

ANALYSIS OF THE FINANCIAL POSITION AS OF 06.30.2021



Abbreviations:

M\$ Million Chilean pesos

Th\$ Thousand Chilean pesos

ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended June 30, 2021

1. SUMMARY

The results of Empresas Lipigas S.A. (or the Company) continue to be impacted by the effects of the pandemic, in addition to the significant rise of international fuel prices that has increased the cost of products and has put pressure on margins. However, compared to the previous year, we can see an improvement in results because public health measures are more relaxed. In addition to the generation of higher positive non-operating income.

As of June 30, 2021, income after taxes was M\$ 22,361 an increase of M\$ 7,846 (+54.1%), compared to M\$ 14,515 in the same period last year, due to higher operating income generated in both Chile and Peru and higher one-off non-operating income generated in the second quarter.

Consolidated EBITDA reached M\$ 47,045, 10.7% higher than that obtained in the same period of the previous year, which reached M\$ 42,497, mainly due to a higher gross margin in Chile and Peru, because of higher sales volume of both LPG and NG and, additionally, in the case of Peru, due to non-recurring effects produced in the first quarter.

Gross earnings for the period reached M\$ 93,962, a figure that was M\$ 8,416 (+9.8%) higher than in the same period last year, due to the higher gross earnings in Chile mainly associated with higher sales volume and the increase in bottled sales to end customers. This variation in Chile is offset by the increase in expenses corresponding to the increase in the proportion of sales to end customers of bottled LPG. At the same time, there is a higher gross earning in Peru impacted by higher LPG and NG sales volume and by the non-recurring effect of the ruling in favor in dispute with the supplier Calidda, due to the discrepancy regarding the price used by the distributor to invoice the natural gas destined for the vehicular segment in the Lima area since 2012. This ruling meant that Calidda had to recognize a credit in favor of Limagas Natural for M\$ 1,570, which was reflected as a higher gross margin in the first quarter of 2021. Colombia's gross margin decreased due to lower unit margins affected by the strong increases in the price of LPG, but partially offset by higher sales volumes.

LPG sales volume accumulated as of June 2021 compared to the same period last year increased by 8.6%, equivalent to 27,917 tons. In Chile, Colombia and Peru volume increased by 4.1%, 17.3% and 19.0% respectively. In Chile, volume increases mainly due to higher sales to end customers of bottled LPG and industrial customers. The commercial segment also shows growth compared to the same period of the previous year but continues to be partially affected by quarantines and restrictive measures imposed by health authorities.

Sales of natural gas (in its different formats) totaled 66.2 million m³, increasing by 19.6% compared to 55.4 million m³ as of June 2020, because of higher sales in Chile (+36.6%) and

Peru (+10.9%). This was partially offset by lower NG sales in Colombia (-4.5%) due to the national strike that occurred during May, which generated illegal blockades in different areas of the country, preventing the normal distribution of natural gas.

Revenues from ordinary activities reached M\$ 295,565, an increase of 25.4% over the same period last year. In general, this increase is due to the increase in international prices of oil by-products to which sales prices refer. In Chile, this increase (+27.8%) is also influenced by higher sales to end customers of bottled LPG, in Colombia (+23.8%) by higher LPG sales volume and in Peru (+16.3%) by higher sales volumes of both LPG and NG.

Operating income for the first half of 2021 increased by M\$ 3,185 (+12.3%) from M\$ 25,800 in 2020 to M\$ 28,986 in 2021.

Negative non-operating income was M\$ 657, which is M\$ 5,375 lower than the M\$ 6,032 loss recorded in the previous year. The main variations result from the expropriation of land in the Callao area, where the storage and bottling plant that supplies LPG sales from the Lima area is located, which amounted to M\$ 4,409. In addition, there is a greater positive restatement of the liability for guarantees received from customers for M\$ 1,516, higher charges to sub-distributors for M\$ 543 and lower bank interest charges for M\$ 359. This was partially offset by higher interest on debt securities of M\$ 229, higher interest on hedging operations of M\$ 448 and higher negative results per indexation units of M\$ 696 due to higher inflation in Chile compared to the first half of 2020.

Earnings after taxes increased by 54.1% due to the increase in operating income and the one-off effect on non-operating income from the expropriation of the Callao plant in Peru.

MATERIAL DISCLOSURES DURING THE QUARTER AND AS OF THE DATE OF ISSUANCE OF THIS ANALYSIS

- On March 3, 2021, the Board of Directors of Empresas Lipigas S.A. agreed to the payment of an interim dividend of \$ 50 per-share that will be charged to 2021 fiscal year earnings and was paid beginning March 29, 2021.
- On April 22, 2021, the establishment of the subsidiary Logísticas y Desarrollos Digitales SpA was announced to the market. The company is an operating company whose corporate purpose among others will be the distribution, transport and delivery of goods and products, and the execution of logistics management, the purchase, sale and import, commercialization and distribution of tangible and intangible property and the management and implementation of digital business.
- On April 28, 2021, the General Shareholders' Meeting of Empresas Lipigas S.A. was held, during which among others, it agreed to:
 - o Approve the annual report and financial statements for the fiscal year ended December 31, 2020, and the report of external auditors.
 - o Approve the distribution of profits and the final dividend distribution for the fiscal year and approve the payment of dividends outstanding for \$ 2,725,788,360, equivalent to \$ 24 per share that was paid beginning April 29, 2021.
 - o To set the remuneration of the Board of Directors and the Directors' Committee, and their expense budget for the fiscal year 2021.
 - o Appoint PricewaterhouseCoopers as external auditors for the fiscal year 2021 and Feller Rate and Humphreys as risk rating agencies for the fiscal year 2021.
 - o The transactions with related entities referred to in Article 146 of Law 18.046 were accounted for and approved.
- On May 20, 2021, the acceptance by the subsidiary Lima Gas S.A. was reported to the market regarding the liquidated value as compensation for the expropriation of land in the Callao area where the storage and bottling plant that supplies sales in Lima is located.
- On May 26, 2021, the Board of Directors of Empresas Lipigas S.A. agreed to the payment of an interim dividend of CLP 60 per share charged to 2021 fiscal year earnings and was paid beginning June 24, 2021.

2. CONSOLIDATED INCOME STATEMENT BY FUNCTION

INCOME STATEMENT BY FUNCTION	01.01.2021 to 06.30.2021 M\$	01.01.2020 to 06.30.2020 M\$	04.01.2021 to 06.30.2021 M\$	04.01.2020 to 06.30.2020 M\$	Var Jan – Jun (2021 - 2020)		Var Apr – Jun (2021 - 2020)	
	M\$	M\$	M\$	M\$	M\$	%	M\$	%
Revenue	295,565	235,705	165,415	122,443	59,860	25.4 %	42,972	35.1 %
Cost of sales	(201,603)	(150,159)	(113,703)	(76,126)	(51,444)	34.3 %	(37,577)	49.4 %
Gross Earnings	93,962	85,546	51,712	46,317	8,416	9.8 %	5,395	11.6 %
Other income by function	370	397	123	182	(27)	(6.8)%	(58)	(32.1)%
Other expenses by function	(16,456)	(13,976)	(8,440)	(7,055)	(2,480)	17.7 %	(1,384)	19.6 %
Distribution costs	(26,394)	(24,814)	(13,890)	(13,159)	(1,580)	6.4 %	(731)	5.6 %
Administrative expenses	(22,496)	(21,353)	(11,551)	(11,558)	(1,144)	5.4 %	7	(0.1)%
Operating income	28,986	25,800	17,955	14,726	3,185	12.3 %	3,229	21.9 %
Financial costs	(4,467)	(4,853)	(2,010)	(2,273)	386	(8.0)%	263	(11.6)%
Financial income	1,284	669	999	444	615	92.0 %	556	125.3 %
Exchange differentials	(106)	(164)	(166)	(75)	58	(35.2)%	(90)	120.3 %
Profit (loss) on indexation units	(2,827)	(2,131)	(1,077)	(526)	(696)	100.0 %	(551)	104.9 %
Other gains (losses)	5,459	448	5,100	301	5,012	1119.6 %	4,800	1595.8 %
Earnings (loss) before taxes	28,329	19,769	20,803	12,597	8,560	43.3 %	8,206	65.1 %
Income tax expense	(5,968)	(5,254)	(3,863)	(3,179)	(715)	13.6 %	(684)	21.5 %
Profit (loss)	22,361	14,515	16,940	9,418	7,846	54.1 %	7,522	79.9 %
Profit (loss) attributable to the owners of the controller	22,079	14,112	16,849	9,245	7,967	56.5 %	7,604	82.3 %
Profit (loss) attributable to non-controlling interests	282	402	92	173	(121)	(30.1)%	(81)	(46.8)%
Profit (loss)	22,361	14,515	16,940	9,418	7,846	54.1 %	7,522	79.9 %
Depreciation and amortization	18,059	16,697	9,213	8,396	1,362	8.2 %	817	9.7 %
EBITDA	47,045	42,497	27,168	23,122	4,548	10.7 %	4,046	17.5 %

Accumulated earnings after taxes at June 2021 reached M\$ 22,361, higher by 54.1% regarding the M\$ 14,515 recorded for the same period of the previous year.

- Consolidated gross earnings increased by M\$ 8,416, mainly due to higher gross earnings in Chile because of the increase in the share of direct sales to end customers of bottled LPG and greater sales volume in the industrial segment and residential bulk and a positive effect by the increase in the value of inventories due to increased international prices. This increase in earnings is offset by increased costs related to a higher proportion of direct sales to end customers of bottled LPG. In Peru, gross earnings increase because of the non-recurring effect of the credit note issued by Calidda in favor of Limagas Natural for the recognition of differences in natural gas invoicing since 2012 and because of greater LPG and NG sales volumes.

- Operating costs and expenses recorded an increase of M\$ 5,204 (8.7%). In Chile they are associated to the increase in expenses on LPG freight, remuneration, commissions and administration services of logistics operators (related to the increase of direct sales of bottled LPG) and external counseling. In Colombia, expenses decrease due to lower expenses on leases, taxes, uncollectible customer provisions and by the devaluation of the Colombian peso. In Peru, expenses decrease due to lower expenses on LPG freight, remuneration, leases, fees and the devaluation of the Peruvian Sol.
- Operating income reached M\$ 28,986 which is M\$ 3,185 (+12.3%) higher than the M\$ 25,800 recorded in the first half of 2020.
- EBITDA (operating income before depreciation and amortization) as of June 2021 reached M\$ 47,045 that is higher by M\$ 4,547 (+10.7%) than the same period of the previous year because of better results in Chile and Peru.

Accumulated earnings after taxes for the second quarter 2021 reached M\$ 16,940, higher by 79.9% regarding the M\$ 9,418 recorded for the same quarter of the previous year.

- Consolidated gross earnings for the quarter increased by M\$ 5,395 mainly due to higher gross earnings in Chile because of higher sales volume resulting from greater sales to industrial and commercial bulk customers, increase in the share of direct sales to end customers of bottled LPG, and a positive effect due to the increase in the value of inventories because of increased international prices. This increase in earnings is offset by increased costs related to a higher proportion of direct sales to end customers of bottled LPG. In Peru, gross earnings increase compared to the same quarter of the previous year because of greater LPG and NG sales volume and due to price increases on the value of inventories because of higher raw material costs.
- Operating costs and expenses increased by M\$ 2,108 million (6.6%). In Chile they are associated with increased expenses in LPG freight, administration services of logistics operators (related to the increase in direct sales of bottled LPG) and external counseling. In Colombia, expenses remain in line with the same quarter of the previous year. In Peru, expenses decreased due to lower expenses on LPG freight, leases and legal advice and the devaluation of the Peruvian currency.
- Operating income reached M\$ 17,995 up M\$ 3,229 (+21.9%) from M\$ 14,726 in the second quarter of 2020.
- EBITDA (operating income before depreciation and amortization) for the second quarter of 2021 reached M\$ 27,168, which is M\$ 4,046 (+17.5%) higher than the same period last year due to better results in Chile and Peru.

INCOME BY SEGMENT

M\$	From 04.01.2021 to 06.30.2021				Accumulated at 06.30.2021			
	Segments			Total Group	Segments			Total Group
	Chile	Colombia	Peru		Chile	Colombia	Peru	
Revenue	123,748	16,583	25,083	165,415	215,928	33,329	46,309	295,565
Purchases charged to cost of sales	(70,529)	(9,712)	(19,031)	(99,272)	(120,717)	(18,994)	(33,883)	(173,594)
Expenses charged to cost of sales	(5,492)	(1,053)	(1,202)	(7,748)	(10,817)	(2,215)	(2,364)	(15,396)
Depreciation and amortization	(5,052)	(671)	(961)	(6,683)	(9,754)	(1,278)	(1,581)	(12,613)
Gross profit	42,674	5,148	3,890	51,712	74,640	10,841	8,481	93,962
Other income by function	16	104	3	123	33	210	127	370
Other operating expenses	(24,986)	(3,043)	(3,322)	(31,350)	(47,284)	(6,251)	(6,365)	(59,900)
Depreciation and amortization	(2,233)	(239)	(58)	(2,530)	(4,439)	(569)	(438)	(5,446)
Operating Income	15,471	1,971	513	17,955	22,950	4,231	1,805	28,986
EBITDA	22,756	2,880	1,532	27,168	37,143	6,078	3,824	47,045

M\$	From 04.01.2021 to 06.30.2021				Accumulated at 06.30.2020			
	Segments			Total Group	Segments			Total Group
	Chile	Colombia	Peru		Chile	Colombia	Peru	
Revenue	92,660	12,152	17,631	122,443	168,990	26,914	39,801	235,705
Purchases charged to cost of sales	(45,200)	(4,746)	(12,029)	(61,975)	(83,069)	(11,340)	(27,516)	(121,924)
Expenses charged to cost of sales	(6,182)	(1,023)	(1,202)	(8,407)	(11,903)	(2,266)	(2,655)	(16,824)
Depreciation and amortization	(4,323)	(650)	(772)	(5,744)	(8,651)	(1,239)	(1,522)	(11,411)
Gross profit	36,954	5,734	3,628	46,317	65,368	12,069	8,109	85,546
Other income by function	17	142	22	182	82	273	42	397
Other operating expenses	(21,949)	(3,112)	(4,059)	(29,120)	(39,924)	(6,510)	(8,424)	(54,858)
Depreciation and amortization	(1,916)	(291)	(445)	(2,652)	(3,777)	(629)	(879)	(5,285)
Operating Income	13,107	2,473	(854)	14,726	21,749	5,203	(1,151)	25,800
EBITDA	19,346	3,414	363	23,122	34,177	7,071	1,249	42,497

M\$	Variation 2Q 2021 vs. 2Q 2020				Accumulated variation at 06.30.2021 vs. 06.30.2020			
	Segments			Total Group	Segments			Total Group
	Chile	Colombia	Peru		Chile	Colombia	Peru	
Revenue	31,088	4,432	7,453	42,972	46,937	6,415	6,507	59,860
Purchases charged to cost of sales	(25,329)	(4,966)	(7,002)	(37,296)	(37,648)	(7,654)	(6,367)	(51,670)
Expenses charged to cost of sales	690	(31)	(0)	659	1,086	51	291	1,428
Depreciation and amortization	(729)	(21)	(189)	(939)	(1,103)	(39)	(60)	(1,202)
Gross profit	5,720	(586)	261	5,395	9,271	(1,227)	372	8,416
Other income by function	(1)	(38)	(19)	(58)	(48)	(64)	85	(27)
Other operating expenses	(3,037)	70	737	(2,230)	(7,360)	259	2,058	(5,043)
Depreciation and amortization	(317)	52	387	122	(662)	61	441	(160)
Operating Income	2,365	(502)	1,366	3,229	1,201	(972)	2,956	3,185
EBITDA	3,411	(533)	1,169	4,046	2,966	(993)	2,575	4,548

Chile: EBITDA of the second quarter 2021 was higher by M\$ 3,411 (+17.6%) compared to the second quarter of the previous year, explained by a higher gross margin, partially offset by higher operating expenses.

LPG sales volume increased by 8.8% compared to the same period last year, reflecting an increased economic activity regarding the health restrictions in force during 2020.

Bottled LPG sales volume increased by 5.7% and direct sales grew by 40.9% compared to the second quarter of 2020, reaching 60.2% of the segment's total sales resulting in an increase in margins. In addition, sales volume in the industrial and commercial customer segments increased in relation to the second quarter of 2020 by 9.6% and 27.6%, respectively.

Natural gas sales volume decreased by 1.2% and LNG volume increased by 29.3% due to higher consumption by industrial customers, the incorporation of new customers and the activation of two LNG-fired electric generators that were not in operation last year. Total sales volume in equivalent LPG tons (including sales of natural gas in its different formats) increased by 10.0%.

Gross margin is favorable compared to the previous year due to increased sales volume because of greater consumption from industrial and commercial customers, a greater share of the sale of bottled LPG to end customers, which is offset by an increase in expenses related to that operation, by greater consumption of industrial and commercial customers and by the impact on inventories due to an increase in international fuel prices that produces a positive effect of M\$ 788 .

Operating expenses (excluding depreciation and amortization) increased by M\$ 3,037 (13.8%), mainly explained by higher expenses on LPG freight, logistics operator administration services and external counseling. This is partially offset by lower donation expenses that were incurred on a one-off basis during the second quarter of 2020 associated with the COVID-19 pandemic.

Accumulated EBITDA as of June 2021 was higher by M\$ 2,966 (+8.7%) compared to the first half of the previous year, explained by a higher gross margin, partially offset by higher operating expenses.

LPG sales volume increased by 4.1% compared to the same period last year. Sales volume of bottled LPG increased by 3.4% and direct sales grew by 41.5% compared to the first half of 2020, reaching 58.7% of the total sale of the segment, which produces an increase in margins. In addition, sales volume in the industrial and residential bulk customer segments increased in relation to the first half of 2020 by 7.5% and 3.7% respectively. The commercial segment showed a slight growth compared to the same period of the previous year by 1.1% still affected by health restrictions. Natural gas sales volume decreased slightly by 2.5% and LNG volume increased by 41.8% due to higher consumption by industrial customers, the incorporation of new customers and the activation of three LNG-fired electric generators during this first half of 2021 that were not in operation last year. Total sales volume in equivalent LPG tons (including sales of natural gas in its different formats) increased by 6.3%.

Gross margin is favorable compared to the previous year due to a greater share of sales to end customers of bottled LPG, which is offset by increased expenses regarding that operation, given increased consumption from industrial customers and the impact on inventories due to increased international fuel prices resulting in a positive effect of M\$ 2,266.

Operating expenses (excluding depreciation and amortization) increased by M\$ 7,360 (18.4%), mainly explained by higher expenses on LPG freight, remuneration, commission and administration services of logistics operators (related to increased direct sales of bottled LPG) and external counseling. The previous was partially offset by lower expenses in maintenance, marketing, donations and commercial agreements with sub-distributors.

Colombia: EBITDA for the second quarter of 2021 was lower by M\$ 533 (-15.6%) compared to the same period of the previous year, a variation explained mainly by lower unit gross margin affected by the continued rise in LPG prices, partially offset by higher LPG sales volume, which increased by 19.0%. Sales in equivalent LPG tons increased by 16.7% due to lower sales of natural gas, more affected by protests and roadblocks.

Gross earnings decreased by 10.2% resulting from lower unit margins due to increased gas costs.

Operating expenses (excluding depreciation and amortization) slightly decreased by M\$ 70 (2.2%), mainly explained by lower expenses in leases, taxes and uncollectible customer provisions, partially offset by higher expenses in remuneration, marketing and insurance.

The Colombian peso devalued by 8.8% against the Chilean peso compared to the same quarter of the previous year.

Accumulated EBITDA as of June 2021 was lower by M\$ 993 (-14.0%) compared to the same period last year, which variation is mainly explained by lower unit gross margin affected by the continued rise in the price of LPG.

LPG sales volume increased by 17.3%. Sales in equivalent LPG tons increased by 15.9%.

Gross earnings decreased by 10.2% due to lower unit margins due to the increase in the cost of gas.

Operating expenses (excluding depreciation and amortization) decreased by M\$ 259 million (-4.0%), mainly explained by lower expenses on leases, taxes, uncollectible customer provisions and transportation expenses, partially offset by higher remuneration, fees and insurance.

The Colombian peso devalued by 9.5% against the Chilean peso compared to the same half of the previous year.

Peru: Second quarter EBITDA increased by M\$ 1,169 (+321.8%) compared to the same quarter of the previous year, mainly explained by higher LPG and NG sales volume and lower operating expenses.

LPG sales increased by 37.4% due to higher sales volume in all its channels, Bottled (+1.3%), industrial channel (+74.3%), commercial (217.2%) and automotive (+216.6%). Natural gas sales increased by 33.1%. During the second quarter of 2020 activity in Peru had been strongly affected by health restrictions.

Gross profit increased by 7.2% impacted by higher LPG and NG sales volume, partially offset by lower unit gross margin.

Operating expenses (excluding depreciation and amortization) decreased by M\$ 737 million (-18.2%) mainly explained by lower expenses on LPG freight, leases and legal counseling, partially offset by higher maintenance and insurance expenses.

The Peruvian Sol devalued by 21.3% against the Chilean peso compared to the same quarter of the previous year.

EBITDA for the first half increases by M\$ 2,575 (+206.1%) regarding the same semester of the previous year, mainly explained by the recording of a credit note of M\$ 1,570 in the cost of natural gas because of the ruling against the NG supplier, *Calidda* resulting from differences in the invoicing price of NG for the Lima area generated since 2012 to date. Higher LPG and NG sales volume and lower operating expenses also have an impact. LPG sales increased by 19.0% because of higher sales

in all channels: bottled (+5.0%), industrial (+37.9%), commercial (+16.6%) and automotive (+53.7%). Natural gas sales increased by 10.9% with higher sales in all channels.

Gross earnings increased by 4.6% impacted by the aforementioned credit note from the natural gas supplier that offset lower LPG unit margins.

Operating expenses (excluding depreciation and amortization) decreased by M\$ 2,058 (-24.4%) mainly explained by lower expenses on LPG freight, remuneration, leases and fees, partially offset by higher expenses in maintenance, marketing and insurance.

The Peruvian Sol devalued by 18.7% against the Chilean peso compared to the same semester of the previous year.

3. ANALYSIS OF THE CONSOLIDATED FINANCIAL POSITION

ASSETS

	06.30.2021	12.31.2020	Var.	
	M\$	M\$	M\$	%
Current assets	158,051	132,618	25,433	19.2%
Non-current assets	431,467	426,630	4,837	1.1%
Total assets	589,517	559,248	30,270	5.4%

The assets of the Company as of June 30, 2021, increasing by M\$ 30,270 or 5.4% regarding figures recorded as of December 31, 2020. The main variations correspond to:

- Current assets increase by M\$ 25,433 mainly because of higher trade accounts and other current accounts receivable for M\$ 15,628 impacted by the higher price of commercialized products, higher sales in the winter season and by the recording of an account receivable from the Urban Transport Authority (ATU) for income tax (M\$ 1,786) generated by the expropriation of the Callao plant in Peru. Inventory increases by M\$ 6,521 due to the higher price of commercialized products, greater LPG inventories and in transit at the Quintero and Mejillones terminals and current tax assets increased by M\$ 3,754. This was partially offset by other current non-financial assets of M\$ 1,513, mainly due to lower short-term deferred expenses.
- Non-current assets increased by M\$ 4,837, of which M\$ 9,310 corresponds to an increase in the category of property, plant and equipment mainly due to the start-up of the Mejillones maritime terminal, with other non-current non-financial assets being increased by M\$ 1,406, mainly because of an increase due to long-term deferred expenses and other non-current financial assets by M\$ 741 corresponding mainly to the balance of the financial debt of the UF variation hedge derivative. This is partially offset by a decrease in non-current accounts receivable by M\$ 7,039 corresponding to the decrease in advances given to Oxiquim for the construction of the Mejillones terminal, which offset the liability for the lease of said terminal.

LIABILITIES

	06.30.2021	12.31.2020	Var.	
	M\$	M\$	M\$	%
Current liabilities	84,785	70,737	14,048	19.9%
Non-current liabilities	338,117	322,660	15,457	4.8%
Total liabilities	422,902	393,398	29,505	7.5%

The liabilities of the Company as of June 30, 2021, increased by M\$ 29,505 or 7.5% regarding figures recorded as of December 31, 2020. The main variations correspond to:

- Current liabilities increased by M\$ 14,048, of which M\$ 5,902 corresponds to greater trade accounts and other accounts payable for higher one-off liabilities to LPG suppliers, M\$ 4,021 corresponds to other current financial liabilities of which M\$ 1,931 corresponds to a higher amount for hedging operations to cover changes in the exchange rate and price of inventories, and M\$ 1,742 to accrued interest. In addition, M\$ 2,192 corresponds to other current non-financial liabilities for higher advances received from customers for the sale of coupons and advance metered sales and M\$ 1,387 corresponds to current tax liabilities.
- Non-current liabilities increased by M\$ 15,457, of which M\$ 13,718 corresponds to other non-current financial liabilities mainly due to higher financial lease liabilities corresponding to the accounting of the liability for the agreement with Oxiquim due to the start of operation of the Mejillones terminal. In addition, M\$ 2,693 corresponds to other non-current non-financial liabilities associated mainly with cylinder guarantees and an increase in deferred tax liabilities of M\$ 1,141. This was partially offset by lower liabilities for non-current leases of M\$ 1,681 as a result of these going from non-current to current.

EQUITY

- The Company's equity as of June 30, 2021, increased by M\$ 765 regarding the figures recorded as of December 31, 2020. The variation results from the decrease in other reserves for M\$ 5,690 because of negative results from exchange rate differences in the investment in foreign subsidiaries for M\$ 4,972 cash flow hedging reserves of M\$ 818 and a M\$ 405 decrease in non-controlling interests, partially offset by a M\$ 6,860 increase in accumulated earnings.

ANALYSIS OF STATEMENT OF CASH FLOW

CONSOLIDATED STATEMENT OF DIRECT CASH FLOW	01.01.2021 to 06.30.2021 M\$	01.01.2020 to 06.30.2020 M\$	Var.	
			M\$	%
Cash flows provided by (used in) operating activities	37,985	49,881	(11,896)	(23.8%)
Cash flows provided by (used in) investing activities	(12,703)	(27,982)	15,278	(54.6%)
Net cash flows provided by (used in) financing activities	(24,300)	13,905	(38,206)	(274.8%)
Net Increase (decrease) in cash and cash equivalents, before effects of variation in foreign exchange rates	981	35,804	(34,823)	(353.2%)
Effects of variations in foreign exchange rate on cash and cash equivalents	(980)	(145)	(835)	575.6%
Net increase (decrease) in cash and cash equivalents	2	35,659	(35,658)	222.4%
Cash and cash equivalents - beginning of the period or fiscal year	62,317	17,040	45,277	265.7%
Cash and cash equivalents - end of the period or fiscal year	62,319	52,699	9,619	18.3%

Cash and cash equivalents as of June 30, 2021, recorded a balance of M\$ 62,319 increasing by M\$ 9,619 regarding the balance at the end of the same period of the previous year.

The variations of the cash flow statement are mainly explained by the following movements:

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES

There was a positive net flow generated by the operation of M\$ 37,985 as of June 30, 2021, which decreased from the previous year's cash flow by M\$ 11,896. The main variations correspond to an increase in working capital between periods which was partially offset by a M\$ 4,547 increase in EBITDA generated. In the first six months of 2020, working capital had decreased by M\$ 8,625, increasing the flows generated by the operation. In 2021, the same variation is an increase in working capital of M\$ 12,874, which decreases the flows generated. The net change is a lower cash flow of M\$ 21,499. This variation is mainly caused by a greater increase in accounts receivable and inventories (both mainly impacted by the higher price of commercialized products and by higher sales volume per the winter season) and also by a greater increase in tax assets. There is also greater other operating income.

CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES

Net cash flow used in investment activities as of June 30, 2021 is M\$ 12,703, which was M\$ 15,278 lower than the cash flow used in the same period of the previous year, mainly due to amounts from

the disposal of property, plant and equipment associated with the expropriation of the Callao plant in Peru for M\$ 11,980 and lower purchases of property, plant and equipment.

CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES

Net cash flow used in financing activities as of June 30, 2021, is negative by M\$ 24,300 and presents a negative variation of M\$ 38,206 regarding the positive net cash flow of M\$ 13,905 during the same period of the previous year. The main variation originates from the funds raised during 2020 from the issuance of the long-term bond net of the payment made with the funds raised of bank loans from both Chile and its subsidiaries (M\$ -38,186).

4. FINANCIAL INDICATORS

LIQUIDITY

Indicators	Units	06.30.2021	12.31.2020
Liquidity ratio ⁽¹⁾	Times	1.86	1.87
Acid-test ratio ⁽²⁾	Times	1.51	1.55

(1) Liquidity ratio = Current Assets / Current Liabilities

(2) Acid-test ratio = (Current Assets-Inventories) / Current Liabilities

Liquidity indicators as of June 30, 2021, decrease slightly regarding December 2020 mainly due to the increase in other financial liabilities, trade accounts and other current accounts payable, tax liabilities and other non-financial liabilities offsetting the increase in current assets mainly because of the increase in trade debtors and other accounts receivable and inventories.

INDEBTEDNESS

Indicators	Units	06.30.2021	12.31.2020
Indebtedness ratio ⁽¹⁾	Times	2.54	2.37
Portion of current debts ⁽²⁾	%	20.0%	18.0%
Portion on non-current debts ⁽³⁾	%	80.0%	82.0%
Net financial debt / Equity ⁽⁴⁾	Times	1.02	0.92

(1) Indebtedness ratio = Total liabilities / Equity.

(2) Portion of current debts = Current liabilities / Total liabilities.

(3) Portion on non-current debts = Non-current liabilities / Total liabilities.

(4) Net financial debt / Equity = (Other financial liabilities - cash and cash equivalent) / Equity.

Debt ratio increases as of June 30, 2021, compared to the close of December 2020, mainly due to the increase in trade accounts and other current accounts payable, greater other current and non-current financial liabilities (including the liability arising from the start-up of the Mejillones maritime terminal) and the increase in other non-current non-financial liabilities.

PROFITABILITY

Indicators	Units	06.30.2021	12.31.2020
Equity profitability ⁽¹⁾	%	25.7%	21.1%
Asset profitability ⁽²⁾	%	7.3%	6.3%
EBITDA ⁽³⁾	M\$	100,822	96,274
EAT ⁽⁴⁾	M\$	42,843	34,997

(1) Equity profitability = Gain (Loss) LTM / Equity.

(2) Asset profitability = Gain (Loss) LTM / Total assets.

(3) EBITDA = Operating income + depreciation and amortization (LTM)

(4) EAT = Earnings after taxes (LTM)

Equity profitability and asset profitability increase regarding December 2020 mainly because of increased earnings of the last twelve months.

EBITDA regarding December 2020 increases due to higher sales volume and improved gross margin.

Earnings after taxes increases regarding December 2020 due to higher sales volume, improved gross margin and lower negative non-operating income (influenced by the positive result from the expropriation of the Callao plant in Peru), as described in the analysis of the income statement.

INVENTORIES

Indicators	Units	06.30.2021	12.31.2020
Inventory turnover ⁽¹⁾	Times	10.1	14.3
Inventory permanence ⁽²⁾	Days	35.7	25.1

(1) Inventory turnover = Cost of sales LTM / Inventory average (Beginning inventory + final inventory) / 2

(2) Inventory permanence = 360 days / Inventory turnover

Inventory turnover decreases regarding December 2020, mainly because of increased inventory.

5. BUSINESS ANALYSIS

Empresas Lipigas S.A. participates in the Chilean market for LPG with its brand Lipigas. It has over 60 years of presence in the market reaching an annual average market share of 35.5% as of December 2020 according to data provided by Chile's Superintendence of Electricity and Fuels (*Superintendencia de Electricidad y Combustibles - SEC*).

For the distribution and commercialization of LPG in Chile, the Company has 14 storage and/or bottling plants, two maritime terminals located in the communes of Quintero and Mejillones, and 20 sales offices distributed throughout the country. In addition, it has an outsourced distribution network of more than 2,500 mobile sales points achieving nationwide coverage from the Region of Arica and Parinacota to the Region of Magallanes.

It also has natural gas (NG) residential distribution networks in the city of Calama, enabling a continuous supply of this energy to nearly 3,000 homes, thus satisfying their heating, hot water and cooking needs. Beginning 2017 it started supplying natural gas to clients in the cities of Puerto Montt and Osorno, where it currently has more than 3,500 customers.

It has supply, sale and distribution operations of liquefied natural gas (LNG) shipped in trucks to industrial customers far from gas pipelines, which incorporate this type of fuel to their productive processes in industries of power generation, construction, food, manufacturing and others seeking to comply with environmental-regulatory standards given the benefits of LNG in this field, as well as lower costs regarding other types of energy. Investments performed, and territorial coverage reached - from the Region of Coquimbo to the Region of Los Lagos – place Empresas Lipigas as one of the major players in the industrial LNG market.

Since 2017 it has been developing activities in the market for generating and commercializing electricity.

In 2010, Empresas Lipigas entered the Colombian market through *Chilco Distribuidora de Gas y Energía S.A.S. E.S.P.* This company commercializes LPG and participates in the Colombian market with the brand *Gas País*.

It has presence in 25 of the 32 departments of the country, reaching an annual average market share of 14.5% as of December 2020, according to data from Colombia's Single Information System of the Superintendence of Public Services (*Sistema Único de Información de la Superintendencia de Servicios Públicos*.)

For the commercialization of LPG in Colombia, it has 16 bottling plants and an own distribution network that together with the third-party distribution network service approximately 500,000

customers. In 2017 it began supplying network liquefied gas to clients from 12 municipalities in the interior of Colombia. In 2018, the Company acquired control of the subsidiary *Surcolombiana de Gas S.A.S.* Currently supplying network gas to approximately 103,000 customers.

Empresas Lipigas S.A. enters the Peruvian market in 2013 through the purchase of Lima Gas S.A., an LPG company. The decision was based mainly on the sustained growth of the LPG market and favorable conditions of the Peruvian economy.

Lima Gas participates in the Peruvian LPG market in the cylinder-bottled and bulk business and commercializes the product mainly under three brands: *Lima Gas*, *Zafiro* and *Caserito*. It has an annual average market share of 6.5% as of December 2020, according to data provided by Peru's Energy and Mines Investment Regulator - *Osinergmin*.

Currently, Lima Gas has eight bottling plants and two distribution centers, enabling a relevant logistic capacity to supply LPG to its clients. The distribution network of bottled LPG is composed of approximately 350 distributors that supply LPG to end-customers. Regarding bulk LPG, direct distribution reaches over 2,000 clients.

In November 2015, the Company reached an agreement to acquire Neogas Peru S.A. (currently Limagas Natural Peru S.A.), a company dedicated to the distribution of CNG and LNG to industrial clients and supply service stations for automobiles. The Company acquired control over this new operation in February 2016. Commercialization of LNG began at the end of 2018.

6. RISK MANAGEMENT

Risk factors inherent to the Company's activity are those of the markets in which it participates, and the activity conducted by the Company and its subsidiaries. The Board of Directors and Management periodically review the Company's significant risks' map to design and monitor compliance with risk mitigation measures deemed appropriate. The main risk factors affecting the business can be detailed as follows:

6.1 Credit risk

Credit risk arises in losses that might occur because of a breach of the contractual obligations on behalf of counterparties of the Company's different financial assets.

The Company has credit policies that mitigate risks of non-collection of trade accounts receivable. These policies consist of establishing limits to the credit of each client based on their financial background and behavior, which is permanently monitored.

The Company's financial assets consist of cash and cash equivalents balance, trade accounts and other accounts receivable and other financial assets.

Credit risk is mainly related to trade accounts and other accounts receivable. The balance of cash and cash equivalents and other financial assets are also exposed to a lesser extent. The exposure of cash and cash equivalents to credit risk is limited because cash is deposited in banks with a high credit rating. The Company's cash surplus investments are diversified among different financial institutions that also have high credit ratings. Investments classified as financial assets correspond to obligations issued by companies with AA- or higher ratings. Other non-current financial assets correspond to funds of restricted availability related to guaranty deposits for the delivery of cylinders to clients in Colombia and to hedging instruments contracted with high-credit quality financial institutions.

As described in Note 4.1 of the consolidated financial statements, the Company has signed an agreement that commits to give advances to Oxiquim S.A. and subsidiaries of that company with which it has signed contracts for the provision of the service of reception, storage and dispatch of LPG at facilities already built and to be built at the maritime terminals owned by those companies. The Company has performed a solvency analysis of Oxiquim S.A. and its subsidiaries, concluding that there are no significant non-collection risks. These advances are offset by the financial lease liability entered into with Oxiquim S.A. because of the beginning of operations of the Quintero maritime terminal facilities in March 2015 or recorded as trade debtors and other non-current accounts receivable, with regards to anticipated payments in the construction of the discharge, storage and dispatch facilities at the Mejillones terminal.

The maximum exposure to credit risk is as follows:

Financial Assets	Note	06.30.2021 Th\$	12.31.2020 Th\$
Cash and cash equivalents	3	62,318,595	62,317,022
Trade receivables and other accounts receivable, current	7	52,237,820	36,609,778
Trade receivables and other accounts receivable, non-current	7	2,454,326	9,492,935
Other financial assets, current	4	2,851,515	1,961,963
Other financial assets, non-current	4	1,499,560	758,321
Total		121,361,816	111,140,019

Policy on uncollectible debt

Uncollectible provisions are determined according to the Company's policy on uncollectible debt.

This policy is in accordance with IFRS 9, where the recognition of uncollectible client accounts is determined based on the expected losses of these, establishing the following criteria to make the provisions:

- Segmentation: clients are grouped by business lines according to the Company's sales channels.

- Risk Variables: the business line and arrearage are considered.
 - o The business line, because it groups different segments of clients which are possible to identify and group for risk analysis purposes.
 - o Arrearage, because it is directly associated with the levels of recovery and maturity of the debt. The longer the payment term is in arrears, it is considered more difficult to recover.
- Simplified statistical model: the payment period of accounts receivable for this type of business is not more than 12 months. For the same reason we opted for a simplified model, which is one of the alternatives recommended by IFRS 9, when it relates to lower than one-year debts.
- Significant payment risk increase:
 - a. A provision is made, considering partial or total debt, should a client be found to have an inability to pay due to significant risk increase, even if it does not classify within the above criteria.
 - b. A provision is made, considering partial or total debt, should a client refinance its debt for relevant amounts.

6.2 Liquidity Risk

Liquidity risk refers to the possibility that an entity cannot cope with their short-term payment commitments.

Liquidity risk is handled through the proper management of assets and liabilities, optimizing daily cash surplus, investing in top quality financial instruments, thus, ensuring compliance with debt commitments upon maturity.

The Company maintains relationships with major financial institutions in the markets in which it operates. This allows counting on credit lines to deal with specific illiquidity situations.

Periodically, cash flow projections and analysis of the financial situation are performed, to acquire new financing or restructuring of existing debts on terms that are consistent with the Company's business cash flow generation, should the need arise.

Note 14 of the consolidated financial statements presents an analysis of the Company's financial liabilities classified according to their maturity.

6.3 Market risk

It relates to the risk of fluctuation of fair values of financial assets and liabilities due to changes in market prices, and the risks associated with the demand and supply of commercialized products. The Company's exposure to market risks regarding financial assets and liabilities are the exchange

rate, indexation unit risk, and interest rate risk. In addition, the Company is exposed to risks related to commercialized products.

Exchange rate and indexation unit risk

This risk arises from the probability of loss due to the exchange rate fluctuations of the currencies in which financial assets and liabilities are denominated with respect to currencies other than the functional currency of the Company and its subsidiaries:

- Purchases of goods and future payment commitments expressed in foreign currency: Company cash flows consist mainly of transactions in the Company's functional currency and those of its subsidiaries. The Company and its subsidiaries cover the risk of purchase operations of liquefied gas and imports of goods or commitments of future payments in foreign currency through forwards.

As of June 30, 2021, and December 31, 2020, the balances of accounts in currencies other than the functional currency of the Company and its subsidiaries were as follows:

Originating transaction currency: US dollar

Current and non-current assets	Assets at 06.30.2021 Th\$	Assets at 12.31.2020 Th\$
Cash and cash equivalents	1,249,524	477,514
Trade accounts and other accounts receivable, current and non-current	1,351,737	1,064,411
Deferred tax assets	180,617	115,433
Property, plant and equipment	6,528,267	6,128,906

Current and non-current liabilities	Liabilities at 06.30.2021 Th\$	Liabilities at 12.31.2020 Th\$
Other financial liabilities, current	175,953	88,273
Trade accounts and other accounts payable, current	21,232,016	14,141,224
Leasing liabilities, non-current	676,344	846,072

- Foreign investments: as of June 30, 2021, the Company holds net foreign investments in Colombian pesos for an amount equivalent to Th\$ 49,297,066 (Th\$ 52,528,775 as of December 31, 2020) and in Peruvian soles for an amount equivalent to Th\$ 44,979,948 (Th\$ 49,872,495 as of December 31, 2020).

Fluctuations of the Colombian peso and the Peruvian sol to the Chilean peso would affect the value of these investments.

In the past, evolutions of the Colombian peso and the Peruvian sol have been correlated with the Chilean peso. Management has decided not to cover this risk, continuously monitoring the forecasted evolution for the different currencies.

- Liabilities on debt securities: The Company's indebtedness for this concept corresponds to the placement of bonds in the Chilean market as follows:

- a) The first placement corresponds to Series E bonds carried out during April 2015 (mnemonic code BLIPI-E), charged to the 30-year bond line registered in Chile's CMF Securities Register under number 801, for UF 3,500,000. The placement rate was 3.44% annual for a face rate of 3.55%. Interest is paid semi-annually, and the principal will be amortized in a single installment on February 4, 2040.

- b) The second placement corresponds to Series G bonds carried out during January 2020 (mnemonic code BLIPI-G) charged to the 30-year bond line registered in Chile's CMF Securities Register under number 881, for UF 2,500,000. The placement rate was 2.18% annual for a face rate of 2.90%. Interests are paid semi-annually, and principal will be amortized paid in a single installment on November 5, 2044.

These liabilities are denominated in Unidades de Fomento (UF), which is indexed to inflation in Chile and differs from the Company's functional currency (CLP). However, this risk is mitigated since most of the Company's profit margins in Chile are correlated to the variation in the UF.

- Financial lease liabilities: The Company signed a lease agreement with Oxiquim S.A. for a period of 25 years for the use of reception, storage and dispatch facilities to be built by Oxiquim S.A. As of this date, said liabilities reach UF 658,190. The annual interest rate is 3.0%. Additionally, the Company signed a new lease agreement with Oxiquim S.A. for a period of 20 years for the use of the reception, storage and dispatch facilities to be built by Oxiquim S.A. To date, the balance of these liabilities amounts to UF 372,026. The annual interest rate is 0.84%. The nomination currency of both liabilities is the Unidad de Fomento (UF), which is indexed to inflation in Chile, and differs from the Company's functional currency (CLP). However, this risk is mitigated since most of the Company's profit margins in Chile are correlated to the variation in the UF.

- **Leasing liabilities:** With the entry into force of IFRS 16 "Leases", the Company has entered into agreements for periods ranging from 3 to 18 years for the use of real estate, technology and vehicles with several suppliers for UF 602,317. The average annual interest rate is 1.6%. The nomination currency of this liability is the Unidad de Fomento (UF), which is indexed to inflation in Chile, and differs from the Company's functional currency (CLP). However, this risk is mitigated since most of the Company's profit margins in Chile are correlated to the variation in the UF.
- Sensitivity analysis regarding exchange rate variations and indexation units.

The Company estimates the following effects on results or equity, resulting from variation of the exchange rate and indexation units:

Exchange rate Variation (*)	Increase Loss (Gain) Th\$	Decrease Loss (Gain) Th\$	Allocation
CLP/USD +/- 4.0%	7,427	7,427	Results: Exchange rate differences
CLP/USD +/- 4.0%	372,033	372,033	Equity: Reserves for cash flow hedging
CLP/COP +/- 2.4%	(1,188,056)	1,188,056	Equity: Reserves for exchange rate translation differences
CLP/PEN +/- 4.2%	(1,909,907)	1,909,907	Equity: Reserves for exchange rate translation differences

* Percentages equivalent to the annual average of the evolution of the last two years.

Interest rate risk

It refers to the sensitivity to interest rate fluctuations of the value of financial assets and liabilities.

The purpose of interest rate risk management is to achieve a balance in the financing structure, minimizing the cost of the debt with reduced volatility in the income statement.

As of June 30, 2021, 98.67% of the Company's financial debt is at fixed rates. As a result, the risk of fluctuations in market interest rates is low regarding cash flows. Regarding the portion in variable rates, Management permanently monitors the outlook in terms of the expected evolution of interest rates.

The breakdown of financial liabilities separated between fixed and variable interest rates is presented below as of June 30, 2021, and December 31, 2020:

Category	Note	Maturity in less than one year		Maturity in more than one year		Total	
		Fixed Rate Th\$	Variable Interest Th\$	Fixed Rate Th\$	Variable Interest Th\$	Fixed Rate Th\$	Variable Interest Th\$
Other financial liabilities	14	10,031,024	1,177,892	219,205,917	1,900,287	229,236,941	3,078,179
Total at 06.30.2021		10,031,024	1,177,892	219,205,917	1,900,287	229,236,941	3,078,179

Category	Note	Maturity in less than one year		Maturity in more than one year		Total	
		Fixed Rate Th\$	Variable Interest Th\$	Fixed Rate Th\$	Variable Interest Th\$	Fixed Rate Th\$	Variable Interest Th\$
Other financial liabilities	14	6,464,513	723,044	205,655,161	1,732,919	212,119,674	2,455,963
Total at 12.31.2020		6,464,513	723,044	205,655,161	1,732,919	212,119,674	2,455,963

Risks related to commercialized products

a) LPG

The Company participates in the distribution of liquefied gas business in Chile, with coverage that extends between the Region of Arica and Parinacota and the Region of Magallanes, reaching a market share of 35.5% at December 2020, according to data provided by Chile's Superintendence of Electricity and Fuels (*Superintendencia de Electricidad y Combustibles - SEC*).

At the end of 2010, the Company entered the Colombian market through the purchase of assets from Group Gas País, currently achieving a presence in 25 of the 32 Colombian departments and reaching a market share of 14.5% at December 2020, according to data from Colombia's Single Information System of the Superintendence of Public Services (*Sistema Único de Información de la Superintendencia de Servicios Públicos*.)

Continuing with its internalization process in the LPG industry, in July 2013, the Company acquired 100% of Lima Gas S.A., a Peruvian-based LPG distributing company, which at December 2020 reached a market share of 6.5%, according to data provided by Peru's Energy and Mines Investment Regulator - *Osinergmin*.

a.1) Demand

The demand for residential LPG is not significantly affected by economic cycles since it is a basic consumption good in all countries where the Company operates. However, the demand can be affected by factors such as temperature, precipitation levels and the price of LPG compared with other substitute energies (natural gas, firewood, diesel, paraffin, electric power, etc.), and deep economic activity crises. In some regions, demand has a high seasonality resulting from temperature variations. The economic cycles have a significant impact on the demand from commercial and industrial segments.

Since it participates in a highly competitive market, the business strategy of its competitors may impact the sales volume of the Company.

a.2) Supply

One of the risk factors in the business of commercializing LPG is the supply of LPG.

Regarding Chile, the Company can minimize this risk through a network of multiple suppliers such as Enap Refinerías S.A., Gasmar S.A., and the management performed when importing this fuel from Argentina and from other countries by sea.

To strengthen its strategic position in terms of LPG supply, in 2012, the Company entered into a series of agreements with Oxiquim S.A. to develop the construction of facilities for the reception, storage and dispatch of LPG at the terminal owned by that company located in the Quintero Bay, allowing the Company to have different seaborne supply sources beginning March 2015. Additionally, in 2019, the Company signed a series of contracts with the company Oxiquim S.A. to develop the construction of LPG reception, storage and dispatch facilities in the terminal owned by that company located in the Bay of Mejillones that, since it began operating in April 2021, strengthens its strategic position in terms of raw material supply.

For the Colombian market, the risk factor of commercializing LPG in terms of supply is minimized through the establishment of purchase quotas, which are agreed upon with Ecopetrol S.A., which covers a great part of the demand of distribution companies through public offerings. In addition to the agreements with Ecopetrol S.A., the Company also has purchase agreements with other local market players and imports product by sea through facilities located in Cartagena.

For the Peruvian market, LPG supply presents a high concentration in Lima where almost half of this capacity is located. Since the nation's capital is the area of highest consumption, important supply facilities have been built to provide it with a greater level of reliability. In this sense, agreements have been entered into with Petroperú (which has two supply plants: Callao and Piura) and Pluspetrol. In addition to these agreements, the Company also has purchase agreements with other market players and imports product from Bolivia to supply the south of the country.

a.3) Prices

LPG purchase prices are affected by the variations of international value of fuel prices and exchange rate variation of each local currency with respect to the U.S. dollar. Variation of raw material costs are considered when setting selling prices, although market competitive dynamics are always considered.

The Company maintains LPG inventories. The realization value of these inventories is affected by the variation of international fuel prices that are the basis for establishing selling prices to customers. Variation in LPG international prices would produce a variation in the same direction and of similar magnitude in the realization price of inventories. Generally, the Company does not cover this risk, since it considers that the variations of international prices are offsetting over time. The Company permanently monitors the evolution and forecasts of international commodity prices. Since the maritime terminal, located in the Quintero Bay, began operating, the Company has decided to cover the risk of variation of the price of inventory realization of stored product at the maritime terminal through swaps related to LPG prices and currency forwards to hedge the effect of exchange rate variations of the U.S. dollar (currency used to express the reference price of inventories).

b) Natural gas

Residential demand for natural gas is not significantly affected by economic cycles since it is a basic consumption good, but deep economic crisis could affect it. Demand from commercial and industrial segments is most significantly impacted by economic cycles. Regarding the risk of product supply for the operations that the Company owns in the north and south of Chile, both are covered with long-term agreements with different suppliers.

In Peru, the subsidiary Limagas Natural Peru S.A. has entered into supply agreements with natural gas distributors from several regions to meet demand requirements.

In Colombia, the subsidiary Surcolombiana de Gas S.A. E.S.P. has entered into supply agreements with natural gas commercializing companies from several regions to meet demand requirements.

c) Liquefied natural gas

The Company has agreements for the supply of liquefied natural gas (LNG) to industrial clients in Chile, including a "take or pay" clause. Such agreements contain formulas to establish the selling price that, in turn, transfer the agreed variation to the price of the agreements with the supplier of the product. To respond to commitments with customers, the Company has entered into LNG supply agreements with several suppliers, which include the "take or pay" clause (with similar characteristics to those signed with customers, which mitigate the risk).

In Peru, the Company has entered into LNG supply agreements with industrial customers, which are supplied through supply agreements which the Company has entered into with several market producers and marketers.

The demand for LNG, mainly aimed at industrial customers, is impacted by economic cycles.

6.4 Regulatory Risk

The amendments of the Gas Services Law (DFL 323) came into effect in February 2017. The most relevant changes affect businesses in networks under concession, with the most meaningful change being the establishment of a profitability cap of 3% above the capital cost rate for the supply of gas through networks under concession. The capital cost rate may not be lower than 6% with which resulting profitability is 9% for new networks. Regarding networks built during the 15 years preceding the effective date of the amendments to the law and during the 10 years following the effective date of the amended law, a 5% profitability cap on the capital cost is established for a period of 15 years from its entry into operation, resulting in an 11% rate for the first 15 years of operation.

The Company currently has a natural gas operation in the city of Calama and has begun supplying natural gas in cities located in the south of Chile. The changes included in the law do not affect the evaluation of the natural gas projects currently being developed, since the Company has included the previously mentioned profitability restrictions within the evaluation parameters. For all natural gas distribution operations in networks under concession, annual returns are below the maximum range allowed by law.

The freedom of fixing prices to consumers remains for networks not under concession. In addition, it reaffirms that customers or consumers with residential gas services are entitled to change the distribution company. Given the above, a maximum period of five years is set for the validity of relationship contracts between residential gas customers and distributing companies for new real estate projects or should the transfer to another company involves the replacement and adaptation of existing client facilities due to the amendment of supply specifications, in order to enable the connection to the distribution network. In the other cases, the maximum term of the contracts is two years.

As in other liquefied gas markets, the residential bulk business is very competitive among its participants. Additionally, LPG distributing companies must compete with other types of energy (natural gas, firewood, diesel, paraffin, electric power, etc.). The possibility that customers change the company that provides LPG already existed before the amendments introduced by law. The service delivered to customers and the security both of supply and facilities, in addition to a competitive price, are relevant to the degree of customer satisfaction. The Company intends to continue being a competitive energy option for those customers connected to LPG networks.

In January 2020, Chile's Antitrust Court issued its Resolution 51/2020 concerning, inter alia, the analysis of existing property relations between the different companies operating in the relevant gas market (LPG and LNG), in order to avoid anti-competitive risks. The measures included in that resolution do not affect the Company.

In November 2020, Chile's Antitrust Department, the *Fiscalía Nacional Económica* (FNE), announced the beginning of a non-infringing Gas Market Study (Study) to determine the proper operation of the gas market from a competitive point of view. The Study covers all stages of the supply chain, from the exploration and development of national reserves, along with their importation, to the marketing stage, either to large consumers, as power generators, or at the retail level, where end-consumers are households, offices, commercial establishments and the public sector. The Study, estimated to be completed by the end of 2021, may originate policy or regulatory recommendations, practical recommendations to State bodies or economic operators (public and private), lead to research or a new specific market study. The Company has complied in a timely manner with all information requirements received.

In May 2021, a group of members of Chile's Honorable Chamber of Representatives requested the creation of a Special Investigation Commission to review the way in which various public bodies investigate situations related to free competition, especially in the liquefied gas market. Among other reasons, the request for the creation of the Commission states that during the last 12 months the price of LPG has increased by 13.6%, which would be justified primarily by the variation in the international price of oil. The Special Investigation Commission must submit its report within 90 days. As stated in the request for the creation of the Commission, the price increase to the public in the last few months has its origin in the increase in international fuel prices.

Significant changes in laws and regulations in the sectors in which the Company operates may adversely affect its business or the conditions thereof, increase the Company's operating costs or affect the financial situation of the Company. In addition, change of rules or their interpretation could require incurring costs that could affect financial performance or impact the financial position of the Company.

6.5 Accident risk

All human activities are exposed to dangers that can lead to accidents and certainly, the fuel distribution industry is no exception. To minimize the likelihood that these hazards will become unwanted situations, prevention and mitigation actions must be developed to reduce its consequences if hazards such as accidents or emergencies should exist.

For this, actions are permanently developed to ensure that all operations are carried out with high safety levels. Among these actions, the following can be mentioned:

- Training of collaborators and contractors regarding safe operations.
- Emergency response procedures with on-site service vehicles.

- Awareness actions on the safe handling of gas among customers and the community in general (firefighters, associations, etc.).
- Maintain OHSAS 18001:2007 Occupational Health and Safety Assessment Series at 13 storage and bottling plants in Chile and at the main offices.
- Implementation of management systems based on the OHSAS standard and safety systems pursuant to the Peruvian law N° 29,783. There are five plants that have this certification.
- Certification of 15 plants in Colombia, under ISO 9001 quality standard for the operation and maintenance of LPG storage tanks and bottling service of LPG cylinders, pursuant to legal requirements.
- Strict compliance of health, safety and environmental standards at all our operations

Complementing the reinforcement actions of the safe handling of fuel, the Company has insurance coverage deemed consistent with the industry's standard practices.

6.6 Reputation and corporate image risk

The Company's business is associated with the management of fossil fuels, particularly LPG, and its commercialization to a wide-ranging customer base. This business is subject to specific regulations in each of the countries where the Company operates. In addition, the Company is subject to several provisions relating to compliance with tax, environmental, labor, antitrust, and corporate regulations, among others. Should damage result from the commercialized products or in the event of observations from inspection bodies in compliance with the provisions that are applicable to the Company, this could lead to a deterioration of the Company's reputation and corporate image.

This risk is mitigated through the appropriate operating processes and compliance with regulations implemented within the Company. The controls implemented are constantly reviewed and people are trained to avoid these risks. The Company has established complaint lines and investigation procedures to determine actions that deviate from its Code of Conduct.

6.7 Risk of litigation, penalties and fines

The Company may be subject to litigation, penalties or fines resulting from its business. These potential impacts are mitigated from their inception, by complying with relevant regulations. The principal litigation and sanctioning procedures currently underway involving the Company or its subsidiaries are described in Note 28 to the consolidated financial statements.

The Company's main businesses are regulated by the Superintendence of Electricity and Fuels (*SEC*) in Chile, the Regulatory Commission of Energy and Gas (*CREG*) in Colombia, and the Ministry of Energy and Mines and the Energy and Mines Investment Regulator (*Osinergmin*) in Peru, which ensure compliance with the laws, decrees, rules, memorandum and resolutions that govern the

activity. In addition, different agencies in different countries are responsible for the control of compliance with the provisions related to tax, environmental, labor, antitrust, and corporate regulations, among others.

The Company has procedures in place and has the knowledge required to act under the protection of current laws and avoid penalties and fines. The controls implemented are constantly reviewed and people are trained to avoid contractual and regulatory breaches.

6.8 Risk of changes in regulatory, political, economic and social conditions in the countries of operation.

The Company's financial and operating performance may be negatively affected by regulatory, political, economic and social conditions in the countries where it operates. In the jurisdictions where it operates. The Company is exposed to various risks such as potential renegotiation, nullification or forced amendment of contracts, expropriation, foreign exchange controls, and changes in laws, regulations and political instability. The Company also faces the risk of having to submit to the jurisdiction of a foreign court or arbitration panel or having to enforce a judgment in another country.

Company Management permanently monitors the evolution of the regulatory, political, economic and social conditions in the countries where it is present, to mitigate the risks described.

6.9 Acquisition strategy risk.

The Company has grown, in part, through several significant acquisitions, including:

- The assets of Gas País in 2010 through which the Company started growing with operations in Colombia.
- Lima Gas S.A. in 2013 through which the Company entered the Peruvian LPG market.
- Neogas Peru S.A. (currently Limagas Natural Peru S.A.), through which the Company has presence in the natural gas market in Peru since February 2016.

In the future, the Company will continue to be committed in several evaluations and pursuing other potential acquisitions, which could lead to the acquisition of other LPG and fuel distribution companies seeking to integrate them into its current operations.

Acquisitions involve known and unknown risks that could adversely affect the Company's future net sales and operating income. For example:

- Failing to identify companies, products or brands precisely and appropriately for acquisition;

- Facing difficulties in integrating the management, operations, technologies and distribution processes of the acquired companies or products;
- Failing to obtain the necessary regulatory approvals, including those of anti-trust authorities, in the countries where acquisitions are being made;
- Entering new markets with which we are unfamiliar;
- Diverting management's attention from other business concerns;
- Acquiring a company that has known or unknown contingent liabilities that include, among others, patent infringement or product liability claims; and
- Incur in considerable additional indebtedness.

Any future or potential acquisitions, may result in substantial costs, disrupt our operations or materially adversely affect the Company's operating results.

Each acquisition performed by the Company is analyzed in detail by multi-disciplinary teams with external counseling, if necessary, in order to analyze the consequences and mitigate the risks inherent in any new business acquisition.

6.10 Risk of production, storage and transportation of gas

Operations conducted at the Company's plants involve safety risks and other operating risks, including the handling, storage and transportation of highly inflammable, explosive and toxic materials.

These risks could result in personal injury and death, severe damage to or destruction of property and equipment and environmental damage. Although the Company is very careful about the safety of its operations, a sufficiently large accident at one of the bottling or storage plants, or at facilities located at client facilities for liquefied or natural gas, or during transportation or delivery of products being sold, could force to temporarily suspend operations at the location and result in significant remediation costs, loss of income or generate contingent liabilities, and adversely affect the Company's corporate image and reputation and that of its subsidiaries. Also, despite having broad insurance coverage, these may not be available on a timely basis and may be insufficient to cover all losses. Equipment breakdowns, natural disasters and delays in obtaining imports of required replacement parts or equipment can also affect distribution operations and consequently operating results.

6.11 Risk that insurance coverage may be insufficient to cover losses that may be incurred

The operation of any distribution company specializing in LPG logistics operations and fuel distribution involves substantial risks of property damage and personal injury and may result in significant costs and liabilities.

The Company permanently analyzes the risks that may be covered by insurance policies, both in the amount of possible losses for the Company as in the characteristics of the risks, so current insurance levels are appropriate. Notwithstanding the previous, the occurrence of losses or other liabilities that are not covered by the insurance or that exceed coverage limits may result in additional unexpected and significant costs.

6.12 Risks relating to climate change

Due to concern over risks of climate change, several countries have adopted, or are considering the adoption of, regulatory frameworks to, among other measures, reduce greenhouse gas emissions. These could include adoption of cap-and-trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates to develop the generation of renewable energy. These requirements could reduce demand for fossil fuels, replacing them with energy sources of relatively lower-carbon sources. In addition, some governments may provide tax advantages and other subsidies and mandates to make alternative energy sources more competitive against oil and gas. Governments may also promote research into new technologies to reduce the cost and increase the scalability of alternative energy sources, all of which could lead to a decrease in the demand for our products. In addition, current and pending greenhouse gas regulations may substantially increase our compliance costs and, consequently, increase the price of products distributed by the Company.

In addition, climate change could force changes in consumer behavior and operating conditions that increase consumer costs (e.g., a higher likelihood of tidal surges that may impede normal port operations).

The Company permanently monitors the evolution of legislation on climate change and the consequences of this on consumer behavior and on the operation.

6.13. Risk of rioting

The economic and social situation of the different countries where the Company operates could lead to protests that could prompt violent actions damaging facilities or hindering the operation. The Company remains alert regarding the evolution of these events, prioritizing the protection and safety of workers, collaborators and the communities where it operates. It also has insurance coverage for possible damage or theft of goods or facilities.

6.14. Risk of natural or health catastrophes

In the countries in which the Company is present, catastrophic situations eventually occur such as floods, tsunamis or earthquakes, which force us to operate in contingency to maintain the supply to our customers. Previous experiences, in addition to emergency and contingency plans, periodically monitored, allow to mitigate this risk.

On the other hand, rapidly spreading infectious diseases can have consequences for the Company's business. Authorities may impose restrictions that impact the activity of customers or the Company, decreasing its revenue stream or incurring additional costs. In turn, the protection of the safety of workers, employees and customers can lead to higher operating costs driven by health reasons or arising from the same restrictions.

The Board of Directors and Management monitor the evolution of such situations, privileging the safety of workers, collaborators, customers and communities in which the Company's activities are conducted. Special committees are formed composed of first line managers to quickly respond and coordinate safeguard measures.

6.15. Cybersecurity risk

The world is on a fast-paced path of digitization, whereby robotics, digitization and the Internet are rapidly integrating into the operating environment, bringing with them changes in cybersecurity risks. Companies of all sizes and sectors have seen an increase in cyberattack incidents and attempts. In addition, considering a business context in which the security of systems has been decentralized with the mobility of employees, having a cybersecurity strategy that includes this situation has become essential.

Aware of these risks, Management constantly monitors and updates the different cybersecurity risks and implements actions to mitigate them, evaluating the impact on the organization and the probability of occurrence according to scales defined for it. Thus, to closely examine the level of risk, a complete analysis has recently been developed that has allowed to determine the level of maturity and alignment of the organization, using the requirements established in ISO 27.001:2013 as a basis, this study showed a satisfactory status of controls at the level of indicators. In addition, an action plan has been initiated that will allow a higher level of risk mitigation to be achieved, targeting the last quarter of 2022 for completion of this action plan.