



Conference Call Presentation

3rd 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 3rd Quarter 2011**

- **Review by Business Segment and Outlook**

- **3rd Quarter and Subsequent Events**

- **Q&A**

Financial Review > 3Q 2011 Highlights

- Revenues of U.S.\$ 1,103.7 million
(7% lower 2Q 2011)
- EBITDA of U.S.\$ 263.2 million
(28% lower 2Q 2011)
- Net Income of U.S.\$ 81.3 million
(56% lower 2Q 2011)
- Net Financial Debt of U.S.\$ 2,675.4 million
(2% lower 2Q 2011)
- CAPEX of U.S.\$ 275.6 million
(30% over 2Q 2011)

Financial Review > Income Statement

Arauco - Income Statement

(U.S.\$ million)	3Q 2011	2Q 2011	QoQ
Revenue	1.104	1.188	(7%)
Cost of sales	(758)	(738)	3%
Gross Income	346	450	(23%)
Other operating income	63	73	(13%)
Administrative and Distribution Costs	(226)	(226)	(0%)
Other operating expenses, and gains (losses)	(18)	(23)	(19%)
Net Financial Costs	(38)	(48)	(22%)
Exchange rate differences	(30)	4	(760%)
Income before income tax	98	230	(57%)
Income tax	(16)	(46)	(65%)
Net Income	81	183	(56%)
Minority Interest	3	2	101%
Net Income attributable to parent company	78	182	(57%)
Depreciation	56	58	(3%)
Stumpage	87	83	5%
Special items	-	-	
EBITDA	263	364	(28%)

Comments

- **Revenue:** lower sales of our pulp and forestry divisions which decreased 14.2% and 13.3% respectively, compared with the previous quarter
- **Cost of Sales:** was 2.7% higher than the first quarter.
- **EBITDA:** reached U.S.\$ 263.2 million during the third quarter, 28% lower than last quarter, mainly explained by a decrease in our pulp Ebitda:
 - Lower pulp sales volume and price
 - Higher pulp unitary costs
- **Exchange rate differences:** we had a loss of U.S.\$29.6 million due to the depreciation of Chilean peso and Brazilian real

Note: Numbers may not add up due to rounding

Financial Review > Cash Flow

Arauco - Cash Flow Statement

(U.S.\$ million)	3Q 2011	2Q 2011	QoQ
Collection of accounts receivables	1,373	1,240	11%
Collection from insurance claims	0	2	
Payments to suppliers and employees (less)	(1,100)	(1,000)	10%
Other expenses paid and received	69	64	8%
Interest paid and received	(61)	(27)	124%
Income tax paid	(30)	(60)	(50%)
Net cash provided by (used in) operating activities	251	218	15%
Capital Expenditures	(276)	(212)	30%
Other investment cash flow	16	(36)	(145%)
Net cash provided by (used in) investing activities	(259)	(248)	4%
Proceeds from short-term borrowings	156	54	186%
Repayments of borrowings	(465)	(30)	1.445%
Dividends paid	(4)	(194)	
Other inflows of cash, net	0	1	(36%)
Net cash provided by (used in) financing activities	(313)	(169)	85%
Total cash inflow (outflow) of the period	(322)	(199)	61%
Effect of exchange rate variations on cash and cash equivalents	(22)	8	(370%)
Cash and cash equivalents at beginning of the period	721	912	(21%)
Cash and cash equivalents at end of the period	377	721	(48%)

Comments

- **Cash from operating activities:** a 15% increase due to higher recollection of sales and a decrease in tax paid
- **Cash used in investing activities** Remained stable, with an increase of 4% QoQ mainly explained by higher Capex
- **Cash used in financing activities:** during September we paid U.S.\$ 387 million in a bond; In the previous quarter we paid dividends of U.S.\$ 194 million

Financial Review > Debt

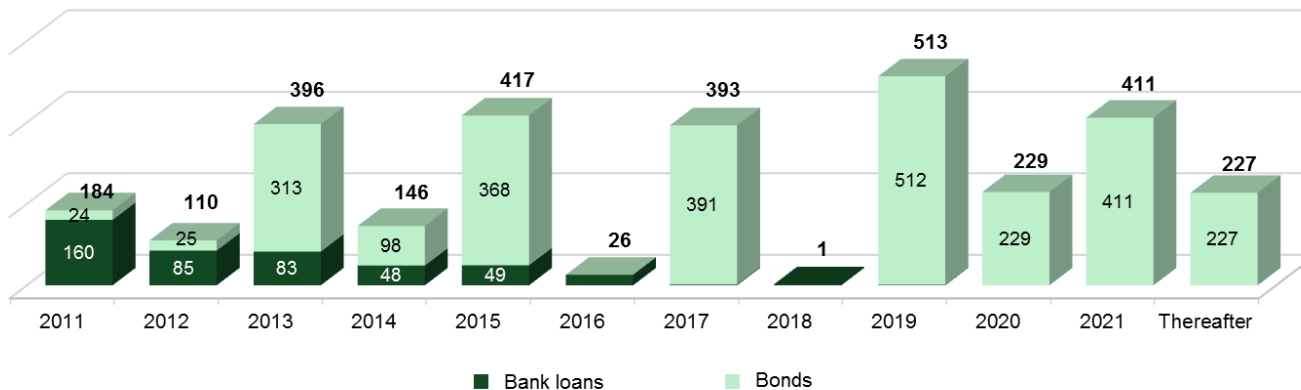
Financial Debt Profile

(US\$ million)	September 2011	June 2011	QoQ
Short term financial debt	272	569	(52%)
Long term financial debt	2.781	2.883	(4%)
TOTAL FINANCIAL DEBT	3.053	3.452	(12%)
Cash and cash equivalents	377	721	(48%)
NET FINANCIAL DEBT	2.675	2.731	(2%)

Comments

- We paid U.S.\$ 387 million from our 7.75% Notes due in September 2011
- To date we have increased the use of our pre-export financing lines
- We do not have bond maturities until 2013

Financial Debt Schedule as of September 30, 2011



Note: Short term debt numbers include accrued interest

Financial Review > Ratios

Arauco - Key Financial Ratios

	3Q 2011	2Q 2011	3Q 2010
Profitability			
Gross margin	31,3%	37,9%	40,7%
Operating margin	10,9%	18,8%	23,5%
EBITDA margin	23,9%	30,6%	37,4%
ROA (EBIT / Total Assets)	3,8%	7,0%	8,2%
ROCE (EBIT (1-Tax) / (Working Capital + Fixed Assets))	3,9%	6,7%	7,2%
ROE (Net Income / Equity)	4,6%	10,4%	12,1%
Leverage			
Interest Coverage Ratio (EBITDA / Financial Costs)	5,6x	6,9x	6,3x
Net Financial Debt / EBITDA	2,6x	1,8x	1,7x
Total Financial Debt / Total Capitalization	30,6%	32,7%	34,0%
Net Financial Debt / Total Capitalization	26,8%	25,8%	25,2%
Total Financial Debt / Shareholders' Equity	44,7%	49,2%	52,4%
Net Financial Debt / Shareholders' Equity	39,2%	38,9%	38,8%

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Review by Business Segment > Pulp

Pulp Division Net Sales (in US\$ million)

			Net Sales	Price	Volume
3Q 11	505				
2Q 11	575	QoQ	(12.1%)	(7.1%)	(5.3%)
3Q 10	503	YoY	0.4%	(3.5%)	4.0%

Note: pulp sales do not include Energy sales



- Pulp sales reached U.S.\$ 522.6 million for the third quarter of 2011. a decrease of 14.2% compared to the previous quarter. This decrease was mainly due to lower sales volume of 5.3%. together with a decrease in average prices of 7.1%.
- At the end of the third quarter, global pulp inventories reached 32 days of supply for long fiber and 44 days of supply for short fiber. When compared with previous quarter, long and short fiber levels increased 4 and 3 days respectively
- The third quarter of 2011 experienced a lower demand and lower activity in general. Seasonal effect observed during the Northern Hemisphere summer
- The uncertainty in Europe is significantly affecting the demand for paper.

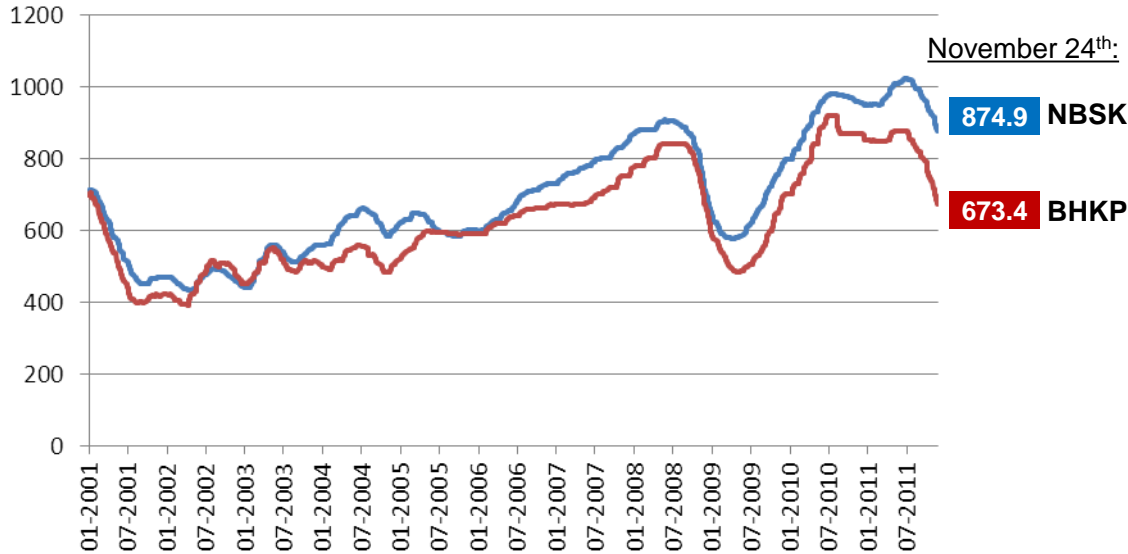
Pulp production in 000' tons.

3Q 10	4Q 10	1Q 11	2Q 11	3Q11
671	608	683	736	646

Stoppage by maintenance of Nueva Aldea Mill

Review by Business Segment > Pulp > Outlook

BHKP and NBSK Indexes



- Softwood and hardwood with price cuts in the last month

- Spread between NBSK / BHKP very high
- Complex scenario for the next 2-months, where we believe prices should bottom
- Recovery should come from China. Low prices could stimulate substitution of domestic pulp for imported hardwood
- China restricting its credit system to fight inflation
- Situation in Europe is complex and may continue during 2012; paper oversupply is making integrated producers to sell pulp out of Europe (to Asia)
- Latin American pulp market very active

Global Producers Inventory Levels

In days	September 2010	December 2010	March 2011	June 2011	September 2011
BSKP	27	25	24	28	32
BHKP	38	37	40	41	44

Review by Business Segment > Panels

Panels Division Net Sales (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
3Q 11	346				
2Q 11	342	QoQ	1.1%	7.2%	(5.7%)
3Q 10	285	YoY	21.3%	(2.6%)	24.6%



- Panel's sales reached U.S.\$ 346.0 million in the third quarter of this year, an increase of 1.1% when compared to the U.S.\$ 342.3 million obtained in the second quarter of 2011. This increase was mainly explained by higher average prices of 7.2% partially offset by lower sales volume of 5.7%.
- Plywood: higher shipments to Europe and Asia, along with important price increases. In the United States sales volume also had a strong growth, however, prices have remained stable
- During the third quarter, MDF sales volume increased 3% mainly explained by a higher demand from the United States and Mexico and a strong increase in shipments to Japan
- In terms of particleboard sales, we had a 2% increase in sales volume when compared to the same period last year, triggered by a strong increase in volumes sold in Peru and a sustained growth in the local Argentinean market.

Panels production in 000' m3

3Q 10	4Q 10	1Q 11	2Q 11	3Q 11
767	770	750	748	801

Review by Business Segment > Panels > Outlook

Plywood

- European market very slow. Clients are minimizing their inventory levels given the current economic uncertainty in the region
- USA continues stable but with low demand. Plywood prices have slightly increased and we foresee a positive outlook after GP's announcement of the closure of some of its mills
- In Perú, Colombia and Mexico with strong competition; we expect this may put pressure over prices during the next months

MDF

- Argentina continues very strong
- Active markets in Chile and Brazil; we are operating with adequate inventory levels at our mills

PBO

- As we also mentioned during 2Q, Argentina (in line with MDF market) is very strong with record in sales (volume and price)

Review by Business Segment > Sawn Timber

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

			Net Sales	Price	Volume
3Q 11	191				
2Q 11	186	QoQ	3.1%	5.4%	(2.2%)
3Q 10	173	YoY	10.8%	3.1%	7.5%



- Compared to the U.S. \$185.5 million sold during the second quarter of 2011, sawn timber sales increased by 3.1% during the third quarter, reaching sales of U.S. \$191.2 million. This increase was mainly due to higher average prices of 5.4%. partially offset by lower sales volume of 2.2%.
- Wood products continued to have a favorable demand in most markets, specially in Asia, which has brought higher sales prices in China, Korea, Japan and Taiwan
- During this quarter, sale prices of sawn timber and moldings rebounded mainly as a consequence of an increase in demand in the market
- The real state and the construction sectors in the United States have remained in low levels during the second quarter. The housing start index reached 658,000 units per year in September. Current levels remain low when compared with the last ten year average

Sawn Timber production in 000' m3

3Q 10	4Q 10	1Q 11	2Q 11	3Q 11
681	694	652	611	642

Review by Business Segment > Sawn Timber > Outlook

- Decrease in demand and prices in Asia, in particular China and Southeast Asia
- The US market is stable; we anticipate a positive outlook in terms of volumes and prices, especially in moldings
- Middle East market with stable volumes and demand, mainly driven by the petrochemical industry
- Latinamerica with very good demand, except for Mexico that we see a margin erosion as a consequence of depreciation of the Mexican peso
- Chile with a strong demand, mainly due to seasonality factors

US Housing Starts and Permits

In '000 units per year



Source: U.S. Census Bureau

Housing starts index for October 2011 was 628,000 units per year

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3rd Quarter and Subsequent Events

Montes del Plata Project Status:

- US\$ 1,354 million financing closed on September 29
 - US\$ 900 million with ECA (Export Credit) financing
 - US\$ 454 million with A/B Loan – Interamerican Development Bank and commercial banks
 - Guaranteed by Arauco (50%) and Stora Enso (50%)
- Pulp mill and Port construction on schedule
 - Currently in civil works stage
 - Ahead with Port terminal construction in order to receive equipment
- Estimated start up of the pulp mill in March 2013



White liquor plant: support rollers



Recovery boiler: Super heater (Finland)

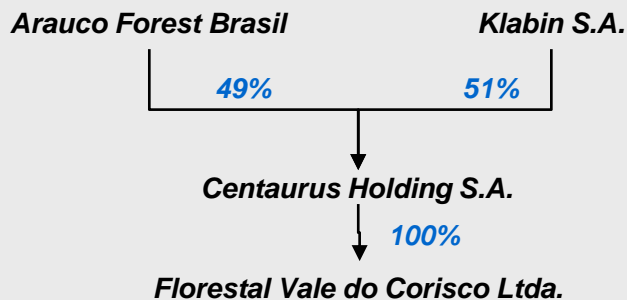


Recovery boiler: Pile caps zone

3rd Quarter and Subsequent Events

The Deal

- In November 2011, through a joint acquisition, Arauco and Klabin S.A. acquired Florestal Vale do Corisco in Brazil
- U.S.\$ 473.5 million, assumed 49% by Arauco Forest Brasil, and the remaining 51% by Klabin S.A.
- Klabin S.A. is a Brazilian company listed in the Sao Paulo Stock Exchange (Bovespa), and is the largest producer of paper in Brazil



The Company

Vale do Corisco is located in the State of Paraná and owns 107,000 hectares of land, 63,000 of which are planted with pine

Rationale

- This acquisition will allow wood self sufficiency to Arauco's Jaguariaiva MDF expansion line (500.000 m³ /year, start up 2012)
- This transaction strengthens Arauco's position in Brazil's forestry sector, furthering the development of its own industrial operations and ensuring the supply of wood for future projects

3rd Quarter and Subsequent Events

Insurance Claim

- On November 15, 2011 we announced the agreement among Arauco and the respective insurance companies of the insurance claim report related to damages and economics losses caused by the February 27, 2010 earthquake and tsunami
- Under such report, Arauco is entitled to receive a total indemnization of U.S.\$ 532,000,000 (less advance payments of U.S.\$ 278,000,000 we received during 2010)
- The total balance to be paid to Arauco is U.S.\$ 254,000,000 that we expect to receive before December 31, 2011
- From this amount we will recognize in our fiscal year 2011 Income Statement U.S.\$ 158,000,000 as profit (before tax)

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Q & A

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