



Guaíba 2 Project

# The Countdown

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# Welcome

Dear Friends

During the first few months of this year, we have seen a firm market at a world level for hardwood and greater stability in softwood. Although the appreciation of the US Dollar has put some pressure on the European market, the good news is that demand for pulp and paper has remained steady.

At CMPC Pulp, we are in the final phase of construction of the second production line of our Guaíba mill, and its operational start-up remains on course for the end of the second quarter of this year. In Chile, our mills have maintained stable operations and a permanent focus on efficiency and quality.

In this issue, you will see how our organization is preparing for the start-up of operations at our new line in Brazil in several different areas. You will get a glimpse of the strengthening of export logistics from Brazil and of the continuing activities aimed at preparing our network of commercial representatives for the start-up, this time with an activity held at Hong Kong with our commercial representatives for markets in Asia and Oceania. Finally, you will learn about the approval of our eucalyptus pulp for Nordic and EU Ecolabels.

I invite you to enjoy reading our newsletter, and I would also like to take this opportunity to wish you much success and satisfaction during 2015.

Washington Williamson  
CEO CMPC Pulp

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## Guaíba 2 Project

# Closer every day



Growing for you  
May 2015

The new line at the Guaíba Mill will go into operations during the next quarter.

After 18 months, construction work on the second line at the Guaíba mill has reached its most intense period. During December 2014, about 9,000 people were working at the sites on one of the most important phases of the project: the final part of the construction and the testing of the new equipment. This includes key milestones such as the finishing of the electricity

substation, the start-up of operations of the water supply system, the hydrostatic testing of the digester and the first oil burning test in the recovery boiler.

The work program has kept strictly to the planned schedule. Thanks to this, it is expected that the new line will start up in its pilot phase during the second

quarter of 2015. Within six months from start-up, the new line will reach full production capacity of 1.3 million tons per year, bringing total plant capacity up to 1.75 million tons per year, four times the present output.

The total investment, which is part of the US\$ 2,300 million budget, amounted to US\$ 1,860.7 at December 2014.

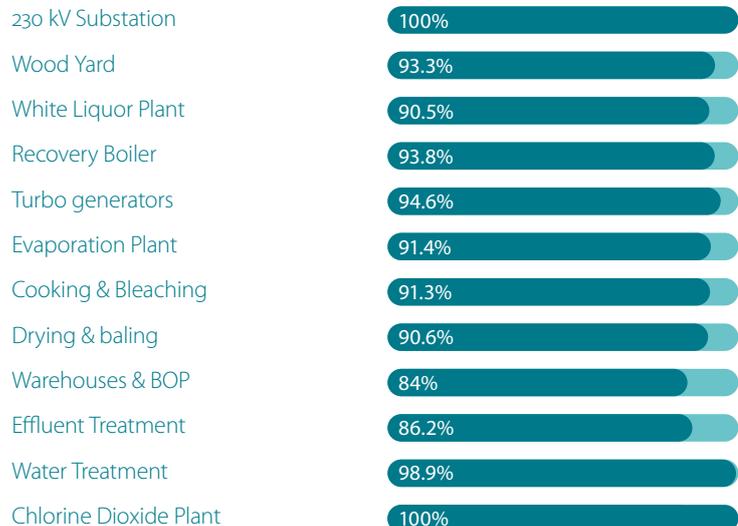


Overall progress against target at January



People working on the project

### Progress status at January





# Dedicated transport routes

The expansion of the port terminals and a new private road will support the next productive stage of the Guaíba mill.

CMPC Celulose Riograndense has developed a new logistics system for the transport of 1.7 million tons/year of pulp, 60 thousand tons/year of offset paper and 1.19 million tons/year of wood trunks, to and from the Guaíba mill. The company has expanded the port serving the mill on Lake Guaíba, which flows directly into Laguna Dos Patos. This is the route used

for the transportation of the pulp as far as port of Rio Grande, and for the reception in Guaíba of eucalyptus timber from the south of Rio Grande do Sul. This is all done using barges specially designed for the transport of these types of cargo, ensuring that they are always fully loaded when in operation.



As a result, 88% of the pulp produced at the Guaíba mill (1.5 million tons/year) will be transported across the lake to the port, while the rest will be moved by road to the markets in Brazil, Argentina and Uruguay.

### Private road

The new private road to the CMPC Celulose Riograndense mill, to be used exclusively for the transport of wood and supplies, is at an advanced stage of its construction. This road, which is 4.3 km long, will help to free the highways of the city of Guaíba from traffic when the mill starts operating. The company is investing US\$ 10.5 million in this project, which is a voluntary initiative seeking to minimize the risks and impacts that the increased capacity could have on the local community.

### Expansion of warehouse facilities

The former pulp storage facility at the Guaíba Mill has been completely demolished in order to make room for a new structure, with a surface area of 19,600 square meters and capacity of 45,500 tons. Together with this warehouse facility, an All Weather Terminal (AWT) will be built. This is a covered terminal that will allow the loading of pulp in any weather conditions. Timber will be stored in an area of 11,500 square meters, where there is estimated capacity for 28,000 cubic meters of wood.

To support loading operations for pulp at the terminal, the company will also have two 16-ton capacity cranes and 15 forklifts, each with 7 ton capacity. The terminal will also have crawler cranes for the reception of timber.

Furthermore, the company is making infrastructure improvements at the public port of Rio Grande do Sul in order to maximize its efficiency. It has carried out work at the port warehouses, which have a total capacity of 69,500 tons. In addition, for operational purposes, it will supply two cranes for the unloading of barges, 16 forklifts for the handling of pulp at the storage facilities, 4 forklifts for the filling of containers, 2 reach stackers for the handling of containers and 22 tugboats to transport pulp between the warehouses and the public wharf.





# Optimal connections

Ahead of the start-up of operations for the new productive line at Guaíba, we are strengthening the supply logistics from Brazil to European ports.

In December 2014, we signed a two-year contract with GriegStar for break-bulk maritime freight of pulp on the route from Brazil to the Mediterranean. With this new contract, the Norwegian company, which already provides freight services from Chile to the Mediterranean, has become a relevant service provider for our logistics system.

GriegStar will take our shipments in specialized vessels for the transport of pulp from port of Rio Grande in Brazil to the ports of Livorno, Naples, Monfalcone (Italy), Palamos (Spain) and Sete (France).

The long-term relationship with world-class suppliers such as GriegStar and Gearbulk for maritime transport is a very important pillar of our commercial strategy, since 90% of CMPC Celulosa production is exported to around 370 clients located in more than 40 countries.

Approximately 75% of our shipments are made as break-bulk cargo and main destinations are Europe and Asia. The remaining 25% of exports is shipped in containers to countries in Latin America and the Caribbean, Oceania, South East Asia and the United States.

At the destination ports we also use the services of operators with an excellent reputation, including companies such as Euroports, Verbrugge Terminals, CJ Korea Express, Chieng Shing Harbour Service and J. Mueller

Breakbulk Terminal. By using world-class operators, we strive to ensure that the conditions for pulp storage, handling and transfer allow our clients to optimize their supply chain.

## Average distances

Mills	From the forests	To the ports
Guaíba	180 km	260 km*
Pacífico	93 km	163 km
Santa Fe	99 km	119 km
Laja	80 km	93 km

\* by barges

The location of our mills, close to both the forests and the ports, is one of the principal strengths of our logistics system.

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Principal ports and several others for transshipments

- Long-term contracts with world-class shipping companies and port operators
- Flexibility and rapid response capacity
- Permanent stock in Asia, Europe and the Americas





# Meeting in Asia

We have continued to strengthen our commercial network with the second extended meeting of commercial representatives; this time held in Hong Kong.

CMPC Pulp executives and 28 executives from firms representing the company in Asian markets met on 4 and 5 December in Hong Kong to work collaboratively and seek synergies, particularly in light of the new capacity that will shortly be available from the Guaíba mill.

This activity is part of the company policy to combine the deep understanding that each representative has of its own clients, with the technical know-how of the company in the use of its products. These combined forces seek to supply offerings to the market that help generate value through the best use of our fibres and the optimization of the productive processes.

Guaíba BEKP and Santa Fe BEKP

# Approved for ecological labels

We are very happy to announce that our short-fiber pulp from Chile and Brazil has been approved for use in paper products with the ecological labels of Nordic Ecolabel and the European Union (EU Ecolabel).

Both ecological labels are official in all the Nordic countries: Denmark, Sweden, Norway, Finland and Iceland. Their purpose is to help consumers choose products that have complied with the strictest environmental requirements in their manufacturing cycle.

In order to include Guaíba BEKP and Santa Fe BEKP on the list of raw materials approved within the Nordic ecological labelling system, a series of factors were considered by the qualifying agencies: data on our productive processes, electricity and fuel consumption, emissions, the type of fibres

used, the consumption of wood, chemical additives, chain of custody certifications and ISO 14001, as well as the handling of solid waste.



*Guaíba Mill*



*Santa Fe Mill*



## CMPC News

### CMPC provides on-site information about progress at Guaíba 2

Fifteen analysts from international and Chilean banks visited the site of the Guaíba mill during November 2014. The executive team from CMPC Celulose Riograndense, led by its CEO, Walter Lidio, main executives from the company Finance area, and staff responsible for investor relations at CMPC gave an on-site report about the project's progress and showed the analysts the Barba Negra forest nursery.



### Social projects are developed with the support of CMPC Pulp

CMPC Pulp is supporting initiatives promoted by social organizations at communities in Nacimiento, Laja and Mininco, through a project incubator. These communities are all located in areas close to CMPC mills in Chile. Following its first year of work, seven of the projects presented at public tenders obtained the financing required for their full development.

The incubator has a full-time professional providing support at each step of the projects: design, application for financing and implementation. The work model used includes the detection of local requirements, participative design and training.

More than 30 local organizations and neighborhood groups in the municipal districts where CMPC Pulp mills are located have received support from the incubator.



## Guaíba ensures competitiveness of its forests

CMPC Celulose Riograndense is investing in the genetic improvement of raw material at the Guaíba mill. Its technical teams are carrying out investigations in order to develop tree species that can best adapt to the climatic conditions in the south of Brazil.

The company is already self-sufficient in the production of wood for its pulp mill, where annual consumption will be increased from the present 1.6 million square meters to 4.7 million square meters of wood following the start-up of operations of the second line, in mid-2015. Its forests planted for production, which cover 167 hectares, will generate a surplus supply that will allow the company to work in a sustainable manner and to sell the excess during some periods of the year.



## Project supported by CMPC successfully completed

During January 2015, and within the planned timeframe, the rebuilding work on the Guaíba hospital was successfully completed. CMPC Celulose Riograndense contributed approximately one million dollars to this project.

With its new structure, the hospital will be able to carry out surgery and provide obstetrics services and inpatient hospital care. The building work included the refurbishing of areas for the reception of patients, an increase of 31 beds in the Adult Unit, the acquisition of an electricity generator and the installation of a medicinal gas plant.





## 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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March 2015

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