



arauco

ANNUAL  
REPORT AND  
FINANCIAL  
STATEMENTS

FOR THE  
PERIOD ENDED  
31 DECEMBER 2022

ARAUCO WOOD LIMITED

Company number 14124110

renewables for a better life

**ARAUCO WOOD LIMITED**  
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**Company number 14124110**

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**ARAUCO WOOD LIMITED  
COMPANY INFORMATION**

**Company number 14124110**

Directors

Felipe Guzmán Rencoret  
Gianfranco Truffello Jijena  
Cristián Eustaquio Infante Bilbao  
Matías Domeyko Cassel  
Pablo Franzini

Secretary

VISTRA COSEC LIMITED  
First Floor, Templeback, 10 Temple Back, Bristol, BS1  
6FL

Company number

14124110

Registered office

Suite 1, 7th floor 50 Broadway, London, United  
Kingdom SW1H 0BL

Independent auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

**ARAUCO WOOD LIMITED**  
**STRATEGIC REPORT**

**Company number 14124110**

for the period ended 31 December 2022

The Directors of Arauco Wood Limited (the "**Company**") present their Strategic Report for the period from 23 May 2022 (date of incorporation) to 31 December 2022.

As under section 401 of the Companies Act 2006 the Company is exempt from the obligation to prepare and deliver group accounts (see further details on Page 19 of the Financial Statements), this Strategic Report relates only to the Company.

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The Company is an intermediate holding company within a large corporate group, the "ARAUCO Group" (also "**ARAUCO**" or the "**Group**"), which refers to companies controlled directly or indirectly by Celulosa Arauco y Constitución S.A. ("**CASA**") a company incorporated and registered in Chile.

The Company was incorporated on 23 May 2022. The principal activity of the Company is the holding of investments, directly and indirectly, in different ARAUCO Group companies operating mainly in the wood and panel markets. The Company holds investments directly in the following overseas operating companies:

Arauco Canada Limited (Canada)  
Arauco Industria de Mexico, S.A. de C.V., Araucomex, S.A. de C.V. and Araucomex Servicios, S.A. de C. V. (Mexico)  
Sonae Arauco S.A. (Spain)  
Arauco North America, Inc. (United States of America)  
Arauco Argentina S.A. (Argentina)  
Arauco do Brasil S.A. (Brazil)  
Maderas Arauco S.A. (Chile)

**Significant events in 2022**

The Company was incorporated and registered in England and Wales on May 23 2022. In June and December 2022, CASA and its subsidiary Inversiones Arauco Internacional Limitada ("**IAIL**"), a company incorporated and registered in Chile, contributed their shares of the wood and panel business subsidiaries of ARAUCO to the Company in consideration for the allotment and issue of new shares in the capital of the Company.

**ARAUCO WOOD LIMITED**  
**STRATEGIC REPORT (continued)**  
for the period ended 31 December 2022

**Company number 14124110**

In December 2022, the Company entered into two loan agreements with subsidiary companies: one with Arauco Canada Limited according to which Arauco Canada Limited made a loan to the Company in the amount of US\$95,000,000 (of which US\$80,000,000 was received in the period and a further US\$15,000,000 received subsequent to the period-end); the other with Arauco do Brasil S.A. under which the Company made a loan to Arauco do Brasil S.A. in the amount of US\$95,000,000 (of which US\$80,000,000 was disbursed in the period and a further US\$15,000,000 was disbursed in 2023).

**Financial performance in 2022**

The Company recorded a loss for the financial period of US\$1,194,517, and net assets of US\$2,633,585,187.

**KEY PERFORMANCE INDICATORS**

Given the nature of the Company's activities as an intermediate holding company, the Directors are of the opinion that analysis using key performance indicators is neither necessary nor appropriate for an understanding of the development, performance or the position of the business. However, key performance indicators relevant to the Group, which might also have relevance for the Company, can be found in ARAUCO's Integrated Report for 2022 and CASA's Form 20-F. These indicators do not form part of this Strategic Report.

**PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY**

ARAUCO has an integrated Risk Management Corporate Framework and Policy and a Significant Corporate Risks Matrix, to identify and minimise the impact of risks and their probability of occurrence, which applies to all the Group companies. These documents are based on international standards, such as ISO 22301, which is also used to develop business continuity plans, ISO 31000 and COSO ERM. The latter classifies risks into strategic, operational, financial/reporting and compliance.

From the perspective of the Company, as it operates as an intermediate holding company with its subsidiaries operating mainly in the wood and panel markets, the principal risks and uncertainties affecting the Company are considered to be those that affect the Group. Accordingly, the principal risks and uncertainties of ARAUCO, which are disclosed in ARAUCO's Integrated Report 2022 and Form 20-F of CASA for the year ended 31 December 2022, include those of the Company. Those key Group risk factors do not form part of this Strategic Report.

**ARAUCO WOOD LIMITED**  
**STRATEGIC REPORT (continued)**

**Company number 14124110**

for the period ended 31 December 2022

**NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT – CLIMATE-RELATED FINANCIAL DISCLOSURES**

As noted above in the context of the Company's principal risks and uncertainties, as it operates as an intermediate holding company with subsidiaries operating mainly in the wood and panel markets, the principal risks and opportunities affecting the Company, and climate-related risks and opportunities affecting the Company, are considered to be those that affect the Group. As such, climate change is primarily considered in relation to potential changes in the carrying value of the Company's assets including its investments in subsidiaries and amounts due from group undertakings, which would be driven by factors arising in the Group.

**GOVERNANCE ARRANGEMENTS IN RELATION TO ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES**

As the Company is an intermediate holding company, the Directors utilise group-wide functions and activities in relation to assessing and managing the climate-related risks and opportunities affecting the Company. ARAUCO's governance processes for assessing and managing climate-related risks and opportunities are as follows:

**Board oversight:** CASA's Board of Directors is responsible for approving the strategic direction of risk management for the Group (including the Company) and for establishing the environment, structures and resources required to operate effectively.

**Management's role:** The Risk Management Committee of ARAUCO meets twice a year and is responsible for setting risk policy, appetite, structures, responsibilities, and mitigation plans for the Group. It must ensure that risk management is integrated into every process and that its objectives are aligned with ARAUCO's objectives, strategies and organizational culture. The members of this committee are CASA's President and Chief Operating Officer; CASA's Senior Vice-President of Human resources and Sustainability; CASA's General Counsel; CASA's Chief Financial Officer; and Senior Vice presidents of all the operating and non-operating divisions. The Risk Management Committee reports to CASA's Board once a year on the vulnerabilities that affect ARAUCO, including climate-related risks.

**Business functions:** ARAUCO has an insurance and risk management team that manages operational and non-operational risks. Every six months, the effectiveness of risk management policies, procedures, controls and codes is reviewed independently of the Risk Management Committee.

The Directors of the Company leverage these ARAUCO Group-wide processes as necessary in the context of identifying, assessing and managing the climate-related risks and opportunities of the Company.

**ARAUCO WOOD LIMITED**  
**STRATEGIC REPORT (continued)**

**Company number 14124110**

for the period ended 31 December 2022

**IDENTIFICATION, ASSESSMENT AND MANAGEMENT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES**

Management of climate-related risks is integrated with the ARAUCO Group's broader risk management framework. As noted in the *'Principal risks and uncertainties facing the Company'* section of the Strategic Report above, ARAUCO has an integrated Risk Management Corporate Framework and Policy and a Significant Corporate Risks Matrix, to identify and minimise the impact of risks and their probability of occurrence, which applies to all the Group companies, including the Company and its subsidiaries.

Climate-related risks, like all corporate risks, are captured through interviews with risk owners, who are the senior Vice-Presidents, during the process of updating the risk matrix, which is done every 2 years or more frequently if necessary. In this process, the risks of each area are identified, assigned a probability of occurrence and a possible impact over a 10-year period. Then, a survey is made of the controls associated with these risks, and if they do not exist, the possibility of creating one is studied. Next, the Group's internal audit function performs a semi-annual follow-up of the risks considered key, and the results are reviewed by the Risk Management Committee, in which the senior Vice-Presidents and the COO participate. All of this is followed in accordance with ISO 31000 and COSO 2 standards.

**PRINCIPAL CLIMATE-RELATED RISKS, IMPACTS AND OPPORTUNITIES**

From the Company's perspective, as an intermediate holding company with its subsidiaries operating mainly in the wood and panel markets, the climate-related risks and opportunities affecting the Company are considered to be those that affect the Group as a whole. In particular, the climate-related risks and opportunities are relevant to potential changes in the carrying value of the Company's assets including its investments in subsidiaries and amounts due from other companies in the Group, which would be driven by factors arising in the wider Group.

ARAUCO broadly categorises its climate-related risks and opportunities as physical risks or transition risks.

Physical risks are the risks associated with the physical effects of climate change. They can be:

- event-driven (acute), such as cyclones, hurricanes, wildfires, heatwaves, plagues, drought or floods; or
- longer term (chronic) shifts in climate patterns, such as: sustained higher temperatures with melting of glaciers and ice sheets causing sea level rise; permafrost melt; chronic heat waves and desertification; extreme variability in precipitation; land degradation; and changes in air quality.

Transition risks are those that arise as economies transition towards less-polluting, greener solutions. These include externally imposed risks such as:

- the effect of legal and regulatory requirements or policy changes;
- changes in societal demands;

**ARAUCO WOOD LIMITED**  
**STRATEGIC REPORT (continued)**

**Company number 14124110**

for the period ended 31 December 2022

- advancements in technologies;
  - market changes;
- and the consequent business decisions taken to respond to such changes. Transition risks have the potential to crystallise suddenly (for example, as a result of policy change).

The main climate-related risks and opportunities identified in relation to the Group's operations, including those conducted by the Company's operating subsidiaries, are shown in the table below. As noted above, the risks and opportunities are assessed against a 10-year time horizon as long-term risks and opportunities are considered to be the ones that could have the greatest impact on the Group.

<b>Climate-related risks and opportunities</b>				
<b>Climate-related risk / opportunity</b>	<b>Description of actual and potential impacts</b>	<b>Transition risks</b>	<b>Physical risks</b>	<b>Opportunities</b>
Market price behaviour of products	The prices of many of the products we sell can change significantly, as they are strongly correlated with international prices. Likewise, if the production, supply and demand of a renewable resource such as wood increase or decrease, due to climate change, global population growth and/or the transition to a circular bioeconomy, market price fluctuations could positively or adversely affect our financial position, operating results, and cash flows.	Market		Market

**ARAUCO WOOD LIMITED**  
**STRATEGIC REPORT (continued)**

**Company number 14124110**

for the period ended 31 December 2022

Global competition	<p>We face substantial global competition in each geographical market and for each product line, and it can change if market conditions are affected by climate change.</p> <p>Our market share and competitive position may be adversely affected if we cannot successfully expand our productivity at the same pace as our competitors.</p> <p>Thus, in certain cases, global competition in the markets for our products may adversely affect our business, financial position, operating results and cash flows.</p>	Market / Products and services		
World economic developments, in particular those of the Asian, European and North American economies	<p>The global economy, particularly global industrial production, is the main driver of demand for wood products. For example, our wood products segment relies heavily on the strength of the house building industry, and demand for its products and their prices have occasionally declined.</p> <p>Falling economic growth in our domestic or international markets, due to the effects of climate change such as droughts, wildfires, rain, and others, could adversely affect the demand for our products and their prices, and consequently our financial position, operating results and cash flows.</p>	Market / Products and services		

**ARAUCO WOOD LIMITED**  
**STRATEGIC REPORT (continued)**  
for the period ended 31 December 2022

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Natural disasters, climate change and pandemics	Natural disasters, climate change and pandemics could lead to operational stoppages, forestry and supply chain disruption and reduced production that could adversely affect our financial position, operating results and cash flows.		Acute / Chronic	
Regulatory changes	Increasing regulatory requirements in relation to sustainability matters and the consequent costs of complying with them may affect our business, our financial position, operating results and cash flows.	Policy and legal		
Ability to access local and international credit and capital markets	The potential impact of climate change on our operations, sales, and prices could affect our ability to access local and international credit or capital markets when we need financing, which could have a significant adverse or positive effect on our response to changing economic and business conditions.	Market		Market
Logistics chain and procurement of critical materials and services	Climate change may adversely affect the supply of raw materials and critical services for our operations, and especially our logistics chain could be affected by global warming and climate change.		Acute / Chronic	
Wood status and procurement	Wood is the raw material for all of our products. The shortage of wood to supply our industrial operations, as a consequence of climate change, may affect our business, our financial position, operating results and cash flows.		Acute / Chronic	

**ARAUCO WOOD LIMITED**  
**STRATEGIC REPORT (continued)**

**Company number 14124110**

for the period ended 31 December 2022

Reputation of ARAUCO and the local and global industry	Our industry is at the centre of the transition to a sustainable economy, as forestry products can capture and store CO2. Any event that could either positively or negatively affect our reputation or that of the industry to which we belong could have a corresponding effect on the Group's financial results.	Reputational		Market / Products and services
Global presence	Being a Group with a presence on 5 continents, we are exposed to natural, economic, political, social, and competitive risks worldwide. Therefore, if there is an impact in any part of the world due to climate change, any of these risks could adversely affect the Group's business, financial position, and operating results.	Market / Products and services	Acute / Chronic	

**RESILIENCE OF THE COMPANY'S BUSINESS MODEL AND STRATEGY**

Given the nature of the Company's activities, the resilience of its business model and strategy depends on the resilience of its subsidiaries and the wider ARAUCO Group.

The resilience and position of ARAUCO's business and forestry assets under the Intergovernmental Panel on Climate Change (IPCC) RCP 2.6 and RCP 8.5 climate scenarios have been analysed by Bioforest (ARAUCO's R&D Center) and other members of the scientific community, like researchers from the University of Chile, the British Columbia University and the Commonwealth Scientific and Industrial Research Organization who were engaged by ARAUCO for this purpose. The results of these analyses indicate that in the RCP 2.6 scenario, transition risks are expected to have a higher impact, while physical risks are expected to be less severe and ARAUCO would be well positioned, as the characteristics and nature of its business mean that it can adapt to these risks and take advantage of the opportunities associated with transitioning to a low carbon economy. In contrast, in the RCP 8.5 scenario, physical risks would have the greatest impact on its business and assets, which could affect the productivity of its plantations.

**ARAUCO WOOD LIMITED**  
**STRATEGIC REPORT (continued)**  
for the period ended 31 December 2022

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**TARGETS AND KEY PERFORMANCE INDICATORS**

The Directors reasonably believe that, having regard to the nature of the business of the Company and the manner in which it is carried on, a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and a description of the KPIs used to assess progress against those targets is not necessary for an understanding of the business. These disclosures have therefore been omitted on the basis that the Company does not have its own specific targets associated with managing climate-related risks or realising climate-related opportunities.

For the wider Group, ARAUCO's climate change-related goals are to remain carbon neutral and reduce its CO<sub>2</sub> emissions under Scopes 1, 2 and 3, which are being validated by the Science Based Targets initiative (SBTi) to align them with the 1.5 C° roadmap in the Paris Agreement. The Group certified its carbon neutrality for the third consecutive year in 2022.

Other climate change-related goals are to restore 50,000 hectares of native forest in Latin America by 2050, achieve zero non-hazardous waste by 2030, ensure the conservation of 142 threatened species that live in land owned by the Group, and maintain and expand the Group's network of 166 high conservation value areas covering more than 133,000 hectares.

**SECTION 172(1) STATEMENT**

Under section 414CZA of the Companies Act 2006, the Directors are required to describe how they took into account the interests of key stakeholders and the wider issues set out in section 172(1) (a) to (f) of the Companies Act 2006 ("**S172**") when performing their duty to promote the success of the Company under S172. This includes considering the interests of specified stakeholders and the Company's long-term success.

In performing their duties, the Directors have had regard to the factors set out in S172 as follows:

- **(a) (d) the likely consequences of any decision in the long term and the impact of the Company's operations on the community and the environment;**

When setting the Company's strategy, the Directors have taken into account the evolving environment in which the Company's subsidiaries operate and the potential impacts of the Company's subsidiaries' operations on the community and the environment, striving to minimise any adverse effects on society and nature, while actively seeking opportunities to make positive contributions.

**ARAUCO WOOD LIMITED**  
**STRATEGIC REPORT (continued)**

**Company number 14124110**

for the period ended 31 December 2022

- **(b) (c) employee interests and the need to foster the Company's business relationships with suppliers, customers, and others;**

The Company's key stakeholders are the Company's shareholders and other Group undertakings. The Company does not have any employees or any direct customers or suppliers. The Company's business operations primarily revolve around its ownership and management of its subsidiary entities. Therefore, when Directors consider the interests of customers and suppliers within the context of S172, they focus on the specific needs and relationships of the subsidiary companies, recognizing that the success of the Company as holding company is inherently tied to the performance and well-being of its subsidiaries and their respective stakeholders.

- **(e) the desirability of the Company maintaining a reputation for high standards of business conduct;**

As set out above, the Company is part of ARAUCO, and the Company's principal activity is the holding of investments in ARAUCO Group companies operating in the wood products market. Companies in the ARAUCO Group adopt a highly developed and formalised governance and oversight framework, which includes corporate best practices. ARAUCO is committed to clearly and transparently informing the directors and employees at all its subsidiaries of the internal policies that require their compliance. These regulations derive from the Group's vision and values. In particular, ARAUCO's Code of Ethics contains processes that explain its values. ARAUCO's vision, values and policies are disclosed in ARAUCO's Integrated Report 2022 and Form 20-F of CASA and do not form part of this Strategic Report.

- **(f) the need to act fairly as between members of the Company.**

While the primary role of the Company revolves around managing the interests of its subsidiary companies and shareholders, the Company remains committed to fairness and equity within the Group structure. This underscores the interconnected nature of the Group companies and the importance of managing those relationships to ensure the overall success of the Group. Primary ways in which the Company engages with other Group undertakings, including its shareholders, are through regular meetings, intra-group management activities and ongoing dialogue. There is also regular engagement within the Group on finance-related matters which is taken into account in the Company's decision-making.

The principal decisions taken by the Directors over the course of the period were resolutions to approve the contribution and transfer by IAIL of its entire stake in Arauco Canada Limited, Arauco Industria de Mexico, S.A. de C.V., Araucomex, S.A. de C.V., Araucomex Servicios, S.A. de C.V., Sonae Arauco S.A., Arauco North America, Inc., Arauco Argentina S.A. and Arauco do Brasil S.A. and the allotment and issue of new shares in the capital of the Company to IAIL in consideration of such contributions; in addition to approve the contribution and transfer by CASA of its entire interest in Maderas Arauco S.A. and the allotment and issue of new shares in the capital of the Company to CASA. Other principal decisions taken by the Directors over the course of the period were resolutions to approve the entry by the Company into two loan agreements: one of them with

**ARAUCO WOOD LIMITED**  
**STRATEGIC REPORT (continued)**  
for the period ended 31 December 2022

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Arauco Canada Limited according to which Arauco Canada Limited made a loan to the Company in the amount of US\$95,000,000 (of which US\$80,000,000 was received in the period and a further US\$15,000,000 received subsequent to the period-end); the other with Arauco do Brasil S.A. under which the Company made a loan to Arauco do Brasil S.A. in the amount of US\$95,000,000 (of which US\$80,000,000 was disbursed in the period and a further US\$15,000,000 was disbursed in 2023).

In these decisions, the Directors considered, amongst other relevant factors, the Company's purpose and that the fair market value of all the contributed companies was at least equal to the nominal value of the allotted and issued shares.

Approved by the Board of Directors and signed on its behalf by:

DocuSigned by:  
  
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Gianfranco Truffello Jijena  
Director  
20 December 2023

## **ARAUCO WOOD LIMITED**

**Company number 14124110**

### **DIRECTORS' REPORT**

for the period ended 31 December 2022

The Directors present their report together with the audited financial statements of the Company for the period ended 31 December 2022, being the period from 23 May 2022 (date of incorporation) to 31 December 2022.

### **BOARD OF DIRECTORS**

The Directors who held office during the period and to the date of this report (except as noted) were as follows:

- 1) Matías Domeyko Cassel (appointed on 23 May 2022)
- 2) Cristián Eustaquio Infante Bilbao (appointed on 23 May 2022)
- 3) Gianfranco Truffello Jijena (appointed on 23 May 2022)
- 4) Antonio Luque Guerrero (appointed on 23 May 2022, and resigned on 4 April 2023)
- 5) Felipe Guzmán Rencoret (appointed on 23 May 2022)

The following Director was appointed after the period end:

- 1) Pablo Franzini (appointed on 4 April 2023)

### **DIVIDENDS**

No dividends were paid during the period and no final dividend was recommended in respect of the period ended 31 December 2022.

The Directors do not propose a payment of a final dividend for the period.

### **POLITICAL DONATIONS**

The Company made no political contributions nor incurred any political expenditure during the period ended 31 December 2022.

### **QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

The Company's Articles of Association, which were in force during the period and through to the date of approval of this report, provide that the Directors may be indemnified by the Company to the extent permitted by law in respect of liability incurred as a result of their office. The Group has purchased and maintained directors' liability insurance during the period.

**ARAUCO WOOD LIMITED**  
**DIRECTORS' REPORT (continued)**  
for the period ended 31 December 2022

**Company number 14124110**

**FINANCIAL RISK MANAGEMENT**

The Company's Directors have adopted ARAUCO's Risk Management Corporate Framework and Policy and ARAUCO's Significant Corporate Risks Matrix, which include specific guidelines on the management of market, credit and liquidity risk, and advice on the use of financial instruments to manage them. In the context of the Company, these risks are primarily considered in relation to potential changes in the carrying value of the Company's assets including its investments in subsidiaries and amounts due from group undertakings. Further information on such Policy and Matrix can be found in ARAUCO's Integrated Report 2022 and Form 20-F of Celulosa Arauco y Constitución S.A.

**STREAMLINED ENERGY AND CARBON REPORTING (SECR)**

The Company consumed less than 40,000 kWh of energy in the United Kingdom during the period from 23 May 2022 to 31 December 2022, and therefore falls below the threshold limit at which SECR disclosures under Schedule 7 paragraph 20D of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) are required.

**IMPORTANT EVENTS SINCE THE END OF THE PERIOD**

Subsequent to 31 December 2022 and as of the date of issuance of these financial statements, there have been the following events:

- 1) On 5 May 2023, the Company approved the allotment and issue of 151,575 and 1,048,425 new fully paid ordinary shares to CASA and IAIL, respectively, in consideration for the payment in cash of US\$1.00 per share by each of them, respectively.
- 2) On 11 May 2023, the Company received US\$16,818,428, from its shareholding in Arauco do Brasil S.A. by way of cash dividend and consequently the Company paid an interim dividend of the same amount to its shareholders, in cash on 12 May 2023.

Subsequently, a portion of the dividend paid by the Company was found not to fully satisfy the requirements of Part 23 of the Companies Act 2006 (the "2006 Act") and was therefore not made in accordance with the 2006 Act to the extent that it exceeded the distributable reserves. The Company is taking remedial action in line with advice from external counsel, which is that the excess dividend amount paid up (over and above the available distributable reserves) is recharacterised as a loan with an interest rate, as required by law. This loan will be repaid to the Company by the shareholders in the short term.

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**DIRECTORS' REPORT (continued)**  
for the period ended 31 December 2022

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3) On 4 September 2023, the Company approved the allotment and issue of 214,731 and 1,485,269 new fully paid ordinary shares to CASA and IAIL, respectively, in consideration for the payment in cash of US\$1.00 per share by each of them.

4) On 2 October 2023, the Company approved the allotment and issue of 505,250 and 3,494,750 new fully paid ordinary shares to CASA and IAIL, respectively, in consideration for the payment in cash of US\$1.00 per share by each of them.

5) On 25 October 2023, the Company approved the allotment and issue of 858,926 and 5,941,074 new fully paid ordinary shares to CASA and IAIL, respectively, in consideration for the payment in cash of US\$1.00 per share by each of them.

6) On 28 November 2023, the Company signed an amendment to the intercompany loan agreement with Arauco Canada Limited, which is a payable for the Company, to extend the due date of the loan by an additional year. The loan agreement, under which the Company has borrowed a total amount of US\$95,000,000, will now mature on November 30, 2024.

**FUTURE DEVELOPMENTS**

No change in the business of the Company has taken place during the period or is expected in the foreseeable future.

**RESEARCH AND DEVELOPMENT**

No activities were undertaken by the Company in the field of research and development during the period.

**GOING CONCERN**

The directors consider it appropriate to adopt the going concern accounting principle in preparing the financial statements.

The Company's liquidity and financing are mostly managed within the Group, through group-wide pooling arrangements that include the Company. ARAUCO's expected liquidity has been assessed under a series of stress scenarios. Furthermore, management of ARAUCO has confirmed that the current intra-group financing and liquidity arrangements, as currently constituted, are expected to be maintained for the foreseeable future.

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**DIRECTORS' REPORT (continued)**  
for the period ended 31 December 2022

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In assessing the Company's ability to continue as a going concern, the directors acknowledge the fact that the Company is in a net liability position, and the fact that the loan from a related Group company will mature within 12 months of the date of signing of these financial statements. As such, the Company is reliant on financial support from CASA, and the directors have therefore considered the performance and financing of the wider group. The directors believe that preparing the financial statements on the going concern basis is appropriate due to a letter of financial support received from CASA. The support from CASA will enable the Company to meet its obligations as they fall due for at least 12 months from the date of signing of these financial statements.

**DISCLOSURE OF INFORMATION TO THE AUDITORS**

So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; each Director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

**ARAUCO WOOD LIMITED**  
**DIRECTORS' REPORT (continued)**  
for the period ended 31 December 2022

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- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf by:

DocuSigned by:  
  
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Gianfranco Truffello Jijena  
Director  
20 December 2023

# Independent auditors' report to the members of Arauco Wood Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Arauco Wood Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the period from 23 May 2022 to 31 December 2022;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2022; the Statement of profit or loss and the Statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to manipulate the financial statements and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- gaining an understanding of the legal and regulatory framework applicable to the company and considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud;
- enquiry of management and those charged with governance around actual and potential litigation and claims and any instances of non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness and testing accounting estimates (because of the risk of management bias).

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Kevin McGhee (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
20 December 2023

**ARAUCO WOOD LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
for the period ended 31 December 2022

**Company number 14124110**

	Note	Period from 23 May to 31 December 2022 \$'000
Administrative expenses		(23)
Other expenses		(1,224)
<b>Operating loss</b>	4	<b>(1,247)</b>
Finance income	6	297
Finance costs	6	(245)
<b>Loss before taxation</b>		<b>(1,195)</b>
Tax on loss	7	-
<b>Loss for the financial period</b>		<b>(1,195)</b>

The accompanying notes on pages 27 to 44 are an integral part of these financial statements.

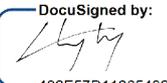
**ARAUCO WOOD LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2022

**Company number 14124110**

	Note	31 December 2022 \$'000
<b>Fixed assets</b>		
Investments in subsidiaries	8	2,440,676
Investments in joint ventures	8	194,103
<b>Current assets</b>		
Amounts owed by group undertakings	9	80,295
Cash and cash equivalents		3
<b>Creditors - amounts falling due within one year</b>	<b>10</b>	<b>(81,492)</b>
Net current assets		(1,194)
Total assets less current liabilities		2,633,585
<b>Net assets</b>		<b>2,633,585</b>
Equity		
Ordinary shares	11	1,989,972
Share premium		49,451
Accumulated deficit		(1,195)
Merger reserve		595,357
<b>Total shareholders' funds</b>		<b>2,633,585</b>

The accompanying notes on pages 27 to 44 are an integral part of these financial statements.

The financial statements on pages 24 to 44 were authorised for issue by the directors of Arauco Wood Limited on 20 December, 2023 and were signed on its behalf.

DocuSigned by:  
  
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Gianfranco Truffello Jijena  
Director  
20 December 2023

**ARAUCO WOOD LIMITED****Company number 14124110****STATEMENT OF CHANGES IN EQUITY**

for the period ended 31 December 2022

	Note	Ordinary shares \$'000	Share premium \$'000	Merger reserve \$'000	Accumulated deficit \$'000	Total shareholders' funds \$'000
Balance as at incorporation on 23 May 2022		-	-	-	-	-
Changes in Equity:						
Comprehensive income		-	-	-	-	-
Loss for the financial period		-	-	-	(1,195)	(1,195)
<b>Total comprehensive expense for the period</b>		-	-	-	<b>(1,195)</b>	<b>(1,195)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Proceeds from shares issued	11	1,989,972	49,451	595,357	-	<b>2,634,780</b>
<b>Balance as at 31 December 2022</b>		<b>1,989,972</b>	<b>49,451</b>	<b>595,357</b>	<b>(1,195)</b>	<b>2,633,585</b>

The accompanying notes on pages 27 to 44 are an integral part of these financial statements.

**ARAUCO WOOD LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ended 31 December 2022

**Company number 14124110**

**1. GENERAL INFORMATION**

Arauco Wood Limited (registered number: 14124110), (hereafter “Arauco Wood” or the “Company”), is a private company limited by shares and is incorporated under the Companies Act 2006 and registered in England and Wales, United Kingdom. The address of its registered office address is Suite 1, 7th floor 50 Broadway, London, United Kingdom SW1H 0BL.

Arauco Wood was incorporated on 23 May 2022. The principal activities of the company are that of a holding company. The main operations of its subsidiaries are focused on the business area of wood products.

As of 31 December 2022, Arauco Wood is controlled by Inversiones Arauco Internacional Limitada (“IAIL”), a company incorporated and registered in Chile, Chilean tax identification number 96.563.550-5, which owns 87.36874% of the ordinary shares, and Celulosa Arauco y Constitución S.A. (“CASA”), a company incorporated and registered in Chile, Chilean tax identification number 93.458.000-1, which directly owns 12.63126% and indirectly owns 87.36785% of the ordinary shares of Arauco Wood via its shareholding in IAIL. CASA was registered in the Securities Registry (the “Registry”) of the Comisión para el Mercado Financiero (“CMF”) as No. 042 on 14 June, 1982. In addition, CASA is registered as a non-accelerated filer in the Securities and Exchange Commission (SEC) of the United States of America.

Moreover, CASA is controlled by a public limited company Empresas Copec S.A., incorporated and registered in Chile, Chilean tax identification number 90.690.000-9, which owns 99.999916% of CASA and is registered in the Securities Registry as No. 0028. Each of the above mentioned companies are subject to the oversight of the CMF. In addition, Empresas Copec S.A. is controlled by a public limited company AntarChile S.A., incorporated and registered in Chile, Chilean tax identification number 96.556.310-5, which owns 60.8208% of Empresas Copec S.A. Furthermore, the ultimate beneficial owners of AntarChile S.A. and, consequently, of Empresas Copec S.A., are Mr. Roberto Angelini Rossi, Chilean tax identification number 5.625.652-0, and Mrs. Patricia Angelini Rossi, Chilean tax identification number 5.765.170-9.

**Abbreviations used in this report:**

IFRS - International Financial Reporting Standards

FRS – Financial Reporting Standards

IAS - International Accounting Standards

IFRIC - International Financial Reporting Standards Interpretations Committee

\$'000 - Thousands of U.S. Dollars

US\$ - U.S. Dollars

R\$ - Brazilian real

**ARAUCO WOOD LIMITED**

**Company number 14124110**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

**2. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the period presented, unless otherwise stated.

**2.1. Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101).

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

Arauco Wood applies FRS 101 as its intermediate controlling company, CASA, prepares publicly available consolidated financial statements, where Arauco Wood is included. The consolidated financial statements of CASA are prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board. The group financial statements are available to the public per note 12.

Summary of disclosure exemptions

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of UK GAAP. In these financial statements, disclosures required by the following standards have not been provided as permitted by FRS 101 or equivalent disclosures have been provided in the financial statements of CASA:

- Disclosures required by IFRS 7 - 'Financial instruments: Disclosures' and paragraphs 91 to 99 of IFRS 13 - 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities),
- Paragraph 38 of IAS 1 - 'Presentation of financial statements' (comparative information requirements in respect of):
  - paragraph 79(a)(iv) of IAS 1 (reconciliation of number of shares at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':

**ARAUCO WOOD LIMITED**

**Company number 14124110**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

- 10(d) (statement of cash flows);
- 16 (statement of compliance with all IFRS);
- 111 (statement of cash flows information); and
- 134-136 (capital management disclosures).

- IAS 7 - 'Statement of cash flows'.

- Paragraphs 30 and 31 of IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

- Paragraph 17 of IAS 24 - 'Related party disclosures' (key management personnel compensation).

Additionally, in these financial statements, the following exceptions have been adopted as permitted by section 401 of the Companies Act 2006:

The Company is a wholly owned subsidiary of IAIL and CASA, and of its ultimate parent, AntarChile S.A. Arauco Wood is included in the consolidated financial statements of CASA, which is a Chilean company, and its financial statements are publicly available. Moreover, CASA is controlled by a Chilean public limited company Empresas Copec S.A., its financial statements are publicly available. In addition, Empresas Copec S.A. is controlled by a Chilean public limited company AntarChile S.A., its and its financial statements are publicly available. Furthermore, the ultimate beneficial owners of AntarChile S.A. and, consequently, of Empresas Copec S.A., are Mr. Roberto Angelini Rossi and Mrs. Patricia Angelini Rossi, both Chileans and their financial statements are not public. Therefore, the company is exempt, by virtue of section 401 letter (b) of the Companies Act 2006, from the requirement to prepare consolidated financial statements. The legal address of the ultimate parent's is El Golf 150, 19th floor, Las Condes, Santiago de Chile.

*2.1.1. Going concern*

The Company's liquidity and financing are mostly managed within the Group, through group-wide pooling arrangements that include the Company. ARAUCO's expected liquidity has been assessed under a series of stress scenarios. Furthermore, management of ARAUCO has confirmed that the current intra-group financing and liquidity arrangements, as currently constituted, are expected to be maintained for the foreseeable future.

**ARAUCO WOOD LIMITED****Company number 14124110****NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

In assessing the Company's ability to continue as a going concern, the directors acknowledge the fact that the Company is in a net liability position, and the fact that the loan from a related Group company will mature within 24 months of the date of the statement of financial position. As such, the Company is reliant on financial support from CASA, and the directors have therefore considered the performance and financing of the wider group. The directors believe that preparing the financial statements on the going concern basis is appropriate due to a letter of financial support received from CASA. The support from CASA will enable the Company to meet its obligations as they fall due for at least 12 months from the date of signing of these financial statements.

*2.1.2. New standards, amendments, IFRIC interpretations and new relevant disclosure requirements*

The Company has presented its first set of financial statements and there are no amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 31 December 2022 that have a material impact on the Company's financial statements.

Standards, interpretations and amendments that are mandatory for the first time for annual periods beginning on January 1, 2023, and the application of which is not yet mandatory, which have not been adopted in advance:

Amendments and improvements	Content	Mandatory application for annual periods beginning on or after
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	Presentation of financial statements Clarifies that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the reporting date (for example, the receipt of a waiver or a breach of agreement).	January 1, 2023

**ARAUCO WOOD LIMITED****Company number 14124110****NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

IAS 12	International tax reform - pillar two model rules These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023.	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 lease payments that do not depend on an index or rate are most likely to be impacted.	January 1, 2024
IAS 7 and IFRS 7	Statements of cash flows and financial instruments Require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.	January 1, 2024
IAS 21	Lack of Exchangeability An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.	January 1, 2025

Arauco Wood estimates that the adoption of the standards, amendments and interpretations described in the table above will not have a significant impact on Arauco Wood's financial statements during its initial application period.

## 2.2. Foreign currency translation

### a) Functional and presentation currency

Arauco Wood Limited, as an intermediate holding, determined the United States ("US\$") Dollar as its functional currency since its intermediate controlling company CASA and the majority of its subsidiaries have that same functional currency.

**ARAUCO WOOD LIMITED**

**Company number 14124110**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in U.S. Dollars, which is also the company's functional currency. The presentation currency of these financial statements is the U.S. Dollar. Figures in these financial statements are presented in thousands of U.S. Dollars (\$'000).

b) Foreign currency transactions

Transactions in currencies other than the functional currency are recognized at the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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 income statement. All other foreign exchange gains and losses are presented in the Statement of profit or loss within "Other (expenses)/income".

2.3. Financial instruments

Arauco holds financial assets at amortised cost.

Arauco does not have financial assets at fair value through other comprehensive income or profit or loss.

The classification is based on the business model used to manage the assets and the characteristics of their contractual cash flows.

Purchases and sales of financial assets are recognized on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Management determines the classification of its financial assets at the time of their initial recognition.

a) Financial assets at amortised cost:

Assets are initially recognised at cost.

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the

**ARAUCO WOOD LIMITED**

**Company number 14124110**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in profit or loss under 'net impairment losses on financial and contract assets'.

**2.4. Investment in subsidiaries**

Investments in subsidiaries are held at cost less accumulated impairment losses. Where investments in subsidiaries have been acquired as a result of a Group restructure and the subsidiary investments are under common control, then the assumed cost is the predecessor book values less accumulated impairment losses.

**2.5. Investments in joint ventures**

Investments in joint ventures are held at cost less accumulated impairment losses. Where investments in joint ventures have been acquired as a result of a Group restructure and the joint venture investments are under common control, then the assumed cost is the fair value with fair value on date of acquisition and subsequently held at cost less accumulated impairment losses.

**2.6. Amounts owed by group undertakings**

Amounts owed by group undertakings are amounts due from other Group entities in the ordinary course of business, corresponding mainly to loans granted. These are measured under IFRS 9, using the amortised cost method.

**2.7. Cash and cash equivalents**

Cash and cash equivalents include cash-in-hand.

**2.8. Share capital**

Ordinary shares are classified as equity.

**ARAUCO WOOD LIMITED**

**Company number 14124110**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

The merger reserve corresponds to the differences between the value of shares issued by the Company, and the cost of the subsidiaries' acquired by the Company in the period. The share premium corresponds to the differences between the value of shares issued by the Company, and the fair value of the joint venture acquired by the Company in the period. These reserves do not form part of the Company's distributable reserves, other than to the extent that future impairment losses are recognised in relation to the investments acquired.

**2.9. Creditors**

Creditors are obligations to pay for services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognized initially at fair value and subsequently measured at amortised cost.

Creditors are presented as amounts falling due within one year unless payment is not due within 12 months of the reporting date.

**2.10. Amounts owed to group undertakings**

Amounts owed to group undertakings are amounts owed to fellow Group companies in the ordinary course of business, corresponding mainly to borrowings.

**2.11. Interest income/(expense)**

Interest income/(expense) is recognized using the effective interest rate method. In calculating interest income/(expense), the effective interest rate is applied to the gross carrying amount of the asset, when the asset is not impaired or to the amortised cost of the liability for interest expense. For financial assets that have been impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired the interest income calculation reverts to the gross carrying amount.

**2.12. Dividend income**

Dividend income is recognized when the right to receive payment is established.

**ARAUCO WOOD LIMITED**

**Company number 14124110**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

**2.13. Interim dividends distribution**

Final dividend distributions to the company's shareholders are recognized as a liability in Arauco Wood's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid.

**2.14. Rounding of amounts**

All amounts in the financial statements and notes have been rounded off to the nearest thousand U.S. Dollar, unless otherwise stated.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**3.1. Critical accounting estimates and assumptions**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

**Fair value of investment in joint venture on initial recognition**

The cost of the investment in joint venture is measured at initial recognition at fair value using the income approach. This approach uses a present value technique that takes into account the future cash outflows that a market participant would expect to receive from holding equity instruments of the entity. The expected future cash flows are discounted to their present value using an appropriate discount rate. In determining the expected future cash flows and appropriate discount rate, management uses historical performance adjusted for expected future changes in the business and other factors that reflect the economic environment of the countries in which it operates.

**ARAUCO WOOD LIMITED****Company number 14124110****NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

**3.2. Critical judgements in applying the entity's accounting policies**

As of 31 December 2022, management has applied judgement in defining an internal policy based on IAS 27, for determining the cost of subsidiaries and joint ventures, as described in the notes 2.4 and 2.6.

Arauco Wood did not make any other critical judgements than the above disclosure to apply to the entity's accounting policies.

**4. OPERATING LOSS**

Operating loss is stated after charging:

	<b>Period ended 31 December 2022 \$'000</b>
Reorganisation expense for consulting fees	23
Audit fees payable to the company's Auditor	145
Tax consulting fees	14

**5. EMPLOYEES AND DIRECTORS**

The company does not have any employees.

As of 31 December 2022, Arauco Wood only has executive directors, who have not received wages or salaries during 2022. Executive directors' remuneration is borne by other group companies.

**ARAUCO WOOD LIMITED**

Company number 14124110

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

**6. FINANCE INCOME AND EXPENSES**

	Period ended 31 December 2022 \$'000
<b>Finance income</b>	
Interest income from amounts owed by group undertakings	295
Other financial income	2
<b>Total finance income</b>	<b>297</b>
<b>Finance expense</b>	
Interest expense on creditors - amounts due to related parties	(245)
<b>Total finance expense</b>	<b>(245)</b>
<b>Net finance income</b>	<b>52</b>

**7. TAX ON LOSS**

Tax expense for the year is higher than the standard rate of corporation tax in the UK for the year ended 31 December 2022 of 19%.

Tax expense included in the statement of profit or loss:

	Period ended 31 December 2022 \$'000
Loss before taxation	(1,195)
Loss before taxation multiplied by the standard rate of tax in the UK of 19%	(227)
Adjustment for losses not recognised as a deferred tax asset	227
<b>Tax charge</b>	<b>-</b>

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021.

**8. INVESTMENTS**

	Investment in subsidiaries	Investment in joint ventures	Total
At 23 May 2022	-	-	-
Additions	2,440,676	194,103	<b>2,634,779</b>
<b>At 31 December 2022</b>	<b>2,440,676</b>	<b>194,103</b>	<b>2,634,779</b>

Arauco Wood acquired the investments in subsidiaries and joint venture as part of a reorganisation of the wood segment of the group through an issue of its own shares in exchange for the investments.

**ARAUCO WOOD LIMITED****Company number 14124110****NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

## a) Investments in subsidiaries

The following tables set forth information about investments in subsidiaries as of 31 December 2022:

<b>Name</b>	Arauco Argentina S.A.
<b>Country</b>	Argentine
<b>Functional currency</b>	U.S. Dollar
<b>Address of the registered office</b>	Gobernador Vergara 403 (1638), Vicente López, Buenos Aires, Argentina.
<b>Nature of the company</b>	Manufacture of cellulose pulp, boards and sawn wood, as well as forest management of its forests.
	<b>\$'000</b>
<b>Carrying amount accounted for using cost method</b>	491,519

<b>Name</b>	Arauco Canada Ltd.
<b>Country</b>	Canada
<b>Functional currency</b>	Canadian Dollar
<b>Address of the registered office</b>	151 Church Street St. Stephen NB Canada.
<b>Nature of the company</b>	Production and sale of particle board PB, medium density, MDF, high density HDF and low pressure TFL decorative panels.
	<b>\$'000</b>
<b>Carrying amount accounted for using cost method</b>	572,272

<b>Name</b>	Arauco do Brasil S.A.
<b>Country</b>	Brasil
<b>Functional currency</b>	Brazilian Real
<b>Address of the registered office</b>	Curitiba, Paraná – Brasil – Av. Iguazú, 2820, 2º pavimento do Bloco Corporativo, Bairro Água Verde – CEP: 80240-031.
<b>Nature of the company</b>	Commercialization and promotion of Wood business products in the markets of Africa (except South Africa), the Middle East (except Turkey and Israel) and India. Permanent search for new and better business opportunities in these markets.
	<b>\$'000</b>
<b>Carrying amount accounted for using cost method</b>	247,382

<b>Name</b>	Arauco North America Inc.
<b>Country</b>	United States
<b>Functional currency</b>	U.S. Dollar
<b>Address of the registered office</b>	400 Perimeter Center Terrace, Suite 750, Atlanta, GA, 30346, Delaware.
<b>Nature of the company</b>	Manufacture of medium density panels and boards, pressed wood, fiberboard, chipboard, plywood, laminated or ennobled; commercialization of the products.
	<b>\$'000</b>
<b>Carrying amount accounted for using cost method</b>	114,894

**ARAUCO WOOD LIMITED****Company number 14124110****NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

<b>Name</b>	Arauco Industria de México S.A. de C.V.
<b>Country</b>	Mexico
<b>Functional currency</b>	Mexican Pesos
<b>Address of the registered office</b>	Carretera Panamericana, Km 958, Ejido José María Morelos y Pavón (La Tinaja), C.P. 34390, Durango, Durango, México.
<b>Nature of the company</b>	National production and sale of PB, MDF (bare) and melamine in both substrates, as well as resins.
	<b>\$'000</b>
<b>Carrying amount accounted for using cost method</b>	238,528

<b>Name</b>	Araucocomex S.A. de C.V.
<b>Country</b>	Mexico
<b>Functional currency</b>	U.S. Dollar
<b>Address of the registered office</b>	Av. López Mateos Sur 1450, Piso 1, Colonia Las Villas, C.P. 45643 Tlajomulco de Zúñiga, Jalisco, México.
<b>Nature of the company</b>	Distribution (purchase-sale) mainly of sawn wood and panels, and production and sale of pallets.
	<b>\$'000</b>
<b>Carrying amount accounted for using cost method</b>	33,262

<b>Name</b>	Araucocomex Servicios S.A. de C.V.
<b>Country</b>	Mexico
<b>Functional currency</b>	Mexican Pesos
<b>Address of the registered office</b>	Calle Río Neva, S/N, Interior Edificio 1 Prologis Park Laurel. Col. Bosques de Xhala, C.P. 54712, Cuautitlán Izcalli, Estado de México, México.
<b>Nature of the company</b>	Provision of specialised personnel services to group companies, in common areas such as treasury, tax accounting, accounts payable.
	<b>\$'000</b>
<b>Carrying amount accounted for using cost method</b>	2,677

<b>Name</b>	Maderas Arauco S.A.
<b>Country</b>	Chile
<b>Functional currency</b>	U.S. Dollar
<b>Address of the registered office</b>	Av. El Golf 150, 14th floor, Las Condes, Región Metropolitana, Chile.
<b>Nature of the company</b>	Promotion, market research and intermediation in sales of wood products manufactured by the manufacturing entities of the Arauco Group, in Central America.
	<b>\$'000</b>
<b>Carrying amount accounted for using cost method</b>	740,142

<b>Sub-total investments subsidiaries</b>	<b>2,440,676</b>
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**ARAUCO WOOD LIMITED****Company number 14124110****NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

## b) Investment in joint ventures

The following tables set forth information about investments in joint ventures as of 31 December 2022:

<b>Name</b>	Sonae Arauco S.A.
<b>Country</b>	Spain
<b>Functional currency</b>	Euros
<b>Address of the registered office</b>	Calle Ramírez de Arellano 21, Madrid, Spain.
<b>Nature of the company</b>	Production of wooden panels and derived products in industrial and commercial facilities located in Portugal, Spain, Germany, United Kingdom, Switzerland, France, Netherlands, Morocco and South Africa.
	<b>\$'000</b>
<b>Carrying amount accounted for using cost method</b>	194,103
<b>Sub-total investments joint ventures</b>	<b>194,103</b>
<b>Total investments</b>	<b>2,634,779</b>

The company did not receive any dividends from its investments during the period ended 31 December 2022.

**9. AMOUNTS OWED BY GROUP UNDERTAKINGS**

	<b>31 December 2022</b> <b>\$'000</b>
Loans advanced falling due after more than one year	80,000
Interest charged due within one year	295
Balance as at 31 December 2022	80,295

Amounts owed by Group undertakings corresponds to an intercompany loan signed on 7 December 2022, which Arauco Wood granted to Arauco Do Brasil. This loan expires in December 2030, with repayments scheduled to commence in 2026. The loan is scheduled to be repaid in 10 semi-annual instalments. Interest on the loan is charged at 7.37%, and is repaid in semi-annual instalments which commenced in June 2023.

**ARAUCO WOOD LIMITED****Company number 14124110****NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

**10. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>31 December 2022</b> <b>\$'000</b>
Creditors	<b>23</b>
Amounts owed to group undertakings	81,469
<b>Total Creditors – amounts falling due within one year</b>	<b>81,492</b>

Amounts due to group undertakings are unsecured, and correspond mainly to an intercompany loan signed on 12 December 2022, which Arauco Wood received from Arauco Canada Ltd. The total balance outstanding at 31 December 2022 was US\$ 80,244,889, including capital of US\$ 80,000,000 and interest of US\$ 244,889. Interest is charged at a rate of 5.8%. The loan was due to expire on 30 November 2023. On 28 November 2023 both parties signed an amendment to this intercompany loan agreement, that pushed the maturity to 30 November 2024.

The remainder of amounts due to group undertakings correspond to a payable to Arauco Argentina for US\$ 1,233,428, which is repayable on demand.

**11. SHARE CAPITAL**

Ordinary shares of USD 1 each:

<b>Allotted and fully paid</b>	<b>Number of shares</b>	<b>\$'000</b>
Issued during the period	1,989,972,016	1,989,972
At 31 December 2022	1,989,972,016	1,989,972

Between May and June 2022, 1,250 ordinary shares were issued for US\$ 1,250, which was paid in cash by Inversiones Arauco Internacional Limitada.

From June 2022 to December 2022, 1,989,970,766 ordinary shares were issued for US\$1,989,970,766. The company issued 1,738,612,233 shares (nominal value US\$1,738,612,233) to Inversiones Arauco Internacional Limitada in exchange for investments in the following subsidiaries: Arauco North America Inc., Arauco Canada Ltd., Araucomex S.A. de C.V., Arauco Industria de México S.A. de C.V., Araucomex Servicios S.A. de C.V., Arauco Argentina S.A., Arauco do Brasil S.A. and a joint venture Sonae Arauco S.A.. The other 251,358,533 shares (nominal value US\$251,358,533) were issued to Celulosa Arauco y Constitución S.A. in exchange for the investment in subsidiary, Maderas Arauco S.A.

**ARAUCO WOOD LIMITED****Company number 14124110****NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

**12. RELATED PARTY TRANSACTIONS**

During the year, the Company carried out the following transactions with its subsidiaries and joint ventures:

Name of entity	Nature of relationship	Country	Currency	Transaction descriptions	31-12-2022 \$'000
Arauco do Brasil S.A.	Subsidiary	Brazil	U.S. Dollar	Loan interest receivables	295
Arauco do Brasil S.A.	Subsidiary	Brazil	U.S. Dollar	Loan granted (Capital)	80,000
Arauco Argentina S.A.	Subsidiary	Argentina	U.S. Dollar	Other purchases	1,223
Arauco Canada Ltd.	Subsidiary	Canada	U.S. Dollar	Borrowing (Capital)	80,000
Arauco Canada Ltd.	Subsidiary	Canada	U.S. Dollar	Borrowing interest payable	245

The table below sets forth information about the relationship between the Company and its subsidiaries, associate and joint ventures:

Entity	Type of investment	% Ownership interest		
		31 December 2022		
		Direct	Indirect	Total
Arauco Argentina S.A.	Subsidiary	90.01020	-	90.01020
Arauco Canada Ltd.	Subsidiary	100.00000	-	100.00000
Arauco Colombia S.A.	Associate	-	3.72274	3.72274
Arauco do Brasil S.A.	Subsidiary	98.93193	-	98.93193
Arauco Industria de México S.A. de C.V.	Subsidiary	99.99998	0.00001	99.99999
Arauco Indústria de Painéis S.A.	Subsidiary	-	98.93193	98.93193
Arauco North America Inc.	Subsidiary	23.99990	76.00000	99.99990
Araucorex S.A. de C.V.	Subsidiary	99.99950	-	99.99950
Araucorex Servicios S.A. de C.V.	Subsidiary	66.33334	33.33333	99.66667
E2E S.A.	Joint venture	-	49.50000	49.50000
Leasing Forestal S.A.	Subsidiary	-	90.01020	90.01020
Lemu Earth SpA	Subsidiary	-	85.74932	85.74932
Maderas Arauco S.A.	Subsidiary	99.00000	-	99.00000
Servicios Aéreos Forestales Ltda.	Associate	-	0.00990	0.00990
Servicios Logísticos Arauco S.A.	Subsidiary	-	54.45000	54.45000
Sonae Arauco S.A.	Joint venture	50.00000	-	50.00000
Woodaffix, LLC.	Subsidiary	-	99.99990	99.99990

**ARAUCO WOOD LIMITED****Company number 14124110****NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

**13. CONTROLLING PARTIES**

As of 31 December 2022, the immediate parent companies of Arauco Wood are IAIL, which owns 87.36874% of the company, and CASA, which directly owns 12.63126% of Arauco Wood and indirectly owns 87.36785% of Arauco Wood via its shareholding in IAIL. This is because CASA owns directly 98.01862% of IAIL and indirectly 1.98036% of IAIL (CASA owns, therefore, a total of 99.99898% of IAIL). So, CASA's final proportional ownership of Arauco Wood is 99.99911%.

Parent company	% Ownership interest		
	31-12-2022		
	Direct	Indirect through IAIL	Final proportional ownership of CASA
Celulosa Arauco y Constitución S.A.	12.63126	87.36785	<b>99.99911</b>
Inversiones Arauco Internacional Ltda.	87.36874	-	-
<b>Total % ownership interest</b>	<b>100.00000</b>		

Moreover, CASA is controlled by the public company Empresas Copec S.A., with legal address at El Golf 150, 17th floor, Las Condes, Santiago de Chile, which owns 99.999916% of CASA. In addition, Empresas Copec S.A. is controlled by the public corporation AntarChile S.A., with legal address at El Golf 150, 17th floor, Las Condes, Santiago de Chile, which owns 60.8208% of Empresas Copec S.A. Furthermore, the ultimate beneficial owners of AntarChile S.A. and, consequently, of Empresas Copec S.A., are Mr. Roberto Angelini Rossi, and Mrs. Patricia Angelini Rossi, with legal address at El Golf 150, 19th floor, Las Condes, Santiago de Chile. Additionally, the consolidated financial statements of CASA, which is the smallest public company to consolidate these financial statements, can be found at [www.aruco.cl](http://www.aruco.cl). The consolidated financial statements of Empresas Copec can be found at [www.empresascopec.cl](http://www.empresascopec.cl). The consolidated financial statements of AntarChile S.A., which is the largest company to consolidate these financial statements, can be found at [www.antarchile.cl](http://www.antarchile.cl). The financial statements of Mr. Roberto Angelini Rossi and Mrs. Patricia Angelin Rossi are not public.

**14. EVENTS AFTER THE END OF THE REPORTING PERIOD**

Subsequent to 31 December 2022 and as of the date of issuance of these financial statements, there have been the following events:

1) On 5 May 2023, the Company approved the allotment and issue of 151,575 and 1,048,425 new fully paid ordinary shares to CASA and IAIL, respectively, in consideration for the payment in cash of US\$1.00 per share by each of them, respectively.

**ARAUCO WOOD LIMITED**

**Company number 14124110**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2022

2) On 11 May 2023, the Company received US\$16,818,428, from its shareholding in Arauco do Brasil S.A. by way of cash dividend and consequently the Company paid an interim dividend of the same amount to its shareholders, which was paid in cash on 12 May 2023.

Subsequently, a portion of the dividend paid by the Company was found not to fully satisfy the requirements of Part 23 of the Companies Act 2006 (the "2006 Act") and was therefore not made in accordance with the 2006 Act to the extent that it exceeded the distributable reserves. The Company is taking remedial action in line with advice from external counsel, which is that the excess dividend amount paid up (over and above the available distributable reserves) is recharacterised as a loan with an interest rate, as required by law. This loan will be repaid to the Company by the shareholders in the short term.

3) On 4 September 2023, the Company approved the allotment and issue of 214,731 and 1,485,269 new fully paid ordinary shares to CASA and IAIL, respectively, in consideration for the payment in cash of US\$1.00 per share by each of them, respectively.

4) On 2 October 2023, the Company approved the allotment and issue of 505,250 and 3,494,750 new fully paid ordinary shares to CASA and IAIL, respectively, in consideration for the payment in cash of US\$1.00 per share by each of them, respectively.

5) On 25 October 2023, the Company approved the allotment and issue of 858,926 and 5,941,074 new fully paid ordinary shares to CASA and IAIL, respectively, in consideration for the payment in cash of US\$1.00 per share by each of them, respectively.

6) On 28 November 2023, the Company signed an amendment to the intercompany loan agreement with Arauco Canada Limited, which is a payable for the Company, to extend the due date of the loan by an additional year. The loan agreement, under which the Company has borrowed a total amount of US\$95,000,000, will now mature on November 30, 2024.