

Conference Call Presentation

1st Quarter 2011

Financial Results

**Gianfranco Truffello
Chief Financial Officer**

June 3rd, 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 1st Quarter 2011**
- **Review by Business Segment**
- **Outlook**
- **1st Quarter and Subsequent Events**

Financial Review > 1Q 2011 Highlights

- Revenues of U.S.\$ 1,047 million
(-1% over 4Q 2010)
- EBITDA of U.S.\$ 336 million
(-20% over 4Q 2010)
- Net Income of U.S.\$ 177 million
(-33% over 4Q 2010)
- Net Financial Debt of U.S.\$ 2,470 million
(3% over 4Q 2010)
- CAPEX of U.S.\$ 165 million
(-45 % over 4Q 2010)

Financial Review > Consolidated Financial Statements

Income Statement

(U.S.\$ million)	1Q 2011	4Q 2010	QoQ
Revenue	1,047	1,055	(1%)
Gross profit	403	399	1%
Operating income	207	193	7%
EBITDA	336	419	(20%)
Net Income	177	264	(33%)

Cash Flow

(U.S.\$ million)	1Q 2011	4Q 2010	QoQ
Operating activities	119	544	(78%)
Investing activities	(199)	(284)	(30%)
Financing activities	(45)	(112)	(60%)
Cash flow of the period	(125)	148	(185%)

Assets

(U.S.\$ million)	1Q 2011	4Q 2010	QoQ
Cash	912	1,044	(13%)
Inventories	777	728	7%
Total Current Assets	3,247	3,152	3%
PP&E	5,161	5,089	1%
Biological assets, non current	3,473	3,791	(8%)
Total Non Current Assets	9,460	9,354	1%
Total Assets	12,707	12,506	2%

Liabilities and S.E.

(U.S.\$ million)	1Q 2011	4Q 2010	QoQ
Short term financial debt	522	540	(3%)
Current Liabilities	1,312	1,209	8%
Long term financial debt	2,860	2,909	(2%)
Non Current Liabilities	4,427	4,457	(1%)
Minority interest	111	108	2%
Controller's S.E.	6,857	6,732	2%
Liabilities and S.E.	12,707	12,506	2%

Financial Review > Income Statement

Arauco - Income Statement

(U.S.\$ million)	1Q 2011	4Q 2010	QoQ
Revenue	1,047	1,055	(1%)
Cost of sales	(644)	(656)	(2%)
Gross profit	403	399	1%
Other operating income	65	199	(67%)
Administrative and Distribution Costs	(196)	(205)	(4%)
Other operating expenses, and gains (losses)	(17)	(14)	17%
Net Financial Costs	(44)	(37)	21%
Exchange rate differences	13	(2)	(705%)
Income before tax	224	339	(34%)
Income tax	(47)	(74)	(37%)
Net Income	177	264	(33%)
Minority Interest	4	5	(19%)
Net Income attributable to parent company	172	259	(34%)
Depreciation	57	66	(14%)
Stumpage	72	59	21%
Special items	-	100	
EBITDA	336	419	(20%)

Comments

- **Revenue** reached U.S.\$1,047 million, 1% lower than last quarter, mainly due to lower sales volume of our Panel, Pulp and Sawn Timber divisions by 11%, 4% and 1% respectively, partially offset by higher average prices in all our business segments
- **Cost of Sales** was 2% lower than the fourth quarter, mainly explained by lower sales volume of all our business segments and also a decrease in lumber and labor costs
- **Other operating income:** U.S.\$ 134 million lower than the previous quarter, mainly as a result of U.S.\$100 million of insurance claims (business interruption) in November related to the February 27th, 2010 earthquake
- **EBITDA:** reached U.S.\$336 million during the first quarter, 20% lower than the fourth quarter, mainly explained by U.S.\$100 million of insurance claims

Note: Numbers may not add up due to rounding

Financial Review > Cash Flow

Arauco - Cash Flow Statement

(U.S.\$ million)	1Q 2011	4Q 2010	QoQ
Collection of accounts receivables	1,024	1,218	(16%)
Collection from insurance claims	-	192	(100%)
Payments of suppliers and personnel (less)	(896)	(868)	3%
Other expenses paid and received	60	50	20%
Interest paid and received	(56)	(38)	47%
Income tax paid	(14)	(10)	38%
Net cash provided by (used in) operating activities	119	544	(78%)
Capital Expenditures	(165)	(298)	(45%)
Other investment cash flow	(34)	14	(340%)
Net cash provided by (used in) investing activities	(199)	(284)	(30%)
Debt issuance	8	55	(85%)
Debt repayment	(51)	(76)	(33%)
Dividends paid	(3)	(92)	(97%)
Other financing cash flow	0	1	(60%)
Net cash provided by (used in) financing activities	(45)	(112)	(60%)
Total positive (negative) cash flow of the period	(125)	148	(185%)
Effect of exchange rate variations on cash and cash equivalents	(6)	6	(195%)
Cash and cash equivalents at beginning of the period	1,044	890	17%
Cash and cash equivalents at end of the period	912	1,044	(13%)

Comments

- **Cash from operating activities** was 78% lower than the fourth quarter, mainly due to U.S.\$185 million received during November from insurance claims related to the earthquake and lower collections of accounts receivables by U.S.\$194 million
- **Cash used in financing activities** was 60% lower when compared with last quarter, mainly due to a payment of U.S.\$92 million in dividends to our shareholders during December
- **Cash used in investing activities** decreased 30%. During the last quarter of 2010 we invested in equipments for our Teno greenfield project

Financial Review > Debt

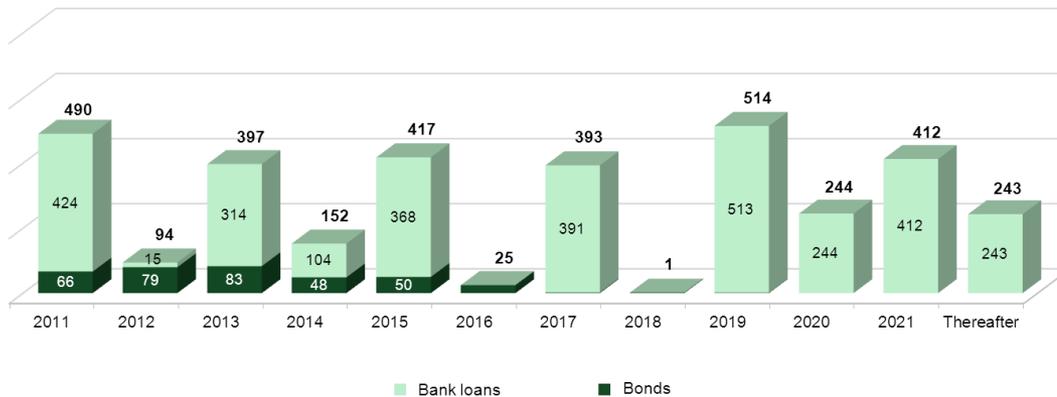
Financial Debt Profile

(US\$ million)	March 2011	December 2010	QoQ
Short term financial debt	522	540	(3%)
Long term financial debt	2,860	2,909	(2%)
TOTAL FINANCIAL DEBT	3,382	3,450	(2%)
Cash and cash equivalents	912	1,044	(13%)
NET FINANCIAL DEBT	2,470	2,406	3%

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

Financial Debt Schedule as of March 31, 2011



Note: Short term debt numbers include accrued interest

Financial Review > Ratios

Arauco - Key Financial Ratios

	1Q 2011	4Q 2010	1Q 2010
Profitability			
Gross margin	38.5%	37.8%	37.3%
Operating margin	19.8%	18.3%	17.7%
EBITDA margin	32.1%	39.8%	27.9%
ROA (EBIT / Total Assets)	6.6%	9.5%	4.9%
ROCE (EBIT / (Working Capital + Fixed Assets))	7.8%	11.2%	5.7%
ROE (Net Income / Equity)	10.2%	15.7%	3.9%
Leverage			
Interest Coverage Ratio (EBITDA / Financial Costs)	6.5x	9.4x	4.4x
Net Financial Debt / EBITDA	1.8x	1.5x	3.0x
Total Financial Debt / Total Capitalization	32.7%	33.5%	32.2%
Net Financial Debt / Total Capitalization	23.9%	23.4%	28.3%
Total Financial Debt / Shareholders' Equity	49.3%	51.2%	48.3%
Net Financial Debt / Shareholders' Equity	36.0%	35.7%	42.4%

Agenda

- Financial Review 1st Quarter 2011

- **Review by Business Segment**

- Outlook

- 1st Quarter and Subsequent Events

Review by Business Segment > Pulp

Pulp Division Net Sales (in US\$ million)

			Net Sales	Price	Volume
1Q 11	502				
4Q 10	510	QoQ	(1.4%)	3.0%	(4.2%)
1Q 10	375	YoY	34.1%	15.6%	16.0%



- Pulp sales decreased 1.4% or U.S.\$7.1 million during this quarter, mainly due to lower sales volume of 4.2%, partially offset by an increase in average prices of 3.0%
- At the end of the first quarter, global pulp inventories reached 24 days of supply for long fiber and 40 days of supply for short fiber. When compared with previous quarter, long fiber level decreased 1 day, while short fiber level increased 3 days
- China remains to be the main driver of activity and growth. New projects, low levels of inventories and demand in new niches for pulp have led to levels of imports that, along with high levels of prices, have not been seen for several years
- Europe: a quite active market, despite an overcapacity that makes difficult for non-integrated paper producers to pass the high costs of raw materials to finished products.

Pulp production in 000' Adt

1Q 10	2Q 10	3Q 10	4Q 10	1Q 11
528	483	671	608	683

Line II of Arauco, which was not operating since February 27th, 2010 due to the earthquake, restarted its operations in late January 2011

Review by Business Segment > Panels

Panels Division Net Sales (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
1Q 11	299				
4Q 10	296	QoQ	0.9%	12.9%	(10.6%)
1Q 10	253	YoY	18.2%	20.0%	(1.5%)



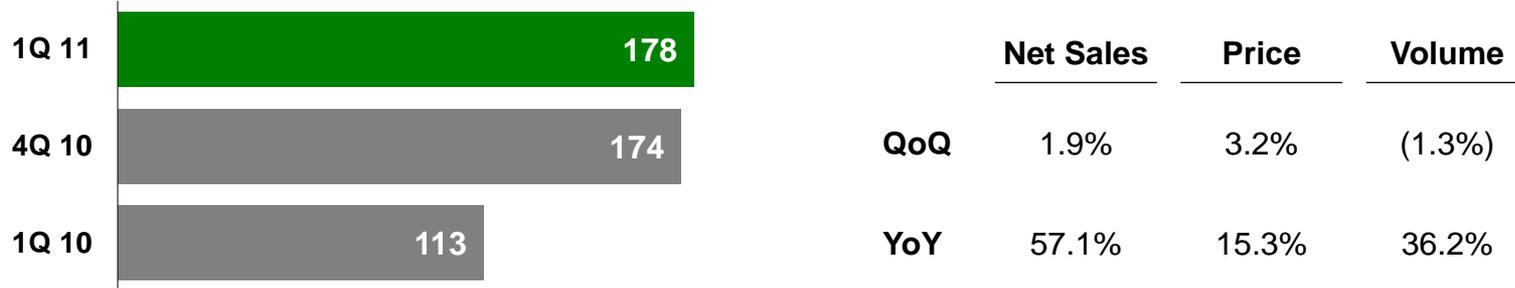
- Our net sales increased 0.9% when compared with the previous quarter mainly due to a 12.9% increase in average prices, partially offset by lower sales volume of 10.6%
- Plywood: sales volume were 20% higher than last quarter, also leading to a recovery in sales prices
- MDF boards: sales volume fell 13% when compared with fourth quarter, mainly due to a decline in Brazil. We had problems to increase prices due to aggressive competition.
- HB: sales showed a drop in volume of 8%, while prices increased in Latin American markets over the previous year
- MDF moldings: the U.S. market remains quite slow and affected by price pressures from the local producers.

Panels production in 000' m3

1Q 10	2Q 10	3Q 10	4Q 10	1Q 11
660	743	767	770	750

Review by Business Segment > Sawn Timber

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



	Net Sales	Price	Volume
QoQ	1.9%	3.2%	(1.3%)
YoY	57.1%	15.3%	36.2%



- Total net sales grew 1.9% when compared with the fourth quarter of 2010 mainly due to higher average prices of 3.2%, partially offset by a decrease in sales volume of 1.3%
- There was a recovery in sale prices of moldings and lumber when compared to the last quarter. This was the result of lower supply seen in the market
- During this quarter the demand for wood products improved in most of the markets, especially Asia. This caused sale prices to increase, especially in China, Korea, Japan and Taiwan
- The real state and the construction sectors in the United States did not show signs of recovery during the first quarter. Current levels remain low when compared to the historic 10 year average

Sawn Timber production in 000' m3

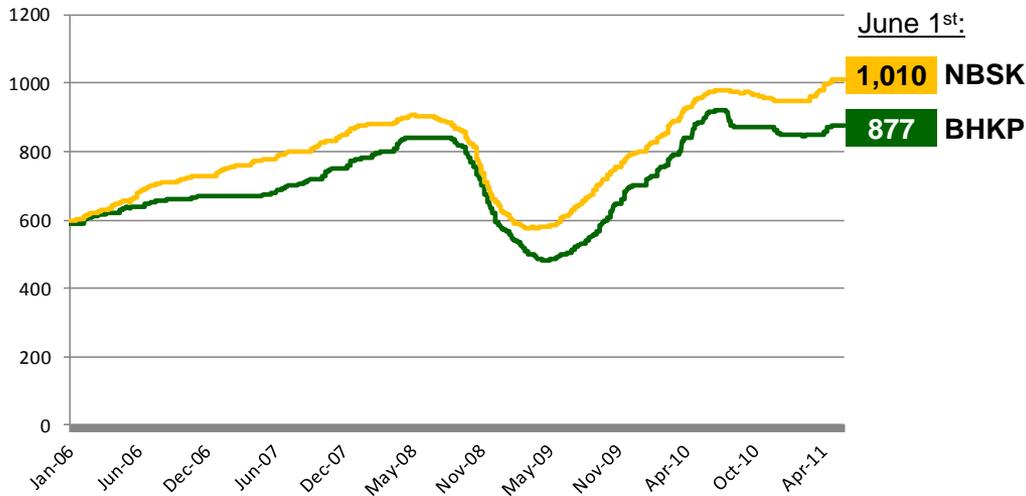
1Q 10	2Q 10	3Q 10	4Q 10	1Q 11
510	641	695	652	667

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Outlook > Pulp market

BHKP and NBSK Indexes



- Currently we are facing lower demand, which is normal in early summer in the northern hemisphere
- Europe shows a very active demand for pulp and paper. However, there is uncertainty about the exchange rate because paper producers may have problems to pass the costs of raw materials to the market if the euro weakens
- Chinese demand is still fairly active, however inventory levels are increasing due mainly to pulp imports from Canada
- Latin America without major changes. Still with good levels of activity and demand, and prices have followed international markets

Global Producers Inventory Levels

In days	March 2010	June 2010	September 2010	December 2010	March 2011
BSKP	24	21	27	25	24
BHKP	29	30	38	37	40

Outlook > Sawn Timber market

- A recovery in prices and margins is expected for the next quarters in most markets, mainly Asia and remanufactured products in USA
- Asia remains being the driver of demand for sawn timber, with China, Korea and Japan as the major markets
- Remanufactured products in USA have achieved good prices, driven by a reduced supply from the major producers that are adjusting to the current levels of demand
- Latin American markets: Peru, Colombia, Mexico, Chile remain stable

US Housing Starts and Permits

In '000 units per year



Source: U.S. Census Bureau

Housing starts index for April 2011 was 523,000 units per year, an increase of 9.6% when compared with the lowest level in April 2009

Outlook > Panels market

Plywood

- Good prospects for Plywood for the second half of 2011 in terms of volume and price mainly due to higher demand from Asia as a result of the earthquake in Japan
- Demand and prices from USA remain fairly flat, while in Latin America prices are projected to increase with good perspectives in demand
- Europe is showing a recovery in demand and the strengthening of the euro is helping to increase prices in U.S. dollars

MDF

- Quite aggressive competition in Latin American markets, which causes problems to raise prices
- Brazil remains the main engine of the region and strong sales are projected for the second half of the year with flat prices
- Good projections on demand, and prices stable or maybe slightly above previous quarters

HB

- High demand in Chile and Latin America, with low inventories

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1st Quarter and Subsequent Events

Jaguariaiva panel mill expansion



- Located in Jaguariaiva, State of Paraná, Brazil
- Current capacity: 315,000 m³/yr of MDF boards
- Project:
 - Construction and operation of a second productive line
 - Estimated capacity: 500,000 m³/yr of MDF boards
 - Estimated investment: U.S.\$170 million
 - Start operations: 1H 2012

1st Quarter and Subsequent Events

Arauco received the 2010 Chilean Industrial Federation (SOFOFA) Social Responsibility Award

ARAUCO was honored with the 2010 SOFOFA Social Responsibility Award in the Large Business category. The company received this recognition on June 1 in Santiago, Chile.

The SOFOFA Social Responsibility Award was established in 1998, and is considered a major CSR award in Chile. Its purpose is to distinguish businesses that develop good practices with their customers, employees, suppliers and neighboring communities, in addition to establishing clear and rigorous policies to protect the environment during their operations.

ARAUCO's Management and Development unit managing director Cristián Infante said: *"This award recognizes the constant effort and firm commitment of our workers and the strict fulfillment of the commitments we've made"*, and added, *"This reaffirms that ARAUCO is moving in the right direction towards becoming a global business, and a leader in the sustainable development of forest products"*.



Q & A



Arauco - Investor Relations contact info

José Luis Rosso

Head of Finance Planning & Investor Relations

jose.rosso@arauco.cl

Phone: (56-2) 461 72 21

Francisca Birke

Finance Planning & Investor Relations

francisca.birke@arauco.cl

Phone: (56-2) 461 72 93

Fax: (56-2) 461 75 41

investor_relations@arauco.cl

www.arauco.cl



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Financial Results

June 3rd, 2011

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