

Conference call presentation

4th Quarter 2012 Financial Results

Celulosa Arauco y Constitución S.A.

Gianfranco Truffello, C.F.O.
Santiago, March 15th, 2013



Disclaimer

Forward-looking statements are based on the beliefs and assumptions of Arauco's management and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Arauco and could cause results to differ materially from those expressed in such forward-looking statements.

This presentation contains certain performance measures that do not represent IFRS definitions, as "EBITDA" and "Net financial debt". These measures cannot be compared with the same previously used by Arauco and the same used by other companies.

Agenda

- **Financial Review 4th Quarter 2012**

- **Review by Business Segment & Outlook**

- **4th Quarter and Subsequent Events**

- **Q&A**

Financial Review > 4Q 2012 Highlights

- Revenues of U.S.\$ 1,201.9 million
(17% higher than 3Q 2012)
- Adjusted EBITDA of U.S.\$ 269.7 million
(43% higher than 3Q 2012)
- Net Income of U.S.\$ 81.7 million
(U.S.\$ 138.4 million higher than 3Q 2012)
- Net Financial Debt of U.S.\$ 4,004.8 million
(1% higher than 3Q 2012)
- CAPEX of U.S.\$ 165.1 million
(56% lower than 3Q 2012)

Financial Review > Income Statement

Comments

INCOME STATEMENT

In U.S. Million	4Q 12	3Q 12	QoQ
Revenue	1,201.9	1,031.2	17%
Cost of sales	(910.8)	(775.8)	17%
Gross Margin	291.2	255.4	14%
Other operating income	141.8	129.3	10%
Administration & Distribution costs	(259.8)	(230.6)	13%
Other operating gains (expenses)	1.1	(11.5)	-
Financial costs (Net)	(80.3)	(41.1)	95%
Exchange rate differences	(3.1)	(9.6)	(68%)
Income Before Income Tax	90.8	91.9	(1%)
Income tax	(9.1)	(148.7)	(94%)
Net Income	81.7	(56.7)	(244%)

ADJUSTED EBITDA

In U.S. Million	4Q 12	3Q 12	QoQ
Net Income	81.7	(56.7)	-244.0%
Financial costs	85.3	45.1	89.2%
Financial income	(4.9)	(4.0)	24.1%
Income Tax	9.1	148.7	-93.9%
EBIT	171.1	133.0	28.6%
Depreciation & amortization	76.1	60.6	25.5%
EBITDA	247.2	193.7	27.6%
Fair value cost of timber harvested	79.7	79.7	-0.1%
Gain from chg. in fair value of bio. Assets	(60.3)	(94.1)	-35.9%
Exchange rate differences	3.1	9.6	-67.7%
Adjusted EBITDA	269.7	188.9	42.7%

- **Revenue:** Increased 17% mainly explained by a 40% increase in total sales of our panels business, due to the consolidation of Flakeboard; and a 6% increase in total pulp sales
- **Cost of Sales:** Increased 17% mainly explained by higher sales volume of all our business segments and higher unitary costs of pulp
- **Income Tax:** Decreased US\$140 million, mainly due to an extraordinary charge of US\$129 million in the third quarter
- **Financial Costs (Net):** Increased 93% mainly because of prepayment charges of Flakeboard (US\$ 22 million), MTM of derivatives (US\$ 10 million), and tax increase charge in Brazil (US\$ 5 million)
- **Adjusted EBITDA:** Reached US\$ 269.7 million, 43% or US\$ 81 million higher than the third quarter

Note: Numbers may not add up due to rounding

Financial Review > Cash Flow

CASH FLOW

In U.S. Million	4Q 12	3Q 12	QoQ
Collection of accounts receivables	1,286.5	1,065.0	20.8%
Collection from insurance claims	10.8	70.0	-84.6%
Other cash receipts (payments)	73.3	70.4	4.2%
Payments of suppliers and personnel (less)	(1,181.4)	(1,018.8)	16.0%
Dividends and other distributions received	(0.4)	1.9	-
Interest paid and received	(33.6)	(50.2)	-33.1%
Income tax paid	(8.0)	(18.4)	-56.3%
Other (outflows) inflows of cash, net	(2.7)	0.3	-
Net Cash Provided by (Used in) Operating Activities	144.4	120.1	20.3%
Capital Expenditures	(165.1)	(372.4)	(115.2%)
Other investment cash flows	31.2	(15.1)	(9.4%)
Net Cash Provided by (Used in) Investing Activities	(133.9)	(387.5)	(65.5%)
Proceeds from borrowings	438.0	368.9	18.7%
Repayments of borrowings	(385.4)	(199.6)	93.1%
Dividends paid	(20.1)	(4.7)	323.2%
Other inflows of cash, net	(15.1)	(0.1)	-
Net Cash Provided by (Used in) Financing Activities	17.4	164.4	(89.4%)
Total Cash Inflow (Outflow) of the Period	27.9	(103.1)	(127.1%)
Effect of exchange rate changes on cash and cash equivalents	(2.5)	2.5	(199.9%)
Cash and Cash equivalents. at beginning of the period	370.3	470.8	(21.4%)
Cash and Cash Equivalents at end of the Period	395.7	370.3	6.9%

Comments

- We finalized 4Q with positive cash flow, increasing our Cash Balance in US\$ 25.4 million
- **Cash from operating activities:**
 - Increased 21% in collection of receivables and 16% in payment of suppliers
- **Cash from investing activities:**
 - Capex decreased U.S.\$ 207.3 million, mainly due to the Flakeboard acquisition in 3Q (US\$ 242.5 million)
- **Cash from financing activities:**
 - Reached U.S.\$ 17.4 million

Financial Review > Debt

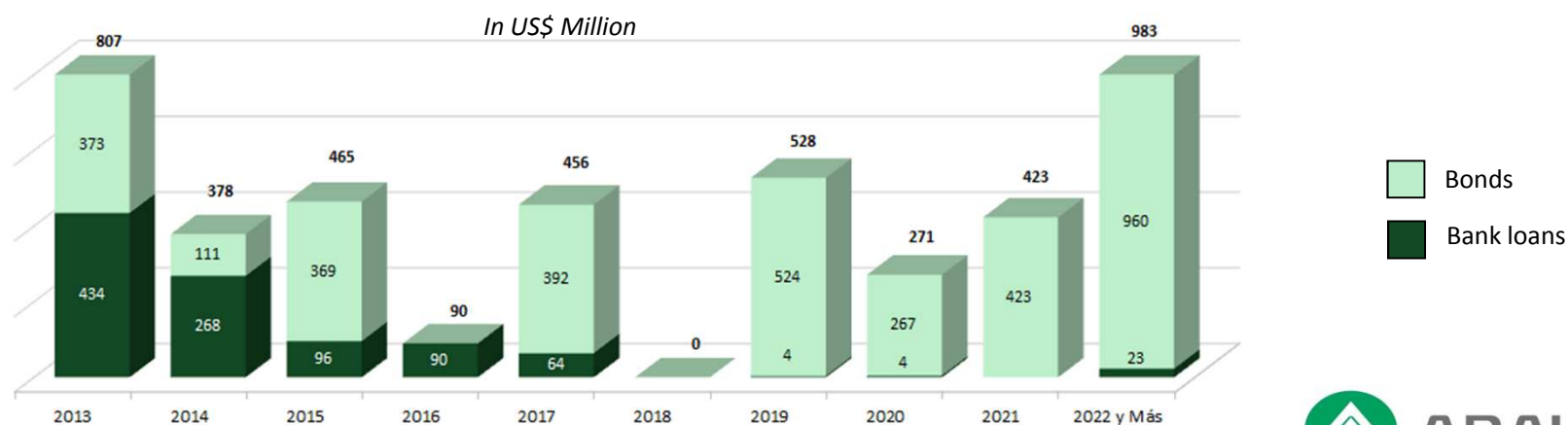
Financial Debt

In U.S. Million	December 2012	September 2012	December 2011
Short term financial debt	806.9	708.5	244.5
Long term financial debt	3,593.6	3,632.1	2,968.8
TOTAL FINANCIAL DEBT	4,400.5	4,340.6	3,213.3
Cash and cash equivalents	395.7	370.3	315.9
NET FINANCIAL DEBT	4,004.8	3,970.4	2,897.4

Comments

- Total Financial debt reached US\$ 4,401 million, an increase of 1.4% QoQ. This increase is mainly explained by additional US\$ 80 million in pre-export financial loans
- Short term debt includes US\$ 300 million notes due in July 2013
- In November 2012 we refinanced Flakeboard's long term debt with a US\$ 150 million credit facility, and lowered its total debt by US\$ 35 million

Financial Debt Profile as of December 31, 2012



Note: Short term debt numbers include accrued interest

Financial Review > Ratios

KEY FINANCIAL RATIOS

	4Q 12	3Q 12	4Q 11
Profitability			
Gross margin	24.2%	24.8%	26.4%
Operating margin	2.6%	2.4%	5.3%
LTM ⁽¹⁾ Adjusted EBITDA margin	20.5%	23.7%	29.9%
ROA (EBIT / Total assets)	5.1%	4.0%	8.5%
LTM ROCE (EBIT x (1–tax rate) / (Working Cap+Fixed assets)	2.3%	3.2%	7.3%
ROE (Net income / Equity)	4.7%	-3.3%	10.3%
Leverage			
Interest coverage ratio (Adj. EBITDA LTM / Financial costs)	3.8x	5.0x	6.7x
Net financial debt / Adjusted EBITDA LTM	4.6x	4.1x	2.2x
Financial debt / Total capitalization ⁽²⁾	38.7%	38.5%	32.0%
Net financial debt / Total capitalization	35.2%	35.2%	28.9%
Financial debt / Shareholders' equity	63.9%	63.4%	47.7%
Net financial debt / Shareholders' equity	58.1%	58.0%	43.1%

(1): LTM. Last Twelve Months

(2): Capitalization = Total financial debt + Equity

Agenda

- Financial Review 4th Quarter 2012

- Review by Business Segment & Outlook

- 4th Quarter and Subsequent Events

- Q&A

Review by Business Segment > Pulp

PULP SALES (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
4Q 12	521				
3Q 12	491	Q o Q	6.0%	0.1%	3.4%
4Q 11	499	Y o Y	4.3%	2.9%	(2.1%)

Note: pulp sales include energy sales



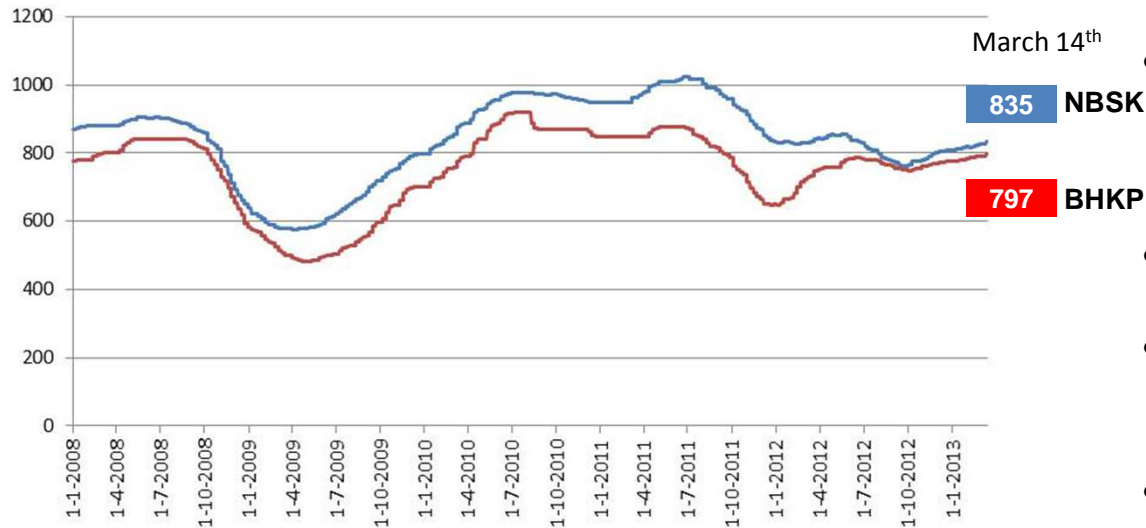
- During 4Q12 average pulp prices remained practically unchanged respect to the previous quarter
- Sales volume was 3.4% higher, mainly due to higher stock sales at the end of the year
- European integrated suppliers continue adding long fiber to spot market
- Middle East and Latin America had normal levels of demand but prices follow international trends
- The quarter ended with long fiber and short fiber inventories at 29 and 34 days, respectively

Pulp production in 000' tons

1Q 11	2Q 11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
683	736	646	751	763	732	726	749

Review by Business Segment > Pulp > Outlook

BHKP AND NBSK INDEXES



Comments

- During the first months of 2013 we had price increases for long fiber and short fiber in China
- Stable demand for the next months
- Optimistic regarding short-term pulp prices
- Spread between NBSK and BHKP at US\$ 38/ton

GLOBAL PRODUCERS INVENTORY LEVELS

In days	Dec 2011	March 2012	June 2012	Sept 2012	Dec 2012
BSPK	36	29	29	27	29
BHKP	33	34	40	39	34

Source: Bloomberg; Hawkins Wright

Review by Business Segment > Panels

Panels Sales⁽¹⁾ (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
4Q 12	424				
3Q 12	304	QoQ	39.7%	(2.3%)	56.1%
4Q 11	302	YoY	40.2%	(3.5%)	54.2%



- Volume sales increased 56% QoQ, mainly due by the consolidation of Flakeboard
- North American markets continued its recovery, with increasingly more demand, especially in value-added products
- Average general prices were 2% lower because of the new market mix after Flakeboard acquisition, not necessarily due to price cuts
- Latin America with stable demand, and Brazil in particular with very strong demand

Panels production in 000' m3

1Q 11	2Q 11	3Q 11	4Q 11	1Q12	2Q12	3Q12	4Q12
750	748	766	712	672	727	782	1,065

(1): Total Panels Sales in US\$ include energy sales

Review by Business Segment > Panels > Outlook

Our main markets for panels in Chile, Argentina, Brazil, Mexico, EE.UU and Canada are currently very active with strong demand and we expect prices to continue in a positive trend:

- MDF moldings with price increases during 1Q; we expect this segment to provide good margins during this year
- MDF sales with price increases in all our markets during 1Q, and we foresee additional price increases during 2Q in Chile, Peru, Colombia and Mexico
- MDF sales in North America also with a positive outlook for upcoming quarters; Flakeboard producing at full capacity
- Argentina with good results during first months of 2013, specially in MDF and melamine
- MDP (particleboard) in Chile increasing its production
- Particleboard in USA West-coast increasing prices in 1Q , and stable in East coast

Review by Business Segment > Sawn Timber

Sawn Timber Sales (in US\$ million)

Period	Sales (US\$ million)		Net Sales	Price	Volume
4Q 12	208				
3Q 12	193	QoQ	8.1%	7.8%	0.3%
4Q 11	181	YoY	15.3%	11.0%	3.9%



- Fourth quarter had a strong growth in sales, driven by higher prices and stable sales volume
- The real state and construction sectors in the United States continued improving and impacting positively in terms of demand and price
- Chinese demand was stable during this fourth quarter

Sawn Timber production in 000' m3

1Q 11	2Q 11	3Q 11	4Q 11	1Q12	2Q12	3Q12	4Q12
652	611	642	621	600	660	659	661

Review by Business Segment > Sawn Timber > Outlook

- North America with a positive outlook for housing starts. Sales of moldings with a strong demand, with prices consistently increasing and margins improving
- Latin America in general very stable
- We are currently seeing Chinese market with good demand with prices improving



Housing starts index for December 2012 was 954,000 units per year

Agenda

- **Financial Review 4th Quarter 2012**

- **Review by Business Segment & Outlook**

- **4th Quarter and Subsequent Events**

- **Q&A**

4th Quarter and Subsequent Events

Woodmark issues public report on FSC Audit of ARAUCO's Forestry business area in Chile

- The results of the report indicated that ARAUCO has made significant improvement in many areas of its forestry operation, yet there is still work to do
- In order to achieve certification, there are non conformities that the auditing team detected and requires to be corrected



4th Quarter and Subsequent Events



Arauco's CEO Matías Domeyko and Codelco's chairman Gerardo Jofré

ARAUCO launched the first melamine in the world containing antimicrobial copper

- The first joint innovation between ARAUCO and CODELCO was just launched to the market: VESTO Melamine, a new line of products from ARAUCO's Panel Business
- VESTO melamine products are produced with InCopper® technology, which provides antimicrobial copper protection, eliminating bacteria, fungi and viruses with 99% effectiveness

Agenda

- **Financial Review 4th Quarter 2012**

- **Review by Business Segment & Outlook**

- **4th Quarter and Subsequent Events**

- **Q&A**

Arauco - Investor Relations contact info

José Luis Rosso S.

Corporate Finance Director

jose.rosso@arauco.cl

Phone: (56-2) 2461 72 21

Jorge Molina M.

Investor Relations

Jorge.molina.mendez@arauco.cl

Phone: (56-2) 2461 7569

Fax: (56-2) 2461 75 41

investor_relations@arauco.cl

www.arauco.cl

4th Quarter 2012 Financial Results

A replay of this conference call will be available in our web site and 7 days available through the following numbers:

Participants from USA	+1 877 317 6776
Participants from other countries	+1 412 317 6776
Password	Arauco

Visit www.arauco.cl for more information

