



cm^{pc} Pulp 222

February 2014

news



Efficient management of CMPC mills
Surplus energy

Interview with Sergio Colvin
Impact of Guaíba II

Awarded to CMPC Pulp products
New FSC™ Certification

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welcome

Dear Friends,

A belated Happy New Year to you all may this year bring only good things to everyone.

2014 will be very important year for our industry as two new South American Eucalyptus mills will start up in the first half bringing substantial new capacity on to the market. This will bring more choice to our customers and will challenge us all to be more competitive and to provide our customers with a better service. We at CMPC never take our customers for granted, we are aware that our customers have many choices and we are grateful of their preference as this encourages us to keep working harder to be better every day.

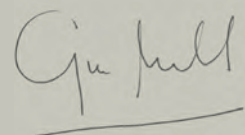
Our new Eucalyptus pulp line at our Guaiba mill in Brasil is well under construction and in this issue you will be able to learn of its progress in the words of Sergio Colvin, the former CMPC Pulp CEO that is responsible for this project. Mr. Colvin has an extensive experience in developing these projects as it was under his leadership that our very successful Santa Fe line 2 was built, and we are sure that we will have a similar success with this new line.

This newsletter brings also news about Forest Certification which is a very important issue across the world and FSC is one of the prime Forest Certification schemes. We are fully FSC and PEFC certified in all our sites and recently we had a successful recertification of our Chilean operations. CMPC is committed to responsible forest management using planted forests which is a guarantee of good environmental practices.

Also you will find other news and information in this newsletter which I hope you enjoy. If you need more information in any of the topics or you would like to have any other subjects covered in future issues please do not hesitate to write.

I also hope to see you again during this year in one of the many trips or events that make our pulp and paper market such an interesting place.

Yours,



Guillermo Mullins
Commercial Director of CMPC Pulp

First Phase

*Six thousand people are
being trained to work on
Guaíba II's construction and
assembly*

At the close of 2013, four months after the 'foundation stone' ceremony which represented the start of the project, the expansion works at Guaíba Mill in Brazil are proceeding according to plan. To date, the building's metal structure which will house the recovery boiler, has already been erected and the concrete building for the power room has been built.

Currently work is taking place on the foundations for most of the areas: evaporators, turbines, pulp digester and drying machines, and within the next few months building work will commence on the transmission line, control room, water and effluent treatment plants, the warehouse for the finished product and the chemical pulp mill, amongst other areas.

This project will add an additional capacity of 1.3 million tonnes of BEKP pulp with an estimated investment of US\$2,100 million, and operations will start during the second half of 2015.



*"The good will towards the
project is permanent and at
times emotional"*

**Sergio
Colvin**





Guaíba II represents a major economic change in Rio Grande do Sul state, emphasises the Chairman of the Project's

Steering Committee

From the engineering point of view, Guaíba II is a complex project because it is being built in the middle of a working mill, explains Sergio Colvin, Board Director of CMPC Pulp and Chairman of the Guaíba II Project Steering Committee. The technology is familiar, but the mill's capacity must be thoroughly evaluated so that there is no over investment in equipment or, on the other hand, under investment and thus an increase in future operating costs.

"There aren't major technological differences with other existing mills or regarding construction worldwide, but we aspire to be leaders in operational costs and investment, starting operations within the scheduled timeframes; these are our greatest challenges", he emphasises.

Sergio Colvin was CMPC's CEO Pulp for fifteen years until 2011 when he became member of the Board of Directors of the company and that of its subsidiary in Brazil.

"During this first phase," he comments, "an effective coordination of all the main players is crucial; contractors, subcontractors, equipment and service suppliers, amongst others. Also very relevant is the relationship with the large number of staff who will work on the construction, around 10,000 people, which requires a major logistical effort in terms of food, transport, accommodation, security, etc".

IMPACT

What advantages in terms of efficiency or logistics does the mill's location offer?

Rio Grande do Sul is an industrial state; therefore there are local contractors, engineers, logisticians, and it is always useful that earnings from the economic activity of a project remain in the place where they were generated. On the other hand, we are very close to the coast, which is essential for the project.

What environmental performance innovations are planned at Guaíba II?

Since the mill is situated in the middle of a city, we have employed the best technology available to minimise the impact of smells and noise. Investment in these areas is very high, around US\$200 million, including treatment plants for effluent and smells.

What impact has this project had on the local community?

It's been high but we have had a very warm welcome. We have a system in place for any concerns and try to react and deal with them immediately. We have redesigned and constructed the main avenues of the town at our own cost, in order to decrease the effect on traffic. The project also provides a special highway to access the mill, hence the impact in terms of roads on the town will be minimal.

What advances will it bring to this area?

The project will generate growth in dozens of areas, such as transport, supplies, forestry activity, planting and harvests, contractors, engineering, supply of spare parts, qualified workforce, university studies... I could name many more. In essence, it represents a major change to the economic activity of the whole state. What stands out is the value placed by the community and the authorities on a project such as this, which is an engine for enormous progress. Of course this intervention generates some problems during the construction phase, but they are clear that the benefits outweigh the costs; hence the good will towards the project is permanent and at times, emotional.

In what way will Guaíba's production complement the operations of CMPC Pulp in Chile?

CMPC becomes one of the five largest pulp producers in the world. This is a great step forward in terms of the competitiveness generated by economies of scale in sales, logistics, procurement... Undoubtedly with this size any country or customer in the world can be approached, and few companies can do that.

ENERGY EFFICIENCY AWARD 2013

CMPC Pulp was honoured with the Energy Efficiency Award 2013 in the 'Industry' category by the Chilean Agency for Energy Efficiency (AChEE), whose remit is to promote, strengthen and consolidate efficient energy use in the country.



Eckart Eitner, Operations Director for CMPC Pulp, received the prize awarded to the company by the Chilean Agency for Energy Efficiency.



Yue Chan, "We are developing projects and improvements to significantly increase the benefits to the Electricity Transmission Network " reports Yue Chan, Assistant Director for Energy at CMPC Pulp

83% of energy used by CMPC mills comes from forest biomass.

Surplus Energy

From 2014, CMPC Pulp will supply around 600 GWh/year of energy to the Chilean electricity network, thanks to its onsite generation and efficient resource use.

The prize was awarded as the company has introduced innovative processes and improvements in energy use management, and it has also contributed to the development of a culture of energy efficiency.



CMPC Pulp has proposed to increase by 20% the efficient use of energy at its pulp mills by 2020.

Hence, during the first quarter of this year a Management System for Corporate Energy will be set up and developed in accordance with the programme of the Chilean Agency for Efficient Energy.

Through the company's energy policy, the system incorporates communications, recording and compliance procedures, amongst other areas, which will be monitored internally through a website especially designed for this purpose.

In May 2014, the training programme for different levels of users would be completed as well as training for internal auditors. This is necessary so that certification for Laja, Pacífico and Santa Fe can be applied for midyear, in accordance with the ISO 50001 standard.

PRO EFFICIENCY INNOVATION

Through an innovative internal programme, "i-cel", which involves the participation of all workers, the company has carried out a detailed survey of its mills to seek improvements and changes that will enable fuel consumption savings or making more steam available in order to increase electricity generation at its mills; currently this is in surplus and therefore able to supply energy to the Electricity Transmission Network, (the national grid), the main electricity network in the country. From this process, a series of projects have arisen which are being implemented.

CMPC PULP

Facts & Figures

2013

Accumulated Results

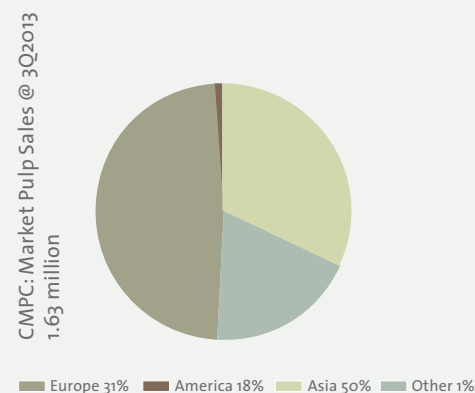
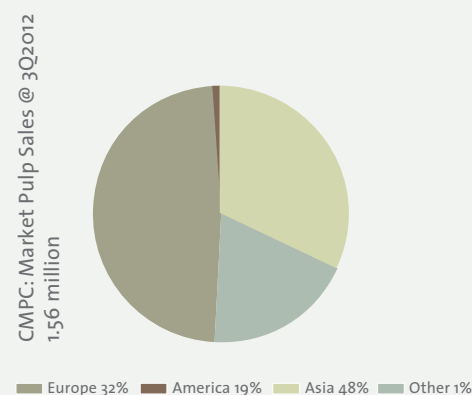
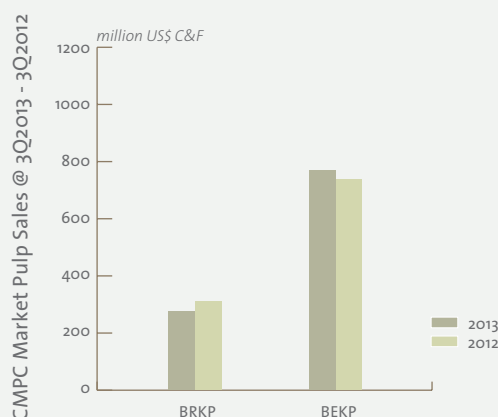
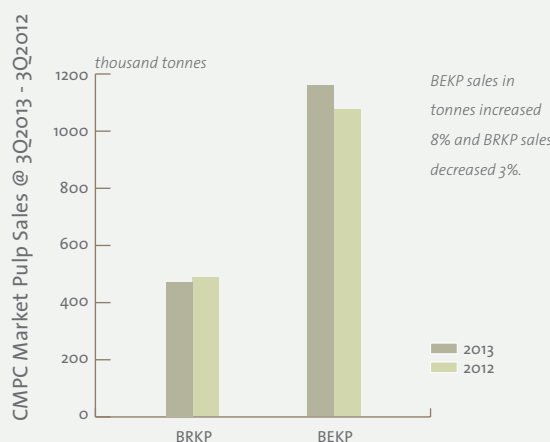
	3Q2012	3Q2013	Y/Y-1	2Q2013	3Q2013	Q/Q-1
SALES	1186	1321	11%	483	447	-8%
COST OF SALES	717	741	3%	267	251	-6%
GROSS MARGIN	459	580	24%	216	195	-10%
ADMINISTRATIVE & SELLING EXPENSES	204	234	15%	89	71	-19%
EBITDA	266	346	30%	127	124	-3%
EBITDA/SALES	22%	26%		26%	28%	
SHAREHOLDERS EQUITY	1,561	1,674	7%	1,645	1,674	2%
TOTAL ASSETS	4,751	5,164	9%	5,111	5,164	1%
SALES (THOUSAND TONNES)	1,811	1,907	5%	674	656	-3%
AVERAGE SALES PRICE (US\$/TONNE)	655	693	6%	717	680	-5%
AVERAGE EXCHANGE RATE (\$/US\$)	490	488	0%	482	507	-5%
AVERAGE EXCHANGE RATE (R\$/US\$)	1.91	2.12	-10%	2.07	2.29	-10%

CMPC Pulp's EBITDA reached US\$346 million in the first nine months of 2013, 30% higher than the same period last year. Sales grew by 11% due to higher prices and volumes. However, costs were 3% higher than last year due to both higher raw material and freight costs. The Brazilian

Real weakened by 10% compared to the same period last year and the Chilean peso exchange rate remained unchanged.

In the third quarter of 2013 results were slightly worse than the quarter before, with sales volume and average prices lower than the second quarter of 2013.

Cost of sales was reduced by 6% mainly because both Chilean (-5%) and Brazilian (-10%) exchange rates weakened during the second quarter of 2013. For these reasons the net impact on our EBITDA was only -3%.



The European recession forced us to increase our shipments to Asian countries.



Renewed FSC™ certification

CMPC Pulp successfully completed a new FSC™ certification chain of custody for pine and eucalyptus pulp produced at its mills, and also for paper used in sacks at Laja mill. The Certification is issued by the Rainforest Alliance on 1st December 2013, renews the first certificates obtained in 2008, extending their validity to 30 November 2018.

These certifications guarantee that the wood used in production comes from forests that are monitored and well managed. During the certification process all stages are evaluated from tree to final product, including processing, transformation, production and distribution.



La marca del
manejo forestal
responsable



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CMPC AND UPM WILL HEAD THE FOREST SOLUTIONS GROUP

At a meeting of the World Business Council for Sustainable Development, Francisco Ruiz-Tagle, CEO of Forestal Mininco, and Jussi Pesonen, Managing Director of UPM, were selected to lead the work of the Forest Solutions Group for three years. The group, comprising 26 companies, was created to push forward initiatives promoting an economic development based on renewable energy which respects biodiversity and is efficient in the use of raw materials.



Francisco Ruiz-Tagle, CEO of Forestal Mininco



Vikas Birla, Anders Hellstrand, Anil Birla and Dilip Birla, members of Cellmark, CMPC Pulp representatives in India.

RECOGNITION OF GUAÍBA II'S CONTRIBUTION



At a ceremony at Piratini Palace, representatives from Rio Grande do Sul State honoured CMPC Pulp Riograndense for having doubled the projected contracts with local suppliers within the expansion project at Guaíba mill. The company has signed contracts with 30 product and service suppliers from this Brazilian state for a sum of more than US\$1,000 million.



CMPC IS ONE OF THE MOST RESPECTED COMPANIES IN CHILE

CMPC has been placed third in the ranking of the Most Respected Companies 2013 carried out by Adimark GfK which surveyed 155 business people and executives from the most important Chilean companies. Developed over 18 years, the study highlights the strength of CMPC in areas such as globalisation, and its sincerity and solvency. In a special chapter regarding integrity and transparency, it obtained first place, as it did in last year's study.

SUCCESSFUL PARTICIPATION AT PAPEREX

CMPC Pulp exhibited at the Paperex 2013 fair, an important global business platform for the pulp and paper industry. Some 30,000 visitors from more than 40 countries attended the eleventh meeting, which took place in October in New Delhi.

The organisers of this fair emphasised that India has 15% of the world's population but only consumes 2% of the paper, hence it is expected that demand for this product will grow at rates of between 6-7% annually over the next few years.

Visiting Chile *Mapuche* basketwork

*Artisans from the La Capilla de Tres Sauces
Community from the Araucanía Region.*



Mapuche basketwork, a craft developed by people native to Chile, is carried out by all members of the family who together create a number of useful objects like waste baskets and decorated objects.

To help preserve this cultural expression which is threatened by the lack of the raw material, 'ñocha', Forestal Mininco has developed production programmes for this vegetable fibre since 2005, in alliance with groups of artisans living near to the mills.

In this programme, members of the group "Ñocha Malen", created products of such high quality that they were rewarded with the Chilean Artisanal Excellence Prize 2013 granted by Unesco, recognising the authenticity, innovation, respect for the environment and sales potential of the products.



CMPC PULP

Production and distribution of pulp based on radiata pine and eucalyptus. The mills are Pacifico (500,000 tonnes/year BSKP), Laja (230,000 tonnes/year BSKP + 30,000 tonnes/year UKP), Santa Fe (1,500,000 tonnes/year BEKP), and Guaíba (450,000 tonnes/year BEKP). This pulp is exported to countries in Asia, Europe, Oceania and the Americas.

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