

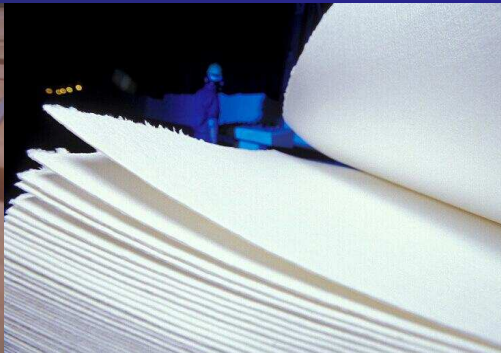


# ARAUCO®

## Q3 08 Financial Results

Conference Call Presentation

November 5th, 2008



# 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.

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# Arauco's main businesses



Forestry	Pulp	Sawn timber	Panels	Energy
721,799 hectares (1.8 million acres)	5 mills 2.7 million tons	12 sawmills 2.92 million m <sup>3</sup>	4 facilities Plywood: 805 Th m <sup>3</sup> MDF: 520 Th m <sup>3</sup> Hardboard: 60 Th.m <sup>3</sup>	9 plants 538 MW Surplus: 134 MW
119,632 hectares (295.6 Th acres)	1 mill 350 Th. tons	2 sawmills 470,000 m <sup>3</sup>	2 facilities MDF: 305 Th m <sup>3</sup> PB : 260 Th m <sup>3</sup>	
26,565 hectares (65.6 Th acres)				
63,724 hectares (157.5 Th acres)		1 sawmill (*) 250,000 m <sup>3</sup>	2 facilities MDF: 305 Th. m <sup>3</sup> PB : 300 Th m <sup>3</sup>	
<b>931,721 hectares (2.3 million acres)</b>	<b>6 mills 3.0 million tons</b>	<b>14 sawmills 3.39 million m<sup>3</sup></b>	<b>8 facilities 2.56 million m<sup>3</sup></b>	<b>9 plants 538 MW Surplus: 134 MW</b>



(\*) Temporarily Closed

## Highlights of Q3 08

- Revenues of MMUS\$ 975 ( + 10.2% over Q3 2007 / - 3.3% over Q2 2008)
- EBITDA of MMUS\$ 286 ( - 15.1% over Q3 2007 / - 18.6% over Q2 2008)
- Net Income of MMUS\$ 130 ( - 25.5% over Q3 2007 / - 21.8% over Q2 2008)
- Arauco registered two local bonds lines in Chile for a maximum of 10 million UF.
- Impact Study Declaration for the construction in Constitución, Chile of a cogeneration plant (US\$105 million Capex) fuelled by forestry biomass.
- Shut down of the Lomas Coloradas Sawmill, with a capacity of 250.000 m3 per year (Sep. 30).

## Financial Review - Consolidated Income Statement- (Quarterly)

<b>Income Statement (MMUS\$)</b>	<b>Q3 07</b>	<b>Q2 08</b>	<b>Q3 08</b>	<b>Chg (%) Q308/Q307</b>	<b>Chg (%) Q308/Q208</b>
Net Sales	885	1.009	975	10%	-3%
Operating income	253	255	200	-21%	-22%
EBITDA	337	351	286	-15%	-19%
EBITDA Margin	38,1%	34,8%	29,3%		
Non-operating income	-28	-41	-48	73%	19%
Interest expense	-42	-44	-33	-22%	-26%
Foreign exchange gains (losses)	5	-10	-19	-471%	86%
Other non-operating income	9	14	4	-56%	-73%
Income taxes	-51	-48	-23	-55%	-52%
Net Income	175	167	130	-26%	-22%

## Financial Review – Pulp Markets during Q3

- **Global Pulp market started to deteriorate in September**
  - Weak demand (economic slowdown)
  - Strong US\$
- **Some producers refused to lower prices**
- **Sales volume went down**
  - Buyers with expectations of lower prices
  - Other competitors 20-30% lower volume QoQ
  - Arauco 5% down
- **Shipping of pulp continued, specially to Asia**
  - Inventories at Asian ports went up drastically

# Financial Review - Consolidated Income Statement- (Quarterly)

## Net Sales

	Q3 07	Q2 08	Q3 08	Chg (%) Q308/Q307	Chg (%) Q308/Q208
Pulp	429	526	480	12%	-9%
Sawn Timber	206	191	192	-7%	0%
Panels	224	248	240	7%	-3%
Forestry	20	17	30	52%	79%
Others	6	26	33	469%	26%
<b>Total Sales</b>	<b>885</b>	<b>1.009</b>	<b>975</b>	<b>10%</b>	<b>-3%</b>

<i>Chg (%) Q308/Q307</i>	Sales		<i>Chg (%) Q308/Q208</i>	Sales	
	Price	Volume		Price	Volume
<b>Pulp</b>	3%	9%	<b>Pulp</b>	-4%	-5%
<b>Sawn Timber</b>	1%	-8%	<b>Sawn Timber</b>	8%	-7%
<b>Panels</b>	13%	-5%	<b>Panels</b>	-2%	-1%

- Pulp: Decrease in pulp prices due to weaker demand and oversupply that affected all markets.
- Sawn Timber: Higher average prices in our remanufactures wood products due to a reduction in the supply explained by the exit from the market of uncompetitive producers.
- Panels: Demand for Plywood remained high. In the case of European markets we faced a reduction in our margins due to the devaluation of the Euro.



# Financial Review - Consolidated Income Statement- (Quarterly)

## Operating Income

(MMUS\$)	Q3 07	Q2 08	Q3 08	Chg (%) Q308/Q307	Chg (%) Q308/Q208
Net Sales	885	1.009	975	10%	-3%
Cost of sales	-469	-561	-589	26%	5%
Selling and administrative expenses	-162	-192	-186	15%	-3%
<b>Operating income</b>	<b>253</b>	<b>255</b>	<b>200</b>	<b>-21%</b>	<b>-22%</b>
Operating margin	28,6%	25,3%	20,5%		

### Q308 vs. Q307

- Increase in unit cost of pulp, explained by higher costs of wood and chemicals.
- Higher unit cost of MDF Panels (Resins and wood) and Plywood (wood)

### Q308 vs. Q208

- Lower unit cost of pulp due to depreciation of Chilean peso and lower costs of chemicals.
- Higher unit cost of MDF Panels (Resins)

# Financial Review - Consolidated Cash Flow - (Quarterly)

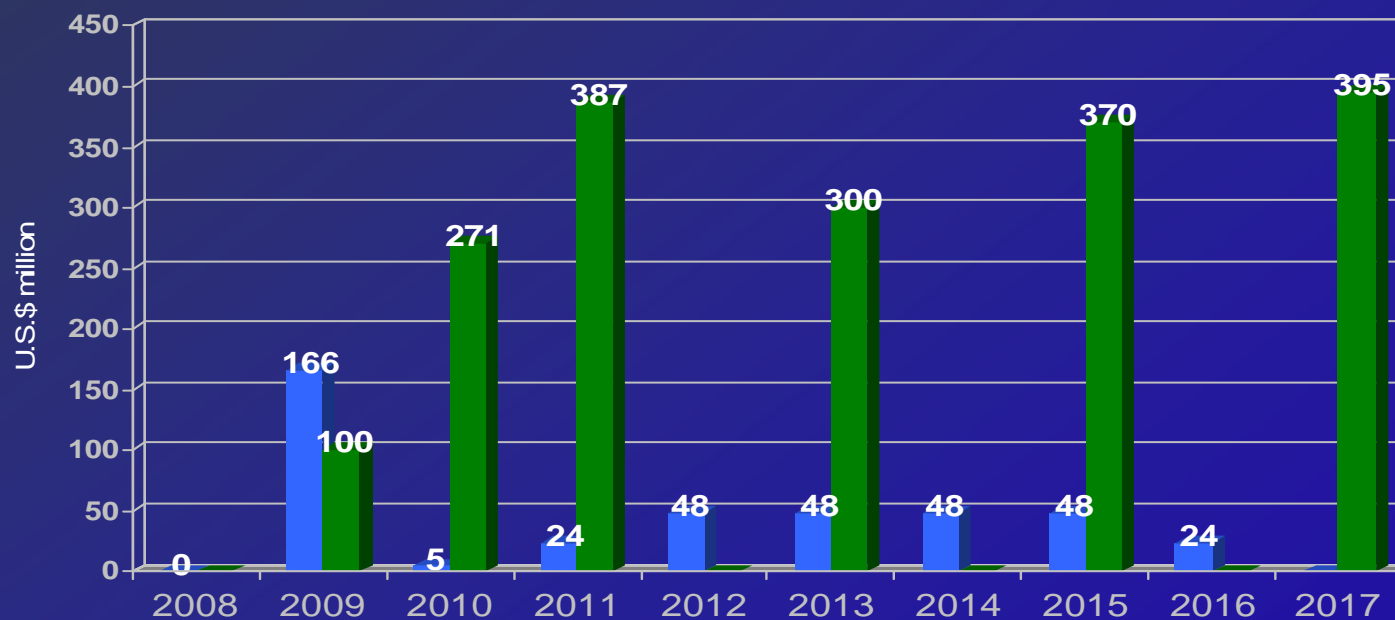
## Cash Flow

(MMUS\$)	Q3 07	Q2 08	Q3 08	Chg (%) Q308/Q307	Chg (%) Q308/Q208
<b>Cash flow from operating activities</b>	234	201	287	23%	42%
<b>Cash flow from financing activities</b>	-108	-128	-135	26%	5%
Dividends Paid	0	-197	0		
Bonds Issued	-2	0	0		
Bonds Paid	0	0	0		
Long Term Loans Issued	0	0	0		
Long Term Loans Paid	0	0	0		
Short-Term Loans Issued (Paid)	-109	69	-135		
Others	4	0	0		
<b>Cash flow from investment activities</b>	-96	-119	-150	56%	26%
Capex					
Pulp	-44	-49	-52		
Sawn timber	-3	-8	-10		
Panels	-16	-13	-19		
Forestry	-34	-50	-62		
Others	1	1	-7		
<b>Net total positive (negative) cash flow</b>	30	-47	1	-95%	-103%

# Financial Review - Consolidated Debt

US\$ million	Q3 07	Q2 08	Q3 08	Chg (%) Q308/Q307	Chg (%) Q308/Q208
Short term Debt	60	289	240	303%	-17%
Short-term portion of long-term debt	221	209	296	34%	41%
Long term financial debt	2.031	2.150	1.969	-3%	-8%
<b>TOTAL FINANCIAL DEBT</b>	<b>2.312</b>	<b>2.649</b>	<b>2.504</b>	<b>8%</b>	<b>-5%</b>
Cash & equivalents	247	289	279	13%	-3%
<b>NET FINANCIAL DEBT</b>	<b>2.065</b>	<b>2.360</b>	<b>2.225</b>	<b>8%</b>	<b>-6%</b>

## Long Term Debt Amortization

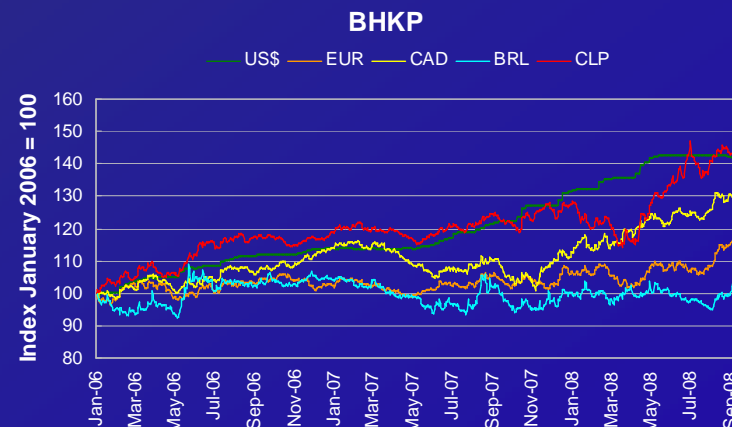


## Financial Review – Financial Ratios

<b>Profitability</b>	<b>Q3 07</b>	<b>Q2 08</b>	<b>Q3 08</b>
Gross margin	46,9%	44,4%	<b>39,5%</b>
Operating margin	28,6%	25,3%	<b>20,5%</b>
EBITDA margin	38,1%	34,8%	<b>29,3%</b>
ROA (EBIT / Average Total Assets)	12,7%	11,5%	<b>9,0%</b>
ROCE (EBIT (1 - tax rate) / Average Total Capitalization)	10,7%	9,8%	<b>8,4%</b>
ROE (Net Income / Average Equity)	14,1%	12,1%	<b>9,5%</b>
<b>Leverage</b>	<b>Q3 07</b>	<b>Q2 08</b>	<b>Q3 08</b>
Interest Coverage Ratio (EBITDA / Net Interest)	8,7x	9,5x	<b>10,1x</b>
Interest Coverage Ratio (EBITDA / Gross Interest)	8,1x	7,9x	<b>8,7x</b>
Average Net Financial Debt / EBITDA	1,6x	1,7x	<b>1,9x</b>
Total financial debt / Total Capitalization	31,5%	32,6%	<b>31,1%</b>
Net financial debt / Total Capitalization	28,1%	29,1%	<b>27,6%</b>
Total financial debt / Equity	45,9%	48,5%	<b>45,2%</b>
Net financial debt / Equity	41,0%	43,2%	<b>40,1%</b>

# Outlook – Pulp Market

- **Global Pulp market showing more signs of weakening:**
  - **Weak demand**
    - Paper market suffering from economic slowdown
    - Low operating rates, high inventories of paper
  - **Strong US\$**
  - **Increase in inventories of pulp (more critical in hardwood)**
- **For some producers in Canada, Europe and Asia, prices have already fallen down the level of their cash production costs.**
- **However, many producers in these regions have benefited from the strengthening of the dollar.**
- **Downtime response has been slow to materialize, new projects being postponed**



## Outlook – Sawn Timber Market

- **The U.S Housing and Construction Market is still weak.**
  - The construction of houses is still decreasing, reaching levels of 800.000 of houses per year, compared with 2 million of houses per year, two years ago
  - It's expected that this situation will continue during part of 2009
  - Arauco increasing its market share for moldings in USA

## Outlook – Panel Market

- **The economic slowdown is starting to affect the demand for Panels**
  - MDF Moldings down in USA, selling more panels in Asia
  - MDF, HB and PBO with healthy demand in Latam
  - Sales to Europe in Euros affected by exchange rate
  - Plywood prices stable

# Q & A



# ARAUCO®

## Q3 08 Financial Results

Conference Call Presentation

November 5, 2008

A replay of this conference call will be available from November 5 10:30 am to November, 13 23:59 (EST)

Participants calling from USA: +1(877) 344-7529

Participants calling from other countries: +1(412) 317-0088

Code: 424979# (pound key) - enter "1" to start the playback



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