

Annual Report and
Environmental and Social
Responsibility Report



Annual Report 2008

To be a global leader in the
development of sustainable forest
products is **Growing the Future**

Growing the Future





ARAUCO®

Growing the Future

About this Report

ARAUCO has issued annual Environmental and Social Responsibility Reports since 2004. This report provides a comprehensive review of the company's performance regarding its business, the environment, the communities where it operates and its investments in education. This year, the Report also includes a new chapter on energy generation, an area in which ARAUCO has made important investments. Also included is information on some of the company's international operations.

Based on feedback received from interested parties, the following enhancements have been made to this year's Report, which now includes:

- A detailed description of the company's other management areas, such as energy generation;
- More specific details about how ARAUCO puts sustainability into practice throughout the different areas of the company;
- Additional environmental indicators for the Panel and Sawn Timber businesses;
- An update on progress in the Clean Production Agreements in which all company operations participate; and,
- More specific information about the managers responsible for key aspects of the company's operations.

Additional detailed information on economic, financial and corporate governance indicators is published twice a year in Form 20-F and in the audited Consolidated Financial Statements. These documents are available at www.arauco.cl and are an integral part of this report.

Contents and indicators published in this Report were defined following the Global Reporting Initiative (GRI) G3 Guidelines. These are identified throughout the text according to the corresponding codes, which can be found in the GRI Index appendix.

The financial statements included in the annex are audited by an independent firm, whereas social and environmental indicators are not externally verified. However, ARAUCO carries out a thorough, internal, data-verification process to ensure that the report provides accurate and meaningful information.

GRI	3.1
	3.2
	3.3
	3.4
	3.5
	3.6
	3.7
	3.13
	4.16
	4.17



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For more information please visit:
www.arauco.cl
For information regarding the Report contact this e-mail:
reporte2008@arauco.cl





**Annual Report
Environmental and Social
Responsibility Report**





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GRI 3.12



Board of Directors, Management and Shareholders

GRI 4.3

To be a global leader in sustainable forestry and forest product development is the Vision that has driven ARAUCO for more than 40 years. As a result of this clear focus, the company today is one of the major forestry businesses in Latin America in terms of forest ownership, plantation performance and the manufacture of market woodpulp, sawn timber and panels.

GRI 4.2

The company's Board of Directors is comprised of nine members, none of whom can simultaneously hold executive positions within the company. The current Board was appointed in April 2008, in accordance with Chilean laws and the Chilean Securities and Insurance Supervisor.

The senior management team, which reports to the Chief Executive Officer, includes the managers for the Forestry, Woodpulp, Sawn Timber and Panel businesses, the manager of the operations in Argentina and

Brazil as well as the managers of Corporate Affairs and Marketing, Corporate Management, Legal Affairs and the Comptroller.

During 2008, ARAUCO established a Corporate Management area in order to strengthen the corporate structure and to position the company for its planned future growth. Reporting into this new function are the managers of Administration, Finance, Construction and Engineering, Environment, Occupational Health and Safety and Human Resources.

The Argentina and Brazil business area was also created in 2008 to which the management teams of Arauco Argentina and Arauco do Brasil now report.

ARAUCO's senior management team is responsible for implementing the company's economic, environmental, social, and safety and occupational health programs.



Growing the

Board of Directors

José Tomás Guzmán
Chairman

Roberto Angelini
Manuel Enrique Bezanilla
Vice Chairmen

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

Management

Matías Domeyko
President & CEO

Franco Bozzalla
Woodpulp Business
Managing Director

Cristián Infante
Argentina and Brazil
Managing Director

Antonio Luque
Sawn Timber Business
Managing Director

Álvaro Saavedra
Forestry Business
Managing Director

Gonzalo Zegers
Panel Business
Managing Director

Jorge Garnham
Corporate
Management Director

Felipe Guzmán
Legal Affairs Director

Charles Kimber
Corporate Affairs and
Marketing Director

Robinson Tajmuchi
Comptroller Director



“Working to fulfill the Vision of being a global leader in sustainable forestry and forest product development is how ARAUCO is **Growing the Future**”

Future

Shareholders

	Number of Shares	% of Ownership
Empresas Copec S.A.	113,127,452	99.97791
Chilur S.A.	24,746	0.02187
Sucesión Cruchaga Montes María Raquel	153	0.00014
Antarchile S.A.	95	0.00008
	113,152,446	100.00000

Chairman's Statement

On balance, 2008 has been a positive one for ARAUCO, in spite of the difficult economic conditions we faced during the year. In situations like this, we must emphasize the effort made by all the organization's areas — instead of the difficulties — to further our collective efforts to position the company as a global leader in the development of sustainable forest products, which is our longstanding commitment to all of our stakeholders.

During the second half of the year, the global economy entered a critical period which particularly affected the



forestry sector. Our culture of efficiency and cost management and a low level of indebtedness have allowed us to minimize the risks inherent in this difficult business environment.

Beginning in early 2008, we saw signs of the coming contraction and focused on planning and applying corrective measures to face the challenges brought on by the drop in real-estate activity around the world and by the increase in the price of input materials.

We were fortunate to have a management team that was able to predict and act in a timely manner to minimize the effect of these external negative factors on our results, on the interests of our shareholders, on the thousands of related businesses that supply the company with services and input material and on our broad base of stakeholders.

As a result, we want to highlight that during 2008, we were able to work on issues beyond the grim economic scenario, and were able to focus on growing the future.

We continued our commitment to take on new challenges focused on innovation and clean production. ARAUCO is proud of the investments made in these areas and of the investments made in dealing with climate change, an issue that affects all individuals, businesses and organizations.

I also want to emphasize the importance of safety to the company and its managers. This is an issue that does not allow for relaxation, and is one in which we must strive to continuously improve our approach and our performance.

Important as well is the new phase the Arauco Educational Foundation is currently entering. This institution, soon to celebrate its 20th anniversary, is redoubling its effort to broadly share experience accumulated during its two decades of hard work.

These various aspects of the company make ARAUCO a complete entity, honoring the memory of a great entrepreneur who sought to maximize profit for its shareholders, as well as contribute to the sustainable development of Chile through the company's commitment to communities, the environment, and to meeting or exceeding safety and occupational health standards.

A handwritten signature in black ink, appearing to read 'José Tomás Guzmán'.

José Tomás Guzmán

Chairman of the Board
ARAUCO





Chief Executive Officer's Statement

I am pleased to present the 2008 Annual Report, which describes the company's economic, environmental and social performance in a particularly complex setting.

During 2008, the global economy began to gradually deteriorate. Though our company showed satisfactory results throughout the first half, the global economy entered a critical phase during the last half of the year, resulting in a contraction in the demand and price of our products. To face these adverse business conditions, ARAUCO sought to redirect



its products towards new markets and was forced to adjust production, work days and shifts in some of its facilities.

In spite of this effort, and though consolidated sales reached 3,689 million

dollars — 3.2% more than the previous year — consolidated net earnings were 479 million dollars, a 31.2% drop compared to 2007 results. EBITDA of 1,138 million dollars represented a decrease of 16.3% from 2007 levels.

In the middle of the global crisis, ARAUCO decided to bet on the solid Chilean economy, successfully placing local bonds in the market worth 200 million dollars, showing investor confidence in our company.

At the same time, the company established a Corporate Management area and created a new position to direct operations in Argentina and Brazil in order to strengthen the corporate structure and to position the company for its planned future growth.

During 2008, ARAUCO also developed and launched an advertising campaign to continue establishing its corporate identity. The purpose of the campaign is to provide information about the company's environmental, social and economic activities using the slogan "Growing the Future," which reinforces

our Vision to be global leaders in the development of sustainable forest products.

As a sign of its firm commitment to its business, ARAUCO approved investments totaling 525 million dollars in plantations and innovative new projects during the year.

These included 70 million dollars for improvements in the supply of electricity for Arauco woodpulp mill in the Bío Bío Region, 105 million dollars for a new biomass-based cogeneration power plant located in the Viñales area, and 17 million dollars for an addition to the Viñales sawmill. These projects will meet our energy and steam requirements and will allow ARAUCO to provide additional surplus electricity into Chile's Central Interconnected System.

Regarding our commitment to our workers, during 2008 ARAUCO initiated a "Work Well, Work Safe" campaign, in which we reinforced practices to avoid accidents, giving fresh impetus to promoting safety in all our operations. In addition, we explicitly displayed ARAUCO's Code of Ethics, which provides an ethical framework for each and every company activity, and extended the Operational Excellence program to all company areas to further the development of human resources as well as to increase the number of skill-certified workers.

We also launched two initiatives during the year, consistent with our sustainability policy of making full use of our forest resource. We were successful in selling bonds for 260,000 Carbon Emission Reduction Certificates (CERs). These CERs represent 260,000 annual tons of CO₂ equivalent, carbon captured by our sustainably-managed plantations. We also joined the Bioenercel consortium, which plans to develop a pilot power plant based on second generation biofuels using lignocellulose.

In order to determine the level of greenhouse gas emissions resulting from the company's operations in Chile, Argentina and Brazil, we commissioned a carbon footprint assessment. Project results are expected by the middle of 2009.



All of these efforts, along with our relationships with neighboring communities and local authorities, have resulted in a series of awards in 2008 for our work in business, as well as in environmental, community, and safety and occupational health areas. While there are too many to list here, I would like to highlight the “Good Business Citizen Award” granted by Amcham for our “Development of new local suppliers for ARAUCO” program. This is an example of our many successes based on mutual trust and cooperation among different areas in our society that share the same interest in sustainable progress and overcoming poverty.

Another important milestone I would like to mention is “The Value of Teachers” seminar organized by the Arauco Educational Foundation. This seminar is the first of a series of events that will take place during 2009 to celebrate the Foundation’s two decades of work.

Based on our new projects and the awards received, we are committed to continue working towards being global leaders in the development of sustainable forest products. This will mean facing challenges that arise to improve our efficiency and competitiveness, to take advantage of the opportunities that present themselves, and to translate this into future growth, employment and sustainable development for all our stakeholders.

Finally, and most importantly, I congratulate and thank all of ARAUCO’s workers and contractors for their efforts and ask them to maintain their standard of excellence regarding the environment, the communities where we operate and their safety and occupational health, so that together we can continue to fulfill our slogan: “Growing the Future.”

Matias Domeyko Cassel
President & CEO

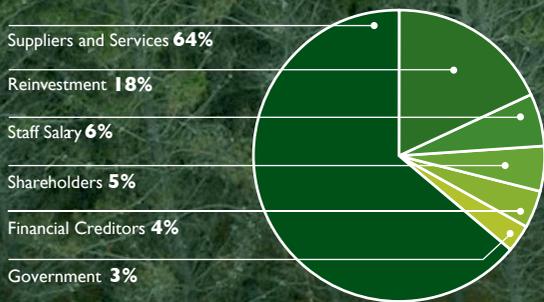
GRI	1.1
	1.2
	2.9
	2.10
	4.6
	EN 6
	EN 18

Indicators

GRI 2.8
EC 1

Resources Generated and Distributed in 2008

(Sales 2008: 3,689 million dollars)



Resources Generated and Distributed in 2008

(EBITDA: 1,138 million dollars)



Economic

(Millions of dollars)

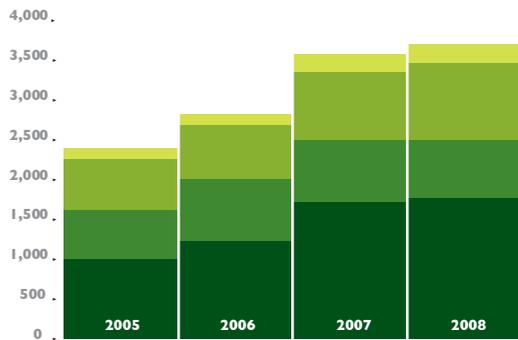
	2005	2006	2007	2008
Sales	2,374	2,850	3,576	3,689
Operating Income	667	865	1,008	782
Net Income	438	619	696	479
EBITDA	894	1,123	1,360	1,138
CAPEX	910	733	803	525
Total Assets	7,093	7,815	8,634	8,854
Fixed Assets	5,491	6,112	6,578	6,790
Net Assets	4,249	4,832	5,414	5,623

Financial Ratios

EBITDA Margin	37.7%	39.4%	38.0%	30.9%
Debt / Capitalization	35.5%	33.4%	31.8%	30.8%
Current Ratio	3.39	1.96	3.07	2.86

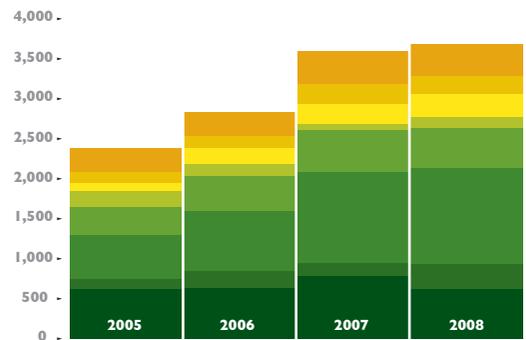
Marketing

	2005	2006	2007	2008
Countries Served	50	50	69	65
Sales Offices	8	8	9	9



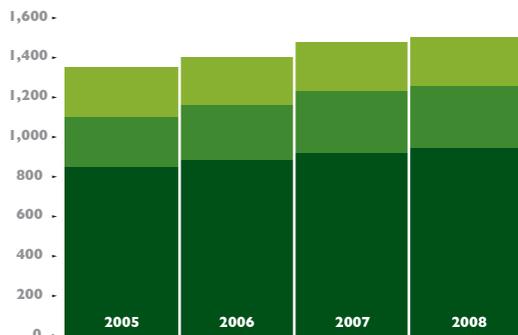
Consolidated Sales by Product
(Millions of dollars)

- Woodpulp
- Sawn Timber
- Panels
- All Other



Consolidated Sales by Market
(Millions of dollars)

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



Forest Land
(Thousands of hectares)

- Plantation Forest
- Native Forest
- Other Uses



Environment		2006	2007	2008
GRI EN 3	Energy (GWh)			
	Electric energy consumption ^[1]	1,784	2,069	2,214
	Electric energy generation	2,062	2,406	2,722
GRI EN 22	Hazardous and Non Hazardous Solid Industrial Residue			
	Woodpulp production residuals (kg/Adt)	130.8	128.3	107.7
	Sawn Timber production residuals (Ton)	3,572	11,263	7,203
	Panel production residuals (Ton)	NI	89,877	47,409
GRI EN 1 EN 8	Consumption			
	Wood consumption (millions of m ³)	22.2	24.9	26.6
	Woodpulp area water use (m ³ /Adt)	55.1	49.4	46.1
	Sawn Timber area water use (m ³ /m ³)	0.3	0.3	0.3
GRI EN 11	Biodiversity			
	Total Forest Area (thousands of hectares)	1,410	1,478	1,509
	Native Forest Area (thousands of hectares)	281	302	309
	High Value Environmental Forest Areas (N°)	11	14	25

[1] Corporate offices are not included, since they do not represent significant consumption in relation to total consumption.

Occupational Health and Safety		2006	2007	2008
GRI LA 7				
GRI 3.9 3.10	Accident Severity Lost Time Rate (IS) (IG) ^[1]	302.2	321.2	315.6
	Accident Frequency Lost Time Rate (IF) ^[2]	11.2 ^[3]	11.4	9.6

1] Severity Indicator: N° of days lost per million man-hours.

[2] Frequency Indicator: N° of accidents with time lost per million man-hours.

[3] Information on Bioforest, Engineering and Construction Management, Arauco Distribución S.A., Argentina and Brazil is not included.

NI: No information available

Education	1989 2006	1989 2007	1989 2008
Arauco Educational Foundation Coverage			
Communities	21	29	31
Schools	440	470	509
Teachers	3,400	4,066	4,386
Students	68,000	71,268	78,000



GRI LA 8
LA 10

People

	2006	2007	2008
Work Force			
Contractors (service companies)	1,174	1,433	1,506
Workers and Contract Workers	34,119	35,888	34,560
Working Skills Certification	971	1,667	1,721
Total Hours of Training	415,562	526,503	379,315

GRI 2.10

Relationship with Communities

Visitors to Facilities and Operations	23,654	23,133	14,114
Awards and Acknowledgements	10	10	22

Awards and Acknowledgements

- “First Place Forestry/Paper Sector” award for being “the greatest value-generating company” in its field, in the Business Performance Ranking. Awarded by Econsult (Chile).
- ARAUCO received the “Good Business Citizen Award” 2008, presented by the Chilean-North-American Chamber of Commerce (AMCHAM)(Chile).
- “Best Sustainability Report 2008 Award” granted by Acción RSE, in their “Best Environmental Management Report” category (Chile).
- ARAUCO was recognized with distinction for investing in professional skills training for its workers, as part of the Fifth Human Capital Award Ceremony, organized by Universidad Tecnológica de Chile, INACAP(Chile).
- Paneles Arauco received the “National Safety Council” award in a ceremony for the Annual “Rosalino Fuentes Silva” Awards of 2008(Chile).
- Aserraderos Arauco received the “ACHS Effective Action Award” from the Safety Association of Chile(Chile).
- INACAP Talca recognized Celulosa Arauco y Constitución’s regional efforts in the formation and development of contractors who provide services to the company(Chile).
- The National Monuments Council in the Maule Region gave ARAUCO the “Maule Heritage Conservation Award 2008”, in the Business category(Chile).
- The Constitución Hospital, in the Maule Region, recognized ARAUCO for its corporate social responsibility(Chile).
- The Nueva Aldea Complex received the Business Merit annual award for being the best business in the Bío Bío Region. The award was presented by the Concepción Chamber of Production and Commerce(Chile).
- The Municipality of Chillán recognized the company’s support for the development of tourism in Chillán, through collaboration in the project to restore the “Death to the Invader” mural by the renowned Mexican artist David Alfaro Siqueiros(Chile).
- Recognition of the support provided by Paneles Arauco S.A. - Trupán Cholguán Panel facility, for the development of the Yungay community(Chile).
- The “Santo Tomás Award 2008” was granted by Universidad Santo Tomás to Ricardo Ponce, head of school Colegio Arauco (Chile).
- ARAUCO’s school Colegio Cholguán received an “Excellence in Academic Performance” grant presented by the Education Ministry which used the National Academic Performance Evaluation System to determine the winners(Chile).
- Universidad Tecnológica de Chile, INACAP Valdivia, recognized ARAUCO for joint work developed with this educational entity(Chile).
- The Municipality of Loncoche, located in the Araucanía Región, expressed appreciation and gratitude for ARAUCO’s important contribution to the social and cultural development of Loncoche(Chile).
- The Chilean Olympic Committee, in the Los Ríos Region, recognized ARAUCO for its altruistic support and contribution to the practice of sports (Chile).
- The Southern Region Rowing Sports Association recognized ARAUCO’s contribution to this sport in Valdivia (Chile).
- The Regional Federation of Neighborhood Associations in the Los Ríos Region recognized ARAUCO for its commitment and cooperation in supporting community development(Chile).
- Five contractors providing services to ARAUCO in the Los Ríos Region were recognized on behalf of Safety Mutual CChC, for their distinguished work in utilizing the Competitive Business Program(Chile).
- Alto Paraná División Química was recognized as the “Best Industry of the Year”, by the Chamber of Commerce, Industries and Services(Argentina).
- Arauco Brazil received the “Melhores do Agronegócio” (Better Agribusiness) award (www.melhoresdoagronegocio.com.br) from GLOBO Publishing Network(Brazil).



2008 Certifications

	Sustainable Forest Management (1)	Chain of Custody (2)	ISO 14001 (3)	OHSAS 18001 (3)	ISO 9001
Chile					
Forestry Business	YES	YES	YES	YES	
Woodpulp Business					
Arauco Pulp Mill		YES	YES		YES
Constitución Pulp Mill		YES	YES		YES
Licancel Pulp Mill		YES			
Valdivia Pulp Mill		YES	YES		YES
Nueva Aldea Pulp Mill		YES			
Sawn Timber Business					
12 Sawmills		YES	YES	YES	
5 Remanufacturing plants		YES	YES	YES	
Laminated beam plant		YES	YES	YES	
Panel Business					
Arauco Plywood		YES	YES	YES	
Nueva Aldea Plywood		YES	YES	YES	
Trupán Cholguán Panels		YES	YES	YES	
Argentina					
Forestry Business	YES	YES	YES	YES	
Woodpulp Business			YES	YES	YES
Sawn Timber Business					
2 Sawmills			YES	YES	YES
Remanufacturing plant			YES	YES	YES
Panel Business					
Chemical Division			YES	YES	YES
Particleboard - Zárate		YES	YES	YES	YES
MDF - Piray			YES	YES	
Brazil					
Forestry Business	YES		YES		
Sawn Timber					
Panels					
Particleboard - Curitiba		YES			YES
MDF - Jaguariava		YES	YES	YES	YES
Uruguay ^[4]					

Note [1]. Chile: CERTFOR/PEFC except for Forestal Los Lagos which is FSC SFM certified; Argentina: only Faplac Bosque has FSC SFM certification; Brazil: Arauco do Brasil has FSC SFM certification and Florestal Arapotí has CERFLOR / PEFC.

Note [2]. Chile: the Forestry Business is CERTFOR/PEFC certified except for Forestal Los Lagos which is FSC COC and Forestal Celco which is FSC CW certified only for Eucalyptus ssp products; Argentina: Faplac Bosques and Particleboard Zárate have FSC COC certification while APSA Misiones is certified under FSC CW and Controlled Wood for Forest Management Certification for its own production under FSC 30-010 standard; Brazil: Arauco do Brasil, Particleboard Curitiba and MDF Jaguariava are FSC COC certified and Florestal Arapotí is certified under the CERFLOR / PEFC standard.

Note [3]. Chile: the Forestry Business is ISO 14001 certified except Forestal Los Lagos; Argentina: In the Forestry Business, only APSA Misiones has ISO 14001 and OHSAS 18001 certifications; Brazil: In the Forestry Business only Florestal Arapotí holds ISO14001 certification.

Note [4]. Uruguay: Plantations are being planted and not yet ready for certification.

Note [5]. Facilities Trupán and Molduras Trupán are PSI (Pittsburgh Services Industries) certified for low level formaldehyde emissions in the manufacture of MDF products.

GRI EN 14
EN 18

Sustainability

The company's Vision and Commitments statement serves as the foundation for initiatives, for defining lines of action, and for launching activities in addition to guiding the relationships with all interested parties. Relationships included are those with shareholders and investors, workers and contractors, government agencies, neighboring communities, social organizations and institutions, the scientific community, customers, suppliers, opinion leaders and the public in general. The company's Vision and Commitments, drive its actions in all the areas of sustainability -- economic, environment, occupational health and safety, community and education.

The integration of corporate commitments into the daily activities of each operation results in professional work based on continuous improvement and good relations with all stakeholders. This is accomplished by establishing demanding standards of performance, developing management guidelines and ensuring the transfer of good practices in order to improve performance in all areas.

GRI	4.8
	4.14
	4.17

Our Vision

To be global leaders in the development of sustainable forest products

Our Business

To sustainably maximize the value of our forests, combining excellence in forestry production with efficient industrial transformation of value-added products for their worldwide distribution in accordance with our customers' needs.

Our Commitments

- To guarantee shareholders maximum return, through the efficient and responsible management of all our processes, by applying systems and procedures that maximize that value of our business.
- To promote the sustainable use of natural resources, investing in research, technological innovation and training in order to gradually, continuously and systematically prevent and reduce the environmental impacts of our activities, products and services.



“Growing the Future” Campaign

In August 2008, ARAUCO launched a new advertising campaign to enhance and promote its corporate identity and to generate interest among the general public in learning more about its business.

“Growing the Future” was the slogan chosen to communicate ARAUCO's Vision: that of being a

- To provide all customers with quality products and services and to motivate our suppliers to become part of our value-chain and commitment to quality.
- To ensure occupational health and safety for our employees and contractors, continuously reducing the safety risks of our operations and services.
- To foster a working environment that supports the career advancement of every employee by providing a workplace based on respect, honesty, professionalism, training and teamwork.
- To build permanent, collaborative relationships with the communities where we operate by incorporating their concerns and needs in our decision making, and by supporting their development.
- To maintain open and honest communications with all stakeholders.

- To comply with all legal requirements and other societal obligations that regulate our business and, where possible, perform to a higher level than the established standards.
- To apply systems and procedures that will allow us to manage our business risks, continuously evaluating our performance in all processes, applying the necessary corrective measures on time, and providing transparent and timely information about our progress.
- To make these commitments known to our employees, contractors and suppliers, involving and training them in order to implement our policy through everyone's effort and collaboration.



company moving towards the future as global leader in the development of sustainable forest products.

Results from a survey conducted by the prestigious

Católica de Chile showed that ARAUCO was the Chilean company that registered the highest increase in positive corporate reputation between 2007 and 2008.

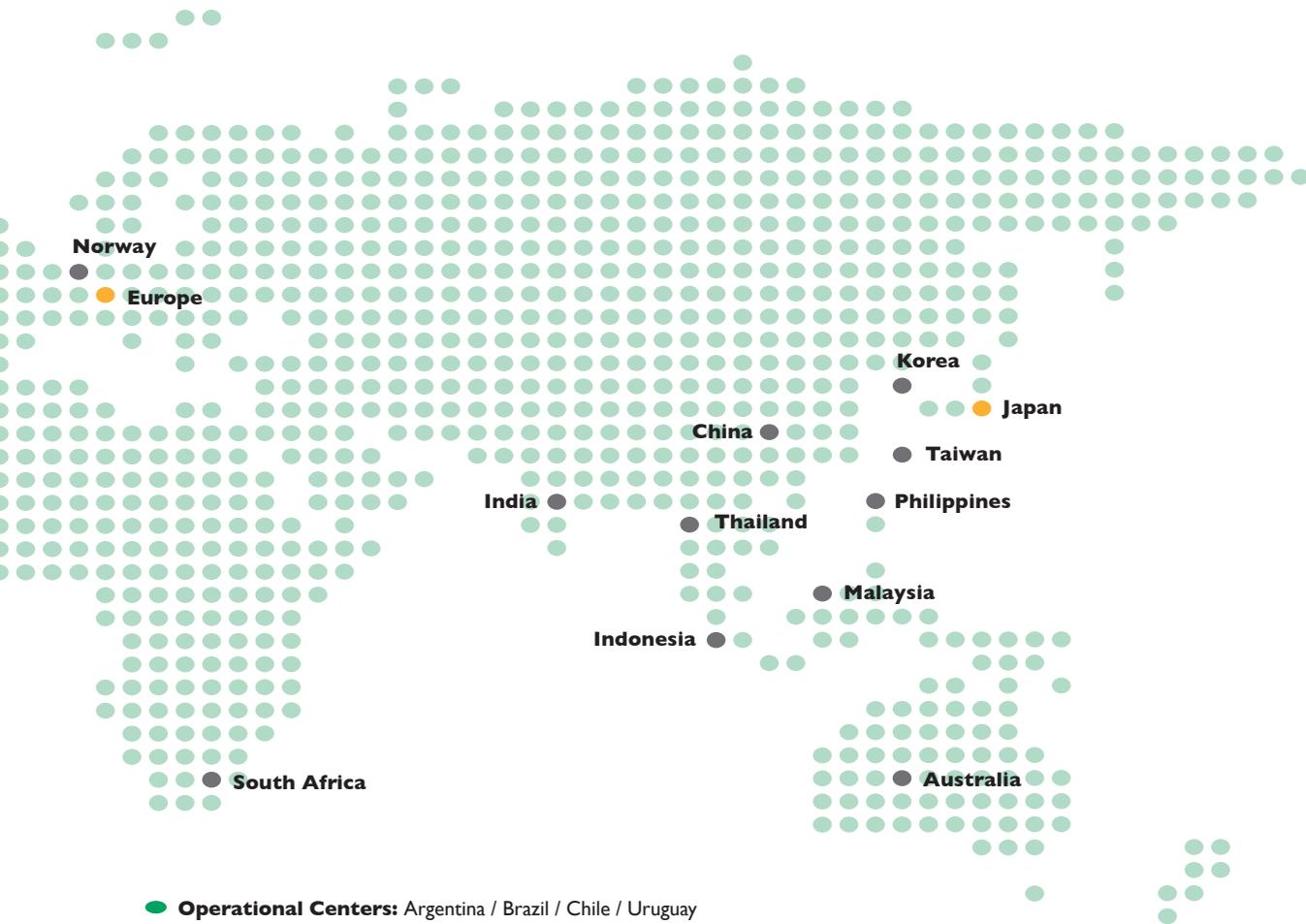


ARAUCO Around the World



GRI	2.5
	2.7
	2.8





- **Operational Centers:** Argentina / Brazil / Chile / Uruguay
- Argentina / Brazil / Chile / Colombia / Europe / Japan / Mexico / Peru / USA & Canada
- **Sales Agents:** Australia / China / India / Indonesia / Korea / Malaysia / Norway / Philippines / South Africa / Thailand / Taiwan / Venezuela

“Selling products that are valued by millions of people in more than 65 countries is Growing the Future”

Future



Growing the

The Company

Sales and Distribution

GRI 2.5

ARAUCO's sales strategy seeks to efficiently satisfy customer needs. In order to do this, the company has a professional and specialized sales force to serve its customers, in addition to its highly developed distribution system that allows products to be delivered to 65 countries around the world.

GRI 2.7

The company offers a wide variety of products, which are made available according to each market's needs. ARAUCO provides strategic coverage of its largest markets through a network of sales offices in Argentina, Brazil, Chile, Colombia, the United States, Europe (Holland), Japan, Mexico and Peru. Sales in the remaining markets are served by a combination of ARAUCO sales people and sales agents.

Sales of woodpulp are targeted mainly at Asian and European markets; sawn timber and remanufactured wood sales are primarily focused on North America,

Asia and the Middle East; while panel sales are targeted on North America and South America.

This sales organization is capable of analyzing and quickly finding new opportunities and changes in the market and is based on a flexible production system. This, in addition to the productive efficiency of its industrial units and the ability to respond to demand with quality products, has allowed the company to successfully penetrate woodpulp, sawn timber and panel markets around the world.

The company's Logistics Services unit has state-of-the-art systems for loading/unloading, transport, storage and distribution of its products. From highly efficient port facilities to local warehouses, this unit guarantees reliable deliveries and consistent supply to all of the company's customers in 65 countries.

“Furthering the development of 35,000 people, generating business and developing new opportunities is **Growing the Future**”

Future



Forestry Business

GRI 2.2

The Forestry business area provides the foundation for the company's multiple businesses, and supplies plantation-grown fiber necessary for the manufacture of all its industrial products. The sustainable management of ARAUCO's forests, carried out under strict international standards, ensures the company's future supply and competitiveness in serving its customers. Sustainable forest management is supported by the company's ongoing investment in forestry research and development, to increase the quality and yield of its forest resource, consistent with internationally recognized environmental standards.

ARAUCO currently owns 1.5 million hectares of forest located in Chile, Argentina, Brazil and Uruguay, and is now the largest forest owner in Latin America. More than 20% (309,000 hectares) of this area is native forest, which is actively protected and conserved to ensure that a balance exists between native and plantation forests to maintain the vital biodiversity of all of the company's forest estate.



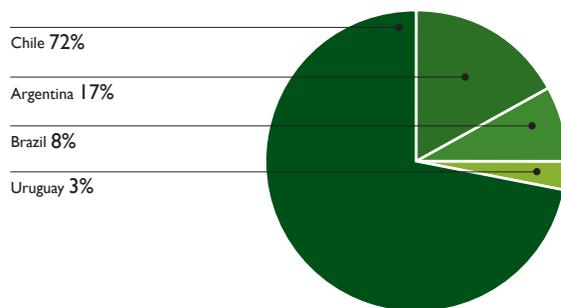
In 2008, the company harvested 37,700 hectares of plantation forest in Chile, Argentina, and Brazil generating 26.6 million m³ of wood fiber for the company's production of pulp, panels and sawn timber. Wood sales to third parties totaled 2.2 million m³, generating 102 million dollars in revenue, which represents 3% of the company's consolidated sales.

GRI 2.9

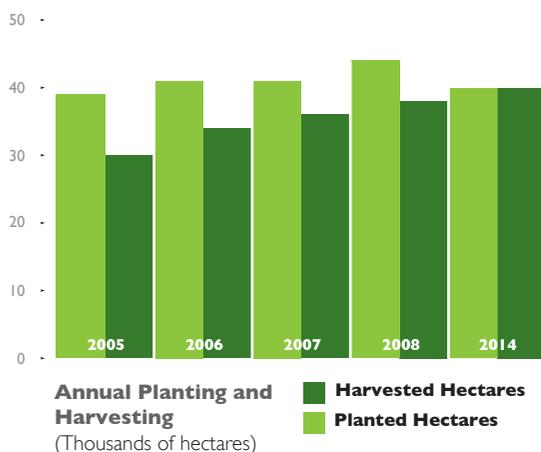
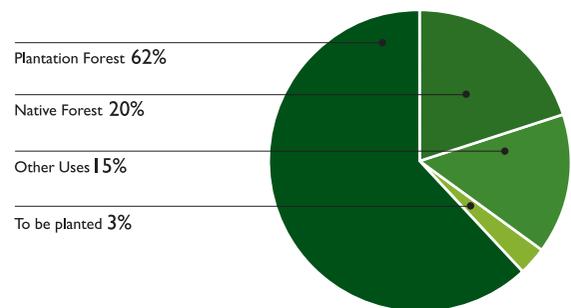
To ensure its future growth, the company invested 223 million dollars during 2008 in land, plantations, silviculture and other acquisitions in Chile, Argentina, Brazil and Uruguay.

GRI 2.5

Forest Area by Country
(1.51 million hectares)



Forest Area by Use
(1.51 million hectares)



In order to secure the future sustainability of all of its forest estate, the company has achieved and maintained credible, third-party certification for its environmental management, occupational health and safety, and sustainable forest management systems. During 2008, all of the certificates held by the company's forestry business were renewed. In 2008, ARAUCO's subsidiary, Forestal Celco S.A., was awarded the company's first FSC Chain-of-Custody and Controlled-Wood certifications in Chile.

Woodpulp Business

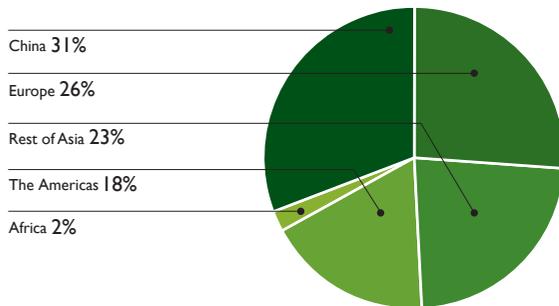
GRI 2.2

The Woodpulp business area uses fiber coming only from pine and eucalyptus plantation forests for the production of various types of woodpulp. Bleached pulp is used mainly in the production of printing and writing paper, as well as sanitary paper and high-quality wrapping paper. Unbleached pulp is used to make packaging roll stock, filter paper, fiber cement, dielectric (electric insulation) paper and other products. Fluff pulp, a more specialized grade of pulp, is used in the absorbent core of personal care products, such as diapers and feminine hygiene pads.

GRI 2.5

ARAUCO owns 6 pulp mills – 5 in Chile and 1 in Argentina. With total rated capacity of nearly 3 million tons a year, the company ranks among the major woodpulp producers worldwide. ARAUCO's woodpulp is marketed in more than 40 countries, primarily in Europe and Asia, where the company has established a solid competitive position thanks to its excellent and consistent product quality, as well as its ability to quickly respond to customer requirements.

Woodpulp Sales by Market (%)
(1,793 million dollars)



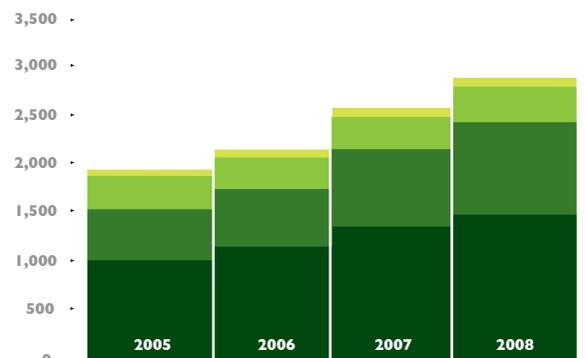
In 2008, pulp sales totalled 1,793 million dollars, accounting for 49% of the company's consolidated sales. Though pulp market conditions were favorable during the first half of 2008, demand began to deteriorate during the last half of the year, especially in European and Asian markets. This was a result of the contraction in the global economy which adversely affected woodpulp prices as well as the prices of other commodities.



ARAUCO's pulp production is recognized for its high standard of quality based on the use of the latest technology in all its facilities. This, along with its Chain-of-Custody certifications, environmental management systems, effluent-treatment systems, as well as the latest emissions control systems, enables the company to comply with international standards and current regulations at its facilities in Chile and Argentina (see the Environmental Assessment section in this Report).

GRI 2.9

Based on its success in meeting the requirements of its environmental permits during 2008, production at the Licancel pulp mill, with a new wastewater treatment system, was restarted, and the Valdivia pulp mill was allowed to gradually increase its production to 100% of its original capacity. In addition, construction of the treated-wastewater pipeline for the Nueva Aldea pulp mill neared completion in 2008, and is expected to begin operation during the first half of 2009.



Woodpulp Production by Product
(Thousands of ADt's)

■ Bleached Pine
■ Bleached Eucalyptus
■ Unbleached Pine
■ Fluff

Sawn Timber Business

GRI 2.2

The Sawn Timber business produces a wide variety of wood and remanufactured wood products with different finishes and appearances, covering multiple uses for the furniture, packaging, construction and remodeling industries.

GRI 2.5

With 14 sawmills, 12 in Chile and 2 in Argentina, ARAUCO has a production capacity of 3.4 million m³ of sawn timber, positioning the company as the leading wood producer in the southern hemisphere.

GRI 2.9

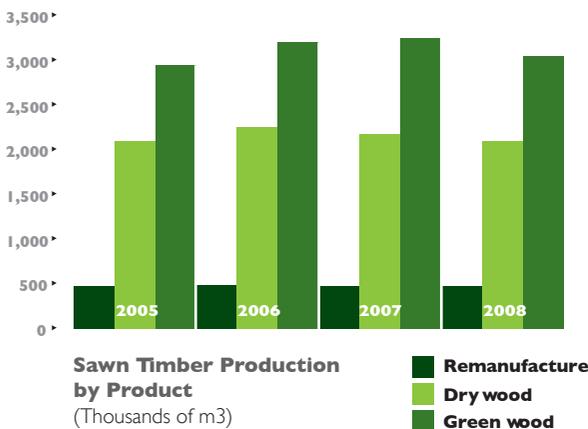
Additionally, ARAUCO has 6 remanufacturing facilities – 5 in Chile and 1 in Argentina – that reprocess the sawn timber, producing high quality remanufactured products such as solid and fingerjoint mouldings, as well as precut pieces.

These products were marketed in more than 28 countries and had sales of 709 million dollars, which represented 19% of the company's consolidated 2008 sales.

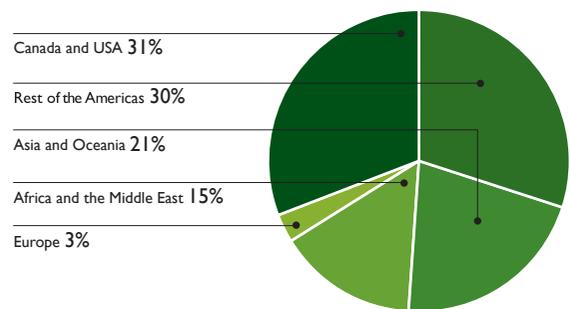
The global economy's contraction during 2008, and the subsequent decrease in product demand for sawn

timber and remanufactured products, resulted in the need to reduce production volume and redirect products towards new markets, such as Asia and the Middle East. This led to adjustments in the number of work days and production shifts, as well as the temporary suspension of production at 3 sawmills in Chile and 1 in Brazil.

In spite of these difficult market conditions, the company continued with its investment program to improve productivity and safety, and to increase the company's long-term competitiveness in this business. Key investments approved in 2008 included an expansion at the Viñales sawmill as well as an investment in a new biomass-based cogeneration power plant to provide electricity and steam for this complex. Both projects have been submitted to environmental authorities to obtain the needed permits. Once these are obtained, ARAUCO's management will decide future implementation dates. The company also approved investments in additional and upgraded dryer capacity for its Valdivia, Viñales and Horcones I facilities.



Sawn Timber Sales by Market (%)
(709 million dollars)



BIP Computers Building

The BIP Computers building, located on a well-known corner in the city of Santiago, was designed by architect Alberto Mozó, who chose ARAUCO's Hilam laminated wood, based on environmental concepts and efficiency in the use of material.

According to the architect, the use of laminated wood provided in standardized sections made it

possible to design a building that could be dismantled. This approach avoided the waste of demolition at the end of the building's life cycle, and offered the added advantage that the wood can be reused either to rebuild the same building or recycled for other purposes.

Working with certified wood, wood coming from sustainably managed forests, **"is obviously a plus,"** says Mozó. **"Wood has the smallest carbon footprint of any construction material."**

Panel Business

GRI 2.2

The Panel business manufactures a variety of panels and mouldings for the furniture, and construction industries.

GRI 2.5

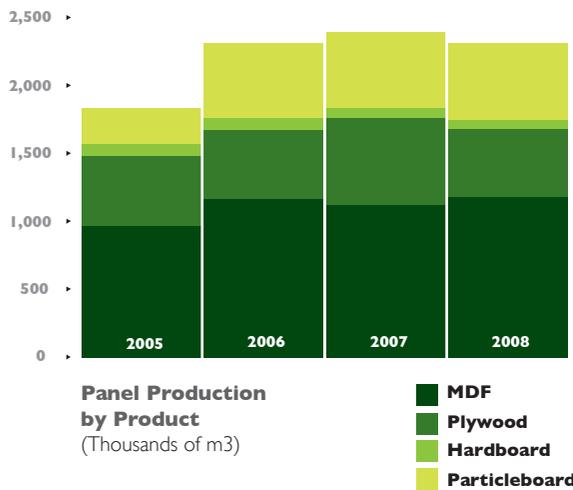
With 8 industrial facilities – 4 in Chile, 2 in Argentina and 2 in Brazil – ARAUCO has a total annual production capacity of 2.6 million m³ of plywood panels, particleboard (PB), Medium Density Fiberboard (MDF), Hardboard (HB) and mouldings, positioning the company as a world leader in panel production.

With 25% of the companies consolidated 2008 revenue, panel sales were 932 million dollars.

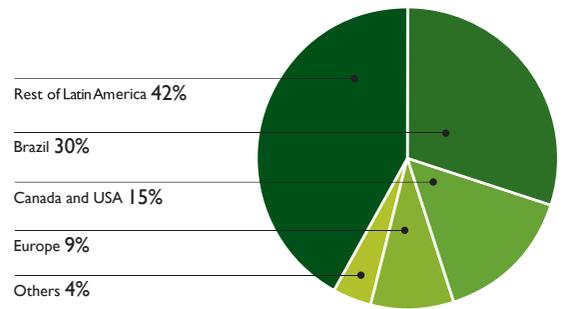
The business experienced two very different set of market conditions during the year. For the first seven to eight months, demand and pricing were firm. However, by September demand began to contract, first in the United States and then globally, ending the year with a sharp drop in pricing.

GRI 2.9

In terms of investments, the company completed a 51 million dollar expansion project for the Nueva Aldea plywood facility and a 12 million dollar investment in new melamine coating and melamine paper impregnation lines at its Faplac facility in Argentina. The company also initiated a five million dollar investment to improve the wastewater treatment system at its Cholguán hardboard facility in Chile.



Panel Sales by Market (%)
(932 million dollars)



This project is part of Building with Wood, safe use of its wood products. Through its program, ARAUCO provides customers with assistance in their decision-making, construction processes and safe use. The program provides support based on research, technological innovation, training, and in-

ARAUCO's wood products and panels are backed guaranteed sustainability (visit www.arauco.cl), making them an integral part of quality construction solutions.



Energy Generation

GRI EN 6

By making full use of its forest resource, ARAUCO provides, clean, renewable energy for most of its industrial processes, while contributing to the country's energy needs. This energy comes from 7 power plants fueled by biomass from forestry, sawn timber and pulp byproducts. The company also maintains 2 gas and diesel backup units; together, all 9 units reach an installed capacity of 538 MW.

These power plants, in addition to providing energy for ARAUCO's industrial operations, generate a surplus of 162 MW that is contributed, as needed, into the Central Interconnected System (SIC), Chile's energy grid. This surplus equals the annual electricity needed to power a city with 500,000 residential users.

GRI EN 18

During 2008, ARAUCO initiated two projects to further increase its energy production from renewable resources for its own requirements and to increase its contribution to the Chile's energy grid (SIC) by an additional 32 MW. The first investment is the installation of a fourth high-pressure boiler in the Arauco pulp mill, in the Bío Bío Region. The second is the construction of a biomass-based cogeneration power plant in the Viñales area, near Constitución.

Both projects are being carried out as Clean Development Mechanism projects according to the the Kyoto Protocol. By generating CO₂ neutral energy, they replace fossil-fuel generated electricity, which reduces greenhouse gas emissions. These investments also demonstrate how ARAUCO is working to address climate change.

Growing the

Bioenercel

As part of Bioenercel Technological Consortium, ARAUCO will participate in the development of a pilot facility producing second-generation ethanol, based on lignocellulose, a raw material derived from forestry biomass. This initiative, developed together with Fundación Chile, Universidad de Concepción,

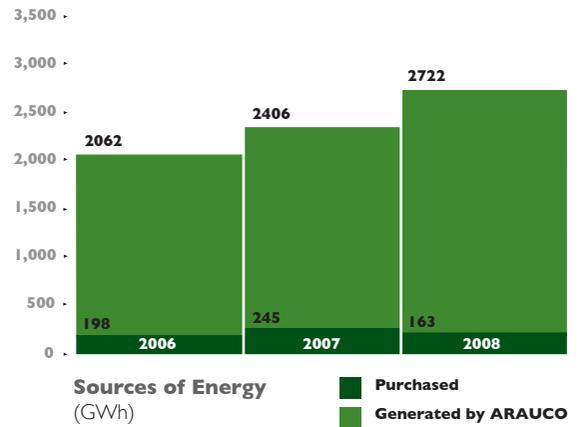
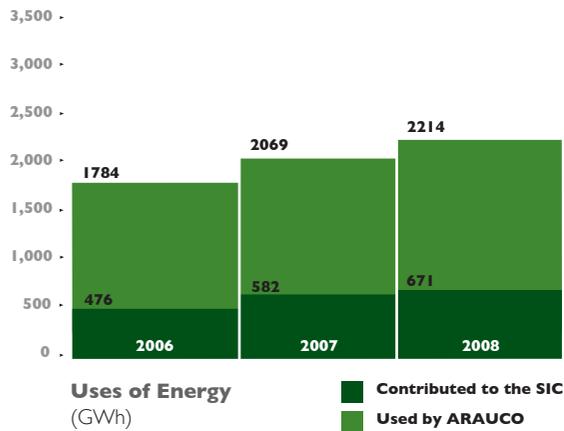
Masisa will also be dedicated to developing technical capabilities and knowledge regarding this technology in Chile.

The Bioenercel Technological Consortium, a joint public-private initiative, has around 10 million do-

Through this joint effort in technological innovation, ARAUCO is participating in the development of a vital area for the country and the world, as well as environment.

According to Jaime Baeza H., head of Universidad de Concepción Research and head of the Bioenercel

GRI	EN 1
	EN 3
	EN 6



“Providing our own clean, renewable, biomass-based energy as well as contributing a surplus to the country is **Growing the Future**”

Future

Project, *“Bioenercel began as an important contribution of the private sector, universities and the government so that the nation can increase its presence in the biofuel industry.”*

Mr. Baeza also stated, *“ARAUCO has placed its bet, once again, on contributing to the research and development of issues that are crucial to the country’s future. Undoubtedly, this company’s commitment was a fundamental factor in making Bioenercel a reality, in an area in which — at a global level — the experience of forestry compa-*





Growing the

Environment

Environmental Management

At ARAUCO, sustainability translates into a management strategy that includes values, commitments and standards, together with the adoption of best practices and best available technologies, resulting in continuous improvement of the company's environmental performance. The Environment staff, with experts working in each business, is charged with making sure these guidelines are put into practice in the company's daily operations.

All production units have certified environmental management systems that support the company's commitment to environmental performance and to ensure the traceability of raw material. For example, during October 2008, both the Trupán panel plant and the Trupan Moulding plant in Chile were certified by Pittsburgh Services Industries (PSI) as being compliant with the California Air Resources Board Standard One for formaldehyde emission levels (less than 0.21 ppm).

This certification allows ARAUCO to sell MDF panels and mouldings in the state of California and in the entire US market, which now uses this standard as a threshold level of acceptance for these products.

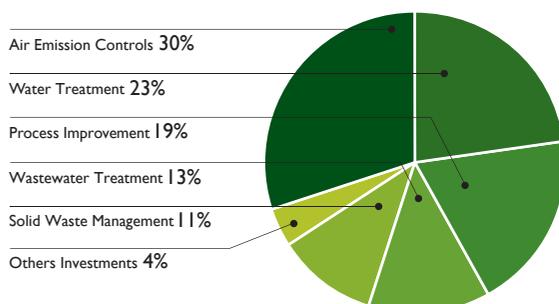
ARAUCO has participated in the government's Clean Production Agreements (APL in Spanish) for the pulp industry (1998); sawn timber and remanufacturers (1999); and, panels and veneers (2007). In June 2008, the company received a certificate indicating that all of its facilities, including those in the Panel business, were in full compliance with the goals that had been agreed upon.

During 2008, the company made environmental investments totaling 125 million dollars in air emission controls, process improvements, water treatment, solid waste management and wastewater treatment in order to improve the environmental performance at a number of its business units.

“ARAUCO's Carbon Footprint project, which seeks to determine and control the level of greenhouse gas emissions in order to reduce the company's impact, is Growing the Future”

Future

Environmental Investments
(125 million dollars)



Fulfillment of Objectives set for 2008:

2008 Objectives	Status
Develop the company's Environmental, and Occupational Health and Safety Management Standards and communicate them to the organization during 2009.	90% complete
Develop supporting guidelines for the implementation of the environmental and occupational safety and health management standards.	50% complete
Finish construction of Nueva Aldea Industrial Complex treated-wastewater pipeline and begin its operation.	95% complete
Complete the research for the Environmental Impact Assessment for the treated-wastewater pipeline for the Valdivia pulp mill.	Accomplished
Construct a state-of-the-art industrial dump site for the non-hazardous industrial waste of the Horcones Industrial Complex.	Accomplished
Establish a Parks and Conservation Areas Management Committee to ensure these areas are used in accordance with stated social and environmental purposes.	Accomplished
Conduct research to establish a baseline and identify the conservation state of wetlands in the forest assets in Argentina.	Rescheduled for 2010
Conduct additional research on the forests with High Value Environmental Areas in Argentina.	Rescheduled for 2010
Identify special interest areas in forestry assets located in Argentina	Rescheduled for 2010
Improve industrial wastewater treatment systems in Argentina.	Accomplished
Complete environmental investments committed in woodpulp Clean Production Agreement in Argentina.	Rescheduled for 2009 due to permit delays
Finish baseline study in the Paraná river, Argentina.	Accomplished
Conduct satellite study of land use in Argentinean forest assets.	Rescheduled for 2010



2009 Objectives:

- Determine the level of greenhouse gas emissions resulting from ARAUCO's operations in Chile, Argentina and Brazil through the "ARAUCO Carbon Footprint" assessment project.
- Communicate the company's Environmental, and Occupational Health and Safety Management Standards to the organization.
- Develop supporting guidelines for the implementation of the environmental and occupational safety and health management standards.
- Operate the Nueva Aldea Complex treated-wastewater pipeline system according to its design.
- Complete environmental investments committed in woodpulp Clean Production Agreement in Argentina.

During 2008, 13 Research studies and Environmental Impact Declarations (DIA) were developed and sent to the Environmental Impact Evaluation System in Chile.

Environmental Impact Statements and Studies

Project	Location	Area	Procedure	Status
Upgrade for a Biomass-based Boiler at Coronel sawmill	Bío Bío Region	Sawn Timber	DIA	Approved
Reduced Fuel Consumption through the Combined Use of Forestry Byproducts and Petroleum at the Valdivia Pulp Mill	Valdivia, Los Ríos Region	Woodpulp	DIA	Approved
Biomass-based Cogeneration Power Plant at Horcones Complex	Arauco, Bío Bío Region	Woodpulp	DIA	Approved
Byproduct Management Systems	Arauco, Bío Bío Region	Woodpulp	DIA	Approved
Pulp Mill Liquor-recovery Systems at Nueva Aldea Complex	Nueva Aldea, Bío Bío Region	Woodpulp	DIA	Approved
Increased Chipping Capacity at Licantén Woodyard	Licantén, Maule Region	Woodpulp	DIA	Approved
Process Improvements in Nueva Aldea Log Merchandising Facility	Nueva Aldea, Bío Bío Region	Woodpulp	DIA	Approved
Improvement of the Wastewater Treatment System at the Cholguán Facility	Bío Bío Region	Panels	DIA	Approved
Paillaco Panels	Los Ríos Region	Panels	DIA	Approved
Replacement of the Emergency Spill Lagoon with Two New Spill Lagoons at Valdivia Pulp Mill	Valdivia, Los Ríos Region	Woodpulp	DIA	Under evaluation
Environmental Improvements and Addition of a Membrane Filter System for Wastewater Treatment in the Valdivia Pulp Mill	Valdivia Los Ríos Region	Woodpulp	EIA	Under evaluation
Expansion of Viñales Sawmill	Maule Region	Sawn Timber	DIA	Approved
Viñales Cogeneration Power Plant	Maule Region	Sawn Timber	DIA	Under evaluation

Note:

DIA: Environmental Impact Statement

EIA: Environmental Impact Study

Environmental Assessment

GRI EN 22

ARAUCO uses a wide variety of input material in its production processes, such as wood, chemical products, and water. These production processes, in turn, generate air emissions and liquid effluent. Significant progress has been made in improving the company's environmental performance by reducing the volumes of input material and in reducing emissions and effluents.

Once harvested, pine or eucalyptus plantation-grown logs are processed and selected according to their characteristics and distributed to sawn timber, remanufactured wood, panels or pulp facilities, ensuring the most efficient and full use of this resource.

Processed wood byproducts (bark, shavings and sawdust) are used to manufacture other industrial products or are used as fuel for cogeneration power plants, ensuring fullest use of the forest resource.

To reduce water use per-unit-produced, ARAUCO has been consistently incorporating the best available technologies in its production processes. Application of these technologies minimizes the loss in each

process, and maximizes the reuse and recirculation of wastewater.

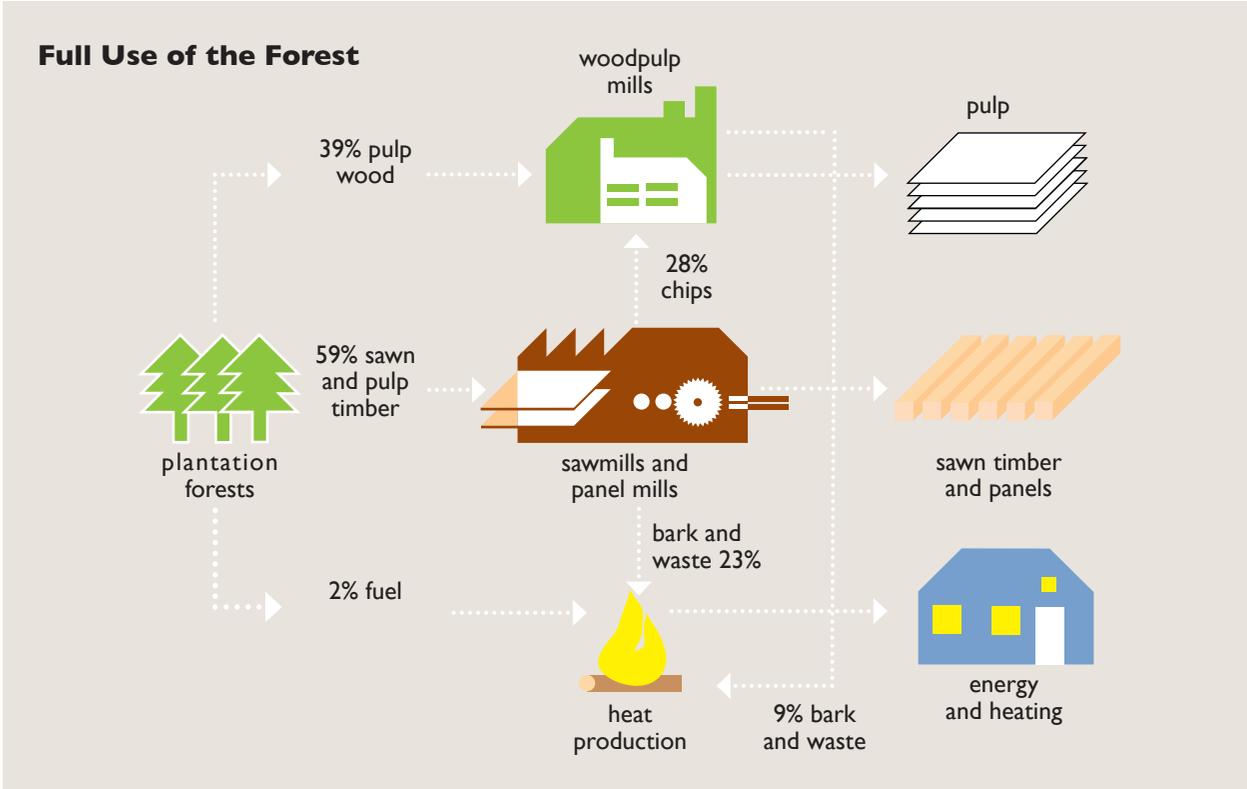
Air emission controls that were installed during the last several years have resulted in particle removal with 99% efficiency for production processes. In addition, by using biomass-based energy generation, the company avoids air pollution typically associated with the use of traditional fuels.

The company manages the quality of the wastewater discharged by the different industrial processes by continuously monitoring the wastewater treatment systems. This includes on-line measurement, auditing processes and environmental surveillance agreements. These measures allow the company to reduce risks and to provide advance notice of any variations that could become potential issues if left unattended over time.

Also, ARAUCO seeks to reduce the generation of solid waste in its production processes through recycling and reuse, by working with a number of companies which specialize in solid waste management solutions.



Growing the



“Working with the highest operational standards to deliver only the best products is another way of Growing the Future”

Future



GRI	EN 1
	EN 3
	EN 8
	EN 21
	EN 22

Environmental Assessment		Units of measure	2006	2007	2008
Production					
Production of logs	Millions of m3		14.20	15.30	16.50
Production of woodpulp	Millions of Adt		2.18	2.62	2.90
Production of sawn timber	Millions of m3		3.19	3.19	3.01
Production of panels	Millions of m3		2.30	2.27	2.37
Energy generated [1]	GWh		2,062	2,406	2,722
Energy contributed to the SIC [1]	GWh		476	582	671
Raw material and input					
Wood consumed	Millions of m3		22.20	24.90	26.60
Energy used	GWh		1,784	2,069	2,214
Woodpulp Area Input					
Wood consumed	Millions of m3		10.93	13.10	14.50
Water use [3]	m3/Adt		55.07	49.36	46.08
Sulphuric Acid	kg/Adt		13.11	8.76	9.18
Limestone	kg/Adt		13.27	15.11	15.04
Oxygen	kg/Adt		24.31	21.14	16.21
Soda	kg/Adt		17.00	17.02	18.25
Sodium Chlorate [4]	kg/Adt		25.43	32.97	26.60
Hydrogen Peroxide	kg/Adt		2.74	2.81	2.92
Sawn Timber Area Input					
Wood consumed	Millions of m3		5.82	5.95	5.65
Water use [3]	m3/m3		0.29	0.30	0.29
Panels Area Input					
Wood consumed	Millions of m3		3,91	3,94	4,17
Wastewater effluent and solid waste [2]					
Woodpulp Area Wastewater					
Flow	m3/ADt		55.07	49.36	46.08
Total Suspended Solids	kg/ADt		2.67	1.90	1.81
DQO	kg/ADt		20.19	15.32	13.33
DBO5	kg/ADt		2.87	1.64	1.05
P	kg/ADt		0.06	0.04	0.05
N	kg/ADt		0.15	0.09	0.09
AOX	kg/ADt		0.18	0.14	0.12
Hazardous and Non Hazardous Solid Waste					
Woodpulp Area Solid Waste	kg/Adt		130.82	128.32	107.68
Sawn Timber Area Solid Waste	Ton		3,572	11,263	7,203
Panels Area Solid Waste [5]	Ton		NI	89,877	47,410

NOTES:

[1] Biomass based energy.

[2] In 2008, sawn timber facilities eliminated their industrial wastewater effluent discharge.

[3] Only includes information regarding water use in Chile's Sawn Timber area.

[4] Only includes information regarding the use of Sodium Chlorate in woodpulp facilities in Chile.

[5] Only includes information regarding the Panel area in Chile

NI: No Information available.

Excellence in Environmental Management and Effective Collaboration

After the Nueva Aldea pulp mill, located in the Ñuble province, had been operating for two years, the Bio Bio Region CONAMA (National Environmental Commission) organized a seminar entitled, "Woodpulp: From Social Uncertainty to Sustainable Coexistence – the Nueva Aldea Case," in which a large group of experts, faculty members, authorities, community and business representatives gathered to analyze this project and give an account of this industrial facility's operation.

During the seminar, the following programs and improvements were presented:

- An innovative olfactometric program carried out by the Technological Development Unit of Universidad de Concepción.
- Research on the water quality of Itata River, developed by the Eula Center of Universidad de Concepción.
- A dialogue or roundtable with non-industrial fishermen, requested by the Government.
- Ocean research developed through the Excellence in Marine Research Program (Pimex).

Research

GRI EC 8

An important part of ARAUCO's environmental management program is to develop a scientific basis for making decisions on how to reduce the company's environmental impact. To this end, the company's Environmental staff, together with well-regarded universities and research centers, has initiated a series of research projects to broaden scientific knowledge about ecosystems in the following fields of study:

- Oceanography
- Hydrographic conditions in watercourses
- Flora
- Fauna
- Habitats and population dynamics of selected species in the company's area of influence.



During 2008, ARAUCO made presentations at a number of different Congresses and Seminars on the results of research in these areas, as well as on the results of the company's environmental monitoring programs (for more details visit www.arauco.cl).



consortium of universities.

Some of the conclusions from this seminar are summarized in the opinion of Brazilian expert Celso Foelkel, who said that he was **“very impressed, not just by the technology of Nueva Aldea, but by how well it has been managed”**.



Biotechnology and Biodiversity Protection

The conservation and care of ARAUCO's natural assets is the fundamental core of the sustainability of its products and its business.

Through its Bioforest research center, the company applies the latest bio-technological procedures in a search for new ways to increase the quality, production and performance of its plantations; to develop skills and plans in order to care for the biodiversity present in its forestry assets and to introduce improvements into the pulp production processes. In support of these goals, Bioforest conducts research in the following Woodpulp and Forestry areas:

- Pulp Production
- Fiber Products
- Genetics
- Site Productivity

- Ecosystem Management
- Wood Properties
- Phytosanitary Protection
- Strategic Projects

GRI	EC 8
	EN 11
	EN 13
	EN 14

More than 20% of ARAUCO's forest holdings — 309,000 hectares — consists of native forest that is protected and conserved under strong international regulations, as well as management standards defined by Bioforest. This forest includes areas that stand out for their abundant biodiversity. In Chile, such areas have been designated as High Value Environmental Areas, in which a focused effort is made to protect and preserve high-value species inhabiting these areas. At the end of 2008, 25 areas had been designated, comprising an area of more than 2,600 hectares located primarily in the Maule and Los Lagos Regions.



GRI EN 16

ARAUCO's Carbon Footprint

By the end of 2008, the company began its Carbon Footprint Assessment project to determine the level of greenhouse gas emissions (GHG) resulting from its operations in Chile, Argentina and Brazil.

Company will determine direct and indirect GHG emis-

sions, including those originating from harvesting, labor, and the transportation of raw materials and

amount of carbon sequestered by the company's products.

Fundación Chile is a consultant for the "ARAUCO Carbon Footprint" project, which should be comple-



research center focused on the future -- searching today for the answers to problems we will face in 15 or 20 years, transforming research into an effective but

“Having a research and innovation center such as Bioforest is **Growing the Future**”

Future

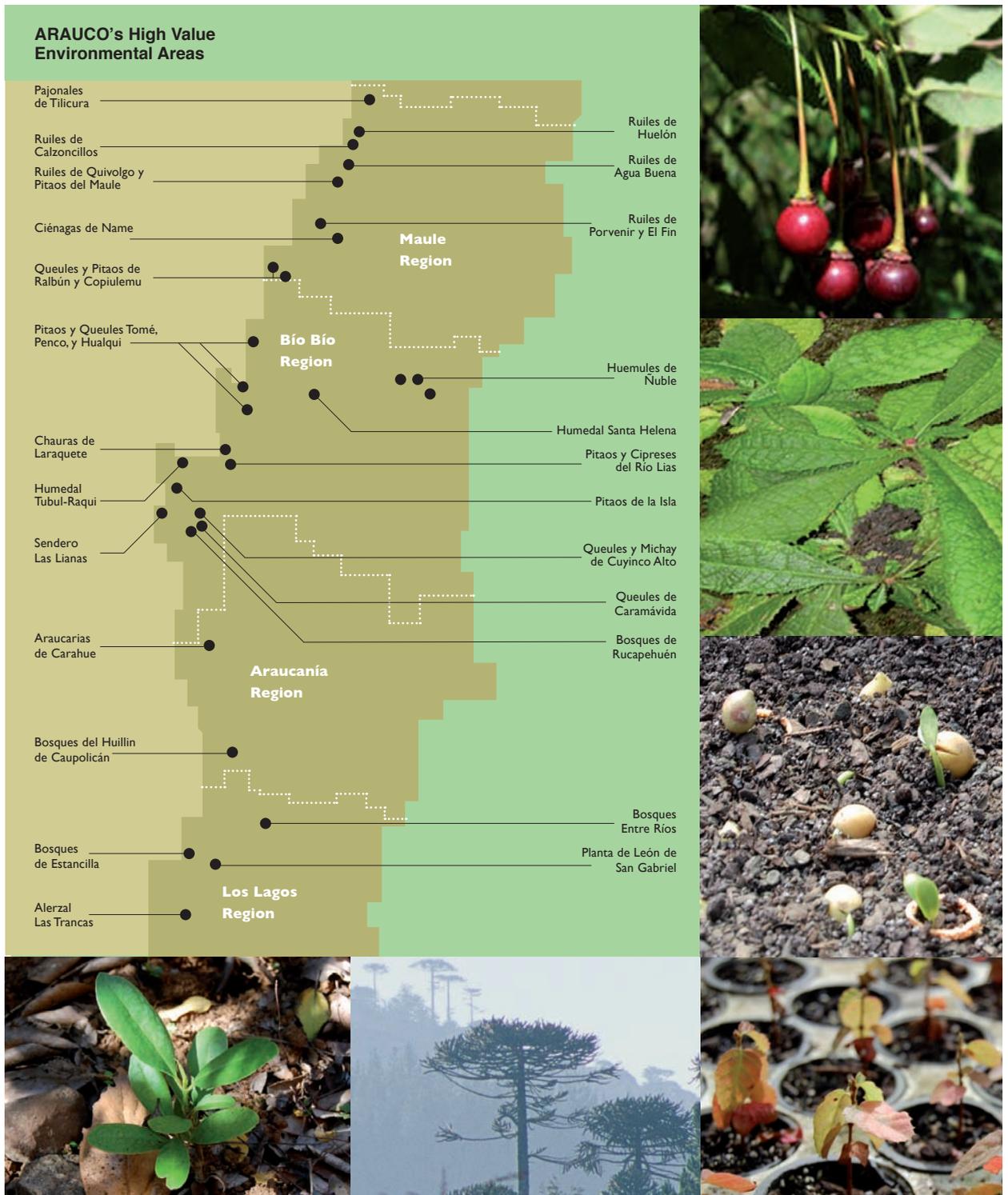
“By undertaking this project, ARAUCO is showing that it is a responsible producer of pulp, panels and wood products serving global markets, as well as a leading producer,” said Aldo Cerda, vice president of Forestry Development for Fundación Chile. Regarding the project, he adds that this initiative will **“contribute to reducing the Chilean industry’s impact on climate change.”**



In addition, the company also has established programs to protect and conserve biodiversity in a significant portion of its remaining forest areas. Activities include research, restoration, conservation, and environmental

education on fauna, flora, habitats and sensitive ecosystems. In 2003, ARAUCO signed a “No Substitution of Native Forests Agreement” with national and international NGO’s, encompassing all of ARAUCO’s land assets.

GRI	EC 8
	EN 11
	EN 13
	EN 14



Programs for the Conservation and Protection of Biodiversity

Program	Description	Participants	Location	Hectares
Conservation of the Huemul (2003)	Cooperative effort in the recovery of and research on the huemul species.	Los Huemules del Niblinto Nature Sanctuary and National Reserve	Biological Corridor Chillán – Laguna del Laja, Los Andes Mountains, Chile	13,000
Conservation of the Huillín (2008)	Protection of the Huillín habitat, an endangered species	CODEFF (A Chilean NGO) Los Ríos Region	Swampy and riparian areas in the Los Ríos Region, Chile	254
Protection Agreement for Priority Area Fundo Nonguén (2005)	Support for the conservation of this area.	Local NGO's and forestry companies	Concepción, Bío Bío Region, Chile	N/A
Nahuelbuta Mountain Conservation Agreements (2005)	Protection for forestry ecosystems and native forests	Chilean forestry sector, Forest Ethics, Local NGOs Govt. of Chile, local communities	Nahuelbuta Mountain Range, Bío Bío Region, Chile	23,800
Oncol Park	Protection for wild area, open to the community, "Selva Valdiviana" Refuge	Local and scientific community	Valdivia Coast Mountain Range, Los Ríos Region, Chile	745
San Jorge Forestry Reserve	Area where you can find protected species such as the Palo rosa and Yaguareté. Strategic corridor connecting Iguazú National Park and provincial parks Uruzú and Uruguay	Local and scientific community	North of the Misiones Province, Provincial Green Corridor, Argentina	16,600
Los Palmitos Conservation Area	Area where you can find protected species such as Araucaria angustifolia and the wild tapir. Strategic parcel that allows a narrow area of the Uruguay Provincial Park to be widened.	Local and scientific community	North of the Misiones Province, Argentina	3,000
Valle del Alegría Conservation Area	Protected species are found in this area, such as arborescent ferns and coludito de los pinos. Protection of the Arroyo Alegría river basin.	Local and scientific community	Cruce Caballero Provincial Park Border, Misiones Province, Argentina	8,600
Piray – San Pedro Conservation Area	Native Forest area that allows the continuation of the Green Corridor in an ecologically fragile zone.	Local and scientific community	Zona Centro del Corredor Verde Provincial, Provincia de Misiones, Argentina	17,400
Biosphere Conservation Area	Property located in the Yabotí Biosphere Reserve	Local and scientific community	Southeastern Zone of the Provincial Green Corridor, Misiones Province, Argentina	770
Morungava	Children's Environmental Education Program	State Government, community	Paraná State, Brazil	10
Arapotí	Private Natural Heritage Reserve for conservation and protection, and Children's Environmental Education Program	State Government, community	Paraná State, Brazil	218

Carbon Credits

GRI EN 18

In 2007, ARAUCO's ability to provide for its own energy requirements using its biomass-based cogeneration power plants enabled it to be the first company in the Chilean forestry sector to issue Carbon Credits. By the end of 2008, a total of 753,000 Certified Emission Reduction (CER) bonds have been issued, representing an offset equivalent to 753,000 tons of CO₂.

ARAUCO's second Carbon Credit issuance took place during 2008. The 255,592 CERs sold were equal to the number of tons of CO₂ offset during the year at the company's biomass-based cogeneration power plants located in the Trupan and Nueva Aldea facilities, in the Bío Bío Region. These CERs were placed in the market through the first online commercial platform launched by a leading global broker, CantorCO₂e.

The company currently owns 7 biomass-based cogeneration power plants, 3 of which are registered as greenhouse gas emission reduction projects by the Clean Development Mechanism Board of the Kyoto Protocol.

According to statistics from CONAF (The National Forestry Corporation), the majority of these fires are caused intentionally. This reaffirms the importance and the value of the prevention and surveillance work carried out by the forestry sector, in general, and each company in particular. It also demonstrates the importance of working with local and regional authorities, since in most cases these fires constitute criminal activity.

At ARAUCO, fire contingency planning includes prevention, surveillance and fire fighting for plantations, native forests and grasslands.

Prevention activities are focused primarily on national and local campaigns promoting awareness of the value of forests and forestry activities, as well as the need to care for them. These activities include lectures on environmental education and fire prevention, sponsored with other forestry company's or by the company alone.

The company's lecture campaign on environmental education and fire prevention has been presented annually in more than 800 schools in the different regions where the company operates. These lectures seek to make the forestry activities known among teachers and students, especially younger children. The purpose is to help them understand the importance of the forests for local economic and social development, and to show how they can help care for the forest through fire prevention.

Fire Contingency Planning and Environmental Education

GRI EC 8

Each year, ARAUCO fights thousands of fires and spends hundreds of thousands of dollars on this activity. During the 2007-2008 season, more than 1,200 fires were fought and, of these, more than one-third were fires on land owned by a third party.

GRI EN 30

Research study conducted by Universidad de Chile attributes death and migration of swans inhabiting the Cruces River to natural causes

During 2008, the University of Chile presented the conclusions of a study commissioned by CONAF (National Forestry Corporation), which included the participation of the RAMSAR Convention (International Convention for the Protection of Wetlands around the world), investigating the cause of the death and migration of swans inhabiting the Carlos

Anwandter wetlands, which occurred mainly during 2004. The University Report concluded that the event was entirely the result of natural causes, and cited three contributing factors that occurred simultaneously during the month of May 2004: an absence of rain; the low water levels of the river and wetland; and three low-temperature (equal to or below 0°C) events.

The confluence of these factors resulted in the disappearance of *luchecillo*, the swans' main food

Transportation

GRI EN 29

The transportation of raw material, finished products and ARAUCO's staff is constantly being optimized to improve efficiency and reduce the company's carbon footprint. As part of this ongoing effort, the energy consumed in transport is being included in the Carbon Footprint Assessment project of all company operations begun by ARAUCO in 2008.

Plantation harvesting and log delivery is planned in order to minimize possible impacts, since the transportation of logs to the industrial facilities is done on rubble, dirt or paved roads, which can cause inconvenience for the families living in nearby communities if not carefully planned.

Geographic Information System (GIS) technology, together with information from the company's Forest Information System and that taken on site, allow the company to generate supporting information to identify potential environmental and social risks, so that timely, preventive actions can be taken.

GRI EC 8
EC 9

In addition to building and maintaining roads in order to make forestry transportation more efficient and to minimize the environmental and social impacts resulting from the traffic of raw materials and products, ARAUCO invested more than 3 million dollars in the maintenance, paving, repairs and construction of public roads during 2008.



source, and, subsequently, in the death and migration of these birds. The report also analyzes other hypotheses raised by previous research, among them one that blamed ARAUCO's Valdivia pulp mill. All of these hypotheses were ruled out as causes of the situation experienced by the swans.

(See also: ***“On the sudden disappearance of Egeria densa from a Ramsar wetland site of Southern Chile; a climatic event trigger model”***, Marina et al, in Book of Abstracts of the “World Congress on the structure and function of shallow lakes”, November 23-28, 2008, Punta del Este, Uruguay).



Growing the

“Our Occupational Health and Safety programs and actions are aimed at prevention and providing a healthy, safe workplace for all our workers, our contractors and their workers. Our challenges go beyond the management systems currently in place – they are focused on reinforcing safe behavior in all our workers, so that

**Andrés Camaño, Environmental and
Occupational Health and Safety Manager**

Occupational Health and Safety

Occupational Health and Safety Management

ARAUCO stresses the important role that Occupational Health and Safety (OHS) plays in its sustainability. During 2008, the company continued certifying the different business units to the OHSAS 18001 international standard (see the Indicators section of this Report), in order to continuously improve its performance and to avoid any fatal accidents among workers or contract workers.

GRI LA 10

During 2008, more than 250,000 man-hours were devoted to training workers and contract workers in the company's four business units on issues such as preventive behavior, risk identification, and forest fires, in order to strengthen the company's integrated approach to environmental and occupational health and safety systems' management.

GRI LA 8

In 2006, ARAUCO, together with Universidad de Concepción, began a training program to strengthen the risk prevention skills of safety professionals from each of the company's business units. This program has been offered every year since 2006 and will be offered again in 2009.

GRI LA 8

The company also reinforces labor risk prevention through the implementation of safety standards, risk identification and the use of preventive tools such as "Stop and Think", "Planned Observations" and working skills certification programs for workers and contractors.

“More than 250,000 hours of training devoted to generating safety awareness among our workers is **Growing the Future**”

Future



Among the programs offered to contract workers during the year was the Occupational Health and Safety management certification known as, “PEC standard, Programa Empresa Certificada” (Certified Business Program), provided by the Mutual de Seguridad, a Safety Mutual Society. This program was adopted by a large number of contractors in the pulp area, of which a total of 44 companies achieved certification during 2008. The company also offered an operational risk control system program for contractors in all five of its wood-pulp facilities in Chile.

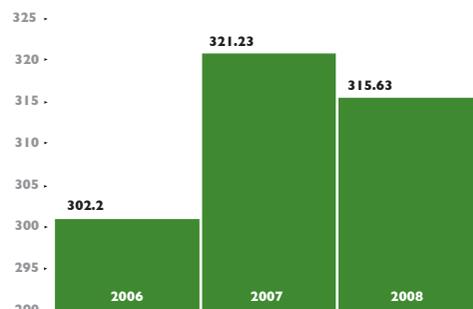
For 2008, compared to 2007, these initiatives resulted in a 45% reduction in lost-time accidents, a 43% reduction in the accident frequency rate, a 43% reduction in the workplace injury rate and a 24% reduction in the accident severity rate.

In order to make sure that corporate OHS performance requirements are met, ARAUCO also administers corporate-level auditing programs of each business unit’s performance. Special emphasis is given to the development of Occupational Health and Hygiene programs as well as Operational Control programs. The purpose is to improve performance and avoid accidents within the company.

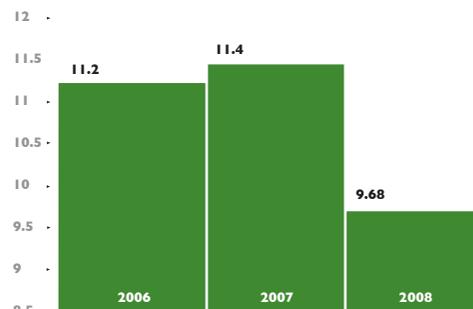
As a way to further reinforce its risk prevention and occupational safety programs, ARAUCO developed an internal communications campaign titled “Work Well, Work Safe”, with the objective of creating awareness among staff members of being responsible for their own safety on the job, through the choices they make.

During 2008, criteria were established, unified, and standardized for measuring occupational health and safety indicators in operations outside Chile. GRI LA 7

The 2008 indicators ARAUCO used to benchmark Occupational Health and Safety performance are the Accident Severity Lost Time Rate (IS) and the Accident Frequency Lost Time Rate (IF). These indicators include operations in Argentina, Brazil and Chile. During 2008, the Severity Rate was 315.63 accidents per million work hours, a reduction of 1.7% from 2007. The Frequency Rate was 9.68 accidents per million work hours, a 15.1% reduction compared to 2007.



Accident Severity Lost Time Rate



Accident Frequency Lost Time Rate

Note: The Frequency Rate Indicator for the year 2006 does not include information on Bioforest, Engineering and Construction Management, Arauco Distribución S.A., Argentina and Brazil.

“Work Well, Work Safe” Safety Campaign

Because of its continuing concern for worker safety, ARAUCO developed a communications campaign to support its existing Safety and Risk Prevention Programs. The campaign, launched in late 2008, seeks to motivate workers to incorporate safety regulations and self-care in their daily routines within the company.



Fulfillment of 2008 Objectives:

2008 Objectives	Status
Corporate management standards were established during 2008, to provide tools to improve the management of occupational health and safety. These standards will be validated, published and communicated during 2009.	90% complete
Establish critical operational standards for those activities that have historically generated potentially serious incidents.	50% complete
Establish an auditing program for basic workplace working conditions in Chile.	Accomplished
Establish and unify criteria to measure OHS indicators in operations outside Chile.	Accomplished
Strengthen the management and risk prevention structure of forestry activities in Argentina: broaden and improve medical service and follow up on the causes of accidents.	A prevention structure was created as well as a medical service that today provides services to 80% of forestry employees in Argentina.
Modernize forest workers transport fleet in Argentina.	Partially accomplished
Application of good practices regarding food and nutrition for forestry personnel in Argentina.	Accomplished. The food service for all forestry staff was centralized.
Provide working skills certification for forestry personnel in Argentina	Accomplished. Skills certification for all power saw operators.
Reduction in accident frequency and severity rates in Argentina.	Accomplished. (Frequency rate reduction of 28.75% compared to 2007 and 58.2 % compared to 2006).



“Work Well, Work Safe” is an internal communications campaign that speaks to workers directly using radio messages, posters, signs and leaflets. All of these carry a message to appeal to their rational as well as their emotional side, helping them to understand that using safe methods cannot be delayed; making it their responsibility; and, transforming these measures into their habits instead of being a company policy.

Matias Domeyko, the company’s CEO, stated, **“Safety is an ever-present issue at ARAUCO, a priority that goes beyond our working environment, because it not only involves us directly, it also involves our families, and our workmates’ families.”**

Matias Domeyko also added that, **“the greatest success a company can aspire to is Zero Accidents on the job, and we will devote all our resources to accomplish this goal”.**

Growing the

“Given its conviction that society aspires to develop its productive activities sustainably, ARAUCO considers its programs for community relations a fundamental part of its business development, concentrating its efforts on social and economic development, as well as on the improvement in the quality of life of the

Iván Chamorro, Public Affairs and Corporate Responsibility Manager

Community

GRI SO 1
LA 1

ARAUCO's operations generate business and job opportunities in those areas where the company operates, which includes more than 100 communities and departments throughout Argentina, Brazil, Chile and Uruguay. The company has helped nearly 35,000 workers, as well as 1,200 small, medium-sized and large service companies find direct or indirect employment and social and economic development opportunities, improving their quality of life and that of their families.

Workers and Contract Workers

ARAUCO sees in the development of people and their skills an opportunity to grow and make a contribution to the company, as well as to the nation. The well-being of its staff and families is a priority for the company.

During 2008, two research studies were developed and administered to all company operations in Chile. These projects were undertaken to strengthen team abilities,

to develop and complement skills aimed at production and on-the-job-safety, and to create a pleasant work environment.

The first was an organizational climate survey, which identified ways to improve the working environment and internal communication channels by offering opportunities for growth and development, by designing acknowledgment systems, and by reinforcing workers' commitments to achieve the company's vision. At year end, results of the survey were being revised and action plans will then be established for 2009.

The second study consisted of participating, for a second consecutive year, in the "Business Ethics and Values Barometer" organized by foundation Generación Empresarial. This research study's purpose was to understand the presence and application of values and ethics parameters in the behavior and leadership of company staff.

“Being acknowledged by AMCHAM with the Good Business Citizen Award motivates us to keep **Growing the Future**”

Future



During 2008, ARAUCO workers also took part in a number of initiatives to enhance their social and working skills, an investment of a total of 370,000 worker-hours toward in-house training. Two examples of these programs are:

- **Management Team Effectiveness Programs:** This initiative is currently being expanded (having achieved excellent results to date) and will continue to be administered during the next several years.
- **Labor Competencies Development Program:** This initiative identifies the training activities needed to support improved performance and development for workers in production unit staffs.

The company participated again in the working skills certification program in Chile sponsored by CORMA (The Chilean Wood Corporation). This program formally certifies skills acquired by workers for their jobs, according to agreed-upon industry standards. This program identifies needs for improved skills and enhances employment opportunities for employees by sector. During 2008, 1,721 workers in the woodpulp and panel businesses received or renewed their working skills certification. In Chile, ARAUCO is the leading company to participate

in this program since the year 2000, with a total of 10,282 certified workers.

The “Operational Excellence” program was also offered again in 2008, as well as in all of the company’s business areas. This program is becoming the informal standard for human resources development.

Relations with the Community

GRI	4.12
	EC 8
	EC 9

ARAUCO has developed a long-term commitment with its neighboring communities, as shown through a number of initiatives that have a positive impact on their well-being with special emphasis on:

- **Economic Development:** The company contributes to the development of the local economy adjacent to its facilities by providing employment and training; transferring experience, management abilities and technologies; and by offering business opportunities to local businessmen, furthering productivity and growth.
- **Social Development:** Company efforts are focused on providing education and supporting culture, key factors in the development of the nation; the company also promotes sports, which helps foster habits and virtues that are important in life and for employment.

Operational Excellence: Personal Growth and Organizational Development Model

Among the initiatives implemented by ARAUCO for the personal growth and organizational development of its workers, the one that stands out is the Operational Excellence Management Program. Operating since 2004, this program has trained nearly 3,700 workers in the pulp, panel, and sawn timber businesses.

This program facilitates the exchange of good practices, in addition to capturing and implementing creative and innovative ideas suggested by the workers themselves. The ideas translate into projects

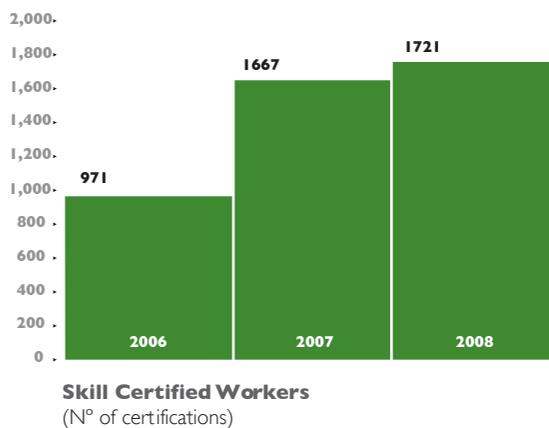


that have improved key performance indicators in the different facilities, and have contributed to the strengthening of ARAUCO’s overall management.

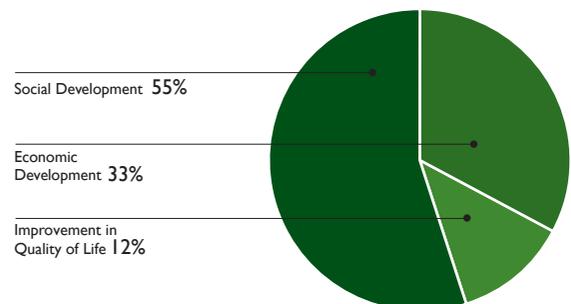
- Quality of Life: Improvements are generated by company investments in public infrastructure, equipment and housing, in addition to providing support in case national disasters or emergency situations affect the communities.

GRI 4.15

The company also recognizes the importance of permanent and constructive relationships with its stakeholders and seeks to maintain and improve these links through the development of various types of industrial, business and social responsibility activities.



ARAUCO's Social Investments in 2008
Allocation to Each Area
(Per cent of Investment)



The Operational Excellence Annual Contest motivates all staff members at all levels to participate, taking advantage of their expertise and local knowledge and helping each person develop their abilities, such as leadership or teamwork.

More than 581 successful projects have been developed between 2004 and 2008. Today, the Operational Excellence program includes staff in the forestry business, with which the program is being used in all of ARAUCO's business areas.

According to Patricio Donoso, a professor at the Pontificia Universidad Católica de Chile and con-

sultant for the Program, **“Operational Excellence seeks to generate a management style that tries to reach the highest performance standards in fundamental aspects of the business, safety and the environment. By using the latest methods and a series of initiatives, such as the Ideas for Improvement Contest, an improvement dynamic has been generated, where routine work is complemented with the search for better ways to work. These improvements focus on the key aspects mentioned earlier, and in many cases generate a benchmarking process among the different facilities.”**

In order to facilitate a close and timely dialogue with the various communities, ARAUCO has established a Public Affairs and Corporate Responsibility unit in Chile, with offices in the Maule, Bío Bío and Los Ríos regions. These offices maintain an ongoing dialogue with the communities, authorities and other relevant interested parties. It is through these local offices that joint projects aimed at local socioeconomic improvements are developed. Company operations in foreign countries have similar offices to fulfill this task, receiving support from the offices in Chile.

Following are examples of dialogue and collaboration mechanisms that generate timely and efficient communication:

- Participation in professional and student seminars.
- Meetings with civil, community and union associations and groups.
- Visits to universities, technical schools, neighborhood associations, social associations and groups, as well as local, regional and national authorities.
- Open-door policy for communities to visit the company's industrial facilities (14,000 visitors in 2008), and Parks and Visitors Centers (Parque Oncol: 13,000 people in 2008; Quivolgo Forestry Visitors Center: 11,000 visitors in 2008).
- Periodic meetings and tours through industrial facilities for authorities and civil organizations.
- Free telephone line (800-370-222) covering the following operations: Nueva Aldea and Valdivia since 2006; Horcones since 2007; and Alto Paraná (800 888 2772), Argentina, since 2007.
- Systematization of communications through the Integrated Management Systems (IMS).
- Communications campaign.
- Participation in public safety campaigns.
- Web page www.arauco.cl (more than 250,000 visits in 2008).
- Informational magazines for each production complex.
- Participation in national and local exhibition fairs: Expocorma (bi-yearly), Fital 2008, Expo Construcción 2008; Architecture Biennial (bi-yearly); among others.
- Work tables developed by different government and private institutions, as well as social associations, setting common objectives and goals, establishing ways for collaboration and defining work plans to further local development.

GRI 4.13

ARAUCO also is an associate member of 38 industry and national organizations and a member of many bilateral chambers of commerce and social and professional associations in the countries where it conducts its forestry, industrial and commercial activities.

Additionally, many social, religious, environmental, educational and cultural non-governmental foundations and organizations cooperate with ARAUCO in the development of projects aimed to further local development, create opportunities for the community and enhance care of the environment and natural resources (for more detail, visit www.arauco.cl).

Integrating ARAUCO's Value Chain: Local Suppliers Development Program

The public and private sector agree that in many rural areas in Chile there are few opportunities for small businesses, few jobs, and low levels of income. To help bridge this gap as it formulated plans for the Industrial Forestry Complex at Nueva Aldea, ARAUCO looked for opportunities to link the local economy to its new chain of productive activities through a Local Suppliers Development Program.

This Program's goal was to generate and enhance public-private initiatives to contribute to the eco-



conomic development of the neighboring rural communities. The program established a model for cooperation and installed mechanisms to add sustainability

Native Communities

GRI HR 9

Respect for the world view and opinions of the Mapuche native communities in and around the company's operations is essential before identifying desired development programs and in maintaining a relationship based on cooperation and trust that assures these communities there is no discrimination or human rights violations.

Company representatives meet with native community leaders on a regular basis, in order to support their development projects and understand their concerns. The programs developed by ARAUCO to increase productivity and local entrepreneurship between 2006 and 2008 are a result of these regular meetings.

During 2008, 26 programs were carried out with native communities to restore or reinforce traditional cultural elements and festivities, and to provide support to their businesses through formal training.

Many native communities and associations have wor-

ked with the company on both cultural and business-related projects. One example is the Relmu Witrál Indigenous Association, which became an ARAUCO supplier and part of the business association Integrare (www.integrare.cl). This group's main objective is to promote business opportunities between businesses and entities representing cultural diversity.

During 2008, the company continued working with Alepue Indigenous Association and their production and marketing of murta, a native berry. It also continued to support projects promoting commercial and cultural activities of the Millaray Association and Los Michales Community, as well as other Mapuche, Pehuenche and Lafkenche groups and communities located in the Bío Bío, Araucanía and Los Ríos regions.

Since 2005, the company has participated in agreements through CONADI's (The National Corporation for the Development of Native People) Land and Waters Fund for the transference of land plots to communities that have made such requests according to the provisions of Chile's Indigenous Law.



to the customer-supplier business relationship between ARAUCO and its neighboring communities.

Entrepreneurs and small businesses participating in this project include the horticultural and fruit sector, bakeries, poultry growers, garment producers, chocolate producers, hardware manufacturers, food manufacturers, and pottery makers – a diverse group of businesses directly or indirectly linked with the Nueva Aldea complex.

Rosa Elena Cares is one of Nueva Aldea's neighbors who benefited from the program. When she

found out she had to satisfy such a large industrial complex's demand for eggs, Mrs. Cares did not think twice. **"I invested all my savings and prepared for this challenge," she said. "I bought 700 chickens and doubled my production."** She currently delivers more than 12,000 eggs to the kitchens on a monthly basis. According to her, **"the company has given people work."**

This model has been acknowledged as a reference point for sustainable bonding and cooperation with communities, receiving the "Good Business Citizen Award 2008," granted by AMCHAM.

Growing the

“There exists today a broad social consensus that education should be a national priority, since it is an appropriate and precise tool to improve the quality of people’s lives, which is why we are proud that for 20 years ARAUCO, through its Educational Foundation, decided to work with 509 municipal schools, supporting

Angélica Prats, Arauco Educational Foundation Manager

Education

ARAUCO firmly believes that education is a key factor in the development of a nation. Every time people are given a chance to further their personal growth in education, they display their potential and can choose among opportunities, becoming valuable capital for a nation that seeks to generate growth.

This belief translates into its efforts through time, in Chile and abroad, to improve the quality of education and provide access to it in the areas where the company operates, benefiting students, teachers, their families and the country.

Schools

GRI EC 8

In addition to the contribution made to public education through its foundation, the company supports schools in Arauco, Constitución and Cholguan, communities bearing the same name as each school. These “Colegio’s” were established by the company as a way of furthering the scarce educational offerings at the time. Managed and financed by ARAUCO, these edu-

cational establishments teach pre-school, elementary, middle and high-school students living in the area.

Today they are acknowledged throughout the country for the excellent results achieved in national standardized tests (SIMCE and PSU), continuously performing to the highest levels, nationally and regionally. Test results for SIMCE 2007 were issued in 2008, showing Colegio Constitución in first national place in the private-school category for eighth-grade Language and Math tests, and in second place for the fourth-grade Math test.

Colegio Arauco was ranked in third national place in the private-school category for the fourth-grade Math test, and in ninth and eleventh place in the Natural Science and Science tests taken by fourth and eighth graders, respectively. Colegio Cholguan was ranked in eighth national place in the subsidized-school category for the eighth-grade Math test. Additionally, results for the PSU test taken in 2008 placed Colegio Cholguan fourth among subsidized schools throughout Chile.

“Supporting education for more than 27 years, with the conviction that it is a key element in the development of a nation is **Growing the Future**”

Future

Colegio Arauco ^[1]	Colegio Constitución ^[1]	Colegio Cholguan ^[2]
Private school - Fee	Private school - Fee	Private school - no Fee
Science and Humanities Education, from pre-school to high school	Science and Humanities Education, from pre-school to high school	Science and Humanities Education, from pre-school to high school
Open to the community	Open to the community	Open to the community
Location: Arauco, Arauco Community, Bío Bío Region	Location: Constitución, Constitución Community, Maule Region	Location: Cholguan, Yungay Community, Bío Bío Region
Founded in 1981	Founded in 1981	Founded in 1989

[1] Part of the school fee is subsidized by ARAUCO.

[2] The entire school fee is subsidized by the State of Chile.



Arauco Educational Foundation

GRI EC 8

In 1989, the company created the Arauco Educational Foundation, with the purpose of reinforcing the efforts of the teachers in Chile's municipal schools.

Since its establishment and through 2008, the Arauco Educational Foundation has developed diverse educational programs in 31 communities of the Maule, Bío Bío and Los Ríos regions, where the company maintains industrial and forestry operations.

Nearly 4,300 teachers have benefited from these programs, which focus on developing the following educational areas: oral and written language, logical mathematical reasoning, pedagogy, special education needs, self esteem, and psychosocial stimulation, among others.

During 2008, nearly 5,000 students and 770 teachers were evaluated in order to determine the effect of the Foundation's programs on the communities involved.



	1989 2005	1989 2006	1989 2007	1989 2008
Communities	11	21	29	31
Schools	208	440	470	509
Teachers	1,574	3,400	4,066	4,386
Students	36,903	68,000	71,268	78,000



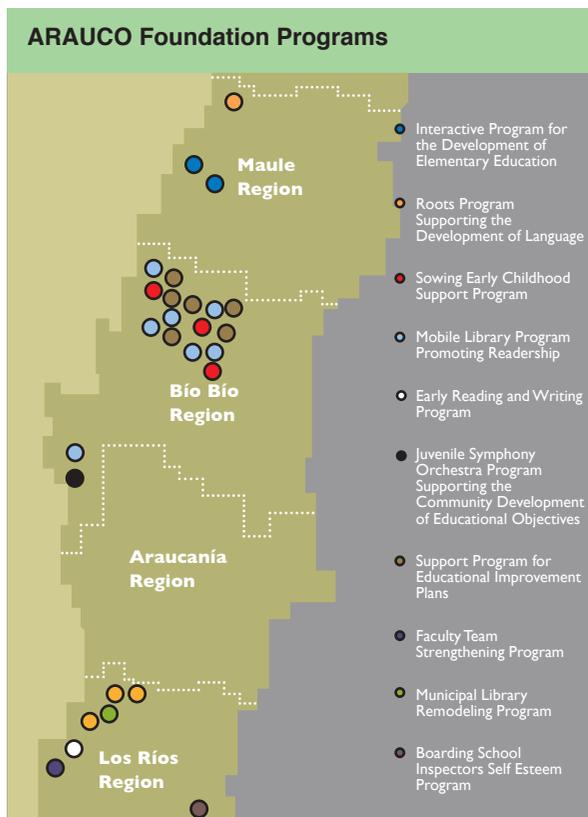
Arauco Educational Foundation and the Value of Teachers

Arauco Educational Foundation will soon celebrate two decades contributing to the development of culture and municipal education in Chile in cities where the company operates its businesses. To commemorate this occasion, the Foundation organized a few activities during 2008. Among them were a series of annual seminars and the creation of two annual educational awards.

In December, 2008, to inaugurate these activities, the Foundation held a seminar titled **"The Value of Teachers."** - nars that seek to generate discussion on the subject,



allowing people to share their experiences and challenges regarding educational issues. The topic of this improvement of the quality of education.



- 4th edition of the book “Matemática recreativa en el Aula” (Recreational Math in the Classroom), published by Ediciones Universidad Católica de Chile.
- 5th special anniversary edition of the book “Lo que se dice y canta en Arauco” (What is said and sung in Arauco), published by Editorial Andrés Bello in 2008.
- Final Report of the Supporting Roots for the Development of Language Program, Arauco, Ránquil, Los Álamos, 2003–2006
- Article: “Un Modelo de Desarrollo Profesional Docente. La propuesta de la Fundación Educacional Arauco (“A Model of Teachers Professional Development. The proposal of Arauco Educational Foundation”) in Sotomayor, C. & Walker, H. (editors).

During 2008, the following texts were published, with the purpose of sharing experience, stimulating educational research and making a private sector contribution to education known:

- 4th edition of the book “Pruebas de Dominio Lector” (Reading Skills Tests), published by Ediciones Universidad Católica de Chile.

In 2008, in what is considered a valuable acknowledgement of the Foundation’s work, the Ministry of Education (MINEDUC) suggested that all municipal schools across Chile use, among other evaluation tools, the Reading Skills Test published by Arauco Educational Foundation in 2004, to evaluate the quality and speed of students’ oral reading.

As a way of promoting and acknowledging the efforts made to improve municipal education, the Foundation created two awards, sponsored by the Ministry of Education, which distinguish the work done by teachers:

Award: for commitment to improving students’ reading skills” which awards those communities that show improvement in their students reading level.

a tribute to Mabel Condemarín” which awards a teacher acknowledged by the educational community as an outstanding educator.

Twenty years after its creation, the Foundation’s work has achieved important acknowledgments for its contribution to municipal education, which are summarized by the words of educational expert and child neurosurgeon Amanda Cespedes: **“Arauco Foundation has made a wonderful contribution to the country. Seen in retrospect, we can observe that there has been a very important change in how we view the teaching staff, especially in valuing and empowering teachers in terms of what their work means.” (Arauco Educational Foundation 20 Years Video).**

Alto Paraná Foundation

GRI EC 8

In 1985, ARAUCO's subsidiary in Argentina, Alto Paraná S.A., created the Alto Paraná Foundation, to increase the quality of education for the children and youngsters of the Misiones province.

Among its activities, the Foundation sponsors and supports the following educational institutions:

- Asociación Escolar de Puerto Esperanza, a school association that manages the Los Lapachos Educational Institute. The Foundation provides scholarships for underprivileged students and invests in infrastructure and educational equipment.
- Centro de Capacitación Docente Los Lapachos, a teacher training center acknowledged by the Misiones Education Ministry. To date, more than 300 teachers have received training.
- Instituto Nuestra Señora de los Milagros, an insitute with 600 registered students, managed by Asociación Civil Educativa Piray, a civil educational association.

Together with local authorities, the educational community, parents, and students, the Alto Paraná Foundation has developed improvement programs for rural schools in Puerto Libertad, Colonia Delicia and Puerto Piray. These programs currently benefit 32 students and, since these programs began, 300 Misiones students have received their high school graduate diplomas, 90 students graduated in tertiary education, and 24 have graduated from universities.

Additionally, a Professional Training Center began operation in 2008. In its first year, it provided training opportunities for 150 people in activities such as electricity, welding and other skills.

Belén Educa Foundation

GRI EC 8

ARAUCO has been supporting the programs developed by the Belén Educa Foundation since 2006. This entity, working under the Santiago Archbishopric, provides quality education to children and teenagers of Chile's underprivileged areas through seven educational establishments: Cardenal Raúl Silva Henríquez, Cardenal Carlos Oviedo Cavada, Cardenal Juan Francisco Fresno, Cardenal José María Caro, Crescente Errázuriz, Arzobispo Manuel Vicuña and Juan Luis Undurraga Aninat.

These programs provide subsidized education for more than 8,000 children in the poorest communities of Santiago: La Pintana, San Joaquín (La Legua), Maipú, Puente Alto and Quilicura.

During 2008, the Belén Educa Foundation received an award at the Fourth Education & Business (Eneeduc) Annual Gathering, organized by Sofofa (an association promoting industries) and the Production and Commerce Confederation (CPC in spanish), for its educational contribution to schools in these five communities of Santiago.

Educational Internships

GRI EC 8

Each year, ARAUCO's production facilities welcome a number of students belonging to more than 30 technical and dual-educational institutions and 20 universities, so that they can carry out their requisite internships in the company's industrial facilities and forestry operations.

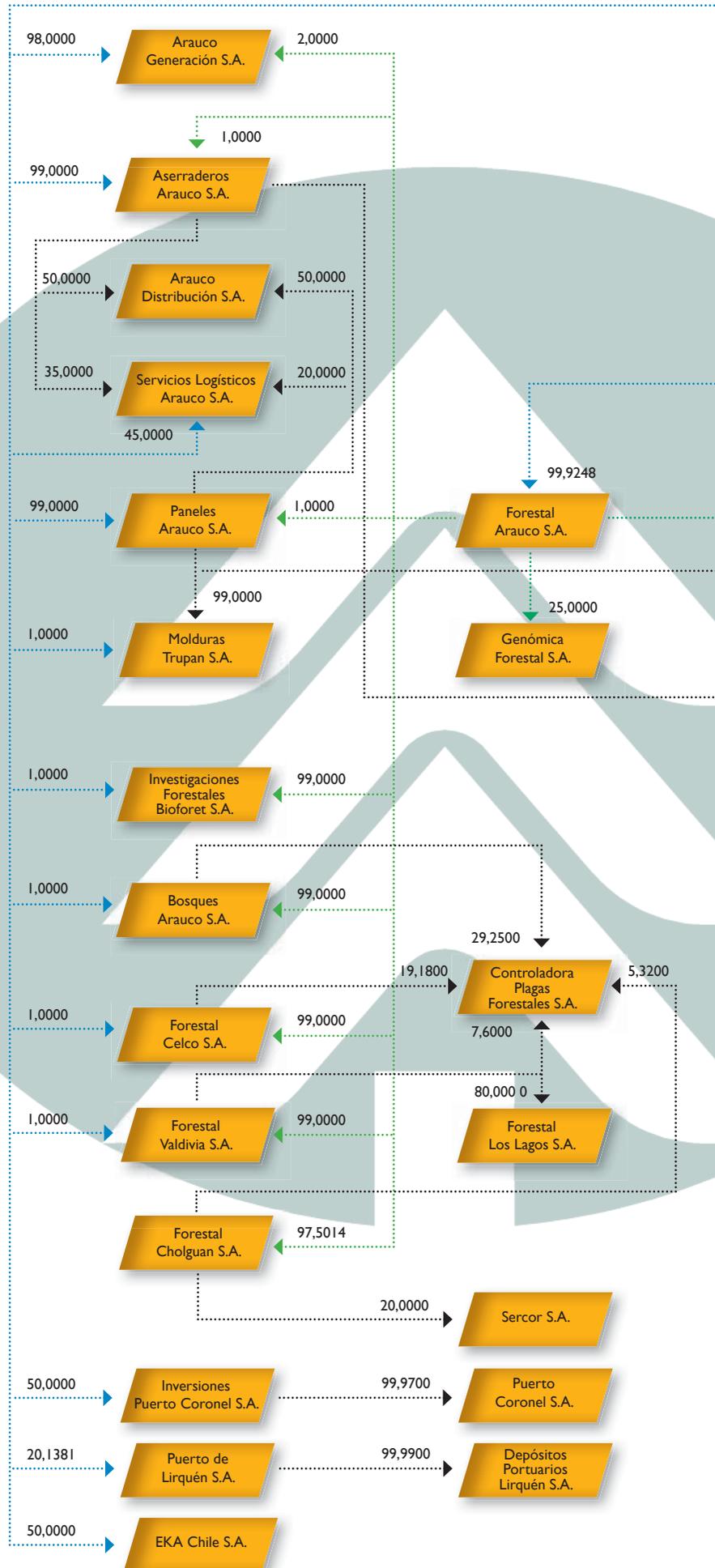
During their stay, students acquire experience that gives them competitive advantages whether they enter the labor market or go on to complete higher studies. Once the program is completed, ARAUCO usually offers employment opportunities in the company to a select few professionals and technicians, or refers them to one of the companies providing services to ARAUCO.



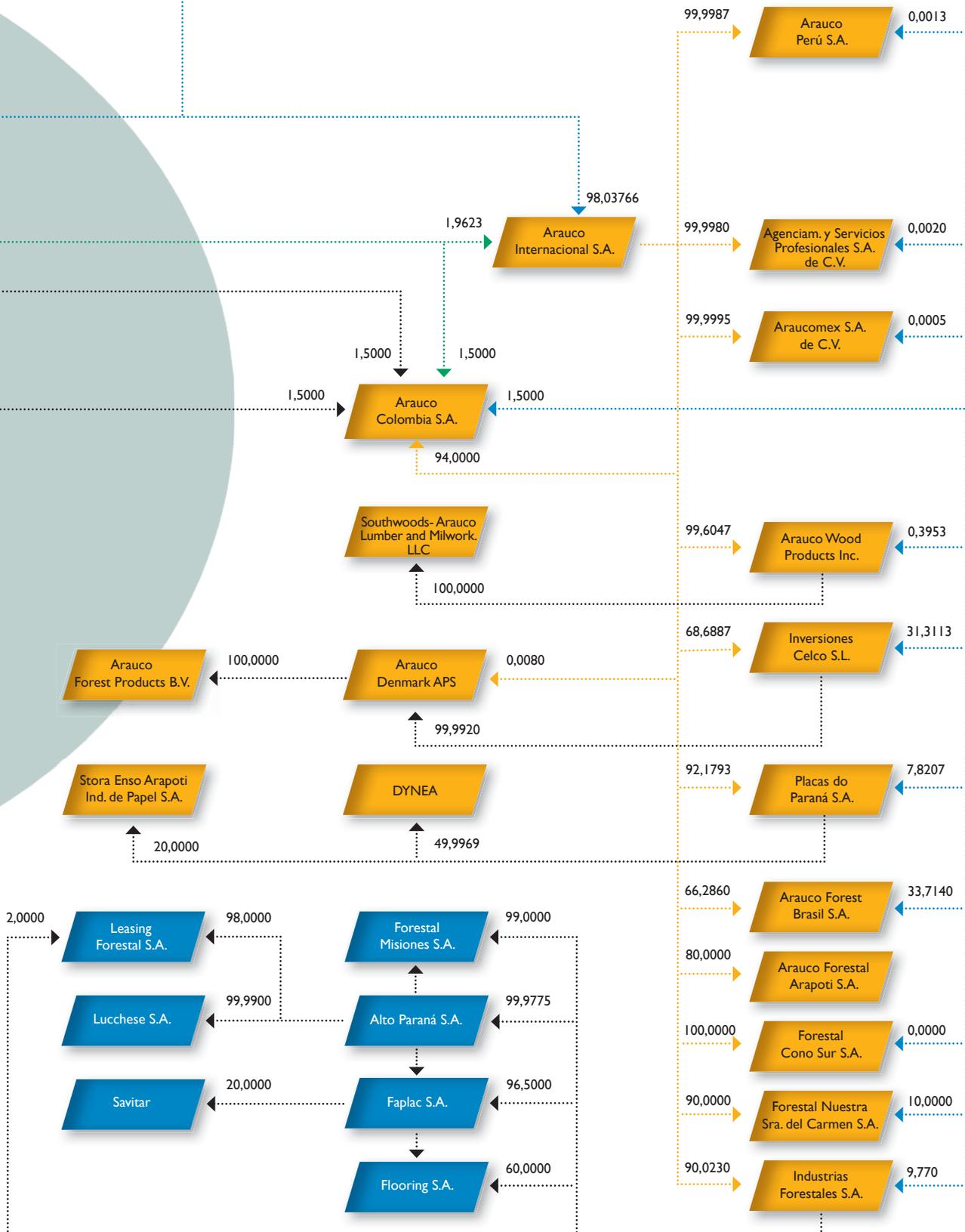


ARAUCO Corporate Structure

GRI	2.3
	3.8



**Celulosa Arauco y
Constitución S.A.**



Management

GRI	2.3
	3.13
	4.1

President & CEO **Matías Domeyko**

Businesses

Forestry Business

Forestry Business Managing Director	Álvaro Saavedra
Development Manager	Ricardo Schaffner
Bioforest Manager	Eduardo Rodríguez
Human Resources Manager	Oswaldo Cirano
Forestral Celco / Cholguán Manager	Rigoberto Rojo
Bosques Arauco Manager	Jorge Serón
Forestal Valdivia Manager	Víctor Cubillos
Forestal Los Lagos Manager	Manuel Arriagada
Arauco Trading Manager	Enrique Nieto

Woodpulp Business

Woodpulp Business Managing Director	Franco Bozzalla
Marketing Manager	Ricardo Strauszer
Operations Manager	José Vivanco
Industrial Research Manager	Raúl Benapres
Licancel Mill Manager	Félix Hernaiz
Constitución Mill Manager	Fernando Herrera
Nueva Aldea Mill Manager	Gunars Luks
Arauco Mill Manager	Edison Duran
Valdivia Mill Manager	Sergio Carreño
Environmental Health & Safety Assistant Manager	Marcelo Stocker

Sawn Timber Business

Sawn Timber Business Managing Director	Antonio Luque
Marketing Manager	Rodrigo Monreal
Sawmill Operations Manager	Dagoberto Villagra
Remanufacturing Operations Manager	José M. Marques
Administration Assistant Manager	Álvaro Izquierdo
Projects and Environment Assistant Manager	Arturo Maturana
Planning and Development Assistant Manager	Wenceslao Sánchez
Human Resources Assistant Manager	Matías Prieto

Panel Business

Panel Business Managing Director	Gonzalo Zegers
Marketing Manager	Erwin Kaufmann
Operations Manager	Tito Jara
Projects Manager	Omar Romo
Nueva Aldea Plywood Mill Manager	Saul Espinoza
Trupan-Cholguan Panel Mill Manager	Gonzalo Etcheberry
Arauco Plywood Mill Manager	Jaime Castro
Development and Environmental Manager	Ricardo Busch
Administration Assistant Manager	Juan Pablo Chavez

Corporate Affairs and Marketing

Corp. Affairs and Marketing Director	Charles Kimber
Marketing Manager	Francisco Lozano
Public Affairs and Corp. Resp. Manager	Iván Chamorro
Communications Assistant Manager	María Soledad Vial

Arauco Wood Products (USA) Manager	Francisco Figueroa
Arauco México Manager	Andrés Vial
Arauco Colombia Manager	Juan Pablo Vaccaro
Arauco Perú Manager	Enrique Bazán
Arauco Distribution (Chile) Manager	Cristián Larráin
Arauco Forest Products (Holland) Manager	Alfonso Valdés

Corporate Management

Corporate Management Director	Jorge Garnham
Chief Financial Officer	Gianfranco Truffello
Management Manager	Juan P. Guzmán
Human Resources Manager	Mauricio Pinto
Logistics Services Manager	Alberto Walker
Systems Manager	Rodrigo Picas
Construction and Engineering Manager	Hernán Arriagada
Arauco Energy Generation Manager	Carlos Rauld
Environmental Health & Safety Manager	Andrés Camaño

Comptrollership

Comptroller Director	Robinson Tajmich
Tax Assistant Manager	Alejandra Neira
Accounting Assistant Manager	Antonio Momares
Internal Auditing Assistant Manager	Agustín Geldrez

Legal Affairs

Legal Affairs Managing Director	Felipe Guzmán
Legal Affairs Assistant Manager	José Ignacio Díaz

Argentina and Brazil

Argentina and Brazil Business Managing Director	Cristián Infante
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Arauco do Brasil

Manager	Carlos Bianchi
Marketing Manager	Davi Olbertz
Panels Operations Manager	Herón Pereira
Finance and Administration Manager	Leandro Suski
Forestry Manager	Roberto Trevisan

Alto Paraná

Manager	Pablo Mainardi
Woodpulp and Logistics Marketing Manager	Martín Lavarello
Wood and Panels Marketing Manager	Pablo Ruival
Finance Manager	Pablo Franzini
Administration Manager	Sergio Gantuz
Corporate and Legal Affairs Manager	Adrián Lerer
Safety and Environment Manager	Raul Gilende
Forestry Operations Manager	Ricardo Austin
Woodpulp Operations Manager	Gustavo Traini
Sawmill Operations Manager	Aldo Lopez
Panel Operations Manager	Martín Macjus

Manager	Mario Urrutia
Pipeline Project Technical Manager	Marcelo Subiabre

Arauco Educational Foundation

Manager	Angélica Prats
Technical Director	Graciella Luchinni
Technical Director	Alejandra Torretti
Technical Director	Isidora Recart

Main Subsidiaries and Related Companies

GRI	2.3
	3.8

Forestal Arauco S.A.

Chairman: José Tomás Guzmán
 Directors: Roberto Angelini
 Manuel Bezanilla
 Carlos Croxatto
 Matías Domeyko
 Managing Director: Álvaro Saavedra

Established in 1969 as an Industrias de Celulosa Arauco S.A. forestry subsidiary. In 1989 it became parent company to ARAUCO's forestry subsidiaries. Its main functions are to coordinate operating activities and specify development policies for Forestal Celco S.A., Bosques Arauco S.A., Forestal Valdivia S.A. and Forestal Cholguán S.A.

Aserraderos Arauco S.A.

Directors: Franco Bozzalla
 Matías Domeyko
 Jorge Garnham
 Charles Kimber
 Álvaro Saavedra
 Robinson Tajmuchi
 Gonzalo Zegers
 Managing Director: Antonio Luque

Established in 1993. Its main functions are the production and sale of sawn timber and manufactured products. It currently owns 12 sawmills and 5 remanufacturing facilities.

Paneles Arauco S.A.

Directors: Franco Bozzalla
 Matías Domeyko
 Jorge Garnham
 René Katz
 Charles Kimber
 Antonio Luque
 Manfred Mayer
 Álvaro Saavedra
 Robinson Tajmuchi
 Managing Director: Gonzalo Zegers

Established on November 13, 1986 with the purpose of producing and selling Radiata pine plywood and other types of panels. It currently owns two plywood mills, one MDF board mills and one HB board mill.

Industrias Forestales S.A.

Chairman: José Tomás Guzmán
 Directors: Juan Ernesto Cambiaso
 Roberto Angelini
 Carlos Croxatto
 Matías Domeyko
 Managing Director: Pablo Mainardi

Established on December 12, 1996. Its purpose is to participate in companies through the creation of societies via shares, transitory amalgamation of companies, collaboration associations, and any other form of association, and through the purchase, sale and negotiation of titles, shares and all sorts of securities and credit documents, in general.

On December 27, 1996 it acquired the largest block of shares of Alto Paraná S.A. and to this date holds 99.9% of the capital stock of said society (holder, as well, of the largest block of shares of Trupan S.A.) and of a society that indirectly grants it control over Faplac S.A. and Flooring S.A.

Alto Paraná S.A.

Chairman: Matías Domeyko
 Directors: Cristián Infante
 Adrián Lerer
 Managing Director: Pablo Mainardi

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 sale of all of ARAUCO's products. It presently owns one woodpulp mill, two sawmills, two manufacturing facilities, one MDF panel production facility and one particleboard production facility.

**Placas do
Paraná S.A.**

Chairman: **Matías Domeyko**
Directors: **Manuel Bezanilla**
Cristián Infante
Antonio Luque
Álvaro Saavedra
Gonzalo Zegers
Managing Director: **Carlos Bianchi**

Established on August 10, 1965 and acquired by ARAUCO in March 2005 through subsidiary Arauco do Brasil Ltda. It is responsible for the production and marketing of MDF panels and particleboards, currently owning one MDF mill and one particleboard mill.

**Fundación
Educativa
Arauco**

Chairman: **José Tomás Guzmán**
Directors: **Roberto Angelini**
Carlos Croxatto
Matías Domeyko
Alberto Etchegaray
Charles Kimber
José Zabala
Managing Director: **Angélica Prats**

Arauco Educational Foundation, Fundar, was established on April 11, 1989 by Celulosa Arauco y Constitución S.A. and its subsidiaries in order to make a social contribution to the communities in which they operate. The Foundation's basic idea is that education, especially the one provided during the early stages of life, is essential to the development of a country.

**Investigaciones
Forestales
Bioforest S.A.**

Directors: **Franco Bozzalla**
Matías Domeyko
Charles Kimber
Jorge Garnham
Álvaro Saavedra
Managing Director: **Eduardo Rodríguez**

Established in 1990 to maximize forest resource's productivity through research and technology. This company is currently dedicated to developing new techniques and processes that include the latest scientific and technological procedures for resource management.

**Bosques
Arauco S.A.**

Directors: **Víctor Cubillos**
Matías Domeyko
Jorge Garnham
Rigoberto Rojo
Álvaro Saavedra
Ricardo Schaffner
Robinson Tajmuchi
Managing Director: **Jorge Serón**

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

**Forestal
Celco S.A.**

Directors: **Víctor Cubillos**
Matías Domeyko
Jorge Garnham
Álvaro Saavedra
Jorge Serón
Ricardo Shaffner
Robinson Tajmuchi
Managing Director: **Rigoberto Rojo**

Established on November 9, 1978 as a supplier of woodpulp logs for Constitución mill. It is now engaged in forestation, reforestation, forest management and harvesting of its own land, located in the Maule and Bío Bío Regions. Its log production is sold both to related companies and third parties.

**Forestal
Cholguan S.A.**

Directors: Franco Bozzalla
Matías Domeyko
Jorge Garnham
Charles Kimber
Antonio Luque
Álvaro Saavedra
Robinson Tajmuchi
Gonzalo Zegers
Eduardo Zañartu
Managing Director: Rigoberto Rojo

Established on November 29, 1978 and later acquired by ARAUCO through subsidiary Forestal Arauco S.A. It currently engages in forestation, reforestation, forest management and harvesting of its own lands, mainly located in the Bío Bío Region.

**Forestal
Valdivia S.A.**

Directors: Matías Domeyko
Jorge Garnham
Rigoberto Rojo
Álvaro Saavedra
Ricardo Schaffner
Jorge Serón
Robinson Tajmuchi
Managing Director: Víctor Cubillos

Founded on December 1, as a supplier of logs for Valdivia woodpulp mill. The company is engaged in the forestation, reforestation, management and forest harvesting of its own land, located in the Araucanía, Los Lagos and Los Ríos Regions.

**Forestal
Los Lagos S.A.**

Directors: José Rafael Campino
Charles Kimber
Álvaro Saavedra
Jorge Serón
Robinson Tajmuchi
Managing Director: Manuel Arriagada

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

**Arauco
Forest Brasil S.A.**

Directors: Manuel Bezanilla
Matías Domeyko
Cristián Infante
Antonio Luque
Álvaro Saavedra
Gonzalo Zegers
Managing Director: Carlos Bianchi

Formerly 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 its own forests, mainly located in the state of Paraná.

**Servicios
Logísticos
Arauco SA.**

Directors: Franco Bozzalla
Jorge Garnham
Charles Kimber
Antonio Luque
Álvaro Saavedra
Gonzalo Zegers
Managing Director: Alberto Walker

Established in August 2001 due to a change in line of business of Portuaria Arauco S.A. It is responsible for its port activities, as well as the logistic aspects once finished products leave the industrial mills, until their delivery to end customers.

**Compañía
Puerto Coronel
S.A.**

Chairman: Eduardo Hartwig
Directors: Álvaro Brunet
José Cox
Enrique Elgueta
Alberto Walker
Álvaro Saavedra
Managing Director: Alberto Miranda

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

**Puerto de
Lirquén S.A.**

Chairman: Emilio Pellegrini
Directors: Juan Carlos Eyzaguirre
Álvaro Brunet
Matías Domeyko
Gonzalo García
Jorge Garnham
Jaime Lea-Plaza
Pedro Schlack
Managing Director: Juan Manuel Gutiérrez

Established in 1970 as a continuation of 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, in the Bío Bío Region, which it owns through its subsidiary Portuaria Lirquén S.A.

**Arauco
Generación S.A.**

Directors: Hernán Arriagada
Franco Bozzalla
Matías Domeyko
Jorge Garnham
Antonio Luque
Álvaro Saavedra
Gonzalo Zegers
Managing Director: Carlos Rauld

This firm began operating in 1994 in the energy sector, with the purpose of generating, supplying and selling electric energy.

**Molduras
Trupan S.A.**

Directors: Franco Bozzalla
Tito Jara
Antonio Luque
Managing Director: Gonzalo Etcheberry

Established on February 20, 2004 to manufacture and sell MDF mouldings.

**Arauco
Distribución S.A.**

Chairman: Charles Kimber
Directors: Jorge Garnham
Erwin Kaufmann
Antonio Luque
Rodrigo Monreal
Gianfranco Truffello
Gonzalo Zegers
Managing Director: Cristián Larrain

Established on September 7, 1995 to distribute Aserraderos Arauco S.A. and Paneles Arauco S.A. products within the local market through a modern distribution center located on the outskirts of Santiago.

**Arauco
Internacional
S.A.**

Directors: Matías Domeyko
Juan Pablo Guzmán
Robinson Tajmuchi
Gianfranco Truffello
Managing Director: Robinson Tajmuchi

Established on September 7, 1989 as a Forestal Arauco Ltda. subsidiary. After some restructuring, it became subsidiary to Celulosa Arauco y Constitución, on October 16, 1992. Its purpose is to strengthen all of ARAUCO's international companies.

**Arauco
Wood Products
Inc.**

Directors: Juan Pablo Guzmán
Erwin Kaufmann
Charles Kimber
Francisco Lozano
Antonio Luque
Rodrigo Monreal
Gianfranco Truffello
Alberto Walker
Managing Director: Francisco Figueroa

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

**Arauco
Mex S.A. de C.V**

Chairman: Charles Kimber
Directors: Juan Pablo Guzmán
Erwin Kaufmann
Francisco Lozano
Antonio Luque
Rodrigo Monreal
Robinson Tajmuchi
Gianfranco Truffello
Gonzalo Zegers
Managing Director: Andrés Vial

Established on September 1, 2003, to operate in Mexico and sell ARAUCO's full range of products.



**Arauco Forest
Products B.V.**

Directors: Franco Bozzalla
Matías Domeyko
Charles Kimber
Ricardo Strauszer
Robinson Tajmuchi

Managing Director: Alfonso Valdés

Created in December 1999 to act as agent in the European market for the sale of ARAUCO's wood and panel products. As of April 2003 it also operates as a woodpulp Sales Agent for the European market.

**Arauco
Colombia**

Chairman: Charles Kimber
Directors: Juan Pablo Guzmán
Erwin Kaufmann
Francisco Lozano
Antonio Luque
Rodrigo Monreal
Robinson Tajmuchi
Gianfranco Truffello
Gonzalo Zegers

Managing Director: Juan Pablo Vaccaro

Established on February 15, 2008 for the sale of ARAUCO's wood and panel products in the Colombian market.

**Arauco
Perú S.A.**

Chairman: Charles Kimber
Directors: Juan Pablo Guzmán
Erwin Kaufmann
Francisco Lozano
Antonio Luque
Rodrigo Monreal
Robinson Tajmuchi
Gianfranco Truffello
Gonzalo Zegers

Managing Director: Enrique Bazán

Established on October 27, 1997 under the name Cholguán Lima S.A. for the sale of Cholguán products in the Peruvian market. In 2001 it changed its corporate name to Arauco Perú S.A. and increased its offer of panel products to include Trupan, Araucoply and impregnated posts.

Chile

Main Office
Av. El Golf 150, Piso 14
Las Condes, Santiago, Chile
Tel.: (56-2) 4617200
Fax: (56-2) 6985967
info@arauco.cl
Casilla 880, Santiago

Arauco Distribución S.A.
Av. Presidente
Eduardo Frei Montalva 21.100
Lampa, Santiago, Chile
Tel.: (56-2) 4258000
Fax: (56-2) 4258109
araucodistribucion@arauco.cl
Casilla Central 50530, Santiago

Argentina

Alto Paraná S.A.
Gov. Valentín Vergara 403,
piso 3
(B1638AEC) Vicente López,
Buenos Aires, Argentina
Tel.: (54-11) 5556-6000
Fax: (54-11) 5556-6057
info@altoparana.com

Brazil

Placas do Parana S.A.
Arauco Forest Brasil S.A.
Rua Roberto Hauer 160
Vila Hauer
Cep 81610-180
Curitiba, PR, Brasil
Tel.: (55-41) 3217-7417
Fax: (55-41) 3217-7280
marketing@araucodobrasil.com.br

Peru

Arauco Perú S.A.
Av. Emilio Cavenecia 225
Oficina 401
San Isidro, Lima, Perú
Tel.: (51-1) 4220656
Fax: (51-1) 4220672
ventas@araucooperu.com.pe

Colombia

Arauco Colombia S.A.
Calle 98 No. 21-50 Of. 801
Bogotá, Colombia
Tel.: (571) 805 26 10 /
805 26 11 / 805 25 40
Fax: (57-1) 805 26 11

Mexico

Araucomex S.A. de C.V.
Av. Vallarta 6503, Piso 5
Colonia Ciudad Granja
Torre Corey
C.P. 45010
Zapopan, Jalisco, México
Tel.: (52-33) 3110 0235 -
3793 0146 - 3110 0467
Fax: ext. 103
araucomex@arauco.cl

USA

Arauco Wood Products, Inc.
5901 B. Peachtree Dunwoody
Rd. NE.
Suite 500, Atlanta, GA 30328,
USA
Tel: 1-770-350-1659
Fax: 1-770-350-1658
awp@arauco.cl

Europe

Arauco Forest Products B.V.
Schipholweg 114
2216 XD, Leiden
The Netherlands
Tel.: 31 71 789 0250
Fax: 31 71 789 0299
afp@arauco.cl

Asia

Arauco Asia
Akasaka Sanshin Building
2nd Floor
7-3-9 Akasaka, Minato-Ku
Tokyo 107-0052, Japan
Tel: (81-3) 3587020
Fax: (81-3) 35837352
sales@araucoasia.com

Addresses

Main Offices

Headquarters
Av. El Golf 150, Piso 14,
Las Condes, Santiago, Chile
Tel.: (56-2) 4617200
Fax: (56-2) 6985967

Concepción
Los Canelos 71, San Pedro de la Paz
Concepción, Chile
Tel.: (56-41) 2867800
Fax: (56-41) 2372693

Argentina
Gdor. Valentín Vergara 403, piso 3
(B1638AEC) Vicente López
Buenos Aires, Argentina
Tel.: (54-11) 5556-6000
Fax: (54-11) 5556-6057

Brazil
Rua Roberto Hauer 160
Vila Hauer
Cep 81610-180
Curitiba, PR, Brasil
Tel.: (55-41) 3217-7417
Fax: (55-41) 3217-7280

Public Affairs Offices

Bío Bío Región
San Martín 553, Planta Libre,
Edificio Milenium II
Concepción, Chile
Tel.: (56-41) 2867750
Fax: (56-41) 2867771

Maule Región
1 Norte 801, Piso 12,
Edificio Plaza Centro
Talca, Chile
Tel.: (56-71) 233737
Fax: (56-71) 233737

Los Ríos Región
Independencia 501, Oficina 502
Valdivia, Chile
Tel.: (56-63) 271350
Fax: (56-63) 271351

Forestry

Bosques Arauco
Los Horcones s/n
Arauco, Chile
Tel.: (56-41) 2509100
Fax: (56-41) 2509110

Forestal Valdivia
Camino Santa Elvira s/n
Casilla 347
Salida Norte, Valdivia, Chile
Tel.: (56-63) 209200
Fax: (56-63) 209300

Forestal Celco
Panamericana Norte 986
Chillán, Chile
Tel.: (56-42) 204200
Fax: (56-42) 272717

Av. Gregorio Schepeler 515
Constitución, Chile
Tel.: (56-71) 200900
Fax: (56-71) 671903

Investigaciones Forestales
Bioforest S.A.
Camino a Coronel Km. 15
Concepción, Chile
Tel.: (56-41) 2728800
Fax: (56-41) 2728801

Pulp Mills

Planta Licancel
Camino a Iloca Km. 3
Licantén, Curicó, Chile
Tel.: (56-75) 205000
Fax: (56-75) 205008

Planta Constitución
Av. Mac-Iver 505
Constitución, Chile
Tel.: (56-71) 200800
Fax: (56-71) 671036

Planta Nueva Aldea
Autopista del Itata Km. 21
Nueva Aldea, Ranquil, Chile
Tel.: (56-41) 2862000
Fax: (56-41) 2862013

Planta Arauco
Los Horcones s/n
Arauco, Chile
Tel.: (56-41) 2509400
Fax: (56-41) 2509401

Planta Valdivia
Ruta 5 Sur Km. 788,
San José de la Mariquina
Valdivia, Chile
Tel.: (56-63) 271700
Fax: (56-63) 271412

Planta Alto Paraná
Ruta Nacional N°12, Km. 1588
CP 3378 Puerto Esperanza
Misiones, Argentina
Tel.: (54-3757) 488000
Fax: (54-3757) 488099

Sawmills

Oficina Concepción
Los Canelos 71, San Pedro de la Paz
Concepción, Chile
Tel.: (56-41) 2867800
Fax: (56-41) 2372693

Aserradero Alto Paraná
Av. Goycochea s/n
Puerto Piray, Misiones
(ex ruta 16) Km.1, Argentina
Tel.: (54-3751) 460500
(anexo 208 Aserraderos ó
238 MDF)
Fax: (54-3751) 460011
(anexo 201)

Aserradero Bossetti
Ruta 12 km 1.612
CP 3374ZCH Puerto Libertad,
Misiones, Argentina
Tel.: (54-3757) 496600
Fax: (54-3757) 496600

Panel Mills

Planta Trupan Cholguan
Camino Cholguan s/n
Yungay, Chile
Tel.: (56-41) 2864600
Fax: (56-41) 2864430

Planta Terciados Arauco
Los Horcones s/n
Arauco, Chile
Tel: (56-41) 2260600
Fax: (56-41) 2571155

Planta Terciados Nueva Aldea
Autopista del Itata Km. 21
Nueva Aldea, Ránquil, Chile
Teléfono Paneles (56-41) 2862700
Fax Paneles (56-41) 2862707

Planta Tableros MDF Piray
Av. Goycochea s/n
Puerto Piray, Misiones
(ex ruta 16) Km.1, Argentina
Tel.: (54-3751) 460500
(anexo 238)
Fax: (54-3751) 460011
(anexo 201)

Planta Tableros
Aglomerados Zárate
Camino de la Costa Brava s/n
Parque Industrial de Zárate,
Cod. Postal 2800,
Buenos Aires, Argentina
Tel.: (54-3487) 444000
Fax: (54-3487) 444040

Planta Tableros
MDF Jaguariaiva
Km. 2285 PR 092 Distrito
Industrial 3,
Jaguariaiva 8420000, Brasil
Tel.: (55-43) 35351870
Fax: (55-41) 32177613

Planta Tableros
Aglomerados Curitiba
Rua Roberto Hauer 160,
Vila Hauer,
Cep 81610180
Curitiba,Parana, Brasil
Tel.: (55-41) 32177280
Fax: (55-41) 32177212

Growing the

Celulosa Arauco y Constitución S.A. and Subsidiaries

*Consolidated Financial Statements
December 31, 2008*

Content

Report of the independent auditors
Consolidated balance sheet
Consolidated statement of income
Statement of consolidated cash flows

Future

Consolidated Balance Sheet (at December 31)

ASSETS	2008 Th US\$	2007 Th US\$
CURRENT ASSETS:		
Cash	18,631	37,461
Time deposits	72,195	36,260
Marketable securities	59,091	193,509
Trade accounts receivable	528,254	587,877
Notes receivable	6,688	4,197
Other receivables	57,540	93,124
Notes and accounts receivable from related parties	5,475	11,379
Inventories	871,433	754,472
Recoverable taxes	133,948	80,957
Prepaid expenses	92,141	65,600
Other current assets	106,774	70,929
Total current assets	1.952.170	1.935.765
PROPERTY, PLANT AND EQUIPMENT:		
Land	650,802	640,135
Forests	3,046,371	2,867,253
Buildings and other infrastructure	2,118,311	2,090,434
Machinery and equipment	2,988,215	2,963,445
Other	631,734	421,055
Technical revaluation	68,769	68,769
Less: Accumulated depreciation	(2,714,619)	(2,473,304)
Net property, plant and equipment	6.789.583	6.577.787
OTHER NON-CURRENT ASSETS:		
Investments in related companies	132,565	136,996
Investments in other companies	249	299
Goodwill	3,454	3,135
Negative goodwill	(87,016)	(92,301)
Long-term receivables	7,864	17,099
Intangibles	421	840
Amortization	0	(467)
Other	54.472	55.234
Total other non-current assets	112,009	120,835
Total assets	8.853.762	8.634.387

Consolidated Balance Sheet (at December 31)

LIABILITIES AND SHAREHOLDERS' EQUITY	2008 Th US\$	2007 Th US\$
CURRENT LIABILITIES:		
Current bank borrowings	26,984	168,352
Current portion of long-term bank borrowings	171,481	94,300
Current portion of bonds	136,279	34,852
Current portion of other long term liabilities	400	521
Dividends payable	191	241
Trade accounts payable	241,122	220,666
Notes payable	5,414	6,056
Sundry accounts payable	3,657	6,907
Notes and accounts payable to related companies	9,318	8,330
Accrued liabilities	46,038	52,079
Withholding taxes	33,905	31,268
Deferred income	2,628	4,671
Deferred taxes	4,712	1,844
Other current liabilities	654	619
Total current liabilities	682,783	630,706
LONG-TERM LIABILITIES:		
Long-term bank borrowings	244,800	410,634
Bonds	1,924,740	1,822,500
Sundry accounts payable	236	1,851
Accrued liabilities	31,024	34,155
Deferred tax liabilities	246,599	205,935
Other long-term liabilities	32,666	48,186
Total long-term liabilities	2,480,065	2,523,261
Minority interest	67,760	66,623
SHAREHOLDERS' EQUITY:		
Paid-up in capital	347,551	347,551
Share premium	5,625	5,625
Forestry and other reserves	1,866,854	1,820,426
Provisory Dividends	(100,932)	(108,896)
Retained earnings	3,025,310	2,653,426
Net income for the year	478,746	695,665
Total shareholders' equity	5,413,797	5,623,154
Total liabilities and shareholders' equity	8,853,762	8,634,387

Consolidated Statement of Income (at December 31)

	2008 Th US\$	2007 Th US\$
OPERATING INCOME:		
Gross profit	1,492,772	1,637,692
Sales revenue	3,689,064	3,575,732
Cost of sales	(2,196,292)	(1,938,040)
Administration and selling expenses	(710,749)	(629,130)
Operating income	782,023	1,008,562
NON-OPERATING INCOME:		
Interest earned	21,167	21,273
Share of net income of related companies	12,551	11,889
Other non-operating income	31,690	28,380
Investment loss of related companies	(460)	(24)
Amortization of goodwill	(193)	(2,911)
Interest expenses	(164,752)	(180,771)
Other non-operating expenses	(39,172)	(28,570)
Price-level restatement	(501)	(875)
Foreign currency exchange rate	(48,582)	12,475
NON-OPERATING LOSS	(188,252)	(139,134)
Income taxes	(119,265)	(176,737)
Income before taxes, minority interest and amortization of negative goodwill	474,506	692,691
Minority interest	(1,055)	(1,078)
Income before amortization of negative goodwill	473,451	691,613
Amortization of negative goodwill	5,295	4,052
Net income	478,746	695,665

Statement of Consolidated Cash Flows (at December 31)

	2008 Th US\$	2007 Th US\$
Net income	478,746	695,665
Loss (Profit) on sale of assets		
Loss (profit) on sale of property, plant and equipment	745	145
Items affecting income not involving the movement of cash:		
Depreciation	233,157	251,278
Amortization of intangibles	116	46
Write-offs and provisions	4,792	3,919
Profit from investments accounted for under the equity method	(12,551)	(11,889)
Interest loss of related companies	460	24
Amortization of goodwill	193	2,911
Amortization of negative goodwill	(5,295)	(4,052)
Net price level restatement	501	875
Foreign currency exchange rate	48,582	(12,475)
Others	140,001	86,465
Decrease (Increase) in current assets:		
Clients and debtors	(101,635)	(160,933)
Inventory	(124,834)	(10,283)
Other current assets	(59,874)	(49,550)
Increase (Decrease) in current liabilities:		
Suppliers and creditors	179,473	98,474
Interest payable	44,910	51,621
Provision for income taxes	(55,325)	39,599
Other current liabilities	21,702	11,246
Net cash flows from operating activities	783,408	1,003,542

Statement of Consolidated Cash Flows (at December 31)

CASH FLOWS FROM FINANCING ACTIVITIES	2008 ThU.S.\$	2007 ThU.S.\$
Loans from financial institutions	623,625	1,177,030
Loans paid	(852,772)	(1,216,252)
Public liabilities	202,537	268,110
Bonds issue	-	(130,000)
Dividends paid	(300,663)	(284,343)
Other	-	(3,309)
Net cash flow from financing activities	(327,273)	(188,764)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of property, plant and equipment	1,152	5,511
Purchase of property, plant and equipment	(514,858)	(540,791)
Permanent investments	(10,353)	(212,052)
Capitalized interest paid	(5,259)	(704)
Other investments	(1,873)	5,342
Net cash flow from investment activities	(531.191)	(742.694)
Net cash flows from operating, investing and financing activities	(75,056)	72,084
Effect of inflation	(25,085)	10,844
Net decrease in cash and cash equivalents	(100,141)	82,928
Initial balance of cash and cash equivalents	267,230	184,302
FINAL BALANCE OF CASH AND CASH EQUIVALENTS	167.089	267.230

Report of the Independent Auditors



PricewaterhouseCoopers
RUT: 81.513.400-1
Santiago de Chile
Av. Andrés Bello 2711
Torre La Costanera - Pisos 2, 3, 4 y 5
Las Condes
Teléfono: (56) (2) 940 0000
www.pwc.cl

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Celulosa Arauco y Constitución S.A. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income and of cash flows for the years then ended. In our report dated February 6, 2009, we expressed an unqualified opinion over such financial statements.

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

In our opinion, the information contained in the accompanying summarized financial statements is fairly consistent, in all material respects, with the consolidated financial statements from which they have been derived. However, considering that summarized financial statements present incomplete information, they should be read together with the audited consolidated financial statements referred to above.

Ricardo Arraño T.
Santiago, Chile
February 6, 2009

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Code	Indicator	In this report	Section	Page
Basic Content Indicators				
1.1	Statement from the most senior decision maker of the organization (e.g., CEO, chair or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	✓	Chairman's Statement CEO's Statement	6 8
1.2	Description of key impacts, risks and opportunities.	Ø	Chairman's Statement CEO's Statement	6 9
2.1	Name of the organization.	✓	Corporate Legal Information	T3
2.2	Primary brands, products and/or services.	✓	Forestry Business Woodpulp Business Sawn Timber Business Panel Business	22 23 24 25
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures.	✓	Corporate Structure Management Main Subsidiaries and Related Companies Business Offices	58-59 60-61 62-67 68
2.4	Location of the organization's main headquarters.	✓	Corporate Legal Information	T3
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in this report.	✓	ARAUCO around the world Sales and Distribution of Products Forestry Business Woodpulp Business Sawn Timber Business Panel Business	18-19 21 22 23 24 25
2.6	Nature of ownership and legal form.	✓	Corporate Legal Information	T3
2.7	Markets served, including geographical breakdown, sectors served and types of customers/beneficiaries.	✓	ARAUCO around the world Sales and Distribution of Products	18-19 21
2.8	Scale of the reporting organization	Ø	Indicators ARAUCO around the world	10-11 18-19
2.9	Significant changes during the reporting period regarding size, structure or ownership.	✓	CEO's Statement Forestry Business Woodpulp Business Sawn Timber Business Panels Business	9 22 23 24 25
2.10	Awards received in the reporting period.	✓	CEO's Statement Indicators	9 13
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3.2	Date of most recent previous report (if any).	✓	About this report	T2
3.3	Reporting cycle (annual, biennial, etc.)	✓	About this report	T2
3.4	Contact point for questions regarding the report or its contents.	✓	About this report	T2
3.5	Process for defining report content.	Ø	About this report	T2
3.6	Boundary of the report.	✓	About this report	T2
3.7	State any specific limitations on the scope or boundary of the report.	Ø	About this report	T2

Code	Indicator	In this report	Section	Page
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsource operations and other entities.	∅	Corporate Structure Main Subsidiaries and Related Companies	58-59 62-67
3.9	Data measurement techniques and bases for calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	∅	Throughout the report Indicators	- 12
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statements.	∅	Indicators	12
3.12	Table identifying the location of the Standard Disclosures in the report.	√	Contents	3
3.13	Policy and current practice with regard to seeking external assurance for the report.	√	About this report	T2
4.1	Governance structure of the organization.	√	Board of Directors, Management and Shareholders Management	5 60-61
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	√	Board of Directors, Management and Shareholders	4
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	√	Board of Directors, Management and Shareholders	4
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	√	CEO's Statement Form 20-F (www.aruco.cl)	8 F20-F81
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation.	√	Sustainability www.aruco.cl	16-17 -
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	√	Relations with the Community (Citizenship)	48
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations.	∅	Relations with the Community (Citizenship)	50
4.14	List of stakeholder groups engaged by the organization.	√	Sustainability	16-17
4.15	Basis for identification and selection of stakeholders with whom to engage.	∅	Relations with the Community (Citizenship)	49
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	∅	About this report	T2
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting.	∅	About this report Sustainability	T2 16-17

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EC4	Significant financial assistance received from the government.	✓	Consolidated Financial Statements	73-78
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind or pro bono engagements.	∅	Research Biotechnology and Biodiversity Protection Carbon Credits Transportation Relations with the Community (Citizenship) Schools Arauco Educational Foundation Alto Paraná Foundation Belén Educa Foundation Educational Internships	35 36 40 41 48 53 54 56 56 56
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	✓	Indicators Energy Generation	48
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EN3	Direct energy consumption by primary energy source.	✓	Indicators Energy Generation	12 27
EN6	Initiatives to provide energy-efficient or renewable energy based products and services and reductions of energy requirements as a result of these initiatives.	✓	Energy Generation CEO's Statement	26-27 8
EN8	Total water withdrawal by source.	∅	Indicators	12
EN11	Location & size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	✓	Indicators Biotechnology and Biodiversity Protection	12 36-39
EN13	Habitats protected or restored.	✓	Biotechnology and Biodiversity Protection	36-39
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EN16	Total direct & indirect greenhouse gases emissions by weight	∅	Carbon Footprint	36-37
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	✓	CEO's Statement Indicators Energy Generation Carbon Credits	8 15 26 40
EN21	Total water discharge by quality and destination.	∅	Environmental Assessment	34
EN22	Total weight of waste by type and disposal method.	∅	Environmental Assessment	32-34
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	✓	Form 20-F (www.arauco.cl)	F34-F42

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EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	∅	Transportation	41
EN30	Total environmental expenditures and investments by type.	∅	University of Chile Research Report	40-41
LA1	Total workforce by employment type, employment contract and region	∅	Workers and Contract Workers	47
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.	∅	Indicators Occupational Health and Safety Management Workplace Injury Rates	12 44 45
LA8	Education, training, counseling, prevention, and risk control programs in place to assist workforce members, their families, or community members regarding serious diseases.	∅	Indicators Occupational Health and Safety Management Workers and Contactor Workers	13 44 48
LA10	Average hours of training per year, per employee, by employee category.	∅	Indicators Workers and Contractor Workers	13 48
LA 11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing their careers.	∅	Form 20 -F (www.arauco.cl)	F81
HR9	Total no. of incidents of violations involving rights of indigenous people and actions taken	∅	Native Communities	50
PR3	Type of product and service information required by procedures and % of significant products and services subject to such information requirements.	∅	www.arauco.cl/construyaenmadera	
SO1	Nature, scope and effectiveness of any programs and practices that asses and manage the impacts of operations on communities, including entering, operating and exiting.	∅	Community	47-51
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	√	Form 20-F (www.arauco.cl)	F66-F69
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	√	Form 20-F (www.arauco.cl)	F66-F69
Note:	√ Indicator informed.			
	∅ Indicator is partially informed.			

Corporate Legal Information

Name:
Celulosa Arauco y Constitución S.A.

Tax Identification N°:
93.458.000- 1

Address:
Av. El Golf 150, 14th floor, Las Condes.
Santiago, Chile

Type of Entity:
Corporation

Inscription in Securities Registry:
N°042 on July 14, 1982

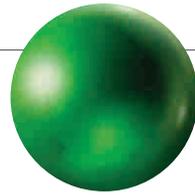
Celulosa Arauco y Constitución S.A. was constituted under Public Act on October 28, 1970 before Public Notary Ramón Valdivieso Sánchez, later modified through Public Act dated May 6, 1971 held before Public Notary Sergio Rodríguez Garcés. The company's existence was authorized on August 18, 1971, by Resolution N° 300-S of the Chilean Securities and Insurance Supervisor, inscribed in sheet 6.431, N° 2.993 of Santiago's Real Estate Registry Trade Register of 1971. The respective extract was published in the Official Daily on September 4, 1971.





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