

news

CMPC PULP

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2005

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the most modern
short fiber pulp
mill in the
world"

The Importance of
social responsibility
at CMPC

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Dear Friends of CMPC,

This newsletter is the first of a series that will keep you abreast of developments in CMPC's products, service and progress on our main current project: Line 2 at our Santa Fe mill.

At CMPC we aim to constantly improve our service, and this newsletter forms part of this commitment, bringing you the latest news, and allowing you to get to know the company a little better: our history, environmental policy, company philosophy, and plans for growth.

In this vein, I want to take the opportunity to share my view of CMPC. The company is a genuine - and perhaps an emblematic - Chilean success story:

- As one of the oldest private companies in Chile, it has built up a tradition (and a considerable reputation) for innovation and excellence.*
- The firm has developed an environmentally friendly renewable resource industry on previously heavily eroded land, while its young forest plantations provide a much needed carbon sink, absorbing far more CO₂ than an older forest of the same size.*
- Working principally in rural areas, the company has created jobs and opportunities for thousands, as well as running numerous large-scale community projects.*
- The Fundación CMPC is renowned throughout Chile for its leading role in improving educational quality through its close involvement in over 50 schools, providing teacher resources, training and guidance.*
- The constant striving for greater efficiency and investment in cutting edge technology has made CMPC a low cost, yet high quality producer.*
- Moreover, the company provides a truly international service in both long and short fibre markets.*

Finally, and most importantly, the story does not end here. We are a growing, dynamic company in the midst of a major expansion project - Santa Fe 2 - that will allow us to provide ever more customers with market pulp from the south of the world.

These themes, and others, will be developed in later newsletters.

In closing I would like to reiterate that it is with great pleasure that I introduce this newsletter, bringing CMPC closer to its friends around the world.

Yours sincerely,



Guillermo Mullins

newsletter



Sergio Colvin
Managing Director
CMPC Pulp

"Santa Fe will be the most
modern
short Fiber Pulp Mill in the world"

Sergio Colvin, Managing Director of CMPC Pulp, has been at the head of the pulp business from its beginnings at CMPC. He has held his present position since 1995 when CMPC Pulp became a subsidiary of CMPC. In this interview he shares his view of the pulp market and the company's new Santa Fe Mill project.

How does CMPC Pulp see the pulp market evolving, and what role does the company see itself playing in it?

"Our view of the market is that it will remain very competitive: the environmental component of the product is becoming a key differentiating factor, and client relationships will hang on the quality of the service provided in addition to the product itself. CMPC Pulp is ready to compete in this market, and the expansion of our Santa Fe Mill is evidence of our efforts to better our position. We are convinced that it will be the most modern short fibre pulp mill in the world, with a production capacity of 1.15 million tons per annum in two lines of high quality pulp designed with the requirements of the most demanding customers in mind."

Does the company have plans to vertically integrate by entering the global paper market?

"Our company has ruled out becoming a competitor to its clients. Our place is as a major market pulp producer, a position we will hold over the long run, serving our clients, and adding value to their businesses by supplying a product and service that is second to none."

What is the CMPC's response to global concern over the effects of industrial activity on the environment?

"We are convinced that we can carry

out our industrial activity without harming the environment. We have the know-how, the technology and the experience to do so, and we view the application of these skills and technology to every part of our business as an ethical responsibility. By way of example, we have recently invested in modernizing our mills and have recertified our environmental, quality control, safety and chain of custody management systems."

How does CMPC Pulp compete successfully?

"Our strategy is based on a few key components: developing long run relationships with clients to whom our service effectively adds value, and producing pulp with a special emphasis on both meeting the quality standards required by the market and satisfying the most demanding standards of clean production."

How does the company ensure that its activities are not disruptive to local communities?

"The community is a high priority for CMPC Pulp, a concern that is made manifest in the work of the Fundación CMPC, which focuses on improving the quality of math, language and science teaching in the local schools of the communities we operate in. Moreover, we also have schemes in place that involve hiring

local workers for forestry work, especially workers from native Indian communities. This is in addition to our permanent relationships with communities and authorities both in times of normal production and especially during the construction and planning phases of our projects, when we ensure that their concerns are resolved in the early stages. CMPC Pulp also strictly complies to local norms and laws – we have a spotless record with the authorities."

Is CMPC Pulp planning to modernize its mills?

The company is modernizing its Laja, Santa Fe and Pacifico Mills: over the past few years we have invested US\$ 250 million in improving production and environmental protection technology, and increasing capacity. We are currently investing US\$ 50 million in our Laja Mill, adding an oxygen delignification stage, modernizing the effluent treatment plant and incorporating technology that reduces aerial emissions. We view continuous investment and improvement as necessary to maintain our position as trustworthy long-term partners in this market.



CMPC FORESTS

CMPC's Forestry area develops and manages forest assets so as to support the sustainable industrial development of the company. The timber produced by the company's forest plantations is principally used to supply the firm's wood pulp, paper and cardboard plants, and its sawmills and remanufacturing plant.

The company carries out its activities with special regard for the environment and local ecological balance, species conservation, and the maintenance of a pollution-free environment.

CERTIFICATION

CMPC has certified the sustainability of its forest management under the Certfor standard. This is a Chilean standard that has been ratified by PEFC (Programme for the Endorsement of Forest Certification Schemes), and whose purview extends from the plantations to the market pulp finally delivered to clients. In addition, 30% of the firm's eucalyptus forests are also certified under the FSC standard.

PLANTATIONS

CMPC's raw material comes from 100 percent man-made plantations, harvested at adulthood using technology that minimizes waste generation in the forest, thus reducing fire risks. After harvesting the forests are re-planted and a new cycle is begun before any erosion can take place.

<i>Plantations</i>	<i>Radiata Pine,ha</i>	<i>Eucalyptus,ha</i>
<i>CMPC</i>	<i>292,351</i>	<i>115,923</i>
<i>Chile</i>	<i>1,513,004</i>	<i>387,975</i>

PLANTATION RATE

CMPC plants more than it harvests, maintaining an annual plantation-to-harvesting ratio of 2:1. As a result, the firm is poised to double its harvest volume over the next decade.

EROSION

CMPC contributes to mitigating one of Chile's most serious environmental problems: soil erosion. The firm's forest plantations have created and maintained a planted area of over 400,000 hectares.

PROTECTING THE NATIVE FOREST

Currently, forests cover 15.6 million hectares in Chile, 87 percent of which is native forest (13.4 million hectares). Approximately 20 percent (120,000 hectares) of CMPC's forest assets are native forests, given over exclusively to waterway and biodiversity conservation and to the prevention of soil erosion.

THE GREENHOUSE EFFECT

The firm's forest resources, stretching over 400,000 hectares, make a real contribution to slowing the advance of this global problem, as one hectare of Radiata Pine or Eucalyptus absorbs, on average, 9 tons of Carbon Dioxide per annum, releasing Oxygen in its stead.

BIODIVERSITY CONSERVATION

CMPC's forest management systems have allowed the growth of thicket habitats ideal for birds and animals such as pumas, foxes and pudus, thus expanding the range of local flora and fauna. Moreover many species of bird and insect that had abandoned the central valley when it was used for agriculture have now returned to the forests.



The Importance of Social Responsibility at CMPC



A firm's most important social responsibility is to stay active, profitable, competitive and productive. This creates not only a financial return on shareholders' investment, but also a social return: employment opportunities as the firm expands, investment, and the provision of socially valuable goods and services.

CMPC contributes to Chile's development by generating both employment and wealth. This is attained through careful and dedicated management: production and sale of high quality products; a commitment to efficiency and thoroughness in our relationship with clients and suppliers; fair competition in the market; transparency in the provision of financial information; and expeditious payment of taxes and fulfillment of legal norms and requirements.

Sustainable development and a commitment to planning for the long term are central to the CMPC management approach. This is a vital component of our competitiveness, a necessary condition for the progress and existence of our business.

To achieve sustainable growth, all our projects incorporate environmental concerns from the earliest stages. Our older operations have been brought up to standard through investment over the last decade

Our business makes use of soil, water and air to produce timber, wood pulp, and paper. This imposes a duty of care, which has led us to focus our development so as to minimize or eliminate negative impacts that may affect future generations, generations that have the same rights as we do to a clean and healthy environment.

The use of plantations, clean processes, effluent treatment plants and the recycling of waste paper are among the industry's contribution to environmental protection, and are what allows the industry to operate in a sustainable fashion.

CMPC is committed not only to economic success, but also to helping the communities that surround our industrial operations and plantations. Our varied program of cultural and most importantly educational activities and sponsorship bears this out.

We are convinced that the most effective way of combating the damaging circle of low expectations, lack of opportunities and social exclusion is through education. This is the aim of the CMPC Foundation's programs of educational support in math and language skills for public schools in those communities in which the company carries out its operations.

We strongly believe that this social investment is important: it is given a high priority and carried out by dedicated professionals in a framework that plans for the long term so as to achieve a tangible increase in the standard of living of those involved.

CMPC is proud of the reception the Foundation's programs have received in the community, a reception that stems from the professionalism and commitment to empowering education that lie behind each activity. Respect for our work, our workers and the communities to which we belong to are our guiding principles.

Experience has taught the company many lessons, but much remains to be learnt: it is this dedication to learning that, we hope, will allow us to continually improve all the projects we undertake.





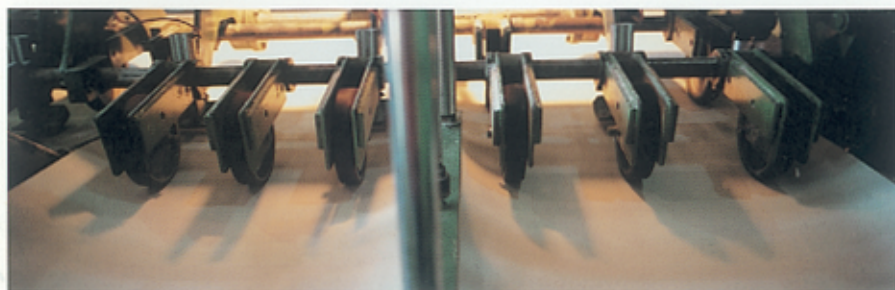
Expanding the Santa Fe Mill



2004 will go down as an important year in CMPC's history – thanks to board approval and initial construction work on the new production line at our Santa Fe Mill in Nacimiento, 100km south-east of Concepcion. This line will increase output by 780 thousand tons (at a cost of US\$745 million), boosting total Santa Fe Mill production to 1.15 million tons of BEKP (see table A).

CMPC is well aware of the challenges posed by the global pulp market, and this project (the company's largest single investment) is part of our overall strategy designed to make use of cutting edge technology, rigorously efficient production, and the most highly skilled manpower available. The contractors – leaders in their fields – charged with completing the project are listed in table B below. Once the project is complete Santa Fe will be one of the most modern, efficient and competitive BEKP mills in the world.

Environmental protection is a priority for CMPC. To this end we have invested in measures that ensure compliance not only with local but also with international protection standards, measures that are absolutely necessary if we are to compete at the highest.



levels. First among these measures are liquid and aerial emission control mechanisms. A system has been installed that captures and re-utilizes effluent spills within the plant,

and a secondary treatment system based on activated sludge is also in place. Aerial emissions are controlled by a low odor emission recovery boiler, electrostatic precipitators in both the recovery boiler and the lime kiln, and a recovery and incineration system for gases that cannot be condensed.

The new production line at Santa Fe will also be of great economic benefit to the whole Nacimiento area that surrounds the mill, bringing new jobs and opportunities.

The Santa Fe 2 project is on track – each stage successively and successfully completed – thanks to work and dedication spanning several years. But our task does not end with the completion of the plant – that is merely the beginning – as our increased production will serve as a powerful incentive to improve our service and commitment to our clients, in the best traditions of CMPC.

Table A

Santa Fe Mill Characteristics			
	Line 1	Line 2	Total
Capacity (tons)	370,000	780,000	1,15 million
Quality	BEKP	BEKP	-
Direct Employment	240	90	330
Indirect Employment	2,400	1,400	3,800

Table B

Main EPC Contractors Santa Fe Mill	
Andritz	- Fiber line
	- Recovery Boiler
	- Causticizing Plant
	- Lime Kiln
Metso	- Wood Preparation
HPD	- Evaporators Plant



CMPCP PULP
Production and distribution of woodpulp based on Radiata Pine and Eucalyptus. The mills are Pacifico (480,000 tons softwood), Laja (350,000 tons softwood) and Santa Fe (370,000 tons eucalyptus). This woodpulp is exported to countries in Asia, Europe, Oceania and The Americas.

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CMPCP PULP

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