



Conference Call Presentation  
**2<sup>nd</sup> Quarter 2009**  
**Financial Results**

September 8<sup>th</sup>, 2009



## Disclaimer

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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

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- **Financial Review 2<sup>nd</sup> Quarter 2009** **4**
- **Review by Business Segment** **11**
- **Outlook** **17**

## Financial Review > 2Q 2009 Highlights

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- Revenues of US\$ 733 million  
(+11% over 1Q 2009)
- EBITDA of US\$ 150 million  
(+16% over 1Q 2009)
- Net Income of US\$ 46 million  
(+241% over 1Q 2009)
- Net Financial Debt of US\$ 2,561 million  
(+2% over 1Q 2009)
- CAPEX of US\$ 96 million  
(-1% over 1Q 2009)

# Financial Review > Consolidated Financial Statements

## Income Statement

In U.S.\$ million	1Q09	2Q09	Q o Q
Sales	660	733	11%
Gross Margin	178	207	16%
EBITDA	130	150	16%
EBIT	21	62	191%
<b>Net Income</b>	<b>14</b>	<b>46</b>	<b>241%</b>

## Cash Flow

In U.S.\$ million	1Q09	2Q09	Q o Q
Operating activities	75	175	133%
Investing activities	-95	-97	2%
Financing activities	215	-141	-166%
<b>Cash flow of the period</b>	<b>194</b>	<b>-64</b>	<b>-133%</b>

## Assets

In U.S.\$ million	1Q09	2Q09	Q o Q
Cash	363	317	-13%
Inventories	691	658	-5%
<b>Total Current Assets</b>	<b>2,208</b>	<b>2,078</b>	<b>-6%</b>
PP&E	4,635	4,696	1%
Biological Assets	3,652	3,741	2%
<b>Total Fixed Assets</b>	<b>8,276</b>	<b>8,500</b>	<b>3%</b>
<b>Total Assets</b>	<b>10,484</b>	<b>10,578</b>	<b>1%</b>

## Liabilities and S.E.

In U.S.\$ million	1Q09	2Q09	Q o Q
Short term financial debt	446	427	-4%
<b>Current Liabilities</b>	<b>899</b>	<b>791</b>	<b>-12%</b>
Long Term financial debt	2,423	2,450	1%
<b>Non Current Liabilities</b>	<b>3,588</b>	<b>3,655</b>	<b>2%</b>
Minority Interest	119	120	1%
<b>Controller's S.E.</b>	<b>5,878</b>	<b>6,013</b>	<b>2%</b>
<b>Liabilities and S.E.</b>	<b>10,484</b>	<b>10,578</b>	<b>1%</b>

# Financial Review > Income Statement

Arauco - Income Statement			
In U.S.\$ million	1Q09	2Q09	Q o Q
Sales	660	733	11%
Cost of sales	-482	-526	9%
<b>Gross Margin</b>	<b>178</b>	<b>207</b>	<b>16%</b>
Selling and administrative expenses	-139	-157	13%
Operating Income	39	50	27%
Depreciation	44	51	14%
Stumpage	46	50	8%
<b>EBITDA</b>	<b>130</b>	<b>150</b>	<b>16%</b>
Other operating Income	46	55	20%
Interest Expenses	-42	-42	1%
Foreign exchange gains (losses)	-10	10	-204%
Other non operating income	-14	-11	-20%
Income before taxes	21	62	191%
Taxes	-7	-13	76%
Net Income before Minority Interest	14	49	249%
Minority Interest	1	3	452%
<b>Net Income</b>	<b>14</b>	<b>46</b>	<b>241%</b>

## Comments

- **Sales:** increase in prices (pulp 1.8%, sawn timber 1.3%, partially offset by panels -9.4%) and sales volume (pulp 10.0%, panels 16.1%, sawn timber 17.4%)
- **Cost of Sales:** total sales volume increased 11.6% QoQ
- Cost per ton of pulp is 8% lower than that of first half of 2008, strongly influenced by a decrease in unit costs of energy and fuels (-43%) and chemicals (-10%)
- LTM EBITDA reached US\$743 million, a 2% decrease when compared to US\$ 762 million for LTM in March 2009

# Financial Review > Cash Flow

<b>Arauco - Cash Flow Statement</b>			
In U.S.\$ million	<b>1Q09</b>	<b>2Q09</b>	<b>Q o Q</b>
Collection of accounts receivables	769.9	866.0	12%
Payments of suppliers and personnel (less)	(682.6)	(731.9)	7%
Other expenses paid (less)	50.2	53.7	7%
Dividends and other distributions received	0.0	12.0	
Interest paid (less)	(42.5)	(20.1)	-53%
Income tax paid	(20.2)	(5.1)	-75%
<b>Net cash provided by (used in) operating activities</b>	<b>74.8</b>	<b>174.5</b>	133%
Capital Expenditures	(96.7)	(95.6)	-1%
Other investment cash flow	1.4	(1.9)	-234%
<b>Net cash provided by (used in) investing activities</b>	<b>(95.3)</b>	<b>(97.4)</b>	2%
Debt issuance	450.9	227.3	-50%
Debt repayment	(236.0)	(270.1)	14%
Other financing cash flow	0.0	(98.3)	
<b>Net cash provided by (used in) financing activities</b>	<b>214.9</b>	<b>(141.1)</b>	-166%
<b>Total positive (negative) cash flow of the period</b>	<b>194.3</b>	<b>(64.0)</b>	-133%
Effect of inflation on cash and cash equivalents	1.3	17.9	1323%
<b>Cash and cash equivalents at beginning of the period</b>	<b>167.3</b>	<b>362.9</b>	117%
<b>Cash and cash equivalents at end of the period</b>	<b>362.9</b>	<b>316.7</b>	-13%

## Comments

- In May ARAUCO paid U.S.\$88 million in dividends

# Financial Review > Debt

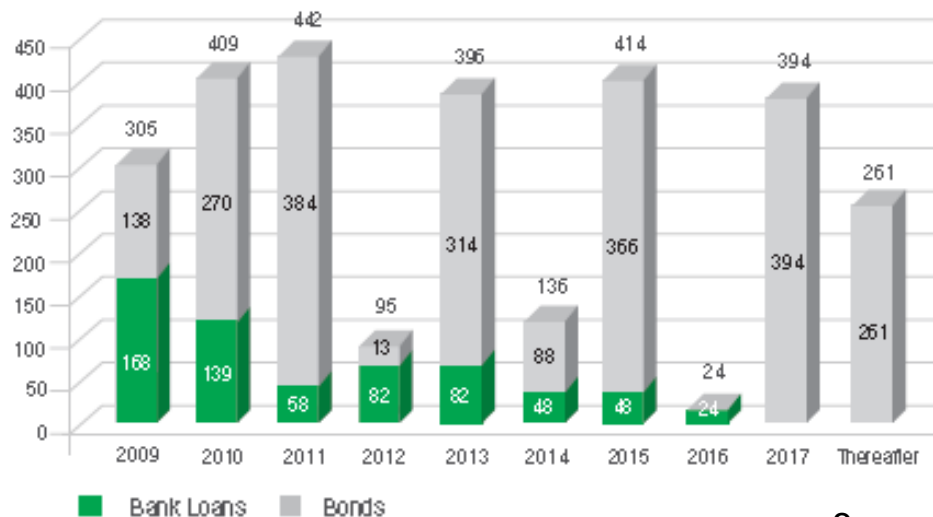
## Arauco - Consolidated Debt Position

In U.S.\$ million	1Q09	2Q09	Q o Q
Short term financial debt	446	427	-4%
Long term financial debt	2,423	2,450	1%
<b>Total Financial debt</b>	<b>2,869</b>	<b>2,878</b>	<b>0%</b>
Cash and Equivalent	363	317	-13%
<b>Net financial debt</b>	<b>2,506</b>	<b>2,561</b>	<b>2%</b>

## Comments

- Under IFRS Arauco consolidates debt of U.S.\$ 154.3 million coming from Forestal Rio Grande
- In May the SVS approved the filing of a new line of local bonds for UF 20 million (approx. US\$ 760 million)

## Financial Debt Amortization (in U.S.\$ million)





# Financial Review > Ratios

## Key Financial Ratios

	<b>Q1/09</b>	<b>Q2/09</b>	<b>YTD 09</b>
<b>Profitability</b>			
Gross margin	27.0%	28.2%	27.6%
Operating margin	6.0%	6.8%	6.4%
EBITDA margin	19.6%	20.5%	20.1%
ROA (EBIT / Total Assets)	1.5%	1.9%	1.7%
ROCE (EBIT (1 - tax rate) / Total Capitalization)	1.4%	1.8%	1.6%
ROE (Net Income / Equity)	0.9%	3.2%	2.1%
<b>Leverage</b>			
Interest Coverage Ratio (EBITDA / Interest Expenses)	3.1x	3.6x	3.4x
Net Financial Debt / EBITDA	4.8x	4.3x	4.6x
Total Financial Debt / Total Capitalization	32.4%	31.9%	31.9%
Net Financial Debt / Total Capitalization	28.3%	28.4%	28.4%
Total Financial Debt / Equity	47.8%	46.9%	46.9%
Net Financial Debt / Equity	41.8%	41.8%	41.8%

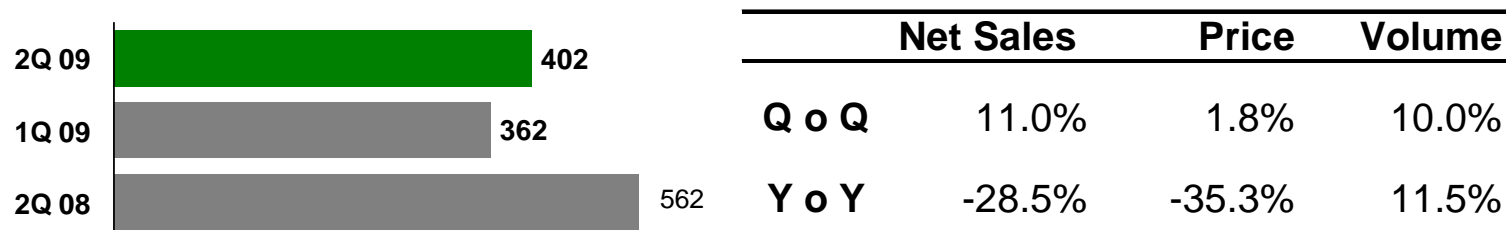
# Agenda

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# Review by Business Segment > Pulp

## Pulp Division Net Sales (in US\$ million)



	Net Sales	Price	Volume
<b>Q o Q</b>	11.0%	1.8%	10.0%
<b>Y o Y</b>	-28.5%	-35.3%	11.5%

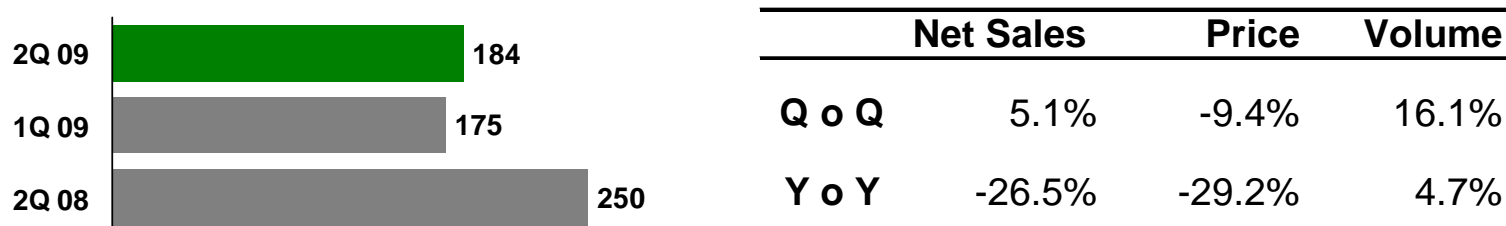


- The pulp market bottomed at the beginning of second quarter 2009. During the following months the pulp market has experienced an important increase in prices and volume
- Most of this recovery has been pushed by Asian markets – in particular China – starting on April and May
- Unit costs are going down in line with cost-cut programs and helped by external prices of main raw materials, especially chemicals and wood
- Average pulp price of radiata pine to China has been increasing since end of last year:

Dec 2008	1Q09	2Q09	3Q09
\$470	\$473	\$503	\$567

# Review by Business Segment > Panels

## Panels Division Net Sales (in US\$ million)



- During the second quarter of 2009, our plywood sales showed a slight recovery in volume, mostly explained by an increase in our North America market share, rather than an increase in overall demand
- The European market continues with low activity, but with low stock levels of plywood, which has allowed increasing sales
- Similar to our first quarter, the global crisis along with currency devaluation of markets has forced prices downwards
- Able to maintain or increase our sales volumes of MDF and Hardboard in Latin America mainly by an increase of our market share, rather than an increase in demand

# Review by Business Segment > Sawn Timber

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

	Net Sales	Price	Volume
2Q 09	118		
1Q 09	100		
2Q 08	193		
	<b>Q o Q</b>	18.6%	17.4%
	<b>Y o Y</b>	-38.7%	-30.0%



- Our sawn timber business has been the most impacted business segment with the global economic downturn, and in particular with the down cycle of the US housing sector
- The US Housing industry has showed a slight tendency to recover during the second quarter of 2009. Homebuilding reached levels of near 580,000 houses by June. Current construction level remain the lowest in the last 50 years
- During the second quarter of the year there was a slight rise in prices and sales volume of moldings and wood products, however, sales are still low compared with the same period of the last year
- As part of the company's plan to consolidate production towards its most efficient facilities, Arauco started in April 2009 the expansion of the Viñales sawmill from 240,000 to 380,000 cubic meters

# Subsequent events > ARAUCO acquires Tafisa Brasil S.A.

## The Deal

- On August 26, ARAUCO announced the acquisition of the wood-panel company Tafisa Brasil S.A.
- All-cash transaction for the full ownership for the equivalent of U.S.\$165.2 million
- Total assets were valued at approximately U.S.\$227 million minus corresponding liabilities
- Arauco assumes a financial debt for the equivalent of U.S.\$22 million
- Strengthens ARAUCO's position in the Brazilian panels market, by doubling current market share

## The Company

- Tafisa's main asset is a production facility located in the city of Pien in the State of Paraná, Brazil
- The facility has a total installed capacity of 640,000 m<sup>3</sup> annually, that operates three production lines:
  - Two Medium Density Fiberboard lines (380,000 m<sup>3</sup>)
  - One particleboard line (260,000 m<sup>3</sup>)
- The facility also includes minor value-added lines for the construction and furniture industries

## Potential Sinergies

- Wood cost
- Overhead / administration costs
- Production efficiency and Distribution channels
- Better supplier terms and conditions

Source: Arauco

## Subsequent events > ARAUCO issues US\$500 in Yankee bonds

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- In its largest international transaction, on July 22<sup>nd</sup> ARAUCO returned to the U.S. capital market with a U.S.\$ 500 million 10-year bond
- Strong investor support and an orderbook with more than four times the offer
- The bond was finally priced at UST + 387.5 basis points, with a yield-to-maturity of 7.406%
- The use of the proceeds is for the refinancing of short term debt and for general corporate purposes

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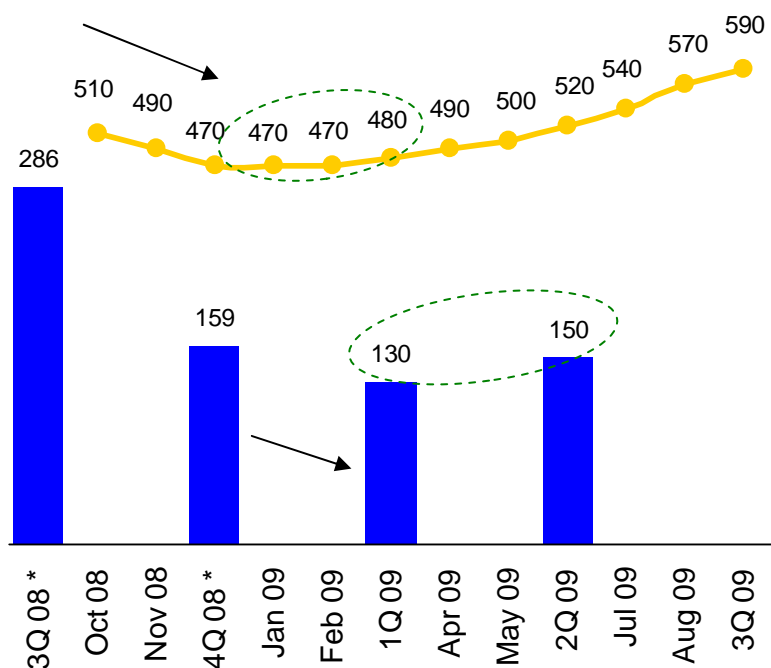
## Outlook > Pulp market

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- **We believe global pulp market bottomed during 1Q 2009; signs of recovery appeared during this second quarter and would continue for second half of 2009**
  - Overall, prices of pine radiata to China and Europe increased approximately US\$ 30 to 40 / Adt during second quarter, and upward trend should continue in the third quarter
  - Asia: China should continue with an active demand, with price increases near US\$ 30 /Adt. Japan, Korea, Taiwan markets also show price improvements and active demand, which should continue during second half of 2009
  - Europe: price increases in the 40/Adt range are expected, but prices are still 5% to 10% lower than in China
  - South America: has a 1-2 month lag in price adjustments respect to Asia and Europe
- **Unit pulp costs still have room for reduction**
  - Pushed by lower costs of main chemical raw material such as chlorate and caustic soda

# Outlook > Pulp market

## Pulp Price vs. EBITDA



■ ARAUCO EBITDA by Quarter in US\$ millions  
— Pulp price (radiata pine) to China in US\$/Adt

Source: Hawkins Wright; Arauco

\* 4Q2008 EBITDA under Chilean GAAP

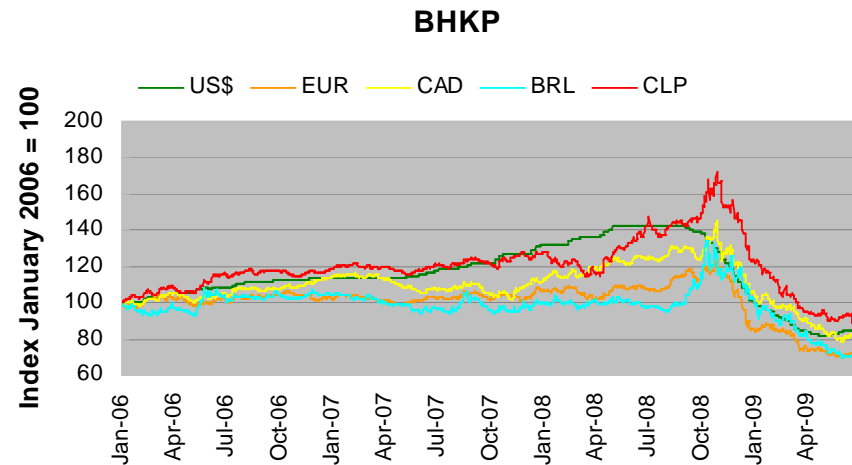
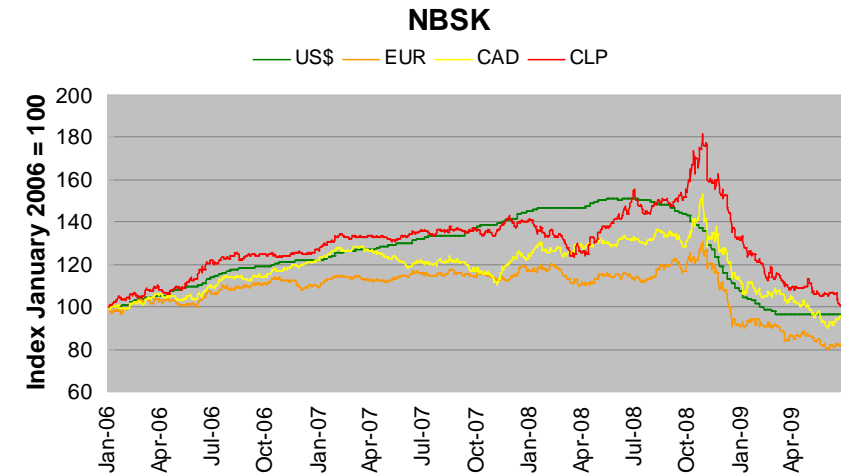
## Comments

- Since pulp prices bottomed at beginning of the year, price has increased above \$100/Adt
- There is some lag between pulp price and its impact over ARAUCO's EBITDA

# Outlook > Pulp market

- **Black Liquor Tax Credit continues giving an unfair cost competitiveness to US pulp mills – Canada followed with its own subsidy**
  - Total subsidy for 2009 estimated around \$4 to \$6 billion for the industry
  - We do not expect a renewal of this law for 2010
- **China is leading pulp demand; in March increased import volume 38% Year-to-date**
  - Despite increase in prices, substitution of domestic wood pulp and non-wood pulp production with imported fiber continues

Source: Hawkins Wright, Arauco



Source: Bloomberg, Arauco analysis



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# Outlook > Panels

## Plywood:

- Europe is showing some signs of recovery in demand, although still humble
- In USA demand has been stable, although there has been little space for price increases. ARAUCO increasing its share in the retail sector through home improvement stores

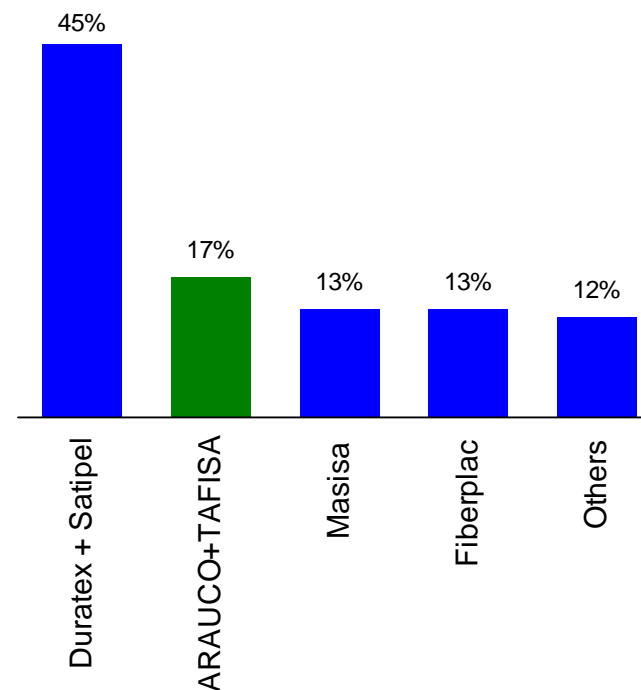
## MDF:

- Production in Chile and Argentina at normal levels -- both countries being able to export with price increases

## Brazilian market:

- Industry consolidation
- Will enter an overcapacity of both MDF and particleboard production, adding 2-3 million m<sup>3</sup> at end of 2009 and 2010
- Prices with a downward pressure
- Appreciation of the Real is making less attractive the export market

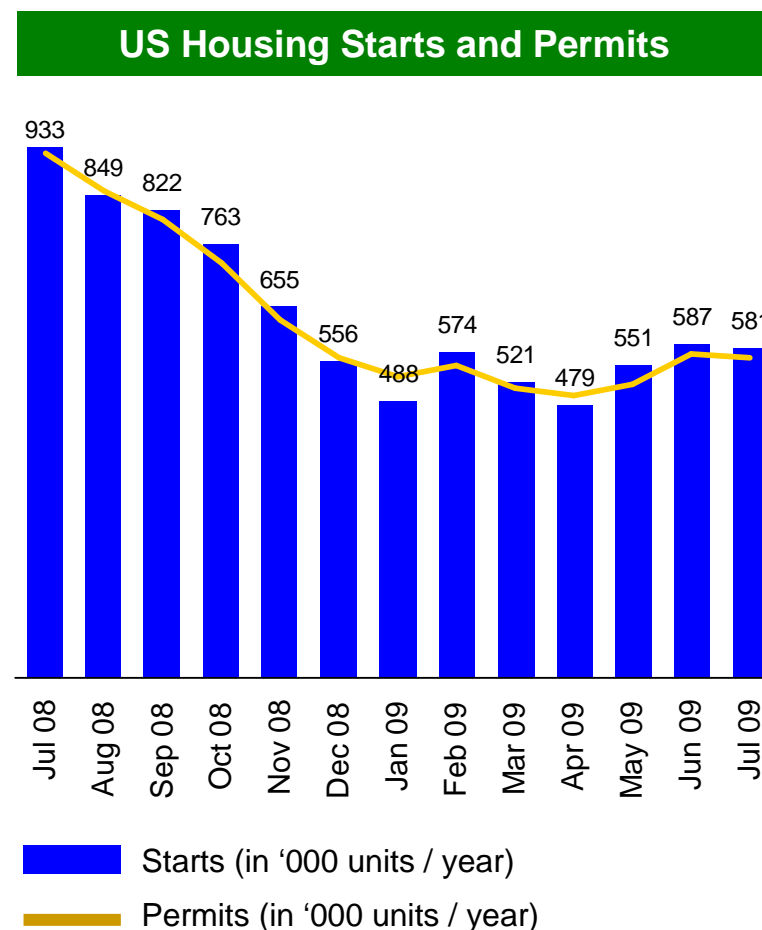
**Brazilian MDF+PB Market Share - 2009**



Source: Arauco estimations

## Outlook > Sawn Timber markets

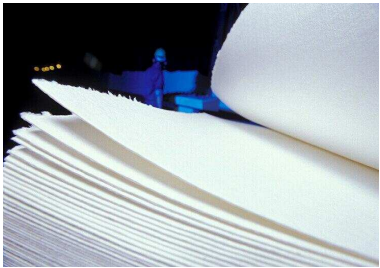
- There is some evidence the construction of houses in the US has bottomed, and we expect both housing permits and starts to stabilize during the next months
- Asian market shows some sign of recovery
  - For Korea and Taiwan, prices are expected to increase 15 \$/m<sup>3</sup>
  - Demand in China has been active, with almost normal levels of sales volume for the furniture industry and an increasing demand of wood for packaging. Prices are also expected to increase



Source: U.S. Census Bureau



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# Q & A



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**2<sup>nd</sup> Quarter 2009**

**Financial Results**

**September 8<sup>th</sup>, 2009**

**A replay of this conference call will be available from September 8, 2009, 12:30 to September 15, 2009  
23:59 (EST)**

Replay number: +1 (706) 645-9291 or (800) 642 1687 (only for participants from United States)  
Password: 28155952

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