

**ARAUCO.**  
Growing the Future

# Agenda

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- **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 Constitución S.A."

1990  
 Arauco creates a forest research subsidiary named Bioforest

1993  
 Arauco begins producing sawn timber, 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 600.000 m3 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 – 71% of revenues come from exports
- High potential for sustained growth and profitability
- Strong credit ratios and solid cash flows throughout pulp price cycles
- Investment Grade since first our bond issue in 1995 (BBB+, Baa2, BBB / Fitch, Moody's, S&P)

## Consolidated Selected Financials (As of December 31, 2011)

In US\$ million	Antarchile	Copec	Arauco
Assets	21,728	20,195	12,458
Consolidated Debt	5,522	5,313	3,213
Sales	21,132	21,125	4,374
Market Cap	6,738	17,362	N/A

**ANGELINI GROUP**

↓ 74.36 %

**AntarChile S.A.**

↓ 60.82 %



**EMPRESAS COPEC**

↓ 99.98 %

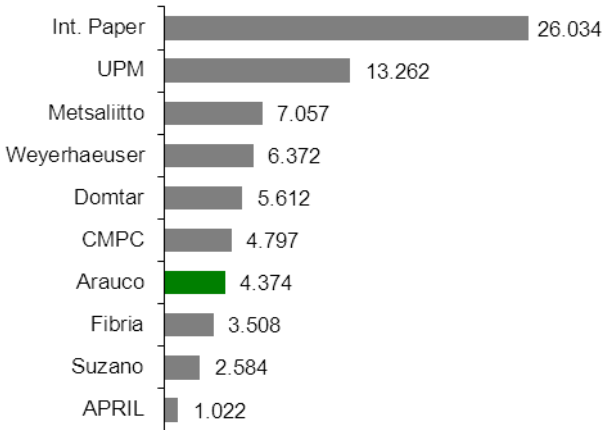


**ARAUCO**  
Growing the Future

# Arauco is a world-class forest products firm

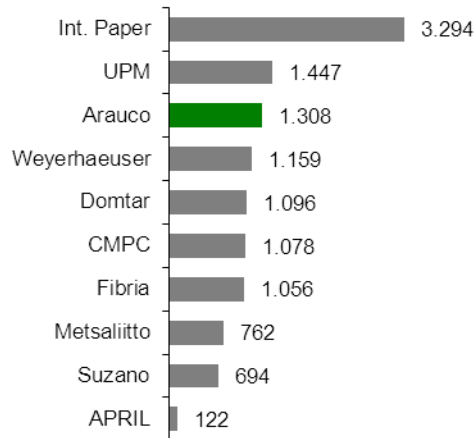
## Sales 2011

(In US\$ million)



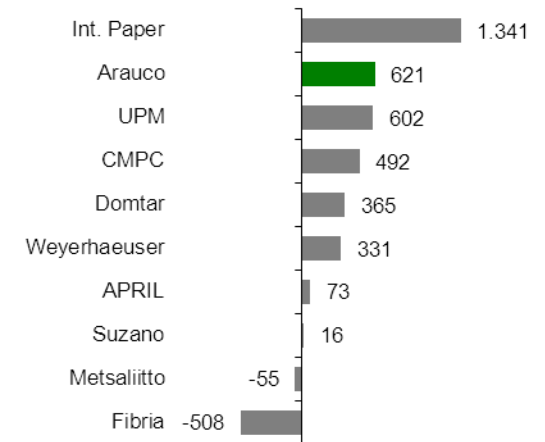
## EBITDA 2011

(In US\$ million)



## Net Income 2011

(In US\$ million)



# Five strategic business segments in a diversified operational footprint



Forestry	Pulp	Panels	Sawn timber	Energy
743,273 hectares (1,836,668 acres)	5 mills 2.86 million tons	3 facilities Plyw: 800 Th m3 MDF: 515 Th m3 HB: 60 Th m3	8 sawmills 2.45 million m3	9 plants 565 MW Surplus: 195 MW
127,305 hectares (314,578 acres)	1 mill 350,000 tons	2 facilities MDF: 300 Th m3 PBO: 260 Th m3	1 sawmills 320,000 m3	2 plant 78 MW Surplus: 9 MW
109,228 hectares (269,908 acres)		2 facilities MDF: 715 Th m3 PBO : 270 Th m3		
75,707 hectares <sup>1</sup> (187,076 acres)				

**1,024,435 hectares<sup>1</sup> (2,531,434 acres)**      **6 mills 3.2 million tons**      **7 facilities<sup>2</sup> 2.9 million m<sup>3</sup>**      **9 sawmills 2.8 million m<sup>3</sup>**      **11 plants 643 MW Surplus: 204 MW**



Source: Company information as of December 2011

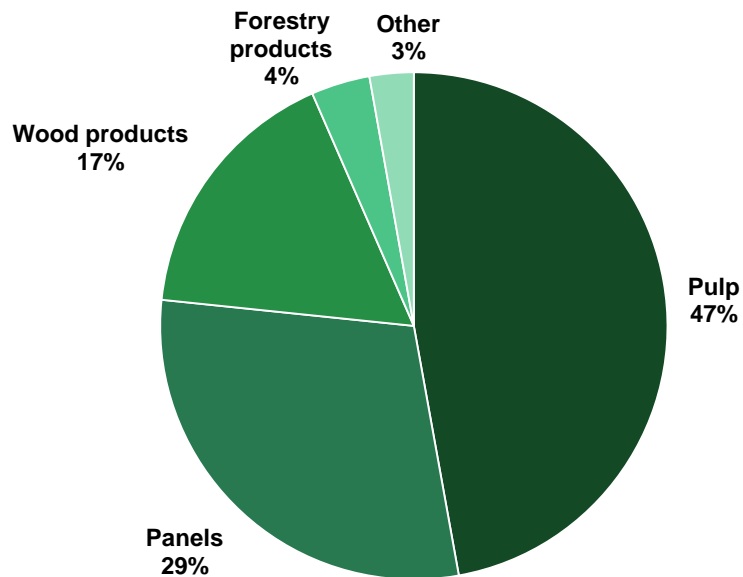
<sup>1</sup> This number corresponds to total plantation and includes 50% of land from the joint venture with Stora Enso

<sup>2</sup> This number doesn't include the Moncure's panel mill



# Diversified Sales and EBITDA mix coupled with solid capital structure

## Sales by division 2011



YTD Sales: US\$ 4,374 MM

Note: Other sales includes Energy

## Financial Highlights 2011

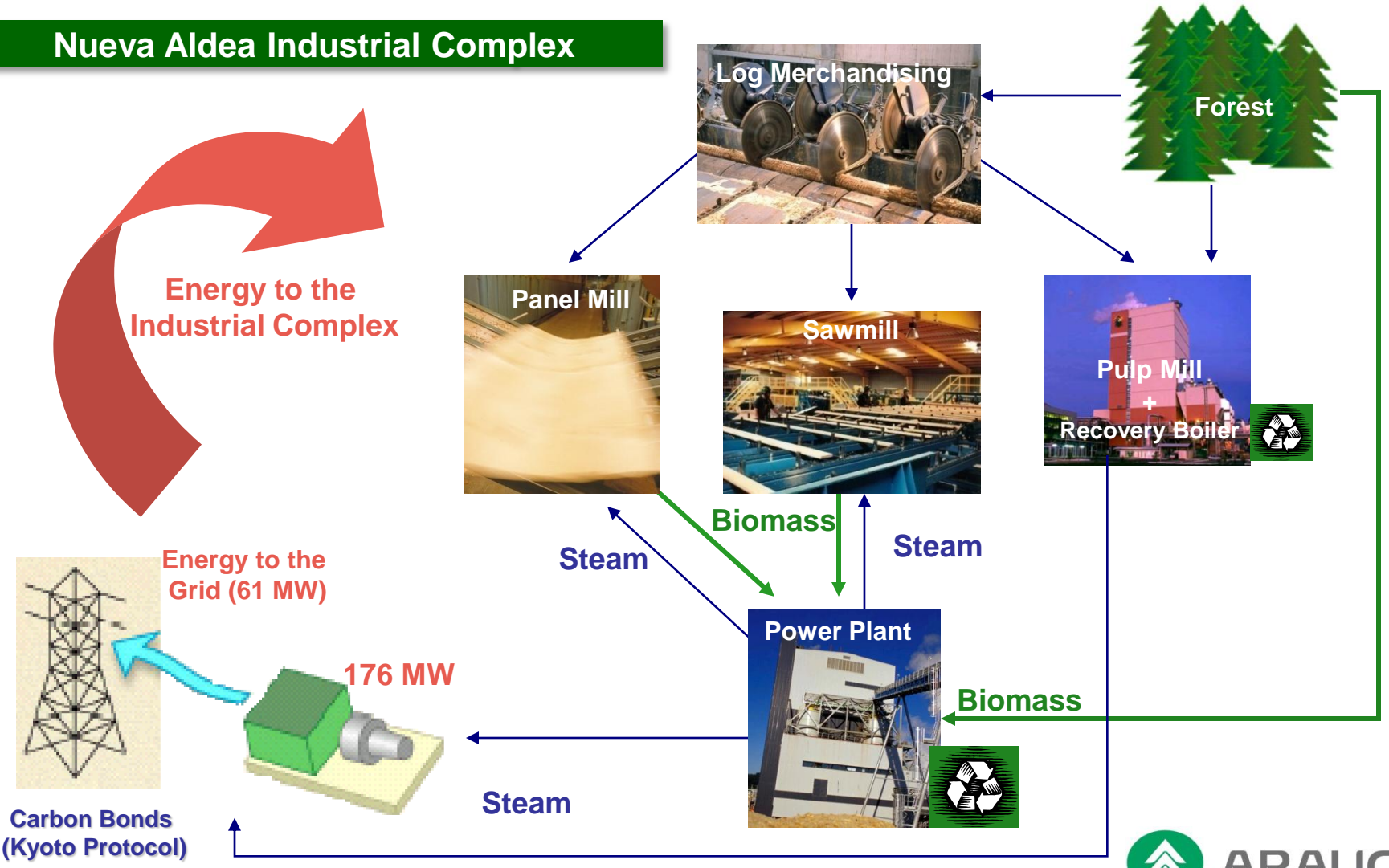
(in US\$ million)

Sales U.S.\$ 4,374	EBITDA U.S.\$ 1,308	EBITDA Margin 29.9%
Net Income U.S.\$ 621	Cash U.S.\$ 316	Capex U.S.\$ 1,165
Debt U.S.\$ 3,213	Net Debt U.S.\$ 2,897	Debt to Equity 46.3%



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

## Nueva Aldea Industrial Complex



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## Forestry

Pulp

Sawn Timber

Panels

Energy

# Business Segments - Forestry

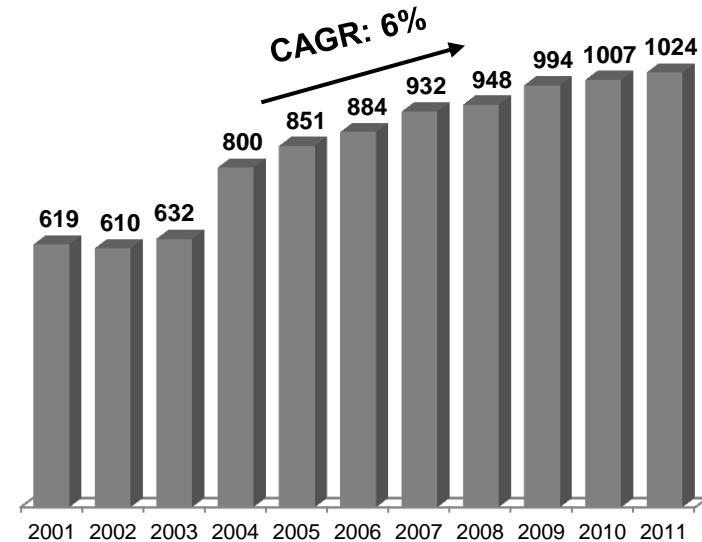


# Forestry - The base for growth

- Largest owner of forestry land in the Southern Cone – one million hectares planted
- 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

## Arauco's Plantations

(in '000 hectares)



*Includes plantations in Chile, Argentina, Brazil and Uruguay*

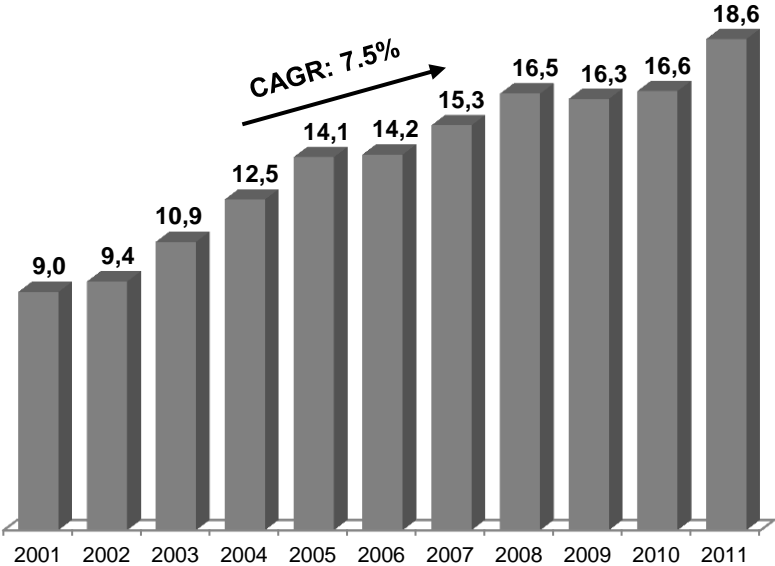
# Forestry - High yielding forest resources increase Arauco's competitive advantages

## Ideal Conditions for Forest's Growth



## Harvested Wood

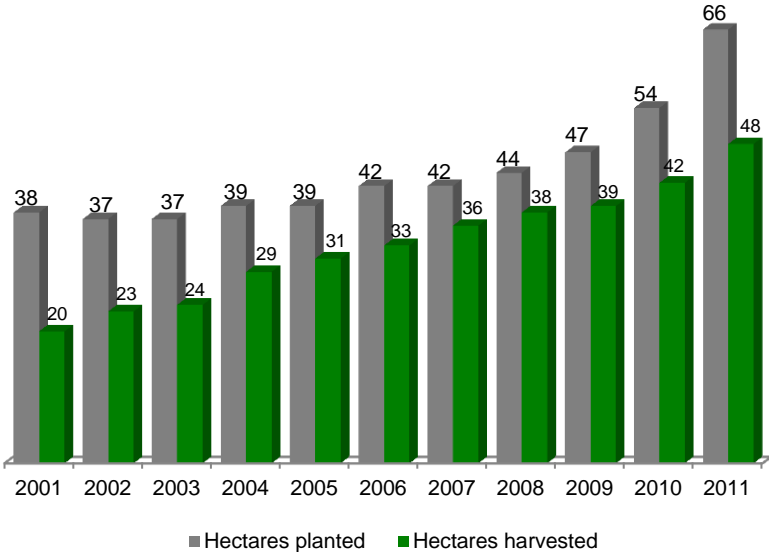
(in million cubic meters)



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

## Annual plantations

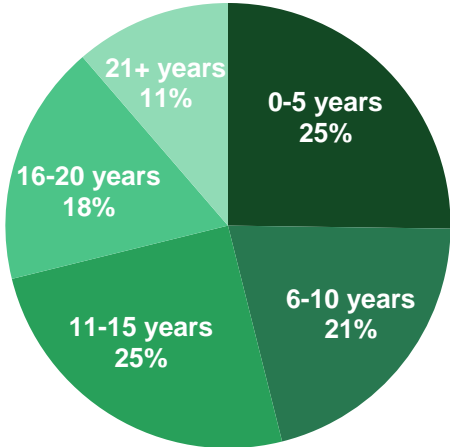
(in '000 hectares)



*Includes 50% of Montes del Plata, Uruguay*

## Pine plantations age breakdown

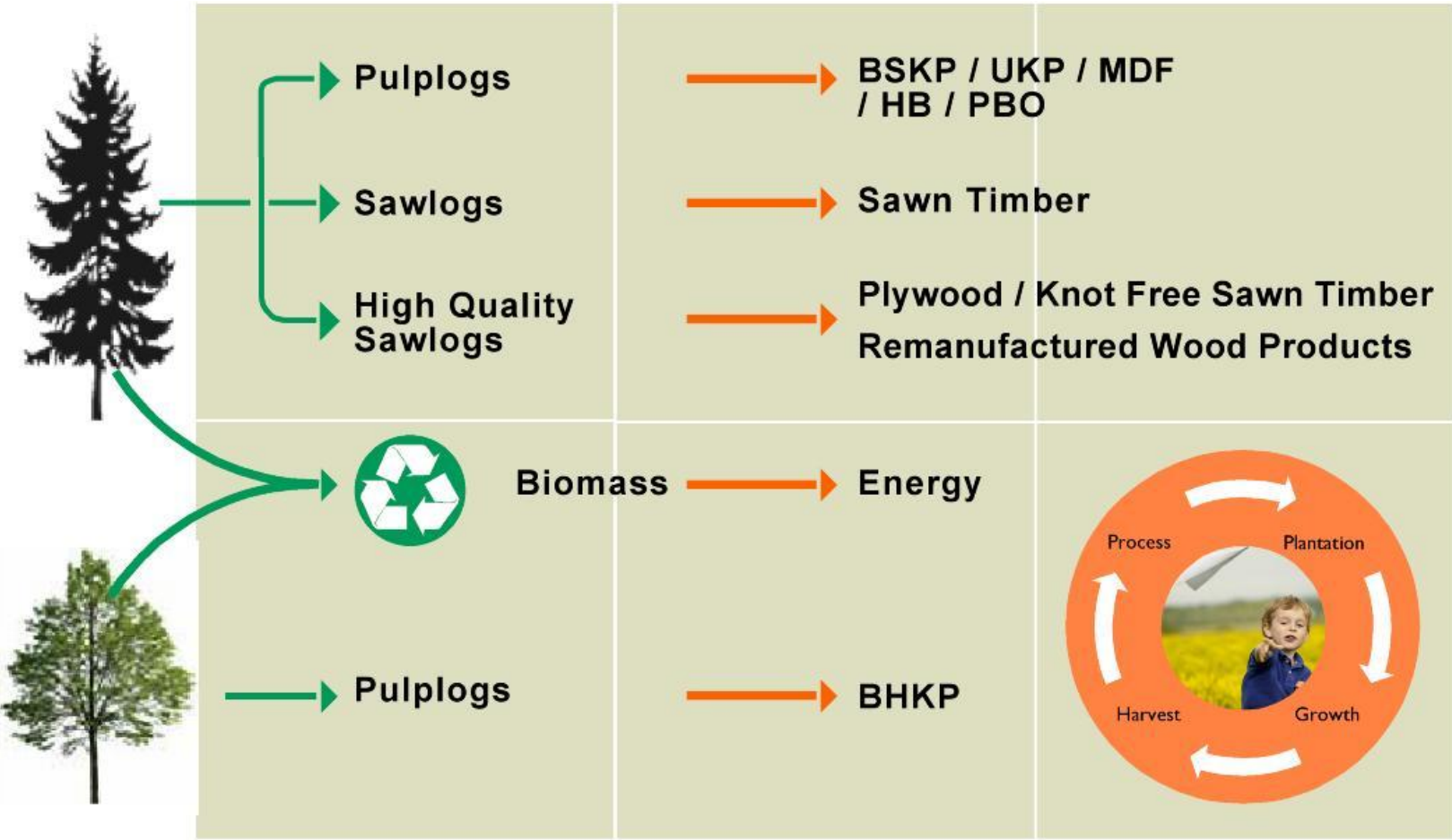
(in '000 hectares)



**Total = 786,936 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**

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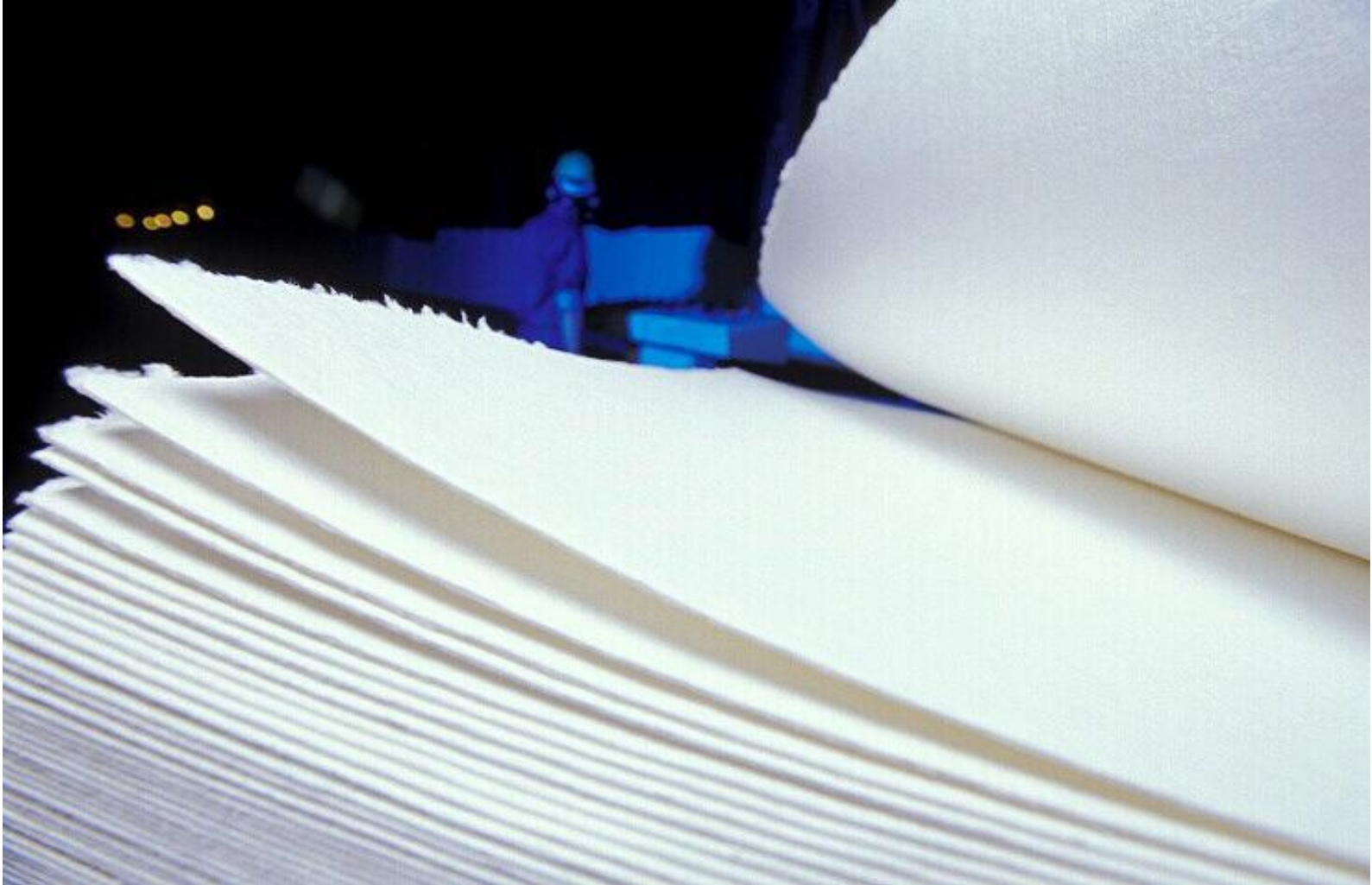
Panels

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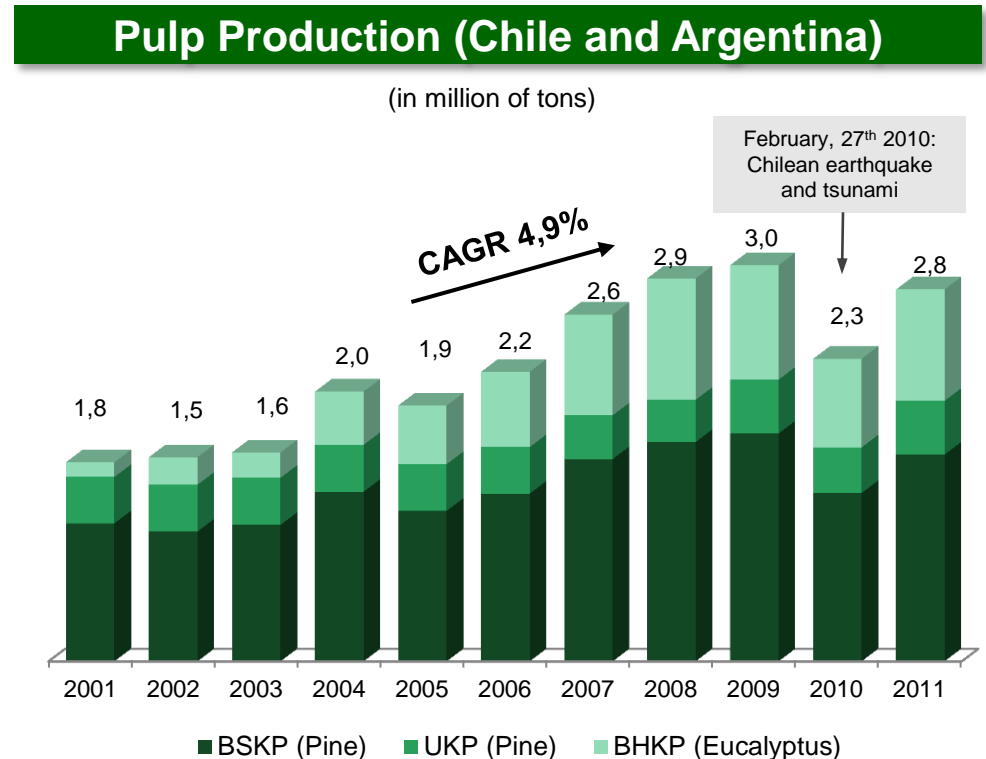
# Business Segments - Pulp

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# Pulp - Arauco's main industrial activity, generating up to 48% of the company's sales

- Number two in the world in terms of market pulp capacity
- Global leader: Arauco's pulp production represented around 5.4% of the global pulp market in 2011
- 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 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



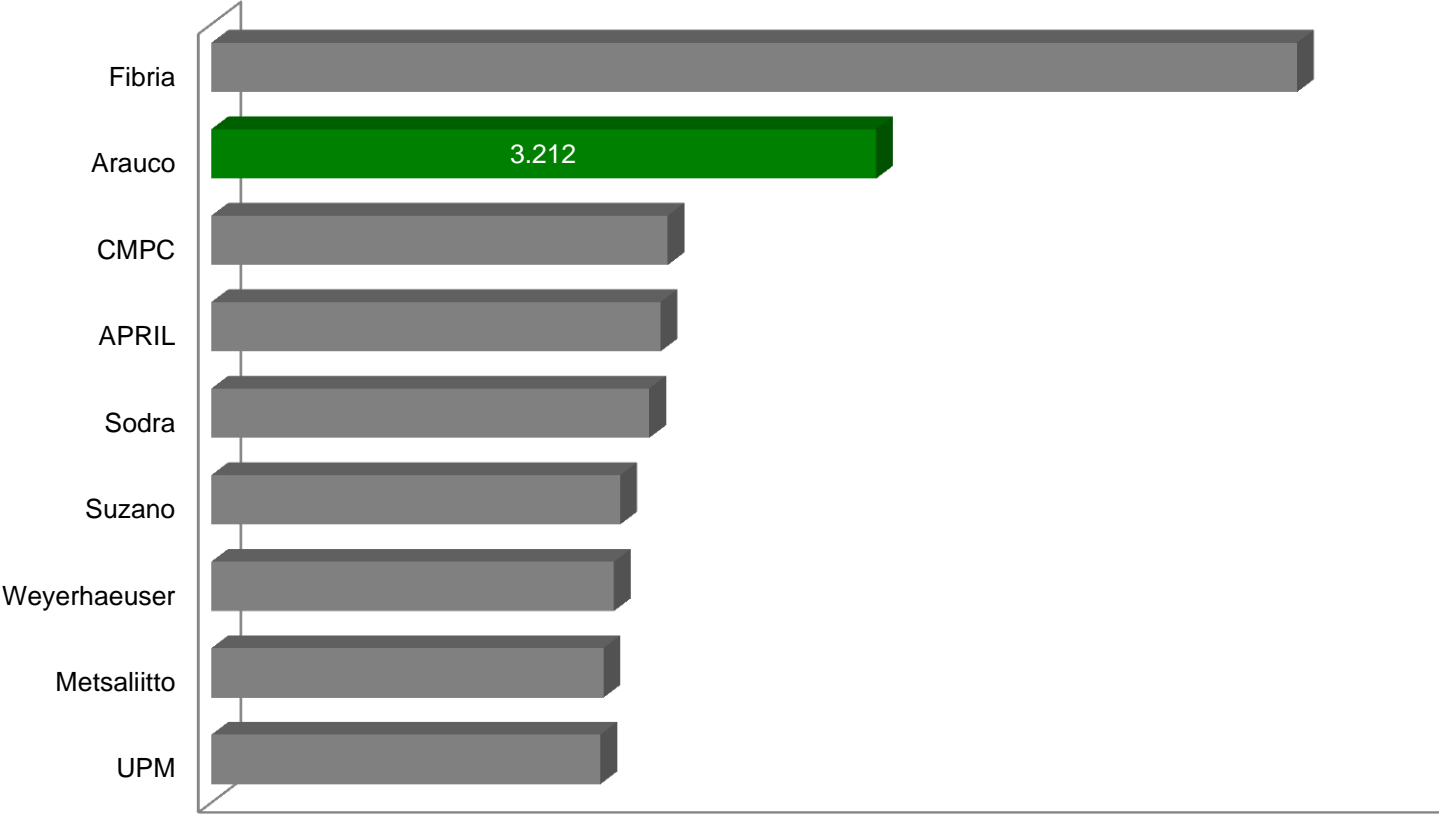
### Alto Parana Mill

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

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

## Installed Capacity – Market Pulp

(in thousand of tons)

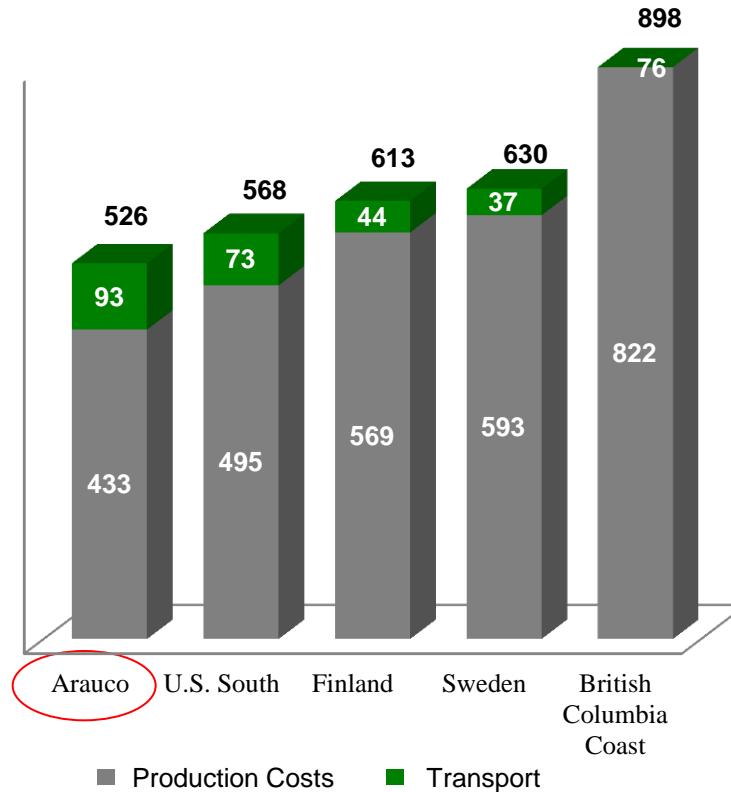


Source: RISI, September 2011  
Company information and filings

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

## 2011 BSKP Production Costs

(in US\$ / ADt)



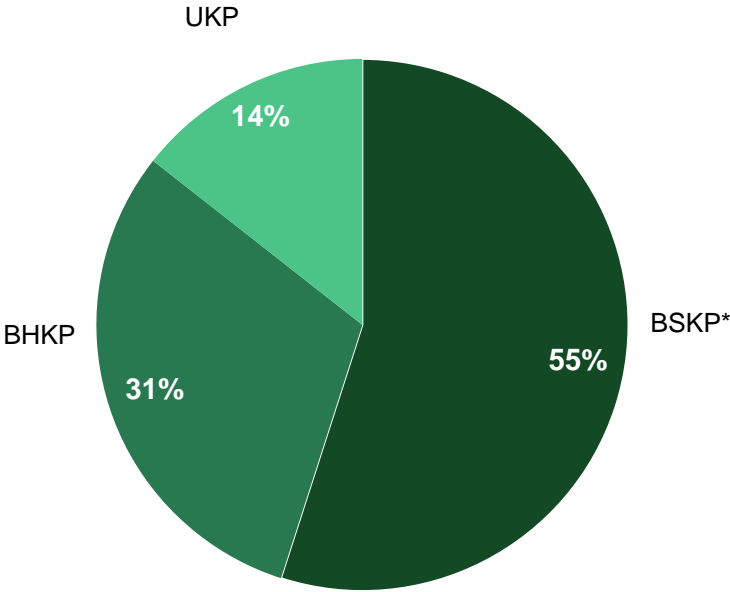
Note: Transportation cost for delivery to Northern Europe

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

Source: RISI, "World Pulp & Recovered Paper Forecast", 2011/ Arauco analysis

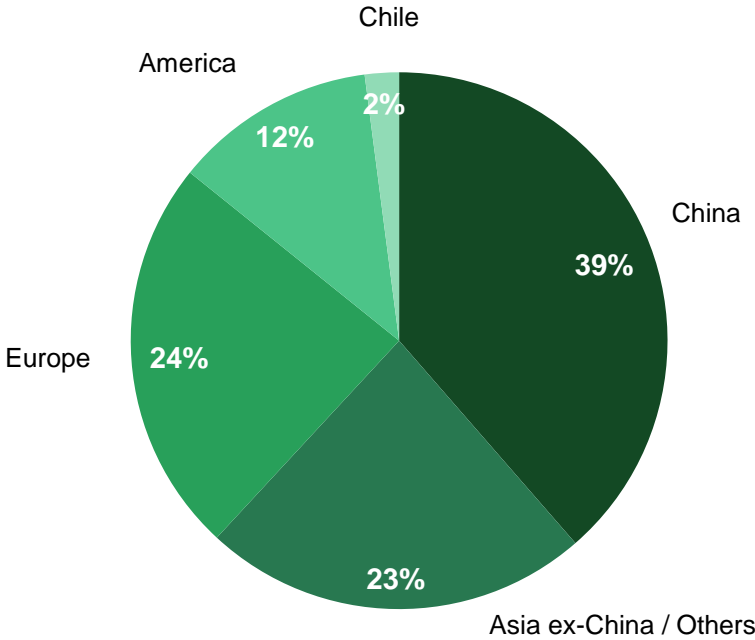
# Pulp - Arauco uses its competitive advantages to efficiently supply worldwide pulp demand

**Sales by Product 2011**



Total = 2,775 Th. Ton

**Sales by Region 2011**



Total = 2,775 Th. Ton

\* Includes Fluff sales  
Source: Company information and filings

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# Business Segments – Sawn Timber

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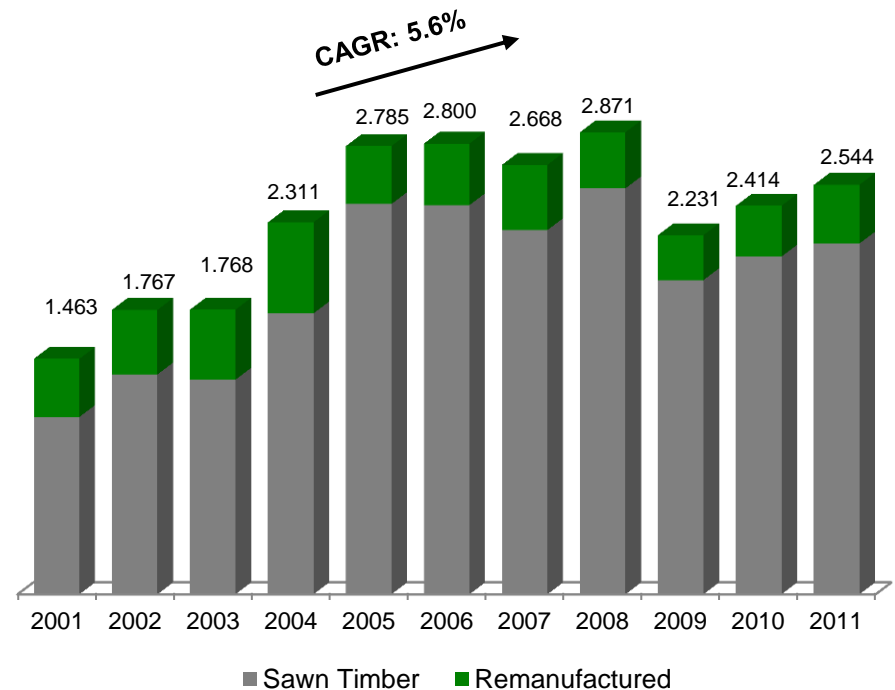


# Sawn Timber - Arauco is the largest sawmilling company in the Southern Hemisphere...

- Arauco owns 9 sawmills – 8 in Chile and 1 in Argentina
- Additionally, Arauco owns 5 remanufacturing facilities – 4 in Chile and 1 in Argentina
- Installed annual capacity of 2.8 million m<sup>3</sup> of Lumber
- Improved saw log quality enhances value of product mix
- Economies of scale in transportation costs provide growth opportunities
- US structural lumber certified

## Lumber sales (Chile and Argentina)

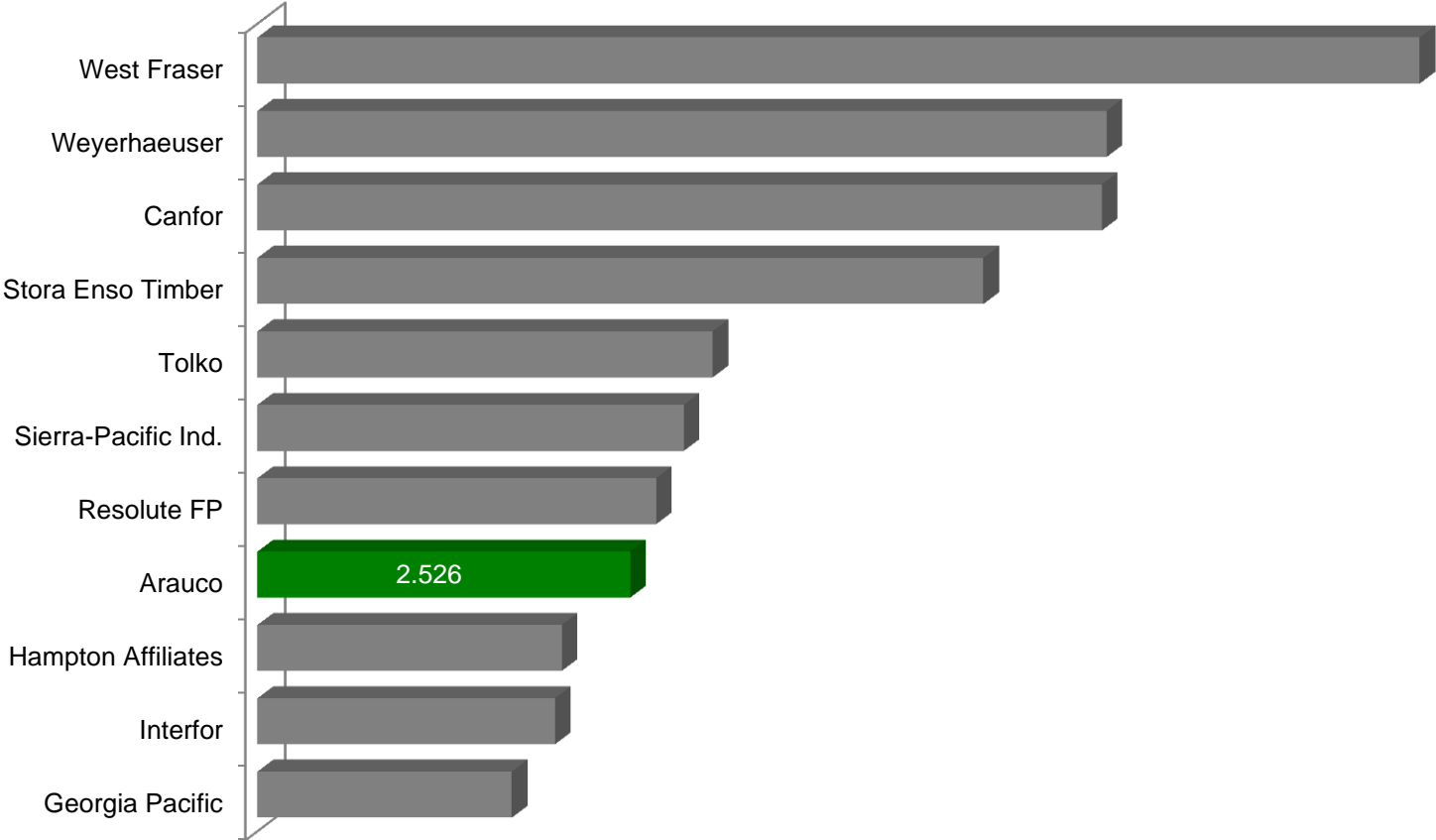
(in '000 cubic meters)



# Sawn Timber - ...and has become one of the top global sawn timber producers

## 2011 Production

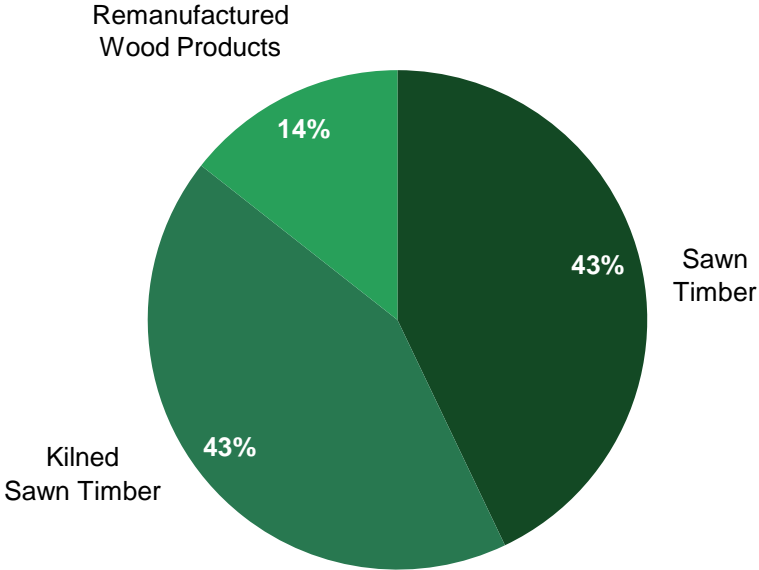
(in thousand cubic meters)



Source: International Wood Markets Group Inc

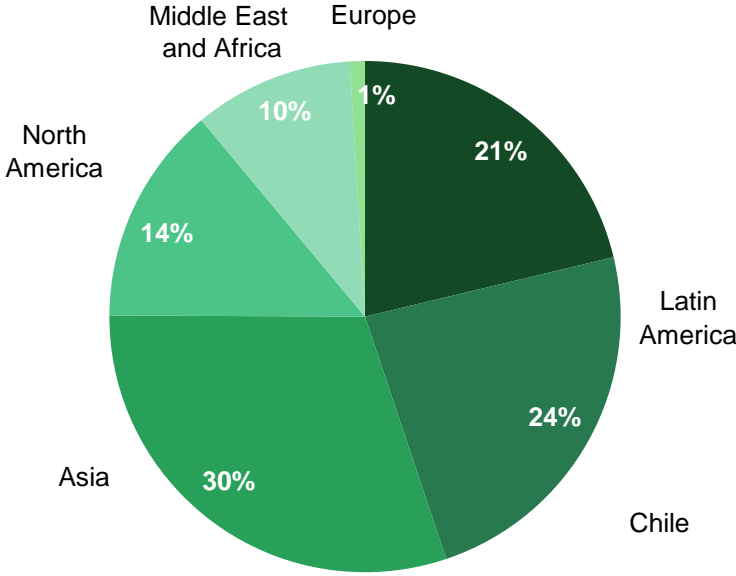
# Sawn Timber - Relevant supplier for the global construction sector with high quality production standards

**Sales by Product 2011**



Total = 2,544 Th.m<sup>3</sup>

**Sales by Region 2011**



Total = 2,544 Th. m<sup>3</sup>

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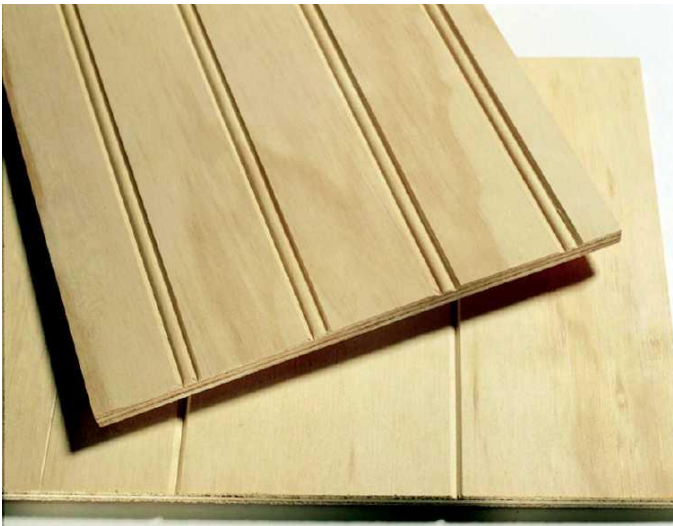
**Panels**

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# Business Segments - Panels

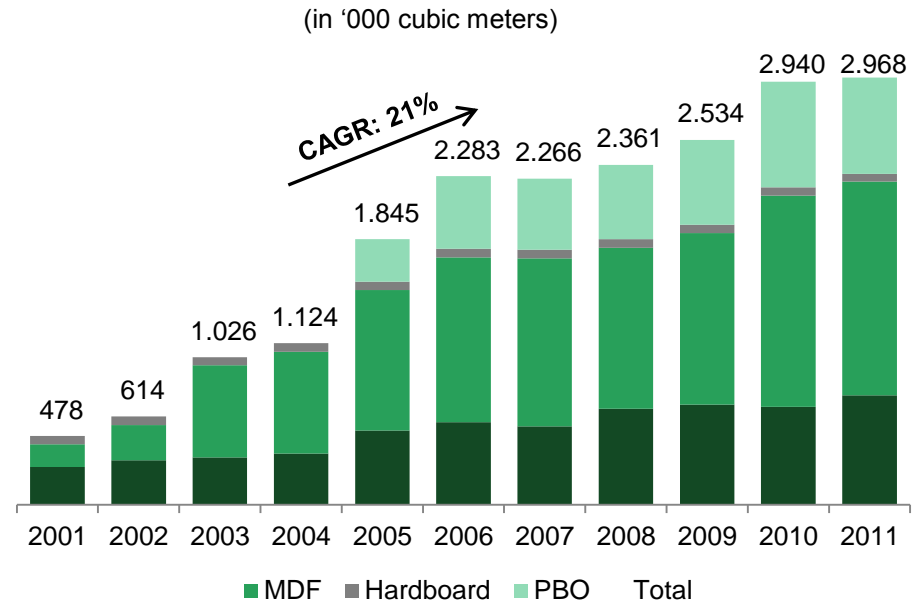
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# Panels - Arauco has become an important player in the panels industry

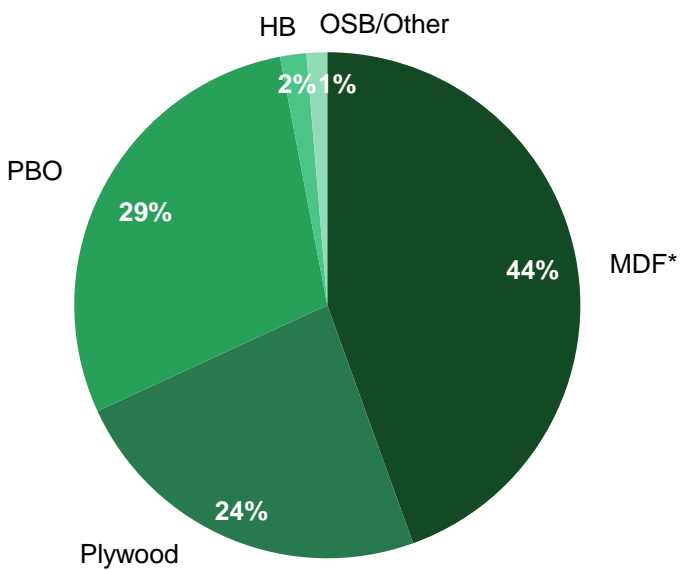
- One of the main wood panel companies in Latin America
  - Seven production facilities
  - More than 2,9 million cubic meters of plywood and fiberboard panels installed capacity
- State-of-the-art mills and low cost producer for all types of panels (Plywood, MDF, HB, PBO)
- Recent acquisition of MDF and PBO mill in USA. (0,6 million m3)

## Panel production (Chile, Argentina and Brazil)



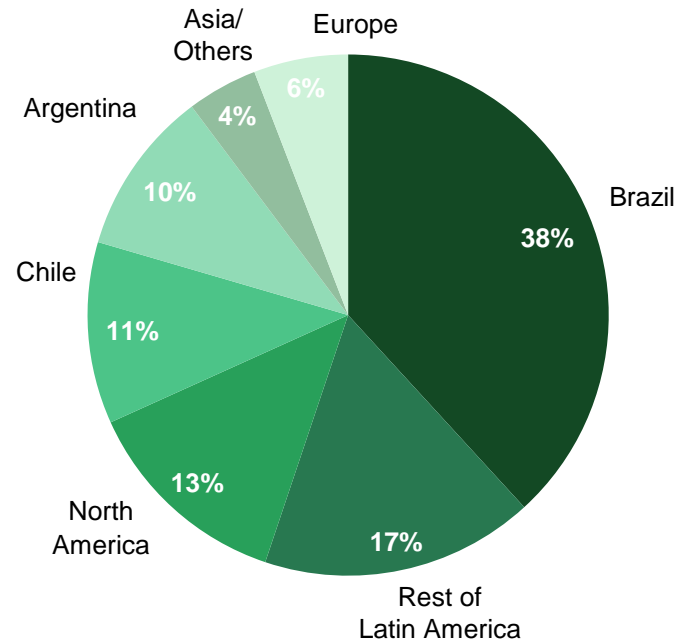
# Panels - Diversified product mix and client base

**Sales by Product 2011**



Total = 3,222 Th. m<sup>3</sup>

**Sales by Region 2011**



Total = 3,222 Th. m<sup>3</sup>



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**Energy**

# Energy - Key part of our value chain

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- Renewable, environmental friendly energy
- Installed capacity of 643 MW
- Surplus of 204 MW sold to National Grid
- Contributes with over US\$ 100 million to Arauco's EBITDA
- Five energy projects registered under Kyoto protocol
- Since 2007 we have sold more than 1,000,000 CERs



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# Arauco's main projects



## Chile

- **Teno Mill, MDP:**  
Greenfield project  
Capacity: 300,000 m3/yr  
Estimated Investment: U.S.\$110 million  
Beginning operations: 2Q 2012

## Brazil

- **Jaguariaiva II, MDF new production line**  
Brownfield project  
Additional Capacity: 500,000 m3/yr  
New total Capacity: 815,000 m3/yr  
Estimated Investment: U.S.\$170 million  
Beginning operations: 1H 2012

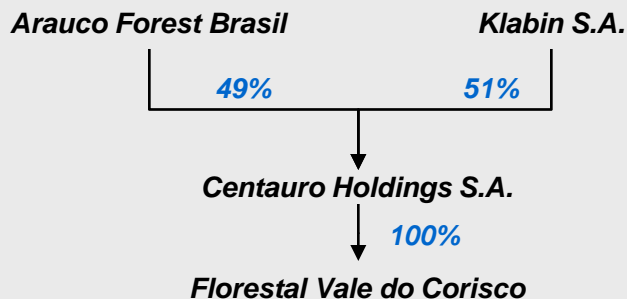
## Uruguay

- **Montes del Plata: EKP Pulp Mill**  
Greenfield project  
50% Joint Venture with Stora Enso  
Capacity: 1,300,000 Adt/yr  
Estimated Investment: U.S.\$1,900 million  
Beginning operations: 1Q 2013  
Includes a port terminal and a power generation plant (160 MW – 180 MW)

# Arauco's latest investments

## The Deal

- In November 2011, through a joint acquisition, Arauco and Klabin S.A. acquired Florestal Vale do Corisco in Brazil
- The deal amounted U.S.\$ 473.5 million and was assumed 49% by Arauco Forest Brasil, and the remaining 51% by Klabin S.A.
- Klabin S.A. is a Brazilian company which shares are listed in the Sao Paulo Stock Exchange (Bovespa), and is the largest producer of paper in Brazil



Source: Arauco

## The Company

Vale do Corisco is located in the State of Paraná and owns 107,000 hectares of land, 63,000 of which are planted with pine

## Rationale

- This acquisition will allow wood self sufficiency to Arauco's Jaguariaiva MDF expansion line (500.000 m<sup>3</sup> /year, start up 2012)
- This transaction strengthens Arauco's position in Brazil's forestry sector, furthering the development of its own industrial operations and ensuring the supply of wood for future projects

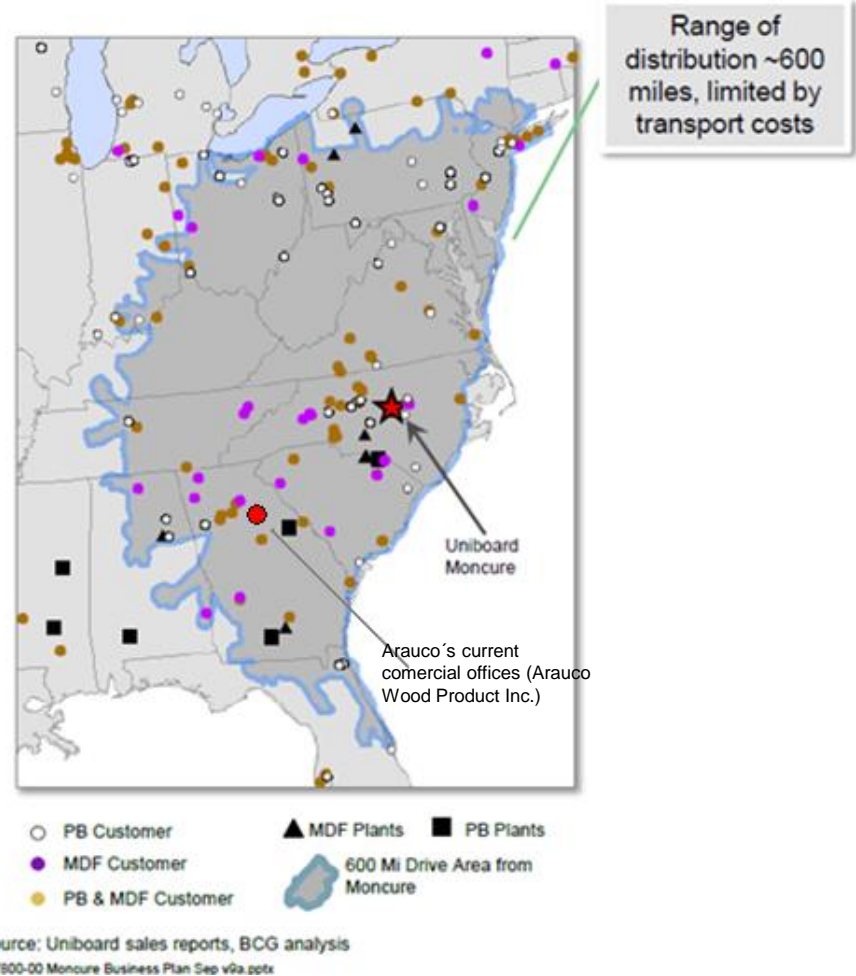
# Arauco's latest investments

## The Deal

- In January 2012, Arauco acquired MDF and PBO panels' mill in Moncure N.C.
- The deal amounted U.S.\$ 56 million plus working capital and was assumed 100% by Arauco.

## The Company

- The facility has an annual production capacity of up to 330.00 cubic meters of MDF and HDF lines, up to 270,000 cubic meters of PBO line, and two melamine product production lines



Source: Arauco

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# Strong financial fundamentals

## Financials Summary

(US\$ million)	2008	2009	2010	2011
<b>Sales</b>	3.714	3.097	3.767	4.374
<b>EBITDA <sup>1</sup></b>	1.169	766	1.390	1.308
<b>EBITDA Margin</b>	31,3%	24,7%	36,9%	29,9%
<b>Net Income</b>	405	305	701	621
<b>Debt</b>	2.652	3.203	3.450	3.213
<b>Net Debt</b>	2.485	2.669	2.406	2.897
<b>Financial Costs</b>	175	194	208	196
<b>Capex</b>	460	722	688	1.165

<sup>1</sup> Under IFRS: EBITDA = EBIT + Depreciation + Stumpage  
Numbers starting year 2008 are under IFRS



# Key Financial Ratios

	2008	2009	2010	2011
<b>Profitability</b>				
Gross Margin	37,2%	30,5%	39,0%	33,5%
Operating Margin	18,0%	10,4%	23,9%	13,7%
EBITDA Margin	31,3%	24,7%	36,9%	29,9%
ROA ( <i>EBIT / Total Assets</i> )	7,4%	3,0%	9,1%	7,7%
ROCE ( <i>EBIT x (1-tax rate) / (Working Capital + Fixed Assets)</i> )	8,9%	3,5%	8,1%	7,4%
ROE ( <i>Net Income / Equity</i> )	8,2%	5,0%	10,6%	8,9%
<b>Leverage</b>				
Interest Coverage ( <i>EBITDA / Financial Costs</i> )	6,6x	3,9x	6,7x	6,7x
Net Financial Debt / EBITDA	2,1x	3,4x	1,8x	2,1x
Total Financial Debt / Total Capitalization	30,6%	33,4%	33,5%	31,4%
Net Financial Debt / Total Capitalization	28,7%	27,8%	23,4%	28,3%
Total Financial Debt / Shareholders' Equity	45,0%	51,1%	51,2%	46,3%
Net Financial Debt / Shareholders' Equity	42,2%	42,6%	35,7%	41,8%

Numbers starting year 2008 are under IFRS

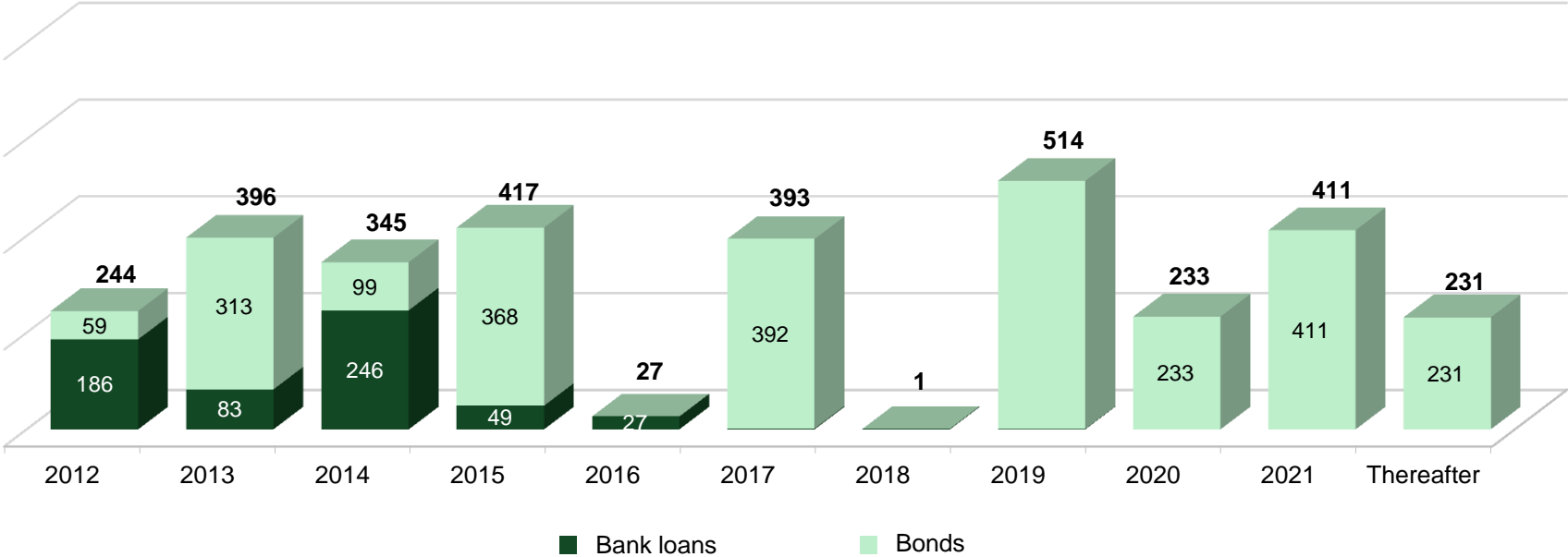
1. Capitalization = Total Financial Debt + Equity

# Conservative debt maturity profile

## Financial Debt

(in US\$ million as of December 2011)

**EBITDA 2011: U.S.\$ 1,308 million**

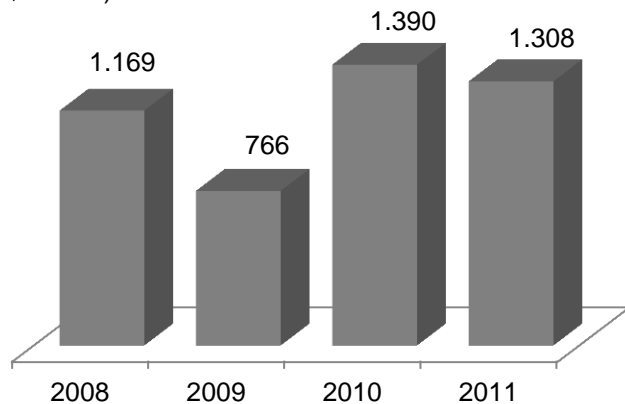


Note: Numbers may not add up because of rounding

# Solid financial performance throughout cycles

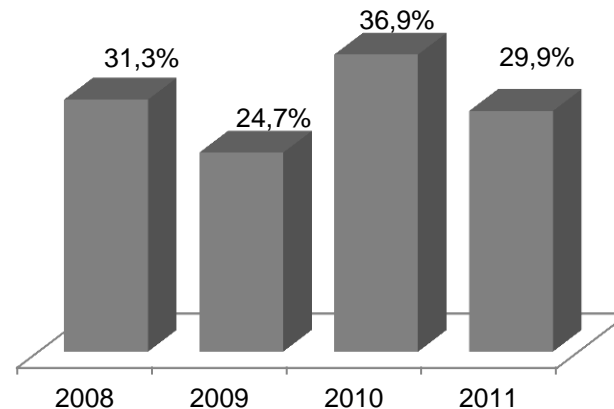
## EBITDA

(in US\$ million)



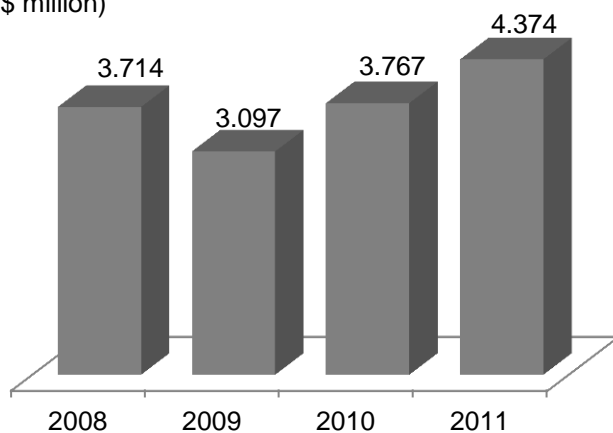
## EBITDA Margin

Avg.  
30,7%



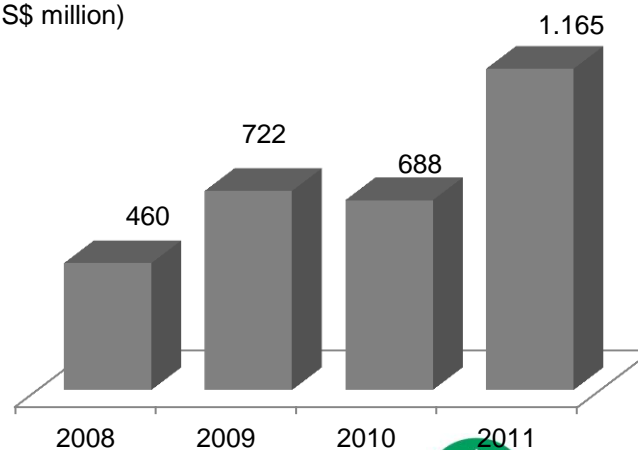
## Total Revenues

(in US\$ million)



## CAPEX

(in US\$ million)



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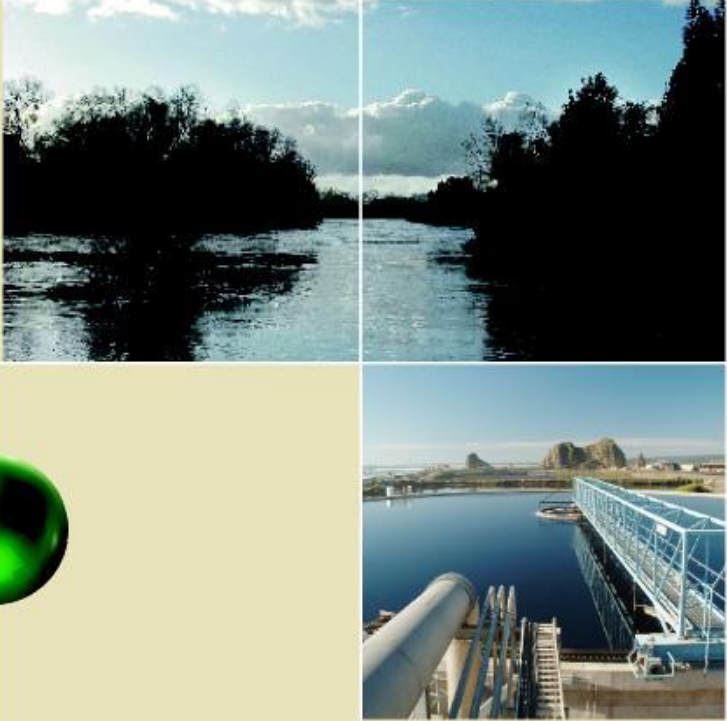
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# Sustainability

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 2011 we invested U.S.\$23 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

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- 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
- To date Arauco has issued more than 1 million CERS, representing an offset equivalent to 1 million tons of CO<sub>2</sub>



# 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 35,000 workers and their families, as well as 1,000 contractors</p> <p>We grow together with our neighboring communities, building relationships based on trust and mutual benefit</p>			

## Commitment

# Sustainability > Education



Future

For 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



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