



Conference Call Presentation

4th Quarter 2011

Financial Results

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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 4th Quarter 2011**

- **Review by Business Segment and Outlook**

- **4th Quarter and Subsequent Events**

- **Q&A**

Financial Review > 4Q 2011 Highlights

- Revenues of U.S.\$ 1,036.0 million
(6% lower 3Q 2011)
- Adjusted EBITDA of U.S.\$ 364.6 million
(46% higher 3Q 2011)
- Net Income of U.S.\$ 179.9 million
(121% higher 3Q 2011)
- Net Financial Debt of U.S.\$ 2,897.4 million
(7% higher 3Q 2011)
- CAPEX of U.S.\$ 512.0 million
(86% higher 3Q 2011)

Financial Review > Income Statement

Income Statement

(U.S.\$ million)	4Q 2011	3Q 2011	QoQ
Revenue	1,036.0	1,104	(6%)
Cost of sales	(769)	(758)	1%
Gross Income	267	346	(23%)
Other operating income	274	63	334%
Administrative and Distribution Costs	(219)	(226)	(3%)
Other operating expenses, and gains (losses)	(44)	(18)	138%
Net Financial Costs	(42)	(38)	11%
Exchange rate differences	(15)	(30)	(51%)
Income before income tax	222	98	128%
Income tax	(42)	(16)	160%
Net Income	180	81	121%

ADJUSTED EBITDA

(U.S.\$ million)	4Q 2011	3Q 2011	QoQ
Net Income	180	81	121%
Financial costs	45	47	(5%)
Financial income	-3	-10	(64%)
Income tax	42	16	160%
EBIT	264	135	95%
Depreciation	60	56	8%
EBITDA	324	191	70%
(+) Fair value cost of timber harvested	83	87	(5%)
(-) Gain from changes in fair value of biological assets	-57	-58	(0%)
(+) Exchange rate differences	14,7	30	(51%)
Adjusted EBITDA	365	250	46%

Note: Numbers may not add up due to rounding

Comments

- **Revenue:** lower sales of our pulp, sawn timber and panels divisions which decreased 4.8% and 5.6% and 12.6% respectively, compared with the previous quarter
- **Cost of Sales:** was 1.4 % higher than the third quarter
- **Other Operating Income:** Increased 334%, mainly explained by the insurance claim received in November 2011, that corresponded to the balance of the total claim related to the February 27th, 2010 earthquake event
- **Adjusted EBITDA:** reached U.S.\$ 364.6 million during the fourth quarter, 46% higher than the previous quarter

Financial Review > Cash Flow

Arauco - Cash Flow Statement

(U.S.\$ million)	4Q 2011	3Q 2011	QoQ
Collection of accounts receivables	959	1.373	(30%)
Collection from insurance claims	269	0	
Payments to suppliers and employees (less)	(864)	(1.104)	(22%)
Other expenses paid and received	76	73	4%
Interest paid and received	(22)	(61)	(64%)
Income tax paid	(34)	(30)	13%
Net cash provided by (used in) operating activities	385	251	54%
Capital Expenditures	(512)	(276)	86%
Other investment cash flow	20	16	22%
Net cash provided by (used in) investing activities	(492)	(259)	90%
Proceeds from short-term borrowings	495	156	218%
Repayments of borrowings	(355)	(465)	(23%)
Dividends paid	(91)	(4)	
Other inflows of cash, net	(3)	0	(988%)
Net cash provided by (used in) financing activities	46	(313)	(115%)
Total cash inflow (outflow) of the period	(62)	(322)	(81%)
Effect of exchange rate variations on cash and cash equivalents	0	(22)	(100%)
Cash and cash equivalents at beginning of the period	377	721	(48%)
Cash and cash equivalents at end of the period	316	377	(16%)

Comments

- **Cash from operating activities:** a 54% increase due to the insurance claim received in November 2011
- **Cash used in investing activities:** an increase of 90% QoQ mainly explained by the joint acquisition of Florestal Vale Do Corisco
- **Cash used in financing activities:**
 - in September we paid U.S.\$ 387 million in our 7.75% Notes
 - in December we paid dividends of U.S.\$ 91 million
 - On December 6th we raised U.S.\$ 200 million of a 3-year term bank loan

Financial Review > Debt

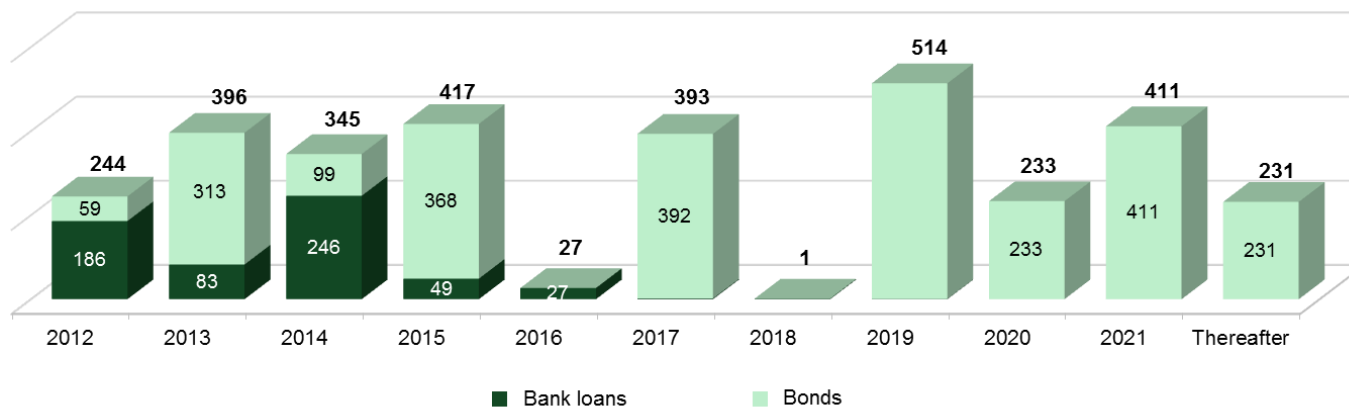
Financial Debt Profile

(US\$ million)	December 2011	Septiembre 2011	QoQ
Short term financial debt	244	288	(15%)
Long term financial debt	2,969	2,788	7%
TOTAL FINANCIAL DEBT	3,213	3,076	4%
Cash and cash equivalents	316	377	(16%)
NET FINANCIAL DEBT	2,897	2,698	7%

Comments

- Debt reached US\$3,213.3 million, an increase of 5.3%, compared with the last quarter
- This increase is mainly explained by a US\$ 200 million long term bank loan received in December
- We do not have bond maturities until 2013
- In January we issued a US\$ 500 million bond in the international market, due in 2022

Financial Debt Schedule as of December 31, 2011



Note: Short term debt numbers include accrued interest

Financial Review > Ratios

Key Financial Ratios

	4Q 2011	3Q 2011	4Q 2010
Profitability			
Gross margin	25,8%	31,3%	36,5%
Operating margin	4,7%	10,9%	18,5%
EBITDA margin	35,2%	22,7%	41,5%
ROA (EBIT / Total Assets)	8,6%	4,3%	12,1%
ROCE (EBIT (1-Tax) / (Working Capital + Fixed Assets))	8,4%	4,4%	11,2%
ROE (Net Income / Equity)	10,3%	4,6%	15,7%
Leverage			
Interest Coverage Ratio (EBITDA / Financial Costs)	8,1x	5,3x	11,2x
Net Financial Debt / EBITDA	1,9x	2,7x	1,4x
Total Financial Debt / Total Capitalization	31,4%	30,5%	33,5%
Net Financial Debt / Total Capitalization	28,3%	26,7%	23,4%
Total Financial Debt / Shareholders' Equity	46,3%	44,5%	51,2%
Net Financial Debt / Shareholders' Equity	41,8%	39,0%	35,7%

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Review by Business Segment > Pulp

Pulp Division Net Sales (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
4Q 11	481				
3Q 11	505	Q o Q	(4.8%)	(19.4%)	18.1%
4Q 10	510	Y o Y	(5.7%)	(19.1%)	16.6%

Note: pulp sales net of energy sales

- Pulp sales reached U.S.\$ 480.8 million (net of energy sales) for the fourth quarter of 2011, a decrease of 4.8% compared to the previous quarter. This decrease was mainly due to lower average prices of 19.4%, partially offset by higher sales volume of 18.1%
- During the fourth quarter European integrated paper producers supplied with additional market pulp, adding pressure to long fiber prices
- At the end of the fourth quarter, global pulp inventories reached 36 days of supply for long fiber and 33 days of supply for short fiber. When compared with previous quarter, long and short fiber levels increased 4 and decreased 9 days respectively
- Inventories for short fiber sharply decreased due to a boost in Chinese demand

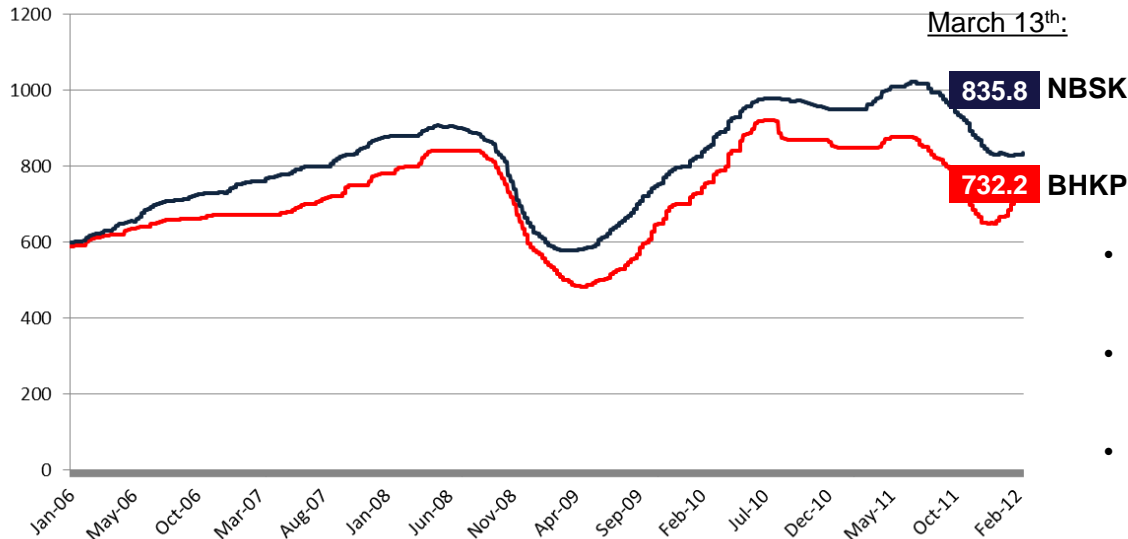
Pulp production in 000' tons.

4Q 10	1Q 11	2Q 11	3Q11	4Q11
608	683	736	646	751



Review by Business Segment > Pulp > Outlook

BHKP and NBSK Indexes



Comments

- Pulp prices bottomed in December for both short and long fiber
- Since January prices have increased in softwood and hardwood
- Spread between NBSK / BHKP has stretched to U.S.\$ 100+ levels
- Uncertain scenario in Europe; integrated producers to continue selling spot pulp in the market
- Recovery is coming from China; easing its credit restrictions
- Latin American pulp market is active

Global Producers Inventory Levels

In days	December 2010	March 2011	June 2011	September 2011	December 2011
BSKP	25	24	28	32	36
BHKP	37	40	41	44	33

Review by Business Segment > Panels

Panels Division Net Sales (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
4Q 11	302				
3Q 11	346	QoQ	(12.6%)	(8.6%)	(4.3%)
4Q 10	289	YoY	4.5%	9.4%	(6.7%)



- Panels sales reached U.S.\$ 302.4 million in the fourth quarter of this year, a decrease of 12.6% when compared to the U.S.\$ 346.0 million obtained in the third quarter of 2011. This decrease was mainly explained by lower average prices and lower sales volume
- MDF in Brazil with price adjustments given the entrance of new capacity from key players
- MDF moldings in USA with drop in sales volume
- Plywood: Sales to end-clients show an increase in sales volume, with more shipments to Europe and Asia

Panels production in 000' m3

4Q 10	1Q 11	2Q 11	3Q 11	4Q 11
626	750	748	766	712

Review by Business Segment > Panels > Outlook

Plywood

- In general, we have continued with stable demand and upward prices
- USA showing a smooth recovery; sales volume stable along with an increase in prices
- Latin American markets are stable in demand and with increasing prices

MDF

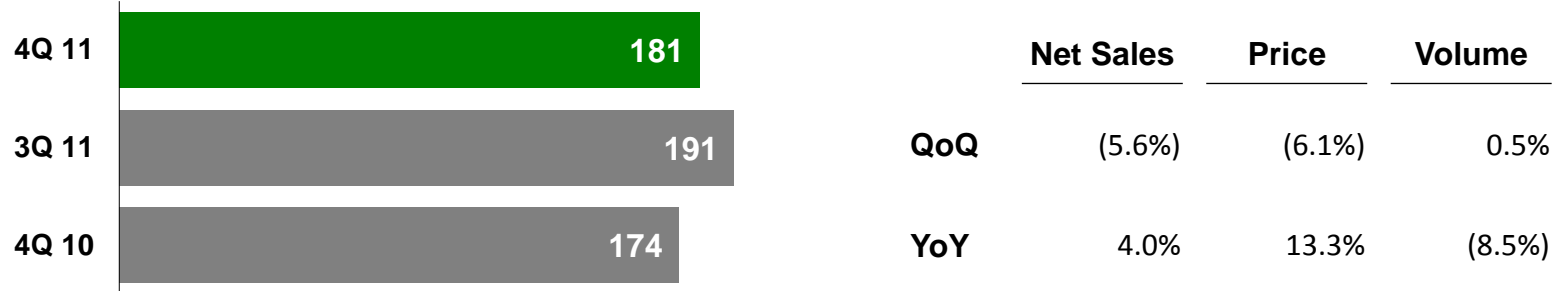
- Brazil adjusting its prices with the entrance of new capacity
- Active market in Latin America, with small increases in price
- Argentina continues very strong

PBO

- In general, with a solid demand in Latin America; an upward price trend shall continue

Review by Business Segment > Sawn Timber

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



- Compared to the U.S. \$191.2 million sold during the third quarter of 2011, sawn timber sales decreased by 5.6% during the fourth quarter, reaching sales of U.S. \$180.6 million. This decrease was mainly due to lower average prices of 6.1%. partially offset by higher sales volume of 0.5%.
- The real state and the construction sectors in the United States have remained in low levels during the fourth quarter. The housing start index reached 699,000 units per year in January 2012. Current levels remain low when compared with the last ten year average
- Wood products showed a downward trend in general, and specially in Asia. This brought price cuts and volume drops in China, Korea, Japan and Taiwan

Sawn Timber production in 000' m3

4Q 10	1Q 11	2Q 11	3Q 11	4Q 11
694	652	611	642	621



Review by Business Segment > Sawn Timber > Outlook

- There has been a decrease in log inventories in China, which is driving prices up and more demand for wood
- The US market is stable; we anticipate a positive outlook in terms of volumes and prices, especially in MDF moldings, with space for price increases
- Chile, Peru, Mexico, Colombia and Argentina with a positive outlook, with prices increasing in the first months of the year

US Housing Starts and Permits

In '000 units per year



Source: U.S. Census Bureau

Housing starts index for January 2011 was 699,000 units per year

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4th Quarter and Subsequent Events

In January Arauco achieved its lowest yields ever in the international bond market

- 144 A / Reg S bond in the U.S. market for U.S.\$ 500 million
- Issued at a yield of 4.938% with a maturity of 10 years bullet
- Spread of 295 bps over the UST-10
- This yield is also the lowest ever reached by Arauco in the international market
- Net proceeds of this bond is being used to refinance a portion of outstanding debt and for general corporate purposes

4th Quarter and Subsequent Events

January 2012 wildfires

- Commencing on December 31, 2011 wildfires destroyed approximately 7,000 hectares of our forest plantations
- On January 2nd the fires destroyed our Nueva Aldea plywood mill
- The affected forest plantations represent approximately 0.7% of our total forest plantations
- Our Nueva Aldea plywood mill, which represented an investment of approximately U.S.\$110 million, had an annual production capacity of 450,000 cubic meters, representing approximately 14.2% of our total panel production capacity, and 2% of Consolidated Net Income
- We have started with our studies to rebuild this plant, and we expect to start up in approximately 24 months

4th Quarter and Subsequent Events

Panel mill Acquisition in Moncure, U.S.A.

- In January, 2012, Arauco Panels USA, one of our U.S. subsidiaries, acquired an industrial facility in Moncure, North Carolina
- The facility includes medium-density fiberboard (MDF) and high-density fiberboard (HDF) production lines with annual production capacity of up to 330,000 cubic meters, a particleboard (PBO) production line with annual production capacity of up to 270,000 cubic meters and two melamine product production lines

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Q & A



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