

arauco

ARAUCO
Corporate Presentation
4Q 2018

renewables for a better life



Arauco Overview

Business Segments

Financial Highlights

Recent Events and Initiatives

Sustainability

arauco

HISTORY OF ARAUCO: A CONTINUED EXPANSION

Back in 1996

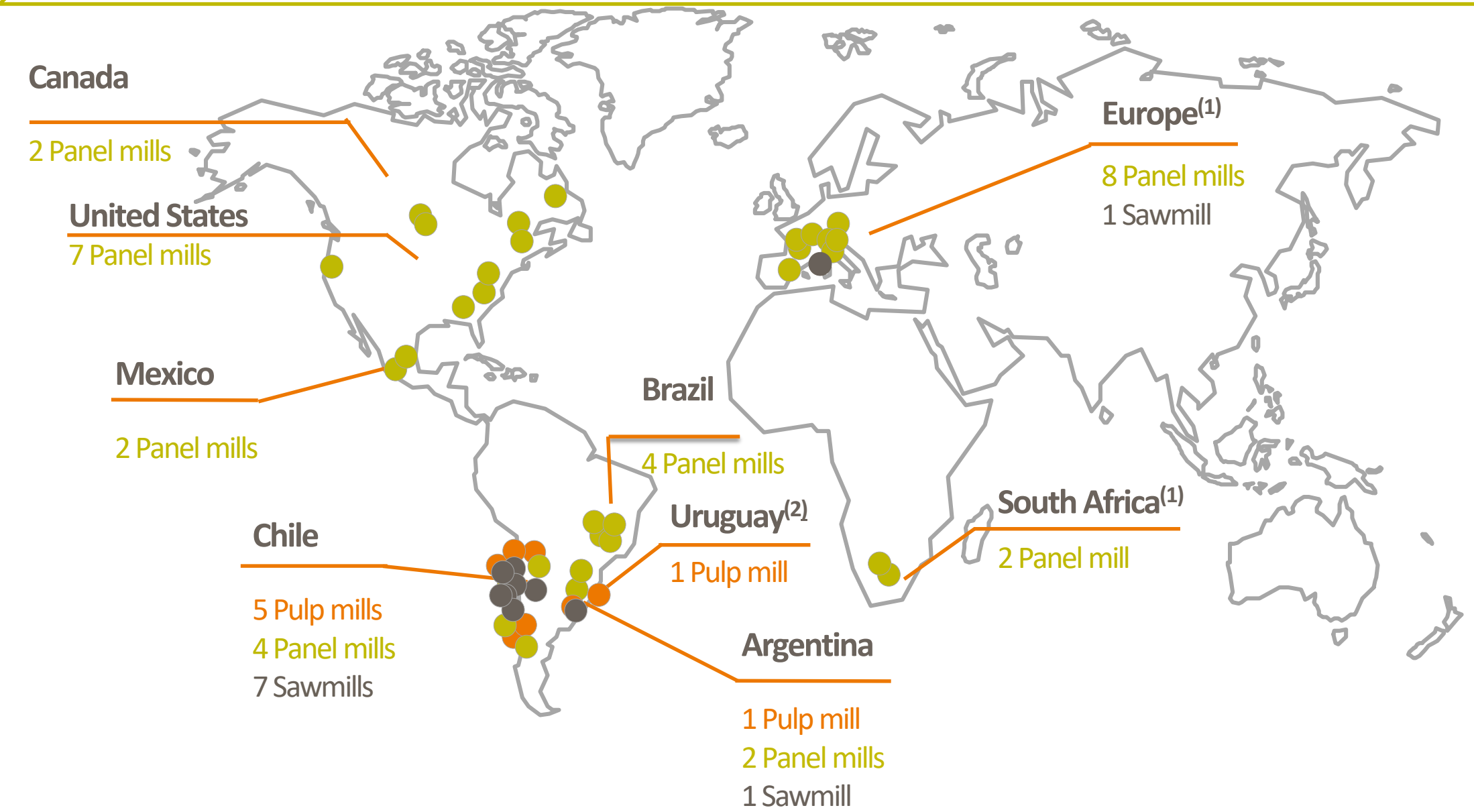
Alto Parana in Argentina, one of the first strategic steps to expand our business



Revenues	US\$641 million
Pulp Capacity	1.1 million t
Panel Capacity	0 m ³
Sawn Timber Capacity	1.9 million m ³
Number of Mills	11

... Now

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



Revenues	US\$5.9 billion
Pulp Capacity	4.0 million t
Panel Capacity ⁽³⁾	10.9 million m ³
Sawn Timber Capacity	2.9 million m ³
Number of Mills ⁽³⁾	47

As of December 2018

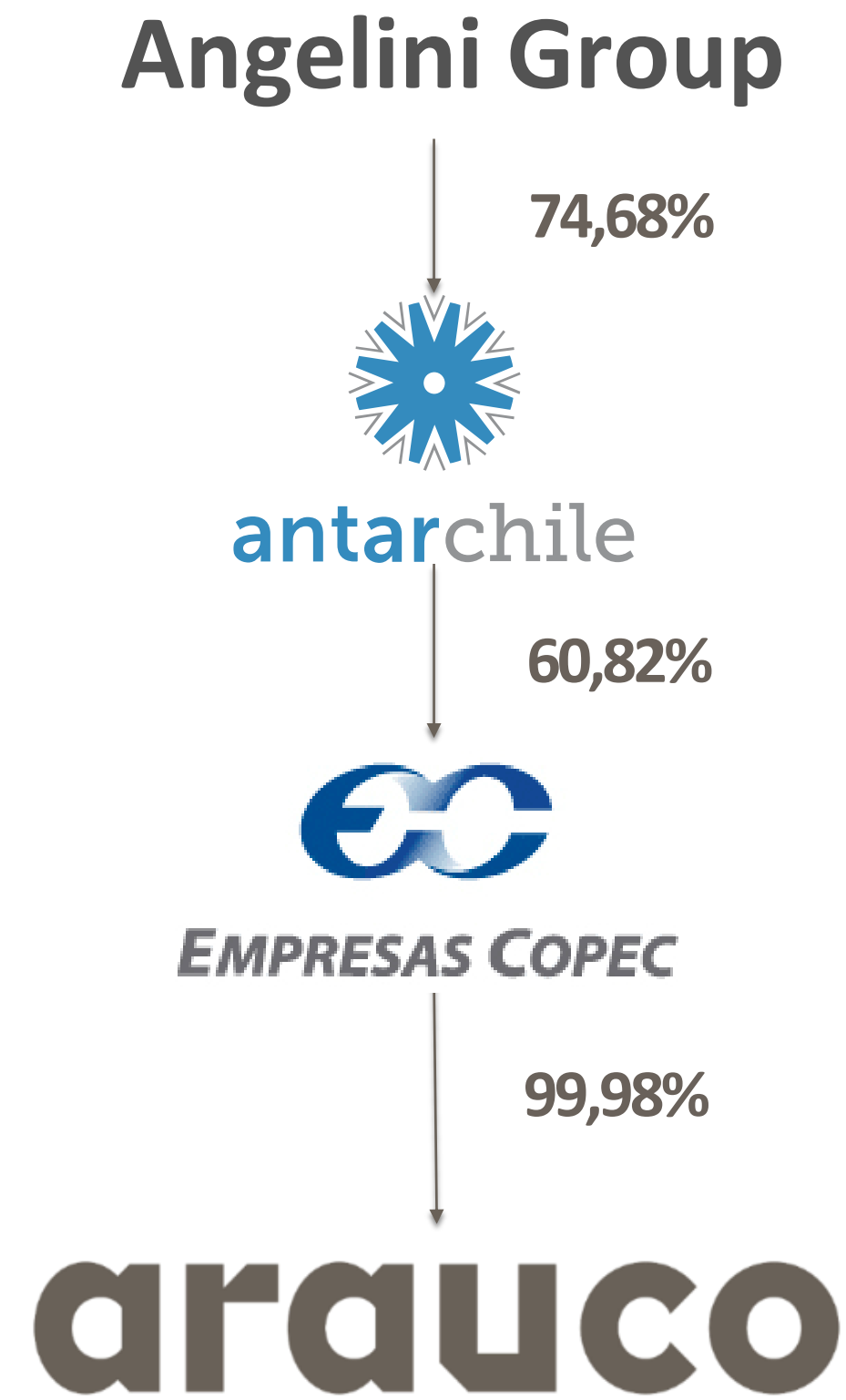
(1) Arauco owns 50% of European and South African mills through Sonae Arauco. One South African PB mill is currently shutdown.

(2) Arauco owns 50% of Montes del Plata mill in Uruguay.

(3) Includes mills acquired in Mexico and the Grayling project.

ARAUCO AT A GLANCE

Shareholder Structure ⁽¹⁾



National rating ⁽²⁾

FitchRatings **Feller** Strategic Insights

AA- (Stable) **AA** (Stable)

International rating ⁽²⁾

FitchRatings **STANDARD & POOR'S**

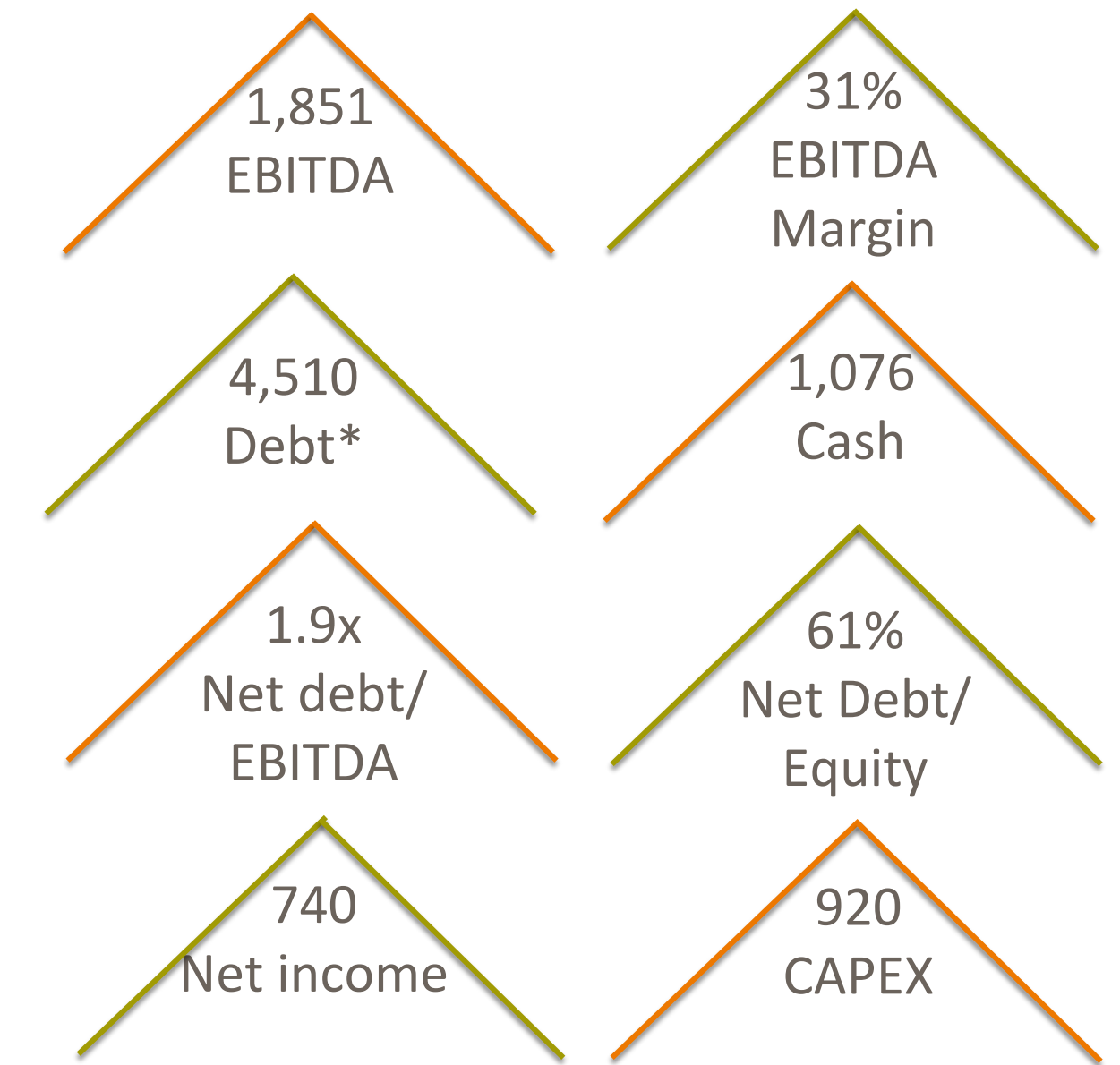
BBB (Stable) **BBB-** (Stable)

MOODY'S

Baa3 (Stable)

Financial highlights Dec. 2018

US\$ million



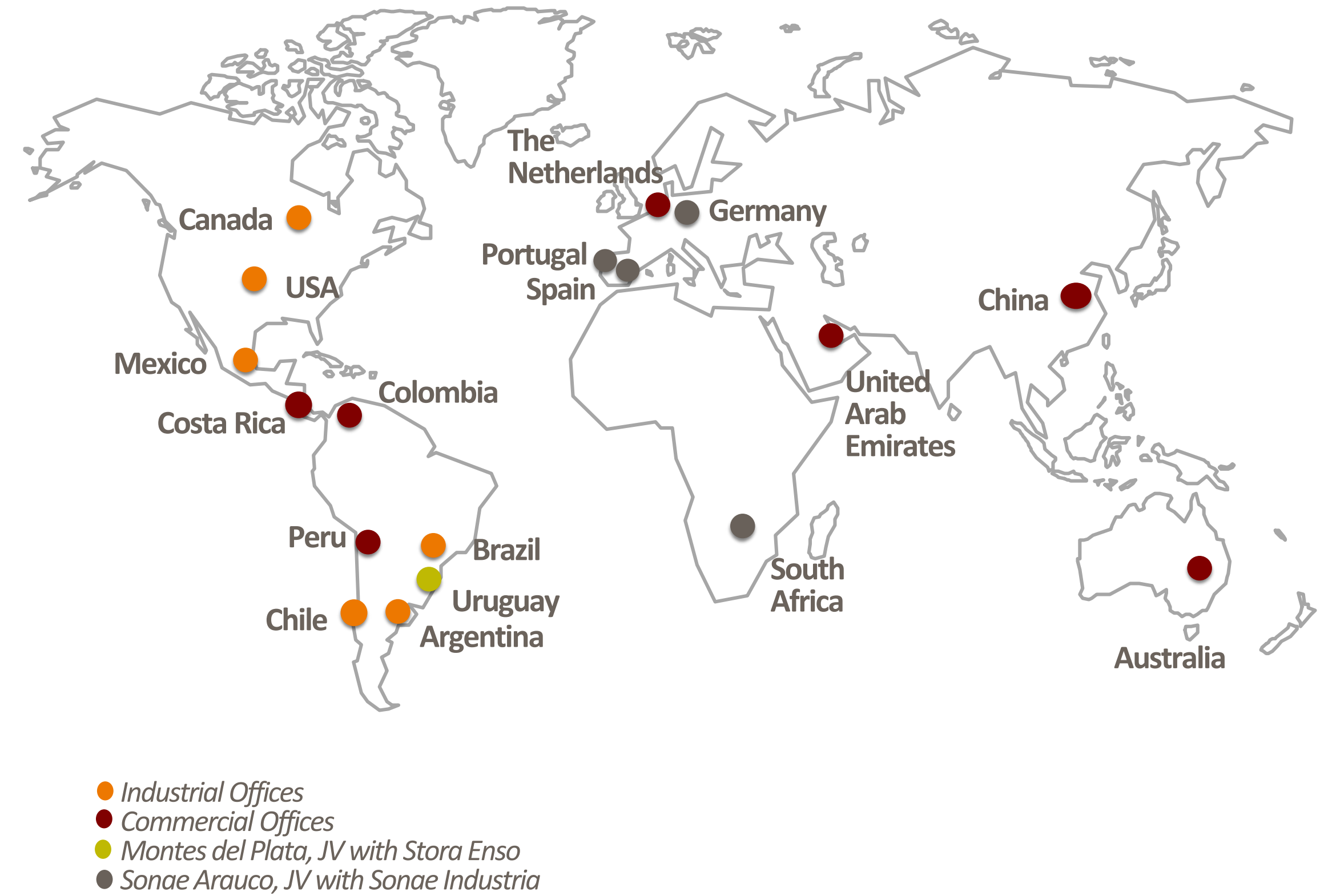
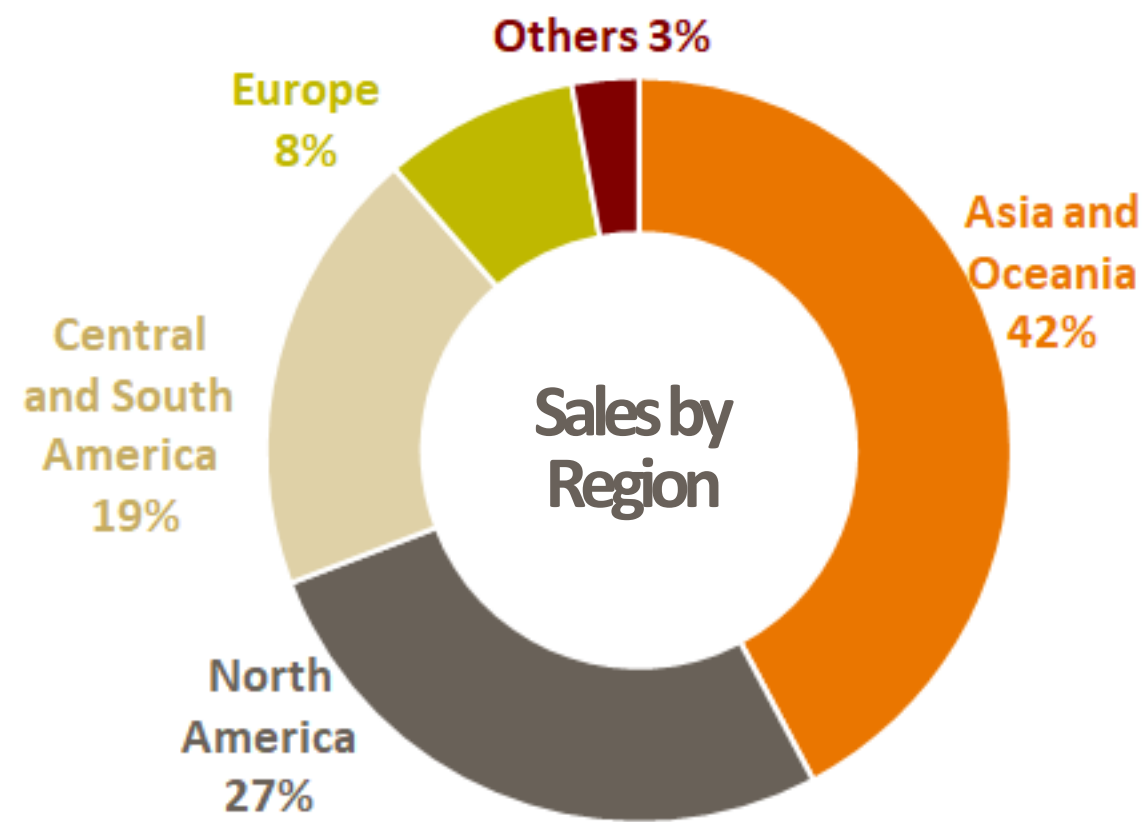
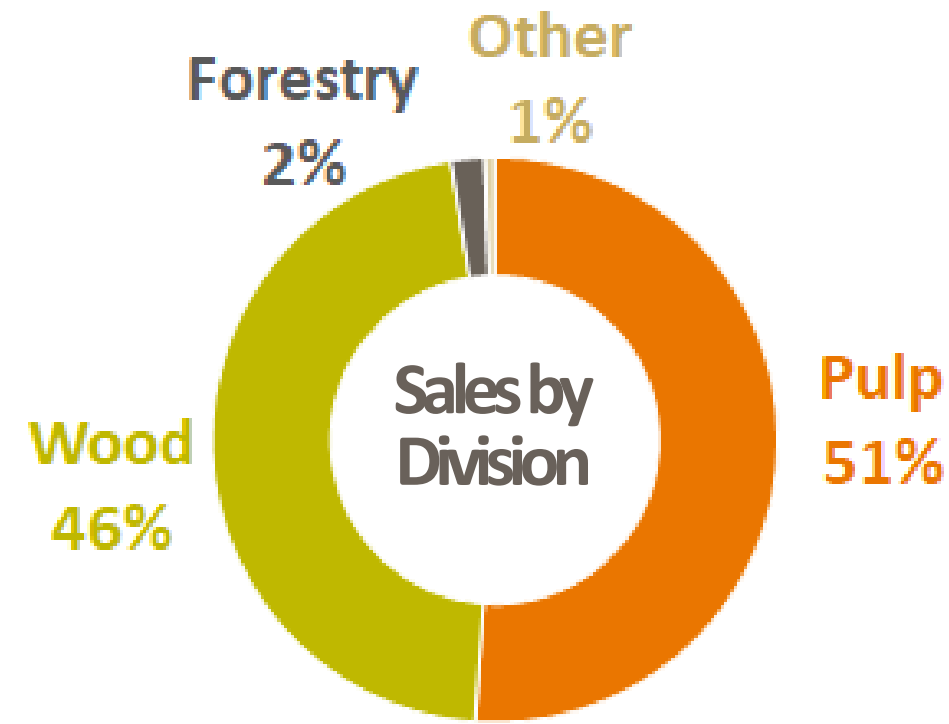
* Does not include swaps and forwards

(1) As of December 2018

(2) As of February 2019

DIVERSIFIED SALES AROUND THE WORLD








5,955
Revenues
US\$ million



As of December 2018

Pulp and Wood products include energy sales

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. t	4 Mills Plywood: 710 th. m ³ MDF: 515 th. m ³ HB ⁽⁴⁾ : 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: 219 MW
	132,617 Ha ⁽¹⁾	1 Mill 350 th. t	2 Mills MDF: 300 th. m ³ PB: 260 th. m ³	1 Sawmill 1 Remanufacturing facility 317 th. m ³	2 Power Plants 82 MW Surplus: 15 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. t ⁽²⁾			1 Power Plant 91 MW ⁽²⁾ Surplus: 50 MW
			9 Mills MDF: 1,470 th. m ³ PB: 2,320 th. m ³		
			2 Mills MDF: 220 th. m ³ PB: 339 th. m ³		
			10 Mills ⁽³⁾ MDF: 741 th. m ³ PB: 1,165 th. m ³ OSB: 258 th. m ³	1 Sawmill ⁽³⁾ 25 th. m ³	
	1.0 million Ha	4.0 million t	10.9 million m³	2.9 million m³	779 MW

As of December 2018

(1) Considers hectares planted

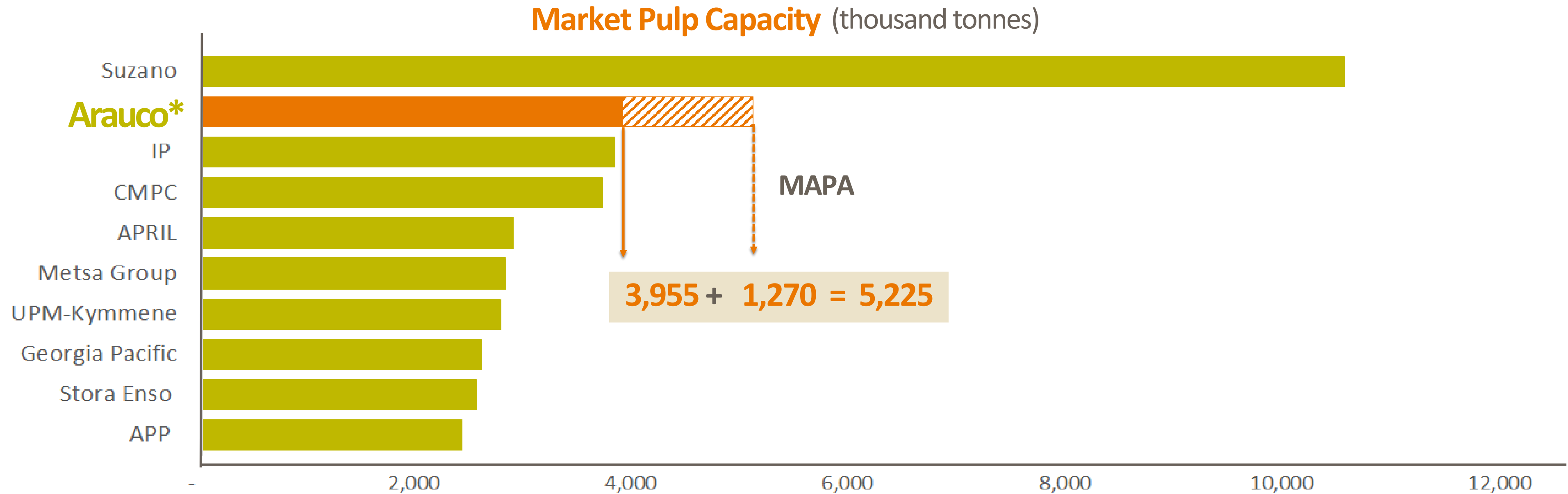
(2) Considers 50% of Montes del Plata

(3) Considers 50% of Sonae Arauco. One PBO mill in South Africa is currently shut down

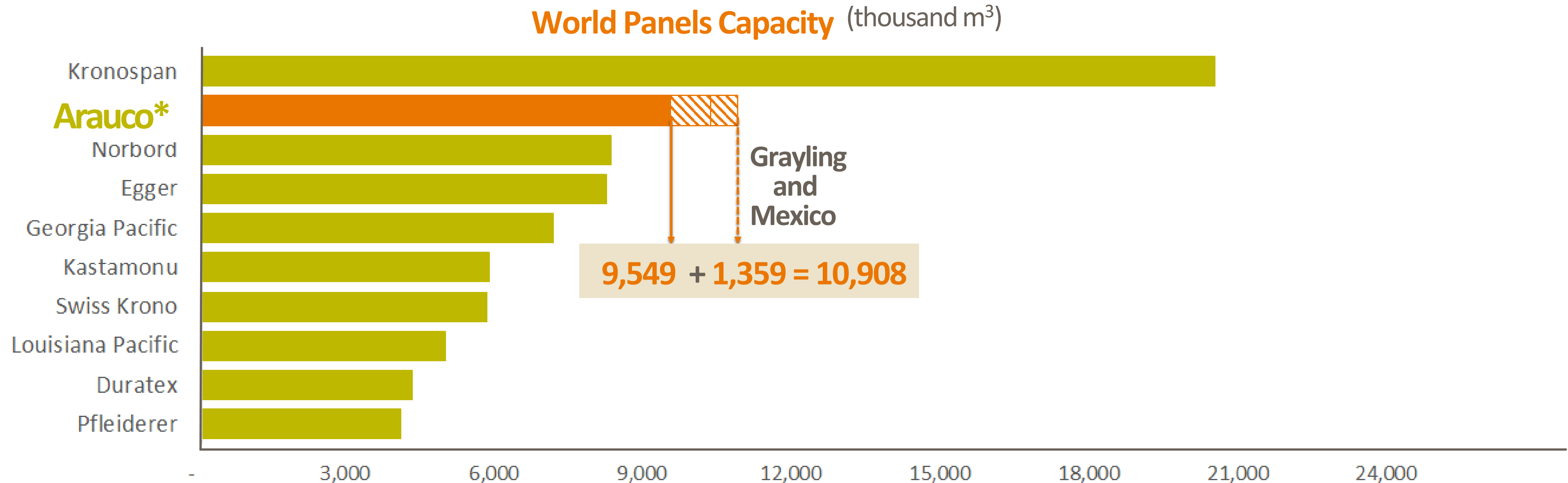
(4) HB mill is shut down since April 2019

WE ARE A MAIN PLAYER IN THE GLOBAL MARKET

#2
market pulp producer
in the world

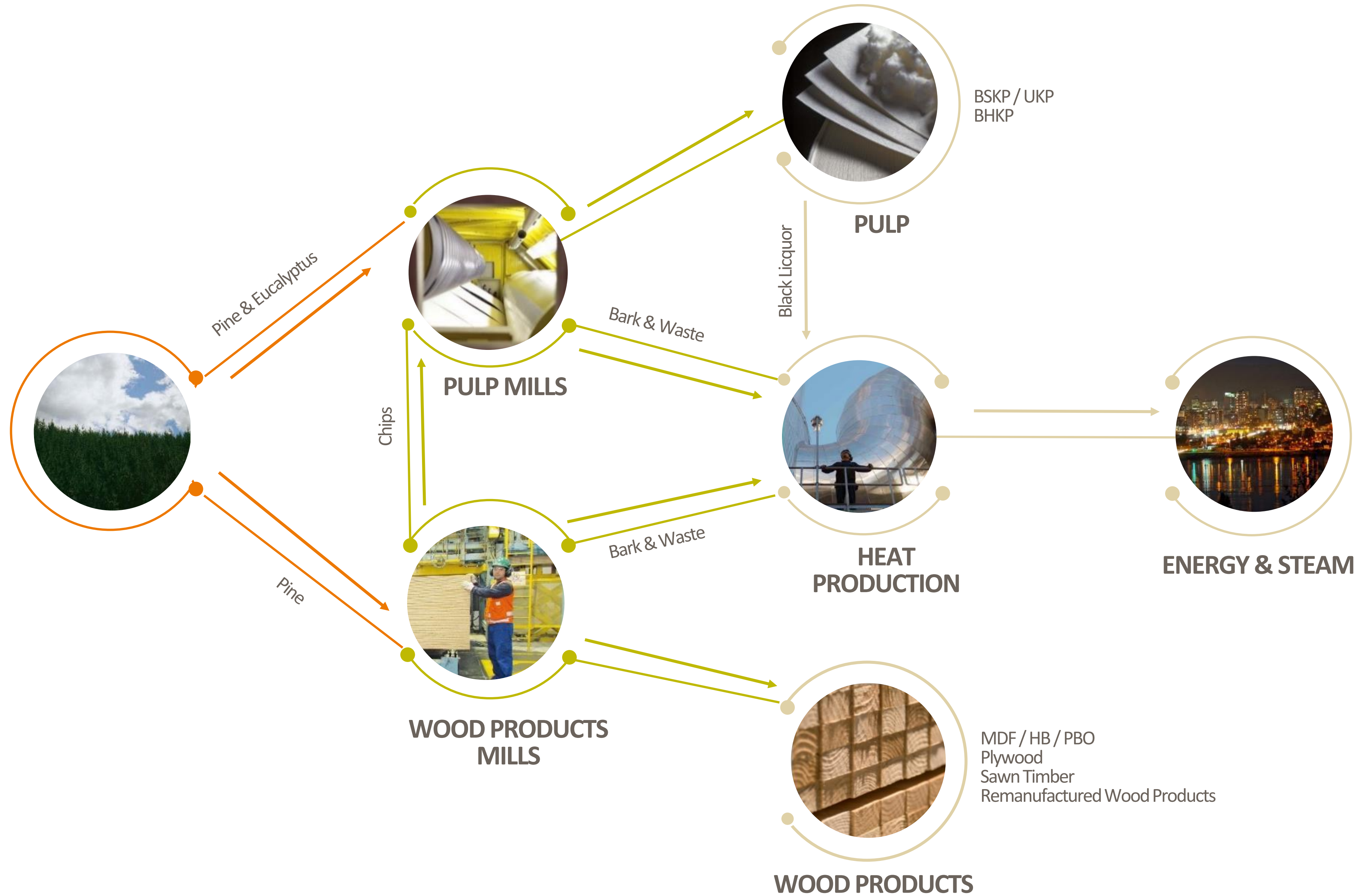


#2
panels producer in
the world



(*)World market pulp and panel capacity as of December 2018. Arauco capacity includes 50% of Montes del Plata, 50% Sonae Arauco, mills in Mexico, Grayling Project and MAPA Project
Source: Hawkins Wright, Public fillings, Wood Based Panels International, Composite Panels Association, European Panel Federation, Sonae-Arauco and Arauco estimates, as of December 2018

MAXIMIZING THE VALUE OF EVERY TREE





Arauco Overview

Business Segments

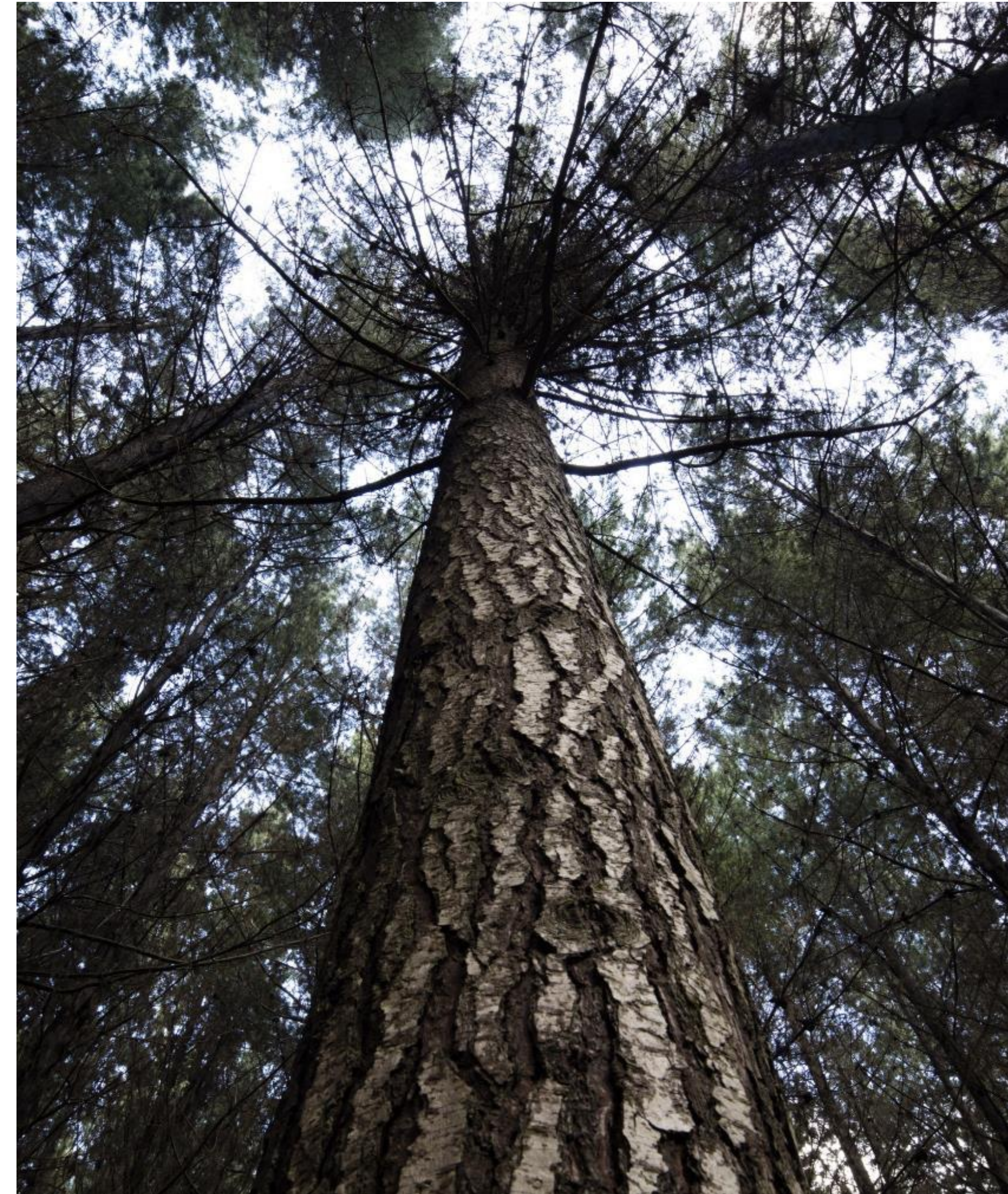
Financial Highlights

Recent Events and Initiatives

Sustainability

arauco

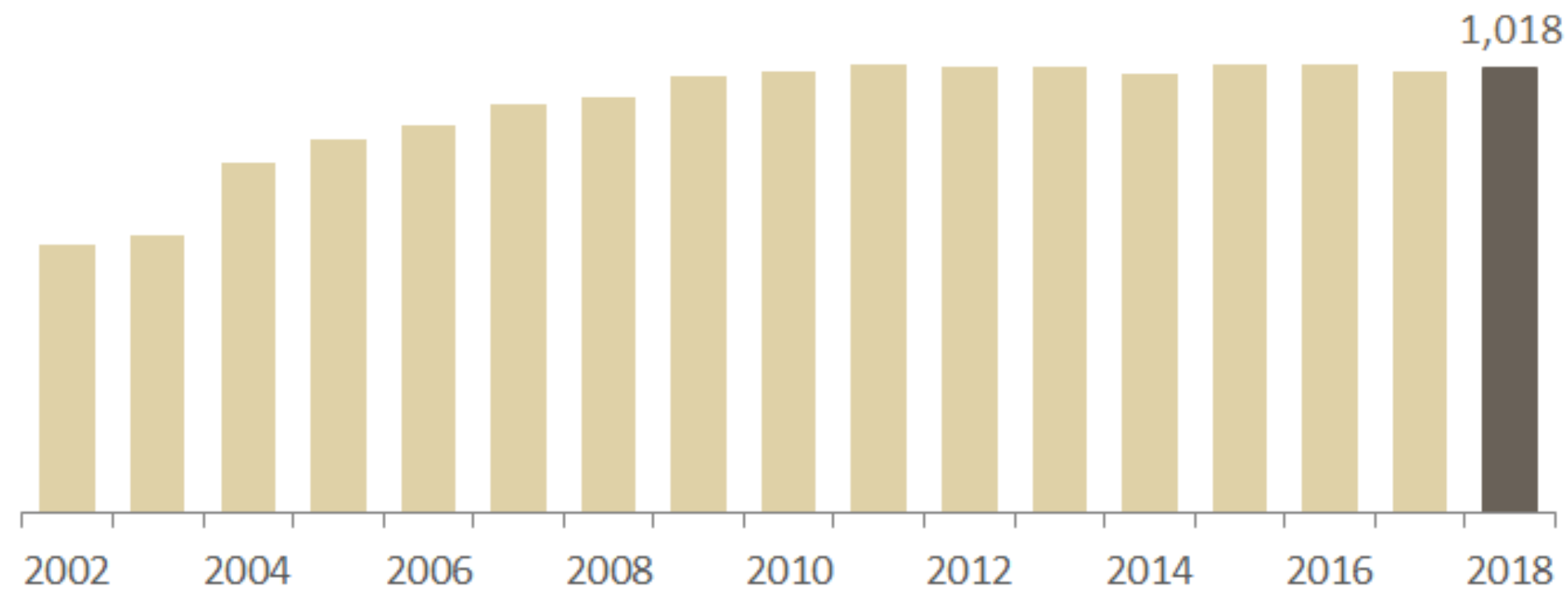
FORESTRY: THE BASE FOR GROWTH



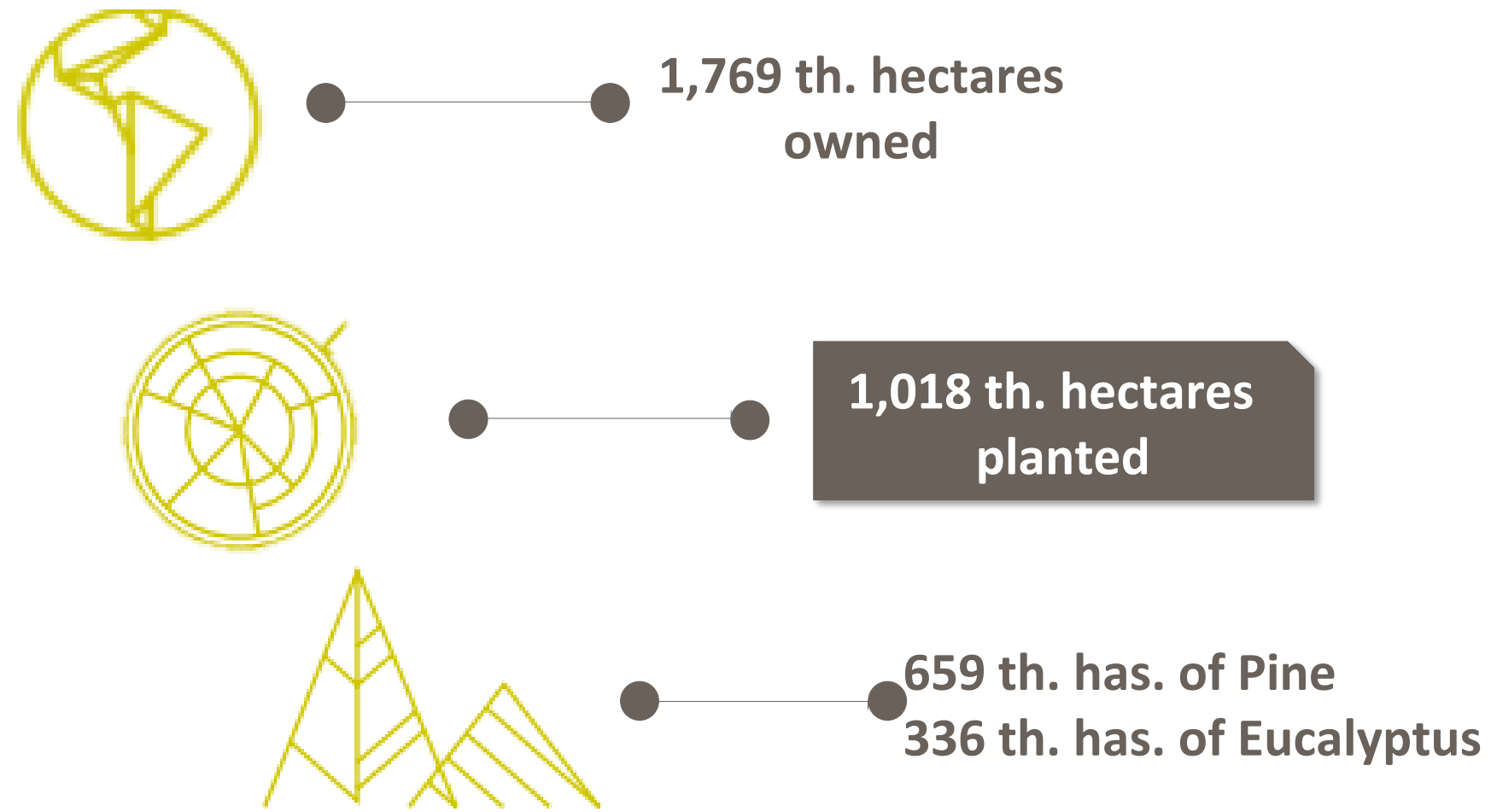
FORESTRY: THE BASE FOR GROWTH

Total Plantations

In thousand hectares

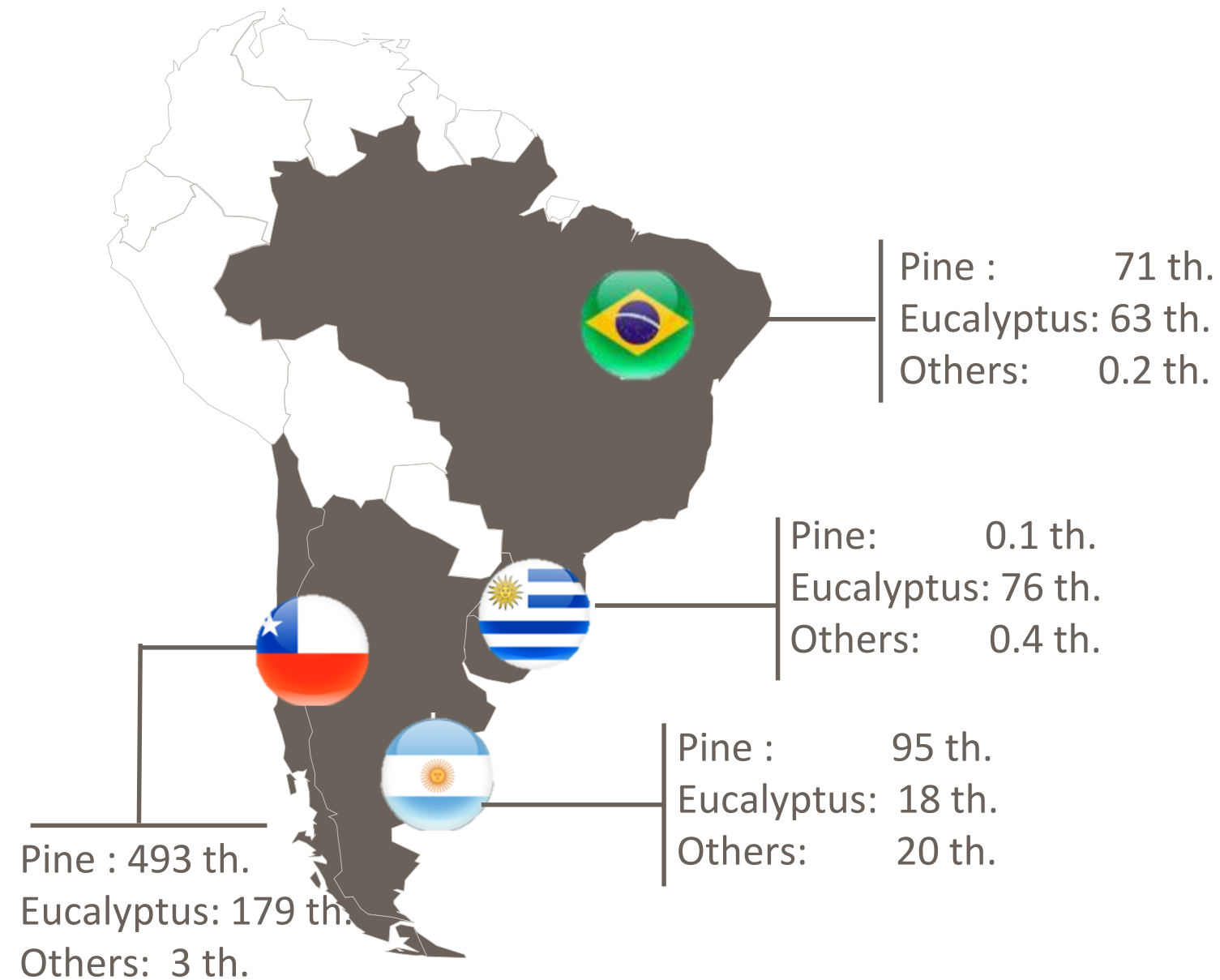
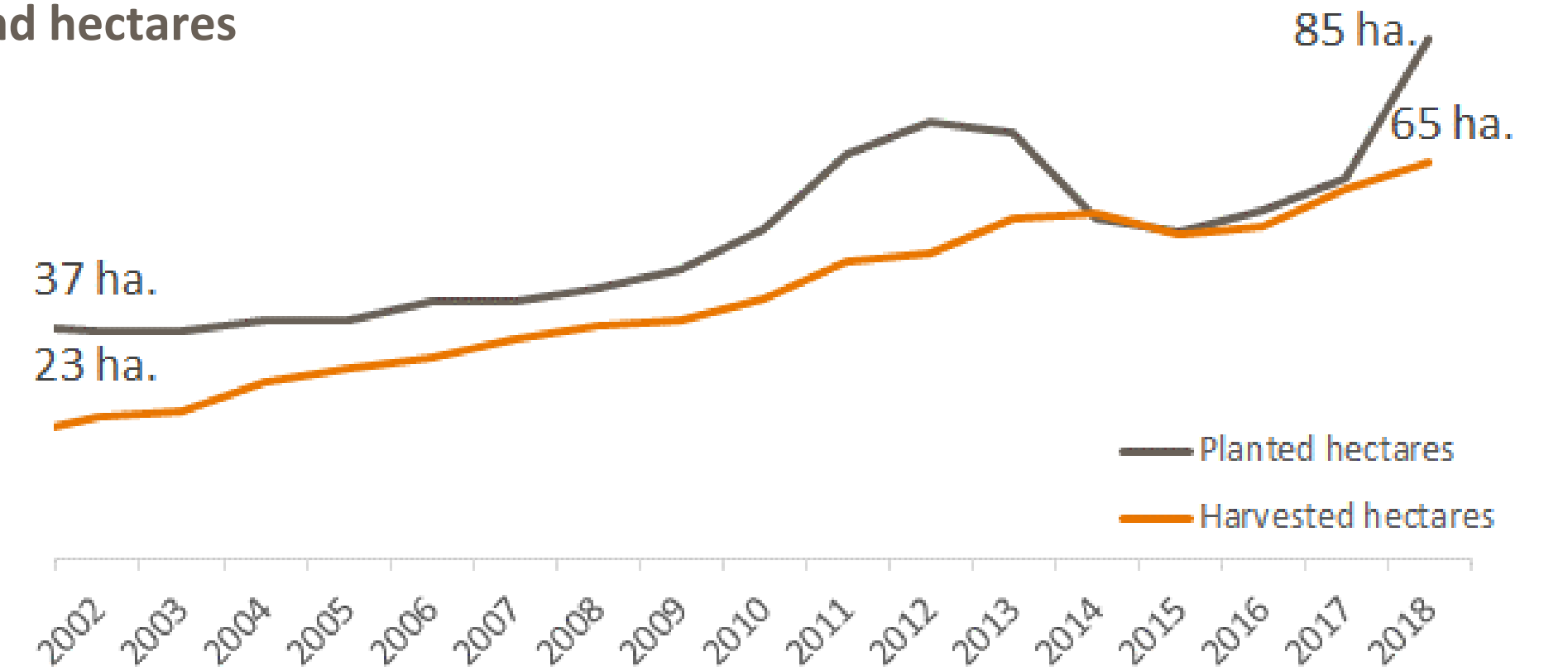


Includes plantations in Chile, Argentina, Brazil and Uruguay



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 website

FORESTRY: THE BASE FOR GROWTH

Bioforest research and development

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

51

researchers
highly
trained
work

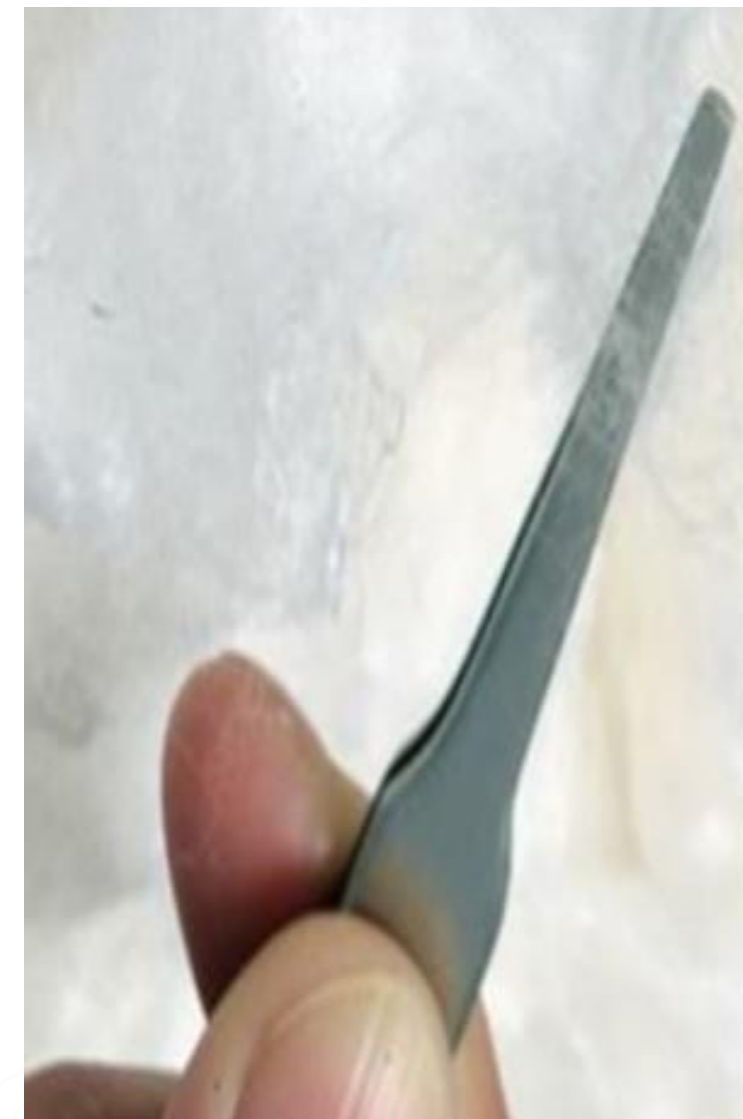
in order to
develop
and
apply

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

PULP: ARAUCO'S MAIN INDUSTRIAL ACTIVITY



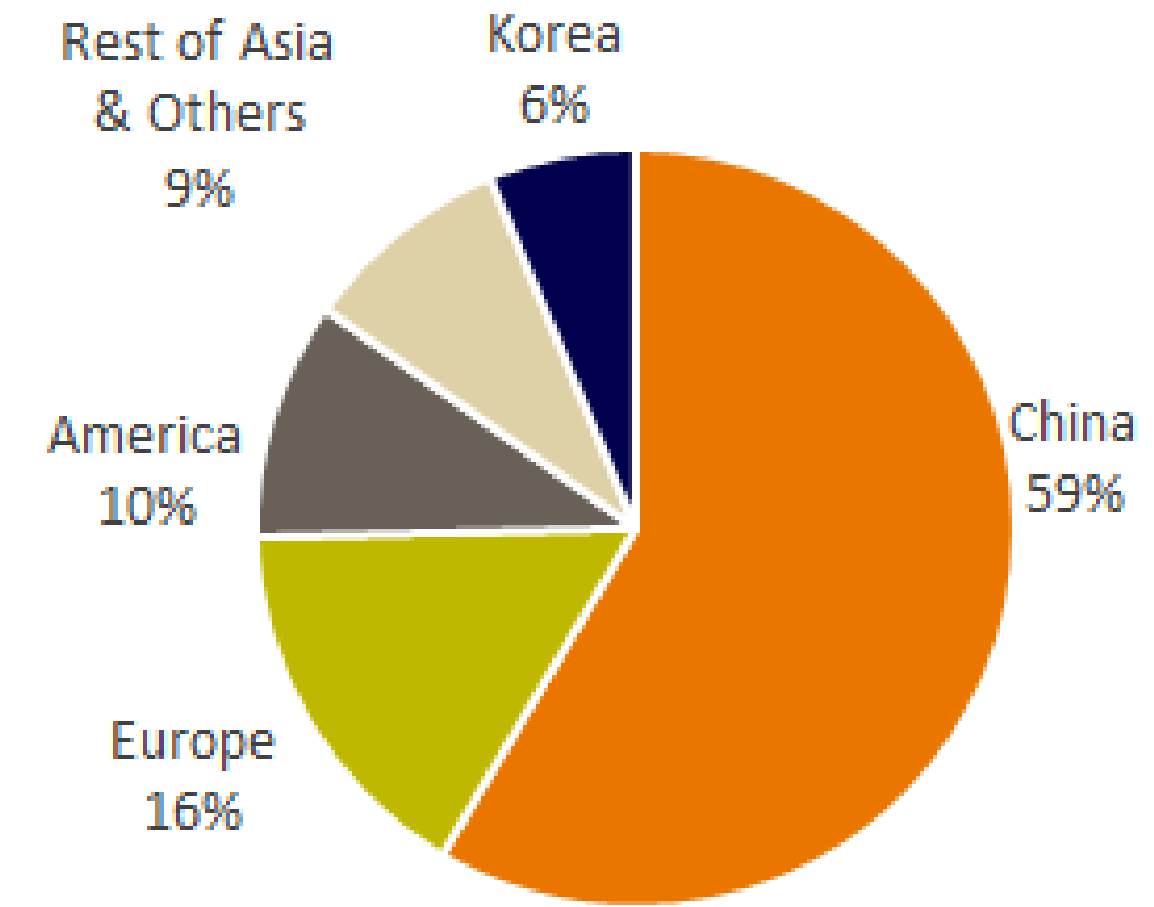
PULP: ARAUCO'S MAIN INDUSTRIAL ACTIVITY

2,955
Revenues
US\$ million

Does not include energy sales

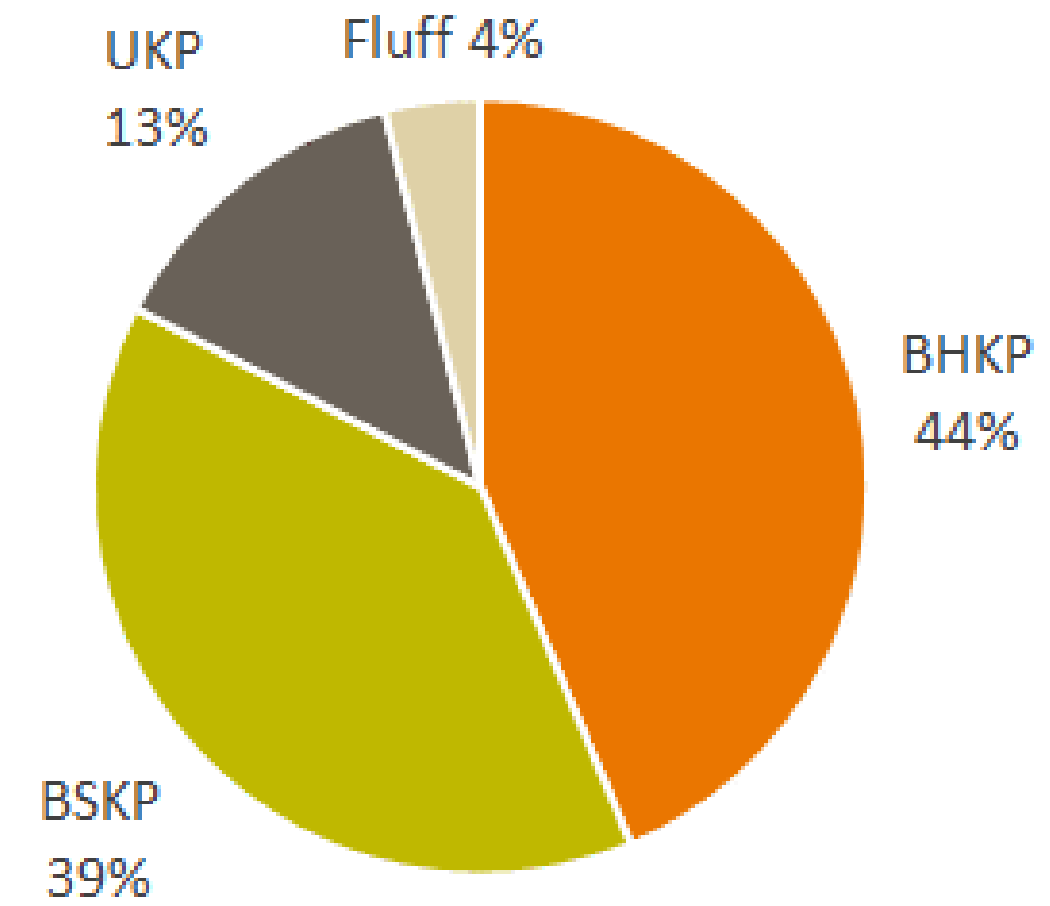
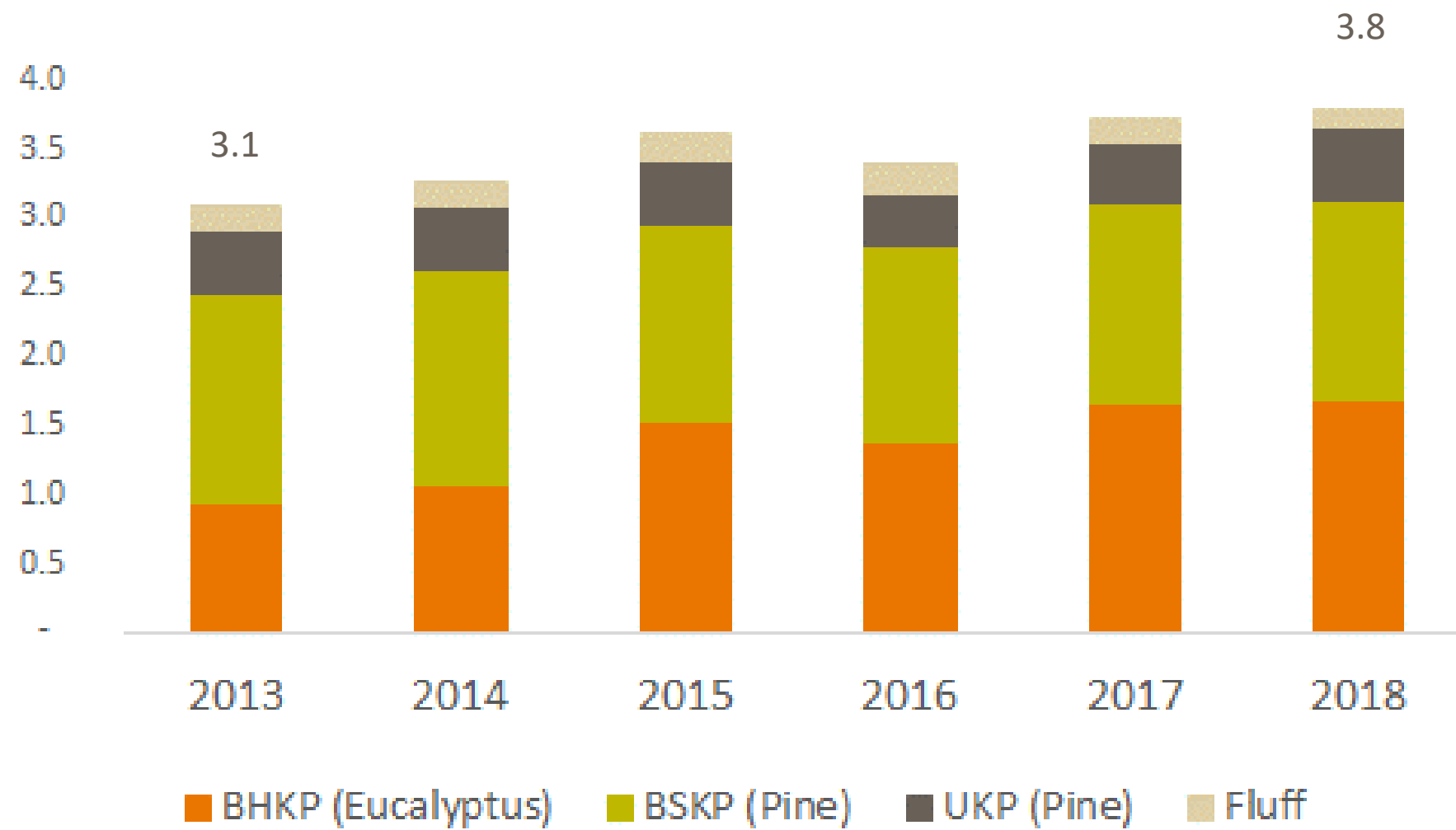


Sales volume: 3.7 million tonnes



Pulp production

million tonnes



As of December 2018

PULP: OUR MILLS

Licancel
160 th. t UKP



Constitucion
355 th. t UKP



Arauco Mill Line 1 &
Line 2
290 th. t BHKP
510 th. t BSKP



Nueva Aldea
520 th. t BHKP
520 th. t BSKP



Valdivia
550 th. t
Bleached pulp
Swing mill



Alto Parana
350 th. t BSKP & Fluff
Swing mill

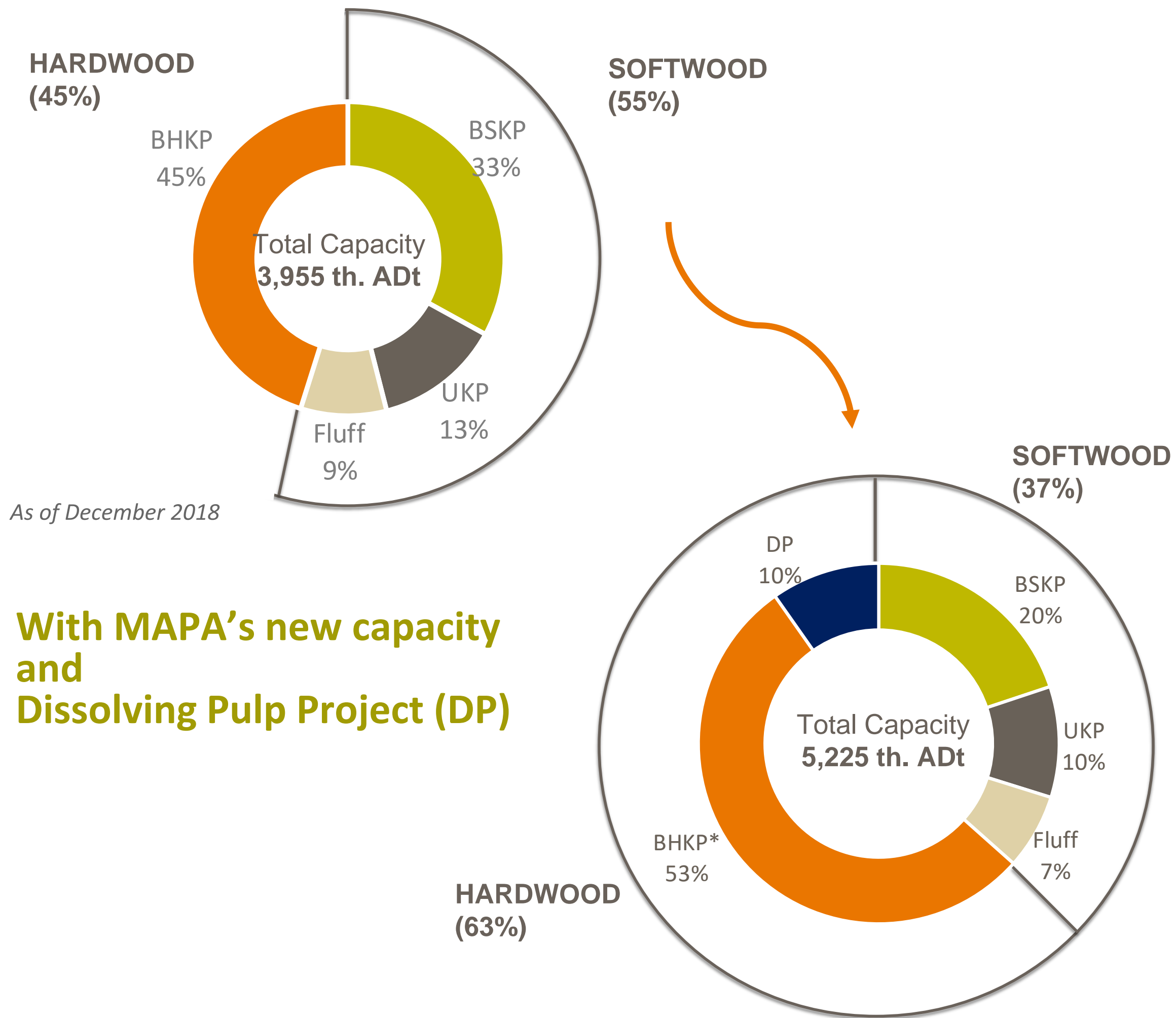


Montes del Plata
1,400 th. t BHKP
Arauco owns 50%

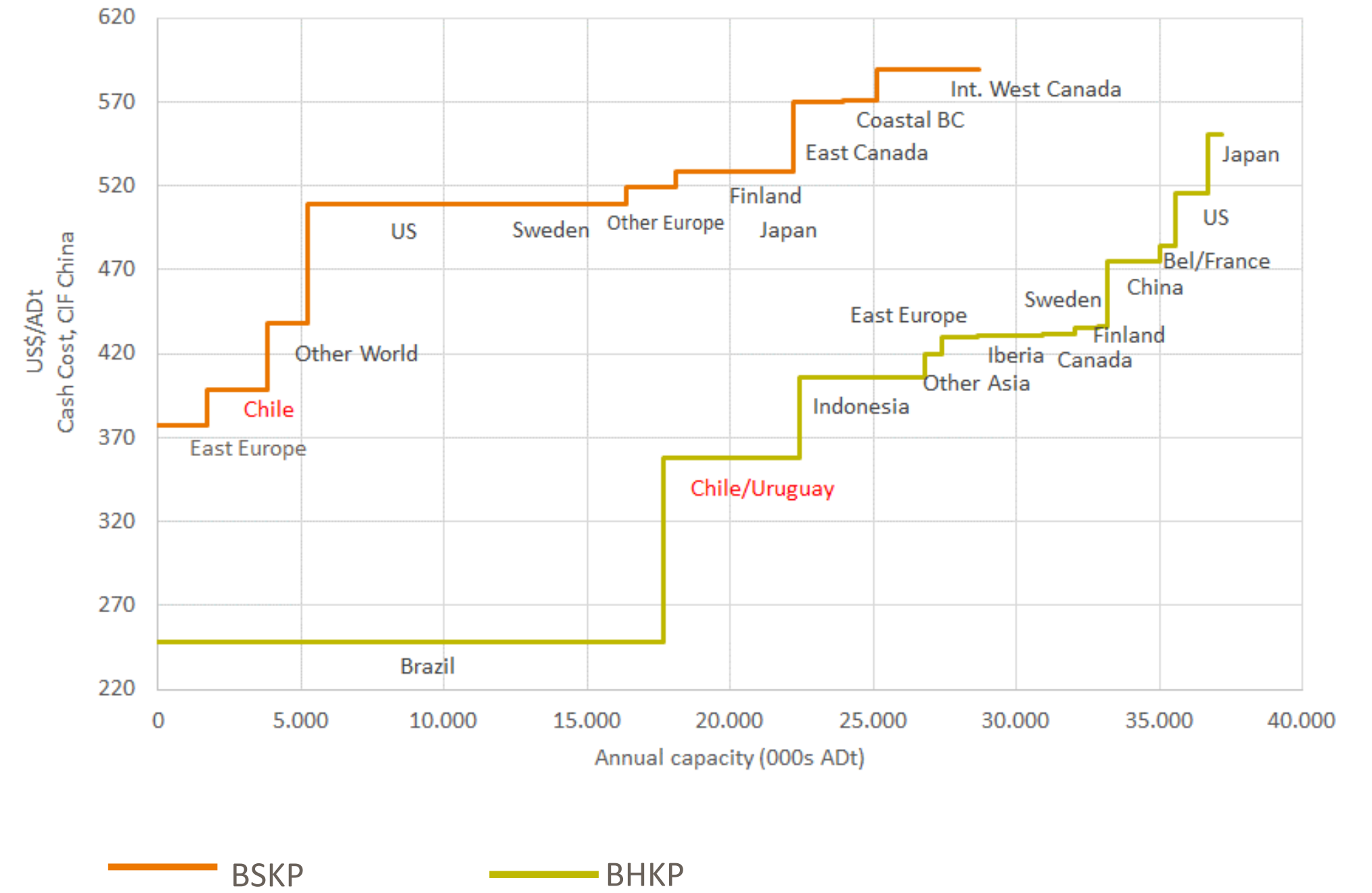
As of December 2018

PULP: COMPETITIVE ADVANTAGES TO EFFICIENTLY SUPPLY THE MARKETS

Balance between short and long fiber



Cost advantage



Source: Hawkins Wright report, December 2018

PULP: COMPETITIVE ADVANTAGES TO EFFICIENTLY SUPPLY THE MARKETS

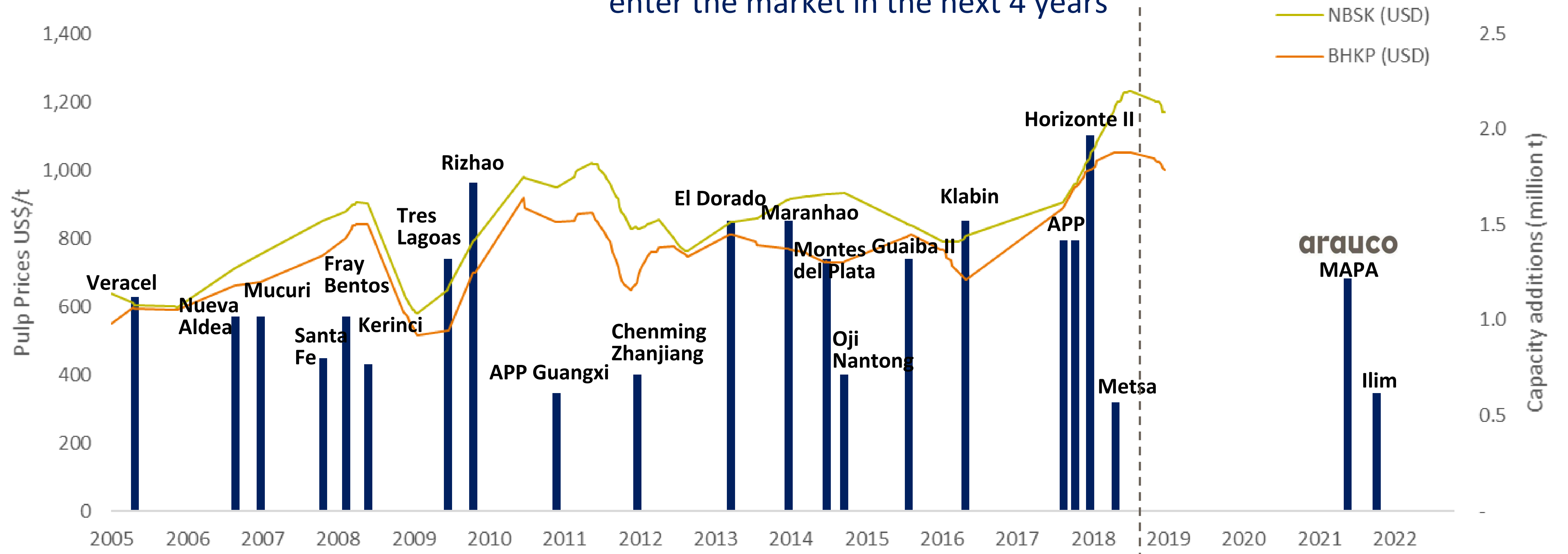


(1) MAPA Project location

(*)Weighted average distance between our pulp mills located in Chile, Uruguay & Argentina.

PULP MARKET SCENARIO: BHKP - NBSK INDEXES AND BCP ⁽¹⁾ CAPACITY GROWTH

No new significant capacity scheduled to enter the market in the next 4 years

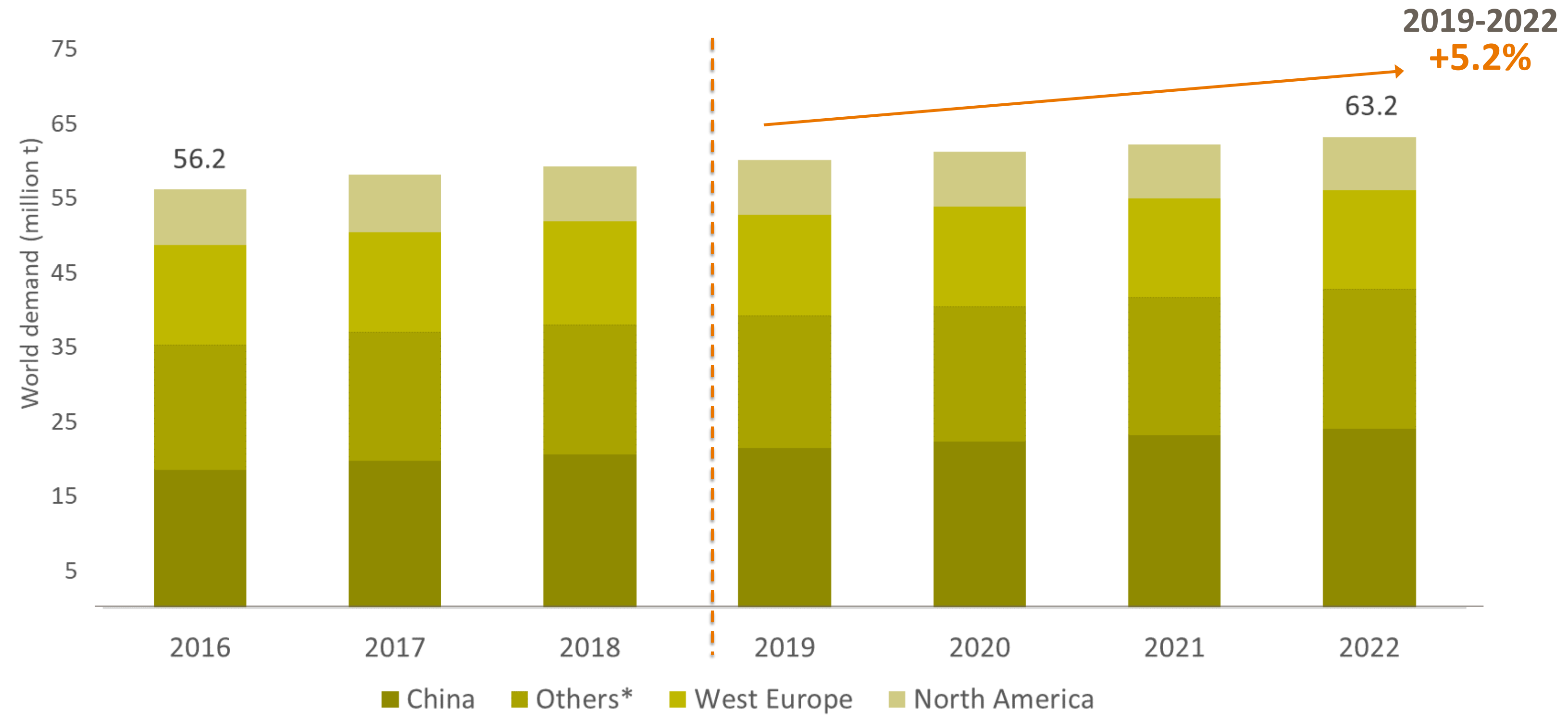


- △ Price gap between NBSK and BHKP
- December 2018: △ US\$ 174 / ton
- Average (Jan. 2018 – Dec. 2018): △ US\$ 129 / ton

Forecast
 2019-2022
 +1.8 Mt

Source: Hawkins Wright and Pulp industry Companies Reports
 (1) Bleached Chemical Pulp

PULP MARKET SCENARIO: BCP DEMAND FORECAST



Source: Hawkins Wright, forecast 2018; RISI.

(1) Bleached Chemical Pulp

(*) Others: Include Nordic, East Europe, Latinamerica, Oceania, Japan, Asia/Africa.

WOOD PRODUCTS: WIDE VARIETY OF APPLICATIONS



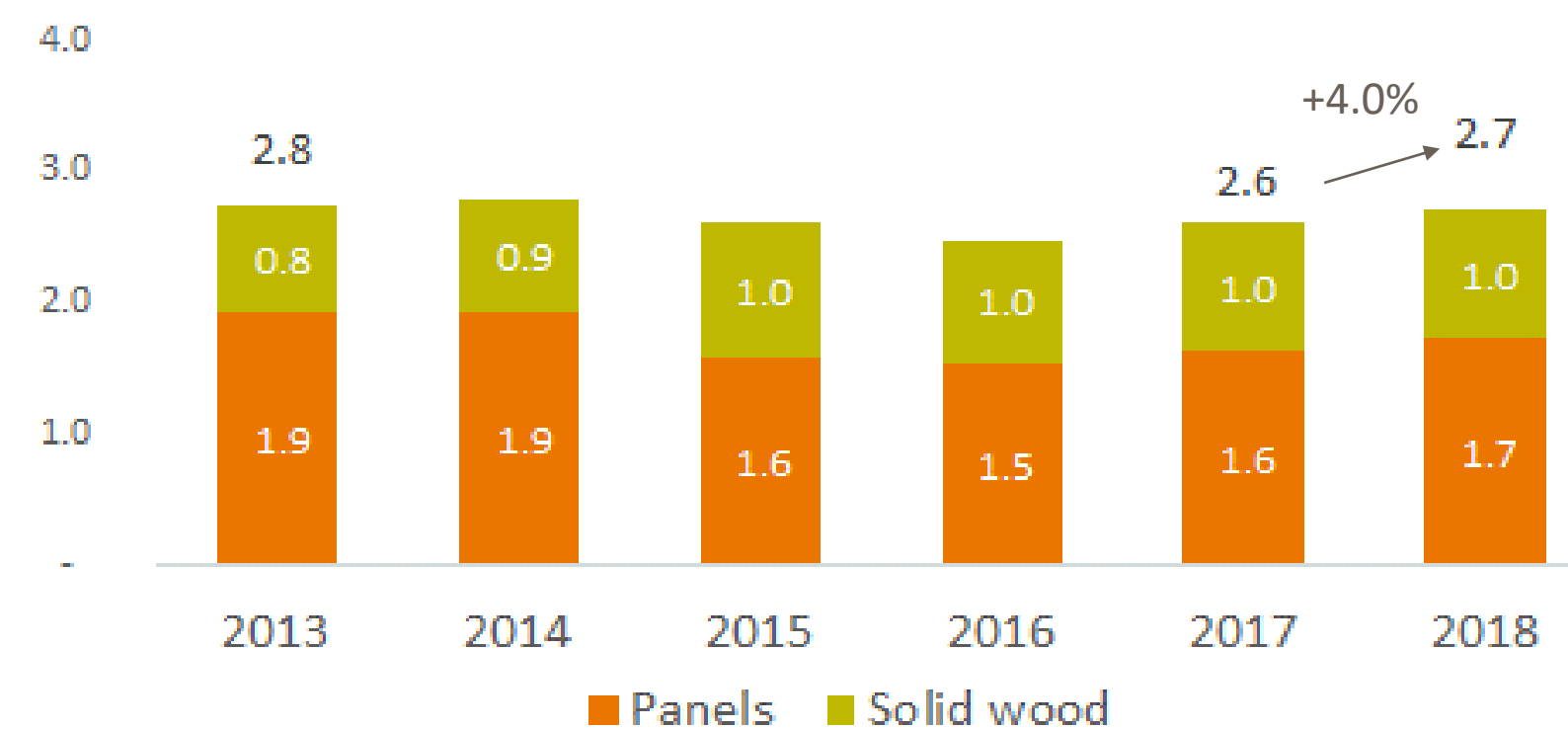
WOOD PRODUCTS: WIDE VARIETY OF APPLICATIONS

2,721
Revenues
US\$ million

*As of December 2018
Does not include energy sales*

Sales evolution

US\$ million



Main applications

- Furniture
- Construction
- Mouldings
- Packaging

Panels



Solid Wood

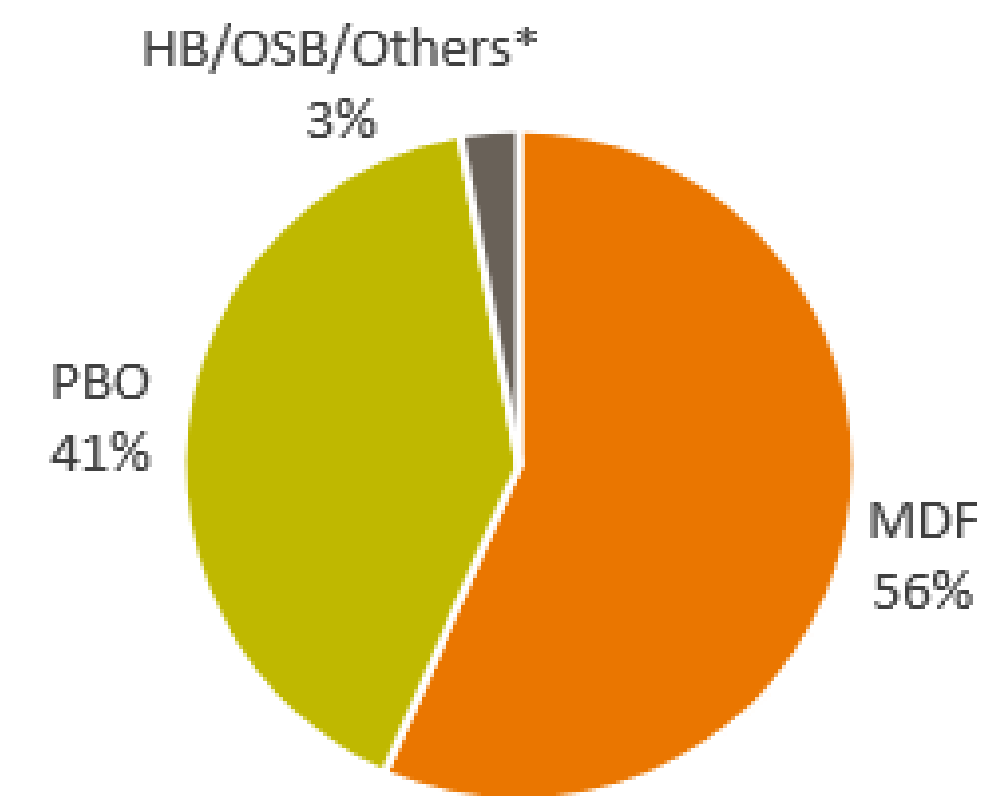
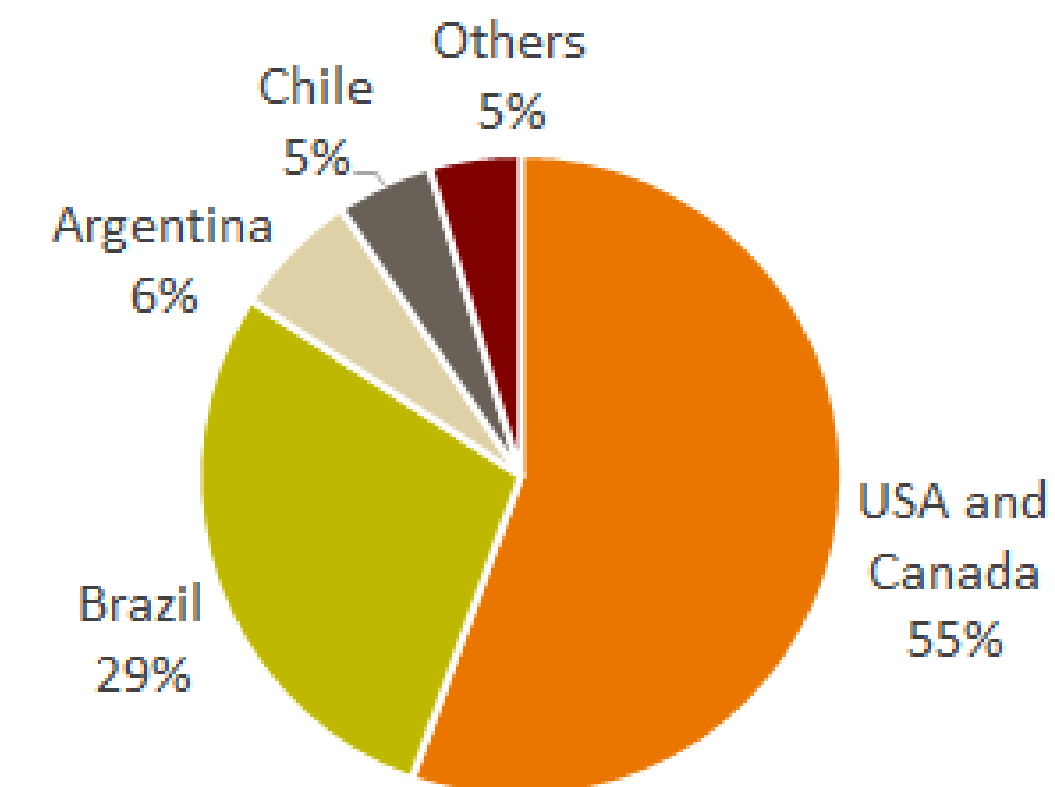
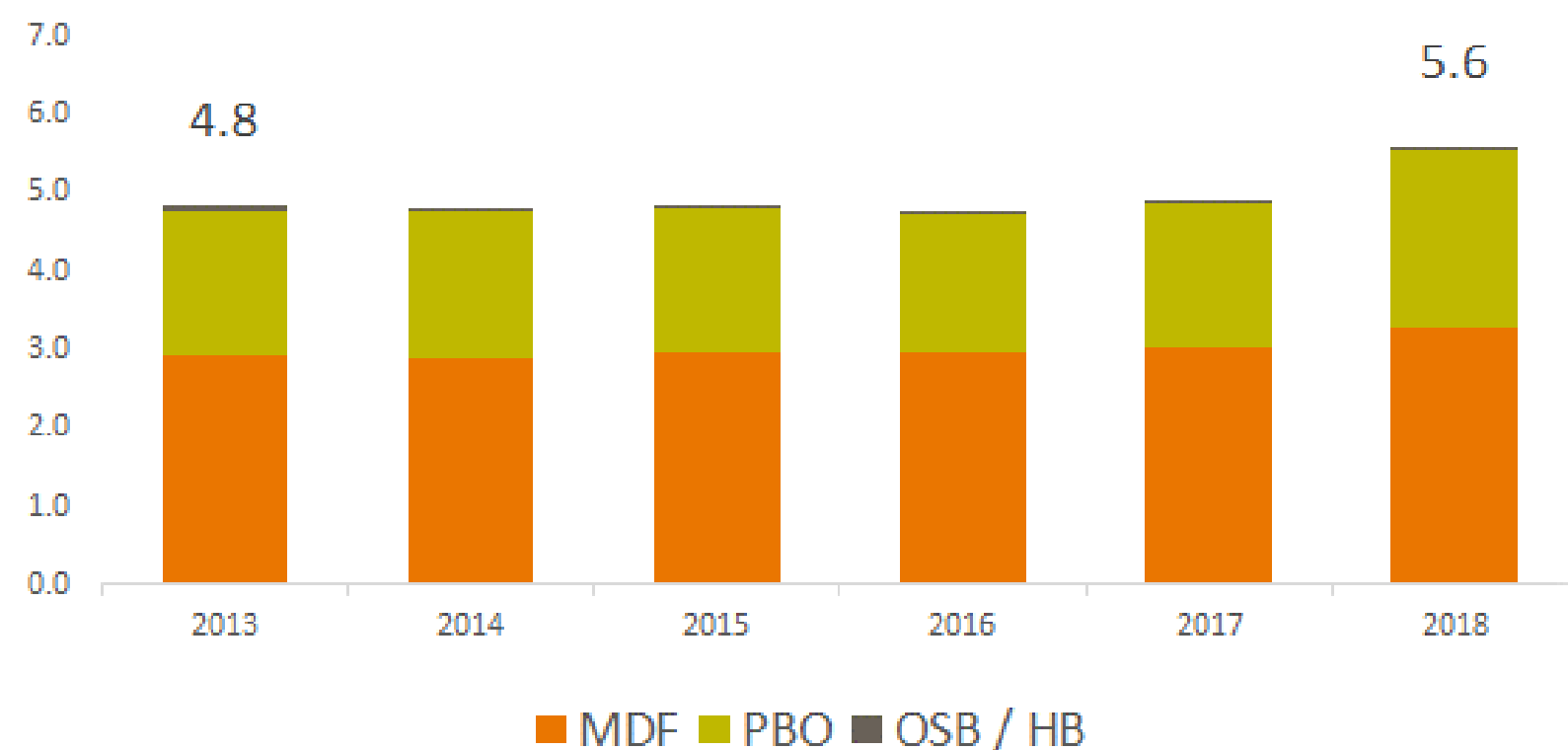
PANELS: EXPANSION OF THE PRODUCT MIX

1,725
Revenues
US\$ million

Sales volume: 5.4 million m³

Panels production

In million cubic meters

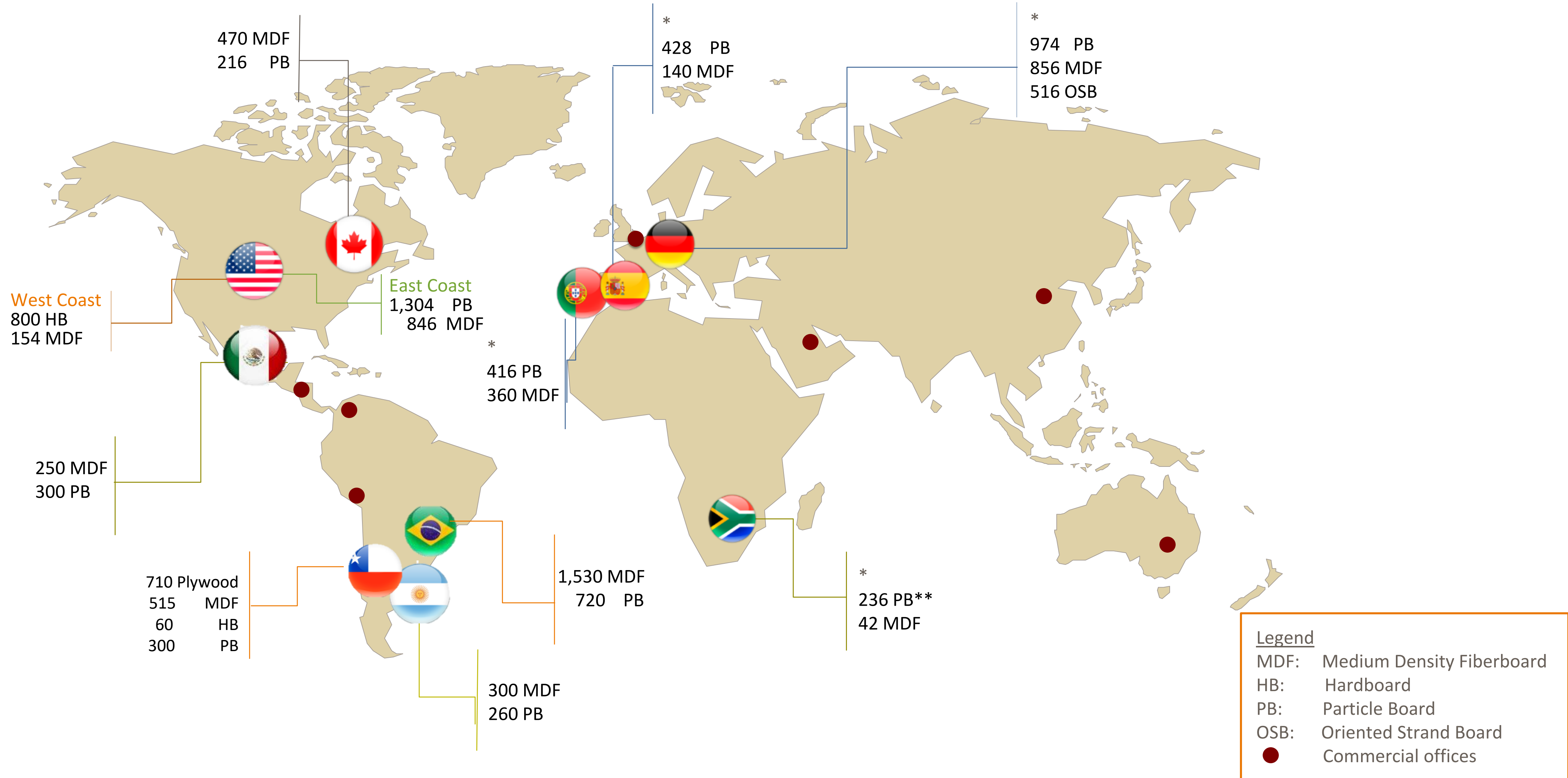


*Includes retail and composed panels

As of December 2018

Does not include Sonae Arauco production and sales volume as we have a joint arrangement

PANELS: OUR MILLS



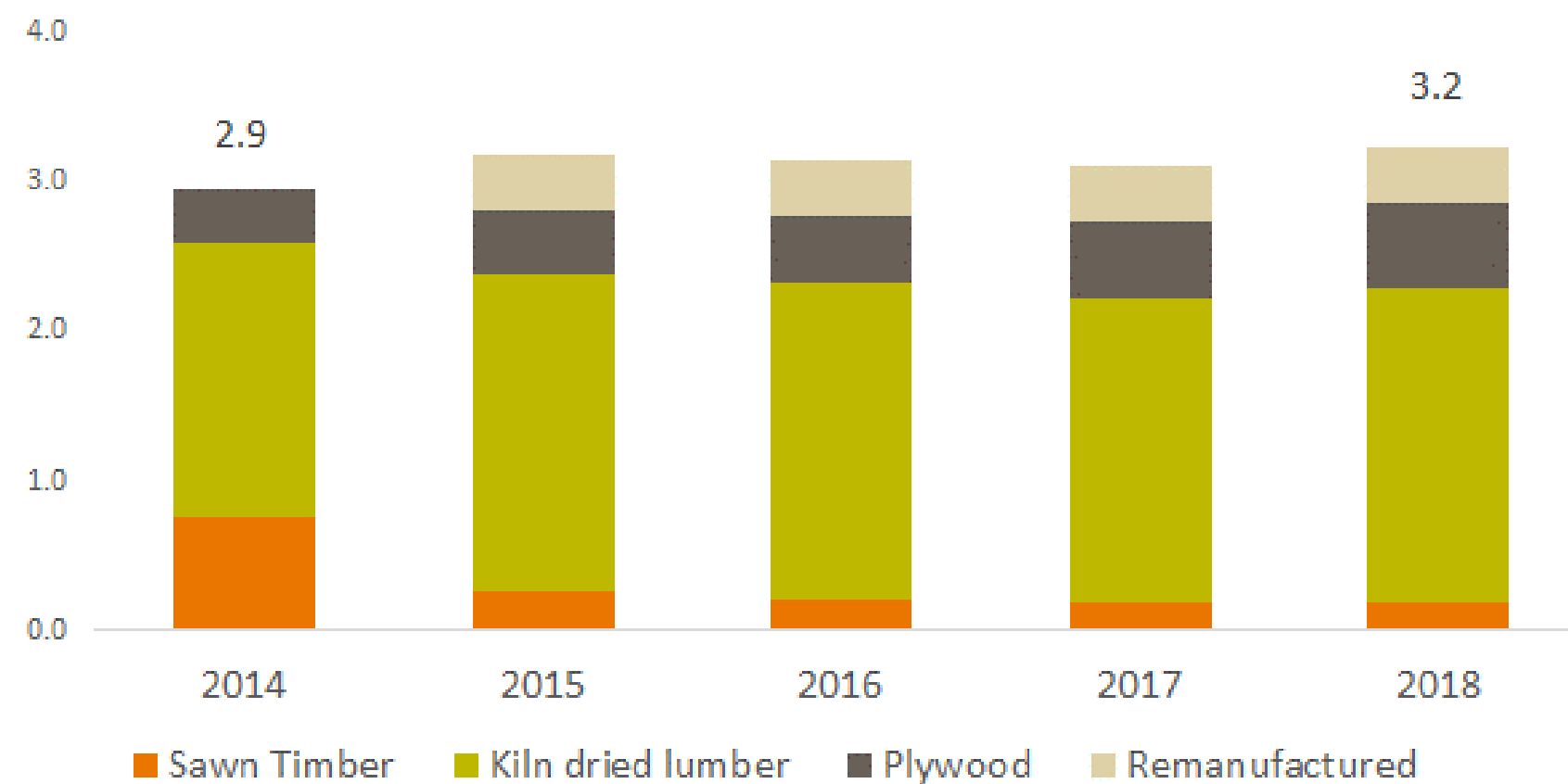
As of February 2019
 In thousand cubic meters
 (*)Arauco owns 50% of Sonae Arauco.
 (**)One PBO mil in South Africa is currently shut down

SOLID WOOD: HIGH QUALITY PRODUCTION STANDARDS

996
Revenues
US\$ million

Solid Wood production*

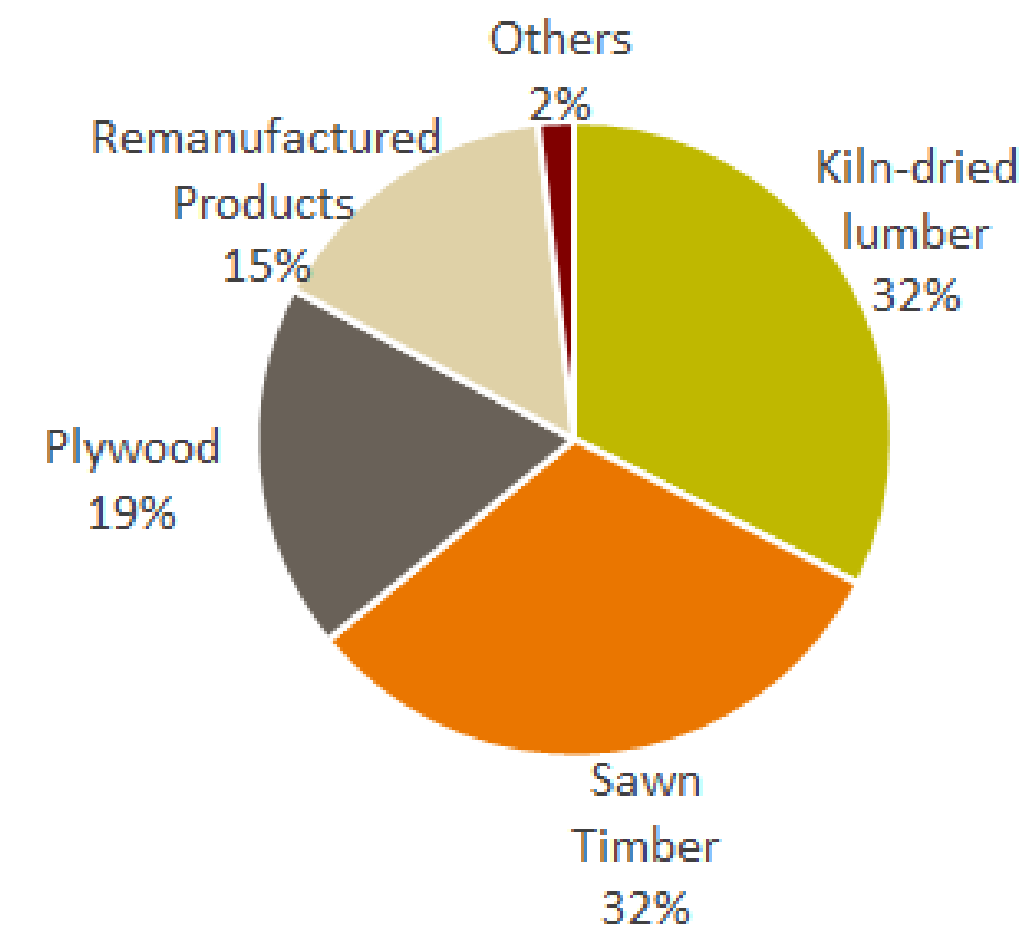
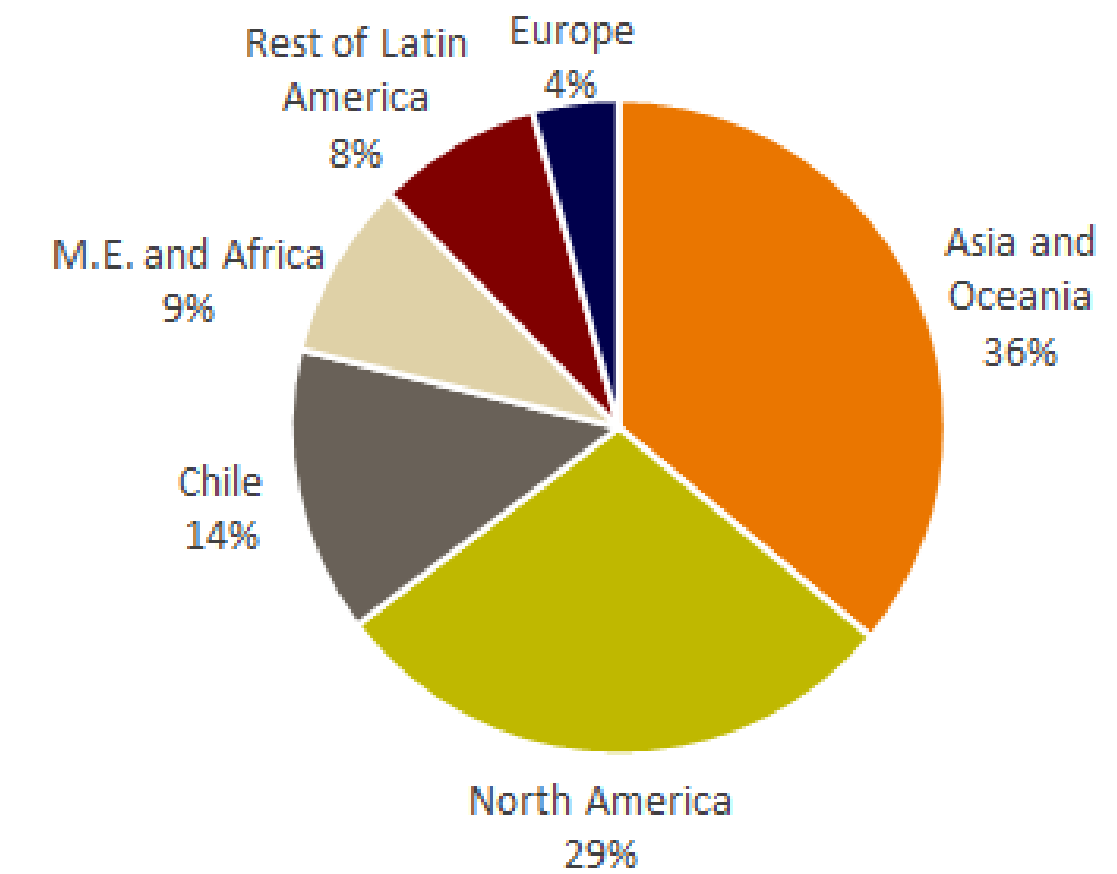
In million cubic meters



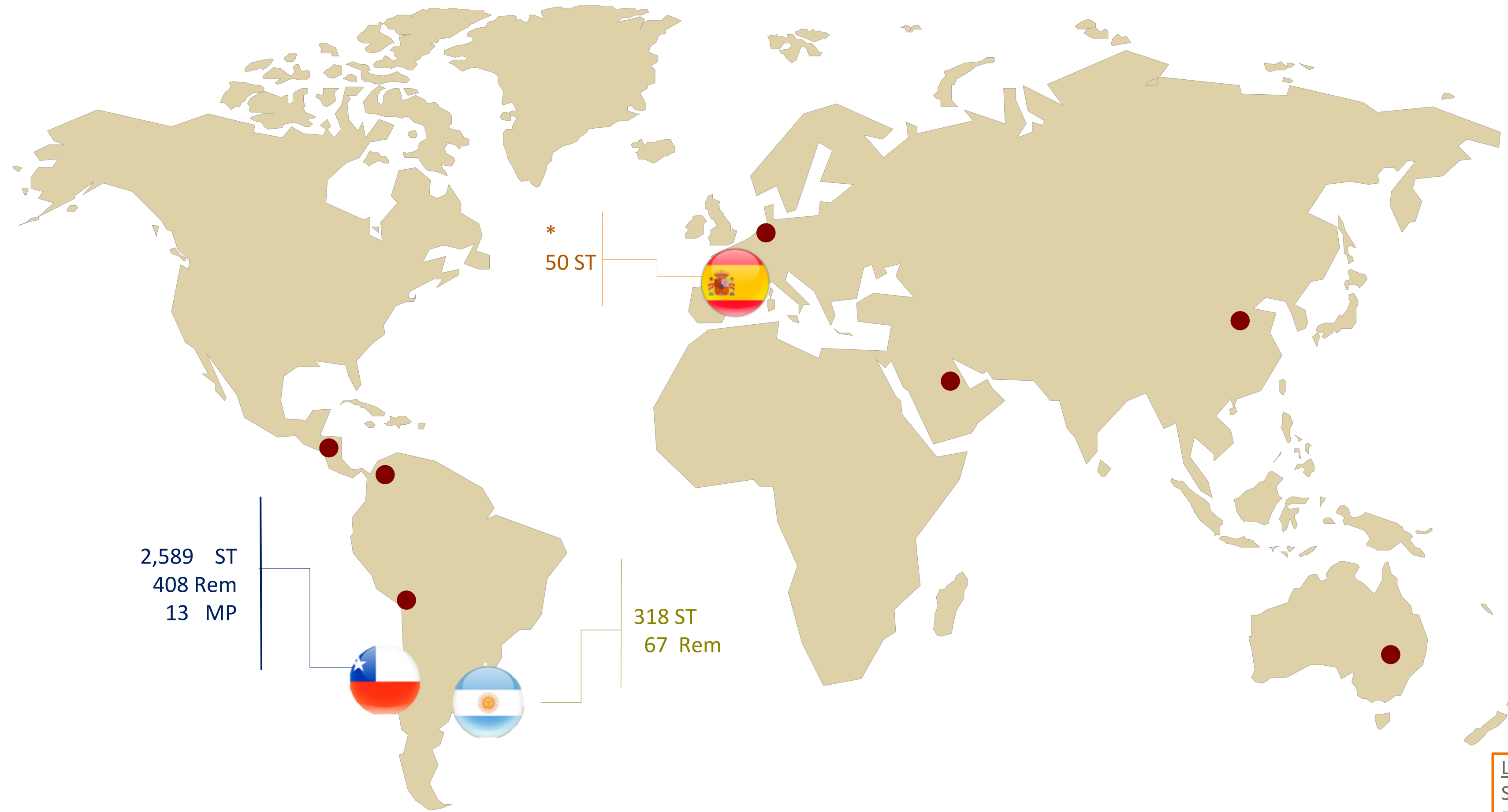
As of December 2018

(*Does not include Sonae Arauco production and volume sales, as we have a joint arrangement

Sales volume*: 2.8 million m³



SOLID WOOD: OUR MILLS



Legend

- ST: Sawn Timber
- Rem: Remanufactured Wood Products
- MP: Impregnation of Melamine Paper
- Commercial offices

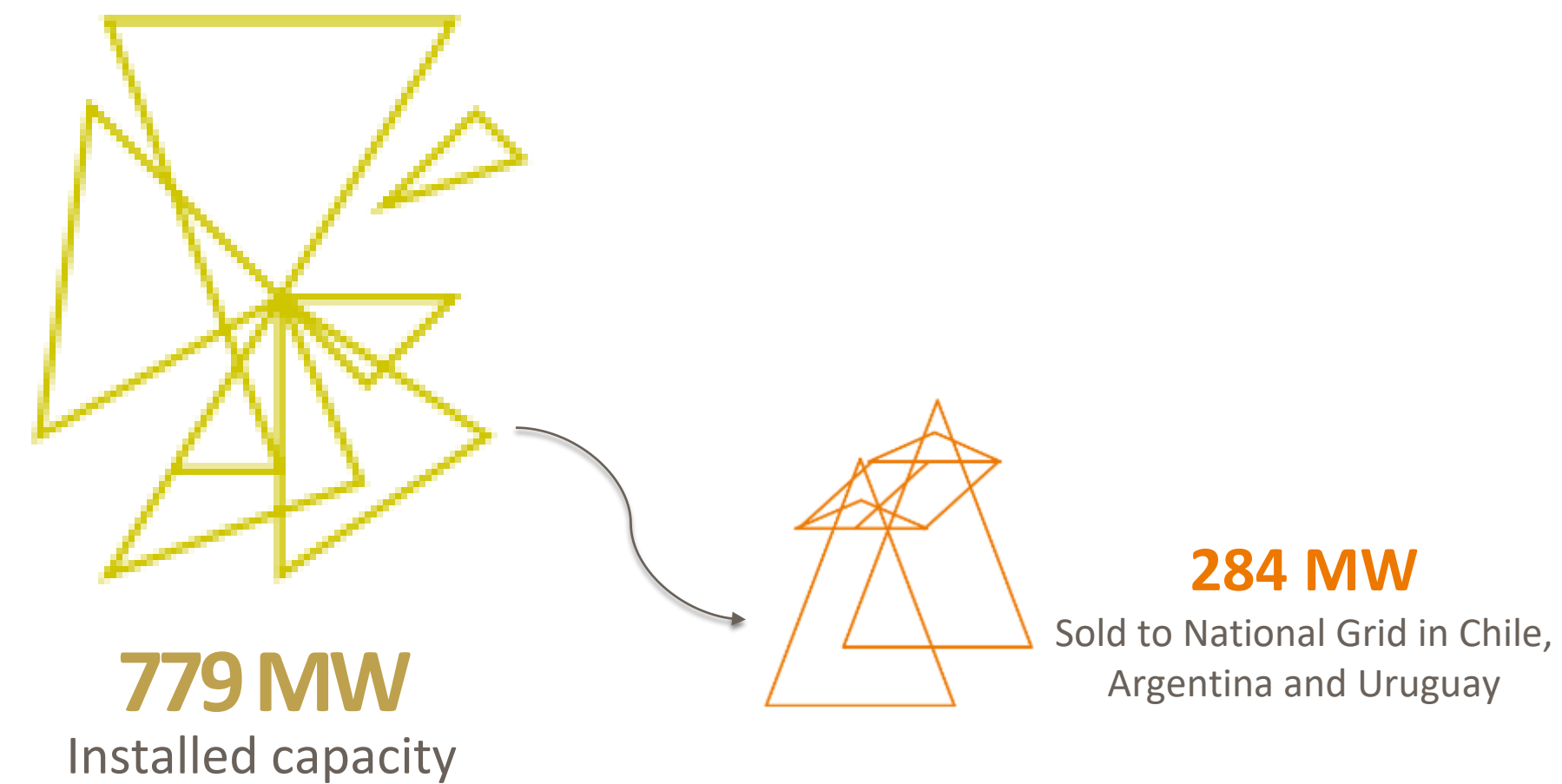
As of December 2018
 In thousand cubic meters
 *Arauco owns 50% of Sonae Arauco

ENERGY: KEY PART OF OUR VALUE CHAIN

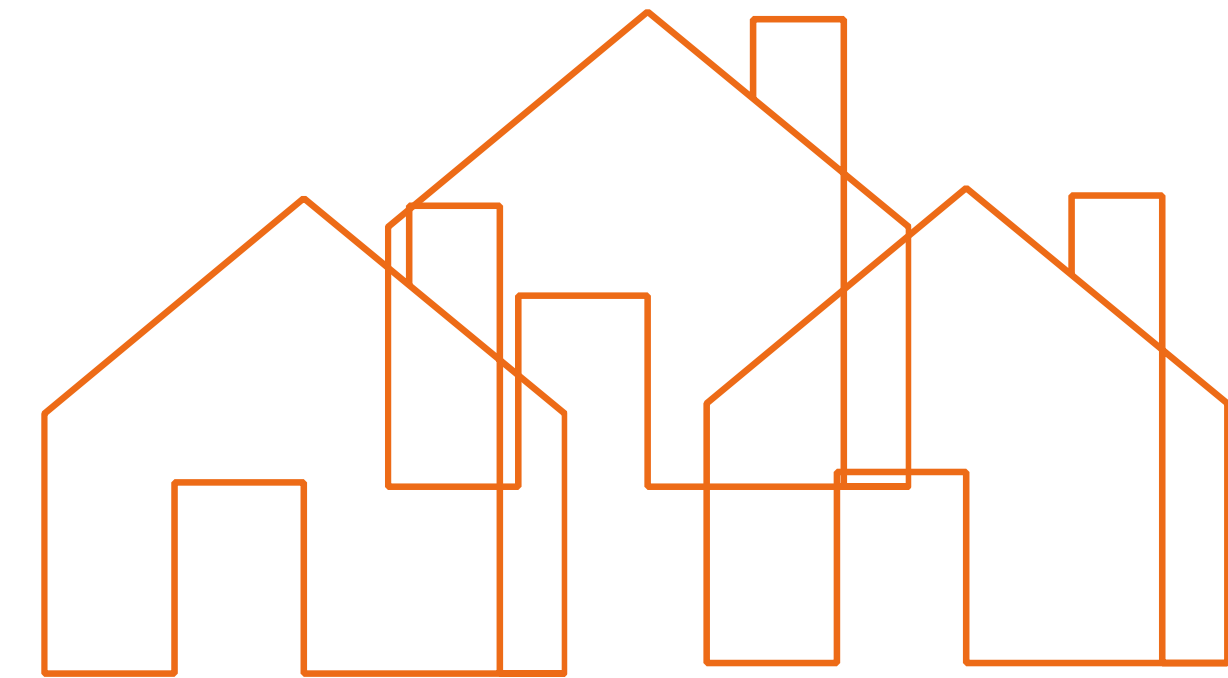


ENERGY: KEY PART OF OUR VALUE CHAIN

87
Revenues
US\$ million



The surplus
energy injected in
Chile is
equivalent to
providing
energy to
550,000 houses



Highlights

- Electricity generation from renewable energies is part of our production process
- 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 Overview
Business Segments

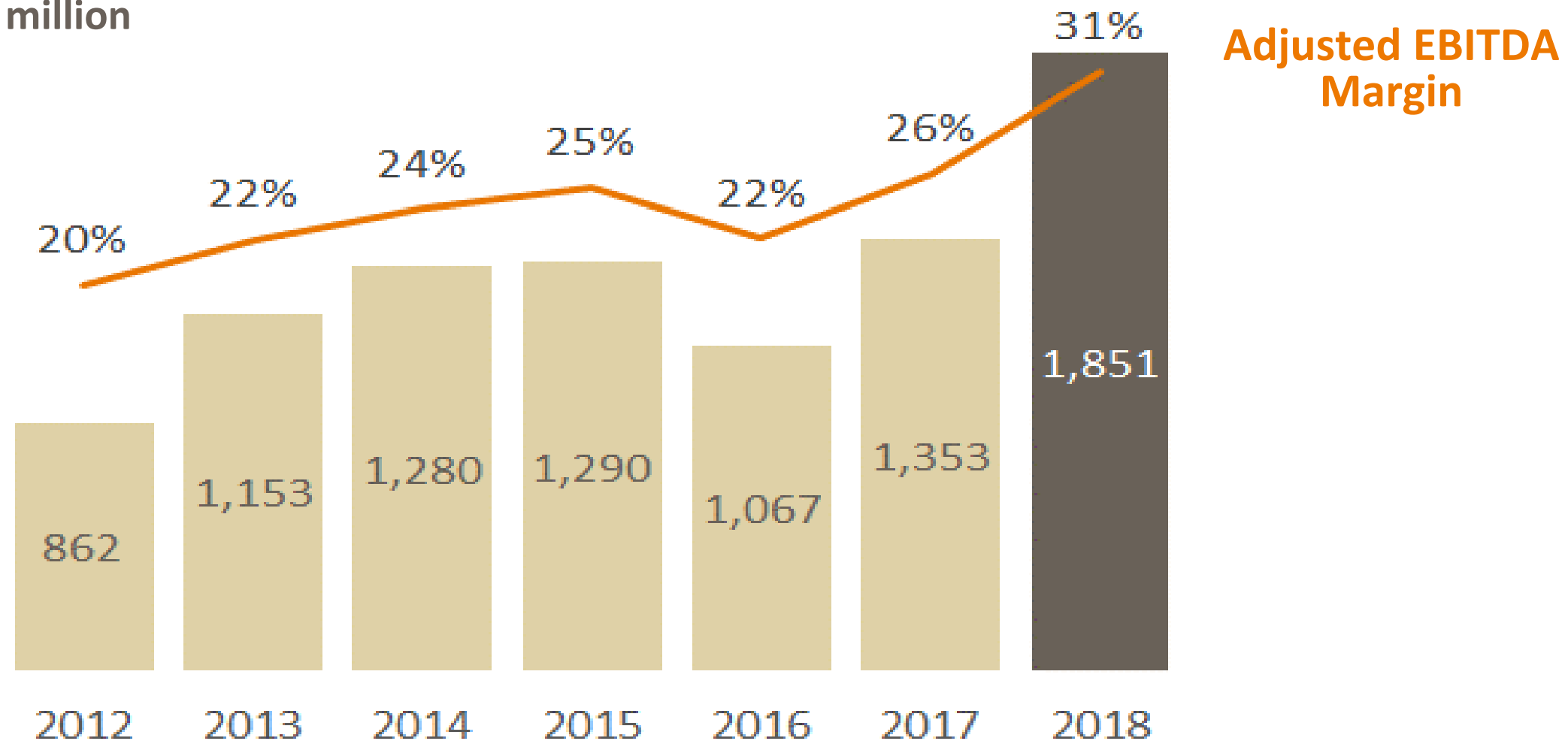
Financial Highlights

Recent Events and Initiatives
Sustainability

SOLID CAPITAL STRUCTURE

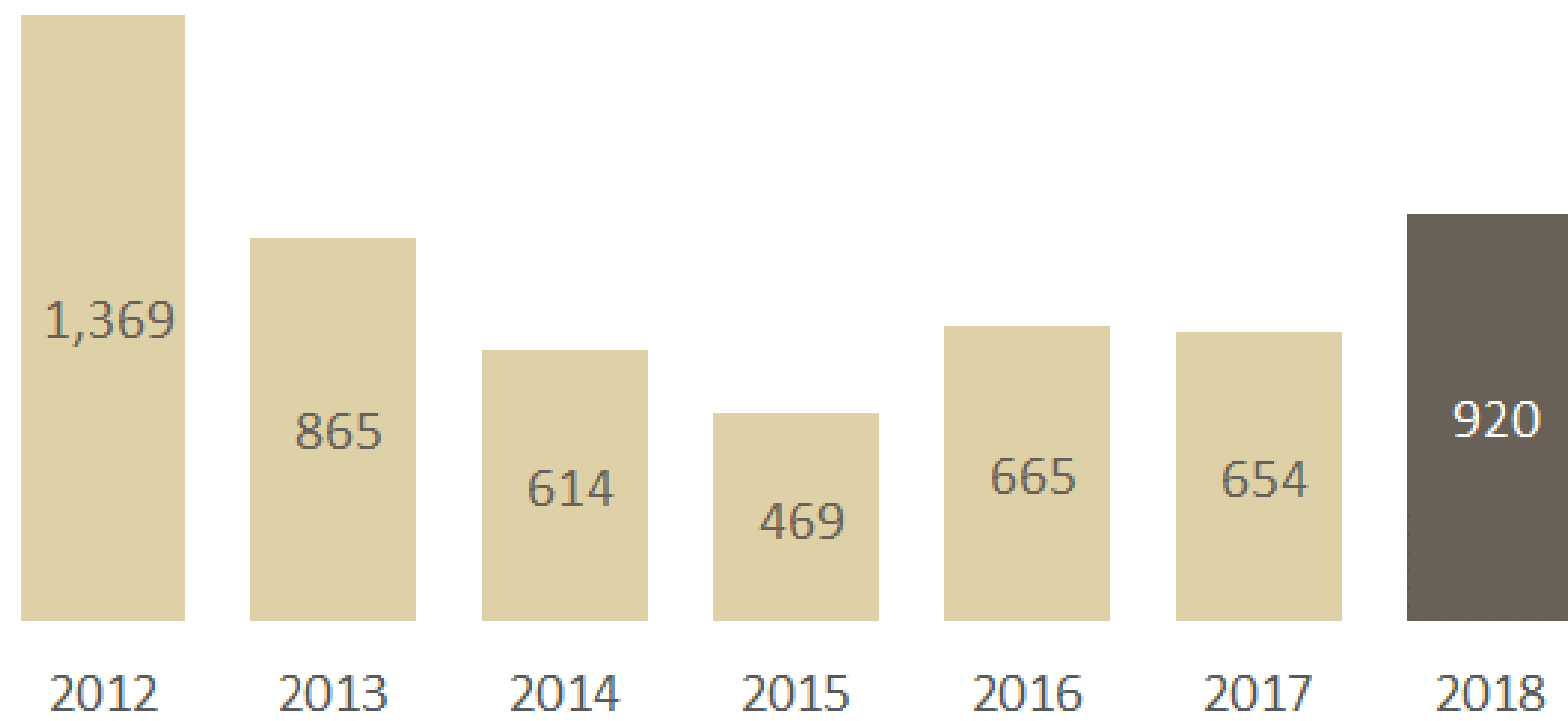
Adjusted EBITDA

US\$ million



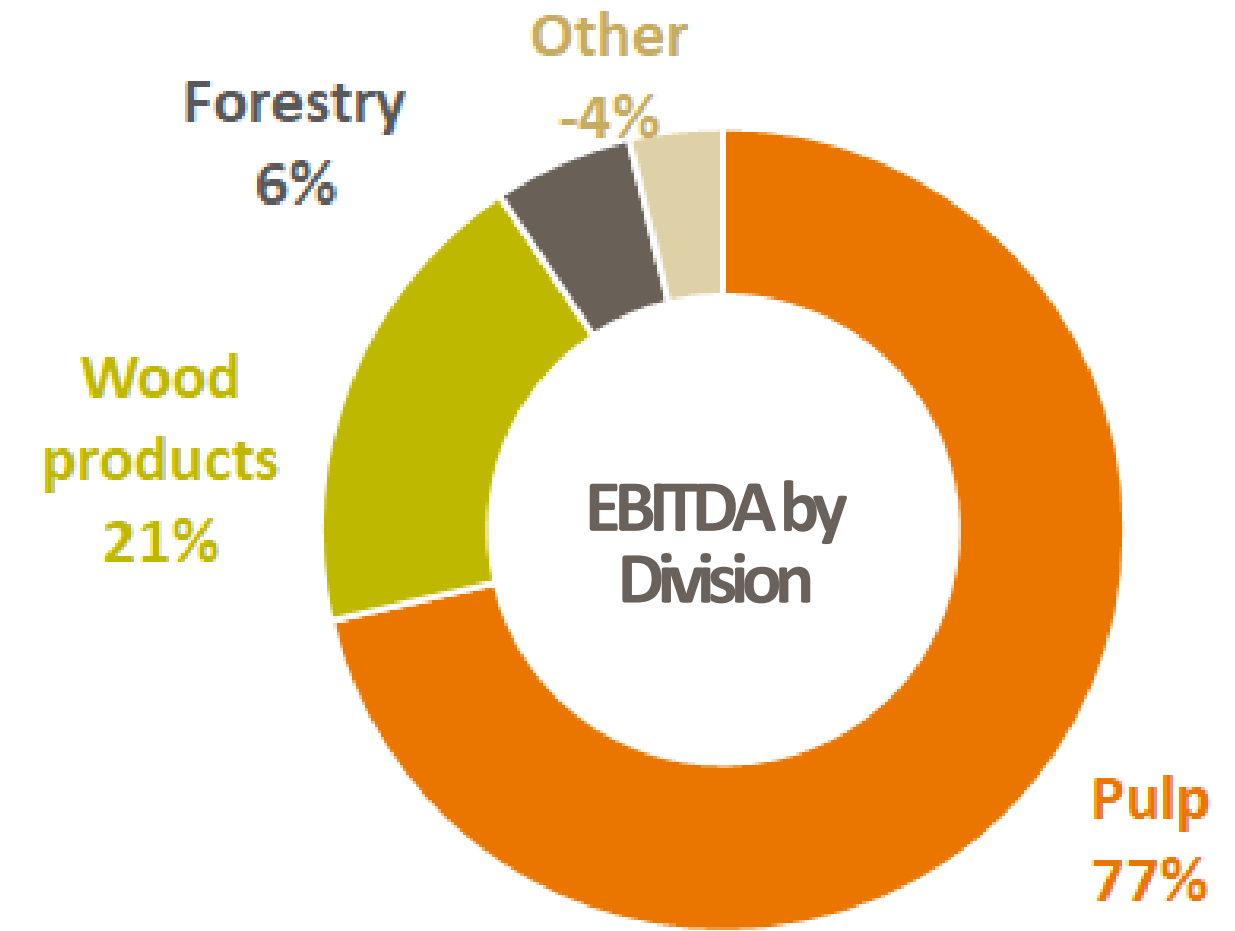
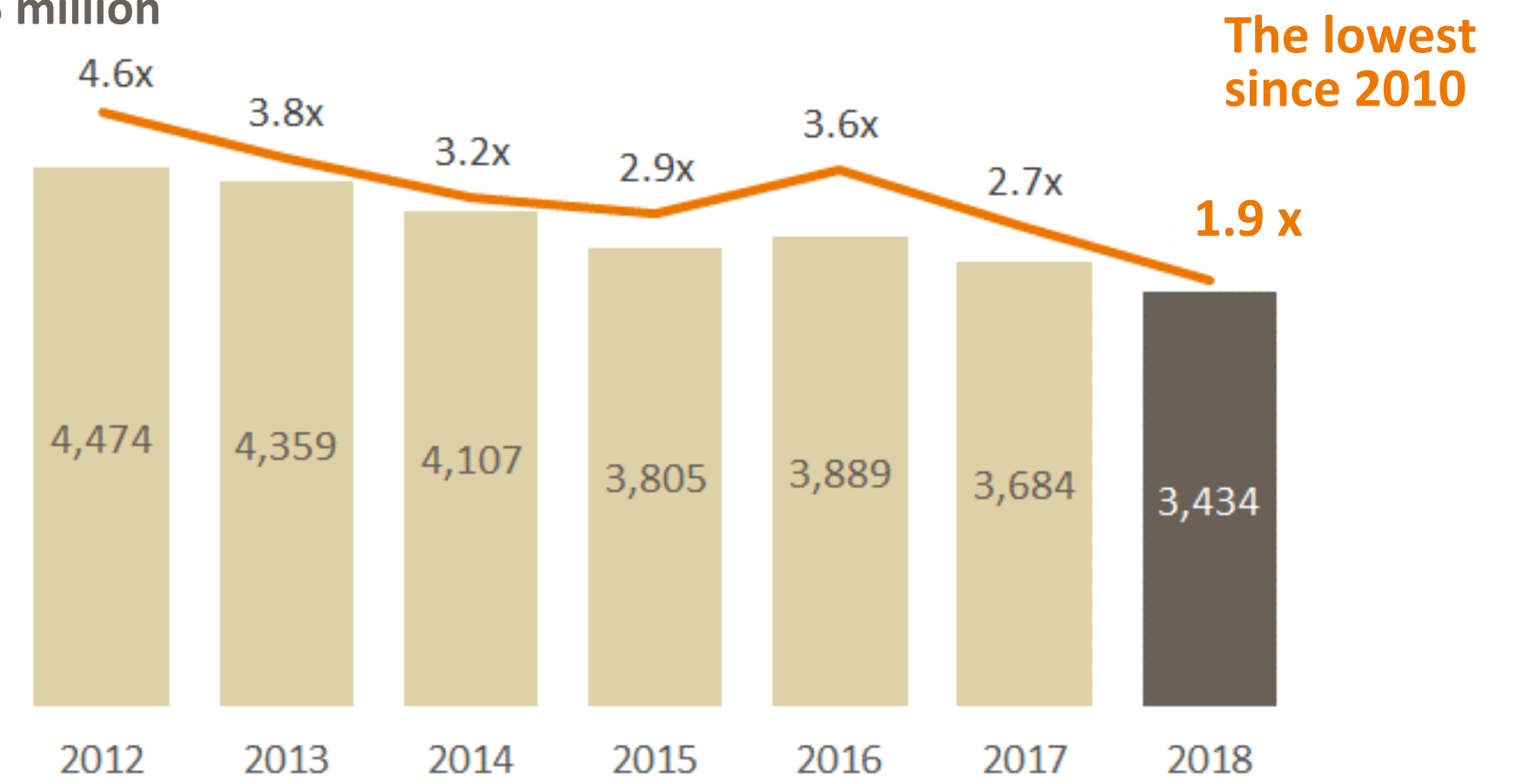
CAPEX

US\$ million



Net Debt

US\$ million





Arauco Overview

Business Segments

Financial Highlights

Recent Events and Initiatives

Sustainability

arauco

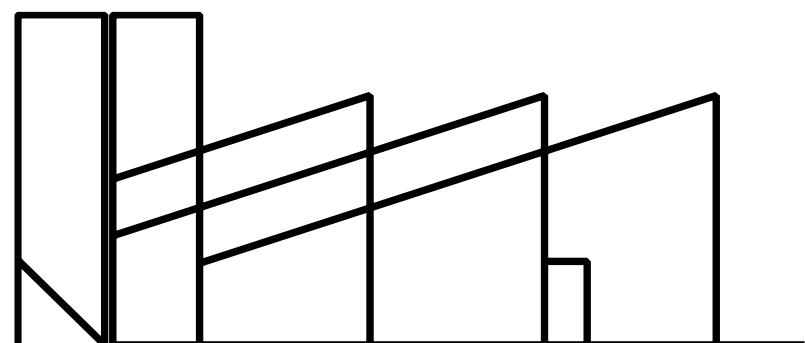
MAPA: NEW PRODUCTION LINE & COGENERATION PLANT AT ARAUCO MILL

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

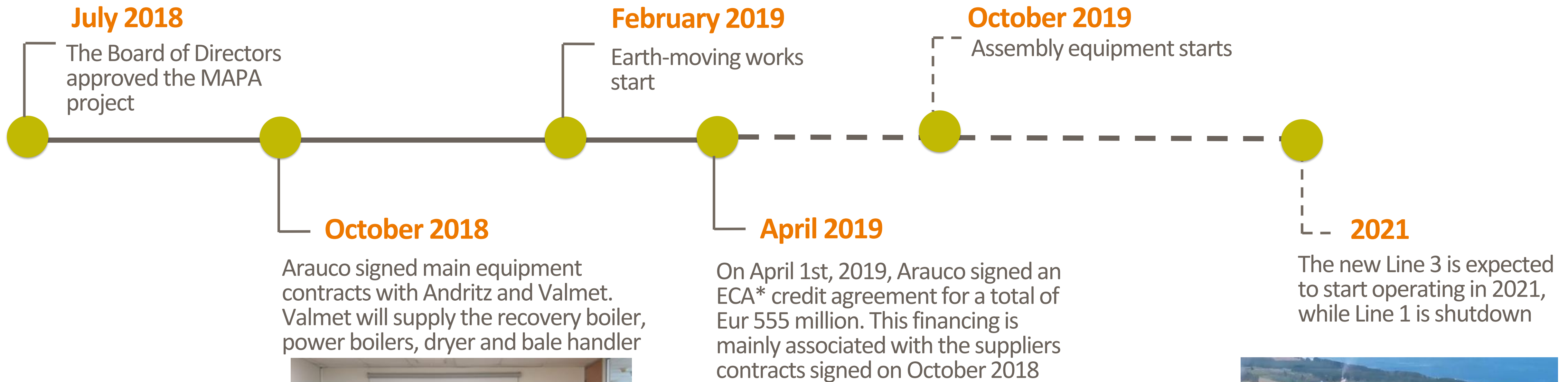
- The project considers the shut down of Arauco's Line 1 (290,000 Adt) of short fiber pulp once the new line (Line 3) is operating
- It also considers the construction of a 132 MW cogeneration plant



- 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



(*) Export Credit Agency

DISSOLVING PULP PROJECT: REACHING NEW MARKETS

- As of January 2019, the construction phase was 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

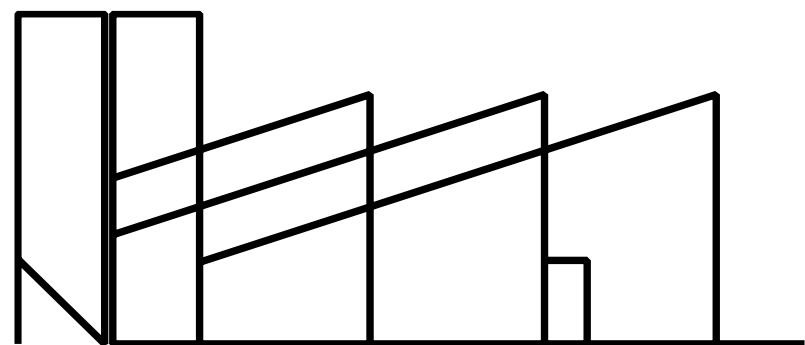


GRAYLING PARTICLEBOARD PLANT

- Located in Grayling, Michigan, US
- Investment was approximately US\$450 million



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



MEXICO: ARAUCO ACQUIRED MAIN MASISA'S ASSETS

- On December 2017, Arauco agreed to acquire Masisa's main Mexican subsidiaries
- On January 31, 2019, the Company materialized the acquisition of all of the shares of Masisa S.A.'s Mexican subsidiaries for US\$160 million



- Main assets consist of two industrial complexes located in Durango and Zitácuaro
- Total installed capacity of:
 - 220 th. m³ of MDF
 - 339 th. m³ of PB



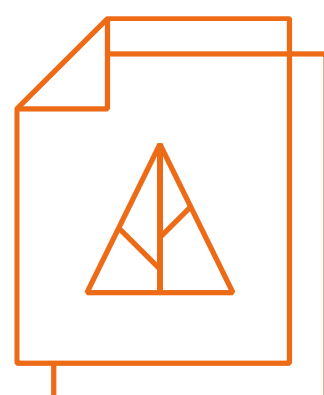
Durango Plant



Biomass Plant, Durango



Zitácuaro Plant



FOREST FIRES SEASON 2019

From early January until mid-March 2019, the plantations affected by forest fires are estimated in 1,579 hectares

- Coordinated efforts with communities, authorities and fire brigades



- Implementation of early warning plans to detect fire outbreaks and to prevent fire bursts



- As of March 2019, fire prevention and combat were managed with our resources, which include:

Brigades

- 129 (1,594 members)

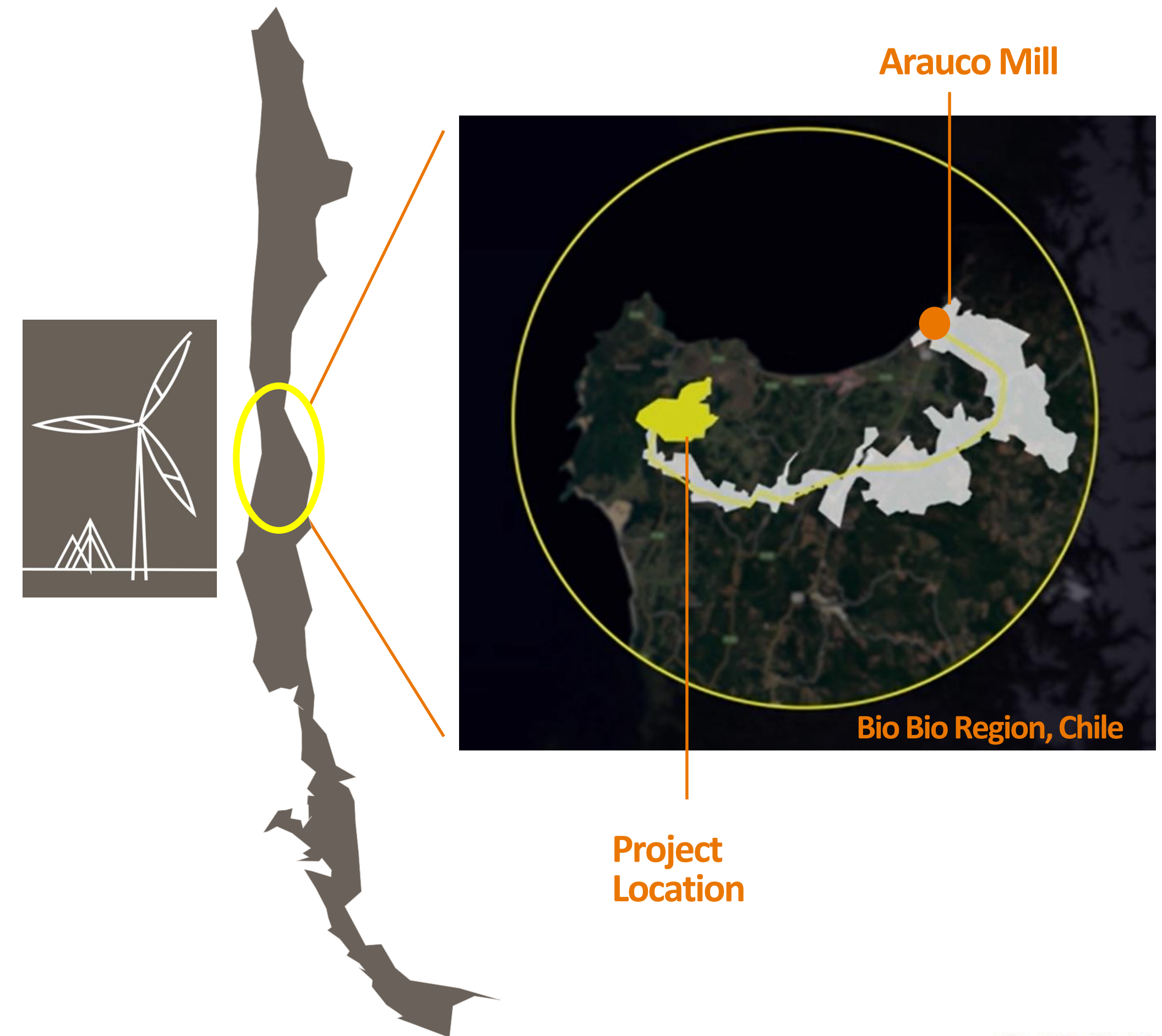
Aerial firefighting

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

“VIENTO SUR” WIND FARM PROJECT



- The project includes 42 wind turbines, which together will generate 215 MW



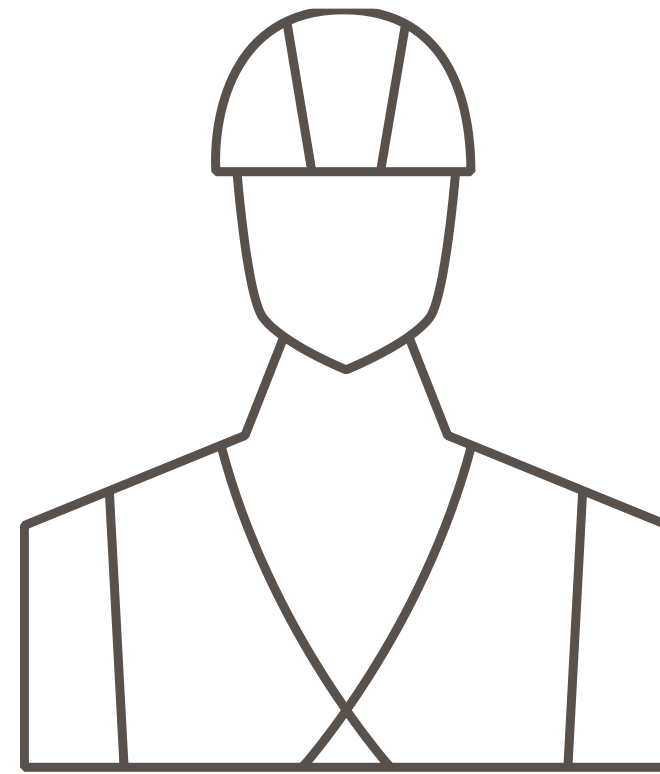
- On March 2019, Arauco presented the Environmental Impact Study of the “*Viento Sur*” Wind Farm Project to the Chilean environmental authorities
- The investment is estimated in approximately US\$250 million
- The Project is still subject to technical and economical feasibility studies, and the board of director’s approval



Arauco Overview
Business Segments
Financial Highlights
Recent Events and Initiatives
Sustainability

SUSTAINABILITY

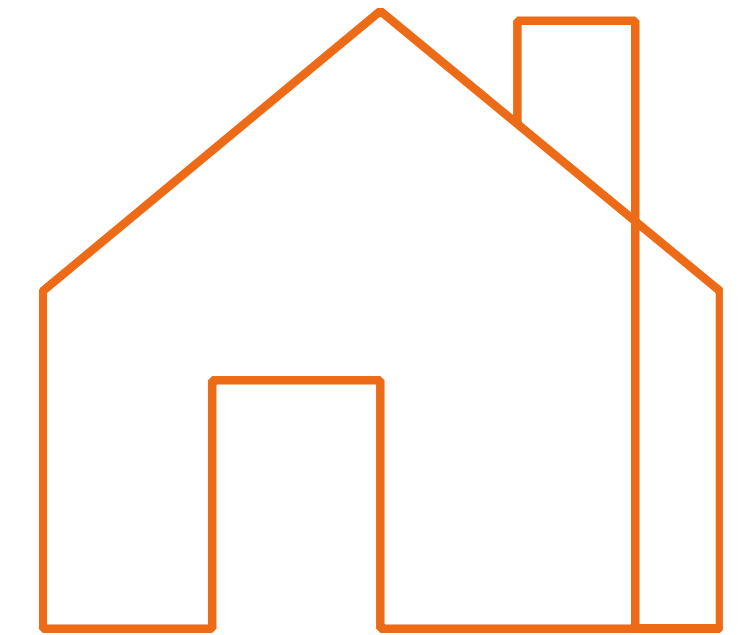
Arauco is committed to the occupational health and **SAFETY** of its workers, to the **ENVIRONMENT** and to the welfare of the neighbouring **COMMUNITIES**, addressing their social and economic interests



SAFETY



ENVIRONMENT



COMMUNITY
PARTICIPATION & DIALOGUE

SAFETY ALWAYS A PRIORITY

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



ENVIRONMENT

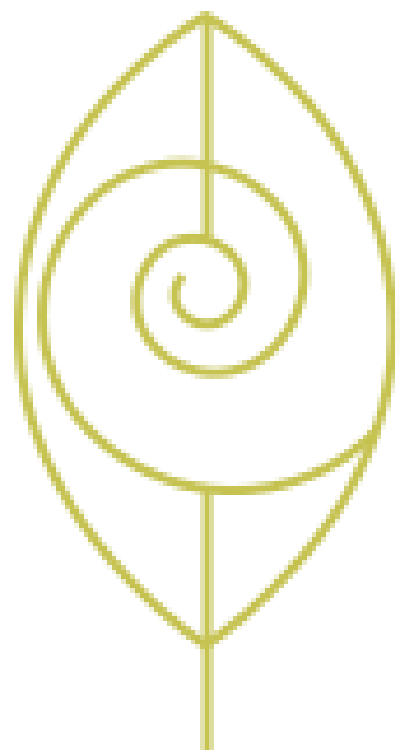
Our forest plantations are CERTIFIED to INTERNATIONALLY RECOGNIZED STANDARDS.

We PROTECT more than 440,000 HECTARES (~1,000,000 acres) of native forest in permanent conservation set-asides.

During 2018 we invested US\$ 94,7 MILLION in environmental improvements.

We apply widely accepted INTERNATIONAL SCIENTIFIC STANDARDS to our silviculture.

We DO NOT use genetically modified plants.



ENVIRONMENT

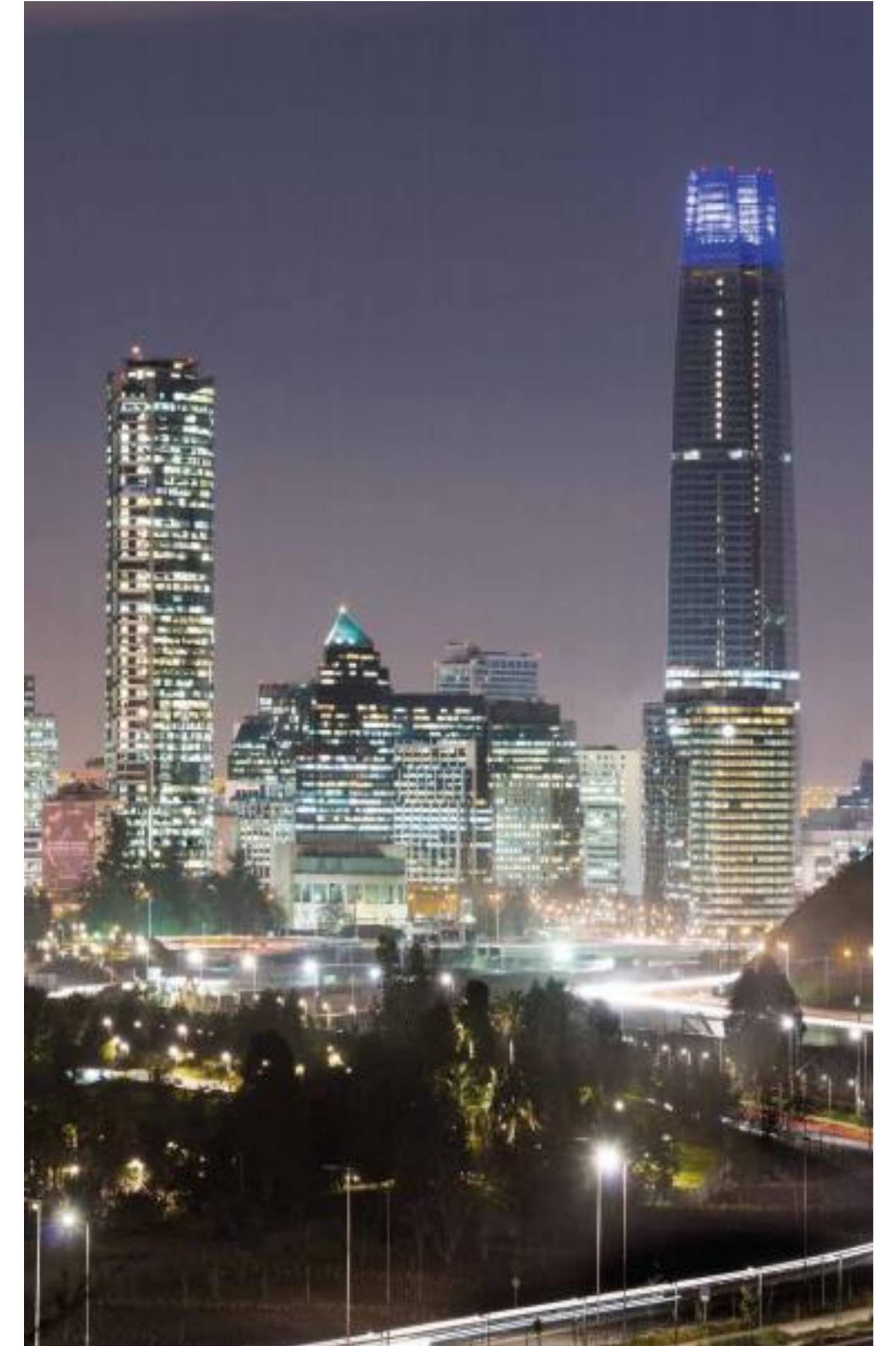
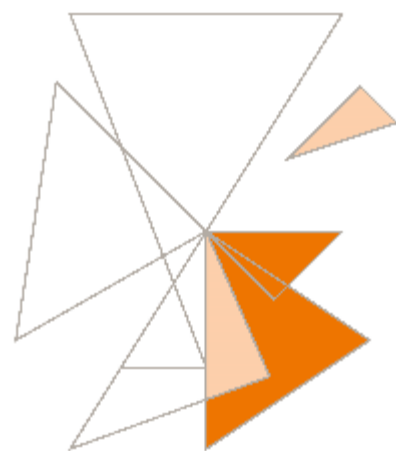
ENERGY

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

ARAUCO can provide up to 219 MW of surplus POWER to the SEN (National Electrical System) in Chile

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.



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



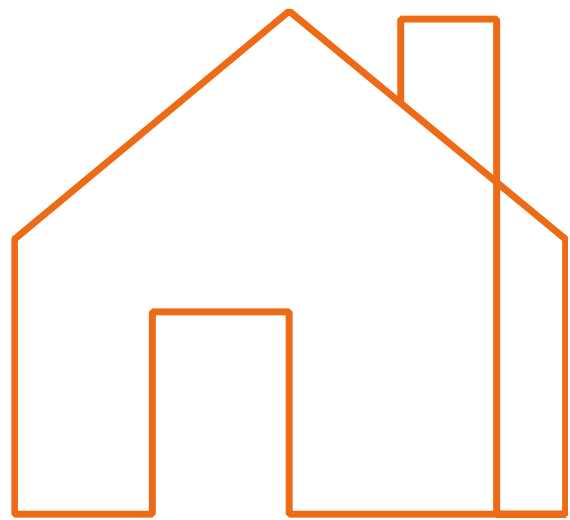
“Santa Olga” Re-Construction Plan

- After the 2017-2018 forest fires, Arauco signed an agreement with the government to reconstruct the places affected by the fires, providing water supplies, new facilities and firewalls



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

- Former center that connects the professional education with practical experiences at the workplace. During 2018, we had the first graduation ceremony with 83 graduates



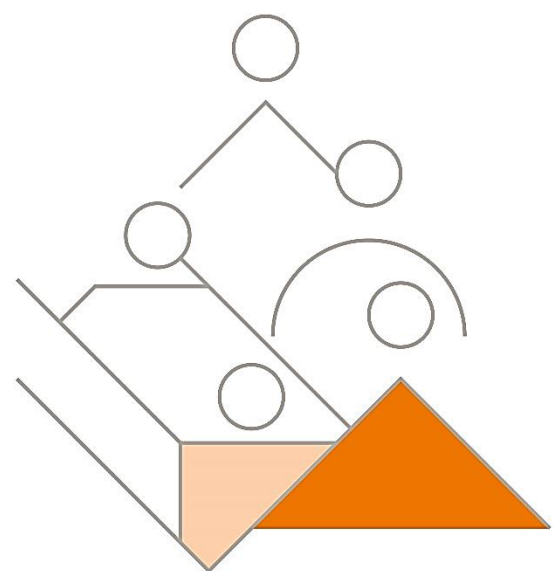
Arauco Educational Foundation

- The purpose is to DESIGN, IMPLEMENT AND ASSESS teacher-improvement programs. We had worked with 34 communities, through 575 schools and 5,120 teachers and assistants



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



FOR FURTHER INFORMATION, PLEASE CONTACT:

Marcelo Bennett, Treasurer
marcelo.bennett@arauco.cl
Phone: (562) 2461 7309

María José Ulloa, Investor Relations
maria.ulloa@arauco.cl
Phone: (562) 2461 7494

investor_relations@arauco.cl

Visit www.arauco.cl for more information

arauco