

ARAUCO.

Growing the Future

Agenda

- **Arauco Overview**

- **Business Segments**

- **Investments**

- **Financial Highlights**

- **Sustainability**

Arauco started more than 30 years ago as a Chilean forest and pulp firm...



1977
 Copec acquires Celulosa Constitucion and Celulosa Arauco. The merged firm is called "Celulosa Arauco y Constitucion S.A."

1990
 Arauco creates a forest research subsidiary named Bioforest

1993
 Arauco begins producing solid wood, and creates Aserraderos Arauco S.A.

1994
 Arauco Generación (Agesa) starts operations, producing energy through biomass coming from its forests

1995
 Creation of subsidiary Paneles Arauco S.A. which mill, located in Horcones, starts operations in 1998

1996
 As part of its internationalization strategy, Arauco acquires in Argentina Alto Parana

1999
 Acquisition of Licancel's 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

2010

2011

2012

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

Arauco completed acquisition of 100% of the shares of Dynea Brasil S.A.

Arauco begins the construction of Montes del Plata pulp mill (1.3 million Adt)

Acquisition of Flakeboard in USA and Canada and Moncure panel mill in North Carolina, USA

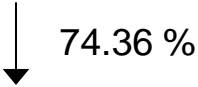
Arauco at a glance

- 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
- Strong credit ratios and solid cash flows throughout pulp price cycles
- Investment Grade
(BBB, Baa3, BBB- / Fitch, Moody’s, S&P)

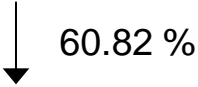
Consolidated Selected Financials (As of December, 2013)

In US\$ million	AntarChile	Copec	Arauco
Assets	22,941	22,368	14,493
Consolidated Debt	7,332	7,112	5,026
Sales	24,346	24,339	5,146
Market Cap	6,163	17,410	N/A

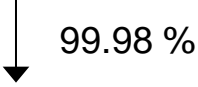
ANGELINI GROUP



AntarChile S.A.



EMPRESAS COPEC



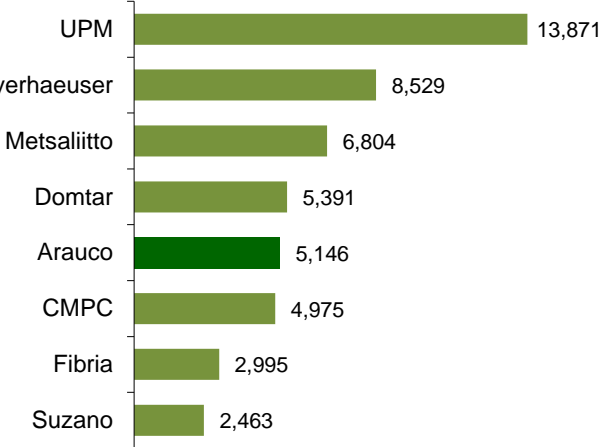
ARAUCO
Growing the Future



Arauco is a world-class forest products firm

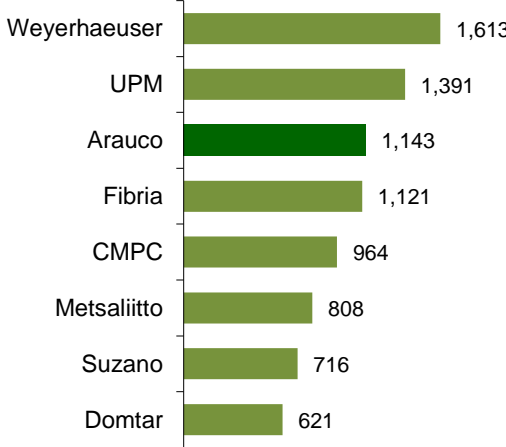
Sales 2013

(In US\$ million)



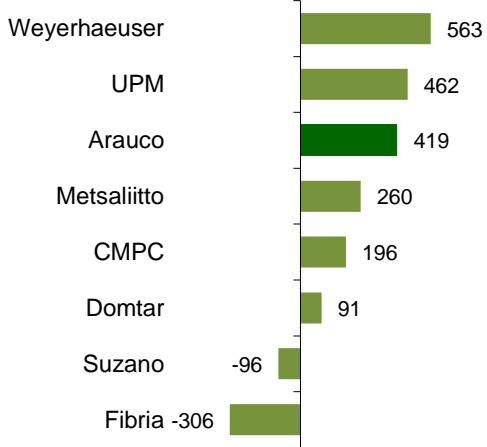
EBITDA 2013

(In US\$ million)



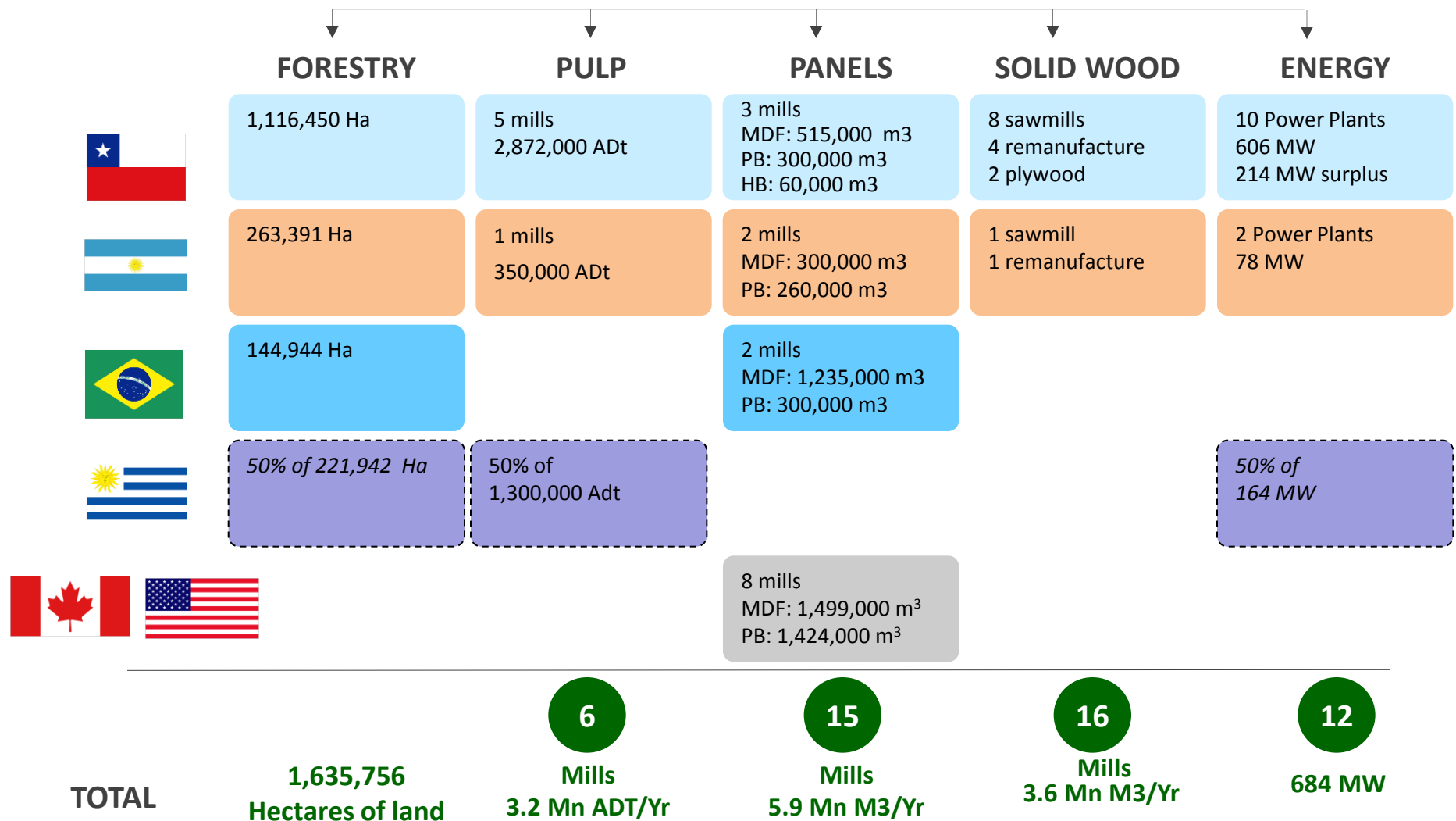
Net Income 2013

(In US\$ million)



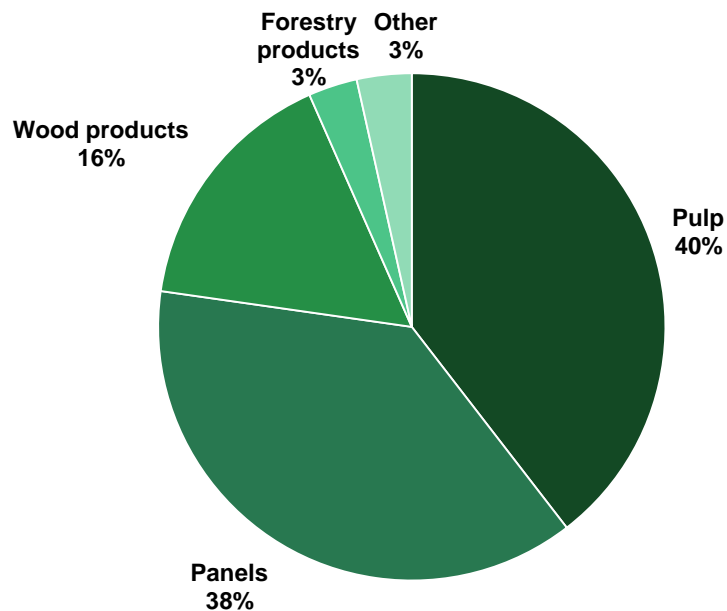
Source: - Company's Finance Statements
- Bloomberg

Five strategic business segments in a diversified operational footprint



Diversified Sales and EBITDA mix coupled with solid capital structure

Sales by division Dec 2013



Sales 2013 US\$ 5,146 MM

Note: Other sales includes Energy

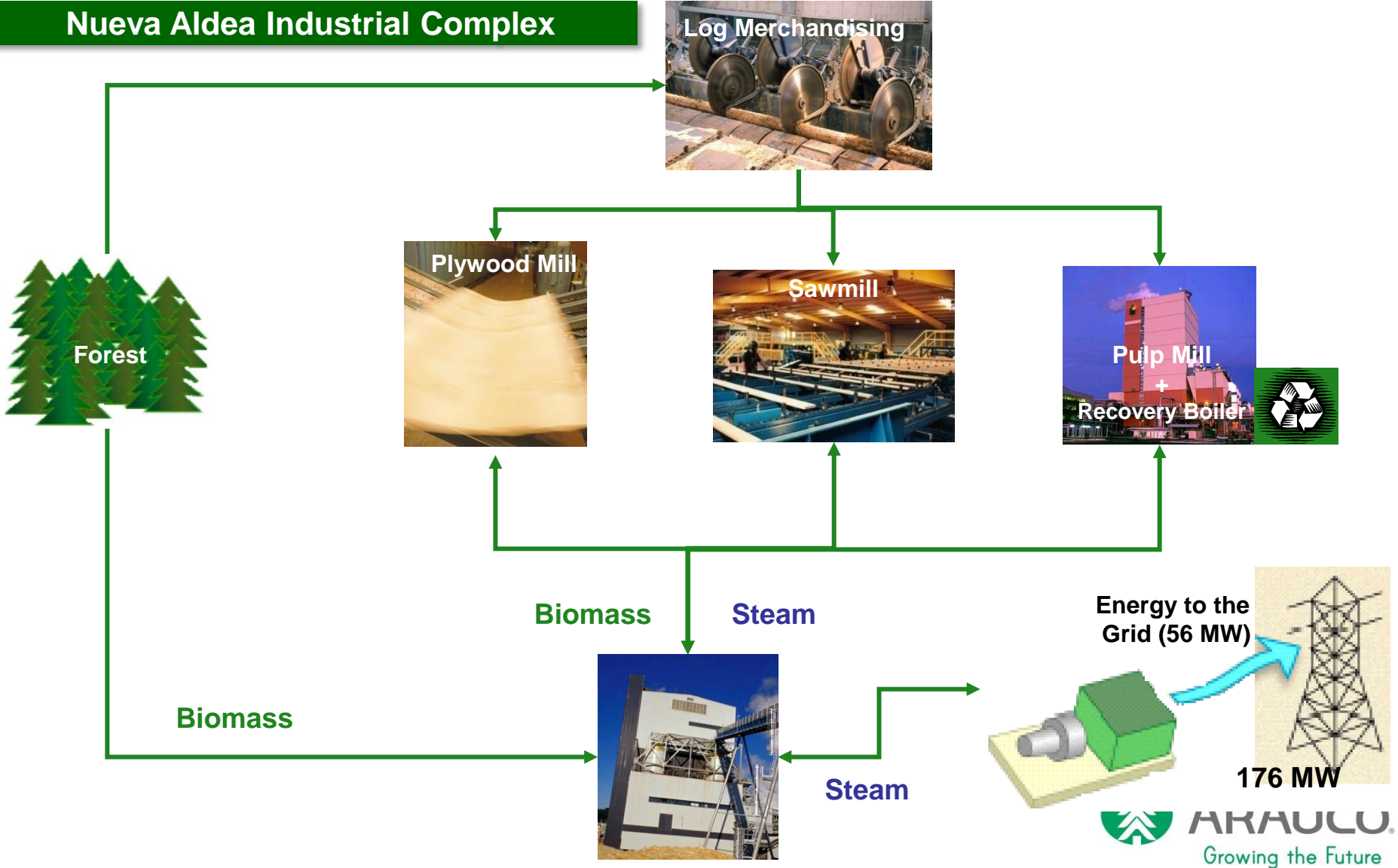
Financial Highlights Dec 2013

(in US\$ million)

Sales U.S.\$ 5,146	EBITDA U.S.\$ 1,143	EBITDA Margin 22%
Net Income U.S.\$ 419	Cash U.S.\$ 667	Capex U.S.\$ 865
Debt U.S.\$ 5,026	Net Debt U.S.\$ 4,359	Debt to Equity 72%

The integral and efficient use of resources allows Arauco to maximize the value of the forest

Nueva Aldea Industrial Complex



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- **Business Segments** **Forestry**

- Investments

Pulp

Solid Wood

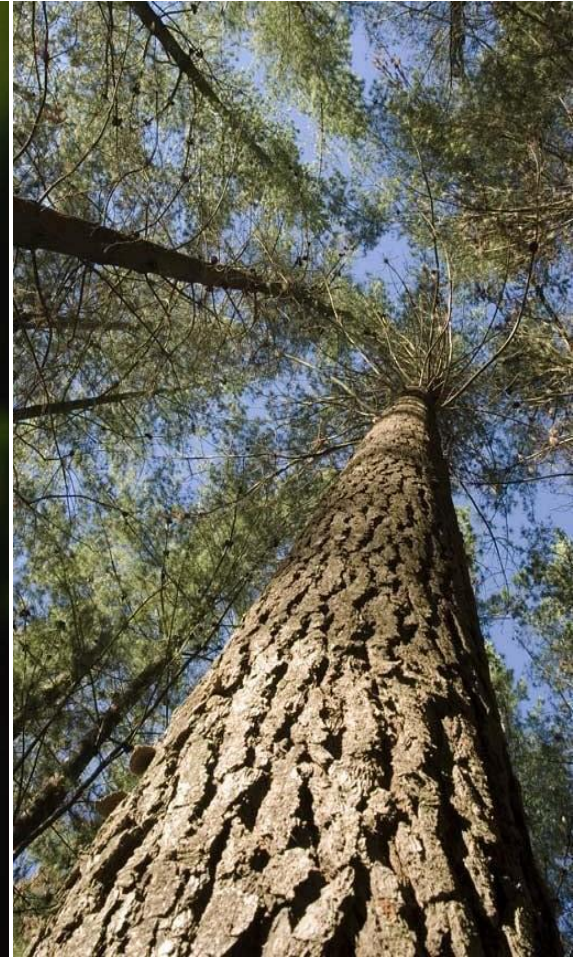
- Financial Highlights

Panels

Energy

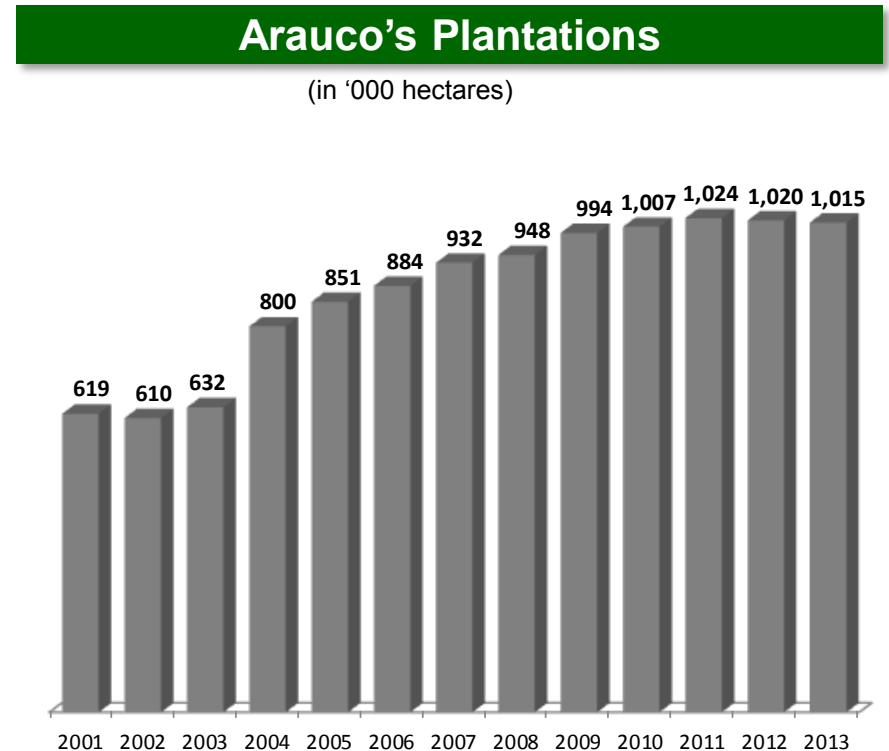
- Sustainability

Business Segments - Forestry



Forestry - The base for 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



Includes plantations in Chile, Argentina, Brazil and Uruguay

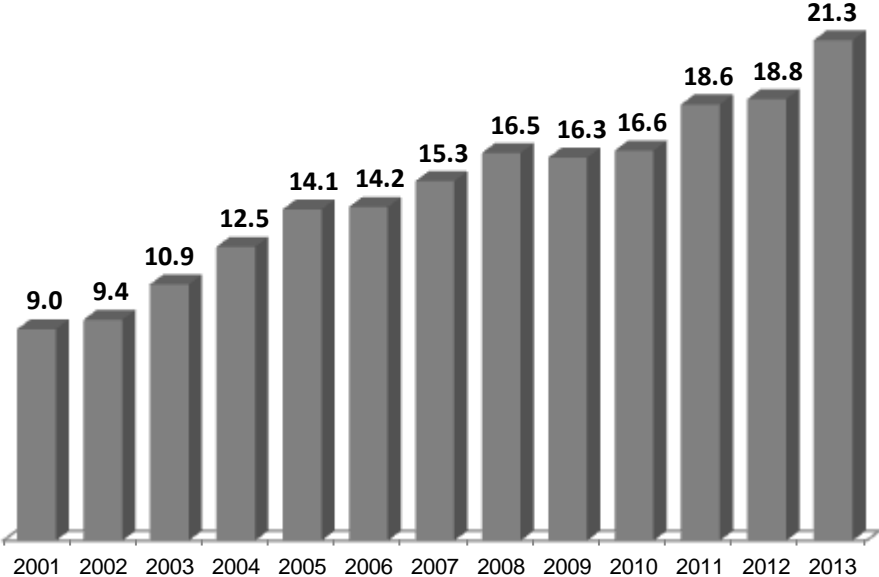
Forestry - High yielding forest resources increase Arauco's competitive advantages

Ideal Conditions for Forest's Growth



Harvested Wood 2013

(in million cubic meters)

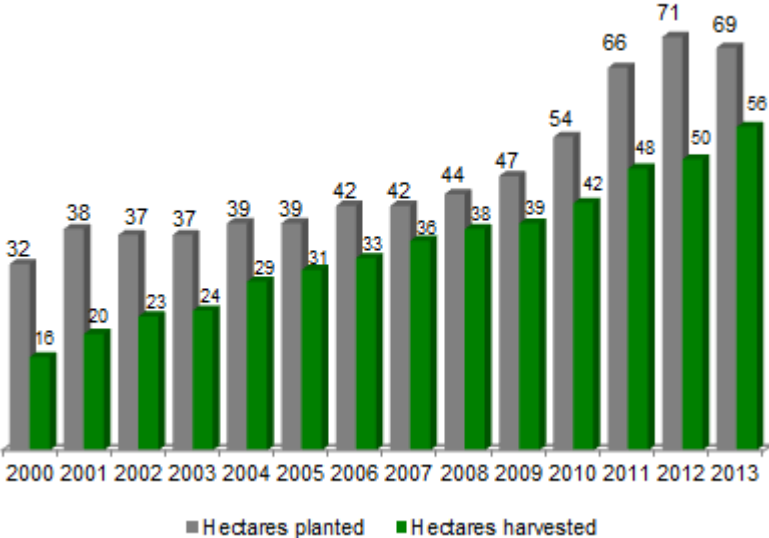


Source: Jaakko Pöyry and Arauco

Forestry - Arauco has focused on forest management to guarantee the sustainability of its operations...

Annual plantations

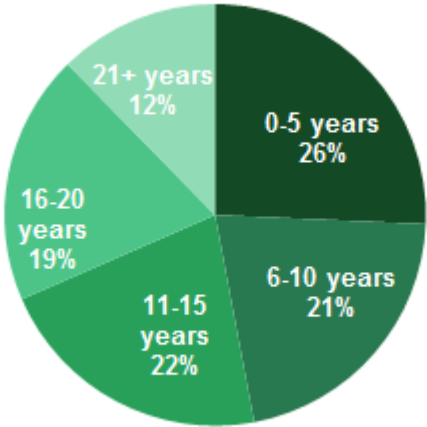
(in '000 hectares)



Includes 50% of Montes del Plata, Uruguay

Pine plantations age breakdown Dec 2013

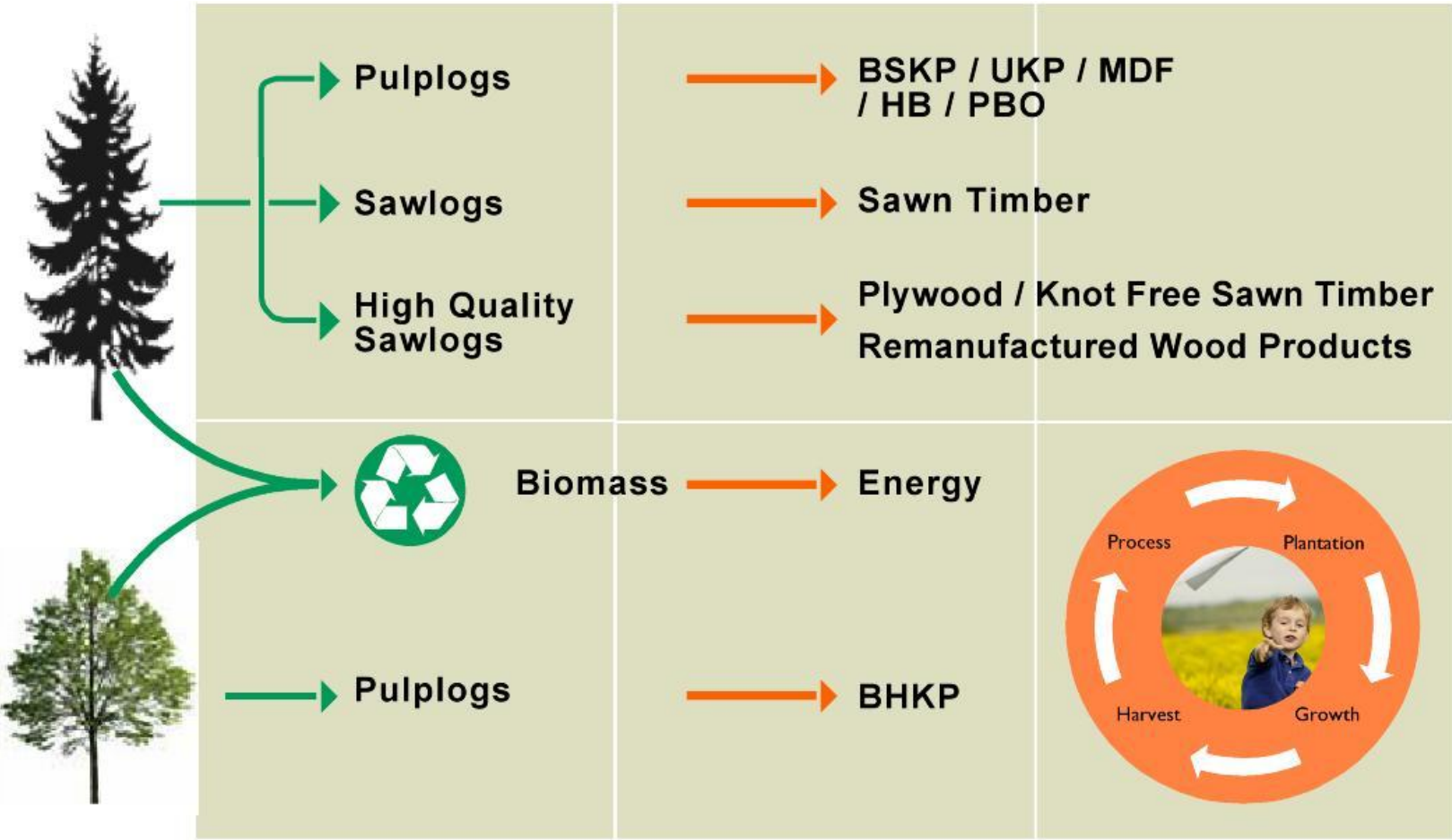
(in '000 hectares)



Total = 748,233 hectares of pine

Includes plantations in Chile, Argentina, Brazil and Uruguay

Forestry - ...creating value through its forest, which has allowed a sustained industrial growth and a significant increase in its product lines



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Forestry

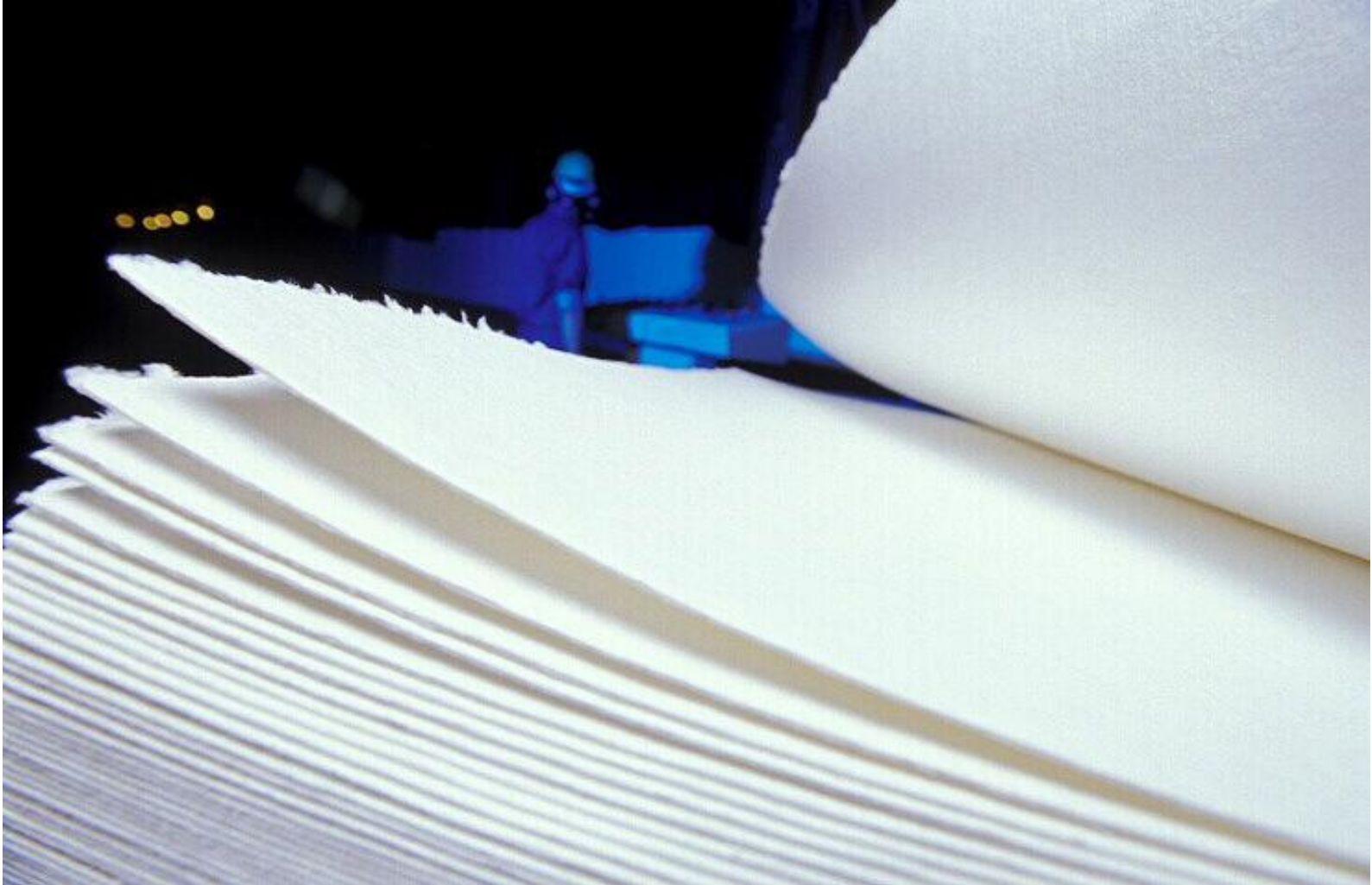
Pulp

Solid Wood

Panels

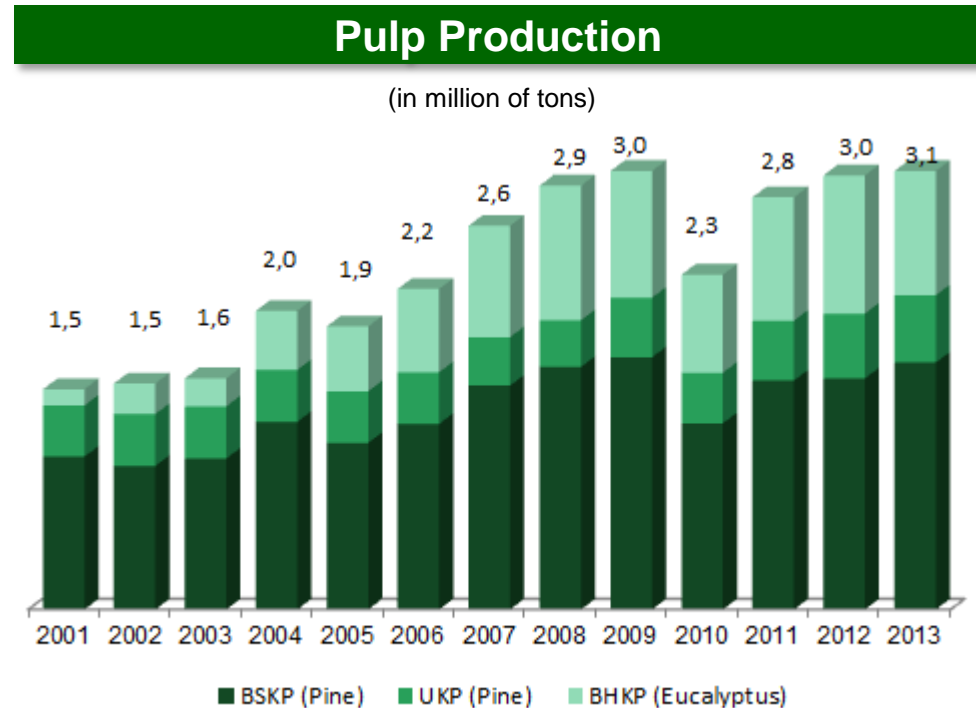
Energy

Business Segments - Pulp



Pulp - Arauco's main industrial activity, generating up to 40% of the company's sales

- Number three in the world in terms of market pulp capacity
- Global leader: Arauco's pulp capacity production represented around 5.0% of the global bleached softwood kraft, bleached hardwood kraft and unbleached kraft as of december 2013.
- 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 five Pulp Mills in Chile and one in Argentina

Our Pulp Mills



Nueva Aldea Mill

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



Valdivia Mill

- US\$574 MM investment
- Annual production capacity of 550,000 tons of Bleached Pulp
- Operating at full capacity since July 2008



Arauco Mill

- Arauco I
 - Completed in 1972
 - Annual production capacity of 290,000 tons
- Arauco II
 - Started production in 1992
 - US\$600 MM investment
 - Annual production capacity of 500,000 tons



Constitucion Mill

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



Licancel Mill

- US\$127MM investment
- Acquired in September 1999
- Annual production capacity of 150,000 tons of Eucalyptus Kraft Pulp and Pine Bleached Kraft Pulp



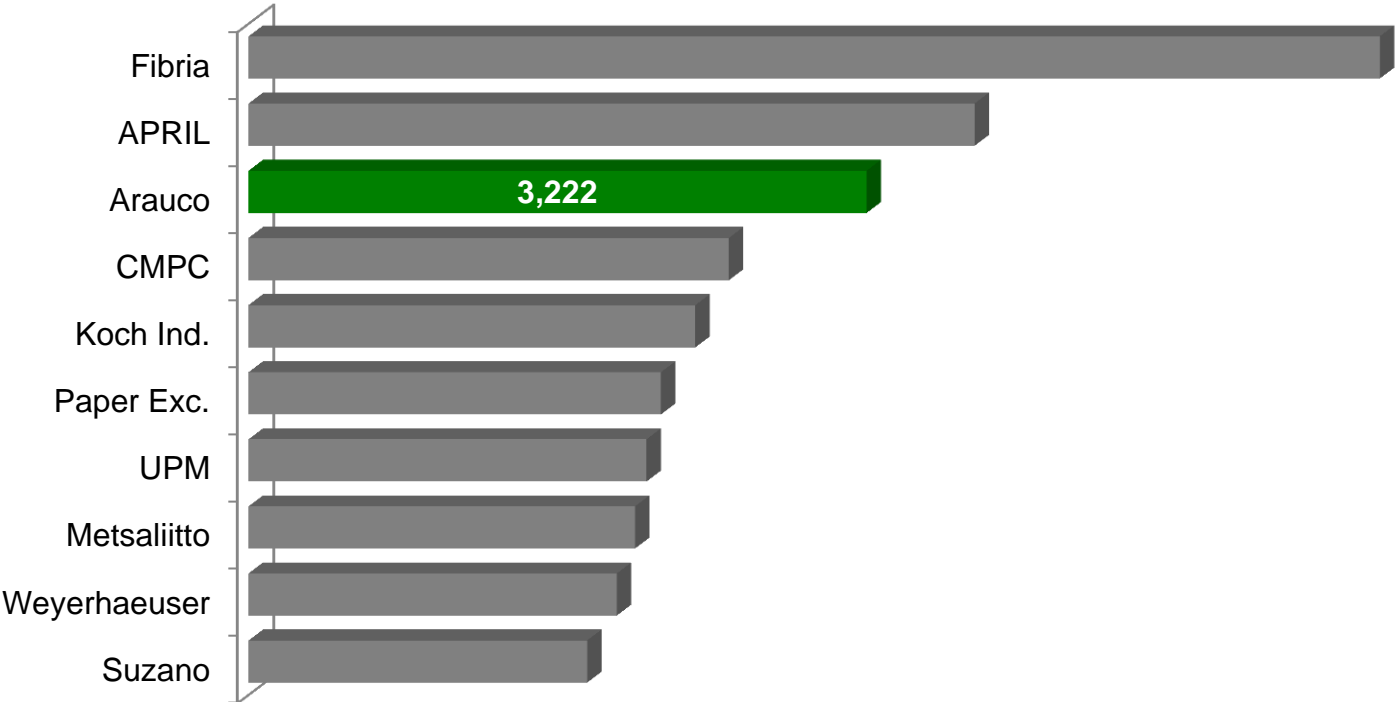
Alto Parana Mill

- US\$290 MM investment
- Acquired in December 1996
- Annual production capacity of 350,000 tons

Pulp- Arauco has become one of the top market pulp producers

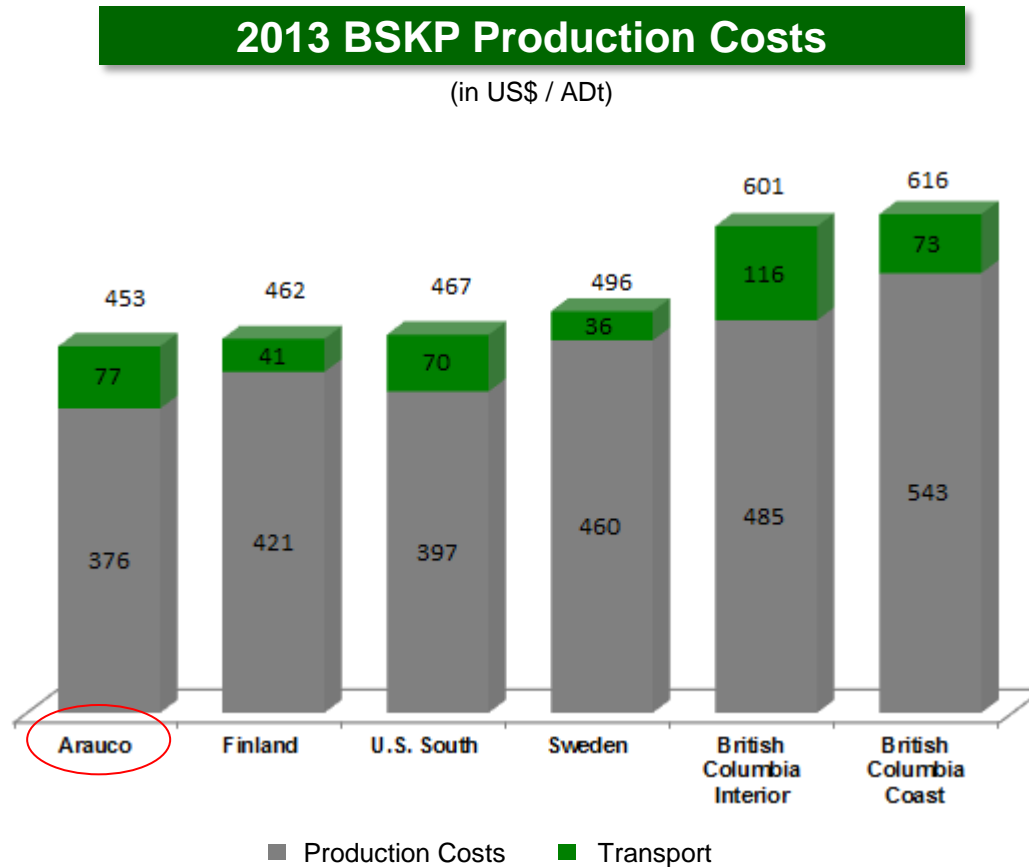
Installed Capacity – Market Pulp 2013

(in thousand of tons)



Source: RISI, 2013
Company information and filings

Pulp - ...while consolidating its position as a low cost producer



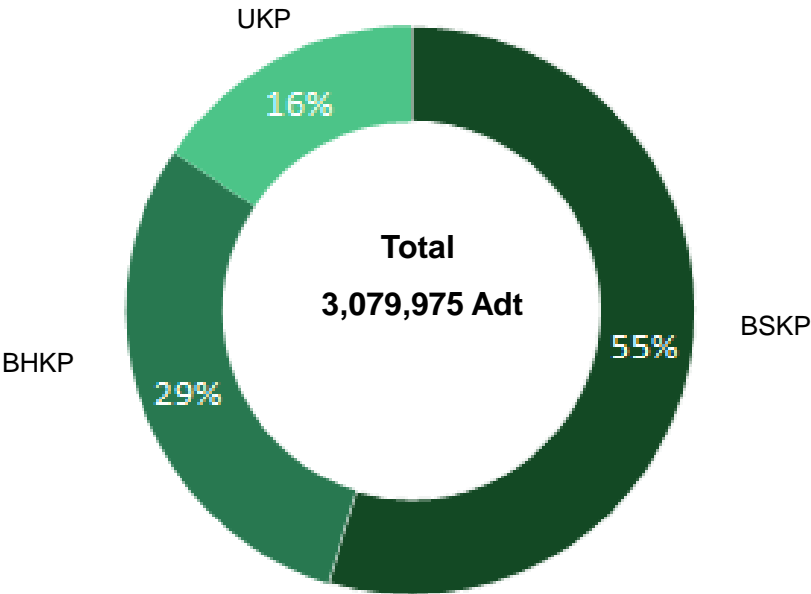
Note: Transportation cost for delivery to Northern Europe

Production Costs include Cost of Wood, Chemicals, Labor, Overhead and Others

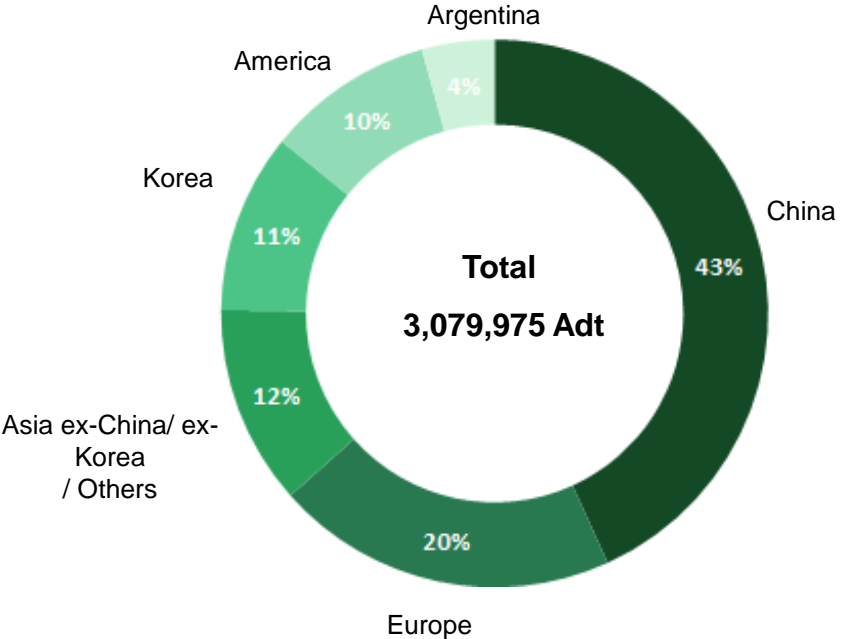
Source: RISI, "World Pulp & Recovered Paper Forecast", 2013 Arauco analysis

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

Sales by Product 2013



Sales by Region 2013



* Includes Fluff sales
Source: Company information and filings

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Solid Wood

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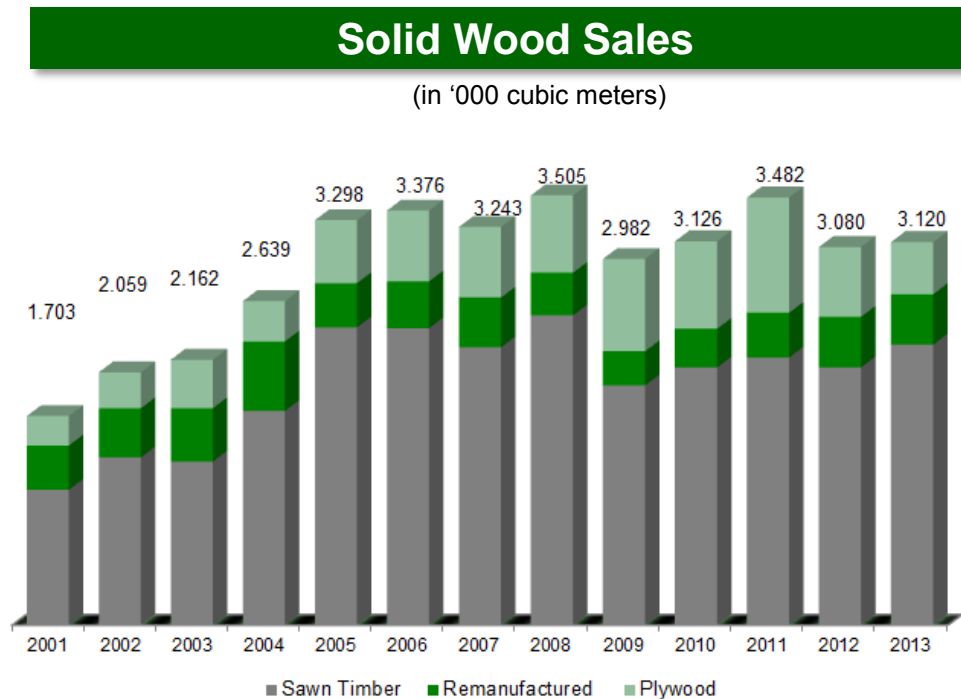
- Sustainability

Business Segments – Solid Wood



Solid Wood - Arauco is the largest sawmilling company in the Southern Hemisphere...

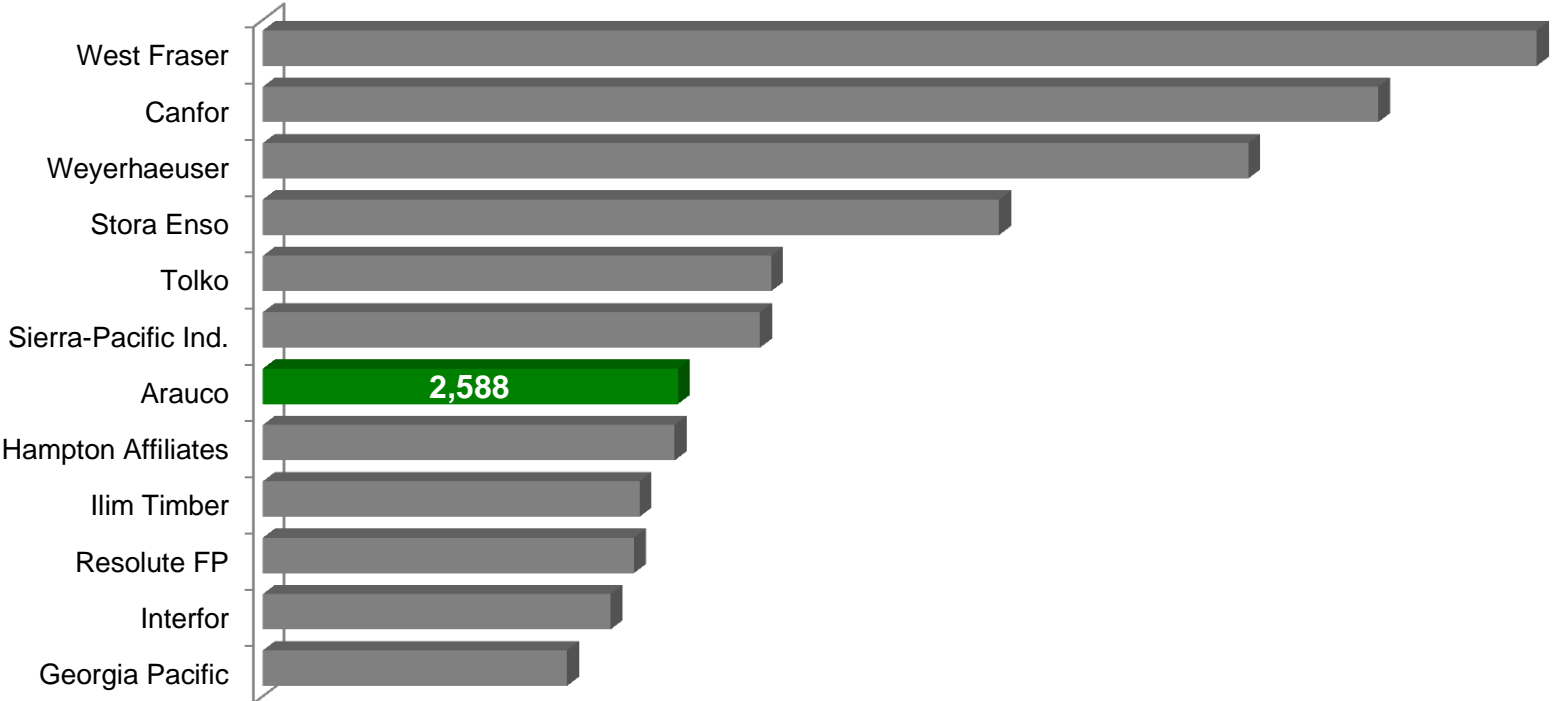
- Arauco owns 9 mills – 8 in Chile and 1 in Argentina.
- Additionally, Arauco owns 5 remanufacturing facilities – 4 in Chile and 1 in Argentina, and 2 plywood mills – in Chile
- Installed annual capacity of 3.6 million m³
- Improved saw log quality enhances value of product mix
- Economies of scale in transportation costs provide growth opportunities
- US structural lumber certified



Solid Wood - ...and has become one of the top global producers

2012 Production

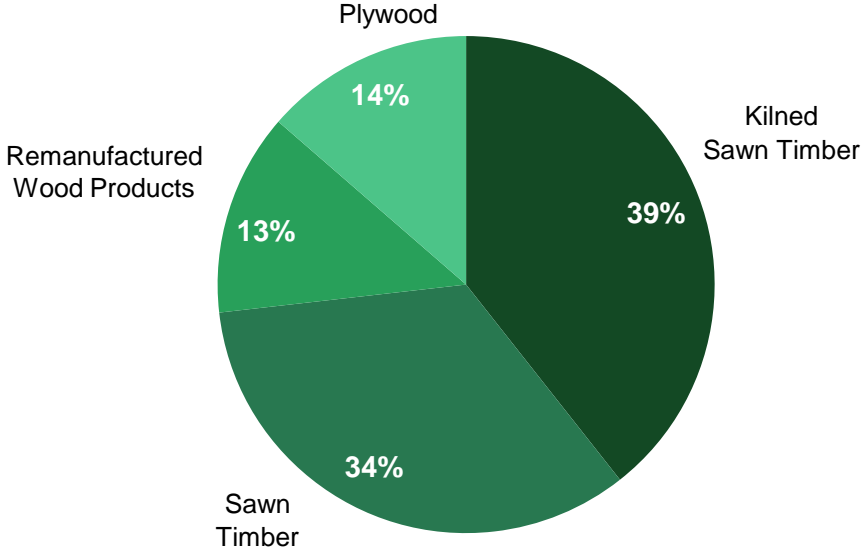
(in thousand cubic meters)



Source: International Wood Markets Group Inc

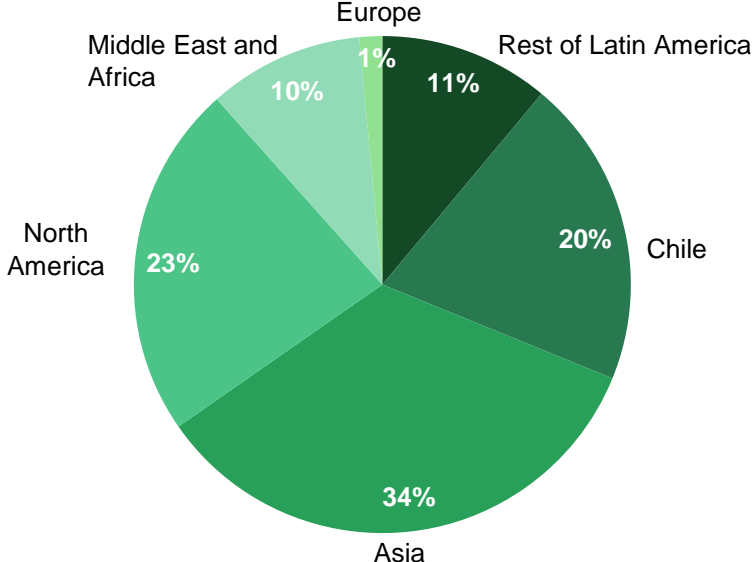
Solid Wood - Relevant supplier for the global construction sector with high quality production standards

Sales by Product FY 2013



Total = 3,120 Th.m³

Sales by Region FY 2013



Total = 3,120 Th.m³

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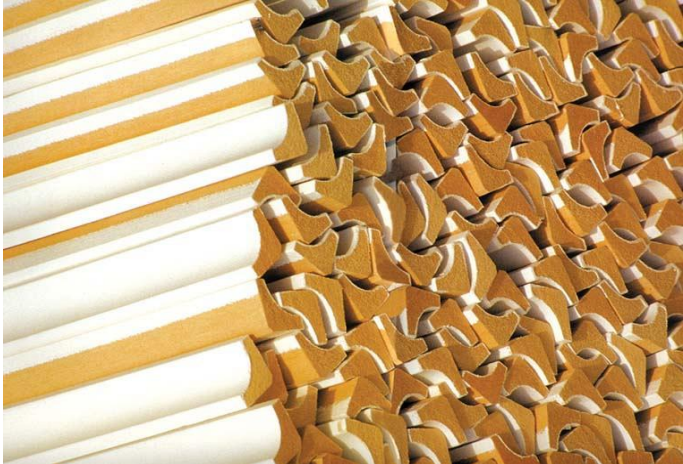
Solid Wood

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Energy

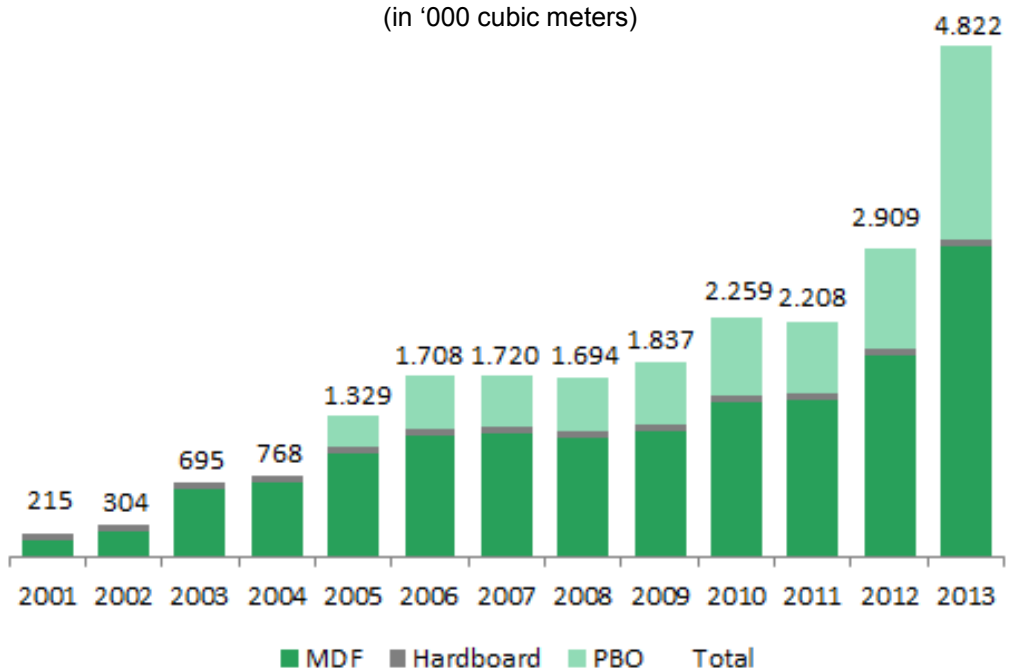
Business Segments - Panels



Panels - Arauco has become an important player in the panels industry

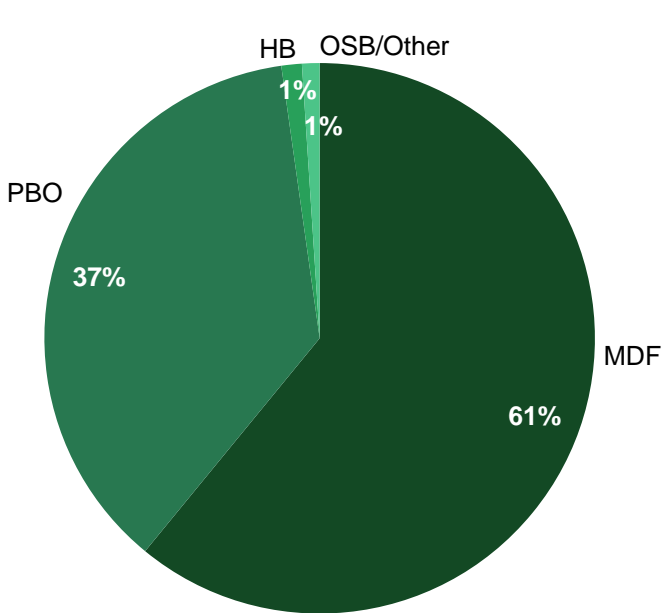
- One of the main wood panel companies in Latin America
 - 15 production facilities
 - 5.9 million cubic meters of fiberboard panels installed capacity
- State-of-the-art mills and low cost producer for all types of panels (MDF, HB, PBO)
- Operations in USA, Canada, Brazil, Chile and Argentina

Panel production



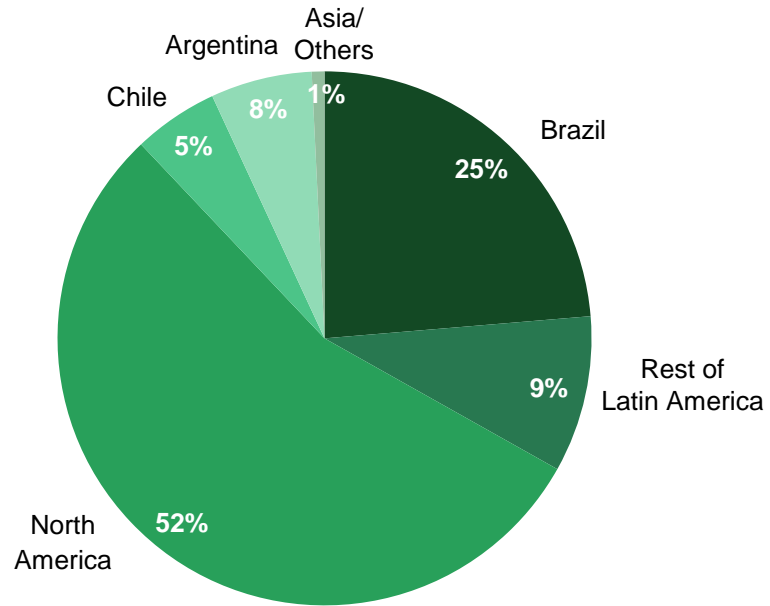
Panels - Diversified product mix and client base

Sales by Product FY 2013



Total = 4,738 Th. m³

Sales by Region FY 2013



Total = 4,738 Th. m³

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Energy

Energy - Key part of our value chain

- Renewable, environmental friendly energy
- Installed capacity of 684 MW
- Surplus of 222 MW sold to National Grid
- Five energy projects registered under Kyoto protocol
- Since 2007 we have sold more than 1,000,000 CERs



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Latest investments

Montes del Plata

- Uruguay
- JV with Stora Enso
- Greenfield pulp mill – Euca
- Capacity: 1,300,000 ton/year
- Total est. capex: US\$ 2.0 Bn



Jaguariaiva Expansion

- Brazil
- Brownfield panel line
- MDF: 500,000 m3 capacity

- Start up: 1Q/2013
- Total est. capex: US\$ 165 M



Flakeboard Acquisition

- Canada and USA
- MDF: 1,200,000 m3/year
- PBO: 1,100,000 m3/year
- Acquired: 09/2012
- US\$ 242.5 M



Teno Panel mill

- Teno, Chile
- Greenfield MDP panel mill
- 300,000 m3 capacity
- Start up: 07/2012
- Capex: US\$ 165 M



Moncure Acquisition

- North Carolina, USA
- MDF: 330,000 m3/year
- PBO: 270,000 m3/year

- Acquired: 01/2012
- Capex: US\$ 62 M



Latest investments

Viñales Energy Plant

- Chile
- Cogeneration energy plant
- 41 MW Installed capacity
- 31 MW to National Grid

- Start up: 07/2012
- Capex: US\$ 130 M



Plywood Reconstruction

- Chile
- Reconstruction of Nueva Aldea's plywood mill
- New capacity: 350,000 m3
- Start up date: December 2013
- Total est. capex: US\$ 165 M



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Strong financial fundamentals

Financials Summary

<i>(US\$ Million)</i>	2008	2009	2010	2011	2012	2013
Sales/ Total Revenue	3,714	3,097	3,767	4,374	4,299	5,146
Adjusted EBITDA ¹	1,169	766	1,390	1,308	862	1,143
EBITDA Margin	31.5%	24.7%	36.9%	29.9%	20.0%	22.2%
Net Income	405	305	701	621	144	419
Debt	2,652	3,203	3,450	3,213	4,962	5,026
Net Debt	2,485	2,669	2,406	2,897	4,474	4,359
Financial Costs	175	194	208	196	237	233
Capex	460	722	688	1,165	1,369	865

¹ Under IFRS: Adjusted EBITDA = EBIT + Depreciation + Stumpage
Numbers starting year 2008 are under IFRS

Key Financial Ratios

KEY FINANCIAL RATIOS

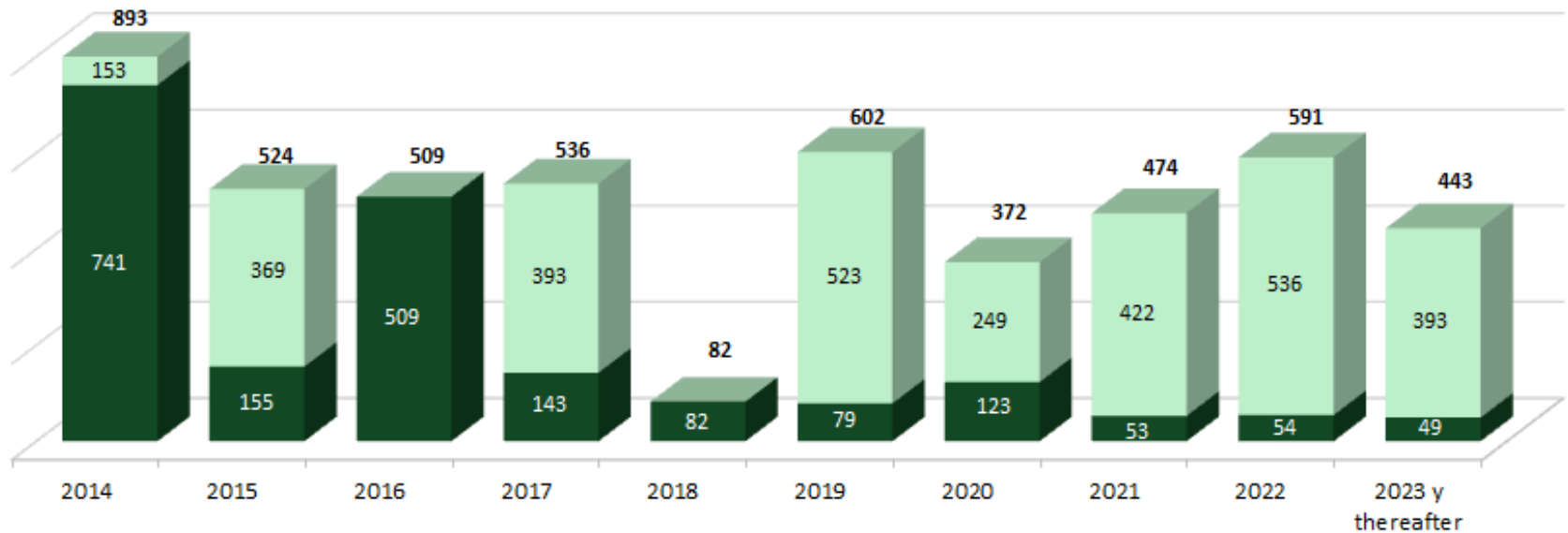
	FY 2013	FY 2012
Profitability		
Gross margin	30.9%	26.4%
Operating margin	10.1%	4.7%
LTM ⁽¹⁾ Adjusted EBITDA margin	22.2%	20.0%
ROA (EBIT / Total assets)	5.4%	3.8%
LTM ROCE (EBIT x (1–tax rate) / (WorkingCap+Fixed assets)	4.9%	2.2%
ROE (Net income / Equity)	5.9%	2.1%
Leverage		
Interest coverage ratio (Adj. EBITDA LTM / Financial costs)	4.9x	3.6x
Net financial debt / Adjusted EBITDA LTM	3.8x	5.2x
Financial debt / Total capitalization ⁽²⁾	41.6%	41.6%
Net financial debt / Total capitalization	36.1%	37.5%
Financial debt / Shareholders' equity	71.9%	72.0%
Net financial debt / Shareholders' equity	62.3%	64.9%

1. Capitalization = Total Financial Debt + Equity

Debt

Financial Debt Maturity Profile As of December 2013

(in US\$ million)

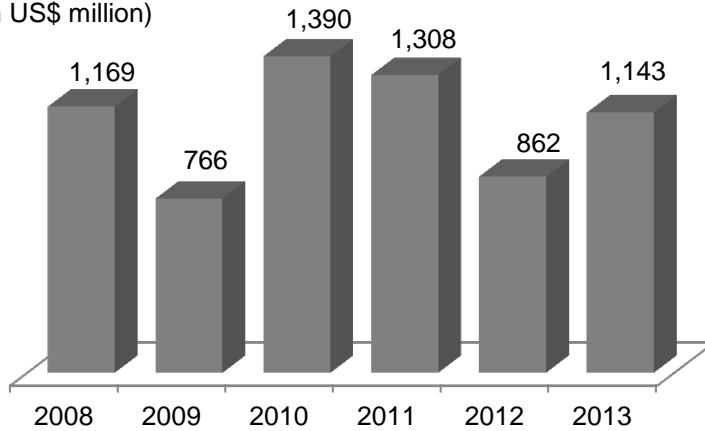


Note: Short term debt numbers include accrued interest

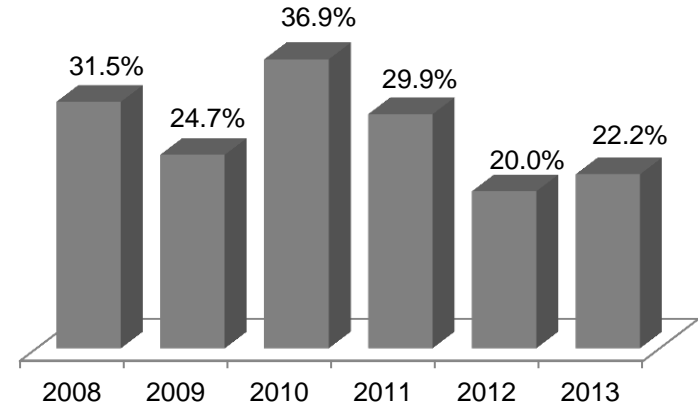
Solid financial performance throughout cycles

EBITDA

(in US\$ million)

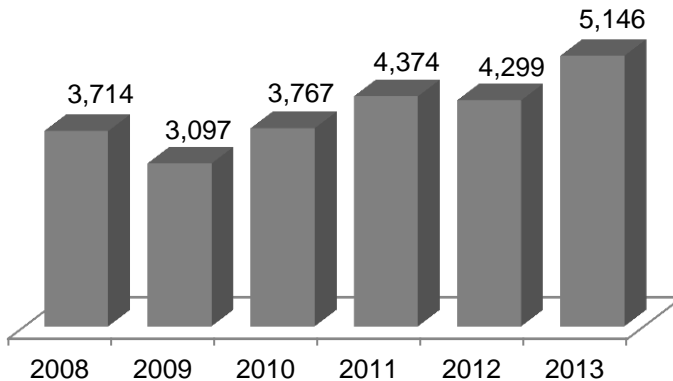


EBITDA Margin



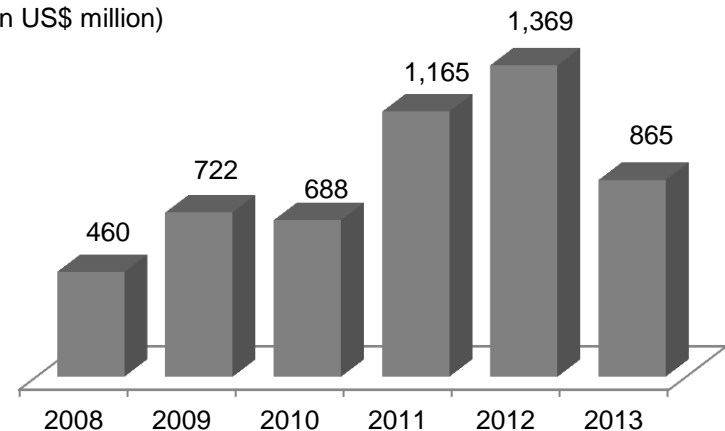
Total Revenues

(in US\$ million)



CAPEX

(in US\$ million)



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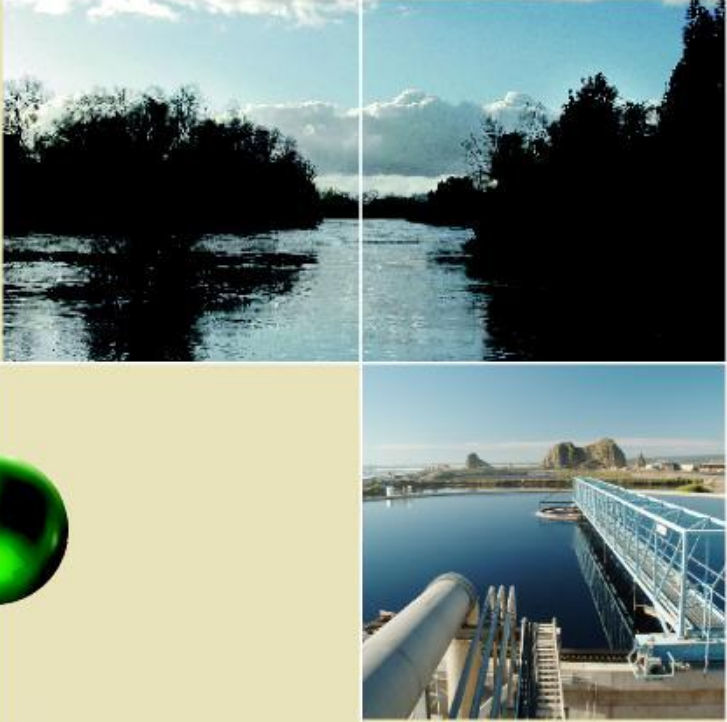
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Sustainability

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. Safety
- 3. Community
- 4. Education

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 2013 we invested U.S.\$ 40 million in environmental improvements.



We apply widely accepted International scientific standards to our silviculture.

We do not use genetically modified plants.

Sustainability > Environment > Carbon Footprint

- In 2008 and 2009, we documented our carbon footprint.
- ARAUCO started the carbon footprint assessment project to determine its emissions and capture of greenhouse gasses (GHG) from the forest floor to finished products
- The assessment seeks to determine the direct and indirect GHG emissions from Arauco's operations and value chain in Chile, Argentina, Brazil, and Uruguay
- Includes emissions from harvest operations and the transport of significant raw materials and products
- The study also will determine the amount of carbon stored in Arauco's sustainably managed plantation forests and in its finished products
- Since 2007 Arauco has issued more than 2.2 million CERS and was the first Chilean forestry company to issue CERs through the CDM of the Kyoto Protocol



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



Responsibility

Sustainability > Community

			
<p>Our operations directly benefit more than 40,000 workers and their families, as well as more than 1,800 contractors</p> <p>We grow together with our neighboring communities, building relationships based on trust and mutual benefit</p>			

Commitment

Sustainability > Education



Future

For more than 30 years Arauco has made its most sizable commitment to education

- Arauco Educational Foundation
- Alto Paraná Foundation
- Arauco, Constitución and Cholguan Schools
- Belen Educa Foundation



ARAUCO
Sembremos Futuro

Visit www.arauco.cl for more information