



Conference Call Presentation

4th Quarter 2009

Financial Results

March 31st, 2010



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 4th Quarter 2009** **4**
- **Review by Business Segment** **11**
- **Subsequent Events and Post-Earthquake Update** **15**

Financial Review > 4Q 2009 Highlights

- Revenues of US\$ 885 million
(+6% over 3Q 2009)
- EBITDA of US\$ 226 million
(+4% over 3Q 2009)
- Net Income of US\$ 148 million
(+58% over 3Q 2009)
- Net Financial Debt of US\$ 2,669 million
(+7% over 3Q 2009)
- CAPEX of US\$ 277 million
(+15 % over 3Q 2009)

Financial Review > Consolidated Financial Statements

Income Statement			
U.S.\$ million	4Q09	3Q09	Q o Q
Sales	885	835	6%
Gross Margin	299	277	8%
EBITDA	226	219	4%
Operating Income	124	105	18%
Net Income	148	93	58%

Cash Flow			
U.S.\$ million	4Q09	3Q09	Q o Q
Operating activities	199	303	-34%
Investing activities	-287	-238	21%
Financing activities	-41	270	-115%
Cash flow of the period	-129	335	-138%

Assets			
U.S.\$ million	4Q09	3Q09	Q o Q
Cash	534	657	-19%
Inventories	620	625	-1%
Total Current Assets	2.274	2.341	-3%
PP&E	4.970	4.991	0%
Biological Assets	3.447	3.551	-3%
Total Fixed Assets	9.142	8.924	2%
Total Assets	11.416	11.265	1%

Liabilities and S.E.			
U.S.\$ million	4Q09	3Q09	Q o Q
Short term financial debt	525	508	3%
Current Liabilities	953	939	1%
Long Term financial debt	2.678	2.651	1%
Non Current Liabilities	4.080	4.068	0%
Minority Interest	114	123	-7%
Controller's S.E.	6.269	6.135	2%
Liabilities and S.E.	11.416	11.265	1%

Financial Review > Income Statement

Arauco - Income Statement

U.S.\$ million	4Q09	3Q09	Q o Q
Sales	885	835	6%
Cost of sales	-587	-557	5%
Gross margin	299	277	8%
Selling and administrative expenses	-174	-172	1%
Operating income	124	105	18%
Depreciation	50	62	-19%
Stumpage	52	52	0%
EBITDA	226	219	4%
Other operating income	45	57	-21%
Interest expenses	-65	-46	43%
Foreign exchange gains (losses)	-4	21	-117%
Negative Goodwill	37	0	
Other non operating income	18	-18	-200%
Income before taxes	156	119	31%
Taxes	-10	-23	-56%
Net income before minority interest	145	96	52%
Minority interest	-2	2	-197%
Net income	148	93	58%

Comments

- **Sales:** increase in prices (pulp 17%, panels 3%, sawn timber 2%) and panels' sales volume (15%) partially offset by pulp and sawntimber (-10% and -4%).
- **Costs** during the fourth quarter was 5% higher than the third quarter of this year, mainly explained by an increase in unit cost of pulp due to maintenance costs
- **EBITDA:** reached U.S.\$ 226 million during the fourth quarter of 2009, 4% higher than the previous quarter. Accumulated EBITDA as of December 2009 reached US\$725 million.

Financial Review > Cash Flow

Arauco - Cash Flow Statement

U.S.\$ million	4Q09	3Q09	Q o Q
Collection of accounts receivables	1.171	869	35%
Payments of suppliers and personnel (less)	-960	-603	59%
Other expenses paid (less)	24	32	-25%
Dividends and other distributions received	0	5	-99%
Interest paid (less)	-28	-43	-36%
Income tax paid	-9	43	-120%
Net cash provided by (used in) operating activities	199	303	-34%
Capital Expenditures	-277	-241	15%
Other investment cash flow	-10	3	-393%
Net cash provided by (used in) investing activities	-287	-238	21%
Debt issuance	33	470	-93%
Debt repayment	-42	-198	-79%
Other financing cash flow	-32	-3	1187%
Net cash provided by (used in) financing activities	-41	270	-115%
Total positive (negative) cash flow of the period	-129	335	-138%
Effect of inflation on cash and cash equivalents	6	6	-10%
Cash and cash equivalents at beginning of the period	657	317	108%
Cash and cash equivalents at end of the period	534	657	-19%



Financial Review > Debt

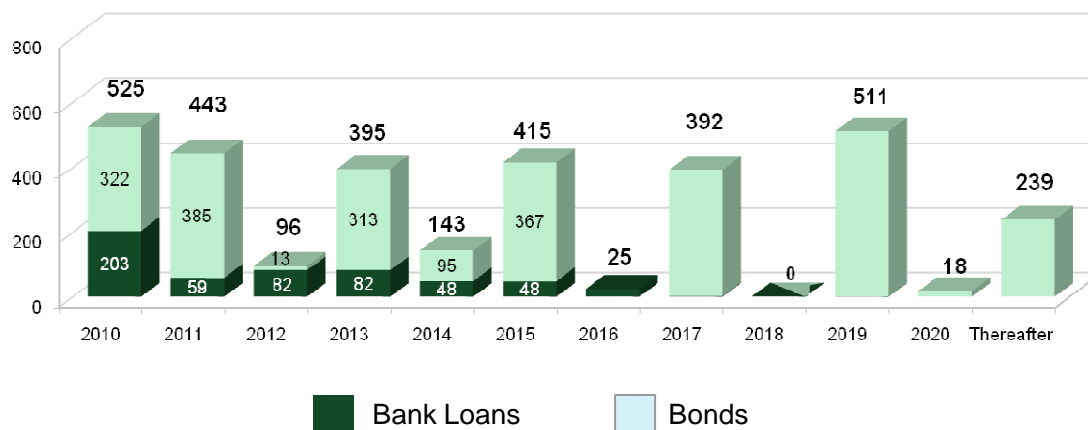
Financial Debt Profile

US\$ million	December 2009	September 2009	Q o Q
Short term financial debt	525	508	3%
Long term financial debt	2.678	2.651	1%
TOTAL FINANCIAL DEBT	3.203	3.159	1%
Cash and cash equivalents	534	657	-19%
NET FINANCIAL DEBT	2.669	2.502	7%

Comments

- During the fourth quarter of 2009, cash balance was U.S.\$ 534.2 million, an 18.7% decrease compared to the U.S. \$657.4 million held at the end of the previous quarter mainly due to the acquisition of assets in Uruguay
- U.S. \$100 million of the short term bank loans of 2010 paid in March.

Financial Debt Schedule



Financial Review > Ratios

Arauco Key Financial Ratios

	<u>Q4/09</u>	<u>Q3/09</u>	<u>Q2/09</u>	<u>Q1/09</u>	<u>Q4/08</u>	<u>FY2009</u>	<u>FY2008</u>
Profitability							
Gross margin	33.7%	33.0%	28.2%	27.0%	25.5%	30.9%	37.2%
Operating margin	14.0%	12.6%	6.8%	6.0%	4.2%	10.2%	17.9%
EBITDA margin	25.5%	26.2%	20.8%	19.3%	22.2%	23.3%	31.4%
ROA (EBIT / Total Assets)	4.4%	3.8%	1.9%	1.5%	1.2%	2.8%	6.5%
ROCE (EBIT (1 - tax rate) / Total Capitalization)	4.9%	3.6%	1.8%	1.4%	1.4%	2.9%	6.2%
ROE (Net Income / Equity)	9.2%	6.1%	3.2%	0.9%	-3.2%	4.7%	6.7%
Leverage							
Interest Coverage Ratio (EBITDA / Interest Expenses)	3.5x	4.8x	3.6x	3.1x	3.3x	3.7x	6.7x
Net Financial Debt / EBITDA	3.0x	2.9x	4.2x	4.9x	3.7x	3.7x	2.1x
Total Financial Debt / Total Capitalization	33.4%	33.5%	31.9%	32.4%	30.6%	33.4%	30.6%
Net Financial Debt / Total Capitalization	27.8%	26.6%	28.4%	28.3%	28.7%	27.8%	28.7%
Total Financial Debt / Equity	50.2%	50.5%	46.9%	47.8%	44.1%	50.2%	44.1%
Net Financial Debt / Equity	41.8%	40.0%	41.8%	41.8%	41.4%	41.8%	41.4%

Agenda

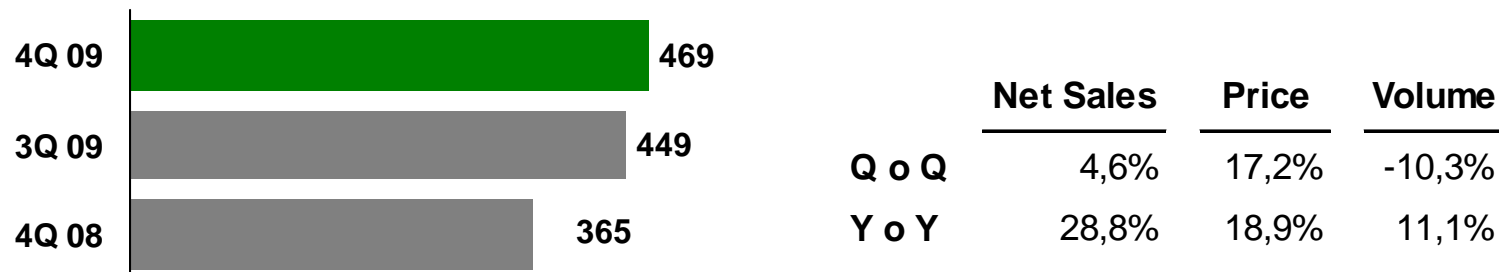
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Review by Business Segment > Pulp

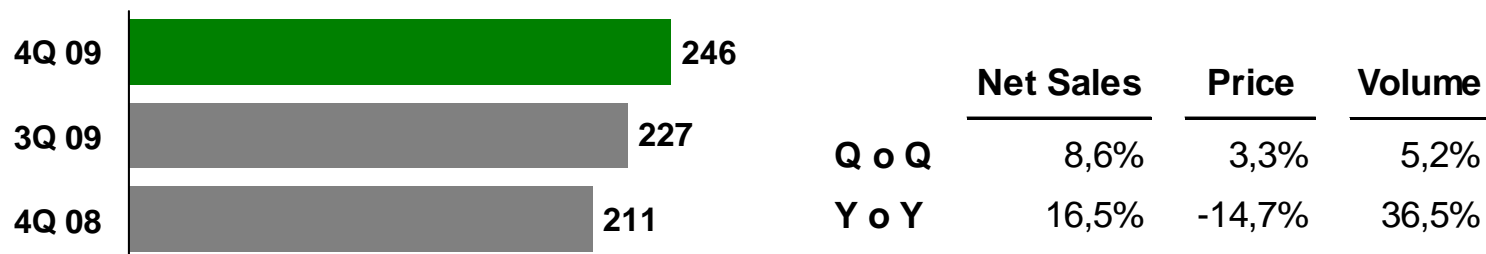
Pulp Division Net Sales (in US\$ million)



- The recovery in the pulp market was confirmed during the fourth quarter of 2009
- Most of this recovery has been pushed by Asian markets such as Taiwan, Korea, India, Indonesia – in particular China – where the activity is driven by an increase in paper production and higher demand for pulp
- Average pulp prices grew between 75% and 80% in short fiber and 50% to 60% in long fiber compared to the lowest prices during March-April 2009
- Stock levels are relatively low

Review by Business Segment > Panels

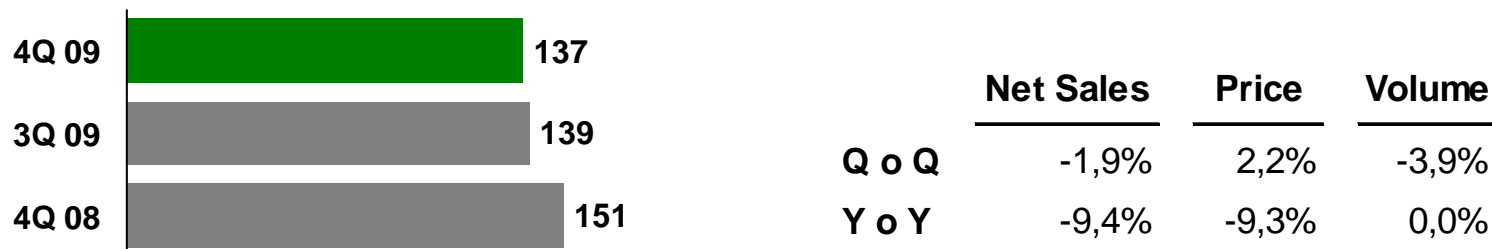
Panels Division Net Sales (in US\$ million)



- Panel's sales increased compared to the third quarter, mainly due to higher sales volume and prices. Part of this can be explained by the Tafisa Brasil acquisition. Compared with the same quarter 2008, sales increased by 16.5%, explained by higher sales volume of 36.5%.
- In the Plywood business, lower inventories of clients along with a stagnant supply from competitors have contributed to improve sales with sustained prices increases since first half of 2009
- We expect to reduce sales participation in Asia and the Middle East, because it represents higher logistic costs and therefore are less profitable than North and Latin American alternative markets

Review by Business Segment > Sawn Timber

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



- The real estate and construction markets in USA did not show big differences during the last quarter of 2009, remaining in the lowest construction levels in 50 years
- Compared to the third quarter, net sales slightly declined partially explained by the closure of the Horcones II mill in December 2009 which impacted in a lower sales volume
- For the full year 2009, sawn timber and remanufactured wood products sales reached US.\$493.9 million, 31.6% lower when compared to the same period of 2008. This decrease is mainly explained by the closure of three sawmills during the second half of 2008, and lower average prices

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- **Post-Earthquake Update**
- **Valdivia pipe approval**
- **Horcones 2 sawmill to reopen**

On February 27th, center and southern Chile was hit by an 8.8 Richter scale earthquake and tsunami

Key facts:

- Epicenter was located 105 kilometers northwest of Concepción
- Tsunami hit the coast of Maule and Bio Bio regions
- “Force Majeure” applicable to all contracts, communicated formally to all customers and suppliers
- Valdivia complex was the first to completely normalize all operations (sawn timber, remanufacture and pulp)
- Arauco has insurance coverage for both physical damage and stoppage losses

The epicenter was close to many of Arauco's main operations



ARAUCO KEY OPERATIONS IN CHILE

Licancel pulp mill (140,000 Adt/yr)

Constitución pulp mill (355,000 Adt/yr)

Nueva Aldea Complex:
 Pulp (1,027,000 Adt/yr)
 Sawn Timber
 Panels (Plywood)
 Energy

Arauco pulp mill (790,000 Adt/yr)

Valdivia Complex:
 Pulp (550,000 Adt/yr)
 Sawn Timber
 Remanufacture
 Energy



One month after the tragic event, Arauco has been able to normalize most operations

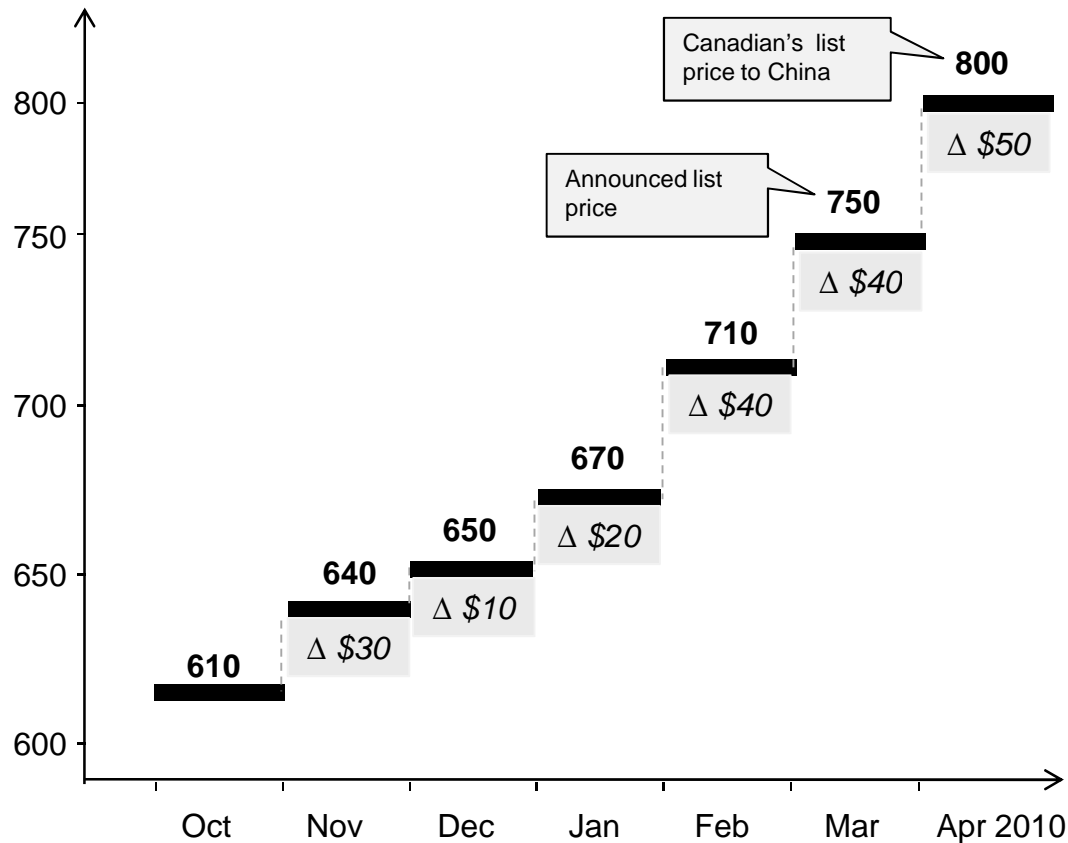
- Most of Arauco's workers have overcome their personal situation at home and today are able to go back to work
- Ports and transport infrastructure are operative with minor damages

Capacity	Total		% of Capacity in Chile	Total operative as of Feb 28 th		Total operative as of today		Estimated Capacity on April 30 th (1)	
Pulp (Adt)	3,212,000	100%	89%	350,000	11%	900,000	28%	2,357,000	73%
Sawn Timber (m ³)	2,825,000	100%	83%	810,000	29%	2,335,000	83%	2,695,000	95%
Panels (m ³)	3,185,000	100%	43%	1,800,000	57%	2,480,000	78%	3,185,000	100%
				Total Average	32%	Total Average	62%	Total Average	89%

(1) During April we estimate the restart of Nueva Aldea, Arauco (line 1), and Licancel pulp mills. We anticipate all panel and sawn timber mills will be operating except for the Mutrún sawmill which was destroyed with the tsunami

The effect over world pulp prices is not clear, as prices have consistently increased over the past months

Radiata Pine Prices from Chile to China



Source: Hawkins Wright Ltd., and Arauco estimations for April

Comments

- \$190 increase in radiata pine prices to China since October 2009
- February and March 2010 experienced \$40 increases, which do not include earthquake effect
- In line with recent trend, April prices should increase again in the range of \$40 - \$50
- World-20 days of supply slightly increased but still relatively low:

In days	Jan '10	Jan'09
BSKP	25	43
BHKP	35	56

On February 23rd the construction of the Valdivia pipe was environmentally approved by COREMA

- The 37 kilometer pipe will transport treated water coming from the Valdivia pulp mill to the Mehuin coast and will discharge the water 2 kilometers inside the Pacific Ocean
- The project will demand an investment of U.S. \$65 million and will be finished in 2012



↑ **Construction of Nueva Aldea pipe**

← **Nueva Aldea pipe in to the sea**

Horcones II sawmill will reopen on June 1st

- The sawmill, located near Arauco, was temporarily closed in December 2009 mainly due to market conditions
- The reopening will provide 200 new jobs in the area, which was deeply affected by the earthquake and tsunami
- The Horcones II sawmill will have a anual production capacity of 174,000 m³, offsetting the 130,000 m³ lost with the Mutrún closure





Q & A



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Financial Results

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Password: 64653590

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