



Celulosa Arauco y Constitución S.A.

Third Quarter 2016 Results

November 14, 2016

## HIGHLIGHTS

### REVENUES U.S.\$ 1,187.5 MILLION

Arauco's revenues reached U.S.\$ 1,187.5 million during the third quarter of 2016, a 1.6% decrease compared to the U.S.\$ 1,207.3 million obtained in the second quarter of 2016.

### NET INCOME U.S.\$ 31.4 MILLION

Net income reached U.S.\$ 31.4 million, a decrease of 45.3% or U.S.\$ 26.1 million compared to the U.S.\$ 57.5 million obtained in the second quarter of 2016.

### ADJUSTED EBITDA U.S.\$ 256.1 MILLION

Adjusted EBITDA reached U.S.\$ 256.1 million, a decrease of 9.6% or U.S.\$ 27.2 million compared to the U.S.\$ 283.4 million obtained during the second quarter of 2016.

### NET FINANCIAL DEBT/ LTM ADJUSTED EBITDA

Net Financial Debt / LTM<sup>(1)</sup> Adjusted EBITDA ratio reached 3.6x in this quarter, an increase of 0.2x compared to the 3.4x obtained in the second quarter of 2016.

(1) LTM = Last Twelve Months

### CAPEX

CAPEX reached U.S.\$ 129.0 million, a decrease of 52.5% or U.S.\$ 142.8 million compared to the U.S.\$ 271.8 million during the second quarter of 2016.

#### Conference Call

Friday, November 18<sup>th</sup>, 2016

13:00 Santiago Time

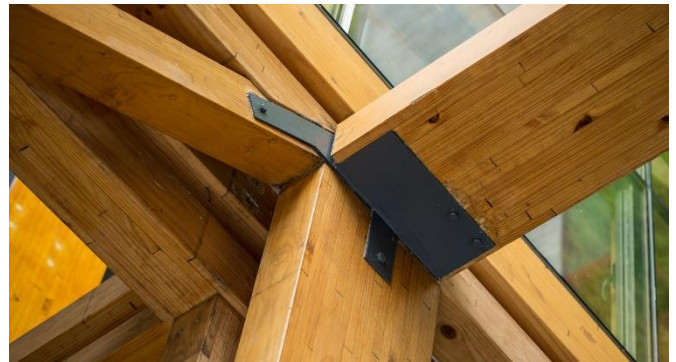
11:00 Eastern Time (New York)

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For more details on Arauco's financial statements please refer to [www.svs.cl](http://www.svs.cl) or [www.arauco.cl](http://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.

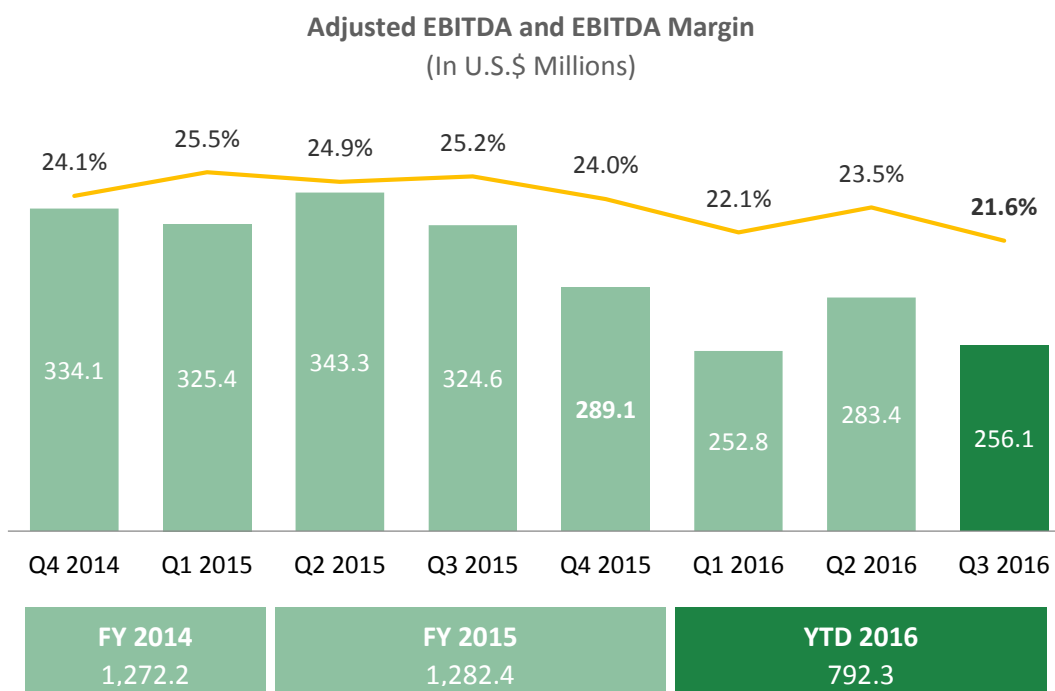
## OVERVIEW

Arauco's third quarter results were modest, with revenues slightly decreasing 1.6% or U.S.\$ 1,187.5 million during the third quarter of the year. As a consequence, our Adjusted EBITDA reached U.S.\$ 256.1 million this quarter..

Fundamentals in the softwood and hardwood pulp markets were relatively weak as supply remained plentiful, but the general mood remains optimistic. Arauco was able to concrete a few price hikes, and Chinese demand is starting to pick up. New pulp capacity coming in has shown its effects in both fibers, and the market is holding its breath to discern the impact of the new pulp mills coming in the next few months, especially with the pulp mill in Indonesia.

Our wood products business showed mixed results, with some prices increasing in detriment of lower sales volume. The overall effect was that revenues remained unchanged with respect to the previous quarter, increasing 0.5%.

Arauco's Free Cash Flow during this quarter was U.S.\$ 11.0 million, thanks to lower payments in investment and financing activities. Net Debt decreased by U.S.\$ 20.1 million, mainly from a lower accrued interest as year-end approaches. A lower Adjusted EBITDA offset our lower Net debt over the last twelve months, which increased our leverage to 3.6 times from the 3.4 times previously recorded last quarter.



## INCOME STATEMENT

Net income for the third quarter of 2016 was U.S.\$ 31.4 million, a decrease of 45.3% or U.S.\$ 26.0 million compared to the U.S.\$ 57.5 million obtained in the second quarter of this year.

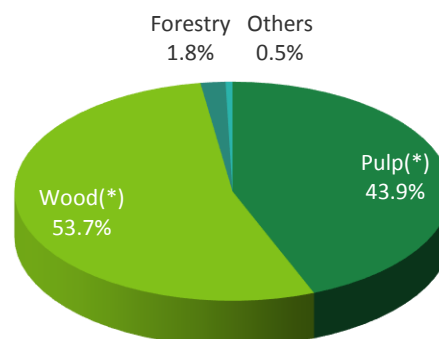
In U.S.\$ Millions	Q3 2016	Q2 2016	QoQ
Revenue	1,187.5	1,207.3	-1.6%
Cost of sales	(885.2)	(874.6)	1.2%
Distribution costs	(123.8)	(119.6)	3.4%
Administrative expenses	(134.9)	(139.1)	-3.1%
Other income	69.9	61.7	13.2%
Other expenses	(10.5)	(12.9)	-18.9%
Financial income	7.9	6.6	19.4%
Financial costs	(64.7)	(65.5)	-1.2%
Participation in (loss) profit in associates and joint ventures accounted through equity method	4.0	6.0	-33.7%
Exchange rate differences	(1.0)	(0.2)	419.4%
<b>Income before income tax</b>	<b>49.3</b>	<b>69.7</b>	<b>-29.3%</b>
Income tax	(17.8)	(12.2)	46.4%
<b>Net income</b>	<b>31.4</b>	<b>57.5</b>	<b>-45.3%</b>

**Revenues** reached U.S.\$ 1,187.5 million during the third quarter of 2016 compared with the U.S.\$ 1,207.3 million in the previous quarter, impacted by the lower revenues in our pulp and forestry business segments. Wood products remained stable compared to last quarter, slightly adjusting upward by 0.5%. Revenue from our energy sales decreased by 9.2% compared to last quarter, with lower prices having more impact than lower sales volume, the latter varying minimally. Average prices in our pulp business decreased 3.7% compared to last quarter, while sales volume slightly adjusted downward 0.2%. In our wood products business, average prices increased 0.9% compared to last quarter, and sales volume remained stable. The following table shows a breakdown of our revenue sales distributed by business segment:

Sales by Business Segment 3Q 2016

In U.S.\$ Millions	Q3 2016	Q2 2016	QoQ
Pulp(*)	521.4	541.5	-3.7%
Wood Products(*)	638.1	635.2	0.5%
Forestry	21.9	24.8	-11.6%
Others	6.1	5.8	3.8%
<b>Total</b>	<b>1,187.5</b>	<b>1,207.3</b>	<b>-1.6%</b>

(\*) Pulp and Wood division sales include energy



**Cost of sales** for the third quarter of the year reached U.S.\$ 885.2 million, U.S.\$ 10.5 million or 1.2% higher than the U.S.\$ 874.6 million obtained in the second quarter of 2016. Forestry labor costs increased by 17.0% or U.S.\$ 24.5 million, mainly due to an accounting adjustment for amortizations of road constructions in forestry lands older than five years. Other raw materials and indirect costs also increased 6.7% or U.S.\$ 6.2 million with respect to last quarter, because of an accounting adjustment as well. On the other hand, the items with the most decline in absolute value were timber; sawmill services, and energy and fuel, in line with the overall decline in sales volume in both the pulp and wood products segment.

In U.S.\$ Millions	Q3 2016	Q2 2016	QoQ
Timber	177.4	186.7	-5.0%
Forestry costs	168.0	143.6	17.0%
Depreciation and amortization	93.5	96.6	-3.2%
Maintenance costs	79.0	80.8	-2.2%
Chemical costs	120.1	119.3	0.6%
Sawmill services	25.1	31.1	-19.3%
Other raw materials and indirect costs	99.8	93.5	6.7%
Energy and fuel	32.3	37.2	-13.3%
Cost of electricity	9.9	8.9	10.8%
Wage, salaries and severance indemnities	80.1	76.9	4.1%
<b>Cost of Sales</b>	<b>885.2</b>	<b>874.6</b>	<b>1.2%</b>

**Administrative expenses** overall decreased by 3.1% or U.S.\$ 4.3 million, mainly as a result of a 10.6% or U.S.\$ 6.2 million decline in wage, salaries and severance indemnities. This decline is a consequence of a reversal of provisions, specifically pertaining the “SES Project”, a cost reduction initiative implemented in Chile, Argentina, and Brazil. The organizational simplification phase was completed during September of this year, and we have already begun working on the next phase, which involves the review of purchases and contracts. Insurance also decreased 29.3% or U.S.\$ 1.9 million since there was a renegotiation of the group insurance policy, favoring Arauco. In terms of increases this quarter, there was an increase of 39.6% or U.S.\$ 4.0 million in fees compared to last quarter, due to expenses related to the “SES Project”.

In U.S.\$ Millions	Q3 2016	Q2 2016	QoQ
Wage, salaries and severance indemnities	52.6	58.9	-10.6%
Marketing, advertising, promotion and publications expenses	2.6	2.3	13.9%
Insurance	4.5	6.3	-29.3%
Depreciation and amortization	8.5	7.1	18.8%
Computer services	10.4	10.7	-2.9%
Lease rentals (offices, warehouses and machinery)	4.3	5.1	-15.2%
Donations, contributions, scholarships	1.5	2.8	-46.6%
Fees (legal and technical advisories)	14.2	10.1	39.6%
Property taxes, patents and municipality rights	6.1	6.5	-6.5%
Other administration expenses	30.2	29.2	3.3%
<b>Administrative Expenses</b>	<b>134.9</b>	<b>139.1</b>	<b>-3.1%</b>

**Distribution costs** increased 3.4% or U.S.\$ 4.1 million, mostly due to an increase in freights costs of U.S.\$ 5.7 million or 6.5% compared to the previous quarter, mainly because Arauco Argentina increased exports to the Chinese markets during this quarter.

In U.S.\$ Millions	Q3 2016	Q2 2016	QoQ
Commissions	3.3	3.6	-8.3%
Insurance	0.6	0.9	-36.7%
Other selling costs	4.6	4.6	0.3%
Port services	7.2	6.8	6.1%
Freights	92.5	86.8	6.5%
Other shipping and freight costs	15.6	16.9	-8.0%
<b>Distribution Costs</b>	<b>123.8</b>	<b>119.6</b>	<b>3.4%</b>

As a percentage, administrative expenses and distribution costs combined were 21.8%, showing an upward trend compared to the 21.4% in the previous quarter, and an upward trend compared to 19.4% in the quarter before that.

**Other income** rose 13.2% or U.S.\$ 8.1 million this quarter. Other operating results increased U.S.\$ 15.3 million due to the reversal of a provision. On the other hand, gain from changes in fair value of biological assets decreased 15.4% or U.S.\$ 7.5 million compared to last quarter because of accounting adjustments in Brazil.

In U.S.\$ Millions	Q3 2016	Q2 2016	QoQ
Gain from changes in fair value of biological assets	40.9	48.4	-15.4%
Net income from insurance compensation	0.5	0.8	-31.7%
Leases received	2.2	0.7	193.8%
Gains on sales of assets	1.9	7.3	-73.2%
Access easement	3.5	0.1	-
Recovery of tax credits	1.0	-	-
Other operating results	19.8	4.5	-
<b>Other Income</b>	<b>69.9</b>	<b>61.7</b>	<b>13.2%</b>



**Other expenses** fell overall 18.9% or U.S.\$ 2.4 million. There were minor variations in terms of absolute value, but the two largest variations downward were Provision for forestry fire losses for U.S.\$ 1.5 million and Other taxes for U.S.\$ 1.4 million. The differences in these expenses affected operations in Chile, with Other taxes varying due to payment of withholding taxes.

In U.S.\$ Millions	Q3 2016	Q2 2016	QoQ
Depreciation	0.3	0.3	9.6%
Legal payments	0.2	(0.9)	-127.0%
Impairment provision property, plant and equipment and others	1.6	1.0	66.4%
Plants stoppage operating expenses	0.5	0.5	10.3%
Gain (loss) from asset sales	0.4	0.6	-29.3%
Loss of assets	0.3	0.3	-3.3%
Provision for forestry fire losses	0.6	2.1	-70.7%
Other taxes	1.7	3.1	-44.7%
Research and development expenses	0.8	0.6	34.0%
Compensation and eviction	1.3	2.3	-41.3%
Fines, readjustments and interest	0.5	0.2	257.0%
Other expenses (donations, repayments insurance)	2.1	3.0	-29.3%
<b>Other expenses</b>	<b>10.5</b>	<b>12.9</b>	<b>-18.9%</b>

**Foreign exchange differences** showed a loss of U.S.\$ 1.0 million, a U.S.\$ 0.8 million difference when compared to the previous quarter that ended at U.S.\$ 0.2 million. The movement of the Chilean Peso and Argentina Peso affect our cash and cash equivalents as well as our receivables, among other items. This quarter the Chilean Peso depreciated by 0.2% against the U.S. dollar, which was greatly offset by the 1.3% appreciation of the Argentine Peso. The Brazilian Real appreciated 0.8% throughout this quarter, gaining 0.8% in value against the U.S. dollar, which in turn positively affected our U.S. dollar-denominated debt in that country.

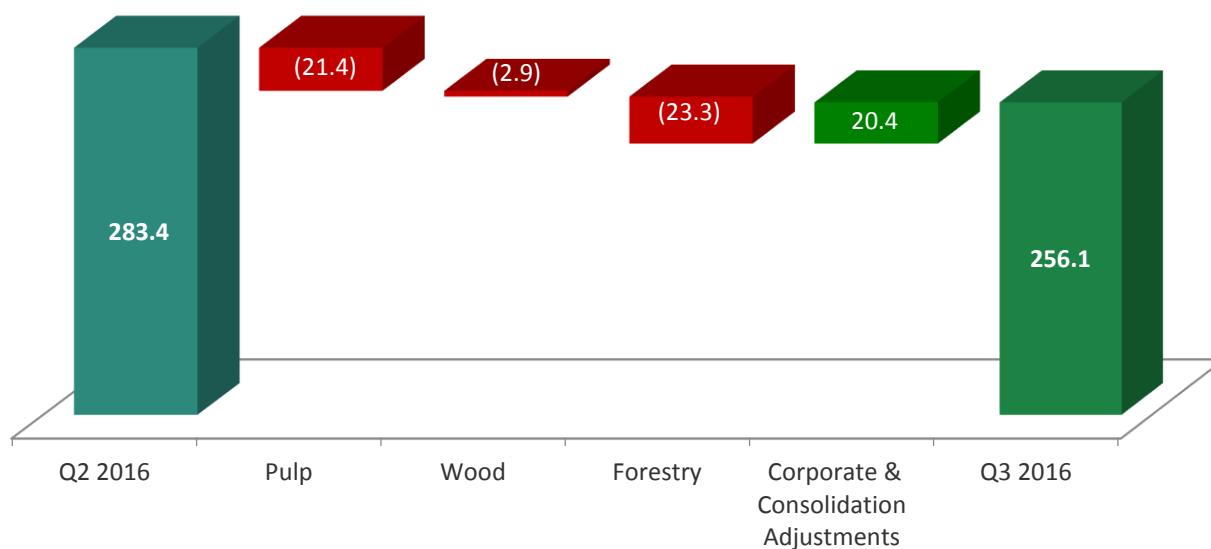
## ADJUSTED EBITDA

Adjusted EBITDA for the third quarter of 2016 was U.S.\$ 256.1 million, 9.6% or U.S.\$ 27.2 million lower than the US\$ 283.4 million reached during the previous quarter. In terms of Adjusted EBITDA by business, during the third quarter of the year we had a decrease in our pulp, wood and forestry divisions of 15.2%, 3.3% and 32.0% respectively. Pulp EBITDA was impacted by prices, which continue an overall downward trend in both fibers. Forestry EBITDA was impacted by an accounting adjustment in forestry road costs. On the other hand, corporate and consolidation adjustments increased by U.S.\$ 20.4 million, driven by one-time provision adjustments that occurred during this quarter.

In U.S. Millions	Q3 2016	Q2 2016	Q3 2015	QoQ	YoY
Net Income	31.4	57.5	87.0	-45.3%	-63.9%
Financial costs	64.7	65.5	62.6	-1.2%	3.3%
Financial income	(7.9)	(6.6)	(15.8)	19.4%	-50.2%
Income tax	17.8	12.2	26.3	46.4%	-32.2%
<b>EBIT</b>	<b>106.1</b>	<b>128.6</b>	<b>160.1</b>	<b>-17.5%</b>	<b>-33.8%</b>
Depreciation & amortization	102.8	104.5	102.1	-1.6%	0.7%
<b>EBITDA</b>	<b>208.9</b>	<b>233.0</b>	<b>262.2</b>	<b>-10.4%</b>	<b>-20.4%</b>
Fair value cost of timber harvested	86.6	96.5	81.3	-10.2%	6.5%
Gain from changes in fair value of biological assets	(40.9)	(48.4)	(46.6)	-15.4%	-12.2%
Exchange rate differences	1.0	0.2	22.6	419.4%	-95.6%
Others (*)	0.6	2.1	5.1	-70.7%	-88.2%
<b>Adjusted EBITDA</b>	<b>256.1</b>	<b>283.4</b>	<b>324.6</b>	<b>-9.6%</b>	<b>-21.1%</b>

(\*) Includes provision from forestry fire losses.

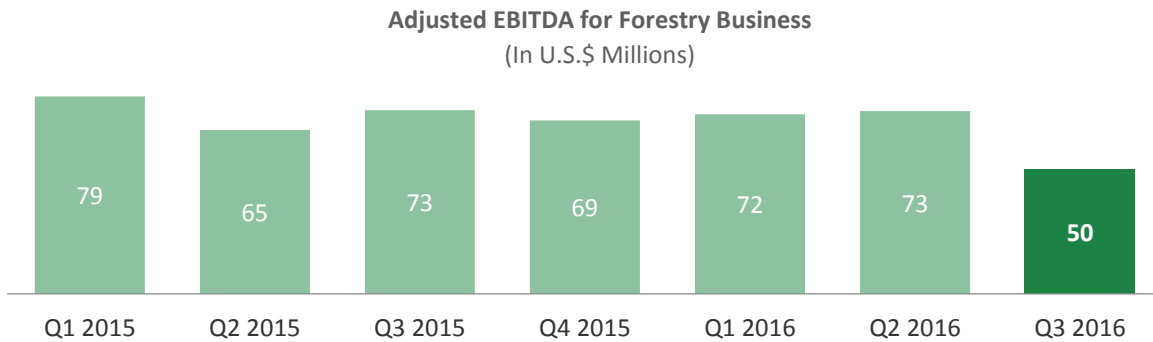
**Adjusted EBITDA Variation by Business Segment Q2 2016 – Q3 2016**  
(In U.S.\$ Millions)



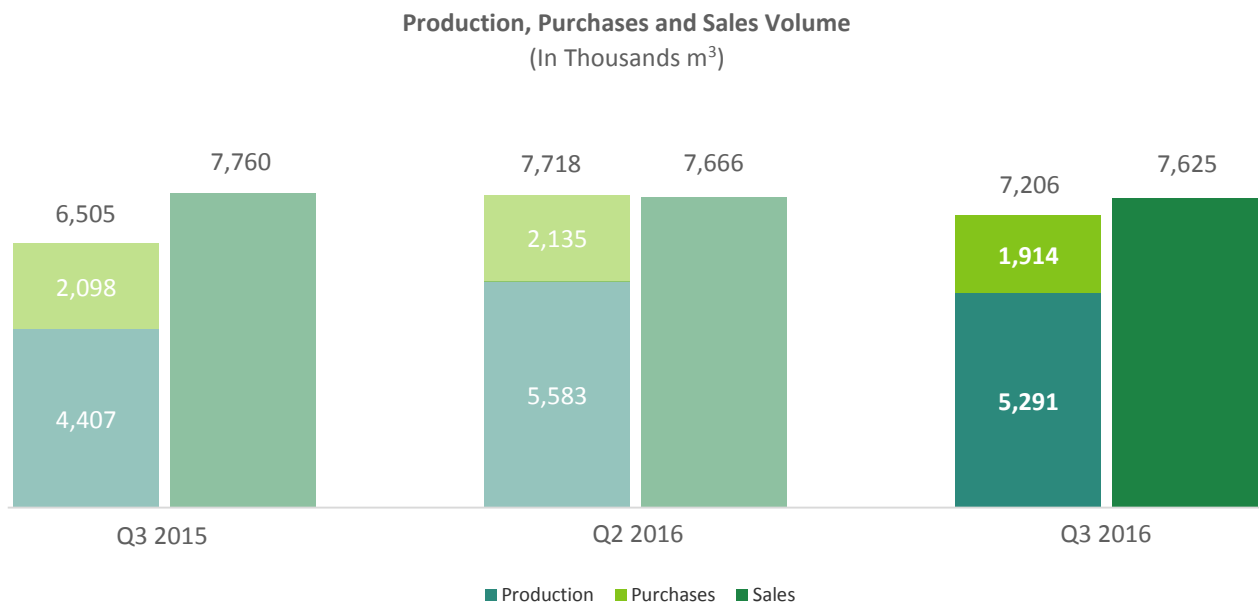


## FORESTRY BUSINESS

The Adjusted EBITDA for our forestry business reached U.S.\$ 49.6 million during this quarter, which translates to a 32.0% or U.S.\$ 23.3 million decrease compared to the previous quarter.



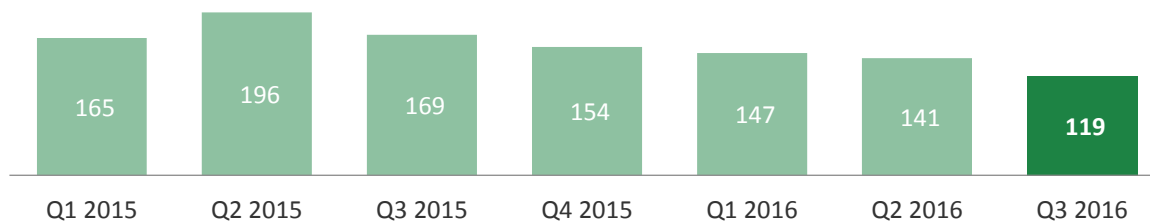
During the third quarter, our forestry production was 5.3 million m<sup>3</sup>, a 5.5% decrease compared to the 5.6 million m<sup>3</sup> produced in the previous quarter. Sales volume decreased by 0.5% from 7.7 million m<sup>3</sup> to 7.6 million m<sup>3</sup>.



## PULP BUSINESS

The Adjusted EBITDA for our pulp business reached U.S.\$ 119.2 million during this quarter, which translates to a 15.2% decrease or U.S.\$ 21.4 million compared to the previous quarter.

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

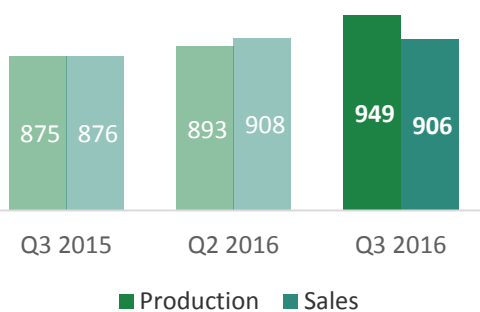


**Global Pulp Demand Change**  
Q2 2016 – Q3 2016

North America	▲	3.2%
West Europe	▬	-1.4%
East Europe	▬	-1.5%
Latin America	▬	1.2%
Japan	▼	-4.4%
China	▼	-4.3%
Others	▼	-4.2%

Source: Hawkins Wright

**Production and Sales Volume**  
(In Thousands AdT)



During the third quarter, prices dipped to the lowest levels during this year, although the mood has improved at quarter-end. Among other factors, growing supply from Europe and North America increased long fiber producer stocks by two days, while new supply from Brazil enabled short fiber producer stocks to increase by six days. Seasonality effects in the Northern hemisphere did not help matters, as the summer months brought with them less demand. Compared to the same quarter of last year, inventory levels for long fiber remained at similar levels, while hardwood levels increased by 10 days.

Despite leading price recoveries during the last quarter, this quarter Asia suffered a setback in prices, with China leading the way. Overall prices declined 6% in both fibers, which translated in adjustments of U.S.\$ 25 to U.S.\$ 30 in long fiber prices, and U.S.\$30 to U.S.\$ 40 in short fiber prices. The price gap between both fibers remained wide, with long fiber U.S.\$ 110 above short fiber prices, incentivizing a higher use of short fiber over long fiber. The effect of additional volume from North America also pressured prices, although this new supply is planned to produce fluff pulp in the medium and long term as the fluff market develops and deepens. In the meantime, Asian markets remain attractive to enter rapidly and compete via prices to sell this excess supply. Printing and writing paper demand remained active, and exports increased as the local currency in Asian countries depreciated against the U.S. dollar.

The European market suffered minor adjustments of approximately 2% to 3% in both fibers, translating into a decline of U.S.\$ 10 for long fiber prices and U.S.\$ 20 for short fiber prices.

Although the factors pressuring prices are similar to those affecting Asia, price declines were not as pronounced, especially since Asian prices recovered much more during the second quarter compared to European prices. Paper markets remained stagnant and even tissue producers experienced price slumps.

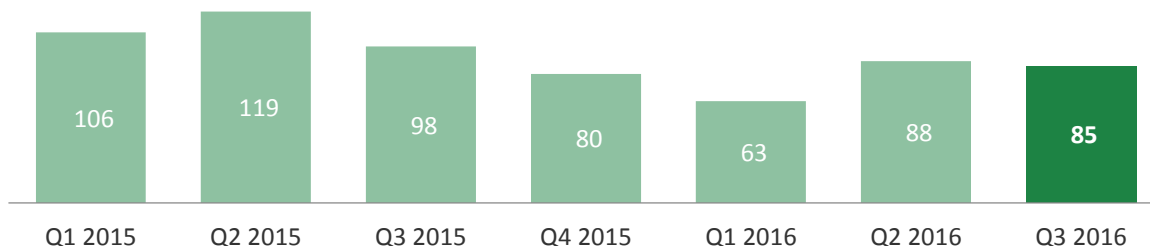
Markets in Latin America continued to be active, with the exception of Brazil with lower than average pulp prices due to the aggressive position of new supply within the country took within the local market. Middle Eastern markets followed global tendencies and special discount in spot prices were frequent in order to divert excess supply from more important and regular markets.

During this quarter, our production levels were normal, with maintenances stoppages in our Licancel Pulp Mill in July and Line 2 of our Arauco Pulp Mill at the end of August, both lasting approximately two weeks.

## WOOD PRODUCTS BUSINESS

The Adjusted EBITDA for our wood products business reached U.S.\$ 85.4 million during this quarter, which translates to a 3.3% decrease or U.S.\$ 2.9 million compared to the previous quarter.

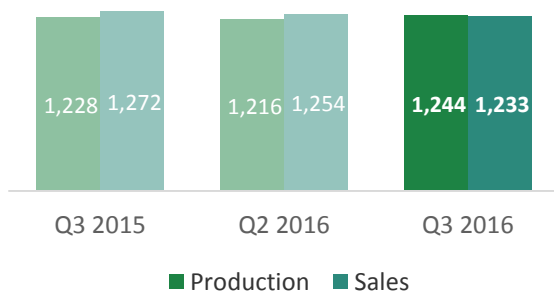
**Adjusted EBITDA for Wood Product Business**  
(In U.S.\$ Millions)



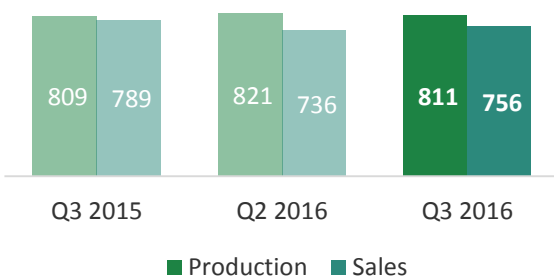
**Changes in Volume Sales by Market**  
Q2 2016 – Q3 2016

Chile	▼	-10.8%
Argentina	▲	15.7%
Brazil	▼	-7.2%
Mexico	▲	11.4%
U.S.A./ Canada	↔	-0.8%
Asia/ Oceania/ Middle East	▲	7.0%
Rest of Latin America	▲	7.5%

**Production and Sales Volume: Panels**  
(In Thousands m<sup>3</sup>)



**Production and Sales Volume: Sawn Timber**  
(In Thousands m<sup>3</sup>)



Our wood products segment showed mixed results during the third quarter, which overall maintained revenues stable compared to last quarter. Revenues of this segment adjusted of 0.5% upward, reaching U.S.\$ 638.1 million. Prices improved in some regions, especially in Chilean and Brazilian markets. However, this price improvement was in detriment of sales volume, with both markets declining by 10.8% and 7.2% in sales volume, respectively. The opposite effect occurred in Argentina and other markets, with prices slightly dipping in favor of increased sales volume.

Within the panels market, there were overall stronger price increases than decreases throughout all markets, with the exception of Brazil which saw a minor decline in prices in MDF and PBO. Higher local competition within this market added pressure to prices in this country. The depreciation of the Brazilian real against the U.S. dollar also gave way to lower returns in U.S. dollar terms for exports. Our melamine products, however, were well positioned and continued to reap the benefits. In North America, MDF had a positively sloped demand throughout the quarter, and imports from our production facilities in Brazil, Argentina and Chile increased in order to meet this higher demand. Particleboard sales did not fare as well, but maintained somewhat similar levels in terms of price and volume compared to last quarter. Sales in Mexico prospered and prices remained stable this quarter despite new MDF mills starting up locally. Products that differentiate us from our competitors, such as our melamine products, helped maintain sales volume. In Argentina, there was an upsurge in sales volume, despite exports being difficult to concrete. MDF moldings have also regained strength across markets.

Furthermore, sawn timber markets continued to recover. Asia and Oceania, one of our stronger markets within sawn timber sales showed a healthy demand, with China and Korea showing stable prices and sales volume. In the United States and Canada, Arauco was able to regain market position in Araucopy, as there was a stronger demand for these products throughout the region. This effect was slightly offset by higher sales volume from Latin American countries. Price hikes in pine moldings, though modest, have yet to affect our bottom line. Middle Eastern markets continue to show favorable results, expanding Arauco's client base in India and consolidating price increases. Other markets, such as Latin America and the Caribbean and Europe, have shown stability, with plywood picking up strength in the latter.

## CAPITAL EXPENDITURES

US\$ Millions	Q3 2016	Q2 2016	Q3 2015	YTD 2016	YTD 2015
Cash flows used in purchase of associates and joint ventures	-	153.1	-	153.1	-
Purchase and sales of property, plant and equipment	97.6	82.2	62.6	243.0	258.9
Purchase and sales of intangible assets	0.2	1.1	0.9	1.9	2.8
Purchase of other long-term assets	31.2	35.4	39.9	103.3	123.5
<b>Total CAPEX</b>	<b>129.0</b>	<b>271.8</b>	<b>103.4</b>	<b>501.3</b>	<b>385.2</b>

During this quarter, capital expenditures decreased by U.S.\$ 142.8 million or 52.5% compared to the second quarter of 2016. The cash disbursement of € 137.5 million at the end of May for 50% in the Sonae Arauco joint venture increased capital expenditures during last quarter, which amounted to approximately U.S. 153.1 million. The water effluent treatment system also disbursed cash payments of U.S.\$ 17.5 million, accumulating U.S.\$ 33.3 million in capital expenditures up to September of this year. There were minor improvements in Arauco North America across various mills, including a mill water infrastructure in Duraflake and preliminary expenses for the new particleboard mill in Michigan, totaling approximately U.S.\$ 12.6 million in cash disbursements this quarter. Argentina also had minor improvements which totaled U.S.\$ 6.1 million. Plantations of biological assets across all countries amounted to U.S.\$ 31.1 million. The maintenance stoppage in our Licancel Pulp Mill and Line 2 of our Arauco Pulp Mill during this quarter cost a total of U.S.\$ 22.2 million. The remaining CAPEX pertains to sustaining business investments.

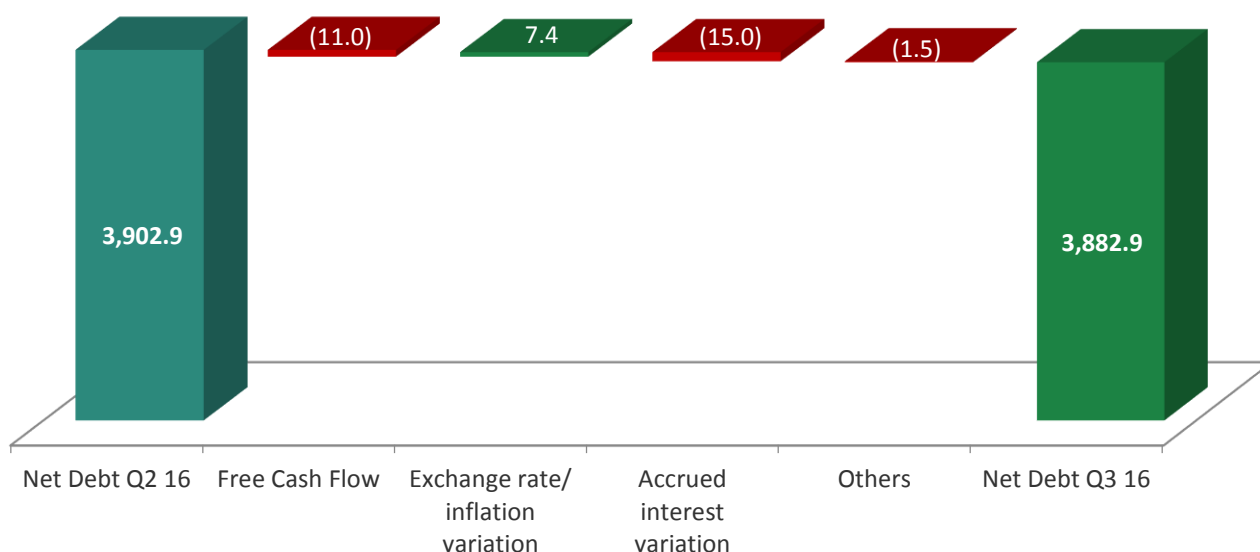
## FREE CASH FLOW

During this quarter, cash provided by operating activities decreased U.S.\$ 99.3 million, mainly due to lower Adjusted EBITDA and seasonally higher interest payments every third quarter. In terms of Cash used by investment activities, capital expenditures were lower during this quarter in comparison to the second quarter, due to the cash disbursement for the Sonae Arauco joint venture in May 2016. In addition, cash used by financing activities during this quarter was U.S.\$ 0.6 million, lower than last quarter's U.S.\$ 99.8 million which included dividend payments.

US\$ Millions	Q3 2016	Q2 2016	Q3 2015
Adjusted EBITDA	256.1	283.4	324.6
Working Capital Variation	(1.0)	39.2	73.5
Interest paid and received	(68.8)	(22.4)	(69.2)
Income tax paid	(36.4)	(21.4)	(15.1)
Other cash inflows (outflows)	(6.2)	(35.8)	(69.7)
<b>Cash from Operations</b>	<b>143.7</b>	<b>243.0</b>	<b>244.1</b>
Capex	(129.0)	(271.8)	(103.4)
Proceeds from investment activities	3.0	5.7	1.0
Other inflows of cash, net	1.2	5.5	6.6
<b>Cash from Investment Activities</b>	<b>(124.9)</b>	<b>(260.6)</b>	<b>(95.8)</b>
Dividends paid	(0.3)	(100.3)	(0.4)
Other inflows of cash, net	(0.3)	0.4	(0.1)
<b>Cash from (used) in financing activities - Net of proceeds and repayments</b>	<b>(0.6)</b>	<b>(99.8)</b>	<b>(0.5)</b>
Effect of exchange rate changes on cash and cash equivalents	(7.2)	6.6	(20.0)
<b>Free Cash Flow</b>	<b>11.0</b>	<b>(110.8)</b>	<b>127.8</b>

### Net Debt Variation Q2 2016 – Q3 2016

(In U.S.\$ Million)

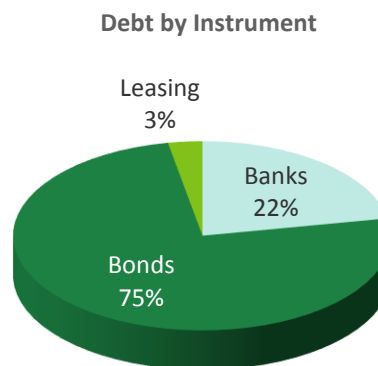
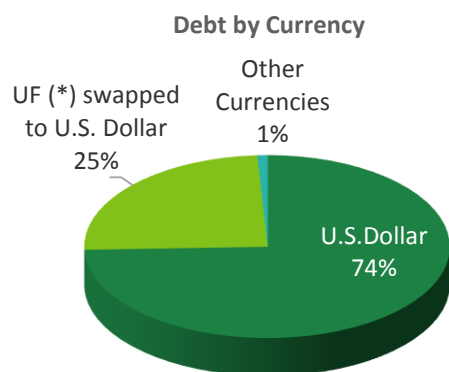
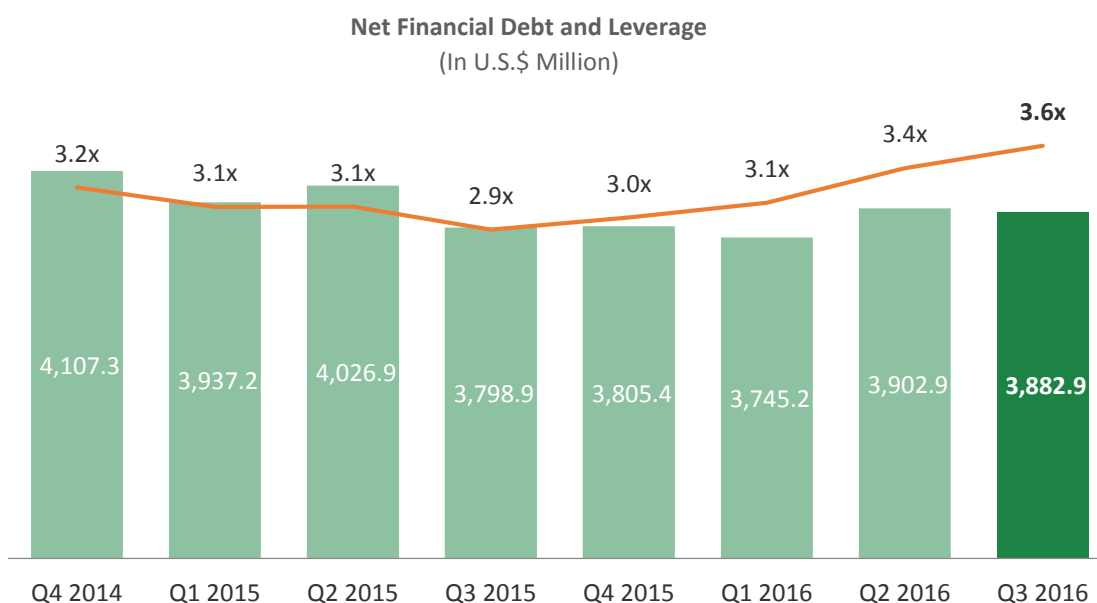


## FINANCIAL DEBT AND CASH

Arauco's financial debt as of September 30, 2016 reached U.S.\$ 4,342.6 million, a decrease of 2.0% or U.S.\$ 87.8 million when compared to June 30, 2016. Our consolidated net financial debt decreased 0.5% or U.S.\$ 20.1 million when compared with June 2016, while cash and cash equivalents decreased by U.S.\$ 67.7 million.

Our leverage, measured as Net Financial Debt/LTM Adjusted EBITDA, increased compared to last quarter from 3.4 times to 3.6 times.

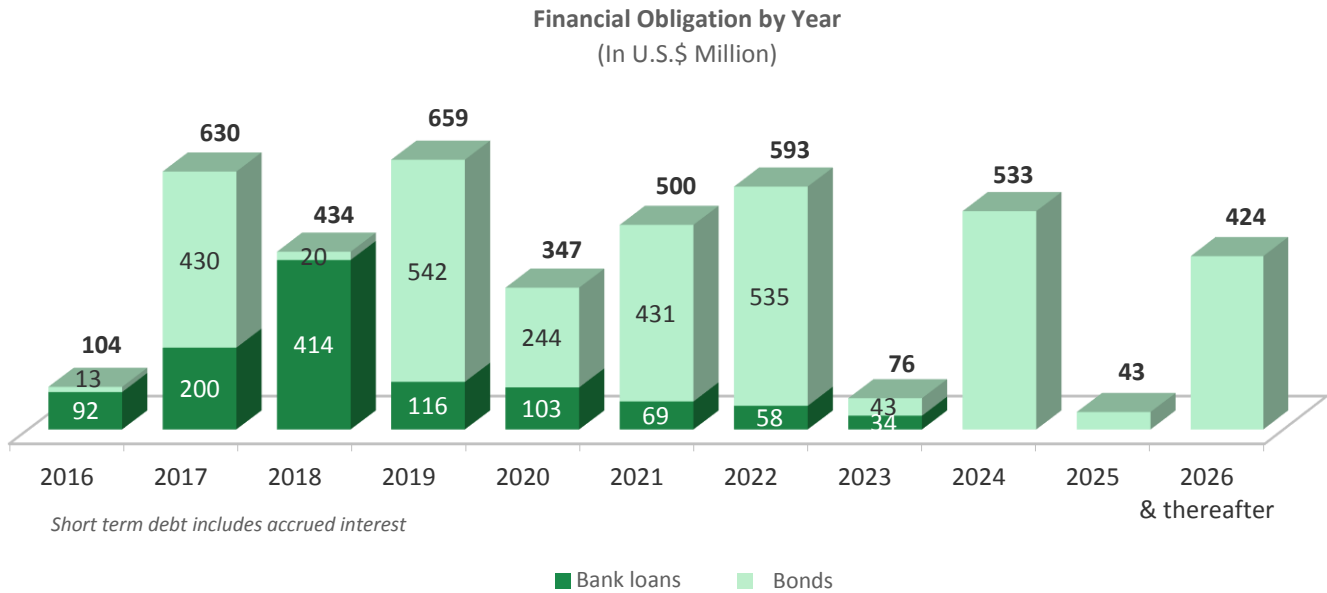
US\$ Millions	September 2016	June 2016	September 2015
Short term financial debt	716.9	647.8	319.7
Long term financial debt	3,625.7	3,782.5	4,008.1
<b>TOTAL FINANCIAL DEBT</b>	<b>4,342.6</b>	<b>4,430.3</b>	<b>4,327.7</b>
Cash and cash equivalents	459.7	527.4	528.9
<b>NET FINANCIAL DEBT</b>	<b>3,882.9</b>	<b>3,902.9</b>	<b>3,798.9</b>



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

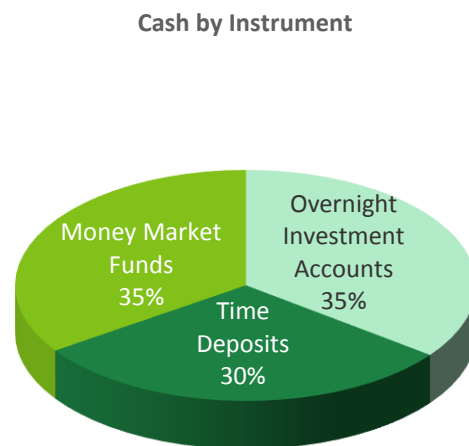
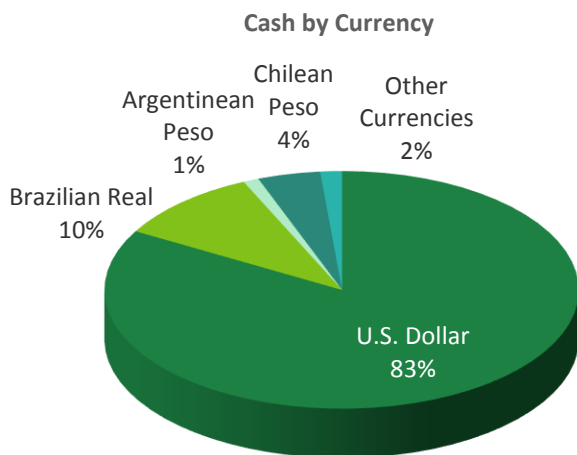
## Financial Debt Profile

For the remainder of the year, bank obligations (which include accrued interest) sum up a total of U.S.\$ 91.5 million, which include the following maturities: U.S.\$ 23.4 million in loans to Montes del Plata, U.S.\$ 51.3 million from pre export financing loans, U.S.\$ 10.6 million in leasing in Chile, and U.S.\$6.1 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.\$ 459.7 million at the end of the third quarter, which is a U.S.\$ 67.7 million or 12.8% decrease compared to the end of the second quarter of 2016. Main cash disbursements during this quarter include a seasonal increase in the amount of interest paid of approximately U.S.\$ 46.4 million compared to last quarter, as well as seasonally higher payments to suppliers and personnel, which increased by U.S.\$ 79.0 million. These disbursements were offset by lower capital expenditures after the payment for 50% of Sonae Arauco during the second quarter of this year.





### **MDP Grayling project approved by Arauco Board of Directors**

In October of this year, the project to build a new particleboard mill in Grayling Michigan was approved by Arauco's Board of Directors, as well as state and local agencies. This mill will be North America's largest single continuous particleboard press, with an annual capacity of 800,000 m3 of particleboard production, along with full lamination capabilities. Total investment amounts to U.S.\$ 400 million. During construction, the project will create approximately 300 jobs in the Crawford County Township, and will create 250 jobs once in operation. Logistically, this mill will have an advantageous position of board supply to the region, positively impacting our customer network. Project is estimated to start up late 2018, and yearly sales estimated at U.S.\$ 200 million per year once it is in full swing. Groundwork has already begun.

## FINANCIAL STATEMENTS

### Income Statement

US\$ Millions	Q3 2016	Q2 2016	Q3 2015
Revenue	1,187.5	1,207.3	1,285.9
Cost of sales	(885.2)	(874.6)	(896.5)
<b>Gross profit</b>	<b>302.3</b>	<b>332.6</b>	<b>389.3</b>
Other income	69.9	61.7	72.3
Distribution costs	(123.8)	(119.6)	(141.0)
Administrative expenses	(134.9)	(139.1)	(122.3)
Other expenses	(10.5)	(12.9)	(18.0)
Financial income	7.9	6.6	15.8
Financial costs	(64.7)	(65.5)	(62.6)
Participation in (loss) profit in associates and joint ventures accounted through equity method	4.0	6.0	2.2
Exchange rate differences	(1.0)	(0.2)	(22.6)
<b>Income before income tax</b>	<b>49.3</b>	<b>69.7</b>	<b>113.3</b>
Income tax	(17.8)	(12.2)	(26.3)
<b>Net income</b>	<b>31.4</b>	<b>57.5</b>	<b>87.0</b>
Profit attributable to parent company	31.1	56.9	86.2
Profit attributable to non-parent company	0.3	0.6	0.8

## Balance Sheet

US\$ Millions	Q3 2016	Q2 2016	Q3 2015
Cash and cash equivalents	459.7	527.4	528.9
Other financial current assets	9.6	10.7	46.0
Other current non-financial assets	177.6	158.4	196.9
Trade and other receivables-net	642.5	667.8	736.2
Related party receivables	3.7	3.7	3.6
Inventories	909.6	908.5	896.2
Biological assets, current	297.5	324.9	249.0
Tax assets	92.3	80.2	34.2
Non-Current Assets classified as held for sale	3.1	2.8	8.1
<b>Total Current Assets</b>	<b>2,595.6</b>	<b>2,684.4</b>	<b>2,699.1</b>
Other non-current financial assets	5.3	3.4	0.0
Other non-current and non-financial assets	129.9	129.2	99.8
Non-current receivables	15.5	17.8	157.1
Investments accounted through equity method	438.5	437.3	262.0
Intangible assets	81.6	84.8	83.9
Goodwill	75.1	75.5	69.1
Property, plant and equipment	6,914.3	6,945.1	6,850.8
Biological assets, non-current	3,588.5	3,578.3	3,454.6
Deferred tax assets	3.9	3.9	148.0
<b>Total Non-Current Assets</b>	<b>11,252.7</b>	<b>11,275.5</b>	<b>11,125.4</b>
<b>TOTAL ASSETS</b>	<b>13,848.3</b>	<b>13,959.9</b>	<b>13,824.5</b>
Other financial liabilities, current	717.9	649.5	324.5
Trade and other payables	558.0	583.4	621.9
Related party payables	7.3	7.3	8.9
Other provisions, current	0.6	0.8	0.5
Tax liabilities	8.9	9.7	15.5
Current provision for employee benefits	5.2	5.3	4.2
Other non-financial liabilities, current	91.3	79.5	168.6
<b>Total Current Liabilities</b>	<b>1,389.2</b>	<b>1,335.5</b>	<b>1,144.0</b>
Other non-current financial liabilities	3,731.5	3,927.3	4,233.9
Other provisions, non-current	38.7	36.1	59.8
Deferred tax liabilities	1,637.5	1,636.8	1,718.2
Non-current provision for employee benefits	59.8	60.3	49.2
Other non-financial liabilities, non-current	60.1	59.9	43.6
<b>Total Non-Current Liabilities</b>	<b>5,527.6</b>	<b>5,720.5</b>	<b>6,104.7</b>
Non-parent participation	44.5	43.7	37.4
<b>Net equity attributable to parent company</b>	<b>6,886.9</b>	<b>6,860.1</b>	<b>6,538.5</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>13,848.3</b>	<b>13,959.9</b>	<b>13,824.5</b>

## Cash Flow Statement

US\$ Millions	Q3 2016	Q2 2016	Q3 2015
Receipts from sales of goods and rendering of services	1,308.9	1,263.6	1,492.3
Other cash receipts (payments)	70.7	68.4	35.1
Payments of suppliers and personnel (less)	(1,127.2)	(1,048.2)	(1,204.7)
Interest paid and received	(68.8)	(22.4)	(69.2)
Income tax paid	(36.4)	(21.4)	(15.1)
Other (outflows) inflows of cash, net	(3.6)	3.0	4.2
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>143.7</b>	<b>243.0</b>	<b>244.1</b>
Capital Expenditures	(129.0)	(271.8)	(103.4)
Other investment cash flows	4.1	11.2	7.6
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(124.9)</b>	<b>(260.6)</b>	<b>(95.8)</b>
Proceeds from borrowings	175.5	158.5	47.8
Repayments of borrowings	(254.2)	(163.0)	(153.9)
Dividends paid	(0.3)	(100.3)	(0.4)
Other inflows of cash, net	(0.3)	0.4	(0.1)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(79.3)</b>	<b>(104.4)</b>	<b>(106.6)</b>
<b>Total Cash Inflow (Outflow) of the Period</b>	<b>(60.5)</b>	<b>(121.9)</b>	<b>41.7</b>
Effect of exchange rate changes on cash and cash equivalents	(7.2)	6.6	(20.0)
Cash and Cash equivalents at beginning of the period	527.4	642.7	511.9
<b>Cash and Cash Equivalents at end of the Period</b>	<b>459.7</b>	<b>527.4</b>	<b>533.6</b>