

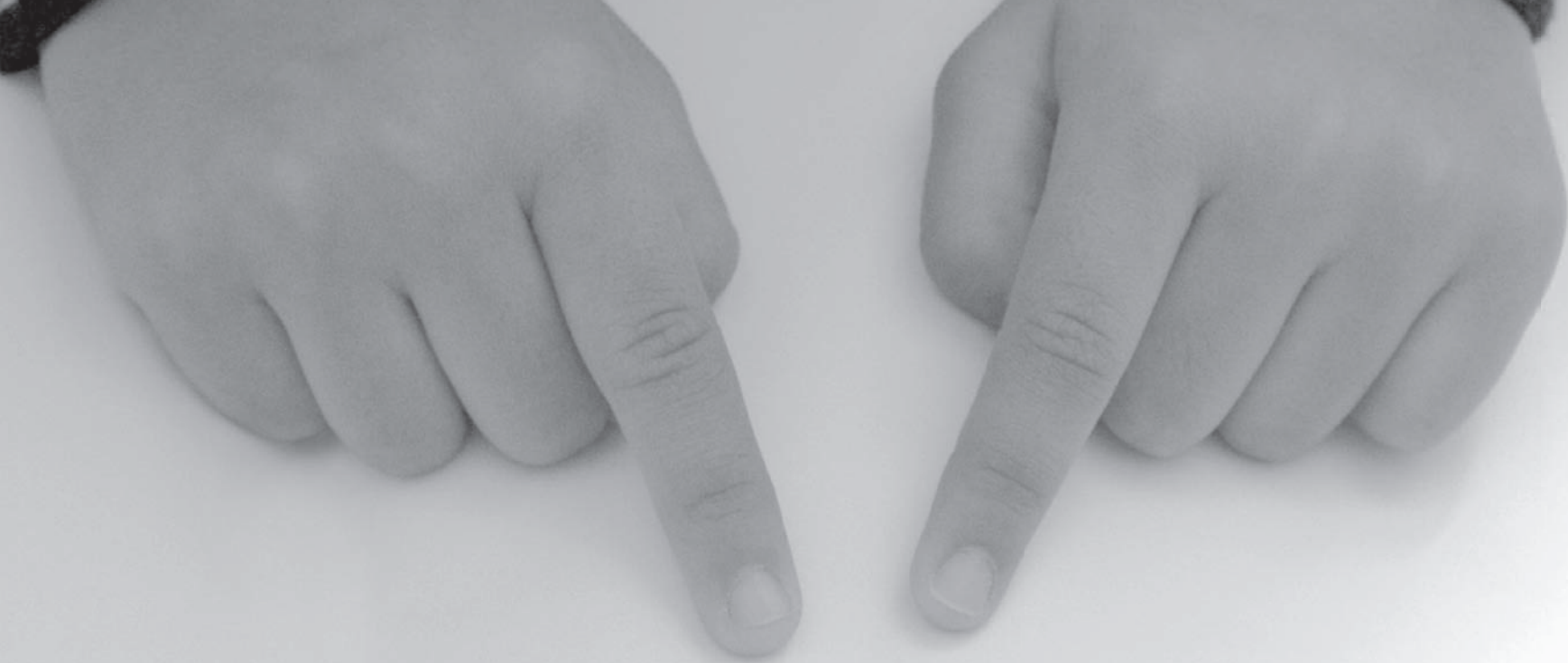
How to be Socially
Responsible...

You Learn!

SUSTAINABILITY REPORT 2006 EMPRESAS CMPC S.A.

Being Socially Responsible is to be willing to act with concern for others, for common well-being, for the environment. Being Socially Responsible is a way of being more generous.

The Report



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The 2006 Report includes information on the holding company and head office of the Company's five business areas: Forestal Mininco, CMPC Celulosa, CMPC Papeles, CMPC Tissue and CMPC Productos de Papel.

About the Report

This Report contains information on the economic, environmental and social performance of Empresas CMPC between the years 2004 and 2006.

Since 2001, CMPC has published reports on subjects related to sustainable development, the last one being its Social and Environmental Annual Report, containing information on the year 2003.

This Sustainability Report has been prepared by the CMPC's General Secretariat, with the assistance of Fundación PROhumana. To such effect, we implemented a process of compilation, editing and validation of information. This process included the creation of corporate and divisional work teams, as well as the implementation of internal verification systems.

Unlike preceding Reports, the contents of this have been prepared bearing in mind the Sustainability Reporting Guidelines of the Global Reporting Initiative - GRI. CMPC intends to prepare its future reports in accordance with said Guidelines.

The Report includes information on the holding company and on the five business areas of the Company: Forestal Mininco, CMPC Celulosa, CMPC Papeles, CMPC Tissue, and CMPC Productos de Papel.

Amounts of money are expressed in United States dollars, unless otherwise indicated. Most figures contained in this report have been consolidated to show a general picture of the Company in the several fields required to be reported.

Economic figures are disclosed in accordance with the standards issued by the Superintendency of Securities and Insurance and have been externally audited by PricewaterhouseCoopers.

For better information and to facilitate dialogue with the interested public, the Company provides additional information on its web site (www.cmpc.cl).

Should you require any specific information or wish to make a contribution to the development of this Annual Report, please contact:

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BOARD OF DIRECTORS OF EMPRESAS CMPC: Arturo Mackenna I. (Chief Executive Officer), Juan Claro G., Bernardo Matte L., Gonzalo García B. (General Secretary), Eliodoro Matte L., Jorge Gabriel Larrain B., Patricio Grez M., Jorge Marín C. and Martín Costabal Ll.

Letter from the Chairman

We are very pleased to present the Sustainability Report of Empresas CMPC for the 2004-2006 period, which we have developed using some guidelines and indicators of the Global Reporting Initiative (GRI).

Production activities of Empresas CMPC are conducted harmonizing several aspects. In relation to the business chain, we have a permanent concern for our workers, suppliers and customers. Timely payment of taxes, a pleasant working environment, performance of contracts and respect for the pledged word; high quality of products and a responsible marketing are part of the above.

However, CMPC intends to go beyond these actions by getting involved with the challenges and goals of the communities where it develops its operations.

The work of Fundación CMPC - which supports 93 schools in 36 districts of the country and benefits more than 380 teachers and 15 thousand children- is one such action, which also include the Good Neighborhood Plan, whose contributions are mainly linked with Mapuche communities and related to work, training and educational programs.

Equally relevant for the Company is care for the environment. For this reason, all our investments have incorporated the corresponding environmental dimension.

CMPC is a company that is investing, which believes in Chile, in its workers and in its business. A very active Company that endeavors to continue to improve, faithful to its traditions, while innovative. We currently have 20 mills and plants operating in Chile, 8 abroad, nearly 500 thousand planted hectares and important investment plans underway.

It is our purpose that this report may become not only a valuable tool for ongoing improvement, but also an instrument to facilitate the links with the interested public.

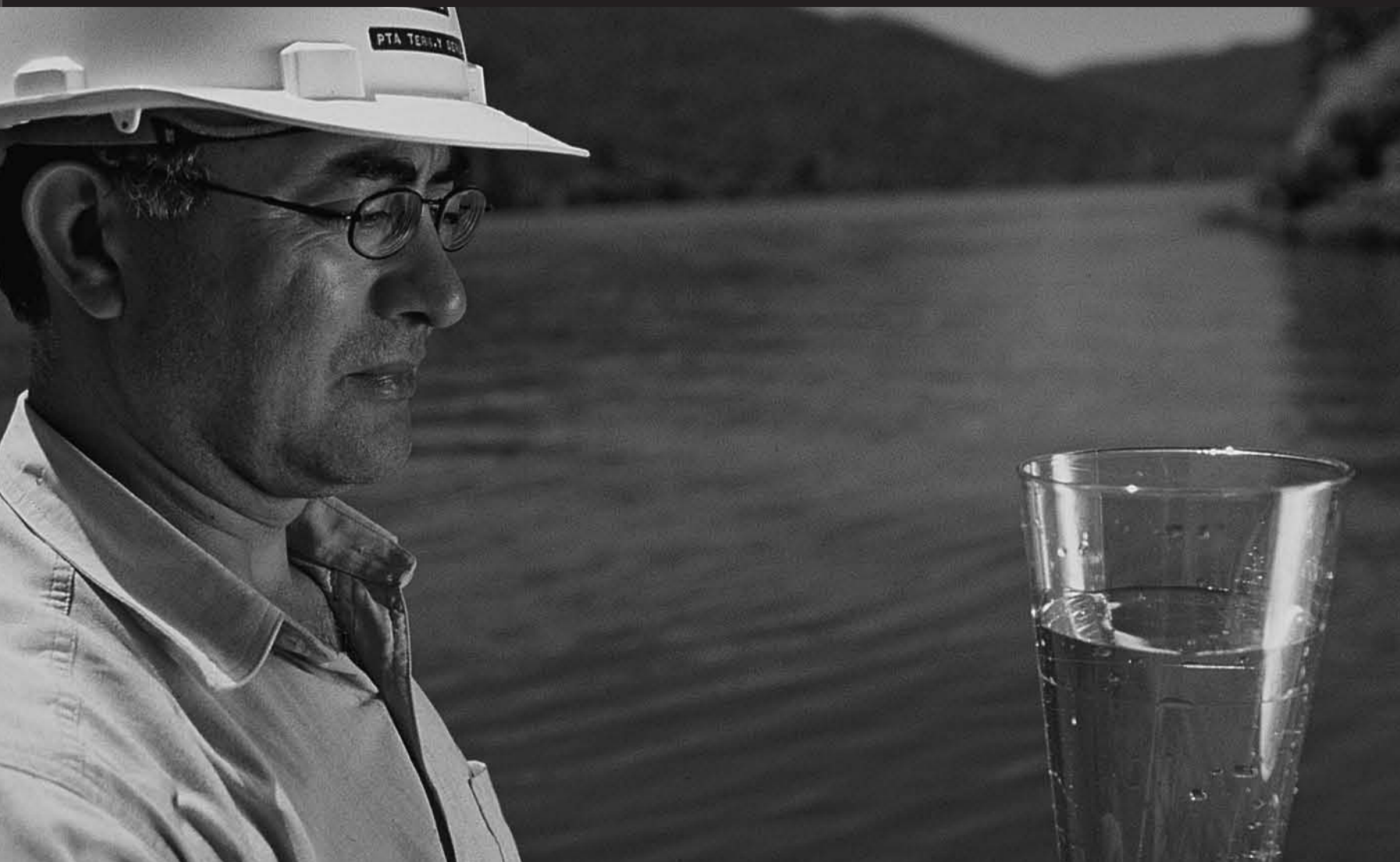


Eliodoro Matte Larraín
Chairman
Empresas CMPC S.A.

How to Contribute to Sustainable
Development...

You Learn!





CMPC is a sustainable company which incorporates the environmental dimension in all its projects. It voluntarily and proactively assumes its commitment to Social Responsibility, performing its duty within the ethical framework of good practices in each and every activity it undertakes.



The Company employs 9 thousand 600 workers and operates 28 mills and plants located in Chile, Argentina, Peru, Uruguay, and Mexico.

1. The Company

CMPC is a listed Stock Corporation established by Executive Decree No. 589 of March 12, 1920. It originated as a result of the merger of the paper producing companies Ebbinghaus, Haensel & Cía., and Comunidad Fábrica de Cartón Maipú.

It is registered in the Register of Securities of the Superintendency of Securities and Insurance, and is subject to its supervision.

The Matte Group is the majority shareholder of the Company with 55.44%, followed by local shareholders (26.12%), Pension Fund Administrators (AFPs) (17.33%) and foreign investors (1.11%).

The Company is one of the main manufacturers of forest products in Latin America. Its products and services include round logs (sawable and pulpable) and remanufactured woods, long and short fiber bleached pulp, graphic papers, newsprint paper, folding boxboards and corrugating papers, tissue products, diapers and sanitary towels, corrugated cardboard boxes, pulp trays and paper sacks.

A great majority of the trade brands registered by the Company are associated with products of the tissue business: Babysec for children's diapers; Cotidian for adult diapers; Confort, Elite, Noble, Nova, Higienol, Sussex and Orquídea for napkins, toilet paper, handkerchiefs, among others; Confidence for women's protection and Equalit for photocopy paper.

As at June 30, 2006, the Company employs 9 thousand 661 workers, and operates 28 mills and plants located in Chile, Argentina, Peru, Uruguay and Mexico. It owns and also manages 500 thousand hectares of plantations in Chile and Argentina, mainly pine and eucalyptus, exporting to over 500 customers distributed in more than 40 countries throughout the five continents.

CMPC is an integrated forestry industry, which operates as a holding company through five business centers: Forestry, Pulp, Tissue, Papers and Paper Products. Each one of these operates independently, the Holding Company being responsible for the general coordination and financial management of these businesses. Provisioning, computer systems and others related

to administrative support, are centralized in Servicios Compartidos CMPC S.A.

FORESTAL MININCO

This area is composed of subsidiaries Forestal Mininco, Sociedad Forestal CreceX, Forestal Monte Águila, Forestal Bosques del Plata and CMPC Maderas, which make possible the industrial development of the Company by supplying raw material to other subsidiaries. As of December 2005, it managed forest assets over an area of 497 thousand hectares.

CMPC's forest plantations are located in the national territory and in Argentina. In addition to this, it owns four large sawmills, three in the 8th Region of the country and one in the 7th Region: Bucalemu, Mulchén, Nacimiento and Constitución, respectively, with a production capacity exceeding 1.3 million m³ of radiata pine per year. In the 8th Region it also has a converting plant in Los Ángeles and another in Coronel, which produce over 200 thousand m³ of products made from dry sawn wood (finger joint panels, moldings and laminated products). Besides, CMPC Maderas owns a wood preservation plant (45 thousand m³ of treated sawn wood per year) and a door manufacturing plant (200 thousand units per year). In early 2007 a plywood mill will be added, located in the 9th Region, with a capacity of 225 thousand m³ per year.

Exports of this Company area represent more than 80% of its sales to third parties and are commercialized in more than 20 countries in the five continents. Furthermore, it has commercial offices in the United States and Asia.

CMPC CELULOSA

This company has three pulp mills located in Chile: Laja, Pacífico and Santa Fe, which in the year 2005 produced 1 million 270 thousand tons of pulp, nearly 50 thousand tons more than in 2004. Its products are sold to more than 200 customers in 30 countries of Europe, Asia and America.

One of the most significant changes in its operations will be the second pulp line in Nacimiento (Santa Fe 2), which required an investment of US\$ 745 million, the largest made by the Company in its history. Its start-up is scheduled for the second half of 2006.

At Laja Pulp Mill, the project PROFAL IV has been recently completed. It involved an investment of US\$ 46.7 million and is aimed at substantially improving the mill's environmental performance.

By the end of 2006, a biomass boiler will start operating at Pacifico Pulp Mill, with a capacity to produce up to 150 t/h of high-pressure steam. The investment envisaged in this project amounts to US\$ 55 million.

Furthermore, important progress has been made in Logistics and Supplies. It is worth mentioning the new railroad system to transport pulp from mills to the ports of the 8th Region. In addition to incorporating a new railroad operator, improvements were implemented in the whole logistic chain, adapting it to the requirements that will arise with the start-up of Santa Fe 2.

CMPC PAPELES

CMPC Papeles comprises the subsidiaries Cartulinas CMPC, INFORSA, Papeles Cordillera, which in 2005 respectively produced 230 thousand tons of folding boxboards per year in Maule and Valdivia plants, 202 thousand tons of newsprint paper per year in its plant located in Nacimiento, and 290 thousand tons of corrugating, graphic papers and others per year in its Puente Alto plant.

In addition there is EDIPAC, a paper distributing company, and SOREPA, a subsidiary responsible for collecting waste papers or paper trimmings for recycling in the Company's mills and plants.

The main changes in the operations of Cartulinas CMPC are: at Maule Plant a project to expand its production by 80 thousand tons materialized, involving an investment of

US\$ 37 million; and at Valdivia Plant a new converting room started operations. An expansion project is being developed at this plant, which increase the current capacity by 20 thousand tons, with an investment of US\$ 7.8 million.

In Papeles Cordillera a project to expand the production capacity of corrugating papers based on recycled fibers is being executed, with an investment of US\$ 36 million. Furthermore, a secondary effluent treatment plant is being built for an amount of US\$ 7.7 million. The start up of both projects is scheduled for the second half of 2006.

The main project of INFORSA is mechanical pulp washing, which will improve paper quality and reduce variable costs, with an investment of US\$ 8.2 million. Its start-up is expected during the first half of 2006. Likewise, a secondary effluent treatment plant is being built, with an investment of US\$ 5.9 million.

CMPC TISSUE

CMPC Tissue is composed of nine industrial plants manufacturing tissue and sanitary products, which are located both in the national territory and abroad (Argentina, Peru, Uruguay and Mexico).

In Chile there are the Puente Alto and Talagante plants, which in 2005 produced 100 thousand tons of tissue products, 5,3% more than in 2004. On the other hand, the production of diapers in 2005 was 173 million units.

The following plants are located abroad: Zárate Plant (Argentina), Naschel Plant (Argentina), IPUSA (Uruguay), PROTISA (Peru) and three plants that manufacture diapers and sanitary papers in Mexico, including two in Monterrey and one in Altamira Port, on the Gulf of Mexico coast.

Regarding operational changes, at Talagante Plant, paper machine No. 2 started up in 2005. The investment made amounted to US\$ 31 million for a production capacity of 28 thousand tons of paper per year. Also, a plant is being built for secondary treatment of liquid industrial wastes.

In 2005 a second distribution center was inaugurated in PROTISA Peru, with the incorporation of a new conversion line, as well as lines for napkins and interfolded towels.

In the sanitary products business, a new line of Premium diapers aimed at the medium-high segment of consumers was introduced to the market. Furthermore, the production and sale of adult diapers started and a new image for Ladysoft products was launched.

Soon a third diaper machine will be installed at Papelera del Plata in Argentina, as well as a new line for sanitary towels in Chile, which will start to operate during 2006.

CMPC PRODUCTOS DE PAPEL

This area is engaged in the production of corrugated cardboard boxes, paper sacks and molded pulp products.

Envases Impresos –which manufactures boxes for the fruit sector and the salmon industry in the locality of Buin- and Envases Roble Alto –which manufactures boxes for the industrial and wine sectors in its plants located in the districts of Til Til and Quilicura-, are oriented to the production of corrugated cardboard boxes, with a joint production capacity that attained 20 thousand tons per month in the year 2005.

CMPC Productos de Papel also has three sack manufacturing plants (PROPA in Chile, FABI in Argentina and FORSAC in Peru) with a production capacity that in 2005 reached 345 million sacks per year.

Finally, it owns an industrial plant in Puente Alto (Chimolsa), responsible for manufacturing molded pulp trays.

VIEW AND STRATEGY

CMPC's mission is to produce and commercialize pulp, wood, papers, tissue products and paper products of high and competitive quality, adding value to its shareholders and customers, and creating development opportunities for its workers.

To achieve these objectives, the Company aims at:

- Consolidating its position as a world-class company, by operating its businesses efficiently, using vanguard technologies of a competitive cost, and which comply with strict safety and environmental protection measures.
- Serving a diversified and global group of customers, endeavoring to build solid business relations. To satisfy these needs, it makes use of a customer-oriented approach and a comprehensive logistics network.
- Developing its workers' talents and skills, by integrating them into a good performance team which is enthusiastic, committed, innovative, collaborative and has a strong identity. With its people-oriented approach, the Company seeks to be an attractive place to work.
- Protecting people and the environment. The sustainable development concept is in the essence of the organization, to the extent that it seeks to combine conservation of the environment with contribution to economic and social development.

Ethics in Business

To CMPC, ethics in business forms part of a set of principles and values governing its conduct in the different fields where it must act. This is why its actions are based on mutually beneficial relationships with its suppliers, customers and workers.

CMPC and its subsidiaries follow a strict policy of compliance with all laws and regulations in force in all countries where they operate.

The Company is rigorous about its actions, especially regarding faithfulness to the pledged word, honesty, hard work and personal effort as means to achieve its objectives. These imperatives guide all Company's activities and are in the hearts of its personnel.

Ethics and transparency have been essential elements in CMPC's daily tasks. For this reason, the Company has implemented a series of mechanisms to ensure compliance therewith.

CORPORATE GOVERNANCE

The corporate governance structure is headed by a Board of Directors composed of seven members elected by the Meeting of Shareholders of the Company, who hold office for a term of three years. Its main duty, regulated by law 18,046 on Stock Corporations is to manage the Company's business and affairs. Said law provides, among other things, how the Board of Directors shall proceed, establishing its sphere of competence, its duties and the liability of its members. The Board of Directors also represents the Company in and out of court in all necessary acts leading to the fulfillment of the corporate objective. To such effect, the Board of Directors is vested with all such management and disposition powers as the law or the by-laws do not define as exclusive to the General Meeting of Shareholders.

The Board of Directors holds monthly meetings to evaluate and direct the Company's development in economic, environmental, and social aspects.

Shareholders have the opportunity to put forward their points of view on the running of the Company at legally convened Regular and Special Meetings.

The remuneration of the Board of Directors is variable, according to dividends paid to shareholders. Directors do not receive a variable remuneration for attaining goals in the economic, social or environmental field.

The composition of the Board of Directors of Empresas CMPC is as follows:

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

The objectives and targets established by the Board of Directors are implemented by the Company's executive staff, headed by its Chief Executive Officer.

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

DIRECTORS AND MANAGERS OF SUBSIDIARIES	
<i>Forestal Mininco</i>	
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.
Chief Executive Officer	Hernán Rodríguez W.
<i>CMPC Celulosa</i>	
Chairman	Eliodoro Matte L.
Vice-Chairman	Arturo Mackenna I.
Directors	Jorge Araya D. Ernesto Ayala O. Jorge Gabriel Larraín B. Bernardo Matte L. Luis Llanos C.
Chief Executive Officer	Sergio Colvin T.
<i>CMPC Papeles</i>	
Chairman	Eliodoro Matte L.
Vice-Chairman	Arturo Mackenna I.
Directors	Jorge Araya D. Andrés Echeverría S. Bernardo Matte L. Juan Claro G. Luis Llanos C.
Chief Executive Officer	Antonio Albarrán R-C.

<i>CMPC Tissue</i>	
Chairman	Eliodoro Matte L.
Vice-Chairman	Arturo Mackenna I.
Directors	Gonzalo García B. Jorge Hurtado G. Bernardo Larraín M. Bernardo Matte L. Luis Llanos C.
Chief Executive Officer	Jorge Morel B.
<i>CMPC Productos de Papel</i>	
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.
Chief Executive Officer	Andrés Infante T.

Sustainable Development

Empresas CMPC has been characterized as a company that faces every challenge in the most modern and efficient manner. This special sensibility and a long-term perspective of its business management explain its full conformity with the principles of the concept of sustainable development.

CMPC is a sustainable company and constitutes a good example of environmental management.

In order to ensure that growth be sustainable over time, all its projects incorporate the environmental dimension. With regard to former operations, over the past decade the Company has made the necessary investments to adapt them to the present requirements. Accordingly, from the year 2006 all pulp and paper mills are equipped with secondary treatment plants for treating their liquid industrial wastes.

Forestry activity uses soil, water and air to produce wood, pulp and papers. For this reason the Company guides its development so as to minimize or neutralize any adverse impacts that may affect future generations, who are entitled to live in an appropriate environment.

Plantations, clean processes, replacement of fossil fuels with biomass, and recycling of waste paper are the significant contributions made by this industry to the environment and which, all in all, enable it to carry out an activity that is sustainable over time. In this manner, the Company proves that it is committed to continuous improvement of its environmental management.

Corporate Social Responsibility (CSR) and Sustainability

In CMPC we are committed to support several organizations, programs and principles that sustain the values in which the Company believes and applies in its industrial work.

Social responsibility is a commitment freely and proactively undertaken to perform our duty within an ethical framework that considers good practices in all activities developed.

Chain of Business

The Company contributes to the country's development by generating employment and wealth. To this end it employs good management practices; manufactures and sells high quality products; maintains a reliability and efficiency commitment towards its customers and suppliers; competes fairly in the market; provides transparent financial information; complies with payment of all taxes imposed on it and with legal regulations in force.

Workers

Optimum working conditions are maintained, duly complying with all labor obligations in relation to remuneration, social security laws and regulations in force. The Company also develops policies and programs for the benefit of its workers and their families, keeping a constant concern for work safety and generating training and professional development opportunities.

Community

We provide educational support and community development programs that benefit the communities surrounding our forest properties and production facilities with a view to assisting in the improvement of their living conditions.

To this end, Fundación CMPC runs educational support programs in language, mathematics and management, which favor the quality, equity, and efficacy of the education provided in municipal schools attended by low-income children.

Environment

Industrial activity and forest management are conducted in accordance with the principle of sustainable development, as a competitiveness factor essential to the existence and success of its businesses.

CMPC's environmental policy regulates its actions and the performance of its personnel, which guarantees responsible conduct in relation the surrounding environment.



The forestry activity uses soil, water and air for producing wood, pulp and papers. For this reason, the Company guides its development so as to minimize or neutralize adverse impacts that may affect future generations.

As to environmental performance, CMPC adheres to the precautionary principle, especially with regard to the suspension of activities in the event of any indication of danger or damage to the environment.

The Company works towards preservation of ecological balance, conservation of natural species and an uncontaminated environment.

On the other hand, the Safety, Occupational Health, Environment and Social Policy of the Forestry Area, on which the Company bases its environmental management, sustainable forest management and chain of custody systems, certified by the Company, establishes the commitment to care for the natural resources that are under its influence, preventing and mitigating pollution and adverse impacts. The purpose of this policy is to minimize the influence on the environment that our production and industrial processes may have.

Indirect Impacts

Concerning management of indirect social impacts, some businesses conduct several activities, such as considering communities in environmental impact assessments prior to the construction of production facilities; constant evaluation of new situations that may arise; and dissemination of information to neighboring communities by means of visits, talks, publications and training processes.

Concerning management of indirect economic impacts, it should be emphasized the importance CMPC attributes to maximizing a favorable economic impact on adjacent communities, by facilitating the development of local small and medium-size businesses, and keeping -through good practices- long-term relationships with its customers and suppliers.

Certifications

Most of CMPC's subsidiaries have obtained certifications in their environmental and management systems.

The certifications acquired correspond to series ISO 9000, 9001 and 14001. All business centers, with the exception of

CMPC Tissue and INFORSA in CMPC Papeles, have some of them. Subsidiaries CMPC Celulosa, CMPC Papeles and CMPC Productos de Papel have incorporated ISO 9001, in relation to management of quality systems. Forestal Mininco, Celulosa and Papeles, in turn, have certified their subsidiaries with ISO 14001, incorporating operating practices of environmental management.

Another certification that complements management is OHSAS 18001, related to technical specifications in occupational safety and health. Business centers Forestal Mininco and CMPC Celulosa have incorporated this system into their production processes.

The foregoing certifications set the bases for acquiring the CERTFOR seal (Chilean Sustainable Forest Management Certification Standard) recognized by PEFC, which incorporates the concept of sustainable management. Forestal Mininco and CMPC Celulosa have obtained this certification.

CMPC Productos de Papel adds the HACCP system to the above certifications, and CMPC Papeles the ISEGA certification, both relating to management of the harmlessness of products in direct contact with food.

National and International Associations

An ongoing cooperation attitude with several social and trade associations is kept, adhering also to their agreements. Among these we can mention: ICARE (Chilean Institute of Rational Management of Companies), CEP (Center of Public Studies), CORMA, (Chilean Wood Corporation), Fundación Paz Ciudadana, SOFOFA (Chilean Federation of Industry), RED Empresarial PROhumana, Fundación Chilena del Pacífico, Chilean Institute of Engineers, Chamber of Commerce of Santiago, Corporación Industrial para el Desarrollo de Bío Bío (Industrial Corporation for Bio Bio Development), Asociación de Industriales Gráficos (Graphic Industry Association), Corporación Araucanía, ASIMCA (Trade Association of Industrials of the 9th Region), AGIP (Association of Supplier Industries), ACHS (Chilean Safety Association), ASICENT (Industrial Association of Central Chile), ATCP (Technical Association for Pulp and Paper) and ANDA (Chilean Association of Advertisers), several binational chambers, and universities.

Internationally, CMPC's subsidiaries are members of several business and industrial associations, including: CAMCORE (international program for the conservation of tropical and subtropical forest tree species), New Zealand Forest Research Institute (FRI), NAWLA (North American Wholesale Lumber Association), Engineered Wood Association, Glulam Management Committee, TAPPI (Technical Association For The Pulp, Paper & Converting Industry), among others.

GENERATION OF ADDED VALUE

During 2005, CMPC reported positive figures as a result of a sustained growth experienced by the Company. Income from consolidated sales of Empresas CMPC S.A.'s subsidiaries to third parties amounted to US\$ 1,933 million for 2004, and to US\$ 2,129 million for 2005.

Sales to third parties by each of the business areas of Empresas CMPC S.A. and the share of each of them, for the years 2004 and 2005, are shown in the Table below:

TABLE N° 1: DETAIL OF SALES TO NON-RELATED THIRD PARTIES BY BUSINESS CENTERS, YEARS 2004 AND 2005				
Business Centers	Sales per Business Center			
	2004		2005	
	In Thousands of Dollars	Percentage	In Thousands of Dollars	Percentage
Forestal Mininco	284,871	14.7	358,038	16.8
CMPC Celulosa	551,632	28.5	553,457	26.0
CMPC Papeles	461,193	23.9	509,014	23.9
CMPC Tissue	418,955	21.7	502,805	23.6
CMPC Productos de Papel	216,562	11.2	206,012	9.7
CONSOLIDATED TOTAL EMPRESAS CMPC S.A.	1,933,213		2,129,326	

The Company's consolidated sales to domestic customers in the year 2005 accounted for 37% of total sales while sales to foreign markets and sales of foreign subsidiaries attained 51% and 12%, respectively.

The Company's exports to important markets in the world has allowed it to have a significant international presence. In 2005, 31.6% of our exports (FNVF) were addressed to Europe; 23.5% to Asia; 37.5% to South America; 6.1% to North America; and 1.3% to other markets. These figures are similar to those registered in the year 2004.

Capital Providers

As of December 2005, assets amounted to US\$ 6,304 million, and equity to US\$ 4,536 million, while in 2004 assets amounted to US\$ 5,538 million, and equity to US\$ 3.945 million.

The distribution among CMPC's capital providers for the year 2004, detailed according to interest on debts, loans and dividends on shares of any type, considering short and long term indebtedness, result in a consolidated total of US\$ 1.481 million, of which US\$ 539 million corresponds to short-term obligations and US\$ 942 million, to long-term obligations.

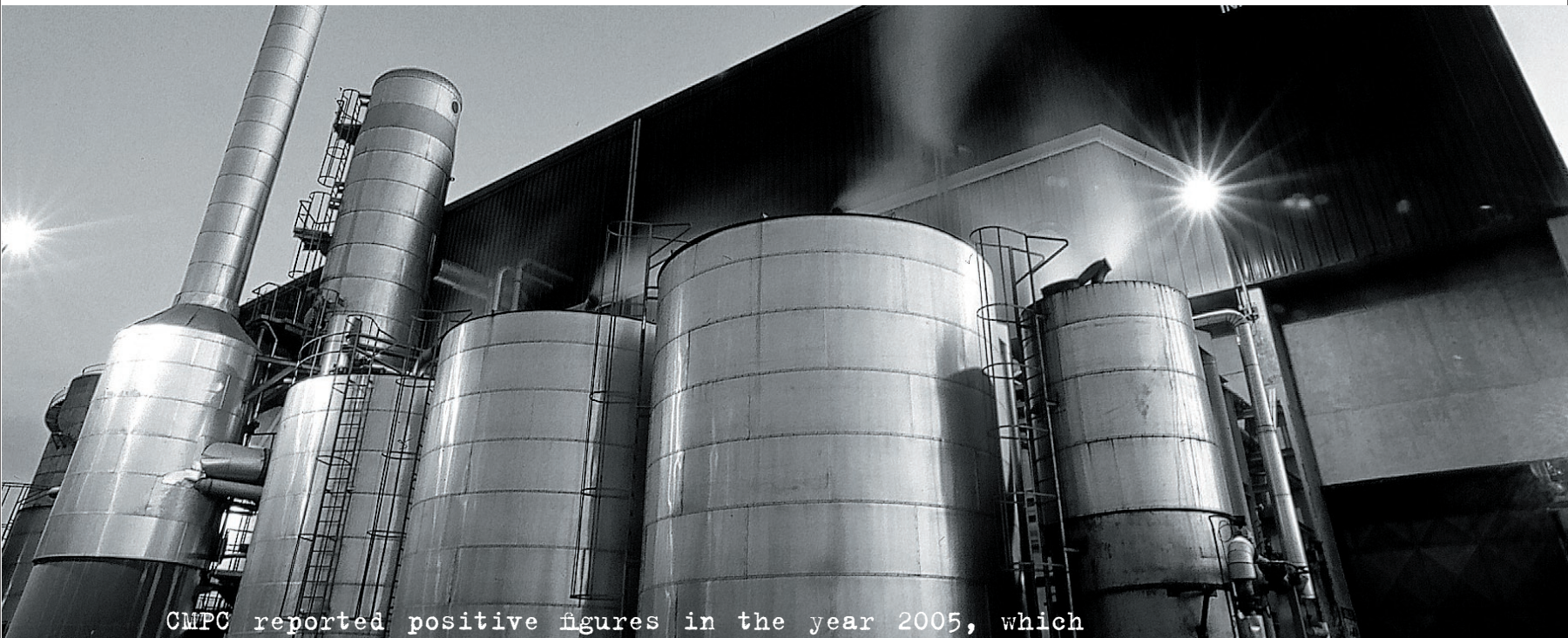
TABLE N° 2: TYPES OF DEBT, YEARS 2004-2005		
Type of Debt	2004 (Millions of Dollars)	2005 (Millions of Dollars)
Short-Term Obligations	539	365
Long-Term Obligations	942	1,278

Therefore, consolidated liabilities for the year 2005 reached US\$ 1,643 million, 10.9% higher than in the preceding fiscal year.

Profits Made

In 2005, profits reached US\$ 239.97 million, a figure that is lower than those obtained in the years 2004 and 2003, measured in dollars of each year.

TABLE N° 3: PROFIT FOR FISCAL YEARS 2003-2005	
Year	Profit of the Fiscal Year (Millions of Dollars)
2003	209.84
2004	301.62
2005	239.97



CMPC reported positive figures in the year 2005, which
reflect the Company's sustained growth.

Contributions to the National Treasury

Contributions to the National Treasury for the year 2004 amounted to US\$ 76 million, and for the year 2005 to US\$ 63.8 million.

Taxes	2004 (Figures in USD)	2005 (Figures in USD)
First Category Tax	38,834,941	28,209,364
On Rejected Expenses 89,069	89,069	266,227
On Financial Credits	703,489	5,349,136
On Payments of Services Abroad	397,609	1,372,269
Commercial and Industrial Licenses	3,767,306	4,027,289
Property Tax	2,849,203	3,118,795
Customs Duties	1,800,000	1,170,000
Tax Concessions and Credits	-913,778	-3,145,152
Net VAT Paid	28,461,301	23,274,129
TOTAL TAXES PAID	75,989,140	63,842,057

Contributions to the Community

Contributions to the community during the past year reached US\$ 2 million 737 thousand 543, showing an 18.3% increase with respect to 2004.

Among the contributions made by CMPC during 2004, 30% was to non-profit NGOs; 24% to institutions subject to Law 19,884; 21% to foundations; 21% to private law corporations; 1% to universities; and 2% to other initiatives. In 2005, these percentages increased by 9 percentile points in donations to non-profit NGOs, and by 5 percentile points in donations under Law 19,884. On the other hand, contributions to private law corporations decreased by 9 percentile points.

The amounts indicated above correspond to total contributions, without deducting, where appropriate, the tax benefits they are entitled to.

Summary of Donations and Social Contributions		
Donations	2004 (ThUS\$)	2005 (ThUS\$)
Social Donations	668,793	529,442
Universities	56,970	34,215
Trade Associations	317,423	634,476
Municipal Educational Program	898,352	780,348
Donations under Law 19,884	205,354	669,268
Other	167,724	89,793
TOTAL DONATIONS AND CONTRIBUTIONS	2,314,616	2,737,543

CUSTOMERS

Relationship Background: Dialogue and Communication, an Added Value

CMPC customers are domestic and foreign companies belonging to various industrial sectors, some of which are part of the same holding.

The location of customers and the production sector that they belong to varies according to the subsidiary involved. In general terms, we export to customers in countries of South America, Central America, North America, Europe and Asia.

Keeping a fluent communication with them remains a constant concern and has enabled us to consolidate long-term relationships that are beneficial for both parties.

CMPC's awareness of the role customers play in the economic success and social recognition of a Company, has meant seeking from the very beginning the frequency and quality of contact which sustains and reinforces our position with our customer base.

Each business center has designed tools to collect relevant information, which is considered, more than an input, as a

valuable asset that results in improved processes and products and, accordingly, a better market positioning.

Throughout time, constant dialogue has enabled the Company to adapt to market changes, generating new business strategies and optimizing resources. Understanding that business centers have particular characteristics, each of them has created communication mechanisms consistent with their needs. However, the holding of periodic meetings or surveys aimed at gathering customers' opinions are the two primary communication channels that have been implemented.

Generally, most subsidiaries of the Company conduct customer satisfaction surveys, identifying from their results both opportunities potential problems in the relationship and also verifying compliance with standards.

The customer satisfaction survey conducted by CMPC USA in 2005 is also a clear example of the importance we assign to the opinion and evaluation of interest groups. The purpose of this survey was to find out how customers of this forestry subsidiary located in Atlanta, United States, evaluated the products and services provided by the Company, in addition to the quality of the relationship between customers and the Company.

Timely Information

The Company is convinced that providing timely information generates confidence and credibility among its customers. This is why special importance is given to product labels, which must contain all information that consumers need in accordance with the requirements of the market involved and those of the production sector to which it belongs.

Marketing and Advertising

Most products manufactured by the Company are not for direct consumption. Only CMPC Tissue manufactures products registered in this category, hence, it complies with the ethical rules issued by the National Commission of Self-regulatory Advertising (CONARP) and with the Company's values and ethics.

Supplier Network

Our supplier network is composed of domestic and foreign companies. The latter are mainly from countries such as Brazil, Peru, Argentina, United States, Canada, Germany, Mexico, Italy, Finland, Sweden and Holland. However, most of them are domestic companies, even forming part of the same holding. In this manner, considering the integrated operations of the Company, business centers such as Forestal Mininco, CMPC Celulosa and CMPC Papeles act as suppliers of other subsidiaries, providing them with supplies for their production processes.

The cost of raw materials and merchandises acquired and of services hired in 2004 was US\$ 989 million, and rose to US\$ 1,199 million in 2005.

Requirement of Compliance with Standards

In the same way as it performs any agreements made, the Company demands that products and services provided comply with the excellence criteria established. This is reflected in the requirements it imposes on its suppliers in environmental, social and labor matters.

Compliance with Social Security and Labor Laws

CMPC requires of its counterparts concern for the working conditions of their personnel and checks that these are appropriate and that no child and/or forced labor are employed.

The Company makes sure that the relevant labor and social security legislation is complied with.

The existence of valid employment contracts, social security and health care contributions are criteria taken into account at the time of entering into an agreement with any supplier.

The Company verifies that along its whole business chain no acts of abuse take place and accordingly, that there are good working conditions for all of its personnel.

Compliance with Environmental Standards

At a corporate level, requirements refer to compliance with the Chilean legislation in force, to the conditions that allow us to maintain ISO certifications and those related to the chain of custody, in the case of CERTFOR. At the subsidiaries' level, depending on the line of business involved, they define specific requirements that are contained in their environmental management systems.

Relationship with Suppliers

The relationship that the Company has been able to maintain with its suppliers throughout time has been possible due to the existence of a fluent communication by means of tools designed for such purpose.

Opportunities are taken to obtain feedback over the year, which enable us to sound out the opinions of suppliers on different matters.

Means of gathering information vary in the different subsidiaries, however, periodic meetings are held in all of them, thus allowing personal contact in the evaluation of technical and commercial matters.

The frequency of dialogue depends on each subsidiary's needs. The truth is that beyond the existence of formal communication mechanisms between the parties, suppliers and the Company have developed a relationship over time, which has facilitated continuous contact.

The information gathered facilitates constant improvement, as it serves as a basis for upgrading the products and services provided, building strategic alliances and making adjustments in the relationship.

Feedback furnishes relevant data to detect possibilities for future improvements of service quality, increasing value added to the business and satisfaction levels in the suppliers network.

How to Establish Solid and
Committed Human Teams...

You Learn!

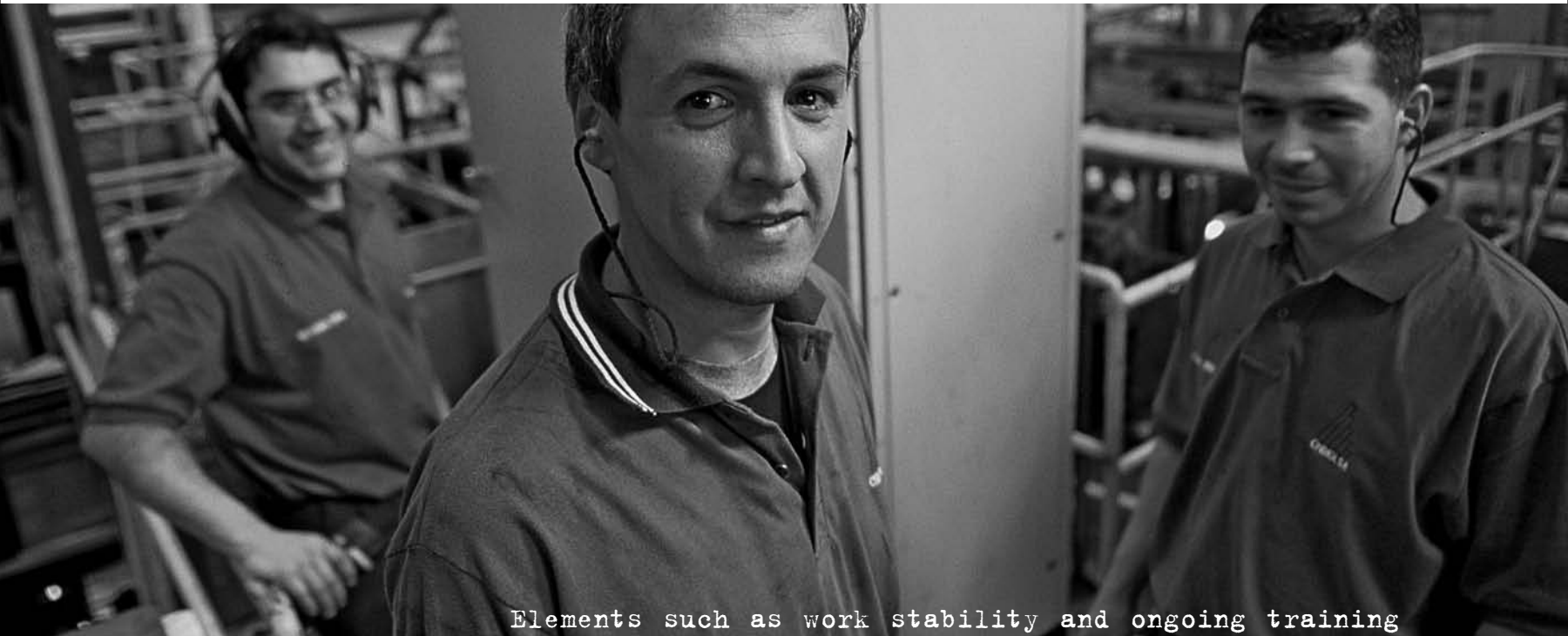
A black and white photograph showing the backs of several people wearing dark t-shirts. The central figure is in sharp focus, with their hands on their hips. To their left, another person is partially visible, also wearing a similar t-shirt. To the right, a third person is partially visible, wearing a t-shirt with a different, less legible design. The background is blurred, suggesting an indoor setting with other people.

**ENVASES
IMPRESOS**

**ENVASES
IMPRESOS**



CMPC believes that ongoing communication and dialogue are essential elements to create reliability and credibility bonds, on which to expand personal and organizational development.



Elements such as work stability and ongoing training together with the provision of several incentives and benefits have made it possible to raise employee satisfaction, significantly fostering productivity and efficiency levels.

2. Workers

A key issue for CMPC is that its workers should value the ethical principles of the Company, that they feel an important part of it and share the same identity. We are convinced that in this manner we can contribute to the creation of a good working atmosphere, strengthening personal and team work spirit.

Relations with labor unions play an essential role in the establishment of a direct, fluent communication based on trust between senior and middle-level executives and workers. In this regard, it is important to highlight that for the most part collective bargaining is conducted harmoniously and without conflict.

Elements such as work stability, continuous training and several incentives and benefits have enabled the job satisfaction of workers to improve, significantly benefiting productivity and efficiency.

An open door policy, consultation systems such as surveys on work atmosphere and satisfaction, 360-degree feedback about skills and a Suggestion Plan, as well as performance assessments, characterize the relationship between the Company and its workers, affording the advantages of continuous, transparent and proactive communication.

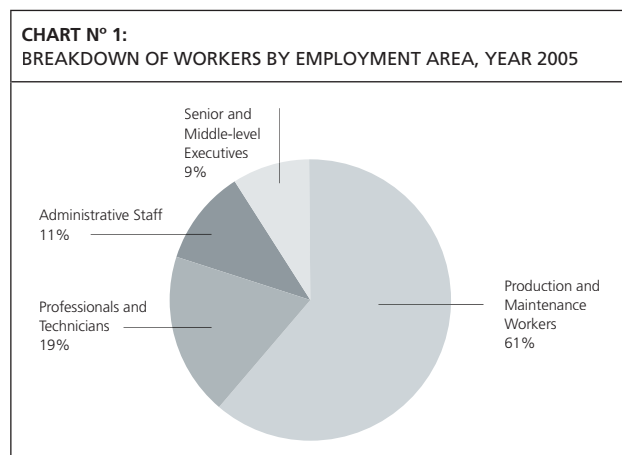
Some of the Company's business centers envisage the application of an annual survey on work environment. Based on the information generated, strategies for improvement of the internal communication systems and working conditions can be restated; training, internal promotion, personnel welfare and development systems may be revised; risk prevention, and safety and environmental procedures will be perfected. All the above facilitates a continuous redefinition of annual work plans related to human resources which are, of course, a distinct element of each subsidiary.

EMPLOYMENT

During the year 2004, the Company as a whole employed 8,497 workers, while in the year 2005 their number was 8,842.

Business Centers	Own Workers	
	2004	2005
Forestal Mininco	1,087	1,120
CMPC Celulosa	1,194	1,201
CMPC Papeles	1,703	1,788
CMPC Tissue	2,534	2,851
CMPC Productos de Papel	1,750	1,649
Otras Filiales de CMPC	108	109
Holding	121	124
TOTAL EMPRESAS CMPC	8,497	8,842

The functional structure in 2005 was the following: 9% of senior and middle-level executives; 19% of professionals and technicians; 11% of administrative staff; and 61% of production and maintenance workers. This structure is similar to that of 2004.



Employability

In relation to conditions of employment, the Company promotes labor stability. In the year 2005, 85% of CMPC's employees in Chile and subsidiaries abroad worked under permanent

employment contracts and the remaining 15% under fixed-term contracts.

Another Company's target is the creation of new jobs. In 2005, the net creation of jobs for its own workers in the aggregate of CMPC's business was 414 employees.

In the year 2004, salary remunerations amounted to US\$ 148.6 million, while in 2005 this amount rose to US\$ 168.9 million, showing a 13.7% increase. These expenses include salaries, bonuses, contributions, compensations, as well as mutual insurance, training and welfare expenses.

TRAINING AND EDUCATION

For CMPC, training of its workers is an indispensable tool for sustainability of the Company. Ongoing training generates satisfaction in personnel, offering them career development opportunities and creating a commitment that materializes in long-term relationships.

The average annual training hours per worker for the Company as a whole was 27.27 for the year 2005, lower than the average for 2004, which was 37.53.

TABLE N° 7: AVERAGE TRAINING HOURS PER TYPE OF WORKER, PER BUSINESS CENTER, YEAR 2004								
Business Centers	Senior Executives	Middle-level Executives	Professionals	Technicians	Administrative	Production	Staff	Total Training Hours and Maintenance
Forestal Mininco	28.37	41.05	81.52	28.75	10.38	19.48	10.92	25.77
CMPC Celulosa	30.74	46.96	92.78	78.62	56.46	63.51	83.86	71.87
CMPC Papeles	14.44	10.88	13.92	20.88	14.37	18.72	4.80	15.09
CMPC Tissue (*)	43.95	22.04	19.38	22.67	16.63	21.21	21.34	20.94
CMPC Productos de Papel	33.68	18.03	31.38	9.42	71.07	70.17	9.77	61.31
Otras Filiales de CMPC	29.12	2.43	43.55	49.53	15.00	0.00	2.69	16.59
TOTAL EMPRESAS CMPC	29.02	27.29	51.15	38.50	28.32	40.65	28.82	37.53

TABLE N° 8: AVERAGE TRAINING HOURS PER TYPE OF WORKER, PER BUSINESS CENTER, YEAR 2005								
Business Centers	Senior Executives	Middle-level Executives	Professionals	Technicians	Administrative	Production	Staff	Total Training Hours and Maintenance
Forestal Mininco	35.58	34.36	120.89	55.43	5.56	21.03	11.90	30.39
CMPC Celulosa	66.64	61.48	86.85	45.84	22.47	78.70	76.59	69.00
CMPC Papeles	7.78	13.38	18.42	18.13	7.92	22.24	57.81	24.04
CMPC Tissue (*)	10.06	12.36	7.06	21.12	10.20	17.95	19.62	15.92
CMPC Productos de Papel	26.26	15.13	16.39	7.66	15.72	16.12	18.06	15.85
Other CMPC's Subsidiaries	30.77	1.54	24.00	37.92	18.42	0.00	0.00	12.89
TOTAL EMPRESAS CMPC	30.07	23.16	44.16	29.23	11.13	25.16	45.55	27.27

(*) Only CMPC Tissue Chile is considered

BENEFIT POLICY

A significant aspect related to employability is CMPC's concern for the well-being of its workers, which is exercised through the provision of market salaries and several benefits:

- 1.- In the recreational and cultural fields, various activities of integration and interrelation with workers' families are carried out, including celebrating symbolic dates such as anniversaries, national holidays and Christmas. Likewise, we promote and facilitate the formation of folk music and dance groups, drama groups and polyphonic choirs.

Furthermore, in the sports field, we encourage the participation of workers in activities that will help them to develop and maintain their physical and mental health.

- 2.- The Company grants benefits such as medicine and vaccination programs; medical services; supplementary health insurance; agreements with pharmacies, hospitals, clinics, opticians and dental centers. In addition, we provide food-related benefits, such as access to canteens, daily snacks, lunch, on-site meals, among others.
- 3.- CMPC encourages its workers to buy their own homes by granting them housing loans and other loans to cover operational expenses arising from the purchase. Besides, we provide rent – free housing, where necessary, whether due to geographic location or type of work.
- 4.- On the social side, in addition to direct benefits for workers, we seek the well-being of their families. Accordingly, scholarships, school bursaries and sports schools for workers' children have been provided, in addition to grants for studies and on the occasion of births and deaths. CMPC also provides for the organization of recreational workshops as well as facilitating access to different recreational centers and to resorts for vacations.
- 5.- Together with the foregoing, CMPC recognizes the work of its employees by granting them awards for years of service. Moreover, since 2004 it has conferred the CMPC Spirit Award to those who embody the principles and values of the Company in their daily lives.

RELATIONSHIP BETWEEN THE COMPANY AND ITS WORKERS

The operational development of all business centers fosters close links with workers. This is why continuous communication with labor unions and joint committees is promoted.

Any operational changes are duly reported in order to identify uncertainties and to invite suggestions of personnel regarding those changes. This contributes to improved production efficiency and quality.

Additionally, article 39, Clause XII, of the Internal Regulations on Order, Hygiene and Safety of the Company sets out the communication policy between the Company and its workers. This is realized by means of a cooperative intranet, by formal and appropriately timed communication with labor unions and by a regular publication of information circulars. Where appropriate given the circumstances explanatory statements by the Chief Executive Officer are issued to all workers. It should be stressed that the Certified Management System for Safety, Occupational Health, Environment and Social issues establishes mechanisms of dissemination of information and training in relation to the procedures associated with any operational change.

Channels of dialogue are established with the various labor unions. The total number of labor unions existing in CMPC's subsidiaries is 36. In the year 2005, 44.55% of workers were affiliated to labor unions, a percentage slightly higher than the one recorded in 2004. Of these, 68.7% are operative workers; 10.8% are commercial workers; and 20.5% are administrative workers.

Ongoing communication and dialogue inside the Company are the main strengths of the relationship between companies and labor unions, these being values that permit the building of bonds of trust and credibility, the capacity to resolve conflicts and to reach agreements in relation to workers' needs. These are made concrete and official by means of collective bargaining.

The kind of information that these communications generate offers the possibility of feed back in the relationship with labor

unions, strengthening mutual confidence, readjusting policies determining working condition and benefits and improving the work environment and coordination, as well as generating action plans.

**TABLE N° 9:
NUMBER AND PERCENTAGE OF UNION-AFFILIATED WORKERS,
ACCORDING TO THE HEALTH AND SAFETY CENTER**

Business Centers	2004		2005	
	Number of Union-affiliated Workers	Percentage of Affiliation	Number of Union-affiliated Workers	Percentage of Affiliation
Forestal Mininco	683	62.8%	679	60.6%
CMPC Celulosa	640	53.6%	651	54.2%
CMPC Papeles	788	46.3%	814	45.5%
CMPC Tissue (*)	919	36.3%	1055	37.0%
CMPC Productos de Papel	729	41.7%	728	44.1%
Otras Filiales de CMPC	0	0.0%	0	0.0%
Gerencia	18	14.9%	18	14.5%
TOTAL EMPRESAS CMPC	3777	44.5%	3945	44.6%

(*) Only CMPC Tissue Chile is considered.

CMPC believes that the health and safety of its workers is fundamental. For this reason, steps aimed at preventing and reducing accidents and occupational diseases have been implemented.

Joint committees have been created in the several subsidiaries in accordance with legal provisions, which contribute to ensuring compliance with standards that make it possible for workers to perform their duties in appropriate conditions.

These committees carry out an important task. There, workers and the Company work jointly in order to supervise compliance with, and efficiency of, prevention, hygiene and safety

measures; identify actions that should be taken to reduce professional risks; investigate the causes of occupational accidents and diseases; and promote personnel training based on the strong belief that training is an essential tool that contributes to greater safety.

Furthermore, thanks to the full system of recording and reporting of accidents and occupational diseases – pursuant to Law 16,744– we have useful statistics available. According to the data kept by the Company, the number of accidents involving loss of time decreased by 37 in 2005 with respect to the preceding year. The number of accidents on the way to or from work increased by 7, particularly in CMPC Papeles.

**TABLE N° 10:
NUMBER OF ACCIDENTS INVOLVING LOSS OF TIME AND ACCIDENTS
ON THE WAY TO OR FROM WORK, PER BUSINESS CENTER,
YEARS 2004 AND 2005**

Business Center	Accidents Involving Loss of Time		Accidents on the Way to or from Work	
	2004	2005	2004	2005
Forestal Mininco	53	27	4	3
CMPC Celulosa	5	8	0	3
CMPC Papeles	101	110	12	21
CMPC Tissue (*)	74	50	12	8
CMPC Productos de Papel	137	136	10	9
Other Subsidiaries of CMPC	0	2	0	1
Total Empresas CMPC	370	333	38	45

* Only CMPC Tissue Chile is considered.

For 2005, the number of days lost due to occupational accidents is 5 thousand 801, i.e. 516 days more than for the previous year.

On the other hand, a decrease by 2.4 points in the accident rate, and an increase by 3.4 points in the casualty rate were registered.



To CMPC, accident prevention policies constitute
an indispensable tool for the sustainability of the
Company.

TABLE N° 11:
NUMBER OF DAYS LOST, ACCIDENT RATE AND CASUALTY RATE, PER BUSINESS CENTER, YEARS 2004 AND 2005

Business Centers	Days Lost Occupational Accidents		Accident Rate at Work		Casualty Rate	
	2004	2005	2004	2005	2004	2005
Forestal Mininco	757	592	2.4	1.0	31.5	21.5
CMPC Celulosa	173	342	0.2	0.7	5.8	29.6
CMPC Papeles	1,532	1,420	5.6	5.5	76.6	85.7
CMPC Tissue (*)	1,338	942	8.6	5.1	158.2	96.0
CMPC Productos de Papel (**)	1,485	2,501	26.7	22.1	51.1	94.7
Other Subsidiaries of CMPC	0	4	0.0	0.7	0.0	2.5
TOTAL EMPRESAS CMPC	5,285	5,801	9.5	7.1	62.2	65.6

* Accident rates of CMPC Tissue consider Chile only.

** Subsidiaries Envasas Impresos and FABI in Argentina do not report these indicators for the year 2004; therefore, their value for 2005 is not considered.

It should be added there were no fatal accidents reported in 2004 and 2005 by any of CMPC's business centers.

Advances in health and safety have materialized by means of a series of agreements with labor unions and other labor representatives.

In some of its subsidiaries, CMPC has adopted a formal stance vis-à-vis concrete issues such as catastrophic illnesses—including, but not limited to, HIV/AIDS- and addictions to alcohol and drugs.

Our management systems in the health area enabled us to provide, in 2004 and 2005, significant monetary benefits on account of diseases and health care.

Finally, we must point out that in the year 2005 our subsidiary Forestal y Agrícola Monte Águila received the "Effective Action" Annual Award on Safety granted by the Asociación Chilena de Seguridad (ACHS) (Chilean Safety Association), for its management in the year 2004.

PROTECTION OF HUMAN RIGHTS

Respect for and protection of human rights is a commitment that forms part of the Company's corporate culture and which is undertaken and shared by each one of the members of the different subsidiaries, who transmit it, in turn, to recently hired workers.

DISCRIMINATION, DIVERSITY AND OPPORTUNITY

Competencies, skills and capacities of people are the main asset to join the work team of the Company. This translates into recruiting, selection and contracting processes that are transparent, respect diversity and value individuals.

Regarding gender distribution within the Company, in 2005 women represented 6% of total workers. The business centers that present a higher female concentration are Abastecimientos CMPC and Portuaria CMPC (12.4%) and Forestal Mininco (7.8%).

CHILD WORK, FORCER OR COMPULSORY WORK

Child work is rejected in all our operations, regardless of type. In this respect, we act pursuant to agreement 138 –signed

between the ILO and the Government of Chile,- which prohibits employment of children under the age of 15 years.

The basis of the Company's success and sustainability is attachment to and respect for the rights of individuals. For this reason, ensuring decent working conditions where workers' well-being is guaranteed is the expression of the behavior of the Company, which from its early times has rejected any form of forced or compulsory work, this being detrimental to the quality of life of its workers and their families. In this field, CMPC adhered to the agreement signed in 1933 between Chile and the ILO, which prohibits such forms of work.

How to Manage and Protect
the Forest...

By Learning!





Preserving the ecological balance, conserving natural species and maintaining an environment free of contamination are essential aspects of CMPC's environmental management system.



CMPC's environmental policy has been designed to
achieve performance beyond levels required by the legal
regulations in force.

3. Environment

CMPC's commitment to the environment is based on two fundamental pillars. On the one hand, it is an ethical challenge for future generations, and on the other, a determining element in our competitiveness.

Sustained development stands as a guiding principle in our strategic market positioning policy: all our industrial and forest management activities are carried out under this seal.

These aspects are reflected in the Company's environmental policy, which has been designed to achieve a performance beyond that required by the legal regulations in force.

Environmental Policy of CMPC

- 1.- CMPC believes in the actual application of the sustainable development principle. We should harmonize production activities with the legitimate right of future generations to live in a suitable environment.
- 2.- The Company believes in the ethical dimension of care for the environment. Strict compliance with legal regulations is a duty. Operations should avoid damage to people and to nature in general.
- 3.- In the Company's understanding, good environmental management is an integral part of the forestry business. In forest works, the soil, the quality of waters and biodiversity of the areas with native vegetation must be protected.
- 4.- The activities of the Company should be developed with high levels of excellence and any new project must incorporate environmental considerations from the start.
- 5.- The purpose of the environmental policy of the Company is to explicitly state to its shareholders, workers, customers, suppliers and the community in general, the Company's commitment to this subject.

6.- The Company undertakes to provide its workers with the necessary training so that these guidelines are actually and responsibly assumed by each and every person working for it.

7.- CMPC must have a detailed inventory of the environmental impacts of each one of its operations, in the legal, physical and risk-related fields.

8.- In order to measure the efficacy of the actions and resources committed, the Company shall use a regular system of environmental audits throughout its organization.

9.- As part of its environmental policy, the Company also undertakes to:

- a.- Conceive and provide products and services that will have no undue impacts on the environment.
- b.- Favor an efficient use of energy and natural resources.
- c.- Promote respect for the environmental policy of the Company among its contractors and suppliers.
- d.- Have emergency plans in such processes that may involve significant risks.
- e.- Contribute to the development of reasonable and necessary public policies aimed at protecting the environment.
- f.- Promote research and development of environmentally sustainable technology in the forestry sector.

RAW MATERIALS

CMPC has five business centers, each one focused on a specific production area. Nevertheless, in many cases their products are related, generating a complementary production process where one of them is a supplier of the other.

The raw material used by Forestal Mininco is wood, a renewable natural resource that is extracted under sustainable forest management requirements. Cultivated forest management is environmentally certified with ISO 14001, in addition to the CERTFOR-PEFC forest sustainability seal.

Said certifications establish that along the entire forest production process the techniques that are used minimize environmental impact and turn production into a sustainable process. At nurseries, seeds are genetically improved in order to preserve structure, volume and robustness characteristics. Sophisticated systems of care and quality are used in forests, in relation to protection against fire, diseases and plague control. At the time of harvest, low impact technologies designed to prevent the generation of waste in forests are used, in addition to subsequent plantation systems that prevent soil erosion processes.

The production process of Forestal Mininco continues with the sending of the harvested wood to the sawmills and mills of CMPC Celulosa and CMPC Papeles.

CMPC Celulosa certified its chain of custody with the CERTFOR-PEFC seal, which guarantees that its raw material, pulpwood, comes exclusively from planted forests, of controlled origin and free from controversies, and that each pulp bale produced is perfectly traceable from the forest to its final destination. Pulp production considers recycling and reutilization of raw materials. During the preparation of wood, bark is separated and later used as biofuel in biomass boilers. Residues generated in the cooking of wood process are used as fuel in special boilers, generating steam and recovering chemicals, which are used again making the operation sustainable. The steam produced is used to self-generate electric energy and feed the equipment, for example, in the final stage of pulp drying.

Wood supplied by Forestal Mininco, recycled paper and pulp are the main raw materials used in CMPC Papeles' mills. This subsidiary is composed of companies that manufacture different types of paper: INFORSA produces newsprint paper

from wood; Cartulinas CMPC uses wood and pulp as main raw materials for manufacturing folding boxboards; Papeles Cordillera produces mainly corrugating papers manufactured with recycled fibers, in addition to printing, writing and wrapping papers, with pulp also. In these mills, both industrial sludges and residual biomass are recycled to generate renewable energy, replacing fossil fuels. Subsidiary SOREPA, specialized in recycling of waste paper and cardboard, plays and active environmental role by extending the useful life of waste paper.

CMPC Tissue manufactures and commercializes mass consumption sanitary products such as sanitary papers, paper towels and napkins. In these products, the main material comes from recycling of waste paper, which is conditioned and converted into useful recycled fibers. This subsidiary also manufactures diapers and sanitary towels.

Finally, in CMPC Productos de Papel, operating in the business of corrugated cardboard boxes and multiwall sacks, the main raw material is paper, which is transformed into containers and sacks by means of processes of low environmental impact. Paper trimmings generated as residue are fully recycled at CMPC's mills. Other raw materials used are dyes and starch that meet strict quality requirements in their acquisition. In the plant for molded pulp products, Chimolsa, recycled paper is used as the main raw material.

ENVIRONMENTAL INFORMATION SCOPE

The environmental information presented in the following pages in tables, diagrams and figures, considers all pulp and paper mills of Empresas CMPC, both in Chile, and in Argentina, Peru and Uruguay. These are the large production operations of CMPC and the most important ones to report in environmental terms. We have not included here plants for conversion of papers into other paper products and other minor operations, given the low significance of their water and energy consumption, and of their generation of liquid effluents, air emissions and solid wastes.

The production base considered in this section is 2.3 million metric tons of pulp and paper for each one of the years reported: 2004 and 2005.

SUSTAINABLE USE OF ENERGY

The Pulp and paper industry uses a great deal of energy, most of which is obtained from renewable biofuels, i.e., from the residual biomass of forest processes and from organic compounds of wood which are fully reused. This allows a reduction in the use of fossil fuels in production processes. Biofuels come from renewable sources such as forest plantations, turning pulp and paper production into sustainable processes.

In 2004 and 2005, the whole CMPC's pulp and paper production processes used approximately 49 thousand terajoules of energy, 70% of which originated from renewable biofuels or Biomass. This high percentage is the expression of Empresas CMPC's commitment to sustainable development in its forestry activities. Another 13% was obtained from purchased electric energy, and 17% was energy generated with fossil fuels, especially oil and natural gas. Said figures are detailed in the following charts and tables.

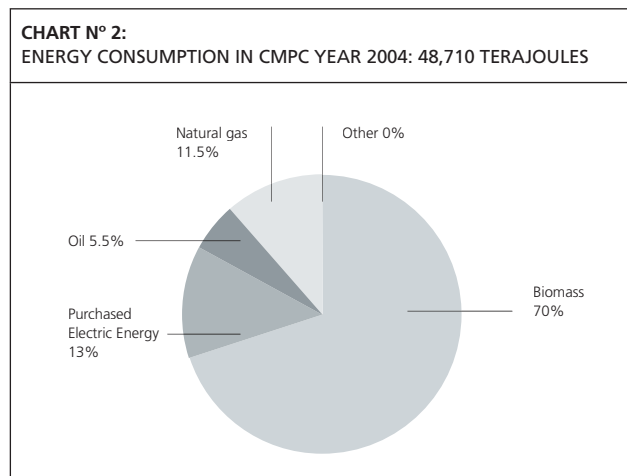


CHART N° 3:
ENERGY CONSUMPTION IN CMPC YEAR 2005: 48,791 TERAJOULES

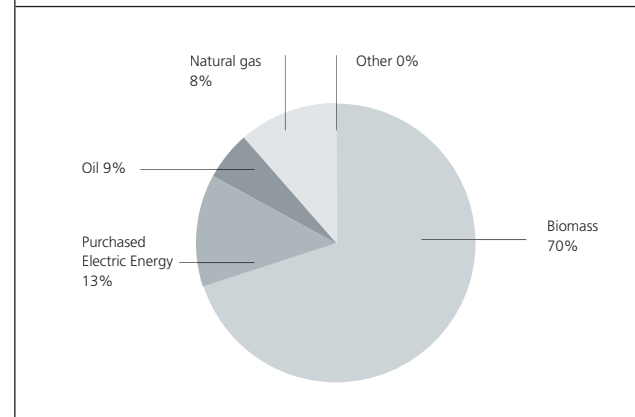


TABLE N° 12:
ENERGY CONSUMPTION IN CMPC

CMPC Consolidated	In Terajoules	
	2004	2005
Biomass	34,091	34,273
CMPC Celulosa	6,267	6,322
Purchased Electric Energy	2,647	4,158
Oil	5,574	3,908
Natural gas	130	130
TOTAL	48,710	48,791

Percentile differences in energy consumption from 2004 to 2005, which are shown in the two preceding diagrams, are due to an increase in the use of oil and the corresponding decrease in the use of natural gas, due to constant interruptions in its supply.

All biomass used to generate energy originates from sustainable management of forest plantations and reutilization of organic compounds of wood obtained from pulp manufacturing. The main sources of biomass are: bark of trees, wood residues and particles obtained from industrial sawmills and from

plantations' management; and lignin, an organic compound of wood, which is separated from pulp and fully reutilized as a biofuel in production processes.

Pulp mills constitute a good example of biofuel utilization. They are equipped with biomass and recovery boilers to produce water steam. Biomass boilers use bark of trees, residues of sawmills and of forest plantations management as fuels, while recovery boilers use wood lignin, which is separated from pulp in the production process. High pressure steam obtained in these boilers is circulated through turbines, thus generating electric energy that fully satisfies the operational requirements of mills, even producing a surplus that is consumed by other mills/plants of the Company or supplied to the national electric network.

In the case of CMPC's pulp mills, biofuels made it possible to generate 88% of the energy used in 2004, and 87% in 2005.

In relation to indirect consumption of energy, CMPC does not have any systems to monitor this type of information.

SUSTAINABLE USE OF WATER

Water is one of the most important natural resources in pulp and paper manufacturing processes. Accordingly, proper availability of water is an essential variable in the daily operation of the CMPC' mills included in this report. This is why sustainable use of water is an integral function in these mills, whose practices emphasize reutilization of water in production processes.

In the years 2004 and 2005, all of CMPC's pulp and paper production processes used approximately 126 million cubic meters of water per year, as shown in the table below. Besides, the use of water per each ton of the production base of pulp and papers, with a unitary value of 55 cubic meters of water per metric ton of final product is shown.

CMPC – Consolidated	2004	2005
In thousands of cubic meters per year	126,974	125,804
In cubic meters per metric ton of final product	55	55

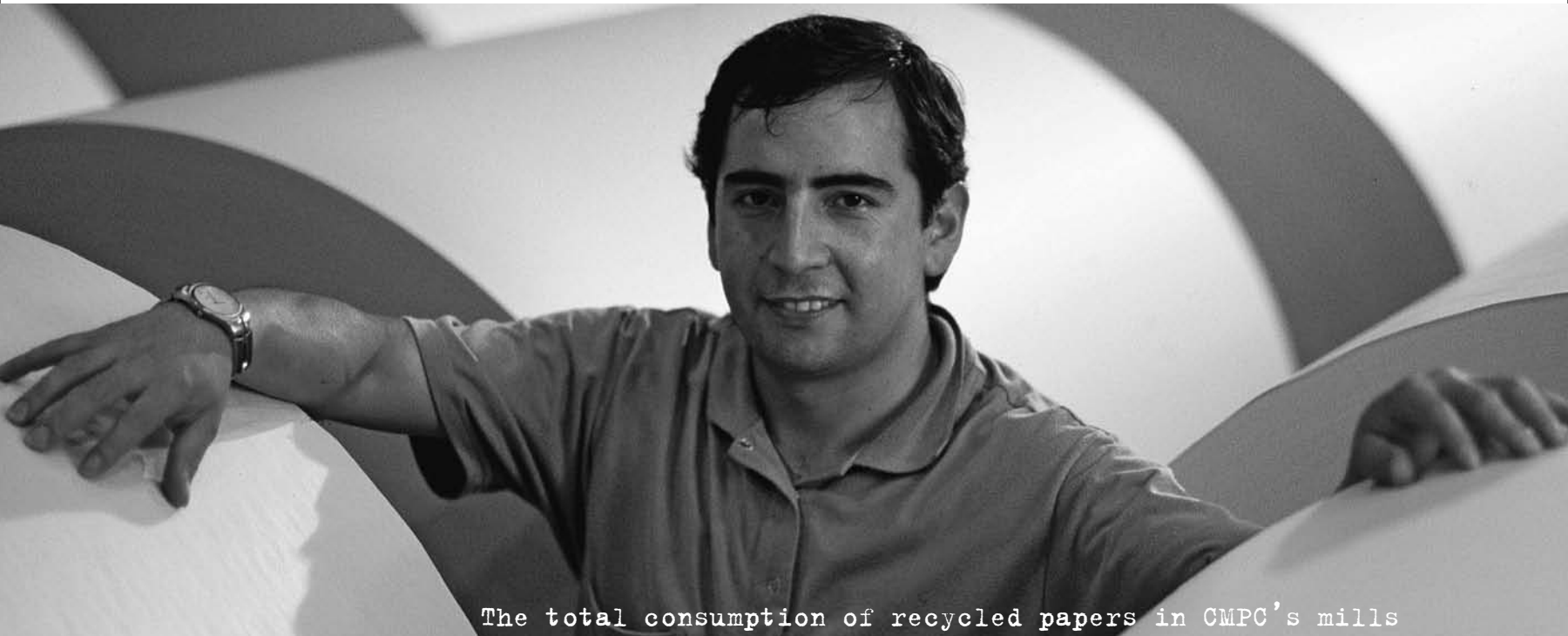
Given the particular characteristics of pulp and paper manufacturing processes, and with the aim of making them sustainable, water has to be recirculated several times within our mills. In fact, the most modern facilities of the Company reutilize water many times. In those that have been operating for more years, the incorporation of technology has been fundamental to a sustained increase in the reutilization of water.

Paper Recycling

Total consumption of recycled papers in CMPC's paper plants amounted to 537 thousand metric tons in 2004, and to 556 thousand metric tons in 2005. These papers are treated in order to transform them into useful recycled fibers, which will originate new paper. The above figures indicate that approximately 50% of the total paper production of CMPC was based on recycled fibers, in mills and plants in Chile, Argentina, Peru, and Uruguay.

It should be pointed out that the use of recycled fibers varies according to the type of paper, some of which, such as corrugating and tissue papers, use a high percentage of recycled fibers, while other categories use lower percentages.

Recycled fibers are obtained from the recovery of all types of waste paper, cardboard boxes and containers, which would otherwise finally end up deposited in sanitary landfills of cities. In this sense, recycling brings important environmental and social benefits, by extending the useful life of waste paper and providing employment to less skilled manpower in the cities of our country. SOREPA is the subsidiary specialized in this essential recycling activity.



The total consumption of recycled papers in CMPC's mills and plants was of 537 thousand metric tons in 2004, and 556 thousand metric tons in 2005.



By producing wood from plantations, CMPC
contributes to the conservation of natural
forests.

CONSERVATION AND PROTECTION OF BIODIVERSITY

The Native Forest

At present, nearly 86% of forest area in Chile corresponds to native forest. Approximately 29% of it is protected by the National Service of State-Protected Wilderness Areas (SNASPE), Chile being one of the countries with higher protection rates in the world.

By producing wood from plantations, CMPC contributes to conservation of natural forests. By the end of 2002, Forestal Mininco formalized its ongoing commitment to not replacing native forest, a commitment that is auditable and enforceable by interest groups. Likewise, the Company binds itself not to encourage substitution of native forest by third parties.

In a public statement signed with environmentalist NGOs of Chile and the United States, the Company undertook to redouble its efforts to protect native forest within its property. This agreement was the result of an invitation made by the US company Home Depot to forest companies and environmentalists to discuss in its offices in Atlanta, United States, the facts that motivated a campaign against imports of Chilean wood. Subsequently and to date, a constructive process of native forest protection has been developed, based on respecting mutually agreed objectives.

By means of a memorandum of understanding, NGOs Forest Ethics, Greenpeace, Defensores del Bosque Chileno, Rainforest Action Network, NRDC, American Lands Alliance, Instituto Ecología Política, Bosque Antiquo-Chile, and Fundación Terram publicly recognized CMPC's leadership in the Chilean forestry industry, as well as its support to high standards in plantations management.

CMPC values the convergence of approaches and the exchange of views that these encounters have brought about. At the same time ecologist organizations have learnt much about forest operations as a result of constant visits and the provision of relevant information.

Currently, 20% of Forestal Mininco's equity consists of native forest and protected areas, earmarked for conservation of biodiversity, protection of watercourses and protection against soil erosion.

Aysén Project

In 1990, CMPC's forestry subsidiary Forestal Mininco, initiated a new and innovative forest project to create a conifer plantation in Coyhaique, 11th Region. The species that have been planted are oregon, ponderosa and contorta (Lodgepole) pines.

Today, after over 15 years of presence in the region we have forest plantations covering an area of more than 15 thousand hectares, and have recovered a large extension of land that was at high risk of erosion due to poor soil condition resulting from fires that devastated the region in the early 20th century.

Special mention should be made of the forestation and recovery of soils devastated by the eruption of the Hudson volcano in August 1991, whose effect on the region was the loss of approximately 20 thousand head of cattle, and 600 thousand hectares of forests and prairies of Chilean territory which remained covered by a thick layer of ashes. From the point of view of nonproductive soils, this program is an eloquent sample of the transformation that can be achieved through silviculture, in a severely altered environment.

Forest assets currently constitute a focal point of development in the 11th Region, and are a clear example of the contribution that our forestry sector is making to environmental reconstruction.

Areas of High Environmental Value

At present and within the framework of protection of biodiversity, CMPC has identified some areas of high environmental value.

Pitavia punctata (Pitao) Conservation Area: Protection of Pitao, a species of native flora, endemic of Chile, classified in the

conservation category as in danger of extinction. Populations of this species in this area are genetically different to all others existing in northern regions of Chile, namely in the 7th and 8th Regions. The protected area comprises around 5 hectares in Pitruquén Farm and 22 hectares in Los Barros Farm, located in the districts of Nacimiento and Angol, 8th Region.

Since the year 1991, CMPC -in conjunction with CONAF- has developed a project for conservation of *Pitavia punctata* in the 9th Region. The purpose of the project is the protection and recovery of populations of this species existing in the Company's properties, as well as the containerized production of this species and its introduction into the Malleco National Reserve.

Araucaria Conservation Area: Protection of *Araucaria araucana*, a species of the native flora, endemic of Chile and Argentina, classified in the conservation category as vulnerable. The importance of this area lies essentially in the fact that populations of *Araucaria araucana* developed here are genetically different to those developed in Nahuelbuta and Andes mountain ranges. The geographical location of this area comprises approximately 60 hectares of the Las Vacas Farm and 12 hectares of Magallanes Farm, in the Nahuelbuta mountain range between the district boundaries of Lumaco and Carahue, 9th Region.

Huillín (Lutra provocax) Conservation Area: Protection of the Chilean mammal species called Huillín, classified in the conservation category as in danger of extinction. Its habitat is composed of swampy forests or inundated areas ("hualves"), adjacent to watercourses. The protected area extends over nearly 5 kilometers in farms of Licancullín, in the banks of Boldo or Queule river, district of Toltén, 9th Region.

Native Forest Conservation Area in Escuadrón Farm: Area of conservation of Valdivian native forest, which is situated in a ravine at the beginning of the Nahuelbuta mountain range, in the district of Coronel, 8th Region. The area comprises approximately 159 hectares.

Native Forest Conservation Area in Rucamanqui Farm: Native Forest situated in a zone declared as protected area by Executive

Decreets No. 295 of 1974, and No. 391 of 1978, of the Ministry of Agriculture. This area forms part of the site named "Corredor Nevados de Chillán –Laguna de la Laja" (Nevados de Chillán Corridor –Laja Lagoon). Its boundaries were defined to protect its soil, flora, fauna, landscape and richness in biological diversity. The geographical extension of the area is 5,189 hectares, located in the high basin of Cholguán river, in the district of Tucapel, 8th Region.

Conservation of Endangered Flora and Fauna Species

CMPC takes concrete actions within its property for detection, protection and conservation of endangered flora and fauna species, constantly training the relevant personnel in biodiversity matters. In order to carry out conservation actions we favor collaboration with universities, NGOs, and the State.

Some of these initiatives are detailed below:

- From the year 2003, participation in the CORMA–CONAMA Biodiversity Agreement.
- Since 2003, CMPC has participated in an environmental cooperation program with the Austral University, the purpose of which being coordination and cooperation for the recovery, conservation of, and education and research on species of Chilean plant species listed in the Red Book on Chilean Terrestrial Flora, existing in properties managed by the Company.
- Since the year 2004, the University of La Frontera has collaborated in a project of reclassification and proposal of potential uses of areas with native vegetation belonging to Forestal Mininco. Its objectives are: to systematize data on areas with native vegetation; identify their current use, and propose and assign potential uses. The duration of the project is estimated up to the year 2008.
- Since December 2005, a project on diagnosis of the biodiversity conservation potential of an area is being conducted with the University of Concepción. The main objective of this project is a diagnosis of CMPC's potential for conserving

areas of high biological value in the Nahuelbuta mountain range. Its duration has been estimated up to the year 2006.

Impacts on Biodiversity

In relation to possible impacts on land environments, the Sustainable Forest Management Standard (CERTFOR) to which the Company adheres, establishes specific criteria for minimizing and/or preventing impacts on biodiversity, native forest, soil and water courses. These criterias are periodically controlled and are consistent with continuous improvement plans.

AIR EMISSIONS

Concentration of gases such as carbon dioxide, methane and nitrous oxide at low altitudes in the atmosphere maintains the heat of the Earth's surface. This leads to a sustained increase in the temperature of the planet, a phenomenon known as the greenhouse effect. Through forestation, CMPC contributes to the reduction of this effect.

Trees, by means of their natural process of absorption of carbon dioxide through photosynthesis, return pure oxygen into the air. Just one hectare of radiata pine or eucalyptus can absorb up to 9 tons per year of carbon in average, which are converted into oxygen and released into the atmosphere.

With regard to measurement of greenhouse effect gases, there is no regulation in Chile for the line of business in which the Company is engaged; therefore, monitoring of this kind of gases is not contemplated within the production process.

Moreover, CMPC is a company that given the characteristics of its production does not emit gases that are classified in the Protocol of Montreal as likely to affect the ozone layer.

The Company controls other types of emissions so that they may be sustainably absorbed in the natural ecological cycle. Mills or plants that began their operations during the last ten years have had to submit to environmental impact evaluation systems and to perform the relevant assessments that

contemplate periodic monitoring of particulate material, gases TRS, Nox, and particularly SOx, measurements that are controlled from time to time.

In Papeles Cordillera, a subsidiary of CMPC Papeles, a steam-generating boiler started up in 2001, which is equipped with high technology natural gas burners that allow a 65% reduction of the emission of NOx per ton of paper produced, as compared to boilers equipped with traditional burners.

CMPC Tissue's Talagante Plant is equipped with scrubbers to clean combustion gases arising from the use of natural gas in the drying process. In addition to the new power boiler that was installed in this plant, an investment is being made to install gas filters and a scrubber, which will be operating in the first half of 2006.

In the biomass boiler of INFORSA's Nacimiento Plant a gas scrubber was also installed, which will allow the reduction of particulate material emissions by more than 75%. This equipment has been operating since the first half of 2006.

Emissions of gases and particulate material are periodically monitored in all CMPC's production facilities, in accordance with the regulations in force issued by the Metropolitan Environmental and Health Service (SESMA). In 2005 particulate material emitted by pulp and paper mills amounted to 1.4 kilograms per metric ton of final product, a figure that is similar to that of 2004: 1.3 kilograms per metric ton. These values will decrease by the year 2006, with the start-up of the above-mentioned mitigation equipment.

RESIDUES OR WASTES

Treatment of liquid effluents and solid wastes is mainly aimed at mitigating their effects on the environment. CMPC's commitment to sustainable development in its production activities translates into making the necessary investments to constantly improve the environmental performance of pulp and paper mills, in strict compliance with the applicable environmental legislation.

TREATED LIQUID EFFLUENTS AND THEIR RETURN

After water is utilized in pulp and paper manufacturing processes, all of the liquid effluents generated are treated in specialized plants so as to mitigate their effect on the environment, and subsequently returned to natural watercourses.

The table below shows the figures of treated effluent in 2004 and 2005 for the total CMPC's pulp and paper production, amounting to 105 million cubic meters in 2005, equivalent in unitary terms to 46 cubic meters per metric ton of final product.

CMPC Consolidated	Year 2004	Year 2005
In thousands of cubic meters per year	110,205	105,342
In cubic meters for metric ton of final product	46	46

Effluent treatment plants are periodically monitored to verify that the contents of suspended and dissolved solids comply with the respective regulation. In March 2004, CMPC Papeles' Valdivia Plant received the National Award on Industrial Liquid Waste Management, conferred by the Superintendency of Sanitary Services.

As a result of liquid effluent treatment, industrial sludges with high contents of vegetal fibers are obtained, so they are classified as biomass, i.e. non-hazardous solid wastes appropriate for recycling, principally in the generation of steam useful for production processes, because they have a calorific power that is suitable for incineration in biomass boilers.

SOLID WASTES

The table below shows the solid wastes generated by CMPC's pulp and of paper mills, in metric tons per each year:

CMPC Consolidated	Year 2004 Tons	Year 2005 Tons	Year 2005 %
Hazardous Solid Wastes			0.1%
Marketed or Recycled	56	121	
Sent to Specialized Landfills	224	245	
Non-hazardous Solid Wastes			21.7%
Marketed or Recycled	24,933	25,945	
Sludges Incinerated for Generating Steam	27,194	31,628	
Sent to Sanitary Landfill of our Own	93,216	95,864	78.2%
Sent to Sanitary Landfill of Third Parties	110,648	111,675	
TOTAL	256,271	265,478	100.0%

It may be seen that in 2005 solid wastes classified as hazardous were only 0.1% of the total generated. These hazardous wastes are subject to the provisions of Executive Decree No. 148, of 2003, of the Ministry of Health, the Regulations of which created a system of declaration, management and follow-up of these wastes, which is mandatory for every plant.

The remaining wastes (99.9%) were classified as non-hazardous, 21.7% of which was reutilized either for recycling with environmental benefit or for generation of steam in biomass boilers, taking advantage of their calorific power due to their contents of vegetal fibers. Finally, 78.2% of wastes were taken to controlled disposal areas, also known as authorized sanitary landfills, both, owned by the Company and operated by third parties.

The above figures can also be expressed in kilograms of solid wastes per metric ton of final product. Such figures are shown in the table below. It appears that in 2005 only 116.3 kilograms of residues per each 1,000 kilograms of pulp and papers produced were generated, and that hazardous wastes totaled 0.16 kilograms per each 1,000 kilograms of product.



CMPC's commitment to sustainable development in its production activities translates into making the investments required to constantly ameliorate its operations.

TABLE N° 16: SOLID WASTES		
CMPC Consolidated	Year 2004 kg / Ton prod.	Year 2005 kg / Ton prod.
Hazardous Solid Wastes		
Marketed or Recycled	0.02	0.05
Sent to Specialized Landfills	0.10	0.11
Non-hazardous Solid Wastes		
Marketed or Recycled	10.9	11.4
Sludges Incinerated for Generating Steam	11.9	13.9
Sent to Sanitary Landfill of Our Own	40.7	42.0
Sent to Sanitary Landfill of Third Parties	48.3	48.9
TOTAL	111.9	116.3

With regard to non-hazardous solid wastes that are recycled, it is worth noting the experience with clear environmental benefits of Zárate Pant, in Argentina, belonging to Papelera del Plata, a subsidiary of CMPC Tissue. In this plant, these wastes are subject to a composting process, which finally results in an organic product that is used to improve agricultural soils.

ENVIRONMENTAL ASPECTS IN THE PRODUCTION CHAIN

CMPC takes good care that all of its production chain complies with the environmental regulations in force. This involves suppliers of raw materials and inputs to the sale of products in final markets.

The requirements of CMPC's suppliers in environmental, social, and labor matters are the same than the ones applied internally, since it is necessary to comply with the applicable legislation and commitments undertaken by CMPC in the management of its different business centers. The Company demands its suppliers compliance with the environmental regulations both in their production processes and in their products.

In forestry, Forestal Mininco recertified in 2005 its forest management under ISO 14001, and the follow-up audits of

the forest sustainability seal CERTFOR-PEFC and of the OHSAS labor certification were approved. Furthermore, the certification process of the chain of custody for sawmill products is underway, and will be completed in the year 2006. These certifications include a comprehensive evaluation of suppliers.

CMPC Celulosa obtained ISO 14001 certification for its three production mills. Besides, it certified its chain of custody under the CERTFOR-PEFC standards, which guarantees that its raw material: pulpwood, is sourced exclusively from cultivated forest or plantations, of controlled origin, free from controversies, and perfectly traceable from the forest to its final destination. In this manner, CMPC responds to the growing importance that customers are assigning to the environmental performance by pulp producers.

In CMPC Papeles, subsidiaries Papeles Cordillera and Cartulinas CMPC have ISO 14001 certification, and have incorporated operating systems and practices of environmental management, which include procedures for evaluating their suppliers in different aspects, along with requiring them to obtain certification of their processes.

CMPC takes good care to prevent or mitigate significant impacts of processes and products, by having its facilities certified under ISO 14001 and by implementing rigorous environmental management systems. In the case of Forestal Mininco's forest activities, including the construction and utilization of service roads, a management system to mitigate their impact has been implemented.

It should be borne in mind that CMPC generates positive effects on the environment, because it contributes to the reforestation and conservation of the native forest; uses renewable biofuels or biomass for generating 70% of its energy requirements, and is the biggest collector in Chile of waste paper, which is converted into useful fibers for producing new paper.

In Chile, waste paper recovery rate is approximately 60%. The apparent market is about 750 thousand metric tons per year, and the total recovery is around 460 thousand metric tons. Products manufactured by CMPC Papeles and CMPC Productos

de Papel are 100% suitable for recycling. CMPC Papeles and CMPC Tissue, in turn, are the main users of recycled fibers. To such effect, we have SOREPA, a subsidiary specialized in recycling, with direct or indirect presence all over the country.

During 2004 no environmental incidents occurred in CMPC. Its facilities, particularly pulp mills, have implemented systems for fire prevention, fuel management, control of emissions and spills of chemicals and lubricants, which regulate the operation of their oil/chemicals storage tanks. Despite all these control measures, in 2005 an accident involving oil spill occurred at Pacífico Pulp Mill, belonging to CMPC Celulosa. As soon as the spill was discovered, the Company proceeded to take actions to mitigate the adverse effects of this emergency, by contacting the Neighbors Association of the locality in order to report the incident and coordinate the necessary works with the owners of adjacent properties. The Company also conducted activities of containment and removal of the spilled oil.

Business Centers	Total Expense on Environmental Matters, in dollars, 2004	Total Expense on Environmental Matters, in dollars, 2005
Forestal Mininco	52,272	94,144
CMPC Celulosa	6,486,563	33,010,074
CMPC Papeles	1,776,418	2,690,591
CMPC Tissue	1,279,347	1,854,018
CMPC Productos de Papel	175,084	28,999
TOTAL EMPRESAS CMPC	9,769,684	37,677,826

The increase in environmental expenses by CMPC Celulosa was due to the development of important modernization projects that incorporate substantial improvements regarding to the environment.

Our efforts to improve environmental management systems are reflected in the increased expenses on this matter.

How to Collaborate with Future
Generations...

By Learning!





Because providing high quality education is the best way to create opportunities, Fundación CMPC develops educational support programs in schools located in low-income districts where the Company carries out its activities.

4. Community

LINKS WITH THE COMMUNITY

Through its relations with the community, a company should generate links with authorities, organizations and neighbors in order to develop an effective communication within a reliable framework.

Fluent communication will enable the Company to be aware of the community's problems, challenges and goals, and the community to learn about the Company.

CMPC has a long-standing record of commitment to workers and the community, which dates back to the early years of Compañía Manufacturera de Papeles y Cartones.

From its beginnings, the Company has demonstrated the concern of its founders for the then-called "social issue". Already in the early 20th century some basic courses were given to workers and their families, the support of social workers was provided in cases of irregular family situations, and medical care was made available to pregnant women.

One of the most revolutionary social concerns at that time materialized in the housing plans of "la Papelera" (the paper company) for its workers. Residential areas were built to provide them with decent houses to live in. Furthermore, a parish church was donated to the Archbishopric, along with a nursery school with teachers paid by the Company.

Thus a sense of social responsibility -encouraged by its majority shareholders- developed in CMPC and has continued over time, stamping its own style on managers and becoming a tradition in the Company. This attitude has adjusted to different times and needs.

This is how the Company's social concern has expanded beyond its own workers, generating actions in favor of the communities surrounding its mills or forest properties.

This relationship involves several aspects. On the one part, it enables CMPC -and its different subsidiaries- to generate local employment and economic development, and on the other, it offers the possibility to learn about the community's perception of its operations, and to generate various mechanisms of

dialogue and communication leading to satisfaction of their social, environmental and economic needs.

Keeping an open communication with the nearest local community is a priority for the Company. To meet this purpose, some specific tools have been implemented.

Web sites and telephone reporting lines are the most efficient forms of communication. They receive and promptly answer all queries and claims. With regards to web sites, it is worth noting that in addition to the one belonging to CMPC, most of our subsidiaries have their own web sites. Telephone reporting lines to receive queries and claims operate 24 hours a day.

There are other examples of communication which involve direct dialogue with the community, such as visits, formal meetings and opinion polls. Our Forestry Area has established a system to record all agreements reached in meetings by issuing a special form of communication with the neighbors. In addition, environmental impact assessments that are made for extending or building new facilities include community opinion polls covering several aspects.

The Company maintains regular and direct communication with local authorities.

The information generated from these various forms of communication guides the design of the community relations strategies and allows to define the approach to the social investment CMPC can make in the community.

SOCIAL INITIATIVES: A LONG-TERM INVESTMENT FOR THE COMMUNITY'S FUTURE

In its relations with the community, CMPC has evolved from traditional philanthropy to future planning, based on social investment and social initiatives, making a focused use of resources, stemming from the Company's long-term commitment to people in its close vicinity, and where joint work with State entities and civil society organizations enables it to consolidate initiatives to promote local development.



The Company's social concern has expanded beyond its own workers, generating action benefiting the communities near its mills, plants or farms.



CMPC works with the conviction of that through education it is possible to make a contribution towards reducing poverty, bridging the existing gap in opportunities and providing better prospects for the future.

The social investment strategy has had four major areas of action to channel resources: Fundación CMPC, The Good Neighborhood Plan, Jorge Alessandri Educational Park –situated in Concepción- and our web page: www.papelnet.cl.

Fundación CMPC

A non-profit organization established in the year 2000, which operates a comprehensive educational program aimed at improving learning conditions of children who attend elementary education in places where the Company carries out its industrial activities. It supports 93 schools in 36 districts of the country, benefiting more than 380 teachers and 15 thousand children.

The Foundation channels contributions and donations made by the Company, focusing on the educational area. It develops educational improvement programs in language and mathematics, in order to ensure that students acquire the expected basic levels of knowledge and skills.

Another of its objectives is to favor an efficient and effective management of educational centers, with the aim of achieving good quality learning and of promoting a suitable personal development and a social atmosphere among school community members.

CMPC works in this field with the conviction that through education you may contribute to reduce poverty, bridging the opportunity gap and providing better prospects for the future.

Starting from the identification of current educational deficits in municipal schools situated in rural localities close to the Company's properties or mills, a work team has been established to cover the further training needs of their teaching personnel.

To such effect and with a view to integrate parents into the learning process, Fundación CMPC has developed teaching material, which allows students to work together with their parents.

The Foundation also implemented this year the "School Libraries" project, which involved the delivery of an average of 1,600 books to each of the following schools: "Coigüe" in the district of Negrete; "El Saber", "Toqui Lautaro" and "Canada", in the district of Nacimiento. The collection comprises literary genres for all tastes and ages, responding to the different interest of readers. Along with the donation of resources, people in charge of libraries and teachers were trained.

The Good Neighborhood Plan

In the Company's forestry area, an open door policy towards the community has been implemented, resulting in concrete actions such as a program called The Good Neighborhood Plan, focused on generating jobs and increasing production development in neighbor communities, primarily Mapuche, as well as helping to enhance the quality of education in the rural schools near its forest properties.

These educational programs started in 1999 in schools of Pichipellahuén and Capitán Pastene in the district of Lumaco, 9th Region of the country. The project is based on a learning support method that is applied in mathematics and language, for students of 1st through 8th grade.

The work consists in assisting teachers in their performance in class. To such effect they are provided with teaching guidelines covering around 80% of the minimum compulsory contents prescribed by the Ministry of Education. Moreover, teachers are trained in the use and application of this material.

To date the Plan is applied in 59 rural elementary schools in districts of the 8th and 9th Regions, benefiting teachers and almost 6 thousand children.

Among some of the actions developed by The Good Neighborhood Plan it is worth mentioning:

- Generation of jobs for neighbors.
- Granting of annual scholarships to rural high school students.

- Development of plant nurseries in rural schools.
- Sponsoring of rural schools.
- Extension programs for schools with visits to technological centers and facilities of the Company.
- Courses to improve homemaking skills, including, but not limited to: knitting, sawing, food preservation, food preparation, use of greenhouses, cultivation and use of medicinal plants, worm culture, animal hygiene, ecological apiculture.
- Creation of rustic community plant nurseries.
- Donation of pine and eucalyptus plants for rural forestation.
- Fire protection training.
- Open door policy allowing families to collect non-forest items from our properties, such as: firewood, dog-rose flowers, yellow flowers, mushrooms, etc.

A course on Renewable Natural Resources mainly addressed to rural teachers has been given for the last 16 years. This course is prepared in association with regional universities.

The Good Neighborhood Plan has allowed the strengthening of the relationships with neighboring communities on the basis of work programs, which have improved living conditions of the communities around the Company's facilities. In 2005 we hired 1,262 neighbors as labor force, 57% of whom are of Mapuche origin.

Also during 2005, 211 courses given to neighbors were attended by more than 2 thousand 700 people. From the start of this Plan 6 years ago to date, a total of 914 courses have been given and 12 thousand neighbors have been trained in several matters related to rural development support, with special emphasis on improving their homemaking skills.

In 2005, 147 children were given scholarships to attend high school. This support is relevant given the significant distances

to be traveled to high schools. More than 120 lectures were given to neighbors, transferring to them knowledge applicable to their daily chores. Furthermore, firewood has been furnished to 1,460 neighbors; small farmers have been trained at El Vergel Agricultural School in Angol; a project related to mountain ñocha, a variety of sedge that generates raw material for basketwork, was developed for seven Mapuche communities in the surroundings, and as in previous years, free access has been allowed to the Company's farms to remove non-forest products and to feed over 3 thousand animals belonging to 280 neighbors.

Jorge Alessandri Educational Park

This attractive recreational place has an area of 11 hectares and is located at km 18 of the road to Coronel, in Concepción. Since its opening in 1993, it has played an outstanding role of support to education and culture in the region.

During 2005, Jorge Alessandri Educational Park (www.parquealessandri.cl) received 132 thousand 360 visits. Having among its objectives the transmission of values and knowledge on forest and wood, the Park has turned into a comprehensive experience encompassing design, art and culture, and the transfer of the specific knowledge acquired by the Company over the years.

In the Park one may find and get to know native and introduced vegetal and animal species. Along with that, walking trails, pergolas, a cultural amphitheater, an educational plant nursery and vantage points, give people the chance to participate in and enjoy cultural events.

Within its facilities there is the Sala del Árbol, where visitors can learn interactively the processes of production, transformation and consumption of wood, pulp and paper.

In March 2005, a new space was inaugurated: Artequín en el Parque. It consists of a museum of works of art reproductions. It offers an educational-interactive facility through guided workshops and is equipped with audiovisual and computer aids.

During the first year, the Park was visited by 33 thousand 577 people.

In the educational field, its function is complemented by cultural shows presented throughout the year appealing to different audiences. This is why each season the Park is visited by 110 thousand people from different regions of the country, including students, teachers, academics of professional institutes and universities, as well as scouts and general public.

Another initiative executed by CMPC in the educational field is the web site www.papelnet.cl, where people can access valuable information about industrial processes and products manufactured by the Company. In this site all information related to cultivated forests, pulp, paper and related products is available.

In addition to projects designed and implemented in the educational field, the Company cooperates with cultural entities such as Artequín Museum in Santiago, the Municipal Theater in the same city, and sponsors literary contests organized by El Mercurio newspaper's book magazine.

www.empc.cl

