



ARAUCO[®]
Growing the Future

Conference call presentation

2nd Quarter 2013 Financial Results

Celulosa Arauco y Constitución S.A.

Gianfranco Truffello, C.F.O.
Santiago, August 26th, 2013



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 2013**

- **Review by Business Segment & Outlook**

- **2nd Quarter and Subsequent Events**

- **Q&A**

Financial Review > 2Q 2013 Highlights

- Revenues of U.S.\$ 1,358.7 million
(14.9% higher than 1Q 2013)
- Adjusted EBITDA of U.S.\$ 345.9million
(46.4% higher than 1Q 2013)
- Net Income of U.S.\$ 162.5 million
(U.S.\$ 69.0 million higher than 1Q 2013)
- Net Financial Debt of U.S.\$ 3,879.9 million
(1.9% lower than 1Q 2013)
- CAPEX of U.S.\$ 132.2 million
(3.1% higher than 1Q 2013)

Financial Review > Income Statement

Comments

INCOME STATEMENT

In U.S. Million	2Q 13	1Q 13	QoQ
Revenue	1,358.7	1,182.3	14.9%
Cost of sales	(904.3)	(846.4)	6.8%
Gross Margin	454.4	335.9	35.3%
Other operating income	101.3	74.6	35.8%
Administration & Distribution costs	(286.2)	(237.0)	20.7%
Other operating gains (expenses)	(11.3)	(11.9)	-5.6%
Financial costs (Net)	(51.0)	(50.4)	1.1%
Exchange rate differences	(5.8)	(2.0)	186.5%
Income Before Income Tax	201.5	109.1	84.6%
Income tax	(39.0)	(15.6)	149.7%
Net Income	162.5	93.5	73.8%

ADJUSTED EBITDA

In U.S. Million	2Q 13	1Q 13	QoQ
Net Income	162,5	93,5	73,8%
Financial costs (net)	51,0	50,4	1,1%
Income Tax	39,0	15,6	149,7%
EBIT	252,5	159,6	58,2%
Depreciation & amortization	74,0	69,5	6,5%
EBITDA	326,5	229,1	42,5%
Fair value cost of timber harvested	82,6	72,8	13,5%
Gain from chg. in fair value of bio. Assets	(69,0)	(67,6)	2,1%
Exchange rate differences	5,8	2,0	186,5%
Adjusted EBITDA	345,9	236,2	46,4%

- **Revenue:** Increased 14.9% mainly explained by higher sales of our pulp, panels and sawn timber divisions by 14.8%, 14.4% and 11.4% respectively.
- **Cost of Sales:** Increased 6.8% mainly explained by higher sales volume of panels (11.7%), pulp (10.6%) and sawn timber (6.5%) divisions. This was partially offset by a lower unitary costs of pulp, that decreased 2.6%
- **Administration & Distribution Costs:** Increased U.S.\$ 49.1 million mainly explained by a higher Administrative expenses of U.S.\$ 5.2 million and by an increase in Distribution cost of U.S.\$ 43.9 million, of which U.S.\$ 31 million was explained by a reclassification of costs
- **Adjusted EBITDA:** This quarter reflects the impact of higher average prices and better operational performance. It also includes a one-time effect of sales of non-strategic land in Montes el Plata

Financial Review > Cash Flow

CASH FLOW

In U.S. Million	2Q 13	1Q 13	QoQ
Collection of accounts receivables	1,428.2	1,330.5	7.3%
Collection from insurance claims	0.0	29.8	-100.0%
Other expenses paid and received	115.7	170.6	-32.2%
Payments of suppliers and personnel (less)	(1,276.1)	(1,280.7)	-0.4%
Dividends and other distributions received	0.0	0.0	0.0%
Interest paid and received	(35.0)	(61.5)	-43.1%
Income tax paid	(16.3)	(19.2)	-15.0%
Other (outflows) inflows of cash, net	0.5	(0.4)	-246.0%
Net Cash Provided by (Used in) Operating Activities	216.4	169.6	27.6%
Capital Expenditures	(132.2)	(128.2)	3.1%
Other investment cash flows	33.3	16.7	99.4%
Net Cash Provided by (Used in) Investing Activities	(98.9)	(111.5)	-11.3
Proceeds from borrowings	544.5	269.6	102.0%
Repayments of borrowings	(236.4)	(321.7)	-26.5%
Dividends paid	(59.1)	(6.2)	849.1%
Other inflows of cash, net	(2.5)	0.0	-
Net Cash Provided by (Used in) Financing Activities	246.5	(58.3)	-
Total Cash Inflow (Outflow) of the Period	364.0	(0.3)	-
Effect of exchange rate changes on cash and cash equivalents	(12.1)	(1.0)	-
Cash and Cash equivalents. at beginning of the period	394.5	395.7	-0.3%
Cash and Cash Equivalents at end of the Period	746.4	394.5	89.2%

Comments

- **Cash from operating activities:** a U.S.\$46.8 million increase mainly due to higher collection of receivables of U.S.\$ 97.7 million and a decrease in Interest paid and received of U.S.\$ 26.5 million. Those effects were partially offset by a U.S.\$ 54.9 million decrease in Other expenses paid and received and by a lower collection from insurance of US\$ 29.8 million
- **Capex:** remained at similar levels than 1Q, with an increase of only U.S.\$ 4.0 million
- **Cash from financing activities:** an increase of U.S.\$ 304.8 million, mainly due to a U.S.\$ 300 million credit agreement realized in June 2013

Financial Review > Debt

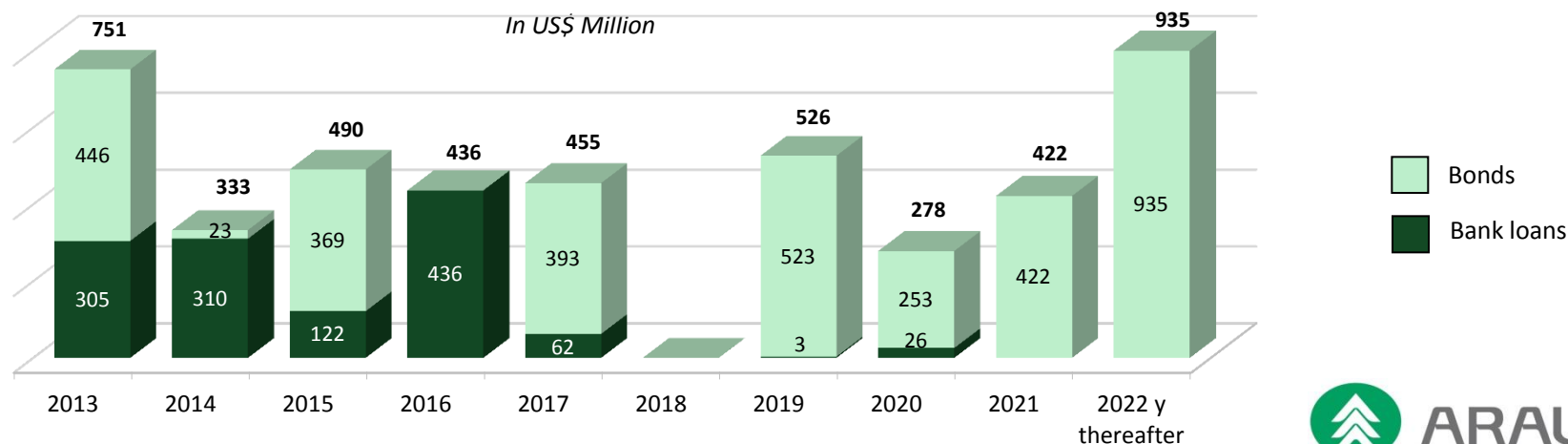
Financial Debt

In U.S. Million	June 2013	March 2013	June 2012
Short term financial debt	853,1	829,5	199,6
Long term financial debt	3.773,2	3.519,4	3.751,6
TOTAL FINANCIAL DEBT	4.626,3	4,348.9	3.951,2
Cash and cash equivalents	746,4	394,5	470,8
NET FINANCIAL DEBT	3.879,9	3,954.5	3.480,3

Comments

- Total Financial debt reached US\$ 4,626 million, an increase of 6.4% QoQ. This is explained by a U.S.\$ 300 million credit agreement obtained in June 2013
- Net Debt/ LTM EBITDA = 3.7x (previous quarter: 4.3x)
- On July 9th we paid our U.S.\$ 300 million notes due 2013

Financial Debt Profile as of June 30, 2013



Note: Short term debt numbers include accrued interest

Financial Review > Ratios

KEY FINANCIAL RATIOS

	2Q 13	1Q 12	2Q 12
Profitability			
Gross margin	33,4%	28,4%	28,9%
Operating margin	12,4%	8,4%	6,9%
LTM ⁽¹⁾ Adjusted EBITDA margin	21,8%	20,8%	24,7%
ROA (EBIT / Total assets)	7,3%	4,7%	3,3%
LTM ROCE (EBIT x (1–tax rate) / (Working Cap+Fixed assets)	3,8%	2,7%	4,9%
ROE (Net income / Equity)	9,2%	5,3%	3,6%
Leverage			
Interest coverage ratio (Adj. EBITDA LTM / Financial costs)	4,3x	4,0x	5,3x
Net financial debt / Adjusted EBITDA LTM	3,7x	4,3x	3,4x
Financial debt / Total capitalization ⁽²⁾	39,7%	38,2%	36,1%
Net financial debt / Total capitalization	33,3%	34,7%	31,8%
Financial debt / Shareholders' equity	66,4%	62,4%	57,1%
Net financial debt / Shareholders' equity	55,7%	56,7%	50,3%

(1): LTM. Last Twelve Months

(2): Capitalization = Total financial debt + Equity

Agenda

- Financial Review 2nd Quarter 2013

- Review by Business Segment & Outlook

- 2nd Quarter and Subsequent Events

- Q&A

Review by Business Segment > Pulp

PULP SALES (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
2Q 13	591				
1Q 13	501	Q o Q	14.8%	3.9%	10.6%
2Q 12	508	Y o Y	13.9%	1.2%	10.3%

Note: pulp sales include energy sales



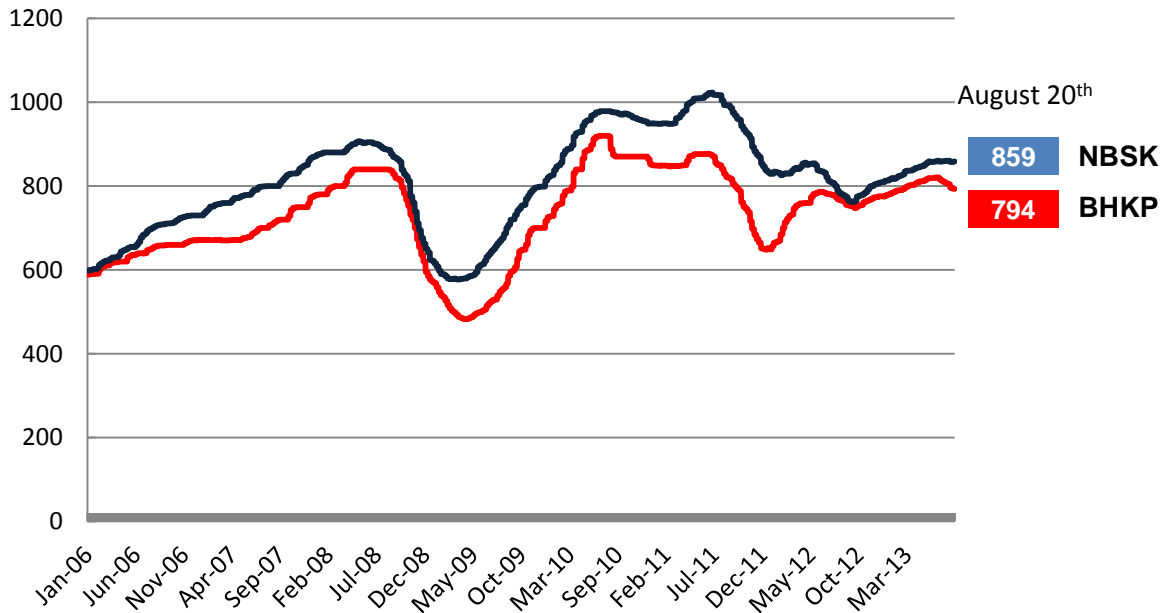
- During 2Q13 average pulp prices and volume sales increased 3.9% and 10.6%, respectively respect to the previous quarter
- The situation in Europe continues to be difficult. Paper consumption continues falling, which affects demand for pulp. During the 2Q13, there was 1.5% increase in long fiber and without variation in short fiber
- The Chinese demand was not very active, however, pulp imports were higher than those of the first quarter, especially in short fiber, recovering to normal levels. Prices were stable
- Latin America continued with a stable and strong demand. Middle East, was active, with a lot of spot supply at the end of the 2Q13
- Production levels were good and according to planned levels. During May and June we were able to recover the invoicing levels lost during March and April as a result of port strikes in Chile

Pulp production in 000' tons

1Q12	2Q12	3Q12	4Q12	1Q13	2Q13
763	732	726	749	801	794

Review by Business Segment > Pulp > Outlook

BHKP AND NBSK INDEXES



Comments

- In the North hemisphere, demand was lower because of the summer seasonality, however, average prices during the quarter had little variation
- The situation in Europe continues difficult in terms of demand
- We expect an increase in prices for long fiber. For short fiber, we expect a small adjustment in prices
- Spread between NBSK and BHKP at US\$ 65/ton

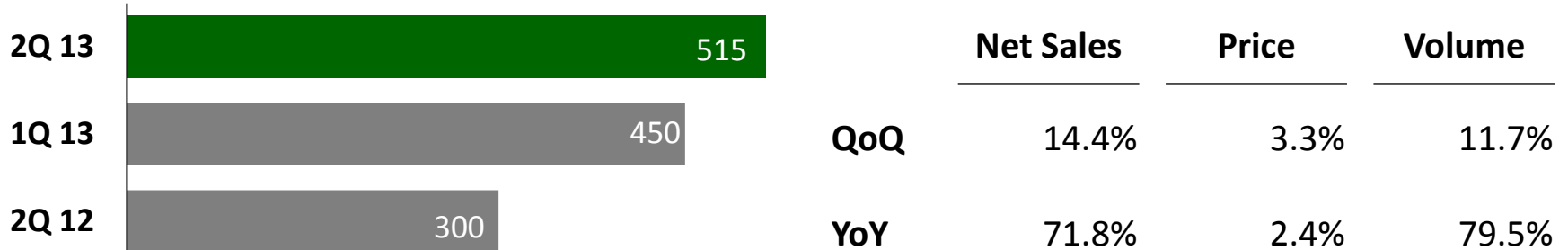
GLOBAL PRODUCERS INVENTORY LEVELS

<i>In days</i>	March 2012	June 2012	Sept 2012	Dec 2012	March 2013	June 2013
BSPK	29	29	27	29	29	28
BHKP	34	40	39	34	41	40

Source: Bloomberg; Hawkins Wright

Review by Business Segment > Panels

Panels Sales (in US\$ million)



Note: Panels sales include energy sales

	Net Sales	Price	Volume
QoQ	14.4%	3.3%	11.7%
YoY	71.8%	2.4%	79.5%

- Average panels prices and volume sales increased 3.3% and 11.7%, respectively respect to the previous quarter.
- Average general prices and volume sales increased 2,4% and 79,5%, respectively compared to the same quarter of 2012. Increase in volume is mainly explained by the Flakeboard Acquisition, and the new Teno mill and new Jaguariaiva MDF line
- Volume sales of MDF increased in 2Q13 respect to 1Q13. This growth is mainly explained by an increase of volume sales in the North American market and also as a result of the new capacity from the second Jaguariaiva MDF line in Brazil
- Strong demand and good margins for plywood, specially in North America

Panels production in 000' m3

1Q12	2Q12	3Q12	4Q12	1Q13	2Q13
637	684	731	1,194	1,199	1,294



Review by Business Segment > Panels > Outlook

MDF Panels and Moldings

- In Brazil, MDF prices may drop due to new capacity of Jaguariaiva and the new mill of Duratex
- Strong demand in USA and Canada
- In Chile, MDF with strong results during 3Q. We expect a growth compared to 2Q13

PBO Panels

- In Chile, we expect strong results, specially in melamine
- We expect higher prices during 3Q in Argentina. Main price increases should be in melamine

Plywood

- Positive outlook for Plywood boards in terms of demand and margins

Review by Business Segment > Sawn Timber

Sawn Timber Sales (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
2Q 13	208				
1Q 13	187	QoQ	11.4%	3.8%	6.5%
2Q 12	176	YoY	18.4%	(0.4%)	12.6%

Note: Sawn Timber sales include energy sales



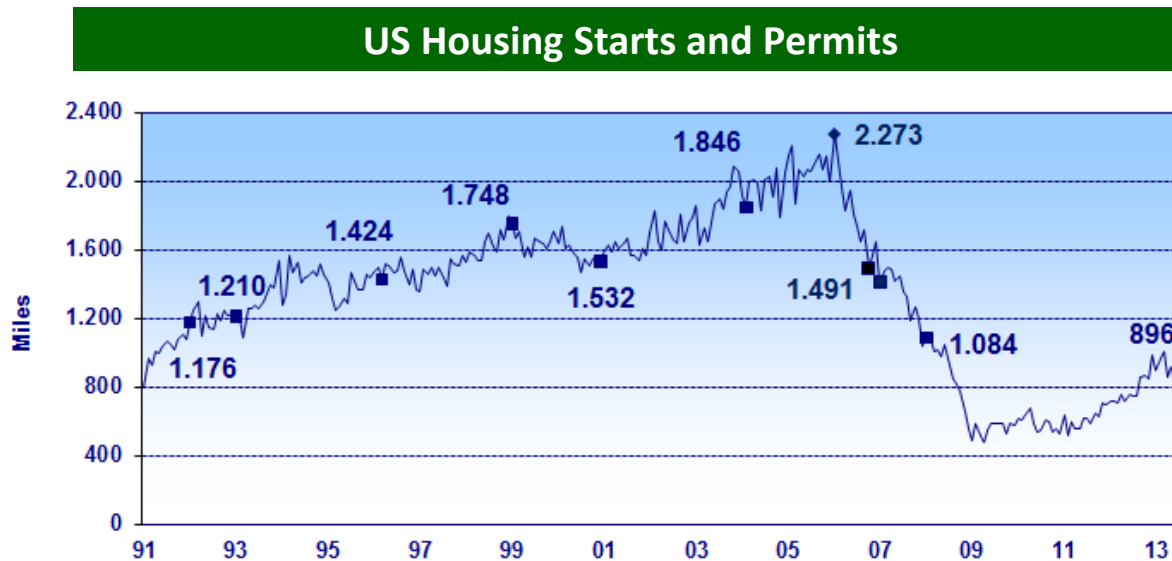
- Second quarter had an increase in sales, driven by higher average prices and volume sales
- The real estate and construction sectors in the United States had a slight decline compared to the previous quarter, however, it continues growing on average
- Solid Wood markets continue with a positive trend in terms of volumes and prices

Sawn Timber production in 000' m3

1Q12	2Q12	3Q12	4Q12	1Q13	2Q13
600	660	659	661	698	701

Review by Business Segment > Sawn Timber > Outlook

- We expect the third quarter to continue positive in terms of prices and demand, and margins, in line with the previous quarter
- Our main markets for sawn timber Middle East, Latin America and USA are currently very active with strong demand
- In Asia, we expect a small drop in demand and in average prices



- Housing starts index for July 2013 was 896.000 units per year

Agenda

- **Financial Review 2nd Quarter 2013**

- **Review by Business Segment & Outlook**

- **2nd Quarter and Subsequent Events**

- **Q&A**

2nd Quarter and Subsequent Events

Successful Refinancing of USD 300 million Yankee Bond due in July

- On June 25 Arauco closed a USD 300 million syndicated loan and its main purpose was the repayment of our bonds due in 2013. In this loan participated international and local banks. The loan facility matures in 2016



Construction work at Montes del Plata is significantly advanced

- Approximately at 90% of completion
- The start up process is expected to begin during 3Q13

Agenda

- **Financial Review 2nd Quarter 2013**

- **Review by Business Segment & Outlook**

- **2nd Quarter and Subsequent Events**

- **Q&A**

Arauco - Investor Relations contact info

José Luis Rosso S.

Corporate Finance Director

jose.rosso@arauco.cl

Phone: (56-2) 2461 72 21

Jorge Molina M.

Investor Relations

Jorge.molina.mendez@arauco.cl

Phone: (56-2) 2461 7569

Fax: (56-2) 2461 75 41

investor_relations@arauco.cl

www.arauco.cl



ARAUCO
Growing the Future

2nd Quarter 2013 Financial Results

A replay of this conference call will be available in our web site and 7 days available through the following numbers:

Participants from USA

+1 877 344 7529

Participants from other countries

+1 412 317 0088

Password

10032962

Visit www.arauco.cl for more information

