<table>
<thead>
<tr>
<th>Arauco – A Brief Introduction</th>
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</thead>
<tbody>
<tr>
<td>Why Particleboard?</td>
</tr>
<tr>
<td>Why Michigan?</td>
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<tr>
<td>Product Offering Strategy</td>
</tr>
</tbody>
</table>
Arauco – A Brief Introduction

Company Overview

Our Products
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

Note: Panels division sales include plywood
Pulp, Panels and Sawn Timber division sales include energy
## Operational footprint

### FORESTRY
- **1,108,735 Ha**
- **263,386 Ha**
- **144,390 Ha**
- **50% of 232,146 Ha**

### PULP
- **5 mills 2,882,000 ADt**
- **1 mill 350,000 ADt**
- **50% of 1,300,000 Adt**

### PANELS
- **4 mills**
  - MDF: 515,000 m³
  - PB: 300,000 m³
  - HB: 60,000 m³
  - Plywood: 710,000 m³
- **2 mills**
  - MDF: 300,000 m³
  - PB: 260,000 m³
- **8 mills**

### SOLID WOOD
- **8 sawmills**
- **4 remanufacturing facilities**
- **1 sawmill**
- **1 remanufacturing facility**

### ENERGY
- **10 Power Plants 606 MW**
- **2 Power Plants 78 MW**
- **50% of 164 MW**

### TOTAL
- **1,632,585 ha**
- **3.9 million Adt**
- **6.6 million m³**
- **2.9 million m³**
- **766 MW**

*June, 2015*
Arauco at a glance

<table>
<thead>
<tr>
<th>Financial Highlights LTM June 2015 (in US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
</tr>
<tr>
<td>U.S.$ 5,375</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Highlights YTD June 2015 (in US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
</tr>
<tr>
<td>U.S.$ 2,646</td>
</tr>
<tr>
<td>Net Income</td>
</tr>
<tr>
<td>U.S.$ 192</td>
</tr>
<tr>
<td>Debt</td>
</tr>
<tr>
<td>U.S.$ 4,539</td>
</tr>
</tbody>
</table>
Schedule

Arauco – A Brief Introduction

Company Overview

Our Products
Forestry
Market Pulp
Pulp
Plywood
MOULDINGS
Transformation

Changing the look of the house...
Adds Value to the home
Decoratively Surfaced Panels
Panels with Decorative Surfacing
Schedule

Arauco – A Brief Introduction

Why Particleboard?

Why Michigan?

Product Offering Strategy
Why Particleboard?

Lessons from Recent History

The Opportunity
The Particleboard Import Lesson

- Furniture production has steadily moved offshore through the last 15 years
  - Foreign jurisdictions have benefited from currency, low production costs (labor, freight, regulatory, among others), and poorly invested North American production assets
  - The force of “Offshoring” saw particleboard demand decline during the largest housing surge in history

Housing increased 33% through 2005, while PB demand declined by 8.4%
Disconnected relationship to housing appears to continue through economic recovery phase.

Source: Composite Panel Association, RISI
North America – Composite Panels Industry:

Understanding our past to capitalize on our future:

• **Where did the customers go?**
  - Momentum shifts toward offshore production of downstream products, especially furniture. Particleboard demand declined while housing starts climbed to an all time high.

• **Consumer Tastes Change**
  - Product specifications change – PB replaced by OSB in flooring
  - Less furniture for electronics such as TV’s, computers, entertainment centers

• **Housing drops 75%, still down 30% from 50 year average**
  - Slowly recovers housing starts are recovering from the cyclical lows, but remain well off 50 year average.
North America – Composite Panels:

Key Learnings & Themes:

- **Competitiveness issue in North America:**
  - No investments in modern assets
  - Older technology built in the 60-70’s
  - Modern investments have scale, lower material, energy & labor costs
  - Lack of vertical integration
  - Disconnected supply chain between mills & customer
    - Panel industry is clustered with downstream consumers – imports mainly in finished form...furniture, mouldings, flooring
  - NA Furniture industry is under-invested
    - Process automation
    - Poor geographic alignment with customers / panel producers

- **Costs in North America:**
  - Wood & energy are globally competitive

*Summary...*North America is cost competitive, but the model is not*
How can we fix the model?

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

Why Particleboard?

Lessons from Recent History

The Opportunity
## Operational footprint

<table>
<thead>
<tr>
<th>Country</th>
<th>Forestry</th>
<th>Pulp</th>
<th>Panels</th>
<th>Solid Wood</th>
<th>Energy</th>
</tr>
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<tbody>
<tr>
<td>Chile</td>
<td>1,108,735 Ha</td>
<td>5 mills</td>
<td>4 mills</td>
<td>8 sawmills</td>
<td>10 Power Plants 606 MW</td>
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<td>2,882,000 ADt</td>
<td>MDF: 515,000 m³</td>
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<td></td>
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<td>PB: 300,000 m³, HB: 60,000 m³, Plywood: 710,000 m³</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>MDF: 1,255,000 m³</td>
<td>1 sawmill</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>PB: 310,000 m³</td>
<td>1 remanufacturing facility</td>
<td></td>
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<tr>
<td>Uruguay</td>
<td>50% of 232,146 Ha</td>
<td>50% of 1,300,000 ADt</td>
<td>2 mills</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>MDF: 1,470,000 m³</td>
<td>4 remanufacturing facilities</td>
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<td></td>
<td></td>
<td></td>
<td>PB: 1,416,000 m³</td>
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<tr>
<td>Canada</td>
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<td>8 mills</td>
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**TOTAL**
- Forestry: 1,632,585 ha
- Pulp: 3.9 million ADt
- Panels: 6.6 million m³
- Solid Wood: 2.9 million m³
- Energy: 766 MW

June, 2015
The integral and efficient use of resources allows Arauco to maximize the value of the forest.

Nueva Aldea Industrial Complex

Forest

Log Merchandising

Sawmill

Pulp Mill

Wood Mill

Composites

Biomass

Steem

Power Plant

Energy to the Industrial Complex

Energy to the Grid (61 MW)

Carbon Bonds
(Kyoto Protocol)
Integration of Modern Panel Facilities

- Treating
- Resin Plant
- Fiber

Modern & Efficient Particleboard Mill

Decorative Surfacing
Michigan Mill Investment:

Trajectory of PB markets positive

• OLD & uncompetitive manufacturing operations closing down
  • 10 PB mills closed since 2000, 3 alone in 2014
• US housing starts continue to climb back to underlying demand
• Business Model of scale, modern assets with high levels of integration
• Attract global furniture manufacturers seeking to on-shore back to North America to improve service
• PB is substrate of choice for melamine decorative finishing

Application of 55 years of learning
## Schedule

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<td>Integrated Product Offering on Site</td>
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<td>A Recipe for Success!</td>
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Michigan – A Good Fit!

Why Michigan?

- Close to forest & Close to our customers
  - Wood fibre to sustainably supply large-scale operation
  - Complementary fit into the wood fibre ecosystem
  - Address regional supply/demand imbalances
  - Long distance freight is under pressure
  - Largest consumption base in North America

- Labor is in good supply
- Local Community College
- Resin Plant across the street
- Competitive energy costs

Ideal logistics and competitive input costs
Particleboard Industry – A Story of Regional Imbalance:

In ‘000 m3

- WEST CANADA
- EAST CANADA
- NORTH EAST
- MIDWEST
- SOUTH
- SOUTH EAST
Michigan – Important Customers in Close Proximity

- Office Furniture – Grand Rapids
- Ready to Assemble Furniture – Dowagiac
- Store Fixtures – Alpena, Coldwater, Grand Haven, Grand Rapids, Holland
- Commercial Fabrication & Cabinetry – Detroit, Holland, Roseville, Madison Heights, Midland, Rochester Hills
- Distributors – Detroit & throughout
- Door Manufacturer – Clinton
Midwest – Important Customers in Close Proximity

- Complimentary customers in important industries nearby:
  - Ohio
    - Largest consumer of PB in North America
  - Wisconsin
    - Largest assembled furniture manufacturer
  - Indiana
    - Mobile homes, office furniture, door products, cabinets
  - Iowa
    - Office furniture, countertops
  - Illinois
    - Chicago is a major distribution hub
  - Minnesota
    - Distribution
  - Eastern Canada
    - Neighbor is the 2nd largest consuming region
## Why Michigan?

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Integrated approach on site
Innovation & Design
Office Furniture
Home Office Furniture
Schedule

Why Michigan?

A Good Fit!

Integrated Product Offering on Site

A Recipe for Success!
A Recipe for Success!

Arauco’s Strengths:

- Technological capability
- Value Add Strategy
- Experienced Management
- Long-term vision
- Commitment
- Financial depth

Michigan’s Strengths:

- Wood availability
- Strong regional customer base
- Logistics advantage
- Local resin supply
- Large Industrial Energy Rate
- Open for Business
In Closing….

Thank you for your Michigan Welcome!!