PARACEL

June 2020



Sustainable Pulp Mill & Renewable Forest Plantation: Project Update



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Strictly Private and Confidential

Paracel Project Overview

Paracel represents a unique investment opportunity to build a sustainable, world-class pulp mill & renewable eucalyptus plantation.

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Project Description	• Construction of a state-of-the-art greenfield pulp project in Paraguay with fully owned renewable eucalyptus plantation
Sustainability and Social Goals	• Transformative initiative aiming to generate value to all its stakeholders while advancing the economic and environmental well-being of the region – Expected to create ~40,000 new jobs; potential to sequester net 15+ mm tons of CO_2
Capacity	• 1.5 million MT / year of Bleached Eucalyptus Kraft Pulp (BEKP)
Forest Assets	• 151k+ hectares (“Ha”) of owned forestland ready for Eucalyptus plantation – +50% of wood sourced from own plantation by 2028 – All wood to be FSC certifiable and follow IFC’s standards for operations
Energy Generation	• 190 MW of renewable energy, generating a surplus of 89 MW
Financing	• ~US$3.2 billion, equity and debt financing, for forest land & project; financing close expected by end of 2020
Construction Period	• Two years from financing close

About the Sponsors

Current anchor investor is a well-recognized local business family partnered with an experienced Swedish family office investor and developer in the cellulose industry.

Partners Overview

Zapag Group

- Zapag Group is Blas Zapag's business group which operates since 1974 mainly in the fuel and transportation industries in Paraguay, Argentina, Uruguay, Brazil and Bolivia
- The Group's main investments are Copetrol and Cargo Line
- Copetrol is engaged in the distribution and marketing of petroleum derivatives products
- Cargo Line is dedicated to fluvial / maritime transport of cargoes (grains or fuels) inside and outside Paraguay

Group's Companies

COPETROL

- 2018 Sales: US$1.3 bn
- Service Stations: 350
- LPG Tankers: 20
- Fuel Tankers: 44
- Presence in

PETROBRAS (Paraguay)

- Service Stations: 197
- Convenience Stores: 113
- Presence in

Cargo Line Paraguay S.A.

- Tugboats: 10
- Tank Barges: 48
- Bulk Barges: 24
- Presence in

AXION energy

- Service Stations: 40
- Presence in

ENERGIA DEL PARANA

- Fuel trading company
- Presence in

Delta Patagonia

- Service Stations: 120
- Presence in

Girindus Investments

- Girindus Investments is a Swedish family office focused on investing in sustainable biodegradable fibers with an emphasis on growth stories or turnaround cases
- Industry Focus: cellulose, pulp and forestry
- Strong global network and expertise in core industries
- Since inception in 1998 has achieved an average IRR of 34% in 5 projects

Girindus Investments Successful Track Record

- **1998** Girindus Investments was founded
- **2000** Acquired Domsjö fabriker AB from MoDo
- **2001** Acquired 50% stake in SEKAB from Holmen Bruk AB
- **2005** Sold SEKAB to a consortium (**70% IRR**)
- **2011** Co-founded Biolett AB and was its single largest private owner
- Sold Domsjö Fabriker AB to Birla (**60% IRR**)
- **2013** Invested in Eneo Solutions AB
- **2015** Sold Biolett AB to IKEA Resource Independence **(11% IRR)**
- **2016** Invested in Climeon AB a renewable energy company
- **2017** Divested its stake in Eneo Solutions AB in a management buyout (**27% IRR**)
- **2018** Climeon AB IPO with current market cap of ~US$500 mm (**47% IRR**)

Note: Other Paraguayan families contributed land and cash equity in 4Q 2019: Wasmosy, Camperchioli and Vouga.

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State-of-the-art and Sustainable Greenfield Pulp Mill

1 

1.5 million MT / Year BEKP[1] Capacity

✓ **~4.6% of global BHKP[2] demand[3]**

2 

151,000+ hectares

✓ **Supported by highly productive land for plantations**
- **FSC certifiable + Biodiversity Corridors**

✓ **Sufficient owned land for long-term wood supply**

3 

~US$3.2 bn Investment

✓ **~3.0% of Paraguay PIB[4]; ~38.5% of Paraguay FDI[5]**

✓ **Earmarked as a strategic project for Paraguay**

4 

State-of-the-art Technology

✓ **Well Established & Proven Technology**

✓ **One of the Lowest Cash Cost per ton of Pulp**

Source: Central Bank of Paraguay, Directorate General of Statistics, Surveys and Censuses of Paraguay. Notes: (1) BEKP refers to Bleached Eucalyptus Kraft Pulp. Paracel's 1.5 mm MT / Year of BEKP capacity refers to nominal capacity. (2) BHKP refers to Bleached Hardwood Kraft Pulp. (3) Global hardwood demand in 2019 was 36 mm MT as per Numera (March 2020). (4) 2019A real GDP of US$37.4 bn as per EIU. (5) 2019A expected stock of inward foreign direct investment of US$7.8 bn as per EIU.

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Addressing Growing Pulp Demand Globally For Packaging, Tissue and Textiles…

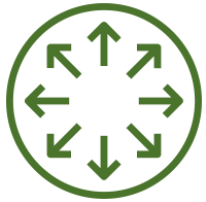
Hardwood Pulp is an attractive and growing global market with Latin America well-positioned as the key low-cost producer.

- ☑ Global demand expected to continue to grow
  - Hardwood pulp demand to grow at Cumulative Annual Growth Rate (CAGR) of 1.7% 2019-2029E
  - China, which accounts for ~36% of total demand, expected to grow at 3.3% 2019 – 2029E CAGR underpinned by increased urbanization and middle class expansion
- ☑ Hardwood pulp demand growth expected to outpace supply growth over next 10 years[(1)]
- ☑ Low price volatility vs. other commodities
  - BHKP pulp price volatility of 8% vs. 32% median of oil, agriculture and metals commodities over last 10 years
- ☑ Low cash cost pulp production in LatAm supported by fast tree growth and attractive labor cost
- ☑ Positive long-term price outlook given supply-demand dynamics

1. **Positive Demand Dynamics**



2. **Demand Growth Expected to Outpace Supply Growth**



3. **Hardwood Pulp Demand Growing Faster vs. Other Pulp Grades**



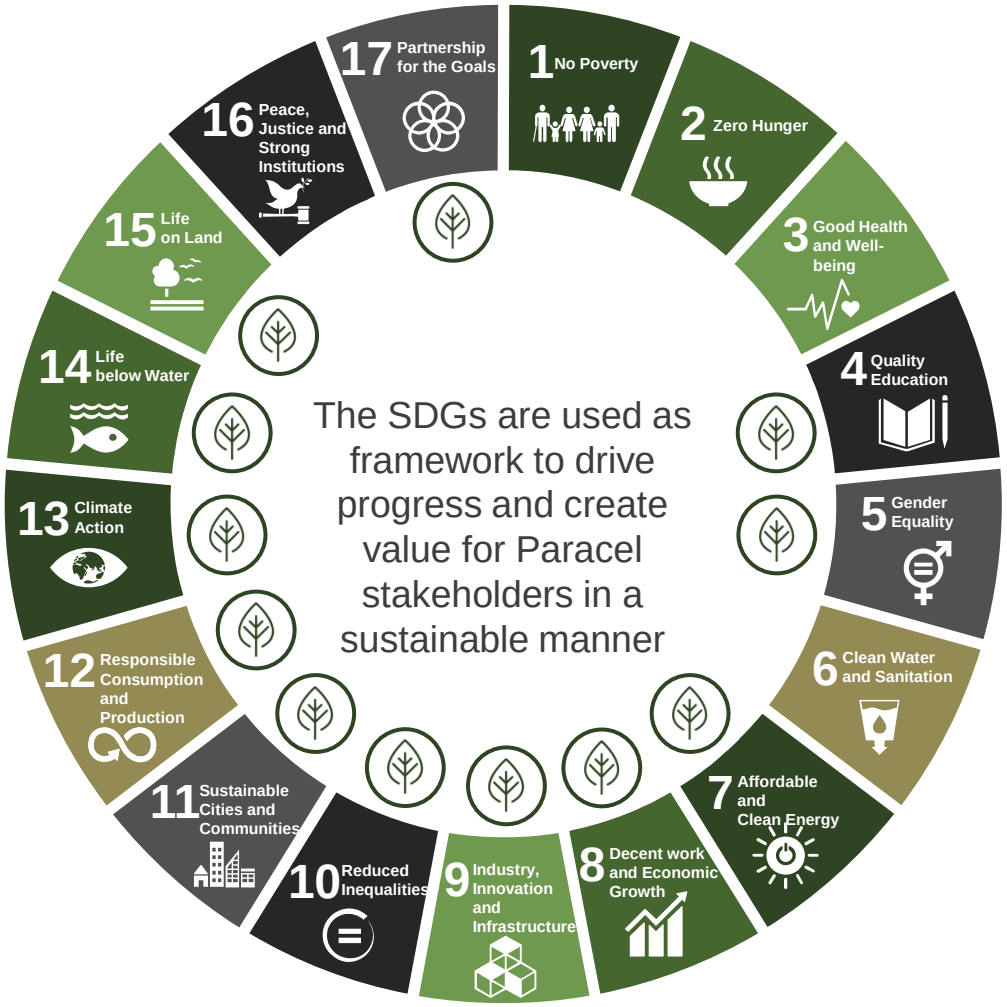
Source: Bloomberg and Numera (March 2020). Note: (1) Hardwood pulp demand growth CAGR of 1.7% vs. supply growth CAGR of 1.4% from 2019 – 2029.

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… And Adhering to the Highest Sustainability Standards

Paracel is a transformative initiative adhering to the highest sustainability standards globally driving positive social and environmental impact in the communities it serves.

United Nations Sustainable Development Goals ("SDGs")



Paracel Social and Environmental Highlights

- ✓ Net 15+ mm tons of CO_2 sequestered
  - ~3x Paraguay annual CO_2 emissions
- ✓ 40k new direct and indirect jobs created
  - ~1% of Paraguay active population
- ✓ 190MW of renewable energy generated with 89MW surplus
- ✓ FSC certifiable + net biodiversity benefits
  - Follow IFC's standards; IFC PS & EP
- ✓ Access to affordable and quality technical and vocational education
- ✓ World class community engagement
  Contribute to regional stability
- ✓ State of the art water treatment
- ✓ Strong local and international partnerships
- ✓ Government and local communities support since inception
- ✓ Strong governance
  Living wage jobs

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Well-Positioned to Successfully Develop the Project

Combination of experience, sustainability commitment and commercial strategy will help Paracel mitigate risks for a successful completion and operation of the mill.

Pillars That Will Help Ensure Project Success

1



- Leadership team experienced with pulp market, greenfield project and renewable plantation

2



- State-of-the-art facility
- Low-cost operations
- Commitment to sustainability and local community

3



- EPC/EPS contracts with well-known global suppliers and contractors

4



- Off-take agreements with global pulp consumers to reduce commercial risk

5



- Well established & proven technology with quick ramp-up to full capacity

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Paracel's Experienced Leadership Team

Board Members and Management Team



Blas Zapag
Co-Founder & Board Member

- **30+ years of experience**
- Head of Copetrol Group, a Paraguayan leader in fuel import and distribution and owned by the Zapag Family
- Mr. Zapag has led the work to acquire land and start building up the global team to lead Paracel



Per Olofsson
Board Member

- **20+ years of experience** in the public and private sectors
- Executive Director of Girindus' group of Forestation and Cleantech companies
- Chairman of the Board of Climeon (NASDAQ: CLIME) and Cleanflow and a Board Director at Silvicapital and Baseload Capital
- KTH Executive School's Growth Management Program



Om Bhatia
CFO & CRO

- **30+ years of experience** in Investment Banking, and Pulp & Paper operation globally
- Last +15 years worked in New York at Goldman Sachs, Barclays and Macquarie Bank providing solutions on commodities risk management, project financing, and M&A globally
- Participated in sale of assets to Asian companies while CFO of a large pulp and paper corporate in Vancouver, BC
- University of Notre Dame (MBA), Miami University (M.S. in Paper Science & Engineering)



Malcolm Norlin
Co-Founder

- Senior partner at Girindus Investments with **40+ years of experience** in the forestry and financial industries
- Former owner and working chairman of the pulp mill Domsjö Fabriker
- Former banker, specializing in project financing of CapEx heavy industries, including pulp and forestry
- Stanford University (MBA)



Rodolfo Vuoga
Board Member

- **12+ years of experience** in corporate law
- Memberships: New York State Bar Association, Paraguayan Bar Association, International Bar Association, American Bar Association
- Columbia University School of Law (L.L.M.), Universidad Nacional de Asunción (J.D.)



Mikael Lindström
Dean of Engineering

- **25+ years of experience**
- Dean of Engineering Sciences in Chemistry, Biotechnology and Health in the Royal Institute of Technology of Stockholm
- Inventor involved in the development of the Compact Cooking continuous cellulose digester (Valmet), textile recycling (re:newcell AB) and more than 20 patent families



Nils Grafström
Board Member & CEO

- **30+ years experience** in the forest industry
- Former President of Stora Enso in LatAm, led and developed greenfield Eucalyptus plantation projects and the construction of the world-class Veracel pulp mill and the Montes del Plata mill in Uruguay
- Uppsala University (LLB Master of Laws)



Joao Borges
Head of Forestry

- **35+ years of experience** in the forestry industry sector, specializing in fast-growing species to supply pulp mill companies
- Mr. Borges' work experience covers forest plantations management in tropical and subtropical regions in South America

Other Leadership Members



Cyro Croce
Head of ESG

- Senior director with experience in ESG and regulatory compliance in Uruguay



Project Director

- Experienced project managers in the world having held top positions in pulp mill projects in South America and Asia



Latifi Chelala
Head of Comm.

- Experienced director with deep knowledge of Paraguayan labor market, environmental issues and indigenous population

Board | Management | Board and Management

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Paracel Management Team

Paracel Continues to Build A Best-In Class Management Team

Board

CEO
Nils Grafstrom





CFO/CRO
Om Bhatia

Forestry
João Borges





Communication
Latifi Chelala



Forestry Coordinator
Mauricio Osuna

Assets & Facilities
Christian Rasmussen





Human Resources
Cristina Fernandez (BR)

Environm. / Licencing
Cyro Croce



Project Director
(to be announced)



Fiber Line & Drying
Marco Peixoto



Recovery and Power
Amarildo Germiniani



BOP / Infrastructure
Daniel Rubega



Procurement / Contracts
Johan Dingertz



Planning / Engineering
Luciano Lafuente



Civil Construction
David Coda

Recent New Hires

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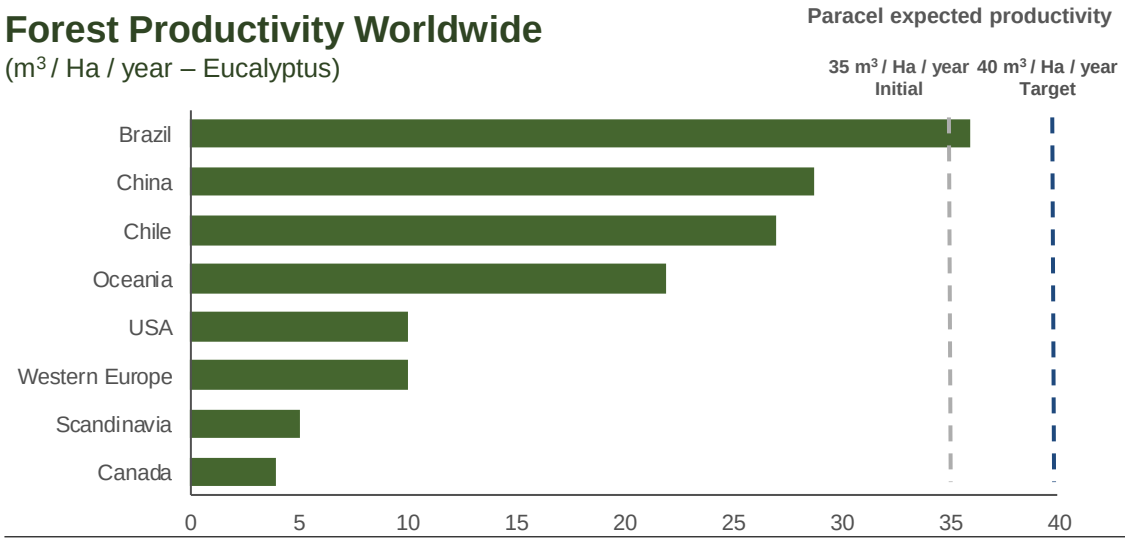
Strategically Located Owned Forestland and Operations

Strategically Located Operations – Key Highlights

- Located in the Concepción region, Paraguay
  - 151k+ hectares of high quality land suitable for eucalyptus plantation
- Close proximity to forest land (average 130 km from the mill)
- Ideal growing conditions
  - No dry season and ample rainfall support a 6 year rotation
  - Flat topography
  - FSC certifiable, will follow IFC's standards for operating projects
- Amongst lowest wood fiber cost pulp mill in the world
- Adjacent to Paraguay river for efficient logistics via barges to export from a deep seaport
- Average amount of rainfall of more than 1,500 mm

Forest Productivity Worldwide

(m^3 / Ha / year – Eucalyptus)



Geographic Location



Source: Company information, Business Sweden.

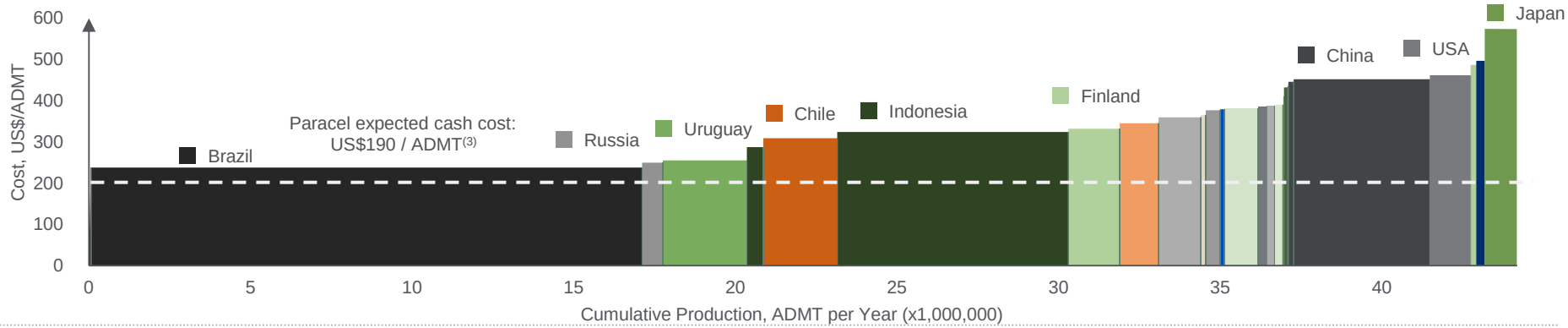
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Low Cost Operations and Efficient Logistics

A privileged location at the riverside of Rio Paraguay offers quality infrastructure to access export markets coupled with excellent soil conditions for plantation.

Hardwood Pulp Cash Cost(1)
(US$ / ADMT(2))

- **Latin America offers competitive cash costs in BHKP**
- **Lower cost position supported by: fastest tree growth rates, lower labor costs, high productivity**



Cost Efficient Logistic Infrastructure

✓ Large Barge Fleet

- Paraguay has the 3rd largest barge fleet globally, after the U.S. and China



✓ Rio Paraguay

- Widely used to transport commodities via barge
- Ample fresh water availability



✓ Infrastructure Readily Available

- Pulp to be transported via barge to deep seaport (already established pulp port) in Uruguay
- Offers a cost efficient logistic solution for pulp exports



Source: RISI. Note: (1) Cash cost = fiber + chemicals + energy + labor + maintenance + materials, excludes logistics. (2) Air-dried metric ton. (3) 2029 expected cash cost once ~60% of wood is sourced from own plantation.

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Paracel Project Update

Forestry Plantation and Wood Supply

- Forestry plantation advancing according to plan
  - A total of 326 Ha have been planted to date
  - Senior forestry coordinator was hired, bringing a wide industry network and strong knowledge of the region
- Additional 300 Ha adjacent to plant site recently acquired to allow for future expansion
- In 2020 clonal tests (70 – 120 clones from Brazil) will be established; additionally, 10,000 Ha for land will be cleared and 5,000 Ha will be planted
- Out of the 18 ESIA licenses to be granted by MADES, 2 were granted, 8 are ready to be granted, 6 under review and remaining 2 are being prepared to be submitted
- Master plan of the forest road network report concluded in May 2020 (base design concluded in April)
- Wood supply negotiations also advancing according to plan
  - Three MOUs with potential wood suppliers have been signed

Design, Engineering and Construction

- In June 2020, a proposal was sent to the selected candidate for the position of Project Director – scheduled starting date is August 1, 2020
- Engineering study will be finalized by October 31, 2020
- Paracel is working with Poyry in the basic design development of the pulp mill
  - Infrastructure engineering technical analysis finalized
- The design concept of the pulp mill also finalized, leading to a revised ability to continue to increase creep capacity
  - Nominal capacity remains 1,500,000 MT; creep capacity has been updated by the engineering team, estimating an increase of 211,000 MT of capacity, to a total of 1,786,000 MT / year by year 7 after COD
  - Increased capacity has been verified through benchmark with existing mills in the region
- Development of the architectonic detail, 3D and technical specification of the spaces of the areas of the Balance of Plant started
  - Technical specifications of equipment were provided to suppliers
  - Currently receiving initial detailed cost estimations

Ongoing Forestry Plantation



New Pulp Mill Design Concept



Note: (1) DIA stands for “Declaracion de Impacto Ambiental” which refers to the environmental and social license

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Paracel Project Update (Cont'd)

Logistics and Power

- Final conceptual engineering study of inbound & outbound logistics issued (Poyry)
- Project for the reception of equipment for the installation of the pulp mill was also issued
- Currently working with six potential suppliers for the river and Uruguay port logistics
  - All six companies have extensive experience in logistics
  - Suppliers' offers are expected in Aug. 2020
  - Starting Aug. 2020, Paracel will be ramping up number of Technical Personnel to support intensified negotiations with suppliers
- Technical and economic study of the energy surplus completed
- Two technical proposals are being analyzed for the construction of the transmission line

Environmental and Social Studies Update

Environmental

- Dry season baseline studies on air quality, noise, freshwater and sediments quality, flora and terrestrial fauna completed
- Baseline studies on fish and benthos started in May; needed fishing permit has been obtained
- 2nd campaign for air quality, flora and terrestrial fauna currently in process
- Baselines studies on freshwater quality started on October 2019, and will continue on a bi-monthly frequency up to August, 2020
- Impact and risk analysis currently in progress

Social

- Social studies consultancy started mid November 2019; the social impact study started in January 2020
- Baseline onsite survey finished January 31, 2020; final report completed on May 2020
- Stage 1 (out of 3 stages) of the final report for indigenous studies finalized and approved

Nueva Palmira (Uruguay) Port



Air quality, flora and terrestrial fauna studies in progress



Stage 1 of Indigenous Studies successfully completed



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Paracel Project Update (Cont'd)

Permitting Update

- Environmental and Social Impact Assessment (ESIA) started on September 2019 and is advancing according to schedule
- Complete ESIA (draft) submitted to MADES in the last week of June 2020; first regular meetings held as part of the work plan designed to facilitate the evaluation of the ESIA and minimize revision time
- RIMA(1) ready; it will be submitted to MADES on July 22nd, 2020
- Preparatory technical meetings with MADES ongoing (since January 2020)

Code of Conduct and Paracel Update

- The following documents were redacted:
  - ✓ Suppliers Code of Conduct
  - ✓ Procedure for Drafting and Control of Documents
  - ✓ Communication Policy
  - ✓ Complaint and Suggestions Policy
- Paracel's mission statement, vision statement as well as purpose, values and brand identity have been developed

Other Updates

COVID-19 Update

- Project is progressing well-amid COVID-19
- In Brazil, the team continues to work from home. In Paraguay, collaborators are working with restricted schedules in the office
- Necessary measures are being enforced to ensure the safety of collaborators

Other Updates

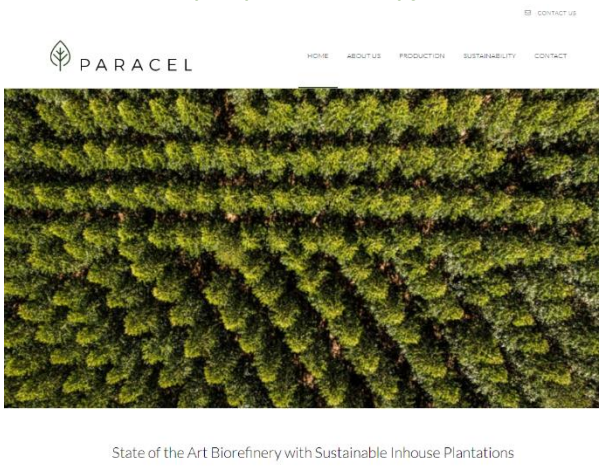
- The development of the recruitment and training plan for the operators of the industrial plant has been started; developing 700 hours of training for 350 operators
- The Paracel website has been updated and will soon go live

Complete Draft of ESIA was submitted to MADES and Preparatory Meetings Ongoing



Website Under Construction

https://paracel.com.py/



Paraguay Beats Pandemic and Seeks New Growth

"Paraguay acted forcefully against COVID-19 and succeeded in containing the pandemic with very few cases and casualties…

"…Paraguay has traditionally had good macroeconomic policies, with low deficits and debt, which has helped to avoid the boom-bust cycles of other countries in the region"

July 2, 2020

Note: (1) RIMA stands for "Relatorio de Impacto Medio Ambiental," which represents the ESIA summary that is issued and publicly disclosed.

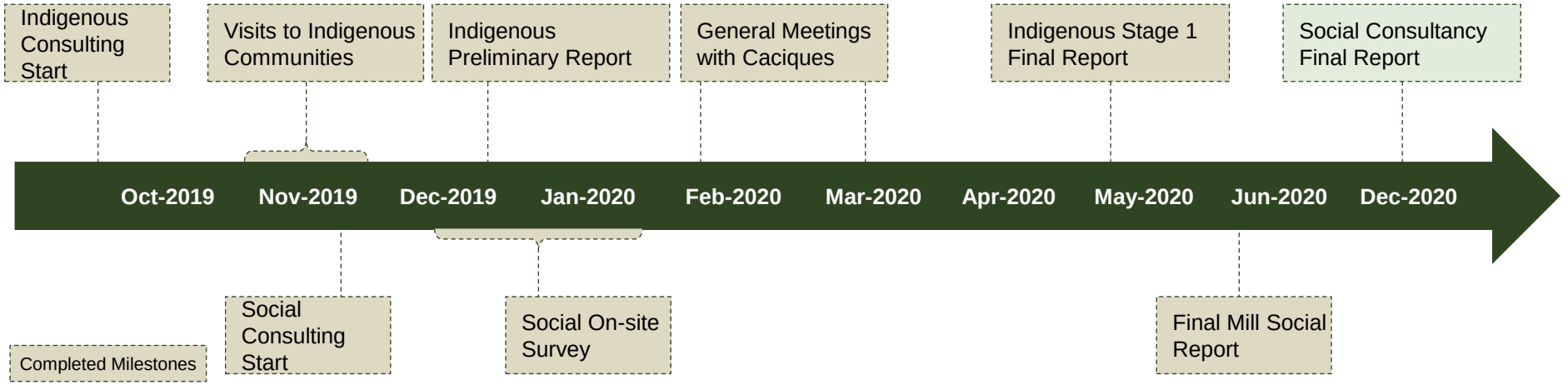
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Paracel Project Update - Environmental Studies Report

Environmental Studies Report - Key Permitting Steps and Expected Timeline



Social and Indigenous Studies Report - Timeline and Milestones



Note: (1) ESIA stands for Environmental and Social Impact Assessment. (2) RIMA stands for "Relatorio de Impacto Medio Ambiental," which represents the ESIA summary that is issued and publicly disclosed. (3) DIA stands for "Declaracion de Impacto Ambiental" which refers to the environmental and social license. (4) MADES refers to Paraguay's Ministry of Environment and Sustainable Development.

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Paracel Project Update – Equity and Debt Financing

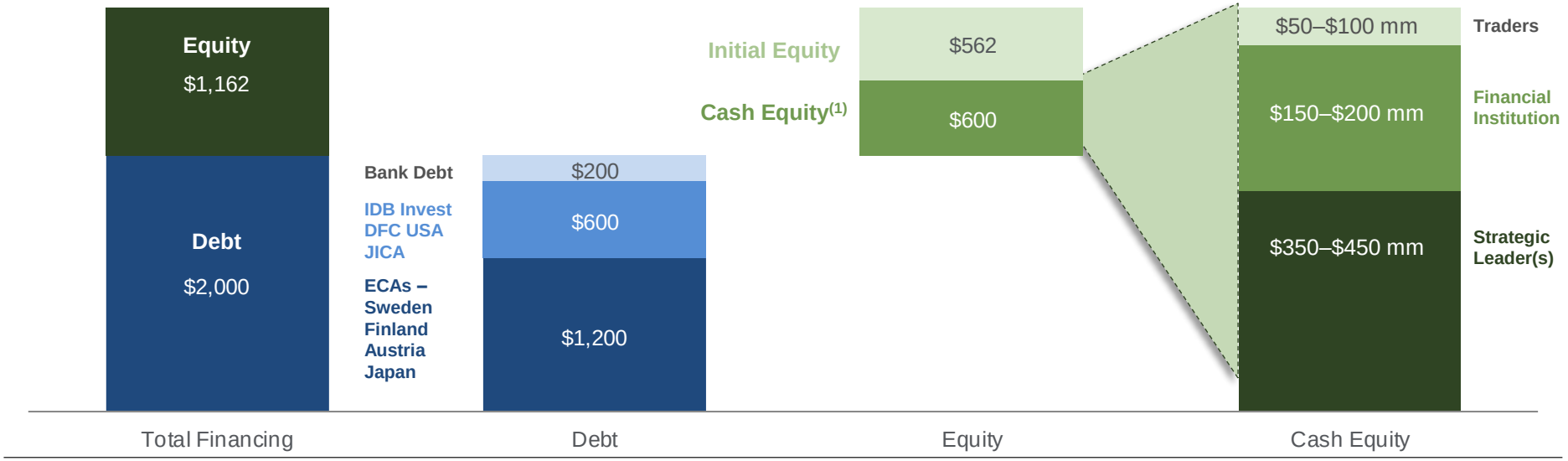
Lenders

- ~US$2,000+ mm of project financing debt
  - DFC & IDB Invest initiated E&S due diligence process
  - JICA & CAF may also participate through IDB Invest
  - ECA (Sweden, Finland, Austria) lenders started the process, though at a slower pace due to COVID-19
  - Indicative terms being discussed with a large multi-national bank to underwrite a large part of project debt, over $1 billion
  - Green/Sustainability bonds being explored
- Target Debt/Equity Ratio: 65%/35%

Investors

- Initial equity: ~US$562 mm (land and cash)
  - Grupo Zapag (Paraguay)
  - Girindus (Sweden)
  - 3 Other Local Paraguay Families
- Additional Equity: Cash of ~US$600 mm(1)
  - Conversations ongoing amid COVID-19 with strong equity interest from strategic industry players from Japan, Europe & North America
    - Equity raising efforts ongoing to attract financial sponsor to complete equity check with continued interest from financial institutions and other strategic investors
    - Indicative term sheets are being negotiated with potential investors
  - Virtual Data Room is now available to selected potential investors
  - Due-diligence, including pulp offtake and shareholders agreement are in progress with committed strategic investor for US$350 mm

Project Finance – Debt & Equity (US $ million)



Note: (1) Excluding warrants.

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Potential Investor's Profile

Strategic Partners

		Credit Rating	Equity Indication
A	• European paper and packaging producing and pulp trading company	BBB+	US$350 mm
A	• American multinational company producing paper-based consumer products	A	US$100-150 mm
B	• A pulp & paper company in Japan specialized in paper, pulp, packaging production	A	US$150-250 mm
B	• European public company engaged in the production of packaging paper, pulp and other packaging solutions	A-	US$350 mm

Financial Sponsors

A/B	• Global investment bank and financial services company	BBB+	US$100 - 150
A/B	• American global investment management corporation based in New York City	AA -	US$100 – 150 mm
A/B	• Financial sponsor specialized in structuring and managing high-quality assets to generate returns from timberland, agriculture, infrastructure and renewable energy	N.A	US$200 mm

Latin American Families

A/B	• Family offices to strengthen contacts throughout Mercosur	N.A	US$15 mm

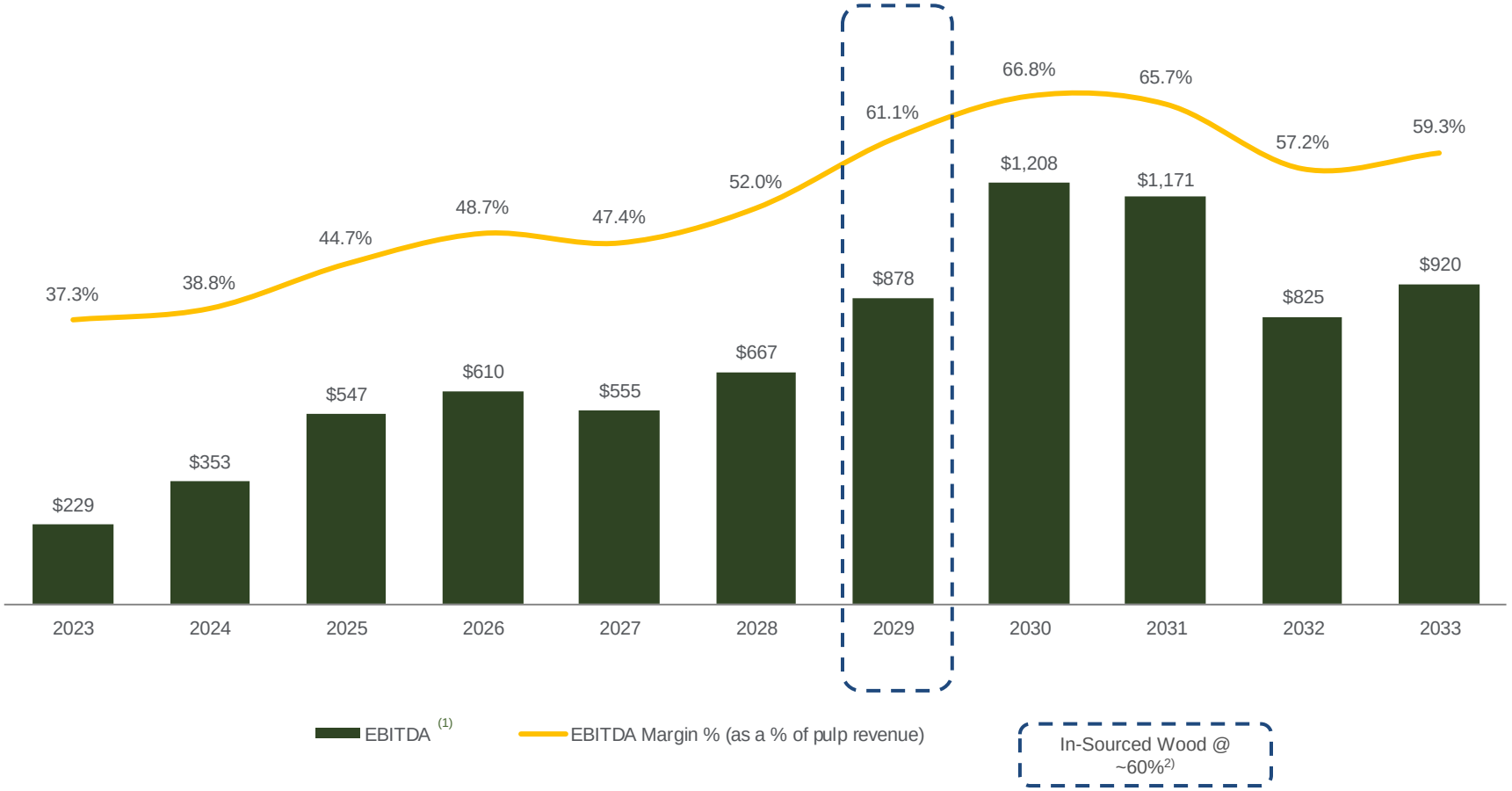
A/B Denotes potential consortium combinations

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EBITDA Projections

EBITDA and EBITDA Margin[3]

(US$ mm, %)



Note: EBITDA projections consider total land of 151,176 Ha. (1) Operations expected to begin in April 2023. (2) 2029 expected EBITDA and EBITDA margin when ~60% of wood is sourced from own plantation. (3) EBITDA margin defined as (Revenue – COGS (excluding D&A) – SG&A – Fixed Costs) / Revenue.

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Attractive New Geography Ideal a for Major Pulp Project

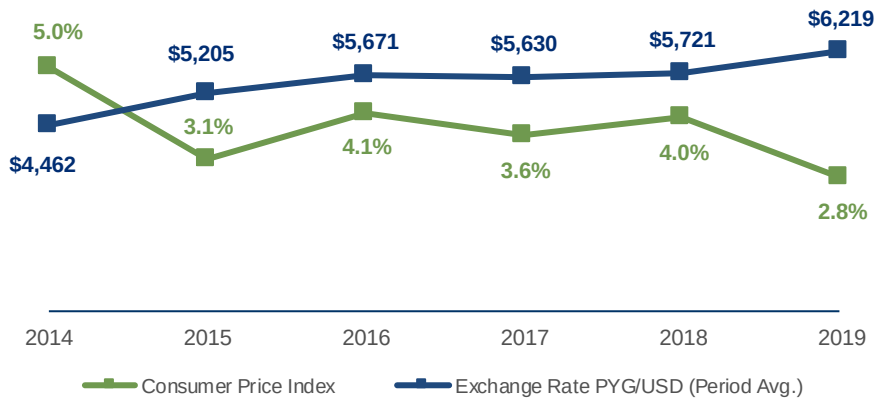
Paraguay's economic, fiscal and regulatory environment is conducive to first pulp project in the country.

Key Highlights

- ☑ Lowest corporate tax rate and indirect taxes in the region
- ☑ Lowest energy costs in the region
- ☑ Special import and export incentives
- ☑ Structural reforms facilitating business development
- ☑ Disciplined macroeconomic policies
- ☑ Ideal land conditions for fast growing eucalyptus plantation
- ☑ Paraguay issued a US$1.0 bn offering of 4.950% Notes due 2031 on April 23rd, 2020. The transaction was very well received (US$7.3 bn peak demand) and cleared the market with no concession

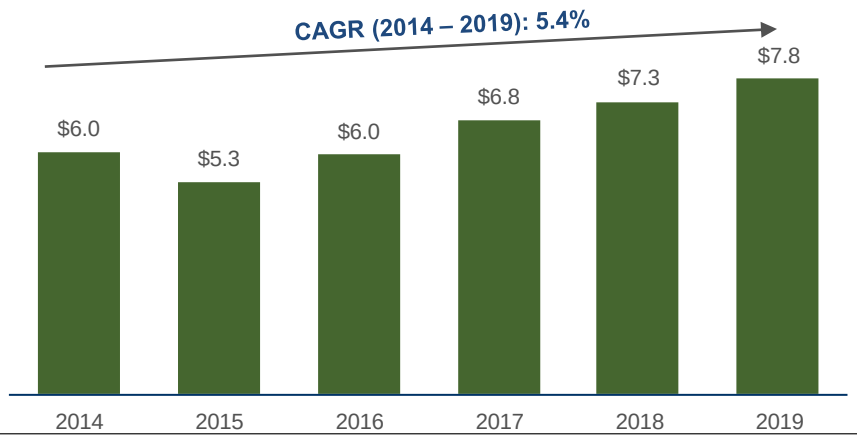
Stable FX Rate and Consumer Price Index

(%, PYG / USD)

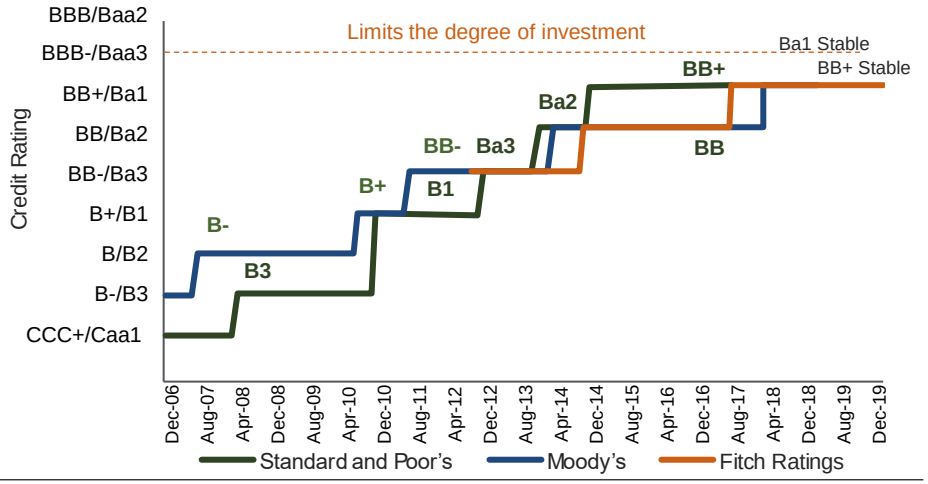


Supported by Increasing FDI

(US$ bn)



Favorable Ratings Evolution



Source: EIU and Wall Street Research.

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More About Paraguay - Useful Links

Paraguay Beats the Pandemic and Seeks New Growth (July 2020)

https://www.imf.org/en/News/Articles/2020/07/01/na0701220-paraguay-beats-the-pandemic-and-seeks-new-growth

Fitch Rates Paraguay US$1 bn BB+ (April 2020)

https://www.fitchratings.com/research/sovereigns/fitch-rates-paraguay-usd1-billion-bond-bb-24-04-2020

Paraguay Comes to Bond Market for Coronavirus Funding (April 2020)

https://www.latinfinance.com/daily-briefs/2020/4/24/paraguay-comes-to-bond-market-for-coronavirus-funding

Paraguayan Government Grants “free zone regime” for Omega Green biofuel plant (January 2020)

https://biofuels-news.com/news/paraguayan-government-grants-free-zone-regime-for-omega-green-biofuel-plant/

Paraguay Adds to 2050 Notes in Bond Return (January 2020)

https://www.latinfinance.com/daily-briefs/2020/1/16/paraguay-adds-to-2050-notes-in-bond-return

Ozy: South America’s Unlikely New Economic Hope: Paraguay (July 2019)

https://www.ozy.com/fast-forward/south-americas-unlikely-new-economic-hope-paraguay/95353/

Global AgInvesting: ECB Announces $800M Renewable Project (April 2019)

http://www.globalaginvesting.com/ecb-group-announces-800-million-renewable-fuel-project-paraguay/

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