

Annual Report 2006

Empresas CMPC S.A.





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The Company

Letter to Shareholders

Dear Shareholders:

I am pleased to submit for your consideration our Annual Report and the Company's Financial Statements for the fiscal year recently ended.

The year 2006 presented a complex and challenging macroeconomic scenario for CMPC. The expansion of the international economy had a generally favourable effect on demand for the products we sell. However, this same dynamism drove up prices of certain commodities like oil, which increased our energy costs; and copper, which contributed to the revaluation of the Chilean peso, and consequent decrease in the profit margins of CMPC's export business. The performance of the Chilean economy was relatively weak, considering the favourable international climate, which together with fierce competition in some sectors of the domestic market, had a negative impact on the Company's results.

Within CMPC, several expansion projects were completed and came on stream in 2006, which involved operational stoppages and some cost increases. These one-time events also had a negative impact on operations for the period.

With this scenario as background, CMPC achieved consolidated sales of Ch\$ 1,201,892 million (US\$ 2,269 million)* in 2006, 7.9% above the previous year and EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) of Ch\$ 275,187 million (US\$ 520 million)*, 13.4% up compared to 2005. Net Income reached Ch\$ 109,300 million (US\$ 206 million)*, 13% down on the previous year due primarily to a lower non-operating income due to greater net financial expenses and because the previous year's results had an extraordinary gain of US\$ 24 million arising from assets sale.

I would like to refer briefly to our operations to highlight the key features of the market and to draw to your attention the investment projects undertaken.

In the forestry business, considerable work was done throughout the year to prepare the organization for an increase in the eucalyptus harvest from 2007, following the operational launch of Line 2 of the Santa Fe pulp mill.

The wood product markets continue to accept more and more products derived from Pine. However, a slow-down in the US construction sector has affected demand in the last few months, particularly in the market for mouldings.

Investments have been focussed on our continuing strategy to monetize the value added to our forest with a long-dated silvicultural management program. For this purpose we built the US\$ 70 million plywood board manufacturing plant in Mininco, next to the Pacifico Mill. This plant is in its final phase of construction and about to come on stream.

The pulp business commanded better export prices than the previous year, with the average increase around US\$ 70 per tonne more than the 2005 average.

In mid December last year, Line 2 of the Santa Fe mill produced its first bale of pulp. This was an important milestone for CMPC, crowning a great effort of investment and work over many years to develop and build the project. It is worthy of note that the number of workers on the project exceeded, on average, 5,000 during the whole of 2006, rising to 8,000 per day in the third trimester of the year. We are particularly proud of our performance in terms of safety and environmental commitments, which the project team adhered to strictly.

This investment enabled CMPC to reach a production capacity of 2 million tonnes per annum, practically doubling its exports volume. To achieve this, promotional work was done on pulp from the new line and contracts signed for 2007 with more than 150 clients in 30 countries, covering more than 80% of annual production.

The paper business, which includes newsprint, folding boxboard and corrugating paper experienced a robust price environment. Newsprint for example reached its highest price for the last five years, though this showed signs of slowing down towards the last quarter of 2006. The folding boxboard business continues to consolidate in the Latin American and European markets after manufacturing and marketing a product of excellent quality. A project to expand capacity at the Valdivia mill was completed during the year, which together with the

* Figures denominated in US Dollars as of the averages of the year.

CMPC achieved consolidated sales of Ch\$ 1,201,892 million (US\$ 2,269 million) in 2006, up 7.9% on the previous year.

Maule mill expansion completed at the end of 2005 will enable production capacity of more than 350,000 tonnes of this product. A major US\$ 36 million investment was made in the corrugating paper business to increase production to 280,000 tonnes per year.

In the tissue and hygienic products business, the markets where we operate in experienced good growth. This business is the most widespread outside Chile, and we are pleased to note that our foreign subsidiaries kept improving their results.

In February 2006 we acquired a controlling stake of Absormex in Mexico, which operates in the disposable diaper and tissue business. This company has a diaper production facility in Monterrey and a paper mill in Altamira. The Mexican market offers attractive opportunities that we hope to take advantage of in the years to come.

The Paper Products business, including corrugated boxes, paper sacks and moulded pulp trays, performed reasonably well in a highly competitive market. Considerable work was done in the area of paper bag exports, which has launched in several markets with remarkable success, particularly in North America.

It is a goal of the Company to keep strengthening its position as a world class company. The foundations of our business are solid and we hope to be able to sustain this growth model with a focussed and disciplined investment strategy, pursuing returns congruent with the risks and capital costs that we face.

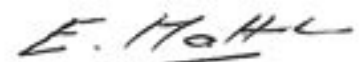
Relations between the Company and its workers and trade unions were conducted in an open and constructive manner, in the traditional climate of harmony and mutual respect. We would like to thank all those involved with our Company who from their respective positions show their commitment, loyalty, effort and enthusiasm every day.

I would also like to draw attention to the work of the CMPC Foundation ("Fundación CMPC") which supports 93 schools in 36 communities in Chile, benefitting more than 380 teachers and 15,000 children. And to the Good Neighbourhood Programme ("Plan de Buena Vecindad"), which develops work, training and education schemes, especially involving Mapuche communities. These activities enable us to get involved with the challenges and wishes of the communities where we operate.

Just as important to the Company is caring for the environment so all our investments have an environmental dimension built in. In 2006 we published CMPC's Third Sustainability Report, which provides detailed information about the business value chain, workers, community and the environment. We hope that this report serves as a tool for raising awareness both within the Company, and for our clients and the general public.

We intend to keep improving and believe that we are on the right track.

A substantial period of growth and modernization is coming to fruition at CMPC that should have a favourable effect on the next years' results. Our challenge now is to consolidate what we have achieved with gains in efficiency, competitiveness and effectiveness. Our assets and market base open us many opportunities and options to add value through new developments and investments, so that we can look to the future with optimism.



Eliodoro Matte Larraín
Chairman
Empresas CMPC S.A.

The Company

Company History

1920

CMPC is founded.

It produces paper, cardboard and pulp from wheat chaff in the Puente Alto Mill.

1940

Acquisition of the Pinares estate in Concepción with important Radiata pine plantations.

1951

Decision to build pulp and newsprint mills.

1957

The Bío Bío newsprint Mill comes on stream.

1959

The first pulp mill in Chile, the Laja Mill, comes on stream.

1960

The first exports of Chilean pulp by CMPC to South America.

1962

Expansion of Laja Mill.

1970s

New sack factory in Chillán.

Beginning of huge plantation programme of Radiata pines.

Construction of moulded pulp trays and tissue paper factory in Puente Alto.

Modernization of paper machines in Laja, Valdivia and Puente Alto.

New corrugated boxes factory in Puente Alto.

1983

Entry into the disposable diaper market.

Expansion of the tissue paper and corrugated boxes businesses.

1986

Acquisition of INFORSA and sale of Papeles Bío Bío.

1990

Start of the Eucalyptus planting program.

1991

First overseas investment on acquiring the disposable diaper producer Química Estrella San Luis S.A. in Argentina.

The new pulp mill in Mininco (9th Region) comes on stream.

1993

Sale of 50% of the Prosan subsidiary to Procter & Gamble, in order to enter into a joint venture to develop the disposable diaper and female sanitary towel markets in Chile, Argentina, Bolivia, Uruguay and Paraguay.

1994

Acquisition of IPUSA in Uruguay (tissue) and FABI (paper sacks) in Argentina.

1995

Two new tissue factories come on stream in Talagante (Chile) and Zárate (Argentina).

Operations are decentralised into 5 subsidiaries and a holding structure adopted.

1996

Acquisition of Papelera del Plata S.A. (tissue) in Argentina

Start of tissue operations in Peru.

1997

Consolidation in the pulp business with the acquisition of 100% of the Santa Fe and Pacífico Mills.

1998

Sale of shareholding in Prosan to Procter & Gamble.

Construction of the second tissue producing machine in Argentina.

Inauguration of Maule boxboard Mill.

Launch of the first paper making machine in Peru.

1999

Entry into the Peruvian market for paper sacks.

2001

New corrugating paper mill in Puente Alto comes on stream.

2003

Acquisition of Forestal Monte Águila with important Eucalyptus plantations.

2005

The new Mulchén sawmill, expansion of the Talagante Tissue Mill and enlarged Maule Mill come on stream.

The new subsidiary Servicios Compartidos CMPC ("CMPC Shared Services") is founded.

2004

Construction starts of Line 2 of the Santa Fe pulp mill with capacity for 780,000 tonnes per annum.

2006

Acquisition of forestry assets of Forestal Copihue.

Acquisition of ABSORMEX in Mexico (tissue).

Line 2 of the Santa Fe mill comes on stream.

The Company

Board of Directors



Board of Directors of CMPC: Arturo Mackenna I. (Chief Executive Officer), Juan Claro G., Bernardo Matte L., Gonzalo Garcia B. (General Secretary), Eliodoro Matte L., Jorge Gabriel Larrain B., Patricio Grez M., Jorge Marin C., and Martin Costabal LI.

The Company is headed by a Board of Directors, elected by the Annual Shareholders General Meeting, formed of seven members who hold their seats for three years. Their main function, regulated by law 18,046 on Corporations (“Sociedad Anónima”), consists in managing the Company. The aforementioned law stipulates, among other matters, the administrative function of the Board of Directors, setting out members’ competencies, duties and responsibilities. The Board of Directors also represents the Company judicially and extra-judicially, in all the events necessary for it to carry out its social role and so it possesses all the executive and organisational powers that the law or statute does not deem exclusive to the Annual Shareholders General Meeting.

This Board of Directors meets on a monthly basis, to review and direct the development of the Company in the economic, environmental and social spheres.

The shareholders can make their views on the progress of the Company known in legally convened ordinary and extraordinary meetings.

Remuneration of the Board of Directors varies according to the dividends awarded by the shareholders. Remuneration of directors does not vary depending on their meeting targets in the economic, social or environmental sphere.

The Board of Directors of Empresas CMPC is as follows:

Chairman:	Eliodoro Matte L. Civil Industrial Engineer
Directors:	Juan Claro G. Entrepreneur Martín Costabal LI. Economist Patricio Grez M. Civil Engineer Jorge Gabriel Larraín B. Economist Jorge Marín C. Business Administrator Bernardo Matte L. Economist
Committee of Directors:	Martín Costabal LI. Patricio Grez M. Jorge Marín C.



Management: Luis Llanos C., Arturo Mackenna I., and Gonzalo Garcia B.

MANAGEMENT	
Chief Executive Officer:	Arturo Mackenna I. Civil Industrial Engineer
General Secretary:	Gonzalo García B. Lawyer
Chief Financial Officer:	Luis Llanos C. Civil Industrial Engineer

EXTERNAL AUDITORS
PricewaterhouseCoopers

The Company



Empresas CMPC S.A. founded in 1920, is a corporation (“Sociedad Anónima”), of private Chilean capital, which is distributed in:

200 million shares

7,571 shareholders

Subsidiaries

FORESTRY AND SOLID WOOD

Forestal Mininco S.A.

Plantations

4 Sawmills

2 Remanufacturing
plants

PULP

CMPC Celulosa S.A.

Celulosa Pacífico

Celulosa Santa Fe

Celulosa Laja

PAPER

CMPC Papeles S.A.

Papeles Cordillera S.A.

Cartulinas CMPC S.A.

Industrias Forestales S.A.

Edipac S.A.

Sorepa S.A.

TISSUE

CMPC Tissue S.A.

Factories in:

Chile

Argentina

Peru

Uruguay

Mexico

PAPER PRODUCTS

CMPC Productos de
Papel S.A.

Envases Impresos S.A.

Envases Roble Alto S.A.

Propa S.A. (Mills in

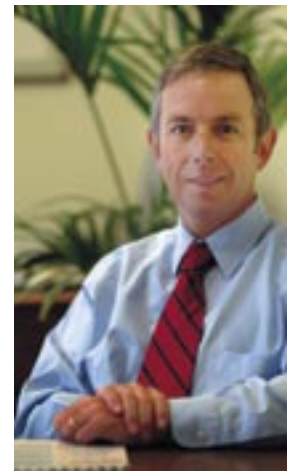
Chile, Argentina and

Peru)

Chimolsa S.A.

The Company

Subsidiaries



Hernán Rodríguez W., Managing Director.

Forestry and Solid Wood

This business area manages CMPC's forest assets, producing from the forests under its management solid wood products via its sawmills, remanufacturing and panel plants; as well as being the strategic support for the pulpwood supply for CMPC's pulp and paper plants.

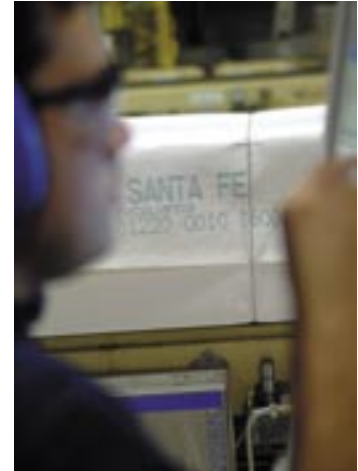
Forestal Mininco S.A. manages the forest assets of CMPC that are under many subsidiaries such as Sociedad Forestal Crecex S.A., Forestal y Agrícola Monte Águila S.A. and Bosques del Plata S.A. in Argentina. The industrial assets needed to produce timber and the comercialization are managed by CMPC Maderas S.A.

CMPC has plantations of pine (Radiata, Taeda and Elliotti –386,000 hectares), eucalyptus (Globulus and Nitens –117,000 hectares) and other species (18,000 hectares) in Chile and Argentina. As of December 2006, CMPC had a sawn wood production capacity of more than 1.2 million cubic metres per year with its four sawmills; and with its two remanufacturing plants, more than 180,000 cubic metres of products per year. Another 240,000 cubic metres per year will be added once the new plywood board plant comes on stream in 2007.

Chairman:	Eliodoro Matte L.
Vice-Chairman:	Arturo Mackenna I.
Directors:	Ernesto Ayala O. Gonzalo García B. Jorge Gabriel Larraín B. José Ignacio Letamendi A. Pedro Schlack H.
Managing Director:	Hernán Rodríguez W.



Sergio Colvin T., Managing Director.



Pulp

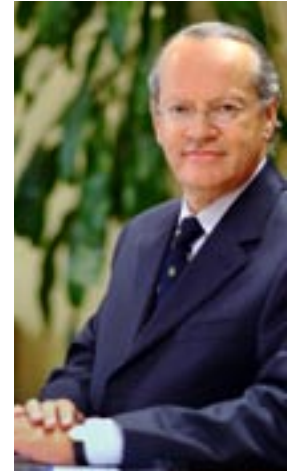
CMPC Celulosa S.A. is a major international softwood and hardwood pulp producer which in 2007 will have a production capacity of approximately 2 million tonnes per year, which will be sold to more than 200 clients in 40 countries of Europe, Asia, America and Oceania.

The main products in this area are bleached softwood pulp and bleached hardwood pulp. Softwood bleached pulp is produced by the Laja Mill (360,000 tonnes per year) and Pacífico Mill (495,000 tonnes per year) from Radiata pine plantations. The Santa Fe Mill produces bleached hardwood pulp (1,140,000 tonnes per year) sourced from eucalyptus plantations. This pulp has excellent properties for producing fine printing and writing paper and high quality tissue papers.

Chairman:	Eliodoro Matte L.
Vice-Chairman:	Arturo Mackenna I.
Directors:	Jorge Araya D. Ernesto Ayala O. Jorge Gabriel Larraín B. Luis Llanos C. Bernardo Matte L.
Managing Director:	Sergio Colvin T.

The Company

Subsidiaries



Washington Williamson B.
Managing Director.

Paper

CMPC manages this area via a structure of five subsidiaries, through which it produces and markets folding boxboard, newsprint, corrugating paper (testliner and medium), printing and writing paper and wrapping paper.

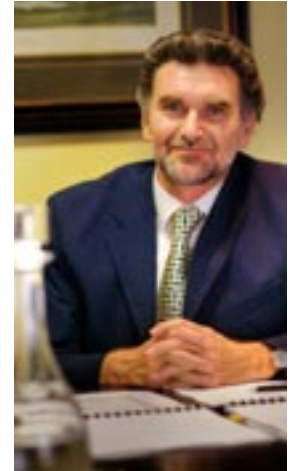
INFORSA S.A. sells 200,000 tonnes per year of newsprint produced in the Nacimiento Mill (8th Region), both in Chile and abroad. Its main export market is Latin America but it is also sold in North America, Caribbean, Asia and Europe.

Cartulinas CMPC S.A. sells 270,000 tonnes of folding boxboard per year in more than 40 countries in Latin America, Europe, Asia and the USA, produced in the mills at Maule (7th Region) and Valdivia (10th Region).

Papeles Cordillera S.A. produces and sells a range of corrugating paper, printing and writing paper and wrapping paper from its mill in Puente Alto (Metropolitan Region). Its principal activity is the production of corrugating paper from recycled fibre with an annual capacity of 280,000 tonnes.

Distribution company EDIPAC S.A. is responsible for selling the paper produced by CMPC in Chile. SOREPA S.A. buys used paper and cardboard in Chile to be recycled as raw material in the various manufacturing plants of CMPC, simultaneously creating an important environmental benefit.

Chairman:	Eliodoro Matte L.
Vice-Chairman:	Arturo Mackenna I.
Directors:	Jorge Araya D. Juan Claro G. Andrés Echeverría S. Luis Llanos C. Bernardo Matte L.
Managing Director:	Washington Williamson B.



Jorge Morel B., Managing Director.

Tissue

This business produces and markets tissue products (toilet paper, paper towels, paper napkins and facial tissues) and sanitary products (disposable diapers for children and adults and feminine sanitary towels) in Chile, Argentina, Peru and Uruguay. In February 2006 it bought 67% of the Company Absormex in Mexico.

CMPC is one of the biggest producers of tissue in South America. It is the market leader in Chile (through its subsidiary CMPC Tissue), Argentina (Papelería del Plata), Peru (PROTISA) and Uruguay (IPUSA).

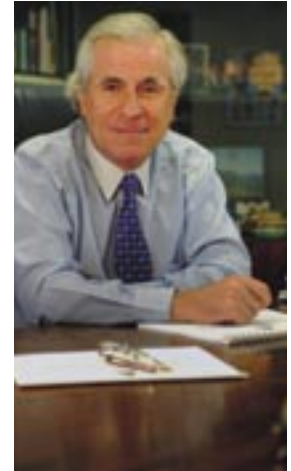
CMPC Tissue offers products of wide-ranging quality and price in the categories that it competes in.

CMPC's tissue products are mainly sold under their own brands, some of which have become generic names. Elite® is the regional brand CMPC uses in most of the markets where it is present. Confort® and Nova® in Chile and Hygienol® and Sussex® in Argentina are the leading brands in the toilet paper and paper towels markets respectively. Disposable diapers for children and adults and sanitary towels are sold under the Babysec®, Cotidian® and Ladysoft® brands respectively.

Chairman:	Eliodoro Matte L.
Vice-Chairman:	Arturo Mackenna I.
Directors:	Gonzalo García B. Jorge Hurtado G. Bernardo Larraín M. Luis Llanos C. Bernardo Matte L.
Managing Director:	Jorge Morel B.

The Company

Subsidiaries



Andrés Infante T., Managing Director.

Paper Products

This area manages the business of paper-derived products like corrugated boxes, paper sacks or bags, and moulded pulp trays, geared towards the packaging market.

The corrugated boxes business is run by Envases Roble Alto S.A., from two mills, which serve the industrial and wine sectors. Envases Impresos, with its mill in Buin, focuses on producing boxes for the fruit and salmon industries.

The multiwall paper sack business is handled by the subsidiaries PROPA in Chile, FABI in Argentina and FORSAC in Peru, who supply their respective local and export markets -the principal customers being Mexico, USA and South America.

These subsidiaries mainly supply sacks for the cement, construction materials and food industries.

Chimolsa manufactures and sells moulded pulp trays for apple and avocado exports, as well as egg boxes and trays, from its mill at Puente Alto.

Chairman:	Eliodoro Matte L.
Vice-Chairman:	Arturo Mackenna I.
Directors:	Juan Carlos Eyzaguirre E. Gonzalo García B. Patricio Grez M. Eugenio Heiremans D. Bernardo Matte L.
Managing Director:	Andrés Infante T.

* Following the resignation from his position of Mr. Andrés Infante T. on January 31st 2007, the Board of Directors of this subsidiary appointed Mr. Francisco Ruiz-Tagle E. as Managing Director of CMPC Productos Papel.

CMPC Shared Services (Servicios Compartidos CMPC)



Jorge Araya D., Managing Director.



DESCRIPTION OF THE SUBSIDIARY

This subsidiary -created in 2005- aims to provide high quality and competitively priced administrative services needed by CMPC's business areas, in accounting, IT, procurement and payroll.

The benefits expected from the creation of this subsidiary include: the improvement and standarization of administrative processes in CMPC to sustain and support the different businesses and produce the best standards for customer service.

Accounting management will include accounting, financial reporting, taxes and accounts payable of all CMPC's subsidiaries from 2007, with the exception of overseas subsidiaries.

Procurement activities focussed in 2006 on developing purchasing synergies and strengthening the strategic buying units and agreements.

In the systems, SAP's FI/CO and MM modules were developed for CMPC's 11 business areas, so all the Chilean subsidiaries now use this tool.

In Payroll, all the subsidiaries have gradually incorporated their payment services into Servicios Compartidos CMPC ("CMPC Shared Services"), due to be completed during 2007.

In 2006 a Change Management program was developed to ease the introduction process of Servicios Compartidos CMPC ("CMPC Shared Services"), by training staff in the skills required and encouraging this new unit to integrate with the Company's subsidiaries.



Sustainability, Community and Environment



CMPC has a long track record of commitment to the community and its workers, stretching back to the Company's first years in 1920.

CMPC is committed to programs and principles central to the growth philosophy of the Company, which it applies in all its spheres of activity:

BUSINESS CHAIN

CMPC contributes to the development of Chile by generating employment and wealth. This is achieved through careful and dedicated management; the production and sale of high quality products; a commitment to efficiency and thoroughness with all our clients and suppliers; fair competition in the market place; transparency in the provision of financial information; expeditious payment of taxes, and fulfilment of legal norms and requirements.

WORKERS

The Company ensures good working conditions and complies with all regulations regarding pay, social security and current regulations. We also operate benefit programs for workers and their families.

Meanwhile worker training is for CMPC a vital tool to its successful development.

ENVIRONMENT

The Company's environmental pledge rests on two pillars. It is both an ethical commitment with future generations, and an essential component of its competitive strategy over the long term.

The concept of sustainable development underlies CMPC's strategic positioning in the market: all its industrial activities and forest management are guided by this principle.

This is reflected in its environmental policy which has been designed to achieve best practices above and beyond current legal requirements.

COMMUNITY

CMPC has a policy of forging links with the community via relationships with local authorities, groups and residents, aimed at understanding their problems, challenges and wishes.

The Company

Sustainability, Community and Environment



Beyond this, we have started to channel resources into four major fields of action within our social investment strategy:

- **CMPC Foundation ("Fundación CMPC"):** Develops educational support programs in language, mathematics and management designed to encourage good quality, fair and effective teaching at municipal schools attended by children of low income families from communities neighbouring the Company's plants and plantations.

The Foundation supports 93 schools in 36 communities in the country and benefits more than 380 teachers and 15,000 children.

- **Good Neighbourhood Programme:** In the Forestry division of the Company we operate an open doors policy for the community, which has evolved into a program designed to generate work jobs and greater productivity in neighbouring communities, especially Mapuche communities, as well as help raise the standard of education in rural schools neighbouring its estates.

- **Jorge Alessandri Educational Park:** An open space in the community of Coronel (8th Region) which has carried out since its foundation in 1993 an outstanding role in supporting education and culture in the region centred on the day-to-day work of the forestry industry.

- **Website www.papelnet.cl.**

- Together with the educational projects it has designed and implemented, the Company is an active patron of the arts in Chile, supporting the Artequín Museum in Santiago, the Municipal Theatre and the literary competitions of El Mercurio newspaper's book supplement.



Forestry and Solid Wood
Pulp

Business Development

Paper
Tissue
Paper Products

Business Development

Forestry and Solid Wood

BACKGROUND TO THE MARKET AND INDUSTRY

There are currently 15.6 million hectares of forest in Chile, equivalent to 20.8% of the national territory, located principally between the 7th and 12th regions. However, the timber used by the forestry industry is supplied by just 2.1 million hectares of planted forest. The main species planted in Chile are the Radiata pine and the eucalyptus species Globulus and Nitens. The Radiata Pine, native to California, was brought to Chile at the end of the 19th century. Eucalyptus trees, native to Australia, were also brought to Chile in the 19th century, to supply the supports of mine shafts in the coal mines of the 8th Region.

The relatively short growth cycle of the Radiata Pine in Chile, generates cost advantages compared with most of Chile's competitors in the timber industry. The Chilean Radiata pine is ready to be harvested for sawn wood production between 20 and 24 years old, whereas in the northern hemisphere, similar species take between 50 to 80 years to mature. Consequently, Chilean producers need less time and surface area to produce the same quantity of wood than most North American or European producers, which considerably reduces handling, maintenance and transport costs.

For 15 years, we have worked towards the large scale development of eucalyptus, given its favourable growing conditions in Chile. Today CMPC is one of the companies with the greatest surface area planted with this species in Chile. The wood of the eucalyptus tree is used to manufacture bleached hardwood pulp. The main species planted by the Company are the Globulus and Nitens. These species have a harvest cycle of about 12 years since their plantation, significantly less than comparable hardwood species cultivated in the northern hemisphere.

year 2006

The land and forest assets of CMPC were **749,104** hectares.

During **2006** re-certification in the standards ISO 14001, OHSAS 18011 and CERTFOR were obtained.

BUSINESS ANALYSIS

Strong demand and good prices for sawn wood were maintained in Asia, the Middle East and Europe. However, in the USA -one of the most important markets- they fell in the last quarter of 2006, due to the decline of housing starts. On the other hand, Mexico has become a very important export market for sawn wood from Chile. In the domestic market, the price of logs remained high, thanks to the intense activity of the saw mills. The prices of wood have put pressure on land prices, which have gone up substantially in recent years.

In 2006 recertification in the standards ISO 14001, OHSAS, 18011 (Industrial Security) and CERTFOR (sustainable development) was obtained. Moreover, we passed the first audit of a voluntary commitment with ecological groups regarding non-substitution of native forests.

In terms of investments, the most important were the acquisition of 33,000 hectares of forests and land and the construction of a new plywood plant, a project that is in its final phase and waiting to come on stream in the first semester of 2007, after an estimated total investment of US\$ 70 million.

A major job that required great effort during the year, was the logistical preparation for the supply of eucalyptus pulpwood to the new pulp production line at the Santa Fe Mill, which will increase its consumption of eucalyptus to more than 3.8 million cubic metres in 2007.

The plywood project, with a capacity of 240,000 cubic metres per year, is in its final phase.

Forest Assets as of December 31st 2006

Hectares	Pine	Eucalyptus	Other Species	To Be Planted	Other Uses	Total
Forestal Mininco	251,014	64,791	17,704	20,782	123,824	478,104
Forestal Crecex	65,589	26,191	307	4,291	35,512	131,888
Forestal Monte Águila	5,051	24,138	222	1,511	13,908	44,829
Subtotal Chile	321,653	115,121	18,220	26,584	173,243	654,821
Forestal Bosques del Plata	64,610	1,970	242	1,525	25,936	94,283
Total CMPC Forestal	386,263	117,090	18,462	28,109	199,179	749,104

Business Development

Pulp

BACKGROUND TO THE MARKET AND INDUSTRY

The characteristics of the pulp industry are long lead times to design and bring projects to maturity, high levels of initial investment in fixed assets and the need to own a permanent, efficient and adequate supply base of raw material.

World pulp production is estimated at 190 million tonnes per year. However, the majority of this output is used to manufacture paper. That is, the same company that produces the pulp turns it into paper, usually in the same mill where it was produced. Consequently, only 50 million tonnes are brought to the open market by the different suppliers. This segment of the market is called Market Pulp.

With its huge consumer market and forest resources, North America is the leading region in pulp production, both in terms of total Market Pulp, offering around 38% of the world's supply, and generating the largest exportable surpluses, of around 10 million tonnes per year. The accelerated rhythm of growth of the Asian economies in the past years, together with the limited regional availability of pulp, has made this part of the world the greatest regional market for pulp, with a trade deficit of 11 million tonnes in the year 2006. South America is becoming an increasingly important supplier of Market Pulp, representing 19% of the world supply in 2006, with Brazil as the regional market leader followed by Chile.

CMPC has one of the most competitive cost structures in the global pulp industry. It has boosted this comparative advantage by the genetic selection of more robust and high yielding trees. Added to this, its access to international credit markets at a low country risk premium and the advanced technology of its pulp plants, which enable high environmental performance standards and efficient distribution networks in different export markets, allow total costs of pulp production and delivery to be lower than in other countries.

Prices of pulp are highly volatile, due to the cycles of the world economy on the demand side, and fluctuations in the aggregated costs curve of the global industry, on the supply side.

year 2006

Production:

Laja_358,000 tonnes

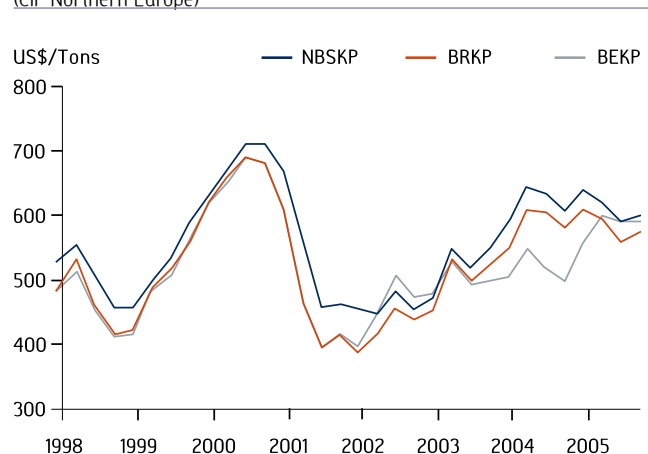
Pacífico_488,000 tonnes

Santa Fe_382,000 tonnes

In the last five years, globalization and technological advances have precipitated a marked series of structural changes in the industry. First, there has been increasing consolidation among producers of Market Pulp: in 1990, the 20 largest producers represented 40% of the installed capacity of the industry, while at the end of 2006 this went up to 60%. Driven by an effort to improve the financial returns of the companies in this sector, this consolidation has had various focal points.

Nominal prices in the history of pulp

(CIF Northern Europe)



Source: Hawkins Wright

While there have been important mergers and acquisitions in the industry, the integrated producers have tended to subcontract pulp production to specialist companies, prompting the appearance of new players in the industry and expansion of the Market Pulp sector.

BUSINESS DEVELOPMENT

In 2006 world shipments of pulp increased by 1.75 million tonnes. Of this total, 55% went to the Asian market, half of this to China. International pulp prices showed a steady increase, tending to stabilize at the end of the year, particularly in the hardwood (Eucalyptus) pulp market, in anticipation of the arrival to the market of new mills and increased capacity, mainly in Chile and Brazil. International prices of softwood pulp (Pine) were up US\$ 130 (+22%) in December 2006 compared with the price registered the previous December. This increase was sustained by an increase in demand for this type of pulp of just 1.5%, but while supply remained steady compared with the previous year. International prices of hardwood pulp (Eucalyptus) accumulated an increase of US\$ 80 (+14%) by the end of the year compared with December 2005.

CMPC's net pulp production reached a total of 1,200,000 tonnes, a similar volume to the year before, despite the effects of simultaneous construction of the PROFAL IV and Santa Fe Line 2 projects, as well as the storms that hit the 8th Region during July.

The US\$ 46 million PROFAL IV project at the Laja Mill was designed substantially to improve the environmental performance of the mill by a new secondary effluent treatment plant and installing the oxygen delignification process.

In October, a new biomass boiler went into operation at the Pacifico Mill capable of producing 150 tons per hour of high pressure steam using bark and other wood particles as fuel. The investment cost totalled US\$ 67 million. The steam generated will fill the entire generation capacity of the Pacifico turbines and so increase in-house electricity generation by 27 MW. It will also be able to supply the neighbouring plywood plant currently under construction adjacent to this mill.

Finally, the largest project undertaken by CMPC in its history, the construction of Line 2 of the Santa Fe pulp mill, began its full operational testing at the end of 2006, producing its first bales of pulp in December. The project considered an investment budget of US\$ 745 million and a production capacity of 780,000 tonnes per year.

Construction of Line 2 of the
Santa Fe pulp mill is the
largest project undertaken by
CMPC.

Business Development Paper

BACKGROUND TO THE MARKET AND INDUSTRY

A wide variety of types of paper are manufactured and marketed worldwide. CMPC focuses on a small segment of all the sectors, where for various reasons it has competitive advantages. These types of products are: folding boxboard, corrugating materials and newsprint.

Newsprint is sold on both the domestic and international market. As a commodity, its price fluctuates according to international variables over which CMPC has no control.

CMPC produces high quality, newsprint at low cost. Besides this, delivery of good service, agile and flexible production and shipping allows it to meet orders of varying sizes with speed and efficiency, and so establish long term relationships with its principal clients.

Folding boxboard is a product used in the manufacture of boxes for cereal, cosmetics, medicines, detergents and cigarettes, amongst many other products. More than 80% of CMPC's production is exported to different markets worldwide. Competitive production costs and the state-of-the-art technology at its industrial plants, enable Cartulinas CMPC to produce a high quality product that is very well received on export markets. In addition, competitive freight costs and excellent customer service allow the Company to compete successfully in the markets of Latin America, Europe and the USA.

Corrugating papers are used principally in the manufacture of corrugated boxes. The production of this sort of paper by CMPC increased significantly after the construction of a new paper machine in Puente Alto in 2001 which produces both liner and medium paper using recycled paper as the principal raw material. Corrugating papers behave like commodities. Therefore the prices of these products in Chile follow the movement of international prices, fluctuating due to the effects of a series of variables. The main factors are: demand, production and stock capacity worldwide, business strategies of the principal forestry companies and existence of substitutes.

year 2006

Investment
US\$ 23.4 million
for the launch of 4 secondary
effluent liquid treatment
plants.

BUSINESS DEVELOPMENT

The folding boxboard business experienced approximately 18% growth in sales volume compared with the previous year, with outstanding growth in the Latin American and European markets. The Maule Mill continues to increase its production levels, following the expansion of its productive capacity carried out in 2005. In 2006 a new US\$ 20 million expansion project was approved, which is expected to be implemented at the end of 2007. The Valdivia Mill stopped production for the months of September and October due to the execution of a US\$ 13 million expansion project. The new designed-in capacity is expected to be reached by mid 2007.

The corrugating paper business suffered an approximate 10% fall in sales volume compared with the previous year, basically due to the stoppage of the paper machine used to manufacture these products, caused by the US\$ 38 million project to expand capacity to 280,000 tonnes per year.

In 2006, the Puente Alto Mill, which produces this kind of paper, faced higher steam generation costs, due to a shortage of natural gas and a sharp increase in the price of fuel.

The newsprint business operated by INFORSA S.A. had a good year, reporting higher production and sales volume than in 2005, nearly 202,000 tonnes. In an international scenario of good prices the four year upward trend was only broken in North America. INFORSA invested US\$ 8.3 million in pulp washing to improve the quality of newsprint and reduce its direct costs.

In environmental terms, CMPC Papeles S.A. launched during the year a total of four secondary effluent treatment plants, investing US\$ 23.4 million in Puente Alto, Nacimiento, Maule and Valdivia. Besides that it carried out projects worth US\$ 2.7 million at INFORSA and the Papeles Cordillera Mill at Puente Alto to guarantee compliance with regulations on levels of gas emissions.

It is important to highlight the distinction the Chilean Security Association gave INFORSA with the award of its annual prize. This recognition of INFORSA's achievements in risk prevention and security is the result of constant care and attention paid by all the staff of the Company to these issues.

In the paper distribution business, EDIPAC continues to consolidate its position as market leader in Chile with nearly 90,000 tonnes sold, principally of products manufactured by CMPC subsidiaries, supplemented by imported papers that CMPC does not produce. Lastly, the SOREPA subsidiary collected a total of a 283,000 tonnes of used paper, a 4.8% increase on 2005 levels.

The folding boxboard business experienced **18% growth** during 2006.

US\$ 38 million were invested to increase the production of corrugating paper to 280,000 tonnes.

Business Development

Tissue

BACKGROUND TO THE MARKET AND INDUSTRY

The market for tissue products is divided into two large sectors: consumer products (aimed at the home consumer) and away-from-home (aimed at the commercial consumer). Paper tissue consumption in the USA is more than 20 kg per person per year, while in Latin America it is only 5 kg on average per person per year. Tissue products are grouped as: toilet paper, paper towels, disposable diapers and paper napkins.

CMPC is one of the main tissue producers in South America. In Chile, the Company is the market leader in this sector.

Prospects for the business across Latin America are good, because of the great growth potential due to the low per capita consumption of tissue paper in the region compared to more developed, higher income countries.

BUSINESS DEVELOPMENT

2006 was marked for CMPC by its entry into the Mexican market through the acquisition of a 66.7% shareholding in Absormex, which is active in the businesses of disposable diapers and to a lesser extent tissue products. Absormex has its production plants for disposable diapers in the city of Monterrey and for paper in the town of Altamira. In November the Elite® and Babysec® brands were launched in the Mexican market.

In the other long standing markets, Chile experienced an outstanding growth in physical sales of tissue paper and disposable diapers. In Peru, there was a 13% growth in the physical sales of tissue paper and disposable diapers. In Argentina, an important stake in the market was maintained with growth in sales compared with the previous year.

During the year a series of investment projects were approved; among the most important ones are the expansion of capacity in Peru and Argentina, including the purchase of new paper making machines and conversion lines.

2006 was marked by entry into the Mexican market through the acquisition of a 66.7% shareholding in Absormex.

With the highly visible presence of its brands Elite®, Babysec®, amongst others, CMPC is one of the main tissue paper producers in South America.

Paper Products

BACKGROUND TO THE MARKET AND INDUSTRY

The corrugated boxes industry is very diversified in Chile as it is worldwide, with a large quantity of products using this type of packaging. Its uses range from foods (groceries, fruit conserves, frozen foods, fresh fruits, meats, etc.) to detergents and construction materials, making it a very dynamic market, both in its growth and diversity of forms. Its growth is closely linked to Chile's industrial sectors, where export sectors like fresh fruits, frozen salmons and wine are among the most relevant. In Chile, this market is markedly seasonal, since the fruit and salmon sectors consume their entire packaging requirements in certain months of the year.

The multiwall sack business is a niche that has been consolidating over time, with a number of specialized players in the market, consisting of those producers with an integrated sackcraft paper production. Its primary uses are in the markets for construction products, chemicals, foods and animal feed.

BUSINESS DEVELOPMENT

The corrugated boxes business, including the industrial and horticultural packaging sectors experienced an 8% growth in its sales volume. Investments made in this business have enabled CMPC to multiply its sales by 2.4 times over a period of ten years. Margins have been affected by higher prices of corrugating paper, its main component.

Consolidated sales of multiwall sacks, taking in operations in Chile, Argentina and Peru, reached historic highs in 2006, 14% higher than the year before. The business in Chile has grown, driven by exports which account for 60% of the total multiwall sacks sold. The principal export markets are Mexico and the USA. In the domestic market, the most important segment of the market was once again cement sacks.

Operations in Argentina, handled through the subsidiary FABI, continue at full capacity, with sales geared to high value sacks and high productivity, which has enabled it to improve its results. Finally, the FORSAC subsidiary in Peru sharply increased its sales compared with the previous year.

The corrugated boxes business posted an **8% growth** in sales volume in 2006.

In this business area, acquisition of another US\$ 7.3 million state-of-the-art production line was approved, which will produce another 50 million units a year in Chile. In Peru, the US\$ 1 million purchase of a new bottomer machine was approved, which will enable it to increase production capacity.

The moulded pulp tray business, run by the subsidiary Chimolsa S.A., reported mixed results in sales volumes in different sectors of the market. Sales of apple trays, its main product, showed a 5% increase on the year before, driven by a recovery in apple exports. Sales of avocado trays went down 6%, due to a drop in sales of Chilean avocado and the use of packaging that does not require trays. Sales of egg boxes and trays went up 4%.

Chimolsa has been particularly affected by stoppages in the supply of natural gas, which have caused cost increases in the range of US\$ 1 million, compared with a normal supply situation. This impact has been lessened thanks to the propane-air mixing plant which came on stream the previous year.

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Detailed Analysis of CMPC's Individual and Consolidated Financial Statements as of December 31, 2006.

1. OVERVIEW

- Consolidated sales of Empresas CMPC S.A. (hereafter "CMPC") measured in real pesos registered a 7.9% increase compared to the previous year. Given the high indexation of these sales to the dollar, a better picture of the sales management can be obtained analysing variations in that currency. In fact, if accumulated sales as of December 2005 are corrected by a factor that takes into account the variation of the average exchange rate ⁽¹⁾ between both periods, sales increased by approximately 16% in nominal dollars. In the period under consideration, greater sales volumes were registered in practically all the business areas, with the exception of pulp, as well as better prices mainly in pulp, boxboard, newsprint and tissue products.
- Operating Results as of December 2006 were affected by higher operating costs driven by higher energy prices and the effects of the appreciation of the Chilean peso. EBITDA (Earnings Before Interest, Tax, Depreciation, Amortization and extraordinary items)⁽²⁾ registered a 5.4% increase in real pesos. However, after applying the average exchange-rate variation factor, this increase was of 13.4% in nominal dollars.
- Net income at the end of 2006 was Ch\$ 109,301 million (Ch\$ 546.5 per share), 13% lower in peso terms than the previous year. Discounting the extraordinary earnings obtained from the sale of forest estates and other assets in 2005, this decrease in earnings was 2%. The principal factors that affected profits included: the increase in the oil price, with its direct effect as a fuel, and indirect effect on the cost of harvesting and transport; stoppages in some operations as well as specific cost increases as a result of the completion and launch of several expansion projects; the appreciation of the Chilean peso and a greater provision for taxes.
- The market situation continued to be marked by an improvement in pulp prices due to various factors,

shutdown of capacity among northern hemisphere producers, as a result of their unfavourable production costs structure, and robust demand from China and Europe, being among the most important. Paper prices remained stable in general. On the other hand, a slowdown in activity in the construction sector in the United States affected demand and consequently, the prices of wood, particularly remanufactured wood during the last quarter of the year.

- The net financial debt ⁽³⁾ totalled Ch\$ 743,674 million at the end of 2006, an increase measured in real pesos of Ch\$ 237,147 million compared to 2005.

On December 12th the new production line of Santa Fe pulp mill -CMPC's biggest project to date- went into operation, which will enable it to reach a production volume of almost 2 million tonnes of pulp per year, practically doubling the volume of its exports. Construction of the new plywood plant is nearly finished and expected to start operating in the first semester of 2007.

2. MD&A

Table No 1 Shows the principal components of the Consolidated Income Statement of Empresas CMPC S.A.

Table No 1: Consolidated Income Statement		
Figures in Millions of Pesos		
	2006	2005
Sales	1,201,892	1,114,197
Cost of Sales	(801,170)	(714,901)
Operating Margin	400,722	399,295
Sales and Administrative Expenses	(240,050)	(237,199)
EBITDA	275,187	261,022
%EBITDA/Sales	23%	23%
Depreciation and Stumpage	(114,514)	(98,925)
Operating Results	160,673	162,097
Net Financial Expenses	(33,385)	(23,914)
Other Non Operating Revenues	979	12,431
Price Level Restatements	11,194	(3,041)
Taxes	(27,523)	(18,944)
Minority Interest	(2,637)	(3,059)
Net Income	109,301	125,570

¹ The accumulated sales for December 2006 were adjusted by the correction factor of real pesos to nominal dollars (see Table 2).

² EBITDA: Operating Profit + Depreciation + Other profit items that do not represent cash flow (stumpage).

³ Net Financial Debt: Total Financial Debt – Cash and Marketable Securities – effects of derivatives of cross-currency swap.

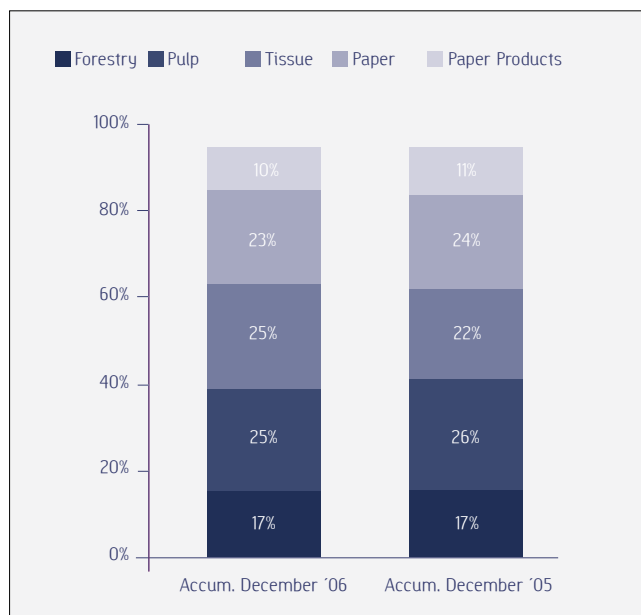
The relative contribution of each business area to consolidated sales can be seen in Figure No 1 which shows the breakdown of consolidated sales to third parties.

In 2006, the business areas that achieved the greatest sales to third parties were pulp and tissue, each contributing with 25% of the total revenue, followed by paper with 23%. Finally, forestry and paper products contributed 17% and 10% of sales respectively.

Compared to the same period of the previous year, the contribution of tissue to consolidated sales shows an important change, increasing from 22% to 25%, principally due to greater sale volumes (including sales in Mexico from February 2006) and to a lesser extent, better prices. Meanwhile the contribution of pulp, paper and paper products to total sales decreased by one percentage point each.

Fig. No 1: Distribution of Consolidated Sales to Third Parties by Business Area

Based on peso values

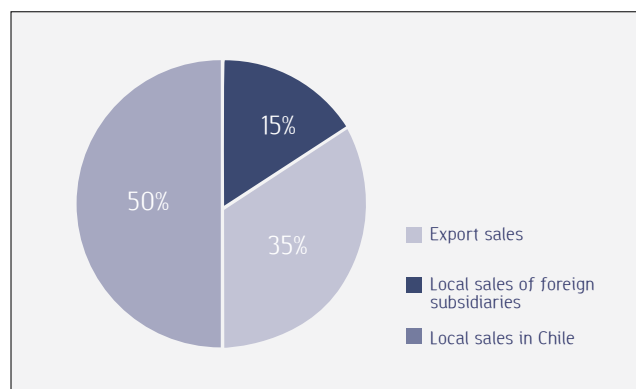


CMPC is diversified not only in products but in markets.

Fig. No 2 shows that for the year 2006 approximately 50% of consolidated sales were export sales, 35% sales in the Chilean market and 15% sales by overseas subsidiaries.

Fig. No 2: Distribution of Sales by Geographical Area

Based on peso values



The main export markets are Latin America (34% of total exports), Europe (25% of total exports), Asia including China (24% of total exports) and the United States (10% of total exports).

Table No 2: Exchange Rates at the End of Each Month

	2006	2005	2004
January	524.37	585.40	
February	517.33	573.55	
March	526.18	585.93	
April	514.87	582.73	
May	531.87	583.00	
June	539.44	579.00	
July	540.22	561.77	
August	539.61	541.53	
September	537.03	529.20	
October	524.75	543.49	
November	527.69	518.63	
December	532.39	512.50	557.40
Exchange Rate End December	532.39	512.50	
Average Exchange Rate January-December	529.64	558.06	
Average Exchange Rate Variation	5.093%		
Inflation Variation	2.1%		
Average Exchange Rate Variation Factor ⁽¹⁾	0.9295		

(1): Calculation of the average exchange-rate variation factor. $(1-5.093\%) / (1+2.1\%)$

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Detailed Analysis of CMPC's Individual and Consolidated Financial Statements as of December 31, 2006.

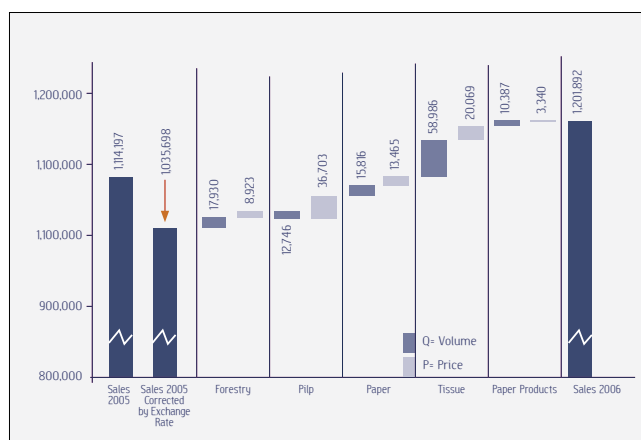
Table No 2 shows the dollar exchange rates at the end of each month and the average exchange rate for each year as well as the average exchange-rate variation factor used to convert real pesos into nominal dollars in the analysis.

2.1.- Sales Analysis

CMPC's consolidated sales in pesos were 7.9% above year 2005, totalling Ch\$ 1,201,892 million. However, with these sales being highly indexed to the dollar, income in peso terms was down due to the lower average exchange rate of the dollar in 2006. After adjusting by the exchange-rate variation factor, these showed a 16% increase compared to the previous year. A more detailed analysis of prices and volumes underlying this sales increase adjusted for exchange rate variance is presented hereafter:

Fig. No 3: Analysis of Consolidated Sales Variance (effect on price and volume)

Figures in millions of pesos



- **The forestry business** posted a 7% increase in sales in peso terms. However adjusted by the average exchange-rate variation factor between both years, revenues were up by 15%. This increase is principally the result of greater sales volume of remanufactured wood (+46%) and sawn wood (+12%) and to a lesser extent a higher average sale price. The increase in the average sale price is due principally to a change in the mix of products sold, as well as increases in the export prices of remanufactured and sawn wood compared with the year before. However, prices began to tail off somewhat during the last quarter of 2006 due to the reduced level of activity in the construction sector in the United States.

- **The pulp business** experienced a 1% increase in its sales. However, adjusted for the average exchange-rate variation factor over both years, this increment is 9% compared with the previous year. During this year higher sale prices were reported for both softwood and hardwood pulp, which was partially offset by lower sales volume of both fibers. The real average sales price for softwood pulp was 588 dollars per tonne c.i.f. (cost, insurance and freight) compared with US\$ 502 per tonne c.i.f. in 2005, while the price of hardwood pulp reached US\$ 573 per tonne c.i.f. compared with US\$ 524 per tonne c.i.f. registered during the previous year.

- **The paper business** reported a 4% increase in its sales in peso terms. However, adjusted by the average exchange-rate variation factor between both years, revenues showed a 12% increase. This increment is mainly due to a greater sales volume (+9%) and better prices in both, folding boxboard and newsprint, the latter tending to tail off in the last quarter of the year. The raise in volumes can be explained by an increase in sales of folding boxboard (+18%), which was partially offset by lower corrugating paper volumes.

- **The tissue business**, consolidating its operations in Chile, Argentina, Uruguay, Peru, Brazil and Mexico posted an increase in sales in peso terms of 16%. However, the increase is of 35% if revenues are adjusted by the average exchange-rate variation factor between both years. These higher dollar revenues are a result of both, an increase in sales volume and higher prices. The increase in volumes can be explained by higher sales in

both, the domestic market and overseas subsidiaries, including Absormex, the Mexican tissue products company, from February 2006. Besides this, a new product line of disposable diapers for adults was incorporated under the brand Cotidian®.

- **The paper products business** posted a 1% drop in sales in peso terms. However, adjusted by the average exchange-rate variation factor between the two years,

these show a 6% increase. This increase is the result of higher sales volume in all its products (+9%). This was partially offset by a reduction in the average sale price of corrugated boxes.

Table No 3 shows the Profit and Loss Statement of each one of the business areas of Empresas CMPC S.A. This information includes operations with both, third parties and associated companies.

Table No 3 Results of the Business Areas for the Financial Year 2006					
Figures in millions of Chilean pesos					
	Forestal Mininco S.A. and Subsidiaries	CMPC Celulosa S.A. and Subsidiaries	CMPC Papeles S.A. and Subsidiaries	CMPC Tissue S.A. and Subsidiaries	CMPC Productos de Papel S.A. and Subsidiaries
Sales	233,632	376,849	328,360	331,134	113,551
Cost of Sales	(182,137)	(232,450)	(251,495)	(218,896)	(86,406)
Operating Profit	6,718	72,780	49,521	29,219	6,171
Financial Results	(7,337)	(24,639)	(3,584)	(1,593)	(4,471)
Non Operating Profit	(6,562)	(17,932)	3,747	(3,472)	(4,181)
Net Income	362	44,352	47,289	20,818	2,398

2.2.- EBITDA Analysis

The consolidated EBITDA of CMPC in peso terms showed a 5.4% increase. However, with the income being indexed to the dollar, the result was affected by a decrease in the average exchange rate across both years. In fact, if the same adjustment done to sales regarding the exchange rate is applied to EBITDA, this showed a 13.4% increase compared with the previous year.

The increase in EBITDA is due principally to a considerable increase in the consolidated sales of the Company which, corrected by the average exchange-rate variation factor between both financial periods, posted a 16% increase. This growth in sales was the result of both, an increase in volumes and better prices in practically all products, principally pulp, folding boxboard, newsprint and tissue products. The higher sales were in part offset by higher costs during the current year due basically to: substantial increases in energy costs, worsened by the

interruption in the supply of Argentine gas and its necessary replacement by other fuels; increased cost of transport and sub-contracted operational services also due to increased fuel costs; higher prices of raw materials; increased costs of forest protection and pest control; and the appreciation of the Chilean peso compared with the previous year. Other factors contributing to the increase in operating costs in 2006, was the incorporation of the new tissue operations in Mexico and sawmills and new plantations bought from Forestal Copihue S.A. The year 2006 was also marked by the completion and launch of various investment projects, which caused some operational discontinuity as well as specific cost increases, which had a negative impact on the operational results of this year. The EBITDA margin (EBITDA/Sales) did not vary from the previous year, reaching 23%.

Financial Information

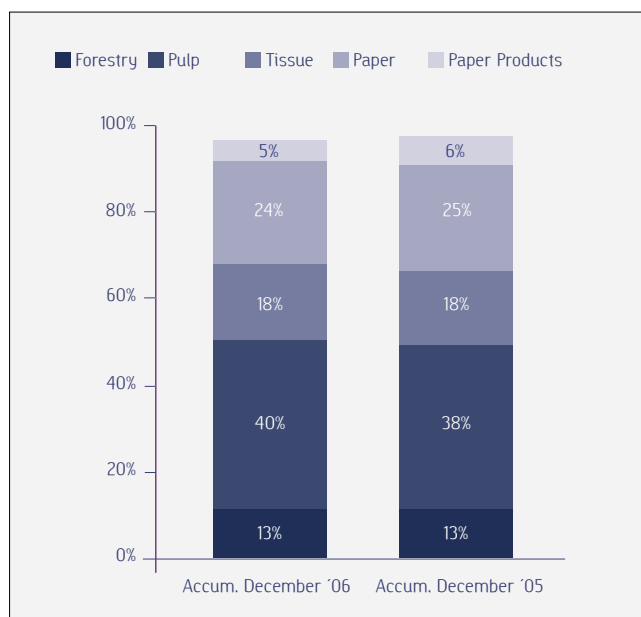
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Detailed Analysis of CMPC's Individual and Consolidated Financial Statements as of December 31, 2006.

Fig No 4 shows the relative contribution of each of these business areas to the consolidated result.

Fig. No 4: Breakdown of EBITDA by business

Based on values in pesos

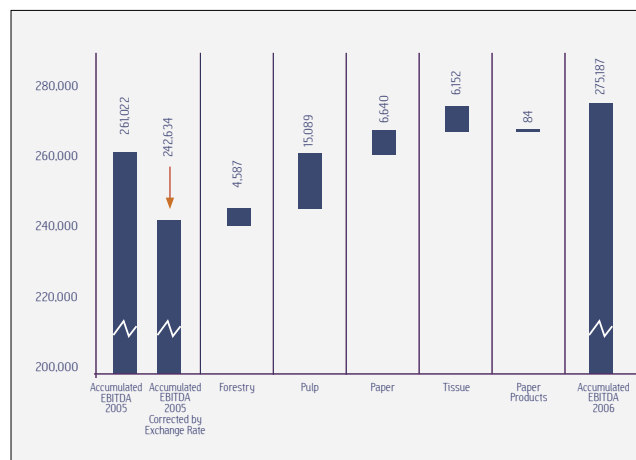


It can be seen that only the pulp business shows an important variation in its contribution to the consolidated EBITDA compared with the year before. This can be explained fundamentally by the increase in prices, specially in the second half of 2006.

An analysis of the EBITDA adjusted by the average exchange-rate variation factor for each of the business areas is shown in Fig No 5:

Fig. No 5: Analysis of Variance in Consolidated EBITDA

Figures in millions of pesos



- Forestry business** posted a 7% increase in its EBITDA measured in peso terms. However, adjusted by average exchange-rate variation factor between the two years, this increase was 15%. This can be explained principally by the higher sales reported in 2006. This increase was offset by higher operating costs and fixed expenses. The increase in operating costs is associated with the increase in the price of energy and the appreciation of the peso which mainly affected harvesting and transport costs. Meanwhile the increase in fixed expenses is due principally to the incorporation of the new Mulchen sawmill and the plants acquired from Forestal Copihue S.A. and to a lesser extent the maintenance of roads and costs associated with forest protection and pest control.
- Pulp business** posted an increase in its EBITDA measured in peso terms of 8%. The increase was 16% after adjustment by average exchange-rate variation factor over the two periods. This increase is principally due to the higher prices reported during the year. The increase in sales was partially offset by an increase in costs associated with higher energy prices, principally oil, aggravated by a reduced supply of natural gas; increases in prices and consumption of raw materials and higher road and sea freight costs.

- **Paper business** registered a 3% increase in its EBITDA measured in real pesos compared with the year before. However, adjusted by average exchange-rate variation factor between the two periods, EBITDA was up 11%. This increase was principally due to improved prices of both, folding boxboard and newsprint. The increase in sales was partially offset by an increase in costs, due to the increased prices of pulp and energy.
- **Tissue business** posted an increase in its EBITDA in peso terms of 6%. However, the increase reached 14% with the EBITDA adjusted by average exchange-rate variation factor between both periods. This increase was driven principally by higher sales. The entry of the new operation in Mexico (ABS) caused costs to rise, an effect that was offset by the increase in sales volume and to a lesser extent in prices, as well as the favourable effect on this business of the appreciation of the Chilean peso.
- **Paper Products business** posted a fall in its EBITDA of 6% in peso terms. However, adjusted by the average exchange-rate variation factor between both periods, the EBITDA shows an increase of 4%. This is mainly due to the increase in sales volume, of both, corrugated boxes and sacks; which was partially offset by higher costs in practically all products.

CMPC's operations are affected by the peso-dollar exchange rate. Company estimations show that, under current conditions, a variation of 10% in the exchange rate, excluding the effect of other variables, has an approximate impact of between 3% and 5% in the consolidated EBITDA in dollar terms. Exports represented 50% of CMPC's total sales as of December 2006, the majority of which were done in dollars. Sales in Chile, as in the subsidiaries in Argentina, Peru, Uruguay and since 2006 in Mexico include both local currency and dollar-indexed transactions. As a consequence of the former, the total flow of dollar or dollar-indexed revenue flow represents no less than 70% of the total sales of CMPC. The Company's costs, both for raw materials and investments in fixed assets are also mainly in, or indexed to, US dollars. In order to avoid exchange rate risk in non-US dollar currencies, derivatives are used to fix the exchange rates in question. As of December 31, 2006 more than 50% of the expected revenue for sales of folding

boxboard to Europe in the next years was hedged through forward sales.

3. BALANCE SHEET ANALYSIS

3.1.- Valuation of Assets and Liabilities

The assets and liabilities in the consolidated financial statements are valued according to the generally accepted accounting principles and standards and the instructions issued by the Chilean Securities and Insurance Regulator. These principles and standards are described in Note 2 of the consolidated financial statements.

The following criteria are worthy of note:

- Time deposits and marketable securities are shown at their investment or acquisition cost, plus adjustments and interests accrued. The book value of these investments does not exceed their respective market values.
- Trade accounts for sales and notes receivables are shown at their estimated realizable value and include deductions for provisions to cover bad and difficult to recover debt.
- Inventories of manufactured goods are valued at direct production cost plus the cost of certain direct inputs. This cost is below market value, as the sales price includes a profit margin.
- Property, plant and equipment are valued at inflation-adjusted cost and have been duly depreciated. Forest plantations are shown at their assessed value. This valuation method aims to reflect in the accounts the higher asset and equity values that result from the natural growth of plantations. Forest plantations due to be harvested within a year are shown in current assets under inventories.
- Investments in related companies represent Empresas CMPC S.A.'s and its subsidiaries' equity share of the respective companies' net worth.
- Empresas CMPC S.A.'s and its subsidiaries' liabilities are shown according to amounts committed for disbursement both in the short and long term (Notes Nos 15, 16 and 17).

Financial Information

Financial Analysis

Detailed Analysis of CMPC's Individual and Consolidated Financial Statements as of December 31, 2006.

- Assets and liabilities in foreign currencies are shown in Chilean pesos converted at the relevant exchange rate at the close of the year.
- The fixed assets in subsidiaries abroad in Argentina, Uruguay, Peru and Mexico, are valued at historic cost in US dollars less the appropriate depreciation charges. They total MCh\$ 181,365,072 (equivalent to US\$ 341 million) on December 31, 2006 and MCh\$ 149,676,371 (equivalent to US\$ 281 million) on December 31, 2005.

This valuation is based on the regulations of the Technical Memorandum No 64 of the Colegio de Contadores de Chile A.G. (Accountancy College of Chile).

The management of the Company considers that the book value of its fixed assets does not exceed its replacement or market value in current circumstances.

The accounting standards applied are intended to describe the consolidated financial position of Empresas CMPC S.A. and its subsidiaries. Consequently there should be not significant differences between the financial or market value and the book value of assets as of December 31, 2006.

3.2.- Analysis of the Consolidated Financial Statement

Current assets show a net increase of Ch\$ 74,696 million, principally due to the increase in trade receivables by Ch\$ 67,987 million, inventories by Ch\$ 54,914 million and note receivables for Ch\$ 1,661 million. This was partially offset by: i) a reduction in cash and marketable securities by Ch\$ 27,792 million explained by the use of funds to pay down debt and finance the robust investments made during the present year, ii) the reduction in taxes recoverable by Ch\$ 14,374 million and iii) the reduction in sundry debtors by Ch\$ 4,109 million.

Fixed assets showed a net increase of Ch\$ 222,386 million. The principal movements of fixed assets correspond to:

- Increase due to the incorporation of new fixed assets worth Ch\$ 363,659 million, basically related to the new pulp production line of the Santa Fe mill, purchase of shares of Forestal Copihue S.A. for US\$ 110 million and other purchases and investments.

- Increase due to forest growth. This revaluation reached Ch\$ 17,734 million in the present financial year.
- Reduction for depreciation during the financial year of Ch\$ 95,991 million.
- Reduction for the cost of exploiting forest for Ch\$ 68,192 million.
- Incorporation of fixed assets of the new Mexican subsidiary for Ch\$ 19,051 million.
- Other reductions for Ch\$ 13,875 million.

There was a considerable loss of liquidity due to the reduction in time deposits and marketable securities for Ch\$ 27,792 million, explained by the use of funds to finance the robust investments made during the present year.

CMPC's total financial debt reached Ch\$ 820,321 million in December 2006, a Ch\$ 209,166 million increase compared with 2005. This increase is explained by the issuance in April 2006 of a bond with a 21 year term in the local market for UF 4 million, the subscription in May 2006 of a bank credit for US\$ 140 million over six years, and an increase in short term debt, the large majority of it structured through operations of PAEs. These resources were used to finance investments.

The net financial debt totaled Ch\$ 743,674 million at December 2006, registering an increase of Ch\$ 237,147 million during this period. This can be explained by the financial operations described beforehand and the reduction in liquidity as a result of the robust investments undertaken by the Company.

CMPC actively handles the term structure of its debt through derivatives in order to optimize financial expenses as a function of operating income. A combination of derivatives and interest rate swap contracts enables the Company to fix the Libor and establish the range of interest rates within which CMPC goes back to floating rates in its liabilities.

Using the Libor rate as of December 31, 2006, the composition of the Company's consolidated debt is 82% fixed rate and 18% floating rate. This combination ensures an average cost of debt of 4.8% per year in US dollars.

Shareholders equity showed a Ch\$ 20,268 million increase, which corresponds principally to the earnings obtained during 2006, added to the acknowledgement of revaluations of forest plantations and a reduction in reserves corresponding to the harvesting of part of the forest.

The main financial indicators of the consolidated Balance Sheet related to liquidity, indebtedness and activities are shown in Table No 4:

Table No 4: Financial Indicators of Consolidated Balance Sheet		
	2006	2005
Liquidity (times)		
Current Liquidity: <i>Current assets/Current Liabilities</i>	2.0	3.2
Quick (or Acid Test) Ratio: <i>Available assets/Current Liabilities</i>	1.0	1.7
Indebtedness		
Debt to Equity Ratio <i>Total Debt/Shareholders Equity</i>	0.47	0.36
Proportion of Long Term Debt <i>Long Term Liabilities/Total Debt</i>	29.75%	22.22%
Proportion of Short Term Debt <i>Short Term Liabilities/Total Debt</i>	70.25%	77.78%
Financial Expense Coverage ⁽¹⁾ :	4.7	5.6
Book Value Per Share <i>Assets/No of Shares</i>	\$ 11,968	\$ 11,867
Activity		
Total Assets Turnover <i>Sales/Average total assets</i>	0.35	0.34
Inventory Turnover <i>Cost of Sales/Average Inventory⁽²⁾</i>	4.1	4.4
Permanence of Inventory <i>Average inventory⁽²⁾ • 360/Cost of Sale</i>	88.1 days	82.4 days

4. CASH FLOW ANALYSIS

The principal components of the net cash flow from each period are as follows:

Table No 5: Net Cash Flow		
Figures in Millions of Pesos		
	2006	2005
-		
Net Cash Flow from Operational Activity	174,389	207,244
Positive (Negative) Net Cash Flow from Financing Activity	159,255	(47,087)
Positive (Negative) Net Cash Flow applied to Investment Activity	(364,049)	(372,987)
Net Negative Cash Flow for the Financial Period	(30,405)	(212,829)
Effect of inflation on Cash and cash equivalent	2,425	(19,952)
Net variation of Cash and Cash Equivalent	(27,981)	(232,781)
Provisional Balance of Cash and Cash Equivalent	104,627	337,408
Final Balance of Cash and Cash Equivalent	76,647	104,627

Consolidated liquid financial investments and cash amount to Ch\$ 76,647 million as of December 31, 2006 (Ch\$ 104,627 million in 2005).

Consolidated operating activities generated positive operational cash flows of Ch\$ 174,389 million in 2006 (Ch\$ 207,244 million last financial year).

Positive net consolidated financing flows for 2006 represented a net generation of funds for Ch\$ 159,255 million. This is principally due to a net securing of loans for Ch\$ 117,299 million and a UF 4 million bond issue, offset by dividend payments of Ch\$ 29,777 million. Negative net consolidated financing flows for 2005 led to a net use of funds of Ch\$ 47,089 million, due to the payment of dividends for Ch\$ 90,175 million and bonds for US\$ 250 million. The former is offset by the net generation of funds for Ch\$ 76,325 million and a UF 7 million bond issue.

(1) Corresponds to profit before taxes and interest, divided by financial expenses.

(2) Average inventory of products and raw materials.

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Detailed Analysis of CMPC's Individual and Consolidated Financial Statements as of December 31, 2006.

Consolidated investment activities led to a net use of funds of Ch\$ 364,049 million, (Ch\$ 372,987 million in 2005). These flows correspond to investment in fixed assets which totalled Ch\$ 358,743 million (Ch\$ 367,260 million the year before) and the subscription and payment of shares in ABS International Group S.A. of C.V. in 2006 and of Inversiones El Raulí S.A. (Ch\$ 5,868 million) in 2005.

5. CONSOLIDATED NON-OPERATING RESULTS

CMPC and its subsidiaries' consolidated non-operating result shows a loss of Ch\$ 22,887 in 2006 (Ch\$ 16,182 million the previous year). This variation in the non-operating result is basically due to the extraordinary earnings from sale of assets, principally forest estate and insurance damages reported in 2005 and greater net financial expenses in 2006, offset by a better price level restatement.

6. ANALYSIS OF NET INCOME AND DIVIDENDS

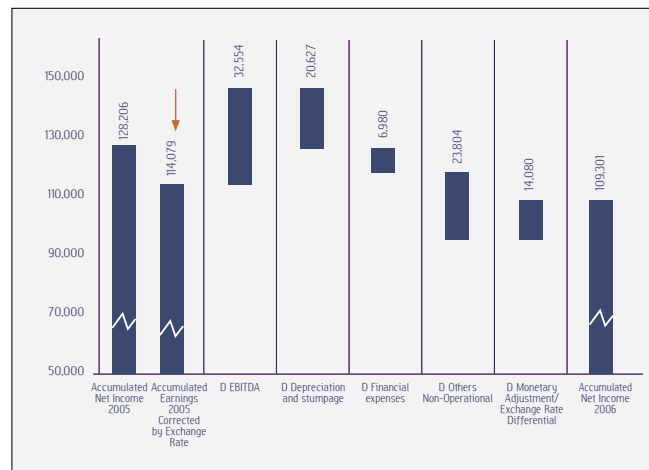
Net income for the year was Ch\$ 109,301 million, 13% lower than the previous year.

This reduction in net income is basically explained by the extraordinary income obtained from the sale of forest estate and other assets during 2005, as well as greater depreciation and stumpage due to the operational launch of new projects and greater financial expenses incurred during the year.

Also the tax provision increased due to the impact of the peso depreciation at the close of December 2006 on the Company's foreign investments registered in US dollars. Figure No 6 shows a more detailed analysis of the variation in net income between both financial periods:

Fig. N° 6: Analysis of Variation of Consolidated Net Income

Figures in Millions of Pesos



When comparing the net income of the fourth quarter of 2006 with that of the third quarter of 2006, both in real pesos, the former shows a 7% drop during the current quarter. Compared with the same quarter of the previous year it shows an 83% increase.

The Annual General Meeting of Shareholders held on April 28th 2006 agreed to distribute a final dividend No 236 of Ch\$ 66 per share, debited from profits of the year ending December 31st 2005. This dividend was paid in cash on May 11th 2006, and the remainder of non-distributed profits was transferred to the Reserve of Accumulated Earnings. The dividend policy for the financial year 2006 was agreed, consisting of the payment of two provisional dividends, the first payable in the month of September, and the second in December 2006 or January 2007, with the final dividend to be determined by the Meeting of Shareholders and paid in May 2007, such that total dividend payments amount to 40% of 2006 net income.

The Board of Directors in its session of August 3rd 2006, agreed to distribute an interim dividend No 237 of Ch\$ 66 per share, debited from profits for the year ended December 31st 2006. This dividend was paid starting on September 5th 2006. The Board of Directors in its session of December 7th 2006 agreed to distribute an interim dividend No 238 of Ch\$ 66 per share, debited from profits

for the year ended December 31st 2006. This dividend was paid out starting January 10th 2007.

The main profitability indicators are presented in Table No 6. These indicators were affected by the decrease in profits explained beforehand.

Table No 6: Indicators of Profitability (annualized)		
	2006	2005
Earnings on Income (annual) <i>Net Income/Sales</i>	9.1%	11.3%
Annual Return on Equity <i>Earnings for the Financial Year/Average equity</i>	4.6%	5.3%
Annual Return on Assets <i>Earnings for the Financial Year/Average Assets</i>	3.2%	3.8%
Annual Yield of Operational Shareholding <i>Operating Profits/ Average Operatonial Assets⁽¹⁾</i>	5.0%	5.6%
Return of Dividends <i>Dividends Paid (last twelve months)/Market price of Share⁽²⁾</i>	0.7%	3.4%
Earnings Per Share <i>Net Income from the Financial year/No of Shares</i>	\$546.50	\$627.85

7. RISK ANALYSIS AND EXCHANGE RATE EXPOSURE

Empresas CMPC S.A. and its subsidiaries export approximately 50% of total sales, principally to markets in Latin America, Europe, Asia and the USA. The majority of these sales are made in dollars. Domestic sales -both in Chile and those of its subsidiaries in Argentina, Peru, Uruguay and since 2006 in Mexico, are made in both local currency and dollars. This implies that the proportion of Empresas CMPC S.A.'s and its subsidiaries' revenue flow that is either in, or indexed to US dollars amounts to no less than 70% of total sales. The Company's costs, both of raw materials and investments in fixed assets are also mainly in, or indexed to, dollars.

Only in very specific cases export sales or payment commitments are made in foreign currencies other than the US dollar. In order to avoid exchange rate risk in non-US dollar currencies, derivatives are used to fix the exchange rates in question. As of December 31st 2006 more than 50% of the

(1) Operational Assets: trade receivables + notes receivables + inventories + fixed assets.

(2) Market Price of the share: stock market price at the end of the year.

expected income from sales of folding boxboard to Europe for the next two years was hedged through forward sales.

As CMPC's revenue flows are highly indexed to the dollar, liabilities have been contracted in this currency. It is company policy to reduce the accounting mismatch between assets and liabilities expressed in US dollars to minimize the extent to which exchange rate fluctuations affect profits for the year. To this end the currency composition of the financial investment portfolio is carefully managed and Chilean peso-US dollar forwards are occasionally used.

The greater stability of the Argentina and Uruguayan pesos and the reduction of working capital over the last years have allowed the Company to limit the effects of these currencies' exchange rate fluctuations on profits.

7.1.- Cyclical Prices and Fluctuations in Export Markets

Several of the products that CMPC sells like timber, dry sawn wood and remanufactured wood, pulp, printing and writing paper, newsprint and sackcraft paper, behave like commodities. The prices that CMPC can get for these products depend on the prevailing international prices, so the Company has no control over the factors that affect them.

Among these factors are fluctuations in world demand (determined by economic conditions in Asia, North America, Europe and Latin America), the installed capacity of the industry, stock levels, the business strategies of the major players in the forestry industry and availability of substitute products.

Likewise and considering that exports account for approximately 50% of sales, CMPC's operational results can be affected by levels of economic activity, government and exchange rate policies, political and economic events in the principal overseas markets.

Consequently, factors that affect export markets like inflation, variations in interest rates or currency parities, protectionism, state subsidies, price controls, exchange rate controls, tax fixing, terrorism, import restrictions, social stability, transport restrictions, etc. can adversely affect the Company's operations and bottom line.

Financial Information

Financial Analysis

Detailed Analysis of CMPC's Individual and Consolidated Financial Statements as of December 31, 2006.

7.2.- Financial Risks

In its financial operations, CMPC is exposed to credit risks. One of CMPC's aims is that its counterparts have an equal or better risk classification than the Company. There are risks that clients will not be able to meet their obligations, which constitutes a commercial credit risk. CMPC manages this exposure by constantly reviewing the payment capacity of its clients using information from various sources. Potential losses are also limited by the broad spread and distribution of these liabilities and by insuring most export sales and some domestic sales.

CMPC likewise faces the risk of refinancing and liquidity, that is, the risk of being unable to meet its obligations as a result of insufficient liquidity or being unable to obtain credit. CMPC's company policy is to centralize its debts through its subsidiary Inversiones CMPC. Indebtedness in other subsidiaries occurs only when this is advantageous or as a result of the geographical spread of its activities. CMPC limits its risks by good distribution, spread of payment schedules, and limitation of its debt and by maintaining a reserve of liquidity.

7.3.- Investments Abroad

CMPC has production plants in Argentina, Uruguay, Peru and Mexico and forests in Argentina. These countries have been through periods of political and economic instability in recent decades, during which governments have intervened in business and financial affairs affecting foreign investors.

7.4.- Supply and Cost of Energy

During 2006 there were sharp increases in the international price of oil, easing off towards the end of the financial year. They affected costs at some of CMPC's plants which increased their consumption of oil in place of natural gas, supply of which had been restricted by Argentina. Likewise, cost pressures were seen on products and services indexed to or correlated with the price of oil, such as transport and some raw materials.

7.5.- Environmental Factors

CMPC's operations are subject to environmental regulations in Chile and other jurisdictions where it operates. CMPC's business management is guided by the principles of sustainable development. This has allowed it to adapt swiftly to changes in environmental legislation, so that the impact of its operations complies with these regulations. Future changes in environmental regulations or their interpretation could have an impact on the Company.

8. TRENDS

The main projects of the major expansion plan drawn up in 2004 were completed and came on stream in 2006. This expansion plan involved investments of over US\$ 1.5bn across all CMPC's business areas.

Construction of a US\$ 70 million plywood mill with a production capacity of around 240,000 cubic metres remains to be finished to complete this program of investments. It is expected to come on stream in the first semester of 2007.

The new pulp production line at the Santa Fe Mill, the largest project undertaken by CMPC in its history, with an investment of more than US\$ 750 million, started operations in mid-December. Once it is operating at 100% capacity, CMPC will increase its pulp production by 780,000 tonnes per year, allowing it practically to double exports of these products, with the corresponding impact on profits.

Other projects completed in 2006 were: the new biomass boiler in the Pacífico Plant which will increase in-house electricity production and expansion of the production capacity for corrugating materials in the Puente Alto plant, which will increase production to 280,000 tonnes per year. At the beginning of the year forests and industrial assets were acquired from the Forestal Copihue for US\$ 110 million, including 17,000 hectares planted with Radiata pine, a saw mill and a remanufacturing plant.

As for environmental projects, during the year new secondary treatment plants were put in service in the Maule, Puente Alto, Valdivia, Nacimiento and Talagante mills.

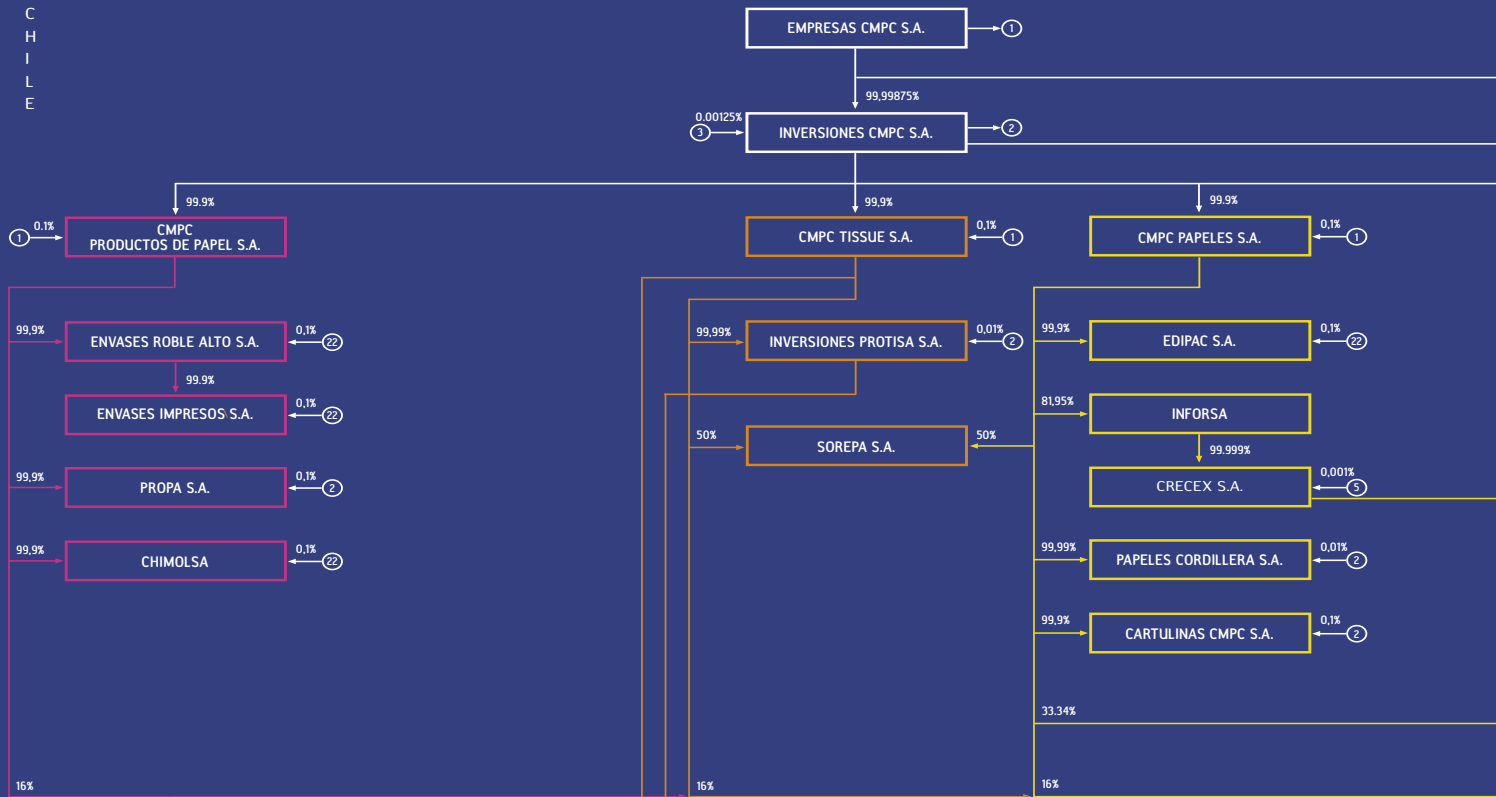
Among other projects within the above mentioned program of investments were the 80,000 tonne capacity expansion of the Maule Mill for folding boxboard production launched in 2005 with a total investment of US\$ 38.5 million. Likewise, in the second semester of that year a new US\$ 31 million tissue paper manufacturing machine came on stream in the Talagante mill and the rebuilt of the Mulchén sawmill came on stream with a capacity of 420,000 cubic metres per year and a total investment of US\$ 26 million.

The different businesses have to date operated normally and without further incident, a situation which is not expected to change in 2007. Market conditions are favourable for the next few months, with demand steady and prices stable or appreciating for the products sold by the Company, including softwood and hardwood pulp and folding boxboard. Some products like newsprint and some sawn woods, especially remanufactured woods, have been more dynamic in export markets in the last months.

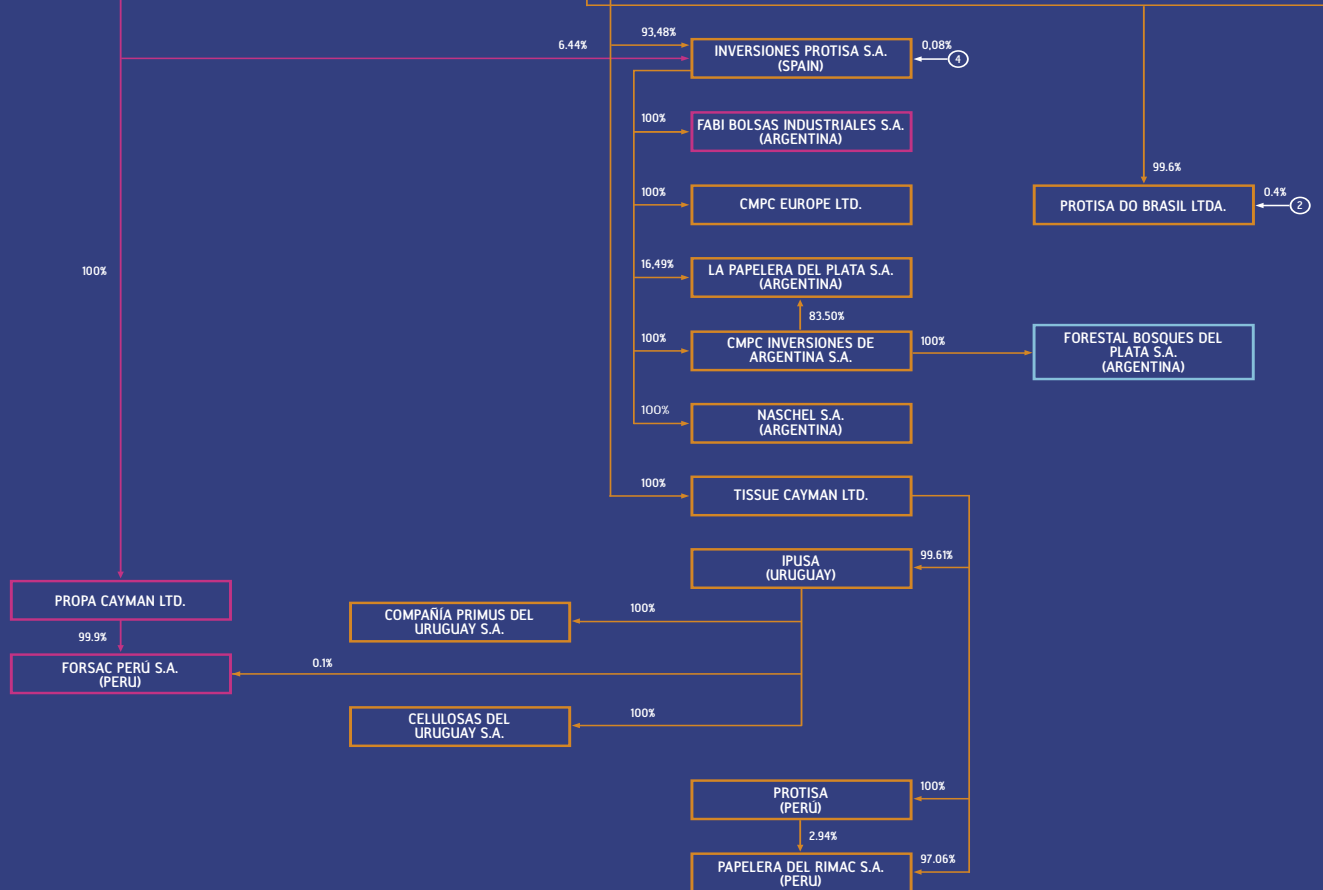
Financial Information

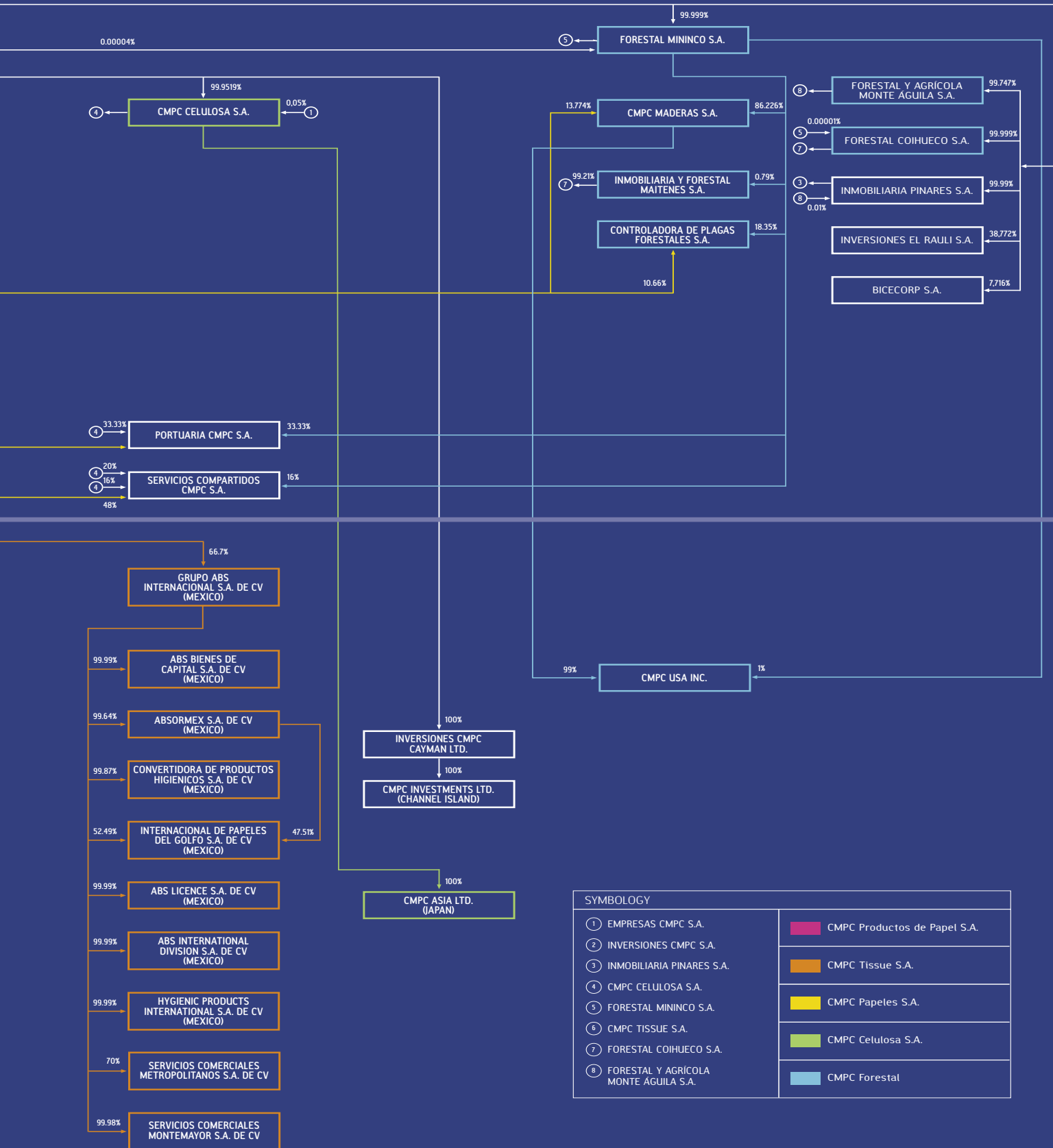
Ownership Structure

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SYMBOLY	
① EMPRESAS CMPC S.A.	CMPC Productos de Papel S.A.
② INVERSIONES CMPC S.A.	CMPC Tissue S.A.
③ INMOBILIARIA PINARES S.A.	CMPC Papeles S.A.
④ CMPC CELULOSA S.A.	CMPC Celulosa S.A.
⑤ FORESTAL MININCO S.A.	CMPC Forestal
⑥ CMPC TISSUE S.A.	
⑦ FORESTAL COIHUECO S.A.	
⑧ FORESTAL Y AGRICOLA MONTE ÁGUILA S.A.	

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General Information

EQUITY

The Company's Equity as of December 31, 2006, after annual restatement as provided by law, amounts to ThCh\$ (thousand Chilean pesos) 104,674,897 divided into 200 million shares.

Empresas CMPC S.A.'s net worth as of December 31, 2006 amounts to ThCh\$ 2,393,604,488.

SHARE OWNERSHIP

In compliance with General Rule No 30 issued by the Securities and Insurance Authority, we list the twelve largest shareholders, displaying the number of shares owned by each as of December 31, 2006.

Shareholder	No of Shares
Forestal Cominco S.A.	39,254,440
Forestal Constructora y Comercial del Pacífico Sur S.A.	38,432,339
Forestal O Higgins S.A.	13,976,744
AFP Provida S.A. para Fondos de Pensiones	12,972,375
Forestal Bureo S.A.	8,068,615
AFP Habitat S.A. para Fondos de Pensiones	7,937,918
AFP Cuprum S.A. para Fondos de Pensiones	5,348,932
AFP Bansander S.A. para Fondos de Pensiones	4,411,027
Inmobiliaria Ñague S.A.	4,145,628
AFP Santa María S.A. para Fondos de Pensiones	3,766,119
Coindustria Ltda.	3,577,021
Constructora Santa Marta Ltda.	3,309,907

The number and ownership of shares in Empresas CMPC S.A. belonging to companies that directly or through some type of relationship between them control 55.44% of the equity with voting rights, is detailed below.

Shareholder	No of Shares
Forestal Cominco S.A.	39,254,440
Forestal Constructora y Comercial del Pacífico Sur S.A.	38,432,339
Forestal O'Higgins S.A.	13,976,744
Forestal Bureo S.A.	8,068,615
Inmobiliaria Ñague S.A.	4,145,628
Coindustria Ltda.	3,577,021
Forestal y Minera Ebro Ltda.	795,534
Forestal y Minera Volga Ltda.	712,069
Inmobiliaria y Forestal Chigualoco S.A.	523,112
Forestal Peumo S.A.	414,930
Forestal Calle Las Agustinas S.A.	311,792
Forestal Choapa S.A.	188,222
Others	475,080

All the shareholders listed above belong to a same corporate group, but do not have a formal joint action agreement.

Final controllers are the following natural persons: Mr. Eliodoro Matte, Identity No 4,436,502-2, Ms. Patricia Matte, Identity No 4,333,299-6 and Mr. Bernardo Matte, Identity No 6,598,728-7.

Control of the above-mentioned companies is shared equally by the final controllers.

SHARE TRANSACTIONS

Transactions of CMPC shares in 2004 by shareholders with some relationship to the company:

	Number of Shares Purchase/(Sale)	Unit Price Ch\$	Amount ThCh\$
Relative of a Director			
Berta Correa Salas	(14,938)	13,705.00	204,725
Carlos Marín de la Fuente	35	14,100.00	494
Inmobiliaria y Promotora Los Dominicos Ltda.	2,700	14,003.93	37,811
Inmobiliaria y Promotora Los Dominicos Ltda.	(2,700)	14,499.00	39,147
Inversiones La Pinta Limitada	7,700	14,476.64	111,470
Inversiones La Pinta Limitada	(12,700)	17,881.10	227,090
Nicolás Marín de la Fuente	35	14,100.00	494
Rosita Marín de la Fuente	35	14,100.00	494
Executive			
Luis Llanos Collado	154	13,928.22	2,145
Relative of an Executive			
Brian Wilson Grothe	(367)	17,180.00	6,305
Leslie Wilson Word	(4,000)	16,650.00	66,600
General Secretary			
Gonzalo García Balmaceda	211	14,918.01	3,148
Relative of a Director of a Subsidiary			
Inversiones Amolanas Limitada	2,300	12,750.00	29,325

EQUARTERLY STATISTICS OF SHARE TRANSACTIONS

Quarter	Units	Amount Ch\$	Average Price Ch\$
1st Quarter 2004	1,955,632	22,964,024,972	11,742.51
2nd Quarter 2004	2,399,865	27,581,460,649	11,492.92
3rd Quarter 2004	3,198,157	40,246,451,542	12,584.26
4th Quarter 2004	3,051,588	39,496,701,281	12,943.00
1st Quarter 2005	1,681,911	22,007,785,179	13,084.99
2nd Quarter 2005	2,818,749	36,889,578,987	13,087.22
3rd Quarter 2005	3,355,043	46,163,217,894	13,759.35
4th Quarter 2005	3,857,764	52,992,411,162	13,736.56
1st Quarter 2006	2,877,861	39,577,002,193	13,752.23
2nd Quarter 2006	4,166,781	60,736,924,180	14,576.46
3rd Quarter 2006	3,640,578	54,043,877,045	14,844.86
4th Quarter 2006	4,034,892	69,489,458,222	17,222.14

Note: Statistic includes data from the Santiago Stock Exchange, Electronic Stock Exchange of Chile and Securities Market of Chile.

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General Information

REMUNERATION AND EXPENSES OF THE BOARD AND COMMITTEE OF DIRECTORS AND MANAGEMENT REMUNERATION

Under the provisions of Law 18,046, the Annual General Meeting of Shareholders of Empresas CMPC S.A. held on April 28, 2006 agreed, as they did the previous year, that the remuneration of Board of Directors should be 1% of the regular dividends paid during the year 2006 2004, duly restated and shared out equally among them, with the Chairman entitled to a double share.

As of December 31, 2006, a provision of ThCh\$ 266,177 was set up for this purpose, corresponding to 1% of the dividends paid during the period.

This remuneration will be paid in the first semester of 2007. The Board of Directors remuneration paid during 2006 and 2005 (at current accounting values) was the following:

Director	2006 ThCh\$	2005 ThCh\$
Eliodoro Matte Larraín	223,769	140,637
Ernesto Ayala Oliva	65,526	70,318
Patricio Grez Matte	111,884	70,318
Jorge Marín Correa	111,884	70,318
Jorge Gabriel Larraín Bunster	111,884	70,318
Manuel Mardones Restat	65,526	70,318
Bernardo Matte Larraín	111,884	70,318
Martín Costabal Llona	46,358	-
Juan Claro González	46,358	-
Total	895,073	562,545

This remuneration corresponded to 1% of the dividends paid in 2006 and 2005, which were agreed and ratified by the respective Ordinary Shareholders' Meetings of the Company.

Additionally, Mr. Eliodoro Matte L. collected ThCh\$ 67,076 (ThCh\$ 67,342 in 2005), for financial consultancy services relating to business strategy, draft development projects and comparative analysis of the domestic and international industry.

Remuneration paid by subsidiaries during the 2006 financial year (at current accounting values) to Directors who also sit on the parent company board, were as follows:

Director	2006 ThCh\$	2005 ThCh\$
Eliodoro Matte Larraín	70,563	77,238
Ernesto Ayala Oliva (*)	-	31,073
Patricio Grez Matte	13,877	15,387
Juan Claro González	15,041	10,241
Jorge Gabriel Larraín Bunster	27,764	46,462
Bernardo Matte Larraín	56,683	61,847
Total	183,928	242,248

(*) From the April 29, 2005, Mr. Ernesto Ayala Oliva stepped down from the Board of Directors of Empresas CMPC S.A.

These remunerations are in respect of consultancy services in finance, business strategy and economics, relating to development of both the national and international markets; analysis and study of investment projects; of business development technology, comparative analysis of competitiveness both within the industry and compared with other industries and analysis of the national and international business environment.

The Board of Directors did not incur expenses in 2006. In 2005 travel expenses of ThCh\$ 393 were incurred.

Total gross remuneration received by the Company's executives amounted to ThCh\$ 1,136,437 in 2006 (ThCh\$ 1,391,223 in 2005).

The executive staff has an incentive plan consisting of an annual bonus whose size depends on profits and on meeting the Company's operational budget targets. The amount of this variable component of remuneration is included in the above figure.

Staff severance indemnities for years of service paid to executives and senior executives in 2006 amounted to ThCh\$ 392,271.

COMMITTEE OF DIRECTORS

The Committee of Directors established under Law 18,046 wields the authority and undertakes the duties established in Article 50 Bis of said Law. The fees paid (at current accounting values) and their relationship with the controlling group is detailed as follows:

Director	Relationship	2006 ThCh\$	2005 ThCh\$
Ernesto Ayala Oliva	Independent	-	916
Patricio Grez Matte	Controller	1,960	2,194
Jorge Marín Correa	Independent	1,960	2,194
Martín Costabal Llona	Independent	1,960	1,277
Total		5,880	6,581

From the April 29, 2005, Mr. Ernesto Ayala Oliva stepped down from the Committee of Directors, and was replaced by Mr. Martín Costabal Llona.

Among the principal activities of the Committee of Directors during the financial period were:

A detailed monthly analysis of transactions regulated by articles No 44, 89 and 93 of Law 18,046 of limited companies, to determine that these were contracted in accordance with conditions of fairness similar to those reigning in the market and corresponding to ordinary company practice (Detail of transactions in note No 4 of the Individual Financial Statements and No 6 of the Consolidated Financial Statements of Empresas CMPC and its subsidiaries.

Following Forestal Mininco S.A.'s purchase of assets from Forestal Copihue S.A. the January 2006 meeting studied the transfer by Forestal Mininco to CMPC Maderas S.A. of existing sale and purchase agreements between Forestal Copihue S.A., Forestal Celco S.A. and Aserraderos Arauco S.A. no objections were raised to this, providing the sales are transacted at market prices and conditions.

In the February 2006 meeting, details of the financial statements of Empresas CMPC S.A. and its subsidiaries for the financial year ended December 31, 2005 were reviewed and checked. No objections were raised.

In the same meeting, the Committee was informed of the system of remuneration of the executives of CMPC and its subsidiaries, to which it raised no objection.

Next, tariffs associated with a docking services agreement between CMPC Maderas S.A. and Puerto Lirquén S.A. were reviewed, as part of an annual process of negotiation with the ports of the 8th Region, as a result of which annual

tariffs and prices were agreed for similar services with the ports of San Vicente and Coronel.

Also approved was an agreement with Bice Chileconsult Asesorias Financieras for the latter to act as structuring agent in the issuance of a 21 year, 4 million UF bond in the local market.

In the meeting of April 2006, the Committee agreed to propose to the Board of Directors a list of external auditors to be put forward to the Shareholders Meeting and to nominate risk rating agencies for the same purpose.

In the June 2006 session, a contract between the company and the Bice bank for provisión of transactional services was examined and approved.

In the September 2006 meeting, the incidental acquisition of woodchips from Celulosa Arauco and Constitucion S.A. by Celulosa CMPC S.A. was studied and approved.

In the October meeting the office rental contract with Inversiones El Raulí was examined and approved, renewable for a year, at market rates depending on the area and type of building. Next a contract with Colbún S.A. was examined, in which the latter commits to install and operate the necessary equipment to gather and relay data on consumption and the condition of the plant on the connecting stretch between the Maule Mill and Colbún substation, as well as installing a radio communications system. This is to comply with the service quality standard issued by the Ministry of the Economy in May 2005. This contract was approved by the Committee.

FINANCIAL STATEMENTS

Empresas CMPC S.A.'s Financial Statements for the year to December 31, 2006 are submitted to shareholders having been prepared according to the Rules issued by the Securities and Insurance Authority. These require the inclusion of the proportion corresponding to Empresas CMPC S.A. of the assets and profit/loss of related companies at the close of the current period in the assets and profit/loss statement of Empresas CMPC S.A.

Financial Information

General Information

These financial statements show a net profit of ThCh\$ 109,300,861, which may be entirely distributed as dividends, and includes amortization of negative good will of investments in related companies totalling ThCh\$ 1,675,266 as per Note No 13 to the Consolidated Financial Statements.

DISTRIBUTION OF PROFITS

In accordance with General Rule No 30, issued by the Securities and Insurance Authority, the dividends paid per share during the last five years are shown below:

2002	Ch\$	111,00	per share
2003	Ch\$	181,00	per share
2004	Ch\$	260,00	per share
2005	Ch\$	427,00	per share
2006	Ch\$	132,00	per share

The Board of Directors in its meeting of October 27, 2005 agreed to pay an interim dividend No 235 of Ch\$ 90 per share. This dividend was debited to profits on December 15, 2005.

As agreed in the Annual General Meeting of Shareholders held on April 28, 2006, the Company paid final dividend No 236 of Ch\$ 66 per share, debited to profits for the year ending December 31, 2005. This dividend was debited to profits on paid out from May 11, 2006 and the remainder of non distributed profits passed to the Reserve of Accumulated Profits.

The Board of Directors in its meeting of August 3, 2006, agreed to distribute an interim dividend No 237 of \$ 66 per share, debited to profits for the year ending December 31, 2006. This dividend was paid out from September 5, 2006.

The Board of Directors in its meeting of December 7, 2006, agreed to distribute interim dividend No 238 of \$ 66 per share, debited to profits from the year ending December 31, 2006. This dividend was paid out from January 10, 2007.

DIVIDEND POLICY

The dividend policy agreed by the Annual General Meeting of Shareholders mentioned above consisted of the payment of two provisional dividends in September 2006 and December 2006 or January 2007 with the final dividend to be determined by the Meeting of Shareholders and paid in May 2007, such that total dividend payments amount to 40% of 2006 profits.

In Note 21 of the Consolidated Financial Statements is included the detail of the dividends paid during the financial year.

According to the legal provisions in force, the Shareholders' Meeting determines how the profits for the period are to be distributed and dividends allocated.

PERSONNEL

As of December 31, 2006 the Company's personnel amounted to 10,199 persons, distributed as follows:

Company	Senior Management	Professionals y and Technicians	Workers	Total
Forestal Mininco S.A.	22	514	1,008	1,544
CMPC Celulosa S.A.	55	398	832	1,285
CMPC Papeles S.A.	38	503	1,257	1,798
CMPC Tissue S.A.	57	603	2,875	3,535
CMPC Productos de Papel S.A.	34	252	1,411	1,697
Servicios Compartidos CMPC S.A.	5	240	44	289
Empresas CMPC S.A.	6	43	2	51
Total	217	2,553	7,429	10,199

INSURANCE

Empresas CMPC S.A. and its subsidiaries keep contracted insurance policies to cover the main risks to its physical industrial and forest assets, income flows and financial risks. In Note 11 to the Consolidated Financial Statements this insurance cover, the goods covered and the sums insured for are detailed, which are briefly as follows:

Main Installations	Physical Damages and Losses from Stoppages Millions of US\$
Pulp mills	1,830
Sawmills	334
Paper plants	1,157
Tissue products plants	790
Converters and Others	365
Forest Plantations	1,884
Total	6,360

FURTHER ITEMS OF NOTE

- a. The Board of Directors in its session of December 7, 2006 agreed to pay, debited to profits for the financial year ending December 31, 2006, a provisional dividend No 238 of Ch\$ 66 per share. This dividend was debited to profits on paid out from January 10, 2007.
- b. The Board of Directors in its meeting of August 3, 2006 agreed to pay, debited to profits for the year ending December 31, 2006, a provisional dividend No 237 of Ch\$ 66 per share. This dividend was debited to profits on paid out from September 5, 2006.
- c. On May 25, 2006, Inversiones CMPC S.A. through its agency in the Cayman Islands, increased the syndicated loan taken out in June 2005 by a sum of US\$ 140 million, with the due date and interest rate charges remaining the same.
- d. The Annual General Meeting of Shareholders held on April 28, 2006 agreed to pay, debited to profits from the year ending December 31, 2005, a final dividend No 236 of Ch\$ 66 per share. This dividend was debited to profits on paid out from May 11, 2006 and the remainder of non-

distributed profits was transferred to the Reserve of Accumulated Earnings.

Moreover, that Annual General Meeting of Shareholders agreed the dividend policy for the financial year 2006, consisting in the payment of two provisional dividends, payable in the months of September, December 2006 or January 2007, and a final dividend, to be agreed in the next Annual General Meeting, payable in May 2007, so that total dividend payments amount to 40% of 2006 profits.

Remunerations of the Board of Directors, like the year before, were fixed at 1% of the regular dividends paid out during 2006, duly restated, shared out equally among them, with the Chairman entitled to a double share.

- e. On April 20, 2006 CMPC Investments S.A. placed a bond in the local stock market of which Empresas CMPC S.A. as parent company has stood as security, guarantor and co-signatory. The bond issued is for a sum of 4 million UF maturing in 21 years, with a single amortization of capital due on the final repayment date. On its placing it was quoted at a rate of 4,43%, representing a margin of 108 basis points above Treasury bonds of the Republic of Chile (BTU) of a similar maturity.
 - This bond is registered in the Register of Securities of the Superintendency of Securities and Insurance under No 456 dated March 14, 2006.
 - The resources of this placing were earmarked for financing investment plans and refinancing the issuer.
- f. In the meeting of the Board of Directors No 1,572 of 28 February 2006, the Annual General Meeting of Shareholders was called for April 28, 2006. The items on the agenda were the following: Approval of the annual report and final accounts 2005, payment of the final dividend No 236 and dividends policy for 2006, election of the Board of Directors and approval of auditors and risk assessors among other items.

- g. January 4, 2006, the subsidiary CMPC Tissue S.A. celebrated a share purchase agreement for the acquisition of 66.7% of ABS International S.A. of C.V., parent of the Absormex Group of Mexico. This contract was subject to the lifting by the company's creditor

Financial Information

General Information

banks of restrictions on its shares and approval of the operation by the Federal Regulatory Commission of Mexico, which had to be verified by the deadline in February 2006.

The total value of the transaction was US\$ 15 million.

ENDORSEMENT OF THE ANNUAL REPORT

The Directors and Chief Executive Officer of Empresas CMPC S.A. listed below declare themselves liable regarding the truth of all the information included in this annual report, and sign hereafter:

ELIODORO MATTE LARRAÍN
Chairman
Identity number 4.436.502-2

PATRICIO GREZ MATTE
Director
Identity Number 1.854,776-7

BERNARDO MATTE LARRAÍN
Director
Identity Number 6,598,728-7

JORGE GABRIEL LARRAÍN BUNSTER
Director
Identity Number 4,102,581-6

MARTÍN COSTABAL LLONA
Director
Identity Number 5,593,528-9

JORGE EDUARDO MARÍN CORREA
Director
Identity Number 7,639,707-4

JUAN CLARO GONZÁLEZ
Director
Identity Number 5,663,828-8

ARTURO MACKENNA ÍÑIGUEZ
Chief Executive Officer
Identity Number 4,523,287-5

Consolidated Financial Statements

Ch\$ - Chilean pesos
ThCh\$ - Thousands of Chilean pesos
US\$ - United States dollars
ThUS\$ - Thousands of United States dollars
A\$ - Argentinean pesos
Ur\$ - Uruguayan pesos
S\$ - New Peruvian soles
Mex\$ - Mexican pesos
UF - The Unidad de Fomento is a Chilean inflation index-linked, peso-denominated unit, set daily in advance on the basis of the previous month's inflation rate
€ - Euros

December 31, 2006
(Translation of the original in Spanish)

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Consolidated Balance Sheet

(Translation of the original in Spanish)

ASSETS	At December 31,			
	2006		2005	
	ThCh\$	ThUS\$	ThCh\$	ThUS\$
Current assets				
Cash and banks	5,688,423	10,685	5,877,325	11,232
Time deposits	24,685,743	46,368	45,907,925	87,734
Marketable securities	240,373	452	16,330,182	31,208
Trade accounts receivable (net)	188,895,342	354,806	120,907,848	231,065
Notes receivable (net)	39,214,823	73,658	37,553,388	71,768
Sundry debtors	19,206,202	36,075	23,315,368	44,558
Inventories (net)	329,183,789	618,313	274,269,346	524,153
Recoverable taxes	25,488,359	47,875	39,862,431	76,181
Prepaid expenses	4,577,230	8,598	6,346,304	12,128
Deferred taxes	3,866,238	7,262	5,868,628	11,216
Other current assets	46,400,407	87,155	36,511,914	69,777
Total current assets	687,446,929	1,291,247	612,750,659	1,171,020
Fixed assets				
Land and plantations	1,212,492,478	2,277,452	1,221,887,276	2,335,132
Buildings and constructions	490,310,787	920,962	470,954,854	900,036
Machinery and equipment	1,745,699,327	3,278,986	1,626,071,597	3,107,564
Other fixed assets	624,022,614	1,172,115	443,754,299	848,053
Increased value from technical appraisal of fixed assets	48,954,491	91,952	49,091,695	93,818
Depreciation	(1,311,934,109)	(2,464,235)	(1,224,600,132)	(2,340,317)
Total net fixed assets	2,809,545,588	5,277,232	2,587,159,589	4,944,286
Other assets				
Investment in related companies	40,796,820	76,629	40,317,361	77,050
Investment in other companies	137,448	258	137,057	262
Goodwill (net)	51,269,351	96,300	55,651,620	106,355
Negative goodwill (net)	(23,171,867)	(43,524)	(24,834,789)	(47,461)
Long-term debtors	13,851,088	26,017	15,989,799	30,558
Intangibles (net)	1,858,885	3,492	1,838,780	3,514
Others	10,885,056	20,446	9,634,537	18,412
Total other assets	95,626,781	179,618	98,734,365	188,690
Total assets	3,592,619,298	6,748,097	3,298,644,613	6,303,996

The accompanying Notes 1 to 36 are an integral part of these consolidated financial statements.

LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY	At December 31,			
	2006		2005	
	ThCh\$	ThUS\$	ThCh\$	ThUS\$
Current liabilities				
Liabilities with banks and financial institutions – short term	84,903,734	159,477	21,155,314	40,430
Short-term portion of long-term liabilities with banks and financial institutions	47,838,357	89,856	25,296,926	48,345
Bonds issued	2,405,283	4,518	1,403,589	2,682
Current portion of other long-term liabilities	3,649,892	6,856	3,491,490	6,673
Dividends payable	14,142,039	26,563	1,266,761	2,421
Accounts payable	147,895,096	277,795	106,752,027	204,012
Notes payable	690,035	1,296	3,050,035	5,829
Sundry creditors	1,177,641	2,212	733,266	1,401
Notes and accounts payable to related companies	7,990,703	15,009	2,955,992	5,649
Provisions	15,291,544	28,722	15,627,989	29,866
Withholdings	9,990,467	18,765	8,006,433	15,301
Income tax	440,892	828	-	-
Unearned income	554,107	1,041	1,137,894	2,175
Other current liabilities	371,571	698	232,475	444
Total current liabilities	337,341,361	633,636	191,110,191	365,228
Long-term liabilities				
Liabilities with banks and financial institutions	327,049,675	614,305	279,075,514	533,338
Bonds issued	361,417,180	678,858	285,444,717	545,510
Notes payable	4,379,785	8,226	7,579,206	14,485
Provisions	30,964,639	58,162	29,096,760	55,606
Deferred taxes	68,911,883	129,439	60,987,547	116,552
Other liabilities	3,708,704	6,966	6,676,161	12,759
Total long-term liabilities	796,431,866	1,495,956	668,859,905	1,278,250
Minority interest	65,241,583	122,545	65,337,783	124,866
Shareholders' equity				
Paid-in capital	104,674,897	196,613	104,674,897	200,043
Other reserves	770,164,583	1,446,617	819,360,090	1,565,868
Retained earnings				
Reserve for future dividends	15,687,015	29,465	15,687,015	29,979
Accumulated earnings	1,420,163,932	2,667,526	1,345,113,526	2,570,629
Net income for the year	109,300,861	205,302	125,569,632	239,974
Interim dividends	(26,386,800)	(49,563)	(37,068,426)	(70,841)
Total shareholders' equity	2,393,604,488	4,495,960	2,373,336,734	4,535,652
Total liabilities, minority interest and shareholders' equity	3,592,619,298	6,748,097	3,298,644,613	6,303,996

The accompanying Notes 1 to 36 are an integral part of these consolidated financial statements.

Consolidated Statement of Income

(Translation of the original in Spanish)

	For the years ended December 31,			
	2006		2005	
	ThCh\$	ThUS\$	ThCh\$	ThUS\$
Operating results				
Sales	1,201,891,844	2,257,540	1,114,196,597	2,129,326
Cost of sales	(801,169,672)	(1,504,855)	(714,901,205)	(1,366,238)
Gross margin	400,722,172	752,685	399,295,392	763,088
Administrative and selling expenses	(240,049,517)	(450,890)	(237,198,856)	(453,308)
Operating income	160,672,655	301,795	162,096,536	309,780
Non operating results				
Financial income	3,808,917	7,154	7,920,318	15,136
Gain on investment in related companies	5,763,821	10,826	3,399,333	6,496
Other non-operating income	2,118,149	3,979	18,232,497	34,844
Loss on investment in related companies	-	-	(4,345)	(8)
Amortization of goodwill	(4,764,345)	(8,949)	(4,838,712)	(9,247)
Financial expenses	(37,193,447)	(69,861)	(31,834,499)	(60,838)
Other non-operating expenses	(3,814,334)	(7,165)	(6,015,364)	(11,496)
Price-level restatements	1,933,392	3,632	(6,003,608)	(11,473)
Foreign exchange gains (losses)	9,260,421	17,394	2,962,867	5,662
Non-operating loss	(22,887,426)	(42,990)	(16,181,513)	(30,924)
Income before income taxes	137,785,229	258,805	145,915,023	278,856
Income taxes	(27,522,735)	(51,697)	(18,943,847)	(36,203)
Consolidated income	110,262,494	207,108	126,971,176	242,653
Minority interest	(2,636,899)	(4,953)	(3,059,415)	(5,847)
Net income	107,625,595	202,155	123,911,761	236,806
Amortization of negative goodwill	1,675,266	3,147	1,657,871	3,168
NET INCOME FOR THE YEAR	109,300,861	205,302	125,569,632	239,974

The accompanying Notes 1 to 36 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(Translation of the original in Spanish)

	For the years ended December 31,			
	2006		2005	
	ThCh\$	ThUS\$	ThCh\$	ThUS\$
Cash flows from operating activities				
Net income for the year	109,300,861	205,302	125,569,632	239,974
Profit on sale of fixed assets	(140,500)	(264)	(13,724,113)	(26,228)
Loss in investment sales	-	-	350,368	670
Add (deduct) charges (credits) not representing movement of funds:				
Depreciation	95,990,658	180,302	87,210,311	166,666
Amortization of intangible assets	48,402	91	8,758	17
Write-offs and provisions	5,992,211	11,255	4,307,156	8,231
Net income on investment in related companies	(5,763,821)	(10,826)	(3,399,333)	(6,496)
Net loss on investment in related companies	-	-	4,345	8
Goodwill amortization	4,764,345	8,949	4,838,712	9,247
Negative goodwill amortization	(1,675,266)	(3,147)	(1,657,871)	(3,168)
Price-level restatements	(1,933,392)	(3,632)	6,003,608	11,473
Foreign exchange differences	(9,260,421)	(17,394)	(2,962,867)	(5,662)
Other credits not representing cash flows	-	-	(669,693)	(1,280)
Other credits not representing movement of funds	18,523,818	34,794	11,714,905	22,388
Changes in assets which affect cash flows:				
Decrease (increase) in trade accounts receivable	(43,713,335)	(82,108)	10,630,256	20,315
Increase in inventories	(32,892,084)	(61,782)	(28,879,915)	(55,192)
Decrease in other assets	15,512,333	29,137	10,010,797	19,132
Changes in liabilities which affect cash flows:				
Increase (decrease) in accounts payable related to operating results	7,124,322	13,382	(3,511,490)	(6,711)
Decrease in interest payable	1,884,225	3,539	2,355,546	4,502
Increase (decrease) in taxes payable	4,726,668	8,878	(4,844,404)	(9,258)
Increase in other accounts payable related to non-operating results	1,076,663	2,022	1,943,510	3,714
Increase (decrease) in Value Added Tax and other similar taxes payable	2,186,176	4,107	(1,113,563)	(2,128)
Minority interest	2,636,899	4,953	3,059,415	5,847
Net positive cash flows from operating activities	174,388,762	327,558	207,244,070	396,061

The accompanying Notes 1 to 36 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(Translation of the original in Spanish)

	For the years ended December 31,			
	2006		2005	
	ThCh\$	ThUS\$	ThCh\$	ThUS\$
Cash flows from financing activities				
Issuance of common stock	1,634,294	3,070	-	-
Loans received	144,213,407	270,879	80,112,744	153,102
Liabilities with public	71,303,024	133,930	123,335,884	235,706
Other financial sources	63,845	120	-	-
Payment of dividends	(29,777,462)	(55,932)	(90,174,789)	(172,332)
Payment of loans	(26,914,210)	(50,553)	(3,787,315)	(7,238)
Payment of bond issuance cost	-	-	(154,350,665)	(294,977)
Payments for the placement of Public Bonds	(1,268,186)	(2,382)	(2,222,455)	(4,247)
Net positive (negative) cash flows from financing activities	159,254,712	299,132	(47,086,596)	(89,986)
Cash flows from investment activities				
Proceeds from sale of fixed assets	4,916,731	9,235	18,327,379	35,025
Additions on fixed assets	(363,659,495)	(683,069)	(385,587,849)	(736,892)
Permanent investments	(5,489,937)	(10,312)	(5,868,653)	(11,215)
Other investment income	183,815	345	142,408	272
Net negative cash flows from investment activities	(364,048,886)	(683,801)	(372,986,715)	(712,810)
Net (negative) cash flows for the year	(30,405,412)	(57,111)	(212,829,241)	(406,735)
PRICE-LEVEL RESTATEMENT OF CASH AND CASH EQUIVALENTS	2,424,616	4,554	(19,951,912)	(38,130)
NET CHANGE IN CASH AND CASH EQUIVALENT	(27,980,796)	(52,557)	(232,781,153)	(444,865)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	104,627,346	196,524	337,408,499	644,817
CASH AND CASH EQUIVALENT AT END OF YEAR	76,646,550	143,967	104,627,346	199,952

The accompanying Notes 1 to 36 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

At december 31, 2006 and 2005 (Translation of the original in Spanish)

NOTE 1 - COMPANY'S REGISTRATION

Empresas CMPC S.A. is registered as N° 0115 in the Official Company Register and is under the supervision of the Chilean Superintendency of Securities and Insurance (the "Superintendency").

The subsidiaries Industrias Forestales S.A., and Inversiones CMPC S.A. are registered under N° 0066, and N° 0672, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Accounting period

The consolidated financial statements cover the period January 1 to December 31, 2006 and are compared to the same period in 2005.

b) Basis of preparation

The consolidated financial statements have been prepared in accordance with Superintendency of Securities and Insurance regulations, which are consistent with accounting principles generally accepted in Chile issued by the Chilean Institute of Accountants. In the event of discrepancy, the Superintendency of Securities and Insurance regulations shall prevail.

c) Basis of presentation

For an adequate comparison, the balances in the consolidated financial statements as of December 31, 2005 have been restated out-of-book by the variation in the Consumer Price Index (CPI) for the period December 1, 2005 to November 30, 2006, amounting to 2.1%. In addition, minor reclassifications were made for consistency with the 2006 period.

d) Basis of consolidation

The consolidated financial statements include the assets, liabilities, income statement accounts and cash flows of the Parent Company Empresas CMPC S.A. and its subsidiaries.

Significant amounts and results of transactions between the consolidated companies have been eliminated and the participation of the minority shareholders has been recognized in the financial statements under Minority interest.

e) Price-level restatements

The consolidated financial statements have been restated in order to reflect the effect of price-level changes on the Chilean peso in each year (Note N° 23). Restatements have been calculated on the basis of the Consumer Price Index published by the Chilean Institute of Statistics, which shows a variation of 2.1% for the period December 1, 2005 to November 30, 2006 (3.6% for the same period in the preceding year). Income and expense accounts have also been restated to present them in year-end constant pesos.

The values in indexed unit have been translated into Chilean pesos at 1 UF: Ch\$ 18,336.38 at December 31, 2006 (Ch\$ 17,974.81 to UF 1 at December 31, 2005).

f) Currency translation

Assets and liabilities in foreign currency have been translated into Chilean pesos at the year-end exchange rate (Ch\$ 532.39 to US\$ 1 at December 31, 2006 and Ch\$ 512.5 to US\$1 at December 31, 2005).

The adjustment effect of assets and liabilities in foreign currency is shown in the Statement of Income under Foreign exchange differences, net of local inflation effects.

To incorporate to the consolidated financial statements the financial statements of the productive foreign subsidiaries its assets and liabilities were translated to US dollars at the exchange rate of A\$ 3.06 Argentine pesos to 1 US\$ (A\$ 3.00 /US\$ in 2005) Uruguayan pesos at UR\$ 24.42 to 1 US\$ (UR\$ 24.13 /US\$ in 2005), New Peruvian soles at the rate of S\$ 3.20 to 1 US\$ (S\$ 3.43/US\$in 2005), and Mexican pesos at Mex \$ 10.81 to 1 US\$.

Notes to the Consolidated Financial Statements

At december 31, 2006 and 2005 (Translation of the original in Spanish)

g) Time deposits and marketable securities

Time deposits in banks and financial institutions are valued at cost plus adjustments and interest accrued at each year end.

Fixed-income securities are shown at restated investment cost plus interest accrued at each year end at the real interest rate determined on the purchase date.

Mutual fund units and foreign investment funds are presented at the year-end unit value. Promissory notes and other bonds are shown at their restated purchase cost plus interest accrued at year end.

The resulting amounts do not exceed their market values, and adjustments have been made when the market value is lower.

The Company has invested resources in time deposits and marketable securities in Chilean pesos, which have been complemented with derivatives in dollars, whereby the operation is redenominated to such currency.

h) Inventories

Inventories of finished products and work in progress have been valued at the most recent direct production cost, including certain indirect inputs.

Forest plantations which are deemed to be exploited within one year are included under inventories.

Raw materials, supplies and other operating supplies are valued at restated cost at each year end.

The resulting amounts do not exceed their related net realizable and replacement values, respectively.

A provision has been set up to cover obsolescence of supplies, raw materials and other inputs based on the turnover and historical movements of these inventories.

i) Allowance for unrecoverable accounts

The Company and subsidiaries have set up a provision for the likelihood of unrecoverable notes and/or accounts receivable, which is determined on the basis of historical movements in the client portfolio and an analysis of accounts due from clients exceeding the normal period of collection.

j) Fixed assets

Fixed assets are shown at restated cost (Note 11). In addition, this caption includes the effect of technical reappraisals registered by Empresas CMPC S.A. and subsidiaries in prior years.

Forest plantations have been appraised considering the market values in conformity with effective accounting standards and technical principles generally accepted for the appraisal of these assets. The higher value so determined above the restated balance in books, increases the plantation assets and is credited to Forest Reserve, an Equity account included under Other reserves. The corresponding deferred tax is deducted from these amounts.

The portion of the Forest Reserve corresponding to the plantations exploited is annually netted of against the Forest Reserve account and credited to income in the corresponding sales' year.

k) Fixed asset depreciation

Fixed assets depreciation is calculated on the restated cost of assets using the straight-line method over the estimated remaining useful lives of the assets.

l) Leased assets

Fixed assets acquired under leasing contracts are recorded at the current value of the contract and shown under Other fixed assets. These assets are not legally owned by the Company until they use purchase option.

m) Intangibles

Intangible assets are valued at restated purchase cost and are amortized over the estimated years of investment return.

n) Investment in related companies (associates)

Investments in related companies are valued using the equity method of accounting. This valuation includes recognizing participation in their results on an accrual basis after eliminating unrealized gains and losses on transactions with related companies. In the cases of buying companies, the differential between the Company's equity value and the purchase price is shown as Goodwill/Negative goodwill under Other assets (Circular N° 368 dated December 12, 1983, issued by the Superintendency of Securities and Insurance).

Pursuant to the new instructions issued by the Superintendency of Securities and Insurance through Circular N° 1,697 dated December 30, 2003, and Technical Bulletin N° 72 issued by the Chilean Institute of Accountants the new investments made as from January 1, 2004, are valued through the equity method, which considers the valuation of the investment upon buying at "fair value" of the equity of the acquired Company (market value of assets and liabilities).

Investments in foreign companies are valued in accordance with Technical Bulletin N° 64 of the Chilean Institute of Accountants and Official Circular N° 5,294 dated October 20, 1998 issued by Superintendency of Securities and Insurance.

In conformity with these regulations, the subsidiaries abroad, CMPC Investments Ltd., Inversiones CMPC Cayman Ltd., Inversiones Protisa S.A., Compañía S.R.S. (Spain), Tissue Cayman Ltd., CMPC Europe Ltd., CMPC Asia Ltd. and Propa Cayman Ltd. are considered an extension of the Parent Company and are therefore controlled in Chilean pesos, restated in line with local inflation (CPI).

Investments in subsidiaries in Argentina: CMPC Inversiones de Argentina S.A., La Papelera del Plata S.A., Naschel S.A., Forestal Bosques del Plata S.A. and Fabi S.A., the subsidiary in Uruguay: Ipusa, the subsidiaries in Perú: Forsac Perú S.A., Protisa Perú S.A. and Papelera del Rimac S.A., and the subsidiaries in Mexico: Grupo ABS Internacional S.A., ABS Bienes de Capital S.A., Convertidora de Productos Higiénicos S.A., Internacional de Papeles del Golfo S.A., Hygienic Products International S.A., are considered productive companies with own activities, therefore are controlled in US dollars.

o) Goodwill and negative goodwill

The difference generated between the purchase of interest in companies and their net book value, calculated on the respective purchase date is presented in Other Assets (as negative goodwill/goodwill). These differences are amortized over the estimated period of investment return, which is estimated in 20 years in the forest industry.

p) Financial investments

Securities purchased under resale agreements are valued at restated cost plus interest accrued at year end in accordance with their respective agreements' clauses. These values are shown under Other current assets.

The Company has invested resources in resale an agreement in Chilean pesos, complemented with derivatives in dollars, whereby the operation is redenominated to such currency.

q) Bonds payable

This caption includes the obligation from three bonds issued by the Company, one placed abroad and the other in local market, under Securities Registry of the Superintendency of Securities and Insurance. All of them are recorded at the restated nominal value and interest accrued at year end. The difference from commissions and other bond placement expenses was charged to income on the respective date, except discount in local placement which will be amortized over the bond period.

r) Income taxes and deferred taxes

The Parent Company and subsidiaries set up income tax provisions, which were charged to income for the year, in conformity with current tax legislation in Chile and/or countries in which the respective income is generated or the tax liability should be paid.

In accordance with instructions issued by the Superintendency under Circular N° 1466, as stipulated under Technical Bulletins N° 60, 68, 69 and 71 issued by the Chilean Institute of Accountants and timing differences arising from all timing differences between tax and financial balances are required to be recorded based on the current tax rate on the estimated date of reverse.

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s) Staff severance indemnities

The provision set up to cover the liability for severance indemnities agreed with the Company's staff is presented at the accrued value at each year end. That portion estimated to be paid within one year is shown in the short term.

Vacation staff costs are recorded on an accrued basis.

t) Operating income

In general, sales relate to products dispatched and are shown at their invoice value. In the case of export sales, these are valued taking into account the exchange rate on the date of invoicing. This value is then reduced by the interest calculated from the invoicing date to the effective date of payment, in accordance with the provisions of Technical Bulletin N° 21 of the Chilean Institute of Accountants.

u) Derivative contracts

Derivative contracts have been subscribed in order to cover global exchange rate risks of the Company and subsidiaries. Such contracts are valued according to the fair value they present at year end, and the difference against the face value is recorded in the respective income or deferred accounts based on the nature of the contracts, in accordance to Technical Bulletin N° 57 issued by the Chilean Institute of Accountants.

v) Computer software

Computer software used for administrative purposes by the Company and subsidiaries were developed internally in prior years with Company funds, and the related expenses for development are charged to income as incurred in the respective periods.

The cost of computer software purchased from third parties is considered as part of the expenses during the course of its implementation or start-up.

The cost of software associated to machines and other production assets is charged to income on the start-up date.

w) Research and development costs

The Parent Company and subsidiaries have recorded research and development costs incurred in the production process under expenses during the year.

x) Cash flows

The Company and subsidiaries have defined short-term investments considered as part of the general administration of cash surpluses as cash and cash equivalents in conformity with Technical Bulletin N° 50 issued by the Chilean Institute of Accountants. Cash equivalents include time deposits and marketable securities such as short-term investments under resale and repurchase agreements, Chilean Central Bank Promissory Notes, units in investment Funds, investments in mutual fund units and other investments.

Cash flows from operating activities include all business-related cash flows as well as interest paid, financial income, dividends and other distributions received and, in general, all cash flows not defined as from investment or financing activities. The concept of operations used in this statement is more comprehensive than that used in the consolidated statement of income.

The following subsidiaries have been included in consolidation:

Company	Ownership interest			2005 %
	2006 %		Total	
	Directo	Indirecto		
Forestal Mininco S.A.	99.9999	0.0001	100.0000	100.0000
Inversiones CMPC S.A.	99.9988	0.0012	100.0000	100.0000
Forestal Coihueco S.A.	99.9999	0.0001	100.0000	100.0000
Inmobiliaria Pinares S.A.	99.9900	0.0100	100.0000	100.0000
Forestal y Agrícola Monte Águila S.A.	99.7480	0.0000	99.7480	99.7480
CMPC Papeles S.A.	0.1000	99.9000	100.0000	100.0000
CMPC Tissue S.A.	0.1000	99.9000	100.0000	100.0000
CMPC Productos de Papel S.A.	0.1000	99.9000	100.0000	100.0000
CMPC Celulosa S.A.	0.0480	99.9520	100.0000	100.0000
Inmobiliaria y Forestal Maitenes S.A.	0.0000	100.0000	100.0000	100.0000
Envases Roble Alto S.A.	0.0000	100.0000	100.0000	100.0000
Propa S.A.	0.0000	100.0000	100.0000	100.0000
Portuaria CMPC S.A.	0.0000	100.0000	100.0000	100.0000
Sociedad Recuperadora de Papel S.A.	0.0000	100.0000	100.0000	100.0000
Empresa Distribuidora de Papeles y Cartones S.A.	0.0000	100.0000	100.0000	100.0000
Envases Impresos S.A.	0.0000	100.0000	100.0000	100.0000
Productos Austral S.A.	0.0000	0.0000	0.0000	100.0000
Cartulinas CMPC S.A.	0.0000	100.0000	100.0000	100.0000
Servicios Compartidos CMPC S.A.	20.0000	80.0000	100.0000	100.0000
Inversiones Protisa S.A.	0.0000	100.0000	100.0000	100.0000
Papeles Cordillera S.A.	0.0000	100.0000	100.0000	100.0000
Comercial Higiene Integral S.A.	0.0000	0.0000	0.0000	100.0000
Chilena de Moldeados S.A.	0.0000	100.0000	100.0000	100.0000
CMPC Maderas S.A.	0.0000	97.5138	97.5138	97.5138
Industrias Forestales S.A.	0.0000	81.9500	81.9500	81.9500
Forestal Crececx S.A.	0.0000	81.9500	81.9500	81.9500
Inversiones CMPC Cayman Ltd. - Cayman Island	0.0000	100.0000	100.0000	100.0000
CMPC Investments Ltd. - Channel Island	0.0000	100.0000	100.0000	100.0000
Inversiones Protisa S.A. y Cia. S.R.C. - Spain	0.0000	100.0000	100.0000	100.0000
CMPC Inversiones de Argentina S.A.	0.0000	100.0000	100.0000	100.0000
CMPC Asia Ltd. - Japan	0.0000	100.0000	100.0000	100.0000
Forestal Bosques de Plata S.A. - Argentina	0.0000	100.0000	100.0000	100.0000
Naschel S.A. - Argentina	0.0000	100.0000	100.0000	100.0000
Fabi Bolsas Industriales S.A. - Argentina	0.0000	100.0000	100.0000	100.0000
Tissue Cayman Ltd. - Cayman Island	0.0000	100.0000	100.0000	100.0000
Protisa S.A. - Peru	0.0000	100.0000	100.0000	100.0000
Papelera del Rimac S.A. - Peru	0.0000	100.0000	100.0000	100.0000
Compañía Primus del Uruguay S.A.	0.0000	100.0000	100.0000	100.0000
Celulosas del Uruguay S.A.	0.0000	100.0000	100.0000	100.0000
CMPC Europe Ltd. - United Kingdom	0.0000	100.0000	100.0000	100.0000
Protisa do Brasil Ltda.	0.0000	100.0000	100.0000	100.0000
Propa Cayman Ltd. - Cayman Island	0.0000	100.0000	100.0000	100.0000
Forsac Perú S.A.	0.0000	100.0000	100.0000	100.0000
La Papelera del Plata S.A. - Argentina	0.0000	99.9914	99.9914	99.9999
Ipusa - Uruguay	0.0000	99.6100	99.6100	99.6100
CMPC USA INC. - United States	0.0000	97.5386	97.5386	97.5386
Grupo ABS Internacional S.A. de CV - Mexico	0.0000	66.7000	66.7000	0.0000
ABS Bienes de Capital S.A. de CV - Mexico	0.0000	66.6600	66.6600	0.0000
Absormex S.A. de CV - Mexico	0.0000	66.4300	66.4300	0.0000
Convertidora de Productos Higiénicos S.A. de CV - Mexico	0.0000	66.5800	66.5800	0.0000
Internacional de Papeles del Golfo S.A. de CV - Mexico	0.0000	66.7000	66.7000	0.0000
ABS License S.A. de CV - Mexico	0.0000	66.6600	66.6600	0.0000
ABS International Division S.A. de CV - Mexico	0.0000	66.6600	66.6600	0.0000
Hygienic Products International S.A. de CV - Mexico	0.0000	66.6600	66.6600	0.0000

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At december 31, 2006 and 2005 (Translation of the original in Spanish)

NOTE 3 - ACCOUNTING CHANGES

There are no changes in the application of generally accepted accounting principles in Chile in relation to the previous year which could significantly affect the interpretation of these financial statements.

NOTE 4 - MARKETABLE SECURITIES

Marketable securities correspond to funds (cash surpluses) invested in securities, which are used in normal operations of the Company and subsidiaries according to requirements.

The Company expects total instruments to be settled in the short term.

The book value of these investments does not exceed their market value, adjustments being recorded in case the former were higher than the latter.

At December 31, 2006 and 2005 this caption includes the following instruments:

a) Detail of marketable securities

- Investments in mutual fund units:

Financial Institution	ThCh\$	
	2006	2005
BCI Administradora General de Fondos S.A.	-	102,113
BancoEstado S.A. Administradora General de Fondos	-	18,383
Total	-	120,496
ThUS\$	-	230

- Investments in foreign funds units:

Financial Institution	Investment currency	ThCh\$	
		2006	2005
JP Morgan Money Market Fund	Dollars	68,64	664,449
JP Morgan Money Market Fund	Euros	31,219	26,777
BBH & Co. Money Market Fund	Dollars	827	775
Total		100,686	92,001
ThUS\$		189	176

- Central Bank bonds (1):

Financial Institution	ThCh\$	
	2006	2005
Central Bank bonds payable in dollars (BCX)	-	15,973,309
Total	-	15,973,309
ThUS\$	-	30,526

• Others

Financial Institution	ThCh\$	
	2006	2005
Total others	139,687	144,376
ThUS\$	262	276
Total Marketable securities ThCh\$	240,373	16,330,182
Total Marketable securities ThUS\$	452	31,208

(1) As of December 31, 2006, the Company shows no price difference and the amount amortized in the current year was ThCh\$ 38,887 – ThUS\$ 73. As of December 31, 2005, the price difference amounted to ThCh\$ 38,724 – ThUS\$ 74 and the amount amortized was ThCh\$ 471,065 – ThUS\$ 900.

b) Marketable securities recorded under Other current assets

As outlined in Note 9, Other current assets include the following marketable securities:

	ThCh\$	
	2006	2005
Marketable securities under resale agreement in Chilean Pesos	35,369,392	5,079,046
Marketable securities under resale agreement in re-denominated to dollar	10,662,61	31,432,868
Total	46,032,011	36,511,914
ThUS\$	86,463	69,777

The detail of marketable securities is as follows:

Account composition

Instruments	Book value ThCh\$	
	2006	2005
Mutual fund units	-	120,496
Investment fund units	100,686	92,001
Public offering promissory notes	-	15,973,309
Others	139,687	144,376
Total marketable securities	240,373	16,330,182
ThUS\$	452	31,208

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NOTE 5 - SHORT-AND LONG-TERM RECEIVABLES

These balances at December 31, 2006 and 2005 are presented net of provisions as follows:

	2006		2005	
	ThCh\$	%	ThCh\$	%
a) Trade accounts receivable, net:				
Domestic customers	73,371,188	38.8	62,012,965	51.3
Foreign customers	92,602,115	49.0	44,775,324	37.0
Clients from foreign subsidiaries	22,922,039	12.2	14,119,559	11.7
Total	188,895,342	100	120,907,848	100
ThUS\$	354,806		231,065	
b) Notes receivable, net:				
Domestic customers	9,872,235	25.2	15,291,225	40.7
Foreign customers	26,181,877	66.8	19,721,227	52.5
Clients from foreign subsidiaries	3,160,711	8.0	2,540,936	6.8
Total	39,214,823	100	37,553,388	100
ThUS\$	73,658		71,768	
c) Sundry debtors:				
Insurance claims	3,706,774	19.3	2,826,791	12.1
Current accounts with third parties	2,228,905	11.6	5,991,744	25.7
Advances to suppliers	7,619,085	39.7	9,672,707	41.5
Loans to personnel	3,728,519	19.4	3,073,408	13.2
Debtors on fixed assets sales	995,867	5.2	971,955	4.2
Drawbacks	298,750	1.5	110,976	0.4
Others	628,302	3.3	667,787	2.9
Total	19,206,202	100	23,315,368	100
ThUS\$	36,075		44,558	
The provision net of short-term receivables amounts to ThCh\$ 4,896,723 - ThUS\$ 9,198 in 2006 (ThCh\$ 5,062,987 - ThUS\$ 9,676 in 2005).				
d) Long-term debtors				
Cross Currency Swap (Note N° 17)	11,323,247	81.7	12,291,984	76.9
Recoverable taxes in Argentina and Perú (1)	2,237,787	16.2	2,446,435	15.3
Debtors on fixed assets sales	-	-	1,091,384	6.8
Others	290,054	2.1	159,996	1.0
Total	13,851,088	100	15,989,799	100
ThUS\$	26,017		30,558	

(1) Amount included under the caption Other receivables - long term (see next table).

Receivable Insurance:

This kind of insurance cover the risk for unrecoverable accounts, mainly foreign customers.

	Maturities								
	Maturity up to 90 days ThCh\$		Maturity 90 days up to one year ThCh\$		Subtotal ThCh\$	Total short-term (net) ThCh\$		Total long-term (net) ThCh\$	
	2006	2005	2006	2005		2006	2006	2005	2006
Trade accounts receivable	182,256,017	111,193,546	11,217,395	9,714,302	193,473,412	188,895,342	120,907,848	-	-
Allowance for doubtful accounts	-	-	-	-	4,578,070	-	-	-	-
Notes receivable	34,640,627	27,601,975	4,880,260	9,951,413	39,520,887	39,214,823	37,553,388	-	-
Allowance for doubtful accounts	-	-	-	-	306,064	-	-	-	-
Sundry debtors	16,836,190	16,621,429	2,382,601	6,693,939	19,218,791	19,206,202	23,315,368	13,851,088	15,989,799
Allowance for doubtful accounts	-	-	-	-	12,589	-	-	-	-
Total								13,851,088	15,989,799
ThUS\$								26,017	30,558

NOTE 6 - BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

Balances and transactions with related companies are originated by commercial operations related to the Company's business carried at market value.

For exposure purposes, significant transactions are considered to be those whose totals exceed UF 10,000.

Transactions with COPEC S.A. (fuel) based in contracts indexed to ENAP's prices and are payable at 60 days. Transactions with Colbún S.A. and Nehuenco S.A. relate to purchases of energy and power whose invoiced values show 90-day payment terms, based on contracts stated in dollars. The remaining transactions are carried out in non-indexed Chilean pesos.

Wood purchase and sales transactions between the Company's subsidiaries and Bosques Arauco S.A. and Forestal Celco S.A. are mainly business transactions at market prices and are payable at between 30 and 60 days. The prices are those in the market on the day of the transaction.

The transactions with the ENTEL Group refer mainly to fixed and cellular telephone services, data transmission, boundary security and electronic invoicing and trading. There are contracts for these services that contain fixed and variable charges as a function of volume; the amounts invoiced are payable at 60 days.

The transactions with Metrogas relate mainly to purchases of natural gas for industrial use under contracts that include prices indexed to the dollar and market conditions for the sale of industrial gas. The amounts invoiced are payable at 60 days.

The transactions with Puerto Lirquén mainly relate to port services under contracts that contain fixed and variable charges as a function of volume (tons and cubic meters) indexed to the dollar. The amounts invoiced are payable within 30 days.

Financial transactions:

Financial transaction with entities of Banco BICE and those related to Banco Security relate mainly to investments of surplus cash and foreign exchange transactions. The balances maintained at the end of both years are shown in the Balance sheet accounts that represent the nature of the investment (Cash and banks, Time deposits and Other current assets), and the terms agreed for each transaction can be seen in each of the respective notes.

As each type of transaction is related to the term, at rates applicable to the amount invested, for the purposes of a better explanation and relation, the figures corresponding to the amount of the transaction shown in the accompanying table are averaged, using the method of the daily average invested. This shows the relationship between the interest on a monthly basis and the average principal shows the market conditions prevailing in each period.

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The composition of related-company accounts receivable and payable is as follows:

a) Notes and accounts payable

Tax number	Company	Short-term ThCh\$		Long-term ThCh\$	
		2006	2005	2006	2005
96.565.750-9	Aserraderos Arauco S.A.	5,100,455	444,469	-	-
96.505.760-9	Colbún S.A.	1,619,773	683,861	-	-
99.520.000-7	Compañía de Petróleos de Chile COPEC S.A.	778,234	1,605,176	-	-
82.777.100-7	Puerto de Lirquén S.A.	492,241	221,007	-	-
96.657.900-5	Sociedad Controladora de Plagas Forestales S.A.	1,479	-	-	-
	Total	7,990,703	2,955,992	-	-
	ThUS\$	15,009	5,649	-	-

b) Transactions

Company	Tax number	Relation	Description	2006		Effect		2005		Effect on results (expense) Income	
				Transaction amount		on results (expense) Income		Transaction amount			ThUS\$
				ThCh\$	ThUS\$	ThCh\$	ThUS\$	ThCh\$	ThUS\$		
Administradora de Fondos Security S.A.	96.639.280-0	Director in common	Investment in mutual funds	3,847,133	7,226	16,694	31	3,571,118	6,825	12,661	24
Aserraderos Arauco S.A.	96.565.750-9	Director in common	Timber buying	592,530	1,113	-	-	-	-	-	-
			Collection operation	12,470,740	23,424	-	-	19,072,094	36,448	-	-
Banco BICE	97.800.000-K	Controller in common	Dollar buying	14,346,450	26,947	-	-	9,318,935	17,809	-	-
			Financial Investments	-	-	-	-	11,888,680	21,383	-	-
			Operations under resale and repurchase agreement	2,873,797	5,398	12,405	23	5,862,458	11,204	(19,205)	(37)
Banco Security	97.053.000-2	Director in common	Dollar selling	91,594,779	172,045	80,826	152	93,430,554	178,554	-	-
BICE Administradora General de Fondos S.A.	96.514.410-2	Director in common	Investment in mutual funds	1,528,042	2,870	6,651	12	9,069,078	17,332	30,726	59
BICE Corredores de Bolsa S.A.	79.532.990-0	Director in common	Financial Investments	-	-	-	-	9,713,199	18,563	-	-
			Operations under resale and repurchase agreement	74,287,829	139,536	342,121	643	62,354,304	119,164	230,178	440
			Dollar selling	-	-	-	-	1,227,070	2,345	-	-
Celulosa Arauco y Constitución S.A.	93.458.000-1	Director in common	Subproducts selling	739,530	1,389	62,048	117	-	-	-	-
CGE Distribución S.A.	99.513.400-4	Director in common	Electric power buying	3,572,732	6,711	(3,572,732)	(6,711)	1,612,441	3,082	(1612,441)	(3,082)
Colbún S.A.	96.505.760-9	Director in common	Electric power buying	17,836,023	33,502	(17,836,023)	(33,502)	8,421,422	16,094	(8,421,422)	(16,094)
			Equity participation selling	-	-	-	-	53,396	102	(350,368)	(670)
Compañía de Petróleos de Chile COPEC S.A.	99.520.000-7	Director in common	Fuel buying	23,463,714	44,072	-	-	19,350,105	36,980	-	-
Compañía Eléctrica del Río Maipo S.A.	96.557.330-5	Director in common	Electric power buying	-	-	-	-	711,703	1,360	(711,703)	(1,360)
Compañía Industrial El Volcán S.A.	90.209.000-2	Director in common	Product selling	2,569,239	4,826	1,083,771	2,036	1,903,784	3,638	869,438	1,662
Empresa Eléctrica Nehuenco S.A.	96.877.200-7	Director in common	Energy buying	-	-	-	-	7,732,988	14,778	(7,732,988)	(14,778)
Entel Chile S.A.	92.580.000-7	Director in common	Service buying	767,808	1,442	(767,808)	(1,442)	386,240	738	(386,240)	(738)
Entel PCS Telecomunicaciones S.A.	96.806.980-2	Director in common	Service buying	591,087	1,110	(591,087)	(1,110)	231,131	442	(231,131)	(442)
Entel Telefonía Local S.A.	96.697.410-9	Director in common	Service buying	450,574	846	(451,574)	(848)	287,954	550	(287,954)	(550)
Forestal Celco S.A.	85.805.200-9	Director in common	Product selling	1,299,819	2,441	916,514	1,722	-	-	-	-
Inversiones El Rauti S.A.	96.895.660-4	Affiliate	Capital Payments	-	-	-	-	5,868,652	11,216	-	-
Metrogas S.A.	96.722.460-K	Director in common	Natural gas buying	6,622,661	12,439	-	-	3,701,025	7,073	-	-
Paneles Arauco S.A.	96.510.970-6	Director in common	Product selling	-	-	-	-	287,999	550	47,652	91
Pesquera Frio Sur S.A.	78.997.880-8	Director in common	Product selling	487,126	915	145,010	272	266,263	509	89,479	171
Puerto de Lirquén S.A.	82.777.100-7	Director in common	Service buying	2,474,187	4,647	(2,474,187)	(4,647)	2,280,598	4,358	(2,280,598)	(4,358)
Sociedad Industrial Pizarreño S.A.	96.569.760-8	Director in common	Product selling	1,847,155	3,470	1,075,480	2,020	1,421,068	2,716	791,919	1,513
Sociedad Industrial Romeral S.A.	86.113.000-2	Director in common	Product selling	1,528,688	2,871	650,660	1,222	1,784,288	3,410	842,424	1,610
Sofruco Alimentos S.A.	78.023.030-4	Director in common	Product selling	217,081	408	90,799	171	238,399	456	96,722	185
Compañía de Petróleos de Chile COPEC S.A.	99.520.000-7	Director in common	Lubricant products buying	654,828	1,230	(654,828)	(1,230)	542,628	1,037	(542,628)	(1,037)

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NOTE 7 - INVENTORIES

Inventories include the following balances:

	ThCh\$	
	2006	2005
Finished products	77,799,169	67,678,903
Products in process	6,516,440	7,031,152
Raw materials and others	64,499,237	55,213,063
Supplies	75,692,296	57,781,412
Forestry plantations	98,004,868	81,558,684
Agricultural and other products	6,671,779	5,006,132
Total	329,183,789	274,269,346
ThUS\$	618,313	524,153

The Company estimates that these inventories will be sold and/or consumed in the normal course of operations.

The item Forestry plantations includes estimated plantations that will be exploited during the next twelve months.

A provision has been set up to cover the likelihood of obsolescence of raw materials, supplies and spare parts amounting to ThCh\$ 3,637,625 - ThUS\$ 6,833 at December 31, 2006 (ThCh\$ 3,380,369 - ThUS\$ 6,460 at December 31, 2005), which is shown net of the respective Inventory accounts.

NOTE 8 - INCOME TAXES AND DEFERRED TAXES

a) Income tax provisions

Recoverable tax include the following balances:

	ThCh\$	
	2006	2005
Prepaid income tax	-	10,989,465
Recoverable tax corresponding to profits with income tax paid and absorbed by tax losses	3,378,047	4,114,170
Other income taxes in recover process	6,444,980	4,538,607
VAT fiscal credit	15,665,332	20,220,189
Total	25,488,359	39,862,431
ThUS\$	47,875	76,181

Income tax include the following balances:

	ThCh\$	
	2006	2005
Income tax provision	(18,499,406)	(14,760,902)
Prepaid income taxes, credit on training expenses and other credits	18,058,514	25,750,367
Total	(440,892)	10,989,465
ThUS\$	(828)	21,002

Tax losses presented by some of the companies total ThCh\$ 61,705,610 - ThUS\$ 115,903 at December 31, 2006 (ThCh\$ 51,293,025 - ThUS\$ 98,025 at December 31, 2005).

b) Tax profits

The balance of undistributed profits in Empresas CMPC S.A. with Corporate income tax paid and subject to distribution with credit for the shareholders is composed of:

	2006		2005	
	ThCh\$	ThUS\$	ThCh\$	ThUS\$
Profits with 17% credit	5,273,233	9,905	3,570,010	6,823
Profits with 16.5% credit	116,322	219	111,520	213
Profits with 16% credit	1,160,443	2,180	1,160,281	2,217
Profits with 15% credit	160,404,871	301,292	182,442,979	348,664
Profits with 10% credit	2,217,585	4,165	4,778,843	9,133
Profits without credit	29,397,043	55,217	30,728,138	58,724
Total	198,569,497	372,978	222,791,771	425,774

In addition, accumulated non-taxable income amounting to ThCh\$ 198,146,143 - ThUS\$ 372,182 (ThCh\$ 198,146,143 - ThUS\$ 378,674 in 2005) are distributed upon depletion of the accumulated taxable income mentioned earlier and shareholders are not taxed.

c) Deferred taxes

Restatement of Forest Plantations and its credit to the Forest Reserve equity account is recorded net of Deferred Tax effect in accordance with the Income tax rate applicable when the respective reserve is done (Note N° 2 j).

Deferred taxes:

	2006				2005			
	ThCh\$		ThCh\$		ThCh\$		ThCh\$	
	Assets		Liabilities		Assets		Liabilities	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Timing differences								
Bad debt provision	1,160,630	-	-	-	1,163,907	192,186	-	-
Unearned income	80,440	-	-	-	58,327	-	-	-
Provision for staff vacations	1,279,643	-	-	-	1,299,639	-	-	-
Leased assets	-	-	-	196,836	-	-	-	330,033
Fixed asset depreciation	-	-	-	79,507,263	-	-	-	68,937,623
Other events	272,894	-	-	-	784,485	-	444,272	-
Obsolescence provision	766,779	-	-	-	642,538	-	-	-
Provision for labor matters	18,804	77,910	-	-	18,958	129,826	-	-
Tax loss	287,048	12,473,608	-	-	2,345,046	6,406,210	-	-
Others (less)								
Supplementary accounts net of accumulated amortization	-	21,169	-	1,194,966	-	23,578	-	1,575,465
Valuation provision	-	2,933,099	-	-	-	-	-	-
Total	3,866,238	9,597,250	-	78,509,133	6,312,900	6,704,644	444,272	67,692,191
ThUS\$	7,262	18,027	-	147,466	12,065	12,813	849	129,365

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Income tax:

	ThCh\$	
	2006	2005
Income tax provision	(18,499,406)	(14,760,902)
Prior-year expense adjustment	590,273	138,034
Deferred tax assets or liabilities for year	(11,289,385)	(4,690,349)
Tax refund (due to accumulated tax losses)	1,183,289	869,994
Amortization of supplementary accounts from assets and liabilities accumulated at the beginning of the year	(346,171)	(354,316)
Effect on deferred tax assets and liabilities by evaluation Provisions	575,139	313,154
Other charges	263,526	(459,462)
Total	(27,522,735)	(18,943,847)
ThUS\$	(51,697)	(36,203)

NOTE 9 - OTHER CURRENT ASSETS

This item includes the following investments in marketable securities:

a) Marketable securities under resale agreement:

Institution	ThCh\$	
	2006	2005
In Chilean pesos re-denominated to dollar:		
BICE Corredores de Bolsa S.A.	10,662,619	13,091,640
BBVA Corredores de Bolsa S.A.	-	7,861,133
Larraín Vial S.A. Corredores de Bolsa	-	5,240,222
BancoEstado S.A. Corredores de Bolsa	-	5,239,873
Total	10,662,619 (1)	31,432,868
ThUS\$	20,028	60,071
In Chilean Pesos:		
BICE Corredores de Bolsa S.A.	29,867,536	-
BBVA Corredores de Bolsa S.A.	2,500,850	-
Larraín Vial S.A. Corredores de Bolsa	2,000,693	-
Santander S.A. Agente de Valores	1,000,313	4,493,748
BancoEstado S.A. Corredores de Bolsa	-	585,298
Total	35,369,392	5,079,046
ThUS\$	66,435	9,706
Total Marketable securities under repurchase agreement ThCh\$	46,032,011	36,511,914
Total Marketable securities under repurchase agreement ThUS\$ (Note 4)	86,463	69,777

b) Other:

	ThCh\$	
	2006	2005
Other minors	368,396	-
Total Other current assets ThUS\$	692	-
Total Other current assets ThCh\$	46,400,407	36,511,914
Total Other current assets ThUS\$	87,155	69,777

(1) Marketable securities re-denominated to other currencies refer to operations with forward contracts (synthetical). On the one hand, they consider the value of the marketable securities under resale agreements in Chilean pesos, valued as of the closing date, based on the value of principal plus the accrued interest of ThCh\$ 10,598,294 – ThUS\$ 19,907 (ThCh\$ 31,510,344 – ThUS\$ 60,219 as of December 31, 2005) of these securities. Furthermore, they consider the spread of the value of the signed forward contracts to re-denominate these operations to dollar for ThCh\$ 64,325 – ThUS\$ 121 as of December 31, 2006 and ThCh\$ (77,476) – ThUS\$ (148) as of December 31, 2005. They are recorded at the “fair value” of each year end.

NOTE 10 - FINANCIAL INVESTMENTS

At December 31, 2006 transactions under resale agreements amount to ThCh\$ 46,032,011 - ThUS\$ 86,463 (ThCh\$ 36,511,914 - ThUS\$ 69,777 in 2005). Some of these investments were re-denominated to dollar through the subscription of forward contracts.

This item is shown under Other current assets.

Sales under repurchase agreements and purchases under resale agreements:

Code	Placement date	Date of maturity	Institution	Currency	Initial amount ThCh\$	Interest rate %	Final amount ThCh\$	Instrument	Market value ThCh\$
CRV	01/12/2006	05/01/2007	BICE Corredores de Bolsa S.A.	Ch\$	1637,000	0.46	1,645,785	Promissory notes indexed	1,644,530
CRV	12/12/2006	16/01/2007	BICE Corredores de Bolsa S.A.	Ch\$	7,522,000	0.47	7,563,246	Promissory notes indexed	7,544,390
CRV	19/12/2006	23/01/2007	BICE Corredores de Bolsa S.A.	Ch\$	3,907,000	0.48	3,928,879	Promissory notes indexed	3,914,502
CRV	20/12/2006	24/01/2007	BICE Corredores de Bolsa S.A.	US\$	6,845,800	0.5	6,961,563	Promissory notes indexed	6,934,180
CRV	26/12/2006	25/01/2007	BICE Corredores de Bolsa S.A.	Ch\$	440,000	0.5	442,200	Promissory notes indexed	440,367
CRV	26/12/2006	25/01/2007	BICE Corredores de Bolsa S.A.	Ch\$	532,000	0.5	534,660	Promissory notes indexed	532,443
CRV	27/12/2006	02/01/2007	BICE Corredores de Bolsa S.A.	Ch\$	123,000	0.5	123,123	Promissory notes indexed	123,082
CRV	29/12/2006	05/01/2007	BICE Corredores de Bolsa S.A.	Ch\$	56,000	0.48	56,063	Promissory notes indexed	56,018
CRV	28/12/2006	05/01/2007	BICE Corredores de Bolsa S.A.	US\$	3,738,000	0.52	3,731,679	Promissory notes indexed	3,728,439
CRV	27/12/2006	03/01/2007	BICE Corredores de Bolsa S.A.	Ch\$	2,600,000	0.5	2,603,033	Promissory notes indexed / not indexed	2,601,734
CRV	28/12/2006	03/01/2007	BICE Corredores de Bolsa S.A.	Ch\$	9,000,000	0.51	9,009,180	Promissory notes indexed	9,004,590
CRV	29/12/2006	03/01/2007	Santander S.A. Agente de Valores	Ch\$	1,000,000	0.47	1,000,783	Bank bond	1,000,313
CRV	29/12/2006	03/01/2007	BBVA Corredores de Bolsa S.A.	Ch\$	2,500,000	0.51	2,502,125	Promissory notes indexed / not indexed	2,500,850
CRV	29/12/2006	03/01/2007	Larrain Vial S.A. Corredores de Bolsa	Ch\$	2,000,000	0.52	2,001,733	Bond	2,000,693
CRV	22/12/2006	09/01/2007	BICE Corredores de Bolsa S.A.	Ch\$	4,000,000	0.49	4,011,760	Bond	4,005,880

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NOTE 11 - FIXED ASSETS

The balances of fixed assets are as follows:

	ThCh\$	
	2006	2005
Land	272,528,632	255,691,736
Forestry plantations	939,963,846	966,195,540
Land and plantations	1,212,492,478	1,221,887,276
Buildings	363,460,762	330,747,644
Constructions and others	126,850,025	140,207,210
Accumulated depreciation	(191,067,879)	(207,922,288)
Buildings and constructions net	299,242,908	263,032,566
Machinery	1,727,128,617	1,606,163,718
Vehicles	4,506,449	5,096,574
Spare part and others	14,064,261	14,811,305
Accumulated depreciation	(1,041,507,586)	(943,547,871)
Machinery and equipments net	704,191,741	682,523,726
Other fixed assets	40,752,588	38,262,024
Constructions in progress	558,169,952	382,367,168
Furniture and office equipment	25,100,074	23,125,107
Accumulated depreciation	(48,147,722)	(42,243,570)
Other fixed assets net	575,874,892	401,510,729
Increased value from technical appraisal of:		
Land	8,302,479	8,437,723
Buildings and constructions	21,298,589	21,300,549
Machinery and equipments	19,353,423	19,353,423
Accumulated depreciation	(31,210,922)	(30,886,403)
Increase in value from technical appraisal	17,743,569	18,205,292
Total net fixed assets	2,809,545,588	2,587,159,589
ThUS\$	5,277,232	4,944,286

Fixed asset depreciation, calculated as outlined in Note 2 k), amounts to ThCh\$ 95,990,658 - ThUS\$ 180,302 in 2006 (ThCh\$ 87,210,311 - ThUS\$ 166,666 in 2005) and is shown in Operating Costs in the statement of income, amounting to ThCh\$ 91,815,156 - ThUS\$ 172,459 (ThCh\$ 83,494,367- ThUS\$ 159,565 in 2005) and in Administrative expenses, amounting to ThCh\$ 4,175,502 - ThUS\$ 7,843 (ThCh\$ 3,715,944 - ThUS\$ 7,101 in 2005).

The balance under Other fixed assets includes leased assets in foreign subsidiaries amounting to ThCh\$ 38,056,302 - ThUS\$ 71,482 in 2006 (ThCh\$ 37,403,850 - ThUS\$ 71,482 in 2005).

The main characteristics of the lease contract on assets in Argentina are:

Description	Initial amount ThUS\$	Interest rate %	Initial date	Final maturity date
Paper machinery	MUS\$ 71,482	3.29	October 1999	April 2009

The Company determines the forest appraisal for its forest using a model that basically properly considers that the estimated volumes of lumber available will be progressively realized once the respective plantations have reached optimal exploitation age and conditions. The model uses different variables, such as the average exchange rate in the last 36 month of United States dollar.

Fixed assets abroad:

Fixed assets of subsidiaries in Argentina, Uruguay, Perú and México are valued at the equivalent of their historical value in US dollars of acquisition date, net of depreciation and adjustment for devaluation of assets and others. They amount to ThCh\$ 181,365,072, at December 31, 2006 (equivalent to ThUS\$ 340,662), and to ThCh\$ 149,676,371 at December 31, 2005 (equivalent to ThUS\$ 286,045). Such valuation is based on accounting standards of Technical Bulletin N° 64 issued by the Chilean Institute of Accountants.

The amounts presented under this standard could differ in certain cases from the market value or current replacement value of fixed assets, derived from the respective currencies of such countries with regard to the dollar.

Notwithstanding the above, the Company's Management estimates that the book value of its fixed assets does not exceed its replacement or market value in the current circumstances and that future income will be enough to cover all the costs and expenses, taken as a whole. Therefore, in its opinion, no adjustments to these values are necessary at this date.

The main insurance policies of Empresas CMPC and subsidiaries are:**a) All Industrial and equipment damage risks:**

- Assets covered: Physical fixed assets, inventories (products and raw materials), and damage due to stoppages.

Physical fixed assets are mainly comprised by sawmills, three cellulose plants, two cardboard plants, two paper plants, six tissue products plants, two newspaper plants and liner, one newspaper plant and several other paper production and conversion plants and other buildings.

- Risks covered: Any risks of loss and/or damage and/or partial or total destruction of all items insured against fire, explosion, earthquakes, malicious acts, sabotage, terrorist acts and other risks, equipment breakdown, and damages resulting from operation stoppages. All assets are insured at their replacement value or replacement for a new asset.
- Insured amounts: physical assets of Empresas CMPC and subsidiaries ThUS\$ 3,315,448 and damages through stoppages of Empresas CMPC and subsidiaries of ThUS\$ 816,633 annually.

b) All Forest Risks

- Assets covered: Forest plantations of radiata pine, eucalyptus, and other species, including timber inventories in Chile and Argentina of Empresas CMPC and subsidiaries.
- Risks covered: Fire, explosions, and earthquakes; damages caused by wind, snow or ice; malicious acts and other.
- Insured amount: Plantations amounting to ThUS\$ 1,884,381.

c) Transport risk

- Coverage for physical assets such as machinery, equipment, products, raw materials, etc, during transport from and to the warehouses of the Company and subsidiaries. Also, the transfer from Supplier warehouses and to Client warehouses.

d) Risks of inventories

- Insured assets: raw materials, products being processed and finished, materials and spares.
- Risks covered: loss and/or damages and/or partial or total destruction of the insured assets due to fire, explosion, earthquake, malicious acts, sabotage and others.
- Insured amount: ThUS\$ 344,903.

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NOTE 12 - INVESTMENTS IN RELATED COMPANIES

Significant information on the subsidiaries:

a) Incorporation, purchases, sales, capital increases and dividends of the subsidiaries and associates:

- Comercial Higiene Integral S.A.

On August 31, 2006, CMPC Tissue S.A. acquired 1 share in Comercial Higiene Integral S.A. to complete a 100% shareholding. The latter company was then merged and dissolved.

- Productos Austral S.A.

On December 29, 2006, CMPC Productos de Papel S.A. acquired 100 shares in Productos Austral S.A., to complete a 100% shareholding. The latter company was then merged and dissolved.

- Forestal Coihueco S.A.

During the year, Empresas CMPC S.A. subscribed and paid for 785 shares relating to a capital increase of Forestal Coihueco S.A. The amount thus paid in amounted to ThCh\$ 20,872,000 (historic value), equivalent to US\$ 40 million.

- Purchase of industrial assets and forest land

The acquisition in January 2006 of the industrial and forestry assets of Forestal Copihue S.A., consisting of a sawmill, a post-impregnation plant in Constitución, a re-manufacturing plant and a door making plant at Coronel, and the acquisition of forestry assets from Bosques de Chile S.A. consisting of approximately 17,000 hectares planted with radiate pine located in Chile's 7th Region, represented a total investment of US\$ 110 million.

- Servicios Forestales Escuadrón Ltda.

On November 2005, the holding company Forestal Minico S.A. merged the related company Servicios Forestales Escuadrón Ltda.

- Inversiones Protisa S.A. y Compañía S.R.C. former Gestum Inversiones S.L.- Spain.

On November 18, 2005 the subsidiary Gestum Inversiones Sociedad Limitada changes its name to Inversiones Protisa S.A. y Compañía S.R.C.

- Servicios Compartidos CMPC S.A.

On September 1, 2005, Empresas CMPC S.A., acquired a 20% of the shares of Abastecimientos CMPC S.A. to its subsidiaries Forestal Mininco S.A. (4%), CMPC Celulosa S.A. (4%), CMPC Papeles S.A. (4%), CMPC Productos de Papel S.A. (4%) and CMPC Tissue S.A. (4%).

Later, according the Official Company Register of September 5, 2005, the Company change the name to Servicios Compartidos CMPC S.A. and expanded its corporate objects to include administration services, information technology, procurement and personnel remunerations.

- Sociedad Hidroeléctrica El Melocotón Ltda.

On June 29, 2005, Empresas CMPC S.A., sold its total rights in Sociedad Hidroeléctrica El Melocotón Ltda. to Colbún S.A. No significant effects were generated from this operation.

- Inversiones El Raulí S.A.

On March 8, 2005, Empresas CMPC S.A., subscribed and paid 7,754,498 shares regarding a capital increase for Inversiones El Raulí S.A. Based in this transaction the Company maintain the same participation in this investment. This operation amounted ThCh\$ 5,505,694 – ThUS\$ 10,342.

- Dividend Payment

During 2006 and 2005 (at historic values) the following companies paid dividends:

	2006		2005	
	ThCh\$	ThUS\$	ThCh\$	ThUS\$
CMPC Celulosa S.A.	40,000,022	75,133	-	-
CMPC Tissue S.A.	32,000,000	60,106	7,400,000	14,439
CMPC Papeles S.A.	18,131,850	34,057	21,908,579	42,748
CMPC Productos de Papel S.A.	1,487,919	2,795	5,648,346	11,021
Bicercorp S.A.	1,040,034	1,954	632,829	1,235
Inversiones El Raulí S.A.	709,886	1,333	170,208	332

- Bicercorp S.A.

As a result of the capital increase agreed at the extraordinary shareholders meeting of Bicercorp S.A. in December 2005, through the merger with Sociedad de Renta Urbana S.A., Empresas CMPC S.A reduced its shareholding from 8.6061% to 7.7161%.

b) Foreign subsidiaries

- Argentina

Investment in the Company through subsidiaries in Argentine amount to ThCh\$ 156,234,731 - ThUS\$ 293,459 in accordance with its equity value at December 31, 2006, and to ThCh\$ 139,623,930 - ThUS\$ 266,833 at December 31, 2005.

Sales by the aforementioned companies amount to ThCh\$ 86,611,867 - ThUS\$ 162,685 in 2006 and ThCh\$ 75,501,023 - ThUS\$ 144,289 in 2005.

- Uruguay

Investment of the Company in Uruguay amount to ThCh\$ 6,847,792 -ThUS\$ 12,862 at December 31, 2006 and to ThCh\$ 5,854,163 - ThUS\$ 11,188 at December 31, 2005.

Sales amount to ThCh\$ 16,763,896 -ThUS\$ 31,488 in 2006 and to ThCh\$ 14,511,116 -ThUS\$ 27,732 in 2005.

The effects on income of the exchange difference on these investments are basically generated by translation to the dollar in the financial statements for incorporation in the financial statements of Empresas CMPC S.A.

- Potential income from remittance

It is not expected that the main Company will receive income from the productive foreign subsidiaries in the short-term.

Potential income from remittance by foreign subsidiaries is as follows:

	ThCh\$	ThUS\$
Tissue Cayman Ltd.	15,227,286	28,602
Protisa S.A. - Perú	5,975,385	11,224
La Papelera del Plata S.A	3,242,656	6,091
Papelera del Rimac S.A. - Peru	2,137,132	4,014
Ipusa Uruguay	1,693,115	3,180
Forsac Perú S.A.	1,310,799	2,462
Propa Cayman Ltd.	784,126	1,473
CMPC Europe Ltd.	654,475	1,229

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c) Liabilities held and accounted for as hedge instruments

The subsidiary Inversiones CMPC S.A., nominated as hedging instruments the US\$ 85 million syndicated loan signed with Banco BBVA and US\$ 100 million from a syndicated loan for this purpose; with which the exchange hedge for the foreign investment amounts to US\$ 185 million.

- Investments in Mexico

In February 2006, Empresas CMPC S.A., through its subsidiary CMPC Tissue S.A., acquired 66.7% of the share capital of Sociedad Grupo ABS Internacional S.A. de C.V, parent company of the Absormex Group, for US\$ 6.1 million. This company operates in Mexico, has 2 diaper and toilet paper plants, one in Monterrey and the other in Puerto de Altamira. This investment also included a capital contribution of US\$ 6 million and stock options credit of US\$ 3 million. During May 2006, the process of determining the agreed price was completed, with CMPC Tissue S.A. having to pay a difference of ThUS\$ 990.

The purchase process contemplated the tissue diapers and products business operated in Mexico by Grupo ABS Internacional S.A. de CV through a number of its subsidiaries. In determining the company's economic value therefore, all the assets and liabilities of the existing consolidated business that were necessary for the development of the business by CMPC were taken into account. This valuation was made in accordance with Technical Bulletin N° 72 of the Chilean Institute of Accountants.

d) Equity value demonstration Bicecorp S.A.

	Book value 31/12/2005		Adjustment		Market Value	
	ThCh\$	ThUS\$	ThCh\$	ThUS\$	ThCh\$	ThUS\$
Equity	312,854,430	610,448	4,601,676 (*)	8,979	317,456,106	596,284
Number of shares held	85,324,815	-	85,324,815	-	85,324,815	-
Market value by share	3,667	7	54	-	3,721	7
Ownership in Shareholders' Equity "fair value" (0.0315826%)					100,253	188
Decrease in ownership (no participation in capital increase)					(10,654)	20
Adjusted investment					89,599	168
Investment at restated equity value at December 31, 2006					91,481	171

Accrued result as of December 31, 2006:

	ThCh\$	ThUS\$	ThCh\$	ThUS\$
Profit as per balance sheet of issuer	56,251,378 (**)	105,658	-	-
Accrued result	-	-	15,930	30
Reserves over issuer	(8,197,824) (***)	15,398	-	-
VP over reserves	-	-	(2,322)	(4)
Distributed dividends	(13,478,761)	25,317	-	-
VP over distributed dividend	-	-	(3,817)	(7)
Investment at equity value as of December 31, 2006	-	-	101,272	190

(*) With regard to the adjustment to market value, it has been assigned to the investment Bicecorp S.A. holds in Banco BICE, which will be reversed accordingly, as required by such valuation. That value has been modified in accordance to profit recognitions and additional reserves presented by the company during the possession of those shares.

(**) Profit corresponding to period ended – December 2006.

(***) Changes in reserves corresponding to the period ended – December 2006.

- Equity value demonstration Grupo ABS Internacional S.A. de C.V.

	Book value 31/12/2006		Adjustment		Market Value	
	ThCh\$	ThUS\$	ThCh\$	ThUS\$	ThCh\$	ThUS\$
Equity	5,696,553	10,700	(872,349) (*)	(1,639)	4,824,204	9,061
Number of shares held	180,741	-	180,741	-	180,741	-
Market value by share	31,518	59	(4,827)	(9)	26,691	50
Ownership in Shareholders' Equity "fair value" (66.7%)					3,217,744	6,044
Capital Increase			4,691,397	8,812		
Fair value ownership related capital increase					3,129,162	5,878
Price adjustment					508,254	955
Price level restatement					159,452	299
Investment at restated equity value at December 31, 2006					7,014,612	13,176
Accrued result as of December 31, 2006:						
	ThCh\$	ThUS\$	ThCh\$	ThUS\$		
Loss as per balance sheet of issuer	(3,167,899) (**)	5,950	-	-		
Accrued result	-	-	(2,112,989)	(3,969)		
VP adjustment as per TB 64	-	-	24,643)	(46)		
Investment at equity value as of December 31, 2006	-	-	4,876,980	9,161		

(*) Considering fair market value of fixed assets and recognition of contingencies liabilities

(**) Result corresponding to period between February and ended on December 2006.

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Investments:

Tax number	Company	Country	Control currency	Number of shares held	Holding %		Equity ThCh\$	
					2006	2005	2006	2005
85.741.000-9	Bicecorp S.A.	Chile	Pesos	6,559,580	7.68778	8.57451	352,901,644	319,424,373
96.895.660-4	Inversiones El Raulí S.A.	Chile	Pesos	13,919,324	38.77249	38.77249	34,798,573	32,911,241
85.741.000-9	Bicecorp S.A.	Chile	Pesos	24,161	0.02832	0.03158	352,901,644	319,424,373
96.657.900-5	Controladora de Plagas Forestales S.A.	Chile	Pesos	2,901	29.0100	29.01000	251,546	225,510
Total								
ThUS\$								

NOTE 13 - GOODWILL AND NEGATIVE GOODWILL

Goodwill and negative goodwill are amortized in a period of 20 years considering the useful life of industrial plants and periods of growth and re-plantation involved in these industrial activities.

The remaining months are:

Negative goodwill	Month
CMPC Tissue S.A.	103
Forestal y Agrícola Monte Águila S.A.	195
Forestal Coihueco S.A.	203
Chilena de Moldeados S.A.	197
Goodwill	Month
CMPC Celulosa S.A.	132
La Papelera del Plata S.A.	112
CMPC Tissue S.A.	132
Propa S.A.	132
Sociedad Anónima Agropecuaria 4M	167
Forestadora Caabi Pora S.A.	143
Baserri S.A.	143
Chilena de Moldeados S.A.	157
Envases Roble Alto S.A.	175

Net income ThCh\$		Equity of Companies at fair value ThCh\$		Income at Fair value ThCh\$		Share of income (loss) ThCh\$		Book value of investments ThCh\$		Net book value of investments ThCh\$	
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
56,251,378	27,522,140	-	-	-	-	4,324,483	2,359,889	27,130,302	27,389,074	27,130,302	27,389,074
3,651,699	2,658,462	-	-	-	-	1,415,855	1,030,752	13,492,273	12,760,508	13,492,273	12,760,508
56,251,378	27,522,140	357,599,955	324,122,684	56,251,378	27,522,140	15,930	8,692	101,272	102,358	101,272	102,358
26,036	(14,979)	-	-	-	-	7,553	(4,345)	72,973	65,421	72,973	65,421
								40,796,820	40,317,361	40,796,820	40,317,361
								76,629	77,050	76,629	77,050

a) Goodwill

	Balance at December 31, 2006 ThCh\$		Balance at December 31, 2005 ThCh\$	
	Amortized amount during the year	Net amount	Amortized amount during the year	Net amount
CMPC Celulosa S.A.	2,375,777	26,080,320	2,361,972	28,358,919
La Papelera del Plata S.A.	1,204,187	11,138,182	1,301,966	12,120,142
CMPC Tissue S.A.	414,956	4,540,430	412,544	4,953,197
Propa S.A.	273,259	2,979,438	270,713	3,250,295
Sociedad Anónima Agropecuaria 4M	122,520	1,470,226	120,419	1,565,438
Chilena de Moldeados S.A.	129,814	1,696,537	129,711	1,827,793
Envases Roble Alto S.A.	106,152	1,546,372	106,072	1,653,844
Forestadora Caabi Pora S.A.	88,608	1,233,084	87,087	1,299,030
Baserri S.A.	49,072	584,762	48,228	622,962
Total	4,764,345	51,269,351	4,838,712	55,651,620
ThUS\$	8,949	96,300	9,247	106,355

b) Negative goodwill

	Balance at December 31, 2006 ThCh\$		Balance at December 31, 2005 ThCh\$	
	Amortized amount during the year	Net amount	Amortized amount during the year	Net amount
Forestal y Agrícola Monte Águila S.A.	810,187	13,049,847	802,926	13,852,915
Forestal Coihueco S.A.	311,105	5,216,619	304,072	5,524,991
CMPC Tissue S.A.	531,642	4,539,192	528,558	5,068,030
Chilena Moldeados S.A.	22,332	366,209	22,315	388,853
Total	1,675,266	23,171,867	1,657,871	24,834,789
ThUS\$	3,147	43,524	3,168	47,461

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NOTE 14 – OTHER ASSETS

The balance of other assets at December 31, 2006 and 2005 are as follows:

	ThCh\$	
	2006	2005
Deferred results related derivatives contracts	3,397,410	-
Net discount related Bonds issued (UF 7,000,000-local market)	2,359,225	2,613,363
Discount related Bonds issued (UF 4,000,000 - local market)	2,225,242	-
Stop option credit of Grupo ABS Internacional S.A. de C.V.	1,597,170	-
Deferred net effects related derivatives contracts (Notes N°27)	-	6,325,027
Other	1,306,009	696,147
Total	10,885,056	9,634,537
ThUS\$	20,446	18,412

Discounts on the placements of bonds in Chile for UF 7,000,000 and UF 4,000,000 are being amortized over the term of the respective obligation (Note N° 17).

NOTE 15 - SHORT - TERM BANK LIABILITIES

Liabilities to banks and financial institutions - short-term

Tax number	Institution	Denominated in							
		Dollars		Other foreign currencies		Non-indexed Chilean pesos		Total	
		2006	2005	2006	2005	2006	2005	2006	2005
Short-term									
97.006.000-6	Banco de Crédito e Inversiones	10,131,668	-	-	-	28,813,841	-	38,945,509	-
97.008.000-7	Citibank N.A. - Chile	17,090,070	-	-	-	-	-	17,090,070	-
97.036.000-K	Banco Santander - Chile	13,885,350	-	-	-	17,308	93,127	13,902,658	93,127
97.030.000-7	BancoEstado	-	-	-	-	6,891,516	-	6,891,516	-
Foreign	Banco Crédito de Perú	-	-	2,714,383	2,093,251	-	-	2,714,383	2,093,251
Foreign	BBVA Banco Continental - Peru	-	-	1,404,347	-	-	-	1,404,347	-
Foreign	Banco Francés - Argentina	-	-	1,108,827	656,617	-	-	1,108,827	656,617
Foreign	Banco RIO - Argentina	-	-	699,028	-	-	-	699,028	-
97.080.000-K	Banco BICE	-	-	-	-	545,355	1,196,431	545,355	1,196,431
Foreign	Banco ABN - Argentina	-	-	319,260	581,496	-	-	319,260	581,496
Foreign	Citibank N.A. - Uruguay	-	-	241,087	287,584	-	-	241,087	287,584
Foreign	JP Morgan Chase Bank	195,736	199,545	-	-	-	-	195,736	199,545
97.004.000-5	Banco Chile	-	-	-	-	-	15,768,511	-	15,768,511
Foreign	Other Bancos - Argentina	-	-	845,958	278,752	-	-	845,958	278,752
Total		41,302,824	199,545	7,332,890	3,897,700	36,268,020	17,058,069	84,903,734	21,155,314
ThUS\$		77,580	381	13,774	7,449	68,123	32,600	159,477	40,430
Principal outstanding		4,117,190	118,698	7,150,504	3,749,175	36,016,386	17,012,959	84,338,880	20,880,832
ThUS\$		77,334	227	13,431	7,165	67,651	32,513	158,416	39,905
Average annual interest rate		5.23%	0.00%	7.89%	6.18%	5.15%	5.44%	-	-
Short-term portion of long-term liabilities to banks									
Foreign	BBVA	47,067,341	25,047,881	-	-	-	-	47,067,341	25,047,881
Foreign	JP Morgan Chase Bank N.A.	397,518	157,088	-	-	-	-	397,518	157,088
Foreign	J. Aron & Co.	373,498	91,957	-	-	-	-	373,498	91,957
Total		47,838,357	25,296,926	-	-	-	-	47,838,357	25,296,926
ThUS\$		89,856	48,345	-	-	-	-	89,856	48,345
Principal outstanding		44,368,052	21,800,424	-	-	-	-	44,368,052	21,800,424
ThUS\$		83,338	41,663	-	-	-	-	83,338	41,663
Average annual interest rate		5.6625%	4.1625%	-	-	-	-	-	-
Total in foreign currency (%)		72.6768							
Total in local currency (%)		27.3232							

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NOTE 16 - LONG-TERM BANK LIABILITIES

The obligations are as follows:

On May 25, 2006, Inversiones CMPC S.A., through its Cayman Islands agency, increased the syndicated loan signed in June 2005 by US\$140 million, with the original term and rates maintained.

The original loan was signed in June 2005, through the Cayman Islands agency, for US\$ 100 million, with an interest rate of Libor plus a margin of 0.225%, which margin increases to 0.25% from the second half of 2007 and to 0.275% from the second half of 2010. It is amortized in four payments starting in June 2010 until June 2012, and the JP Morgan Chase Bank acts as the Managing Agent. Resources from that credit were used to pay off the debt for the foreign bond issued totaling US\$ 250 million which expired on the same date and it was used a derivative financial instrument for hedging external investments. As per as it continue to classified as hedging instrument (Notes N° 12 and 21). The proceeds of the loan increase were used to finance liabilities.

During March 2006, the re-negotiation of the debt between Grupo ABS Internacional S.A. de CV, subsidiary of Empresas CMPC S.A. on Mexico, and Banamex, was signed, establishing a new term contemplating the full repayment of principal in October 2008, for 231,528,000 Mexican pesos. In December 2006, the debt was increased by 20,000,000 Mexican pesos, maintaining the original conditions of the re-negotiated loan.

In September 2004, subsidiary company Inversiones CMPC S.A., through its Cayman Islands agency, obtained a syndicated loan amounting to US\$ 475 million at a Libor rate plus a 0.225% margin. Such margin increases to 0.25% since the third year. It is amortized in payments starting in December 2006 until September 2009. Banco Bilbao Vizcaya Argentaria S.A. acts as Managing Agent.

These loans involve compliance of certain financial indicators (covenants) for Empresas CMPC S.A., which are easily complied with at each year end, and which refer to maintaining a minimum equity, a maximum leverage and a minimum coverage of financial expenses.

Interest rate Swaps

In September 2004, Inversiones CMPC rescheduled the contracts entered into in December 2002, swing to the syndicated loan of US\$ 125 million to adjust them to the schedule of payment of the first three amortization of the syndicated loan of US\$ 475 million, amortization totaling US\$ 125 million.

Similarly, in September 2004 the derivatives contracts subscribed with a number of banks during August 2004 came into force, to cover the remaining US\$ 350 million of the syndicated loan of US\$ 475 million.

The combination of swap contracts allow to fix the Libor rate, as well as establish ranges for which, Inversiones CMPC S.A. again has a scheme of variable rate for the said syndicated loan.

Tax number	Institution	Currency	Maturities ThCh\$					At December 31, 2006 ThCh\$		At December 31, 2005 ThCh\$	
			Over one year, up to two years	Over two years, up to three years	Over three years, up to five years	Over five years, up to ten years	Total long-term	Average annual interest rate %	Total long-term		
Foreign	Banco Bilbao Vizcaya Argentaria S.A.	US\$	62,112,344	124,224,156	-	-	186,336,500	5.6625	226,749,264		
Foreign	JP Morgan Chase Bank	US\$	-	-	102,218,880	25,554,720	127,773,600	5.60	52,326,250		
Foreign	Banco Nacional de México S.A.	Other	12,385,863	-	-	-	12,385,863	7.63	-		
Foreign	Banco Continental - Perú	Other	553,712	-	-	-	553,712	6.41	-		
Total		75,051,919	124,224,156	102,218,880	25,554,720	327,049,675		279,075,514			
ThUS\$		140,972	233,333	192,000	48,000	614,305		533,338			

Total in foreign currency (%) 100

Total in local currency (%) 0

NOTE 17 - BONDS PAYABLE – SHORT-AND LONG-TERM

Bonds payable:

On April 20, 2006, Inversiones CMPC S.A. issued Series B bonds, inscribed in the Securities Register of the Superintendency of Securities and Insurance with No. 456, for an amount of up to UF 4 million. This issue contemplates semi-annual interest payments, an annual compound interest rate of 4.2% and the full repayment of principal in March 2027.

This bond issue was placed at a discount so that the effective placement rate was 4.43% in UF. The company amortizes the discount over the term of the bonds (Note N° 14).

On June 15th, 2005 Inversiones CMPC S.A. issued a serie "A" Bonds registered under number 413 in the "Chilean Superintendency of Securities and Insurance Companies" for UF 7 million. This debt includes interest paying half-annually, with a 2.70 % annual rate, semester basis. Capital will be paid off in March 2015.

This bond was submitted to discount with an effective rate of 3.22% in UF. The Company will amortize this discount during the term of the Bond (Note 14).

This discount of both bonds is presented below the item: "Other Non-Current Assets".

On June 11, 2003, Inversiones CMPC S.A., through its agency in the Cayman Islands, issued a bond abroad in the amount of US\$ 300 million, in accordance with Rule 144A of the United States Securities Act. This obligation involves semiannually interest, at an annual 4.875 % interest rate, being the total principal paid in June 2013.

These obligations involve compliance with certain financial covenants for Empresas CMPC S.A., which are amply complied with at each year end.

Interest rate Swaps:

On June 15, 2005, Inversiones CMPC S.A. subscribed a Swap contract to re-denominate 50% of the Bond issued in UF to a liability for US\$ 100 million at a Libor variable rate plus spread.

Through this contract, the Company recovered 50% of the discount produced in the placement of the Bond. This gain will be amortized during the term of the contract, net of the effects of the original discount.

Additionally, the Company subscribed an interest rate Swap contract to fix the Libor rate. Consequently the effective cost of the dollar portion (US\$ 100 million) is 5.2%. The Cross Currency Swap effects are shown in long- term debtors (Note 5).

	Series	Nominal value	Restatement index	Interest rate	Expiration date	Payments dates		Par value		Bond placement
						Interest %	Principal	2006 ThCh\$	2005 ThCh\$	
Long-term bonds - short-term portion										
Bond N°413	A	7,000,000	UF	3.22	01/03/2015	Bi-annual	At the maturity	1,137,937	1,148,498	Chile
Bond Rule 144 A U.S. securities Act	Single	300,000,000	US\$	4.875	18/06/2013	Bi-annual	At the maturity	259,540	255,091	Abroad
Bond N°456	B	4,000,000	UF	4.43	01/03/2027	Bi-annual	At the maturity	1,007,806	-	Chile
Total short-term								2,405,283	1,403,589	
ThUS\$								4,518	2,682	
Long-term bonds										
Bond Rule 144 A U.S. securities Act	Single	300,000,000	US\$	4.875%	18/06/2013	Bi-annual	At the maturity	159,717,000	156,978,750	Abroad
Bond N°413	A	7,000,000	UF	3.22%	01/03/2015	Bi-annual	At the maturity	128,354,660	128,465,967	Chile
Bond N° 456	B	4,000,000	UF	4.43%	01/03/2027	Bi-annual	At the maturity	73,345,520	-	Chile
Total long-term								361,417,180	285,444,717	
ThUS\$								678,858	545,510	

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NOTE 18 - PROVISIONS AND WRITE-OFFS

The provisions shown under Current liabilities are as follows:

	ThCh\$	
	2006	2005
Short-term provisions		
Vacation provisions	6,942,243	7,037,386
Staff bonuses and other benefits	2,605,633	3,350,321
Staff severance indemnity short term	2,079,987	2,648,576
Provision for investments projects	1,289,522	663,630
Provision for interest and adjustments of IMPAC	320,245	-
Provision for directories remuneration	266,177	894,200
Provision for labor matters	260,609	111,519
Other provisions	1,527,128	922,357
Total	15,291,544	15,627,989
ThUS\$	28,722	29,866
Long-term provisions		
Staff severance indemnity	29,997,958	28,725,828
Other provisions	966,681	370,932
Total	30,964,639	29,096,760
ThUS\$	58,162	55,606

There were no significant write-offs in 2006 and 2005.

NOTE 19 - STAFF SEVERANCE INDEMNITIES

Movement in and the balance of this provision, calculated as described in Note 2 s), are as follows:

	ThCh\$	
	2006	2005
Balance from prior year (historic)	30,817,611	29,642,386
Increase for the year	5,244,135	4,116,289
Payments made during the year	(3,983,801)	(2,384,271)
Balance at December 31, 2006	32,077,945	31,374,404
ThUS\$	60,253	59,959
Presentation in Balance sheet		
Short-term provisions	2,079,987	2,648,576
Long-term provisions	29,997,958	28,725,828
Total	32,077,945	31,374,404
ThUS\$	60,253	59,959

NOTE 20 - MINORITY INTEREST

a) The portion of minority interest in equity of subsidiaries owned by third parties is as follows:

Subsidiary	ThCh\$	
	2006	2005
Industrias Forestales S.A.	62,654,503	65,208,803
Grupo ABS Internacional S.A. de C.V.	2,434,834	-
Forestal y Agrícola Monte Águila S.A.	116,700	97,645
Ipusa – Uruguay	26,811	22,920
La Papelera del Plata S.A.	8,735	8,415
Total	65,241,583	65,337,783
ThUS\$	122,545	124,866

b) Minority interest in the portion of income of subsidiaries owned by third parties is as follows:

Subsidiary	ThCh\$	
	2006	2005
Industrias Forestales S.A.	(3,686,520)	(3,057,249)
IPUSA – Uruguay	(4,321)	(6,344)
La Papelera del Plata S.A.	(279)	-
Grupo ABS Internacional S.A. de C.V.	1,054,910	-
Forestal y Agrícola Monte Águila S.A.	(689)	4,178
Total	(2,636,899)	(3,059,415)
ThUS\$	(4,953)	(5,847)

NOTE 21 - SHAREHOLDERS' EQUITY

- **Capital**

Paid-in capital of the Parent Company amounts to ThCh\$ 104,674,897 - ThUS\$ 196,613 which is divided into 200,000,000 shares.

- **Dividends**

There is no restriction on distributing retained earnings as dividends.

The Board of Directors, in its session dated December 7, 2006, agreed to distribute interim dividend N° 238 of Ch\$ 66, recording a charge to net income for the year ended December 31, 2006. Such dividend was paid starting on January 10, 2007.

The Board of Directors, in its session dated August 3, 2006, agreed to distribute interim dividend N° 237 of Ch\$ 66 recording a charge to net income for the year ended December 31, 2006. Such dividend was paid starting on September 5, 2006.

The Shareholders' annual meeting held on April 28, 2006 agreed to distribute final dividend N° 236 of Ch\$ 66 per share, recording a charge to net income for the year ended December 31, 2005. Such dividend was paid starting on May 11, 2006 and the balance of the undistributed earnings was transferred to the reserve of retained earnings.

Further, such meeting agreed the dividend policy for 2006, consisting of the distribution of two interim dividends, payable in September, December 2006 or January 2007, as well as a final dividend, to be agreed by the next Meeting, payable in May 2006, until completing 40% of the net income for 2006.

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The Board of Directors, in its session held on October 27, 2005 agreed to distribute interim dividend N° 235 of Ch\$ 90 per share, recording a charge to net income for year 2005, which was paid on December 15, 2005.

The Board of Directors, in its session held on August 4, 2005 agreed to distribute interim dividend N° 234 of Ch\$ 90 per share, recording a charge to net income for year 2005, which was paid on September 7, 2005.

- **Other reserves:**

The following is a breakdown of this balance:

	ThCh\$	
	2006	2005
Forestry appraisals and other adjustments to net worth recorded by subsidiaries	731,854,498	781,050,005
Increased value on appraisal of fixed assets	16,888,994	16,888,994
Reserve for future capital increases	21,421,091	21,421,091
Total	770,164,583	819,360,090
ThUS\$	1,446,617	1,565,868

The reserve for future capital increases originates from prior-year revaluation and reappraisal of fixed assets, which can only be capitalized in conformity with the Superintendency of Securities and Insurance.

The balance of the related-company negative goodwill arises from the book value adjustment of investments as follows:

	ThCh\$	
	2006	2005
Forestal Mininco S.A.	512,184,318	561,408,488
Industrias Forestales S.A.	126,902,810	140,367,765
La Papelera del Plata S.A.	16,827,447	10,198,143
Forestal y Agrícola Monte Águila S.A.	13,496,550	8,159,209
Forestal Bosques del Plata S.A.	9,876,899	4,697,011
Forestal Coihueco S.A	836,524	3,318,239
Other investments	51,729,950	52,901,150
Total	731,854,498	781,050,005
ThUS\$	1,374,659	1,492,654

Significant changes in the Negative goodwill reserve correspond to the revaluation of forest plantations which reflect natural growth of forests amounting to ThCh\$ 18,083,118 - ThUS\$ 33,966 in 2006 (ThCh\$ 57,566,293 - ThUS\$ 110,014 in 2005); reduced in the value of the forest reserve corresponding to the exploited portion amounting to ThCh\$ 66,107,425 - ThUS\$ 124,171 in 2006 (ThCh\$ 71,538,880 - ThUS\$ 136,717 in 2005).

Details of foreign exchange:

Movements in foreign exchange adjustments shown in Other reserves, item Related-company negative goodwill, is as follows:

	ThCh\$	
	2006	2005
Balance at the prior year	(12,296,136)	1,638,008
Movement during the year	951,651	(13,934,144)
Balance at December 31, 2006	(11,344,485)	(12,296,136)
ThUS\$	(21,309)	(23,499)
The movement during the year is as follows:		
Increase from CPI and dollar variations applied to foreign investments (LPP and others in Argentina, IPUSA in Uruguay and Protisa in Peru y grupo ABS Internacional S.A en Mexico)	2,640,239	(22,010,431)
Less:		
Effect of adjustment between CPI and dollar variations in the liabilities associated to these investments as hedges (Note 12 c)	(1,688,588)	8,076,287
Total	951,651	(13,934,144)
ThUS\$	1,788	(26,629)

Shareholders' distribution at December 31, 2006 is as follows:

Type of shareholder	Total participation %	Number of shareholder
Holding of 10% or more	38.85	2
Holding of less than 10%, with an investment of UF 200 or more	61.00	3,362
Holding of less than 10%, with an investment of under UF 200	0.15	4,207
Total	100.00	7,571
Controlling interest	55.44	23

Number of shares

Series	Number of subscribed shares	Number of paid in shares	Number of shares with voting rights
Single	200,000,000	200,000,000	200,000,000

Equity

Series	ThCh\$	
	Subscribed capital	Paid-in capital
Single	104,674,897	104,674,897

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Changes in shareholders' equity:

	2006 ThCh\$				
	Paid-up capital	Other reserves	Reserve for future dividends	Accumulated profits	Dividends
Balances at January 1, 2006	102,521,936	802,507,433	15,364,363	1,317,447,136	(36,306,000)
Distribution of previous year income	-	-	-	86,680,907	36,306,000
Final dividend payment	-	-	-	(13,200,000)	-
Adjustments to net worth recorded by subsidiaries	-	(48,744,634)	-	-	-
Restatement of invested capital	2,152,961	16,401,784	322,652	29,235,889	13,200
Net income for the year	-	-	-	-	-
Interim dividends	-	-	-	-	(26,400,000)
Balances at December 31, 2006	104,674,897	770,164,583	15,687,015	1,420,163,932	(26,386,800)
Balances at December 31, 2006 restated for comparison	-	-	-	-	-
ThUS\$	196,613	1,446,617	29,465	2,667,526	(49,563)

NOTE 22 - OTHER NON-OPERATING INCOME AND EXPENSES

The balance of other non-operating income is as follows:

	ThCh\$	
	2006	2005
Income on sale of forest property and other fixed assets	140,500	13,724,113
Fixed asset rental	969,123	1,272,112
Insurance claims	126,072	2,287,568
Others	882,454	948,704
Total	2,118,149	18,232,497
ThUS\$	3,979	34,844

Other non-operating expenses

This balance includes the following:

	ThCh\$	
	2006	2005
Commissions, taxes and others expenses	2,369,013	2,592,296
Write-offs, provision and net result on sale of other assets	732,085	1,150,796
Project expenses	216,072	543,462
Loss on investment selling	-	350,368
Other	497,164	1,378,442
Total	3,814,334	6,015,364
ThUS\$	7,165	11,496

Net income for the year	2005 ThCh\$					Net income for the year
	Paid-up capital	Other reserves	Reserve for future dividends	Accumulated profits	Dividends	
122,986,907	98,959,398	787,830,726	14,830,466	1,171,176,009	(42,180,000)	168,120,145
(122,986,907)	-	-	-	(125,940,145)	42,180,000	(168,120,145)
-	-	-	-	(25,400,000)	-	-
-	-	(12,225,644)	-	-	-	-
-	3,562,538	26,902,351	533,897	45,730,982	(306,000)	-
109,300,861	-	-	-	-	122,986,907	-
-	-	-	-	-	(36,000,000)	-
109,300,861	102,521,936	802,507,433	15,364,363	1,317,447,136	(36,306,000)	122,986,907
-	(104,674,897)	819,360,090	15,687,015	1,345,113,526	(37,068,426)	125,569,632
205,302	200,043	1,565,868	29,979	2,570,629	(70,841)	239,974

NOTE 23 - PRICE-LEVEL RESTATEMENTS

	Restatement index	ThCh\$	
		2006	2005
Assets (charges) credits			
Inventories	CPI	7,874,905	6,003,578
Fixed assets	CPI	51,818,595	80,457,632
Investments in related companies	CPI	796,486	1,178,099
Time deposits and marketable securities	CPI/US\$	5,724,070	10,689,284
Goodwill	CPI	1,039,129	1,865,610
Negative goodwill	CPI	(406,055)	-895,730
Accounts receivable with third parties	CPI/Indexed unit	1,012,598	326,737
Other non-monetary assets	CPI	1,785,713	(27,620)
Cost and expense accounts	CPI	10,598,902	25,548,460
Total credits		80,244,343	125,146,050
Liabilities (charges) / credits			
Equity	CPI	(48,126,486)	(78,028,667)
Minority interest	CPI	(1,245,107)	(2,156,335)
Liabilities to banks	CPI	(6,951,012)	(12,096,617)
Bonds	CPI/US\$	(3,268,629)	(7,222,369)
Current and long-term liabilities	CPI	(63,515)	(208,783)
Accounts payable to third parties	CPI	(303,875)	485,685
Bonds issued	Indexed unit	(4,176,832)	(1,664,176)
Other non-monetary liabilities	CPI/ Indexed unit	(2,009,264)	602,804
Income accounts	CPI	(12,166,231)	(30,861,200)
Total (charges)		(78,310,951)	(131,149,658)
Balance of the price-level restatement account		1,933,392	(6,003,608)
ThUS\$		3,632	(11,473)

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NOTE 24 - FOREIGN EXCHANGE GAINS (LOSSES)

The foreign exchange gains (losses) adjustment is detailed as follows:

Currency	ThCh\$		
	2006	2005	
Assets (charge) credits			
Cash and banks	US\$	480,432	(990,079)
Time deposits and marketable securities	US\$	4,299,901	(13,462,056)
Time deposits and marketable securities	Euro	186,609	(8,674,744)
Fixed assets	US\$	10,027,514	(11,378,765)
Inventories	US\$	(269,235)	(5,960,223)
Accounts receivable with third parties	US\$	4,817,711	(10,786,656)
Other non-monetary assets	US\$	(730,787)	-
Other non-monetary assets	Other currencies	85,563	87,408
Other non-monetary assets	Euro	1,635,502	(10,678,052)
Total (charges) credits		20,533,210	(61,843,167)
Liabilities (charge) credits			
Short and long term liabilities	US\$	(97,086)	332,910
Accounts payable with third parties	US\$	(1,196,759)	751,029
Liabilities to banks	US\$	(6,395,955)	34,798,988
Bonds	US\$	(2,770,552)	19,718,348
Other non monetary liabilities	US\$	(1,528,928)	9,645,106
Translation adjustment on assets/liabilities of subsidiaries abroad		716,491	(440,347)
Total (charges) credits		(11,272,789)	64,806,034
Net gain in foreign exchange difference		9,260,421	2,962,867
ThUS\$		17,394	5,662

NOTE 25 – BOND ISSUED COSTS

On April 20, 2006, Inversiones CMPC S.A. issued a bond in Chile. The amount of issuance was UF 4,000,000.

In this financial operation, the Company incurred expenses, as follows:

	ThCh\$
Stamp tax	1,154,530
Inscription and issuance expenses	105,736
Legal advisories	7,920
Total	1,268,186
ThUS\$	2,382

The Company placed this bond issue with a discount amounting to ThCh\$ 2,225,242 – ThUS\$ 4,180 as of December 31, 2006. The discount is deferred over the term of the bonds (21 years) and is shown in Others in Other non-current assets.

On June 15, 2005, Inversiones CMPC S.A. issued a bond in Chile. The amount of issuance was UF 7,000,000.

In this financial operation, the Company incurred expenses, as follows:

	ThCh\$
Stamp tax	1,965,644
Inscription and issuance expenses	117,464
Legal advisories	21,256
Total	2,104,364
ThUS\$	4,106

Additionally, the placement of the bond has generated a discount, which will be deferred in the same term of the bond (10 years) and is shown in other non current assets, net of the deferred gain which was generated by the swap contract, subscribed to hedge this operation, amounting to ThCh\$ 2,359,225 – ThUS\$ 4,431 (ThCh\$ 2,613,363 – ThUS\$ 4,994 at December, 2005).

NOTE 26 - STATEMENT OF CASH FLOWS

In the preparation of the Statement of cash flows, cash equivalents are considered to be financial investments at short term and that are easily realizable, made as part of the Company's normal cash management. Included in cash equivalents are time deposits and marketable securities like short-term investments in financial instruments under resale agreements, notes of the Central Bank of Chile, investment and mutual fund quotas and others, in accordance with Technical Bulletin N° 50 of the Chilean Institute of Accountants.

Future cash flows for investment purposes relate to projects approved by the Company amounting to US\$ 82 million, including:

	Million US\$
Lands buying	36.9
Buín plant capacity expansion	10.9
Zárate (Argentina) plant capacity expansion	6.9
Propa – MM50 coats/year capacity expansion	4.4
Paper machine N° 2 Tissue, Talagante	3.1
Talagante – plant automatization	3.2
Changes in paper machine N° 2 - Talagante	2.5
Purchase of two roll lines (LPP)	2.5
Plywood board plant	2.4
Preventive plan of environment update in plants CMPC Celulosa S.A.	2.1
Increase in capacity of napkin machines	1.5
Plantations	1.2
Several minors	4.4

It should be noted that the extension to the Santa Fe pulp mill began operating in mid December 2006, which will increase annual pulp production by around 780,000 tons. The sale of this production will increase the Company's cash flows and operating income significantly.

The ordinary shareholders meeting held on April 28, 2006 also agreed a dividend policy that contemplated the payment of 2 interim dividends in September and December 2006 or January 2007, plus a final dividend to be agreed at the next ordinary shareholders meeting, in order to complete 40% of the net income for 2006.

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NOTE 27 - DERIVATIVE CONTRACTS

Type of derivative	Type of contract	Contract Amount		Maturity	Risk hedged	Position purchase sale	Protected item or transaction Name	Amount	
		ThCh\$	ThUS\$					ThCh\$	ThUS\$
FR	CCPE	8,482,000	15,932	1tr 2007	US\$/ \$	C	Financial Investment	8,482,000	15,932
FR	CCPE	10,588,983	19,890	1tr 2007	US\$/ \$	C	Financial Investment	10,588,983	19,890
S	CCPE	294,652,000	553,451	3tr 2009	Libor rate	C	Syndicate loan MMUS\$ 475	294,652,000	553,451
S	CCPE	57,355,000	107,731	1tr 2015	Rate interest	C	Bond in the local market	57,355,000	107,731
S	CCPE	118,006,834	221,655	1tr 2015	Currency	C	Bond in the local market	118,006,834	221,655
FR	CCPE	15,387,441	28,903	1tr 2007	US\$/ \$	C	Liabilities with banks and financial institutions	15,387,441	28,903
FR	CCPE	17,728,447	33,300	1tr 2007	\$/US\$	V	Liabilities with banks and financial institutions	17,728,447	33,300
FR	CCTE	22,422,230	42,116	1tr 2007	\$/US\$	V	Sell to Europe	22,422,230	42,116
FR	CCTE	452,856	851	1tr 2007	US\$ /MT	V	Sell to Europe	452,856	851
FR	CCTE	370,779	696	1tr 2007	US\$/ \$	C	Selles	370,779	696
FR	CCTE	1,401,489	2,632	1tr 2007	US\$/ Pounds	V	Sell to Europe	1,401,489	2,632
FR	CCTE	1,617,103	3,037	2tr 2007	US\$/ Pounds	V	Sell to Europe	1,617,103	3,037
FR	CCTE	1,617,103	3,037	3tr 2007	US\$/ Pounds	V	Sell to Europe	1,617,103	3,037
FR	CCTE	1,940,524	3,645	4tr 2007	US\$/ Pounds	V	Sell to Europe	1,940,524	3,645
FR	CCTE	6,210,005	11,664	1tr 2007	US\$/EURO	C	Sell to Europe	6,210,005	11,664
FR	CCTE	4,126,748	7,751	2tr 2007	US\$/EURO	C	Sell to Europe	4,126,748	7,751
FR	CCTE	4,586,689	8,615	3tr 2007	US\$/EURO	V	Sell to Europe	4,586,689	8,615
FR	CCTE	5,805,658	10,905	4tr 2007	US\$/EURO	V	Sell to Europe	5,805,658	10,905
FR	CCTE	1,940,524	3,645	1tr 2008	US\$/ Pounds	V	Sell to Europe	1,940,524	3,645
FR	CCTE	1,940,524	3,645	2tr 2008	US\$/ Pounds	V	Sell to Europe	1,940,524	3,645
FR	CCTE	1,940,524	3,645	3tr 2008	US\$/ Pounds	V	Sell to Europe	1,940,524	3,645
FR	CCTE	2,156,138	4,050	4tr 2008	US\$/ Pounds	V	Sell to Europe	2,156,138	4,050
FR	CCTE	2,156,138	4,050	1tr 2009	US\$/ Pounds	V	Sell to Europe	2,156,138	4,050
FR	CCTE	2,156,138	4,050	2tr 2009	US\$/ Pounds	V	Sell to Europe	2,156,138	4,050
FR	CCTE	2,156,138	4,050	3tr 2009	US\$/ Pounds	V	Sell to Europe	2,156,138	4,050
FR	CCTE	2,263,944	4,252	4tr 2009	US\$/ Pounds	V	Sell to Europe	2,263,944	4,252
FR	CCTE	6,137,451	11,528	1tr 2008	US\$/EURO	V	Sell to Europe	6,137,451	11,528
FR	CCTE	6,770,840	12,718	2tr 2008	US\$/EURO	V	Sell to Europe	6,770,840	12,718
FR	CCTE	6,712,191	12,608	3tr 2008	US\$/EURO	V	Sell to Europe	6,712,191	12,608
FR	CCTE	6,776,340	12,728	4tr 2008	US\$/EURO	V	Sell to Europe	6,776,340	12,728
FR	CCTE	6,888,291	12,938	1tr 2009	US\$/EURO	V	Sell to Europe	6,888,291	12,938
FR	CCTE	6,873,268	12,910	2tr 2009	US\$/EURO	V	Sell to Europe	6,873,268	12,910
FR	CCTE	6,734,081	12,649	3tr 2009	US\$/EURO	V	Sell to Europe	6,734,081	12,649
FR	CCTE	6,798,230	12,769	4tr 2009	US\$/EURO	V	Sell to Europe	6,798,230	12,769
FR	CCTE	6,829,642	12,828	1tr 2010	US\$/EURO	V	Sell to Europe	6,829,642	12,828
FR	CCTE	6,895,158	12,951	2tr 2010	US\$/EURO	V	Sell to Europe	6,895,158	12,951
FR	CCTE	6,755,970	12,690	3tr 2010	US\$/EURO	V	Sell to Europe	6,755,970	12,690
FR	CCTE	6,820,120	12,810	4tr 2010	US\$/EURO	V	Sell to Europe	6,820,120	12,810

Amount of protected item		Account item related Name	Amount		Effect in income			
ThCh\$	ThUS\$		ThCh\$	ThUS\$	Realized		Not realized	
					ThCh\$	ThUS\$	ThCh\$	ThUS\$
8,539,936	16,041	Time deposits	69,557	131	36,827	69	-	-
10,665,859	20,034	Other current assets	87,333	164	64,325	121	-	-
230,704,553	433,338	Liabilities with banks and financial institutions	1,328,678	2,496	1,328,678	2,496	-	-
53,239,000	100,000	Bond issued	144,133	271	144,133	271	-	-
117,801,247	221,269	Bond issued	1,672,017	3,141	(517,631)	(972)	-	-
15,560,741	29,228	Other current liabilities	173,300	326	173,300	326	-	-
17,728,447	33,300	Other current liabilities	150,679	283	(150,679)	(283)	-	-
22,422,230	42,116	Other current liabilities	141,361	266	(31,389)	(59)	-	-
448,944	843	Other current liabilities	4,371	8	-	-	4,371	8
376,972	708	Other current liabilities	6,192	12	-	-	6,192	12
1,290,987	2,425	Other current liabilities	64,710	122	-	-	(64,710)	(122)
1,489,601	2,798	Other current liabilities	73,464	138	-	-	(73,464)	(138)
1,489,601	2,798	Other current liabilities	71,603	134	-	-	(71,603)	(134)
1,787,521	3,358	Other current liabilities	83,252	156	-	-	(83,252)	(156)
6,149,247	11,550	Other current liabilities	37,199	70	5,585	10	(10,282)	(19)
4,066,201	7,638	Other current liabilities	33,743	63	-	-	(24,449)	(46)
4,511,712	8,474	Other current liabilities	40,600	76	-	-	(36,654)	(69)
5,647,694	10,608	Other current liabilities	84,304	158	-	-	(14,538)	(27)
1,787,521	3,358	Other long term liabilities	79,893	150	-	-	(79,893)	(150)
1,787,521	3,358	Other long term liabilities	76,545	144	-	-	(76,545)	(144)
1,787,521	3,358	Other long term liabilities	73,281	138	-	-	(73,281)	(138)
1,986,134	3,731	Other long term liabilities	77,889	146	-	-	(77,889)	(146)
1,986,134	3,731	Other long term liabilities	74,352	140	-	-	(74,352)	(140)
1,986,134	3,731	Other long term liabilities	70,892	133	-	-	(70,892)	(133)
1,986,134	3,731	Other long term liabilities	67,255	126	-	-	(67,255)	(126)
2,085,441	3,917	Other long term liabilities	67,381	127	-	-	(67,381)	(127)
5,950,096	11,176	Other long term liabilities	107,702	202	-	-	(9,532)	(18)
6,572,358	12,345	Other long term liabilities	121,579	228	-	-	(29,593)	(56)
6,508,418	12,225	Other long term liabilities	130,302	245	-	-	(34,794)	(65)
6,565,904	12,333	Other long term liabilities	137,417	258	-	-	(43,993)	(83)
6,672,104	12,532	Other long term liabilities	144,450	271	-	-	(52,770)	(99)
6,656,795	12,504	Other long term liabilities	147,729	277	-	-	(62,049)	(117)
6,518,667	12,244	Other long term liabilities	149,797	281	-	-	(66,815)	(126)
6,576,153	12,352	Other long term liabilities	153,930	289	-	-	(73,168)	(137)
6,608,164	12,412	Other long term liabilities	159,963	300	-	-	(87,585)	(165)
6,667,044	12,523	Other long term liabilities	165,674	311	-	-	(99,000)	(186)
6,528,915	12,263	Other long term liabilities	166,387	313	-	-	(105,897)	(199)
6,586,402	12,371	Other long term liabilities	170,631	321	-	-	(116,771)	(219)

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NOTE 27 - DERIVATIVE CONTRACTS

Type of derivative	Type of contract	Contract Amount		Maturity	Risk hedged	Position purchase sale	Protected item or transaction Name	Amount	
		ThCh\$	ThUS\$					ThCh\$	ThUS\$
FR	CCTE	6,770,993	12,718	1tr 2011	US\$/EURO	V	Sell to Europe	6,770,993	12,718
FR	CCTE	6,755,970	12,690	2tr 2011	US\$/EURO	V	Sell to Europe	6,755,970	12,690
FR	CCTE	6,734,080	12,649	3tr 2011	US\$/EURO	V	Sell to Europe	6,734,080	12,649
FR	CCTE	6,798,230	12,769	4tr 2011	US\$/EURO	V	Sell to Europe	6,798,230	12,769
FR	CCTE	6,770,993	12,718	1tr 2012	US\$/EURO	V	Sell to Europe	6,770,993	12,718
FR	CCTE	6,755,970	12,690	2tr 2012	US\$/EURO	V	Sell to Europe	6,755,970	12,690
FR	CCTE	6,639,502	12,471	3tr 2012	US\$/EURO	V	Sell to Europe	6,639,502	12,471
FR	CCTE	6,623,113	12,440	4tr 2012	US\$/EURO	V	Sell to Europe	6,623,113	12,440
FR	CCTE	5,018,143	9,426	1tr 2013	US\$/EURO	V	Sell to Europe	5,018,143	9,426
FR	CCTE	5,003,120	9,397	2tr 2013	US\$/EURO	V	Sell to Europe	5,003,120	9,397
FR	CCTE	4,668,905	8,770	3tr 2013	US\$/EURO	V	Sell to Europe	4,668,905	8,770
FR	CCTE	4,660,827	8,755	4tr 2013	US\$/EURO	V	Sell to Europe	4,660,827	8,755
FR	CCTE	4,505,712	8,463	1tr 2014	US\$/EURO	V	Sell to Europe	4,505,712	8,463
FR	CCTE	4,505,712	8,463	1tr 2014	US\$/EURO	V	Sell to Europe	4,505,712	8,463
FR	CCTE	4,505,712	8,463	1tr 2014	US\$/EURO	V	Sell to Europe	4,505,712	8,463
FR	CCTE	4,505,712	8,463	1tr 2014	US\$/EURO	V	Sell to Europe	4,505,712	8,463

Amount of protected item		Account item related Name	Amount		Effect in income			
ThCh\$	ThUS\$		ThCh\$	ThUS\$	Realized		Not realized	
					ThCh\$	ThUS\$	ThCh\$	ThUS\$
6,544,224	12,292	Other long term liabilities	175,669	330	-	-	(133,439)	(251)
6,528,915	12,263	Other long term liabilities	179,707	338	-	-	(147,089)	(276)
6,518,667	12,244	Other long term liabilities	189,678	356	-	-	(169,118)	(318)
6,576,153	12,352	Other long term liabilities	194,267	365	-	-	(180,975)	(340)
6,544,224	12,292	Other long term liabilities	191,949	361	-	-	(184,541)	(347)
6,528,915	12,263	Other long term liabilities	193,888	364	-	-	(193,372)	(363)
6,510,867	12,230	Other long term liabilities	273,752	514	-	-	(273,752)	(514)
6,494,165	12,198	Other long term liabilities	279,238	524	-	-	(279,238)	(524)
5,146,434	9,667	Other long term liabilities	102,715	193	-	-	(94,379)	(177)
5,131,125	9,638	Other long term liabilities	102,098	192	-	-	(101,339)	(190)
4,812,384	9,039	Other long term liabilities	56,300	106	-	-	(56,300)	(106)
4,803,954	9,023	Other long term liabilities	63,097	119	-	-	(63,097)	(119)
4,637,649	8,711	Other long term liabilities	25,260	47	-	-	(25,260)	(47)
4,637,649	8,711	Other long term liabilities	34,227	64	-	-	(34,227)	(64)
4,637,649	8,711	Other long term liabilities	42,957	81	-	-	(42,957)	(81)
4,637,649	8,711	Other long term liabilities	48,872	92	-	-	(48,872)	(92)

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NOTE 28 - CONTINGENCIES AND RESTRICTIONS

• Direct guarantees:

To guarantee Banco BICE full compliance with any and all current and future obligations incurred by Empresas CMPC S.A. and subsidiaries, the Company set up a first mortgage of ThCh\$ 4.745.822 - ThUS\$ 8,914 on the mezzanine and 2nd, 3rd, 4th and 5th floors of the building located at Agustinas 1343, per public deed dated March 16, 2001, before the Notary Enrique Morgan under digest number 1290.

• Indirect guarantees

The loans and bond issuances of the subsidiary Inversiones CMPC S.A., through its Agency in the Cayman Islands, were guaranteed by Empresas CMPC S.A.

The UF bond issuance made by the subsidiary Inversiones CMPC S.A. in Chile, was guaranteed by Empresas CMPC S.A.

In the case of indirect guarantees, the creditor of the guarantee backed by Empresas CMPC S.A., is the holder of the document, since such documents are transferable.

Empresas CMPC S.A. guaranteed compliance by Grupo ABS Internacional S.A. de CV (subsidiary in Mexico) of the loan re-negotiated with Banamex. This guarantee was implemented by the issue of a letter of credit through Citibank N.A.

Empresas CMPC S.A. guaranteed the compliance by La Papelera del Plata S.A. (subsidiary in Argentina), of a lease contract on the machinery this company subscribed with Citibank N.A.

• Restrictions

Empresas CMPC S.A., as a result of certain debt contracts entered into by its subsidiary, and guaranteed by them, has to comply with certain financial indicators ("covenants"). These are to maintain a minimum equity, a maximum indebtedness level and a minimum level of financial expenses coverage. At December 31, 2006, such indicators are amply complied with.

• Lawsuits

a) At December 31, 2006, the subsidiaries Forestal Mininco S.A. and Forestal Crerex S.A. have participated in a number of proceedings involving growers and landholders regarding boundaries and other disputes. At December 31, 2006, Forestal Mininco S.A. has a provision of ThCh\$ 150,000 - ThUS\$ 282.

b) In August 2001, the Supreme Court unanimously confirmed the rule that accepted the claim presented by the subsidiary CMPC Celulosa S.A. declaring that the Central Bank had to pay the promissory notes issued by that public body, pursuant to the calculation rules contained in them upon issuance and not under a new calculation formula subsequently established by the debtor. The Central Bank did not accept the rule, invoking a technical impossibility to arrive at the determination of the proper amount. In view of that refusal, CMPC has had to begin new legal procedures in which the Central Bank has continued presenting any kind of dilatory motions.

• Other lawsuits

a) Tax Lawsuit filed against CMPC Celulosa S.A. for a claim over tax settlement made by the S.I.I. on April 30, 2003, and related to the appraisal of the value of shares internally transferred.

Due to weaknesses in procedures, the Company appealed to the Supreme Court (case N° 1767-3) which was accepted for consideration on August 5, 2005 and which would produce the invalidation of the judgment.

The company lawyer's have a favorable opinion therefore, no allowances have been made.

b) As of December 31, 2006, the subsidiary Papelera del Plata S.A. in Argentina, has several lawsuits in a number of Argentine labor courts, which involve committed amounts of ThCh\$ 1,297,570 -ThUS\$ 2,437 (ThCh\$ 814,876 en 2005 - ThUS\$ 1,557).

- c) At December 31, 2006, the subsidiary Fabi Bolsas Industriales S.A. faces a labor lawsuit. The amount involved is ThCh\$ 54,570 – ThUS\$ 103 (ThCh\$ 84,744 - ThUS\$ 162 at December 31, 2005), which are fully recorded as provision, indicate of maximum contingencies.
- d) At December 31, 2006, the subsidiary CMPC Celulosa S.A. follows a labor lawsuit before the Court of Laja. The amount involved is ThCh\$ 104,599 – ThUS\$ 196 (ThCh\$ 106,796 - ThUS\$ 204 at December 31, 2005). A provision has been set up for this concept.
- e) Subsidiaries of the Company have presented an appeal to the Argentine Nation's Court for it to suspend and annul proceedings issued by the Federal Administration of Public Revenue relating to taxes and interests on financial transactions occurring during the years 1995 and 1998 amounting to 3,220,843 Argentine pesos plus fines and interests. According to the Company and its legal advisors, these proceedings should not prosper because all transactions have been legally and administratively done following current legislation, therefore, no provisions have been established.
- f) As of December 31, 2006, the subsidiary Forestal y Agrícola Monte Águila S.A., has three lawsuits against it for damages amounting to ThCh\$ 1,758,179 (ThUS\$ 3,302). It is expected that judgment in these cases will be favourable to the Company, and in any event there is insurance cover.
- g) As of December 31, 2006, the subsidiary CMPC Tissue S.A. has received a claim for damages for contractual liability (arbitration judgment) amounting to ThCh\$ 155,429 - ThUS\$ 292. On June 22, 2006, the arbitrator, Juan Miguel Rodríguez, gave final judgment, accepting the demand and setting the damages at ThCh\$ 150,248 - ThUS\$ 282 and the arbitration fees at ThCh\$ 17,097 - ThUS\$ 32 and the actuary fees at ThCh\$ 1,710 – ThUS\$ 3. The company has appealed against the sentence, which was presented to the Santiago appeals court. On December 20, 2006, the appeal against Mr Rodríguez was accepted, thus nullifying the final sentence given on June 22, 2006 and ordering that the case be taken back to the evidence stage before an arbitrator who is not prevented from fulfilling such duty. A provision had been made for the amounts mentioned as of December 31, 2006.
- h) During April 2006, the subsidiary Inversiones Protisa S.A. received a tax demand amounting to ThCh\$ 20,695,732 - ThUS\$ 38,873 based on a tax difference and the monetary correction used by the company with respect to its foreign investments. A defense has been submitted to the Internal Revenue Service, ratifying the criteria used by the company and providing legal and administrative supporting evidence for the criteria.

Our specialist lawyers have a favorable opinion about the Company's position. It is therefore expected that the demands should be revoked or annulled; no provisions have therefore been made.

- **Other contingencies**

Some subsidiaries main tained a responsibility with the Central Bank in return of exports under consignment amounting to ThCh\$ 8,794,213 – ThUS\$ 16,518 at December 31, 2006 and ThCh\$ 16,419,079 – ThUS\$ 31,378 in 2005. This amount represents the marketable price set up at the delivery date.

As of December 31, 2006, the Company has a liability for the collection upon maturity of the portfolio of assigned loans of ThCh\$ 10,652,320 – ThUS\$ 20,008 and ThCh\$ 34,788,326 – ThUS\$ 66,484 in 2005.

Empresas CMPC S.A. guarantees compliance of swaps contracts entered into by Inversiones CMPC S.A. mainly with JP Morgan Chase N.A. and others, related to interest rates on a total national amount of US\$ 633,337,500.

- **Foreign investments**

The Company's Financial Statements include the effect of the current economic context of Argentina, Uruguay, Peru and Mexico over the economic and financial position of related companies in such countries, according to the administrations evaluations, as at the date of preparation. The real future results will depend on the evolution of said economies.

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Direct guarantees

Guarantee creditor	Entity	Relation	Type of guarantee	Assets involved	
				Type	Book value
Banco BICE	Empresas CMPC S.A. y Filiales	Informant	Mortgage	Mezzanine, floor 2,3,4 y 5 Agustinas 1343	4,745,822
Foreign supplier	Inforsa S.A.	Indirect subsidiary	Bill of exchange	Machinery and equipment	988,081
Superintendencia Nacional de Aduanas	Protisa Perú S.A.	Indirect subsidiary	Guarantee letters	Machinery	120,085
Gas Natural	Protisa Perú S.A.	Indirect subsidiary	Guarantee letters	Cash	98,123
Comisión Federal de Electricidad	Internacional de Papeles del Golfo S.A. de C.V.	Indirect subsidiary	Notes	Cash	43,729
Tractebel GNP S.A. de CV	Internacional de Papeles del Golfo S.A. de CV	Indirect subsidiary	Notes	Cash	38,880
Atento Chile S.A.	CMPC Tissue S.A.	Indirect subsidiary	Letters	Cash	6,500
Hospital Roberto del Río	CMPC Tissue S.A.	Indirect subsidiary	Letters	Cash	5,687
Comisión Federal de Electricidad	Absormex S.A. de CV	Indirect subsidiary	Notes	Cash	5,042
Empresa Ferrocarriles del Estado	CMPC Celulosa S.A.	Indirect subsidiary	Bill of exchange	Capital assets	4,782
Banco Santander	CMPC Tissue S.A.	Indirect subsidiary	Letters	Cash	4,300
Asociación Chilena de Seguridad	CMPC Tissue S.A.	Indirect subsidiary	Letters	Cash	4,048
Telecomunicaciones de Chile S.A.	CMPC Tissue S.A.	Indirect subsidiary	Letters	Cash	3,619
Hospital Clínico San Borja Arriarán	CMPC Tissue S.A.	Indirect subsidiary	Letters	Cash	2,187
Hospital Félix Bulnes	CMPC Tissue S.A.	Indirect subsidiary	Letters	Cash	1,500
Ilustre Municipalidad de Puente Alto	CMPC Tissue S.A.	Indirect subsidiary	Letters	Cash	1,000
Corporación Municipal de La Florida	CMPC Tissue S.A.	Indirect subsidiary	Letters	Cash	150
Hospital Sotero del Río	CMPC Tissue S.A.	Indirect subsidiary	Letters	Cash	-
Assalud – Hospital Nacional ED	Protisa Perú S.A.	Indirect subsidiary	Guarantee letters	Cash	-
Tesorería General de la República	Envases Impresos S.A.	Indirect subsidiary	Prenda- Der Aduana	Fixed assets	-
Tesorería General de la República	CMPC Celulosa S.A.	Indirect subsidiary	Bill of exchange	Fixed assets	-
Temporary payments (repairs)	Inforsa S.A.	Indirect subsidiary	Bill of exchange	Machines and equipments	-

Balances pending at year end		Guarantees released					
2006	2005	2006	Assets	31/12/2007	Assets	31/12/2008	Assets
-	-	-	Fixed assets	-	-	-	-
988,081	2,299,172	988,081	Fixed assets	-	-	-	-
120,085	111,870	120,085	Fixed assets	-	-	-	-
98,123	73,257	98,123	Cash	-	-	-	-
43,729	-	43,729	Cash	-	-	-	-
38,880	-	38,880	Cash	-	-	-	-
6,500	-	6,500	Cash	-	-	-	-
5,687	5,831	5,687	Cash	-	-	-	-
5,042	-	5,042	Cash	-	-	-	-
4,782	5,505	-	Fixed assets	-	-	-	-
4,300	-	4,300	Cash	-	-	-	-
4,048	4,105	4,048	Cash	-	-	-	-
3,619	3,670	3,619	Cash	-	-	-	-
2,187	8,422	2,187	Cash	-	-	-	-
1,500	-	1,500	Cash	-	-	-	-
1,000	-	1,000	Cash	-	-	-	-
150	-	150	Cash	-	-	-	-
-	4,277	-	-	-	-	-	-
-	4,723	-	-	-	-	-	-
-	14,915	-	-	-	-	-	-
-	1,200,786	-	-	-	-	-	-
-	17,526	-	-	-	-	-	-

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Indirect guarantees

Guarantee creditor	Entity	Relation	Type of guarantee	Assets involved	Balances pending at year end			Guarantees released	
					2006	2005	2007	2008	2009
BBVA S.A.	Inversiones CMPC S.A. Cayman Island Agency	Subsidiary	Guarantor	No	230,704,552	248,549,688	44,368,052	62,112,344	124,244,156
Bonds	Inversiones CMPC S.A. Cayman Island Agency	Subsidiary	Guarantor	No	159,717,000	156,978,750	-	-	-
JP Morgan Chase Bank and others	Inversiones CMPC S.A. Cayman Island Agency	Subsidiary	Guarantor	No	127,773,600	52,326,250	-	-	-
UF Bonds	Inversiones CMPC S.A.	Subsidiary	Joint debtor	No	128,354,660	128,465,967	-	-	-
UF Bonds	Inversiones CMPC S.A.	Subsidiary	Joint debtor	No	73,345,520	-	-	-	-
Citibank N.A.	Grupo ABS Internacional S.A. de CV (ABS)	Subsidiary	Standby credit letter	No	11,414,330	-	-	11,414,330	-
Citibank N.A. Argentina	Papelera del Plata S.A. Argentina	Subsidiary	Guarantor	No	5,401,433	7,046,264	1,767,742	1,767,742	1,865,950
Voith Máquinas y Equipamientos Ltda. (ex Voith S.A.)	Industrias Forestales S.A.	Subsidiary	Guarantor	No	2,348,677	4,051,992	1,812,053	536,624	-

NOTE 29 - GUARANTEES FROM THIRD PARTIES

Guarantees from third parties are as follows:

Transaction	Amount		Issuer	Relation
	ThCh\$	ThUS\$		
Services	5,558,776	10,441	Empresa Const. Tecsa Ltda.	Supplier
Investment Project	2,563,631	4,815	Kvaerner Power Oy	Supplier
Finished product sales	2,129,560	4,000	Prov. y Maquiladores S.A.	Client
Services	1,566,908	2,943	Ingeniería y Construcción Sigdo Koppers S.A.	Supplier
Services	1,318,822	2,477	Cade Idepe Amec	Supplier
Project	1,278,156	2,401	Metso	Supplier
Services	969,219	1,821	HPD Llc.	Supplier
Construction Contract	967,353	1,817	Maquin. Papel Voith	Supplier
Project	899,809	1,690	Construcción Planta Indust.	Supplier
Services	585,863	1,100	Servicio de Ingeniería y Construcción	Supplier
Services	525,130	986	Echeverría Izquierdo Montajes Ind. S.A.	Supplier
Finished product sales	372,673	700	Guedikian Impresores S.A.	Client
Services	305,342	574	Empresa Constructora JCE	Supplier
Timber sales	278,681	523	Forestal Santa Inés Ltda.	Client
Timber sales	266,195	500	Proarauco S.A.	Client
Finished product sales	266,195	500	Centro Gráfico S.A.	Client
Finished product sales	266,195	500	Establecimiento Gráfico Impresores S.A.	Client
Timber sales	260,739	490	Juan Latsague y Cía. Ltda.	Client
Services	257,167	483	Salfa S.A.	Supplier
Road construction	255,000	479	Emp. Mov. Tierra I.N.B. Ltda.	Outsourcing
Project	248,340	466	Centro Projekt	Supplier
Timber sales	251,647	473	Forestal Tr. y Cons. Sta Elena	Client
Services	250,736	471	Claro, Vicuña, Valenzuela	Supplier
Construction Contract	246,785	464	Degremont Ltda.	Supplier
Forest Protection	246,230	462	Helicópteros Agroforestales Ltda.	Outsourcing
Construction Contract	241,625	454	Ing. y Construcción Conos Ltda.	Supplier
Services	238,232	447	Rudel S.A.	Supplier
Timber sales	237,242	446	Aserraderos Poco a Poco Ltda.	Client
Services	221,632	416	Andrés Pirazzoli y Cía Ltda.	Supplier
Services	207,153	389	Metso Paper Pory Oy	Supplier
Services	204,659	384	Construcción y Montaje S.A.	Supplier
Finished product sales	191,660	360	Papelera Corrientes S.A.	Client
Road construction	177,698	334	Constructora Tricam Ltda	Outsourcing
Services	170,996	321	Fibra Ingeniería y Construcciones S.A.	Supplier
Protecc Forestal	168,768	317	Cons. Patag. del Pacíf. S.A.	Outsourcing
Services	162,477	305	Proyecmetal S.A.	Supplier
Finished products sales	159,717	300	Productos El Cid S.A.	Client
Services	155,272	292	ISS Facility Services S.A.	Supplier
Services	150,688	283	Ing. y Const. Eduardo Arancibia Ltda.	Supplier
Investment Project	139,323	262	Saalisti OY	Supplier
Road - forest protection	137,000	257	Constructora Cuéllar e Hijo Ltda.	Contratista
Timber purchases	130,000	244	Aserraderos Corza S.A.	Supplier
Finished products sales	133,098	250	Alianza Gráfica S.A.	Client
Services	119,525	225	Constructora Andalién Ltda.	Supplier
Project	89,913	169	Construcciones y Montajes	Supplier

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NOTE 30 - LOCAL AND FOREIGN CURRENCY

Current assets

	Currency	2006		2005	
		ThCh\$	ThUS\$	ThCh\$	ThUS\$
Current liabilities:					
Cash and banks	Non indexed pesos	2,137,546	4,015	3,965,846	7,579
Cash and banks	Dollar	1,677,296	3,151	1,087,718	2,079
Cash and banks	Euro	686,051	1,289	471,996	902
Cash and banks	Argentinean pesos	48,926	92	5,266	10
Cash and banks	Other currencies	1,138,604	2,139	346,499	662
Time deposits and marketable securities	Non Indexed pesos	6,228,002	11,698	8,481,075	16,208
Time deposits and marketable securities	Dollar	17,985,381	33,782	46,988,883	89,800
Time deposits and marketable securities	Euro	73,338	138	6,429,340	12,287
Time deposits and marketable securities	Other currencies	639,395	1,201	338,809	647
Accounts receivable short-term	Non indexed pesos	74,061,710	139,112	76,179,790	145,586
Accounts receivable short-term	Dollar	139,014,714	261,114	82,012,841	156,734
Accounts receivable short-term	Euro	5,879,935	11,044	3,470,692	6,633
Accounts receivable short-term	Argentinean pesos	14,726,253	27,661	12,446,493	23,786
Accounts receivable short-term	Other currencies	13,633,755	25,609	7,666,788	14,652
Inventories	Indexed pesos	190,757,015	358,303	152,844,136	292,098
Inventories	Dollar	97,883,992	183,858	97,793,697	186,892
Inventories	Euro	7,939,640	14,913	-	-
Inventories	Argentinean pesos	17,391,880	32,668	14,110,017	26,965
Inventories	Other currencies	15,211,262	28,572	9,521,496	18,196
Taxes recoverable	Indexed pesos	20,970,376	39,389	39,504,742	75,497
Taxes recoverable	Argentinean pesos	1,539,851	2,892	136,329	261
Taxes recoverable	Other currencies	2,978,132	5,594	221,360	423
Prepaid expenses	Non indexed pesos	1,072,612	2,015	2,951,294	5,640
Prepaid expenses	Dollar	2,707,897	5,086	2,845,954	5,439
Prepaid expenses	Argentinean pesos	218,535	410	207,927	397
Prepaid expenses	Other currencies	578,186	1,086	341,129	652
Deferred taxes	Non indexed pesos	3,218,381	6,045	5,119,403	9,784
Deferred taxes	Argentinean pesos	613,737	1,153	720,235	1,376
Deferred taxes	Other currencies	34,120	64	28,990	55
Other current assets	Non indexed pesos	35,369,392	66,435	5,079,046	9,706
Other current assets	Dollar	10,662,619	20,028	31,432,868	60,071
Other current assets	Other currencies	368,396	692	-	-

	Currency	2006		2005	
		ThCh\$	ThUS\$	ThCh\$	ThUS\$
Fixed assets					
Fixed assets	Indexed pesos	2,422,542,524	4,550,316	2,259,998,983	4,319,054
Fixed assets	Dollar	387,003,064	726,916	327,160,606	625,232
Others assets					
Investments in related companies	Indexed pesos	40,796,820	76,629	40,317,361	77,050
Investments in other companies	Indexed pesos	137,448	258	137,057	262
Goodwill	Indexed pesos	51,269,351	96,300	55,651,620	106,355
Negative goodwill	Indexed pesos	(23,171,867)	(43,524)	(24,834,789)	(47,461)
Long-term debtors	Indexed pesos	11,578,809	21,749	13,505,709	25,811
Long-term debtors	Argentinean pesos	2,088,062	3,922	1,978,214	3,781
Long-term debtors	Other currencies	184,217	346	505,876	967
Intangibles	Indexed pesos	1,858,885	3,492	1,838,780	3,514
Others	Indexed pesos	5,302,832	9,960	3,036,755	5,804
Others	Dollar	1,597,170	3,000	-	-
Others	Other currencies	3,985,054	7,486	6,597,782	12,608
Total assets	Non indexed pesos	122,087,643	229,320	101,776,454	194,504
	Dollar	658,532,133	1,236,936	589,322,567	1,126,247
	Euro	14,578,964	27,384	10,372,028	19,822
	Argentinean pesos	36,627,244	68,798	29,604,481	56,577
	Other currencies	38,751,121	72,787	25,568,729	48,863
	Indexed pesos	2,722,042,193	5,112,873	2,542,000,354	4,857,983

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Current liabilities:

	Currency	2006		Up to
		Amount		Average annual
		ThCh\$	ThUS\$	interest rate
Liabilities to banks and financial institutions short-term	Argentinean pesos	2,973,073	5,584	10.89%
Liabilities to banks and financial institutions short-term	Non indexed pesos	36,268,020	68,123	5.15%
Liabilities to banks and financial institutions short-term	Dollar	41,302,824	77,580	5.23%
Liabilities to banks and financial institutions short-term	Other currencies	3,747,631	7,039	6.0%
Short-term portion of long term liabilities to banks and financial institutions	Dollar	3,470,305	6,518	-
Liabilities with public (Bonds)	Indexed pesos	2,145,743	4,030	-
Liabilities with public (Bonds)	Dollar	259,540	488	-
Short-term portion of long term liabilities	Dollar	310,102	582	5.95%
Dividends payable	Non indexed pesos	14,142,039	26,563	-
Account payable	Non indexed pesos	85,281,736	160,187	-
Account payable	Dollar	32,621,147	61,273	-
Account payable	Argentinean pesos	9,603,176	18,038	-
Account payable	Other currencies	14,869,519	27,930	-
Notes payable	Non indexed pesos	91,815	172	-
Notes payable	Dollar	520,305	977	-
Notes payable	Euro	-	-	-
Notes payable	Other currencies	77,915	146	-
Sundry creditors	Indexed pesos	228,290	429	-
Sundry creditors	Non indexed pesos	882,790	1,658	-
Sundry creditors	Other currencies	66,561	125	-
Notes and accounts payable to related companies	Non indexed pesos	1,243,852	2,336	-
Notes and accounts payable to related companies	Dollar	6,746,851	12,673	-
Provisions	Non indexed pesos	11,381,527	21,378	-
Provisions	Indexed pesos	1,295,902	2,434	-
Provisions	Dollar	1,341,784	2,520	-
Provisions	Argentinean pesos	278,103	522	-
Provisions	Other currencies	994,228	1,867	-
Withholdings	Non indexed pesos	5,929,425	11,137	-
Withholdings	Argentinean pesos	834,264	1,567	-
Withholdings	Other currencies	3,226,778	6,061	-
Income tax	Non indexed pesos	440,892	828	-
Unearned income	Non indexed pesos	482,895	907	-
Unearned income	Dollar	71,212	134	-
Other current liabilities	Other currencies	371,571	698	-
Total current liabilities	Non indexed pesos	156,144,991	293,291	
	Dollar	86,644,070	162,745	
	Other currencies	23,354,203	43,867	
	Indexed pesos	3,669,935	6,893	
	Argentinean pesos	13,688,616	25,712	
	Euro	-	-	

90 days			90 days up to one year					
2005		Average annual interest rate	2006		Average annual interest rate	2005		Average annual interest rate
Amount	Amount		Amount	Amount		Amount	Amount	
ThCh\$	ThUS\$		ThCh\$	ThUS\$		ThCh\$	ThUS\$	
278,752	533	-	-	-	-	1,238,113	2,366	8.89%
17,058,069	32,599	5.44%	-	-	-	-	-	-
199,545	381	-	-	-	-	-	-	-
1,310,802	2,505	4.75%	612,186	1,150	5.54%	1,070,033	2,045	4.79%
3,496,502	6,682	-	44,368,052	83,338	5.66%	21,800,424	41,663	4.1625%
1,148,498	2,195	-	-	-	-	-	-	-
255,091	488	-	-	-	-	-	-	-
259,034	495	-	3,339,790	6,273	7.2%	3,232,456	6,178	4.06%
1,266,761	2,421	-	-	-	-	-	-	-
67,430,794	128,866	-	963,315	1,809	-	2,860,428	5,467	-
22,731,858	43,443	-	4,133,633	7,764	-	3,195,684	6,107	-
8,390,513	16,035	-	-	-	-	-	-	-
2,142,750	4,095	-	422,570	794	-	-	-	-
-	-	-	-	-	-	-	-	-
2,790,462	5,333	-	-	-	-	-	-	-
150,846	288	-	-	-	-	-	-	-
108,727	208	-	-	-	-	-	-	-
172,215	329	-	-	-	-	-	-	-
506,813	969	-	-	-	-	-	-	-
54,238	104	-	-	-	-	-	-	-
1,827,662	3,493	-	-	-	-	-	-	-
1,128,330	2,156	-	-	-	-	-	-	-
12,616,920	24,112	-	-	-	-	2,315,594	4,425	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
385,636	737	-	-	-	-	-	-	-
309,839	592	-	-	-	-	-	-	-
6,331,915	12,101	-	-	-	-	-	-	-
744,381	1,423	-	-	-	-	-	-	-
930,137	1,778	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
657,237	1,256	-	-	-	-	414,957	793	-
65,700	126	-	-	-	-	-	-	-
232,475	444	-	-	-	-	-	-	-
107,696,171	205,817		963,315	1,809		5,590,979	10,685	
30,926,522	59,103		51,841,475	97,375		28,228,564	53,947	
5,088,968	9,725		1,034,756	1,944		1,070,033	2,045	
1,320,713	2,524		-	-		-	-	
9,799,282	18,727		-	-		1,238,113	2,366	
150,846	288		-	-		-	-	

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Long-term liabilities – current period 2006

	Currency	One up to three years		
		Amount 2006		Average annual interest rate %
		ThCh\$	ThUS\$	
Liabilities to banks	Dollar	186,336,500	350,000	5.6625
Liabilities to banks	Other currencies	12,939,575	24,305	7.5778
Liabilities with public (Bonds)	Dollar	-	-	-
Liabilities with public (Bonds)	UF	-	-	-
Notes payable	Dollar	4,379,785	8,227	7.496
Provisions	Non indexed pesos	6,187,427	11,622	-
Provisions	Argentinean pesos	282,731	531	-
Provisions	Other currencies	736,484	1,383	-
Deferred taxes	Non indexed pesos	25,905,659	48,659	-
Deferred taxes	Other currencies	160,345	301	-
Other liabilities	Non indexed pesos	311,294	585	-
Other liabilities	Other currencies	1,369,452	2,572	-
Total long-term liabilities	Dollar	190,716,285	358,227	
	UF	-	-	
	Non indexed pesos	32,404,380	60,866	
	Argentinean pesos	282,731	531	
	Other currencies	15,205,856	28,561	

Long-term liabilities – prior period 2005:

	Currency	One up to three years		
		Amount 2006		Average annual interest rate %
		ThCh\$	ThUS\$	
Liabilities to banks	Dollar	104,654,854	200,004	4.1625
Liabilities with public (Bonds)	UF	-	-	-
Liabilities with public (Bonds)	Dollar	-	-	-
Notes payable	Dollar	7,565,606	14,459	4.06
Notes payable	UF	13,600	26	-
Provisions	Non indexed pesos	6,248,027	11,941	-
Provisions	Argentinean pesos	370,932	709	-
Deferred taxes	Non indexed pesos	17,193,606	32,858	-
Deferred taxes	Other currencies	818,460	1,564	-
Other liabilities	Non indexed pesos	4,581,706	8,756	-
Other liabilities	Dollar	351,134	671	-
Total long-term liabilities	Dollar	112,571,594	215,134	
	UF	13,600	26	
	Non indexed pesos	28,023,339	53,555	
	Argentinean pesos	370,932	709	
	Other currencies	818,460	1,564	

Three up to five years			Five up to ten years			More than 10 years		
Amount 2005		Average annual interest rate	Amount 2006		Average annual interest rate	Amount 2005		Average annual interest rate
ThCh\$	ThUS\$	%	ThCh\$	ThUS\$	%	ThCh\$	ThUS\$	%
102,218,880	192,000	5.6	25,554,720	48,000	5.6	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	159,717,000	300,000	4.875	-	-	-
-	-	-	201,700,180	378,858	3.66	-	-	-
-	-	-	-	-	-	-	-	-
4,159,974	7,814	-	10,399,935	19,534	-	9,198,088	17,277	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
6,983,918	13,118	-	6,166,599	11,583	-	29,225,760	54,895	-
419,912	789	-	28,521	54	-	21,169	40	-
-	-	-	-	-	-	-	-	-
1,561,524	2,933	-	466,434	876	-	-	-	-
102,218,880	192,000		185,271,720	348,000		-	-	
-	-		201,700,180	378,858		-	-	
11,143,892	20,932		16,566,534	31,117		38,423,848	72,172	
-	-		-	-		-	-	
1,981,436	3,722		494,955	930		21,169	40	

Three up to five years			Five up to ten years			More than 10 years		
Amount 2005		Average annual interest rate	Amount 2006		Average annual interest rate	Amount 2005		Average annual interest rate
ThCh\$	ThUS\$	%	ThCh\$	ThUS\$	%	ThCh\$	ThUS\$	%
143,024,909	273,333	4.2722	31,395,751	60,000	4.912	-	-	-
-	-	-	128,465,967	245,510	3.22	-	-	-
-	-	-	156,978,750	300,000	4.88	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
4,165,351	7,960	-	10,413,378	19,901	-	7,899,072	15,096	-
-	-	-	-	-	-	-	-	-
4,495,778	8,592	-	10,511,914	20,089	-	27,967,789	53,449	-
-	-	-	-	-	-	-	-	-
1,440,389	2,753	-	302,932	579	-	-	-	-
-	-	-	-	-	-	-	-	-
143,024,909	273,333		188,374,501	360,000		-	-	
-	-		128,465,967	245,510		-	-	
10,101,518	19,305		21,228,224	40,569		35,866,861	68,545	
-	-		-	-		-	-	
-	-		-	-		-	-	

Notes to the Consolidated Financial Statements

At december 31, 2006 and 2005 (Translation of the original in Spanish)

NOTE 31 - PENALTIES

No penalties were imposed on the Company and subsidiaries, nor on their Directors or General Managers by the Chilean Superintendency of Securities and Insurance or any other competent administrative authority.

Just it is necessary to mention:

As consequence of an incident in Celulosa Pacífico Plant, located in the IX Region of Chile, the Company had to pay a penalty of 700 UTM (ThCh\$ 21,578 - ThUS\$ 41) in response to the resolution N° 002983 dated August 17th, 2005, issued by the Regional office of the Ministry of Health.

The company appealed to this penalty.

NOTE 32 – SUBSEQUENT EVENTS

There have been no subsequent events during the year ended December 31, 2006 and the date on which these financial statements were prepared which could significantly affect their balances or interpretation.

NOTE 33 - ENVIRONMENTAL ISSUES

Empresas CMPC S.A. and subsidiaries have a long-term policy in place consisting in the sustainable development of their forest and industrial activities in harmony with the environment. In this context, investments in fixtures, equipment, and industrial plants include cutting-edge technology, consistent with the latest breakthroughs in this matter. Accordingly, their costs have increased due to these advances.

Most of the subsidiaries and factories have already obtained or have filed for certification for the ISO 9001 and 14001 international quality standards. In addition, annually vast land surface is recovered and protected from erosion through forestation.

Expenses incurred in environmental projects during the year amount to ThCh\$ 18,400,779 – ThUS\$ 34,563 (ThCh\$ 19,715,394 - ThUS\$ 37,678 in 2005), among which are expenses involving outflow treatment in industrial processes.

NOTE 34 - TIME DEPOSITS

At December 31, 2006 and 2005 this caption includes the following financial investments:

Institutions	ThCh\$	
	2006	2005
Time Deposits in pesos, re-denominated to dollars		
Banco Santander Chile	8,539,936	23,064,075
ThUS\$	16,041	44,078
Time Deposits in dollars		
JP Morgan Chase Bank - New York	8,974,231	5,796,024
Citibank N.A. - New York	192,179	1,725,199
Banco de Crédito - Peru	59,872	200,321
HSBC Bank (Uruguay)	10,009	20,355
SubTotal	9,236,291	7,741,899
ThUS\$	17,349	14,795
Time Deposits in Euros		
Citibank N.A. - London	42,119	6,402,563
ThUS\$	79	12,236
Time Deposits in other currencies		
Banco Santander Chile	6,141,486	6,854,221
Banco de Crédito e Inversiones	-	641,832
Banco Chile	-	583,610
Banco BICE	86,516	280,916
Banco Crédito - Peru (other currencies)	463,335	176,431
San Paolo IMI Bank - Asia (other currencies)	109,925	105,533
HSBC Bank PLC - London	66,135	56,845
SubTotal	6,867,397	8,699,388
ThUS\$	12,899	16,625
Total deposits ThCh\$	24,685,743	45,907,925
Total deposits ThUS\$	46,368	87,734

Time deposits in Chilean pesos re-denominated to dollar, subscribed with financial institutions have been valued at the year end, considering the value of principal and accrued interest of such instrument, in the amount of ThCh\$ 8,503,109 – ThUS\$ 15,972 (ThCh\$ 23,155,692 – ThUS\$ 44,253 in 2005), net of the difference in the value of the forward contracts entered to re-denominate these transactions to dollar. They have been recorded at the year-end fair value ThCh\$ 36,827 – ThUS\$ 69 (ThCh\$ (91,617) – ThUS\$ (175) in 2005).

Notes to the Consolidated Financial Statements

At december 31, 2006 and 2005 (Translation of the original in Spanish)

NOTE 35 - LONG-TERM NOTES PAYABLE

Long-term Notes payable denominated in US dollars amount to ThCh\$ 4,379,785 - ThUS\$ 8,226 at December 31, 2006 (ThCh\$ 7,579,206 - ThUS\$ 14,485 in 2005), corresponding to loans from suppliers related to project of investments in fixed assets, accruing an annual average interest rate of 7.496%.

The breakdown of these loans is the following:

Supplier	ThCh\$		Destination
	2006	2005	
Leasing Argentina	3,633,693	5,308,830	Machinery and equipment
Voith S.A.	521,138	2,179,844	Machinery and equipment
General Treasury of the Republic	-	56,583	Custom taxes
Others	224,954	33,949	Other fixed assets
Total	4,379,785	7,579,206	
ThUS\$	8,227	14,485	

These loans mature between 2008 and 2009.

The portion corresponding to current maturities which are shown in Long-term liabilities with current maturities under Current liabilities is as follows:

Supplier	ThCh\$		Destination
	2006	2005	
Leasing Argentina	1,863,814	1,863,461	Machinery and equipment
Voith S.A.	1,724,160	1,586,850	Machinery and equipment
General Treasury of the Republic	4,348	41,179	Custom taxes
Others	57,570	-	Other fixed assets
Total	3,649,892	3,491,490	
ThUS\$	6,856	6,673	

Other long-term liabilities:

These mainly relate to deferred balances of Obligations (net) in derivative contracts. In the previous year, the balance was mainly a deferred gain from derivative contracts made to hedge expected sales transactions. (Note 27)

NOTE 36 - FOREIGN CURRENCY TRANSLATION

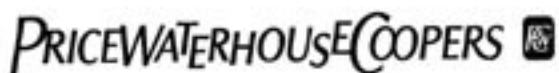
The accounting record of Empresas CMPC S.A. and local subsidiaries are in Chilean pesos. Foreign subsidiaries are converted to Chilean pesos as indicated in Note 2 f). The accompanying financial statements have been translated into United States dollars as follows.

The balance sheet statement of income, statement of cash flows and amounts in the notes to the financial statements as of December 31, 2006 have been translated into United States dollars at the year end exchanged rate of Ch\$ 532.39 to US\$ 1. In the case of the prior year 2005, they were translated at the year end exchange rate of Ch\$ 512.5 to US\$ 1, but on a basis of its historical values in Chilean pesos at December 31, 2005.

Ricardo Hetz Vorpahl
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Servicios Compartidos CMPC S.A.

Arturo Mackenna Íñiguez
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Report of Independent Accountants



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REPORT OF INDEPENDENT ACCOUNTANTS

(Translation of the original in Spanish)

Santiago, January 26, 2007

To the Shareholders and Directors,
Empresas CMPC S.A.

We have audited the accompanying consolidated balance sheets of Empresas CMPC S.A. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income and cash flows for the years then ended. These financial statements (including the related notes thereto) are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Empresas CMPC S.A. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in Chile.



Javier Gatica Menke
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Envases Roble Alto y PROPA**
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- Banco BICE
- Banco Crédito e Inversiones
- Banco de Chile
- Banco Santander Chile
- Banco Security
- BancoEstado
- BankBoston
- BBVA
- Citibank
- CorpBanca
- Deutsche Bank Chile
- HSBC Bank
- JP Morgan Chase Bank
- Scotiabank Sud Americano

ABROAD

- ABN AMRO Bank
- Banca Commerciale Italiana
- Banca Nazionale del Lavoro
- Banco Bilbao Vizcaya Argentaria
- Banco de Crédito del Perú
- Banco Galicia y Buenos Aires
- Banco Mercantil del Norte
- Banco Nacional de México
- Banco Santander Central Hispano
- Bank of America
- Barclays Bank
- Bayerische Hypo-Und Vereinsbank
- Bayern LB
- BNP Paribas
- Brown Brothers Harriman
- Caja Madrid
- Calyon
- Citibank
- Deutsche Bank
- Dresdner Bank
- Export Development Canada
- Goldman Sachs
- HSBC Bank
- ING Bank
- International Finance Corporation
- JP Morgan Chase Bank
- Mizuho Corporate Bank
- Morgan Stanley Dean Witter
- N.M. Rothschild & Sons
- Nordea Bank
- Rabobank
- Royal Bank of Canada
- San Paolo IMI
- Société Générale
- The Bank of Nova Scotia
- The Bank of Tokyo-Mitsubishi
- UBS Warburg
- Wachovia Bank

General Information

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Chilean Public Liability Company incorporated by public deed on February 5, 1920.

Authorized by Supreme Decree N° 589 of March 12, 1920. Listed in the Trade Registry for 1920 on page 366 N° 208. Listed with the Registry of Securities on March 31, 1982 under N° 0115.

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Nacimiento

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Talcahuano

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