

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 20-F**

- REGISTRATION STATEMENT PURSUANT TO  
SECTION 12(b) OR (g) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
OR  
 ANNUAL REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2022  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13  
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

OR

- SHELL COMPANY REPORT PURSUANT TO SECTION  
13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

Date of event requiring this shell company report \_\_\_\_\_.

Commission File Number: 33-99720

**CELULOSA ARAUCO Y CONSTITUCIÓN  
S.A.**

(Exact name of Registrant as specified in its charter)

Arauco and Constitution Pulp Inc.

(Translation of Registrant's name into English)

Republic of Chile

(Jurisdiction of incorporation or organization)

Avenida El Golf 150

14th Floor

7550107 Las Condes, Santiago

Chile

(Address of principal executive offices)

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14th Floor  
7550107 Las Condes, Santiago  
Chile

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
None	N/A	N/A

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Title of each class:

4.500% Notes due 2024  
3.875% Notes due 2027  
4.250% Notes due 2029  
4.200% Notes due 2030  
5.500% Notes due 2047  
5.500% Notes due 2049  
5.150% Notes due 2050

**Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: Shares of Common Stock, without par value: 120,474,350**

**Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No**

**If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No**

**Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No**

**Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No**

**Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):**

**Large Accelerated Filer**

**Accelerated Filer**

**Non-Accelerated Filer**

**Emerging Growth Company**

**If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.**

**† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.**

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statement included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued Other   
by the International Accounting Standards Board

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

(Applicable only to issuers involved in bankruptcy proceedings during the past five years)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

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### CERTAIN TERMS AND CONVENTIONS

Celulosa Arauco y Constitución S.A. is a *sociedad anónima* (corporation) organized under the laws of the Republic of Chile, and subject to certain rules applicable to *sociedades anónimas abiertas* (Chilean public corporations). Except where otherwise specified or the context otherwise requires, when we refer to the “Company,” “Arauco,” “we,” “our” or “us” in this annual report, we mean Celulosa Arauco y Constitución S.A. and its consolidated subsidiaries. When we refer to “Chile,” we mean the Republic of Chile; when we refer to “Argentina,” we mean the Argentine Republic; when we refer to “Brazil,” we mean the Federative Republic of Brazil; when we refer to “the U.S.” “U.S.A.” or “the United States,” we mean the United States of America; when we refer to “Uruguay,” we mean the Oriental Republic of Uruguay; and when we refer to “Mexico,” we mean the United Mexican States.

All references to “tonnes” or “tons” are to metric tons (1,000 kilograms), which equals 2,204.7 pounds. One “hectare” equals 10,000 square meters or 2.471 acres. Discrepancies in any table between totals and the sums of the amounts listed may be due to rounding.

Unless otherwise specified, all references to “\$,” “U.S.\$,” “U.S. dollars” or “dollars” are to United States dollars; references to “Chilean pesos” or “Ch\$” are to Chilean pesos; references to “Argentine pesos” or “AR\$” are to Argentine pesos; references to “UYU” are to Uruguayan pesos; references to “Brazilian reais,” “Brazilian reals” or “R\$” are to Brazilian reais; references to “Mexican pesos” or “MXN\$” are to Mexican pesos; references to “€,” “EUR” or “euro” are to the euro, the single European currency established pursuant to the European Economic and Monetary Union; and references to “UF” are to *Unidades de Fomento*. The UF is a unit of account that is linked to, and adjusted daily to reflect changes in, the Chilean consumer price index Reported by the *Instituto Nacional de Estadísticas* (Chilean National Institute of Statistics). As of December 31, 2022, one UF equaled U.S.\$41.02 and Ch\$35,110.98.

Regarding our pulp business, references to “hardwood” kraft pulp are to pulp made from eucalyptus or short fiber, and references to “softwood” kraft pulp are to pulp made from pine or long fiber.

### PRESENTATION OF FINANCIAL AND OTHER DATA

This report includes the audited consolidated statement of financial position of Arauco and our subsidiaries as of December 31, 2022 and 2021 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years for the period ended December 31, 2022 (collectively, the “audited consolidated financial statements” or “financial statements”). In addition, this report includes selected financial information as of and for the periods ended December 31, 2018, 2019, 2020, 2021 and 2022.

We make statements in this report about the pulp market partly on the basis of information from third-party sources. This information is principally sourced from reports published by Hawkins Wright Ltd. and Resource Information Systems Inc. (“Fastmarkets RISI”), which are specialized consultants in the pulp market, and other data providers.

For your convenience, this annual report contains certain translations of Chilean peso amounts into U.S. dollars at specified rates. Unless otherwise indicated, the U.S. dollar equivalent for information in Chilean pesos is based on the observed exchange rate reported by Banco Central de Chile, which we refer to as the “Central Bank of Chile” or the “Central Bank.” The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos. On December 31, 2022, the observed exchange rate for Chilean pesos, as published in the website of the *Diario Oficial de la República de Chile* (Official Gazette) on January 3, 2023, was Ch\$855.86 to U.S.\$1.00, and on April 12, 2023, the observed exchange rate was Ch\$811.75 to U.S.\$1.00, as published in the website of the Official Gazette on April 12, 2023. You should not construe these translations as representations that the Chilean peso amounts actually represent such dollar amounts or could be converted into U.S. dollars at the rates indicated or at any other rate. Unless otherwise specified, references to the devaluation or the appreciation of the Chilean peso against the U.S. dollar are in nominal terms (without adjusting for inflation) based on the observed exchange rates published by the Central Bank of Chile for the relevant period.

## **FORWARD-LOOKING STATEMENTS**

This annual report on Form 20-F contains words such as “believe,” “expect,” “anticipate” and similar expressions that identify forward-looking statements, which reflect our views about future events and financial performance. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Such statements constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the United States Private Securities Litigation Reform Act of 1995, as amended.

Forward-looking statements involve inherent risks and uncertainties. These forward-looking statements are based on current plans, estimates and projections; therefore, readers should not place undue reliance on them. Actual results could differ materially from those projected in such forward-looking statements because of various factors that may be beyond our control, including but not limited to our ability to service our debt, fund our working capital requirements, comply with financial covenants in certain of our debt instruments, fund and implement our capital expenditure programs and maintain our relationships with customers, as well as the effects on us from competition, future worldwide demand for forestry and wood products we produce in the different countries in which we have industrial operations, international prices for forestry and sawn timber products, the condition of our forests, possible shortages of energy, including electricity, the state of the economies in the main countries we operate and the world economy generally, the effects of a pandemic or epidemic and any subsequent mandatory regulatory restrictions or containment measures, uncertainties relating to the effects of the COVID-19 outbreak, the relative value of the local currencies in the countries we run manufacturing operations compared to other currencies, inflation, increases in interest rates, the effects of earthquakes, floods, tsunamis or other catastrophic events, geopolitical risks and changes in our regulatory environment, including our ability to comply with new or stricter environmental regulations and to resolve environmental liabilities. Forward-looking statements in this annual report speak only as of their dates, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information****SELECTED CONSOLIDATED FINANCIAL DATA**

The selected consolidated financial information as of December 31, 2018, 2019, 2020, 2021 and 2022 and for each of the five years then ended is derived from, should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

	As of and for the year ended December 31,				
	2022	2021	2020	2019	2018
(in thousands of U.S. dollars, except ratios and share data)					
<b>INCOME STATEMENT DATA</b>					
Revenue	7,102,070	6,349,761	4,732,869	5,329,214	5,954,833
Cost of sales	(4,274,496)	(3,681,603)	(3,445,284)	(3,910,378)	(3,722,749)
Gross profit	2,827,574	2,668,158	1,287,585	1,418,836	2,232,084
Other income	100,129	378,977	283,816	232,393	124,304
Distribution costs	(922,226)	(682,996)	(535,704)	(586,873)	(556,805)
Administrative expenses	(613,608)	(577,147)	(510,137)	(554,038)	(561,284)
Other expenses	(373,889)	(192,101)	(182,883)	(203,698)	(95,880)
Other gains (losses)	0	0	0	21,674	14,213
Finance income	72,116	33,499	29,449	32,582	20,895
Finance costs	(200,366)	(219,982)	(268,179)	(273,639)	(214,779)
Share of profit (loss) of associates and joint ventures accounted for using equity method	33,684	31,386	2,317	7,775	17,246
Exchange rate differences	(77,067)	(5,281)	(39,111)	(32,507)	(26,470)
Income before income tax	846,347	1,434,513	67,153	62,505	953,524
Income tax	(142,121)	(402,914)	(41,848)	(535)	(226,765)
Net income	704,226	1,031,599	25,305	61,970	726,759
<b>BALANCE SHEET DATA</b>					
Current assets	3,774,921	3,919,325	3,544,325	3,931,381	3,441,160
Property, plant and equipment	9,848,822	9,133,490	8,544,438	7,932,562	7,174,693
Biological assets (1)	3,195,370	3,008,897	3,598,827	3,669,426	3,652,263
Total assets	17,180,108	16,661,310	16,028,319	15,860,030	14,593,748
Total current liabilities	1,526,284	1,429,642	1,097,593	1,261,522	1,579,764
Total non-current liabilities	7,393,840	7,413,164	7,515,091	7,229,093	5,675,013
Issued capital	803,618	803,618	603,618	353,618	353,618
Total equity	8,259,984	7,818,504	7,415,635	7,369,415	7,338,971
<b>CASH FLOW DATA</b>					

Cash flow from (used in) operating activities	1,700,492	1,939,878	1,142,144	675,250	1,287,545
Cash flow from (used in) investing activities	(1,469,976)	(1,136,778)	(1,678,855)	(1,317,741)	(893,982)
Cash flow from (used in) financing activities	(527,219)	(822,241)	56,204	1,145,020	123,247
Net (decrease) increase in cash and equivalents before effect of exchange rate changes	(296,703)	(19,141)	(480,507)	502,529	516,810
<b>OTHER FINANCIAL DATA</b>					
Capital expenditures (2)	1,431,420	1,362,268	1,740,634	1,198,906	937,934
Depreciation and amortization	507,029	492,704	516,012	519,380	407,422
Fair value cost of timber harvested(3)	431,845	342,701	302,490	323,271	319,448
EBIT (3)	974,597	1,620,996	305,883	303,562	1,147,408
Adjusted EBITDA (3)	2,166,820	2,493,370	1,071,834	1,147,368	1,850,537
Adjusted EBITDA (3)/finance costs	10.81	11.33	4.00	4.19	8.62
Adjusted EBITDA (3)/revenue	30.5%	39.3%	22.6%	21.5%	31.1%
Average debt (4)/Adjusted EBITDA (3)	2.61	2.36	5.71	4.60	2.37
Total debt (5)	5,718,360	5,581,293	6,193,959	6,049,790	4,510,276
Total debt (5)/capitalization(6)	40.9%	41.7%	45.5%	45.1%	38.1%
Total debt (5)/equity attributable to parent company	69.3%	71.5%	83.9%	82.5%	61.8%
Working capital (7)	2,248,637	2,489,683	2,446,732	2,669,859	1,861,396
Number of shares	120,474,350	120,474,350	117,223,375	113,159,655	113,159,655
Net income per share (U.S.\$ per share)	5.8	8.6	0.2	0.5	6.4
Dividends paid	380,969	471,167	955	182,109	257,421
Dividends per share (U.S.\$ per share)	3.16	3.91	0.01	1.61	2.27

- (1) Biological assets refer to our forests and long-standing trees (current and non-current).
- (2) Includes capital expenditures in respect of property, plant and equipment and biological assets accrued for the period. Excludes acquisitions of companies.
- (3) We calculate EBIT as “net income” before “finance costs,” “finance income” and “income tax”. We calculate EBITDA as EBIT, plus “depreciation and amortization.”

Adjusted EBITDA is calculated by adding “fair value cost of timber harvested,” “exchange rate differences” and other expenses, and deducting “gain from changes in fair value of biological assets” to EBITDA. “Fair value cost of timber harvested” is a non-cash expense included in our cost of sales (as a component of raw materials) that represents the fair value of the wood harvested and sold from our own plantations, which is commonly excluded from the non-generally accepted accounting principles (non-GAAP) measures used by analysts to compare participants in our industry as it is a non-cash item (purchases of wood from third parties are cash expenses that are not included in “fair value cost of timber harvested”). “Gain from changes in fair value of biological assets” is a gain that does not represent cash flow. We believe that Adjusted EBITDA provides investors with a useful supplemental indicator of the performance of our core business because (i) it cancels out the effects of fair value that are independent of the cost

efficiency of our operating facilities and (ii) it excludes the effect of exchange rate differences, which are mainly derived from our debt instruments.

In evaluating the performance of Arauco, we believe that each of these non-GAAP financial measures should be considered together with and should not be considered in isolation, or as a substitute for, the analysis of our results as reported under IFRS. Some of the limitations of our non-GAAP financial measures are that EBIT, EBITDA and Adjusted EBITDA do not reflect: (i) our cash expenditures, or future requirements, for capital expenditures or contractual commitments; (ii) changes in, or cash requirements for, working capital needs; or (iii) the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our outstanding debt.

Because not all companies calculate EBIT, EBITDA or Adjusted EBITDA in the same manner, such measures as calculated by us may differ from such measures calculated by other companies. We compensate for these limitations by using EBIT, EBITDA and Adjusted EBITDA as supplemental measures to monitor our performance and by relying primarily on our financial statements that have been prepared in accordance with IFRS.

The following table presents, for the periods indicated, a reconciliation of EBIT, EBITDA and Adjusted EBITDA to net income.

	As of and for the year ended December 31,				
	2022	2021	2020	2019	2018
(in thousands of U.S. dollars, except ratios and share data)					
Net income	704,226	1,031,599	25,305	61,970	726,759
(+) Finance costs	200,366	219,982	268,179	273,639	214,779
(-) Finance income	(72,116)	(33,499)	(29,449)	(32,582)	(20,895)
(+) Income tax	142,121	402,914	41,848	535	226,765
EBIT	974,597	1,620,996	305,883	303,562	1,147,408
(+) Depreciation and amortization(*)	507,029	492,704	516,012	519,380	407,422
EBITDA	1,481,626	2,113,700	821,895	822,942	1,554,830
(+) Fair value cost of timber harvested	431,845	342,701	302,490	323,271	319,448
(-) Gain from changes in fair value of biological assets	(12,932)	(81,986)	(182,950)	(154,705)	(84,476)
(+) Exchange rate differences	77,067	5,281	39,111	32,507	26,470
(+) Others(**)	189,214	113,674	91,288	123,353	34,265
Adjusted EBITDA	2,166,820	2,493,370	1,071,834	1,147,368	1,850,537

(\*) See Note 7 and Note 19 of our audited consolidated financial statements for more detail on depreciation and amortization.

(\*\*) Reflects other non-cash expenses for loss of forest due to fires, theft and impairment provisions of industrial property, plant and equipment.

(4) Average debt is calculated as the average of total debt between the beginning and the end of the applicable year.

(5) Total debt is calculated as the sum of other current financial liabilities and other non-current financial liabilities, minus hedging instruments.

(6) Capitalization is calculated as total debt, including accrued interest, plus total equity.

(7) Working capital is calculated by subtracting current liabilities from current assets.

**A. Reserved****B. Capitalization and indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors****Summary of Risk Factors**

We are subject to a number of risks related to our business that are described under “Risk Factors” and elsewhere in this annual report. These risks could materially and adversely impact our business, results of operations, financial condition and future prospects. Among these important risks are the following:

***Risks Relating to the Company***

- Fluctuations in market price for our products could adversely affect our financial condition, results of operations and cash flows.
- Worldwide competition in the markets for our products could adversely affect our business, financial condition, results of operations and cash flows.
- Global economic and other developments, and particularly economic developments in the Asian, European and U.S. economies, could have an adverse effect on the demand for our products, our financial condition, results of operations and cash flows.
- We depend on free international trade as well as economic and other conditions in our principal markets.
- In Chile, we are located in a seismic area that exposes our properties to the risk of earthquakes and tsunamis.
- The costs of complying with, and addressing liabilities arising under, environmental laws and regulations have in the past and may in the future materially and adversely affect our business, financial condition, results of operations and cash flows.
- Environmental concerns led to the temporary suspension of our operations at the Valdivia mill in 2005, which adversely affected, and in the future may continue to adversely affect, our business, financial condition, results of operations and cash flows.
- We have been and currently are subject to legal proceedings related to some of our mills which could adversely affect our business, financial condition, results of operations and cash flows.
- Our ability to access local and international credit or capital markets may be restricted at a time when we need financing, which could have a material adverse effect on our flexibility to react to changing economic and business conditions.

- Material disruptions affecting our manufacturing mills, remanufacturing facilities, forestry assets or commercial operations could negatively impact our financial results and forestry operations.
- Currency fluctuations could have a negative effect on our financial results.
- We may be adversely affected by changes in LIBOR or SOFR reporting practices or the method in which LIBOR and/or SOFR is determined, or by variations in interest rates, including the planned discontinuation of LIBOR.

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- Disease or fire could affect our forests and manufacturing processes and, in turn, adversely affect our business, financial condition, results of operations and cash flows.
- Climate change could negatively affect our business, financial condition, results of operations and cash flows.
- We may undertake mergers, acquisitions and investments to expand or complement our operations that could result in operating difficulties or otherwise adversely affect our business, financial conditions and results of operations.
- Our operations could be adversely affected by labor action, contractual and other disputes.
- Cybersecurity events, such as a cyberattack could adversely affect our business, financial condition and results of operations.
- Developments relating to the COVID-19 pandemic have had and may continue to have an adverse effect on our business operations.

#### ***Risks Relating to Chile***

- Adverse changes in Chile's political, legal, tax, social and economic conditions could directly impact our business and the market price of our securities.
- Chile has different corporate disclosure standards from those with which you may be familiar in the United States, and Chile's securities laws may not afford you the same protections as U.S. securities laws.

#### ***Risks Relating to the United States and Canada***

- Economic conditions in the United States and Canada may have a direct impact on our business, financial condition, results of operations and cash flows.

#### ***Risks Relating to Brazil***

- Economic conditions and government policies in Brazil may have a direct impact on our business, financial condition, results of operations and cash flows.
- The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions have a direct impact on our business.

#### ***Risks Relating to Argentina***

- Economic conditions and government policies in Argentina may adversely affect our financial condition, results of operations and cash flows.
- The Argentine government has exercised, and continues to exercise, significant influence over the Argentine economy. Argentine political and economic conditions have a direct impact on our business.

#### **Risks Relating to Mexico**

- Economic conditions and government policies in Mexico may have a direct impact on our business, financial condition, results of operations and cash flows.

#### **Risks Relating to Uruguay**

- Economic conditions in Uruguay, or the failure of Montes del Plata and its affiliates to service their debt, may have a direct impact on our financial condition, results of operations and cash flows.

#### **Risks Relating to Other Markets**

- Our business, earnings and prospects may be adversely affected by developments in other countries that are beyond our control.
- Developments in other emerging and developed markets may adversely affect the market price of our securities and our ability to raise additional financing.

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#### **Risks Relating to Our Securities**

- The non-payment of funds by our subsidiaries could have a material adverse effect on our business, financial condition, results of operations and ability to service our debt, including our securities.
- Changes in Chilean tax laws could lead us to redeem our securities.
- Credit rating downgrades below investment grade could have a material and adverse effect on our business, financial condition, results of operations and ability to service our debt, including our securities.

As a result of these risks and other risks described under “Risk Factors” there is no guarantee that we will experience growth or profitability in the future.

### **DETAILED RISK FACTORS**

*We are subject to various changing economic, political, social and competitive conditions, particularly in our principal markets. Any of the following risks, if they actually occur, could materially and adversely affect our business, financial condition, results of operations and cash flows.*

#### **Risks Relating to the Company**

***Fluctuations in market price for our products could adversely affect our financial condition, results of operations and cash flows.***

Prices for many of the products we sell can fluctuate significantly. The prices of our products are highly correlated with international prices. Consequently, prices of our products are highly dependent on prevailing international and regional prices.

The following table sets forth historic price fluctuations for Norscan bleached softwood kraft market pulp sold in Europe (pulp produced in North American, Nordic and Central European countries and sold to manufacturers of paper products delivered in Northern Europe, or “NBSK – Europe”) which is the benchmark for bleached softwood pulp sold in Europe, for Norscan bleached softwood kraft market pulp sold in China (pulp produced in North American, Nordic and Central European countries and sold to manufacturers of paper products delivered in China, or “NBSK – China”) which is the benchmark for bleached softwood pulp sold in China, for bleached hardwood kraft pulp sold in Europe (pulp made from eucalyptus or birch which is sold in Europe or “BHKP – Europe”) which is the benchmark for bleached hardwood pulp sold in Europe, and for bleached hardwood kraft pulp sold in China (pulp made from eucalyptus or birch which is sold in China or “BHKP – China”) which is the benchmark for bleached hardwood pulp sold in China, for each of the years indicated.

NBSK	Year ended December 31,				
	2018	2019	2020	2021	2022
<b>Europe</b>					
Minimum Price	1,003.33	819.84	819.96	879.79	1,260.00
Maximum Price	1,230.00	1,199.96	879.36	1,340.00	1,498.06
Year-end Price	1,200.02	819.95	879.36	1,260.27	1,428.00
<b>China</b>					
Minimum Price	723.07	557.57	554.41	672.88	755.05
Maximum Price	902.61	714.43	670.56	985.23	989.69
Year-end Price	723.07	557.57	670.56	757.82	882.60
<b>BHKP</b>					
<b>Europe</b>					
Minimum Price	981.69	680.00	680.00	680.00	1,140.00
Maximum Price	1,050.01	1,024.16	681.80	1,140.00	1,380.00
Year-end Price	1,025.73	680.01	680.00	1,140.00	1,380.00
<b>China</b>					
Minimum Price	652.51	456.69	441.26	500.46	576.42
Maximum Price	772.26	699.95	499.08	780.09	866.17
Year-end Price	652.51	456.92	499.08	570.73	827.59

\* Source: Fastmarkets RISI

During 2018, NBSK – China prices were steady most of the year, with a slight decrease by the end of the year, which was mainly due to the trade tensions between China and the United States. During the first months of 2019 prices for NBSK – China and NBSK – Europe remained relatively stable, due to the Chinese New Year that took place in February 2019 and lower pulp demand, respectively. After the first quarter and through the third quarter of 2019, prices in China and Europe began to markedly deteriorate mainly due to growing trade tensions between China and the United States and duties imposed by both countries that impacted pulp demand. During the fourth quarter of 2019, prices stabilized to a certain extent. Throughout the first three quarters of 2020 softwood pulp prices remained low and stable mainly due to the impact of the COVID-19 pandemic and high, yet decreasing, inventories of some pulp and paper producers. During the fourth quarter of 2020, inventories somewhat stabilized which led to an increase in prices of NBSK mainly during the final weeks of the year. The first quarter of 2021 continued with the trend observed during the last weeks of 2020, with prices of both NBSK – Europe and NBSK – China steadily increasing, mostly due to normalization of demand, and logistic issues which constrained supply chains to a certain extent. During the second quarter of 2021, prices remained stable for NBSK – China, albeit at high levels, and continued to increase for NBSK – Europe. Prices for NBSK – Europe remained largely stable during the second half of 2021, and prices for NBSK – China decreased somewhat mostly due to a lower operating rate of paper producers and electrical outages. During the first quarter of 2022, prices increased in comparison with

the last week of the fourth quarter of 2021, in both NBSK – Europe and NBSK – China, mostly due to logistical issues and also in Europe, due to high economic activity and low levels of imports from Asia. During the second quarter of 2022, prices increased again due to inflation affecting the markets in both NBSK – Europe and NBSK – China. During the third quarter of 2022, prices of both NBSK – Europe and NBSK – China remained relatively stable; and at the end of the year of 2022, prices decreased due to a normalization of logistic issues and a relatively stabilization of inventories.

During 2018, sustained demand and stable capacity levels led to an increase in prices that continued through May 2018 for the BHKP – Europe when prices reached a peak and through June 2018 for the BHKP – China. During the rest of the year, prices stabilized with a decrease towards the end of 2018. Decrease in demand registered by the end of 2018 was mainly explained by the trade tensions between China and the United States. Hardwood pulp prices followed a similar trend to softwood pulp prices during the first quarter of 2019 after the first quarter prices started to decrease and continued through the end of the year, mainly due to (i) growing trade tensions between China and the United States, (ii) higher inventories of some pulp producers and (iii) lower economic activity in Europe. Throughout 2020 hardwood pulp prices remained low and stable mainly due to the impact of the COVID-19 pandemic and high inventories of some pulp and paper producers. The first quarter of 2021 continued with the trend observed during the last weeks of 2020, with prices of both BHKP – Europe and BHKP – China steadily increasing, mostly due to normalization of demand, and logistic issues which constrained supply chains to a certain extent. During the second quarter of 2021, prices remained stable for BHKP – China, albeit at high levels, and continued to increase for BHKP – Europe. Prices for BHKP – Europe remained largely stable during the second half of 2021, and prices for BHKP – China decreased somewhat mostly due to a lower operating rate of paper producers and electrical outages. During the first quarter of 2022, prices increased in comparison with the last week of the fourth quarter of 2021, in both BHKP – Europe and BHKP – China, mostly due to logistical issues, a strike or work stoppage that occurred to a relevant competitor and also in Europe, due to high economic activity and low levels of imports from Asia. Moreover, shortage of birch in Northern Europe caused significant pressure on short fiber which make producers switch to long fiber. During the second quarter of 2022, prices increased again due to inflation affecting the markets in both BHKP – Europe and BHKP – China. During the second half of 2022, prices of both BHKP – Europe and BHKP – China remained relatively stable due to a normalization of logistical issues and a relatively stabilization of inventories.

During the first half of 2018, Latin American countries showed stable demand levels for wood products. Towards the end of 2018, the uncertainty surrounding the trade tensions between China and the United States affected demand. The construction sector in the United States experienced a slight increase compared to 2017, which was sustained throughout 2018. Average prices remained stable in 2018 compared to 2017, showing variations depending on the product. Throughout 2019, the panels market remained healthy with strong sales particularly in the United States and Canada. The sawn timber and plywood markets both evidenced from oversupply and prices were thereby affected. Additionally, trade tensions between China and the United States added further pressure on prices, especially with respect to sawn timber products. Wood products markets remained stable during 2019 in terms of prices and sales volume compared to 2018. During the first half of 2020, we confronted significant challenges due to adverse effects that the COVID-19 pandemic had on the wood products markets, especially during the second quarter of the year. During the second half of 2020, prices continuously improved due to an increase in demand, especially in the construction and remodeling sectors, among other reasons. During 2021, the wood products markets remained generally stable and at high levels both in terms of prices and sales volume. Prices for some wood products continued to increase throughout the year, and we observed some supply shortages in some of the markets we participate in. During 2022, the wood products markets' demand remained relatively stable in panel consumptions in North America. In addition, our sawn timber segment's demand was relatively stable during the first half of 2022 and a relatively restricted supply due to logistic issues.

Global economic conditions may exert downward pressure on commodity prices, including the international prices of the products we sell, which could result in material and adverse declines in our revenues, results of operations and financial condition. We have no control over the factors that cause prices to change which include, among others:

- worldwide demand (which may be affected by a number of factors, including economic or political conditions in Asia, Latin America, North America and Europe);
- prevailing world prices, which historically have been subject to significant fluctuations over relatively short periods of time, depending on worldwide demand;
- worldwide pulp and paper inventory levels;
- world production capacity; and
- the availability of substitutes.

In addition, the prices of many of the products we sell are correlated to some extent, and historical fluctuations in the price of one product have usually been accompanied by similar fluctuations in the prices of other products. If the price of one or more of the products that we sell were to decline significantly from current levels, it could have a material adverse effect on our revenues, results of operations and financial condition.

***Worldwide competition in the markets for our products could adversely affect our business, financial condition, results of operations and cash flows.***

We experience substantial worldwide competition in each of our geographical markets and in each of our product lines. Some of our competitors are larger than we are or may have greater financial and other resources, which, among other things, may enhance their ability to support strategic expenditures directed to increase their market share. Our market share and competitive position may be adversely affected if we are unable to successfully continue to expand our productivity at the same pace as our competitors.

Both the pulp and wood products industries are sensitive to changes in industry capacity and producer inventories, as well as to cyclical changes in the world's economies, all of which may significantly affect selling prices and, thereby, our profitability. One or more of these factors could materially and adversely affect our business, financial condition, results of operations and cash flows.

***Global economic and other developments, and particularly economic developments in the Asian, European and U.S. economies, could have an adverse effect on the demand for our products, our financial condition, results of operations and cash flows.***

The global economy, and in particular global industrial production, is the primary driver of demand for pulp, paper and wood products. For example, our wood products segment, which is highly dependent on the strength of the home-building industry, has experienced decreases in its prices and demand for its products from time to time.

A decrease in the level of activity in either the domestic or the international markets within which we operate could adversely affect the demand and the price of our products and thus our cash flows and operational and financial results.

Our business, financial condition, results of operations and cash flows could be materially and adversely affected if the economic and other conditions in Asia, Europe, the United States and elsewhere deteriorate, and if we are unable to address competitive challenges resulting from currency fluctuations or reallocate our wood products and other products to other markets on equally beneficial terms, which could require us to recognize additional impairment charges.

Furthermore, in February 2022, Russian troops invaded Ukraine. Although the severity and duration of the ongoing military action are highly unpredictable, Russia's prior annexation of Crimea, recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military interventions in Ukraine have led to sanctions being levied by the United States, the European Union, and other countries against Russia, with additional

potential sanctions threatened and/or proposed. Russia's military incursion and the market volatility could adversely affect the global economy and financial markets and thus could affect our business, financial condition, or results of operations. In addition, the conflict has resulted in significant volatility in certain commodity prices, as well as increases in oil and natural gas prices which has resulted in higher fuel prices and – consequently – in a sharper rise in inflation around the world. If prolonged, these fluctuations could materially affect our business, financial condition or results of operations. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions caused by this conflict or resulting sanctions may magnify the impact of other risks described in this annual report.

The conflict between Russia and Ukraine contributed to price increases and supply chain complications in the oil and natural gas markets and price volatility for certain commodities in general throughout the 2022 fiscal year. The duration and material impact of the conflict remain highly unpredictable but could be substantial.

***We depend on free international trade as well as economic and other conditions in our principal markets.***

We are a global company with industrial operations in eleven countries, from which we sell our products in the domestic market and through exports. In 2022, 36.6% of our sales were to customers in North America, 30.9% to customers in Asia, 22.5% to customers in Central and South America, 7.9% to customers in Europe, and 2.1% to customers in other countries. As a result, our results of operations and cash flows depend, to a significant degree, on economic, political and regulatory conditions in our principal markets. Our ability to compete effectively in our markets could be materially and adversely affected by a number of factors beyond our control, including deterioration in macroeconomic conditions, exchange rate volatility, government subsidies and the imposition of increased tariffs or other trade barriers. If our ability to sell our products competitively in one or more of our principal markets were impaired by any of these developments, it might be difficult to reallocate our products to other markets on equally favorable terms and our business, financial condition, results of operations and cash flows might be adversely affected.

***In Chile, we are located in a seismic area that exposes our properties to the risk of earthquakes and tsunamis.***

Our properties in Chile are located in a seismic area that exposes our facilities, plants, equipment and inventories to the risk of earthquakes and even subsequent tsunamis in some areas. A significant earthquake or other catastrophic event could severely affect our ability to meet our production targets or satisfy customer demand and could require us to make unplanned capital expenditures, resulting in lower sales and having a material adverse effect on our financial results.

On February 27, 2010, an earthquake measured at a magnitude of 8.8 on the Richter scale, followed by a tsunami that affected the coast, occurred in the South-Central Region of Chile, an area where we maintain a substantial portion of our Chilean industrial operations. Immediately after the earthquake, all of our production units implemented their contingency plans, which involved shutting down operations and evaluating the damage caused to each facility by the earthquake. As a result of the earthquake and the subsequent tsunami, our Mutrún sawmill was destroyed.

The suspension of our operations in Chile resulted in significant asset impairment charges due to earthquake-related damage to property and inventories as well as a significant decrease in our sales volumes due to plant closures, which had an adverse effect on our results of operations and cash flows.

We cannot assure you that we will not experience other suspensions or interruptions or unexpected damage to our property as a result of other earthquakes, aftershocks, tsunamis, any related repair and maintenance or other consequences associated with such events, or that our insurance coverage will be sufficient, any of which could have a material adverse effect on our revenue, results of operations and financial condition.

***The costs of complying with, and addressing liabilities arising under, environmental laws and regulations have in the past and may in the future materially and adversely affect our business, financial condition, results of operations and cash flows.***

We have significant operations in Argentina, Brazil, Canada, Chile, Mexico and the United States. We also have operations in Uruguay through our 50% share in the Montes del Plata joint operation and in Spain, Portugal, Germany and South Africa through our 50% share in the Sonae Arauco joint venture. In each of those countries we are subject to a wide range of national and local environmental laws and regulations concerning, among other matters, the preparation of environmental impact assessments for our projects, the protection of the environment and human health, the generation, storage, handling and disposal of waste, the discharge of pollutants and the remediation of contamination. As a forest products manufacturer, we generate air and water emissions and solid and hazardous wastes. These emissions and our waste disposal are subject to limits and controls prescribed by law or by our operating permits, and we may be required to install or upgrade our pollution control equipment in order to meet these legal requirements. We have made, and expect to continue to make, expenditures to maintain compliance with environmental laws. Notwithstanding our policy to strictly comply with all requirements established by applicable environmental laws, any failure to comply with such environmental laws may result in civil, administrative or criminal fines or sanctions, claims for environmental damages, remediation obligations, the revocation of environmental authorizations or the temporary or permanent closure of facilities. Environmental regulations in countries in which we operate have become increasingly stringent in recent years (for example, in connection with the approval and development of new projects). Future changes in environmental laws, or in the application, interpretation or enforcement of those laws, including new or stricter requirements related to harvesting activities, air and water emissions and/or climate change regulations, could result in substantially increased capital, operating or compliance costs, impose conditions that restrict or limit our operations or otherwise adversely affect our business, financial condition, results of operations and cash flows. These changes could also limit the availability of our funds for other purposes, which could adversely affect our business, financial condition, results of operations and cash flows.

In November 2015, the Cruces river, where the Valdivia mill disposes its effluents, became subject to the Secondary Water Quality Standard for the Valdivia River Basin (hereinafter, the “Norm” or “SWQSVR”). The Valdivia mill discharges its treated effluents into the Cruces River, which is part of the Valdivia River Basin.

We and other local entities challenged the validity of the Norm before the Third Environmental Court in January 2016, expressing concerns, among others, regarding various aspects of the Norm’s General Environmental and Social Impact Assessment (AGIES, for its acronym in Spanish). These objections included the lack of identification and consideration for the economic and social costs resulting from the adoption of the Norm. Other objections included that the Norm’s parameters and limits exceeded the reviewed water quality criteria enforced by reference countries in both quantity and stringency; and that many of the parameters and limits were not technically or environmentally reasonable. The Third Environmental Court ruled in our favor on September 29, 2016, declaring the invalidity of the Norm, and the decision was upheld by the Supreme Court in July 2017.

In December 2017, the government restarted the rulemaking process and published a new draft SWQSVR for public comments. The draft proposes to impose regulations with practically the same parameters and limits included in the previous Norm declared void by the Supreme Court. In our opinion, the draft presents flaws similar to those detected in the previous rulemaking process, among others, the lack of identification and consideration of its actual economic and social costs and that most of its parameters and limits are not technically or environmentally reasonable. The public comment process finished in March 2018 and several comments from the public and different stakeholders were submitted, including various technical, economic and legal reports from third parties. According to applicable regulations, the government shall prepare a final draft, which will be subject to the consideration by the Sustainability Ministers’ Committee (*Consejo de Ministros para la Sustentabilidad*) and the President of the Republic. If the new norm enters into force, we cannot exclude the possibility that the authority may declare that the Valdivia River Basin is “contaminated” and thus initiate an administrative proceeding to impose a decontamination plan, which may include new limits on discharges of wastewater applicable to our Valdivia mill.

***Environmental concerns led to the temporary suspension of our operations at the Valdivia mill in 2005, which adversely affected, and in the future may continue to adversely affect, our business, financial condition, results of operations and cash flows.***

Our operations at the Valdivia mill have been subject to environmental scrutiny by Chilean environmental regulators and the Chilean public since the mill began its operations in 2004. A variety of concerns and claims have been raised regarding the mill's potential environmental impacts in the area. Primarily, it has been alleged that the mill's operations impacted the habitat of the nearby Carlos Anwandter Nature Sanctuary and contributed to the migration and death of black-neck swans living in the area. In connection with an environmental administrative proceeding, environmental regulators required us to temporarily suspend operations at the Valdivia mill for approximately one month in January 2005.

In February 2009, as previously required by the environmental authorities, we submitted an environmental impact study for the construction of a pipeline to discharge the Valdivia mill's wastewater in the Pacific Ocean near Punta Maiquillahue, complying with the requirement that such wastewater be discharged in a body of water other than the Cruces River, the Carlos Anwandter Nature Sanctuary or their respective sources. In February 2010 and October 2012, the environmental authorities approved this environmental impact study subject to some conditions. On April 30, 2013, the Committee of Ministers passed Exempt Resolution No. 391, which modified certain paragraphs of the above-mentioned approval (establishing effluent discharge limits for 13 parameters).

The construction and operation of the pipeline requested by the environmental authority in order to discharge the Valdivia mill's wastewater in a body of water other than the Cruces River, the Carlos Anwandter Nature Sanctuary or their respective sources, remains subject to environmental, regulatory, engineering and political uncertainties. As of the date of this annual report, it has not been possible to obtain relevant permits and authorizations for the project. As a result, we cannot provide any assurances that the project will be completed and that any deadline extensions would be granted, even if we comply with all the requirements that may be set forth by those authorities. If the installation of the pipeline is delayed for reasons attributable to us, we may face sanctions that include warnings, fines or the revocation of the Valdivia mill's environmental permit for operation.

The suspension of operations at the Valdivia mill in 2005 adversely affected our business, financial condition, results of operations and cash flows. Any future suspension of operations at the Valdivia Mill or at any other of our significant operating mills can be expected to have similar adverse effects. We offer no assurance that the Valdivia Mill, or our other mills, will be able to operate without further interruption.

***We have been and currently are subject to legal proceedings related to some of our mills which could adversely affect our business, financial condition, results of operations and cash flows.***

In connection with the death of fish in the Cruces River in January 2014 close to the Valdivia mill's effluent discharge, in January 2019, the public prosecutor's local office (in Mariquina) filed charges ("formalización de la investigación") against five individuals, three of them currently working for the Company. In July 2021, the public prosecutor's local office and the aforementioned five individuals reached an agreement to suspend the criminal procedure ("suspensión condicional del procedimiento") under certain conditions. These conditions were fulfilled in a timely manner, and thus in July 2022 the criminal process was definitively closed ("sobreseimiento definitivo").

Also, in January 2019, the National Defense Council instituted a civil lawsuit seeking reparations from us for environmental harm allegedly caused by our Valdivia mill in connection with the death of fish in the Cruces River in January 2014. The National Defense Council did not determine the damages in this lawsuit, which could be sought by the National Defense Council in a separate proceeding before a civil court. The Company filed its defense in February 2019. The lawsuit remains under review by the court as of the date of this annual report. We cannot predict the outcome or impact of this lawsuit or when it may be resolved. If the result of such lawsuit is unfavorable to us, we may be required to conduct studies on ecosystems and biodiversity as well as to implement programs to both repopulate and monitor species under conservation. We may be required to incur in significant costs to repair any environmental harm a court determines we have caused.

The commencement of similar criminal and civil proceedings against Arauco at any time in the future could adversely affect some of our mills. We can neither predict the likelihood that we will face such similar proceedings in the future, nor the likely outcome or impact of any such proceedings.

We are also subject to certain administrative proceedings. In 2016 the Superintendence of the Environment initiated administrative proceedings against the Valdivia mill. The first part of the proceeding against the Valdivia mill concluded in 2017. On December 15, 2017, the Superintendence of the Environment decided that the Valdivia mill was liable for ten out of eleven charges and imposed a fine of 7,777 UTA (approximately U.S.\$6.5 million as of December 2018). We appealed this decision on April 5, 2018 before the Third Environmental Court. A decision by the Third Environmental Court was issued in February 2020. This decision partially accepted the claim, only in connection with the inadequate classification of one of the charges, ordering the Superintendence to make a new classification. The decision also mentioned that the Superintendence had not proved that the death of fish in the Cruces River in January 2014 was caused by the operations of the Valdivia mill. This ruling was appealed by both the Superintendence and the Company before the Supreme Court. In December 2022, the Supreme Court upheld the Third Environmental Court decision, confirming most of the fines but stating that the death of fish in the Cruces River in January 2014 was not caused by the operations of the Valdivia mill. The Superintendence shall make a new classification in connection therewith. In January 2023, the Company paid the corresponding fines for approximately 5,360.2 UTA (approximately U.S.\$ 4.9 million as of January 2023).

In 2019, the Moncure mill received an initial notice of violation from the North Carolina Department of Energy, Mineral, and Land Resources for exceedances of stormwater benchmarks. The administrative proceeding will remain open until the Moncure mill can demonstrate long-term compliance with such benchmarks. There was no civil penalty assessed for the initial notice of violation.

Any such proceedings or claims, or any subsequent interruption in our operations as a result of such proceedings as well as any unexpected costs to resolve such proceedings, may have an adverse effect on our business, financial condition, results of operations and cash flows. See “Item 3. Key Information—Risk Factors—Risks Relating to the Company—Environmental concerns led to the temporary suspension of our operations at the Valdivia mill in 2005, which adversely affected, and in the future may continue to adversely affect, our business, financial condition, results of operations and cash flows.”

***Our ability to access local and international credit or capital markets may be restricted at a time when we need financing, which could have a material adverse effect on our flexibility to react to changing economic and business conditions.***

As of December 31, 2022, we had approximately U.S.\$5.7 billion of outstanding indebtedness. The economic environment prevailing at any point in time may prevent us from accessing, or restrict our access to, credit and capital markets to satisfy our financing needs, or we may not be able to refinance our existing indebtedness on terms that are favorable to us or at all. If we are unable to refinance our indebtedness as it becomes due, or if we refinance such indebtedness on terms that are not favorable to us, our business, results of operations and financial condition could be materially and adversely affected. For further information, see “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk”.

***Material disruptions affecting our manufacturing mills, remanufacturing facilities, forestry assets or commercial operations could negatively impact our financial results and forestry operations.***

A material disruption at any of our manufacturing, processing or remanufacturing facilities, or commercial operations could prevent us from satisfying customer demand for our products, meeting our production targets and/or require us to make unplanned capital expenditures, resulting in lower sales, which could have a negative effect on our

financial results. Our Chilean and Mexican facilities are located in regions known for seismic activity that exposes our facilities to the risk of earthquakes and, in some areas, to subsequent tsunamis.

A long-lasting conflict in part of the South of Chile has extended in territory and escalated in violence in recent years towards areas where we have operations, especially in the Bío Bío, Araucanía and Los Ríos regions. This conflict has included assaults, occupation of lands, arson of machinery and other assets, road blockades and confrontations with police. We have also faced other additional difficulties in such regions, including theft of logs. Further escalation of violence may result in material disruptions to our forestry or industrial operations in such regions.

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Our commercial operations could also be affected by disruptions or other difficulties regarding supply chains, the availability of containers or ships, among other factors.

In addition, our facilities (or any of our machines within an otherwise operational facility) could cease operations unexpectedly due to a number of events, including:

- unscheduled maintenance outages;
- prolonged power failures;
- an equipment failure;
- fires, floods, hurricanes or other adverse weather;
- disruptions in the transportation infrastructure, including roads, bridges, railroad tracks, tunnels and ports;
- a chemical spill or release;
- explosion of equipment;
- the effect of a drought or reduced rainfall on its water supply;
- labor difficulties;
- terrorism or threats of terrorism;
- coronavirus or other global epidemic;
- domestic and international laws and regulations applicable to our Company and our business partners, including joint operation partners, around the world; and
- other operating problems.

In connection with losses to our production plants, facilities, equipment and forestry assets caused by material disruptions, our insurance coverage may be insufficient. The incurrence of losses or other liabilities that are not covered by insurance could result in significant and unexpected additional costs. Moreover, the terms and conditions for the renewal of our insurance policies may change in the future depending upon market circumstances and the type and amount of risks insured. See “Item 4. Information on our Company—Description of Business—Insurance”.

***Currency fluctuations could have a negative effect on our financial results.***

Domestic currencies of the countries in which we have industrial operations have been subject to depreciations and appreciations in the past and may be subject to significant fluctuations in the future. Even though most of our business is denominated in U.S. dollars, a portion of our revenues, costs, incomes and other expenses are denominated in domestic currencies other than the U.S. dollar, such as the Chilean peso, the Euro, the Argentine peso, the Uruguayan peso, the Brazilian real, the Mexican peso and the Canadian dollar, among others. As a result, fluctuations in the exchange rates of such foreign currencies relative to the U.S. dollar may have a material adverse effect on our business, results of operations, financial conditions and cash flows.

***We may be adversely affected by changes in LIBOR and SOFR reporting practices or the method in which LIBOR and/or SOFR is determined, or by variations in interest rates, including the planned discontinuation of LIBOR.***

We are exposed to the risk of interest rate variations, principally in relation to the U.S. dollar London Interbank Offer Rate (“LIBOR”). As of December 31, 2022, our outstanding debt includes 4.6 % of loans indexed to LIBOR and no loans indexed to the Secured Overnight Financing Rate (“SOFR”). On March 5, 2021, the United Kingdom Financial Conduct Authority (the “FCA”), which regulates LIBOR, announced that all LIBOR tenors, which are relevant to us, will cease to be published after June 30, 2023. This announcement means that any of our LIBOR-based borrowings that extend beyond June 30, 2023 will need to transition to a replacement rate. In the United States, the Alternative Reference Rates Committee (the “ARRC”), a committee of private sector entities with ex-officio official sector members convened by the Federal Reserve Board and the Federal Reserve Bank of New York, has recommended the SOFR plus a recommended spread adjustment as LIBOR’s replacement. There are significant differences between LIBOR and SOFR, such as LIBOR being an unsecured lending rate while SOFR is a secured lending rate, and SOFR is an overnight rate while LIBOR reflects term rates at different maturities. A transition away from and/or changes to the LIBOR benchmark interest rate could adversely affect our business, financial condition, liquidity and results of operations. If our LIBOR-based borrowings are converted to SOFR, the differences between LIBOR and SOFR, plus the recommended spread adjustment, could result in interest costs that are higher than if LIBOR remained available, which could have a material adverse effect on our operating results. Although SOFR is the ARRC’s recommended replacement rate, it is also possible that lenders may instead choose alternative replacement rates that may differ from LIBOR in ways similar to SOFR or in other ways that would result in higher interest costs. It is not yet possible to predict the magnitude of LIBOR’s end on our borrowing costs. The impact of a transition away from LIBOR could also be significant for us. Any of these proposals or consequences could have a material adverse effect on our financing costs.

***Disease or fire could affect our forests and manufacturing processes and, in turn, adversely affect our business, financial condition, results of operations and cash flows.***

Our operations are subject to various risks affecting our forests and manufacturing facilities, including disease and fire. Pests and diseases afflicting radiata or taeda pine plantations in other parts of the world may migrate and may significantly affect the forestry industries in Chile, Argentina, Brazil or Uruguay in the future.

Similarly, forest fires are always a risk, particularly during the forestry fires season in Chile that typically extends through the southern hemisphere summer, spanning from the last quarter of each year to the end of the first quarter of the following year.

In January and February 2017, wildfires, exacerbated by high temperatures, the action of the winds, low atmospheric humidity and the complexity of combatting multiple focal points that appeared simultaneously in different places, broke out in the central and southern regions of Chile, and in respect of us, in the Maule, Ñuble and Bío Bío regions. As a consequence of such fires, we suffered the burning of approximately 72,500 hectares of forest plantations, which had a fair value of approximately U.S.\$210 million, according to IFRS accounting rules. The affected forest plantations represented approximately 5.6% of the fair value of the total of our forest plantations, and approximately 1.5% of our total assets.

During the 2020-2021 forest fire season, approximately 4,145 hectares of our forest plantations were adversely affected by fires. During the 2021-2022 forest fire season, approximately 7,566 hectares of our forest plantations were adversely affected by fires.

As of the date of this annual report, during the 2022-2023 season, approximately 47,000 hectares of our forest plantations have been affected by forest fires mainly due to the combination of multiple irresponsible or intentional actions by third parties and extreme unfavorable weather conditions such as high temperatures, low humidity and wind gusts. Taking into consideration the amount of wood that should be able to be recovered (based on past experiences) and the applicable insurance coverage preliminary, the estimated impact of the fires on our financial statements may be approximately U.S.\$50.0 million.

In connection with losses to our production plants, facilities, equipment and forestry assets caused by fires, our insurance coverage may be insufficient. We do not maintain insurance coverage against pests, diseases and, in certain areas, fires that could affect our planted forests. The incurrence of losses or other liabilities could result in significant and unexpected additional costs. Moreover, the terms and conditions for the renewal of our insurance policies may change in the future depending upon market circumstances and the type and amount of risks insured. See “Item 4. Information on our Company—Description of Business—Insurance.”

***Climate change could negatively affect our business, financial condition, results of operations and cash flows.***

A significant number of scientists, environmentalists, international organizations, regulators and other commentators maintain that global climate change has contributed, and will continue to contribute, to the increasing unpredictability, frequency and severity of natural disasters (including, but not limited to, hurricanes, droughts, tornadoes, freezes, other storms and fires) in certain parts of the world. As a result, a number of legal and regulatory measures as well as social initiatives have been introduced in numerous countries in an effort to reduce carbon dioxide and other greenhouse gas emissions and combat global climate change. Such reductions in greenhouse gas emissions could result in increased energy, transportation and raw material costs and may require us to make additional investments in facilities and equipment. In addition, our plantations are located in regions which have favorable climatic conditions for a short growing cycle. Any climate changes that negatively affect such favorable climate conditions in central or southern Chile or in any region in which we benefit from favorable climate conditions could adversely affect the growth rate and quality of our plantations, or our production costs.

Regarding water scarcity, Chile has experienced a drought during the last years; consequently, the Licancel mill had to cease its activities for approximately three months at the end of 2019. Rainfall in the Maule region slightly increased during the 2020 and 2021 summer seasons compared to 2019. Thus, we were able to ensure the continuity of our operations, except in February 2022 and February 2023 when the Valdivia pulp mill had to cease its activities for five days and one day, respectively, due to the low flow of the Cruces River. Following such events, different alternatives to mitigate the effect of the drought are being evaluated.

Although we cannot predict the impact of changing global climate conditions, if any, or potential legal, regulatory and social responses to concerns about global climate change, any such occurrences may negatively affect our business, financial condition, results of operations and cash flows.

***We may undertake mergers, acquisitions and investments to expand or complement our operations that could result in operating difficulties or otherwise adversely affect our business, financial conditions and results of operations.***

From time to time, we carry out mergers, acquisitions and investments to expand or complement our operations. In connection with such transactions, we may be exposed to various risks, including those arising from: (i) not having accurately assessed the value, future growth potential, strengths, weaknesses and potential profitability of potential acquisition targets; (ii) difficulties in successfully integrating, operating, maintaining or managing newly-acquired operations, including personnel; (iii) unexpected costs of such transactions; or (iv) unexpected contingent or

other liabilities or claims that may arise from such transactions. If any of these risks were to materialize, it could adversely affect our business, financial condition and results of operations.

***Our operations could be adversely affected by labor action, contractual and other disputes.***

We have had certain strikes, work slowdowns, stoppages and other labor-related disruptions that have adversely affected our operations.

Under Chilean, Brazilian, Mexican, Argentine and Uruguayan labor legislation, we are secondarily liable for the payment of labor and social security obligations owed to our contractors' employees. In Chile, if we do not supervise our contractors in their fulfillment of their labor and social security obligations pursuant to labor laws, then our responsibility will be elevated from secondary to joint and several, thus enabling an employee of a contractor to bring a claim against both the contractor and us (as the party hiring such contractor), even though the contractor will remain primarily liable for its obligations. We also have some responsibilities for the health and safety conditions of the contractors' employees and are obliged to ensure that the contractors comply with all obligations related to such conditions, while such employees are performing activities within the scope of our business operations.

In Argentina, joint liability rules that are substantially similar to those we are subject to in other countries where we have industrial operations, apply to a principal and its contractors. In addition, the national rural labor law, Law No. 26,727, promulgated on December 28, 2011 and fully in effect since March 2013, permits contractor employees under forestry contracts to bring actions directly against the principal to whom the employees' services are being provided, instead of requiring them to bring actions against the contractor. For works or services related to the ordinary production process of a principal, the law provides that an employment relationship is deemed to exist between the principal and the employee of the contractor.

In Uruguay, under Laws 18.099 and 18.251, the liability for Montes del Plata arises only in case of subcontractors, intermediaries or suppliers of labour manpower (as defined in Article 1 of Law 18.251). The liability will be joint and several unless Montes del Plata duly exercises its right to be informed that contractors fulfill their labor and social security obligations pursuant to labor laws.

We may be affected by future strikes, work slowdowns, stoppages or other labor-related developments in the various countries in which we operate, including such developments attributable to employees of contractors performing outsourced services, and such strikes, slowdowns, stoppages or other developments could have a material adverse effect on our business, financial condition, results of operations or prospects.

***Cybersecurity events, such as a cyberattack could adversely affect our business, financial condition and results of operations***

Our business depends on information technology systems to effectively manage our production processes. Therefore, interruptions in these systems caused by employee error or attacks, external cyber-attacks, obsolescence or technical failures can deeply harm our business operations. Cybersecurity risks have generally increased in recent years as a result of the proliferation of new technologies and the increased sophistication and activities of cyberattacks. Any failure of our systems related to sensitive information could disrupt our business and result in production errors, processing inefficiencies and the loss of sales and customers, which in turn could result in decreased revenue, increased costs and excess or out-of-stock inventory levels.

Additionally, cyberattacks or internal actions, including negligence or misconduct of our employees and suppliers, may have a negative impact on our reputation, our relationship with external entities (government, regulators, partners, among others) and our strategic positioning with relation to our competitors. Any significant security breaches or disruptions in the performance of our information technology systems could have a material adverse effect on our results of operations and financial condition. For more information regarding our cybersecurity policy, see "Item 4. Information on our Company—Description of Business—Cybersecurity".

***Developments relating to the COVID-19 pandemic have had and may continue to have an adverse effect on our business operations.***

In late December 2019 a notice of a virus originating from Wuhan, Hubei province, China (COVID-19, caused by a novel coronavirus) was reported to the World Health Organization, with cases soon confirmed in multiple provinces in China, as well as in other countries. Several measures have been undertaken by governments around the globe, including the use of quarantine, screening at airports and other transport hubs, travel restrictions, suspension of visas, nationwide lockdowns, closing of public and private institutions, suspension of sport events, restrictions to museums and tourist attractions and extension of holidays, among many others. However, the virus continued to spread globally and, as of the date of this annual report, has affected more than 180 countries and territories around the world, including Chile, Argentina, Brazil, Uruguay, Mexico, Canada and the United States, among others. To date, the outbreak of the novel coronavirus has caused significant social and market disruption. The final impact on the global economy and financial markets is still uncertain but it has been significant.

The COVID-19 outbreak and its successive variants spread into all the countries in which we operate and has caused temporary disruptions to some of our business and industrial operations. We have adopted and may continue to adopt further contingency measures. The existence and continuance of the pandemic in the countries where our customers are located could result in reduced demand. Due to the pervasive nature of the pandemic and that its duration is not known, there is uncertainty around its ultimate impact on our business; therefore, the negative impact on our financial and operating results cannot be reasonably estimated at this time, and we cannot rule out a material impact in the future. The prolonged pandemic or the imposition of more restrictive measures in all the countries in which we operate could result in the imposition of further quarantines or closures and/or import and export restrictions which could further adversely affect our business, financial condition, results of operations or prospects. Additionally, we cannot predict how the disease will evolve (and potentially, spread) in the countries where we have industrial operations, nor anticipate what additional restrictions governments of those countries or other countries may impose. To the extent COVID-19 adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section.

**Risks Relating to Chile**

***Adverse changes in Chile's political, legal, tax, social and economic conditions could directly impact our business and the market price of our securities.***

For the year ended on and as of December 31, 2022, 70.7% of our property, plant and equipment and forest assets were directly owned by Arauco and our Chilean subsidiaries, and 52.2% of our revenues were attributable to our Chilean operations. Accordingly, our business, financial condition, results of operations and cash flows depend, to a considerable extent, upon political and economic conditions in Chile. Future changes in Chile's political, regulation and economic conditions - affecting interest rates, inflation, tax rates or charges on imports and/or exports, among others - could adversely affect our business, financial condition, results of operations and cash flows and may impair our ability to proceed with our strategic plan of business. In addition, such changes may impact the market price of our securities.

On October 25, 2020, Chile held a referendum whereby nearly 80% of voters opted to replace the National Constitution and to have a new National Constitution drafted by a special constitutional convention (the “Constitutional Convention”). The Constitutional Convention was composed of 155 members, and elections to select the members were held on May 15 and 16, 2021. The Constitutional Convention began working on a proposed constitution in July 2021 and finalized the proposed constitution on July 4, 2022. On September 4, 2022, Chile held a national plebiscite in which the proposed constitution was rejected by a margin of 62% to 38% of voters.

After the rejection of the constitution proposed by the Constitutional Convention, the Chilean lawmakers agreed to enter into a new constitutional process and submit a new proposal to public referendum. On March 6, 2023, an expert's commission was installed to draft a new constitutional proposal to be afterwards reviewed and eventually revised by a constitutional council (the "Constitutional Council") to be composed by 50 members elected in public elections that will be held on May 7, 2023. The final version of the constitutional proposal approved by the Constitutional Council must be submitted to the scrutiny of the technical committee of admissibility.

The Constitutional Council will begin its work on June 7, 2023, and will have up to five months to draft a new constitution proposal and shall deliver its constitutional proposal to the President of the Republic, which will then be submitted to a public referendum to be held on December 17, 2023.

We cannot assure that the current political and social situation or future developments in Chile, will not have an adverse effect on our business, financial condition or result of operations. Further, we cannot assure that any new government policies, or any new law enacted by Congress in response to an eventual new National Constitution and/or recent social developments will not adversely affect the Chilean economy or, directly or indirectly, our business, operations, and revenues.

***Chile has different corporate disclosure standards from those with which you may be familiar in the United States, and Chile's securities laws may not afford you the same protections as U.S. securities laws.***

The securities disclosure requirements applicable to certain foreign private issuers differ from those applicable to issuers domiciled in the United States in some important respects. Accordingly, the information about us available to you will not be the same as the information disclosed by a U.S. company required to file reports with the U.S. Securities and Exchange Commission, or "SEC."

In addition, although Chilean law imposes restrictions on insider trading and price manipulation, applicable Chilean securities laws and regulations are different from those in the United States, and some investor protections available in the United States may not be available in the same form, or at all, in Chile.

### **Risks Relating to the United States and Canada**

***Economic conditions in the United States and Canada may have a direct impact on our business, financial condition, results of operations and cash flows.***

For the year ended on and as of December 31, 2022, 4.7% of our property, plant and equipment were owned by our U.S. subsidiaries, and 14.2% of our revenues were attributable to our U.S. operations. See "Item 4. Information on our Company—Description of Business."

For the year ended on and as of December 31, 2022, 0.3% of our property, plant and equipment were owned by our Canadian subsidiaries, and 4.2% of our revenues were attributable to our Canadian operations. See "Item 4. Information on our Company—Description of Business."

As a result of the foregoing, to a certain extent, our business, financial condition, results of operations and cash flows will be dependent on economic conditions in the United States and Canada.

### **Risks Relating to Brazil**

***Economic conditions and government policies in Brazil may have a direct impact on our business, financial condition, results of operations and cash flows.***

For the year ended on and as of December 31, 2022, 6.0% of our property, plant and equipment and forest assets were owned by our Brazilian subsidiaries and 9.3% of our revenues were attributable to our Brazilian operations. See “Item 4. Information on our Company—Description of Business.” As a result of the foregoing, to a certain extent, our business, financial condition, results of operations and cash flows will be dependent on economic conditions in Brazil.

***The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions have a direct impact on our business.***

The Brazilian government has exercised and continues to exercise a substantial influence over many aspects of the Brazilian economy. The Brazilian government’s actions to control inflation and other policies and regulations have involved in the past, among other measures, wage and price controls, currency devaluations, capital controls and limits on imports. The business, financial condition, results of operations and cash flows of our Brazilian subsidiaries may be adversely affected by such matters, changes in policy or regulation involving tariffs and exchange controls, as well as by other factors.

The Brazilian government’s actions have had and may continue to have a material effect on private sector entities, including our operations in Brazil. We have no control over and cannot predict how government intervention and policies will affect the Brazilian economy or, directly and indirectly, our operations and revenues.

Future economic, social and political developments in Brazil may adversely affect the business, financial condition, results of operations and cash flows of our Brazilian subsidiaries.

**Risks Relating to Argentina**

***Economic conditions and government policies in Argentina may adversely affect our financial condition, results of operations and cash flows.***

For the year ended on and as of December 31, 2022, 4.6% of our property, plant and equipment and forest assets were owned by our Argentine subsidiaries, and 8.5% of our revenues were attributable to our Argentine operations. As a result of the foregoing, our business, financial condition, results of operations and cash flows will be dependent, to a certain extent, on economic conditions in Argentina. See “Item 4. Information on our Company—Description of Business—History.”

There are various aspects of the Argentine economy that could adversely affect our operations, including, among others, inflation, interest rates, taxes and foreign exchange controls implemented in Argentina, which include the obligation to repatriate foreign currency obtained abroad and strong restrictions on the transfer of funds abroad, with certain exceptions for authorized transactions.

In 2017, the Company signed an intercompany loan with Arauco Argentina S.A. (“Arauco Argentina”), for U.S.\$250 million, which proceeds were used to repay in full certain Arauco Argentina’s debt that we guaranteed. During 2018, Arauco Argentina prepaid U.S.\$90 million. The balance due after such prepayment was U.S.\$160 million.

On May 28, 2020, the Central Bank of the Argentine Republic (“BCRA”) issued Communication “A” 7030 (as amended from time to time, “Communication 7030”), which established additional requirements on outflows made through the local foreign exchange market (“MULC”). Among other things, Communication 7030 provides that the BCRA’s prior approval is required to access the foreign exchange market to make payments abroad of principal of

financial debts if the creditor is an affiliate of the debtor. This requirement is applicable until December 31, 2023. This provision continues in force and the BCRA has not yet authorized Arauco Argentina to make the principal payments that were due on June 1, 2020, December 1, 2020, June 1, 2021, December 1, 2021, and June 1, 2022, which is the loan expiration date. However, under Communication "A" 7301 of the BCRA, which allows access to the MULC without the prior approval of the BCRA for the cancellation of this type of loans between related parties, to those who have a Certification of increase in Exports of Goods for the year 2021, Arauco Argentina made a partial cancellation of U.S.\$ 6 million of the overdue debt on July 14, 2022. The balance due after such payment is U.S.\$154 million.

We cannot predict how current restrictions on foreign transfers of funds may change after the date hereof and whether they may impede our ability to fulfill our commitments which in turn could have a negative impact on our financial condition, results of operations and cash flows.

We have no control over and cannot predict how any future changes in economic policy or other changes in the Argentine economy could affect our operations and revenues in Argentina.

***The Argentine government has exercised, and continues to exercise, significant influence over the Argentine economy. Argentine political and economic conditions have a direct impact on our business.***

The Argentine government has exercised and continues to exercise a substantial influence over many aspects of the Argentine economy. In furtherance of its economic objectives, the Argentine government has adopted a wide variety of measures, such as wage and price controls, currency devaluations, exchange and capital controls and limits on imports, among others. The business, financial condition, results of operations and cash flows of our Argentine subsidiaries may be adversely affected by any such measures or regulatory changes, including with respect to tariffs and exchange controls.

The Argentine government's measures have had and may continue to have a material effect on private sector entities, including our operations in Argentina. We have no control over and cannot predict how government intervention and policies will affect the Argentine economy or, directly and indirectly, our operations and financial condition.

Future economic, social and political developments in Argentina may adversely affect the business, financial condition, results of operations and cash flows of our Argentine subsidiaries.

#### **Risks Relating to Mexico**

***Economic conditions and government policies in Mexico may have a direct impact on our business, financial condition, results of operations and cash flows***

For the year ended on and as of December 31, 2022, 1.0% of our property, plant and equipment were owned by our Mexican subsidiaries, and 3.1% of our revenues were attributable to our Mexican operations. See "Item 4. Information on our Company—Description of Business."

In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation, government intervention in the economy and other economic disruptions. Future economic, social and political developments in Mexico may adversely affect the business, financial condition, results of operations and cash flows of our Mexican subsidiaries.

#### **Risks Relating to Uruguay**

***Economic conditions in Uruguay, or the failure of Montes del Plata and its affiliates to service their debt, may have a direct impact on our financial condition, results of operations and cash flows.***

For the year ended on and as of December 31, 2022, 12.7% of our property, plant and equipment and forest assets were located in Uruguay, and 8.5% of our revenues were attributable to the Uruguayan joint operation of Montes del Plata. See “Item 4. Information on our Company—Description of Business.”

We have made significant investments and we may make additional ones in the future. As a result, our financial condition and results of operations may consequently depend, to a certain extent, on political and economic conditions. Certain future actions by the Uruguayan government, including, among others, actions with respect to forestation, inflation, interest rates, foreign exchange controls and taxes, could have a material adverse effect on our operations.

### **Risks Relating to Other Markets**

***Our business, earnings and prospects may be adversely affected by developments in other countries that are beyond our control.***

Our business, financial condition, results of operations and cash flows depend on the level of economic activity, government and foreign exchange policies and political and economic developments in our principal markets. Our business, earnings and prospects, as well as our financial condition, results of operations, cash flows and the market price of our securities, may be materially and adversely affected by developments in our principal markets relating to inflation, interest rates, currency fluctuations, protectionism, government subsidies, price and wage controls, exchange control regulations, taxation, expropriation, social instability or other political, economic or diplomatic developments. For example, certain target countries to which we export may impose buying restrictions in our industry, which may adversely affect our sales. We have no control over these conditions and developments which could adversely affect us and our business, financial condition, results of operations and cash flows or the price or market of our securities.

***Developments in other emerging and developed markets may adversely affect the market price of our securities and our ability to raise additional financing.***

Our financial condition and the market price of our securities may be adversely affected by declines in the international financial markets and world economic conditions. Chilean securities markets are, to varying degrees, influenced by general economic, political, social and market conditions in other emerging and developed market countries, especially those in the United States, Europe, China and Latin America. Investors’ reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including Chile. Negative developments in the international financial markets in the future could adversely affect the market price of our securities and impair our ability to raise additional capital.

### **Risks Relating to Our Securities**

***The non-payment of funds by our subsidiaries could have a material adverse effect on our business, financial condition, results of operations and ability to service our debt, including our securities.***

Our cash flow and ability to service debt is dependent, in part, on the cash flow and earnings of our subsidiaries and the payment of funds by those subsidiaries to us, in the form of loans, interest, dividends or otherwise. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due under the terms of our securities or to make any funds available for such purpose.

Furthermore, claims of creditors of our subsidiaries, including trade creditors, will have priority over our creditors, including holders of our securities, with respect to the assets and cash flow of our subsidiaries. Our right to receive assets of any of our subsidiaries upon their liquidation or reorganization (and the consequent right of the holders of our securities to participate in those assets) will be effectively subordinated to the claims of our subsidiaries' creditors.

***Changes in Chilean tax laws could lead us to redeem our securities.***

Under current Chilean law and regulations, payments of interest made from Chile to holders of debt securities who are neither residents nor domiciled or organized in Chile for purposes of Chilean taxation will, generally, be subject to Chilean withholding tax at a rate of 4.0%. Subject to certain exceptions, we will pay additional amounts (as described in "Item 10. Additional Information-Taxation") so that the net amounts received by the holder of our notes (including additional amounts) after such Chilean withholding tax will equal the amounts that would have been received in respect of the notes in the absence of such Chilean withholding tax. In the event of certain changes in Chilean tax laws requiring that we pay additional amounts that are in excess of the additional amounts that we would owe if payments of interest on our securities were subject only to a 4.0% withholding tax, we will have the right to redeem our securities.

***Credit rating downgrades below investment grade could have a material and adverse effect on our business, financial condition, results of operations and ability to service our debt, including our securities.***

Credit rating agencies could downgrade our ratings either due to factors specific to us, a prolonged cyclical downturn in the forestry industry or macroeconomic trends (such as global or regional recessions) and trends in credit and capital markets more generally. Any decline in our credit rating would increase our cost of borrowing and may significantly harm our financial condition, results of operations and profitability, including our ability to refinance our existing indebtedness.

On September 27, 2019, Fitch Ratings changed our ratings outlook from stable to negative, mentioning a projected increase in net debt as a result of weaker pulp prices which has also decreased the operating cash flow available.

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On October 15, 2019, Standard & Poor's changed our ratings outlook from stable to negative, citing higher leverage expectations for the next two years amid lower-than-expected pulp prices coupled with a high investment cycle.

On April 20, 2021, Standard & Poor's changed our ratings outlook from negative to stable, citing a recovery in pulp prices and the expectation of an acceleration in deleveraging.

On July 28, 2021, Fitch Ratings changed our outlook from negative to stable, and our local rating from AA- to AA mentioning the strengthening of our credit profile and strong operating cash flow generation due to a substantial recovery in pulp prices and increased demand in the wood products division.

We cannot assure you that we will not be subject to further credit rating downgrades. Credit rating downgrades below investment grade could have a material and adverse effect on our ability to service our debt, including our securities, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

**Item 4. Information on our Company**

**DESCRIPTION OF BUSINESS**

## **Overview**

We believe we are one of Latin America's largest forest plantation owners and one of the world's largest producers of market pulp, bleached and unbleached softwood kraft pulp, bleached hardwood kraft pulp, dissolving and fluff pulp, and panels (fiberboard and particleboard) in terms of production capacity. We have industrial operations in Chile, Argentina, Brazil, Mexico, the United States and Canada. We also have industrial operations in Uruguay, through our 50% share in the Montes del Plata joint operation, and in Spain, Portugal, Germany and South Africa, through our 50% share in the Sonae Arauco joint venture. As of December 31, 2022, we owned more than 919 thousand hectares of forest plantations in Chile, Argentina, Brazil and Uruguay combined.

During 2022, (i) we sold 3.2 million metric tons of pulp, in the form of hardwood bleached pulp, softwood bleached pulp, softwood unbleached pulp, fluff pulp, and dissolving pulp; (ii) we sold 8.1 million cubic meters of wood products, including sawn timber (green and kiln-dried lumber), remanufactured wood products, plywood and panels (medium-density fiberboard, or MDF, particleboard, or PBO, and high-density fiberboard, or HDF); and (iii) we harvested 20.6 million cubic meters of sawlogs and pulplogs. Our revenues consist of export sales and domestic sales in the countries where we have industrial operations. During 2022, sales in North America, Asia and South and Central America accounted for 36.6%, 27.8% and 22.5%, respectively, of our total revenue for such year.

As of December 31, 2022, our planted forests consisted of approximately 58.4% radiata, taeda and elliottii pine and approximately 39.2% eucalyptus. We seek to manage our forestry resources sustainably and in a way that ensures that the annual growth of our forests is equal to or greater than the volume of resources we harvest each year. In 2022, we planted a total of 74,596 hectares and harvested a total of 58,128 hectares in Chile, Argentina, Brazil and Uruguay.

We operate our business through two main segments: pulp and wood products, each as described below.

### ***Pulp***

Our pulp segment consists of our manufacturing of market pulp, bleached and unbleached softwood kraft pulp, bleached hardwood kraft pulp, dissolving pulp and fluff pulp. Our pulp segment also includes our sales of forestry products (i.e., sawlogs, pulplogs, chips and others) and energy.

We own and operate five pulp mills in Chile, one in Argentina and jointly own and operate one in Uruguay through our Montes del Plata joint operation with Stora Enso. Our aggregate installed annual pulp production capacity (including our 50% share of the Montes del Plata mill's 1.4 million metric ton capacity) is approximately 3.7 million metric tons. During 2022, our pulp mills produced 2.7 million tonnes of bleached pulp and 0.5 million tonnes of unbleached pulp.

During 2022, our sales volume (in tonnes) in Asia and Oceania, Europe, North and South America and others represented approximately 71.4%, 21.2%, 7.3%, and 0.1%, respectively, of our total pulp sales volume for such year. During 2022, our pulp segment revenues were U.S.\$2,990.6 million, representing 42.1% of our total revenues for such year.

### ***Wood Products***

Our wood products segment consists of our manufacturing of fiberboard panels, sawn timber, plywood and remanufactured wood products.

During 2022, our wood products sales volume (in cubic meters) in North America, Central and South America, Asia and Oceania, and other countries represented approximately 50.7%, 35.0%, 10.2% and 4.1%, respectively, of our total wood products sales volume for such year. During 2022, our wood products segment revenues were U.S.\$4,110.7 million, representing 57.9% of our total annual revenues, and were comprised of (i) U.S.\$2,651.3

million in sales of fiberboard panels, (ii) U.S.\$1,392.7 million in sales of sawn timber, plywood and remanufactured wood products and U.S.\$66.7 million in sales of other products.

#### *Fiberboard Panels*

We own and operate fiberboard panels mills in Chile, Argentina, Brazil, the United States, Canada and Mexico. Fiberboard includes hardboard or high-density fiberboard (HDF), medium-density fiberboard (MDF) and particleboard (PBO). At December 31, 2022 our aggregate installed annual fiberboard panels production capacity was approximately 6.6 million cubic meters, and our production during 2022 was of approximately 5.6 million cubic meters.

During 2022, our sales volume (in cubic meters) of particleboard panels and medium-density fiberboard panels represented approximately 50.7%, 49.3% of our total fiberboard panels sales volume, respectively. For the same year, our fiberboard panels sales volume (in cubic meters) in the United States and Canada, Brazil, Mexico, Argentina, Chile and other countries represented approximately 46.0%, 25.6%, 10.5%, 8.9%, 5.2% and 3.8%, respectively, of our total fiberboard panel annual sales volume.

#### *Sawn Timber, Plywood & Remanufactured Wood Products*

We own and operate sawmills in Chile and in Argentina with an aggregate installed annual production capacity of approximately 3.0 million cubic meters of sawn timber. We also own remanufacturing facilities in Chile and in Argentina that reprocess sawn timber into remanufactured wood products such as mouldings and frames. In 2022, we produced 2.8 million cubic meters of sawn timber and remanufactured wood products.

During 2022, our sawn timber, plywood and remanufactured wood products sales volume (in cubic meters) in the United States, Chile, Mexico, China, South Korea, Japan, Saudi Arabia, Vietnam and others represented approximately 31.4%, 13.7%, 9.0%, 7.4%, 5.3%, 5.0%, 4.9%, 4.6% and 18.7%, respectively, of our total sawn timber and remanufactured wood products annual sales volume.

### **HISTORY AND DEVELOPMENT OF THE COMPANY**

Celulosa Arauco y Constitución S.A. is a *sociedad anónima* (corporation) organized under the laws of Chile and subject to certain rules applicable to *sociedades anónimas abiertas* (Chilean public corporations). We were formed on September 14, 1979 in a merger between Industrias de Celulosa Arauco S.A., or Industrias Arauco, and Celulosa Constitución S.A., or Celulosa Constitución. Our two predecessor companies were created in the late 1960s and early 1970s by Corporación de Fomento de la Producción, or Corfo, a Chilean government development corporation, to develop forest resources, improve soil quality in former farming areas and promote employment. As part of the Chilean government's privatization program, Corfo sold Industrias Arauco to Compañía de Petróleos de Chile S.A., or Copec, in 1977 and Celulosa Constitución to Copec in 1979. In October 2003, Copec transferred all of its gasoline- and fuel-related business assets to a new subsidiary, Compañía de Petróleos de Chile COPEC S.A. In 2003, Copec changed its legal name to Empresas Copec S.A., or Empresas Copec, while in 2021 Compañía de Petróleos de Chile COPEC S.A. changed its legal name to COPEC S.A. ("COPEC"). See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders."

In 1996, we acquired Alto Paraná S.A., an Argentine company (that, subsequently, changed its name to Arauco Argentina S.A.), which, at the time of the acquisition, owned plantations and other land in Argentina and manufactured and sold bleached softwood kraft pulp. With this initial acquisition, we began our expansion outside of Chile.

Between 2005 and 2016, we expanded our presence in Chile, Argentina, Brazil, the United States, Canada and Uruguay through a series of acquisitions described below that increased our land holdings and the production capacity of various sectors of our business.

In 2009, together with a subsidiary of Stora Enso, we acquired the Uruguayan subsidiaries of Grupo Empresarial ENCE, S.A. The main assets of these Uruguayan companies included 130,000 hectares of land, of which 73,000 had forestry plantations, 6,000 hectares under agreements with third parties, an industrial site, the necessary environmental permits for the construction of a pulp mill, a river terminal, a chip producing mill and a nursery.

On September 27, 2009, we entered into a series of joint operation agreements with Stora Enso, which resulted in Stora Enso and us agreeing joint control over a group of companies operating in Uruguay, referred to as Montes del Plata.

In 2011, the Montes del Plata joint operation built a state-of-the-art pulp mill with an annual production capacity of 1.3 million tonnes, a port and a power producing unit based on renewable sources, all located in Punta Pereira in the department of Colonia, Uruguay. The Montes del Plata pulp mill entered the production phase in June 2014 and reached full production capacity in October 2015.

In September 2012, we acquired 100% of the shares of Flakeboard Company Limited, (“Flakeboard”), a key North American producer of wood paneling for furniture with seven panel mills in Canada and the U.S., with an aggregate annual production capacity of 1.2 million cubic meters of MDF panels, an annual production capacity of 1.2 million cubic meters of particleboard (PBO), and an annual production capacity of 634,000 cubic meters of melamine.

In May 2015, we acquired 50% of the shares of a Spanish subsidiary of Sonae Industria, named Tableros de Fibras S.A., and changed its name to “Sonae Arauco”. We and Sonae Industria jointly control Sonae Arauco. Sonae Arauco and its subsidiaries produce market wood panels, of the OSB, MDF and PBO type, and sawn timber through the operation of: (i) two panel mills and one sawmill in Spain; (ii) two panel mills and one resin plant in Portugal; (iii) three panel mills and one impregnation papers plant in Germany, (iv) and two panel mills in South Africa (one of which is currently shut down). The aggregate annual production capacity of Sonae Arauco is approximately 460,000 cubic meters of OSB, 1,450,000 cubic meters of MDF, 2,270,000 cubic meters of particleboards and 100,000 cubic meters of sawn timber.

On October 25, 2016, our Board of Directors approved the “MDP Grayling” project by our U.S. subsidiary Flakeboard America Limited, located in the State of Michigan, United States of America. The project consisted of the construction and operation of a mill dedicated to the manufacture of medium-density particle board, or PBO. The current production capacity of the mill is 800,000 cubic meters of PBO per year, of which approximately 320,000 cubic meters are coated with melamine paper. The project began operations by April 2019 and required an investment of approximately U.S.\$450 million, which was financed with our own resources and bank loans.

On September 13, 2017, our Board of Directors approved a “Dissolving Pulp” project at the Valdivia mill, aiming to diversify the type of pulp produced by enabling dissolving pulp production. This project required an investment of approximately U.S.\$200 million. This project was built in the current facilities of the Valdivia mill, implementing certain adjustments and new equipment. The project installed two new additional digesters to optimize the production level of dissolving pulp, a new discharging tank of pulp (storing process) and certain modifications to the treatment areas, among other changes. In addition, the project increased the mill’s capacity to inject energy to the Chilean power grid (Sistema Eléctrico Nacional, or SEN) from the current units of the mill. Construction of this project was completed at the end of 2019, and the mill started to produce dissolving pulp in June 2020.

On December 6, 2017, through our Brazilian subsidiary Arauco do Brasil S.A., we acquired from Masisa S.A., or “Masisa”, 100% of Masisa do Brasil Ltda., currently named Arauco Indústria de Painéis Ltda. The main assets acquired as a result of the transaction consist of two industrial complexes located in Ponta Grossa (Paraná) and in Montenegro (Rio Grande do Sul). They have a line of MDF boards with an annual installed capacity of 300,000 m<sup>3</sup>, a line of PBO boards with a current annual installed capacity of 500,000 m<sup>3</sup>, and four lines of melamine coating, with a total annual installed capacity of 660,000 m<sup>3</sup>.

In January 2019, through our subsidiaries Arauco Internacional and AraucoMex, S.A. de C.V., we acquired all the shares of certain of Masisa's Mexican subsidiaries. The main assets acquired were two industrial complexes located in Durango and Zitácuaro, that consist of three particleboard (PBO) lines with an annual installed capacity of 339,000 m<sup>3</sup>; an MDF line with an annual installed capacity of 220,000 m<sup>3</sup>; TFL lines with an annual installed capacity of 309,000 m<sup>3</sup>; a chemical plant with an installed capacity of 60,000 tonnes of resins and 60,600 tonnes of formaldehyde; and impregnation lines with an aggregate annual installed capacity of 28.9 million m<sup>2</sup>.

On July 24, 2018, our Board of Directors approved the modernization and expansion of the Arauco mill located in the Province of Arauco, Bio Bio Region, Chile (*Proyecto Modernizacion y Ampliacion de la Planta Arauco, MAPA*). The MAPA project included the construction and start-up of a new production line of 1,560,000 annual tonnes of bleached hardwood kraft pulp (Line 3), with an estimated investment of approximately U.S.\$2.85 billion. MAPA is expected to increase the net production of the Arauco mill by approximately 1,270,000 tonnes of pulp, reaching Arauco mill a total production capacity of approximately 2,100,000 annual tonnes. Construction began in February 2019. Line 1 of the Arauco mill ceased its operations on January 3, 2022, and on January 20, 2023, the production of the first bale of pulp manufactured entirely in Line 3 was completed.

On September 1, 2019, our subsidiary Arauco North America, Inc, acquired the shares of Prime-Line, Inc. for a price of approximately U.S.\$19.8 million. The main asset acquired consisted of a facility with three fully automated MDF moulding lines with an installed annual capacity of 135,000 m<sup>3</sup>.

In 2020, Arauco Forest Brasil and Empreendimentos Florestais Santa Cruz sold 33,749 hectares of real estate properties, including 12,544 hectares of planted forest assets.

On May 13, 2021, our subsidiary Forestal Arauco S.A. executed a master agreement, by means of which it agreed to sell to Vista Hermosa Inversiones Forestales SpA, a company controlled by BTG Inversiones Forestales Fondo de Inversion, managed by BTG Pactual Chile S.A. Administradora General de Fondos, 461 forest properties that included a total of 80,489 hectares, for a total price of U.S.\$385,500,000 net of value added tax. On August 17, 2021, the conditions precedent for the closing of the aforementioned transaction were fulfilled, and we proceeded to transfer 430 properties pursuant to the master agreement, for a total price of U.S.\$343,668,299 net of value added tax.

In December 2021 Arauco Forest Brasil S.A. acquired the remaining 20% participation that Stora Enso Amsterdam B.V. had in Arauco Florestal Arapoti S.A. for a price of approximately R\$294.5 million (U.S.\$52.5 million).

On June 22, 2022, we signed a collaboration agreement with the Government of Mato Grosso do Sul, in Brazil. The foregoing is an important preparatory step that allows us to continue our evaluation of building a new pulp mill. If conditions permit, which would include obtaining all necessary permits and the approval of our Board of Directors, this new mill would have an estimated production capacity of 2.5 million tons of short fiber pulp and would require an estimated investment of approximately U.S.\$3 billion.

On September 27, 2022, our Board of Directors approved the decision adopted by our subsidiary Arauco Industria de Mexico, S.A. de C.V., to carry out the construction of a new production line of MDF with an estimated investment of approximately U.S.\$235 million, to be located in our industrial complex in Zitácuaro, Michoacán, Mexico. Upon completion, this project is expected to add approximately 300,000 cubic meters of annual MDF production capacity, of which 150,000 cubic meters would be melamine laminated.

Our principal executive offices are located at Avenida El Golf 150, 14<sup>th</sup> Floor, Las Condes, Santiago, Chile, and our telephone number is +56-2-2461-7200. Our website is [www.arauco.cl](http://www.arauco.cl) or [www.arauco.com](http://www.arauco.com). The contents of our website and other websites referred to herein are not part of this annual report. The SEC maintains an internet site

that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (<http://www.sec.gov>).

## ORGANIZATIONAL STRUCTURE

We are substantially wholly-owned by Empresas Copec S.A., a public company listed on the Santiago Stock Exchange and the Chilean Electronic Stock Exchange. Empresas Copec is a holding company, the principal interests of which are in Arauco, gasoline and gas distribution, electricity, fishing and mining. See “Item 7. Major Shareholders and Related Party Transactions—Major Shareholders.”

The following table sets forth our ownership interests in our subsidiaries as of December 31, 2022.

	<b>Country of incorporation</b>	<b>Total stock held (%)</b>
Agrícola Ranquillón SpA	Chile	98.5867
Agrícola San Carlos SpA	Chile	99.9484
Agrícola Santa Emilia SpA	Chile	98.9484
Agrícola Santa Isabel SpA	Chile	99.9484
Agrícola Siberia SpA	Chile	98.5867
Agrícola Trupán SpA	Chile	98.5867
Arauco Argentina S.A.	Argentina	99.9801
Arauco Australia Pty Ltd.	Australia	99.9990
Arauco Bioenergía S.A.	Chile	99.9990
Arauco Canada Ltd.	Canada	99.9991
Arauco Celulose do Brasil S.A.	Brazil	99.9991
Arauco Colombia S.A.	Colombia	99.9983
Arauco do Brasil S.A.	Brazil	99.9991
Arauco Europe Cooperatief U.A.	The Netherlands	99.9990
Arauco Florestal Arapoti S.A.	Brazil	99.9990
Arauco Forest Brasil S.A.	Brazil	99.9991
Arauco Industria de México S.A. de C.V.	Mexico	99.9991
Arauco Indústria de Painéis Ltda	Brazil	99.9991
Arauco Middle East DMCC	Dubai	99.9990
Arauco North America, Inc.	U.S.A.	99.9991
Arauco Participações Florestais Ltda	Brazil	99.9991
Arauco Perú S.A.	Peru	99.9990
Arauco Pulp Limited	United Kingdom	99.9990
Arauco Ventures Limited	United Kingdom	99.9990
Arauco Wood (China) Company Limited	China	99.9990
Arauco Wood Limited	United Kingdom	100.0000
Araucomex S.A. de C.V.	Mexico	99.9991
Araucomex Servicios S.A. de C.V.	Mexico	99.9991
Consortio Protección Fitosanitaria Forestal S.A.	Chile	56.8282
Empreendimentos Florestais Santa Cruz Ltda.	Brazil	99.9987
Forestal Arauco S.A.	Chile	99.9484
Forestal Cholguán S.A.	Chile	98.5867
Inversiones Arauco Internacional Ltda.	Chile	99.9990
Investigaciones Forestales Bioforest S.A.	Chile	99.9489
Leasing Forestal S.A.	Argentina	99.9801
Lemu Earth SpA	Chile	86.6143
Lemu Global Limited	United Kingdom	99.9990
Maderas Arauco Costa Rica S.A.	Costa Rica	99.9990

Maderas Arauco S.A.	Chile	99.9986
Mahal Empreendimentos e Participações S.A.	Brazil	99.9990
Novo Oeste Gestão de Ativos Florestais S.A.	Brazil	99.9991
Servicios Aéreos Forestales Ltda.	Chile	99.9990
Servicios Logísticos Arauco S.A.	Chile	99.9992
Woodaffix LLC.	U.S.A.	99.9991

## BUSINESS OVERVIEW

### Business Strategy

Our strategy consists of focusing on maximizing value and pursuing growth opportunities with respect to our forestland and industrial assets, managing our operations sustainably and developing products that contribute to an economy based on renewable resources that we believe improves the quality of life of millions of people around the world. We seek to implement our strategy through the following principles and initiatives:

- Striving to combine science, technology and innovation to unlock the full potential of our plantations and develop renewable products in our business segments.
- Seeking to manage our operations in an environmentally and socially responsible manner by adopting the best environmental practices and promoting the safety and development of our employees and contractors.
- Creating high quality products and materials for the paper, packaging, furniture, construction and energy industries and providing high quality service to our customers.
- Consolidating and expanding our presence internationally in regions we believe offer comparative advantages in the industry sectors in which we operate.

### Domestic and Export Sales

The following table sets forth our revenues derived from exports and domestic sales for the years indicated.

	<b>Year ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
(in millions of U.S. dollars)			
<b>Export Sales(1)</b>			
Bleached pulp	\$ 1,920	\$ 1,819	\$ 1,485
Unbleached pulp	418	320	253
Dissolving pulp	244	305	71
Sawn timber	501	485	338
Remanufactured wood products	405	301	253
Plywood	333	287	187
Fiberboard panels	574	412	382
Other	6	5	8
Total export revenue	\$ 4,401	\$ 3,934	\$ 2,977
<b>Domestic Sales(2)</b>			
Bleached pulp	\$ 162	\$ 131	\$ 114
Unbleached pulp	8	12	7
Dissolving pulp	1	1	0
Sawn timber	84	97	52
Remanufactured wood products	25	28	20

Plywood	45	64	41
Fiberboard panels	2,077	1,822	1,307
Logs	110	82	50
Chips	-	3	24
Electric power	90	87	63
Other	99	89	78
<b>Total domestic revenue</b>	<b>\$ 2,701</b>	<b>\$ 2,416</b>	<b>\$ 1,756</b>
<b>Revenue</b>	<b>\$ 7,102</b>	<b>\$ 6,350</b>	<b>\$ 4,733</b>

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The following table sets forth a geographic market breakdown of our revenues for the years indicated.

	<b>Year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>(in millions of U.S. dollars)</b>		
<b>Export Sales(1)</b>			
Asia	\$ 1,976	\$ 1,919	\$ 1,471
North America	1,210	919	763
Europe	558	434	298
Central and South America	285	337	217
Other	372	325	228
<b>Total export revenues</b>	<b>\$ 4,401</b>	<b>\$ 3,934</b>	<b>\$ 2,977</b>
<b>Domestic Sales(2)</b>			
Asia	-	-	-
North America	1,388	1,137	852
Europe	-	-	-
Central and South America	1,313	1,279	904
Other	-	-	-
<b>Total domestic revenues</b>	<b>\$ 2,701</b>	<b>\$ 2,416</b>	<b>\$ 1,756</b>
<b>Revenue</b>	<b>\$ 7,102</b>	<b>\$ 6,350</b>	<b>\$ 4,733</b>

(1) Export sales are sales in a country different from the country where the goods were produced.

(2) Domestic sales are sales in the same country where the goods were produced.

### Forestry Activity

Radiata pine grows at the fastest rates within a narrow band of latitude and under certain climatic conditions. One of Chile's main advantages in the forestry industry is the short growing cycle of its radiata pine plantations. The fast growth rate of radiata pine trees in Chile allows harvesting of pulplogs and sawlogs approximately 16 to 18 years after planting and of high-quality sawlogs approximately 25 years after planting. For most temperate softwood forests in the Northern Hemisphere this range is 18 to 45 years for pulplogs and 50 to 150 years for high quality sawn timber. Consequently, the Chilean forestry industry is a relatively low-cost producer, since a Chilean producer generally requires less time and a smaller area to produce the same volume of pine as its North American or European competitors, who face lower forest growth rates and higher transportation and investment costs as a result of the larger tracts of forests necessary to produce equivalent yields of softwood. Accordingly, since the mid-1970s, we have focused our forest management on the application of advanced genetic and silviculture techniques to increase productivity and the quality of our plantations.

Eucalyptus, which we began planting in 1989, grows well in the forest regions of Chile. Once planted, eucalyptus trees require no further forest management (other than fire control and weed reduction) until harvest. The

average harvest cycle of eucalyptus plantations is approximately 12 years. Once harvested, eucalyptus can be replanted or regrown.

Throughout our history, we have had a continued commitment to the improvement of our forest management policies. We have adopted environmentally sensitive policies towards our holdings of native forests, which are protected and preserved in their entirety. Our products come from our established plantations only; we do not sell any products derived from our native forests. We conduct our forestry operations in accordance with current legislative and environmental sustainability standards. Certain of our subsidiaries have received various environmental certifications as of the date of this annual report. You can find more information about our certifications under the “Sustainability” section of our website (<https://www.arauco.cl/en/sostenibilidad/certificaciones/>).

### ***Forest Plantations***

The information in this section refers to 100% of the plantations owned by Forestal Arauco S.A. (Chile), 100% of the plantations owned by Arauco Argentina (Argentina), 50% of the plantations we own in Uruguay through the Montes del Plata joint operation, 100% of the plantations owned in Brazil by Arauco Forest Brasil, 100% of the plantations owned by Arauco Florestal Arapoti, 100% of the plantations owned by Mahal Empreendimentos e Participacoes S.A., 100% of the plantations owned by Novo Oeste Gestao de Ativo Florestais S.A., 100% of plantations owned by Arauco Celulose do Brasil S.A. and 49% of plantations owned by Arauco Forest Brasil in the areas granted in usufruct by Florestal Vale do Corisco, unless otherwise mentioned.

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As of December 31, 2022, our planted forests mainly consisted of approximately 58.4% radiata, taeda and elliottii pine and 39.2% eucalyptus. Radiata, taeda and elliottii pine have a rapid growth rate and a short harvest cycle compared to many other commercial softwoods. These pine species are sufficiently versatile for both the production of forestry and timber and the production of long-fiber pulp for sale to manufacturers of paper and packaging. Eucalyptus is used to produce short-fiber pulp for sale to manufacturers of paper and tissue.

We seek to manage our forestry resources seeking to ensure that the annual growth of our forest is equal to or greater than the volume of resources harvested each year. In 2022, Arauco planted a total of 74,596 hectares and harvested a total of 58,128 hectares in Chile, Argentina, Brazil and Uruguay.

Our planted radiata pine forests are located in central and southern Chile, and most are located in close proximity to our major production facilities. As of December 31, 2022, we owned approximately 1.0 million hectares of land in Chile, of which approximately 606 thousand hectares are forest plantations.

As of December 31, 2022, we owned approximately 264,334 hectares of forest and other land in Argentina, approximately 242,032 hectares of forest and other land in Brazil and approximately 137,891 hectares of forest and other land that Montes del Plata owns in Uruguay. Of the total land we own in Uruguay through the Montes del Plata joint operation, 63.3% is planted with eucalyptus (mainly dunnii with 81.0%, and other species with 19.0%).

Of the total land we own in Argentina, Brazil and Uruguay (through Montes del Plata), approximately 139,878 hectares of land are planted with taeda pine and elliottii pine, both species of softwood that have a growth rate similar to that of radiata pine, and 185,441 hectares with eucalyptus. The balance includes plantations of other species of trees, land to be planted, protected areas and native forests.

The following table sets forth the number of hectares and types of uses of our land holdings and rights, as of December 31, 2022.

<b>As of December 31, 2022</b>		
<b>Total</b> <b>(in hectares)</b>	<b>Distribution</b> <b>(percentage)</b>	

Pine plantations (1)		
0-5 years	147,129	9%
6-10 years	127,067	8%
11-15 years	122,680	7%
16-20 years	73,930	4%
21+ years	85,198	5%
Subtotal	556,004	34%
Eucalyptus plantations (2)	373,236	23%
Plantations of other species	22,028	1%
Subtotal of Plantations	951,268	58%
Land for plantations	102,706	5%
Land for other uses (3)	602,348	36%
Total (4)	1,656,323	100%

- (1) All years are calculated from the date of planting.
- (2) Approximately 76% of our eucalyptus plantations are less than 10 years old.
- (3) Includes roads, firebreaks, native forests and yards.
- (4) Includes 100% of the plantations owned by Forestal Arauco S.A. (Chile), 100% of the plantations owned by Arauco Argentina (Argentina), 50% of the plantations we own in Uruguay through the Montes del Plata joint operation, 100% of the plantations owned in Brazil by Arauco Forest Brasil, 100% of the plantations owned by Arauco Florestal Arapoti, 100% of the plantations owned by Mahal Empreendimentos e Participacoes S.A., 100% of the plantations owned by Novo Oeste Gestao de Ativo Florestais S.A. and 49% of plantations owned by Arauco Forest Brasil in the areas granted in usufruct by Florestal Vale do Corisco. Also includes 32,514 hectares for which we have the right to harvest but do not own the land, of which 14,327 hectares are in Chile, 199 hectares are in Argentina, 17,946 hectares are in Brazil and 43 hectares are in Uruguay.

### ***Land Acquisition and Afforestation***

As of December 31, 2022, we owned forest plantations in Chile, Brazil, Argentina, and via our joint operation Montes del Plata, in Uruguay. Our total land assets have increased from fewer than 170,000 hectares in 1980 to 1.7 million hectares as of December 31, 2022. In the five years ending December 31, 2022, we purchased 8,581 hectares of land, all of which were in Chile. For more information regarding our material acquisitions, see “Item 4. Information on our Company—Description of the Business—History”.

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We expect to acquire additional land if we have the possibility to do so at a desired price or location. There can be no assurance that we will be able to acquire land at a desired price or in a desired location.

We plan to continue our policy of supplementing our pulplog production with purchases from domestic third parties. We believe that this policy is economically efficient, given the significant quantities of pulplog available from third parties and our increasing proportion of sawlogs yielded from our plantations. We will seek to ensure that the aggregate of our existing plantations, the land that we own which we intend to afforest and the volumes that we purchase from third-parties will be sufficient to satisfy our anticipated future demand for sawlogs and pulplogs.

### ***Forest Management***

For our pine plantations, our forestry management activities seek to increase our production of sawlogs through advanced genetic techniques, planting and site preparation procedures, thinning and pruning. Managed forests can produce trees of larger diameter and, if pruned, a higher proportion of clear wood, which generally commands a higher price than knotted wood. Although some land is not suitable for the production of pruned logs, as of December 31, 2022, approximately 60% of our pine forests in Chile were conducive to clear wood production.

For our eucalyptus plantations, our forestry management activities seek to increase the amount of fiber production per hectare through advanced genetic techniques and planting and site preparation procedures. Eucalyptus is more expensive to plant than pine; however, after planting, eucalyptus requires minimal forest management, yields more fiber per hectare and has a shorter growth cycle and greater wood density than pine, resulting in a greater amount of pulp production per hectare.

As of December 31, 2022, we had 14 nurseries in Chile, Argentina, Brazil and Uruguay (through Montes del Plata), in which we grow seedlings using seeds and cuttings from genetically selected trees. To achieve higher quality trees and an increased growth rate, we apply strict selection criteria to the trees from which seedlings are produced. We then plant the seedlings manually or mechanically. Depending upon the species of tree to be planted and the nutrient and physical characteristics of the soil, we may also undertake a certain amount of ground preparation before planting. Our other principal forest activities are thinning, pruning and harvesting.

Thinning, or cutting inferior trees from the plantation, occurs when commercially necessary. Thinned trees are used in pulp production or, depending on the quality of the land, as sawlogs. Commercial thinning occurs when trees are 8 to 14 years old and results in an average reduction of the number of trees per hectare from the original stocking of 1,000 and 1,333, depending on the productivity of the land, to approximately 700 in the first thinning (8 to 9 years) and to approximately 450 in the second thinning (12 to 14 years).

Thinning benefits us for the following reasons:

- the higher number of young trees ensures that they protect each other from different climatic circumstances;
- it leaves only the highest quality trees to be harvested; and
- removing inferior trees contributes to improved forest health.

Pruning involves removing branches, the source of knots, which are the main defect in sawn timber. Pruning results in a high-quality clear wood saw log of 5.8 meters from each tree, and is conducted three times:

- when trees are five to seven years old,
- one year later, when trees are six to eight years old, and
- one year later, when trees are seven to nine years old.

Our eucalyptus plantations are neither thinned nor pruned.

Harvesting timber involves felling trees, removing branches from the logs, cutting the logs into appropriate sections and loading the logs onto trucks for transport to sawmills, panel mills or pulp mills. We use the lower section of the radiata pine, comprising the first 7 to 12 meters, in sawmills and plywood mills. We use the mid-section of the radiata pine, comprising, on average, the next 8 to 13 meters, in either sawmills or pulp mills, depending on the diameter and quality of the pine. We use the top section of the tree for pulp, MDF and PBO production.

We monitor product demand and our current inventory levels, and we match harvests from sections of our plantations that will provide the optimal yield given our product requirements. This process involves the use of sophisticated research models and close communication between our different operating areas to ensure that the correct amounts of timber of the required characteristics are supplied. We replant as soon as practicable after harvesting, with an average period between harvesting and replanting of one year.

The following table illustrates, on a hectare basis, the extent of our thinning, pruning and harvesting activities in Chile during the periods indicated.

	Year ended December 31,		
	2022	2021 (in hectares)	2020
Thinning	6,688	3,511	17,172
Pruning	15,029	23,898	28,012
Harvesting	30,005	31,785	24,636

We manage our forest activities, but we hire independent contractors to perform many of our operations, including planting, maintenance, thinning, pruning, harvesting, transportation and access road construction. As of December 31, 2022, we had arrangements with more than 193 independent contractors that employed over 9,972 workers in Chile. Many of these contractors have long-standing relationships with us, but we award the contracts based on competitive bids. We manage our forests both internally and via independent contractors. We are currently developing a program aimed at increasing the mechanization of our harvesting operations.

Our plantations are interspersed with native forests and farmland, and, as a result, they are naturally protected against the spread of certain pests and diseases. In addition, we have strategies to protect our forests from pest and disease threats. In recent years, radiata pine plantations in Chile have been affected by two main problems: 1) the insect *Sirex noctilio*, a wasp which attacks and kills stressed trees, and 2) the fungus *Fusarium circinatum* which causes plant mortality during the first year after planting. To mitigate the effects of the *Sirex noctilio*, we have implemented a biological control program under which we have released into the affected forests natural enemies of the *Sirex noctilio*, including the *nematode*, the *Deladenus siricidicola* and the *parasitoid Ibalia leucospoide* and *Megarhyssa nortoni*. To reduce damage by *Fusarium circinatum*, we identified the main sources of the fungus inoculum in the nursery and implemented a new protocol to manage the disease and reduce plant mortality.

We operate an extensive fire control system to minimize fire damage to our forests in Chile. Our fire control system consists primarily of a system of automated spotter towers, cameras and drones from which information regarding direction of any fire observed is sent to a central command post, manned 24 hours a day during the summer months, where the fire's exact location is determined, and an appropriate ground and/or aerial response is formulated. The focus of this operation is to detect the fires as soon as possible and to reach the location in less than 20 minutes in order to prevent fires from spreading. Also, when feasible, we work in firefighting activities with governmental authorities, other fire control organizations and local communities.

In the 2018-2019 season, approximately 675 hectares of our forest plantations were affected by forest fires. During the 2019-2020 season, approximately 7,431 hectares of our forest plantations were affected by forest fires. This includes approximately 4,703 hectares of forest plantations affected in our Brazilian and Argentine operations. During the 2020-2021 season, considering our plantations in Chile, Argentina, Brazil and 50% of our plantations in Uruguay, approximately 4,145 hectares were affected by forest fires. During the 2021-2022 season, 7,566 hectares of our forest plantations were affected by forest fires.

The estimated fair value of our plantations affected by the forest fires in the 2021-2022 season was approximately U.S.\$15.0 million, representing approximately 0.7% of the fair value of our total forest plantations and approximately 0.09% of our total assets, in each case under IFRS.

As of the date of this annual report, during the 2022-2023 season, approximately 47,000 hectares of our forest plantations have been affected by forest fires mainly due to the combination of multiple irresponsible or intentional actions by third parties and extreme unfavorable weather conditions such as high temperatures, low humidity and wind gusts. Taking into consideration the amount of wood that should be able to be recovered (based on past experiences) and the applicable insurance coverage preliminary, the estimated impact of the fires of our financial statements may be approximately U.S.\$50.0 million.

For more information regarding certain risks to our forests presented by disease and fire, see “Item 3. Key Information—Risk Factors—Risks Relating to the Company—Disease or fire could affect our forests and manufacturing processes and, in turn, adversely affect our business, financial condition, results of operation and cash flows.”

### ***Forest Production***

We harvested 20.6 million cubic meters of logs during the year ended December 31, 2022, consisting of 9.0 million cubic meters of sawlogs, 6.5 million cubic meters of pine pulplogs and 5.1 million cubic meters of eucalyptus pulplogs and other logs. During 2022, our sawmills and panel mills used 6.5 million cubic meters of sawlogs. We also sold 1.3 million cubic meters of sawlogs to unaffiliated domestic sawmills during 2022.

A log merchandising facility located at the same site as our Horcones I and Horcones II sawmills (Chile) optimizes, cuts and classifies wood destined for our plywood facility, sawmills or pulp mills with an annual processing capacity of 1.5 million cubic meters of logs per year. The Nueva Aldea complex (Chile) also includes a log merchandising facility, with an annual processing capacity of 2.6 million cubic meters of logs per year.

Our forests are subject to various risks, including disease or fire. The forest plantations affected by the fires had insurance coverage, with their corresponding deductibles and limits.

### ***Pulp***

We believe that we were Chile’s largest producer of bleached and unbleached softwood market pulp in terms of production in 2022. For the year ended December 31, 2022, our worldwide pulp sales were U.S.\$2.8 billion, representing 38.8% of our consolidated revenues for such year.

Pulp obtained from wood fibers is mainly used in the manufacture of printing and writing paper, hygienic and sanitary paper, board and packaging. Whether a specific kind of pulp is suitable for a particular end-use depends not only on the type of wood but also on the process used to transform the wood into pulp. Pulp made from softwoods, such as radiata pine, has long fibers and it is used to provide strength to paper products. Bleached hardwood pulp is used primarily for printing and writing papers and tissue. Unbleached pulp is used primarily for linerboard (a packaging material). Pulp made from hardwoods, such as eucalyptus, has short fibers and is used in combination with long fiber in manufacturing paper products.

We use a chemical process, known as the kraft process, in our pulp mills in Chile, Argentina and Uruguay. The raw material is in the form of pulplogs and chips, which are used in the production process to produce pulp. The pulplogs are first debarked and chipped. The chips are then screened, mixed and cooked with chemicals to separate the bulk of the lignin from the wood fibers. After the material is screened and washed, it is then passed to high-density tanks. For bleached pulp, the next step is a bleaching process using chemicals, primarily chlorine dioxide. At all of our pulp mills, the bleaching process is preceded by an oxygen delignification stage. Then, the fibers are subject to a final stage where a sheet is formed and subsequently dried and baled to be transported to customers. The lignin and bark produced during this process are used as fuel in the boilers to produce steam, providing heat and generating electricity for the mill. Our bleached pulp is bleached to a 90+ brightness level, as measured by the ISO test procedure, which is one of the industry’s measurement methods. In the case of dissolving pulp, the process aims to obtain a pulp with a high cellulose content with a specific range of viscosity. The process is similar to the aforementioned kraft process with two additional key stages: (i) a stage before cooking called prehydrolysis, in which steam is used to degrade and remove hemicelluloses from the chips, obtaining a pulp with a high cellulose content, and (ii) an ozone stage in the bleaching sequence that allows for better control of the viscosity of the pulp.

### ***Pulp Mills***

As of December 31, 2022, we owned and operated five pulp mills in Chile, one in Argentina, and jointly owned and operated one in Uruguay with Stora Enso, with an aggregate installed annual production capacity of approximately 3.7 million tonnes, or 5.2 million tonnes if we add the capacity of Arauco Line 3 which began its operations at the end of 2022. This figure includes 50% of the installed annual production capacity of our Montes del Plata joint operation in Uruguay. Our six pulp mills, and the 50% volume from our interest in the Montes del Plata mill, produced 2.7 million tonnes of bleached pulp and 0.5 million tonnes of unbleached pulp in 2022.

All our pulp mills in Chile, Argentina and Uruguay are certified under international standards. You can find more information about our certifications under the “sustainability” section of our website (<https://www.arauco.cl/en/sostenibilidad/certificaciones/>).

The following table sets out kraft pulp installed capacity and production by fiber in thousands of tonnes for each of the years indicated.

Mill	Product	Installed Capacity	Production				
			2022	2021	2020	2019	2018
<b>Chile</b>							
Arauco 1	BHKP	-	1	225	240	262	271
Arauco 2	BSKP	<b>510</b>	469*	486	477*	496	483*
Arauco 3 <sup>(1)</sup>	BHKP	<b>1,560</b>	-	-	-	-	-
Nueva Aldea	BHKP	<b>520</b>	481	515	526	522	547
Nueva Aldea	BSKP	<b>520</b>	483	481	502	500	48
Valdivia	DP/BHKP	<b>550</b>	324	436	543	491	548
Constitución	UKP	<b>355</b>	288	309	296	311	318
Licancel	UKP	<b>160</b>	148	150	123	142	158
<b>Uruguay</b>							
Montes del Plata <sup>(2)</sup>	BHKP	<b>710</b>	715	749	710	693	654
<b>Argentina</b>							
Esperanza	FLUFF/BSKP	<b>350</b>	266	298	304	304	326
<b>Total</b>		<b>5,235</b>	<b>3,175</b>	<b>3,649</b>	<b>3,721</b>	<b>3,721</b>	<b>3,791</b>

(\*) Considers bleached and unbleached production volume.

(1) In our Arauco mill, the Line 3's ("MAPA") started feeding the digester on December 29<sup>th</sup>, 2022. Therefore, production is not at its full capacity. For more information, see "Item 4. Information on our Company—Description of Business—History."

(2) Considers 50% of Montes del Plata

The following is a description of each of our pulp mills in Chile, Argentina and Uruguay.

#### *Chile*

*Arauco I.* Arauco I or Line 1, which began operations in 1972, is located at the Arauco mill in the Bio Bio Region of Chile. Arauco I produced elementary chlorine-free pulp, which does not use chlorine gas. Elementary chlorine-free pulp is also produced by most of our competitors in each of the world's major pulp producing regions. The installed annual production capacity of Arauco I was approximately 290,000 tonnes of bleached hardwood kraft pulp. In January 2022, after 50 years of history, Line 1 of the Arauco mill permanently shut down as contemplated by

the MAPA project and in accordance with the environmental permit. The last pulp bale of Line 1 was produced on January 3, 2022.

*Arauco II.* Also located at the Arauco mill, Arauco II was completed in 1991. Arauco II's pulping process is generally the same as that of Arauco I, but it includes technological improvements in its production process and environmental design. Arauco II is also equipped to produce elementary chlorine-free pulp. The installed annual production capacity of Arauco II is approximately 510,000 tonnes. Although the mill mainly produces bleached softwood kraft pulp, it could also produce unbleached softwood kraft pulp.

On July 24, 2018, the MAPA project was approved by our Board of Directors. As of the date of this annual report, the MAPA project contemplates an investment of approximately U.S.\$2.85 billion and is located at the Province of Arauco in the Bio Bio Region, Chile. The MAPA project included the construction and start-up of a new production line of 1,560,000 annual tonnes of bleached hardwood kraft pulp (Line 3). Once completed, this project is expected to increase the net production of the Arauco mill by approximately 1,270,000 tonnes of pulp, reaching the Arauco mill a total production capacity of approximately 2,100,000 annual tonnes. We commenced construction of this project in February 2019. In January 20, 2023, the production of the first bale of pulp manufactured entirely in Line 3 was completed.

*Constitución Mill.* The Constitución mill is located in the Maule Region, Chile and has an installed annual production capacity of approximately 355,000 tons, which we believe ranks it among the largest unbleached softwood market pulp mill in the world. The unbleached pulp produced in this mill does not use any chlorine in its production process.

*Licancel Mill.* We acquired the Licancel mill in September 1999. It is located in the Maule Region, in Licantén, which is 250 kilometers south of Santiago. Investments made during 2018 increased the mill's installed annual production capacity from approximately 155,000 tonnes to 160,000 tonnes of unbleached softwood kraft pulp.

*Valdivia Mill.* The Valdivia mill commenced operations in February 2004. The Valdivia mill is located in the Fourteenth Region of Chile, an area with significant radiata pine and eucalyptus plantations. The Valdivia mill has an installed annual production capacity of approximately 550,000 tonnes of bleached hardwood pulp. The Valdivia mill is equipped to produce elementary chlorine-free pulp. In June 2020, we completed the "Dissolving Pulp Project" that allowed the Valdivia mill to produce dissolving pulp, and also to switch back to producing paper-grade bleached hardwood pulp when required. See "Item 4. Information on our Company— Description of Business—History" for further information on the Valdivia mill.

*Nueva Aldea Mill.* Located in the Ñuble Region of Chile, this mill was completed in 2006, and after certain investments made during 2018, it increased its production capacity from 1,027,000 tonnes per year to 1,040,000 tonnes per year, half of which is dedicated to the production of bleached softwood kraft pulp and the other half of which is dedicated to the production of bleached hardwood kraft pulp. The Nueva Aldea mill is equipped to produce elementary chlorine-free pulp.

#### *Argentina*

*Puerto Esperanza Mill.* Arauco Argentina's softwood pulp mill is located in the Province of Misiones. The mill has an installed annual production capacity of 350,000 tonnes of pulp, consisting of fluff pulp and bleached softwood pulp.

## *Uruguay*

*Montes del Plata.* Located in Punta Pereira in the department of Colonia, Uruguay, the Montes del Plata pulp mill began operations in June 2014. The total investment was approximately U.S.\$2.7 billion. The mill had an annual installed capacity of 1.4 million air dry tonnes of bleached pulp.

On December 2017, the environmental authorities of Uruguay (Ministry of Environment) approved an increase in the annual production capacity. Between 2017 and 2020 we made some operational improvements that led to an increase in the annual capacity of this mill, which together with high levels of efficiency during the year 2021 allowed it to reach a production of approximately 1.5 million tonnes. Of this total annual capacity, we own 50% due to our joint operation with Stora Enso.

### ***Cash Cost of Bleached Softwood Kraft Pulp Delivered to China***

Based on information published by Hawkins Wright Ltd., we believe that in 2022 our total delivered cash cost for bleached softwood kraft pulp produced in Chile and delivered to China was lower than the average total delivered cash cost for that type of softwood pulp produced in certain other regions of the world and delivered to China, mainly due to lower wood and labor costs, as well as lower transportation costs from Chile to China.

The following table sets forth (i) our cash costs for bleached softwood kraft pulp produced in Chile and delivered to China and (ii) based on information published by Hawkins Wright Ltd., the estimated average cash costs for bleached softwood kraft pulp produced in the regions specified below and delivered to China.

<b>Cash Production Costs of Bleached Softwood Kraft Pulp Delivered to China</b>						
	<b>Arauco<sup>(1)</sup></b>	<b>British Columbia Coast</b>	<b>West Canada Interior</b>	<b>United States</b>	<b>Sweden</b>	<b>Finland</b>
			(in U.S.\$ per tonne)			
Wood	225	253	247	206	332	332
Chemicals	84	102	105	108	118	110
Labor and other cash costs <sup>(2)</sup>	177	217	227	216	163	119
Operating costs	486	573	579	529	612	561
Transportation <sup>(3)</sup>	63	62	121	97	79	73
Marketing and sales	4	7	12	15	6	8
Total delivered cash cost	553	641	712	641	697	641

*Source:* Arauco and Hawkins Wright Ltd. (“The Outlook for Market Pulp Demand, Supply, Costs and Prices”, December 2022)

(1) Includes cash costs only for Arauco’s bleached softwood kraft pulp produced in Chile and delivered to China.

(2) Other cash costs includes energy, maintenance costs and other mill costs.

(3) Includes transportation cost only for bleached softwood kraft pulp delivered to China (and not other markets).

## **Sales**

Estimated installed bleached kraft pulp capacity worldwide for the year ended December 31, 2022 was 67.9 million tonnes according to Hawkins Wright Ltd. Based on information published by Hawkins Wright Ltd., we believe that our production capacity represented approximately 4.6% of the worldwide market for bleached kraft pulp in 2022. During the same year, we exported 97.4% of our bleached pulp (in terms of tonnes sold), mainly to customers in Asia and Western Europe.

Unbleached softwood pulp is mainly produced by integrated manufacturers, and there are a few companies that sell market pulp like us. "Market pulp" is pulp sold to manufacturers of paper products, as opposed to pulp produced by an integrated paper producer for use in its own paper production facilities. With a worldwide installed capacity of unbleached softwood kraft pulp of 4.1 million tonnes for 2022, according to Hawkins Wright Ltd., we are the world's largest single producer of unbleached softwood market pulp in terms of production capacity, with approximately 12.2% of the total market in 2022. During the same year, 98.1% of our total unbleached market pulp sales (in terms of tonnes sold) consisted of export sales. While for the last eight years Asia has been our principal export market for unbleached market pulp, we continually seek niche markets for our products in Western Europe and the United States.

The following table sets forth, by region, our sales volume to unaffiliated third parties of bleached and unbleached pulp for the years indicated.

	<b>For the Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	(in tonnes)		
<b>Bleached Pulp</b>			
Asia and Oceania	1,855,033	2,171,688	2,383,427
Europe	603,076	581,507	539,364
North and South America	227,863	347,988	340,045
Other	272	745	-
<b>Total</b>	<b>2,686,244</b>	<b>3,101,928</b>	<b>3,262,836</b>
<b>Unbleached Pulp</b>			
Asia and Oceania	412,291	356,217	379,494
North and South America	3,776	76,710	73,016
Europe	69,390	1,164	1,006
Other	3,069	2,646	2,373
<b>Total</b>	<b>488,526</b>	<b>436,737</b>	<b>455,889</b>

While there are many grades and varieties, pulp is considered a commodity that is marketed primarily based on price, quality and logistical service. In marketing our pulp, we seek to establish long-term relationships with end users of pulp by providing a competitively priced, high-quality, consistent product and excellent service. The quality of our pulp derives from the high standards of production that we maintain at our mills and our use of a single species of tree, in contrast to pulp producers in some of the world's major softwood pulp producing regions that mix different species, depending on availability and seasonality. Our bleached pulp is marketed under the brand names "Arauco" and "Arauco Argentina" and our unbleached pulp is marketed under the brand name "Celco." Our dissolving pulp is marketed under the brand name "Arauco Create". Our 50% share of the pulp produced from Montes del Plata is marketed under the brand name "Arauco." Our forestry products are mainly sawlogs, pulplogs, chips and others. As a result of our forest management policies and the increasing maturity of our plantations, our plantations are yielding increasing volumes of forestry products, particularly clear wood. As the volume of clear wood has grown, we have broadened our range of forestry products.

Prices for bleached kraft market pulp produced from radiata pine and eucalyptus normally fluctuate depending on prevailing world prices, which historically have been cyclical. The fluctuations generally depend on worldwide demand, world production capacity, business strategies adopted by major forestry, pulp and paper producers, the availability of substitutes and the relative strength of the U.S. dollar. Prices for dissolving pulp normally fluctuate depending on similar variables as those that affect bleached kraft pulp, such as worldwide demand for, and world production capacity of, dissolving pulp. Additionally, dissolving pulp prices depend on dynamics caused by the price difference between paper-grade pulp and dissolving pulp mainly due to the fact that a significant portion of the worldwide dissolving pulp production capacity comes from mills which also have the capacity to switch from producing paper-grade pulp to dissolving pulp, and vice versa. See "Item 5. Operating and Financial Review and

Prospects—Management’s Discussion and Analysis of Financial Conditions, Results of Operations and Cash Flows—Overview” and “—Pulp Prices” and “Item 3. Key Information—Risk Factors—Risks Relating to the Company—Fluctuations in market price for our products could adversely affect our financial condition, results of operations and cash flows.”

The following table sets forth our average bleached and unbleached pulp prices per tonne for each quarter, of the years indicated.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	(U.S.\$ per tonne)		
<b>Bleached Pulp<sup>(1)</sup></b>			
1Q	741	608	500
2Q	843	787	504
3Q	919	802	502
4Q	919	747	531
<b>Unbleached Pulp</b>			
1Q	778	665	555
2Q	874	829	582
3Q	896	824	549
4Q	860	781	576

(1) Includes bleached kraft pulp and dissolving pulp.

In accordance with customary pulp market practice, we do not have long-term sales contracts with our customers (except for a few limited cases); rather, we maintain long-standing relationships with our customers with whom we periodically reach agreements on specific volumes and prices. We have a diversified customer base located throughout the world and totaling, as of December 31, 2022, more than 197 customers. As of December 31, 2022, we employed 8 sales agents to represent us in more than 41 countries. We manage this worldwide sales network from our headquarters in Chile.

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Additionally, and as part of the business activities contained within our pulp business segment, we sell certain forestry products to third parties. The following table sets forth, by category, forestry product sales to unaffiliated third parties for each of the years indicated.

	<b>Year ended December 31,</b>				
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
	(in thousands of cubic meters)				
Sawlogs	1,263	1,431	1,221	1,815	1,794
Pulplogs	1,319	1,242	936	762	746
Chips	-	34	322	361	546
Others	1,281	1,773	2,464	1,229	-

### **Wood Products**

We produce panels (fiberboard and particleboard), sawn timber (green, kiln-dried lumber and flitches), remanufactured wood products and plywood. For the year ended December 31, 2022, our sales of wood products totaled U.S.\$4.0 billion, representing 56.9% of our consolidated revenues for such year. We sell our wood products primarily to customers in North America, Central and South America and Asia and Oceania.

The following table sets forth our wood products sales to unaffiliated third parties for each of the years indicated.

	Year ended December 31,				
	2022	2021	2020	2019	2018
(in thousands of cubic meters)					
Panels (fiberboard and particleboard)	5,465	6,127	5,650	5,908	5,410
Sawn timber	1,650	1,803	1,726	1,811	1,825
Remanufactured wood products	458	447	424	443	438
Plywood	529	551	505	494	532
Total	8,102	8,928	8,305	8,656	8,205

As of December 31, 2022, we owned and operated two panel mills, seven sawmills and two plywood mills in Chile; two panel mills and one sawmill in Argentina; four panel mills in Brazil; two panel mills in Mexico, five panel mills in the United States and two panel mills in Canada. Our total installed annual production capacity of fiberboard panels and plywood as of December 31, 2022 was approximately 7.3 million cubic meters. We operate our sawmills in coordination with our forestry and sales operations, since our sawn timber is generally produced in accordance with customer specifications.

As of December 31, 2022, we also owned five remanufacturing facilities, four in Chile and one in Argentina. These facilities produced 409 thousand cubic meters of remanufactured wood products in 2022. See “Item 4. Information on our Company—Description of Business—History.” for a description of acquisitions that have resulted in the consolidation of our wood products business in Chile, North America, Argentina, Brazil and Mexico.

Our wood products mills are certified under international standards. You can find more information about our certifications under the “sustainability” section of our website (<https://www.arauco.cl/en/sostenibilidad/certificaciones/>).

The following tables set our installed capacity for Solid Wood (sawn timber, remanufactured wood products and plywood), and Panels (fiberboard panels) in thousands of cubic meters as of December 31, 2022.

### Solid Wood

Countries	Mills	Sawn Timber	Kiln-dried				Plywood
			Lumber (*)	Remanufactured (*)	Laminated Beams (*)	CLT (*) (2)	
Chile	Horcones I	484	362	-	130	-	-
	Horcones II	300	170	-	-	-	-
	Valdivia	464	336	110	-	-	-
	Nueva Aldea	431	351	-	-	-	-
	Nueva Aldea	-	-	-	-	-	360
	Viñales	377	358	110	-	-	-
	Cholguán	317	273	120	25	25	-
	Colorado	330	175	-	-	-	-
	Arauco	-	-	-	-	-	350

<b>Sub-Total</b>		<b>2,703</b>	<b>2,025</b>	<b>470</b>	<b>25</b>	<b>25</b>	<b>710</b>
Argentina	Piray	318	318	67	-	-	-
<b>Sub-Total</b>		<b>318</b>	<b>318</b>	<b>67</b>	<b>-</b>	<b>-</b>	<b>-</b>
Spain <sup>(1)</sup>	Cuellar	35	-	-	-	-	-
<b>Sub-Total</b>		<b>35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>		<b>3,056</b>	<b>2,343</b>	<b>537</b>	<b>25</b>	<b>25</b>	<b>710</b>

(\*) Sub Processes from Sawn Timber.

(1) Considers 50% of our Joint Venture Sonae Arauco.

(2) Cross Laminated Timber.

### Panels

Countries	Mills	Products	Panels	Melamine	Laminated	Mouldings
				(*)	(*)	(*)
Chile	Trupán Teno	MDF PBO	500 340	-	350	240
<b>Sub-Total</b>			<b>840</b>	<b>350</b>	<b>240</b>	
Brasil	Jaguariaiva Ponta Grossa Piêñ Montenegro	MDF MDF MDF PBO	780 300 440 450	489 330 - 200	- - - -	-
<b>Sub-Total</b>			<b>1,970</b>	<b>1,019</b>	<b>-</b>	
United States	Grayling Carolina Malvern Moncure Duraflake	PBO PBO MDF MDF PBO	800 580 310 285 250	320 280 - - 92	- - 98 - -	-
<b>Sub-Total</b>			<b>2,225</b>	<b>692</b>	<b>98</b>	
Argentina	Piray Zárate	MDF PBO	300 260	120 220	- -	-
<b>Sub-Total</b>			<b>560</b>	<b>340</b>	<b>-</b>	
Mexico	Durango Durango Zitácuaro <sup>(1)</sup>	MDF PBO PBO	250 155 160	172 107	- -	-
<b>Sub-Total</b>			<b>565</b>	<b>279</b>	<b>-</b>	
Canada	Sault Sainte Marie St. Stephen	MDF MDF	310 110	115 -	- -	-
<b>Sub-Total</b>			<b>420</b>	<b>115</b>	<b>-</b>	
Germany <sup>(2)</sup>	Nettgau Nettgau Beeskow Beeskow Meppen	PBO OSB PBO MDF MDF	325 230 200 175 155	124 66 - -	- -	-
<b>Sub-Total</b>			<b>1,085</b>	<b>190</b>	<b>-</b>	

Portugal <sup>(2)</sup>	Oliveira Mangualde	PBO MDF	225 180	142 -	-
<b>Sub-Total</b>			<b>405</b>	<b>142</b>	<b>-</b>
South Africa <sup>(2)</sup>	White River	PBO	150	-	-
	Panbuilt <sup>(3)</sup>	PBO	76	-	-
	White River	MDF	35	-	-
<b>Sub-Total</b>			<b>261</b>	<b>-</b>	<b>-</b>
Spain <sup>(2)</sup>	Linares	PBO	215	105	-
	Valladolid	MDF	70	9	-
<b>Sub-Total</b>			<b>285</b>	<b>114</b>	<b>-</b>
<b>Total</b>			<b>8,616</b>	<b>3,241</b>	<b>338</b>

(\*) Sub Processes from Panels

(1) New MDF Line approved for construction in 2023. For more information, see “Item 4. Information on our Company—Description of Business—History.”

(2) Considers 50% of our joint venture Sonae Arauco.

(3) Currently shut down.

## Energy and Sustainable Development

We utilize renewable fuels such as forest biomass sub-products in power plants that cogenerate the steam and electricity required for our manufacturing operations, thus reducing greenhouse emissions. Biomass co-generation allows for high thermal efficiency, approaching 80% in some cases. In addition to meeting our energy needs, we generate a significant amount of surplus power in Chile delivered to the SEN, distributing electrical power throughout Chile’s central and southern regions. In Uruguay, biomass sub-products from our Montes del Plata mill also cogenerate the steam and electricity to meet our energy needs, and surplus power is delivered to the Uruguayan power grid.

The following table sets forth, by country and mill, our energy producing facilities and their annual installed capacities, maximum generation, average consumption and surplus power as of December 31, 2022:

Country/Mill	Installed Capacity (MW)	Maximum Generation (MW)	Average Consumption (MW)	Surplus power delivered to Power Grid (MW)
Chile:				
Arauco	127	105	81	24
Constitución	40	30	22	8
Cholguán	29	28	15	13
Licancel	29	20	14	6
Valdivia	140	115	54	61
Horcones (gas/diesel)	24	24	-	24
Nueva Aldea I	30	28	14	14
Nueva Aldea II (diesel)	10	10	-	10
Nueva Aldea III	136	100	63	37
Bioenergía Viñales	41	31	9	22
Total Chile	<b>606</b>	<b>491</b>	<b>272</b>	<b>219</b>
Uruguay:				
Montes del Plata <sup>(1)</sup>	91	91	39	52

Total Uruguay	91	91	39	52
Argentina:				
Piray	38	30	17	13
Puerto Esperanza	44	44	44	-
Total Argentina	82	74	60	13
Total	<u>779</u>	<u>656</u>	<u>372</u>	<u>284</u>

(1) Consider 50% of our Montes del Plata joint operation

As of December 31, 2022, we had registered five co-generation power plants in Chile as greenhouse emission reduction project activities under the Clean Development Mechanism (CDM) of the Kyoto Protocol. Three of them were registered in 2006 (Trupán, Nueva Aldea (first phase) and Nueva Aldea (second phase)); a fourth plant was registered in 2009 (the Valdivia biomass power plant); and the fifth one was registered in 2011 (the Horcones power plant expansion project). These power plants generate electricity through forestry biomass (forestry and wood industrial sub-products, including the wood pulp by-product called “black liquor”). This renewable carbon-neutral fuel allows the facilities to decrease their reliance on fossil-fuel intensive grid electricity.

We were the first Chilean forestry company to issue Certificates of Emission Reductions (CERs or carbon credits) under the CDM of the Kyoto Protocol. Between 2007 and 2022, we had contributed 7.92% of total carbon credits in the energy generation from residual biomass projects portfolio registered worldwide in accordance with the CDM standard. This portfolio of initiatives represents a net issuance of 4.5 million CERs under our CDM projects.

In 2022, we sold 267,720 CERs issued under the CDM in the aggregate, directly and through brokers and traders, to corporate businesses that aim to compensate for their emissions in the voluntary market. We also sold 456,905 million Verified Carbon Units (VCUs) from the Viñales cogeneration plant registered under the internationally recognized standard Verra during the same year.

The following table shows the volumes of certificates issued under the CDM and sold in each of the years indicated

	Year ended December 31				
	2022	2021	2020	2019	2018
	(In thousands)				
CERs issued (net of the commission paid to United Nations Framework Convention on Climate Change, or “UNFCCC”)	-	139.0	75.0	109.8	247.6
CERs sold or donated	267.7	1,050.0	113.2	-	658.5

In 2022 we started the verification processes in Chile for two projects registered under the CDM standard (Nueva Aldea Phase I and Nueva Aldea Phase II) and one registered under the Verified Carbon Standard (Viñales biomass power plant). In Uruguay, we started the third verification process of the Punta Pereira biomass power plant (part of the Montes del Plata joint operation).

The UNFCCC approved our request to revalidate four of our projects (Trupán, Valdivia, Nueva Aldea and Horcones biomass power plants) registered under the CDM of the Kyoto Protocol. This series of approvals extend the crediting period of our projects through 2028. We believe that these projects’ joint potential emission reduction is 437,235 CERs per year.

The UNFCCC approved our request to revalidate the other two emission reduction projects, (Nueva Aldea Phase II and the Punta Pereira biomass power plants in Chile and Uruguay, respectively. These seek to extend the

crediting period by seven years, during which we can obtain CERs under the CDM in connection with the project. For both projects, we believe the potential emission reduction is 160,000 CERs per year.

## **Sustainability**

### ***Sustainability Strategy***

We are committed to promoting an economy based on renewable resources and to developing products that improve the lives of millions of people around the world as a result of our sustainable management of renewable assets. We aim to maximize the value of our forestry assets through growth based on generating economies of scale and competitive advantages that are sustainable over time. Through science, technology and innovation, we seek to unlock the full value of our plantations in accordance with rigorous management standards to ensure constant improvement in our environmental performance in a manner that promotes the health, safety and development of our personnel and neighboring communities.

### ***Persons of Excellence***

A key part of our sustainability strategy is having people of excellence, because they provide us with a distinctive organizational culture that enables us to embrace future challenges and achieve results sustainably. We focus on attracting, training and retaining a talented and inclusive team of persons who share our values to place the safety of people first, to respect and protect the environment and local communities we depend on, to value teamwork and the ability to reconcile different points of view to achieve a common objective, and to question the present and challenge the future and innovate.

### ***Occupational Health and Safety***

We believe that our people represent the heart of our Company. Accordingly, the safety and health of our employees and collaborators are our highest priority. Our risk management model promotes a safety culture based on the value of people and teamwork and is designed to foster conditions for work that is both safe and productive. Our employees are affirmatively encouraged to be part of safety teams and assume prominent roles not only in their own safety but also in the safety of others.

We strive to ensure sanitary and healthy workplace conditions for our workers to enhance their high performance at work, promote illness-free operations and encourage a healthy lifestyle. Prevention of occupational diseases lies in the proper implementation of two key processes. The first is environmental surveillance, focused on identification, evaluation and control of risks that our workers might be exposed to. The second is medical surveillance, focused on prevention and early detection of illnesses in subclinical or pre-symptomatic phases, so we can adopt the necessary measures to mitigate or reverse the progress of any such illness.

Initiatives to enhance the health and safety of our personnel include the following:

- Our “Together for a better life” model, which is based on best practices and three guiding principles: empowered workers, safety teams and work well done. In this sense, the conditions we provide are summarized in a model comprised of four commitments that must be embraced and 16 areas of work that organize the initiatives. The model aims to empower work teams so that they can take on a more prominent role in their safety.
- We train our workers to understand the risks they may be exposed to as well as measures available to mitigate the risk of occupational illness. Our workers potentially exposed to risk of occupational illness are required to have periodic medical examinations, and workers who work at heights, in confined spaces or operate mobile equipment are required to have periodic medical examinations to determine their fitness to perform such tasks.

- Our Healthy Culture (Cultura Sana) program has the purpose to enhance the health and overall wellness of our personnel by promoting the benefits of the following five core principles: (i) a healthy workplace environment, (ii) good nutrition, (iii) an alcohol and drug-free workplace, (iv) regular exercise and physical activity and (v) dedication to family.
- We have programs to protect our workers from high levels of noise and to provide respiratory protection, as well as an ergonomics program and vaccination control.
- Since 2020, we have implemented a COVID-19 contingency plan aimed at reducing health and safety risks for our employees.

### ***Community and Social Development***

We seek to be a virtuous actor in the communities we are a part of and an active agent in their economic and social development. We are committed to the United Nations' Sustainable Development Goals and believe that the development and wellbeing of our local communities is essential to the sustainability of our business. Through a model of dialogue and participation, we engage actively with local communities and implement a range of social and community programs that promote collaboration and common interests including, among others, the following:

- For over thirty years our Educational Foundation (Fundación Educacional Arauco) in Chile has contributed to the widespread improvement of the quality of local education by strengthening the core competencies and teaching skills of school principals and teachers in hundreds of schools serving thousands of young students.
- Our Water Supply Challenge (Desafío Agua) program in Chile promotes improved community hygiene and sanitation by providing equipment and infrastructure to rural communities and schools to improve their access to reliable sources of clean water for human consumption.
- We promote access to affordable housing through our Housing Program (Programa Vivienda) in Chile by counseling our employees, suppliers and their families in applying for public housing subsidies and by assisting them in finding and evaluating adequate housing. Since its inception, this program has supported the construction of more than 1,750 new housing units to the program's beneficiaries.
- Our Environmental Education Program (Educación Ambiental Arauco) focuses on schools in communities in Brazil and Argentina, where we have presence and promotes values, knowledge and awareness regarding the importance of environmental conservation and sustainable forestry practices.
- Our Program of Forest Gatherers has positively impacted more than 300 gatherers of non-wood forestry products in 20 municipalities located in five Chilean regions. The program seeks to encourage and promote the professionalization of such activity as a sustainable and responsible activity.

### ***Responsible Management of our Forestry and Other Renewable Assets***

We base our business on the production and management of renewable forest resources and taking care of the environment and our natural resources is very important. The planning of our forest cycle is complementary and consistent with our operational activities, selling wood products and supplying our industrial mills.

### ***Carbon Footprint***

We believe Arauco is the first forestry company to have become carbon neutral since 2018. This means that, at a global level, our carbon dioxide captures exceed our emissions. This achievement is sustained by two complementary paths: efficiencies at an operational level that allow us to reduce greenhouse gas emissions, and at the same time, an increase in CO<sub>2</sub> captured by the native forest, forest plantations, and carbon stored in our pulp and wood products. This achievement builds on the path we set for ourselves almost three decades ago, when we elected

to integrate clean and renewable energy from biomass into our production processes, thus contributing to the much needed decarbonization of the Chile's energy grid.

An independent international audit firm was in charge of developing a neutrality protocol which was applied to verify our global operation—and that other companies and industries can also use—considering all of our businesses for the year 2020. In this context, we achieved neutrality by generating a net surplus of 7,177,644 tons of CO<sub>2</sub>e captured.

In addition to this important commitment, we announced in 2019 (as part of the United Nations Climate Summit held in New York) our adherence to the Science Based Targets, a global initiative that calls on companies to adopt a science-based emissions reduction trajectory to limit the global warming, in alignment with the Paris Agreement.

Furthermore, in September 2020, we decided to join a new global commitment: “Race to Zero”, a global campaign towards COP26 that mobilizes the leadership and support of businesses, cities, regions, universities, and investors for a healthy, resilient, and fair recovery. Carbon neutrality is a central aspect of this initiative, which aims to create jobs, drive inclusive and sustainable growth, and reduce the risk of future shocks from climate change.

To continue to move forward with greenhouse gas emission reductions, we will strive to produce more clean and renewable energy, replace fossil fuels that have a high carbon footprint; incentivize suppliers to reduce their own carbon footprint; and continue to increase the reuse of byproducts from industrial processes, among other initiatives.

#### *Preservation of Native Forests*

A part of our forestry assets consists of native forests, and we are committed to their preservation and restoration. We manage our native forests in accordance with scientific research and conservation strategies developed in close collaboration with governmental authorities, local communities and environmental organizations. We manage some of our native forests as parks open to the public and others as High Conservation Value Areas (“HCVA”) or strictly protected areas.

Our native forest preservation and restoration program includes:

- Approximately 35,000 hectares of native forests declared as substituted after 1994 are undergoing a long-term program to restore such native forests, where we have made advancements in more than 11,600 hectares since 2012.
- Approximately 15,000 hectares of native forests affected by 2017 forest fires, 84% of which have been recovered, reaching pre-fire levels in certain cases.

#### *Special Protected Areas*

In addition to native forests, our forestry assets also include sites of such special environmental, social and cultural significance that have been designated as HCVA. We consult actively with local communities and specialists in order to identify HCVA of particular social significance. Our designation allows these sites to be specifically identified, maintained and improved in a manner that enhances their biological, ecosystemic and cultural attributes.

#### *Monitoring Biodiversity and Protecting Ecosystems*

We believe that forests are more than wood and fiber. They are a critical part of a larger ecosystem which we try to protect, maintain and enhance. One of the main challenges of our business is to maintain and enhance

biodiversity in our forests. To do so, we apply a Biodiversity and Ecosystem Services Policy that emphasizes constant assessment and management of the effects of our operations on biodiversity and other ecosystems. We make a constant effort to conduct research programs to identify biodiversity elements (species, ecosystems, wetlands, etc.) and to prepare management protocols and monitoring plans emphasizing threat control. Many of the most significant areas in terms of biodiversity are designated as HCVAs. In addition, in November 2022, as part of our participation in COP (“Convention of the Parties”) 27, we announced the measurement of our natural capital with the goal of becoming Natural Net Positive. To achieve this new goal, we are mapping native species based on state-of-the-art hyperspectral images and are working on a design that will allow us to have a concrete impact on improving species’ biodiversity, habitat, and landscape values.

#### *Management of Water Resources*

Water is an essential element for the life of plants, animals and humans. That is why the increase in consumption in a context of climate change has generated growing awareness of the importance of managing water in a sustainable manner. Its decreasing availability has imposed on us the challenge to improve water management, infrastructure and uses, aiming to guarantee its availability in enough quality and quantity.

Regarding water scarcity, Chile has experienced a drought during the last years and, as a consequence, the Licancel mill had to cease its activities for approximately three months in the end of the 2019. Rainfalls in the region slightly increased during the 2020 and 2021 summer seasons compared to 2019. Thus, we were able to ensure the continuity of our operations, except in February 2022 and February 2023, when the Valdivia mill had to cease its activities for three days and one day, respectively, due to the low flow of the Cruces River. We evaluated and implemented several initiatives to mitigate the effect of drought. Those operational measures have helped us to decrease the exposure of our operation in the face of water shortage and allow mills to operate normally.

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From an industrial point of view, continuous improvement and efficient use of water is an important goal for us. In this regard, among others, we monitor water availability in the facilities where we draw water from; and we look to implement diverse initiatives aimed at optimizing water usage

#### *Forest Fire Prevention*

We strive to sustain the integrity of our forestland, protecting forest plantations, neighboring communities and conservation areas. We seek to decrease the occurrence of forest fires and to manage combustible material to lessen the potential propagation of fires when they occur. Due to Chile’s climatic conditions, our plantations in Chile have historically been at greater risk of forest fire than our plantations in other countries. The fires of recent seasons in Chile have allowed us to develop enhanced measures to address fire prevention, detection and control.

We work with neighboring communities through joint fire prevention initiatives including local fire prevention committees in which neighbors, governmental authorities and private businesses collaborate. We have strengthened our fire detection capabilities by creating a new, unified central command post in Chile that collects all information on detection and resource deployment and by deploying new monitoring and early detection tools such as, fixed and robot cameras, and by developing patrol routes for fire detection during high-risk periods.

We continuously seek to improve measures to reduce the intensity and speed of fires once there is an outbreak. We maintain hundreds of kilometers of fire protection belts, consisting of firebreaks (gaps in combustible vegetation) and fire buffer zones (areas of reduced vegetation), to protect residential areas near our forest plantations. We deploy air and ground resources, including night firefighting crews, to respond quickly in the initial phase of outbreaks and continue to enhance our resources available for firefighting.

#### *Environmental Management of our Industrial Operations*

Environmental management in our industrial processes is key for us. We center our activities around tracing and monitoring management and continuous improvement and compliance with environmental regulations, especially in terms of odors, effluents, atmospheric emissions and solid residues.

Our industrial mills and forestry assets are certified under national and international standards related to corporate governance, environment, quality, health and safety and responsible forest management. Our plants and mills have environmental metrics associated to raw material consumption, effluents, solid waste, water consumption, energy consumption, among others. At the same time, we continuously monitor our effluents and emissions, as means of guaranteeing compliance with our environmental commitments and adequate environmental surveillance.

#### *Solid Waste Disposal*

Solid waste that comes from the manufacturing of our products is treated in accordance with the environmental applicable regulatory framework and our management policies.

In the case of our pulp business, solid residues mostly come from the caustification process; in the case of our lime kilns, from our effluent treatment plants in the form of sludge, among other sources. Most of these residues are sent to our own deposits of industrial residues. Nevertheless, as part of our strategy and environmental objectives, we have studied to add value to these residues by selling them to companies with whom we have arrangements so that they can use these residues as raw materials. The main uses are manufacturing of concrete, as soil improver both in agriculture and in forestry, and also manufacturing of fertilizers.

In the case of our wood products business, we have a strategy that seeks to increase the percentage of residues recycled and to diminish the volume of those that go to final disposal.

During 2022, our pulp business recovered and recycled approximately 60% of its non-hazardous waste, and our wood products business recovered and recycled approximately reached 47% of such waste.

Our global goal is to achieve zero waste by 2030, maximizing the use of resources and inputs and creating added value through smart solutions. To achieve this, we have been building collaborative partnerships with startups, local universities, and other think tanks. The goal is to develop new circular solutions and business models that could replace non-renewable raw materials and reduce waste throughout our value chain.

#### *Liquid Effluents*

Most of our industrial operations generate liquid effluents. These are continuously monitored to ensure that the emission levels stay between the parameters defined by the relevant authorities and/or applicable regulatory framework. All of our pulp mills have effluent treatment systems that we believe allow us to remain in compliance with the aforementioned parameters.

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In our wood products business, our mills also treat their liquid effluents. This is done either in the pulp mills adjacent to them if applicable or, when there is no neighboring pulp mill, in independent systems.

#### *Energy Management*

In a context in which the clean energy supply is limited, renewable energy generation and its efficient use are a challenge for us. By using biomass in our boilers, we are self-sufficient in energy consumption in Chile, Argentina and Uruguay, contributing energy surplus to each country's power grid. In addition to energy generation, our recovery boilers recover inorganic compounds that are part of the process. We also promote greater efficiency in its processes to reduce energy consumption and improve environmental performance.

### *Air Emissions*

Air emissions are permanently monitored. In the case of our pulp mills, Total Reduced Sulphur (“TRS”) is continuously controlled in order to minimize odor-related events associated to TRS gas venting. Particle air emissions are controlled through mitigation equipment, such as electrostatic precipitators and gas washers.

In the case of our wood products mills, emissions of particulates are controlled through mitigation equipment such as gas scrubbers and electrostatic precipitators. Fine wood dust emissions from remanufacturing and sawing processes are reduced by using bag filters that collect the sawdust, which we then use as biomass fuel.

### **Competitors**

We face substantial worldwide competition in each of our geographical markets and in each of our product lines.

#### **Pulp**

We believe<sup>8</sup> that our main competitors in hardwood pulp in Europe, Asia and the Middle East are Suzano Papel e Celulose S.A. (Suzano), Asia Pacific Resources International Holdings Limited (APRIL), CMPC Celulosa S.A. (CMPC), Asia Pulp and Paper (APP), Eldorado Brasil Celulose S.A., UPM-Kymmene Oyj (or “UPM”), Stora Enso and Klabin S.A.

We believe<sup>9</sup> that our main competitors in the softwood pulp market, in Asia, are International Paper Company (IP), Georgia Pacific, Metsö Fibre, Södra, Mercer International INC., Ilim Pulp Enterprise Ltd., Domtar Corporation and UPM-Kymmene Oyj (or “UPM”).

In the dissolving pulp market, in Asia, our main competitors are Sappi Limited, LD Celulosa S.A., Caima Industria de Celulose S.A. Additionally, in China we compete with local producers such as Hunan Juntai New Material Technology Co., Ltd. and Shandong Sun Paper Industry Joint Stock Co., Ltd.

#### **Wood Products**

We believe that our main competitors in the MDF market are: in Latin America, Duratex S.A., Masisa, Berneck, Proteak, Guararapes, Egger, Duraplay and other large South American producers; in North America, local producers such as Roseburg Forest Products Co., West Fraser, Swiss Krono and Plum Creek; in Asia, producers from Malaysia and China; and in the Middle East and India, producers from Europe and Southeast Asia.

We believe that our main competitors in the PBO market are: in the Latin American market, mainly Duratex S.A., Masisa, Novopan, Berneck S.A., Egger and Fibraplac S.A. In the North American market, we mainly compete with Roseburg Forest Products Co., Funder America, Uniboard, Temple-Inland Inc., Kaycan Ltd., Kronospan, Sonae Indústria, and Egger.

Our principal competitors in the plywood markets are located in the United States, Finland, Chile, Brazil, Uruguay and China. We compete mainly with CMPC, Eagon, Roseburg, Georgia-Pacific, Guararapes, Sudati, Lumin, Metsa and UPM, among others.

For remanufactured wood products, our main competitors are located in Chile, Asia, Brazil, Mexico and the United States.

For sawn timber, our main competitors are located in Europe, Brazil, New Zealand, Canada, the United States, Uruguay and Chile.

<sup>8</sup> Based on information published by Hawkins Wright Ltd.

<sup>9</sup> Based on information published by Hawkins Wright Ltd.

We believe that our operating efficiencies, competitive logistics costs, ability to serve customers with multiple specifications, geographical presence in 50 countries and the versatility of our radiata and taeda pine allow us to compete effectively in the world market for timber products.

### **Transportation, Storage and Distribution**

We manage and develop our facilities, transportation, storage and product distribution network seeking to consolidate and expand our presence worldwide, offering competitive advantages that allow us to reach over 4,800 customers around the world.

#### **Pulp**

We believe that our shipping costs are competitive with those of our main international competitors due in part to the large volumes we export. In addition, we believe that the proximity of our plantations to our mills and from our mills to the ports give us a competitive advantage notwithstanding some of our distance from certain of our main markets.

##### *Chile*

The distribution (in tonnes) of our exports by port of origin is the following: Coronel 53.2%, Lirquén 25.7%, San Antonio 13.4%, Valparaíso 7.0% and in San Vicente 0.7%.

##### *Uruguay*

We ship our finished product through the port managed by our joint operation Montes del Plata located next to the pulp mill in Punta Pereira, Colonia, Uruguay.

##### *Argentina*

The distribution (in tonnes) of our exports are the following: Buenos Aires 76.3%, Dock Sud 20.7%, and in Zárate 3.0%.

We ship pulp to various ports in Asia, Middle East, Europe, North and South America and, as is customary in the pulp industry, we store some stock in those ports. We use 17 foreign ports that have warehouse facilities available, and standard storage terms provide that we are entitled to a certain period of storage free of charge. We seek to ensure that we do not exceed the free storage period for each shipment. As of December 31, 2022, we had approximately 72,000 tonnes of pulp in storage in warehouses at foreign ports.

### **Wood Products**

Globally, we strive to service our customers with excellence, seeking service differentiation to remain competitive in the industry.

##### *United States and Canada*

We distribute our products to over 430 customers through trucks and trains. Products imported from our South American operations are shipped into 26 major ports of entry and stored in 29 warehouses. Our products are dispatched to more than 3,500 locations in the United States and Canada.

#### *Brazil*

In our local distribution operation, we deliver finished products to more than 881 customers in over 397 cities, many of which are separated by long distances. Additionally, we export our products to 18 countries through 46 ports of destination.

#### *Chile*

The distribution (in cubic meters) of our exports by port of origin is the following: Coronel 35.6%, Lirquén 32.9%, San Vicente 22.6%, Valparaíso 5.8% and in San Antonio 3.1%.

#### *Mexico*

Products from our operations are shipped into 9 ports of entry and stored in 5 warehouses. Our mills in Durango and Zitácuaro service over 171 customers throughout Mexico.

#### *Argentina*

The distribution of our exports (in cubic meters) by port of origin is the following: Buenos Aires 48.9%, Zárate 25.6%, and in Dock Sud 25.5%, reaching 29 ports around the world, 191 cities and a total of 297 customers.

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We ship wood products to various ports in Asia, North and Latin America, Middle East, Europe, Oceania and Africa. We distribute our products worldwide to over 200 ports of destination both directly to our customers or through a domestic distribution network in 7 countries consisting of warehousing and truck/train transportation to final destinations. As of December 31, 2022, we had approximately 1.0 million cubic meters of wood products in storage in warehouses and distribution centers.

### **PROPERTY, PLANTS AND EQUIPMENT**

The following table presents our principal properties as of December 31, 2022.

<b>Country</b>	<b>Forestry</b>	<b>Plants and Facilities</b>
Chile	1,012,066 total hectares 605,794 hectares of plantations	5 Pulp mills 1 PBO mill 1 MDF mill 2 Plywood mills 7 Sawmills 4 Remanufacturing Facilities
Argentina	264,334 total hectares 128,771 hectares of plantations	1 Pulp mill 1 MDF mill 1 PBO mill 1 Sawmill 1 Remanufacturing Facility 1 Resin mill
Brazil	242,032 total hectares 128,942 hectares of plantations	3 MDF mills 1 PBO mill 1 Resin mill

Uruguay <sup>(1)</sup>	137,891 total hectares 87,761 hectares of plantations	1 Pulp mill 3 PBO mills 2 MDF mills 1 Impregnation of melamine paper mill
United States		2 MDF mill 1 Resin mill
Canada		1 PBO mill 1 MDF-PBO mill 1 Resin mill
Mexico		1 MDF mill 1 PBO mill 1 Resin mill
Portugal <sup>(2)</sup>		1 MDF mill 1 PBO mill 1 Sawmill
Spain <sup>(2)</sup>		1 MDF mill 1 PBO mill 1 MDF-PBO mill 1 PBO-OSB mill 1 Impregnation of melamine paper mill
Germany <sup>(2)</sup>		1 PBO Mill <sup>(3)</sup> 1 MDF-PBO Mill
South Africa <sup>(2)</sup>		

(1) Arauco owns 50% of Montes del Plata joint operation.

(2) Arauco owns 50% of joint venture Sonae Arauco.

(3) This mill is currently shut down.

Future expansion plans will depend on global market conditions. For information regarding environmental risks associated with our use of our properties, see “Item 3. Key Information—Risk Factors—Risks Relating to the Company.”

## Insurance

Our global insurance program includes our production plants, facilities and equipment. This insurance program provides coverage, in the event of fire, explosion, machinery breakdowns or natural disasters, including earthquakes and tsunamis. Subject to exclusions and deductibles, our insurance covers up to U.S.\$750 million per loss in Chile, U.S.\$300 million per loss in Argentina, United States and Canada, U.S.\$145 million per loss in Mexico and R\$1,000 million (equivalent to approximately U.S.\$212.7 million using the exchange rate of April 11, 2022, as published by the Central Bank of Brazil) per loss in Brazil, including physical damage and business interruption for up to 18 months for Chile, Argentina and Brazil, and up to 12 months for United States, Canada and Mexico. The deductibles for Chile and Argentina for physical damage are U.S.\$3 million per occurrence for damages caused. In case of damages caused by earthquakes and tsunamis in Chile, the deductible is 2% of the total insured amount for each location, subject to a cap of U.S.\$25 million. Deductibles for Chile and Argentina for business interruption are 30 days for all losses, 45 days for machinery breakdowns and 45 days for machinery breakdowns of turbines. The deductible for Mexico for business interruption is 30 days. For Chile and Argentina, we also have an annual self-insurance retention of U.S.\$15 million, with a U.S.\$7.5 million maximum per event. The deductible for Arauco North America, including physical damage and business interruption is U.S.\$2.5 million. The deductible for Mexico,

including physical damage and business interruption is U.S.\$1 million. The deductible for Brazil, including physical damage and business interruption is R\$5 million. Our insurance policies covering our production plants, facilities and equipment in Chile is carried by Seguros Generales Suramericana S.A. (50.0%) and Mapfre S.A. (50.0%). In Argentina, Brazil and Mexico by Seguros Generales Suramericana S.A. (100%); in the United States, and Canada by Great Lakes (100%). We also have a retention for each and every loss of U.S.\$50 million on top of deductibles and SIR (“self-insurance retention”) for all our operations.

In Chile, we have contracted fire insurance coverage for all of our Chilean forest holdings and nurseries but do not insure against pests or disease.

In January and February 2017, wildfires, exacerbated by high temperatures, the action of the winds, low atmospheric humidity and the complexity of combatting multiple focal points that appeared simultaneously in different places, broke out in the central and southern regions of Chile, and with respect to us, in the Maule, Ñuble and Bio Bio regions. As a consequence of such fires, we suffered the burning of approximately 72,500 hectares of forest plantations, which had a fair value of approximately U.S.\$210 million, according to IFRS. The forest plantations affected by the fires had insurance coverage, with their corresponding deductibles and limits. In accordance with the final report of the insurance adjusters, in October 2017 our subsidiary Forestal Arauco S.A. recovered U.S.\$35 million, after applying a U.S.\$15 million deductible.

After the 2017 wildfires in Chile, we increased the limits of our forestry insurance coverage in Chile to U.S.\$85 million with a deductible of U.S.\$25 million for the whole season (regardless of the number of the events).

This policy is currently carried by Orion Seguros Generales (100%), and the insurance period is from October 14, 2022 to October 14, 2023. We have also set up satellite assessment of the damaged areas, which allows us to deal with possible claims more quickly and accurately.

During the 2021-2022 season, forest fires consumed approximately 7,566 hectares of our forest plantations, considering Chile, Argentina and Brazil, representing a total value of U.S.\$15 million. In each case under IFRS. As of the date of this annual report, during the 2022-2023 season, approximately 47,000 hectares of our forest plantations have been affected by forest fires mainly due to the combination of multiples irresponsible or intentional actions of third parties and extreme unfavorable weather conditions such as high temperatures low humidity and wind gusts. The forest plantations affected by the fires have insurance coverage, with corresponding deductibles of U.S.\$25 million and limits of U.S.\$85 million after applying a deductible.

In Argentina, we maintain fire insurance for 17,293 hectares for a total amount of U.S.\$25.0 million of timber assets located in the Delta of the Paraná river, close to Buenos Aires and Entre Ríos. The insurance policies for plantations located in the Delta of the Paraná river, are carried by Sancor Seguros and are capped at of U.S.\$4 million with a deductible of U.S.\$100,000. For the rest of our forests in Argentina, we do not maintain fire insurance since historically Argentina receives significant amount of rainfalls, especially during the summer months and we believe that the risk of damage from fire does not justify the costs of carrying insurance.

In September 2020, wildfires in Brazil affected approximately 4,137 hectares of forest plantations, which had a fair value of approximately U.S.\$9.1 million, under IFRS. The forest plantations affected by the wildfires had insurance coverage, with their corresponding deductibles and limits. In accordance with the final report of the insurance adjusters, in January 2021 we recovered U.S.\$5.3 million, after applying a U.S.\$0.6 million deductible. As a consequence of the September 2020 wildfires, the Swiss Re Insurance Company terminated the insurance policy because the claim was indemnified at the maximum contract value. We have decided not to maintain fire insurance for our forest in Brazil since we believe that the risk of damage from fire does not justify the costs of carrying insurance.

We believe that the terms, deductibles and limits of our insurance policies in all the countries where we operate are generally consistent with industry practice, and that such insurance in conjunction with our own resources, allow us to manage these risks responsibly. Nevertheless, our insurance coverage could prove to be insufficient to cover losses to our production plants, facilities, forests and equipment caused by fires or otherwise. The incurrence of losses or other liabilities that are not covered by insurance could result in significant and unexpected additional costs. Moreover, the terms and conditions for the renewal of our insurance policies may change in the future depending upon market circumstances and the type and amount of risks insured. For more information regarding the risks for which we insure our property, see “Item 3. Key Information—Risk Factors—Risks Relating to the Company.”

## **Cybersecurity**

We have developed a cybersecurity policy and regulatory framework based on the guidelines and criteria contemplated by the international standards ISO 27001, ISO 27002, ISO 27032 / NIST, and ISA 62443, for administrative and industrial environments, as appropriate. We have also implemented control mechanisms, technologies, processes and procedures developed on the basis of guidelines and criteria addressed by such the international standards, with attention not only to identification and protection, but also to strengthening and improving recovery mechanisms.

Additionally, we have security solutions and technological partners that monitor our infrastructure and, periodically we make security assessments, which allow us to complement and improve ongoing initiatives and our cybersecurity strategic plan. As we saw a significant increment of cybercrime during the last years, we also initiated a strategic revision with third parties with the aim of applying the best market practices in IT and OT environment, in addition to strengthening our OT Cybersecurity team, dedicated to these topics.

We also continue to adopt more simulation exercises and Human Resources policies to ensure all the employees comply with our cybersecurity policies.

During 2022, Arauco did not face any material losses due to cybersecurity breaches. However, even though we have thorough cybersecurity practices and governance in place, we cannot assure that in the future we will not be subject to any material cybersecurity incidents.

For more information regarding cybersecurity risk, see “Item 3. Key Information—Risk Factors—Risk Relating to Our Company—Cybersecurity events, such as a cyber-attack could adversely affect our business, financial condition and results of operations.”

## **Capital Expenditures**

To utilize our increasing volume of forest production, we have added to, expanded and modernized our processing facilities.

For the year ending December 31, 2020, our aggregate capital expenditures were U.S.\$1,508.1 million, consisting primarily of U.S.\$1,322.7 million for the addition of property, plant and equipment, and U.S.\$185.3 million for maintenance and acquisition of biological assets.

For the year ending December 31, 2021, our aggregate capital expenditures were U.S.\$1,362.3 million, consisting primarily of U.S.\$1,170.9 million for the addition of property, plant and equipment, and U.S.\$191.4 million for maintenance and acquisition of biological assets.

For the year ending December 31, 2022, our aggregate capital expenditures were U.S.\$1,431.4 million, consisting primarily of U.S.\$1,138.1 million for the addition of property, plant and equipment, and U.S.\$293.3 million for maintenance and acquisition of biological assets.

For the year ending December 31, 2023, we have currently budgeted capital expenditures of U.S.\$1,243.7 million, which primarily includes U.S.\$899.6 million for the addition of property, plant and equipment, and

U.S.\$334.1 million in maintenance and acquisition of biological assets. Our ability to complete our capital expenditure plan depends on factors that are beyond our control.

## **Government Regulation**

### ***Environmental Regulation***

In each country where we have operations, we are subject to numerous national and local environmental laws, regulations, decrees and municipal ordinances concerning, among other things, health, the handling and disposal of solid and hazardous waste, discharges into the air, soil and water and other environmental impacts. Some of these laws require us to conduct environmental impact studies of future projects or activities (or major modifications thereto). Under these laws, our operations may be subject to specific approvals, consents and regulatory requirements, and emissions and discharges may be required to meet specific standards and limitations. We have made and will continue to make substantial expenditures to comply with such environmental laws, regulations, decrees and ordinances.

#### *Chile*

The Chilean legislation to which we are subject includes the *Ley Sobre Bases Generales del Medio Ambiente* (Chilean Environmental Law) and related regulations. Current environmental institutions include the following public entities: the Ministry of the Environment (aimed at developing national environmental policy), the Service of Environmental Evaluation (in charge of administering the environmental assessment system), the Evaluation Commissions (in charge of evaluating projects and activities within the Environmental Impact Evaluation System), and the Superintendence of Environment (in charge of supervising and auditing environmental compliance).

Under the Chilean Environmental Law, we are required to conduct environmental impact studies or declarations on the environmental impact of any future projects or activities (or their significant modifications) that may affect the environment. These and other regulations also establish procedures for private citizens to object to the plans or studies submitted by project owners.

Governmental agencies may participate in the oversight of the implementation of projects in accordance with their environmental impact studies or declarations of environmental impact. Under the Chilean Environmental Law and other regulations, affected private citizens, public agencies and local authorities can sue to enforce compliance with environmental regulations. Enforcement remedies include temporary or permanent closure of facilities and fines. The Superintendence of Environment has issued numerous resolutions, instructions and requirements to various companies, officials and supervised parties, including our Company.

In respect of such regulations, in November 2015, the Cruces river where the Valdivia mill disposes its effluents became subject to the Norm. The Valdivia mill discharges its treated effluents into the Cruces River, which is part of the Valdivia River Basin. The Company and other local entities challenged the validity of the Norm before the Third Environmental Court in January 2016, expressing concerns, among others, regarding various aspects of the Norm's General Environmental and Social Impact Assessment (AGIES, for its acronym in Spanish). These objections included the lack of identification and consideration for the effective economic and social costs resulting from the adoption of the Norm. Other objections included that the Norm's parameters and limits exceeded the reviewed water quality criteria enforced by reference countries in both quantity and stringency; and that many of the parameters and limits were not technically or environmentally reasonable. The Third Environmental Court ruled in our favor on September 29, 2016, declaring the invalidity of the Norm, and this decision was upheld by the Supreme Court in July 2017.

In December 2017, the government restarted the rulemaking process and published a new draft SWQSVR for public comments. The draft proposes to regulate using practically the same parameters and limits included in the previous Norm declared void by the Supreme Court. In our opinion, the draft presents flaws similar to those detected in the previous rulemaking process, among others, the lack of identification and consideration of its actual economic and social costs and that most of its parameters and limits are not technically or environmentally reasonable. The public comment process finished in March 2018 and several comments from the public and different stakeholders were submitted, including several technical, economical and legal reports from third parties, were submitted. According to applicable regulations, the government shall prepare a final draft, which will be subject to the consideration by the Sustainability Ministers' Committee (*Consejo de Ministros para la Sustentabilidad*) and the President of the Republic. Once the new norm enters into force, we cannot exclude the possibility that the authority may declare that the Valdivia River Basin is contaminated and thus initiate an administrative proceeding to impose a decontamination plan, which may include new limits on discharges of wastewater applicable to the Valdivia mill.

We believe that we are currently in material compliance with local and national environmental regulations and orders applicable to our operations in Chile.

The application of these environmental laws and remedies may adversely affect the manner in which we seek to implement our business strategy and our ability to realize our strategy. See "Item 3. Key Information—Risk Factors—Risks Relating to the Company—The costs to comply with, and to address liabilities arising under, environmental laws and regulations could adversely affect our business, financial condition, results of operations and cash flows."

We have faced, and continue to face, certain environmental proceedings in connection with some of our mills. For a description of these proceedings, see "Item 8. Financial Information—Legal Proceedings." and Note 18 of our audited consolidated financial statements.

#### *United States and Canada*

Our North American operations are subject to U.S. and Canadian environmental legislation, including federal, provincial, state and local laws and regulations. Such laws and regulations govern the use, storage, handling, generation, treatment, emission, release, discharge and disposal of certain hazardous materials and wastes, the remediation of contaminated soil and groundwater, plant and wildlife protection, landfill sites and the health and safety of employees. For example, under the Clean Air Act, the United States Environmental Protection Agency, or the EPA, has established Maximum Achievable Control Technology, or MACT, environmental regulations that establish emission standards for point sources of pollution, such as press and dryer exhausts, process vents and equipment leaks. In addition, some of our operations require environmental permits and controls to prevent and reduce air and water pollution. Our failure to comply with applicable environmental, health and safety requirements, including permits related thereto, may result in:

- civil penalties;
- supplemental environmental projects;
- enforcement actions or other sanctions, such as judicial orders enjoining or curtailing operations or requiring corrective measures;
- loss of operating permits;
- required installation of pollution control equipment; or
- remedial actions.

In addition, we may become liable for third-party claims for personal injury and property damage due to contamination at our mills, even where the activity that caused such contamination occurred before we owned the mills.

We believe that we are currently in material compliance with local and national environmental regulations and orders applicable to our operations in the United States and Canada.

*Brazil*

Our Brazilian operations are subject to environmental legislation, including municipal, regional and federal governmental laws, regulations and licensing requirements. Law No. 6,938 establishes strict liability for environmental damage, mechanisms for the enforcement of environmental standards and licensing requirements for activities that are damaging or potentially damaging to the environment. A violation of environmental laws and regulations may result in:

- fines,
- partial or total suspension of activities,
- forfeiture or restriction of tax incentives or benefits, or
- forfeiture or suspension of participation in credit lines with official credit establishments.

As a result, we may become liable for environmental damages caused by the management of our materials, including damages caused during the transportation, treatment and disposal of our industrial waste, even where third parties manage such activities on our behalf.

Law No. 9,605 provides that individuals or entities whose conduct or activities cause harm to the environment are subject to criminal and administrative sanctions and are liable for any costs to repair the damages resulting from such harm. For individuals who commit environmental crimes, criminal sanctions range from fines to imprisonment; for legal entities, criminal sanctions may include fines, partial or total suspension of activities, restrictions on participation in government contracts and, in cases of bad faith, dissolution. In addition, Law No. 9,605 establishes that the corporate structure of a company may be disregarded if the structure impedes the recovery for harm caused to the environment. We are not aware of any successful assertion of claims against shareholders under this provision of Law No. 9,605.

We believe that we are currently in material compliance with local and national environmental regulations applicable to our operations in Brazil.

*Argentina*

Our operations in Argentina are subject to Argentine environmental legislation, including regulation by municipal, provincial and federal governmental authorities.

Argentine environmental legislation includes the requirement that water used or recovered in the production process must be chemically, biologically and thermally treated before being returned to public waters, such as the Paraná River. In addition, all gaseous emissions must be scrubbed to ensure satisfactory levels of waste particle recovery and odor removal. Regular testing of river water, soil and air quality is used to monitor the ultimate impact of the mill on the environment.

We believe that we are currently in material compliance with local and national environmental regulations applicable to our operations in Argentina.

*Mexico*

Our Mexican operations are subject to environmental legislation, including federal, state and local laws and regulations. Such laws and regulations govern the use, storage, handling, generation, treatment, emission, release, discharge and disposal of certain hazardous materials and wastes, the remediation of contaminated soil and groundwater, plant and wildlife protection, landfill sites and the health and safety of employees. For example, under the Mexican Environmental Law, the Ministry of Environmental and Natural Sources, has established environmental regulations including emission standards for point sources of pollution, such as press and dryer exhausts, process vents and equipment leaks. In addition, some of our operations require environmental permits and controls to prevent and reduce air and water pollution. Our failure to comply with applicable environmental, health and safety requirements, including permits related thereto, may result in:

- civil penalties;
- supplemental environmental projects;
- enforcement actions or other sanctions, such as judicial orders enjoining or curtailing operations or requiring corrective measures;
- loss of operating permits;
- required installation of pollution control equipment; or
- remedial actions.

In addition, we may become liable for third-party claims for personal injury and property damage due to contamination at our mills, even where the activity that caused such contamination occurred before we owned the mills.

We believe that we are currently in material compliance with all local and national environmental regulations applicable to our operations in Mexico.

*Uruguay*

The activities of the Montes del Plata joint operation are subject to Uruguayan national and municipal environmental regulations. The principal environmental authorization required to carry out such project's construction activities was the environmental authorization, or AAP, regulated by the Environmental Impact Assessment Act, Law No. 16,466, and its regulatory Decree No. 349/005. AAPs are granted by the National Environmental Bureau, or DINACEA (former DINAMA), which pertains to the Ministry of Environment (former Housing, Land Use Management and Environment, or MVOTMA).

On July 14, 2020, Law No. 19,889 was published on the Official Gazette, creating the Ministry of Environment, empowered with exclusive competence on environmental matters. Law No. 19,889 also provided for the transfer of all environmental related powers of the Ministry of Housing, Land Management and Environment to the new Ministry of Environment.

In order to obtain this authorization, an applicant must submit a complete report regarding all aspects of any proposed works including a classification of the same by a competent professional in one of the three categories, A, B or C. If the proposed project is classified by DINACEA as B or C, a comprehensive environmental impact assessment (which includes all aspects of the project) is required and in some cases a public hearing may be required

(such as when the project is classified as C). Once the AAP is granted, the interested party is required to perform the project in accordance with the terms and conditions of such authorization.

For certain activities (including, construction of an industrial plant), a Viability Location Report, or VAL, is required. This report should be submitted before the National Environmental Bureau and must include a notification to the municipal government where the project is to be located (*Intendencia*) and the delivery of information similar to that required for the AAP. This process contemplates a period for public comment on summary information that is available. The Intendencia involved in any such project may submit its findings to the DINACEA for consideration. The relevant companies that comprise Montes del Plata have already obtained the AAP and the VAL.

Once construction is completed according to the approved project and the AAP conditions, and prior to starting operations, a company needs to obtain the environmental authorization for operation, or AAO, which is regulated by the same decree, comes to regulate the environmental compliance of the relevant companies in the operational phase of the endeavor and needs to be renewed every 3 years. Montes del Plata obtained this authorization from the National Environmental Bureau, DINACEA , in June 2014, and its corresponding renewals, and the current one has been renewed until December 2023.

We believe that the Montes del Plata operation is currently in material compliance with local and national environmental regulations applicable to the operation in Uruguay.

### ***Forestry, Land-Use and Land Ownership Regulations***

#### *Chile*

The management and exploitation of forests in Chile is regulated by the Forests Law of 1931, as amended, and Decree Law No. 701 of 1974, as amended. The Forests Law and Decree Law No. 701 impose a variety of restrictions on the management and exploitation of forests. Forestry activities, including thinning, on land that is designated as preferably suited for forests or that has native or planted forests, are subject to management plans that require the approval of the Corporación Nacional Forestal, or National Forest Service, or CONAF. In addition, the Forests Law and Decree Law No. 701 impose fines for the harvesting or destruction of trees and shrubs in violation of the terms of a forest management plan. We believe that we are in material compliance with the Forests Law and Decree Law No. 701.

Law No. 20,283 provides for the management and conservation of native tree forests and forest development. Its purposes are the protection, recovery and improvement of native forests in order to guarantee both forest sustainability and environmental policy. This law established a fund for the conservation and sustainable management of native forests. According to this law, owners of native forests are able to exploit them so long as they have a “management plan” approved by the CONAF. Depending on the owner’s approved plan, as well as other factors, the subsidy provided by the fund may vary between U.S.\$200 and U.S.\$400 per hectare. The law also prohibits the harvesting of native trees in certain areas and under certain conditions. In compliance with applicable regulations, we have adopted environmentally sensitive policies towards our holdings of native forests, which are protected and preserved in their entirety. Our products come from established plantations only; we do not sell any wood derived from our native forests. Arauco’s forestry operations adhere to our international control systems, which are all in accordance with current legislative and environmental sustainability standards. We believe that we are in material compliance with Law No. 20,283. See “Item 4. Information on our Company—Description of Business—Forestry Activity.”

#### *Brazil*

Environmental laws and regulations relating to the management and exploitation of forests and the protection of Brazilian plants and wildlife govern our Brazilian forestry operations. Under this regulatory framework Brazilian authorities establish forest preservation areas and regulate replanting of forests after harvesting.

There are discussions about certain Brazilian legal restrictions on the acquisition of rural properties by foreign companies and by Brazilian companies controlled by foreign persons. Those restrictions are contained in the Opinion issued by the Office of the General Counsel to the Federal Government in August 2010, which has been subject to several judicial challenges. Currently, there is a pending litigation before the *Supremo Tribunal Federal* (Highest Court in Brazil) to determine if Federal Law No. 5,709/1971 is applicable to Brazilian companies with foreign shareholders, as it could arguably be contrary to the Brazilian constitution. Our local counsel has advised us that, although in its opinion these restrictions are not applicable to the transactions consummated by our Brazilian subsidiaries, they could apply from August 2010 and to future transactions which have as object, the acquisition of land by persons that have foreign majority capital.

We believe that our Brazilian operations are in material compliance with the applicable regulatory framework.

#### *Argentina*

The management and exploitation of forests in Argentina is regulated by National Law No. 13,273, National Law No. 25,080 (as amended and extended by Laws No. 26,432 and 27,487), National Decree No. 710, Provincial Law No. 854, Provincial Law No. 3,426 and other regulations promulgated thereunder, which collectively constitute the regulatory framework. The regulatory framework imposes a variety of restrictions on the management and exploitation of forests in Argentina. The regulatory framework regulates the replanting of land after harvesting.

On December 28, 2011, National Law No. 26,737 was promulgated, which established limitations on the ability of foreigners to purchase rural land in Argentina. This law provides that foreigners cannot acquire more than 15% of all rural land in the country, and that no foreigner can individually hold more than 30% of said 15%. For the purposes of the National Law No. 26,737, rural land is all land located outside the urban area.

We believe that our Argentine operations are in material compliance with the applicable regulatory framework.

#### *Uruguay*

The management and exploitation of forests in Uruguay is regulated primarily by Law No. 15,939 (as amended by Law No. 18,083 and by the regulatory decree No. 452/988), which has declared forestry activity as an area of national interest. This law classifies forests into three categories: protectors, yield and general, and provided certain tax and financial benefits related to forests classified as protectors and yield located in areas classified as forestry priority. In order to obtain such classification, interested parties must submit a forestry management plan to the General Forestry Bureau. This law also establishes certain conservation requirements and controls for each category of forest.

These regulations are also included in Decree No. 333/004 (General Principles and Basic Technical Standards to achieve soil and water rational and sustainable use and their recovery) and Decree No. 405/008 (Responsible and Sustainable Use of Soil).

Additionally, forest activity is subject to environmental and soil care regulations. According to Law No. 16,466 and Decree No. 349/005, plantations of more than 100 hectares need prior environmental authorization. Law No. 15,239 also provides certain measures that must be adopted to reduce erosion and degradation of the soil to

promote its restoration when necessary. Forestry regulations from local municipalities may also require additional permits depending on the forest location.

In December 2021, Decree No. 405/021 was issued by the Executive Branch and proposed changes in the regulation of forest plantations. The Decree set parameters for the creation of the Environmental Registry of Forest Plantations applicable to new forest plantations from one hundred (100) to forty (40) hectares. The Decree also adjusted the definitions of forest land and requirements (Special Environmental Authorization—AAE) for new plantations of one hundred (100) or more hectares in soils already forested with no previous environmental authorization.

We believe that the Montes del Plata forestry operations are in material compliance with the applicable regulatory framework.

## **Item 5. Operating and Financial Review and Prospects**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS**

The following discussion is based on and should be read in conjunction with our audited consolidated financial statements and the notes thereto, included elsewhere in this annual report. Our consolidated financial statements are prepared in accordance with IFRS as issued by the IASB and presented in U.S. dollars.

#### **Overview**

We derive our revenues from the sale of bleached and unbleached pulp, wood products such as MDF, PBO, plywood, sawn timber and remanufactured wood products, forestry products, such as sawlogs and pulplogs, and sales of electricity. We sell our products in domestic and export markets. During 2022 and 2021, sales of wood products constituted the single largest component of our revenues. As occurs with many other commodities, pulp is subject to significant cyclical price fluctuations determined by global supply and demand. Accordingly, our revenues are subject to cyclical fluctuations. Prices for wood and forestry products also fluctuate significantly. Although variations in prices tend to have the most significant effect on our results of operations, variations in sales volume and product mix, production costs and exchange rates can also have a significant impact on our results. See “Item 3. Key Information—Risk Factors—Risks Relating to the Company—Fluctuations in market price for our products could adversely affect our financial condition, results of operations and cash flows”.

Our business, results of operations and cash flows depend, to a large extent, on the level of economic activity, on government and foreign exchange policies and on political and economic developments in our principal markets.

The regional distribution of our pulp sales according to year was as follows:

- In 2020, 63.8% of our sales of pulp were to customers in Asia, 12.6% to customers in Europe, and 14.1% to customers in Central and South America.
- In 2021, 59.3% of our sales of pulp were to customers in Asia, 13.6% to customers in Europe, and 17.7% to customers in Central and South America.
- In 2022, 57.9% of our sales of pulp were to customers in Asia, 16.4% to customers in Central and South America and 16.1% to customers in Europe.

The regional distribution of our sales of wood products according to year was as follows:

- In 2020, 60.2% of our sales of wood products were to customers in North America and 27.6% to customers in Central and South America.

- In 2021, 56.2% of our sales of wood products were to customers in North America and 31.6% to customers in Central and South America.
- In 2022, 62.0% of our sales of wood products were to customers in North America and 26.9% to customers in Central and South America.

Our business, earnings and prospects may be materially and adversely affected by developments in the markets we operate within, including inflation, interest rates, currency fluctuations, protectionism, government subsidies, price and wage controls, exchange control regulations, taxation, expropriation or social instability, as well as by political, economic or diplomatic developments. See “Item 3. Key Information—Risk Factors—Risks Relating to the Company—Worldwide competition in the markets for our products may adversely affect our business, financial condition, results of operations and cash flows”.

As of December 31, 2022, 70.7% of our property, plant, equipment and forest assets were directly owned by us and our Chilean subsidiaries, 4.6% by our Argentine subsidiaries, 6.0% by our Brazilian subsidiaries, 5.0% by our U.S. and Canadian subsidiaries, 1.0% by our Mexican subsidiaries and 12.7% by our joint operation in Uruguay. In 2022, 52.2% of our consolidated revenues were derived from our operations in Chile, 8.5% of our consolidated revenues were derived from our operations in Argentina, 9.3% of our consolidated revenues were derived from our operations in Brazil, 18.4% of our consolidated revenues were derived from our operations in the United States and Canada, 3.1% of our consolidated revenues were derived from our operations in Mexico and 8.5% of our revenues were derived from our operations in Uruguay. Accordingly, our financial condition, results of operations and cash flows are affected by, to a significant degree, economic conditions in Chile, Argentina, Brazil, Uruguay, the United States, Canada and Mexico. See “Item 3. Key Information—Risk Factors—Risks Relating to Chile,” “—Risks Relating to the United States and Canada,” “-Risks Relating to Brazil,” “—Risks Relating to Argentina,” “—Risks Relating to Uruguay,” “—Risks Relating to Other Markets”.

### **Economic Indicators in Chile, Argentina, Brazil, Uruguay, the United States, Canada and Mexico**

#### ***Chile***

According to the Central Bank of Chile, in real terms Chile’s GDP contracted 6.1% in 2020, increased 11.7% in 2021, and increased 2.4% in 2022. The Chilean peso appreciated 5.0% against the U.S. dollar in 2020, depreciated 18.8% in 2021 and depreciated 1.3% in 2022. See “Item 3. Key Information—Risk Factors—Risks Relating to Chile.”

#### ***United States***

According to the U.S. Bureau of Economic Analysis, the United States GDP contracted 3.5% in 2020, increased 5.9% in 2021 and increased 2.1% in 2022. See “Item 3. Key Information—Risk Factors—Risks Relating to the United States and Canada.”

#### ***Canada***

According to the Bank of Canada, in real terms Canada’s GDP contracted 5.4% in 2020, increased 4.6% in 2021 and increased 3.6% in 2022. The Canadian dollar appreciated 6.5% against the U.S. dollar in 2020, appreciated 1.1% in 2021 and depreciated 6.8% in 2022. See “Item 3. Key Information—Risk Factors—Risks Relating to the United States and Canada.”

#### ***Brazil***

According to the *Instituto Brasileiro de Geografia e Estatística* (the Brazilian Institute of Geography and Statistics), in real terms Brazil's GDP contracted 4.1% in 2020, increased 4.6% in 2021 and increased 2.9% in 2022. In 2020, 2021, 2022, the Brazilian real depreciated against the U.S. dollar 29.1%, 7.3% and appreciated 5.2% respectively. See "Item 3. Key Information—Risk Factors—Risks Relating to Brazil."

### **Argentina**

According to the *Instituto Nacional de Estadística y Censos* (the Argentine National Statistics and Census Institute, or the "INDEC"), in real terms Argentina's GDP contracted 9.9% in 2020, increased 10.3% in 2021 and increased 5.2% in 2022. In 2020, 2021 and 2022, the Argentine peso depreciated against the U.S. dollar 41.6%, 21.6%, and 72.2% respectively. In 2020, 2021 and 2022, the INDEC's national CPI was 36.1%, 51.4% and 94.8%, respectively. See "Item 3. Key Information—Risk Factors—Risks Relating to Argentina."

### **Uruguay**

According to the *Banco Central del Uruguay* (the Central Bank of Uruguay), in real terms Uruguay's GDP contracted 5.9% in 2020, increased 4.4% in 2021 and increased 4.9% in 2022. The Uruguayan peso depreciated 13.4% against the U.S. dollar in 2020, depreciated 5.8% in 2021 and appreciated by 10.8% in 2022. See "Item 3. Key Information—Risk Factors—Risks Relating to Uruguay."

### **Mexico**

According to the *Banco de México*, in real terms Mexico's GDP contracted 4.4% in 2020, increased 1.1% in 2021 and increased 3.1% in 2022. The Mexican peso depreciated 5.3% against the U.S. dollar in 2020, depreciated 3.4% in 2021 and appreciated 5.0% in 2022. See "Item 3. Key Information—Risk Factors—Risks Relating to Mexico."

### **Exchange Rate Fluctuations**

We generally express our export prices in U.S. dollars, whereas our sales in Chile are priced in Chilean pesos except for pulp sales, which are priced in U.S. dollars; sales in Brazil are priced in Brazilian reals; sales in Argentina are priced in Argentine pesos except for pulp sales, which are priced in U.S. dollars, and sales in Mexico are priced in Mexican pesos. To the extent that these local currencies depreciate against the U.S. dollar, our revenues from sales priced in local currencies may be adversely affected when expressed in U.S. dollars.

The effect of exchange rate fluctuations is partially offset by the fact that certain of our operating expenses are denominated in U.S. dollars (such as our freight costs and selling expenses in the form of commissions paid to our sales agents abroad) and a significant part of our indebtedness is denominated in U.S. dollars. As of December 31, 2022, our U.S. dollar-denominated indebtedness was U.S.\$3.9 billion. In addition, if the U.S. dollar appreciates against the local currency in any of our export markets, we must, from time to time, express our sales in that local currency to compete effectively.

Future developments in the Chilean, Argentine, Brazilian, Uruguayan, Mexican, Canadian and U.S. economies may impair our ability to proceed with our strategic plan, including with respect to pricing. For additional discussion regarding the risks we face in each of the aforementioned markets, see "Item 3. Key Information—Risk Factors—Risks Relating to Chile," "—Risks Relating to Argentina," "—Risks Relating to Brazil," "—Risks Relating to Uruguay," "—Risks Relating to Mexico" and "—Risks Relating to the United States and Canada."

### **Fluctuations in Market Prices for our Products**

In recent years, our revenues have been affected by price level volatility in our domestic and export markets. The prices for each of our pulp, wood and forestry products depend on the markets in which they are sold. While prices are generally similar for a given product on a global basis, domestic market conditions affect prices in markets such as Asia, Central and South America, Europe and the United States.

The following table sets forth, for the years indicated, average unit sales prices for our products.

Product <sup>(2)</sup>	Year ended December 31, <sup>(1)</sup>		
	2022	2021	2020
	(U.S.\$ per tonne) <sup>(3)</sup>		
<i>Pulp</i>			
Bleached pulp	866.0	726.7	511.6
Unbleached pulp	873.9	759.8	569.9
Logs (U.S.\$ per cubic meter) <sup>(3)</sup>	42.8	30.5	23.0
	(U.S.\$ per cubic meter) <sup>(3)</sup>		
<i>Wood Products</i>			
Sawn timber	354.5	323.1	225.9
Remanufactured wood products	938.5	736.0	645.1
Plywood	713.8	637.9	453.0
Panels	485.1	364.7	299.0

(1) Calculated as average unit prices for the year based on our internally collected data.

(2) Each category of product contains different grades and types and the shipping terms vary with the product, as well as the customer.

(3) We generally quote our prices in U.S. dollars for export sales and in U.S. dollars, Chilean pesos, Argentine pesos, Brazilian reals or Mexican pesos, as applicable for domestic sales.

## **Pulp Prices**

### *Overview*

Historically, world pulp prices have been subject to significant fluctuations over short periods of time. Pulp prices depend primarily on worldwide demand, world production capacity, worldwide pulp and paper inventory levels and availability of substitutes, and in general terms, are directly related to global economic growth. All of these factors are beyond our control. See “Item 3. Key Information—Risk Factors—Risks Relating to the Company—Fluctuations in market price for our products could adversely affect our financial condition, results of operations and cash flows”.

Prices for bleached grades of hardwood pulp, including eucalyptus, generally follow the same cyclical pattern as prices for softwood pulp. However, historically softwood has had higher prices mainly due to lower global supply. Moreover, during the last five years, the majority of the added global pulp production capacity has been dedicated to production of hardwood pulp, particularly eucalyptus pulp. Prices for dissolving pulp normally fluctuate depending on variables similar to those that affect bleached kraft pulp, such as worldwide demand and world production capacity for dissolving pulp. Additionally, dissolving pulp prices are affected by price differences between paper-grade pulp and dissolving pulp, mainly due to the fact that a significant portion of the worldwide dissolving pulp production capacity comes from mills that can also switch from producing paper-grade pulp to dissolving pulp, and vice versa, thereby affecting the supply of dissolving pulp.

Prices for unbleached softwood market pulp also follow cyclical patterns related to worldwide demand, stock levels and supply. Based on information published by Hawkins Wright Ltd., in 2022 unbleached softwood market pulp represented about 5.4% of the total capacity in the global wood pulp market. The majority of unbleached softwood pulp is sold in Asia, and its price in that market does not necessarily follow the cycle of prices for softwood or hardwood.

During 2018, average prices of hardwood and softwood pulp followed an upward trend, slightly decreasing in the last part of the year, with NBSK – Europe reaching U.S.\$1,200.02 per tonne, NBSK – China reaching U.S.\$723.07 per tonne, BHKP – Europe reaching U.S.\$1,025.73 per tonne and BHKP – China reaching U.S.\$652.51, in each case at year. The positive trend during most of the year was mainly due to strong demand and stable capacity levels, while the slight decrease at the end of 2018 was mainly driven by the trade tensions between China and the United States.

During 2019, average prices decreased 31.7% in the case of NBSK – Europe, which reached U.S.\$819.95 per tonne at the end of the year, and 22.9% in the case of NBSK – China, which reached U.S.\$557.57 per tonne at the end of the year. BHKP – Europe decreased 33.7% in 2019, reaching U.S.\$680.01 per tonne at year end, and BHKP – China decreased 30.0% in 2019, reaching U.S.\$456.92 at year end. The downward trend during most of 2019 was mainly driven by trade tensions between China and the United States, as well as lower paper demand in Europe, which adversely affected both hardwood and softwood pulp prices. Hardwood pulp prices were also adversely impacted by the high levels of inventories registered during the year, which started to decrease after mid-2019. Towards the end of 2019, prices stabilized after China and the United States reached understanding on certain commercial issues and due to a decrease in inventories.

During 2020, average prices increased 7.2% in the case of NBSK – Europe, which reached U.S.\$879.36 per tonne at the end of the year, and 20.3% in the case of NBSK – China, which reached U.S.\$670.56 per tonne by year end. BHKP – Europe remained stable, ending the year at U.S.\$680.00 per tonne, and BHKP – China increased 9.2%, reaching U.S.\$499.08 per tonne at year end. Prices remained stable, albeit at low levels, for most of 2020 and continued to be adversely affected by trade tensions between China and the United States, the COVID-19 pandemic and lower demand for paper products in Europe. Towards the end of 2020, inventories started to decrease, and improvements related to the COVID-19 pandemic situation had a positive impact on the hardwood and softwood pulp market. These developments led to price increases during the last days of the year for many of the benchmark pulp products.

During 2021, average prices increased 43.3% for NBSK – Europe, which reached U.S.\$1,260.27 per tonne at the end of the year, and 13.0% for NBSK – China which reached U.S.\$757.82 by year end. BHKP – Europe increased 63.8% reaching U.S.\$1,114.0 by year end. In the case of BHKP – China, prices increased 14.3% reaching U.S.\$570.73 by year end. In general, prices across all fibers and markets increased, especially during the first half of the year, mostly due to normalization of demand and certain supply issues caused by the COVID-19 pandemic. During the second half of the year, prices remained stable and at high levels in European markets and adjusted downwards somewhat on Chinese markets.

During 2022, average prices increased 13.3% for NBSK - Europe, which reached U.S.\$1,428.00 per tonne at the end of the year and increased 16.4% for NBSK – China, which reached U.S.\$882.60 by year end. BHKP - Europe increased 21.0% reaching U.S.\$1,380.00 by year end. In the case of BHKP – China, prices increased 45.0% reaching U.S.\$827.59 by year end. In general, prices across all fibers and markets increased in 2022, mainly in the first half of the year due to logistic issues and restricted supply because of the conflict between Russia and Ukraine. During the second half of the year, prices remained relatively stable and at the end of the year, prices slightly decreased due to a normalization of logistic issues and a relative stabilization of inventories.

The following table sets forth the prices for NBSK – Europe, as listed on the NBSK – Europe index, as of the dates indicated, as well as the percentage variation with respect to the previous date:

<b>List Price as of December 31,</b>	<b>U.S.\$/tonne</b>	<b>Change YoY</b>
2020	879.36	7.2%
2021	1,260.27	43.3%
2022	1,428.00	13.3%

*Prices of Northern Bleached Softwood Kraft Pulp (NBSK - China) (1)*

The following table sets forth the prices for NBSK – China, as listed on the NBSK – China index, as of the dates indicated, as well as the percentage variation with respect to the previous date:

<b>List Price as of December 31,</b>	<b>U.S.\$/tonne</b>	<b>Change YoY</b>
2020	670.56	20.3%
2021	757.82	13.0%
2022	882.60	16.4%

*Prices of Bleached Hardwood Kraft Pulp (BHKP - Europe) (1)*

The following table sets forth the prices for BHKP – Europe, as listed on the BHKP – Europe index, as of the dates indicated, as well as the percentage variation with respect to the previous date:

<b>List Price as of December 31,</b>	<b>U.S.\$/tonne</b>	<b>Change YoY</b>
2020	680.00	0.0%
2021	1,140.00	67.6%
2022	1,380.00	21.0%

*Prices of Bleached Hardwood Kraft Pulp (BHKP - China) (1)*

The following table sets forth the prices for BHKP – China, as listed on the BHKP – China index, as of the dates indicated, as well as the percentage variation with respect to the previous date:

<b>List Price as of December 31,</b>	<b>U.S.\$/tonne</b>	<b>Change YoY</b>
2020	499.08	9.2%
2021	570.73	14.3%
2022	827.59	45.0%

(1) Source: Fastmarkets RISI.

*Prices of Unbleached Kraft Pulp (UKP)*

The following table sets forth the price of our UKP as of the dates indicated, as well as the percentage variation with respect to the previous date:

<b>Price as of December 31,</b>	<b>U.S.\$/tonne</b>	<b>Change YoY</b>
2020	585.25	13.5%
2021	779.44	33.2%
2022	831.62	6.7%

Source: Arauco.

*Prices of Dissolving Pulp*

The following table sets forth the price of our dissolving pulp as of the dates indicated, as well as the percentage variation with respect to the previous date:

<b>Price as of December 31,</b>	<b>U.S.\$/tonne</b>	<b>Change YoY</b>
2020	675.89	N/A
2021	906.33	34.1%
2022	932.3	2.9%

*Source* : Arauco.

\* YoY means year over year

### **Wood Products Prices**

Over the last five years, the average prices for our wood products have fluctuated significantly, reflecting the effect on demand of global economic developments.

During 2018, average prices for our wood products decreased 1.5% compared to 2017. Average prices for our panels decreased 5.6% while sales volumes increased 11.2%. The downward trend in average panel prices was explained by an oversupply mainly from Brazil, Chile, the United States and Asia. Average prices for our sawn timber increased 6.3% in 2018, partially offset by a 3.6% decrease in sales volume, which was mainly due to lower demand from China, which in turn was related to the uncertainty surrounding the trade tensions between China and the United States.

During 2019, average prices for our wood products decreased 4.5% compared to 2018. Our panels sales increased 9.2% in volume, partially offset by a 1.3% decrease in average prices. Our volume increase in panels sales was mainly explained by the start-up of our new Grayling mill and our acquisition of the Mexican assets, in each case in the first quarter of 2019. In 2019, average prices for our sawn timber decreased 11.6%, and the volume of our sawn timber sales decreased 0.8%, primarily as a result of lower demand from China, reflecting the trade tensions between China and the United States.

During 2020, average prices for our wood products decreased 1.9% compared to 2019. Average prices for our panels decreased 5.0%, and the volume of our panel sales decreased 4.4%. These decreases were mainly explained by adverse effects of the COVID-19 pandemic outbreak. In 2020, average prices for our sawn timber decreased 4.4%, and the volume of our sawn timber sales decreased 4.7% compared to 2019, also explained by the adverse effects of the COVID-19 pandemic outbreak.

During 2021, average prices for our wood products increased 26.0% compared to 2020. Average prices for our panels increased 22.0%, and the sales volume for panels increased 8.4% compared to 2020. These increases were mainly explained by a higher demand in the global markets, and supply issues at the industry level. In 2021, average prices for our sawn timber increased 43.0%, and the volume of our sawn timber sales increased 4.5% compared to 2020, also explained by a higher demand in the global markets and generalized supply issues.

During 2022, average prices for our wood products increased 27.4% compared to 2021. Average prices for our panels increased 33.0%, and the sales volume for panels decreased 10.8% compared to 2021. Such price increases were mainly explained by a stable global demand and a stable panel consumption in North America, continuing the price levels seen at the end of 2021. In 2022, average prices for our sawn timber increased 9.7%, and the volume of our sawn timber sales decreased 8.5% compared to 2021, also explained by the same reasons.

### **Costs and Expenses**

### ***Cost of Sales***

Our major costs of sales are the following:

- timber,
- chemicals,
- forestry labor,
- depreciation and amortization,
- maintenance,
- other raw materials, and
- energy and fuel.

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Our property, plant and equipment are depreciated on a straight-line basis over the remaining useful lives of the underlying assets. However, the amount of such depreciation that relates to our fixed production assets, such as pulp mills, panel mills and sawmills, is allocated to finished goods held as inventories and accumulates until charged to cost of sales when the finished goods are sold. Our forests and land are not depreciated.

### ***Distribution Costs***

Our distribution costs are comprised of our selling costs, which consist primarily of our shipping and freight costs which are the freight, port services, customs and other outbound logistical costs of shipping our products to our customer's, in addition to, per tonne fees we pay to our selling agents.

### ***Administrative Expenses***

Our major administrative expenses are wages and salaries, expenses related to services, information technology (IT) expenses, insurance expenses and other expenses.

### ***Results of Operation***

The following table provides a breakdown of our financial results of operations and sales volumes for the years ended December 31, 2020, 2021 and 2022. The table and the discussion that follows are based on and should be read in conjunction with our audited consolidated financial statements, including the notes thereto, as of and for the years ended December 31, 2020, 2021 and 2022 included elsewhere herein. The audited consolidated financial statements included herein are prepared in U.S. dollars and in accordance with IFRS.

	For the year ended December 31,								
	2022			2021			2020		
	Sales	%	Volume	Sales	%	Volume	Sales	%	Volume
(in millions of U.S. dollars, except percentages and volume)									
<b>Revenues</b>									
<b>Pulp</b>									
Bleached pulp <sup>(1)</sup>	2,326.4	32.8	2,686.2	2,254.2	35.5	3,102.1	1,669.1	35.3	3,262.8

Unbleached pulp <sup>(1)</sup>	426.9	6.0	488.5	331.8	5.2	436.7	259.8	5.5	455.9
<b>Pulp Subtotal</b>	<b>2,753.3</b>	<b>38.8</b>	<b>3,174.8</b>	<b>2,586.0</b>	<b>40.7</b>	<b>3,538.8</b>	<b>1,928.9</b>	<b>40.8</b>	<b>3,718.7</b>
Logs, net <sup>(2)</sup>	110.4	1.6	2,582.6	81.6	1.3	2,672.7	49.6	1.0	2,156.7
Chips <sup>(2)</sup>	-	0.0	-	2.7	0.0	34.3	24.1	0.5	321.9
Other <sup>(2)</sup>	23.8	0.3	1,280.5	35.7	0.6	1,773.0	38.2	0.9	2,463.6
<b>Forestry Products</b>									
<b>Subtotal<sup>(2)</sup></b>	<b>134.2</b>	<b>1.9</b>	<b>3,863.1</b>	<b>119.9</b>	<b>1.9</b>	<b>4,480.0</b>	<b>111.9</b>	<b>2.4</b>	<b>4,942.2</b>
<b>Total</b>	<b>2,887.5</b>	<b>40.7</b>	<b>-</b>	<b>2,705.9</b>	<b>42.6</b>	<b>-</b>	<b>2,040.8</b>	<b>43.2</b>	<b>-</b>
<b>Wood Products</b>									
Fiberboard panels <sup>(2)</sup>	2,651.3	37.3	5,464.9	2,234.4	35.2	6,126.8	1,689.1	35.7	5,650.0
Sawn timber <sup>(2)</sup>	584.9	8.2	1,650.0	582.5	9.2	1,803.0	389.9	8.2	1,726.1
Remanufactured wood products <sup>(2)</sup>	430.1	6.1	458.2	329.3	5.2	447.5	273.5	5.8	424.0
Plywood	377.8	5.3	529.3	351.4	5.5	550.9	228.8	4.8	505.0
Total	4,044.0	56.9	8,102.4	3,497.6	55.1	8,928.1	2,581.4	54.5	8,305.1
Energy	89.8	1.3		87.1	1.4		63.0	1.3	
Other	80.7	1.1		59.2	0.9		47.7	1.0	
<b>Total revenues</b>	<b>7,102.1</b>	<b>100</b>		<b>6,349.8</b>	<b>100</b>		<b>4,732.9</b>	<b>100</b>	
<b>Cost of sales</b>									
Timber	(859.8)			(773.7)			(844.5)		
Forestry labor costs	(623.9)			(554.5)			(467.6)		
Maintenance costs	(319.1)			(261.1)			(225.7)		
Chemical costs	(712.3)			(546.4)			(444.4)		
Depreciation and amortization	(408.2)			(401.7)			(412.8)		
Other costs of sales	(1,351.1)			(1,144.5)			(1,050.3)		
<b>Total cost of sales</b>	<b>4,274.5</b>			<b>(3,681.6)</b>			<b>(3,445.3)</b>		
<b>Gross profit</b>	<b>2,827.6</b>	<b>39.8%</b>		<b>2,668.2</b>	<b>42.0%</b>		<b>1,287.6</b>	<b>27.2%</b>	
Other income	100.1			379.0			283.8		
Distribution costs	(922.2)			(683.0)			(535.7)		
Administrative expenses	(613.6)			(577.1)			(510.1)		
Other expenses	(373.9)			(192.1)			(182.9)		
Other gains (losses)	0.0			0.0			0.0		
Income (loss) from operating activities	1,018.0			1,594.6			342.7		
Financial income	72.1			33.5			29.4		
Financial costs	(200.4)			(220.0)			(268.2)		
Share of profit (loss) of associates and joint ventures accounted for	33.7			31.4			2.3		

using equity method			
Exchange rate differences	(77.1)	(5.3)	(39.1)
Income before income tax	846.3	1,434.5	67.2
Income tax	(142.1)	(402.9)	(41.8)
<b>Net income</b>	<b>704.2</b>	<b>1,031.6</b>	<b>25.3</b>

- (1) Volumes measured in thousands of tonnes. Does not include subproduct sales (i.e. energy, chemicals) which are presented in the pulp reportable segment in Note 24 in our audited consolidated financial statements.
- (2) Volumes measured in thousands of cubic meters. Does not include subproduct sales (i.e. energy, chemicals) which are presented in the wood products reportable segment in Note 24 in our audited consolidated financial statements.

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### **Year Ended December 31, 2022 Compared to Year Ended December 31, 2021**

#### ***Revenues***

Revenues increased 11.8%, from U.S.\$ 6,349.8 million in 2021 to U.S.\$7,102.1 million in 2022, primarily as a result of:

- a 15.6%, or U.S.\$546.4 million, increase in revenues from wood product sales; and
- a 6.7%, or U.S.\$181.6 million, increase in revenues from pulp and forestry products sales.

*Pulp.* Revenues from bleached and unbleached pulp increased 6.5%, from U.S.\$2,586.0 million in 2021 to U.S.\$2,753.3 million in 2022, mainly due to an 18.7% increase in average prices, partially offset by a 10.3% decrease in sales volume. Revenues from sales of bleached pulp increased 3.2% in 2022, mainly due to a 19.2% increase in average prices, partially offset by 13.4% decrease in sales volume. Revenues from sales of unbleached pulp increased 28.7% in 2022, mainly due to a 15.0% increase in average prices and by an 11.9% increase in sales volume. In general, prices across all fibers and markets increased in 2022, especially during the first half of the year, mostly due to logistic issues. During the second half of the year, prices remained on an upward trend until the end of the year when prices decreased due to a normalization of logistic issues and a stabilization of inventories.

Revenues from sales of forestry products increased 11.9%, from U.S.\$ 119.9 million in 2021 to U.S.\$134.2 million in 2022, mainly due to a U.S.\$28.8 million increase in revenues from sales of logs.

*Wood Products.* Revenues from wood products increased 15.6%, from U.S.\$3,497.6 million in 2021 to U.S.\$4,044.0 million in 2022, primarily due to a 27.4% increase in average prices, partially offset by a 9.2% decrease in sales volume.

Revenues from panel products increased 18.7%, from U.S.\$2,234.4 million in 2021 to U.S.\$2,651.3 million in 2022, due to a 33.0% increase in average prices, partially offset by a 10.8% decrease in sales volume. The increase in average prices was primarily due to the effects of inflation, higher interest rates, and also to logistic issues at the industry level due to the conflict between Russia and Ukraine.

Revenues from sawn timber remained stable with a 0.4% yearly increase, from U.S.\$582.5 million in 2021 to U.S.\$584.9 million in 2022, mainly due to a 9.7% increase in average prices which was offset by 8.5% decrease in sales volume.

Revenues from plywood increased 7.5%, from U.S.\$351.4 million in 2021 to U.S.\$377.8 million in 2022, mainly due to an 11.9% increase in average prices and a 3.9% decrease in sales volume.

Revenues from remanufactured wood products sales increased 30.6%, from U.S.\$329.3 million in 2021 to U.S.\$430.1 million in 2022, mainly due to increases of 27.5% in average prices and 2.4% in sales volume. The increase in average prices was primarily due to a strong demand in the second and third quarter of 2022.

*Other revenue.* Revenues from other sources, consisting mainly of revenues from sales of energy, chemicals and other services, increased 16.6%, from U.S.\$146.3 million in 2021 to U.S.\$170.6 million in 2022, mainly as a result of a U.S.\$21.5 million increase in sales of chemicals and other services.

#### ***Cost of sales***

Cost of sales increased 16.1%, from U.S.\$ 3,681.6 million in 2021 to U.S.\$4,274.5 million in 2022, primarily as a result of:

- a 30.5% increase in chemical costs, from U.S.\$546.0 million in 2021 to U.S.\$712.3 million in 2022, primarily as a result of increases in the average prices of certain chemical products used in our production processes;
- a 11.1% increase in timber costs, from U.S.\$773.7 million in 2021 to U.S.\$859.8 million in 2022;
- a 12.5% increase in forestry labor costs, from U.S.\$554.5 million in 2021 to U.S.\$623.9 million in 2022, due to increases in harvesting costs;
- a 22.2% increase in maintenance costs, from U.S.\$261.1 million in 2020 to U.S.\$319.1 million in 2022, due to higher costs associated to scheduled and non-scheduled maintenance stoppages during the year; and
- a 20.8% increase in energy and fuel costs, from U.S.\$201.9 million in 2020 to U.S.\$244.0 million in 2022, due to increases in global fuel prices.

#### ***Gross Profit***

As a percentage of total revenue, our gross profit decreased from 42.0% in 2021 to 39.8% in 2022, primarily as a result of an increase of 16.1% in cost of sales which increased at a higher rate than our 11.8% increase in revenues.

#### ***Other income***

Other income decreased 73.6%, from U.S.\$379.0 million in 2021 to U.S.\$100.1 million in 2022. This decrease was mainly driven by the effects of the sale of forestry assets that we entered into during August 2021 and executed during such year.

#### ***Distribution costs***

Distribution costs increased 35.0%, from U.S.\$683.0 million in 2021 to U.S.\$922.2 million in 2022, primarily as a result of a 33.9% increase in freight costs, and also to a 33.3% increase in costs associated to port services. These increases were due to higher shipping fees as a result of logistic issues. For more information regarding the risks for which we insure our property, see “Item 3. Key Information—Risk Factors—Risks Relating to the Company—We depend on free international trade as well as economic and other conditions in our principal markets.”

As a percentage of revenues, distribution costs increased to 13.0% in 2022, from 10.7% in 2021.

### ***Administrative expenses***

Administrative expenses increased 6.3%, from U.S.\$577.1 million in 2021 to U.S.\$613.6 million in 2022, primarily as a result of:

- An 18.3% or U.S.\$8.1 million increase in third-party variable services;
- a 23.1% increase, or U.S.\$7.5 million increase in computer services; and
- a 2.9% increase, or U.S.\$7.3 million increase in wages, salaries and severance indemnities.
- As a percentage of revenues, administrative expenses decreased to 8.6% in 2022, compared to 9.1% in 2021.

### ***Other expenses***

Other expenses increased 94.6%, from U.S.\$192.1 million in 2021 to U.S.\$373.9 million in 2022, mainly due to a U.S.\$83.0 million impairment provision related to our Argentine operations, and to a U.S.\$82.3 million related to scheduled and non-scheduled stoppages in our mills.

### ***Finance costs***

Finance costs decreased 8.9%, from U.S.\$220.0 million in 2021 to U.S.\$200.4 million in 2022, primarily as a result of lower incurred costs compared to 2021 due to lower average debt and a U.S.\$22.8 increase in capitalized interests, which are excluded from finance costs.

### ***Exchange rate differences***

Losses from exchange rate differences increased 1,359.3%, from a loss of U.S.\$5.3 million in 2021 to a loss of U.S.\$77.1 million in 2022, primarily due to fluctuations of the Argentine peso, and to a lesser extent the Chilean peso and the Brazilian reais against the US dollar. See “-Economic Indicators in Chile, Argentina, Brazil, Uruguay, the United States and Canada.”

### ***Income tax***

We recorded an income tax expense of U.S.\$142.1 million in 2022 compared to income tax expense of U.S.\$402.9 million in 2021. This decrease was primarily associated to lower operating income, that includes the effect of an U.S.\$83.0 million impairment provision of our Argentine pulp mill and the re-valuation of our forest in 2022 that resulted in a decrease from U.S.\$82.0 million in 2021 to U.S.\$12.9 million in 2022.

### ***Net income***

Net income decreased 31.7% from U.S.\$1,031.6 million in 2021 to U.S.\$704.2 million in 2022. This is mainly explained by lower sales volumes in both of our pulp and wood products segments. Also, we recorded higher costs during the year.

## **Year Ended December 31, 2021 Compared to Year Ended December 31, 2020**

### ***Revenues***

Revenues increased 34.2%, from U.S.\$4,732.9 million in 2020 to U.S.\$6,349.8 million in 2021, primarily as a result of:

- a 35.5%, or U.S.\$916.2 million, increase in revenues from wood product sales; and
- a 32.6%, or U.S.\$665.1 million, increase in revenues from pulp and forestry products sales.

*Pulp.* Revenues from bleached and unbleached pulp increased 34.1%, from U.S.\$1,928.9 million in 2020 to U.S.\$2,586.0 million in 2021, mainly due to a 40.8% increase in average prices, partially offset by a 4.8% decrease in sales volume. Sales of bleached pulp increased 35.5% mainly due to a 42.1% increase in average prices, partially offset by a 4.9% decrease in sales volume. Revenues from unbleached pulp increased 27.7% during 2021, mainly due to a 33.3% increase in average prices, partially compensated by a 4.2% decrease in sales volume. In general, during 2021, prices across all fibers and markets increased, especially during the first half of the year, mostly due to a normalization in demand and certain supply issues caused by the COVID-19 pandemic. During the second half of the year, prices remained stable and at high levels in European markets and adjusted downwards somewhat on Chinese markets. Revenues from sales of forestry products increased 7.1%, from U.S.\$111.9 million in 2020 to U.S.\$119.9 million in 2021, mainly due to a U.S.\$26.3 million increase in sales of sawlogs.

*Wood products.* Revenues from wood products increased 35.5%, from U.S.\$2,581.4 million in 2020 to U.S.\$3,497.6 million in 2021, primarily due to a 26.0% increase in average prices, and a 7.5% increase in sales volume.

Revenues from panel products increased 32.3% from U.S.\$1,689.1 million in 2020 to U.S.\$2,234.4 million in 2021, due to a 22.0% increase in average prices and a 8.4% increase in sales volume. The increase in average prices was primarily due to a global increase in the housing, repair & remodeling and furniture industries, and also to logistic issues at the industry level due to the COVID-19 pandemic.

Revenues from sawn timber increased 49.4%, from U.S.\$389.9 million in 2020 to U.S.\$582.5 million in 2021, mainly due to a 43.0% increase in average prices and a 4.5% increase in sales volume. The increase in average prices was primarily due to a global increase in the housing, repair & remodeling and furniture industries, and also to logistic issues at the industry level due to the COVID-19 pandemic.

Revenues from plywood increased 53.6%, from U.S.\$228.8 million in 2020 to U.S.\$351.4 million in 2021, mainly due to a 40.8% increase in average prices and a 9.1% increase in sales volume.

Revenues from remanufactured wood products sales increased 20.4%, from U.S.\$273.5 million in 2020 to U.S.\$329.3 million in 2021, mainly due to a 14.1% increase in average prices and 5.5% in sales volume.

*Other revenue.* Revenues from other sources, consisting mainly of revenues from sales of energy, chemicals and other services, increased 32.1%, from U.S.\$110.7 million in 2020 to U.S.\$146.3 million in 2021, mainly as a result of a U.S.\$24.1 million increase in sales of energy and a U.S.\$11.5 million increase in sales of chemicals and other services.

#### ***Cost of sales***

Cost of sales increased 6.9%, from U.S.\$3,445.3 million in 2020 to U.S.\$3,681.6 million in 2021, primarily as a result of:

- a 22.9% increase in chemical costs, from U.S.\$444.4 million in 2020 to U.S.\$546.0 million in 2021, primarily as a result of an increase in sales volumes in our wood products segment and certain increases in the average prices of some of the chemical products used in the panels production process;
- a 18.6% increase in forestry labor costs, from U.S.\$467.6 million in 2020 to U.S.\$554.5 million in 2021, due to an increase in sales volumes in our wood products segment, and also to increases in harvesting costs;

- a 15.7% increase in maintenance costs, from U.S.\$225.7 million in 2020 to U.S.\$261.1 million in 2021, due to higher costs associated to scheduled maintenance stoppages during the year; and
- a 19.7% increase in energy and fuel costs, from U.S.\$168.8 million in 2020 to U.S.\$201.9 million in 2021, due to an increase in sales volumes in our wood products segment and also due to an increase in global fuel prices.

#### ***Gross Profit***

As a percentage of total revenue, our gross profit increased from 27.2% in 2020 to 42.0% in 2021, primarily as a result of a 34.2% increase in our total sales revenue and a relatively lower increase of 6.9% in cost of sales. This is mainly explained by a 40.9% and 26.0% increase in average sales prices of pulp and wood products, respectively, when compared to average sales prices in 2020. Sales volume, on the other hand, decreased by 4.8% for bleached and unbleached pulp and increased by 7.5% for wood products, also on a yearly basis.

#### ***Other income***

Other income increased 33.5% from U.S.\$283.8 million in 2020 to U.S.\$379.0 million in 2021. This increase was mainly driven by U.S.\$213.4 million in gains resulting from a sale of forestry assets that we executed in August 2021.

#### ***Distribution costs***

Distribution costs increased 27.5%, from U.S.\$535.7 million in 2020 to U.S.\$683.0 million in 2021, primarily as a result of a 34.1% increase in freight costs, and also to a 24.9% increase in costs associated to port services. These increases were due to a higher sales volume in our wood products division, and increases in shipping fees due to supply chain issues caused by the COVID-19 pandemic. For more information regarding the risks for which we insure our property, see “Item 3. Key Information—Risk Factors—Risks Relating to the Company—We depend on free international trade as well as economic and other conditions in our principal markets.”

As a percentage of revenues, distribution costs decreased to 10.7% in 2021, from 11.3% in 2020.

#### ***Administrative expenses***

Administrative expenses increased 13.1% from U.S.\$510.1 million in 2020 to U.S.\$577.1 million in 2021, primarily as a result of:

- a 17.7% or U.S.\$37.4 million increase in wages, salaries and severance indemnities, mostly associated to provisions related to performance bonuses; and
- a 21.4% increase, or U.S.\$24.4 million, in other administrative expenses, mostly related to an increase in cleaning, transportation and testing expenses, all of these directly associated with the COVID-19 pandemic. As a percentage of revenues, however, administrative expenses decreased to 9.1% in 2021, compared to 10.8% in 2020.

#### ***Other expenses***

Other expenses increased 5.0%, from U.S.\$182.9 million in 2020 to U.S.\$192.1 million in 2021, mainly due to an increase of U.S.\$16.6 million in loss of forests, and also to a 14.1% increase in impairment provisions for property, plant and equipment, which in 2021 included provisions of approximately U.S.\$18.9 million related to Line 1 of the Arauco mill, a facility that was permanently shut down on January 3, 2022 in relation with the MAPA project.

### ***Finance costs***

Finance costs decreased by 18.0% from U.S.\$268.2 million in 2020 to U.S.\$220.0 million in 2021, primarily as a result of a U.S.\$40.3 million increase in capitalized interests, and to a lesser extent due to the reduction in average debt outstanding, and the decrease in interest rates in the case of floating rate debt.

### ***Exchange rate differences***

Losses from exchange rate differences decreased 86.5%, from a loss of U.S.\$39.1 million in 2020 to a loss of U.S.\$5.3 million in 2021, primarily due to fluctuations of the Argentine peso, the Brazilian reais and the Chilean peso against the US dollar. See “—Economic Indicators in Chile, Argentina, Brazil, Uruguay, the United States and Canada.”

### ***Income tax***

We recorded an income tax expense of U.S.\$402.9 million in 2021 compared to an expense of U.S.\$41.8 million in 2020. This increase was primarily associated to the increase in gross profit coming from the increases in average prices of most of the products we commercialize, and also to the increase in sales volume in our wood products division. Additionally, during 2021 we accounted for gains related to a sale of forestry assets which increased our pre-tax income.

### ***Net income***

Net income increased 3,976.7% from U.S.\$25.3 million in 2020 to U.S.\$1,031.6 million in 2021. This is mainly explained by better operational results derived from an increase in average sale prices of products from our pulp and wood products business divisions. Also, during 2021 we executed the sale of approximately 430 properties for a price of U.S.\$343.7 million.

## **Liquidity and Capital Resources**

Our primary sources of liquidity are funds from operations, domestic and international borrowings from banks and debt offerings in the domestic and international capital markets. We generate substantial cash flows from our operations.

We have a financial policy, approved by our Board of Directors, which serves as a framework and contains several policies aimed at preserving our liquidity and strengthening our commitment to our Investment Grade rating. This financial policy includes a (i) liquidity policy, which maintains certain criteria regarding our liquidity management both in the short and long term, (ii) a counterparty policy which establishes limits on the maximum exposure we may have with respect to our different banking counterparties, (iii) investments and (iv) derivatives policies which regulate the type of investments and/or instruments we take positions into.

We entered into a U.S.\$375.0 million committed credit facility on February 20, 2020, that expires on February 20, 2025. To date, we have not made any drawings under this credit facility.

We believe that cash flow generated by operations, cash balances, borrowings from banks, debt offerings in the domestic and international capital markets and equity contributions are likely to be sufficient to meet our short and medium working capital, debt service and capital expenditure requirements. See “Item 4. —Information on our Company—Capital Expenditures.”

### ***Cash Flow from Operating Activities***

Our net cash flow provided by operating activities was U.S.\$1,700.5 million in 2022 and U.S.\$1,939.9 million in 2021. This decrease in 2022 was principally due to a U.S.\$1,206.8 million increase in payments to suppliers

and employees, and an increase of U.S.\$320.7 million in income taxes paid, partially offset by a U.S.\$1,240.2 million increase in 2022 in receipts from sale of goods and rendering of services, mostly associated with the increase in average prices for all of our products.

Our net cash flow provided by operating activities was U.S.\$1,939.9 million in 2021 and U.S.\$1,142.1 million in 2020. This increase in 2021 was principally due to a U.S.\$1,491.0 million increase in 2021 in receipts from sale of goods and rendering of services, mostly associated with the increase in average prices for all of our products.

#### ***Cash Flow Used in Investing Activities***

Our net cash used in investing activities was U.S.\$1,469.9 million in 2022 and U.S.\$1,189.6 million in 2021. This increase in 2022 was principally due to a U.S.\$204.7 million decrease in 2022 in inflows originated from the sale of other long-term assets, mostly due to the effects of the sale of forestry assets that we executed in August 2021.

Our net cash used in investing activities was U.S.\$1,189.6 million in 2021 and U.S.\$1,678.9 million in 2020. This decrease in 2021 was principally due to (i) a U.S.\$220.1 million increase in 2021 in inflows originated from the sale of other long-term assets, mostly due to the sale of some forestry assets, and (ii) a U.S.\$184.5 million or 12.3% decrease in acquisition of property, plant and equipment.

#### ***Cash Flow from Financing Activities***

Our net cash used by financing activities was U.S.\$527.2 million in 2022, compared to U.S.\$769.5 million in 2021, primarily as a result of our payment in 2022 of U.S.\$380.9 million in dividends and U.S.\$397.9 million in loan payments.

Our net cash used by financing activities was U.S.\$769.5 million in 2021, compared to U.S.\$56.2 million provided by such activities in 2020. During 2021, we paid U.S.\$471.2 million in dividends, and loan payments reached U.S.\$596.5 million. We also received during the year U.S.\$200.0 million as proceeds from issuance of shares.

#### ***Contractual Obligations***

As is customary practice in the pulp and wood products industries, we generally do not have long-term sales contracts with our customers; rather, we maintain relationships with our customers, with whom we reach agreements from time to time on specific volumes and/or prices.

#### ***Investing Activities***

During 2022, our main investment activities were investments in (i) projects, (ii) sustaining our panel, sawmill and pulp mills, and (iii) sustaining our biological assets. Our main capital expenditures in projects during 2022 included U.S.\$617.4 million invested in the MAPA Project

#### ***Financing Activities in 2022***

On April 1, 2019, we entered into an export credit agreement with Finnvera (the Finnish state-owned financing company) and three banks (BNP Paribas, JPMorgan Chase & Co. and Santander) for a total amount of €555.0 million. The agreement sets forth the disbursement period during the construction of the MAPA project and an 8.5-year maturity period with equal annual amortization installments. The funds were used to purchase equipment for the MAPA project from the main suppliers (i.e., Andritz and Valmet). As of December 31, 2022, the total amount disbursed under the facility was €543.3 million (equivalent to approximately U.S.\$579.3 million using the exchange rate of December 31, 2022). As of the date of this annual report, the total amount disbursed is €555.0 million,

equivalent to the total of the export credit agreement (equivalent to approximately U.S.\$592.0 million using the exchange rate of December 31, 2022).

As of December 31, 2022, the current portion of our bank debt was U.S.\$277.7 million of which 74.1% was U.S. dollar-denominated. As of December 31, 2022, our total non-current portion of our bank debt was U.S.\$662.8 million of which 31.6% was U.S. dollar-denominated.

As of December 31, 2022, we also had total capital markets borrowings (including the current portion of such debt) of U.S.\$4.5 billion, 75.3% of which were U.S. dollar-denominated.

As of December 31, 2022, the weighted average maturity of our non-current bank debt was 4.9 years. The interest rate on our floating rate debt is determined principally by reference to the LIBOR, and as of December 31, 2022, the average spread for our U.S. dollar floating rate debt over six-month LIBOR was 1.67%. As of December 31, 2022, the average interest rate for our U.S. dollar fixed rate debt was 4.56%. These average rates do not reflect the effect of swap agreements.

As of December 31, 2022, we guaranteed obligations of U.S.\$34.2 million related to Montes del Plata, U.S.\$240.0 million related to Arauco North America and U.S.\$67.0 million related to Arauco do Brasil.

The instruments and agreements governing our bank loans and local bonds set limits on our incurrence of debt and liabilities through the use of financial covenants. The principal financial covenants contained in our bank loan agreements in effect on December 31, 2022 were the following:

- Our net debt to equity ratio must not exceed 1.2:1; and
- Our interest coverage ratio must not be less than 2:1.

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The principal financial covenant contained in our local bond agreements in effect on December 31, 2022 is:

- Our net debt to equity ratio must not exceed 1.2:1.

We were in compliance with all bank loan and bond covenants as of December 31, 2022. Our U.S. dollar-denominated bonds do not contain financial maintenance covenants.

### **Treasury Management**

Our corporate financial policy establishes a set of guidelines, procedures and responsibilities to minimize certain financial risks to which we are exposed and to regulate such policy with a global corporate view. This policy seeks to manage such risks in our best interests, covering all countries where we operate, and is administered by our Corporate Finance Department (based in Chile). Additionally, we seek to manage our financial needs to ensure business continuity and normal operations in the long term. Also, we ensure funding for new investments to achieve sustainable growth over time, keeping adequate capital structure considering economic cycles that impact our business and the nature of the industries in which we operate.

We manage our treasury activities on a centralized basis. In the case of our Argentine and Brazilian subsidiaries, our Corporate Finance Department supervises and controls compliance with our finance policies, but their daily treasury activities are managed independently.

The treasury activities of our Montes del Plata joint operation are conducted pursuant to a corporate financial policy approved by its Board of Directors based on the same principles underlying our cash and deposits policy. In

addition, our joint operation is supervised by a financial committee comprised of members of both shareholders' finance departments.

The treasury activities of Sonae Arauco, our joint venture with Sonae, are conducted pursuant to a corporate financial policy approved by its Board of Directors, based on the same principles underlying our cash and deposits policy. In addition, they are supervised by a financial committee comprised of members of both shareholders.

## **Hedging**

We periodically review our exposure to risks arising from fluctuations in market prices related to positions assumed by us with respect to different assets and/or liabilities also used by us in order to conduct our business activity and decide, on a case-by-case basis at our senior management level whether to hedge such risks. Our Derivatives Policy establishes the minimum requisites our counterparties must meet, as well as proper procedures. As a result, from time to time we enter into hedging contracts with respect to the previously mentioned financial positions. See Note 23 to our audited consolidated financial statements. We apply hedge accounting for financial instruments whose purpose is to hedge against fluctuations in prices of the aforementioned assets and/or liabilities.

### ***Cross Currency Swap Agreements***

We have outstanding the following cross currency swap agreements in Chile to hedge our local bonds issued in UF:

<b>Bank</b>	<b>UF Notional Amount</b>	<b>U.S.\$ Notional Amount</b>	<b>Hedging Start Date</b>	<b>Maturity</b>
BCI – Chile	636,364	24,500,016	10/30/2021	10/30/2029
BCI – Chile	636,364	23,940,993	10/30/2014	04/30/2023
Scotiabank – Chile	636,364	24,529,437	10/30/2021	10/30/2029
Scotiabank – Chile	636,364	24,453,184	10/30/2014	04/30/2023
Scotiabank – Chile	636,364	24,422,642	10/30/2014	04/30/2023
Santander – Chile	636,364	24,167,222	10/30/2014	04/30/2023
Banco de Chile – Chile	636,364	24,167,223	04/30/2019	10/30/2029
Scotiabank – Chile	909,091	38,557,134	11/15/2013	11/15/2023
Santander – Chile	909,091	37,957,011	11/15/2013	11/15/2023
Deutsche – U.K.	909,091	37,957,011	11/15/2013	11/15/2023
BCI – Chile	909,091	35,000,024	11/15/2021	11/15/2032
BCI – Chile	909,091	34,997,071	11/15/2021	11/15/2032
JP Morgan – U.K.	1,000,000	43,185,224	10/01/2014	04/01/2024
Itaú Corpbanca – Chile.	1,000,000	43,277,070	10/01/2014	04/01/2024
Santander – Chile	3,000,000	128,611,183	10/01/2014	04/01/2024
Santander – Chile.	5,000,000	201,340,031	11/15/2016	11/15/2026
Goldman Sachs – N.A.	1,000,000	40,521,750	10/10/2018	10/10/2028
Scotiabank – Chile	1,000,000	40,537,926	10/10/2018	10/10/2028
Goldman Sachs – N.A.	1,000,000	40,066,555	10/10/2018	10/10/2028
Santander – Chile	2,500,000	97,971,786	10/10/2018	10/10/2038
Santander – Chile	3,000,000	118,400,504	10/10/2018	10/10/2038
<b>Total</b>	<b>27,500,003</b>	<b>1,108,560,997</b>		

These cross currency swap agreements allow us to hedge our currency exposures. Through these agreements, we receive cash flows in UF, which allow us to comply with the terms of our outstanding bonds and

pay fixed amounts in U.S. dollars, the currency in which a significant amount of our assets and sales are denominated.

We have outstanding the following cross currency swap agreements in Chile to hedge our bank loans denominated in Euro:

<b>Bank</b>	<b>EUR Notional Amount</b>	<b>U.S.\$ Notional Amount</b>	<b>Hedging Start Date</b>	<b>Maturity</b>
Santander – Chile	82,352,941	97,728,235	06/15/2021	12/15/2029
Banco de Chile – Chile	41,176,471	48,864,118	06/15/2021	12/15/2029
MUFG Bank – Japan	82,352,941	97,728,235	06/15/2021	12/15/2029
JP Morgan – N.A.	164,705,882	195,456,471	06/15/2021	12/15/2029
HSBC – N.A.	41,176,471	48,864,118	06/15/2021	12/15/2029
<b>Total</b>	<b>411,764,706</b>	<b>488,641,177</b>		

Through these cross currency swap agreements we receive cash flows in EUR, which allow us to comply with the terms of our outstanding bank liabilities and pay fixed amounts in U.S. dollars, the currency in which a significant amount of our assets and sales are denominated.

The aggregate fair value of our UF and EUR cross currency swap agreements as of December 31, 2022, represented a liability of U.S.\$20.5 million as compared to December 31, 2021, when they represented a liability of U.S.\$ 295.8 million. This variation was primarily a result of changes in the fair value related to fluctuations in rates both for U.S. dollars and Chilean pesos, and also due to variations of the U.S. dollars to Chilean pesos exchange rate.

#### *Interest Rate Swap Agreements*

We have the following interest rate swap agreements to hedge fluctuations in floating rates for long-term debt outstanding in the U.S.:

<b>Bank</b>	<b>Currency</b>	<b>U.S.\$ Notional Amount</b>
JP Morgan – N.A.	U.S.\$	80,000,000
JP Morgan – N.A.	U.S.\$	80,000,000
Goldman Sachs – N.A.	U.S.\$	80,000,000

As of December 31, 2022, the fair value of the aforementioned agreements represented an asset of U.S.\$15.1 million as compared to December 31, 2021, when they represented an asset of U.S.\$2.7 million.

We have the following interest rate swap agreements to hedge fluctuations in floating rates for long-term debt outstanding in Uruguay:

<b>Bank</b>	<b>Currency</b>	<b>U.S.\$ Notional Amount</b>
DNB Bank ASA	U.S.\$	8,439,601 <sup>(1)</sup>

(1) U.S.\$ notional amount includes multiple contract agreements.

The fair value of this agreement as of December 31, 2022, represented an asset of U.S.\$0.1 million for Arauco. The notional amount shown in the table above and the fair value account for 50% of the notional amount and the fair value respectively, since these agreements were entered into by Montes del Plata (of which Arauco owns 50% of its shares).

### **Forward Agreements**

As of December 31, 2022, we have the following forward agreements outstanding in Uruguay to hedge fluctuations in the respective local currencies, as follows:

<b>Bank</b>	<b>Exchange Rate</b>	<b>U.S.\$ Notional Amount</b>	<b>Hedging Start Date</b>	<b>Maturity</b>
HSBC Uruguay	U.S.\$ -UYU	13,735,000 <sup>(1)</sup>	-	-
Itaú Uruguay	U.S.\$ -UYU	8,480,000 <sup>(1)</sup>	-	-
Banco de la República Oriental de Uruguay	U.S.\$ -UYU	3,805,000 <sup>(1)</sup>	-	-
Banco Santander Uruguay	U.S.\$ -EUR	2,416,000 <sup>(1)</sup>	-	-
Itaú Uruguay	U.S.\$ -EUR	859,000 <sup>(1)</sup>	-	-

(1) U.S.\$ notional amount includes multiple contract agreements.

The fair value of these agreements as of December 31, 2022, represented an asset of U.S.\$1.8 million, which includes the 50% of total fair value of the forward agreements entered into by Montes del Plata (of which Arauco owns 50% of its shares).

As of December 31, 2022, we have the following forward agreements outstanding in Argentina to hedge fluctuations in the respective local currencies, as follows:

<b>Bank</b>	<b>Exchange Rate</b>	<b>U.S.\$ Notional Amount</b>	<b>Hedging Start Date</b>	<b>Maturity</b>
Banco Santander – Argentina	U.S.\$ -AR\$	3,800,000	12/10/2021	01/31/2022
BBVA – Argentina	U.S.\$ -AR\$	3,800,000	12/10/2021	02/25/2022
BBVA – Argentina	U.S.\$ -AR\$	6,000,000	12/15/2022	01/31/2023

The fair value of these agreements as of December 31, 2022, represented an asset of U.S.\$0.01 million.

### **Research and Development**

We spent U.S.\$9.6 million in 2020, U.S.\$10.1 million in 2021 and U.S.\$10.8 million in 2022 on research and development. We conduct our principal research and development programs through our subsidiary, Investigaciones Forestales Bioforest S.A. (“Bioforest”), which concentrates its efforts on applying and implementing advanced technologies to the specific characteristics of our forests and mills.

There are four principles that support Bioforest’s research programs:

1. Knowledge and experience: Bioforest performs applied research and development since 1990 focused on the most relevant challenges and opportunities of Arauco’s business units.
2. Strong team: Over 110 highly trained researchers and technical experts, including 25 PhD’s and 7 PhD candidates.
3. World class facilities and equipment: We support research and development projects with our own biotechnology, pulp and panels laboratories.
4. Collaboration: We have built and currently work with an extensive network of universities and research and development centers around the world.

Bioforest has been adding value to Arauco through researching and developing new technologies in order to produce goods in a more efficient way and improve the quality of products, to use them in new ways and to create a better understanding and knowledge of our process.

In our pulp business segment, we research the use of different technologies that help reduce water consumption, reduce CO<sub>2</sub> emissions, reduce our solid waste, and increase productivity and yield in the different pulp mills we operate.

In our wood products business segment, our research is focused on supporting the development of wood based construction, and also in the processes and technologies that reduce consumption of synthetic resins in the panels industry. This includes the introduction of bio-based ingredients in adhesives.

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To capture the full value of our forest assets and provide the best possible value to our customers, we are continuously researching and attempting to develop different strains of fiber from pine and eucalyptus trees to improve their quality and to shorten their average harvest cycle. Bioforest has increased the growth rate of our radiata pines, eucalyptus globulus and eucalyptus nitens, adding more value to our plantations.

Finally, in Bioforest we study ecosystems and native forests, which allows us to support Arauco's conservation and restoration commitments based on science. The knowledge we gather about the carbon cycle and rich biodiversity that relates to our forests, supports our strategy of being a renewable business.

Several research programs have translated into silvicultural prescriptions, that allow our forestry operations to perform science-based activities to maximize health and productivity of our plantations, from nursery to the harvest stage.

### **Critical Accounting Estimates**

See Note 1 to our audited consolidated financial statements for information on Critical Accounting Estimates.

### **Trend Information**

#### ***Pulp***

According to Fastmarkets RISI, softwood pulp prices decreased in Asia and Europe during the fourth quarter of 2022. Hardwood pulp prices remained stable in China during the fourth quarter of 2022.

In the first quarter of 2023, we observed a general decrease in softwood and hardwood pulp benchmark prices, as published by Fastmarkets RISI. In the case of dissolving pulp, our prices increased somewhat during the first quarter of 2023. During the remainder of 2023, developments could affect our pulp business, such as the effects of shipment decreases in China during January due to the Chinese New Year, a weakening of the export market, paper demand deterioration and uncertainties associated with the current geopolitical environment. As of the date of this annual report, it is difficult to predict any further variation in pulp prices (See "Item 3. —Key Information—Risk Factors—Global economic and other developments, and particularly economic developments in the Asian, European and U.S. economies, could have an adverse effect on the demand for our products, our financial condition, results of operations and cash flows." for a more detailed discussion about this topic).

#### ***Wood Products***

During the fourth quarter of 2022, demand of wood products decreased, which is reflected on decreases in our sales prices and volumes sold. The North American markets remained weak in new constructions, repair and remodeling activity. Additionally, high inventories, due to supply chain problems in 2022, also affected the fourth quarter of 2022 and the first quarter of 2023.

Our prices continued to weaken in general during the first quarter of 2023 in many markets and products. As of the date of this annual report, it is difficult to predict any further variation in wood product prices, as well as any other developments that could affect our wood products business during the remainder of 2023, mainly due to high interest rates, high inventories, economies' expectations and geopolitical problems. (See "Item 3. Key Information—Risk Factors—Global economic and other developments, and particularly economic developments in the Asian, European and U.S. economies, could have an adverse effect on the demand for our products, our financial condition, results of operations and cash flows." for a more detailed discussion about this topic).

## **Item 6. Directors, Senior Management and Employees**

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### **DIRECTORS AND EXECUTIVE OFFICERS**

#### **Directors**

A Board of Directors manages our business. Our *estatutos* (by-laws) require that the Board of Directors consist of nine directors. Our directors cannot also be our executives. The entire board is elected every three years and can be re-elected for any number of periods. The current board was elected in April 2020. The board may appoint replacements to fill any vacancies that occur during periods between elections; however, at the annual shareholders' meeting following any such replacement, an election of the entire board must take place. Scheduled meetings of the Board of Directors are generally held once a month. Extraordinary board meetings are called when summoned by the Chairman or when requested by at least two directors. We have not entered into any contracts with our current directors to provide any benefits upon the termination of their relationship with us. We do not have a compensation committee.

Our current directors are listed below.

Name	Years as Director	Position	Age
Manuel Bezanilla	37	Chairman	79
Roberto Angelini	37	First Vice-Chairman	75
Jorge Andueza	30	Second Vice-Chairman	75
Alberto Etchegaray	30	Director	78
Eduardo Navarro	16	Director	58
Timothy C. Purcell	19	Director	64
Franco Mellafe	9	Director	48
Juan Ignacio Langlois	8	Director	56
Jorge Bunster <sup>(1)</sup>	23	Director	71

(1) Jorge Bunster was Director from 1996-2010. He rejoined the Board of Directors in April 2017.

Included below are brief biographical descriptions of each of our directors.

*Manuel Bezanilla* became a Director on April 30, 1986 and became Chairman of the Board of Directors on April 23, 2013. He served as Second Vice-Chairman of the Board of Directors from May 4, 2007 to April 23, 2013. He is also a partner of the law firm Portaluppi, Guzmán y Bezanilla. He serves as Chairman of the board of Forestal Arauco and Inversiones Arauco Internacional Limitada, and serves as a member of the Boards of Directors of Empresas Copec, Pesquera Iquique-Guanaye S.A., AntarChile S.A. ("AntarChile"), Inversiones Siemel S.A. and Inversiones Angelini y Compañía Limitada ("Inversiones Angelini"). Mr. Bezanilla holds a law degree from the Catholic University of Chile.

*Roberto Angelini* became a Director on April 30, 1986 and became First Vice-Chairman of the Board of Directors on May 4, 2007. He served as Vice-Chairman of the Board of Directors from April 18, 1991 to January 4,

2005, when he voluntarily resigned, and as Second Vice-Chairman of the Board of Directors from January 27, 2005 to May 4, 2007. He serves as Chairman of the Board of Directors of Empresas Copec, COPEC, AntarChile, Corpresa S.A., Pesquera Iquique-Guanaye S.A., Inversiones Alxar S.A., Inversiones Angelini, Inversiones Caleta Vitor S.A. and Servicios Corporativos Sercor S.A. He also serves as a member of the boards of directors of Forestal Arauco, Inversiones Arauco Internacional Limitada, Inversiones Nutravalor S.A., Nutrisco S.A., Cumbres Andinas S.A.C. and Inversiones Siemel S.A. Mr. Angelini holds a degree in civil engineering from the Catholic University of Chile.

*Jorge Andueza* became a Director on April 11, 1994 and was appointed Second Vice-Chairman of the Board of Directors on April 23, 2013. He is also the Chairman of the Board of Directors of Inversiones Siemel S.A. and Nutrisco S.A., and serves as a member of the boards of directors of COPEC, Empresas Copec, Forestal Arauco, Inversiones Arauco Internacional Limitada, Inversiones Nutravalor S.A., Corpresa S.A., Pesquera Iquique-Guanaye S.A., Organización Terpel S.A., Mapco Express Inc., Inversiones Caleta Vitor S.A. and Servicios Corporativos Sercor S.A. Mr. Andueza holds a degree in electronic civil engineering from Federico Santa María Technical University.

*Alberto Etchegaray* became a Director on April 11, 1994 and served as Chairman of the Board of Directors from January 4, 2005 to May 4, 2007, when he voluntarily resigned. He is also a partner of Domet Ltda., and serves as a member of the Board of Directors of Compañía de Seguros Confuturo S.A. He served as the Chilean Minister of Housing for four years. Mr. Etchegaray holds a degree in civil engineering from the Catholic University of Chile.

*Eduardo Navarro* became a Director on September 25, 2007. He is also the Chief Executive Officer of Empresas Copec S.A., the Chief Executive Officer of Pesquera Iquique-Guanaye S.A., and serves as Chairman of the board of Abastible S.A. and a member of the Board of Directors of COPEC, Colgas S.A., Solgas S.A., Duragas S.A., Corpresa S.A., Inversiones Caleta Vitor S.A., Nutrisco S.A., Inversiones Alxar S.A. and Cumbres Andinas S.A.C. Mr. Navarro holds degrees in commercial engineering and economics, and a master's degree in economics, all from the Catholic University of Chile.

*Timothy C. Purcell* became a Director on April 26, 2005. He is also Managing Partner of Linzor Capital Partners, LP. Mr. Purcell currently serves as a member of the Board of Directors of Engenium Capital S.A. de C.V., and Corporación Santo Tomás. He is also Chairman of the Board of Directors of Enseña Chile and member of the Board of Directors of Colegios Cree in Chile. Mr. Purcell received an undergraduate degree in economics from Cornell University, as well as a master's degree in international studies from the University of Pennsylvania and a master's degree in business from Wharton Business School.

*Franco Mellafe* became a director on April 21, 2015. He has also served as member of the Board of Directors of Forestal Arauco and Inversiones Angelini y Compañía Limitada since July 2013. Mr. Mellafe holds a Master's degree in Business Administration from Babson College and an undergraduate degree in business administration from Gabriela Mistral University. Before joining our Board of Directors, Mr. Mellafe worked for twelve years in different positions in Arauco.

*Juan Ignacio Langlois* became a director on April 26, 2016. He is also Partner of Tyndall Group. Mr. Langlois currently serves as a member of the Board of Directors of Metrogas S.A. He also serves as alternate director of Minera Las Cenizas S.A. Mr. Langlois received a law degree with maximum distinction from the Universidad de Chile School of law, a master's degree in business administration (MBA) from the Kenan-Flagler Business School, University of North Carolina at Chapel Hill, and a master's degree in law (LLM) from the University of California, Berkeley.

*Jorge Bunster* served as a director between April 1994 and March 2010, when he voluntarily resigned to assume the position of Vice Minister of Foreign Trade at the Ministry of Foreign Affairs of Chile, and subsequently, on April 2012, as Minister of Energy until March of 2014. He rejoined the Board of Directors in April 2017. Mr. Bunster serves as a member of the Boards of Directors of COPEC, Organización Terpel S.A., Mapco Express Inc., and Nutrisco S.A. Mr. Bunster holds degrees in commercial engineering and economics from the Catholic University of Chile and a master's degree in business administration from IESE, Navarra University, Spain.

## Executive Officers

Our executive officers are appointed by the Board of Directors and hold office at its discretion. Our principal executive officers and the directors as of December 31, 2022, of each area or department are listed below.

Name	Years with Arauco	Position	Age
Matías Domeyko	33	Chief Executive Officer	62
Cristián Infante	27	President & Chief Operating Officer	57
Gianfranco Truffello	29	Chief Financial Officer	55
Iván Chamorro	22	Senior Vice-President Forestry	50
Franco Bozzalla	33	Senior Vice-President Wood Pulp & Energy	60
Charles Kimber	37	Senior Vice-President Human Resources & Sustainability	62
Antonio Luque	30	Senior Vice-President Wood Products	67
Gonzalo Zegers	15	Senior Vice-President International & Business Development	62
Felipe Guzmán	15	General Counsel	54

Included below are brief biographical descriptions of each of our executive officers and the directors of each area or department as of March 31, 2023.

*Matías Domeyko* is the Chief Executive Officer of Arauco. Mr. Domeyko worked at Arauco from 1987 to 1994, and then rejoined in 1997 as our Chief Financial Officer. In 2005, Mr. Domeyko assumed the position of Chief Executive Officer of Arauco. He previously served as the Director of Development of Copec. Mr. Domeyko holds a degree in commercial engineering from the University of Chile.

*Cristián Infante* is the President & Chief Operating Officer of Arauco, a position that was created by Arauco in July 2011. He joined Arauco in 1996 as a wood pulp sales representative, and in 1998 was appointed sales manager for industrial lumber and remanufactured products of Forestal Arauco. He then moved to Centromaderas S.A., where he worked until 2001. Mr. Infante later served as the Corporate Management & Development and Atlantic Region Managing Director. Mr. Infante holds a degree in civil engineering from the Catholic University of Chile.

*Gianfranco Truffello* is the Chief Financial Officer of Arauco since 2005. He joined Arauco in 1994 and was previously our Finance Manager. He also served as the Chief Financial Officer of Arauco Argentina S.A. Mr. Truffello holds a degree in civil engineering from the Catholic University of Chile and a master's degree in business administration from the Massachusetts Institute of Technology.

*Iván Chamorro* is the Senior Vice-President Forestry of Arauco. He holds a degree in civil engineering and MBA from the Catholic University of Chile. Mr. Chamorro joined the company in 2001, working in the commercial department and later, as its Manager of Public Affairs and Communications. Mr. Chamorro later served as the Senior Vice-President of Human Resources & EHS.

*Franco Bozzalla* is the Senior Vice-President Wood Pulp & Energy of Arauco. He joined Arauco in 1990. He was formerly a sales representative of Forestal Arauco and the Panels Area Managing Director. Mr. Bozzalla holds a degree in civil engineering from the Catholic University of Chile.

*Charles Kimber* is the Senior Vice-President Human Resources & Sustainability of Arauco. He graduated from the Catholic University of Chile with a degree in Commercial Engineering and joined Arauco in 1986, where he has held several positions in sales. He was previously Managing Director of Arauco Wood Products Inc.

*Antonio Luque* is the Senior Vice-President Wood Products of Arauco. He joined Arauco in 1993. Before joining Arauco, he was the General Manager of Cabildo S.A. and a research engineer at Compañía Industrial. Mr. Luque holds a degree in civil engineering from the University of Chile.

*Gonzalo Zegers* is the Senior Vice-President International & Business Development of Arauco. He joined Arauco in 2008. Before joining Arauco, he was the general manager of Agrofruta S.A. from 1991 to 1995, Chief Financial Officer (1995-1996) and Chief Executive Officer (1996-2005) of Masisa, and Chief Executive Officer of ATC Panels Inc. (USA) until 2008. Mr. Zegers holds a degree in commercial engineering from the Santiago University of Chile.

*Felipe Guzmán* is the General Counsel of Arauco. He joined Arauco in December 2008. Before joining Arauco, he worked at the law firm Portaluppi, Guzmán y Bezanilla (1996-2008), and he spent a year as an International Associate at Simpson, Thacher & Bartlett in New York (2000-2001). Mr. Guzmán holds a law degree from Finis Terrae University, and a Master of Laws degree from Duke University.

## Compensation

For 2022, the aggregate compensation of all our directors, executive officers and senior managers paid or accrued in that year for services in all capacities, including salaries and compensation for their service to those executive officers who serve as directors, was approximately U.S.\$55.0 million. We do not maintain any pension or retirement programs or incentive compensation plans for our directors. Compensation for our executive officers, is comprised of a fixed monthly salary and a performance bonus paid on a yearly basis subject to our financial performance, the fulfillment of objectives and individual performance. We also do not maintain any plans providing for benefits upon termination of employment. The following table sets out the compensation of our directors for their services in 2022, as disclosed in our annual report submitted every year with the *Comisión para el Mercado Financiero* in Chile.

Name	2022
Manuel Bezanilla	U.S.\$ 518,678
Roberto Angelini	307,495
Jorge Andueza	307,495
Franco Mellafe	169,183
Alberto Etchegaray	114,313
Eduardo Navarro	114,313
Timothy C. Purcell	114,313
Jorge Bunster	114,313
Juan Ignacio Langlois	114,313
Total Compensation	1,874,416

## Board Practices

In 2013, we created an audit committee, which was composed of two directors, Jorge Andueza and Timothy C. Purcell, as well as the Chief Executive Officer of Arauco, the Chief Operating Officer of Arauco, the Senior Vice-President Comptroller of Arauco and the General Counsel of Arauco. Our securities are not listed on any U.S. national securities exchange and, therefore, we are not subject to the rules relating to audit committees imposed by the Sarbanes-Oxley Act of 2002, as amended. In November 2015 the Board of Directors agreed to reinforce the role of the audit committee, giving it new powers and expanding its membership. It is now comprised by three directors: Jorge Andueza, Timothy C. Purcell, and Eduardo Navarro, as well as the Chief Executive Officer of Arauco, the President and Chief Operating Officer of Arauco, the General Counsel of Arauco and Mr. Robinson Tajmuchi. Beginning on the fourth quarter of 2020, the Chief Financial Officer and the Audit Manager have participated of the

committee's sessions, to show topics regarding financial statement and internal audit issues respectively. The General Counsel of Arauco periodically reports to the Board of Directors about the functioning of the Audit Committee.

In January 2021, the Board of Directors reviewed and adjusted some of the tasks of the Audit Committee, as well it was defined that the members will remain for a 3 year-term. At the end of such term, the Board of Directors will designate the members for the new period, which could be totally or partially the same as the previous period.

In 2019, an Ethics and Compliance Committee was created by our Board of Directors. The members of such Ethics and Compliance Committee are Messrs. Manuel Bezanilla (Chairman of the Board of Directors), Jorge Andueza (second Vice-Chairman of the Board of Directors), Matías Doméyko (Chief Executive Officer), Cristián Infante (President & Chief Operating Officer), Felipe Guzmán (General Counsel). Mr. Camilo Naranjo (Chief Compliance Officer), is in charge of the proper functioning of the Ethics and Compliance Committee, and reports to the Board of Directors on a semi-annual basis. The Committee replaced the previously existing ethics committee and is in charge of the supervision of the processes implemented by the Company in order to comply with the ethical standards and the regulations related to compliance. In addition, the Committee reviews and decides whether to open investigations on reports received through the reporting hotline.

### **Employees**

The following table provides a breakdown of our employees by main category of activity as of the end of each year in the three-year period ended December 31, 2022.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Executives	386	497	498
Professionals and Technicians	5,279	5,135	5,527
Workers	13,378	12,519	11,526
Total	<u>19,043</u>	<u>18,151</u>	<u>17,551</u>

Approximately 57% of our employees in Chile, 55% of our employees in Argentina, 34% of our employees in Uruguay, 8% of our employees in Brazil (although 100% are represented by the unions), 44% of our employees in Mexico and none of our employees in the United States or Canada were unionized as of December 31, 2022. We have negotiated collective bargaining agreements with unionized employees.

We believe we generally have stable relations with our employees in Chile, Argentina, Brazil, Uruguay, Mexico, the United States and Canada.

#### *Chile*

In Chile we did not have stoppages of our own workers related to collective bargaining processes during the year 2022. Among others, we can list the following labor-related events:

Between March and May 2022, we had stoppages in our lumber production processes for a total of 7 days in the Horcones facility, as the result of the access being blocked by contractor workers.

We renew all the collective bargaining instruments that expired during 2022 in Chile. We cannot assure you that a work slowdown, work stoppage or strike will not occur before or after the expiration of our labor agreements, and we cannot estimate the degree to which any work slowdown, work stoppage or strike may adversely affect our sales.

In addition, we depend to a significant extent on employees of contractors to which we outsource a wide range of services including management of certain of our plantations and transportation of raw materials and products.

In Chile, as of December 31, 2022, we had contracts with approximately 474 contractors, who employed approximately 15,139 employees.

#### *United States and Canada*

During the last ten years, we experienced no strikes or other material work stoppages at our U.S. and Canadian subsidiaries.

Our U.S. operations must comply with the regulations issued by the Occupational Safety & Health Administration (OSHA) and the Federal Labor Standards Act (FLSA), among others. Our Canadian operations must comply with the regulations of Worksafe New Brunswick and Ontario Ministry of Labor.

In August 2019, Arauco North America announced the closure of the St. Stephen particleboard operation, and ceased its operations on December 13, 2019, dismissing 60 employees.

On February 11, 2020, we announced the closure of our Eugene MDF facility and ceased operations on May 1, 2020, dismissing 70 employees. On April 22, 2020, we announced the closure of our Bennettsville MDF facility and ceased operations on May 28, 2020, dismissing 118 employees. Both MDF closures were related to an imbalance between supply and demand coupled with the fact that the older manufacturing platform was less competitive compared to our other advanced, high-capacity particleboard platforms.

In April 2020, we announced the closure of our Moncure particleboard line, which ceased its operations on May 1, 2020, resulting in the dismissal of 45 employees. The Moncure closure was the result of the opening of our particleboard facility in Grayling, Michigan, which provided a more efficient model in costs and volume.

On June 11, 2020, we announced the closure and ceased operations of our Duraflake Particleboard facility, discontinuing two treating lines (one “TFL” line- and one particleboard line). This closure resulted in the dismissal of 83 employees. The closure of our Duraflake operations was based on an assessment that determined the older manufacturing platform was less competitive in a challenging marketplace. The aforementioned closures across our manufacturing sites resulted in the elimination of 29 shared services roles from our corporate support offices.

In The United States and Canada, as of December 31, 2022, we had contracts with approximately 2 contractors, who employed approximately 19 employees.

#### *Brazil*

Our Brazilian operations have not experienced any material work stoppages in the last eleven years, other than a generalized truck-drivers’ strike in 2018 that affected our operations. As a consequence of this event, we could not receive raw materials or dispatch products, and our employees could not easily access our Brazilian mills during such time, which resulted in a stoppage of ten days. As a result, transportation costs increased 25% in average, which directly affected the cost of our final product, increasing them between 3% to 5% depending on the type of product.

In Brazil, as of December 31, 2022, we had contracts with approximately 30 contractors, who in turn employed approximately 642 employees.

Approximately 8% of our employees in Brazil were unionized as of December 31, 2022. We negotiate collective agreements for one and two years, and 100% of our employees are represented by the unions.

### *Argentina*

Our Argentine operations have not experienced any material work stoppages in the last six years.

Approximately 55% of our employees in Argentina were unionized as of December 31, 2022. We have negotiated collective bargaining agreements with unionized employees.

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In Argentina, as of December 31, 2022, we had contracts with approximately 219 contractors, who employed approximately 1,703 employees.

### *Mexico*

During 2021 and 2022, we experienced no strikes or other material work stoppages affecting our Mexican operations. We have collective-bargaining agreements with the unions representing the employees of our Durango and Zitácuaro mills, corresponding to our Mexican subsidiaries.

As a result of recent changes to the Mexican labor law, union negotiations have been held and will be held with the unions of our Durango and Zitácuaro mills with effective dates of January 1, 2023 and May 1, 2023 respectively.

In Mexico, as of December 31, 2022, we had contracts with approximately 53 contractors, who employed approximately 437 employees.

### *Uruguay*

During 2021 and 2022, our Uruguayan operations did not experience any material work stoppages. The Montes del Plata joint operation have a collective labor agreement with the pulp mill union employees (which is valid through 2024), as well as with the nursery union employees (which is valid through 2025).

As a result of the foregoing, we may be affected by future strikes, work slowdowns, stoppages or other labor-related developments in the various countries in which we operate, including such developments attributable to employees of contractors performing outsourced services, and such strikes, slowdowns, stoppages or other developments could have a material adverse effect on our business, financial condition, results of operations or prospects.

In Uruguay, as of December 31, 2022, we had contracts with approximately 167 contractors, who employed approximately 3,195 employees.

## **Share Ownership**

Our First Vice-Chairman, Roberto Angelini, directly and indirectly owns 36.0% of Inversiones Angelini, which is the principal shareholder of AntarChile. He directly owns 0.2% of AntarChile. Through his direct and indirect interests in Inversiones Angelini, AntarChile and Empresas Copec, Roberto Angelini beneficially owns 14.2% of our shares. Our Director Franco Mellafe owns indirectly a 4.9% of Inversiones Angelini. He also directly owns 0.059% of AntarChile, and 0.00006% of Empresas Copec. Through his direct and indirect interests in Inversiones Angelini, AntarChile and Empresas Copec, Franco Mellafe beneficially owns 2.06% of our shares.

None of our other directors or executive officers beneficially owns 1% or more of our shares.

## **Item 7. Major Shareholders and Related Party Transactions**

## **MAJOR SHAREHOLDERS**

Our only outstanding voting securities are shares of common stock of a single series, without nominal (par) value. The following table sets forth certain information concerning ownership of our common stock, as of April 12, 2023, with respect to each shareholder known by us to own more than 5% of the outstanding shares of our common stock and all of our directors and executive officers, as a group.

	<u>Number of Shares Owned</u>	<u>Percentage Ownership</u>
Empresas Copec	120,474,249	99.99
Directors and executive officers of our Company, as a group	-	-

Through its ownership of our Common Stock, Empresas Copec currently has voting control over us.

Empresas Copec is a Chilean public company listed on the Santiago Stock Exchange and the Chilean Electronic Stock Exchange. It is a holding company, the principal interests of which are in Arauco, gasoline distribution, electricity, gas distribution, fishing and mining. Before October 1, 2003, Empresas Copec's legal name was Compañía de Petróleos de Chile S.A. As of that date, Compañía de Petróleos de Chile S.A. transferred all its gasoline and fuel-related business assets to COPEC, and changed its legal name to Empresas Copec S.A. As of December 31, 2022, AntarChile owned 60.8% of Empresas Copec.

Through its ownership in Empresas Copec, AntarChile beneficially owned 60.8% of our shares as of December 31, 2022. As of April 12, 2023, AntarChile beneficially owned 60.8% of our shares. Inversiones Angelini in turn owns 63.4% of AntarChile's shares, and certain other related investors own an additional 11.62% of AntarChile. Inversiones Angelini and such other investors are defined herein as the "Angelini Group."

The principal equity owners of interest in Inversiones Angelini are Mr. Roberto Angelini Rossi directly and indirectly with 36.0% and Mrs. Patricia Angelini Rossi directly and indirectly with 29.0%.

As of December 31, 2022, and April 12, 2023, the Angelini Group controlled Arauco through the ownership structure described above.

## **RELATED PARTY TRANSACTIONS**

We engage in a variety of transactions in the ordinary course of business with related parties. Related parties include, among others, directors, officers and affiliates of our Company. The norms for transactions with related parties by and among public corporations and their subsidiaries are mainly regulated by Title XVI of the Chilean Companies Act, or Title XVI, and articles 44 and 89 of the Chilean Companies Act. Title XVI requires that our transactions with related parties contribute to our Company's interest and be on a market basis or on terms similar to those prevailing in the market. In addition, Title XVI provides that related party transactions must be approved by an informed majority of the disinterested members of the Board of Directors. If a majority of the disinterested directors abstains from voting on a particular transaction, the transaction must be approved by a unanimous vote of the non-abstaining disinterested directors or by two-thirds of the shares with voting rights. Resolutions approving any such transactions must be reported to our shareholders at the next annual shareholders' meeting.

Notwithstanding the above, in accordance with Article 147 of the Chilean Companies Act, the following transactions with related parties do not need to follow the procedure set forth in the previous paragraph: (i) transactions which do not involve material amounts; (ii) transactions with affiliates in which we control 95% or more of the equity; and (iii) transactions that are considered by our Board to be performed in the ordinary course of our business in accordance with our general policy of customary dealings, which was approved by our Board on July 28, 2020 and is available to shareholders at our main office and is published on our website, at [www.arauco.cl](http://www.arauco.cl) or [www.arauco.com](http://www.arauco.com).

Article 146 of the Chilean Companies Act defines related party transactions as negotiations, acts, contracts or transactions between a corporation and any other person or entity that involve the following:

- directors or officers of the corporation (or their respective spouses and certain other relatives) acting on their own or on behalf of persons different from the corporation;
- directors or officers of the corporation (or their respective spouses and certain other relatives) who have a direct or indirect ownership interest of at least 10% of the equity shares of the other company or are also directors or officers of such other company;
- persons who have been in the last 18 months previous to the transaction, directors or officers of the corporation; and
- “related persons” of the corporation, as defined in article 100 of the Chilean Law 18,045, or Chilean Securities Markets Law.

Article 100 of the Chilean Securities Markets Law establishes that the following are “related persons” to a company: (i) the entities of the *grupo empresarial* (corporate group) to which such company belongs; (ii) the entities that are either parent company, subsidiary, owners of at least 10% of the equity of a company or other companies in which the company owns at least 10%; (iii) directors or officers of the company (or their respective spouses and certain other relatives); (iv) any person who, individually or with other persons under a voting agreement can designate at least one member of the management of the company or control at least 10% of the capital of such company; and (v) any other person who is indicated as such by the Chilean Commission for the Financial Market, in accordance with certain parameters established by the above-mentioned Article 100.

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Our transactions with affiliates include the following:

- We purchase goods and services that may also be provided by other suppliers. Among the most significant are our fuel purchases from COPEC, a subsidiary of Empresas Copec, our majority shareholder;
- We hire port services from our 50% affiliate Compañía Puerto de Coronel S.A.;
- We purchase from EKA Chile, a chlorate sodium supplier, which is 50% controlled by Arauco, and we provide EKA Chile with electricity; and
- We obtain legal services from Portaluppi, Guzmán y Bezanilla, a law firm of which one of our directors, Manuel Bezanilla, is a partner.

Financial information concerning transactions with affiliates is included in Note 13 to our audited consolidated financial statements.

#### **Item 8. Financial Information**

See “Item 18. —Financial Statements.”

#### **EXPORT SALES**

Export sales constituted 62.0% of our revenues for the year ended December 31, 2022. Our total export revenues for 2022 were U.S.\$4,401.3 million. Our principal overseas markets are North America, Asia and Europe. See “Item 4. Information on our Company—Description of Business—Domestic and Export Sales.”

## **LEGAL PROCEEDINGS**

From time to time, we have been subject to environmental proceedings related to allegations by the Chilean environmental regulators and private parties including proceedings related to the Valdivia mill, the Arauco mill, the Nueva Aldea complex, the Licancel mill and the Constitución mill. As a result of these proceedings, we have been subject to monetary fines as well as sanctions, including orders to suspend or limit our operations. We are also subject to certain other legal proceedings. For more information regarding the environmental proceedings and other legal proceedings see Note 18 to our audited consolidated financial statements.

While Chilean law in general provides that only individuals can be convicted in criminal actions, there are several regulations that provide exceptions to this general rule, under which criminal responsibility of legal entities can be established for criminal offenses related to, among others, the financing of terrorism, asset laundering, receiving, disloyal administration or bribery. We do not have knowledge of any fact that could result in our criminal responsibility under such regulations.

### **Environmental Proceedings**

We have been subject to certain administrative proceedings as a result of a pipe leakage in the Nueva Aldea mill in 2013, the death of fish in the Cruces River in January 2014, close to the Valdivia Mill effluent discharge, and a pipe leakage in the Arauco mill in February 2016. See “Item 3. Key Information—Risk Factors—Risks Relating to the Company. We have been subject to legal proceedings related to some of our mills which could adversely affect our business, financial condition, results of operations and cash flows.”

In addition, in 2016 the Superintendence of the Environment initiated administrative proceedings against the Valdivia, Nueva Aldea, Licancel and Constitución mills. In 2017, the Superintendence of the Environment initiated an administrative proceeding against the Arauco mill. The first part of the proceeding against the Valdivia mill concluded in 2017. On December 15, 2017, the Superintendence of the Environment decided that the Valdivia mill was liable for ten out of eleven charges and imposed a fine of 7,777 UTA (approximately U.S.\$6.5 million as of December 2018). We appealed this decision on April 5, 2018 before the Third Environmental Court. A decision by the Third Environmental Court was issued in February 2020. This decision partially accepted the claim, only in connection with the inadequate classification of one of the charges, ordering the Superintendence to make a new classification. The decision also mentioned that the Superintendence had not proved that the death of the fish in the Cruces River in January 2014 was caused by the operations of the Valdivia mill. This ruling was appealed by both the Superintendence and the Company before the Supreme Court. In December 2022, the Supreme Court upheld the Third Environmental Court decision, confirming most of the fines though stating that the death of fish in the Cruces River in January 2014 was not caused by the operations of the Valdivia mill. The Superintendence shall make a new classification in connection therewith. In January 2023, the Company paid the corresponding fines for approximately 5,360.2 UTA (approximately U.S.\$4.9 million as of January 2023).

### **Tax Litigation in Chile**

On August 25, 2005, the Chilean IRS (*Servicio de Impuestos Internos*) issued tax calculations No. 184 and No. 185 of 2005 objecting to certain capital reduction transactions effected by us on April 16, 2001 and October 31, 2001, and furthermore, requesting reimbursement for amounts returned to us in respect of certain claimed tax losses. On November 7, 2005, we requested a *Revisión de la Actuación Fiscalizadora* (Review of the Supervision Action, or RAF), which is an administrative review of the tax action brought by the Chilean IRS, and subsequently, a claim was filed against the above-mentioned tax calculations No. 184 and No. 185 of 2005. The RAF was resolved on January

9, 2009 by the Chilean IRS, which resolution, however, only partially sustained our request. In response, we filed an additional complaint with regard to the portion of the RAF that was not granted administrative review. On September 20, 2017, the Chilean Tax and Custom Court resolved to confirm the Chilean IRS tax calculations No. 184 and No. 185. On October 12, 2017, we appealed this decision before the Santiago Court of Appeals. On June 29, 2018, the Santiago Court of Appeals confirmed the first instance ruling. On July 19, 2018, we filed a “*recurso de casación en el fondo y en la forma*” (nullity recourse) before the Supreme Court.

On June 21, 2019, we submitted a claim before the Constitutional Court (“CC”) to obtain the declaration of unconstitutionality (“*requerimiento de inaplicabilidad por inconstitucionalidad*”) in respect of the third paragraph of article 53 of the Chilean Tax Code. On October 29, 2019, the abovementioned provision was declared unconstitutional by the Constitutional Court with respect to our case.

On October 29, 2019 the Constitutional Court accepted the claim filed by Celulosa Arauco y Constitución S.A., finding unconstitutional and declaring the inapplicability of section 53, paragraph 3 of the Tax Code in the context of the proceeding “Celulosa Arauco y Constitución S.A. with SII Large taxpayers”, which is in the Supreme Court docket as a result of a cassation appeal (based on form and content) under case file 24,758-2018.

The third paragraph of article 53 of the Chilean Tax Code establishes a penalty interest of 1.50% per month for each month or fraction of a month, in the event of delay in the payment (total or partial) of any kind of taxes. As a result of the ruling issued by the Constitutional Court, the penalty interest could not be applied against us in this case.

On January 24, 2023, a hearing of pleadings before the Supreme Court was held in this case.

In March 2023, the abovementioned “*recurso de casación en el fondo y en la forma*” (nullity recourse) was rejected by the Supreme Court

### **Tax Litigation in Brazil**

The Federal Reserve of Brazil contested the amortization of goodwill resulting from acquisitions of Placas do Paraná S.A., Tafibrás, Tafisa Brasil (now, Arauco do Brasil S.A.) and Dynea Brasil S.A.

On July 20, 2015, Arauco do Brasil was notified of the first-level administrative ruling which partially upheld the infringement. Against this ruling, a Voluntary Appeal was filed seeking to revoke the Infringement Notice before the Brazilian Administrative Tax Council (Conselho Administrativo de Recursos Fiscais de Brasil or “CARF”), which is the second administrative level. The CARF’s decision was issued on May 16, 2017 and took into consideration certain arguments presented by the Company regarding the premium but preserving other charges. On September 27, 2018, Arauco do Brasil was notified of the CARF’s decision, for which Arauco do Brasil filed an appeal for declaration embargoes, to elicit clarifications from the CARF regarding certain points of the decision. On January 25, 2019, the CARF ruled that there were no clarifications or omissions to be made and, consequently, granted a term for filing the last remedy within the administrative realm (“Special Remedy”). This Special Remedy was submitted before the Upper Chamber of Fiscal Remedies of the CARF (Câmara Superior de Recursos Fiscais, or “CSR”) on February 11, 2019, reiterating our defense allegations regarding the matters and charges that remained in such process.

On August 28, 2020, we learned of an intermediate decision in Grievance of Instrument, issued by the CARF that divided the claim into two parts, one at the administrative level and the other one at the judicial level:

I – The administrative level allocated deductibility of interests and an isolated fine of 50% with an estimated amount, as of March 31, 2023, of R\$34.5 million (U.S.\$6.8 million). Pursuant to these requirements on March 27, 2023, Arauco do Brasil adhered to the government program of reduction of fiscal litigation which permits a reduction of the 65% of the entire amount of the debt through the payment of the 35% of the debt in two ways: (a) payment in cash of the 30%, totaling R\$3.7 million (U.S.\$0.7 million) and (b) payment of 70% of fiscal losses, totaling R\$8.6

million (U.S.\$1.7 million). Later, Arauco do Brasil completed the abovementioned payment in cash and of fiscal losses. The Brazilian IRS will have to confirm Arauco do Brasil's adherence to the program, for the closure of the administrative level of the claim.

II – The judicial level related to contractual expenses deducted in the purchase of Tafisa Brasil (point 3.5 of the claim); interests and legal expenses on debts paid in the amnesty program (point 3.6); Imposto de Renda Pessoa Jurídica, or “IRPJ” and less Contribuição Social sobre o Lucro Líquido, or “CSLL” (points 3.7 and 3.8), with an estimated amount as of March 31, 2023 of R\$42.2 million (U.S.\$8.3 million). In response, Arauco do Brasil filed a nullity claim of tax debt with the CARF.

On March 9, 2023, the Federal Court of the Paraná State accepted the nullity claim with respect to the points 3.5, 3.7 and 3.8 above, which nullified and voided part of the debt in the amount of R\$26.6 million (U.S.\$5.2 million). The court rejected the nullity claim regarding point 3.6, with an estimated amount as of March 31, 2023 of R\$15.6 million (U.S.\$3.1 million). Arauco do Brasil filed a clarification recourse and if Arauco's claim does not prevail, it will file an appeal before the Federal Justice Tribunal regarding point 3.6.

We believe that our position is based on solid legal grounds, but no assurance can be given that we will prevail in this claim. As of December 31, 2022, we had not made any provision whatsoever in connection with this contingency.

### **Tax Litigation in Mexico**

On December 12, 2022, the Tax Administration Service issued tax credit assessment resolution number 900-04-04-00-00-00-2022-978 corresponding to the 2014 tax year. Under such assessment, objections against the following items were filed: (i) the deduction of interest in the historical amount of Ps. 85,172,274 (U.S.\$ 4.3 million as of December 31, 2022), from loans granted by Masisa S.A. (Chile); (ii) the tax loss in the total amount of Ps. 275,986,671 (U.S.\$ 14.2 million as of December 31, 2022); (iii) the deduction of payments made to Masisa S.A. for logistics services in the total amount of Ps. 3,058,221 (U.S.\$ 0.2 million as of December 31, 2022); (iv) the alleged generation of non-distributed dividends related to the payments indicated in items (i) and (iii) above; (v) the rejection of contributions to the Single Contribution Account in amounts expressed in Mexican pesos of \$ 342,372,000 (U.S. \$ 18.0 million as of December 31, 2022), Ps. 66,250,020 (U.S.\$ 3.4 million as of December 31, 2022), Ps. 46,389,980 (U.S.\$ 2.4 million as of December 31, 2022) and Ps. 11,457,000 (U.S.\$ 0.6 million as of December 31, 2022), respectively; and (vi) an alleged incorrect application of the double taxation avoidance treaty between Mexico and Chile. The total amount of omitted tax, updates, surcharges, and fines assessed to the company amounts to Ps. 416,908,418 (U.S.\$ 21.4 million as of December 31, 2022).

On February 13, 2023, a motion to dismiss was filed against the above assessment, before the General Legal Administration of the Tax Administration Service. Currently, the term for the Company to submit additional evidence is submitted, subsequently, is pending for the tax authorities to issue a ruling which, if unfavorable, could be challenged by the Company before the Federal Court of Administrative Justice.

We believe that our position is based on solid legal grounds, but no assurance can be given that we will prevail in this claim. As of December 31, 2022, we had not made any provision whatsoever in connection with this contingency.

### **Service Provider Lawsuit in Brazil**

In 2013, a service provider instituted a civil lawsuit against us seeking compensation for damages allegedly caused by Arauco's unilateral termination of its contract in connection with the implementation of the MDF 2 line of the Jaguariaiva mill. On November 01, 2021, the Civil Court of Curitiba issued its ruling, ordering Arauco to pay to the service provider an amount of R\$84 million (approximately U.S.\$16 million as of March 31, 2023) in consideration of the alleged damages borne by the service provider during the course of the services contracts and as a result of its early termination by Arauco. Arauco appealed to the Court of Justice of the Paraná State and, on April 6, 2023, the Court accepted Arauco's appeal regarding procedural irregularities, and declared the previous decision null and void.

This decision of the Court of Justice of the Paraná State is subject to appeals, but if it stands, the process should return to the first instance, to continue the production of evidence to support a new judgment on the merits of the claim.

### **Arbitral Proceeding in Chile**

On November 28, 2022, Ingeniería y Construcción Sigdo Koppers S.A. (“ICSK”) submitted a request for arbitration before the Arbitration and Mediation Center of the Chamber of Commerce of Santiago (CAM Santiago), seeking the resolution of the disputes which have arisen between the petitioner and Celulosa Arauco y Constitución S.A., in connection with Contract No. 906 Civil Electromechanical Assembly of Digester, Washing, Bleaching, Machine and Final Line, executed on June 18, 2019 (the “Contract”).

In its request, ICSK argues that, during the performance of the Contract, certain breaches occurred which prevented the works from being executed in the envisaged and stipulated manner, along with an increase in the quantities to execute and man-hours, all issues which affected the Contract’s performance term and the works’ total price. As a consequence of the foregoing, ICSK declares that it will file a claim for the performance of the Contract, and a claim for the indemnification of the damages it has suffered, indicating that they have amounted to approximately 6,900,000 UF (U.S.\$ 283 million as of December 31, 2022).

On January 18, 2023, CAM Santiago certified the designation – upon the parties’ mutual agreement – of the arbitrator who will review the dispute. The designated arbitrator accepted the designation and was sworn in, summoning the parties to a first arbitral hearing scheduled for March 7, 2023.

As we will opportunely argue during the arbitration proceedings, Arauco believes that ICSK is responsible for the delays affecting the Contract’s performance, and that it owes Arauco fines for delays and other sums related to the return of advances, among other amounts. In light of this, and even though no assurance can be given that we will prevail in this claim, we believe that a reasonable margin exists for a favorable outcome to be obtained by the Company. As of December 31, 2022, we had not made any provision whatsoever in connection with this contingency.

### **DIVIDEND POLICY**

Article No. 79 of the Chilean Companies Act states that, unless otherwise unanimously agreed by the shareholders, public corporations must distribute annually at least 30% of net income for the current year as cash dividend to shareholders determined in proportion to their shares or in the proportion established in the by-laws for preferred shares, if any, except where necessary to absorb accumulated losses from prior years. In April 2002, our shareholders approved the current dividend policy, setting the cash dividend at 40% of our consolidated net income for each year, which was determined under Chilean GAAP through the year ended December 31, 2008, and has been determined under IFRS since January 1, 2009. Under IFRS, the determination of the dividend amount is based on the effective realized profit net of any relevant variations in the value of unrealized assets and liabilities.

On October 28, 2019, our shareholders approved an amendment to article 36 of our bylaws, in order to establish that our shareholders will determine at our annual Ordinary Shareholders’ Meeting, the dividend distribution amount for the respective year, without being subject to the 30% distributable minimum indicated in the Chilean Companies Act.

On January 31, 2020, our Board of Directors, in reliance on the abovementioned amendment of our bylaws, proposed that we do not distribute dividends with respect to fiscal year 2019, in order to enhance our ability to address our upcoming financial requirements, especially those related to the MAPA Project.

On April 21, 2020, our shareholders voted to approve at the Board’s proposal not to distribute dividends with respect to the results of year 2019.

On September 28, 2021, our Board of Directors agreed to update our dividend policy, establishing a dividend distribution for fiscal year 2021 of an amount equivalent to 40% of the distributable net income for such year, excluding from the calculation of such net income any extraordinary profits obtained by us from the sale of real estate to Vista Hermosa Inversiones Forestales SpA, a transaction that was informed to the *Comisión para el Mercado Financiero* through a Material Fact (*Hecho Esencial*) on August 17, 2021. For subsequent fiscal years, an amount equivalent to 40% of the distributable net income for each fiscal year, will be distributed as dividends among shareholders. In any event, the Board of Directors may decide to distribute and pay interim dividends to shareholders, to the extent that it expects the year to finalize with positive financial results and that the Company's liquidity allows such distribution and payment. See "Item 8. Financial information-Significant Changes" for more information regarding changes to the dividend policy that took place on April 8, 2022.

On April 8, 2022, our Board of Directors approved an amendment to the abovementioned dividend policy in respect of net income obtained in fiscal year 2021, in order to include in the calculation of the distributable net income for such fiscal year the extraordinary profits obtained by the Company for the aforementioned sale of real estate by the subsidiary Forestal Arauco S.A. to Vista Hermosa Inversiones Forestales SpA. The amendment to the dividend policy is based upon the very positive financial results obtained by Arauco during fiscal year 2021, already informed to the market, and its current cash availability.

On April 6, 2023, our Board of Directors agreed to propose to the Shareholders' Meeting of the Company summoned for April 25, 2023, the payment of a definitive dividend (*dividendo definitivo*), to be exceptionally distributed among the shareholders for an amount equivalent to 50% of the distributable net profit obtained in the year 2022, as follows:

- Dividend of U.S.\$2,321,007,3314 per share, unique series, for an aggregate amount of approximately U.S.\$279.6 million, payable starting on May 10, 2023

This dividend corresponds to the 50% of the distributable net income of fiscal year 2022, once deducted the interim dividend paid to the shareholders starting on December 14, 2022.

The following table details the dividends paid by us to our shareholders for the previous five years:

Years	Aggregate Amount of Dividends (U.S.\$)	Distribution Dates
2018	324,295,269	December 12, 2018 - May 8, 2019
2019	-	N/A
2020	-	N/A
		October 25, 2021
2021 (1)	663,132,403	– November 5, 2021 – May 10, 2022
2022 (2)	183,971,509	December 14, 2022

- (1) For 2021, the U.S.\$663,132,403 million include U.S.\$200 million paid as an extraordinary dividend (*dividendo eventual*) charged to the retained earnings fund (*fondo de utilidades acumuladas*).
- (2) For 2022, in case of approval by the shareholders' meeting summoned on April 25, 2023, of the abovementioned proposal of the Board of Directors, the aggregate amount of dividends for 2022 shall be U.S.\$463,593,359 to be distributed on May 10, 2023.

Our Board of Directors has no other current plans to recommend further changes in our dividend policy. The policy has been changed in the past and no assurance can be given that the policy will not be changed in the future, due to changes in Chilean law, capital requirements, operating results or other factors.

## **SIGNIFICANT CHANGES**

Except as identified in this annual report, no other significant change has occurred since the date of the financial statements contained in this annual report. See “Item 3. Key Information—Risk Factors—Risks Relating to the Company—Developments relating to the COVID-19 pandemic have had and may continue to have an adverse effect on our business operations” and “Item 5. Operating and Financial Review and Prospects—Trend Information.”

### **Item 9. The Offer and Listing**

Neither our stock nor our SEC-registered securities are listed on any stock exchange or other regulated market.

Trading in our securities takes place primarily in the over-the-counter market. Accordingly, we are unable to obtain reliable information on such trading.

### **Item 10. Additional Information**

#### **ARTICLES OF INCORPORATION AND BY-LAWS**

*When we refer to the “Company,” “Arauco” or “we,” in this description of the articles of incorporation and by-laws, we mean Celulosa Arauco y Constitución S.A.*

##### **Organization and Registration**

We are a *sociedad anónima* (corporation) organized in Chile under the laws of Chile, subject to certain rules applicable to *sociedades anónima abiertas* (Chilean public corporations), which bylaws were approved on August 18, 1971, by resolution 300-S of the Chilean Securities Commission and recorded in the Santiago Commercial Register of 1971 on page 6433 under entry number 2994 and on page 6431 under entry number 2993. Notice was published in the Official Gazette on September 4, 1971.

##### **Objects and Purposes**

Our purpose, as stated in our *estatutos* (by-laws), includes the manufacture of forestry products, the management of forestry lands and other activities.

##### **Capital**

In 2002, our by-laws and the by-laws of several of our subsidiaries were amended in order to denominate our and their capital in U.S. dollars.

##### **Directors**

Pursuant to our by-laws, our Board of Directors is composed of nine members elected at a regular meeting of our shareholders. Our directors are not required to be shareholders. Our by-laws state that the amount of compensation to be received by the directors for their directorial services shall be fixed by the shareholders’ meeting. Directors may be compensated for any non-directorial services rendered to us at levels of compensation comparable with compensation commonly paid for these services, compensation which is compatible with the directors’ compensation fixed by the shareholders’ meeting. The by-laws also state that our Board of Directors has all the authorities of administration and disposal that Chilean law or the by-laws do not confer upon the shareholders’ meeting. The Board of Directors has the right to act on our behalf without the need for a special power of attorney, even in cases where a power of attorney is required by law. In particular, the by-laws provide that the Board of Directors is empowered to encumber our assets, real and personal property with mortgages, easements or pledges

regardless of the value of such property or the amount of the respective encumbrances and to borrow money paying interest, with or without a guaranty for the loan.

Our by-laws provide that we may enter into acts or contracts in which one or more directors are interested only if the interested director's interest is made known to the board, the acts or contracts are approved by the board and the terms of the act or contract conform to those prevailing in the market. In addition, board resolutions approving interested director transactions must be reported by the chair of the meeting at the first shareholders' meeting following the approval of the interested director transaction. See "Item 7. Major Shareholders and Related Party Transactions" for further information and applicable rules on related party transactions.

See "Item 6. Directors, Senior Management and Employees" for further information about our Board of Directors.

## **Shareholders**

Our share capital consists of common stock shares of a single series, without nominal (par) value issued in registered form. Record holders of shares are registered in our share register. Any transfer of shares must be noted in our share register.

## **Voting Rights**

Each share of our stock entitles the holder to one vote at any meeting of shareholders. Resolutions may be taken upon a vote of an absolute majority of the voting shares present or represented. Any resolution relating to amendments to our by-laws must be approved by an absolute majority of the voting shares issued. Resolutions with regard to the following matters, among others, require the affirmative vote of two-thirds of the voting shares issued:

- transformation, division or merger with another company;
- advanced dissolution;
- change of corporate domicile;
- reduction in our equity capital;
- approval and appraisal of non-cash capital contributions;
- reduction in the number of members of the Board of Directors;
- the disposal of 50% or more of our assets, whether or not such disposal also includes any of our liabilities;
- the disposal of 50% or more of the assets of one our subsidiaries, provided that such subsidiary represents at least 20% of our assets; and any disposal of shares by our Company that causes us to lose control of a subsidiary that represents at least 20% of our assets; and
- changes to the way in which corporate benefits will be distributed.

According to our by-laws, holders of our shares also have the right to vote at the regular shareholders' meeting for the election of directors. Shareholders or their representatives may accumulate their votes in favor of one candidate or distribute them among various candidates. A vote on the election of directors may be omitted if an election is proposed by acclamation and none of the shareholders present or represented opposes the motion. The Board of

Directors may also be dismissed by a regular or special shareholders' meeting, though the shareholders may only vote to dismiss the board as a whole.

### **Changes to Shareholders' Rights**

To change the rights of holders of our shares or create a new series of our shares, we must amend our by-laws. Any reduction of the rights of our shares requires a two-thirds majority vote of all holders of our shares under Chilean law. Any changes to the way in which corporate benefits are distributed must be approved by a two-thirds majority of all holders of the corporation's shares.

### **Shareholders' Meetings**

Our by-laws provide that the Board of Directors shall call shareholders' meetings. Notice of shareholders' meetings must be made by a prominent notice published at least three times, on different days, in the newspaper of one of our corporate domiciles, as determined by a shareholders' meeting, or in the absence of a determination, in the Official Gazette.

A shareholder must be registered in our share register as of the meeting date to be entitled to participate and vote at any shareholders' meeting. In addition, other persons may represent shareholders at meetings. Powers of attorney must be given in writing and must be granted with respect to all of the shares the shareholder is entitled to vote as of the date of the shareholders' meeting.

Shareholders' meetings may be regular or special meetings. Regular shareholders' meetings are held once a year within the first four months of the year. Among other things, the regular shareholders' meeting appoints independent external auditors to examine our accounts, inventory, balance sheet and other financial results. The by-laws provide that the following matters are to be considered at regular shareholders' meetings:

- the review of our results of operations and external auditors' reports and the approval or rejection of our annual report, our balance sheet and financial statements;
- the distribution of profits of each financial period and the distribution of our dividends;

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- the election or dismissal of the members of the Board of Directors; and
- any matter of corporate interest that is not considered transacted at a special shareholders' meeting pursuant to the Chilean law.

Special shareholders' meetings may be held at any time required by corporate needs to consider any matter that the law or our by-laws require to be considered at a shareholders' meeting. Our by-laws require the meeting notice to disclose any matters to be discussed at a special shareholders' meeting. According to the by-laws and the Chilean Companies Act, the following matters must be considered at special shareholders' meetings:

- dissolution;
- transformation, merger or division and the amendment of our by-laws;
- the issue of bonds or debentures convertible into shares;
- the disposal of 50% or more of our assets, whether or not such disposal also includes any of our liabilities, and the formulation or modification of any business plan that contemplates the disposal of assets for an amount higher than such percentage; the disposal of 50% or more of the assets of one of our subsidiaries, provided that such

subsidiary represents at least 20% of our assets; and any disposal of shares by the Company that causes us to lose control of a subsidiary that represents at least 20% of our assets; and

- the grant of real or personal guarantees to secure obligations of third parties, unless they are subsidiaries, in which case the approval of the Board of Directors will be sufficient.

Any other matters within the competence of regular shareholders' meetings may be considered at special shareholders' meetings.

Any act of a shareholders' meeting relating to our dissolution, transformation, merger or division, the amendment of our by-laws, any disposal of 50% or more of our assets or the issue of bonds convertible into shares or convertible debentures must be held before a notary public, who must certify that the minutes of such meeting are the true expression of what occurred and was resolved at such meeting.

### **Allocation of Net Income and Distribution of Dividends**

Our by-laws provide that the shareholders at a regular shareholders' meeting shall determine the annual distribution of our net profits for each financial period, within the limitations prescribed by law. The shareholders shall also set the date on which any distribution shall be paid, within the time limits prescribed by law. Chilean law prescribes that distributions shall be paid within 30 days of the regular shareholders' meeting at which such distribution was determined.

On October 28, 2019, the Extraordinary Shareholders' Meeting of Arauco approved an amendment to article 36 of the Company's bylaws, in order to establish that the Ordinary Shareholders' Meeting will determine on an annual basis, the dividend distribution amount for the respective period, without being subject to the 30% distributable minimum indicated in the Chilean Companies Act. See "Item 8. Financial information-Dividend Policy" for more information.

In accordance with Chilean law, in the event of liquidation, capital can be distributed to the shareholders only after the rights of the creditors have been secured or debts owed to creditors have been paid. Our by-laws provide that a shareholders' meeting will appoint one or more liquidators to carry out the liquidation and to call shareholders' meetings, as required under Chilean law.

### **Regulation of and Restrictions on Foreign Investors**

There are no limitations on the rights to hold securities, including rights of non-resident or foreign shareholders to hold or exercise voting rights on securities.

### **Disclosure of Shareholder Ownership**

We register certain information about our shareholders in our shareholder registry. We are required to disclose this information to the Chilean Commission for the Financial Market on a quarterly basis.

### **Rights of Shareholders**

Our by-laws provide that, in the case of a dispute between shareholders or between shareholders and management, the parties will submit their dispute to an arbitrator, who may determine the procedural rules to be used in the arbitration but must issue a final judgment in accordance with Chilean law. Subject to limited exceptions, the arbitrator's judgment shall not be subject to appeal. The parties shall appoint the arbitrator by mutual agreement and if no agreement is reached, an arbitrator will be appointed by the civil court system from among present and former associate justices of the Supreme Court of Justice of Chile.

## **MATERIAL CONTRACTS**

Not applicable.

## **EXCHANGE CONTROLS**

The Central Bank is responsible for, among other things, monetary policies and exchange controls in Chile. Prior to 1989, Chilean law permitted the purchase and sale of foreign currency only in cases explicitly authorized by the Central Bank. Law No. 18,840, the *Ley Orgánica Constitucional del Banco Central de Chile* (Organic Law of the Central Bank of Chile), or the Central Bank Act, enacted in 1989, liberalized the rules that govern the ability to buy and sell foreign currency.

The Central Bank Act empowers the Central Bank to determine which types of foreign exchange operations must be carried out in the Formal Exchange Market rather than the *Mercado Cambiario Informal* (Informal Exchange Market). The Central Bank has ruled that certain foreign exchange transactions, including those attendant to foreign investments and bond issuances, may be effected only in the Formal Exchange Market. The Central Bank may also impose restrictions on foreign exchange operations that are conducted or are required to be conducted in the Formal Exchange Market. These restrictions may include the requirement of prior authorization from the Central Bank, the imposition of reserve requirements and the limitation of foreign exchange operations that may be conducted by the entities that participate in the Formal Exchange Market.

The Formal Exchange Market consists of banks and other entities authorized by the Central Bank to participate in such Formal Exchange Market. On April 16, 2001, the Central Bank agreed that, effective April 19, 2001, the prior foreign exchange restrictions would be eliminated and a new *Compendio de Normas de Cambios Internacionales* (Compendium of Foreign Exchange Regulations, or the Compendium) would be applied.

The main objective of this change was to facilitate capital movements from and into Chile and to encourage foreign investment.

The following specific restrictions were eliminated:

- a reserve requirement with the Central Bank for a period of one year;
- the requirement for prior approval by the Central Bank for certain operations, such as repatriation of investments and payments to foreign creditors;
- the mandatory return of foreign currencies to Chile; and
- the mandatory conversion of foreign currencies into Chilean pesos.

Under the amended regulations, only the following limitations are applicable to these operations:

- the Central Bank must be provided with information related to certain operations, such as foreign investments and foreign credits; and
- certain operations, such as money transfers to and from Chile related to foreign investments and foreign credits, must be conducted within the Formal Exchange Market.

### **International Issue of Bonds**

In accordance with the regulations issued by the Central Bank, which are included in the Chapter XIV of the Compendium, any international issue of bonds in an aggregate amount exceeding U.S.\$1,000,000 must be registered and dated by the Central Bank or by a bank or other entity authorized by the Central Bank to participate in the Formal Exchange Market before the proceeds from the issuance can be remitted to Chile and received by the issuer or simultaneously with the remittance into Chile of such proceeds. The issuer must submit forms regarding the offering to the registering entity or directly to the Central Bank, along with a letter of instructions indicating whether it prefers to receive the proceeds in Chilean pesos or in a foreign currency. If presented through a Formal Exchange Market entity, such entity must, in turn, verify that the forms submitted by the issuer are in accordance with the documentation relating to the issue and inform the Central Bank of the operation no later than 11:00 a.m. on the banking business day following the date on which the proceeds of the issue are transferred to the issuer.

If the issuer opts to receive the proceeds of the issue outside of Chile, it must report this to the Central Bank directly or through a Formal Exchange Market entity during the first ten calendar days of the month following the one in which the proceeds were received.

Chapter XIV of the Compendium also states that proceeds from the issue, as well as payment of capital and interest relating to the issue, must be received and sent from and through the Formal Exchange Market, but purchases of U.S. dollars in connection with payments on debt securities issued directly by us can be made either in the Formal or in the Informal Exchange Market. There can be no assurance, however, that we will be able to purchase U.S. dollars in the Informal Exchange Market or in the Formal Exchange Market at the time or in the amounts required to pay debt service related to any such debt securities, since the registration of the debt securities with the Central Bank does not grant us access to the Formal Exchange Market for the purchase of U.S. dollars necessary to make payments in respect of those securities. There can also be no assurance that further Central Bank regulations or legislative changes to the current foreign exchange control regime in Chile would not restrict or prevent our purchase of U.S. dollars to make payments under our securities.

We are also required to inform the Central Bank from time to time material changes on the information that has been previously filed.

The regulations of Chapter XIV of the Compendium do not make any reference to the one-year mandatory deposit in the Central Bank that was previously required by Chapter XIV. However, the Central Bank is authorized, under the Central Bank Act, to impose such a requirement.

There can be no assurance that we will be able to purchase U.S. dollars in the Informal Exchange Market or in the Formal Exchange Market at the time or in the amounts required to pay debt service related to any such debt securities. There can also be no assurance that further Central Bank regulations or legislative changes to the current foreign exchange control regime in Chile and will not restrict or prevent our purchase of U.S. dollars to make payments under our securities from Chile.

## TAXATION

### General

The following summary contains a description of certain Chilean and United States federal income tax consequences of the purchase, ownership and disposition of our securities, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase our securities. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the United States and Chile.

This summary is based on the tax laws of Chile and the United States as in effect on the date of this Form 20-F, as well as regulations, rulings and decisions of Chile and the United States available on or before such date and now in effect. All of the foregoing is subject to change, and any changes could apply retroactively and could affect the continued validity of this summary.

Prospective purchasers of our securities should consult their own tax advisors as to the Chilean, United States or other tax consequences of the purchase, ownership and disposition of our securities, including, in particular, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Chile and the United States have executed an income and capital tax treaty for the avoidance of double taxation and the prevention of fiscal evasion, but this treaty is not in effect, and its effectiveness is contingent upon ratification in the United States Senate. At this time, it is not clear when the United States Senate will consider ratification, and therefore the effective date of the treaty is uncertain.

### **Chilean Taxation**

The following is a general summary of the principal consequences under Chilean tax law, as currently in effect, of an investment in our securities made by a foreign holder. Foreign holder means either:

- in the case of an individual, a person who is neither a resident nor is domiciled in Chile. For purposes of Chilean taxation, (a) an individual is resident in Chile if he or she remains in Chile, uninterrupted or not, for a period or periods exceeding 183 days in total, within any lapse of twelve months; (b) an individual is domiciled in Chile if such individual resides in Chile with the intention of remaining in Chile (the intention will be determined according to the circumstances); or
- in the case of a legal entity, a legal entity that is not organized under the laws of Chile, unless our securities are assigned to a branch or a permanent establishment of such entity in Chile.

Under Chile's income tax law, payments of interest made from Chile in respect to our securities to a foreign holder will generally be subject to a Chilean withholding tax assessed at a rate of 4.0% (the "Chilean Interest Withholding Tax"), only to the extent the requirements for applying a 4.0% rate are complied with.

We have agreed, subject to specific exceptions and limitations, to pay to the foreign holders of notes additional amounts in respect of the Chilean Interest Withholding Tax in order to ensure that the interest amount the foreign holder receives is net of Chilean Interest Withholding Tax. If we pay additional amounts in respect of the Chilean Interest Withholding Tax, any tax refunds in respect of these amounts will be for our benefit. In the event that certain changes in Chilean tax laws require us to pay additional amounts in respect of the Chilean Interest Withholding Tax at a rate in excess of 4.0%, we have the right to redeem our securities.

Under existing Chilean law and regulations, a foreign holder will not be subject to any Chilean taxes in respect of payments of principal that we make with respect to our securities. Our payments with respect to our securities of amounts not considered principal or interest may be subject to a Chilean withholding tax of up to 35%.

The Chilean Income Tax Law provides that a foreign holder is subject to income tax on his Chilean source income. For this purpose, Chilean source income means earnings from activities performed in Chile or from the sale, disposition or other transactions in connection with assets or goods located in Chile. Article 11 of the Chilean income tax law states that, for this purpose, notes and other private or public securities will only be considered as located in Chile if they are issued in Chile by a Chilean issuer. In consideration that our securities are not issued in Chile, any

capital gains realized on the sale or other disposition by a foreign holder of our securities generally will not be subject to any Chilean income taxes.

A foreign holder will not be liable for estate, gift, inheritance or similar taxes with respect to its holdings unless the securities held by a foreign holder:

- are located in Chile at the time of such foreign holder's death or at the time the transfer takes place, or
- were purchased or acquired with monies obtained from Chilean sources.

A foreign holder will not be liable for Chilean stamp, registration or similar taxes.

The issue of our securities directly by us was subject to the Chilean stamp tax, which we paid.

### **United States Taxation**

This summary of certain United States federal income tax considerations deals principally with United States Holders that acquired our securities as part of the initial offering of our securities, hold our securities as capital assets and whose functional currency is the United States dollar. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular investor, and generally does not address the tax treatment of United States Holders that may be subject to special tax rules, such as banks, financial institutions, tax-exempt entities, regulated investment companies, real estate investment trusts, insurance companies, partnerships and partners therein, dealers in securities or currencies, traders in securities electing to mark to market, certain short-term holders of our securities, persons that will hold our securities as a position in a "straddle" or conversion transaction, or as part of a "synthetic security" or other integrated financial transaction, or nonresident alien individuals present in the United States for more than 182 days in a taxable year. United States Holders should be aware that the U.S. federal income tax consequences of holding our securities may be materially different for investors described in the previous sentence, including as a result of certain laws applicable to investors with short holding periods on hedging transactions. This summary addresses only U.S. federal income tax consequences and does not address consequences arising under state, local, or foreign tax laws, U.S. federal estate or gift tax laws, any alternative minimum tax, the Medicare tax on net investment income, or special timing rules prescribed under section 451 (b) of the code.

As used under this section "United States Taxation," the term "United States Holder" means a beneficial owner of a security that is a citizen or resident of the United States or a United States domestic corporation or that otherwise is subject to United States federal income taxation on a net income basis in respect of our securities.

#### ***Taxation of Interest and Additional Amounts***

A United States Holder will treat the gross amount of interest and Additional Amounts (*i.e.*, without reduction for Chilean withholding tax at the appropriate rate applicable to the United States Holder) as ordinary interest income in respect of our securities at the time that such payments are accrued or are actually or constructively received, in accordance with the United States Holder's method of tax accounting.

Subject to generally applicable limitations and conditions, Chilean withholding tax paid at the appropriate rate applicable to the United States Holder may be eligible for credit against such United States Holder's U.S. federal income tax liability. These generally applicable limitations and conditions include new requirements recently adopted by the IRS, and any Chilean tax will need to satisfy these requirements in order to be eligible to be a creditable tax for a United States Holder. The application of these requirements to the Chilean tax on interest is uncertain and we have not determined whether these requirements have been met. If the Chilean tax is not a creditable tax or the United States Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued in the same

taxable year, the United States Holder may be able to deduct the Chilean tax in computing such United States Holder's taxable income for U.S. federal income tax purposes. Interest and Additional Amounts will constitute income from sources without the United States and, for United States Holders that elect to claim foreign tax credits, generally will constitute "passive category income" for foreign tax credit purposes. Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities and may not be allowed for withholding taxes imposed in respect of arrangements in which a United States Holder's expected economic profit is insubstantial.

The availability and calculation of foreign tax credits and deductions for foreign taxes depend on a United States Holder's particular circumstances and involve the application of complex rules to those circumstances. United States Holders should consult their own tax advisors regarding the application of these rules to their particular situations.

#### ***Taxation of Dispositions***

A United States Holder will generally recognize gain or loss on the sale, exchange or other disposition of a security in an amount equal to the difference between the amount realized on the sale, exchange or other disposition (less any accrued interest, which will be taxable as such) and the United States Holder's tax basis in the security. A United States Holder's tax basis in a security will generally equal its cost. Gain or loss realized by a United States Holder on the sale, redemption or other disposition of our securities generally will be treated as capital gain or loss and such gain or loss will be long-term capital gain or loss if at the time of the disposition, the security has been held for more than one year. The net amount of long-term capital gain recognized by a United States Holder that is an individual is generally taxed at a reduced rate. The deduction of capital losses is subject to limitations.

Capital gain or loss recognized by a United States Holder on the sale or other disposition of our securities generally will be U.S. source gain or loss for U.S. foreign tax credit purposes. Under the new foreign tax credit requirements recently adopted by the IRS, any Chilean tax imposed on the sale or other disposition of our securities generally will not be treated as a creditable tax for U.S. foreign tax credit purposes. If the Chilean tax is not a creditable tax, the tax would reduce the amount realized on the sale or other disposition of our securities even if the United States Holder has elected to claim a foreign tax credit for other taxes in the same year. United States Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to a sale or other disposition of our securities and any Chilean tax imposed on such sale or disposition.

#### ***Specified Foreign Financial Assets***

Individual United States Holders that own "specified foreign financial assets" with an aggregate value in excess of U.S.\$ 50,000 on the last day of the taxable year or U.S.\$ 75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include our securities) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. United States Holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Holders should consult their own tax advisors concerning the application of these rules to their investment in the securities, including the application of the rules to their particular circumstances.

#### ***Backup Withholding and Information Reporting***

Information returns will be filed with the IRS in connection with payments on our securities made to and the proceeds of any disposition of our securities effected by, certain United States Holders. In addition, certain United States Holders may be subject to a U.S. backup withholding tax in respect of such amounts if they do not provide their taxpayer identification numbers to the payor or otherwise establish an exemption. A beneficial owner of our securities

that is a nonresident individual or a foreign corporation, estate, or trust and is not a United States Holder (a “Non-U.S. Holder”) generally is exempt from these withholding and reporting requirements, but may be required to comply with applicable certification and identification procedures to establish their eligibility for such an exemption. The amount of any backup withholding from a payment to a United States Holder or Non-U.S. Holder will be allowed as a credit against the holder’s U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS.

## **DOCUMENTS ON DISPLAY**

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, we file reports and other information with the SEC. These materials, including this Annual Report and the exhibits thereto, may be inspected and copied at the SEC’s Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the materials may be obtained from the Public Reference Room at the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the SEC maintains an Internet website at <http://www.sec.gov>, from which these materials may be electronically accessed. The public may obtain information on the operation of the SEC Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330.

### **Item 11. Quantitative and Qualitative Disclosures About Market Risk**

The following discussion about our risk management activities includes forward-looking statements that involve risk and uncertainties. Actual results could differ materially from those projected in such forward-looking statements.

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We are exposed to market risk from changes in interest rates, currency exchange rates and prices of commodities. Our Board of Directors approves our policies that address these risks. From time to time, we assess our exposure and monitor opportunities to manage these risks, including entering into derivative contracts. For information on the currency, interest rate swaps and commodity derivatives into which we entered with respect to a portion of our borrowings, see “Item 5. Operating and Financial Review and Prospects—Hedging” and Note 23 to our audited consolidated financial statements. In the normal course of business, we also face risks that are either non-financial or non-quantifiable. Such risks principally include country risk, credit risk and legal risk and are not represented in the tables below.

#### **Interest Rate Risk**

Interest rate risk exists principally with respect to our indebtedness that bears interest at floating rates. As of December 31, 2022, we had outstanding U.S.\$5.7 billion of indebtedness, including accrued interest and discounts and costs of issuance, of which 94.4% bore interest at fixed interest rates and 5.6% bore interest at floating rates of interest. The fixed and floating rates and the aforementioned percentages do not reflect the effect of swap agreements. 69.0% of our indebtedness was denominated in U.S. dollars as of that date. The interest rate on our variable rate debt is determined principally by reference to LIBOR. As of December 31, 2022, we were party to interest rate swap agreements in our Chilean operations and our Uruguayan joint operation to hedge fluctuations in floating rates for long-term debt. See “Item 5. Operating and Financial Review and Prospects—Hedging” and Note 23 to our audited consolidated financial statements.

The following table summarizes our debt obligations, as of December 31, 2022. These obligations are sensitive to changes in interest rates. The table presents the aggregate principal amount of each category of indebtedness maturing in each year, at the weighted average interest rate for each category of indebtedness. Average interest rates for liabilities are calculated based on the prevailing interest rate for each loan as of December 31, 2022.

	<b>Average Interest Rate</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Thereafter</b>	<b>Total Debt</b>	<b>Fair Value</b>							
		(U.S.\$ in millions)														
<b>Interest</b>																
<b>Bearing Debt</b>																
<b>Fixed Rate</b>																
(U.S.\$-denominated)	4.56%	217.1	510.1	9.6	9.2	501.3	2,443.7	3,691.0	3,430.1							
(UF/CLP\$-denominated)	3.21%	65.8	46.1	46.6	248.4	45.9	691.5	1,144.3	1,195.3							
(R\$-denominated)	0.03%	10.1	8.7	8.6	8.4	7.9	57.5	101.3	101.3							
(CAD-denominated)	0%	0.0	-	-	-	-	-	0.0	0.0							
(MXN-denominated)	0%	1.6	1.6	0.0	-	-	-	3.2	3.2							
(EUR-denominated)	1.11%	69.2	62.0	64.9	64.9	64.9	129.7	455.5	431.8							
<b>Floating Rate</b>																
(U.S.\$-denominated)																
LIBOR+ (R\$-denominated)	1.67%	43.5	209.6	-	-	-	-	253.1	253.1							
CDI +	1.61%	2.8	9.6	22.4	22.4	12.8	-	69.9	69.9							
<b>Total</b>		<u>410.2</u>	<u>847.7</u>	<u>152.1</u>	<u>353.3</u>	<u>632.8</u>	<u>3,322.4</u>	<u>5,718.4</u>	<u>5,484.9</u>							

### Foreign Currency Risk

Our principal exchange rate risk involves changes in the value of the Chilean peso and, to a lesser extent, the Brazilian real, the Argentine peso and the Euro relative to the U.S. dollar. We estimate that a majority of our consolidated costs and expenses are denominated in U.S. dollars. As of December 31, 2022:

- 70.0% of our accounts receivable were denominated in U.S. dollars, 11.1% in Chilean pesos and 18.9% in other currencies.
- 59.2% of our cash and short-term investments were denominated in U.S. dollars, 15.6% in Brazilian reais, 14.7% in Argentine pesos, and 10.5% in other currencies.

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- 69.0% of our debt was denominated in U.S. dollars before swaps; and
- a significant portion of our consolidated total assets was denominated in U.S. dollars.

Most of our foreign currency-denominated revenues, receivables and indebtedness are denominated in U.S. dollars and the majority of our costs and expenses are denominated in U.S. dollars. As of December 31, 2022, 69.0% of our debt was denominated in U.S. dollars before swaps. As of December 31, 2022, we were party to cross currency swap agreements in Chile to hedge our local bonds in UF and to hedge a bank loan in EUR, and forward agreements to swap local currencies to U.S. dollars. See “Item 5. Operating and Financial Review and Prospects—Hedging” and Note 23 to our audited consolidated financial statements. Accordingly, variations in the value of the Chilean peso

relative to the U.S. dollar will not have a significant effect on the cost in U.S. dollars of our foreign debt service obligations.

### **Commodity Risk**

Prices for pulp, forestry and wood products can fluctuate significantly, and our revenues are highly sensitive to fluctuations in such prices. For a more detailed discussion and sensitivity analysis relating to the risks arising from changes in the market price of pulp, which is our primary commodity risk, see Note 23 to our audited consolidated financial statements. As of December 31, 2022, we were party to derivative contracts to partially hedge our exposure to Fuel Oil N° 6 and Brent in Chile and Uruguay, which include commodity swap agreements. See “Item 5. Operating and Financial review and Prospects—Hedging” and Note 23 to our audited consolidated financial statements.

### **Item 12. Description of Securities Other than Equity Securities**

Not applicable.

## **PART II**

### **Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

### **Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

None.

### **Item 15. Controls and Procedures**

- (a) *Disclosure controls and procedures.* We carried out an evaluation under the supervision and with the participation of our senior management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as of December 31, 2022. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures, as of December 31, 2022, were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the U.S. Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.
- (b) *Management’s annual report on internal controls and procedures.* Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our senior management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as issued by the IASB. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as issued by the IASB, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under the framework in *Internal Control-Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2022.

(c) *Attestation Report of the registered public accounting firm.* Not applicable.

(d) *Changes in internal controls over financial reporting.* There has been no change in our internal control over financial reporting during 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **Item 16A. Audit Committee Financial Expert**

We have an audit committee, described in “Item 6. Directors, Senior Management and Employees-Directors and Executive Officers.” We believe that the members of our audit committee have sufficient financial and other experience to perform their responsibilities. Our Board of Directors has determined that Timothy C. Purcell qualifies as an “audit committee financial expert” within the meaning of Item 16A of Form 20-F and is independent as that term is defined in Rule 10A-3 under the Exchange Act. For a description of Mr. Purcell’s professional experience, see “Item 6. Directors, Senior Management and Employees—Directors and Executive Officers.”

#### **Item 16B. Code of Ethics**

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of ethics applies to all of our employees and directors, including, but not limited to, our Chief Executive Officer and Chief Financial Officer. We will provide any person without charge, upon request, a copy of such code of ethics. Requests for a copy of the code of ethics may be made to Celulosa Arauco y Constitución S.A., El Golf 150, 14th Floor, Santiago, Chile, Attn: Gianfranco Truffello, tel. (562) 2461-7200. Our code of ethics is also published on our website at [www.arauco.cl](http://www.arauco.cl) or [www.arauco.com](http://www.arauco.com). If we amend the provisions of our code of ethics that apply to our Chief Executive Officer and Chief Financial Officer, or if we grant any waiver of such provisions, we will disclose the amendment or waiver in our annual report on Form 20-F. On December 20, 2016, we amended our code of ethics to incorporate provisions relating to the protection of corporate property, a declaration of Arauco’s five corporate values, an extension of the scope of persons who can inform breaches under the code of ethics and an amendment to the list of crimes for which the company may be liable. In October 2019, we amended our code of ethics in order to update its content and include the new functions of the recently established Compliance and Ethics Committee. In January 2023, we adjusted our code of ethics to state explicitly the Company’s commitment to respect human rights, to incorporate a new chapter about the reporting hotline, and to include other adjustments intended to provide a global scope and update the content of the code of ethics as a result of the experience gained in recent years.

## **Item 16C. Principal Accountant Fees and Services**

### **Audit and Non-Audit Fees**

Our independent auditors for the fiscal year ended December 31, 2022 and 2021 were PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada (“PwC”; PCAOB ID: 1364) located in Santiago, Chile. The following table sets forth the fees billed to us by our independent auditors PwC, during the fiscal years ended December 31, 2022 and 2021.

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(U.S.\$ in thousands)</b>	
Audit fees	2,720	2,137
Audit-related fees	-	4
Tax fees	1,419	983
Other fees	-	0
Total fees	<u>4,139</u>	<u>3,124</u>

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Audit fees in the above table are the aggregate fees billed by PwC for the fiscal years ended December 31, 2022 and 2021, in each case in connection with the audit of our annual financial statements in accordance with IFRS, as well as the review of other filings.

Audit-related fees in the above table are the aggregate fees billed by PwC for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements or that are traditionally performed by the external auditor.

Tax fees in the above table are fees billed by PwC for the fiscal years ended December 31, 2022 and 2021, associated with tax compliance services in Chile, Brazil, Argentina, Colombia, Uruguay, Peru, Netherland, The United States and Mexico; and tax consultation services in Chile.

### **Audit Committee Approval Policies and Procedures**

Our Board of Directors has established pre-approval policies and procedures for the engagement of our independent auditors. Pursuant to our pre-approval policy, our Board of Directors has pre-approved a list of services that our independent auditors are allowed to provide to us or our subsidiaries.

Additionally, our Board of Directors expressly approves, on a case-by-case basis, any engagement of our independent auditors for audit and non-audit services that are not included on the pre-approved list.

All services described in each of paragraphs (b) through (d) of this Item were approved by the Board of Directors pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

## **Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

## **Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Not applicable.

## **Item 16F. Change in Registrant's Certifying Accountant**

Not applicable.

#### **Item 16G. Corporate Governance**

Not applicable. Neither our stock nor our SEC-registered securities are listed on any stock exchange or other regulated market.

#### **Item 16H. Mine Safety Disclosures**

Not applicable.

#### **Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

#### **Item 16J. Insider Trading Policies**

Not applicable.

### **PART III**

#### **Item 17. Financial Statements**

Not applicable.

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#### **Item 18. Financial Statements**

Our audited consolidated financial statements have been prepared in accordance with IFRS, as issued by the IASB, and are included in this annual report beginning at page F-1.

#### **Item 19. Exhibits**

Documents filed as exhibits to this annual report:

- 1.1      English translation of the estatutos (by-laws) of Celulosa Arauco y Constitución S.A., as of April 8, 2022, including the amendment approved on May 19, 2020 and a declaration regarding the actual paid-in capital of the Company executed by public deed on January 28, 2022.
  - 8.1      List of subsidiaries
  - 12.1     Certification of chief executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  - 12.2     Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  - 13.1     Certification of chief executive officer and principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS Inline XBRL Instance Document  
101.SCHInline XBRL Taxonomy Extension Schema Linkbase Document  
101.CALInline XBRL Taxonomy Extension Calculation Linkbase Document  
101.DEFInline XBRL Taxonomy Extension Definition Linkbase Document  
101.LABInline XBRL Taxonomy Extension Label Linkbase Document

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document

104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

Omitted from the exhibits filed with this annual report are certain instruments and agreements with respect to our long-term debt, none of which authorizes securities in a total amount that exceeds 10% of our total assets. We hereby agree to furnish to the SEC copies of any such omitted instruments or agreements as the SEC requests.

**Index of Exhibits**

- 1.1 English translation of the estatutos (by-laws) of Celulosa Arauco y Constitución S.A., as of April 8, 2022, including the amendment approved on May 19, 2020 and a declaration regarding the actual paid-in capital of the Company executed by public deed on January 28, 2022.
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101.INS Inline Instance Document

101.SCHInline Taxonomy Extension Schema Linkbase Document

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101.LABInline Taxonomy Extension Label Linkbase Document

101.PRE Inline Taxonomy Extension Presentation Linkbase Document

104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CELULOSA ARAUCO Y CONSTITUCIÓN S.A.

By: /s/ Matías Domeyko

Matías Domeyko

Chief Executive Officer

Date: April 19, 2023

**CONSOLIDATED  
FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2022 AND 2021 AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND  
2020**

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### **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Celulosa Arauco y Constitución S.A.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated statements of financial position of Celulosa Arauco y Constitución S.A. and its subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

## **Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

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## **Valuation of Biological Assets**

As described in Notes 1q) and 20 to the consolidated financial statements, the Company's consolidated biological assets balance was ThUSS\$ 3,195,370 at December 31, 2022. Management measures biological assets at fair value less cost to sell. Fair value is estimated by management using a discounted cash flow model. Management's cash flow projections included significant judgments and assumptions relating to forests growth, sales margins and discount rates. The principal considerations for our determination that performing procedures relating to the valuation of biological assets is a critical audit matter are (i) the significant judgment by management when developing the fair value measurement of the biological assets; (ii) a high degree of auditor judgement, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to forests growth, sales margins and discount rates; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others (i) testing management's process for developing the fair value estimate; (ii) evaluating the appropriateness of the discounted

cash flow model; (iii) testing the completeness and accuracy of underlying data used in the model; and (iv) evaluating the significant assumptions used by management related to forests growth, sales margins and discount rates. Evaluating management's assumptions related to forests growth, sales margins and discount rates involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the biological assets; (ii) the consistency with external market and industry data and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discounted cash flow model and significant assumptions, including the forests growth, sales margins and discount rates.

/s/ PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada

Santiago, Chile  
April 13, 2023

We have served as the Company's auditor since 2015.

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#### **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5-23	667,207	1,011,100
Other current financial assets	23	15,350	5,865
Other current non-financial assets	25	206,059	167,890
Trade and other current receivables	23	878,008	979,923
Accounts receivable from related companies	13-23	2,850	5,559
Current inventories	4	1,470,011	1,176,898
Current biological assets	20	330,435	329,586
Current tax assets	6	203,722	233,065
<b>Total current assets other than assets or disposal groups classified as held for sale</b>		<b>3,773,642</b>	<b>3,909,886</b>
Non-current assets or disposal groups classified as held for sale	22	1,279	14,158
<b>Non-current assets or disposal groups classified as held for sale or as held for distribution to owners</b>		<b>1,279</b>	<b>14,158</b>
<b>Total current assets</b>		<b>3,774,921</b>	<b>3,924,044</b>
<b>Non-current assets</b>			
Other non-current financial assets	23	63,321	10,525
Other non-current non-financial assets	25	92,514	88,549
Non-current receivables	23	32,674	14,338
Investments accounted for using equity method	15-16	365,671	336,642
Intangible assets other than goodwill	19	73,439	84,210
Goodwill	17	54,800	57,697
Property, plant and equipment	7	9,542,335	8,955,666
Right of use assets	8	306,487	180,106
Non-current biological assets	20	2,864,935	3,008,897
Deferred tax assets	6	9,011	7,637
<b>Total non-current assets</b>		<b>13,405,187</b>	<b>12,744,267</b>
<b>Total assets</b>		<b>17,180,108</b>	<b>16,668,311</b>

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)**

	<u>Note</u>	<b>12-31-2022 ThU.S.\$</b>	<b>12-31-2021 ThU.S.\$</b>
<b>Equity and Liabilities</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other current financial liabilities	23	375,451	339,441
Current lease liabilities	8-23	36,784	49,603
Trade and other current payables	23	812,838	738,457
Accounts payable to related companies	13-23	14,280	2,577
Other short-term provisions	18	9,513	337
Current tax liabilities	6	26,869	127,981
Current provisions for employee benefits	10	7,571	4,593
Other current non-financial liabilities	25	242,978	173,654
<b>Total current liabilities other than liabilities included in disposal groups classified as held for sale</b>		<b>1,526,284</b>	<b>1,436,643</b>
<b>Total current liabilities</b>		<b>1,526,284</b>	<b>1,436,643</b>
<b>Non-current liabilities</b>			
Other non-current financial liabilities	23	5,155,371	5,374,864
Non-current lease liabilities	8-23	227,440	113,701
Non-current payables		20,116	2,272
Non-current accounts payable to related companies	23	6,731	-
Other long-term provisions	18	40,706	29,549
Deferred tax liabilities	6	1,785,915	1,747,805
Non-current provisions for employee benefits	10	87,689	67,967
Other non-current non-financial liabilities	25	69,872	77,006
<b>Total non-current liabilities</b>		<b>7,393,840</b>	<b>7,413,164</b>
<b>Total liabilities</b>		<b>8,920,124</b>	<b>8,849,807</b>
<b>Equity</b>			
Issued capital	3	803,618	803,618
Retained earnings		8,500,901	8,248,185
Other reserves		(1,049,724)	(1,241,070)
<b>Equity attributable to parent company</b>		<b>8,254,795</b>	<b>7,810,733</b>
Non-controlling interests		5,189	7,771
<b>Total equity</b>		<b>8,259,984</b>	<b>7,818,504</b>
<b>Total equity and liabilities</b>		<b>17,180,108</b>	<b>16,668,311</b>

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	<u>Note</u>	<b>For the years ended December 31,</b>		
		<b>2022 ThU.S.\$</b>	<b>2021 ThU.S.\$</b>	<b>2020 ThU.S.\$</b>
<b>Statements of profit or loss</b>				
Revenue	9	7,102,070	6,349,761	4,732,869
Cost of sales	3	(4,274,496)	(3,681,603)	(3,445,284)
<b>Gross profit</b>		<b>2,827,574</b>	<b>2,668,158</b>	<b>1,287,585</b>

Other income	3	100,129	378,977	283,816
Distribution costs	3	(922,226)	(682,996)	(535,704)
Administrative expenses	3	(613,608)	(577,147)	(510,137)
Other expense by function	3	(373,889)	(192,101)	(182,883)
<b>Profit from operating activities</b>		<b>1,017,980</b>	<b>1,594,891</b>	<b>342,677</b>
Finance income	3	72,116	33,499	29,449
Finance costs	3	(200,366)	(219,982)	(268,179)
Share of profit (loss) of associates and joint ventures accounted for using equity method	3-15	33,684	31,386	2,317
Gains (losses) on exchange differences on translation		(77,067)	(5,281)	(39,111)
<b>Profit before income tax</b>		<b>846,347</b>	<b>1,434,513</b>	<b>67,153</b>
Income tax expense	6	(142,121)	(402,914)	(41,848)
<b>Net profit</b>		<b>704,226</b>	<b>1,031,599</b>	<b>25,305</b>
<b>Net profit attributable to</b>				
Net profit attributable to parent company		704,480	1,030,812	25,843
Net profit (loss) attributable to non-controlling interests		(254)	787	(538)
<b>Net profit</b>		<b>704,226</b>	<b>1,031,599</b>	<b>25,305</b>

#### Basic and diluted earnings per share (in U.S.\$ per share)

Basic and diluted earnings per share from continuing operations	5.8476	8.6322	0.2262
<b>Basic and diluted earnings per share</b>	<b>5.8476</b>	<b>8.6322</b>	<b>0.2262</b>

The accompanying notes are an integral part of these consolidated financial statements.

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### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Note	For the years ended December 31,		
	2022	2021	2020
	ThU.S.\$	ThU.S.\$	ThU.S.\$
<b>Net profit</b>	<b>704,226</b>	<b>1,031,599</b>	<b>25,305</b>
<b>Components of other comprehensive income that will not be reclassified to profit or loss before tax:</b>			
<b>Remeasurements of defined benefit plans</b>			
Other comprehensive income before tax gains losses on remeasurements of defined benefit plans	10	(20,011)	(1,479)
<b>Other comprehensive income that will not be reclassified to profit or loss before tax</b>		<b>(20,011)</b>	<b>(1,479)</b>
<b>Components of other comprehensive income that will be reclassified to profit or loss before tax:</b>			
<b>Exchange differences on translation</b>			
Gains (losses) on exchange differences on translation, before tax	11	57,867	(80,965)
<b>Other comprehensive income before tax exchange differences on translation</b>		<b>57,867</b>	<b>(80,965)</b>
<b>Cash flow hedges</b>			
Gains (losses) on cash flow hedges, before tax	23	186,911	(84,879)
Reclassification adjustments on cash flow hedges before tax	23	(9,577)	(45,426)
<b>Other comprehensive income before tax cash flow hedges</b>		<b>177,334</b>	<b>(130,305)</b>
			<b>(59,563)</b>

<b>Share of other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss before tax</b>			
Share of other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss before tax	9,968	2,590	(716)
<b>Share of other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss before tax</b>	<b>9,968</b>	<b>2,590</b>	<b>(716)</b>
<b>Other comprehensive income that will be reclassified to profit or loss before tax</b>	<b>245,169</b>	<b>(208,680)</b>	<b>(243,698)</b>
<b>Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss before tax</b>			
Income tax relating to remeasurements of defined benefit plans of other comprehensive income	5,403	438	68
<b>Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss before tax</b>	<b>5,403</b>	<b>438</b>	<b>68</b>
<b>Income tax relating to components of other comprehensive income that will be reclassified to profit or loss before tax</b>			
Income tax relating to cash flow hedges of other comprehensive income	6	(50,587)	30,453
Income tax relating to share of other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss		(2,396)	(696)
<b>Income tax relating to components of other comprehensive income that will be reclassified to profit or loss</b>	<b>(52,983)</b>	<b>29,757</b>	<b>13,901</b>
<b>Other comprehensive income (loss)</b>	<b>177,578</b>	<b>(179,964)</b>	<b>(230,012)</b>
<b>Total comprehensive income (loss)</b>	<b>881,804</b>	<b>851,635</b>	<b>(204,707)</b>
<b>Comprehensive Income attributable to</b>			
Comprehensive income (loss), attributable to owners of parent company	882,057	857,938	(199,682)
Comprehensive income (loss), attributable to non-controlling interests	(253)	(6,303)	(5,025)
<b>Total comprehensive income (loss)</b>	<b>881,804</b>	<b>851,635</b>	<b>(204,707)</b>

The accompanying notes are an integral part of these consolidated financial statements.

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## **CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	plans ThU.S. \$									
Opening balance at 01-01-2022	803,6 18	(1,155,1 95)	(136,8 59)	(20,76 6)	71,75 0	(1,241,0 70)	8,248,1 85	7,810,7 33	7,771	7,818,5 04
Changes in Equity:										
Comprehensive income										
Net profit	-	-	-	-	-	-	704,480	704,480	(254)	704,226
Other comprehensi ve income, net of tax	-	57,866	126,74 7	(14,60 8)	7,572	177,577	-	177,577	1	177,578
<b>Compre hensive income</b>	<b>-</b>	<b>57,866</b>	<b>126,74 7</b>	<b>(14,60 8)</b>	<b>7,572</b>	<b>177,577</b>	<b>704,480</b>	<b>882,057</b>	<b>(253)</b>	<b>881,804</b>
Dividends	-	-	-	-	-	-	(437,99 5)	(437,99 5)	(2,329)	(440,32 4)
Increase (decrease) from transfers and other changes	-	-	-	-	13,76 9	13,769	(13,769)	-	-	-
<b>Changes in equity</b>	<b>-</b>	<b>57,866</b>	<b>126,74 7</b>	<b>(14,60 8)</b>	<b>21,34</b>					
Closing balance at 12-31-2022	<b>803,6 18</b>	<b>(1,097,3 29)</b>	<b>(10,11 2)</b>	<b>(35,37 4)</b>	<b>93,09 1</b>	<b>(1,049,7 24)</b>	<b>8,500,9 01</b>	<b>8,254,7 95</b>	<b>8,259,9 5,189</b>	<b>84</b>

	Reserv e of actuari al losses									
	Reserve of exchange differenc es on capita l translatio n	Reserv e of cash flow hedges	Reserv e of define benefit plans	Other reserv es	Total other reserves	Retaine d earnin g other reserves	Equity attributa ble to owners of parent interests	Non - controlli ng inter ests	Total equity	
12-31-2021	Th.U.S. \$	Th.U.S. \$	Th.U.S. \$	Th.U.S. \$	Th.U.S. \$	Th.U.S. \$	Th.U.S. \$	Th.U.S. \$	Th.U.S. \$	
Opening balance at 01-01-2021	603,6 18	(1,081,3 20)	(37,00 7)	(19,72 5)	29,25 5	(1,108,7 97)	7,889,9 01	7,384,7 22	30,913	7,415,6 35
Changes in Equity:										
Comprehensive income										
Net profit	-	-	-	-	-	-	1,030,8 12	1,030,8 12	787	1,031,5 99
Other comprehensi ve income, net of tax	-	(73,875)	(99,85 2)	(1,041)	1,894	(172,87 4)	-	(172,87 4)	(7,090)	(179,96 4)
<b>Compre hensive income</b>	<b>-</b>	<b>(73,875)</b>	<b>(99,85 2)</b>	<b>(1,041)</b>	<b>1,894</b>	<b>(172,87 4)</b>	<b>1,030,8 12</b>	<b>857,938</b>	<b>(6,303)</b>	<b>851,635</b>
Issue of equity	200,0 00	-	-	-	-	-	200,000	-	200,000	-
Dividends	-	-	-	-	-	-	(596,01 2)	(596,01 2)	(203)	(596,21 5)

Increase (decrease) from transfers and other changes	-	-	-	-	40,60 1	<b>40,601</b>	(40,636)	(35)	-	(35)
Increase (decrease) from changes in the interests of subsidiaries that do not imply loss of control	-	-	-	-	-	(35,880)	(35,880)	(16,636)	(52,516)	
<b>Changes in equity</b>	<b>200,0 00</b>	<b>(99,85 2)</b>	<b>42,49 5</b>	<b>(132,27 3)</b>	<b>358,284</b>	<b>426,011</b>	<b>(23,142)</b>	<b>402,869</b>		
Closing balance at 12-31-2021	<b>803,6 18</b>	<b>(1,155,1 95)</b>	<b>(136,8 59)</b>	<b>(20,76 6)</b>	<b>71,75 0</b>	<b>(1,241,0 70)</b>	<b>8,248,1 85</b>	<b>7,810,7 33</b>	<b>7,818,5 7,771</b>	<b>04</b>

	Reserv e of actuari al									
	Reserve of exchange capita l translatio n	Reserv e of cash flow hedges	Reserv e of define benefit plans	Other reserv es	Total other reserves	Retaine d earnin g other reserves	Equity attributa ble to owners of parent	Non - controlli ng interest s	Total equity	
12-31-2020	Th.U.S. .	Th.U.S. \$	Th.U.S. \$	Th.U.S. \$	Th.U.S. \$	Th.U.S. \$	Th.U.S. \$	Th.U.S. \$	Th.U.S. \$	Th.U.S. \$
Opening balance at 01-01-2020	353,6 18	(902,38 7)	9,010	(19,51 1)	20,02 4	(892,86 4)	7,873,6 50	7,334,4 04	35,011	7,369,4 15
Changes in Equity:										
Comprehensive income										
Net profit	-	-	-	-	-	-	25,843	25,843	(538)	25,305
Other comprehensi ve income, net of tax	-	(178,93 3)	(46,0 17)	(214)	(361)	(225,52 5)	(225,52 5)	(4,487)	(230,01 2)	
<b>Comprehens ive income</b>	<b>-</b>	<b>(178,93 3)</b>	<b>(46,0 17)</b>	<b>(214)</b>	<b>(361)</b>	<b>(225,52 5)</b>	<b>(225,52 5)</b>	<b>(5,025)</b>	<b>(204,70 7)</b>	
Issue of equity	250,0 00	-	-	-	-	-	-	250,000	1,236	251,236
Dividends	-	-	-	-	-	-	-	-	(309)	(309)
Increase (decrease) from transfers and other changes	-	-	-	-	9,592	<b>9,592</b>	(9,592)	-	-	-
<b>Changes in equity</b>	<b>250,0 00</b>	<b>(178,93 3)</b>	<b>(46,0 17)</b>	<b>(214)</b>	<b>9,231</b>	<b>(215,93 3)</b>	<b>16,251</b>	<b>50,318</b>	<b>(4,098)</b>	<b>46,220</b>
Closing balance at 12-31-2020	<b>603,6 18</b>	<b>(1,081,3 20)</b>	<b>(37,0 07)</b>	<b>(19,72 5)</b>	<b>29,25 5</b>	<b>(1,108,7 97)</b>	<b>7,889,9 01</b>	<b>7,384,7 22</b>	<b>7,415,6 35</b>	

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>January - December</b>		
	<b>2022</b> <b>ThU.S.\$</b>	<b>2021</b> <b>ThU.S.\$</b>	<b>2020</b> <b>ThU.S.\$</b>
<b>STATEMENTS OF CASH FLOWS</b>			
<b>Cash flows from (used in) operating activities</b>			
<b>Classes of cash receipts from operating activities</b>			
Receipts from sales of goods and rendering of services	7,630,153	6,385,257	4,911,135
Receipts from rents and subsequent sales of such assets	3,815	1,280	-
Other cash receipts from operating activities	551,357	530,229	731,871
<b>Classes of cash payments</b>			
Payments to suppliers for goods and services	(5,244,822)	(4,116,093)	(3,417,281)
Payments to and on behalf of employees	(656,540)	(607,029)	(590,978)
Payments to acquire assets held for rental to others	(27,405)	-	-
Other cash payments from operating activities	(167,533)	(141,588)	(269,228)
Interest paid	(259,052)	(260,394)	(265,644)
Interest received	76,581	32,381	18,033
Income taxes (paid) refunded	(204,954)	115,791	18,650
Other inflows (outflows) of cash, net	(1,108)	(503)	5,586
<b>Net cash flow from (used in) operating activities</b>	<b><u>1,700,492</u></b>	<b><u>1,939,331</u></b>	<b><u>1,142,144</u></b>
<b>Cash flows from (used in) investing activities</b>			
Cash flow from losing control of subsidiaries and other businesses	-	47,988	-
Cash flow used in obtaining control of subsidiaries or other businesses	-	(797)	(4,054)
Cash flow used in the purchase of non-controlling interests	(14)	(34)	(3)
Other cash receipts from sales of equity or debt instruments of other entities	1,878	-	943
Other cash payments to acquire equity or debt instruments of other entities	(9,665)	-	-
Other cash receipts from sales of interests in joint ventures	-	2,621	-
Other cash payments to acquire interests in joint ventures	(176)	(7,759)	(15,376)
Loans to related entities	(3,304)	(1,891)	-
Proceeds from sales of property, plant and equipment	33,177	106,707	12,666
Purchase of property, plant and equipment	(1,271,742)	(1,316,803)	(1,497,215)
Proceeds from sales of intangible assets	314	-	-
Purchase of intangible assets	(6,251)	(6,994)	(12,374)
Proceeds from other long-term assets	51,934	256,659	36,516
Purchase of other long-term assets	(300,209)	(218,918)	(207,398)
Dividends received	33,980	3,049	4,042
Other inflows (outflows) of cash, net	102	(59)	3,398
<b>Cash flows from (used in) investing activities</b>	<b><u>(1,469,976)</u></b>	<b><u>(1,136,231)</u></b>	<b><u>(1,678,855)</u></b>
<b>Cash flows from (used in) financing activities</b>			
Cash flow used in the purchase of non-controlling interests	-	(52,782)	-
Proceeds from issuing shares	-	200,000	250,000
Total proceeds from borrowings	318,357	167,962	412,077
Proceeds from long-term borrowings	82,207	87,962	239,827
Proceeds from short-term borrowings	236,150	80,000	172,250
Repayments of borrowings	(397,977)	(596,490)	(520,474)
Payments of lease liabilities	(65,000)	(67,895)	(75,233)
Dividends paid	(380,969)	(471,167)	(955)
Other inflows (outflows) of cash, net	(1,630)	(1,869)	(9,211)

<b>Cash flows from (used in) financing activities</b>	<b>(527,219)</b>	<b>(822,241)</b>	<b>56,204</b>
<b>Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes</b>	<b>(296,703)</b>	<b>(19,141)</b>	<b>(480,507)</b>
Effect of exchange rate changes on cash and cash equivalents	(47,190)	(34,473)	(14,791)
<b>Net increase (decrease) of cash and cash equivalents</b>	<b>(343,893)</b>	<b>(53,614)</b>	<b>(495,298)</b>
Cash and cash equivalents, at the beginning of the period	1,011,100	1,064,714	1,560,012
<b>Cash and cash equivalents, at the end of the period</b>	<b>667,207</b>	<b>1,011,100</b>	<b>1,064,714</b>

The accompanying notes are an integral part of these consolidated financial statements.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022 AND 2021

### NOTE 1. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

#### Entity Information

Celulosa Arauco y Constitución S.A. and subsidiaries, (hereafter “Arauco” or the “Company”), tax identification number 93,458,000-1, is a closely held corporation, which was registered in the Securities Registry (the “Registry”) of the Chilean Commission for the Financial Market (“CMF”) as No. 042 on June 14, 1982. Additionally, the Company is registered as a non-accelerated filer in the Securities and Exchange Commission (SEC) of the United States of America.

The Company’s head office address is El Golf Avenue 150, 14<sup>th</sup> floor, Las Condes, Santiago, Chile.

Arauco is principally engaged in the production and sale of products related to the forestry and timber industries. Its main operations are focused on business areas of pulp and wood products.

As of December 31, 2022, Arauco is controlled by Empresas Copec S.A., tax identification number 90,690,000-9, which owns 99.999916% of Arauco, and is registered in the Securities Registry as No. 0028. Each of the above mentioned companies is subject to the oversight of the CMF.

Moreover, Empresas Copec S.A. is controlled by the public corporation AntarChile S.A., tax identification number 96,556,310-5, which owns 60.8208% of Empresas Copec S.A. Furthermore, the ultimate shareholders of AntarChile S.A. and, consequently, of Empresas Copec S.A., are Mr. Roberto Angelini Rossi, tax identification number 5,625,652-0, and Mrs. Patricia Angelini Rossi, tax identification number 5,765,170-9.

Arauco’s consolidated financial statements were prepared on a going concern basis.

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#### **Presentation of consolidated financial statements**

The financial statements presented by Arauco are comprised by the following:

- Consolidated statements of financial position as of December 31, 2022 and 2021.
- Consolidated statements of profit or loss for the years ended December 31, 2022, 2021 and 2020.
- Consolidated statements of comprehensive income for the years ended December 31, 2022, 2021 and 2020.
- Consolidated statements of changes in equity for the years ended December 31, 2022, 2021 and 2020.
- Consolidated statements of cash flows for the years ended December 31, 2022, 2021 and 2020.

-Explanatory disclosures (notes).

#### **Period Covered by the consolidated financial statements**

As of December 31, 2022 and 2021 and for the periods between January 1 and December 31 of 2022, 2021 and 2020.

#### **Date of Approval of consolidated financial statements**

These consolidated financial statements were approved by the Board of Directors of the Company (the “Board”) at the Extraordinary Meeting on April 13, 2023.

#### **Abbreviations used in this report:**

IFRS - International Financial Reporting Standards.

IASB - International Accounting Standards Board.

IAS - International Accounting Standards.

IFRIC - International Financial Reporting Standards Interpretations Committee.

MU.S.\$ - Millions of U.S. dollars.

ThU.S.\$ - Thousands of U.S. dollars.

U.F. – Inflation index-linked units of account.

UTA – Annual Tax Unit.

ICMS – Tax movement of inventories and services (Brazil).

ThCLP\$ - Thousands of Chilean Pesos.

ThR\$ - Thousands of Brazilian real.

#### **Functional and Presentation Currency**

Arauco and most of its subsidiaries determined the United States (“U.S.”) dollar as its functional currency since the majority of its revenues from sales of its products are derived from exports denominated in U.S. dollars, while their costs of sales are to a large extent related or indexed to the U.S. dollar.

For the pulp reportable segment, most of the sales are exports denominated in U.S. dollars and costs are mainly related to plantation costs which are settled in U.S. dollars.

For the wood reportable segment, although total sales include a mix of domestic and exports sales, prices of the products are established in U.S. dollars, which is also the case for the cost structure of the related raw materials.

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In relation to the cost of sales, although labor and services costs are generally billed and paid in local currency, these costs are not as significant as the costs of raw materials, which are driven mainly by global markets and therefore, influenced mostly by the U.S. dollar.

The currency used to finance operations is mainly the U.S. dollar.

The presentation currency of the consolidated financial statements is the U.S. dollar. Figures on these consolidated financial statements are presented in thousands of U.S. dollar (ThU.S.\$).

#### **Summary of significant accounting policies**

##### **a) Basis for preparation of the consolidated financial statements**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and they represent the explicit and unreserved adoption of IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets and certain derivative financial instruments which are measured at revalued amounts or fair value at the end of each period as explained in the following significant accounting policies.

**b) Critical accounting estimates and judgments**

The preparation of these consolidated financial statements, in accordance with IFRS, requires management to make estimates and assumptions that affect the carrying amounts reported. These estimates are based on historical experience and various other assumptions that are considered to be reasonable. Actual results may differ from these estimates. Management believes that the accounting policies below are the critical judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

**- Biological Assets**

The recovery of forest plantations is based on discounted cash flow models which means that the fair value of biological assets is calculated using cash flows from continuing operations on a discounted basis, based on our sustainable forest management plans and the estimated growth of forests.

The measurement of the fair value of the biological assets is determined using a discounted cash flow model. Our cash flow projections include significant judgments and assumptions relating to discount rates, estimated growth of the forests and sales margins, as well as periodically carry out studies of the forestry markets to establish the volumes of wood available and the expected future growth returns. The main considerations used to calculate the valuation of forest plantations and a sensitivity analysis are presented in Note 20.

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**- Litigation and Contingencies**

Arauco and its subsidiaries are subject to certain litigation proceedings. Future impact on Arauco's financial condition derived from such litigations is estimated by management, in collaboration with its legal advisors. Arauco applies judgment when interpreting the reports of its legal advisors who provide updated estimates of the legal contingencies at each reporting period and/or at each time a modification is determined to be necessary. For a description of current litigations see Note 18.

**c) Consolidation**

The consolidated financial statements include all entities over which Arauco has the power to direct the relevant financial and operating activities. Subsidiaries are consolidated from the date on which control is obtained and up to the date that control ceases.

Specifically, a company controls an investee or subsidiary if, and only if, they have all of the following:

- (a) power over the investee, i.e. the investor has existing rights which give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- (b) exposure or rights to variable returns from involvement with the investee; and
- (c) the ability to use power over the investee to affect the amount of the investor's returns.

When Arauco holds less than the majority of the voting rights in a company in which it participates, it nonetheless has the power over said company - when these voting rights are enough - to grant it in practice the ability to unilaterally direct said company's relevant activities. Arauco takes into account all facts and circumstances in order to assess if the voting rights in a company in which it participates are enough for granting it the power, including:

- a) the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- b) potential voting rights held by the investor, other vote holders or other parties;
- c) rights arising from other contractual arrangements; and
- d) any additional facts and circumstances that indicate the investor has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Company will reevaluate whether or not it holds control of a company in which participates if the facts and circumstances indicate that changes have occurred in one or more of the three elements of control mentioned above.

Consolidation of an investee shall begin from the date the investor obtains control of the investee and cease when the investor loses control of the investee. An entity includes the income and expenses of an acquired or sold subsidiary in the consolidated financial statements from the date it gains control until the date when the entity ceases to control the subsidiary.

The profit or loss of each component of other comprehensive income is attributed to owners of the parent company and the non-controlling interest, as appropriate. Total comprehensive income is attributed to the owners of the parent company and non-controlling interests even if the results of the non-controlling interest have a deficit balance.

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If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for transactions and other events in similar circumstances, appropriate adjustments are made to the consolidated financial statements of subsidiaries in order to ensure compliance with Arauco's accounting policies.

All intercompany transactions and unrealized gains and losses from subsidiaries have been fully eliminated from these consolidated financial statements and non-controlling interest is presented in the consolidated statement of financial position within equity.

The consolidated financial statements at the end of this period include the assets, liabilities, income and expenses of the subsidiaries shown in Note 13.

Certain consolidated subsidiaries have Brazilian real, Mexican pesos, Canadian dollars, Chilean pesos and Argentine pesos as their functional currencies. For consolidation purposes, the financial statements of those subsidiaries have been prepared in accordance with IFRS and translated as indicated in Note 1 (e) (ii).

A parent company will present non-controlling interests in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent company.

#### **d) Segments**

Arauco has defined its reportable segments according to its business areas, based on the products and services sold to its customers. This definition is consistent with the management, resource allocation and performance assessment made by key personnel responsible for making relevant decisions related to the Company's operation. The personnel

responsible for making such decisions are the Executive Vice-president and the Chief Executive Officer who are the highest authorities for making decisions and are supported by the Vice-presidents of each segment.

Based on the aforementioned process, the Company has established reportable segments according to the following business units:

- Pulp
- Wood products

Refer to Note 24 for detailed financial information by reportable segment.

**e) Functional currency**

(i) Functional currency

All items in the financial statements of Arauco and each of its subsidiaries, associates and jointly controlled entities are measured using the currency of the primary economic environment in which each entity operates (the functional currency). The consolidated financial statements are presented in U.S. dollars, which is Arauco's functional and presentation currency.

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(ii) Translation to the presentation currency of Arauco

For the purposes of presenting consolidated financial statements, assets and liabilities of Arauco's operations in a functional currency different from Arauco's are translated into U.S. dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange rate differences are recognized in other comprehensive income and accumulated in "Other reserves" within-equity.

(iii) Foreign Currency Transactions

Transactions in currencies other than the functional currency are recognized at the exchange rates prevailing at the dates of the transactions. Profit or loss on transactions in currencies other than the functional currency resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statements of profit or loss, except those which are recorded in other comprehensive income and accumulated in equity such as cash flows hedging derivatives.

**f) Cash and cash equivalents**

Cash and cash equivalents include cash-on-hand, deposits held on demand at financial entities and other short-term highly liquid investments with an original maturity of three months or less and which are subject to an insignificant risk of changes in value.

**g) Financial Instruments**

Financial assets

Initial classification

Arauco classifies its financial assets into the following categories: fair value through profit or loss and amortized cost.

Arauco does not have financial assets at fair value through other comprehensive income.

The classification is based on the business model used to manage the assets and the characteristics of their contractual cash flows.

Management determines the classification of its financial assets at the time of their initial recognition.

(a) Financial assets at fair value through profit or loss: these instruments are initially measured at fair value. Net income and losses, including any income from interest or dividends, are registered in the profit or loss of the period. Financial assets are classified in the category of financial assets at fair value through profit or loss when they are maintained for negotiation or designated in their initial registration as assets at fair value through profit or loss. A financial asset can be classified in this category if it is acquired mainly for the purposes of being sold in the short-term. Gain or losses of assets held for negotiations are registered in the consolidated statements of profit or loss, and the related interest is registered independently as financial income. Derivatives are classified as acquired for negotiation also unless they are designated as hedging instruments.

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(b) Assets measured at amortized cost: they are initially registered at the fair value of the transaction, adding or subtracting the transaction costs that are directly attributable to the issuance of the financial asset or financial liability. The financial asset is maintained within a business model, the objective of which is to maintain financial assets to obtain contractual cash flows and the contractual conditions of the asset give rise, on specified dates, to cash flows that are solely payments of principal and interests (“SPPI”) over the amount of the outstanding principal.

#### Subsequent measurement

Financial instruments are subsequently measured at fair value through profit or loss or amortized cost.

The classification is based on two criteria: i) the Company’s business model for the management of financial instruments, and ii) whether the contractual cash flows related to the financial instruments represent “Solely Payments of Principal and Interests”.

a) Financial assets at fair value through profit or loss: these instruments are subsequently measured at fair value. Net earnings and losses, including income from interests and dividends, are registered as profits or losses for the period. These instruments are held for negotiation, and they are mainly acquired to be sold in the short-term. Derivatives are also classified as held for negotiation, unless they are registered as hedging instruments. Financial instruments of this type are classified as other current and non-current financial assets. They are subsequently valued by determining their fair value, registering changes in value in the consolidated statements of profit or loss, in the items of financial income or financial costs.

b) Financial assets measured at amortized cost: These instruments are subsequently measured at amortized cost minus accumulated amortizations, using the effective interest method and adjusted by loss allowance and volume discounts, in the case of financial assets. Financial income and expenses, foreign exchange income and losses, and impairment are registered in results. Any earnings or losses due to initial or subsequent reductions of the value of the asset are registered in the statement of profit or loss of the period. Borrowings and receivables are non-derivative financial instruments with fixed or determinable payments not traded in any active market. They are registered at amortized cost, registering accrued conditions directly in profit or loss.

Arauco measures accumulated losses in a quantity equivalent to expected credit losses during the lifelong commitment. Expected credit losses are based on contractual cash flow differences based on the allowance of each contract and the cash flows that Arauco expects. The difference is then discounted based on an approximation of the

asset's original effective interest rate. The asset's carrying value is reduced as the allowance is used, and the loss is recognized in sales expenses in the consolidated statements of profit or loss. When an account receivable cannot be collected, it is regularized against the allowance account for receivables. Subsequent recoveries of previously impaired amounts are recognized as a debit in distribution cost.

Derivative financial instruments are explained in Note 1 h).

#### Financial liabilities

Arauco classifies its financial liabilities as follows: fair value through profit or loss, derivatives designated as effective hedging instruments and amortized costs.

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Management determines the classification of its financial liabilities upon initial recognition. Financial liabilities are derecognized when the obligation is cancelled, settled or expired. When an existing financial liability is replaced with another of the same provider under substantially different terms, or where the terms of an existing liability are substantially amended, such exchange or modification is treated as a write-off of the original liability, with a new liability being recognized, and the difference between the respective carrying amounts is recognized in the consolidated statement of profit or loss.

Financial liabilities are initially recognized at fair value, and in the case of borrowings, they include the costs directly attributable to the transaction. The subsequent measurement of the financial liabilities depends on their classification:

Financial liabilities at fair value through profit or loss

Financial liabilities are included in the category of financial liabilities at fair value through profit or loss when they are held for trading or originally designated at fair value through profit or loss. Income and losses from liabilities held for trading are recognized in profit or loss. This category includes non-designated derivatives for hedging accounting.

Financial liabilities at amortized cost

Other financial liabilities are subsequently valued at their amortized cost based on the effective interest rate method. The amortized cost is calculated taking into account any premium or acquisition discount and includes the costs of transactions that are an integral part of the effective interest rate. This category includes commercial accounts payable and other accounts payable, lease liabilities, as well as the borrowings included in other current and non-current financial liabilities.

#### **h) Derivative financial instruments**

(i) Derivative financial instruments - The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps, currency swaps and zero cost collar contracts. The Company's policy is to enter into derivatives contracts only for economic hedging purposes and there are no instruments with speculation objectives.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured at fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss unless the derivative is designated as a hedging instrument and complies with hedge accounting requirements, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(ii) Embedded derivatives

The Company assesses the existence of embedded derivatives in financial instrument contracts. Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL as a whole. Arauco has determined that no embedded derivatives currently exist.

(iii) Hedge accounting

The Company designates certain hedging instruments as either fair value hedges or cash flow hedges.

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At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, Arauco documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

**-Fair Value Hedges**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

**-Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the Finance costs line item in the consolidated statement of profit or loss. Amounts previously recognized in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. The hedging ineffectiveness is debited or credited to results.

**i) Inventories**

Inventories are measured at the lower of cost or net realizable value. Cost is determined using the weighted average cost method.

The cost of finished and in process products includes the cost of raw materials, direct labor, other direct costs and manufacturing overhead expenses.

Initial costs of harvested wood are determined at fair value less cost of sale at the point of harvest.

Biological assets are transferred to inventories when forests are harvested.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When market conditions result in the production costs of a product exceeding its net realizable value, the inventories are written-down to their net realizable value. This write-down also includes obsolescence amounts resulting from low turnover inventories and technical obsolescence.

Spare parts that will be consumed in a period of less than twelve months are presented in inventories and recognized as an expense when they are consumed.

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**j) Non-current assets held for sale**

Arauco classifies certain property, plant and equipment, intangible assets, investments in associates and disposal groups (groups of assets to be sold together with their directly associated liabilities) as non-current assets held for sale which as of the date of the consolidated statements of financial position are the subject of active sale efforts which are estimated to be highly probable.

These assets or disposal groups are measured at the lower of the carrying amount or the fair value less the costs to sell, and are no longer depreciated or amortized from the time they are classified as non-current assets held for sale.

**k) Business Combinations**

Arauco applies the acquisition method to account for a business combination. This method requires the identification of the acquirer, determination of the acquisition date, recognition and measurement of the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and recognition and measurement of goodwill or a gain from a bargain purchase. Identifiable assets acquired and liabilities assumed and any contingent liabilities in a business combination are initially measured at fair value at the acquisition date, except:

-deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income taxes and IAS 19 respectively;

-liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 3 at the acquisition date; and

-assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets held for sale and discontinued operations are measured in accordance with such standard.

Acquisition-related costs are accounted for as expenses when they are incurred, except for costs to issue debt or equity securities which are recognized in accordance with IAS 32 and IFRS 9.

A parent will present non-controlling interests in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent company.

Changes in the ownership interest of a parent in its subsidiary that do not result in a loss of control are treated as equity transactions. Any difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the parent company. No adjustment is made to the carrying amount of goodwill, neither gains nor losses are recognized in the statement of profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may initially be measured either at fair value or at the present ownership instruments' proportionate share of non-controlling interests, in the recognized amounts of the acquirer's identifiable net assets. The choice is made on a transaction-by-transaction basis.

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Arauco measures the fair value of the acquired company in the business combination achieved in each stage ("step acquisition"), recognizing the effects of remeasurement of previously held equity in the acquiree in the consolidated statements of profit or loss.

If the initial accounting for a business combination is not completed by the end of the reporting period in which the combination occurs, Arauco reports preliminary amounts for the items for which the accounting is incomplete. During the measurement period (no more than one year), these preliminary amounts are retrospectively adjusted, or additional assets or liabilities are recognized to reflect new information about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognized at that date.

Business combinations that are under common control transactions are accounted using as a reference the pooling of interest. Under this method, assets and liabilities related to the transaction carry over the previous carrying values. Any difference between assets and liabilities included in the consolidation and the consideration transferred, is accounted in equity, as a debit or credit to other reserves.

#### I) Investments in associates and joint arrangements

Associates are entities over which Arauco exercises significant influence, but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Joint arrangement is defined as an entity over which there is joint control, which exists only when the decisions about strategic of activities, both financial and operational, require the unanimous consent of the parties sharing control.

Investments in joint arrangements are classified as a joint venture or as a joint operation. A joint operation is a joint arrangement in which the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement in which the parties that have joint control of the arrangement (i.e., participants in a joint venture) have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. Their carrying amount is increased or decreased to recognize the portion corresponding to the statement of profit or loss or to the statement of comprehensive income. Dividends received are recognized by deducting the amount received from the carrying amount of the investment. Arauco's investment in associates includes goodwill (both net of any accumulated impairment loss).

The investments in joint operations are recognized through consolidation of assets, liabilities and results of operations in relation to Arauco's ownership percentage.

If the acquisition cost is lower than the fair value of the net assets of the associate acquired, the difference is recognized directly in statement of profit or loss in line other gains (losses).

Investments in associates and joint ventures are presented in the consolidated statement of financial position in the line item “Investments accounted for using equity method”.

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If Arauco’s share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture, Arauco discontinues recognizing its share of further losses. After Arauco’s carrying value in the investee is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that Arauco has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, Arauco resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

**m) Intangible assets other than goodwill**

After initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortization and impairment losses.

Amortization of an intangible asset with a finite useful life is allocated over the asset’s useful life. Amortization begins when the asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

(i) Computer Software

Computer software licenses are capitalized in terms of the costs incurred to acquire and make them compatible with existing software. These costs are amortized over the estimated useful lives of the software.

(ii) Water Rights, Easements and Other Rights

This item includes water rights, easements and other acquired rights recognized at historical cost which have indefinite useful lives as there is no foreseeable limit to the period over which these assets are expected to generate future cash flows. These rights are not amortized, but are tested for impairment at least annually, or when there is any indication that the assets might be impaired.

(iii) Customers and trade relations with customers

Correspond to the valuation over the time of the established relationship with customers, from the sale of products and services through its sales team. These relations will materialize in sales orders, which generate revenue and cost of sales. The useful life has been determined to be 15 years.

**n) Goodwill**

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquired company, and the fair value of the acquirer's previously held equity interest in the acquired company (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statements of profit or loss.

Goodwill is not amortized but tested for impairment on annual basis.

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After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes of impairment testing, goodwill in a business combination is allocated as of the acquisition date to the cash generating unit or a group of cash generating units expected to benefit from the synergies of the combination irrespective of whether other assets or liabilities of the acquired company are allocated to those units or group of units.

The goodwill generated on acquisitions of foreign companies, is expressed in the functional currency of such foreign company.

Goodwill recognized in subsidiaries Arauco Canada Ltd. and Arauco do Brasil S.A., generated on subsidiaries acquisitions whose functional currency is different from the functional currency of the parent company and presentation of these financial statements, are translated into U.S. dollars at the closing exchange rate.

**o) Property, Plant and Equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. The cost includes expenditures that are directly attributable to the acquisition of the assets.

Subsequent costs, such as improvements and replacement of components, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Arauco and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized from property, plant and equipment. All other repairs and maintenance costs are expensed in the period in which they are incurred.

Arauco capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of those assets, until the assets are ready for their intended use (See Note 12).

Depreciation is calculated by components using the straight-line method.

The useful lives of the items of property, plant and equipment is estimated according to the expected use of the assets. The residual values and useful lives of assets are reviewed and adjusted, if appropriate, annually.

**p) Leases**

Arauco applies IFRS 16 for recognizing leases in a manner consistent with contracts with similar features and akin circumstances.

At the beginning of a contract, Arauco assesses whether the contract is, or if it contains, a lease. A contract is, or contains, a lease if it transfers the right to control the use of a given asset for a certain period of time, in exchange for consideration.

As of the initial date for recording a lease, Arauco, as lessee, recognizes an asset by the right of use at cost.

The cost of the asset for right of use comprises:

- The amount of the initial measurement of the lease liability. This measurement is at present value of the payments for leases that have not been disbursed as of that date. Payments for leases are discounted using the incremental interest rate for financial borrowings;

- Payments for leases performed prior to or as of the initiation date, minus the lease incentives that have been received;
- The initial direct costs incurred by the lessee; and
- An estimation of the costs to be incurred by the lessee when dismantling and eliminating the underlying asset, restoring the location where the same is located, or restoring the underlying asset to the condition required under the terms and conditions of the lease, unless such costs are incurred in order to produce inventories. The lessee assumes obligations stemming from such costs either at the commencement date, or as a result of having used the underlying asset during a specific period.

After the initial recognition date, Arauco, as lessee, recognizes its asset for right of use by applying the cost model, minus the accumulated depreciation and impairment losses, and adjusted for remeasurement of the liability for lease.

At the beginning, Arauco in the capacity of lessee, recognizes the lease liability at present value of the lease payments that have not been disbursed as of that date. Lease payments are discounted using the incremental interest rate for financial borrowings.

After the initial recognition date, Arauco, as lessee, recognizes a liability for leases by increasing the book value, so as to reflect the interest over the liability for lease, reducing the amount in order to reflect the payments for leases that have been performed and once again recognizing the book value, so as to reflect the remeasurement and also to reflect the essential fixed payments for leases that have been revised.

Arauco presents the assets by right of use in the consolidated statement of financial position and are further disclosed in Note 8. Likewise, lease liabilities are presented in the consolidated statement of financial position and further disclosed in Note 23.

IFRS 16 maintains substantially the accounting requirements of the lessor from IAS 17. Therefore, Arauco has continued to classify its leases as operational or financial, as the case may be.

Income from operating leases in which Arauco is the lessor are recognized on a straight-line basis during the term of the lease. Initial direct costs are added to the book value of the underlying asset and are recognized as expenses during the term of the lease on the same basis as the lease income. Leased assets are included within the statement of financial position, in property, plant and equipment. Arauco did not make adjustments with respect to assets that maintains as a lessor, as a result of IFRS 16 adoption.

When assets are leased under a financial lease, the present value of lease payments are recognized as financial accounts receivable. The difference between the gross receivable and the present value of such amount, is recognized as financial return on capital.

Arauco evaluates the economic nature of the contracts that grant the right to use certain assets, for the purposes of determining the existence of implied leases. In these cases, the Company separates, at the beginning of the contract and based on its relative reasonable values, payments and considerations associated with the lease, from the rest of the elements incorporated into the contract.

#### **q) Biological Assets**

IAS 41 requires that biological assets, such as standing trees, are measured at fair value less cost to sell in the statement of financial position. Forestry plantations are accounted for at fair value less costs to sell, based on the presumption that fair values of these assets can be measured reliably.

The measurement of the fair value of the biological assets is determined using a discounted cash flow model. Our cash flow projections include significant judgments and assumptions relating to discount rates, estimated growth of the forests and sales margins. This valuation is performed on the basis of each identifiable farm block and for each type of tree.

The measurement of new forestry plantations made during the current year is made at cost, which corresponds to the fair value at that date. After twelve months, the valuation methodology used is that explained in the preceding paragraph.

Biological assets shown as current assets correspond to those forestry plantations that will be harvested in the short-term.

Biological growth and changes in fair value of forestry plantations are recognized in the line item “Other income” in the consolidated statements of profit or loss.

**r) Income taxes**

The tax liabilities are recognized in the consolidated financial statements based on the determination of taxable income for the year and calculated using the tax rates in force in the countries where Arauco operates.

Deferred income tax is recognized using liability method, on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual accounts. Deferred income tax is determined using tax rates contained in laws adopted as of the date of the financial statements and that are expected to be applicable when the related deferred tax asset is realized, or the deferred income tax liability is settled.

Deferred taxes are recognized in accordance with the standards established in IAS 12 - Income Tax.

The goodwill arising on business combinations does not give rise to deferred tax.

The deferred tax assets and tax credits are generally recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which those deductible temporary differences can be utilized.

**s) Provisions**

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of past events, under which, it is probable that an outflow of resources will be required to settle the obligation; and when a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period.

**t) Revenue recognition**

Revenues are valued at fair value of the consideration received or to be received, derived from them. Arauco analyses and takes under consideration all relevant facts and circumstances to apply the five-step model established under IFRS 15 to customer contracts: (i) identify the contract, (ii) identify the performance obligations, (iii) determine the transaction price, (iv) allocate the transaction price, and (v) recognize revenue. Additionally, Arauco evaluates the

incremental costs of obtaining a contract and the costs incurred to comply with a contract. Arauco recognizes revenues when the steps established in IFRS have been satisfactorily complied with.

Accounts receivable are recognized when control over goods or services has been transferred to the customer, because at this point of the time collection is unconditional and the passage of time is only needed to receive payment.

(i) Revenue recognition from the Sale of Goods

Revenue from the sale of goods is recognized when Arauco has transferred to the buyer the significant risks and rewards of ownership of the committed goods, when the amount of revenue can be reliably measured, when Arauco does not retain any managerial involvement over the goods sold and when it is probable that the economic benefits associated with the transaction will flow to Arauco and the costs incurred in respect of the transaction can be measured reliably. Revenue from the sale of goods are recognized when there is no obligation unsatisfied that could affect the customer's acceptance of the product. The delivery is effective when the products are sent to the specific location, the risks of obsolescence and loss have been transferred to the customer and when Arauco has objective evidence that all acceptance criteria have been satisfied.

Sales are recognized in terms of the price agreed to in the sales contract, less any volume discounts and estimated product returns at the date of the sale. There is no significant financing component given that receivables from sales are collected within a short period, which is in line with market practices.

The structure for recognizing revenue from export sales is based on the 2010 Incoterms, which are the official rules for the interpretation of commercial terms issued by the International Chamber of Commerce.

The main Incoterms used by Arauco are the following:

“CFR (Cost and freight)”, where the company bears all costs including main transportation, until the products arrives at its port of destination. The risk is transferred to the purchaser once the products have been loaded onto the vessel, in the country of origin.

“CIF (Cost Insurance & Freight)”, where the Company organizes and pays for external freight services and some other expenses. Arauco is no longer responsible for the products once they have been delivered to the ocean carrier company.

(ii) Revenue recognition from Rendering of Services

Revenue from the rendering of services is recognized as long as the performance obligation have been satisfied.

Revenue is recognized considering the stage of completion of the transaction at the date of the reporting period, when Arauco has the enforceable right of payment from the rendering of the services.

There is no significant financing component, given that sales are made with a reduced average collection period, which is in line with market practice.

Arauco mainly provides power supply services which are transacted principally in the spot market of the Sistema Eléctrico Nacional (SEN) (“National Electrical System”). According to current regulations, the prices on that market called “Marginal Costs” are calculated by the Coordinador Eléctrico Nacional (CEN) (“National Electrical Coordinator”) and are generally recognized in the period in which the services are rendered.

Electrical power is generated as a by-product of the pulp and wood process and is a complementary business to it, which is initially supplied to the group’s subsidiaries and any surplus is sold to the SEN.

Arauco provides other non-core services such as port services and pest control whose revenues are derived from fixed price service contracts are recognized considering the stage of completion of the services rendered at the date of reporting, generally during the period of the service contract on a straight-line basis over the term of the contract.

Revenues from reportable segments mentioned in Note 24 are measured in accordance with the policies indicated in the preceding paragraphs.

Revenues from inter-segment sales (which are made at market prices) are eliminated in the consolidated financial statements.

**u) Minimum dividend**

Article No. 79 of the Chilean Corporations Law states that, unless otherwise unanimously agreed by the shareholders, corporations must distribute annually at least 30% of net income for the current year as cash dividend to shareholders determined in proportion to their shares or in the proportion established in the by-laws for preferred shares, if any, except where necessary to absorb accumulated losses from prior years.

On April 8, 2022, our Board of Directors approved an amendment to the abovementioned dividend policy in respect of net income obtained in fiscal year 2021, in order to include in the calculation of the distributable net income for such fiscal year the extraordinary profits obtained by the Company for the sale of real estate by the subsidiary Forestal Arauco S.A. to Vista Hermosa Inversiones Forestales SpA. The amendment to the dividend policy is based upon the very positive financial results obtained by Arauco during fiscal year 2021, already informed to the market, and its current cash availability.

The aforementioned modification to the Company's dividend policy only applies for fiscal year 2021. For the eventual profits of the current fiscal year 2022 and for subsequent fiscal years, an amount equivalent to the 40% of the distributable net income for each fiscal year will be distributed as dividends. Nevertheless, the Board of Directors may decide to distribute and pay dividends to the shareholders, to the extent that it expects the year to finalize with positive results and that the Company's liquidity allows such distribution and payment.

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**v) Earning per share**

Basic earnings per share are calculated by dividing the net profit for the period attributable to the parent company by the weighted average number of ordinary shares outstanding during the period, excluding the average number of shares in the Company held by a subsidiary, if such circumstance exists. Arauco has not performed any type of transaction with a potential dilutive effect that would cause diluted earnings per share to be different from basic earnings per share.

**w) Impairment**

**Non-financial Assets**

The recoverable amount of property, plant and equipment and other long-term assets with finite useful lives are measured whenever there are any circumstances indicating that the assets have to recognize an impairment loss. Among the circumstances to consider as evidence of impairment are significant declines in the assets' market value, significant adverse changes in the technological environment, obsolescence or physical damages of assets and changes in the manner in which the asset is used or expected to be used). Arauco evaluates at the end of each reporting period whether there is any evidence of the indications above mentioned.

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount however a reversal of an impairment loss shall not exceed the carrying amount that would have

been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

For the purposes of assessing impairment losses, assets are grouped at the lowest level for which there is identifiable cash flows separately for each cash-generating unit. Non-financial assets, other than goodwill, which had recognized an impairment loss, are reviewed at the end of each reporting period whether there are any circumstances indicating that an impairment loss previously recognized may no longer exists or has decreased.

“Cash-generating units” are the smallest identifiable groups of those cash inflows that are largely independent of the cash inflow from other assets or groups of assets.

#### Goodwill

Goodwill and intangible assets with indefinite useful life are tested annually for impairment or whenever circumstances indicate it. The recoverable amount of an intangible asset is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognized whenever the carrying amount exceeds the recoverable amount.

A cash-generating unit, for which goodwill has been allocated, is tested for impairment annually or more frequently when there are circumstances indicating that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets pro rata based on the carrying amount of each asset in the unit. Any impairment loss of goodwill is recognized directly in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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Goodwill is allocated to cash-generating units for impairment testing purposes. The allocation is made between cash-generating units or groups of cash generating units expected to benefit from the synergies of the combination.

#### Financial Assets

At the end of each reporting period, an assessment is performed in order to identify whether there is any objective evidence that a financial asset or a group of financial assets may have been impaired.

An allowance for doubtful accounts is established based on a measurement of expected losses using a simplified approach.

The allowance for doubtful accounts is measured as the difference between the carrying amount of receivables and the present value of estimated future cash flows. The carrying amount of the receivable is reduced through the use of the allowance. If the impairment loss decreases in later periods, it is reversed either directly or by adjusting the provision for doubtful accounts, with effect in profit or loss.

#### **x) Employee Benefits**

Arauco constitutes labor obligations for severance payable in all circumstances for certain of its employees with at least 5 years of work in the Company, based on the terms of the staff's collective and individual bargaining agreements.

The related provision is an estimate of the years of service to be recognized as a future labor obligation liability, in accordance with contracts between Arauco and its employees and pursuant to actuarial valuation criteria for this type of liability. This post-employment benefit is considered a defined benefit plan.

The main factors considered for calculating the actuarial value of severance obligation for years of service are employee turnover, salary increases and life expectancy of the workers included in this benefit.

Actuarial gains and losses are recognized in other comprehensive income in the year they are incurred.

These obligations are related to post-employee benefits in accordance with current standards.

**y) Employee Vacations**

Arauco recognizes the expense for employee vacation according to labor legislation in each country on an accrual basis.

This obligation is presented in line item “Trade and other current payables” in the consolidated statements of financial position.

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**z) Recent accounting pronouncements**

a) Standards, interpretations and amendments that are mandatory for the first time for annual periods beginning on January 1, 2022:

<b>Amendments and improvements</b>	<b>Content</b>	<b>Mandatory application for annual periods beginning on or after</b>
Reference to the Conceptual Framework - Amendments to IFRS 3	Business combinations. Update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	January 1, 2022
IAS 16 Amendment	Property, plant and equipment Prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.	January 1, 2022
IAS 37 Amendment	Provisions, contingent liabilities and contingent assets Specify which costs a company includes when assessing whether a contract will be loss-making.	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	IFRS 9 Financial Instruments Addresses which fees should be included in the 10% test for derecognition of financial liabilities.	January 1, 2022
	IFRS 16 Leases Amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to	

leasehold improvements, to remove any confusion about the treatment of lease incentives.

**IAS 41 Agriculture**

Elimination of the requirement for entities to exclude tax cash flows when measuring fair value. This amendment aligned the requirements of IAS 41 on the measurement of fair value with those of other IFRS Standards.

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The adoption of the standards, amendments and interpretations described above did not have a significant impact on Arauco consolidated financial statements during its initial application period.

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b) Standards, interpretations and amendments, the application of which is not yet mandatory, which have not been adopted in advance:

<b>Amendments and improvements</b>	<b>Content</b>	<b>Mandatory application for annual periods beginning on or after</b>
IAS 1	Presentation of Financial Statements Clarifies that liabilities will be classified as current or non-current depending on the rights at the end of the reporting period. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	January 1, 2024
IAS 1 and IAS 8	To IAS 1, Practice statement 2 and IAS 8, aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	January 1, 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction Require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	January 1, 2023
IAS 1	Non-current liabilities with covenants Clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	January 1, 2024
IFRS 16	Leases on sale and leaseback include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable	January 1, 2024

lease payments that do not depend on an index or rate are most likely to be impacted.

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Arauco estimates that the adoption of the standards, amendments and interpretations described above will not have a significant impact on Arauco's consolidated financial statements during its initial application period.

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## **NOTE 2. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES**

### **Changes to accounting policies**

As of December 31, 2022, there has been no changes in the Company's accounting policies with respect to the 2021 financial year.

### **Changes to accounting estimates**

As of December 31, 2022, there have been no changes in the methodologies for calculating the accounting estimates with respect to the 2021 financial year.

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## **NOTE 3. DISCLOSURE OF OTHER INFORMATION**

### **a) Disclosure of information on Issued Capital**

Between April and May of 2021, a capital increase of ThU.S.\$ 200,000 which amounts to 3,250,975 shares was wholly subscribed and paid-in by the shareholders.

As of September 24, 2020, a capital increase of ThU.S.\$ 250,000 which amounts to 4,063,720 shares was wholly subscribed and paid-in by the shareholders.

As of December 14, 2021, the controlling shareholder, who is Empresas Copec S.A. acquired a total of 26,346 shares from 2 minority shareholders, so following this capital increase as of December 31, 2022, the shareholders composition according to the amount of shares owned is as follows:

<b>Shareholders</b>	<b>Shares</b>	<b>%</b>
Empresas Copec S.A.	120,474,249	99.99991616%
AntarChile S.A.	101	0.00008384%
	<b><u>120,474,350</u></b>	<b><u>100.00000000%</u></b>

At the date of these consolidated financial statements the share capital of Arauco is ThU.S.\$ 803,618.

100% of Capital corresponds to ordinary shares.

Description of Ordinary Capital Share Types

	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>100% of Capital corresponds to ordinary shares</b>	

Number of Authorized Shares by Type of Capital in Ordinary Shares	120,474,350	120,474,350
Nominal Value of Shares by Type of Capital in Ordinary Shares	U.S.\$ 6.6704 per share	U.S.\$ 6.6704 per share
Amount of Capital in Shares by Type of Ordinary Shares that Constitute Capital	ThU.S.\$ 803,618 <b>12-31-2022</b>	ThU.S.\$ 803,618 <b>12-31-2021</b>
Number of Shares Issued and Fully Paid by Type of Capital in Ordinary Shares	120,474,350	120,474,350

**b) Dividends paid**

In December 2022 a provisional dividend of ThU.S.\$ 183,971 was paid, which was based on the distributable net profit as of September 30, 2022.

In May 2022 a dividend of ThU.S.\$ 192,132 was paid, which was based on profits of the 2021 fiscal year. In November 2021 a provisional dividend of ThU.S.\$ 271,000 was paid and in October 2021 a dividend of ThU.S.\$ 200,000 was paid.

The amount of ThU.S.\$ 437,995 presented in the consolidated statement of changes in equity for the year ended December 31, 2022 contains the minimum dividend provision for ThU.S.\$ 370,874 corresponding to the period 2022. The remaining ThU.S.\$ 67,121 correspond to the determination of the differential dividend distributed by the profits of the year 2021 and generated by the change in the dividend policy approved in April 2022.

As of December 31, 2020, no dividends were paid.

See Note 26 for details.

In the consolidated statements of cash flows, an amount of ThU.S.\$ 380,969 for the year ended December 31, 2022 (ThU.S.\$ 471,167 for the year ended December 31, 2021) is presented in the line dividends paid, of which ThU.S.\$ 376,103 (ThU.S.\$ 471,000 for the year ended December 31, 2021) correspond to the payment of dividends to the parent company.

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**Dividends paid detail, ordinary shares**

Dividends paid	<b>Definitive dividend</b>
Classes of shares for which there are dividends paid	Ordinary shares without series
Date of dividends paid	12-14-2022
Amount of dividends	ThU.S.\$ 183,971
Number of shares on which pay dividends	120,474,350
Dividend per shares	U.S.\$ 1.5271

**Dividends paid detail, ordinary shares**

Dividends paid	<b>Definitive dividend</b>
Classes of shares for which there are dividends paid	Ordinary shares without series
Date of dividends paid	05-10-2022
Amount of dividends	ThU.S.\$ 192,132
Number of shares on which pay dividends	120,474,350
Dividend per shares	U.S.\$ 1.59480

**Dividends paid detail, ordinary shares**

	<b>Interim dividend</b>
Classes of shares for which there are dividends paid	Ordinary shares without series
Date of dividends paid	11-03-2021
Amount of dividends	ThU.S.\$ 271,000
Number of shares on which pay dividends	120,474,350
Dividend per shares	U.S.\$ 2.24944

**c) Disclosure of Information on Reserves**

Other reserves comprise reserves of exchange differences on translation, reserves of cash flow hedges and other reserves. Arauco does not have any restrictions associated with these reserves.

**Reserves of exchange differences on translation**

Reserves of exchange differences on translation correspond to exchange differences relating to the translation of the results and net assets of Arauco's subsidiaries whose functional currency is other than Arauco's presentation currency.

**Reserves of cash flow hedges**

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve. The cash flow hedge reserve is used to recognize the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges.

**Reserve of Actuarial Losses in Defined Benefit Plans**

This corresponds to changes in the present value of the obligation for defined benefits resulting from experience adjustments (the effect of the differences between the previous actuarial assumptions and the events that occurred within the context of the plan) and the effects of the changes in the actuarial assumptions.

**Other reserves**

This mainly corresponds to the share of other comprehensive income of investments in associates and joint ventures.

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**d) Other items in the Statements of Profit or Loss**

The table below sets forth other income, other expenses, finance income, finance costs and share of profit (loss) of associates and joint ventures for the years ended December 31, 2022, 2021 and 2020 are as follows:

	<b>January - December</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
<b>Classes of Other Income</b>			
<b>Total Other Income</b>	<b>100,129</b>	<b>378,977</b>	<b>283,816</b>
Gain from changes in fair value of biological assets (Note 20)	12,932	81,986	182,950
Net income from insurance compensation	2,046	1,101	3,007
Revenue from export promotion	1,157	1,608	951
Lease income	1,834	1,689	1,625
Gain on sales of assets	48,653	241,662	28,299
Access easement	905	308	14,020
Recovery of tax credits	-	1,674	23,372

Compensations received	221	7,018	964
Gain on sales of subsidiary	-	20,381	-
Other operating income	32,381	21,550	28,628
<b>Classes of Other Expenses by function</b>			
<b>Total Other Expenses by function</b>	<b>(373,889)</b>	<b>(192,101)</b>	<b>(182,883)</b>
Provision legal expenses	(10,478)	(8,466)	(5,899)
Impairment provision for property, plant and equipment, provision for inventory obsolescence, withdrawals and others	(170,207)	(76,218)	(66,821)
Operating expenses related to staff restructuring or from plants stoppage or closed (*)	(82,337)	(5,875)	(26,148)
Expenses related to projects	(27,837)	(20,663)	(15,791)
Loss of asset sales	(12,575)	(9,996)	(9,733)
Loss and repair of assets	(12,585)	(1,700)	(4,342)
Loss of forest due to fires	(17,127)	(38,133)	(21,530)
Other Taxes	(20,413)	(17,666)	(16,613)
Research and development expenses	(4,432)	(2,903)	(3,012)
Fines, readjustments and interests	(6,142)	(241)	(864)
Loss on sale of permanent investments	-	(431)	-
Loss of tax credits	(212)	(491)	(1,069)
Other expenses	(9,544)	(9,318)	(11,061)
<b>Classes of Finance Income</b>			
<b>Total Finance Income</b>	<b>72,116</b>	<b>33,499</b>	<b>29,449</b>
Finance income by mutual funds - term deposits	61,816	30,720	16,099
Finance income resulting from derivatives	39	39	825
Other finance income	10,261	2,740	12,525
<b>Classes of Finance Costs</b>			
<b>Total Finance Costs</b>	<b>(200,366)</b>	<b>(219,982)</b>	<b>(268,179)</b>
Interest expense, Bank borrowings	(20,827)	(20,013)	(28,869)
Interest expense, Bonds	(114,297)	(138,334)	(171,834)
Interest expense resulting from derivatives	(17,774)	(17,598)	(30,083)
Interest expense for right-of-use	(9,825)	(8,042)	(9,404)
Other finance costs	(37,643)	(35,995)	(27,989)
<b>Share of profit (loss) of associates and joint ventures accounted for using equity method</b>			
<b>Total</b>	<b>33,684</b>	<b>31,386</b>	<b>2,317</b>
Investments in associates	7,069	330	4,821
Investments in joint ventures	26,615	31,056	(2,504)

(\*) These expenses are mainly due to industrial plants temporarily stopped due to failures.

The analysis of expenses by nature contained in these consolidated financial statements is presented below:

Cost of sales (*)	<b>January - December</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Timber	859,811	773,732	844,548
Forestry labor costs and other services	623,902	554,460	467,595
Depreciation and amortization	408,248	401,672	412,750

Depreciation for right of use	40,539	43,284	57,785
Maintenance costs	319,100	261,143	225,691
Chemical costs	712,331	546,048	444,429
Sawmill costs	117,786	113,592	102,663
Other raw materials	315,078	243,882	212,872
Other indirect costs	169,423	127,751	118,721
Energy and fuel	243,986	201,949	168,782
Cost of electricity	46,902	36,927	32,200
Staff expenses	417,390	377,163	357,248
<b>Total</b>	<b>4,274,496</b>	<b>3,681,603</b>	<b>3,445,284</b>

(\*) Total amount is comprised of the cost of inventory sales for ThU.S.\$ 4,185,527 as of December 31, 2022 (ThU.S.\$ 3,599,930 and ThU.S.\$ 3,381,471 as of December 31, 2021 and 2020, respectively) and the cost of rendering services for ThU.S.\$ 88,969 as of December 31, 2022 (ThU.S.\$ 81,673 and ThU.S.\$ 63,813 as of December 31, 2021 and 2020, respectively).

Distribution cost	January – December		
	2022 ThU.S.\$	2021 ThU.S.\$	2020 ThU.S.\$
<b>Selling costs</b>	<b>37,652</b>	<b>38,467</b>	<b>35,847</b>
Commissions	12,607	14,566	13,846
Insurance	6,813	4,236	3,521
Provision for doubtful accounts	(462)	758	1,427
Other selling costs	18,694	18,907	17,053
<b>Shipping and freight costs</b>	<b>884,574</b>	<b>644,529</b>	<b>499,857</b>
Port services	69,478	52,132	41,731
Freights	743,590	555,357	414,153
Depreciation for right of use	2,975	2,291	1,664
Other shipping and freight costs (internment, warehousing, stowage, customs and other costs)	68,531	34,749	42,309
<b>Total</b>	<b>922,226</b>	<b>682,996</b>	<b>535,704</b>

Administrative expenses	January – December		
	2022 ThU.S.\$	2021 ThU.S.\$	2020 ThU.S.\$
Wages and salaries	255,378	248,079	210,708
Marketing, advertising, promotion and publications expenses	15,998	12,601	10,037
Insurances	26,009	23,749	23,297
Depreciation and amortization	33,155	34,771	33,753
Depreciation for right of use	7,103	7,061	8,006
Computer services	40,136	32,614	32,473
Lease of offices, other property and vehicles	5,079	5,264	5,282
Donations, contributions, scholarships	11,510	9,264	14,879
Fees (legal and technical advisors)	39,616	38,124	38,701
Property taxes, city permits and rights	27,385	24,522	19,206
Cleaning services, security services and transportation	30,491	33,336	28,108
Third-party variable services (maneuvers, logistics)	52,455	44,325	36,535
Basic services (electricity, telephone, water)	5,334	4,605	4,686
General and other minor expenses	6,197	14,455	4,102
Maintenance and repair	9,044	8,040	6,448
Seminars, courses, training materials	3,621	2,908	1,906
Travels, clothing and safety equipment, environmental expenses, audits and others	45,097	33,429	32,010
<b>Total</b>	<b>613,608</b>	<b>577,147</b>	<b>510,137</b>

**NOTE 4. INVENTORIES**

<b>Components of inventory</b>	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Raw materials	199,174	79,288
Production supplies	209,396	158,382
Work in progress	70,625	51,461
Finished goods	769,558	698,613
Spare parts	221,258	189,154
<b>Total inventories</b>	<b>1,470,011</b>	<b>1,176,898</b>

Inventories recognized as cost of sales as of December 31, 2022 were ThU.S.\$ 4,185,527 (ThU.S.\$ 3,599,930 and ThU.S.\$ 3,381,471 as of December 31, 2021 and 2020, respectively).

In order to have inventories recorded at net realizable value as of December 31, 2022, a net decrease of inventories was recognized associated with a higher obsolescence provision of ThU.S.\$ 11,880 (ThU.S.\$ 33,890 and ThU.S.\$ 21,580 as of December 31, 2021 and 2020, respectively). As of December 31, 2022, the amount of obsolescence provision is ThU.S.\$ 77,370 (ThU.S.\$ 65,490 as of December 31, 2021).

As of December 31, 2022, there were inventory write-offs of ThU.S.\$ 4,865 (ThU.S.\$ 993 and ThU.S.\$ 300 as of December 31, 2021 and 2020, respectively) which are presented in the consolidated statements of profit or loss within Cost of sales.

The inventory obsolescence provision is calculated based on the sales conditions of products and age of inventory (inventory turnover).

As of the date of these consolidated financial statements, no inventories were pledged as security.

**NOTE 5. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, bank checking account balances, time deposits and mutual funds. These are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The investment objective of time deposits is to maximize the amounts of cash surpluses in the short-term. These instruments are permitted under Arauco's Investment Policy which allows investing in fixed income securities. These instruments have a maturity of less than three months from the date of acquisition.

Arauco invests in local and international mutual funds in order to maximize the returns of cash surpluses denominated in Chilean pesos or in foreign currencies such as U.S. dollars or Euros. These instruments are permitted under Arauco's Investment Policy.

As of the date of these consolidated financial statements, there are no amounts of cash and cash equivalents with restrictions on use.

<b>Components of Cash and Cash Equivalents</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Cash on hand	64	91
Balances with Banks	298,513	528,985
Short-term deposits	258,566	251,956
Mutual funds	110,064	230,068
<b>Total</b>	<b>667,207</b>	<b>1,011,100</b>

The risk classification of the Company's mutual funds as of December 31, 2022 and 2021 is shown below.

	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
AAAfM	24,933	134,314
No classification	85,131	95,754
<b>Total Mutual Funds</b>	<b>110,064</b>	<b>230,068</b>

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### Changes in Financial Liabilities

	<b>12-31-2022</b>			
	<b>Bank borrowings</b>	<b>Hedging liabilities</b>	<b>Bonds and promissory notes</b>	<b>Other financial liabilities</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
<b>Opening balance January 1</b>	<b>991,956</b>	<b>296,316</b>	<b>4,426,033</b>	<b>5,714,305</b>
Cash flows (+) Borrowings obtained	318,357	-	-	318,357
(-) Borrowings paid	(347,459)	(9,578)	(40,940)	(397,977)
(-) Commissions paid	(1,656)	-	-	(1,656)
(-) Interest paid	(18,450)	(37,141)	(193,737)	(249,328)
(+) Accrued interest	22,679	37,039	194,200	253,918
(+/-) Inflation adjustment	(29,757)	-	120,091	90,334
(+/-) Changes in fair value	-	(209,936)	-	(209,936)
(+/-) Other non-cash movements	5,007	(14)	7,812	12,805
<b>Closing balance</b>	<b>940,677</b>	<b>76,686</b>	<b>4,513,459</b>	<b>5,530,822</b>

	<b>12-31-2021</b>			
	<b>Bank borrowings</b>	<b>Hedging liabilities</b>	<b>Bonds and promissory notes</b>	<b>Other financial liabilities</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
<b>Opening balance January 1</b>	<b>1,274,260</b>	<b>39,660</b>	<b>4,707,944</b>	<b>6,021,864</b>
Cash flows (+) Borrowings obtained	167,962	-	-	167,962
(-) Borrowings paid	(405,567)	(25,316)	(165,607)	(596,490)
(-) Commissions paid	(2,328)	-	-	(2,328)
(-) Interest paid	(18,084)	(30,034)	(204,465)	(252,583)
(+) Accrued interest	16,961	29,032	200,843	246,836
(+/-) Inflation adjustment	(45,891)	-	(120,785)	(166,676)
(+/-) Changes in fair value	-	283,261	-	283,261
(+/-) Other non-cash movements	4,643	(287)	8,103	12,459
<b>Closing balance</b>	<b>991,956</b>	<b>296,316</b>	<b>4,426,033</b>	<b>5,714,305</b>

<b>Lease liabilities</b>	<b>12-31-2022</b>	<b>12-31-2021</b>
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	ThU.S.\$	ThU.S.\$
<b>Opening balance January 1</b>	<b>163,304</b>	<b>211,755</b>
Cash flows (-) Borrowings paid	(65,000)	(67,895)
(-) Interest paid	(9,724)	(7,811)
(+/-) Accrued interest	9,753	8,363
(+/-) Inflation adjustment	839	(13,540)
(+/-) Increase due to new leases liabilities	167,370	35,186
(+/-) Other movements	(2,318)	(2,754)
<b>Closing balance</b>	<b>264,224</b>	<b>163,304</b>

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## NOTE 6. INCOME TAXES

The tax rates applicable in the countries in which Arauco operates are 27% in Chile, 35% in Argentina, 30% in Mexico, 34% in Brazil, 25% in Uruguay and 26% in the United States (federal tax).

In 2021, Argentinian Republic published in the Official Gazette of Argentina the law No. 27,630, which replaced the fixed rate paid by Argentine companies on their corporate income tax periods starting in 2021. It provides a progressive scale of rates, where a 25% rate will be applied to companies with a net taxable income of up to 5,000,000 Argentine pesos (AR\$) (approximately ThU.S.\$ 28 as of December 31, 2022), a 30% rate will be applied to companies with a net taxable income ranging between AR\$ 5,000,000 and AR\$ 50,000,000 (approximately ThU.S.\$ 282 as of December 31, 2022), and a 35% rate will be applied to companies with a net taxable incomes surpassing AR\$ 50,000,000. This new regulation generated a loss of ThU.S.\$ 49,000 in Arauco Argentina S.A. in income tax in 2021.

### Deferred Tax Assets

The following table sets forth the deferred tax assets as of the dates indicated:

	12-31-2022	12-31-2021
	ThU.S.\$	ThU.S.\$
<b>Deferred tax assets</b>		
Deferred tax assets relating to provisions	8,910	5,730
Deferred tax assets relating to accrued liabilities	8,986	8,257
Deferred tax assets relating to post-employment benefits	25,904	19,738
Deferred tax assets relating to property, plant and equipment	45,919	32,480
Deferred tax assets relating to impairment provision	13,517	8,564
Deferred tax assets relating to financial instruments	53,347	108,910
Deferred tax assets relating to tax loss carryforward	110,526	24,972
Deferred tax assets relating to inventories	20,942	18,793
Deferred tax assets relating to provisions for income	9,941	19,323
Deferred tax assets relating to allowance for doubtful accounts	2,472	4,625
Deferred tax assets relating to intangible revaluation	1,466	2,301
Deferred tax assets relating to tax credits	-	8,996
Deferred tax assets relating to other deductible temporary differences	25,777	24,328
<b>Total deferred tax assets</b>	<b>327,707</b>	<b>287,017</b>
Offsetting presentation	(318,696)	(279,380)
<b>Net effect</b>	<b>9,011</b>	<b>7,637</b>

Certain subsidiaries of Arauco mainly in Chile, Brazil, Argentina and USA, as of the date of these consolidated financial statements, present tax losses for which we estimate that, given the projection of future profits, will allow the recovery of the deferred tax assets recorded. The total amount of these tax losses is ThU.S.\$ 443,250 (ThU.S.\$ 335,872 at December 31, 2021).

In addition, as of December 31, 2022 there are ThU.S.\$ 125,391 (ThU.S.\$ 126,746 at December 31, 2021) of non-recoverable tax losses from subsidiaries in USA and from joint operations in Uruguay, for which deferred tax assets have not been recognized. The estimated recovery period exceeds the expiry date of such tax losses.

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### Deferred Tax Liabilities

The following table sets forth the deferred tax liabilities as of the dates indicated:

	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
<b>Deferred tax liabilities</b>		
Deferred tax liabilities relating to property, plant and equipment	1,415,173	1,281,546
Deferred tax liabilities relating to financial instruments	33,749	25,334
Deferred tax liabilities relating to biological assets	527,988	605,166
Deferred tax liabilities relating to inventory	56,531	46,336
Deferred tax liabilities relating to prepaid expenses	37,760	38,088
Deferred tax liabilities relating to intangible	10,173	12,511
Deferred tax liabilities relating to other taxable temporary differences	23,237	18,204
<b>Total deferred tax liabilities</b>	<b>2,104,611</b>	<b>2,027,185</b>
Offsetting presentation	(318,696)	(279,380)
<b>Net effect</b>	<b>1,785,915</b>	<b>1,747,805</b>

The effect of this period in current and deferred tax liabilities related to financial hedging instruments corresponds to a debit of ThU.S.\$ 50,587 as of December 31, 2022 (credit of ThU.S.\$ 30,453 as of December 31, 2021), which is presented net in reserves for cash flow hedges in the consolidated statement of changes in equity.

### Reconciliation of deferred tax assets and liabilities

	Opening balance 01-01-2022 ThU.S.\$	Deferred tax income (expenses) ThU.S.\$	Deferred tax of items charged to equity ThU.S.\$	Increase (decrease) net exchange differences ThU.S.\$	Closing balance 12-31-2022 ThU.S.\$	
<b>Deferred tax assets</b>						
Deferred tax Assets relating to provisions	5,730	3,051	-	129	8,910	
Deferred tax Assets relating to accrued liabilities	8,257	716	-	13	8,986	
Deferred tax Assets relating to post-employment benefits	19,738	745	5,403	18	25,904	
Deferred tax Assets relating to property, plant and equipment	32,480	13,439	-	-	45,919	
Deferred tax Assets relating to impairment provision	8,564	4,664	-	289	13,517	
Deferred tax Assets relating to financial instruments	108,910	(8,024)	(47,883)	344	53,347	
Deferred tax Assets relating to tax loss carryforward	24,972	84,068	-	1,624	110,664	
Deferred tax Assets relating to inventories	18,793	2,120	-	29	20,942	
Deferred tax Assets relating to provisions for income	19,323	(9,408)	-	26	9,941	
Deferred tax Assets relating to allowance for doubtful accounts	4,625	(2,155)	-	2	2,472	
Deferred tax Assets relating to intangible revaluation	2,301	(1,013)	-	178	1,466	

Deferred tax Assets relating to tax credits	8,996	(8,996)	-	-	-
Deferred tax Assets relating to other deductible temporary differences	24,328	509	-	802	25,639
<b>Total deferred tax assets</b>	<b>287,017</b>	<b>79,716</b>	<b>(42,480)</b>	<b>3,454</b>	<b>327,707</b>

	Opening balance 01-01- 2021 ThU.S.\$	Deferred tax (income) expenses ThU.S.\$	Deferred tax of items charged to equity ThU.S.\$	Increase (decrease) net exchange differences ThU.S.\$	Closing balance 12-31- 2022 ThU.S.\$
<b>Deferred tax liabilities</b>					
Deferred tax liabilities relating to property, plant and equipment	1,281,546	130,377	-	3,250	1,415,173
Deferred tax liabilities relating to financial instruments	25,334	5,712	2,704	(1)	33,749
Deferred tax liabilities relating to biological assets	605,166	(80,917)	-	3,739	527,988
Deferred tax liabilities relating to inventory	46,336	10,272	-	(77)	56,531
Deferred tax liabilities relating to prepaid expenses	38,088	(337)	-	9	37,760
Deferred tax liabilities relating to intangible	12,511	(2,648)	-	310	10,173
Deferred tax liabilities relating to other taxable temporary differences	18,204	4,520	-	513	23,237
<b>Total deferred tax liabilities</b>	<b>2,027,185</b>	<b>66,979</b>	<b>2,704</b>	<b>7,743</b>	<b>2,104,611</b>

	Opening balance 01-01- 2021 ThU.S.\$	Deferred tax of income (expenses) ThU.S.\$	items charged to other comprehensive income ThU.S.\$	Decrease through loss of control in subsidiary ThU.S.\$	Increase (decrease) net exchange differences ThU.S.\$	Closing balance 12-31- 2021 ThU.S.\$
<b>Deferred tax assets</b>						
Deferred tax assets relating to provisions	5,042	745	-	-	(57)	5,730
Deferred tax assets relating to accrued liabilities	8,107	179	-	(24)	(5)	8,257
Deferred tax assets relating to post-employment benefits	22,026	(2,667)	438	(56)	(3)	19,738
Deferred tax assets relating to property, plant and equipment	24,397	8,083	-	-	-	32,480
Deferred tax assets relating to impairment provision	14,193	(5,193)	-	-	(436)	8,564
Deferred tax assets relating to financial instruments	79,765	(1,572)	31,062	-	(345)	108,910
Deferred tax assets relating to tax loss carryforward	126,405	(99,915)	-	(207)	(1,311)	24,972
Deferred tax assets relating to inventories	7,964	10,854	-	-	(25)	18,793
Deferred tax assets relating to provisions for income	7,905	11,427	-	-	(9)	19,323
Deferred tax assets relating to allowance for doubtful accounts	2,427	2,213	-	-	(15)	4,625
Deferred tax assets relating to intangible revaluation	3,713	(1,207)	-	-	(205)	2,301
Deferred tax assets relating to tax credits	20,898	(11,902)	-	-	-	8,996

Deferred tax assets relating to other deductible temporary differences	20,018	4,823	-	4	(517)	24,328
<b>Total deferred tax assets</b>	<b>342,860</b>	<b>(84,132)</b>	<b>31,500</b>	<b>(283)</b>	<b>(2,928)</b>	<b>287,017</b>

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<b>Deferred tax liabilities</b>	Deferred tax					
	Opening balance 01-01- 2021	Deferred tax (income) expenses	items charged to other comprehensive income	Decrease through loss of control in subsidiary	Increase (decrease) net exchange differences	Closing balance 12-31- 2021
	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$
Deferred tax liabilities relating to property, plant and equipment	1,020,282	264,397	-	(121)	(3,012)	1,281,546
Deferred tax liabilities relating to financial instruments	26,755	(2,030)	609	-	-	25,334
Deferred tax liabilities relating to biological assets	644,348	(31,706)	-	(2,946)	(4,530)	605,166
Deferred tax liabilities relating to inventory	32,567	15,131	-	(1,395)	33	46,336
Deferred tax liabilities relating to prepaid expenses	42,319	(4,227)	-	-	(4)	38,088
Deferred tax liabilities relating to intangible	14,826	(1,908)	-	-	(407)	12,511
Deferred tax liabilities relating to other taxable temporary differences	19,608	(1,173)	-	(179)	(52)	18,204
<b>Total deferred tax liabilities</b>	<b>1,800,705</b>	<b>238,484</b>	<b>609</b>	<b>(4,641)</b>	<b>(7,972)</b>	<b>2,027,185</b>

<b>Deferred tax assets</b>	Deferred tax					
	Opening balance 01-01- 2020	Deferred tax (income) (expenses)	items charged to other comprehensive income	Increase (decrease) net exchange differences	Closing balance 12-31- 2020	
	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$
Deferred tax assets relating to provisions	5,749	(267)	-	(440)	5,042	
Deferred tax assets relating to accrued liabilities	7,182	937	-	(12)	8,107	
Deferred tax assets relating to post-employment benefits	20,378	1,598	68	(18)	22,026	
Deferred tax assets relating to property, plant and equipment	16,609	7,788	-	-	24,397	
Deferred tax assets relating to impairment provision	20,169	(4,598)	-	(1,378)	14,193	
Deferred tax assets relating to financial instruments	68,390	(1,641)	13,685	(669)	79,765	
Deferred tax assets relating to tax loss carryforward	133,221	2,605	-	(9,421)	126,405	
Deferred tax assets relating to inventories	12,460	(4,363)	-	(133)	7,964	
Deferred tax assets relating to provisions for income	6,631	1,295	-	(21)	7,905	
Deferred tax assets relating to allowance for doubtful accounts	4,349	(1,545)	-	(377)	2,427	
Deferred tax assets relating to intangible revaluation	6,044	(1,042)	-	(1,289)	3,713	
Deferred tax assets relating to tax credits	19,460	1,438	-	-	20,898	
Deferred tax assets relating to other deductible temporary differences	16,161	5,096	-	(1,239)	20,018	
<b>Total deferred tax assets</b>	<b>336,803</b>	<b>7,301</b>	<b>13,753</b>	<b>(14,997)</b>	<b>342,860</b>	

Deferred tax liabilities	Deferred tax of items charged to other comprehensive income					Increase (decrease) net exchange differences	Closing balance 12-31- 2020
	Opening balance 01-01- 2020	Deferred tax expenses					
	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$		
Deferred tax liabilities relating to property, plant and equipment	900,415	128,933			-	(9,066)	1,020,282
Deferred tax liabilities relating to financial instruments	25,630	986		139		-	26,755
Deferred tax liabilities relating to biological assets	642,221	20,239		-	(18,112)	644,348	
Deferred tax liabilities relating to inventory	38,251	(5,711)		-	27	32,567	
Deferred tax liabilities relating to prepaid expenses	41,338	989		-	(8)	42,319	
Deferred tax liabilities relating to intangible	17,942	(1,118)		-	(1,998)	14,826	
Deferred tax liabilities relating to other taxable temporary differences	25,126	(2,846)		-	(2,672)	19,608	
<b>Total deferred tax liabilities</b>	<b>1,690,923</b>	<b>141,472</b>		<b>139</b>	<b>(31,829)</b>	<b>1,800,705</b>	

### Temporary Differences

The following tables summarize the deductible and taxable temporary differences:

Detail of classes of deferred tax temporary differences	12-31-2022		12-31-2021	
	Deductible difference ThU.S.\$	Taxable difference ThU.S.\$	Deductible difference ThU.S.\$	Taxable difference ThU.S.\$
	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$
Deferred tax assets	217,181	-	262,045	-
Deferred tax assets - tax loss carryforward	110,526	-	24,972	-
Deferred tax liabilities	-	2,104,611	-	2,027,185
<b>Total</b>	<b>327,707</b>	<b>2,104,611</b>	<b>287,017</b>	<b>2,027,185</b>

Detail of temporary difference income and loss amounts	January - December		
	2022	2021	2020
	ThU.S.\$	ThU.S.\$	ThU.S.\$
Deferred tax assets	(4,214)	15,783	4,696
Deferred tax assets - tax loss carryforward	83,930	(99,915)	2,605
Deferred tax liabilities	(66,979)	(238,484)	(141,472)
<b>Total</b>	<b>12,737</b>	<b>(322,616)</b>	<b>(134,171)</b>

### Income Tax Expense

Income tax expense consists of the following:

Income tax composition	January – December		
	2022	2021	2020
	ThU.S.\$	ThU.S.\$	ThU.S.\$

Current income tax expense	(350,143)	(254,186)	(80,501)
Tax benefit arising from tax credit used to reduce current tax expense	126,545	176,226	175,832
Prior period current income tax adjustments	4,716	(2,036)	653
Other current benefit tax (expenses)	64,024	(302)	(3,661)
<b>Current tax expense, net</b>	<b>(154,858)</b>	<b>(80,298)</b>	<b>92,323</b>
Deferred tax expense relating to origination and reversal of temporary differences	(71,331)	(222,701)	(136,776)
Tax benefit arising from tax credits used to reduce deferred tax expense	84,068	(99,915)	2,605
<b>Total deferred tax benefit (expense), net</b>	<b>12,737</b>	<b>(322,616)</b>	<b>(134,171)</b>
<b>Total income tax benefit (expense)</b>	<b>(142,121)</b>	<b>(402,914)</b>	<b>(41,848)</b>

The following table presents the current income tax expense detailed by foreign and domestic (Chile) companies at December 31, 2022, 2021 and 2020:

	January – December		
	2022 ThU.S.\$	2021 ThU.S.\$	2020 ThU.S.\$
Foreign current income tax expense	(96,745)	(113,821)	(1,568)
Domestic current income tax expense	(58,113)	33,523	93,891
<b>Total current income tax expense</b>	<b>(154,858)</b>	<b>(80,298)</b>	<b>92,323</b>
Foreign deferred tax benefit (expense)	64,462	(59,995)	(21,908)
Domestic deferred tax benefit (expense)	(51,725)	(262,621)	(112,263)
<b>Total deferred tax benefit (expense)</b>	<b>12,737</b>	<b>(322,616)</b>	<b>(134,171)</b>
<b>Total income tax benefit (expense)</b>	<b>(142,121)</b>	<b>(402,914)</b>	<b>(41,848)</b>

#### Reconciliation of income tax expense from statutory tax rate to the effective tax rate.

The reconciliation of income tax expense is as follows:

Reconciliation of income tax from statutory rate to effective tax rate	January – December		
	2022 ThU.S.\$	2021 ThU.S.\$	2020 ThU.S.\$
Statutory domestic (Chile) income tax rate	27.0%	27.0%	27.0%
Tax expense at statutory tax rate	(228,514)	(387,319)	(18,131)
Tax effect of foreign tax rates	8,853	(9,984)	(4,201)
Tax effect of income exempt from taxation	80,229	62,879	5,821
Tax effect of not deductible expenses	(40,149)	(29,050)	(35,113)
Tax rate effect of previously unrecognized tax loss	81	-	11,628
Tax effect of a new evaluation of deferred tax assets	1,557	13,345	826
Tax effect of change in tax rates	-	(46,215)	-
Tax effect of tax provided in excess in prior periods	4,716	(2,036)	653
Other tax rate effects (*)	31,106	(4,534)	(3,331)
<b>Total adjustments to tax expense at applicable tax rate</b>	<b>86,393</b>	<b>(15,595)</b>	<b>(23,717)</b>
<b>Tax benefit (expense) at effective tax rate</b>	<b>(142,121)</b>	<b>(402,914)</b>	<b>(41,848)</b>

(\*) This line includes mainly the tax effect generated by exchange differences on translation of tax bases.

The current tax assets and liabilities balances are as follow:

	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
<b>Current tax assets</b>		
Monthly Provisional Payments (MPP)	21,974	800
Income tax receivable	181,705	218,298
Provision tax income	(25,341)	(22,727)
Other tax receivables	25,384	36,694
<b>Total</b>	<b>203,722</b>	<b>233,065</b>
<b>Current tax liabilities</b>		
Provision tax income (First category)	256,164	216,484
Monthly Provisional Payments (MPP)	(231,846)	(91,361)
Other tax payables	2,551	2,858
<b>Total</b>	<b>26,869</b>	<b>127,981</b>

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## NOTE 7. PROPERTY, PLANT AND EQUIPMENT

### Property, Plant and Equipment

	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
<b>Property, plant and equipment, net</b>		
Construction work in progress	3,592,689	2,822,874
Land	893,237	888,465
Buildings	2,085,868	2,165,318
Plant and equipment	2,760,925	2,915,611
Information technology equipment	22,642	23,516
Fixtures and fittings	11,017	13,563
Motor vehicles	45,927	13,678
Other property, plant and equipment	130,030	112,641
<b>Total net</b>	<b>9,542,335</b>	<b>8,955,666</b>
<b>Property, plant and equipment, gross</b>		
Construction work in progress	3,592,689	2,822,874
Land	893,237	888,465
Buildings	4,510,660	4,463,660
Plant and equipment	7,220,981	7,079,150
Information technology equipment	108,645	104,522
Fixtures and fittings	49,861	49,302
Motor vehicles	98,126	59,351
Other property, plant and equipment	147,277	129,669
<b>Total gross</b>	<b>16,621,476</b>	<b>15,596,993</b>
<b>Accumulated depreciation and impairment</b>		
Buildings	(2,424,792)	(2,298,342)
Plant and equipment	(4,460,056)	(4,163,539)
Information technology equipment	(86,003)	(81,006)
Fixtures and fittings	(38,844)	(35,739)
Motor vehicles	(52,199)	(45,673)
Other property, plant and equipment	(17,247)	(17,028)

<b>Total</b>	<b>(7,079,141)</b>	<b>(6,641,327)</b>
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**Description of Property, Plant and Equipment Pledged as Security for Liabilities**

As of December 31, 2022, there are no significant assets pledged as collateral to be disclosed in these consolidated financial statements.

**Disbursements commitments for the acquisition of property, plant and equipment and disbursements for property, plant and equipment under construction.**

	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
Amount committed for the acquisition of property, plant and equipment	363,504	347,839

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**Reconciliation of Property, Plant and Equipment**

The following tables set forth the reconciliation of the carrying amount of property, plant and equipment as of December 31, 2022 and 2021:

Reconciliation of Property, Constructio n and work in Equipment	Plant and Land		Buildings		Equipment		IT	Fixture	Motor	Other property, plant and equipmen	Total
	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	
Opening balance 01-01- 2022	888,46	2,165,31	2,915,61							8,955,66	
Changes	2,822,874	5	8	1	23,516	13,563	13,678	112,641	6		
Additions	1,076,619	2,003	13,230	26,102	815	808	462	18,115	4	1,138,15	
Disposals	(18)	(9,747)	(1,571)	(2,788)	(221)	(273)	(62)	(17)	(14,697)		
Withdrawals	(2,573)	(391)	(569)	(5,319)	(286)	(15)	(80)	(351)	(9,584)		
Depreciation	-	-	(132,521)	(305,572)	(6,326)	(3,071)	(4,477)	(1,144)	(453,111)		
Impairment loss recognized in profit or loss	-	-	(25,611)	(118,026)	4	(521)	-	-	(144,154)		
Increase (decrease) through net exchange differences	53	11,769	10,308	36,234	143	82	503	646	59,738		
Reclassificatio n of assets held for sale	-	347	68	(437)	-	-	-	-	(22)		
Increase (decrease) through transfers from	(304,266)	791	57,216	210,682	4,997	444	29,996	140	-		

construction in progress	-	-	-	4,438	-	-	5,907	-	10,345
Reclassification from lease to property, plant and equipment	-	-	-	(154,686)	(874)	(2,546)	32,249	17,389	586,669
<b>Total changes</b>	<b>769,815</b>	<b>4,772</b>	<b>(79,450)</b>	<b>4,438</b>	<b>-</b>	<b>-</b>	<b>5,907</b>	<b>-</b>	<b>10,345</b>
<b>Closing balance 12-31-2022</b>	<b>893,237</b>	<b>2,085,868</b>	<b>2,760,925</b>	<b>22,642</b>	<b>11,017</b>	<b>45,927</b>	<b>130,030</b>	<b>9,542,335</b>	

Reconciliation of Property, Construction Plant and Equipment	IT Plant and equipment						Fixture s and fittings			Motor vehicles		Other Property, plant and equipment
	Land	Buildings	Equipment	IT			Fixture		Motor vehicles		Total	
				ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.		
Opening Balance 01-01-2021	930,372	2,248,784	3,026,136									8,325,304
Changes												1,173,156
Additions	1,127,150	6,647	8,440	22,372	1,277	566	470	6,234				
Disposals	(215)	(25,285)	(953)	(10,839)	(170)	(4)	(371)	(205)				(38,042)
Withdrawals	(2,105)	(697)	(2,572)	(6,011)	(42)	-	(31)	(4,188)				(15,646)
Depreciation	-	-	(136,490)	(288,723)	(6,424)	(3,163)	(3,278)	(1,065)				(439,143)
Impairment loss recognized in profit or loss	-	-	(14,669)	(95)	(454)	(9)	(95)	-				(15,322)
Increase (decrease) through net exchange differences	(1,151)	(7,181)	(4,359)	(12,084)	(80)	170	(219)	(815)				(25,719)
Reclassification of assets held for sale	-	107	949	206	-	-	-	-				1,262
Increase (decrease) through transfers from construction in progress	(245,383)	822	66,235	178,611	3,243	(617)	1,995	(4,906)				-
Reclassification from lease to Property, plant and equipment	-	-	-	7,251	-	-	152	-				7,403
Decrease due to loss of control in subsidiary	-	(16,320)	(47)	(1,213)	-	(7)	-	-				(17,587)
<b>Total changes</b>	<b>878,296</b>	<b>(41,907)</b>	<b>(83,466)</b>	<b>(110,525)</b>	<b>(2,650)</b>	<b>(3,064)</b>	<b>(1,377)</b>	<b>(4,945)</b>	<b>630,362</b>			

<b>Closing</b>								
<b>balance 12-31-</b>	<b>888,46</b>	<b>2,165,31</b>	<b>2,915,61</b>					<b>8,955,66</b>
<b>2021</b>	<b>2,822,874</b>	<b>5</b>	<b>8</b>	<b>1</b>	<b>23,516</b>	<b>13,563</b>	<b>13,678</b>	<b>112,641</b>

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The depreciation expense for the period ending December 31, 2022, 2021 and 2020 is as follows:

<b>Depreciation for the year</b>	<b>January-December</b>		
	<b>2022</b> <b>ThU.S.\$</b>	<b>2021</b> <b>ThU.S.\$</b>	<b>2020</b> <b>ThU.S.\$</b>
Cost of sales	408,248	401,672	412,750
Administrative expenses	18,413	19,228	18,192
Other expenses	15,009	681	2,054
<b>Total</b>	<b>441,670</b>	<b>421,581</b>	<b>432,996</b>

The useful lives of property, plant and equipment are estimated based on the expected use of the assets. The average useful lives by asset class are as follow:

	<b>Years of Useful Life (Average)</b>
Buildings	58
Plant and equipment	30
Information technology equipment	8
Fixtures and fittings	28
Motor vehicles	7
Other property, plant and equipment	14

See Note 12 for details of capitalized borrowing costs.

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## NOTE 8. LEASES

### Arauco acting as lessee

In the application of IFRS 16, Arauco chose not to apply the requirements to recognize a liability and an asset for right of use for leases which term ends within 12 months and for leases in which the underlying asset is of low value ThU.S.\$ 5.

Lease liabilities and their maturity are presented in Notes 11 and 23.

### Right of use assets

	<b>12-31-2022</b> <b>ThU.S.\$</b>	<b>12-31-2021</b> <b>ThU.S.\$</b>
<b>Property, Plant and Equipment by right of use, Net</b>		
Land	195,290	72,384
Buildings	16,731	20,682
Plant and equipment	66,709	17,198
Information technology equipment	157	224
Fixtures and fittings	-	218
Motor vehicles	24,437	55,093
Other property, plant and equipment	3,163	14,307
<b>Total Net</b>	<b>306,487</b>	<b>180,106</b>

## **Property, Plant and Equipment by right of use, Gross**

Land	230,231	94,283
Buildings	32,610	32,625
Plant and equipment	86,870	31,235
Information technology equipment	630	652
Fixtures and fittings	-	1,512
Motor vehicles	175,261	168,682
Other property, plant and equipment	3,723	20,142
<b>Total Gross</b>	<b>529,325</b>	<b>349,131</b>

#### **Accumulated depreciation and impairment by right of use**

Land	(34,941)	(21,899)
Buildings	(15,879)	(11,943)
Plant and equipment	(20,161)	(14,037)
Information technology equipment	(473)	(428)
Fixtures and fittings	-	(1,294)
Motor vehicles	(150,824)	(113,589)
Other property, plant and equipment	(560)	(5,835)
<b>Total</b>	<b>(222,838)</b>	<b>(169,025)</b>

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## **Reconciliation of Property, Plant and Equipment by Right of Use**

The following tables set forth the reconciliation of the carrying amount of property, plant and equipment by right of use as of December 31, 2022 and 2021:

Reconciliation of property, plant and equipment by right of use	Fixtures and Motor vehicles							Other property, plant and equipment	Total ThU.S. \$
	Plant and Buildings		IT equipment	IT equipment	Fixtures and fittings	Motor vehicles	Other property, plant and equipment		
	Land ThU.S. \$	Buildings ThU.S. \$	IT equipment ThU.S. \$	IT equipment ThU.S. \$	Fixtures and fittings ThU.S. \$	Motor vehicles ThU.S. \$	Other property, plant and equipment ThU.S. \$		
<b>Opening balance 01-01-2022</b>	<b>72,384</b>	<b>20,682</b>	<b>17,198</b>	<b>224</b>	<b>218</b>	<b>55,093</b>	<b>14,307</b>	<b>180,106</b>	
<b>Changes</b>									
Additions	135,407	2,531	56,720	148	-	7,827	305	<b>202,938</b>	
Withdrawals	-	(1,101)	(15)	-	(203)	(4)	-	<b>(1,323)</b>	
Depreciation	(12,660)	(5,400)	(7,174)	(229)	(15)	(38,596)	(1,334)	<b>(65,408)</b>	
Increase (decrease) through net exchange differences	159	22	8	14	-	117	-	<b>320</b>	
Reclassification from lease to Property, plant and equipment	-	-	-	-	-	-	-	<b>(10,346)</b>	<b>(10,346)</b>
Increase (decrease) through others	-	(3)	(28)	-	-	-	-	231	200
<b>Total changes</b>	<b>122,906</b>	<b>(3,951)</b>	<b>49,511</b>	<b>(67)</b>	<b>(218)</b>	<b>(30,656)</b>	<b>(11,144)</b>	<b>126,381</b>	
<b>Closing balance 12-31-2022</b>	<b>195,290</b>	<b>16,731</b>	<b>66,709</b>	<b>157</b>	<b>-</b>	<b>24,437</b>	<b>3,163</b>	<b>306,487</b>	

	plant and equipment							ThU.S.
	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	\$
<b>Opening Balance 01-01-2021</b>	<b>60,761</b>	<b>19,954</b>	<b>24,035</b>	<b>380</b>	<b>698</b>	<b>92,951</b>	<b>20,355</b>	<b>219,134</b>
<b>Changes</b>								
Additions	21,391	11,557	1,617	127	-	495	-	35,187
Withdrawals	(16)	(2,976)	-	-	-	(226)	(98)	(3,316)
Depreciation	(9,108)	(5,386)	(7,315)	(255)	(356)	(38,090)	(2,071)	(62,581)
Revaluation	-	(7)	-	-	-	(31)	-	(38)
Increase (decrease) through net exchange differences	(644)	(6)	(275)	(6)	-	21	-	(910)
Reclassification from lease to Property, plant and equipment	-	-	-	-	-	-	(7,403)	(7,403)
Increase (decrease) through others	-	(2,454)	(864)	(22)	(124)	(27)	3,524	33
<b>Total changes</b>	<b>11,623</b>	<b>728</b>	<b>(6,837)</b>	<b>(156)</b>	<b>(480)</b>	<b>(37,858)</b>	<b>(6,048)</b>	<b>(39,028)</b>
<b>Closing balance 12-31-2022</b>	<b>72,384</b>	<b>20,682</b>	<b>17,198</b>	<b>224</b>	<b>218</b>	<b>55,093</b>	<b>14,307</b>	<b>180,106</b>

The depreciation expense for the period ending December 31, 2022 and 2021 recognised in Property, Plant and Equipment by right of use is as follows:

<b>Depreciation for the period</b>	<b>January - December</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Cost of sales	40,539	43,284	57,785
Distribution costs	2,975	2,291	1,664
Administrative expenses	7,103	7,061	8,006
<b>Total</b>	<b>50,617</b>	<b>52,636</b>	<b>67,455</b>

Additionally, Arauco has recognized directly in the consolidated statement of profit or loss, the following leases excluded from right of use assets:

	<b>January – December</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Expenses from payments of variable leases	208,812	141,775	142,064
Expenses from low value leases	6,696	3,051	3,758
Expenses from short-term leases	34,857	21,993	28,120
<b>Total</b>	<b>250,365</b>	<b>166,819</b>	<b>173,942</b>

#### Arauco acting as lessor

Reconciliation of financial lease minimum payments:

<b>Periods</b>	<b>Gross ThU.S.\$</b>	<b>Interest ThU.S.\$</b>	<b>Present Value ThU.S.\$</b>	<b>12-31-2022</b>

Less than one year	5,067	-	5,067
Between one and five years	25,750	1,882	23,868
More than five years	-	-	-
<b>Total</b>	<b>30,817</b>	<b>1,882</b>	<b>28,935</b>

Periods	12-31- 2021		
	Gross ThU.S.\$	Interest ThU.S.\$	Present Value ThU.S.\$
Less than one year	27	-	27
Between one and five years	-	-	-
More than five years	-	-	-
<b>Total</b>	<b>27</b>	<b>-</b>	<b>27</b>

Financial lease receivables are presented in the consolidated statements of financial position in line items “Trade and other current receivable” and “Trade and other non-current receivable” depending on their maturities stated above.

Arauco accounts for its lease contracts as financial leases. These lease contracts are for a term of less than six-years at market interest rates and leased assets are forestry machinery and equipment. They also include an early termination option, under general and special conditions stipulated in each contract.

Arauco holds leases as lessee and lessor, described in the previous tables, for which there are no impairment contingent payments or restrictions to report.

#### NOTE 9. REVENUE

Classes of revenue	January – December		
	2022 ThU.S.\$	2021 ThU.S.\$	2020 ThU.S.\$
Revenue from sales of goods	6,997,617	6,251,442	4,662,312
Revenue from rendering of services	104,453	98,319	70,557
<b>Total</b>	<b>7,102,070</b>	<b>6,349,761</b>	<b>4,732,869</b>

The reportable segments revenues by business area and by geographical area are presented in Note 24.

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#### NOTE 10. EMPLOYEE BENEFITS

##### Classes of Benefits and Expenses by Employee

<b>Employee expenses</b>	2022		
	ThU.S.\$	2021 ThU.S.\$	2020 ThU.S.\$
Wages and salaries	718,990	670,616	598,070
Severance indemnities	697,833	651,371	577,634
	21,157	19,245	20,436

	2022		
	2022	2021	2020
Discount rate	3.02%	2.56%	1.81%
Inflation	3.20%	3.20%	3.00%

Annual rate of wage growth	5.22%	5.22%	5.22%
Mortality rate	RV-2014	RV-2014	RV-2014
<b>Sensitivities to assumptions</b>			<b>2022</b>
			<b>Th.U.S.\$</b>
Discount rate			
Increase in 100 bps			(7,332)
Decrease in 100 bps			8,156
<b>Wage growth rates</b>			
Increase in 100 bps			6,688
Decrease in 100 bps			(5,387)

The following tables set forth the balances and the reconciliation of the present value of severance indemnities obligations as of December 31, 2022 and 2021:

	12-31- 2022	12-31- 2021
	<u>ThU.S.\$</u>	<u>ThU.S.\$</u>
Current	7,571	4,593
Non-current	87,689	67,967
<b>Total</b>	<b>95,260</b>	<b>72,560</b>

Reconciliation of the present value of severance indemnities obligations	12-31-2022	12-31-2021
	ThU.S.\$	ThU.S.\$
<b>Opening balance</b>	72,560	81,395
Current service cost	6,832	4,064
Interest cost	3,673	3,271
(Gains) losses from changes in actuarial assumptions	727	(5,784)
Actuarial gains and losses arising from experience	19,285	7,409
Benefits paid	(7,561)	(3,936)
Decrease due to sale of subsidiary	-	(393)
Increase (decrease) for foreign currency exchange rates changes	(256)	(13,466)
<b>Closing balance</b>	<b>95,260</b>	<b>72,560</b>

The average staffing as of December 31, 2022 was 19,043 people.

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**NOTE 11. BALANCES IN FOREIGN CURRENCY AND FOREIGN CURRENCY EXCHANGE RATE IMPACT IN PROFIT OR LOSS.**

<b>Other current non-financial assets</b>	18,727	115	17,745	5,333	2,979	7,406	153,754	-	206,059
Trade and other current receivables	614,204	36,425	50,646	38,000	33,089	1,972	97,616	6,056	878,008
Accounts receivable due from related companies	-	-	-	-	-	-	2,850	-	2,850
Current Inventories	1,298,649	-	130,707	-	39,353	-	1,302	-	1,470,011
Current biological assets	264,858	-	65,577	-	-	-	-	-	330,435
Current tax assets	174,287	-	8,333	10,296	9,495	1,137	174	-	203,722
<b>Non-current assets or disposal groups classified as held for sale</b>	<b>2,781,329</b>	<b>41,424</b>	<b>376,837</b>	<b>151,488</b>	<b>113,480</b>	<b>37,308</b>	<b>265,720</b>	<b>6,056</b>	<b>3,773,642</b>
Non-current assets or disposal groups classified as held for sale	1,215	-	15	-	49	-	-	-	1,279
<b>Total current assets</b>	<b>2,782,544</b>	<b>41,424</b>	<b>376,852</b>	<b>151,488</b>	<b>113,529</b>	<b>37,308</b>	<b>265,720</b>	<b>6,056</b>	<b>3,774,921</b>
<b>Non-current assets</b>									
Other non-current financial assets	63,321	-	-	-	-	-	-	-	63,321
Other non-current non-financial assets	2,980	-	16,022	97	742	8	72,665	-	92,514
Trade and other non-current receivables	5,880	-	-	-	-	-	3,434	23,360	32,674
Investments accounted for using equity method	87,826	203,443	36,489	-	-	-	37,913	-	365,671
Intangible assets other than goodwill	71,141	-	1,940	-	358	-	-	-	73,439
Goodwill	41,408	-	13,392	-	-	-	-	-	54,800
Property, plant and equipment	9,024,490	-	389,522	-	127,120	-	1,203	-	9,542,335
Right of use assets	161,087	-	144,626	-	774	-	-	-	306,487
Non-current biological assets	2,549,796	-	315,139	-	-	-	-	-	2,864,935
Deferred tax assets	5,035	-	3,500	-	476	-	-	-	9,011

<b>Total non-current assets</b>	<b>12,012,964</b>	<b>203,443</b>	<b>920,630</b>	<b>97</b>	<b>129,470</b>	<b>8</b>	<b>115,215</b>	<b>23,360</b>	<b>13,405,187</b>
<b>Total assets</b>	<b>14,795,508</b>	<b>244,867</b>	<b>1,297,482</b>	<b>151,585</b>	<b>242,999</b>	<b>37,316</b>	<b>380,935</b>	<b>29,416</b>	<b>17,180,108</b>
<b>December 31, 2022</b>	<b>U.S Dollar</b>	<b>Brazilian Euros</b>	<b>Argentine Real</b>	<b>Mexican Pesos</b>	<b>Other currencies</b>	<b>Chilean Pesos</b>	<b>U.F.</b>	<b>Total</b>	
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>		<b>ThU.S.\$</b>
<b>Liabilities</b>									
<b>Current liabilities</b>									
Other current financial liabilities	252,091	69,139	2,810	17	-	-	-	51,394	375,451
Current lease liabilities	10,636	91	10,063	-	1,579	23	10,716	3,676	36,784
Trade and other current payables	234,226	23,277	82,988	54,078	16,791	10,476	351,646	39,356	812,838
Accounts payable to related companies	202	-	-	-	-	-	14,078	-	14,280
Other short-term provisions	7,934	-	264	-	-	-	-	1,315	9,513
Current tax liabilities	19,482	5,123	1,512	-	752	-	-	-	26,869
Current provisions for employee benefits	-	-	-	-	-	-	7,571	-	7,571
Other current non-financial liabilities	192,359	51	33,011	5,120	4,828	16	7,593	-	242,978
<b>Total liabilities, current</b>	<b>716,930</b>	<b>97,681</b>	<b>130,648</b>	<b>59,215</b>	<b>23,950</b>	<b>10,515</b>	<b>391,604</b>	<b>95,741</b>	<b>1,526,284</b>
<b>Non-current liabilities</b>									
Other non-current financial liabilities	3,637,416	386,186	67,080	-	-	-	-	1,064,689	5,155,371
Non-current lease liabilities	120,656	110	91,206	-	1,659	-	549	13,260	227,440
Other non-current payables	-	-	2,462	-	-	-	17,654	-	20,116
Non-current accounts payable to related companies	-	-	-	-	-	-	6,731	-	6,731
Other long-term provisions	1,677	-	12,512	26,517	-	-	-	-	40,706
Deferred tax liabilities	1,681,957	-	97,822	-	6,136	-	-	-	1,785,915

Non-current provisions for employee benefits	-	-	-	-	957	-	86,732	-	87,689
Other non-current non-financial liabilities	-	-	69,849	10	-	-	13	-	69,872
<b>Total non-current liabilities</b>	<b>5,441,706</b>	<b>386,296</b>	<b>340,931</b>	<b>26,527</b>	<b>8,752</b>	<b>-</b>	<b>111,679</b>	<b>1,077,949</b>	<b>7,393,840</b>
<b>Total liabilities</b>	<b>6,158,636</b>	<b>483,977</b>	<b>471,579</b>	<b>85,742</b>	<b>32,702</b>	<b>10,515</b>	<b>503,283</b>	<b>1,173,690</b>	<b>8,920,124</b>

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Other non-current non-financial assets	1,639	-	12,244	56	740	8	73,862	-	88,549
Trade and other non-current receivables	11,806	-	-	-	-	-	2,492	40	14,338
Investments accounted for using equity method	78,216	203,505	26,823	-	-	-	28,098	-	336,642
Intangible assets other than goodwill	82,370	-	1,675	-	165	-	-	-	84,210
Goodwill	41,534	-	16,163	-	-	-	-	-	57,697
Property, plant and equipment	8,489,503	-	340,314	-	124,984	-	865	-	8,955,666
Right of use assets	150,220	-	29,886	-	-	-	-	-	180,106
Non-current biological assets	2,782,660	-	226,237	-	-	-	-	-	3,008,897
Deferred tax assets	3,968	-	2,768	-	901	-	-	-	7,637
<b>Total non-current assets</b>	<b>11,652,441</b>	<b>203,505</b>	<b>656,110</b>	<b>56</b>	<b>126,790</b>	<b>8</b>	<b>105,317</b>	<b>40</b>	<b>12,744,267</b>
<b>Total assets</b>	<b>14,740,832</b>	<b>231,310</b>	<b>1,026,756</b>	<b>140,911</b>	<b>215,707</b>	<b>16,795</b>	<b>295,458</b>	<b>542</b>	<b>16,668,311</b>

## Liabilities

## **Current liabilities**

Other financial liabilities	current lease	225,502	66,707	884	133	-	-	-	46,215	339,441
Trade and other current payables		288,172	13,955	79,653	16,616	27,889	8,761	268,624	34,787	738,457
Accounts payable to related companies		230	-	-	-	-	-	2,347	-	2,577
Other short-term provisions		337	-	-	-	-	-	-	-	337
Current tax liabilities		59,319	7,655	4,339	44,856	11,803	-	9	-	127,981
Current provisions for employee benefits		-	-	-	-	-	-	4,593	-	4,593
Other current non-financial liabilities		131,214	73	24,680	4,679	7,195	739	5,074	-	173,654

<b>Total current liabilities</b>	<b>713,914</b>	<b>88,497</b>	<b>113,764</b>	<b>66,284</b>	<b>48,278</b>	<b>9,563</b>	<b>307,591</b>	<b>88,752</b>	<b>1,436,643</b>
<b>Non-current liabilities</b>									
Other non-current financial liabilities	3,917,343	442,833	26,880	-	-	-	-	987,808	5,374,864
Non-current lease liabilities	69,905	159	17,694	-	2,377	107	11,334	12,125	113,701
Non-current payables	-	-	2,272	-	-	-	-	-	2,272
Other long-term provisions	-	-	3,489	26,060	-	-	-	-	29,549
Deferred tax liabilities	1,664,506	-	77,637	-	5,662	-	-	-	1,747,805
Non-current provisions for employee benefits	-	-	-	-	842	-	67,125	-	67,967
Other non-current non-financial liabilities	-	-	76,982	14	-	-	10	-	77,006
<b>Total non-current liabilities</b>	<b>5,651,754</b>	<b>442,992</b>	<b>204,954</b>	<b>26,074</b>	<b>8,881</b>	<b>107</b>	<b>78,469</b>	<b>999,933</b>	<b>7,413,164</b>
<b>Total liabilities</b>	<b>6,365,668</b>	<b>531,489</b>	<b>318,718</b>	<b>92,358</b>	<b>57,159</b>	<b>9,670</b>	<b>386,060</b>	<b>1,088,685</b>	<b>8,849,807</b>

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	12-31-2022			12-31-2021		
	From 91			From 91		
	Up to 90 days Th.U.S.\$	days to 1 year Th.U.S.\$	Total Th.U.S.\$	Up to 90 days Th.U.S.\$	days to 1 year Th.U.S.\$	Total Th.U.S.\$
<b>Total current liabilities</b>	<b>1,241,515</b>	<b>284,769</b>	<b>1,526,284</b>	<b>1,111,151</b>	<b>325,492</b>	<b>1,436,643</b>
Other current financial liabilities	141,110	234,341	375,451	59,007	280,434	339,441
U.S. dollar	138,283	113,808	252,091	58,794	166,708	225,502
Euros	-	69,139	69,139	-	66,707	66,707
Brazilian real	2,810	-	2,810	80	804	884
Argentine pesos	17	-	17	133	-	133
U.F.	-	51,394	51,394	-	46,215	46,215
Bank borrowings	109,889	167,905	277,794	29,658	219,177	248,835
U.S. dollar	107,079	98,766	205,845	29,578	151,666	181,244
Euros	-	69,139	69,139	-	66,707	66,707
Brazilian real	2,810	-	2,810	80	804	884
Other borrowings	31,221	66,436	97,657	29,349	61,257	90,606

U.S. dollar	31,204	15,042	46,246	29,216	15,042	44,258
Argentine pesos	17	-	17	133	-	133
U.F.	-	51,394	51,394	-	46,215	46,215
Current lease liabilities	11,339	25,445	36,784	13,204	36,399	49,603
U.S. dollar	2,799	7,837	10,636	2,418	6,722	9,140
Euros	24	67	91	40	67	107
Brazilian real	2,240	7,823	10,063	1,111	3,097	4,208
Mexican pesos	457	1,122	1,579	337	1,054	1,391
Other currencies	2	21	23	22	41	63
Chilean pesos	4,264	6,452	10,716	6,768	20,176	26,944
U.F.	1,553	2,123	3,676	2,508	5,242	7,750
Trade and other current payables	795,533	17,305	812,838	732,189	6,268	738,457
U.S. dollar	233,932	294	234,226	288,107	65	288,172
Euros	23,271	6	23,277	13,945	10	13,955
Brazilian real	66,586	16,402	82,988	73,635	6,018	79,653
Argentine pesos	54,078	-	54,078	16,616	-	16,616
Mexican pesos	16,188	603	16,791	27,714	175	27,889
Other currencies	10,476	-	10,476	8,761	-	8,761
Chilean pesos	351,646	-	351,646	268,624	-	268,624
U.F.	39,356	-	39,356	34,787	-	34,787
Accounts payable to related companies	14,280	-	14,280	2,577	-	2,577
U.S. dollar	202	-	202	230	-	230
Chilean pesos	14,078	-	14,078	2,347	-	2,347
Other short-term provisions	8,198	1,315	9,513	337	-	337
U.S. dollar	7,934	-	7,934	337	-	337
Brazilian real	264	-	264	-	-	-
U.F.	-	1,315	1,315	-	-	-
Current tax liabilities	24,251	2,618	26,869	126,059	1,922	127,981
U.S. dollar	16,864	2,618	19,482	59,207	112	59,319
Euros	5,123	-	5,123	7,655	-	7,655
Brazilian real	1,512	-	1,512	2,529	1,810	4,339
Argentine pesos	-	-	-	44,856	-	44,856
Mexican pesos	752	-	752	11,803	-	11,803
Chilean pesos	-	-	-	9	-	9
Current provisions for employee benefits	6,706	865	7,571	4,124	469	4,593
Chilean pesos	6,706	865	7,571	4,124	469	4,593
Other current non-financial liabilities	240,098	2,880	242,978	173,654	-	173,654
U.S. dollar	192,359	-	192,359	131,214	-	131,214
Euros	51	-	51	73	-	73
Brazilian real	33,011	-	33,011	24,680	-	24,680
Argentine pesos	5,120	-	5,120	4,679	-	4,679
Mexican pesos	4,828	-	4,828	7,195	-	7,195
Other currencies	16	-	16	739	-	739
Chilean pesos	4,713	2,880	7,593	5,074	-	5,074

	12-31-2022				12-31-2021			
	From 13 months to 3 years	From 3 years to 5 years	More than 5 years	Total	From 13 months to 3 years	From 3 years to 5 years	More than 5 years	Total
	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$
<b>Total non-current liabilities</b>	<b>2,392,390</b>	<b>1,104,841</b>	<b>3,896,609</b>	<b>7,393,840</b>	<b>2,342,748</b>	<b>661,414</b>	<b>4,409,002</b>	<b>7,413,164</b>
Other non-current financial liabilities								
U.S. dollar	1,028,450	947,217	3,179,704	5,155,371	1,097,939	582,606	3,694,319	5,374,864
Euros	782,284	492,898	2,362,234	3,637,416	886,371	180,000	2,850,972	3,917,343
Brazilian real	126,793	129,736	129,657	386,186	124,640	127,324	190,869	442,833
U.F.	31,943	35,137	-	67,080	8,960	17,920	-	26,880
Bank borrowings	87,430	289,446	687,813	1,064,689	77,968	257,362	652,478	987,808
U.S. dollar	368,353	164,873	129,657	662,883	227,008	325,244	190,869	743,121
Euros	209,617	-	-	209,617	93,408	180,000	-	273,408
Brazilian real	126,793	129,736	129,657	386,186	124,640	127,324	190,869	442,833
Other borrowings	31,943	35,137	-	67,080	8,960	17,920	-	26,880
U.S. dollar	660,097	782,344	3,050,047	4,492,488	870,931	257,362	3,503,450	4,631,743
U.F.	572,667	492,898	2,362,234	3,427,799	792,963	-	2,850,972	3,643,935
Non-current lease liabilities								
U.S. dollar	45,904	38,906	142,630	227,440	44,459	26,083	43,159	113,701
Euros	21,562	17,653	81,441	120,656	18,691	13,708	37,506	69,905
Brazilian real	109	1	-	110	156	3	-	159
Mexican pesos	17,335	16,375	57,496	91,206	7,288	7,688	2,718	17,694
Other currencies	1,646	13	-	1,659	2,338	39	-	2,377
Chilean pesos	-	-	-	-	107	-	-	107
U.F.	197	352	-	549	10,875	459	-	11,334
Non-current payable								
Brazilian real	2,462	-	17,654	20,116	2,272	-	-	2,272
Chilean pesos	2,462	-	-	2,462	2,272	-	-	2,272
Non- current accounts payable to related companies								
Chilean pesos	3,283	-	3,448	6,731	-	-	-	-
Other long-term provisions								
U.S. dollar	40,706	-	-	40,706	29,549	-	-	29,549
Brazilian real	1,677	-	-	1,677	-	-	-	-
Argentine pesos	12,512	-	-	12,512	3,489	-	-	3,489
Mexican pesos	26,517	-	-	26,517	26,060	-	-	26,060
Deferred tax liabilities								
U.S. dollar	1,152,877	94,256	538,782	1,785,915	1,067,067	23,521	657,217	1,747,805
Brazilian real	1,088,336	92,026	501,595	1,681,957	1,007,289	-	657,217	1,664,506
Mexican pesos	58,405	2,230	37,187	97,822	54,116	23,521	-	77,637
Non-current provisions for employee benefits								
Mexican pesos	6,136	-	-	6,136	5,662	-	-	5,662
Chilean pesos	77,746	9,943	-	87,689	67,951	-	16	67,967
U.S. dollar	957	-	-	957	826	-	16	842
Chilean pesos	76,789	9,943	-	86,732	67,125	-	-	67,125

Other non-current non-financial liabilities	40,962	14,519	14,391	69,872	33,511	29,204	14,291	77,006
Brazilian real	40,939	14,519	14,391	69,849	33,487	29,204	14,291	76,982
Argentine pesos	10	-	-	10	14	-	-	14
Chilean pesos	13	-	-	13	10	-	-	10

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The table below sets forth the subsidiaries that have determined a functional currency other than the U.S. dollar as follows:

Subsidiary	Country	Functional currency
Arauco Canada Ltd.	Canada	Canadian dollar
Arauco Celulose do Brasil	Brazil	Brazilian real
Arauco do Brasil S.A.	Brazil	Brazilian real
Arauco Florestal Arapoti S.A.	Brazil	Brazilian real
Arauco Forest Brasil S.A.	Brazil	Brazilian real
Arauco Industria de Mexico, S.A. de C.V.	Mexico	Mexican pesos
Arauco Industria de Paineis S.A.	Brazil	Brazilian real
Arauco Participações Florestais Ltda.	Brazil	Brazilian real
Araucomex Servicios, S.A. de C.V.	Mexico	Mexican pesos
Consorcio Protección Fitosanitaria Forestal S.A.	Chile	Chilean pesos
Empreendimentos Florestais Santa Cruz Ltda.	Brazil	Brazilian real
Leasing Forestal S.A.	Argentina	Argentine pesos
Mahal Empreendimentos e Participações S.A.	Brazil	Brazilian real
Novo Oeste Gestao de Ativos Florestais S.A.	Brazil	Brazilian real
Lemu Earth SpA	Chile	Chilean pesos

The table below shows a detail per company of the effect in the period of the reserve of exchange differences on translation:

	January - December		
	2022	2021	2020
	ThU.S.\$	ThU.S.\$	ThU.S.\$
Arauco do Brasil S.A.	55,101	(25,371)	(90,528)
Arauco Forest Brasil S.A.	17,585	(21,990)	(84,241)
Sonae Arauco S.A.	(11,508)	(16,092)	15,880
Arauco Florestal Arapoti S.A.	4,582	(4,843)	(18,015)
Arauco Industria México S.A. de C.V.	12,057	(3,008)	(10,052)
Arauco Canada Ltd.	(16,249)	357	6,636
Others	(3,702)	(2,928)	1,387
<b>Total reserve of exchange differences on translation</b>	<b>57,866</b>	<b>(73,875)</b>	<b>(178,933)</b>

#### Effect of foreign exchange rates changes

	January - December		
	2022	2021	2020
	ThU.S.\$	ThU.S.\$	ThU.S.\$
Exchange differences recognized in profit or loss, except for those arising on financial instruments measured at fair value through profit or loss	18,436	9,022	(26,752)
Reserve of exchange differences on translation (with non-controlling interests)	57,867	(80,965)	(183,419)

## **NOTE 12. BORROWING COSTS**

Arauco capitalizes interest at effective rate on current investment projects.

At the date of issuance of these consolidated financial statements, Arauco has capitalized financial interest related to the modernization and expansion of Planta Arauco (MAPA).

	<b>January - December</b>	
	<b>2022</b>	<b>2021</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
<b>Interest cost capitalized, property, plant and equipment</b>		
Capitalization rate of interest cost capitalized, property, plant and equipment	4.33%	4.36%
Amount of the interest cost capitalized, property, plant and equipment	<u>103,629</u>	<u>80,789</u>

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## **NOTE 13. RELATED PARTIES**

### **Related Party Disclosures**

Related parties are those entities defined in IAS 24 and under the rules of the Chilean Commission for the Financial Market and the Chilean Corporations Law.

The receivable and payable amounts among related parties at the end of each period correspond to commercial and financing transactions denominated in Chilean pesos, U.S. dollars and Brazilian real, where collection or payment deadlines are shown in the following tables and in general do not bear interest, except for financing transactions.

As of the date of these consolidated financial statements, the main transactions with related parties are related to fuel purchases with Copec S.A. and sodium chlorate purchases at EKA Chile S.A.

As of the date of these consolidated financial statements, there are neither provisions for accounts of doubtful collection nor any guarantees granted or received related to the balances with related parties.

### **Name of Group's Main Shareholders**

The ultimate shareholders of Arauco, direct and indirectly, are Mr. Roberto Angelini Rossi and Mrs. Patricia Angelini Rossi.

### **Name of the Intermediate Controlling Entity that Produces consolidated financial Statements for Public Use**

Empresas Copec S.A.

### **Key Management Personnel Compensation**

Compensation to key management personnel, including directors, managers and deputy managers, consist of a fixed monthly salary, and managers and deputy managers also receive an annual bonus subject to the results of the Company and the fulfillment of goals of the business as well as individual performance.

## Pricing Strategy Terms and Conditions Corresponding to Transactions with Related Parties

Transactions carried out with related parties are intended to contribute to the corporate interest, are adjusted in price, terms and conditions to those prevailing in the market at the time of approval, and meet the requirements and procedures set forth in the law.

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The table below sets forth information about the Relationship between the Parent Company and its Subsidiaries

ID N°	Company Name	Country	Currency	Functional			% Ownership interest			% Ownership interest		
				I			12-31-2022			12-31-2021		
				Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
Agrícola												
77.630.621	Ranquillón SpA		U.S. dollar		98.5866							
-5	(6)	Chile		-	9	98.58669				-	-	-
77.630.618	Agrícola San Carlos SpA (6)	Chile	U.S. dollar		99.9483							
-5				-	9	99.94849				-	-	-
77.630.623	Agrícola Santa Emilia SpA (6)	Chile	U.S. dollar		99.9483							
-1				-	9	99.94839				-	-	-
77.630.625	Agrícola Santa Isabel SpA (6)	Chile	U.S. dollar		99.9483							
-8				-	9	99.94839				-	-	-
77.630.626	Agrícola Siberia SpA (6)	Chile	U.S. dollar		98.5866							
-6				-	9	98.58669				-	-	-
77.630.629	Agrícola Trupán SpA (6)	Chile	U.S. dollar		98.5866							
-0				-	9	98.58669				-	-	-
-	Arauco Argentina S.A.	Argentin a	U.S. dollar		90.0094					90.0092	99.9799	
				9.97070	0	99.98010	9.97070			8	8	
	Arauco Australia Pty Ltd.	Australia	U.S. dollar		99.9989					99.9989	99.9989	
96.547.510	Arauco Bioenergía S.A.	Chile	U.S. dollar		98.0000	1.99897	99.99897	0	1.99897	7		
	Arauco Canada Ltd.	Canada	Canadian dollar		99.9991					99.9989	99.9989	
	Arauco Celulose do Brasil S.A.(2)	Brazil	Brazilian real		99.9990							
-	Arauco Colombia S.A.	Colombi a	U.S. dollar		98.5204					98.5204	99.9982	
				1.47783	2	99.99825	1.47780			0	0	
	Arauco do Brasil S.A.	Brazil	Brazilian real		98.9310					98.9308	99.9989	
-	Arauco Europe Cooperatief U.A.	Holanda	U.S. dollar		99.4775					99.4774	99.9989	
	Arauco Florestal Arapoti S.A.	Brazil	Brazilian real	0.52148	1	99.99899	0.52150			8	8	
					99.9990					99.9990	99.9990	
-	Arauco Forest Brasil S.A.	Brazil	Brazilian real		91.3125			10.0809	89.9181	8	8	
				8.68654	3	99.99907	0			0	0	
	Arauco Participações Florestais Ltda.	Brazil	Brazilian real		99.9990					99.9991	99.9991	
-				-	7	99.99907				0	0	

	Arauco Industria										
-	de México, S.A.de C.V.	Mexico	Mexican pesos	99.9991	0	99.99910	-	7	7	99.9989	99.9989
-	Arauco Industria	Brazil	Brazilian real	99.9991	-	2	99.99912	-	0	99.9990	99.9990
-	de Paineis S.A.			99.9989						99.9989	99.9989
-	Arauco Middle	Dubai	U.S. dollar	99.9989	-	8	99.99898	-	8	99.9989	99.9989
-	East DMCC	United	U.S. dollar	99.9990	0.00010	1	99.99911	0.00010	8	99.9988	99.9989
-	Arauco North	States	U.S. dollar	99.9990						99.9976	99.9989
-	America, Inc.	Peru	U.S. dollar	99.9977	0.00126	2	99.99898	0.00130	8	99.9976	99.9989
-	Arauco Perú	United	U.S. dollar	99.9989	-	8	99.99898	-	-	-	-
-	S.A.	Kingdom	U.S. dollar	99.9989							
-	Arauco Pulp	United	U.S. dollar	99.9989	-	8	99.99898	-	-	-	-
-	Limited (3)	Kingdom	U.S. dollar	99.9989							
-	Arauco Ventures	United	U.S. dollar	99.9989	-	8	99.99898	-	-	-	-
-	Limited (3)	Kingdom	U.S. dollar	99.9989	-	8	99.99898	-	-	-	-
-	Arauco Wood	China	U.S. dollar	99.9989	-	8	99.99898	-	8	99.9989	99.9989
-	(China) Company			99.9989							
-	Limited	China	U.S. dollar	99.9989	-	8	99.99898	-	8	99.9989	99.9989
-	Arauco Wood	United	U.S. dollar	12.6312	87.3687	100.0000	-	-	-	-	-
-	Limited. (1)	Kingdom	U.S. dollar	6	4	0	-	-	-	-	-
-	Araucome S.A.	Mexico	U.S. dollar	99.9986	0.00050	1	99.99911	0.00050	8	99.9984	99.9989
-	de C.V.			99.9986							
-	Araucome	Mexico	Mexican pesos	99.6657	0.33333	8	99.99911	0.33330	9	99.6656	99.9989
-	Servicios, S.A. de			99.6657							
-	C.V.			99.6657							
-	Consorcio			99.6657							
-	Protección			99.6657							
96.657.900	Fitosanitaria	Chile	Chilean pesos	56.8281	-	7	56.82817	-	0	56.4481	56.4480
-5	Forestal S.A.			56.8281							
-	Empreendimento			56.8281							
-	s Florestais Santa			56.8281							
-	Cruz Ltda.	Brazil	Brazilian real	99.9986	-	6	99.99866	-	4	99.9985	99.9985
85.805.200	Forestal Arauco	Chile	U.S. dollar	99.9483	9	-	99.94839	0	-	99.9484	99.9484
-9	S.A.			99.9483							
93.838.000	Forestal	Chile	U.S. dollar	98.5866	-	9	98.58669	-	1	98.5814	98.5814
-7	Cholguán S.A.			98.5866							
-	Inversiones			98.5866							
-	Arauco			98.5866							
96.563.550	Internacional	Chile	U.S. dollar	98.0186	2	1.98036	99.99898	0	1.98038	99.9989	99.9989
-5	Ltda.			98.0186							
-	Investigaciones			98.0186							
79.990.550	Forestales	Chile	U.S. dollar	98.9489	-	1	99.94891	1.00000	2	98.9489	99.9489
-7	Bioforest S.A.			98.9489							
-	Leasing Forestal	Argentina	Argentine pesos	99.9801	-	0	99.98010	-	0	99.9800	99.9800
-	S.A.			99.9801							
76.860.724	Lemu Earth SpA	Chile	Chilean pesos	86.6142	-	6	86.61426	-	5	86.6150	86.6150
-9	(5)			86.6142							
-	Lemu Global	United	U.S. dollar	99.9989	-	8	99.99898	-	-	-	-
-	Limited (4)	Kingdom	U.S. dollar	99.9989	-	8	99.99898	-	-	-	-
-	Maderas Arauco	Costa	U.S. dollar	99.9989	-	8	99.99898	-	8	99.9989	99.9989
-	Costa Rica S.A.	Rica	U.S. dollar	99.9989	-	8	99.99898	-	8	99.9989	99.9989
96.510.970	Maderas Arauco	Chile	U.S. dollar	99.9986	-	0	99.99860	99.0000	0.99948	99.9994	99.9994
-6	S.A.			99.9986							

	Mahal										
-	Empreendimento										
-	s e Participações										
-	S.A.	Brazil	Brazilian real		99.9990				99.9990	99.9990	
-				-	1	99.99901			2	2	
	Novo Oeste										
-	Gestao de Ativos	Brazil	Brazilian real		99.9990				99.9990	99.9990	
-	Florestais S.A.	Brazil	real	-	7	99.99907			4	4	
76.375.371	Servicios Aéreos		U.S.		99.9889				99.9889	99.9989	
-9	Forestales Ltda.	Chile	dollar	0.01000	8	99.99898	0.0100		8	8	
	Servicios										
96.637.330	Logísticos		U.S.	45.0000	54.9992				54.9997	99.9997	
-K	Arauco S.A.	Chile	dollar	0	3	99.99923	45.0000		2	2	
		United	U.S.		99.9991				99.9991	99.9991	
-	Woodaffix, LLC.	States	dollar	-	1	99.99911			1	1	

- (1) This company was created in May 2022.
- (2) This company was created in August 2022.
- (3) These companies were created in October 2022.
- (4) This company was created in November 2022.
- (5) This company changed its name from ODD Industries SpA to Lemu Earth SpA, in November 2022.
- (6) These companies were created in September 2022.

The companies in the table below are classified as joint operations in accordance with IFRS 11. The assets, liabilities, income and expenses are recorded in relation to the Company's ownership percentage in accordance with accounting standards applicable in each case.

Company Name	Functional Country	Functional Currency
Eufores S.A.	Uruguay	U.S. dollar
Celulosa y Energía Punta Pereira S.A.	Uruguay	U.S. dollar
Zona Franca Punta Pereira S.A.	Uruguay	U.S. dollar
Forestal Cono Sur S.A.	Uruguay	U.S. dollar
Stora Enso Uruguay S.A.	Uruguay	U.S. dollar
El Esparragal Asociación Agraria de R.L.	Uruguay	U.S. dollar
Ongar S.A.	Uruguay	U.S. dollar
Terminal Logística e Industrial M'Bopicuá S.A.	Uruguay	U.S. dollar

According to significant restrictions on the ability of subsidiaries to transfer funds to Arauco, in the form of cash dividends or repayment of borrowings and/or advances, we state the following:

#### **Long-term debt with related entities - Mutual Agreement with Arauco Argentina S.A.**

On June 5, 2017, Arauco signed a mutual agreement with its subsidiary Arauco Argentina S.A., pursuant to which this subsidiary received an amount of U.S.\$ 250,000,000, which accrues an interest at the LIBOR interest rate for 180 days plus a fixed spread of 5.20%, with payments every six months on June 1 and December 1 of each year.

Since 2020, the Central Bank of the Argentine Republic (BCRA) established certain foreign exchange controls, preventing Arauco Argentina S.A. from repaying the amount of ThU.S.\$ 160,000 owed under the mutual agreement described above which matured on June 1, 2022.

On July 14, 2022, Arauco Argentina S.A. paid ThU.S.\$ 6,000 of the amount owed under the mutual agreement described above, remaining to pay ThU.S.\$ 154,000 as of the date of these financial statements.

#### Key Management Personnel Compensation and Redundancy Benefits

	January - December		
	2022	2021	2020
	ThU.S.\$	ThU.S.\$	ThU.S.\$
Salaries and bonuses	83,266	78,114	66,366
Per diem compensation to members of the Board of Directors	2,432	2,538	2,351
Termination benefits	8,320	2,437	5,049
<b>Total</b>	<b>94,018</b>	<b>83,089</b>	<b>73,766</b>

#### Related Party Receivables, Current

Name of related party	Tax ID No.	Nature of relationship	Country	Currency	Maturity	12-31-	
						2022	2021
Forestal Mininco S.A.	91.440.000-7	Common stockholder	Chile	Chilean pesos	30 days	1	12
Eka Chile S.A.	99.500.140-3	Joint venture	Chile	Chilean pesos	30 days	2,626	2,510
Colbún S.A.	96.505.760-9	Common stockholder	Chile	Chilean pesos	30 days	21	72
CMPC Pulp S.A.	96.532.330-9	Common stockholder	Chile	Chilean pesos	-	-	651
CMPC Tissue S.A.	96.529.310-8	Common stockholder	Chile	Chilean pesos	-	-	383
Fundación Acerca Redes K	65.097.218-7	Parent company is founder and contributor	Chile	Chilean pesos	30 days	41	165
Parque Eólico Ovejera Sur SpA.	76.839.949-2	Joint venture	Chile	Chilean pesos	30 days	100	-
E2E S.A.	76.218.856-2	Joint venture	Chile	Chilean pesos	30 days	60	1,766
EMOAC SpA.	76.208.888-6	Common controlling parent	Chile	Chilean pesos	30 days	1	-
<b>TOTAL</b>						<b>2,850</b>	<b>5,559</b>

#### Related Party Payables, Current

Name of related party	Tax ID No.	Nature of relationship	Country	Currency	Maturity	12-31-	
						2022	2021
Copec S.A.	99.520.000-7	Common controlling parent	Chile	Chilean pesos	30 days	4,474	1,682
Abastible S.A.	91.806.000-6	Common controlling parent	Chile	Chilean pesos	30 days	189	181
Fundación Educacional Arauco	71.625.000-8	Parent company is founder and contributor	Chile	Chilean pesos	30 days	780	465
Empresa Nacional de	92.580.000-7	Common stockholder	Chile	Chilean pesos	30 days	4	4

Telecomunicaciones S.A.								
Servicios Corporativos Sercor	96.925.430-							
S.A.	1	Associate	Chile	Chilean pesos	-	-	12	
Compañía Puerto de Coronel S.A.	79.895.330-	Subsidiary of an associate	Chile	U.S. dollar Chilean pesos	30 days	202	229	
Air BP Copec S.A.	96.942.120-	Joint venture of controlling parent	Chile	30 days	3	3		
Sonae Arauco		Subsidiary of joint venture	Portugal	U.S. dollar Chilean pesos	-	-	1	
Portugal S.A.								
Agrícola San Gerardo SpA	77.017.167-	Joint venture	Chile	30 days	146	-		
Agrícola Fresno Spa	77.470.229-			Chilean pesos	Dic-31-			
<b>TOTAL</b>					23	8,482		
						<b>14,280</b>		<b>2,577</b>

#### Related Party Payables, Non-Current

Name of related party	Tax ID No.	Nature of relationship	Country	Currency	Maturity	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
	77.470.229-				Dic-31-		
Agrícola Fresno SpA	6	Joint venture	Chile	Chilean pesos	24	3,283	-
	77.470.229-				Dic-31-		
Agrícola Fresno SpA	6	Joint venture	Chile	Chilean pesos	27	3,448	-
<b>TOTAL</b>						<b>6,731</b>	-

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#### Related Party Transactions

##### Purchases

Name of Related Party	Tax ID No.	Nature of Relationship	Country	Currency	Transaction Descriptions	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$	12-31-2020 ThU.S.\$
Abastible S.A.	91.806.000-	Common controlling parent	Chile	Chilean pesos	Fuel	3,207	2,644	2,113
Copec S.A.	6	controlling parent	Chile	Chilean pesos	Fuel and other Transport, stowage and port services	92,643	75,166	48,983
Compañía Puerto de Coronel S.A.	99.520.000-	Common controlling parent	Chile	U.S. Dollar				
	3	Associate	Chile	Chilean pesos		7,643	8,518	17,506
EKA Chile S.A.	99.500.140-				Sodium chlorate	41,540	42,318	38,633
Forestal del Sur S.A.	79.825.060-	Joint Venture Associate of a subsidiary's minority shareholder	Chile	Chilean pesos	Wood and chips	-	433	4,495
Portaluppi, Guzman y Bezanilla Abogados Ltda.	78.096.080-	Common director	Chile	Chilean pesos	Legal services	851	778	703

Empresa Nacional de								
Telecomunicaciones S.A.	92.580.000- 7	Common Stockholder	Chile	Chilean pesos	Telephone services	123	214	229
Colbún S.A.	96.505.760- 9	Common Stockholder	Chile	Chilean pesos	Electrical Power	834	386	51
Colbún Transmisión S.A.	76.218.856- 2	Common Stockholder	Chile	Chilean pesos	Electrical Power	77	514	399
Indirect associate								
Woodtech S.A.	76.724.000- 7	of controlling parent	Chile	Chilean pesos	Wood volumen measurement services	1,012	1,238	1,362
Inversiones Siemel S.A.	94.082.000- 6	Common Stockholder	Chile	Chilean pesos	Rentals	-	51	279
Elemental S.A.	76.659.730- 0	Associate of controlling parent	Chile	Chilean pesos	Services and other purchases	113	93	364
Servicios								
Corporativos Sercor S.A.	96.925.430- 1	Associate	Chile	Chilean pesos	Other purchases	246	222	242
Vía Limpia SpA	79.874.200- 0	Common controlling parent	Chile	Chilean pesos	Other purchases	199	199	191

### Sales

Name of Related Party	Tax ID No.	Nature of Relationship	Country	Currency	Transaction Descriptions	ThU.S.\$	ThU.S.\$	ThU.S.\$
						12-31-2022	12-31-2021	12-31-2020
Colbún S.A.	96.505.760- 9	Common Stochholder	Chile	Chilean pesos	Electrical Power	161	256	149
EKA Chile S.A.	99.500.140- 3	Joint venture Associate of a subsidiary's	Chile	Chilean pesos	Electrical Power	23,539	21,891	16,559
Forestal del Sur S.A.	79.825.060- 4	minority shareholder	Chile	Chilean pesos	Harvesting services, wood and chips	-	7,329	21,146
Fundación Educacional Arauco	71.625.000- 8	company is founder and contributor	Chile	Chilean pesos	IT and administrative services	299	139	188
CMPC Pulp S.A.	96.532.330- 9	Common Stockholder	Chile	Chilean pesos	Wood and chips	525	9,027	7,849
CMPC Tissue S.A.	96.529.310- 8	Common Stockholder	Chile	Chilean pesos	Pulp	-	1,127	3,681
Compañía Puerto de Coronel S.A.	79.895.330- 3	Subsidiary of an associate	Chile	U.S. dollar	Other sales Wood, plywood and boards	453	56	53
E2E S.A.	76.879.577- 0	Joint venture Indirect subsidiary of	Chile	Chilean pesos	Electrical Power	246	355	471
EMOAC SPA	76.208.888- 6	controlling parent	Chile	Chilean pesos	Wood, plywood and boards	3,272	-	-

### Other transactions

Name of related party	Tax ID No.	Nature of relationship	Country	Currency	Transaction descriptions	12-31-2022	12-31-2021	12-31-2020
						ThU.S.\$	ThU.S.\$	ThU.S.\$
Falcão MS SPE S.A.		- Associate	Brasil	Reales	Capital contribution	9,664	-	-
Agrícola San Gerardo SpA	77.017.167-	Joint venture	Chile	Chilean pesos	Capital contribution	136	-	-
Agrícola Fresno SpA	77.470.229-	Joint venture	Chile	Chilean pesos	Capital contribution	31,998	7,452	-
Agrícola El Paque SpA	77.209.739-	Joint venture	Chile	Chilean pesos	Capital contribution	-	1,095	-
Parque Eólico Ovejera Sur SpA.	76.839.949-	Joint venture	Chile	Chilean pesos	Capital contribution	118	123	354
E2E S.A.	76.879.577-	Joint venture	Chile	Chilean pesos	Capital contribution	-	7,759	15,022
E2E S.A.	76.879.577-	Joint venture	Chile	U.S. dollar	Borrowing	3,546	1,125	41

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#### NOTE 14. INVESTMENTS IN SUBSIDIARIES

The main operations carried out in the years 2022 and 2021 are reported below:

Arauco determined it necessary to reorganize its activity in the wood product segment by centralizing its investments in the wood market in an entity that allows a common direction and control. This is the reason why, on May 23, 2022, the company Arauco Wood Limited was created. Such international parent entity was incorporated in the United Kingdom, a country which is considered and valued as one of the main investment platforms and center global financial system, and known for its institutional stability.

In June and December 2022, Arauco, through its subsidiary Inversiones Arauco International Ltda. and the parent of the group, Celulosa Arauco y Constitución S.A., contributed their subsidiaries from the wood segment to the new company Arauco Wood Limited. These contributions were for a total amount of ThU.S.\$ 1,989,972. This operation did not generate an effect within the consolidated statements of profit or loss as of December 31, 2022.

With this reorganization, Arauco intends to achieve a more efficient international structure in a first-class financial center, thus generating an attractive investment focus for potential new investors or other market players. This centralization of the wood product segment will also allow a better and more efficient management, enhancing its investments with a solid structure and greater projections of profitability, growth and sustainability.

On December 2, 2021, Arauco through its subsidiary Arauco Forest Brasil S.A. acquired all Stora Enso Amsterdam B.V. participation (it owned 20% of the total shares of Arauco Forestal Arapoti S.A.) for ThR\$ 294,549 (equivalents to ThU.S.\$ 52,516), leaving Arauco with a total participation of 100%. Following IFRS 10, as Arauco previously had control over this investment and this operation is an acquisition from a minority shareholder, the difference resulting from the book values and the fair value of the paid was recognized directly in equity. This amount in equity at the end of 2021 was ThU.S.\$ 35,880.

On March 10, 2021, Arauco through the subsidiary Forestal Arauco S.A. sold its total participation in the company Forestal Los Lagos SpA (ex S.A.) for ThU.S.\$ 48,000. This operation generated a profit of ThU.S.\$ 20,381 that is presented in other income.

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## NOTE 15. INVESTMENTS IN ASSOCIATES

During the year 2022, the following investments were made in associates:

On August 8, 2022, the subsidiary Arauco Participações Florestais Ltda. of Brasil created the company Falcão MS SPE S.A., and during the year 2022, Arauco contributed capital to the new company for ThR\$ 49,985 (equivalents to ThU.S.\$ 9,664).

As of December 31, 2021, there were no new investments in associates to report.

The following tables set forth information about investments in associates.

Name	Inversiones Puerto Coronel S.A.	
Country	Chile	
Functional currency	U.S. dollar	
Corporate purpose	Investments in movables and real estate, acquisition of companies, securities and investment instruments, investment management and development and/or participation in all kind of businesses and companies related to industrial, shipping, forestry and commercial activities.	
Ownership interest (%)	50.0000%	12-31-2022
Carrying amount accounted for using equity method	ThU.S.\$ 64,000	12-31-2021

Name	Servicios Corporativos Sercor S.A.	
Country	Chile	
Functional currency	Chilean pesos	
Corporate purpose	Consulting services related to business management to Boards of Directors and Senior Management of all Arauco's entities.	
Ownership interest (%)	20.0000%	12-31-2022
Carrying amount accounted for using equity method	ThU.S.\$ 325	12-31-2021

Name	Genómica Forestal S.A.	
Country	Chile	
Functional currency	Chilean pesos	
Corporate purpose	Developing forestry genomics, through the use of biotechnological, molecular and bioinformatics tools with the purpose of strengthening genetic programs so as to improve the competitive position of the Chilean forestry industry for priority tree species.	
Ownership interest (%)	25.0000%	12-31-2022
Carrying amount accounted for using equity method	ThU.S.\$ 6	12-31-2021

Name	Consorcio Tecnológico Bioenercel S.A.	
Country	Chile	
Functional currency	Chilean pesos	

Developing of technologies which will promote the development of a biofuels industry in Chile, obtained from lingo-cellulosic materials. The future execution of this sustainable project is financed by the Innova Chile Committee.

Corporate purpose		
Ownership interest (%)	20.0000%	
	<b>12-31-2022</b>	<b>12-31-2021</b>
Carrying amount accounted for using equity method	ThU.S.\$ 1	ThU.S.\$ 1

Name	Florestal Vale do Corisco S.A.
Country	Brazil
Functional currency	Brazilian real
Corporate purpose	Management of forestry activities.
Ownership interest (%)	49.0000%
	<b>12-31-2022</b>
Carrying amount accounted for using equity method	ThU.S.\$ 26,910
	<b>12-31-2021</b>
Carrying amount accounted for using equity method	ThU.S.\$ 26,823

Name	Falcão MS SPE S.A.
Country	Brazil
Functional currency	Brazilian real
Corporate purpose	Management of land for leases to related parties.
Ownership interest (%)	49.0000%
	<b>12-31-2022</b>
Carrying amount accounted for using equity method	ThU.S.\$ 9,579
	<b>12-31-2021</b>
Carrying amount accounted for using equity method	ThU.S.\$ -

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#### Summarized Financial Information of Associates

**12-31-  
2022**

	Assets							
	Inversiones Puerto Coronel S.A.	Serv.Corporativos Sercor S.A.	Vale do Corisco S.A.	Falcão MS SPE S.A.	Consorcio Tecnológico Bioenercel S.A.	Genómica Forestal S.A.	Total	
	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$
Current	1	5,677	2,368	413	-	12	8,471	
Non-current	129,819	2,273	73,089	19,136	4	52	224,373	
<b>Total of associates</b>	<b>129,820</b>	<b>7,950</b>	<b>75,457</b>	<b>19,549</b>	<b>4</b>	<b>64</b>	<b>232,844</b>	

	Liabilities and Equity							
	Inversiones Puerto Coronel S.A.		Vale do Corisco S.A.		Falcão MS SPE S.A.		Consorcio Tecnológico Bioenercel S.A.	
	ThU.S.\$		\$		\$		S.A. ThU.S.\$	
Current	54	4,527	1,066	1	-	7	5,655	
Non-current	-	1,798	19,475	-	3	28	21,304	

Equity	129,766	1,625	54,916	19,548	1	29	5
Total of associates	<b>129,820</b>	<b>7,950</b>	<b>75,457</b>	<b>19,549</b>	<b>4</b>	<b>64</b>	<b>4</b>
<b>12-31-2022</b>							
Income	-	4,323	9,741	-	-	-	14,064
Other income / expenses	9,544	(3,736)	(5,290)	(3)	-	-	515
<b>Net profit or loss (continuing operations) of associates</b>	<b>9,544</b>	<b>587</b>	<b>4,451</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>14,579</b>
Other comprehensive income	-	-	-	-	-	-	-
Comprehensive income	9,544	587	4,451	(3)	-	-	14,579
Dividends received	-	-	1,511	-	-	-	1,511

12-31-2021	Assets							
	Inversiones		Consorcio Tecnológico					
	Puerto Coronel	Serv.Corporativos Sercor	Florestal do Corisco	Vale S.A.	Bioenercel	Genómica Forestal	Total	
	S.A.	ThU.S.\$	S.A.	ThU.S.\$	S.A.	ThU.S.\$	S.A.	ThU.S.\$
Current	1		4,761	4,638	-	12	9,412	
Non-current	113,580		2,773	69,602	6	52	186,013	
<b>Total</b>	<b>113,581</b>		<b>7,534</b>	<b>74,240</b>	<b>6</b>	<b>64</b>	<b>195,425</b>	

12-31-2021	Liabilities and Equity							
	Inversiones		Florestal Vale		Consorcio Tecnológico			
	Puerto Coronel	Serv.Corporativos Sercor	Florestal do Corisco	Vale S.A.	Bioenercel S.A.	Genómica Forestal	Total	
	S.A.	ThU.S.\$	S.A.	ThU.S.\$	S.A.	ThU.S.\$	S.A.	ThU.S.\$
Current	55		4,297	1,292	-	7	5,651	
Non-current	-		2,138	18,208	4	28	20,378	
Equity	113,526		1,099	54,740	2	29	169,396	
<b>Total of associates</b>	<b>113,581</b>		<b>7,534</b>	<b>74,240</b>	<b>6</b>	<b>64</b>	<b>195,425</b>	
<b>12-31-2021</b>								
Income	-		4,577	8,892	-	-	13,469	
Other income / expenses	(4,208)		(4,277)	(4,047)	(1)	(1)	(12,534)	
<b>Net profit or loss (continuing operations) of associates</b>	<b>(4,208)</b>		<b>300</b>	<b>4,845</b>	<b>(1)</b>	<b>(1)</b>	<b>935</b>	
Other comprehensive income	-		-	-	-	-	-	
Comprehensive income	(4,208)		300	4,845	(1)	(1)	935	

Dividends received	-	-	2,695	-	-	2,695
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#### Reconciliation of Investment in Associates and Joint Ventures

	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
<b>Opening balance as of January 1</b>	<b>336,642</b>	<b>316,939</b>
<b>Changes</b>		
Investment in joint ventures, additions (*)	9,664	-
Investment in joint ventures, additions (**)	32,252	16,429
Disposals, investment in associates and joint ventures (***)	(1,878)	(3,197)
Share of profit (loss) in investment in associates	7,069	330
Share of profit (loss) in investment in joint ventures	26,615	31,056
Dividends received, Investments in associates	(35,187)	(3,288)
Increase (decrease) in foreign exchange currency on translation of associates and joint ventures	(11,779)	(20,167)
Other increase (decrease) in investment in associates and joint ventures	2,273	(1,460)
<b>Total changes</b>	<b>29,029</b>	<b>19,703</b>
<b>Closing balance</b>	<b>365,671</b>	<b>336,642</b>

(\*) During the year 2022, Arauco Participações Florestais Ltda. made a capital contribution to Falcão MS SPE S.A., for ThR\$ 49,985 that in total is equivalent to ThU.S.\$ 9,664 for 49,984,900 shares.

(\*\*) During the year 2022, the main movement corresponds to:

-Forestal Arauco S.A. made a capital contribution in assets as non-monetary assets to Agrícola Fresno, for ThU.S.\$ 31,998 for 6,399,520 shares.

During the year 2021, the main movement corresponds to:

-Maderas Arauco S.A. made a capital contribution between January and November to E2E S.A., for ThCLP\$ 5,925,000 that in total is equivalent to ThU.S.\$ 7,759.

-Forestal Arauco S.A. made a capital contribution in assets as non-monetary assets to Agrícola Fresno for ThU.S.\$ 7,452 in November 2021 for 1,490,400 shares.

(\*\*\*) ThU.S.\$ 1,878 equivalent to R\$ 9,800,000 corresponding to a capital decrease of Arauco Forest do Brasil S.A. en Florestal Vale Do Corisco S.A. on October 11, 2022.

ThU.S.\$ 3,197 account for the carrying amount of investment in Unilin Arauco Pisos Ltda., which was sold on January 12, 2021.

	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
Carrying amount of investments in associates accounted for using equity method	100,821	82,924
Carrying amount of investments in joint ventures accounted for using equity method	264,850	253,718
<b>Total investment accounted for using equity method</b>	<b>365,671</b>	<b>336,642</b>

#### NOTE 16. INTERESTS IN JOINT ARRANGEMENTS

##### Investments and contributions made

The main operations carried out in the years 2022 and 2021 are reported below:

On October 13, 2021, Arauco, through its subsidiary Forestal Arauco S.A. created Agrícola Fresno SpA with the purpose of developing agricultural projects. It was incorporated with a capital of ThU.S.\$ 1,000, Forestal Arauco S.A. contributed the equivalent of 50% of the shares of the new subsidiary. On November 2021, it was agreed to increase

the capital to ThU.S.\$ 7,452 and during the period of 2022 ThU.S.\$ 31,998, Forestal Arauco S.A. contributed all of the committed capital (50%) through the contribution of assets.

Between January and December of 2021, Arauco through its subsidiary Maderas Arauco S.A., contributed to E2E S.A. the amount of ThCLP\$ 5,925,000 (equivalent to ThU.S.\$ 7,759).

On January 12, 2021, Arauco, through its subsidiary Arauco do Brasil S.A., sold its total 50% participation in Unilin Arauco Pisos Ltda. This transaction generated a loss before taxes of ThU.S.\$ 431.

As of December 31, 2022 and 2021, Arauco has not made contributions to Uruguayan companies Celulosa y Energía Punta Pereira S.A. and Zona Franca Punta Pereira S.A.

The investments in Uruguay qualify as a joint operation. In relation to “other rights and contractual conditions”, the joint operation has the primary objective of providing the parties an output. As established in the “Pulp Supply Agreement”, both Arauco and its partner have the obligation to acquire 100% of the yearly pulp produced by the joint operation. Arauco has recognized the assets, liabilities, income and expenses associated with its interest ownership, as of January 1, 2013, pursuant to IFRS 11.

Arauco holds a 50% interest in Sonae Arauco, which subsidiary produces and commercializes wood panels, of the type of MDF, PB and OSB, and sawn timber, through the operation of 2 panel plants and one sawmill in Spain; 2 panel plants and one resin plant in Portugal; 3 panel plants in Germany and 2 panel plants in South Africa.

Furthermore, Arauco holds a 50% ownership in Eka Chile S.A. (“Eka”), a company that sells sodium chlorate to pulp plants in Chile. There is a contractual agreement with this company whereby Arauco has engaged in an economic activity subject to common control, which is classified as a joint venture.

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The following tables set forth summarized financial information of the more significant interests in joint arrangements, which qualify as joint operations:

<b>Celulosa y Energía Punta Pereira S.A. (Uruguay)</b>	<b>12-31-2022</b>		<b>12-31-2021</b>	
	<b>Assets ThU.S.\$</b>	<b>Liabilities ThU.S.\$</b>	<b>Assets ThU.S.\$</b>	<b>Liabilities ThU.S.\$</b>
Current	478,480	114,012	384,960	162,106
Non-current	1,982,237	141,588	2,036,696	210,981
Equity	-	2,205,117	-	2,048,569
<b>Total joint arrangement</b>	<b>2,460,717</b>	<b>2,460,717</b>	<b>2,421,656</b>	<b>2,421,656</b>
<b>Investment</b>	<b>1,102,559</b>		<b>1,024,285</b>	

	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Income	1,108,952	917,391
Expenses	(636,797)	(575,745)
<b>Joint arrangement net income (loss)</b>	<b>472,155</b>	<b>341,646</b>

<b>Forestal Cono Sur S.A. (consolidated)</b>	<b>12-31-2022</b>		<b>12-31-2021</b>	
	<b>Assets ThU.S.\$</b>	<b>Liabilities ThU.S.\$</b>	<b>Assets ThU.S.\$</b>	<b>Liabilities ThU.S.\$</b>
Current	30,769	5,894	23,068	2,502
Non-current	158,787	4,119	167,159	10,618
Equity	-	179,543	-	177,107
<b>Total joint arrangement</b>	<b>189,556</b>	<b>189,556</b>	<b>190,227</b>	<b>190,227</b>

<b>Investment</b>	<b>89,772</b>	<b>88,554</b>
	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Income	2,870	10,596
Expenses	(434)	(6,935)
<b>Joint arrangement net income (loss)</b>	<b>2,436</b>	<b>3,661</b>
	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>Assets</b>	<b>Liabilities</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
<b>Eufores S.A. (consolidated)</b>		
Current	125,027	193,423
Non-current	892,452	119,050
Equity	-	705,006
<b>Total joint arrangement</b>	<b>1,017,479</b>	<b>1,017,479</b>
<b>Investment</b>	<b>352,503</b>	<b>344,378</b>
	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Income	252,524	230,089
Expenses	(237,338)	(202,423)
<b>Joint arrangement net income (loss)</b>	<b>15,186</b>	<b>27,666</b>
	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>Assets</b>	<b>Liabilities</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
<b>Zona Franca Punta Pereira S.A. (Uruguay)</b>		
Current	13,824	101,385
Non-current	432,769	-
Equity	-	345,208
<b>Total joint arrangement</b>	<b>446,593</b>	<b>446,593</b>
<b>Investment</b>	<b>172,604</b>	<b>167,312</b>
	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Income	20,703	18,235
Expenses	(10,120)	(17,106)
<b>Joint arrangement net income (loss)</b>	<b>10,583</b>	<b>1,129</b>

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The following tables set forth summarized financial information of the more significant interests in joint ventures accounted in for equity method and its movements are presented in Note 15:

<b>Eka Chile S.A.</b>	<b>12-31-2022</b>		<b>12-31-2021</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Current	17,673	4,821	16,083	4,980
Non-current	39,496	5,347	38,056	4,913
Equity	-	47,001	-	44,246
<b>Total joint arrangement</b>	<b>57,169</b>	<b>57,169</b>	<b>54,139</b>	<b>54,139</b>
<b>Investment</b>	<b>23,501</b>		<b>22,123</b>	

	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
Income	45,335	42,788
Expenses	(41,580)	(40,568)
<b>Joint arrangement net income (loss)</b>	<b>3,755</b>	<b>2,220</b>
Other comprehensive income	-	-
Comprehensive income	3,755	2,220
Dividends	500	594

	12-31-2022		12-31-2021	
	Assets ThU.S.\$	Liabilities ThU.S.\$	Assets ThU.S.\$	Liabilities ThU.S.\$
<b>Sonae Arauco S.A.</b>				
Current	320,837	229,330	288,650	334,620
Non-current	668,138	352,759	699,984	247,006
Equity	-	406,886	-	407,008
<b>Total joint arrangement</b>	<b>988,975</b>	<b>988,975</b>	<b>988,634</b>	<b>988,634</b>
<b>Net assets</b>	<b>180,896</b>		<b>179,027</b>	
Net asset adjustment (goodwill)	22,547		24,477	
<b>Investment</b>	<b>203,443</b>		<b>203,504</b>	

	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
Income	1,241,698	1,153,385
Expenses	(1,159,060)	(1,082,798)
<b>Joint arrangement net income (loss)</b>	<b>82,638</b>	<b>70,587</b>
Other comprehensive income	-	-
Comprehensive income	82,638	70,587
Dividends	33,176	-

	12-31-2022		12-31-2021	
	Assets ThU.S.\$	Liabilities ThU.S.\$	Assets ThU.S.\$	Liabilities ThU.S.\$
<b>Agrícola El Paque SpA.</b>				
Current	966	1,360	1,493	201
Non-current	18,914	5,450	15,455	4,162
Equity	-	13,070	-	12,585
<b>Total joint arrangement</b>	<b>19,880</b>	<b>19,880</b>	<b>16,948</b>	<b>16,948</b>
<b>Investment</b>	<b>6,534</b>		<b>6,293</b>	

	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
Income	-	-
Expenses	379	47
<b>Joint arrangement net income (loss)</b>	<b>379</b>	<b>47</b>
Other comprehensive income	-	-
Comprehensive income	379	47
Dividends	-	-

	12-31-2022		12-31-2021	
	Assets ThU.S.\$	Liabilities ThU.S.\$	Assets ThU.S.\$	Liabilities ThU.S.\$
<b>Parque Eólico Ovejera del Sur SpA.</b>				
Current	100	224	157	86
Non-current	2,885	-	2,298	-
Equity	-	2,761	-	2,369

<b>Total joint arrangement</b>	<b>2,985</b>	<b>2,985</b>	<b>2,455</b>	<b>2,455</b>
<b>Investment</b>	<b>1,381</b>		<b>1,185</b>	
			<b>12-31-2022</b>	<b>12-31-2021</b>
			<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Income			-	-
Expenses			(43)	(21)
<b>Joint arrangement net income (loss)</b>			<b>(43)</b>	<b>(21)</b>
Other comprehensive income			-	-
Comprehensive income			(43)	(21)
Dividends			-	-

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<b>E2E S.A.</b>	<b>12-31-2022</b>		<b>12-31-2021</b>	
	<b>Assets</b> <b>ThU.S.\$</b>	<b>Liabilities</b> <b>ThU.S.\$</b>	<b>Assets</b> <b>ThU.S.\$</b>	<b>Liabilities</b> <b>ThU.S.\$</b>
Current	7,361	20,327	8,138	1,094
Non-current	20,914	11,301	28,357	3,078
Equity	-	(3,353)	-	32,323
<b>Total joint arrangement</b>	<b>28,275</b>	<b>28,275</b>	<b>36,495</b>	<b>36,495</b>
<b>Investment</b>	<b>(1,677)</b>		<b>16,162</b>	

	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Income	2,183	743
Expenses	(35,759)	(11,133)
<b>Joint arrangement net income (loss)</b>	<b>(33,576)</b>	<b>(10,390)</b>
Other comprehensive income	-	-
Comprehensive income	(33,576)	(10,390)
Dividends	-	-

<b>Agrícola San Gerardo SpA.</b>	<b>12-31-2022</b>		<b>12-31-2021</b>	
	<b>Assets</b> <b>ThU.S.\$</b>	<b>Liabilities</b> <b>ThU.S.\$</b>	<b>Assets</b> <b>ThU.S.\$</b>	<b>Liabilities</b> <b>ThU.S.\$</b>
Current	844	62	765	61
Non-current	5,661	2,871	4,929	2,125
Equity	-	3,572	-	3,508
<b>Total joint arrangement</b>	<b>6,505</b>	<b>6,505</b>	<b>5,694</b>	<b>5,694</b>
<b>Investment</b>	<b>1,786</b>		<b>1,754</b>	

	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Income	-	-
Expenses	109	(52)
<b>Joint arrangement net income (loss)</b>	<b>109</b>	<b>(52)</b>
Other comprehensive income	-	-
Comprehensive income	109	(52)
Dividends	-	-

<b>Agrícola Fresno SpA</b>	<b>12-31-2022</b>		<b>12-31-2021</b>	
	<b>Assets</b> <b>ThU.S.\$</b>	<b>Liabilities</b> <b>ThU.S.\$</b>	<b>Assets</b> <b>ThU.S.\$</b>	<b>Liabilities</b> <b>ThU.S.\$</b>

Current	28,952	1,657	15,663	88
Non-current	58,755	7,232	10,485	2,225
Equity	-	78,818	-	23,835
<b>Total joint arrangement</b>	<b>87,707</b>	<b>87,707</b>	<b>26,148</b>	<b>26,148</b>
<b>Investment</b>	<b><u>39,409</u></b>		<b>11,918</b>	

	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Income	-	-
Expenses	(33)	(49)
<b>Joint arrangement net income (loss)</b>	<b>(33)</b>	<b>(49)</b>
Other comprehensive income	-	-
Comprehensive income	(33)	(49)
Dividends	-	-

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## NOTE 17. IMPAIRMENT OF ASSETS

In 2022, as a result of loss of dryer, an impairment provision was made for ThU.S.\$ 10,500 in Valdivia mill, which was recognized into impairment provisions of assets.

In 2022, as a result of closing MDP line of Pien mill in Brasil, an impairment provision was made for ThU.S.\$ 14,388, which amount include an impairment of goodwill for ThU.S.\$ 3,895.

At the end of 2022, considering the current projections of future margins, exchange differences and the sustained increasing risk in the Argentine Republic, and applying the usual procedures for determining impairment in accordance with IFRS, in the subsidiary Arauco Argentina, an impairment was recorded in the cash generating unit for the manufacture of cellulose pulp in the amount of ThU.S.\$ 127,605.

The premises included in this projection consider a discount rate of 22.07%, sales volume based on expected production data, sales prices based on the projection of international consultants and future investments of the machinery in its current state.

In the United States, impairment provisions associated with sold and recovered from property, plant and equipment were reversed for a total of ThU.S.\$ 7,014 (equivalent to ThU.S.\$ 11,057 in the 2021 period).

In addition, due to the modernization and expansion project of the Arauco mill (*Proyecto de Modernización y Ampliación de la Planta Arauco*, or MAPA Project), was totally impaired as of December 31, 2021. As of December 31, 2022 and 2021, accumulated impairment of the assets of the CGU Line 1 of Arauco mill (pulp segment) was ThU.S.\$ 101,069.

All impairment provision charges are presented in the consolidated statement of profit or loss under other expenses by function, whose movements are shown below:

<b>Changes in CGUs impairment provision</b>	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
<b>Opening balance</b>	<b>214,042</b>	<b>218,764</b>
Impairment loss recognized in profit or loss	141,137	21,275
Reversal of impairment loss recognized in profit or loss	(9,164)	(21,858)
Increase (decrease) in foreign exchange	2,335	(4,139)
<b>Closing balance</b>	<b>348,350</b>	<b>214,042</b>

Changes in provisions for impairment of property, plant and equipment and spare parts due to technical obsolescence or loss to forest due to fires, are shown below:

	<b>12-31-2022</b> <b>ThU.S.\$</b>	<b>12-31-2021</b> <b>ThU.S.\$</b>
<b>Changes in impairment provision from impaired assets</b>		
<b>Opening balance</b>	11,798	8,088
Impairment loss recognized in profit or loss	13,823	5,649
Reverse of impairment recognized loss in profit or loss	(7,691)	(2,112)
Increase (decrease) in foreign exchange	155	173
<b>Closing balance</b>	<b>18,085</b>	<b>11,798</b>

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### Goodwill

Goodwill is allocated to the groups of cash-generating units that are expected to benefit from the synergies of the combination.

At the date of these consolidated financial statements, the balance of goodwill is ThU.S.\$ 54,800 (ThU.S.\$ 57,697 on December 31, 2021), as shown below:

	<b>12-31-2022</b> <b>ThU.S.\$</b>	<b>12-31-2021</b> <b>ThU.S.\$</b>
<b>Goodwill</b>		
Arauco Canada Ltd. (Flakeboard Company Ltd)	40,676	40,802
Arauco do Brasil S.A. (Pien mill)	13,392	16,163
Arauco North America, Inc. (Prime-Line, Inc.)	732	732
<b>Closing balance</b>	<b>54,800</b>	<b>57,697</b>
<b>Goodwill movement</b>	<b>12-31-2022</b> <b>ThU.S.\$</b>	<b>12-31-2021</b> <b>ThU.S.\$</b>
<b>Opening balance at January 1</b>	<b>57,697</b>	<b>59,567</b>
Increase (decrease) impairment	(3,895)	-
Increase (decrease) due to business combination	-	(685)
Increase (decrease) in foreign exchange	998	(1,185)
<b>Closing balance</b>	<b>54,800</b>	<b>57,697</b>

Of the total of goodwill, ThU.S.\$ 40,676 (ThU.S.\$ 40,802 as of December 31, 2021) were generated by the acquisition of “Flakeboard” (currently Arauco Canada Ltd.), a company that, directly and/or through its subsidiaries, possesses and operates 7 panel plants, for which Arauco acquired and paid, on September 24, 2012, the price of ThU.S.\$ 242,502 for the 100% interest ownership. The remaining balance of ThU.S.\$ 732 corresponds to the acquisition of Prime-Line Inc., on September 1, 2019, for which Arauco North America Inc, a subsidiary of Arauco Canada Ltd. paid ThU.S.\$ 18,880 for all the shares of said company.

The recoverable amount for Flakeboard’s cash generating unit was determined based on the calculations of its value in use, and this calculation was made using cash flow projections covering a 7-year term, a period time, which is considered to represent the cyclicity of the business performance, applying a nominal discount rate of 7% which reflects current market assessments for the wood products segment in North America.

Due to the investment in panel plant in Pien, Brazil, there is a goodwill of ThU.S.\$ 13,392 (ThU.S.\$ 16,163 as of December 31, 2021).

The recoverable amount for the Pien mill’s cash generating unit was determined based on the calculations of its value in use, and this calculation was made using cash flow projections covering a 5-year term based on the operational plan

approved by the Administration, applying a 7.4% nominal discount rate that reflects current evaluations for the panel segment in Brazil.

As of December 31, 2022 and 2021, the carrying value of the goodwill of the plants did not exceed their recoverable value, except at the end of December 2022 in Brazil for the MDF line of the Pien mill, was recognized an impairment of goodwill, and it was for ThU.S.\$ 3,895.

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#### **NOTE 18. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

The contingent liabilities for outstanding litigations are as follows:

##### **Celulosa Arauco y Constitución S.A.**

1. On August 25, 2005, the Chilean Servicio de Impuestos Internos (the “Chilean IRS”) issued tax resolutions No. 184 and No. 185 of 2005, and objected certain income tax returns made by Arauco on April 16, 2001 and October 31, 2001, and furthermore, requested the reimbursement of the amounts returned in connection with tax losses, along with the amendment of the FUT (Tax Profits Fund) Registry balance. On November 7, 2005, the Company requested a Review of the Supervision Action (Revisión de la Actuación Fiscalizadora, or “RAF”), which is an administrative review of the tax action brought by the Chilean IRS, and filed a claim disputing the above mentioned tax resolutions No. 184 and 185 of 2005. The RAF was resolved on January 9, 2009 by the Chilean IRS, partially sustaining the Company’s request, consequently, with the last date, the respective claim was filed in what was not granted in the supervision stage.

On September 26, 2014, Arauco requested the submission of this claim to the competent jurisdiction of the new Tax and Customs Courts. On October 10, 2014, Arauco’s request was granted. On September 20, 2017, the Court issued its first instance decision confirming the liquidations.

On October 12, 2017, Arauco challenged the decision through an appeal. On June 29, 2018, the Court of Appeals of Santiago issued a ruling on appeal, confirming the first instance decision. On July 19, 2018, Arauco lodged a cassation appeal based on formal and substantial flaws before the Supreme Court.

On June 21, 2019, Celulosa Arauco y Constitución S.A. filed a claim before the Constitutional Court to declare the legal provision contemplated under section 53, paragraph 3 of the Tax Code unconstitutional and, as a consequence, inapplicable.

On October 29, 2019 the Constitutional Court accepted the claim filed by Celulosa Arauco y Constitución S.A.

On March 7, 2023, the II Chamber of the Supreme Court resolved to dismiss the cassation appeal based on formal and substantial flaws filed by Celulosa Arauco y Constitución S.A. The case is now considered ended.

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2. Through Res. Ex. N° 1 issued by the Superintendence of the Environment (“SMA”) on January 8, 2016, notified on January 14, 2016, the SMA formulated 11 charges against the Company, due to alleged breaches of certain Environmental Qualification Resolutions for the Valdivia Plant and of DS No. 90/2000. The 11 charges were classified as follows by the SMA: 1 critical, 5 severe and 5 minor.

On February 12, 2016, the Company submitted its defenses.

On December 15, 2017, the Superintendence of the Environment issued Exempted Resolution No. 1,487, closing the punitive administrative proceeding, absolving the company with regards to one of the charges and convicting for other

10 charges, applying a fine of 7,777 UTA (equal to ThU.S.\$ 6,669 as of December 31, 2022). On December 22, 2017, the Company submitted a motion for reconsideration regarding Exempted Resolution No. 1,487, before the SMA, requesting that we be absolved of all infringements, with the exception of the charge specified under number 7 (late submission of the water quality report regarding the Cruces river). On March 23, 2018, the reconsideration appeal lodged by the company was rejected.

On April 5, 2018, a judicial claim was submitted before the Third Environmental Court. On November 12, 2018, the case was in agreement, and the Minister Ms. Sibel Villalobos Volpi was appointed to draft the ruling.

On February 11, 2020 the judgment of the Third Environmental Court was notified, which partially accepted the legal claim of the Company, only as to the inadequate severity qualification of one of the charges. On February 28, 2020, both the Company and the SMA submitted cassation appeals based on form and content, to be heard and resolved by the Supreme Court.

On December 13, 2022, the formal and substantial cassation appeals (*recursos de casación en la forma y en el fondo*) filed by the Superintendence of the Environment and Celulosa Arauco y Constitución S.A. were dismissed. On January 19, 2023, an order to enforce judgment was issued. As a consequence of the above, the SMA is required to reassess the charges set aside by the courts, and Arauco is required to pay the fines which have now become final; these fines amount to a total of 5,360.2 UTA (ThU.S.\$ 4,596 as of December 31, 2022). This sum, per its equivalent in U.S. dollars, was acknowledged as an account payable as of December 31, 2022.

On January 26, 2023, payment of the aforementioned 5,360.2 UTA was performed. Ultimately, including the updated sum, plus interests, the payment amounted to M\$ 3,991,009 (equivalent, as of the payment date, to ThU.S.\$ 4,966).

3. On November 28, 2022, Ingeniería y Construcción Sigdo Koppers S.A. (“ICSK”) submitted a request for arbitration before the Arbitration and Mediation Center of the Chamber of Commerce of Santiago (CAM Santiago), seeking the resolution of the disputes which have arisen between the petitioner and Celulosa Arauco y Constitucion S.A., in connection with Contract No. 906 Civil Electromechanical Assembly of Digester, Washing, Bleaching, Machine and Final Line, executed on June 18, 2019 (the “Contract”).

In its request, ICSK argues that, during the performance of the Contract, certain breaches occurred which prevented the works from being executed in the envisaged and stipulated manner, along with an increase in the quantities to execute and man-hours, all issues which affected the Contract’s performance term and the works’ total price. As a consequence of the foregoing, ICSK declares that it will file a claim for the performance of the Contract, and a claim for the indemnification of the damages it has suffered, indicating that they have amounted to approximately 6,900,000 Unidades de Fomento (ThU.S.\$ 283,067 as of December 31, 2022).

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On January 18, 2023, CAM Santiago certified the designation – upon the parties’ mutual agreement – of the arbitrator who will review the dispute.

On March 7, 2023, the hearing was held in which the Procedural Bases of the arbitration in progress were defined. In accordance with the agreement, Sigdo Koppers has, from the date of the arbitral hearing, a maximum period of 35 business days to present its claim, that is, until April 26, 2023. At the moment, we have not been notified of the filing of the lawsuit.

As we will opportunely argue during the arbitration proceedings, Arauco believes that ICSK is responsible for the delays affecting the Contract’s performance, and that it owes Arauco fines for delays and other sums related to the return of advances, among other amounts. In light of this, we believe that a reasonable margin exists for a favorable outcome to be obtained by the Company.

**Celulosa Arauco v Constitución S.A., Forestal Arauco S.A., Maderas Arauco S.A. and Servicios Logísticos Arauco S.A.**

1. On August 13, 2018, Asociación Gremial de Dueños de Camiones de Constitución (ASODUCAM) filed a complaint seeking the performance of a contract and claiming compensation for damages against Celulosa Arauco y Constitución S.A. before the Civil Court of Constitución (C-757-2018), Forestal Arauco S.A., Maderas Arauco S.A. and Servicios Logísticos Arauco S.A.. The complaint is based on alleged breaches of some agreements for the allocation, distribution and supply of cargo volumes for the years 2001 and 2005, initially executed by associates of ASODUCAM with Forestal Arauco S.A., and then, allegedly, with Servicios Logísticos Arauco S.A., in favor of the other two defendants, Celulosa Arauco and Constitución S.A. and Maderas Arauco S.A. The complaint seeks to enforce the contract, plus \$575,000,000 Chilean pesos (equal to ThU.S.\$ 672 as of December 31, 2022) in compensation for damages. In the alternative, it claims (a) \$11,189,270,050 Chilean pesos (equivalent to ThU.S.\$ 13,074 as of December 31, 2022), for actual damages; (b) \$ 11,189,270,050 monthly during the entire course of the trial, until the termination of the contract is declared in the final ruling, for loss of profits, and (c) \$5,000,000,000 Chilean pesos (equivalent to ThU.S.\$ 5,842 as of December 31, 2022) for moral damages.

On August 28, 2018 the claim was served upon Celulosa Arauco y Constitución S.A., Forestal Arauco S.A. and Maderas Arauco S.A., but notification for Servicios Logísticos Arauco S.A. is pending.

Considering that the Company's position is based on solid legal grounds, there is a reasonable margin for obtaining a favorable result for the Company and, therefore, as of December 31, 2022, Arauco has not made any provision whatsoever in connection with this contingency.

#### **Forestal Arauco S.A.**

1. On July 7, 2015 Inversiones Forestales Los Alpes Limitada and Forestal Neltume-Carrasco S.A. filed a claim against Forestal Arauco S.A. before the Civil Court of Angol (C-502-2015), in which they request that Forestal Arauco S.A. restore the material possession of 1,855.9 hectares, which would be part of their property "Resto del Fundo Los Alpes", which would have an area of approximately 2,700 hectares. Likewise, they requested that it be declared that the property is the exclusive domain of the actors, the restitution of the civil and natural fruits, in addition to the deteriorations that the property would have experienced, with litigation costs.

On May 29, 2019, the lawsuit was answered, and the counterclaim of the acquisitive prescription was filed.

On September 1, 2020, the court received the case. Moreover, the resolution was notified on August 30, 2022, along with the resolution to reactivate the discovery period.

On September 2, 2022, the company filed an abandonment incident of procedures, which is pending.

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Considering that the Company's position is based on solid legal grounds, there is a reasonable margin for obtaining a favorable result for the Company and therefore, as of December 31, 2022, Arauco has not made any provision whatsoever in connection with this contingency.

2. On August 2, 2019, the company was notified of a lawsuit for termination of contract and compensation for damages filed by "Sociedad Recuperadora de Fibra S.A." before the First Court of Valdivia (Case C-2215-2019). In the lawsuit, the plaintiff questions the anticipated termination of a contract by Forestal Arauco. It also claims that the company would have breached various contractual obligations regarding to 2 groups of contracts:

A. (i) Aggregates Transport Contract and (ii) Production, Cargo, Storage and Construction Management Contract for Platforms and flooring.

B. (i) Contract for the Production of Aggregates, (ii) Contract for Long Freight Services for Aggregates and (iii) Contract for Construction Services for Granular floor and Short Freight for Aggregates.

Based on the foregoing, it requests payment of compensation for an amount of \$3,486,187,431 Chilean pesos (equivalent to ThU.S.\$ 4,073 as of December 31, 2022).

On September 17, 2019, Forestal Arauco S.A. answered the claim and filed a counterclaim for compensation of damages which is in the process of a conciliation hearing, requesting that the main claimant be ordered to pay \$ 421,723,281 Chilean pesos (equivalent to ThU.S.\$ 493 as of December 31, 2022).

Through the resolution dated as of January 9, 2020, the court received the case to commence the production of evidence and the notification of such resolution was delivered to both parties.

As of this date, the term for the submission of evidence has expired. On December 31, 2022, observations were filed regarding the evidence adduced to the case. The court must now notify the parties of its order for judgment.

Considering that the Company's position is based on solid legal grounds, there is a reasonable margin for obtaining a favorable result for the Company and therefore, as of December 31, 2022, Arauco has not made any provision whatsoever in connection with this contingency.

3. On April 15, 2020, Forestal Arauco S.A. was notified of a civil claim for recovery (*demandas reivindicatoria de cuota*) filed by the company "Agrícola, Forestal, Transportes e Inversiones El Quillay SpA" before the Court of Constitución (Case C-298-2020). The plaintiff sues Forestal Arauco S.A. for the restitution of 3,424.59 hectares that it would be occupying, with respect to the following properties: (i) "Predio que formaba parte de la Hijuela Sur Poniente, de la Hijuela Sur del Fundo Quivolgo", (ii) "Lomas de Quivolgo" and, (iii) "Hijuela Astillero". It is the opinion of the plaintiff that the aforementioned piece of land would be part of the property called "Bodega de subdelegation de Quivolgo", in respect of which the plaintiff would have rights and shares corresponding to 4.17% of said property. Likewise, the plaintiff requests to cancel the registration of the above-mentioned properties of Forestal Arauco S.A., deeming it as a bad-faith holder.

On June 7, 2022, the procedure was declared abandoned. Ruling was upheld in the Court of Appeals of Talca on August 12, 2022 (Rol N°1021-2022 part of the case N°809-2020).

On September 1, 2022, the Court of Constitución ordered compliance with the judgment issued. The case is now considered ended.

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4. Forestal Arauco S.A. filed before the Court of Constitución (Case C-353-2019) a claim seeking compensation on the basis of non-contractual civil liability against Ricardo Guzmán Reyes, for damages caused as a result of illegal logging inside the land of Forestal Arauco called "Parte Sur-Poniente de la Hijuela Sur de la Hacienda Quivolgo" and "Lomas de Quivolgo". Said damages are valued in \$ 100,000,000 Chilean pesos (equivalent to ThU.S.\$ 117 as of December 31, 2022).

On May 2, 2020, Mr. Ricardo Guzmán answered the lawsuit and filed a counterclaim for recovery in which he requests to Forestal Arauco S.A. the restitution of 3,424.59 hectares that it would be occupying, corresponding to the following properties owned by the latter: (i) "Predio que formaba parte de la Hijuela Sur Poniente, de la Hijuela Sur del Fundo Quivolgo", (ii) "Lomas de Quivolgo" and, (iii) "Hijuela Astillero". It is the opinion of the plaintiff that the aforementioned piece of land would be part of the property called "Bodega de subdelegation de Quivolgo", from which would have rights and shares corresponding to 2.38% of said property. Likewise, the plaintiff requests to cancel the registration of the properties before mentioned of Forestal Arauco S.A., deeming it as a bad-faith holder.

On September 5, 2022, the Court of First Instance accepted the principal claim, convicting to the principal defendant to pay ThU.S.\$ 70,000 (equivalent to ThU.S.\$ 82 as of December 31, 2022) with the adjustments and interests, along with litigation costs. Moreover, it rejected the counterclaim as a subsidiary action.

The defendant and Forestal Arauco S.A. were notified of the first instance ruling on September 5, 2022 and January 24, 2023, respectively. None of the parties filed any remedies or appeals against the first instance ruling and therefore the case is now considered ended.

5. On May 11, 2020, Forestal Arauco S.A. was notified of a lawsuit of declaration of mere certainty filed against it by the company “Agrícola, Forestal, Transportes y Inversiones El Quillay SpA”, before the Court of Constitución (Case C-323-2020), in which the plaintiff claims that the property called “Predio que formaba parte de la Hijuela Sur Poniente, de la Hijuela Sur del Fundo Quivolgo” owned by Forestal Arauco S.A. would actually have an area of 498 hectares, and, consequently, that the defendant lacks the right of ownership over a portion of land corresponding to 1,768.20 hectares of said property. Based on the foregoing, the plaintiff requests the court to declare mere legal certainty regarding the foregoing and also to declare that said area is part of the property called “La Bodega de la Subdelegación de Quivolgo”, owned by the succession of Mr. José Arcos González in which it would have rights.

On June 17, 2022, the procedure was declared abandoned. The plaintiff filed an appeal against such resolution, ruling was upheld in the Court of Appeals of Talca on August 24, 2022 (Rol N°1141-2022 part of the case N°1098-2020).

On September 13, 2022, the Court of Constitución ordered compliance with the judgment issued. The case is now considered ended.

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#### **Arauco Argentina S.A.**

Pursuant to law No. 25,080, the former Secretary of Agriculture, Livestock, Fishing and Foodstuffs, the enforcement agency referred to in the law approved, by Res. No. 952/2000, the forestry and industrial-forestry projects submitted by Arauco Argentina S.A. In the context of these projects, the Company afforested: 1) 4,777 hectares during 2000, in observance of its committed yearly plan; and 2) 23,012 hectares between 2000 and 2006 as a part of the multi-year afforestation plan. Likewise, a sawmill was built with installed capacity to produce 250,000 m<sup>3</sup> of sawn timber per year.

On January 11, 2001, Arauco Argentina S.A. submitted an expansion for the approved industrial-forestry project. The expansion was approved via Res. No. 84/03 issued by the former Secretary of Agriculture, Livestock, Fishing and Foodstuffs. In accordance with the assumed obligations, the Company built a MDF board (panels) plant and afforested 8,089 hectares between 2001 and 2006.

Additionally, the Company has filed yearly forestry plans between years 2007 and 2020 for its local operations in the provinces of Misiones and Buenos Aires.

On March 25, 2019, the Secretary of Agriculture, Livestock and Fishing approved the resolution No. 2019-55-APN-SECAGYP#MPYT, approving the annual forestry plan for 2007. In addition, said organism through the resolution No. 2019-114-APN-SECAGYP#MPYT approved the annual forestry plan for 2009 on June 12, 2019, and through the resolution No. 2019-228-APN-SECAGYP#MPYT approved the annual forestry plan for 2008 on November 29, 2019. For this reason, Arauco Argentina S.A. may compute the exemption in the income tax related to the forest appraisal on the plantations to be harvested from the lands included in those plans as from the 2019 period.

In March 2005, Note No. 145/05 of the Subsecretary of Agriculture, Livestock and Afforestation suspended the benefit that exempted Arauco Argentina S.A. from paying export duties under Law No. 25,080. This measure is currently under discussion by the Company. On November 8, 2006, the V Chamber of the National Appeals Court for Adversarial Administrative and Federal Matters issued a ruling ordering Arauco Argentina S.A. to continue to enjoy an exemption from paying the exportation duties, in the same manner and scope it had prior to the suspension ordered by Note No. 145/05, if the clearance of merchandise is performed pursuant to the guarantee regime established in article 453, subsection a) of the Customs Code, for the exempted tax obligation. The judicial measure became effective

beginning on March of 2007 by collateralization through the granting of bond (caution) policies for each shipment permits exempted from payment of export duty. The company maintains an assignment of funds equivalent to ThU.S.\$ 23,821 for guaranteed export duties between 2007-2015, which appears under long-term provisions. Additionally, the Company filed a restitution claim for a total amount of ThU.S.\$ 6,555, plus interests accrued from the service of the claim, corresponding to export duties between March 2005 and March 2007, as a result of the application of Note 145/05 issued by the Undersecretary of Agriculture, Livestock and Afforestation. The Company's claim is being heard under case file No. 21830/2006 before the Federal Contentious Administrative Court No. 4. On October 28, 2019, a judgment of first instance was issued in said case, rejecting the claim and imposing the litigation costs on Arauco. Against that judgment, the Company filed an appeal and expressed the corresponding arguments in December 2019. On June 15, 2022, the Chamber of Appeals confirmed the judgement of first instance. On July 1, 2022, Arauco Argentina filed the Federal Extraordinary Appeal before the Supreme Court of Justice. The Chamber admitted the appeal lodged by Arauco regarding the federal matter of the litigation; however, the grounds pertaining to arbitrariness were dismissed. Arauco filed a direct complaint before the Supreme Court, seeking for the higher court to broaden its examination of the case and also address such argument. This resolution of this petition is still pending.

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On the other hand, Arauco Argentina S.A. currently has a guarantee at an amount of \$ 435,952,315 Argentine pesos (ThU.S.\$ 2,461 as of December 31, 2022) in favor of the Secretary of Agriculture, Livestock and Fishing.

Arauco Argentina S.A. believes that it has complied with all of the obligations imposed upon it by the system set forth under Law No. 25,080.

#### **Arauco do Brasil S.A.**

1) The Federal Reserve of Brazil contested the amortization of goodwill resulting from acquisitions of Placas do Paraná, Tafibrás, Tafisa (now, Arauco do Brasil S.A.) y Dynea.

On July 20, 2015, Arauco do Brasil was notified of the first-level administrative ruling which partially upheld the infringement. Against this ruling, a Voluntary Appeal was filed seeking to revoke the Infringement Notice before the Brazilian Administrative Tax Council (Conselho Administrativo de Recursos Fiscais de Brasil or "CARF"), which is the second administrative level.

The CARF's decision was issued on May 16, 2017 and took into consideration certain arguments presented by the Company regarding the premium but preserving other charges. On September 27, 2018, Arauco do Brasil was notified of the CARF's decision, for which Arauco do Brasil S.A. filed an appeal for declaration embargoes, to elicit clarifications from the CARF regarding certain points of the decision. On January 25, 2019, the CARF ruled that there were no clarifications or omissions to be made and, consequently, granted a term for filing the last remedy within the administrative realm ("Special Remedy"). This Special Remedy was submitted before the Upper Chamber of Fiscal Remedies of the CARF (CSRF) on February 11, 2019, reiterating the Company's defense allegations regarding the matters and charges that remained in such process.

On August 28, 2020, the Company was served with an intermediate decision in Grievance of Instrument, issued by CARF that divided the claim into two parts, one of them remained in an administrative lawsuit and the other in a judicial lawsuit:

I – Party that remained in administrative lawsuit estimated amount R\$ 34,505,176 (equivalent to ThU.S.\$ 6,792 as of March 31, 2023), awaiting the decision of the special appeal presented by Arauco to the CSRF. In this case, on March 27, 2023, the Government's Tax Litigation Reduction Program was adhered by Arauco, allowing a 65% reduction of the total amount of the debt, that is, making only the payment of 35% of the debt and still in two forms: (a) 30% cash payment R\$ 3,674,892 (equivalent to ThU.S.\$ 723.35 as of March 31, 2023), and (b) 70% payment through compensation with Tax Losses R\$ 8,574,747 (equivalent to ThU.S.\$ 1,687.81).

In addition to the 65% savings, that lawsuit will also be closed. The closing decision is awaited.

II – Party that remained in legal lawsuit estimated amount updated with the latest decision R\$ 42,167,507 (equivalent to ThU.S.\$ 8,300.04 as of March 31, 2023). Arauco filed the Tax Debt Cancellation Action with guarantee to suspend any collection and obtain the Tax Compliance Certificates until the final decision of the trial.

On March 9, 2023, we had a first instance decision that was partially favorable to Arauco, and reducing the debt by R\$ 26,554,677 (equivalent to ThU.S.\$ 5,226.89). However, in that lawsuit, remained under discussion, with an estimated amount of R\$ 15,612,831 (equivalent to ThU.S.\$ 3,073.15). We present an appeal for clarification and then an appeal will be filed to continue questioning the point maintained, as well as there shall be an appeal from the National Farm.

Considering that the Company's position is based on solid legal grounds, there is a reasonable margin for obtaining a favorable result for the Company and therefore, as of December 31, 2022, Arauco has not made any provision whatsoever in connection with this contingency.

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2) In 2013, a service provider instituted a civil lawsuit against us seeking compensation for damages allegedly caused by Arauco's unilateral termination of its contract in connection with the implementation of the MDF 2 line of the Jaguariaiva mill. On November 01, 2021, the Civil Court of Curitiba issued its ruling, ordering Arauco to pay to the service provider an amount of ThR\$ 84,000 (ThU.S.\$ 15,895 as of December 31, 2022) in consideration of the alleged damages borne by the service provider during the course of the services contracts and as a result of its early termination by Arauco.

Arauco appealed to the Court of Justice of the Paraná State and has just been judged, on April 6, 2023, acknowledging the Arauco allegations of procedural irregularities, and declaring null and void the previous decision. This decision of the Court of Justice of the Paraná State is subject to appeals, but if it stands (which we deem likely) the process should return to the first instance, to continue the production of evidence to support a new judgment on the merits of the claim.

#### **Arauco Industria de México, S.A. de C.V. (before Maderas y Sintéticos de México, S.A. de C.V.)**

On December 12, 2022, the Tax Administration Service issued tax credit assessment resolution number 900-04-04-00-00-00-2022-978 corresponding to the 2014 tax year. Under such assessment, objections against the following items were filed: (i) the deduction of interest in the historical amount of 85,172,274 Mexican pesos (ThU.S.\$ 4,369 as of December 31, 2022), from loans granted by Masisa S.A. (Chile); (ii) the tax loss in the total amount of 275,986,671 Mexican pesos (ThU.S.\$ 14,156 as of December 31, 2022); (iii) the deduction of payments made to Masisa S.A. for logistics services in the total amount of 3,058,221 Mexican pesos (ThU.S.\$ 157 as of December 31, 2022); (iv) the alleged generation of non-distributed dividends related to the payments indicated in items (i) and (iii) above; (v) the rejection of contributions to the Single Contribution Account in amounts expressed in Mexican pesos of \$ 342,372,000 (ThU.S. \$ 18,000 as of December 31, 2022), \$ 66,250,020 (ThU.S.\$ 3,398 as of December 31, 2022), \$ 46,389,980 (ThU.S.\$ 2,379 as of December 31, 2022) and \$ 11,457,000 (ThU.S.\$ 588 as of December 31, 2022), respectively; and (vi) an alleged incorrect application of the double taxation avoidance treaty between Mexico and Chile. The total amount of omitted tax, updates, surcharges, and fines assessed to the company amounts to 416,908,418 Mexican pesos (ThU.S.\$ 21,384 as of December 31, 2022).

On February 13, 2023, a motion to revoke was filed against the above assessment, before the General Legal Administration of the Tax Administration Service. Currently, the additional evidence is submitted, subsequently, is pending for the tax authorities to issue a ruling which, if unfavorable, could be challenged by the Company before the Federal Court of Administrative Justice.

Taking into account that the Company's position is supported by solid legal arguments, there is a reasonable margin to obtain a favorable outcome for the Company and therefore, as of December 31, 2022, Arauco has not yet made any provision for this contingency.

At the closing date, there are no other contingencies in which the Companies act as obligor, that may significantly affect their financial, economic or operational conditions.

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Provisions recorded as of December 31, 2022 and 2021 are as follows:

<b>Classes of Provisions</b>	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
<b>Short-term provisions</b>	<b>9,513</b>	<b>337</b>
Provisions for litigations	639	337
Other short-term provisions	8,874	-
<b>Long-term provisions, non-Current</b>	<b>40,706</b>	<b>29,549</b>
Provisions for litigations	39,029	29,549
Other long-term provisions	1,677	-
<b>Total provisions</b>	<b>50,219</b>	<b>29,886</b>

<b>Movements in provisions</b>	<b>12-31-2022</b>		
	<b>Litigations (*)</b>	<b>Other provisions (**)</b>	<b>Total</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
<b>Opening balance</b>	<b>29,886</b>	-	<b>29,886</b>
<b>Changes in provisions</b>			
Additional provisions	24,582	8,875	33,457
Used provisions	(13,652)	-	(13,652)
Increase (decrease) in foreign exchange	(1,144)	-	(1,144)
Other increases (decreases)	(4)	1,676	1,672
<b>Total changes</b>	<b>9,782</b>	<b>10,551</b>	<b>20,333</b>
<b>Closing balance</b>	<b>39,668</b>	<b>10,551</b>	<b>50,219</b>

(\*) The increase in litigations is mainly made up of ThU.S.\$ 24,533 (subsidiaries in Brazil) for civil and labor lawsuits.

(\*\*) The increase in Other Provisions corresponds to the dismantling L1.

<b>Movements in provisions</b>	<b>12-31-2021</b>		
	<b>Litigations (*)</b>	<b>Other provisions</b>	<b>Total</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
<b>Opening balance</b>	<b>30,836</b>	-	<b>30,836</b>
<b>Changes in provisions</b>			
Additional provisions	8,592	-	8,592
Used provisions	(5,349)	-	(5,349)
Increase (decrease) in foreign currency exchange	(4,505)	-	(4,505)
Other Increases (Decreases)	312	-	312
<b>Total Changes</b>	<b>(950)</b>	-	<b>(950)</b>
<b>Closing balance</b>	<b>29,886</b>	-	<b>29,886</b>

(\*) The increase in litigations is mainly made up of ThU.S.\$ 8,543 (subsidiaries in Brazil) for civil and labor lawsuits.

	12-31-2020		
Movements in provisions	Litigations (*) ThU.S.\$	Other provisions ThU.S.\$	Total ThU.S.\$
<b>Opening balance</b>	<b>33,011</b>	<b>11</b>	<b>33,024</b>
<b>Changes in provisions</b>			
Additional provisions	3,257	-	3,257
Used provisions	(2,832)	-	(2,832)
Increase (decrease) in foreign currency exchange	(2,240)	-	(2,240)
Other Increases (Decreases)	(362)	(11)	(373)
<b>Total Changes</b>	<b>(2,177)</b>	<b>(11)</b>	<b>(2,188)</b>
<b>Closing balance</b>	<b>30,836</b>	<b>-</b>	<b>30,836</b>

(\*) The increase in legal claims is comprised mainly by ThU.S.\$ 3,045 and ThU.S.\$ 212 (Brazilian and Argentine subsidiaries respectively) in connection with civil and labor lawsuits.

Provisions for litigations are related to labor and tax claims whose payment period is uncertain. Other provisions mainly include constitution of provision for the lawsuit of export duties (see Arauco Argentina's contingent liability set forth in this note).

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#### NOTE 19. INTANGIBLE ASSETS

	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
<b>Classes of intangible assets, net</b>	<b>73,439</b>	<b>84,210</b>
<b>Intangible assets, net</b>		
Intangible assets under development (IT programs)	5,076	4,881
Computer software	22,323	27,268
Water rights	5,185	5,684
Customer relationship	24,015	29,218
Other identifiable intangible assets	16,840	17,159
<b>Classes of intangible assets, gross</b>	<b>226,642</b>	<b>223,654</b>
Intangible assets under development (IT programs)	5,076	4,881
Computer software	119,353	114,602
Water rights	5,185	5,684
Customer relationship	74,860	75,726
Other identifiable intangible assets	22,168	22,761
<b>Classes of accumulated amortization and impairment</b>		
<b>Total accumulated amortization and impairment</b>	<b>(153,203)</b>	<b>(139,444)</b>
<b>Accumulated amortization and impairment, intangible assets</b>		
Computer software	(97,030)	(87,334)
Customer relationship	(50,845)	(46,508)
Other identifiable intangible assets	(5,328)	(5,602)

**Reconciliation of the carrying amount of intangible assets at the beginning and end of each reporting period balances**

	12-31-2022					
	Intangible assets under development ThU.S.\$	Computer software ThU.S.\$	Water rights ThU.S.\$	Customer relationship ThU.S.\$	Others ThU.S.\$	Total ThU.S.\$
	Reconciliation of intangible assets					
<b>Opening balance</b>	<b>4,881</b>	<b>27,268</b>	<b>5,684</b>	<b>29,218</b>	<b>17,159</b>	<b>84,210</b>
<b>Changes</b>						

Additions	1,696	3,758	2,134	-	140	7,728
Disposals	(853)	-	(2,633)	-	(108)	(3,594)
Amortization	-	(9,398)	-	(4,969)	(375)	(14,742)
Increase (decrease) in foreign exchange	-	120	-	(234)	24	(90)
Other increases (decreases)	(648)	575	-	-	-	(73)
<b>Changes total</b>	<b>195</b>	<b>(4,945)</b>	<b>(499)</b>	<b>(5,203)</b>	<b>(319)</b>	<b>(10,771)</b>
<b>Closing balance</b>	<b>5,076</b>	<b>22,323</b>	<b>5,185</b>	<b>24,015</b>	<b>16,840</b>	<b>73,439</b>

**12-31-2021**

	<b>Intangible assets under development</b> <b>ThU.S.\$</b>	<b>Computer software</b> <b>ThU.S.\$</b>	<b>Water rights</b> <b>ThU.S.\$</b>	<b>Customer relationship</b> <b>ThU.S.\$</b>	<b>Others</b> <b>ThU.S.\$</b>	<b>Total</b> <b>ThU.S.\$</b>
<b>Reconciliation of intangible assets</b>						
<b>Opening balance</b>	<b>2,665</b>	<b>31,877</b>	<b>5,684</b>	<b>35,092</b>	<b>26,772</b>	<b>102,090</b>
<b>Changes</b>						
Additions	2,929	3,265	-	-	557	6,751
Disposals	(1,121)	(647)	-	-	-	(1,768)
Amortization	-	(12,284)	-	(5,940)	(263)	(18,487)
Increase (decrease) in foreign exchange	-	451	-	65	(16)	500
Other increases (decreases)	408	4,606	-	1	(9,891)	(4,876)
<b>Changes total</b>	<b>2,216</b>	<b>(4,609)</b>	<b>-</b>	<b>(5,874)</b>	<b>(9,613)</b>	<b>(17,880)</b>
<b>Closing balance</b>	<b>4,881</b>	<b>27,268</b>	<b>5,684</b>	<b>29,218</b>	<b>17,159</b>	<b>84,210</b>

**Years of useful life  
(average)**

Computer software	5
Customer relationship	15
Brands	7

The amortization of customer relationship and computer software is presented in the consolidated statements of profit or loss under the administrative expenses line item.

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## **NOTE 20. BIOLOGICAL ASSETS**

Biological assets comprise forestry plantations, mainly radiata and taeda pine, and to a lesser extent eucalyptus. The plantations are located in Chile, Argentina, Brazil and Uruguay.

As of December 31, 2022 Arauco has a total surface of 1.66 million hectares of which 951 thousand hectares are used for forestry planting, 491 thousand hectares are native forest, 110 thousand hectares are used for other purposes and 103 thousand hectares not yet planted. Lands corresponding to native forest, lands used for other purposes and lands not yet planted are presented in property, plant & equipment, Forest plantations are presented in Biological Assets.

For the period ended December 31, 2022, the production volume of logs totaled 21 million m<sup>3</sup> (20.9 million m<sup>3</sup> as of December 31, 2021).

Measurements of fair value of Arauco's biological assets are classified as Level 3, due to the fact that inputs are not observable. However, this information reflects the assumptions that market participants would use in pricing the asset, including assumptions about risk.

These unobservable inputs were developed using the best information available and includes internal data from Arauco. These unobservable inputs can be adjusted if the available information indicates that other market participants would use different information or there is something specific in Arauco that is not available to other market participants.

The main considerations in determining the fair value of biological assets include the following:

- Arauco uses discounted expected future cash flows of its forest plantations, which are based on a harvest projection date for all existing plantations.
- Current forestry plantations are projected based on a net volume that will not decrease, with a minimum growth equivalent to the current supply demand.
- Future plantations are not considered.
- The harvest of forestry plantations supplies raw materials for all other products that Arauco produces and trades. By directly controlling the development of forests that will be processed, Arauco ensures high quality timber for each of its products.
- Expected cash flows are determined in terms of harvest and expected sale of forestry products, associated with the demand from the Company's own industrial centers and sales to third parties at market prices. Sales margin of the different products that are harvested in the forest is also considered in the valuation. The changes in the value of the plantations pursuant to the criteria defined above are accounted for in the results for the period, as established in IAS 41. These changes are presented in the consolidated statements of profit or loss under the line item other income per function, which as of December 31, 2022 amounted to ThU.S.\$ 12,932 (ThU.S.\$ 81,986 as of December 31, 2021). The appraisal of biological assets resulted in a greater cost of the lumber sold in comparison to the real incurred cost, which is presented included in the cost of sales which as of December 31, 2022 amounted to ThU.S.\$ 309,670 (ThU.S.\$ 223,589 as of December 31, 2021).
- Forestry plantations are harvested according to the needs of Arauco's production plants.

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- The discount rates used are 7.0% in Chile, 8.3% Brazil, 21% in Argentina and 9% in Uruguay.
- It is expected that prices of harvested timber are constant in real terms based on market prices.
- Cost expectations with respect to the lifetime of the forests are constant based on estimated costs included in the projections made by Arauco.
- The average crop age by species and country is:

	Chile	Argentina	Brazil	Uruguay
Pine	24	15	15	-
Eucalyptus	12	10	7	10

The following table sets forth changes in fair value of biological assets considering variations in significant assumptions considered in calculating the fair value of the assets:

	ThU.S.\$	
Discount rate	0.5	(110,015)
	-0.5	116,828
Margins (%)	10	434,191

The significant unobservable input data used in the measurement of the fair value of biological assets are discount rates and sales margins of the different products that are harvested from the forest. Increases (decreases) in any of these input data considered in isolation would result in a smaller or greater fair value measurement.

The adjustment to fair value of biological assets minus sale costs is recorded in the consolidated statements of profit or loss, under the line item other income or other expenses, depending on whether it corresponds to profits or losses.

Forestry plantations classified as current biological assets are those to be harvested and sold within twelve months after the reporting period.

The Company has contracted fire insurance policies for its forestry plantations, which in conjunction with the Company's resources, allow risks to be minimized.

As of the date of these consolidated financial statements, there are no committed disbursements for the acquisition of biological assets.

#### **Detail of Biological Assets Pledged as Security**

As of December 31, 2022, there are no forestry plantations pledged as security.

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#### **Detail of Biological Assets with Restricted Ownership**

As of the date of these consolidated financial statements, there are no biological assets with restricted ownership.

No significant government grants have been received.

#### **Current and Non-Current Biological Assets**

As of the date of these consolidated financial statements, the current and non-current biological assets are as follows:

	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Current	330,435	329,586
Non-current	2,864,935	3,008,897
<b>Total</b>	<b>3,195,370</b>	<b>3,338,483</b>

#### **Reconciliation of carrying amount of biological assets**

<b>Movement</b>	<b>12-31-2022</b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
<b>Opening balance</b>	<b>329,586</b>	<b>3,008,897</b>	<b>3,338,483</b>
<b>Changes in real incurred cost</b>	<b>18,600</b>	<b>156,351</b>	<b>174,951</b>
Additions through acquisition	35	293,231	293,266
Sales	(428)	(9,512)	(9,940)
Harvest	(115,373)	-	(115,373)
Increases (decreases) in foreign exchange	(2,077)	14,680	12,603
Loss of forest due to fires	-	(13,346)	(13,346)
Transfers to non-current assets held for sale	-	4,938	4,938

Transfers from non-current to current	133,640	(133,640)	-
Other increases (decreases)	2,803	-	2,803
<b>Changes in fair value</b>	<b>(17,751)</b>	<b>(300,313)</b>	<b>(318,064)</b>
Gain (losses) arising from changes in fair value minus sale costs	2,345	10,587	12,932
Sales	106	(13,306)	(13,200)
Harvest	(320,810)	-	(320,810)
Loss of forest due to fires	-	(3,781)	(3,781)
Transfers to non-current assets held for sale	-	5,220	5,220
Transfers from non-current to current	299,498	(299,498)	-
Other increases (decreases)	1,110	465	1,575
<b>Total changes</b>	<b>849</b>	<b>(143,962)</b>	<b>(143,113)</b>
<b>Closing balance</b>	<b>330,435</b>	<b>2,864,935</b>	<b>3,195,370</b>

Movement	12-31-2021		
	Current ThU.S.\$	Non- current ThU.S.\$	Total ThU.S.\$
<b>Opening balance</b>	<b>302,710</b>	<b>3,296,117</b>	<b>3,598,827</b>
<b>Changes in real incurred cost</b>	<b>656</b>	<b>(64,314)</b>	<b>(63,658)</b>
Additions through acquisition	78	191,316	191,394
Sales	(105)	(72,963)	(73,068)
Harvest	(114,157)	-	(114,157)
Increases (decreases) in foreign exchange	(3,884)	(18,246)	(22,130)
Loss of forest due to fires	(3,398)	(13,455)	(16,853)
Transfers to non-current assets held for sale	-	(5,770)	(5,770)
Transfers from non-current to current	125,219	(125,219)	-
Decrease due to loss of control in subsidiary	(3,097)	(19,977)	(23,074)
<b>Changes in fair value</b>	<b>26,220</b>	<b>(222,906)</b>	<b>(196,686)</b>
Gain (losses) arising from changes in fair value minus sale costs	-	81,986	81,986
Sales	-	(20,297)	(20,297)
Harvest	(223,712)	-	(223,712)
Loss of forest due to fires	(1,164)	(19,898)	(21,062)
Transfers to non-current assets held for sale	-	(5,232)	(5,232)
Transfers from non-current to current	252,860	(252,860)	-
Decrease due to loss of control in subsidiary	(1,764)	(6,605)	(8,369)
<b>Total changes</b>	<b>26,876</b>	<b>(287,220)</b>	<b>(260,344)</b>
<b>Closing balance</b>	<b>329,586</b>	<b>3,008,897</b>	<b>3,338,483</b>

## NOTE 21. ENVIRONMENTAL MATTERS

### Environment Management

For Arauco, sustainability means management strategy. This strategy incorporates values, commitments and standards, that together with the adoption of best practices as well as the use of the latest available technologies, seek to continuously improve the Company's environmental management. It is the environmental department and each of its specialists that ensure these guidelines are met and are put into practice in everyday company operations.

All Arauco's production units have certified environmental management systems, which reinforce the Company's commitment to environmental performance and ensure the traceability of all raw materials used.

Arauco uses several supplies in its productive processes such as wood, chemical products, and water, etc., which in turn produce liquid and gas emissions. As a way to make the Company's environmental management more efficient, significant progress has been made to reduce consumption and emissions.

Environmental investments have been made related to the control of atmospheric emissions, process improvements, water and waste management, as well as effluent treatment, in order to improve the environmental performance of all Arauco's business units.

These investments are reflected in the consolidated financial statements as property, plant and equipment when they refer to disbursements in major works executed and are reflected in Expenses when they refer to improvements or management not directly associated with investment projects.

#### **Detail information of disbursements related to the environment**

As of December 31, 2022 and 2021 Arauco has made and / or has committed the following disbursements in major environmental projects:

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12-31-2022 Company	Name of project	Disbursements undertaken 2022				Committed Disbursements	
		State of project	Amount ThU.S.\$	Asset Expense	Asset/expense destination item	Amount ThU.S.\$	Estimated date
Celulosa Arauco y	Constitucion Environmental improvement studies	In process	6,898	Assets	Property, plant and equipment	2,029	2023
Celulosa Arauco y	Investment projects for the control and management of hazardous liquids and water						
Constitucion S.A.	energy optimization of industrial plants	In process	1,540	Assets	Property, plant and equipment	10,677	2023
Celulosa Arauco y	Investment projects for the control and management of						
Constitucion S.A.	gas emissions from industrial process	In process	167	Assets	Property, plant and equipment	687	2023
Celulosa Arauco y	Expansion of solid industrial waste dumpsite for						
Constitucion S.A.	management of these in the future	In process	68	Assets	Property, plant and equipment	632	2023
Celulosa Arauco y							
Constitucion S.A.	Environmental improvement studies	In process	12,506	Expense	Operating cost	-	2023
Celulosa Arauco y	Expansion of solid industrial waste dumpsite for						
Constitucion S.A.	management of these in the future	In process	13,556	Expense	Operating cost	-	2023
Arauco Argentina S.A.	Investment projects for the control and management of hazardous liquids and water	In process	119	Assets	Property, plant and equipment	169	2023

	energy optimization of industrial plants						
Arauco Argentina S.A.	Expansion of solid industrial waste dumpsite for management of these in the future	Finished	427	Assets	Property, plant and equipment	-	2022
Arauco Florestal Arapoti S.A.	Environmental improvement studies	Finished	724	Assets	Property, plant and equipment	-	2022
Arauco Industria de Paineis S.A.	Investment projects for the control and management of hazardous liquids and water energy optimization of industrial plants	In process	4,102	Assets	Property, plant and equipment	8	2023
Arauco Industria de Paineis S.A.	Investment projects for the control and management of hazardous liquids and water energy optimization of industrial plants	Finished	366	Assets	Property, plant and equipment	-	2022
Forestal Arauco S.A.	Environmental improvement studies	In process	1,648	Expense	Operating cost	124	2023
Maderas Arauco S.A.	Investment projects for the control and management of hazardous liquids and water energy optimization of industrial plants	In process	47	Assets	Property, plant and equipment	295	2023
Maderas Arauco S.A.	Investment projects for the control and management of hazardous liquids and water energy optimization of industrial plants	Finished	687	Expense	Operating cost	-	2022
Arauco North America, Inc	Investment projects for the control and management of gas emissions from industrial process	In process	684	Assets	Property, plant and equipment	1,651	2023
Arauco North America, Inc	Investment projects for the control and management of hazardous liquids and water energy optimization of industrial plants	In process	1,369	Assets	Property, plant and equipment	454	2023
<b>TOTAL</b>		<b>44,908</b>				<b>16,726</b>	

12-31-2021 Company	Name of project	Disbursements undertaken 2021				Committed disbursements	
		State of project	Amount ThU.S.\$	Asset expense	Asset/expense destination item	Amount ThU.S.\$	Estimated date
Celulosa Arauco y Constitucion S.A.	Environmental improvement studies	In process	19,802	Assets	Property, plant and equipment	14,049	2022
Celulosa Arauco y Constitucion S.A.	Environmental improvement studies	Finished	248	Assets	Property, plant and equipment	14	2022

Celulosa Arauco y Constitucion S.A.	Investment projects for the control and management of hazardous liquids and water energy optimization of industrial plants	In process	410	Assets	Property, plant and equipment	5,244	2022
Celulosa Arauco y Constitucion Environmental S.A.	improvement studies	In process	11,860	Expenses	Operating costs	-	2022
Celulosa Arauco y Constitucion S.A.	Expansion of solid industrial waste dumpsite for management of these in the future	In process	10,367	Expenses	Operating costs	-	2022
Arauco Argentina S.A.	Expansion of solid industrial waste dumpsite for management of these in the future	In process	1,856	Assets	Property, plant and equipment	590	2022
Arauco Argentina S.A.	Investment projects for the control and management of hazardous liquids and water energy optimization of industrial plants	In process	921	Assets	Property, plant and equipment	581	2022
Maderas Arauco S.A.	Investment projects for the control and management of hazardous liquids and water energy optimization of industrial plants	In process	585	Expenses	Operating costs	-	2022
Maderas Arauco S.A.	Investment projects for the control and management of hazardous liquids and water energy optimization of industrial plants	In process	423	Assets	Property, plant and equipment	66	2022
Maderas Arauco S.A.	Investment projects for the control and management of hazardous liquids and water energy optimization of industrial plants	Finished	618	Assets	Property, plant and equipment	6	2022
Forestal Arauco S.A.	Environmental improvement studies	In process	1,280	Expenses	expenses	504	2022
Celulosa y Energía Punta Pereira S.A.	Investment projects for the control and management of hazardous liquids and water energy optimization of industrial plants	Finished	948	Assets	Property, plant and equipment	-	-
Arauco North America, Inc	Environmental improvement studies	Finished	222	Assets	Property, plant and equipment	-	-
Arauco North America, Inc	Investment projects for the control and management of hazardous liquids and water energy optimization of industrial plants	Finished	205	Assets	Property, plant and equipment	-	-

Arauco	Investment projects for the control and management of gas emissions from industrial process	Finished	997	Assets	Property, plant and equipment	
North America, Inc				TOTAL	50,742	21,054

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## NOTE 22. NON-CURRENT ASSETS HELD FOR SALE

Arauco carried out a process for the sale of forestry land (80,489 hectares). The forestry land was sold to BTG Pactual Timberland Investment Group LLC, and also comprising British Columbia Investment Management Corporation and APG Asset Management N.V. (the “Consorcio”).

For the year ended December 31, 2022, a profit of ThU.S.\$ 19,670 (ThU.S.\$ 229,866 for the year ended December 31, 2021) was generated from the sale of the aforementioned assets. This profit was presented under Other Income in the consolidated statements of profit or loss.

The following table sets forth information on the main types of non-current assets held for sale:

	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
Land	307	2,306
Buildings	-	307
Forest	844	11,002
Roads	128	543
<b>Total</b>	<b>1,279</b>	<b>14,158</b>

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## NOTE 23. FINANCIAL INSTRUMENTS

### 23.1 Classification

Arauco's financial instruments as of December 31, 2022 and 2021, are displayed in the table below. Regarding those instruments valued at an amortized cost, an estimation of their fair value is displayed for informational purposes.

Financial instruments <i>Thousands of dollars</i>	12-31-2022		12-31-2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets at fair value through profit or loss (held for trading)</b>				
Derivative (1)	144	144	-	-
Mutual funds (1)	110,064	110,064	230,068	230,068
<b>Financial assets at amortized cost</b>	<b>1,476,046</b>	<b>1,476,046</b>	<b>1,783,643</b>	<b>1,783,643</b>
Cash and cash equivalents (amortized cost)	557,143	557,143	781,032	781,032
Cash	298,577	298,577	529,076	529,076
Time deposits	258,566	258,566	251,956	251,956
Accounts receivable (net)	910,682	910,682	994,261	994,261
Trade receivables	731,685	731,685	826,784	826,784
Lease receivable	28,935	28,935	27	27
Sundry debtors	8,911	8,911	32,542	32,542

Other receivables	56,973	56,973	48,531	48,531
Prepayments	84,178	84,178	86,377	86,377
Accounts receivable from related parties	<b>2,850</b>	<b>2,850</b>	<b>5,559</b>	<b>5,559</b>
Other financial assets (2)	<b>5,371</b>	<b>5,371</b>	<b>2,791</b>	<b>2,791</b>
<b>Hedging assets</b>	<b>73,156</b>	<b>73,156</b>	<b>13,599</b>	<b>13,599</b>
<b>Financial liabilities at amortized cost (3)</b>	<b>6,572,325</b>	<b>6,331,528</b>	<b>6,324,599</b>	<b>6,121,418</b>
Bonds issued denominated in U.S. dollars	3,397,376	3,136,318	3,392,010	3,161,062
Bonds issued denominated in U.F. (4)	1,116,083	1,167,251	1,034,023	1,024,721
Bank borrowings in U.S. dollars	415,462	408,278	454,652	463,308
Bank borrowings in other currencies	525,215	501,492	537,304	565,717
Lease liabilities	264,224	264,224	163,304	163,304
Trade and other payables	832,954	832,954	740,729	740,729
Accounts payable to related parties	21,011	21,011	2,577	2,577
<b>Financial liabilities at fair value through profit or loss</b>	<b>17</b>	<b>17</b>	<b>133</b>	<b>133</b>
<b>Hedging liabilities</b>	<b>76,669</b>	<b>76,669</b>	<b>296,183</b>	<b>296,183</b>

- (1) Although mutual funds are measured at fair value through profit or loss for purposes of the consolidated statements of financial position mutual funds are classified as “Cash and cash equivalents” due to the are highly liquid short-term investment.
- (2) Corresponds to the balance of assets from margin call for current derivatives (collateral).
- (3) Financial liabilities measured at amortized cost, other than “Trade and other payables”, “Accounts payable to related parties” and derivatives are presented in the consolidated statements of financial position in the line item “Other financial liabilities” as current and non-current based on their maturity.
- (4) The Unidad de Fomento (“U.F.”) is a unit of account that is linked to, and is adjusted daily to reflect changes in the Chilean consumer price index.

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### 23.2 Fair Value Hierarchy of Financial Assets and Liabilities

The assets and liabilities measured at fair value in the consolidated statements of financial position as of December 31, 2022 and 2021, have been measured based on the valuation methodologies provided in IFRS 13. The methodologies applied for each financial instrument are classified according to their hierarchy as follows:

- Level 1: Securities or quoted prices in active markets for identical assets and liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

<b>Fair value</b>	<b>12-31-2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
<b>Financial assets at fair value through profit or loss (held for trading)</b>				
Derivatives	144	-	144	-
Mutual Funds	110,064	110,064	-	-
<b>Hedging assets</b>	<b>73,156</b>	<b>-</b>	<b>73,156</b>	<b>-</b>

<b>Financial liabilities at fair value through profit or loss</b>	17	-	17	-
<b>Hedging liabilities</b>	76,669	-	76,669	-
<b>Fair value</b>	<b>12-31-2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
<b>Financial assets at fair value through profit or loss (held for trading)</b>				
Mutual Funds	230,068	230,068	-	-
<b>Hedging assets</b>	13,599	-	13,599	-
<b>Financial liabilities at fair value through profit or loss</b>	<b>133</b>	<b>-</b>	<b>133</b>	<b>-</b>
<b>Hedging liabilities</b>	296,183	-	296,183	-

At the closing date of these consolidated financial statements, there have been no transfers between the different hierarchy levels.

### **23.3 Explanation of the valuation of Financial Instruments.**

#### **Cash and cash equivalent and accounts receivable**

The carrying amount of accounts receivable, cash and cash equivalents (including mutual funds), and other financial assets and liabilities approximate their fair value due to the short-term nature of such instruments.

#### **Derivative financial instruments**

Arauco's current derivatives are valued under the cash flow discount method. These flows are discounted at the rate applicable according to the transaction's and counterparties' risk, using an internal methodology based on the information obtained from Bloomberg.

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Given that our cross-currency swaps correspond to future flows in UF, U.S. dollars and Euros, Arauco calculates the current value of such flows by using the UF zero coupon curve, dollar zero coupon and the Euro zero coupon.

The fair value of the interest rate swap contracts is calculated by reference to the rate differential between the agreed upon rate and the market rate as of the end date of these financial statements.

The fair value of the currency forward contracts is calculated by reference to the current forward exchange rates of contracts with similar maturity profiles.

The fair value of zero cost collar contracts is calculated by reference to the price differential between the agreed price range and the market price of the hedge's object.

The counterparty risk uses the Z-Spread obtained from the curve of the bonds issued by counterparties, and they are deducted from each flow as appropriate.

#### **Financial Liabilities**

The fair value of bonds issued was determined with reference to quoted market prices as they have standard terms and conditions.

The fair value of bank borrowings was determined based on discounted cash flow analysis applying the corresponding discount yield curves to the remaining term to maturity.

Disclosures of the fair value of financial liabilities at amortized cost are determined via the use of discounted cash flows, calculated over variables of the observable markets as of the date of informing the consolidated financial statements, and correspond to Level 2 of the fair value hierarchy.

The following table sets forth a reconciliation between the financial liabilities and the consolidated statements of financial position as of December 31, 2022 and 2021:

	12-31-2022							
Thousands of dollars	Up to 90 days	From 91 days to 1 year	Other current financial liabilities, Total	From 1 year to 3 years	From 3 years to 5 years	More than 5 years	Other non-current financial liabilities, Total	Total
Bonds obligations	29,114	66,436	95,550	585,518	782,344	3,050,047	4,417,909	4,513,459
Bank borrowings	109,889	167,905	277,794	368,353	164,873	129,657	662,883	940,677
Swap and Forward	2,107	-	2,107	74,579	-	-	74,579	76,686
<b>Total other financial liabilities (a)</b>	<b>141,110</b>	<b>234,341</b>	<b>375,451</b>	<b>1,028,450</b>	<b>947,217</b>	<b>3,179,704</b>	<b>5,155,371</b>	<b>5,530,822</b>

	12-31-2022							
Thousands of dollars	Up to 90 days	From 91 days to 1 year	Total Current	From 1 year to 3 years	From 3 years to 5 years	More than 5 years	Total non-current	Total
Lease liabilities	11,339	25,445	36,784	45,904	38,906	142,630	227,440	264,224
<b>Total lease liabilities (b)</b>	<b>11,339</b>	<b>25,445</b>	<b>36,784</b>	<b>45,904</b>	<b>38,906</b>	<b>142,630</b>	<b>227,440</b>	<b>264,224</b>

	12-31-2022							
Thousands of dollars	Up to 90 days	From 91 days to 1 year	Total Current	From 1 year to 3 years	From 3 years to 5 years	More than 5 years	Total non-current	Total
Trade and other payables	795,533	17,305	812,838	2,462	-	17,654	20,116	832,954
Accounts payable to related companies	14,280	-	14,280	3,283	-	3,448	6,731	21,011
<b>Total accounts payable (c)</b>	<b>809,813</b>	<b>17,305</b>	<b>827,118</b>	<b>5,745</b>	<b>-</b>	<b>21,102</b>	<b>26,847</b>	<b>853,965</b>
<b>Total financial liabilities (a) + (b) + (c)</b>	<b>962,262</b>	<b>277,091</b>	<b>1,239,353</b>	<b>1,080,099</b>	<b>986,123</b>	<b>3,343,436</b>	<b>5,409,658</b>	<b>6,649,011</b>

	12-31-2021							
Thousands of dollars	Up to 90 days	From 91 days to 1 year	Other current financial liabilities	From 1 year to 3 years	From 3 years to 5 years	More than 5 years	Other non-current financial	Total

							liabilities,		
							Total	Total	Total
Bonds obligations	29,114	61,257	90,371	574,850	257,362	3,503,450	4,335,662	4,426,033	
		219,17				0	2	3	
Bank borrowings	29,658	7	248,835	227,008	325,244	190,869	743,121	991,956	
Swap and Forward	235	-	235	296,081	-	-	296,081	296,316	
<b>Total other financial liabilities</b>			<b>280,434</b>			<b>3,694,319</b>	<b>5,374,864</b>	<b>5,714,305</b>	
(a)	<b>59,007</b>	<b>4</b>	<b>339,441</b>	<b>1,097,939</b>	<b>582,606</b>	<b>9</b>	<b>4</b>	<b>5</b>	

	12-31-2021								
Thousands of dollars	Up to 90 days	From 91 days to 1 year	Total	From 1 year to 3 years	From 3 years to 5 years	More than 5 years	Total non-current	Total	
Lease liabilities	13,204	36,399	49,603	44,459	26,083	43,159	113,701	163,304	
<b>Total lease liabilities (b)</b>	<b>13,204</b>	<b>36,399</b>	<b>49,603</b>	<b>44,459</b>	<b>26,083</b>	<b>43,159</b>	<b>113,701</b>	<b>163,304</b>	

	12-31-2021								
Thousands of dollars	Up to 90 days	From 91 days to 1 year	Total	From 1 year to 3 years	From 3 years to 5 years	More than 5 years	Total non-current	Total	
Trade and other payables	729,082	9,375	738,457	2,272	-	-	2,272	740,729	
Accounts payable to related companies	2,577	-	2,577	-	-	-	-	2,577	
<b>Total accounts payable (c)</b>	<b>731,659</b>		<b>9,375</b>	<b>741,034</b>	<b>2,272</b>	<b>-</b>	<b>2,272</b>	<b>743,306</b>	
<b>Total financial liabilities (a) + (b) + (c)</b>	<b>803,870</b>	<b>326,208</b>	<b>1,130,078</b>			<b>3,737,478</b>	<b>5,490,837</b>	<b>6,620,915</b>	

## 23.4 Derivative Instruments

Hedging instruments recorded as of December 31, 2022 are cash flow hedges. Arauco uses derivatives for hedging purposes, such as cross currency swaps, currency and commodity forwards, interest rate swaps, and options. Depending on the fair value of each instrument, the position could be either an asset or a liability, and they are listed in the consolidated statements of financial position under other non-current financial assets or other non-current financial liabilities, respectively. The effects for the period are presented in consolidated statement of changes in equity as other comprehensive income or the statements of comprehensive income as finance income or finance costs, net of differences in exchange rate of the hedged items and the deferred tax.

A summary of the derivative financial instruments included in the consolidated statements of financial position as of December 31, 2022 and 2021, is presented below:

Financial instruments	12-31-2022	12-31-2021
	Fair value ThU.S.\$	Fair value ThU.S.\$
<b>Financial assets at fair value through profit or loss</b>	<b>144</b>	<b>-</b>
Derivatives (1)	144	-
<b>Hedging assets</b>	<b>73,156</b>	<b>13,599</b>
Derivatives (1)	17,629	13,599

Cross currency swaps (2)	55,527	-
<b>Financial liabilities at fair value through profit or loss</b>	<b>(17)</b>	<b>(133)</b>
Forward	(17)	(133)
<b>Hedging liabilities</b>	<b>(76,669)</b>	<b>(296,183)</b>
Derivatives (1)	(650)	(401)
Cross currency swaps (2)	(76,019)	(295,782)

(1) Includes HFO Swap, Zero Cost Collar, Forward and IRS from Chile, USA, Argentina and Uruguay tables.

(2) Includes Cross Currency Swaps from Chile.

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### 23.4.1. Chile

In order to cover the exposure to variation in cash flows associated with fluctuations in exchange rates, interest rates or commodity prices, Arauco Chile has the following derivatives as of December 31, 2022 and 2021:

#### Cross Currency Swaps

Cross currency swaps to cover the exposure to the exchange rate risk generated from bonds denominated in U.F.

Bond	Institution	Amount U.S.\$	Amount U.F.	Starting date	Ending date	12-31-	12-31-
						2022	2021
						fair value	fair value
						ThU.S.\$	ThU.S.\$
F	Scotiabank - Chile	24,453,184	636,364	10-30-14	4-30-23	1,625	(2,141)
F	Scotiabank - Chile	24,422,642	636,364	10-30-14	4-30-23	1,673	(2,048)
F	BCI - Chile	24,500,016	636,364	10-30-21	10-30-29	2,692	(3,239)
F	BCI - Chile	23,940,993	636,364	10-30-14	4-30-23	2,154	(1,380)
F	Scotiabank - Chile	24,529,437	636,364	10-30-21	10-30-29	3,212	(2,450)
F	Santander - Chile	24,167,222	636,364	10-30-14	4-30-23	1,905	(1,550)
F	Banco de Chile - Chile	24,167,223	636,364	4-30-19	10-30-29	2,104	(4,203)
P	BCI - Chile	35,000,024	909,091	11-15-21	11-15-32	4,709	(5,077)
P	BCI - Chile	34,997,071	909,091	11-15-21	11-15-32	5,695	(3,749)
P	Scotiabank - Chile	38,557,134	909,091	11-15-13	11-15-23	(1,025)	(7,085)
P	Santander - Chile	37,957,011	909,091	11-15-13	11-15-23	(448)	(6,053)
P	Deutsche - U.K.	37,957,011	909,091	11-15-13	11-15-23	(401)	(6,304)
R	Santander - Chile	128,611,183	3,000,000	10-01-14	4-01-24	(5,117)	(24,743)
R	JP Morgan - U.K.	43,185,224	1,000,000	10-01-14	4-01-24	(1,725)	(8,509)
R	Itau - Chile	43,277,070	1,000,000	10-01-14	4-01-24	(1,835)	(8,543)
S	Santander - Chile	201,340,031	5,000,000	11-15-16	11-15-26	10,004	(36,758)
W	Goldman Sachs - N.A.	40,521,750	1,000,000	10-10-18	10-10-28	(167)	(11,921)
W	Goldman Sachs - N.A.	40,066,555	1,000,000	10-10-18	10-10-28	369	(11,275)
W	Scotiabank - Chile	40,537,926	1,000,000	10-10-18	10-10-28	(148)	(11,807)
X	Santander - Chile	118,400,504	3,000,000	10-10-18	10-10-38	10,457	(50,527)
X	Santander - Chile	97,971,786	2,500,000	10-10-18	10-10-38	8,928	(41,802)
						<b>44,661</b>	<b>(251,164)</b>

Cross currency swaps contracts to cover the exposure to the risk of the exchange rate for bank contracts in Euro.

**12-31-2022    12-31-2021**

Institution	Amount U.S.\$	Amount EUR	Starting date	Ending date	fair value ThU.S.\$	fair value ThU.S.\$
Santander - Chile	97,728,235	82,352,941	6-15-21	12-15-29	(13,279)	(8,476)
Banco de Chile - Chile	48,864,118	41,176,471	6-15-21	12-15-29	(6,491)	(4,484)
MUFG - N.A.	97,728,235	82,352,941	6-15-21	12-15-29	(12,898)	(9,000)
JP Morgan - N.A.	195,456,471	164,705,882	6-15-21	12-15-29	(26,033)	(18,154)
HSBC - N.A.	48,864,118	41,176,471	6-15-21	12-15-29	(6,452)	(4,504)
					<b>(65,153)</b>	<b>(44,618)</b>

### Zero Cost Collars

Zero cost collar to cover the exposure to the Oil Brent.

Commodity	Institution	Volume	Unit	Starting	Ending	12-31-	12-31-
				date	date	2022	2021
Brent	BNP Paribas – E.U.	220,000	bbl	8-01-21	7-31-22	-	3,737
Brent	Goldman Sachs - N.A.	220,000	bbl	8-01-21	7-31-22	-	3,798

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### 23.4.2. Uruguay

#### Forward

As of December 31, 2022 and 2021, Arauco through its subsidiaries as a joint operation (50%) in Uruguay maintains the following forward contracts in force and effect for the purposes of ensuring an exchange rate for sale of dollars:

Exchange rate	Institution	12-31-2022 notional ThU.S.\$	12-31-2022 fair value ThU.S.\$	12-31-2021 notional ThU.S.\$	12-31-2021 fair value ThU.S.\$
UYUUSD	Santander - Uruguay	-	-	1,765	19
UYUUSD	HSBC - Uruguay	13,735	1,138	6,510	106
UYUUSD	Itaú - Uruguay	8,480	451	9,892	258
UYUUSD	Itaú - Uruguay	-	-	-	(91)
	Banco de la República Oriental de				
UYUUSD	Uruguay	3,805	166	-	-
EURUSD	Itaú - Uruguay	859	33	-	-
EURUSD	Santander - Uruguay	2,416	3	-	-
EURUSD	Santander - Uruguay	-	(1)	-	-
			<b>1,790</b>		<b>292</b>

#### Commodity Swap

Arauco Uruguay's profits and through its subsidiaries as a joint operation (50%), also face exposure to the price variation of certain fuels, as occurs with Fuel Oil N°6, which is used during the pulp manufacturing process. In order to minimize this risk, the volatility of future flows associated to the purchase of Fuel Oil No. 6 through forwards of this commodity. The agreements that are in force and effect as of December 31, 2022 and 2021, are detailed below:

Commodity	Institution	12-31-2022	12-31-2022	12-31-2021	12-31-2021
-----------	-------------	------------	------------	------------	------------

		notional ThU.S.\$	fair value ThU.S.\$	notional ThU.S.\$	fair value ThU.S.\$
Fuel Oil N°6	JP Morgan - N.A.	7,367	677	8,491	1,963
Fuel Oil N°6	DNB Bank ASA	7,366	62	3,149	978
Fuel Oil N°6	JP Morgan - N.A.	-	(252)	-	(77)
Fuel Oil N°6	DNB Bank ASA	-	(397)	-	(57)
		<b>90</b>		<b>2,807</b>	

### Interest Rate Swap

In addition, Arauco through its subsidiaries as a joint operation (50%) in Uruguay maintains an Interest Rate Swap in force and effect, a derivative instrument which purpose is to set the interest rate of a variable rate debt in the same currency (USD). The valuation off this instrument as of December 31, 2022 and 2021 is shown below:

Exchange rate	Institution	Notional ThU.S.\$	12-31-2022	12-31-2021
			fair value ThU.S.\$	fair value ThU.S.\$
USD	DNB Bank ASA	8,440	110	(176)
			<b>110</b>	<b>(176)</b>

Note: The values and amounts indicated in the section 23.4.2 correspond to 50% of the total Uruguayan companies amounts, showing the participation that Arauco has in this companies.

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### 23.4.3. United States

#### Interest Rate Swap

Arauco through its subsidiary in United States maintains an Interest Rate Swap with the purpose of setting the interest rate of a variable rate debt in the same currency (USD). The instrument was settled on September 2020 and the valuation off this instrument as of December 31, 2022 and 2021 is shown below:

Institution	Amount ThU.S.\$	Starting date	Ending date	12-31-2022	12-31-2021
				fair value ThU.S.\$	fair value ThU.S.\$
JP Morgan - N.A.	80,000,000	4-28-20	4-28-24	5,062	845
Goldman Sachs N.A.	80,000,000	4-28-20	4-28-24	5,004	1,043
JP Morgan - N.A.	80,000,000	4-28-20	4-28-24	5,067	852
				<b>15,133</b>	<b>2,740</b>

### 23.4.4. Argentina

As of December 31, 2022 and 2021, Arauco through its subsidiary in Argentina maintains the following forward contracts in force and effect for the purposes of ensuring an exchange rate of dollars:

Exchange rate	Institution	Amount ThU.S.\$	Starting date	Ending date	12-31-2022	12-31-2021
					fair value ThU.S.\$	fair value ThU.S.\$
ARSUSD	Santander - Argentina	3,800	12-10-21	1-31-22	-	(65)

ARSUSD	BBVA - Argentina	3,800	12-10-21	2-25-22	-	(68)
ARSUSD	BBVA - Argentina	6,000	12-15-22	1-31-23	(17)	-

(17) (133)

### 23.5 Cash equivalent, Loans and Receivables

The financial assets measured at amortized cost using the effective interest method and tested for impairment are: cash and cash equivalent, time deposits, repurchase agreements, trade and other current/non-current receivables (with third parties and from related parties).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. In the consolidated statements of financial position, they are included in line items “Cash and cash equivalents” (certain components of cash and cash equivalents), “Trade and other current/non-current receivables” and “Accounts receivable from related parties”.

As of December 31, 2022 and 2021, there are provisions for impairment for ThU.S.\$ 7,960 and ThU.S.\$ 8,792, respectively.

	<b>12-31-2022</b> <b>ThU.S.\$</b>	<b>12-31-2021</b> <b>ThU.S.\$</b>
<b>Financial assets at amortized cost</b>	<b>1,476,046</b>	<b>1,783,643</b>
<b>Cash and cash equivalents (Mutual Funds not included)</b>	<b>557,143</b>	<b>781,032</b>
Cash	298,577	529,076
Time deposits	258,566	251,956
<b>Accounts receivables (net)</b>	<b>913,532</b>	<b>999,820</b>
Trade receivables	731,685	826,784
Lease receivable	28,935	27
Sundry debtors	8,911	32,542
Other receivables	56,973	48,531
Prepayments	84,178	86,377
Accounts receivable from related parties	2,850	5,559
<b>Other financial assets</b>	<b>5,371</b>	<b>2,791</b>

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#### 23.5.1. Cash and Cash Equivalents

Includes cash on hand, bank checking account balances and time deposits and other short-term highly liquid investments with an original maturity of three months or less. They are short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

The composition of cash and cash equivalents (including the balance of mutual funds displayed in this note as valuation, instruments at fair value with profit or loss) at December 31, 2022 and 2021, classified by currency is as follows:

	<b>12-31-2022</b> <b>ThU.S.\$</b>	<b>12-31-2021</b> <b>ThU.S.\$</b>
<b>Cash and cash equivalents</b>	<b>667,207</b>	<b>1,011,100</b>
U.S. dollars	395,254	703,232
Euro	4,884	5,755
Mexican pesos	28,564	20,467
Other currencies	228,481	277,441

Chilean pesos	<u>10,024</u>	<u>4,205</u>
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**23.5.2 Time Deposits and Repurchase Agreements:** The investment objective of time deposits and repurchase agreements is to maximize in the short-term the amounts of cash surpluses. These instruments are authorized by Arauco's Investment Policy, which allows investing in fixed income securities. These instruments have a maturity of less than three months from the date of acquisition.

**23.5.3 Trade and Other Receivables:** These represent enforceable rights for Arauco resulting from the normal course of the business.

**23.5.4 Other Receivables:** These correspond to receivables from sales, services or loans that are not considered within the normal course of the business.

The allowance for doubtful accounts is presented as a deduction of trade and other receivables. The provision for doubtful accounts is established based on an analysis of the age of the portfolio and considering the insurance coverage on accounts receivable. Other conditions are assessed for example when there is objective evidence that Arauco will not receive payments under the original sale terms and when the customer is a party to a bankruptcy court agreement or cessation of payments, and is written-off when Arauco has exhausted all levels of recovery of the receivable in a reasonable time.

**23.5.5 Accounts receivable from related parties:** Represent enforceable rights for Arauco resulting from the normal course of business, calling normal to the line of business, activity or purpose of exploitation and financing, and which Arauco owns a non-controlling ownership of the counterparty.

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The following table sets forth trade and other current/non-current receivables classified by currencies as of December 31, 2022 and 2021:

	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
<b>Trade and other current receivables</b>		
U.S. dollars	614,204	789,236
Euros	36,425	21,884
Mexican pesos	33,089	31,288
Other currencies	90,618	66,886
Chilean pesos	97,616	70,127
U.F.	6,056	502
<b>Accounts receivable from related parties, current</b>	<b>2,850</b>	<b>5,559</b>
Chilean pesos	2,850	5,559
<b>Trade and other non-current receivables</b>	<b>32,674</b>	<b>14,338</b>
U.S. dollars	5,880	11,806
Chilean pesos	3,434	2,492
U.F.	23,360	40

## 23.6 Financial Liabilities

Arauco's financial liabilities to the date of these consolidated financial statements are as follows:

	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
<b>Financial liabilities</b>		
<b>Total financial liabilities</b>	<b>6,649,011</b>	<b>6,620,915</b>

Financial liabilities at fair value through profit or loss	17	133
Hedging liabilities	76,669	296,183
Financial liabilities at amortized cost	<u>6,572,325</u>	<u>6,324,599</u>

The following table sets forth the current portion of the non-current bank borrowings and debt issued as of December 31, 2022 and 2021.

	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
Bank borrowings - current portion	139,252	248,835
Bonds issued - current portion	95,550	90,371
<b>Total</b>	<b>234,802</b>	<b>339,206</b>

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### 23.7 Financial Liabilities Measured at Amortized Cost

Financial liabilities correspond to non-derivative financial instruments with contractual cash-flow payments that can be either fixed or variable.

Also, this category includes those non-derivative financial liabilities for services or goods delivered to Arauco at the end of each reporting period that have not yet been paid. These amounts are not insured and are generally paid within thirty days after being recognized.

At the end of these financial statements, Arauco includes in this category bank borrowings, bonds issued denominated in U.S. dollars and in U.F., lease liabilities, and trade and other payables.

	Currency	12-31- 2022 ThU.S.\$	12-31- 2021 ThU.S.\$	12-31- 2022 ThU.S.\$	12-31- 2021 ThU.S.\$
		Amortized cost	Fair value		
<b>Total financial liabilities</b>		<b>6,572,325</b>	<b>6,324,599</b>	<b>6,331,528</b>	<b>6,121,417</b>
Bonds issued	U.S. dollar	3,397,376	3,392,010	3,136,318	3,161,062
Bonds issued	U.F.	1,116,083	1,034,023	1,167,251	1,024,721
Bank borrowings	U.S. dollar	415,462	454,652	408,278	463,308
Bank borrowings	Euro	455,325	509,540	501,492	565,717
Bank borrowings	Other currencies	69,890	27,764	-	-
Lease liabilities	U.F.	16,936	19,875	16,936	19,875
Lease liabilities	Chilean pesos	11,265	38,278	11,265	38,278
Lease liabilities	Mexican pesos	3,238	3,768	3,238	3,768
Lease liabilities	U.S. dollar	131,292	79,045	131,292	79,045
Lease liabilities	Euro	201	266	201	266
Lease liabilities	Other currencies	101,292	22,072	101,292	22,072
Trade and other payables	U.S. dollar	234,226	288,172	234,226	288,172
Trade and other payables	Euro	23,277	13,955	23,277	13,955
Trade and other payables	Mexican pesos	16,791	27,889	16,791	27,889
Trade and other payables	Other currencies	150,004	107,302	150,004	107,302
Trade and other payables	Chilean pesos	369,300	268,624	369,300	268,624
Trade and other payables	U.F.	39,356	34,787	39,356	34,787
Accounts payable to related parties	U.S. dollar	202	230	202	230
Accounts payable to related parties	Chilean pesos	20,809	2,347	20,809	2,347

The financial liabilities at amortized cost presented in the consolidated statements of financial position as of December 31, 2022 and 2021 are as follows:

	<u>12-31-2022</u>		
	<u>ThU.S.\$</u>	Non-	<u>Total</u>
	<u>Current</u>	current	<u>Total</u>
Other financial liabilities	373,344	5,080,792	<b>5,454,136</b>
Lease liabilities	36,784	227,440	<b>264,224</b>
Trade and other payables	812,838	20,116	<b>832,954</b>
Accounts payable to related parties	14,280	6,731	<b>21,011</b>
<b>Total financial liabilities at amortized cost</b>	<b>1,237,246</b>	<b>5,335,079</b>	<b>6,572,325</b>

  

	<u>12-31-2021</u>		
	<u>ThU.S.\$</u>	Non-	<u>Total</u>
	<u>Current</u>	current	<u>Total</u>
Other financial liabilities	339,206	5,078,783	<b>5,417,989</b>
Lease liabilities	49,603	113,701	<b>163,304</b>
Trade and other payables	738,457	2,272	<b>740,729</b>
Accounts payable to related parties	2,577	-	<b>2,577</b>
<b>Total financial liabilities at amortized cost</b>	<b>1,129,843</b>	<b>5,194,756</b>	<b>6,324,599</b>

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### 23.8 Cash Flow Hedges Reserve Reconciliation

The following table sets forth the reconciliation balances of cash flow hedges presented in the consolidated statements of comprehensive income:

	<u>January - December</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
	<u>ThU.S.\$</u>	<u>ThU.S.\$</u>	<u>ThU.S.\$</u>
<b>Opening balance</b>	<b>(136,859)</b>	<b>(37,007)</b>	<b>9,010</b>
Gains (losses) on cash flow hedges, before tax	186,911	(84,879)	8,222
Reclassification adjustments on cash flow hedges, before tax	(9,577)	(45,426)	(67,785)
Income tax relating to cash flow hedges of other comprehensive income	(50,587)	30,453	13,546
<b>Closing balance</b>	<b>(10,112)</b>	<b>(136,859)</b>	<b>(37,007)</b>

### 23.9 Capital Disclosures

#### 23.9.1 Information on Objectives, Policies and Processes applied by the Company regarding Capital Management

Arauco's policies on capital management have the objective of:

- a) Ensuring business continuity and normal operations in the long-term;
- b) Ensuring funding for new investments to achieve sustainable growth over time;
- c) Keeping adequate capital structure considering all economic cycles that impact the business and the nature of the industry; and
- d) Maximizing the Company's value and providing an adequate return to shareholders.

### **23.9.2 Qualitative Information on Objectives, Policies and Processes applied by the Company regarding Capital Management**

Arauco determines and manages its capital structure based on its carrying amount of equity plus its financial debt (bank borrowings and bonds issued).

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### **23.9.3 Quantitative Information on Capital Management**

The following table sets forth the financial covenants that the Company has to comply with as part of the terms of certain of its obligations:

<b>Instrument</b>	<b>12-31-2022</b>	<b>12-31-2021</b>	<b>Interest coverage &gt;= 2,0x</b>	<b>Debt level (1) &lt;= 1,2x</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>		
Domestic bonds (Chile)	1,116,083	1,034,023	N/R	✓
Syndicate borrowing - Grayling	242,483	270,214	✓	✓
Syndicate ECA - MAPA	455,325	509,540	✓	✓

*N/R: Not required for the financial obligation.*

(I) *Debt to equity ratio (financial debt divided by equity plus non-controlling interests).*

As of December 31, 2022 and 2021, Arauco has complied with all of its financial covenants.

The following table sets forth the credit ratings of our debt instruments as of December 31, 2022, are as follows:

<b>Instrument</b>	<b>Standard &amp; Poor's</b>	<b>Fitch Ratings</b>	<b>Moody's</b>	<b>Feller Rate</b>
	-	AA	-	AA
Local bonds	-	AA	-	AA
Foreign bonds	BBB-	BBB	Baa3	-

Capitalization requirements are established based on the Company's financial needs and on maintaining an adequate liquidity level and complying with financial covenants established in current debt arrangements. The Company manages its capital structure and makes adjustments based on the prevailing economic conditions in order to mitigate the risks associated with adverse market conditions and based on opportunities that may arise to improve the Company's level of liquidity.

The capitalization of Arauco as of December 31, 2022 and 2021 is as follows:

	<b>12-31-2022</b>	<b>12-31-2021</b>
	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Equity	8,259,984	7,818,504
Bank borrowings	940,677	991,956
Lease liabilities	264,224	163,304
Bonds issued	4,513,459	4,426,033
<b>Capitalization</b>	<b>13,978,344</b>	<b>13,399,797</b>

### **23.10 Risk Management**

Arauco's financial instruments are exposed to various financial risks: credit risk, liquidity risk and market risk (including exchange rate risks, interest rate risks and price risks). Arauco's overall risk management program focuses on uncertainty in financial markets and aims to minimize potential adverse effects on Arauco's financial profitability.

Arauco's financial risk management is overseen by the Corporate Finance Department. This department identifies, assesses and hedges financial risks in close collaboration with Arauco's operational units. The company is not actively involved in trading its financial assets for speculative purposes.

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### **23.10.1 Type of Risk: Credit Risk**

#### **Description**

Credit risk refers to financial uncertainty at different periods of time relating to the fulfillment of obligations with counterparties, at the time of exercising the contract rights to receive cash or other financial assets on behalf of Arauco.

#### **Explanation of Credit Risk Exposure and How This Risk Arises**

Arauco's exposure to credit risk is directly related to each of its customer's individual abilities to fulfill their contractual commitments, reflected in trade receivables.

Accounts exposed to credit risk are trade receivables, financial lease debtors and other debtors.

Arauco does not have a securitized portfolio.

	<b>12-31-2022 ThU.S.\$</b>	<b>12-31-2021 ThU.S.\$</b>
<b>Current receivables</b>		
Trade receivables	731,649	826,750
Lease receivable	5,067	27
Sundry debtors	4,451	21,646
Other receivables	54,525	46,394
Prepayments	82,316	85,106
<b>Net subtotal</b>	<b>878,008</b>	<b>979,923</b>
Trade receivables	736,158	832,612
Lease receivable	5,067	27
Sundry debtors	4,866	21,732
Other receivables	55,687	47,198
Prepayments	82,316	85,106
<b>Gross subtotal</b>	<b>884,094</b>	<b>986,675</b>
Provision for doubtful trade receivables	4,509	5,862
Provision for doubtful lease receivable	-	-
Provision for doubtful sundry debtors	415	86
Provision for doubtful other receivables	1,162	804
<b>Subtotal bad debt</b>	<b>6,086</b>	<b>6,752</b>
<b>Non-current receivables</b>		
Trade receivables	36	34
Lease receivable	23,868	-
Sundry debtors	4,460	10,896
Other receivables	2,448	2,137
Prepayments	1,862	1,271
<b>Net subtotal</b>	<b>32,674</b>	<b>14,338</b>

Trade receivables	1,910	2,074
Lease receivable	23,868	-
Sundry debtors	4,460	10,896
Other receivables	2,448	2,137
Prepayments	1,862	1,271
<b>Gross subtotal</b>	<b>34,548</b>	<b>16,378</b>
Provision for doubtful trade receivables	1,874	2,040
Provision for doubtful lease receivable	-	-
Provision for doubtful sundry debtors	-	-
Provision for doubtful other receivables	-	-
<b>Subtotal bad debt</b>	<b>1,874</b>	<b>2,040</b>

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#### **Explanation of Risk Management Objectives, Policies and Processes, and Measurement Methods**

The Credit and Collections Sub-Division, dependent from the Treasury Department, is the area entrusted with minimizing the credit risk of the accounts receivable, supervising the delinquency of the accounts. The regulations and procedures applicable for the control and administration of the Arauco Group can be found in the Corporate Credit Policy.

As of December 31, 2022, Arauco's balance for commercial debtors was ThU.S.\$ 738,068 of which, according to the agreed sales conditions, 53.73% corresponded to sales on credit (open account), 45.66% to sales with letters of credit and 0.61% to other types of sales. The client with the largest Open Account debt represented 2.19% of the total accounts receivable as of that date.

Below we provide detail regarding accounts receivable, classified in tranches:

#### **December 31, 2022**

##### **Age of trade receivables**

Days	Non-past due	1 to 30	31 to 60	61 to 90	91 to 120	121 to 150	151 to 180	181 to 210	211 to 250	More than 250	Total
Nº											
debtor	1,500	690	69	43	37	25	18	27	16	62	2,487
ThU.S		28,7	1,94							5,52	738,0
\$	700,691	08	1	474	352	133	87	94	67	1	68
%	94.94%	3.89%	0.26%	0.06%	0.05%	0.02%	0.01%	0.01%	0.01%	0.75%	100%

#### **December 31, 2021**

##### **Age of trade receivables**

Days	Non-past due	1 to 30	31 to 60	61 to 90	91 to 120	121 to 150	151 to 180	181 to 210	211 to 250	More than 250	Total
Nº											
debtor	1,710	676	100	53	30	49	2	2	1	67	2,690
ThU.S		36,0								5,51	834,6
\$	791,729	11	965	361	87	13	1	2	1	6	86
%	94.85%	4.31%	0.12%	0.04%	0.01%	0.00%	0.00%	0.00%	0.00%	0.67%	100%

Arauco applies the simplified approach regarding the expected losses from commercial debtors, which allows for the use of an estimate of expected credit losses over the instrument's lifespan for all commercial accounts receivable. In order to establish this estimate, the commercial debtors have been grouped in relation to the corresponding risks for sales conditions as well as for tranches, including clients that are up-to-date or in default.

December 31, 2022:

<u>Days</u>	<u>Non-past due</u>	<u>1 to 30</u>	<u>31 to 60</u>	<u>61 to 90</u>	<u>91 to 120</u>	<u>121 to 150</u>	<u>151 to 180</u>	<u>181 to 210</u>	<u>211 to 250</u>	<u>More than 250</u>	<u>Total</u>
Letters of credit	335,897	1,080	10	-	-	-	-	-	-	-	336,987
Loss allowance provision	-	-	-	-	-	-	-	-	-	-	-
Expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-
Credit line	363,423	26,888	1,791	300	299	100	87	94	67	3,505	396,553
Loss allowance provision	1,545	-	59	34	38	10	9	93	41	2,487	4,314
Expected loss rate	0.43%	0.00%	3.27%	11.22%	12.74%	9.52%	9.82%	99.08%	60.88%	70.95%	-
Others	1,371	740	140	174	53	33	-	1	-	2,016	4,528
Loss allowance provision	-	-	1	17	31	19	-	1	-	2,000	2,069
Expected loss rate	0.00%	0.00%	0.85%	9.94%	57.52%	55.92%	0.00%	96.35%	0.00%	99.25%	-
<b>Total trade receivables (ThU.S.\$)</b>	<b>700,691</b>	<b>28,708</b>	<b>1,941</b>	<b>474</b>	<b>352</b>	<b>133</b>	<b>87</b>	<b>94</b>	<b>67</b>	<b>5,521</b>	<b>738,068</b>
<b>Total allowance for doubtful accounts (ThU.S.\$)</b>	<b>1,545</b>	<b>-</b>	<b>60</b>	<b>51</b>	<b>69</b>	<b>28</b>	<b>9</b>	<b>94</b>	<b>41</b>	<b>4,487</b>	<b>6,383</b>

December 31, 2021:

<u>Days</u>	<u>Non-past due</u>	<u>1 to 30</u>	<u>31 to 60</u>	<u>61 to 90</u>	<u>91 to 120</u>	<u>121 to 150</u>	<u>151 to 180</u>	<u>181 to 210</u>	<u>211 to 250</u>	<u>More than 250</u>	<u>Total</u>
Letters of credit	372,687	3,076	41	-	-	-	-	-	-	-	375,804
Loss allowance provision	-	-	-	-	-	-	-	-	-	-	-
Expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-
Credit line	408,723	29,705	686	50	87	13	1	-	-	5,406	444,671

<b>Loss allowance provision</b>	2,313	-	21	5	9	1	-	-	-	5,406	<b>7,755</b>
Expected loss rate	0.57%	0.00%	3.06%	10.00%	10.34%	7.69%	0.00%	0.00%	0.00%	100.00%	
<b>Others</b>	10,319	3,230	238	311	-	-	-	2	1	110	<b>14,211</b>
<b>Loss allowance provision</b>	-	-	2	32	-	-	-	2	1	110	<b>147</b>
Expected loss rate	0.00%	0.00%	0.84%	10.29%	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%	
<b>Total trade receivables</b>	<b>791,729</b>	<b>36,011</b>	<b>965</b>	<b>361</b>	<b>87</b>	<b>13</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>5,516</b>	<b>834,686</b>
<b>Total allowance for doubtful accounts</b>	<b>2,313</b>	-	<b>23</b>	<b>37</b>	<b>9</b>	<b>1</b>	-	<b>2</b>	<b>1</b>	<b>5,516</b>	<b>7,902</b>

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Arauco does not conduct rescheduling or renegotiations with its clients that imply an amendment to the maturity of the invoices and, should it be necessary, any debt renegotiation with a client shall be analyzed on a case-by-case basis and subjected to the approval of the Corporate Finance Division.

Regarding the loss allowance for trade receivables and others, below we provide detail for the movements as of December 31, 2022 and 2021:

	December 2022 ThU.S.\$	December 2021 ThU.S.\$	December 2020 ThU.S.\$
<b>Opening loss allowance as at January 1</b>	<b>8,792</b>	<b>8,000</b>	<b>16,368</b>
Increase in loan loss allowance recognized in profit or loss during the year	1,097	2,229	1,369
Receivables written off during the year as uncollectible	(321)	(216)	(6,970)
Unused amount reversed	(1,608)	(1,221)	(2,767)
<b>Closing balance</b>	<b>7,960</b>	<b>8,792</b>	<b>8,000</b>

Currently there is a policy for provisions for doubtful accounts receivable under IFRS for all the Arauco group companies.

#### **Explanation regarding the Sales Risk with Letters of Credit**

The sales with letters of credit mainly occur in markets in Asia and the Middle East. Periodically, a credit assessment is conducted regarding the banks that issue the letters of credit with the purpose of obtaining their score over the basis of risk-qualification ratings, country-specific risk and financial statements. The decision of approving the issuing bank or asking for confirmation of the letter of credit is made in consideration to this assessment.

#### **Explanation of the Sales Risk with Credit Line**

Sales on credit are subject to the credit limit for each customer. The approval or rejection of a credit limit for all term sales is conducted by the Corporate Credit Sub-Division, as well as by the Credit and Collections area for North

America, Brazil and Argentina, which report to the Corporate Finance Division. The regulations and procedures applicable for the correct control and risk management over the sales on credit are ruled by the Credit Policy.

A procedure that must be applied by all the companies of the Arauco group has been established for the approval and/or modification of client credit lines. Credit line requests are entered to the SAP that analyzes all available information. Afterwards, the same are either approved or rejected in each one of the internal committees of each company belonging to the Arauco group, depending on the maximum amount authorized by the Credit Policy. Lines of credit are renewed during this internal process on a yearly basis.

All sales are automatically controlled by a credit verification system, which has been configured to block any orders from clients who are delinquent in a given percentage of a debt and/or from clients whose line of credit, as of the time of the product's shipping, has been exceeded or is overdue.

In order to minimize the credit risk for term or Open Account sales, it is Arauco's policy to take out insurance to cover the export sales of companies Celulosa Arauco y Constitución S.A., Maderas Arauco S.A., Forestal Arauco S.A., Arauco Argentina S.A., and Arauco do Brasil S.A., as well as the domestic sales of Arauco Europe Coöperatief U.A., Arauco Argentina S.A., Araucomex S.A. de C.V., Arauco Industria de México, S.A. de C.V., Arauco Colombia S.A., Arauco Peru S.A., Arauco North America, Inc., Arauco Canada Ltd., Celulosa Arauco y Constitución S.A., Maderas Arauco S.A., Arauco Florestal Arapoti S.A., Arauco Forest Brasil S.A., Arauco do Brasil S.A. and Arauco Industria de Paineis S.A. Arauco works with credit insurance company Allianz Trade For Multinationals (Aa3 rating, as per risk rating companies Moody's).

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As another way of minimizing risk and supporting a line of credit approved by the Credit Committee, Arauco holds guarantees such as mortgages, pledges, Standby letters of credit, bank performance bonds, checks, promissory notes, borrowings or any other that could be required under the laws of each country. The total amount held in guarantees amounts to ThU.S.\$ 107,336, effective as of December 31, 2022, as summarized in the following chart. The procedure for guarantees is regulated by Arauco's Policy on Guarantees, whose purpose is to control their accounting, due date and custody.

#### **Guarantees Arauco group (ThU.S.\$)**

##### **Guarantees debtors (received from clients)**

Certificate of deposits	6,665	6.2%
Standby	19,489	18.2%
Promissory notes	72,975	68.0%
Finance	3,046	2.8%
Mortgage	1,433	1.3%
Pledge	632	0.6%
Loan agreement	3,097	2.9%
<b>Total guarantees</b>	<b>107,336</b>	<b>100.0%</b>

The maximum exposure to credit risk is limited to the value at amortized cost of the Debtors' account for sales registered as of the date of this report, minus the percentage of sales insured by the aforementioned credit insurance companies and the guarantees granted in favor of Arauco.

In summary, the open account debt covered by the various insurance policies and guarantees amounts to 98.8% and, therefore, Arauco's portfolio exposure amounts to 1.2%.

<b>Secured open accounts receivable</b>	<b>ThU.S.\$</b>	<b>%</b>
<b>Total open accounts receivable</b>	<b>441,034</b>	<b>100.00%</b>
Secured receivables (*)	435,794	98.81%
Unsecured receivables	5,240	1.19%

(\*) Insured debt is deemed to be the portion of accounts receivable that is covered by a credit company or by guarantees such as standby letters of credit, mortgages, performance bonds, among others.

#### **Investment Policy:**

Arauco has an Investment Policy which identifies and limits the financial instruments and the entities into which the Arauco companies, in particular Celulosa Arauco y Constitucion S.A., are authorized to invest. The Company's Treasury Department is centralized with operations in Chile. The Head Office is responsible for carrying out investments, cash flow surplus investments, and short and long-term debt subscriptions. Exceptions to this rule apply to short and long-term debt, and will be for specific investments made through other companies where authorization is required from the Chief Financial Officer.

For financial instruments, the only permitted investments are fixed income investments with adequate liquidity. Each instrument has defined classifications and limits, depending on duration and type of issuer.

Regarding intermediaries (such as banks, securities brokers and dealers of mutual funds that are bank affiliates), a scoring methodology is used to determine the relative degree of risk of each intermediary based on their financial position and assign score points that result in a credit risk rating to each intermediary. Arauco uses this scoring system to determine its investment limits for each intermediary.

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The required information to evaluate the various criteria are obtained from published financial statements from the banks under evaluation and from the credit risk ratings of short and long-term debt securities obtained from rating agencies authorized by the Superintendence of Banks and Financial Institutions (Fitch Ratings Chile, Humphreys and Feller Rate).

Any necessary exceptions regarding investment limits in each particular instrument or entity must have the authorization from Arauco's Chief Financial Officer.

#### **23.10.2 Type of Risk: Liquidity Risk**

##### **Description**

This risk corresponds to Arauco's ability to fulfill its financial obligations upon maturity.

##### **Explanation of Liquidity Risk Exposure and How This Risk Arises**

Arauco's exposure to liquidity risk is mainly from its obligations to bondholders, banks and financial institutions, creditors and other payables. Liquidity risk may arise if Arauco is unable to meet the net cash flow requirements, which sustain its operations under both normal and exceptional circumstances.

##### **Explanation of Objectives, Policies and Processes for Risk Management, and Measurement Methods**

The Corporate Financial Management Division monitors on an ongoing basis the Company's cash flow forecasts based on short and long-term forecasts and available financing alternatives. In order to manage the risk level of financial assets, Arauco follows its investment policy.

The following tables detail Arauco's liquidity analysis for its financial liabilities as of December 31, 2022 and 2021. The tables have been drawn up based on the contractual undiscounted cash outflows and their remaining contractual maturities.

December 31, 2022		Maturity								Total				
Tax ID	Name	Curre ncy	Bank borr owing	Up to 3 mont hs	3 to 12 mont hs	1 to 2 s	2 to 3 s	3 to 4 s	4 to 5 s	More than 5 years	Curr ent	curr ent	Effic acy	Nomi nal
				S.\$	S.\$	S.\$	S.\$	S.\$	S.\$	\$	S.\$	S.\$	rate	rate
93.458.000-1	Celulosa Arauco y Constitució n S.A.	Euros	BNP paribas / ECA	-	71,00	66,74	66,04	65,38	64,71	127,42	71,00	390,298	1.10%	1.06%
93.458.000-1	Celulosa Arauco y Constitució n S.A.	U.S. dollar	Banco de Chile	60,259	-	-	-	-	-	-	60,259	-	5.17%	5.17%
-	Zona Franca Punta Pereira S.A.	U.S. dollar	Banco Interameri cano de Desarrollo A	1,138	1,074	-	-	-	-	-	2,212	-	5.89%	libor 6m
	Zona Franca Punta Pereira S.A.	U.S. dollar	Banco BBVA	5,122	-	-	-	-	-	-	5,122	-	4.95%	4.95%
	Celulosa y Energia Punta Pereira S.A.	U.S. dollar	Banco Interameri cano de Desarrollo A	4,512	4,300	-	-	-	-	-	8,812	-	5.89%	libor 6m
	Celulosa y Energia Punta Pereira S.A.	U.S. dollar	Finnish Export Credit	24,459	-	-	-	-	-	-	24,459	-	3.20%	3.20%
-	Eufores S.A.	U.S. dollar	Banco del Uruguay	27,688	-	-	-	-	-	-	27,688	-	1.40%	1.40%
	Stora Enso Uruguay S.A.	U.S. dollar	Banco del Uruguay	2,517	-	-	-	-	-	-	2,517	-	1.40%	1.40%
-	Zona Franca Punta	U.S. dollar	Banco Repù blica Oriental	7,551	-	-	-	-	-	-	7,551	-	1.40%	1.40%

Pereira S.A.	del Uruguay													
Eufores - S.A.	U.S. dollar	Banco Itaú	15,3 - 82	-	-	-	-	-	15,3 - 82	-	5.17%	5.16 5%	Fixe d	
Eufores - S.A.	U.S. dollar	Santander	21,3 - 82	-	-	-	-	-	21,3 - 82	-	5.12%	5.12 %	Fixe d	
Arauco Forest - Brasil S.A.	Brazilian real	Banco Safra S.A.	2,82 6	2,83 0	5,58 6	17,9 83	16,0 81	14,1 94		5,65 - 6	53,8 44	15,3 0%	1,65 %	CDI +
Mahal Empreendi mentos e Participaçõ - es S.A.	Brazilian real	Banco Safra S.A.	4,20 - 9	13,4 63	12,0 29	10,6 28			4,20 - 9	36,1 20	15,2 0%	1,55 %	CDI +	
Arauco North America, - Inc.	U.S. dollar	Banco Itau Corpbanca Branch	45,7 - 60	217, 247					45,7 - 60	217, 247		1,65 %	libor 6m	
		Total	<u>93,1</u> <u>94</u>	<u>208,</u> <u>815</u>	<u>303,</u> <u>039</u>	<u>96,0</u> <u>52</u>	<u>92,0</u> <u>89</u>	<u>78,9</u> <u>05</u>	<u>127,4</u> <u>24</u>	<u>302,</u> <u>009</u>	<u>697,</u> <u>509</u>			

December 31, 2022		Maturity								Total			
Tax ID	Name	Up to 3 mont	3 to 12 mont	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Non Current Effect				
		Curren cy	Bond	ThU.	ThU.	ThU.	ThU.	ThU.	ThU.	ThU.	ThU.S.	ThU.S.	Nomi nal rate
93.458. 000-1	Celulosa Arauco y Constitu ción S.A.	Bara U.F.	Bara u-F	23,9 - 34	23,1 49	22,3 65	21,5 81	20,7 97	39,243	23,9 34	127,13 5	4.25%	4.25%
93.458. 000-1	Celulosa Arauco y Constitu ción S.A.	Bara U.F.	Bara u-F	9,57 - 3	9,26 0	8,94 6	8,63 3	8,31 9	15,697	9,57 3	50,855	4.24%	4.25%
93.458. 000-1	Celulosa Arauco y Constitu ción S.A.	Bara U.F.	Bara u-P	25,8 - 40	25,1 02	24,3 64	23,6 25	22,8 87	103,35 9	25,8 40	199,33 7	3.95%	4.00%
93.458. 000-1	Celulosa Arauco	Bara U.F.	Bara u-R	7,31 - 7	7,31 7	7,31 7	7,31 7	7,31 7	259,93 1	7,31 7	289,19 9	3.56%	3.60%

	y Constitu ción S.A.												
93.458.000-1	Celulosa Arauco y Constitu ción S.A.	U.F.	Bara u-S	-	4,89 2	4,89 2	4,89 2	209, 947	-	-	4,89 2	219,73 1	2.43% 2.40%
93.458.000-1	Celulosa Arauco y Constitu ción S.A.	U.F.	Bara u-W	-	2,57 0	2,57 0	2,57 0	2,57 0	2,57 0	125,60 3	2,57 0	135,88 3	2.11% 2.10%
93.458.000-1	Celulosa Arauco y Constitu ción S.A.	U.F.	Bara u-X	-	6,05 0	6,05 0	6,05 0	6,05 0	6,05 0	322,35 3	6,05 0	346,55 3	2.68% 2.70%
93.458.000-1	Celulosa Arauco y Constitu ción S.A.	U.S. dollar	kee 2024	11,2 50	11,2 50	522, 500				22,5 00	522,50 0		4.51% 4.50%
93.458.000-1	Celulosa Arauco y Constitu ción S.A.	U.S. dollar	kee 2027	-	19,3 75	19,3 75	19,3 75	19,3 75	509, 688		19,3 75	567,81 3	3.89% 3.88%
93.458.000-1	Celulosa Arauco y Constitu ción S.A.	U.S. dollar	kee 2047	-	22,0 00	22,0 00	22,0 00	22,0 00	22,0 00	840,00 0	22,0 00	928,00 0	5.50% 5.50%
93.458.000-1	Celulosa Arauco y Constitu ción S.A.	U.S. dollar	kee 2029	-	21,2 50	21,2 50	21,2 50	21,2 50	21,2 50	531,87 5	21,2 50	616,87 5	4.26% 4.25%
93.458.000-1	Celulosa Arauco y Constitu ción S.A.	U.S. dollar	kee 2049	-	27,5 00	27,5 00	27,5 00	27,5 00	27,5 00	1,091, 250	27,5 00	1,201, 250	5.50% 5.50%
93.458.000-1	Celulosa Arauco y Constitu ción S.A.	U.S. dollar	kee 2030	10,5 00	10,5 00	21,0 00	21,0 00	21,0 00	552,50 0	21,0 00	636,50 0	4.20% 4.20%	

ción												
S.A.												
Celulosa												
Arauco												
y												
Constitu												
93.458. ción	U.S.	kee	12,8	12,8	25,7	25,7	25,7	25,7	1,079,	25,7	1,182,	
000-1 S.A.	dollar	2050	75	75	50	50	50	50	375	50	375	5.16%
		Tota	34,6	204,	737,	213,	416,	695,	4,961,	239,	7,024,	5.15%
		l	25	926	715	379	598	128	186	551	006	
			<u>=====</u>									

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December 31, 2022			Maturity								Total							
Tax ID	Name	Currency	Up to 3 months		3 to 12 months		1 to 2 years		2 to 3 years		3 to 4 years		4 to 5 years		More than 5 years		Current Curre	Current Non
			Underlying asset	Current asset class	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.	ThU.S.		
85.805.2	Forestal		Motor vehicles		421	639	571	433	268	4	-	1,060	1,276					
00-9 Arauco S.A.	U.F.																	
85.805.2	Forestal		Lands		282	-	282	282	282	282	4,654	282	5,782					
00-9 Arauco S.A.	U.F.																	
85.805.2	Forestal		Lands		60	180	240	240	240	240	240	240	240	240	240	240	1,200	
00-9 Arauco S.A.	U.S. dollar		Plants and equipment															
85.805.2	Forestal		Other property, plant and equipment		242	-	-	-	-	-	-	-	-	242	-			
00-9 Arauco S.A.	U.F.																	
85.805.2	Forestal		Other property, plant and equipment		96	289	268	209	640	-	-	-	385	1,117				
00-9 Arauco S.A.	U.F.		Other property,															
85.805.2	Forestal		Chilean plant and equipment		97	169	120	120	354	-	-	266	594					
00-9 Arauco S.A.	pesos		Buildings and constructions															
Arauco Argentina - S.A.	U.S. dollar				116	345	460	38	-	-	-	461	498					
Arauco Argentina - S.A.	U.S. dollar		IT equipment		6	10	-	-	-	-	-	16	-					
Arauco Argentina - S.A.	U.S. dollar		Plants and equipment		251	752	668	-	-	-	-	1,003	668					
Arauco Argentina - S.A.	U.S. dollar		Motor vehicles		429	1,161	750	-	-	-	-	1,590	750					



Celulosa Arauco y		Buildings and constructions									
93.458.0 Constitucion			1,27				1,69				
00-1 S.A.	U.F.		424	3	1,697	1,697	7	1,697	1,698	1,697	8,486
Celulosa Arauco y											
93.458.0 Constitucion		Motor vehicles	139	174	142	88	27	-	-	313	257
Celulosa Arauco y		Buildings and									
93.458.0 Constitucion	Chilean pesos	constructi ons	15	-	-	-	-	-	-	15	-
Celulosa Arauco y		Plants and equipment									
93.458.0 Constitucion	U.S. dollar	s	999	2,99	4,011	4,026	4,04	4,055	60,52	76,65	8
Celulosa Arauco y		Motor vehicles	2,866	2,95						5,819	-
Arauco North America, Inc.	U.S. dollar	Buildings and constructi ons	336	852	1,020	1,131	1,16	499	429	1,188	4,241
Arauco North America, Inc.	U.S. dollar	Motor vehicles	173	540	593	244	52	4	-	713	893
Arauco Canada - Limited	Canadian dollar	Motor vehicles	4	23	-	-	-	-	-	27	-
Celulosa y Energía Punta Pereira S.A.	U.S. dollar	Plants and equipment	239	719	800	641	641	641	7,332	958	10,055
Eufores S.A.	U.S. dollar	Lands	975	2,92	6,808	6,306	5,86	5,373	38,05	3,901	62,400
Eufores S.A.	U.S. dollar	Plants and equipment	306	917	1,222	1,222	1,22	1,222	-	1,223	4,888
Eufores S.A.	U.S. dollar	Buildings and constructi ons	70	88	49	-	-	-	-	158	49
96.510.9 Maderas 70-6 Arauco S.A.	Chilean pesos	Motor vehicles	1,400	3,45	1	-	-	-	-	-	4,851
96.510.9 Maderas 70-6 Arauco S.A.	U.F.	Motor vehicles	63	42	28	6	3	-	-	105	37
Arauco Europe Cooperatief - U.A.	Euros	Motor vehicles	7	18	19	12	2	-	-	25	33
Arauco Europe Cooperatief - U.A.	Euros	Buildings and constructi ons	18	54	72	18	-	-	-	72	90

		Buildings and										
Araucomex	Mexica	constructi		1,12								
- S.A. de C.V.	n pesos	ons	456	6	1,620	-	-	-	-	-	1,582	1,620
		Buildings and										
Araucomex	U.S.	constructi										
- S.A. de C.V.	dollar	ons	29	68	-	-	-	-	-	-	97	-
Arauco												
Industria de												
México, S.A.	Mexica	Motor										
- de C.V.	n pesos	vehicles	17	53	76	26	11	-	-	-	70	113
Arauco												
Industria de		Plants and										
México, S.A.	U.S.	equipment										
- de C.V.	dollar	s	79	26	-	-	-	-	-	-	105	-
Arauco		Buildings										
Industria de		and										
México, S.A.	Mexica	constructi										
- de C.V.	n pesos	ons	13	9	-	-	-	-	-	-	22	-
Arauco												
Industria de												
México, S.A.	Mexica											
- de C.V.	n pesos	Lands	1	3	5	-	-	-	-	-	4	5
Arauco												
Industria de												
México, S.A.	Mexica	IT										
- de C.V.	n pesos	equipment	1	5	7	4	-	-	-	-	6	11
Araucomex												
Servicios S.A.	Mexica	Motor										
- de C.V.	n pesos	vehicles	6	17	26	17	3	-	-	-	23	46
Servicios												
96.637.3 Logisticos		Motor										
30-K Arauco S.A.	U.F.	vehicles	16	-	-	-	-	-	-	-	16	-
Investigacion												
79.990.5 es	Forestales	Motor										
50-7 Bioforest S.A.	U.F.	vehicles	9	12	5	-	-	-	-	-	21	5
			<u>13,19</u>	<u>32,9</u>	<u>33,45</u>	<u>28,25</u>	<u>27,4</u>	<u>24,09</u>	<u>181,8</u>	<u>46,17</u>	<u>295,1</u>	
		Total	<u><u>3</u></u>	<u><u>81</u></u>	<u><u>9</u></u>	<u><u>9</u></u>	<u><u>50</u></u>	<u><u>2</u></u>	<u><u>87</u></u>	<u><u>4</u></u>	<u><u>47</u></u>	

As part of the policy of Arauco, it considers compliance with all accounts payable, whether with related (see Note 13) or third parties, within a period not exceeding 30 days.

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December 31, 2021	Maturity										Total	
	Up	3 to	More than					Non	Curr	curre	Effect	
	to 3	12	1 to 2	2 to 3	3 to 4	4 to 5	5		ent	nt	ive	nal
Bank	hs	hs	years	years	years	years	years		ent	nt	ive	nal

Tax ID	Name	Curre	borrowin	ThU.	ThU.	ThU.	rate	rate						
		ncy	gs	S.\$	S.\$	S.\$								
93.458. 000-1	Celulosa Arauco y Constituci�n S.A.	Euros	BNP Paribas ECA	/	74,57	73,840	73,129	72,358	71,631	210,478	74,577	501,436	1.10%	1.06%
-	Zona Franca		Banco Interamer											Liber 6M
-	Punta Pereira - S.A.	U.S. dollars o A	Desarroll	1,089	1,078	2,121					2,167	2,121		+2.05%
-	Zona Franca		Banco BBVA		18,340						18,340			Fixe d 1.00%
-	Celulosa y Energia		Banco Interamer											Liber 6M
-	Punta Pereira - S.A.	U.S. dollars o A	Desarroll	4,406	4,359	8,579					8,765	8,579		+2.05%
-	Celulosa y Energia		Finnish											
-	Punta Pereira - S.A.	U.S. dollars Credit	Export	24,827	24,442	24,065					49,269	24,065	3.20%	3.20%
-	Celulosa y Energia													
-	Punta Pereira - S.A.	U.S. dollars DnB Nor		136	102	102					238	102	0.00%	0.00%
-	Eufores - S.A.	U.S. dollars Uruguay	Banco Rep�blica Oriental		26,532						26,532		1.40%	1.4%
-	Stora Enso Uruguay - S.A.	U.S. dollars Uruguay	Banco Rep�blica Oriental								554		1.40%	1.4%
-	Eufores - S.A.	U.S. dollars Citibank		2,512							2,512		1.00%	1.00%
-	Eufores - S.A.	U.S. dollars ITAU		12,562							12,562		1.00%	1.00%
-	Eufores - S.A.	U.S. dollars k	Scotiabank	5,025							5,025		1.00%	1.00%

Eufores - S.A.	U.S. dollars Santander		27,1							27,1			1.00%	1.00%
Arauco Florestal	Banco													
Arapoti - S.A.	Brazilian real m	-	35	-	-	-	-	-	-	35	-	-		
Arauco Forest	Banco												5.00%	5.00%
- Brasil S.A.	Brazilian real m	-	226	-	-	-	-	-	-	226	-	-		
Arauco Forest	Banco												TJL P	
- Brasil S.A.	Bndes												+2.9	
Arauco Forest	Brazilian Subcrédit													
- Brasil S.A.	Brazilian real o A	32	62	-	-	-	-	-	-	94	-	-	8.23%	1%
Arauco Forest	Banco												TJL P	
- Brasil S.A.	Bndes												+3.9	
Arauco Forest	Brazilian Subcrédit													
- Brasil S.A.	Brazilian real o B	19	37	-	-	-	-	-	-	56	-	-	9.23%	1%
Arauco Forest	Banco												Cesta	
- Brasil S.A.	Bndes												+2.9	
Arauco Forest	U.S. Subcrédit													
- Brasil S.A.	dollars o C	38	86	-	-	-	-	-	-	124	-	-	5.72%	1%
Arauco Forest	Banco												TJL P	
- Brasil S.A.	Bndes												+5.1	
Arauco Forest	Brazilian Subcrédit													
- Brasil S.A.	Brazilian real o D	22	42	-	-	-	-	-	-	64	-	-	10.4	3% 1%
Mahal Emprendimientos e														
participaçõ es S.A.	Brazilian Banco		2,77	2,80	11,5	10,5	9,65			2,77	34,5	10.7	+1.5	
	Brazilian Safra S.A.	-	6	0	40	87	5			6	82	0%	5%	
Arauco North America, Inc.	Banco Itau Corpbanca												Liberar 6M	
	U.S. a - NY	35,2	34,6	212,						35,2	246,		+1.6	
	dollars Branch	-	93	88	123	-	-	-	-	93	811	1.99%	5%	
		30,5	235,	146,	296,	82,9	81,2	210,	266,	817,				
	Total	69	941	195	792	45	86	478	510	696				

December 31, 2021		Maturity								Total							
Tax ID	Name	Up to 3 months		3 to 12 months		1 to 2 years		2 to 3 years		3 to 4 years		4 to 5 years		More than 5 years	Currency	Current Effect	Nominal
		Currency	Bonds	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	
		Celulos	a	Arauco													
93.458.000-1	y Constitu	Bara U.F.		22,11	21,41	20,71	20,00	19,30	53,71	22,11	135,1						
			-	3	2	0	9	8	4	3	53	4,25%	4,25%				

			ción											
			S.A.											
			Celulos											
			a											
			Arauco											
			y											
			Constitu											
93.458.	ción		Bara							21,48		54,06		
000-1	S.A.	U.F.	u-F	-	8,845	8,565	8,284	8,004	7,723	6	8,845	2	4.25%	4.25%
			Celulos											
			a											
			Arauco											
			y											
			Constitu											
93.458.	ción		Bara		23,77	23,11	22,45	21,79	21,13	112,9	23,77	201,4		
000-1	S.A.	U.F.	u-P	-	8	8	7	7	6	45	8	53	4.00%	4.00%
			Celulos											
			a											
			Arauco											
			y											
			Constitu											
93.458.	ción		Bara							239,0		265,2		
000-1	S.A.	U.F.	u-R	-	6,546	6,546	6,546	6,546	6,546	90	6,546	74	3.60%	3.60%
			Celulos											
			a											
			Arauco											
			y											
			Constitu											
93.458.	ción		Bara							187,8		200,9		
000-1	S.A.	U.F.	u-S	-	4,377	4,377	4,377	4,377	27	-	4,377	58	2.40%	2.40%
			Celulos											
			a											
			Arauco											
			y											
			Constitu											
93.458.	ción		Bara							114,6		123,8		
000-1	S.A.	U.F.	u-W	-	2,299	2,299	2,299	2,299	2,299	69	2,299	65	2.10%	2.10%
			Celulos											
			a											
			Arauco											
			y											
			Constitu											
93.458.	ción		Bara							293,8		315,4		
000-1	S.A.	U.F.	u-X	-	5,412	5,412	5,412	5,412	5,412	02	5,412	50	2.70%	2.70%
			Celulos											
			a											
			Arauco											
			y											
			Constitu											
			Yan											
93.458.	ción	U.S.	kee	11,25	11,25	22,50	522,5			22,50		545,0		
000-1	S.A.	dollars	2024	0	0	0	00	-	-	-	0	00	4.50%	4.50%
			Celulos											
			Yan											
93.458.	a	U.S.	kee		19,37	19,37	19,37	19,37	19,37	509,6	19,37	587,1		
000-1	Arauco	dollars	2027	-	5	5	5	5	5	88	5	88	3.88%	3.88%

93.458.	ción	U.S.	kee	22,00	22,00	22,00	22,00	22,00	862,0	22,00	950,0	5.50%	5.50%
000-1	S.A.	dollars	2047	-	0	0	0	0	0	0	0	0	0
Celulos a Arauco y Constitu			Yan										
93.458.	ción	U.S.	kee	21,25	21,25	21,25	21,25	21,25	553,1	21,25	638,1	4.25%	4.25%
000-1	S.A.	dollars	2029	-	0	0	0	0	25	0	25	0	0
Celulos a Arauco y Constitu			Yan										
93.458.	ción	U.S.	kee	27,50	27,50	27,50	27,50	27,50	1,118,	27,50	1,228,	5.50%	5.50%
000-1	S.A.	dollars	2049	-	0	0	0	0	750	0	750	0	0
Celulos a Arauco y Constitu			Yan										
93.458.	ción	U.S.	kee	10,50	10,50	21,00	21,00	21,00	573,5	21,00	657,5	4.20%	4.20%
000-1	S.A.	dollars	2030	0	0	0	0	0	0	0	0	0	0
Celulos a Arauco y Constitu			Yan										
93.458.	ción	U.S.	kee	12,87	12,87	25,75	25,75	25,75	1,105,	25,75	1,208,	5.15%	5.15%
000-1	S.A.	dollars	2050	5	5	0	0	0	125	0	125	0	0
Tota				34,62	198,1	231,1	729,4	205,3	387,1	5,557,	232,7	7,110,	
1				5	20	04	60	19	26	894	45	903	

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	Arapoti S.A.										
-	Arauco do Brazili	Buildings and									
-	Brasil S.A. an real	constructions	49	199	143	49	-	-	-	248	192
-	Arauco do Brazili										
-	Brasil S.A. an real	IT equipment	23	73	31	13	-	-	-	96	44
-	Arauco do Brazili										
-	Brasil S.A. an real	Motor vehicles	94	221	-	-	-	-	-	315	-
	Celulosa										
	Arauco y										
93.458.0	Constitucio	Buildings and									
00-1	n S.A. U.F.	constructions	389	1,13 9	1,51 8	1,51 8	1,51 8	1,51 8	3,03 6	1,52 8	9,108
	Celulosa										
	Arauco y										
93.458.0	Constitucio										
00-1	n S.A. U.F.	Motor vehicles	146	395	280	127	79	24	-	541	510
	Celulosa										
	Arauco y										
93.458.0	Constitucio Chilea	Buildings and									
00-1	n S.A. n pesos	constructions	15	46	15	-	-	-	-	61	15
	Celulosa										
	Arauco y										
93.458.0	Constitucio Chilea										
00-1	n S.A. n pesos	Motor vehicles	4,25 5	12,7 64	5,89 6	-	-	-	-	17,0 19	5,896
	Celulosa										
	Arauco y										
93.458.0	Constitucio U.S.										
00-1	n S.A. dollars	Motor vehicles	31	-	-	-	-	-	-	31	-
	Arauco										
	North										
-	America, Inc.	U.S. Buildings and									
	dollars constructions	271	864	1,19 4	1,32 5	1,46 8	1,31 8	1,77 5	1,13 5	7,080	
	Arauco										
	North America, Inc.	U.S.									
	dollars Motor vehicles	40	204	128	113	-	-	-	-	244	241
	Arauco	Canadi									
	Canada Limited	an Buildings and									
	dollars constructions	9	-	-	-	-	-	-	-	9	-
	Arauco	Canadi									
	Canada Limited	an									
	dollars Motor vehicles	14	43	86	33	-	-	-	-	57	119
	Celulosa y										
	Energía										
	Punta										
-	Pereira S.A.	U.S. Plants and									
	dollars equipment	148	445	593	593	593	593	7	593	9,519	
	Eufores S.A.	U.S.	1,07	3,21	6,32	5,99	5,55	5,15	35,7	4,28	58,80
	dollars Lands	0	1	1	9	9	5	66	1	0	
	Eufores S.A.	U.S. Plants and									
	dollars equipment	306	917	3	3	2	2	1	3	6,111	
	Eufores S.A.	U.S. Buildings and									
	dollars constructions	70	210	158	49	-	-	-	-	280	207

	Maderas											
96.510.9	Arauco	Chilea	2,79	7,92	4,91	-	-	-	-	10,7	20	4,915
70-6	S.A.	n pesos Motor vehicles	5	5	5	-	-	-	-	20		
	Maderas											
96.510.9	Arauco											
70-6	S.A.	U.F. Motor vehicles	85	224	94	25	5	2	-	309	126	
	Arauco											
Colombia	U.S. Buildings and											
S.A.	dollars constructions	6	45	-	-	-	-	-	-	51	-	
	Arauco											
Europe												
Cooperatie												
- f U.A.	Euros Motor vehicles	5	16	19	12	3	-	-	-	21	34	
	Arauco											
Europe												
Cooperatie	Buildings and											
- f U.A.	Euros constructions	37	56	77	66	-	-	-	-	93	143	
	Araucomex											
S.A.	de Mexica Buildings and											
- C.V.	n pesos constructions	321	3	4	6	-	-	-	-	4	2,210	
	Araucomex											
S.A.	de U.S. Buildings and											
- C.V.	dollars constructions	27	84	97	-	-	-	-	-	111	97	
	Arauco											
Industria de												
México,												
S.A.	de U.S. Plants and											
- C.V.	dollars equipment	98	33	-	-	-	-	-	-	131	-	
	Arauco											
Industria de												
México,												
S.A.	de Mexica											
- C.V.	n pesos Motor vehicles	11	39	50	54	8				50	112	
	Arauco											
Industria de												
México,												
S.A.	de Mexica											
- C.V.	n pesos Lands	1	3	4	4	-	-	-	-	4	8	
	Araucomex											
Servicios												
S.A.	de Mexica											
- C.V.	n pesos Motor vehicles	-	-	15	16	16	7	-	-	-	54	
	Araucomex											
Servicios												
S.A.	de Mexica Buildings and											
C.V.	n pesos constructions	-	1	105	79	86	28	-	-	1	298	
	Servicios											
Logisticos												
96.637.3	Arauco											
30-K	S.A.	U.F. Motor vehicles	17	46	15	-	-	-	-	63	15	
	Investigaci											
79.990.5	ones											
50-7	Forestales	U.F. Motor vehicles	8	25	19	5	-	-	-	33	24	

Bioforest S.A.	<b>14,6</b>	<b>40,0</b>	<b>32,6</b>	<b>19,0</b>	<b>15,6</b>	<b>15,4</b>	<b>52,1</b>	<b>54,7</b>	<b>134,9</b>
Total	<b>54</b>	<b>76</b>	<b>11</b>	<b>99</b>	<b>32</b>	<b>26</b>	<b>97</b>	<b>30</b>	<b>65</b>

As part of the policy of Arauco, it considers compliance with all accounts payable, whether with related (see Note 13) or third parties, within a period not exceeding 30 days.

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Regarding the Libor rate and its discontinuity, at the end of December 2022 Arauco maintains 4.58% of its total debt at said rate and it is not estimated that the effect of its elimination will be material. Additionally, Arauco maintains interest rate derivatives for 99.13% of its Libor rate based debt. The credits set at the Libor rate that Arauco maintains at the closing date of these financial statements generally include provisions that allow the rate to be modified in the event of situations such as that given by the discontinuation of Libor rates. In the case of credits that do not have mechanisms of this type, Arauco is currently finalizing negotiations in order to agree on a replacement rate.

As of December 31, 2022, it is estimated that this change will not have a significant impact on Arauco's results.

### Guarantees

As of the date of these consolidated financial statements, Arauco has financial assets of approximately MU.S.\$ 20 that have been pledged to third parties (beneficiaries), as direct guarantee. If Arauco does not fulfill its obligations, the guarantors could execute the guarantees.

As of December 31, 2022, the total assets pledged as an indirect guarantee were MU.S.\$ 341. In contrast to direct guarantees, indirect guarantees are given to secure obligations assumed by a third party.

On September 29, 2011, Arauco entered into a Security Agreement under which it granted a non-joint guarantee limited to 50% of the obligations of the Uruguayan companies (joint ventures) Celulosa y Energía Punta Pereira S.A. and Zona Franca Punta Pereira S.A., under the IDB Facility Agreement in the amount of up to MU.S.\$ 454 and the Finnevera Guaranteed Facility Agreement in the amount of up to MU.S.\$ 900.

Direct and indirect guarantees granted by Arauco:

### DIRECT

Subsidiary	Guarantee	Assets pledged	Currency	ThU.S.\$	Guarantor
Celulosa Arauco y Constitución S.A.	Guarantee letter	- Chilean pesos		817	Directorate General of Maritime Territory and Merchant Marine
Celulosa Arauco y Constitución S.A.	Guarantee letter	- Chilean pesos		373	Railways Ministry of Public Works (MOP)
Celulosa Arauco y Constitución S.A.	Guarantee letter	- Chilean pesos		2,453	Illustrious municipality of Arauco
Celulosa Arauco y Constitución S.A.	Guarantee letter	- Chilean pesos		582	Sociedad Concesionaria
				15,657	

		Autopista Costa Arauco S.A.
	<b>Total</b>	<b>19,882</b>

## INDIRECT

Subsidiary	Guarantee	Assets pledged	Currency	ThU.S.\$	Guarantor
Celulosa Arauco y Constitución S.A.	Suretyship supportive and cumulative	-	U.S. dollar	34,211	Joint Ventures (Uruguay)
Celulosa Arauco y Constitución S.A.	Full Guarantee	-	U.S. dollar	240,000	Arauco North America, Inc.
Arauco do Brasil S.A.	Endorsement of Arauco Forest Brasil S.A.	-	Brazilian real	38,332	Bank Safra S.A.
Arauco do Brasil S.A.	Endorsement of Mahal Empreendimentos e Participações S.A.	-	Brazilian real	28,748	Bank Safra S.A.
		<b>Total</b>		<b>341,291</b>	

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### 23.10.3 Type of Risk: Market Risk – Exchange Rate

#### Description

Market risk arises from the probability of being affected by losses from fluctuations in currencies exchange rates in which assets and liabilities are denominated, in a functional currency other than the functional currency of Arauco.

#### Explanation of Currency Risk Exposure and How This Risk Arises

Arauco is exposed to the foreign currency risk from currency fluctuations arising from sales, purchases and obligations undertaken in foreign currencies, such as the Chilean peso, Euro, Brazilian Real or other foreign currencies. In the case of significant exchange rate variations, the Chilean peso is the currency that represents the main currency risk. See Note 11 for details assets and liabilities classified by currency.

#### Explanation of Risk Management Objectives, Policies and Processes, and Measurement Methods

Arauco performs sensitivity analyses to measure the effect of this variable on equity and net result.

Sensitivity analysis considers a variation of +/- 10% of the exchange rate over the Chilean peso. This fluctuation range is considered possible given current market conditions as of the date of these financial statements. With all other variables at a constant rate, a U.S. dollar exchange rate variation of +/- 10% in relation to the Chilean peso would mean a change in the net income year after tax +/- 0.32% (equivalent to ThU.S.\$ +/- 2,283), and +/- 0.02% of equity (equivalent to ThU.S.\$ +/- 1,370).

Additionally, a sensitivity analysis is carried out assuming a variation of +/- 10% in the closing exchange rate on the Brazilian Real, which is considered a possible range of fluctuation given the market conditions as of the date of these financial statements. With all the other variables constant, a variation of +/- 10% in the exchange rate of the dollar on

the Brazilian Real would mean a variation on the net income after tax +/- 0.81% (equivalent to ThU.S.\$-/\$ 5,735) and a change on the equity of +/- 1.30% (equivalent to ThU.S. -/\$ 107,595).

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#### **23.10.4 Type of Risk: Market Risk – Interest rate risk**

##### **Description**

Interest rate risk refers to the sensitivity of the value of financial assets and liabilities in terms of interest rate fluctuations.

##### **Explanation of Interest Rate Risk Exposure and How This Risk Arises**

Arauco is exposed to risks due to interest rate fluctuations for bonds issued, bank borrowings and financial instruments that bear interest at a variable rate.

##### **Explanation of Risk Management Objectives, Policies and Processes, and Measurement Methods**

Arauco completes its risk analysis by reviewing its exposure to changes in interest rates. As of December 31, 2022, 1.4% our financial debt accrues interest at variable rates. A change of +/- 10% in the interest rate is considered a possible range of fluctuation. Such market conditions would affect the income after tax at rate of +/- 0.17% (equivalent to ThU.S.\$-/\$ 1,212) and +/- 0.009% (equivalent to ThU.S.\$-/\$ 727) on equity.

	December 2022	ThU.S.\$	Total
<b>Fixed rate</b>			
Bonds issued	5,637,820	98.6%	
Bank borrowings and others (*)	4,513,459		
Lease liabilities	860,137		
	264,224		
<b>Variable rate</b>	<b>80,540</b>	<b>1.4%</b>	
Bonds issued	-		
Bank borrowings	80,540		
<b>Total</b>	<b>5,718,360</b>	<b>100.0%</b>	

	December 2021	ThU.S.\$	Total
<b>Fixed rate</b>			
Bonds issued	5,532,662	99.1%	
Bank borrowings and others (*)	4,426,033		
Lease liabilities	943,325		
	163,304		
<b>Variable rate</b>	<b>48,631</b>	<b>0.9%</b>	
Bonds issued	-		
Bank borrowings	48,631		
<b>Total</b>	<b>5,581,293</b>	<b>100.0%</b>	

(\*) Includes variable rate bank borrowings changed by fixed rate swaps.

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### **23.10.5 Type of Risk: Market Risk – Price of Pulp Risks**

#### **Description**

Pulp prices are determined by world and regional market conditions. Prices fluctuate based on demand, production capacity, commercial strategies adopted by large-scale forestry companies, pulp and paper producers and by the availability of substitutes.

#### **Explanation of Price Risk Exposure and How This Risk Arises**

Pulp prices are reflected in revenue from sales and directly affect the net income for the period.

As of December 31, 2022, revenue due to pulp sales accounted for 42.1% of total sales. Pulp prices are fixed on a monthly basis in accordance with the market. Forward contracts or other financial instruments are not used for pulp sales.

#### **Explanation of Risk Management Objectives, Policies and Processes, and Measurement Methods**

This risk is approached in different ways. Arauco has a team of specialists who perform periodic market and competition analyses, providing tools to analyze and evaluate trends and adjust forecasts. Similarly, Arauco performs price financial sensitivity analysis in order to take the necessary safeguards to confront different scenarios in the best possible manner.

Sensitivity analysis considers a variation of +/- 10% in the average pulp price, a possible fluctuation range given current market conditions at the date of the closing balance. With all other variables constant, a variation of +/- 10% in the average pulp price would mean a variation of +/- 28.0% (equivalent to ThU.S.\$-/+ 196,856) on the income for the year after tax and +/- 1.4% (equivalent to ThU.S.\$ -/+ 118,114) on equity.

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### **NOTE 24. REPORTABLE SEGMENTS**

The main products that generate revenue for each reportable segment are described as follows:

#### **Pulp segment**

The main products sold by this reportable segment are long fiber bleached pulp (BSKP), short fiber bleached pulp (BHKP), long fiber raw pulp (UKP), pulp fluff and dissolving pulp (DP). Additionally, it manages a forest plantations in order to supply its production plants and, at the same time, to sell to the wood products segment or to third parties what it does not use (pruning, sawing, poles and chips). Finally, depending on the needs, it buys logs and chips from third parties which are consumed or sold to the wood products segment.

The Pulp reportable segment uses wood exclusively from pine and eucalyptus plantations for the production of different classes of wood cellulose or pulp. Bleached pulp is mainly used as raw material for producing printing and writing paper, as well as toilet paper and high-quality wrapping paper. Unbleached pulp is used to produce packing paper, filters, fiber cement products, dielectric paper and others. Fluff pulp is mainly used in the production of diapers and female hygiene products. On the other hand, dissolving pulp is used as raw material for the manufacture of different fabrics.

Arauco has seven plants, five in Chile, one in Argentina and one in Uruguay (50% property of Arauco) and they have a total production capacity of approximately 3.7 million tons per year. Pulp is sold in more than 42 countries, mainly in Asia and Europe.

## Wood products segment

The main products sold by this segment correspond to plywood, MDF (Medium Density Fiberboard), PB (chipboard), sawn wood of different dimensions and remanufactured products such as moldings, pre-cut pieces, finger joints, among others.

The Panels area produces a wide range of panel products and several kinds of moldings aimed at the furniture, decoration and construction industries. It consists of 20 industrial plants: 4 in Chile, 2 in Argentina, 4 in Brazil, 2 in Mexico, and 8 plants around USA and Canada. The Company has a total annual production capacity of 7.3 million cubic meters of PBO, MDF, plywood and moldings.

Through the joint venture Sonae Arauco, Arauco produces and sells wood panels, of the type of MDF, PB and OSB, and sawn timber, through the operation of 2 panel plants and one sawmill in Spain; 2 panel plants and one resin plant in Portugal; 3 panel plants in Germany and 2 panel plants in South Africa. In total, Sonae Arauco's production capacity is approximately 1.2 million m<sup>3</sup> of MDF, 2.4 million m<sup>3</sup> of PB, 460,000 m<sup>3</sup> of OSB and 70,000 m<sup>3</sup> of sawn timber.

Including Sonae Arauco at 50%, Arauco totalize a capacity of 4.2 million m<sup>3</sup> of MDF, 4.2 million m<sup>3</sup> of PB and 230,000 m<sup>3</sup> of OSB, 710,000 m<sup>3</sup> of Plywood and 3,100,000 m<sup>3</sup> of sawn timber.

The Sawn Timber area produces a wide range of wood and remanufactured products with different kinds of uses and appearances, which include a wide variety of uses in the furniture, packing, construction and refurbishing industries.

With 8 sawmills in operation (7 in Chile and 1 in Argentina), the Company has a production capacity of 3.0 million m<sup>3</sup> of sawn wood.

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Furthermore, the Company has 5 remanufacturing plants, 4 in Chile and 1 in Argentina. These plants reprocess sawn wood and produce high quality remanufactured products, such as finger joint and solid moldings as well as precut pieces.

Arauco has no customers representing 10% or more of its revenues.

Below, please find summarized information concerning the assets, liabilities and profits and losses at the end of each period, by segments. The profit (loss) of each segment informed takes into consideration that taxes and income and financial costs have not been allocated to the various segments, and are shown as part of the Corporate's segment:

Period ended December 31, 2022	Pulp ThU.S.\$	Wood products ThU.S.\$	Others ThU.S.\$	Corporate ThU.S.\$	Subtotal ThU.S.\$	Elimination ThU.S.\$	Total ThU.S.\$
Revenues from sales of goods	2,886,870	4,110,747	-	-	6,997,617		6,997,617
Revenues from rendering of services	103,771	1	681	-	104,453		104,453
<b>Revenues from ordinary activities</b>	<b>2,990,641</b>	<b>4,110,748</b>	<b>681</b>	<b>-</b>	<b>7,102,070</b>		<b>7,102,070</b>
Revenues from transactions with reportable segments	501,011	21,347	54,345	-	576,703	(576,703)	-
Finance income	-	-	-	72,116	72,116		72,116
Finance costs	-	-	-	(200,366)	(200,366)		(200,366)
<b>Net finance costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(128,250)</b>	<b>(128,250)</b>		<b>(128,250)</b>

Depreciation and amortizations	296,425	198,632	1,679	10,293	<b>507,029</b>	<b>507,029</b>
Other income	63,759	31,248	101	5,021	<b>100,129</b>	<b>100,129</b>
Other expenses	<b>299,469</b>	<b>50,311</b>	<b>9</b>	<b>24,100</b>	<b>373,889</b>	<b>373,889</b>

Share of profit (loss) of associates and joint ventures accounted for using equity method

Associates	2,180	-	-	4,889	<b>7,069</b>	<b>7,069</b>
Joint ventures	-	41,319	-	(14,704)	<b>26,615</b>	<b>26,615</b>
Income tax expense	-	-	-	(142,121)	<b>(142,121)</b>	<b>(142,121)</b>
<b>Profit (loss) of each reportable segment</b>	<b>320,201</b>	<b>900,134</b>	<b>(2,906)</b>	<b>(513,203)</b>	<b>704,226</b>	<b>704,226</b>

Geographical information on revenues

Revenue – Chilean entities	1,961,303	1,743,181	681	-	<b>3,705,165</b>	<b>3,705,165</b>
Revenue – Foreign entities	1,029,338	2,367,567	-	-	<b>3,396,905</b>	<b>3,396,905</b>
<b>Total revenues from ordinary activities</b>	<b>2,990,641</b>	<b>4,110,748</b>	<b>681</b>	<b>-</b>	<b>7,102,070</b>	<b>7,102,070</b>

Period ended December 31, 2022

	Wood						
	Pulp	products	Others	Corporate	Subtotal	Elimination	Total
	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$

Amounts of additions to non-current assets

Acquisition of property, plant and equipment and biological assets	1,462,801	109,664	475	5,262	<b>1,578,202</b>	-	<b>1,578,202</b>
Acquisition and contribution of investments in associates and joint venture	-	-	-	9,855	<b>9,855</b>	-	<b>9,855</b>

Period ended December 31, 2022

	Wood						
	Pulp	products	Others	Corporate	Subtotal	Elimination	Total
	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$	ThU.S.\$

Segment assets	13,094,867	2,959,042	18,291	1,256,321	<b>17,328,521</b>	<b>(148,413)</b>	<b>17,180,108</b>
Segment assets (excluding deferred tax assets)	13,094,867	2,959,042	18,291	1,247,310	<b>17,319,510</b>	<b>(148,413)</b>	<b>17,171,097</b>
Deferred tax assets				9,011	<b>9,011</b>		<b>9,011</b>

Investments accounted through equity method

Associates	36,489	-	-	64,332	<b>100,821</b>	<b>100,821</b>
Joint Ventures	-	203,443	-	61,407	<b>264,850</b>	<b>264,850</b>
Segment liabilities	1,049,313	438,864	22,237	7,409,710	<b>8,920,124</b>	<b>8,920,124</b>
Segment liabilities (excluding deferred tax liabilities)	1,049,313	438,864	22,237	5,623,795	<b>7,134,209</b>	<b>7,134,209</b>
Deferred tax liabilities				1,785,915	<b>1,785,915</b>	<b>1,785,915</b>

Geographical information on non-current assets							
Period ended December 31, 2021	Pulp ThU.S.\$	Wood products ThU.S.\$	Others ThU.S.\$	Corporate ThU.S.\$	Subtotal ThU.S.\$	Elimination ThU.S.\$	Total ThU.S.\$
Chile	8,540,801	491,283	17,008	398,820	9,447,912	(16,294)	9,431,618
Foreign countries	2,742,416	1,190,257	-	40,896	3,973,569		3,973,569
<b>Total non-current assets</b>	<b>11,283,217</b>	<b>1,681,540</b>	<b>17,008</b>	<b>439,716</b>	<b>13,421,481</b>	<b>(16,294)</b>	<b>13,405,187</b>
Revenues from sales of goods	2,702,346	3,549,096	-	-	6,251,442		6,251,442
Revenues from rendering of services	97,988	1	330	-	98,319		98,319
<b>Revenues from ordinary activities</b>	<b>2,800,334</b>	<b>3,549,097</b>	<b>330</b>	<b>-</b>	<b>6,349,761</b>		<b>6,349,761</b>
Revenues from transactions with reportable segments	503,455	30,396	43,737	-	577,588	(577,588)	-
Finance income	-	-	-	33,499	33,499		33,499
Finance costs	-	-	-	(219,982)	(219,982)		(219,982)
<b>Net finance costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(186,483)</b>	<b>(186,483)</b>		<b>(186,483)</b>
Depreciation and amortizations	297,413	179,549	1,634	11,164	489,760		489,760
Other income	331,827	22,935	265	23,950	378,977		378,977
Other expenses	141,338	27,315	6,140	17,308	192,101		192,101
Share of profit (loss) of associates and joint ventures accounted for using equity method							
Associates	2,380	-	-	(2,050)	330		330
Joint ventures	-	35,250	-	(4,194)	31,056		31,056
Income tax expense	-	-	-	(402,914)	(402,914)		(402,914)
<b>Profit (loss) of each reportable segment</b>	<b>851,804</b>	<b>906,745</b>	<b>(9,605)</b>	<b>(717,345)</b>	<b>1,031,599</b>		<b>1,031,599</b>
Geographical information on revenues							
Revenue – Chilean entities	1,933,450	1,538,804	330	-	3,472,584		3,472,584
Revenue – Foreign entities	866,884	2,010,293	-	-	2,877,177		2,877,177
<b>Total revenues from ordinary activities</b>	<b>2,800,334</b>	<b>3,549,097</b>	<b>330</b>	<b>-</b>	<b>6,349,761</b>		<b>6,349,761</b>

Period ended December 31, 2021	Pulp	Wood products	Others	Corporate	Subtotal	Elimination	Total
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	<u>ThU.S.\$</u>	<u>ThU.S.\$</u>	<u>ThU.S.\$</u>	<u>ThU.S.\$</u>	<u>ThU.S.\$</u>	<u>ThU.S.\$</u>	<u>ThU.S.\$</u>	<u>ThU.S.\$</u>
Amounts of additions to non-current assets								
Acquisition of property, plant and equipment and biological assets	1,461,957	76,088	870	3,800	<b>1,542,715</b>	-	<b>1,542,715</b>	
Acquisition and contribution of investments in associates and joint venture	-	-	-	-	61,372	<b>61,372</b>	-	<b>61,372</b>
<b>Period ended December 31, 2021</b>	<b>Pulp ThU.S.\$</b>	<b>Wood products ThU.S.\$</b>	<b>Others ThU.S.\$</b>	<b>Corporate ThU.S.\$</b>	<b>Subtotal ThU.S.\$</b>	<b>Elimination ThU.S.\$</b>	<b>Total ThU.S.\$</b>	
Segment assets	12,236,794	3,021,804	19,350	1,487,952	<b>16,765,900</b>	(97,589)	<b>16,668,311</b>	
Segment assets (excluding deferred tax assets)	12,236,794	3,021,804	19,350	1,480,315	<b>16,758,263</b>	(97,589)	<b>16,660,674</b>	
Deferred tax assets				7,637	<b>7,637</b>		<b>7,637</b>	
Investments accounted through equity method								
Associates	26,823	-	-	56,101	<b>82,924</b>		<b>82,924</b>	
Joint Ventures	-	203,504	-	50,214	<b>253,718</b>		<b>253,718</b>	
Segment liabilities	725,397	480,521	11,010	7,632,879	<b>8,849,807</b>		<b>8,849,807</b>	
Segment liabilities (excluding deferred tax liabilities)	725,397	480,521	11,010	5,885,074	<b>7,102,002</b>		<b>7,102,002</b>	
Deferred tax liabilities				1,747,805	<b>1,747,805</b>		<b>1,747,805</b>	
Geographical information on non-current assets								
Chile	7,978,912	530,618	18,307	330,600	<b>8,858,437</b>	(9,304)	<b>8,849,133</b>	
Foreign countries	2,671,205	1,200,693	-	23,236	<b>3,895,134</b>		<b>3,895,134</b>	
<b>Total non-current assets</b>	<b>10,650,117</b>	<b>1,731,311</b>	<b>18,307</b>	<b>353,836</b>	<b>12,753,571</b>	<b>(9,304)</b>	<b>12,744,267</b>	

<b>Period ended December 31, 2020</b>	<b>Pulp ThU.S.\$</b>	<b>Wood products ThU.S.\$</b>	<b>Others ThU.S.\$</b>	<b>Corporate ThU.S.\$</b>	<b>Subtotal ThU.S.\$</b>	<b>Elimination ThU.S.\$</b>	<b>Total ThU.S.\$</b>
Revenues from goods sale							
Revenues from goods sale	2,038,847	2,623,465	-	-	<b>4,662,312</b>		<b>4,662,312</b>
Revenues from rendering of services	70,431	15	111	-	<b>70,557</b>		<b>70,557</b>
<b>Revenues from ordinary activities</b>	<b>2,109,278</b>	<b>2,623,480</b>	<b>111</b>	<b>-</b>	<b>4,732,869</b>		<b>4,732,869</b>

Revenues from transactions with other operating segments	1,111,289	21,556	34,149		<b>1,166,994</b>	(1,166,994)	-	
Finance income	-	-	-	29,449	<b>29,449</b>		<b>29,449</b>	
Finance costs	-	-	-	(268,179)	(268,179)		(268,179)	
<b>Net finance costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(238,730)</b>	<b>(238,730)</b>		<b>(238,730)</b>	
Depreciation and amortizations	312,092	192,295	1,547	10,078	<b>516,012</b>		<b>516,012</b>	
Other income	235,320	42,723	89	5,684	<b>283,816</b>		<b>283,816</b>	
Other expenses	114,720	50,369	1	17,793	<b>182,883</b>		<b>182,883</b>	
Share of profit (loss) of associates and joint ventures accounted for using equity method								
Associates	1,346	-	-	3,475	<b>4,821</b>		<b>4,821</b>	
Joint ventures	-	(1,994)	-	(510)	(2,504)		(2,504)	
Income tax expense	-	-	-	(41,848)	<b>(41,848)</b>		<b>(41,848)</b>	
<b>Profit (loss) of each reportable segment</b>	<b>201,548</b>	<b>260,504</b>	<b>(2,927)</b>	<b>(433,820)</b>	<b>25,305</b>		<b>25,305</b>	
Geographical information on revenues								
Revenue – Chilean entities	1,476,060	1,136,322	111	-	<b>2,612,493</b>		<b>2,612,493</b>	
Revenue – Foreign entities	633,218	1,487,158	-	-	<b>2,120,376</b>		<b>2,120,376</b>	
<b>Total Ordinary Income</b>	<b>2,109,278</b>	<b>2,623,480</b>	<b>111</b>	<b>-</b>	<b>4,732,869</b>		<b>4,732,869</b>	
<b>Period ended December 31, 2020</b>		<b>Pulp products</b>	<b>Wood products</b>	<b>Others</b>	<b>Corporate</b>	<b>Subtotal</b>	<b>Elimination</b>	<b>Total</b>
		<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>	<b>ThU.S.\$</b>
Amounts of additions to non-current assets								
Acquisition of property, plant and equipment and biological assets	1,618,239	95,672	437	2,639	<b>1,716,987</b>		-	<b>1,716,987</b>
Acquisition and contribution of investments in associates and joint venture	-	-	-	19,433	<b>19,433</b>		-	<b>19,433</b>
<b>Period ended December 31, 2020</b>		<b>Pulp ThU.S.\$</b>	<b>Wood products ThU.S.\$</b>	<b>Others ThU.S.\$</b>	<b>Corporate ThU.S.\$</b>	<b>Subtotal ThU.S.\$</b>	<b>Elimination ThU.S.\$</b>	<b>Total ThU.S.\$</b>
Segment assets	11,543,571	2,886,177	24,941	1,623,700	<b>16,078,389</b>	(50,070)		<b>16,028,319</b>

Segments assets (excluding deferred tax assets)	11,543,571	2,886,177	24,941	1,617,659	<b>16,072,348</b>	(50,070)	<b>16,022,278</b>
Deferred tax assets				6,041	<b>6,041</b>		<b>6,041</b>
<b>Investments accounted through equity method</b>							
Associates	29,205	-	-	56,509	<b>85,714</b>		<b>85,714</b>
Joint Ventures	-	187,388	-	43,837	<b>231,225</b>		<b>231,225</b>
Segment liabilities	494,065	471,024	8,574	7,639,021	<b>8,612,684</b>		<b>8,612,684</b>
<b>Segment liabilities (excluding deferred tax liabilities)</b>							
494,065	471,024	8,574	6,175,135	<b>7,148,798</b>			<b>7,148,798</b>
Deferred tax liabilities				1,463,886	<b>1,463,886</b>		<b>1,463,886</b>
<b>Geographical information on non-current assets</b>							
Chile	7,487,475	588,973	24,305	314,330	<b>8,415,083</b>	(6,380)	<b>8,408,703</b>
Foreign countries	2,731,405	1,277,666	-	66,220	<b>4,075,291</b>		<b>4,075,291</b>
<b>Non-current assets,</b>							
<b>Total</b>	<b><u>10,218,880</u></b>	<b><u>1,866,639</u></b>	<b><u>24,305</u></b>	<b><u>380,550</u></b>	<b><u>12,490,374</u></b>	<b><u>(6,380)</u></b>	<b><u>12,483,994</u></b>

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#### Information required by geographic area:

2022 Disclosure of geographical areas	Geographical area							
	Local country		Foreign country					
	Chile ThU.S.\$	Argentina ThU.S.\$	Brazil ThU.S.\$	USA/Canada ThU.S.\$	Uruguay ThU.S.\$	Mexico ThU.S.\$	Total ThU.S.\$	
Revenues from sale of goods	3,633,847	600,923	658,329	1,309,652	573,877	220,989	6,997,617	
Revenues from rendering of services	71,318	-	-	-	-	33,134	1	104,453
<b>Revenues as of December 31, 2022</b>	<b><u>3,705,165</u></b>	<b><u>600,923</u></b>	<b><u>658,329</u></b>	<b><u>1,309,652</u></b>	<b><u>607,011</u></b>	<b><u>220,990</u></b>	<b><u>7,102,070</u></b>	
Non-current Assets at 12-31-2022 other than deferred tax	9,426,583	548,528	906,174	721,824	1,664,974	128,093	<b><u>13,396,176</u></b>	
2021 Disclosure of geographical areas	Geographical area							
	Local country		Foreign country					
	Chile ThU.S.\$	Argentina ThU.S.\$	Brazil ThU.S.\$	USA/Canada ThU.S.\$	Uruguay ThU.S.\$	Mexico ThU.S.\$	Total ThU.S.\$	
Revenues from sale of goods	3,409,152	524,976	630,440	1,041,285	454,498	191,091	6,251,442	
Revenues from rendering of services	63,432	-	-	-	-	34,886	1	98,319
<b>Revenues as of December 31, 2021</b>	<b><u>3,472,584</u></b>	<b><u>524,976</u></b>	<b><u>630,440</u></b>	<b><u>1,041,285</u></b>	<b><u>489,384</u></b>	<b><u>191,092</u></b>	<b><u>6,349,761</u></b>	

Non-current Assets at 12-31-2021 other than deferred tax	<u>8,845,193</u>	<u>688,698</u>	<u>642,578</u>	<u>735,846</u>	<u>1,698,320</u>	<u>125,995</u>	<b><u>12,736,630</u></b>
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2020 Disclosure of geographical areas	Geographical area						
	Local country		Foreign country				
	Chile ThU.S.\$	Argentina ThU.S.\$	Brazil ThU.S.\$	USA/Canada ThU.S.\$	Uruguay ThU.S.\$	Mexico ThU.S.\$	Total ThU.S.\$
Revenues from goods sale	2,573,641	379,200	414,622	829,497	333,104	132,248	4,662,312
Revenues from rendering of services	38,852	-	-	-	31,690	15	70,557
<b>Revenues as of December 30, 2020</b>	<b>2,612,493</b>	<b>379,200</b>	<b>414,622</b>	<b>829,497</b>	<b>364,794</b>	<b>132,263</b>	<b>4,732,869</b>
<b>Non-current Assets at 12-31-2021 other than deferred tax</b>	<b><u>8,404,695</u></b>	<b><u>741,337</u></b>	<b><u>694,079</u></b>	<b><u>774,969</u></b>	<b><u>1,725,736</u></b>	<b><u>137,137</u></b>	<b><u>12,477,953</u></b>

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#### NOTE 25. OTHER NON-FINANCIAL ASSETS AND NON-FINANCIAL LIABILITIES

Current non-financial assets	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
Roads to amortize, current	56,171	56,949
Prepayment to amortize (insurance and others)	17,474	21,749
Recoverable taxes (related to purchases)	126,368	83,996
Other current non-financial assets	6,046	5,196
<b>Total</b>	<b>206,059</b>	<b>167,890</b>

Non-current non-financial assets	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
Roads to amortize, non-current	71,094	72,054
Guarantee values	4,400	3,296
Recoverable taxes	6,363	4,605
Other non-current non-financial assets	10,657	8,594
<b>Total</b>	<b>92,514</b>	<b>88,549</b>

Current non-financial liabilities	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
Provision of minimum dividend (1)	189,375	125,657
ICMS, PIS-COFINS and other tax payables - Brazil	32,145	24,590
Other tax payable	14,186	17,618
Other Current non-financial liabilities	7,272	5,789
<b>Total</b>	<b>242,978</b>	<b>173,654</b>

(1) Correspond mainly to the minimum dividend provision of the parent company (see Note 26).

Non-current non-financial liabilities	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$
ICMS and other tax payable - Brazil	66,736	74,780
Other non-current non-financial liabilities	3,136	2,226
<b>Total</b>	<b>69,872</b>	<b>77,006</b>

## **NOTE 26. DISTRIBUTABLE NET PROFIT AND EARNINGS PER SHARE**

### Distributable net profit

As a general policy, the Board of Directors of Arauco agreed that the net profit to be distributed as dividend is determined based on realized net gains/(losses) of any relevant variations in the value of unrealized assets and liabilities, which are excluded from the calculation of net profit during the period such changes are made.

As a result of the foregoing, for purposes of determining the distributable net profit of the Company, which is the same considered for calculating the minimum dividend required and additional dividend, the following unrealized gains/losses are excluded from the net profit for the year:

- 1) Unrealized gains/losses relating to the fair value recorded for forestry assets under IAS 41, adding them back to distributable net profit when they are realized through sale or disposed of by other means.
- 2) Those generated through the acquisition of entities. These results will be added back to net profit when they are realized through sale.

The deferred taxes associated with the amounts described in 1) and 2) above are also excluded.

In 2021, Arauco updated the dividend policy of the Company, establishing that in respect of fiscal year 2021, it will be distributed among the shareholders an amount equivalent to the 40% of the net profit for such year capable of being distributed as dividends, excluding from the calculation of such net profit the extraordinary benefits that the Company will obtain, through its subsidiary Forestal Arauco S.A., for the sale of assets to Vista Hermosa Inversiones Forestales SpA.

In the movement of consolidated statements of changes in equity was recognized a decrease of ThU.S.\$ 437,995 (ThU.S.\$ 596,012 as of December 31, 2021), of which ThU.S.\$ 370,874 correspond to the provision of 40% of the distributable net profit for the year 2022 (ThU.S.\$ 396,012 for the period of 2021) and ThU.S.\$ 67,121 correspond to the difference in the dividend provisioned for the change in policy on profits for year 2021 mentioned later in this Note.

As of December 31, 2022 Arauco in the financial statements recognized the balance of minimum dividend provision of the parent company for ThU.S.\$ 186,903 (125,012 as of December 31, 2021). In December 2022 Arauco paid a provisional dividend for ThU.S.\$ 183,971 (ThU.S.\$ 271,000 as November of 2021) decreasing the minimum dividend provision.

In consideration of the profits obtained by the Company during the year 2021, in the Extraordinary Shareholders' Meeting held on October 12, 2021, it was agreed the distribution of a definitive dividend (eventual dividend) with charge on the fund of retain profits. Generating a provision for ThU.S.\$ 200,000, it was paid from October 25, 2021.

On April 8, 2022, our Board of Directors approved an amendment to the abovementioned dividend policy in respect of net income obtained in fiscal year 2021, in order to include in the calculation of the distributable net profit for such fiscal year the extraordinary profits obtained by the Company for the aforementioned sale of assets by the subsidiary Forestal Arauco S.A. to Vista Hermosa Inversiones Forestales SpA. The amendment to the dividend policy is based upon the very positive financial results obtained by Arauco during fiscal year 2021, already informed to the market, and its current cash availability.

The aforementioned modification to the Company's dividend policy only applies for fiscal year 2021. For the eventual profits of the current fiscal year 2022 and for subsequent fiscal years, an amount equivalent to the 40% of the distributable net income for each fiscal year will be distributed as dividends. Nevertheless, the Board of Directors may decide to distribute and pay dividends to the shareholders, to the extent that it expects the year to finalize with positive results and that the Company's liquidity allows such distribution and payment.

Considering the change in the dividend policy described above, the final dividend paid for the year 2021 increased by ThU.S.\$ 67,121 compared to the provision as of December 31, 2021.

The following table details the adjustments made for the determination of distributable net profit as of December 31, 2022 and 2021:

	Distributable net profit		
	12-31-2022 ThU.S.\$	12-31-2021 ThU.S.\$	12-31-2020 ThU.S.\$
<b>Net profit attributable to parent company</b>	<b>704,480</b>	<b>1,030,812</b>	<b>25,843</b>
<b>Adjustments:</b>			
Sale of lands	-	(167,802)	-
Biological assets			
Unrealized gains (losses)	(12,933)	(79,452)	(183,927)
Realized gains (losses)	327,268	249,441	208,064
Deferred income taxes	(91,629)	(42,970)	(4,684)
<b>Total adjustments</b>	<b>222,706</b>	<b>127,019</b>	<b>19,453</b>
<b>Distributable net profit</b>	<b>927,186</b>	<b>990,029</b>	<b>45,296</b>

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#### Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit or loss attributable to ordinary equity holders of parent by the weighted average number of ordinary shares outstanding. Arauco does not have any shares with potential dilutive effect.

	January-December		
	2022 ThU.S.\$	2021 ThU.S.\$	2020 ThU.S.\$
Profit or loss attributable to ordinary equity holder of parent	704,480	1,030,812	25,843
Weighted average of number of shares	120,474,350	119,414,435	114,269,961
Basic and diluted earnings per share (in U.S.\$ per share)	5.8476	8.6322	(0.2262)

#### **NOTE 27. SUBSEQUENT EVENTS**

1) Since the beginning of February, multiple forest fires have been affecting various locations in Chile in which we operate, such as Maule, Ñuble, Biobío, Araucanía and Los Ríos regions, many of which are the result of the irresponsible or intentional action of third parties (the "Fires").

Regarding the fires, we disclosed the following on March 1, 2023:

For purposes of fire prevention and combat, the Company has more than 1,300 professional forestry brigade members, duly trained and equipped for firefighting, as well as 700 liquidation forestry brigade members. Additionally, the Company has 89 car bombs, 30 runways and helipads, a total of 35 aircrafts (11 tanker planes, 17 tanker and brigade transport helicopters, 4 heavy-duty helicopters and 3 coordination planes), 18 skidders, 2 bulldozers, 130 detection

towers with cameras systems, a satellite fire detection service, and 3 detection centers, in addition to the support of national and international specialist companies.

The Company has approximately 47,000 hectares of potentially affected productive forest plantations (the "Plantations"). Considering the information currently available, the wood that should be able to be recovered (based on past experiences) and the applicable insurance coverage, it is preliminarily estimated that the impact on the financial statements of the Company as a result of the fires would be as of this date approximately ThU.S.\$ 50,000.

2) On April 6, 2023, our Board of Directors agreed to propose to the Shareholders' Meeting, that an amount equivalent to 50% of the 2022 distributable net profit be distributed among the shareholders. As of December 31, 2022, 40% of the distributable net profit was provisioned according to the policy in place as of that date.

3) The authorization for the issuance and publication of these consolidated financial statements for the period ended December 31, 2022 was approved by the Board of Directors of Arauco at the Extraordinary Meeting No. 685 held on April 13 of 2023.

Subsequent to December 31, 2022 and as of the date of issuance of these consolidated financial statements, there have been no events, that could materially affect the presentation of these financial statements.