



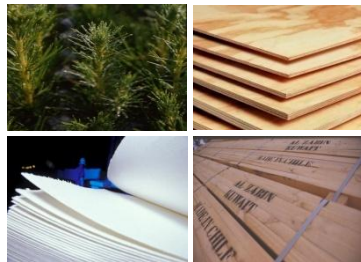
Conference Call Presentation

4th Quarter 2010

Financial Results

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Chief Financial Officer**

March 14th, 2011



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 2010**
- **Review by Business Segment**
- **Outlook**
- **4th Quarter and Subsequent Events**

Financial Review > 4Q 2010 Highlights

- Revenues of U.S.\$ 1,055 million
(2% over 3Q 2010)
- EBITDA of U.S.\$ 419 million
(8% over 3Q 2010)
- Net Income of U.S.\$ 259 million
(30% over 3Q 2010)
- Net Financial Debt of U.S.\$ 2,406 million
(-5% over 3Q 2010)
- CAPEX of U.S.\$ 298 million
(310 % over 3Q 2010)

Financial Review > Consolidated Financial Statements

Income Statement

| U.S.\$ million | 4Q 2010 | 3Q 2010 | QoQ |
|-------------------|------------|------------|------------|
| Revenue | 1,055 | 1,035 | 2% |
| Gross profit | 399 | 421 | (5%) |
| EBITDA | 419 | 387 | 8% |
| Operating income | 193 | 243 | (20%) |
| Net Income | 259 | 199 | 30% |

Cash Flow

| U.S.\$ million | 4Q 2010 | 3Q 2010 | QoQ |
|--------------------------------|------------|------------|--------------|
| Operating activities | 544 | 205 | 165% |
| Investing activities | (284) | (69) | 315% |
| Financing activities | (112) | 380 | (130%) |
| Cash flow of the period | 148 | 517 | (71%) |

Assets

| U.S.\$ million | 4Q 2010 | 3Q 2010 | QoQ |
|---------------------------------|---------------|---------------|-----------|
| Cash | 1,044 | 890 | 17% |
| Inventories | 728 | 701 | 4% |
| Total Current Assets | 3,152 | 3,025 | 4% |
| PP&E | 5,089 | 5,004 | 2% |
| Biological assets | 3,791 | 3,760 | 1% |
| Total Non Current Assets | 9,354 | 9,246 | 1% |
| Total Assets | 12,506 | 12,271 | 2% |

Liabilities and S.E.

| U.S.\$ million | 4Q 2010 | 3Q 2010 | QoQ |
|--------------------------------|---------------|---------------|-------------|
| Short term financial debt | 540 | 534.4 | 1% |
| Current Liabilities | 1,209 | 1,260 | (4%) |
| Long term financial debt | 2,909 | 2,892 | 1% |
| Non Current Liabilities | 4,457 | 4,364 | 2% |
| Minority interest | 108 | 104 | 4% |
| Controller's S.E. | 6,732 | 6,542 | 3% |
| Liabilities and S.E. | 12,506 | 12,271 | 2% |

Financial Review > Income Statement

Arauco - Income Statement

| U.S.\$ million | 4Q 2010 | 3Q 2010 | QoQ |
|--|------------|------------|-------------|
| Revenue | 1,055 | 1,035 | 2% |
| Cost of sales | (656) | (614) | 7% |
| Gross profit | 399 | 421 | (5%) |
| Other operating income | 199 | 80 | 147% |
| Administrative and Distribution Costs | (205) | (178) | 15% |
| Other operating expenses, and gains (losses) | (14) | (13) | 9% |
| Net Financial Costs | (37) | (58) | (37%) |
| Exchange rate differences | (2) | 12 | (118%) |
| Income before tax | 339 | 263 | 29% |
| Income tax | (74) | (64) | 16% |
| Net Income before Minority Interest | 264 | 199 | 33% |
| Minority Interest | 5 | 0 | 1,669% |
| Net Income | 259 | 199 | 30% |
| Depreciation | 66 | 57 | 17% |
| Stumpage | 59 | 87 | (32%) |
| Special items | 100 | 0 | |
| EBITDA | 419 | 387 | 8% |

Comments

- **Revenue:** reached U.S.1,055 million due to higher panels, sawn timber and pulp sales volume by 27%, 18% and 5% respectively, partially offset by lower prices in panels, sawn timber and pulp by 18%, 15% and 4% respectively.
- **Cost of Sales:** 7% higher than the third quarter, mainly explained by an increase in lumber and maintenance costs.
- **Other operating income:** U.S.\$118 million higher mainly as a result of U.S.\$102 million attributable to insurance claims related to the February 27th, 2010 earthquake.
- **EBITDA:** reached U.S.\$419 million during the fourth quarter, 8% higher than the previous quarter, mainly explained by the insurance claims related to business interruption.

Note: Numbers may not add up due to rounding

Financial Review > Cash Flow

Arauco - Cash Flow Statement

| U.S.\$ million | 4Q 2010 | 3Q 2010 | QoQ |
|---|--------------|-------------|---------------|
| Collection of accounts receivables | 1,218 | 973 | 25% |
| Collection from insurance claims | 192 | 100 | |
| Payments of suppliers and personnel (less) | (868) | (851) | 2% |
| Other expenses paid and received | 50 | 47 | 6% |
| Dividends and other distributions received | - | | |
| Interest paid and received | (38) | (57) | (33%) |
| Income tax paid | (10) | (7) | 46% |
| Net cash provided by (used in) operating activities | 544 | 205 | 165% |
| Capital Expenditures | (298) | (73) | 310% |
| Other investment cash flow | 14 | 4 | 226% |
| Net cash provided by (used in) investing activities | (284) | (69) | 315% |
| Debt issuance | 55 | 744 | (93%) |
| Debt repayment | (76) | (361) | (79%) |
| Dividends paid | (92) | (3) | 2,583% |
| Other financing cash flow | 1 | | |
| Net cash provided by (used in) financing activities | (112) | 380 | (130%) |
| Total positive (negative) cash flow of the period | 148 | 517 | (71%) |
| Effect of exchange rate variations on cash and cash equivalents | 6 | 15 | (56%) |
| Cash and cash equivalents at beginning of the period | 890 | 358 | 148% |
| Cash and cash equivalents at end of the period | 1,044 | 890 | 17% |

Comments

- **Operating Activities:** In November we received US\$185 million from insurance claims related to damages and business interruption
- **Financing Activities:** In December we paid US\$ 92 million in dividends to our shareholders

Financial Review > Debt

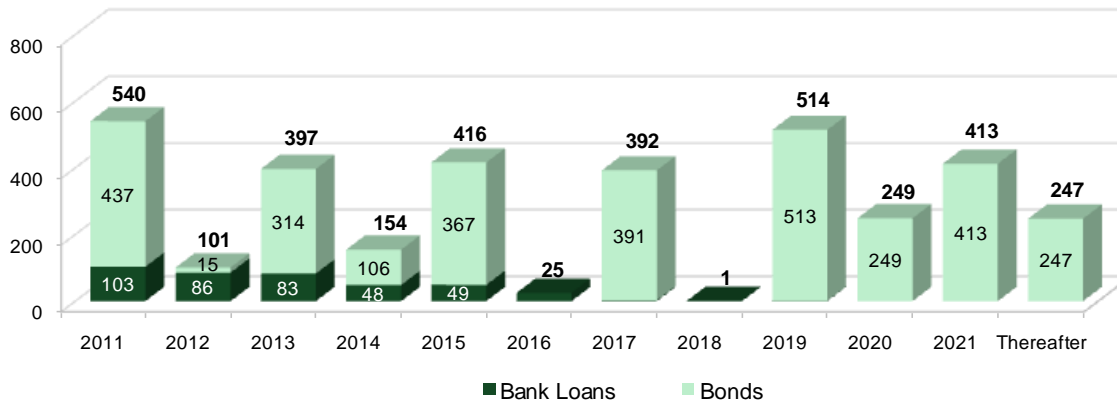
Financial Debt Profile

| US\$ million | December 2010 | September 2010 | QoQ |
|-----------------------------|---------------|----------------|-------------|
| Short term financial debt | 540 | 534 | 1% |
| Long term financial debt | 2,909 | 2,892 | 1% |
| TOTAL FINANCIAL DEBT | 3,450 | 3,426 | 1% |
| Cash and cash equivalents | 1,044 | 890 | 17% |
| NET FINANCIAL DEBT | 2,406 | 2,537 | (5%) |

Comments

- Short term debt includes U.S.\$387 million from our 7.75% Notes due in September 2011
- Our total financial debt and net financial debt remains at similar levels than previous quarters
- Debt Financing of our Montes del Plata Joint Venture will occur during first half of 2011, however, it will not be consolidated on our balance sheet

Financial Debt Schedule as of December 31, 2010



Note: 2011 numbers include accrued interest

Financial Review > Ratios

Arauco Key Financial Ratios

| | <u>4Q 2010</u> | <u>3Q 2010</u> | <u>4Q 2009</u> | <u>FY 2010</u> | <u>FY 2009</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| <i>Profitability</i> | | | | | |
| Gross margin | 37.8% | 40.7% | 35.4% | 39.3% | 30.9% |
| Operating margin | 18.3% | 23.5% | 15.8% | 20.8% | 10.4% |
| EBITDA margin | 39.8% | 37.4% | 27.5% | 37.1% | 23.4% |
| ROA (EBIT / Total assets) | 9.5% | 8.2% | 4.9% | 7.3% | 2.8% |
| ROCE (EBIT (1 - tax rate) / Total capitalization) | 9.0% | 7.5% | 5.5% | 6.9% | 2.9% |
| ROE (Net Income / Equity) | 15.5% | 12.0% | 9.1% | 10.2% | 4.8% |
| <i>Leverage</i> | | | | | |
| Interest coverage ratio (EBITDA / Interest expenses) | 9.4x | 6.3x | 3.8x | 6.6x | 3.8x |
| Net financial debt / EBITDA | 1.4x | 1.6x | 2.7x | 1.7x | 3.7x |
| Total financial debt / Total capitalization | 33.5% | 34.0% | 33.4% | 33.5% | 33.4% |
| Net financial debt / Total capitalization | 23.4% | 25.2% | 27.8% | 23.4% | 27.8% |
| Total financial debt / Equity | 50.4% | 51.6% | 50.2% | 50.4% | 50.2% |
| Net financial debt / Equity | 35.2% | 38.2% | 41.8% | 35.2% | 41.8% |

Agenda

- Financial Review 4rd Quarter 2010

- Review by Business Segment

- Outlook

- 4th Quarter and Subsequent Events

Review by Business Segment > Pulp

Pulp Division Net Sales (in US\$ million)

| | | | Net Sales | Price | Volume |
|-------|-----|-----|-----------|--------|--------|
| 4Q 10 | 510 | | | | |
| 3Q 10 | 503 | QoQ | 1.2% | (3.9%) | 5.4% |
| 4Q 09 | 454 | YoY | 12.3% | 23.6% | (9.2%) |



- Pulp sales increased 1% or U.S.\$6 million during this quarter, mainly due to higher sales volume of 5%, partially offset by a decrease in average prices of 4%
- At the end of the fourth quarter, global pulp inventories increased when compared with the previous quarter reaching 25 days of supply for long fiber and 37 days of supply for short fiber. These levels are slightly higher than those of the fourth quarter 2009
- China started to have increases in long fiber prices mainly explained by a strong demand that was caused by a recovery in inventories level of the paper industry
- Europe showed lower demand for pulp as a consequence of the decrease in paper producer's margins caused by their lower inventory level, paper oversupply and exchange rate effects

Pulp production in 000' Adt

| 4Q 09 | 1Q 10 | 2Q 10 | 3Q 10 | 4Q 10 |
|-------|-------|-------|-------|-------|
| 728 | 528 | 483 | 671 | 608 |

During 4 weeks between November and December our Valdivia plant was under maintenance

Review by Business Segment > Panels

Panels Division Net Sales (in US\$ million)

| Quarter | Net Sales | Price | Volume |
|---------|-----------|-----------|--------|
| 4Q 10 | 296 | | |
| 3Q 10 | 285 | QoQ 3.9% | 26.7% |
| 4Q 09 | 246 | YoY 20.3% | 11.3% |

- Continuous growth: Our net sales increased 4% when compared with the previous quarter and increased 20% when compared with fourth quarter of 2009
- During this quarter we experienced a strong increase of 27% in panels sales volume, while average prices decreased by 18%. This situation reflects a high volatility in sales and plant and distribution chain inventory levels as a result of the earthquake effects
- Demand for MDF panels was very strong during 2010, especially in the Latin American market, pushed mainly by Brazil. Also, we increased sales prices in MDF molding sales in the American market
- We have positive expectations of sales volume and prices to the following quarters mainly driven by USA, Oceania and Latin America.

Panels production in 000' m3

| 4Q 09 | 1Q 10 | 2Q 10 | 3Q 10 | 4Q 10 |
|-------|-------|-------|-------|-------|
| 722 | 702 | 701 | 767 | 770 |



Review by Business Segment > Sawn Timber

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

| Quarter | Net Sales | Price | Volume |
|---------|-----------|-----------|--------|
| 4Q 10 | 174 | | |
| 3Q 10 | 173 | QoQ 0.9% | 18.1% |
| 4Q 09 | 137 | YoY 27.6% | 13.1% |

- Total net sales grew 0.9% when compared with the third quarter of 2010 mainly due to higher sales volume of 18%, partially offset by a decrease in average prices of 15%. When compared with the same quarter of 2009, sales were 28% higher mainly due to the reconstruction requirements after the February 27th, 2010 earthquake
- Fourth quarter had lower demand and a decrease in average prices, especially in USA, Mexico and Chile
- Inventory levels are in a normal range and it is expected to have lower levels in the next months
- The real state and the construction markets in USA have shown a decline during the fourth quarter of 2010. These levels continue very low as compared to the historic 10 year average

Sawn Timber production in 000' m3

| 4Q 09 | 1Q 10 | 2Q 10 | 3Q 10 | 4Q 10 |
|-------|-------|-------|-------|-------|
| 598 | 510 | 641 | 695 | 652 |



Agenda

- **Financial Review 4th Quarter 2010**

- **Review by Business Segment**

- **Outlook**

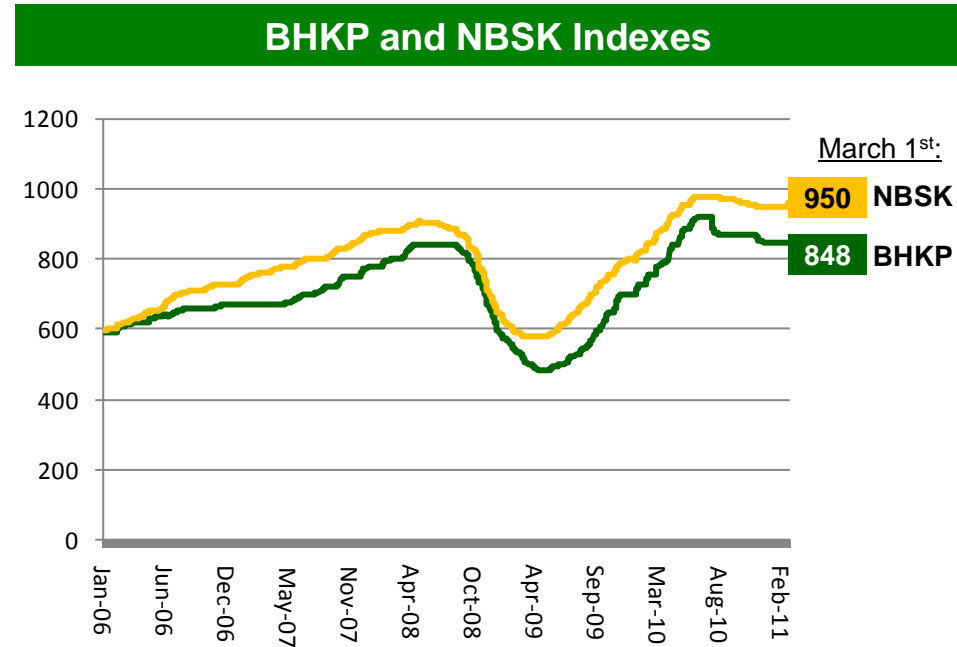
- **4th Quarter and Subsequent Events**

Outlook > Pulp market

- Demand in China remains very strong, specially for long fiber pulp
- Short fiber demand has strengthened, allowing producers to increase global prices for March
- Global producers held approximately 3.9 million tons of inventories at the end of December

Producers Inventory Levels

| In days | December 2010 | September 2010 | December 2009 |
|---------|---------------|----------------|---------------|
| BSKP | 25 | 27 | 23 |
| BHKP | 37 | 38 | 30 |



Source: Bloomberg

Outlook > Sawn Timber market

- A recovery is expected in all markets, except for middle east, for the first quarter 2011
- After a period of lower demand and average prices, almost all markets have increased their demand, allowing us to raise prices in our mayor markets, especially USA and Asia. Demand in China and Korea is favorable
- We foresee a recover in demand of remanufactured products in USA and in sawn timber demand in Chile for the following months

US Housing Starts and Permits

In '000 units per year



Source: U.S. Census Bureau

- Housing starts index for December was 529,000 units per year, a slight increase when compared with the lowest level in April 2009.

Outlook > Panels market

Latin America

- Market is currently very active in MDF and PBO sales (pushed mainly by Brazil , however prices are lower than previous quarters)

Europe

- Shows a slower demand for Plywood caused mainly by the volatility and uncertainty of the economy

USA

- USA market has slowly begun to show signs of reactivation
- Sales of our Plywood and MDF moldings have also shown signs of rising demand

Agenda

- Financial Review 4th Quarter 2010
- Review by Business Segment
- Outlook
- 4th Quarter and Subsequent Events

4th Quarter and Subsequent Events

On February 1st, Arauco II pulp mill resumed its productive activities

Arauco Mill, Chile



- The only industrial activity of the Company in which normalization was pending corresponded to Line II of the Arauco Mill
- Located in Arauco, VIII Region, it has a production capacity of 500,000 tons of pulp per year
- This line faced a complex repair process for the damages caused by the earthquake that occurred last February 27th, 2010 especially at its recovery boiler, which was critical for resuming production

4th Quarter and Subsequent Events

On January 18th Montes del Plata board approved the construction of the pulp mill

- Total investment of US\$ 1.9 billion.
- Considers the construction of a 1.3 million ton per year eucalyptus pulp mill, an energy plant and a port terminal
- Financing has a target of 60% debt financing at the joint venture level and 40% through sponsor equity contributions
- During February an EPC contract was awarded to Andritz for the construction of the pulp mill and energy plant
- Mill should be operational in Q2 of 2013





Q & A



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March 14th, 2011

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