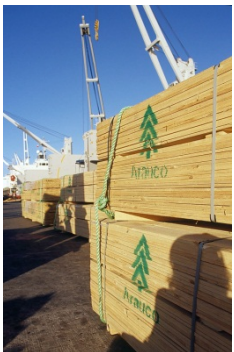


The Future of Composite Panels In North America

March 2014



Agenda

North America – Composite Panels

Case Study: Arauco

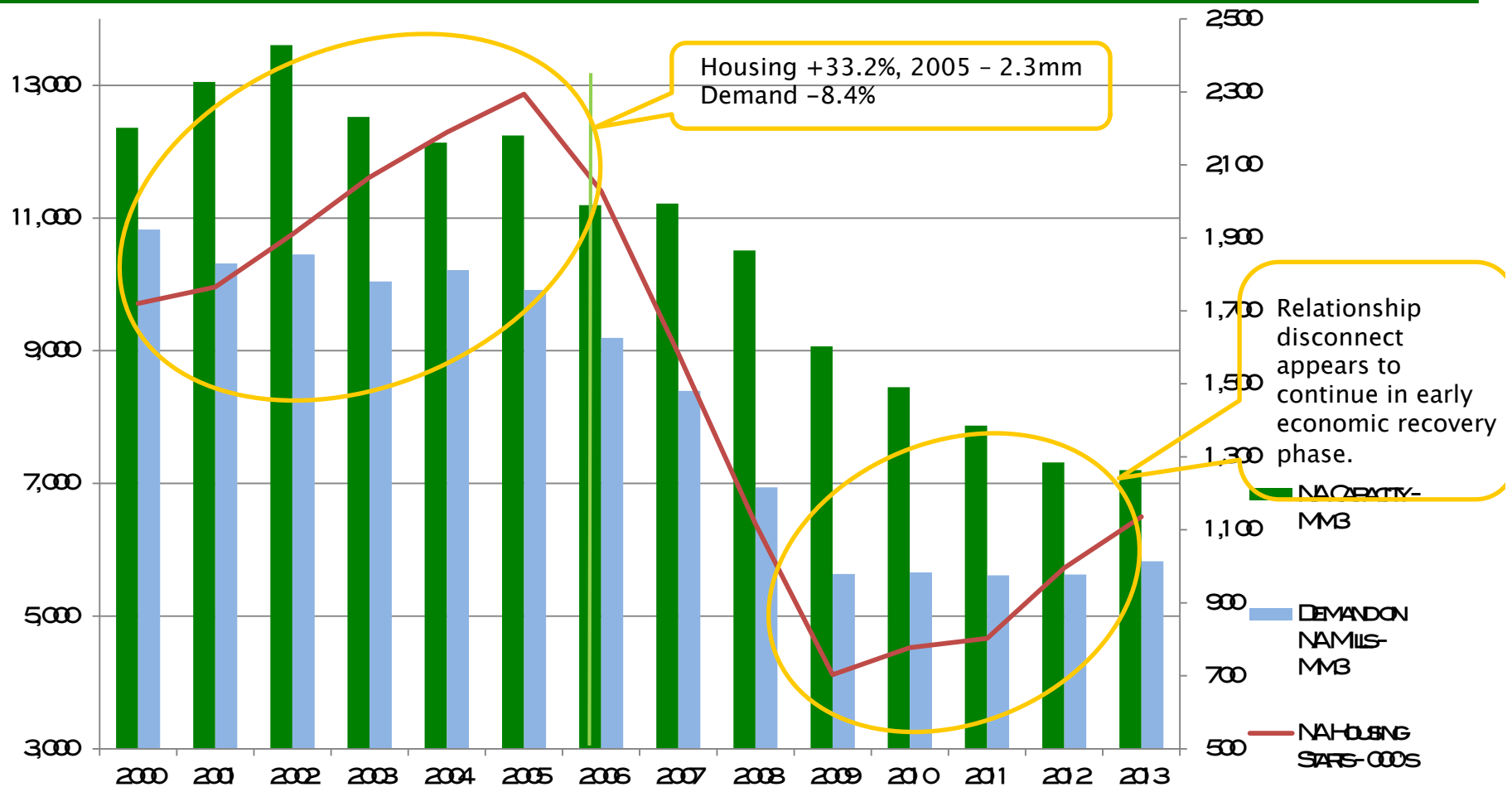
In Summary

North America – Composite Panels: Where are we?

Recent History & the Current Climate:

- **Where did the customers go?**
 - Momentum shifts toward offshore production of downstream products, such as furniture, mouldings & flooring.
 - Particleboard demand declined while housing starts climbed to an all time high.
- **Housing drops 75%**
 - Slowly recovers housing starts are recovering from the cyclical lows, but remain well off 50 year average.
- **Consumer Tastes Change**
 - Less furniture for electronics such as TV's, computers, entertainment centers
- **Composite Panel Business**
 - Characterized by significant excess capacity
 - Mills close and/or sell off
 - Particleboard worse off...older technology built in the 60's & 70's
 - MDF finds new markets by replacing solid wood in flooring, mouldings, furniture, cabinets...advantaged by newer technology built in the 90's

The Particleboard Import Lesson

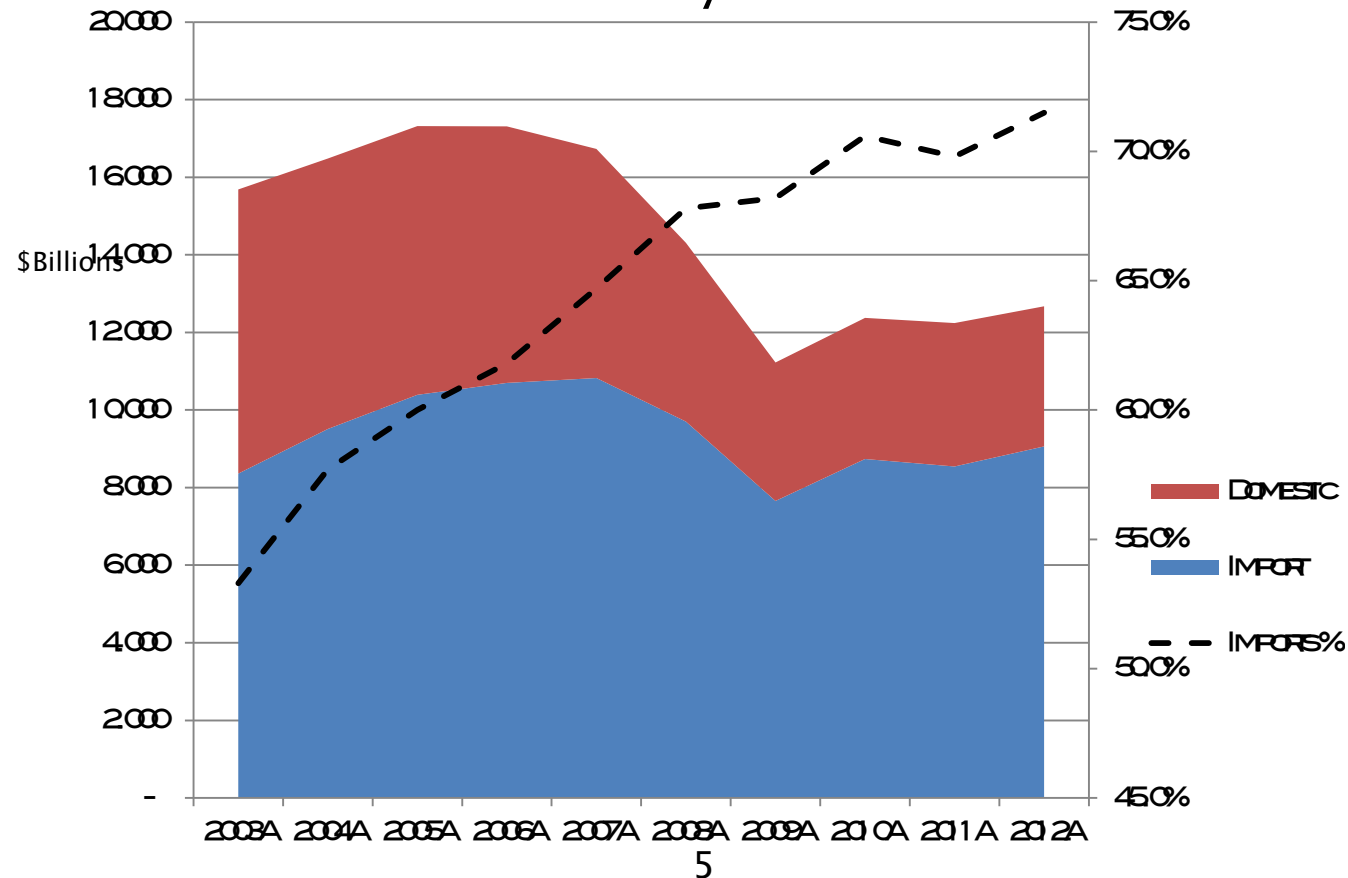


- Strong US\$ (and weak Chinese currency), extremely low labor, freight & other production costs, and poorly invested North American production assets saw furniture production move offshore through the last 15 years
- Particleboard demand declined during the largest housing surge in history

Imports From Outside of the US Continue to Gain Share

Imports constitute ~70% of all household wood furniture sold in the US

- YOY change in Imported household wood furniture has been better than Domestic in 8 of the last 9 years.



North America – Composite Panels: Where are we going?

Key Themes for the Future:

- **Consolidation** of composite panel producers as more exit industry
 - Those entering have renewed long term commitment to the industry
 - Financial capabilities
- **Investing** in state of the art panel mills
 - North America needs to match and exceed the scale, efficiencies, capabilities and degree of automation being invested throughout the rest of the world
- **Competition** will remain intense:
 - Imports...both in finished form, as well as raw panels
 - Substitution...breakthroughs in materials & processes to create new products
- **Supply Chain** must be optimized
 - Degrees of vertical integration...will the model change?
 - Furniture production efficiencies to be characterized by...
 - further product customization
 - automation
 - geographic alignment with panel producers to reduce logistics

Arauco Model: Industry Case Study

*Can the Arauco **South American** experience be instructive in dealing with the challenges and opportunities in **North America**??*

Agenda

North America – Composite Panels

Case Study: Arauco

In Summary

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 Constitución 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

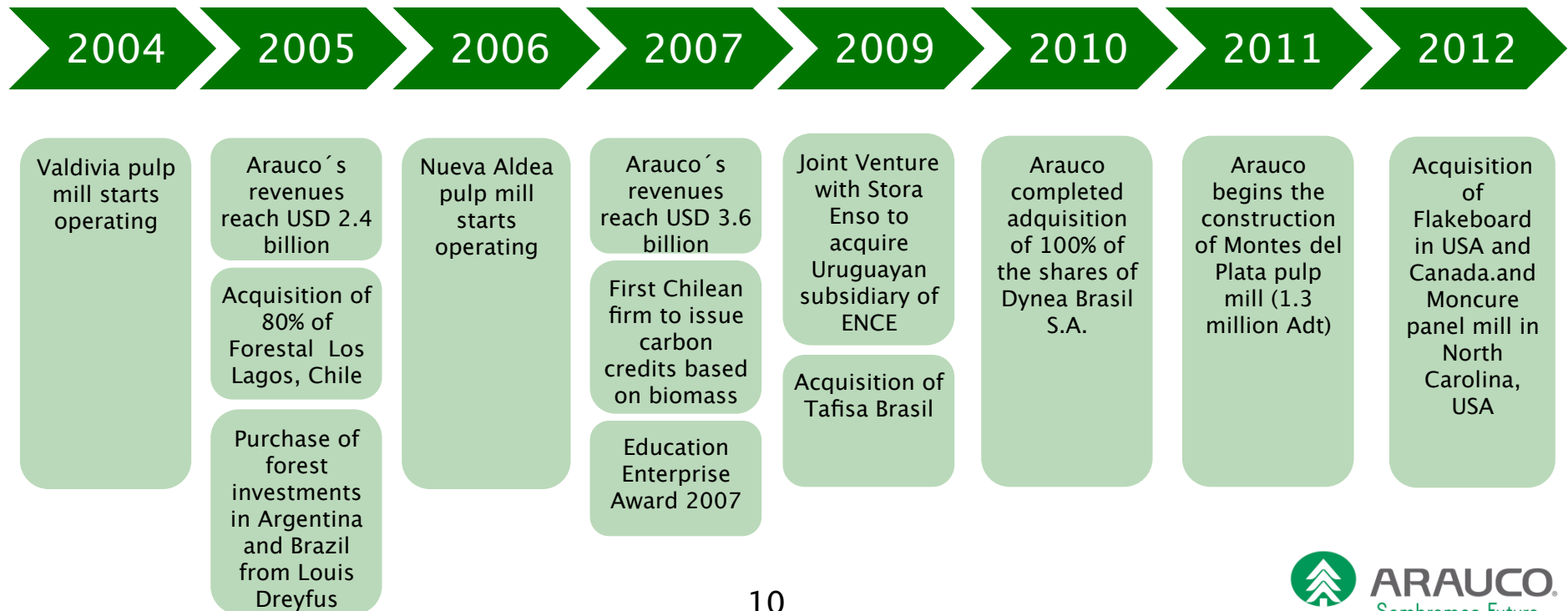
2000

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



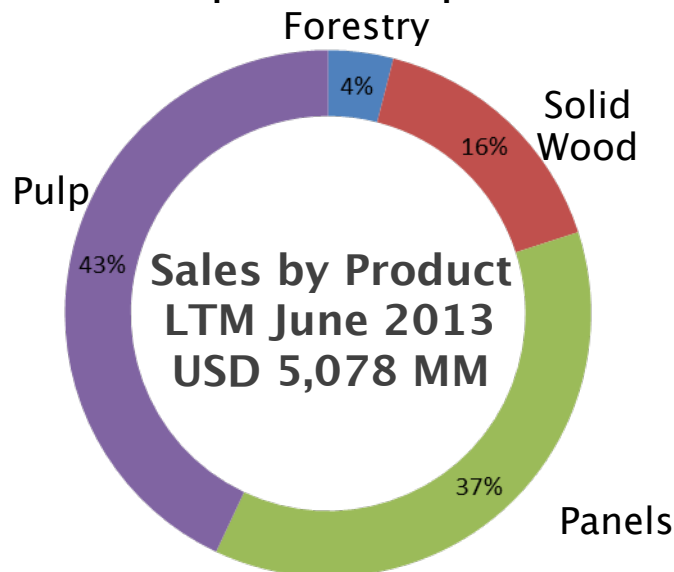
Operational footprint

	FORESTRY	PULP	PANELS	SOLID WOOD	ENERGY
	1,114,311 Ha	5 mills 2,872,000 ADt	3 mills MDF: 515,000 m ³ PB: 300,000 m ³ HB: 60,000 m ³	8 sawmills 4 remanufactured 2 plywood	606 MW
	263,394 Ha	1 mills 350,000 ADt	2 mills MDF: 300,000 m ³ PB: 260,000 m ³	1 sawmill 1 remanufactured	78 MW
	145,071 Ha		2 mills MDF: 1,235,000m ³ PB: 300,000 m ³		
	110,313 Ha	50% of 1,300,000 Adt			50% of 164 MW
 			10 mills (*) MDF: 1,750,000 m ³ PB: 1,778,000 m ³		
TOTAL	1,633,089 ha	3.2 million	6.5 million	3.6 million	684 MW

(*) Includes Martell and Medford

Arauco at a glance

- Global forestry player, producer of market pulp, panels, solid wood and energy
- Headquartered in Santiago, Chile
- One of the world's lowest cost producers
- In the US bond market since 1995
- Part of Empresas Copec holding



Financial Highlights LTM Sept 2013

(in US\$ million)

Sales U.S.\$ 5,078	EBITDA U.S.\$ 1,171	EBITDA Margin 23.6%
Net Income U.S.\$ 455	Cash U.S.\$ 544	Capex U.S.\$ 592
Debt U.S.\$ 4,204	Net Debt/ Ebitda 3.1x	Debt to Equity 59%

Credit Ratings

FitchRatings	BBB (Stable)
STANDARD & POOR'S	BBB- (Stable)
MOODY'S	Baa3 (Negative)

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Case Study: Arauco

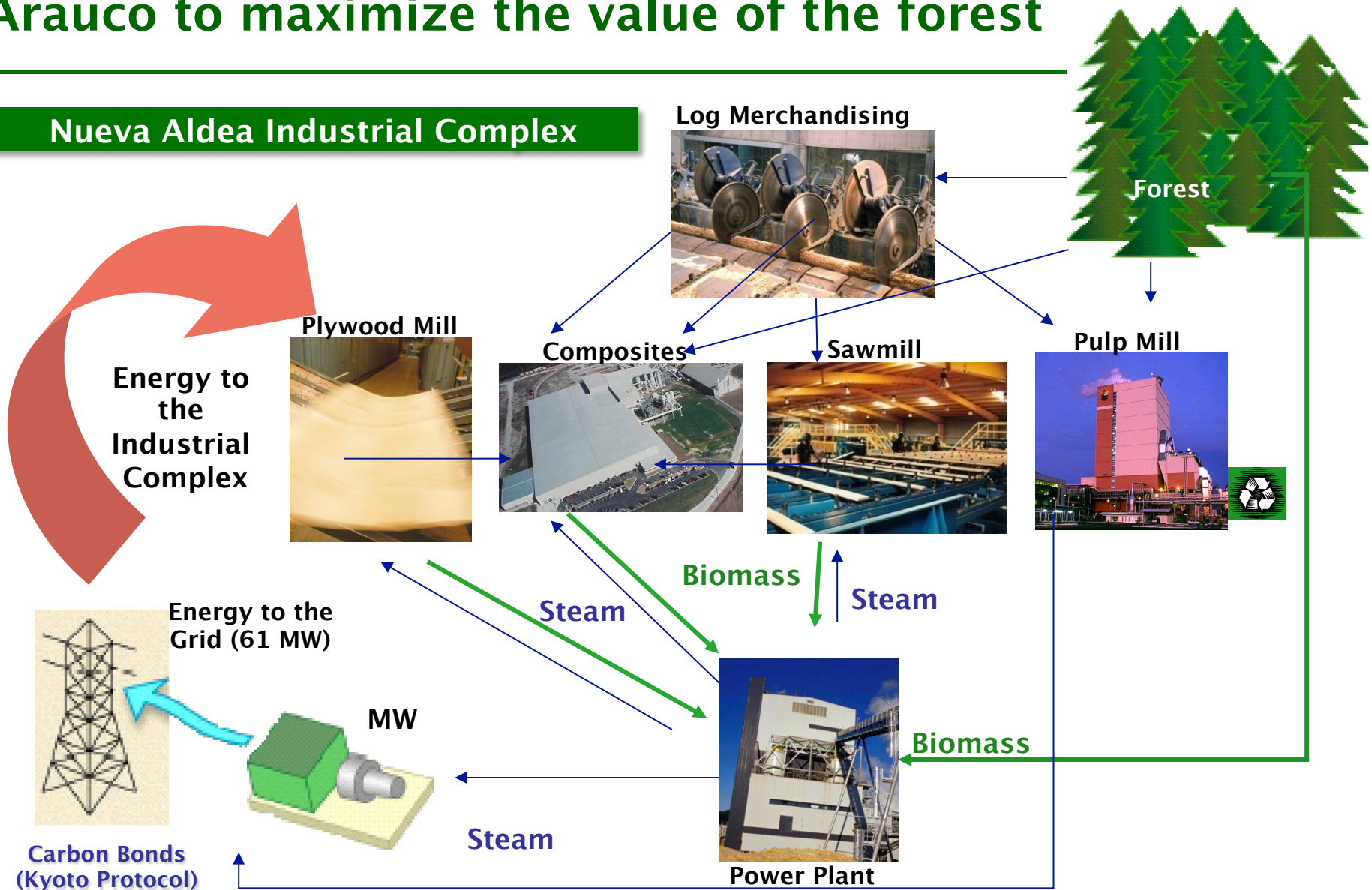
Integration

Investments

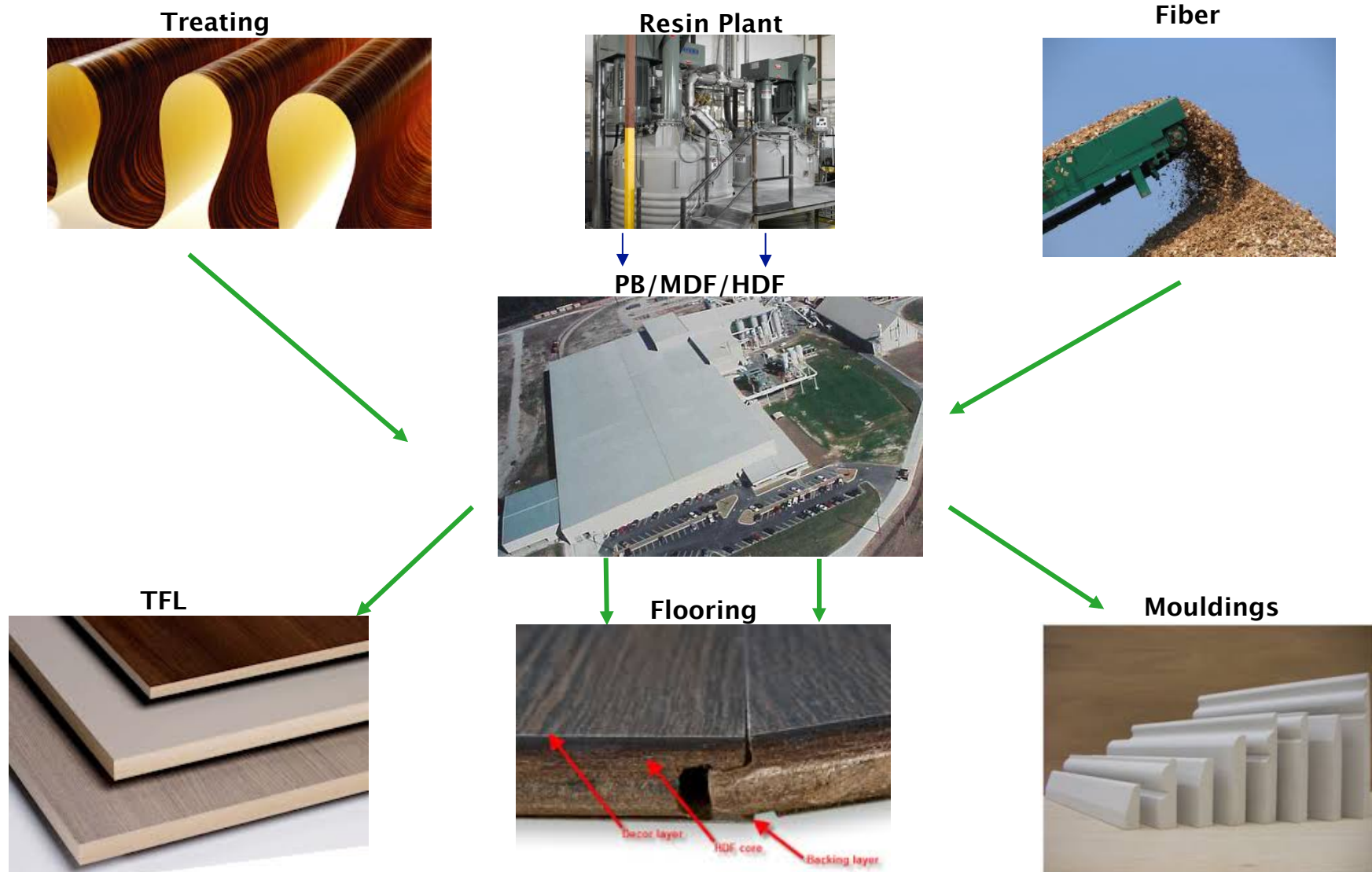
Commitment to the Industry

In Summary

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

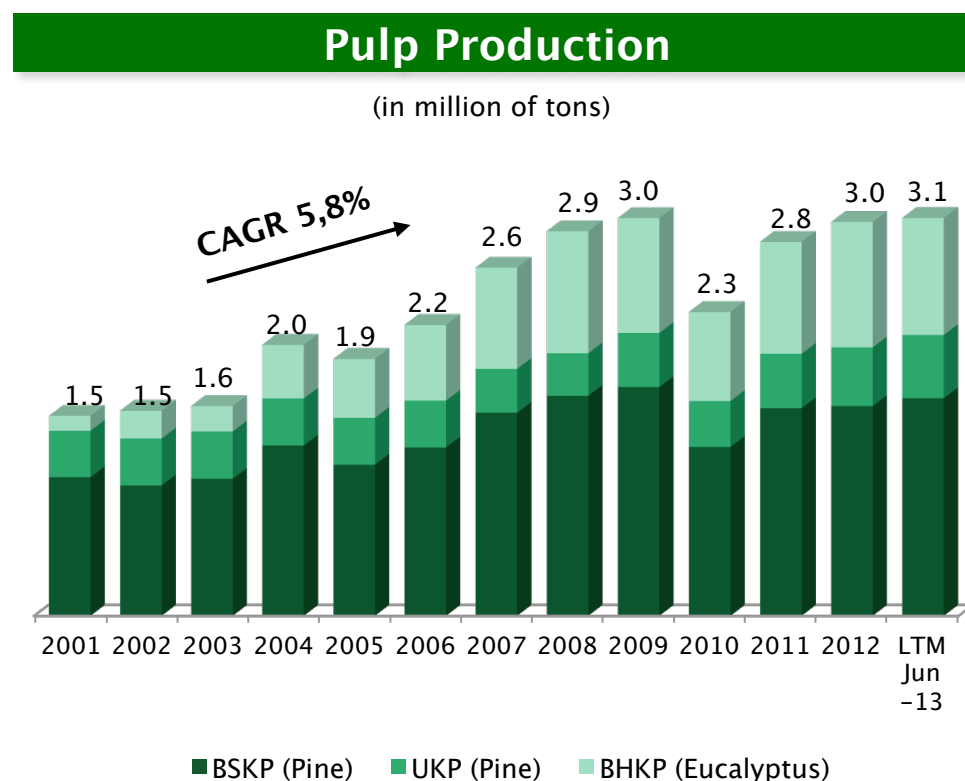


Integration of Modern Panel Facilities



Pulp – Arauco's main industrial activity, generating up to 41% of the company's sales

- Number two in the world in terms of market pulp capacity (incl. Montes del Plata)
- Global leader: pulp production around 5.8% of the global BSKP, BHKP and UKP in 2012
- Strategically located mills: proximity to forests, production facilities and ports
- Exports represent more than 90% of pulp total sales
- Competitive positioning in fast growth Asian markets



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



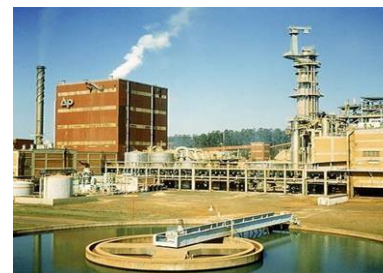
Arauco Mill
 § Arauco I
 § Completed in 1972
 § Annual production capacity of 283,200 tons
 § Arauco II
 § Started production in 1992
 § US\$600 MM investment
 § Annual production capacity of 506,880 tons



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



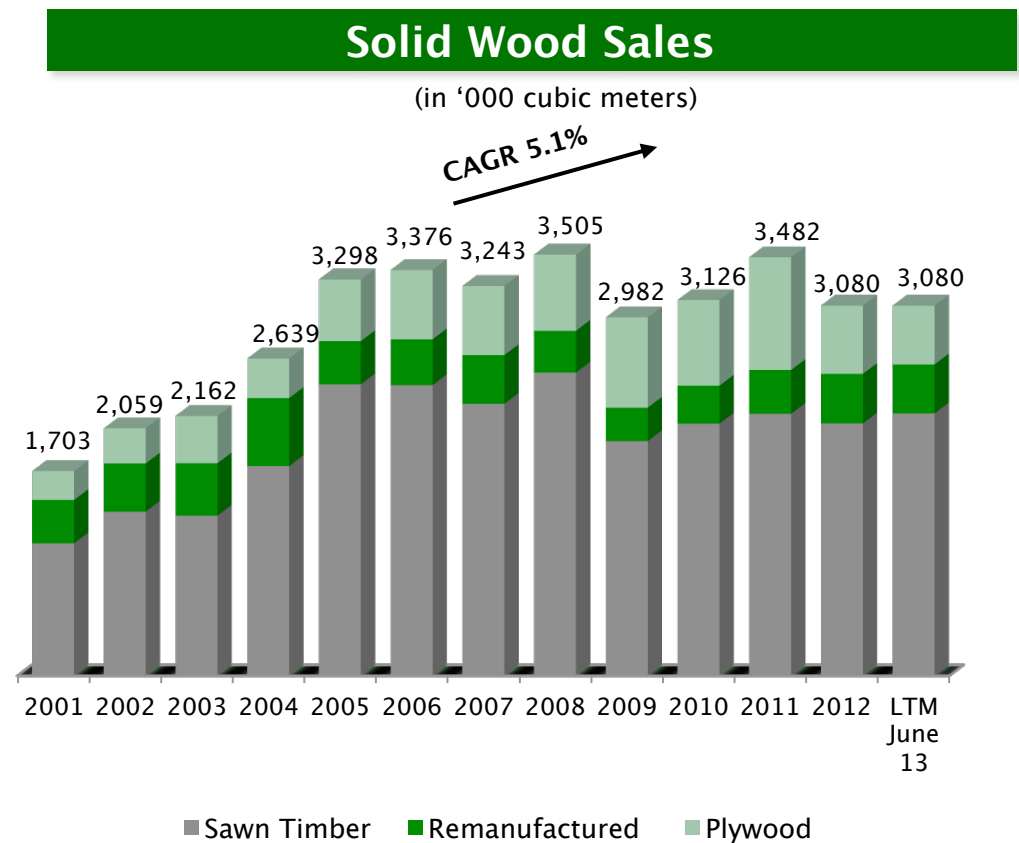
Licancel Mill
 § US\$127MM investment
 § Acquired in September 1999
 § Annual production capacity of 140,000 tons of Eucalyptus Kraft Pulp and Pine Bleached Kraft Pulp



Alto Parana Mill
 § US\$290 MM investment
 § Acquired in December 1996
 § Annual production capacity of 350,000 tons

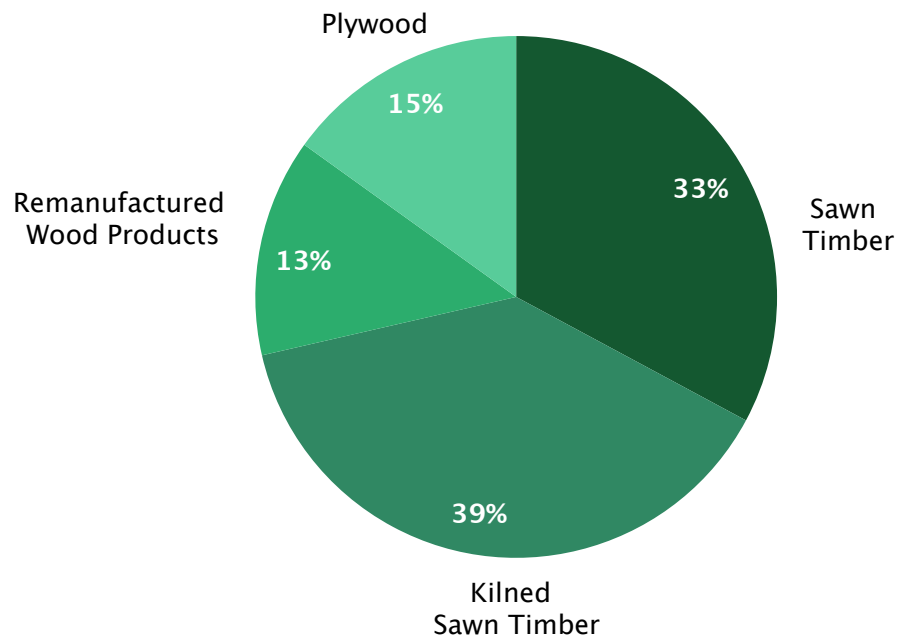
Solid Wood – Arauco is the largest sawmilling company in the Southern Hemisphere...

- Operations in Chile and Argentina
- 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
- Main use of our sawn timber products is for the construction and packaging industry



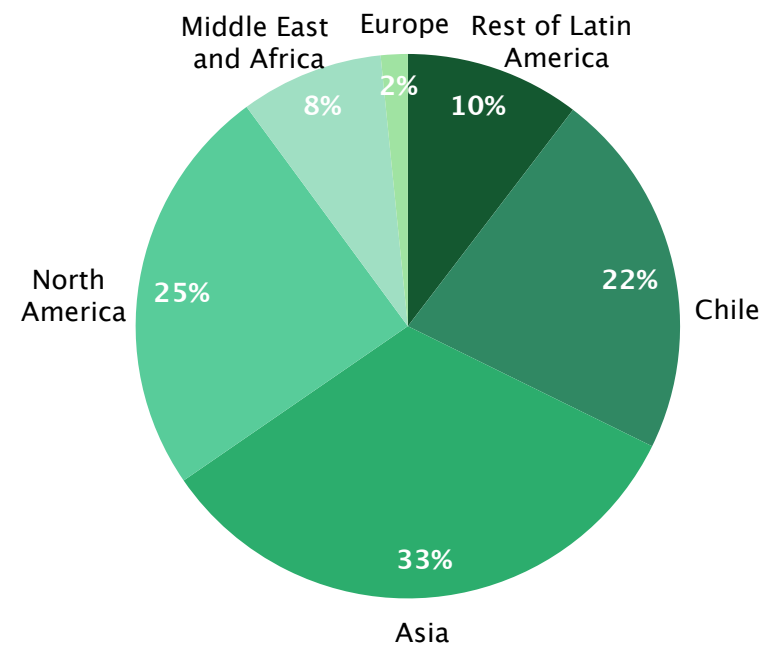
Solid Wood – Sales breakdown

Sales by Product YTD June 2013



Total = 1,556 Th.m³

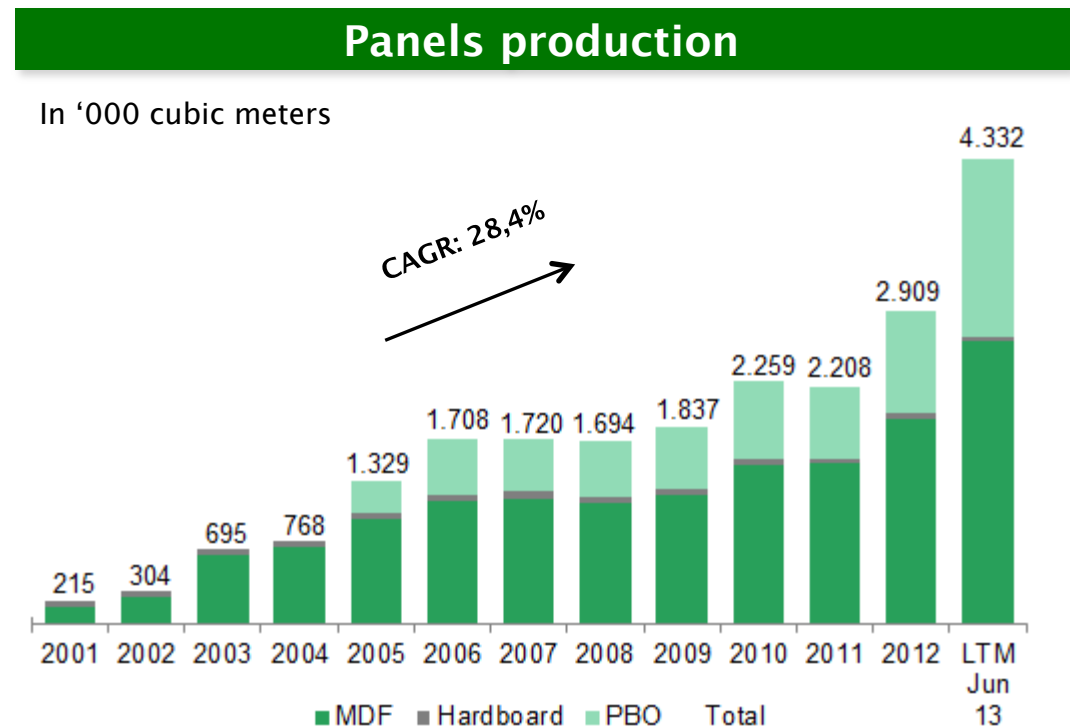
Sales by Region YTD June 2013



Total = 1,556 Th.m³

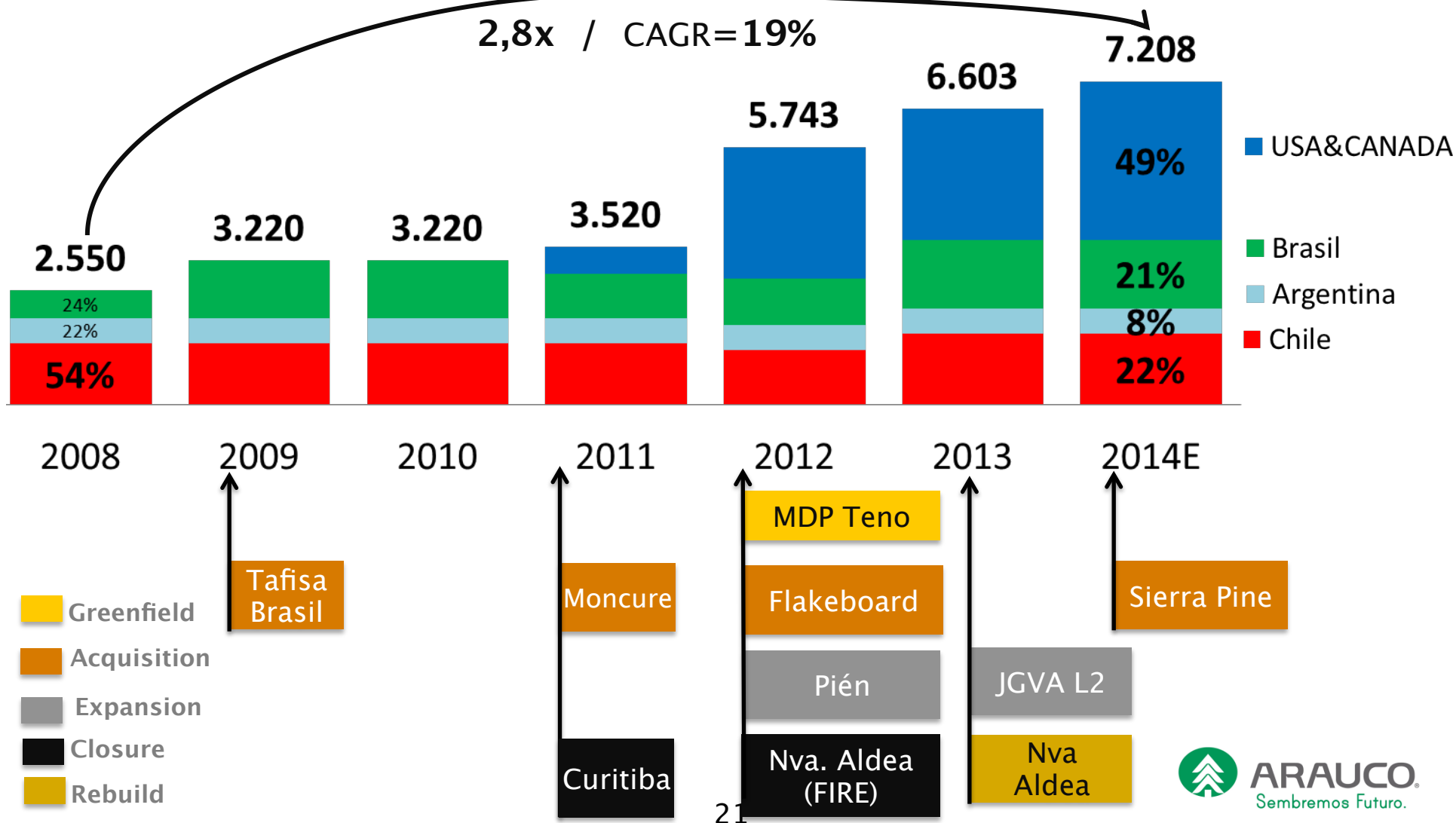
Panels Business: almost 40% of Arauco's revenues

- Operations in USA, Canada, Brazil, Chile and Argentina
- Ranked #1 in capacity in North America and #2 worldwide
- State-of-the-art mills and low cost producer for all types of panels (MDF, HB, PBO) in South America
- Mix of new and older platforms in North America



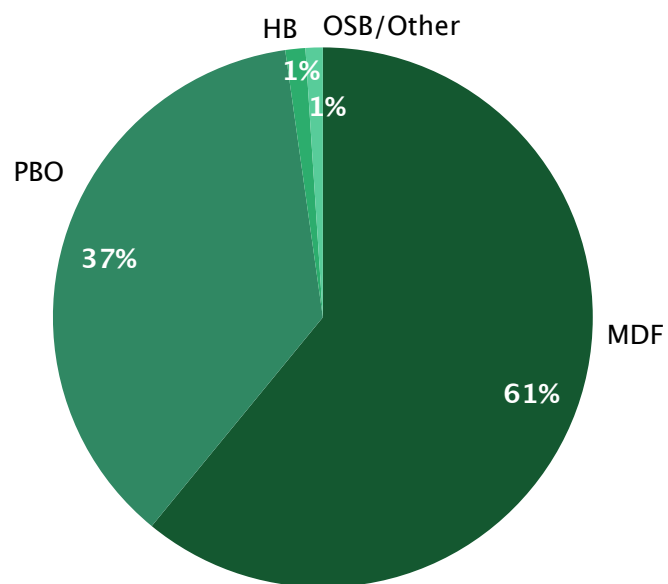
Last years Growing

Installed Capacity Evolution (000s m3)



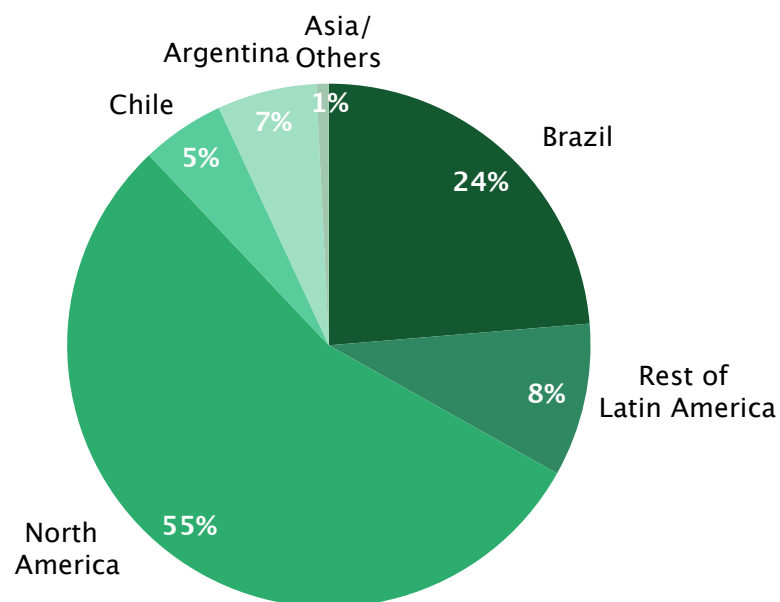
Panels – Sales breakdown

Sales by Product YTD June 2013



Total = 2,346 Th. m³

Sales by Region YTD June 2013



Total = 2,346 Th. m³

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North America – Composite Panels

Case Study: Arauco

Integration

Mill Locations

Commitment to the Industry

In Summary

Today Market Position

Installed Capacity ('000 m3/y)

	MDF	PB/MDP	HB	TOTAL
St. Stephen	160	216		376
Sault Ste. Marie	310			310
Albany		430		430
Eugene	154			154
Moncure	330	270		600
Bennettsville	235	508		743
Malvern	310			310
Martell		354		354
Medford	251			251
Subtotal NA	1.750	1.778		3.528
Jaguairiaiva	815			815
Piñ	444	311		755
Piray	300			300
Teno		300		300
Zárate		260		260
Trupán - Cholquán	515		60	575
Subtotal LATAM	2.074	871	60	3.005
TOTAL	3.824	2.649	60	6.533

Note: Agreement to acquire Martell & Medford has been reached & publicly announced. Pending finalization & deal approval.

Agenda

North America – Composite Panels

Case Study: Arauco

In Summary

Next Investments...similar to South America?

Forestland (long-term, slow payback, pension portfolios)

Pulp (can the NA cost-structure support the high capital costs?)

Plywood (specialized product not easily replicated in North America)

Lumber (valuations are very high)

Composite Panels

- Several sites are candidates for modernization
- Further investments in value-added
- need a growing downstream market to support latest generation presses

Profile North America

In the last 8 years that several NA businesses have come together under the Arauco ownership (Weyerhaeuser, Flakeboard, G-P Flakeboard, Uniboard USA, and soon to be SierraPine)

- **Lots of leverage points to improve operations**
 - Technological
 - Operational excellence
 - Product development
- **Levels of Integration...**
 - Backwards into the forest, resin, paper treating
 - Horizontally into multiple products on one site (MDF, PB, HB, Plywood)
 - Forward into mouldings, flooring, surface finishes (melamine, paper, print, specialized coatings)
- **Modernization and/or New Line Installation(s)**

Attributes for Success....

Financial strength & ability to ride out cycles

Technological capability

Management depth

Long-term & shared vision

Support and commitment from the Angelini family to direct investment towards North America

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