



ARAUCO[®]
Growing the Future

Conference call presentation

3rd Quarter 2013 Financial Results

Celulosa Arauco y Constitución S.A.

Gianfranco Truffello, C.F.O.
Santiago, December 2nd, 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 3rd Quarter 2013**

- **Review by Business Segment & Outlook**

- **3rd Quarter and Subsequent Events**

- **Q&A**

Financial Review > 3Q 2013 Highlights

- Revenues of U.S.\$ 1,334.9 million
(1.7% lower than 2Q 2013)
- Adjusted EBITDA of U.S.\$ 319.4 million
(7.7% lower than 2Q 2013)
- Net Income of U.S.\$ 117.0 million
(28.0% lower than 2Q 2013)
- Net Financial Debt of U.S.\$ 3,660.6 million
(5.7% lower than 2Q 2013)
- CAPEX of U.S.\$ 166.8 million
(26.1% higher than 2Q 2013)

Financial Review > Income Statement

Comments

INCOME STATEMENT

In U.S. Million	3Q 13	2Q 13	QoQ
Revenue	1,334.9	1,358.7	-1.7%
Cost of sales	(926.5)	(904.3)	2.5%
Gross Margin	408.4	454.4	-10.1%
Other operating income	89.6	101.3	-11.6%
Administration & Distribution costs	(266.0)	(286.2)	-7.1%
Other operating gains (expenses)	(28.9)	(11.3)	156.4%
Financial costs (Net)	(55.5)	(51.0)	8.9%
Exchange rate differences	(1.4)	(5.8)	-76.6%
Income Before Income Tax	146.3	201.5	-27.4%
Income tax	(29.3)	(39.0)	-25.0%
Net Income	117.0	162.5	-28.0%

ADJUSTED EBITDA

In U.S. Million	3Q 13	2Q 13	QoQ
Net Income	117.0	162.5	-28.0%
Financial costs (net)	55.5	51.0	8.9%
Income Tax	29.3	39.0	-25.0%
EBIT	201.8	252.5	-20.1%
Depreciation & amortization	95.0	74.0	28.3%
EBITDA	296.8	326.5	-9.1%
Fair value cost of timber harvested	87.2	82.6	5.6%
Gain from chg. in fair value of bio. Assets	(66.0)	(69.0)	-4.5%
Exchange rate differences	1.4	5.8	-76.6%
Adjusted EBITDA	319.4	345.9	-7.7%

- **Revenue:** Decreased 1.7% mainly explained by lower energy sales compared to the previous quarter
- **Cost of Sales:** Increased 2.5% mainly explained by higher costs of timber and forestry labor costs, partially offset by a decrease in costs of energy and fuel, and chemical costs
- **Administration & Distribution Costs:** Decreased U.S.\$ 20.2 million mainly explained by a lower Distribution cost of U.S.\$ 19.5 million, of which U.S.\$ 16 million was explained by a decrease in freight costs
- **Adjusted EBITDA:** Decreased U.S.\$ 26.5 million, mainly explained by lower energy sales compared to the previous quarter

Financial Review > Cash Flow

CASH FLOW

In U.S. Million	3Q 13	2Q 13	QoQ
Collection of accounts receivables	1,409.6	1,428.2	-1.3%
Other expenses paid and received	129.2	115.7	11.7%
Payments of suppliers and personnel (less)	(1,077.9)	(1,276.1)	-15.5%
Interest paid and received	(62.4)	(35.0)	78.3%
Income tax paid	(10.2)	(16.3)	-37.4%
Other (outflows) inflows of cash, net	(0.1)	0.5	-
Net Cash Provided by (Used in) Operating Activities	388.3	216.4	79.4%
Capital Expenditures	(166.8)	(132.2)	26.2%
Other investment cash flows	4.9	33.3	-85.3%
Net Cash Provided by (Used in) Investing Activities	(161.8)	(98.9)	63.6%
Proceeds from borrowings	77.4	544.5	-85.8%
Repayments of borrowings	(493.1)	(236.4)	108.6%
Dividends paid	(10.8)	(59.1)	-81.7%
Other inflows of cash, net	0.0	(2.5)	-
Net Cash Provided by (Used in) Financing Activities	(426.5)	246.5	-273.0%
Total Cash Inflow (Outflow) of the Period	(200.1)	364.0	-155.0%
Effect of exchange rate changes on cash and cash equivalents	(2.6)	(12.1)	-78.5%
Cash and Cash equivalents, at beginning of the period	746.4	394.5	89.2%
Cash and Cash Equivalents at end of the Period	543.7	746.4	-27.2%

Comments

- **Cash from operating activities:** a U.S.\$ 171.9 million increase mainly explained by a decrease in payments to suppliers and employees of U.S.\$ 198.2 million, partially offset by a U.S.\$ 27.4 million increase in interests paid and received
- **Capex:** increased U.S.\$ 34.6 million, mainly explained by equity contributions to Montes del Plata
- **Cash from financing activities:** a decrease of U.S.\$ 673.0 million, mainly due to the U.S.\$ 300 credit agreement obtained in June and the payment of the U.S.\$ 300 million Yankee bond matured in July. In addition there was a decrease in pre export financing loans

Financial Review > Debt

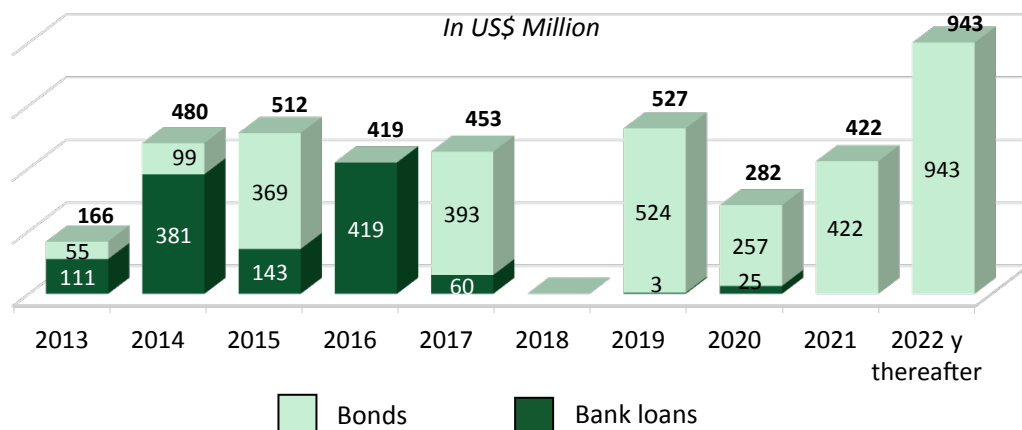
Financial Debt

In U.S. Million	September 2013	June 2013	September 2012
Short term financial debt	439.6	853.1	708.5
Long term financial debt	3,764.7	3,773.2	3,632.1
TOTAL FINANCIAL DEBT	4,204.2	4,626.3	4,340.6
Cash and cash equivalents	543.7	746.4	370.3
NET FINANCIAL DEBT	3,660.6	3,879.9	3,970.4

Comments

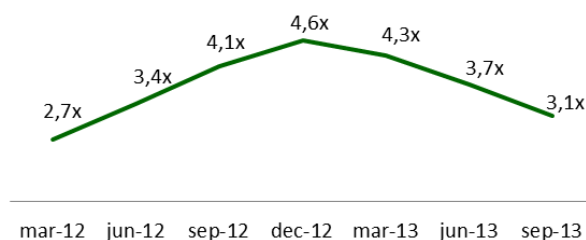
- Net Financial debt reached US\$ 3,660.6 million, a decrease of 5.7% QoQ.
- Short term bank loans are mainly pre-export financing loans

Financial Debt Profile as of September 30, 2013



Note: Short term debt numbers include accrued interest

Net Debt/EBITDA



Financial Review > Ratios

KEY FINANCIAL RATIOS

	3Q 13	2Q 12	3Q 12
Profitability			
Gross margin	30.6%	33.4%	24,.8%
Operating margin	10.7%	12.4%	2.4%
LTM ⁽¹⁾ Adjusted EBITDA margin	23.1%	21.8%	23.7%
ROA (EBIT / Total assets)	5.9%	7.3%	4.0%
LTM ROCE (EBIT x (1–tax rate) / (Working Cap+Fixed assets)	6.1%	3.8%	3.2%
ROE (Net income / Equity)	6.6%	9.2%	-3.3%
Leverage			
Interest coverage ratio (Adj. EBITDA LTM / Financial costs)	4.5x	4.3x	5.0x
Net financial debt / Adjusted EBITDA LTM	3.1x	3.7x	4.1x
Financial debt / Total capitalization ⁽²⁾	37.2%	39.7%	38.5%
Net financial debt / Total capitalization	32.4%	33.3%	35.2%
Financial debt / Shareholders' equity	59.8%	66.4%	63.4%
Net financial debt / Shareholders' equity	52.1%	55.7%	58.0%

(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 13	573				
2Q 13	591	QoQ	-3.0%	-1.3%	1.3%
3Q 12	491	YoY	16.6%	5.4%	8.7%

Note: pulp sales include energy sales



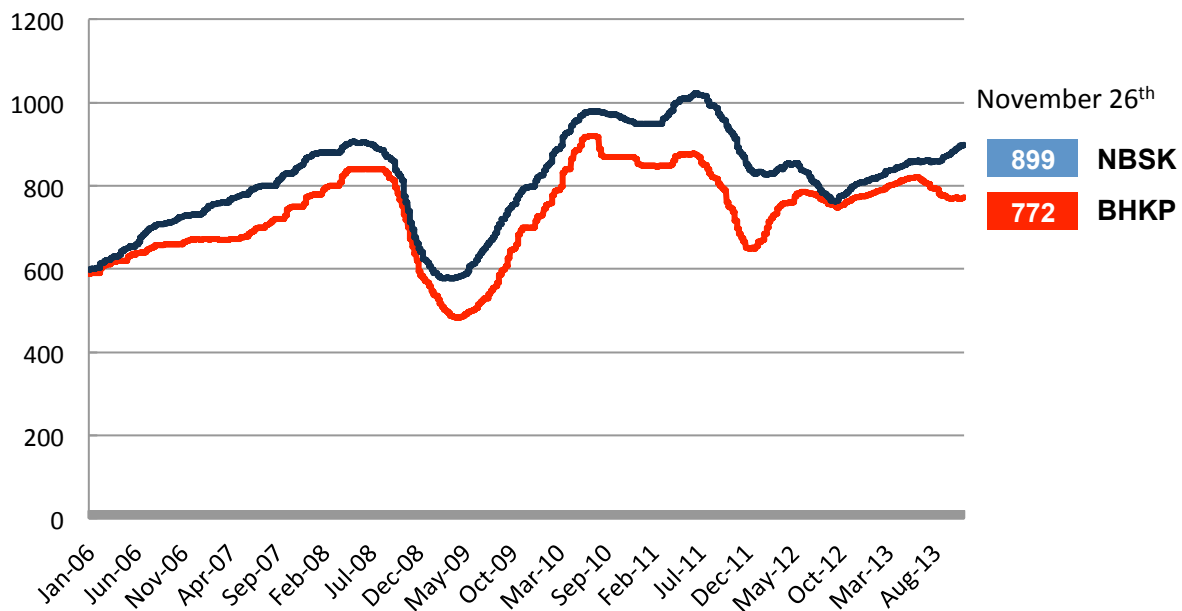
- Pulp sales decreased 3.0% compared to the previous quarter, mainly explained by lower energy sales during 3Q13. Compared to the same quarter of 2012, pulp sales increased 16.6%, mainly explained by higher average prices and sales volumes
- Small dip in prices reflect Northern Hemisphere seasonality
- The situation in Europe continues difficult, but the consumption began to stabilize in some paper industries (Graphic papers, magazine papers, etc.)
- In general, good demand in Asia; however, the demand growth did not increase at the same pace than the installed capacity. Oversupply for printing & writing paper, specially in China, Korea and Taiwan. Tissue continues growing
- Latin America continued very active, with strong demand and good prices
- Production at record levels

Pulp production in 000' tons

1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
763	732	726	749	801	794	817

Review by Business Segment > Pulp > Outlook

BHKP AND NBSK INDEXES



Comments

- We expect small increases in prices for long fiber and stable prices for short fiber
- Oversupply in short fiber has been diluted; deferred entry of new capacity
- Chinese demand is growing after the slow beginning of 2013
- Spread between NBSK and BHKP at US\$ 127/ton

GLOBAL PRODUCERS INVENTORY LEVELS

<i>In days</i>	March 2012	June 2012	Sept 2012	Dec 2012	March 2013	June 2013	Sept 2013
BSPK	29	29	27	29	29	28	27
BHKP	34	40	39	34	41	40	42

Source: Bloomberg; Hawkins Wright

Review by Business Segment > Panels

Panels Sales (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
3Q 13	502				
2Q 13	515	QoQ	-2.5%	-1.4%	1.2%
3Q 12	304	YoY	65.3%	-0.4%	73.2%

Note: Panels sales include energy sales



- Average panels prices decreased 1.4%, partially offset by a 1.2% increase in volume sales; respect to the previous quarter.
- Prices remained stable and volume sales increased 73,2%, respectively, compared to the same quarter of 2012. Increase in volume is mainly explained by the Flakeboard Acquisition and the new Jaguariaiva MDF line
- Volume sales of MDF increased in 3Q13 respect to 2Q13. This growth is mainly explained by an increase of volume sales in the Latin American market, specially in Argentina, Mexico and Brazil. The last one as a result of the new capacity from the second Jaguariaiva MDF line

Panels production in 000' m3

1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
637	684	731	1,194	1,199	1,294	1,332

Review by Business Segment > Panels > Outlook

MDF Panels and Moldings

- In Brazil, prices and volumes will remain stable and may rise
- In USA and Canada, we expect prices and volumes to remain stable
- In Chile, we expect MDF Panels and moldings to remain stable during the next months. Prices for MDF moldings are in its historical maximum. We expect a small decrease in average prices for MDF Panels

PBO Panels

- In Brazil, we expect PBO volumes and prices to remain stable
- We expect higher prices in Argentina, specially for 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	219				
1Q 13	208	QoQ	5.4%	7.2%	0.5%
2Q 12	193	YoY	13.8%	6.0%	8.0%

Note: Sawn Timber sales include energy sales



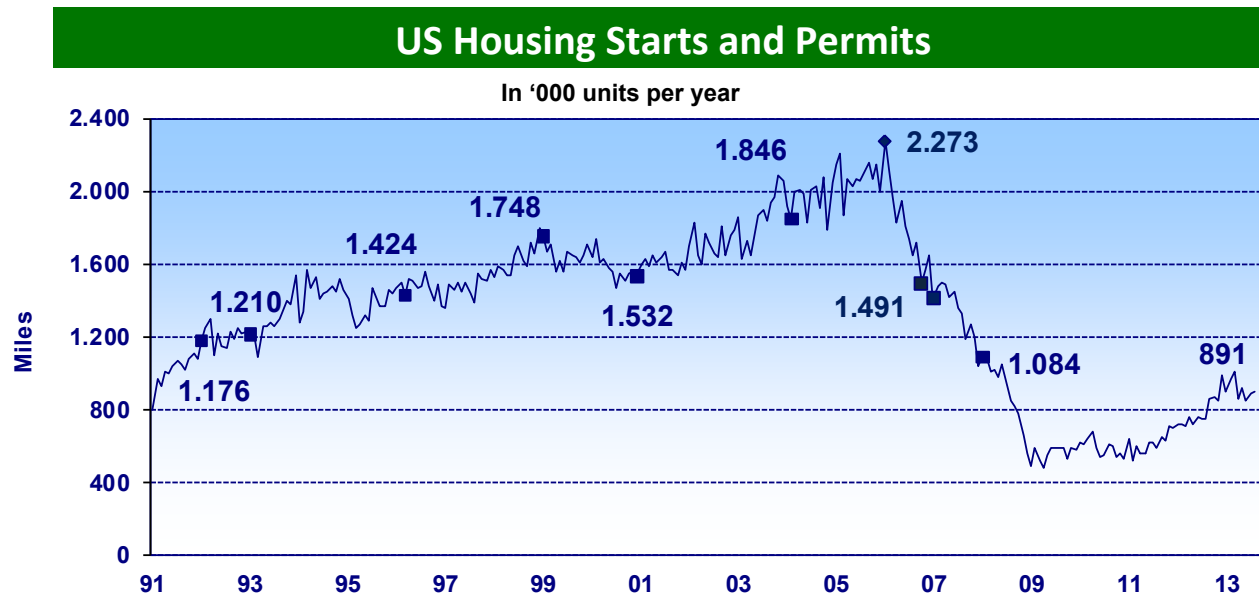
- Third quarter had an increase in sales, driven by higher average prices and volume sales
- The real estate and construction sectors in the United States had an increase compared to the previous quarter, however, current construction levels continues low compared to the historical 10 years average
- 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	3Q13
600	660	659	661	698	701	733

Review by Business Segment > Sawn Timber > Outlook

- We expect the next months to continue positive in terms of prices and demand, and margins, in line with the past quarters
- We expect better demand in USA; the construction industry is improving, with supply in line with demand for remanufactured wood
- Important markets for our sawn timber products, such as China, Korea, New Zealand, Middle East and Mexico are currently very active with strong demand



Source: U.S. Census Bureau

- Housing starts index for August 2013 was 891.000 units per year

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3rd Quarter and Subsequent Events

ARAUCO's Forestry Business obtains FSC™ certification

- On September 10, 2013, the FSC™-accredited certification body, Woodmark, issued certificate number SA-FM/COC-004173 to ARAUCO, verifying that all the company's forest holdings in Chile are being managed in compliance with the rigorous standards of the Forest Stewardship Council™



3rd Quarter and Subsequent Events

Start-up of our Nueva Aldea's Plywood mill will be in December 2013

- The facility will have an annual production capacity of 350,000 m³
- The reconstruction of the mill is almost complete



Montes del Plata project timetable updated

- Approximately at 94% of completion
- The start up process is expected to begin during the first quarter of 2014



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