

CHILE

Celebrating the “Year of the Venture”

Confident and growing at a rapid pace, this forward-looking, resource-rich South American country is a great place to do business and a trusted trading partner to the U.K.

A safe, stable and modern democracy with a long list of assets and a buoyant market economy, Chile offers investors a serious business environment they can trust. And as the most competitive nation in the region, the beautiful Andean country has made a strong impact on global markets in recent years.

“Chile is moving at a good pace along its rightful course,” President Sebastián Piñera says. “We have a strong democracy and an economic development model that believes in the initiative, creativity and entrepreneurship of its people. With free trade agreements with 59 countries and a 60th on the way, we have shown we are open and integrated into the world on trading, political and cultural levels.

“The country is growing at a rate of 6% a year, which is creating jobs and solid macroeconomic balances. The mission of this generation is to defeat underdevelopment and eradicate poverty by the end of this decade. It is a noble and ambitious goal, but a feasible one.”

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President of Chile Sebastián Piñera

Minister of Economy Pablo Longueira notes how 2012, the “Year of the Venture,” has already become a record year for FDI. “Investors the world over value the confidence that Chile now has,” he says. “They know that foreign and domestic capital are treated exactly the same. We have a far-reaching agenda to enhance entrepreneurship and SMEs, and the conditions are there to develop businesses with ease.”

Exports comprising copper, fruit, fish products, paper and pulp, chemicals and wine regularly leave Chile bound for other parts of Latin America, North America, the E.U. and Asia, with the latter now making

up 45% of the country’s export market. Tourism remains one of the highest earning sectors, and officials are busy working on a policy that will expand the sector and allow it to fulfil its substantial potential.

As Jacqueline Plass, Undersecretary of Tourism says, “Chile is blessed. It has majestic mountains, the Pacific Ocean running along its entire length and an imposing desert. The main attraction, however, lies in its people, the Chileans, who have proud traditions and who are always ready to embrace strangers as friends.

“This inspires us, and because we know our own potential, we are convinced we can boost tourism. We would like to surpass the figure of 2.8 million foreign tourist arrivals in 2009 and achieve more than 4 million by 2015. At the same time, we would like to see tourism double its contribution to GDP during this decade by creating 45,000 direct jobs and 160,000 jobs in related activities.”

Government policy, the tourism chief believes, will give Chilean tourism the significance enjoyed in countries like Mexico, Costa Rica and Spain. “We are promoting an integrated agenda with concrete aims that will enable us to publicize Chile at home and abroad by means of important investments in infrastructure, connectivity, human resources and marketing,” she says. “Chilean tourism is by no means a marginal sector. It has dynamism and great potential. We would like the world to turn its gaze south, to embrace our culture and to enjoy the wonders that Chile has to offer.”

Over at the Chilean Production Development Corporation (CORFO), investors will find all sorts of incentives for certain areas of interest. Dedicated to innovation and enterprise, the agency offers the tools and instruments needed to build what is hailed as “a society of opportunity.”

With 52 separate programs to help Chileans set up in business, CORFO thinks big, believing that even the smallest project can make a difference and that entrepreneurship is the best shortcut to eradicating poverty and building a booming market economy.

Chile and the U.K. have enjoyed close ties since the South American country’s independence. As Alfredo Moreno, Chile’s Minister of Foreign

Affairs, notes, “The U.K. is one of the 10 most important countries in the economic world and has been the fourth-largest investor in Chile in recent years. We are not just seeking capital flows to realize investments, however, Chile also has a lot of raw materials, land suitable for agriculture, and mineral wealth. We need the know-how and technology transfer that the U.K. can provide, especially in mining.”

Getting Better Connected

Connectivity is another challenge that Chile faces, since it directly affects the quality of life of people. It’s a huge country, spanning 756,950 square kilometers, and most of its 17 million people are located in the central zone, with 6 million living in the capital of Santiago.

“In a country like ours, it is imperative to strengthen public transport in order to bridge gaps and focus our resources on low-income sectors,” says Pedro Pablo Errázuriz, Minister of Transport and Telecommunications. “We are also strengthening the telecommunications landscape. Since January, phone users have been able to change their phone company while keeping their phone number and accessing the best service. We are working for Chile to have greater connectivity and ensure services are central for people, ensuring quality, accessibility and dignity.”

One company making a difference in the digital world is VTR. A Liberty Global company, VTR is the country’s largest provider of cable TV, with a 44% market share, and the second-largest provider of fixed broadband and telephony. It connects Chileans to a world of quality, convenience and infinite choice, according to the president of Liberty Global Latin America and chairman of the board of VTR, Mauricio Ramos.

“VTR, like other Liberty operations within Europe, is leading the digital convergence within Chile, by being the first to develop new technologies



Sebastián Piñera
President of Chile



Pablo Longueira
Minister of Economy,
Development and Tourism



Pedro Pablo Errázuriz
Minister of Transport
and Telecommunications

and by changing the industry paradigms. We did this by developing the first broadband network and launching the first broadband service. We were the first company to charge a flat rate for ‘always’ Internet service, the first to introduce a flat-fee fixed telephony service, the first to bring in a three-play offer, the first to offer a digital cable TV service and HD service, and so on,” he says.

“This strategy of innovation enhances competition and value for customers, as well as offering high standards of service quality. This is why VTR is appreciated by our customers and successful within our market.

“By the end of 2012, Chile will have four operators competing in the fields of pay TV, fixed telephony, mobile telephony and fixed and mobile broadband, all with nationwide coverage. Within this scenario, VTR is the smallest player in terms of revenue, because until this year it was the only one not offering mobile services, but now we can really compete with the three existing mobile operators. Of these, two are four-play

Empresas Copec, placing Chile on the world stage

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players, with both fixed and mobile networks on a large global scale and the third is a local company, that has more than one-third of the Chilean mobile market and is now entering residential services.

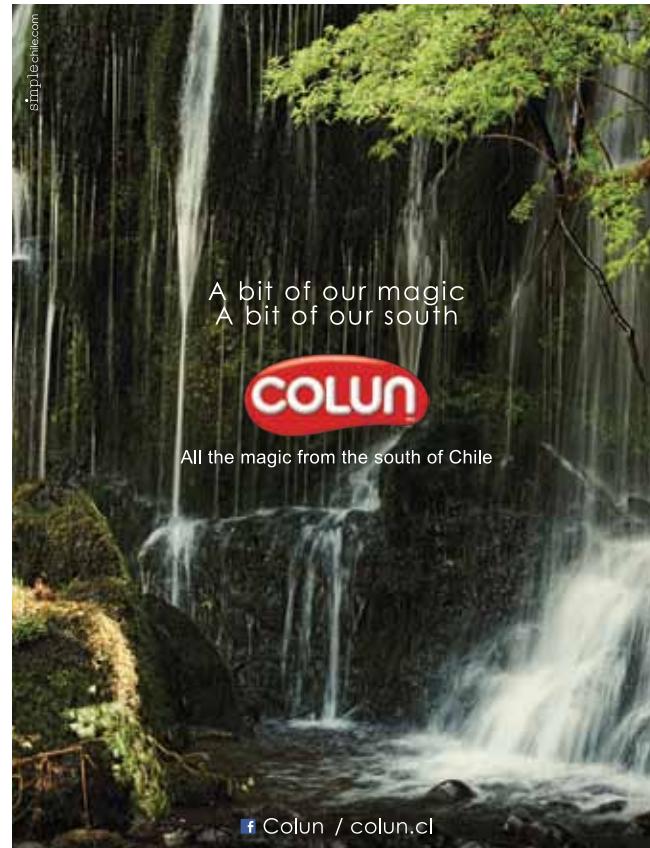
"The key fact here is that the Chilean mobile industry accounts for 55% to 60% of revenues for the telecommunications market as a whole. We had to take a slice of the pie in order to continue our future growth for all our services. We took this step with the support of our shareholders. For the first time, we have just launched our mobile services, and once again we are differentiating ourselves by changing the rules of the industry. The market response has been very enthusiastic."

Energy Demand Rising

The demand for energy continues to rise. Per-capita income has tripled since the mid-1990s, and consumption has almost doubled, but industry pundits believe Chile has four essential pillars in place that will attract investors to help fan demand.

First, there is a projection of energy growth and strong demand. Second, the country has a stable regulatory framework that relies 100% on private investment. Third, it has the presence of energy giants such as Endesa, AES Gener and Colbún, the largest local company in the sector. These world-class companies have the financial means and expertise to develop the high-capacity generation and transmission needed. Finally, the market conditions are very strong and favorable for developing investment in the sector.

The growth of the Chilean economy and the electricity sector is also fueled by the mining sector, which has huge prospects. It foresees an investment of about \$70 billion over the next 10 to 20 years. Colbún S.A. is a Chilean company dedicated to the generation and trade of electricity.



Using a diverse field of natural energy resources, it produces the energy supply that Chile needs and boasts clients ranging from electric distributors to large manufacturing and mining companies. Operating within Chile's Central Interconnected Grid (SIC), Colbún generates around 25% of the country's electricity supply and provides energy for people within this area.

"We are a leading company in the energy business. With 2,620 MW of installed capacity, we currently operate 15 hydroelectric power plants and six thermal plants, which can run on petroleum and/or natural gas. Our power stations are distributed throughout the southern central region of our country," says CEO Bernardo Larraín. "We are convinced the economy should be further developed by industries that are both environmentally and economically sustainable, and to this end, are exploring geothermal projects. Chile has great potential in this field thanks to its chain of volcanoes."

Empresas Copec

The Copec Group is well placed for expansion. With a market cap of around \$20.2 billion, which represents 10% of that of the country, EmpresasCopec has a turnover of \$20 billion. In its 77-year history, the Group has been able to evolve and grow according to the global economy's challenges, as well as contributing to Chile's goals.

Roberto Angelini, chairman of the board, recalls the company's history. "Originally we were focused exclusively on fuel, but when the Chilean economy opened up to international markets, we became involved with natural resources too," he says. "More than 25 years ago, the Angelini Group became the controlling shareholder and kicked off Copec's expansion plan through an intensive process of investment and diversification which led us to hold our current 150 subsidiaries. Broadly speaking, I would say that 70% of our revenues are natural resources and related activities, and 30% are energy-related. Two seemingly very different areas, but which are actually complementary."

Angelini demonstrates Copec Group's relevance in Chile in figures. "What we sell represents 5% of the GDP. We employ 19,000 people, and if we add the indirect workers, this amounts to 0.7% of the country's workforce. We understand this as a big responsibility and are therefore accountable in every sector we operate in, in terms of technological innovation, environmental and social sustainability, as well as

"What we sell represents 5% of the GDP and we employ 19,000 people." *Roberto Angelini, Group President, Empresas Copec*

contributing to economic growth and the creation of shared value.

"The path we have followed is well reflected by each of our subsidiary companies. We have a unique vision and direction, deeply influenced by our founder, Anacleto Angelini. We manage our investments and businesses with long-term projection and constant value creation. That is our signature, that is the way we do things, and it is well recognized in every industry we participate in. Empresas Copec is a public company, with over 7,000 minority shareholders. We work hard for them, and we understand they share our values. Also, we have very good partners in some important investments. We tell our partners that we want to get involved in management and participate in the company's activities. We are also conservative when it comes to funding, but with a strong focus on innovation as a competitive platform.

These days, the heart of the holding company is in the forestry business. Subsidiary Arauco owns nearly 1.9 million acres of forest in

Chile, and more than 740,000 acres in Brazil, Argentina and Uruguay. The company has a strong sense of CSR and is deeply involved in educational and poverty eradication programs.

Working for the People

Founded in 1949 by a group of pioneering dairy farmers in southern Chile, the Colun cooperative has become synonymous with excellent quality cheese, butter and other milk products. Total milk collection has grown 73% in the past 10 years, and the co-op has enjoyed average growth of more than 7% annually. Today, Colun receives more than 400 million liters of milk a year from its plant network. This strong growth has positioned it as the second-largest dairy company in Chile operating the largest milk processing plant.

As Augusto Grob, Colun's president, explains, "Colun was one of the first companies in Chile to begin to export dairy products in the '80s, as there was a huge explosion in the production of milk that the Chilean market could not absorb alone. We started exporting to Argentina and gradually expanded our market into Latin America to the extent that the government would expand the free trade agreements. Today we are present in virtually all the American countries except Canada. We are also present in African countries, Japan, Korea and Algeria.

"Our export process is absolutely necessary, both to us as a company and to Chile as a country, because domestic consumption does not cover the entire production costs. Quality control is essential in this kind of production, since each external market has its own set of criteria and rules. As we are a cooperative, the business owners are the farmers who supply milk, so we have a workforce dedicated to the optimum production of milk. We also use the latest technology and equipment in our production processes."

Another major company, Principal Financial Group (the Principal), has made itself a household name in Chile by offering businesses, individuals and institutional clients a wide range of products and services, including retirement, asset management and insurance, through its diverse family of financial services companies.

A member of the *Fortune* 500, the Principal is a global investment leader, with around \$335 billion in assets under management and around 18 million customers worldwide. In Chile for more than 15

"We are specialized in the area of savings and investments."

Pedro Atria, Country Head (Chile), Principal Financial Group

years, the Principal has been positioning itself as a leading company in the business of pensions and other savings solutions.

"What the Principal has been doing over the years is to lead and strengthen people's savings so they can improve their pensions tomorrow," Pedro Atria, country head, says. "This has been possible thanks to all the ideas, information and technology brought directly from abroad. As an international company, we can observe and learn from what we do elsewhere. We live and breathe the business, focusing on savings and investments. We are not a finance company that offers everything, so we are extremely specialized and expert in this area. Our main objective is to get people to make a small monthly contribution that will in 20 or 30 years become a significant amount. Chile is a safe country for investments, which is why we are here." ●

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Wines of Chile: The Natural Choice

Chile is a land of beautiful contrasts and is rich in cultural diversity. It produces some of the most exciting naturally organic wines in the world.

This long and very thin country possesses a unique geography that creates a perfect environment for wine-making. Chile's wine regions lie to the north and south of the capital city Santiago. There, warm sunshine and cooling influences from the sea and mountains create a paradise for the grapes in vineyards that are watered from pure Andes snow melt.

An increasing number of talented young winemakers are using Chile's varied soils, perfect climate and eco-friendly environments to craft ever more exciting and diverse wines that reflect

the extraordinary beauty and uniqueness of the land. Historically famous for its rich Cabernets and Merlots, modern Chile is now also being praised for its ability to impress with Sauvignon Blanc, Pinot Noir, Syrah and its very own red grape, Carmenere.

The success of its wine trade is a reflection of Chile's stature as a modern, progressive and democratic country with a thriving export-oriented economy.

The tectonic plates in the world of wine are shifting, and Chile—no stranger to seismic activity—is creating new and exciting landscapes for wine lovers everywhere.

For more information, see www.winesofchile.org

	Winery Name of Wine Variety and Vintage Valley Mag/Compt Score/Awards				
Cono Sur 20 Barrels Limited Edition Pinot Noir 2008 Casablanca Wine Advocate 90		Casa Silva Microterroir de los Linges Carmenere 2006 Colchagua Wine & Spirits Magazine (top 100 values) 2010 93	Montes Montes Alpha M Red Blend 2005 Colchagua (Apalta) Wine Spectator 95	San Pedro 1865 Single Vineyard Carmenere 2008 Maule Wine Spectator 90 Winery of the Year - Wine Enthusiast	Valdivieso Valdivieso Single Vineyard Wild Fermented Sauvignon Blanc 2010 Leyda Decanter World Wine Awards UK Decanter Regional Trophy



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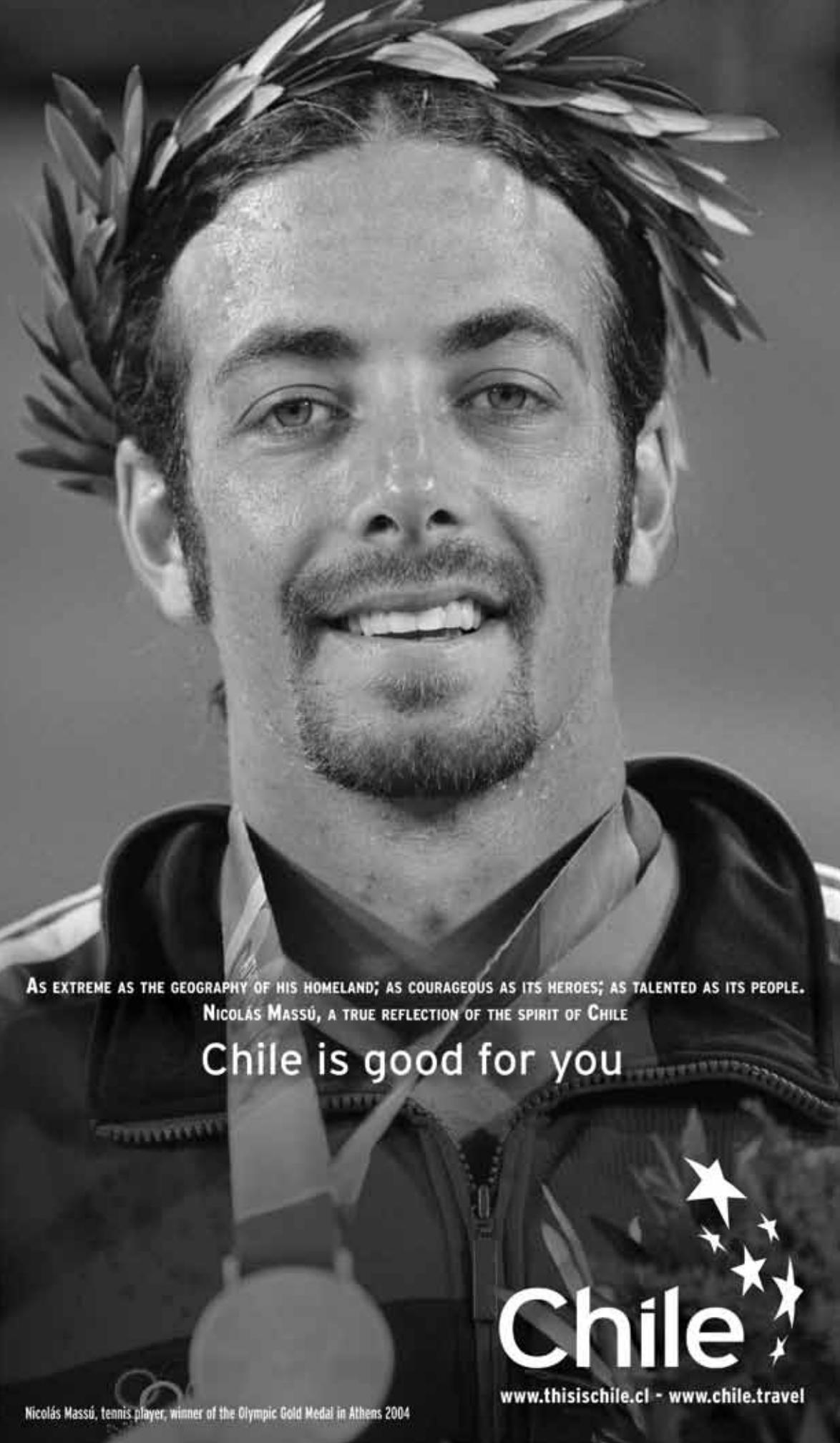
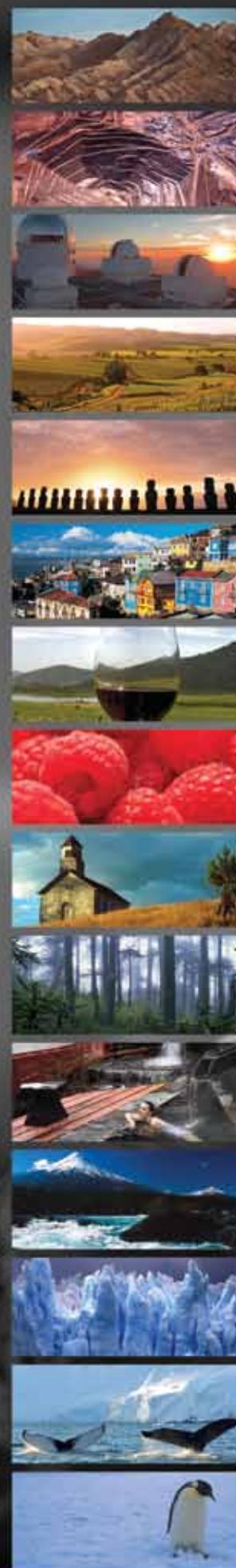
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Nicolás Massú, tennis player, winner of the Olympic Gold Medal in Athens 2004