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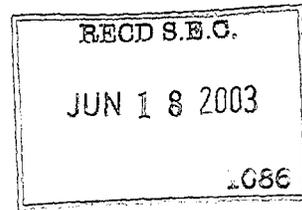
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FORM 6-K  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

P.E.  
6-2-03

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934



For the month of June, 2003

Commission File Number 33-99720

ARAUCO AND CONSTITUTION PULP INC.  
(Translation of registrant's name into English)

El Golf 150  
14th Floor  
Santaigo, Chile

(Address of principal executive offices)

PROC

JUN 18 2003

THOMSON  
FINANCIAL

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F........Form 40-F.....

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ..... No.....

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- \_\_\_\_\_

W

2002

Memoria  
Anual



**ARAUCO es el nombre con el que se denomina al conjunto de empresas industriales, forestales y comerciales organizadas bajo la propiedad de la sociedad anónima chilena Celulosa Arauco y Constitución S.A.**

**Es una de las mayores empresas forestales de América Latina, en términos de superficie y rendimiento de sus plantaciones, fabricación de celulosa kraft de mercado y producción de maderas aserradas y paneles. Sus plantaciones forestales se encuentran en Chile, Argentina y Uruguay, mientras que sus instalaciones industriales están ubicadas en Chile y Argentina.**

**The ARAUCO name refers to the group of industrial forestry and commercial companies owned by the Chilean corporation, Celulosa Arauco y Constitución S.A.**

**It is one of the world's largest forestry enterprises in terms of plantation area and yields, the production of market kraft woodpulp and of sawntimber and wood panels. Its forest plantations are located in Chile, Argentina and Uruguay, while its industrial facilities are in Chile and Argentina.**

**In Chile, Arauco owns the country's largest area of forest plantations, with a total of 610 thousand hectares mostly of radiata pine. It also has approximately 87 thousand hectares in Misiones province, Argentina (mainly of taeda pine) and 12 thousand hectares planted in Uruguay.**

**The Company owns four woodpulp mills, three in Chile (Arauco, Constitución and Licancel) and one in Argentina (Alto Paraná). Its overall production capacity is a million and a half metric tons of kraft pulp per year.**

**ARAUCO also owns twelve sawmills (eleven in Chile and one in Argentina) and six wood remanufacturing plants. The combined sawmill capacity is two million, five hundred thousand cubic meters of sawntimber per year.**

**In the panels area, Arauco operates in Chile a plywood mill, two medium density fiberboard (MDF) mills and a hardboard (HB) mill. It also has a MDF mill in Argentina. Their combined production capacity is approximately one million cubic meters of panels per year.**

**The Company's consolidated sales in 2002 were 1,188 million dollars and net income was 277 million dollars.**



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**Arauco es una de las mayores empresas forestales del mundo**  
Arauco is one of the world's largest forestry enterprises

	2021	2020	2019	2018	2017
<b>Financial (US\$ Million)</b>					
Sales	307	351	378	359	351
Pulp	231	257	282	285	284
Sawtimber	75	72	68	75	70
Panels	12	15	19	17	16
Others	87	87	109	82	80
Operating Income	126	237	400	294	300
Woodpulp	66	183	339	255	270
Forestry and other activities	60	54	61	39	30
Net Income	86	215	324	190	200
CAPEX	123	203	514	195	233
Total Assets	4,160	4,442	4,909	4,969	5,857
Fixed Assets	2,758	3,766	4,020	3,759	4,638
Equity	2,998	3,077	3,277	3,117	3,017
<b>Financial Ratios</b>					
Debt / Capitalization	28,0%	26,3%	29,3%	34,5%	33,2%
Current Ratio	2,9	3,4	2,1	6,4	3,6

**Non financial**

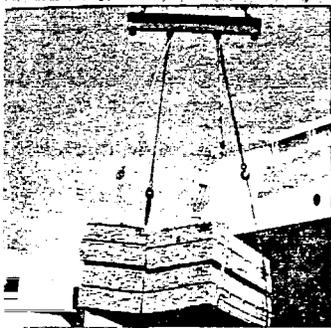
Sales		(Thousand)	2021	2020	2019	2018	2017
Woodpulp	ADt		1,262	1,450	1,218	1,721	1,585
Unbleached	ADt		287	359	281	421	310
Bleached	ADt		975	1,091	936	1,297	1,276
Wood products							
Logs	m <sup>3</sup>		1,751	1,778	1,431	1,952	1,583
Sawn Timber	m <sup>3</sup>		926	1,072	1,257	1,463	1,745
Panels	m <sup>3</sup>		68	115	314	491	73
Total Timberlands Owned		ha	881	937	1,010	1,115	1,172
Plantations	ha		529	569	657	699	708
Pine	ha		488	523	602	630	632
Eucalyptus	ha		42	47	55	64	76
Other	ha		-	-	-	5	8
Other Uses	ha		351	368	353	416	464

**Personnel**

Number of Employees	2,136	2,471	3,135	3,329	3,547
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Arauco posee un vasto patrimonio forestal en Chile, Argentina y Uruguay  
Arauco owns extensive forest resources in Chile, Argentina and Uruguay





Señores Accionistas:

Nos es grato presentar a ustedes la Memoria, el Balance y la Cuenta de Resultados de la Compañía correspondiente al ejercicio 2002. Deseamos al mismo tiempo, aprovechar esta oportunidad para dar a conocer las estrategias básicas que utilizará esta empresa para llevar adelante su futuro desarrollo.

La idea matriz que orienta nuestra estrategia global es la aspiración de Arauco de consolidarse como una de las empresas forestales más importantes de América Latina, utilizando su tamaño para alcanzar las economías de escala necesarias para posicionarse como una empresa que entregue una rentabilidad razonable a sus accionistas, y además cumpla en forma adecuada con la responsabilidad asumida ante sus trabajadores, el país y las comunidades en que desarrolla sus actividades.

En el área silvícola la estrategia de Arauco consulta el aumento del valor de su patrimonio forestal, conformado por plantaciones de pino radiata, taeda y eucalipo globulus y nitens, mediante nuevas plantaciones y la compra adicional de terrenos plantados, pero especialmente haciendo uso intensivo de las más avanzadas tecnologías en materia de mejoramiento genético, de manejo forestal y la protección contra plagas, malezas e incendios.

Las plantaciones de Arauco están en plena curva de crecimiento de modo que la cosecha de sus bosques entregará volúmenes crecientes de madera rolliza, tanto pulpable como aserrada y libre de nudos, cuyo aprovechamiento integral y eficiente, junto a rollizos comprados a terceros, requiere importantes inversiones destinadas a aumentar la capacidad de producción de las plantas industriales, tanto de celulosa como de aserraderos, de madera manufacturada y de tableros terciados, MDF y HB.

A este respecto, estimamos importante destacar las importantes inversiones que está realizando la empresa en la construcción de la planta de celulosa Valdivia, de 600.000 toneladas de capacidad y en la adquisición de terreno de espera para fines del primer trimestre del presente año. También podemos mencionar la decisión tomada por la

empresa de invertir en Arauco Sarelmu, un nuevo aserradero de alta capacidad, construido en un terreno de 100 hectáreas, especialmente diseñado para aprovechar las ventajas tecnológicas y genéticas que el manejo forestal más eficiente puede ofrecer. Arauco Sarelmu será el primer aserradero de su tipo y proveerá volúmenes de pulpa para el consumo interno de las plantas y de productos de madera rolliza, tanto lograda por otras plantas, requiriendo inversiones para aumentar la capacidad de las plantas, y en menor medida, aserraderos, para la planta de plywood, MDF and HB pills.

En este contexto, we would like to make mention of the investments being made in the construction of the Valdivia pulp mill. This mill will have a production capacity of 600,000 tons/year and its start-up is expected for the first quarter of 2004.

We should also mention the decision taken this year to go forward with the tarta forestry and industrial complex, which will begin in the first quarter of 2003 and consists in the first stage, of a sawmill with an annual production capacity of 350,000 m<sup>3</sup>, a plywood mill with an annual production capacity of 210,000 m<sup>3</sup> and a thermal energy plant. In the second half of this decade, construction will begin for a new pulp mill of similar characteristics to that of Valdivia mill.

empresa durante este ejercicio de llevar adelante el complejo forestal e industrial Itata, cuyo desarrollo se inició en el primer trimestre del 2003 y que consulta, en una primera etapa, un aserradero, de una capacidad de 350.000 m<sup>3</sup> anuales, una planta de terciado de una capacidad de 210.000 m<sup>3</sup> anuales y una planta térmica. En la segunda mitad de la presente década se iniciará la construcción de una nueva planta de celulosa de características similares a las de Valdivia.

La adquisición de equipos industriales de última generación y la permanente preocupación de la empresa para mejorar la productividad en las distintas áreas en que opera Arauco, constituyen la estrategia que nos permite entregar productos de alta calidad y bajar los costos de producción de manera de competir exitosamente aun en los mercados más exigentes y en los países más lejanos a Chile.

El acelerado crecimiento del volumen de los distintos productos que ofrece Arauco, han llevado a consolidar la estrategia de la empresa de incrementar las actividades de comercialización mediante la instalación de nuevas oficinas comerciales en distintos centros de consumo en el exterior, así como reforzar las que hoy día tenemos en funcionamiento, incluyendo la de Centromaderas que opera en Chile.

En el área financiera la estrategia adoptada consulta mantener los índices económicos dentro de límites prudentes de manera que las turbulencias que se presentan periódicamente en los mercados internacionales no afecten negativamente a nuestra empresa.

Otro aspecto estratégico de gran importancia para este Directorio es el relacionado con la protección del medio ambiente y el desarrollo sustentable de todas las actividades productoras de Arauco.

En el área industrial el nivel de emisiones sólidas, líquidas y gaseosas de las diferentes plantas de la empresa, cumplen estrictamente con las normas chilenas, que son tan restrictivas como las que se aplican en los países más desarrollados del mundo.

La adquisición de equipos industriales de última generación y la permanente preocupación de la empresa para mejorar la productividad en las distintas áreas en que opera Arauco, constituyen la estrategia que nos permite entregar productos de alta calidad y bajar los costos de producción de manera de competir exitosamente aun en los mercados más exigentes y en los países más lejanos a Chile.

The accelerated growth in the volume of the different products offered by Arauco has led the Company to consolidate its strategy of increasing its commercial activities through the opening of new commercial offices in different markets abroad and reinforcing those offices which are already operating, including Centromaderas, in Chile.

In the financial area the strategy adopted is to maintain its economic ratios within prudent limits so that turbulences that occur periodically in international markets do not adversely affect the Company.

Another strategic aspect of great importance to the Board is environmental protection and the sustainable development of all of Arauco's productive activities.

In the industrial area, the levels of solid, liquid and gas emissions of the Company's various mills comply strictly with Chilean standards which are as restrictive as those imposed by more developed countries in the world.

In the forestry area, all of the Company's activities have the environmental certification ISO 14001. It is also expected to have in Chile a National Standard for Sustainable Forest Management to be completed during the year, and to be ratified as well as a member of the Pan-European Forest Certification (PEFC).

Chairman's  
Statement

En el área forestal todas las actividades de la empresa cuentan con la certificación ambiental ISO 14001. Además se espera que dentro del año se termine de confeccionar en Chile un Estandar Nacional de Manejo Forestal Sustentable, y se le ratifique como miembro del estandar de Certificación Forestal Pan Europeo (PEFC).

Finalmente, nos parece relevante destacar nuestra estrategia de mantener muy buenas relaciones con las comunidades vecinas a las áreas en que Arauco desarrolla sus actividades productivas, destinando importantes esfuerzos, tanto humanos como materiales, para el desarrollo económico y social de dichas comunidades. En este aspecto se ha dado especial relevancia al valioso apoyo en el ámbito educacional, donde la empresa ha realizado importantes inversiones en la instalación de colegios de enseñanza media y contribuye activamente en su mantenimiento y administración.

Pero la labor más importante en materia educacional es la que realizamos a través de la Fundación Educacional Arauco (FUNDAR) que desde hace 13 años lleva a cabo diversos programas de perfeccionamiento de los profesores de educación primaria, especialmente en las áreas rurales de menores recursos. Estos programas han beneficiado a más de 700 profesores de 74 escuelas, proporcionando a más de 16.000 niños.

A continuación daremos a conocer los otros trabajos más importantes correspondientes a esta actividad durante el año 2002, con resultados muy positivos, los obtenidos en el mundo entero. El informe que se considera que la Arauco es una empresa que opera en un relativamente deprimido mundo.

Las plantaciones de Arauco, en Chile, Argentina y Uruguay alcanzaron a 19.000 hectáreas.

Finally, we feel it important to mention our strategy of maintaining good relations with neighboring communities in the areas where Arauco has its production facilities, providing substantial human and material assistance for economic and social development.

Special relevance has been given to valuable educational work where the Company has made important investments in the installation of secondary schools. The Company is committed to their maintenance and administration.

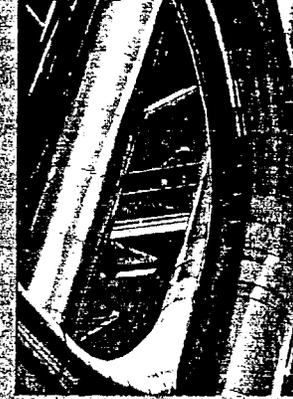
One of the most important work in the educational field worldwide through the Arauco Educational Foundation (FUNDAR) which has been providing primary and teacher training for 13 years now, especially in the rural areas. These programs have benefited more than 700 teachers from 74 schools, and thus more than 16,000 children.

The following are the Company's most important results for the year 2002, showing improved results over previous year, especially when considering that the global economic situation was relatively depressed during the whole year.

Arauco's plantations of pine and eucalyptus in Chile, Argentina and Uruguay, reached a total area of 19,000 hectares in 2002.

The harvesting of our forests allowed us to obtain 1 million m3 of pulp and saw log grades.

The three pulp mills in Chile and the one in Argentina produced a total of 1 million 564 thousand tons of pine and eucalyptus pulp.



de nuestros bosques nos permitió obtener un total de 9,7 millones de m<sup>3</sup> de madera pulpa y aserrable. Las plantas de celulosa en Chile y la de Argentina produjeron un total de 1 millón 564 mil toneladas de celulosa y eucalipto.

Los aserraderos de Chile y el aserradero de Argentina produjeron un total de 2 millones 150 mil m<sup>3</sup> de madera aserrada y 302 mil m<sup>3</sup> de madera manufacturada de pino.

Las plantas de paneles de Chile y Argentina produjeron 310 mil m<sup>3</sup> de madera laminada, 308 mil m<sup>3</sup> de MDF y 59 mil m<sup>3</sup> de HB.

Las ventas totales de la empresa durante el periodo 2002 alcanzaron a US\$ 1.188 millones.

Las ventas de Arauco alcanzaron a US\$ 118,8 millones, de los cuales solo un 10% corresponden a ventas en Chile.

El ingreso neto de la empresa por el periodo 2002 alcanzó a US\$ 277,2 millones y el patrimonio neto de Arauco al 31 de diciembre de 2002 alcanzó a US\$ 3.207 millones.

The 11 sawmills in Chile and the one in Argentina produced a total of 2 million 150 thousand m<sup>3</sup> of sawntimber and through its six remanufacturing plants, 302 thousand m<sup>3</sup> of manufactured pine wood.

The wood panels mills in Chile and Argentina produced 310 thousand m<sup>3</sup> of plywood, 308 thousand m<sup>3</sup> of MDF and 59 thousand m<sup>3</sup> of HB.

The Company's total investments in 2002 reached US\$ 343,3 million.

Arauco's consolidated sales were US\$ 1,188 million, of which only 10% correspond to sales in Chile.

The Company's net income amounted to US\$ 277,2 million and its shareholders' equity at the end of the year was US\$ 3,207 million.

Finally we wish to extend a special appreciation to our customers for their trust in preferring Arauco products; our service companies for their important collaboration in our activities; the financial entities that have facilitated the carrying out of our development programs and particularly to our personnel whose capacity, work spirit and willingness have enabled us to successfully achieve the goals we had set for ourselves.

Chairman of the Board

**Directorio,  
Administración  
y Accionistas**

Board of Directors  
Administration  
Shareholders

**Administración**

**Directorio**  
Directors

José Tomás Guzmán  
Presidente Directorio

Alejandro Pérez  
Gerente General

Franco Bozzalla  
Gerente Area Paneles

Roberto Angelini  
Vice Presidente

Matías Domeyko  
Gerente de  
Administración y Finanzas

Charles Kimber  
Director Ejecutivo AWP

**Directores**  
Members of  
the Board

Jorge Andueza  
Anacleto Angelini  
Manuel Enrique Bezanilla  
Jorge Bunster  
Carlos Croxatto  
Alberto Etchegaray  
Felipe Lamarca

Alvaro Saavedra  
Gerente Area Forestal

Sergio Desormeaux  
Gerente de Informática

Jorge Gamham  
Gerente Area Celulosa  
Woodpilo Area  
Managing Director

Hernán Arriagada  
Gerente de Ingeniería y  
Construcción

Antonio Luque  
Gerente Area Aserradero  
Managing Director

Cristián Infante  
Gerente Alto Paraná

Victor Renner  
Gerente Proyecto Valdivia

**Accionistas**

**Shareholders**

Cellulosa Arauco y Constitución S.A.  
Accionistas al 31-12-2002  
Shareholders as of December 31, 2002

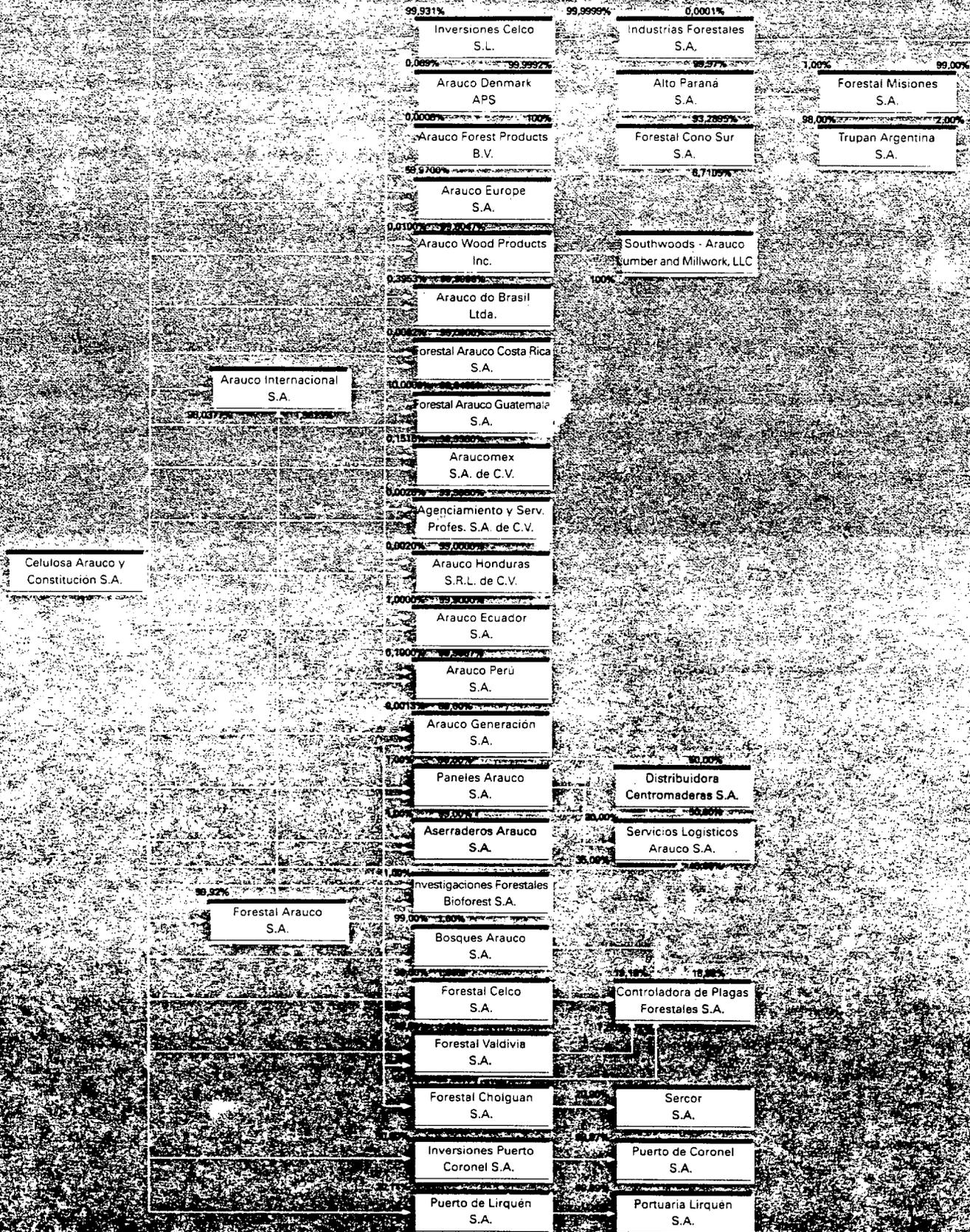
Nombre Name	Número de Acciones Number of Shares	Porcentaje de Participación Percentage Shareholding
Cellulosa Arauco y Constitución S.A.	122.452	99,9775121 %
Weyerhaeuser S.A.	1.116	0,0009066 %
Werner Pacific Cuzco S.A.	163	0,0013222 %
Werner Pacific Chile S.A.	36	0,0002936 %
Total	124.767	100,00000 %



**Para la empresa es prioritario la protección del medioambiente**  
Environmental protection is a major issue for the company

# Las Empresas Arauco

al 31 de diciembre de 2002



# Celulosa Arauco y Constitución S.A.



Realiza directamente actividades de producción y venta de celulosa y es la sociedad matriz de un conjunto de empresas industriales y forestales. Posee además una significativa participación en las empresas Puerto de Lirquén S.A. y Puerto de Coronel S.A.

La sociedad se formó en 1979, por la fusión de las empresas Industrias de Celulosa Arauco S.A. y Celulosa Constitución S.A.

Industrias de Celulosa Arauco S.A. fue creada en 1968, con el objeto de desarrollar el proyecto de una planta de celulosa en la zona de Arauco, en la VIII Región. En 1972, CORFO adquirió el total de las acciones, las que licitó públicamente a fines de 1976, siendo adjudicadas a la Compañía de Petróleos de Chile S.A. (COPEC).

Celulosa Constitución S.A. se creó en 1969, con el propósito de construir una planta de celulosa en la zona de Constitución, en la VII Región del país. En 1974, el total de las acciones pasó a propiedad de CORFO, empresa que las licitó y adjudicó a COPEC en 1976.

En la actualidad, COPEC es propietaria del 99,98% de las acciones de Celulosa Arauco y Constitución S.A.

Al conjunto de empresas organizadas bajo la propiedad de Celulosa Arauco y Constitución S.A. se les denomina bajo el nombre genérico de ARAUCO.

This company directly produces and sells woodpulp and is the parent company of a group of industrial and forest companies. It also has significant holdings in Puerto de Lirquén S.A. and Puerto de Coronel S.A.

The company was formed in 1979 following the merger of Industrias de Celulosa Arauco S.A. and Celulosa Constitución S.A.

Industrias de Celulosa Arauco S.A. was created in 1968 to develop a pulp mill project in the Arauco area of Chile's 8th Region. In 1972, CORFO acquired all its shares which were then offered in a tender in late 1976 being awarded to Compañía de Petróleos de Chile S.A. (COPEC).

Celulosa Constitución S.A. was created in 1969 to build a pulp mill in the Constitución area of the 7th Region. All the shares in the company passed to CORFO in 1974 which then sold them under a tender in 1976 to COPEC.

COPEC is today the holder of 99,98% of the shares of Celulosa Arauco y Constitución S.A.

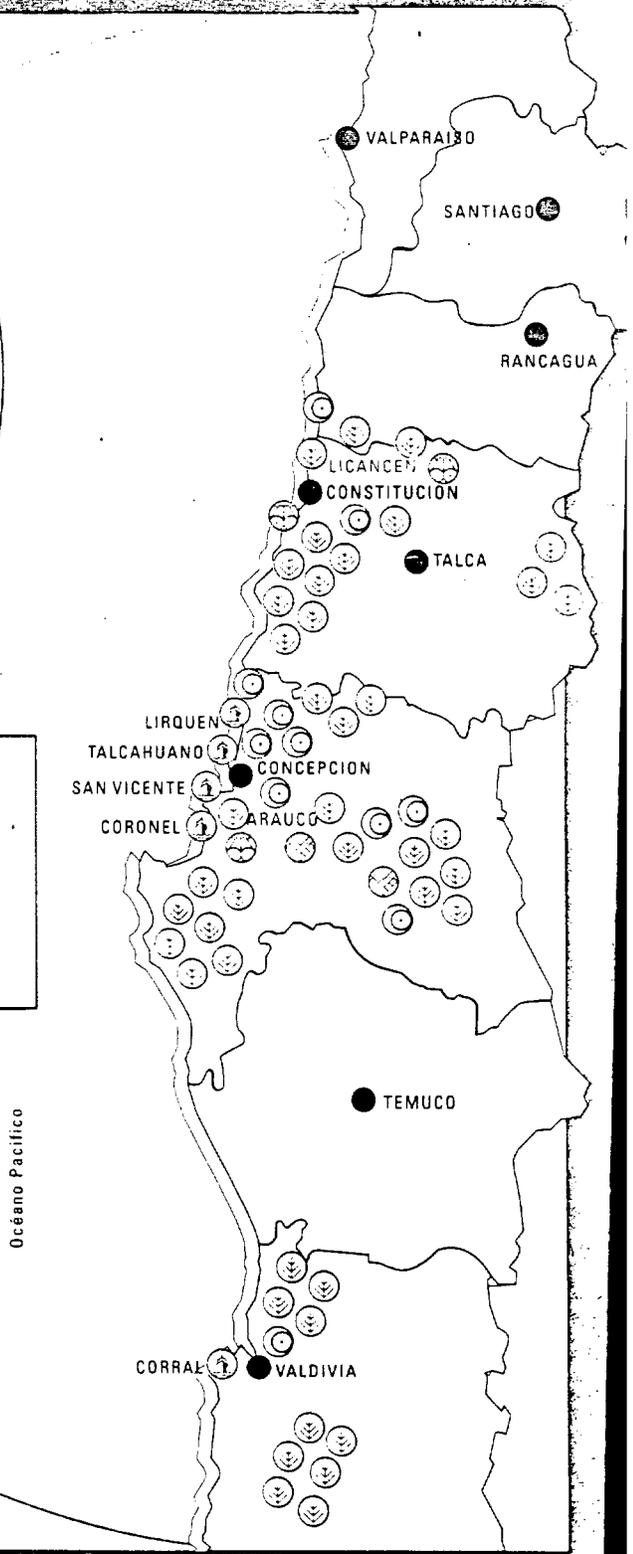
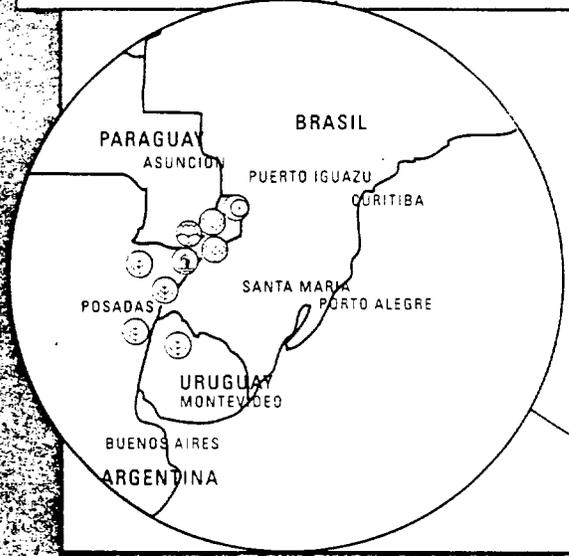
The group of companies organized under the ownership of Celulosa Arauco y Constitución S.A. uses the generic name of ARAUCO.

**Centros Operativos de Arauco en Chile Argentina y Uruguay**

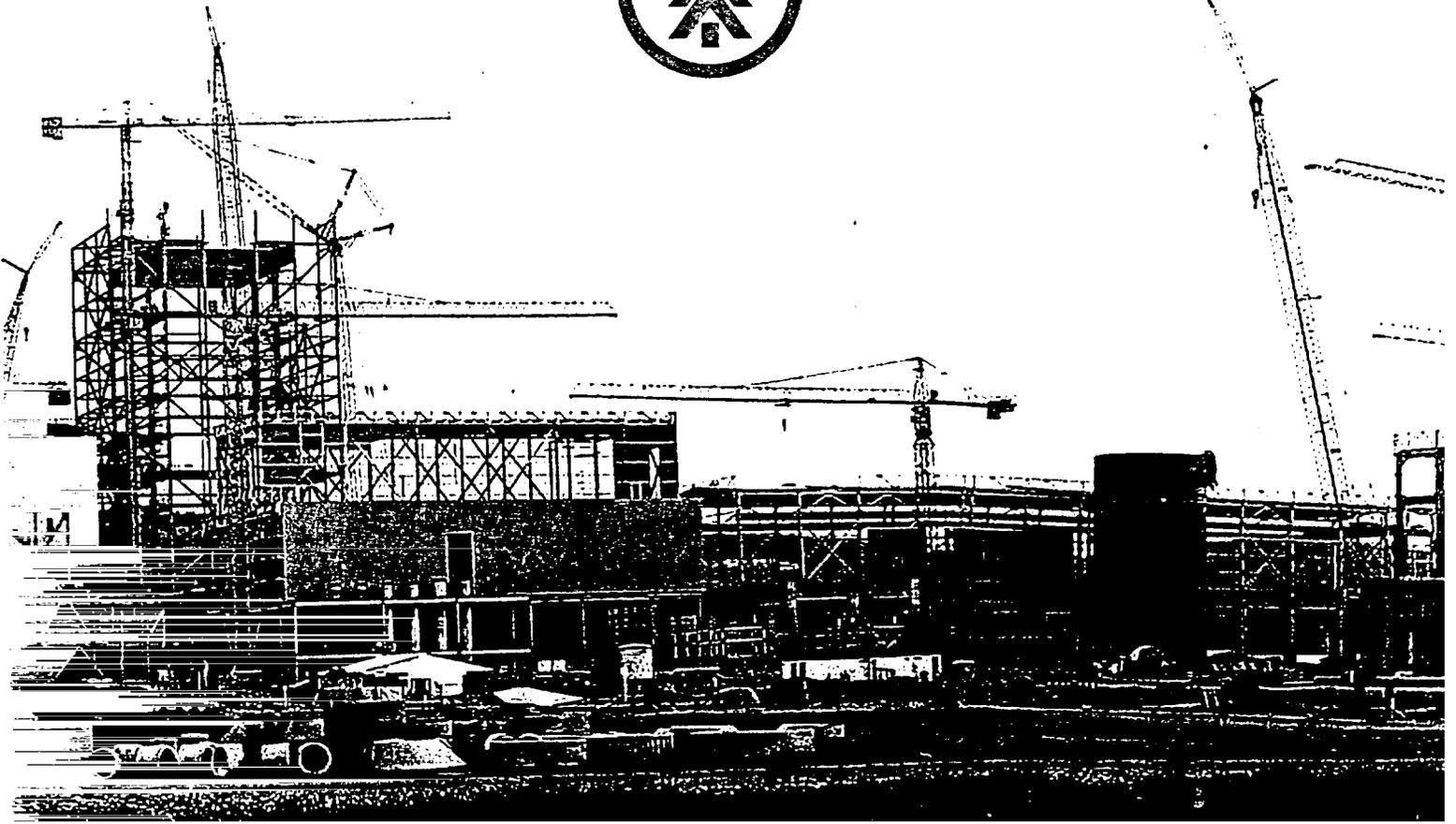
OPERATIVA  
CENTRO SUD  
ARGENTINA  
URUGUAY



	Plantación Forest plantation		Planta de paneles Panel mill
	Planta de celulosa Woodpulp mill		Puerto Port
	Aserradero Sawmill		



Futura Planta Celulosa Valdivia  
New Valdivia Mill





Arauco es propietaria del mayor patrimonio de plantaciones forestales de América del Sur, el que se concentra en Chile, Argentina y Uruguay y que actualmente alcanza a 709 mil hectáreas. La extensión de sus bosques, así como el rápido crecimiento que las especies plantadas alcanzan en esta región del mundo, otorgan a la empresa importantes ventajas comparativas en el mercado mundial, tanto en la producción de celulosa como de madera aserrada, paneles y sus productos derivados.

El recurso forestal de Arauco es utilizado de acuerdo a una política de manejo sustentable de las plantaciones. Esto constituye una relevante garantía de confiabilidad para sus clientes, pues asegura la capacidad de Arauco de entregar una oferta creciente y sostenida de madera en el largo plazo.

A la vez, consciente del valor de su recurso forestal y de la necesidad de optimizar la productividad y calidad de sus plantaciones, la empresa destina importantes recursos para el desarrollo de tecnologías de vanguardia en áreas de mantenimiento, genética, protección fitosanitaria, productividad de los suelos y propiedades de la madera. La inversión en investigación y desarrollo se orienta contra la obtención de tecnologías que permitan mejorar la productividad y calidad de las plantaciones.

Arauco owns the largest forest plantation asset base in South America, which is concentrated in Chile, Argentina and Uruguay and which currently amounts to 709 thousand hectares. The extension of its forests, as well as the rapid growth that the species planted reach in this region of the world, give the Company important comparative advantages in the global market, whether in the production of cellulose or in sawn timber, panels and their derivatives.

Arauco's forest resource is managed according to a sustainable plantation management policy, which constitutes a relevant guarantee of reliability for its customers, since it ensures Arauco's ability to deliver a growing and sustainable supply of wood in the long term.

At the same time, the Company, conscious of the value of its forest resources, devotes substantial resources for the development of technological improvements in disease control, maintenance, genetic and properties which consist in optimizing productivity, standards and plantation quality.

The Company has a complete fire protection program covering prevention, detection and suppression, and an effective pest early warning system to minimize fire situations outside the company's control which could put its resources at risk.

Arauco's plantations are mainly of radiata pine and eucalyptus, which are managed to maximize the harvesting of knot-free wood which is later used to produce high value-added products much in demand in world markets.



Viveros de Pino Radiata  
Radiata Pine Nursery

Forestry Area

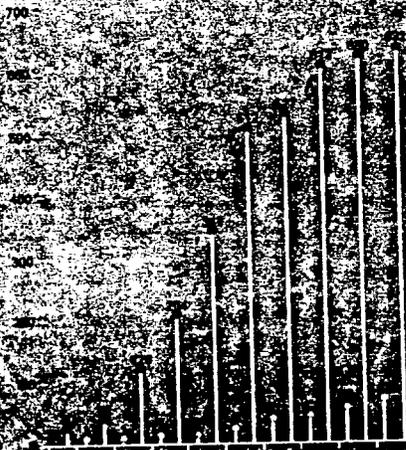
Patrimonio forestal al 31 de diciembre de 2002

	Miles de hectáreas / Miles de Hectáreas				
	Total	Plantaciones / Plantations Pino / Pine Eucalipto / Eucalyptus	Otras / Other Diversas / Divers	Bosques Nativos / Native Forests	Otros usos / Other uses
Chile	921	541	68	3	220
Argentina	173	79	3	5	19
Uruguay	28	12	1	1	16
	1.121	632	69	8	255

Inventario de Plantaciones

02

Miles de Hectáreas



Pine Hectares

Eucalyptus Hectares

Cosecha de Madera

02

Miliones m<sup>3</sup>  
Million m<sup>3</sup>



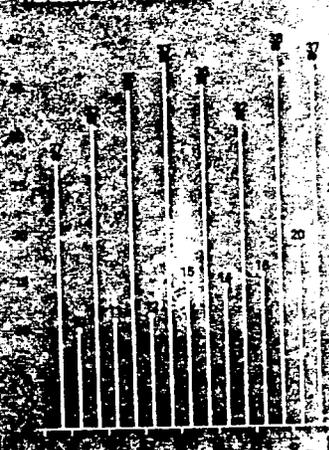
(a) - estimated

Hectáreas Plantadas

0

Hectáreas Cosechadas  
Areas Harvested

Miles de Hectáreas



Plantad Hectares

Harvested Hectares

(a) - estimated

#### **Producción y venta de madera rolliza**

En el año 2002 se cosecharon 9,7 millones de metros cúbicos de rollizos, se produjeron 1,4 millones de metros cúbicos de astillas y se compraron a terceros 3,6 millones de metros cúbicos de rollizos y astillas.

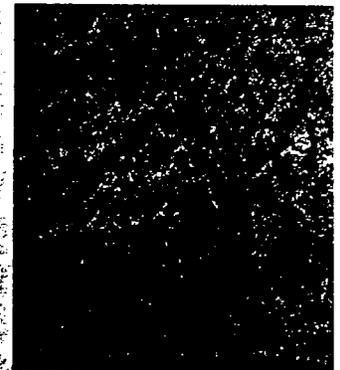
Del total disponible de rollizos y astillas, 13,7 millones de metros cúbicos fueron destinados a las plantas de celulosa, paneles y aserraderos de la empresa, y un millón de metros cúbicos se vendió a terceros.

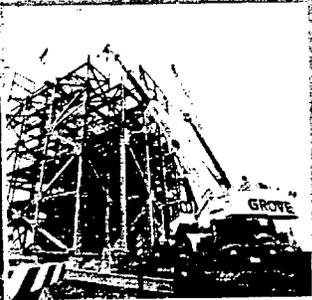
#### **Desarrollo tecnológico forestal**

Con el objetivo de maximizar la calidad, productividad y rendimiento de sus plantaciones, Arauco ha definido como una prioridad estratégica de la empresa el desarrollo de investigaciones tecnológicas propias y de vanguardia en el área forestal.

La encargada de llevar a cabo esta tarea es la empresa filial Bioforest S.A., ubicada en Chile, que opera como un centro científico-tecnológico de investigación en el área forestal y que presta servicios al conjunto de la compañía en todos los países donde ésta mantiene plantaciones. En los laboratorios, viveros e invernaderos de Bioforest se desarrollan y ensayan nuevas tecnologías que luego se aplican en las plantaciones de Arauco. Cuenta con un personal altamente calificado y con instalaciones e instrumental acordes con los más exigentes estándares internacionales.

Actualmente, sus principales líneas de investigación son Genética, que incluye biotecnología; Productividad de los sitios, que incluye silvicultura; Protección Fitosanitaria, que incluye entomología y patología forestal, además estudios acerca de las características y propiedades de la madera.





ARAUCO se ubica entre los principales fabricantes del mundo de celulosa kraft de mercado blanqueada y sin blanquear, y cuyos productos son reconocidos a nivel mundial por su alta blancura, limpieza y estabilidad. La celulosa blanqueada de Arauco se produce en Chile a partir de pino radiata y eucalipto, y de pino taeda en Argentina. Ambas se usan preferentemente en la fabricación de papeles para impresión, cartulinas y papeles sanitarios. La celulosa sin blanquear se produce en Chile a partir de pino radiata y se utiliza en la elaboración de papeles para embalaje, productos de fibro cemento y papeles dieléctricos.

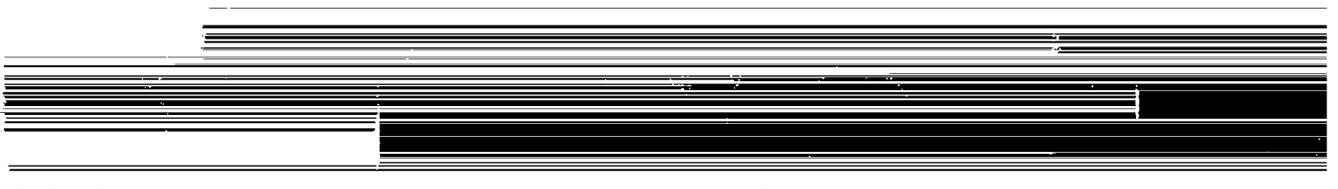
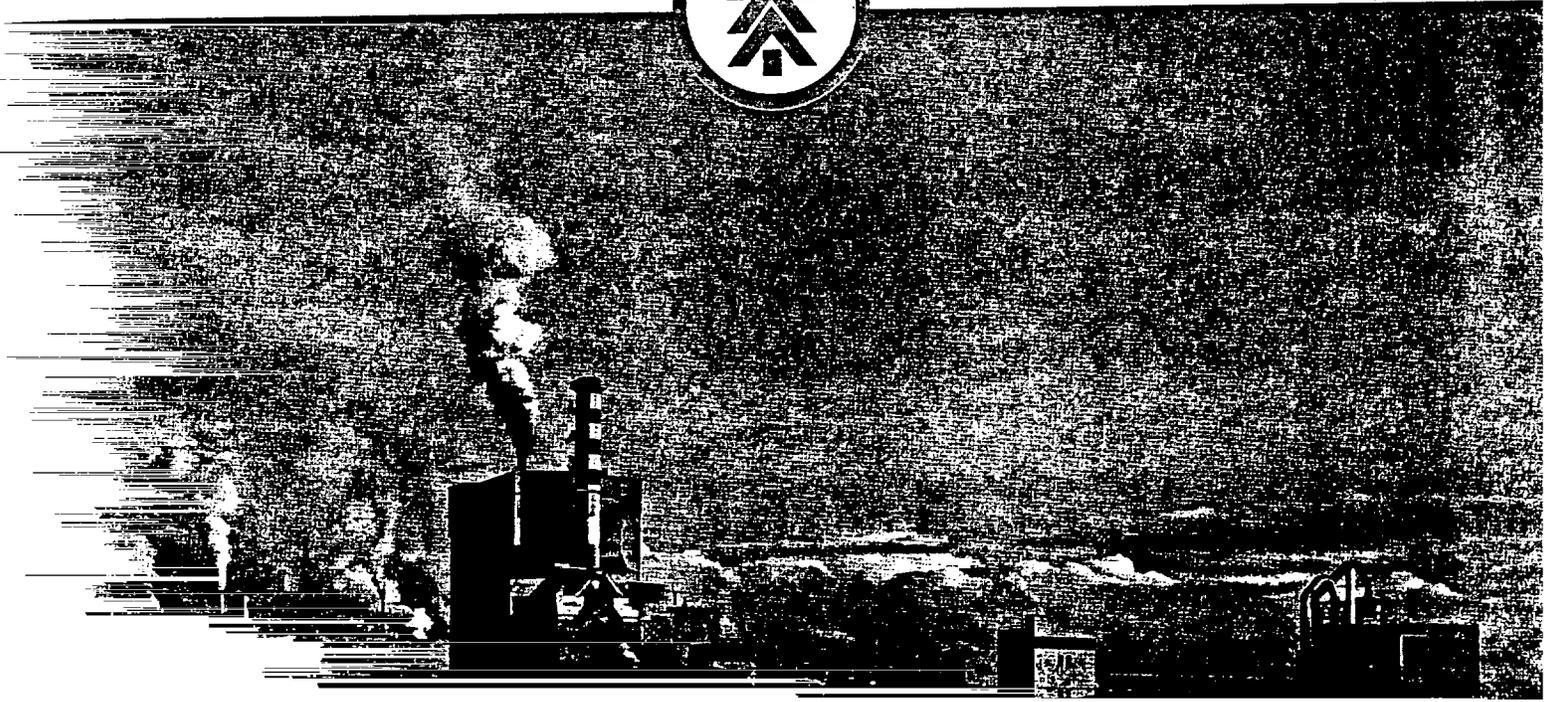
La mayor parte de la producción, elaborada en las plantas ubicadas en Chile y Argentina, se comercializa en los competitivos mercados internacionales, que han reconocido a Arauco como un proveedor altamente confiable en el largo plazo. Este prestigio se fundamenta también en la permanente incorporación de los más rigurosos estándares tecnológicos y de protección al medioambiente en sus procesos industriales, en sus competitivos costos de producción y complementado con un sistema de distribución y comercialización profesionalizado, ágil y de alcance global.

Cabe señalar que de las cuatro plantas de celulosa que posee Arauco dos cuentan con la certificación internacional de calidad ISO 9001-2000 y en las otras dos, que tienen actualmente la certificación ISO 9001, está en curso el proceso para certificar bajo la norma ISO 9001-2000 durante el año 2003.

#### Desarrollo futuro

El principal proyecto que en estos momentos ocupa a Arauco en el área de la celulosa es la construcción de la Planta Valdivia, ubicada en la X región de Chile, que producirá más de 600 mil toneladas anuales de celulosa kraft blanqueada de pino radiata y de eucalipto. Cuando entre en funcionamiento se estima que aumentará la capacidad de producción a un nivel de 2004 la capacidad

Planta Arauco  
Arauco Mill



Woodpulp  
Area

total de Arauco de producción de celulosa sobrepasará los 2.2 millones de toneladas métricas por año, lo que consolidará su posición como la mayor empresa de celulosa de Chile y una de las más grandes de celulosa de mercado a nivel mundial.

El proyecto contempla una inversión total de 1.200 millones de dólares, de los cuales 900 millones de dólares corresponden a activos industriales, mientras que 300 millones de dólares fueron destinados al desarrollo de un patrimonio forestal en la zona superior a 100 mil hectáreas que ya se encuentra realizado.

El proyecto futuro más importante que contempla Arauco es el desarrollo del complejo forestal industrial Itata, ubicado en la cercanía de Chillán en la VIII Región de nuestro país.

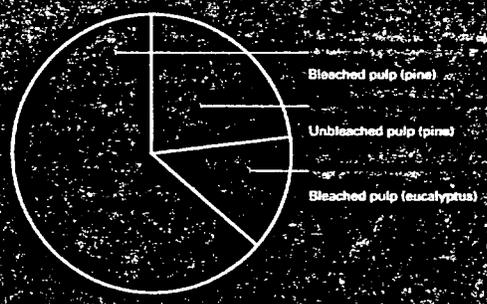
En este desarrollo se considera en su primera etapa, a punto de iniciarse, la construcción de un aserradero y de una planta de terciados. Para la segunda mitad de la década se contempla la ejecución de la segunda etapa que incluye la construcción de una planta de pulpa blanqueada de pino y eucalipto de características similares a las de la planta Valdivia. Cabe hacer presente que el estudio de impacto ambiental de la planta celulosa Itata ya fue aprobado por la Comisión Nacional de Medioambiente.

El estudio de impacto ambiental de la planta celulosa Itata ya fue aprobado por la Comisión Nacional de Medioambiente (official environmental regulator).



Woodpulp Production  
Thousands of Hectares

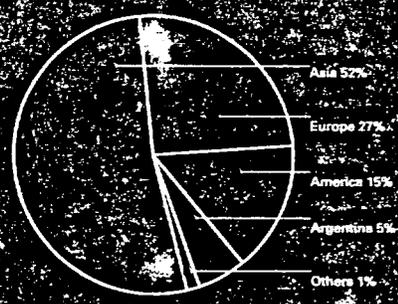
.02



Total : 1,546 million tons

Woodpulp Sales by Market

.02

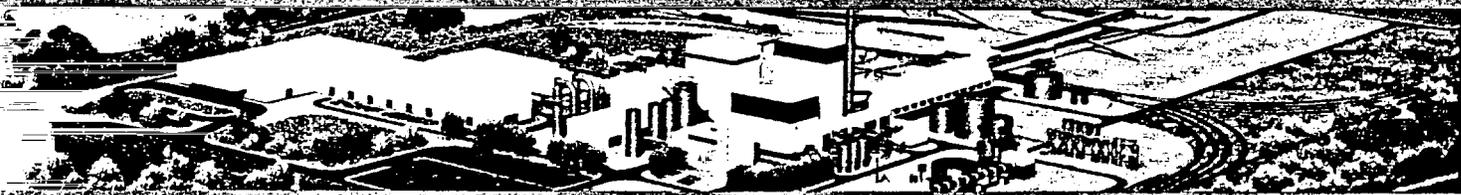


Total : 1,565 million tons

**Área  
Celulosa**

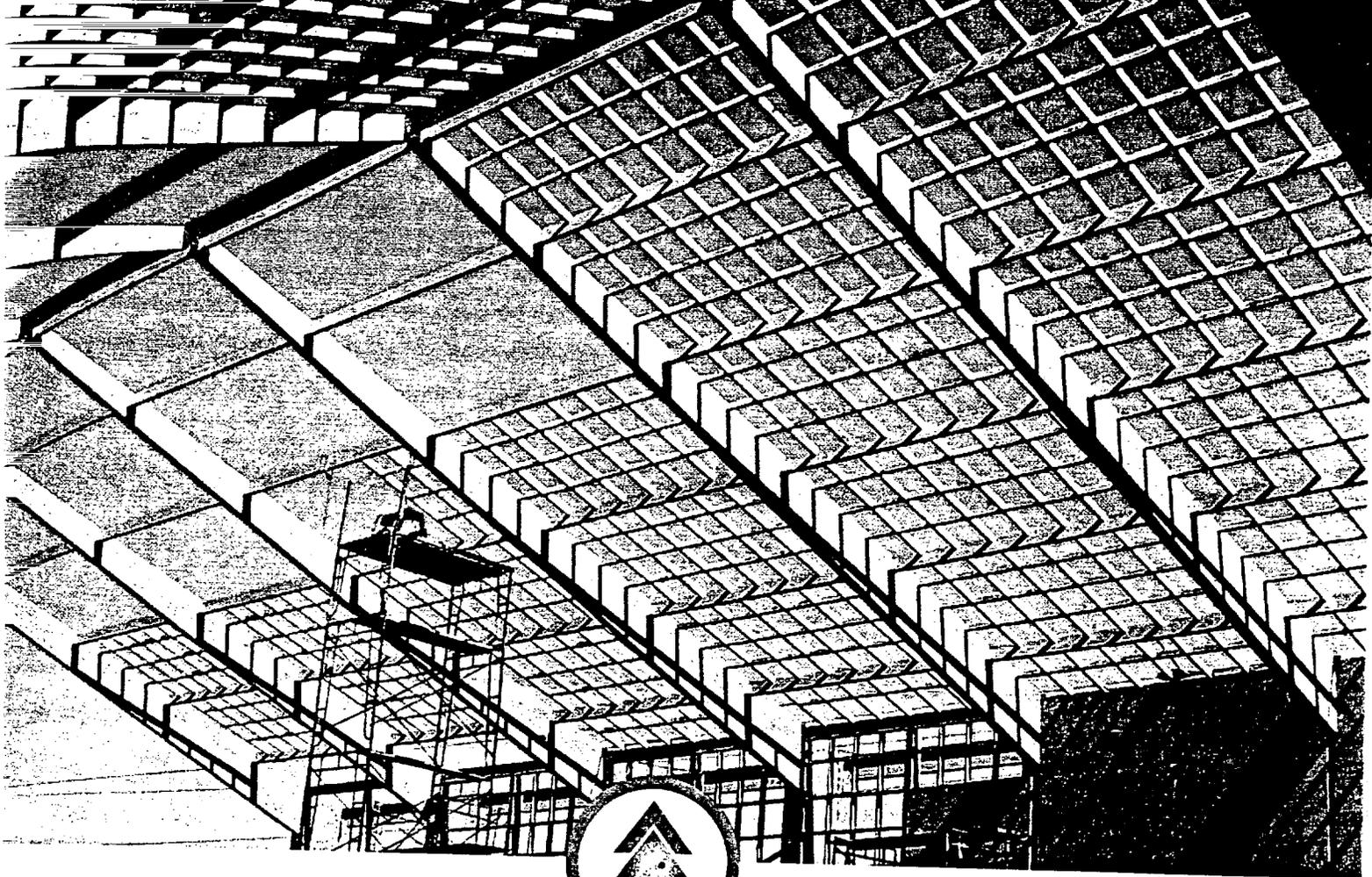
**Woodpulp  
Area**

Planta	Ubicación	Tipo de celulosa	Producción 2002
Arauco	Chile. Octava Región.	Kraft blanqueada de pino radiata y de eucalipto, en calidades estándar y ECF. Marca: Arauco BKP Arauco EKP	756 mil toneladas métricas (579 mil de celulosa blanqueada de pino y 177 mil de celulosa blanqueada de eucalipto).
Constitución	Chile Séptima Región.	Kraft cruda de pino radiata. Marca: Celco UKP	354 mil toneladas métricas.
Licancel	Chile. Séptima Región.	Kraft blanqueada de pino radiata y de eucalipto, en calidades estándar y ECF. Marca: Arauco BKP Arauco EKP	113 mil toneladas métricas (81 mil de celulosa blanqueada de pino y 32 mil de celulosa blanqueada de eucalipto).
Alto Paraná	Argentina. Provincia de Misiones	Kraft blanqueada de pino taeda. Marca: Alto Paraná BKP	323 mil toneladas métricas.



Mills	Location	Kind of Woodpulp	Production
Arauco	Chile 8 <sup>th</sup> Region.	Radiata pine and eucalyptus bleached kraft pulp in Standard and ECF varieties. Brand: Arauco BKP Arauco EKP	756 thousand metric tons (579 thousand of bleached pine pulp and 177 thousand of bleached eucalyptus pulp).
Constitución	Chile 7 <sup>th</sup> Region.	Unbleached radiata pine kraft pulp. Brand: Celco UKP	354 thousand metric tons.
Licancel	Chile. 7 <sup>th</sup> Region.	Bleached radiata pine and eucalyptus pulp in Standard and ECF qualities. Brands: Arauco BKP Arauco EKP	113 thousand metric tons (81 thousand of bleached pine pulp and 32 thousand of bleached eucalyptus pulp).
Alto Paraná	Argentina, Misiones province.	Bleached taeda kraft pulp. Brand: Alto Paraná BKP	323 thousand metric tons.





Construcción con vigas laminadas  
Construction with laminated products

Area  
Madera  
Aserrada Sawntimber  
Area

Proyectos futuros

Durante el presente ejercicio la empresa aprobó una inversión de 6,8 millones de dólares para poner en marcha, a partir de diciembre de 2003, un proyecto de ampliación del aserradero Valdivia, con el objetivo de que éste alcance una capacidad de producción de madera aserrada de 350 mil metros cúbicos al año, con sus correspondientes instalaciones de secado y cepillado.

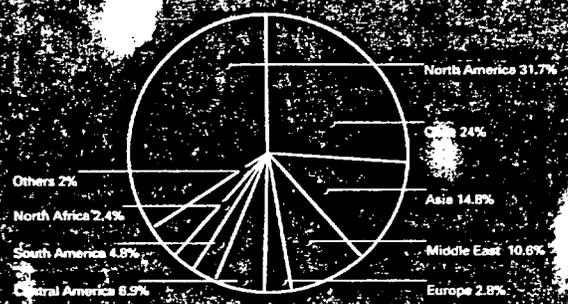
Adicionalmente, durante el próximo año se iniciarán las obras de construcción del nuevo aserradero en el complejo forestal Jitá, con una capacidad de producción anual de madera aserrada de 350 mil metros cúbicos. El monto total de la inversión asciende a 25 millones de dólares y la puesta en marcha está prevista para fines del año 2004.

Producción Total  
Total Production

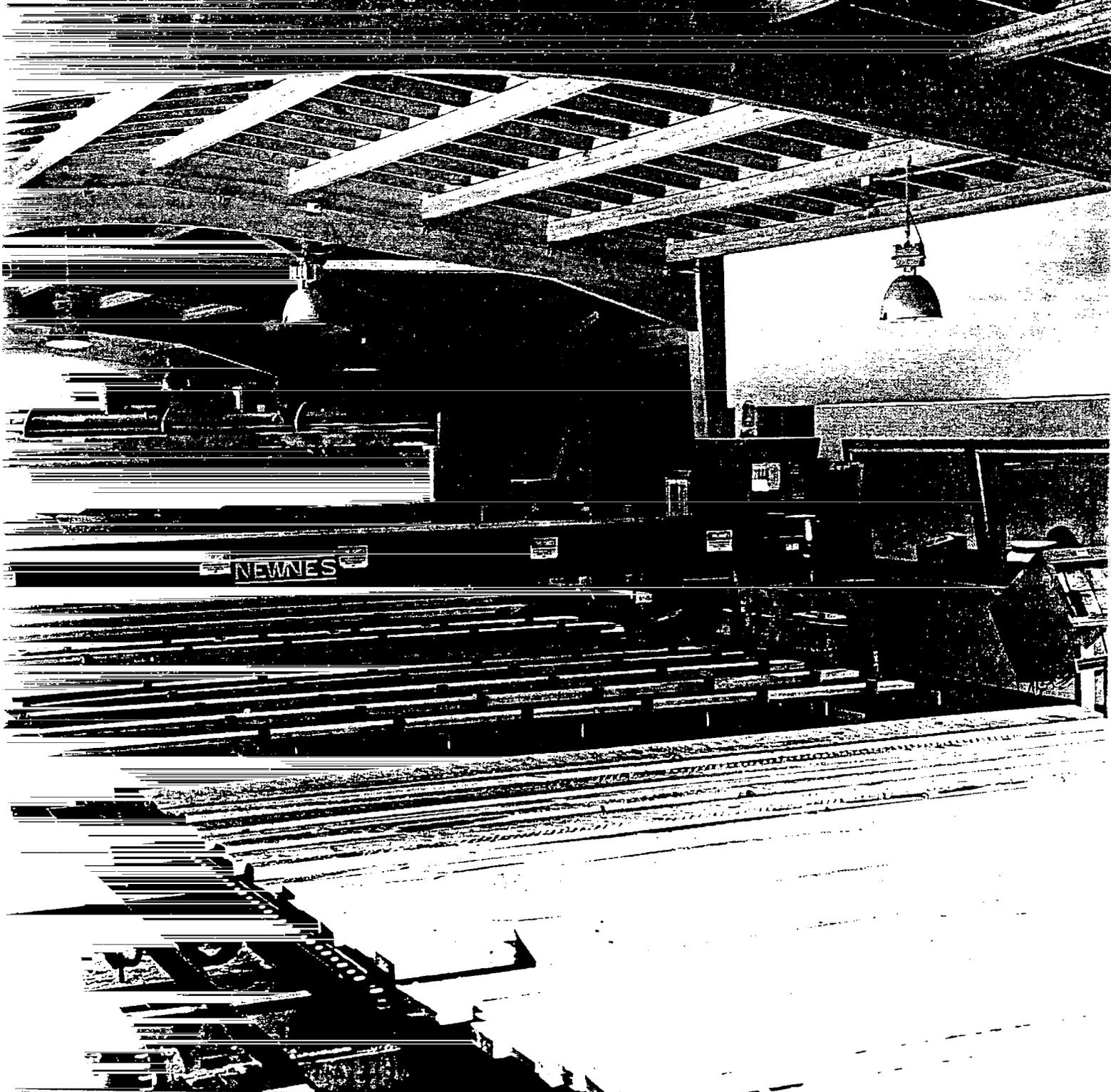
Producto / Product	Producción en miles de m <sup>3</sup> / Production in thousand m <sup>3</sup>		
	2001	2002	Variación %
Madera Verde / Unseasoned Sawntimber	1.785	2.150	20%
Madera Seca / Kiln Dried Sawntimber	1.075	1.415	32%
Madera Manufacturada / Remanufactured Products	229	362	125%



Sawntimber Sales by Market 02



Total: 1 million 745 thousand m<sup>3</sup>



Valdivia Sawmill

## Area Paneles

### Panels Area



Desde su creación en 1997, esta área de negocios ha experimentado un rápido crecimiento, expandiendo significativamente tanto sus operaciones como su cartera de productos, utilizando para ello sistemas flexibles de producción que garantizan posibilidades de comercialización adaptables a los competitivos y exigentes requerimientos de los mercados internacionales.

En la actualidad, Arauco produce tableros terciados en Chile, marca Arauco Ply, MDF marca Trupan en Chile y Argentina y HB marca Cholguan en Chile; los cuales son comercializados en más de 30 países, tanto en América, como en Europa y Asia.

La producción total de tableros de Arauco en Chile y Argentina durante el año 2002 ascendió a 677 mil metros cúbicos, cifra que implica un incremento del 29 por ciento respecto del año 2001, lo que se explica, fundamentalmente, por modernizaciones efectuadas en la planta de terciados y por la puesta en marcha, durante el ejercicio, de dos nuevas plantas de MDF: una en Chile, Trupan 2, ubicada en la localidad del mismo nombre, en la VIII Región del país, con una capacidad de producción anual de 250 mil metros cúbicos de tableros, y otra en Argentina, en la localidad de Puerto Piray, con capacidad de producir 240 mil metros cúbicos de tableros al año. Las inversiones materializadas en los proyectos Trupan 2 y en la planta MDF de Argentina, estuvieron de acuerdo a lo presupuestado y la puesta en marcha ha sido óptima.

Con la inauguración de estas dos nuevas plantas, la capacidad total de producción de tableros de Arauco supera el millón de metros cúbicos, lo que la sitúa dentro de las principales empresas de Latinoamérica en el ramo de paneles.

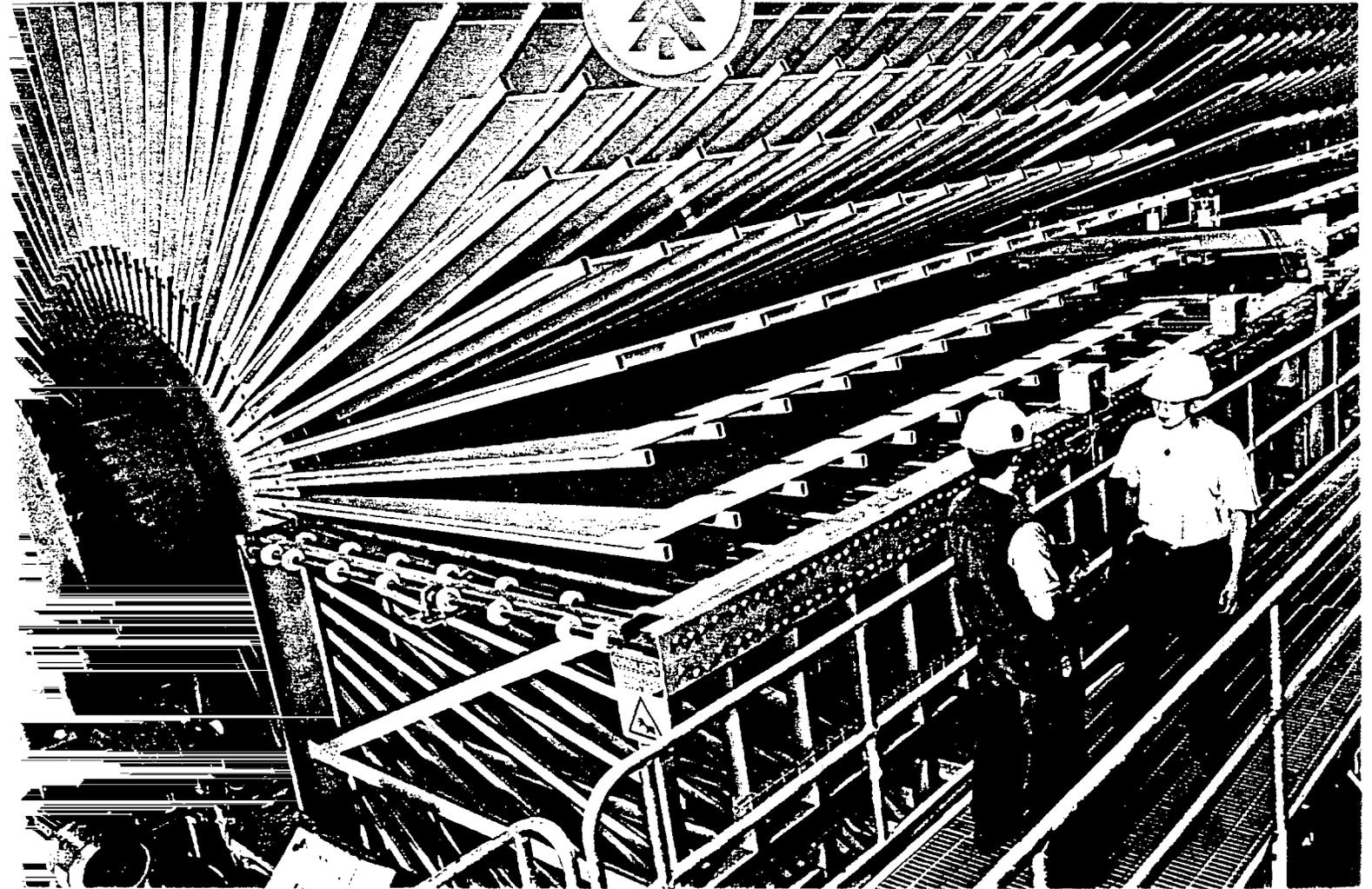
This business area has experienced fast growth since its creation in 1997, expanding significantly both its operations and its product portfolio, using flexible production systems that guarantee commercialization possibilities adaptable to the competitive and demanding requirements of international markets.

At present, Arauco produces laminated plywood in Chile, Arauco Ply brand, MDF Trupan brand in Chile and Argentina, and HB Cholguan brand in Chile; all of which are marketed in more than 30 countries, both in Latin America and in Europe and Asia.

Arauco's total board production in Chile and Argentina in 2002 amounted to 677 thousand cubic meters, a 29 percent increase over 2001, mainly explained by plywood mill modernizations and the start-up during the year of two new MDF mills: one in Chile, Trupan 2, located in the place of the same name in the VIII Region, with annual capacity of 250 thousand cubic meters, and another in Argentina at Puerto Piray, with an annual capacity of 240 thousand cubic meters. The investments made in these two projects were in line with their budgets and startups have been encouraging.

With the inauguration of these two new mills, Arauco's total annual production capacity now exceeds one million cubic meters, placing it among the main companies in Latin America in the wood panel business.

Nueva planta de Trupan II  
New Trupan II mill



Área  
Paneles

Panels  
Area



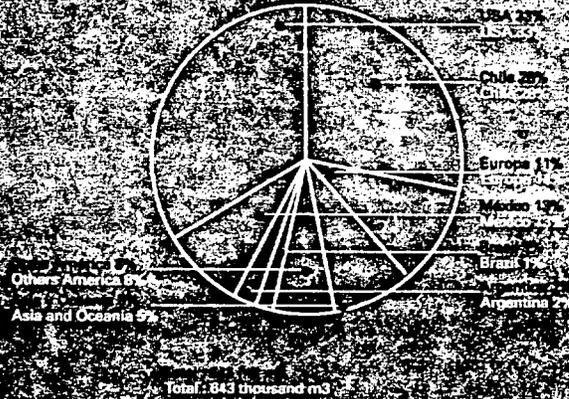
Proyectos Futuros

En concordancia con el desarrollo del nuevo complejo forestal-industrial Itata que Arauco impulsa en el sector de Chillán, VIII Región de Chile, la empresa aprobó la construcción en la zona de una nueva planta de tableros terciados con una capacidad de producción que alcanzará a 210 mil metros cúbicos anuales. La inversión contemplada es de 45 millones de dólares y la puesta en marcha de la nueva planta está programada para fines del año 2004. Adicionalmente, se construirá una planta térmica que alimentará de vapor y energía al nuevo complejo industrial Itata, y que considera una inversión de 40 millones de dólares.



Ventas de Paneles por Mercado  
Panel Sales by Market

02

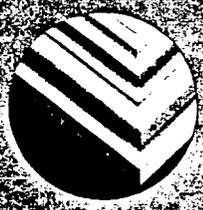
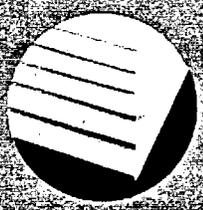


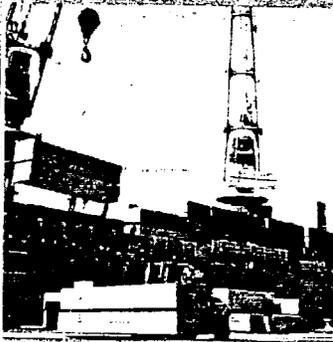
Area  
Paneles

Panels  
Area

Los paneles de Arauco

Producto	Marca	Características	Usos	Producción 2002
Terciados	Arauco Ply	Resistentes, livianos, versátiles y fáciles de trabajar. Se producen en grados para apariencia (libre de nudos), estructurales, moldajes y multipropósitos. Certificaciones internacionales en Norteamérica (PS-1-95), en Alemania (BFU-100) y en Japón (JAS).	Construcción: estructura para pisos, recubrimiento decorativo en techos y muros, moldaje para hormigones.  Industria: fabricación de carrocerías, casas rodantes, pisos para embarcaciones, buques, embalajes especiales, muebles y juguetes.	310 mil m <sup>3</sup>
Medium Density Fiber Board (MDF)	Trupan	Fabricada con fibras de pino radiata y taeda. De color claro, fácil de moldurar, ensamblar y perforar, con buenas propiedades para la industria del mueble.	Fabricación de muebles, molduras, pisos y decoración de interiores en general.	308 mil m <sup>3</sup>
Medium Density Fiber Board (MDF)	Trupan	Tipos: Trupan, Trupan Enchapado, Trupan Ranurado, Trupan Ultraliviano, Trupan Melamina.		
Hardboard (HB)	Cholguan	Fabricado con fibras de pino radiata. Flexible, resistente a la humedad, fácil de trabajar y con una gran superficie.	Construcción: revestimientos de interior, puertas y pisos. Industria: fabricación de muebles, soporte publicitario, escenografías.	59 mil toneladas métricas
Hardboard (HB)	Cholguan	Made with radiata pine fibers. Flexible, damp resistant, easy to work with, hard surface.	Construction: interior covering, doors and floors. Industry: Manufacture of furniture, advertising boards and scenery.	59 thousand metric tons





La fuerte expansión que ARAUCO ha experimentado en los últimos años en todas sus áreas de negocios, impone a la empresa el desafío de colocar volúmenes de exportación crecientes en mercados internacionales, que exigen productos más diversificados y de mayor calidad. Para asumir esta tarea brindando a sus clientes la más alta satisfacción de servicio, la empresa mantiene oficinas comerciales en distintas partes del mundo, que facilitan una atención cercana y expedita, y así permitirá a Arauco tener una capacidad de reacción más rápida y flexible frente a nuevos requerimientos de los clientes.

Actualmente, Arauco posee seis oficinas comerciales en distintos países: Arauco Wood Products, en Estados Unidos, que comercializa todos los productos de la empresa en Norteamérica; Arauco Asia, en Japón, orientada a la promoción y venta de madera aserrada y tableros en la región; Arauco Forest Products, en Holanda, dedicada a la comercialización de madera y paneles; Arauco México y Arauco Perú, ambas dedicadas a la venta de madera aserrada y tableros en América Latina; y Arauco do Brasil, establecida durante el presente ejercicio con el objetivo de comercializar en ese país los productos que Arauco elabora en Argentina.

En Chile, la empresa encargada de promocionar y vender la madera aserrada y los paneles de Arauco es la filial Centromaderas, que cuenta con un moderno centro de distribución en las afueras de Santiago. Creada hace siete años, Centromaderas es, en la actualidad el más completo proveedor de productos forestales orientados al mercado de la construcción y la mueblería en Chile. Con sus marcas Arauco, Trupan, Cholguan, MSD y Hilem la empresa ha alcanzado durante el año 2002 ventas por 100 millones de dólares. Su contribución al desarrollo

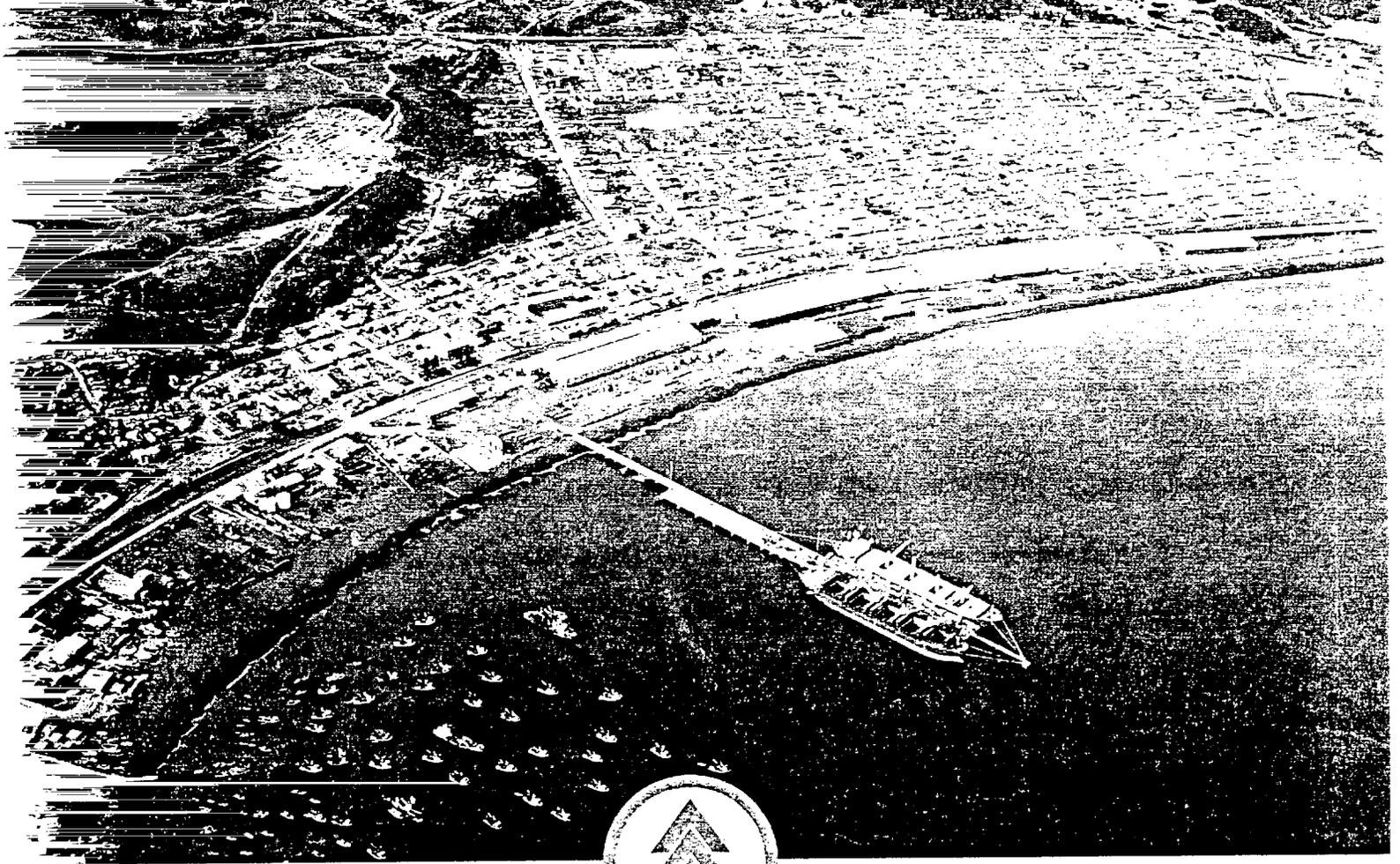
de Chile es una responsabilidad que asumimos con orgullo y compromiso. Nuestra actividad se desarrolla en Chile y en el extranjero, a través de nuestras filiales y oficinas comerciales, que permiten a los clientes contar con un servicio cercano y expedito. Nuestra actividad se desarrolla en Chile y en el extranjero, a través de nuestras filiales y oficinas comerciales, que permiten a los clientes contar con un servicio cercano y expedito.

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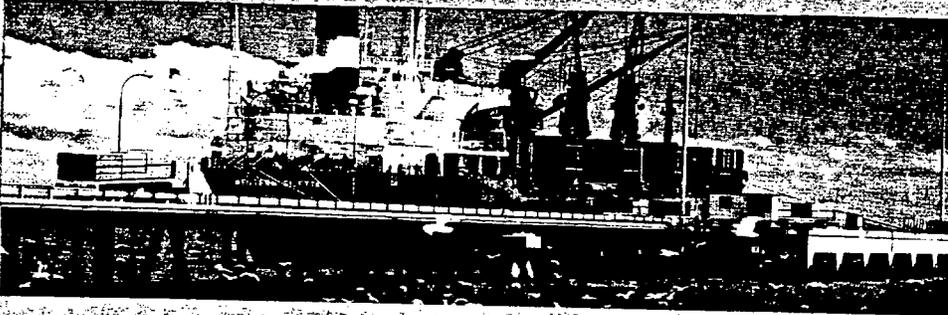




Vista panorámica del Puerto de Coronel  
Overview of Coronel's Port

## Sales and Distribution

del mercado nacional maderero trasciende las áreas de comercialización y venta y abarca también interesantes iniciativas de divulgación y educación. Así, en el año 2002, Centromaderas editó el primer libro sobre Ingeniería y Construcción en Madera, una guía práctica que integra el uso de los productos de Arauco, tablas de cálculo para soluciones típicas de viviendas hasta dos pisos y detalles constructivos.



En lo que respecta a sus sistemas logísticos, Arauco cuenta con una estructura administrativa destinada específicamente a abordar los problemas del transporte, embarque, almacenaje y distribución de sus productos a los distintos mercados internacionales. El control de todos los aspectos involucrados desde que los productos salen de las plantas industriales hasta su entrega al cliente en el destino final está a cargo de la filial Servicios Logísticos Arauco, empresa que también asume la documentación de comercio exterior y coordina sus operaciones en el extranjero con las oficinas comerciales que Arauco mantiene en el mundo.

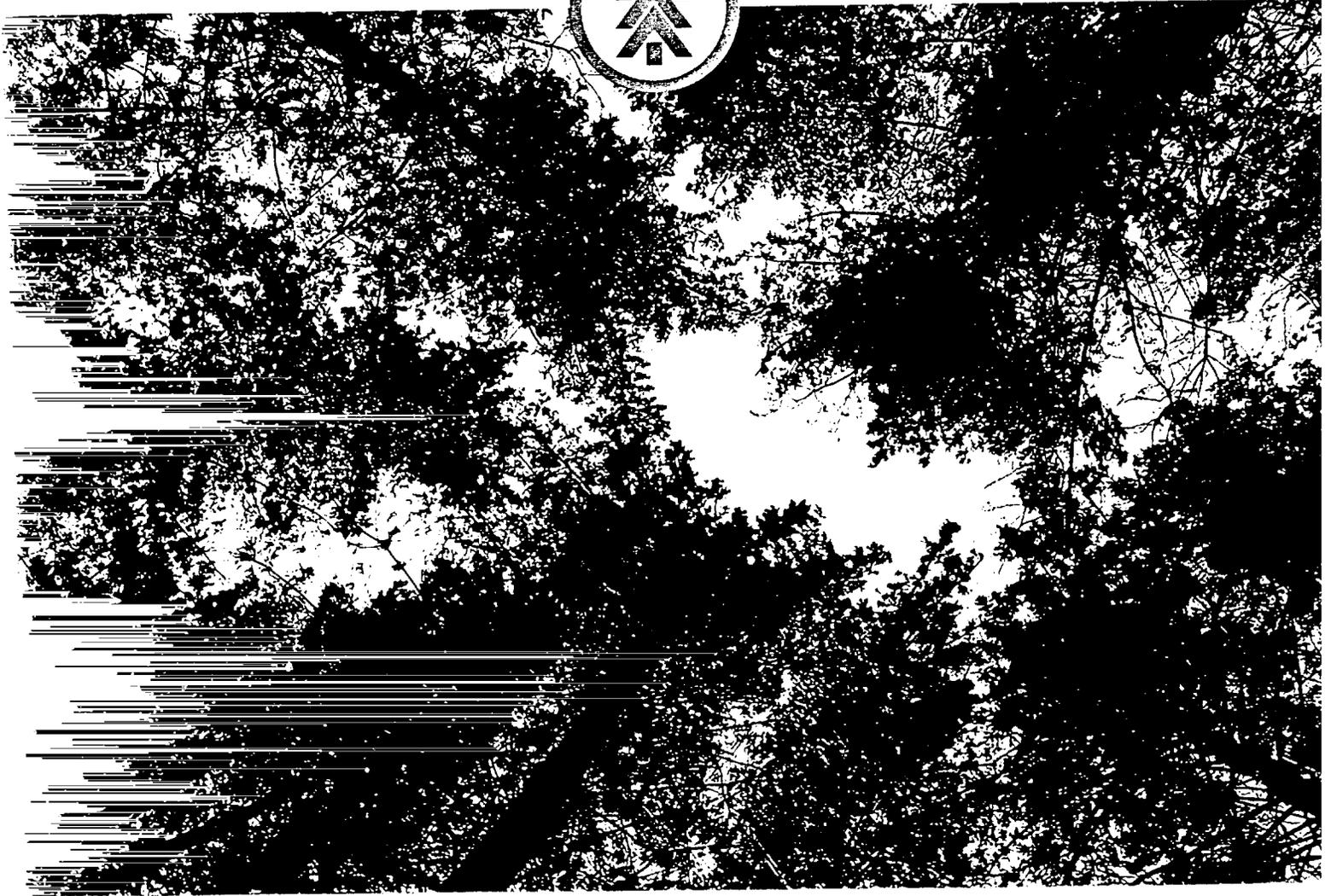
Es importante mencionar que los tres puertos de la VIII Región, desde los cuales se realizan las exportaciones de Arauco, San Vicente, Coronel y Lirquen, cuentan con infraestructura moderna y equipamiento de alta tecnología. Arauco participa en la propiedad de dos de estos puertos, Puerto de Lirquen S.A. con un 20% y Puerto de Coronel S.A. con un 50%.

with 5 million dollars in 2002. This resulted in the development of the domestic wood market for the sawmilling and other value-added chains. Arauco's initiatives in promoting and education. Centromaderas published the first book on engineering and construction in wood as a practical guide that integrates the use of Arauco products, calculation tables for housing solutions in two floors and construction details.

With respect to its logistics system, Arauco has an administrative structure specifically designed to address the problems of transport, loading, storage and distribution of its products to different international markets. The control of all aspects involved since the products leave the industrial plants until they are delivered to the customer is under the control of the branch, Servicios Logísticos Arauco. This branch takes on the documentation of international trade and coordinates its operations with the commercial offices that Arauco maintains in the world.

It is important to mention that the three ports of the VIII Region (San Vicente, Coronel and Lirquen) from which Arauco exports its products, have modern infrastructure and high technology equipment. Arauco participates in the ownership of two of these ports, Puerto de Lirquen S.A. with 20% and Puerto de Coronel S.A. with 50%.

La protección del medioambiente es, para Arauco, un compromiso prioritario  
For Arauco, protection of the environment is a priority commitment





## Protección del Medioambiente

### Environmental Protection

Roundtable (IFIB) foro independiente de asociaciones y empresas forestales, cuyos miembros trabajan en la creación de un sistema confiable de reconocimiento mutuo de certificación forestal, y el grupo CertforChile, que reúne al sector público, a propietarios de bosques, a empresas forestales, organizaciones no gubernamentales, y a instituciones académicas y gremiales con el objetivo de desarrollar un Estándar Nacional de Manejo Forestal Sustentable en Chile. La instancia es miembro del Pan-European Forest Certification (PEFC).

#### Instalaciones Industriales

Arauco también aplica el concepto de protección del medioambiente en todas sus instalaciones industriales, lo que significa que desde el momento en que éstas son proyectadas, diseñadas y construidas, ese criterio se incorpora como concepto fundamental. En todas ellas, la empresa perfecciona y actualiza maquinaria, tecnología y procedimientos tendientes a disminuir al máximo el impacto ambiental de las operaciones, e implementa rigurosos sistemas de control y monitoreo de emisiones líquidas, sólidas y gaseosas.

Todas las plantas de la empresa -aserraderos, plantas de manufactura de madera, fábricas de paneles y plantas de celulosa- cumplen con las normas ambientales vigentes, lo que representa en sí mismo un alto estándar, ya que Chile cuenta con una legislación ambiental moderna y exigente.

No obstante lo anterior, la empresa constantemente investiga, desarrolla y pone en marcha nuevos planes de mitigación ambiental. Es así como, en noviembre de 2002, Aserraderos Arauco recibió la certificación ISO 14001 en todas sus plantas, tanto aserraderos como de manufactura de madera, lo que constituye una importante garantía de respeto al medioambiente.

and locally. These efforts are international forest industry Roundtable (IFIB) and the Pan-European Forest Certification Association and CertforChile, which is a network of creating reliable forest certification mutual recognition system, and the CertforChile group, which unites the public sector, forest owners, forestry companies, non-governmental organizations and academic and business associations. In order to develop a Chilean National Sustainable Forestry Management Standard CertforChile has been accepted to become a member of the Pan-European Forest Certification (PEFC).

#### Industrial Installations

Arauco also applies the environmental protection concept to all its industrial installations, so these criteria are incorporated as a fundamental concept from the moment these are planned, designed and built. In each case, the company seeks to perfect and update equipment, technologies, and procedures for reducing the environmental impact of its operations, and implements rigorous liquid, solid and gas emission control and monitoring systems.

All the company's plants, whether sawmills, wood remanufacturing plants, panel mills or pulp mills, comply with the current environmental regulations, which is in itself a high standard as Chile has a modern and demanding environmental legislation.

Nevertheless, the company is constantly investigating, developing and putting into effect new environmental mitigation plans. For example, Aserraderos Arauco received its ISO 14001 certification in November 2002 for all its plants, whether sawmills or wood remanufacturing plants, representing an important assurance concerning the environment.



**Contribution to  
the community**



Dada la importancia que tiene ARAUCO en las localidades donde ejerce su actividad productiva, la empresa asumió la iniciativa, hace más de una década, de realizar programas de apoyo a la comunidad que trasciendan el ámbito de sus negocios. Desde 1989, estos se han focalizado en el área educativa, y son desarrollados y gestionados por la Fundación Educacional Arauco, Fundar, creada especialmente para este fin.

En estos trece años, Fundar ha centrado su acción en programas de desarrollo profesional para docentes, destinados a mejorar la calidad de la educación que se imparte en Chile a los niños de las escuelas básicas municipalizadas de aquellas zonas donde la empresa opera. En conjunto, estas iniciativas han ayudado a ampliar los conocimientos y las técnicas pedagógicas de más de 700 profesores, pertenecientes a 74 escuelas, lo cual ha beneficiado a más de 16 mil niños.

En el presente ejercicio se completó un programa en Tirúa, localidad que exhibe altos índices de pobreza y fuerte presencia de etnia mapuche, yavreciendo a 2.000 alumnos, 96 profesores y 17 escuelas. Simultáneamente, Fundar gestionó diferentes proyectos educativos en otras nuevas comunas del sur de Chile. En Los Álamos, desarrolló la etapa final del Programa Sembrar, destinado a mejorar la atención educativa y de salud de más de 1.300 niños preescolares que asisten a 39 centros de atención. En Llanquihue, inició el Programa Caminar Juntos, orientado a aplicar nuevas metodologías para el desarrollo de destrezas básicas y el fortalecimiento de la autoestima profesores y alumnos de la localidad. En las Bontas de Arauco y Cañete realizó un programa de capacitación para profesores denominado "Descubriendo el Mundo a través de la lectura temprana", que contempló la donación de cuentos infantiles y benefició a 107 docentes de preescolar, primero básico y segundo básico, y a directores de escuelas de estas comunas de Arauco.

Al ser la importancia de ARAUCO presencia en localidades de alta producción agrícola, la empresa asumió, hace más de una década, la iniciativa de realizar programas de apoyo a la comunidad que trasciendan el ámbito de sus negocios. Desde 1989, estos se han focalizado en el área educativa, y son desarrollados y gestionados por la Fundación Educacional Arauco, Fundar, creada especialmente para este fin.

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A program was completed this year in Tirúa, a place with high levels of poverty, and a strong Mapuche and presence, which benefited 2,000 pupils, 96 teachers and 17 schools. At the same time, Fundar managed other educational projects in another nine districts of Chile. In Los Álamos, it developed the final stage of the Sembrar Program, for improving the educational attention service to more than 1,300 pre-school children in 39 centers. In Llanquihue, the Caminar Juntos Program was launched to apply new methods for developing basic skills and strengthening self-esteem in the local teachers and pupils. In the districts of Arauco and Cañete, a reinforcement program for teachers was provided, called "Discover the world through reading early", which included the donation of infantile books and benefited 107 pre-school and primary teachers and school heads. And in



Por más de una década Fundar realiza programas de apoyo a la comunidad  
Since more than a decade Fundar provides support programs for the community

## Aporte a la comunidad

### Contribution to the community

Canete, Lebu, Contulmo y Curanilahue continuó con el proyecto de apoyo a los objetivos transversales contemplados en la Reforma Educacional que se está llevando a cabo en el país. Esto implicó un apoyo directo a conjuntos folclóricos, a museos, a grupos de teatro y a orquestas sinfónicas juveniles.

El exitoso resultado de las actividades de promoción educativa que realiza Fundar, así como la excelente calidad de las publicaciones especializadas que periódicamente edita su área de extensión, le ha valido a Fundación Arauco el elogio y reconocimiento de las autoridades educacionales del país y de instituciones internacionales.

Cabe señalar que Arauco también participa en el financiamiento y gestión de tres colegios: Arauco, Constitución y Chiguay, que están abiertos a todos los niños de la zona y que se financian a través de la obtención de otros fondos como en la Prueba de Aptitud Académica como en la Prueba Nacional de Medición de la Calidad de la Educación (SIMCE).

Canete, Lebu, Contulmo and Curanilahue have continued for supporting the transversal objectives contemplated in the Educational Reform being carried out in Chile. This implied direct support for folklore groups, museums, theatre groups and juvenile symphony orchestras.

The successful results of the educational promotion activities of Fundar, as well as the excellent quality of specialized publications that it publishes periodically, it earned Fundación Arauco plaudits and recognition of the country's educational authorities and also international institutions.

Arauco also participates in the financing and management of three schools: Arauco, Constitución and Chiguay which are open to all children in the area and are known for obtaining high marks in the national Academic Aptitude Test and the National Educational Quality Measurement Test (SIMCE).





**Empresas  
Filiales y  
Coligadas**

**Principal  
Subsidiary and  
Associate  
Companies**

Empresa Entidad	Descripción	
Forestal Arauco S.A.	Formada en 1969 como subsidiaria forestal de Industrias de Celulosa Arauco S.A. Posteriormente en 1989, se constituyó en la empresa matriz de las filiales forestales de Arauco. Sus principales funciones son coordinar las actividades operacionales y definir las políticas de desarrollo de Forestal Celco S.A., Bosques Arauco S.A., Forestal Valdivia S.A. y Forestal Cholguan S.A.	
Aserraderos Arauco S.A.	Se constituyó en 1993, sus principales funciones son producir y comercializar madera aserrada y productos de manufacturas. En la actualidad es propietaria de 11 aserraderos cuya capacidad de producción es de 2 millones 500 mil m3 y 5 plantas de manufactura con una capacidad de producción de 325 mil m3.	Constituted in 1993, its principal functions are to produce and sell sawn timber and remanufactured wood. It is currently the owner of 11 sawmills with a production capacity of 2 million 500 thousand m3 and 5 remanufacturing plants with a production capacity of 325 thousand m3.
Paneles Arauco S.A.	Se constituyó en Octubre de 1995 con el objeto de producir y comercializar madera contrachapada y otros tipos de paneles de pino radiata. En la actualidad es propietaria de una planta de tableros, dos plantas de tableros M.D.F. y una planta de tableros H.B.	Constituted in October 1995 to produce and sell laminated pine wood and other wood panels. It presently has a plywood mill, two M.D.F. board mills and an H.B. mill.
Año Parana S.A. (Argentina)	Fue creada en 1983 y adquirida en Diciembre de 1996 por Arauco a través de su filial Industrial Forestales S.A. es la encargada de la producción y comercialización de todos los productos de Arauco. Actualmente cuenta con una planta de calacas, un aserradero, una planta de manufactura y una planta de tableros M.D.F.	Created in 1983 and acquired in December 1996 by Arauco through its subsidiary Industrias Forestales S.A. It is responsible for the production and commercialization of all Arauco products. It presently has a pulp mill, a sawmill, a remanufacturing plant and a M.D.F. mill.
Bosques Arauco S.A.	Se formó en 1969 con la misión de abastecer de rollos pulpables a Planta Arauco. Hoy en día ejecuta actividades de forestación, reforestación, manejo y cosecha de bosques de su propiedad, ubicados fundamentalmente en la VII Región, cuya producción es vendida tanto a clientes relacionados como externos.	Formed in 1969 to supply pulp logs to the Arauco mill. It today is involved in the businesses of forestation, reforestation, forest management and harvesting of its own land, mainly located in the 8th Region. Its log production is sold both to related companies and to others.
Forestal Celco S.A.	Se constituyó en Noviembre de 1978 con la finalidad de abastecer de rollos pulpables a Planta Constitución. En la actualidad desarrolla actividades de forestación, reforestación, manejo y cosecha de predios ubicados en la VII Región y en zonas cercanas a la ciudad de Concepción en la VIII Región del país, suministrando rollos esvoados tanto a clientes relacionados como externos.	Constituted in November 1978 to supply pulp logs to the Constitución mill. It is now involved in the businesses of forestation, reforestation, forest management and harvesting of its own land, mainly located in the 7th Region and near the city of Concepción. Its log production is sold both to related companies and to others.
Forestal Valdivia S.A.	Creada en 1989, Forestal Valdivia S.A. tiene como principal propósito la formación de un inercio forestal que permita abastecer a la futura Planta de Celulosa Valdivia, esta tendrá una capacidad de producción superior a las 600 mil toneladas métricas anuales. La sociedad realiza actividades de forestación, reforestación, manejo y cosecha de bosques de su propiedad, ubicados en la IX y X Región.	Created in 1989, the main purpose of Forestal Valdivia S.A. is to form forest resources for supplying a future Valdivia pulp mill which will have a production capacity of over 600 thousand metric tons. The company carries on the businesses of forestation, reforestation, management and harvesting of its own land located in the 9th and 10th Regions.
Forestal Cholguan S.A.	Fue creada en 1978 y adquirida por Arauco a través de su filial Forestal Arauco S.A. En la actualidad desarrolla actividades de forestación, reforestación, manejo y cosecha de predios ubicados principalmente en la VII y VIII Regiones.	Created in 1978 and acquired by Arauco through subsidiary Forestal Arauco S.A. It currently carries on the businesses of forestation, reforestation, management and harvesting of its own land located mainly in the 7th and 8th Regions.
Instituto de Investigación Forestal Arauco S.A.	Se formó en 1990 con el propósito de desarrollar actividades de investigación y desarrollo de tecnologías aplicadas a los recursos forestales de Arauco.	Formed in 1990 to perform applied research maximizing the productive potential of Arauco forest resources.

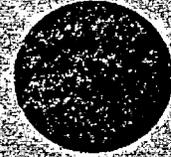
**Directores  
Directors**

José Tomás Guzmán  
Roberto Angelini  
Manuel Benzanilla  
Carlos Croxatto  
Alejandro Pérez

**Administración  
Administration**

**Gerente - Managing Director**  
Alvaro Saavedra

**Presidente  
Vicepresidente  
Directores**  
**Chairman  
Vice Chairman  
Directors**



**Chairman  
Directors**

Alejandro Pérez  
Franco Bozzalla  
Manuel Domeyko  
Alvaro Saavedra

**Gerente - Managing Director**  
Antonio Luciani



**Chairman  
Directors**

Alejandro Pérez  
Manuel Domeyko  
Antonio Luciani  
Alvaro Saavedra

**Gerente - Managing Director**  
Franco Bozzalla



**Chairman  
Vice Chairman  
Directors**

José Tomás Guzmán  
Roberto Angelini  
Manuel Benzanilla

**Gerente - Managing Director**  
Manuel Domeyko



**Chairman  
Directors**

Alejandro Pérez  
Manuel Domeyko  
Antonio Luciani

**Gerente - General Manager**  
Gonzalo Scuri



**Chairman  
Directors**

**General Manager**



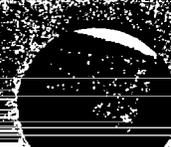
**Chairman  
Directors**

**General Manager**



**Chairman  
Directors**

**General Manager**



**Chairman  
Directors**

**General Manager**



Principal  
Subsidiary and  
Associate  
Companies

Empresa	Descripción	
Distribuidora Centromaderas S.A.	Se creó en Septiembre de 1995 para la distribución de los productos de Aserraderos Arauco S.A. y Paneles Arauco S.A. en el mercado nacional, a través de un moderno centro de distribución en las afueras de Santiago.	
Arauco Wood Products, Inc. S.A.	Fue creada en Septiembre de 1995 con el propósito de actuar en el mercado de Norte América para la comercialización de todos los productos de Arauco.	
Arauco Forest Products B.V.	Fue creada en Diciembre de 1999 con el propósito de actuar como agente en el mercado europeo para la comercialización de los productos de madera y paneles de las empresas Arauco.	
Araucorex S.A.	Fue creada en Septiembre de 2000 con el propósito de actuar en el mercado de México para la comercialización de todos los productos Arauco.	
Servicios Logísticos Arauco S.A.	La sociedad Servicios Logísticos Arauco S.A. se constituyó en Agosto de 2001 a partir del cambio de giro de Portuaria Arauco S.A.. Esta asume adicionalmente a la actividad portuaria, todos los aspectos involucrados desde que los productos terminados salen de las plantas industriales hasta su entrega a los clientes en el destino final.	Servicios Logísticos Arauco S.A. was constituted in August 2001, following the change of business of Portuaria Arauco S.A. It also performs port activities and other business activities involved in the delivery of the industrial mills and handles their delivery to the customers in offshore markets.
Arauco Generación S.A.	Esta sociedad inició sus operaciones en el sector energético en 1994 con el objeto de generar y comercializar la electricidad producida a partir de los excedentes energéticos de las plantas de celulosa.	The company started to operate in the energy sector in 1994 to generate and sell electricity produced from the energy surpluses of the pulp mills.
Compañía Puerto de Coronel S.A.	La sociedad fue creada en 1989 con el propósito de construir, operar y operar un puerto de carga en la bahía de Coronel, VIII Región.	Company formed in 1989 to build, operate and manage a cargo port in Coronel Bay, 8th Region.
Puerto de Lirquén S.A.	Se constituyó en 1970, como continuadora de las actividades portuarias de la empresa Muelles y Bosques S.A. Su principal actividad es actuar como operador en la movilización portuaria y en la estiba y desestiba de buques en el Puerto de Lirquén, VIII Región, que le pertenece a través de la filial Portuaria Lirquén S.A.	Constituted in 1970 as successor to the port activities of Muelles y Bosques S.A. Its principal activity is to act as the operator in the movement and stevedoring of ships in Lirquén port, VIII Region, which is owned through its subsidiary Portuaria Lirquén S.A.
Fundación Educativa Arauco	Fundación Educativa Arauco Fuder, fue creada en 1989 por las empresas Celulosa Arauco y Constitución S.A. con el propósito de hacer un aporte social a las comunidades donde desarrolla su actividad. Su filosofía fundamental es apoyar, en base, en que lo prioritario para el desarrollo de un país es la educación, especialmente la que se entrega en las etapas más tempranas de la vida.	Founded in 1989 to make a social contribution to the communities where Arauco operates. Its basic idea is based on the belief that education is a priority for a country's progress, especially education for the youngest members of the population.

**Directores**

**Administración**

**Presidente**  
**Directores**

Alejandro Pérez  
Franco Bozzalla  
Matias Domeyko  
Antonio Luque

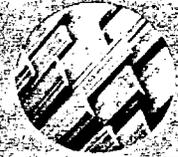
**Gerente**  
Carlos Bianchi



**Presidente**  
**Directores**

Alejandro Pérez  
Franco Bozzalla  
Matias Domeyko  
Jorge Garnham  
Antonio Luque

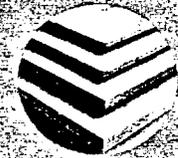
**Gerente**  
Charles Kimber



**Presidente**  
**Directores**

Alejandro Pérez  
Franco Bozzalla  
Charles Kimber  
Antonio Luque

**Gerente General Manager**  
Ricardo Strauszer



**Presidente**  
**Directores**

Charles Kimber  
Matias Domeyko  
Antonio Luque

**Gerente General Manager**  
Andrés Vial



**Presidente**  
**Directores**

Jorge Garnham  
Franco Bozzalla  
Antonio Luque  
Alvaro Saavedra

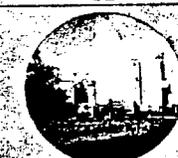
**Gerente General Manager**  
Alberto Walker



**Presidente**  
**Directores**

Carlos Croatto  
Roberto Angelini  
Alejandro Pérez  
José Vivanco

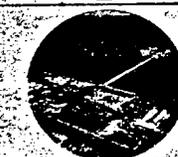
**Gerente General Manager**  
Hernán Arriagada



**Presidente**  
**Directores**

Eduardo Hartwig  
Alvaro Brunet  
José Cox  
Enrique Elgueta  
Jorge Garnham  
Alberto Walker

**Gerente General Manager**  
Alberto Miranda



**Presidente**  
**Vicepresidente**  
**Directores**

Emilio Pellegrini  
Jaime Los Plaza  
Sebastián Babre  
Carlos Croatto  
Jorge Bernardo Larraín  
Manoel Maranhão  
Alejandro Pérez

**Gerente General Manager**  
Juan Manuel Gutiérrez



**Presidente**  
**Directores**

Roberto Tomás Guzmán  
Roberto Angelini  
Carlos Croatto  
Jorge Bernardo Larraín  
Alejandro Pérez  
José Vivanco

**Gerente General Manager**  
Graciela Lucchini





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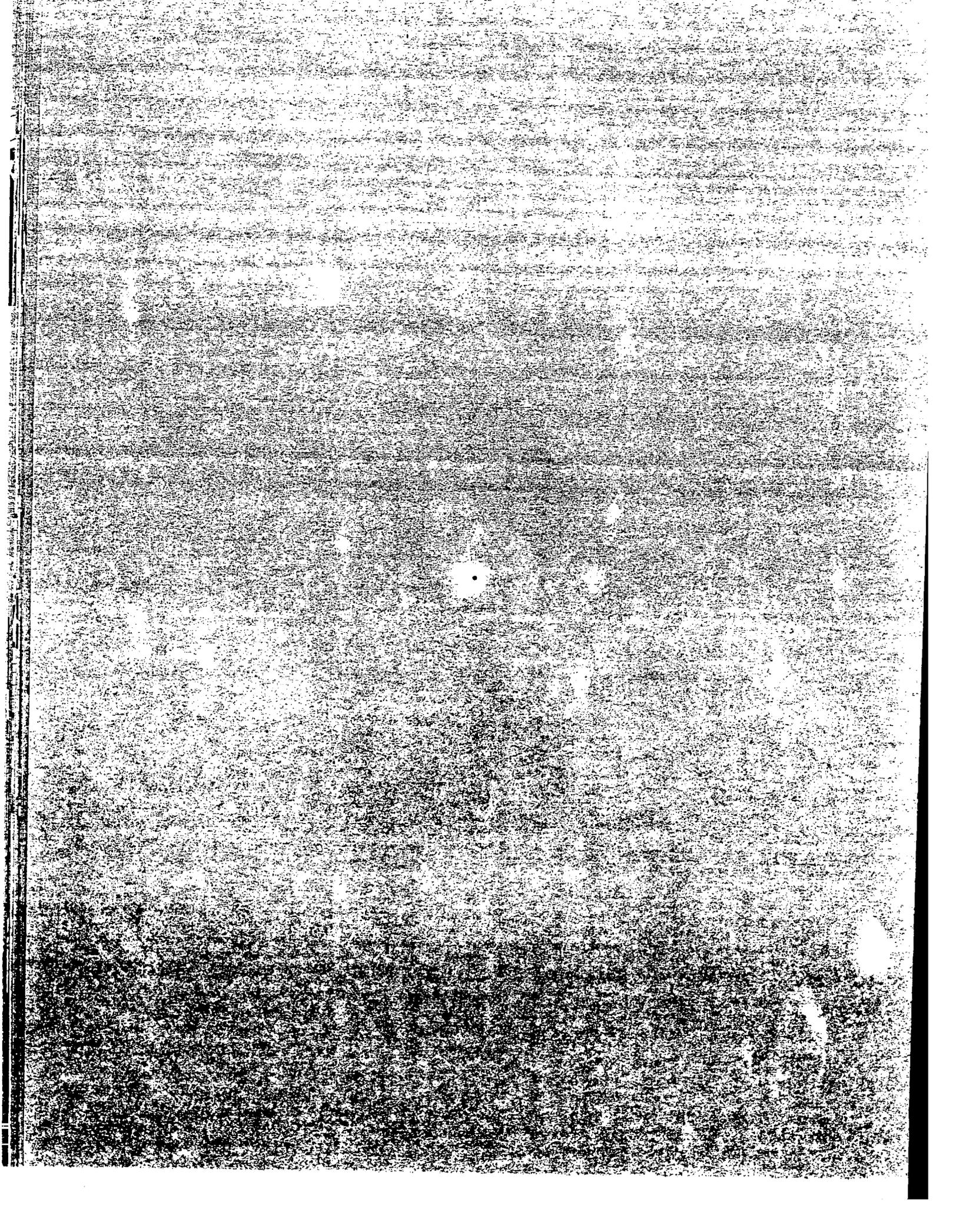
**Estados  
Financieros  
Consolidados** **Consolidated  
Financial  
Statements**



**Ratio Analysis of the Consolidated  
Financial Statements**  
**Consolidated Balance Sheet**  
**Consolidated Statements of Income**  
**Statements of Consolidated Cash Flows**  
**Notes to the Consolidated  
Financial Statements**  
**Report of Independent Accountants**  
**Summary of Financial Statements**

**.02**





# Ratio Analysis of the Consolidated Financial Statements

December 31, 2002

Amounts in thousands of U.S. dollars, except as indicated.

## 1. VALUATION OF ASSETS AND LIABILITIES

The financial statements of Celulosa Arauco y Constitución S.A., a Chilean corporation (the "Company") and its subsidiaries (the Company together with its subsidiaries "Arauco") have been prepared on the basis of accounting principles generally accepted in Chile and specific guidelines issued by the Superintendencia de Valores y Seguros of Chile (the "Chilean Securities Commission"). In management's opinion there is no material difference between the Company's economic value and the valuation reflected in the Company's financial statements.

## 2. ANALYSIS OF FINANCIAL POSITION

### a) Analysis of the Balance Sheet

Beginning January 1, 2002, the Company and its subsidiaries Aserraderos Arauco S.A. and Paneles Arauco S.A. maintain their accounting records and prepare their financial statements in US dollars.

For convenience purposes, the Company's consolidated financial statements as of and for the year ended December 31, 2001, have been translated into US dollars at the December 31, 2001 observed exchange rate of ChS 654.79 per US\$ 1.00.

These translations should not be construed as representations that the Chilean peso amounts actually represent such U.S. dollar amounts, were converted from U.S. dollars at the rate indicated in preparing the Company's financial statements or could be converted into U.S. dollars at the rate indicated.

The principal components of assets and liabilities as of December 31, 2001 and 2002 are as follows:

Assets	2001	2002
	ThUS\$	ThUS\$
Current assets	1,153,149	1,144,899
Net fixed assets	3,758,665	3,838,238
Other assets	56,801	54,007
<b>Total assets</b>	<b>4,968,615</b>	<b>5,037,144</b>
Liabilities and Shareholders Equity	2001	2002
	ThUS\$	ThUS\$
Current liabilities	179,281	315,963
Long-term liabilities	1,666,363	1,507,598
Minority interest	6,254	6,127
Shareholders' equity	3,116,717	3,207,456
<b>Total liabilities</b>	<b>4,968,615</b>	<b>5,037,144</b>

Report  
 Annual Report  
 of the  
 International  
 Financial  
 Institutions

December 31, 2002

Amounts in thousands of U.S. dollars, except as indicated.

Total assets increased by 1.4%, or US\$ 69 million, from December 31, 2001 to December 31, 2002. The increase is primarily attributable to a US\$ 117 million increase in time deposits, a US\$ 54 million increase in other current assets and a US\$ 80 million increase in property, plant and equipment, partially offset by decreases of US\$ 70 million in marketable securities, US\$ 16 million in recoverable taxes and US\$ 23 million in other assets.

Total liabilities decreased by US\$ 22 million from December 31, 2001 to December 31, 2002. The decrease is mainly attributable to a US\$ 2 million net decrease in bank borrowings, a US\$48 million net decrease in bonds and a US\$ 5 million net decrease in other long-term liabilities.

The main financial and operating ratios are as follows:

Liquidity ratios	31.12.2001	31.12.2002
Current ratio	6.43	3.62
Acid ratio	4.15	2.33

The decrease in the current and acid ratios from 2001 to 2002 is primarily attributable to an increase in moving bank borrowings and bonds in the amount of US\$ 117 million.

Debt indicators	31.12.2001	31.12.2002
Debt to equity ratio	0.59	0.57
Short-term debt to total debt	0.10	0.17
Long-term debt to total debt	0.90	0.83
Financial expenses covered	2.34	3.77

The debt ratio decreased 0.02 points from 2001 to 2002 due to the relatively low level of current and long-term bank borrowing and bonds.

On December 31, 2002 current liabilities correspond to 17.3% of total liabilities, while at the end of 2001 they represented 9.7%, due to the movement of obligations from being long-term to being short-term obligations.

The ratio of financial expenses covered increased 1.43 points. The increase is primarily attributable to a US\$ 9 million increase in financial expenses and a US\$ 137 million increase in net income from December 31, 2001 to December 31, 2002.

Ratio  
Analysis  
of the  
Consolidated  
Financial  
Statements

December 31, 2002

Amounts in thousands of U.S. dollars, except as indicated.

Operational ratios	31.12.2001	31.12.2002
Inventory turnover	1.61	1.59
Inventory permanence (days)	223.70	226.37

b) Analysis of the Income Statement

The breakdown of operating income and costs is as follows:

	2001 ThUS\$	2002 ThUS\$	2001 %	2002 %
<b>Operating income</b>				
Export sales				
Pulp	648,967	593,998	56.97	50.00
Sawn timber and cut wood	215,634	289,471	18.93	24.37
Plywood and fiber panels	90,424	132,753	7.94	11.17
Forestry products	5,732	10,367	0.51	0.88
<b>Total export sales</b>	<b>960,757</b>	<b>1,026,589</b>	<b>84.35</b>	<b>86.42</b>
Pulp	36,098	34,766	3.17	2.93
Sawn timber and cut wood	59,066	53,814	5.18	4.53
Forestry products	26,650	20,733	2.34	1.75
Plywood and fiber panels	46,352	45,644	4.07	3.84
Other	10,179	6,472	0.89	0.53
<b>Total domestic sales</b>	<b>178,345</b>	<b>161,429</b>	<b>15.65</b>	<b>13.58</b>
<b>Total operating income</b>	<b>1,139,102</b>	<b>1,188,018</b>	<b>100.00</b>	<b>100.00</b>

Operating costs	2001 ThUS\$	2002 ThUS\$	2001 %	2002 %
Timber	121,161	105,057	19.99	18.67
Forestry work	119,014	122,916	19.64	21.84
Depreciation	120,405	96,984	19.87	17.23
Maintenance costs	55,908	42,010	9.22	7.46
Chemical products	60,447	55,070	9.97	9.78
Sawing services	59,783	67,313	9.86	11.96
Other raw materials and indirect costs	46,667	54,154	7.70	9.62
Energy and fuel costs	22,686	19,298	3.75	3.44
<b>Total operating costs</b>	<b>606,071</b>	<b>562,802</b>	<b>100.00</b>	<b>100.00</b>

Ratio  
Analysis  
of the  
Consolidated  
Financial  
Statements

December 31, 2002

Amounts in thousands of U.S. dollars, except as indicated.

**Analysis of Operating Income**

Operating income includes net income of US\$ 290 million compared to US\$ 294 million in 2001, an increase of US\$ 95 million. The increase is primarily due to a US\$ 92 million increase in the gross margin.

**Analysis of Non-Operating Income (Loss)**

There was a non-operating loss of US\$ 96 million during 2002, compared to a non-operating loss of US\$ 199 million in 2001. This year's loss was primarily caused by the following items:

- The foreign currency exchange rate loss, which changed from a loss of US\$ 139 million in 2001 to income of US\$ 3 million in 2002, largely due to the impact of the devaluation of the Chilean peso in 2001, which was not applicable in 2002 because the Company started using U.S. dollars instead of Chilean pesos in their accounting records, starting January 1, 2002.
- Financial expenses, which increased by US\$ 9 million from US\$ 104 million in 2001 to US\$ 113 million in 2002, largely due to the increase in bonds payable.
- Other non-operating income, which decreased US\$ 14 million from 2001 to 2002, due to the reserve adjustment of conversion in accordance with Technical Bulletin No. 64, "Accounting for Investments Abroad," issued by the Accountants Association of Chile ("B.T. No 64") for the investment made in Alto Paraná S.A. in 2001.
- The price-level restatement, which decreased from US\$ 19 million in 2001 to US\$ 0.4 million in 2002, due to the fact that the Company and subsidiaries Aserraderos Arauco S.A. and Paneles Arauco S.A. prepared their accounting records in US\$ dollars in 2002.

Profitability ratios	31.12.2001	31.12.2002
Equity yield	4.61	8.77
Asset performance ratio	2.98	5.55
Operating asset ratio	6.30	7.89
Income per share (US\$)	1.24	2.45
Income after tax ThUS\$	95,847	257,990

**3. MARKET SITUATION**

The market for long fiber bleached pulp (BKP) experienced significant price fluctuations during the year 2002, primarily due to weak demand for impression and notary paper in Europe and the United States during the period, as well as high levels of operation of pulp mills in the northern hemisphere.

Arauco's competitors in the production of BKP are primarily found in Canada, Brazil, the United States and the Scandinavian countries. In 2002, Arauco's competitors were active in the BKP market, and, because production was greater than global demand, there was pressure on price levels. As a result, pulp inventories in these countries increased beginning in June 2002, but began to decrease in December 2002.

Ratio  
Analysis  
of the  
Consolidated  
Financial  
Statements

December 31, 2002

Amounts in thousands of U.S. dollars, except as indicated.

Arauco's percentage share of the global BKP market has historically been between 5% and 6%. During 2002 there was no increase in installed capacity.

Plywood sales fell in the United States due to an increase in the inventory held by American companies for a possible war. Prices in this market have decreased. Mexico also has been affected by the United States' slow activity, and Mexican volumes and prices also decreased. At the same time, however, sales in the European market are relatively good, and there has been no change in prices.

There was poor activity in the plywood market in South Korea after the soccer World Cup, leading to a decrease in the price of MDF. China has experienced less activity with lower prices than during the first six months of the year.

There was greater demand for MDF in the Middle East because of less competition from Europe due to variations in the exchange rate. The demand on hard board mills continues to be high. However, local market demand has been weak, due to the introduction of Argentinean products with lower prices.

There was great activity in sawn timber and remanufactured wood products in Europe, especially considering the Euro exchange rates. Sales in Japan, Taiwan, Korea and China were active, with increases in both prices and volume. The war in Iraq could affect the market in 2003.

Activity in the North American market (especially the United States and Mexico) decreased at the end of 2002, but it is expected to improve after March 2003, although it will be hampered by the war in Iraq.

#### 4. ANALYSIS OF CASH FLOW

	31.12.2001	31.12.2002
	ThCh\$	ThUS\$
Operating cash flow	229,901	433,652
Cash flow from financing activities	210,801	(126,418)
Cash flow from investment activities	(126,379)	(379,969)
Net cash flow for the year	314,323	(72,735)

The increase in operating cash flows is largely due to an increase in collections of trade accounts receivable of US\$229 million and other income of US\$ 49 million, offset by higher payments to suppliers and staff of US\$75 million and interest paid of US\$ 11 million.

The net positive cash flows from financing activities in 2001 was largely due to loans incurred as well as issuances of bonds. The net negative cash flow in 2002 is primarily due to the payment of dividends and loan payments.

The variation in cash flows from investment activities is largely due to the impact of decreased sales of financial instruments as well as an increase in purchases of property, plant and equipment in 2002 as compared to 2001, due to the start of Valdivia Mill Project.

#### 5. MARKET RISK ANALYSIS

Pursuant to economic risks derived from interest rate variations, the Company has consistently applied policies consistent with the general policies of the industries in which it operates.

As explained in Note 2, beginning January 1, 2002, the Company and its subsidiaries Aserraderos Arauco S.A. and Paneles Arauco S.A. maintain their accounting records and prepare their financial statements in US dollars. Both their assets and their liabilities are denominated in US dollars, as are the majority of their revenues. As a result, their exposure to changes in the exchange rate is significantly decreased.

**Consolidated  
Balance  
Sheet**

December 31, 2002

Amounts in thousands of U.S. dollars, except as indicated.

ASSETS	At December 31,	
	2001 ThUS\$	2002 ThUS\$
<b>Current assets :</b>		
Cash	6,708	9,534
Time deposits	2,687	19,564
Marketable securities (note 3)	420,392	350,283
Trade accounts receivable (note 4)	203,609	180,880
Notes receivable	6,012	5,435
Other receivables	19,074	25,739
Notes and accounts receivable from related parties (note 18)	710	-
Inventories (note 5)	388,582	392,787
Recoverable taxes	43,007	26,649
Prepaid expenses	20,162	16,620
Deferred tax assets (note 15)	4,815	25,501
Other current assets	37,391	91,907
<b>Total current assets</b>	<b>1,153,149</b>	<b>1,144,899</b>
<b>Property, plant and equipment: (note 6)</b>		
Land	366,275	355,971
Forests	1,934,421	1,848,919
Buildings and other infrastructure	1,341,735	1,367,936
Machinery and equipment	1,371,485	1,402,483
Other	220,803	437,590
Technical revaluation	68,974	68,769
Less: Accumulated depreciation	(1,545,028)	(1,643,430)
<b>Net property, plant and equipment</b>	<b>3,758,665</b>	<b>3,838,238</b>
<b>Other non-current assets:</b>		
Investments in related companies (note 7)	18,078	20,768
Investments in other companies	149	139
Goodwill (note 8)	4,512	3,954
Negative goodwill (note 8)	(33,084)	(12,610)
Long-term receivables	6,213	4,199
Intangibles	526	494
Amortization	(136)	(152)
Other (note 9)	60,543	37,215
<b>Total other non-current assets</b>	<b>56,801</b>	<b>54,007</b>
<b>Total assets</b>	<b>4,968,615</b>	<b>5,037,144</b>

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

Consolidated  
Balance  
Sheet

Consolidated Balance Sheets  
Amounts in thousands of U.S. dollars, except as indicated.

LIABILITIES AND SHAREHOLDERS' EQUITY	At December 31,	
	2001 ThUS\$	2002 ThUS\$
<b>Current liabilities:</b>		
Current bank borrowings (note 10)	87	32,139
Current portion of long-term bank borrowings (note 14)	38,851	41,952
Current portion of bonds (note 12)	32,193	109,396
Current portion of other long term liabilities	1,056	278
Dividends payable	1,678	1,330
Trade account payable	68,101	76,514
Notes payable	3	126
Sundry accounts payable	10,097	10,220
Notes and accounts payable to related companies (note 18)	681	1,935
Accrued liabilities (note 13)	19,819	15,396
Withholding taxes	5,356	4,930
Income tax payable	-	17,829
Deferred income	1,302	1,111
Other current liabilities	57	2,807
<b>Total current liabilities</b>	<b>179,281</b>	<b>315,963</b>
<b>Long-term liabilities:</b>		
Long-term bank borrowings (note 14)	289,670	252,363
Bonds (note 12)	1,282,963	1,157,500
Notes payable	1	1
Sundry accounts payable	7,974	295
Accrued liabilities (note 13)	7,802	9,043
Deferred tax liabilities (note 15)	71,865	87,732
Other long-term liabilities	6,088	664
<b>Total long-term liabilities</b>	<b>1,666,363</b>	<b>1,507,598</b>
<b>Minority interest (note 25)</b>	<b>6,254</b>	<b>6,127</b>
<b>Shareholders' equity: (note 20)</b>		
Paid-up in capital	347,551	347,551
Share premium	5,625	5,625
Forestry and other reserves	1,470,901	1,356,030
Retained earnings	1,158,087	1,259,743
Net income for the period	139,910	277,189
Interim dividends	(5,357)	(38,682)
<b>Total shareholders' equity</b>	<b>3,116,717</b>	<b>3,207,456</b>
<b>Total liabilities and shareholders' equity</b>	<b>4,968,615</b>	<b>5,037,144</b>

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

**Consolidated  
Statements  
of Income**

Consolidated Statements of Income  
Amounts in thousands of U.S. dollars, except as indicated.

	At December 31,	
	2001 ThUS\$	2002 ThUS\$
<b>Operating income:</b>		
Sales revenue (note 21)	1,139,102	1,188,018
Cost of sales (note 22)	(606,071)	(562,802)
Gross profit	533,031	625,216
Administration and selling expenses (note 22)	(239,364)	(234,905)
<b>Operating income</b>	<b>293,667</b>	<b>390,311</b>
<b>Non-operating income:</b>		
Interest earned	14,959	21,995
Share of net income of related companies (note 7)	1,463	2,558
Other non-operating income (note 23)	20,364	6,169
Amortization of goodwill (note 8)	(1,047)	(4,435)
Interest expenses	(103,680)	(113,035)
Other non-operating expenses (note 24)	(10,883)	(11,533)
Price-level restatement (note 1)	18,690	(441)
Foreign currency exchange rate (note 1)	(138,607)	2,592
<b>Non-operating loss</b>	<b>(198,741)</b>	<b>(96,130)</b>
Income before taxes, minority interest and amortization of negative goodwill	94,926	294,181
Income taxes (note 15)	921	(36,191)
Income before minority interest and amortization of negative goodwill	95,847	257,990
Minority interest (note 18)	(210)	(267)
Income before amortization of negative goodwill	95,637	257,723
Amortization of negative goodwill (note 8)	44,273	19,466
<b>Net income</b>	<b>139,910</b>	<b>277,189</b>

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

Statements of  
Consolidated  
Cash Flows

Statements of Consolidated Cash Flows

Amounts in thousands of U.S. dollars, except as indicated.

CASH FLOWS FROM OPERATING ACTIVITIES	At December 31,	
	2001 ThCh\$	2002 ThCh\$
Net income	139,910	277,189
Loss (Profit) on sale of assets		
Loss (profit) on sale of property, plant and equipment	(1,426)	(446)
Items affecting income not involving the movement of cash:		
Depreciation	126,043	103,184
Amortization of intangibles	29	28
Write-offs and provisions	2,428	1,108
Profit from investments accounted for under the equity method	(1,493)	(2,559)
Loss from investments accounted for under the equity method	30	1
Amortization of goodwill	1,047	4,435
Amortization of negative goodwill	(44,273)	(19,466)
Net price level restatement	(18,690)	441
Foreign currency exchange rate	138,607	(2,592)
Others	34,597	14,535
Decrease (Increase) in current assets:		
Clients and debtors	(122,134)	46,429
Inventory	5,222	321
Other current assets	(8,183)	(18,108)
Increase (Decrease) in current liabilities:		
Suppliers and creditors	(2,436)	5,253
Interest payable	13,106	1,853
Provision for income taxes	(31,042)	19,714
Other current liabilities	(1,441)	2,332
<b>Net cash flows from operating activities</b>	<b>229,901</b>	<b>433,652</b>

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

Statements of  
Consolidated  
Cash Flows

Statements of Consolidated Cash Flows, continued  
Amounts in thousands of U.S. dollars, except as indicated.

	At December 31,	
	2001 ThUS\$	2002 ThUS\$
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans from financial institutions	319,537	2,484
Bonds	410,052	-
Dividends paid	(65,428)	(71,762)
Loans paid	(308,658)	(40,087)
Repayments of bonds	(127,792)	(17,078)
Other financing activities	(16,910)	25
<b>Net cash flow from financing activities</b>	<b>210,801</b>	<b>(126,418)</b>
<b>Cash flows from investing activities</b>		
Sales of property, plant and equipment	4,862	2,590
Sales of financial instruments	83,248	8,491
Purchase of property, plant and equipment	(191,846)	(343,322)
Investments in other companies	(3,292)	(9,429)
Purchases of financial instruments	(19,586)	(8,002)
Other investments	235	(30,297)
<b>Net cash flow from investment activities</b>	<b>(126,379)</b>	<b>(379,969)</b>
Net cash flows from operating, investing and financing activities	314,323	(72,735)
Effect of inflation	(3,452)	29,924
Net decrease in cash and cash equivalents	310,871	(42,811)
Initial balance of cash and cash equivalents	131,334	442,205
<b>Final balance of cash and cash equivalents</b>	<b>442,205</b>	<b>399,394</b>

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## Notes to the Consolidated Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Organization and basis of presentation

Celulosa Arauco y Constitución S.A., a Chilean corporation (the "Company"), and its subsidiaries are engaged principally in the production of pulp and forestry and wood products and the management of its subsidiaries' forestry assets. The financial statements of the Company and its subsidiaries (collectively known as "Arauco") are presented on a consolidated basis and have been prepared on the basis of accounting principles generally accepted in Chile and specific guidelines issued by the Superintendencia de Valores y Seguros (the "Chilean Securities Commission"). The Company consolidates the financial statements of the companies in which it controls a majority of voting shares. All significant intercompany transactions have been eliminated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain minor reclassifications among account headings have been made to these consolidated financial statements in order to present them on a basis more familiar to readers of financial statements in the United States (US). The consolidated financial statements as of December 31, 2001 and 2002 include the following direct and indirect subsidiaries of the Company, all of which are incorporated in Chile (except as otherwise noted).

Subsidiary company	Interest of the Company as of December 31, 2002		Total as of December 31, 2001	
	Direct	Indirect	Total	Total
	%	%	%	%
Alto Paraná S.A. (Argentine)	38.00	31.98	99.98	99.62
Agenciamiento y Servicios Profesionales S.A. (México)	-	99.99	99.99	-
Alto Paraná S.A. (Argentina)	-	99.97	99.97	99.97
Arauco Denmark ApS (Denmark)	-	99.93	99.93	99.99
Arauco Do Brasil Ltda. (Brazil)	-	99.99	99.99	-
Arauco Ecuador S.A. (Ecuador)	0.10	99.89	99.99	99.90
Arauco Europe S.A. (Switzerland)	0.01	58.79	58.80	-
Arauco Forest Products B.V.(The Netherlands)	-	99.93	99.93	99.99
Arauco Generación S.A.	99.00	0.99	99.99	99.99
Arauco Honduras S. de R.L. de C.V. (Honduras)	1.00	98.99	99.99	99.99
Arauco Internacional S.A. (previously Inversiones Cholguán S.A.)	98.03	1.96	99.99	99.92
Arauco Perú S.A. (ex - Cholguán Lima S.A.) (Perú)	-	99.99	99.99	99.99
Arauco Wood Products, Inc. (USA)	0.39	99.60	99.99	99.99
Araucocomex S.A. de C.V. (México)	-	99.99	99.99	99.99
Aserraderos Arauco S.A.	99.00	0.99	99.99	99.99
Bosques Arauco S.A.	1.00	98.93	99.93	99.93
Controladora de Plagas Forestales S.A.	-	51.09	51.09	50.89
Distribuidora Centromaderas S.A.	-	99.99	99.99	99.99
Forestal Arauco Costa Rica S.A. (Costa Rica)	10.00	89.99	99.99	-
Forestal Arauco Guatemala S.A. (Guatemala)	0.15	99.84	99.99	99.99
Forestal Arauco S.A.	99.92	-	99.92	99.92
Forestal Celco S.A.	1.00	98.93	99.93	99.93
Forestal Cholguán S.A.	-	97.31	97.31	97.28
Forestal Conosur S.A. (Uruguay)	-	99.99	99.99	98.07
Forestal Misiones S.A. (Argentina)	-	99.99	99.99	99.99
Forestal Valdivia S.A.	1.00	98.93	99.93	99.93
Industrias Forestales S.A. (Argentina)	-	99.99	99.99	99.99
Inversiones Celco S.L. (España)	99.93	0.06	99.99	-
Investigaciones Forestales Bioforest S.A.	1.00	98.93	99.93	99.93
Paneles Arauco S.A.	99.00	0.99	99.99	99.99
Servicios Logísticos Arauco S.A. (previously Portuaria Arauco S.A.)	45.00	54.96	99.96	99.96
Southwoods Arauco-Lumber LLC (USA)	0.00	99.61	99.61	-
Trupán Argentina S.A. (Argentina)	-	99.99	99.99	99.99

**(b) Currency records**

Beginning January 1, 2002, the Company and its subsidiaries Aserraderos Arauco S.A. and Paneles Arauco S.A. maintain their accounting records and prepare their financial statements in US dollars. The Company's other Chilean subsidiaries maintain their accounting records and prepare their financial statements in Chilean pesos.

**(c) Price-level restatement and foreign currency exchange rate**

(i) Price-level restatement

The charge or credit for price-level restatement of the subsidiaries that record and prepare their financial statements in Chilean pesos in the consolidated financial statements is comprised of the following two factors:

- (A) the effect of changes in the purchasing power of the Chilean peso during each period presented in the consolidated financial statements;
- (B) the change in the value of assets and liabilities which are denominated in inflation index-linked units of account called Unidades de Fomento ("UF"); and

(ii) Changes in purchasing power

The effect of the changes in the purchasing power of the Chilean peso during each period presented in the consolidated financial statements (including the effect of the changes on the assets, liabilities and net income of the subsidiaries that record and prepare their financial statements in Chilean pesos) is calculated by restating non-monetary assets, liabilities, shareholders' equity and income statement accounts to reflect changes in the Chilean consumer price index from the date they were acquired or incurred to the end of the year. The net purchasing power gain or loss calculated as described above, and included in net income, reflects the effect of Chilean inflation on the value of monetary assets and liabilities (other than UF - and foreign currency - denominated assets and liabilities) held by Arauco.

The restatements were calculated using the official consumer price index of the Chilean National Institute of Statistics and are based on the "prior month rule", according to which inflation adjustments are based on the CPI at the close of the month preceding the close of the relevant period or transaction. This index is considered by the business community, the accounting profession and the Chilean government to be the index which most closely complies with the technical requirement to reflect the variation in the general level of prices in Chile and, consequently, is widely used for financial reporting purposes in Chile.

The values of the CPI were as follows:

	Change from previous	
	Index	December 31,
December 31, 2001	109.76	2.6%
December 31, 2002	112.86	2.8%

The values of the CPI used for the price-level restatement for the two most recent fiscal years were as follows:

	Change from previous	
	Index	November 30,
November 30, 2001	110.10	3.1%
November 30, 2002	113.36	3.0%

The above-mentioned price-level restatements do not purport to represent appraisal or replacement values and are intended only to restate all non-monetary financial statement components in terms of local currency of a single purchasing power and to include in the net result for each period the gain or loss in purchasing power arising from the holding of monetary assets and liabilities exposed to the effects of inflation.

(iii) Inflation Index-linked units of account (UF)

Assets and liabilities that are denominated in inflation index-linked units of account are stated at the year-end values of the respective units of account. The principal inflation index-linked unit used in Chile is the UF, which changes daily to reflect the changes in Chile's CPI.

Interest-bearing assets and liabilities that are denominated in UFs have their interest rates expressed in terms of an interest rate spread in excess of the indexations of the UF.

Values for the UF were as follows (historical pesos per UF):

	Ch\$
December 31, 2001	16,262.66
December 31, 2002	16,744.12

(iv) Foreign currency exchange rate

The charge or credit for foreign currency exchange rate is comprised of the change in the value of assets and liabilities denominated in foreign currencies.

(v) Assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currency are detailed in note 17 and have been translated into Chilean pesos at the observed exchange rates, as reported by the Central Bank of Chile. The observed exchange rates for foreign currencies were as follows:

	At December 31,	
	2001 Ch\$	2002 Ch\$
U.S. dollar	654.79	718.61
Yen	4.99	6.07
Euro	578.18	752.55
DM	295.74	
GBP	948.01	1,152.91

The differences arising in the valuations of assets and liabilities denominated in foreign currency as a result of variations in the exchange rates are accounted for in the income statement as an item of foreign currency exchange rate in the year in which they arise. Realized and unrealized losses and realized gains on forward foreign exchange contracts and currency swaps are accounted for under the account headings "Interest and other financial expenses" and "Interest earned" in the year in which they arise. See note 1 (n).

Credit (charge) to income for price-level restatement in each of the reporting years was comprised of the restatements of non-monetary assets, UF and foreign currency-denominated monetary assets and liabilities, shareholders' equity and income statement accounts as follows:

Credit (charge) to income for price-level restatement:

	Year ended December 31,	
	2001	2002
	ThUS\$	ThUS\$
	Credit (Charge)	Credit (Charge)
Assets, liabilities and equity restating by CPI		
Shareholders' equity	(87,469)	-
Shareholders' equity of subsidiaries in Chilean pesos	-	(59,848)
Property, plant and equipment, net	85,361	54,698
Inventories	7,353	5,095
Other assets and liabilities, net	16,745	2,013
Net effect on income	21,990	1,948
Price-level restatement of income statement accounts	(3,300)	(2,389)
<b>Credit (charge) to income by CPI</b>	<b>18,690</b>	<b>(441)</b>

Credit (charge) to income for foreign currency exchange rate:

	Year ended December 31,	
	2001	2002
	ThUS\$	ThUS\$
	Credit (Charge)	Credit (Charge)
Assets restating by foreign currency		
Trade accounts receivable	9,794	727
Inventories	(68)	(365)
Other assets	(39,656)	(7,742)
Liabilities restating by foreign currency		
Bank borrowings	(11,516)	(1)
Bonds	(108,767)	289
Other liabilities	11,606	9,684
<b>Net effect on income by foreign currency</b>	<b>(138,607)</b>	<b>2,592</b>

**(d) Time deposits, marketable securities and investments purchased under agreements to resell**

Time deposits are shown at cost plus price-level restatement and accrued interest.

Marketable securities are shown at the lower of cost plus accrued interest and price-level restatement, or market value.

Financial instruments purchased under agreements to resell are held at acquisition cost plus accrued interest and price-level restatement.

**(e) Inventories**

Inventories of raw materials, spare parts and supplies have been stated at the latest purchase price or restated cost as determined by price-level restatement principles for those subsidiaries that maintain their accounting records and prepare their financial statements in Chilean pesos. Imports in transit are held at accumulated cost at the balance sheet date plus price-level restatement for subsidiaries that maintain their accounting records and prepare their financial statements in Chilean pesos.

For those subsidiaries that maintain their accounting records and prepare their financial statements in Chilean pesos, finished goods are stated at an average unit production cost for the year, including production overhead and depreciation of fixed assets, plus price-level restatement.

Inventory of forests in exploitation is stated at the commercially appraised value at which these forests were transferred from fixed assets.

For those subsidiaries that maintain their accounting records and prepare their financial statements in Chilean pesos, inventory is valued at the lower of price-level restated cost (or transferred value in the case of forest inventory) and market value.

**(f) Property, plant and equipment**

(i) Property, plant and equipment, excluding forests

The property, plant and equipment of the Company, Aserraderos Arauco S.A. and Paneles Arauco S.A. are valued at cost. The property, plant and equipment of the other Chilean subsidiaries, excluding forests, are valued at cost plus price-level restatement. The carrying value of property, plant and equipment was adjusted in 1979 in accordance with the regulations of the Chilean Securities Commission. See note 6.

Property, plant and equipment, excluding forests and land, is depreciated on a straight-line basis over the estimated remaining useful lives of the underlying assets.

The estimated average remaining useful lives of the property, plant and equipment are as follows:

	Years
Buildings and other infrastructure	44
Machinery and equipment	13
Other	2
Technical revaluation	11

Arauco generally capitalizes the interest costs associated with financing its work in progress. Profits and losses on the sale of property, plant and equipment, excluding forests, are accounted for as the difference between the book value and the consideration received.

(ii) Forests

Radiata pine that is less than 16 years old is valued at the cost of development, maintenance and protection plus price-level restatement. Finance costs related to the development of the forests are not capitalized but are expensed in the income statement.

Radiata pine that is 16 or more years old is valued in accordance with a commercial valuation performed by Arauco based on sample measurements of forest growth carried out by independent third parties. The difference between the commercial valuation at year-end and the prior year's valuations plus price-level restatement is accounted for as an adjustment to "Forests" and to shareholders' equity under the account heading "Forestry and other reserves". Forests which are due to be exploited within one year are reallocated to inventory under current assets.

On the sale of a related finished good, the shareholders' equity account "Forestry and other reserves" is reduced by the amount of the commercial valuation allocable to such finished good. Such commercial valuation is excluded from cost of sales.

Commercial valuations are not performed on native forests.

**(g) Investments in related companies**

Investments in companies over which Arauco exercises significant, but not controlling, influence are shown under other non-current assets and are accounted for using the equity method. Arauco is presumed to exercise significant influence where its participation in a company is between 10% and 50%.

Arauco's proportionate share in the net income and losses of related companies is recognized in non-operating income in the statement of income on an accrual basis, after eliminating any unrealized profits from transactions between related companies.

**(h) Income taxes**

Arauco has made provisions at each year-end for income taxes currently payable in accordance with current tax regulations. A detail of provisions for income taxes is shown in note 15.

At December 31, 2002, deferred income taxes have been recognized at the end of each year for all temporary differences between the financial reporting and tax bases of assets and liabilities. Until December 31, 1999, Arauco recognized deferred income taxes in the same manner except for the tax loss carry forwards of certain subsidiaries.

**(i) Bonds**

Bonds are shown at face value plus accrued interest and price-level restatement as of each year-end. The discount on, and expenses incurred in, the issue of the bonds are shown under other non-current assets, and are amortized over the term of the instruments.

**(j) Staff severance indemnities**

Arauco has recorded a liability for long-term severance indemnities in accordance with the collective agreements entered into with its employees. Generally, upon leaving Arauco, employees who have completed five years of service are entitled to one month's salary for each year of service, up to the retirement age of 60 and 65 years for women and men, respectively. The provision for severance compensation is calculated on the basis of the present value of the total accrued cost of this benefit, discounted at a real annual interest rate of 8%.

**(k) Research and development expenses**

The cost of research, project development and special studies are charged to income in the year in which they are incurred, except for the cost of fixed assets once development has been approved. The cost of research and development charged to income was US\$ 1,454 thousand and US\$ 1,579 thousand for the years ended December 31, 2001 and 2002, respectively.

**(l) Negative goodwill on investments**

Any excess of the book value of a company acquired over the purchase consideration paid is accounted for as a reduction of the consolidated assets in the balance sheet and is amortized to the income statement over a five-year period.

**(m) Goodwill on investments**

Any consideration paid to acquire a company in excess of its book value is accounted for as an increase in consolidated assets in the balance sheet and is amortized over a five year period.

**(n) Cash and cash equivalents**

Arauco considers cash and cash equivalents as representing cash and cash instruments with an original maturity of less than 3 months.

**(o) Forward foreign exchange contracts and currency swaps**

Arauco's open forward foreign exchange contracts and currency swaps are revalued according to the current spot rate on a monthly basis. Losses are accounted for in the income statement, whereas gains are deferred and accounted for as liabilities. Such gains are realized as income when the underlying contract expires.

Initial discounts, premiums or commissions on these contracts are deferred and amortized over the lives of the underlying contracts.

**(p) Government grants awarded for forestry activities**

Grants that are received from the Chilean government for forestry activities are accounted for as a credit to shareholders' equity or as a reduction of the cost of the forests. These amounts are realized as income on sale of the related finished goods.

**(q) Provision for vacation pay**

Vacation pay earned by employees but not paid is accounted for on an accrual basis.

**(r) Allowance for doubtful accounts**

Allowance for doubtful accounts are recorded based on uncollectibility analyses on an individual account basis.

**(s) Leasing assets**

Financing leases are recorded at the present value of the minimum lease payments, discounted by the purchase option interest rate indicated in the contract. The obligations are recorded as current and long-term liabilities net of deferred interest.

**(t) Intangibles**

Intangible assets are recorded at cost, adjusted for price-level restatement and are amortized over 20 years.

**(u) Revenue recognition policy**

Revenues are recorded at the time of shipment of products to the customer or upon performance of services.

**(v) Interest rate swap contracts**

Interest expense on swap contract-related debt is adjusted for the net amount receivable or payable under the swap contract. The initial premium payable upon entry into the swap contract is amortized over the period of the underlying contract.

**(w) Software**

Internal development software costs are expensed when incurred. Purchased software is capitalized and amortized over the estimated useful life up to a maximum of four years. Capitalized software assets are classified in "Property, plant and equipment" as "other assets."

**(x) Translation of foreign subsidiaries**

Beginning January 1, 2002 the financial statements of the Company's foreign subsidiaries are translated into US dollars in accordance with B.T. No. 64. In accordance with B.T. No. 64, the financial statements of foreign subsidiaries whose activities do not constitute an extension of the Chilean parent company's operations and operate in countries that are exposed to significant risks, restrictions or inflation/exchange fluctuations, are remeasured into US dollars before translation into the accounting records of the parent company. The Company has remeasured the operations of its Argentinean subsidiaries and the Panamanian agency that are not considered an extension of Arauco's operations into US dollars as follows:

- Monetary assets and liabilities are translated at year-end rates of exchange between the US dollar and the local currency.
- All non-monetary assets and liabilities and shareholders' equity are translated at historical rates of exchange between the US dollar and the local currency.
- Income and expense accounts are translated at average rates of exchange between the US dollar and the local currency.
- The effects of any exchange rate fluctuations as compared to the US dollar are included in the results of operations for the relevant period.

Until December 31, 2001 under B.T. No.64, the investment in the foreign subsidiary was price-level restated, in order to separate the effect of price-level restating the foreign investment, which was reflected in income, from the effect of the foreign currency translation gain or loss, which was reflected in equity in the account "Cumulative Translation Adjustment", as the foreign investment itself was measured in US dollars. For the years ended

December 31, 2002 and 2001, as allowed by B.T. No. 64, the Company designated US dollar denominated debt as an economic hedge of its net foreign investment in Argentina.

The Company uses an exchange rate of 3.37 Argentine pesos per U.S. dollar in translating its assets and liabilities denominated in Argentine pesos into U.S. dollars pursuant to Chilean Securities Commission instructions and in accordance with B.T. No. 64. The recognition resulted in a loss of US\$ 25.0 million.

As of December 31, 2002 the Company's investments in Argentina represented 13.0% of its consolidated assets, compared to 12.6% at December 31, 2001.

It is not possible to predict what developments will occur in the Argentine economy, what effects the Argentine economic crisis and the devaluation of the Argentine peso may have on the economic and financial condition of the Company's Argentine subsidiaries or whether the Argentine economic crisis may effect developments in other emerging markets including Chile. The Company's financial statements include the financial effects of recent current Argentine developments in accordance with both Chilean Securities Commission instructions and Technical Bulletin guidelines.

## 2. CHANGES IN ACCOUNTING POLICIES

There are no changes in accounting principles or presentation for the years covered in these consolidated financial statements.

## 3. MARKETABLE SECURITIES

Marketable securities as of each year-end, the majority of which are denominated in local currency, were as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Bonds	489	-
Units in mutual funds	419,886	350,283
Shares	17	-
<b>Total marketable securities</b>	<b>420,392</b>	<b>350,283</b>

## 4. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable as of each year-end were as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Trade accounts receivable	207,122	183,561
Allowance for doubtful accounts	(3,513)	(2,681)
<b>Total trade accounts receivable</b>	<b>203,609</b>	<b>180,880</b>

As of December 31, 2001 and 2002, no single customer accounted for more than 10% of the outstanding balance of accounts receivable. Arauco takes steps to reduce the risk of non-payment for goods sold, including the use of letters of credit, receipt of advance payments and the use of insurance policies. If such measures were to fail, Arauco would be exposed to a maximum credit loss equivalent to the accounting balance. Arauco has not experienced any significant losses as a result of non-payment of accounts receivable.

## 5. INVENTORIES

Inventories have been valued in accordance with the policy described in note 1 (d). The principal components were as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Finished goods (pulp)	30,859	25,031
Finished goods (sawn timber)	65,893	86,049
Finished goods on consignment (pulp)	30,242	22,607
Work in progress	2,406	2,609
Sawlogs, pulpwood and chips	13,284	10,950
Raw material	38,204	43,917
Forests under exploitation	195,976	189,698
Other	11,718	11,926
<b>Total inventories</b>	<b>388,582</b>	<b>392,787</b>

## 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including forests, have been valued as described in note 1 (e).

Technical revaluation and adjustment of book value

The balances of buildings and other infrastructure, machinery and equipment and other include amounts arising from the technical revaluation of certain assets performed during 1979, in accordance with regulations of the Chilean Securities Commission.

The accumulated net book value of these revaluations as of each year-end is detailed below by class of asset:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Buildings and other infrastructure	3,741	3,350
Machinery and equipment	789	659
Other	3	2
<b>Total increase in value due to technical revaluation of property, plant and equipment</b>	<b>4,533</b>	<b>3,981</b>

The depreciation charge to income of property, plant and equipment was calculated as described in note 1 (e) and was as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Depreciation of:		
Property, plant and equipment (excluding land and forests)	125,211	102,632
Technical revaluation	832	552
<b>Total</b>	<b>126,043</b>	<b>103,184</b>

Accumulated depreciation was as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Accumulated depreciation of:		
Property, plant and equipment (excluding land and forests)	1,481,470	1,579,473
Technical revaluation	63,558	63,957
<b>Total</b>	<b>1,545,028</b>	<b>1,643,430</b>

Forests

The price-level restated cost and the commercial valuation increment of the forests, determined as described in note 1(e), was as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Price-level restated cost of forests	635,901	528,641
Commercial valuation increment	1,298,520	1,320,278
<b>Total</b>	<b>1,934,421</b>	<b>1,848,919</b>

#### 7. INVESTMENTS IN RELATED COMPANIES

During 2002, Arauco made the following investments in related companies:

In March 2002, the Company acquired 5,814,617 shares in Paneles Arauco S.A. by making a capital contribution of US\$ 20,339 thousand through the capitalization of a loan. Forestal Arauco S.A. acquired 188,769 shares by making a capital contribution of US\$ 660 thousand. As a result, the Company now holds a 99% controlling interest and Forestal Arauco S.A. holds a 1% interest in Paneles Arauco S.A.

Between January and November, 2002 the Company and its subsidiary Arauco Internacional S.A. made a capital contribution of US\$ 1,016 thousand in Forestal Conosur S.A.

In February 2002, the Company and its subsidiary Forestal Arauco S.A. made a capital contribution of US\$30 thousand to form Forestal Arauco Costa Rica S.A.

Between April and May 2002, the Company made a capital contribution of US\$ 294 thousand to form Arauco Do Brasil Ltda., a contribution equivalent to 99.99% of Arauco do Brasil's paid-in capital.

In April 2002, the Company and its subsidiary Forestal Arauco S.A. made a capital contribution of US\$ 6 thousand to form Agenciamiento y Servicios Profesionales S.A. de C.V.

During the first six months of 2002 the Company made a capital contribution of US\$ 40 thousand to form Arauco Europe S.A.

On August 27, 2002, the Company acquired 7,622,489 shares of Inversiones Cholguán S.A. (the current Arauco Internacional S.A.), corresponding to approximately 98% participation in the former subsidiary of Forestal Cholguán S.A. The Company paid Ch\$ 15,168,753 thousand, equivalent to US\$ 21,210 thousand for the shares. At the end of 2002, Arauco Internacional S.A. is the parent company of most Arauco foreign subsidiaries.

In October 2002, the Company acquired 16.67% of Inversiones Puerto Coronel S.A. for US\$4,500 thousand, obtaining US\$ 2,599 thousand of goodwill in the process.

On November 20, 2002, Arauco's subsidiary Arauco Wood Products, Inc. purchased 100% of Southwoods-Arauco Lumber LLC for US\$ 4,900 thousand. The investment resulted in goodwill of US\$ 1,500 thousand.

On December 11, 2002, the Company contributed directly and indirectly through Arauco Internacional S.A., the equivalent of 100,000 euros for the formation of Inversiones Celco S.L. in Spain.

On December 23, 2002, the Company contributed US\$ 647,600 thousand in the form of shares of Industrias Forestales S.A. to participate in a capital increase of Inversiones Celco S.L. The company's subsidiary Arauco Internacional S.A. contributed US\$ 446 thousand in shares of Arauco Denmark ApS.

During 2001, Arauco made the following investments in related companies:

Between January and December 2001 Arauco's subsidiary Forestal Arauco S.A. purchased 377,485 shares of Forestal Cholguán S.A. for US\$ 159 thousand. The investment resulted in negative goodwill of US\$35 thousand for Forestal Arauco S.A.

In July 2001 the Company acquired 16.66% of Inversiones Puerto Coronel S.A. for the amount of US\$3,060 thousand, resulting in goodwill of US\$ 1,376 thousand.

On March 01, 2001, the Company made a contribution to Araucomex S.A. de C.V. in the amount of US\$115 thousand, equivalent to 99% of its total capital.

#### **Taxes on unremitted earnings**

Deferred taxes have not been recorded, nor has the investment been adjusted, for taxes that may arise on the distribution or remittance of earnings from investments in related companies as these earnings will either be indefinitely reinvested or will not result in the imposition of additional taxes.

#### **Liabilities that hedge investments in related companies**

The Company maintains debt with financial institutions (Morgan Guaranty Trust) and with the public (the Company's Yankee Bonds 2nd Issue) that were specifically designated as hedging instruments for the Company's investment in Industrias Forestales S.A., in Argentina.

#### **Dividends received**

Arauco received dividends from Puerto de Lirquén S.A. totaling US\$ 480 thousand in 2001 and US\$687 thousand in 2002. In addition received US\$ 115 thousand from Inversiones Puerto Coronel S.A. in 2002.

#### **Investment in Alto Paraná S.A.**

During June of 2001, Alto Paraná S.A. repurchased all of its preferred shares held by the Company. As a result of the repurchase the Company realized a portion of its cumulative translation adjustment related to this investment, in accordance with B.T. No. 64, in the amount of US\$ 11,670 thousand. See note 23.

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The investments in related companies at each year-end were as follows:

	Percentage Participation		As of December 31, Investment Value		Net income of investee	
	2001	2002	2001	2002	2001	2002
	%	%	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Puerto de Lirquén S.A.	20.14	20.14	13,797	13,785	993	1,513
Inversiones Puerto Coronel S.A.	33.33	50.00	3,950	6,618	500	1,016
Sociedad CDEC-SIC Ltda.	8.00	7.69	24	48	(5)	(1)
Servicios Corporativos Sercor S.A. (1)	20.00	20.00	307	317	(25)	30
<b>Total</b>			<b>18,078</b>	<b>20,768</b>	<b>1,463</b>	<b>2,558</b>

**8. GOODWILL AND NEGATIVE GOODWILL**

a) Negative goodwill as of each year-end was as follows:

	As of December 31,			
	2001		2002	
	Amortization for the year ThUS\$	Balance of negative goodwill ThUS\$	Amortization for the year ThUS\$	Balance of negative goodwill ThUS\$
Alto Paraná S.A.	25,834	2,386	1,419	967
Industrial y Forestal Misiones S.A.	12,114	12,114	12,114	-
Licancel S.A.	907	2,495	907	1,587
Forestal Cholguán S.A.	4,720	15,131	4,424	9,777
Maderas Prensadas Cholguán S.A.	698	958	602	279
<b>Total negative goodwill</b>	<b>44,273</b>	<b>33,084</b>	<b>19,466</b>	<b>12,610</b>

b) Goodwill as of each year-end was as follows:

	As of December 31,			
	2001		2002	
	Amortization for the year ThUS\$	Balance of goodwill ThUS\$	Amortization for the year ThUS\$	Balance of goodwill ThUS\$
Forestal El Aguaray S.A.	120	308	34	51
Paneles Arauco S.A.	786	2,947	786	2,162
Inversiones Puerto Coronel S.A.	140	1,257	1,016	241
Arauco Internacional S.A.	1	-	-	-
Inversiones Puerto Coronel S.A.	-	-	2,599	-
Southwoods-Arauco Lumber L.L.C.	-	-	-	1,500
<b>Total goodwill</b>	<b>1,047</b>	<b>4,512</b>	<b>4,435</b>	<b>3,954</b>

**9. OTHER NON-CURRENT ASSETS**

Other non-current assets as of each period-end were as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Recoverable taxes	37,549	19,208
Bond issue expenses	18,212	14,706
Discounts on bond issues	2,747	2,285
Financial instruments	536	479
Other	1,499	537
<b>Total other non-current assets</b>	<b>60,543</b>	<b>37,215</b>

**10. CURRENT BANK BORROWINGS**

Current bank borrowings as of each period-end were as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Total outstanding	87	32,139
Principal outstanding	87	32,125
Weighted average annual interest rate	-	-

Current bank borrowings were denominated as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Obligations in foreign currency	61	32,078
Obligations in local currency	26	61
<b>Total current bank borrowings</b>	<b>87</b>	<b>32,139</b>

**11 CURRENT LIABILITIES**

(a) The following liabilities, excluding bank borrowings, fall due within one year:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Current portion of bonds	32,193	109,396
Current portion of other long-term liabilities	1,056	278
Trade accounts payable	68,101	76,514
Notes payable	3	126
Accounts and notes payable to related parties	681	1,935
Current provisions	19,819	15,396
Sundry accounts payable and other liabilities	18,490	38,227
<b>Total</b>	<b>140,343</b>	<b>241,872</b>

(b) The percentages of these obligations in foreign and local currency, excluding the effects of forward foreign exchange contracts and currency swaps, were as follows at period-end:

	As of December 31,	
	2001 %	2002 %
Foreign currency	43.74	40.55
Local currency	56.26	59.45
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

**12. BONDS**

Arauco had two series of domestic bonds and five series of Yankee Bonds outstanding as of December 31, 2002.

The balances of the bonds were as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Current		
Series A bonds	4,063	2,326
Series B bonds	314	293
Yankee Bonds 1st Issue	518	80,733
Yankee Bonds 2nd Issue	8,381	8,381
Yankee Bonds 3rd Issue	9,703	8,749
Yankee Bonds 4th Issue	9,214	8,914
<b>Total current (including accrued interest)</b>	<b>32,193</b>	<b>109,396</b>
Long-term		
Series A bonds	2,438	-
Series B bonds	310	-
Yankee Bonds 1st Issue	180,215	100,000
Yankee Bonds 2nd Issue	400,000	400,000
Yankee Bonds 3rd Issue	300,000	270,500
Yankee Bonds 4th Issue	400,000	387,000
<b>Total long-term</b>	<b>1,282,963</b>	<b>1,157,500</b>
<b>Less total accrued interest</b>	<b>27,940</b>	<b>26,603</b>
<b>Total principal outstanding</b>	<b>1,287,216</b>	<b>1,240,293</b>

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These bonds have the following characteristics:

	Domestic Issue	Domestic Issue	Yankee Bonds 1st Issue	Yankee Bonds 2nd Issue	Yankee Bonds 3rd Issue	Yankee Bonds 4th Issue
Issue date	Jan. 28, 1991	Nov. 28, 1991	Dec. 15, 1995	Oct. 3, 1997	Aug. 15, 2000	Sept. 10, 2001
Authorized Amount (nominal)	Series A ThUF 4,800	Series A ThUF 2,250 Series B ThUF 250	8 years ThUSS\$200,000 12 years ThUSS 100,000	8 years ThUSS 175,000 12 years ThUSS 100,000 20 years ThUSS 125,000	10 years ThUSS\$ 300,000	10 years ThUSS\$400,000
Issue amount	Series A ThUF 4,800	Series A ThUF 1,650 Series B ThUF 160	8 years ThUSS\$200,000 12 years ThUSS\$100,000	8 years ThUSS 175,000 12 years ThUSS 100,000 20 years ThUSS 125,000	10 years ThUSS\$300,000	10 years ThUSS\$400,000
Amounts Authorized but not issued		Series A ThUF 600 Series B ThUF 90				
Principal Repayment	Semi-annually Between Aug.1995 And Feb.2003	Semi-annually Between Jun.1994 And Dec.2003	8 years Dec. 2003 12 years Dec.2007	8 years September 2005 12 years September 2009 20 years September 2017	August 2010	September 2011
Interest rate (excluding effects of any interest rate swap)	Series A 6%	Series A and B 6%	8 years 6.75% 12 years 7.00%	8 years 6.95% 12 years 7.20% 20 years 7.50%	8.62 %	7.75%
Interest Payment	Semi-annually	Semi-annually	Semi-annually	Semi-annually	Semi-annually	Semi-annually

As of December 31, 2002, the principal and interest amounts due with respect to these bonds were as follows:

Year	ThUS\$
2003 (*)	26,603
2004	182,793
2005	-
2006	175,000
2007 and thereafter	882,500
<b>Total</b>	<b>1,266,896</b>

(\*) This amount includes US\$ 26,603 thousand of accrued interest.

The principal financial covenants contained in the instruments or agreements with respect to such bonds are as follows:

- Arauco's debt to equity ratio must not exceed the ratio of 1:2.1
- Arauco's current liabilities must not exceed its current assets.

### 13 ACCRUED LIABILITIES

(a) Accrued liabilities were as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Accrued liabilities		
Accrual for staff vacations	3,712	4,140
Plant maintenance accrual	5,818	3,997
Standby letters of credit	710	631
Accrual for contingencies	1,630	-
Staff severance indemnities	470	488
Selling and other transportation costs provisions	1,453	1,116
Electrical expense provision	1,326	789
Pending monthly provisional payments	287	290
Salary and benefits of the staff	1,460	1,385
Forestry activity expenses	75	565
Other current liabilities	2,878	1,995
<b>Total accrued liabilities</b>	<b>19,819</b>	<b>15,396</b>

(b) Liability for staff severance indemnities

The liability for staff severance indemnity payments is shown at its present value as described in note 1 (i). The movement in this account was as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Balance at beginning of year	7,679	8,070
Provision during the year	1,313	1,257
Provision in asset	-	161
Payments during the year	(720)	(815)
<b>Balance as of period-end</b>	<b>8,272</b>	<b>8,673</b>

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Shown in the balance sheet as:		
Current	470	488
Long-term	7,802	8,185
<b>Total</b>	<b>8,272</b>	<b>8,673</b>

#### 14. LONG-TERM BANK BORROWINGS

(a) Long-term bank borrowings including accrued interest outstanding at each period-end were as follows:

Bank or financial institution	Denomination ThUS\$	As of December 31, 2001		As of December 31, 2002	
		Long-term Portion ThUS\$	Short-term Portion ThUS\$	Long-term Portion ThUS\$	Short-term Portion ThUS\$
Morgan Guaranty Trust Company (1) (a)	US\$	37,500	37,622	-	37,534
J.P. Morgan -Chase (1) (b)	US\$	250,000	928	250,000	3,850
Tesoro Argentino (2)	US\$	2,170	301	2,363	568
<b>Total long-term bank borrowings</b>		<b>289,670</b>	<b>38,851</b>	<b>252,363</b>	<b>41,952</b>

The weighted average interest rates for foreign currency-denominated debt for the periods ended December 2001 and 2002 were 3.62% and 2.23%, respectively. Arauco enters into forward foreign exchange contracts and currency swap agreements to swap certain amounts of its non-US dollar denominated payment obligations for US dollar-denominated payment obligations.

The UF rate has been expressed as an interest spread in excess of the indexation of the UF. See note 1 (b). Six month LIBOR at December 31, 2001 and 2002 was 6.20% and 1.38%, respectively.

##### (1) Alto Paraná Loans

a) The Company obtained a US\$ 150 million loan in order to repay outstanding debt. The loan is denominated in US dollars, and has a variable interest rate of LIBOR plus 0.35%. Interest payments are due quarterly, while the loan principal is repayable in four annual payments, which began on March 20, 2000.

b) The Argentine subsidiary Alto Paraná S.A. obtained a US\$ 250 million loan in order to redeem preferred equity shares. The loan is denominated in US dollars, and has a variable interest rate of LIBOR plus a market spread.

(2) Tesoro Argentino

Alto Paraná owed an aggregate principal amount of US\$ 13 million and additional accrued interest payable to the Argentine government in respect of certain loans originally made by Banco Nacional de Desarrollo to Alto Parana. These loans were originally covered by guarantees issued by the governments of other countries which sought reimbursement from the Argentine government for payment made under these guarantees. The Argentine government renegotiated its debt with the "Paris Club" countries and, pursuant to Resolution 40/95 issued by the Ministry of Economy and Public Works and Services, has extended these terms to the Argentine companies that originally incurred this debt, including Alto Paraná. According to their terms, those Governmental Obligations have been restructured to mature in installments between 1995 and 2008 and accrue interest at a contractual rate of LIBOR plus a spread of up to 0.625%.

(b) Debt distribution

As of December 31, 2001 and 2002 long-term bank borrowings, including both the current portion and interest accrued, were denominated almost exclusively in foreign currencies.

(c) Maturity of long-term bank borrowings

As of December 31, 2002, the maturities of long-term bank borrowings payable were as follows:

Year	ThUS\$
2003	41,952
2004	100,343
2005	100,414
2006	51,049
2007 and thereafter	557
<b>Total</b>	<b>294,315</b>

The principal financial covenant contained in the instruments or agreements with respect to such long-term bank borrowings was as follows:

- The interest coverage ratio must not be less than 2.0.

**15. INCOME TAXES**

(a) Taxable income

In accordance with Chilean law, the Company and each of its subsidiaries compute and pay tax on a separate basis and not on a consolidated basis.

On a consolidated basis, Arauco recorded charges for income taxes amounting to US\$ 15,870 thousand and US\$40,652 thousand for the periods ended December 31, 2001 and 2002, respectively. Furthermore, Arauco established provisions for US\$ 68 thousand as of December 31, 2001 and US\$ 90 thousand as of December 31, 2002 in accordance with Article 21 of the Income Tax Law. These amounts are shown in "Income tax payable," net of monthly prepayments and training expenses.

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The detail of income tax expense is as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Income tax	(15,870)	(40,652)
Provisions estimated in accordance with Article N° 21 of the Income Tax Law in Chile	(68)	(90)
Deferred income tax	14,085	5,388
Tax benefits for tax losses	(2,430)	14,814
Amortization of complementary accounts	810	(952)
Adjustment expense taxes last year	(184)	233
Changes in valuation provision	-	(12,258)
<b>Total Income Tax</b>	<b>921</b>	<b>(36,191)</b>

(b) Retained taxable earnings

Shareholders of Chilean corporations are entitled to a tax credit against tax due on dividend distributions to the extent of their allocable share of tax paid by the corporation on such earnings prior to distribution. The retained taxable earnings generated by the Company, along with the related tax credit, if any, that would be available to shareholders on distribution of such amounts, are presented below. Under Chilean tax law, dividend distributions must be made from earnings in years with available credits on a first-in, first-out basis. Remaining tax credits on undistributed earnings as of December 31, 2002 were as follows:

	Retained Earnings		Shareholders'
	With Credit ThUS\$	Without Credit ThUS\$	Tax Credit ThUS\$
Balance as of December 31, 2000	4,627	54	817
Balance as of December 31, 2001	27,961	1,150	4,934
Balance as of December 31, 2002	85,355	16,065	16,243
<b>Total</b>	<b>117,943</b>	<b>17,269</b>	<b>21,994</b>

(c) Deferred taxation

As explained in note 1 (g), as of December 31, 2001 and 2002, Arauco recorded accumulated deferred taxes arising from temporary differences, as follows:

	As of December 31, 2001			
	Deferred tax assets		Deferred tax liabilities	
	Current ThUS\$	Long term ThUS\$	Current ThUS\$	Long term ThUS\$
Allowance for doubtful accounts	1,133	121	-	-
Deferred revenues	228	35	-	-
Accrual for staff vacations	826	-	-	-
Production costs	-	-	6,310	43
Property, plant and equipment depreciation	-	-	-	76,082
Capitalized expenses	-	-	761	2,228
Obsolescence reserve	573	-	-	-
Debt issue and project expenses	-	-	-	8,613
Staff severance indemnities	958	352	-	-
Leasing assets	77	9	71	45
Tax loss carry forwards	3,678	3,615	-	-
Property, plant and equipment valuation	-	92,689	-	33,749
Accrual for contingencies	1,256	-	-	-
Plant maintenance accrual	676	-	-	-
Argentine peso devaluation	2,586	10,346	-	-
Other	797	774	249	853
<b>Total</b>	<b>12,788</b>	<b>107,941</b>	<b>7,391</b>	<b>121,613</b>
Complementary accounts, net of accumulated amortization (1)	(650)	(52,980)	(68)	(37,857)
Valuation provision	-	(43,070)	-	-
<b>Total</b>	<b>12,138</b>	<b>11,891</b>	<b>7,323</b>	<b>83,756</b>

	As of December 31, 2002			
	Deferred tax assets		Deferred tax liabilities	
	Current ThUS\$	Long term ThUS\$	Current ThUS\$	Long term ThUS\$
Allowance for doubtful accounts	770	131	-	-
Deferred revenues	967	39	-	-
Accrual for staff vacations	588	-	-	-
Production costs	-	-	5,517	-
Capitalized expenses	-	-	1,758	3,876
Property, plant and equipment depreciation	-	-	-	74,867
Staff severance indemnities	997	396	-	-
Debt issue and project expenses	-	-	-	8,457
Obsolescence reserve	681	-	-	-
Accrual for contingencies	358	-	-	-
Tax loss carryforwards	25,563	5,841	-	-
Property, plant and equipment valuation	-	28,823	-	16,645
Leasing assets	70	-	68	33
Plant maintenance accrual	650	-	-	-
Impact of devaluation of Argentine peso	1,477	5,908	-	-
Other	851	303	74	812
<b>Total</b>	<b>33,972</b>	<b>41,441</b>	<b>7,417</b>	<b>104,690</b>
Complementary accounts, net of accumulated amortization (1)	(91)	(15,882)	(135)	(15,474)
Valuation provision	(1,098)	(24,075)	-	-
<b>Total</b>	<b>32,783</b>	<b>1,484</b>	<b>7,282</b>	<b>89,216</b>

(1) These accounts reverse over the same period as the timing differences that gave rise to them with an average of approximately 15 years.

#### 16. FORESTRY GRANTS

Forestry grants are included in shareholders' equity under the account heading "Forestry and other reserves". These grants are transferred to income at the time of sale of the related finished goods. The Company's forestry subsidiaries received forestry grants of US\$ 289 thousand during the period ending December 31, 2001 and US\$ 631 thousand during the period ending December 31, 2002.

#### 17. ASSETS AND LIABILITIES DENOMINATED IN LOCAL AND FOREIGN CURRENCY

As of each year-end, Arauco had assets and liabilities denominated in local and foreign currencies. These assets and liabilities are shown at their local and foreign currency equivalent at each year-end.

	Currency	At December 31,	
		2001 ThUS\$	2002 ThUS\$
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and banks	US\$	3,791	7,209
Cash and banks	Ch\$	1,382	1,798
Cash and banks	Other currencies	1,535	527
Time deposits and marketable securities	US\$	162,570	171,697
Time deposits and marketable securities	Ch\$	60,902	30,989
Time deposits and marketable securities	Other currencies	199,607	167,161
Trade accounts receivable	US\$	176,697	155,907
Trade accounts receivable	Ch\$	22,585	18,815
Trade accounts receivable	Other currencies	4,327	6,158
Other accounts receivable	US\$	9,530	17,571
Other accounts receivable	Ch\$	15,556	13,386
Other accounts receivable	Other currencies	-	217
Inventories	US\$	63,060	179,097
Inventories	Ch\$	325,522	213,690
Other current assets	US\$	29,133	136,253
Other current assets	Ch\$	76,952	24,092
Other current assets	• Other currencies	-	332
<b>Total current assets</b>		<b>1,153,149</b>	<b>1,144,899</b>
<b>Property, plant and equipment and other assets:</b>			
Property, plant and equipment	US\$	1,058,695	1,728,193
Property, plant and equipment	Ch\$	2,699,970	2,110,045
Other assets	US\$	48,514	43,915
Other assets	Ch\$	8,287	10,092
<b>Total property, plant and equipment and other assets</b>		<b>3,815,466</b>	<b>3,892,245</b>
<b>Total assets</b>		<b>4,968,615</b>	<b>5,037,144</b>

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	Currency	At December 31,	
		2001 ThUS\$	2002 ThUS\$
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Current bank borrowings	US\$	62	32,034
Current bank borrowings	Ch\$	25	61
Current bank borrowings	Other currencies	-	44
Current portion of long-term bank borrowings	US\$	38,851	41,952
Current portion of bonds	US\$	27,816	106,777
Current portion of bonds	Ch\$	4,377	2,619
Notes and trade accounts payable	US\$	27,627	25,881
Notes and trade accounts payable	Ch\$	40,301	48,147
Notes and trade accounts payable	Other currencies	176	2,612
Other current liabilities	US\$	14,616	17,097
Other current liabilities	Ch\$	25,430	38,739
<b>Total current liabilities</b>		<b>179,281</b>	<b>315,963</b>
<b>Long-term liabilities:</b>			
Long-term bank borrowings	US\$	289,670	252,363
Bonds	US\$	1,280,215	1,157,500
Bonds	Ch\$	2,748	-
Other long-term liabilities	US\$	13,534	1,289
Other long-term liabilities	Ch\$	80,196	96,446
<b>Total long-term liabilities</b>		<b>1,666,363</b>	<b>1,507,598</b>
<b>Total liabilities</b>		<b>1,845,644</b>	<b>1,823,561</b>

**18. BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

Company	Relationship	As of December 31,		Transaction
		2001 ThUS\$	2002 ThUS\$	
<b>(a) Current assets</b>				
Cía. de Seguros Generales Cruz del Sur S.A.	Affiliate	710	-	Accounts receivable
<b>Total current assets</b>		<b>710</b>	<b>-</b>	
<b>(b) Current liabilities</b>				
Compañía de Petróleos de Chile S.A.	Shareholder	174	472	Accounts payable
Puerto de Lirquén S.A.	Affiliate	235	175	Accounts payable
Compañía Puerto de Coronel S.A.	Affiliate	164	31	Accounts payable
Abastible S.A.	Affiliate	5	39	Accounts payable
Sigma Servicios Informáticos S.A.	Affiliate	5	-	Accounts payable
Servicios Corporativos Sercor S.A.	Affiliate	-	33	Accounts payable
Fundación Educacional Arauco	Affiliate	89	149	Accounts payable
Compañía de Turismo de Chile Ltda.	Affiliate	9	-	Accounts payable
Cía. de Seguros Generales Cruz del Sur S.A.	Affiliate	-	1,036	Accounts payable
<b>Total current liabilities</b>		<b>681</b>	<b>1,935</b>	

During the year-ended December 31, 2001 and 2002, Arauco had the following related party transactions that affected net income:

	Purchases (sales)	
	Year ended December 31.	
	2001	2002
	ThUS\$	ThUS\$
(a) Compañía de Petróleos de Chile S.A.:		
Purchases of fuel	10,990	12,128
Other Sales	(1)	(1)
(b) Puerto de Lirquén S.A.:		
Port services	1,563	2,046
(c) ABC Comercial S.A.:		
Other Purchases	7	81
(d) Abastible S.A.:		
Purchases of fuel	279	217
(e) Frontel S.A.:		
Electric power purchases	59	-
(f) Compañía de Seguros Generales Cruz del Sur S.A.:		
Direct insurance premiums	7,210	2,990
(g) Compañía de Turismo de Chile Ltda.		
Purchase of tickets	114	-
(h) Cía. Puerto de Coronel S.A.:		
Stockpiling services	2,159	695
Other sales	-	(1)
(i) Soc. Austral de Electricidad S.A.		
Electric power purchases	30	-
Other sales	(2)	-
(j) Sigma Servicios Informáticos S.A.		
Processing service	31	-
(k) Portaluppi, Guzmán y Bezanilla Abogados		
Legal advice	(695)	(277)

#### 19. CONTINGENCIES AND COMMITMENTS

(a) Arauco

Arauco is not currently involved in any court proceedings or other legal actions which could significantly affect its financial or operational condition.

The liabilities included in current and long-term bank borrowings require Arauco to comply with certain financial restrictions. Non-compliance could result in these debts becoming fully payable upon demand.

The minimum financial restrictions are:

- i) The debt ratio must not be higher than 1.2.
- ii) The current ratio must not be less than 1.0.
- iii) The interest coverage ratio must not be less than 2.0.

## 20. SHAREHOLDERS' EQUITY

The movements in the capital and reserve accounts for each of the years ended December 31, 2001 and 2002 are as follows:

December 31, 2001	Paid-in capital ThUS\$	Share premium ThUS\$	Forestry and other reserves ThUS\$	Retained earnings from prior years ThUS\$	Interim dividends ThUS\$	Net income for the year ThUS\$	Total ThUS\$
Balance as of December 31, 2000	337,100	5,455	1,348,442	961,709	(65,386)	283,940	2,871,260
Prior period income allocation	-	-	-	283,940	-	(283,940)	-
Equity price level restatement	10,451	170	41,638	35,211	-	-	87,470
Dividends paid	-	-	-	(122,773)	65,386	-	(57,387)
Cumulative translation adjustment	-	-	29,030	-	-	-	29,030
Forestry reserve	-	-	54,461	-	-	-	54,461
Forestry reserve adjustment related to subsidiaries	-	-	(2,670)	-	-	-	(2,670)
Interim dividends	-	-	-	-	(5,357)	-	(5,357)
Net income for the year	-	-	-	-	-	139,910	139,910
<b>Balance as of December 31, 2001</b>	<b>347,551</b>	<b>5,625</b>	<b>1,470,901</b>	<b>1,158,087</b>	<b>(5,357)</b>	<b>139,910</b>	<b>3,116,717</b>
December 31, 2002	Paid-in capital ThUS\$	Share premium ThUS\$	Forestry and other reserves ThUS\$	Retained earnings from prior years ThUS\$	Interim dividends ThUS\$	Net income for the year ThUS\$	Total ThUS\$
Balance as of December 31, 2001	347,551	5,625	1,470,901	1,158,087	(5,357)	139,910	3,116,717
Prior period income allocation	-	-	-	139,910	-	(139,910)	-
Dividends paid	-	-	-	(38,254)	5,357	-	(32,897)
Cumulative translation adjustment	-	-	49	-	-	-	49
Forestry reserve	-	-	25,578	-	-	-	25,578
Forestry reserve adjustment related to subsidiaries	-	-	(3,820)	-	-	-	(3,820)
Conversion adjustment related to subsidiaries	-	-	(136,678)	-	-	-	(136,678)
Interim dividends	-	-	-	-	(38,682)	-	(38,682)
Net income for the year	-	-	-	-	-	277,189	277,189
<b>Balance as of December 31, 2002</b>	<b>347,551</b>	<b>5,625</b>	<b>1,356,030</b>	<b>1,259,743</b>	<b>(38,682)</b>	<b>277,189</b>	<b>3,207,456</b>

The number of shares authorized, issued and outstanding as of December 31, 2001 and 2002 was 113,152,446. The Company's shares are of a single series without a fixed nominal value.

## 21. SALES REVENUE

Arauco's sales revenues were derived from export and domestic sales of the following products:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
<b>Export sales</b>		
Bleached pulp	504,517	465,494
Unbleached pulp	144,450	128,504
Sawlogs	181	2,916
Flitches	5,324	6,027
Sawn timber	113,353	155,170
Remanufactured wood products	96,957	128,274
Plywood and fiber panels	90,424	132,753
Posts	5,551	7,451
<b>Total export sales revenue</b>	<b>960,757</b>	<b>1,026,589</b>
<b>Domestic sales</b>		
Bleached pulp	35,034	32,967
Unbleached pulp	1,064	1,799
Sawlogs	15,865	14,041
Pulplogs	10,785	6,692
Sawn timber	46,392	44,724
Remanufactured wood products	12,658	9,090
Chips	1,213	653
Electric power	3,121	4,591
Plywood and fiber panels	46,352	45,644
Other	5,861	1,228
<b>Total domestic sales revenue</b>	<b>178,345</b>	<b>161,429</b>
<b>Total sales revenue</b>	<b>1,139,102</b>	<b>1,188,018</b>

**22. OPERATING COSTS**

(a) Cost of sales

Arauco's cost of sales consisted of the following:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Timber	121,161	105,057
Chemical products	60,447	55,070
Maintenance costs	55,908	42,010
Depreciation	120,405	96,984
Energy and fuel costs	22,686	19,298
Forestry works	119,014	122,916
Port costs	10,467	8,540
Sawing services	59,783	67,313
Electric power costs	8,108	9,885
Other raw materials, indirect cost and other	28,092	35,729
<b>Total cost of sales</b>	<b>606,071</b>	<b>562,802</b>

(b) Administration and selling expenses

Administration and selling expenses were as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Wages and salaries	32,373	27,495
Insurance	3,885	4,388
Depreciation	5,154	5,584
Freight	114,175	113,645
Other transportation costs	31,091	32,630
Selling expenses	20,456	16,766
Other administrative expenses	32,230	34,397
<b>Total administration and selling expenses</b>	<b>239,364</b>	<b>234,905</b>

**23. OTHER NON-OPERATING INCOME**

Other non-operating income was as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Reimbursement of customs duties	2,842	2,160
Rental income	174	323
Profit on sale of other services	131	40
Insurance recoveries	829	74
Gain on sale of energy	-	151
Sale of materials and others	223	151
Gain on sale of property, plant and equipment	1,426	446
Reserve on sale for adjustment conversion	11,670	-
Other income	3,069	2,824
<b>Total other non-operating income</b>	<b>20,364</b>	<b>6,169</b>

**24. OTHER NON-OPERATING EXPENSES**

Other non-operating expenses were as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Other services and fees	588	76
Other depreciation and amortization	844	523
Write-off of damaged forest	415	1,581
Donations	547	400
Severance payments	142	14
Project expenses	763	383
Write-off of obsolete material	24	346
Provision for uncollectible accounts receivable	728	309
Legal expenses	110	58
Taxes	3,522	3,988
Adjustment for sale expenses of the previous year	-	285
Indirect expenses starting Planta Paneles	-	2,081
Import expenses	342	340
Other expenses	2,858	1,149
<b>Total other non-operating expenses</b>	<b>10,883</b>	<b>11,533</b>

## 25. MINORITY INTEREST

The equity value corresponding to the shareholders' minority interest in each of the Company's subsidiaries was as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Alto Paraná S.A.	195	197
Forestal Arauco S.A.	1,631	1,630
Forestal Choiguán S.A.	4,205	4,069
Controladora de Plagas Forestales S.A.	223	197
Arauco Europe S.A.	-	34
<b>Total</b>	<b>6,254</b>	<b>6,127</b>

The income value corresponding to the shareholder minority interest in each of the Company's subsidiaries was as follows:

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Alto Paraná S.A.	3	(5)
Forestal Arauco S.A.	(63)	(79)
Arauco Internacional S.A. (ex - Inversiones Cholguán S.A.)	8	-
Forestal Cholguán S.A.	(159)	(188)
Controladora de Plagas Forestales S.A.	1	14
Arauco Europe S.A.	-	(9)
<b>Total</b>	<b>(210)</b>	<b>(267)</b>

## 26. SANCTIONS

During the years ended December 31, 2001 and 2002, neither the Company, any member of the Board of Directors nor the Chief Executive Officer of the Company was sanctioned by the Chilean Securities Commission.

The Gas and Electric Commission applied administrative fines equivalent to Ch\$ 72,003 thousand to the subsidiary Arauco Generación S.A. for deficiency in the Central Interconnectal System and in the CDEC-SIC. These administrative fines are pending since they are being appealed to the Justice Tribunal and to the Gas and Electrical Commission. A provision for the amount of these fines has been made in the Financial Statements.

The Chilean Tax Commission applied fines, with interest, equivalent to Ch\$ 428 thousand to the subsidiary Servicios Logísticos Arauco S.A. for due rectificatory declarations.

The Chilean Tax Commission applied fines, with interest, equivalent to US\$ 44 thousand to the subsidiary Paneles Arauco S.A. for differences in withholding taxes.

## 27. BOND ISSUE COSTS

Arauco amortizes costs related to the issuance of bonds on a straight-line basis over the terms of the bonds. The charges to income related to such amortizations for the years ended December 31, 2001 and 2002 were US\$ 2,057 thousand and US\$ 3,706 thousand, respectively, which amounts are reflected in the statement of income under the heading "Interest Expense". The costs recorded for each year are shown below.

	As of December 31,	
	2001 ThUS\$	2002 ThUS\$
Stamp tax	9,440	7,741
Underwriters commission	5,616	4,618
Rate insurance commission	400	293
Risk evaluation	107	84
Accounting advice	44	32
Printing costs	99	77
Legal advice	500	419
Repayment of bonds	4,708	4,085
Other	148	115
<b>Total bond issue costs</b>	<b>21,062</b>	<b>17,464</b>

## 28. CASH FLOW

According to regulations established in Circular N° 1312 by the Chilean Securities Commission, the following describes financing or investing activities that will require future cash flows.

Investment Flows	Currency	Amount	Affected Flow
Purchase of fixed assets	US\$	5.0 million	2003
Plywood Mill expansion	US\$	3.0 million	2003
Valdivia Mill construction project	US\$	98.7 million	2003
Valdivia Mill construction project	US\$	333.4 million	2003
Valdivia Mill construction project	US\$	128.8 million	2004
Capital contribution in Eka Chile S.A.	US\$	25.0 million	2003

## 29. ENVIRONMENTAL

The following current and future expenditures related to the improvement of or investment in product processes designed to protect the environment were made during the year ended December 31, 2002.

- Project to decrease the effluent of the manufacturing process of white pulp. Spent: US\$ 231 thousand. Estimated future cost: US\$ 818 thousand.
- Project to decrease the consumption of chemical products in the process of manufacturing pulp. Spent: US\$ 68 thousand. No future costs are forecasted.
- Project for decreasing the introduction of dust and ash to the environment. Spent: US\$ 49 thousand. No future costs are forecasted.
- Project to reduce any gases and steam which are a byproduct of the mill production process. Spent: US\$ 1,283 thousand. Estimated future cost: US\$ 3,166 thousand.
- Payments related to environmental protection in connection with the Valdivia Mill Construction Project. Spent: US\$ 6,163 thousand. Estimated future cost: US\$ 6,568 thousand.
- Project to improve the evacuation of water and effluent treatment of Paneles Mill. Spent: US\$111 thousand. Estimated future cost: US\$56 thousand.

The Company's subsidiaries Forestal Celco S.A., Forestal Cholguan S.A., Bosques Arauco S.A. and Forestal Valdivia S.A. are implementing an environmental system regulated under a certification process under rule ISO 14.001. Between January 1 and December 31, 2002 we paid US\$104 thousand in relation to the system and we anticipate spending an additional amount of US\$ 68 thousand .

### 30. SUBSEQUENT EVENTS

On February 3, 2003 the Company obtained a US\$ 150 million loan from J.P. Morgan – Chase denominated in US dollars which has a variable interest rate of LIBOR plus 0.85%. The principal repayment is due in February 2008. No other events have occurred since December 31, 2002 and subsequent to the issuance of these financial statements that may affect significantly the financial situation of Arauco.

Robinson Tajmich V.  
Controller

Alejandro Pérez R.  
Chief Executive Officer

Santiago, March 7, 2003

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

- 1 We have audited the accompanying consolidated balance sheets of Celulosa Arauco y Constitución S.A. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income and cash flows for the years then ended. These financial statements (including the related notes thereto) are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the subsidiaries Forestal Celco S.A. and Forestal Cholguán S.A., which statements reflect total assets of ThUS\$ 980,845 and ThUS\$ 1,008,017 as of December 31, 2002 and 2001, respectively, and operating income of ThUS\$ 150,726 and ThUS\$ 146,086 for the years then ended. In addition, we did not audit the financial statements of the subsidiaries Aserraderos Arauco S.A. and Forestal Valdivia S.A. for the year ended December 31, 2001, which reflect total assets of ThUS\$ 639,178 and operating income of ThUS\$ 295,490 for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned companies, is based solely on the reports of the other auditors.
- 2 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.
- 3 In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Celulosa Arauco y Constitución S.A. and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in Chile.
- 4 As explained in Note 2 b), the Company was authorized by the Internal Revenue Service to keep its accounting records in United States dollars. Consequently, the accounting balances as of December 31, 2001 were translated into United States dollars at the exchange rate effective on that date and transactions as from January 1, 2002 are recorded in that currency at the exchange rate effective as of the date of each transaction. For comparison purposes, the financial statements in Chilean pesos as of December 31, 2001 have been translated into United States dollars at the exchange rate effective on that date.



Anthony J.F. Dawes  
RUT: 4.576.198-3



Price Waterhouse

Summary of  
Financial  
Statements  
for Main  
Subsidiaries

**BALANCE SHEET**

As of December 31

(Thousands US \$)

	forestal arauco s.a. y filiales		aserraderos arauco s.a.		paneles arauco s.a.		industrias forestales s.a. y filiales (apsa)	
	2001	2002	2001	2002	2001	2002	2001	2002
	thus\$	thus\$	thus\$	thus\$	thus\$	thus\$	thus\$	thus\$
<b>Assets</b>								
Current Assets	239,262	313,844	105,652	136,749	55,221	71,831	113,216	148,334
Fixed Assets	2,071,017	1,952,628	145,031	145,397	142,200	170,075	761,036	777,140
Other Assets	-16,117	-8,781	5,104	5,282	4,293	4,513	36,417	18,192
<b>Total Assets</b>	<b>2,294,162</b>	<b>2,257,691</b>	<b>255,787</b>	<b>287,428</b>	<b>201,714</b>	<b>246,419</b>	<b>910,669</b>	<b>943,666</b>
<b>Liabilities and Stockholders' Equity</b>								
Current Liabilities	71,491	33,518	23,402	29,045	37,179	50,442	21,933	31,881
Long-Term liabilities	28,467	31,584	2,088	3,604	64,481	44,776	257,614	253,726
Minority Interest	25,180	24,710	0	0	-	-	195	1,960
Stockholders' Equity	2,169,024	2,167,879	230,297	254,779	100,054	151,201	630,927	656,099
<b>Total liabilities and Stockholder's Equity</b>	<b>2,294,162</b>	<b>2,257,691</b>	<b>255,787</b>	<b>287,428</b>	<b>201,714</b>	<b>246,419</b>	<b>910,669</b>	<b>943,666</b>

**INCOME STATEMENTS**

For the year ended December 31

(Thousands US \$)

	forestal arauco s.a. y filiales		aserraderos arauco s.a.		paneles arauco s.a.		industrias forestales s.a. y filiales (apsa)	
	2001	2002	2001	2002	2001	2002	2001	2002
	thus\$	thus\$	thus\$	thus\$	thus\$	thus\$	thus\$	thus\$
Net Sales	351,546	348,207	266,101	313,381	148,855	179,642	151,290	162,963
Cost of Sales, Administrative and Selling expenses	-253,594	-230,541	-246,043	-284,180	-118,446	-138,333	-132,065	-110,668
Operating income	97,952	117,666	20,058	29,201	30,409	41,309	19,225	52,295
Non Operating Income (Loss)	-6,497	143	2,687	-399	-953	-4,603	-8,819	-41,571
Income Tax	-12,173	-16,757	-2,298	-4,020	-5,144	-6,263	20,585	7,865
Minority Interest	-1,402	-1,121	0	0	0	0	3	-60
Negative Goodwill Amortization	5,456	5,048	21	0	12	0	37,947	13,787
<b>Net Income (loss)</b>	<b>83,336</b>	<b>104,979</b>	<b>20,468</b>	<b>24,782</b>	<b>24,324</b>	<b>30,443</b>	<b>68,941</b>	<b>32,316</b>

# Representantes en el Exterior

## Celulosa

### Colombia

Herzig y Cia. Ltda.  
Carrera 50 Nos 6-41  
Medellin, Colombia  
Tel: (57-4) 2552122  
Fax: (57-4) 2855805  
P.O. Box: 1159  
email:herzig@herzig.com.co

### Corea

Dupoong Corporation  
287-11, Yangjae-Dong, Socho-Ku  
Seoul, Korea  
Tel: (82-2) 5756761-4  
Fax: (82-2) 5774963-4

### Ekman & Co. INC.

200 South Biscayne Boulevard,  
Suite 4400, Miami,  
Florida 33131, USA  
Tel: (1-305) 5791200  
Fax: (1-305) 5791210  
www.ekmanonline.com

### North America

Arauco Wood Products, Inc.  
5901 C Peachtree Dunwoody Rd. NE,  
Suite 370  
Atlanta, GA 30328, USA  
Tel: (1-770) 3799270  
Fax: (1-770) 3799288  
awp@arauco.cl

### Europa

Arauco Europe S.A.  
82, Chemin Frank-Thomas  
1711 N Geneva 20  
Switzerland  
Tel: (41-22) 7187880  
Fax: (41-22) 7187881  
Box 484

Elqf Hansson Pulp, Inc.  
565 Taxter Road, Elmsford,  
N.Y. 10523, USA  
Tel: (1-914) 3458380  
Fax: (1-914) 3458112 / 3458113  
obrien@elofusa.com /  
simonsen@elofusa.com

### Elqf Hansson Pulp, Inc.

565 Taxter Road, Elmsford,  
N.Y. 10523, USA  
Tel: (1-914) 3458380  
Fax: (1-914) 3458112 / 3458113  
obrien@elofusa.com /  
simonsen@elofusa.com

### Malasia

Itochu Corporation  
Suite 1801, 18th Floor, Pemas International Building  
Jalan Sultan Ismail  
50250 Kuala Lumpur, Malaysia  
Tel: (60-3) 2167931  
Fax: (60-3) 21614380  
PO Box: 10916, 50730 Kuala Lumpur

### Tailandia

Elqf Hansson Pulp, Inc.  
565 Taxter Road, Elmsford,  
N.Y. 10523, USA  
Tel: (1-914) 3458380  
Fax: (1-914) 3458112 / 3458113  
obrien@elofusa.com /  
simonsen@elofusa.com

### Taiwan

Tai Shing Pulp and Paper Corporation  
2E, No. 35, Yen Pin South Road,  
Tapei, Taiwan  
Tel: (886-2) 23115353  
Fax: (886-2) 23141783

### Turquia

UNIREP A.S.  
Cumhuriyet Caddesi 88-9/21  
80230 Elmadağ Istanbul, Turkey  
Tel: (90-212) 2301252  
Fax: (90-212) 2326266

### Venezuela

Elqf Fibres International, Inc.  
2800 Douglas Rd. Suite 1111, Coral Gables,  
Florida 33134, USA  
Tel: (1-305) 4351307/5181  
Fax: (1-305) 435161

## Maderas y Panales

### Brasil

Arauco do Brasil  
Av. N. Sra Aparecida, 45 - Cj. 02 - Seminario  
CEP 80440-000 Curitiba - PR - Brasil.  
Tel: (55-41) 3438604  
Fax: (55-41) 3438545  
arauco@araucodobrasil.com.br

### Corea

Dupoong Corporation  
287-11, Yangjae-Dong, Socho-Ku  
Seoul, Korea  
Tel: (82-7) 5756761 / 5774961  
Fax: (82-2) 5774963 / 5774964

### North America

Arauco Wood Products, Inc.  
5901C Peachtree Dunwoody Rd. NE  
Suite 370  
Atlanta, GA 30328 USA  
Toll-Free: 1-800-261-4890  
Tel: (1-770) 3799270  
Fax: (1-770) 3799288  
awp@arauco.cl

### Europa

Arauco Forest Products B.V.  
Gevers Deynootweg 61  
2586 Bj The Hague  
The Netherlands  
Tel: (31-70) 3069555  
Fax: (31-70) 3069550  
afp@arauco.cl

### Peru

Arauco Peru S.A.  
Emilio Cavenecia 225, Oficina 401-402  
San Isidro, Lima  
P: (511) 4220650  
Fax: (511) 42206721  
ventas@araucopeu.com.pe

### Japón

Arauco Asia  
Akasaka Sanshin Building, 2nd Floor  
2-3 Akasaka Mibara-ku  
Tokyo 107, Japan  
Tel: (81-3) 35537826 / 35537820  
Fax: (81-3) 35537882



# Instituciones Financieras

## Bancos en Chile

ABN Amro Bank  
Banco BBVA  
Banco BICE  
Banco Crédito Inversiones  
Banco de Chile  
Banco del Estado de Chile  
Banco Santander  
Banco Security  
Bank Boston  
Citibank N.A.  
HSBC  
JP Morgan Chase  
Scotiabank  
The Bank of Tokyo - Mitsubishi

## Bancos en el exterior

Banca Nazionale del Lavoro  
Banco Bilbao Vizcaya Argentaria - BBVA  
Banco of Tokyo - Mitsubishi  
Banco Santander  
Bank Boston  
Banque - BNP Paribas  
Banque Sudameris  
Bayerische Landesbank Girozentrale  
Caja Madrid  
Citibank N.A.  
Comerica Bank  
Credit Lyonnais  
Dai Ichi Kangyo Bank  
Deutsche Bank  
Dresdner Kleinwort Benson  
Export Development Bank of Canada  
HSBC  
Intesa BCI SPA  
JP Morgan Chase  
Landesbank Baden - Wurttemberg  
Rabobank  
San Paolo IMI  
Scotiabank  
Wachovia Bank  
West LB

Concept and Graphic Design

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## Sociedad

## Corporate

## Information

**Razón Social:** Celulosa Arauco y Constitución S.A.  
**R.U.T.** 93.458.000-1  
**Domicilio Legal:** Av. El Golf 150, 14º Piso, Las Condes,  
 Santiago, Chile  
**Tipo de Entidad:** Sociedad Anónima Cerrada  
**Inscripción en el**  
**Registro de Valores:** N° 042 de 14 de Junio de 1982

## Documents

## Constitutive

Celulosa Arauco y Constitución S.A. fue constituida por Escritura Pública de fecha 28 de Octubre de 1970, otorgada ante el Notario Público de Santiago, don Ramón Valdivieso Sánchez y modificada por la Escritura Pública de fecha 6 de Mayo de 1971, otorgada ante el Notario Público de Santiago, don Sergio Rodríguez Garcés. Se autorizó su existencia el 18 de Agosto de 1971, por la Resolución N° 300-S de la Superintendencia de Valores y Seguros, levantándose a cabo la inscripción pendiente a fines de 1970 N° 2994 del Registro de Comercio del Conservador de Bienes Raíces de Santiago, con posterioridad al año 1971. El extracto respectivo se publicó en el Diario Oficial de la República de Chile el 4 de Septiembre de 1971.

**Corporate Name:** Celulosa Arauco y Constitución S.A.  
**Tax Registration N°** 93.458.000-1  
**Place of Business:** Av. El Golf 150,  
 14th Floor, Las Condes, Santiago, Chile.  
**Legal Status:** Closely-held corporation  
 («Sociedad Anónima Cerrada»)

## Securities

**Registration:** Number 042, June 14, 1982.

## Corporate

## Documents:

Celulosa Arauco y Constitución S.A. filed Articles of Incorporation on October 28, 1970 in Santiago (notarized by Ramón Valdivieso Sánchez, Notary Public of Santiago). The Articles of Incorporation were amended on May 6, 1971 (notarized by Sergio Rodríguez Garcés, Notary Public of Santiago). The Corporation was authorized on August 18, 1971 by resolution 300-S of the Chilean Securities Commission (Superintendencia de Valores y Seguros) and recorded on Page 6433 Number 2994 of the Santiago Commercial Property Register for 1971. Notice was published in the Official Gazette on September 4, 1971.



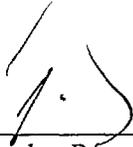
**Arauco**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Celulosa Arauco y Constitución, S.A.  
(Registrant)

Date: June 18, 2003

By:   
Name: Alejandro Pérez  
Title: Chief Executive Officer



