

news

# CMPC PULP

03

November  
2005

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"Most Respected  
Company in Chile"  
award

Interview with Peter Healy

"Santa Fe expansion is  
a flagship project for  
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Santa Fe Line 2  
Progress



cm pc  
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Peter Healy

welcome

*Dear Friends,*

*It is my good fortune to introduce a newsletter that contains a lot of encouraging news related to CMPC.*

*Firstly, and perhaps most importantly, our Santa Fe second line is fully on schedule. Visitors to the mill can already see the main buildings being erected, all the underground work has been completed, and we have a brand new pulp warehouse that we expect our customers to keep empty! The interview in this newsletter with Peter Healey, the project manager, provides more information on the second line's progress.*

*A second piece of good news is that CMPC has once again been awarded the "most respected company in Chile" prize in the annual survey conducted by a major market research company. We are very proud of this award - which the firm is making a habit of winning - as it reflects the effort and care all the CMPC workforce puts into its work.*

*We also have news about our new pulp transportation rail system that has begun its work of connecting our mills and their ports. This is the first stage of a programme of logistical improvements that we are implementing in order to ensure that you, our customers, get an even better service in the future from all of our mills.*

*Pulp from our Santa Fe Mill's Second Line has also been very much on the agenda, as we have received many expressions of interest from customers declaring their intention to increase their purchases when the mill starts operation in September 2006. This pulp will be an outstanding product that will help our customers produce even better paper in the future.*

*Finally, we are happy about the very positive feedback we have received from the previous newsletters, so you can expect even more dedication in upcoming issues to keep you abreast of CMPC developments.*



*Warm regards,  
Willie Mullins*



# Santa Fe

## Line 2

### Progress



Fibre Line

### Project Advance

As of August 31, the overall advance of the project is 57%. This enables us to be very optimistic about the start up to take place in September 2006, as planned.

The state of advance of engineering and acquisitions is 80%. A large part of engineers have moved from the Santiago offices to the Mill.

The construction development is 25%. The primary focus of attention on site is the construction of the foundations, which has attained an advance of 60%. The new accesses by train and road are fitted out for use, the same as the new product warehouse. The latter is being used to store the equipment that will be installed in Line No. 2.



# Santa Fe

Line 2 Progress

The construction of the recovery boiler has reached its final level, which - given its height - is impressive to observe. The main beams have been installed and the mechanical assembly of the boiler has begun. In the fibre line a good progress may be seen in the civil works: columns, beams and slabs that will accommodate the operation floor. In the woodyard, the keels of the two chip piles can already be seen.

On the other hand, the operation control building is 60% completed. The third floor, where the DCS will be located is ready, and the drying machine of line No. 1 is operating from there. The control system of the chemical preparation plant of line N°1 has already moved there last October.

In respect of workers, they exceed 3,400 in number. No security or environmental incidents have occurred. All persons involved in the project have made a big effort to keep the excellent performance shown to date.



Recovery Boiler



Workers exceed 3,400 in number





Building foundations



Building foundations

New supervisors to join the Santa Fe staff have been hired and are in their training period. There is a selection process in place to recruit over 80 new operators. Most of them will be hired from a select group of young operators from the city of Nacimiento, who are completing a two-year technical course.

The Manager of Santa Fe Mill, Francis Backhouse, on his part, heads a group of specialists engaged in the planning of the start-up of Line No. 2. A principal aspect of this effort is focused on technical considerations leading to a start-up without environmental or security incidents: "Zero Fault", according to the team's slogan.

We, the whole team of CMPC Pulp, our AMEC-CADE engineers, EPC contracts, as well as our suppliers of equipment and services are strongly motivated, making our best personal efforts to assure that we will start the operations of the mill in September 2006, in order to be able to provide you with our high quality product on time, just like you expect from us.





New system for the  
**transport**  
of woodpulp to the ports

CMPC Pulp is preparing itself for coping with the greater production volume that will result from the start-up of Santa Fe Line No. 2. One of the relevant aspects of this is national logistics: the transport of pulp from our mills to the ports from where we ship our product to the world.

In July this year a new railroad transport system began to operate, which enables us to guarantee the daily forwarding from our three mills: Laja, Pacifico and Santa Fe.

The advantages this new system offers are: (a) the use of new transportation equipment, both locomotives and cars, which ensures timeliness in service and quality in product handling, b) the product is transported more quickly, so as to have the pulp inventory in port as





soon as possible, and c) it allows us to have more flexibility to better respond to our customers' needs.

Our estimation of the pulp volumes to be transported from the 3 mills of CMPC Pulp for the years 2006, 2007 and 2008 are:

Mill	2006	2007	2008
Laja	190	190	190
Pacífico	500	510	510
Santa Fe	405	1.000	1.030
Total	1.095	1.700	1.730

The investment exceeds US\$ 10 millions and include changes in our mills' warehouses, railroad transport equipment, improvement in railroad tracks, better unloading equipment in ports and improvements in loading, transport and unloading procedures.

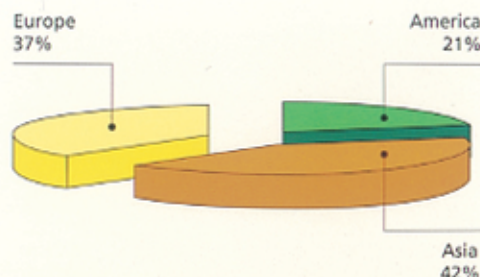


# Sales January - June 2005

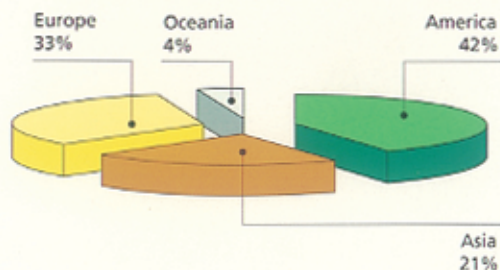
CMPC Pulp's three main products - Laja BSKP, Pacifico BSKP and Santa Fe BEKP - have been met with continued success in the most demanding international markets thanks to their excellent quality and the standard of service provided by CMPC via its network of agents and its London office. CMPC has over 300 customers in 30 countries.

During the first half of 2005, sales of BSKP and BEKP amounted to 550,000 ADt.

**BSKP**  
370,000 ADt



**BEKP**  
180,000 ADt



## CMPC wins the "Most Respected Company in Chile" award

Once again, CMPC heads the ranking of the most respected companies in Chile. CMPC has now won the award 7 times, an unparalleled achievement in the history of the survey, which began in 1995. Among the features of CMPC that are highlighted by the survey are the company's contribution to community education and training, its probity, and its transparency. The survey was applied to 101 leading business-people and top executives of Chile's most important companies.



Interview with Peter Healy

## "Santa Fe expansion is a flagship project for Cade-Amec"

*Peter Healy is the project manager for Cade-Amec on Santa Fe expansion and has led the engineering, procurement and construction services for many pulp and paper developments, including four full scale developments similar to the Santa Fe expansion. In this interview, he talks about the Cade-Amec's contribution to this important project.*



**Who is Cade-Amec and what experience does it have in this kind of project?**

Cade-Amec is a joint venture company between Chile's largest engineering company Cade Idepe (800 employees) and Amec (44,000 employees), a leading international engineering services company. Cade-Amec serves the Chilean pulp and paper industry. The parent companies also serve many other industries worldwide. The Pulp and Paper division of Amec was founded in 1944 and has led major pulp and paper developments on all five continents and has worked in Chile since the 1960's.

Similarly, Cade Idepe, founded in 1960, has provided engineering services for most of Chile's pulp and paper developments.

**What is Cade-Amec's role?**

The role in the pre-implementation phase included providing the technical study that defined the mill technical characteristics, price inquiry specifications, design criteria, mill standards and also the implementation plan. In the latter phase, Cade-Amec's role is the Owners engineer. Services in this phase include evaluating proposals, contract preparation and administration for engineering, procurement and construction (EPC) and the engineering, procurement and services (EPS) contracts, and project services support. We have also provided general engineering for almost all of the project outside the EPC/EPS packages including all piling foundations, underground services, water supply, effluent treatment, turbine generators, chemical preparation, demineralizer water plants, operations building, utilities, non-process buildings and site infrastructure for this very large site.





**How significant is this project for Cade-Amec?**

This is a flagship project for Cade-Amec. It allows us to consolidate our position as a superior and reliable supplier of consulting services to CMPC for major pulp and paper projects.

For me, personally, it is the largest of the four full scale kraft mill developments in which I have played a lead role and I find myself and our staff highly motivated to provide a top performance and provide CMPC with an expanded kraft mill that is second to none in its technical and operational characteristics.

**What are the technical objectives of the Santa Fe Mill Expansion?**

CMPC's senior managers Mr. Arturo Mackenna, CEO and Mr. Sergio Colvin, MD have directed that the major focus was to provide a plant that will have state of the art environmental characteristics and meet all applicable regulatory criteria, and also produce a pulp product that would fully satisfy the final customers.

**Which were the stages before the project was approved by the board?**

This was a two year process. In the first year, a pre-feasibility study was performed, which reviewed the process alternatives, available technology and other items fundamental to the expansion of the mill. In the second year, a detailed definition study was carried out where the process, the mill layout, general design criteria was defined, a mill technical standard was developed and detailed specifications and price inquiries were issued to both EPC and EPS packages. Technology review visits were made worldwide to confirm reliability of equipment. After bids were received and evaluated, the cost of the project was estimated. Based on the study document produced from this process, the project was evaluated by CMPC board and approved for implementation.

**Can you illustrate some environmental features?**

The mill process is designed to minimize emissions to the

environment. The process design characteristics of the main process equipment includes:

- Low wood loss wood chip preparation system.
- Efficient continuous wood cooking (digesting) system that minimizes chemical usage and recovers the by-products for recycling.
- Proven four stage bleach plant that employs high efficiency washing and filtering system, combined with low chemical usage.
- 7 stage low odour evaporation system to concentrate the waste cooking liquor for disposal by burning.
- Recovery boiler with a complete emission control system to burn the waste liquor producing valuable energy for the process (the mill is essentially self sufficient in electrical power).
- Odour reduction NCG system that collects process gases with odour for incineration thus neutralizing



the odour. The incineration will be in the recovery boiler or alternatively in a stand-by incinerator.

- The use of electrostatic filters to remove particulate prior to emission to the atmosphere.

Liquid effluents are also collected, chemically neutralized and then treated both for particulate removal and reduction in BOD (biological oxygen demand) in a series of large processing units designed specifically for this purpose. Only after this process is complete, the liquid effluents are discharged through a specially designed diffuser to the general environment.

#### How would you characterize the expected product quality?

The product from both the existing line and the new line 2 will be fully bleached eucalyptus market pulp. The major part will be exported, and consequently the quality must meet the requirements for a prime grade in the international market and the competition with prime pulp from other suppliers. All pulp from the existing line (SF1) and the new line 2 (SF2) will be ECF bleached.

The pulp quality shall be high and consistent, and make the best use of the potential of the available raw material. The target pulp quality will be achieved by:

- Wood supply: Fresh wood, as far as possible and controlled blending of species.
- Powerful bleaching sequence, with full four-stage bleaching with initial hot stage (for hexa-uronic acid removal).
- Optimum process concept throughout the mill.
- Good process control systems, and good stable operation of the mill.
- Good quality control procedures, including ISO 9001.

The blend of Eucalyptus globulus and nitens chips will be controlled by the two piles to the respective digester.

The brightness requirement in the main markets has increased in the last few years, and it is foreseen that this trend will continue. CMPC has defined 90% ISO delivered brightness as target for SF2 (the present specification for SF1 is 89% ISO delivered). To achieve this the design basis at exit of bleaching is 92% ISO.

The reversion is expected to be low with the selected bleaching sequence, below 2% ISO and possibly down to 1.5 - 1.7. The cleanliness of the pulp from SF2 is expected to be the same as the present pulp from line 1, about 1.0 mm<sup>2</sup>/Kg.

Dryness of the finished pulp from line 2 will be 90%.

The size of the sheet from SF2 will be the same as in the present bales from SF1. One of the baling lines will be prepared for possible future production of 1000 kg unwrapped jumbo bales.

In general, a top quality product equal or better to present SF1 product can be expected.

#### What operational characteristics are worth noting?

In a competitive world, a quality product at the lowest possible price is a must. Besides, having a well engineered process with all the necessary process buffers to give flexibility, the modern pulp mill must operate with low materials consumption, low level of manning and low down time and be easy to operate and maintain. CMPC have been very conscious in these areas. By having a strict general design criteria and design standards for all engineering disciplines the reliability and maintainability will be greatly improved.

In addition, the wide use of computer based engineering tools has allowed the detailed calculation of process components and the generation of efficient layouts.

Manning of the expanded mill will be low with productivity in the order of 8 daily tons of pulp per employee. Only 10 years ago, 3 daily tones per employee was considered good.



#### Are the organizational challenges significant?

Yes, they are. However, under the direction of our project director, Mr. Eugenio Grohnert of CMPC, we are meeting the challenge.

Although our Company have distinct contractual deliverables, as do the EPC and EPS Contractors, we integrate with CMPC closely and also the other contractors through a rigorous series of weekly meetings and also electrical communications.

Fundamental to the success is that all the companies involved have brought forward well qualified people for the many areas and disciplines involved in the project. This includes project services where tight control of schedule and budget are a must. With ten months to start-up of the mill, we are confident we can achieve the start-up date in September 2006 and be within the approved budget.

#### In summary, what is your expectation of the Santa Fe expansion

The Santa Fe expansion will be online in September 2006 - producing an excellent pulp for the worlds paper product producers. Cade-Amec will be proud to be a significant part of CMPC's accomplishment.





**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.

news

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CMPCP PULP

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