



ARAUCO[®]
Growing the Future

Conference call presentation

3rd Quarter 2012 Financial Results

Celulosa Arauco y Constitución S.A.

Gianfranco Truffello, C.F.O.
Santiago, November 30th, 2012



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 3rd Quarter 2012**

- **Review by Business Segment & Outlook**

- **3rd Quarter and Subsequent Events**

- **Q&A**

Financial Review > 3Q 2012 Highlights

- Revenues of U.S.\$ 1,031.2 million
(0.5% lower than 2Q 2012)
- Adjusted EBITDA of U.S.\$ 188.9 million
(18% lower than 2Q 2012)
- Net Income of U.S.\$ -56.7 million
(-189% lower than 2Q 2012)
- Net Financial Debt of U.S.\$ 3,970.4 million
(14% higher than 2Q 2012)
- CAPEX of U.S.\$ 372.4 million
(89% higher than 2Q 2012)

Financial Review > Income Statement

INCOME STATEMENT

In U.S. Million	3Q 12	2Q 12	QoQ
Revenue	1,031.2	1,036.7	-0,5%
Cost of sales	(775,8)	(737,4)	5,2%
Gross Margin	255,4	299,4	-14,7%
Other operating income	129,3	58,4	121,2%
Administration & Distribution costs	(230,6)	(227,3)	1,5%
Other operating gains (expenses)	(11,5)	(5,0)	130,0%
Financial costs (Net)	(41,1)	(40,9)	0,5%
Exchange rate differences	(9,6)	(17,0)	-43,5%
Income Before Income Tax	91,9	67,5	36,1%
Income tax	(148,7)	(4,1)	3526,8%
Net Income	(56,7)	63,5	-189,3%

ADJUSTED EBITDA

In U.S. Million	3Q 12	2Q 12	QoQ
Net Income	(56,7)	63,5	-189,4%
Financial costs	45,1	45,3	-0,5%
Financial income	(4,0)	(4,4)	-9,3%
Income Tax	148,7	4,1	3541,1%
EBIT	133,0	108,5	22,6%
Depreciation & amortization	60,6	58,1	4,3%
EBITDA	193,7	166,6	16,2%
Fair value cost of timber harvested	79,7	79,4	0,5%
Gain from chg. in fair value of bio. Assets	(94,1)	(33,5)	180,5%
Exchange rate differences	9,6	17,0	-43,5%
Adjusted EBITDA	188,9	229,4	-17,6%

Comments

- **Revenue:** remained stable with a slight decrease of 0.5%. Main driver was lower pulp sales of 3.2%
- **Cost of Sales:** Increased 5.2% mainly explained by higher sales volume of all our business segments
- **Other Operating Income:** Increase of approx. US\$ 61 million in fair value of biol. assets
- **Income Tax:**
 - extraordinary recognition of US\$129 million
 - new law increases corp. tax to 20%, and affects deferred tax liabilities
- **Adjusted EBITDA:** reached U.S.\$ 188.9 million, 18% lower than second quarter

Note: Numbers may not add up due to rounding

Financial Review > Cash Flow

CASH FLOW

In U.S. Million	3Q 12	2Q 12	QoQ
Collection of accounts receivables	1,065.0	1,230.9	-13,5%
Collection from insurance claims	70.0	51.6	35,6%
Other cash receipts (payments)	70.4	65.4	7,6%
Payments to suppliers and personnel (less)	(1,018.8)	(1,085.8)	-6,2%
Dividends and other distributions received	1.9	2.1	-13,0%
Interest paid and received	(50.2)	(26.3)	91,1%
Income tax paid	(18.4)	(156.7)	-88,3%
Other (outflows) inflows of cash, net	0.3	(0.1)	-307,3%
Net Cash Provided by (Used in) Operating Activities	120.1	81.2	47,8%
Capital Expenditures	(372.4)	(197.2)	88,8%
Other investment cash flow	(15.1)	(3.5)	331,4%
Net Cash Provided by (Used in) Investing Activities	(387.5)	(200.7)	93,1%
Proceeds from borrowings	368.9	505.6	-27,0%
Repayments of borrowings	(199.6)	(276.9)	-27,9%
Dividends paid	(4.7)	(172.0)	-97,2%
Other inflows of cash, net	(0.1)	(0.2)	-45,1%
Net Cash Provided by (Used in) Financing Activities	164.4	56.4	191,2%
Total Cash Inflow (Outflow) of the Period	(103.1)	(63.1)	63,4%
Effect of exchange rate changes on cash	2.5	0.3	-161,8%
Cash and Cash equivalents. at beginning of the period	470.8	538.0	-12,5%
Cash and Cash Equivalents. at end of the Period	370.3	470.8	-21,4%

Comments

- **Cash from operating activities:**
 - Increased 48%
 - Received cash from insurance claims of US\$ 70 million
 - Previous quarter included tax payments
- **Cash from investing activities:**
 - Flakeboard acquisition was closed in September, with an investment of US\$ 242.5 million
- **Cash from financing activities:**
 - In 2Q we paid dividends of U.S.\$ 172.0 million

Financial Review > Debt

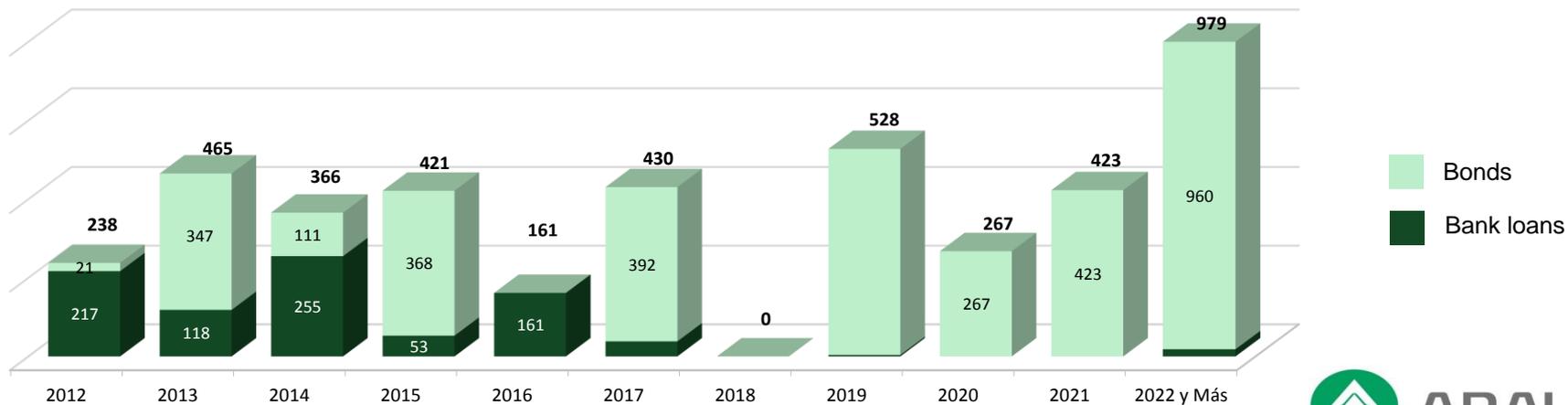
Financial Debt

In U.S. Million	September 2012	June 2012	September 2011
Short term financial debt	708.5	199.6	271.9
Long term financial debt	3,632.1	3,751.6	2,780.9
TOTAL FINANCIAL DEBT	4,340.6	3,951.2	3,052.8
Cash and cash equivalents	370.3	470.8	377.5
NET FINANCIAL DEBT	3,970.4	3,480.3	2,675.4

Comments

- Total Financial debt reached US\$ 4,341 million, an increase of 9.9%
- This increase is mainly explained by the consolidation of Flakeboard's debt of US\$ ~185 million and pre-export financing loans
- Short term debt includes US\$ 300 million notes due in July 2013
- In October and November we signed a Revolving Committed Credit Facility for an aggregate of US\$ 320 million

Financial Debt Profile as of September 30, 2012



Note: Short term debt numbers include accrued interest

Financial Review > Ratios

KEY FINANCIAL RATIOS

	3Q 12	2Q 12	3Q 11
Profitability			
Gross margin	24.8%	28.9%	32.7%
Operating margin	2.4%	6.9%	10.2%
LTM ⁽¹⁾ Adjusted EBITDA margin	18.3%	22.1%	22.5%
ROA (EBIT / Total assets)	4.0%	3.3%	4.3%
LTM ROCE (EBIT x (1–tax rate) / (WorkingCap+Fixed assets)	3.2%	5.8%	8.1%
ROE (Net income / Equity)	-3.3%	3.6%	4.6%
Leverage			
Interest coverage ratio (Adj. EBITDA LTM / Financial costs)	5.0x	5.3x	7.2x
Net financial debt / Adjusted EBITDA LTM	4.1x	3.4x	2.0x
Financial debt / Total capitalization ⁽²⁾	32.3%	34.3%	27.9%
Net financial debt / Total capitalization	38.6%	36.2%	30.5%
Financial debt / Shareholders' equity	63.5%	57.3%	44.5%
Net financial debt / Shareholders' equity	58.1%	50.5%	39.0%

(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>
3Q 12	491				
2Q 12	508	Q o Q	(3.2%)	(5.2%)	2.8%
3Q 11	523	Y o Y	(6.0%)	(18.8%)	11.9%

Note: pulp sales include energy sales



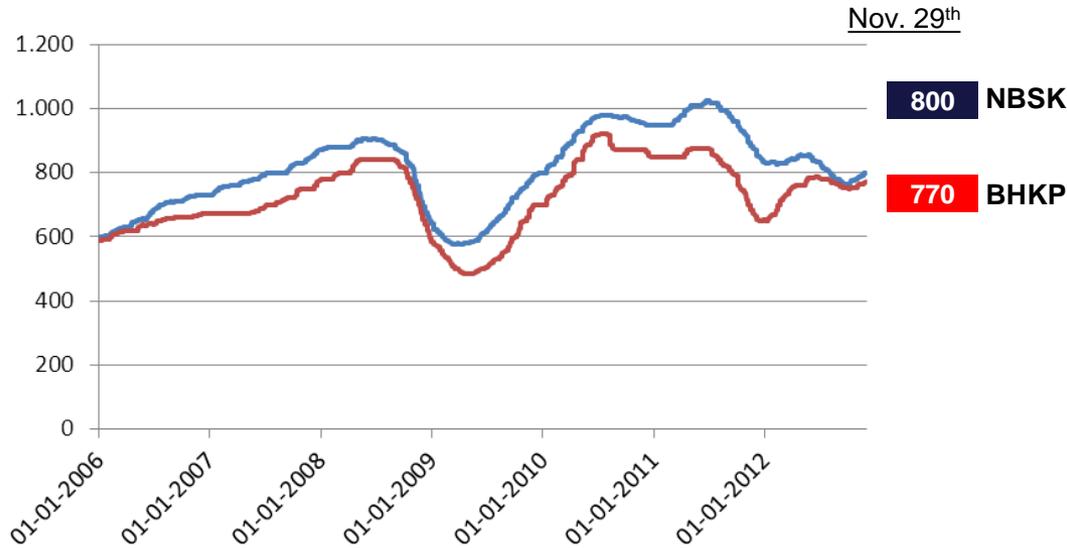
- Price decline caused by seasonality of Northern Hemisphere summer and the oversupply of pulp from integrated European paper producers
- End of this third quarter had an initial positive change in price and demand
- Middle East and Latin America had normal levels of demand but prices follow international trends
- Inventories at adequate levels for softwood and slightly above average for hardwood

Pulp production in 000' tons.

1Q 11	2Q 11	3Q11	4Q11	1Q12	2Q12	3Q12
683	736	646	751	763	732	726

Review by Business Segment > Pulp > Outlook

BHKP AND NBSK INDEXES



Comments

- During October and November prices increased for long fiber and short fiber in all markets
- Stable demand for the next months
- Higher freight costs from Europe to China is decreasing pulp export growth rate
- Spread between NBSK and BHKP at US\$ 30

GLOBAL PRODUCERS INVENTORY LEVELS

<i>In days</i>	Sept 2011	Dec 2011	March 2012	June 2012	Sept 2012
BSPK	32	36	29	29	27
BHKP	44	33	34	40	39

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>
3Q 12	304				
2Q 12	300	QoQ	1.3%	0.9%	2.1%
3Q 11	346	YoY	(12.2%)	(5.0%)	(6.1%)



- In general prices remained very stable, almost 1% up compared to the last quarter
- MDF panels sales volume increased in line with an active market in Latin America
- North America very stable, improving in demand, especially in value-added products
- Brazil with very strong demand – we were able to increase prices
- Higher particleboard volume sales due to Teno start-up and Zarate without issues

Panels production in 000' m3

1Q 11	2Q 11	3Q 11	4Q 11	1Q12	2Q12	3Q12
750	748	766	712	672	732	804

(1): Total Panels Sales in US\$ include energy sales

Review by Business Segment > Panels > Outlook

- Positive outlook for USA, with good demand in MDF and moldings
- Our main markets for panels in Latin America (Chile, Argentina, Brazil, Mexico) are currently very active with strong demand and we expect prices to continue in a positive trend
 - As we enter summer in Argentina and Brazil the internal demand may decline as a seasonal effect
 - Mexico with stable demand – opportunity to grow prices
 - Start-up of Teno did not have significant impact in prices – markets have well received products from this new mill

Review by Business Segment > Sawn Timber

Sawn Timber Sales (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
3Q 12	193				
2Q 12	176	QoQ	9.6%	5.8%	4.8%
3Q 11	191	YoY	0.7%	(0.5%)	2.4%



- Third quarter had a strong growth, driven by higher prices and sales volume
- 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

Sawn Timber production in 000' m3

1Q 11	2Q 11	3Q 11	4Q 11	1Q12	2Q12	3Q12
652	611	642	621	600	660	659

Review by Business Segment > Sawn Timber > Outlook

- North America with a positive outlook for housing starts. Sales of moldings with a strong demand, with prices consistently increasing and margins improving
- Latin America in general very stable
- We are currently seeing Chinese market with good demand with prices improving



Source: U.S. Census Bureau

Housing starts index for October 2012 was 894,000 units per year

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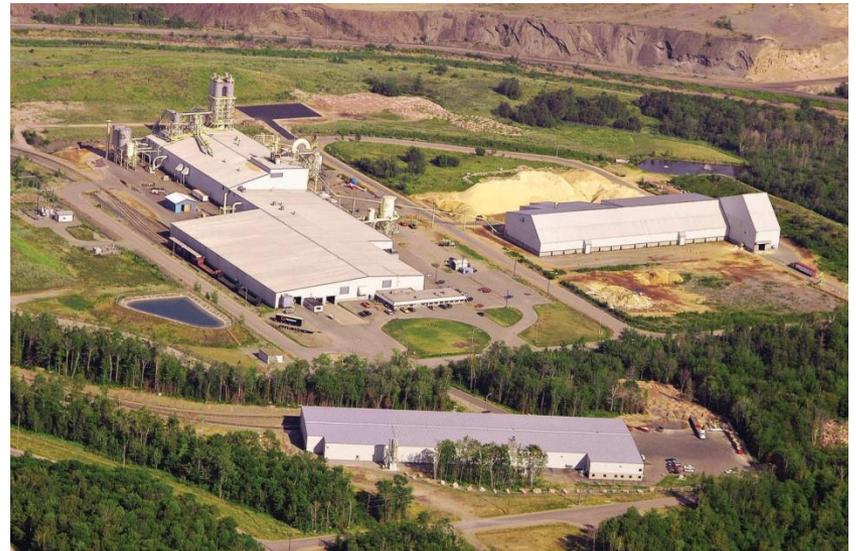
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3rd Quarter and Subsequent Events

Arauco closed its Flakeboard acquisition

- US\$ \$242.5 million deal closed on September, 24th
- Flakeboard runs seven panel mills in USA and Canada
- Mills have a joint annual capacity of 1,200,000 cubic meters of MDF, 1,100,000 cubic meters of particleboard and 180,000 cubic meters of melamine
- Operation grants ARAUCO the possibility to consolidate its position as one of the world's main producers of panel boards.



3rd Quarter and Subsequent Events

Forestry Division under FSC Audit

- In October Woodmark reviewed ARAUCO's forestry operations under FSC standard (Forest Stewardship Council)



3rd Quarter and Subsequent Events



Nueva Aldea Plywood reconstruction

- With an investment of approx. US\$ 165 million, Arauco is rebuilding its plywood mill destroyed in January by a fire
- The new facility will have an annual capacity of 350,000 cubic meters
- Estimated start up is in 4Q2013



3rd Quarter and Subsequent Events

ARAUCO signed US\$ 320 million in revolving committed facility lines

- Composed by two tranches:
- First tranche for approx. US\$ 80 million, denominated in UF
- Second tranche for US\$ 240 million
- Both facilities mature at 3 years
- Lines have not been used

Refinancing of Flakeboard's Debt

- November 1st Flakeboard refinanced US\$ 185 million with new unsecured US\$ 150,000,000 facility
- New loan is guaranteed by Arauco
- Tenor of 5 years with a 3-year grace period

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