

Annual Report 2006



Company

Environment

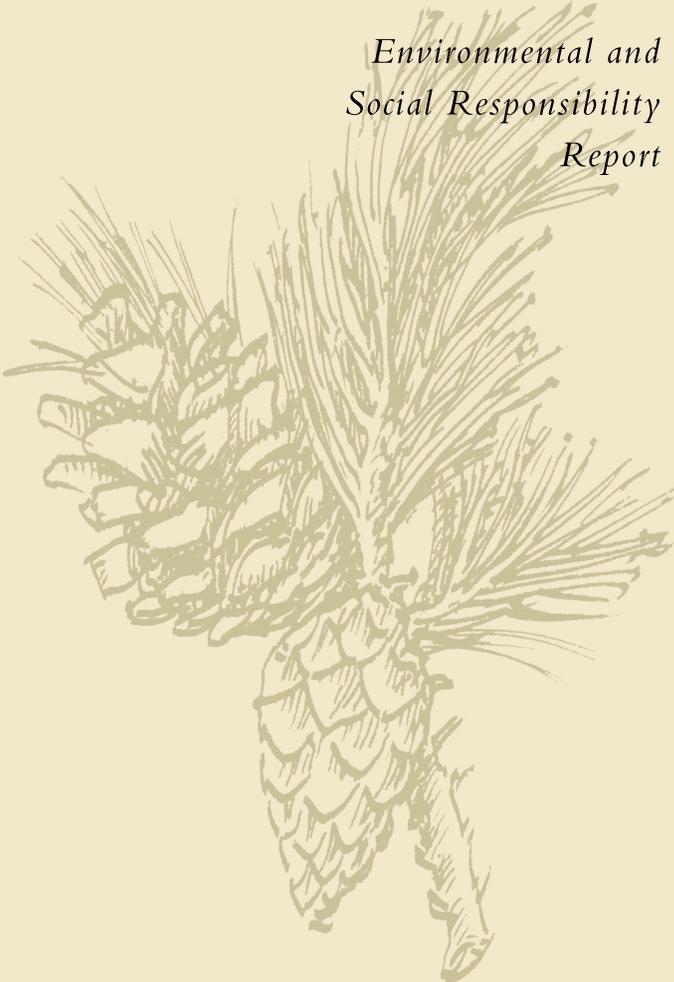
Community

Education

Education
Community Company
Environment



*Environmental and
Social Responsibility
Report*



Annual Report 2006

Environmental and Social Responsibility Reports



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Company

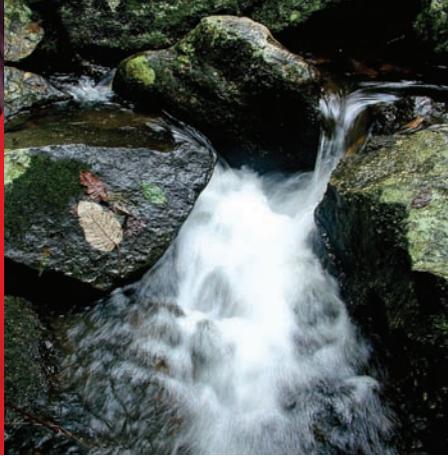
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Board of Directors, Management and Shareholders

The Board of Directors is appointed by the controlling company in accordance with Chilean Laws and is regulated by the Superintendency of Securities and Insurance.

Under Arauco's by-laws, the Board of Directors should be comprised of 9 members, who shall not be executives of the company. The current Board of Directors was appointed in April 2005.

Board of directors

Alberto Etchegaray
Chairman

Roberto Angelini
José Tomás Guzmán
Vice-Chairmen

Jorge Andueza
Anacleto Angelini
Manuel Enrique Bezanilla
Jorge Bunster
Carlos Croxatto
Timothy C. Purcell
Directors

ARAUCO's organizational structure is comprised of the Chief Executive Office, to which the areas of forestry, woodpulp, sawn timber, panels, corporate and marketing affairs, administration, finance, human resources, controller, projects, engineering and construction report. The management of companies located abroad report to a board of directors led by a Responsible Director. The organizational structure ensures implementation of the economic, environmental and social dimensions into the corporate strategies of the company, in the understanding that the sustainable development of forestry products is the basis of its activity.

Management

Matías Domeyko
Chief Executive Officer

Álvaro Saavedra
Forestry Area Managing Director

Jorge Garnham
Woodpulp Area Managing Director

Antonio Luque
Sawn Timber Area Managing Director

Franco Bozzalla
Panels Area Managing Director

Gianfranco Truffello
Chief Financial Officer

Juan Pablo Guzmán
Administration Director

Charles Kimber
Corporate Affairs & Marketing Director

Robinson Tajmuchi
Controller Director

Mauricio Pinto
Human Resources Director

Mario Urrutia
Projects Director

Hernán Arriagada
Engineering and Construction Director

Cristián Infante
Argentina Managing Director

Pablo Mainardi
Brazil Managing Director

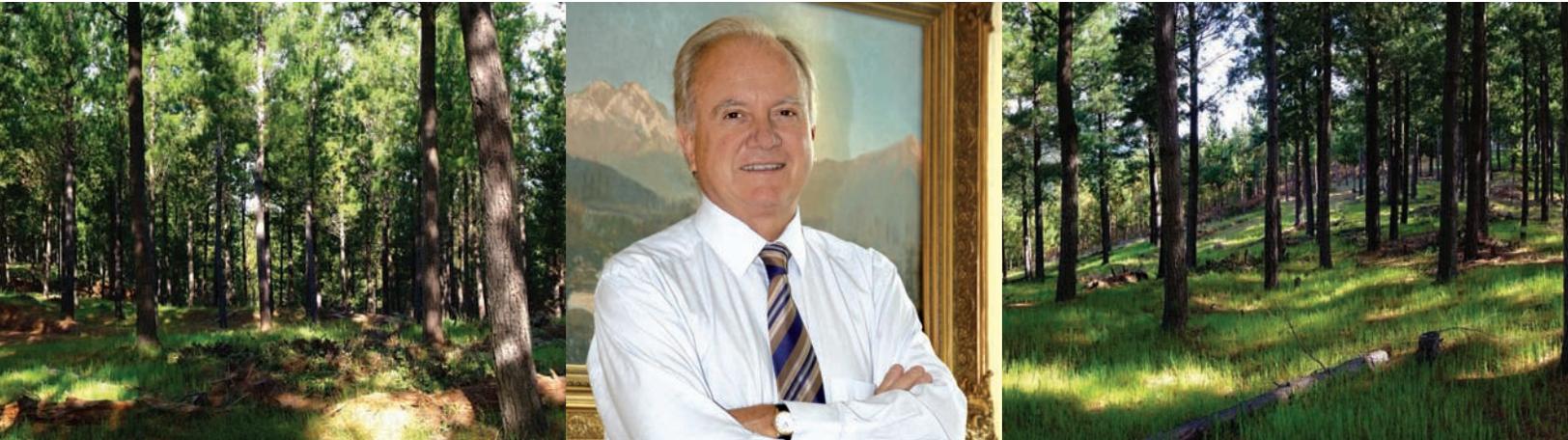
Shareholders

Name	Number of shares	Percentage shareholding
Empresas Copec	113,127,452	99.9771121 %
Chilur S.A.	24,746	0.02186961 %
María Raquel Cruchaga Montes	153	0.00013522 %
AntarChile S.A.	95	0.00008396 %
Total	113,152,446	100.0000000 %

To be a global leader in sustainable forestry and forest products development.



Chairman's Statement



ARAUCO is a Chilean company that is positioned today among the world leading forestry companies. We are one of the top producers of woodpulp and are acknowledged as important suppliers of panels and other forestry products in the most demanding markets. This has been the result of a project that over a period of 40 years has been growing with the contribution of excellent workers, professionals and executives. We are proud of our position and the results obtained by ARAUCO and are also aware of the new responsibilities attached to these achievements.

The forestry industry scenario is increasingly complex, not only in Chile but all around the world. ARAUCO is working in order to face the new challenges with intelligence, creativity and vision. We know that this requires changes in our company and the way we relate with our social and natural surroundings, and we are open to said changes and willing to respond to the new challenges they impose on us.

2006 was marked by the inauguration of the Nueva Aldea Forestry-Industrial Complex, whose woodpulp mill's start up was on August 31st. Until March 2007, this facility has received more than 18 thousand visitors, including leaders of neighbouring organizations, social communities, professors, students, business-people and union leaders. European experts that visited us expressed their surprise to find facilities in this remote place of the world, superior to those available in countries that are known for their high environmental standards.

We are proud of the results achieved at Nueva Aldea Forestry-Industrial Complex, a project that was fully developed by

Chilean engineers and that takes advantage of an important part of the Bio-Bio Region's potential. Nueva Aldea is the most visible part of the efforts made by the company in general and by each of our facilities in order to reinforce environmental management instances and the relationship with our neighbouring communities, regional and local authorities, universities and organizations of the civil society.

We have introduced new professionals; we have used more funds, and, most importantly, we are preparing our corporate culture to face new times. This process is being implemented in all of ARAUCO's industrial facilities and business areas, such as forestry, panels, sawn timber, as well as in our operations in Argentina and Brazil. In the past years we have been able to add state-of-the-art procedures and technologies to our operations, aiming at an industrial production that is friendly with the environment and respectful of our neighbouring communities. This process still has a long way to go, but we are satisfied of having made essential progress in this regard, particularly because we have assumed this set of tasks with full commitment at all levels of our organization.

Since 1988 ARAUCO has been contributing to the improvement of education. Such contribution to the Chilean society, especially the communities we belong to, is performed through the Arauco Educational Foundation. In 2006 we significantly strengthened this by using more human resources and materials which permitted us to enhance our programs and increase the number of beneficiaries.

In addition to the above in 2006 we reinforced our Company's efficiency and competitiveness and strengthened our will to invest and grow by acquiring forest assets. It is this growth that has allowed us to attain adequate operational and financial results. We do not forget, however, that the results we are delivering to our shareholders today have been possible thanks to the joint effort of the communities where we are inserted, their social organizations and the local, regional and national authorities.

On behalf of the Board of Directors, I hereby thank ARAUCO's workers, executives and collaborating companies for the substantial contribution of each to the achievements reached by the Company through their effort, intelligence, and cooperation.

Alberto Etchegaray
Chairman of the Board of Directors

Indicators



Economic							
	2000	2001	2002	2003	2004	2005	2006
(Millions of Dollars)							
Sales	1,183	1,139	1,188	1,458	2,075	2,374	2,850
Operating income	460	294	390	506	806	667	865
Net Income	324	140	277	409	590	438	619
EBITDA	620	455	527	644	982	894	1,123
CAPEX	514	195	353	573	735	910	733
Total Assets	4,909	4,969	5,037	5,784	6,296	7,093	7,815
Fixed Assets	4,020	3,759	3,838	4,327	4,785	5,491	6,112
Equity	3,277	3,117	3,207	3,614	4,003	4,249	4,832
Financial Ratios							
Debt / Capitalization	29.3%	34.5%	33.2%	34.4%	32.7%	35.5%	33.4%
Current ratio	2.10	6.43	3.62	7.14	3.29	3.39	1.96
(Thousands of hectares)							
Total timberlands owned	1,010	1,115	1,121	1,190	1,261	1,346	1,410
Plantations	657	699	709	758	800	851	884
Native forests	353	416	412	210	228	258	281
Other uses				221	233	237	245

To maximize the value of our forests in a sustainable way, integrating excellence in forestry production with efficiency in industrial transformation of value-added products, for their worldwide distribution in accordance with our customers' needs.



Resources Generated and Distributed year 2006
(2,850 million dollars)



Certifications 2006

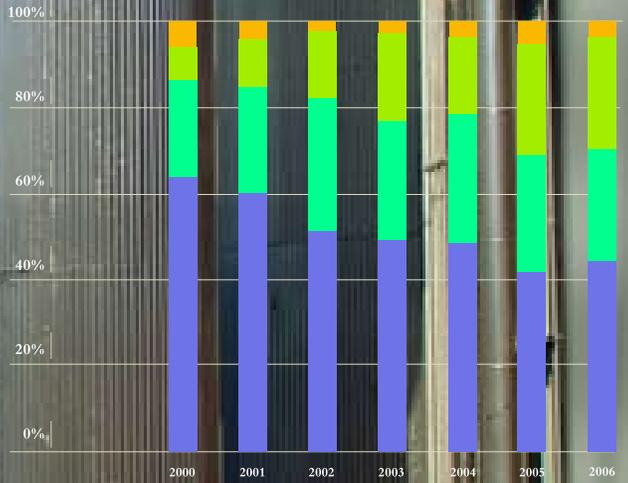
	Sustainable Forestry Management (1)	Chain of Custody (1)	ISO 14001	OHSAS 18001	ISO 9001
Chile					
Forestry	Yes	Yes	Yes	Yes	
Woodpulp	NA				
Arauco Mill		Yes	Yes		Yes
Constitución Mill		Yes	Yes		Yes
Licancel Mill		Yes	Yes		Yes
Valdivia Mill		Yes	Yes		Yes
Nueva Aldea Mill					
Sawn timber	NA				
14 Sawmills		13 Yes	12 Yes	12 Yes	
5 Remanufacturing mills		Yes	4 Yes	4 Yes	
Laminated wood mills		Yes	Yes	Yes	
Panels	NA				
Arauco Plywood		Yes	Yes	Yes	
Nueva Aldea Plywood		Yes	Yes	Yes	
MDF - Trupán (I & II)		Yes	Yes	Yes	
HB - Cholguán		Yes	Yes	Yes	
Argentina					
Forest			Yes	Yes	
Woodpulp	NA				Yes
Sawn timber	NA				
2 Sawmills			Yes	Yes	Yes
Remanufacturing Mills			Yes	Yes	Yes
Panels	NA				
Particle boards- Zárate		Yes			
MDF - Piray			Yes	Yes	
Brasil					
Forest	Yes	Yes			
Panels	NA				
Particle Boards - Curitiba		Yes			Yes
MDF - Jaguariaiva		Yes			

[1] In Chile: CERTFOR, in Argentina and Brazil: FSC
NA: Not applicable.



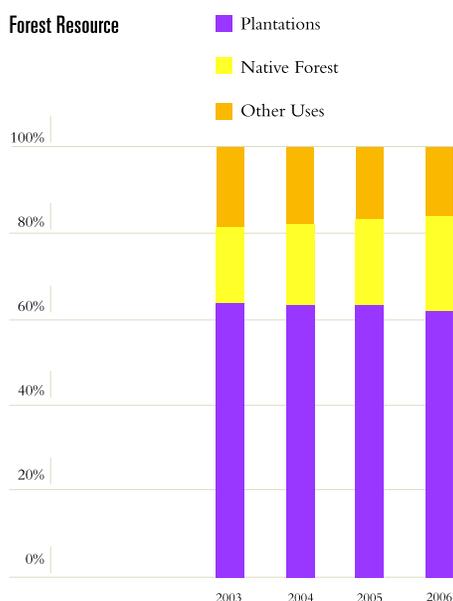
Sales per Product US\$ (%)

- Other
- Panels
- Sawntimber
- Woodpulp





Forest Resource



Environment

Energy (GWh)	2005	2006
Use of electric power	1,536	1,784
Generation of electric power	1,766	2,062

Emissions (Millions of CO₂-equivalent tons)

Emissions of greenhouse effect gases	6,5	8,1
Removed emissions ("sequestration")	-14,6	-17,2
Reduced cogeneration emissions [1]	-0,1	-0,48
Net emissions	-8,2	-9,5

[1] In 2006, 0.48 million tons were registered by the Kyoto Protocol's Clean Development Mechanism

Residues

	2006
Hazardous solid residues generated (tons)	15,457
Non-hazardous residues generated (tons)	449,651
Recycled solid residues (tons)	81,575
Liquid residues generated (millions of m ³)	108,1

Community

	2005	2006
Staff		
Workers and collaborators	36,920	34,119
Total training hours	282,000	412,562

Accidentality

Accidentality rate	2,6	2,4
Frequency index	11,7	11,2

Visits to production facilities	17.934	23.654
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Programs and projects related with the community	358	326
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Education

	2005	2006
Educational Intership		
Dual education	129	90
Technical and University	445	315

Academic and educational support from the Arauco Educational Foundation (since 1989)

Districts	11	21
Schools	208	440
Teachers	1,574	3,400
Students	36,903	68,000

CEO's Statement



We are pleased to present our 2006 Annual Report. We are also proud that ARAUCO successfully overcame big challenges and reached significant achievements in 2006, positively leading the Company towards our vision of becoming a global leader in terms of sustainable development of forestry products.

Following the growth trend that has prevailed in the past few years, in 2006 consolidated sales reached US\$ 2,850 million, exceeding the results of the previous year by 20.1%. This was due to the strong growth in revenues from woodpulp sales due to a better price scenario, higher sales volumes and an increase in the sales of panels and sawn timber.

Net consolidated profits reached US\$ 619 million, which means an annual increase of 41.3% compared to the previous fiscal year, mainly as a result of to an increase in operating income.

EBITDA reached US\$ 1,123 million, i.e., 25.4% increase over 2005. These results are encouraging and urge us to continue to add Environmental and Social Responsibility to the Company's corporate strategy. The work on our Vision, Business and Commitments was completed during 2006 and consisted in making explicit the strategies and values governing the Company's productive activities and relationship with the environmental and social surroundings to all workers and collaborators.

One of the most relevant production milestones took place in August on occasion of the start-up of the Nueva Aldea woodpulp mill. In Chile this mill has

been rated as unique in its kind while it has been internationally considered as a reference for the industry. Nueva Aldea woodpulp mill will position ARAUCO among the world production leaders of market woodpulp once it reaches full operation. Its commissioning marked the end of the second construction phase of the Nueva Aldea Forestry-Industrial Complex, with an investment of US\$ 1,400 million destined to the woodpulp mill, one log merchandiser, the largest sawmill in the country, a panel mill, two cogeneration facilities for clean energy self-supply and the consolidation of the necessary forest resources for its operation.

ARAUCO is proud of this forestry complex, it positions the Chilean forestry industry at a level of excellence in the world, and represents a developing pole for the country, particularly for the Bío Bío Region and the community of the Ñuble Province. Each phase of this commissioning has evidenced the level of environmental excellence and caution we committed to use in our operations. I hereby wish to specially acknowledge all those who intensively worked in the engineering, construction and management tasks to implement this large project and all those who are currently operating the mill with great professionalism and respect for the environment, just as all other Arauco's operating assets.

In September 2006 "Paneles Arauco" began the construction of the second plywood line at Nueva Aldea. This project involved an investment of approximately US\$ 50 million and considers an annual production capacity of 225,000 m³. It will be commissioned during the third quarter

of 2007 and will consolidate ARAUCO as one of the most important panel manufacturers in Latin America.

A series of important forestry acquisitions took place during the fiscal year of 2006, the main event being the purchase of assets from Forestal Cementos Bío Bío S.A., which together with forestry investments in Argentina, Brazil and Uruguay, contributed to a total of US\$ 252 million in acquisitions in 2006.

Additionally, the Company signed administration and trading agreements with the Bío Bío Investment Fund, which was awarded with Forestal Bío Bío S.A.'s bid for US\$ 345 million.

As a result of the events occurred in 2005, the Valdivia woodpulp mill operated at 80% of its installed capacity during 2006, fulfilling all of the requirements imposed by the regional environmental authority. An application was submitted to the environmental authorities in December 2006 requesting an extended term to submit the Environmental Impact Study for the outfall project regarding the discharge of mill effluents in a place other than the Cruces river. In January 2007, the authority granted another two years for the delivery of the study with the request that a technological improvement project should be submitted in April 2007 for the treated water discharged into the Cruces river.



Among the main events occurred during 2006 we want to highlight that, as part of ARAUCO's commitment to the community, the Company has greatly advanced towards improving the environmental quality of all our assets through investments that have made us meet standards not even required in the most developed countries in the world. We have strengthened our organization further in order to keep improving the way we relate with the different groups of interest, especially, with the communities where our operations are carried out.

Convinced that education is a key factor in the development of the country, for 25 years ARAUCO has performed different educational support activities. In 2006, the Arauco Educational Foundation significantly increased its academic and school support, by reaching more schools, more students and more teachers in the several areas of Chile where ARAUCO works, particularly those that have the highest poverty indices.

The projects included new library and mobile library programs that provide mass access to books in rural sectors and have the obvious effect of multiplying and encouraging reading habits in children.

During 2006, ARAUCO's ability to self-supply electric energy to its industrial facilities received an international acknowledgement as a significant contribution to the global warming control. Three co-generation projects based on biomass, namely Nueva Aldea I, II and Trupán, were registered by the Clean Development Mechanism of the Kyoto Protocol to the United Nations Framework Convention on Climate Change due to its contribution to reduce greenhouse effect gas emissions. This will allow us to take part in carbon trading and so internationally reinforce ARAUCO's commitment with the environment and the sustainable use of our plantations.



It should be mentioned, finally, that this year the Company's annual report has been prepared using the Sustainable Reporting Guidelines of the Global Reporting Initiative (GRI) as a reference guide.

I wish to congratulate and thank all ARAUCO's workers and collaborators for the results achieved this year, and urge them to continue to work at excellence levels so that the Company continues to develop successfully, always seeking efficiency and corporate profitability together with Social and Environmental Responsibility.

Matías Domeyko
Chief Executive Officer

Arauco in the world

In order to address the rapid growth of ARAUCO's forestry and industrial activities, the Company has been organized in four business areas: Forestry, Woodpulp, Sawn timber and Panels, which regularly supply its products to a global market of more than 50 countries through a network of agents and commercial offices located in 8 countries: Argentina, Brazil, Chile, the Netherlands, Japan, Mexico, Peru and the United States.

Such a large international scope is the result of a sustained industrial growth and

the continuous increase of the product portfolio that has characterized ARAUCO's development in the last years. The central pillars of Arauco's business strategy are: a flexible industrial production system, a business structure capable of analyzing and quickly detecting the market changing requirements, and an integrated logistic, transport, loading, storage and distribution system, which, added to the guarantee of solvency over time arising from its ample forest holdings, provide ARAUCO with a privileged position in the demanding and

competitive international markets of woodpulp, sawn timber and panels.

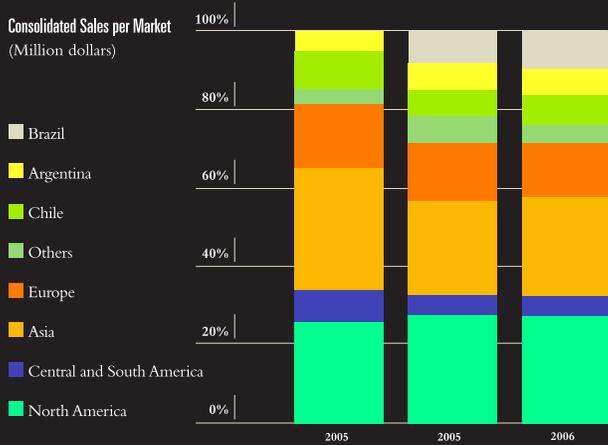
ARAUCO exports are dispatched mainly from three Chilean ports: Coronel, Lirquén and San Vicente. These ports have state-of-the-art infrastructure and high technology standards. ARAUCO has 50% and 20% share in the ownership of Coronel and Lirquén ports, respectively.



To provide all customers with quality products and services.



Consolidated Sales per Market
(Million dollars)



Brazil

- 31.000 hectares of plantations
- 1 MDF mill- Jaguariava
- 1 Particle Board mill- Curitiba



Uruguay

- 25.000 hectares of plantations



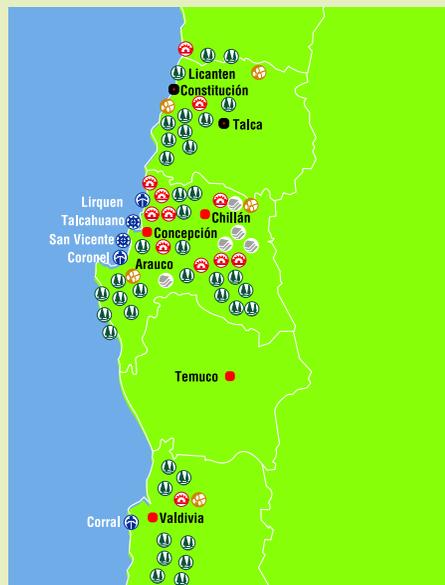
Argentina

- 119.000 hectares of plantations
- 1 Wood pulp mill- Alto Paraná
- 2 Sawmills
- 1 Remanufacturing mill
- 1 MDF mill - Piray
- 1 Particle Board mill - Zárate



Symbols

- 🌲 Plantations
- 🏭 Wood pulp mills
- 🔪 Sawmills
- 🏠 Panel mills
- 🚢 Ports
- 🌐 Ports others



Chile

709.000 hectares of plantations

5 Wood Pulp Mills

Arauco
Constitución
Licancel
Valdivia
Nueva Aldea

14 Sawmills

La Araucana	Viñales
Colorado	Valdivia
Horcones I	El Cruce
Coelemu	Horcones II
Mutrún	Cholguán
Lomas Coloradas	Nueva Aldea
Coronel	Escuadrón



4 Panel Mills

Plywood
Arauco
Nueva Aldea

MDF
Trupán(I y II)

HB
Cholguán

7 Remanufacturing Mills

Horcones
Viñales
Cholguán
Cholguán Laminated Beams
Valdivia
MDF Mouldings
Lomas Coloradas



The Company

The Company

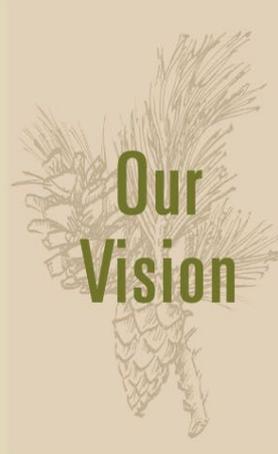
Background

Celulosa Arauco y Constitución S.A. is an open corporation formed in September 1979 upon the merger of Industrias de Celulosa Arauco S.A. and Celulosa Constitución S.A. Both companies were established in 1967 and 1969, respectively, by the Chilean governmental entity – CORFO – (Corporation for the Development of Production) in order to develop the forestry resources of the country, improve the quality of soil in degraded agricultural lands and encourage employment in isolated areas.

A decade later, in 1977 and 1979, respectively, these companies were privatized by CORFO and then acquired and merged by the Compañía de Petróleos de Chile S.A. (currently “Empresas COPEC”), an entity that is now the principal owner and controller of the company with 99.9% of shareholdings.

Nowadays, when Celulosa Arauco y Constitución S.A. is about to celebrate its 40th anniversary, the company is formed by a group of forestry, industrial and commercial companies know by the name of ARAUCO. Its main headquarters are located in Santiago, Chile, while its industrial activities are distributed between Chile, Argentina and Brazil. Arauco’s forestry resources are located in these three countries and in Uruguay where industrial activities have not yet started.





“To be a global leader in
sustainable forestry and forest
products development”



“To maximize the value of our forests in a sustainable way, integrating excellence in forestry production with efficiency in industrial transformation of value-added products, for their worldwide distribution in accordance with our customer’s needs”.



Our Commitments

A stylized, light-colored pine tree graphic is positioned behind the text 'Our Commitments'. The tree has a textured, needle-like appearance and is centered behind the text.

To maximize shareholders returns through the efficient and responsible management of all our processes.

To promote the sustainable use of natural resources, investing in research, technological innovation and training in order to prevent and reduce, progressively, continuously and systematically, the environmental impacts of our activities, products and services.



To provide all customers with quality products and service and to motivate our suppliers to support these values and our commitment to quality.

To ensure a safe and healthy workplace for our employees, contractors and suppliers, to reduce continuously and progressively the safety risks of our operations and services.

To foster conditions that support the career advancement of every employee by providing a workplace based on respect, honesty, professionalism, training and teamwork.

To build permanent, collaborative relationships with the communities where we operate by maintaining open

dialogues, considering their concerns and needs on key decisions, and supporting community development.

To maintain open and honest communications with all stakeholders.

To comply with all relevant legal requirements and other societal



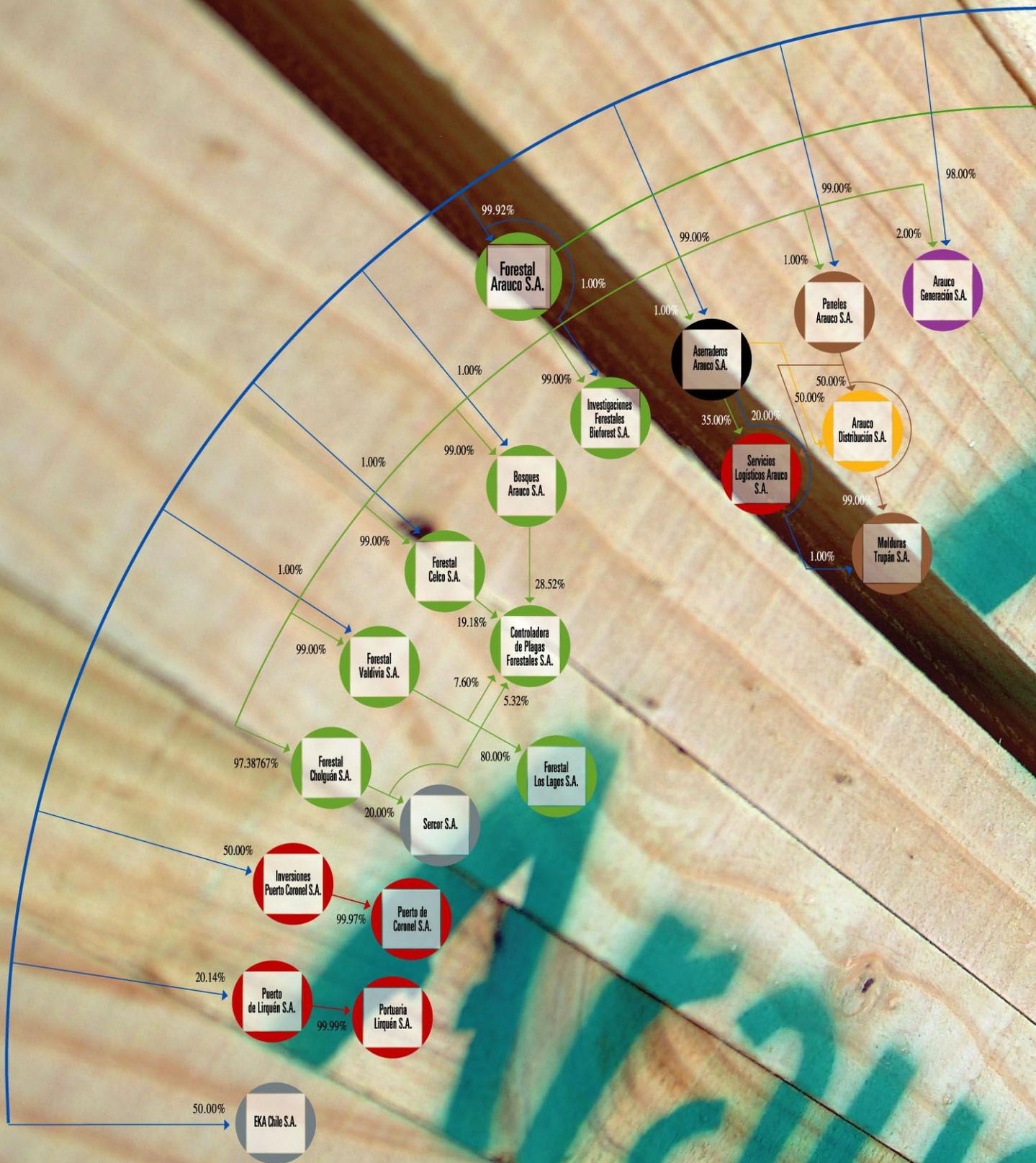
obligations relevant to our business and, where possible, perform to a higher level than the established standard.

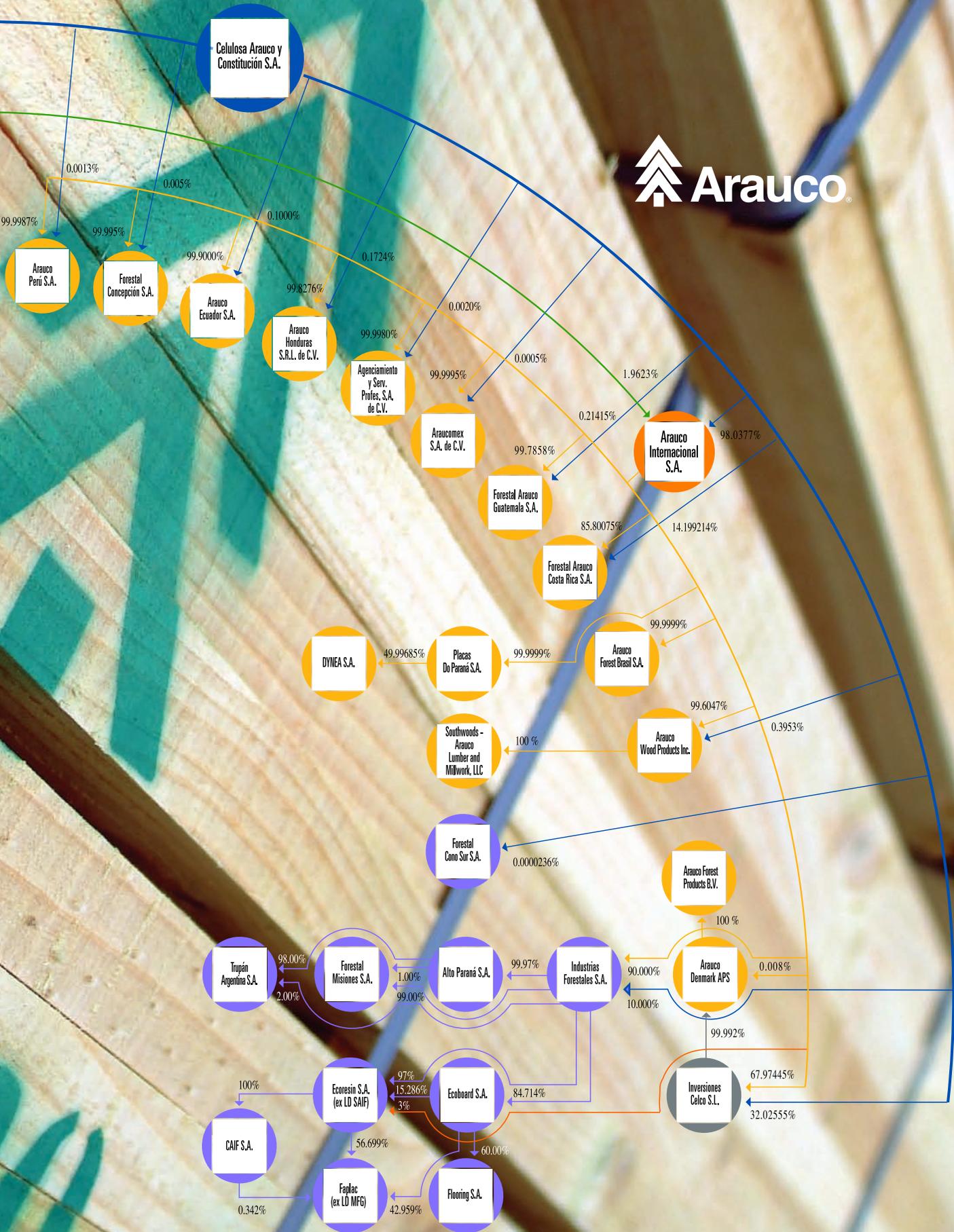
To monitor and evaluate our progress toward meeting our commitments, and to provide transparent and timely information on the results and corrective measures.

To empower our employees, contractors and suppliers to implement these commitments through ongoing communications, training, and initiatives.









Main subsidiaries and related companies:

Forestal Arauco S.A.

Established in 1969 as the forestry subsidiary of Industrias de Celulosa Arauco S.A. Later, in 1989, it became the parent company of ARAUCO's forestry subsidiaries. Its principal functions are to coordinate the operating activities and define the development policies of Forestal Celco S.A., Bosques Arauco S.A., Forestal Valdivia S.A. and Forestal Cholguán S.A.

Board of Directors

<i>Chairman</i>	José Tomás Guzmán
<i>Vice Chairman</i>	Roberto Angelini
<i>Directors</i>	Manuel Bezanilla Carlos Croxatto Matías Domeyko

Management

Managing Director Álvaro Saavedra



Paneles Arauco S.A.

Established on November 13, 1986 to produce and sell radiata pine plywood and other wood panels. At present it owns two plywood mills, two MDF board mills and one HB board mill.

Board of Directors

<i>Chairman</i>	Matías Domeyko
<i>Directors</i>	Jorge Garnham René Katz Charles Kimber Antonio Luque Manfred Mayer Álvaro Saavedra

Management

Managing Director Franco Bozzalla



Aserraderos Arauco S.A.

Established in 1993. Its main functions are the production and sale of sawn timber and manufactured products. At present it has 14 sawmills and 6 manufacturing mills

Board of Directors

<i>Chairman</i>	Matías Domeyko
<i>Directors</i>	Franco Bozzalla Jorge Garnham Charles Kimber Álvaro Saavedra

Management

Managing Director Antonio Luque



Industrias Forestales S.A. (Argentina)

Established on December 12, 1996. Its corporate object is to make investments. On December 27, 1996 it acquired the majority shareholding in Alto Paraná S.A. and today it holds 99.9% of the shares in said company (it is also the main shareholder in Trupan S.A.) and in companies that indirectly grant it the control of Faplac S.A. and Flooring S.A.

Board of Directors

<i>Chairman</i>	José T. Guzmán
<i>Vice Chairman</i>	Juan E. Cambiaso
<i>Directors</i>	Roberto Angelini Rossi Matías Domeyko Cassel Carlos Croxatto Silva

Deputy managing Director Julio Fernández Moujan

Management

Managing Director Cristián Infante Bilbao



Placas do Paraná S.A. (Brazil)

Established on August 10, 1965 and acquired by ARAUCO in March 2005 through the subsidiary Arauco do Brazil Ltda. It is responsible for the production and commercialization of MDF panels and particle boards. It currently has one MDF panel mill and one particle board mill.

Board of Directors

<i>Chairman</i>	Matías Domeyko
<i>Directors</i>	Manuel Bezanilla Franco Bozzalla Cristián Infante Álvaro Saavedra

Management

Managing Director Pablo Mainardi



Alto Paraná S.A. (Argentina)

Established on September 8, 1975 and acquired in December 1996 by Arauco through its subsidiary Industrias Forestales S.A. It is responsible for the production and commercialization of all ARAUCO's products. At present it has one woodpulp mill, two sawmills, two manufacturing mills, one MDF panel mill and one particle board mill.

Board of Directors

<i>Chairman</i>	Matías Domeyko
<i>Vice Chairman</i>	Cristián Infante
<i>Director</i>	Adrián Lerer

Management

Managing Director Cristián Infante



Arauco Educational Foundation

Arauco Educational Foundation, Fundar, was established on April 11, 1989 by Celulosa Arauco y Constitución S.A. and subsidiaries in order to make a social contribution to the communities in which they operate. The rationale behind this Foundation is that education, especially for young children, is a priority factor in a country's development.

Board of Directors

<i>Chairman</i>	José Tomás Guzmán
<i>Vice Chairman</i>	Roberto Angelini
<i>Secretary</i>	Carlos Croxatto
<i>Treasurer</i>	Matías Domeyko
<i>Directors</i>	Edmundo Ernst Alberto Etchegaray Charles Kimber José Zabala

Management

General Manager María Angélica Prats



Forestal Los Lagos S.A.

Established in 1990 with the purpose of starting a plantation program of Eucalyptus globulus south of the 10th Region. On January 6, 2005 it became a subsidiary of Forestal Valdivia S.A. and Forestal del Sur S.A. Today Forestal Valdivia S.A. owns 80% of Forestal Los Lagos S.A., and Forestal del Sur S.A. owns the other 20%.

Board of Directors

<i>Chairman</i>	Álvaro Saavedra
<i>Directors</i>	José Rafael Campino Charles Kimber Jorge Serón Robinson Tajmich

Management

General Manager Manuel Arriagada



Bosques Arauco S.A.

Established on May 26, 1969 to supply woodpulp logs to the Arauco mill. Today it is involved in the business lines of forestation, reforestation, forest management and harvesting on its own land, mainly located in the VIII Region. Its production is sold both to related companies and other parties.

Board of Directors

<i>Chairman</i>	Matías Domeyko
<i>Directors</i>	Franco Bozzalla Jorge Garnham Charles Kimber Antonio Luque Álvaro Saavedra

Management

<i>General Manager</i>	Jorge Serón
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Forestal Celco S.A.

Established on November 9, 1978 to supply woodpulp logs to the Constitución Mill. It is now engaged in the forestation, reforestation, forest management and harvesting business on its own land located mainly in the VII and VIII Regions. Its log production is sold both to related companies and third parties.

Board of Directors

<i>Chairman</i>	Matías Domeyko
<i>Directors</i>	Franco Bozzalla Jorge Garnham Charles Kimber Antonio Luque Álvaro Saavedra

Management

<i>General Manager</i>	Rigoberto Rojo
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Forestal Valdivia S.A.

Organized on December 1, 1989 to supply the Valdivia woodpulp mill. The company is engaged in the forestation, reforestation, management and forest harvesting business lines on its land located in the IX and X Regions.

Board of Directors

<i>Chairman</i>	Matías Domeyko
<i>Directors</i>	Jorge Garnham Charles Kimber Antonio Luque Álvaro Saavedra

Management

<i>General Manager</i>	Oswaldo Cirano
------------------------	----------------



Forestal Cholquán S.A.

Established on November 29, 1978 and later acquired by ARAUCO through its subsidiary Forestal Arauco S.A. At present it carries out the business of forestation, reforestation, forest management and harvesting on lands located mainly in the VIII Region.

Board of Directors

<i>Chairman</i>	Matías Domeyko
<i>Directors</i>	Franco Bozzalla Jorge Garnham Charles Kimber Antonio Luque Álvaro Saavedra Eduardo Zañartu

Management

<i>General Manager</i>	Rigoberto Rojo
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Arauco Forest Brazil S.A.

Former LD Forest Products S.A., this company was established on June 29, 1994 and acquired by ARAUCO in March 2005 through Arauco do Brazil Ltda. It is responsible for the forestation, reforestation, management and harvesting of own forests located mainly in the state of Paraná.

Board of Directors

Chairman Matías Domeyko
Directors Manuel Bezanilla
Franco Bozzalla
Cristián Infante
Álvaro Saavedra

Management

General Manager Pablo Mainardi



Compañía Puerto de Coronel S.A.

Established in 1989 to build, operate and manage a cargo port in the Coronel Bay, VIII Region.

Board of Directors

Chairman Eduardo Hartwig
Directors Álvaro Brunet
José Cox
Enrique Elgueta
Jorge Garnham
Alberto Walker

Management

General Manager Alberto Miranda



Investigaciones Forestales Bioforest S.A.

Established in 1990 in order to perform applied research for maximizing the productive potential of ARAUCO's forest resources.

Board of Directors

Chairman Álvaro Saavedra
Directors Osvaldo Cirano
Rigoberto Rojo
Jorge Serón
Ricardo Schaffner

Management

General Manager Eduardo Rodríguez



Molduras Trupán S.A.

Established on February 20, 2004 with the purpose of manufacturing and selling MDF mouldings.

Board of Directors

Chairman Franco Bozzalla
Directors Antonio Luque
Tito Jara

Management

General Manager Gonzalo Etcheberry



Servicios Logísticos Arauco S.A.

Established in August 2001 out of the change of business of Portuaria Arauco S.A. In addition to port activities, it is engaged in all logistic aspects related to finished products from the moment they leave the industrial mills until their delivery to end customers.

Board of Directors

<i>Chairman</i>	Jorge Garnham
<i>Directors</i>	Franco Bozzalla Charles Kimber Antonio Luque Álvaro Saavedra

Management

General Manager Alberto Walker



Puerto Lirquén S.A.

Established in 1970 to continue to perform the port activities conducted by Muelles y Bosques S.A. Its main business is to act as an operator in port movements and stevedoring of ships in Lirquén Port, VIII Region, which it owns through its subsidiary Portuaria Lirquén S.A.

Board of Directors

<i>Chairman</i>	Emilio Pellegrini
<i>Directors</i>	Carlos Croxatto Juan Carlos Eyzaguirre Gonzalo García Jaime Lea-Plaza Matías Domeyko Pedro Schlack

Management

General Manager Juan Manuel Gutiérrez



Arauco Generación S.A.

This company began to operate in the energy sector in 1994 with the purpose of selling the electricity produced based on energy surpluses from woodpulp mills.

Board of Directors

<i>Chairman</i>	Matías Domeyko
<i>Directors</i>	Hernán Arriagada Jorge Garnham José Vivanco

Management

General Manager Carlos Rauld



Arauco Distribución S.A.

Established on September 7, 1995 to distribute the products of Aserraderos Arauco S.A. and Paneles Arauco S.A. in the domestic market through a modern distribution centre on the outskirts of Santiago.

Board of Directors

<i>Chairman</i>	Charles Kimber
<i>Directors</i>	Carlos Bianchi Franco Bozzalla Gianfranco Truffello Francisco Figueroa Antonio Luque

Management

General Manager Cristián Larraín



Arauco Internacional S.A.

Established on September 7, 1989 as a subsidiary of Forestal Arauco Ltda. After some restructuring, it became subsidiary of Celulosa Arauco y Constitución S.A. on October 16, 1992, in order to consolidate all of ARAUCO's international companies.

Board of Directors

Chairman Matías Domeyko
Directors Juan Pablo Guzmán
Robinson Tajmuchi
Gianfranco Truffello

Management

General Manager Robinson Tajmuchi



Arauco Wood Products

Established on June 2, 1995 to operate in the American market selling all of ARAUCO's products.

Board of Directors

Chairman Charles Kimber
Directors Carlos Bianchi
Franco Bozzalla
Francisco Figueroa
Juan Pablo Guzmán
Antonio Luque
Alberto Walker

Management

General Manager Erwin Kaufmann



Araucocomex S.A. de C.V.

Established on September 1, 2003 with the purpose of doing business in Mexico by selling Arauco's full range of products.

Board of Directors

Chairman Charles Kimber
Directors Carlos Bianchi
Franco Bozzalla
Francisco Figueroa
Antonio Luque

Management

General Manager Andrés Vial



Arauco Forest Products B.V.

Created in December 1999 to act as agent in the European market for the sale of wood and panel products of the ARAUCO group. As of April 2003 it also operates as woodpulp sales agent for the European market.

Board of Directors

Chairman Matías Domeyko
Directors Franco Bozzalla
Jorge Garnham
Charles Kimber
Ricardo Strauszer
Robinson Tajmuchi

Management

General Manager Alfonso Valdés



To promote the sustainable
use of natural resources.

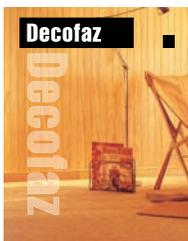


Business
Area

Forestry Area

Forestry Area

Forestry Area



Decofaz

Description

Solid, knot-free Radiata Pine siding, special for a natural finishing.

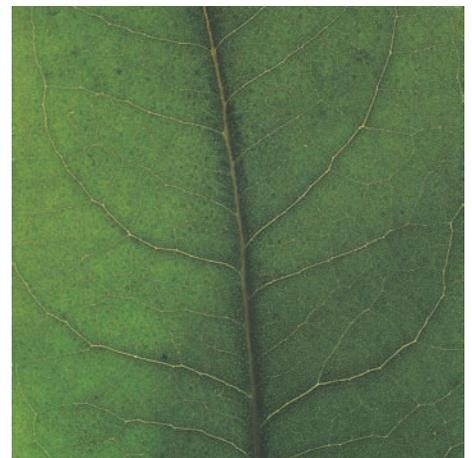
Use

Wall and ceiling sheathing, Furniture and decoration.

ARAUCO's forestry resources are distributed in Chile, Argentina, Brazil and Uruguay. At present they cover a total of 1.41 million hectares, with 930 thousand hectares devoted to plantations, 281.4 thousand hectares to native forests and 200 thousand hectares to other uses.

In 2006, the company purchased 21,000 hectares of forest plantations from Cementos Bío Bío, located mainly in the VIII Region of Chile. Investments were also made in forest plantations and management in Argentina, Brazil and Uruguay, thereby reaching a total forest investment of US\$ 252 million. Additionally, ARAUCO entered into an agreement with Bío-Bío Investment Fund on the supply of wood from the 40,000 hectares of forest plantations recently acquired by the Fund from Forestal Bío-Bío, and also on the future sale of the corresponding lands.

ARAUCO plans its industrialization on its plantations, which are the basis of its competitiveness. There from, a renewable natural resource, which comes 100% from plantations, is transformed into high valued-added products under the highest standards of excellence, and shipped to globalized markets. About 20% of the Company's forest resources are native forest, which are protected and preserved under strict controls based on scientific research and cooperation with the community, environmental organizations and authorities. A part of these forest holdings is managed as private parks open to the public, or as High Environmental Value Areas and protected zones devoted to the preservation of biodiversity (see the corresponding section in the "Environment, chapter").



2006 was a year of intense activity as a result of an increase in the demand of wood from the Company's new industrial facilities, more market competition and the need for a continued improvement in efficiency and productivity in order to remain competitive. Forest production reached 14.2 million m³ of harvested logs and 3.1 million m³ of chips and fuel wood. 6.7 millions of logs and chips were also purchased from third parties. 22.2 million m³ of the total available resources were used by the company in the production of woodpulp, sawn timber and panels, and 1.8 million m³ were sold to third parties.

In accordance with its commitment to the surrounding natural resources, ARAUCO applies a sustainable forest management policy in all its forestry operations in Chile and Argentina, which are certified by the ISO 14001 environmental management systems standard. The Chilean operations are also certified on Sustainable Forest Management by CERTFOR, a Chilean standard mutually recognized by the European



Programme for the Endorsement of Forest Certification Schemes (PEFC). In Brazil the forest holdings have been certified under the Forest Stewardship Council (FSC) standards.

In an attempt to give a new drive to the management of risks associated to the forestry business in Chile, management systems were fully integrated in 2006 by implementing and certifying the occupational safety and health systems OSHAS 18001, which have been already achieved by the forestry operations in Argentina.

Conscious that its forest resources are crucial for the Company's competitiveness in all its business areas, ARAUCO is performing bio-technological research through Bioforest S.A., its own scientific and technological research centre, created 16 years ago to support the Company in the search for vanguard procedures destined to increase quality, productivity and performance in its plantations. The main research areas in Bioforest are genetics, soil productivity, phytosanitary protection, wood properties, biodiversity and native forests.

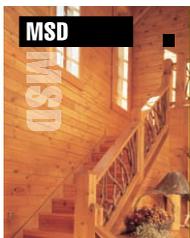
Arauco Trading, in turn, was established four years ago to optimize the sale and purchase of logs in Chile. This Company is engaged in the sale of logs to small and mid-size producers, technology transfer and the commercialization of part of their finished products in ARAUCO's markets.





This has resulted in the creation of a network of approximately 60 local producers who have access to new markets, technologies and raw materials on an on-going basis, and form part of the Company's value chain.

Arauco supports the development of adjacent farming communities by providing them with trees, technical assistance and help against plagues and fires, thus encouraging forestry development as a profitable alternative for damaged or low-productivity soils.



Description

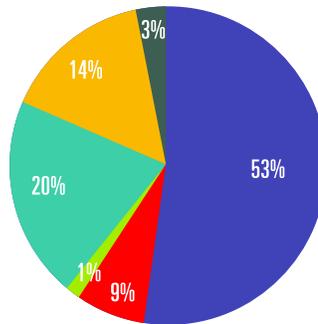
Kiln-dried pine timber boards.

Use

Construction, structures, floor lining, interior and exterior walls, ceilings and carpentry.

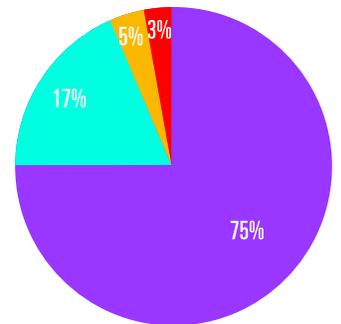
Forest Resources
(1.410 thousand hectares)

- Pine
- Eucalyptus
- Other plantations
- Native Forest
- Other Uses
- To be planted



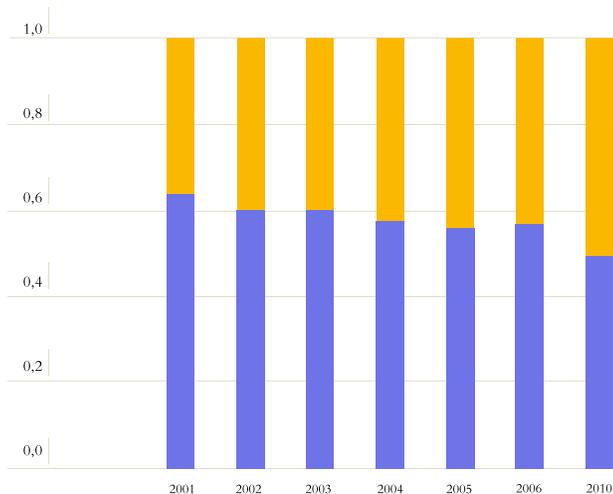
Forest Resources
(1.410 thousand hectares)

- Chile
- Argentina
- Uruguay
- Brazil



Annual plantation and harvesting
(%)

- Harvested hectares
- Planted hectares





To invest in research innovation and training in order to prevent and systematically reduce environmental impacts of our activities, products and services.





Arauco BKP



Description

Bleached Radiata pine woodpulp.

Use

Manufacture of writing and printing paper, sanitary papers, industrial and wrapping papers.

Business
Area

Woodpulp Area

Woodpulp Area

Woodpulp Area



Description

Unbleached
Radiata pine
woodpulp.

Use

Manufacturing of
packaging paper,
filters, dielectric
papers and fibrecement products.



With the commissioning of the woodpulp mill of the Nueva Aldea Forestry-Industrial Complex, ARAUCO will reach a production capacity of over 3 million tons of bleached and unbleached Kraft pulp, representing a 39% increase compared to 2005.

ARAUCO's woodpulp is internationally recognized for its excellent properties giving rise to a wide variety of uses. Bleached woodpulp is used, among others, as raw material for manufacturing printing and writing paper and sanitary, industrial and high-quality wrapping papers. Unbleached woodpulp is used for manufacturing papers for packaging, filters, dielectric papers and fibrecement products. Fluff woodpulp, which is a product manufactured in the Alto Paraná Mill in Argentina, is mainly used to manufacture disposable diapers and feminine products.

Just as other commodities, woodpulp

prices experienced a sustained increase in 2006, mainly due to the persistent growth of demand in China and the rest of Asia, and in Europe.

As part of ARAUCO's commitment the environmental protection, all woodpulp mills use internationally recognized state-of-the-art technologies that guarantee a minimum environmental impact. Except for the Nueva Aldea Mill, which began operations in August 2006 and will implement and certify its systems in the next fiscal years, all other woodpulp mills in Chile are ISO 14001 certified. The Alto Paraná Mill, in Argentina, will achieve the ISO 14001 certification for its environmental management system during the next fiscal year. This will complete a continued effort to improve environmental management in the woodpulp area since ARAUCO joined the Clean Production Agreement (CPA) of this industry in 1998, which became the first clean production agreement in Chile.

It should also be mentioned that raw materials used by ARAUCO to produce woodpulp in Chile and Argentina come from plantations. Radiata pine and eucalyptus are used in Chile while in Argentina Taeda Pine is used for such a purpose. The chain of custody of the woodpulp mills in Chile ensures traceability of the product in each stage of the productive process and allows to verify that the original supply source of raw material is non controversial. This guarantees that neither threatened or endangered species nor illegally harvested trees are used.

In addition to the commissioning of the



Nueva Aldea woodpulp mill, in 2006 started the construction of the emissary that will discharge its effluents into the sea. This emissary should be operating in 2008.

On the other hand, production levels at the Valdivia woodpulp mill were kept stable at 80% of its installed capacity in 2006, following a restriction imposed by the environmental authorities even though all of the required environmental parameters had been complied with.

It should be noted that two woodpulp mills were commissioned in a brief period of two years, namely Valdivia and Nueva Aldea, with a joint capacity of 1.4 million tons which doubled the production capacity of the Company. This implied a considerable engineering and construction effort and intense selection, recruitment and training of new staff coming mainly from adjacent communities. It also meant adapting the logistic area of the Company to supply industrial facilities and final markets.

ARAUCO, has a production capacity of over 3 million tons of bleached and unbleached kraft woodpulp.



Woodpulp Production



Woodpulp Sales per Market (1,262 million dollars)



Facilities, woodpulp types and production capacities				
Mill	Location	Woodpulp type	Brand	Production capacity
Arauco	VIII Region, Chile	Kraft ECF bleached radiata pine and eucalyptus	Arauco BKP Arauco EKP	790 thousand metric tons (500 MT of pine bleached woodpulp and 290 MT of eucalyptus bleached woodpulp)
Constitución	VII Region, Chile	Kraft unbleached radiata pine	Celco UKP	355 thousand metric tons
Licancel	VII Region, Chile	Kraft ECF bleached radiata pine and eucalyptus	Arauco BKP Arauco EKP	140 thousand metric tons of pine and eucalyptus bleached woodpulp
Nueva Aldea	VIII Region, Chile	Kraft ECF bleached radiata pine and eucalyptus	Arauco BKP Arauco EKP	856 thousand metric tons of pine and eucalyptus bleached woodpulp (Start-up on August 31st)
Valdivia	X Region, Chile	Kraft ECF bleached radiata pine and eucalyptus	Arauco BKP Arauco EKP	550 thousand metric tons of pine and eucalyptus bleached woodpulp
Alto Paraná	Misiones Province Argentina	Kraft ECF bleached taeda pine Taeda pine fluff	Alto Parana BKP Alto Parana FLUFF	350 thousand metric tons of bleached woodpulp (250 thousand MT of bleached woodpulp and 100 metric tons of fluff).

Ficha Control Pintas de tinta

Fecha: 24.02.06

Hora: 18:00

Analista: PAS

Lot: L/M

Fardo: 08/03

Grupo	OX	5H	PL	M	...
1					
2					
3					
4					
5					

All woodpulp mills use ECF (elemental chlorine-free) technology to bleach woodpulp.





Business
Area

Sawntimber Area

Sawntimber Area

Sawntimber Area



ARAUCO has 16 sawmills (14 in Chile and 2 in Argentina) and 6 remanufacturing mills (5 in Chile and 1 in Argentina). Their aggregate annual sawing capacity is 3,842,400 m³, with a kiln drying capacity of 2,757,000 m³ and a production capacity of manufactured products of 503,000 m³. It also has one facility for manufacturing laminated beams in Chile with an annual production capacity of 11,200 m³.

The Lomas Coloradas sawmill and remanufacturing mill were purchased in June 2006 from Forestal Cementos Bío Bío. These mills have an annual capacity of 260,000 m³ and 40,000 m³ respectively. The Norwood sawmill was acquired in October with a production capacity of 150,000 m³. All these acquisitions resulted in the optimization of the use of industrial assets in the area in order to improve efficiency. For this purpose, some sawmill and remanufacturing processes were eliminated and some were streamlined. The Escuadrón sawmill in the VIII Region ceased its operation at the end of the year, but other sawmills and remanufacturing facilities in Chile increased their production by 5%. These facilities destined their products to the furniture industry and construction and packaging markets.

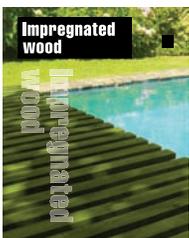
Remanufacturing mills, in turn, produce finger-joint and solid mouldings, glued panels and laminated products. Such a wide variety of products is the result of a sustained effort of the company to enhance the



value of its forestry products and bring innovation to increasingly demanding markets. These products comply with quality and sanitary regulations of the different markets and countries.

Diversification in more than 50 countries, nearly 900 clients and approximately 12,000 products, plus a solid and efficient distribution network, minimize the effects of sudden demand declines in some markets.

An example of this occurred during 2006 in the US market, where a strong contraction of the construction sector caused the wood product prices, mainly mouldings, to abruptly drop.



Description

Radiata pine sawntimber impregnated with CCA. Resistant to fungi and insects.

Use

Construction, in applications that are not in contact with the soil.



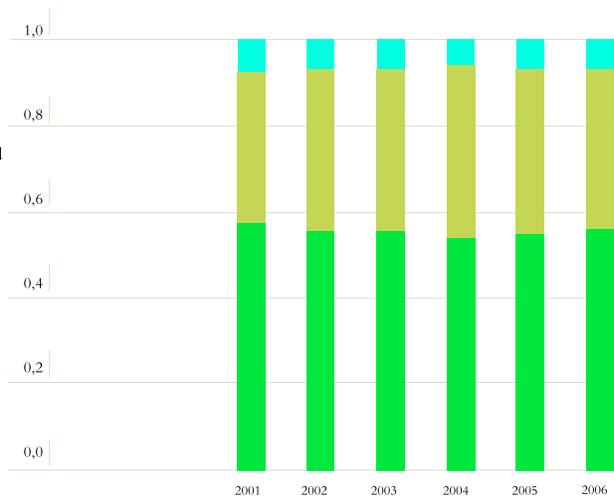
From the environmental management perspective, it should be emphasized that ARAUCO's sawntimber area has certified all of its facilities in Chile under ISO 14001 and has CERTFOR certified chain of custody, thus ensuring that the product can be traced in each process stage.

According to the Company's priorities, all sawntimber mills in Chile obtained the OSHAS 18001 certification in 2006, save for those that were recently acquired and will be certified in the next years. ARAUCO also takes part in the Clean Production Agreement related to this industry.

As another step to improve its safety indicators, Argentinean facilities have also been certified by ISO 14001, ISO 9001, and in terms of occupational health and safety, OHSAS 18001.

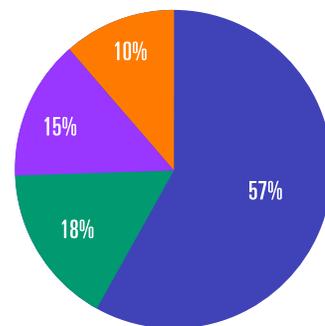
Sawntimber Production

- Remanufactured Wood
- Dry Wood
- Green Wood



Sawntimber Sales per Market
(733 Million dollars)

- North America
- Central America
- Asia and Oceania
- Africa and Middle East





To deliver quality products and services to all our clients is one of our commitments.



Business
Area

Panels Area

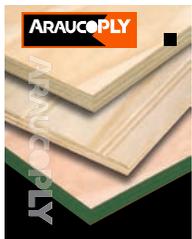
Panels Area

Panels Area



Thanks to the quality and wide variety of its products, ARAUCO is well-known in the world market as an outstanding supplier to clients with diverse requirements. These customers also value the Company's capacity to ensure a steady and growing supply for the construction, furniture, decoration and moulding industries.

ARAUCO has four product lines: Araucoply plywood, Trupan MDF, Cholguan HB and Faplac particle boards. These panels are manufactured in four mills in Chile, two in Argentina and 2 in Brazil with an aggregate annual production of 2,320,000 m³. An increase in the production capacity by an additional amount of 225,000 m³ is expected from a new plywood line to be commissioned at Nueva Aldea Mill in 2007.



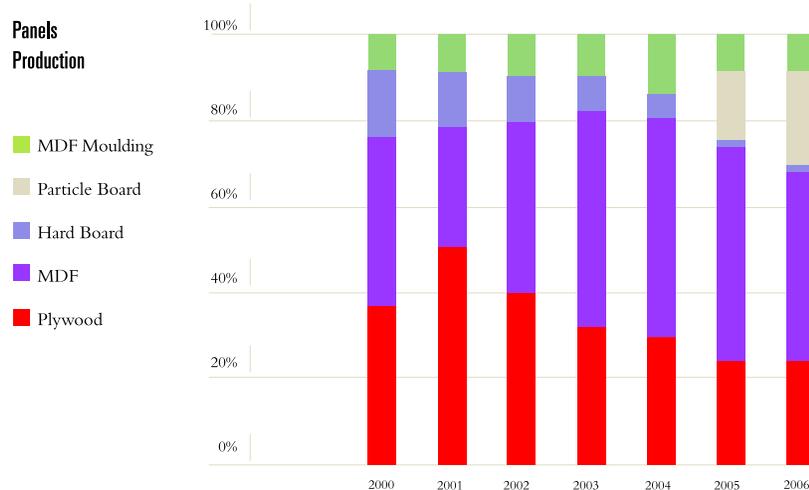
Description

High-quality, light, strong Radiate pine plywood panel, easy to work. Produced in different grades according to appearance (knot-free), structural, concrete forming, coated with phenolic paper, and multipurpose. AraucoPly has international certifications such as: PEFC; PS1-95 (USA); CE EN 13986 (EU) and JAS (Japan).

Use

Furniture, finishing, concrete forming, construction of wall, floor and roofing.

Panels Production





From the commercial point of view, plywood prices suffered a slight drop during the year in the US and Canadian markets, while in other markets had a stable behaviour as compared to 2005. On the other hand, demand for products destined to furniture was high in Latin America during the year. ARAUCO's MDF products, in turn, experienced significant sale increases.

Like in the rest of the Company, ARAUCO's Panels Area also makes sure that all its products are manufactured with raw materials from forests that are managed in a responsible manner. This is assured by having a certified chain of custody in all its mills in Chile (CERTFOR-PEFC), Brazil (FSC) and in Zárate PB Mill in Argentina, which guarantees the traceability of the products to their origins.

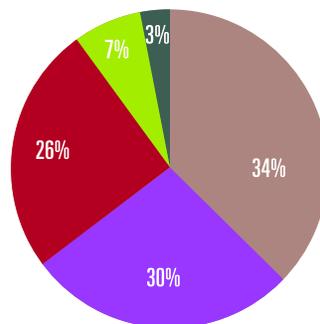
Additionally, all Chilean mills and the MDF facility in Piray, Argentina, are ISO 14001 certified. The Brazilian mills will receive the corresponding certification in 2007, and the Argentinean Zárate PB Mill, in 2008. All Chilean mills also take part in the Clean Production Agreement for the industry that started in 2006 with 7 companies of this sector and 16 mills.

The Panels Area has also given priority to the reduction of risks for workers and has therefore implemented OSHAS 18001 management systems in all Chilean mills. Brazilian mills will be certified in 2007 and the Argentinean Faplac Mill, in 2008.



Panels Sales per Market
(721 Million dollars)

- Rest of America
- USA & Canada
- Brazil
- Europe
- Other





This engineering work created mainly by Chilean engineers using the latest technology is located in Ránquil, alongside the Ruta del Itata highway at the northern access to
Concepción

It is a productive development that takes advantage of and encourages growth and investment in an important part of the productive potential of the Bío Bío Region.





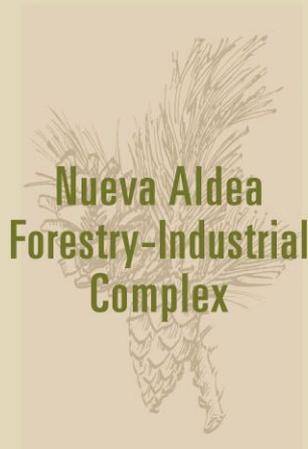
Forestry
Industrial
Complex

Nueva

Company
Environment
Community
Education

Aldea Nueva Aldea

A Sustainable
Development Pole
for the Region.



At the end of August 2006, the construction of the Nueva Aldea Forestry-Industrial Complex was completed. The idea of building this complex started in the mid-80's when forest lands and plantations were acquired to increase the Company's forest base and integrally industrialize the wood. Located in the province of Ñuble, near the aforesaid forest and main transportation routes, its construction started in 2001.

This engineering work, mainly developed by Chilean engineers, which uses the latest technology is placed in the District of Ránquil alongside of the Ruta del Itata highway. It is a productive endeavor that takes advantage of and encourages growth and investment in an important part of the productive potential of the Bío Bío Region. The investment amounted to US\$ 1,400 million per year and it will export US\$ 600 million per year once it is fully operational by the third quarter of 2007. These figures involve important data: 10,000 direct and indirect jobs and 600 small and mid-size companies supplying products and services from all production sectors in the VIII Region.

The Complex consists of one woodpulp mill with a production capacity of 856 thousand tons per year of bleached pine and eucalyptus Kraft woodpulp; one sawmill with a capacity of 450,000 m³/year; one panel mill of 225,000 m³/year, and one log merchandiser to process 2,087,000 m³/year. Additionally there are two co-generation units supplying electric power to all these mills and selling its surplus to the Central Interconnected Distribution System (SIC) that feeds the center-south of the country.

The sawmill, the panel and log merchandiser began operations at the end of 2004 while the woodpulp mill began its nine months trial run on August 31, 2006, period which will last until its production reaches the total capacity of 856 thousand annual tons of bleached pine and eucalyptus kraft woodpulp.

One of the reasons for the high-efficiency of the Complex is its capacity to supply itself with electric power through its own cogeneration plants. Together these plants have an installed capacity of 169 MW and generate a total surplus of 35 MW equivalent to 80% of the consumption of a city like Chillán, which is contributed to the SIC. In 2006 these co-generation plants were registered by the Clean Development

Mechanism (CDM) of the Kyoto Protocol as an acknowledgement of their contribution to climate change control.

The operation of these facilities provides an integral use of the forest resources, maximizing its potential and hence the sustainable use of the natural resource.

The Nueva Aldea Industrial Complex will use about six million cubic meters of pine and eucalyptus in its operations per year and approximately 30% of this raw material will be supplied by third parties, which represents an interesting market for several forest growers in the area. Including of these suppliers, the supply chain of the complex amounts to approximately 600 small and medium size firms from several productive sectors of the local economy. Demand for the goods and services offered by these suppliers is estimated in \$20,000 million per month which be injected in other productive areas giving even more impulse to other economic sectors of the region.

Through the construction of alliances with the community, municipal authorities and different institutions of productive development, it has been possible to promote the development of opportunities for more employment and local business around the complex, adding more suppliers to the value chain of the Company. This has already resulted in an increase in the supply of transportation, lodging and food, tourism, metal mechanics and electronics service, among others, to take advantage of this emerging demand.

From the beginning, the Nueva Aldea Forestry-Industrial Complex was interested in increasing its contact with the community and authorities in order to know and satisfactorily respond to their concerns and questions regarding environmental and social matters. Following these lines, the Deputy Management of Public Affairs of the Nueva Aldea FIC, together with the managements of the respective mills, established a fluent communication with neighbouring communities and the rest of the region and keeps a close dialogue with local authorities.

The implementation of the open-doors plan, among other activities, has been very

useful to inform the community about the Company and the characteristics of the activities of the Complex, exchange opinions with neighbours and channel their questions and the corresponding answers. The implementation of a free telephone line has also helped to reduce uncertainty within neighbours by promptly answering their inquiries and complaints.

Through these measures the Company has been able to show its will to address the apprehensions of nearby communities about the execution of this Project with due care and in full harmony with the strictest Chilean and international environmental regulations.

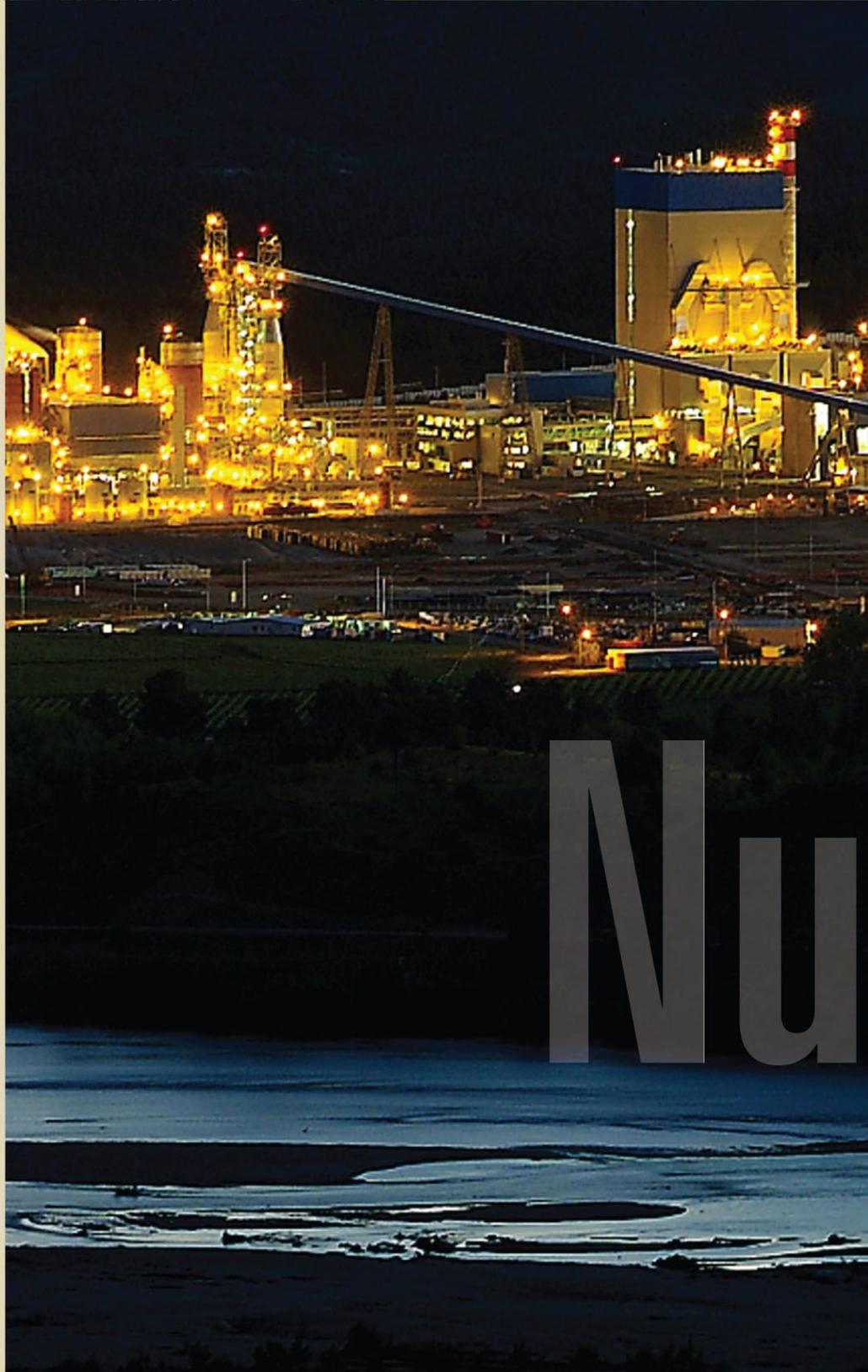
Simultaneously, in an attempt to improve quality and access to education in nearby communities, the “Arauco Educational Foundation” has introduced several programs in the area, such as Mobile Libraries (2006-2007), a program directed to encourage reading and language development in 72 rural schools and seven districts in the coastal dry lands; a support program for the “School Management Quality Assurance System” (SACGE) of the Ministry of Education, in 20 schools of the districts of Quillón and Quinchamalí, to improve school management capacity; the “Sembrar” (to sow) program, in Ránquil (2003-2006), Coelemu and Quillón (since 2006), aimed at encouraging and favouring psycho-social development in children under 5 years of age, and the program “Raíces· (Roots) (2003-2007) in all municipals schools of Ránquil aimed at training managers and teaching staff at the levels of infant, primary and secondary school in the acquisition of language development methodologies.

The Complex underwent the most demanding and complete environmental evaluation processes ever performed in Chile, which established exceedingly stringent operating conditions for the protection of the environment. As a result of this evaluation, this project has been subject from the start to the highest environmental standards that have ever been required in the country.

The Forestry-Industrial Complex has three environmental impact studies with their respective resolutions. The Environmental Evaluation Resolution (RCA) 09/2001 of the Chilean National Environmental



Commission (CONAMA) authorized the initial project submitted by ARAUCO. Later, RCA 076/2005 issued by the Regional Environmental Commission (COREMA) of the VIII Region approved the updated project and new works. Finally, RCA /2006, of COREMA VIII Region, authorized the construction of a submarine emissary. These resolutions plus other complementary measure include all environmental standards and conditions to be fulfilled by the Forestry-Industrial Complex.



Additionally, the Complex is subject to over 700 measures and requirements, being the most regulated project in the country in environmental terms. Each evaluated variable has a limit that the Complex is obliged to respect.

The technology used in the design and environmental management of the woodpulp mill, for instance, meets the highest standards in the world and has the best technology available. This facility has a collection and incineration system for

concentrated and diluted gases that minimizes the characteristic smell of this kind of productive process.

The effluent of the Complex, in turn, before being discharged to the Itata River, undergoes primary, secondary and tertiary treatments, followed by additional filters in order to remove any suspended solids.

Even before the start-up of the woodpulp mill, a strict monitoring plan had been applied to control these effluents measuring



eva Aldea

more than two thousand relevant environmental parameters at different points of the river basin and at the river mouth. The woodpulp mill effluent is continuously monitored (minute by minute) and its results are informed online to the environmental authority.

Air quality is another important variable which is monitored in four sampling stations. The same occurs with river water quality which is checked in 16 stations, and ocean water around the Itata river mouth, which

is monitored in another 14 stations. Finally, two external consultants selected by the regional environmental authorities, Knight Piésold S.A. and Centro Nacional de Tecnologías Limpias Senai from Brazil, are in charge of verifying compliance with all of the commitments assumed by the woodpulp mill.



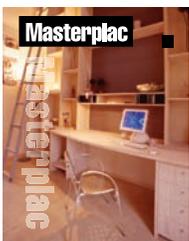
To comply with all legal requirements and other societal obligations relevant to our business is one of our priorities.



Environment
Environment



The sustainable development of forestry products is based on an efficient management of assets and resources. For this purpose ARAUCO has implemented international management systems in its plantations and industrial, logistic and commercial processes in Chile, Argentina, Brazil and Uruguay. ARAUCO has been adopting good practice procedures, values and commitments for over two decades in order to add sustainability to its management strategy. Today all productive units –except for new acquisitions and most recent projects– have management systems that encourage continuous improvement of environmental performance and ensure traceability of raw materials down to their origin.



Description

Finger-joint panel, with primed edges.

Use

Furniture, decoration, interior sheathing and carpentry.

Environmental Management Progress

Significant progress was achieved in meeting all targets envisaged for 2006 both regarding the implementation of Environmental Management Systems in the various units and productive facilities and the management of environmental aspects and impacts of the Company's operations.

Objective 2006	Compliance
Upkeeping and continuously improving the Environmental Management System (EMS).	<ul style="list-style-type: none"> • Implementation of environmental management systems has started in all industrial facilities and forestry operations and has been completed in some of them in accordance to international standards. • Surveying and registration of significant risks have been made in all facilities. • The corresponding conformity audits required by standards have been approved. • The new facilities and units will implement and certify their EMS during fiscal years 2007 and 2008. • Argentinean units will complete the implementation of EMS in 2007 and will certify them in 2008. • Brazilian units will implement and certify their EMS in 2007 and 2008.
Certification of all woodpulp and panel mills under ISO 14001.	<ul style="list-style-type: none"> • Except for the Nueva Aldea Mill, all woodpulp mills in Chile implemented and certified their EMS under ISO 14.001. • Implementation and certification of EMS at the new Nueva Aldea woodpulp mill will be completed during the fiscal years of 2007 and 2008. • The Alto Paraná woodpulp mill will implement and certify its EMS during 2007 and 2008.
Encouraging awareness on environmental and safety matters among the company's personnel and the community.	<ul style="list-style-type: none"> • In-house training courses were given during the year to reinforce the commitments stated in the document called "Our Vision, Our Business and Our Commitments". • The coverage of the community talks programs on fire prevention and environment of the forestry area was widened. • The Diploma course offered by the University of Concepción on Environmental Management, Occupational Safety and Health and Social Responsibility attended by senior executives of industrial mills and those in charge of EMS, risk management and occupational safety and health matters, was completed.
Contribute to the scientific knowledge on ecosystems at the Carlos Anwandter Nature Sanctuary in Valdivia and the Itata River mouth.	<ul style="list-style-type: none"> • Programs committed and studies programmed on the sanctuary were fulfilled with different universities. • In 2006 the company supported the CONAF-RAMSAR's recovery program for the sanctuary and will continue to do so. • The PIMEX program started in order to study the ocean in the outlet area of the Itata River, VIII Region.
Fostering the use of technologies and products that have low impact on the environment.	<ul style="list-style-type: none"> • The company uses the best available technology in all its new investments and projects. • The company is constantly assessing the introduction of best available technology into its oldest facilities in order to improve their performance.
Improving management of residues and chemical inputs.	<ul style="list-style-type: none"> • Minimization of inputs to extend the useful life of company's waste dumps is under way. • New storage -rooms in several facilities commissioned during the year in order to improve management and storage of residues and inputs. • Final destination of all environmentally significant residues is monitored in order to minimize their impact. • A plan for stopping the use of methyl bromide in the company's tree nurseries was implemented in 2006, reaching 100% compliance. • Recycling of office paper is beginning to be implemented in all company's units and facilities.
Increasing soil and water protection by developing new forest management practices.	<ul style="list-style-type: none"> • Permanent updating of maps of hydrographic coverage, protection zones and soil fragility. • Application of landslide containment techniques: risk maps, repair of masonry or concrete structures, and use of fragility indicators in the construction of forest roads.
Mitigation of forestry transportation effects.	<ul style="list-style-type: none"> • Social and environmental variables are more specifically and strictly introduced into forestry road and transport planning. • Dust mitigation and control materials are applied every year on more than 1,000 km of public roads. • Jointly with the public sector, improvement and pavement works and agreements were executed in 2006 on roads that are used by the company.
Reduced emissions of greenhouse effect gases	<ul style="list-style-type: none"> • Three biomass-based cogeneration projects (Nueva Aldea I, Nueva Aldea II and Trupán) were registered by the Kyoto Protocol's Clean Development Mechanism. Estimated reduction of CO2 emissions amounts to 333,000 annually tons.
Progress related to conservation and biodiversity	<ul style="list-style-type: none"> • Agreement with Chilean and foreign NGOs for the protection of biodiversity and native forest in the Nahuelbuta mountain range. • Cooperation agreements with NGOs for the protection of the Huillín habitat in the X Region.



Objectives for 2007

The following environmental objectives have been established for 2007:

- Continuously upkeep and improve the environmental Management System by extending its scope to all productive facilities in Chile and abroad.
- Development of corporate guidelines to manage specific environmental aspects.
- Beginning of periodic auditing programs intended to update the inventory of environmental risks.
- Completion of scheduled investments and environmental plans.
- Commissioning of the treatment system of the Constitución woodpulp mill affluent.
- Execution of a Closure and Recovery Plan for Aggregate Pits in the Valdivia woodpulp mill.
- Improvement of the effluents treatment system at the Licancel woodpulp mill.
- Improvement plan for the management of chemical inputs and fuels at Horcones Forestry-Industrial Complex (FIC)
- Continued implementation of the effluent transport and discharge system at Nueva Aldea FIC.
- Execution of the necessary research to develop the Environmental Impact Assessment Study for the effluent transport and ocean discharge system project for the Valdivia woodpulp mill.



Description

Structural laminated Radiata pine timber, manufactured with sizing for exterior use: Straight and bent elements, or variable section, up to 31 m long.

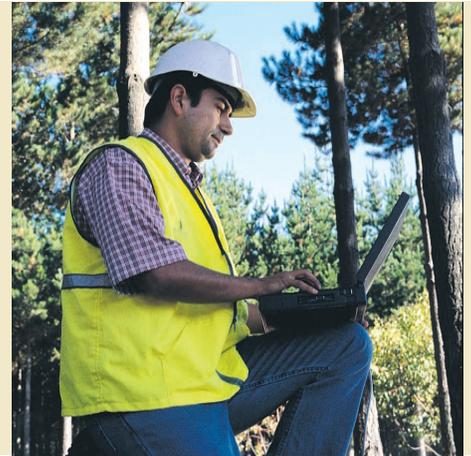
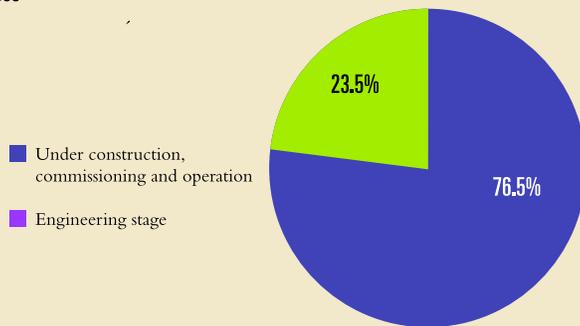
Use

Construction of large structures, infrastructure works, roof gardens, beams and pillars.

To promote the sustainable use of natural resources is part of our daily work



**Environmental
Investments Plan 2005–2008**
(170 Million dollars)



Environmental Investments

The Company's vision is implemented through a constant investment in best available technologies, in order to continually improve its environmental performance and foster de sustainable use of natural resource. Such investments include purchase of equipment, new treatment systems, technological development, training, audits and consultancies.

The environmental investment program approved for the 2005 – 2008 period amounts to approximately US\$ 170 Million. About 76.5% of this program is already in the construction, start-up or operation phase, and 23.5% in the engineering process.

For a total amount of US\$ 120 million, the program also envisages construction of emissaries for effluent discharge from the Valdivia woodpulp mill, which is under study, and from the Nueva Aldea FIC, which is already in construction. Also included in the program is the Environmental Improvement Plan for the Constitución woodpulp mill, which is 75% completed and considers construction and operation of an emissary for the discharge of treated effluents from the woodpulp mill, embellishment of the adjacent surroundings (park and riverside), modification of truck access, circulation and parking and investment in an odour reduction system.

Projects presented to the Environmental Impact Assessment System

Eleven projects were presented to the Environmental Impact Assessment system in Chile during 2006:

1. Transport and ocean discharge of effluents from the Nueva Aldea FIC, Ránquil, VIII Region.
2. Construction and operation of a chloride dioxide production plant at the Arauco woodpulp mill, Arauco, VIII Region.
3. Closure and environmental recovery plan for aggregate pits on the Traiguén site, San José de la Mariquina, X Region.
4. 24-MW backup turbine installation, Arauco, VIII Region.
5. Improvement of the effluents treatment system of the Constitución woodpulp mill, Constitución, VII Region.
6. Chipping mill, Ránquil, VIII Region.
7. Increase of production capacity of the Nueva Aldea plywood mill, Ránquil, VIII Region.
8. Conditioning of a railway system as an alternative access to Nueva Aldea FIC, Ránquil, VIII Region.
9. Improvement of the effluent treatment system for the Licancel woodpulp mill, Licantén, VII Region.
10. Plan for improving management of chemical inputs and fuels at the Arauco woodpulp mill, Arauco, VIII Region.
11. Update of treatment system for liquid industrial residues, Yungay, VIII Region.



Research Programs

In order to adequately address its relationship with the environment and be able to manage the environmental aspects of its activities, during 2006 ARAUCO developed the following research and innovation programs with local and international universities.



Description

Medium-density fiber boards (MDF) manufactured with Radiata or Taeda pine fibers, light in color; easy to work and very versatile. Manufactured in ultra-light, light and standard densities. Bare, melamine-coated or grooved finishing.

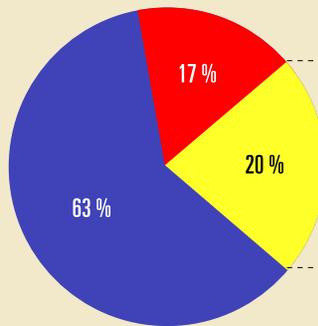
Use

Furniture, manufacture of doors, mouldings, interior architecture decoration and product displays.

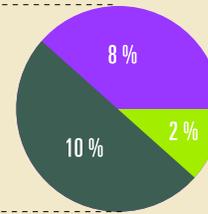
Research Programs	University/Institution
Centre for Wood Innovation and Development (CIDM).	Centre for Wood Technological Transfer (CORMA) Pontificia Universidad Católica
Temporal and spatial variability in the nutritional physiology of black-necked swans <i>Cygnus melancoryphus</i> .	Pontificia Universidad Católica de Chile – CASEB
Nutritional and physiological profiles of the wild black-necked swan (<i>Cygnus melancoryphus</i>).	Pontificia Universidad Católica de Chile – CASEB
Comparative nutritional and physiological profiles of two populations of wild black-necked swans (<i>Cygnus melancoryphus</i>) inhabiting in southern Chile.	Pontificia Universidad Católica de Chile – CASEB
Mesocosm design for the study of the impact of effluents from Celulosa Arauco's operation.	Pontificia Universidad Católica de Chile – CASEB
Effect of prolonged exposition to pulp mill effluents on the invasive aquatic plant <i>Egeria densa</i> and other primary producers: a mesocosm approach.	Pontificia Universidad Católica de Chile – CASEB
Temporal and spatial variability in the use of the habitat by the black-necked swan in the Cruces river wetlands.	Pontificia Universidad Católica de Chile – CASEB
Temporal and spatial variability in the use of the habitat by the black-necked swan in the Carlos Anwandter Nature Sanctuary.	Pontificia Universidad Católica de Chile – CASEB
Technical Committee on Biodiversity of Native Plants.	Universidad Austral de Chile
Project for the productive development of the Queule fruit.	Universidad Católica del Maule
Forest Biochemical Measurement Project.	Universidad de Chile
Forest Climatological Measurement Project.	Universidad de Chile
Excellence Program on Ocean Investigation for the ecosystem adjacent to the Itata River mouth (PIMEX-NUEVA ALDEA).	Universidad de Concepción
Development of tools for clone selection of <i>Eucalyptus Globulus</i> in the woodpulp industry.	Universidad de Concepción
Nueva Aldea Social and Economic Study.	Universidad de Concepción – EULA
Social and economic study of fishermen's bays.	Universidad de Concepción
Native Biodiversity Diagnosis Caramávida.	Universidad de Concepción – EULA
Forestry Genome Consortium.	Universidad de Concepción – Faculty of Forestry Science
Development of biotechnological tools to predict cold resistance in <i>eucalyptus globulus</i> clones.	Universidad de Concepción – Faculty of Forestry Science
Research program for the preservation of native forests in Maule Region.	Universidad de Talca – Oxford University (UK) Conama VII Region Conaf VII Region Codeff VII Region

Forest Resources and Native Forest

Forest Resources
(1,4 million hectares)



Native Forest
(281 thousand hectares)



- Native Forest
- Plantations
- Other Uses
- Native Forest - Chile
- Native Forest - Argentina
- Native Forest - Brazil

Conservation and Protection of Biodiversity

ARAUCO has approximately 1,410,000 hectares of forest resources in Chile, Argentina, Brazil and Uruguay, of which 281,000 hectares correspond to native forest or protected areas. A conservation assessment has been conducted of almost its entire native vegetation and natural communities and the information gathered is registered in the Forest Resources Information System of the forestry area. Based on this data, ARAUCO can ensure that its productive operation conserve adequately these resources and may take steps towards conservation of biodiversity and native forests and vegetation. In this regard, ARAUCO has the support of Bioforest, an entity that acts as a scientific and technological research centre developing and testing new technologies in its laboratories, nurseries and greenhouses directed to the conservation and recovery of vulnerable and endangered species within its forest resources.

Actual steps taken for preserving the biodiversity of ARAUCO's forest resources include:

- Identification, conservation and recovery of High Environmental Value Areas detected within its holdings.
- Reproduction of native plants in its nurseries for their subsequent plantation and recovery in protected areas (30,000 plants), including 10,000 plants of endangered Queule, Pitao and Ruil species.
- Interested parties' training in conservation of endangered flora and fauna species.

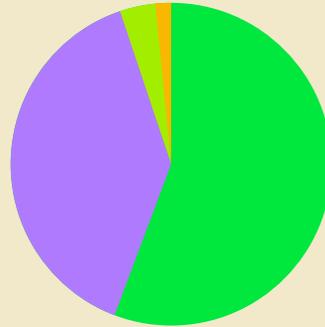


- Execution of agreements and contributions to biodiversity research with universities, NGOs and public agencies.
- Execution of agreements with Chilean and foreign NGOs for the protection of biodiversity and native forests.
- Application of protection measures to the 281,000 hectares of own native forests.
- Application of protective and preventive measures against fire.
- Training of the community in prevention and protection against fire.

Biodiversity Conservation (hectares)

- Parks and Visitor Centers: 1,264**
 - Tillicura Lagoon
 - Coyanmahuida Park
 - Coyanco Path
 - Rucapahuén Lagoon (Caramávida, Cañete)
 - Las Lianas Path
 - Pérgola María de las Cruces
 - Oncol Park
 - Pudu's Path

- Conservation areas in Misiones, Argentina: 45,000**
 - San Jorge's Site
 - Uruguay Stream Basin
 - Native Araucaria
 - Alegria Stream Valley
 - Yaboty Biosphere Reserve



- High Environmental Value Areas: 465**
 - Ruiles of Curepto, Quivolgo and Agua Buena
 - Ruiles of Porvenir and El Pin
 - Queules and Pitaos of Ralbún, Copiulemu and Loma de la Madera
 - Queules, Pitaos and Michay Rojos
 - Planta del León of San Gabriel
 - Araucarias in Carahue and Valdivia sector
- Conservation Areas in Chile: 49,400**
 - Biodiversity Priority Sites (CONAMA)

Conservation Programs in Chile

• Conservation Program for the Huemul, Nevados de Chillán mountain range, VIII Region

This agreement was entered into in 2003 with CODEFF stating that the company would help in the recovery of the last huemul (*Hippocamelus bisulcus*) population in the high Nevados de Chillán mountain range in Central Chile. The company protects 13,000 ha of native forest adjacent to the “Los Huemules del Niblinto” Nature Sanctuary and National Reserve, which is managed by CODEFF and CONAF.

Information obtained from the NGO monitoring the area states that there are approximately 10 specimens with breeding sites in the reserve and use protected areas that are owned by the company. In 2006, a research and park-keeper support refuge was built in the Veranada El Sauce sector. And an expedition was organized that took unpublished pictures of this species in the area.

• Protection Agreement of Priority Site Fundo Nonguén, VIII Region

This agreement was made in 2005 with local NGOs from the VIII Region of Chile, neighbour's organizations and CODEFF in an attempt to contribute to the conservation of this priority site, by preserving the biological diversity in the area and first National Reserve in the Province of Concepción.

Training programs were organized with local communities in 2006 and a photographic survey was taken in order to protect this unit, which will be managed by CONAF in the future.

• Conservation Agreement Cordillera de Nahuelbuta, VIII Region

Collaboration agreement between ARAUCO, companies of the Chilean forestry sector, Chilean environmental companies, the NGO ForestEthics and the Chilean government, local communities, scientists and environmentalists, for the protection of forest ecosystems in the Nahuelbuta mountain range, VIII Region of Chile.

This agreement is attached to the agreement signed in 2005 regarding cooperation in the creation and development of a System of Connected and Protected Areas in the priority conservation site of Cordillera de Nahuelbuta.

• Huillín Conservation Program, Valdivia, X Region

Cooperation Program established with CODEFF, aimed at protecting the Huillín habitat (*Lontra provocax*), an endangered species living in swamps and riverside areas of the coastal mountain range in the southern Araucanía Region of Chile. This program is in the process of measurement to identify habitats within the company's timberlands that maybe managed later as High Environmental Value Areas.

Durolac



Description
High-density fiber board (hardboard), one face coated with UV paint, various designs.

Use
Furniture, manufacture of doors and interior linings.





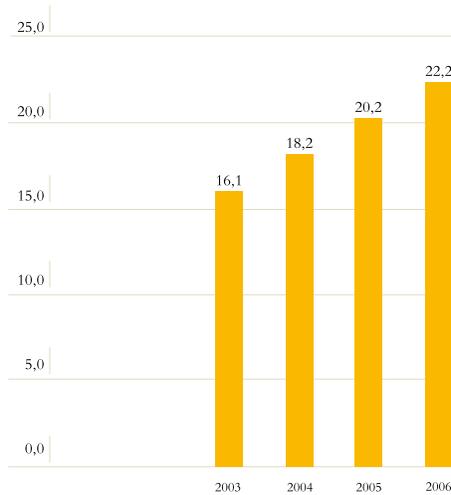
Description

Ultra-light MDF, Solid and finger-joint moldings. Great variety of profiles and excellent finishing.

Use

Interior architecture and decoration and door and window frames.

Wood Consumption (Million of m3)



Raw materials and inputs

To produce its products and obtain biomass energy, ARAUCO uses wood from own and third party's plantations plus water and chemical inputs.

Wood

The harvested logs are cut and classified to be later destined to woodpulp, sawntimber, remanufacturing and panel mills, according to their characteristics.

The use of all wood subproducts (bark, twigs, shavings and sawdust) is also optimized inside industrial complexes, producing other forestry products (e.g. particle boards) or as fuel for the generation of power, thus making a complete use of the raw material.

Water

The Company has been adopting the best available technologies to optimize the consumption of water per produced unit. The various facilities obtain water for their industrial processes mainly from rivers or underground sheets of water and recycle a part of this resource whenever possible.

Some measures adopted during 2006 in the different productive woodpulp, sawntimber and panel mills are listed below:

- Cooling water recovery.
- Circuit closing.
- Recirculation of clean water and condensates.
- Better sealing systems and pump discharge capacity.
- Spill Recovery.
- Water re-filling to keep a steady supply.
- Recirculation of water from drying processes.
- Separation of rainfall from productive processes.
- Better handling of rainfall.
- No irrigation on some wood stockpile yards.

Water that cannot be recovered and injected into the processes, is purified in effluent treatment plants and discarded into receiving water bodies. All this in full compliance with the regulations governing discharges of liquid residues to surface flows, continental waters, underground sheets of water or irrigated surfaces and taking all possible caution to avoid any significant effect on the various kinds of uses. Strict monitoring programs are used for this purpose.

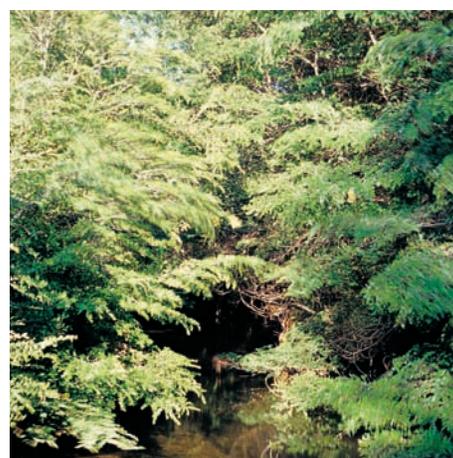


Energy

ARAUCO's integrated forestry business allows it to use energy in an efficient way, especially the one coming from the biomass of its own forestry byproducts. Therefore the greatest part of the energy used in industrial facilities is generated from renewable fuels (such as bark, sawdust, shavings and black liquor) and used in two ways: thermal energy (steam) and electric power, the use of which is maximized in industrial complexes.

In Chile the Company has six cogeneration plants based on biomass and residues from the production of woodpulp, sawn timber and/or panels, which are used to supply energy from renewable sources to the different facilities of the company.

These mills have a total excess capacity of 123.5 MW that is available to contribute to the Central Interconnected System (known as SIC) that distributes electric power to the south and centre of the country.



Electric power (GWh)	2005	2006
Used	1,536	1,784
Self-generated	1,766	2,062
Exported (sold to SIC)	407	476
Supplied by third parties	177	198

To be a world leader in sustainable forestry and forest products development .





Atmospheric Emissions

All ARAUCO productive processes that produce emissions to the atmosphere have electrostatic precipitators that remove particles at a rate of about 99%. Additionally, the use of energy from conventional sources of fossil fuels is minimized thanks to the self-supply of its cogeneration facilities based on biomass.

The improved collection, conditioning and subsequent burning of total reduced sulphur (TRS) gases in Chilean woodpulp mills has allowed to keep an average emission of these gases under the minimum levels of emissions of the Best Available Techniques (BAT).

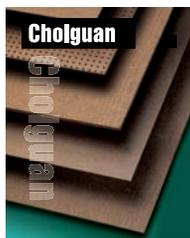
There has also been significant progress in the reduction of emissions of other gases in the woodpulp area. Nitrogen oxides (NOx) were reduced by 20% between 2005 and 2006 and the emissions of particles came down to 25% per produced ton.

Liquid Residues

ARAUCO makes a special emphasis on the promotion of a sustainable use of the surrounding natural resources and systematically reduces its impacts on the environment. For these purposes the company has adopted the best available technologies for the treatment and disposal of its industrial wastewater.

The technological progress added to woodpulp mills has reduced their effluent flows to levels that coincide with or are very close to those considered in the Best Available Techniques (BAT).

The sustained improvement experienced in ARAUCO in terms of effluents is mainly due to investments in better biological treatment systems and handling and use of water. This has resulted in better discharge parameters in most of the woodpulp area, in spite of the annually increase in production of bleached woodpulp, which is the company's principal product. ARAUCO uses elementary-chlorine-free (ECF) technology in all its Chilean and Argentinean woodpulp bleaching mills and applies biological treatment to its effluents.



Description

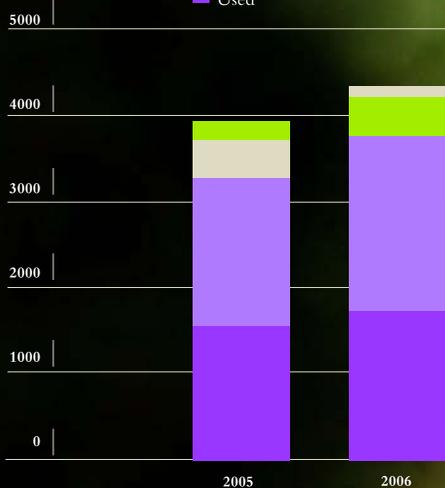
High-density fiber board (hardboard); flexible and resistant to humidity, easy to work and with a smooth, colonial and perforated surface.

Use

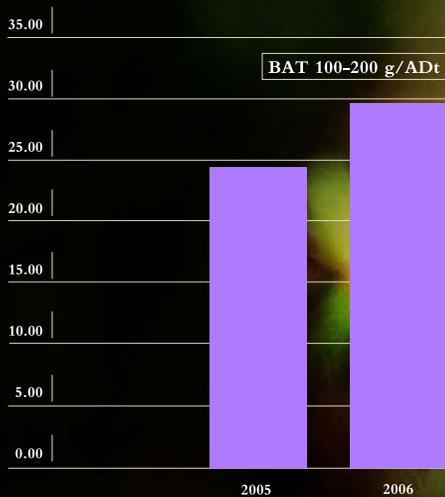
Furniture, construction of partition walls, manufacture of doors and industrial use.

Energy Use (GWh)

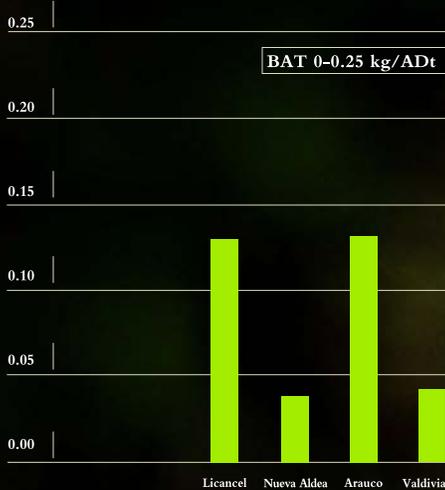
- Supplied by third parties
- Injected to the SIC
- Self-generated
- Used



TRS Gas Emissions in the woodpulp production process (g/ADt)



AOX in the production of bleached woodpulp (kg/ADt)





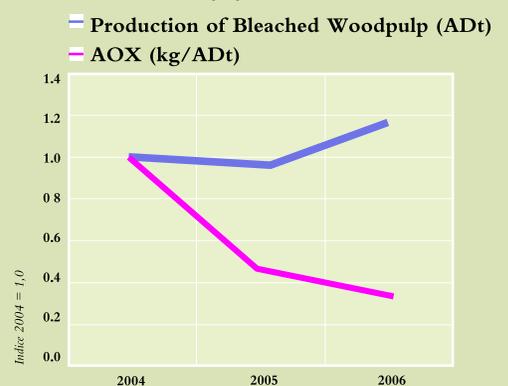
Between 2004 and 2006, Chilean productive units reduced their discharges of organic chlorine compounds (AOX) by 69.64% per produced ton, reaching levels within the range of 0 to 0.25 kg AOX per woodpulp ton (ADt), thus being in full compliance with BAT indices.

Parameter	Variation 2004 – 2006 (%)
Pulp bleached	17.19%
FLOW	-0.56%
AOX	-69.64%
TSS	-32.89%
COD	-42.40%
BOD	-50.84%
P	-28.43%
N	-23.56%

BAT: Best Available Techniques

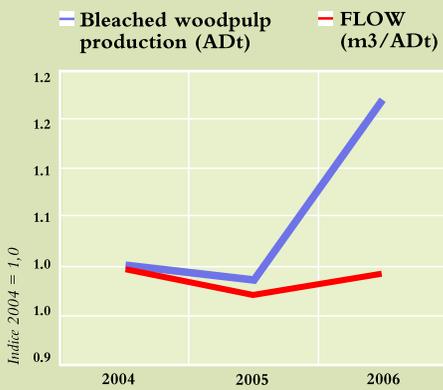
The same success has been achieved in other environmentally relevant parameters reducing discharges of total suspended solids (TSS), DQO, DBO, P and N.

AOX in the effluent and production of bleached woodpulp

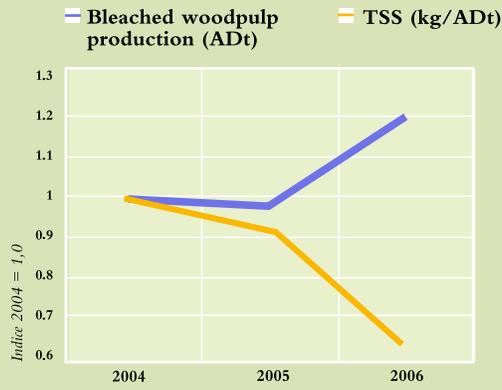




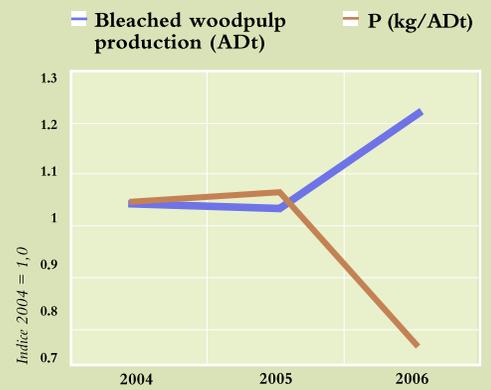
Effluent flow and production of bleached pulp



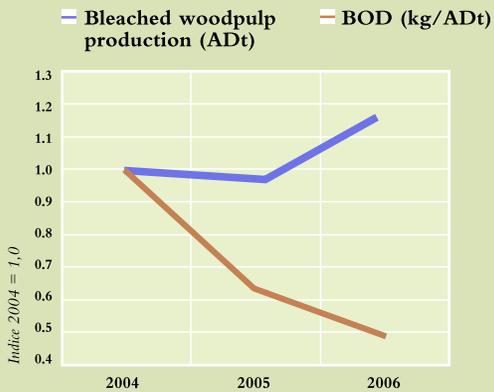
TSS (Total Suspended Solids) in the effluent and production of bleached woodpulp



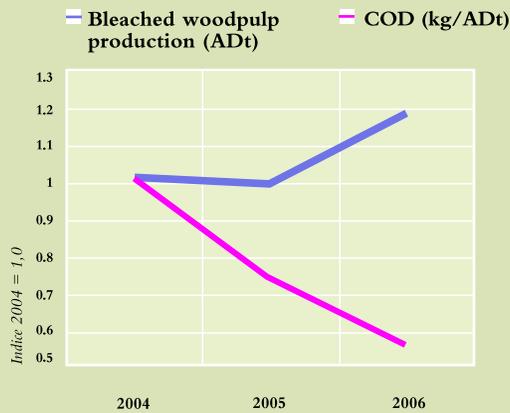
P (Phosphorus) in the effluent and production of bleached woodpulp



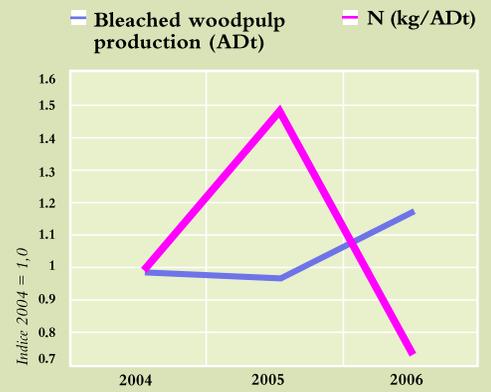
BOD (Biological Oxygen Demand) in the effluent and production of bleached woodpulp



COD (Chemical Oxygen Demand) in the effluent and production of bleached woodpulp



N (Nitrogen) in the effluent and production of bleached woodpulp





Solid Residues

A fundamental part of ARAUCO's Environmental Management System is the handling of solid residues. Consequently, each facility defines the steps to be adopted to minimize the amount of generated residues, recycles as much residues as possible and disposes of them in appropriate places in order to prevent health or environmental risks. The great majority of solid residues generated by the different activities performed in ARAUCO come from wood: chips, sawdust and bark, and are reused in the production of products such as woodpulp, MDF, particle boards, hardboards and as fuel for the generation of power in industrial complexes.

Approximately 3.2 million m³ of this kind of wood waste residue (1.2 million tons) are used as fuel and a small portion as raw material for panel manufacturing, thus avoiding its disposition in dumps or landfills. Other residues (0.4 million tons) are purchased from nearby industries, mainly to be used as fuel.

ARAUCO's business also generates other residues which amount to approximately 0.46 million tons and recycles about 18% thereof. A 97% of this kind of residues corresponds to non-hazardous waste and only 3% is considered dangerous.

Management of these residues includes the following actions:

- Specialized logistic system through trucks and railways intended to the safe transport of inputs and chemical products.
- Monitoring system and indicators of residue management activity for the generation and disposition centres.
- Registry of companies engaged in recovering hazardous residues.
- Classification and segregation of residues for their reutilization as raw material or fuel and for their recycling or final disposal.
- Programs for the reutilization and recycling of containers and bands.
- Classification and segregation of residues according to their hazardous quality.
- Transitory safe storage of hazardous residues.
- Signalling and training for safe storage of hazardous residues.
- Environmental improvement of disposal sites for non-hazardous residues.
- Requirements for the transport and safe handling of products and inputs.

Generated hazardous residues are handled, stored, transported and disposed of subject to the current sanitary and environmental requirements and adhering to the best practices contemplated by the environmental management, safety and health systems, thereby leading to minimizing the possibility of causing significant impacts on the environmental and social environment of operations.

Deposits used for the disposal of all generated residues have environmental and sanitary authorizations that are in force and use technology and management systems leading to an optimal operation without risks for the environment and human health.



Faplac

Description

Bare-face or melamine-coated particle board. Smooth, homogenous faces, very easy to work. High strength and good screw retention.

Use

Furniture, doors, partition walls, interior separation



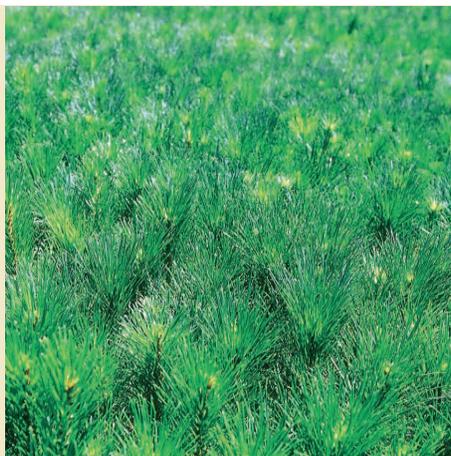
Climate Change

ARAUCO is committed to promote the sustainable use of natural resources. One of the ways to comply with this commitment is by making an integral use of the wood obtained from its plantations. Part of this wood is used in the production of goods, such as woodpulp, sawn timber and panels, and part of it is waste that is reused almost entirely in productive processes, such as fuel for generating the steam and power required by these processes. For this purpose, ARAUCO has implemented cogeneration facilities based on such biomass. The energy generated from biomass reduces the consumption of electric power from the Chilean Central Interconnected System (SIC) and the direct consumption of fossil fuels, with the excess electric power being injected into the national power matrix.

As a matter of fact, in 2006 ARAUCO self-generated 2,062 GWh from biomass, which permitted it to self supply its consumption of 1,784 GWh of electric power, with the excess 278 GWh being injected to the SIC. This resulted in displacing generation sources that are more contaminating and reducing 113,000 tons of CO₂ emissions of greenhouse gases in the year.

Three of ARAUCO's biomass cogeneration projects were registered in 2006 by the Executive Committee of the Kyoto Protocol's Clean Development Mechanism (CDM) as projects that reduce the emissions of greenhouse gases. Once these emission reductions are certified by the CDM's Executive Board, they may be placed in the international carbon trading market.

A CO₂ emission reduction factor of 470 t CO₂/GWh was used in the calculation of this effect (Source: Project Design Document and DNV Validation Report and Protocol, Nueva Aldea Biomass Power Plant Phase I).



One environmentally favorable result of ARAUCO's forestry and industrial activities is the contribution to diminish the accumulation of greenhouse gases (GHG) in the atmosphere and hence, the control of global warming. This is possible thanks to the Company's stable stock of forestry resources that constantly grows capturing CO₂ from the atmosphere through photosynthesis, and is harvested every year to supply its industrial activities in a sustainable fashion over time.

The carbon cycle from ARAUCO's industrial operations fixed an amount equal to 4.7 million tons of carbon in industrial products, while 2.2 million tons were emitted in industrial processes during 2006. Thus, "sequestration" or net carbon removal during the year amounted to 2.5 million tons of carbon, approximately 9.2 million tons of CO₂. This means that the total contribution to global warming control resulted in an estimated reduction of approximately 9.5 million tons of greenhouse-effect gases in the year, which is equivalent to the emissions of more than 3 million cars in a year.

Cogeneration projects registered under the Kyoto Protocol's Clean Development Mechanism	
Cogeneration power plant based on biomass.	Estimated Annual CO ₂ -emission equivalent reduction (tons)
Nueva Aldea Biomass Power Plant Phase I, VIII Region, Chile	106,122
Nueva Aldea Biomass Power Plant Phase II, VIII Region, Chile	125,424
Trupán Biomass Power Plant, VIII Region, Chile	101,846
Total	333,392

Source: Project Design Document Nueva Aldea Biomass Power Plant Phase I, Nueva Aldea Biomass Power Plant Phase I, Trupán Biomass Power Plant.
 Emission rate of an average light vehicle that travels 20,000 km/year = 3.04 t/year of CO₂
 (www.comcar.co.uk)



Transport

Transport of personnel, raw material and products to and from industrial facilities and customers implies traffic of light vehicles, large trucks and railway wagons. The environmental impact arising from this movement is however reduced by locating industrial poles in the centre of raw material availability and close to shipping ports and implementing transport optimization measures.

All this has been possible thanks to the following characteristics of ARAUCO's general transport management:

- Optimal route planning for trucks trips distances shorter than 100 Km through the use of specialized software that make the best use of truck fleet.
- Planning and management directed to maximize the use of return trucks, thus significantly reducing the required number of trips.
- Scheduling that makes an intensive use of large railway convoys for transport of finished products to ports and inputs on return trips.
- Strategic location of storage facilities for the distribution of products in the local market with the consequent reduction of trips.
- Packing design to optimize the use of transport means, such as trucks, railway wagons, containers and ship holds.
- Optimizing stock levels in main markets and effectively planning shipments in order to rationalize routes and ship mooring.

The transport of logs from forestry sites to industrial mills may, in turn, have impacts, such as dust generation and noise emission, in rural dirt roads.

In an attempt to minimize these impacts, the Company has been improving year after year the identification and recording in its road charts of information on the most sensitive points for both the community and the environment. This information is used when

planning routes and transportation in order to select the appropriate route for a given site, frequency of use, additional speed limits to those legally required, signs, repairs, application of dust-suppressing material and other variables leading to minimize the impacts from this activity on the social and environmental surroundings.

The above-mentioned characteristics help the Company to constantly improve the application of a dust control agent and plan the transport of logs and products in a more accurate and proactive way, avoiding environmental impacts and community problems.

Some steps taken in Chile in 2006 to reduce and prevent impacts arising from forestry transport that also contribute to improve connectivity for public access are as follows:

- Asphaltting of junctures with route P-160, Province of Arauco, VIII Region.
- Construction of a by-pass in Ramadillas, Province of Arauco, VIII Region.
- Asphalt treatment of the Curihuillín mountain road, Province of Arauco, 8th Region.
- Asphalt improvement on La Chupalla road - Los Castaños - San José de Colico, Province of Arauco, VIII Region.
- Transitory road conditioning for public use due to winter landslide in the area of Colcura beach, Province of Arauco, VIII Region.
- Contribution to asphalt paving: 25 km in Collipulli, IX Region, and 16 km in Arauco, VIII Region.
- Contribution to paving of Antilhue by-pass, X Region.
- In the city of Constitucion, VII Region, as part of the environmental improvement plans of the woodpulp mill, the traffic of trucks to the industrial facilities was changed from the road alongside El Arenal beach to a road inside the woodpulp mill.

Ever since it started-up, the Valdivia woodpulp mill has invested human and financial resources in an on-going improvement of its environmental performance.



Valdivia

On-going improvement of
environmental performance

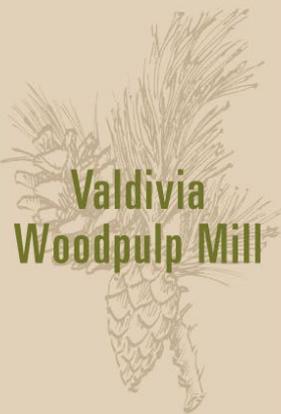




Pulp Valdivia

Pulp

Company
Environment
Community
Education



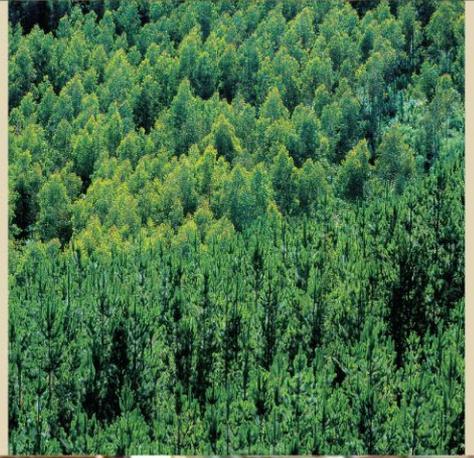
The Valdivia woodpulp mill began to operate in February 2004 as the culmination of a 20-year process, which started when ARAUCO launched a program of forestry plantations in the 10th Region of Chile. The construction and start-up of the mill included evaluation of different possible locations, submission and approval of two Environmental Impact Studies and obtaining the corresponding permits and authorizations. All this resulted in an industrial facility that applies the highest environmental standards.



CELUL

Since the commissioning of this mill, ARAUCO has been dedicating both human and financial resources to continuously improve its environmental performance, especially emphasizing the management of liquid residues, a matter that is of the utmost concern for the Company, the Community and the authorities due to the sensitive ecosystem adjacent to the mill, the Carlos Anwandter Nature Sanctuary at the Cruces river.

However, in 2004 some environmental changes took place in these wetlands located 32 km downstream of the mill. Such changes caused the death of some specimens of black-necked swans and the migration of a number of these birds. The presence of swans in the sanctuary was therefore reduced from a historical average of 5,000 specimens to monthly values of approximately 400 specimens.





A study conducted by the Universidad Austral de Chile, commissioned by the regional environmental authority, stated that the cause of the problem would have been a reduction of the water plant called “luchecillo” (*Egeria densa*), the main food source for swans in this place.¹ The study related this cause to the effluents of the Valdivia mill. Other researchers of this and other universities and institutions, as well as studies conducted by the Company, have suggested different causes for this situation

that exclude the effluents as the main cause. Nevertheless, there is no scientific consensus about the real causes of the problem.

Based on the above, the regional environmental authority required stricter operating conditions from the mill and limited its production to 80% of the installed capacity that had been originally authorized.

It was also decided that compliance with these new requirements should be verified

through national and international audits ordered by CONAMA from Knight Piésold S.A. and Centro Nacional de Tecnologías Limpias (CNTL) of Brazil, respectively.

As of December 2006, Knight Piésold S.A. had performed 36 audits, of which 20 were carried out during 2006 (13 bi-weekly audits, 6 monthly audits and one audit intended to verify compliance with Exempt Resolution No. 377 of COREMA X Region). CNTL, in turn, undertook the second phase of the international audit between April and May 2006, and the third phase is planned for the first six months of 2007.

The results reported by Knight Piésold S.A. confirmed that “The effluent discharged to the Cruces River after the tertiary treatment is in compliance with the concentrations established in RCA 279/98”. Likewise, the auditing company has highlighted the efficiency of the incinerating system for odorous gases (TRS gases) “the TRS-gas incinerating system has operated as usual, with concentrate TRS gases being incinerated in the recovery or in the power-generating boiler, and the diluted TRS gases being burnt in the recovery boiler”. Total compliance of 99% of the 542 commitments and requirements of RCA 279/98 was verified during the 2006 monthly audits, with the remaining 1% having been solved or on the way to be solved (National Environmental Audit, Monthly Audit report No. 6 – December 2006, Celulosa Arauco y Constitución S.A., Valdivia Woodpulp Mill). CNTL’s audit, in turn, verified that the Valdivia woodpulp mill has shown great efficacy in complying with the environmental requirements imposed by CONAMA and stated that “it is evident that the Valdivia woodpulp mill has a good operations team, adequate technological capacity and excellent potential to be one of the world leaders in environmental performance of woodpulp mills.” Finally, it is noted that “It may be concluded that the Valdivia woodpulp mill has an excellent environmental performance that in some cases is exceptional. This mill is very efficient and can be classified as one of the most remarkable mills in the world in terms of environmental control parameters” and that “the bleached kraft woodpulp mill has an outstanding environmental performance. It could operate under the



strictest laws for woodpulp mills in the world” (Phase 02 – Environmental Audit Report, Celulosa Arauco y Constitución S.A., Valdivia Mill).

These audits ratified the levels of excellence applied in the operation of the mill and all its systems, with performances that have consistently been within the levels of Best Available Techniques (BAT) in the production of woodpulp, with results that have even been under their required minimum. This shows that the Valdivia woodpulp mill operations exceed even the best standards expected from woodpulp mills with vanguard technologies.

**Main parameters of the effluent from
(annual average value)**

		VALDIVIA WOODPULP MILL			BAT Min	BAT Max
		2004	2005	2006		
FLOW	m ³ /ADt	33.02	38.26	44.89	30	50
TSS	kg/ADt	0.70	0.56	0.42	0.6	1.5
COD	kg/ADt	2.00	2.73	1.50	8	23
BOD	kg/ADt	0.25	0.21	0.10	0.3	1.5
P	g/ADt	1.63	4.45	1.77	10	30
N	g/ADt	36.36	142.30	45.35	100	250
AOX	kg/ADt	0.04	0.11	0.04	0	25

BAT Min. and BAT Max. refer to the minimum and maximum limits considered in Europe for the Best Available Techniques used in the production of woodpulp.

ARAUCO’s commitment to the environment became even firmer when the Environmental Management System of the Valdivia mill was certified by ISO 14.001 in April 2006 after a conscientious audit by the Canadian auditing organization Quality Management Institute (QMI).

Additionally, in order to assure the environmental excellence of the operations at the Valdivia woodpulp mill, the Company has continued to conduct several environmental studies intended to fully understand the intricate surrounding ecosystem that shelters a rich avifauna and is a matter of pride for the local community.

Thus, fulfilling the public commitment to support the recovery of the wetlands, the company contributed with CONAF to draw up the “Integral Environmental Management Plan for the Cruces River Wetlands” between December 2005 and August 2006. This plan is under the technical surveillance of the Ramsar Convention and international experts. On the other hand, in order to strengthen

ARAUCO’s relationship with its neighbours and reduce fears and uncertainties in the community, the program of visits to the plant that started during the previous year continued in 2006 with 15,000 visitors. During these visits, authorities, neighbours and other interested parties could learn about the processes executed in the mill and received an answer to their concerns regarding the priority given by ARAUCO to the sustainable use of the surrounding resources and collaboration with neighbours. This has created trust and cooperation bonds with the community and its representatives



During 2006, the Environmental Impact Study of the emissary project regarding the discharge of the Valdivia mill effluents into a site other than the Cruces River continued to be developed, as required by the environmental authority. In December 2006 the Company had to request the corresponding authorities to postpone the entry of this study into the Environmental Impact Assessment System due to the opposition of some groups of fishermen living on the coast of the Mariquina district, who obstructed the surveys to collect vital information for the study. In January 2007, the authorities approved a two-year extension of the term for the delivery of the study.

Black-necked swans, in turn, have increased their number continuously at the Carlos Anwandter Nature Sanctuary and adjacent wetlands, from a population of under 400 specimens in August 2005 to over 1,500 in November 2006 ².

Notas

1. “Study on the origin of the death and reduction in the number of water birds in the Carlos Anwandter Nature’s Sanctuary”, Universidad Austral, 2005.

2. Monthly Report on the Activities Performed at the Nature’s Sanctuary in the Cruces river wetlands; November 2006, Corporación Nacional Forestal, Provincial Valdivia, Los Lagos Region.



Community Community

One of our commitments is to build permanent and mutually collaborating relationships with the communities where we operate.



Community



Appearance Timber

Appearance Timber

Description

Dry lateral or semi-lateral Radiata pine timber, classified according to the appearance of one of its four faces.

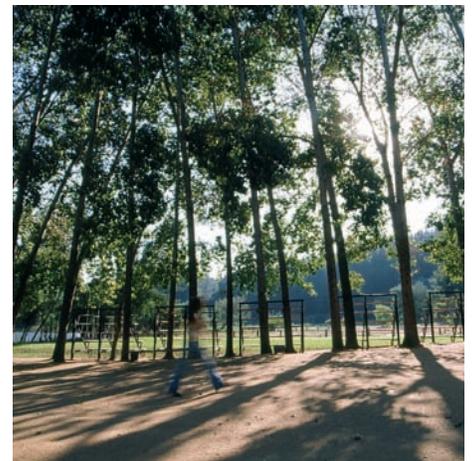
Use

Construction, Furniture, Manufacture of sized panels and solid mouldings.

The ARAUCO Community is formed by more than 34,000 people, plus all those living in over 100 districts and neighbourhoods in Chile, Argentina, Brazil and Uruguay.

The influence of the Company in each of these areas contributes to foster local development by creating jobs, production, consumption and local business opportunities, together with new infrastructure and social, sport and educational development for the community.

The system created to manage relations with the community and other interested parties has led to improve social communications and integration through a better planning and evaluation of ARAUCO's activities with the community. In this regard, the Company carries out different work lines based on local diagnoses and periodic surveys, socio-economic studies, dialogue boards and meetings with local leaders and authorities that aim at a sustainable development of our neighbouring communities.



To foster conditions that support the career advancement of every employee

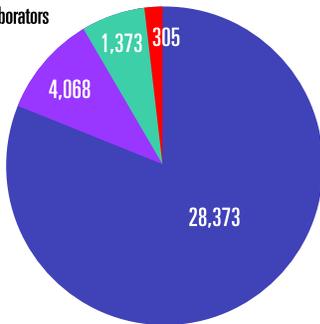




Human Resources

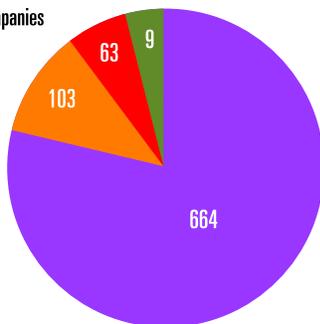
Workers and collaborators per country
(Total: 34,119)

- Chile
- Argentina
- Brazil
- Uruguay



Collaborating companies per country
(Total: 839)

- Chile
- Argentina
- Brazil
- Uruguay



A permanent concern in ARAUCO is to have the adequate conditions for the development of all members of the Company, since it believes that the contribution of each of its workers and collaborators is a fundamental part of its success and future sustainability. These basic values are the principles that support human relationships within the Company, and with the Company's surroundings, and are extended to the entire value chain through extension and training programs. For this purpose, a campaign was organized to advertise and reflect on the Company's Vision, Business and Commitments throughout the business areas and their facilities in all countries where ARAUCO has commercial and productive operations. Collaborating companies were invited to adhere to these commitments.

The Company has established policies for a strict compliance with conduct rules and regulations, guidelines for the exchange of presents with interested parties and ethical behaviour between business and activities of the Company and its surroundings.

ARAUCO verifies compliance with each and every requirement derived from the labour codes applicable in each country, individual and collective agreements, minimum wage and other rules referred to workers. At the same time it ensures that there is no threat against workers' rights in any of its units, both regarding own workers and collaborators. The Company has no record of a claim or complaint due to any discrimination whatsoever, including child labour, unduly compensated work or anti-union practices, and has verified that 82% of all workers and collaborators belong to an Employer/Employee Committee on Occupational Safety and Health.

The Company's personnel development policy includes sport centres and entertainment facilities where workers can share some time together and practice leisure activities. Workers can use these facilities to perform various sport and social activities and share instances with the community.



Posts

Description

Radiata Pine Posts, debarked or rounded, kiln-dried, treated with CCA-C or without treatment.

Use

Electricity or telephone lines, whether urban or rural, piers, sea facilities, for sand or water, fences, cattle yards. Also generally used in agriculture, and viti- and viniculture.

Training

One of the main characteristics of ARAUCO's business model is that it promotes local business development in all areas where it exercises influence, encouraging the organization of local companies and training of its personnel to carry out activities that need to be outsourced.

Over 800 small and middle-size companies take part in the Chilean, Argentinean, Brazilian and Uruguayan value chain of the Company by providing services related to forestry, woodpulp, sawn timber and panels. This meant more than 34,000 individuals directly or indirectly working with ARAUCO during 2006.

In order to have a qualified and competent internal personnel working in a safe and efficient way, ARAUCO has developed an evaluation system based on competences that is being implemented in all productive areas in Chile and is expected to cover the units outside the country in the next years. Its pilot application will begin in the fiscal year of 2007. In terms of competence acquisition and generation, in 2006, an aggregate of 415,562 man-hours of training took place, 303,000 of which corresponded to activities with external workers and 112,562 with own workers.

The main training subjects were:

- Occupational safety and health.
- Information systems.
- Management training.
- Technical training.
- Leadership.
- Transport of hazardous substances.
- Storage management.
- Environmental law.
- Environmental audits.
- Industrial house keeping.
- Environmental management.

Special projects were implemented addressing subjects such as risk management, environment, development and operational excellence, as in the case of the diploma on "Integrated environmental, occupational health and safety and social responsibility management" dictated by the University of Concepción and attended by senior executives of the company; the occupational safety and health workshops of the woodpulp and sawn timber areas; the program entitled "Towards Operational Excellency" of the sawn timber area, the labour competence certification in the areas of forestry, sawn timber and panels (5,000 certified workers as of 2006), development programs for suppliers (EMS ISO 14001, emergency management, OSHAS 18001), development of entrepreneurial capacities, technical transference, management and administration) and levelling up of some forest workers' school studies.

To ensure a safe and healthy workplace for our employees, contractors and suppliers is part of our commitment .





Occupational Safety and Health

Management of occupational safety and health aspects is another sustainability subject emphasized by ARAUCO. During 2006 a significant progress was made in the company's management of occupational safety and health systems. Except for the woodpulp mills, new acquisitions and units located abroad that are in the process of implementation, all other productive units have implemented and certified their OSHAS 18001 systems. Such progress will lead to continuously improve accidentality indicators in all business areas of the Company and will permit to verify that occupational safety and health is being ensured and risks reduced.

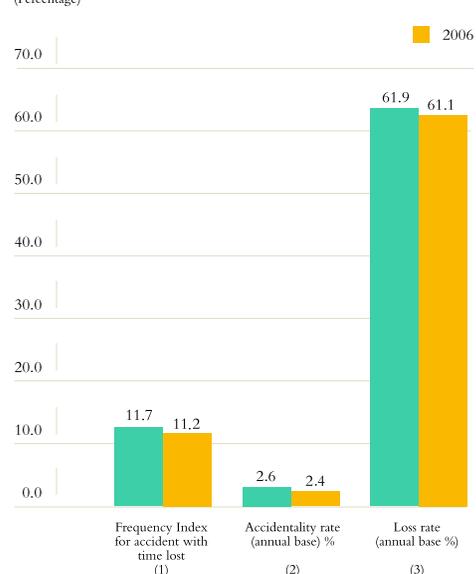
These efforts will help the Company minimize general work accidents, especially fatal ones like those occurred during the year, when eight collaborators had fatal accidents. These events have even further reinforced the decision adopted by the Company two years ago, i.e., to implement OSHAS 18001 systems in all operations. Together, these systems and the strong conviction and commitment of the Company regarding labour safety will be the basis to improve performance of this indicator and avoidance of future fatal accidents of workers or collaborators.

Accidentality

The main accidentality indicators of the Company, including collaborating companies improved in 2006 as compared to 2005. Both the accident frequency index with time-lost (TL) and the accidentality and damage rates dropped showing a reduction in the severity of accidents and frequency of occurrence, with the number of accidents with time lost decreasing from 615 to 589.

Notes:
 1: Number of accident per thousand man-hours.
 2: Number of accidents with time lost every 100 workers.
 3: Number of days lost every 100 workers

Accidentality Indexes for Chile





Objectives

To implement a complete internal audit program of Occupational Safety and Health in all productive units in order to accelerate performance improvement in these matters. By the end of 2008 all ARAUCO's productive units will have an Occupational Safety and Health Management System certified under OSHAS 18001.

To establish control systems leading to verify compliance with the new Chilean subcontracting regulation regarding occupational safety and health in related companies.

Voluntary Work

The "Un Techo para un vecino" ("A Roof for a Neighbour") campaign was organized in Chile in 2006 with the support of the "Un Techo para Chile" Foundation. The purchase, distribution, construction and delivery of small basic houses were arranged together with the aforesaid Foundation in each area where ARAUCO is present. Thus, an internal campaign was launched in November to recruit volunteers for

the simultaneous construction of 35 of these houses in the seven areas where the company operates and collection additional funds among company's workers. Over 400 people, including ARAUCO workers and their families, and some local authorities who joined this campaign, took part in this initiative. Apart from helping with the construction, workers also shared some time with the visited families.



Description
Pallets, pallet pieces, and green or dry pine wood.

Use
Pallets and packaging.

Relations with the community

To build a permanent and mutually supportive relationship with communities, consider their concerns and needs in our decision-making process and support their development, are conditions that ARAUCO deems essential for sustainability.

For the fulfilment of this task, the Company has implemented a corporate structure defining the guidelines to be applied in each area where it is present. These guidelines are executed by the management in each facility and productive unit and by those in charge of community relations and public affairs in each area.

The main tool to achieve the above is a transparent and honest communication with stakeholders, all of which have been identified in stakeholders matrixes. Through them socially and environmentally sensitive points, expectations and needs have been detected and used to design community management. These records show that the main internal and external interested parties are:

Internal parties:

- Workers.
- Collaborators.
- Forestry unions.
- Transport unions.
- Workers' families.

External parties:

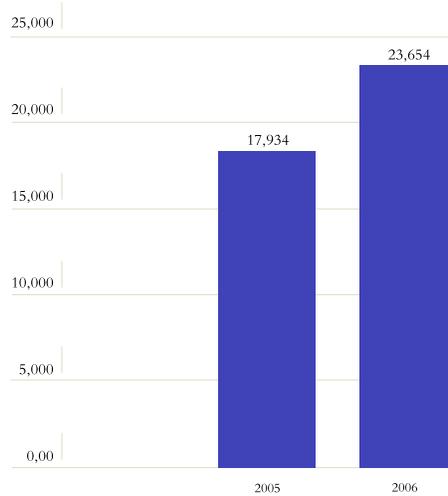
- Local, regional and national authorities.
- Groups of neighbours and neighbours' organizations.
- Educational institutions.
- Lafquenche and Pehuenche native communities.
- Local communities.
- Trade associations and unions.
- Rural and urban social groups.
- Non-Governmental Organizations, mainly environmental and scientific groups.
- Certification entities.
- Communications media.
- Suppliers of goods and services.
- Other companies of the forestry sector.
- Clients.
- Financers and investors.



To address these concerns and timely respond to these stakeholders, the following means are available:

- Methodical processing of communications through the Environmental Management Systems (EMS).
- Periodic meetings.
- Direct telephone calls with the local responsible person for community relations.
- Press media communications.
- Free telephone lines installed in some complexes during 2006.
- Webpage: www.arauco.cl.
- Local magazines.
- Participation in local exhibitions.
- Radio and TV programs.
- Visit programs and open-door policy.

Visits to Facilities and Productive Units (Number)



The basis of our success is to empower our employees, contractors and suppliers to implement these commitments .





Community development

The work performed by ARAUCO with the community is based on three general work lines: education and culture, development programs and sports, mainly directed to increase productivity, encourage local enterprising, improve employability, contribute to create business opportunities and sources of local jobs and foster the community's productive and social development.

Following these work lines, 326 initiatives were executed with local communities in over 100 districts and boroughs in Chile, Argentina, Brazil and Uruguay, which covered productive development programs, training and social scholarships, infrastructure and equipment, cultural and sport programs and communication and information activities, among others.

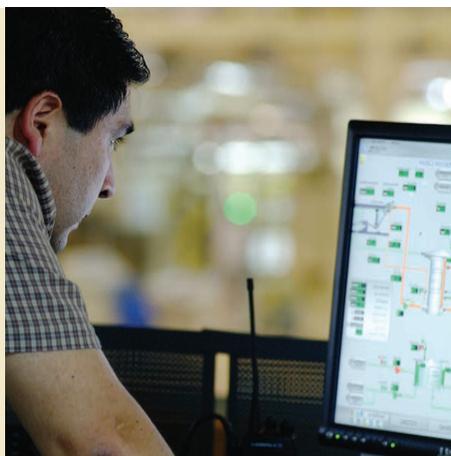
Community development				
Type of Program / Region	Chile	Argentina	Brazil	Total
Education and Culture				
Educational Programs [1]	10	6		8
Cultural Programs	31			31
Biodiversity conservation programs	5	11	1	17
Development programs				
Productive development and entrepreneurship	52	4	2	58
Training and social scholarships	33		3	36
Infrastructure and equipment	40	8	7	55
Sport				
Sport programs	22	2		24
Sport sponsorship	16	6		22
Sport infrastructure	5			5
Other programs				
Communication and information	6	1		7
Other	37	14	4	55
Total	257	52	17	326

[1] It includes programs developed by the Arauco Educational Foundation and omits the Arauco, Constitución and Cholguán Schools as educational programs.

USA Structural

Description
Structural Eliotti and Taeda pine timber visually classified according to the American SPIH regulation.

Use
Construction of structures.



Some of these projects are:

- Solidarity Fund “Project for Carrizales Farmers” intended to support improvement of the local farming production, Ránquil, VIII Region, Chile.
- “Local Economy Development Program”, (Sercotec, Communal Development Agency of the Municipality of Ránquil) for small companies supplying supermarket items, liquefied gas, hardware and dockyard inputs, Ránquil, VIII Region, Chile.
- “Project for Small Grape Growers”, training on technological tools for small vineyards, Ránquil, VIII Region, Chile.
- “Traceability Project for Small Companies” supplying bakery products, vegetables, eggs, clothes, minor hardware items and home-made food, Ránquil, VIII Region, Chile.
- Project for Local micro-entrepreneurs directed to the creation of small companies supplying services, such as specialized transport (laboratory samples), cooperative of agricultural products, local art craft trading, Ránquil, VIII Region, Chile.
- Peasant’s Forestation Programs from the Peasant’s Forestation Agreement signed by 23 Municipalities, the Chilean Wood Corporation –CORMA–, and 10 companies of this sector: Arauco contributed with training and 895,000 pine and eucalyptus plants benefiting a total of 930 families in the VII, VIII and X Regions, Chile.
- Participation in the Coordinating Board for Collection of Non-Exploitable Forestry Products with the NGO “Cultural Action Workshop” and other forestry companies, VIII Region, Chile.

- Agreement with the Apicultural Union Association “La Reina de Portezuelo” to install apiaries for the production of honey in company’s lands, VIII Region, Chile.
- Support to the creation of a cooperative for the production of work clothes to be supplied at the Alto Paraná Complex, Misiones, Argentina.
- Outboard motor repair courses for artisan fishermen in the VII and VIII Regions of Chile.
- Training in trades to supplement family incomes, VII, VIII and X Regions, Chile.
- Courses aimed at production development: food, clothes, art craft, horticulture, VII, VIII and X Regions, Chile.
- Training in home electricity and welding, VIII Region.
- Handicraft Workshops, VII, VIII and X Regions, Chile.
- “Production Development Program in the Artisan Fishing sector for the fishing communities located in areas adjacent to the Itata River mouth, VIII Region, Chile.
- “Production Development Program in the Artisan Fishing Sector on the Coast of the Maule Region”, VII Region, Chile.
- Programs to support the development of transversal educational objectives: support agreement for the Curanilahue Youth Orchestra, VIII Region, Chile.
- Support Program regarding the implementation of social infrastructure: support in the provision of electricity to the rural coastal communities and construction of the Quitaqui pier, Mariquina, Valdivia, X Region.



- Cultural Programs and Sponsorships: Jazz Concerts (X Region, Chile), Lebu’s Film Festival (VIII Region, Chile), Mapuche Festivities (VIII Region), Plays (VII, VIII and X Regions, Chile).



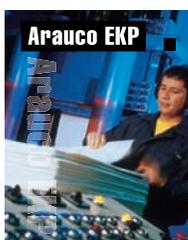
Native Communities

Some neighbours of Arauco's holdings in the VIII and X Regions of Chile are members of Mapuche native communities and also part of the Company's stakeholders. ARAUCO respects their conception of the world and opinions, and has created communication and cooperation bonds with them based on respect and the trust that the Company does not support or encourages situations that may violate their rights as native communities, neither it has had experienced this kind of incidents.

The Company does not interfere with the ancestral rights of native communities and does not own properties subject to land claims from them. However, due to the interest of some communities in acquiring some of these lands, agreements have been made to transfer lands through the Land and Water Fund of the National Corporation for Native Development (CONADI) in accordance to the Indigenous Law. Two of such agreements were fulfilled during 2006.

Subject to the same collaboration philosophy with neighbouring communities to establish trust relationships, Company's representatives meet periodically with Mapuche and Lafquenche leaders in order to cooperate with their development and attend to their concerns. In 2006 ARAUCO developed various work programs aimed at the development of productivity and entrepreneurship in these communities. Some of these programs were:

- Technological transfer for the domestication of the murta wild fruit and associative work in murta mother plant selection (in forestry nursery), reproduction by slips, plants nursery and information dissemination among communities.
- Electrical connections at Quillalhue Coastal Community: obtaining finance for domestic connections to the grid.
- Rayen-Mapu Apicultural Agreement: an agreement to establish and protect honeycombs in the Rayen-Mapu community on ARAUCO's lands.
- Family Greenhouses for growing vegetables in Nalcahue Alto: support for the installation of family greenhouses for growing vegetables for own consumption and sale.
- Training in the use of Mapuche weaving frame: social scholarships to attend training course(s) for the development and improvement of productivity in the manufacturing of knitted garments with traditional Mapuche weaving frames.
- "Project for a Community Wheat Mill", native communities, San José de la Mariquina, X Region, Chile.
- Solidarity Fund: "Organic Cultivation Project" aimed at improving productivity and marketing of organic vegetables from small farmers, Primavera de La Concepción, Ránquil, VIII Region, Chile.



Description

Bleached eucalyptus woodpulp.

Use

Manufacture of printing and writing paper, sanitary paper, industrial and wrapping papers.



Social Participation

ARAUCO's representatives take part in main organizations in Chile

- Woodpulp and Paper Technical Association.
- Valdivia Chamber of Commerce and Industry.
- Chilean Chamber of Construction.
- Centre for Public Studies (CEP), Environmental Commission.
- Corporation for the Development of the Province of Valdivia (CODEPROVAL), X Region.
- Production and Commerce Association (CPC).
- Advisory Council of the National Environment Commission (CONAMA), X Region.
- Presidential Council for the Reform of Public Education (through the Arauco Educational Foundation).
- Chilean Wood Corporation, CORMA.
- CORMA VII Region.
- CORMA VIII Region.
- CORMA X Región.
- CORPARAUCO, VIII Region.
- Association for Industrial Development (SOFOFA).



Acknowledgements Received

Through its subsidiaries and productive units in Chile, in 2006 ARAUCO received acknowledgments from the following institutions:

- Municipality of Ercilla.
- Communal Union of Arauco's Neighbours Boards.
- Municipal Council of Arauco.
- Chamber of Commerce of Concepción.
- Chilean Safety Association (ACHS).
- INACAP.
- Fire Department of Arauco.
- Municipality of Licantén.
- Poly-Technical School of Curicó.
- "Sergio Andrés" Solidarity Committee of Licantén.



Prefijo

contento

descontento

Education Education

25 years of excellence in education
to the benefit of the community.



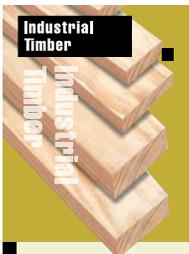


A part of the commitment to the community undertaken by ARAUCO has been focused, for 25 years, in education under the premise that education is a fundamental pillar in the development of a country.

With a growing and sustained work in this field the Company has sought to contribute

to education in different ways in terms of quality and equity, mainly through Arauco Educational Foundation, and the creation, management and financing of three schools: Constitución, Arauco and Cholguán, and cooperation agreements with secondary-level technical-professional schools.

1. Arauco Educational Foundation, Chile



Description

Radiata pine timber for industrial use, dry, sanded and unsanded, variable or fix width. Classified according to Factory degrees under the American WWPA regulation.

Use

Manufacture of moldings, doors, windows, furniture components.

The Arauco Educational Foundation was established by the Company in 1989 as a non-profit organization devoted mainly to contributing to a better-quality municipal education. This, by designing, implementing and evaluating different training and specialization programs addressed to educational agents in districts that are close to the company's industrial and forestry sectors.

As a response to ARAUCO's rapid geographic growth during the last years and in harmony with its 17-year-old mandate, the Arauco Educational Foundation grew in 2006 and extended its programs by 100% in order to cover more districts and more teachers and students.

The number of beneficiaries of the Foundation programs is shown below:

Coverage of Arauco Educational Foundation Activities		
	1989 – 2005	1989 – 2006
Districts	11	21
Schools	208	440
Teachers	1,574	3,400
Students	36,903	68,000

1.1 Publications

During 2006, the Arauco Educational Foundation presented three new publications adding to its vast bibliography in educational issues (more details can be found in www.fundacionarauco.cl):

1. "Experiences, Reflections and Proposals: Education, Company, Teaching Training; Infant Education", of the series "Notes from the National Forum on Quality Education for All". Under the sponsorship of the UNESCO, this article shows Fundar's experiences and results obtained over 17 years of constant work.
2. "To err is not always an error: Errors and difficulties of children and young students in Learning Mathematics", Document Series No.11.

This document has arisen great interest in the educational community. Its purpose is to decypher the types of mistakes more often and systematically committed by school children in this area. 800 copies of this document were requested for their inclusion in the national network called "Maestros de Maestros" ("Teachers of Teachers"), directed to encourage training among peers.

3. "Arauco Educational Foundation's District Interaction Model to favour psycho-social development and language in children from 0 to 14 years of age". This article was edited by the Faculty of Education of the Catholic University of Chile and published in the journal "Pensamiento Educativo" (Educative Thinking), volume No. 39.



The following table shows programs that were in force until 2006:

Program	Topics	Region	District	Beneficiaries
Improvement of Interactive Teaching for the Development of Basic Education	Oral and written language Logical-mathematical reasoning Self-esteem Pedagogical management Pedagogic leadership for directives	VII	Constitución (2003-2006)	Schools: 5 Teachers: 162 Students: 4,087
Teaching improvement program: Roots	Encouragement and development of oral and written language	VII, VIII and X	Licantén (2006-2009), Los Álamos (2003-2006), Arauco (2003-2006), Ránquil Primary (2003-2006), Ránquil Secondary (2006-2007), Mariquina (2006-2009) Lanco (2006-2009), Máfil (2006-2009)	Schools: 95 Teachers: 525 Students: 9.144
Mobile library program	Reading encouragement in rural areas	VIII and X	Quirihue (2006-2007), Ninhue (2006-2007), San Nicolás (2006-2007), Coelemu (2006-2007), Portezuelo (2006-2007), Quillón (2006-2007) Lanco (2005-2006), Mariquina (2005-2006), Máfil (2005-2006)	Schools: 121 Teachers: 365 Students: 3.677
Program: Library and Cultural Centres	Remodelling of "Gabriela Mistral" municipal library, San José de la Mariquina	X	Mariquina (2006-2007)	Community
School management program: Support to the Quality Assurance System in School Management of the Ministry of Education	School Management	VIII	Quillón (2006-2007)	Schools: 20 Teachers: 162 Students: 3.006
Support to the Program of Primary Childhood "Sembrar" ("to sow")	Psycho-social development of minors under 5 years of age.	VIII	Quillón (2006-2009) Coelemu (2006-2009)	Schools: 13 Teachers: 38 Students: 2376
Support to the Program for the Transversal Educational Objectives	Support for Curanilahue's Youth Orchestra	VIII	Curanilahue (2006-2007)	Schools: 16 Teachers: 18 Students: 87
Updating Teaching Courses	Improvement Module for Portfolio Development	VII and X	Constitución (2006) Various districts of the Province	Teachers: 860



2. Schools in Chile

In an attempt to respond to the educational needs of the community and the workers' children, the Company helps finance the Arauco and the Cholguán Schools in the VIII Region and the Constitución School in the VII Region. These schools teach at the levels of infant, primary and scientific-humanist secondary level.

managed by ARAUCO stand out against other schools in the country due to their high educational results of the SIMCE and PSU tests and have achieved important and recognized scores at national and regional levels. Between 1996 and 2006 the Arauco School was classified as the third best school and the Constitución School positioned itself as No. 19. *

These three schools that are financed and



Alto Paraná EKP

Alto Paraná EKP

Description

Bleached Taeda Pine woodpulp.

Use

Manufacture of printing and writing paper, sanitary paper, industrial and wrapping papers.

Arauco School

- Private, paid.
- Scientific-Humanist teaching, Infant through Secondary school. Open to the entire community.
- Located in the city of Arauco, VIII Region.
- Established in 1981.

Constitución School

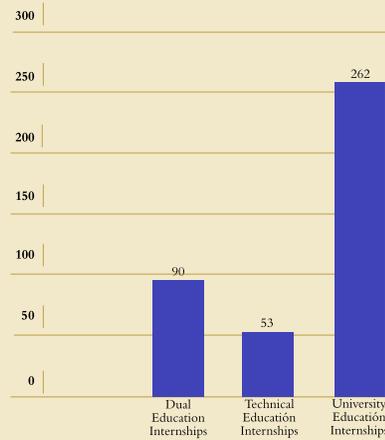
- Private, paid.
- Scientific-Humanist teaching, Infant through Secondary school. Open to the entire community.
- Located in Constitución, VII Region.
- Established in 1981.

Cholguán School

- Private, subsidized.
- Scientific-Humanist teaching, Infant through Secondary school. Free education. Open to the entire community.
- Located in the Locality of Yungay, VIII Region
- Established in 1989.
- 2006 – 2007: for the fifth time this school receives an acknowledgement for academic excellence due to good results achieved.

* Ranking by *La Tercera* newspaper (14/1/2007).

Internships performed in ARAUCO's facilities (2006)



3. Internships and dual university

and technical education

ARAUCO values an integral educational process where students may be exposed to situations that are similar to the daily reality of a company. It is expected that future workers, whether at technical or executive level, can thus develop work capabilities and habits providing them with a competitive advantage in the labour market and reinforcing their employability.

On the other hand, ARAUCO's productive units require excellent professionals and technicians for the development of its task.

Hence, to know the future candidates

and/or the place where they can be found becomes an advantage to recruit the best personnel.

For all these reasons, every year ARAUCO conducts programs of dual, technical and professional internships in its facilities and productive units. In 2006 a total of 262 professional students and 147 students from the technical secondary school level attended dual or technical internships as

4. Alto Parana Foundation, Argentina

This foundation was established in 1985 by Alto Parana S.A. for purposes of elevating the quality of school education in the Province of Misiones, Argentina, and carry out various actions in favour of a better social and sanitary standard in its communities. It created the "Los Lapachos" Educational Institute and the "Los Pinitos" Kindergarten which was fully remodelled and re-inaugurated in 2006. Both facilities have over 500 students in two shifts.

The foundation has been sponsoring the Nuestra Señora de los Milagros Institute in Puerto Piray since 2004 with maintenance works and equipment supply: laboratory for physics and chemistry, dining room/kitchen and increase of the number of classrooms and bathrooms. It has more than 600 students in two shifts, some of which have scholarships or are transferred from distant areas.

Support in infrastructure was also given to schools No. 366 of Puerto Libertad and No. 335 of Delicia 22.

By mid-2006 the Higher Institute for Teachers' Training was established under the Foundation's support. This institute reports to Los Lapachos Institute which is recognized by the Ministry of Education of Misiones. Its recognition as Tertiary Level Institution has been requested from the University of Misiones.

In the health area, this foundation contributed with intensive care and neonatology equipment to the El Dorado Hospital, the only full public hospital in the North of Misiones, and procured the construction of the new Piray Hospital of the Misiones Ministry of Health.



5. "Belén Educa" Foundation, Chile

In harmony with the founding ideas of this institution, --namely, to provide quality education leading to the development of children and youngsters' abilities with an ethic and social view and propose an excellent program of study in accordance to the cultural and socioeconomic demands of the country, ARAUCO undertook to support the educational programs of "Belén Educa", an entity that belongs to the Archbishopric of Santiago, regarding education of children and youngsters from popular sectors.

With a contribution of US\$ 3.2 million over a period of 4 years as of 2007, the Company will support the execution of educational programs in all 7 schools of the foundation: Cardenal Raúl Silva Henríquez, Cardenal Carlos Oviedo Cavada, Cardenal Juan Francisco Fresno, Cardenal José María Caro, Arzobispo Crescente Errázuriz, Arzobispo Manuel Vicuña and Juan Luis Undurraga Aninat. These schools provide subsidized education to more than 8,000 children from the poorest districts of Santiago: La Pintana, San Joaquín (La Legua), Maipú, Puente Alto and Quilicura.

Alto Paraná FLUFF

Alto Paraná FLUFF

Description
Taeda pine Fluff woodpulp.

Use
Manufacture of diapers and feminine hygiene products.

Financial Statements 2006



Financial Statements



Consolidated Balance Sheet

(At December 31)

Assets	Note	2005	2006
		ThU.S.\$	ThU.S.\$
CURRENT ASSETS:			
Cash		24,265	16,672
Time deposits		32,276	21,719
Marketable securities	3	280,276	141,201
Trade accounts receivable	4	365,300	546,665
Notes receivable		6,491	4,081
Other receivables		42,791	53,996
Notes and accounts receivable from related parties	18	2,202	2,243
Inventories	5	609,126	634,548
Recoverable taxes		66,064	78,603
Prepaid expenses		44,405	55,252
Deferred tax assets	15	1,681	1,269
Other current assets		50,100	63,541
Total current assets		1,524,977	1,619,790
PROPERTY, PLANT AND EQUIPMENT:			
	6		
Land		460,476	519,982
Forests		2,221,263	2,564,232
Buildings and other infrastructure		1,852,728	1,709,984
Machinery and equipment		2,011,943	2,335,745
Other		951,868	1,183,665
Technical revaluation		68,769	68,769
Less: Accumulated depreciation		(2,076,168)	(2,270,472)
Net property, plant and equipment		5,490,879	6,111,905
OTHER NON-CURRENT ASSETS:			
Investments in related companies	7	81,955	82,510
Investments in other companies		254	254
Goodwill	8	6,251	7,607
Negative goodwill	8	(72,341)	(59,874)
Long-term receivables		18,684	12,942
Intangibles		743	734
Amortization		(339)	(369)
Other	9	41,805	39,459
Total other non-current assets		77,012	83,263
Total assets		7,092,868	7,814,958

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

Liabilities and Shareholders		2005	2006
Equity	Note	ThU.S.\$	ThU.S.\$
CURRENT LIABILITIES:			
Current bank borrowings	(note 10)	113,360	203,453
Current portion of long-term bank borrowings	(note 14)	69,629	138,046
Current portion of bonds	(note 12)	34,468	134,468
Current portion of other long term liabilities		511	421
Dividends payable		1,660	178
Trade accounts payable		168,875	199,000
Notes payable		5,438	6,704
Sundry accounts payable		9,689	14,207
Notes and accounts payable to related companies	(note 18)	3,452	4,617
Accrued liabilities	(note 13)	60,973	58,148
Withholding taxes		16,658	18,150
Income tax payable		3,358	42,644
Deferred income		3,774	4,223
Other current liabilities		678	623
Total current liabilities		492,523	824,882
LONG-TERM LIABILITIES:			
Long-term bank borrowings	(note 14)	497,078	364,771
Bonds	(note 12)	1,682,500	1,582,500
Sundry accounts payable		5,099	3,378
Accrued liabilities		24,745	26,582
Deferred tax liabilities	(note 15)	91,924	127,463
Other long-term liabilities		36,997	41,099
Total long-term liabilities		2,338,343	2,145,793
Minority interest	(note 23)	12,900	12,678
SHAREHOLDERS' EQUITY:			
	(note 20)		
Paid-up in capital		347,551	347,551
Share premium		5,625	5,625
Forestry and other reserves		1,475,904	1,631,736
Provisory Dividends		(69,343)	(89,758)
Retained earnings		2,051,069	2,317,030
Net income for the period		438,296	619,421
Total shareholders' equity		4,249,102	4,831,605
Total liabilities and shareholders' equity		7,092,868	7,814,958

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

Consolidated Statement of Income

(At December 31)

		2005	2006
	Note	ThU.S.\$	ThU.S.\$
OPERATING INCOME:			
Sales revenue		2,373,589	2,849,657
Cost of sales		(1,219,830)	(1,434,101)
Gross profit		1,153,759	1,415,556
Administration and selling expenses		(486,745)	(550,240)
Operating income		667,014	865,316
NON- OPERATING INCOME:			
Interest earned		31,484	26,968
Share of net income of related companies	7	7,207	8,468
Other non-operating income	21	9,889	14,589
Amortization of goodwill	8	(3,399)	(2,818)
Interest expenses		(150,372)	(139,360)
Other non-operating expenses	22	(16,503)	(17,429)
Price-level restatement	1	775	451
Foreign currency exchange rate	1	(5,723)	7,986
Non-operating loss		(126,642)	(101,145)
Income before taxes, minority interest and amortization of negative goodwill		540,372	764,171
Income taxes	15	(107,437)	(149,401)
Income before minority interest and amortization of negative goodwill		432,935	614,770
Minority interest	23	(72)	100
Income before amortization of negative goodwill		432,863	614,870
Amortization of negative goodwill	8	5,433	4,551
Net income		438,296	619,421

Statement of Consolidated Cash Flows

(At December 31)

	2005	2006
	ThU.S.\$	ThU.S.\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	438,296	619,421
Loss (Profit) on sale of assets		
Loss (profit) on sale of property, plant and equipment	(590)	(761)
Items affecting income not involving the movement of cash:		
Depreciation	165,110	185,414
Amortization of intangibles	37	36
Write-offs and provisions	2,190	2,532
Profit from investments accounted for under the equity method	(7,207)	(8,468)
Amortization of goodwill	3,399	2,818
Amortization of negative goodwill	(5,433)	(4,551)
Net price level restatement	(775)	(451)
Foreign currency exchange rate	5,723	(7,986)
Others	63,760	75,224
Decrease (Increase) in current assets:		
Clients and debtors	(127,868)	(226,939)
Inventory	(81,296)	(34,977)
Other current assets	(36,276)	(33,129)
Increase (Decrease) in current liabilities:		
Suppliers and creditors	273,171	59,831
Interest payable	(4,689)	19,231
Provision for income taxes	4,068	75,055
Other current liabilities	109,804	49,718
Net cash flows from operating activities	801,424	772,018

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

Statement of Consolidated Cash Flows

(At December 31)mbre)

	2005	2006
	ThU.S.\$	ThU.S.\$
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans from financial institutions	310,815	713,463
Bonds issue	400,000	-
Loans paid	(270,135)	(690,443)
Bonds paid	(175,000)	-
Dividends paid	(207,724)	(194,691)
Other	(3,392)	-
Net cash flow from financing activities	54,564	(171,671)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of property, plant and equipment	1,893	6,460
Purchase of property, plant and equipment	(665,986)	(722,719)
Permanent investments	(244,428)	(10,176)
Capitalized interest paid	(18,769)	(38,903)
Other investments	64,535	629
Net cash flow from investment activities	(862,755)	(764,709)
Net cash flows from operating, investing and financing activities	(6,767)	(164,362)
Effect of inflation	(11,331)	10,153
Net decrease in cash and cash equivalents	(18,098)	(154,209)
Initial balance of cash and cash equivalents	356,609	338,511
FINAL BALANCE OF CASH AND CASH EQUIVALENTS	338,511	184,302

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.



PricewaterhouseCoopers
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Santiago de Chile
Av. Andrés Bello 2711
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Las Condes
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REPORT OF INDEPENDENT ACCOUNTANTS

Santiago, February 9, 2007

To the Shareholders and Directors
Celulosa Arauco y Constitución S.A.

We have audited the accompanying consolidated balance sheets of Celulosa Arauco y Constitución S.A. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income and of cash flows for the years then ended. These financial statements (including the related notes thereto) are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Celulosa Arauco y Constitución S.A. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Chile.

Ricardo Arraño T.
RUT: 9.854.788-6

Appendix

Global Reporting Initiative(GRI) Indicator

Code	Indicator	In this report	Section	Pages
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	⊕	Chairman's Statement; CEO's Statement"	5 11
1.2	Description of key impacts, risks, and opportunities. The reporting organization should provide two concise narrative sections on key impacts, risks, and opportunities.	∅	Chairman's Statement; CEO's Statement	5 11
2.1	Name of the organization.	⊕	Background; Corporate Legal Information	16
2.2	Primary brands, products, and/or services. The reporting organization should indicate the nature of its role in providing these products and services, and the degree to which it utilizes outsourcing.	⊕	Company; Along the report	-
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	⊕	Company, Board of Directors, management and Shareholders Main Subsidiaries and Related Companies	4
2.4	Location of organization's headquarters.	⊕	Background; Corporate Legal Information	16
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	⊕	Arauco in the World; Business Areas	14
2.6	Nature of ownership and legal form.	⊕	Background; Corporate Legal Information	16
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	⊕	Arauco in the World; Business Areas	14
2.8	Scale of the reporting organization	⊕	Indicators	6
2.9	Significant changes during the reporting period regarding size, structure, or ownership	⊕	Chairman's Statement; CEO's Statement	5 11
2.10	Awards received in the reporting period.	⊕	Community, Distinctions	87
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	⊕	About this report	-
3.2	Date of most recent previous report (if any).	⊕	About this report	-
3.3	Reporting cycle (annual, biennial, etc.)	⊕	About this report	-
3.4	Contact point for questions regarding the report or its contents.	⊕	Appendix; Questionnaire	111
3.5	Process for defining report content	∅	About this report	-
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	⊕	About this report	-
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	∅	Company; Along the report	-

Code	Indicator	In this report	Section	Pages
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	∅	Along the report	-
3.12	Table identifying the location of the Standard Disclosures in the report.	⊕	Contents; GRI Indicator Index	104
3.13	Policy and current practice with regard to seeking external assurance for the report.	⊕	About this report	-
4.1	Governance structure of the organization	∅	Company, Board of Directors, management and Shareholders	4
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	∅	Company, Board of Directors, management and Shareholders, Main Subsidiaries and Related Companies	22
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	∅	Company, Board of Directors, management and Shareholders, Main Subsidiaries and Related Companies	4 22
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	∅	Consolidated Financial Statements	97
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	⊕	Company, Visión, Negocio y Compromise	18
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	∅	Environment; Community, Community Relations"	54 82
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations.	∅	Community, Participation Social	87
4.14	List of stakeholder groups engaged by the organization.	⊕	Community	78
4.15	Basis for identification and selection of stakeholders with whom to engage.	⊕	Community	78
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	∅	Community	78
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	∅	Community	78
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	∅	Indicators	6
EC4	Significant financial assistance received from government.	⊕	Consolidated Financial Statements	97
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	∅	Environment, Transport; Community	72 78

Code	Indicator	In this report	Section	Pages
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	⊕	Environment, Transport; Community	72 78
EN1	Materials used by weight or volume.	∅	Environment	54
EN2	Percentage of materials used that are recycled input materials.	∅	Environment	54
EN3	Direct energy consumption by primary energy source.	⊕	Environment Environmental Balance Energy; Climate Change	63 69
EN4	Indirect energy consumption by primary source.	⊕	Environment Environmental Balance Energy; Climate Change	63 69
EN5	Energy saved due to conservation and efficiency improvements.	∅	Environment Environmental Balance Energy; Climate Change	63 69
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	∅	Environment Environmental Balance Energy; Climate Change	63 69
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	⊕	Environment, Conservation and Protection of Biodiversity	59
EN13	Habitats protected or restored.	⊕	Environment, Conservation and Protection of Biodiversity	59
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	⊕	Environment, Conservation and Protection of Biodiversity	59
EN16	Total direct and indirect greenhouse gas emissions by weight.	⊕	Environment, Environmental Balance Energy; Climate Change	63 69
EN17	Other relevant indirect greenhouse gas emissions by weight.	⊕	Environment, Environmental Balance Energy; Climate Change	63 69
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	⊕	Environment, Environmental Balance Energy; Climate Change	63 69
EN20	NO, SO, and other significant air emissions by type and weight.	∅	Environment Environmental Balance	62
EN21	Total water discharge by quality and destination.	∅	Environment Environmental Balance	62
EN22	Total weight of waste by type and disposal method.	∅	Environment Environmental Balance	62
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	⊕	Consolidated Financial Statements	97
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	∅	Environment, Transport	72
EN30	Total environmental protection expenditures and investments by type.	∅	Environment, Environmental Investments	57

Code	Indicator	In this report	Section	Pages
LA2	Total number and rate of employee turnover by age group, gender, and region.	∅	Community, Human Resources	78
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	∅	Consolidated Financial Statements	97
LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.	∅	Community Human Resources	78
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	∅	Community Human Resources	78
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	∅	Community, Human Resources	78
LA10	Average hours of training per year per employee by employee category.	∅	Community Human Resources	78
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	∅	Community Human Resources	78
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	∅	Community, Native Communities	86
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	∅	Community	78
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	⊕	Consolidated Financial Statements	97
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	⊕	Consolidated Financial Statements	97
<p>Notes:</p> <p>⊕ Indicator is informed</p> <p>∅ Indicator is partially informed</p>				

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Questionnaire

• Once the questionnaire has been responded please fax it to (56 2) 461 7546 or mail to PO Box 880, Las Condes, Santiago, Chile. You can also visit our web page www.arauco.cl to respond this questionnaire.

1. To which group of stakeholders do you belong?

- Shareholder
 - Investor/Financer
 - Worker
 - Collaborator
 - Client
 - Supplier
 - Service provider
 - Neighboring community
 - Regional/local Government
 - Environmental NGO
 - Social NGO
 - Press
 - Academic / Student
 - Member of the Congress
 - Other (please specify)
-
-

2. Which parts of the 2006 Report did you find more interesting?

- Chariman's Statement
 - CEO's Statement
 - "Company"
Please specify the section(s):
-
-

- "Environment"
Please specify the section(s):
-
-

- "Community"
Please specify the section(s):
-
-

- "Education"
Please specify the section(s):
-
-

3. How did you find this Report compared to the Environmental and Social Responsibility Report '05?

- Much better
- Better
- Similar
- Worst

4. Please classify the 2006 Report among the following:

(Please choose only one alternative)

Contents (quantity of information).

- More than enough
- Enough
- Not enough
- Definitely not enough

Usefulness (Did it help you to form an informed opinion about the work of ARAUCO in the business, social and environmental dimensions?)

- Very good
- Good
- Regular
- Bad

Appearance and presentation (graphs and charts, photography, style, structure, design, etc.).

- Very good
- Good
- Regular
- Bad

Clarity of the information (understandable, legible, ordered)

- Very good
- Good
- Regular
- Bad

5. Which aspects the next 2007 Report should develop deeper? Please make your comments and suggestions.



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