source: ARAUCO, as of September 2019

(1) Calculated using only export sales volume for 2018

(2) Calculated including export sales volume from ARAUCO's Line 3 expected capacity and assuming Line 1's shutdown

## 2. Cost Advantages



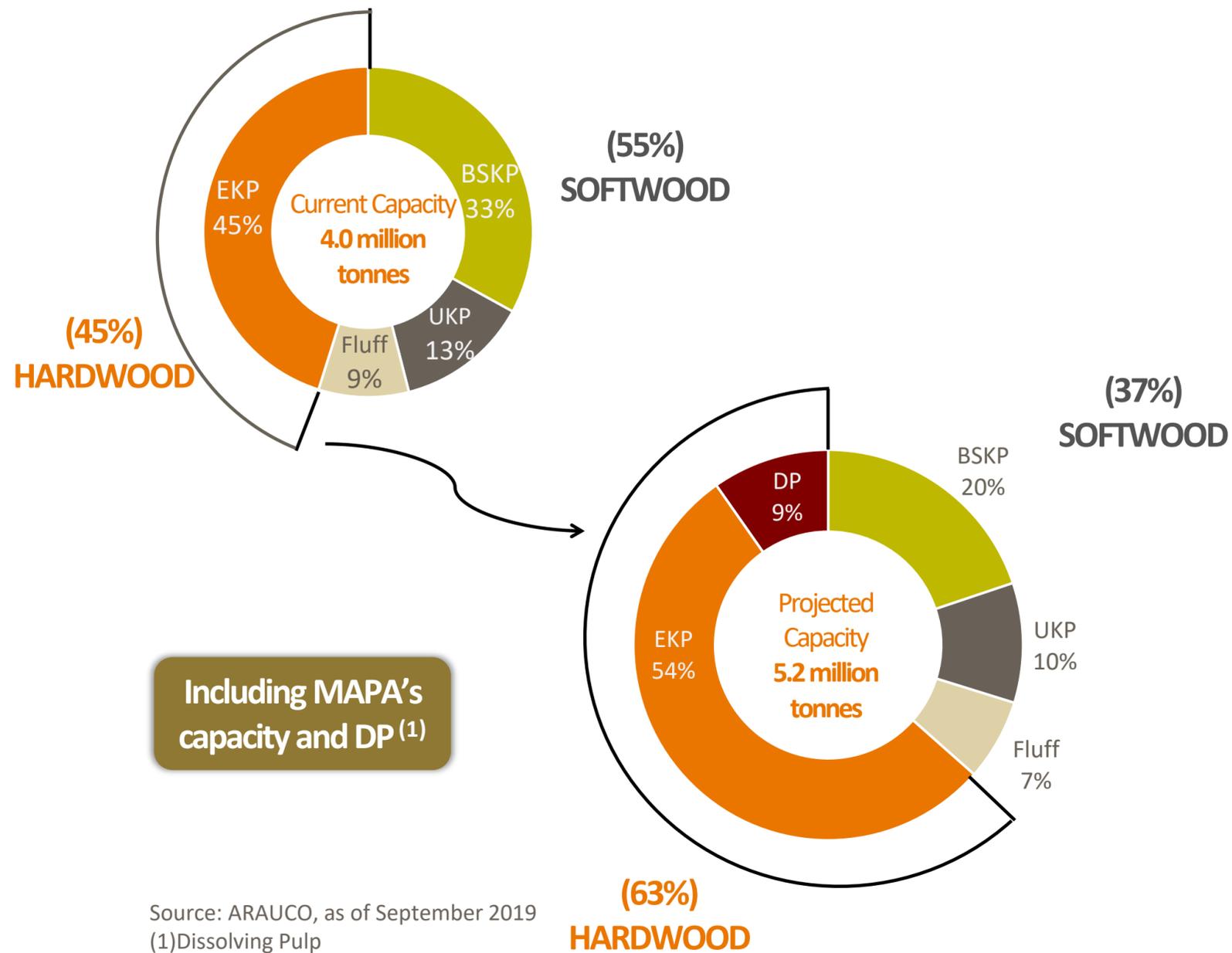
Source: Hawkins Wright, as of August 2019

Other world includes New Zeland, Argentina and Brazil

# PULP BUSINESS

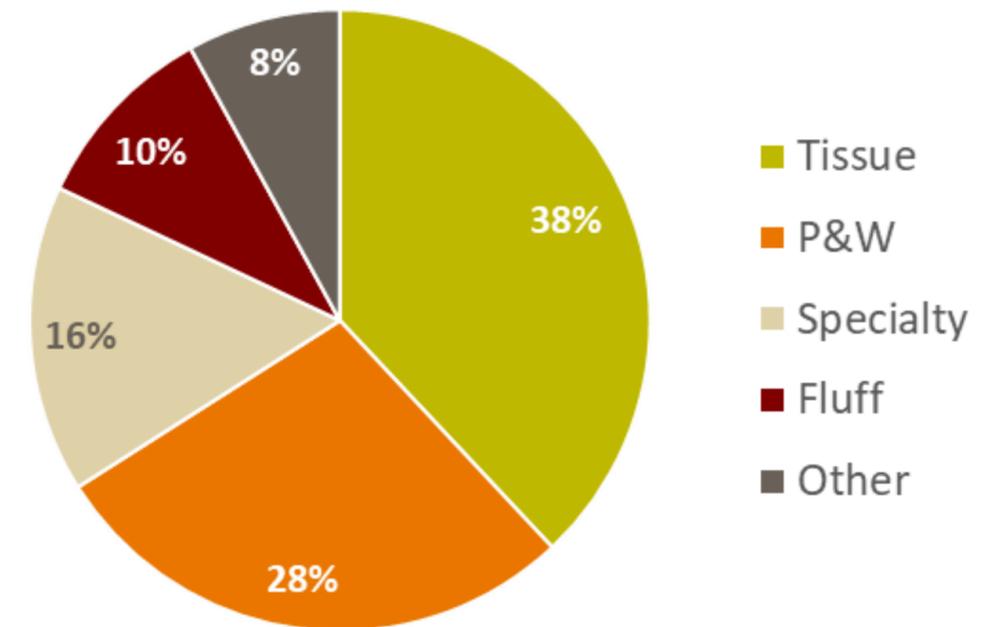
## COMPETITIVE ADVANTAGES

### 3. Product Diversification



Source: ARAUCO, as of September 2019  
 (1) Dissolving Pulp

### BCP world industry demand by End-use, 2018<sup>(2)</sup>



Source: Hawkins Wright, as of August 2019

(2) BCP: Bleached Chemical Pulp, which includes all bleached kraft pulp (and not unbleached) and sulphite pulp

# WOOD PRODUCTS BUSINESS



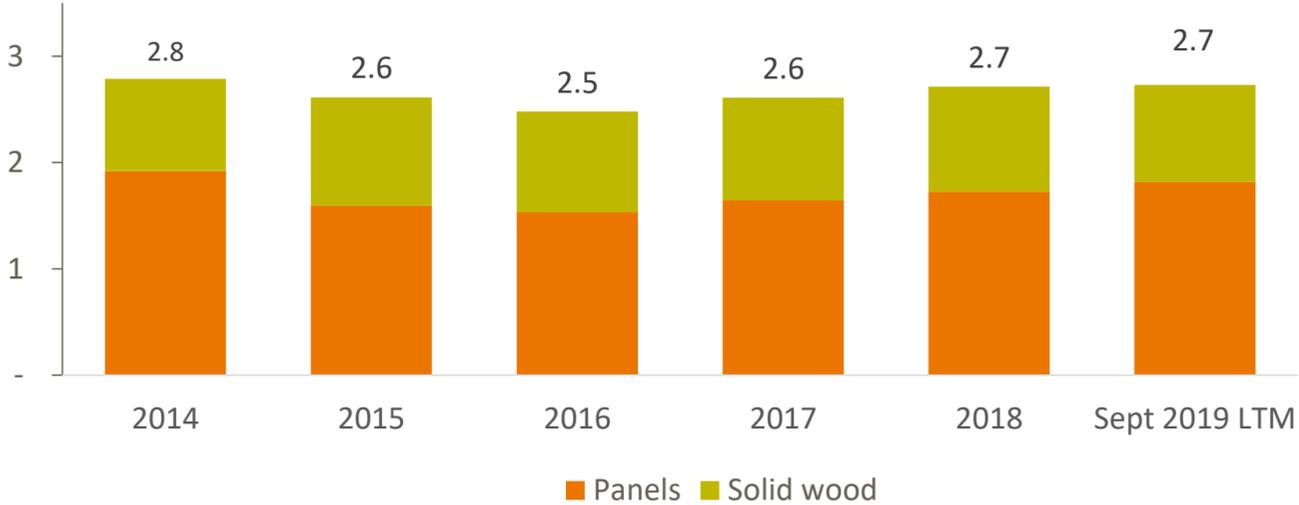
# WOOD PRODUCTS BUSINESS

Revenues  
MUS  
**\$2,736**

Does not include energy sales  
As of September 2019 LTM

## Sales evolution

US\$ million



## Subdivisions

PANELS



SOLID WOOD

**arauco**

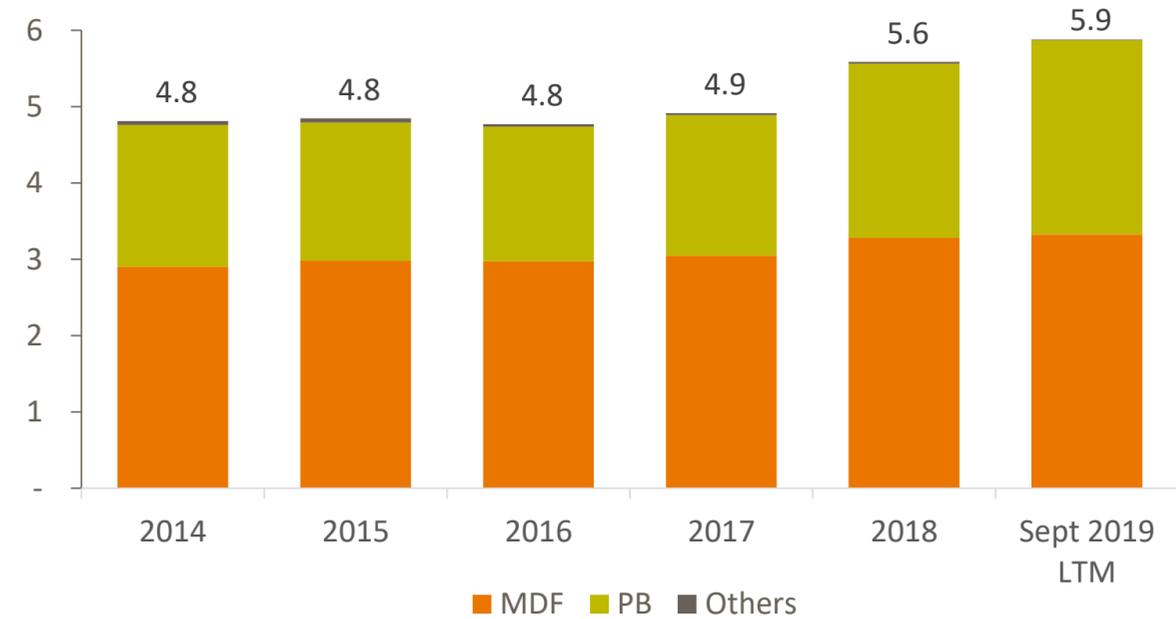
# WOOD PRODUCTS BUSINESS: PANELS

Panels Sales  
MUS  
**\$1,817**

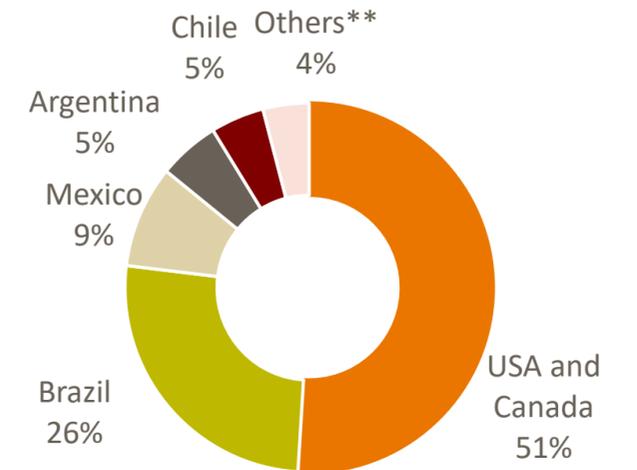
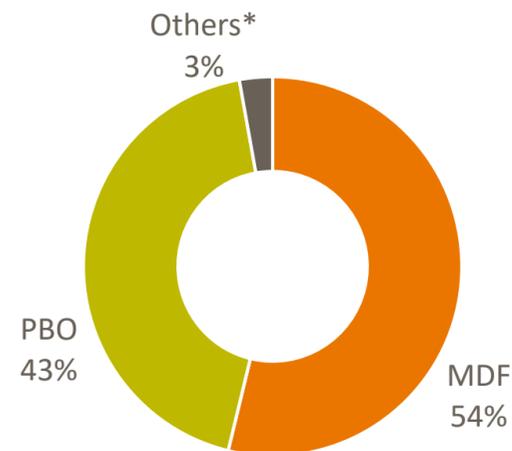
Does not include energy sales  
As of September 2019 LTM

## Production <sup>(1)</sup>

million m<sup>3</sup>



## Sales volume <sup>(1)</sup>: 5.8 million m<sup>3</sup>



As of September 2019 LTM

Does not include Sonae Arauco volumes

\*OSB, HB, Retail and Composite panels

\*\* EMEA, Asia, Oceania and Rest of Latam

**PANELS**  
**OUR MILLS**  
 in thousands



**Legend**  
 MDF: Medium Density Fiberboard  
 PB: Particle Board  
 HB: Hardboard  
 OSB: Oriented Strand Board

As of September 2019  
 \*Arauco owns 50% of Sonae Arauco  
 \*\*One PB mill in South Africa and HB mill in Chile are currently shut down

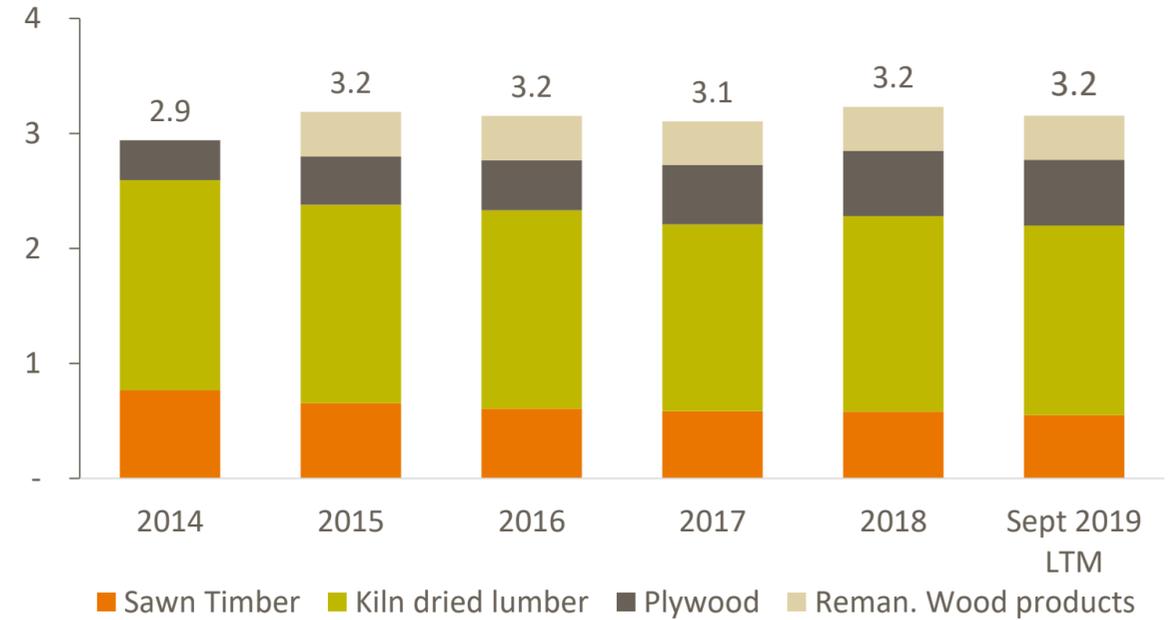
# WOOD PRODUCTS BUSINESS: SOLID WOOD

Solid Wood Sales  
MUS  
\$919

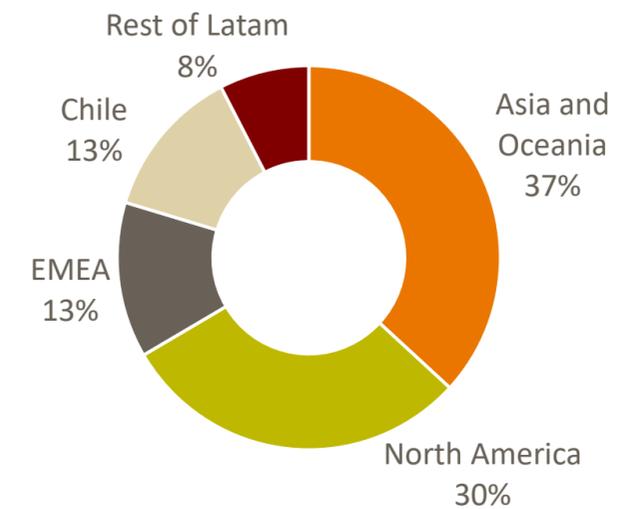
Does not include energy sales  
As of September 2019 LTM

## Production

million m<sup>3</sup>



## Sales volume: 2.8 million m<sup>3</sup>



As of September 2019 LTM  
Does not include Sonae Arauco volumes  
\* Pallets

**arauco**

# SOLID WOOD

## OUR MILLS

in thousands



**Legend**  
ST: Sawn Timber  
Rem: Remanufactured Wood Products

As of September 2019  
\*Arauco owns 50% of Sonae Arauco

# ENERGY BUSINESS



# ENERGY BUSINESS

# Revenues MUS \$73

As of September 2019 LTM

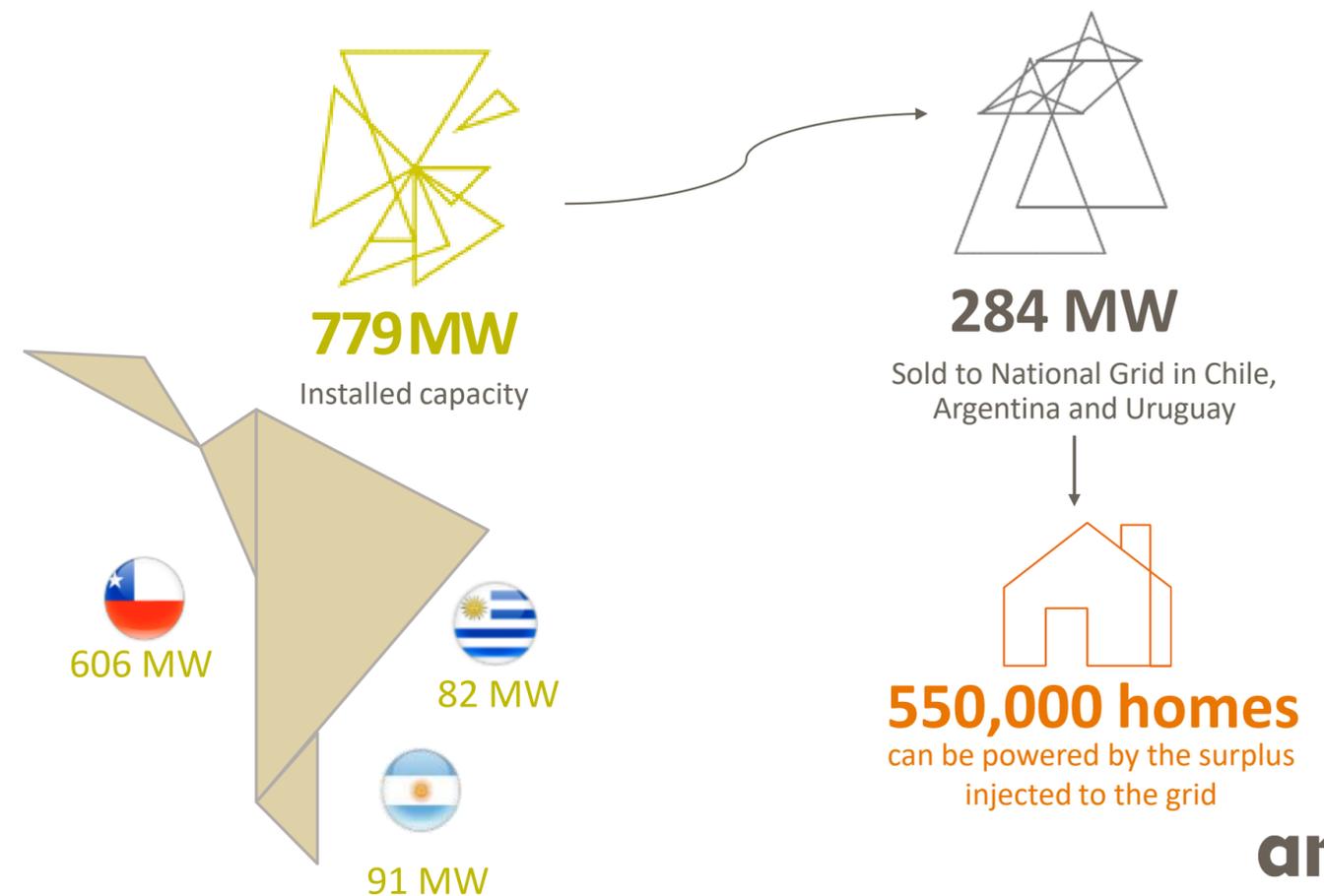
## Highlights

Arauco generates renewable energy from forestry biomass and uses it in the production processes.

In Chile, Argentina and Uruguay, we are self-sufficient in net electricity consumption and we sell the surplus to the local grid.

5 cogeneration plants in Chile and 1 plant in Uruguay are registered under the Kyoto Protocol Clean Development Mechanism (CDM).

ARAUCO expects MAPA will generate an additional surplus of 132MW available for the national grid.



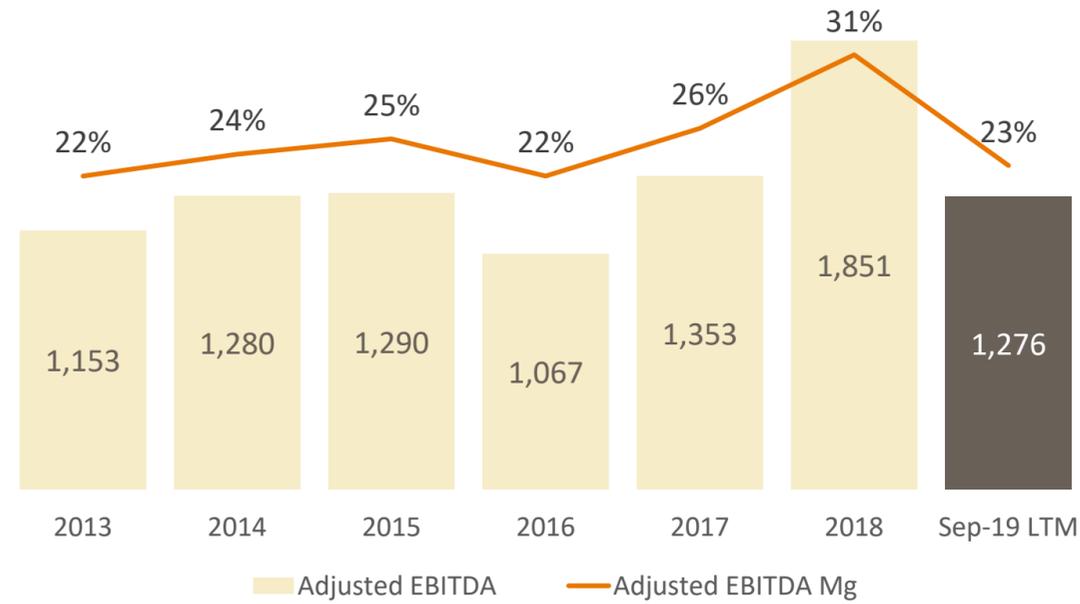


# FINANCIAL HIGHLIGHTS

# MAIN FIGURES

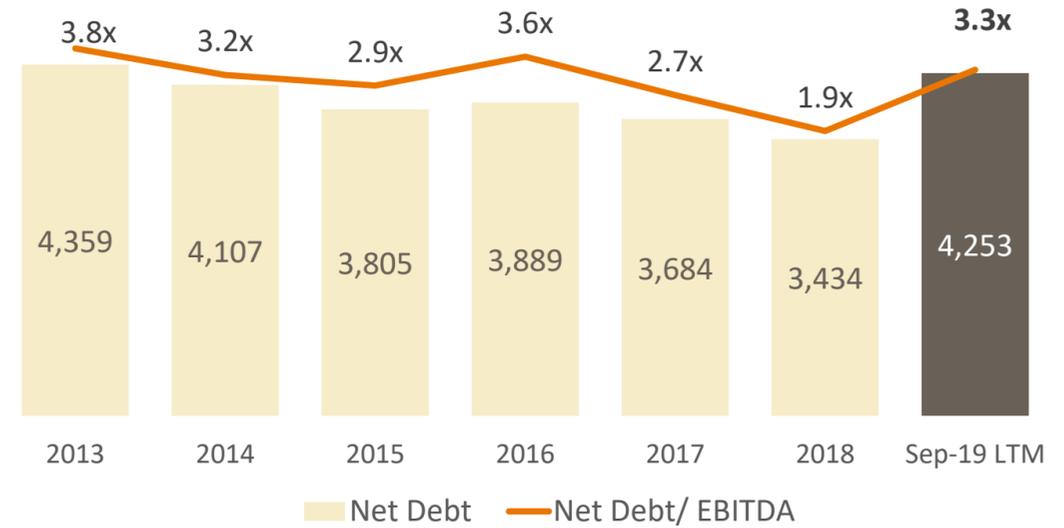
## Adjusted EBITDA

US\$ million



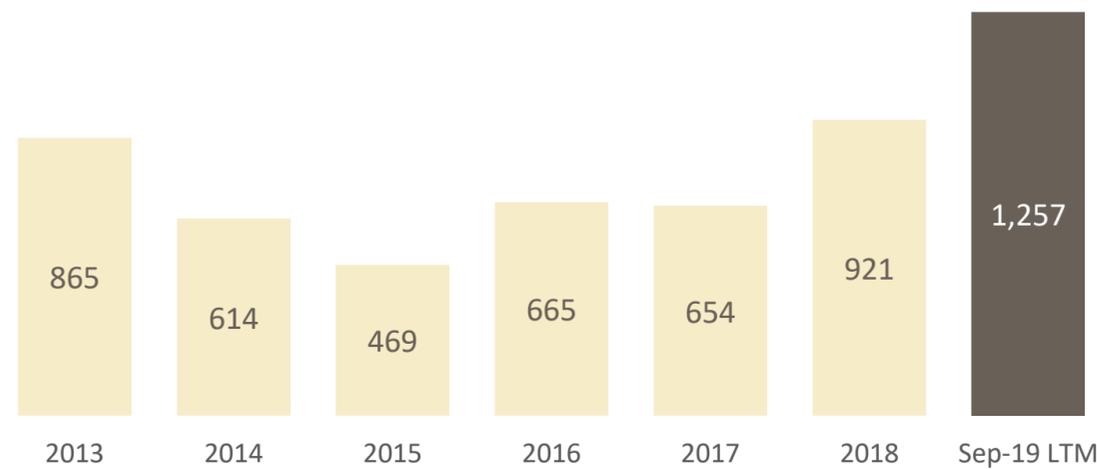
## Net Debt

US\$ million



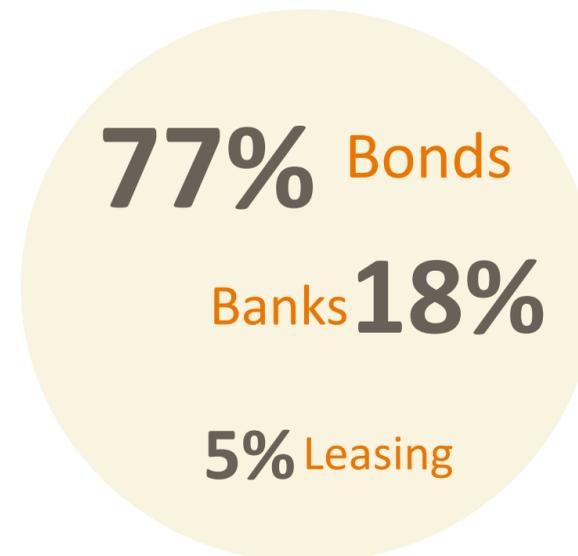
## CAPEX

US\$ million



## Debt Breakdown

by Instrument



by Currency



As of September 2019

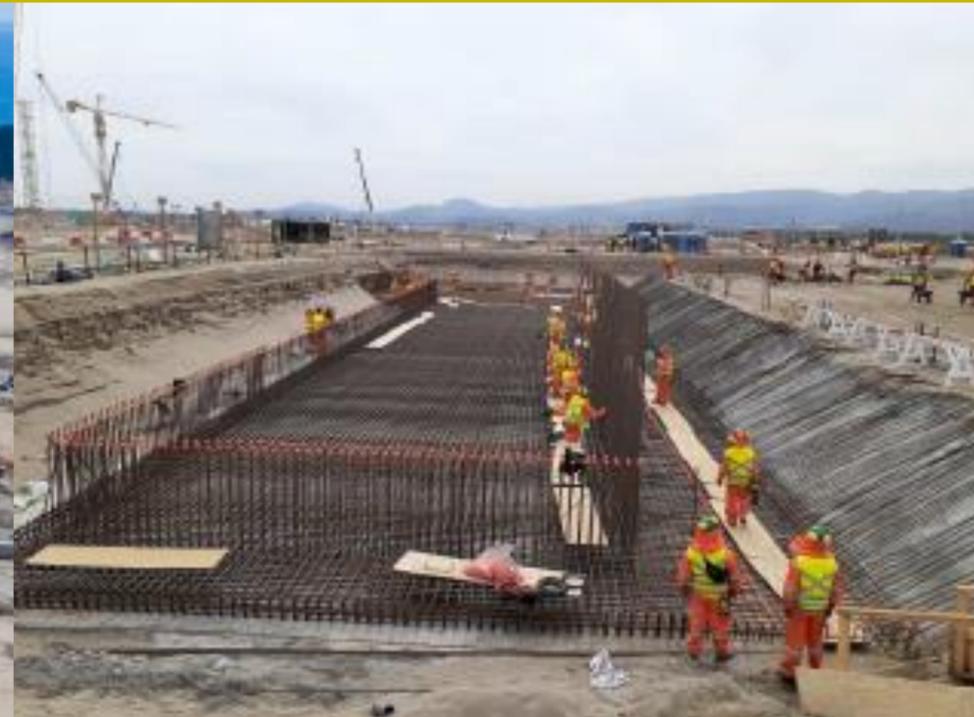
(1) 26% of the total debt corresponds to local currency swapped to US dollar

A low-angle, upward-looking photograph of an industrial facility. The image shows a complex network of pipes, metal beams, and machinery. A large, dark, cylindrical pipe runs diagonally across the frame. In the background, there are more pipes and structural elements, some illuminated by overhead lights. The overall atmosphere is industrial and modern.

# FUTURE INVESTMENTS

# MAPA NEW PULP LINE AT ARAUCO MILL & COGENERATION PLANT

Modernization and Expansion of the Arauco Mill (MAPA) consists in the construction of a **third pulp line of 1.56 million tonnes (short fiber)**, increasing ARAUCO's total pulp capacity to more than 5 million tonnes.



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

Additionally, the Project considers the shut down of Arauco's line 1 of **290 th. tonnes** of short fiber pulp once the new line (line 3) is operating, and the construction of a **132 MW** cogeneration plant.

The Project is expected to generate 8,000 jobs as of August 2020.

It is expected that the new line will start its operations during the second quarter of 2021.

# MAPA PROJECT TIMELINE



July 2018

The Board of Directors approved the MAPA Project.

February 2019

Earth-moving works start.

May 2019

Contracts awarded for construction companies, totaling approximately US\$680 million.

November 2019: **27% advance**

Civil and electromechanical works in progress and awarding of construction contracts

April 2011

Arauco's first environmental studies for MAPA Project.

October 2018

Arauco signed main equipment contracts with Andritz and Valmet

April 2019

On April 1st, 2019, Arauco signed an ECA\* credit agreement for a total of Eur 555 million. This financing is mainly associated with the suppliers contracts signed on October 2018.

2021

The new Line 3 is expected to start operating on 2021, while Line 1 is shutdown.



(\* ) Export Credit Agency

# DISSOLVING PULP PROJECT

- Dissolving Pulp Project is a brownfield project, located in the Valdivia mill and approved by ARAUCO's Board of Directors on September 2017. This US\$195 million investment consists in the mill's adaptation to produce dissolving pulp, with the option to switch back to paper pulp production.
- This project allows Arauco to continue diversifying its product portfolio and reaching new costumers.



Dissolving pulp is used to produce viscose, an alternative material for cotton. It is used to soften, shine, and purify fibers.

As of October 2019, the construction phase is going as planned with 98% of the construction completed.

The ramp-up is scheduled by the beginning of 2020.

The background of the slide features a stack of papers on the left side, fanned out from the bottom left towards the top right. The papers have a textured, slightly embossed appearance. The right side of the background is a soft-focus image of a bright, cloudy sky with a warm, golden-yellow light breaking through the clouds. The overall color palette is muted, with greys, whites, and soft yellows.

# RECENT EVENTS AND NEWS

# SUSTAINABLE BOND ISSUANCE

- On October 24, ARAUCO completed an offering in the US market of US\$500 million 4.2% notes due 2030, and US\$500 million 5.15% notes due 2050
- Additionally, we did a tender offer for the notes due 2021 and 2022 with tendered amounts of approximately US\$43 and US\$130 million respectively
- We achieved the lowest coupon rate in ARAUCO’s history for a 30-year bond
- ARAUCO is the first forestry company in Latin America to ever issue sustainable bonds, which encompasses green and social projects



Click on the image to go to our website and visit ARAUCO’s Sustainability Bond Framework

## Sustainable Bond Eligible Categories

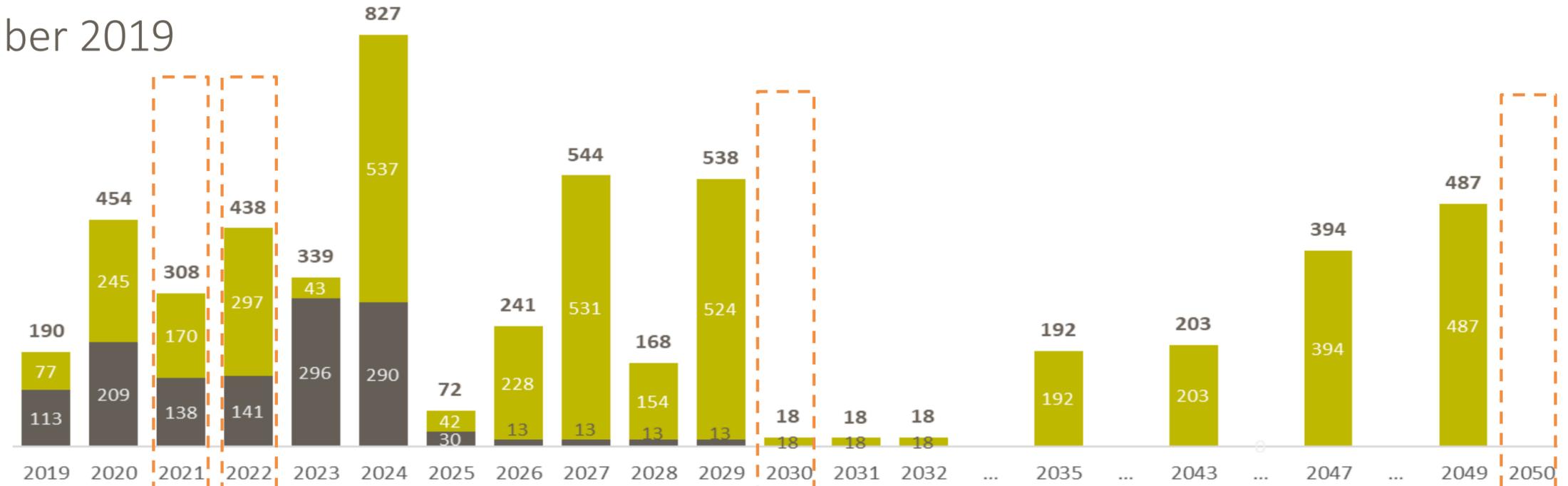
Green	Social
Sustainable Land Use and Forest Management	Affordable Housing
Sustainable Water Management	Access to Essential Services
Pollution Prevention and Control	Socioeconomic Advancement and Empowerment - Local Entrepreneurship
Preservation of Natural Resources and Biodiversity	
Renewable Energy	

# SUSTAINABLE BOND ISSUANCE

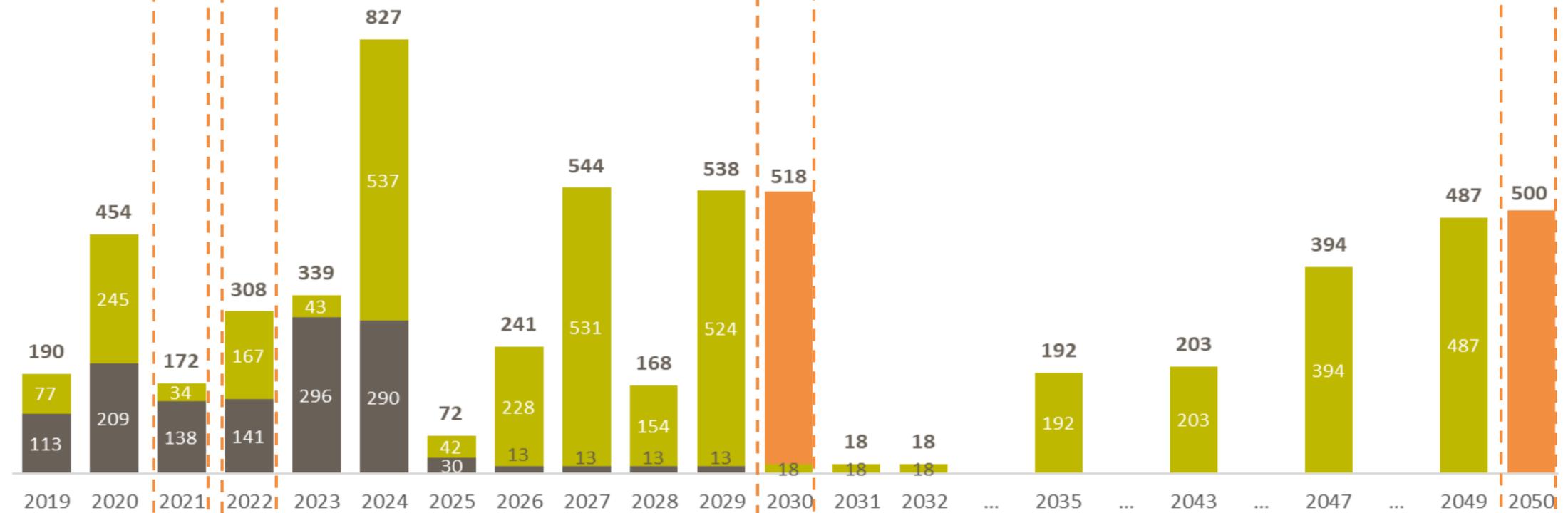
## Debt Profile as of September 2019

in millions US\$

Before New Issuance



After New Issuance



- Bonds
- Bank Loans
- New Issuance

-US\$92M  
Dec. 2019  
US\$92M

-US\$43M  
Oct. 2019  
US\$173M

-US\$130M

+US\$500M

+US\$500M

**Total New Issuance: US\$1B**

# SUSTAINABILITY



# SUSTAINABILITY STRATEGY

**Combining science, innovation and technology** with the goal of unlocking the full potential of our plantations.



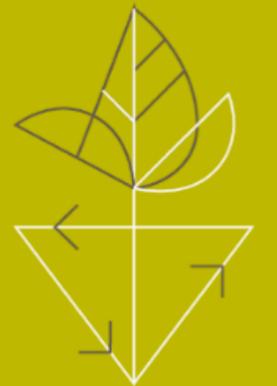
**Developing high standard, quality-oriented products** that always aim to be the superior choice for our customers.



Responsibly managing our operations using **best-in-class environmental practices** and promoting the safety of ARAUCO's workers.



Being a **virtuous actor** in the areas where we maintain operations to become an active agent for their social and economic development.



**Towards a Bioeconomy**

With products that come from responsible management of natural and renewable resources

# SUSTAINABILITY STRATEGY

## Global Change

Our commitment to sustainable development is a response to the challenges posed by climate change and population growth.

### COMMITMENT

Capture more greenhouse gas emissions than it emits globally



### RENEWABLE RESOURCE

Solutions to fulfill the world's demand, while keeping our planet in balance

ARAUCO also announced its intention to align with the "Science Based Targets"

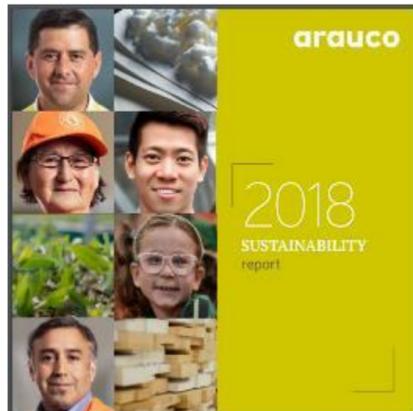
# CARBON NEUTRAL 2020

ARAUCO anticipates it will be the first company in our industry to certify achieving this important goal

# SUSTAINABILITY STRATEGY

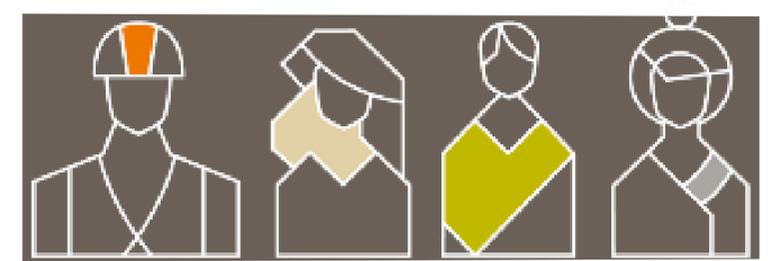


Engagement with  
**220**  
communes



**50**  
programs  
on board

Around  
**US\$14**  
million  
annually invested



more than  
**70,000**  
direct beneficiaries

In alignment with the UN  
**Sustainable**  
Development Goals



**FOR FURTHER INFORMATION,  
PLEASE CONTACT:**

Marcelo Bennett, Treasurer  
[marcelo.bennett@arauco.com](mailto:marcelo.bennett@arauco.com)  
Phone: (562) 2461 7309

María José Ulloa, Investor Relations  
[maria.ulloa@arauco.com](mailto:maria.ulloa@arauco.com)  
Phone: (562) 2461 7494

[investor\\_relations@arauco.com](mailto:investor_relations@arauco.com)

Visit [www.arauco.com](http://www.arauco.com) for more information

**arauco**