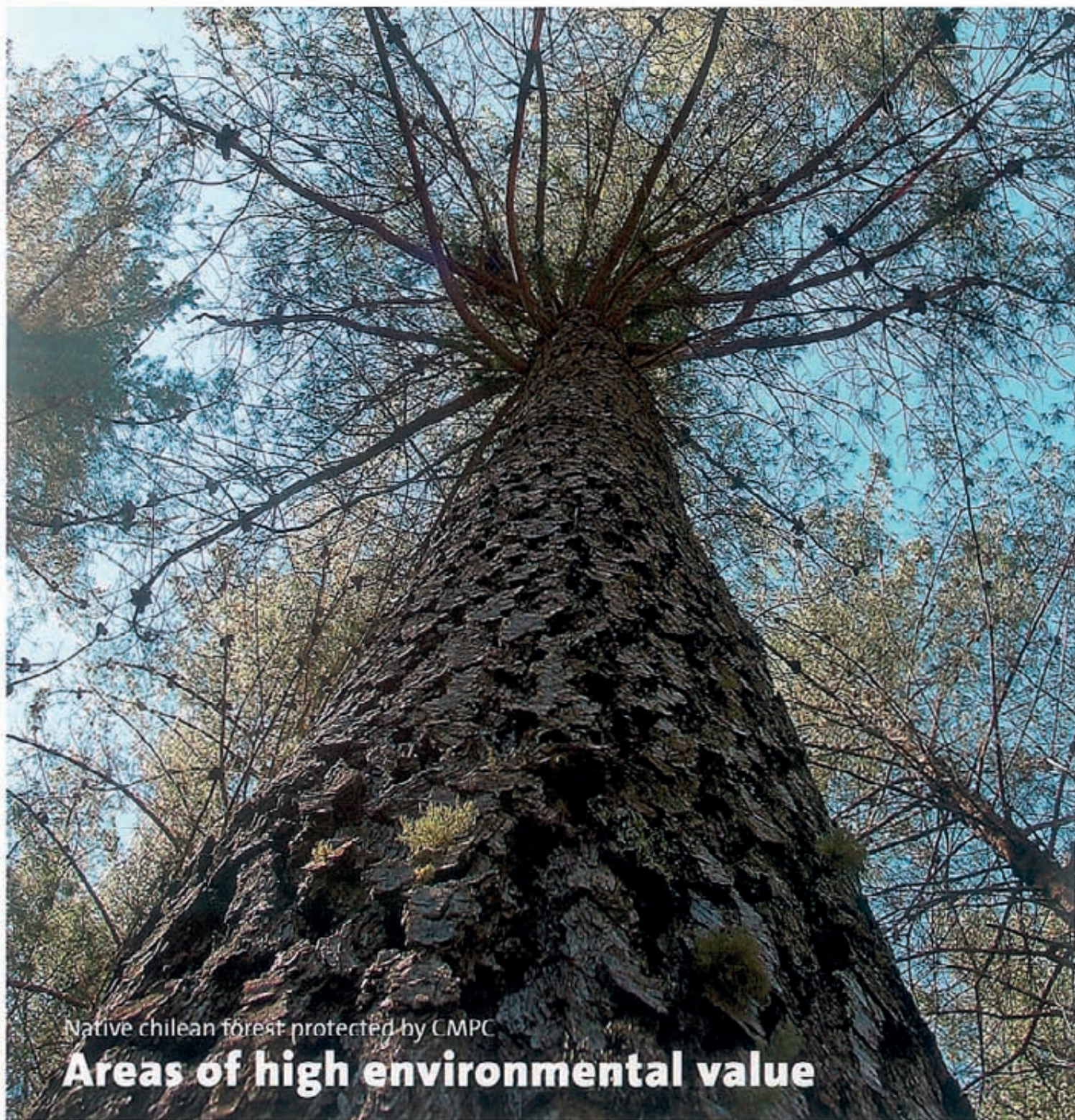




cm pc Pulp 11 news

December 2008



Native Chilean forest protected by CMPC

Areas of high environmental value

Address by the President of CMPC Group
The Chicago legacy

For its water quality control programme
BioRío received environmental prize

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Wellington



welcome

Dear Friends,

We bring you once again a very interesting newsletter filled with articles and news that I am sure you will read with interest.

The care of the environment where we live and work is one of the most important commitments at CMPC, so here you will find two articles that describe our involvement with the preservation of Chilean native forest and on the Bio Bio River.

There is also an article on the speech given by our Chairman to recent graduates of the Chicago University Business School that gives you an inside of the challenges that CMPC has had on its growth path.

Finally, I cannot fail to comment on the recent economic events of 2008 that have probably been the worst we have seen in almost 30 years in the industry. Rising and falling costs of energy, fibre, transport, exchange rates and, most recently, the sheer unavailability of reasonable finance is resulting in irreparable damage to many of our customers and competitors.

Moreover, we seem affected by episodes of manic depressive behaviour, serially over-reacting: when things go well as we believe that they will continue forever, and when problems come we also feel they are here to stay.

In spite of all these difficulties, we should recognise our good fortune in working in a fascinating industry. Few other sectors are as open to the great influences which shape the world. Globalisation, international trade, politics, high finance, technological innovation, the environment and sustainability all play an important part in our daily lives.

Moreover, both our industry and the world economy has proved resilient in the past, and I am confident that once the fog of collective global gloom lifts, as it inevitably will, the view that will unfold will hold many opportunities for the industry.

I hope you like this newsletter and I take this opportunity to wish you all a prosperous New Year.

Best Regards

Guillermo Mullins
Commercial Director of CMPC Pulp

Environmental recognition

BioRio, a group of companies brought together by CMPC

Pulp, received the Regional Environmental Prize 2008 for its water quality control programme in the Bio Bio river.



In his capacity as Chairman of BioRio, Director of Environmental Management for CMPC Pulp, Pedro Navarrete, received the prize awarded by CONAMA Bio Bio, symbolised by a wooden puchi (small deer).



The monitoring system created by BioRio has 24 stations, with each one monitoring 45 parameters.

For the last 14 years, CMPC Pulp and eight other companies situated near to its industrial plants, have voluntarily carried out a water quality-monitoring programme for the Bio Bio river, of which they are users. Coming together through BioRio, an organisation in which the University of Concepción also participates, they have generated through this programme their own water quality maps (methods of environmental control that are used to evaluate the functioning of and changes in the water system) for the Bio Bio river, and they have provided valuable information for the definition of the Quality Standard for the Protection of Continental Surface Waters, a regulation which is in the final stages of being approved.

The Regional Office of Conama Bio Bio recognised this contribution by awarding the Regional Environmental Prize 2008 in the Private Sector category to BioRio, a group which Pedro Navarrete, Environmental Management Director of CMPC Pulp, currently heads.

BioRio structured this monitoring system with reference to an Italian standard that meets the European Union directives, and also using national and international technical definitions. The system has 24 stations. In each one 45 parameters are monitored during three periods of the year: low water, rising water and thawing.

The programme is applied to an area where there is human activity; it measures the levels of certain substances, sediments and organisms in the water, taking into consideration environmental control and public health criteria; it controls potentially contaminated areas; it evaluates the changes in the concentrations of contaminants and the efficiency of the control methods used in both the public and private sectors, and it freely informs private organisations and the wider community about the state and development of this river as a water resource; it is the widest in the country, with an average width of 1km, and the second longest at 380km.

THE CHAIRMAN OF CMPC GROUP SPOKE TO RECENT GRADUATES OF THE CHICAGO UNIVERSITY BUSINESS SCHOOL ABOUT IDEAS FROM THERE WHICH CHANGED HIS LIFE, HIS BUSINESS, AND ABOVE ALL, HIS COUNTRY.

The Chicago legacy

"Chicago prepared me to transform CMPC into a company that works comfortably in a very competitive business environment"



"The University of Chicago gave my mind, my soul, my spirit, the ideas and commitment that are part of me and changed my life and company, and above all, my country", said the Chairman of CMPC Group, Eliodoro Matte Larraín, during the 2008 graduation ceremony of Chicago University's Business School from which he graduated in 1972.

An extract from his speech follows:

"When I left Chile to come to Chicago in September 1970, it was an emotional day, but also sad and depressing. I didn't expect to return to my country. Ten days before, Salvador Allende had been elected as President of Chile with only 36% of the votes. I saw a wave of violent changes ahead. He was hoping that Chile's history would follow the Cuban socialist model: a decline towards

greater poverty, greater government control, less personal freedom, less individual and collective opportunities.

But in Chicago I came across an unexpected intellectual vibrancy. Teachers such as Merton Miller, Gene Fama, Rudy Dornbusch and many others had a great impact. I was exposed to the philosophy and economic concepts that define what became known as the Chicago School. Later I would join the ranks of those who became known in Latin America as the Chicago Boys.

The first impact of this challenging environment was deeply personal. Instead of depression and sadness, I was stimulated and hopeful. I went from being an average Business Studies student in Chile to being quite a successful student on the Chicago MBA programme. Like you,

after two years, I received a very flattering job offer to stay in the United States.

But Chicago had given me hope, belief and the tools to believe in change. When Chile was still becoming everything I had feared, I returned.

The economy was in complete chaos, annual inflation was 500%, public debt was a quarter of GNP, state property and governmental decree had replaced competitive, private businesses.

More specifically, one could queue for hours to buy bread and end up with nothing. Chile was paralysed.

Back home I was reunited with my family. I got a job as a teacher at the Catholic University. In 1956, the University Catholic and the University of Chicago had created an exchange



*“Teachers such as
Merton Miller, Gene
Fama, Rudy Dornbusch
and many others, had a
great impact”*

programme and from then on it became a meeting place for the Chicago Boys.

A year later in 1973 the government of Allende was overthrown. The military leaders did not have an economic philosophy; they were fundamentally anti-communists who tried to save the country from the path to destruction along which it was heading. But they did see that the economic direction of Allende was a disaster. Likewise they also understood that the historical economic approaches of the ruling classes in Latin America depended on the particular policies of a large State and protected markets. These ideas were a disaster, both from practical and intellectual points of view.

At that moment Professor Sergio de Castro, Ph. D. from Chicago and student of

Milton Friedman appeared on the scene. He was also a paternal figure for us, the Chicago Boys. Together with a group of young professionals, mainly from Chicago, he published a document, “The Brick”. It was a revolutionary document. It defended the simple idea that freedom and competitive markets was the path towards development and change.

And given that it offered an alternative to the misguided path that the governments of Latin America had been following, the Military Junta gave the ideas of the “The Brick” and Chicago University a chance. The Chicago Boys were called to the government, to all areas at all levels, and they were entrusted with building from the bottom a free market that would revitalise Chile.

After decades of stagnation, Chile came to possess what is surely the most progressive, successful and fair economic environment of Latin America. This change was years before Reagan and Thatcher transformed free markets into an international model.

The Chicago School (and the Chicago Boys) believed that a free market model for the economy would encourage a demand, in the wider political model, for free elections. And they were right. In 1989 the people of Chile put a democratic end to the military government. Indeed, the centre left has been in power for the last 18 years and most importantly; all the important political parties have accepted the free market model that we learnt about here.

IMPACT ON CMPC

My company is 88 years old. It has sales of US\$ 3,500 million per year and employs 12,000 people directly. For the majority of its existence it has produced wood, wood pulp and paper for Chile. After three years of working for the Ministry of Health as Head of the Finance, Control and Budget Division my father brought me to the family company. As Chicago had prepared me to do what I could to move Chile towards a market based approach, it also prepared me to transform CMPC from a local company that operated in a protected national market, to an international company that today works comfortably in a global market, in a very competitive business environment. More than 70% of our business is global, not Chilean. Our main client is China; the second, the United States. We have businesses in more than 50 countries. We are number two in Latin America in the forestry, wood pulp and paper sectors. In Chile we are perhaps the most admired public corporation.

We have also transformed the way we do business. We have become quite a special company worldwide in the forestry products sector. We have integrated sensible business practices with sensible environmental practices.

But I am not here to promote my company. I am here to remind you of the legacy that we share; the legacy that the University of Chicago gave me. It is the legacy of a body of teachers with spirit that instilled commitment in me, that made me take on that idea and play a role in improving all of those wonderful things that form part of life”.

Our company has 142,000

NATIVE CHILEAN FOREST

hectares of native

Protected by CMPC

forests and biodiversity

conservation areas.





All the wood that is used by CMPC in its industrial operations comes from renewable plantations. The company has planted 468,000 hectares of pine, eucalyptus and other fast growing species, mainly on eroded land in the centre and south of the country, which helps to regenerate the land and also to protect valuable native Chilean forests, containing trees like the monkey-puzzle tree that can live for over 1,000 years and can reach heights of 50 meters, and animals like the pudú, the smallest deer in the world.

Our company has 142,000 hectares of native forests and biodiversity conservation areas that also protect against soil erosion in river courses and riverbanks. On this land, the company has established seven areas totalling 6,200 hectares as Areas of High Environmental Value, given that they are very important in terms of environmental conservation and therefore require special protection plans. They are high priority in terms of fire prevention; hunting, grazing, logging and removal of seeds or plants is prohibited. Five of these Areas of High Environmental Value form part of larger areas that have been declared priority areas for biodiversity in Chile by CONAMA, the National Environmental Commission.

Mininco Forestry, a subsidiary of CMPC, is awarded the CLERTOR-PEFC standard in terms of sustainability for its forestry lands each year, and as part of that process it continually improves its conservation plans and knowledge of endangered species of flora and fauna, or species that are vulnerable or unique. The company has a monitoring and endangered species identification programme run by specialists who identify the species and their habitat, classifying the information which enables the publication of species identification guides etc.

1 Monkey-Puzzle tree

In CMPC's lands located in the Monkey-Puzzle Tree Region, there are 85 hectares of monkey puzzle trees, a species endemic to Chile and Argentina. Given that these trees are genetically different from others found in the Andes mountain range, this area is a priority area for conservation called "Villa las Araucarias".

2 Pitao

The 26 hectares of Pitao belonging to the company have unique genetic characteristics (this is an endemic species to Chile, in danger of extinction).

3 Huillín

The huillín, a fresh water otter, has been declared a species in danger of extinction. CMPC has a protected area for this Chilean mammal extending for 5 kilometres in the existing riverbanks and wetlands of the company's estates.

4 Pudú

The Pudú is the smallest deer in the world, no larger than 40 cm tall. It lives in the wild in native forests from sea level up to 1,800 metres.

5 Puma

Known also as the mountain lion, the puma is protected by law in Chile. This species is found throughout the Americas, in forest and rocky areas. In Chile it is to be found all along the Andes mountain range.

6 Little hill monkey

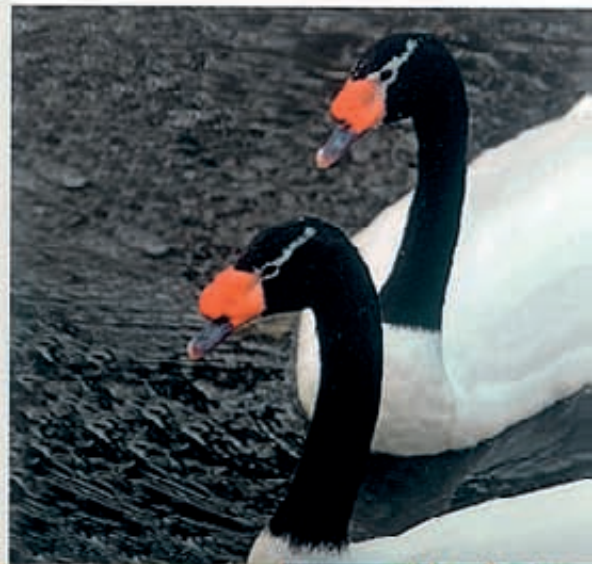
The little hill monkey is an endemic and unique species of Chilean marsupial. It lives in wet native forests.

7 Black-necked swan

The black-necked swan is a South American bird. It is found from the south of Brazil to Tierra del Fuego.

8 Black woodpecker

The black woodpecker is a species endemic to the southern forests of South America. It is the largest of its kind, about 45cm long.



which the workers on the land use to prevent accidental encroachment into protected areas.

The company is investigating methods to identify areas in need of protection as they are a thoroughfare for some animals. In the forests it has found animals in danger of extinction, such as the 'huillín' or fresh water otter, the black woodpecker and the 'guiña' one of the smallest cats in the Americas; also, vulnerable animals, such as the 'pudú', a small deer, the puma, the grison and black-necked swan, and other rare species, such as the "little hill monkey".

In terms of flora, the existence of the

pitao tree has been discovered. This is a tree in danger of extinction for which a plan is being developed for its reintroduction and reestablishment, which began in 2004 with the collection of seeds from which saplings have been germinated in a nursery and then reintroduced into the conservation area.

In its environmental conservation areas, CMPC works with universities, NGO's, state organisations and researchers. The company takes part in the environmental cooperation agreement between CONAMA, the principal state organisation in this area, and the association of private forestry companies, CORMA, which undertook in 2003 to identify and protect important areas of biodiversity.

As a result of joint efforts with the latter organisation, more than 20% of Chilean land is protected by means of parks, and public and private nature reserves.

Appointments at CMPC Pulp



LOGISTICS MANAGER

Mr. José Joaquín Matte, our Logistics Manager has recently been appointed as the new Business Manager at Envases Impresos S.A., a CMPC subsidiary operating in the corrugating containers business.

Starting from 1st September, Mr. Raimundo Montt (52), was promoted as the new Logistics Manager of CMPC Pulp. He is a Civil Industrial Engineer from the University of Chile and has worked in other CMPC businesses since 1994. He will lead our experienced team of engineers operating our comprehensive logistics network, providing worldwide clients with an outstanding and efficient delivery service.



RAIMUNDO MONTT New Logistics Manager of CMPC Pulp.

SALES DIRECTOR – EUROPE

CMPC Pulp announces that its European Commercial Office located in London will close on 1st January 2009. Of course this was a very difficult decision for us, but we believe that in a modern digital world we will be able to deliver to all our European customers the same personalized service from our headquarters in

Santiago, and of course through our commercial representatives across Europe, as usual.

Mr. Claudio Ojeda will return to Chile and remain as Sales Director for Europe. He will therefore reinforce his "virtual connection" with all our distinguished European clients.



CMPC PUBLISHES ITS SUSTAINABLE DEVELOPMENT REPORT

CMPC Group has released its fourth Sustainable Development Report. This report for 2006 and 2007 describes the operations, impacts and activities of the five business areas of the group (forestry, pulp, paper, tissue and paper products) in the countries where it has an industrial presence (Chile, Argentina, Uruguay and Mexico), with the exception of Colombia where its tissue subsidiary began operations in January of this year. The report also provides information about the activities and results of the CMPC Foundation, the institution through which the company makes a direct contribution to the community.

The report was prepared in accordance with the Global Reporting Initiative guide (GRI), version C3. Most of the figures have been consolidated in order to offer interested parties a global view of the economic, social and environmental development of the company.

A printed copy of this publication can be obtained from Paula Larrain, Assistant Public Relations Manager of CMPC Companies. (plarrain@gerencia.cmpc.cl)



Southern glaciers



One of the most remarkable places in the world is found in the far south of Chile: Torres del Paine National Park, declared a biosphere reserve by UNESCO in 1978. Located between the Andes and the Patagonian steppe, a spectacular group of mountains, rivers, lakes and age-old glaciers can be found, notably glacier Grey, an ice formation 6km wide and more than 30m high.

The most direct route to the park, open throughout the year, is by plane. There are daily flights of approximately 4 hours from Santiago to Punta Arenas. From there the journey is 393km overland to arrive at the entrance to the park. The journey can also be made by boat from Puerto Natales or from Puerto Montt, crossing the southern fjords of Chilean Patagonia.



CMPC PULP

Production and distribution of pulp based on Radiata Pine and Eucalyptus. The mills are Pacifico (500,000 tons Radiata Pine), Laja (300,000 tons Radiata Pine) and Santa Fe (1.2 million tons Eucalyptus). This pulp is exported to countries in Asia, Europe, Oceania and the Americas.

cmcp
Pulp
news

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