antarchile

EARNINGS ANALYSIS

First Quarter 2017

CONTACT:

CEO	Andrés Lehuedé	alehuede@antarchile.cl
Head of Investor Relations	José Luis Arriagada	jarriagada@antarchile.cl

CONSOLIDATED INCOME

1Q17 / 1Q16

AntarChile had net income of US$30 million in 1Q17, a 64% decrease year-on-year (YoY). That was mainly due to a large drop in non-operating income of US$182 million. This is mostly explained by the US$178 million loss from wildfires that hit around 80,000 hectares of Arauco's forest plantations and which, according to the international financial reporting standards (IFRS), is equivalent to 6% of the value of such plantations and 2% of Arauco's total assets. It should be highlighted that the company does not expect any further losses from the mentioned wildfires and that the potential recognition of the insurance indemnity is outstanding, which could be around US$35 million.

Operating income increased US$61 million, due to this rising about US$46 million in the fuels business from the incorporation of MAPCO and better margins at Copec and Terpel. The forestry business had higher operating income of US$21 million, mostly related to higher physical pulp sales.

1Q17 / 4Q16

AntarChile's net income fell US$36 million quarter-on-quarter (QoQ). This is explained by non-operating income dropping US$179 million, related to the wildfires mentioned above and the negative effect of the sale of Agesa's stake in GNL Quintero, which was stated the previous quarter and amounted to around US$32 million for AntarChile. That was partly offset by a better exchange rate difference of US$15 million, a US$10 million increase in financial income and US$9 million of other earnings. Operating income rose 68%, equivalent to an increase of US$109 million, and related to the better performance in the fuels business of US$70 million, on account of higher margins and sales volumes in Chile and a decrease in administration expenses related to the MAPCO purchase. The forestry business had higher operating income of US$40 million, due to an increase in the pulp business from a recovery of pulp prices this quarter.

US$ million	1Q 2017	4Q 2016	1Q 2016	Q-Q Var.	Y-Y Var.	YTD 2017	YTD 2016	Y-Y Acc. Var.
Sales revenue	4,878	4,549	3,801	7%	28%	4,878	3,801	28%
EBIT	268	159	207	68%	29%	268	207	29%
EBITDA*	491	405	414	21%	19%	491	414	19%
Adjusted EBITDA**	782	1,435	406	-45%	93%	782	406	93%
Non-operating income	(195)	(16)	(13)	-1,113%	-1,382%	(195)	(13)	-1,382%
Net Income	60	132	142	-55%	-58%	60	142	-58%
Net income of controlling interest	**30**	**66**	**83**	**-55%**	**-64%**	**30**	**83**	**-64%**
Net income of minority interest	30	67	60	-54%	-49%	30	60	-49%
EBITDA Margin	10%	9%	11%	13%	-8%	10%	11%	-8%
EBITDA / net financial expense	7.0 x	5.4 x	5.9 x	29%	18%	7.0 x	5.9 x	18%

*(*) **EBITDA** = operating income + depreciation + amortization + stumpage (fair value of harvested wood)*
*(**) Adjusted **EBITDA** = net income + financial costs ï financial income + tax + depreciation and amortization + fair value of the wood harvested ï change in the valuation of biological assets + exchange rate difference + provision for forest fire losses*

CONSOLIDATED BALANCE SHEET

US$ million	YTD 2017	YTD 2016	Variation US$ million	Variation %
Current Assets	5,070	5,010	60	1%
Non-current Assets	16,886	16,909	(22)	0%
Total Assets	**21,956**	**21,919**	**37**	**0%**
Other current financial liabilities	961	978	(17)	-2%
Other current liabilities	1,695	1,751	(56)	-3%
Other non-current financial liabilities	5,897	5,890	7	0%
Other non-current liabilities	2,607	2,613	(6)	0%
Total liabilities	**11,160**	**11,232**	**(72)**	**-1%**
Equity of minority interest	**4,417**	**4,393**	**24**	**1%**
Equity attributable to controlling interest	**6,380**	**6,294**	**86**	**1%**
Leverage	0.50	0.50		0%
Net financial debt	5,368	5,295	73	1%

AntarChile's total consolidated current assets rose 0.2% in 1Q17 on those as of December 31, 2016. Current assets increased 1.2%, driven by higher inventories and trade accounts receivable at Copec, and an increase in current non-financial assets at Arauco and Copec. That was offset by a drop in cash and cash equivalents, mainly at Copec.

Non-current assets in 1Q17 decreased 0.1% on those at the close of 2016, mainly due to a drop of US$146 million in non-current biological assets from the wildfires that hit Arauco. That was largely offset by an increase in investments accounted for using the equity method at Arauco, in property, plant and equipment at the indirect subsidiaries Arauco and Abastible, along with an increase in intangible assets other than goodwill, mainly at Copec.

Current liabilities fell 2.7% because of lower trade accounts payable at Copec and Arauco and decreased current liabilities at Arauco and Igemar. That was partly offset by higher other current liabilities, related to the provision for dividends payable from the profits generated in 1Q17.

Non-current liabilities remained stable. There was a drop in deferred tax liabilities at Arauco, related to the wildfire effect, which was offset by an increase in other non-current financial liabilities and other non-current non-financial liabilities.

Lastly, shareholders' equity rose 1.4% on that at December 2016, mainly because of an increase in other reserves due to the lower exchange rate effect on indirect subsidiaries with accounting in currencies other than the US dollar.

CONSOLIDATED CASH FLOW

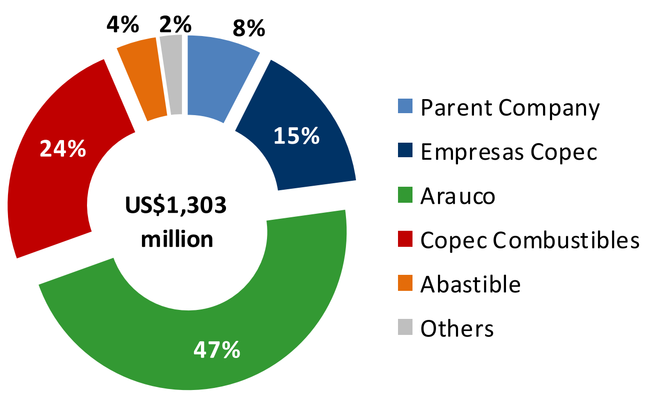
US$ million	Mar-17	Mar-16	Variation	
Cash flow from (used in) operating activities	144	380	(237)	-62.2%
Cash flow from (used in) investing activities	(139)	(182)	44	23.9%
Cash flow from (used in) financing activities	(47)	6	(54)	-832.4%
Net increase (decrease) in cash and cash equivalents, before exchange rate adjustments	**(43)**	**204**	**(247)**	**-120.8%**

The operating cash flow as of March 2017 dropped 62% YoY to US$144 million, explained by greater payments to suppliers at Copec from a specific decrease in the number of days of accounts payable. Moreover, there were lower other net charges for operating activities, mainly by Arauco of US$46 million. This was partly offset by less income tax paid and other cash disbursements of US$17 million.

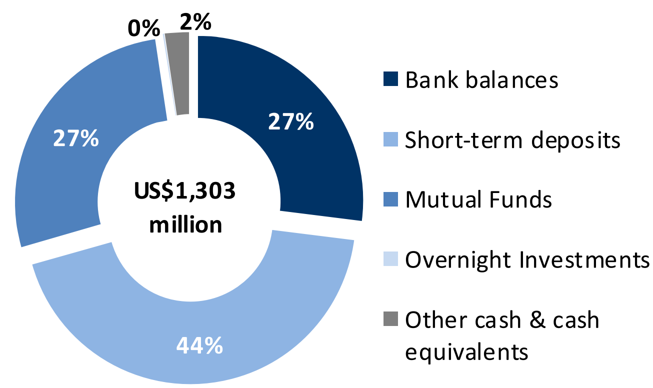
The investing cash flow had disbursements of US$139 million in 2017, a 24% decrease on the US$182 million in 2016. That was due to higher cash income of US$55 million for time deposits held by the parent company which on maturity form part of the cash and cash equivalents at the close of the quarter. There were higher purchases of intangible assets by Copec, along with greater purchases of other long-term assets in the forestry business of US$9 million. That was partly offset by lower purchases of property, plant and equipment at Arauco.

The financing cash flow had a negative flow of US$47 million in March 2017 compared to the positive flow of US$6 million in 2016. That is explained by the lower net securing of loans related to subsidiaries in the forestry business.

Cash and cash equivalents by company

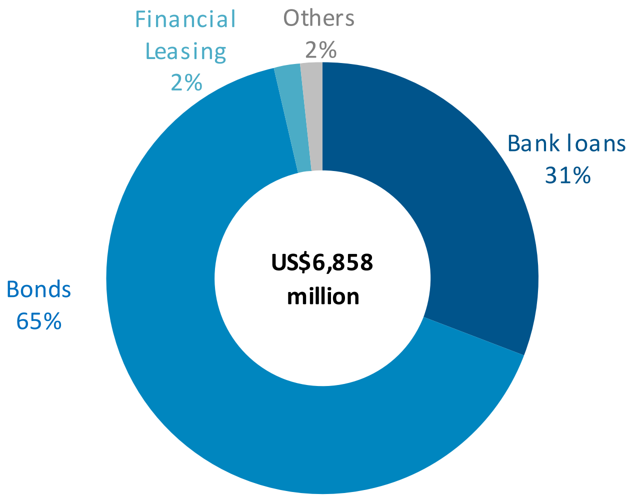


Breakdown by instrument

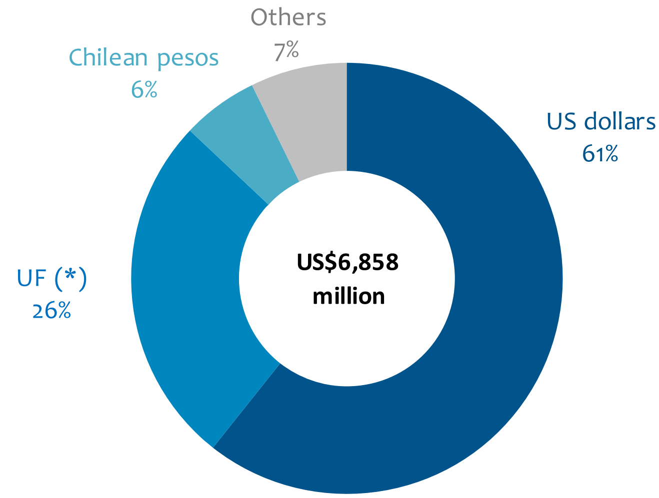


CONSOLIDATED FINANCIAL DEBT

Breakdown by instrument



Breakdown by currency

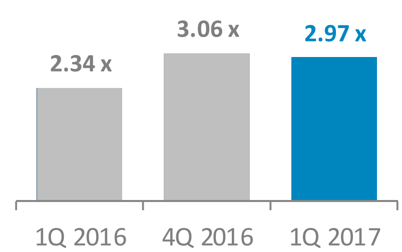


(*) *"Chilean currency unit indexed according to inflation."*
Source: Ministry of Finance, Chile

Net Financial Debt

US$ million	1Q 2017	4Q 2016	1Q 2016
Current financial liabilities	961	978	562
Non-current financial liabilities	5,897	5,890	5,908
Total financial liabilities	**6,858**	**6,868**	**6,470**
Cash and cash equivalents	1,303	1,332	1,908
Current financial assets	187	242	172
Net financial debt*	**5,368**	**5,295**	**4,390**

Net Debt/EBITDA LTM



*Net debt = current financial liabilities + non-current financial liabilities - cash and cash equivalents – other current financial assets.

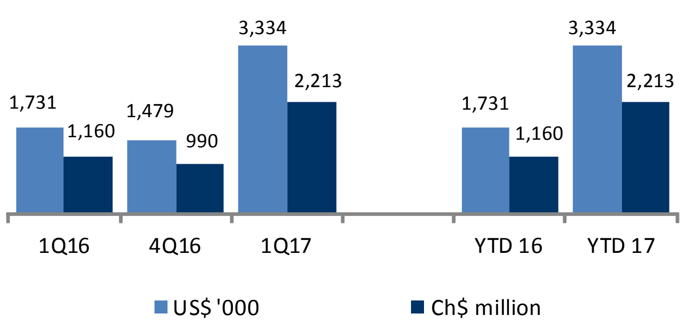
antarchile

CONSOLIDATED INCOME BY SEGMENT

US$ million	1Q 2017	4Q 2016	1Q 2016	Q-Q Var.	Y-Y Var.	YTD 2017	YTD 2016	Y-Y Acc. Var.
Sales								
Forestry	1,234	1,221	1,146	1%	8%	1,234	1,146	8%
Fuels	3,615	3,289	2,623	10%	38%	3,615	2,623	38%
Fisheries	31	40	32	-22%	-2%	31	32	-2%
Other companies	(2)	0	0	-1,302%	-1,361%	(2)	0	-1,361%
Total	**4,878**	**4,549**	**3,801**	**7%**	**28%**	**4,878**	**3,801**	**28%**
EBITDA								
Forestry	293	271	261	8%	12%	293	261	12%
Fuels	202	133	152	51%	33%	202	152	33%
Fisheries	3	5	6	-36%	-42%	3	6	-42%
Other companies	(8)	(5)	(5)	-60%	-73%	(8)	(5)	-73%
Total	**491**	**405**	**414**	**21%**	**19%**	**491**	**414**	**19%**
Net income								
Forestry	(45)	76	52	-160%	-187%	(45)	53	-186%
Fuels	102	54	72	88%	42%	102	72	42%
Fisheries	(5)	(30)	(4)	84%	-36%	(5)	(4)	-36%
Other companies	8	32	21	-76%	-62%	8	21	-62%
Total	**60**	**132**	**142**	**-55%**	**-58%**	**60**	**142**	**-58%**
Capex								
Forestry	120	164	117	-27%	2%	120	117	2%
Fuels	73	628	59	-88%	25%	73	59	25%
Fisheries	2	9	2	-81%	-22%	2	2	-22%
Other companies	3	(102)	(0)	-	-	3	(0)	9,139%
Total	**197**	**699**	**179**	**-72%**	**10%**	**197**	**179**	**10%**

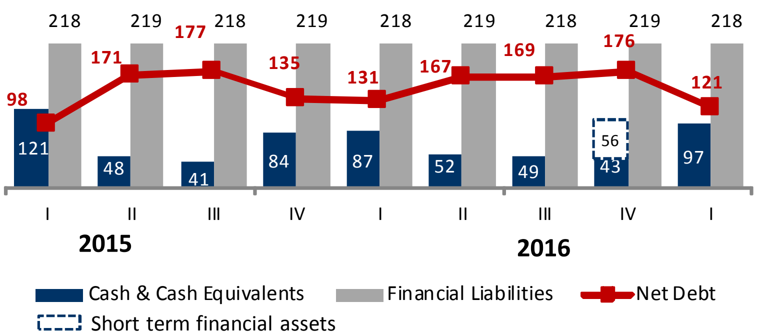
INDIVIDUAL INFORMATION

Administration & Sales Expenses

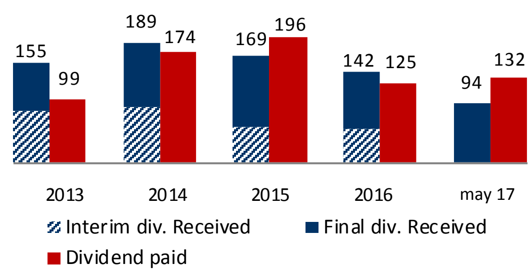


In 1Q17, the administration expenses of AntarChile (individual) rose US$1.6 million YoY. That was due to severance being paid in the first quarter of 2017.

Net Debt
US$ million



Dividends
US$ million



AntarChile seeks to maintain a relatively constant level of financial liabilities over time.

Cash and cash equivalents are directly related with dividends received and dividends paid AntarChile.

The company's policy establishes a minimum dividend distribution of 40% of the year's liquid net earnings. Said policy is linked to that of Empresas Copec, so as to avoid unnecessary accumulation of cash at the holding company.

In December of each year, Empresas Copec pays out an interim dividend, which drives cash and equivalents up in the last quarter. In May of each year, both Empresas Copec and AntarChile pay out a definitive dividend, and so cash and cash equivalents normally decrease in the Second Quarter.

Empresas Copec (Consolidated)

US$ million	1Q 2017	4Q 2016	1Q 2016	Q-Q Var.	Y-Y Var.	YTD 2017	YTD 2016	Y-Y Acc. Var.
Sales revenue	4,878	4,549	3,801	7%	28%	4,878	3,801	28%
EBIT	271	161	209	68%	30%	271	209	30%
EBITDA*	494	406	416	22%	19%	494	416	19%
Adjusted EBITDA **	495	407	402	22%	23%	495	402	23%
Non-operating income	(199)	(7)	(18)	-2,743%	-1,006%	(199)	(18)	-1,006%
Net income	60	142	140	-58%	-57%	60	140	-57%
Net income of controlling interest	**49**	**132**	**133**	**-63%**	**-63%**	**49**	**133**	**-63%**
Net income of minority interest	10	10	7	0%	43%	10	7	43%

*(*) **EBITDA** = operating income + depreciation + amortization + stumpage (fair value of harvested wood)*
*(**) **Adjusted EBITDA** = net income + financial costs – financial income + tax + depreciation and amortization + fair value of harvested wood – change in the valuation of biological assets + exchange rate difference + provision for forest fire losses*

AntarChile's results are highly correlated with those of its subsidiary Empresas Copec.

The following pages contain a brief analysis of the key variations of 1Q 2017, both per quarter and accumulated, for the principal subsidiaries.

For further details please refer to:

- Empresas Copec, press release, at investor.empresascopec.cl
- Celulosa Arauco y Constitución, press release, at www.arauco.cl, and
- Terpel, results presentation, at www.terpel.com/en/Accionistas

Celulosa Arauco y Constitución (Consolidated)

US$ million	1Q 2017	4Q 2016	1Q 2016	Q-Q Var.	Y-Y Var.	YTD 2017	YTD 2016	Y-Y Acc. Var.
Sales revenue	1,234	1,221	1,146	1%	8%	1,234	1,146	8%
Adjusted EBITDA (*)	292	260	253	12%	15%	292	253	15%
EBIT	**118**	**77**	**97**	**52%**	**22%**	**118**	**97**	**22%**
Non-operating income	(189)	(13)	(16)	-1,318%	-1,056%	(189)	(16)	-1,056%
Net income	(45)	76	53	-160%	-186%	(45)	53	-186%
Net income of controlling interest	**(46)**	**74**	**52**	**-162%**	**-187%**	**(46)**	**52**	**-187%**
Net income of minority interests	0	2	1	-85%	-55%	0	1	-55%

***(*) Adjusted EBITDA** = net income + financial costs – financial income + tax + depreciation and amortization + fair value of harvested wood – change in the valuation of biological assets + exchange rate difference + provision for forest fire losses*

1Q17 / 1Q16

Arauco posted a loss of US$45 million in 1Q17, US$98 million down YoY. That was mainly due to non-operating income decreasing US$173 million, because of the losses from wildfires that hit Arauco in the first few months of the year. Operating income rose 22%, largely due to the better performance of the pulp business driven by higher physical sales.

1Q17 / 4Q16

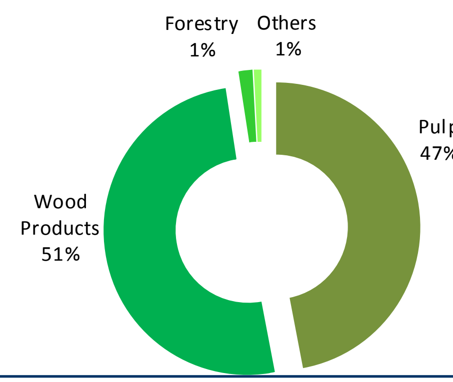
Net income in 1Q17 was US$121 million down QoQ. Non-operating income dropped US$176 million, due to the losses from the wildfires mentioned above. Operating income rose 52%, mainly explained by the better performance of the pulp business related to the recovery of pulp prices this quarter.

Sales by segment

US$ million	1Q 2017	4Q 2016	1Q 2016	Q-Q Var.	Y-Y Var.
Pulp (*)	579	557	526	4%	10%
Wood Products (*)(**)	624	630	592	-1%	6%
Forestry (*)	20	28	22	-29%	-12%
Others	10	6	6	73%	68%
Total	**1,234**	**1,221**	**1,146**	**1%**	**8%**

(*) Sales include energy
(**) Wood products include Panels and Sawn Timber

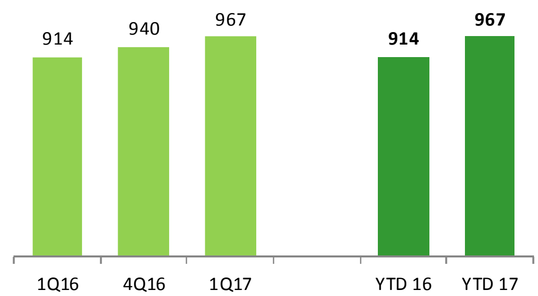
Total 1Q17: US$ 1,234 million



PULP

The first quarter of 2017 closed with higher sales than in 1Q16 and also greater than budgeted. In Asia, softwood and hardwood prices rose 4% and 8%, respectively, whereas in Europe the price changes were +3% for softwood and -3% for hardwood. There are two main reasons for the difference between Asia and Europe. This is because the European market has a certain time lag due to the time when the monthly price agreements are closed, and discounts also have an influence, which are fully recognized at the beginning of the year and not accrued across the period.
Global demand is sound and active, despite new pulp production coming on stream from OKI's lines 1 and 2.
As mentioned, prices in Asia increased QoQ by US$70 for softwood and US$80 for hardwood. Demand in China is very active, and the Chinese government's policies of boosting domestic consumption have started to be evident, which has increased the production rates of the paper industry where there are positive signs like fresh investment in paper mills.
The situation in Europe is different as there is still a paper glut. Despite this, prices followed suit with the international market increasing US$25 for softwood and US$90 for hardwood. Although the hardwood price increase was higher than in Asia, returns are still worse in Europe. Softwood has lower price increases due to the freight cost, which has compelled local producers to sell in Europe instead of China.

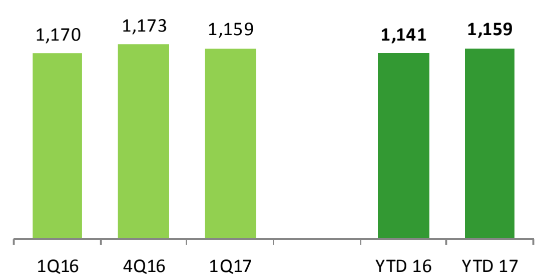
Production
Thousands of Adt



PANELS

The plywood business was affected by raw material availability due to the wildfires and partial stoppages made to seek better alternatives for the fiber available. This led to a drop in physical sales, which was offset by higher prices. In the next few months, the forecast is higher demand, particularly in the US market which has improved because of an increase in the physical sales volumes of MDF and PBO. Prices continued to improve in Brazil with volume remaining stable.

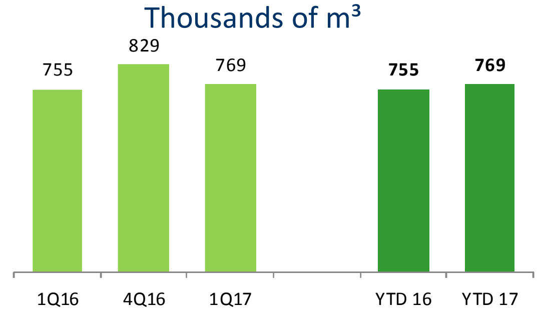
Production
Thousands of m³



SAWN TIMBER

The wildfires hit the sawn timber volume. Timber supply contracted due to temporary misadjustments of the raw material availability and the destruction of one of the company's sawmills. The supply of remanufactured products was affected by this same situation, although to a lesser extent. Despite this, prices of both products accumulated increases, which enabled the company to attain billing close to that of the same period of the previous year. The US market has met expectations for remanufactured products, and markets in Asia and the Middle East are forecasted to be stable.

Production
Thousands of m³



Copec Combustibles (Consolidated)

Millions of Chilean Pesos	1Q 2017	4Q 2016	1Q 2016	Q-Q Var.	Y-Y Var.	YTD 2017	YTD 2016	Y-Y Acc. Var.
Sales	2,205,928	2,041,327	1,767,307	8%	25%	2,205,928	1,767,307	25%
EBITDA	108,750	62,470	76,224	74%	43%	108,750	76,224	43%
EBIT	**84,018**	**42,561**	**56,738**	**97%**	**48%**	**84,018**	**56,738**	**48%**
Non-operating income	(9,150)	(6,524)	(12,739)	-40%	28%	(9,150)	(12,739)	28%
Net Income	**50,883**	**19,131**	**33,180**	**166%**	**53%**	**50,883**	**33,180**	**53%**
Copec Chile's physical sales (thousands of m³)	2,496	2,411	2,491	4%	0%	2,496	2,491	0%
Copec Chile's market share	58.6%	57.3%	58.4%	2%	0%	58.6%	58.4%	0%
Mapco's Sales (MM US$)	347	183	-	90%	-	347	-	-
Mapco's EBITDA (MM US$)	5	1	-	400%	-	5	-	-
Mapco's physical sales (thousands of m³)	444	243	-	83%	-	444	-	-

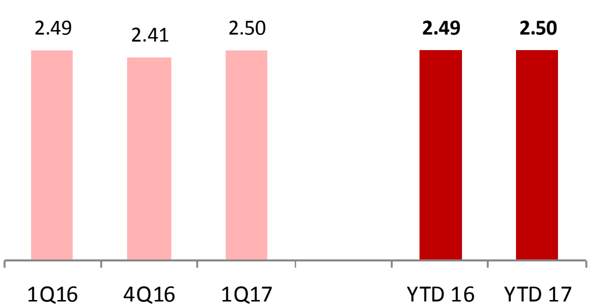
1Q17 / 1Q16

Copec had net income of Ch$50,883 million in 1Q17, a Ch$17,703 million increase YoY. That was essentially due to operating income rising Ch$27,280 million because of higher margins in Chile and at Terpel, the incorporation of MAPCO and a positive effect of the revaluation of inventories in Chile and Colombia, which was negative the previous year. In line with this, there was a sales volume increase in the distributor channel in Chile. Likewise, non-operating income climbed 28%, because of more favorable exchange rate differences.

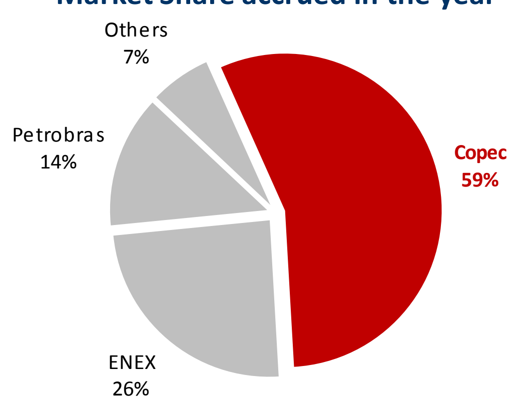
1Q17 / 4Q16

Net income in the quarter was Ch$31,752 million and up QoQ. Operating income increased 97%, due to higher commercial and import margins and a sales volume increase. Administration expenses also dropped, due to the acquisition of MAPCO reflected in the last quarter of 2016. Non-operating income dropped 40% QoQ on account of lower other revenue.

Copec Chile's physical sales
Millions of m³



Market Share accrued in the year



Organización Terpel (Consolidated)

Millions of Colombian Pesos	1Q 2017	4Q 2016	1Q 2016	Q-Q Var.	Y-Y Var.	YTD 2017	YTD 2016	Y-Y Acc. Var.
Sales	3,588,928	3,826,975	3,451,436	-6%	4%	3,588,928	3,451,436	4%
EBITDA	157,723	158,186	134,045	0%	18%	157,723	134,045	18%
EBIT	**113,564**	**134,825**	**89,808**	**-16%**	**26%**	**113,564**	**89,808**	**26%**
Non-operating income	(29,331)	(20,521)	(41,660)	-43%	30%	(29,331)	(41,660)	30%
Net income of controlling interest	**50,224**	**79,203**	**23,102**	**-37%**	**117%**	**50,224**	**23,102**	**117%**
Net income of minority interest	**-**	**-**	**31**	**-**	**-100%**	**-**	**31**	**-100%**
Physical sales of Terpel (thousands of m³)								
Colombia	1,703	1,799	1,750	-5%	-3%	1,703	1,749	-3%
Panama	225	215	242	5%	-7%	225	242	-7%
Ecuador	137	147	121	-7%	13%	137	121	13%
Dominican Republic	62	55	57	13%	9%	62	57	9%
Physical sales of Gazel (thousands of m³)								
Colombia	70	77	72	-9%	-3%	70	72	-3%
Panama	20	21	18	-5%	11%	20	20	0%
Ecuador	14	13	11	8%	27%	14	11	27%

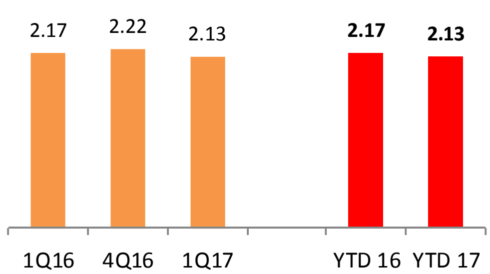
1Q17 / 1Q16

Terpel had a net income increase of 117% in 1Q17 YoY. EBITDA climbed 18% due to higher commercial margins and a positive effect of the revaluation of inventories. That was partly offset by lower physical sales in Colombia and Panama of 3% and 7%, respectively. Non-operating income rose 30% on account of lower financial costs.

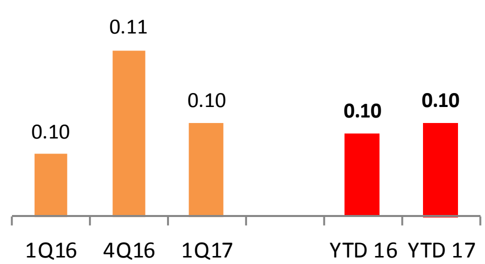
1Q17 / 4Q16

Net income in 1Q17 was 37% down QoQ. That is mostly explained by an operating income decrease of COP$21,262 million, and non-operating income falling COP$8,810 million QoQ.

Terpel's Fuel Sales
Millions of m³



Gazel's Fuel Sales
Millions of m³



antarchile

FUELS BUSINESS

Abastible (Consolidated)

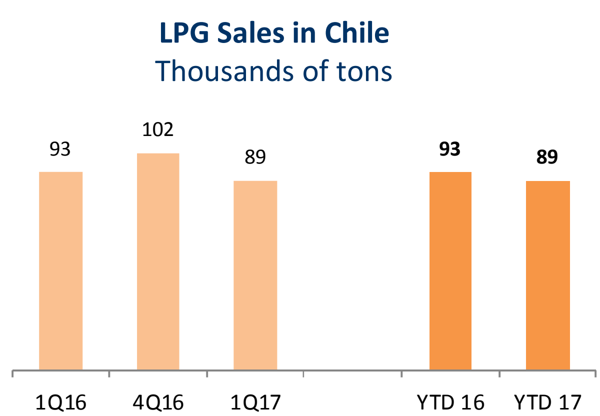
Millions of Chilean Pesos	1Q 2017	4Q 2016	1Q 2016	Q-Q Var.	Y-Y Var.	YTD 2017	YTD 2016	Y-Y Acc. Var.
Sales	163,949	161,944	83,571	1%	96%	163,949	83,571	96%
EBITDA	21,439	18,633	20,215	15%	6%	21,439	20,215	6%
EBIT	**12,039**	**8,956**	**14,296**	**34%**	**-16%**	**12,039**	**14,296**	**-16%**
Non-operating income	(1,418)	1,234	(1,395)	-215%	-2%	(1,418)	(1,395)	-2%
Net Income	**5,378**	**3,279**	**9,883**	**64%**	**-46%**	**5,378**	**9,883**	**-46%**
Physical sales of LPG in Chile (thousands of tons)	89	102	93	-13%	-4%	89	93	-4%
Physical sales of LPG in Colombia (thousands of tons)	49	50	43	-2%	14%	49	43	14%
Physical sales of LPG in Peru (thousands of tons)	129	131	-	-2%	-	129	-	-
Physical sales of LPG in Ecuador (thousands of tons)	27	26	-	4%	-	27	-	-

1Q17 / 1Q16

Abastible had net income of Ch$5,378 million in 1Q17, a Ch$4,505 million decrease YoY. That was mainly due to operating income falling 16%, because of a 4% sales volume decrease and lower margins in Chile, along with higher administration expenses and distribution costs. That was partly offset by improved income of Inversiones Nordeste (Colombia) and the consolidation of the operations of Solgas in Peru and Duragas in Ecuador.

1Q17 / 4Q16

Abastible's net income increased 64% QoQ, explained by higher operating income of Ch$3,083 million and mainly because of lower administration and sales expenses in Chile, offset by a drop in the physical sales volumes in Chile, Peru and Colombia, along with lower margins in Chile.



Empresa Pesquera Eperva

US$ million	1Q 2017	4Q 2016	1Q 2016	Q-Q Var.	Y-Y Var.	YTD 2017	YTD 2016	Y-Y Acc. Var.
Sales	125	149	122	-16%	2%	125	122	2%
EBITDA	10	(7)	(9)	237%	213%	10	(9)	213%
EBIT	**(2)**	**(77)**	**(21)**	**98%**	**91%**	**(2)**	**(21)**	**91%**
Non-operating income	6	(3)	23	349%	-72%	6	23	-72%
Net income of controlling interest	**2**	**(31)**	**(6)**	**107%**	**138%**	**2**	**(6)**	**138%**
Net income of minority interest	**0**	**(30)**	**(1)**	**100%**	**104%**	**0**	**(1)**	**104%**
Physical Sales								
Fishmeal & other protein foods (tons)	119,381	122,828	99,449	-3%	20%	119,381	99,449	20%
Fish oil (tons)	22,373	32,257	23,665	-31%	-5%	22,373	23,665	-5%

1Q17 / 1Q16

Eperva had net income of US$2 million in 1Q17 against a loss of US$6 million in 1Q16. Operating income rose US$19 million, on account of the US$17 million provision made in 2016 to adjust the fishmeal stock cost to its realization value. It is also important to highlight that catches have been very good; Corpesca received 213,000 tons of raw material as of March 2017 compared to the 5,000 tons in the same period last year. Non-operating income dropped 72%, largely because of a lower exchange rate difference of US$15 million and principally related to the effect of the Brazilian real on the subsidiary Selecta.

1Q17 / 4Q16

Net income was US$33 million up QoQ. Operating income rose US$75 million, because of the US$58 million asset impairment charge made by Corpesca in the last quarter of 2016 and increased physical sales from higher catches. Landings also increased sharply: 213,000 tons this quarter compared to 7,000 tons last quarter. Non-operating income increased US$9 million because of an US$8 million increase in exchange rate differences.

Pesquera Iquique-Guanaye, Igemar

US$ million	1Q 2017	4Q 2016	1Q 2016	Q-Q Var.	Y-Y Var.	YTD 2017	YTD 2016	Y-Y Acc. Var.
Sales	31	40	32	-22%	-2%	31	32	-2%
EBITDA	3	5	6	-37%	-42%	3	6	-42%
EBIT	**(1)**	**(2)**	**2**	**53%**	**-131%**	**(1)**	**2**	**-131%**
Non-operating income	(6)	(32)	(5)	81%	-17%	(6)	(5)	-17%
Net income	**(4)**	**(27)**	**(4)**	**86%**	**14%**	**(4)**	**(4)**	**14%**
Physical Sales								
Fishmeal (tons)	2,330	7,263	3,403	-68%	-32%	2,330	3,403	-32%
Fish oil (tons)	522	879	903	-41%	-42%	522	903	-42%
Canned fish (cases)	595,190	569,274	609,015	5%	-2%	595,190	609,015	-2%
Frozen fish (tons)	2,185	4,790	1,894	-54%	15%	2,185	1,894	15%
Catch (tons)	63,007	20,798	60,615	203%	4%	63,007	60,615	4%

1Q17 / 1Q16

Igemar had a loss of US$3.7 million in 1Q17 against a loss of US$4.3 million in 1Q16. Operating income fell US$3 million, related to a 54% drop in catches by the company's own fleet. There was also an increase in operating costs and expenses of US$3 million, along with an oil cost increase and less favorable exchange rate differences.

1Q17 / 4Q16

Net income in 1Q17 rose US$23 million QoQ, explained by non-operating income increasing US$26 million because of lower losses in associates and joint ventures. That was due to Corpesca's net income in the last quarter of 2016, which was affected by an asset impairment charge of US$58 million.

antarchile

HIGHLIGHTS

Supreme Court upholds verdict authorizing the MAPA project

Å In late May, the Supreme Court upheld the verdict by the third Environmental Court of Valdivia authorizing Arauco’s investment to undertake the Arauco mill modernization and expansion (MAPA) project, which was stopped due to an appeal filed to the Supreme Court.

Å It should be noted that four indigenous communities had filed an appeal for dismissal to the Supreme Court to quash the permit obtained for the project, alleging flaws in the indigenous consultation process.

Å The aim of the MAPA project is to modernize and expand the capacity of the Arauco pulp mill, increasing its production by 1 million tons. The total project investment amounts to US$2,300 million.

Corpesca Capital Increase

Å On April 24, 2017, an extraordinary shareholders’ meeting of Corpesca approved a capital increase of US$90 million to enhance the company’s financial standing.

Å The capital increase will mainly be allocated to reduce the parent company’s direct liabilities, with debt amounting to US$169.9 million as of December 31, 2016 and shareholders’ equity of US$297.5 million.

Arauco announces “De Raíz” (core) strategic plan due to the recent forest wildfires

Å Because of the forest wildfires that hit Arauco’s forest plantations and with the purpose to adapt the Company to climate change that raises the likelihood of forest fires spreading, Arauco decided to draw up a strategic plan based on four key pillars: prevent, protect, reforest/restore and improve the quality of life.

Å There are currently 14 projects underway, which include the recovery of the production chain, reforestation of native forest, protection of water basins and prevention awareness building in the local communities.

Å The plan will be led by a committee to include Arauco's Chairman, Executive Vice Chairman, CEO, the operations manager and vice president of commercial & corporate affairs

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

US$ million	1Q 2017	4Q 2016	1Q 2016
Cash and cash equivalents	1,303	1,332	1,669
Other current financial assets	187	242	175
Other current non-financial assets	211	172	182
Trade and other receivables, current	1,411	1,358	1,352
Related party receivables	54	47	77
Inventories	1,428	1,375	1,365
Current biological assets	302	309	275
Current tax assets	166	167	118
Non-current assets classified as held for sale	7	8	7
Total current assets	**5,070**	**5,010**	**5,220**
Other non-current financial assets	463	426	531
Other non-current non-financial assets	114	136	132
Non-current fees receivable	36	33	41
Non-current accounts receivable from related parties	25	25	7
Investments accounted for using the equity method	1,050	1,020	632
Intangibles assets other than goodwill	835	811	636
Goodwill	418	411	168
Property, plant and equipment	10,143	10,118	9,277
Non-current biological assets	3,447	3,593	3,555
Investment property	46	45	45
Deferred tax assets	310	292	231
Total non-current assets	**16,886**	**16,909**	**15,253**
TOTAL ASSETS	**21,956**	**21,919**	**20,473**
Other current financial liabilities	961	978	464
Trade and other current payables	1,307	1,421	1,280
Related party payables	10	8	6
Other short-term provisions	16	16	4
Current tax liabilities	49	45	55
Current provisions for employee benefits	8	9	7
Other current non-financial liabilities	305	253	209
Total current liabilities	**2,656**	**2,729**	**2,025**
Other non-current financial liabilities	5,897	5,890	5,910
Other non-current accounts payable	1	1	1
Non-current account payable to related companies	-	-	-
Other long-term provisions	69	67	43
Deferred tax liabilities	2,292	2,305	2,173
Non-current provisions for employee benefits	107	106	90
Other non-current non-financial liabilities	138	135	104
Total non-current liabilities	**8,504**	**8,503**	**8,321**
Non-parent participation	4,417	4,393	4,120
Net equity attributable to owners of parent	**6,380**	**6,294**	**6,007**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**21,956**	**21,919**	**20,473**

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

US$ million	1Q 2017	4Q 2016	1Q 2016	YTD 2017	YTD 2016
Sales revenue	4,878	4,549	3,801	4,878	3,801
Cost of sales	(4,085)	(3,837)	(3,159)	(4,085)	(3,159)
Gross Margin	**793**	**713**	**642**	**793**	**642**
Other income	53	81	61	53	61
Distribution costs	(293)	(425)	(199)	(293)	(199)
Administration expenses	(232)	(128)	(236)	(232)	(236)
Other expenses	(203)	(44)	(28)	(203)	(28)
Other income (loss)	(1)	(10)	0	(1)	0
Net financial expenses	(70)	(75)	(70)	(70)	(70)
Share of profit (loss) of associates and joint ventures	18	40	5	18	5
Exchange rate differences	8	(9)	18	8	18
Income (loss) before tax	**73**	**143**	**194**	**73**	**194**
Income tax expense	(13)	(11)	(52)	(13)	(52)
Income (loss) from continuing operations	**60**	**132**	**142**	**60**	**142**
Income (loss) from discontinued operations	-	-	-	-	-
Income (loss) attributable to owners of parent	30	66	83	30	83
Income (loss) attributable to minority interests	30	67	60	30	60
Net Income	**60**	**132**	**142**	**60**	**142**

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

US$ million	YTD 2017	YTD 2016
Cash received from sale of goods and providing services	4,943	4,380
Cash received from premiums and claims, annuties and other policy benefits	3	0
Other cash received from operating activities	85	130
Payments to suppliers for goods and services	(4,504)	(3,752)
Payments to and on behalf of employees	(241)	(184)
Payment for premiums and claims, annuties and other policy obligations	(3)	(3)
Other cash payments for operating activities	(37)	(70)
Dividends received	5	5
Interest paid	(81)	(75)
Interest received	11	14
Income tax refunds (paid)	(30)	(47)
Other cash inflows (outlays)	(6)	(16)
Net cash flow from (used in) operating activities	**144**	**380**
Cash flows used in obtaining control of subsidiaries or other business	-	-
Cash flows used in the purchase of non-controlling interests	(0)	-
Other cash receipts from the sale of equity or debt instruments of other entities	0	-
Other cash payments to acquire interest in joint ventures	-	-
Loans to related parties	(0)	(11)
Proceeds from the sale of property, plant and equipment	1	3
Purchase of property, plant and equipment	(130)	(136)
Proceeds from the sale of intangible assets	-	-
Purchase of intangible assets	(19)	(4)
Proceeds from other long-term assets	0	0
Purchase of other long-term assets	(48)	(39)
Cash advances and loans to third parties	0	-
Charges to related parties	-	0
Dividends received	0	2
Interest received	0	0
Other cash inflows (outlays)	57	2
Net cash flow from (used in) investing activities	**(139)**	**(182)**
Amounts paid for equity stakes	-	(0)
Proceeds from long-term borrowings	15	1
Proceeds from short-term borrowings	124	223
Loans from related parties	-	-
Payment of borrowings	(167)	(186)
Payments of financial leasing liabilities	(1)	(1)
Dividends paid	(6)	(7)
Interest paid	(15)	(16)
Other cash inflows (outlays)	3	(7)
Net cash flow from (used in) financing activities	**(47)**	**6**
Net increase (decrease) in cash and cash equivalents before the exchange rate change effect	**(43)**	**204**
Effect of exchange rate changes on cash and cash equivalents	14	36
Cash and cash equivalents at the beginning of the year	1,332	1,668
Cash and cash equivalents at the end of the year	**1,303**	**1,908**