

ANNUAL REPORT

Integrated Report

INTEGRATED FINANCIAL · SOCIAL · ENVIRONMENTAL

2013

MASISA
Your world, your style

MASISA
Your world, your style

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Scope

This Annual Report 2013 contains consolidated information on the financial, social and environmental performance of all MASISA-controlled companies for the year ended December 31, 2013.

It also provides information about the management focus on relations where MASISA exercises significant influence but is not the controller, and those on which it has no major influence but which pose large challenges for the company.

Integrated Reporting

Three years ago, MASISA accepted the invitation of the International Integrated Reporting Council (IIRC) to provide its experience with drawing up reports reflecting the triple bottom line system and join a pilot program it is driving worldwide.

This integrated approach, contained in the document “international framework” of the IIRC published in December 2013, will be used for the third year running in the Annual Report 2013, giving priority to content reflecting value generation and presenting operating performance, i.e., our way of operating with society and the environment, in digital content and a more detailed and suitable format for our employees and communities.

The IIRC defines integrated reporting as concise communication about how an organization’s strategy, corporate governance, performance and prospects, in the context of its external environment, leads to value creation in the short, mid and long term. Its guiding principles are:



PRINCIPIOS QUE SUSTENTAN UN REPORTE INTEGRADO

1. Strategic approach and future focus
2. Linkage of information
3. Stakeholder engagement
4. Materiality and conciseness
5. Reliability and completeness
6. Consistency and comparability



GLOBAL COMPACT

This Annual Report also declares the Communication on Progress (COP), which endorses the commitment undertaken by MASISA since 2003 to report on its achievements and efforts to comply with the UN Global Compact's ten principles.

CONTENT OF INTEGRATED REPORTS

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How was this report prepared?

MASISA has an Editorial Committee, headed by the CEO, which identifies the materiality and defines the strategy of collecting and reporting information, and then works with each of the countries in which MASISA has industrial, forestry and business operations.

The materiality task of identifying relevant issues and prioritizing the most important to be reported was based on:

STAKEHOLDER COMMENTS

- 1,350 comments by stakeholders in the various countries in which MASISA has operations on their impressions of the Annual Report 2012, received through the tree donation campaign.
- Investor meetings. As part of integrated reporting, the company also interviewed banks and investors to understand what financial and non-financial aspects of MASISA's operations they would like to see in the Annual Report, highlighting the following:
- Risk management in Argentina and Venezuela (see page 24)
- Breakdown of information by country on markets and results (see page 74)
- Value generation of social and environmental management (see page 88)

GLOBAL TRENDS AND BEST PRACTICE

- Review of the integrated reports of other companies participating in the IIRC pilot program.

Based on this information, the company then started the materiality process by reviewing the strategic issues contained in MASISA's sustainability balanced scorecard, its objectives by 2025, the content required by Chilean legislation, and the Global Reporting Initiative (GRI) G4 guidelines and integrated reporting.

After this materiality process, it then defined a content index and approach.

HOW DO WE VALIDATE THE INFORMATION PUBLISHED?

To produce the data and calculations presented in this report, we used regulated procedures aligned with MASISA's internal measurement models, which are in accordance with the ISO 9.001, OHSAS 18.001, ISO 14.001 and FSC™ standards.

This Annual Report was drawn up adhering to the G4 guidelines of the GRI.

The financial aspects of this Annual Report were audited by KPMG. The financial figures for the years ended 2011, 2012 and 2013 presented in this Annual Report were prepared in accordance with the International Financial Reporting Standards (IFRS).

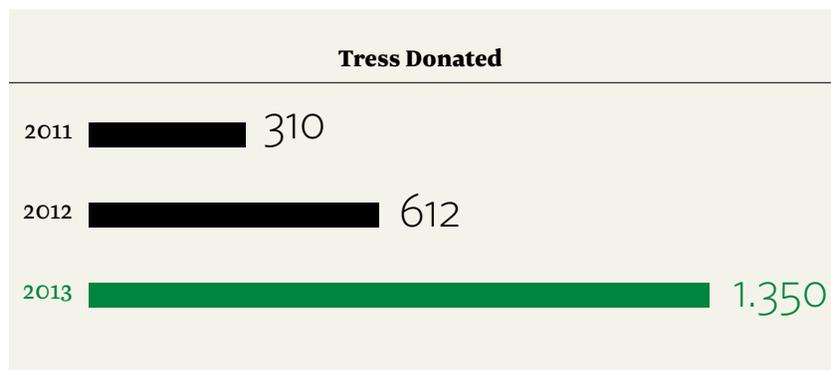
FEEDBACK

For three years running, MASISA invited its Annual Report readers to post their comments and opinions of the report on a digital platform and, on leaving their comments, a tree was donated by the company and planted responsibly during forestation work.

We thereby planted 2,272 trees in different cities in Latin America for the Annual Reports 2010, 2011 and 2012.

In this report we decided to change the way of receiving feedback, for which we will conduct working groups with stakeholders to do a more intensive and collaborative job based on the information published in this report.

Likewise, we invited our readers to send in their opinions, areas for improvement and suggestions to our communication channels.



CONTACT

For further information on this Annual Report 2013 or MASISA's performance, please contact us.

Eugenio Arteaga I.
Chief Financial Officer

Francisca Tondreau S.
Corporate CSR Manager

Ignacio González G.
MASISA Andina Marketing
Manager

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President's Statement



Dear shareholders:

2013 was a challenging year for MASISA and other companies in the region due to the major currency devaluations of its countries. Despite this, MASISA had slightly higher sales in US dollars than the previous year and EBITDA growth of 11%.

In 2013, MASISA started to embed its strategy of focusing its business on producing and marketing wood boards for interior design and architecture in Latin America.

Commensurate with this strategy, we announced and started to roll out a large investment plan of US\$600 million, focused on Mexico, Chile and Brazil, which included the purchase of the Mexican company Rexcel and a new MDF mill in Mexico, all of which should position MASISA as the leader in Latin American markets.

The commissioning of wood board coating lines in Chile and Brazil will give us higher margins and the investment in forestry development in Brazil will assure the long-term fiber supply in that country.

The results in 2013 confirmed that this plan was the right course of action, as the increase in EBITDA was the result of our successful operations in Mexico, Chile and Brazil. In the financial area, MASISA demonstrated its ability to penetrate the different debt markets and to anticipate unfavorable scenarios. In 2013, it secured an 18-month bridge loan with important international banks (Deutsche Bank, Itaú, JP Morgan, Rabobank and Scotiabank) as the first step in implementing its long-term re-financing plan.

Moreover, as a preventive and proactive measure it ne-

gotiated more flexible financial covenants with long-term creditors, thereby effectively protecting itself from the anticipated currency devaluation in Argentina and Venezuela.

In 2013 as in previous years, MASISA continued to remit dividends to Chile from Argentina normally. In the case of Venezuela, we only had access to US dollars to pay for imports needed by the operation, due to the exchange rate controls implemented in that country.

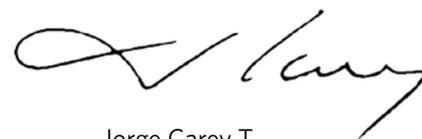
MASISA continued to excel with its corporate governance practice. It was therefore distinguished as one of the companies with the best corporate governance in Chile according to the guidelines of general regulation 341 of the Superintendency of Securities and Insurance, and received various awards from prestigious Chilean institutions for this.

Early last year, our loyal friend and director Juan Carlos Méndez sadly died. Right up to his death, he continued to collaborate on MASISA's Directors' Committee and Board of Directors with the same enthusiasm, professionalism and devotion as always. We have missed him greatly and his departure will be a great loss for our company. He has been replaced by the economist and attorney, Gerardo Larraín Kimber, who has been able to provide the Board with his wide experience on real estate enterprise.

I would once again like to highlight our recognition of the commitment and effort of all the work of MASISA's employees. Without them the company would not have been able to overcome last year's challenges as successfully as it did.

Particularly worthy of note was the well-coordinated and

harmonic integration of MASISA's teams in Mexico with the new employees who have joined the company from Rexcel. We thank each and all of you and express our trust that you will continue to give your best so MASISA continues on its path of growth and success.



Jorge Carey T.
President of the Board
MASISA

Chief Executive's Statement



2013 was the end of some trends and the start of others. The cycle of high growth with strong currencies of emerging countries, including Latin America, came to an end, with the return of the favorable outlook of developed countries, leading to large return of capital along with a process of currency devaluation in Latin America in favor of the US dollar.

Even in this scenario and despite the low growth of the two main economies, Brazil and Mexico, our markets had a large increase in demand, above all due to the good performance of sales of new houses, apartments, business projects, and improvements to old housing, driven by a stronger middle class and interest rates that are still attractive.

In this context, MASISA had sales of US\$1,364.7 million, a 1.1% year-on-year increase, reflecting the impact of local currency devaluation and a 3.5% increase in the wood board sales volume on account of the business strategy. The consolidated EBITDA grew 7.3% due to product mix improvements and cost efficiencies, and net income was up 11.9% because of higher margins, particularly in Mexico and Brazil.

One of the most important decisions driving this result was the purchase and integration of Rexcel's assets in Mexico, undertaken in the timescales and with the results expected for the first year. Motivated by this large opportunity, we announced the construction of an MDF mill at the Durango complex that should be commissioned in 2016.

We achieved our goal of improving the ability to add value to wood board production in Brazil and Chile, having made all the investments announced on time and as budgeted. I should highlight the large increase in operating income in Brazil and the better results of Chilean exports to the USA and Asia.

Toward the end of the year, we purchased a biomass-fired cogenerating power plant at the Cabrero complex in Chile, with an important positive impact on energy costs, and a few months earlier we divested the solid wood door mill to focus more on the industrial business where we have sound competitive advantages.

Our operation in Venezuela has met customer expectations with higher demand for our products, and in turn we have generated new export opportunities that will improve currency access, and we have very positive engagement with the different stakeholders, particularly with our employees and customers.

We are closely watching the financing of the company's growth with discipline and prudent risk management. The company's net debt remained stable due to giving priority to funding new initiatives with fresh capital, divestment of assets with disposals or no synergy with the core business, and own cash generation.

To such effect, we undertook a capital increase that raised US\$80.2 million, launched a forestry association process to monetize 80% of 36,000 hectares of forests with low synergy with the Cabrero mill, and drive a higher return on assets by investing in industrial projects with greater cash generation and annual return. Moreover, as a prevention measure we negotiated the financial covenants with our long-term creditors to make them more flexible for currency devaluation in Venezuela and Argentina.

We have taken major steps to enhance the innovation process, and at the same time we are renewing the MASISA brand identity to get it closer to the final customer like no other company in the industry, and above all gaining leadership of innovation and engagement in the markets in which we operate.

We set important safety targets at all mills, giving priority to a culture of care from logging and overseeing small incidents or breaches of the standards. All mills are putting the safety excellence program in place with discipline and dedication.

This Annual Report focuses more on the integration of the financial, social and environmental results, and it presents our first approach of valuing the social and environmental impacts.

Likewise, we are widely reporting our action to comply with the requirements of the Global Compact, renewing our commitment to the principles promoted. We started 2014 strengthened by the achievements of the previous year, addressing the challenges and taking advantage of fresh opportunities that the new trends in this new cycle offer us. We can assure that we have the necessary conviction to maintain consistent results with a clear long-term vision.



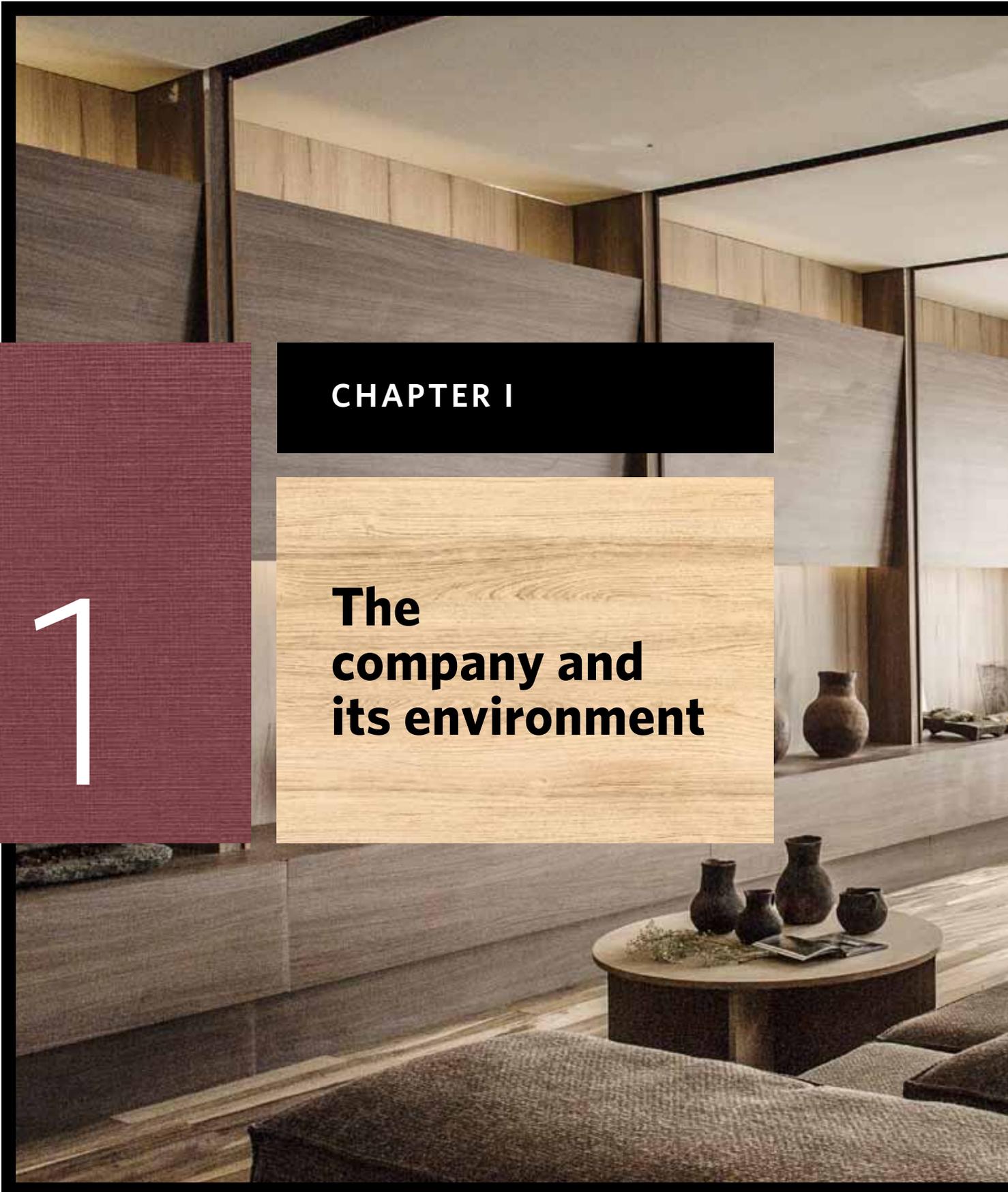
Roberto Salas G.
CEO
MASISA



1

CHAPTER I

**The
company and
its environment**





Canvas Business Model

Key Partners

- > Forestry Foundations

- > Substrate and Coating Technology Developers

- > Wood Industry

- > Placacentro Network Partners

- > Pro Sustainability Organizations: WBCSD*, Global Compact, NGOs



Key Activities

- > Innovation System

- > Masisa Lab

- > Triple Bottom Line Management

- > Placacentro Network Management

- > Forest Management

Key Resources

- > Human Capital

- > Brand

- > Mills

- > Forests

Cost Structure



- | | |
|--|--|
| <ul style="list-style-type: none"> > Wood Fiber <hr/> > Resins <hr/> > Transport <hr/> | <ul style="list-style-type: none"> > Energy <hr/> > Melamine Paper, Coating and others <hr/> |
|--|--|

Value Proposal

Design

Materiais para criar ambientes

Performance

Sustainability

Customer Relations

More reliable:

- > Red M
- > Masisa Inspira
- > Social Networks

Channels

- > Placacentro Network
- > Retailer/Specialist Networks
- > Large Surface Areas/ Home Improvements
- > Wholesalers
- > Direct Industrial Sales

Customer Segments

- > Small and Mid-Sized (PYME) Furniture Makers
- > Industrial
- > Building Companies
- > Designers & Architects
- > Hobbyists



Revenue Streams



- > MDF & MDP Sales
- > Wood Board Sales
- > Door Fitting & Accessory Sales
- > Forest Harvesting Revenue

Organización y Contexto de Operación

MASISA's core business is to produce and market wood particle and fiber boards for furniture and interior architecture in Latin America.

The strategic forestry and Placentro network business units have a major role in assuring the success of the core business.

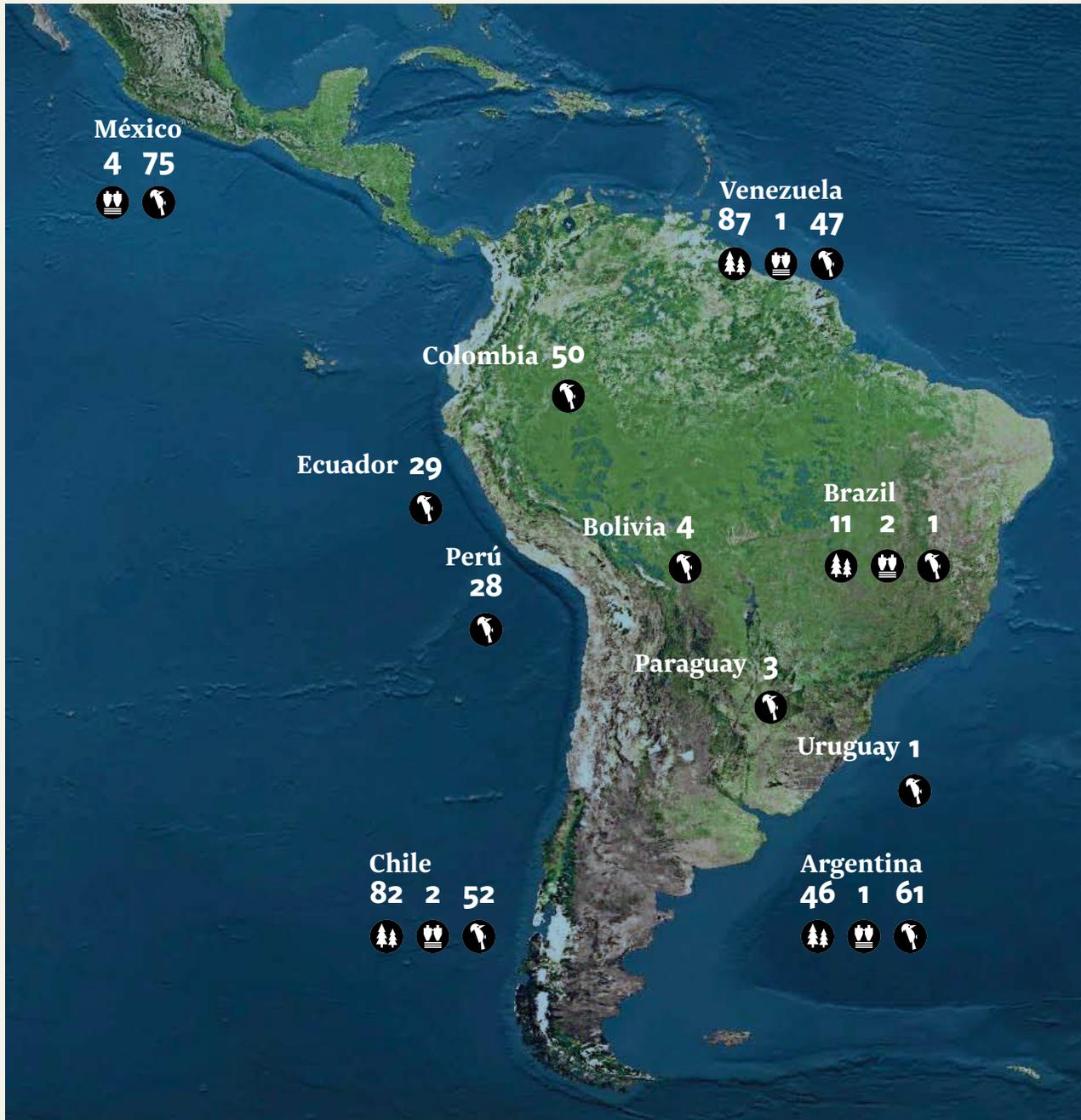


STRATEGIC ASPECT

- **Board producer for furniture in Latin America (PB-MDP-MDF).**
- **Diversified manufacturing and final market base in the region.**
- **Differentiating competitive strategy: focus on the final customer, effective innovation, the brand and operating efficiency.**
- **Largest specialized distribution network in the region: Placentro MASISA.**
- **Strategic assets: 226,000 hectares of forest plantations .**
- **Global leadership and commitment to sustainable development (triple bottom line strategy).**
- **Favorable growth outlook: low product penetration and housing shortfall in Latin America.**
- **Highly renowned corporate governance.**

On March 21, 2014, MASISA announced the sale to Hancock Chilean Plantations LP of 80% of forest lands located in the Temuco and Valdivia areas in Chile, consisting of a total surface area of about 62,000 hectares of lands with approximately 2,500 hectares planted. With this operation, MASISA created a strategic forest partnership with Hancock to finance the company's growth plan for 2014 and 2015, bolster its financial profile and include a partner with renowned global experience in forest asset investment and management.

PRESENÇA DE MASISA NA AMÉRICA LATINA



Total Values



► HECTARES OF FORESTS

226.000 m³ Hectares of forests ²



► INDUSTRIAL FACILITIES

10 Industrial facilities
3.427.000 m³ Wood board production
1.801.000 m³ Wood board coating
487.000 m³ Sawn lumber
204.000 m³ Pre-painted MDF moldings



► PLACACENTRO MASISA

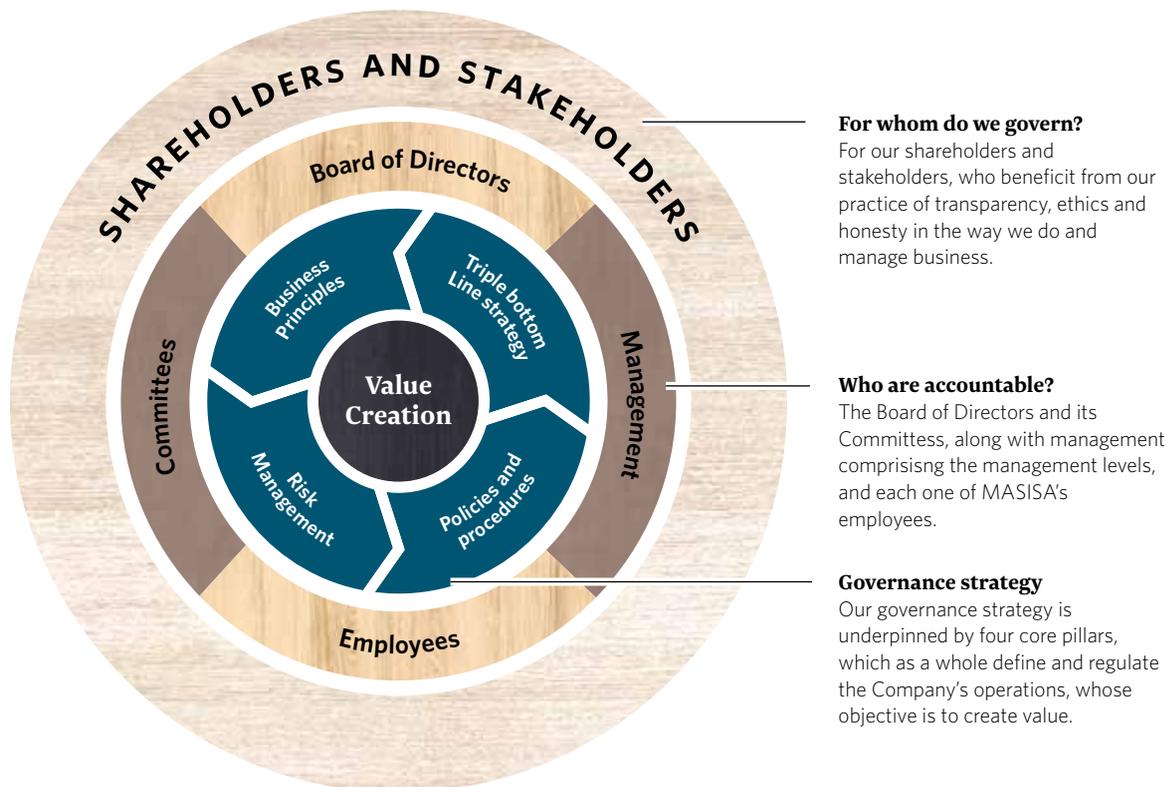
351 Placacento MASISA outlets

² See note 1, page 18

Corporate governance

MASISA has a corporate governance strategy, which is a key aspect of its long-term sustainable business strategy, as it promotes efficient and effective management of resources, generating an environment of healthy internal control and creating value for its shareholders and stakeholders.

The ongoing sharpening of our corporate governance is a constant concern to carry on enhancing the company we want to be in the future.



DIRECTORS



Gerardo Larraín Kimber,
DIRECTOR
Degree in business administration,
graduate of Universidad Complutense
of Madrid
Attorney, graduate of Universidad
Complutense of Madrid
Taxpayer Code N°: 6.285.350-6
Director since 6/03/13.
Last re-election 18/04/13.

Enrique Cibié Bluth,
DIRECTOR
Degree in business administration,
Catholic University of Chile
MBA, Stanford University, United
States
Taxpayer Code N°: 6.027.149-6
Director since 25/03/09.
Last re-election 18/04/13.

Salvador Correa Reymond,
DIRECTOR
Industrial Civil Engineer, University
of Chile.
Master of Science in Management,
Stanford University, United States.
Taxpayer Code N°: 5.606.742-6
Director since 29/04/09.
Last re-election 18/04/13.

Enrique Seguel Morel,
DIRECTOR
Chilean Army General (retired)
MBA, ESADE, Barcelona, Spain
Taxpayer Code N°: 3.116.588-1
Director since 22/04/04.
Last re-election 18/04/13.

Miguel Héctor Vargas Icaza,
DIRECTOR
Accountant-Auditor, Universidad
Nacional Autónoma de Mexico.
MA in Economics
Taxpayer Code N°: 24.074.431-7
Director since 25/04/12.
Last re-election 18/04/13.

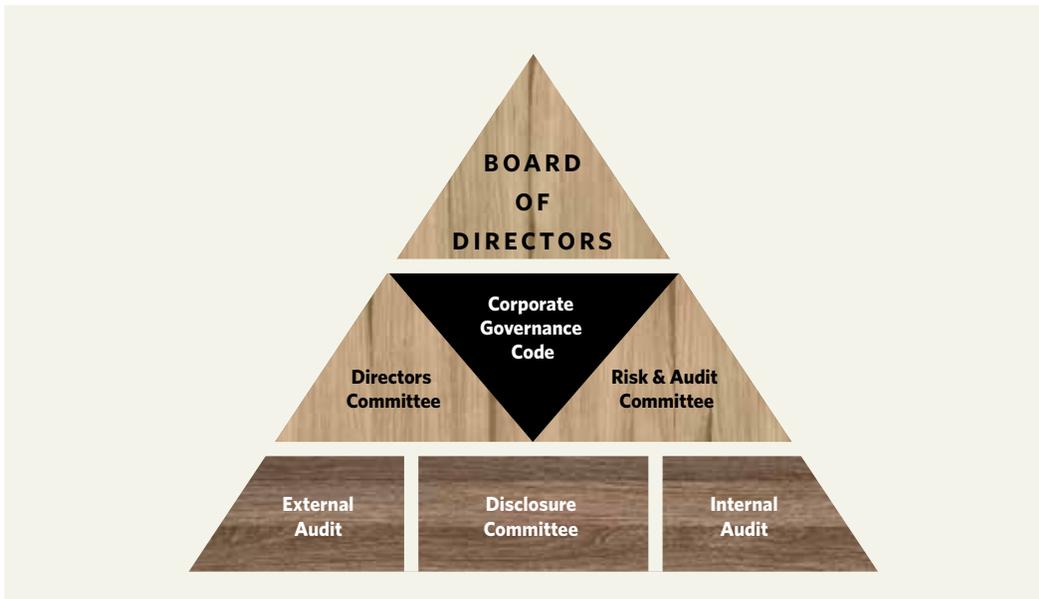
Rosangela Mac Cord de Faria,
VICE-PRESIDENT
Accountant-Auditor, Rio de Janeiro
University, Brazil
Executive Program of Boards & Audit
Committee of Harvard, Boston, United
States
MBA, Fundação Getúlio Vargas, Brazil
Taxpayer Code N°: 21.713.586-9
Director since 25/03/09.
Vice-President since 25/04/12.
Last re-election 18/04/13.

Jorge Carey Tagle,
PRESIDENT
Attorney, Catholic University of Chile
(PUC)
Master of Law, New York University,
United States
Taxpayer Code N°: 4.103.027-5
Director since 22/04/04.
President since 25/03/09.
Last re-election 18/04/13.

Directors

The current Board of Directors, elected on April 18, 2013, for a three-year period, is the highest governance body of the company and represents the interests of all shareholders and stakeholders, irrespective of who elected its members.

BOARD OF DIRECTORS



The Board of Directors is a decision-making body, comprising seven directors elected in an Ordinary Shareholders' Meeting, of whom six directors, including the President and Vice- President, were elected by the controlling shareholder GrupoNueva, and the seventh director (Mr. Salvador Correa Reymond) was elected by minority shareholders, mainly Chilean pension fund companies (AFPs). The latter director is also an independent director pursuant to what is laid down in current law N°18.046 on corporations.

The Board of Directors is MASISA's main management body, whose mission is to protect and value the company's shareholders' equity, maximizing the performance of investments, aligned with MASISA's vision and values, its business principles and strategic objectives.

MASISA's chief executive is appointed by the Board of Directors.

GENERAL REGULATION N° 341

On November 29, 2012, the Superintendency of Securities and Insurance (SVS) promulgated General Regulation N°341 for the dissemination of information of the corporate governance standards adopted by listed corporations.

Pursuant to what is laid down in such regulation, the company Board timely sent the SVS the information requested.

The result of the survey was 95% adherence to the corporate governance practices consulted.

BOARD'S PERFORMANCE SELF-EVALUATION PROCESS

Every year there is a performance self-evaluation process of the Board of Directors, supported by a formal process whose aim is the continuous improvement of its operation as the decision-making body complying with its strategic guidance role in the effective control of the executive management and its responsibility to all shareholders and stakeholders.

This self-evaluation is a questionnaire answered by all the members of the Board and is coordinated by the president. Lastly, the results of the self-evaluation process are analyzed in a Board meeting in which the main conclusions and improvements, if appropriate, are indicated.

In 2013, the company made improvements to the Board's performance self-evaluation process, highlighting the following initiatives:

- Hiring of an external consultant to identify the best practice and certify the integrity of the performance

self-evaluation process.

- Automation of the self-evaluation process, including a historical log base.

INDUCTION PROCESS

Directors undergo an induction process, coordinated by the human capital area, whose aim is inform the new board members of issues like: strategy, vision and values, policies, processes, legal obligations and operations of the company. The induction process considers:

- Interviews with the President of the Board and the advisory Committees, the CEO and senior officers of the company.
- A work meeting to review the operation of the Board and Committees, and review of their legal obligations as directors or members of some of the Board Committees.
- Delivery of a set of information containing at least: the Corporate Governance Code, Manual on Handling Information of Interest, Delegation of Authority Policy (PDA), Annual Report of the previous year, main company policies.



BOARD COMMITTEES

The Board has a Committee structure, whose main objective is to guarantee that governance and transparency practices are applied, to the benefit of all MASISA's stakeholders.

DIRECTORS' COMMITTEE

This Committee was established in April 2001, and reviews the financial statements and the reports of the external auditors. It proposes to the Board the external auditors and risk rating agencies that are elected in the shareholders' meeting each year; it assesses transactions with related parties, as well as transactions in which a director, officer, or senior manager of the company may have an interest; examines the remuneration and compensation plans of the chief executive, senior officers and employees of MASISA.

RISK AND AUDIT COMMITTEE

This Committee was established in June 2005 and its main aim is to assist the Board with the strategies adopted to manage the business-related risks and continuously oversee the internal control environment of operations. It manages and gives guidance to MASISA's internal audit area and whistleblowing facility.

DISCLOSURE COMMITTEE

This Committee comprises MASISA's executives and is responsible for supporting the Board and general management about the reliability of the information released by the company to the market and its stakeholders.

DELEGATION OF AUTHORITY

The level of authority exercised by management is that formally delegated by the Board through the Delegation of Authority Policy.

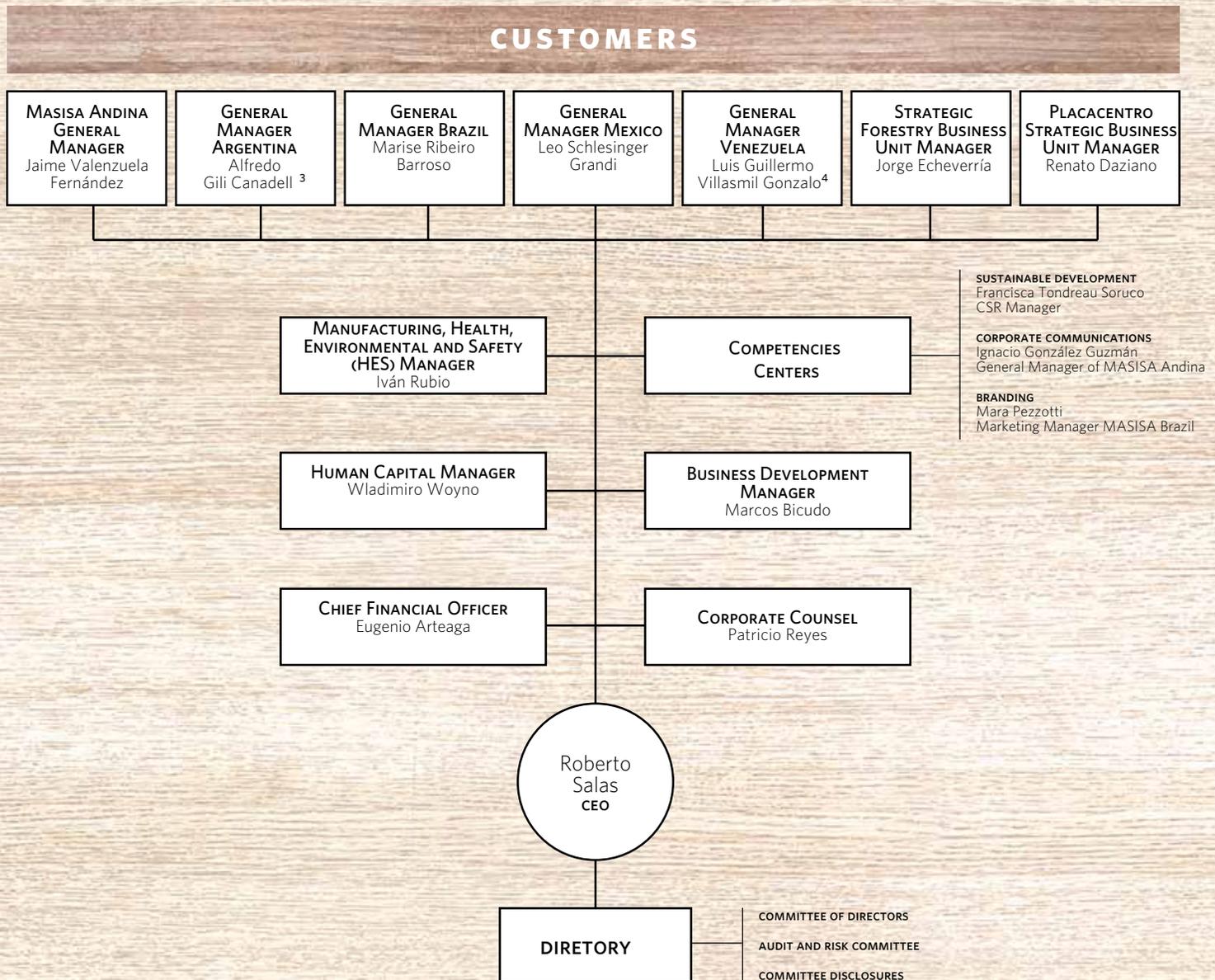
MANAGEMENT

Management has the responsibility for the design, dissemination, follow-up, effectiveness and updating of the corporate governance strategy.

It is assisted by the corporate and operative functional levels; it provides leadership and establishes the parameters needed to assure an environment of suitable and effective execution and control at all levels, and is directly involved in achieving the objectives planned.

Such roles are carried out by means of in-house control processes, which include periodical meetings with the key teams and visits to the countries and business units where MASISA has operations.

ORGANIZATION CHART



³ On January 1, 2014, Alfredo Gili became the new product manager. He was replaced by Luciano Tiburzo as the general manager of MASISA Argentina.

⁴ On March 1, 2014, he left the company, and he has still not been replaced.

Business Principles

The business principles are a set of values and standards that guide the actions of all MASISA's employees and serve as a reference framework for decision-making in the different business areas.

ECONOMIC RESULTS

We permanently strive to create sustainable value.

CORPORATE CONDUCT

We maintain ethical and transparent corporate conduct with high levels of governance.

INDIVIDUAL CONDUCT

We demand honest, honorable and transparent personal conduct.

CUSTOMER RELATIONS

We promote long-term trustworthy customer relations, offering quality, innovative and sustainable products, and service excellence.

EMPLOYEE RELATIONS

We develop high-performance work teams in a healthy and safe workplace and respecting human rights.

COMMUNITY, SUPPLIER, SOCIETY AND ENVIRONMENTAL RELATIONS

We are committed to engaging with our neighbors, communities, suppliers, society and the environment based on mutual respect and co-operation.

Each new employee reviews the Declaration of Business Principles and each year signs his/her commitment to abide by and comply with them.

The Business Principles are an integral part of the contracts the company signs with its suppliers.

Internally, in each induction process employees attend a workshop on the Business Principles and all employees are encouraged to undertake re-induction.

MASISA's Business Principles and the Global Compact

MASISA adheres to the Global Compact's Ten Principles, which are in keeping with its Business Principles.

Annual Declaration of Business Principles and Conflicts of Interest

Every year the company gives all its management employees a Business Principles survey.

The aim of this survey is to confirm the right knowledge of our Principles at all levels. Each employee receiving the survey confirms his/her commitment to adhere to such Principles.

The objective of this tool is to timely identify potential conflicts of interest and urge our employees to declare any situation to make our employee relations transparent with suppliers, customers and others pursuant to what is laid down by law.

Whistleblowing

MASISA has communication channels for direct or anonymous whistleblowing related to adhering to its Business Principles, Standards of Ethical Conduct, conflicts of interest and any other issue concerning possible breaches of the regulations of its internal control environment, its financial statements and situations or events that require the attention of management and/or the

Board of Directors.

A timely, independent, confidential analysis is guaranteed for all complaints made without any repercussions for the parties making such complaints by means of a structured process monitored by the Risk and Audit Committee of the company's Board of Directors and independently of the company's management.

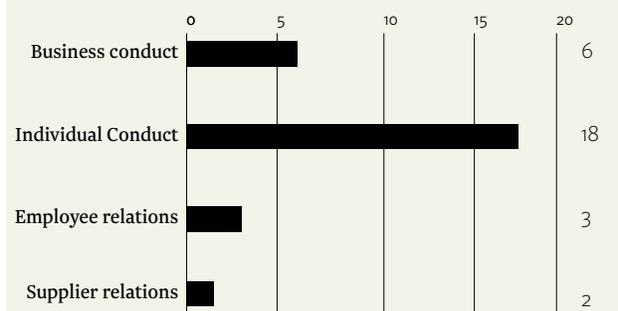
Complaints are sent in writing in a confidential envelope addressed to the Secretary of the Risk and Audit Committee at Av. Apoquindo 3650, piso 10, Las Condes, Santiago, Chile, or by e-mail to principios@masisa.com

The main lessons learned from the different complaints and enquiries received by the whistleblowing facility are published quarterly in internal newsletters, always maintaining the right degree of data confidentiality and protection, i.e., the focus is on the facts and the lessons learned and not people and countries.

Complaints received in 2013



Business Principles



Complaints are sent in writing in a confidential envelope addressed to the Secretary of the Risk and Audit Committee at Av. Apoquindo 3650, 10 floor, Las Condes, Santiago, Chile, or by e-mail to principios@masisa.com

Governance and Transparency Practices and Policies

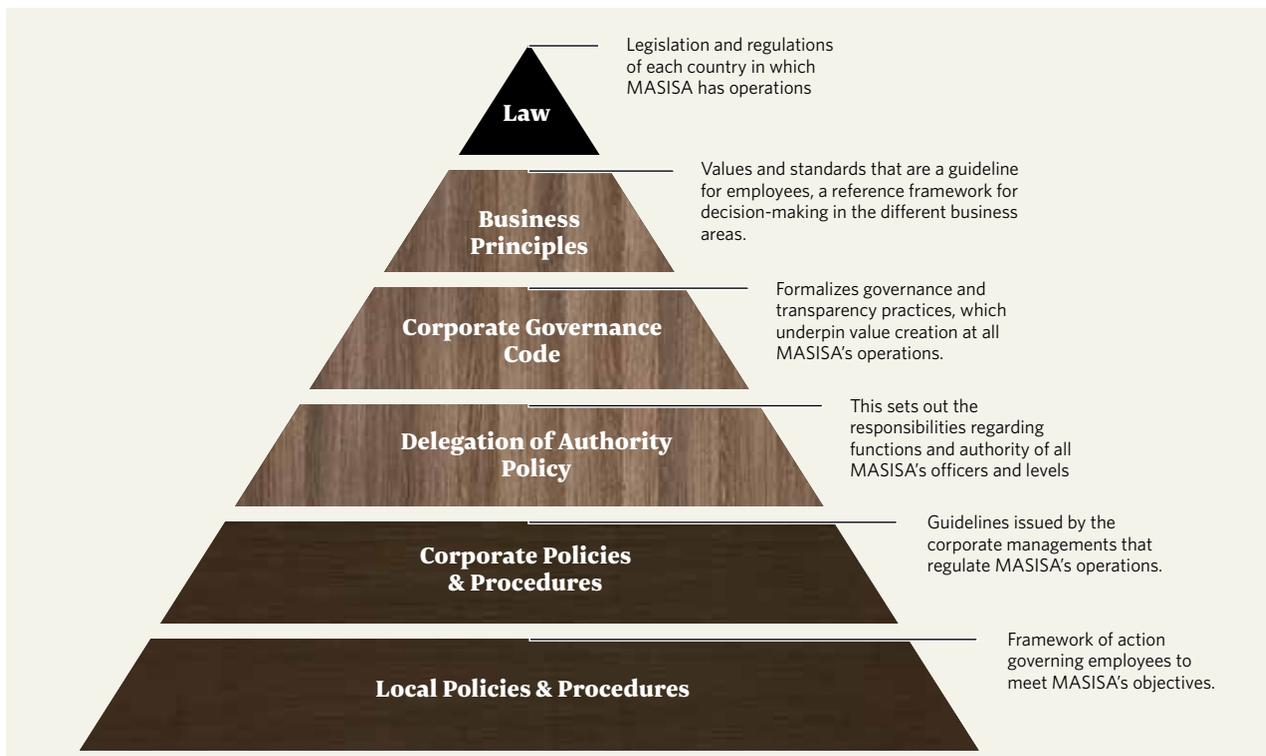
Corporate Governance Code

MASISA has a Corporate Governance Code. This document considers and incorporates recommendations of the Organization for Economic Co-operation and Development (OECD), and disseminates our world-class practices internally, to the market and other stakeholders. They underpin value creation in all our operations sustainably and are aligned with our Business Principles.

Handling of Conflicts of Interest

MASISA has a formal process to handle situations that might involve a potential conflict between the interests of employees and/or directors of the company. Any potential conflict of interest is channeled through the legal management for suitable treatment, pursuant to the company's internal guidelines and current legislation.

To guarantee suitable knowledge and handling of matters that might give rise to conflicts of interest, directors and employees report yearly, or whenever there is a change in what was previously reported, on their business, activities and main investments in which they have an interest, whether directly or through any of their related people.



Use of Confidential Information

MASISA has a formal policy and procedures for handling and disclosing information that might affect the share price or other securities of the company. It also prohibits executives or people with access to confidential information from undertaking transactions of shares or other securities of the company.

Pursuant to what is laid down in General Regulation N°211 of the Superintendency of Securities and Insurance, in May 2008 the company's Board of Directors approved the Manual on Handling Confidential Information, updated in accordance with General Regulation N°270, on January 27, 2010, and currently posted on MASISA's website (www.masisa.com) and on the website of the Superintendency of Securities and Insurance (www.svs.cl).

Investor Relations

The company has undertaken the commitment of delivering all relevant information to investors in the quickest and most transparent way possible, always making sure the company maintains the highest levels of integrity and complies with corporate governance goals.

Relations and communications with investors and other stakeholders are thereby maintained in a systematic and transparent way by MASISA's Investor Relations professional team. There are quarterly conference calls with results, the quarterly earnings releases and the general press releases.



Risk Management

By identifying, assessing and managing risks and internal controls, MASISA protects and increases shareholder and stakeholder value.

Risk management is the responsibility of management and is periodically monitored by the Board, which is supported by the Risk and Audit Committee.

MASISA has a formal and systematic process in which it supports the risk management for its businesses. The main components of this process include:

- Annual evaluation of key risks by management and reported to the Board.
- Independent assessments made by the internal audit management of the internal control structure.
- Certification assessments (ISO, OHSAS, FSC, etc.) undertaken by external companies.
- Review of the financial statements by the external and internal audit areas.
- Inspection of the risks at MASISA's operations made by insurance companies.

The result of the internal and external assessments, along with the compliance status of action plans committed by management, are periodically monitored by the Risk and Audit Committee.

Law on the Criminal Liability of Companies

MASISA has drawn up a risk prevention model to comply with Law N°20.393 on the criminal liability of companies, based on a governance framework comprising policies and procedures regulating processes that might have some connection with the offenses of bribery, asset laundering and financing of terrorism, the Business Principles channel and in the oversight role of the Risk and Audit Committee.

To comply with what is set forth by law, MASISA appointed the corporate internal auditing manager as the person in charge of supporting and enhancing the processes to prevent these offenses. Such appointment was renewed for a 3-year term in a meeting of the Risk and Audit Committee held on January 28, 2014. The activities undertaken by MASISA Chile in 2013 are outlined below:

PREVENTION:

146 MASISA Chile employees were given practical training on the content of the law and its implications.

DETECTION:

Review and testing of the process controls related to the offenses laid down in the law for permit, donation, third-party payment, and reporting processes.

RESPONSE:

- Inclusion of an analysis and investigation procedure chapter in the Internal Housekeeping, Hygiene and Safety Regulation pursuant to Law N°20.393.
- Signing of a contract annex, in which employees pledge to comply with the Internal Housekeeping, Hygiene and Safety Regulation and specifically concerning the chapter included in Law N°20.393. 358 employees signed such annex in 2013.

Triple Bottom Line Strategy

MASISA undertakes its business based on the triple bottom line strategy, which comprehensively and simultaneously envisages getting the highest quality indexes for its financial, social and environmental performance.

This strategy is monitored periodically using the sustainability scorecard management tool, an extension of the balanced scorecard model, which considers the permanent oversight of the strategic objectives in the financial, customer, process and technology, social and environmental responsibility and learning and development areas.

MASISA'S SUSTAINABILITY POLICY

MASISA has a sustainable development policy governing all the MASISA-controlled companies and/or investments in which the company is the owner of most or all the business management. This was approved by the CEO after review and presentation to the Board of Directors. The following aspects were addressed: triple bottom line management, operating (environmental, social and economic) impacts, social license, stakeholders, and sustainability balanced scorecard, the responsibilities of each segment of the organization, values and declaration of the Business Principles.

The policy sets out that MASISA is committed to managing its business sustainably, seeking to maximize the financial, social and environmental return of its operations. That entails incorporating social and environmental variables as a comprehensive part of its business strategy, which is presented in its sustainability balanced scorecard and its governance indicators, operating through triple bottom line management.

Regarding this, social responsibility is construed as responsible and ethical engagement with our surrounding communities and diverse stakeholders and in no case as philanthropy.

SUSTAINABLE DEVELOPMENT COUNCIL

The Sustainable Development Council, comprising country managers and corporate managers, proposes MASISA's medium- and long-term sustainability strategy; it defines the policies, programs and leadership targets to make sure MASISA attains world-class financial, social, environmental, health and safety management standards; it identifies and reports on emerging issues and supports executives of MASISA and its subsidiaries in achieving the targets. It also coordinates compliance with the principles of the UN Global Compact.

The country general management proposes the environmental, social, and health and safety targets, which are approved at corporate level, and puts the programs and action to achieve them in place.

Those who perform this task have a functional relationship with MASISA's Sustainable Development Council. To assure compliance with the targets, action and programs, they must be considered in the independent review processes that the internal audit area undertakes periodically.

The Sustainable Development Council convenes twice a year for a strategic meeting and the other to review the progress of strategic commitments. It invites experts from civil society to participate in both meetings and to provide an external view of MASISA's strategy. The following have participated in the last two years: Akatú, Avina, Triciclos and Casa de la Paz, among others.

STRATEGY AND SOCIAL AND ENVIRONMENTAL INDICATORS

	2010	2011	2012	2013
ROE	●	●	●	●
Engagement	●	●	●	●
Red M		●	●	●
Occupational Safety			●	●
Efficiency E	●	●	●	●
CO2 Emissions	●	●	●	●

● Complied ● Partially complied ● Not Complied

SUSTAINABLE DEVELOPMENT COUNCIL HIGHLIGHTS

2010

- Establishment of the Sustainable Development Council.
- Review of sustainability policies and procedures.
- Definition of strategic priorities for 2010-2013: sustainable construction and inclusive business.

2011

- Strategies for MASISA's furniture maker network (Red M), supplier development and social survey.

2012

- Definition of three management levels: basic, strategic and development.
- Definition of 2025 targets aligned with the 2050 targets of the World Business Council for Sustainable Development (WBCSD).
- Definition of the standpoint for participation in the Rio+20 Summit.

2013

- Order to develop collaborative development plans of 4-5 years with neighbors of all operations and extend supplier development plans to 3 years.
- Establishment of councils for each inclusive business model and its triple impact indicators (e.g., Red M).
- Follow-up on progress with 2025 targets.



MAIN AWARDS IN 2013

- MASISA was ranked in second place of corporate transparency by Inteligencia de Negocios, Chile Transparente, KPMG and Universidad de Desarrollo.
- MASISA is a leading company on climate change, according to Fundación Chile and Capital magazine.
- Red M received an award in the direct marketing category for loyalty and engagement by the Asociación de Marketing Directo e Interactivo de Argentina.
- MASISA Argentina was distinguished by the UN Global Compact for achieving "advanced COP," the highest Communication on Progress, during the IV Forum of the Argentine Network of the UN Global Compact.
- MASISA Argentina obtained first place in the 26th edition of the Argentine Export Awards for its opening-up of markets and variety of export products.
- MASISA Mexico attained 15th place nationally in the corporate social responsibility ranking in Mexico made by the IDEARSE center of Universidad Anáhuac.
- The Zitacuaro mill in Mexico secured familiarly responsible company certification from the Department of Labor and Social Security.
- MASISA Brasil attained a high position in the "Exame de Sustentabilidade" guide in the material construction industry.
- MASISA Brasil received an honorable mention in the DuPont safety and occupational health awards 2013.
- MASISA Venezuela received the "Social and Productive Enterprise Award" by the Venezuelan Chamber of Toys, Sports and Recreation.

Main Shareholders

MASISA's shares are traded on the Santiago Stock Market, the Valparaíso Stock Exchange, and the Chilean Electronic Stock Exchange.

For the year ended December 31, 2013, the capital stock of MASISA S.A. was divided into 7,839,105,291 subscribed and paid-up shares. The main shareholders are the investment holding GrupoNueva, Chilean pension fund companies (AFPs), foreign investors through Chapter XIV (direct foreign investment in the domestic market), and investment funds.

There were 7,951 registered shareholders as of December 31, 2013.

The controlling shareholder of MASISA S.A. controls it directly through the Chilean companies GN Inversiones Limitada and Inversiones Forestales Los Andes Limitada, which jointly hold 67.00% of the capital stock of MASISA .

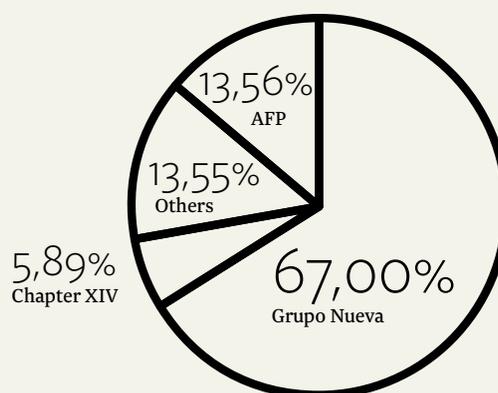
The main asset of GN Inversiones Limitada and Inversiones Forestales Los Andes Limitada is their majority shareholding in MASISA, a company through which they exercise their role as an investor specialized in the forestry and wood board sector.

No shareholders hold 10% or more of the capital or voting capital other than the controllers.

The following were the 12 main shareholders of the subscribed and paid-up voting capital stock for the year ended December 31, 2013:

NAME OR COMPANY NAME	Nº OF SHARES	% SHAREHOLDING
Gn Inversiones Limitada	3.639.886.299	46,43%
Inv Forestales Los Andes Limitada	1.612.485.819	20,57%
Afp Habitat S A	541.460.120	6,91%
Banco De Chile for behalf of non-resident third parties	287.738.870	3,67%
Afp Capital S A	202.957.182	2,59%
Afp Cuprum S A	186.016.762	2,37%
Celfin small cap chile fondo de inversión (new account)	124.609.126	1,59%
Banco itau on behalf of investors	120.009.350	1,53%
Afp Provida S A	102.118.824	1,30%
Banchile C de B S A	101.483.474	1,29%
Btg Pactual Chile S A C de B	96.910.940	1,24%
Chile Fondo de Inversion Small Cap	59.848.046	0,76%

AFPs include A, B, C & D funds.



⁵The controlling shareholder of 100% of the shares of GN Inversiones Limitada and Inversiones Forestales Los Andes Limitada, through a series of companies, is the foreign company Nueva Holding Inc. The owner and final proprietor of 100% of the Nueva Holding Inc. shares, through a successive chain of companies, is the entity Bamont Trust Company Limited (Bamont), which acts as a trustee representing the interests of the trust incorporated according to the laws of the Bahamas called Viva Trust. Pursuant to the trust structure, Mr. Mark Thomas Bridges, who is British, is the Protector of Viva Trust, who in turn has the power to appoint and remove the members of the Advisory Committee, a body that administers Viva Trust and is in charge of implementing and controlling the strategy of the mentioned trust.

Operating Environment

MASISA mainly produces and sells to the market in Latin America, a developing region with a good future economic outlook. Despite the GDP per capita growth in the region, uneven income distribution is still a major characteristic in the region with social inequality and high poverty rates.

The economy is extractive and underpinned by natural resources with low rates of industrialization and services. Environmentally, it has abundant natural resources and a large wealth of flora and fauna making it unique in the world.

The middle class has increased significantly and this has led to greater consumption. Even though there is more construction in the region, there is still a large housing shortfall.

It is very vulnerable to weather and environmental disasters. This region also has challenges for sustainable stewardship of natural resources. Increased demands from civil society for greater regulation are also evident.

According to the Action 2020 document of the WBCSD, the forecasts for our industry are:



FORECASTS FOR OUR INDUSTRY

- There will be greater global demand for forest products (wood, fiber, fuel, food and services of ecosystems). Wood demand is expected to triple by 2050 to over 10 billion m³.
- The forestry industry will employ 14 million people in the world, forests will directly affect the lifestyles of 20% of the world's population and will generate goods and services on which we all depend.
- To meet future demand, there will need to be sustainable use of natural forests and more forest plantations, along with the more rational use and re-usage of forest products.
- Managing more forests responsibly means reducing the climate change risks, providing critical ecosystem services that make life possible on earth, generating industrial wood and fiber for a very wide range of traditional products and innovative solutions, providing a food supply and renewable energy, along with recreational benefits.

Fuente: documento Action 2020 del Consejo Empresarial para el Desarrollo Sostenible (WBCSD por sus siglas en inglés)

Opportunities and Risks

As part of its comprehensive risk management, MASISA makes an annual analysis of the main strategic risks it faces in the development of its business.

This analysis is made by the corporate managements, the general managements of each country and with the support of the internal audit management, based on which the best strategies are defined to manage those risks that might impact the business objectives.

Management-defined strategies are approved by the company's Board of Directors, which in turn monitors the evolution of the risk status throughout the year. Strategic risk management is one of the main elements management uses to define and update its strategic plans.

To learn more about our risk management system, see the Corporate Governance section.





Growth opportunities

WOOD BOARD CONSUMPTION GROWTH IN THE REGION

We can see a positive evolution of wood board consumption in MASISA's industrial business with high growth rates.

This trend is due to the high housing shortfall in Latin America and solid wood being replaced by wood boards. Regarding this, MASISA's products have significant advantages over solid wood for manufacturing and furniture, since they have a higher price-quality ratio and comparative advantages of working with them.

In the last 15 years, economic growth in Latin America has therefore led to a large increase in wood board consumption per capita in the region, and there is still a large share of the market to be developed compared to consumption in developed countries.

FORESTRY BUSINESS UNIT

Forestry investments are characterized as being low risk, in which MASISA has gained profitability within suitable business ranges. Such characteristics make these assets an excellent protection from the wood board market fluctuations.

This low-risk situation was fully evident in the current global crisis, in which forestry assets had a much lower decrease than those of other assets. Moreover, they have additional advantages in a world of growing wood and fiber demand, as well as excellent features of being material used to make environmentally friendly products.

INCLUSIVE BUSINESS

Reducing poverty in Latin America is certainly imperative for those who work and live in the region, but it is also a basic requirement so our business can continue to grow in the long term.

MASISA understands inclusive business as economically profitable and environmentally and socially responsible initiatives, which use market mechanisms to improve the quality of life of low-income people

SUSTAINABLE CONSTRUCTION

MASISA has worked on different initiatives in Latin America to be in direct contact with the sustainable construction market by creating products certified in accordance with international standards. The FSC™ standard, along with constant participation with consultants who lead the Leadership in Energy and Environmental Design (LEED) certification processes, and bodies that coordinate such initiatives through the Green Building Council in different countries in the region, are just a few examples of the work undertaken.



Risk Management

In the normal course of its business, MASISA is exposed to various risks, such as market, operating and financial risks. The risk management policies are approved and periodically reviewed by MASISA's Board of Directors and management. The main risks are:

BUSINESS AND MARKET RISKS

Market risk and economic evolution

The global and Latin American economy, and particularly house construction and refurbishment, is the main driver of wood board demand and other wood products. Due to the cyclical nature of demand for the company's products, a deterioration in the global economic conditions could hit Latin America, our main market, and hence our business.

In the last few years, MASISA has increased its MDF, PB, MDP and MDF molding production capacity in response to growing demand in Latin America, attaining a sound position in the region to thereby maintain profitable operations that offer opportunities to achieve steady growth.

Risk of competition

We have competition in each of our markets and for our product lines in Latin America. The wood board industry is sensitive to changes in installed capacity and cyclical economic changes, which could hit our business.

To mitigate this risk, MASISA has targeted cost efficiency and being renowned as the company most focused on the final customer, with an innovative product offering and top quality solutions.

RISKS OF THE POLITICAL, REGULATORY AND ECONOMIC EVOLUTION OF LATIN AMERICAN COUNTRIES IN WHICH THE COMPANY OPERATES

Our business strategies, financial standing and operating results could be hit by changes in the government policies of those countries in Latin America in which we operate and other political events that affect these countries, of which we have no control. MASISA mitigates this risk with geographical diversification, having productive mills and commercial operations in Chile, Brazil, Mexico, Argentina and Venezuela, along with Peru, Ecuador and Colombia.

Price control risks

In January 2010, the government in Venezuela modified the defense, goods and services Access Law. Any infringement by a company could lead to fines, penalties or the confiscation of assets with no indemnity. In July 2011, the Venezuelan government approved the Fair Costs and Prices

Law, which allows the government to supervise prices and margins.

Likewise, the Argentine government has implemented programs to control inflation and the prices of products and services in various industries and markets, including our company and the industry in general.

To mitigate this risk, MASISA strictly complies with the regulations and has a commercial policy of managing product prices and mix in keeping with the local regulations.

OPERATING RISKS

Stoppages of any of our mills or other facilities

A stoppage of any of the company's mills or other facilities could lead to it failing to meet demand for our products and compel it to make unplanned capital investments. For example, in September 2012 there was a fire at our MDP mill at Montenegro in Brazil and in 2010 our mills in Chile were hit by an earthquake. Management tries to identify these risks to prevent them from occurring, minimize their effects and cover the risk with insurance.

Moreover, some of our employees in Chile, Mexico, Argentina and Venezuela are covered by a collective agreement with the unions. Our employees in Brazil, Peru, Ecuador and Colombia are not members of unions. The company's operations could be affected by strikes as a result of collective bargaining processes. To prevent this, MASISA has proactive programs for this, and is renowned in the industry for its human capital and social responsibility programs.

Supply Risks

The company is exposed to raw material supply risks, particularly chemical resins and wood, which are essential for the manufacture of its products. To minimize such risks, it has long-term agreements with chemical resin suppliers and, in some countries like Mexico and Venezuela, it produces resins. From the wood supply standpoint, MASISA has forest plantations in Chile, Brazil, Argentina and Venezuela and a diversified supply network.

FINANCIAL RISKS

In the normal course of its business and financing activities, the company is exposed to various financial risks that could affect its results.

MASISA is exposed to the volatility of financial markets, like exchange and interest rate variations. For further information, please see Note 30 (financial risk management and hedging definition) to the consolidated financial statements.

Currency purchasing risks in Venezuela and Argentina

An exchange rate control system is in force in Venezuela regulating the access of people and companies to US dollars. This exchange rate control system has undergone large modifications in the last few months.

Considering the recent modifications, the current mechanisms to gain access to currency are as follows:

1. In January 2014, the government announced the creation of a new institution governing exchange rate control called the Foreign Trade Center (CENCOEX). This new body will gradually take over all the attributes and responsibilities of the Currency Administration Commission (CADIVI). Access to US dollars will be maintained at a rate of B\$/US\$6.3 for the sectors deemed a priority. Up to late 2013, the company had access to US dollars by means of the CADIVI system for its raw material and spare part import needs.
2. The second mechanism is the Complementary Currency Administration System (SICAD), which depends on the Central Bank of Venezuela and operates by means of weekly tenders of up to US\$220 million, targeted at specific sectors of the economy and the allocation of US dollars complies with additional criteria to the price offered. Capital payments, dividends, consultancy abroad, travel and payments of intangible assets will be made at the exchange rate of the last allocation of the SICAD and after approval of CENCOEX. For reference, the SICAD exchange rate was B\$/US\$11.3 and B\$/US\$10.7 at the close of December 2013 and March 2014, respectively. Since its establishment in February 2013, the company has not obtained US dollars by means of this system.
3. The third mechanism to gain access to US dollars is SICAD II. Natural people or corporations from the private sector can operate in this system and authorized public entities. Operations are made through banks and security brokers. The authority has stated that the exchange rate in this system shall fluctuate according to supply and demand, although the Central Bank of Venezuela or PDVSA may intervene to keep it at a certain level. For reference, the SICAD II exchange rate was B\$/US\$51.58 at the close of March 2014.
4. There is still the system to purchase financial instruments issued by government bodies in Venezuela denominated in US dollars but sold in bolívares by the issuer. This allows financial instruments to be bought in bolívares and then to be exchanged for US dollars.

The fifth mechanism to gain access to US dollars is from exports as it is possible to hold up to 60% of the export revenue abroad for this. The remaining 40% must enter Venezuela and is transferred to bolívares at the latest SICAD II exchange rate. In 2013 and 2014, the company obtained US dollars for its exports to Colombia, Mexico and other markets.

In the case of Argentina, an exchange rate control system regulating currency access has been in force since October 2011. The result of this has been the emergence of an unofficial market with a significant difference from the official US dollar rate. As MASISA Argentina has a surplus balance of trade, the company's operations in Argentina have not been materially affected by exchange rate control and it has had access to sufficient currency to pay for its imports, debt service in foreign currency and to remit dividends.

RISKS OF DEVALUATIONS IN VENEZUELA AND ARGENTINA

The company is exposed to local currency devaluation in Venezuela and Argentina, which might affect its shareholders' equity and hence its financial debt level ratio.

To prevent the effects of devaluation scenarios in these economies, in December 2013 the company agreed with its long-term creditors to modify and flexibilize part of its financial covenants, protecting itself from possible devaluations.

LEGISLATION AND REGULATORY FRAMEWORK

The region has limited regulations on social and environmental issues, and greater stakeholder pressure for more demanding regulations (anticipate these trends) and MASISA therefore makes progress with self-regulation. This enables us to generate competitive advantages and anticipate restrictions in the future.

Examples of this commitment include having FSC™ certification for all our forest equity and adopt the California Air Resources Board (CARB) standard, the European E1 standard on low formaldehyde emissions for 100% of our wood board production, protecting the health and wellbeing of our customers and employees and the new generation plantation project in the forestry area.

MASISA also has a high-class corporate governance strategy, which is a key aspect of our long-term sustainable business strategy, as it promotes efficient and effective management of resources, generating a healthy internal control environment and creating value for our shareholders and stakeholders.

The ongoing enhancement of our corporate governance is a constant concern to achieve the target of being the company we want to be in the future.

GREATER MISTRUST OF CIVIL SOCIETY

Society expects much more from companies than 10 years ago, seeking to participate in the solution to social problems. MASISA's challenge is therefore now to migrate from the quest for a social license to operate to a "license to lead."

To manage this risk, MASISA has social management and community relation plans, demanding product, forest and industrial stewardship certification, like for example the FSC™ forest stewardship certification, and it is involved in the new generation plantation program, among others

In 2013, all operations analyzed the relationship with surrounding communities from a risk standpoint for the company's operation. This revealed that risks are controlled with the current mitigation plans. In 2014, the risk management system will review such analyses.

In general terms, in 2013 stakeholder communications remained quite constant, and the main query was the environmental impact in the industrial area and the impact on roads in the forestry area. Positive communications most concerned thanks for donations and/or training.

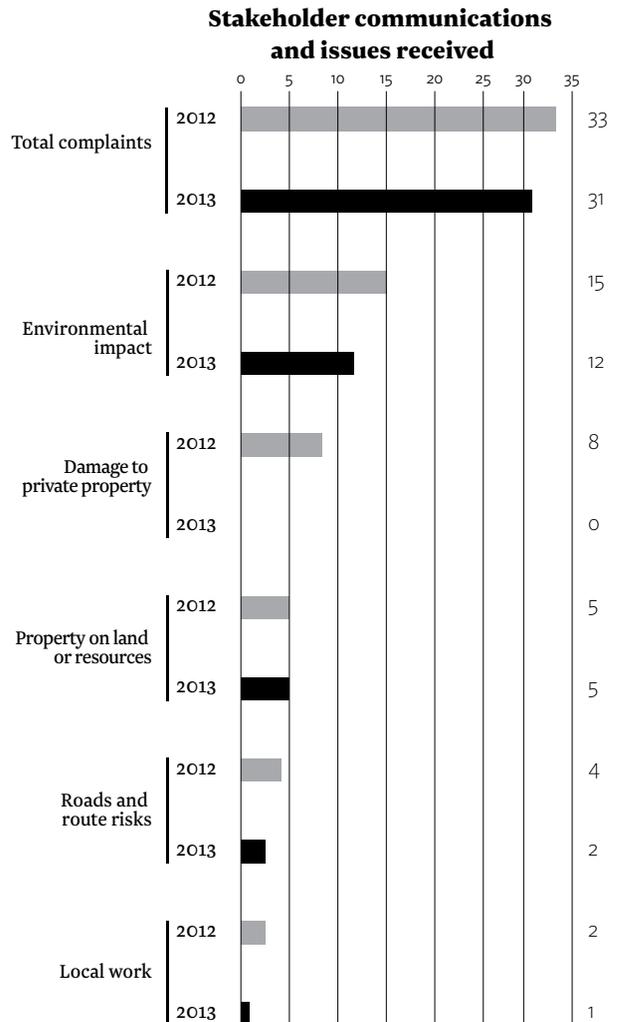
In regard to relations with indigenous peoples, which is an issue of great importance for the company, MASISA has an engagement and dialogue plan with communities in Chile and Venezuela.

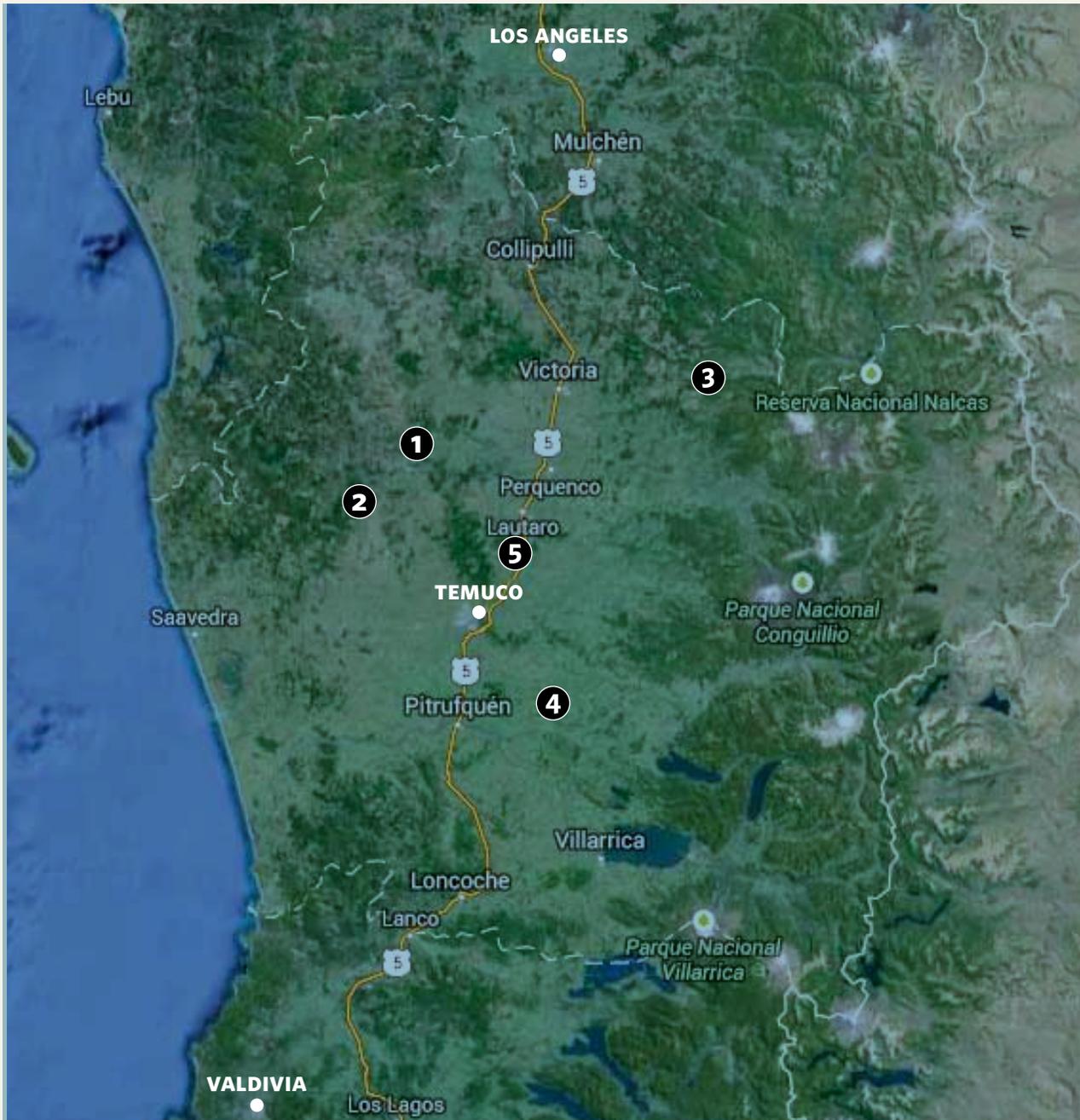
There is no conflict with the community in Venezuela and the risk is therefore lower, unlike Chile where conflicts have arisen in the last few years with indigenous communities in regions IX and X, which are claiming ownership of land, and this has led to disputes between indigenous communities, private citizens and companies.

In October 1993, the government of Chile passed Law N°19.253 on the protection, promotion and development of indigenous peoples. This law created the National Indigenous Development Corporation (CONADI) and an Indigenous Land and Water Fund to regulate the purchase of land by the government for communities with no land, with clear rules that native communities must comply with to gain access to such Fund.

Moreover, as a member of the International Labor Organization, in 2008 Chile ratified Convention 169 ("Convention on Indigenous Peoples' Rights), which lays down rights for indigenous individuals and communities.

MASISA owns certain properties in areas where there are conflicts (see the map). So far we have managed to resolve issues with communities by means of dialogue and working with the CONADI.





MASISA's landholdings and work with Mapuche communities

1 ▶ EL AROMO, GALVARINO

Local work, harvesting, establishment and stewardship.

2 ▶ HUAMAQUI, CHOL-CHOL

Water access and environmental education.

3 ▶ PEHUENCO, LIVERPOOL, SANTA INÉS, ALGARROBO, VICTORIA

Local work, harvesting, establishment and implementation enhancement.

4 ▶ ETRURIA, MAHUIDANCHE, PITRUFQUÉN

Cultural conservation enterprise, community tourism and environmental education.

5 ▶ GALVARINO DISTRICT

CORFO-Forestry Company agreement, Mapuche Nagche and Wuenteché business partnership. Training of Mapuche micro entrepreneurs and their personnel.

Stakeholders	Identification	Why we engage	Engagement Mechanisms
--------------	----------------	---------------	-----------------------

Direct and indirect employees

Direct or indirect employees hired by MASISA at its various operations.

Engagement with our employees directly impacts MASISA's financial, social and environmental performance (for example, product quality, environmental impacts generated by the operation and work safety).

- Periodic meetings by area.
- Training
- Meetings with unions.
- Joint employer-worker committee meetings.
- Internal communications by different means.
- Organizational events
- Volunteer programs/initiatives
- Engagement survey
- Performance survey
- Whistleblowing

Customers

- Buyers of our products.
- Small and mid-sized furniture makers (Red M), distributors
- Large surface areas, furniture industries and companies in the sector.

- Satisfied customers allow us to make a long-term projection.
- Strengthening small- and mid-sized furniture makers enhances the positive social impact of our business and is aligned with our business and sustainability strategy.

- Meetings and visits by senior management and the sales and marketing areas.
- Technical talks on products.
- Permanent handling of queries and advice.
- Participation in industry shows and expositions.
- Training program for small- and mid-sized furniture makers.
- Red M program.
- Furniture Maker's Day
- Whistleblowing facility
- Digital platforms and social networks

Suppliers

Small, mid and large-sized external companies that provide services, supplies and raw materials needed for production.

Maintaining a good relationship to have all the services and products needed to provide continuity to and project MASISA's business.

- Evaluation of critical suppliers.
- Evaluation of labor standards and risk management.
- Inclusion in information and dissemination campaigns.
- Operative audits and oversight.
- Tenders, purchase orders and contracts.
- Induction program.
- Whistleblowing facility

Positive & negative impacts

Risks for MASISA

Opportunities for MASISA

Management of Risks & Opportunities

Source

Positive: Development of local manpower, knowledge transfer and increased employability.

An uncommitted employee could endanger the safety of the rest of the employees, the environment and product quality, and even paralyze our productive operations.

Process, product and service innovation.

Engagement survey, the plans arising from this process, along with the performance evaluation process improve employee engagement and thereby reduce risks and increase opportunities.

2013 engagement survey

- Positive: top quality products (for example, certified and low formaldehyde emissions), delivery on time, good after-sales service, timely handling of complaints.
- Red M-related benefits.

Financial crisis that could affect building and renewal of environments.

- Unmet housing needs.
- Strengthening of small- and mid-sized furniture makers.
- More and better distribution channels to reach them.

- Red M, MASISA's loyalty program.
- Direct communication and handling of complaints.
- Innovation and joint creation of products and solutions to anticipate market needs

Customer satisfaction survey

- Relationship of trust, good contract conditions.
- Benefits of participating in the supplier development program (SDP).

- Not having supplies, services or raw materials on time could temporarily stop operations and in some more critical cases stop operations completely.
- Non-compliance and work accidents.
- Low environmental standards.

Improve supplier standards, provide continuity to the business.

- Evaluation and follow-up of critical/key suppliers.
- Environmental and social development level for the selection of new suppliers.
- Inclusion of social and environmental clauses in contracts.
- SDP development with critical suppliers to improve management, environmental and social performance.
- Induction and training processes.

- Supplier development program
- Self-assessment survey for strategic suppliers.

Stakeholders

Identification

Why we engage

Engagement Mechanisms

Surrounding Communities

- People from towns near MASISA's forestry and industrial operations.
- Residents' associations.
- Social organizations (formal and informal).
- Representatives of indigenous communities (Chile and Venezuela)
- Private schools (schools, high schools) benefitting from community programs.

- We seek to strengthen our good neighbor status to maintain our social license to operate and grow.
- We seek partnerships to make a contribution to the development and improvement of community quality of life.

- Meetings and periodic visits to communities and local organizations.
- Participation in community actions and festivities.
- Plant visits.
- Complaint and grievance system (reception and response).
- Social survey system (every 4 years as a minimum) and pulse (every 2 years).
- Participative consultation before, during and after operating activities according to the schedule (forestry).
- Participation in collaboration development plans.
- Training (environmental, educational and leadership)

Authorities NGOs Universities and other academic entities

- National, provincial and district authorities.
- Health, environmental and port authorities, among others.
- Non-profit environmental and social organizations (local, national & international).
- Universities and other academic support bodies in the areas in which we operate.

- Good engagement with the authorities and civil society organizations facilitates the understanding of the parties, anticipates future regulations and trends.
- Potential partners and employees in developing our community/ social management strategy.

- Formal communication.
- Meetings convened.
- Visits and inspections.
- Participation in regional/local projects and events.
- Certification and continuous improvement processes.
- Participation in working groups.
- Participation in events, forums, seminars convened.
- Collaboration agreements.

Shareholders

- GrupoNueva
- Pension fund companies (AFPs)
- Investment funds.
- Natural people

Company growth.

- Fluent and fast communication channels
- Delivery of periodic information.
- Publication of financial results.
- Plant and facility visits.

Positive & negative impacts

Risks for MASISA

Opportunities for MASISA

Management of Risks & Opportunities

Source

Positive:
Workforce
Opportunities of enterprise, access to training for trades related to our business.

Benefits related to the joint development of community plans.

Negative:
Impact of operations (for example: emissions, odors, noise)

- Conflicts with communities which hamper the social license to operate.
- MASISA has a procedure for assessing the social risks of different scenarios related to the following issues: environmental, communication and engagement, participation in local development.

- Source of manpower. Strengthening and development of local suppliers.
- Creation of partnerships to identify and develop joint community plans enhancing the positive impact.

Risk management:
Maintain environmental aspects related to MASISA's operations under control and effective and transparent engagement and communication action of mutual respect with these communities.

Opportunities:
Preference of filling direct and indirect jobs.
Collaborative plans to help solve issues/needs identified and prioritized together and with a long-term vision

Communication, grievances and complaints received.

Social survey

Meetings with neighbors and local leaders.

- Generation of trust.
- Strategic partnerships and collaboration with achieving common objectives.
- Transfer/ exchange of knowledge.

- Inspection and penalty faculty.
- Mistrust of corporate social/ environmental performance.

- Generate cooperation opportunities and projects and to achieve common objectives

- Maintain our environmental aspects under control, legal compliance.
- Permanent internal and external audits.
- Integrated management system.
- Process and product certification.
- Participation in public-private committees and dialogue
- Promotion of events (environmental)

- Dialogue and work roundtable discussions.
- Communication received
- Social survey.

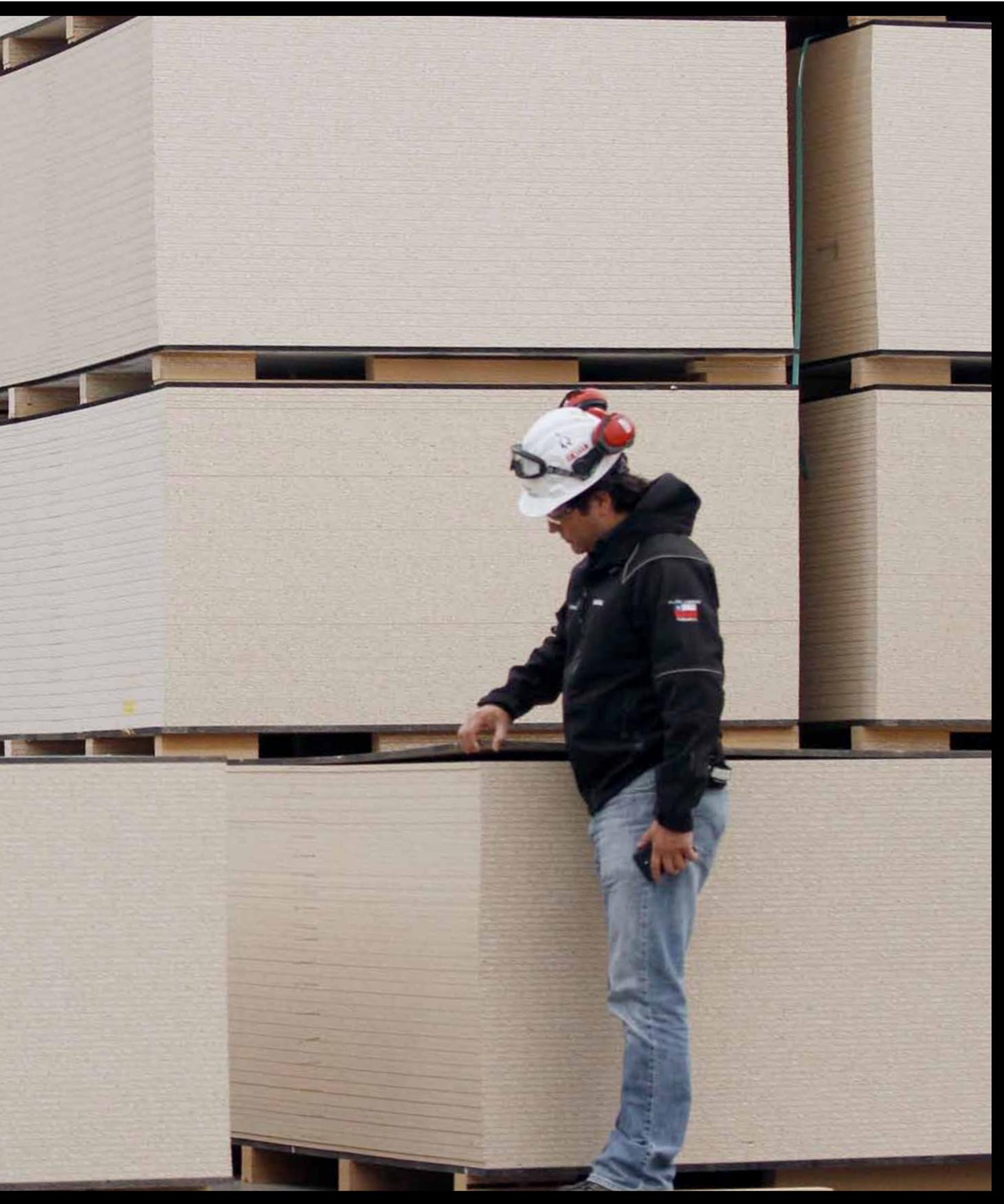
- Shareholders' Meetings



2

CHAPTER II

Strategy



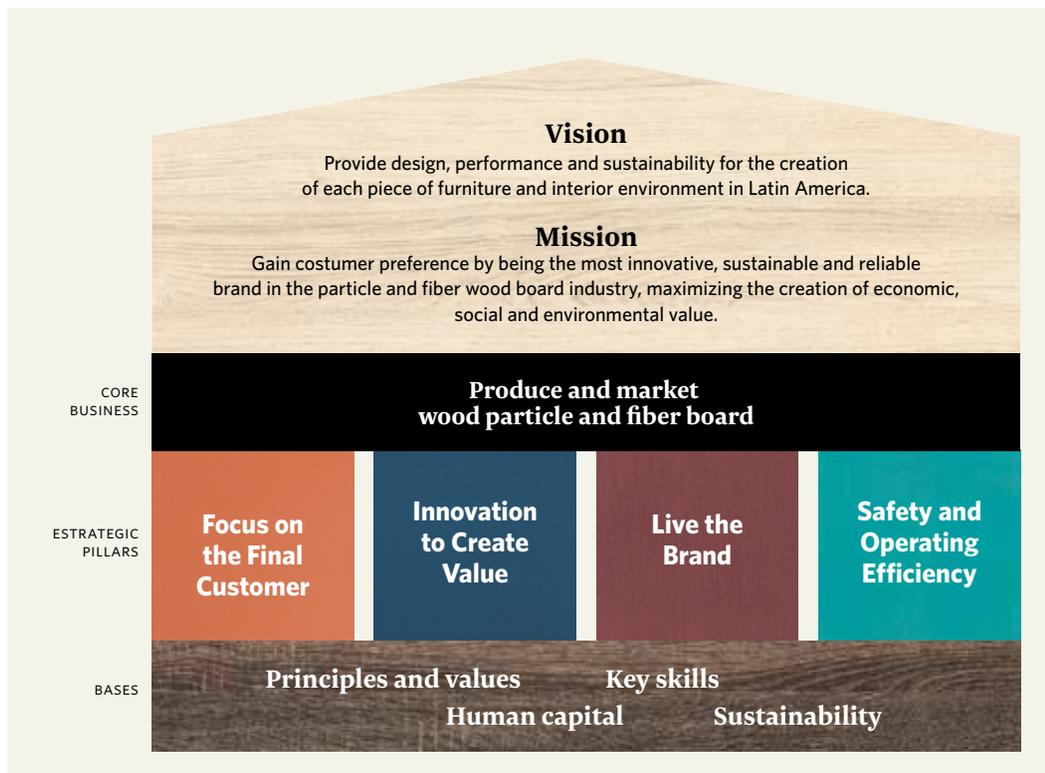
Our Business

MASISA produces and markets wood boards in Latin America. Its main products are: medium density fiberboard (MDF), medium density particleboard (MDP), particleboard (PB) and melamine-coated boards. It also markets other complementary products like sawn lumber and MDF moldings.

We have 10 industrial board complexes in Chile, Argentina, Brazil, Venezuela and Mexico. They have ISO 9.001, ISO 14.001 and OHSAS 18.001 certification, except Rexcel's mills recently acquired in Mexico. Moreover, all MASISA's wood boards are produced in accordance with the European E-1 standard on low formaldehyde emissions.

MASISA has an installed production capacity of 3,427,000 m³ of wood boards a year, and a capacity of 1,801,000 m³ of melamine- and film-coated boards a year. It also has a total sawn lumber production capacity of 691,000 m³ a year, and remanufacturing processes to produce MDF moldings.

We have a wide product mix for the furniture making and interior architecture industries, which are produced according to stringent quality controls and high environmental and social standards.



MAJOR PRODUCT



- **MDF:** These are wood fiber boards. Their main features are the excellent finishes that are achieved, lower wear and tear of tools and large savings on paint compared to other types of wood boards. MASISA manufactures MDF of different characteristics, formats and thicknesses, which are marketed as raw or melamine- or film-coated boards.



- **MDP:** These are wood boards that are ideal for the production of quality furniture, straight lines or organic shapes. Their advantages are their homogeneousness, resistance, dimensional stability and density, and they are ideal for new uses in printing, painting and coating processes.



- **PB:** These are boards manufactured with chips, wood shavings and sawdust, and they are resistant and light. They are used in furniture making, mainly in those applications where a flat finish is required. MASISA produces particleboards of different characteristics, formats and thicknesses, which are marketed as raw, or film- or melamine-coated boards



- **Melamine Boards:** These are PB, MDP or MDF coated on both sides with decorated sheets impregnated with melamine resins, which gives them a totally closed pore-free surface, which is hard and resistant to surface wear and tear. These boards have a wide range of colors and textures and offer the market the best variety of designs, wood and colors.



- **MDF Moldings:** MASISA's MDF moldings are sold in different profiles and thicknesses. They are mainly used for finishes in wall-floor, wall-ceiling combinations, and in frames.



- **Sawn Lumber:** MASISA produces dry sawn lumber, which is marketed in various thicknesses and lengths. It is mainly used to make packaging and pallets, for furniture making and construction.
-

GROWTH IN THE REGION

In early 2013, MASISA announced an investment plan of US\$600 million as an important part of the strategic plan by 2015, which will boost the core MDF and MDP business and growth in countries with more potential like Mexico, Brazil and Chile.

The investment program was firstly financed with a capital increase that in the pre-emption period raised US\$80.2 million, with the company's normal operating flow and structured divestment of non-strategic forestry assets of US\$203.6 million agreed on with Hancock Chilean Plantation LP.

US\$300 million of this plan are for the company's recurring investments in this period in industrial and forestry businesses, and the remaining US\$300 million consider new growth projects, mainly in Mexico, due to the large potential of this market and MASISA's leadership in that country, and also in Brazil and Chile to bolster the strategy in these markets.

These projects will be informed when they are specifically approved and the mentioned financing sources have materialized.



PRINCIPALES PROYECTOS E INVERSIONES REALIZADOS EL 2013

Purchase of Rexcel's Assets in Mexico

In March 2013 the company gained control of Rexcel's assets and implemented the investment programs envisaged in the budget, achieving the production targets according to plans pre-established for these assets.

It should be noted that this purchase gives MASISA a rated capacity of 460,000 m³ of wood boards a year; melamine lines; paper impregnation and printing lines; high-pressure decorative laminated lines; resin plants with a capacity of 24,000 tons a year; trademarks (Rexcel, Panelart and Wilsonart, among others), and other related assets needed for the operation of the business.

Melamine and Painting Lines at the Cabrero Mill in Chile

In July 2013, the company commissioned a melamine line with a 7 x 8 feet format and a painting line at the Cabrero mill. These lines will include an additional coating capacity of 120,000 m³/year of melamine and 36,000 m³/year of painted thin boards.

Melamine line in Brazil.

In the last quarter of 2013, a new melamine line started up in Brazil with an installed capacity of 140,000 m³ a year.

MDF project in México.

In July 2013, MASISA announced the construction of an MDF mill, a melamine or board coating line and expansion of the resin plant capacity at the industrial complex in Durango in Mexico at an investment of US\$132 million.

These investments complete the company's production mix by producing MDF locally, generating large cost, distribution and logistical efficiencies. The expected capacity is 200,000 m³/year and the project includes a melamine laminated line of 100,000 m³/year and expansion of the resin plant.

This investment has an approved environmental impact statement and the engineering stages are being developed.

MDF Molding Line Expansion in Chile

In July 2013, the company approved the expansion of the molding stranding line at the Cabrero complex, which in the second quarter of 2014 will have an installed capacity of 15,000 m³/month.

Setor industrial

A MASISA is an integrated company whose main business is to produce wood boards and other wood products for use in the furniture making and interior architecture industries in Latin America.

We also cultivate forestry resources at our plantations in Chile, Brazil, Argentina and Venezuela, with 226,433 hectares of planted forests and 161,959 hectares of other lands as of December 31, 2013.

We sell over 30% of our products through Placacentro outlets, the largest product distribution network for furniture making in Latin America in terms of the number of outlets and geographical coverage, with 351 outlets in 11 countries in Latin America for the year ended December 31, 2013.

This integrated structure from planting to the production and distribution of wood boards and other wood products, along with our leading position and broad presence, gives us an advantage of scale economy and geographical diversification. We also have a culture that fosters innovation in all the stages of our production, marketing and distribution processes, focusing on increasing profitability in a framework of environmental sustainability and community responsibility.

BUSINESSES

MASISA has two complementary businesses that operate in synergy with the board business:





The table below outlines the industrial properties, the main features and location, and lands for future projects:

	PB*	MDP*	MDF*	COATING*	MOLDINGS MDF*	SAWMILL*	LANDS**
Chile	137	280	490	468	100	337	757
Brasil	0	750	280	660	0	0	1.641
Argentina	165	0	280	274	104	0	350
Venezuela	120	0	310	60	0	150	1.080
México	615	0	0	339	0	0	803
Total	1.037	1.030	1.360	1.801	204	487	4.631

* Capacities in thousands of m3/year. **Lands in thousands of m2



Strategic Forestry Business Unit

The strategic role of the forestry business unit is to support MASISA's development and growth to attain leadership of the wood board industry in Latin America.

For this it seeks to develop the synergies needed to supply industrial plants by generating forest products directly from the forest and also recovering industry byproducts of own and third-party sawmilling that the forestry business unit supplies as customers.

For this it drives the development of an active market in its areas of influence, aimed at maximizing the economic value of the investments made and developing new forestry areas that have attractive profit levels for the company, which assure synergies with the industry, mainly by providing a competitive source of fiber to produce wood boards.

The outcome of seeking to maximize the value of forest assets provides sustainable fiber and raw material supply flows over time for the company's and third-party industrial units (by species, volume, product, location and seasonality).

For the year ended December 31, 2013, MASISA had a forest equity of 388,391 hectares of land in Chile, Brazil, Argentina and Venezuela. Most of MASISA's plantations have Forest Stewardship Council (FSC™) certification.

The forest properties are outlined in the table below, which shows the main characteristics and location, along with information on those leased.



Forest plantations:	226.433 hectares
Land to be forested:	70.146 hectares
Native forest and natural reserves :	66.063 hectares
Other lands:	25.748 hectares

(HECTARES)	CHILE FGT	CHILE MASISA	BRASIL	ARGENTINA FASA	ARGENTINA MASISA	VENEZUELA*	DIVISION TOAL
Pine plantations	17,549	60,125	9,782	16,339	13,208	83,092	200,095
Eucalyptus plantations	3,730	778	1,063	16,136	0		21,708
Plantations of other species	499	210	6	0	0	3,916	4,631
Land to be forested	1,080	9,553	1,720	7,807	539	49,448	70,146
Native forest and reserves	19,988	25,241	9,829	4,191	4,750	2,065	66,063
Other lands	1,460	5,438	617	8,492	921	8,820	25,748
Total	44,306	101,345	23,017	52,965	19,418	147,340	388,391

*73% of the plantations in Venezuela are on leased land



Strategic Placacentro Business Unit

MASISA's Placacentro network continued to consolidate in 2013 as the largest network of specialist outlets for furniture making products and services in Latin America.

For the year ended December 31, 2013, it had 351 outlets in 11 countries in the region: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, where it is possible to find all the products needed for furniture making in one single place.

One of the highlights in the year was the transformation of 49 third-party Placacentros in Brazil to the MASISA distributor format. This was due to reviewing MASISA's competitive strategy for the Brazilian market.

The net evolution of the number of Placacentros at consolidated level dropped from 381 to a 351, with 37 new outlets added and 67 eliminated (including the 49 in Brazil). As of December 2013, 48 of the 351 outlets are owned by MASISA and 303 by third parties.

In terms of performance, MASISA's wood board sales to the network were US\$340 million, accounting for 43% of the total sales in the Latin American market where the network is present, and 46% of MASISA's total gross margin in countries where the network is present (this already includes the Brazil adjustment). That means that the Placacentro network is a strategic channel that not only allows MASISA to assure a large part of its volume but also attain a better gross margin than the average of the rest of the channels due to the product mix marketed.

In regard to progress with the program to improve the standard of the network, this was 89% of the Placacentros in an ideal situation, which puts us in a very good position to continue to work on improving the value proposal for network customers, the small- and mid-sized furniture maker.



Concerning internal management, in 2013 the company created the strategic Placacentros business unit, which has a dual role of leading and managing the Placacentro network programs and initiatives in the region, and directly managing MASISA's network of own outlets.

Programs to boost the channel sales

In 2013, MASISA focused network support on three programs that could help the differentiation and competitiveness of the network with the main aim of driving sales and continuing to improve the mix:

- 1. Showroom design center:** This has enabled a larger number of outlets to offer this service and provide furniture design solutions to customers to professionalize the presentation of their projects. 167 outlets now have the service, of which 83 were incorporated in 2013 with the new MASISA-developed software.
- 2. Training of the outlet sales force:** The aim is to improve and standardize the customer buying experience and give outlet vendors sales tools and techniques to improve their performance.
- 3. Commercial incentive program:** This is an incentive system for the sales force of outlets, which is focused on meeting the specific objectives aligned with MASISA's strategy and that of its outlet network.

In 2013, MASISA added 10 new locations in Colombia, Peru and Chile, concluding the first phase of expansion, contributing significantly to improve the coverage level manner.

Red M, Furniture Maker Engagement Program

Red M continued to grow with a large increase in the number of registered and active furniture makers to over 50,000 registered carpenters and furniture makers.

The program, which was launched in 2010, is already in place in all the countries where this was planned, i.e., Argentina, Chile, Colombia, Ecuador, Mexico, Peru and Venezuela, and in 217 outlets covering over 60% of the network.

The program continues to include new benefits and enhance those most valued by our customers. These include the furniture maker handbook (also called the directory of carpenters), a digital platform on which carpenters and furniture makers can make known and boost their businesses directly with the final customer.



Purchase Center Enhancement

The purchase center, which supplies Placacentro outlets with a broad mix of complementary products for the furniture industry, continued to grow in 2013 with sales of US\$44.5 million, a 14% year-on-year increase.

In 2014, the purchase center expects to carry on growing, expanding the general product mix, continuing to develop the Placacentro own brand and improve the transactional platform to make the purchase process easier.

Distribution Channels

MASISA sells its products through a personalized multi-channel distribution network, which includes Placacentro outlets, retailers, industries, wholesalers, exports and others. When we refer to our customers, we mean a personalized multichannel distribution network.

The final users are carpenters, furniture makers and industries that buy our wood boards and other wood products. Our Placacentro distribution network is the largest network of specialized outlets for professionals engaged in furniture making and interior architecture in Latin America in terms of the number of outlets and geographical coverage

Own Placacentro Network and Model Outlets

In 2013, MASISA added 10 new outlets in Colombia, Peru and Chile, concluding the first expansion stage and greatly helping to improve the level of coverage.

The own outlet network now has 48 outlets, mostly in Chile, Colombia and Peru, and model Placacentros in Mexico and Brazil. In 2013, the own outlet network had sales of around US\$50 million, selling more than 60,000 m³ of wood boards.

In the second half of 2013, the company focused on ordering the operation and strengthening the operation and control processes.

The focus in 2014 will be on boosting sales and consolidating the operation of the business to assure the profitability of each of the outlets that are part of the own network.

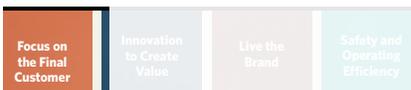
Objectives and Corporate Strategy

In the last few years we have focused on having a sound strategy which we are currently driving, and this will enable us to harness MASISA's maximum potential in the next five years.

This large challenge involves a series of initiatives in different areas to have greater resources to grow in the region, enhance competitiveness and develop a high performance culture.

The aim of this is to boost the company's profitability, attain a level of engagement of excellence from our employees, be the most renowned brand in our markets and for our material stakeholders, have undisputed leadership of sustainability and be an example for our safety level at all our operations.

To successfully carry out our objectives and fulfil the vision of the company we want to be, we updated our strategic pillars that will guide our priority activities and they are underpinned by our principles and values, the essential bases of our company.



FOCUS ON THE FINAL CUSTOMER

We are in ongoing contact with carpenters to understand their requirements and trends that should guide our communication and development of new products and services to gain their preference for steady long-term growth. At the same time, we get a renewed and revitalized brand to the final consumer.

MASISA has a multichannel marketing strategy, mainly comprising retail chains: MASISA's Placacentro network, distributors and large surface areas, besides furniture wholesalers and industries. MASISA mainly reaches the furniture maker in the retail channel.

To find out more about MASISA's Placacentro network, please see page 63 and page 64 for further information on our furniture maker engagement plan



INNOVATION TO CREATE VALUE

We seek to be renowned as the most innovative company in our industry by generating new businesses and value-added products that anticipate our customer needs and help to increase operating income.

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For MASISA innovation is a leadership attitude to surprise our customers with new products and services that arise due to the creativity and enterprise of our employees.

Our brand positioning now puts us in first place for innovation and to maintain that leadership we have continued to enhance our internal processes based on creativity and intra-enterprise without ceasing to act and seeking innovation outside MASISA.

We have therefore added external entrepreneurs to our ecosystem and managed to enter into top rate strategic partnerships with technology partners that provide knowledge and disruptive elements we can develop internally.

The innovation focus in 2013 to generate high impact innovation projects was on:

- Productive and lean processes: energy, fiber and resins; waste and recycling; flexible low-scale production.
- Materials - wood boards - furniture: performance attributes; new coatings; interiorism.
- Industrial experience: sales service and integration to the MASISA Components business.
- Furniture maker experience: service time and MASISA furniture maker network (Red M).
- Business models for the home: electronic commerce or do it yourself (DIY).



Moreover, MASISA LAB brings together intra-entrepreneurs to develop their projects and work together in a multidisciplinary environment. In Chile and Mexico we have managed to connect to the design and architecture world, developing tie-in projects that have led to disruptive projects for the industry in Latin America. Some examples in 2013 were MASISA Articula, MASISA Detona and the Mexican Design Open. The highlights in Chile were the digital application (MASISA App) and the forums with design icons.

Our long-term vision is to attain and maintain an innovation rate in which 20% of our business has products and services that did not exist three years ago.

In 2013, we were close to achieving this goal (18%), for which the challenge is to carry out and develop high impact disruptive business for the market in Latin America. We also kept up an intensive renovation rate for our melamine design portfolio and we have added new products in new categories like wall coating and new melamine designs, launching 58 new products in the region.



Focus on
the Final
Customer

Innovation
to Create
Value

Live the
Brand

Safety and
Operating
Efficiency

LIVING THE BRAND

We seek to generate brand value and preference for our products by means of unique and visible positioning of the main differentiating features.

One of MASISA's four strategic pillars for value creation is "Living the Brand," and so in 2013 the company launched a brand project that included research with customers and key stakeholders in Latin America to renew the company's global positioning, focused on the final consumer and covering the different customers and channels.

The new positioning is targeted at people who seek to reflect their style in the decoration of their areas, for which MASISA, a benchmark in Latin America for coated wood boards, is renowned for the closeness to its customers, for offering the best design mix and its environmental care.

A key element is that MASISA is renowned by all the countries and customers where it has a presence as the innovation and design brand in its industry, and the positioning we will build will therefore be focused on people's lifestyle. We will make more visible innovation, the wide product mix and designs for furniture and interior architecture that the company offers its customers.

In this Annual Report we are anticipating the new logotype with the slogan "your world in your way" and some visual elements we will disseminate in all our markets in 2014.

Focus on
the Final
CustomerInnovation
to Create
ValueLive the
BrandSafety and
Operating
Efficiency

SAFETY & OPERATING EFFICIENCY

We will sharpen programs to improve processes, costs and the efficient supply of raw materials, which assure us the competitiveness needed for the long-term business development. Our operating efficiency is associated with the quality of our products and the search for eco-efficiency.

In 2013, the programs related to operative efficiency (operation management system and improvement groups) continued helping to oversee and manage the continuous improvement of processes, making indicators like overall equipment effectiveness (OEE), and costs more efficient.

This year we got all the MDF lines to have an OEE of over 80%.

In line with continuous cost management of our main raw materials, in 2013 MASISA started to implement new resin injection technology, improving the dosage and thereby reducing consumption. For this, it selected the "Projet" equipment of Germany-based Dieffenbacher and purchased this for the MDF mills in Chile, Brazil and Argentina. The first equipment started to operate in Chile and by year end there were already large cost savings.

The company also worked on optimizing the melamine design portfolio, attaining large synergy with the standardization of designs for all our markets and thereby a better purchase position.

In the energy area it acquired the biomass-fired cogenerating plant at Cabre-ro in Chile and negotiated supply contracts for the Cabrero complex to attain energy supply price sustainability and stability for the operation.

Lastly, in 2013 the company started to implement the lean manufacturing project, which is based on consolidated systems, and aims to provide a new drive and proven support to operating efficiency, reducing any kinds of losses in the value chain.

In regard to the safety issues that are also part of this strategic pillar, please see the information on page 94 below.



MASISA SE UNE AO INSTITUTO KAIZEN

To implement all operations methodology production "Lean" known as Lean Manufacturing, MASISA joined the Kaizen Institute. With the LEAN project, focused the contribution of each person and through work in team seeks to manage MASISA continuous chain value by identifying opportunities improvement in our processes to make them more safe, efficient, effective, end customer oriented, and so capture the full potential operation, putting special focus in all our actions directly related to value creation and in eliminating those that are not. The project is part of LEAN strategic initiatives MASISA and will be implemented stepwise in all operations, Chile being the country selected to start the process.

Quality

MASISA assures product quality management by adding customer perception tools about our products, improvements of our quality assurance systems and the annual product quality benchmark in markets in which we operate.



We ended the year with a complaint indicator of 0.057% (complaint volume/sales volume).

All the productive units were re-certified in accordance with the product management and quality system standards.

ISO 9001 CERTIFICATION

All MASISA's affiliates have quality management system certification in accordance with the ISO 9001:2000 standard, thereby getting all the company's operations to have the same management quality level. These certification systems enhance the communication and understanding of MASISA's quality policy. They also help to align the objectives, identification and management of key processes, and documentation ordering and reliability.

Lastly, they drive the company to generate trust of the conformity with the products sold and to improve its process efficiency.

PRODUCT CERTIFICATION

EUROPEAN E-1 STANDARD

MASISA produces wood boards that have low formaldehyde emissions and with Class E-1 certification, pursuant to the European standard. The urea-formaldehyde resins are used as wood fiber adhesives and give the wood board consistency. Compliance with this standard is audited externally every six months at all the company's plants.

CARB 2 CERTIFICATION

MASISA produces wood boards in accordance with the California Air Resources Board (CARB) Phase 2 for its products in Chile, Argentina and Mexico, and it is a standard for MDF and on request for MDP and PB. This certification is very important, and is required in the state of California in the USA and is soon expected to be a regulation applicable to all wood board-type products sold in the United States.

FSC™ CHAIN-OF-CUSTODY

MASISA has FSC™ Chain-of-Custody certification in markets in Venezuela, Brazil and Argentina for the pine-based wood board and MDF molding lines. Besides sawmill, moldings and MDF products, Chile has certification for MDP/PB and melamine.

In February 2014, MASISA Chile will merge its Chain-of-Custody with the products of the wood division, thereby operating under one single certification, which will raise the efficiency of management, and with Chain-of-Custody also including veneer products and the new painting line.

SCS RECYCLED CONTENT CERTIFICATION

MASISA has Scientific Certification System (SCS) certification for all its MDF products and MDF moldings at its mills in Argentina and Chile. This international certification guarantees that a certain percentage of the product content, which varies among different countries, comes from wood recycled in industrial processes.

This certification enables a quality and environmentally responsible product to be offered, as its process encourages the use of recycled material or byproducts.

MASISA has also voluntarily adopted certification guaranteeing that the quality control systems assure compliance with the physical and mechanical properties of products, confirming what customers are informed.

Strategic future commitments

MASISA aims to carry on doing sustainable business in Latin America in the long term. It is therefore analyzing feasible and realistic future scenarios to design its business plans, considering a desired outlook of an economy in transformation.

In the economic area, MASISA hopes to raise the company's financial profitability and the shareholder return by 2017, for which it will work on the four mentioned strategic pillars.

Concerning future goals in the environmental and social areas, MASISA is focused on three areas proposed in the 2050 Vision of the WBCSD, where it can generate an impact with its business model. These areas are human development, materials and forests, for which it defined six objectives and targets by 2025.



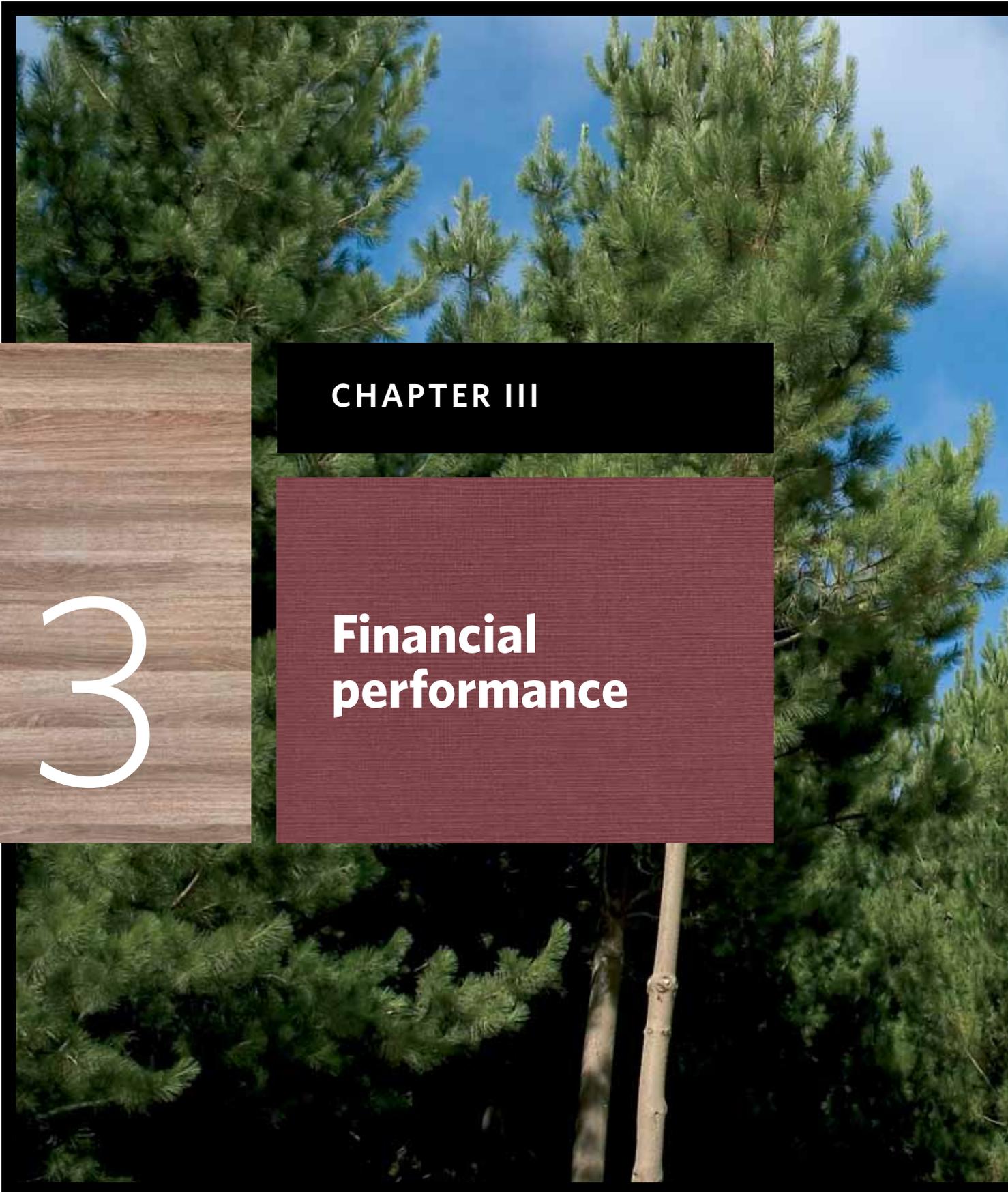


Human Development			Forests	Materials		
<p>Business makes a contribution to wellbeing, reducing poverty and the quality of life.</p>			<p>Business helps to end deforestation, and duplicate carbon sumps.</p>	<p>The energy efficiency of resources and materials has been multiplied by four and ten times as of 2002</p>		2050
<p>BENCHMARK IN SYSO THROUGHOUT THE VALUE CHAIN</p>	<p>FURNITURE SUSTAINABILITY AFFECTS PURCHASING DECISIONS</p>	<p>NETWORK OF FURNITURE MAKER BUSINESSES IMPACTED</p>	<p>10% INCREASE IN PRODUCTIVITY/HA. OF PLANTATIONS MANAGED WITH NEW GENERATION CONCEPTS</p>	<p>5% FOSSIL FUEL ENERGY CONSUMPTION (DOWN FROM 16%)</p>	<p>ZERO INDUSTRY WASTE</p>	2025
<p>2017-2018: SYSO excellence level (> 90%)</p>	<p>2020: 5% production of wood boards is NAF (without formaldehyde)</p> <p>2018: MASISA's NAF product is present in niche markets..</p>	<p>2018: Inclusive community of 100,000 furniture makers with 35,000 impacted</p>	<p>2018: 5% increase in productivity of plantations/ha. managed under new generation plantations (NGP)</p>	<p>2018: 11% fossil energy consumption.</p>	<p>2018: 7 kg de waste/ m3 (38% reduction)</p>	2016
<p>2016: Good practice level (75-90%)</p> <p>2014: Maturity level (61-75%)</p>	<p>2014: Plan to position low formaldehyde emissions in the industry in all countries. NAF (without formaldehyde) commercial pilot tests</p>	<p>2015: Inclusive community of 35,000 furniture makers.</p> <p>2014: We started to measure the social impact.</p>		<p>2015: Argentina: Operation with a biomass-fired thermal plant.</p> <p>Venezuela: Assess replacing fuel with the biomass.</p>	<p>2015: Slag ash: composting and re-use in concrete project.</p>	2015
<p>2013: Development level (40-60%)</p>	<p>2013: Analysis of the feasibility of implementing an ecological label in all countries NAF (without formaldehyde) industrial pilot tests</p>	<p>2013: Inclusive community of 24,000 furniture makers.</p> <p>We started to measure the impact.</p>	<p>2013: Analysis of the uses, handling and markets of acacia. Field tests of poplar started in Argentina.</p>	<p>2013: Assessment of the feasibility of a biomass-fired boiler. Search for alternative fuels and consumption efficiency.</p>	<p>2013: Venezuela: Consolidation of the recycling program.</p>	2013



CHAPTER III

**Financial
performance**





Markets

MASISA's commercial operations are focused on Latin America, which accounted for 87.0% of the consolidated sales in 2013, with diverse export markets taking the remaining 13.0% of sales.

Chile and its export markets in the region, along with Brazil and Mexico, are countries with high growth potential and were therefore the markets on which the company focused investment.

The positive trend of wood board demand in Latin American markets continued in 2013, although towards the end of the year various economies in the region were showing signs of a slowdown in economic growth that is expected to reduce the growth rate of wood board demand in the next few quarters.

Nevertheless, due to the ongoing trend of replacing solid wood consumption with wood fiber boards in Latin America, regional wood board demand is forecasted to carry on growing at a rate of over twice the economic growth.

Another important trend was the steady recovery of MDF molding demand in the United States and Canada, where the economic recovery in the Northern Hemisphere has driven house construction and refurbishment. Sales of this product increased 76% in 2013.

The highlight in the markets in which MASISA operates was the sales increase in Mexico as of March due to the absorption of the assets bought from Rexcel.

INCOME STATEMENT OVERVIEW (US\$ THOUSAND)

	JANUARY-DECEMBER 2013	JANUARY-DECEMBER 2012	VAR. %
Current revenue	1.364.710	1.349.321	1,1%
Sales expense	(1.038.086)	(1.055.867)	-1,7%
Gross margin	326.624	293.454	11,6%
Distribution and administration expense	(204.124)	(190.020)	7,4%
EBITDA *	240.817	224.433	7,3%
Net financial expense	(43.409)	(44.981)	(3,5%)
Profit attributable to holders of participation instruments	50.545	45.159	11,9%
Profit (loss)	54.912	50.710	8,3%

*EBITDA= (gross margin) – (distribution and administration expense) + (depletion) + (depreciation and amortization)

Note: the comparisons made in this section are between the accrued income for the year ended December 31, 2013 and that of the year ended December 31, 2012.



Sales

Total sales accrued as of December 2013 were US\$1,364.7 million, which was a US\$15.4 million increase (+1.1%).

The sales volume of wood boards, the company's main product, increased 3.5%, mainly due to the incorporation of Rexcel's PB lines in Mexico, and to a lesser extent the increase in Venezuela due to greater local demand. That was partly offset by a decrease in Brazil because of the gradual production ramp-up of the MDP mill at Montenegro after the fire in September 2012, and lower volume in Chile on account of greater local competition and higher imports.

INDUSTRIAL BUSINESS UNIT

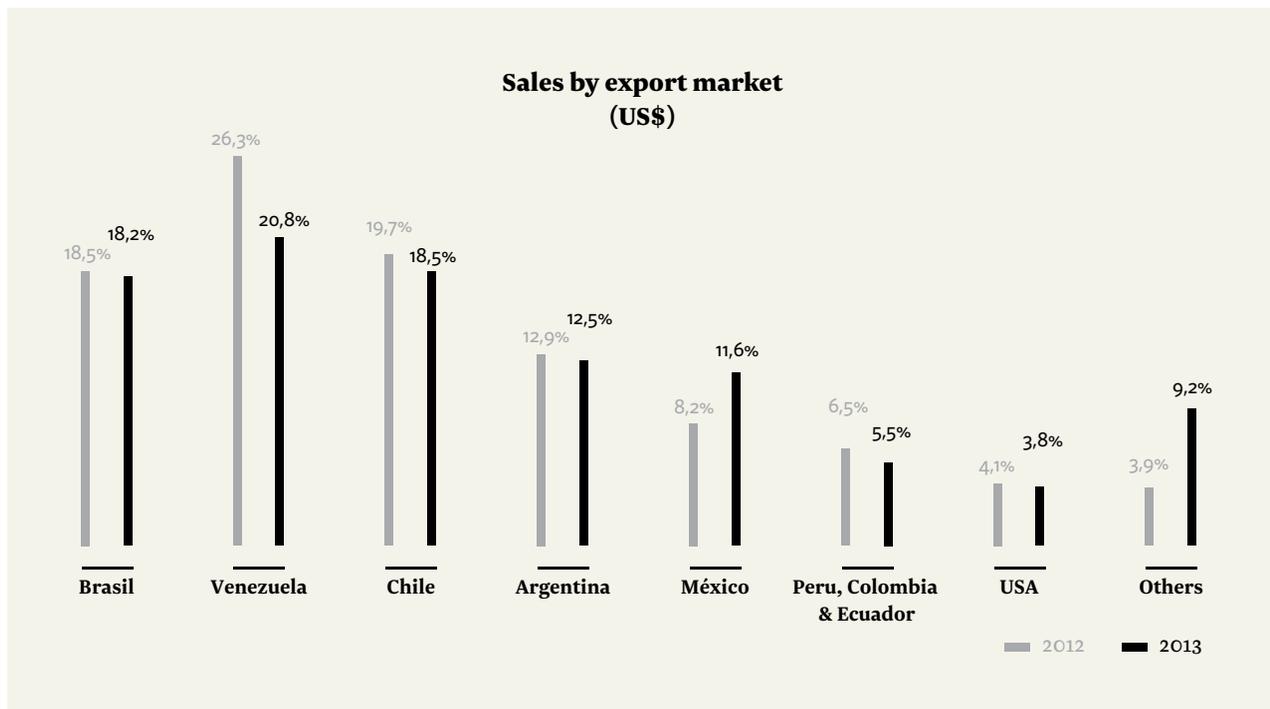
This business unit had accrued sales of US\$1,251.5 million, which was a US\$24.3 million (+2.0%) increase. Such increase was mainly due to higher sales revenues in Mexico and other export markets.

MDP/PB sales rose US\$10.4 million (+2.9%), mainly due to an increase of US\$48.7 million (+132.8%) in Mexico, largely because of the absorption of Rexcel. That was partly offset by a US\$13.6 million (-16.4%) decrease in Chile because of higher imports and local competition, a US\$11.4 million (-24.0%) decrease in Venezuela due to the devaluation of the bolívar, a US\$9.0 million (-9.3%) drop in Brazil from the gradual production ramp-up of the MDP mill at Montenegro after the fire in September 2012, and a US\$4.8 million decrease in Peru.

MDF sales fell US\$75.1 million (-12.6%) due to lower sales, mainly in Venezuela where they dropped US\$63.7 million (-31.9%) because of the devaluation of the bolívar. They also fell US\$5.6 million (-11.8%) in Mexico and US\$4.0 million (-22.1%) in Colombia, in both cases due to an oversupply of products that hit prices. That was partly offset by an increase of US\$6.6 million (+4.8%) in Brazil from higher demand, a US\$2.3 million (+2.9%) increase in Argentina and a US\$26.6 million (+76.0%) increase in MDF molding sales because of greater exports, mainly to the United States and Canada.

FORESTRY BUSINESS UNIT

This business unit had total sales of US\$169.2 million, a US\$20.7 million (-10.9%) decrease. That was mainly due to lower log sales to the industrial business unit to produce wood boards. Sales to third parties (excluding intercompany sales that are eliminated in the consolidation process) were US\$113.2 million, falling US\$8.0 million (-6.6%). In country terms, there was a 76.0% decrease in Venezuela due to the devaluation of the bolívar, which was partly offset by a 7.5% increase in Brazil. Sales in Chile and Argentina remained relatively stable.



Sales Cost

The total accrued sales cost fell -1.7% to US\$1,038.1 million. Sales costs dropped, largely due to lower energy costs and the effects of devaluation in Venezuela.

INDUSTRIAL BUSINESS UNIT

Sales costs of this business unit dropped 1.0% to US\$941.7 million, mainly because of lower energy costs on account of recently signing electricity supply contracts in Brazil, Chile and Argentina. These effects were partly offset by a higher production cost due to changes in the product sales mix, explained by higher sales of MDF moldings, a product with a higher margin and production cost.

FORESTRY BUSINESS UNIT

The sales costs of this business unit, including intercompany sales, dropped 11.3% to US\$152.5 million, mainly due to the effects of the devaluation in Venezuela. Sales costs also fell in Chile because of a lower sales volume and exchange rate effects. Sales costs dropped in Brazil since forestry sales in that country were mostly standing timber sales, which do not include harvesting costs. Costs, excluding intercompany sales (which are eliminated in the consolidation process) fell 8.2% to US\$96.4 million.

326,6

GROSS MARGIN (Millions US\$)

Gross Margin

The gross margin was US\$326.6 million, an 11.3% year-on-year increase due to higher sales revenues (+US\$15.4 million) and lower sales costs (-US\$17.8 million). As a result of this, margins improved thereby increasing the gross margin to sales ratio from 21.7% to 23.9%.

100,0

NET BIOLOGICAL ASSET VARIATION (Millions US\$)

Net Biological Asset Variation

Accrued biological asset growth was US\$100.0 million (US\$76.4 million the previous year) and the plantation formation costs were US\$37.8 million (US\$40.0 million in 2012).

The higher biological asset growth was due to the change of forest land surfaces related to the sale of standing timber of previous years, which generated significant new plantations. The lower formation cost was mainly because of the devaluation in Venezuela.

240,8

EBITDA CONSOLIDADO (Millions US\$)

Administration and Distribution Expense

(previously called administration and sales expense)

This expense amounted to US\$204.1 million, which was a US\$14.1 million (+7.4%) increase. That was mainly due to:

A US\$17.7 million increase in the administration expense, mainly due to higher expenses in Mexico from the absorption of Rexcel, in Brazil from the opening of new offices in Sao Paulo and in Chile principally because of opening new own Placacentro outlets.

Higher sales expenses (US\$8.4 million), mainly in Peru and Colombia from the opening of 12 new own Placacentro outlets, and in Brazil from changes to reinforce the structure of the sales area.

Lower distribution expense of US\$12.2 million, mainly because of the devaluation in Venezuela, improvements to logistical service contracts and transport efficiencies, and lower marketing expenses (-US\$1.3 million) in Brazil and Chile.

Sales expenses accounted for 15.0% compared to 14.1% the previous year.

EBITDA

The consolidated EBITDA amounted to US\$240.8 million, which was a 7.3% increase. The industrial business unit EBITDA was up in Mexico, Brazil, Venezuela and Argentina and remained relatively stable in Chile, increasing US\$14.8 million (+9.7%) in consolidated terms.

The forestry business unit EBITDA rose US\$1.4 million (+1.9%), largely due to higher sales and EBITDA in Chile.

In 2013, Venezuela accounted for 31.9% of the total consolidated EBITDA, Chile for 26.2%, Argentina for 22.7%, whereas Brazil, Mexico and other countries where MASISA has commercial operations accounted for 19.2%.

The EBITDA from countries other than Venezuela and Argentina rose US\$14.3 million, a 13.7% increase, showing that the company's EBITDA increase was mainly from these countries which have been the investment focus in the last few years.

Other Operating Expenses

The company incurred other expenses of US\$14.5 million, which was a decrease of US\$35.5 million.

This decrease was mainly because in the last quarter of 2013 the company stated earnings of US\$7.7 million from the insurance claim in 2012 for the fire at the MDP mill at Montenegro in Brazil.

Moreover, costs in 2012 were higher because of the expense of closing two mills in Valdivia in Chile.

The main items in 2013 included a US\$6.2 million loss on financial instrument exchange to remit dividends from foreign subsidiaries and reclassified fixed costs of the Montenegro MDP mill in Brazil, while it was shut down until early February 2013.

7,3%

EBITDA INCREASE

-23,1

EXCHANGE RATE DIFFERENCE/MONETARY CORRECTION
(Millions US\$)

Net Financial Expense of Revenues

The net financial expense of revenues amounted to US\$43.4 million, a 3.5% year-on-year decrease.

That was mainly due to the favorable renewal of cross currency swaps that converted bonds in UF and loans in Chilean pesos to US dollars.

The drop in the short-term LIBOR rate also had a favorable impact and affected most of the debt with banks.

Exchange Rate Difference/Monetary Correction

Exchange rate differences generated a US\$23.1 million loss compared to the US\$7.0 million gain the previous year. The loss in 2013 was mainly due to the effects of devaluation of the bolívar (162.8%), the Argentine peso (32.5%), the Chilean peso (9.3%) and the real (14.7%).

The company had losses of US\$29.1 million due to monetary correction, US\$20.4 million higher than in 2012. That was the result of applying monetary correction in Venezuela where the inflation rate increased considerably.





Profit Attributable to Holders of Participation Instruments

Profit attributable to holders of participation instrument (previously called net income in the year) was US\$50.5 million, increasing 11.9%.

Regarding operations, there was a higher gross margin of US\$33.2 million in the year, which grew 11.3% due to higher sales in Mexico and greater margins in Brazil and Mexico.

In operating terms, administration expenses rose US\$26.4 million, mainly due to absorbing Rexcel, to an increase in the number of own Placacentro outlets and inflationary effects in Venezuela. The distribution expense dropped US\$12.2 million.

Due to this, operating income surged US\$83.8 million, an 81.6% increase. The items 'Other operating revenue'

50,5

INCOME IN THE YEAR (Millions US\$)

and 'Other operating disbursements' had higher net earnings of US\$64.7 million, mainly due to the greater growth of biological assets, to earnings from the insurance claim received for the fire at the Montenegro MDP mill in Brazil in 2012 and to the fact that in 2012 there were one-time expenses for closing mills in Chile.

The non-operating lines 'Exchange rate difference' and 'Monetary correction' had a negative difference of US\$51.2 million, largely due to the effects of currency devaluation in Venezuela, Argentina, Chile and Brazil, and to higher monetary correction because of greater inflation in Venezuela.

Income tax rose US\$30.0 million because of higher operating income and the effects of the devaluation of the Chilean peso on accrued tax losses.

Balance Sheet

ASSETS

MASISA's total assets dropped US\$156.9 million (-5.8%), explained by the following variations:

Current assets fell 8.5% to US\$697.6 million. That variation is largely explained by a drop in trade receivables and other current accounts receivable (-US\$59.6 million), due to the greater efficiency of collection processes.

Non-current assets dipped 4.7% to US\$1,853.5 million. Such variation is principally explained by a drop in deferred tax assets (-US\$42.5 million), largely because of the effects of the devaluation of the bolívar in Venezuela.

Moreover, there was a decrease in property, plant and equipment (-US\$36.4 million) because of the currency devaluation in Venezuela, which was partly offset by an increase from the purchase of Rexcel's assets in Mexico. Lastly, there was a drop in non-current biological assets (-US\$16.0 million) and also due to the devaluation of the bolívar. These effects were partly offset by higher other non-current non-financial assets (US\$13.0 million).

Cash and cash equivalents (sum of the cash and cash equivalents plus other current financial assets accounts) amounted to US\$137.4 million, so the net financial debt was US\$728.8 million (US\$722.2 million in December last year). US\$55.5 million of this was in bolívares in Venezuela.

It should be highlighted that the company's main assets are its productive mills and forests in Chile, Argentina, Brazil, Venezuela and Mexico, which are valued in accordance with the International Financial Reporting Standards (IFRS). According to the IFRS, assets can generally be valued at their fair value or historical cost, and the company decided to adopt the IFRS exception for its fixed industrial assets, which allows these assets to be valued once at their fair value and assign such value as the historical cost (as of January 1, 2008). In regard to forest landholdings, the periodically revaluated cost methodology was adopted, and in the case of forests (forest crowns), it was decided to apply the fair value criterion by means of the discounted future flow methodology.

The company makes provisions or impairment for non-monetary assets when there is evidence that the book value of assets exceeds their fair value.

LIABILITIES

MASISA's total financial debt was US\$11.7 million up on that as of December 31, 2012 and amounted to US\$866.2 million. This increase was mainly due to new loans of US\$434.9 million, which included an 18-month bridging loan of US\$150 million, which is part of the company's refinancing plan; debt payments of US\$387.6 million and a decrease in the value of bonds in UF and loans in Chilean pesos of US\$45.6 million for the depreciation of the Chilean peso against the US dollar.

It should be highlighted that the company has hedging for 100% of these bonds in UF and loans in pesos to convert them to US dollars by means of derivative instruments, whose valuation offsets increases and decreases in the balance of bonds in UF due to exchange rate fluctuations. Nevertheless, the effects of such derivatives are not stated in the same financial debt accounts but in the "Other current or non-current financial assets" accounts, if the balance is positive, or in the "Other current or non-current financial liabilities" accounts, if the balance is negative. For the year ended December 2013, the company had a net liability of US\$7.6 million for these hedging derivatives.

For the year ended December 31, 2013, the company had met its loan and bond issuance contracts, including financial covenants.

MAIN FINANCIAL INDICATORS

The net financial debt to EBITDA ratio was 3.0 times for the year ended December 31, 2013, against 3.2 times in the same period in 2012. This difference was due to the higher EBITDA in the year.

The indebtedness index (total liabilities/shareholders' equity) increased to 1.05 for the year ended December 31, 2013, largely due to currency devaluation in Argentina and Venezuela.

Current liquidity, defined as the current assets to current liabilities ratio, was 1.5 times for the year ended December 31, 2013, and was lower than the 1.9 times as of December 31, 2012, mainly because of long-term financial debt shifting to the short term.

Financial Performance Highlights

- * In 2013, there was growth of demand for wood boards across most markets in Latin America and for moldings in the United States and Canada. Sales dropped in Venezuela due to the large devaluation of the bolívar that was recorded on the books with effects throughout 2013, which was offset by higher sales as of March due to the purchase of Rexcel in Mexico. As a result, consolidated sales were US\$1,364.7 million, a US\$15.4 million (+1.1%) increase.
- * In 2013, there were higher margins and gross margin, which increased US\$33.2 million (+11.3%). That was because of cost reduction, mainly energy, and a change in the product mix, with greater production of coated boards and MDF moldings.
- * The consolidated EBITDA was US\$240.8 million, increasing US\$16.4 million or 7.3%. The industrial business unit EBITDA rose US\$14.8 million (+9.7%), and that of the forestry business unit increased US\$1.4 million (+1.9%).
- * Net income after minority interest increased 11.9% to US\$50.5 million, mainly because of higher sales in Mexico and better margins, particularly in Brazil and Mexico.



CHAPTER IV

**Social
Performance**





Grupo de colaboradores de MASISA en Cabrero

Assessment of MASISA's social and environmental impacts

At international level, as reflected in the WBCSD 2014 action plan, there is the need of making progress with the design of a new total impact assessment tool of companies, i.e., external factors (positive and negative) that affect the environment and society. This is expressed as a monetary value comparable to the financial value created. This will enable companies to inform their stakeholders of these contributions and to make more informed decisions about their investment priority.

In 2013, we therefore participated actively in this line of work of the WBCSD and committed to be part of the pilot group of companies that will develop this methodology internationally.

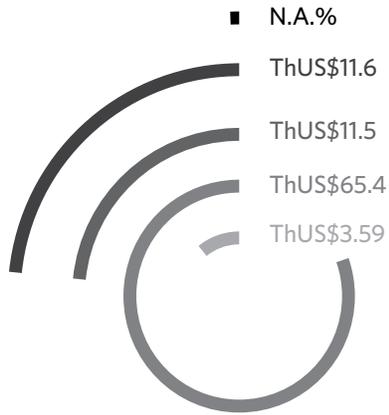
To such effect and with the commitment of being a pioneer on sustainable management, MASISA made a first effort to assign a monetary value to the triple bottom line impacts (economic, environmental and social) considered in the sustainability balanced scorecard (according to the total impact measurement methodology (TIMM) of the consultant PwC).

The integrated management of MASISA's sustainability is reflected on the strategic business map through the sustainability balanced scorecard, a tool that consolidates the economic, environmental and social performance indicators and takes them to the highest company level to facilitate decision-making.

This first attempt to measure the company's total impacts was focused on five priority areas: employee engagement, occupational safety, strengthening of furniture makers (Red M), energy consumption and greenhouse gas (GHG) emissions.

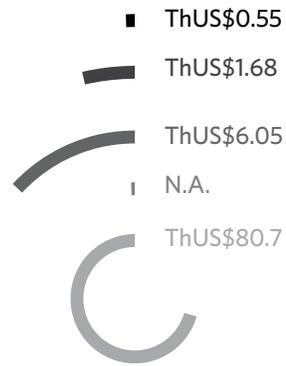
Based on the preliminary analysis made, it is possible to conclude that the social and environmental value created by MASISA in 2013, arising from the strategic indicators of the sustainability balanced scorecard, can be quantified in monetary terms, and detect those environmental and social initiatives that generate the highest direct value (for MASISA) and indirect value (for society and the environment).

Direct Impacts



- GHG emissions
- Energy
- Red M
- Engagement
- Safety

Indirect Impacts



- GHG emissions
- Energy
- Red M
- Engagement
- Safety

This graph shows that the greatest value created by the company from sustainability projects is its employee commitment. The highest value created for society and the environment is enhancing the safety of MASISA's direct and indirect employees.

With this first assessment attempt, in the short term we will extend this analysis from the social and environmental indicators of the sustainability scorecard to other material aspects for MASISA like, for example, the impact of social programs, supplier development. We will also present and validate the methodology used with our stakeholders.

Employee Profile

For the year ended December 31, 2013, MASISA had a workforce of 9,970 direct and indirect employees at all its operations in Latin America, of whom 4,918 are direct employees and 5,052 indirect employees.

59.1% of the total direct employees are 30-45 years old, 20.4% are up to 29 years old, 20.2% are 46-65 years old and 0.3% are over 65 years old.

All MASISA's employees have the right to freedom of association, and as of the 2013 year end 2,087 direct employees belonged to unions, which was 43% of the people.

Women accounted for 16% of the company's direct workforce, and for 19% of the management positions.

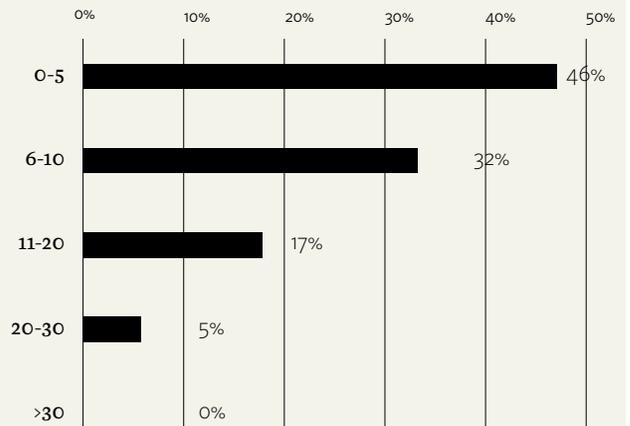
Due to the training and remedial course programs, most of MASISA's workers have complete primary, secondary and technical education. In 2014, we will focus on the education of workers' children.



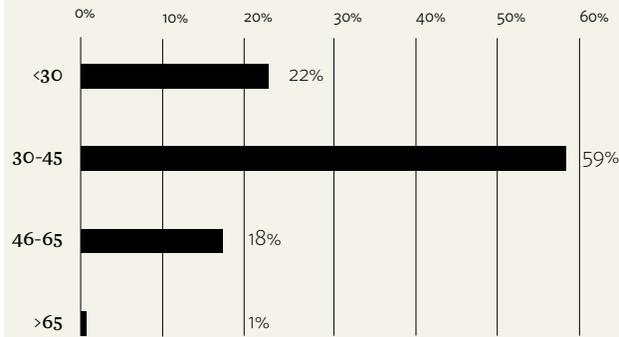
MASISA's total employee turnover and involuntary turnover



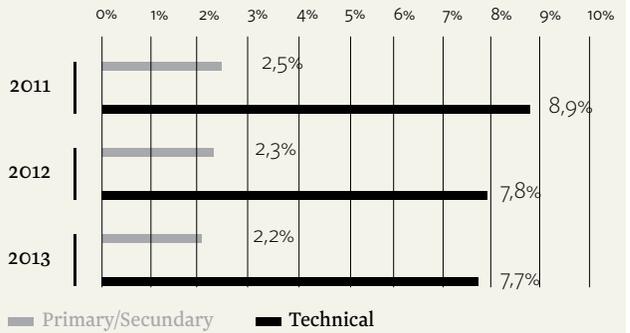
Breakdown of employees by years of service



Breakdown of direct employees by age



Employee education level



Health and Safety Management

All MASISA's operations also have a health and safety management system in accordance with the OHSAS 18.001 standard. Likewise, there are Occupational Health and Safety Committees, comprising management and employee representatives, and 100% of the employees are represented.

All accidents in 2013, including high potential incidents, were reported and analyzed by means of safety alerts, and plans were drawn up and the corrective and/or preventive action put in place.

In addition to formal training on occupational health and safety, awareness campaigns were launched, like for example active breaks, safety in the home and safe driving.

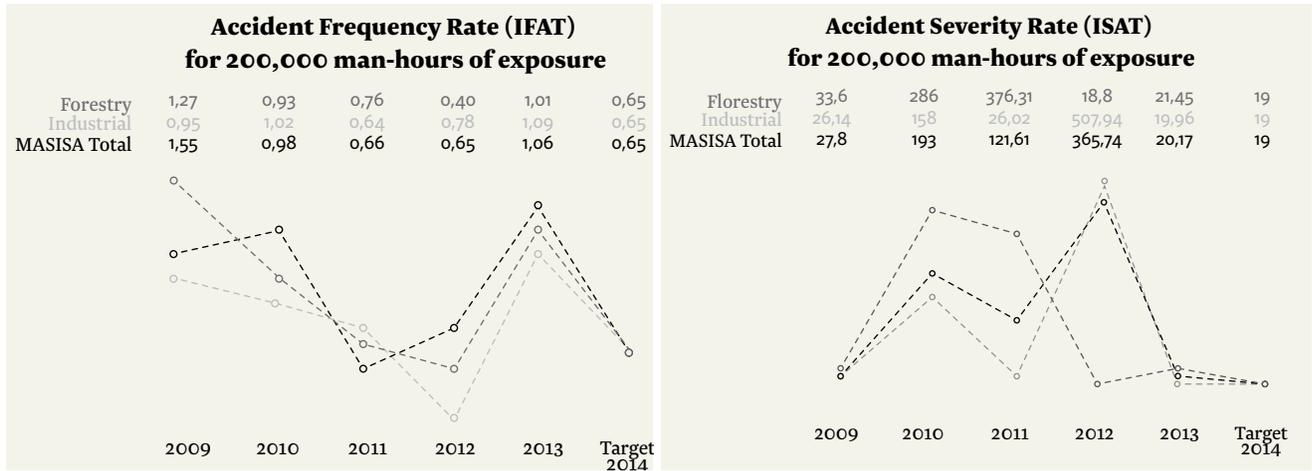
In 2013, we systematically fostered the reporting and investigation of incidents, thereby acting as a prevention, and we managed to report and investigate 2,834 incidents, which are events that could lead to some kind of loss.

The investigation and implementation of measures to rectify and prevent accidents with material damage and those with no lost days prevented over 45 lost-time accidents. Regarding this, Chile and Venezuela were the countries with the greatest number of reports.

Furthermore, after redesigning the Safety Oversight Program, in 2013 the company managed to make 24,000 safety contacts, during which employees interact and talk directly about health, environmental and safety issues. They recognize and agree on the right behavior for these issues and correct any behavior slippages.

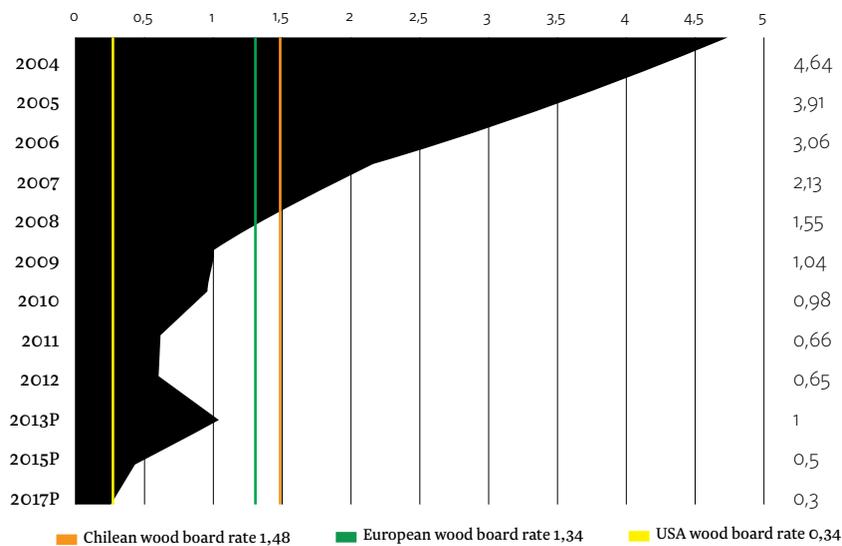
In 2013, MASISA consolidated its health, environmental and safety (HES) standards defined in the HES Excellence Manual, an essential tool to establish good practice and attain a safer and healthier workplace, and the development of environmentally correct activities aligned with MASISA's triple bottom line management.

To map opportunities of improving health, environmental and safety management, in the second half of 2013 the Excellence Manual was evaluated at all MASISA's industrial and forestry business units and the own Placacentro outlets were included in this standard.



In 2013, there was a severity rate of 20.17, equivalent to 18.9 days lost per accident. Although we did not achieve the rate we consider acceptable, we did have a better result than in previous years, and there is a downward trend supported by the HES projects we are putting in place.

MASISA's IFAT and industry benchmark





SAFETY EXCELLENCE AWARD

In early 2014, MASISA launched the safety excellence award with the aim of distinguishing MASISA's industrial or forestry business unit with the best safety performance. This is based on the evaluation of key factors set out in MASISA's corporate safety standards, like reporting and investigating incidents and accidents, and complying with best practice on accident management and rates.

Explosion Prevention

A material issue for MASISA after the fire in 2012 at the Montenegro mill in Brazil is to control explosions.

Besides the full investigation and implementation of measures after the accident, in 2013 the company enhanced the project to protect mills from the risk of wood dust explosions. In the first stage it made an assessment of the specific risk of dust explosions at all industrial wood board mills with the participation of a specialized company.

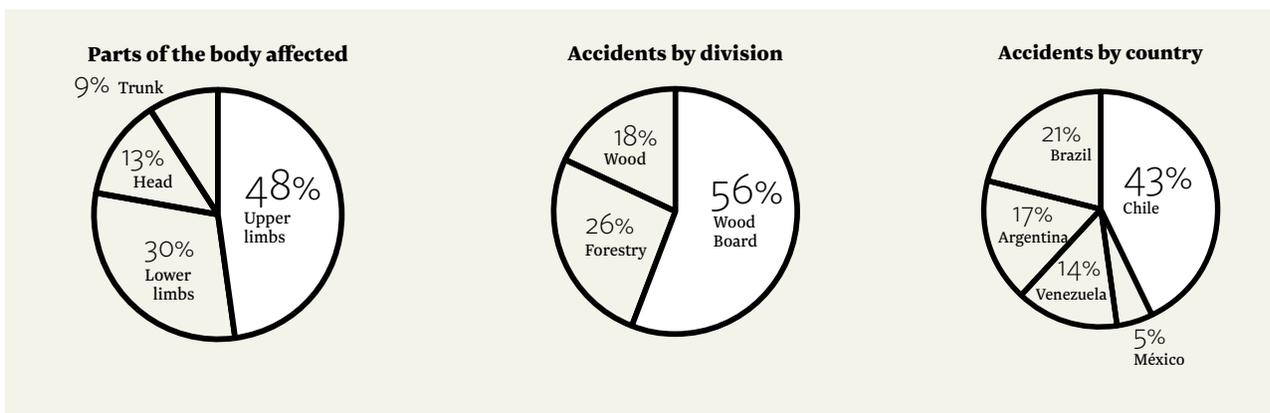
This evaluation provides technical support for the implementation of immediate action and also to undertake mid- and long-term projects.

A corporate work team was also formed to create a standard for mills, exchange practice among business units and define transversal action.

GOLDEN SAFETY RULES

Critical Risk	Golden Rule
Intervention in moving equipment	Make sure energy sources are blocked out and insulated before intervening in equipment.
High risk work: at height, hot work and in confined spaces	Work at height, hot work and in confined spaces must be done with the right protection gear and formal authorization.
Access to restricted areas (*) (industrial, forestry and Placentros)	Restricted access areas must be identified and can only be accessed with the right protection gear and formal authorization.
Cleaning and preventing dust from escaping.	Make sure there are suitable clean conditions and prevent dust from escaping.
Management of equipment protection and emergency control devices.	Equipment protection and emergency control devices must not be deactivated. Special conditions must be formally authorized by the unit manager.
Accident and incident reporting	All accidents and incidents must be reported and investigated.
Load management (industrial, forestry and Placentros)	Mobile and load handling equipment must be operated in the right maintenance conditions and by suitable and authorized personnel.

(*) Movement of mobile and forest harvesting equipment, specific risk agents: noise, formaldehyde, ionizing radiations, electrical rooms and substations, outlets that might have an explosive atmosphere.





Human Capital Management

We have started a new stage! MASISA is evolving to achieve its 2017 vision and our efforts are aimed at all employees knowing and committing to this challenge.

To such effect, all the initiatives that we define and/or support from the human capital area are aimed at implementing the 2017 vision and took shape during the year, and in the future we are sure we will achieve the results expected for the execution of the businesses, consolidating sustainability leadership and being an industry benchmark on engagement and industrial safety.

The project highlights in 2013 were boosting the leadership of our talent managers, the self-management of employees and teamwork to connect with others and achieve the best practice and business process.

MAXIMIZA

In the first half of 2013, team efforts were focused on boosting the development of a project launched the previous year. This led to MAXIMIZA, one of the company's strategic projects that aims to:

- Attain effective and standardized management of the strategic human capital processes, assuring better alignment with the business objectives and priorities with a cutting-edge digital platform.
 - Add the best human resources management practice to help with the strategic objectives and pillars of the 2017 vision.
 - Provide real-time regional connectivity, allowing for the strategic management of talent in all countries
- in an integrated way so our employees can take advantage of the professional benefits of being part of MASISA's regional scale.
- Achieve a potential saving of US\$1,807 million (34%) in five years with the implementation of new skills and improvements to the payroll comparing current costs, based on the technological needs for human capital and its connection to the business, as it is necessary to anticipate and acquire more efficient and productive tools aligned to the best global practice.

MAXIMIZA



Processes: design and analysis of the current process, identification of disconnectors, definition of priorities and action plan. Design of the new process with the people responsible assigned and application of solutions identified in the current process.

Competencies: update and communication of MASISA's competencies model to make sure that employee competencies and behavior are aligned with the organization's change in strategy rate. Premise for all the talent management processes.

Talent management: review, articulation and definition of the work plan for the following modules to go live: objectives, performance, talent plan, compensation plan, talent achievement, learning, organizational design, indicators and standards and Red Max (social network).

Master employee data: Unification of data on one integrated platform with greater scalability, standardization capacity, future possibility of managing all employee data from a shared services center. It also allows for employee self-service and for them to manage their own data.

Change management: drafting and execution of the communication plan and active management with the critical project public. Support of the dissemination of information and training of employees in new work processes and tools, creating a favorable environment for the transition.

Roll-out: definition of the strategy and way of working with business leaders, human capital team and general users as each module is launched (goes live).

MAXIMIZA HIGHLIGHTS

MASISA was the first company in Latin America and second in the world to pay remunerations using the best technology currently available in the market and facilitating data self-management.

In January 2014, we went live with the objective module for 1,300 direct employees in the eight countries in which MASISA operates. Each employee can define his or her objectives quickly connecting them to the company's strategic initiatives, and for talent managers it is feasible to perform ongoing and online follow-up of how the individual and team efforts help to execute the strategy.

MASISA has a new organizational competencies model and for talent managers. In October, five competencies focus groups were held in various cities in Latin America to review the current competencies model and update and align it to MASISA's 2017 vision. It also interviewed 21 business leaders to find out their vision and what critical competencies to work on according to the strategic challenges and projects.

CORPORATE POLICIES

After reviewing our corporate policies and procedures, in 2012 and 2013 we started a training and dissemination stage of these documents, developing over 60 workshops held by the corporate controllership and human capital areas in all countries. 1,200 direct employees were trained.

These workshops addressed policies that are common to all the company's areas with a dynamic and entertaining activity, in which employees identified the guidelines of the main policies.

After these workshops, each boss reinforced the policies of his or her area with employees, developing an online evaluation called "MASISA Trivia."

In 2013, training was focused on our employees who work at the industrial and forestry operations, for which a special campaign was designed with five main policies, which were selected for being bases and transversal processes we must all know. They are: communications; business ethics and conduct; the environment; safety and occupational health; and sustainable development.

In the last engagement survey, 83% of employees replied that they know and understand the company's policies, and particularly those directly concerning their functions.

ENGAGEMENT SURVEY

The company conducted an engagement survey in 2013, in which over 3,000 employees from all over Latin America participated, and the response rate was 92%.

COUNTRY	COUNTRY STANDARD	2011	2012	2013	CHANGE
México	75%	85%	91%	87%	↓
Venezuela	73%	86%	76%	90%	↑
Argentina	54%	70%	71%	71%	→
Chile	67%	76%	71%	74%	↑
Colombia	75%	70%	75%	59%	↓
Perú	73%	55%	71%	50%	↓
Equador	83%	45%	50%	71%	↑
Corporativo	67%*	73%	67%	67%	→
Brasil	70%	76%	67%	60%	↓
Consolidado	73%**	77%	74%	74%	→

The survey considered the historical trend of the country, the local market mean and the mid-term targets set.

Source: AonHewitt

* Corporate is compared to the Chile country standard.

** Latin American average standard and 86% Latin American best employers' standard.

THE ACTION PRIORITIES TO IMPACT EMPLOYEE ENGAGEMENT SHOULD BE FOCUSED ON THE FOLLOWING AREAS:

IMPROVE



MAINTAIN



AonHewitt's research shows that organizations with overall engagement scores of over 72% get better consistent business results.

		ENGAGEMENT SCORE	ZONE
2013	MASISA Overall	74%	Upper quartile
2012	MASISA Overall	72%	Upper quartile
2011	MASISA Overall	77%	Upper quartile
	Latin America average standard	73%	
	Latin America employers' standard	86%	

Our challenge is to be over 80%, as it is the high performance zone of the best employers. Belonging to this level means that for engagement employees are willing to make an additional discretionary effort.



NEW FORMS OF COMMUNICATION

To align employees to MASISA's new vision, in 2013 the company launched a new form of internal communications using streaming technology, which simultaneously connects various offices, mills and operations throughout Latin America.

Each of the four meetings held in 2013 were led by MASISA's CEO, and over 700 people connected to each meeting, and they also had the chance to ask live questions via chat with Roberto Salas.

Collaborative Community Plans

A stakeholder survey has been conducted as of 2005 in all those countries where MASISA has industrial and forestry operations, whose aim is to gain insight about MASISA and the main concerns of our neighbors regarding the critical variables of local development.

Neighbors, local authorities, suppliers, contractors and local NGOs participate in these social surveys, conducted by external companies to assure greater transparency.

In general terms, it was evident that the communities have an average perception of MASISA (grade of 5 to 8 on a scale of 1 to 10). Our aim is to make progress towards a high valuation, for which we have designed long-term collaborative social plans.



Country/Operation	Local Issues	Collaborative Plans
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<p>Forestry Area Chile</p> <table border="1"> <caption>Forestry Area Chile Scores</caption> <thead> <tr> <th>Category</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Local Development</td> <td>4.5</td> </tr> <tr> <td>Company/community relations</td> <td>7</td> </tr> <tr> <td>Environment</td> <td>7</td> </tr> </tbody> </table>	Category	Score	Local Development	4.5	Company/community relations	7	Environment	7	<p>Environment: issues with water, air and the landscape. Company/community: lack of investment for local wellbeing. Local development: expectations of access to housing, health, culture and leisure.</p>	<p>Support community skills to work in forest operations. Enhance local enterprise skills, like collectors, services, primary processes. Focus on improving indigenous community relations.</p>
Category	Score									
Local Development	4.5									
Company/community relations	7									
Environment	7									
<p>Industrial Area Chile</p> <table border="1"> <caption>Industrial Area Chile Scores</caption> <thead> <tr> <th>Category</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Local Development</td> <td>7.5</td> </tr> <tr> <td>Company/community relations</td> <td>8.5</td> </tr> <tr> <td>Environment</td> <td>7.5</td> </tr> </tbody> </table>	Category	Score	Local Development	7.5	Company/community relations	8.5	Environment	7.5	<p>Low level of district environmental quality, and unemployment.</p>	<p>Support the sustainable district plan.</p> <p>Support the plan to generate jobs and skills.</p>
Category	Score									
Local Development	7.5									
Company/community relations	8.5									
Environment	7.5									
<p>Industrial Area Mexico</p> <table border="1"> <caption>Industrial Area Mexico Scores</caption> <thead> <tr> <th>Category</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Local Development</td> <td>7.5</td> </tr> <tr> <td>Company/community relations</td> <td>7.5</td> </tr> <tr> <td>Environment</td> <td>6.5</td> </tr> </tbody> </table>	Category	Score	Local Development	7.5	Company/community relations	7.5	Environment	6.5	<p>Illegal waste dumps, water supply difficulties and poor condition of roads (paving)</p>	<p>Support the community plan to eliminate illegal waste dumps.</p> <p>Road improvement.</p>
Category	Score									
Local Development	7.5									
Company/community relations	7.5									
Environment	6.5									

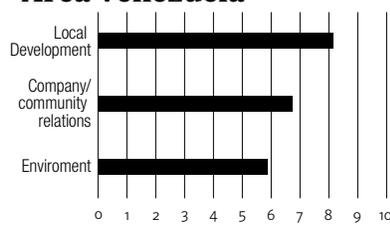
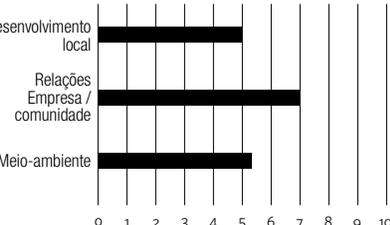
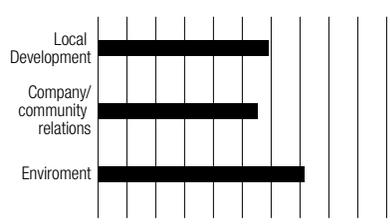
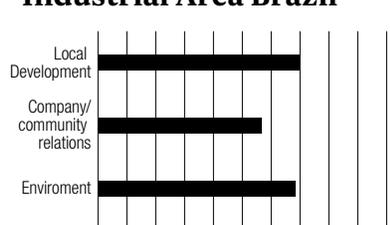
2012 Progress Summary

2013 Progress Summary

2014 Targets

	<p>Support 46 entrepreneurs in non-traditional enterprises. Fruit production enterprise project (REWE Cooperative). Agricultural-forestry enterprise project (COAFOCH Cooperative). Allotment gardens. Collaborative plans with indigenous communities (access to water, cultural sites and local employment). Support enterprise skills and the employability of indigenous communities.</p>		
	<p>Support tree planting activities. Awareness campaign for the trash in the district. Implementation of glass recycling. Elimination of micro trash heaps.</p>	<p>The company participated with the Municipality in the "Cabrero breathes clean air," "Elimination of micro trash heaps" and "district forestation" projects.</p>	<p>The aim in 2014 is to continue on the same lines as in 2013 and also support the establishment of the district environmental roundtable.</p>
	<p>Support of the plan to generate employment and skills. Enhancement of the work with furniture makers (12 new entrepreneurs). Temporary hiring of 100 women at the Cabrero industrial mill. New version of the remedial education program for 200 adults who completed their primary and secondary education.</p>	<p>We supported the furniture maker workshops at Cabrero and the Coronel Wood High School with boards. Regarding remedial education, 208 people passed their primary or secondary education out of a total of 249 people registered.</p>	<p>"Strengthening of furniture makers at San Pedro de la Paz" with the Municipality and SEPADE. Remedial education will continue in 2014 and a development plan will also be undertaken.</p>
	<p>Clean-up program with the community by means of brigades. Construction and installation of waste containers. Environmental awareness and dynamics at schools in the community.</p>	<p>The clean-up in the community was consolidated.</p>	<p>Consolidate a recycling plan in the community with the new neighbors' association.</p>
	<p>This will commence in 2013 by supporting the paving of roads.</p>	<p>With the municipality, the company supported community management to pave the main streets in the community.</p>	

Country/Operation	Local Issues	Collaborative Plans
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<p>Industrial & Forestry Area Venezuela</p>  <table border="1" style="margin-top: 10px; width: 100%; border-collapse: collapse;"> <caption>Local Issues Data for Venezuela</caption> <thead> <tr> <th>Category</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Local Development</td> <td>8</td> </tr> <tr> <td>Company/community relations</td> <td>7</td> </tr> <tr> <td>Environment</td> <td>6</td> </tr> </tbody> </table>	Category	Score	Local Development	8	Company/community relations	7	Environment	6	<p>Low ability of local organizations to prioritize and design social projects.</p>	<p>Support the community to prioritize projects and design four new development plans in three years.</p>
Category	Score									
Local Development	8									
Company/community relations	7									
Environment	6									
	<p>Poor health and education services. Unemployment. Migration problems.</p>	<p>Increase the competencies and skills of youngsters and employment opportunities</p>								
<p>Industrial Area Argentina</p>  <table border="1" style="margin-top: 10px; width: 100%; border-collapse: collapse;"> <caption>Local Issues Data for Argentina</caption> <thead> <tr> <th>Category</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Desenvolvimento local</td> <td>5</td> </tr> <tr> <td>Relações Empresa / comunidade</td> <td>7</td> </tr> <tr> <td>Meio-ambiente</td> <td>5</td> </tr> </tbody> </table>	Category	Score	Desenvolvimento local	5	Relações Empresa / comunidade	7	Meio-ambiente	5	<p>Poor health services. Low education and safety level. Poor condition of roads.</p>	<p>Support school infrastructure improvement..</p>
Category	Score									
Desenvolvimento local	5									
Relações Empresa / comunidade	7									
Meio-ambiente	5									
<p>Forestry Area Brazil</p>  <table border="1" style="margin-top: 10px; width: 100%; border-collapse: collapse;"> <caption>Local Issues Data for Brazil (Forestry)</caption> <thead> <tr> <th>Category</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Local Development</td> <td>6</td> </tr> <tr> <td>Company/community relations</td> <td>5</td> </tr> <tr> <td>Environment</td> <td>7</td> </tr> </tbody> </table>	Category	Score	Local Development	6	Company/community relations	5	Environment	7	<p>Unemployment and low education level in rural communities.</p>	<p>Support education programs in rural schools</p>
Category	Score									
Local Development	6									
Company/community relations	5									
Environment	7									
<p>Industrial Area Brazil</p>  <table border="1" style="margin-top: 10px; width: 100%; border-collapse: collapse;"> <caption>Local Issues Data for Brazil (Industrial)</caption> <thead> <tr> <th>Category</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Local Development</td> <td>7</td> </tr> <tr> <td>Company/community relations</td> <td>5</td> </tr> <tr> <td>Environment</td> <td>7</td> </tr> </tbody> </table>	Category	Score	Local Development	7	Company/community relations	5	Environment	7	<p>Poor health services. Educational and safety problems. Unemployment.</p>	<p>Support the municipal cultural and local newspaper project: "Let's Read."</p> <p>Support the employability program of the municipality.</p>
Category	Score									
Local Development	7									
Company/community relations	5									
Environment	7									

2012 Progress Summary

2013 Progress Summary

2014 Targets

	<p>Three comprehensive community plans 2012-2016 in participation with indigenous, rural and urban communities, which include two priority projects designed with the guidance of MASISA to satisfy basic public transport and electric power services.</p>		
	<p>Charrúa community development plan (66 youngsters trained to assemble furniture).</p>		
	<p>Improvement of the infrastructure and equipment of the secondary school with Alianza products with the "Manos Abiertas Educational Foundation."</p>		
	<p>Environmental awareness and tree planting activities at the main rural school in the area with voluntary work.</p>		
	<p>New MASISA project of "Let's read, recycle and preserve," starting with environmental awareness and education, helps 500 children to improve their reading.</p>		
	<p>Support of the municipal employability program for poor people, contributing to the training of 68 furniture makers.</p>		

Supplier Development

MASISA maintains its commitment of supporting the growth of its suppliers and service providers to make them more competitive for current markets, since these companies are considered to be strategic partners that provide value with their experience and specialization, and make a contribution to the greater productivity and flexibility of our business processes.

MASISA has the following strategic suppliers:

- Raw material suppliers (mainly fiber and resin)
- Spare parts and materials suppliers
- Transport service (wood and products) suppliers, others.
- Manpower service suppliers (forestry stewardship, personnel transport, security guards, cleaning, engine maintenance, etc.)

The company's policy considers that the Business Principles are an integral part of the contracts the company signs with its suppliers.

These suppliers are also given a quality, environmental and health and safety evaluation. There are selection requirements in place considering environmental and social issues for new suppliers.

MASISA on average pays its suppliers 60 days after receiving invoices.

	DEVELOPMENT COVERAGE PLAN*	PROGRESS IN 2013
CHILE	14%	Compliance by all suppliers of 83% of good management practice. Cost reduction (fuel consumption) and lower accident rate.
ARGENTINA	13%	Compliance by suppliers of 50% of good management practice. Commitment to start the diagnosis stage with a new group of suppliers.
VENEZUELA	25%	The diagnosis and development plan design were completed.

* Number of suppliers considered in the development plan/total strategic suppliers.



HIGHLIGHTS

2011

- Sustainable Development Council defines the 2014 target of "extending the principles and standards to the value chain and improving the social, environmental and SYSO principles and standards."
- The company reaches all suppliers with the principles and standards. It enhances the critical ones.
- It designs and applies the self-evaluation. The response scope is 50%.

2012

- Chile launches a supplier development plan with a three-year scope (diagnosis, roll-out and follow-up).
- Mexico implements an inclusive business pilot plan, which aims to generate a stockpile model for the fiber supplied by collectors. The stockpile supplies about 10% of the fiber demand at the Durango mill, reducing particulate matter emissions for burning fiber and generating an income stream for 70 collectors.

2013

- Argentina and Venezuela launch the supplier development plan with a three-year scope.

TARGET 2014

- Structure and redesign the development plan in Brazil and Mexico.

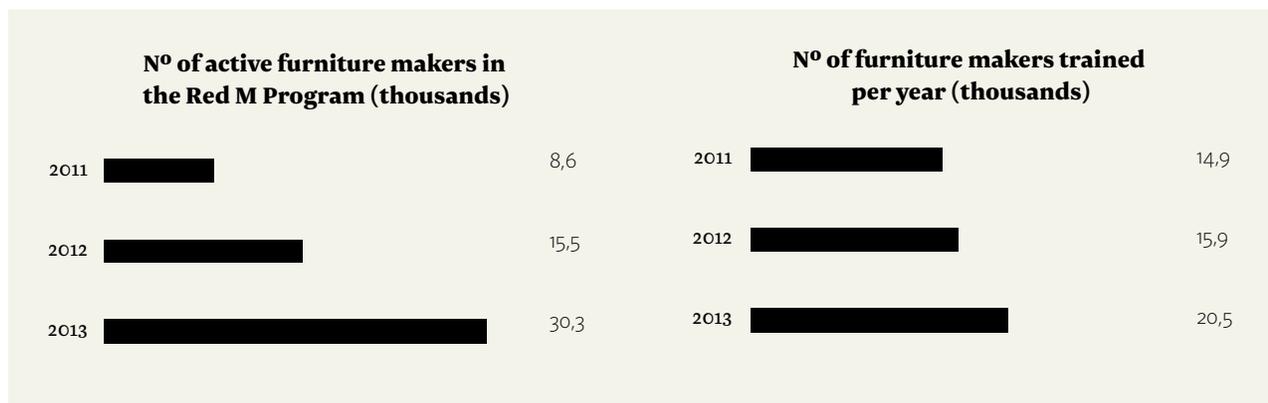
TARGET 2017

- Get the supplier development plan to become a cost saving or increase in income.

Furniture Maker Development

Red M is one of the most important and ambitious inclusive and commercial projects driven by MASISA, which aims to generate direct engagement and retain the loyalty of MASISA's main customer segment, i.e., the small- and mid-sized furniture maker.

With this strategic program we hope to support small- and mid-sized furniture makers, who are mostly micro and small growing enterprises, and get them to prefer and identify with the brand, mainly because of the ability to help them drive their business and give them benefits that improve their quality of life.



TO WHAT EXTENT HAS MASISA'S RELATIONSHIP HELPED YOUR BUSINESS (%)??

	LITTLE	AVERAGE	MUCH	VERY MUCH
2011	20	28	32	21
2012	18	24	25	34
2013	5	18	45	31

TO WHAT EXTENT HAS MASISA'S TRAINING PROGRAM HELPED YOUR BUSINESS (%)??

	LITTLE	AVERAGE	MUCH	VERY MUCH
2011	13	22	32	35
2012	13	12	35	40
2013	17	10	33	40

Social Performance Overview

- * **Major challenge: assure zero fatal accidents, progressing beyond the industry standard and implementing a culture of excellence.**
- * **This highlight in the people area is the number of accidents prevented, which shows the presence of an accident prevention culture. Nevertheless, the accident frequency rate is not that expected and we must reduce it.**
- * **The results of the engagement survey are not those expected, as the overall result in 2013 is the same as that in 2012; we must therefore enhance dialogue and plans with employees to detect those that drive improvement and those we must maintain.**
- * **The number of furniture makers trained is above the target, and we have managed to attract more people to the Red M program.**

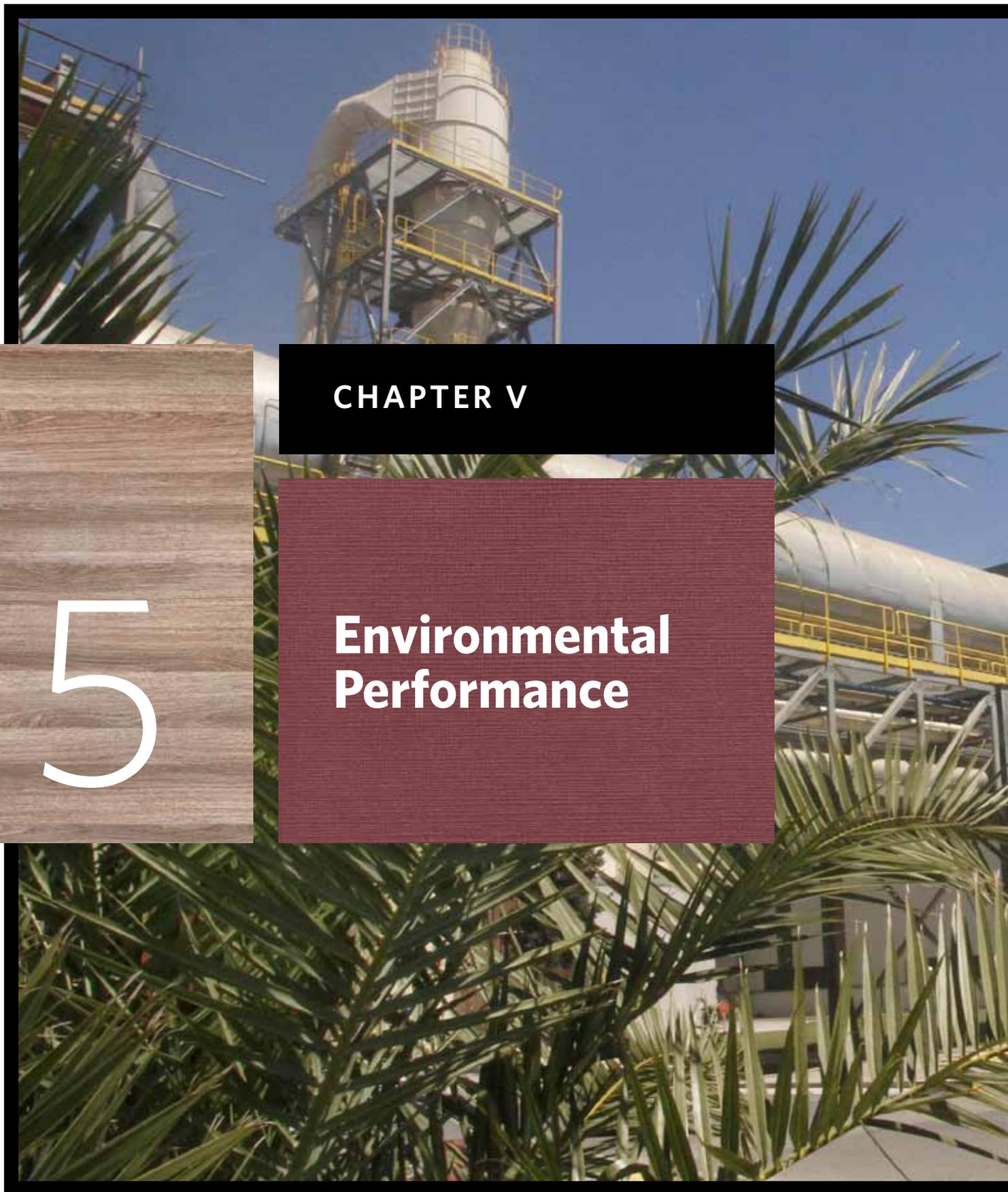
The challenge is to improve our value proposal to gain their preference even more and measure our impact on their quality of life.

- * **It is important to highlight that in 2013 all operations made progress with development plans. We have detected our positive impacts, like a large 15% reduction in extreme poverty from 2009-2013 in two surrounding communities in Venezuela.**
- * **MASISA has identified its strategic suppliers and is consolidating their development plans.**



CHAPTER V

**Environmental
Performance**





Environmental Performance

In 2013, we continued preventive operational efforts, seeking management of excellence to minimize the environmental footprint of our productive units through the sustainable use and consumption of resources and energies, eco-efficiency and environmental management.

2013 ENVIRONMENTAL PERFORMANCE AND 2014 TARGETS

MASISA	UNIT	TARGET 2013	RESULT 2013	COMPLIANCE 2013	TARGET 2014
WATER CONSUMPTION	m ³ /m ³	0,68	0,72	94%	0,68
WASTE FOR FINAL DISPOSAL	kg/m ³	12,28	11,17	109%	10,0
CONTROLLED FIBER	%	97%	95,7%	99%	97%
CO2 EMISSIONS	kg CO ² Eq/m ³	22,63	22,55	100%	23,5
FOSSIL ENERGY + ELECTRICITY	MWh/m ³	0,37	0,37	100%	0,36

* Consolidated data of all MASISA's industrial operations.

The corporate guidelines for environmental management were consolidated with the objective of focusing the company on the sustainability of the businesses and assuring that the environmental footprint generated by its activities, products and services are known and managed responsibly and are in line with the triple bottom line management model.

In 2013, new units and projects started to implement our environmental policies. Moreover, the investments defined that year greatly considered the strategic objectives for energy and waste defined for 2025, and innovative environmental solutions were adopted with the aim of adding sustainability to processes with the participative management of employees.

MASISA revalidated all its ISO 14001 certification and enhanced its environmental management system with the inclusion of good operating and management practice defined in the corporate programs and manuals, managing to mitigate its environmental risks and keep them controlled, and commit continuous improvement targets, particularly in the fossil energy, water and waste areas.



It should be highlighted that the company acts and decides based on complying with applicable environmental legislation, good management practice and meeting requirements voluntarily embraced, driving operations to undertake more demanding obligations than current legislation.

In 2013, we achieved the energy, waste and CO₂ targets. We attained 97% of the water objective due to stoppages of raw material flushing equipment in Chile. Argentina and Venezuela are working on improving their water supply systems and internal distribution network.

In 2014, we will work on three specific management pillars of the excellence manual: waste, energy and air emissions, forming corporate work groups to put them in place.

Likewise, we have defined that we will align our reporting of environmental indicators to the guidelines of the WBCSD, committing to report them as of 2014.



HIGHLIGHTS 2013

- Approval of the clean development mechanism (CDM) project for the cogenerating plant at Cabrero.
- Evaluations started at each industrial and forestry operation of MASISA according to the criteria of the health, environmental and safety (HES) Excellence Manual.
- Development of an audit according to the international safety rating system (ISRS®) of DNV at the Ponta Grossa (Brazil), Durango (Mexico), Mapal, Cabrero Tableros y Maderas (Chile) mills, with the aim of mapping important areas of improvement for these units, according to the criteria of this system.
- Implementation of improvement groups at operations in all countries, generating innovation on environmental, health and safety issues, including the "Independence" project with the consultant DUPONT, which was launched in Brazil.
- In 2013, the company started to work hard to implement the ISO 50.001 standard in Chile, whose objective is to continuously improve energy and energy efficiency performance, besides identify opportunities of reducing energy use.



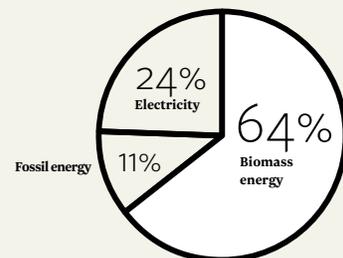
Energy and Air Emissions

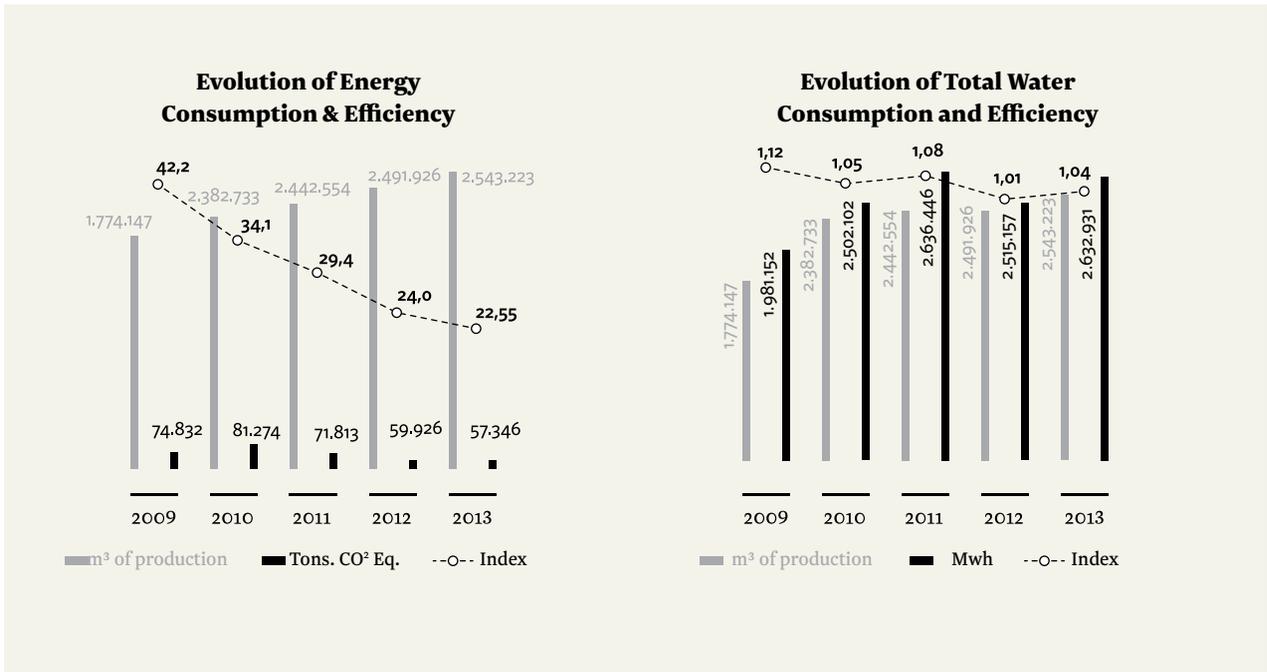
MASISA has an energy grid with a high renewable energy percentage and has systematically increased energy efficiency per wood board since 2006.

The energy efficiency program continued in 2013, which generated a reduction of 23,992 MWh of fossil energy in relation to consumption in 2011. That was attained by getting the best practice of each mill and implementing this at other mills.

It should be highlighted that in 2013 the company approved the Concordia mill (Argentina) converting from natural gas to the biomass, which will impact the waste indicator and the fossil energy and CO2 performance.

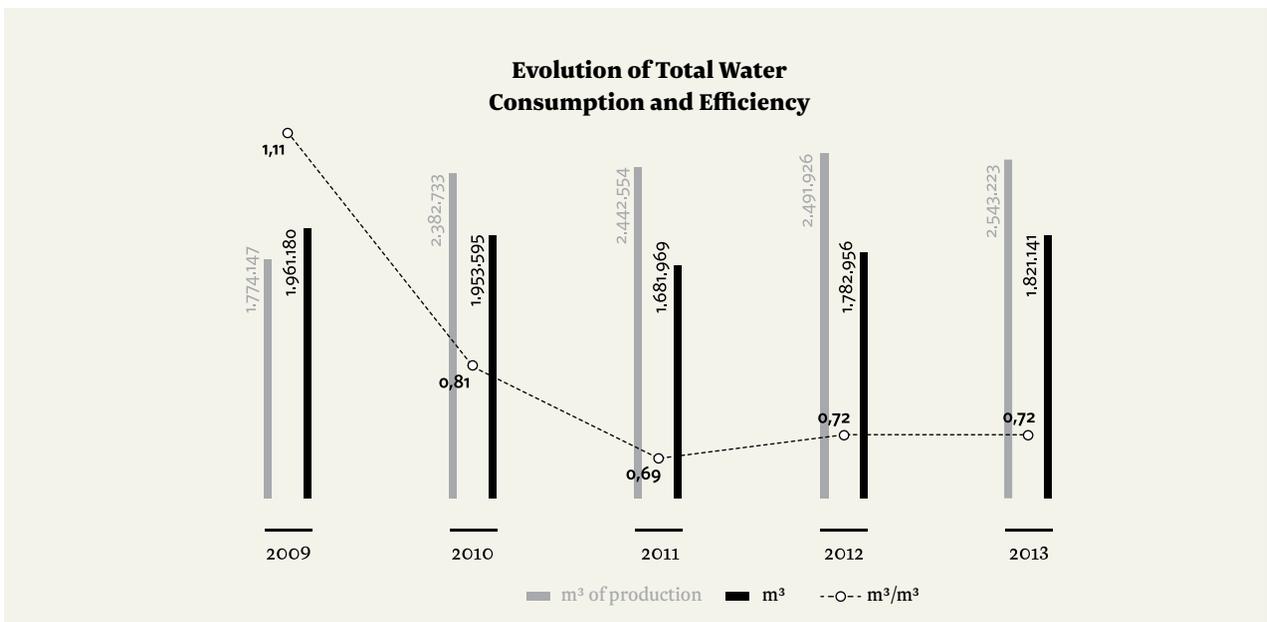
ORIGIN OF ENERGY USED IN MASISA





Water Consumption and Efficiency

The water sources used to supply MASISA's mills mainly come from groundwater in Chile, Mexico, Venezuela and Argentina.



Waste Management

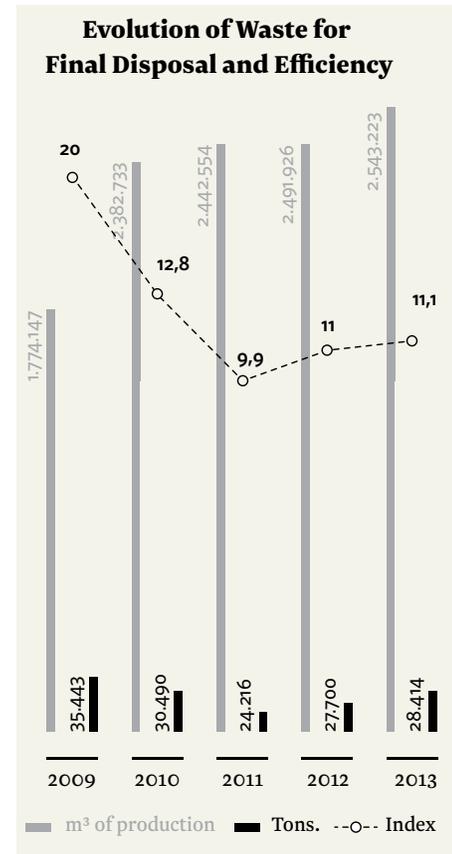
MASISA has systematically reduced the volume of waste for final disposal per wood board produced.

Each country has its own legislation on the hazardousness of waste, which we treat and dispose of pursuant to current local legislation.

Most waste is non-hazardous, and largely comprises slag and ash from burning the biomass, industrial waste that cannot be used (melamine paper, settled resin sludge), waste that can be incorporated to domestic waste (from the employee cafeteria of the mill and the contractors' dining room).

MASISA's waste management gives priority to reducing waste generation, reusing and recycling it whenever possible, thereby helping to conserve the environment. When none of these options are applicable, waste is dispatched for final disposal in accordance with the legislation of each country.

Hazardous waste, like that from maintenance impregnated with hydrocarbons and batteries, is classified, managed and disposed of in accordance with environmental legislation. Specialized and authorized service companies transport and dispose of the waste, guaranteeing a controlled impact on the environment.



Wood Fiber Origin Control

MASISA mostly uses wood from pine and eucalyptus plantations to make its products.

Operations in Brazil and Venezuela have FSC™ Chain-of-Custody certification, which means that 100% of the wood entering these operations is certified or controlled according to FSC™ criteria.

In Chile, 96% of the wood is certified or controlled, in Argentina it is 87% and 96% in Mexico.

At consolidated level, in 2013 there was a total of 95.7% of fiber from a known origin, achieving 99% of the annual target.

To attain this, MASISA has systematically worked with wood suppliers to have thorough knowledge of the fiber entering the company's mills, using methodology to segregate our suppliers.

Suppliers of fiber that is not from FSC-certified forests are surveyed to find out where the fiber is from and how it was obtained, and this process is validated with subsequent audits.

The greatest difficulty is verification of small suppliers, as they are mostly intermediaries and it is difficult to undertake traceability to find out the origin of the fiber.

ENVIRONMENTAL INVESTMENTS AND SPEND	(US\$MM)
2009	3.630
2010	4.618
2011	16.269
2012	12.259
2013	7.780

The Montenegro mill in Brazil purchased an electrostatic precipitator, which reduces particulate matter emissions.

At Cabrero Maderas (Chile) investments were focused on reducing the negative impacts on the community, asphaltting interior streets and planting trees around the external perimeter. In the wood board area of the same mill, improvements were made to the showers and to the scrubber recirculation system of the MDF line.

Forestry Environmental Stewardship

MASISA bases its forestry stewardship strategy on having plantations with high productivity in the right places for this. It is also based on having FSC™ certification, which assures sustainable stewardship of plantations. Lastly, it implements new technologies to produce more fiber with fewer resources. Altogether, MASISA increases the efficiency of the use of soil, water and carbon capture.

Transversally, MASISA has the responsibility of assuring the implementation of environmental, industrial safety and community relations issues, for which it has management policies and systems that aim to:

- Minimize the negative impacts of forestry operations.
- Control compliance with current legislation.
- Protect forests with a high level of conservation, establish protected areas and restore native forests.

All MASISA's plantations have FSC™ certification. They are also certified in accordance with the ISO 14001 standard (except Forestal Argentina) to manage material environmental aspects and comply with applicable legal requirements.

PLAGUE AND FOREST FIRE CONTROL

Action is taken in all countries in which MASISA has forestry operations to control the presence of plagues and keep destructive agents at tolerable levels by means of the planned use of preventive, suppressing or regulating tactics and strategies, which do not cause a major environmental impact and are economically viable and socially acceptable.

MASISA has permanent forest fire prevention and fighting programs, which are intensified in critical periods, for which the company has a forest fire prevention and control system to minimize the damage caused by fires. A territorial organization was established for this to efficiently access the largest quantity of resources to prevent forest fires.



NEW GENERATION PLANTATIONS (NGP)

In 2013, the company continued with the third stage of the NGP project, managed by the World Wildlife Fund (WWF), in which MASISA is involved along with important forestry companies worldwide, which are characterized by seeking sustainable management and are driving a new way of designing and managing plantations. Besides generating economic growth and employment, these companies can maintain the integrity of ecosystems and conserve the biodiversity.

In the first two stages (2007 and 2011) technical documents and reports were developed together, which show the shared WWF vision, the forestry companies and government departments involved in biodiversity, social and climate change issues, such as ecosystem integrity, high conservation value forests, commitment to communities and stakeholders, bioenergy and coal.

In 2013, there was a technical international restoration tour of the south of Chile, with the focus on integrating restoration to forestry practice, with the participation of forestry companies in Latin American countries, restoration experts and representatives of NGOs.

BIODIVERSITY

MASISA has entered into arrangements, agreements and commitments to preserve and protect its native forest equity in Latin America.

We have 8,941 hectares of natural reserves in Argentina which are being preserved and researched in an agreement with Fundación Hábitat y Desarrollo.

In Chile, the vision of incorporating the native forest resource to economic activity in an innovative modality and meeting sustainability requirements led to the secondary forest management project. There is now a surface area of about 1,500 hectares managed in accordance with FSC™ standards.

As of 2014, the company is considering starting the second cycle of intermediate felling on the surface area already managed as of 2007, thereby continuing with the improvement of forests and generating resources for reinvestment in degraded and unproductive forests.

2,729 hectares of commercial native forest were identified in the native forest surface area, 13,336 hectares of non-commercial native forest, 2,600 hectares of evergreen and Nothofagus secondary forest, 26,373 hectares of permanent protection, and reserves of 192 hectares.

MASISA has 9,829 hectares under conservation in Brazil and a forest equity of around 2,065 hectares in Venezuela.

HIGH CONSERVATION VALUE FORESTS (HCVF)

HCVF are those considered to be of notable and critical importance due to their high environmental and socio-economic value, their contribution to the biodiversity and the natural surroundings (FSC™ terminology).

MASISA's natural reserves in Argentina are identified as sites with high conservation value according to FSC™ principle 9 and the criteria defined by Proforest, according to the analysis and interpretation of Fundación Hábitat y Desarrollo.

In Brazil, MASISA has identified two areas: Predio Caratua and Predio Santo Antonio. In Chile, 45,299 hectares (31% of the equity) are considered protection areas and native forest; Luebert & Plischoff vegetational floors account for 27,278 hectares, with less than 10% representative of the National State-Protected Wildlife Area System (SNASPE), accounting for 18.7% of the company's total equity.

61.3% of the company's protection and native forest areas are represented in the vegetation floors with less than 10% representative of the SNASPE.

Overview of MASISA's Environmental Performance in 2013



- * **MASISA improved its environmental footprint, even though it has a large challenge of reducing the volume of waste for final disposal to zero and fossil energy consumption to 5%.**
- * **The energy and CO2 targets achieved the targets we expected, so the challenge is to maintain this reduction over time.**
- * **Consistent progress with our short-, medium- and long-term commitments by 2025, particularly regarding issues of forests and products.**