



ARAUCO
Growing the Future

Conference call presentation

2nd Quarter 2012 Financial Results

Celulosa Arauco y Constitución S.A.

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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 2nd Quarter 2012**

- **Review by Business Segment & Outlook**

- **2nd Quarter and Subsequent Events**

- **Q&A**

Financial Review > 2Q 2012 Highlights

- Revenues of U.S.\$ 1,036.7 million
(3% higher than 1Q 2012)
- Adjusted EBITDA of U.S.\$ 229.4 million
(20% higher than 1Q 2012)
- Net Income of U.S.\$ 63.5 million
(22% higher than 1Q 2012)
- Net Financial Debt of U.S.\$ 3,480.3 million
(11% higher than 1Q 2012)
- CAPEX of U.S.\$ 197.2 million
(31% lower than 1Q 2012)

Financial Review > Income Statement

INCOME STATEMENT

In U.S. Million	2Q 12	1Q 12	QoQ
Revenue	1,036.7	1,010.4	2.6%
Cost of sales	(737.4)	(724.6)	1.8%
Gross Margin	299.4	285.8	4.7%
Other operating income	58.4	61.0	(4.2%)
Administration & Distribution costs	(227.3)	(208.1)	9.2%
Other operating gains (expenses)	(5.0)	(34.6)	(85.5%)
Financial costs (Net)	(40.9)	(53.5)	(23.6%)
Exchange rate differences	(17.0)	10.8	-
Income Before Income Tax	67.5	61.4	9.9%
Income tax	(4.1)	(9.3)	-55.9%
Net Income	63.5	52.1	21.9%

ADJUSTED EBITDA

In U.S. Million	2Q 12	1Q 12	QoQ
Net Income	63.5	52.1	21.9%
Financial costs	45.3	58.1	(22.0%)
Financial income	(4.4)	(4.5)	(3.7%)
Income Tax	4.1	9.3	(56.2%)
EBIT	108.5	114.9	(5.6%)
Depreciation & amortization	58.1	57.6	1.0%
EBITDA	166.6	172.5	(3.4%)
Fair value cost of timber harvested	79.4	73.0	8.7%
Gain from chg. in fair value of bio. Assets	(33.5)	(43.9)	(23.6%)
Exchange rate differences	17.0	(10.8)	-
Adjusted EBITDA	229.4	190.9	20.2%

Note: Numbers may not add up due to rounding

Comments

- **Revenue:** Increased 2.6% due to higher sales of our pulp division (+7.0%), partially offset by lower sales of Sawn Timber (-6.9%) and Panels (-1.6%)
- **Cost of Sales:** was 1.8% higher mainly explained by higher cost of chemicals and non-wood raw materials, maintenance costs and fuel costs, partially offset by decrease in cost of wood and indirect costs
- **Other Operating income:** includes a U.S.\$ 17 million gain in insurance claims partially offset by lower change in fair value of biological assets of U.S.\$ 10 million
- **Other Operating Gains:** 2Q included a gain of U.S.\$ 16 million (Moncure Negative Goodwill), and
- **Adjusted EBITDA:** reached U.S.\$ 229.4 million during the second quarter, 20.2% higher than the previous quarter

Financial Review > Cash Flow

CASH FLOW

In U.S. Million	2Q 12	1Q 12	QoQ
Collection of accounts receivables	1,230.9	1,122.3	9,7%
Collection from insurance claims	51.6	0.5	-
Other cash receipts (payments)	65.4	82.0	-20,2%
Payments of suppliers and personnel (less)	(1,085.8)	(1,025.2)	5,9%
Dividends and other distributions received	2.1	0.0	-
Interest paid and received	(26.3)	(47.0)	-44,0%
Income tax paid	(156.7)	(19.8)	691,4%
Other (outflows) inflows of cash. net	(0.1)	(0.1)	0,0%
Net Cash Provided by (Used in) Operating Activities	81.2	112.8	-28,0%
Capital Expenditures	(197.2)	(284.7)	-30,7%
Other investment cash flow	(3.5)	(20.2)	-82,7%
Net Cash Provided by (Used in) Investing Activities	(200.7)	(304.9)	-34,2%
Proceeds from borrowings	505.6	524.0	-3,5%
Repayments of borrowings	(276.9)	(114.4)	142,0%
Dividends paid	(172.0)	0.0	-
Other inflows of cash. net	(0.2)	0.3	-166,7%
Net Cash Provided by (Used in) Financing Activities	56.4	409.9	-86,2%
Total Cash Inflow (Outflow) of the Period	(63.1)	217.7	-129,0%
Effect of exchange rate chg on cash and equivalents	0.3	4.3	-93,0%
Cash and Cash equivalents. at beginning of the period	538.0	315.9	70,3%
Cash and Cash equivalents. at end of the period	470.8	538.0	-12,5%

Comments

- **Cash from operating activities:**
 - collection of receivables increased 10%
 - in 2Q we received U.S.\$ 51.6 million in insurance claims
 - In 2Q we paid income tax of U.S.\$ 156.7 million
- **Cash from investing activities:**
 - a decrease of 30.7% in CAPEX (1Q includes Moncure acquisition)
- **Cash from financing activities:**
 - we paid dividends of U.S.\$ 172.0 million
 - we issued bonds for UF 5.000.000 (~U.S.\$ 232 million) in April

Financial Review > Debt

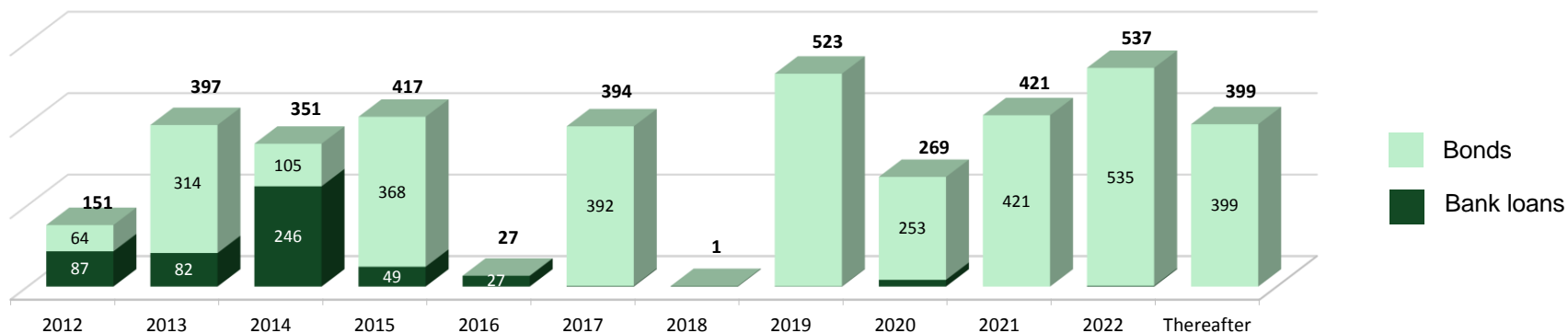
Financial Debt as of June 30, 2012

In U.S. Million	June 2012	March 2012	June 2011
Short term financial debt	199.6	182.2	569.3
Long term financial debt	3,751.6	3,484.7	2,882.8
TOTAL FINANCIAL DEBT	3,951.2	3,666.9	3,452.0
Cash and cash equivalents	470.8	538.0	721.2
NET FINANCIAL DEBT	3,480.3	3,128.9	2,730.8

Comments

- Total Financial debt reached US\$ 3,951 million, an increase of 7.8%
- This increase is mainly explained by the US\$ ~232 million local bond issued in April
- Net Financial debt increased 11.2%
- No bond maturities until 2013
- Negotiating a Revolving Committed Credit Facility

Financial Debt Profile as of June 30, 2012



Note: Short term debt numbers include accrued interest

(1): LTM. Last Twelve Months

Financial Review > Ratios

KEY FINANCIAL RATIOS

	2Q 12	1Q 12	2Q 11
Profitability			
Gross margin	28.9%	28.3%	38.1%
Operating margin	6.9%	7.7%	18.8%
LTM ⁽¹⁾ Adjusted EBITDA margin	22.1%	18.9%	30.2%
ROA (EBIT / Total assets)	3.3%	3.6%	8.7%
LTM ROCE (EBIT x (1–tax rate) / (WorkingCap+Fixed assets))	5.8%	6.0%	9.4%
ROE (Net income / Equity)	3.6%	2.9%	10.4%
Leverage			
Interest coverage ratio (Adj. EBITDA LTM / Financial costs)	5.3x	5.8x	7.4x
Net financial debt / Adjusted EBITDA LTM	3.4x	2.7x	1.8x
Financial debt / Total capitalization ⁽²⁾	34.3%	32.4%	27.3%
Net financial debt / Total capitalization	36.2%	34.1%	32.7%
Financial debt / Shareholders' equity	57.3%	52.4%	49.2%
Net financial debt / Shareholders' equity	50.5%	44.7%	38.9%

(1): LTM. Last Twelve Months

(2): Capitalization = Total financial debt + Equity

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Review by Business Segment > Pulp

PULP SALES (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
2Q 12	508				
1Q 12	475	Q o Q	7.0%	3.0%	1.1%
2Q 11	613	Y o Y	(17.1%)	(20.0%)	3.0%

Note: pulp sales include energy sales

- During 2Q the long fiber oversupply continued
- European integrated paper producers supplied extra market pulp to China, adding pressure to long fiber prices
- Long fiber price continued below that of short fiber
- Inventories at adequate levels for softwood and above average for hardwood

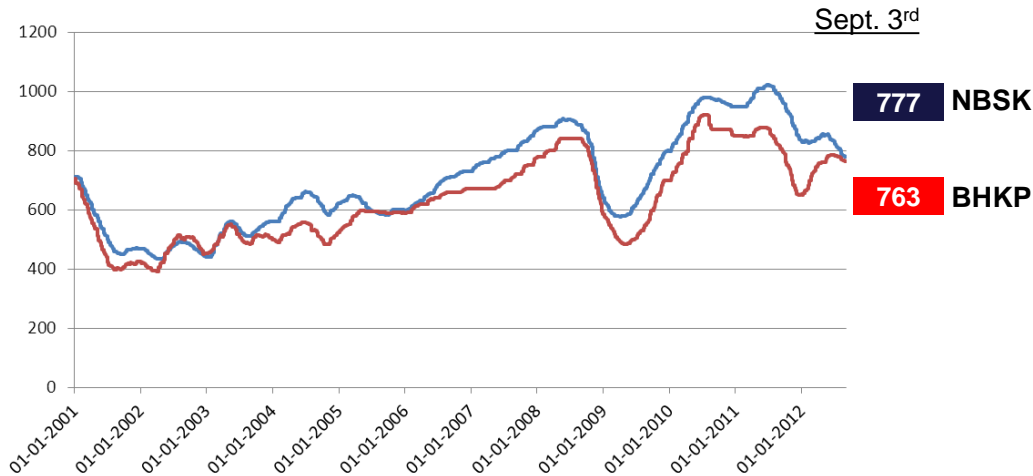
Pulp production in 000' tons.

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



Review by Business Segment > Pulp > Outlook

BHKP AND NBSK INDEXES



Comments

Long Fiber:

- We expect long fiber prices in China have bottomed -- \$10 increase for September
- Europe market continues very weak and no signal of recovery yet

Short Fiber:

- Low spread between short and long fiber does not favor short fiber price increases

GLOBAL PRODUCERS INVENTORY LEVELS

In days	June 2011	Sept 2011	Dec 2011	March 2012	June 2012
BSPK	28	32	36	29	29
BHKP	41	44	33	34	40

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>
2Q 12	300				
1Q 12	305	QoQ	(1.6%)	(0.3%)	(5.5%)
2Q 11	344	YoY	(12.9%)	0.7%	(26.2%)



- In general prices remained very stable compared to the last quarter
- Latin American markets remained in general very stable, except for Brazil
- Argentina market with high prices
- USA continued improving its demand, especially in added-value products
- In line with the situation of our Pulp business, European market was weak

Panels production in 000' m3

1Q 11	2Q 11	3Q 11	4Q 11	1Q12	2Q12
750	748	766	712	558	607

(1): Total Panels Sales in US\$ include energy sales and Moncure unit. Changes in volume and price do not include Moncure unit

Review by Business Segment > Panels > Outlook

- Our main markets for panels (Chile, Argentina, Brazil, Mexico) are currently very active with strong demand and we expect prices to continue in a positive trend
 - After a slow 1H12, Brazil is with a strong demand for MDF and we have increased prices and foresee more increases. Inventory at “healthy” levels
 - Argentinean market very active, however, concerns of a devaluation
 - Mexico with high demand – opportunity to continue growing in MDF and PB
 - Prices in Chile may have an impact with Teno mill start up
- Positive outlook for USA and improvement in housing indexes in line with increase in prices – seasonal slowdown in demand may occur as we enter US winter towards end of the year
- European market continues very weak – low demand for plywood and stagnant prices

Review by Business Segment > Sawn Timber

Sawn Timber Sales (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
2Q 12	176				
1Q 12	189	QoQ	(6.9%)	(5.1%)	(1.9%)
2Q 11	186	YoY	(5.3%)	(1.5%)	(3.8%)



- In general, during 2Q currency devaluation of Latin American markets where we sell impacted US Dollar prices of our products
- The real state and the construction sectors in the United States continued improving and impacting positively in terms of demand and price, especially in remanufactured products
- After a weak 1Q, demand for wood products stabilized in Asia. In Middle East there was supply coming from Europe that eroded prices

Sawn Timber production in 000' m3

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

Review by Business Segment > Sawn Timber > Outlook

- We expect a positive outlook for our sawn timber business in terms of achieving adequate margin levels
- North America with a positive outlook for housing starts. Sales of moldings with a strong demand, with prices consistently increasing
- Latin American and Middle East markets with stable sales volume
- We are currently seeing Asian markets weakening



Source: U.S. Census Bureau

Housing starts index for July 2012 was 746,000 units per year

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2nd Quarter and Subsequent Events

Viñales Bioenergy Plant begins production

- Start-up process began on May 17 and achieved maximum capacity of 40MW on July 27
- Located in Constitución, it required an investment of aprox. US\$ 130 million
- Facility supplies energy to the Viñales complex
- Contributes an energy surplus of up to 32 MW to Chilean energy grid



2nd Quarter and Subsequent Events

ARAUCO agrees to purchase 100% of Flakeboard panel company

- Agreement signed on June 8, 2012
- Sale was priced at US\$242.5 million
- Total acquired capacity was 2.3 million m³
 - PB: 1.1 million m³
 - MDF: 1.2 million m³
- Operates in Canada and the United States with seven production facilities
- With Flakeboard, ARAUCO will become leading producer of MDF panels and Particleboard in North America (2.9 million m³)



2nd Quarter and Subsequent Events

ARAUCO's Sawn Timber Business operation begins insourcing process

- Effective July 1st, ARAUCO insourced the operation of 14 of its sawn timber mills that until then had been managed by third party companies
- This means that about 2,900 workers belonging to operation areas became ARAUCO workers
- The areas providing support services to the main operation will continue to be outsourced through contract companies



2nd Quarter and Subsequent Events



Teno Panel Mill begins operating

- On July 4, the new mill produced its first MDP board.
- Required an investment of approximately US\$ 160 million
- Annual production capacity of 300,000 m3 of Medium density particleboard (MDP)

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