

# MOODY'S

## RATINGS

### Rating Action: Moody's Ratings affirms Celulosa Arauco's Baa3 ratings; outlook changed to negative

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31 Mar 2026

New York, March 31, 2026 -- Moody's Ratings (Moody's) has affirmed the Baa3 ratings of Celulosa Arauco y Constitucion S.A.'s (Arauco) senior unsecured global notes. The outlook has been changed to negative from stable.

#### RATINGS RATIONALE

The change in outlook to negative reflects some weakening in Arauco's credit metrics since 2024, driven by the company's large investment program related to the Sucuriú project in Brazil and less favorable pulp price conditions. The negative outlook captures the risk that leverage and cash flow metrics may remain weaker than those commensurate with the Baa3 rating over the next several years, depending on pulp price volatility, the availability of non-debt funding alternatives, the execution and timing of the Sucuriú project, and the company's ability to contain leverage during the ramp-up period.

Leverage and cash flow metrics have deteriorated as a result of the elevated capital expenditures required to construct the Sucuriú hardwood pulp mill in Mato Grosso do Sul, Brazil, while at the same time pulp prices have declined from prior cycle highs, reducing earnings and internal cash generation. Moody's-adjusted gross debt to EBITDA increased to 6.5x in 2025 from 4.0x in 2024, well above our typical Baa3 threshold of 3.0x, and above the temporary tolerance range of 4.5x–5.5x that we are willing to accommodate during the construction phase of the Sucuriú project.

Although we expect that the significant increase in cash flow generation following the start up of the Sucuriú mill, currently expected in the fourth quarter of 2027, will support a relatively rapid reduction in leverage from 2028 onward, Arauco's credit profile remains exposed in the interim. In particular, pulp price volatility could keep gross leverage elevated at around 5.5x–6.0x through 2026-2027. While we anticipate that BEK prices will recover through 2027 as pulp supply and demand conditions improve, downside risks remain. Ongoing conflict in the Middle East could result in persistently higher transportation and logistics costs, and any resulting impact on global economic growth could further weaken demand. Furthermore, if market pulp prices remain subdued even after 2028, leverage may not decrease as quickly as expected, prolonging the pressure on Arauco's credit metrics and delaying improvement in its financial profile.

These risks are partially mitigated by financial support from the parent company, Empresas Copec, including capital injections totaling approximately \$1.2 billion between December 2024 and year-end 2026, as well as the potential for selective asset sales, which should help manage leverage and preserve liquidity during the construction phase.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The ratings could be downgraded if Arauco's financial policy demonstrates a higher tolerance for leverage and/or liquidity risk. This could occur if debt-financed investments or merger and acquisition activity increase the volatility of credit metrics. In addition, a failure to provide equity contributions as announced to fund the Sucuriú project in a timely manner could lead to a negative rating action. A prolonged period of weak pulp and/or wood products market conditions, or structural changes in demand for these products, could also pressure the ratings.

More specifically, the ratings could be downgraded if Moody's-adjusted gross debt to EBITDA remains consistently above 4.5x–5.5x during the Sucuriú project's construction period (2025–2027)—already well above the 3.0x gross leverage guideline for a Baa3 rating—and if retained cash flow to debt remains below 20%.

Significant delays or cost overruns associated with the company's projects that materially weaken its credit profile over an extended period could also result in a downgrade.

Upward rating pressure would require Arauco to maintain strong liquidity and sound credit metrics, even under a weaker pulp and wood products pricing environment. Quantitatively, an upgrade could be considered if Moody's-adjusted debt to EBITDA is sustained at around 2.0x or below, and retained cash flow to debt remains consistently above 30%.

Headquartered in Santiago, Chile, Celulosa Arauco y Constitucion S.A. (Arauco) is engaged primarily in the production of pulp, wood products and forestry products. Arauco is one of the world's largest producers of pulp and wood products in terms of production capacity, and it is among Latin America's largest forest plantation owners. The company has industrial operations in Chile, Argentina, Brazil, Mexico, the US and Canada. In addition, Arauco has industrial operations in Uruguay through a 50% joint operation in the Montes del Plata pulp mill; and in Spain, Portugal, Germany and South Africa, through a 50% joint venture with Sonae, named Sonae-Arauco S.A.

The principal methodology used in these ratings was Paper and Forest Products published in November 2025 and available at <https://ratings.moodys.com/rmc-documents/454505>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

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