

“Our vision is to be a global leader in sustainable forestry”.

Annual Report 2007 / Environmental and Social Responsibility Report





His distinctions include the Chilean citizenship granted to him by Law of the Republic; his designation as Knight Commander of the Order of Saint Gregory the Great granted by His Holiness John Paul II and the Labour Merit Order granted by the Italian government together with the title of "Knight of Labour."

The Board of Directors wishes to expressly state the deep sorrow that has affected all those who form part of this Company due to the regrettable death of its Director, Mr. Anacleto Angelini Fabbri, who passed away on August 28th, 2007. The board also wishes to pay tribute and provide testimony and acknowledgement to the person who was a true guide, leader and driver of the projects leading the Angelini Group of Companies to develop, consolidate and reach the solvency and prestige it currently enjoys.

With the constant and unconditional support of his dear wife, María Noseda Zambra, Don Anacleto succeeded in reaching his goals through his efforts, enthusiasm and intelligence and, at the same time, his great simplicity.

We have no doubt whatsoever that Don Anacleto's merits shown during his long journey on earth, first in Italy, then in Eritrea, and finally in his dear Chilean land, let him enjoy a deserved eternal rest.

The creation of companies and employment is among his fulfilled desires, which together with an adequate education, he considered essential to foster development in Chile.

Don Anacleto arrived in Chile in 1948 after becoming aware of the opportunities offered by this country and of the kind nature of its people. He immediately began with his entrepreneurial activities, to which his brother Gino adhered two years later. Both launched several businesses that led to create the corporate holding known today as the Angelini Group of Companies.

Don Anacleto contributed all his talent and enterprising capacity to bring into reality his thoughts about how the Chilean economic and social future should be: "Growth in this country should be centered in the development of exporting industries." Therefore, he engaged in productive projects aimed at foreign markets. During the early 50's, Don Anacleto and his brother Gino made the fishing industry rise in places without any infrastructure in terms of roads, ports, energy, utilities or qualified labour. The result of this effort is an industry that supports the economy in the northern regions of the country.

His creative character motivated him to participate simultaneously in the forestry and agricultural sectors. He began investing in plantations in the south of Chile, acquiring afterwards Maderas Prensadas Cholguán, and initiating the development of pine plantations and the construction of sawn wood and panel mills.

In the mid eighties, Don Anacleto's vision induced him to take the control and begin the transformation of Compañía de Petróleos de Chile S.A. (today Empresas COPEC S.A.), a company heavily indebted and garnished by creditor banks.

From the beginning, he appreciated COPEC's true value. He always believed that it should be "an engine pulling the wagon of the Chilean economy development."

His great enterprising and creative capacity encouraged him to take on the forestry and agricultural activity. During the 50's he began to invest in forestry plantations and develop this sector.

Don Anacleto arrived in Chile in 1948 after becoming aware of the opportunities offered by this country and the kind nature of its people.



One of his main achievements was to contribute to the improvement of education in Chile. In this regard, his creation of Fundación Educacional Arauco was of vital importance

After some years, his wish of transforming Empresas COPEC and subsidiaries came true, among them, ARAUCO, a company of great strategic and economic value that today enjoys the highest listing valuation in Chile, for the benefit not only of its shareholders, but also of the entire country.

We are proud to state that from the start of their administration, these companies have invested over US\$10 billion and today they are providing direct employment to approximately 15 thousand people and indirect employment to more than 40 thousand persons.

Don Anacleto also aspired to contribute to the improvement of education in Chile. For this purpose he drove the creation of Fundación Educacional Arauco, which has permanently supported teaching improvement through innovative educational programs and constant training. His support to university scholarships, particularly those granted through the Fundación Juan Pablo II and his help to the “Belén Educa” schools of the Santiago Archbishop’s should also be highlighted.

Convinced of the direct relationship between innovation and growth in the countries, Don Anacleto also encouraged the creation of the Fundación Copec-Pontificia Universidad Católica de Chile, a pioneer initiative in Chile intended to develop and promote scientific technological research related to the country’s natural resources.

Behind these achievements there was a persevering and austere personality, added to a strong capacity to form work teams to which he transmitted his dedicated spirit and disposition. He always kept this group of people by his side thanks to his warm and affectionate nature. He was also especially concerned with knowing and discovering the needs and problems of his people and was always willing to help. A most valuable example for these times.

In harmony with his way, his companies, executives and workers always had to show the lowest profile in their tasks, both within the internal administration of the company and in their public image. They should also be recognized and appreciated for honouring their word regardless of the economic consequences involved.

Don Anacleto left a deep and inerasable imprint of values, principles and way of doing business, which are indelibly engraved in those who are responsible for the continuation of his task.

One should always be prepared to leave the paths of this earth and proceed to rest in the arms of the Good Lord. What else can a wise and prudent man wish than having seen his dreams fully realized in this life and being reassured of having accomplished them when finally closing his eyes?

For all we have mentioned here, we want to say that Don Anacleto’s legacy will never be forgotten. The shareholders as well as those who are part of each of the companies of the Angelini Group can rest assured that his memory will be a more than sufficient incentive to continue to work without rest to preserve and safeguard his example of life and enterprising spirit.



Annual Report 2007 / Environmental and Social Responsibility Report

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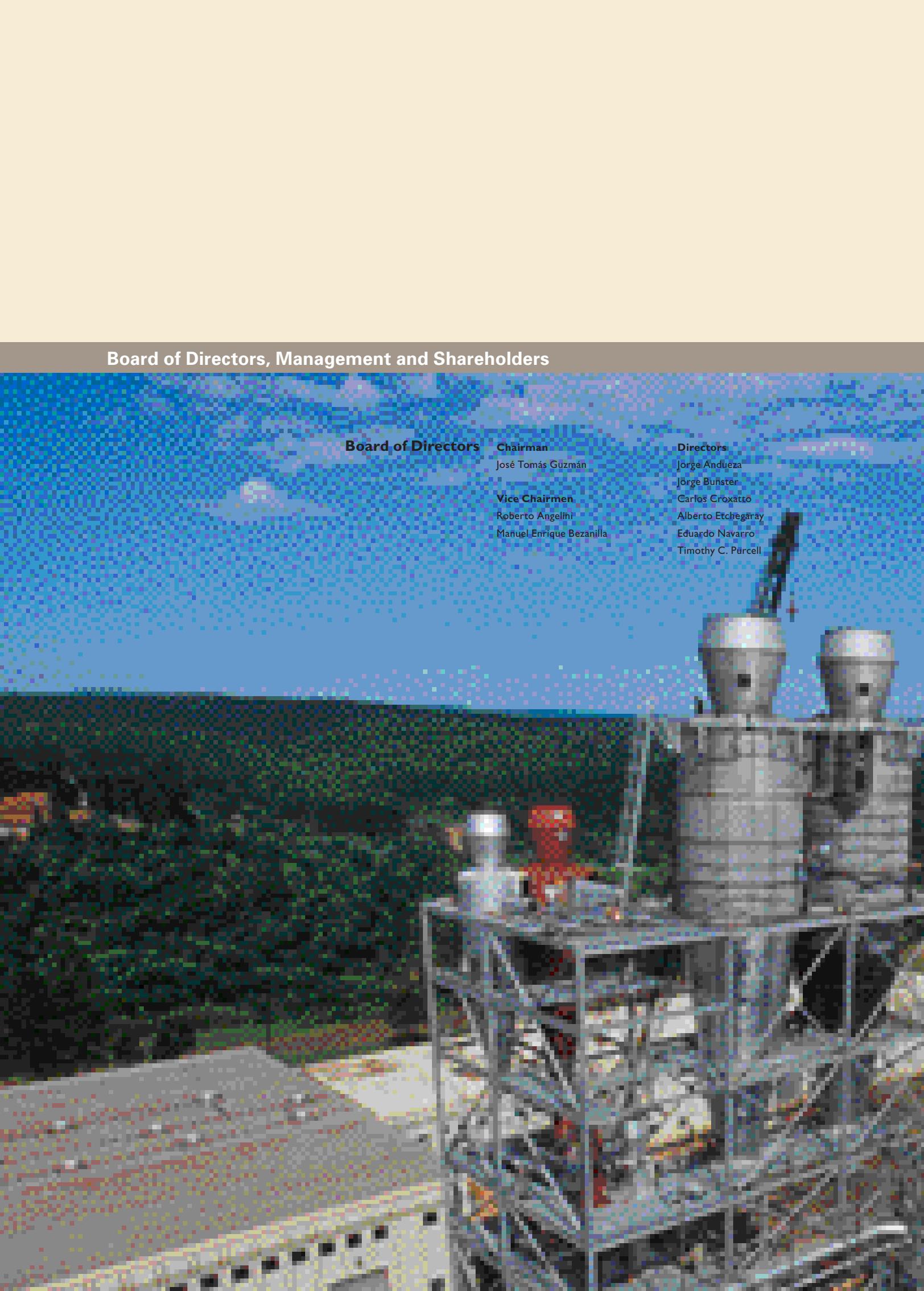
Board of Directors, Management and Shareholders

Board of Directors

Chairman
José Tomás Guzmán

Vice Chairmen
Roberto Angelini
Manuel Enrique Bezanilla

Directors
Jorge Andueza
Jorge Bunster
Carlos Croxatto
Alberto Etchegaray
Eduardo Navarro
Timothy C. Purcell



ARAUCO is one of the largest forestry companies in Latin America in terms of planted surface area and performance of plantations, manufacturing of market kraft woodpulp and production of sawn timber and panels.

It is organized in four strategic business areas: Forestry, Woodpulp, Sawn Timber and Panels. Its board of directors is appointed in accordance with the Chilean law and is regulated by the Superintendency of Securities and Insurance.

Under ARAUCO's by-laws, the Board of directors should be comprised of nine members, who shall not be executives of the company. The current Board of Directors was appointed in September 2007.

The administration of ARAUCO is led by the Chief Executive Office, to which the areas of forestry, woodpulp, sawn timber, panels, corporate affairs and marketing, the new management for Argentina and Brazil, finance, administration, human

resources, comptroller, projects, engineering and construction report. The managers of companies located abroad report to a board of directors.

The organizational structure ensures implementation of the economic, environmental, occupational health and safety, and social guidelines into the corporate strategies of the company considering the Company's Vision of "Being a global leader in sustainable forestry and forest products development"

Management

Matías Domeyko
Chief Executive Officer

Álvaro Saavedra
Forestry Business Managing Director

Jorge Garnham
Woodpulp Business Managing Director

Antonio Luque
Sawn Timber Business Managing Director

Franco Bozzalla
Panels Business Managing Director

Charles Kimber
Corporate Affairs and Marketing Director

Cristián Infante
Argentina and Brazil Managing Director

Gianfranco Truffello
Chief Financial Officer

Juan Pablo Guzmán
Administration Director

Robinson Tajmich
Comptroller Director

Mauricio Pinto
Human Resources Director

Hernán Arriagada
Engineering and Construction Director

Mario Urrutia
Projects Director

Shareholders

	Number Of Shares	Shareholding Percentage
Empresas Copec S.A.	113,127,452	99.98%
Chilur S.A.	24,746	0.02%
Cruchaga Montes Maria Raquel	153	0.00%
Antarchile S.A.	95	0.00%

Chairman's Statement



Our balance for the 2007 fiscal year has a special significance for us, as it coincides with the celebration of the 40th anniversary of our company.

To speak of our company is to remember the example of a great entrepreneur: Mr. Anacleto Angelini. With efforts and vision, this man knew how to capitalize each achievement and transform this company into the most important forestry business in Latin America that is positioned among the top woodpulp manufacturers in the world.

The road has not been free from difficulties that have presented us with enormous challenges. But we must be proud, because we have assumed them following our principles, the Vision that governs us of "being a global leader in sustainable forestry and forest products development" and the supporting commitments.

ARAUCO's history is closely related to the course of Chilean business and the efforts made to develop potential capabilities in the regions. ARAUCO feels particularly united to the future of those areas where it operates.

Our vision is to be a global leader in sustainable forestry and forest products development.

40 years ago, ARAUCO was just a project. Today it is a large company that makes possible the development of more than 35 thousand people and their families, including direct and indirect workers. We are a company that contributes to the export efforts of the country with sales over 3,500 million dollars, upon which thousand of suppliers of products and services rely. For this very reason, all those who manage ARAUCO know the great responsibility we have to our employees, our shareholders, the communities where we work and Chile.

Our consolidation lets us increasingly contribute to the development of the country, which we do following paths that are clearly established, i.e. through sustainable growth, investments, exports, employment and a firm commitment to education.

We want that not only our clients in the approximately 70 countries reached by our products speak of the excellence that characterizes us, but also the children and young people we have helped during the last twenty years in the Arauco, Constitución and Cholguán schools and through the remarkable work performed by the Arauco Educational Foundation in support of municipal schools.

We are proud of being a Chilean company that is projected to abroad and capable of largely significant achievements, such as being a part of the ten leading forestry companies in the world.

ARAUCO has the power given by 40 years of existence, a team of collaborators with great capacity and prestige, a large infrastructure and, what is most important for us, the legacy of our inspirer: Mr. Anacleto Angelini, who left us the massive example of his capacity, work spirit, honesty and great modesty.

For all the above-stated reasons, ARAUCO's future can only be promissory and full of successful expectations and we will carry on with all our potential and effort.

Sincerely yours,



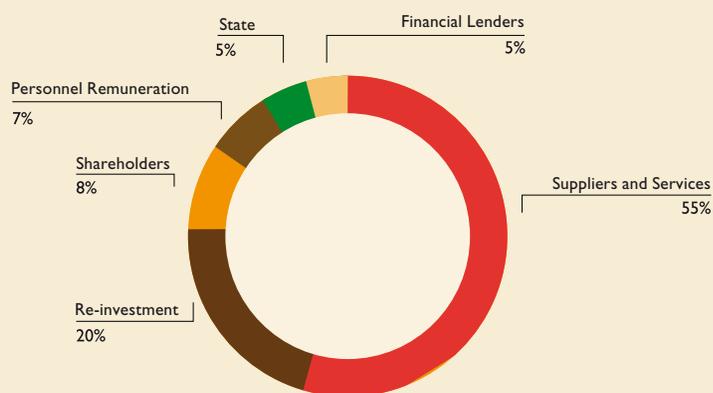
José Tomás Guzmán
Chairman of the Board of Directors



Indicators

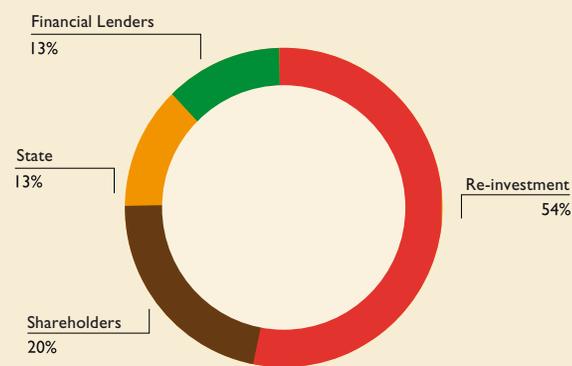
Generated and Distributed Resources in 2007

(2007 Sales: 3,576 million dollars)



Generated and Distributed Resources in 2007

(2007 EBITDA: 1,360 million dollars)



Financial Indicators

(Millions of Dollars)

	2004	2005	2006	2007
Sales	2,075	2,374	2,850	3,576
Operating Income	806	667	865	1,008
Net income	590	438	619	696
EBITDA	982	894	1,123	1,360
CAPEX	735	910	733	803
Total Assets	6,296	7,093	7,815	8,634
Fixed Assets	4,785	5,491	6,112	6,578
Equity	4,003	4,249	4,832	5,414

Financial Ratios

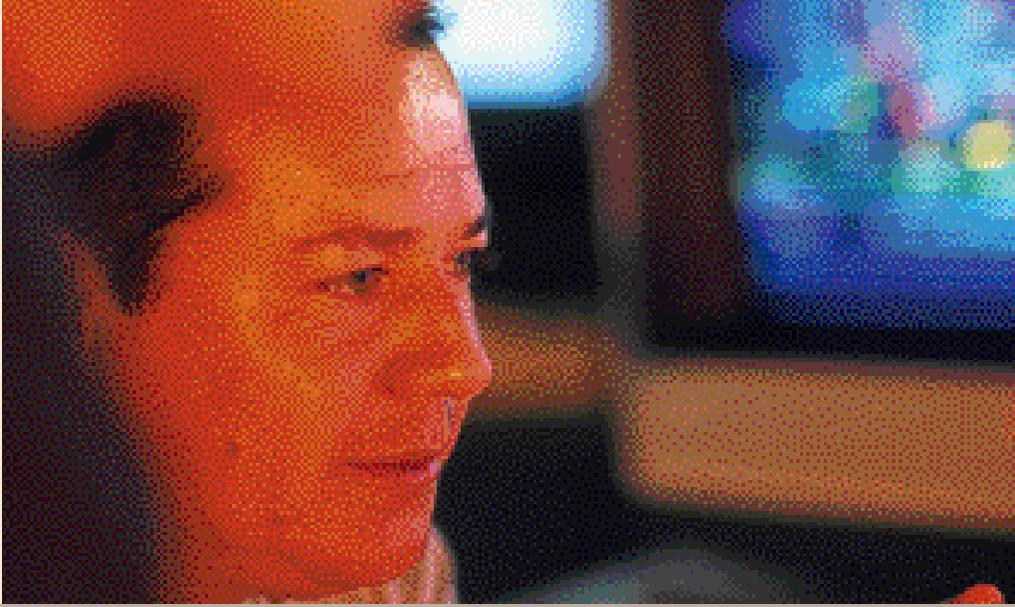
Debt / Equity Leverage	32.70%	35.50%	33.40%	31.85%
Current Ratio	3.29	3.39	1.96	3.07

Non Financial

Markets (countries)	50	50	50	69
Sales Offices	8	8	8	9

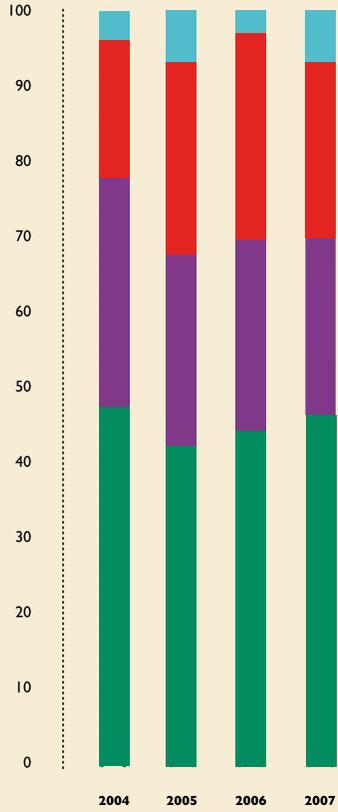
Forestry Equity
(Thousands of hectares)

Timberlands	1,261	1,346	1,410	1,478
Plantations	800	851	884	931
Native Forests	228	258	281	296
Other Uses	233	237	245	251



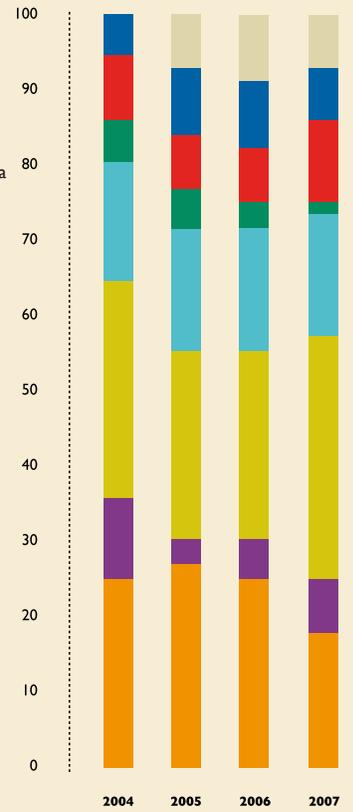
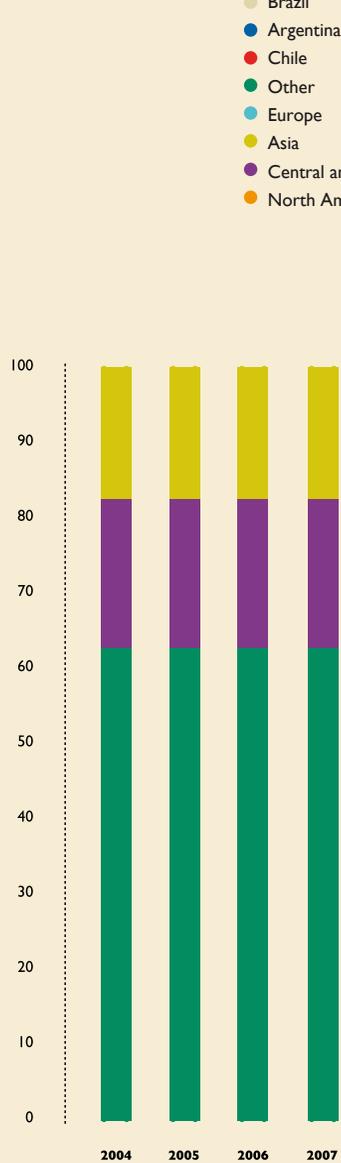
Consolidated Sales Per Products (%)
(3,576 million dollars)

- Other
- Panels
- Sawn Timber
- Woodpulp



Consolidated Sales Per Market (%)
(3,576 million dollars)

- Brazil
- Argentina
- Chile
- Other
- Europe
- Asia
- Central and South America
- North America



Forestry Timberlands
(1.48 million hectares)

- Other uses
- Native Forests
- Plantations



Environment

	2005	2006	2007
Energy (GWh)			
Use of electric power	1,536	1,784	2,069
Generation of electric power	1,766	2,062	2,406
Greenhouse Gases (GHG) in ARAUCO's Carbon Cycle (Millions of CO ₂ equivalent tons)			
Emissions of greenhouse gases			
Net approximate GHG Emissions	-8.1	-9.3	-9.8
GHG emissions abated through biomass co-generation		-0.48 ^[1]	-0.27 ^[2]
Residues (Tons)			
Non-hazardous solid waste generated	N.A.	449,651	463,091
Hazardous solid waste generated	N.A.	15,457	3,959

^[1] This corresponds to abated emissions between 2003 and 2006 as certified by the Clean Development Mechanism (CDM) of the Kyoto Protocol.

^[2] Abated emissions in 2007

Occupational Safety And Health

	2005	2006	2007
Personnel			
Frequency Index ^[1]	11.7	11.2	10.0
Accidentality Rate (annual basis) ^[2]	2.6	2.4	2.1
Loss Rate (annual basis) ^[3]	61.9	61.1	56.8
Training hours ^[4] MASSO	N.A.	N.A.	399,360

^[1] Frequency Index: Number of accidents with time lost per million man-hours.

^[2] Accidentality Rate: N° of accidents with time lost per 100 workers.

^[3] Loss rate: N° of days lost per 100 workers.

^[4] Including environment

Community

	2005	2006	2007
Collaborating companies	917	839	869
Workers and collaborators	36,920	34,119	35,888
Total training hours ^[1]	282,000	415,562	526,503

^[1] The recording of training hours was modified in 2006.

Community relations			
Visits to production facilities	17,934	23,654	24,471
Programs and projects with the community	358	326	233

Education

	2005	2006	2007
Scope of Arauco Educational Foundation (since 1989)			
Districts	11	21	29
Schools	8	440	470
Teachers	1,574	3,400	4,066
Students	36,903	68,000	71,268
Internships			
Technical Medium Level	129	90	218
Professional-Technical Level	88	53	40
Undergraduate	357	262	296
N.A.: Not available			



2007 Certifications

	Sustainable Forestry Management	Chain of custody	ISO 14001 (1)	OHSAS 18001 (2)	ISO 9001 (3)
Chile					
Forestry	YES	YES	YES	YES	
Woodpulp	NA				
Arauco Mill		YES	YES	2008/2009	YES
Constitución Mill		YES	YES	2008/2009	YES
Licancel Mill		YES	YES	2008/2009	YES
Valdivia Mill		YES	YES	2008/2009	YES
Nueva Aldea Mill		YES	2008/2009	2008/2009	
Sawn timber	NA				
12 Sawmills		YES	YES	YES	
5 Remanufacturing Mills		4 YES	4 YES	4 YES	
Laminated beams		YES	YES	YES	
Panels	NA				
Arauco Plywood		YES	YES	YES	
Nueva Aldea Plywood		YES	YES	YES	
MDF - Trupán (I and II)		YES	YES	YES	
HB - Cholguán		YES	YES	YES	
Argentina					
Forestry			YES	YES	
Woodpulp	NA				YES
Sawn timber	NA				
2 Sawmills			YES	YES	YES
Remanufacturing Mill			YES	YES	YES
Panels	NA				
Plywood – Zárate		YES	2008	2008	
MDF - Piray			YES	YES	
Brazil					
Forestry	77%		42%		
Sawn Timber	NA				
1 Sawmill					
Panels	NA				
Plywood - Curitiba		YES			YES
MDF - Jaguariaiva		YES	YES	YES	YES
Uruguay ^[4]					

[1] Chile: CERTFOR; Brazil: FSC

[2] Chile: CERTFOR

[3] Brazil: ISO 14001/CERFLOR

[4] Uruguay: Plantations under development

NA: not applicable.

CEO's Statement



As it is usual at the beginning of each year, we are pleased to present our Annual Report where we describe our activities during the last fiscal year and our commitment to sustainability and addition of value to our operations.

During 2007, we made significant steps to consolidate our Chilean business in all its fields. With the same drive, we advanced in our efforts to extend the company to international markets. In this we have placed our greatest hopes of growth in the medium and long term.

Within this process, we are placing a renewed emphasis on ARAUCO's COMMITMENTS with our surroundings, our employees and our neighbours, our clients and our shareholders. This is the only way to understand the value added to our production that leads us to aspire to be a world reference in the sustainable development of forestry products.

In terms of results, despite the impact on our costs arising from the external economic climate, we kept the operating efficiency that permitted us to show sound numbers.

We maintain open and honest communications with all stakeholders.

Last year ARAUCO's operational consolidated sales reached US\$ 3,576 million, which is 25.5% above that registered in 2006. This was mainly due to the growth in incomes as a result of the better price scenario faced by the woodpulp industry and the fact that the Nueva Aldea woodpulp mill successfully finished its start-up process and joined the regular operation of our assets. Added to the foregoing is the capacity of the company to re-place wood and panel products in markets other than the United States and partially overcome the construction market crisis in said country.

Thus, in 2007 the net consolidated profits amounted to US\$ 696 million, 12% higher than the profits obtained in the previous year.

Growth

During 2007 we ratified our firm commitment to growth in Chile and other countries, by investing US\$ 720 million during the fiscal year.

We signed a strategic alliance with Stora Enso in October. This transaction involved US\$ 208 million and permitted us to double our assets in Brazil through our association with a world-class company that shares our values.

This association opened large business opportunities for us in a country with a significant forestry growth potential. It allowed both companies to increase the value of our business by sharing

know-how and resulted in the acquisition by ARAUCO of 30 thousand hectares of plantations and one sawmill, and its entry into the paper production business in Brazil through the acquisition of 20% share in the LWC plant in Arapoti with a production capacity of 205 thousand tons per year.

Additionally, the second production line of plywood panels was started-up in November in the Nueva Aldea Industrial Forestry complex, which meant a total investment of US\$ 50 million, converting ARAUCO into the most important panel manufacturer in Latin America.

Environment

We also reached several achievements in the environmental field, where we will carry out investments of more than US\$ 170 million in 2008.

In the first place, we finished the construction of the outfall from the Constitución woodpulp mill and made an important step forward in the construction of a conveyance pipe to the sea in the Nueva Aldea mill, which is expected to be operating in 2008.

Meanwhile, the woodpulp mill in San José de la Mariquina submitted an Environmental Impact Study that enhances ARAUCO's focus on best available technologies by proposing an innovative technological project, the purpose of which is to improve the effluent quality even more.

This project that will become an important milestone in the worldwide woodpulp industry, is being studied at the moment by the COREMA of the Los Ríos Region. It explains the company's commitment to establishing own sustainability standards that exceed the regulatory requirements currently existing in the country.

Likewise, in January 2008, the new environmental authority of the Los Ríos Region authorized us to resume 100% of the production and increase it from 440 to 550 thousand tons per year.

We became the first Chilean forestry company to issue carbon bonds based on forestry biomass in accordance with the Kyoto Protocol's Clean Development Mechanism. This is the result of our policy on an integral and efficient use of plantations. Additionally, we signed a Clean Production Agreement for the Panel and Board Industry, by adding the Arauco panel mills. Thus, all our industrial operations in Chile take part in these initiatives driven by the Government to encourage a sustainable development in the forestry industry.

Along these lines, in November we submitted an Environmental Impact Statement to build a new electric power co-generation plant in Horcones implying an investment of US\$ 73 million. This operation will leave a surplus of energy to be contributed to the central Interconnected System, reducing greenhouse gases emissions that will also be submitted to the Kyoto Protocol as a new con-

tribution by ARAUCO to global warming control.

However, not everything was positive. Last June we had to shutdown the Licancel woodpulp mill in the Maule Region for a period of six months due to an anomaly in the start-up process, after the annual maintenance period, that caused an environmental incident in the Mataquito River. At that moment, the company decided not to re-start operations until completion of its new treatment system, which had been in construction since 2006, adding the best available technology and assuring an operation to the full satisfaction of the environmental authorities. As a company, we assumed our responsibility and adopted the necessary measures to regularize the operations. Since January 2008, the mill is operating with its new effluent treatment system and a renewed commitment to workers and the Licantén community who helped us in this task.

Community and Education

Our goal in this matter will continue to be the support of productive developments in the communities adjacent to our operations to strengthen the value chain around our industry. This also includes our support to education, where we have a long and successful experience.

More than 26 years ago, ARAUCO started to support education in communities located nearby our operations through the creation of the Constitución and Arauco schools, and later, the Cholguán

school. The excellent results obtained by these schools in national tests, such as SIMCE and PSU, account for a work of excellence in education that the company has striven to foster at local level through its Arauco Educational Foundation.

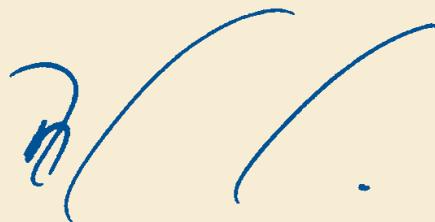
During 18 years of sustained work, the Arauco Educational Foundation has worked in almost 30 districts supporting the municipal education in 470 schools, with the participation of more than 4 thousand teachers and educational agents in their programs, and reaching over 70 thousand students with a better education.

This trajectory on education was recently acknowledged by the Sociedad de Fomento Fabril and the Confederación de la Producción y el Comercio, who granted ARAUCO the Educación Empresa 2007 award at the III Annual Gathering called "Educación Empresa Eneeduc 2007."

Finally, I would like to state that we feel proud of our consolidated company, that forms a community of more than 35 thousand people and their families, between direct and indirect workers, with an extended value chain at national and international level, acknowledged and respected in the world forestry industry, with a privilege position in the demanding international markets of woodpulp,

sawn timber and panels. Our products reach clients in almost 70 countries, with whom we have a fluent relationship through a network of agents and commercial offices in nine countries.

I wish to thank all those who have collaborated and worked hard in order to lead us to our Vision of "Being a global leader in sustainable forestry and forest products development." This path demands new challenges year by year to continue to ADDING VALUE to the company and a constant effort to improve the way we do things in all the dimensions of our task and in full compliance with ARAUCO's COMMITMENTS.



Matías Domeyko
Chief Executive Officer



ARAUCO's marketing strategy is centered in a flexible industrial production system that is responsive to demand, and a commercial structure capable of analyzing and quickly detecting the market's changing requirements. All this, added to a guarantee of creditworthiness over time based on its vast forestry holdings and the efficiency of its production facilities, has led the company to privileged positions in the demanding and competitive international markets of woodpulp, timber, and panels.

Sales and Distribution



Within its constant expansion, in 2007 ARAUCO added a commercial office in Colombia. Now the company is present in 69 countries that are supported by a sales organization structured in business units capable to evaluate the different marketing scenarios in an accurately and knowledgeably fashion both locally and internationally. ARAUCO has 9 commercial offices distributed in different countries around the world, which provide the company's customers with a close and expeditious service according to

ARAUCO's COMMITMENTS, ensuring that the expected quality is received on time.

ARAUCO's Logistic Services have developed a streamlined system for the transport, shipment, storage and distribution of products that are exported to their destination markets through modern ports using high technology.

▲ Operating Centers
 Argentina
 Brazil
 Chile
 Uruguay

▲ Commercial Offices
 Argentina
 Brazil
 Chile
 Colombia
 Europe

Japan
 Mexico
 Peru
 USA & Canada

● Representatives
 Australia
 Korea
 China
 Philippines
 India
 Indonesia

Malaysia
 Norway
 South Africa
 Thailand
 Taiwan
 Venezuela



The Company

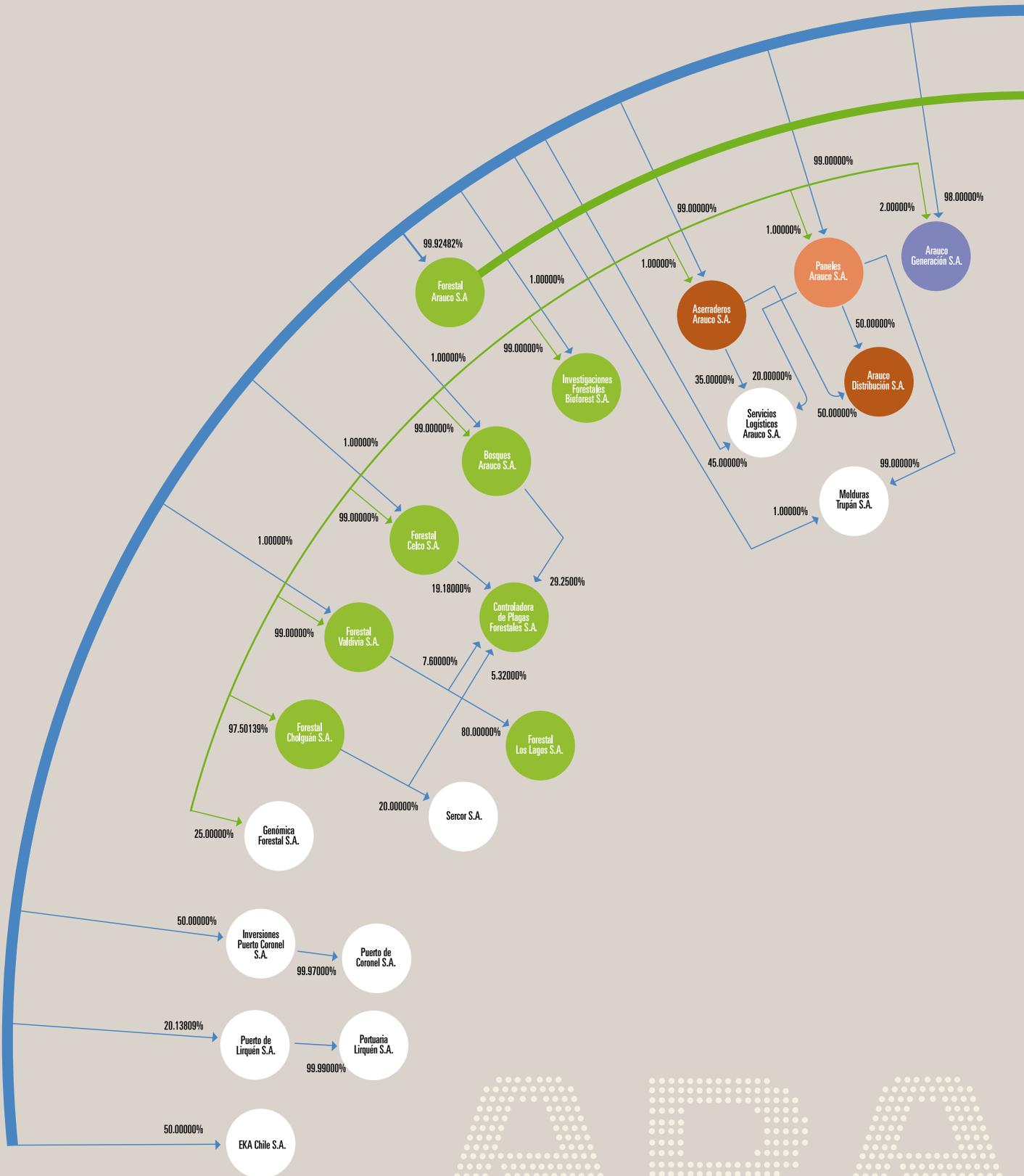


We ensure a safe and healthy workplace based on respect, honesty and teamwork.

The Company • Environment • Safety • Community • Education



Societary Structure



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. y Forestal Cholguán S.A.

Board of Directors

Chairman	José Tomás Guzmán
Vice Chairman	Roberto Angelini
Directors	Manuel Bezanilla Carlos Croxatto Matías Domeyko

Management

Managing Director	Alvaro Saavedra
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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

Chairman	Matías Domeyko
Directors	Franco Bozzalla Jorge Garnham Charles Kimber Álvaro Saavedra

Management

Managing Director	Antonio Luque
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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

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

Management

Managing Director	Franco Bozzalla
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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 and in the company that indirectly grants it the control of Faplac S.A. and Flooring S.A.

Board of Directors

Chairman	José Tomás Guzmán
Vice Chairman	Juan E. Cambiaso
Directors	Roberto Angelini Matías Domeyko Carlos Croxatto

Management

Managing Director	Cristián Infante
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Board of Directors	
Chairman	Matías Domeyko
Vice Chairman	Cristián Infante
Directors	Adrián Lerer
Management	
Managing Director	Cristián Infante

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	
Chairman	Matías Domeyko
Directors	Manuel Bezanilla Franco Bozzalla Cristián Infante Álvaro Saavedra
Management	
Managing Director	Pablo Mainardi

Placas do Paraná S.A. (Brazil)



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

Board of Directors	
Chairman	José Tomás Guzmán
Directors	Roberto Angelini Carlos Croxatto Matías Domeyko Edmundo Ernst Alberto Etchegaray Charles Kimber José Zabala
Management	
Managing Director	María Angélica Prats

Arauco Educational Foundation



Fundación Educacional Arauco, 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 issue in a country's development.

Board of Directors	
Chairman	Alvaro Saavedra
Directors	Oswaldo Cirano Rigoberto Rojo Jorge Serón Ricardo Schaffner Victor Cubillos
Management	
Managing Director	Eduardo Rodríguez

Investigaciones Forestales Bioforest S.A.



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

Bosques Arauco S.A.



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

Board of Directors

Chairman	Matías Domeyko
Directors	Franco Bozzalla Jorge Garnham Charles Kimber Antonio Luque Álvaro Saavedra

Management

Managing Director	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 harvest business on its own land located mainly in the Maule and Bío Bío Regions. Its log production is sold both to related companies and third parties.

Board of Directors

Chairman	Matías Domeyko
Directors	Franco Bozzalla Jorge Garnham Charles Kimber Antonio Luque Álvaro Saavedra

Management

Managing Director	Rigoberto Rojo
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Forestal Cholguán 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 Bío Bío Region.

Board of Directors

Chairman	Matías Domeyko
Directors	Jorge Garnham Charles Kimber Antonio Luque Álvaro Saavedra Eduardo Zañartu

Management

Managing Director	Rigoberto Rojo
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Forestal Valdivia S.A.



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

Board of Directors

Chairman	Matías Domeyko
Directors	Jorge Garnham Charles Kimber Antonio Luque Álvaro Saavedra

Management

Managing Director	Victor Cubillos
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Board of Directors	
Chairman	Álvaro Saavedra
Directors	José Rafael Campino Charles Kimber Jorge Serón Robinson Tajmuchi

Management	
Managing Director	Manuel Arriagada

Forestal Los Lagos S.A.



Established in 1990 with the purpose of starting a plantation program of Eucalyptus globulus south of the Los Ríos 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. 80% of Forestal Los Lagos S.A. and Forestal del Sur S.A. owns the other 20%

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

Management	
Managing Director	Pablo Mainardi

Arauco Forest Brasil 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 Brasil 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	Jorge Garnham
Directors	Franco Bozzalla Charles Kimber Antonio Luque Álvaro Saavedra

Management	
Managing Director	Alberto Walker

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

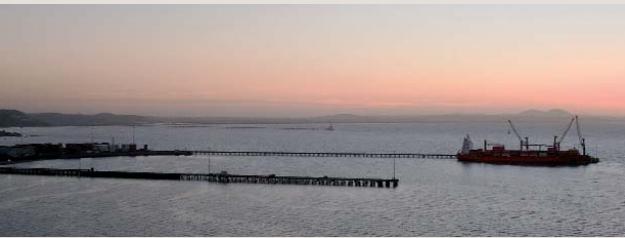
Management	
Managing Director	Alberto Miranda

Compañía Puerto de Coronel S.A.



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

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 at the Port of Lirquén, Bío Bío Region, which it owns through its subsidiary Portuaria Lirquén S.A.

Board of Directors

Chairman	Emilio Pellegrini
Directors	Juan Carlos Eyzaguirre Gonzalo García Jaime Lea-Plaza Matías Domeyko Jorge Garnham

Management

Managing Director	Juan Manuel Gutiérrez
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Arauco Generación S.A.



This company began to operate in the energy sector in 1994 for purposes of selling the electricity produced based on energy surpluses from wood pulp mills.

Board of Directors

Chairman	Matías Domeyko
Directors	Hernán Arriagada Jorge Garnham José Vivanco

Management

Managing Director	Carlos Rauld
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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

Managing Director	Gonzalo Etcheberry
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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 center on the outskirts of Santiago.

Board of Directors

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

Management

Managing Director	Cristián Larraín
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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 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

Managing Director	Robinson Tajmuchi
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Board of Directors	
Chairman	Charles Kimber
Directors	Carlos Bianchi Franco Bozzalla Francisco Figueroa Juan Pablo Guzmán Antonio Luque Alberto Walker

Management	
Managing Director	Erwin Kaufmann

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	Franco Bozzalla Antonio Luque

Management	
Managing Director	Andrés Vial

Araucocomex S.A. de C.V.



Established on September 1, 2003, the purpose of this company is to operate in Mexico by selling Arauco's full range of products.

Board of Directors	
Chairman	Matías Domeyko
Directors	Franco Bozzalla Jorge Garnham Charles Kimber Ricardo Strauszer Robinson Tajmucha

Management	
Managing Director	Alfonso Valdés

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	Charles Kimber
Directors	Franco Bozzalla Francisco Lozano Antonio Luque Robinson Tajmucha

Management	
Managing Director	Juan Pablo Vaccaro

Arauco Colombia S.A



Created during 2007 and established on February 15, 2008 with the purpose of selling the whole range of products of Aserraderos Arauco SA. and Paneles Arauco SA. in the Colombian market.

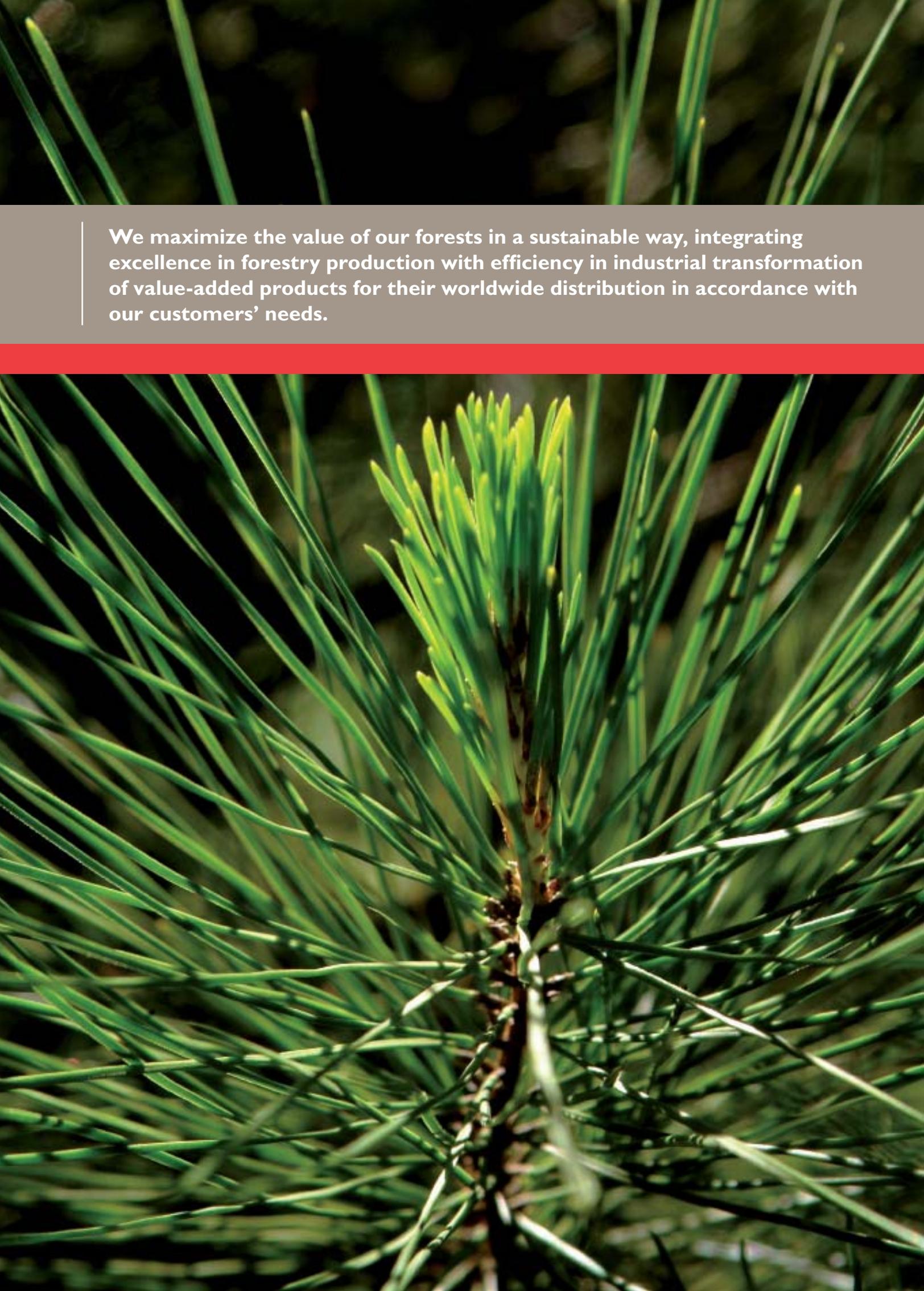
Board of Directors	
Chairman	Matías Domeyko
Directors	Carlos Bianchi Franco Bozzalla Antonio Luque Robinson Tajmucha Gianfranco Truffello

Management	
Managing Director	Enrique Bazán

Arauco Perú S.A.



Established on October 27, 1997 under the name Cholguán Lima S.A. with the purpose of selling Cholguán products in the Peruvian market. In 2001 it changed its corporate name to Arauco Perú S.A. and increased its supply of boards by including products, such as Trupan, Araucopy and impregnated posts.

A close-up photograph of a pine tree branch, showing a dense cluster of long, thin, green needles. The needles are arranged in a fan-like pattern, with some showing a slight yellowish tint at the tips. The background is dark and out of focus, emphasizing the texture and color of the needles.

We 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.

Forestry Business

Forestry Business

ARAUCO





Forestry Resources

ARAUCO's forestry holdings are distributed in Chile, Argentina, Brazil and Uruguay and today reach a total of 1.48 million hectares, of which 931 million hectares are devoted to plantations, 302 thousand hectares to native forest and 244 thousand hectares to other uses.

Over 20% of these assets correspond to native forest, which is protected and preserved by ARAUCO under strict controls based on scientific research and cooperation with the community, environmental organizations and local authorities. Some parts of these properties are managed as private parks opened to the public or as Areas of High Environmental Value and protected areas devoted to the preservation of biodiversity (see the corresponding section under Environment) ADDING VALUE to the Company and its surroundings.

In 2007, the company's forestry production reached 15.3 million m³ of logs and 3.8 million m³ of chips and fuel wood. Another 7.6 million m³ of logs and chips were purchased from third parties. From the total material available, 24.9

million m³ were destined to the company's production of woodpulp, panels and sawn timber and 1.8 million m³ were sold to third parties.

Investments in lands, plantations, forestation and other acquisitions in Chile, Argentina and Uruguay were also made in the total amount of US\$ 391.6 million. These investments included the alliance signed with Stora Enso for the purchase in Brazil of 80% of Stora Enso Arapoti Empreendimentos Agrícolas S.A., which covers 50,000 hectares of land, including 30,000 hectares of plantations, mainly pine trees.

For the last 17 years, ARAUCO has been developing its own biotechnological studies in the search for state-of-the-art procedures leading to improve the quality, productivity and performance of its plantations. For these purposes, Bioforest, its scientific and technological research center, conducts studies on the genetics of forestry species, site productivity, phytosanitary protection, wood properties and biodiversity of forestry assets.

'67

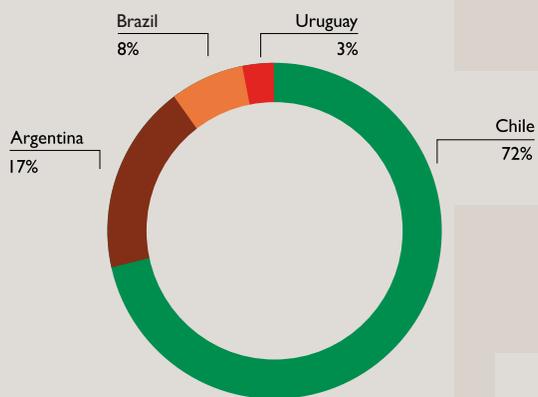
Arauco
40 years

- Industrias de Celulosa Arauco S.A. established its By-laws and held the first meeting of its board of directors in 1967. The woodpulp mill started operations in Arauco in 1972.

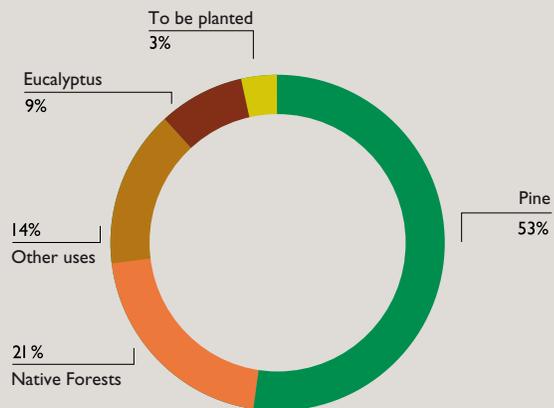




Forestry Resources
(1.48 million hectares)

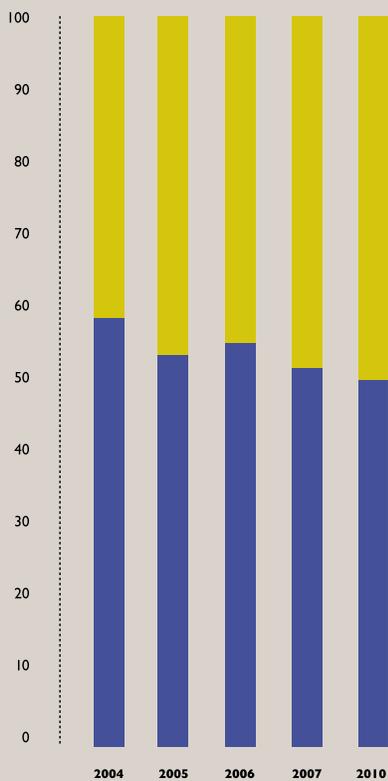


Forestry Resources
(1.48 million hectares)



Annual Plantations and Harvests (%)

- Planted hectares
- Harvested hectares





Forestry Resources

The most significant progresses in 2007 in this area were:

- Selection and generation of genetic material for the establishment of cloned Radiata pine plantations in Chile.
- Identification of the agent causing the defoliation detected in Radiata pine plantations.
- Development of the forestry activity in order to validate the weed control strategy both for Radiata pine trees and eucalyptus.
- Establishing initial data to increase productivity of adult Radiata pine plantations.

Additionally, in 2007 the Ecosystemic Management Division started operations aimed at developing scientific data to support the sustainable management of plantations and permit to quantify the effect on the ecosystem of the company's different forestry activities. Bioforest began to look for data to quantify the quality and quantity of water in ARAUCO's forestry resources (see Environment).

On the commercial side, Arauco Trading was created five years ago in order

to contribute to the optimization and enhancement of the market for the sale of logs and purchase of timber in Chile. Its duties include the sale of logs to small and medium producers, transfer of technologies and trading of its products in ARAUCO's markets, as well as channelling raw materials to ARAUCO's industrial processes. Arauco Trading created a network that has improved its competitive edge over time and has resulted in a sustained access to new markets, technologies and raw materials, while successfully joining the Company's value chain.

In compliance with ARAUCO's COMMITMENTS, all forestry operations of the Company apply a sustainable forestry management policy emphasizing the safety of the workers who execute forestry and harvesting tasks (see Financial Indicators). In support of this work, the Human Resources area implemented new training programs to reinforce the risk management teams and strengthen occupational safety and health issues with collaborating companies (see Occupational Safety and Health and Human Resources).

'68

Arauco
40 years

- The constitutional deed signed in December 1968 that established the creation of Celulosa Constitución was approved by the board of the Corporation for Development for purposes of building and operating a woodpulp mill in Constitución. This mill was commissioned in September 1976.







We comply with all relevant legal requirements and other commitments assumed by the company.

Woodpulp Business

Woodpulp Business

ARAUCO





Woodpulp Business

ARAUCO has an annual production capacity of over three million tons of woodpulp, which places the company as one of the main producers in the world. The company has six production mills, five in Chile and one in Argentina:

All of the woodpulp produced by ARAUCO is based on wood from plantations.

The Alto Paraná mills in Argentina is supplied with Taeda pine wood while the mills located in Chile are supplied with Radiata pine and eucalyptus wood. All mill have an efficient wood control system that forewarns of any unknown and illegal wood origin and so prevents the use of raw material from controversial sources.

ARAUCO's woodpulp mills

Mill	Location	Woodpulp Type	Certifications	Trade Name	Production Capacity
Licancel	Chile Maule Region	Radiata pine and eucalyptus Kraft bleached ECF	ISO 9001 ISO 14001 Chain of Custody CERTFOR (PEFC)	ARAUCO BKP ARAUCO EKP	140 thousand metric tons of bleached eucalyptus and/or pine woodpulp
Constitución	Chile Maule Region	Raw Radiata pine Kraft woodpulp	ISO 9001 ISO 14001 Chain of Custody CERTFOR (PEFC)	Celco UKP	355 thousand metric tons of unbleached pine woodpulp
Nueva Aldea	Chile Bio Bío Region	Bleached Radiata pine and eucalyptus Kraft ECF	ISO 9001 (Pending Certification) ISO 14001 (Pending Certification)	ARAUCO BKP ARAUCO EKP	856 thousand metric tons of bleached pine and/or eucalyptus woodpulp Chain of Custody CERTFOR (PEFC)
Arauco	Chile Bío Bío Region	Bleached Radiata pine and eucalyptus Kraft ECF	ISO 9001 ISO 14001 Chain of Custody CERTFOR (PEFC)	ARAUCO BKP ARAUCO EKP	790 thousand metric tons (500 thousand of bleached pine woodpulp and 290 of eucalyptus).
Valdivia	Chile Los Ríos Region	Bleached Radiata pine and eucalyptus Kraft ECF	ISO 9001 ISO 14001 Chain of Custody CERTFOR (PEFC)	ARAUCO BKP ARAUCO EKP	550 thousand metric tons of bleached pine and/or eucalyptus woodpulp.
Alto Paraná	Argentina Province of Misiones	Bleached Taeda pine Kraft ECF Taeda pine Fluff	ISO 9001 ISO 14001	Alto Paraná BKP Alto Paraná Fluff	350 thousand metric tons (250 thousand of bleached pine woodpulp and 100 thousand of Fluff woodpulp).

'77

Arauco
40 years

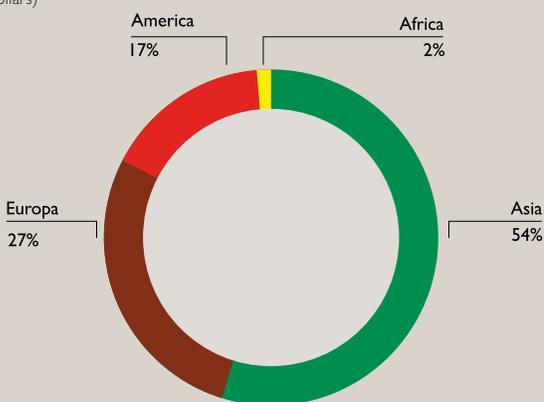
- At the end of the 70's, Compañía de Petróleos de Chile, Copec S.A., acquired Industrias de Celulosa Arauco S.A. (1977) and Celulosa Constitución S.A. (1979), and the corporate name was changed to Celulosa Arauco y Constitución S.A.





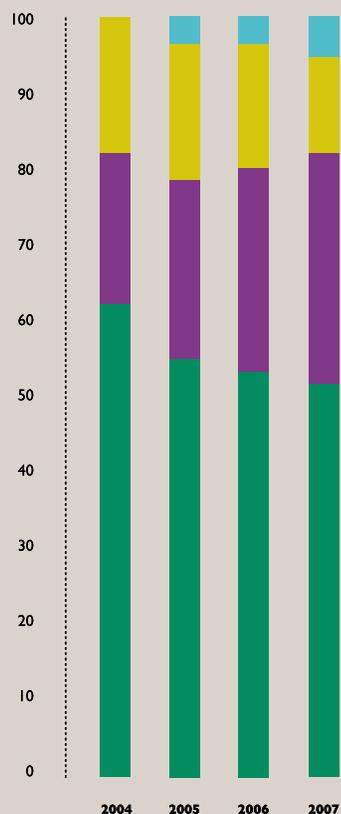
Woodpulp sales per market (%)

(1,730 million dollars)



Woodpulp Production per Product (ADt) (%)

- Fluff
- Raw pine
- Eucalyptus
- Bleached pine



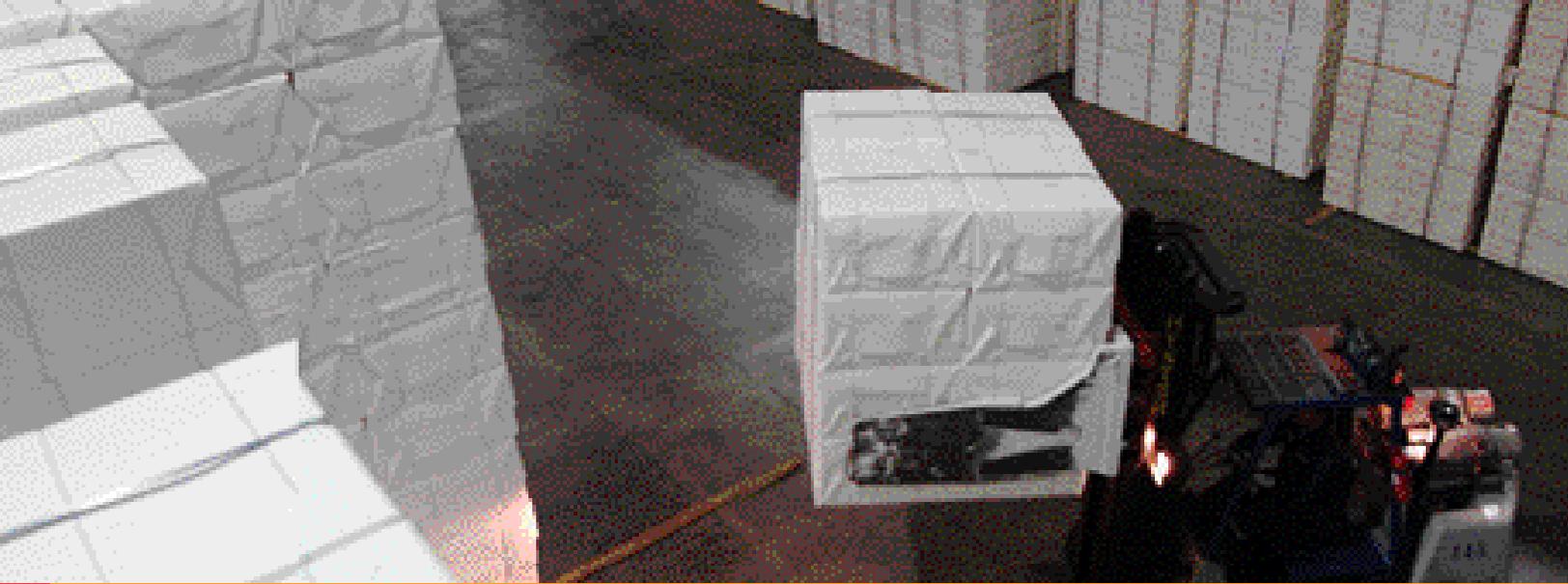
Bleached woodpulp is mainly used as raw material in the manufacture of printing and writing papers, as well as in the manufacture of sanitary papers and high-quality wrapping papers. The unbleached woodpulp, in turn, is used in the manufacture of packing materials, filters, fibrocement, dielectric papers, etc. The Fluff woodpulp, on its part, is produced by the Alto Paraná mill and is used in the manufacture of diapers and feminine care products.

The woodpulp produced by ARAUCO is traded in over 50 countries and is acknowledged by its excellent and stable technical characteristics and logistic capacity to respond to their requirements. During 2007,

the company celebrated 30 years of presence in the Chinese market, which represents more than 28% of ARAUCO's exports.

In commercial terms, 2007 was a very positive year for the international woodpulp market. The price was high as a consequence of the strong demand from Asian countries and due to several problems affecting other suppliers. This favourable situation permitted to place the entire production of the different mills with no difficulty and keep very low stock levels, both in Chile and abroad.

According to ARAUCO's COMMITMENTS, the Company is continuously introducing the best technologies available into the



Woodpulp Business

woodpulp production. The new effluent treatment systems in the Constitución and Licancel mills, the progresses in the outfall of the Nueva Aldea mill and the better odour control systems at the Constitución, Licancel, Arauco and Alto Paraná mills, have allowed to comply with international standards that are more stringent than the regulations imposed in each country where the company operates (see *Environmental Balance* in this Report).

Likewise, the high operation efficiency reached by the woodpulp mills, the optimal performance of the Valdivia mill and the consolidation of operations at the new Nueva Aldea mill, after it had started up to the full satisfaction of all interested parties, evidence the professional level used in addressing projects from the production and economic point of view as well as

from the social and environmental perspective.

However, in spite of this progress, the operational success in this area was blemished by the environmental problems experienced at the Licancel mill, which forced its shutdown for approximately six months. This situation demanded a great effort to solve operating problems, give timely and effective answers to the authorities and the community and rectify the impacts generated downstream, in order to restart operations as soon as possible and continue ADDING VALUE to the region. The lower production of this plant, together with the continued production restriction imposed on the Valdivia mill, implied a reduction of 200,000 tons in sales during the fiscal year.

'80

Arauco
40 years

- The Constitución School was established as an educational alternative for the Constitución woodpulp mill's area of influence. This school started teaching in 1981.







We provide all our customers with
quality products and services.



Sawn Timber Business

Sawn Timber Business

ARAUCO





Sawn Timber Business

Decofaz, Hílám, MSD, Masterplac and Truchoice, are ARAUCO's trademarks lying behind a wide variety of sawn timber and manufactured products that are correctly specified and classified according to regulations, and are aimed at multiple uses with different finishing and appearance degrees. These characteristics, added to the fact that the wood comes from sustainably managed forests, capable of ensuring a consistent supply in terms of quality and volume, are some of the advantages that have permitted ARAUCO to place its products in highly demanding markets.

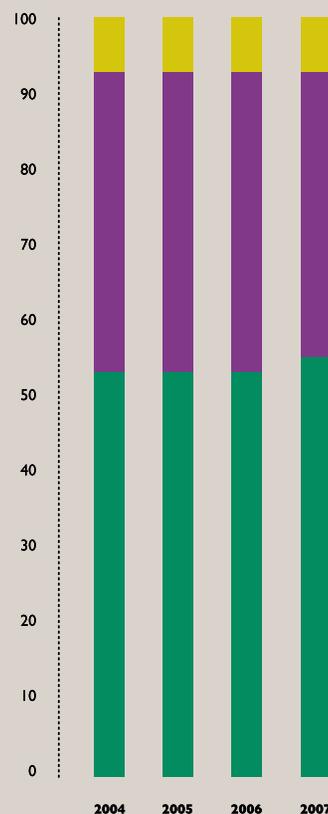
The main sawn timber products are allocated to the industry of furniture and construction (structural wood, impregnated wood, partition walls and fences) and packing markets. Timber is also used in mouldings, glued panels and laminated products.

On the other hand, the main remanufactured products are painted and non-painted finger-joint and solid mouldings, which are used as base, casings, jambs, crowns, etc, in houses and buildings finishings.

2007 was a year of consolidation in the sawn timber business. Production

Production of Sawn Timber per Product (m³) (%)

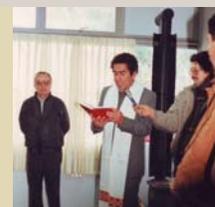
- Remanufactured Wood
- Dry wood
- Green wood



'81

Arauco
40 years

- The Arauco School was established as an educational alternative for the Arauco woodpulp mill's area of influence.





indicators of sawmills improved, leading to the rationalization of the production system. The sales mix was also enhanced with the introduction of optimization models that permitted to aim production at more attractive markets and/or products.

The Coronel sawmill started up in March in the facilities purchased from Norwood in 2006. The facilities were improved and their technology modified. The process of introducing technology into the different mills will continue during 2008. The first step into the sawmill business in Brazil was made in November with the acquisition from Stora Enso of the Arapoti sawmill located in the State of Paraná, which operates in two shifts and has a

production capacity of 250 thousand m³/year. Such investment permitted ARAUCO to enter a market with a high demand capacity for forestry products, such as Brazil, although a special marketing effort is required there to increase the consumption of pine wood.

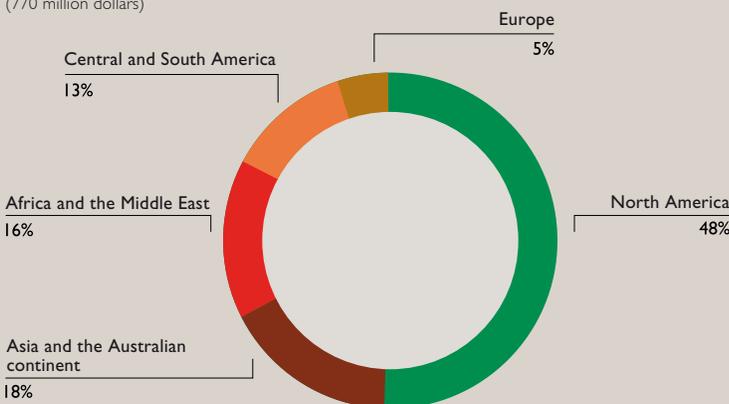
With this new unit, ARAUCO is consolidating its position as main wood manufacturer in the Southern hemisphere, with a total production capacity of 3.6 m³/year: 463 thousand m³/year of remanufactured products, 11.2 m³/year of laminated beams and a drying capacity of 2.8 m³/year.

The real estate market crisis in the United States obliged the company to

definitely close the La Araucana sawmill as well as the drying and dressing processes at the Escuadrón sawmill and the Lomas Coloradas remanufacturing mill. It was also necessary to reduce shifts at the Horcones remanufacturing mill. In compliance with ARAUCO's COMMITMENTS, a special consideration was given to employees who became unemployed in these plants, by establishing mechanisms for their relocation in other facilities of the company, thereby reducing the labour impact of the US crisis. An important part of the production had to be placed in other markets, especially Asia and the Middle East, in order to avoid more staff adjustments in these facilities and economic performance impacts on the sawn timber business.

Sales of Sawn Timber per Market (%)

(770 million dollars)



The constant concern for environmental aspects as well as safety and quality was evidenced in the continuation of certifications, such as ISO 14001, CERTFOR (chain of custody), OHSAS 18001 and ISO 9001, which provide the products with a differentiating characteristic and a competitive advantage (see *Indicators* in this Report).

Likewise, during 2007, a new drive was given to the Operational Excellence Program, which has become a means for continuous improvement and has been adopted as a standard in the search for management improvement and training of the workers and collaborators involved in the woodpulp and panel business lines (see *Human Resources*).

We inform, train and involve our workers, contractors and suppliers in the fulfilment of our commitments, implementing our policy with everyone's aid and effort.



Panels Business

Panels Business





Panels Business

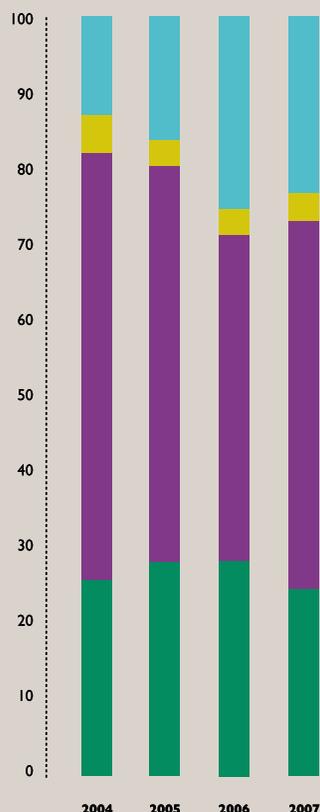
Araucopy, Trupán, Cholguán, Faplac and Truchoice are the trademarks that have positioned ARAUCO in the markets of plywood panels, MDF (Medium Density Fibreboard) panels, HB (Hardboard) panels, particle boards and mouldings, as a reliable supplier for the furniture, decoration and construction industries.

These products are manufactured in four plants located in Chile, two in Argentina and two in Brazil (see ARAUCO in the World). When the second plywood line was started up in the Nueva Aldea plant, at the end of 2007, a total annual production capacity of 2.6 million m³ was reached: 805 thousand m³ of plywood

panels, 1.13 million m³ of MDF, 560 thousand m³ of particle boards, and 60 thousand m³ of hardboard panels. This new plywood panel production line represented an investment of approximately US\$ 50 million and a contribution to ARAUCO's production capacity in the panel business with an increase of 10% regarding 2006. It also placed ARAUCO as the largest manufacturer of panels in Latin America, number three in the world production of plywood panels and number six in the world production of MDF.

Panel Production per Product (m³) (%)

- Particle boards
- HB
- MDF
- Plywood



Additionally, the company has the Alto Paraná Chemical Division in Argentina. This plant is devoted to the production of resins for panels and supplies both the mills owned by ARAUCO and the Argentinean market. ARAUCO also manufactures resins and impregnated papers since 2005 in Brazil through a joint venture with Dynea.

From the commercial point of view, 2007 was marked by an increase in the demand in virtually all markets. In Europe, the reinforced tendency to privilege products with a sustainable forestry management certification favoured the demand for the entire range of ARAUCO's products. In the United States, the strong contraction of the real estate sector affected the sale of MDF mouldings; however this was offset by the strong increase in the

'87

Arauco
40 years

- The project for the construction of a second woodpulp production line at Arauco was approved in 1987. It was called Arauco Project II and was started-up in 1991.





demand for MDF boards in Latin America. In the case of ARAUCO's plywood panels, the demand benefited from a decrease in the supply from other manufacturers and by the highly diversified applications of these products that are not related to the construction sector.

True to the ARAUCO's COMMITMENTS, the panel business makes a special effort to be reassured that its products are manufactured out of raw materials coming from sustainably managed forests. On the one hand, this is possible thanks to the use of own raw materials mainly and the traceability of the products back to their origin through certified chains of custody in all its plants in Chile and in the majority of its plants abroad (see *Indicators* in this Report).

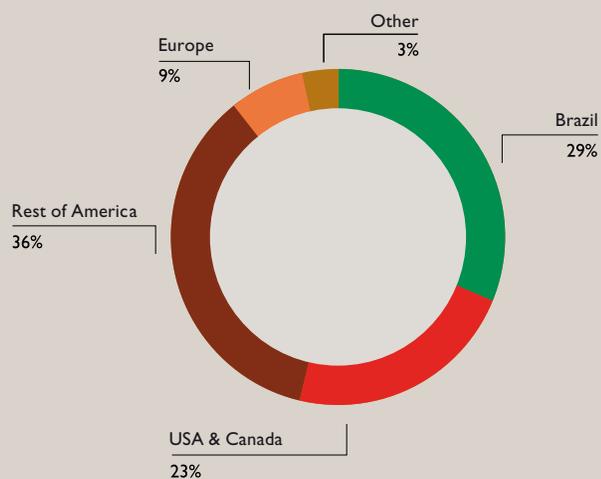
Following the certification of all Chilean plants with ISO 14001 and OHSAS 18001, the Brazilian Jaguaiaiva and Curitiba panel mills were also certified during 2007. According to schedule, the plant of particle boards located in Zárate, Argentina, will be certified in 2008, thus all plants in this business unit will have integrated management systems in terms of environment and occupational health and safety. This has led to accidentality rates that are generally acknowledged in Chile, and has permitted to plan the same progress for the operations abroad (see *Distinctions* in this Report).

Additionally, a Clean Production Agreement was entered into during 2007 in the area of panels and plates in Chile, covering seven companies and 16 plants and committing the company to reach many goals and targets for the next two years.

Once all the corresponding environmental authorizations are obtained, and if the economic and market variables are favourable, a new MDF panel mill located

in the District of Paillaco, Los Ríos Region, Chile, will be submitted to the decision of the Board. This project is in the process of environmental assessment by the authorities. It considers an investment of US\$ 210 million and envisages a MDF plant with an annual capacity of 500 thousand m³, a resin plant, and an electric power cogeneration plant of up to 40 MW, the surplus of which will be injected into the Central Interconnected System (CIS).

Sales of Panels per Market (%)
(854 million dollars)



We promote the sustainable use of the natural resources in our surroundings.

Environment



Environment • The Company • Safety • Community • Education





Environment

ARAUCO's COMMITMENTS especially emphasize the continuous improvement of management in the areas of plantations, industrial processes, logistics and trading in Chile, Argentina, Brazil and Uruguay. Along these lines, more than two decades ago the company progressively started to adopt good practices, values and commitments in order to introduce the concept of sustainability in its management strategy.

At present, all production units have management systems that encourage commitment to prevention and continuous improvement of the environmental performance and ensuring traceability

of raw materials back to their origin.

Additionally, since 1999 ARAUCO has taken part in the Clean Production Agreements driven by the Chilean Government. Also in Argentina, the company has promoted environmental agreements for the woodpulp area with the Argentinean Government, which were signed during the fiscal year involving investments in environmental improvements to be implemented during 2007 and 2008.

The company has a corporate area devoted to the environmental management, proposing policies and

ensuring compliance with defined standards and guidelines, giving advice and providing transversal support to the different business units. These, in turn, have professional teams of experts managing the environmental risks associated to the fulfilment of the environmental regulations applicable to their operations.

Compliance with 2007 Objectives

The environmental area established the following environmental objectives and goals for 2007 and reached the compliance levels stated below:

Objectives 2007	Compliance / Status
Continuous upkeep and improvement of the Environment Management System, extending its coverage to all productive facilities in Chile and abroad.	100%
Development of corporate guidelines to manage specific environmental aspects.	100%
Execution of periodic audit programs to update the inventory of environmental risks.	100%
Commissioning of a treatment system for the Constitución woodpulp mill effluents.	100%
Execution of a Closure and Recovery Plan for Aggregate Pits in Traiguén lands.	In development process
Improvement of the Effluent Treatment System at the Licancel woodpulp plant.	100%
Improvement plan for the management of chemical inputs and fuels at the Horcones Forestry-Industrial Complex (FIC).	100%
Continued implementation of the effluent transport and ocean discharge system for the Nueva Aldea FIC.	80%
Execution of the necessary research to develop the Environmental Impact Study for the project on transport and ocean discharge of the Valdivia woodpulp mill effluents	30%

'89

Arauco
40 years

- In 1989, the Municipal School F-135 was the base for a non-profit entity called "Private Corporation of Social Development in Cholguán" for purposes of raising the academic standards in the educational centre that was closest to the operations in the Yungay district.





Objectives For 2008

The following environmental objectives have been established for 2008:

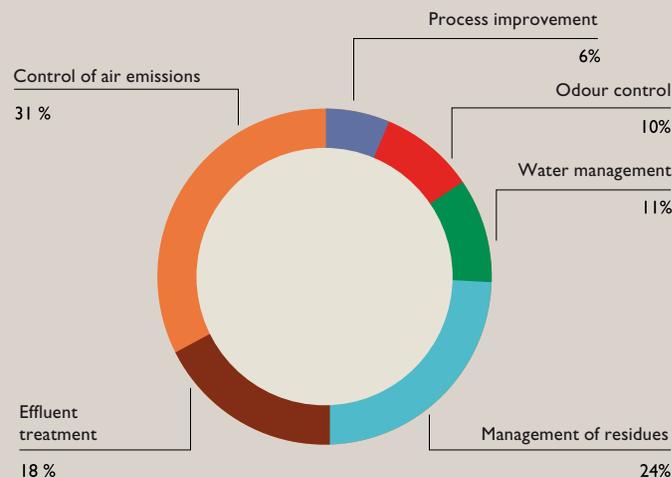
- To draw up ARAUCO'S Environmental and Occupational Safety and Health Management Standards and inform them to the organization in 2009.
- To develop support guidelines for the implementation of the EOSH Management Standards.
- To complete the construction and begin operation of the transport and submarine discharge system for the Nueva Aldea FIC effluents.
- To continue with the research required to develop the environmental impact study on the project of a transport and submarine discharge system for the Valdivia woodpulp mill effluents.
- To build a state-of-the-art industrial landfill for non-hazardous industrial waste from the Horcones FIC.

- To establish a Management Committee in charge of Parks and Conservation Areas to ensure that they are used according to environmental and social purposes.
- To develop a baseline study on the conservation condition of the wetlands in the Argentinean forestry lands.
- To conduct more in-depth studies of forests with High Conservation Value in Argentina.
- To improve the management of liquid industrial residues in Argentina.
- To complete environmental investments committed in clean production agreement for woodpulp in Argentina.
- To finish baseline study in the Paraná River in Argentina.
- To conduct a satellite study of soil use in Argentinean lands.

Environmental Investments

During 2007, ARAUCO made environmental investments in the amount of US\$ 44 million in the woodpulp business in order to continue to add the best available technologies to its production processes. The graph below shows the allocation of this investment.

Environmental Investments in the Woodpulp Area (44 million dollars)





Environment

Projects submitted to the Environmental Impact Assessment System

During 2007, 11 environmental impact studies and statements were prepared and submitted for evaluation in Chile. The table below shows their progress:

Project	Classification	Status
Increase of production capacity at the Nueva Aldea plywood mill	EIA	approved
Construction and operation of a new landfill at the Horcones FIC	EIA	approved
Closure and environmental recovery plan of aggregate pits in Traiguén lands	EIA	approved
Improvement of effluent treatment plant at the Trupán mill	EIA	approved
Management of by-products in the Arauco woodpulp mill	EIA	pending assessment
Power boiler 4 and TG 6	EIA	pending assessment
Improvement of effluent quality and new spillway at the Valdivia Mill	EIS	pending assessment
Replacement of emergency dump pond by two dump ponds at the Valdivia mill.	EIS	pending assessment
Improvement of the effluent treatment system at the Cholguán mill	EIS	pending assessment
MDF panel mill in Paillaco	EIS	pending assessment

'89

Arauco
40 years

- The Arauco Educational Foundation was created in 1989 for purposes of contributing to the improvement of quality in municipal education. Its first action was to provide technical specialized support and economic resources for operation and infrastructure to the municipal school of the town of Putú, in the interior of Constitución.





Research

As part of its environmental management activities, ARAUCO conducts a number of scientific research studies with the following objectives:

- Learn about the ecosystems in the locations where its operations are executed in order to reduce its potential environmental impact.
- Contribute to the public domain of scientific knowledge about ecosystems.

To this end, the company develops two kinds of research actions:

- Research programs that are obligatory under the current environmental regulations. These programs are related to the environmental monitoring required by Environmental Assessment Resolutions. Ocean monitoring programs are conducted by a group of universities.
- Voluntary research programs based on own initiatives or in agreement with other users of the ecosystem.

Research Programs

The development of research programs continued during 2007 in relation to the environment where ARAUCO carries out its activities. In this regard, research and innovation programs are executed both with local and international universities, such as:

Pontificia Universidad Católica de Chile – CASEB

- “Spatial and temporal variability in the nutritional physiology of the *Cygnus melancoryphus*”.
- “Design of mesocosmos for the study of the impact of the Celulosa ARAUCO effluent”
- “Spatial-temporal variability in the use of the habitat by the black-necked swan in the Río Cruces wetlands”
- “Monitoring Plan of *Egeria densa* (“Luchecillo”) at the Carlos Anwandter Nature Sanctuary”
- “Plan for monitoring metals in sediments and surface waters of areas adjacent to the emission point of the Valdivia woodpulp plant”

Marine Excellence Research Program

- Ecological studies of populations and communities inhabiting the continental platform of the Nueva Aldea FCI’s area of influence
- Studies of the physical and chemical oceanography in the continental platform with special emphasis on the micro, meso and macro processes that may affect the transport, dispersion and dilution in the ocean of the Nueva Aldea mill effluents.
- Biological and technological studies on species of high commercial value for the fishermen in the area of influence of the Nueva Aldea project.

Some of the results of said research programs will be available in the following publications:

- M.C. Norambuena and F. Bocinovic 2007, “Health and nutritional status of two black-necked swan (*Cygnus melancoryphus*) populations from Southern Chile: diet quality”, *Journal of Zoo and Wildlife Medicine* (under review).
- M.C. Norambuena and F. Bocinovic 2007, “Health and nutritional status of two black-necked swan (*Cygnus melancoryphus*) populations from Southern Chile: effect on sediment consumption”, *Journal of Zoo and Wildlife Medicine* (under review).
- M.C. Norambuena and F. Bocinovic 2007, “Effect of emanation on iron homeostasis in black necked swans (*Cygnus melancoryphus*)”, *Journal of Zoo and Wildlife Medicine* (under review).
- Palma A.Y., M.G. Silva, C.A. Muñoz, C. Cartes y F.M. Jaksic 2008, “Effect of prolonged exposition to pulp mill effluents on the invasive aquatic plant *Egeria densa* and other primary producers: a mesocosm approach.” *Environmental Toxicology and Chemistry* 27: 387-396 (2009).
- Inostroza, P., Quiñones, R.A., González R.R., & E. Bay-Schmidt 2008, Anaerobic and aerobic enzymatic activity during the ontogeny of *Tisbe longicornis* at different incubation temperatures. *Crustaceana* (under review).
- Leonardi, M., Vera, J. & E. Tarifeño 2008, Diseases of the Chilean flounder, *Paralichthys adspersus* (Steindachner, 1867), as bioindicators of marine coastal pollution nearby the Itata River (Chile). Part I: In situ damages. *Archives of Environmental Contamination and Toxicology* (under review).
- Llanos-Rivera, A., Castro L.R., Silvia, J., & E. Bay-Schmidt 2008. A pelagic fish development as toxicity test for off-the-coast waste water discharges. *Bulletin of Environmental Contamination and Toxicology* (under review).
- Torrente, A., Quiñones, R.A., Miranda-Urbina, D.A., & F. Echavarría 2008, South American sea lion (*Otaria flavescens*) and Spiny dogfish (*Squalus acanthias*) predation on artisan catches of southern hake (*Merluccius australis*) off Chile Fisheries Research, in print.



Environment

Environmental Balance

In its manufacturing processes, ARAUCO uses wood from own and third parties' plantations, water and chemical inputs, and supplies itself with electric power generated from biomass.

According to ARAUCO COMMITMENTS, the company's plantations are managed in a sustainable way and the industrial units have a chain of custody that is certified in all its plants in Chile and in the majority of its plants outside the country (see Indicators in this Report).

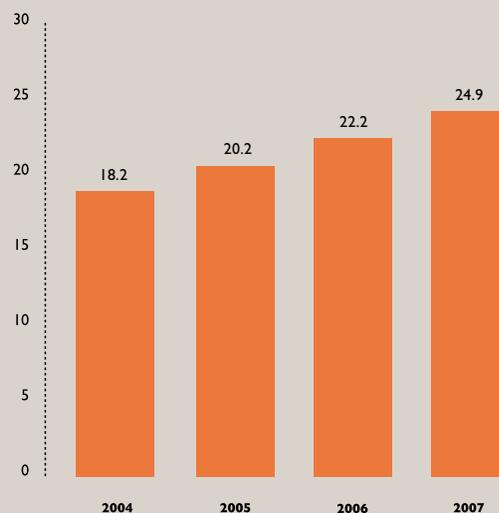
Additionally, ARAUCO makes a progressively efficient use of the majority of its production inputs and raw materials, resulting in a continuous reduction of the amount of inputs and residues per production unit.

Wood

The wood comes from own plantations and from more than 3,000 small and medium-size forestry producers. It is the raw material for the integrated production system used by ARAUCO in the production of woodpulp and wood products. Once harvested, logs are cut, selected and allocated according to their characteristics to the sawn timber plants, remanufacturing plants or the panel and woodpulp mills. Additionally, around one third of the raw materials used in the production of long fibre woodpulp comes from by-products of the wood industry generated by third parties' forestry plants that add value to these by-products instead of sending them to landfills.

This way, the by-products (barks, shavings, trimmings and sawdust) generated in each process are optimized inside the industrial complexes and destined to the production of other industrial products (particle boards, for instance) or used as fuel for the generation of power, resulting in the full use of the wood. During 2007, ARAUCO used 24.9 million cubic meters of wood in its own industrial plant and sold near two million to third parties' facilities for their processing and marketing.

Wood Consumption
(million m³)





Input

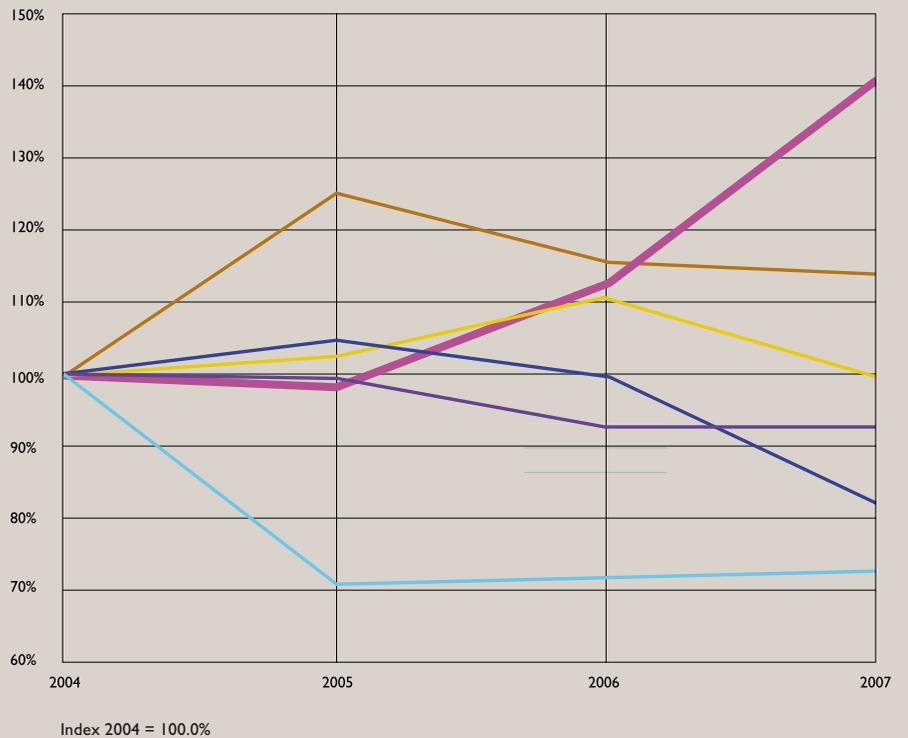
The production of woodpulp uses inputs in the Kraft process to separate lignin from the woodpulp fibre and in the bleached woodpulp production process, where they are used for the elementary chlorine free (ECF) bleaching process. Inputs are also needed in the treatment of effluents and other uses. The tables below show the variation in the use of the most relevant inputs employed in the production of woodpulp in Chile and Argentina during the last four years, when the production of woodpulp increased by more than 40%.

Use of Inputs

	Variation % 2004 – 2007
Sulphuric Acid (kg/ADt)	-17.11
Oxygen (kg/ADt)	-0.25
Soda (kg/ADt)	-27.03
Sodium Chlorate (kg/ADt)	-7.15
Hydrogen Peroxide (kg/ADt)	13.50

Inputs Used in the Production of Woodpulp

- Woodpulp Production (ADt)
- Sulphuric Acid (kg/ADt)
- Sodium Chlorate (kg/ADt)
- Oxygen (kg/ADt)
- Hydrogen Peroxide (kg/ADt)
- Soda (kg/ADt)





Environment

Water

ARAUCO is aware that water is an essential resource for life and many productive processes and that there are threats that endanger its quality and future availability. Besides, water is an essential resource in the production of woodpulp, although it is a secondary input in the other business units of the company. Thus, ARAUCO applies a systemic approach to this resource in order to prioritize an efficient and environmentally friendly use. Consequently, the company has especially emphasized a progressive reduction of the use of water in its production processes and the permanent optimization of its treatment. For this purpose, the company has adopted the best technologies available to promote constant reductions of water consumption per produced unit and to purify, re-use and re-circulate wastewater as much as possible.

The different facilities obtain water for their industrial processes mainly from

rivers or underground waters and recycle and re-circulate a portion of this resource whenever possible, while minimizing losses in each process.

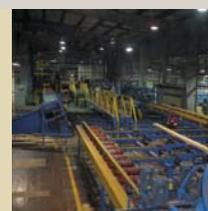
The advances experienced by the woodpulp industry and the addition of new technologies to the processes have permitted to progressively and considerably reduce the use of water in the last decade. A shift has taken place from a consumption of 200 cubic meters per ton of woodpulp at the end of the seventies to current figures reaching 30 to 40 cubic meters per produced ton. In the case of ARAUCO, it has reduced the average use of water in the production of woodpulp by 13.6% over the last 4 years, while the total production has increased by more than 40%.

Any water that is not reintroduced into the processes is clarified in effluent treatment plants and then discharged to receiving bodies in compliance with all pertinent regulations.

'90

Arauco
40 years

- Bioforest S.A., the forestry research company, was established in 1990.
- In the 90's, ARAUCO made important investments intended to begin new businesses. The starting milestone was the establishment of Aserraderos Arauco S.A. in 1993.



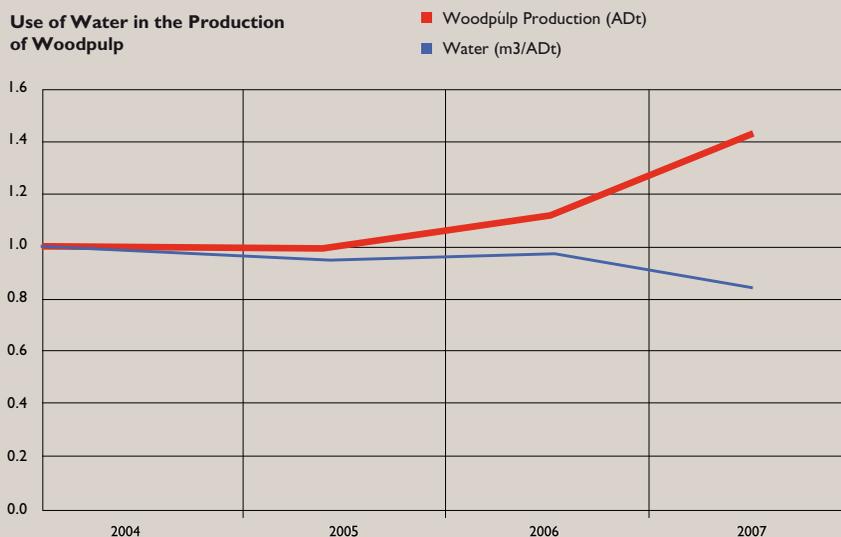


ARAUCO conducts a strict on-line monitoring and follow-up programs of its effluents, measuring the concentration and behaviour of the different parameters of environmental interest. The continuous monitoring of the effluent treatment systems, on-line measurements at the discharge points and areas of effluent influence, third parties' follow-up and audits, plus agreements on environmental surveillance with interested parties downstream of the industrial plants lead to keep a permanent control of the quality of the effluents from the company's

different industrial processes, minimizing risks and timely informing the community and authorities of any evolution that may be of interest for them.

The information gathered by these systems, as well as that coming from air emission control systems and solid waste management, permit ARAUCO to obtain reliable data on significant environmental aspects. Said data are then introduced into the company's integral management processes that are carried out by the different areas ensuring sustainability of the business.

Use of Water in the Production of Woodpulp



Index 2004 = 1.0



Environment

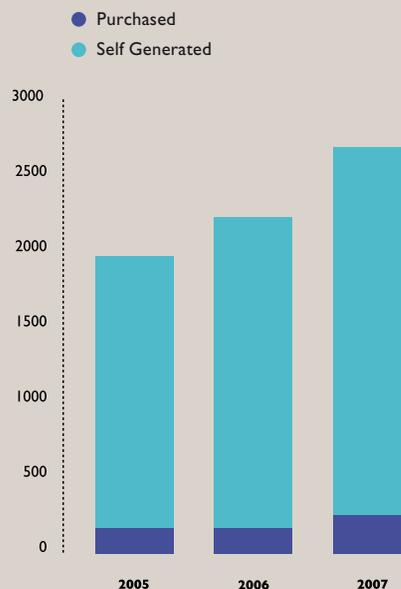
Energy

The energy used by ARAUCO is generated by power boilers that, generally, are fed with biomass from forestry by-products and residues from the wood industry, and by recovery boilers fed with black liquor as well as biomass. The vapour of these boilers feeds turbines that generate electric power to supply the industrial facilities. Subject to own requirements, the surplus is exported to the Central Interconnected System (CIS), which distributes electric power in the Centre and South of Chile. ARAUCO also purchases a portion of power from third parties, mainly from the SIC and

uses oil and natural gas to support some boilers.

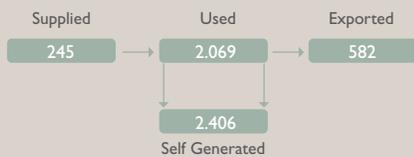
In Chile, ARAUCO has six cogeneration plants with an installed capacity of 538 MW and a surplus capacity to inject the CIS amounting to 130 MW, representing a power equivalent to that required simultaneously by cities, such as Talca, Chillán and Valdivia. During 2007, a total of 2,406 GWh was generated in said plants and 245 GWh were purchased from third parties, 2,069 GWh were used in ARAUCO's production processes and 582 GWh were injected to the CIS.

Sources of Energy (GWh)



Use of electric power (GWh)

	2005	2006	2007
Self Generated	1,766	2,062	2,406
Used	1,536	1,784	2,069
Supplied by third parties	177	198	245
Exported (sold to the CIS)	407	476	582



Supplied + Self Generated = Used + Exported

'94

Arauco
40 years

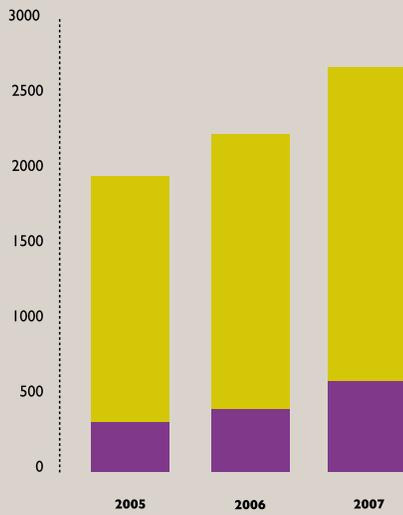
- The subsidiary Arauco Generación S.A. was established in 1994 in order to produce and sell electric energy within the Arauco and Constitución woodpulp plants. Power self-generation started soon after that and its surpluses could even be contributed to the Central Interconnected System.





Allocation of Energy (GWh)

- Injected to the CIS
- Used by Arauco



This generation capacity enables a full use of the wood, allocating a great amount of biomass residues, both purchased by ARAUCO from other forestry producers and industries and coming from the company's own plants, to the generation of energy instead of sending them to industrial landfills. This represents a positive externality from the environmental point of view.

Additionally, the available net energy surplus based on biomass and neutral CO₂ emissions is injected to the CIS, thereby contributing to reduce emissions of greenhouse effect gas and control global warming, another positive environmental externality of ARAUCO. On the other hand, this capacity to contribute with energy to the national grid can help the country's energetic security in a scarcity scenario for future years.



Environment

Emissions, Effluents and Residues

• Air emissions

ARAUCO's production processes that generate emissions to the air use technologies leading to remove particles with approximately 99% efficiency, thus complying with the applicable legislation. Additionally, by using generation plants based on biomass, the use of energy from conventional sources is reduced and the emission related to fossil fuels is avoided.

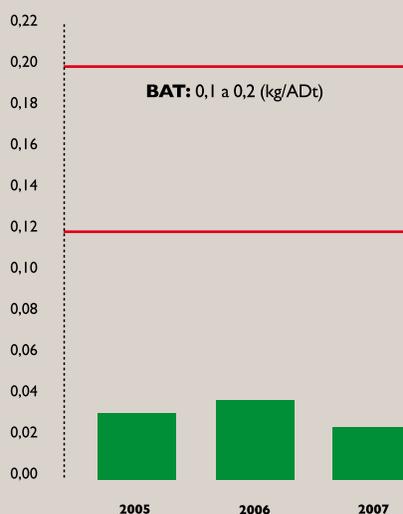
• Odour control

The operation of a streamlined woodpulp plant, such as the case of Valdivia and Nueva Aldea, generates odour levels that are virtually imperceptible for the adjacent communities and very much under the standards established by the best available technologies (BAT) in the industry. In other industrial facilities of the company in Chile and Argentina, for some years ARAUCO has been gradually introducing state-of-the-art odour control technologies. During the fiscal year, ARAUCO continued with the investment program for the installation of most modern equipment to be used in the collection and burning of sulphur, hydrogen and mercaptan compounds (TRS).

ARAUCO conducted olfactometry measurements in the Nueva Aldea

*BAT: Best Available Techniques

Hydrogen Sulphur and Mercaptan Compounds (TRS) kg/ADt



woodpulp mill located in the province of Ñuble to test the odour control systems used in the woodpulp plants and to be able to inform the public that the eventual emissions are harmless. The studies also addressed the reaction of the community during emission episodes and confirmed that normal operations do not generate odours that are perceptible by people.

These studies have been conducted by the University of Concepción from the start-up of the plant in 2006. Their purpose is to classify the feeling or perception in the community of the presence of odour in the surroundings. Neighbours, who have been trained to

answer a regulated survey, voluntarily participate in the studies, together with persons foreign to the sector, who have been trained in regulated techniques. All the persons involved in these programs are trained and formed in the olfactometry laboratory at the university. This has produced representative results that are scientifically and statistically validated.

15,700 surveys were conducted over a period of 53 study weeks between 2006 and 2007 in the localities of Ñipas, Orillas del Itata, Membrillar, La Concepción, Nueva Aldea, Confluencia, Quinchamalí, Carrizales and Quillón. The main conclusions were:

- From the total surveys applied, between October 2006 and October 2007, in 10,150 cases (corresponding to 96.42% of the total) the answers were that no odour was perceived.
- Perception of the most burdensome odours took place during the first weeks from the start, and evolved to a "no smell" perception as weeks went by, which was related to the regularization and adjustment of the plant's operation.

'95

Arauco
40 years

- The subsidiary Paneles Arauco S.A. was established in 1995 devoted to the production of plywood panels. Located inside the Horcones FIC, this mill was commissioned in 1998.





Liquid residues

ARAUCO's industrial activity uses water for different processes and therefore a great emphasis is placed on the reduction of its use and the continuous improvement of its treatment and final disposal. The great majority of the water, however, is used as an input in the production of woodpulp, and in smaller proportion in sawmills and panel mills.

In the woodpulp manufacturing process, the water is used for cooking the wood in order to separate the woodpulp fibres from the lignin that keeps them together. Water is also used in the bleaching process that permits to use the woodpulp sheet as a writing means of different qualities, and in the transport and washing of woodpulp and equipment and other minor processes. This water, that is in contact with wood-inherent materials and chemical substances, is referred to as liquid industrial residue or wastewater and is conditioned in treatment plants to be discharged according to regulations and quality standards.

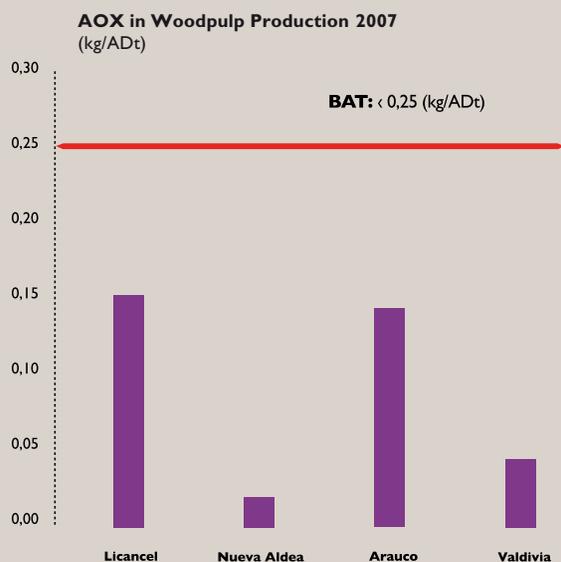
ARAUCO has adopted the best technologies available (BAT) for its treatment leading to a progressive improvement of effluent contents, reaching performances that even exceed those considered by the BAT.

This improvement is mainly due to innovations and investments in the most

modern systems, improvement of water management and use in the production of bleached woodpulp, the main product of the company. The company also applies elementary chlorine free (ECF) woodpulp bleaching in all its plants in Chile and Argentina, avoiding the generation of compounds that may be harmful to the health and environment.

Between 2004 and 2007, the Chilean production units continued to progress in the reduction of environmentally relevant elements in the effluents from the woodpulp production. The average discharges (AOX) per ton of bleached woodpulp were reduced by 75.35%,

reaching emission levels that fully comply with the indices stated in the Best Available Technologies, which vary between 0 and 0.25 kg of AOX per woodpulp ton (ADT). The same success has been possible in other environmental parameters, with a continued reduction of TSS, COD, P and N in the effluents and also of the water used in production processes compared to an increase in the woodpulp production of over 40% during the same period.





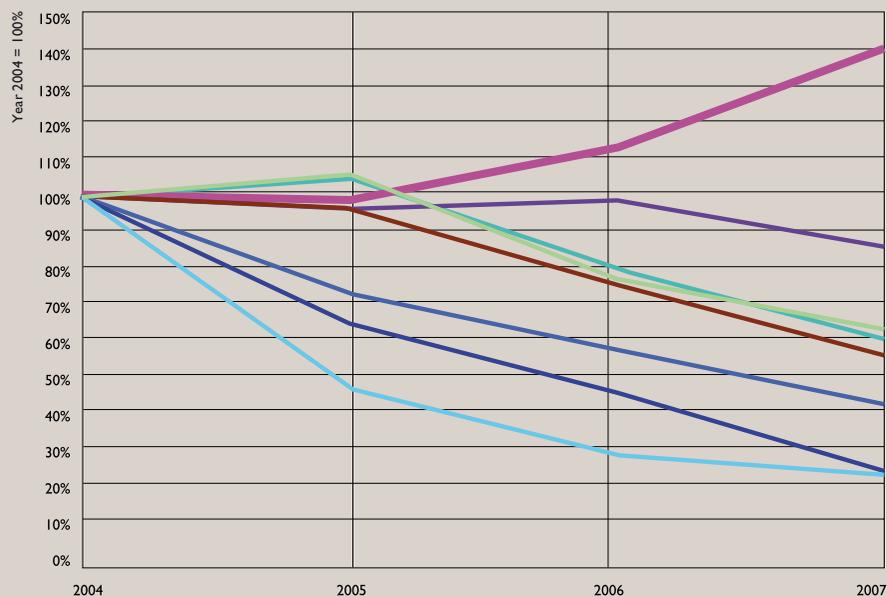
Environment

Progress in the Environmental Efficiency of Woodpulp Production (%)

	2004-2007
Flow (m ³ /ADt)	-13.06
AOX (kg/ADt)	-75.35
Total Suspended Solids TSS (kg/ADt)	-42.30
Chemical Oxygen Demand COD (kg/ADt)	-55.79
Biochemical Oxygen Demand BOD (kg/ADt)	-74.17
Phosphor P (kg/ADt)	-38.74
Nitrogen N (kg/ADt)	-36.83

Effluent characteristics in woodpulp production

■ Woodpulp production (ADt)	■ AOX (kg/ADt)	■ Flow (m ³ /ADt)
■ TSS (kg/ADt)	■ P (kg/ADt)	■ BOD ₅ (kg/ADt)
■ COD (kg/ADt)	■ N (kg/ADt)	

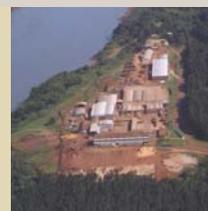


All of the above-considered parameters have been measured as a weighted average in units per woodpulp ADt. Only the bleached woodpulp production is considered under AOX. Alto Paraná is not considered.

'96

Arauco
40 years

- In December 1996, ARAUCO purchased Alto Paraná S.A. in Argentina. This marked the beginning of the company's internationalization process.





Solid Waste

Within ARAUCO's Environmental Management System, measures are planned to minimize the generation, recycling and reliable disposition of the solid waste arising from its facilities in order to prevent health or environmental risks, as provided in ARAUCO's COMMITMENTS.

The company's production processes and works generate a variety of residues that are managed in a friendly manner by the integrated production model. Thanks to this production system, the great majority of these residues --harvest and thinning waste, barks, chips, sawdust, waste sludge from the effluent treatment systems, etc. -- are reused as by-products and re-applied in lands for soil reconditioning and preparation to receive new plantations, and in industrial facilities for the production of woodpulp and panels and biomass power generation. ARAUCO even purchases wood and thinning residues as raw material for the production of pine woodpulp.

At present, all ARAUCO's production units develop activities leading to add value to their non-hazardous residues, transforming it into by-products that are capable of being reused in own or third-parties' processes. For this purpose, they have a registry of companies specialized in the search for recycling and re-utilization alternatives. In this regard, one

of the projects that ARAUCO has been developing since 2006 studies the best way to recondition the ashes generated by industrial plant boilers in order to use them as a conditioning agent for own and third-parties' forestry and agricultural lands. Such an initiative will result in a significant reduction of non-hazardous waste generation, which is currently sent to sanitary landfills and industrial dumps. Similarly, for those residues that must be treated as hazardous waste according to the law, projects are submitted to analysis and environmental authorization so that said waste may be reused as fuel thanks to projects that are in the process of assessment of their environmental approval.

Woodpulp and wood manufacturing processes produce mainly non-hazardous residues, and those that are characterized as dangerous waste are disposed of in areas or sites that are especially authorized and controlled for such purpose. As a matter of fact, residues, other than wood by-products and the above-mentioned processes, that were not recycled during 2007, reached 446 thousand tons. Of these, 99.16% correspond to non-hazardous waste and only 0.84% to the kind of waste that is considered dangerous.

Some of the measures that have been adopted for the handling and minimization of residues are as follows:

- Marketable residue minimization programs, intended to minimize disposition onto dumps and landfills.
- Residue Management Indicator system in each generation and disposition centre.
- Classification and segregation of waste to be re-used as raw material or fuel, or to be recycled or disposed of.
- Programs for the re-utilization and recycling of containers, steel bands, workshop residues, office inputs, computer waste.
- Classification and segregation of residues according to their hazardous quality.
- Construction of storage facilities; signalling, training and improvement of safe transitory storage of hazardous residues.
- Enforcement and control of standards and requirements for the safe transport and handling of products and inputs.

Dangerous residues are handled, piled, transported and disposed of in accordance with the current environmental and sanitary requirements and subject to the best practices contemplated by ARAUCO's environmental and occupational safety and health management systems, which are directed to minimize the possibility of causing significant impacts on the environmental and social surroundings of operations.



Environment

Carbon Cycle

ARAUCO has a patrimony of forestry plantations that is stable over time, aimed at sustainably supplying its industrial activity. The carbon obtained by the trees from the atmosphere through photosynthesis is fixed in the products manufactured by ARAUCO.

In order to illustrate the contribution made to the reduction of global warming, the company applies a general methodology resulting in an approximate count of net emissions in the carbon cycle of said activities during the period. This methodology consists of estimating the carbon captured by the trees harvested in each period and making a follow-up of the involved industrial processes, while

estimating the significant emissions resulting from each of these processes, and deducting them in the end from the initial calculation in order to obtain a net estimation of the carbon that is sequestered or fixed in the products that were manufactured in the period¹.

According to this calculation methodology, the above-described carbon cycle represented a net removal of approximately 9.5 million tons of greenhouse effect gas during 2007, a figure that is equivalent to the emissions generated annually by more than 3.2 million cars².

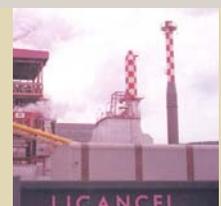
¹ Carbon remains fixed indefinitely as long as the products keep their characteristics and are not degraded discharging carbon to the air.

² Emission factor of a small vehicle with an average mileage of 20,000 km/year = 3.04 t/year of CO₂ (www.comcar.co.uk)

'99

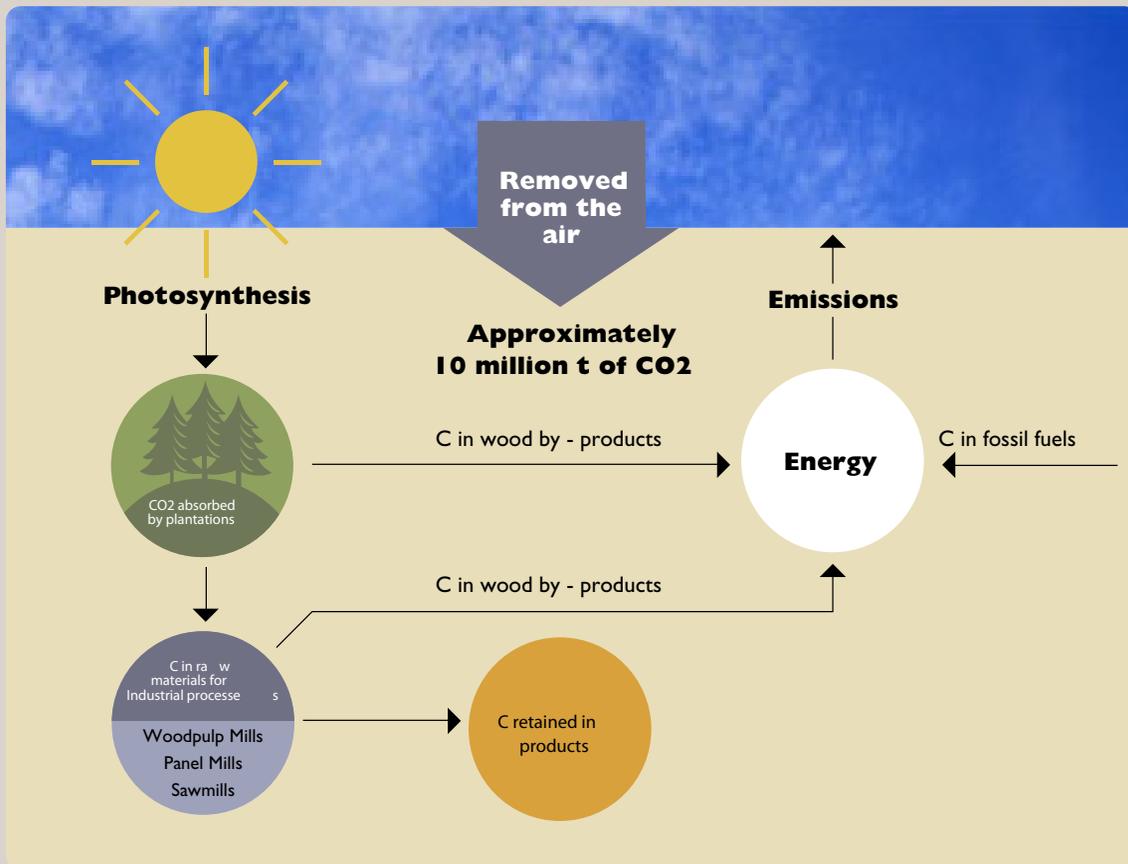
Arauco
40 years

- The Licancel Woodpulp Mill was purchased from the Swiss company Attizhold Holding in 1999.





2007 Carbon Balance:
ARAUCO's Industrial Activities in Chile, Argentina and Brazil





Environment

Carbon Bonds

In 2007, ARAUCO issued its first “carbon bonds” by selling 482.1 Certificates of Emission Reduction (CERs) corresponding to an equal number of CO₂-equivalent tons reduced from 2003 to 2006. In this way, ARAUCO was the first Chilean forestry company that used the Clean Development Mechanism stated in the Kyoto Protocol to issue Carbon

Bonds, contributing to reduce emissions of greenhouse effect gases from the generation of energy using fossil fuel and to mitigate global warming.

Up to 2007, three of the six ARAUCO generation plants have been registered as projects for the reduction of greenhouse effect gas emissions by the Kyoto Protocol’s Clean Development Mechanism (CDM) Executive Board.

Cogeneration Projects Registered by the Clean Development Mechanism (CDM) of the Kyoto Protocol

Cogeneration plant based on biomass	Type of renewable energy project	MW Capacity	Reduction of CO ₂ equivalent emission (tons)	Reduction of CO ₂ equivalent emission (tons)
			2003-2006	2007**
Nueva Aldea Phase U, District of Ranquil, VIII Region, Chile	Plant for the reduction of CO ₂ and methane	29MW	151,417	129,582
Nueva Aldea Phase II, District of Ranquil, VIII Region, Chile*	Plant for the reduction of CO ₂	140MW		23,747
Trupán, District of Yungay, VIII Region, Chile	Plant for the reduction of CO ₂ and methane	29MW	330,712	118,418
			482,129	271,747

* The certificate of emission reduction in the Nueva Aldea Phase II project corresponds to 2007. This CDM project is related only to the plant’s surplus capacity that was contributed to the SIC.

** To be approved by CDM.

'00

Arauco
40 years

- The Misiones Sawmill was commissioned in Argentina in May, 2000,
- Aserraderos Cholguán S.A. was acquired In June 2000.
- In 2000, ARAUCO purchased two panel companies in Chile, Trupán S.A. and Maderas Prensadas Cholguán.





Transport

ARAUCO applies a continuous transport optimization process for raw materials, products and personnel, thus permitting a permanent increase in the efficiency of this activity and minimizing any eventual impact.

The general transport management has the following characteristics:

- Route planning for truck's trip distances shorter than 100 Km based on specialized software and resulting in the best use of the fleet.
- Planning and management to maximize the use of return trucks, significantly reducing the required number of trips.
- Intensive use of railway convoys for the transport of finished products to the ports and inputs on return trips.

- Strategically located storage facilities for the distribution products and /materials with the consequent reduction of trips.
- Maximization of the use of transport means thanks to an optimal packing design.
- Strategic stock management in the markets and effective planning of shipments leading to rationalize the use of routes and ship mooring.

The transport of logs from forestry sites to industrial mills where logs are processed takes place on rubble, dirt and paved roads. Dependent upon frequency, volume and influence area, this activity may disturb the community. In order to minimize eventual impacts, ARAUCO optimizes the planning of routes to be used and works to be executed.

The company also developed a computer

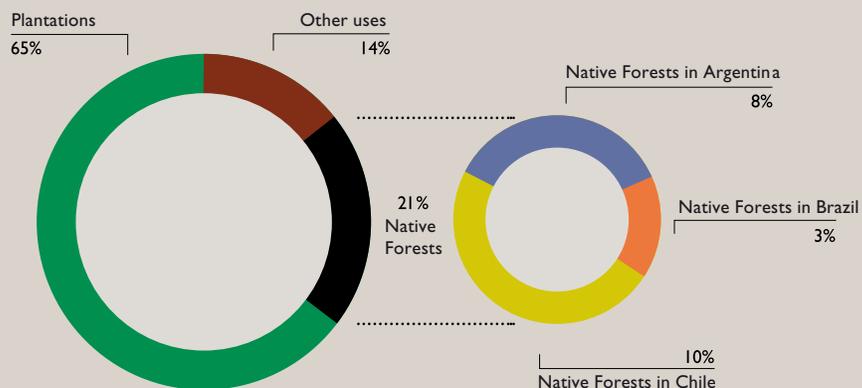
tool based on the Geographic Information System and Land & Property Information System. It is aimed at identifying and prioritizing environmental and social risks at an early stage so that steps can be made to prevent the described impacts which are added to the Integrated Management System.

The aforesaid tool is adjusted to the various needs of the forestry business and has been adopted as a management standard supplementing the conventional impact control and minimization measures and reinforcing compliance with ARAUCO's COMMITMENTS.



Forest Resources and Native Forests (%)

(1.48 thousand hectares)



Environment

Conservation and Protection of Biodiversity

Conservation of the biological diversity or biodiversity in company's lands is an essential part of ARAUCO's sustainable production management and it determines the fulfilment of its vision and COMMITMENTS. Based on this, a cadastre of the native vegetation and natural communities existing in these lands and their characteristics has been conducted to support the conservation activities developed by the company and assure that forestry activities protect native forests.

Bioforest S.A., ARAUCO's scientific-technological research centre, is engaged in the development and testing of technologies aimed at the conservation and recovery of vulnerable and endangered species existing in its forestry areas. Additionally, in 2007 ARAUCO established a division devoted to the Ecosystemic Management of Plantations, which will support the sustainable management of the forestry resources and guide the steps towards conservation of the great biodiversity existing in its pine and eucalyptus forests.

For the preservation of biodiversity, Bioforest executes the following actions:

- Identification, preservation and recovery of High Environmental Value Areas detected in ARAUCO's lands.
- Reproduction of native plants for their further plantation and recovery in protected areas (30 thousand plants), including 10 thousand plants of endangered species: Queule (*gomortega keule*), Pitao (*pitavia punctata*) and Ruil (*nothofagus alessandrii*).
- Training on conservation of endangered flora and fauna.
- Execution of agreements with universities, NGOs and public entities for the research on biodiversity.
- Application of protection measures to the 302 thousand hectares of native forest pertaining to ARAUCO.
- Application of protection and prevention measures against fire and plague control.
- Training on prevention and protection against fire.
- Ecosystemic plantation management.

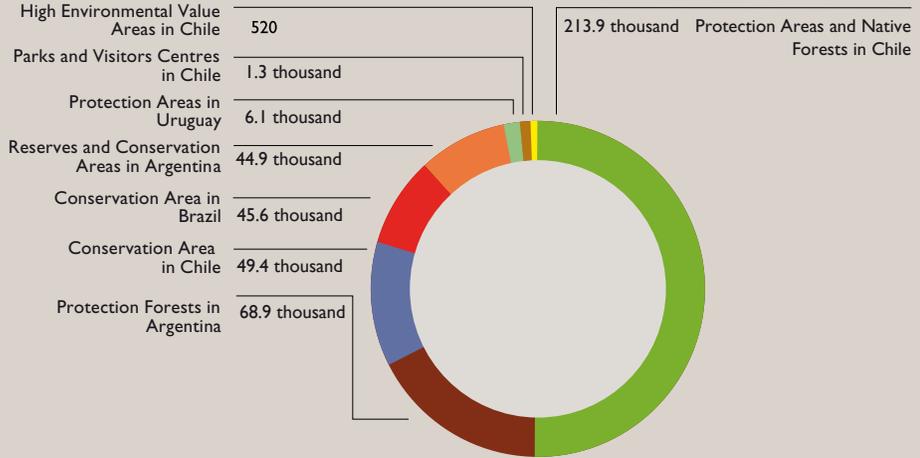
'03

- Construction of the Nueva Aldea Forestry Industrial Complex started in 2003.

Arauco
40 years



Native Forest and Conservation and Protection Areas
(430.5 thousand ha.)



High Environmental Value Areas

ARAUCO's holdings cover areas that make up a network of habitats with outstanding biodiversity or flora and fauna species requiring additional conservation efforts.

ARAUCO declared these lands as **High Environmental Value Areas (HEVA)**. These lands include native vegetation with ligneous flora that is endangered or vulnerable and adult native forests associated to endangered fauna and flora species or corresponding to priority sites, according to the National Biodiversity Strategy. At present ARAUCO has 14 sites designated as HEVA covering a surface area of 520 ha.





Environment

Biodiversity Conservation and Protection Programs

ARAUCO has entered into agreements, arrangements and commitments for the conservation and protection of its native forests in Argentina, Brazil, Chile and Uruguay. Some areas have been designated as conservation and protection areas, reserves and parks, where programs and activities directed to environmental education, observation and conservation of endangered species are carried out, and to establish corridors in order to protect habitats and basins. Some of these programs are:

- **Conservation Program for the Huemul:**

This agreement was signed in 2003 with CODEFF, where ARAUCO cooperates in the recovery and research (2006 expedition and documental) of the last Huemul population (*Hippocamelus bisulcus*) in the biological corridor of Chillán – Laguna del Laja, Bio Bio Region, on the Central mountain range of Chile. For this program the company has reserved 13,000 hectares of the native forests adjacent to the National Sanctuary and National Reserve Los Huemules del Niblinto, managed by CODEFF and CONAF.

During 2007, ARAUCO contributed to the monitoring of huemul groups living in areas owned by the company and neighbouring lands. ARAUCO will continue to support the efforts for the recovery of this huemul population jointly administered by CONAF and CODEFF (see www.arauco.cl).

- **Program for the Conservation of Huillín:**

Cooperation program established with CODEFF aimed at protecting the Huillín habitat (*Lontra provocax*), an endangered species living in the swamps and riverside areas of the Los Rios Region.

- **Protection Agreement of Priority Site Fundo Non-guén:**

This agreement was entered into in 2005 with local NGOs, neighbour's organizations in the Bío Bío Region of Chile and CODEFF. Its purpose is to contribute with the conservation of this priority site, by preserving the biological diversity in the region and acting as first National Reserve in the province of Concepción.

- **Conservation Agreements Cordillera de Nahuelbuta:**

Collaboration agreements signed in

'04

• The Nueva Aldea plywood panel mill was commissioned in 2004.

Arauco
40 years





2005 and 2006 between ARAUCO, companies of the Chilean forestry sector, Chilean environmental organizations, the NGO Forest Ethics, the Government of Chile, local communities, scientists and environmentalists for the protection of forest ecosystems in the Nahuelbuta mountain range, Bío Bío Region.

- **Commitment to Non-Replacement of Native Forest:**

Agreement signed in 2003 with international and national NGOs to verify that native forests are not replaced by exotic plantations in ARAUCO's lands and committing ARAUCO to avoid policies that may encourage their replacement by third parties.

- **Oncol Park:**

Protected wild area of 745 ha located in the Coastal mountain range of Valdivia, Los Ríos Region. It is a refuge for the "Valdivian Forest", one of the seven eco-regions of mild rainy forest in the world, and covers the Valdivian evergreen forest and areas of new Canelo shoots (*drymis winteri*), and endangered flora and fauna species, such as the Pudú (*pudu pudu*), Huillín (*Lontra provocax*), Sapito de Darwin (*melanophryniscus stetznei*), etc. This park is open to the community and

receives more than 15,000 visitors in the year.

- **San Jorge Forestry Reserve:**

16,000 ha of native forest connecting the Iguazú National Park and the Uruguá-i Provincial Park in the Province of Misiones, Argentina. It is the refuge of the "Paraenense Forest" and provides protection to species, such as palo rosa (*Aspidosperma polyneurum*) and palmito (*Euterpe edulis*), both of them declared National Monument, and orchids and endangered species such as the "yaguararé" (*panthera onca*), tapirus, "yacaré ñato" (*caiman latirostris*) and "pato serrucho" (*mergus octocetaseus*) and a great variety of birds.

- **Los Palmitos Land:**

An area of 2,100 ha of Panaerense forest in the Province of Misiones, Argentina, located in the centre of the "Provincial Green Corridor". It shelters the "Panaerense Forest" and provides protection to sites of ecological interest such as palm forests, native araucarias, swamp lands and considerable areas of myrthaceae, a wide hydrologic network and a great amount of birds and mammals, especially the red howler monkey (*Alouatta seniculus*).

- **Forest of the Arroyo Alegría Valley:**

8,550 ha limiting with the Provincial Park "Cruce Caballero" and part of the "Provincial Green Corridor" in the Province of Misiones, Argentina. This is a refuge for the "Panaerense Forest" and provides protection to species, such as the "Chachi macho" or arborescent fern (*Alsophila*) and the wild maté (*Ilex paraguayensis*), both protected species, and species of amphibians, reptiles and birds and large mammals. It has water courses and cascades, such as the Tucuzú and El Alegría waterfalls

- **Piray-San Pedro Area:**

This area covers 17,000 ha and is located in the "Provincial Green Corridor" of the Province of Misiones, Argentina. It is a refuge for the "Panaerense Forest" and provides protection to the combined forest of Laurel and Guatambú, forests of myrthacea and rare species, such as guayubí, cacheta and palo amargo, plus other five sub-basins feeding the important El Piray Guazú stream and a great amount of rare endemic species.

- **Campo do Tenente:**

An area of 10 ha located in the State of Paraná, Brazil, devoted to the Environmental Education Program for children of the region.

- **Morungava:**

Area of 10 ha located in the State of Paraná, Brazil, devoted to the Environmental Education Program for children of the region.

- **Arapotí:**

Natural Inheritance Private Reserve of 218 ha located in the State of Paraná, Brazil, devoted to the Program of Environmental Education for children of the region and conservation and protection.

'05

Arauco
40 years

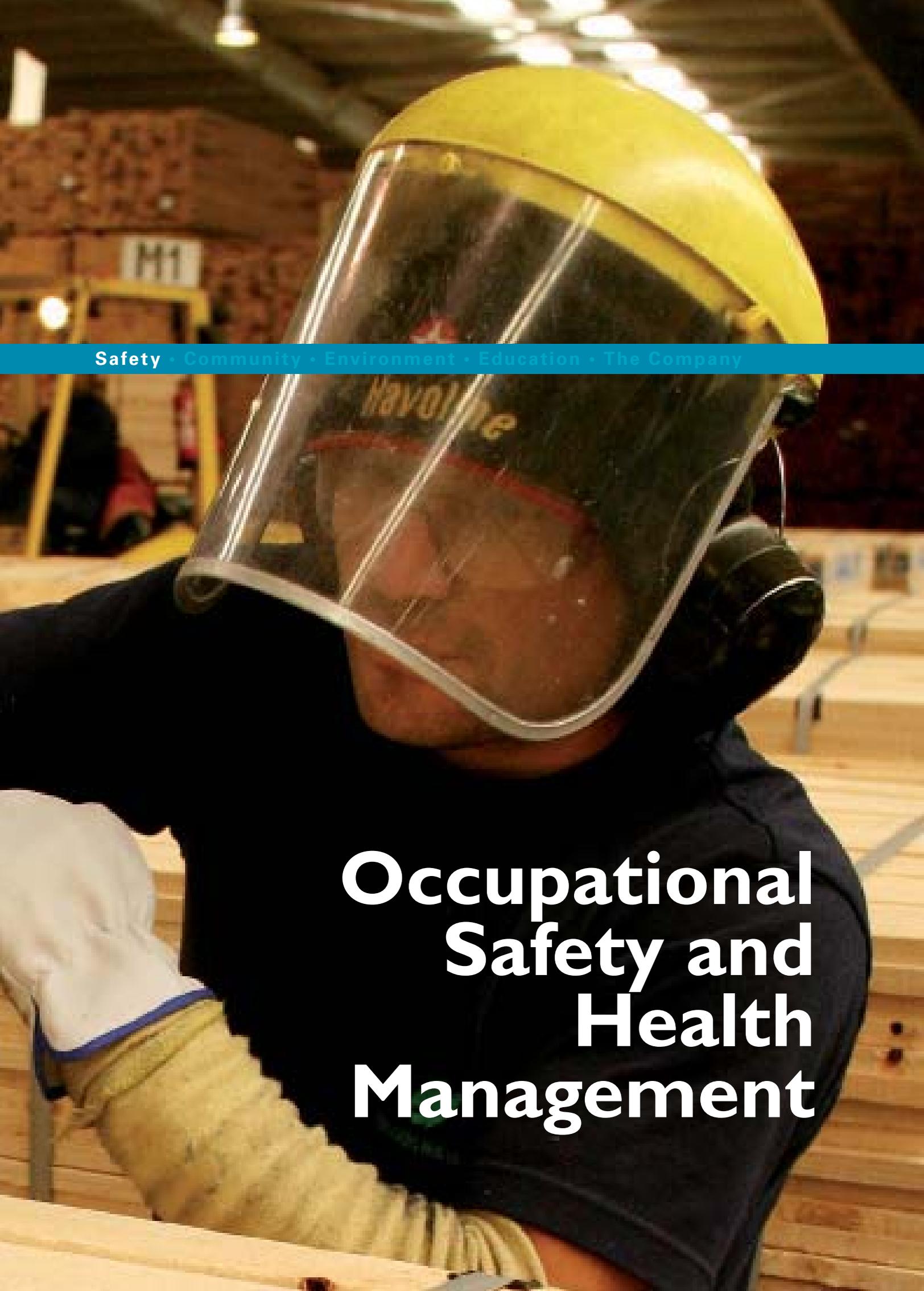
- In March 2005, an agreement was reached with the French group Louis Dreyfus for the transfer of all their Argentinean and Brazilian forestry investments. Thus, in Argentina, a particle board mill, Faplac, and forest plantations were taken over. In Brazil, LD Forest Products S.A, a particle board mill and an MDF panels mill were taken over.
- The Nueva Aldea Sawmill started operations in 2005.





We look after the occupational safety and health of both our workers and those of our collaborating companies.



A close-up photograph of a worker in a wood mill. The worker is wearing a yellow hard hat and a clear, curved face shield that covers their entire face. They are wearing a dark blue long-sleeved shirt and light-colored gloves. The background shows a wooden structure, possibly a conveyor belt or workbench, and a brick wall with a sign that says "M1".

Safety • Community • Environment • Education • The Company

Occupational Safety and Health Management



Occupational Safety and Health Management

Occupational Safety and Health Management

ARAUCO's COMMITMENTS emphasize the importance of Occupational Safety and Health (OSH) management for purposes of its sustainability. On this basis and in an attempt to make a continuous improvement of indicators and avoid accidents with fatal losses among workers and collaborators, systems continued to be certified under OSHAS 18001 during 2007 in the different business units (see section on Indicators in this Report).

For purposes of enhancing risk prevention management activities, the different business units were reinforced with new professionals and training tasks intended to improve core competences. In addition to the work developed by each unit, an OSH support program was implemented at corporate level in Chile and an operations program was started in Argentina, as a contribution to a better performance in these matters.

Likewise, the occupational health, safety and environmental management system (OHSE) was strengthened during the period with over 399 thousand man-hours of training in preventive behaviour, risk identification, tool and equipment handling, defensive driving, procedures, regulations, fire control and other issues, provided to workers and collaborators engaged in environment and occupational safety and health matters in the four business units.

Together with the Institute for Technological Research (IIT) of the University of Concepción, a training program was designed to enhance qualifications and reinforce experts' competences in labour risk prevention. This course will continue throughout 2008 and is attended by 17 professionals from all business units.

Along these lines, another training program aimed at the implementation of safety standards is also taking place specifically applied to the Risk Matrix and the use of tools, such as "Stop and Think" and planned observations, initiatives that

seek to preventively strengthen the risk control.

These efforts are intended to minimize professional diseases and labour accidents, by increasing the company's occupational safety and health standards and continuously improving performance in these areas.

To ensure occupational safety and health awareness and good practices in contractor's workers, ARAUCO develops labour competence certification programs through CORMA (Chilean Wood Corporation). Such certification implies medical, psychological and technical evaluations and leads to obtain a diagnostic of each worker and the whole labour group included in the process, determining the needs for training, development and reinforcement in order to advance towards the elimination of accidents in their jobs.

'06

Arauco
40 years

- Upon commissioning of the Nueva Aldea woodpulp mill in August 2006, ARAUCO reached a total production capacity of 3 million annual tons.





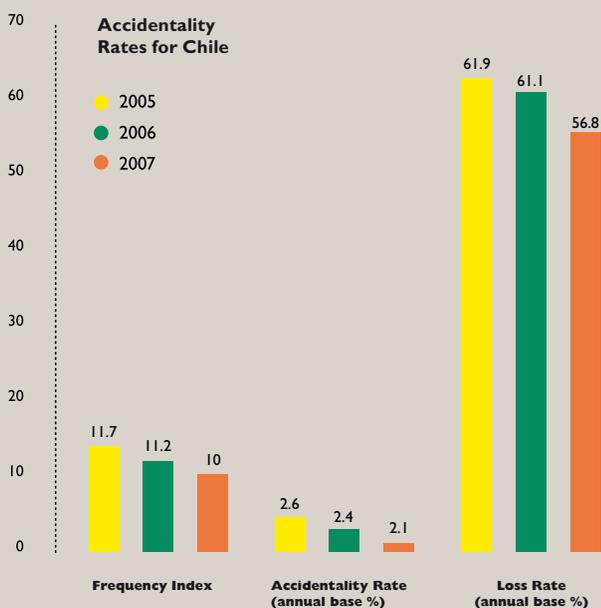
Accidentality

During the 2007 fiscal year, the main accidentality indicators of the company, including collaborating companies (utilities), improved regarding 2006. The Lost-Time Accident Rate dropped by 10.7%; the Loss Rate, by 7%, and the Accidentality Rate, by 12.5%.

Frequency Index: Number of accidents with time lost per million of man-hours.

Accidentality Rate: Number of accidents with time lost per 100 workers.

Loss Rate: Number of lost days per 100 workers.



Objectives for 2008

Corporate management standards were established in 2007. Their purpose was to deliver tools for a better administration of the occupational safety and health aspects that is more efficient following a common program for the entire company. These standards must be validated, published and widespread in 2008.

- Establish critical operating standards for the different activities that have historically generated potentially serious events.
- Establish an auditing program on the basic sanitary and environmental conditions in the different workplaces.
- Establish and unite measurement criteria for OHS indicators in operations abroad.
- Strengthen the structure of risk management and prevention in the forestry activity in Argentina: increase and improve attention and follow-up of accidents.
- Modernize transport units for forestry site personnel in Argentina.
- Apply good nutrition and food practices for forestry workers in Argentina.
- Implement a labour competence certification process for the forestry personnel in Argentina.
- Reduce the frequency and seriousness indicators in Argentina.

A photograph of a young olive tree in a field. The tree is the central focus, with its branches and leaves clearly visible. In the background, a person wearing a blue shirt and a white cap is partially visible, looking towards the tree. The background is slightly blurred, showing other trees and a clear sky. The overall scene is bright and natural.

We build permanent and mutually collaborating relationships with the communities where we operate.

A man wearing a white cap with a green brim, a blue long-sleeved uniform with reflective stripes, and work gloves is working on a young tree in a nursery. He is using a pair of red-handled pruning shears to trim a branch. The background is filled with many other young trees in a nursery setting, with sunlight filtering through the leaves.

Community • Environment • Safety • Education • The Company

Community



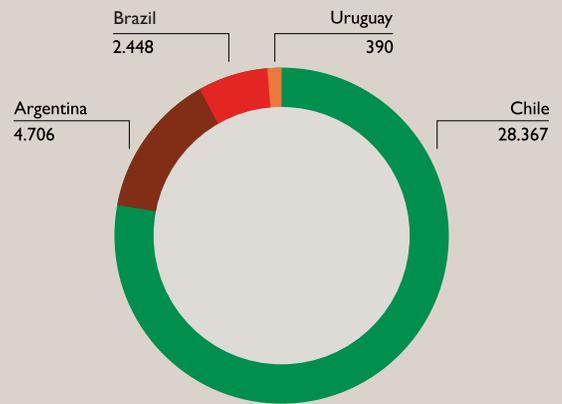
Community

ARAUCO's operations in Chile, Brazil and Argentina cover 35,888 direct and indirect workers and their families and 867 contractor companies, and are inserted in communities distributed over 100 districts and departments.

ARAUCO's presence in these areas encourages local development and is a permanent challenge for the management of relations with the community. Thus, the risks and opportunities involved in the company's activities are constantly evaluated and corrective actions adopted in order to adjust the plans to the purview of ARAUCO's COMMITMENTS. This requires the involvement and effort of all ARAUCO's workers and collaborators.

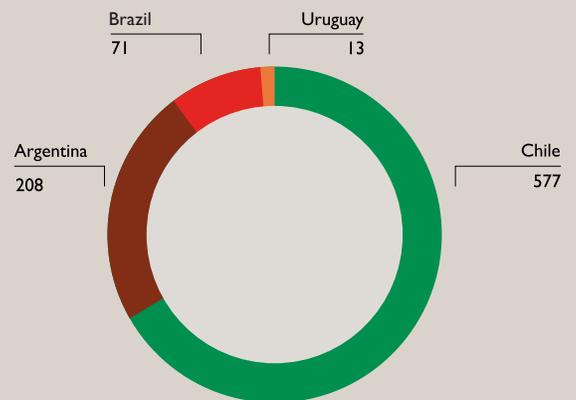
Workers and Collaborators per Country

(Total: 35,888)



Contractor Companies per Country

(Total 867)



'06

Arauco
40 years

- In 2006, the company reached a panel production capacity of 2.32 million cubic meters in its four plants in Chile, two in Argentina and two in Brazil.





Workers and Collaborators

The permanent concern for the company's constituents and their families is a priority for ARAUCO's human resources management. Within the framework of ARAUCO's COMMITMENTS, team capacities were strengthened during 2007, by developing and supplementing abilities aimed at productivity, safe work and a healthy environment for workers and collaborators.

Human Development

A special emphasis has been placed on the development of social abilities during the period. Consequently, Executive Team Effectiveness Programs were conducted in the woodpulp mills and sawmills as well as in the IT and logistic units, where the first stage was focused on strengthening the positions of director, manager and team leader. This initiative is in the process of development and will continue during the following years, as excellent results have been reached so far.

ARAUCO understands that each of its workers and collaborators' contribution

is essential to continue ADDING VALUE into the future. During 2007, training programs were defined and consolidated for each productive unit of ARAUCO and will be repeated in 2008 according to requirements.

The work on labour competences started in an attempt to accurately define the training activities required to support the adequate performance and development of those who are working in each productive unit. This initiative will continue during 2008 and 2009.

On the other hand, labour certification continued to be encouraged in the different business units in order to enhance performance and safety. This resulted in new or renewed certificates for 1,547 workers of the woodpulp, forestry, sawn timber and panel areas. In Chile, the company has led the participation in this system with 6,522 certified workers since 2000. In Argentina, the company has also been one of the main drivers of this system, providing active involvement and support with specialized instructors and obtaining certification for 100 forestry workers in 2007, first year of operation of the system, and will continue to do so with sawmill workers in 2008.

The labour competence certification promoted by CORMA (Chilean Wood Corporation) is a formal acknowledgment of acquired abilities and skills to execute specific tasks according to standards agreed by the industry. In the process, workers are evaluated, attested and certified, progress made by the working group in different fields is shown and opportunities for improvement are detected.

The positions and expertises certified during the year include forestry driver and personnel transportation driver, power saw operator, forestry equipment operator, sling operator, emergency squad member, forestry operator, site manager and production controller, boiler operator, electrician and mechanic, Electrocontrol and mechanic supervisor, power electrician, hydraulic operator, control operators, technician, travelling machinery operator, certified welder, heavy equipment operator and electro-mechanic repairman.



Community

Over 530 thousand man-hours of training took place in 2007 at the different business units of the company in relation to the following matters:

- Safety and Environment Management
- Handling of Hazardous Substances and Residues
- Risk Matrix / Stop and Think
- Applied environmental law
- Integrated Auditors (ISO/OHSAS)
- Emergency / Fire Squads
- Information Systems
- Updated use of office tools
- Training on Technical Operations
- Boiler operation
- Effluent treatment
- Training for higher positions
- Training on Technical Maintenance
- Welding
- Lubrication
- Failure Analysis
- Hydraulics and pneumatics
- Control Systems
- Management
- Development and teamwork
- Operational Excellence

The fourth version of the “Operational Excellence Management” program, which has been attended by 6,300 workers from sawmills and remanufacturing plants since 2004, is one of the initiatives leading to organizational development. From 2008 on, this program will begin to be applied also in the woodpulp and panel units to more than 5,500 persons. The adoption of this program by ARAUCO as a work standard will allow to transfer the acquired good practices and systematically capture creative and innovating ideas of workers and collaborators who are capable of contributing to a continuous improvement of business results and performance in environmental and occupational safety and health matters (for further information, please refer to the description of the program in this report).

The dissemination of ARAUCO's COMMITMENTS finished in 2007 in the business units of the company, with the corporate values being introduced to

each daily operation. ARAUCO's induction process was also formally completed. The purpose of this process was to ensure that all those who are new in the company can learn and share from the start the business principles governing the company's management.

Following a continuous improvement philosophy and adding best practices, new policies and procedures have been consolidated in an attempt to share and combine management criteria among the different business units with regard to information handling and confidentiality, guidelines on training management and development of internships and technical/professional theses, induction processes and relationship and dealings with collaborating companies and their workers, among other aspects.

'06

Arauco
40 years

- At 2006, ARAUCO had 16 sawmills and six remanufacturing mills, with a sawing capacity of 3,842,400 cubic meters per year and a production capacity of 503 thousand cubic meters of manufactured products per year.





Labour Relations

Labour relations experienced a change process at national level during 2007. The first change had to do with the new Law on Subcontracting or labour outsourcing in Chile that came into force during the fiscal period. However, upon a proactive initiative that took several months, ARAUCO reviewed the situation in each of its production units to ensure compliance with the provisions stated in said law.

Additionally, at the beginning of the year, the labour negotiation process exceeded its scope beyond the employer/employee relationship contemplated in the Chilean current labour legislation. This led to mobilizations resulting in the transitory shutdown of some operations.

During these events, ARAUCO always privileged the dialogue, within current legislation, collaborating to find convergences and reach agreements in order to return to a normal situation and resume operations, without further impairing production activities.

Despite these difficulties, ARAUCO all along remain decided to cooperate in the search for solutions and identify improvement opportunities, showing an open and rigorous attitude and fully complying with its corporate commitments. However, for a continuous progress and development, the country requires assurance that the current law will be respected.

On the other hand, the real estate market crisis that affected the United States forced the company to close, modify and reduce shifts in some sawmills and remanufacturing plants and dismiss a number of workers. Some of them were relocated in other company's facilities; others received support for their reinsertion in the labour market by presenting them to other companies where they could offer their services and giving them economic help. More personnel adjustments were avoided by placing an important part of the production of sawn timber and remanufacturing products in other markets.



Community

Relations with the community

Relations with the communities living in the territories where the company operates are based on dialogue and collaboration means capable to create a strong and efficient link with interested parties and provide help by ADDING VALUE to the activities of the company and its surroundings. This is the outcome of a professional management based on continuous improvement that takes advantage of learning opportunities, establishes own commitment and self-regulation standards, develops behaviour guidelines and management plans, and conveys good practices to improve performance in all aspects of ARAUCO's task: company, environment, occupational health and safety, community and education, all this in harmony with ARAUCO'S VISION AND COMMITMENTS that guide the relationship with all stakeholders: shareholders and investors, workers and collaborators, authorities, neighbour communities, social organizations and institutions, clients and suppliers.

For the purposes referred to above, wide scope programs are developed and managed in a professional and transparent fashion resulting in an efficient contribution to the local

development. In this regard, the following fields of action have been defined:

- **Community Development:** The forestry and industrial activity contributes to the economic and social development of both the community and the country by generating employment, wealth, business opportunities and greater employability.
- **Education and Culture:** This is a key development aspect, as it helps people develop all their capabilities and become the most valuable equity for a country in the continuous generation of growth.

- **Sports:** This activity helps acquire habits, such as effort, discipline, teamwork, loyalty and competitiveness, all of them virtues that encourage autonomy, independence and enterprising capacity, reinforcing development opportunities and people's employability.

Based on local diagnoses, socio-economic studies, roundtables and meetings with local leaders and authorities, ARAUCO develops the following types of programs with the community in Chile:

Program on Works with the Community 2007

Field of Action	Work line	Chile
Community Development	Infrastructure and social supplies	49
	Parks and visitors' centres	2
	Production development programs	55
Sports	Professional sport sponsorship	7
	Infrastructure and sport supplies	11
	Sport programs	3
Education and culture	ARAUCO Schools	3
	ARAUCO Educational Foundation	21
	Scholarships	4
	Infrastructure and educational supplies	15
	Educational / cultural programs	63
Grand total		233



Dialogue and ties with the community

For the development of the above-mentioned programs, the company's Corporate Affairs and Marketing area has established Public Affairs offices in the Maule, Bío Bío and Los Ríos regions. These offices are transversally supported by the areas of Corporate Accountability, Communications, Environment and Occupational Health and Safety, and keep a permanent dialogue with the communities and other relevant stakeholders with whom they develop joint projects, mainly of associative nature, aimed at the local socio-economic development. The operations located abroad have their own units in charge of these tasks and supported from Chile.

Any concern and questions posed by these related parties are channelled and answered through the following means:

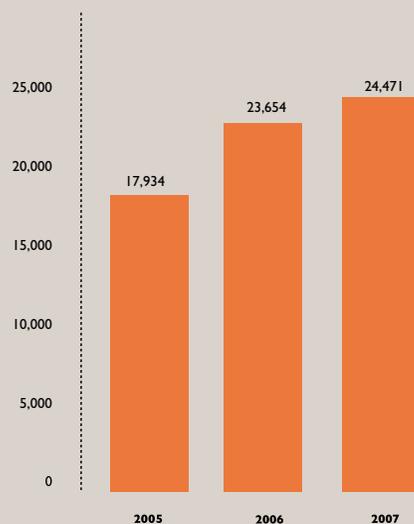
- Doors open to the public for visits to the industrial facilities.
- Meetings and periodic visits to industrial facilities with authorities and community organizations.
- Toll-free telephone line (800 370 222) covering the area of influence of the Forestry Industrial Complexes of Horcones (2007), Nueva Aldea (2006) and Valdivia (2006), Alto Paraná (800 888 2772) Argentina (2007).
- Public Affairs Offices located in the regions of Maule (2007), Bío Bío (Nueva Aldea 2005 and Horcones 2007) and Valdivia (2005).

- Systematized communications through the Integrated Management System (IMS).
- Information delivery and dissemination: ARAUCO'S publicity campaign in the main media (2007), short advertisements in the local radio and TV.
- Website: www.arauco.cl.
- Magazines in each plant.
- Participation in local exhibitions: Expocorma 2007, Fital 2007, Expo Construcción 2007.

Similarly, new visit programs were implemented at the Horcones and the Trupán-Cholguán industrial complexes in the Bío Bío Region, the Constitución and Licancel woodpulp mills in the Maule Region and the Alto Paraná plant in Argentina.

Roundtables and work meetings covering the territories of different groups and private and state agencies are some of the most important linking elements in ARAUCO'S relationship with the community. These instances operate at present in the Maule, Bío Bío and Los Ríos Regions with the participation of sectors such as artisan fishing, tourism, and local micro-businesses. Their purpose is to define common goals and targets and establish work plans leading to foster the development of the local production (see descriptions in this report and visit www.arauco.cl for more information).

Visits to ARAUCO'S Facilities





Community

Native Communities

In the Bío Bío and Araucanía Regions, ARAUCO has neighbours who belong to Mapuche communities and, as such, are part of our interested parties. In accordance with ARAUCO's COMMITMENTS, the company respects the Mapuche worldview and opinions and takes their expectations into consideration. Consequently, the company has created communication and cooperation bonds based on mutual respect and assurance that the company neither supports nor encourages situations that may violate their rights.

ARAUCO has reached agreements with communities that have stated their interest in acquiring certain lands. Since 2005 there are agreements in force under the Indigenous Law to transfer these lands through the Land and Water Fund of CONADI (National Indigenous Development Corporation),

Company's representatives regularly meet with Mapuche and Lafquenche leaders in order to establish ways for cooperation with their development and hear their concerns. During the 2006-2007 period, the company has developed work programs with these communities addressed to enhance their productivity and enterprising task. Some of these programs are:

- Technological transfer for the domestication and mother plant selection of the murta wild fruit (in forestry nursery): reproduction by slips, plants nursery and information dissemination between communities. The Lafquenche Alepue Indigenous Communities Association in San José de la Mariquina, Los Ríos Region;
- Program supporting access to retail networks for the wild murta: Lafquenche Alepue Indigenous Communities Association in San José de la Mariquina, Los Ríos Region.



- Electrical connection for the Quillalhue Coastal Community: raising finance for domestic connections to the grid
- Rayen-Mapu Apicultural Agreement: for the establishment and protection of honeycombs owned by the Rayen-Mapu community on ARAUCO's lands.
- Family greenhouses for growing vegetables in Nalcahue Alto: support for the installation of family greenhouses devoted to the production of vegetables for own consumption and sale.
- Training in the use of Mapuche weaving frames: social scholarships to attend training course(s) for the development and improvement of traditional Mapuche knitting production.
- "Project for a Community Wheat Mill", native communities, San José de la Mariquina, 10th Region, Chile.
- Program for the purchase of wood from Mapuche communities in the coastal area of the Mariquina district.
- Program for the establishment of formal relations with eight Mbya Guarani communities in Argentina, who are neighbours of ARAUCO in said country. Neighbour agreements were signed with two of these communities in 2007, and we are in the process of signing agreements with the remaining communities with whom we hold a formal and frequent dialogue. Actions arising from these formal approaches can be summed up as follows:
 - Program for production development in the Guapo-í Village: provision of a nursery for native orchids and specialized training.
 - Support to the periodic monitoring of the general health condition of the village population.



Community

Social Participation

ARAUCO's representatives take part in important organizations in Chile:

- Production and Commerce Association (CPC), Chile.
- Association for Industrial Development (SOFOFA), Chile
- Chilean Wood Corporation (CORMA), Chile
- Chilean Chamber of Construction (CChC)
- Bilateral Commerce Chambers (various countries)
- Centre for Public Studies (CEP), Environmental Commission, Chile
- Woodpulp and Paper Technical Association (ATCPL), Chile
- Corporation for the Development of the Province of Arauco (CORPARAUCO) Bío-Bío Region, Chile.
- Valdivia Chamber of Commerce and Industry (CCIV) Los Ríos Region, Chile.
- Central Industrialists Association (ASICENT), Maule Region, Chile.
- National Association of Forestry Products Importers and Exporters, (IMEXFOR), Mexico.
- Mexican Wood Chamber, Mexico.
- Chilean-Mexican Commerce and Investment Chamber, Mexico. .
- Queretaro Wood Chamber, Mexico.
- National Council on Construction Wood, Mexico
- Brazilian Association of Plywood Industry (ABIMCI) (), Brazil.
- Brazilian Association of Furniture Industry (ABIMOBEL), Brazil.
- Association of Companies from the Industrial City of Araucária (AECIAR), Brazil.
- Association of Companies from the Industrial City of Curitiba (AECIC), Brazil.
- Paraenense Association of Forestry Companies (APRE), Brazil.
- National Engineering and Architecture Council (CREA) , Brazil.
- National Engineering, Architecture and Agronomy Council (CREA-PR), Brazil.
- Cooperative for Genetic Resources from Central American and Mexican Conifers (CAMCORE), Brazil.
- Brazilian Company for Agropecuarian Research (EMBRAPA), Brazil.
- Forestry Research Foundation (FUNPEF), Brazil.
- Hugo Simas Foundation (UFPR), Brazil
- National Fund for the Control of the Wood Wasp (FUNCEMA), Brazil.
- Brazilian Institute for Finance Executives (IBEF), Brazil.
- Institute for Forestry Research (IPEF), Brazil.
- Wood Industries Management of the Paraná State (SIMADEIRA), Brazil
- Brazilian Forestry Society (SBV), Brazil
- Argentinean Forestry Association (AFOA), Argentina.
- Association of Woodpulp and Paper Manufacturers (AFCP), Argentina
- Argentinean Federation of Wood and Related Products Industry (FAIMA), Argentina.
- Argentinean Chamber of the Agglomerated Wood Industry (CAIMA), Argentina.



Distinctions

In acknowledgment of ARAUCO's social participation and involvement and its performance in different areas, the following distinctions were granted to the company during 2007:

Corporate Education Award in the category of "Elementary and Secondary School Institution" for its 26 years of experience in this field. This award was given at Eneeduc 2007, the most important event about contributions to education by the private sector.

Acción RSE (Corporate Social Responsibility Action) granted a Honorific Mention to ARAUCO's Annual Report 2006 in the "Best Sustainability Report Award 2007".

Fundación Vida Silvestre (Wild Life Foundation) acknowledged the Argentinean subsidiary Alto Paraná for its commitment to the conservation and protection of the environment and its policy of non-replacement of native plants.

The Faculty of Forestry Science of the University of Chile celebrated its 55th anniversary with a seminar on Forestry Sciences and Industries. On this occasion, ARAUCO's executives were acknowledged for the collaboration provided to the academic and research task performed in said institution.

In the Los Ríos Region, ARAUCO was acknowledged by the Chilean Olympic Committee for its collaboration with the most outstanding sport branches in the region, which include basketball, football and rowing.

The CIO Club from the Centre for IT Studies (Cetiuc) of the Catholic University of Chile granted ARAUCO the award as "Best IT Strategic Management" in the category of "IT Impacts on Business".

The Chilean Safety Association distinguished the "Employer/Employee Committee of the ARAUCO woodpulp plant with the prize "Employer/Employee Action".

Within the framework of the Safety Annual Award ceremony, the Chilean Safety Association also distinguished Bosques Arauco's manager with the "Efficient Executive" prize.

Sodimac acknowledged ARAUCO as Excellence Supplier in the area of Construction Materials.

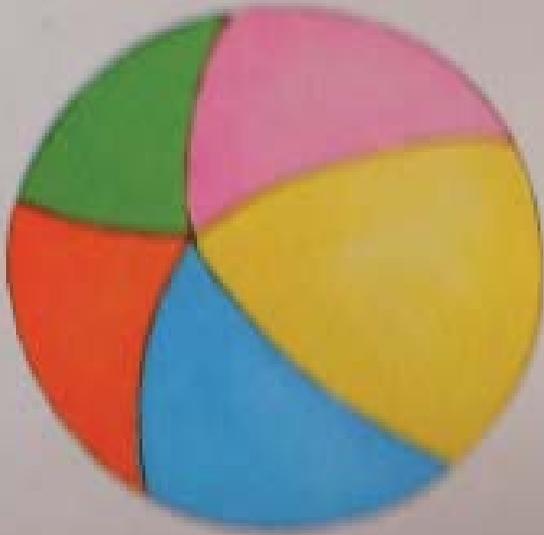
The "National Safety Council" prize was granted to the company for the good performance of its Panel Division in terms of accidentality rates.

26 years of excellence in education,
serving the community.

Education



Education · Community · Safety · Environment · The Company





Education

ARAUCO is convinced that education is a key factor in the development of the country and that, through education, people can take advantage of all their abilities and become the most valuable capital of a nation to promote growth.

Such firm conviction is a true reflection of ARAUCO's COMMITMENTS, and is evidenced in the sustained work executed over time at national and international level to contribute to the improvement of quality in education and equal access in areas where the company operates.

The company makes its contribution through the Arauco, Constitución and Cholguán schools that offer excellence education; the Arauco Educational Foundation, that seeks to strengthen the municipal education; the Alto

Paraná Foundation in Argentina, that supports local education in the Province of Misiones; the Annual Program of Internships and Theses, seeking to generate more employment and work habits and excellence in students, providing support to other educational corporations and foundations, and through several programs delivered to the community aimed at more direct needs in the field of education (see section on Community in this Annual Report).

In 2007, ARAUCO was awarded with the "2007 Corporate Education" prize for its successful 26 years of experience in the educational field in the category of "Elementary and Secondary School Institution." This distinction was granted within the framework of the III Annual

Meeting "Corporate Education – Eneeduc 2007," organized by the Association for Industrial Development (SOFOPA) and the Production and Commerce Association (CPC).

Schools

In order to enhance the initially scarce educational supply existing in Arauco, Constitución and Cholguán, the company established three schools that are open to the community in the levels of infant, elementary and scientific-humanist secondary education. These schools are managed and financially supported by ARAUCO and are well-known in the country for their high performance level shown in the SIMCE and PSU tests, where they have obtained remarkable scores at national and regional level.

Arauco School	Constitución School	Cholguán School
Private, paid.	Private, paid	Private, free, subsidized
Scientific-Humanist teaching, Infant through 4th year of Secondary School.	Scientific-Humanist teaching, Infant through Secondary School.	Scientific-Humanist teaching, Infant through Secondary School.
Open to the community.	Open to the community	Open to the community
Located in the city of Arauco, Province of Arauco, Bío Bío Region.	Located in Constitución, Maule Region	Located in the Locality of Cholguán, District of Yungay, Bío Bío Region.
Established in 1981.	Established in 1981.	Established in 1989.

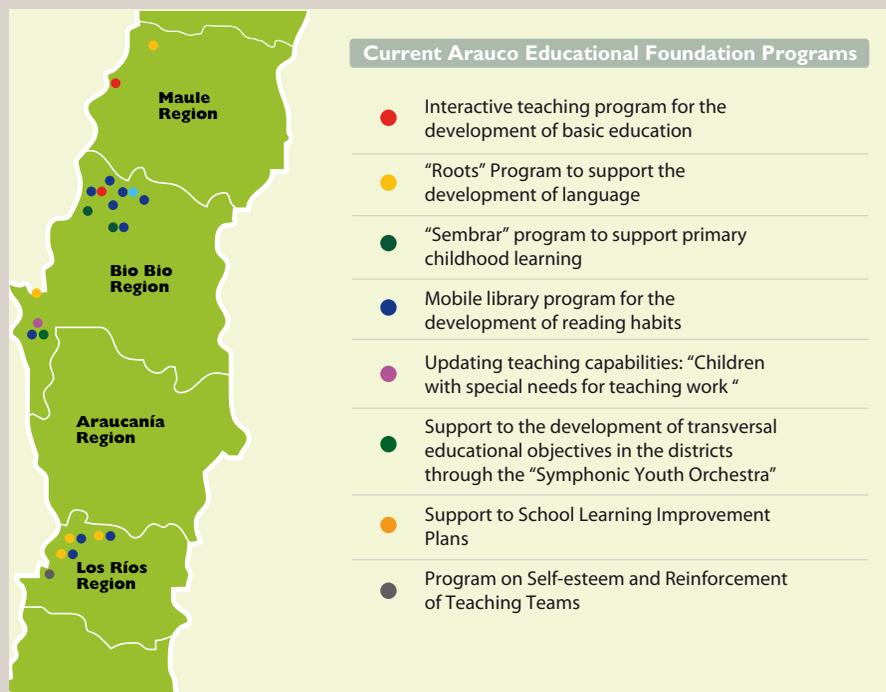


Arauco Educational Foundation

In 1989 ARAUCO established the Arauco Educational Foundation for purposes of accompanying and reinforcing teaching in municipal schools. This entity designs, implements and evaluates several teaching training programs leading to improve the opportunities for students based on high quality education.

Until 2007 the Arauco Educational Foundation has developed 59 programs in 29 districts of the Maule, Bío Bío and Los Ríos Regions, where ARAUCO is present with industrial and forestry activities, favouring approximately 71,000 children.

Activities related to the development of written and oral language, logical-mathematical reasoning, self-esteem, psycho-social encouragement, pedagogic management and special educational needs have been developed during 19 years. After duplicating its activities during 2006, the entity reached new districts and continued to extend the coverage of some of its programs.



Coverage of Arauco Educational Foundation Activities

	1989 – 2005	1989 – 2006	1989 – 2007
Districts	11	21	29
Schools	208	440	470
Teachers	1,574	3,400	4,066
Students	36,903	68,000	71,268

Publications

Two new publications were added in 2007 to Arauco Educational Foundation's large library:

- Final Report “Peer Teaching Improvement Program, Walking Together”. Licantén 2001-2005, 2007
- Why is reading important? Why reading properly is so important? Associating Reading with other Learning. Psykhe Magazine, Vol. 16, No. 2. Faculty of Psychology of the Catholic University of Chile, 2007.

(More details on this bibliography can be found in www.arauco.cl and www.fundarauco.cl).



Education

Alto Paraná Foundation

This entity was established in 1985 by Alto Paraná S.A., a subsidiary of ARAUCO in Argentina since 1996 for purposes of contributing to raise the quality of education for children and youngsters in the province of Misiones, Argentina, and execute several actions leading to a better standard of life in the community.

Among other activities, Alto Paraná Foundation sponsors and takes part in the management of the Puerto Esperanza School Association, which manages the Los Lapachos Educational Institute, a school with more than 500 students. This Foundation also grants scholarships to students from the most humble homes in the area and invests in improved infrastructure and school equipment.

The Foundation also supports the Los Lapachos Teachers Training Centre, which was established in 2006 to train teachers from the educational community

and is acknowledged by the Ministry of Education of Misiones. To date, this entity has trained more than 300 teachers from the North of the province.

Another establishment that is sponsored by the Alto Paraná Foundation is the Instituto Nuestra Señora de los Milagros, which is managed by the Piray Civil Educational Association and has over 600 students registered.

The Foundation has also developed improvement programs for rural schools in Puerto Libertad, Colonia Delicia and Puerto Piray, in collaboration with the authorities, the educational community, parents and students. It also has a scholarship program for poor young students in the medium secondary, tertiary or university level. Today there are 32 students with scholarship in Misiones and, during 20 years, this program has permitted 300 students to graduate from high school, 90 students to obtain their degree in tertiary education, and 24 students, their university degree.



Belén Educa Foundation

The Belén Educa Foundation reports to the Archbishopric of Santiago. It provides quality education to children and youngsters from working-class areas according to the country's cultural and socioeconomic demands.

From 2006 on, ARAUCO has been supporting the programs of the seven Foundation's schools: 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, which 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.

Internships

Every year ARAUCO develops and annual Dual, Technical and Professional Internships Program in its production units, covering over 20 industrial and forestry facilities, and receives students from more than 48 institutions, mainly from the regions where company has production facilities, and more than 33 universities.

The students acquire competitive advantages to enter the labour market or continue their studies in higher educational levels. ARAUCO also selects a number of professionals and technicians of excellence to work in company's activities.

During 2007, a total number of 296 university students and 258 students from medium technical and professional level went through dual or graduate internships in ARAUCO's production units.

Internships in ARAUCO
(Total: 554)

