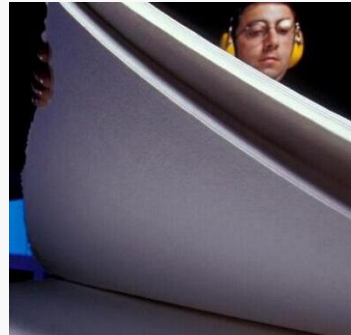




**ARAUCO.**  
Growing the Future

# Arauco

## Corporate Presentation 2014



# Agenda

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- **Arauco Overview**

- **Business Segments**

- **Investments**

- **Recent Events and Initiatives**

- **Sustainability**

# Arauco started as a Chilean forest and pulp firm...



1977

Copac 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

1995

Creation of subsidiary Paneles Arauco S.A. It's Horcones mill starts operations in 1998

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 Forestal Cholguán

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



2004

2005

2006

2007

2009

2012

2014

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

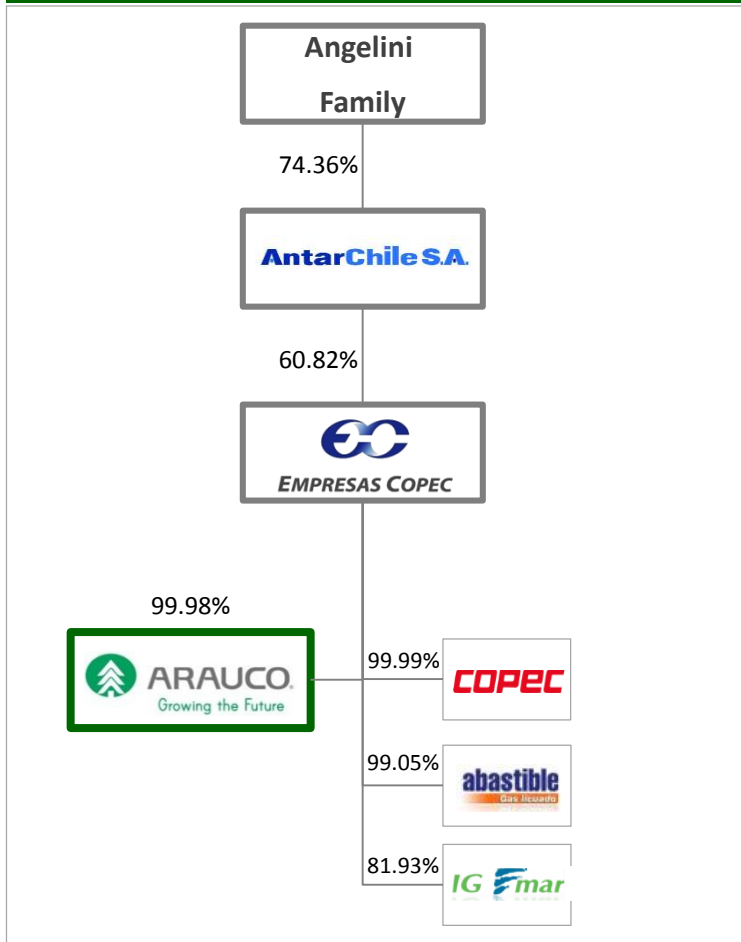
Acquisition of Tafisa Brasil

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

Montes del Plata pulp mill starts operating in Uruguay

# Arauco at a glance

## Structure overview



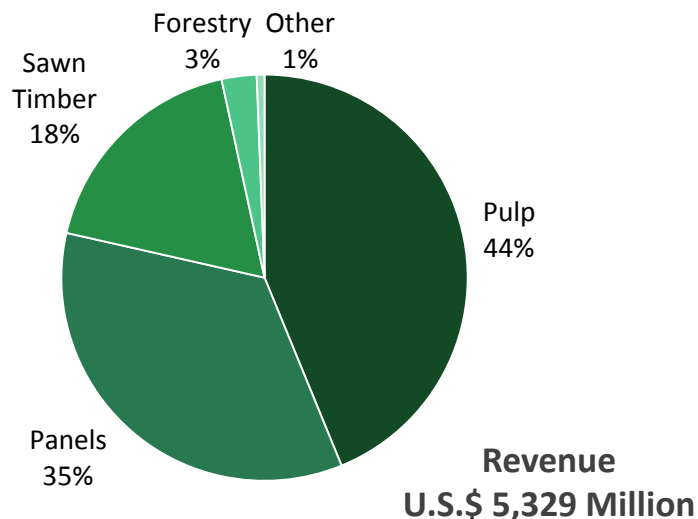
- Controlled by Angelini family
- Part of Empresas Copec holding (#3 in Chile in market cap)
  - *Arauco represents approximately 63% of Empresas Copec's EBITDA*
- Not a publicly traded company
- SEC-registered
- In the US bond market since 1995

## Consolidated Selected Financials (As of December, 2014)

<i>In US\$ million</i>	Antarchile	Empresas Copec	Arauco
Sales	23,846	23,841	5,329
Assets	22,524	22,368	14,747
Cosolidated Debt	7,361	7,142	5,078
Market Cap	5,479	14,662	—

# 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



Note: Pulp, Panels and Sawn Timber division sales include energy

## Financial Highlights 2014

(in US\$ million)

Revenue U.S.\$ 5,329	EBITDA U.S.\$ 1,272	EBITDA Margin 24 %
Net Income U.S.\$ 437	Cash U.S.\$ 971	Capex U.S.\$ 612
Debt U.S.\$ 5,078	Net Debt/Ebitda 3.2x	Debt to Equity 76%

## Credit Ratings

**FitchRatings**

**BBB (Stable)**

**STANDARD  
& POOR'S**

**BBB- (Stable)**

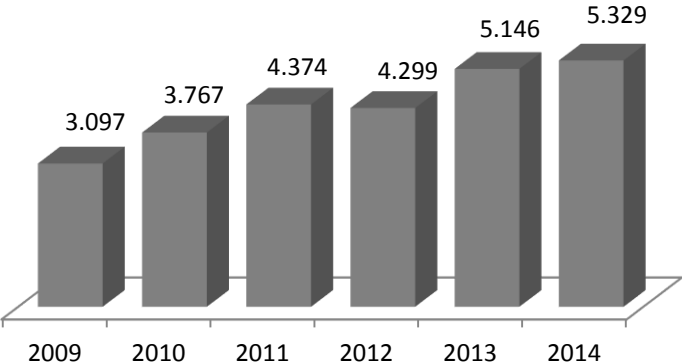
**MOODY'S**

**Baa3 (Stable)**

# Solid financial performance throughout cycles

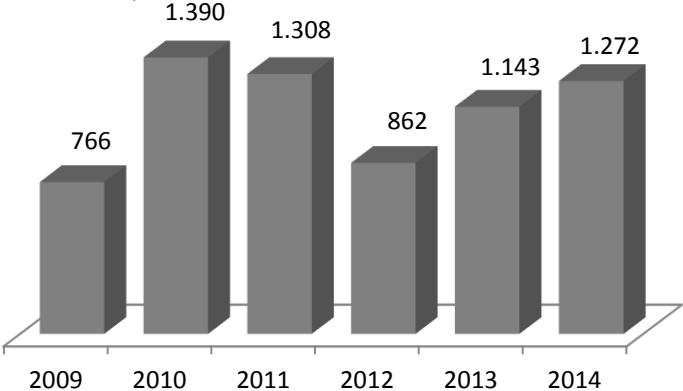
## Total Revenues

(in US\$ million)



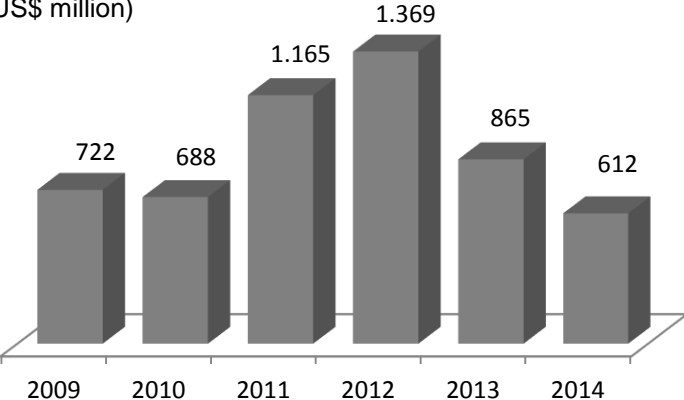
## Adjusted EBITDA

(in US\$ million)

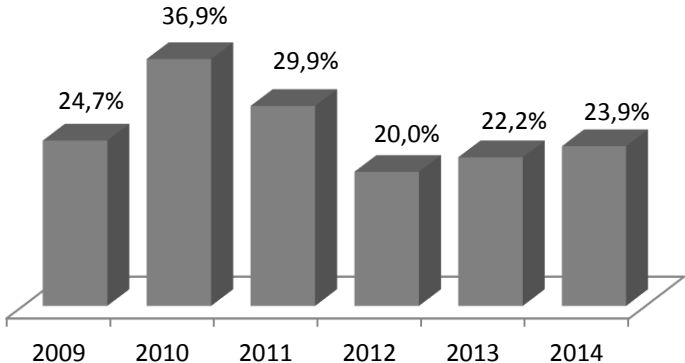


## CAPEX

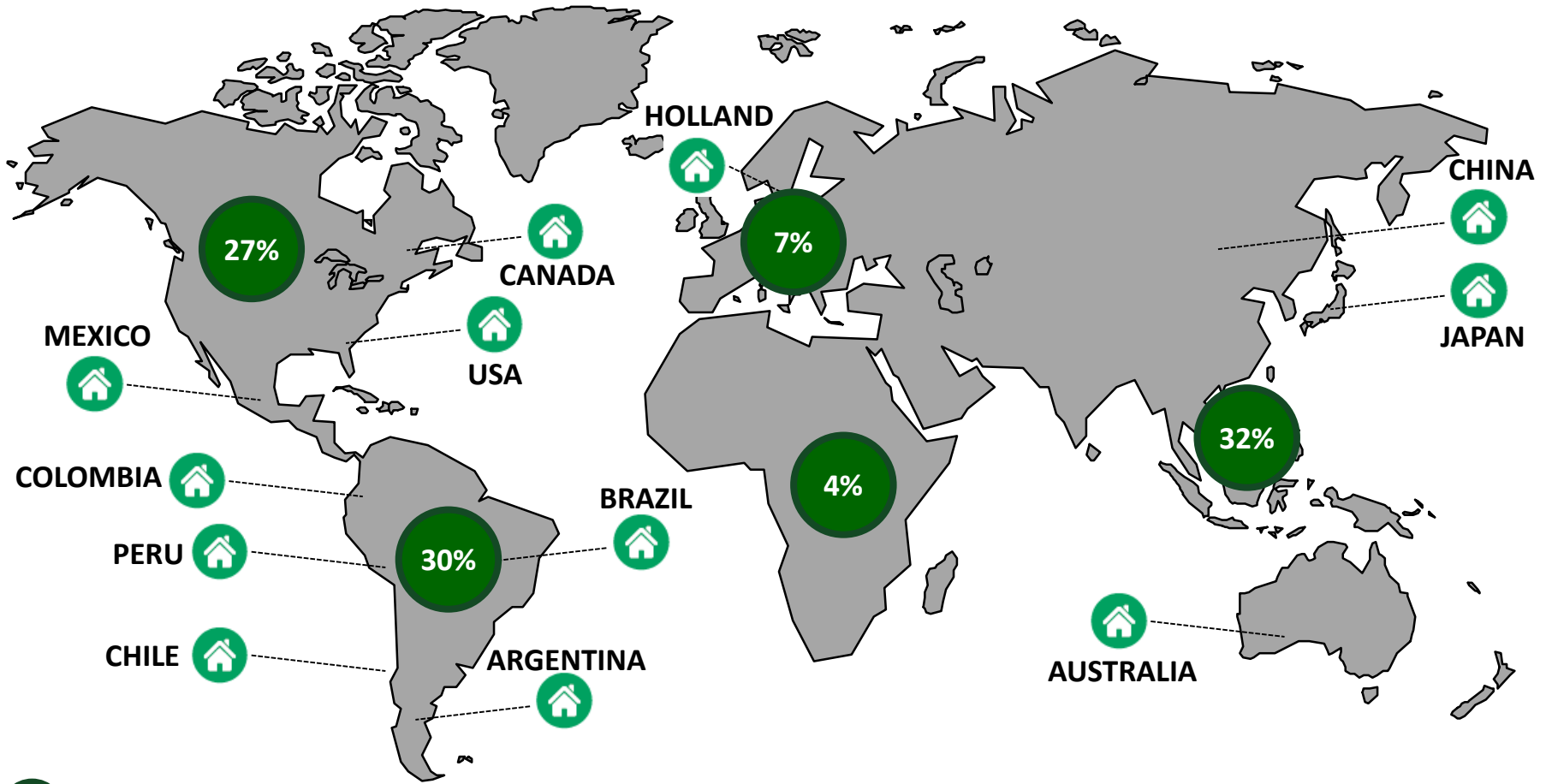
(in US\$ million)



## Adjusted EBITDA Margin









# Commercial Strategy – we sell to over 80 countries



 % of Total Sales  
 Sales Offices



# Five strategic business segments in a diversified operational footprint

	FORESTRY	PULP	PANELS	SAWN TIMBER	ENERGY
	1,110,569 Ha	5 mills 2,882,000 ADt	4 mills MDF: 515,000 m <sup>3</sup> PB: 300,000 m <sup>3</sup> HB: 60,000 m <sup>3</sup> Plywood: 710,000 m <sup>3</sup>	8 sawmills 4 remanufacturing facilities	10 Power Plants 606 MW
	263,386 Ha	1 mill 350,000 ADt	2 mills MDF: 300,000 m <sup>3</sup> PB: 260,000 m <sup>3</sup>	1 sawmill 1 remanufacturing facility	2 Power Plants 78 MW
	144,392 Ha		2 mills MDF: 1,255,000 m <sup>3</sup> PB: 310,000 m <sup>3</sup>		
	50% of 229,772 Ha	50% of 1,300,000 Adt			50% of 120 MW
 			8 mills MDF: 1,499,000 m <sup>3</sup> PB: 1,424,000 m <sup>3</sup>		

<b>TOTAL</b>	<b>1,633,233 ha</b>	<b>3.9 million Adt</b>	<b>6.6 million m<sup>3</sup></b>	<b>2.9 million m<sup>3</sup></b>	<b>744 MW</b>
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December, 2014

# Agenda

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- Arauco Overview

- Business Segments

## Forestry

- Investments

Pulp

- Recent Events and Initiatives

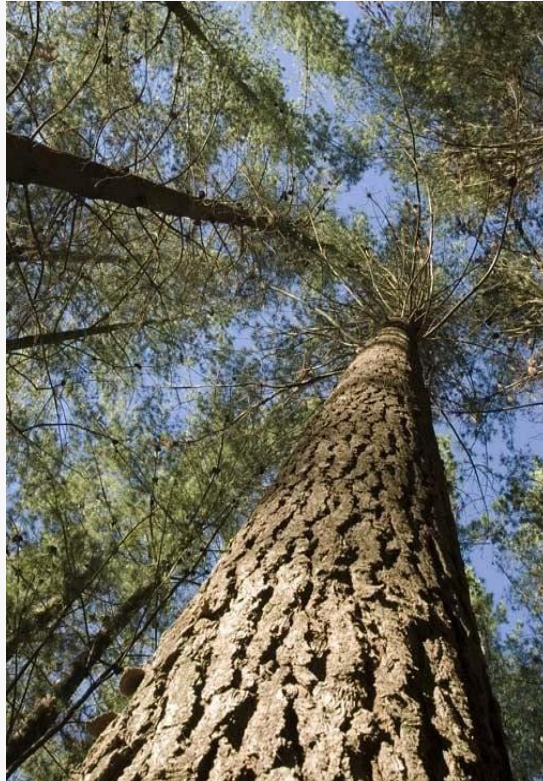
Panels and Sawn Timber

- Sustainability

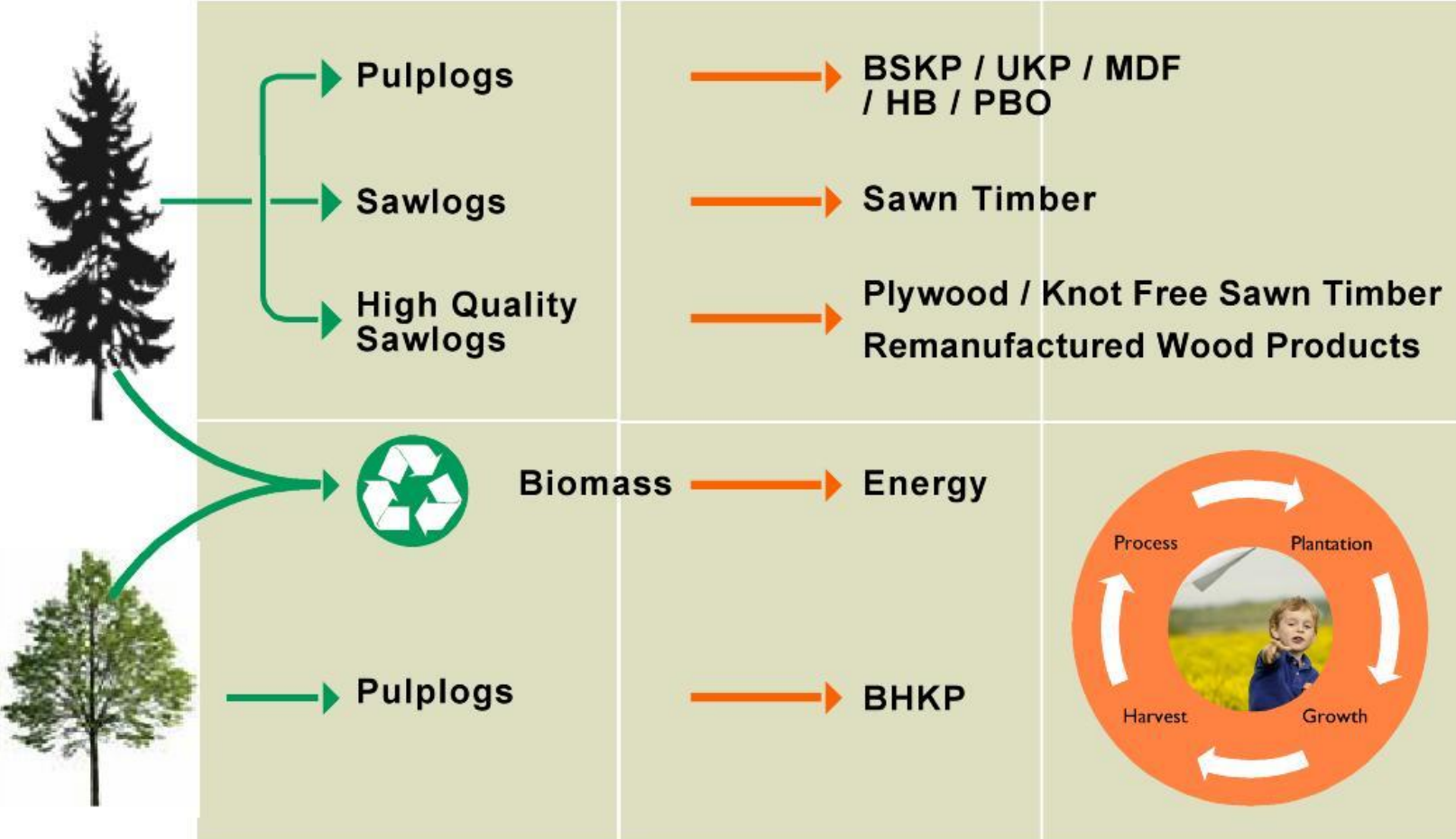
Energy

# Business Segments > Forestry

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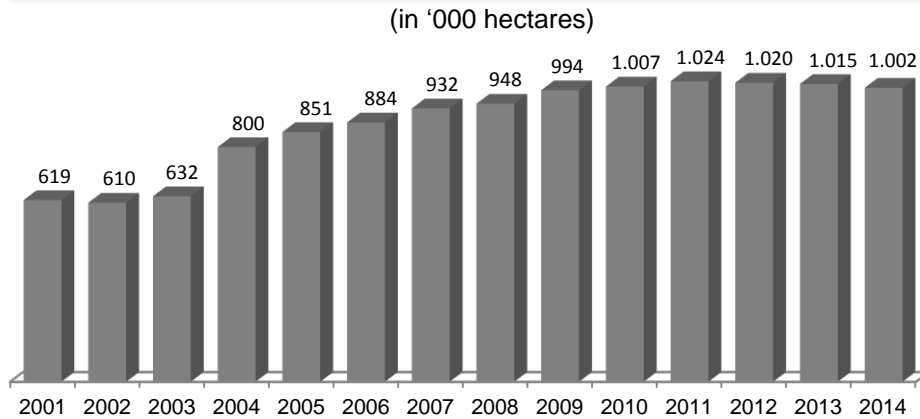


# Forestry > Our goal is to maximize the value of each tree



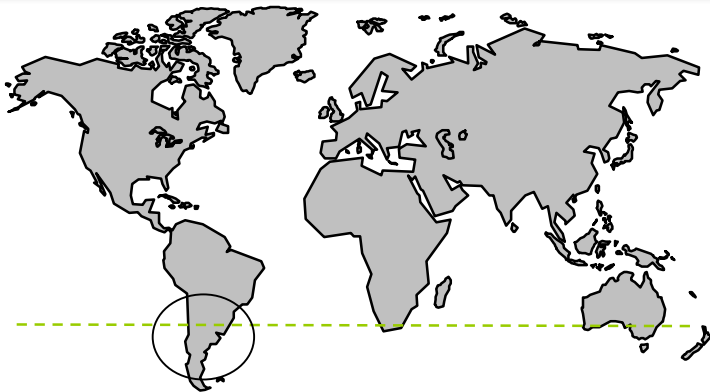
# Forestry > The base for growth

## Arauco's Plantations



*Includes plantations in Chile, Argentina, Brazil and Uruguay*

## Ideal Conditions for Forest Growth

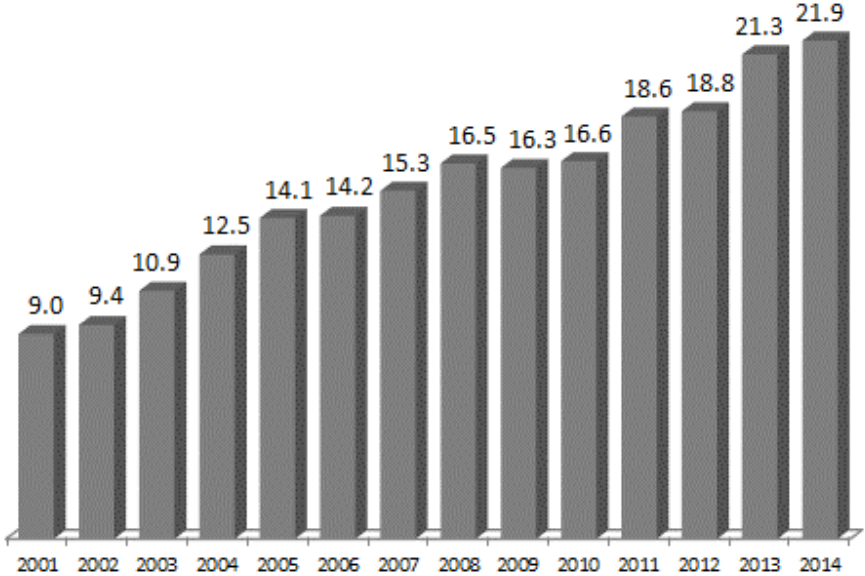


- Largest owner of forestry land in the Southern Cone – 1,6 million hectares of land
- Strategically located plantations
- Ideal conditions for forests growth – fast growth rate and short harvest cycle
- Efficient forest management, guaranteeing the sustainability of the operations
- Low forest operating costs
- Strategically acquiring attractive forestry assets and continue developing new plantations
- Adoption of strict environmental policies toward holdings of native forests

# Forestry > Arauco has focused on forest management to guarantee the sustainability of its operations

## Annual Harvest

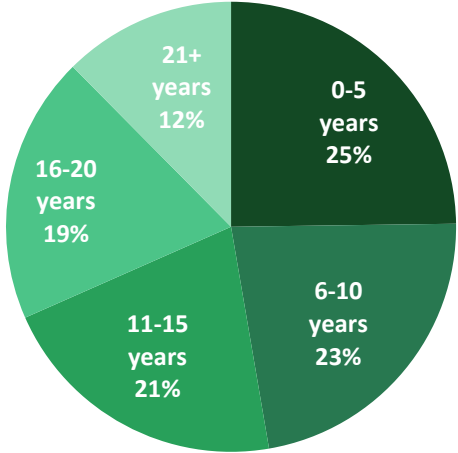
(in million cubic meters)



*Includes 50% of Montes del Plata, Uruguay*

## Pine plantations age breakdown Dec 2014

(in '000 hectares)



**Total = 720,497 hectares of pine**

*Includes plantations in Chile, Argentina, Brazil and Uruguay*

# Agenda

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- Arauco Overview

- **Business Segments**

  - Forestry

  - Pulp**

  - Panels and Sawn Timber

  - Energy

- Investments

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# Business Segments > Pulp

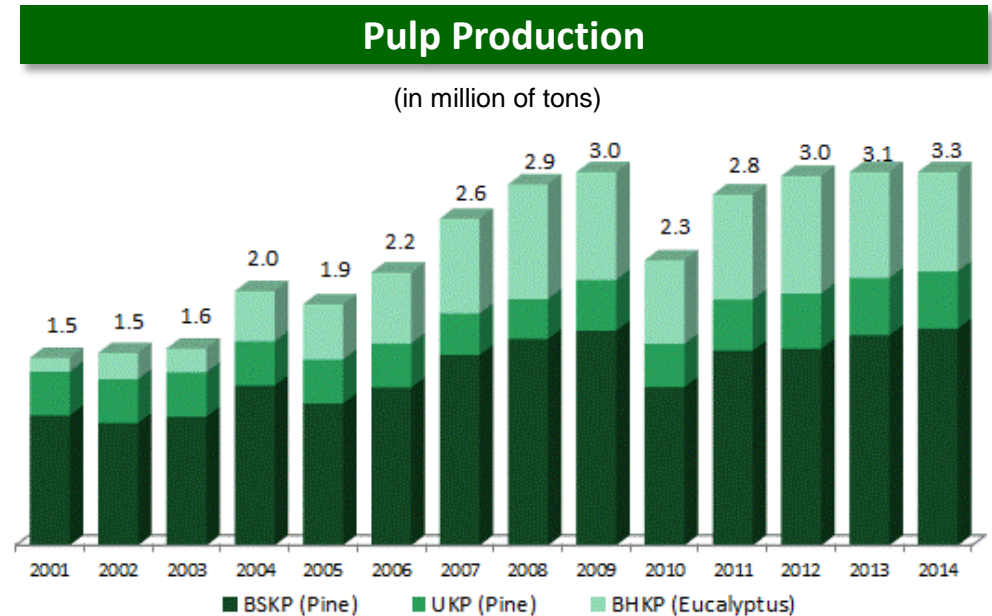
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# Pulp > Arauco's main industrial activity, generating 44% of the company's sales

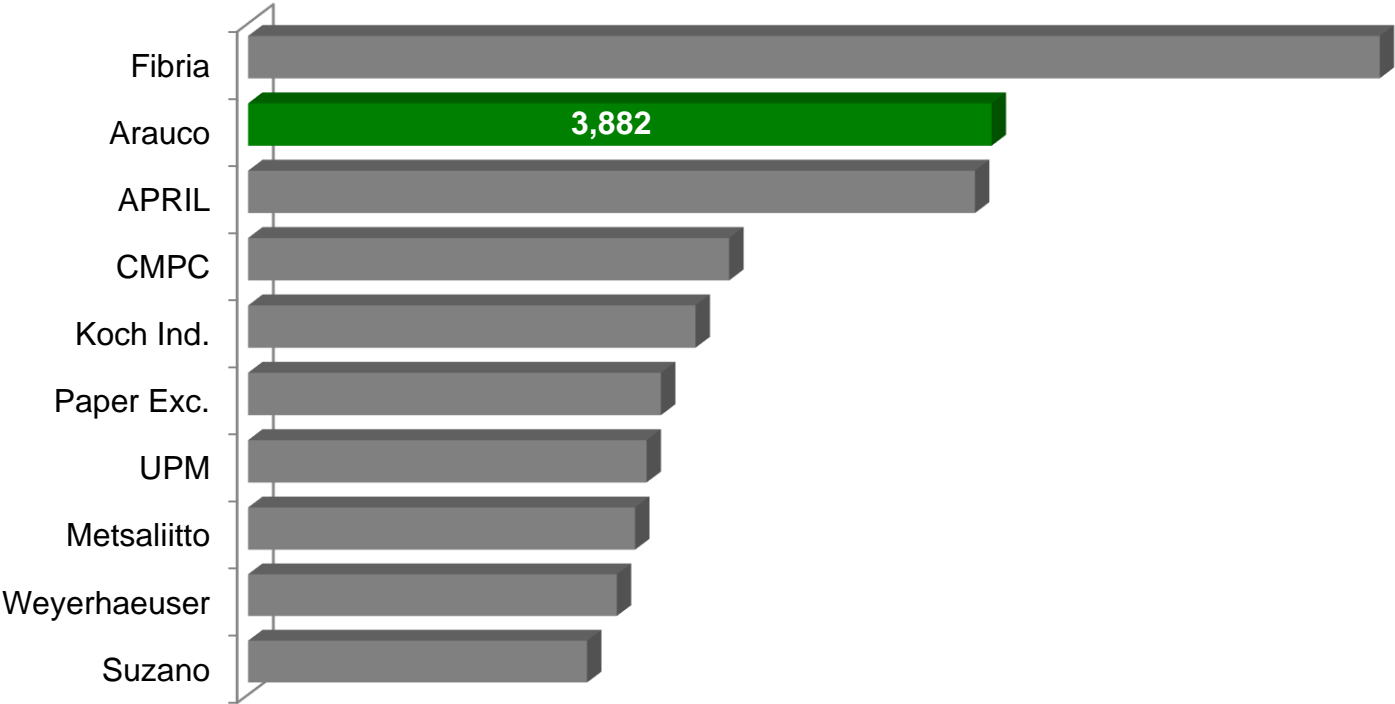
- Number two in the world in terms of market pulp capacity
- Low production cost linked to scale new technology
- Strategically located mills: proximity to forests, production facilities and ports
- Short and long fiber pulp - Kraft and Fluff process
- Exports represent more than 90% of pulp total sales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



# Pulp > Arauco has become one of the top market pulp producers

## Installed Capacity – Market Pulp

(in thousand of tons)



Source: RISI and Arauco estimations  
Company information and filings

# Pulp > Our mills



645 Th. tons

1,155 Th. tons

1,505 Th. tons

## 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 Pine Bleached Kraft Pulp and Fluff



1,655 Th. tons

2,205 Th. tons

3,232 Th. tons

3,882 Th. tons

## Licancel Mill

- Acquired in September 1999
- US\$127MM 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

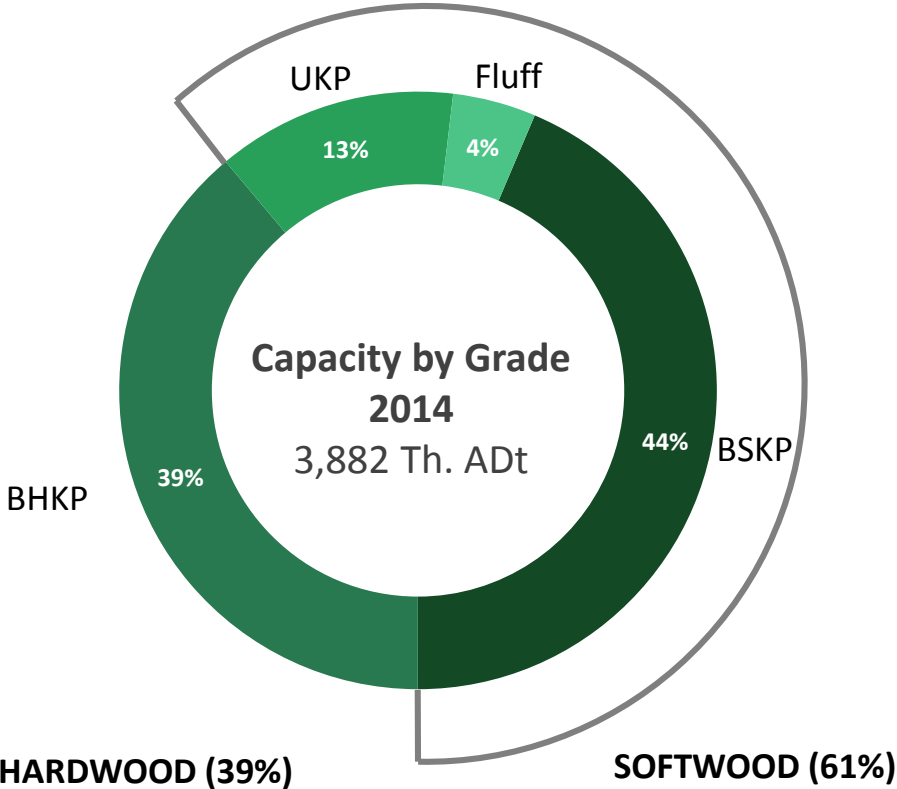
- Started production in 2006
- US\$850 MM investment
- Annual production capacity of 1,027,000 tons of Bleached Pulp

## 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

## Capacity by Grade

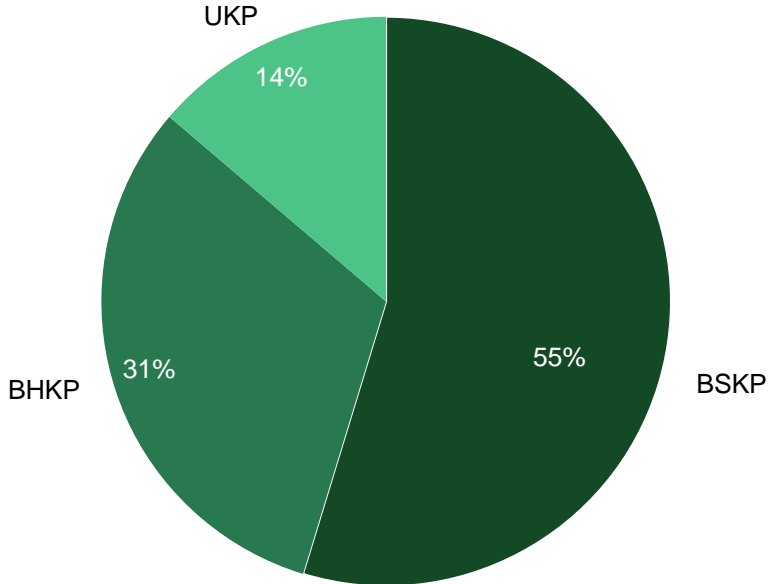


- At least 70% of our pulp is sold in emerging or non-developed markets
- High potential of growth:
  - Low per capita consumption of tissue and paper compared to that of developed countries
- China is our main market destination and where we see high potential of growth

Source: Company information and filings

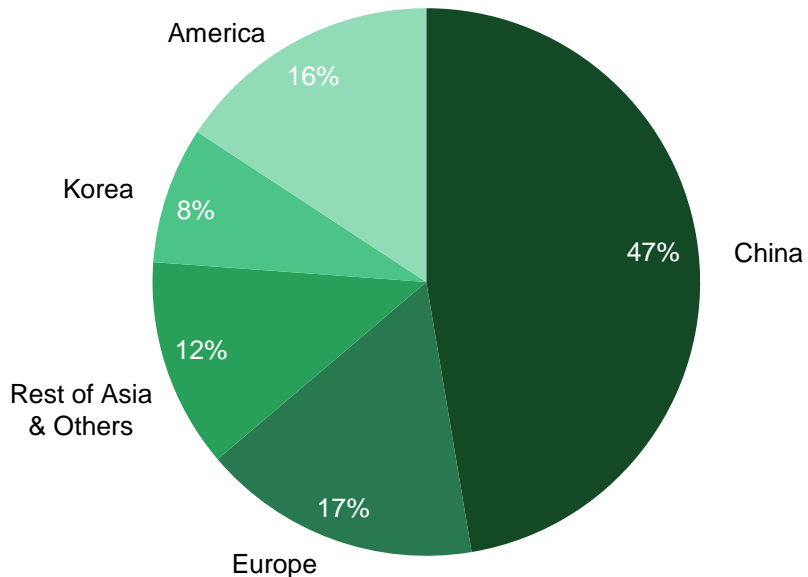
# Pulp > Arauco uses its competitive advantages to efficiently supply worldwide pulp demand

**Sales by Product 2014**



Total = 3,279 Th. ADt

**Sales by Region 2014**



Total = 3,279 Th. ADt

\* Includes Fluff sales  
Source: Company information and filings

# Agenda

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- Arauco Overview

- **Business Segments**

  - Forestry

  - Pulp

  - Panels and Sawn Timber**

  - Energy

- Investments

- Recent Events and Initiatives

- Sustainability

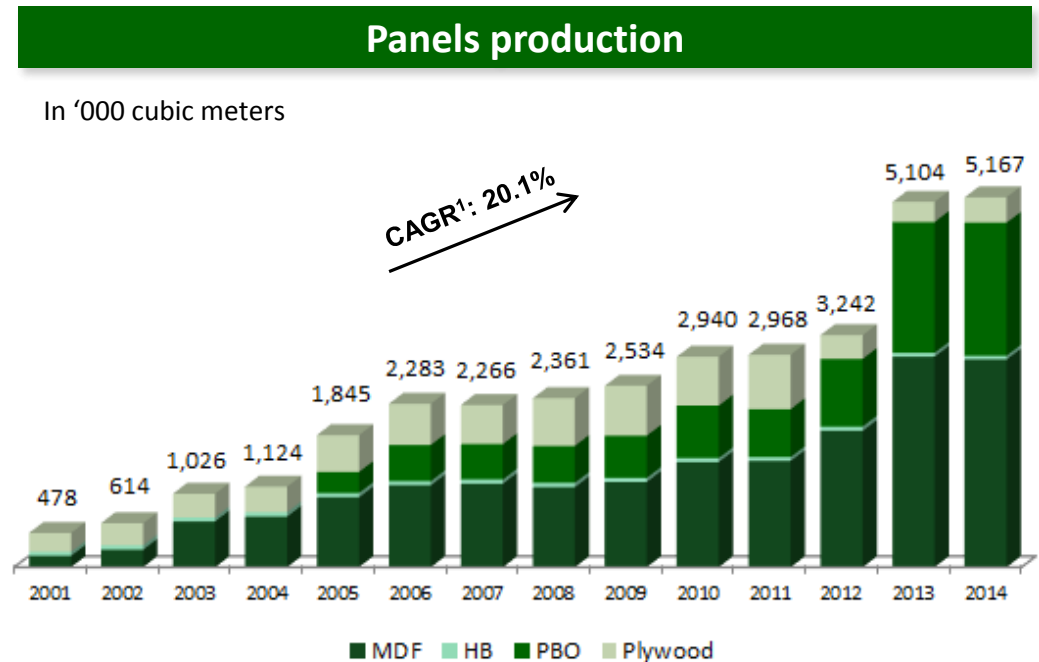
# Business Segments > Panels and Sawn Timber

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# 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

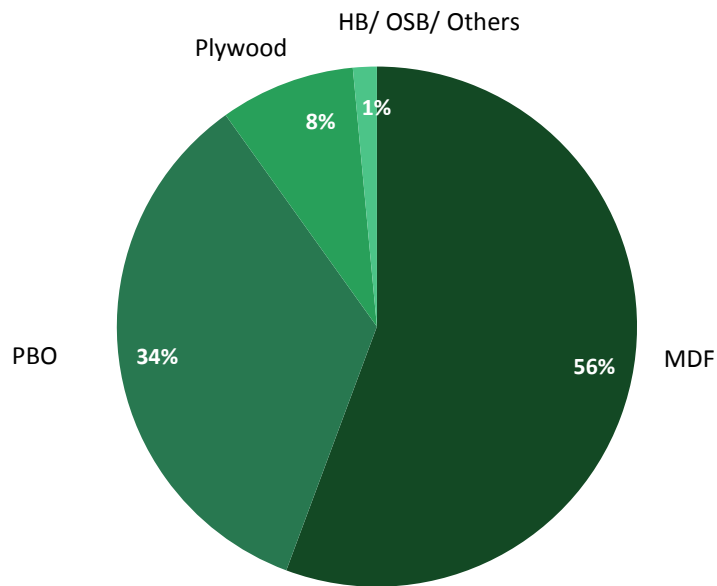


(1) Compound Annual Growth rate



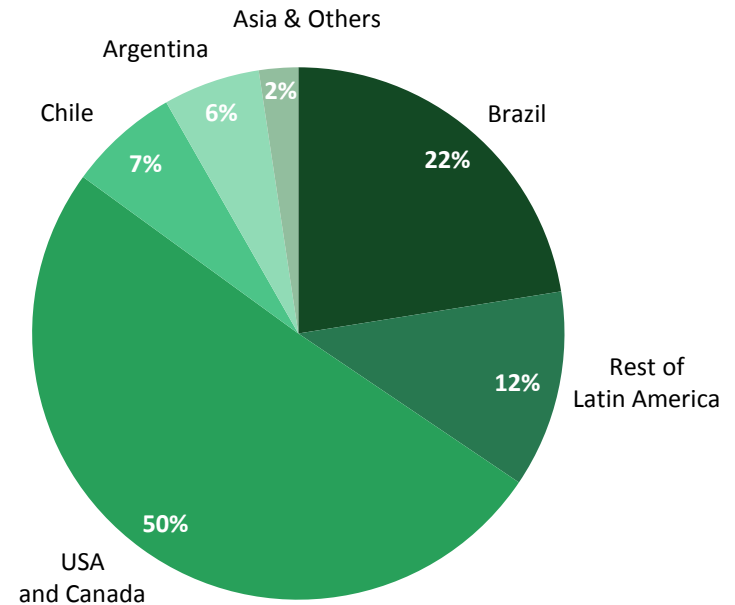
# Panels > Diversified product mix and client base

## Sales by Product December 2014



Total = 5,284 Th. m<sup>3</sup>

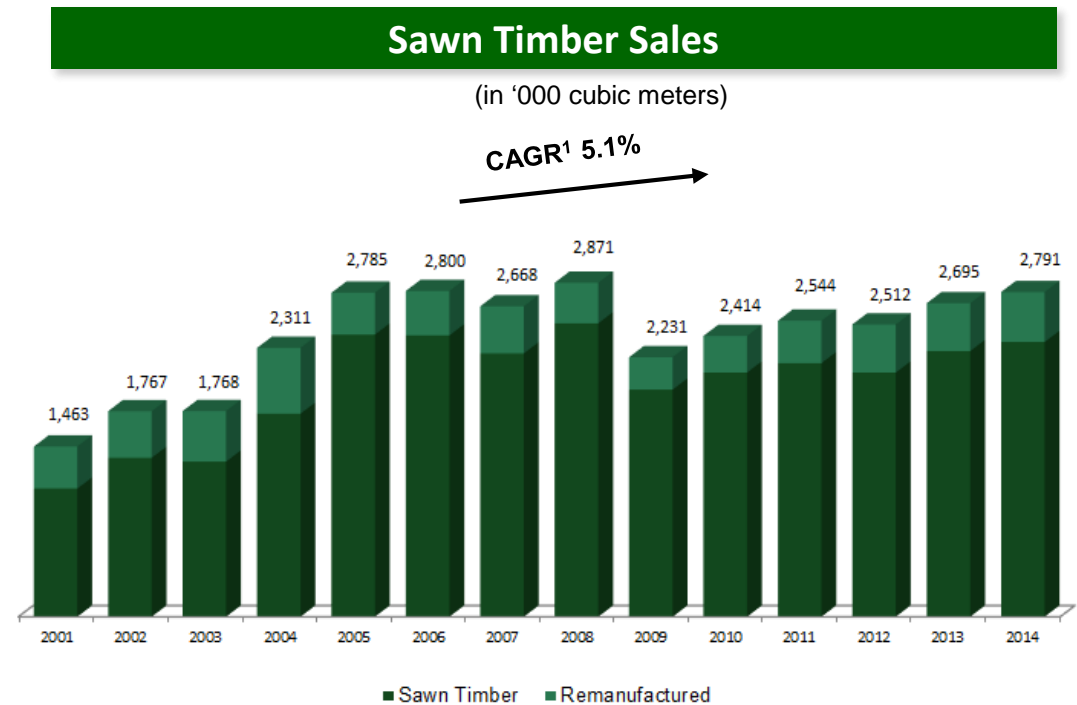
## Sales by Region December 2014



Total = 5,284 Th. m<sup>3</sup>

# Sawn Timber > Arauco is one of the largest sawntimber companies

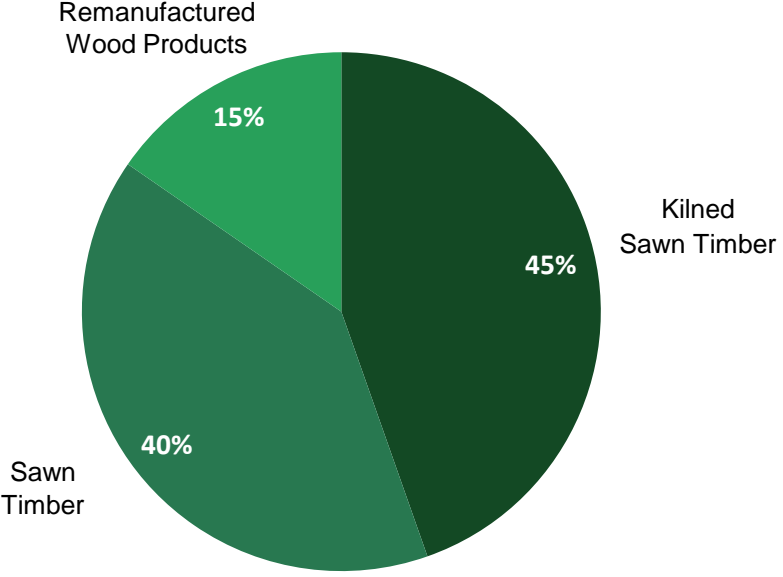
- Operations in Chile and Argentina
- Installed annual capacity of 2.9 million m<sup>3</sup>
- Improved saw log quality enhances value of product mix
- Economies of scale in transportation costs provide growth opportunities
- Main use of our sawn timber products is for the construction and packaging industry



(1) Compound Annual Growth rate

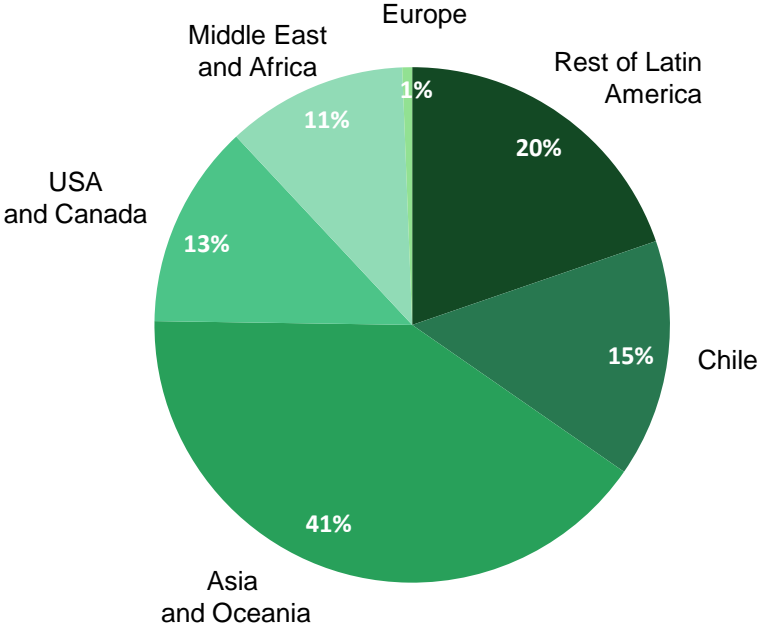
# Sawn Timber > Relevant supplier for the global construction sector with high quality production standards

**Sales by Product December 2014**



**Total = 2,791 Th.m<sup>3</sup>**

**Sales by Region December 2014**



**Total = 2,791 Th.m<sup>3</sup>**

Source: Company information and filings



# Agenda

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- Arauco Overview

- **Business Segments**

- Forestry

- Pulp

- Panels and Sawn Timber

- **Energy**

- Investments

- Recent Events and Initiatives

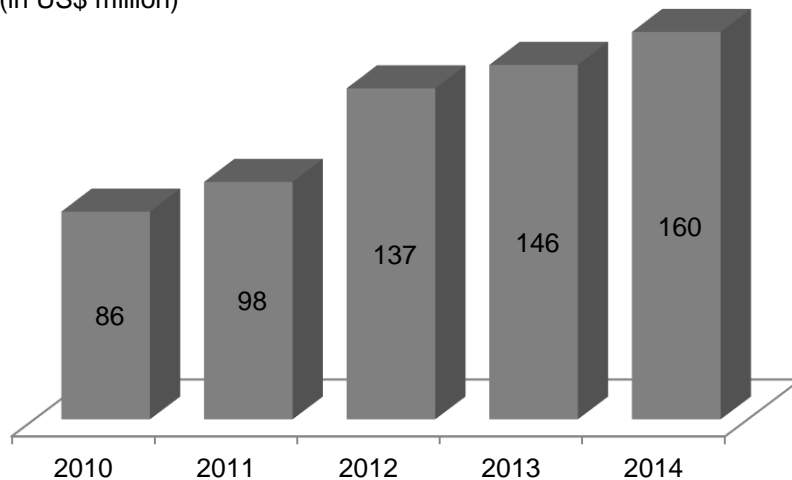
- Sustainability

# 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)



# Agenda

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- Arauco Overview

- Business Segments

- **Investments**

- Recent Events and Initiatives

- Sustainability

# Investments > Latest investments

## Jaguariaiva 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



# Investments > Valdivia mill to Produce Dissolving Pulp

- 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 3<sup>rd</sup> line is operating

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



# Agenda

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- Arauco Overview

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- **Recent Events and Initiatives**

- Sustainability

# Deleveraging and Positive Free Cash Flow Focus

## Financial Debt

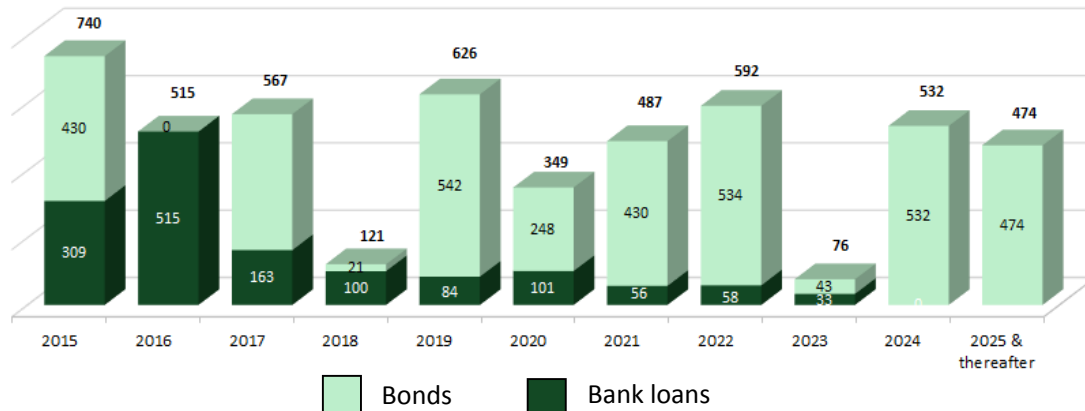
US\$ million	December 2014	September 2014	December 2013
Short term financial debt	739.5	796.1	893.5
Long term financial debt	4,338.9	4,358.5	4,133.0
<b>TOTAL FINANCIAL DEBT</b>	<b>5,078.4</b>	<b>5,154.6</b>	<b>5,026.5</b>
Cash and cash equivalents	971.2	972.2	667.2
<b>NET FINANCIAL DEBT</b>	<b>4,107.3</b>	<b>4,182.4</b>	<b>4,359.3</b>

## Initiatives

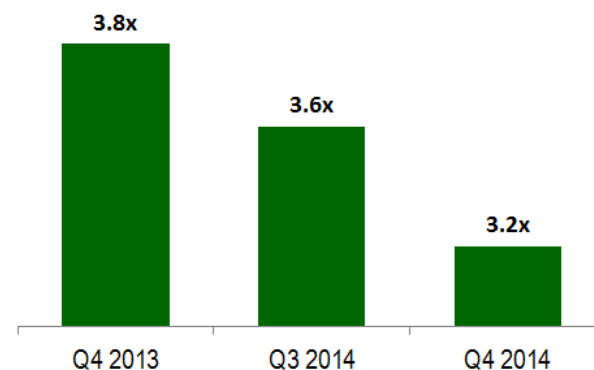
- ✓ Capital expenditure discipline
- ✓ Working Capital Optimization
- ✓ Asset efficiency programs
- ✓ Capture EBITDA from new assets
- ✓ Cost reduction

## Financial Debt Profile as of December 31, 2014

In US\$ Million



## Net Debt/ Adj.EBITDA



# 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 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 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 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

# Agenda

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- Arauco Overview

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- Recent Events and Initiatives

- Sustainability

# Sustainability

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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.

# Sustainability > Environment > Energy

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- ARAUCO decided over twenty years ago to produce clean energy from forestry biomass arising from nature's virtuous cycles
- In addition to substantially meeting the needs of its own industrial facilities, ARAUCO can provide a up to 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 CO<sub>2</sub>e





# 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.



# Sustainability > Community, Participation and Dialog

---

## 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



# Sustainability > Community, Participation and Dialog

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## **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

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## 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

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- 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](http://www.arauco.cl) for more information