

GrupoNueva 2006

GRUPO[®]
NUEVA

believe
achieve



Sustainability Scorecard©

The Sustainability Scorecard© is one of the main management tools used by GrupoNueva companies to generate value for their shareholders and society, while at the same time generating benefits for society and the environment.

Strategic planning, risk analysis, budget definition, and the development of business plans always take into consideration our triple bottom line management system: financial, social, and environmental.

The Scorecard helps us with internal reports, information systems, and manager compensation.





Amanco is Latin America's leading company in the production and marketing of water management solutions, with a focus on the building sector and on drip-feed irrigation systems for agriculture.

It also produces pipe systems for gas and for the protection of electric cables.

Net sales in 2005 were US\$688 million, and it employed 5,687 people.

Amanco has 18 plants in Latin America and markets its products in 29 countries in the Americas and the Caribbean.

In the first quarter of 2006 the company Plycem separated from Amanco to become a separate division of GrupoNueva.

GrupoNueva is Amanco's majority shareholder, and there are minority shareholders in other countries.

Amanco was given a BBB- private international rating by FitchRatings, signifying Investment Grade.

The company's corporate headquarters is in Sao Paulo, Brazil.

For more information visit:
www.amanco.com



Masisa is an integrated forestry company, resulting from the merger of Terranova and Masisa. It produces and markets wood products internationally.

It is a publicly-held corporation organized under the laws of Chile, whose stock is traded both on the Chilean market and the New York stock exchange through American Depositary Receipts (ADRs). GrupoNueva is the controlling shareholder with 52.77% of stock as of January 2006. Masisa has an international debt rating of BBB- (Investment Grade) from FitchRatings.

Masisa has pine and eucalyptus plantations in Chile, Argentina, Brazil, and Venezuela, and industrial operations in Chile, Argentina, Brazil, Venezuela, Mexico, and the United States. Its products are marketed in over 50 countries. It has a network of 275 Placacentros, retail points of sale, in 10 Latin American countries.

Net sales in 2005 were US\$744 million, and the company directly or indirectly employed almost 10,500 people. Its headquarters is in Santiago, Chile.

For more information visit:
www.masisa.com



Plycem specializes in the production and marketing of fiber cement products for the construction industry. A pioneer in responsible technology, it has a wide range of products and operates in more than 10 countries in the Americas and the Caribbean.

Net sales in 2005 reached US\$45 million, and the company directly or indirectly employed 1,446 people.

Plycem has a solid position in Central America and is developing new markets in which to use its technology. It is also exploring new international business opportunities in servicing the construction sector.

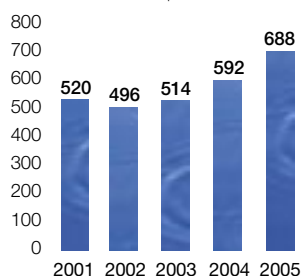
Plycem became independent from Amanco in the first quarter of 2006 to focus on seeking its own opportunities for growth. The company is directly controlled by GrupoNueva.

Plycem's corporate headquarters is in Cartago, Costa Rica.

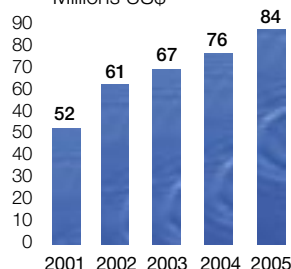
For more information visit:
www.plycem.com



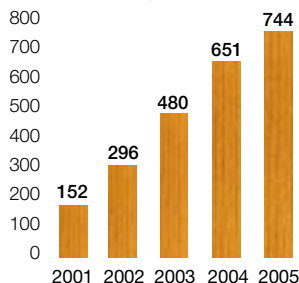
Net Sales Amanco*
Millions US\$



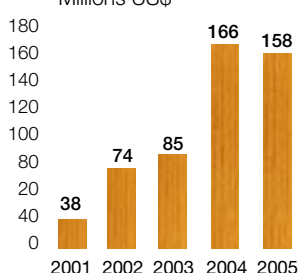
EBITDA Amanco*
Millions US\$



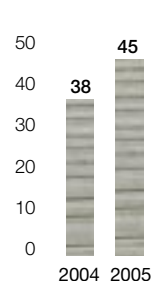
Net Sales Masisa
Millions US\$



EBITDA Masisa
Millions US\$



Net Sales Plycem
Millions US\$



* Figures include results for Plycem up to and including 2005, when it was still part of the Amanco Group.



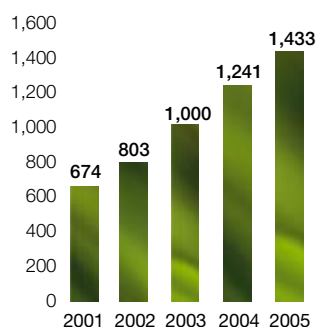
GrupoNueva is a private, strategic, holding company that generates value for its shareholders and society, with leadership positions in the Americas in forestry, wood and fiber cement products, pipes, connections, and accessories.

The group's net sales in 2005 reached US\$1,433 million.

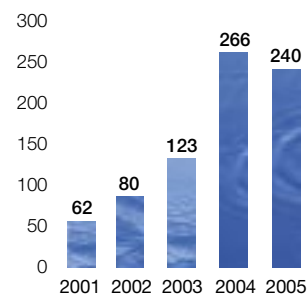
GrupoNueva's corporate headquarters is in Santiago, Chile.

GrupoNueva controls Amanco, Masisa, and Plycem, which together employ almost 17,600 people and operate within a framework of ethics, eco-efficiency, and social responsibility.

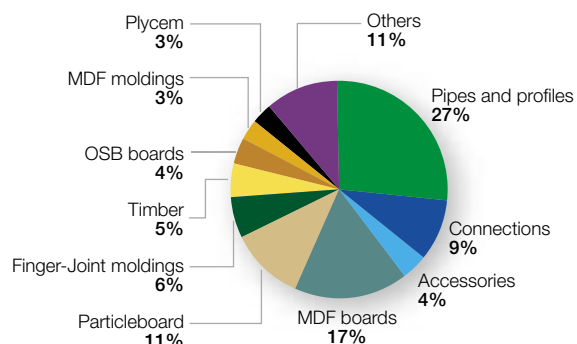
Net Sales GrupoNueva
Millions US\$



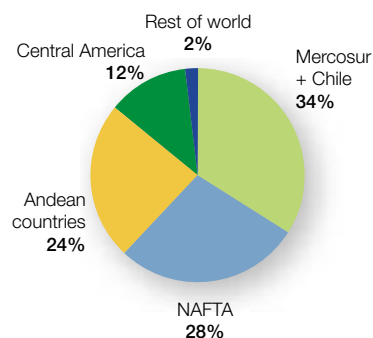
EBITDA GrupoNueva
Millions US\$



Net sales by product
GrupoNueva 2005



Net sales by region
GrupoNueva 2005



GrupoNueva and its companies follow a triple bottom line management strategy. We understand success to be the simultaneous achievement of positive results in the economic, social and environmental spheres. According to our founder, Stephan Schmidheiny, "our strategy is the best for the sustainable creation of value."

Our results confirm it: for the fifth consecutive year, GrupoNueva has enjoyed sustained growth, with sales in 2005 of US\$1,433 million; and with EBITDA in that same year of US\$240 million. At the same time, we managed to ensure that all our operations functioned according to ISO 14001 and OSHAS 18001 standards; and we had Forest Stewardship Council (FSC) certification for our forests and plantations. I should also like to point out that, thanks to Amanco's leadership, an agreement seeking greater transparency in public tendering processes was signed between the main producers of plastic water pipes in Latin America. At the same time, our companies are starting to put into practice new business models that seek to break the vicious cycle of poverty.

We are proud to be a business group that is complying with Stephan Schmidheiny's vision of ensuring that our companies contribute to improving the societies in which they operate. We do this not only by operating in a socially and environmentally responsible manner, but also by building alliances with civil society organizations to help create more sustainable societies. That is the essence of his vision, reflected in an interview in this document.

We are making progress in carrying out the triple bottom line strategy, with important achievements to show in all the areas. Nonetheless, we are still not satisfied with results in the area of worker safety, especially among Masisa contractors in Chile. We shall remain unstinting in our efforts to achieve our goal of zero accidents.

The year 2005 saw very important changes in our companies.

Amanco transferred its headquarters to Sao Paulo, while reorganizing its corporate leadership team and its structure so as to achieve greater efficiency. The results can already be seen: Amanco is growing and advancing rapidly.

As part of this reorganization, we established Plycem Systems Holding as an independent business that reports directly to GrupoNueva. This helps us to create more favorable conditions for Plycem to take advantage of growth and expansion in international markets.

Masisa finally merged with Terranova and was reorganized in four strategic business units (forests, solid wood, boards and retail); it successfully carried out its capital increase plan and refinanced its debts. These actions, combined with the competitive advantages provided by its South American



forests and its diversified portfolio of products and markets, provide Masisa with the solid foundations it needs for future growth.

I would like to sincerely thank each and every one of our employees for their contributions, as they are the ones truly responsible for our achievements, our learning processes, and our advances. Thanks to their determination and dedication, GrupoNueva can proudly control companies that assume responsibility for improving the societies in which they operate. Thus we put into practice our slogan: successful companies for a better world.

A handwritten signature in black ink, appearing to read 'Julio Moura'.

Julio Moura
President and CEO GrupoNueva

THREE YEARS AFTER THE CREATION OF THE VIVA TRUST

A conversation with Stephan Schmidheiny



“ Our strategy is the best for the
sustainable creation of value ”



In October 2003 Stephan Schmidheiny announced at INCAE business school in Costa Rica that all GrupoNueva stock would be donated to the VIVA Trust.

VIVA is much more than a legal entity; it is a tool to ensure the realization of his Vision and Values (hence the name), including his goal of helping to create a more sustainable Latin America through the joint efforts of companies and civil society organizations.

On that occasion Stephan said: “VIVA is a learning experiment with no limits as to how one bridges what is traditionally considered a wide gap. The worlds of business and of philanthropy in many ways follow different logics, yet I found a surprising number of common challenges at the levels of structure, organization, and management tools. There clearly was a potential for synergy that was not commonly recognized by those who live and work in only one of the two worlds. I set out to search for ways to take advantage of this synergy potential.”

Three years after Stephan made these remarks, GrupoNueva spoke with him to see how he judges GrupoNueva’s progress within the VIVA context.



GrupoNueva: VIVA's basic premise is that the building of links between civil society and business is fundamental to creating a more sustainable world. After three years, how do you see this advancing in Latin America?

Stephan: I can see a rapid development of these types of modern alliances in various countries where they did not exist before. Previously, the business person and the NGO member were by definition almost enemies, with different interests, and they did not speak to each other. I think this is changing rapidly, first of all because civil society today is more organized, and carries more weight, and has a louder and wider voice. And I think that, faced with the inability of many governments to solve social problems, other actors join forces and take on new roles. But the key is to see that the efforts of NGOs and companies are very often quite complementary, meaning that both can and should develop ideas together, have a mission, a joint objective. For example, in working toward the development of a healthy community with basic services guaranteed, etc., the two actors contribute in different ways.

The company offers that which it does best: provide decent employment, products or services that improve quality of life, organizational capacity, technology, contacts. Civil society representatives in turn contribute with their capacity to organize people, raise awareness, and seek compromises. In this way each one can work together from its own particular field, but under a shared paradigm.

GrupoNueva: The owner of GrupoNueva – VIVA – is an entity that has social improvement as its mission. Does this affect GrupoNueva's purpose of creating value, to always seek maximum profitability?

Stephan: We need to differentiate between two separate things. The first is that GrupoNueva's business strategy is based on the triple bottom line philosophy. And the other is that what the owner – in this case VIVA – does with the dividends it receives. These are two separate things, right? And I understand that you are asking about the former, the group's business strategy, aren't you?

“

Working responsibly is an investment and will have its rewards; this could be described as acquiring a social license to operate ”

GrupoNueva: Yes

Stephan: I think that this contradiction or dichotomy is a false one. It doesn't exist. The basis of my conviction – and the very reason for the creation of VIVA – is that a company that manages its business in a responsible way, with consideration for its own employees, its neighbors, for society and for the environment will be more profitable, much more economically solid than an irresponsible company. Working responsibly is an investment and will have its rewards; this could be described as acquiring a social license to operate. These days we can see that companies can face social, political, and public opposition; and suddenly everything comes to a halt, and it becomes very difficult for them to operate. With the programs we implement in GrupoNueva, we first go through a learning process that teaches us how to manage impacts; then we have antennas within civil society that allow us to react to signals in a timely way. For a shareholder or an investor this is a type of insurance policy.

GrupoNueva: The way you put it, it seems that the strategy is more akin to risk management than value creation...

Stephan: What I would like to stress is that our strategy is the best for creating value, or rather for creating value in a sustainable way over the long term. Obviously, if we don't create value for our shareholders, nothing we do makes sense. We know well that the markets will measure us on this criterion. However, we are convinced that our triple bottom line strategy will result in value creation as we see the world is changing fast: the demands of our customers change, the laws change, public opinion changes, many things in this world are changing. We are headed

toward a world of scarce resources, and until recently some of them were not even considered as such, water for example, clean air, and open spaces. We don't yet know how to manage a scarcity that is not yet necessarily reflected in prices. The triple bottom line strategy is the best response for us. GrupoNueva's positive results in the economic, social, and environmental spheres indicate that we are headed in the right direction.



GrupoNueva: Regarding the changes that are taking place through social and political movements in Latin America, do you think these could favor dialogue between business and society, and among, business, society, and governments?

Stephan: Of course! I have no doubt about it. We are becoming aware that business has overstepped its mark in only seeking economic value -- don't you think? -- at the expense of other values, such as social and environmental ones. If you pick out just one value from among others and give it priority, it will



“

I am convinced that in Latin America, in the recent developments we have seen, our model is being confirmed

”

obviously result in excesses to be balanced out, and I think that this is what we are seeing in Latin America.

GrupoNueva: Does that mean then that the changes that are taking place now can be seen more as a business opportunity than a threat?

Stephan: Exactly! Opportunities are always to be found in threats. There are opportunities for those who see major trends and take advantage of the new spaces they create. I am convinced that it is in Latin America where we see these tendencies that our model is borne out. For me, the

previous model, based on the fallacy that the human being is only aware of the economic value of things, and that other values are irrelevant – although they may be nice but not real – has run out of steam. The economic aspect was absolute while everything else was relative. I do not believe in this compartmentalization, with walls separating different values. I can see that we as human beings – as individuals or in society – are part of a greater whole of values, and we shall reject attempts to consider only the economic aspects. I think that in Latin America we can already see a move in this direction.

GrupoNueva: Does the VIVA model and GrupoNueva's strategy allow us to take greater advantage of opportunities in spite of the changing social and political situations that are of concern to some investors?

Stephan: Yes. I think they do, for two reasons. The first is that our model allows us to be better positioned to face the changes that we see in Latin America, precisely because it is more firmly rooted in a valid base of contacts and broader information that other companies, less concerned with these tendencies, don't have. And the second reason has to do with the creation of the VIVA Trust. When a company is a family affair, when there is only one owner, a critical moment always arrives regarding succession. In my case this challenge was solved with the creation of the VIVA Trust. Now there is an ownership structure that is permanent, reliable, and committed to the long-term, and that will not be a victim of speculation or personal whims, or the lack of preparedness of a successor; all this reduces risks for the investor.

GrupoNueva: The VIVA project is being implemented in Latin America through GrupoNueva and its companies, and the links between them and the AVINA Foundation. What are companies doing in other parts of the world?

Stephan: In the World Business Council for Sustainable Development, which is really the leading group on these issues, there are many companies developing new ways of operating. We are not alone, and we are perhaps not the most advanced; there are others that are further ahead than us for their own reasons. I think that in Latin America there are not many groups that are concerned with such issues. Nonetheless, I have no doubt that this movement is taking off and I hope that we, as one of the pioneers, can help to catalyze the movement so that people become aware of the importance of the issues as well as the returns on and advantages of such a vision. For this reason, it is so important that

“

A modern company must have a much broader and a more sophisticated relationship with society, and must respond to issues that didn't exist previously”

”

GrupoNueva be perceived as an economically successful business group, as it will only serve as an inspiration to others if the model is economically successful.

GrupoNueva: Will we have to completely re-think the concept of the company in the twenty-first century?

Stephan: There's no doubt about it.

GrupoNueva: And what form do you think a company should take in this new century?

Stephan: : Well, a company in the 21st Century must have much more knowledge, many more relations and better communications; be much more involved in different networks of varying types. For me, the company will take on a much wider and a more complicated and sophisticated role than in the past. The attempt to negate this and reduce everything to financial values, to me is something from the past, something from the age of dinosaurs. I have no doubt that a modern company must have a much broader and a more sophisticated relationship with society, and must respond to issues that didn't exist previously. Before the Internet, the world was different. Today the company is called upon and required to do things in ways completely different from before. I am glad to see that I have been able to contribute in a pioneering way with a new model that I hope will serve to inspire others.

Highlights

- ▶ Consolidated sales for GrupoNueva reached US\$1,433 million in 2005, increasing by 15% over the previous year and showing sustained growth for the past five years.
- ▶ EBIDTA* have improved considerably over the past years, with an average annual growth of 40%, reaching US\$240 million in 2005.
- ▶ Amanco's corporate headquarters were transferred to Sao Paulo, Brasil and the company grew by 28% over the previous year in its water management systems.
- ▶ The merger between Terranova S.A. and Masisa S.A. was completed, resulting in the new Masisa S.A.
- ▶ Early in 2006 Plycem became independent from Amanco to now be directly administered and controlled by GrupoNueva.
- ▶ Masisa implemented a capital increase of US\$121 million and placed bonds for a value of approximately US\$163 million.
- ▶ Masisa Chile received the "Sofofa Prize for Corporate Social Responsibility 2005." Sofofa is the society for the promotion of manufacturing, the most important industrial grouping in Chile.
- ▶ Our companies continued to promote dialogue and relationships with local communities. All Amanco and Plycem local operations, and nearly all of Masisa's plants and forestry operations, have been doing this since 2004 and with greater emphasis during 2005.
- ▶ Nearly all of our employees have participated in the Business Principles training workshops: 78% of direct and indirect employees of Masisa, and 97.5% of Amanco's direct and indirect employees.

* Operational results before depreciation and amortizations. It excludes non-recurring items.

Business strategy

Capacities essential to achieving competitive advantages in markets

GrupoNueva's business strategy is based on the development of seven capacities essential to achieving competitive advantages in markets.

- 1 Develop and consolidate leadership positions in the markets in which we operate.
- 2 Excel in managing customers and distribution channels so as to maximize profitability.
- 3 Be low-cost producers, while ensuring competitive quality.



- 4 Promote product and service innovation, and create brand value.
- 5 Achieve scale and group synergies through the transfer of best practices and the development of shared services.
- 6 Diversify markets, including the development of businesses in low-income segments.
- 7 Apply a management model that integrates the economic, social, and environmental areas, in order to create value.

Business with low-income communities

GrupoNueva has established an ambitious goal: by 2008, 10% of its sales will come from “socially inclusive business,” by which we seek to offer our customers opportunities through the market to break the vicious cycle of poverty.

Experience is showing us that in order to satisfactorily serve the needs of low-income people and communities, our companies must learn to establish

alliances with civil society organizations, institutions offering micro credit, international organizations, and local and national authorities, among others.

GrupoNueva, represented by its chairman, is part of a working group of the World Business Council for Sustainable Development (WBCSD) that promotes the active participation of companies in improving the planet through their businesses.

► www.wbcsd.org

Amanco and Masisa are developing pilot projects for business with lower income segments of the population. Some examples follow:

CHILE

► www.fundacionchile.cl

Furniture for low-cost housing

Masisa has begun a pilot project within a program to promote dynamic low-cost housing without debt in Chile with the aim of improving living conditions and space usage in such housing through a line of furniture adapted to low-income families.

The furniture line is particularly adapted to the needs of owners of low-cost housing, making the most of available space.

The selection of the furniture, its design, dimensions and its functional character are the result of a survey carried out among a group of families belonging to the “New House, New Life” group in Santiago’s Puente Alto municipality. The project was carried out with Fundación Chile, the Comité de Allegados (a group of people who

live with a family or friend as they are without their own homes), the Ministry of Housing, and Masisa’s network of Placacentros, its retail outlets. This network allows us to carry out this project in all regions.

Thirty families (120 people) received furniture through the pilot project, and we are evaluating their satisfaction with the products. The equivalent six basic pieces of furniture in an ordinary store would cost the equivalent of US\$400; whereas they can be bought through our Placacentros network for US\$130. By 2010 we hope to reach a market of 50,000 families. This initiative helps people improve their standard of living and, according to our projections, opens up a market for the company that in 2010 could represent US\$4 million in sales in Chile.



CHILE

Training small and medium-sized furniture-making entrepreneurs

Chile's Association of Wood Industrialists estimates that only 2,200 of the country's 25,000 furniture makers work in the country's formal sector. In October 2005 we started a training program for small and medium-sized furniture-making companies in Chile. They represent 80% of the customers who visit the Placacentros and are a key link in our distribution chain, as through them our products end up being used to make furniture.

The project seeks to raise levels

of competitiveness within the sector through training and bringing more people into the formal sector. The pilot project included 20 furniture makers, Placacentros customers, who received training in areas deemed necessary to raise their working standards: marketing and sales, customer service and relations, costs and expenses, accounting, and trends in style.

Through this program we achieved loyalty among the customers of our distributors and created a club of certi-

fied master furniture makers who are recommended by the Placacentros themselves. At the same time, we produced a multiplier effect, as our training of Placacentro customers helps them to diversify their own customer portfolio, making the business more profitable for the furniture maker, the Placacentro, and Masisa.

By the year 2008 in Chile we expect an additional income of close to US\$2.8 million due to higher productivity.

GUATEMALA

www.centrase.org | www.soros.org | www.iadb.org

Drip irrigation systems for small farmers

In 2004 Amanco developed a project to make credit available to small farmers to install drip irrigation systems on their plots. By the end of 2005, the project had generated almost US\$250,000 in sales, exceeding expectations. We are expecting a 42% increase in 2006.

In December 2005 the Inter-American Development Bank (IDB) approved a credit of nearly US\$1 million for Amanco so that other farmers in Guatemala could have access to this initiative.

Amanco works with partners that include IDB, the non-governmental organization Opción, the dealer Aj Ticonel, the World Bank, the Soros Foundation, the ministry of agriculture, and the organization CentraRSE, the Guatemalan partner of the World Business Council for Sustainable Development.

The project has helped small Guatemalan farmers in the depart-



ments of Chimaltenango, Sololá, Quetzaltenango, Quiché, and Huehuetenango, and it is estimated that the project could benefit 2,000 more producers over the next four years.

Harvests were increased from two to four a year, with an average 33% saving in labor costs. Savings on water allowed the areas under irrigation to

"Before we started using the Amanco system we harvested about 60,000 lettuces, some 2,727 crates. Now our production has increased to 3,333 crates. In other words we had a 22% increase in production."

Manuel Yax

Leader of the Chirijuyú community and member of the agricultural cooperative Horticultores Unidos

be increased by 50%. The quality of these farmers' products has improved, and there is the possibility of developing some non-traditional crops and becoming part of the country's formal economy.

Many Amanco people have volunteered to help with the project, and the IDB has expressed an interest in its personnel also participating in these programs.

MEXICO

→ www.ashoka.org

Irrigation initiative for low-income, small producers

In 2005 Amanco Mexico joined with Ashoka (an international non-governmental organization of social entrepreneurs) to develop a pilot project to advise and provide 620 low-income farmers with more efficient irrigation systems. These farmers have no more than five hectares of land each for agricultural, livestock, and/or forest use.

Half of these systems were financed by the national water commission and 30% by the Mexican foundation for rural development (FMDR), which approved a soft loan repay-

able over a period of one year. The remaining 20% were contributed by the producer, who also took charge of the installation of the systems under the supervision and guidance of Amanco.

A strategic alliance was established between Amanco and Ashoka and was joined by a network of small farmers, and this gained the support of financing institutions. Amanco provides advice and the irrigation systems while Ashoka obtains support from the Mexican government and non-governmental organizations. The traders pro-

vide agricultural advice, guarantee the credit, and support the producers, in addition to promoting sales and paying the financial institution that provided the credit for the irrigation systems.

We estimate that the farmers could increase the mango harvest by 70% and cut water use by up to 60%. We plan in 2006 to expand over a further 1,606 hectares, as well as install PVC-based greenhouses developed by Amanco, as yet another solution to meet the needs of these farmers.

Irrigation initiative for low-income small farmers

"Amanco has much to be proud of in this project. It has been able to generate knowledge among small farmers, integrating them into a productive process, achieving long-term sustainability for the projects.

The project seeks to support producers from the moment they draw water – through the irrigation systems sold by Amanco – to the marketing of their products. And Amanco has responded very well: it has passed on to us knowledge about marketing, project development, etc., while Ashoka plays the role of intermediary, facilitating inter-sectoral alliances between the civil sector (the project's small farmers), the public sector (the government), and the private sector (Amanco).

This is Ashoka's first experience at the international level with a private enterprise where the relationship is a



win-win commercial one, leaving philanthropy behind. This way of relating to each other places the civil sector in an egalitarian situation. These people are changing their lives. Before, they received fish for one day, while now they are not waiting for fish, they are learning how to fish.

Everything has been so new, we are all learning. Now we are thinking of repeating the experience, taking this inter-sectoral initiative to Brazil and India."

Yadira Bayona
Project Coordinator, ASHOKA

Building brand value

GrupoNueva and its companies are convinced that operating in a responsible manner, seeking positive results in the economic, social, and environmental spheres, can and must be a factor influencing competitive advantage in the marketplace, so that customer preference and loyalty can be generated.

This is why it promotes processes that build brand value. We want our company brands – Amanco, Masisa, and Plycem – to be recognized in the markets and by all their stakeholders



as synonyms of excellence, innovation, and responsibility; we want them to be prestigious brands that motivate customer preference and respect.

We have directives, procedures, and training processes that protect the value of our brands and our reputation in crises, and our manuals establish procedures to be followed.



OUR PERFORMANCE

Financial strength



We would like to be recognized as a leading industrial group made up of companies that create economic value and operate in a framework of ethics, eco-efficiency, and social responsibility while improving our neighbors' and our region's quality of life.



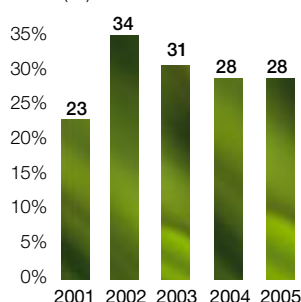
GrupoNueva*

The consolidated sales of GrupoNueva reached US\$1,433 million in 2005, 15% higher than 2004 and showing a continuous growth trend over the past five years.

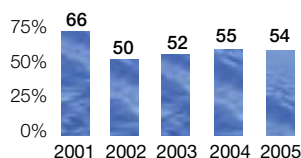
GrupoNueva's consolidated assets reached US\$2,711 million in December 2005. The group has a solid financial position without financial debts apart from those of its companies.

Its EBITDA** has shown a marked improvement over the past years, with an average annual growth rate of 40%. In 2005 it reached US\$240 million.

GrupoNueva Total debt/total assets (%)



GrupoNueva Equity and equivalent/total assets (%)



* The consolidated financial results of GrupoNueva and Amanco are presented according to International Financial Reporting Standards (IFRS), previously known as International Accounting Standards (IAS). Masisa's accounting information is presented according to Chilean generally accepted accounting principles and information published by the company.

** Operational results before depreciation and amortizations. It excludes non-recurring items.

GrupoNueva's direct and indirect economic impact

The group's business management, focused on economic growth and corporate social responsibility, has contributed to the greater use of services and the acquirement of assets from our national and international suppliers. We paid our suppliers US\$1,226 million in 2005, up from US\$1,033 million in 2004.

GrupoNueva employed 17,600 people in 2005, representing US\$187 million in salaries and other benefits.

The group's social responsibility programs are not considered donations, and are thus treated as part of normal operating costs.

Our dynamic businesses have won us the confidence of a variety of financial institutions and shareholders, and this is reflected in the capital increase, the placement of new Masisa bonds, and additional financing in Amanco for the purchase of stock from minority shareholders.

GrupoNueva contributes to society through the payment of taxes (income tax, value-added tax, sales, and others) totaling US\$80 million in 2005 and US\$52 million in 2004.

Direct and indirect economic impact

(Millions US\$)

Description	2004	2005
Net sales	1,241	1,433
Total costs		
(cash flows to suppliers and service providers)	1,033	1,226
Total personnel expenses	159	187
Interest to creditors	46	66
Dividends paid to stockholders	18	57
Taxes paid	52	80
Tax exemptions and other benefits	5	7
Donations made	0,5	0,4
Total employees	15,700	17,574
Direct employees	6,122	7,471
Indirect employees	9,578	10,103



Amanco group

Amanco's total sales reached US\$688 million in 2005, and US\$592 million in 2004, with an EBITDA** of US\$84 million and US\$76 million respectively. The company's assets reached US\$630 million in 2005.

The implementation of the EVA (Economic Value Added) methodology as a management tool and an incentive in 2005 has borne its first fruits in the creation of economic value for Amanco, and helped to stimulate the improvement in financial results.

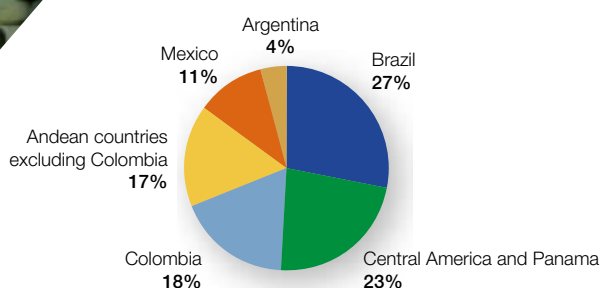
In 2004 and 2005, FitchRatings awarded

Amanco a private international debt rating of BBB-, signifying Investment Grade. This qualification has been won as a result of its geographical diversification, low cost structure, and a solid balance.

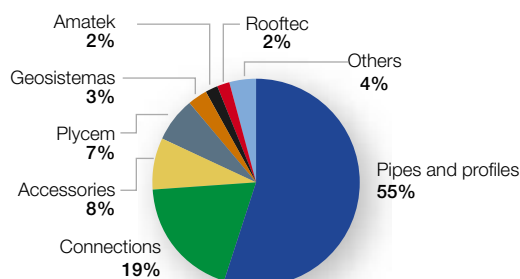
Amanco has managed to simplify its shareholder and financial structure through the purchase of stock from minority stockholders in Colombia and Central America. This will give Amanco a more efficient capital structure and enable it to take greater advantage of the synergies between operating companies. The company's financial indicators are very solid with a 1:4 Debt/EBITDA ratio.



Amanco
Net sales by region 2005



Amanco
Net sales by product 2005



** Operational results before depreciation and amortizations, and excluding non-recurring items.

In 2004 the Amanco group started developing its Joint Services Environment through a technological base and a platform of processes to reduce transaction costs and increase the focus on results. The aim is for all company operations to use a Unique Operational Model to transfer and optimize their transactions through a Center for Joint Services and operate on a common technological platform. These synergies will bear fruits over the next years.

The water management solutions (Tubosistemas) business (including Geosistemas and Floorings) attained

sales of US\$614 million in 2005, representing an increase of 28% over the previous year, driven by growth mainly in Venezuela, Colombia, and Mexico. This overall increase in sales is due to an improvement in prices and the increased participation of Amanco in some markets.

In addition to marketing the Tubosistemas products, Amanco sells Plycem products in Central America. It also markets the Matek family of forestry-based and metal products that achieved sales of US\$29 million in 2005.



MASISA

Masisa's net sales grew by 14%, reaching US\$744 million in 2005; the previous year they were US\$651 million.

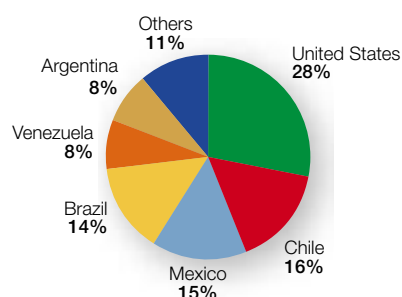
The main reasons for this growth were the increase in particleboard and MDF board sales on Latin American markets, and a sustained sales growth of MDF moldings and OSB boards in the United States.

More than 59% of sales took place in markets with a low-risk classification (Investment Grade), which ensures great financial security for the business.

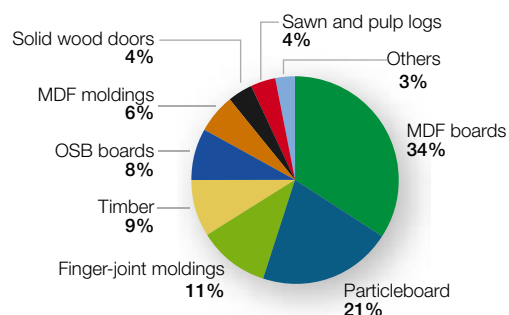
Despite 2005 results being affected by increased costs as a result of the appreciation of various Latin American currencies, the EBIDTA*** improved over the last two years, growing from US\$85 million in 2003 to US\$158 million in 2005. This was mainly due to operations starting up in Venezuela and the economic improvement of Latin American markets. The company achieved better prices for all products, and Masisa USA improved its position in distribution channels. Masisa Mexico, the main importer of timber, successfully positioned itself on this market.



Masisa
Sales by country 2005



Masisa
Sales by product 2005



*** Operational results before depreciation and amortizations, and the use of our own raw materials.

Over the past two years two new lines of MDF moldings have been developed in Chile and Argentina, with the investment policy focused on the use of state-of-the-art technology in operations and in the continuous improvement of processes. In August 2005 the building of a new MDF board plant in Chile was approved.

In June 2005 Masisa finalized the merger between Terranova S.A. and Masisa S.A., forming the new Masisa S.A.

In a re-financing process, Masisa placed US\$121 million in new capital, of which US\$75 million was placed in the first phase, mainly in the United States, through the issuing of ADRs. In January 2006 the second phase of the

capital increase was completed, which allowed the financing of the company's future investment projects. Masisa also obtained an international credit for US\$110 million and placed bonds with more favorable interest rates, valued at approximately US\$163 million.

In January 2006 the risk qualification agencies FitchRatings and Feller Rate improved Masisa's local debt risk classification from A- to A.

In December 2005 the Swiss Bank Sarasin & Co. Ltd carried out an evaluation of Masisa's sustainability using the bank's own methodology, and awarded a "high" classification and included Masisa in its Universe of Sustainable Investment.

→ www.sarasin.ch






Plycem is developing new markets to use its technology, building on a solid position in Central America as part of its strategy for international expansion. At the same time, it is seeking new business opportunities abroad in the construction services sector.

In 2005 Plycem had sales of US\$45 million.

In the first quarter of 2006 Plycem became independent of Amanco so as to seek its own growth opportunities. Plycem's corporate headquarters is in Cartago, Costa Rica. GrupoNueva is the controlling company.

Plycem products are marketed in Central America through the Amanco distribution network. We export to Mexico, the United States, and the Caribbean, among others.



Plycem Products

FIBER CEMENT

- **Fibrolit**
Sheets for ceilings and gutter facings
- **Plystone**
Laminated waterproof sheets
- **Siding**
Tongue-and-groove or overlapping boards
- **Teak facings**
Tongue-and-groove modules with open or mechanical joints
- **Molducem**
Moldings
- **Sevillian roof tiles**
Corrugated laminates for roofing
- **Fortec**
Roofing sheets

OUR PERFORMANCE

Corporate governance



GrupoNueva is committed to administering its businesses and relations with shareholders and other stakeholders in an honest, timely, and transparent manner to guarantee confidence and credibility.



GrupoNueva shares are not publicly traded. However, the company does adhere to international standards of transparency and governance.

In GrupoNueva we have a structure of corporate governance that ensures a governance framework and administrative and managerial control of our businesses according to the interests of our shareholders and other stakeholders.

Our Corporate Governance code provides a series of guidelines relating to recognized standards that take account of local and international regulations.

Our negotiating strategies and processes are facilitated by a corporate organization that helps us implement our business principles. The role of administration and its committees is of vital importance. The Risk and Audit Committee is especially important as it monitors operations so as to provide GrupoNueva's board of directors with reasonable security regarding adherence to the legal and corporate demands of its companies. GrupoNueva's Risk and Audit office answers to this committee on operational affairs, and to GrupoNueva's president on administrative ones, and its work plan includes the evaluation and management of financial, social, and environmental risks in all of the group's operations.

We recognize the multiple benefits of having a Corporate Governance code, especially as our executives understand more and more that if we run our businesses efficiently and transparently, and if we comply with applicable local and international regulations, risks are reduced and our credibility and the confidence of our stakeholders increases.

We are also convinced that the practices of corporate governance positively influence the general business climate in the countries in which we operate.

We aspire to create a virtuous progression: best practices favor a positive corporate environment, resulting in a

favorable economic position that in turn generates credibility and confidence among local and international investors, all of which contributes to development for the countries and their societies.

GrupoNueva Board of Directors

The board of directors reviews and approves strategic plans and the group's financial, social, and environmental objectives. It is committed to upholding the vision and values of the VIVA Trust, our shareholder, and thus we carry out an annual self-evaluation and review process with the trust.

Board of Directors GrupoNueva



Julio Moura
*Chairman and
CEO, GrupoNueva*

The only member
of the Board who
is a group director.



**Guilherme Peirão
Leal**
*President,
Natura, Brazil*



Brian Reilly
*Secretary General,
Viva Trust*



Jorge W. Bolaños
*Financial Director,
Avina Foundation*



Frank Gulich
*CEO, Anova Holding
AG & Unotec
Holding AG*

**GrupoNueva Executive Committee**

Standing: Patrick Nielson, Leo Schlesinger, Enrique Cibié y Carlos Marín.
Seated: María Emilia Correa, Roberto Salas, Julio Moura y Ronald Degen.

Executive Committee

The Executive Committee includes the CEO, the managers or presidents of the companies, and corporate executives. This committee is responsible for defining and carrying out the business strategies of the group and its companies, including social and environmental policies and programs.

Risk management

Risk management is a key element in the structure of our corporate governance. Its aim is to foresee threats and identify opportunities and competitive advantages, within a complete and integrated strategic vision of the business.

Risk management provides value:

- Controls of business processes provide and ensure complete, exact, and sustainable results.
- Exposure to serious disasters and risks is reduced, as are the costs associated with such events.
- Internal environment of control is strengthened, and this is reflected in the opinion of external auditors, the recognition of investors, and in the confidence of the market.

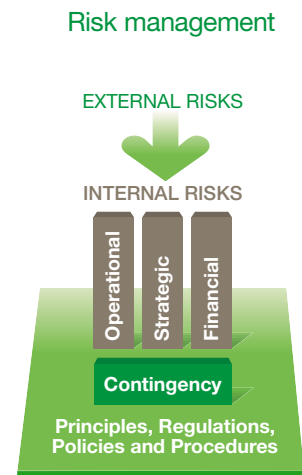
A high-level risk management program

"GrupoNueva and its subsidiaries have designed and implemented a high-level risk management program aimed at protecting the company, its employees, and the community in which it carries out its activities. We would particularly like to point out the commitment of company directors and the global nature of the program that forms an integral part of the group's overall strategy and the policies of corporate governance. The interest and level of sophistication achieved by GrupoNueva has required us to use all the resources and capacities available to Marsh to analyze and develop a group of innovative solutions to meet their needs. All this has resulted in our including GrupoNueva in Marsh's initiative known as "G5 – Enabling Global Management of Risk" to supply our most important global clients with the best solutions for risk management."

Mario R. Claro

Manager, Corporate Business Marsh S.A., Chile

→ www.marsh.cl



In 2005 we developed procedures and activities for effective risk management.

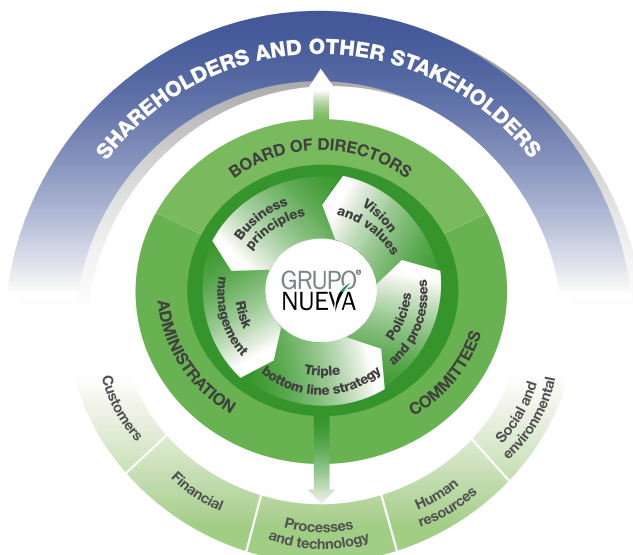
The first risk management phase was gradually implemented in Masisa and Amanco, focusing on internal operational and financial risks and contingencies. In 2006 we will promote the second phase, incorporating external and strategic risks, following on from the first phase and including Plycem.

Challenges

Building and continuously improving upon our administrative style is an ongoing learning process in an environment of risk management, communications, and monitoring. One needs to:

- Ensure that all employees understand that an environment of control is required, and that key risks are not tolerated with regard to business principles, regulations, and the image and reputation of our companies.
- Recognize and take advantage of opportunities afforded by this type of administration in decision making of a strategic or commercial nature.
- Ensure a sustained commitment at all management levels for the efficient management of internal and external risks, with a long-term vision that allows us to reap the advantages and opportunities of integrated strategic management.

GrupoNueva's model of Corporate Governance



Declaration of Business Principles

GrupoNueva's Declaration of Business Principles includes the commitments of the company relating to issues such as legal compliance, ethical conduct, workers' rights, and respect for the natural and social environment. They are available in Spanish, Portuguese, and English, the official languages of the countries in which we operate.

Our chairman and CEO presents an annual report to the board of directors on the application of the principles within the group.



Since we created them in 2003, we established the goal that all our employees be the champions of our business principles. By December 2005 the majority of our employees had participated in training workshops: 78% of Masisa's direct and indirect employees and 97.5% of Amanco's direct and indirect employees.

Since 2004 we have carried out an annual survey among employees in key positions to detect problems and any non-observance of our business principles. Since 2005 we have also included them in our orientation processes for new employees.

Our Business Principles reducing gaps

Towards the end of 2004 Amanco's and Masisa's human resources offices led a focus group exercise with employees at all levels and in all operations to identify gaps in the application of the principles. We define "gap" as a practice, action, or omission that negates or contradicts one or more principles.

In January 2005 the consulting firm Integrity Works analyzed the results and helped us to evaluate our effectiveness in communicating the principles. The results were extremely positive, but we found we needed to incorporate some adjustments in the course of 2005 involving the human resources, finance, communications, and the legal areas of the company.

→ www.integrityworks.com

We have thus strengthened the dissemination and understanding of the principles through annual surveys, talks, and monthly meetings to strengthen the idea that the principles are rules to be applied on a daily basis, not theoretical abstractions. We have included the Business Principles as a key component in the Amanco and Masisa brands. Amanco drafted a policy on conflicts of interest that regulates the conduct of our employees regarding relations with suppliers and customers. In 2006 we systematically distributed our principles and information on the ways in which they are applied, using the corporate communications channels of GrupoNueva and its companies.

We have a procedure through which any worker may question, comment about, and make a complaint on any matter relating to these principles (principios@gruponueva.com). In 2004 and 2005 all complaints made by Amanco and Masisa employees were investigated, actions taken, and results communicated to their originators.

→ www.pactomundial.org

Global Compact

GrupoNueva is committed to the 10 principles of the UN Global Compact, and our aim is to continue improving our performance in the areas of human rights, environment, labor, and anti-corruption. In June 2005 we presented our Communication on Progress report on GrupoNueva's achievements in complying with each of the 10 Global Compact principles, using information included in our sustainability reports for the 2002-2003 periods. This communication, and that corresponding to the 2004-2005 period, are available on our website (www.gruponueva.com) in the section on Business Principles.

Anti-corruption and transparency in Latin America's water sector

We are proud of the alliance between Amanco and Transparency International, which opened the way to the signing of anti-corruption agreements in the water pipe sector in Colombia and Mexico. Our objective is to improve conditions for doing business, promoting open, honest, and transparent public tendering in the Latin American countries in which Amanco operates.

The nine main companies producing water and drainage pipes signed a transparency agreement covering the sector: Amanco, Amitech, Krah América Latina, Nicoll Eterplast, Petroplast, Sain Gobain, Steel Plastic, Tigre Argentina, and Tubobloc.

In addition to the advantages we expect from the promotion of transparent public tendering, these agreements are consistent with our Declaration of Business Principles, and with the tenth principle – anti-corruption – of the Global Compact.

Pioneers in the fight against corruption

"We are very proud of and motivated by being pioneers in the fight against corruption among companies in our country. With this first "Sectoral Agreement on Transparency" we think that future public and private tenders will not only be transparent, but will also offer the possibility of establishing a mechanism, specified within the bidding forms, for the inclusion of the government, companies, and the community."

Gerardo Ourracariet

*General Manager Amanco
Argentina.*



Protagonists in the water issue

In October 2005 Amanco first published Aqua Vitae, a magazine specializing in the issue of water in Latin America. The magazine seeks to promote dialogue and offer an important forum for proposing solutions and analyzing ideas. Some 16,000 copies are distributed free of charge in 13 Latin American countries. It is also available in digital format.

→ www.amanco.com

Member of the World Business Council for Sustainable Development

→ www.wbcsd.org

GrupoNueva is a member of the World Business Council for Sustainable Development (WBCSD). Julio Moura, our chairman and CEO, was elected to its Executive Committee in November 2005.

The WBCSD was created in 1991 by Stephan Schmidheiny. It brings together more than 180 of the world's most important companies promoting business leadership as a catalyst for change toward sustainable development. Together these companies are responsible for sales of over US\$ 5.4 trillion, more than twice Latin America's GDP, and nine times that of Brazil.



OUR PERFORMANCE

Our employees



We promote mutual respect among our employees, as well as respect for each one's individual integrity, teamwork, training, and the professional development of everyone, in a healthy and safe work environment that fosters maximum synergy for the achievement of our goals. Thus, with passion and enthusiasm, we all become champions of the group's efforts toward sustainable development.



GrupoNueva is aligning all the company's organizational resources with the implementation of its triple bottom line strategy.

In 2004 we defined three priorities in the management of human resources, and in 2005 we made great progress with each one of them.

- **Attract and develop multi-functional talent for all our key positions**, with world class executive power and strategic capacity, and strong values that are compatible with those of the group.

In 2005 we designed a methodology and common processes for the development of these talents in all the group's companies. We also carried out a pilot evaluation

program among all group executives. Our Human Resources Strategic Committee is charged with corporate projects for the development of human capital.

In 2006 we will improve these methodologies and work on the introduction of performance evaluation and management systems, in line with our triple bottom line goals. We will define policies for our human resource processes that will promote diversity within our organization, developing the potential of our people, and emphasizing performance as the foundation of our management system. We will promote more strategically-oriented training programs aimed at direct and indirect employees.

► **Align incentives with our business goals.**

We have adopted a philosophy of incentives, based on our triple bottom line focus, that seeks a balance between the economic (measured as Economic Value Added – EVA), social, and environmental areas. In 2005 we introduced the EVA Incentives program to GrupoNueva and Amanco group executives, and this will be implemented in Masisa in 2006.

► **Create a culture of strong values that is performance-oriented.**

We firmly believe that our actions should be consistent with our values and that a strong and positive culture is one of the principle motives attracting, motivating, and retaining talent within the company.

We listen to our employees... and respond to them

We are doing our best to create more and better opportunities for consultation and dialogue in our companies. Surveys of the working climate are one tool; the analysis of gaps in our business principles has also provided us with an excellent opportunity for our employees to tell us what they think and how they perceive the management of our companies. We hope to provide responses that satisfy their expectations through resulting action plans.

Diversity adds value to the company

The surveys we carried out to identify gaps in the application of our business principles indicated that our employees would like to see greater gender and age diversity in the company.

Our response is and will continue to be that of promoting equal opportunities and non-discrimination in the widest sense of the term. We are ensuring that age and gender are not disqualifying factors when filling vacancies. In 2006 we will define policies and procedures that regulate and promote diversity, ensuring that no type of discrimination (gender, age, sexual orientation, ideology, etc.) takes place in our companies.



Commitment and a sense of belonging

We continue evaluating the level of commitment and the working climate in our companies. The “Living the Business Principles” workshops in Amanco reinforced the commitment and sense of belonging of our employees. In 2005 the working climate survey produced a score of 84 points out of 100, the same as in 2004.

In 2004 Masisa obtained 58% in the survey it carries out every two years using the commitment measuring methodology developed by Hewitt Associates. This result is higher than

the average 52% of the largest US companies included in the Fortune 500 ranking. Our employees told us that they would like to strengthen the sense of belonging to the company and to the group. "We want to feel part of the group, not simply employees," they said. So we developed the "You're not alone" program, which provides a means by which all employees can talk to someone and seek help in solving problems. This system also considerably strengthens participatory leadership within the company.

We need to continue improving many of our indicators. We know that commitment to and identification with the company are long-term processes that depend, to a considerable degree, on concrete policies and actions developed

important reduction in accident frequency: Amanco Brazil completed two years without accidents, and its accessories plant in Joinville completed four years and 10 months. As a whole, Amanco improved its indicators, reaching an accident frequency of 1.67 in 2005. In Masisa, although accident frequency dropped by 15.59% in 2005, the severity of accidents increased by 52.12%, mainly due to three unfortunate fatal accidents of contractors in Chile. We have started implementing DuPont's Safety Training Observation Program (STOP) to promote safe conduct and prevent injuries and accidents. In 2006 we will focus on creating a culture of safety and health among our contractors, ensuring that they adhere to Masisa's industrial safety standards.



by us to provide a safe and positive environment.

We are proud of the recognition we have received: in 2005 Amanco Brazil received the distinction of being among the 150 Best Companies in which to work in Brazil for the fourth consecutive year (magazines Exame and Você S/A); Amanco Ecuador (Plastigama) was recognized as the best company in which to work in Ecuador, as certified by the Great Place to Work Institute.

A safe and healthy workplace

The goal of zero accidents by 2009 is stimulating preventive practices and an

Here I finished my studies, I got married, I had my children... and I've grown professionally

"I've been working for Amanco Plastigama for 20 years, and these have been 20 years of professional growth. In this company I finished university; I got married; my children were born, and I've grown professionally. In spite of having opportunities to work in other companies, the working environment, the comradeship, teamwork, our bosses, the friendships that are created in this company, all mean that I continue working here, and I hope to do so for many years to come."

Alexandra Alvarado

*Sales Supervisor, Business Area
Amanco Plastigama, Ecuador*

OUR PERFORMANCE

Our neighbors



We interact ethically and responsibly with our communities and work to improve their quality of life. Society affords us opportunities. Therefore, we devote part of our efforts and talents to improving society. Our businesses promote social and environmental responsibility in all our operations and among all with whom we do business.



After several years of focusing on our companies' internal compliance with world class standards of social and environmental responsibility, the company decided in 2004 to take a step further and extend the process of dialogue and consultation to our neighbors.

Since that year, the companies, following the consultation methodology developed by GrupoNueva, have opened their doors and gone out to get to know their neighbors and, likewise, help them to learn about our companies. Currently, all of Amanco's and Plycem's local operations, and nearly all Masisa's forestry operations and plants, are promoting processes of dialogue and openness with neighboring communities.

We discovered that the communities are very interested in learning about us and pleasantly surprised by our initiative. They like being kept informed, like the company's being environmentally responsible, and would like to establish mutually beneficial relations and for us to become another actor in their development.

We listen... and reply

Dialogue has revealed various issues of interest for our neighbors and local authorities that are remarkably consistent in all countries. Our companies replied and established action plans to deal with each issue.

Local employment

The communities in which we operate would like our activities to generate more local employment.

We committed ourselves to defining goals for the hiring of local people. Amanco also committed itself to informing the communities of job opportunities through various channels. The impact of this activity is measured on a monthly basis and added as an indicator to our Sustainability Scorecard©.

Impact on the local economy

Our neighbors would like to know the impact we have on the local economy and hope that we increase purchases from local suppliers.

We have committed ourselves to defining goals to increase the percentage of local purchases in all our operations, and measuring and controlling our impact on a monthly basis with the help of our Sustainability Scorecard©.

Environmental impact

Our neighbors show great interest in understanding any environmental risks and health risks of living close to our operations.

We have invited our neighbors to visit our operations, to explain to them what we do, and advise them on possible risks and of our contingency plans. In the future we will maintain an 'open door' policy.

Masisa inspires us with great confidence

"Before, I thought that the only things that interested Masisa were the interests of their partners and owners. Now I realize that it is also important to the company that the surrounding community has a better and more prosperous life. It is for this reason that we feel very close to the company, not so much physical closeness, but rather the human warmth and the affinity of interests with our community, and particularly the Tinaja educational community. Now, for example, we need a wall that delimits the school area, and we have asked Masisa to help us, not with money, but as an agent and link with government authorities. And we asked them as we have a lot of confidence. We see a company that is interested in the community being educated, with people who, in the future, will look after the environment, thoughtful youth who are prepared for change. Perhaps tomorrow some of our young people can work with the company."

Héctor Ramón Loera Alvarez

Director, Escuela Telesecundaria
Gilberto Rosas Simbeck
La Tinaja, Durango, Mexico

Permanent channels for dialogue

Neighboring communities have asked us to maintain a continuous and open dialogue.

In addition to invitations to visit our plants, formal, two-way communication channels will be established between local operations and neighboring communities.

Now our neighbors know us better... and expect more. They expect us to fulfill our promises and meet their expectations. Doing so will create more confidence in us.





Opportunities

The process of learning to talk to our stakeholders is teaching us to improve our management, while revealing opportunities that allow us to be a better business.

Active risk management

Dialogue and consultations with our neighbors help us manage risks in a more effective manner. Their opinions and expectations are taken into

consideration by our executives when taking business decisions. We have learned that the business is strengthened by foreseeing and reducing possible social and environmental impacts.

Improves productive processes

For example, in responding to a complaint from neighbors in Panama, we discovered that we were unwittingly losing raw materials. We solved the problem for the neighbors and avoided financial losses.

An actor in local development

"You are a powerful company, we are a poor community; look, we don't ask you for money. That runs out rapidly, and there's never enough; let's improve this community together; let's ensure local development, and invite others...."

We often hear this type of comment. In this way we discovered that communities near our plants did not want to continue being the object of philanthropic initiatives. They are providing us with the opportunity to become a player in local development and work side by side with other institutions and public and private civil society actors.

We are happy with the decision to open up our companies and take this fundamental step on the long road to building credibility and gaining the confidence of our neighbors. The experience of working with our communities and with local authorities has been very interesting and has taught us the importance of listening when taking important business decisions. Between 2004 and 2005 we learned that listening and providing concrete feed-back on specific, articulated concerns is the basis of our social license to operate.

Planning in the Municipality of Independencia, Venezuela

The municipal development plan proposes a long-term vision for the municipality's inhabitants and defines priorities for the local government. Thanks to an agreement between the Venezuelan Planning Institute, Masisa Venezuela, and the office of the mayor of Independencia (where Masisa's plant is located), this municipality has been a pioneer in consolidating its municipal development plan through open community participation. The plan was based on an analysis of current issues existing in 60 urban and rural communities, carried out with the help of their 165 representatives and community leaders.

Masisa promoted community participation and introduced the issue of sustainability, earning the recognition of the Venezuelan authorities. Humberto Bello, mayor of Independencia, said of the role of Masisa: "There are many who have contributed to drawing up this plan, but I can't not mention the initiative of the private sector, represented by Terranova, now Masisa, whose representatives have made this product possible. That product, by the way, isn't wood or MDF, or whatever you call its derivatives, but a product that can be interpreted as development for our communities, true social co-responsibility that goes way beyond just helping out. I thank Masisa for their commitment to us."

Relations with indigenous groups

Masisa is the only GrupoNueva company that operates in areas where there are indigenous communities. It seeks to respect the practices and the wisdom of these cultures, maintaining a dialogue and consultations with the communities. We currently have important relationships with two indigenous groups: the Mapuche in Chile and the Kariña in Venezuela.

The Mapuche people

Relations between the Chilean forest industry and the Mapuche community are affected by conflict relating to the long-standing land claims of these people. In the case of Masisa, the claims presented refer to properties of the former Terranova company (approximately 2,000 hectares).

Masisa has traditionally been disposed to dialogue with indigenous communities regarding ancestral rights and the religious use of territory. We respect institutional channels of communication, both of the government, of the community, and of the company, but we use institutional channels for conflict resolution through the legal authorities when we face unfortunate criminal acts against company personnel or property.

The doors of the company are always open for representatives of indigenous communities to obtain accurate information about the properties and examine the option of gaining access to these through acquisition on the part of the National Corporation for Indigenous

Development, the Chilean government authority that evaluates factors, such as land titles given to indigenous populations in the 19th Century, and the availability of resources, among other conditions for negotiations to take place. In 2005 Masisa continued promoting dialogue with the Mapuche people and invited indigenous communities close to their forestry division, civil society organizations, and unions to participate. We hope that this process of dialogue allows us to broaden the analysis and understanding of the situation and the indigenous processes.

The Kariña people

We are trying to help conserve the cultural heritage of the Kariña ethnic group in the Macapaima region in Venezuela, where Masisa has operations through balanced development processes that allow the indigenous peoples be actors in the society in which they live. We work with them, promoting the recuperation of their language, cultural and culinary traditions, archaeology, and the use of medicinal herbs and products from the region. Masisa has also developed projects to improve the community's quality of life, such as helping it to get access to safe drinking water, which significantly improved the community's health.

This water system is currently managed by the community itself through a local committee that has become effective in strengthening its organizational base. The community is forming a cooperative that will provide Masisa with skilled services, getting it involved in the area's economic activities.



OUR PERFORMANCE

Our environment



GrupoNueva incorporates eco-efficiency in its management so as to better use natural resources in productive processes. We use monitoring and control systems and indicators of environmental impact in all our production plants.



GrupoNueva maintains its firm commitment to sustainable development. It seeks greater profitability on its assets while ensuring the best social and environmental results in its area of influence, through the triple bottom line management system.

Greater environmental awareness

We make a great effort to ensure the creation of a solid environmental culture from the highest corporate levels. Environmental considerations are present on the agendas of the group's companies; environmental issues are part of the business strategy, from project design to the daily running of all our operations. Ensuring that this culture permeates every level of the companies is an on-going task.

Improved relations with environmental authorities

We have established better relations with environmental authorities in all industrial operations. This allows authorities to thoroughly familiarize themselves with our activities. It also helps us to better understand local authorities' objectives and ensure that we are in a position to meet all their expectations.

Reduction of our environmental footprint

We are better able to manage our impacts and significantly reduce our environmental footprint with the help of our management systems and careful monitoring of the indicators in all operations.

Amanco

Water and energy consumption per unit of product was reduced in 2005, in spite of a 6.74% production increase. The increase in final waste encouraged the improved management of recyclable materials, which totaled 2,681 tonnes in 2005.

Eco-efficiency indicators – Amanco

Indicator	Unit	2004	2005	Improvement
Energy consumption	KwH/tonne	610	592	2.95%
Water consumption	m ³ /tonne	0.52	0.46	11.5%
Final wastel	Tonnes	841	960	(14%)
Recyclable materials	Tonnes		2,681	
Final production	Tonnes	212,753	227,082	6.74%

Suape, Amanco Brazil plant Model of eco-efficiency

Located in the Suape industrial estate in the State of Pernambuco, Suape's design incorporated sustainability and the modern concepts of eco-efficiency and eco-design. Alternative energy sources, such as biomass, are used. Electricity for the new plant is generated by biomass on a sugarcane plan-

tation that generates and sells electric energy obtained from the combustion of sugarcane waste. Its compact sewage treatment system allows water to be re-used for watering gardens, washing floors and equipment, toilet cisterns, and as a coolant in the industrial process.



Plycem

All indicators are positive. There was considerable reduction of industrial waste in 2005. By the end of 2006, Plycem hopes to achieve its objective of zero waste.

Eco-efficiency indicators – Plycem

Indicator	Unit	2004	2005	Improvement
Water consumption	m ³ /1000 M2V	6.96	6.32	9.2%
Industrial waste	m ³ /1000 M2V	1.14	0.64	43.9%
Energy consumption	GJ/1000 M2V	12.17	11.91	2.1%
Raw-material waste	%	2.10	1.91	9.1%
Other waste	%	0.09	0.06	33.3%

Masisa

The tendency is generally positive. In 2005 Masisa reduced its water consumption by 12% while increasing production.

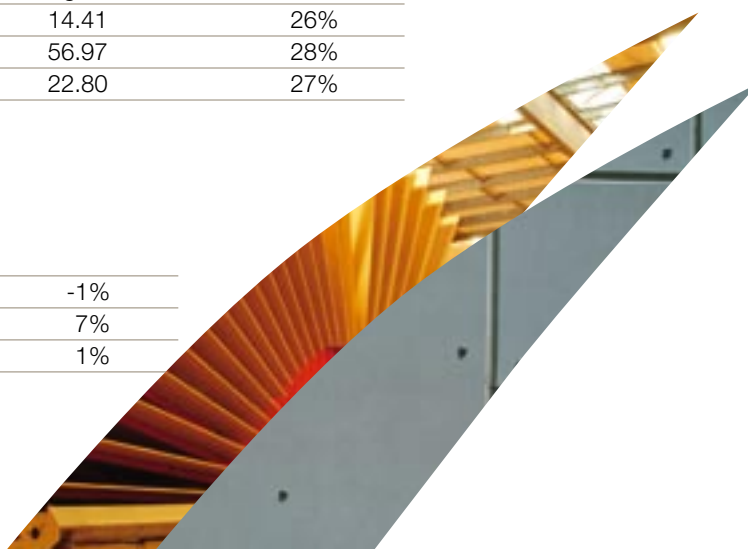
Solid wood production increased by 7% in 2005; however, energy consumption increased by 16%. We hope that technological changes to be carried out in the Chilean sawmill will help decrease consumption.

Eco-efficiency indicators – Masisa

Indicator	2004	2005	Improvement
Water consumption	m ³ /m ³	m ³ /m ³	%
Boards	1.11	1.04	7%
Wood + Masisa USA	8.65	6.90	15%
Total	2.51	2.19	12%
Energy consumption	MwH/m ³	MwH/m ³	%
Boards	1.10	1.10	1%
Wood	1.19	1.29	(16%)
Total	1.11	1.14	(3%)
Final waste	Kg/m ³	Kg/m ³	%
Boards	19.38	14.41	26%
Wood	84.88	56.97	28%
Total	31.55	22.80	27%

Masisa production 2005 vs. 2004

m³		
Boards	-18,047	-1%
Wood	30,357	7%
Total	12,311	1%





Complaints from neighbors of environmental impacts

Complaints from neighboring communities due to environmental issues have been dealt with, resolved, or reduced both by Amanco and Masisa.

Certifications

All of Amanco and Plycem operations have ISO 9001, ISO 14001 and OHSAS 18001 certifications. Almost all of Masisa plants also have these and those corresponding to the forest industry (Forest Stewardship Council – FSC). However, some operations will have to be re-certified in 2006 due to the merger.

Climate change

GrupoNueva recognizes the critical importance of climate change as a global environmental issue. Our companies contribute to the reduction of

greenhouse gases by producing much of the energy we need by burning biomass, by continuously reducing the use of fossil fuels, and by improving the efficiency of processes and the capture gases by our forest plantations and our native forests. We are committed to:

- Continue improving energy use in our manufacturing processes and in the transport of our products.
- Create projects for the co-generation of electricity and increase efficiency in energy use and/or the capture of greenhouse gases by our forests; use spin-offs of the Kyoto Protocol, such as the Chicago Climate Exchange or the Clean Development Mechanism.
- Communicate the benefits of our activities relating to climate change to our customers and other stakeholders.

Special issues

GrupoNueva is aware of issues relating to our productive processes that are of concern to society. We recognize and share these concerns, and are taking decisions and actions that help us prevent or reduce risks to the environment or human health.

Controlling formaldehyde emissions

Masisa is the only Latin American board manufacturer producing all of its boards according to the European E-1 norm, which identifies products with low formaldehyde emissions. We do this because we value the well-being and health of our employees and customers, and because this allows us to comply with a requirement of international markets. Furniture manufacturers that use boards with low formaldehyde emissions can enter international markets that demand, as a basic requirement, compliance with this norm.

For more information on our position on formaldehyde, visit www.masisa.com, under the Product tab.

PVC

We understand that society has concerns regarding PVC. It is for this reason that we are working on three aspects of the value chain: risk control of raw materials, reduction in the use of raw materials, and eliminating the use of dangerous raw materials.

For more information (in Spanish) on this issue, please visit www.amanco.com, under desarrollo sostenible.

Genetic engineering and forestry

Our policy on genetic engineering, approved in November 2005, states that we will make no commercial or experimental use of genetically modified trees until their use is proved safe. We are participating in research processes, together with universities, government agencies, and other forestry companies.



Reports and publications

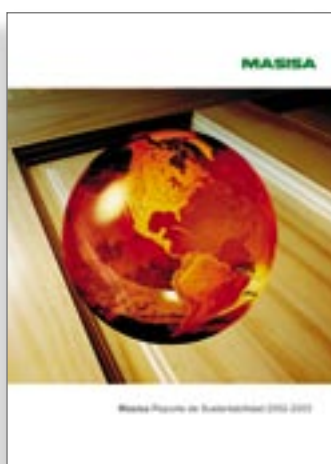
→ www.globalreporting.org

Amanco and Masisa publish a Sustainability Report every two years that follows the 2002 Global Reporting Initiative guidelines. We carry out formal consultations with stakeholders on these reports.

In 2008, Plycem will also publish its Sustainability Report.

In 2004 GrupoNueva decided that its companies would report independently and more fully on their respective activities. Since 2005, GrupoNueva has annually published a document such as this summarizing some of the most outstanding aspects of the financial, social, and environmental management of its businesses.

This document and all our sustainability reports are distributed free of charge to a representative number of stakeholders (available at: www.gruponueva.com).



Prizes and acknowledgements

Amanco Argentina

- Elected as one of the **20 most prestigious companies** in the construction business in Argentina, with a special mention for its ethics, innovation, customer service, product quality, and guarantees offered. 2005.

Amanco Brazil

- **4th consecutive year as one of "The best companies in which to work,"** an annual guide published by the magazines Exame and Você S/A. 2005.
- Highlighted in the **Guía de Buena Ciudadanía Corporativa**, published annually in the magazine Exame, in recognition of its corporate responsibility. 2005.
- **Top Amanco 2005 prize:**
- **Human resources category**, for the project "Health and safety are also our specialties."
- **Sales category**, prize for "Mérito Lojista 2004", as the best supplier in the Building Materials, Pipes and Connections category.
- **Environment category** for the case "Eco-efficiency in the treatment of waste" ► **5th Prize "Empresa Ciudadana - ADVB/SC"** Community participation category. Case "Amanco for a better world" - social projects. 2004.
- **Prize "Medio Ambiente - Special ISO 14001"**, awarded by the magazine Medio Ambiente Industrial. 2004.

Amanco Colombia

- One of Colombia's **10 best companies in the field of worker safety**. Administradora de Riesgos. 2005.
- **Pread prize "Environmental excellence generating sustainable development"** awarded by DAMA, the government's department for environmental administration between 2001 and 2004. The last acknowledgement corresponds with the 2003 period, and was awarded in 2004.

Amanco Ecuador

- Great Place to Work Institute recognized Amanco Plastigama as **the best company in which to work** in Ecuador. 2005.
- **"Ekos de Oro" prize**, for the second year running, was considered the best company in Ecuador's plastics sector by the magazine Ekos, Economía y Negocios. 2005.

Amanco México

- **First place in "Limpieza y conservación de la imagen urbana y ambiental 2005"**, prize awarded by the Secretariat for Sustainable Economic Development of the State of Guanajuato in the Municipality of León. 2005.
- Distinguished as **"Socially Responsible Company"**, awarded in Mexico by the Mexican Center for Philanthropy and the Alliance for Corporate Social Responsibility. 2005.

Masisa Argentina

- Honorable mention in the “**Premio Ciudadanía Empresaria**” awarded by the US Chamber of Commerce in Argentina in the category Environment and Health for its program “Responsible management of natural resources.” 2005.
- For the 6th consecutive year, recognized with the “**Premio a la Exportación Argentina**”, award made annually under the auspices of the ministries of economy and external affairs. The prize resulted from the ranking of exporters by the magazine Prensa Económica which includes an analysis of 1,000 companies, among which Masisa was ranked 92nd. 2005.

Masisa Brazil

- The Revista Móbile, specialized in the furniture sector, awarded Masisa the “**Móbile 25 Años**”, trophy in recognition of investments made by the company in Brazil and the continuous stimulus provided in design that directly contributes to quality improvement in the sector. 2005.

Masisa Chile

- “**Premio Sofofa Responsabilidad Social 2005**”. Sofofa is the society for the promotion of manufacturing, the most important industrial grouping in Chile. 2006.
- Recognized as one of **Chile’s 10 most socially responsible companies**, in a study carried out by the Fundación Prohumana and the magazine Capital. The ranking evaluated CSR through the integral analysis of the economic, environmental, and social aspects in the companies, on the basis of the appraisal by employees of CSR in their respective companies. 2005.

Masisa Venezuela

- Decorated with the First Class “**Orden Cacique Cuaicaipuro**” awarded by the Indigenous Council of the Independencia Municipality of Anzoátegui State. The company was recognized for its support of the indigenous communities of Mamo parish (Macapaima, Mamo and Palital) through its Corporate Social Responsibility program. 2005.



GrupoNueva's vision



To be recognized as a leading industrial group made up of companies that create economic value and operate in a framework of ethics, eco-efficiency, and social responsibility while improving our neighbors' and our region's quality of life.

Values

Our customers

All our employees are constantly trying to anticipate and meet the changing needs of our customers through our products and services and working to world-class standards.

Our communities

We interact ethically and responsibly with our communities in Latin America and work to improve the quality of life of present and future generations. Society affords us opportunities. Therefore, we devote part of our efforts and talents to improving society. Our businesses promote social and environmental responsibility in all our operations and among all with whom we do business.

Our employees

Mutual respect is the basis for the relationships among all employees of our companies. We respect each one's individuality and integrity. We promote teamwork as the best way to relate to one another. We develop a work environment that fosters maximum synergy between our employees and companies for the achievement of our goals. We afford opportunities for their professional development, as well as training and motivational programs to help improve their skills and to attract and retain the best employees. We provide healthy and safe working conditions. Passion and enthusiasm are essential attributes of our people. Our employees are key players in the group's efforts toward sustainable development.

Contact us

María Emilia Correa

Nuria Gamboa M.

Avenida Apoquindo 3650
Piso 11, Las Condes
Santiago-Chile

Tel. +562 345 3400

Fax: +562 345 3490

info@gruponueva.com
www.gruponueva.com



Successful businesses for a better world

Avenida Apoquindo 3650
Piso 11, Las Condes
Santiago-Chile

Tel. +562 345 3400
Fax +562 345 3490

info@gruponueva.com



MASISA



www.gruponueva.com