



cm pc Pulp 177 news

january 2011



A successful reforestation program carried out by CMPC

New forests in former moorlands

Comments of CEO of
CMPC Celulose Riograndense
Our first year in Brazil

In CMPC Pulp mills
Energetic self-sufficiency

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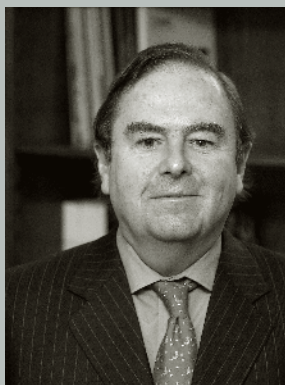
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welcome

A very happy New Year to you all!

We would like to start the year by thanking all our customers and friends for their incredible support after the February 27th earthquake. Not only did our customers accommodate our inability to deliver pulp in some cases, but they were also kind and understanding – no doubt this is why it is said that you see who your true friends are only when you really need them.

Moreover, out of the kindness and generosity of our customers and agents, we were able to build 98 permanent houses for families living near our mills that lost everything in the earthquake. They will be forever grateful.

This has been our Guaiba mill's first year, incorporated flawlessly into our organization thanks to the leadership of its CEO Walter Lidio Nunes. You will find a very interesting interview where he talks about this process and also about plans for the future in this issue of CMPC Pulp News.

This year we have been working on calculating our Carbon Footprint, confirming that we have a significant positive balance of CO₂ capture. Unfortunately, the measurement of CO₂ capture may be losing importance because there is no unique standard for its calculation, which means that Carbon Footprint numbers can only be fully compared if they have been calculated using exactly the same method. Unless the industry agrees on a method of calculation, this standard will become irrelevant.

This issue also includes an interesting article on the Chilean Patagonia - a very imposing part of Chile's extreme south. Unfortunately, this area has seen severe erosion because of the destruction of its forests about 100 years ago. CMPC has been helping recover this land by planting Douglas Fir and other tree species that are helping this area to rebuild their forests.

I hope you enjoy the rest of the newsletter, which contains other interesting facts and news in general.

Yours

A handwritten signature in dark ink, appearing to read 'Guillermo Mullins', written over a horizontal line.

Guillermo Mullins
Commercial Director of CMPC Pulp



A positive balance

Pine and Eucalyptus Plantations of CMPC Group in Chile capture 5,3 million tons of carbon dioxide a year, a volume that offsets one-year's carbon emission of 1.2 million cars. This figure was obtained from the measurement of the Carbon Footprint made by the company with the advice of the University of Concepción, following the methodologies of the Greenhouse Gas Protocol, the British standard PAS 2050 and the European Paper Industry standard. This involved the use of the life cycle concept, which in the case of Pine pulp, for example, considers from the tree nursery to pulp delivered to a port in Europe, in a cycle of about 26 years.

As a result of calculating its Carbon Footprint, CMPC Group also confirmed that both the manufacture of pulp and of cardboard by the company capture more carbon than they emit during the process, which allows them to qualify as "green products" for their contribution to mitigating Climate Change.

In the same vein, CMPC approved in 2009 to build two biomass boilers in Laja and Santa Fe pulp mills, with an investment of US\$ 200 million. This will deepen the substitution of fuels like oil and coal as energy sources. (More information on page 9).

*A calculation
of CMPC's Carbon
Footprint confirmed that
its activities capture a
greater volume of CO₂
than they emit.*



Guaíba mill

First year at CMPC



“In the next seven years Brazilian investment in the pulp and paper sector will reach US\$ 20 billion”, says Walter Lídio Nunes, CEO of CMPC Celulose Riograndense.

In January 2010, Walter Lídio Nunes took over the CEO of CMPC Celulose Riograndense, a company created following the acquisition of Guaíba mill by CMPC Pulp. Born in Porto Alegre, Walter Lídio Nunes holds the degree of Mechanical Engineer conferred by PUC of Rio Grande do Sul, and a major in Management Development attended in England. Besides, he has attended courses at Fundação Getúlio Vargas, having specialized in Cellulose Technology, among others.

What has the starting with CMPC been like for you, personally?

I am very glad to have been challenged to get to join CMPC group and to contribute to the development of CMPC Celulose Riograndense. My decision was also due to my knowledge on the existing cultural values at CMPC and to my personal attachment to Rio Grande State and to Guaíba.

What percentage of the workers at the Guaíba plant is Brazilian? What percentage of the workers already worked at the plant before it became part of CMPC?

Employees are mostly Brazilian and have been working in the Industrial Unit for an average of 18 years. People in general consider the Guaíba Unit a good place to work and this fact has been confirmed through the organizational surveys that have been made. All workers already worked at the Guaíba plant.

Have there been any new hirings?

In this first year under the CMPC label some workers have been hired. This is due to the fact that today we are a company and before we were just an Aracruz operating plant. There was a raise of around 20 people

to the internal staff to reinforce positions such as IT, commercial, financial, and other administrative functions. There was also another meaningful raise in the activities hired, mainly because of the expansion of the activities on Eucalyptus planting. There was a raise of 600 people through outsourcing.

How has the integration of workers with CMPC worked out?

Due to the similarity of culture and organizational values between CMPC and Guaíba employees, this union has been happening in a soft and convergent way. There have been visits and exchanges of experiences between the various areas of Guaíba and the various areas of CMPC. It is possible to affirm that there is an atmosphere of satisfaction and union among all parties. It is possible to perceive an enormous sense of satisfaction because this represents professional growth to everybody and to the company itself.

How have customers reacted to the change in ownership of the company?

It has been a regular process. Some small adjustments were necessary, especially in the logistic procedures. The actions, at an international level, have been coordinated by CMPC aiming at integrating the new available capacity in its globalized strategy. In the Brazilian market, we have been optimizing our local relationship with our paper, chemicals and wood customers.

What has the reception by the community in Estado de Rio Grande been like regarding CMPC?

It has been excellent. We have recently released

“The Guaíba mill has a forest basis in a region whose productivity is among the best in Brazil”



In the year of 2010 we have been investing in the expansion of the forest area, investments related to the sustainability of the industrial plant. We have also begun the studies envisioning the expansion of the capability of the future plant in more than 1.3 billion tonnes of pulp per year.

BRAZILIAN INDUSTRY

What characterizes the cellulose industry in Brazil? What are its advantages?

Brazil has a great extension of good areas for agriculture and adequate climate and soil. The main advantage is in the Forest sector, where Brazil globally leads a position with the technology of fast growing Eucalyptus plantation due to the availability of areas, climate and adequate soil, besides the existence of genetic material developed to the cloning spreading perfectly adapted to local environmental conditions. Brazil has 2.2 million hectares of planted area for industrial use and 2.9 million hectares of preserved forests.

What is its position in the world, and what are the projections in the medium term for the investments that are currently underway?

According to BRACELPA Brazilian Pulp and Paper Industry Association, in 2009 Brazil had produced 13.5 million tonnes of pulp. With this production, we conquered the 4th position in the international pulp index. The Brazilian economic development and the expressive investments in the pulp business during the last ten years were the factors that contributed to obtain this goal. The sector had increased 6.5% per year in this period. In 2009 Brazil exported US\$ 5.0 billion and the trade balance was US\$ 3.7 billion (14.4 % of Brazilian Trade Balance). In the next seven years the Brazilian investment in the pulp and paper sector will reach US\$ 20 billion.

What are the main advantages of the Guaíba plant in this industry?

The Guaíba plant has a forest basis in a region whose productivity is among the best in Brazil; it also has availability of qualified workforce and efficient industrial and forestry operations.

a survey with the community and the results were positive. The company has received public acknowledgement from the community and local associations in spite of its short existence.

In what ways has the company built relationships with the Rio Grande community?

The company has a survey from its stakeholders and aims at establishing a constructive relationship based on dialogue and transparency of actions. The determinant factor was CMPC behaviour: the organization, from the very beginning, showed to have respect and consideration to local culture and values.

CMPC CELULOSE RIOGRANDENSE

What were the main goals at CMPC Celulose Riograndense for this year?

We had several goals, including, particularly: consolidating operations as a self-sufficient company; perform an administrative

interconnection with CMPC's systems; commercially introducing our production to CMPC's target market; achieving the organizational change without negative effects on the community and obtaining excellent economic results.

What progress has been made in moving towards those goals?

Luckily, with the involvement of all staff, we can be very pleased to have met these goals.

How was Guaíba affected by the temporary stoppage at the Chilean units after the earthquake?

With the problems that happened in Chile, which affected the other CMPC units, we aimed at producing to the highest capability level possible, thus, we could help CMPC to satisfy the pulp needs of its customers so that the earthquake effects were minimized.

How has the CMPC Riograndense investment plan for 2010 been developed?

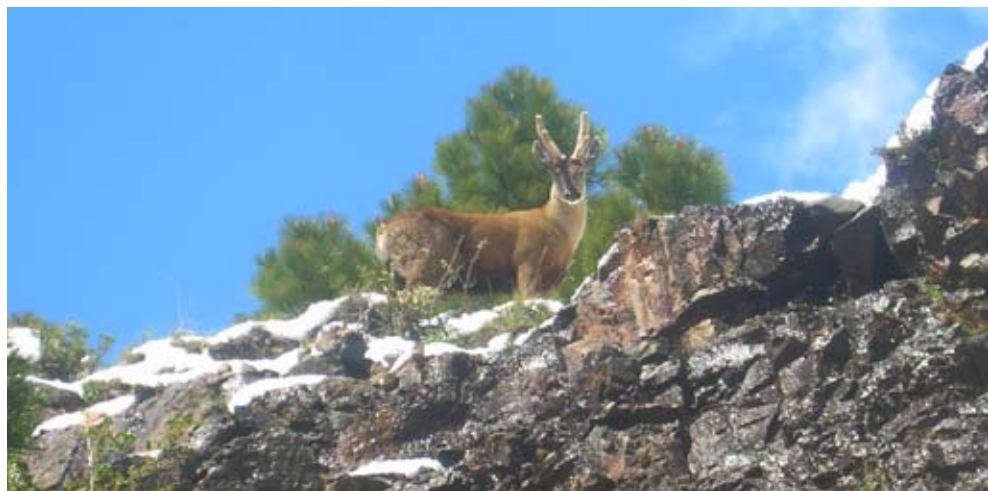


Recovered forests

In eroded lands of the Chilean Patagonia, CMPC group has managed to develop tree species that are generating significant environmental and economic benefits.



Mañihuales Tree Nursery of Forestal Mininco – a CMPC affiliate – is beginning to supply conifers and native species (Lenga, Coihue, Guaitecas Cypress) to other companies.



*A huemul deer
in a Ponderosa pine forest*



La Cascada Farm in 1989



La Cascada Farm in 2010

In the extreme south of Chile, CMPC Group began in 1989 a long-term reforestation project that, 21 years later, has begun to yield promising results. In 2010, the company obtained the first commercial thinning logs in an Douglas Fir forest established in an area that a hundred years earlier had been fitted for livestock through the intensive use of fire, generating a soil degradation process that now remains the most important environmental problem in this region (Aysén), since it covered more than two million hectares.

CMPC has also undertaken, as part of this project, the planting of two conifers: Ponderosa and Lodgepole pine, species that, like Douglas Fir, are able to adapt to the rigours of the southern cold. Currently, the company's assets in this area reach 15,300 hectares of plantations, with growth rates higher than initially projected. They are under a forestry management program (pruning and thinning) adapted to the species and focused on the production of clear wood. In the case of pruning, the program added nearly 4,500 hectares in the recent season.

"This first sale established a very good price for logs from thinning, says Rafael Eyzaguirre, Head of CMPC's Aysén Project. While these are small volumes, they serve to demonstrate, in a region with no tradition in coniferous forests, that what was planted 21 years ago may represent an important economic contribution to the area. In a few years, more hectares will be added to provide wood for regional consumption and generate more jobs for the inhabitants of this remote area of the country."

CMPC PULP: Facts & Figures 3Q2010

Our operating results through 3Q2010 show a steady recovery from the impact of the global financial crisis last year. Besides higher market prices y/y, the acquisition of Guaiba Pulp Mill (currently Celulose Riograndense) in Brazil on December last year, contributed significantly to this improvement.

FOEX average pulp price indicators in the first nine months of the year had risen 50% in softwood and 60% in hardwood over

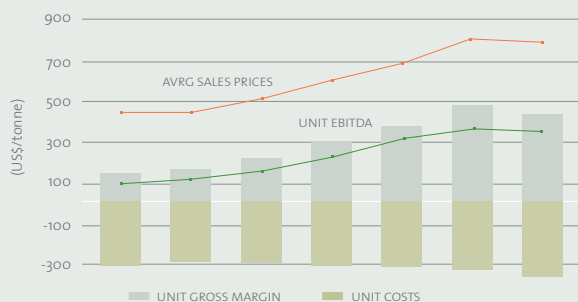
the same period last year. However, prices have begun to show signs of weakness as we enter the fourth quarter.

Nevertheless, exchange rates have adversely affected our results. On average, in the year through September 2010 the Chilean \$ and Brazilian Real had been revaluated by 10% and 17% respectively against the US dollar over the same period last year.

Operating Results (thousand US\$)

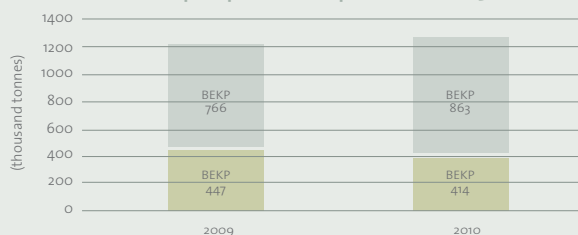
	1Q2009	2Q2009	3Q2009	4Q2009	1Q2010	2Q2010	3Q2010
Sales	220	227	235	310	363	380	457
Cost of Sales	153	146	138	157	165	153	206
Gross Margin	67	81	96	153	198	227	251
Administrative & Selling Expenses	27	27	38	48	42	59	58
EBITDA	40	54	59	105	156	169	193
EBITDA/Sales	18%	24%	25%	34%	43%	44%	42%
Shareholders Equity	1.523	1.475	1.596	1.598	1.593	1.650	1.886
Total Assets	2.703	2.638	2.583	4.165	4.110	4.220	4.275
Sales (thousand tonnes)	486	506	452	506	527	467	570

CMPC Pulp: Results by Quarter

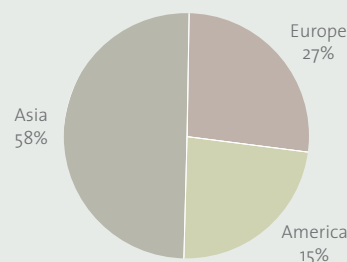


Our sales data through September 2010 show that market pulp demand recovery in Europe and America reduced our dependence on Asian (China) markets this year. The Chilean earthquake on 27/02 limited our sales growth, but a significant y/y increase in market prices improved our sales turnover.

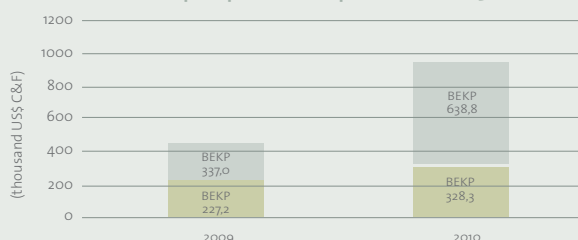
CMPC Pulp Exports @ September 2009-2010



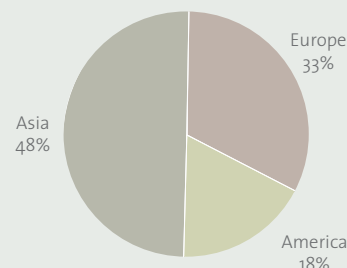
CMPC: Pulp Exports @ Sept. 2009 (1,21 million tonnes)



CMPC Pulp Exports @ September 2009-2010



CMPC: Pulp Exports @ Sept. 2010 (1,28 million tonnes)



Own energy

Mills of CMPC Pulp fully self supply of electric power generated from biofuels



Biomass transported to the boiler of Pacífico Mill

Despite the earthquake of 27F, which mainly affected its generation equipment, CMPC Pulp Mills produced an electrical surplus of 18MW. This power was exported to related companies.

Energy consumption of these productive units continued downward trend in recent years. However, the company continued improving energy efficiency and moved in additional biomass boilers as well as the replacement of oil with hydrogen in one of our lime kilns. These projects will reduce fossil fuels usage.

Currently, the three mills of CMPC Pulp have biomass boilers that consume a combination of wood by-products: bark, fines and pinchips (chips rejected due to their size), harvested forest biomass, sawdust and biomass from third party sawmills. These boilers contribute about 15% of the steam needed to power the turbines that generate the electric power required for the operation of pulp mills. The rest comes from black liquor, a waste generated in the chemical process of cooking wood chips for obtaining chemical, Kraft or woodfree pulp.

In early 2012, a new biomass boiler will start operating at Santa Fe Mill, coupled with a turbine generator and management system which will enable to increase steam generation and electric power to the system. In October of that year a similar project will also conclude at Laja Mill. Both, currently under construction, involve about US\$ 200 million.



Biomass boiler at Pacífico Mill

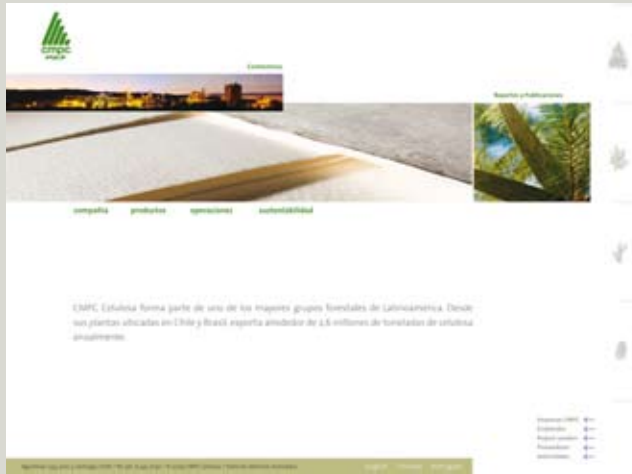
CMPC PRESENTED ITS SUSTAINABLE DEVELOPMENT REPORT



Empresas CMPC recently presented its Sustainable Development Report for 2009. This document summarizes the activities of the Company in the economic, social and environmental fields. It also reflects the commitment of the company to its employees, to the social and economic development of local communities and to the education of future generations.

In this report, which was prepared under the GRI/G3 guidelines, the company sets forth the performance of its five business areas (forest, pulp, paper, tissue and paper products) in the eight countries where it has an industrial presence (Argentina, Peru, Mexico, Uruguay, Colombia, Ecuador, Brazil and Chile). It also presents the activities and results of CMPC Foundation, an institution through which the company conducts its direct contributions to the community.

NEW WEBSITE OF CMPC PULP



To optimize communications with its customers, mainly, CMPC Pulp has redesigned its website. The new platform provides information in four languages, updated contact particulars and relevant information about the company.

www.cmpcpulp.com

CMPC OPENED ITS FIRST MILL IN COLOMBIA

Last 10 November, CMPC opened Gachancipá Mill in Colombia, a unit of 30 thousand square meters in which it produces toilet paper, paper towels and napkins. It has a paper machine with a production capacity of 28 thousand tons per year, whose main input is waste paper recovered in the city.

The company started its business activities in Colombia in 2007, with the purchase of the company Drypers Andina. Considering this project, its investments in this country amount to US\$ 120 million.



Around 250 people, trained at the mill of Lima, Peru, work in this new factory of CMPC Tissue in Latin America.

Flowering Desert



More than 200 plant species flower from time to time in the world's driest desert.

The Atacama Desert in northern Chile is the driest in the world. An endless expanse of rock formations, stones and sand form a breathtaking landscape, but extremely dry and desolate. There are no plants or trees, and very few animals are able to survive its extreme temperatures. However,

once a year everything changes. In late August, the Atacama Desert is covered with multicolour and bright flowers in a surprising phenomenon: the famous Flowering Desert, a natural event that occurs particularly in spring, after unusually wet winters. In 2010, the Flowering Desert occupied the

area between the Plains of Travesía (40 km south of Copiapó) to the north, and Huasco Valley to the south (200 km south of Copiapó) and from the mountain skirts to the east and the coast to the west, in addition to some ravines, specific surrounding areas, and the Pan de Azúcar National Park in Chañaral.



CMPC PULP

Production and distribution of pulp based on Radiata Pine and Eucalyptus. The mills are Pacifico (500,000 tons Radiata Pine), Laja (260,000 tons Radiata Pine), Santa Fe (1.2 million tons Eucalyptus), Guaba (450,000 tons Eucalyptus). This pulp is exported to countries in Asia, Europe, Oceania and the Americas.

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