



Conference Call Presentation

1st Quarter 2010

Financial Results



June 4th, 2010

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 1st Quarter 2010** **4**
- **Review by Business Segment** **11**
- **Outlook** **15**

Financial Review > 1Q 2010 Highlights

- Revenues of US\$ 785 million
(-11% over 4Q 2009)
- EBITDA of US\$ 219 million
(-4% over 4Q 2009)
- Net Income of US\$ 62 million
(-58% over 4Q 2009)
- Net Financial Debt of US\$ 2,669 million
(Same level as 4Q 2009)
- CAPEX of US\$ 142 million
(-49 % over 4Q 2009)

Financial Review > Consolidated Financial Statements

Income Statement			
U.S.\$ million	1Q10	4Q09	Q o Q
Sales	785	885	-11%
Gross Margin	293	299	-2%
EBITDA	219	227	-4%
Operating Income	139	125	11%
Net Income	62	148	-58%

Cash Flow			
U.S.\$ million	1Q10	4Q09	Q o Q
Operating activities	118	199	-41%
Investing activities	-140	-287	-51%
Financing activities	-133	-41	223%
Cash flow of the period	-154	-129	20%

Assets			
U.S.\$ million	1Q10	4Q09	Q o Q
Cash	373	534	-30%
Inventories	556	620	-10%
Total Current Assets	2.274	2.274	0%
PP&E	4.859	4.970	-2%
Biological Assets	3.413	3.447	-1%
Total Non Current Assets	9.018	9.142	-1%
Total Assets	11.292	11.416	-1%

Liabilities and S.E.			
U.S.\$ million	1Q10	4Q09	Q o Q
Short term financial debt	384	525	-27%
Current Liabilities	809	953	-15%
Long Term financial debt	2.658	2.678	-1%
Non Current Liabilities	4.079	4.080	0%
Minority Interest	110	114	-4%
Controller's S.E.	6.294	6.269	0%
Liabilities and S.E.	11.292	11.416	-1%

Financial Review > Income Statement

Arauco - Income Statement

U.S.\$ million	1Q10	4Q09	Q o Q
Sales	785	885	-11%
Cost of sales	-492	-587	-16%
Gross margin	293	299	-2%
Selling and administrative expenses	-154	-173	-11%
Operating income	139	125	11%
Depreciation	45	50	-11%
Stumpage	35	52	-32%
EBITDA	219	227	-4%
Other Income	35	36	-3%
Other operating expenses	-38	-12	233%
Other gains (losses)	0	65	-
Interest Income	9	8	2%
Interest Expenses	-50	-65	-23%
Participation in profit (loss) of associates through equity method	-2	1	-
Foreign exchange gains (losses)	-18	-4	-
Income before taxes	75	156	-52%
Taxes	-13	-10	22%
Net Income before Minority Interest	63	145	-57%
Minority Interest	0	-2	-103%
Net Income of the period	62	148	-58%

Comments

- **Sales:** decrease in volume (-25% pulp and -18% sawn timber) partially offset by increase in prices (pulp 10%, panels 2% and sawn timber 1%)
- **Costs:** during the first quarter was 16% lower than the fourth quarter of this year, mainly explained by lower production in all our products
- **EBITDA:** reached U.S.\$ 219 million during the first quarter of 2010, 4% lower than the previous quarter due to a decrease in Forestry, Pulp and Sawn Timber's EBITDA of 53.4%, 2.3% and 2.4% respectively, partially offset by an increase of 97.1% in Panel's EBITDA
- **Other operating expenses:** includes U.S.\$26.6 million net effect as result of the earthquake and tsunami's damage

Financial Review > Cash Flow

Arauco - Cash Flow Statement

U.S.\$ million	1Q10	4Q09	Q o Q
Collection of accounts receivables	999	1.171	-15%
Payments of suppliers and personnel (less)	-856	-960	-11%
Other expenses paid and received	46	24	93%
Dividends and other distributions received	0	0	-100%
Interest paid and received	-62	-28	124%
Income tax paid	-9	-9	4%
Net cash provided by (used in) operating activities	118	199	-41%
Capital Expenditures	-142	-277	-49%
Other investment cash flow	2	-10	-119%
Net cash provided by (used in) investing activities	-140	-287	-51%
Debt issuance	16	33	-51%
Debt repayment	-145	-42	244%
Other financing cash flow	-4	-32	-89%
Net cash provided by (used in) financing activities	-133	-41	223%
Total positive (negative) cash flow of the period	-154	-129	20%
Effect of inflation on cash and cash equivalents	-7	6	-220%
Cash and cash equivalents at beginning of the period	534	657	-19%
Cash and cash equivalents at end of the period	373	534	-30%

Financial Review > Debt

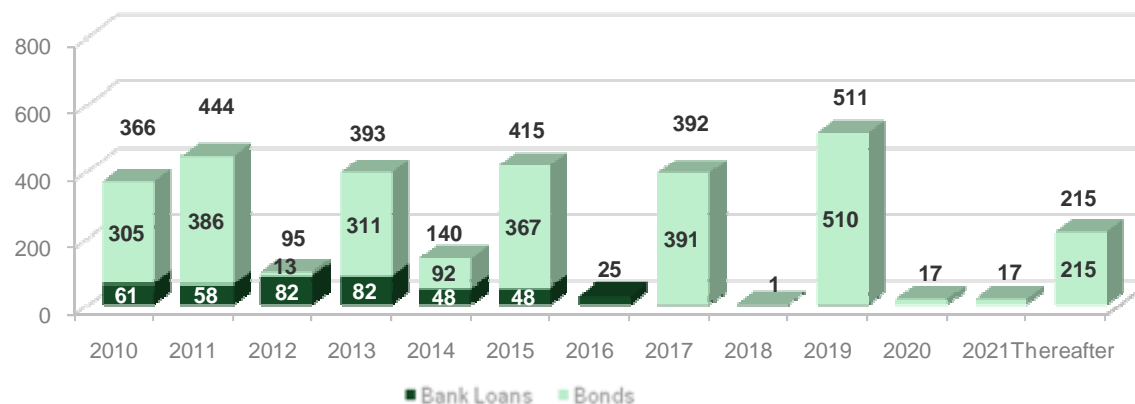
Financial Debt Profile

US\$ million	March 2010	December 2009	Q o Q
Short term financial debt	384	525	-27%
Long term financial debt	2.658	2.678	-1%
TOTAL FINANCIAL DEBT	3.043	3.203	-5%
Cash and cash equivalents	373	534	-30%
NET FINANCIAL DEBT	2.669	2.669	0%

Comments

- At the end of the first quarter of 2010, cash balance was U.S.\$ 384 million, a 27% decrease compared to the U.S. \$525 million held at the end of the previous quarter mainly due to the payment of U.S.\$100 million of a pre-export financing loan due in March 2010.

Financial Debt Schedule



Financial Review > Ratios

Arauco Key Financial Ratios

	<u>Q1/10</u>	<u>Q4/09</u>	<u>Q1/09</u>	<u>FY2009</u>
<i>Profitability</i>				
Gross margin	37,3%	33,7%	26,7%	30,9%
Operating margin	17,7%	14,2%	5,8%	10,2%
EBITDA margin	27,9%	25,7%	19,8%	23,3%
ROA (EBIT / Total assets)	4,9%	4,4%	1,5%	2,8%
ROCE (EBIT (1 - tax rate) / Total capitalization)	4,9%	4,9%	1,4%	2,9%
ROE (Net Income / Equity)	3,9%	9,2%	0,9%	4,7%
<i>Leverage</i>				
Interest coverage ratio (EBITDA / Interest expenses)	4,4x	3,5x	3,1x	3,7x
Net financial debt / EBITDA	3,0x	2,9x	4,8x	3,7x
Total financial debt / Total capitalization	32,2%	33,4%	32,4%	33,4%
Net financial debt / Total capitalization	28,3%	27,8%	28,3%	27,8%
Total financial debt / Equity	47,5%	50,2%	47,8%	50,2%
Net financial debt / Equity	41,7%	41,8%	41,8%	41,8%

Agenda

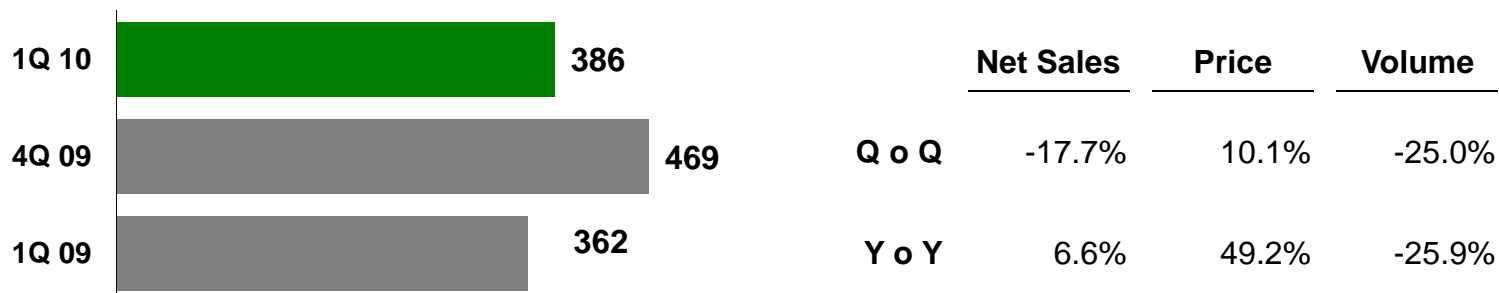
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• Outlook 15

Review by Business Segment > Pulp

Pulp Division Net Sales (in US\$ million)



- Sales volume down 25% is explained by the business interruption of our pulp mills during March 2010
- Stock levels are relatively low compared to 2009 levels
- Recovery pushed by Asian markets mainly China, Korea and India where activity is driven by an increase in paper production and higher pulp demand
- Europe still under complex scenario
- Strong price increases during the quarter for all grades
- Average pulp price of radiata pine to China has been increasing since end of last year:

Dec 09	Jan 10	Feb 10	Mar 10	Apr 10	May 10
\$673	\$695	\$730	\$765	\$833	\$870

Review by Business Segment > Panels

Panels Division Net Sales (in US\$ million)

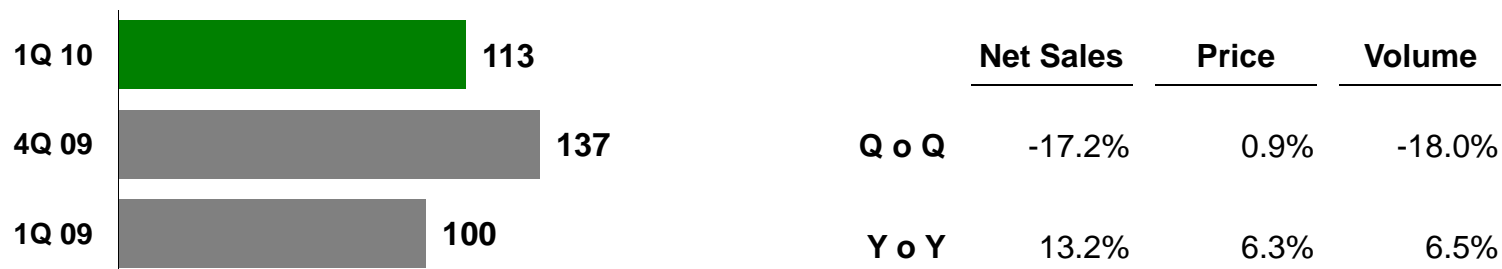
			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
1Q 10	253				
4Q 09	246	Q o Q	2.7%	1.7%	1.0%
1Q 09	175	Y o Y	44.5%	3.0%	40.2%



- Despite the interruption of our mills located in Chile during March, sales volume was similar to the previous quarter
- Significant recovery in this market, Panel's sales increased compared to the first quarter of 2009, mainly due to higher sales volume and prices, and the Tafisa Brasil acquisition
- In the Plywood business, sales volume increased by 14% which sustained higher prices. Particularly in Mexico and the rest of Latin America
- As result of the uncertainty in the supply from Chile after the earthquake, the US market reacted with sharp higher prices over of 10% to MDF moldings business

Review by Business Segment > Sawn Timber

Sawn Timber Division Net Sales (in US\$ million)



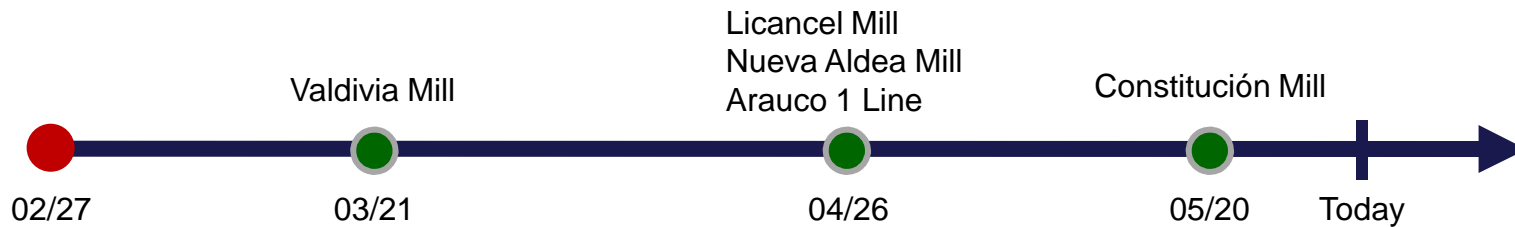
- Lower sales as result of lower production during March and delay of shipments in Chilean ports
- The real estate and construction markets in USA have shown a rebound in the first quarter of 2010 increasing prices and demand when compared with the same period of 2009.
- Higher demand and prices especially in China, Korea, Taiwan, Mexico, Peru and Saudi Arabia.

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Three months after the earthquake, Arauco normalized all operations except for one pulp line

Capacity	Total		% of Capacity in Chile	Total operative as of Feb 28 th		Total operative as of today	
Pulp (Adt)	3,212,000	100%	89%	350,000	11%	2,712,000	84%
Sawn Timber (m ³)	2,825,000	100%	83%	810,000	29%	2,825,000	100%
Panels (m ³)	3,185,000	100%	43%	1,800,000	57%	3,185,000	100%
				Total Average	32%	Total Average	95%

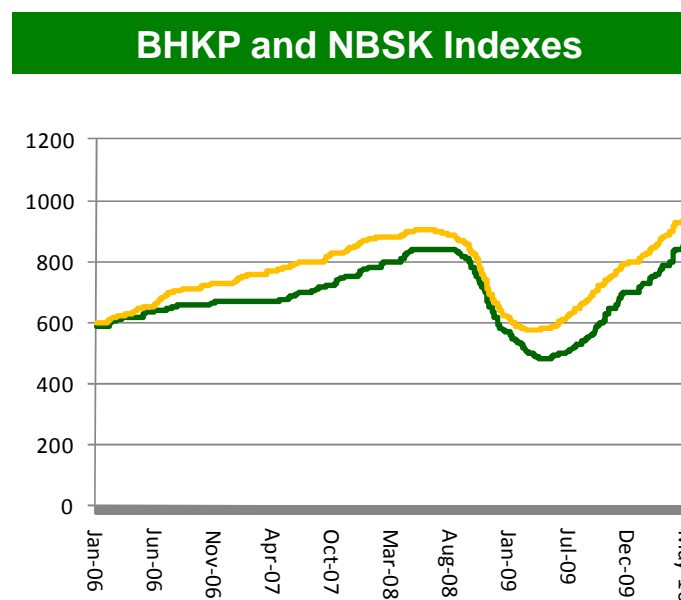


Outlook > Pulp market

- Pulp prices up during the first quarter 2010, and we expect high prices to continue during the year
- Pulp prices up U.S.\$200 since December
- Low inventory levels

In days	Apr'10	Dec'09	Apr'09
BSKP	22	23	32
BHKP	28	30	38

- Europe's economy remains weak, and this could impact an already depressed paper market. The current crisis in Greece has weakened the Euro, which means a rise of pulp prices in euro terms



Source: Bloomberg

Outlook > Sawn Timber market

- Housing starts rose 5.8% in April compared to March 2010, reaching 672,000 units per year
- The FJ molding's prices rose nearly 20% as result of higher demand and uncertainty due to the earthquake

US Housing Starts and Permits



Source: U.S. Census Bureau

- Chile: After earthquake the reconstruction efforts are triggering high demand for wood products
- Latin America, Mexico and Middle East show a growth in demand for forest products, translated into higher prices

Outlook > Panels market

Plywood

- Continued price increases, but at slower growth rates
- Central America and Peru lead the price rise
- Europe shows signs of weakness mainly caused by the devaluation of the euro and lower demand

MDF

- The demand in the industry remains strong, even after the announcement of price increases
- Stocks remain low, projecting good months, both in volumes and prices

Outlook > Announced Investments

San Jose Mill (Plywood)

- Estimated Investment: U.S.\$105 million
- Location: Mariquina, Chile
- Production capacity: 350,000 m³
- Beginning operations: end of 2012 (E)

Teno Mill (MDP)

- Estimated Investment: U.S.\$110 million
- Location: Teno, Chile
- Production capacity: 300,000 m³
- Beginning operations: end of 2011 (E)



Increase in Valdivia Mill boiler's capacity

- Estimated Investment: U.S.\$20 million
- Location: Valdivia, Chile
- Current production capacity: 90 ton-steam/hr
- Production capacity after investment: 120 ton-steam/hr



Q & A



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