Arauco

Corporate Presentation 2014
Agenda

- Arauco Overview
- Business Segments
- Investments
- Recent Events and Initiatives
- Sustainability
Arauco started as a Chilean forest and pulp firm...

- **1977**: Copec acquires Celulosa Constitución and Celulosa Arauco. The merged firm is called “Celulosa Arauco y Constitución S.A.”
- **1990**: Arauco creates a forest research subsidiary named Bioforest.
- **1993**: Arauco begins producing Sawn Timber, and creates Aserraderos Arauco S.A.
- **1994**: Arauco Generación (now Arauco Bioenergía) starts operations, producing energy through biomass.
- **1996**: Arauco acquires in Argentina Alto Parana (now Arauco Argentina).
- **1999**: Acquisition of Licancel pulp mill from Attizhold Holding Swiss company.
- **2000**: Arauco’s revenues reach USD 1.2 billion.

Acquisition of Trupán and Cholguán panel companies.
...and today is a world-class player in the forestry products industry with regional operations and global reach

Valdivia pulp mill starts operating
Arauco’s revenues reach USD 2.4 billion
Acquisition of 80% of Forestal Los Lagos, Chile
Purchase of forest investments in Argentina and Brazil from Louis Dreyfus

Nueva Aldea pulp mill starts operating

Arauco’s revenues reach USD 3.6 billion
First Chilean firm to issue carbon credits based on biomass
Education Enterprise Award 2007

Joint Venture with Stora Enso to acquire Uruguayan subsidiary of ENCE

Acquisition of and Moncure panel mill. Arauco has 8 panels mills operating in Canada an U.S.A.

Acquisition of Tafisa Brasil

Montes del Plata pulp mill starts operating in Uruguay
Arauco at a glance

Structure overview

- Controlled by Angelini family
- Part of Empresas Copec holding (#3 in Chile in market cap)
  - Arauco represents approximately 63% of Empresas Copec’s EBITDA
- Not a publicly traded company
- SEC-registered
- In the US bond market since 1995

Consolidated Selected Financials (As of December, 2014)

<table>
<thead>
<tr>
<th>In US$ million</th>
<th>Antarchile</th>
<th>Empresas Copec</th>
<th>Arauco</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>23,846</td>
<td>23,841</td>
<td>5,329</td>
</tr>
<tr>
<td>Assets</td>
<td>22,524</td>
<td>22,368</td>
<td>14,747</td>
</tr>
<tr>
<td>Consolidated Debt</td>
<td>7,361</td>
<td>7,142</td>
<td>5,078</td>
</tr>
<tr>
<td>Market Cap</td>
<td>5,479</td>
<td>14,662</td>
<td>____</td>
</tr>
</tbody>
</table>
Diversified Sales and EBITDA mix coupled with solid capital structure

- Largest forestry company in Latin America
- One of the world’s lowest cost producers
- Diversified products and cash flows
- US$ cash flows –60% of revenues came from exports
- High potential for sustained growth and profitability

**Financial Highlights 2014**

- **Revenue**: U.S.$ 5,329 million
- **EBITDA**: U.S.$ 1,272 million
- **EBITDA Margin**: 24%
- **Net Income**: U.S.$ 437 million
- **Cash**: U.S.$ 971 million
- **Debt**: U.S.$ 5,078 million
- **Net Debt/EBITDA**: 3.2x
- **Debt to Equity**: 76%

**Credit Ratings**

- **Fitch Ratings**: BBB (Stable)
- **Standard & Poor’s**: BBB- (Stable)
- **Moody’s**: Baa3 (Stable)

*Note: Pulp, Panels and Sawn Timber division sales include energy*
Solid financial performance throughout cycles

### Total Revenues
(in US$ million)

- 2009: 3.097
- 2010: 3.767
- 2011: 4.374
- 2012: 4.299
- 2013: 5.146
- 2014: 5.329

### Adjusted EBITDA
(in US$ million)

- 2009: 766
- 2010: 1.390
- 2011: 1.308
- 2012: 862
- 2013: 1.143
- 2014: 1.272

### CAPEX
(in US$ million)

- 2009: 722
- 2010: 688
- 2011: 1.165
- 2012: 1.369
- 2013: 865
- 2014: 612

### Adjusted EBITDA Margin

- 2009: 24.7%
- 2010: 36.9%
- 2011: 29.9%
- 2012: 20.0%
- 2013: 22.2%
- 2014: 23.9%
Commercial Strategy – we sell to over 80 countries

- CANADA: 27% of Total Sales
- USA: 7%
- MEXICO: 30%
- COLOMBIA: 4%
- BRAZIL: 7%
- CHILE: 32%
- ARGENTINA: 9%
- HOLLAND: 4%
- CHINA: 27%
- JAPAN: 32%
- PERU: 7%
- AUSTRALIA: 30%

% of Total Sales

Sales Offices
### Five strategic business segments in a diversified operational footprint

<table>
<thead>
<tr>
<th>Segment</th>
<th>FORESTRY</th>
<th>PULP</th>
<th>PANELS</th>
<th>SAWN TIMBER</th>
<th>ENERGY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chile</strong></td>
<td>1,110,569 Ha</td>
<td>5 mills 2,882,000 ADt</td>
<td>4 mills MDF: 515,000 m³ PB: 300,000 m³ HB: 60,000 m³ Plywood: 710,000 m³</td>
<td>8 sawmills 4 remanufacturing facilities</td>
<td>10 Power Plants 606 MW</td>
</tr>
<tr>
<td><strong>Argentina</strong></td>
<td>263,386 Ha</td>
<td>1 mill 350,000 ADt</td>
<td>2 mills MDF: 300,000 m³ PB: 260,000 m³</td>
<td>1 sawmill 1 remanufacturing facility</td>
<td>2 Power Plants 78 MW</td>
</tr>
<tr>
<td><strong>Brazil</strong></td>
<td>144,392 Ha</td>
<td></td>
<td>2 mills MDF: 1,255,000 m³ PB: 310,000 m³</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Uruguay</strong></td>
<td>50% of 229,772 Ha</td>
<td>50% of 1,300,000 Adt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Canada</strong></td>
<td>50% of 229,772 Ha</td>
<td>50% of 1,300,000 Adt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,633,233 ha</td>
<td>3.9 million Adt</td>
<td>6.6 million m³</td>
<td>2.9 million m³</td>
<td>744 MW</td>
</tr>
</tbody>
</table>

*December, 2014*
Agenda

- Arauco Overview
- Business Segments
  - Forestry
    - Pulp
    - Panels and Sawn Timber
    - Energy
- Investments
- Recent Events and Initiatives
- Sustainability
Business Segments > Forestry
Forestry > Our goal is to maximize the value of each tree
Forestry > The base for growth

**Arauco’s Plantations**

<table>
<thead>
<tr>
<th>Year</th>
<th>Plantations (in '000 hectares)</th>
</tr>
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<tbody>
<tr>
<td>2001</td>
<td>619</td>
</tr>
<tr>
<td>2002</td>
<td>610</td>
</tr>
<tr>
<td>2003</td>
<td>632</td>
</tr>
<tr>
<td>2004</td>
<td>800</td>
</tr>
<tr>
<td>2005</td>
<td>851</td>
</tr>
<tr>
<td>2006</td>
<td>884</td>
</tr>
<tr>
<td>2007</td>
<td>932</td>
</tr>
<tr>
<td>2008</td>
<td>948</td>
</tr>
<tr>
<td>2009</td>
<td>994</td>
</tr>
<tr>
<td>2010</td>
<td>1.007</td>
</tr>
<tr>
<td>2011</td>
<td>1.024</td>
</tr>
<tr>
<td>2012</td>
<td>1.020</td>
</tr>
<tr>
<td>2013</td>
<td>1.015</td>
</tr>
<tr>
<td>2014</td>
<td>1.002</td>
</tr>
</tbody>
</table>

Includes plantations in Chile, Argentina, Brazil and Uruguay

- Largest owner of forestry land in the Southern Cone – 1.6 million hectares of land
- Strategically located plantations
- Ideal conditions for forests growth – fast growth rate and short harvest cycle
- Efficient forest management, guaranteeing the sustainability of the operations
- Low forest operating costs
- Strategically acquiring attractive forestry assets and continue developing new plantations
- Adoption of strict environmental policies toward holdings of native forests

**Ideal Conditions for Forest Growth**
Forestry > Arauco has focused on forest management to guarantee the sustainability of its operations

**Annual Harvest**
(in million cubic meters)

<table>
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<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Harvest (million cubic meters)</td>
<td>9.0</td>
<td>9.4</td>
<td>10.9</td>
<td>12.5</td>
<td>14.1</td>
<td>14.2</td>
<td>15.3</td>
<td>16.5</td>
<td>16.3</td>
<td>16.6</td>
<td>18.6</td>
<td>18.8</td>
<td>21.3</td>
<td>21.9</td>
</tr>
</tbody>
</table>

**Pine plantations age breakdown Dec 2014**
(in ‘000 hectares)

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5 years</td>
<td>25%</td>
</tr>
<tr>
<td>6-10 years</td>
<td>23%</td>
</tr>
<tr>
<td>11-15 years</td>
<td>21%</td>
</tr>
<tr>
<td>16-20 years</td>
<td>19%</td>
</tr>
<tr>
<td>21+ years</td>
<td>12%</td>
</tr>
</tbody>
</table>

Total = 720,497 hectares of pine

Includes 50% of Montes del Plata, Uruguay

Includes plantations in Chile, Argentina, Brazil and Uruguay
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Business Segments > Pulp
Pulp > Arauco’s main industrial activity, generating 44% of the company’s sales

- Number two in the world in terms of market pulp capacity
- Low production cost linked to scale new technology
- Strategically located mills: proximity to forests, production facilities and ports
- Short and long fiber pulp - Kraft and Fluff process
- Exports represent more than 90% of pulp total sales
- Competitive positioning in fast growth Asian markets
Pulp > Arauco has become one of the top market pulp producers

<table>
<thead>
<tr>
<th>Company</th>
<th>Installed Capacity – Market Pulp (in thousand of tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fibria</td>
<td>3,882</td>
</tr>
<tr>
<td>Arauco</td>
<td>3,217</td>
</tr>
<tr>
<td>APRIL</td>
<td></td>
</tr>
<tr>
<td>CMPC</td>
<td></td>
</tr>
<tr>
<td>Koch Ind.</td>
<td></td>
</tr>
<tr>
<td>Paper Exc.</td>
<td></td>
</tr>
<tr>
<td>UPM</td>
<td></td>
</tr>
<tr>
<td>Metsaliitto</td>
<td></td>
</tr>
<tr>
<td>Weyerhaeuser</td>
<td></td>
</tr>
<tr>
<td>Suzano</td>
<td></td>
</tr>
</tbody>
</table>

Source: RISI and Arauco estimations
Company information and filings
Pulp > Our mills

**Arauco Mill (Arauco I)**
- Completed in 1972
- Annual production capacity of 290,000 tons of Bleached Pulp

**Constitucion Mill**
- Started production in 1976
- Annual production capacity of 355,000 tons of Unbleached Softwood Pulp

**Arauco Mill (Arauco II)**
- Started production in 1992
- US$600 MM investment
- Annual production capacity of 510,000 tons of Softwood Bleached Pulp

**Alto Parana Mill**
- Acquired in December 1996
- US$290 MM investment
- Annual production capacity of 350,000 tons of Pine Bleached Kraft Pulp and Fluff

**Licancel Mill**
- Acquired in September 1999
- US$127 MM investment
- Annual production capacity of 150,000 tons of Bleached Hardwood Pulp, Bleached and Unbleached Softwood Pulp

**Valdivia Mill**
- Started production in 2004
- US$574 MM investment
- Annual production capacity of 550,000 tons of Bleached Pulp

**Nueva Aldea Mill**
- Started production in 2006
- US$850 MM investment
- Annual production capacity of 1,027,000 tons of Bleached Pulp

**Montes del Plata Mill (50%)**
- Started production in June 2014
- US$2,500 MM investment
- Annual production capacity of 1,300,000 tons
Pulp > Increasing our balance between short and long fiber

- At least 70% of our pulp is sold in emerging or non-developed markets
- High potential of growth:
  - Low per capita consumption of tissue and paper compared to that of developed countries
- China is our main market destination and where we see high potential of growth

Source: Company information and filings
Pulp > Arauco uses its competitive advantages to efficiently supply worldwide pulp demand

Sales by Product 2014

- BHKP: 31%
- BSKP: 55%
- UKP: 14%

Total = 3,279 Th. ADt

Sales by Region 2014

- China: 47%
- America: 16%
- Korea: 8%
- Europe: 17%
- Rest of Asia & Others: 12%

Total = 3,279 Th. ADt

* Includes Fluff sales
Source: Company information and filings
### Agenda

- Arauco Overview

<table>
<thead>
<tr>
<th>Business Segments</th>
<th>Forestry</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pulp</td>
</tr>
<tr>
<td></td>
<td>Panels and Sawn Timber</td>
</tr>
<tr>
<td></td>
<td>Energy</td>
</tr>
</tbody>
</table>

- Investments

- Recent Events and Initiatives

- Sustainability
Business Segments > Panels and Sawn Timber
Panels > Represents 35% of Arauco’s revenues

- Operations in USA, Canada, Brazil, Chile and Argentina
- Ranked #1 in capacity in North America and #3 worldwide
- Low cost producer
- Our products are used mainly in the furniture industry

Panels production

In ‘000 cubic meters

CAGR\(^1\), 20.1%

(1) Compound Annual Growth rate
Panels > Diversified product mix and client base

Sales by Product December 2014

- Plywood: 34%
- MDF: 56%
- HB/OSB/Others: 8%
- Total = 5,284 Th. m³

Sales by Region December 2014

- USA and Canada: 50%
- Brazil: 22%
- Rest of Latin America: 12%
- Asia & Others: 6%
- Chile: 7%
- Argentina: 2%
- Total = 5,284 Th. m³

Source: Company information and filings
Sawn Timber > Arauco is one of the largest sawntimber companies

- Operations in Chile and Argentina
- Installed annual capacity of 2.9 million m³
- Improved saw log quality enhances value of product mix
- Economies of scale in transportation costs provide growth opportunities
- Main use of our sawn timber products is for the construction and packaging industry

**Sawn Timber Sales**

(in '000 cubic meters)

CAGR¹ 5.1%

(1) Compound Annual Growth rate
Sawn Timber > Relevant supplier for the global construction sector with high quality production standards

**Sales by Product December 2014**

- Sawn Timber: 40%
- Kilned Sawn Timber: 45%
- Remanufactured Wood Products: 15%

**Total = 2,791 Th.m³**

**Sales by Region December 2014**

- Europe: 20%
- Chile: 15%
- Asia and Oceania: 41%
- USA and Canada: 13%
- Middle East and Africa: 11%
- Rest of Latin America: 1%

**Total = 2,791 Th.m³**

Source: Company information and filings
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Energy > Key part of our value chain

- Renewable, environmental friendly energy
- Energy production is part of our production process
- Installed capacity of 744 MW
- Arauco is self-sufficient in electricity consumption
- Surplus of 237 MW sold to National Grid

**Total Energy Revenues**

(in US$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>86</td>
</tr>
<tr>
<td>2011</td>
<td>98</td>
</tr>
<tr>
<td>2012</td>
<td>137</td>
</tr>
<tr>
<td>2013</td>
<td>146</td>
</tr>
<tr>
<td>2014</td>
<td>160</td>
</tr>
</tbody>
</table>
Agenda

- Arauco Overview
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Investments > Latest investments

**Jaguaríaiva Expansion**
- **Brazil**
  - Brownfield panel line
  - MDF: 500,000 m³ capacity
- Start up: 1Q/2013
- Total capex: US$ 162 M

**Plywood Reconstruction**
- **Chile**
  - Reconstruction of Nueva Aldea’s plywood mill
  - New capacity: 360,000 m³
- Start up: Dec 2013
- Total capex: US$ 186 M

**Montes del Plata**
- **Uruguay**
  - 50% JV with Stora Enso
  - 1.3 million ADt BHKP per year
  - Includes port and energy plant
- Start up: June 2014
- Total capex: US$ 2,500 M
  - The highest private investment in the history of Uruguay
  - The first shipment was done in July 2014
On July Arauco submitted an environmental impact study to produce dissolving pulp

Dissolving pulp is a product used in the textile industry as an alternative of cotton

Arauco would be the first company to produce this pulp in Chile

- It will provide flexibility to produce either dissolving or paper grade
- The estimated investment for this brownfield project is approximately US$ 185 million
Investments > MAPA new line at Arauco mill and cogeneration plant

- Construction of a third pulp line in the Arauco Mill of 1.5 million Adt of annual capacity of short fiber pulp and a 166 MW cogeneration plant
- The project considers the closure of Arauco’s line 1 of 290,000 Adt of short fiber pulp once 3rd line is operating

✓ The investment for this project will be approximately US$ 2,300 million
Agenda

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- Sustainability
Deleveraging and Positive Free Cash Flow Focus

## Financial Debt

<table>
<thead>
<tr>
<th></th>
<th>December 2014</th>
<th>September 2014</th>
<th>December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term financial debt</td>
<td>739.5</td>
<td>796.1</td>
<td>893.5</td>
</tr>
<tr>
<td>Long term financial debt</td>
<td>4,338.9</td>
<td>4,358.5</td>
<td>4,133.0</td>
</tr>
<tr>
<td><strong>TOTAL FINANCIAL DEBT</strong></td>
<td><strong>5,078.4</strong></td>
<td><strong>5,154.6</strong></td>
<td><strong>5,026.5</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>971.2</td>
<td>972.2</td>
<td>667.2</td>
</tr>
<tr>
<td><strong>NET FINANCIAL DEBT</strong></td>
<td><strong>4,107.3</strong></td>
<td><strong>4,182.4</strong></td>
<td><strong>4,359.3</strong></td>
</tr>
</tbody>
</table>

### Financial Debt Profile as of December 31, 2014

*In US$ Million*

<table>
<thead>
<tr>
<th>Year</th>
<th>Bonds</th>
<th>Bank Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>309</td>
<td>430</td>
</tr>
<tr>
<td>2016</td>
<td>515</td>
<td>515</td>
</tr>
<tr>
<td>2017</td>
<td>183</td>
<td>121</td>
</tr>
<tr>
<td>2018</td>
<td>66</td>
<td>100</td>
</tr>
<tr>
<td>2019</td>
<td>542</td>
<td>101</td>
</tr>
<tr>
<td>2020</td>
<td>490</td>
<td>248</td>
</tr>
<tr>
<td>2021</td>
<td>487</td>
<td>430</td>
</tr>
<tr>
<td>2022</td>
<td>592</td>
<td>594</td>
</tr>
<tr>
<td>2023</td>
<td>534</td>
<td>534</td>
</tr>
<tr>
<td>2024</td>
<td>474</td>
<td>474</td>
</tr>
</tbody>
</table>

### Net Debt/ Adj. EBITDA

- Q4 2013: 3.8x
- Q3 2014: 3.6x
- Q4 2014: 3.2x

## Initiatives

- Capital expenditure discipline
- Working Capital Optimization
- Asset efficiency programs
- Capture EBITDA from new assets
- Cost reduction
Main Events

Forestal Arauco sold nearly 11,000 has. of plantations

- The transaction was closed in December 2014 for around US$ 90 million
- The total surface represents approximately 1% of the total plantations
- Plantations were located in areas farther away from the company’s production facilities

Arauco closed two committed credit facilities for US$ 320 million

- The first facility in UF of app. US$ 120 million, was closed with a local bank in March 2015
- The second facility in USD of US$ 200 million, was closed with a club deal of foreign banks in March 2015
- The duration of each lines is 5 years

Arauco issued US$ 500 million in international market

- The second bond of US$ 500 million in 4.5 notes, issued in August 2014. The duration is 10 years

Arauco issued approx. US$ 302 million in local market

- The first local bond of UF 7,000,000 of app. US$ 302 million, was during April 2014

Arauco
Growing the Future
Agenda

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Sustainability

Arauco translates its commitment to the environment, to the occupational health and safety of our workers, and to the welfare of the communities in which we operate into specific actions with tangible results.

1. Environment
2. Community, participation and dialog
3. Safety
Sustainability > Environment

- Our plantations forests are certified to internationally recognized standards
- We do not source native forests or protected species
- We protect more than **390,000 hectares** (963,000 acres) of native forest in permanent conservation set-asides
- During 2014 we invested **US$ 82 million** in environmental improvements

We apply widely accepted International scientific standards to our silviculture.

We do not use genetically modified plants.
• 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 up to 209 MW of surplus energy to the SIC, Chile’s national energy grid
• The company has six cogeneration power plants in Chile registered as greenhouse gas (GHG) emission-reduction projects with the Clean Development Mechanism (CDM) of the Kyoto Protocol
• This allows ARAUCO to annually offset 700,000 tons of CO2e
Sustainability > Community, Participation and Dialog

Our operations directly benefit more than 40,000 workers and their families, as well as more than 1,800 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 dialog and participation.
Arauco Educational Foundation:
• 25 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
PRES Constitución:
• 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 standard for company employees and their neighbors
• **9,000** houses were built between 2013 and 2017
Sustainability > Community, Participation and Dialog

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 capacities to promote the local development of areas located far from urban centers
- Today, Hubs have been established in Mariquina, Constitución and Curanilahue
Sustainability > Safety

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

• We create the conditions necessary to foster the career advancement and human development of all company members
Visit www.arauco.cl for more information