



ARAUCO
Corporate Presentation
1Q 2019

renewables for a better life

arauco



ARAUCO OVERVIEW

HISTORY OF ARAUCO: A CONTINUED EXPANSION

1996

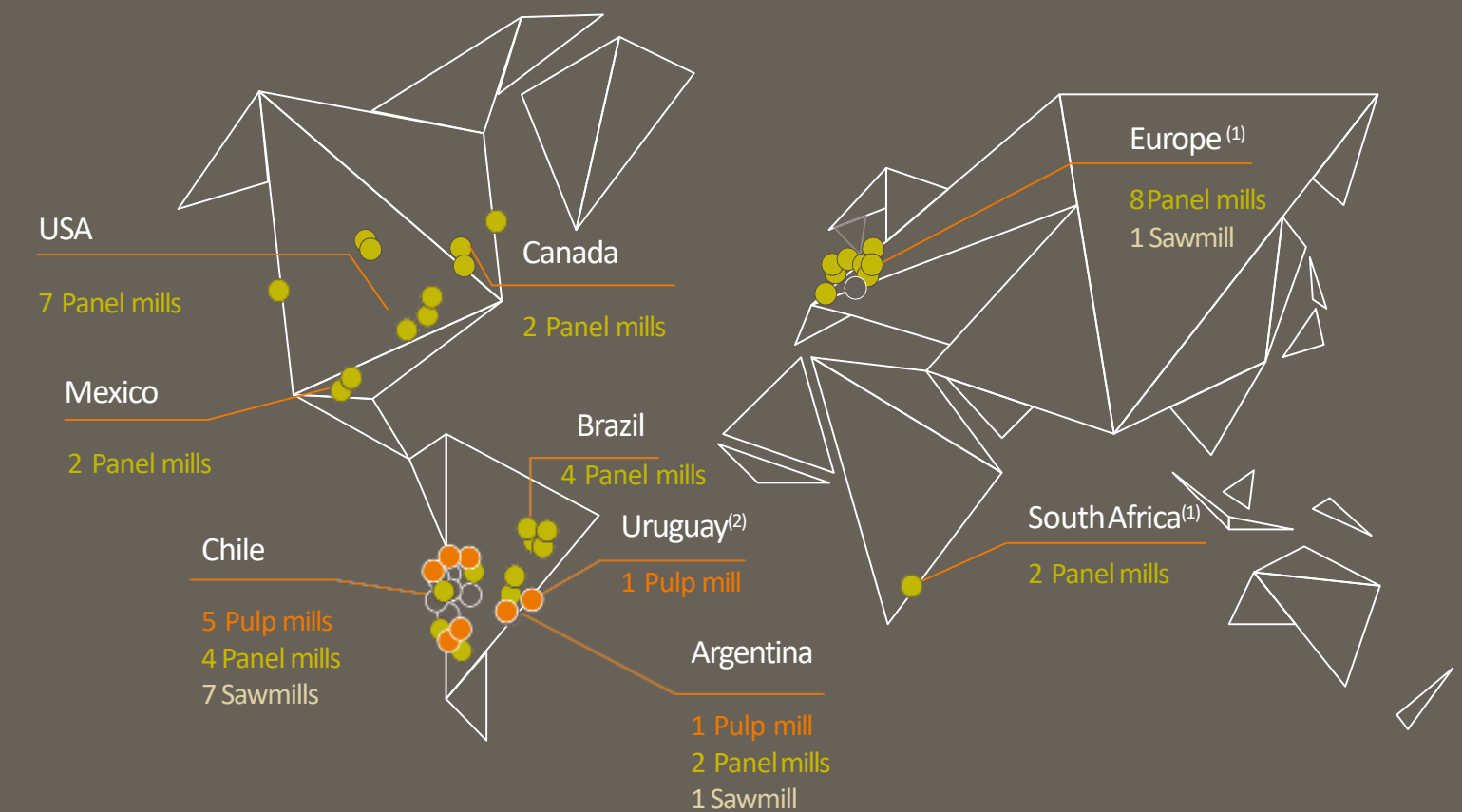
Alto Parana in Argentina, one of the first strategic steps to expand our business



Revenues	US\$641 million
Pulp Capacity	1.1 million 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 ⁽³⁾	US\$5.9 billion
Pulp Capacity	4.0 million t
Panel Capacity ⁽⁴⁾	10.9 million m ³
Sawn Timber Capacity	2.9 million m ³
Number of Mills ⁽⁴⁾	47

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) March 2019 LTM

(4) Includes Grayling

As of March 2019

ARAUCO AT A GLANCE

Shareholder Structure ⁽¹⁾



National rating

Fitch
AA-
(Stable)

Feller
AA
(Stable)

International rating

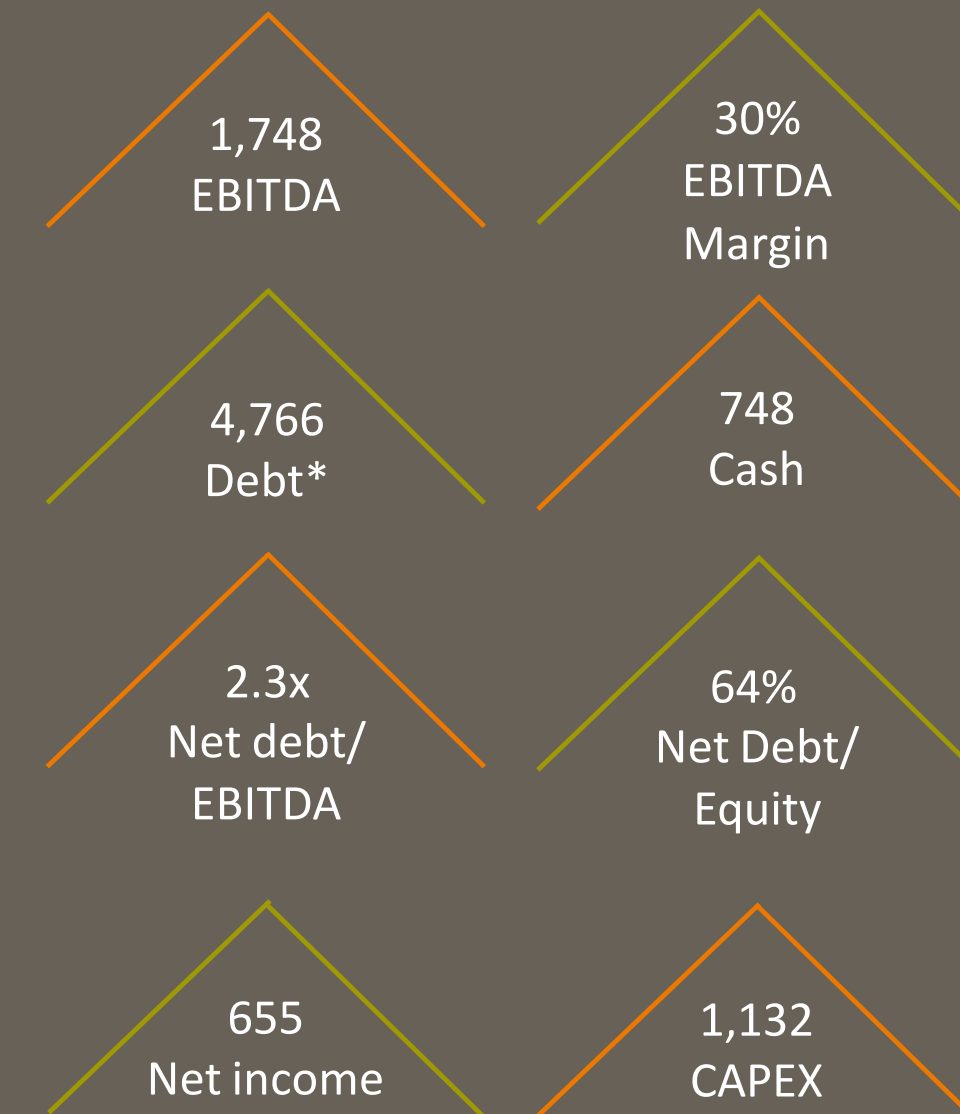
Fitch
BBB
(Stable)

S&P
BBB-
(Stable)

Moody's
Baa3
(Stable)

Financial highlights Mar. 2019 LTM

US\$million

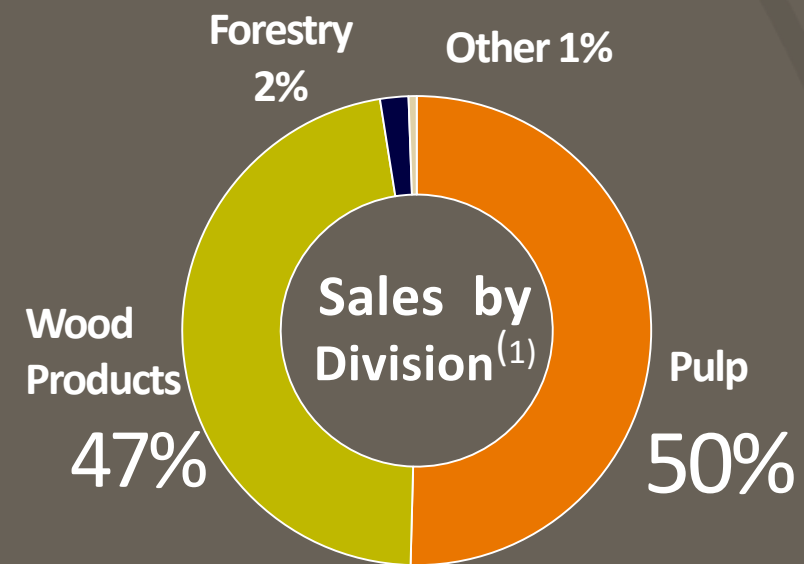


* Does not include swaps and forwards

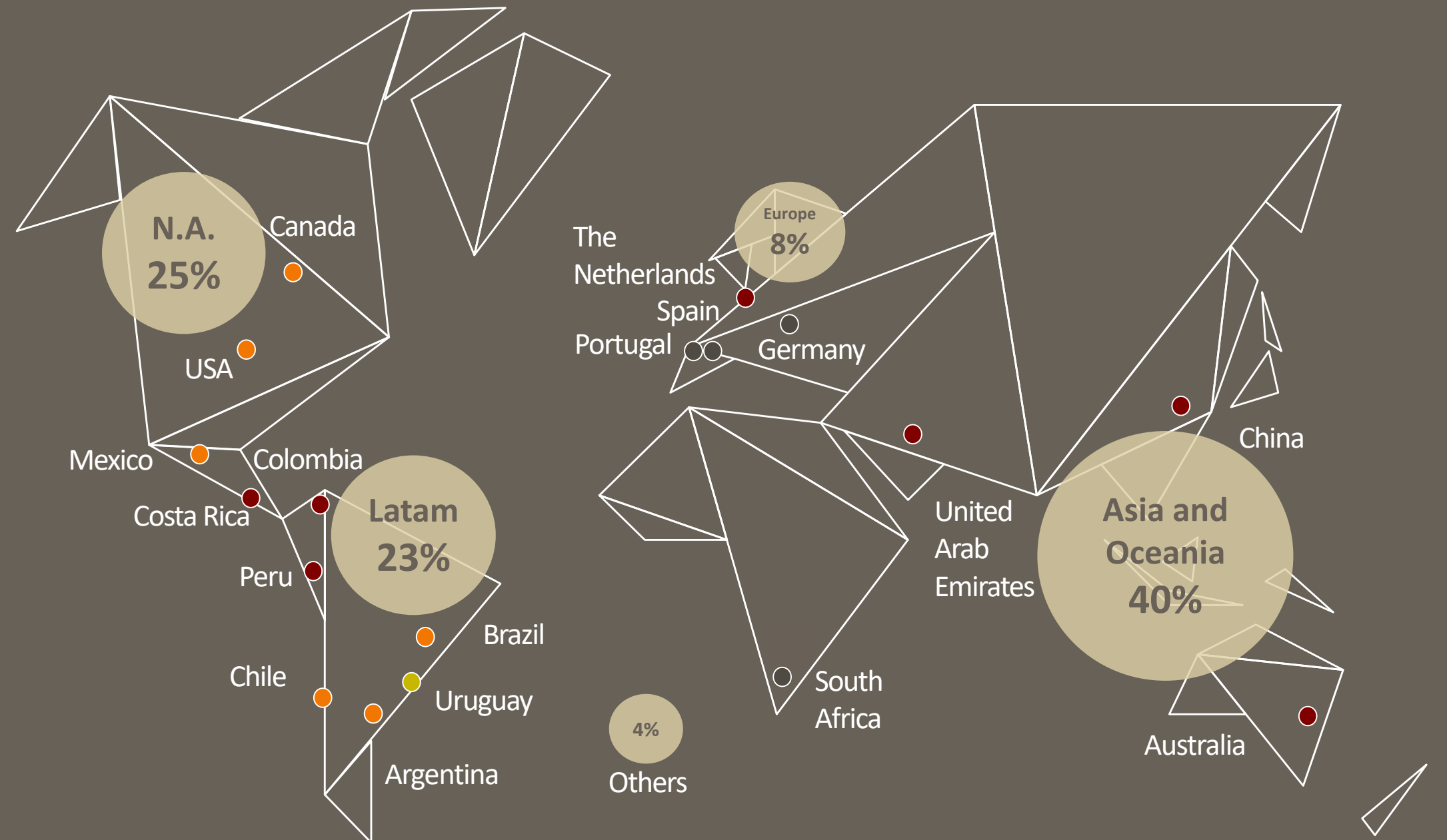
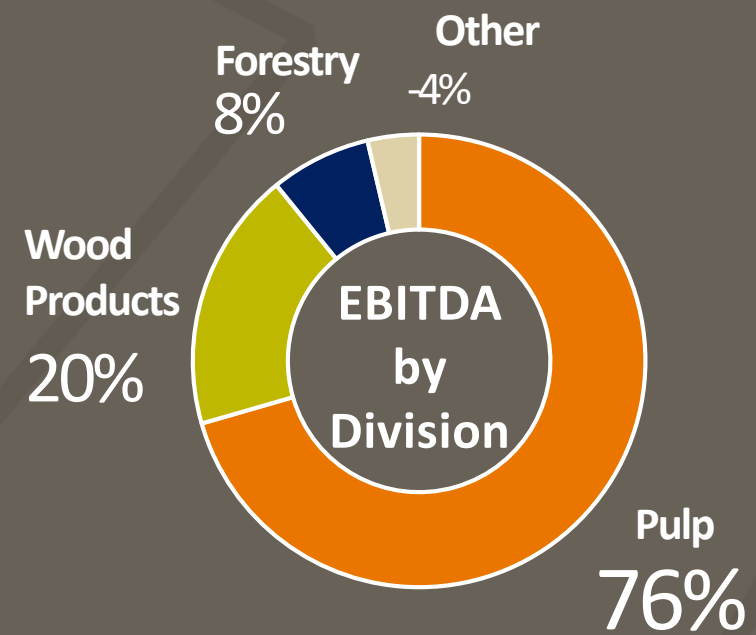
(1) As of March 2019

DIVERSIFIED SALES AROUND THE WORLD

Revenues
MUS\$5,878




EBITDA
MUS\$1,748



- 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 March 2019 LTM
(1) Pulp and Wood products include energy sales

THREE STRATEGIC BUSINESS SEGMENTS

	Forestry	Pulp	Wood products		Complementary energy operations
	661,890 Ha ⁽¹⁾	5 Mills 2,905 th. tons	4 Mills Plywood: 710 th. m ³ MDF: 515 th. m ³ PB: 300 th. m ³	7 Sawmills 4 Rem. facilities 2,845 th. m ³	10 Power Plants 606 MW Surplus: 209 MW
	131,160 Ha ⁽¹⁾	1 Mill 350 th. tons	2 Mills MDF: 300 th. m ³ PB: 260 th. m ³	1 Sawmill 1 Rem. facility 362 th. m ³	2 Power Plants 82 MW Surplus: 15 MW
	127,852 Ha ⁽¹⁾		4 Mills MDF: 1,530 th. m ³ PB: 720 th. m ³		
	76,708 Ha ^{(1) (2)}	1 Mill 700 th. tons ⁽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: 250 th. m ³ PB: 339 th. m ³		
			10 Mills ⁽³⁾ PB: 1,165 th. m ³ MDF: 741 th. m ³ OSB: 258 th. m ³	1 Sawmill ⁽³⁾ 25 th. m ³	
Total	1.0 million ha	4.0 million t	10.9 million m³	2.9 million m³	774 MW

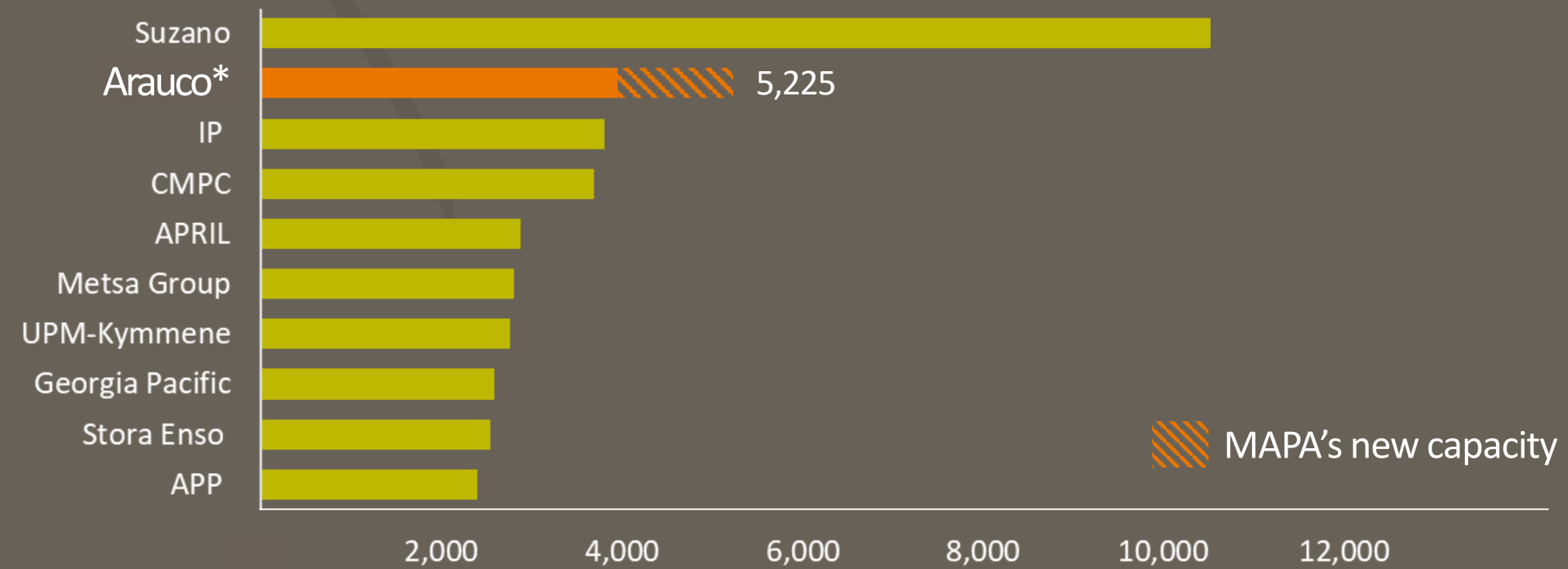
(1) Considers hectares planted
 (2) Considers 50% of Montes del Plata
 (3) Considers 50% of Sonae Arauco
 As of March 2019, includes Grayling

WE ARE A MAIN PLAYER IN THE GLOBAL MARKET

#2

In market pulp capacity in the world

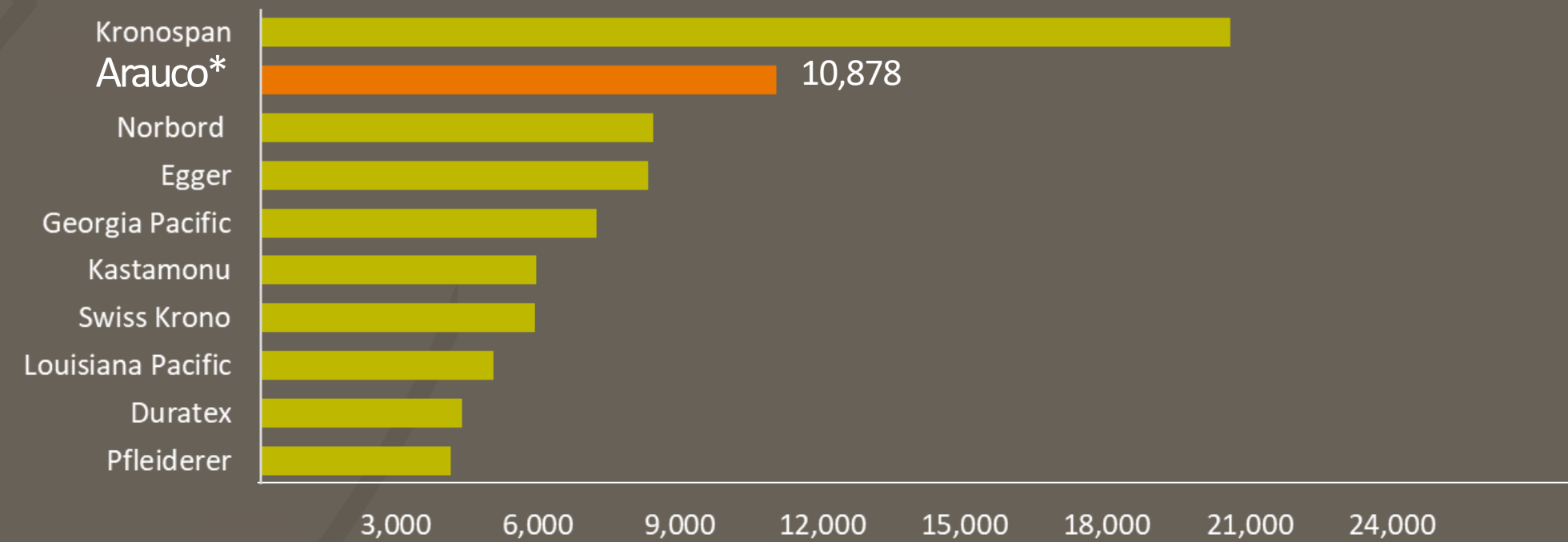
Market Pulp Capacity (thousand tons)



#2

In Panels capacity in the world

World Panels Capacity (thousand m³)

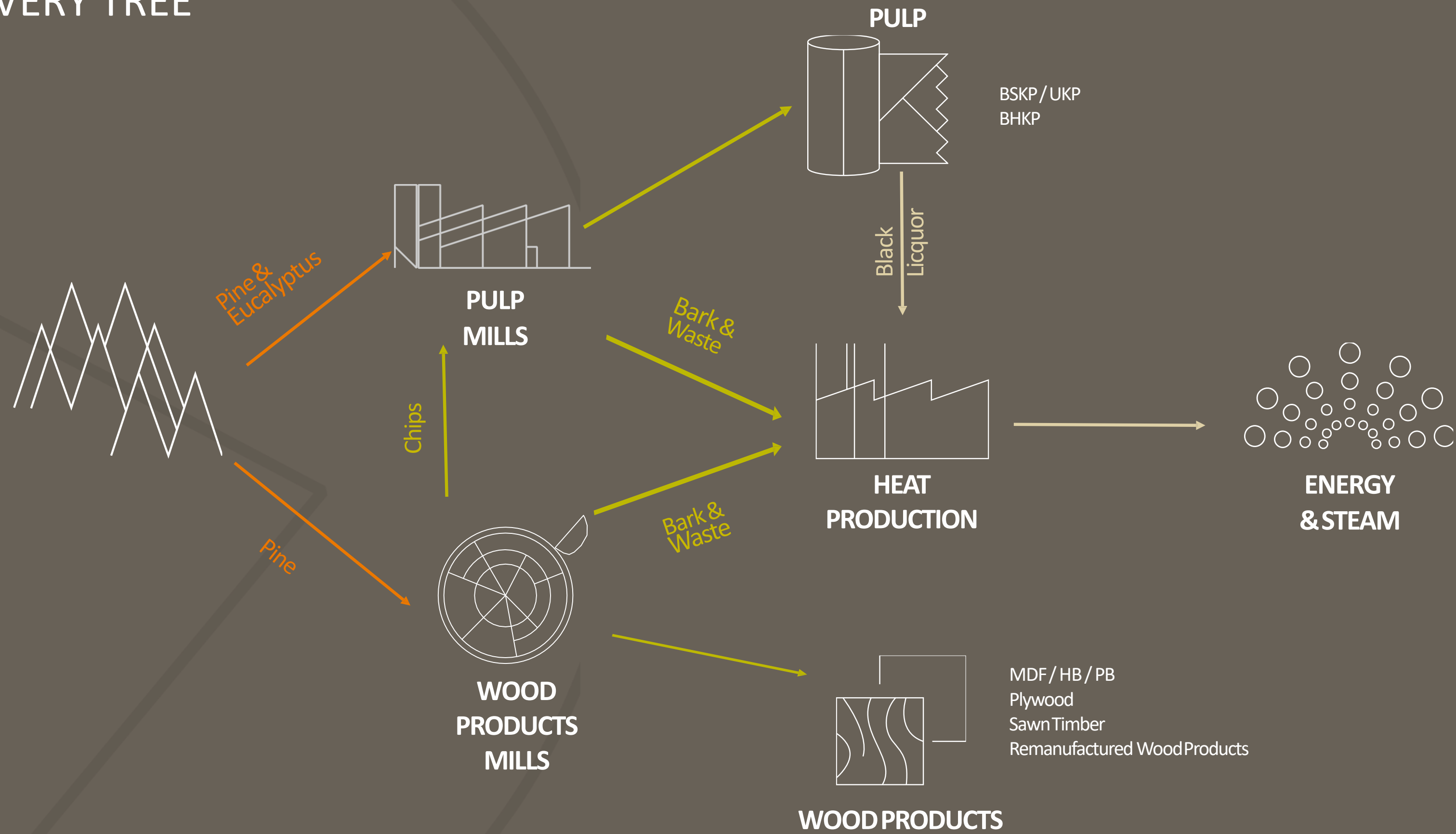


World market pulp and panel competitors capacity as of December 2018.

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

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

MAXIMIZING THE VALUE OF EVERY TREE





BUSINESS SEGMENTS

FORESTRY BUSINESS

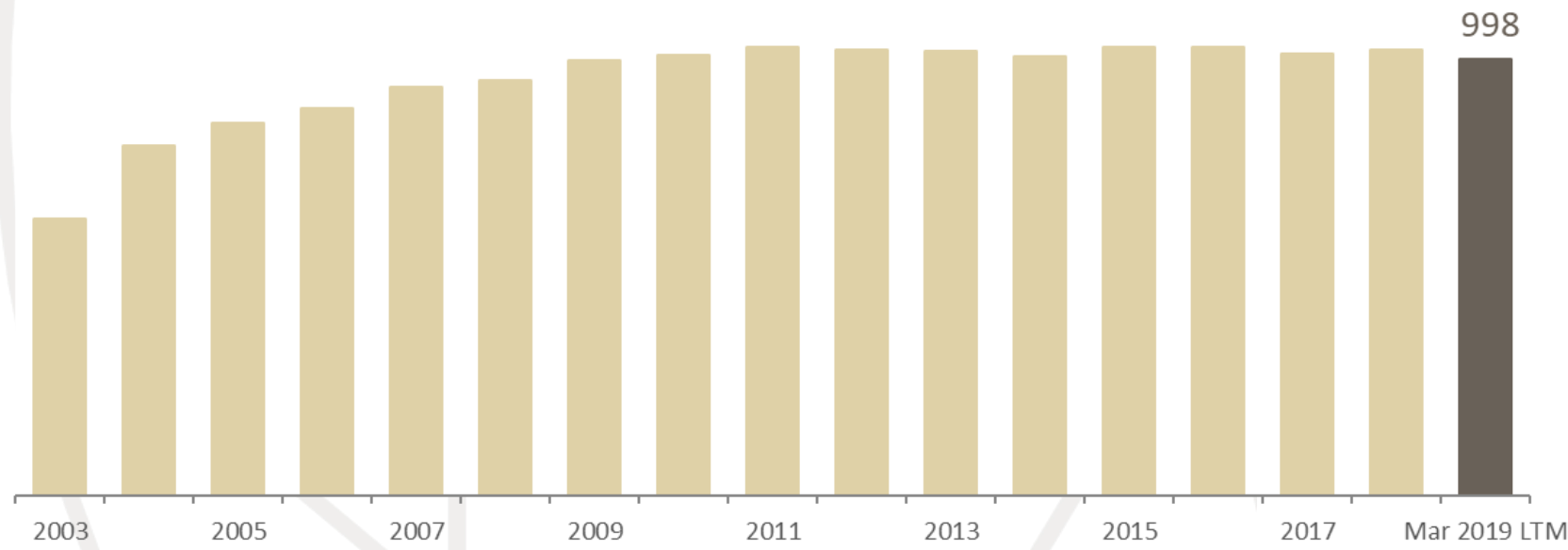


FORESTRY BUSINESS

Total Plantations

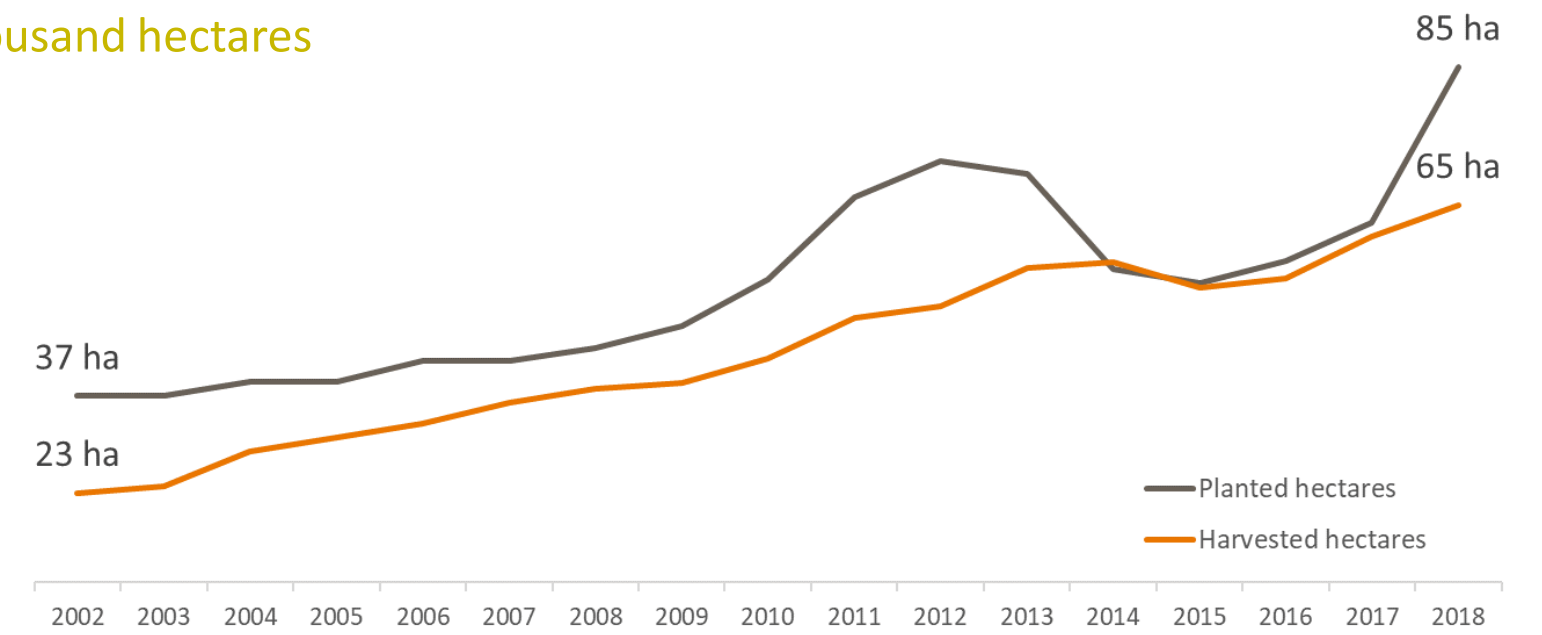
Includes plantations in Chile, Argentina, Brazil and Uruguay

In thousand hectares



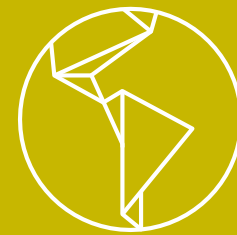
Planting and harvesting

In thousand hectares



1.8 million

hectares owned



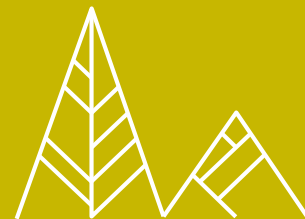
1.0 million

hectares planted



646 th. of Pine

329 th. of Euca



As of March 2019

Pine : **484 th.**
Euca: **175 th.**
Others: **3 th.**



Pine : **68 th.**
Euca: **60 th.**
Others: **0.2 th.**

Euca: **76 th.**
Pine: **0.2 th.**
Others: **0.4 th.**

Pine : **93 th.**
Euca: **18 th.**
Others: **20 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

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

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
BUSINESS**



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PULP BUSINESS

Pulp Sales
MUS
\$2,896

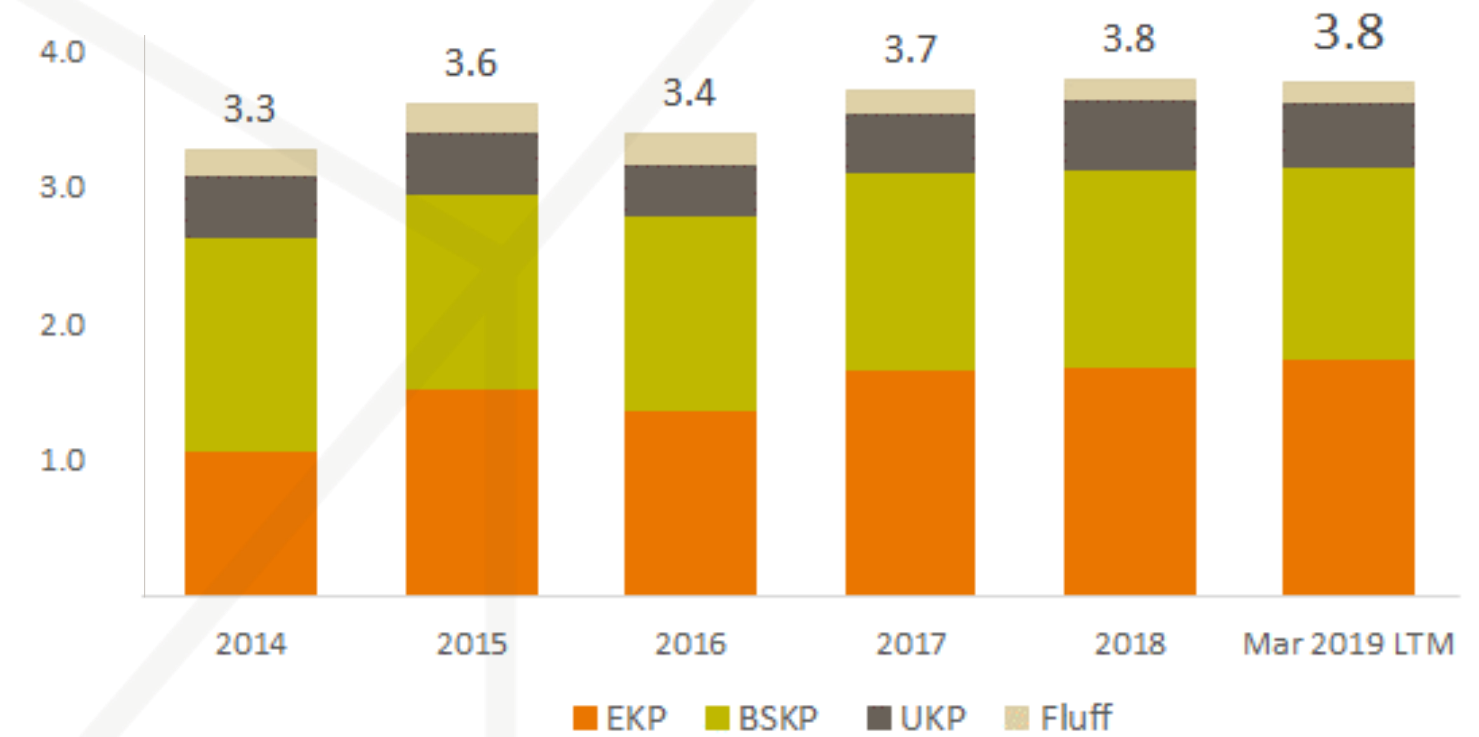
Does not include energy sales
As of March 2019 LTM



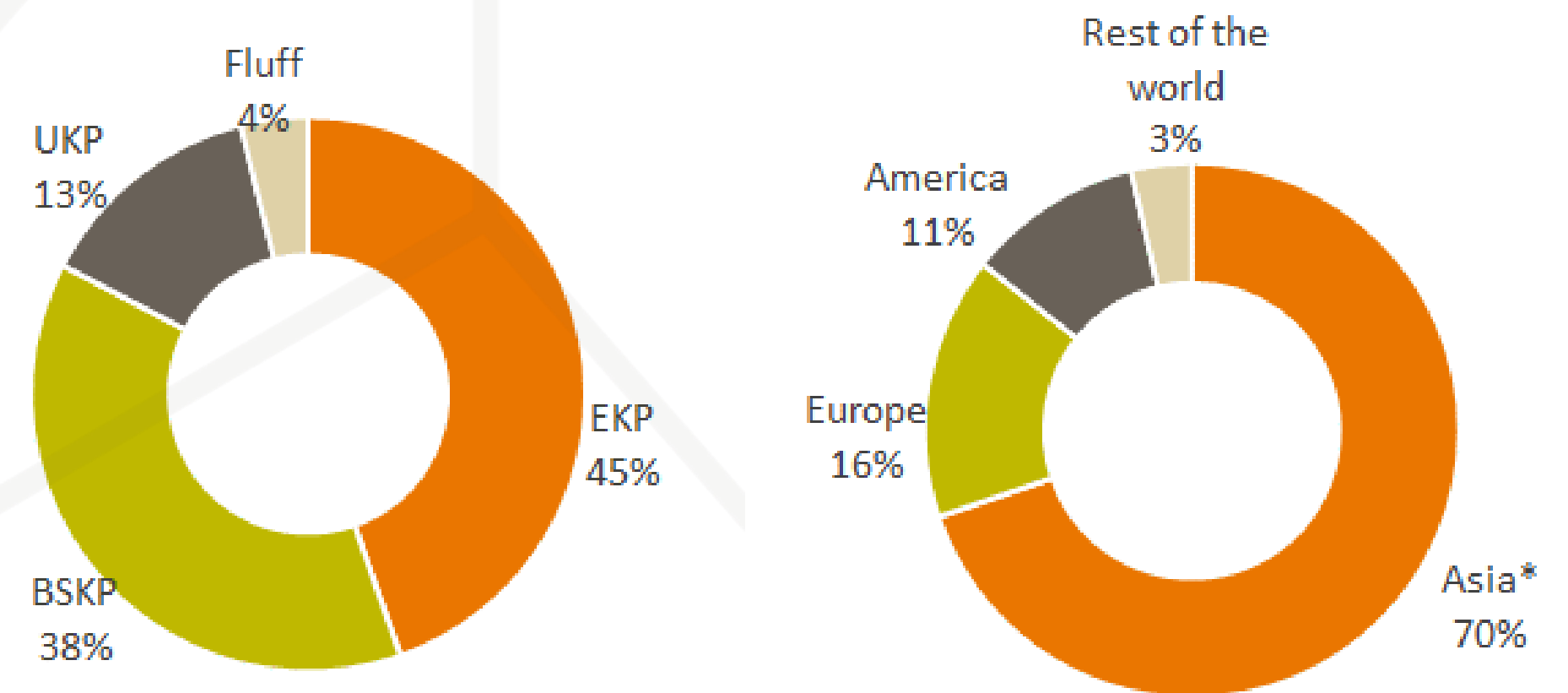
- (1) Eucalyptus Kraft Pulp
- (2) Bleached Softwood Kraft Pulp
- (3) Unbleached Kraft Pulp
- (4) Dissolving Pulp

Production

million tons



Sales volume: 3.7 million tons



As of March 2019 LTM

* China (84%); Korea (7.7%); Rest of Asia (8.3%)

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PULP BUSINESS

OUR MILLS

LICANCEL
160 th. tons UKP



CONSTITUCION
355 th. tons UKP



**ARAUCO MILL
LINE 1 & LINE 2**
290 th. tons EKP
510 th. tons BSKP



NUEVA ALDEA
520 th. tons EKP
520 th tons BSKP



VALDIVIA
550 th. tons
Bleached pulp Swing
mill



ALTO PARANA
350 th. tons BSKP &
Fluff Swing mill



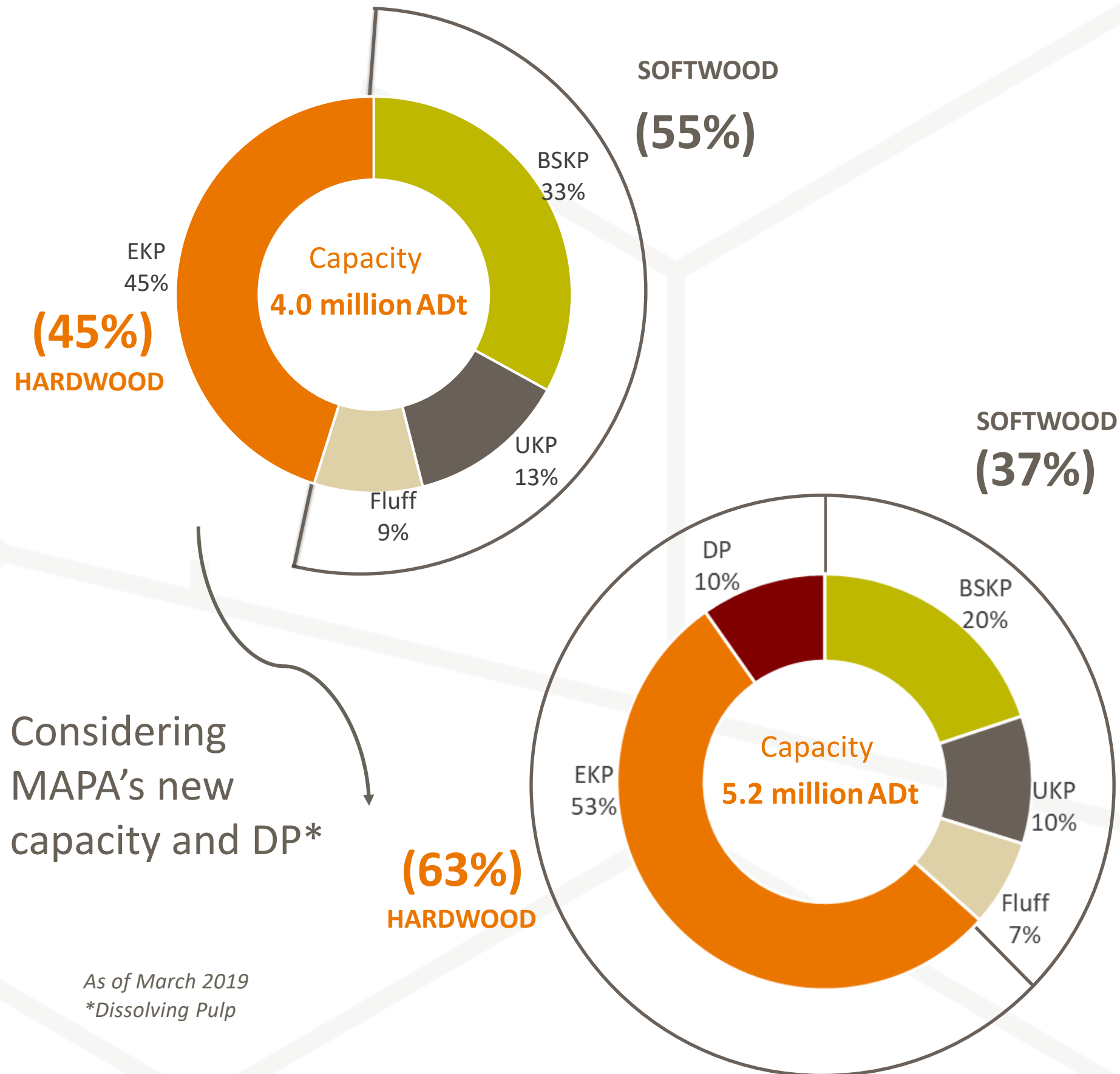
MONTES DEL PLATA
1,400 th. tons EKP
Arauco owns 50%



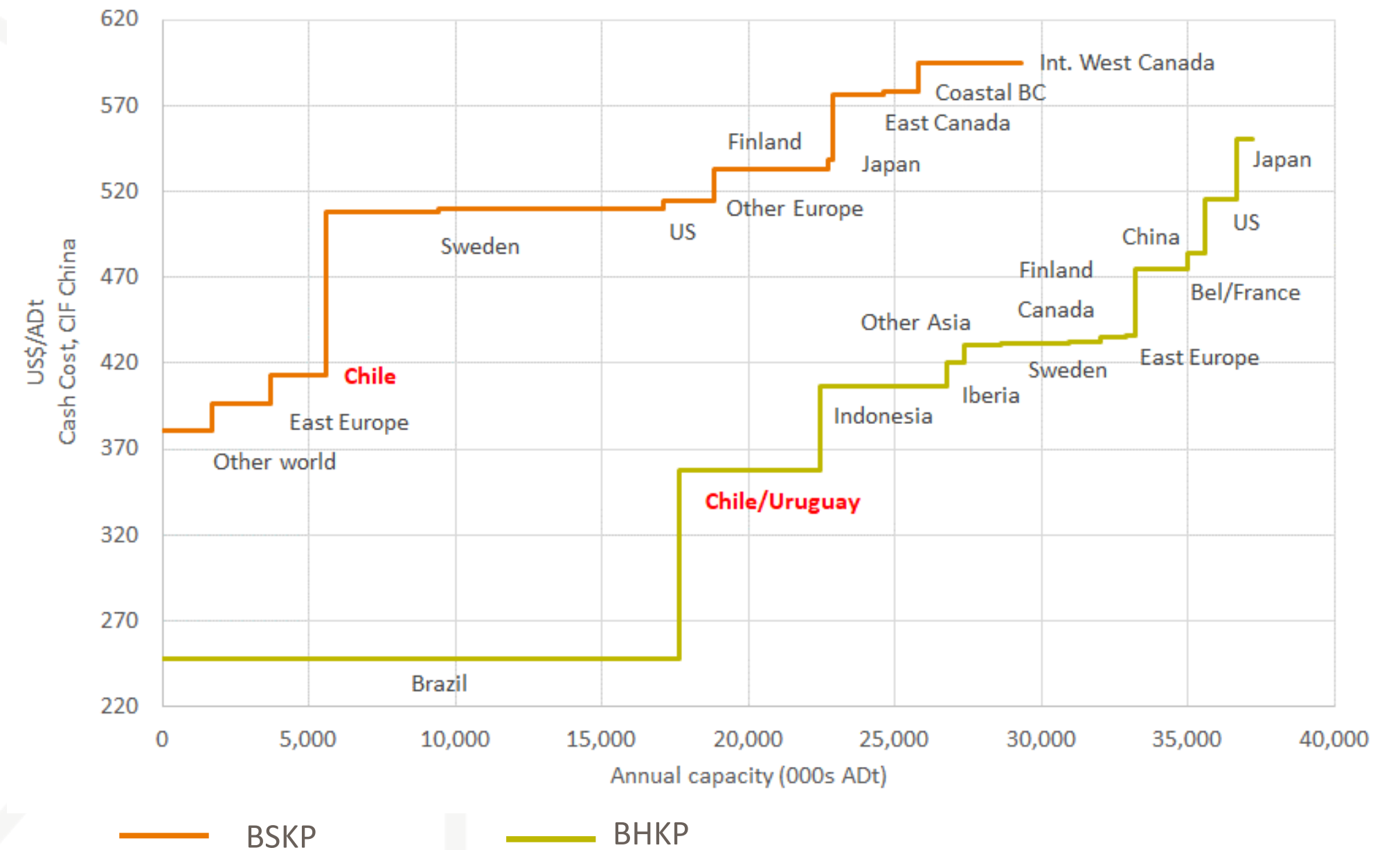
PULP BUSINESS

COMPETITIVE ADVANTAGES

1. Product mix



2. Cost advantage



Source: Hawkins Wright, April 2019 Report

PULP BUSINESS COMPETITIVE ADVANTAGES

3. Logistic efficiency



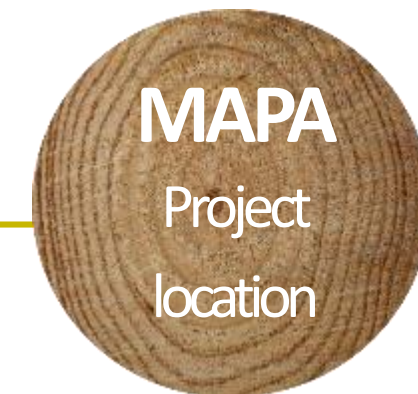
Average Distances
Forests to Mills

	Km
Chile	85
Argentina	80
Uruguay	282



Average Distances
Mills to Ports

	Km
Licancel	420
Constitución	316
Nueva Aldea	63
Arauco	35
Valdivia	301
Alto Paraná	1,200
Montes del Plata	0
Weighted Avg.	158⁽¹⁾



123⁽²⁾

(1) Considers only export sales volumes, as of December 2018
 (2) Considers Arauco's Line 3 new capacity and Line 1 shutdown

WOOD PRODUCTS BUSINESS

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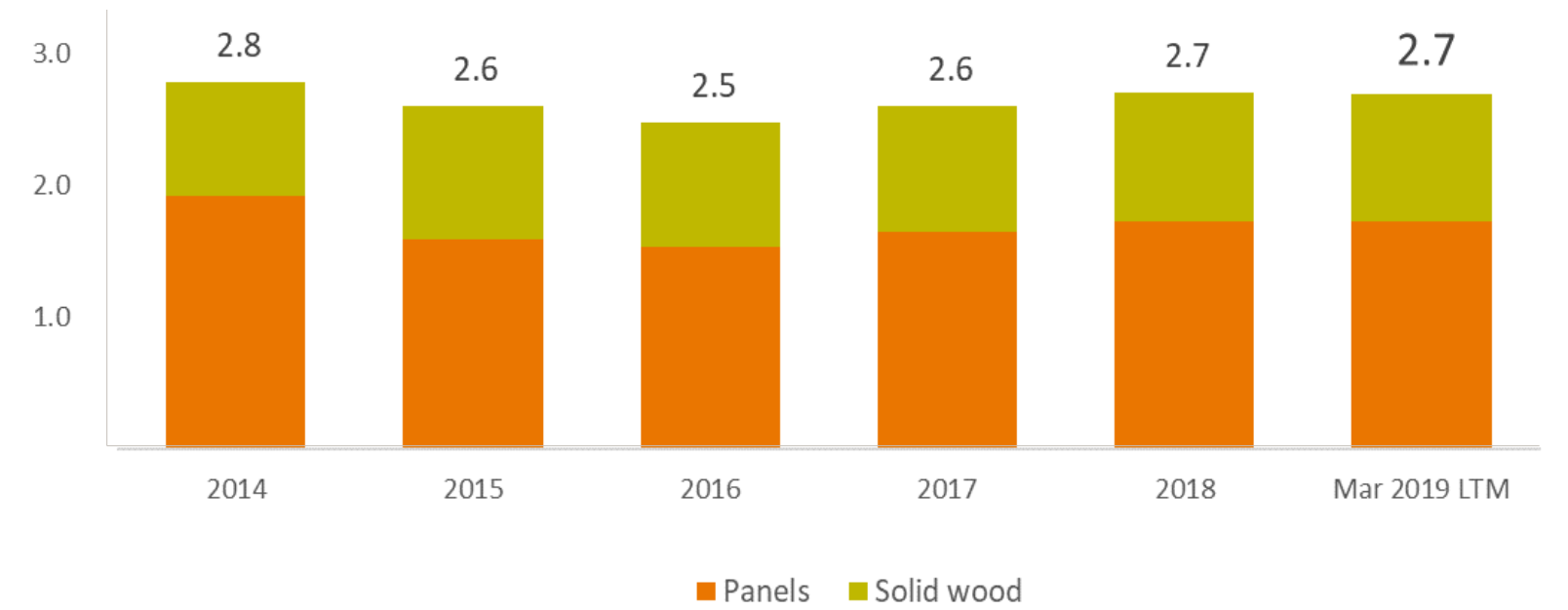
WOOD PRODUCTS BUSINESS

Revenues
MUS
\$2,711

Does not include energy sales
As of March 2019 LTM

Sales evolution

US\$ million



Subdivisions

PANELS



SOLID WOOD

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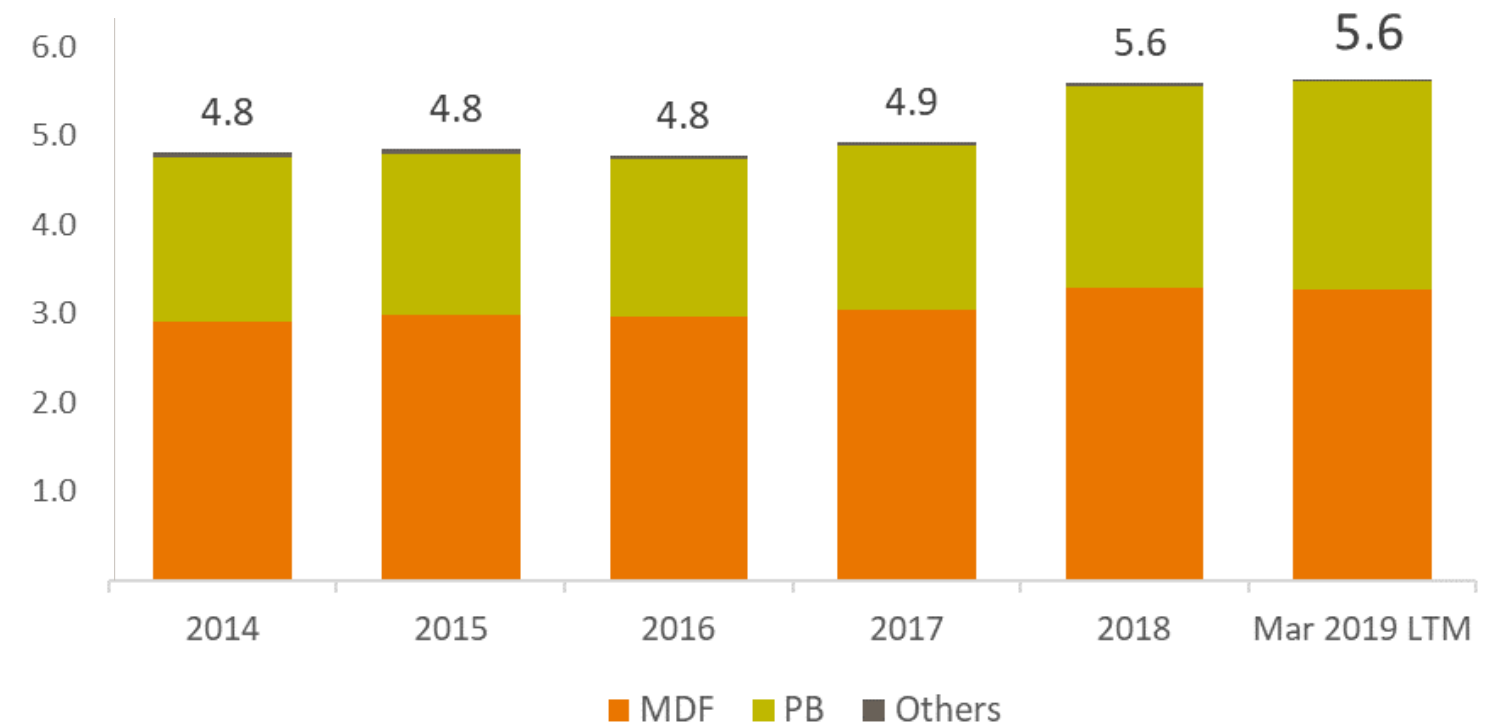
WOOD PRODUCTS BUSINESS: PANELS

Panels Sales
MUS
\$1,730

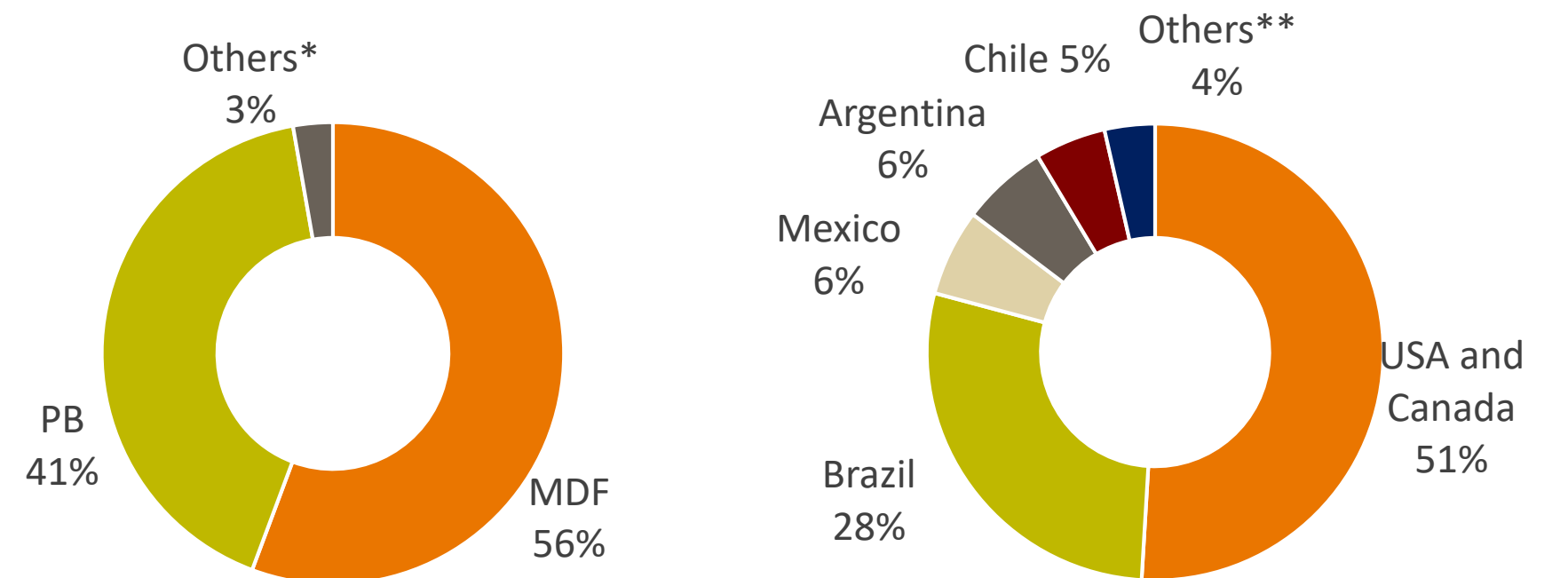
Does not include energy sales
As of March 2019 LTM

Production ⁽¹⁾

million m³



Sales volume ⁽¹⁾: 5.5 million m³



As of March 2019 LTM

Does not include Sonae Arauco volumes

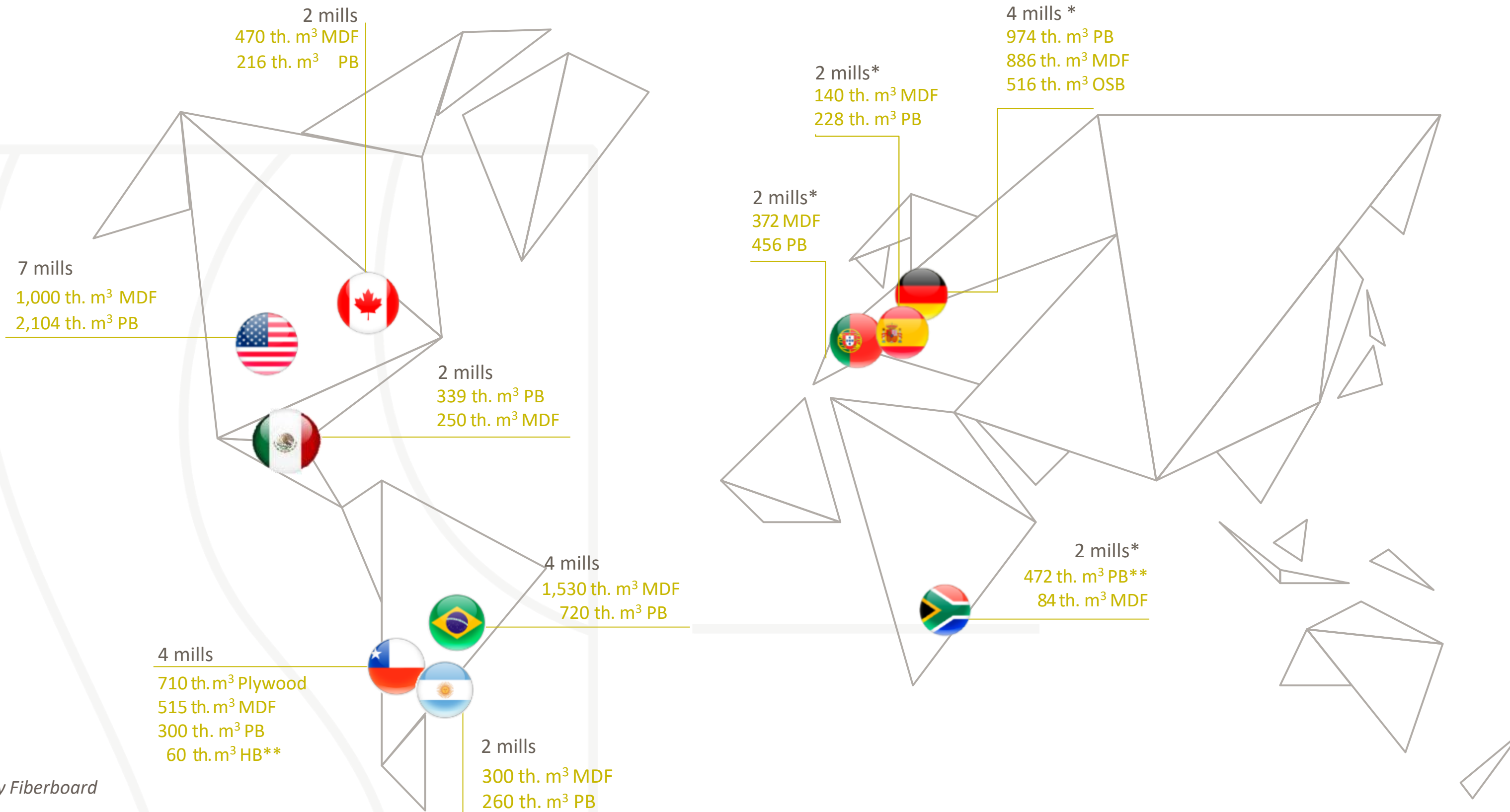
Includes volumes from new Mexican subsidiaries, acquired on January 31, 2019

*OSB, HB, Retail and Composite panels

** EMEA, Asia, Oceania and Rest of Latam

PANELS

OUR MILLS



Legend

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

As of March 2019

*Arauco owns 50% of Sonae Arauco

**One PB mill in South Africa and HB mill in Chile are currently shut down

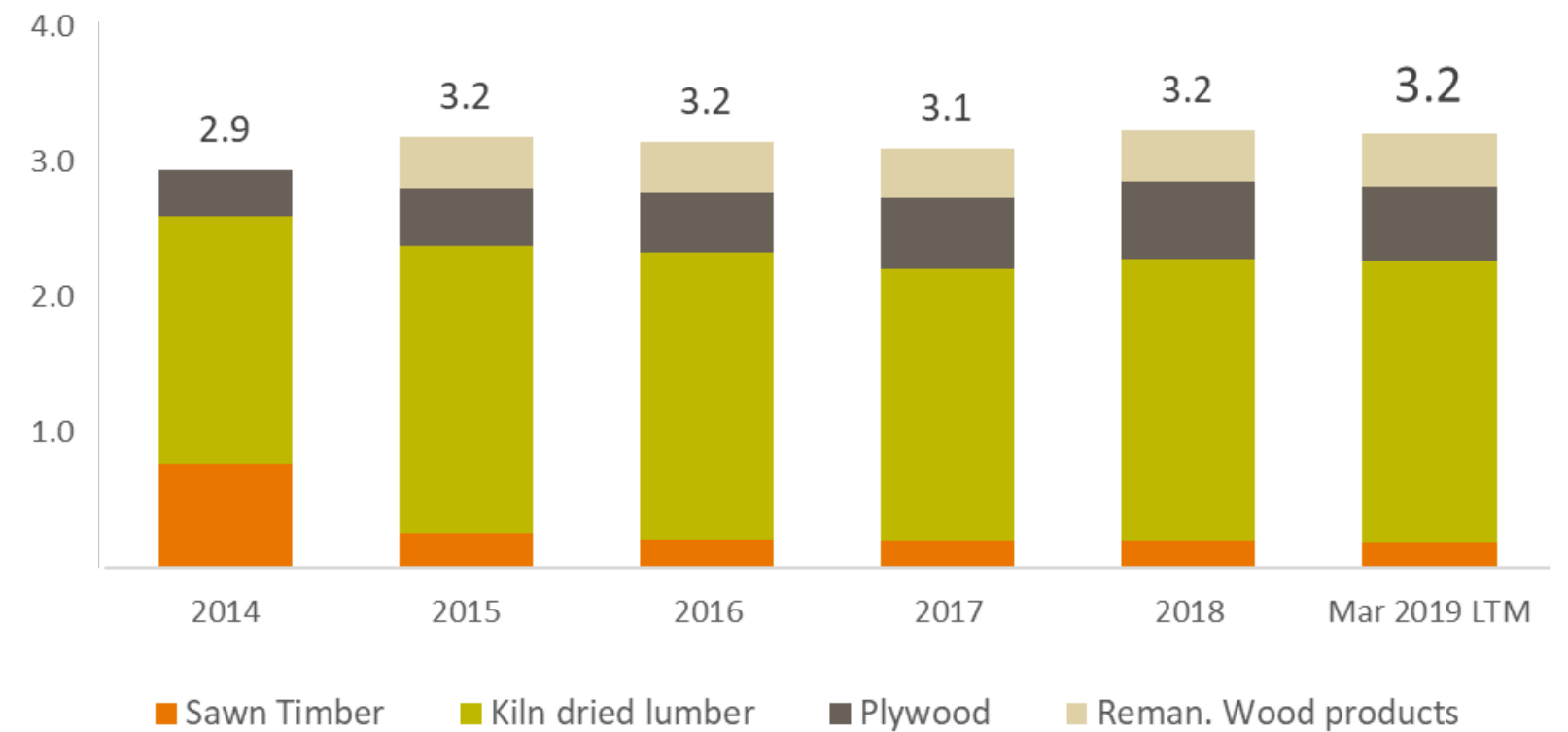
WOOD PRODUCTS BUSINESS: SOLID WOOD

Solid Wood Sales
MUS
\$981

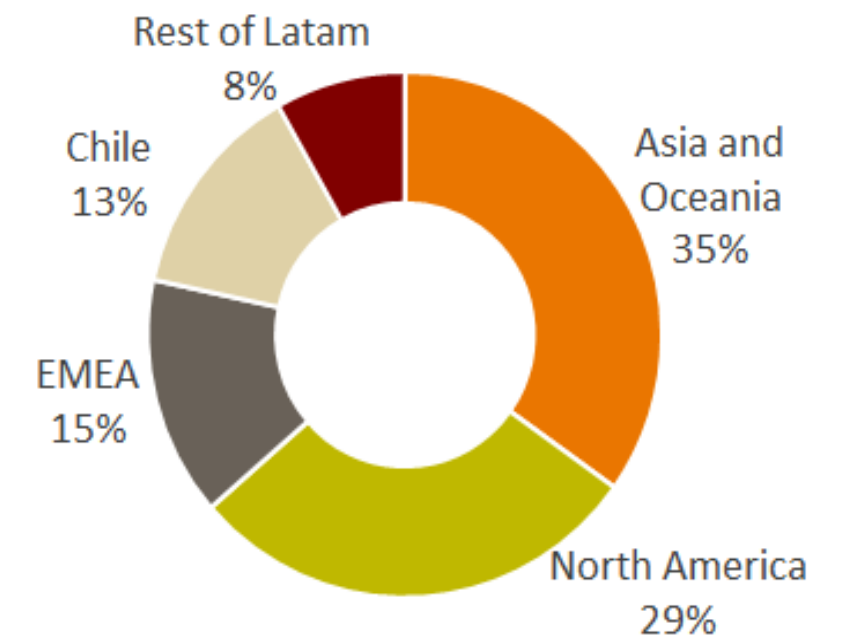
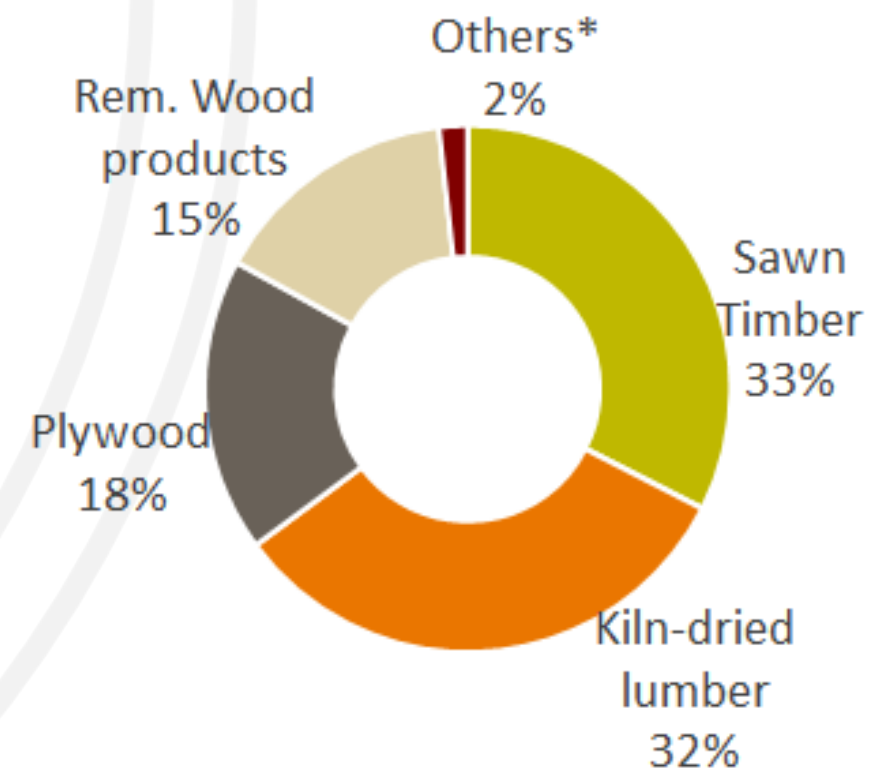
Does not include energy sales
As of March 2019 LTM

Production

In thousand cubic meters



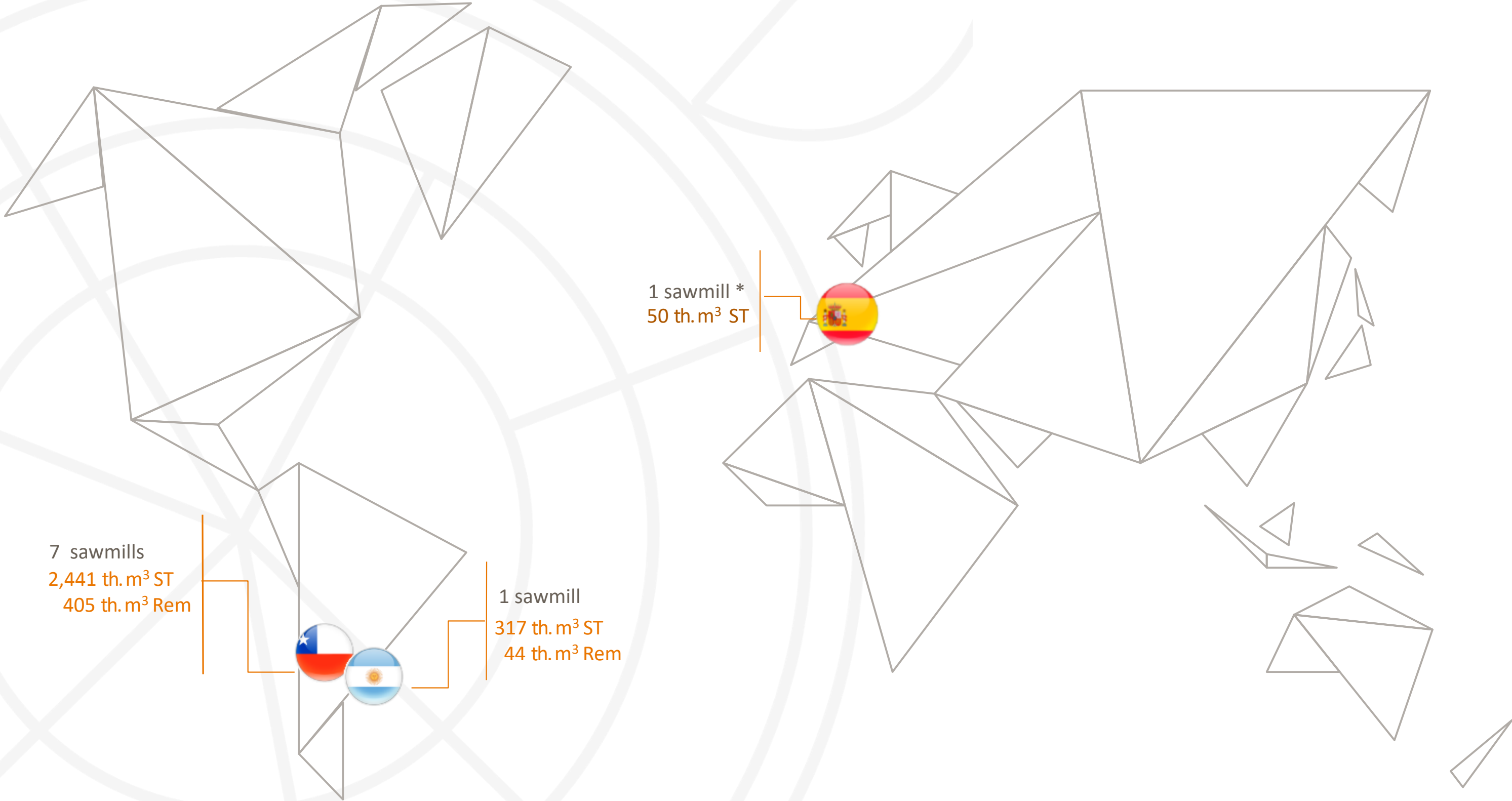
Sales volume: 2.8 million m³



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

SOLID WOOD

OUR MILLS



Legend

ST: Sawm Timber
Rem: Remanufactured Wood Products

As of March 2019
*Arauco owns 50% of Sonae Arauco

ENERGY BUSINESS



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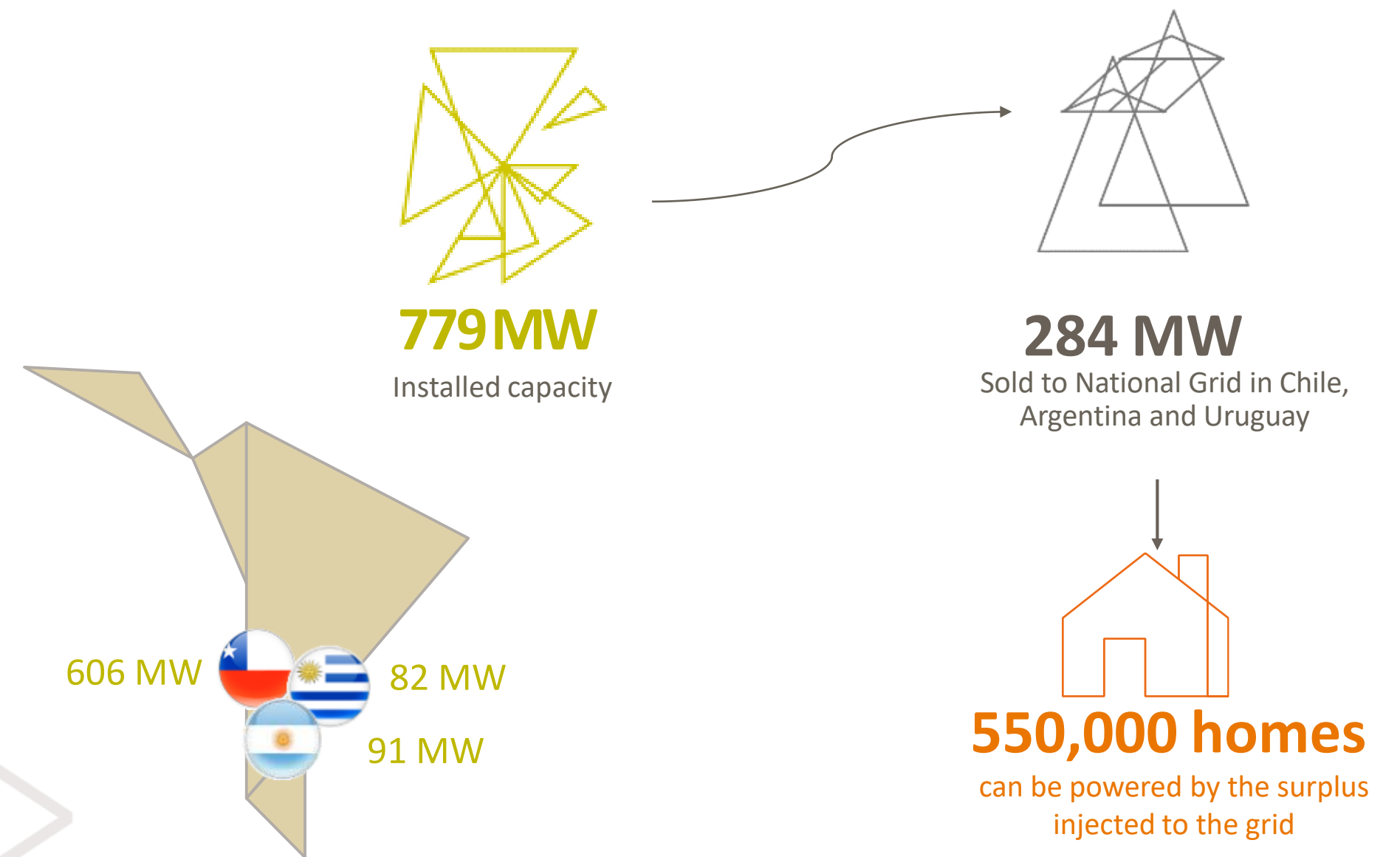
Revenues
MUS
\$77

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).

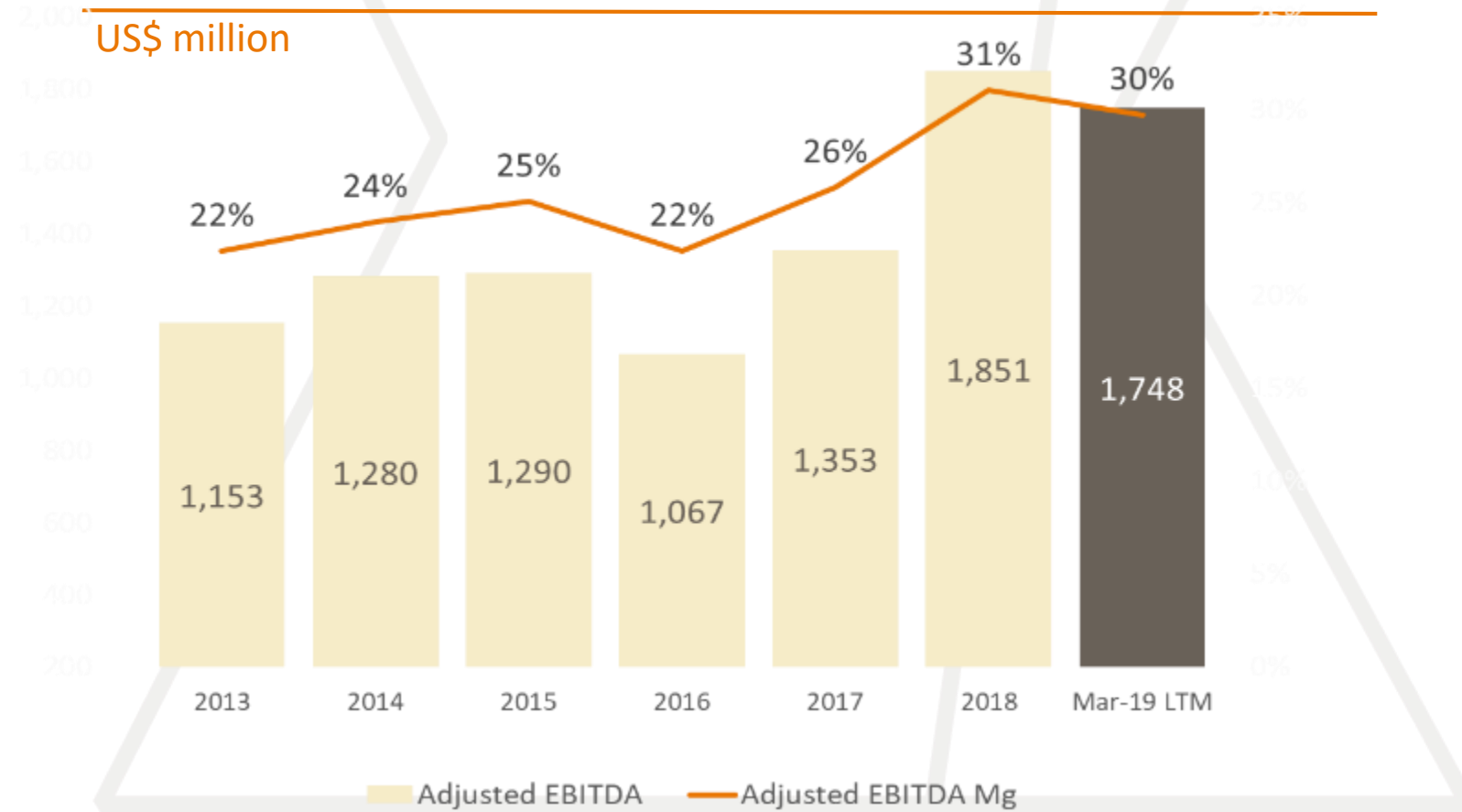




FINANCIAL HIGHLIGHTS

MAIN FIGURES

Adjusted EBITDA



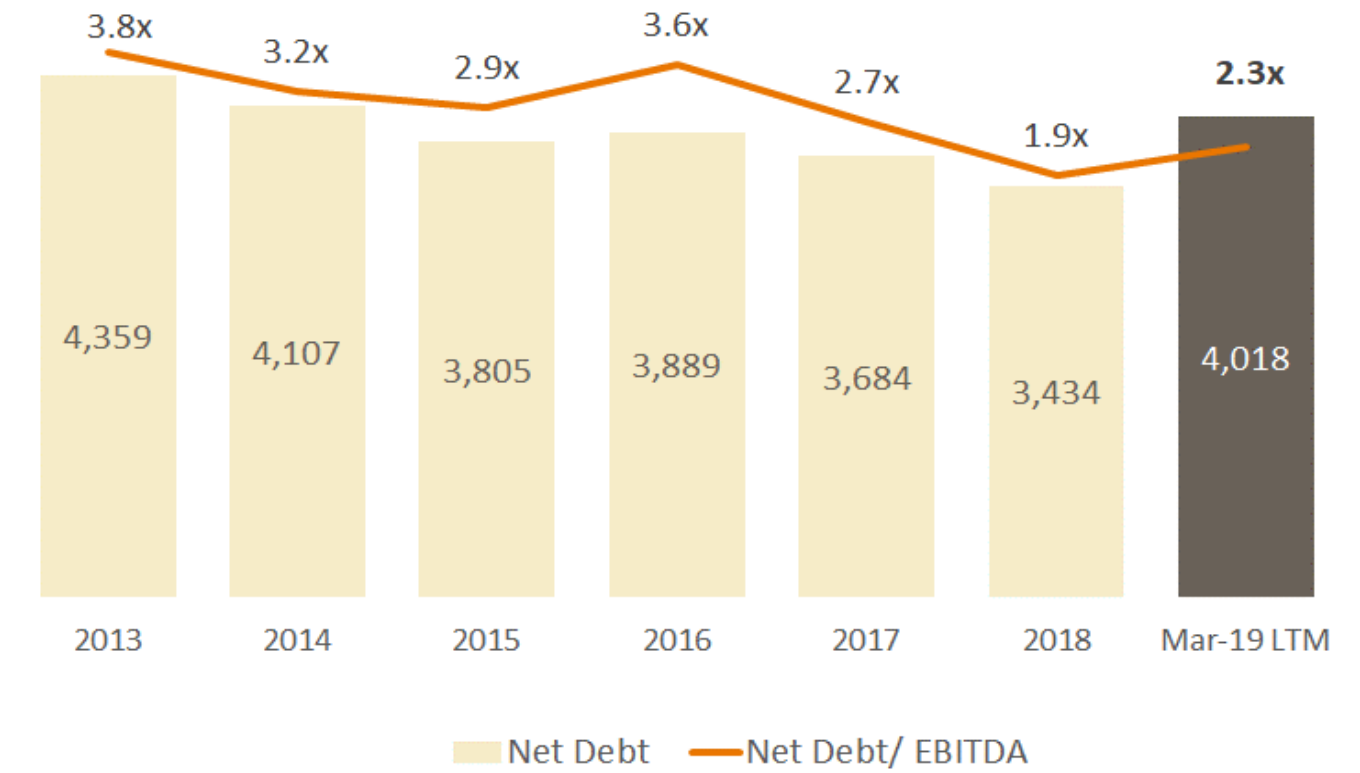
CAPEX

US\$ million



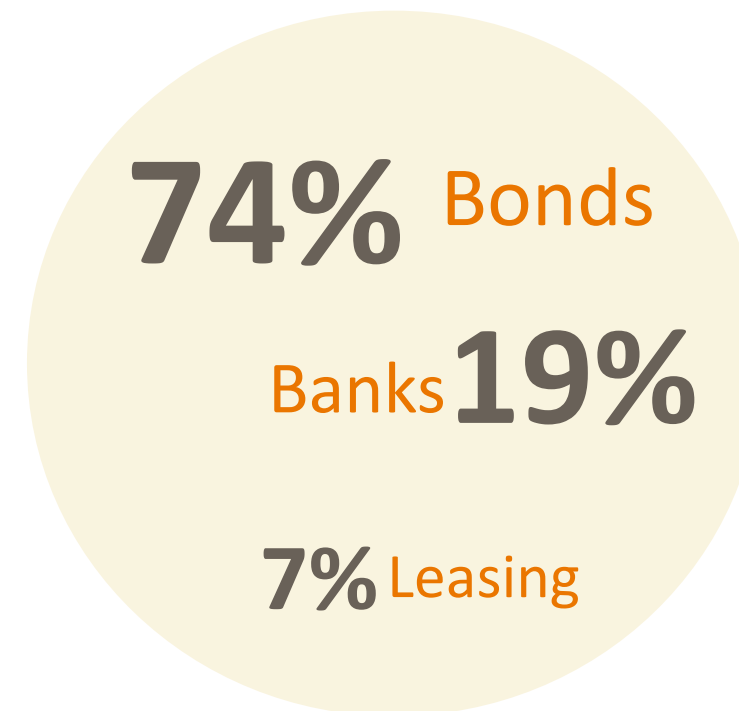
Net Debt

US\$ million



Debt Breakdown

by Instrument



by Currency



As of March 2019

(1) 32% of the total debt corresponds to UF (Chilean monetary unit indexed to inflation), which is swapped to US dollar



FUTURE INVESTMENTS

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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 Adt (short fiber), increasing the Arauco's total pulp capacity to more than **5 million Adt**.



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

The project considers the shut down of Arauco's line 1 of **290 th. Adt** of short fiber pulp once the new line (line 3) is operating.

Construction of a **132 MW** cogeneration plant.

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.

October 2019

Equipment assembly starts.

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.

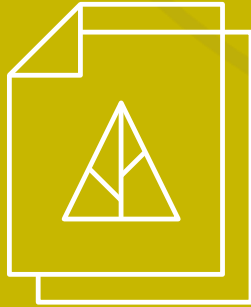
2021

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



(*) Export Credit Agency

ACQUISITION OF MILLS IN MEXICO INCREASES OUR PANELS CAPACITY



In December 2017, Arauco agreed to acquire Masisa's Mexican subsidiaries
The transaction was completed on January 31, 2019 for US\$160 million
The acquisition included two industrial complexes located in Durango and Zitácuaro
Total anual installed capacity of:
250 th. m³ of MDF
339 th. m³ of PB

DISSOLVING PULP PROJECT

Dissolving Pulp Project is a brownfiled project, located in the Valdivia mill and approved by Arauco's Boards of Director 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 products 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 March 2019, the construction phase is going as planned with 75% of construction completed

The ramp-up is scheduled by the end of 2019

GRAYLING NEW PLANT IN UNITED STATES



The new panels plant is located in Grayling, Michigan and it has an annual installed capacity of 800,000 m³ of PB

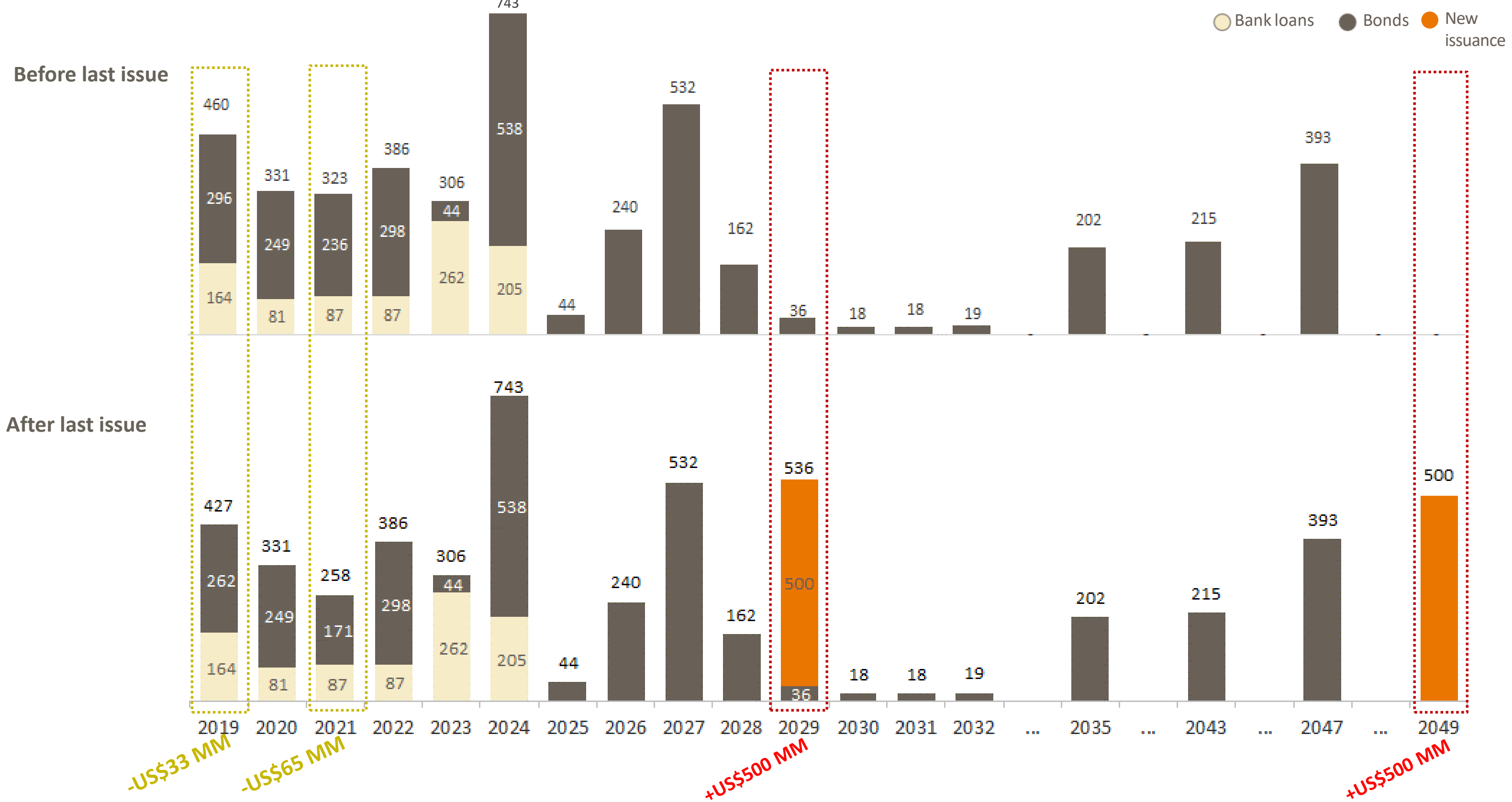
Investment was approximately US\$ 450 million

It was officially inaugurated on April 16, 2019



RECENT EVENTS AND INITIATIVES

FINANCIAL ACTIVITY



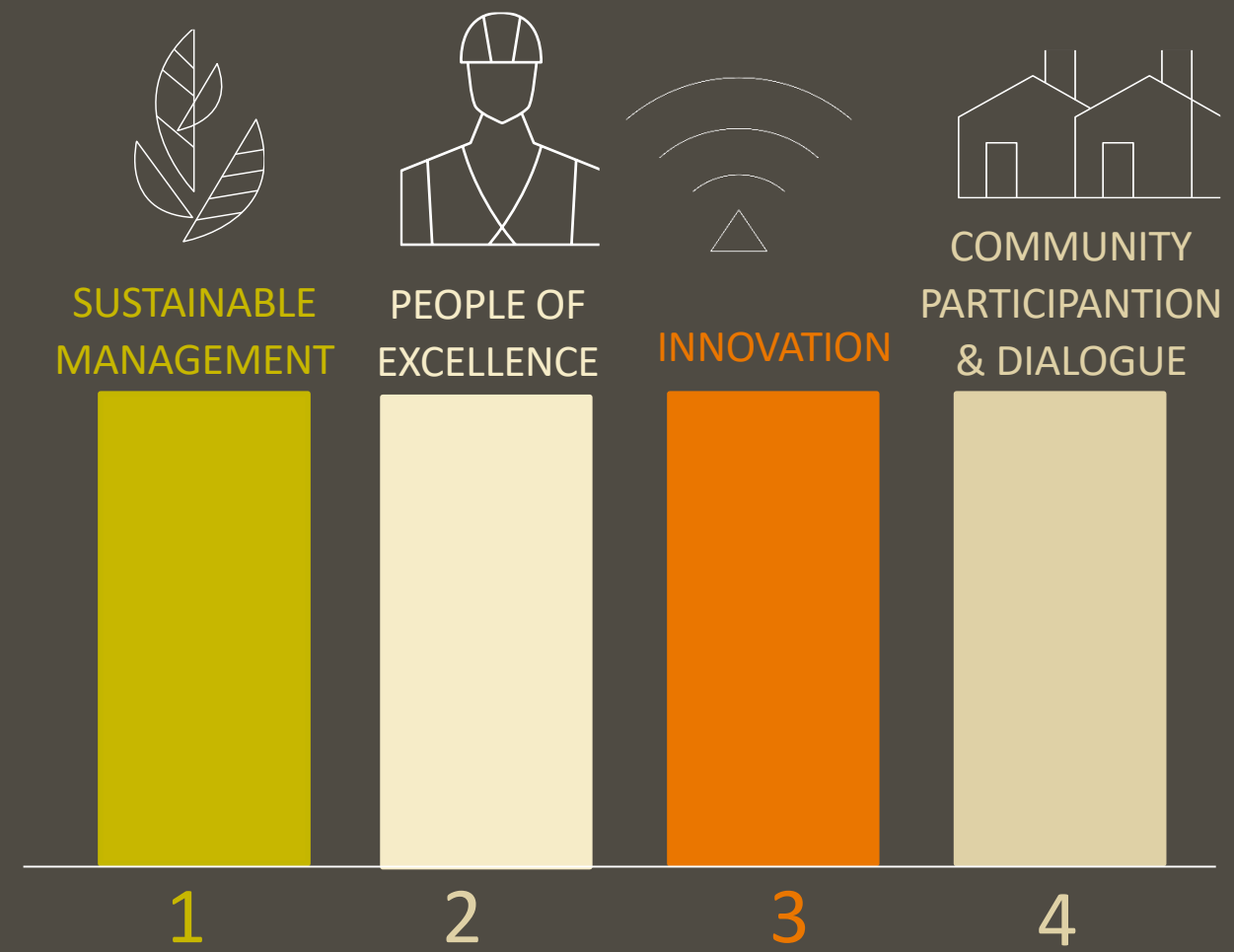
- On April 30, 2019, Arauco completed an offering of US\$500 million principal amount of 4.25% Notes due 2029 and US\$500 million principal amount of 5.5% Notes due 2049
- The use of proceeds of these bonds was mainly to finance part of the MAPA Project and partially repurchase two of our outstanding bonds: (i) 7.250% Notes due 2019, (ii) 5.000% Notes due 2021

A young man wearing a wide-brimmed straw hat, an orange long-sleeved shirt with reflective stripes, and a clear plastic apron is holding a small pine sapling. He is standing in a large, open-air nursery with rows of plants. In the background, other workers in similar attire are visible, and the structure of the nursery is made of metal beams and pipes. The sky is blue with some clouds.

SUSTAINABILITY

SUSTAINABILITY STRATEGY

ARAUCO works to build an **economy based on renewable resources**, which we use to develop products that improve the quality of life of millions of people around the world, through the sustainable management of our operations and forestland



SUSTAINABILITY STRATEGY

SCIENCE, INNOVATION AND TECHNOLOGY

Combining science, technology and innovation to unfold the full potential of our plantations.

HIGH QUALITY STANDARDS

Developing high standard, quality oriented products and materials that always aim to be the superior choice for our costumers.

RESPONSIBILITY THROUGHOUT THE VALUE CHAIN

Responsibly managing our operations using the best environmental practices and promoting the safety and development of ARAUCO's members.

COMMUNITY ENGAGEMENT

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



SUSTAINABILITY STRATEGY

Global Change

Our activity is a sustainable answer to face the challenges posed by climate change and population growth

Towards a Bioeconomy

With products that come from a responsible management of a natural and renewable resource

Capturing CO₂

Our trees contribute to turn greenhouse gases into the oxygen we breathe



Renewable resources

Sustainable solutions to fulfill world's demand, while keeping our planet in balance

**FOR FURTHER INFORMATION,
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