



cmppc Pulp 14

October 2009 news



At closing of this issue:

CMPC announces purchase of assets in US\$ 1,430 million in Brazil

CMPC Pulp inaugurates largest ever Gearbulk vessel

Shipped in a sixth generation

Our gateway to the European continent
Verbrugge Scaldia Terminals' investment plans

Last global recession
Economics lessons for market pulp

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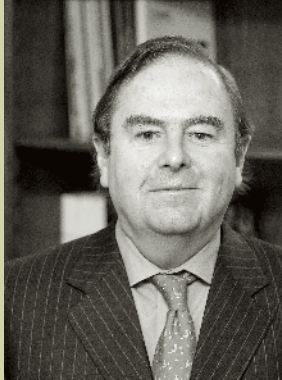
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welcome

Dear Friends,

The past few months have brought more hopeful news to everyone. After a very difficult and uncertain start, markets have slowly started to recover. Our customers have more paper orders and pulp prices (and hopefully paper prices) have started to recover.

China has leaded the way, with a remarkable general recovery followed closely by some other Asian countries. With Europe now also starting to have more activity, we do hope to end this year on a more positive note than what we did in 2008.

Also good news has been the agreement reached with Aracruz regarding the acquisition by CMPC of the Guaiba pulp mill and forests in the Porto Alegre region of Brazil. This deal, will not only give us around 400,000 extra tons of market pulp, but will also allow us to grow significantly in the future as included in the deal is a 1.3 million tons expansion project already approved by the environmental local authorities.

Gearbulk surprised us with the arrival to Chile of their new 6th generation vessel the Corella Arrow on its maiden voyage. This vessel the biggest of the Gearbulk fleet loaded 70,000 tons of our pulp at Lirquen port in Southern Chile with destination Asia. This is the biggest shipment of pulp by one supplier in one vessel ever, in other words a world record. On the same subject of logistics we take a look at Verbrugge Terminals which is our gateway to the European market.

We have also an article on economic cycles which can be of interest to all of us and as usual we have included general news about our group of companies.

I do hope you enjoy this newsletter and I take the opportunity to send you all our best wishes for success in your companies.

Yours,

A handwritten signature in dark ink, appearing to read 'Guillermo Mullins'. The signature is written in a cursive, flowing style.

Guillermo Mullins
Commercial Director of CMPC Pulp

Sixth generation Gearbulk vessels are 225 meters in overall length and 32.26 meters in beam



Shipping debut

The biggest vessel ever built to transport pulp made its inaugural trip with a shipment of CMPC Pulp.

The Corella Arrow, the first one of a series of sixth generation Gearbulk vessels, transported the recent shipment of CMPC Pulp to its customers in Asia.

The vessel set sail on its inaugural trip from China and arrived on the 28th of July at Puerto Lirquén, a port terminal near CMPC’s mills in the south of Chile, where it can be loaded to its full capacity (approx. 71,000 tons; 20,000 more tons than Gearbulk’s 5th generation vessels).

Thanks to its specialised gantry cranes that move along the vessel, the loading process attained a net cargo input of 33,800 ton/day, a rate that marked a productivity record

in Open Hatch Gantry Craned vessels of this type (OHGC).

Gearbulk’s investment plan as reported by Eugenio Moreno, General Manager of the company in Chile, considers 28 new vessels between 2009 and 2014. Four out of them are 6th generation; and all of them, he adds, which provides optimum pulp handling during loading and transportation, thereby ensuring a good outturn of products at their destination.

The vessel’s arrival occurs in the same year that Gearbulk celebrates 30 years of activities in Chile working together with CMPC.

6TH GENERATION Vessel Particulars

Year of Build: 2009-2010
 Deadweight: 72,863 Mt
 Length overall: 225.0 m
 Beam: 32.26 m
 Draft: 14.42 m

Gross Reg. Tons: 44,684
 Net Reg. Tons: 22,141
 Speed: 15,5 Kts
 Total Bale Cubic: 85,028 cbm
 Cargo Gear: 2 x 70 Mt Gantry Cranes

Verbrugge Scaldia Terminals

Our gateway to the European continent

The majority of the CMPC wood pulp is transported from VST to CMPC's customers by means of water transport.

Next year we celebrate the 10th anniversary of the CMPC/Verbrugge partnership. CMPC was the launching customer for Verbrugge Scaldia Terminals (VST) in Flushing back in 2000. MV Condor Arrow of Gearbulk brought the CMPC cargo to Flushing. This was the start of a long-term partnership.

Last year Verbrugge Scaldia Terminals handled 1.8 mio MT of wood pulp out of a total amount of 4 mio MT of wood pulp handled by Verbrugge Terminals in 2008.

Verbrugge Terminals are located in the strategic heart of Northwest Europe: on the North Sea, right at the very mouth of the Western Scheldt estuary. This location provides an excellent gateway to the

entire European continent, the Nordic countries, the UK, and Ireland.

The majority of the CMPC wood pulp is transported from VST to CMPC's customers by means of water transport: coasters to the UK and to the Nordic countries and barges to the European continent. This means that the hinterland transport is done in a sustainable way with low carbon emission.

Recently Verbrugge Terminals inaugurated the 2 newest warehouses nrs. 6 and 7. After completion in 2010, the total quay wall will be 1,200 meters. Seven more warehouses are planned from 2010 onwards.

	AUGUST 2009	BEGINNING 2010
Draught	13.5 meters	14.5 meters
Quay length	600 meters	1,200 meters
Total terminal area	45 ha	
Warehouse space	90.000 m ²	
Total amount of warehouses	7	
Storage capacity	40.000 MT / warehouse	
	units stacked 4 high	
Modal Split (CMPC)	60% barge/coaster	
	19 % road	
	21% rail	
Berth occupation	75% (phase 1 - 600 m)	
Vessels in 2008	194	

Verbrugge Scaldia Terminals are located in the port of Vlissingen (Flushing), which is one of the few open sea ports in North-West Europe, although its port basins are well protected from bad weather.



Martin Verbrugge, Managing Director of Verbrugge Group, start of Verbrugge Scaldia Terminals in Flushing in 2000. In this interview he explains its operations and projects.

Martin Verbrugge:

“We are developing a deep sea container project in Flushing”

Which are Verbrugge’s investment plans for the future?

Verbrugge is continuing to invest in infrastructure: port infrastructure, warehouses, pavements and handling equipment. Very important to keep on investing in our people: training and motivation.

Furthermore, great emphasis is given to sustainability a.o. by means of carbon emission measurements. Innovations like Radio Frequency Identification (RFID) are currently in a testing phase and are expected to be operational in the near future.

Verbrugge Terminals is currently developing a deep sea container project in Flushing.

Despite the recession and the crisis in the container market it is important to have good container facilities. Part of the Verbrugge Zeeland Terminal in Flushing will be converted into a deep sea container terminal in the long run. The intention is to start in 2 or 3 years from now with a volume of 300,000 to 400,000 TEU. At the moment, permits are under review by the authorities. Green light of the government is expected by end of the year.

Are Verbrugge’s docks deep enough to receive the new 6th generation vessels from Gearbulk?

As from next year, the quay will be

lengthened by 600 meters and the draft of this extended quay will be 14.5 meters, sufficient to accommodate the new 6th generation vessels of Gearbulk.

How could CMPC /Verbrugge customer service be improved? What would be your specific contribution here?

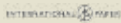


We should get even closer to customers than we already are. In this way we will be able to present a full picture of the logistic needs of our customers on short and medium term by combining the different information streams coming from e.g. end receivers, agents, sales, terminals, carriers, producers, etc.

Company overview

CMPC Group

CMPC is an integrated and well-diversified producer of pulp, paper and other forest products in Latin America.

CMPC SHARES THE HIGHEST CREDIT RATING IN THE INDUSTRY GLOBALLY

							
COUNTRY							
S&P Rating	A-	A-	BBB+	BBB	BBB	BB	BB
EBITDA (US\$ millions)	611	596	1,932	725	3,663	498	326
Net Debt (US\$ millions)	1,433	801	5,549	2,561	9,263	4,150	2,441

Source: Public Information as of June 2009.

2Q09 IN BRIEF

During the second quarter, CMPC's consolidated sales remained unwavering when compared with those of 1Q09. The good performance showed by the Paper and Tissue businesses, has compensated low prices reached by pulp. Nevertheless, it is important to note that there has been an upward trend in pulp effective sale prices since April. This

is consequence of high cash cost mill closures, as well as the growth in the Asian pulp demand, especially the one coming from China. However, pulp prices still remain at significantly lower levels than those reached by the end of the second semester of 2008.

EBITDA reached US\$130 million during 2Q09, showing a 7% decrease when

compared to that of 1Q09. This lower EBITDA is mainly explained by lower sales, besides the increase in Other operating expenses during the quarter. The EBITDA Margin reached 19%, even in a scenario of prices historically low and negative market conditions.

KEY FIGURES

Th. US\$	1H 2009
Sales	1,389,689
EBITDA	269,170
EBITDA Margin	19%
Net Income	81,512
CAPEX	142,106
Total Assets	10,105,303
Net Debt	1,432,559
Market Capitalization	5,264,405
Closing Exchange Rate	531.76
Average Exchange Rate	578.64

CMPC IS A MARKET LEADER WITH HIGH QUALITY ASSETS THROUGHOUT LATIN AMERICA

Last 22 September, CMPC signed an agreement with the Brazilian company Aracruz for the acquisition of forest and industrial assets, for around US\$1,430 million, of the pulp, paper and wood business related to the Guaíba Unit of that company, located in Rio Grande Do Sul state.

The purchase agreement comprises lands covering an approximate area of 212,000 hectares, nearly 60% of which are planted or about to be planted with Eucalyptus; a nursery with capacity to produce 30 million plants per year and genetic material developed by Aracruz for this Unit; a pulp production

mill with an installed capacity of 450,000 tons per year; a paper mill producing 60,000 tons per year, which is integrated to the pulp mill; an industrial plot of land, environmental permits and licenses for the execution of an expansion project for the pulp mill to produce 1,300,000 tons per year, and all the necessary goods and services for a proper operation of these assets, as an active and autonomous business.

The transfer is foreseen to take place in the month of December 2009. In the next issue of this newsletter we will advise you on the details and scope of this new expansion of the company.



*FORESTRY	*PULP	TISSUE	*PAPER	PAPER PRODUCTS
<ul style="list-style-type: none"> • 698 Th Ha (472 Th Ha plant.) • 4 Sawmills (1,382 MM m³/y) • 2 Remanuf. (216,000 m³/y) • 1 Plywood mill (250,000 m³/y) 	<ul style="list-style-type: none"> • 3 mills: Laja (Pine) Pacifico (Pine) Santa Fe (Eucalyptus) 	<ul style="list-style-type: none"> • 2 mills: (118,000 t/y): Puente Alto Talagante 	<ul style="list-style-type: none"> • Boxboard: Maule Valdivia • Packaging: Puente Alto • Newsprint: Inforsa • P&W: Puente Alto Laja 	<ul style="list-style-type: none"> • Corrugated boxes: 252,000 tons/y • Paper Bags: 245 MM units/y
<ul style="list-style-type: none"> • 94 Th Ha (65 Th Ha plant.) 		<ul style="list-style-type: none"> • 2 Mills (96,000 t/y) • Protisa (57,000 t/y) • Ipusa (37,000 t/y) • Absormex (37,000 t/y) • Drypers Andina • Melhoramentos (75,000 t/y) 		<ul style="list-style-type: none"> • Paper Bags: 105 MM units/y • Paper Bags: 200 MM units/y
792 Th Ha (537 Th plant) 9.1 MM m ³ /y	2 MM tons/y	420,000 tons/y	1,000,000 tons/y	252,000 tons/y 550 MM units/y

* Does not include assets in Brazil that are part of the purchase agreement recently signed between CMPC and Aracruz.

Last global recession

Economics lessons for market pulp

WHAT A DIFFERENCE A YEAR MAKES! IT IS HARD TO BELIEVE THAT ONLY A YEAR AGO, BY THIS SAME DATE, PULP DEMAND WAS BOOMING ALONG WITH MARKET PRICES AND EVEN THOUGH 2.5 MILLION TONS OF NEW CAPACITY WERE ADDED, AVERAGE CAPACITY UTILIZATION WAS AROUND 95%. DO YOU REMEMBER THAT WORLD-20 STOCKS AVERAGED A HEALTHY 33 DAYS OF SUPPLY DURING THE FIRST HALF 2008?

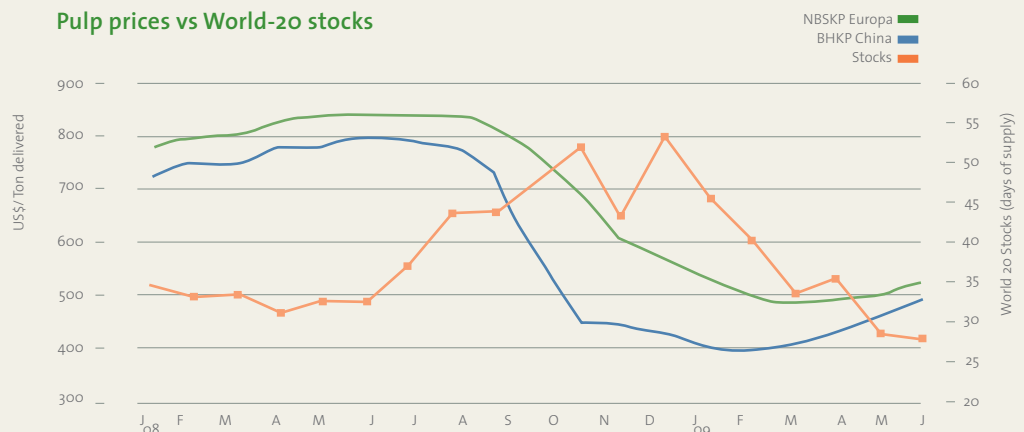
Lesson # 1: Pulp demand is heavily dependent on the level of economic activity and as a raw material that is traded overseas and kept in stock, access to financial capital and interest rates are also key factors to explain its behaviour.

This crisis struck badly to paper manufacturers in traditional markets. During the first half 2009, World-20 pulp shipments to Japan had fallen 25% over the same period last year, Europe, 19% and America, 15%. In a sharp contrast, it seems so far that the Chinese government has been successful implementing its economic stimulus measures and this country is perhaps one of the few that will avoid a recession this year. Chinese buyers

have a long tradition of relieving pulp producers of surplus inventories at rock bottom prices and this tendency has been demonstrated once again over the past few months. In fact, World-20 shipments to China had increased 68% during the first half 2009 over the same period last year, and Chinese pulp prices fell faster and deeper than European prices, for example.

This equilibrium is heavily dependant on Chinese demand and supply shortening.

Pulp prices vs World-20 stocks



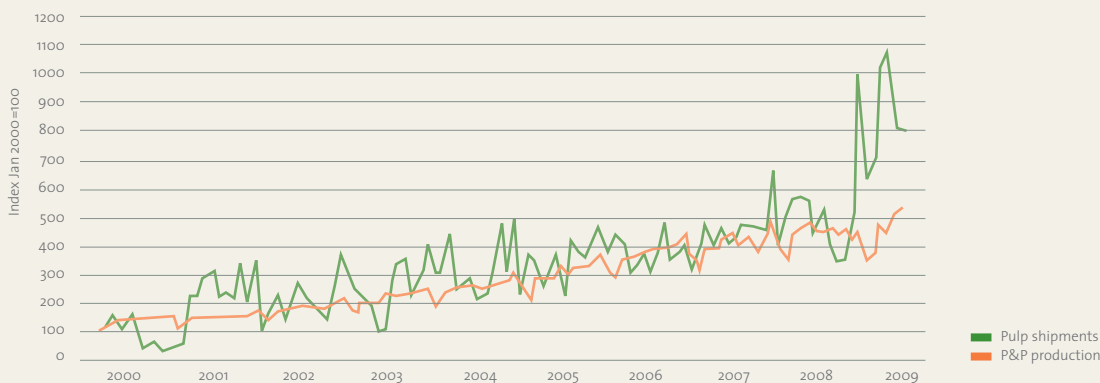
Pulp producers have reacted reducing output through large market related downtime. The World-20 average capacity utilization rate has been around 83% since October last year. In one sentence: **Strong Chinese demand and a reduced supply have balanced the pulp market.** World-20 stocks have fallen dramatically from the record 53 days of supply in January 2009 to only 28 last

June and prices have recovered in the last three months to July. Of course this kind of balance is quite unstable. As paper manufacturing activity is showing weak signs of life in traditional markets, the equilibrium is heavily dependant on Chinese demand. China has been buying roughly 1 pulp mill by month, more than double its monthly historical average. According to market analysts, Chinese

pulp buying has been the result of both stock-building and substitution for local (non-wood) fibre. There is also anecdotal evidence suggesting that paper producers in China are operating at full capacity, offering to their clients overseas an 8-10 weeks lead time.

Furthermore, Chinese official statistics show that paper & board production has been growing this year at an average 9% monthly rate since January to June, the last month available.

China: P&P production vs Pulp shipments World-20



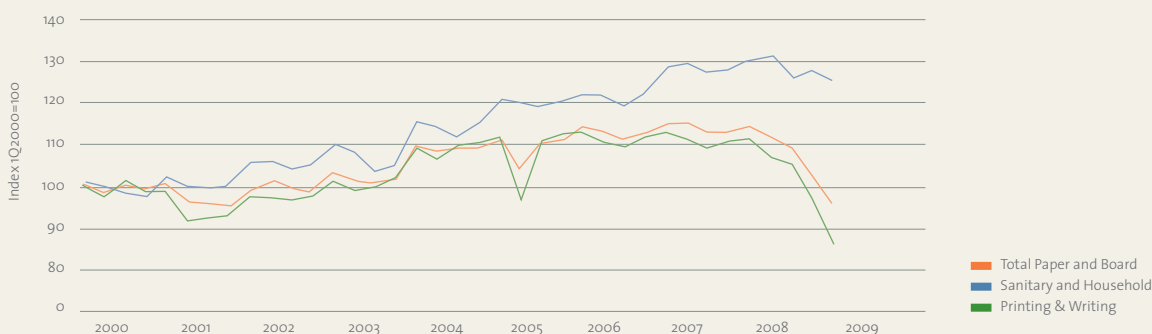
Lesson # 2: At the equilibrium (market) price, Supply and Demand are in balance. The quantity that buyers are willing to buy exactly matches the quantity that sellers are willing to sell.

Before the crisis, the European paper industry had struggled for more than five years to climb out of a slump as soft demand and overcapacity have kept prices down, leading to poor earnings. According to CEPI Statistics during this decade, up to 1Q2008, P&B production grew at an anaemic 1.8% annual average and pulp consumption, according to UTIPULP,

grew less than 1% on average annually. The current global downturn has further eroded demand for basic materials, including paper, as print advertising has dropped steeply in the crisis. In only one year, up to the 1Q2009, European P&B production fell 17% and companies were forced to run just to stand still, temporarily or permanently shutting

mills and axing staff. One segment that has proved to be rather resilient to the economic crisis is Sanitary and Household. Tissue paper production grew at a 3.5% average annual rate up to 1Q2008 and during the crisis fell only 3.9% up to 1Q2009.

CEPI European Quarterly Paper & Board Production Index



Lesson # 3: Necessity goods are goods that we can't live without and won't likely cut back on even when times are tough, for example food, power, water and gas... and tissue paper.



Pedro Bianchi

EXECUTIVE CHANGE IN CMPC PULP

After 12 years in the company, Pedro Bianchi, Chartering Manager for Asia of CMPC Pulp, has left this position to assume the duties of Export Manager in CMPC Cartulinas for the markets of Central America, the Caribbean, Venezuela and Asia-Australia. He has been replaced by Benjamín Atria, until then Chartering Manager for Europe. Sebastián López, who worked in the research area of the company, has been appointed to fill this position.

Laja Mill was the first producer of Kraft pulp in Chile, in 1959.

CMPC STARTED FSC CERTIFIED SALES

CMPC Pulp started on 28th of May the marketing of Santa Fe pulp under the FSC seal.

The company obtained in December 2008 the certification of its chain of custody for five years according to the standards of FSC, an international non-profit organization that promotes environmentally responsible, socially beneficial and economically viable forest management around the world.

CMPC Pulp certification contemplates the purchasing management of FSC Pure and FSC controlled wood for the Eucalyptus species; the process of obtaining Santa Fe BEKP and the sales management of the same in international markets.



ENVIRONMENTAL COMMISSION APPROVED THE LAJA MILL PROJECT

The Regional Commission for the Environment of the Biobío Region (Corema Biobío) approved at its meeting of the 21st July the Environmental Impact Study of the Modernization Project for Laja Mill, belonging to CMPC Celulosa S.A.

The purpose of this new investment, amounting to over US\$300 millions, is incorporating technologies to bring this mill to standards that will ensure its operating continuity and competitiveness, extending its service life by at least 30 more years.

A part of this project's financing will be obtained from the sale of greenhouse gas

emissions reductions, in the framework of the Clean Development Mechanism of the Kyoto Protocol.

It is estimated that around 1,500 people per month will work in the construction stage of the new facilities, reaching a maximum of 4,000 during approximately 4 months.

Laja Mill was the first producer of Kraft pulp in Chile, in 1959. It currently produces elemental chlorine free bleached pulp, crude pulp, fluff pulp for the manufacture of disposable diapers, tissue and sanitary products and several printing and writing papers, as well as others for heavy duty requirements.

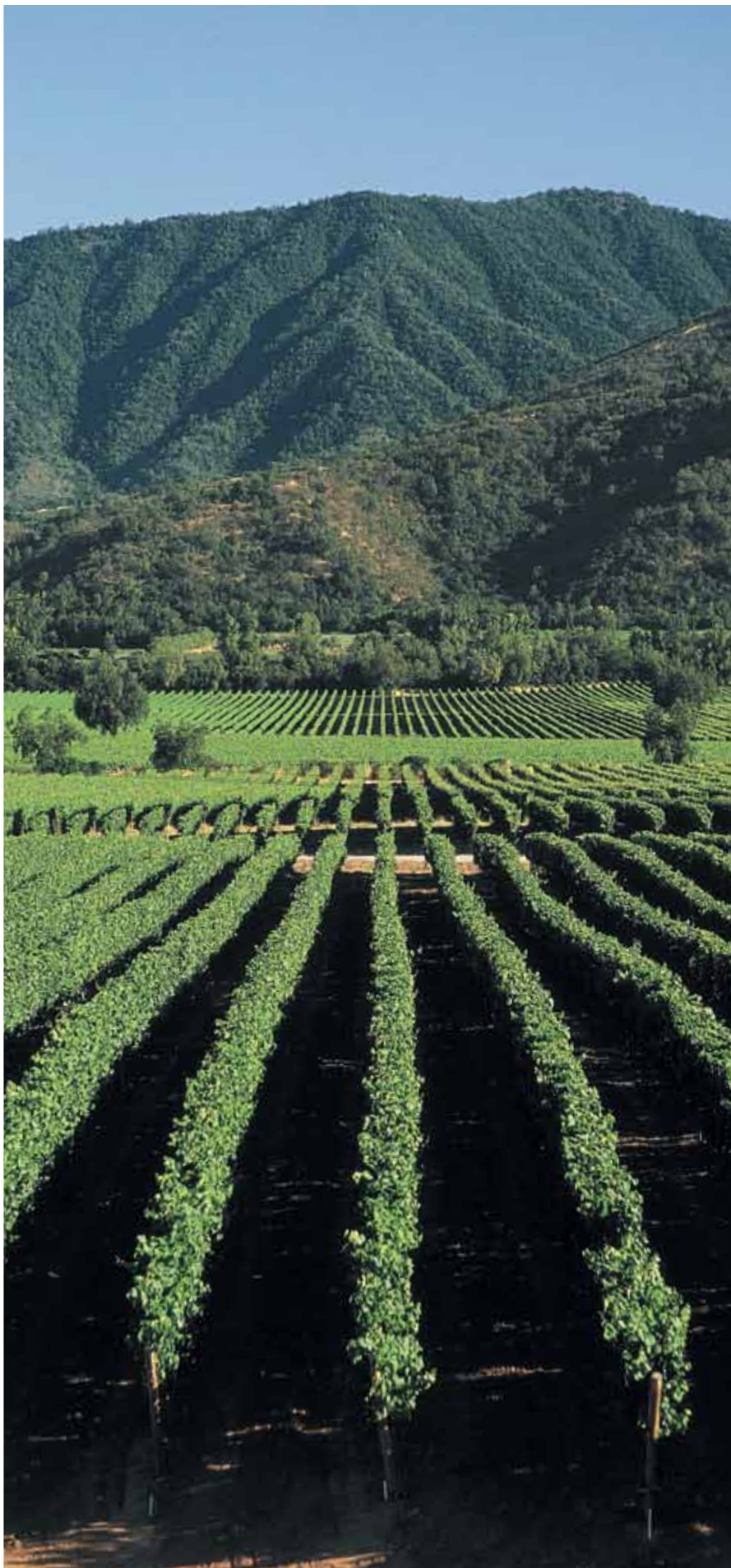


Wine routes

The Mediterranean weather of Chile's central zone, with well-defined seasons, dry summers and differences in temperature reaching 20°C between day and night, has made it possible to produce wines more and more valued internationally. During the last two decades, large European and North American producers have settled in the country to develop traditional stocks, such as Cabernet Sauvignon, and recover others, like the Carménère grape, extinguished in Europe in the 19th century. (Chile is the only large-scale wine producing country that has never had an outbreak of phylloxera).

The best Chilean vineyards are located in six valleys: Casablanca, Maipo, Maule, Curicó, Rapel and Colchagua. In the last-named valley a tourist activity known as the Wine Route emerged in 1996: a tour that offers the opportunity to visit vineyards, their plantations and wineries, as well as to taste their wines. Currently, there are eleven alternatives of this type in the country.

*Viña Veramonte,
in the Casablanca Valley,
a zone located 60 km.
from Santiago covering
over 4,500 hectares
of plantations.*





CMPC PULP

Production and distribution of pulp based on Radiata Pine and Eucalyptus. The mills are Pacifico (500,000 tons Radiata Pine), Laja (360,000 tons Radiata Pine) and Santa Fe (1.2 million tons Eucalyptus). This pulp is exported to countries in Asia, Europe, Oceania and the Americas.

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