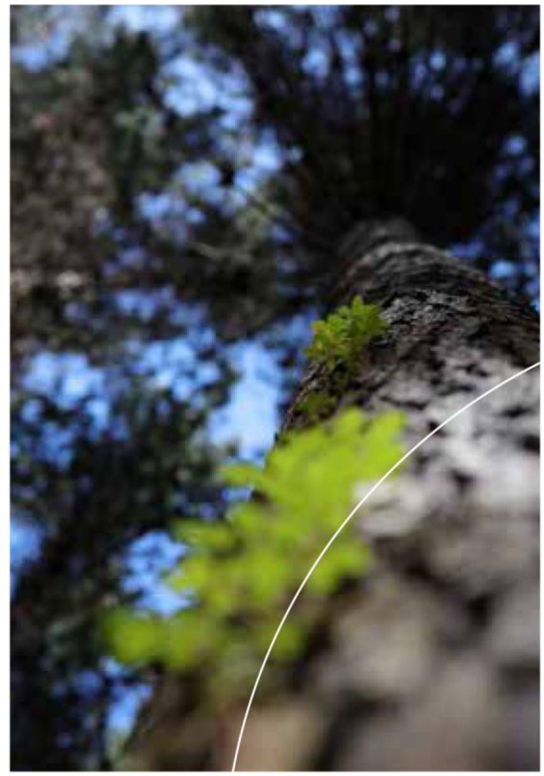

CELULOSA **ARAUCO** Y CONSTITUCIÓN S.A.

Second Quarter 2018 Results

August 21, 2018

renewables for a better life

arauco

REVENUES U.S.$ 1,559.3 MILLION
Arauco's revenues reached U.S.$ 1,559.3 million during the second quarter of 2018, a 6.5% or U.S.$ 94.7 million increase compared to the U.S.$ 1,464.7 million obtained in the first quarter of 2018.

NET INCOME U.S.$ 238.2 MILLION
Net income reached U.S.$ 238.2 million, an increase of 20.5% or U.S.$ 40.5 million compared to the U.S.$ 197.7 million obtained in the first quarter of 2018.

ADJUSTED EBITDA U.S.$ 546.3 MILLION
Adjusted EBITDA reached U.S.$ 546.3 million, an increase of 17.9% or U.S.$ 82.8 million compared to the U.S.$ 463.5 million obtained during the first quarter of 2018.

NET FINANCIAL DEBT/ LTM ADJUSTED EBITDA 2.1x (THE LOWEST SINCE 2010)
Net Financial Debt / LTM Adjusted EBITDA ratio reached 2.1x in this quarter, a decrease compared to the 2.5x obtained in the first quarter of 2018.

CAPEX
CAPEX reached U.S.$ 202.2 million, an increase of 10.7% or U.S.$ 19.6 million compared to the U.S.$ 183.2 million spent during the first quarter of 2018.

Conference Call
Monday, August 27th, 2018
10:00 Santiago Time
09:00 Eastern Time (New York)
Please Dial:
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For more details on Arauco´s financial statements please refer to **www.cmfchile.cl** or **www.arauco.cl**

OVERVIEW

Arauco´s second quarter net income was U.S.$ 238.2 million, an increase of 20.5% compared to last quarter, mainly driven by higher revenues and higher profits in Associates and Joint Ventures. Our Adjusted EBITDA increased by 17.9% compared to last quarter, reaching U.S.$ 546.3 million, mainly due to higher sales volume and higher prices in our pulp division. Our Adjusted EBITDA margin was 35.0%, an increase compared to the 31.6% obtained during the previous quarter.

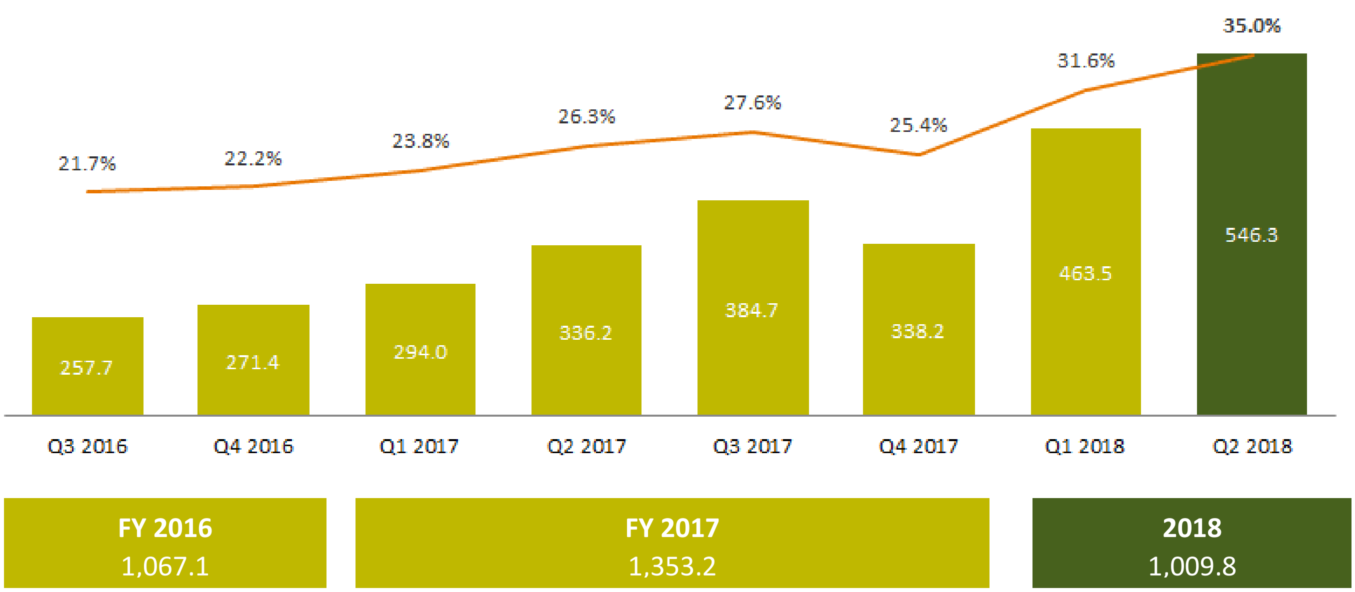
Pulp sales increased compared to last quarter primarily due to higher sales volume and higher pulp prices. Worldwide demand during the second quarter remained active, even with the seasonality effects of the summer in the Northern Hemisphere, when demand for pulp is lower.

Our wood products segment sales slightly increased mainly due to higher sales volume in panels and plywood, and higher prices in sawn timber. In general, all markets showed good demand, with construction and economy improving in some countries, and with China being affected by the commercial dispute with the US.

Our Net Debt/LTM EBITDA ratio reached 2.1x, the lowest since 2010, compared to 2.5x in the previous quarter.

In U.S. Million	Q2 2018	Q1 2018	Q2 2017	QoQ	YoY	YTD 2018	YTD 2017	YoY Acum
Revenue	1,559.3	1,464.7	1,279.9	6.5%	21.8%	3,024.0	2,513.7	20.3%
Net income	238.2	197.7	84.1	20.5%	183.4%	435.9	38.8	1023.7%
Adjusted EBITDA	546.3	463.5	336.2	17.9%	62.5%	1,009.8	630.3	60.2%
Adjusted EBITDA Margin	35.0%	31.6%	26.3%	10.7%	33.4%	33.4%	25.1%	33.2%
LTM Adj. EBITDA	1,732.6	1,522.6	1,159.4	13.8%	49.4%	1,732.6	1,159.4	49.4%
CAPEX	202.2	183.2	132.2	10.7%	53.4%	385.4	252.1	52.9%
Net Financial Debt	3,643.0	3,808.5	3,735.8	-4.3%	-2.5%	3,643.0	3,735.8	-2.5%
Net Financial Debt / LTM Adj. EBITDA	2.1x	2.5x	3.2x	-15.9%	-34.7%	2.1x	3.2x	-34.7%

Adjusted EBITDA and EBITDA Margin
(In U.S.$ Million)



INCOME STATEMENT

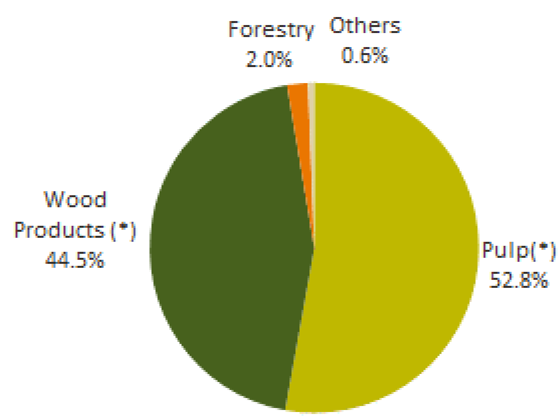
Net income for the second quarter of 2018 was U.S.$ 238.2 million, an increase of 20.5% or U.S.$ 40.5 million compared to the U.S.$ 197.7 million obtained in the first quarter of this year. The increase is mainly explained by an increase in revenues and higher profits in Associates and Joint Ventures, compensated by an increase in income tax, cost of sales and losses due to exchange rate differences.

In U.S.$ Million	Q2 2018	Q1 2018	QoQ
Revenues	1,559.3	1,464.7	*6.5%*
Cost of sales	(936.5)	(921.6)	*1.6%*
Distribution costs	(135.3)	(132.4)	*2.2%*
Administrative expenses	(140.9)	(141.5)	*-0.4%*
Other income	29.2	37.2	*-21.5%*
Other expenses	(16.8)	(16.8)	*-0.2%*
Financial income	2.6	4.8	*-46.4%*
Financial costs	(51.4)	(51.7)	*-0.5%*
Participation in (loss) profit in associates and joint ventures accounted through equity method	18.2	5.8	*210.8%*
Exchange rate differences	(17.3)	1.0	*-1747.2%*
Income before income tax	**311.1**	**249.6**	***24.7%***
Income tax	(72.9)	(51.8)	*40.5%*
Net income	**238.2**	**197.7**	***20.5%***

Revenues reached U.S.$ 1,559.3 million during the second quarter of 2018 compared with the U.S.$ 1,464.7 million in the previous quarter, mainly as a result of an increase in sales from our pulp segment. Pulp revenues increased 12.4% or U.S.$ 91.2 million compared to the previous quarter as prices continue a positive trend and sales volume increased. The following table shows a breakdown of the revenue sales distributed by business segment:

In U.S.$ Million	Q2 2018	Q1 2018	QoQ
Pulp(*)	824.1	732.9	*12.4%*
Wood Products(*)	693.9	692.7	*0.2%*
Forestry	31.9	30.0	*6.2%*
Others	9.5	9.1	*5.1%*
Total	**1,559.3**	**1,464.7**	***6.5%***

Sales by Business Segment 2Q 2018



(*) Pulp and Wood division sales include energy

Cost of sales for the second quarter of the year reached U.S.$ 936.5 million, U.S.$ 14.9 million or 1.6% higher than the U.S.$ 921.6 million obtained in the first quarter of 2018. Forestry costs have the biggest increase (9.4% or U.S.$ 14.9 million) due to: (i) an increase in the volume sold; (ii) an increase in the cost of roads, since harvesting in the second quarter implies winter roads, which are more expensive than summer roads; and (iii) higher average distances of forest harvested. Chemical costs also increased because of higher consumption compared to the previous quarter and higher sales volume. These increases were partially offset by a decrease in Other raw materials and indirect costs, because during the first quarter there was an adjustment due to inventory valuation.

In U.S.$ Million	Q2 2018	Q1 2018	QoQ
Timber	177.4	178.4	*-0.6%*
Forestry costs	173.4	158.6	*9.4%*
Depreciation and amortization	97.3	95.0	*2.4%*
Maintenance costs	65.5	65.1	*0.7%*
Chemical costs	144.2	132.0	*9.3%*
Sawmill services	38.9	38.4	*1.1%*
Other raw materials and indirect costs	95.2	105.5	*-9.8%*
Energy and fuel	48.5	48.7	*-0.5%*
Cost of electricity	9.8	11.1	*-11.9%*
Wage, salaries and severance indemnities	86.2	88.7	*-2.9%*
Cost of Sales	**936.5**	**921.6**	***1.6%***

Administrative expenses overall decreased by 0.4% or U.S.$ 0.6 million as a result of a decrease in Wage, Salaries and Several Indemnities of a 16.0% mainly because during the first quarter there was a change in the calculation of the compensation for years of service, and also because of the depreciation of the Chilean peso. These effects were offset by higher expenses in Computer Services, due to greater expenses associated with software licenses.

In U.S.$ Million	Q2 2018	Q1 2018	QoQ
Wage, salaries and severance indemnities	54.8	65.2	*-16.0%*
Marketing, advertising, promotion and publications expenses	2.8	2.7	*3.7%*
Insurance	3.5	3.6	*-2.6%*
Depreciation and amortization	6.8	6.9	*-2.7%*
Computer services	11.3	4.0	*183.0%*
Lease rentals (offices, warehouses and machinery)	2.8	4.1	*-30.7%*
Donations, contributions, scholarships	2.6	3.3	*-21.6%*
Fees (legal and technical advisories)	13.3	13.5	*-1.1%*
Property taxes, patents and municipality rights	5.3	4.5	*17.4%*
Other administration expenses	37.8	33.7	*11.9%*
Administrative Expenses	**140.9**	**141.5**	***-0.4%***

Distribution costs increased 2.2% or U.S.$ 2.9 million. Mainly because of freights costs that increased 5.2% or U.S.$ 5.1 million due to higher sales volume and because of an increase in delivery costs in the United States due to the shortage of certified truck drivers.

In U.S.$ Million	Q2 2018	Q1 2018	QoQ
Commissions	3.9	3.7	*5.3%*
Insurance	1.2	1.0	*23.4%*
Other selling costs	2.9	3.1	*-5.8%*
Port services	6.0	7.9	*-24.4%*
Freights	102.2	97.1	*5.2%*
Other shipping and freight costs	19.1	19.6	*-2.5%*
Distribution Costs	**135.3**	**132.4**	***2.2%***

As a percentage, administrative expenses and distribution costs combined were 17.7% of sales, showing a downward trend compared to the 18.7% in the previous quarter.

Other income fell 21.5% or U.S.$ 8.0 million this quarter compared to last quarter. The main decrease was due to Gain from changes in the fair value of biological assets. Gain on sales of assets also decreased because during the first quarter there were some building sales and land expropriation.

In U.S.$ Million	Q2 2018	Q1 2018	QoQ
Gain from changes in fair value of biological assets	22.3	29.6	-24.6%
Net income from insurance compensation	1.2	0.0	*3861.3%*
Leases received	0.3	0.7	*-58.1%*
Gains on sales of assets	1.8	4.8	*-62.9%*
Access easement	0.1	0.1	*-29.4%*
Other operating results	3.6	2.0	*75.4%*
Other Income	**29.2**	**37.2**	***-21.5%***

Other expenses fell overall 0.2% or U.S.$ 35.0 thousand compared to last quarter. The decrease in the impairment provision of property, plant and equipment was due to the write-off of some fixed assets done in the previous quarter, offset by an increase in project expenses due to the Grayling project.

In U.S.$ Million	Q2 2018	Q1 2018	QoQ
Depreciation	(0.1)	0.3	-127.1%
Legal payments	0.8	0.8	-1.2%
Impairment provision property, plant and equipment and others	1.4	7.0	-80.0%
Plants stoppage operating expenses	0.0	1.0	-97.2%
Project expenses	3.6	1.0	256.4%
Loss (gain) from asset sales	1.4	0.5	173.8%
Loss and repair of assets	0.2	0.0	700.0%
Provision for forestry fire losses	0.6	0.0	6788.9%
Other taxes	4.8	3.3	43.2%
Research and development expenses	1.0	0.3	234.4%
Fines, readjustments and interest	0.4	0.2	97.8%
Other expenses (donations, repayments insurance)	2.8	2.4	15.4%
Other expenses	**16.8**	**16.8**	**-0.2%**

Foreign exchange differences showed a loss of U.S.$ 17.3 million during the second quarter, compared to a gain of U.S.$ 1.0 million during the first quarter. The average of the Chilean peso against the U.S. dollar during the second quarter depreciated 3.3% when compared to the previous quarter. The average of the Argentine peso also depreciated by 19.6% against the U.S. dollar when compared to last quarter, and 43.6% when compared to the end of both quarters. These depreciations decreased our cash and cash equivalents when compared to U.S. dollar.

Income tax expense for the second quarter reached U.S.$ 72.9 million, an increase of U.S.$ 21.0 million compared to the U.S.$ 51.8 million of the first quarter. The main reason for the increase in the expense was a higher Income before tax of U.S.$ 61.5 million compared to the previous quarter.

ADJUSTED EBITDA

Adjusted EBITDA for the second quarter of 2018 was U.S.$ 546.3 million, 17.9% or U.S.$ 82.8 million higher than the US$ 463.5 million reached during the previous quarter. In terms of Adjusted EBITDA by business, during the second quarter of the year we had an increase in our pulp, wood products and forestry divisions Adjusted EBITDA of 18.9%, 9.9% and 2.8%, respectively. The main increase was in our pulp division, this was due to higher revenues explained by higher sales volume and higher pulp prices during the second quarter of 2018.

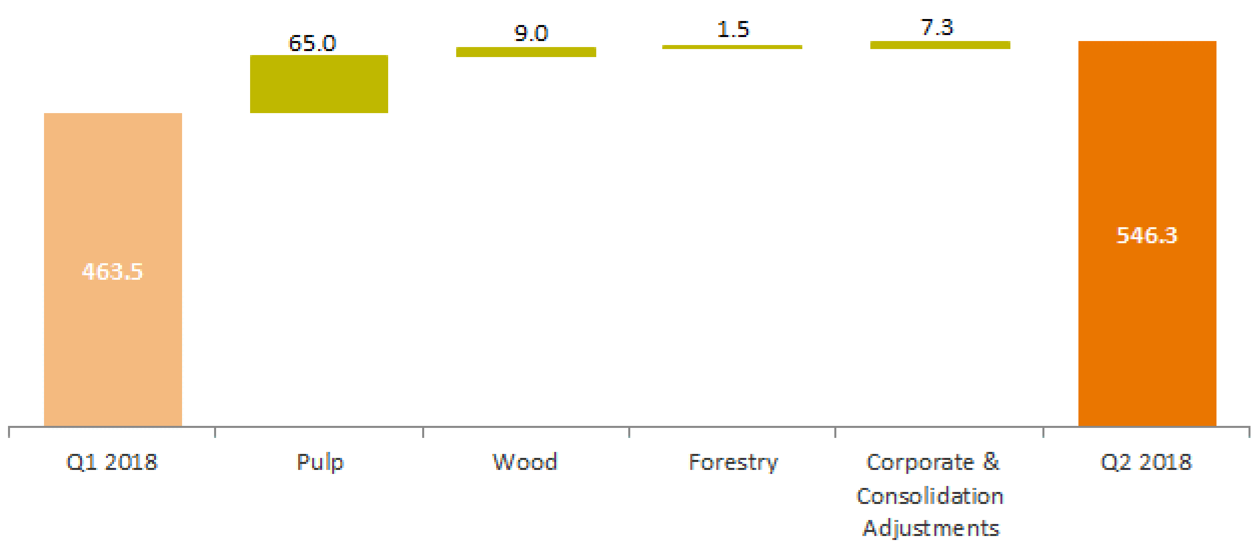
Adjusted EBITDA for the second quarter of 2018 was higher by 62.5% or U.S.$ 210.0 million when compared with the U.S.$ 336.2 million reached in the same period of 2017, mainly explained by higher average pulp prices of 31.8%.

In U.S.$ Million	Q2 2018	Q1 2018	Q2 2017	QoQ	YoY
Net Income	238.2	197.7	84.1	*20.5%*	*183.4%*
Financial costs	51.4	51.7	57.7	*-0.5%*	*-11.0%*
Financial income	(2.6)	(4.8)	(5.9)	*-46.4%*	*-56.6%*
Income tax	72.9	51.8	37.4	*40.5%*	*94.6%*
EBIT	**359.9**	**296.4**	**173.4**	**21.4%**	**107.6%**
Depreciation & amortization	104.4	102.3	96.8	*2.0%*	*7.9%*
EBITDA	**464.4**	**398.8**	**270.2**	***16.5%***	***71.9%***
Fair value cost of timber harvested	84.9	88.3	91.3	*-3.9%*	*-6.9%*
Gain from changes in fair value of biological assets	(22.3)	(29.6)	(24.0)	*-24.6%*	*-7.2%*
Exchange rate differences	17.3	(1.0)	1.6	*-1747.2%*	*956.2%*
Others (*)	2.0	7.0	(2.8)	*-71.2%*	*-172.6%*
Adjusted EBITDA	**546.3**	**463.5**	**336.2**	***17.9%***	***62.5%***

(*) Includes provision from forestry fire losses and provision from fixed assets and others.

Adjusted EBITDA Variation by Business Segment Q1 2018 – Q2 2018

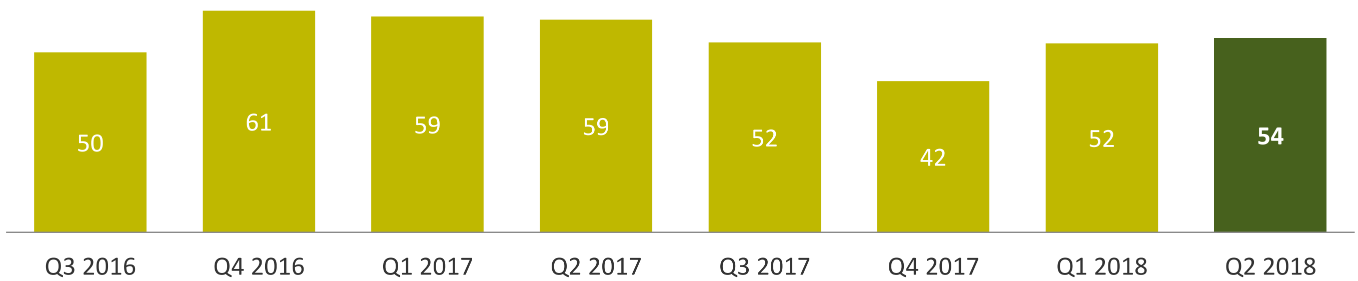
(In U.S.$ Million)



FORESTRY BUSINESS

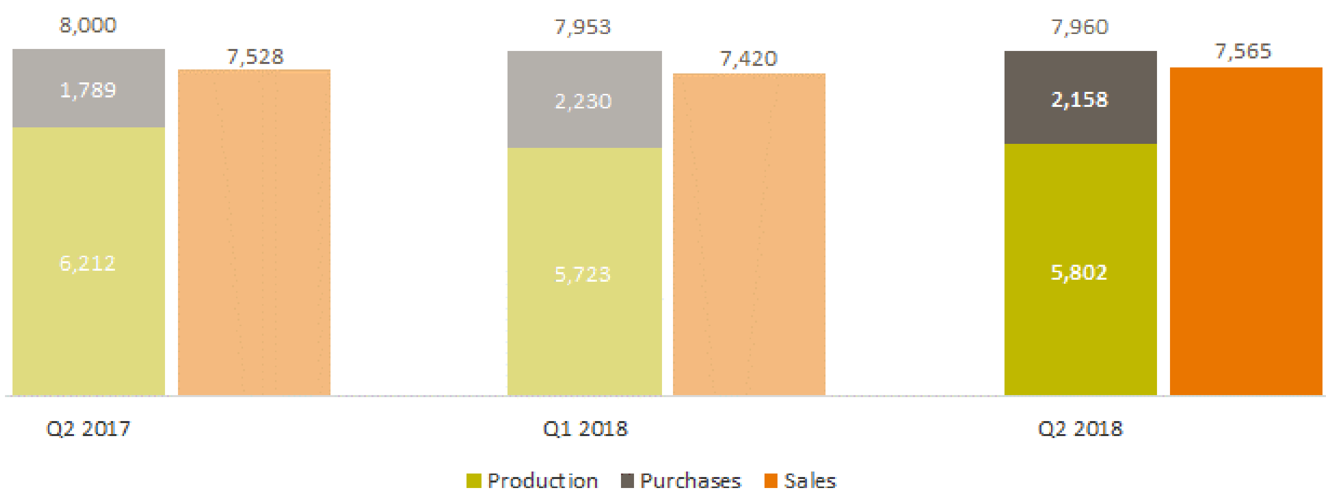
The Adjusted EBITDA for our forestry business reached U.S.$ 53.5 million during this quarter, which translates to a 2.8% or U.S.$ 1.5 million increase compared to the previous quarter.

Adjusted EBITDA for Forestry Business
(In U.S.$ Million)



During the second quarter, our forestry production was 5.8 million m3, a 1.4% increase compared to the 5.7 million m3 produced in the previous quarter. Sales volume increased by 1.9% from 7.4 million m3 to 7.6 million m3.

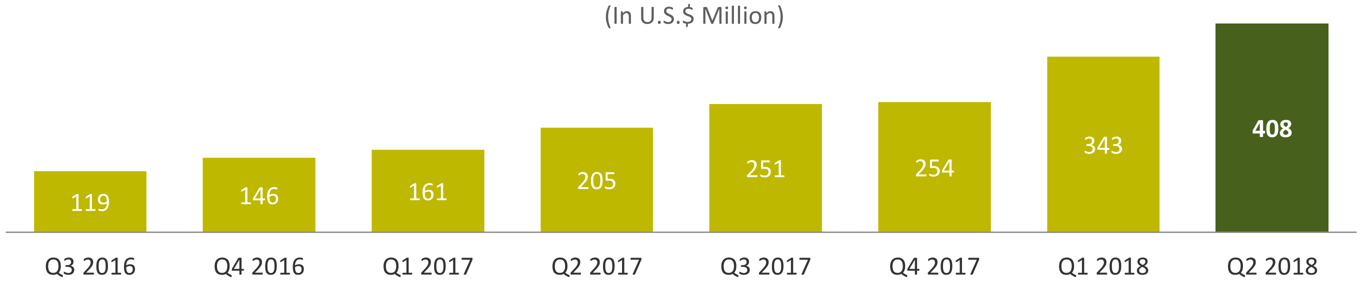
Production, Purchases and Sales Volume
(In Thousand m^3)



PULP BUSINESS

The Adjusted EBITDA for our pulp business reached U.S.$ 408.3 million during this quarter, which translates to a 18.9% increase or U.S.$ 65.0 million compared to the previous quarter.

Adjusted EBITDA for Pulp Business
(In U.S.$ Million)

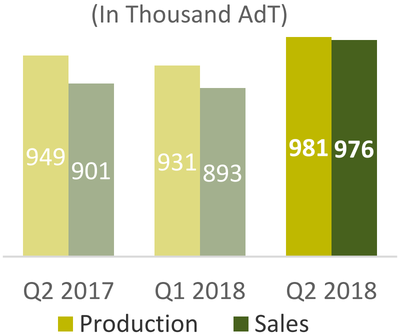


Global Pulp Demand Change
Q1 2018 – Q2 2018

Global Pulp Demand Change	
North America	5.1%
West Europe	-1.2%
China	2.9%
Others	3.9%
Total	2.3%

Source: Hawkins Wright

Production and Sales Volume
(In Thousand AdT)



Pulp sales during the second quarter of 2018 increased by 12.4% compared to the first quarter of 2018, this is due to higher pulp prices by 2.5% and higher sales volume in a 9.4%. Global inventories of market pulp remained stable during the quarter, even taking into consideration the higher supply coming from the start of operations of a new plant in Brazil at the end of 2017. Worldwide demand is still active, there have been no signs of change, even with the seasonality effects of the summer in the Northern Hemisphere, when demand for pulp is lower. The impact of the summer has been lower, shorter and with a later effect, than previous years.

The tissue industry in general, suffers the most with the increases in prices and the difficulty of transferring these higher costs to their retail customers, which also face great pressure from the competition of online sales.

In Asia, the markets are still active, and led by China. The economy in China remains stable or better than forecasted and the only thing that has been the focus of attention in recent weeks is the possible trade war between US and China. This could affect indirectly the pulp market, as may affect economic growth, consumption and finally the paper market and pulp demand. Pulp prices remained steady throughout the quarter, in the three types of fiber sold in the Asian markets. In Korea, customers get used to the price levels and seek to raise margins in other ways, such as different mix of papers, more exports, between others.

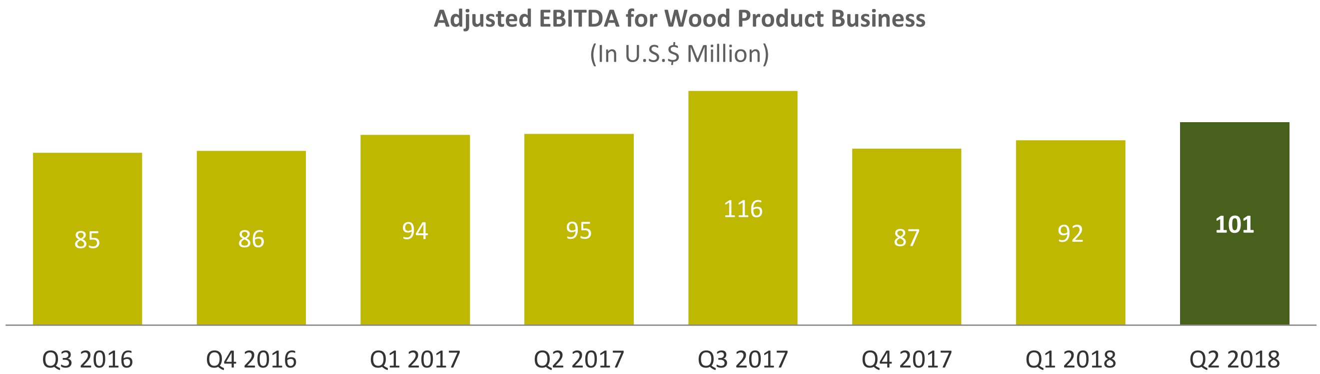
In Europe, demand is also very active, in general paper producers had very good demand, and have been able to implement price increases and transfer the higher costs to their customers. However, margins have been reduced and some less efficient factories are in a weak financial situation. The truck strike in Brazil, affected the deliveries due to delays of ships destined for Europe, after approximately four to six weeks inventory levels began to normalize.

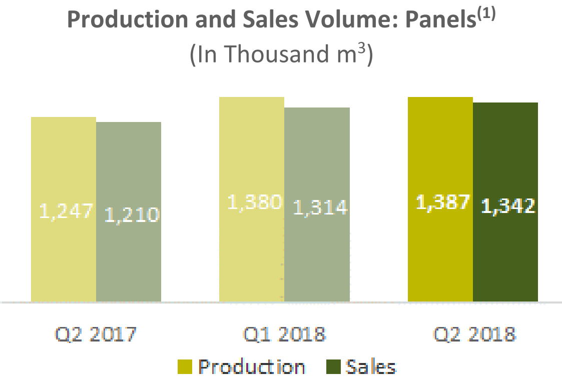
In Brazil, the demand looks better and there is more interest, but in some types of fiber is difficult to compete with suppliers with better logistics. Sales in Argentina are more complicated due to higher costs for customers due to the depreciation of the Argentine peso.

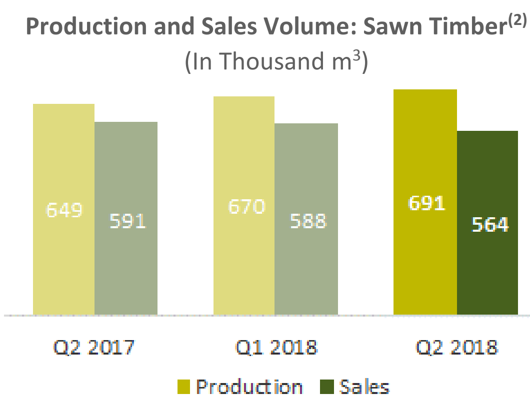
Production during the second quarter increased by 5.3% compared to last quarter. The higher production is explained by less programmed maintenance stoppages. During this quarter the only mill with maintenance was the Arauco mill Line 1.

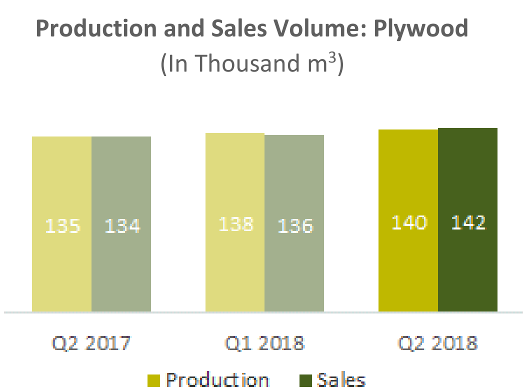
WOOD PRODUCTS BUSINESS

The Adjusted EBITDA for our wood products business reached U.S.$ 100.6 million during this quarter, which translates to a 9.9% increase or U.S.$ 9.0 million compared to the previous quarter.









Composite panel sales remain solid, with overall sales volume increasing by 2.1% and average prices decreasing 2.1% during the second quarter, compared to the previous quarter. Both MDF and PBO, had higher sales volume in our major markets, North America, and PBO also increasing sales volume in South America.

Sales in United States and Canada have been stable with a slightly upward trend towards the end of the second quarter, reflecting improvements in price levels and sales volume. In Mexico, the local consumption continues rising, which confirms the positive level of activity that is experienced in the furniture and construction sector.

In Brazil, the second quarter of the year continued to show growth in the consumption of boards. This was only affected by the truck stoppage that was towards the end of the period. Elections in October and new plants adding capacity into the market will generate some uncertainty during the second half of the year. In Argentina, the strong devaluation of the Argentine peso has generated complications and uncertainty, but the consumption of the local market has remained steady. In Chile, demand remains strong due to the recovery of the economy, despite the period of low seasonality. The rest of Latin America kept a good level of demand.

Sawn timber demand was constantly rising during the second quarter, increasing prices by 3.1% during the quarter. Only towards the end of the quarter there was a lower demand in China, due to the uncertainty generated by the trade conflict between China and the US, and strongly affecting the exchange rate. In the Middle East, sales remain stable and prices continued to rise. We expect some volatility due to the commercial dispute. In remanufacturing products, the US market showed a recovery in demand towards the end of the quarter due to a period of better seasonality and tariffs on Chinese products.

Plywood production and sales volume increased compared to the first quarter by 1.7% and 4.4% respectively. Prices increased by 3.9% compared to last quarter. During the second quarter, demand remained strong in all major markets, thanks to the dynamism of the construction sector. This translated into maintaining the sale of the total installed capacity and with greater prices.

(1) Includes HB, MDF, OSB, PB
(2) Includes sawn timber, kilned sawn timber, remanufactured wood products, pallets
Note: Sales include trading

CAPITAL EXPENDITURES

U.S.$ Million	Q2 2018	Q1 2018	Q2 2017	YTD 2018	YTD 2017
Cash flow used to obtain control of subsidiaries or other businesses	0.6	15.9	-	16.6	-
Cash flow used to purchase in associates	0.7	-	0.0	0.732	-
Purchase and sale of property, plant and equipment	152.4	96.7	88.2	249.2	157.3
Purchase and sale of intangible assets	0.2	0.3	3.1	0.5	7.7
Purchase of other long-term assets	48.2	70.3	40.9	118.5	87.1
Total CAPEX	**202.2**	**183.2**	**132.3**	**385.4**	**252.1**

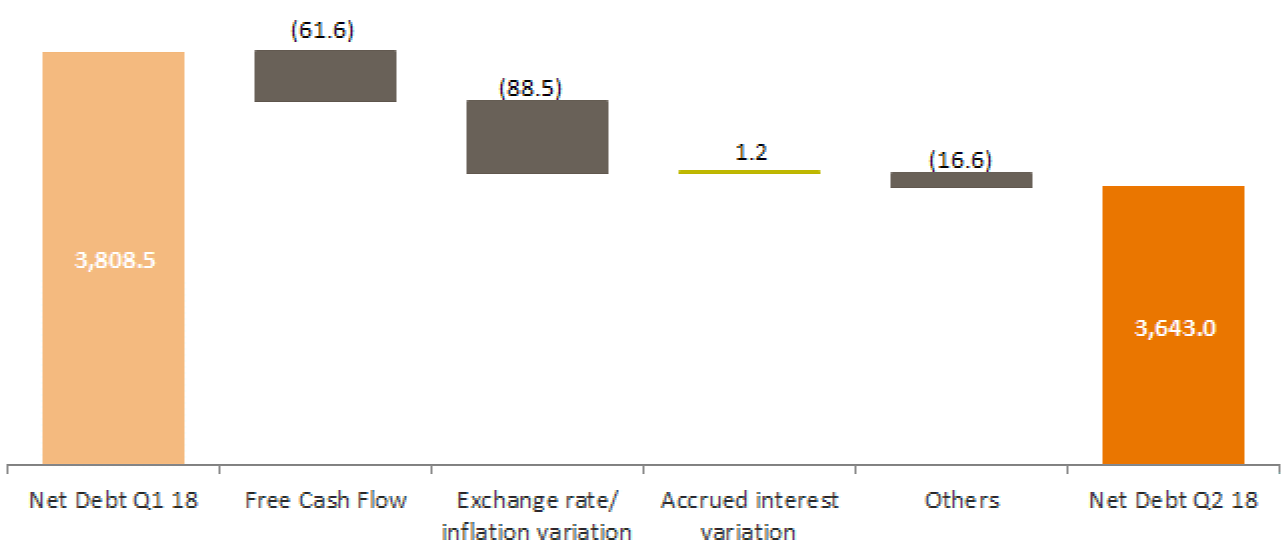
During this quarter, capital expenditures increased by U.S.$ 19.0 million or 10.4% compared to the first quarter of 2018. The Grayling Project had capital expenditures of U.S.$ 52.1 million during the quarter and the Dissolving Pulp Project disbursed U.S.$ 13.2 million. The water treatment plant in Arauco disbursed U.S.$ 10.2 million during the quarter. During the quarter, plantation capex amounted a total of U.S.$ 48.2 million, a decreased compared to the previous quarter due to less plantations in Chile. The remaining capex pertains to sustaining business operations.

FREE CASH FLOW

During the second quarter, we had a favorable free cash flow, increasing U.S.$ 157.9 million compared to last quarter. During this quarter, cash provided by operating activities increased U.S.$ 312.2 million, mainly due to working capital variation and higher Adjusted EBITDA. The working capital for the second quarter of 2018 had a slight increase, from U.S.$ 1,258.7 million in the first quarter to U.S.$ 1,274.1 million in the second quarter, this implied that the working capital variation was U.S.$ 15.5 million, compared to the U.S.$ 300.8 million from the previous quarter. Cash used by investment activities rose U.S.$ 19.8 million due to higher capex during the second quarter. In addition, cash used by financing activities during this quarter was U.S.$ 114.6 million, as compared to U.S.$ 0.6 million from last quarter. This difference is primarily because of dividends paid in May.

U.S.$ Million	Q2 2018	Q1 2018	Q2 2017
Adjusted EBITDA	546.3	463.5	336.2
Working Capital Variation	(15.5)	(300.8)	5.2
Interest paid and received	(40.8)	(41.1)	(38.3)
Income tax paid	5.8	21.8	(0.8)
Other cash inflows (outflows)	(100.1)	(59.9)	2.9
Cash from Operations	**395.7**	**83.4**	**305.2**
Capex	(202.2)	(183.2)	(132.2)
Proceeds from investment activities	3.6	2.8	2.9
Other inflows of cash, net	0.6	2.2	4.3
Cash from (used in) Investment Activities	**(198.0)**	**(178.2)**	**(125.1)**
Dividends paid	(113.8)	(0.6)	(59.7)
Other inflows of cash, net	(0.8)	0.0	0.1
Cash from (used in) Financing Activities - Net of Proceeds and Repayments	**(114.6)**	**(0.6)**	**(59.6)**
Effect of exchange rate changes on cash and cash equivalents	(21.4)	(0.9)	(4.2)
Free Cash Flow	**61.6**	**(96.3)**	**116.3**

Net Debt Variation Q1 2018 – Q2 2018
(In U.S.$ Million)



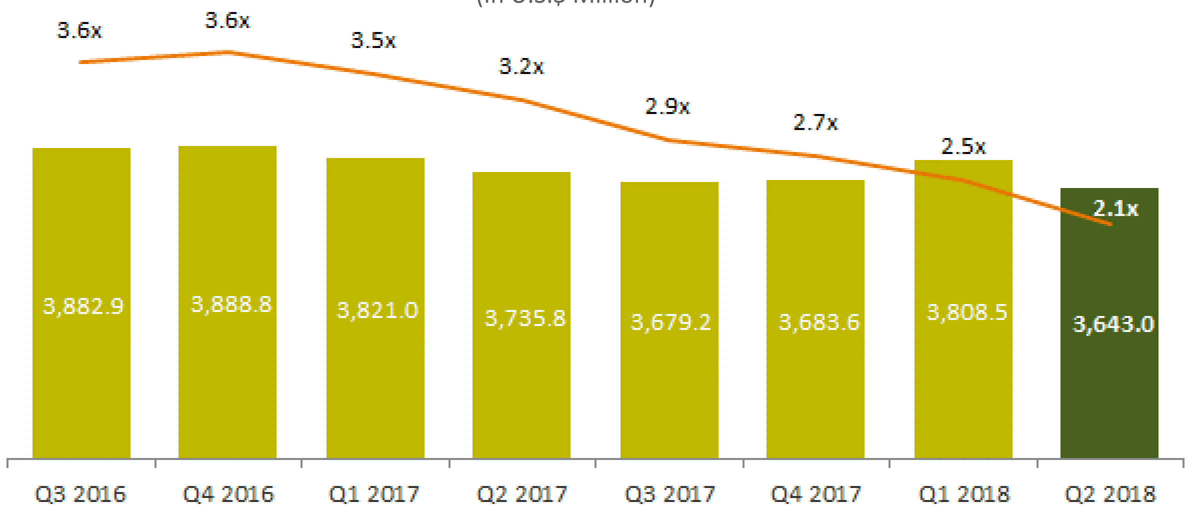
FINANCIAL DEBT AND CASH

Arauco's financial debt as of June 30, 2018 reached U.S.$ 4,214.9 million, a decrease of 2.0% or U.S.$ 87.3 million when compared to March 31, 2018. Our consolidated net financial debt decreased 4.3% or U.S.$ 165.5 million when compared with March 2018, while cash and cash equivalents increased by U.S.$ 78.2 million.

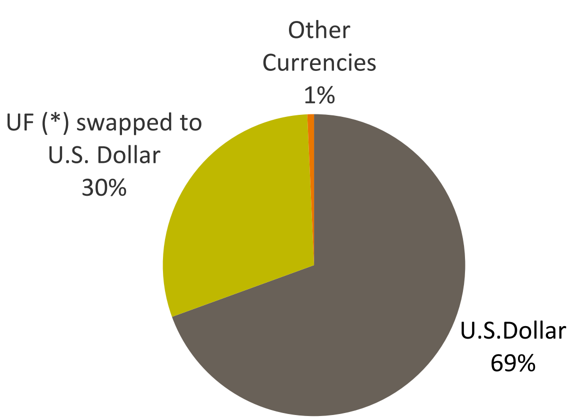
Our leverage, measured as Net Financial Debt/LTM Adjusted EBITDA, decreased compared to last quarter from 2.5 times to 2.1 times, the lowest since 2010.

In U.S.$ Million	June 2018	March 2018	June 2017
Short term financial debt	496.2	499.6	453.8
Long term financial debt	3,718.6	3,802.5	3,794.7
TOTAL FINANCIAL DEBT	**4,214.9**	**4,302.1**	**4,248.6**
Cash and cash equivalents	571.8	493.7	512.7
NET FINANCIAL DEBT	**3,643.0**	**3,808.5**	**3,735.8**
LTM Adjusted EBITDA	**1,732.6**	**1,522.6**	**1,159.4**

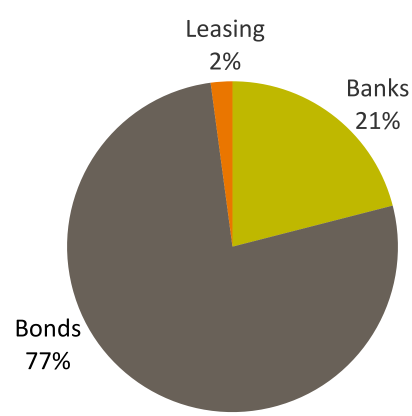
Net Financial Debt and Leverage
(In U.S.$ Million)



Debt by Currency



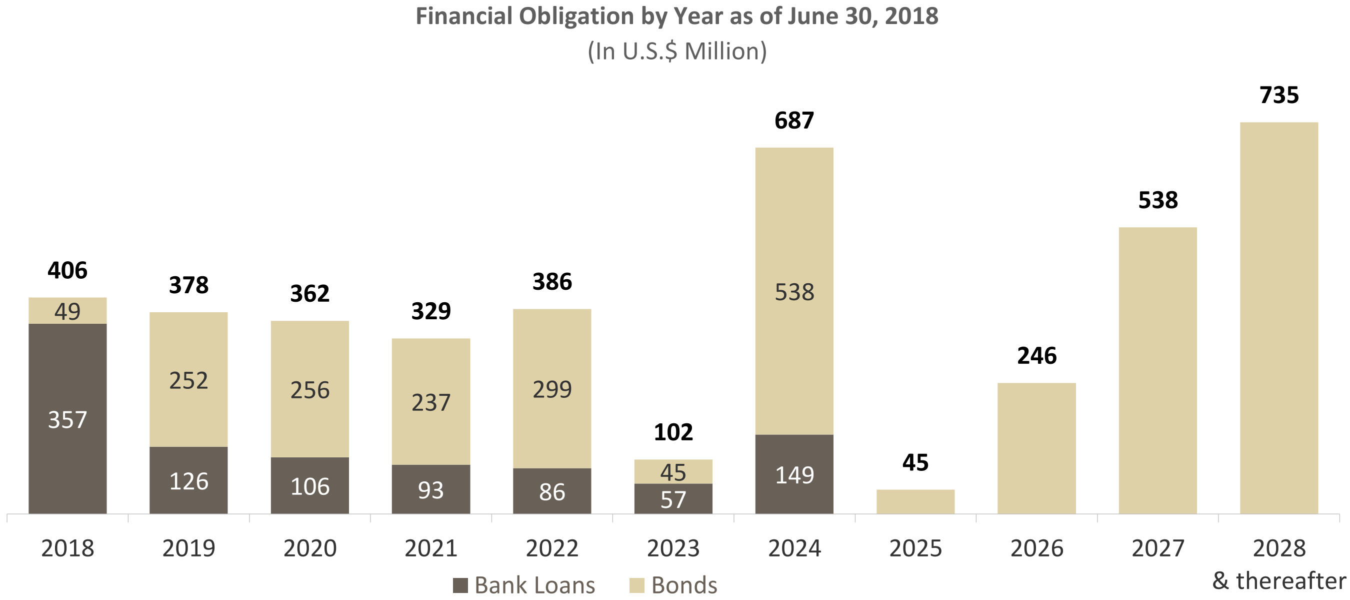
Debt by Instrument



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

Financial Debt Profile

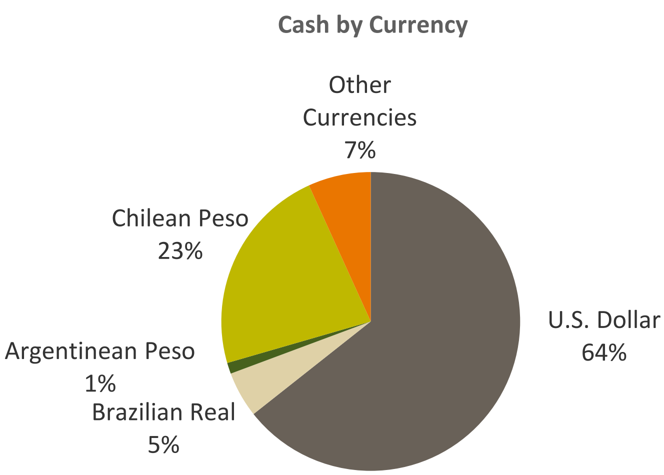
For the remainder of the year, bank obligations (which include accrued interest) sum up a total of U.S.$ 356.9 million, which include the following maturities: U.S.$ 199.9 million of a credit loan in Chile, U.S.$ 133.4 million of loans in Montes del Plata, U.S.$ 18.9 million from leasing and U.S.$ 3.2 million in our Brazilian subsidiaries. Bond amortizations include the third amortization of a local bond BARAU-Q of U.S.$ 10.4 million that will be paid in October. Of our committed facility line for the Grayling Project, a total of U.S.$ 38.0 million was disbursed during the quarter, amounting to a total of U.S.$ 215.0 million of the line used.

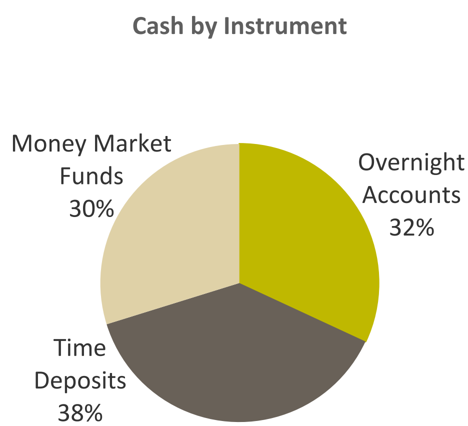


Short term debt includes accrued interest

Cash

Our cash position was U.S.$ 571.8 million at the end of the second quarter, which is a U.S.$ 78.2 million or 15.8% increase compared to the end of the first quarter of 2018. Cash provided from operating activities increased U.S.$ 312.2 million, mainly due to the increased by U.S.$ 308.9 million of receipts from sales. This was offset by higher capital expenditures of U.S.$ 19.6 million and by a decreased in cash provided by financing activities of U.S.$ 97.6 million. During the second quarter of 2018 we paid dividends of U.S.$ 113.8 million.





SECOND QUARTER AND SUBSEQUENT EVENTS AND NEWS

MAPA Project approved by the Board of Directors

In July 2018, the MAPA project was approved by the Board of Directors. It considers an estimate investment of U.S.$ 2,350 million and consists mainly in the construction of a new Line of production of 1,560,000 tons of short fiber (Line 3). After the start-up of this new Line, Line 1, that produces 290,000 tons of short fiber, will be shut down and the net effect for the Arauco mill will be 1,270,000 tons of new short fiber capacity. The MAPA project is self-sufficient in energy consumption, and additionally will add a capacity surplus of approximately 132 megawatts of renewable energy. It is expected that the mill will start its operations during the second quarter of 2021.

Grayling Project

The Grayling Project continues its course. As of August 2018, the progress was 80%. The particleboard mill located in Grayling, Michigan, U.S.A., considers an investment of approximately U.S.$ 400.0 million and will have a capacity of 800,000 m3 per year. The rollout of the first panel is estimated to occur during the latter part of 2018.

Dissolving Pulp

The Dissolving Pulp Project had, as of the end of July 2018, a progress of 31%. The investment for the project is approximately U.S.$ 185 million. This project started at the end of 2017, with the ramp-up scheduled to occur during the end of 2019.

Arauco acquires Panolam assets in Oregon

In July 2018, Arauco North America announced the purchase of Panolam´s industrial assets located in Albany, Oregon. The transaction price was approximately U.S.$ 13.3 million, to which we must add the cost of inventory of approximately U.S.$ 3 million, this was financed with Arauco North America cash balance. The main assets include two thermally fused lamination lines with an annual installed capacity of 212,000 m3, as well as two impregnation lines and warehouse capacity. The Panolam assets are in a very strategic location, because they are 10 km away from our Duraflake mill and 77 km from our Eugene mills, so this acquisition will allow some synergies between our mills.

Income Statement

In U.S.$ Million	Q2 2018	Q1 2018	Q2 2017	01-06-2018	01-06-2017
Revenues	1,559.3	1,464.7	1,279.9	3,024.0	2,513.7
Cost of sales	(936.5)	(921.6)	(877.7)	(1,858.1)	(1,749.3)
Gross profit	**622.9**	**543.1**	**402.3**	**1,165.9**	**764.4**
Other income	29.2	37.2	32.6	66.5	80.9
Distribution costs	(135.3)	(132.4)	(128.1)	(267.7)	(252.1)
Administrative expenses	(140.9)	(141.5)	(127.2)	(282.5)	(247.5)
Other expenses	(16.8)	(16.8)	(8.1)	(33.6)	(201.2)
Financial income	2.6	4.8	5.9	7.3	12.3
Financial costs	(51.4)	(51.7)	(57.7)	(103.1)	(117.6)
Participation in (loss) profit in associates and joint ventures accounted through equity method	18.2	5.8	3.4	24.0	11.6
Exchange rate differences	(17.3)	1.0	(1.6)	(16.2)	(0.2)
Income before income tax	**311.1**	**249.6**	**121.5**	**560.6**	**50.6**
Income tax	(72.9)	(51.8)	(37.4)	(124.7)	(11.8)
Net income	**238.2**	**197.7**	**84.1**	**435.9**	**38.8**
Profit attributable to parent company	238.4	197.8	84.0	436.2	38.4
Profit attributable to non-parent company	(0.2)	(0.1)	0.1	(0.3)	0.4

Balance Sheet

In U.S.$ Million	Q2 2018	Q1 2018	Q2 2017
Cash and cash equivalents	571.8	493.7	512.7
Other financial current assets	2.4	3.0	4.4
Other current non-financial assets	182.2	184.5	181.3
Trade and other receivables-net	937.6	939.5	704.6
Related party receivables	6.3	8.5	6.2
Inventories	913.4	905.4	847.0
Biological assets, current	267.4	305.2	303.6
Tax assets	19.9	22.8	67.3
Non-Current Assets classified as held for sale	3.3	3.3	2.5
Total Current Assets	**2,904.3**	**2,865.8**	**2,629.6**
Other non-current financial assets	51.3	106.0	11.7
Other non-current and non-financial assets	141.3	121.3	111.0
Non-current receivables	18.3	18.8	14.9
Investments accounted through equity method	367.7	377.4	347.9
Intangible assets	86.8	89.5	91.0
Goodwill	65.9	69.7	74.5
Property, plant and equipment	6,950.7	7,015.2	6,867.1
Biological assets, non-current	3,422.5	3,472.9	3,519.0
Deferred tax assets	8.9	9.3	7.1
Total Non-Current Assets	**11,113.5**	**11,280.3**	**11,044.2**
TOTAL ASSETS	**14,017.8**	**14,146.1**	**13,673.8**
Other financial liabilities, current	497.7	501.0	454.0
Trade and other payables	572.4	585.4	508.8
Related party payables	10.8	9.3	8.5
Other provisions, current	2.0	2.6	0.4
Tax liabilities	80.9	39.1	4.8
Current provision for employee benefits	6.0	6.3	5.4
Other non-financial liabilities, current	222.3	245.7	84.4
Total Current Liabilities	**1,392.1**	**1,389.5**	**1,066.3**
Other non-current financial liabilities	3,729.7	3,802.5	3,866.7
Other provisions, non-current	32.9	35.6	37.5
Deferred tax liabilities	1,470.5	1,488.7	1,604.0
Non-current provision for employee benefits	69.1	72.9	61.8
Other non-financial liabilities, non-current	102.5	115.5	60.5
Total Non-Current Liabilities	**5,404.7**	**5,515.2**	**5,630.6**
Non-parent participation	37.4	41.5	43.7
Net equity attributable to parent company	**7,183.6**	**7,199.9**	**6,933.3**
TOTAL LIABILITIES AND EQUITY	**14,017.8**	**14,146.1**	**13,673.8**

Cash Flow Statement

U.S.$ Million	Q2 2018	Q1 2018	Q2 2017	FY 2018	FY 2017
Receipts from sales of goods and rendering of services	1,616.6	1,307.7	1,367.3	2,924.2	2,689.0
Other cash receipts (payments)	54.5	70.2	60.7	124.7	120.4
Payments of suppliers and personnel (less)	(1,239.5)	(1,232.7)	(1,081.4)	(2,472.1)	(2,201.3)
Interest paid and received	(40.8)	(41.1)	(38.3)	(81.9)	(104.4)
Income tax paid	5.8	21.8	(0.8)	27.6	(13.6)
Other (outflows) inflows of cash, net	(0.9)	(42.4)	(2.3)	(43.3)	(4.2)
Net Cash Provided by (Used in) Operating Activities	**395.7**	**83.4**	**305.2**	**479.1**	**486.0**
Capital Expenditures	(202.2)	(183.2)	(132.2)	(385.4)	(252.1)
Other investment cash flows	4.2	5.0	7.2	9.2	7.9
Net Cash Provided by (Used in) Investing Activities	**(198.0)**	**(178.2)**	**(125.1)**	**(376.2)**	**(244.2)**
Proceeds from borrowings	188.0	96.5	72.6	284.5	77.6
Repayments of borrowings	(171.5)	(96.4)	(284.8)	(267.9)	(336.4)
Dividends paid	(113.8)	(0.6)	(59.7)	(114.4)	(60.5)
Other inflows of cash, net	(0.8)	0.0	0.1	(0.8)	0.1
Net Cash Provided by (Used in) Financing Activities	**(98.1)**	**(0.5)**	**(271.8)**	**(98.6)**	**(319.2)**
Total Cash Inflow (Outflow) of the Period	**99.6**	**(95.3)**	**(91.6)**	**4.3**	**(77.4)**
Effect of exchange rate changes on cash and cash equivalents	(21.4)	(0.9)	(4.2)	(22.3)	(2.2)
Cash and Cash equivalents at beginning of the period	493.7	589.9	608.5	589.9	592.3
Cash and Cash Equivalents at end of the Period	**571.8**	**493.7**	**512.7**	**571.8**	**512.7**