



Celulosa Arauco y Constitución S.A.

Second Quarter 2016 Results

August 24, 2016

HIGHLIGHTS

REVENUES U.S.\$ 1,207.3 MILLION

Arauco's revenues reached U.S.\$ 1,207.3 million during the second quarter of 2016, a 5.3% increase compared to the U.S.\$ 1,146.0 million obtained in the first quarter of 2016.

NET INCOME U.S.\$ 57.5 MILLION

Net income reached U.S.\$ 57.5 million, an increase of 8.6% compared to the U.S.\$ 52.9 million obtained in the first quarter of 2016.

ADJUSTED EBITDA U.S.\$ 283.4 MILLION

Adjusted EBITDA reached U.S.\$ 283.4 million, an increase of 12.1% compared to the U.S.\$ 252.8 million obtained during the first quarter of 2016.

NET FINANCIAL DEBT/ LTM ADJUSTED EBITDA

Net Financial Debt / LTM⁽¹⁾ Adjusted EBITDA ratio reached 3.4x this quarter, an increase compared to the 3.1x obtained in the first quarter of 2016.

(1) LTM = Last Twelve Months

CAPEX

CAPEX reached U.S.\$ 271.8 million, an increase of 170.3% compared to the U.S.\$ 100.5 million during the first quarter of 2016.

Conference Call

Thursday, September 1st, 2016

11:00 Santiago Time

10:00 Eastern Time (New York)

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For more details on Arauco's financial statements please refer to www.svs.cl or www.arauco.cl

Readers are referred to the documents filed by Arauco with the United States Securities and Exchange Commission, specifically the most recent filing on Form 20-F that identifies important risk factors that could cause actual results to differ from those contained in the forward-looking statements. All forward-looking statements are based on information available to Arauco on the date hereof and Arauco does not assume any obligation to update such statements. References herein to "U.S.\$" are to United States dollars. Discrepancies in any table between totals and sums of the amounts listed are due to rounding. This report is unaudited.

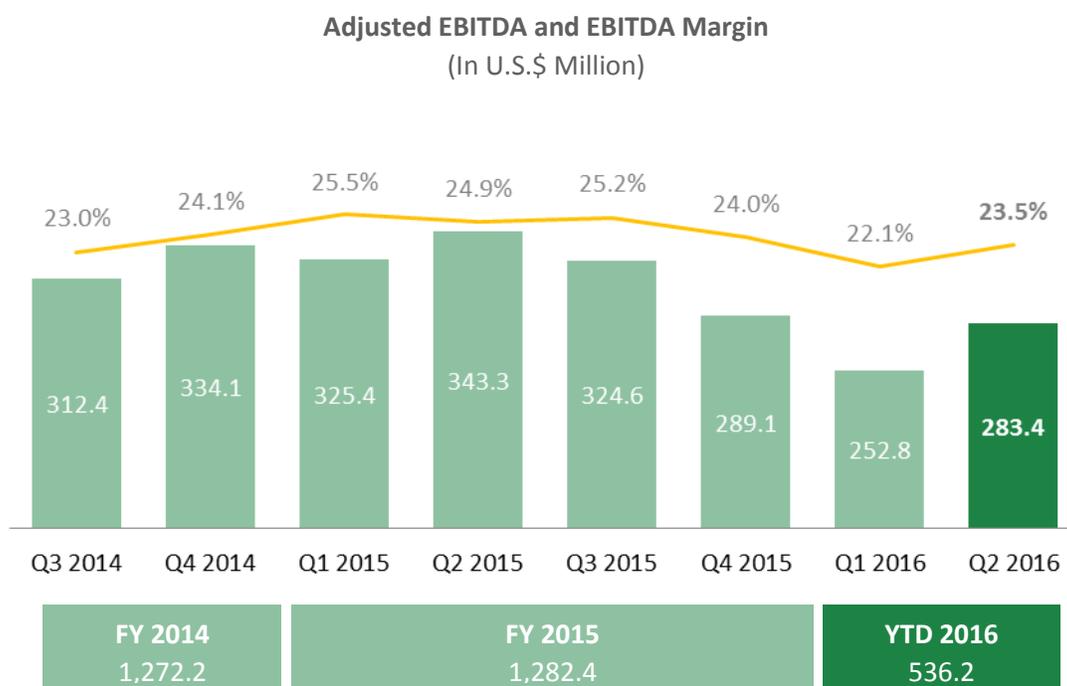
OVERVIEW

Arauco's second quarter regained strength, with revenues improving 5.3% to U.S.\$ 1,207.3 million. Our Adjusted EBITDA also recovered 12.1%, reaching U.S.\$ 283.4 million.

In general, price adjustments in the pulp business reached a plateau in most markets, and many markets even bounced back with China leading the way. Annual maintenance stoppage season began in the Northern hemisphere, helping to release pressure off some markets with surplus. For the second half of the year, world economic growth is expected to accelerate or at the very least settle after Brexit.

Boost from our panels business also increased revenues during this quarter, with plywood significantly improving its performance. Sonae – Arauco, a joint venture with Portuguese company Sonae Industria, was materialized, making Arauco the second largest panel producer worldwide.

Our Free Cash Flow was negative U.S.\$ 110.8 million, largely explained by the €137.5 million payment for the Sonae - Arauco deal, as well as dividend payments for U.S.\$ 100.3 million. This in turn increased our Net Debt by U.S.\$ 157.7 million. Compared with the previous quarter, our cash from operations increased by U.S.\$ 32.2 million and Cash used in financing activities net of proceeds and repayments by U.S.\$ 99.5 million increased likewise. Our leverage increased to 3.4 times during this quarter, mainly due to our decreased cash position.



INCOME STATEMENT

Net income for the second quarter of 2016 was U.S.\$ 57.5 million, an increase of 8.6% or U.S.\$ 4.5 million compared to the U.S.\$ 52.9 million obtained in the first quarter of this year.

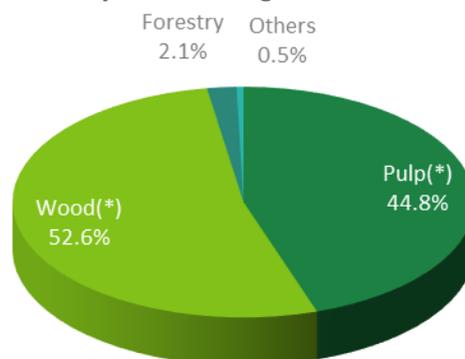
In U.S.\$ Million	Q2 2016	Q1 2016	QoQ
Revenues	1,207.3	1,146.0	5.3%
Cost of sales	(874.6)	(826.5)	5.8%
Distribution costs	(119.6)	(110.2)	8.6%
Administrative expenses	(139.1)	(112.7)	23.4%
Other income	61.7	58.0	6.4%
Other expenses	(12.9)	(20.5)	-37.1%
Financial income	6.6	11.3	-41.8%
Financial costs	(65.5)	(70.3)	-6.8%
Participation in (loss) profit in associates and joint ventures accounted through equity method	6.0	4.0	48.4%
Exchange rate differences	(0.2)	1.1	-117.2%
Income before income tax	69.7	80.3	-13.2%
Income tax	(12.2)	(27.4)	-55.5%
Net income	57.5	52.9	8.6%

Revenues reached U.S.\$ 1,207.3 million during the second quarter of 2016 compared with the U.S.\$ 1,146.0 million in the previous quarter, thanks to an improvement in our revenues from the pulp, wood products, and forestry businesses. Our wood products segments increased its participation of our total sales. Revenue from our energy sales also increased 27.4% compared to the last quarter. Average prices in our pulp business decreased 2.7% compared to last quarter, while sales volume increased 4.6%. In our wood products business, average prices increased 3.3% compared to last quarter, and sales volume increased 3.8%. The following table shows a breakdown of our revenue sales separated by business segment:

In U.S.\$ Million	Q2 2016	Q1 2016	QoQ
Pulp(*)	541.5	525.8	3.0%
Wood Products(*)	635.2	591.7	7.3%
Forestry	24.8	22.3	11.5%
Others	5.8	6.2	-6.0%
Total	1,207.3	1,146.0	5.3%

(*) Pulp and Wood division sales include energy

Sales by Business Segment 2Q 2016



Cost of sales for the second quarter of the year reached U.S.\$ 874.6 million, U.S.\$ 48.1 million or 5.8% higher than the U.S.\$ 826.5 million obtained in the first quarter of 2016. This increase is in line with the increases in our sales volume. In terms of cost by concept, the main increase in absolute terms was forestry labor costs. This increase reflects the change in weather conditions during the winter season that causes forestry road maintenances to be more frequent during this time of year, and increases harvesting costs. Maintenance costs increased by U.S.\$ 9.0 million, due to the two-month planned maintenance stoppage at our Constitución Mill. The Montes del Plata Pulp Mill in Uruguay also had a maintenance stoppage during the month of April. Both mill stoppages went according to plan. Other raw materials and indirect costs declined when we compare to the first quarter of the year, mainly due to inventory adjustments.

In U.S.\$ Million	Q2 2016	Q1 2016	QoQ
Timber	186.7	188.9	-1.1%
Forestry labor costs	143.6	131.7	9.0%
Depreciation and amortization	96.6	87.4	10.4%
Maintenance costs	80.8	71.8	12.5%
Chemical costs	119.3	118.0	1.2%
Sawmill services	31.1	27.8	11.7%
Other raw materials and indirect costs	93.5	83.0	12.7%
Energy and fuel	37.2	32.4	14.7%
Cost of electricity	8.9	11.4	-21.8%
Wage, salaries and severance indemnities	76.9	74.1	3.8%
Cost of Sales	874.6	826.5	5.8%

Administrative expenses overall increased by 23.4% or U.S.\$ 26.4 million. Almost half of this increase is a result of higher expenses in wages, salaries and severance indemnities. Last quarter there was an adjustment on the provision for performance bonuses, which decreased last quarter's expense in this item. The implementation of SAP in Arauco North America also brought forth some minor reclassification from items classified as cost of sales to administrative expenses. Among other things, yearly computer license expenses were disbursed during the month of April, increasing computer service expenses by U.S.\$ 5.0 million.

In U.S.\$ Million	Q2 2016	Q1 2016	QoQ
Wage, salaries and severance indemnities	58.9	46.3	27.2%
Marketing, advertising, promotion and publications expenses	2.3	2.3	-0.2%
Insurance	6.3	5.9	6.7%
Depreciation and amortization	7.1	6.1	16.9%
Computer services	10.7	5.7	89.2%
Lease rentals (offices, warehouses and machinery)	5.1	3.3	55.5%
Donations, contributions, scholarships	2.8	2.8	-0.1%
Fees (legal and technical advisories)	10.1	9.9	2.6%
Property taxes, patents and municipality rights	6.5	3.8	72.6%
Other administration expenses	29.2	26.7	9.6%
Administrative Expenses	139.1	112.7	23.4%

Distribution costs increased 8.6% or U.S.\$ 9.4 million. Freights had the largest deviation in absolute terms, increasing U.S.\$ 6.1 million in comparison to last quarter's freight costs, principally due to an increase in our pulp export sales.

In U.S.\$ Million	Q2 2016	Q1 2016	QoQ
Commissions	3.6	3.5	3.0%
Insurance	0.9	0.9	0.2%
Other selling costs	4.6	3.1	46.5%
Port services	6.8	6.4	6.2%
Freights	86.8	80.7	7.5%
Other shipping and freight costs	16.9	15.5	9.0%
Distribution Costs	119.6	110.2	8.6%

As a percentage, administrative expenses and distribution costs combined were 21.4%, showing an upward trend compared to the 19.4% in the previous quarter, and a downward trend compared to 21.7% in the fourth quarter of 2015.

Other income rose 6.4% or U.S.\$ 3.7 million this quarter. Gains on sales of assets had increased by U.S.\$ 4.4 million compared to last quarter, due to several minor sales of land in Chile, sale of equipment, and the sale of water rights. This increase was slightly offset by Gains from changes in fair value of biological assets, which decreased U.S.\$ 2.1 million during this period.

In U.S.\$ Million	Q2 2016	Q1 2016	QoQ
Gain from changes in fair value of biological assets	48.4	50.5	-4.1%
Net income from insurance compensation	0.8	1.5	-47.1%
Revenue from export promotion	0.5	0.6	-17.6%
Leases received	0.7	0.8	-9.4%
Gains on sales of assets	7.3	2.9	152.6%
Access easement	0.1	-	-
Other operating results	4.0	1.8	124.5%
Other Income	61.7	58.0	6.4%

Other expenses fell overall 37.1% or U.S.\$ 7.6 million. This result is mainly due to the effect last quarter of the sale of our subsidiary Stora Enso Arapoti Indústria de Papel S.A. in Brazil, of which Arauco owned 20%. Provision for forestry losses also increased by U.S.\$ 2.1 million during this quarter.

In U.S.\$ Million	Q2 2016	Q1 2016	QoQ
Depreciation	0.3	0.3	-1.3%
Legal payments	(0.9)	1.3	-168.5%
Impairment provision property, plant and equipment and others	1.0	0.9	2.6%
Plants stoppage operating expenses	0.5	1.5	-69.8%
Gain (loss) from asset sales	0.6	0.3	108.6%
Loss of assets	0.3	0.2	44.8%
Provision for forestry fire losses	2.1	-	-
Other taxes	3.1	1.9	64.7%
Research and development expenses	0.6	0.6	2.3%
Compensation and eviction	2.3	0.2	1027.0%
Fines, readjustments and interest	0.2	0.2	-0.7%
(Gain) loss from subsidiary sales	-	10.4	-100.0%
Other expenses (donations, repayments insurance)	3.0	2.8	7.1%
Other expenses	12.9	20.5	-37.1%

Foreign exchange differences showed a loss of U.S.\$ 0.2 million, a U.S.\$ 1.3 million difference when compared to the previous quarter that ended at U.S.\$ 1.1 million. Although volatility in the economic market affected currency exchange rates throughout the quarter, exchange rates finished around the same levels as the beginning of this quarter. The Chilean peso appreciated 1.5% against the U.S. dollar, while the Argentine peso also appreciated by 3.0%. On the other hand, the Brazilian real depreciated throughout this quarter, deteriorating 9.7% in value against the U.S. dollar, which in turn negatively affected our U.S. dollar-denominated debt in that country.

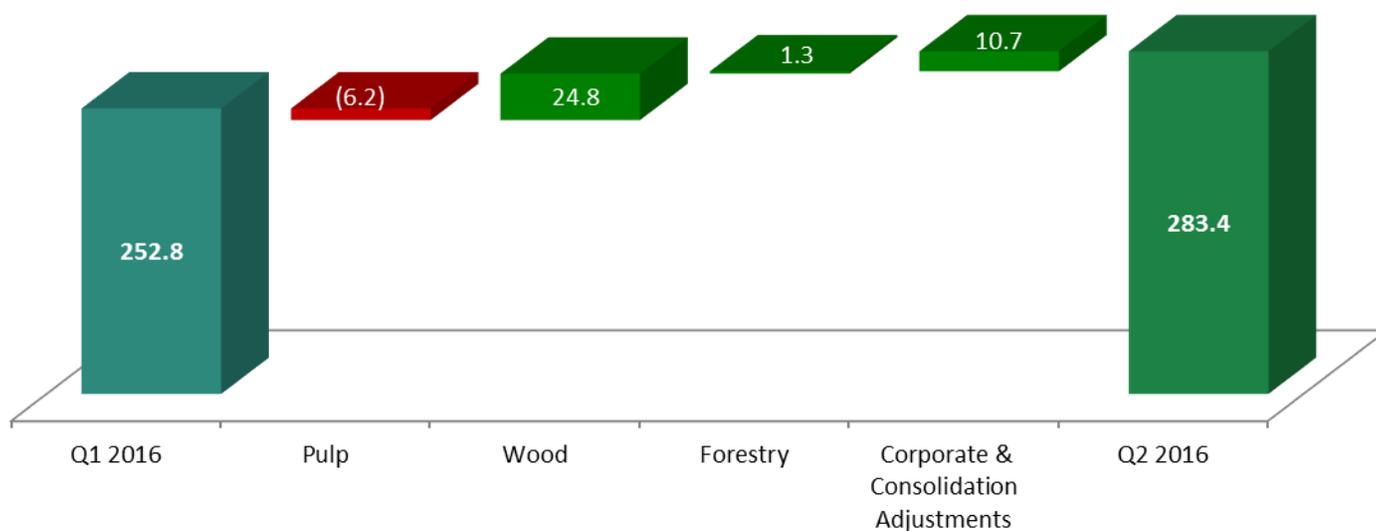
ADJUSTED EBITDA

Adjusted EBITDA for the second quarter of 2016 was U.S.\$ 283.4 million, 12.1% or U.S.\$ 30.6 million higher than the US\$ 252.8 million reached during the previous quarter. Adjusted EBITDA for the second quarter of 2016 was lower by 17.5% or U.S.\$ 60.0 million when compared with the U.S.\$ 343.3 million reached in the same period of 2015. In terms of Adjusted EBITDA by business, during the second quarter we had an upsurge from our wood division of 39.1% compared to last quarter. Our forestry division maintained stable sales, improving 1.8%. These effects were partially offset by our pulp division, which sustained a 4.2% decrease.

In U.S. Million	Q2 2016	Q1 2016	Q2 2015	QoQ	YoY
Net Income	57.5	52.9	105.9	8.6%	-45.7%
Financial costs	65.5	70.3	63.0	-6.8%	4.0%
Financial income	(6.6)	(11.3)	(8.8)	-41.8%	-25.1%
Income tax	12.2	27.4	36.4	-55.5%	-66.5%
EBIT	128.6	139.3	196.4	-7.7%	-34.6%
Depreciation & amortization	104.5	94.6	102.1	10.5%	2.4%
EBITDA	233.0	233.8	298.5	-0.3%	-21.9%
Fair value cost of timber harvested	96.5	70.6	76.3	36.8%	26.5%
Gain from changes in fair value of biological assets	(48.4)	(50.5)	(47.3)	-4.1%	2.4%
Exchange rate differences	0.2	(1.1)	(2.6)	-117.2%	-107.3%
Others (*)	2.1	-	18.5		-88.8%
Adjusted EBITDA	283.4	252.8	343.3	12.1%	-17.5%

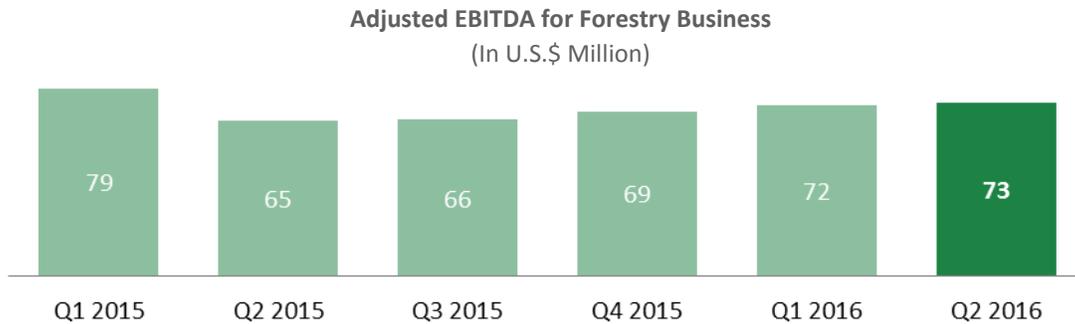
(*) Includes provision from forestry fire losses.

Adjusted EBITDA Variation by Business Segment Q1 2016 – Q2 2016
(In U.S.\$ Million)

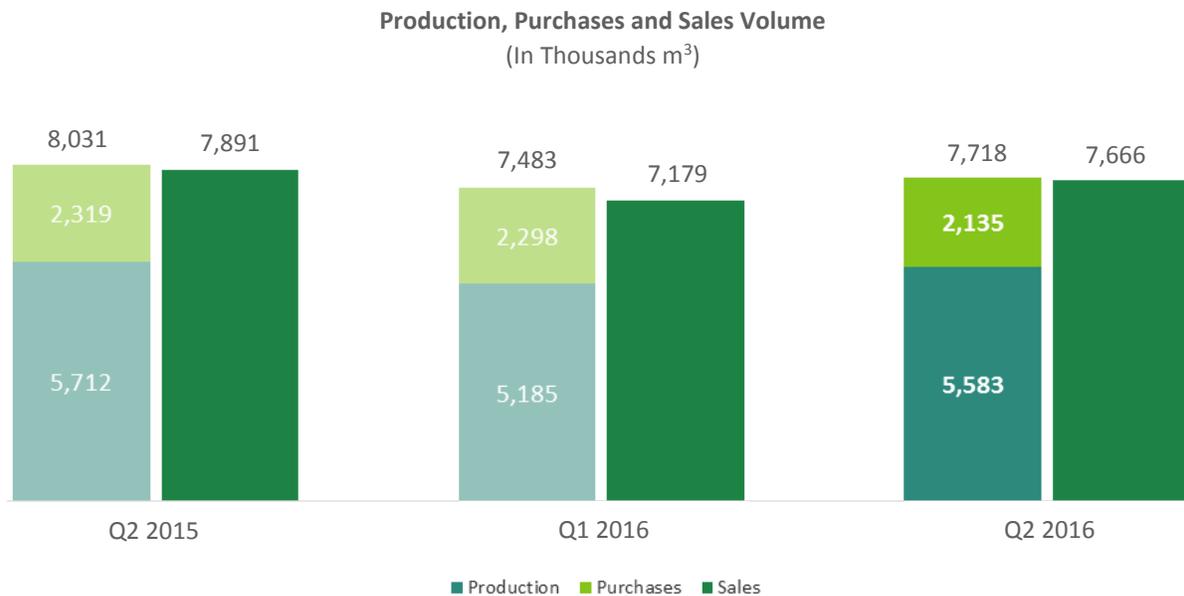


FORESTRY BUSINESS

The Adjusted EBITDA for our forestry business reached U.S.\$ 72.9 million during this quarter, which translates to a 1.8% or U.S.\$ 1.3 million increase compared to the previous quarter.

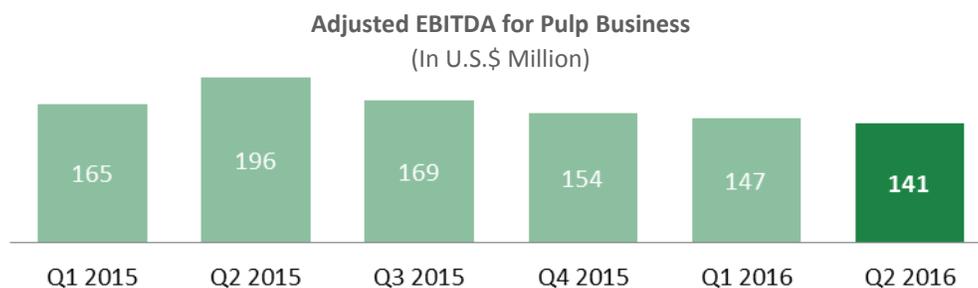


During the second quarter, our forestry production was 5.6 million m³, a 7.7% increase compared to the 5.2 million m³ produced in the previous quarter. Sales volume also increased by 6.8% from 7.2 million m³ to 7.7 million m³. This increase is mainly due to higher sales volume of pulp and wood products, which in turn led to higher internal demand for wood.



PULP BUSINESS

The Adjusted EBITDA for our pulp business reached U.S.\$ 140.7 million during this quarter, which translates to a 4.2% or U.S.\$ 6.2 million decrease compared to the previous quarter.



Global Pulp Demand Change Q1 2016 – Q2 2016

North America	▲	4.8%
West Europe	▼	-2.5%
East Europe	▲	11.5%
Latin America	—	0.6%
Japan	▲	3.4%
China	▲	11.1%
Others	▲	8.5%

Source: Hawkins Wright

After the price adjustment during the first quarter of this year, especially in short fiber, prices reached a plateau in most markets and even regained some price strength in others. The short fiber market is still undergoing pressure, although there are signs that these are subsiding. In terms of region, Western Europe has had the slowest recovery rate. Worldwide inventory levels decreased by two days in long fiber and five days in short fiber. Paper producers looking to recover inventory levels as well as mill stoppages during the spring season in the Northern Hemisphere supported some price upsurges this quarter. Counteracting these factors are the incoming volume from new pulp mills coming into play during the first quarter of the year.

Production and Sales Volume (In Thousand AdT)



Asia was the leader in price recovery this quarter, with long fiber and short fiber prices up by U.S.\$ 20 each, which translated to a 3% and 4% gain, respectively. Annual maintenance stoppage season helped long fiber prices along, while short fiber prices were boosted thanks to paper producers seeking to recover inventory levels. The price gap of approximately U.S.\$ 110 (with short fiber on the lower end) also favored the substitution of long fiber to short fiber. Despite this optimism, price gains remain fragile and could be neutralized by the upcoming paper demand low season. Asian countries continue to follow Chinese price trends. Looking for better and more stable returns, many producers of unbleached long fiber pulp have started to produce larger quantities aimed for the niche market of fiber cement. This move has driven overall prices in this type of fiber downwards.

In Europe, paper producers foresee less demand in the upcoming summer months, and have therefore controlled their inventory levels, making price hikes harder to achieve. Supply-demand imbalances continue to impact these markets, although there could be more breathing room after many producers begin their maintenance stoppages. Prices remained stable during this quarter, with short fiber maintaining the same price levels as last quarter, and long fiber picking up 2% or U.S.\$ 10. Inventory levels at European ports continue to be above normal levels, leading many producers to redirect volumes to other geographic areas.

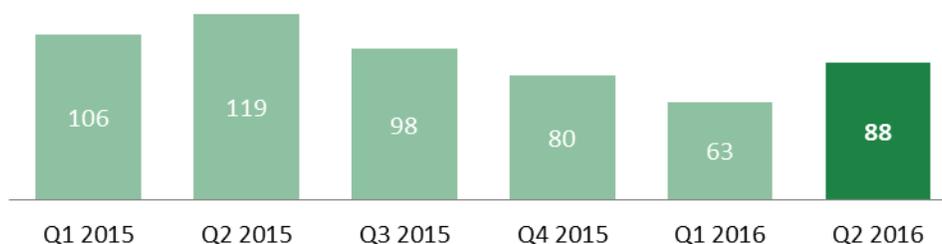
In other markets, such as the Middle East, price increases were limited, reaching U.S.\$ 10 in both fibers. Latin American demand growth has slowed down, while supply has increased from new pulp mills in Brazil, which commercialize long fiber, short fiber and fluff in the local market.

Our production levels were according to plan, decreasing due to maintenance stoppages in our Constitución Mill and Montes del Plata Mill. The maintenance stoppage of our Constitución Mill lasted two months, where the recovery boiler was modernized and preventative maintenance was performed, among other things. The Montes del Plata stoppage lasted for two weeks.

WOOD PRODUCTS BUSINESS

The Adjusted EBITDA for our wood products business reached U.S.\$ 88.3 million during this quarter, which translates to a 39.1% or U.S.\$ 24.8 million increase compared to the previous quarter.

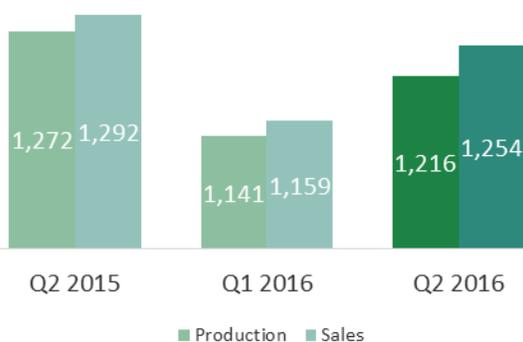
Adjusted EBITDA for Wood Product Business
(In U.S.\$ Million)



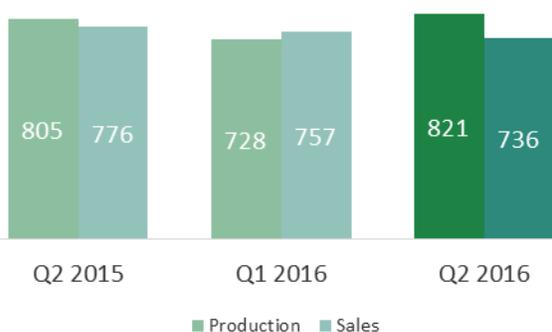
Changes in Volume Sales by Market
Q1 2016 – Q2 2016

Chile	-0.2%
Argentina	4.5%
Brazil	10.1%
Mexico	-5.1%
U.S.A./ Canada	8.6%
Asia/ Oceania/ Middle East	0.0%
Rest of Latin America	-7.7%

Production and Sales Volume: Panels
(In Thousands m³)



Production and Sales Volume: Sawn Timber
(In Thousands m³)



This quarter's surge in sales by 7.3% was largely propelled by sales in the panels market. In sawn timber, prices have improved slightly but have yet to affect our bottom line. The impact of these price increases will most likely be seen come next quarter.

The panels market experienced an overall increase in sales volume during this quarter. In North America, the MDF market has been pressured as more supply has entered the market, although the temporary closing of a mill due to fire has enabled the market to recover. Arauco North America even had to import MDF from Brazil, Argentina, and Chile in order to meet sales requirements. Demand for laminated flooring and particleboard have also lifted sales in the Northern hemisphere. In Brazil, sales volume has improved in MDF, reaching a 7.8% growth in sales volume compared to the same quarter of last year. Counteracting this growth is the depreciation of the real, which affects the bottom line of our exports in U.S. dollar terms from this country. Particleboard regained momentum during April and May, showing price improvements. Colombia has been affected by the lack of ground transportation due to trucker strikes in that nation. Despite less sales activity in the rest of Latin America, Arauco has been able to meet planned sales volume, and has even been able to increase prices in some countries.

Sawn timber markets were greatly affected during the last quarter and are still in the recovery stage. Pine moldings sales volume has increased in North America despite oversupply. On the other side of the world, wood products used for packaging have shown strength in the Asian and Middle Eastern markets. New competition in the Middle East has stimulated demand for our products. A new shipping contract for this region should come into force at year-end, which will raise margins. Plywood has improved prices and sales volume in Europe, Latin America and North America, even recovering market share in the latter. The uplift in North American prices could be vulnerable to new supply coming from South America.

CAPITAL EXPENDITURES

US\$ Million	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015
Cash flows used to purchase in associates	153.1	-	-	153.1	-
Purchase of sale of property, plant and equipment	82.2	63.2	133.1	145.4	196.3
Purchase and sales of intangible assets	1.1	0.5	1.0	1.6	1.8
Purchase of other long-term assets	35.4	36.8	52.9	72.1	83.6
Total CAPEX	271.8	100.5	187.0	372.3	281.7

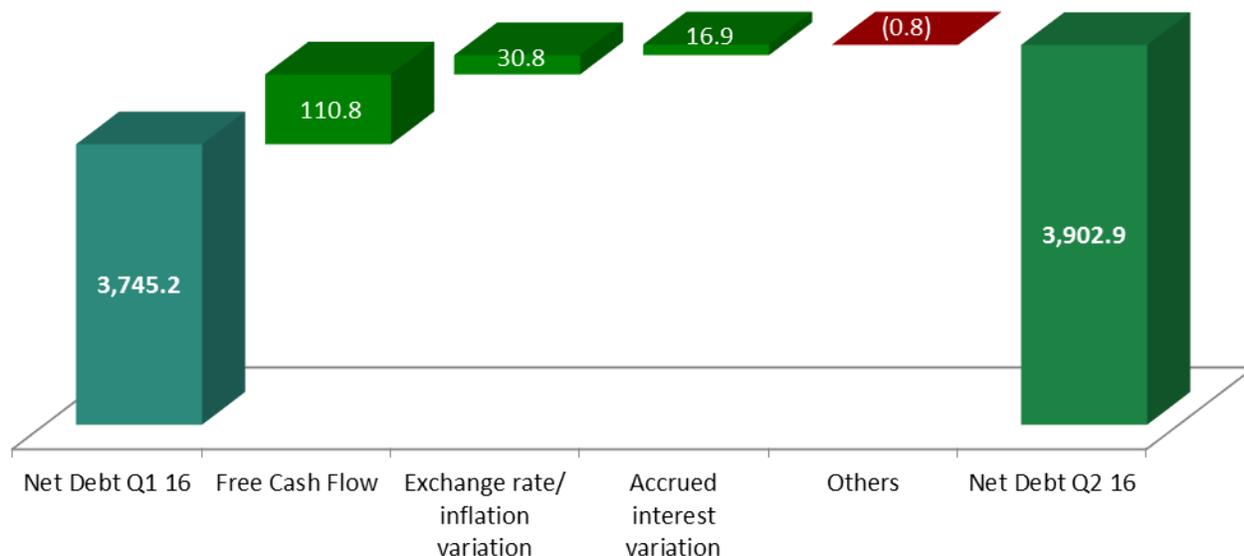
During this quarter, capital expenditures increased by U.S.\$ 171.2 million or 170.3% compared to the first quarter of 2016. The cash disbursement of € 137.5 million for the joint venture with Portuguese company Sonae Industria, which translated to U.S.\$ 153.1 million, was made during the end of May of this year. In Arauco North America, our particleboard facility in Bennettsville, South Carolina underwent an expansion, increasing its capacity by 100,000 m³, which cost approximately U.S.\$ 21.3 million. There was also a lamination line installed within the same facility for U.S.\$ 10.5 million. The new water effluent treatment system also disbursed cash payments of U.S.\$ 11.7 million during this quarter, compared to the U.S.\$ 4.1 million it disbursed during last quarter. The maintenance stoppage at the Constitución Mill during this quarter cost a total of approximately U.S.\$ 43.0 million. The new pulp mill in Grayling, Michigan has also begun with preliminary investments, totaling U.S.\$ 2.8 million this quarter. The remaining CAPEX pertains to sustaining business investments.

FREE CASH FLOW

Despite the U.S.\$ 30.6 million increase in Adjusted EBITDA, during the second quarter our Free Cash Flow was negative by U.S.\$ 110.8 million. CAPEX this quarter included the € 137.5 million cash payment used to acquire our part of the joint venture Sonae - Arauco, plus other minor expansion projects in the United States that totaled nearly U.S.\$ 32 million. On the other hand, in May we paid the balance of 2015's dividends which totaled U.S.\$100.3 million. The overall effect of this negative Free Cash Flow was an increase in our net financial debt leverage from 3.1x to 3.4x.

US\$ Million	Q2 2016	Q1 2016	Q2 2015
Adjusted EBITDA	283.4	252.8	343.3
Working Capital Variation	39.2	27.7	(89.2)
Interest paid and received	(22.4)	(68.4)	(41.4)
Income tax paid	(21.4)	(13.3)	(35.3)
Other cash inflows (outflows)	(35.8)	12.0	60.0
Cash from Operations	243.0	210.7	237.5
Capex	(271.8)	(100.5)	(186.9)
Proceeds from investment activities	5.7	2.3	(18.5)
Other inflows of cash, net	(1.2)	1.2	0.1
Cash from Investment Activities	(260.6)	(97.0)	(205.3)
Dividends paid	(100.3)	-	(98.6)
Other inflows of cash, net	0.4	(0.4)	(0.4)
Cash from (used) in financing activities - Net of proceeds and repayments	(99.8)	(0.4)	(99.1)
Effect of exchange rate changes on cash and cash equivalents	6.6	(6.6)	3.9
Free Cash Flow	(110.8)	106.8	(62.9)

Net Debt Variation Q1 2016 – Q2 2016
(In U.S.\$ Million)

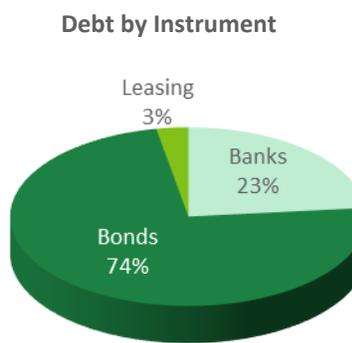
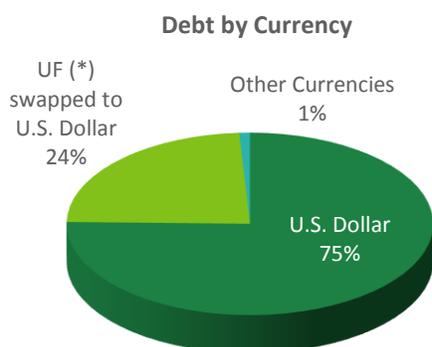
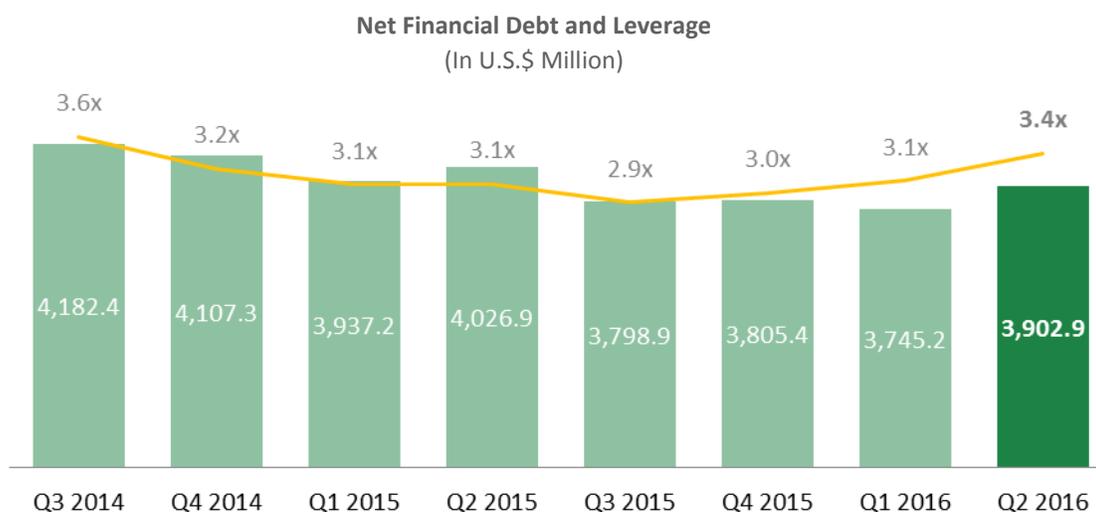


FINANCIAL DEBT AND CASH

Arauco's financial debt as of June 30, 2016 reached U.S.\$ 4,430.3 million, an increase of 1.0% or U.S.\$ 42.4 million when compared to March 31, 2016. Our consolidated net financial debt increased 4.2% or U.S.\$ 157.7 million when compared with March 2016, while cash and cash equivalents decreased by U.S.\$ 115.4 million.

Our leverage, measured as Net Financial Debt/ LTM Adjusted EBITDA, increased compared to last quarter from 3.1 times to 3.4 times. LTM Adjusted EBITDA decreased by U.S.\$60.0 million compared to last quarter.

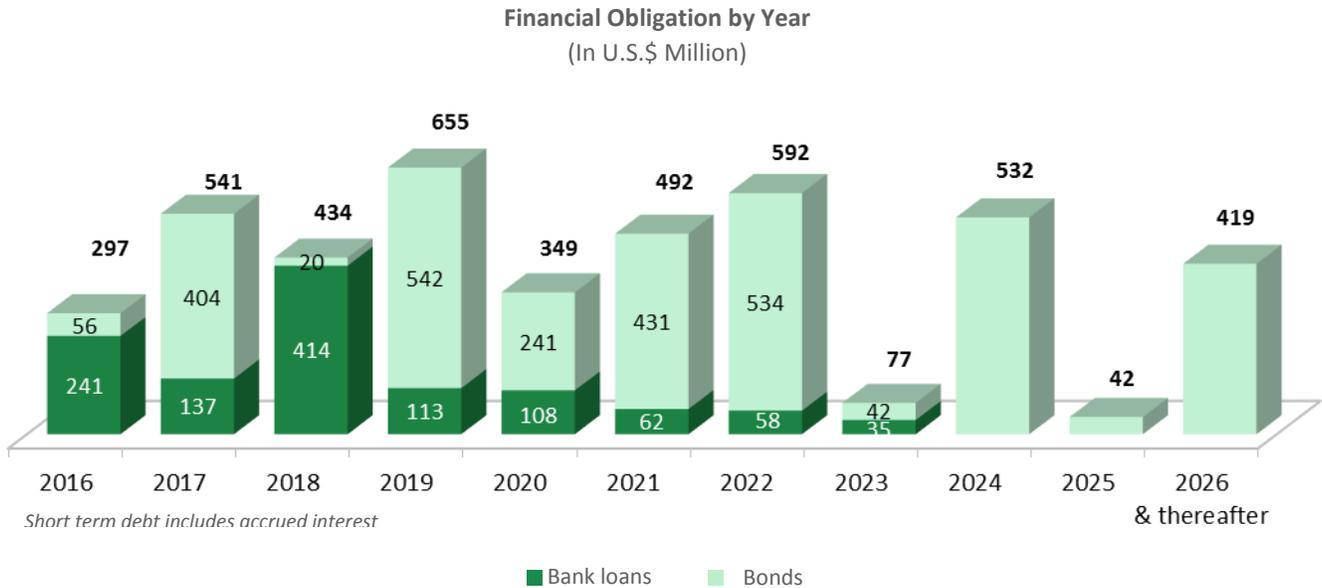
US\$ Million	June 2016	March 2016	June 2015
Short term financial debt	647.8	360.9	689.2
Long term financial debt	3,782.5	4,027.0	3,849.6
TOTAL FINANCIAL DEBT	4,430.3	4,387.9	4,538.8
Cash and cash equivalents	527.4	642.7	511.9
NET FINANCIAL DEBT	3,902.9	3,745.2	4,026.9



(*) UF is a Chilean monetary unit indexed to inflation.

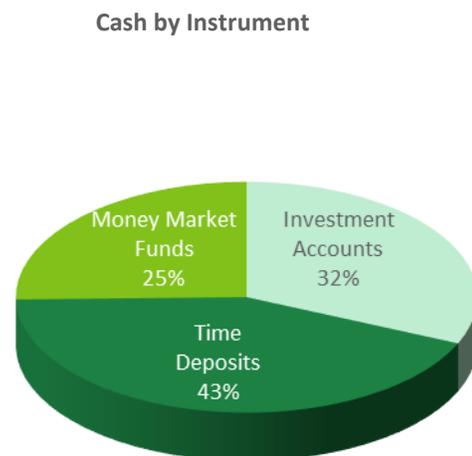
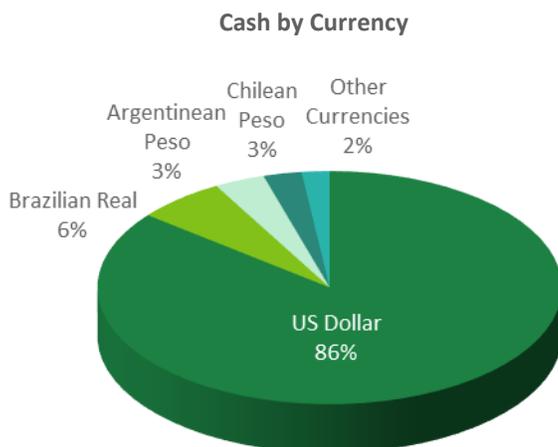
Financial Debt Profile

During the remaining half of the year, bank obligations (which include accrued interest) sum up a total of U.S.\$ 241.3 million, which include the following maturities: U.S.\$ 123.7 million in loans of Montes del Plata, U.S.\$ 90.0 million from pre export financing loans, U.S.\$ 21.5 million in leasing in Chile, and U.S.\$ 5.6 million in our Brazilian subsidiaries. The remaining years have not undergone any major changes in financial obligations as compared to the previous quarter.



Cash

Our cash position was U.S.\$ 527.4 million at the end of the first quarter, which is a U.S.\$ 115.4 million or 17.9% decrease compared to the end of the first quarter of 2016. Main cash disbursements that decreased our cash position during the quarter were tax payments during April, dividend payments during May, and the payment of the joint venture Sonae – Arauco.



SECOND QUARTER AND SUBSEQUENT EVENTS AND NEWS

Sonae – Arauco joint venture completed

On May 31, 2016, Arauco completed a share agreement for the purchase of 50% of Spanish company Tafisa, a subsidiary of Sonae Industria. This agreement marks the beginning of Arauco's production operations in Europe and South Africa under the company name Sonae - Arauco. The investment of approximately U.S.\$ 153.1 million includes 12 production facilities in Spain, Portugal, Germany and South Africa. These facilities currently produce MDF, particleboard panels, OSB, and sawn timber. Total panel production capacity of Sonae – Arauco is 4.2 million m³, which combined with the rest of our company's assets positions Arauco as the second largest panel producer globally, reaching a capacity of 9.0 million m³ annually.

Carolina Particleboard Mill expansion complete

Our Carolina Particleboard Mill, located in Bennettsville, South Carolina, increased its particleboard and TFL capacity. The particleboard expansion increased its capacity by 100,000 m³ annually through a new drying area, improving the plant's flexibility to source a broader range of raw material. To complement this newfound capacity, a new state-of-the-art fast-cycle press was added within this facility, which doubles the mill's output of thermally fused laminate panels. This project reached full acceptance in June 2016. These two projects will enable faster changeover capabilities in order to meet our client's demands, as well as deliver better-quality products.

Constitución Mill successfully finishes programmed maintenance stoppage

The programmed maintenance stoppage for our Constitución Mill started on May 3 and ended on June 29, lasting the planned 57 days. Total investment was U.S.\$ 43.0 million, composed of U.S.\$ 29.0 million in investment projects and U.S.\$ 14.0 million in programmed maintenance projects. Works included the renovation of the recovery boiler, as well as the upgrade of electrostatic precipitators within this recovery boiler in order to reduce emissions from 100 mg/m³ to 35 mg/m³. These renovations increased Constitución Mill's life by another 25 years.

Campus Arauco inaugurated in Chile

Campus Arauco, product of an alliance between Duoc UC and Arauco, was inaugurated in July of this year in the Southern commune of Arauco, Chile. The education center enables students to learn with more hands-on experience, offering technical majors in Electricity and Industrial automation; Electric Mechanical Maintenance, with a major in Industry; Risk Prevention; and Financial Management. The center covers more than 2,500 square meters, with seven classrooms, three workshops for industrial assembly and maintenance, welding and testing, as well as four computer and hydraulic labs, among others. Total investment from Arauco was U.S.\$ 8.5 million.

FINANCIAL STATEMENTS

Income Statement

US\$ Million	Q2 2016	Q1 2016	Q2 2015
Revenue	1,207.3	1,146.0	1,376.9
Cost of sales	(874.6)	(826.5)	(916.7)
Gross profit	332.6	319.5	460.2
Other income	61.7	58.0	54.6
Distribution costs	(119.6)	(110.2)	(136.7)
Administrative expenses	(139.1)	(112.7)	(153.9)
Other expenses	(12.9)	(20.5)	(28.8)
Financial income	6.6	11.3	8.8
Financial costs	(65.5)	(70.3)	(63.0)
Participation in (loss) profit in associates and joint ventures accounted through equity method	6.0	4.0	(1.6)
Exchange rate differences	(0.2)	1.1	2.6
Income before income tax	69.7	80.3	142.3
Income tax	(12.2)	(27.4)	(36.4)
Net income	57.5	52.9	105.9
Profit attributable to parent company	56.9	52.2	105.0
Profit attributable to non-parent company	0.6	0.7	0.9

Balance Sheet

US\$ Million	Q2 2016	Q1 2016	Q2 2015
Cash and cash equivalents	527.4	642.7	511.9
Other financial current assets	10.7	21.8	11.8
Other current non-financial assets	158.4	152.8	164.8
Trade and other receivables-net	667.8	684.4	778.0
Related party receivables	3.7	8.7	4.4
Inventories	908.5	914.0	911.1
Biological assets, current	324.9	308.9	255.8
Tax assets	80.2	75.2	43.4
Non-Current Assets classified as held for sale	2.8	3.4	8.0
Total Current Assets	2,684.4	2,811.8	2,689.1
Other non-current financial assets	3.4	0.8	2.0
Other non-current and non-financial assets	129.2	126.8	101.8
Non-current receivables	17.8	14.5	188.7
Investments accounted through equity method	437.3	264.4	303.8
Intangible assets	84.8	86.8	87.4
Goodwill	75.5	72.2	76.7
Property, plant and equipment	6,945.1	6,912.0	7,003.4
Biological assets, non-current	3,578.3	3,569.5	3,523.5
Deferred tax assets	3.9	3.9	149.7
Total Non-Current Assets	11,275.5	11,050.9	11,437.1
TOTAL ASSETS	13,959.9	13,862.7	14,126.1
Other financial liabilities, current	649.5	365.5	691.4
Trade and other payables	583.4	572.6	605.1
Related party payables	7.3	5.9	9.5
Other provisions, current	0.8	0.8	0.7
Tax liabilities	9.7	6.4	21.5
Current provision for employee benefits	5.3	5.0	4.3
Other non-financial liabilities, current	79.5	160.8	118.8
Total Current Liabilities	1,335.5	1,116.9	1,451.3
Other non-current financial liabilities	3,927.3	4,190.1	3,988.3
Other provisions, non-current	36.1	35.3	63.8
Deferred tax liabilities	1,636.8	1,637.7	1,745.7
Non-current provision for employee benefits	60.3	57.7	51.2
Other non-financial liabilities, non-current	59.9	54.8	53.5
Total Non-Current Liabilities	5,720.5	5,975.7	5,902.5
Non-parent participation	43.7	40.7	43.6
Net equity attributable to parent company	6,860.1	6,729.4	6,728.8
TOTAL LIABILITIES AND EQUITY	13,959.9	13,862.7	14,126.1

Cash Flow Statement

US\$ Million	Q2 2016	Q1 2016	Q2 2015
Collection of accounts receivables	1,263.6	1,308.4	1,480.6
Other cash receipts (payments)	68.4	64.4	31.0
Payments of suppliers and personnel (less)	(1,048.2)	(1,077.4)	(1,194.0)
Interest paid and received	(22.4)	(68.4)	(41.4)
Income tax paid	(21.4)	(13.3)	(35.3)
Other (outflows) inflows of cash, net	3.0	(2.9)	(3.5)
Net Cash Provided by (Used in) Operating Activities	243.0	210.7	237.5
Capital Expenditures	(271.8)	(100.5)	(187.0)
Other investment cash flows	11.2	3.6	(18.3)
Net Cash Provided by (Used in) Investing Activities	(260.6)	(97.0)	(205.3)
Proceeds from borrowings	158.5	208.5	174.8
Repayments of borrowings	(163.0)	(172.6)	(640.8)
Dividends paid	(100.3)	0.0	(98.6)
Other inflows of cash, net	0.4	(0.4)	(0.4)
Net Cash Provided by (Used in) Financing Activities	(104.4)	35.5	(565.1)
Total Cash Inflow (Outflow) of the Period	(121.9)	149.3	(532.9)
Effect of exchange rate changes on cash and cash equivalents	6.6	(6.6)	3.9
Cash and Cash equivalents at beginning of the period	642.7	500.0	1,040.9
Cash and Cash Equivalents at end of the Period	527.4	642.7	511.9