



Guaíba 2 Project

# The final phase

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# Welcome

Dear Friends,

During the third quarter of the year, we have seen a stable market and a good balance between supply and demand despite new production output and the seasonal effects of summer in the Northern hemisphere. For its part, the economy of the United States has continued to make a recovery, whilst Europe has continued to develop positively at a slightly slower rate than expected.

At CMPC Pulp we have moved forward with the construction of our new production line at Guaíba without any major setbacks, meaning that we are confident that operations can begin by the date originally planned. At the same time, we have begun the commercial work necessary for the new product placement, formulating an intense marketing and communications plan, and having meetings with our business representatives to devise a specific plan for each market, taking into consideration local factors. In addition, we have intensified the work of a multi-disciplinary team, comprising staff from our Customer Services, R + D and Sales Departments, using the latest tools to study and analyse our fibres, combined with the development of recommended specific techniques for our customers that will enable them to improve performance both in terms of costs, as well as quality.

In this issue there is up-to-date information regarding works at the Guaíba 2 project, as well as details about our forest area in Brazil, which guarantees the wood supply for this significant production increase. Also, there is information about some of our ongoing work with our business representatives, who are an extension of our company in each market. In addition, there are further details about our staff and an interview with the Manager of Santa Fe Mill and finally, the latest news about our company.

I hope you enjoy reading this newsletter and may I take this opportunity to wish you the greatest success and fulfilment for the rest of the year.

Yours sincerely,

Washington Williamson  
CEO CMPC Pulp

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## Guaíba 2 Project



Growing for you  
May 2015

# A new milestone

With the installation of the largest turbines ever manufactured in Brazil, we begin the most important phase of the construction programme of the new production line at Guaíba Mill.

Following complex logistics and transport operations, the two condensation and pressure turbines arrived on the mill floor during July and August and also the two generators, manufactured especially for the project by Siemens, in Brazil and Germany respectively. This equipment forms part of the energy generation system which will enable, from mid 2015, an increase of almost four times the annual production volume of CMPC Celulose Riograndense to be sustained efficiently.

The first turbine weighs more than 130 tonnes and is 10 metres long, 5m wide and 4m high.

It was transported between Jundiaí/SP and Guaíba/RS by special trailer. The journey took two months by train due to heavy rain at that time of year. The second turbine, with similar measurements, arrived in August.

The generators, each one weighing 121 tonnes, 8m long and 4m wide, were transported from Erfurt to Hamburg on barges and from there to Rio Grande/RS by boat. The journey by road from the port to the mill took approximately one week and had technical support from the Federal Road Police.



Aerial view Guaíba 2



*“Using waste from pulp production, we will guarantee energy independence and contribute to the economic benefits of this project”*

*Luiz Renato Figueiredo Chagas,  
Manager of Power Control at  
CMPC Celulose Riograndense*

## GENERATING A SURPLUS

The new energy generation system at Guaíba will have a total capacity of 175 MW, exceeding the mills needs, and therefore 30 MW will be available to ‘SIN’, the power grid.

The turbines will receive high pressure steam generated by the recovery boiler during pulp production. Together with the generators, this equipment is the most modern available.



Progress at September



People working on the project

## ON SCHEDULE

The progress of the works in the third quarter of the year means that the date scheduled for the start of operations, May 2015, can remain in place. By this date, the infrastructure work will be finished, consisting mainly of a 152 m high chimney and circular concrete structure with a diameter of 16 m designed using PDMF. This system uses three dimensional projections enabling gas dispersion to be calculated taking into consideration wind provenance and speed. In addition, it will have a larger

diameter than conventional chimneys. US\$1,208 million have already been allocated for the completed works, of the total investment projection of US\$2,306 for this project.

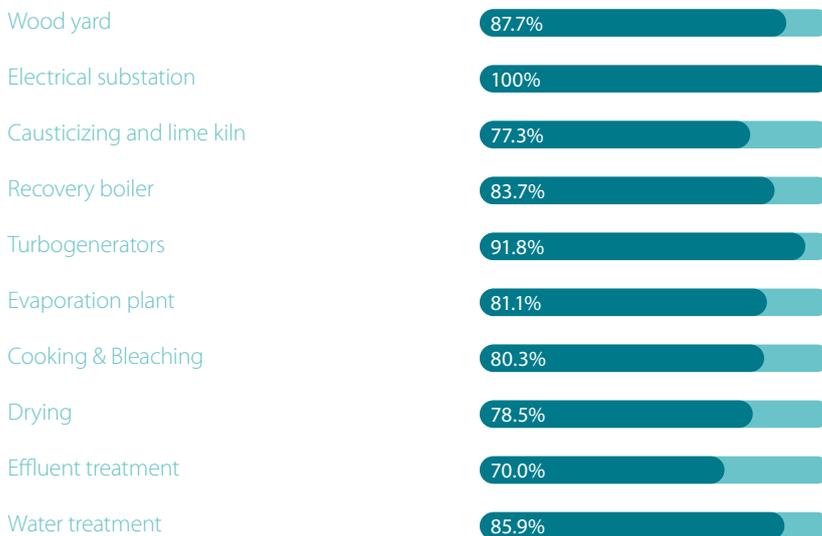
## NEXT STAGE

In the schedule, the next step is to carry out tests and controls following the works and prior to the start of operations, in order to ensure that the structures comply with the standards established in the project. The company has been

preparing for this phase for over a year since the Operation and Maintenance Team (POM) was set up, responsible for contracting operators and other professionals who will work at the mill following training on the new operations.

Towards the end of this year 8,300 people will be working on the construction works.

## Progress to September







## Guaíba Forests

# Guaranteed Forest Area

Around 19,000 hectares of eucalyptus will be produced annually to meet the new production capacity of Guaíba.

The extra raw material that Guaíba Mill will require to increase annual pulp production from 450,000 tonnes (400,000 tonnes of market pulp) to 1,750,000 tonnes in 2015, is being grown by CMPC Celulose Riograndense in their own forests under certified production systems. The company has an area of 320,000 hectares in Rio Grande do Sul, of which 165,000 hectares form part of their forested area and 155,000 are for conservation. The total certified

area is 219,661.48 hectares. 77% of the woods managed by the company will meet the future demand of the mill. Currently, 70% of these plantation forests are cloned, mainly with the Eucalyptus Saligna species, and the rest are grown from seeds. In five years, all of the plantation forests will be cloned, which will provide greater uniformity and wood quality.

## Certification Management

Standards awarded to CMPC Celulose Riograndense

Standard	Certification	Date awarded	Expiry
FSC-STD-40-004 V2-1 FSC-STD-40-005 V2-1	Single Chain of Custody and Controlled Wood	20/12/2010	19/12/2015
FM-35 RA FSC-STD-BRA-01-2014 VI-0 PT	Single Forest Management and Chain of Custody	31/07/2012	30/07/2017
NBR 14790:2014	Production, storage and sale of bleached pulp and paper for printing, writing and special paper.	02/12/2009	18/01/2017

# Working together for added value

In a seminar which took place in Chile, we shared with our European market representatives, the tools and necessary technical expertise to provide a world class service to our customers.

To strengthen our value proposition, which is the principal objective of CMPC Pulp's strategy, we met in Santiago during the second week of September with executives from the agencies representing us in Europe: Gusco, Euro fibres, Cellmark and Northern Pulp.

These meetings are in line with our policy of maintaining an international presence based

on the participation of local experts who understand the needs and demands of our customers, and at the same time share our values and are aware of the technical capabilities of our fibres.

Next December we will continue with this programme of updating and collaborative work, by meeting with our Asian market representatives in Hong Kong.



*"These occasions for sharing knowledge are essential for consolidating long term relations with our customers"*

*Guillermo Mullins  
Commercial Director of CMPC Pulp*

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## Ongoing communication

As part of our innovation programme, we have implemented a new tool that facilitates communication and collaboration amongst the business teams of Chile, Brazil and the sales representatives around the world.

CMPC Sales Network will help us to develop as a team, with the objective of improving the experience of our customers, and will continue to strengthen our value proposition.



*"Regarding the new line at Guaíba 2 it was extremely good that all of us got the same picture and now can work together to bring the volumes into the market. Also the technical overview is very useful. It would be great to keep this updated with new findings in due course".*

*Hendrik Schürfeld  
GUSCO Handel & Schürfeld + Co. GmbH*



*"Having these regular meetings will help us all to achieve the challenge ahead by creating a team spirit, sharing and exchanging information, learning from each other, achieving a better understanding of every market and its logistical challenges as well as getting regular updates from CMPC of technical developments".*

*Robert Hamilton  
Euro Fibres SPRL*



*"The meeting creates good cohesion within the team. As we are of different nationalities, environments and markets, it is important to strengthen the team spirit in order to get a homogenous approach to the market".*

*Rémy Heintz  
Cellmark S.A.*



# From the market

The manager of Santa Fe Mill worked for more than twenty years in the CMPC Group subsidiaries, Cardboard and Paper.

“Ensuring quality, quantity and delivery is fundamental, but also bringing knowledge to our customers is something that differentiates us”. I can contribute personally with my experience in producing cardboard, in process and end use optimisation”, states Juan Constabel. The executive took on the management of Santa Fe Mill in February

2013 after running Operations Management for Cartulinas CMPC, in charge of Maule and Valdivia mills. In that subsidiary, he was also Assistant Manager of Operations and Production at Maule mill, experiences which he adds to product development in the Technical Management Department of CMPC Papeles.

### In your judgement, what are the main challenges facing our customers?

Today every player in the paper industry needs to reduce costs as much as possible to remain competitive. High energy costs, new investment requirement to meet legal regulations, amongst other challenges, are threatening the efficiency of several paper mills.

### In what way can Santa Fe support them?

Within our personnel we have not only experts in pulp manufacturing, but also people with important experience in paper making. Therefore we can support our customers with specialist technical visits helping them to improve processes and sharing both knowledge and expertise. CMPC Pulp also has the necessary equipment at its R & D Centre to optimize the mix of raw materials, seeking to improve quality and/or physical properties and also by substituting more expensive fibres. Thus we can also help

our customers to reduce costs by optimizing electricity consumption in disaggregation and refining, and advise them in the optimization of the fibre furnish.

### What are the strengths of Santa Fe Mill?

Product stability, its quality, ensured by the mix of Globulus and Nitens, and the opportunity to have two production lines giving greater security with regard to supply for our customers.

### Which developments have consolidated this capacity?

We have invested heavily in achieving continuity for our processes, which has meant fewer accidents, lower production costs and no environmental issues.

### What new actions are taking place?

We are implementing projects to comply with noise standards, TRS, dangerous substances and pressure vessels. We have worked in a variety of areas

surrounding security and also we have invested resources and effort in housekeeping at the mill. In general, we have ongoing contact with suppliers of the main equipment, with international advisors, and we are working on keeping equipment constantly up to date.

### What challenges does Santa Fe pose in the market context?

Without a doubt the arrival of new capacity to the market will make us double our efforts to maintain our leadership in cost and product quality.

### In which ways do Santa Fe and Guaíba complement each other?

Diversification in two countries and the fact that both mills have two production lines, enable us to reduce supply risks for our customers: it gives us a logistical advantage and the possibility of different qualities depending on use.

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## A CHILEAN GERMAN

Juan Constabel is the grandson of a German immigrant who arrived in the South of Chile at the beginning of the last century, hired by the tanner Rudloff from Valdivia. The strong influence of German culture that attracted professionals and artisans to this city from the 19th century is still ongoing, and this has enabled him to keep up his language and connection to his origins.

In addition, Constabel is married to a German citizen, Daniela Butz. Both of them, together with their three children, frequently visit their family in Berlin.



# Shared challenge

To offer new solutions in areas that are critical to the success of our customers, we are combining our service capabilities and know-how with Research and Development resources.

During 2014 we set up a multidisciplinary team of professionals dedicated to analysing real problems in the paper industry and developing innovative solutions that can be implemented by using our fibres efficiently.

This team, led by Fernando Martínez, Customer Service Director at CMPC Pulp, and Edvins Ratnieks, Technology Manager at CMPC Celulose Riograndense, has specialist technicians in Asia and Europe and collaborates closely with the Marketing, and Research and Development areas of the company.

Important investments in mathematical modelling tools and scale refining equipment, enable us to obtain the precise properties of pulp and mixtures and to simulate accurately their outcome on an industrial scale. In this way, we have already carried out studies on P&W paper manufacture using 100% BEKP pulp and on areas that enable refining to optimise the furnish for different paper applications.



*“The ability to produce different types of fibres in different countries is an advantage that we hope will provide greater value for our customers”*

*Fernando Martínez  
Customer Service Director at CMPC Pulp*



*“Every customer operates in a unique and different context, and thus our service reflects this”*

*Edvins Ratnieks  
Technology Manager at CMPC Celulose  
Riograndense*



## CMPC News

### Successful capital increase

95.4% of CMPC's shareholders purchased the shares offered during the preferential option period for the US\$250 million increase in capital, carried out as part of the financing for the Guaíba 2 Project in Brazil.

Shareholders such as the Matte Group, that controls 56% of CMPC's shares, and the Administrators of Pension Funds, who own around 11% of the share capital, purchased all of their options.

### CMPC is amongst the most respected companies in Chile

CMPC was in sixth position in the Ranking of the most Respected Companies in Chile in 2014. The company has found itself in the top ten of this study carried out by Gfk Adimark for the 19 consecutive years.

Evidence is obtained through online questionnaires to 109 business people and top executives from the most important companies in Chile. The analysis is divided into nine sections and CMPC is amongst the top three companies with regard to contributions to education; training and/or social assistance; integrity and transparency; and seriousness and solvency. In addition, regarding working environment it occupies sixth position.



### New Administration Director

Since August 2014 Patricio Arenas has been Administration Director at CMPC Celulosa S.A. In order to take on this new role in the company, he returned to Chile from Porto Alegre, Brazil, where he was Administration and Financial Director at CMPC Celulose Riograndense for four years, a position in which he actively participated in defining the strategic plan for this subsidiary.

Previously he worked in the wood and forestry companies of the CMPC Group in Chile, and prior to that he was Director of the representative CMPC Asia Ltd. in Tokyo.

### Support for refurbishment of Guaíba Hospital

In August, CMPC Celulose Riograndense signed a contract with Guaíba Council to donate R\$2million (equivalent to around a million dollars) to finance the refurbishment work and new equipment for the local hospital. This will enable Obstetrics and Clinical Admissions, which had been suspended since 2009 to resume in 2015, and marks the start of an expansion which, with a contribution of an extra 32.4 million reais from the state government, will significantly improve access to medical help.

In this moment, the refurbishment of the hospital's reception areas and Admissions Unit for Adults has already begun. A 750 kWh generator has been purchased, with an automatic connection to the electricity grid as well as an energy transformer for the corresponding substation, and a gas system for medical use has been installed.



### Schools supported by CMPC improve their results

In the 'Assessment of Educational Quality' test, Simce, completed by children from all over Chile in primary education, the 56 schools supported by the CMPC Foundation obtained grades which were higher than the national average in Spanish Language and Mathematics.

CMPC Foundation, created in the year 2000, develops training programs for teaching staff, advises management and carries out cultural activities that benefit approximately 7,000 children from the neighbourhoods close to the company's production mills.



## CMPC PULP

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

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