

# ANALYSIS OF THE FINANCIAL POSITION AS OF 09.30.2022

---



Abbreviations:

M\$ Million Chilean pesos

Th\$ Thousand Chilean pesos

## ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended September 30, 2022

### 1. SUMMARY

The results of Empresas Lipigas S.A. (the Company) have decreased compared to the previous year, primarily due to higher international fuel prices and a persistent inflation that, beginning in the second half of 2021, has an effect on expenses and the cost of various inputs.

As of September 30, 2022, income after taxes was M\$ 33,018, down M\$ 4,491 (-12.0%) from the M\$ 37,508 recorded in the previous year. Nonetheless, it must be taken into account that the expropriation of the Callao plant in Lima, Peru, resulted in an exceptional positive operating income of M\$ 4,409 in 2021.

Consolidated EBITDA reached M\$ 88,316, 4.8% higher than the previous year's figure of M\$ 84,305.

Operating income as of September 2022 decreased by M\$ 2,838 (-5.0%) from M\$ 56,639 in 2021 to M\$ 53,801 in 2022.

Gross profit for the period reached M\$ 169,907, which was M\$ 11,899 (+7.5%) higher than in the previous year due to higher gross margins in all countries as a result of higher sales volumes of both LPG and NG, and higher unit margins.

Accumulated LPG sales volume to September 2022 compared to the previous year increases by 2.8%, equivalent to 15,789 tons. In Chile, Colombia and Peru, volumes increase by 1.4%, 6.5% and 5.0%, respectively. In Chile, volume increased mainly due to higher sales of bottled products to end customers and to commercial and industrial customers.

Natural gas sales (in its different formats) totaled 119.7 million m<sup>3</sup>, up 13.6% compared to 105.4 million m<sup>3</sup> as of September 2021, as a result of higher sales in Colombia (+5.5%) and Peru (+26.8%).

Revenues from ordinary activities amounted to M\$ 664,926, an increase of 30.5% compared to the same period of the previous year. This increase is mainly due to the rise in the international prices of oil byproducts to which the sales prices are referenced. The average Mont Belvieu reference in dollars as of September 2022 was 24% higher than in the same period of 2021. Added to this is the increase in the exchange rate (especially in Chile with a 16.5% increase). In addition to the increase in international prices, in Chile the increase in revenues (+25.0%) is also affected by higher sales of bottled products to end customers, industrial, commercial and NG customers, in Colombia (+35.8%) by higher sales volumes mainly of LPG to customers of bottled

products and commercial customers and in Peru (+54.3%) by higher NG sales volumes and, to a lesser extent, of LPG.

Negative non-operating income was M\$ 7,832, M\$ 3,796 higher than the loss of M\$ 4,037 recorded in the same period of the previous year. The main variations are due to the expropriation in 2021 of the land where the storage and bottling plant of the subsidiary Lima Gas S.A. in Peru was located, which generated a positive result of M\$ 4,409. Additionally, in 2022 there is a higher expense for the restatement of the liability for guarantees received from customers for M\$ 3,193, higher interests for IFRS 16 right-of-use for M\$ 626, higher bank interest for M\$ 394, higher bank expenses for M\$ 381 and lower gains for collections from cylinder sub-distributors for M\$ 749. The foregoing is partially offset by higher gains from exchange rate differences of M\$ 1,198 and higher gains from the restatement of advances of M\$ 2,063 and higher interests from financial instruments for M\$ 342. The higher financial costs of the hedging contracted for the bond debt issued in UF of M\$ 2,489 included in the Financial costs caption were offset by a lower negative result for indexation units related to this debt hedging of M\$ 2,484.

Income tax expense decreased from M\$ 15,094 to M\$ 12,951 due to lower operating income and the negative variation of operating income because of the reasons stated before.

After tax income decreased by 12.0%.

## **MATERIAL DISCLOSURES DURING THE QUARTER AND UP TO THE DATE OF ISSUANCE OF THIS ANALYSIS**

- On August 30, 2022, the Board of Directors of Empresas Lipigas S.A. agreed to pay an interim dividend out of the profits for the fiscal year 2022, of CLP 52 per share, which was paid as of September 27, 2022.
- On August 30, 2022, the Board of Directors of Empresas Lipigas S.A. agreed to call a Special General Shareholders' Meeting on September 29, 2022, in order to submit for its consideration and pronouncement an amendment to article seven of the Company's bylaws, eliminating the position of alternate director.
- On September 14, 2022, the stock company EVOL SpA was incorporated, with an initial capital of CLP 1,000,000 divided into 1,000 shares, its sole shareholder being Empresas Lipigas S.A. EVOL SpA will be the subsidiary of Lipigas that will group and/or develop the businesses related to electric energy including the commercialization of electric energy, the provision of energy efficiency services, renewable electric generation, consulting in electric projects and others, either directly or through participation in other companies.
- On October 18, 2022, Empresas Lipigas S.A. acquired, through its subsidiary EVOL SpA, all the shares issued by the companies Ecom Energía Chile SpA and Ecom Generación SpA, from its current shareholders Ecom Holding SpA, (80%) and TEM Inversiones SpA, (20%). The acquired companies advise customers on the optimization of their electric energy costs and commercialization of electric energy. The acquisition from their previous owners implies the payment of approximately USD 4.2 million plus eventual variable payments based on the results of Ecom Energía Chile SpA over the next 3 years. Given the increasing significance of electric energy in Chile's energy matrix, this acquisition is part of Lipigas' strategy to actively participate in the commercialization of electric energy.
- On October 27, 2022, Empresas Lipigas S.A. through its subsidiary Logística y Desarrollos Digitales SpA, signed a commitment to subscribe 70% of the shares of Frest SpA, for a total of approximately USD 5.5 million, payable in installments over the next 5 years. The corporate purpose of Frest SpA. is the sale, commercialization and distribution, whether in person or remotely, of fresh food. This investment is part of the strategy to participate in businesses that leverage its strategic assets including its relationship with end customers and last-mile logistics.
- On November 4, 2022. Empresas Lipigas S.A., through its Peruvian subsidiary Lima Gas S.A., acquired 60% of Limagas Natural Movilidad S.A.C.'s registered shares via a share purchase agreement. Limagas Natural Movilidad S.A.C.'s corporate purpose is the construction and operation of refueling stations for the supply of liquefied natural gas (LNG) or natural gas for vehicles (NGV) for use in trucks and vehicles, as well as other similar businesses related

to the commercialization of LNG for use in other types of transportation, including river, rail, and mining.

## 2. CONSOLIDATED INCOME STATEMENT BY FUNCTION

INCOME STATEMENT BY FUNCTION	01.01.2022 to 09.30.2022	01.01.2021 to 09.30.2021	07.01.2022 to 09.30.2022	07.01.2021 to 09.30.2021	Var Jan - Sep (2022 - 2021)		Var Jul - Sep (2022 - 2021)	
	M\$	M\$	M\$	M\$	M\$	%	M\$	%
Revenue	664,926	509,575	255,495	214,009	155,352	30.5 %	41,485	19.4 %
Cost of sales	(495,019)	(351,567)	(188,801)	(149,964)	(143,453)	40.8 %	(38,838)	25.9 %
<b>Gross Earnings</b>	<b>169,907</b>	<b>158,008</b>	<b>66,693</b>	<b>64,046</b>	<b>11,899</b>	<b>7.5 %</b>	<b>2,647</b>	<b>4.1 %</b>
Other income by function	562	501	213	131	61	12.2 %	82	62.4 %
Other expenses by function	(30,338)	(26,810)	(10,636)	(10,168)	(3,528)	13.2 %	(467)	4.6 %
Distribution costs	(52,419)	(42,754)	(19,533)	(15,893)	(9,665)	22.6 %	(3,640)	22.9 %
Administrative expenses	(33,911)	(32,306)	(11,703)	(10,463)	(1,605)	5.0 %	(1,240)	11.8 %
<b>Operating income</b>	<b>53,801</b>	<b>56,639</b>	<b>25,035</b>	<b>27,653</b>	<b>(2,838)</b>	<b>(5.0)%</b>	<b>(2,618)</b>	<b>(9.5)%</b>
Financial costs	(13,896)	(8,007)	(4,329)	(3,540)	(5,889)	73.6 %	(789)	22.3 %
Financial income	912	1,716	450	432	(804)	(46.8)%	18	4.2 %
Exchange differentials	2,041	843	483	949	1,198	142.2 %	(466)	(49.1)%
Profit (loss) on indexation units	2,706	(2,434)	981	393	5,140	100.0 %	587	149.3 %
Other gains (losses)	404	3,845	(97)	(1,614)	(3,441)	(89.5)%	1,517	(94.0)%
<b>Earnings (loss) before taxes</b>	<b>45,969</b>	<b>52,603</b>	<b>22,522</b>	<b>24,273</b>	<b>(6,634)</b>	<b>(12.6)%</b>	<b>(1,752)</b>	<b>(7.2)%</b>
Income tax expense	(12,951)	(15,094)	(6,625)	(9,126)	2,143	(14.2)%	2,501	(27.4)%
<b>Profit (loss)</b>	<b>33,018</b>	<b>37,508</b>	<b>15,897</b>	<b>15,148</b>	<b>(4,491)</b>	<b>(12.0)%</b>	<b>749</b>	<b>4.9 %</b>
Profit (loss) attributable to the owners of the controller	32,434	37,094	15,656	15,015	(4,659)	(12.6)%	641	4.3 %
Profit (loss) attributable to non-controlling interests	583	414	241	133	169	40.8 %	108	81.4 %
<b>Profit (loss)</b>	<b>33,018</b>	<b>37,508</b>	<b>15,897</b>	<b>15,148</b>	<b>(4,491)</b>	<b>(12.0)%</b>	<b>749</b>	<b>4.9 %</b>
<b>Depreciation and amortization</b>	<b>34,514</b>	<b>27,666</b>	<b>12,708</b>	<b>9,607</b>	<b>6,848</b>	<b>24.8 %</b>	<b>3,101</b>	<b>32.3 %</b>
<b>EBITDA</b>	<b>88,316</b>	<b>84,305</b>	<b>37,743</b>	<b>37,261</b>	<b>4,011</b>	<b>4.8 %</b>	<b>483</b>	<b>1.3 %</b>

Income after taxes for the third quarter of 2022 amounted to M\$ 15,897, 4.9% higher than the M\$ 15,148 recorded in the same quarter of the previous year.

Consolidated gross profit for the quarter reached M\$ 66,693, an increase of M\$ 2,647 (+4.1%) due to higher gross profit in Peru and Colombia. In Chile, gross profit decreased due to higher depreciation associated with higher investments compared to the same period of the previous year. This was partially offset by a higher unit gross margin and higher sales volumes in industrial and commercial bulk customers and an increase in the share of direct sales to end customers of bottled products. In Colombia, gross profit increased due to higher unit gross margin. In Peru, gross profit increased compared to the same quarter of the previous year due to higher sales volume, mainly of NG, and higher unit gross margin.

Operating costs and expenses increased by M\$ 5,347 (+14.6%). In Chile, they are associated with the increase in LPG freight expenses, remunerations, maintenance, logistics operators' administration services (related to the increase in direct sales of bottled products), partially

offset by lower external consulting services and lower uncollectible customer provisions. In Colombia, expenses increased due to higher remunerations, personnel expenses, maintenance, taxes, transportation expenses and the revaluation of the Colombian currency. In Peru, expenses increased due to higher freight, remunerations, maintenance, transportation expenses and the revaluation of the Peruvian currency. All operations are affected by inflation, which was 14.3% in Chile, 10.8% in Colombia, and 8.6% in Peru compared to the average of the third quarter of the previous year. The revaluation of local currencies of Colombia and Peru also had an impact, which was 5.5% in the case of the Colombian peso and 24.8% in the case of the Peruvian sol.

Operating income reached M\$ 25,035, which is M\$ 2,618 (-9.5%) lower than the M\$ 27,653 recorded in the third quarter of 2021.

EBITDA (operating income before depreciation and amortization) for the third quarter of 2022 reached M\$ 37,743, which is M\$ 482 (+1.3%) higher than the same period of the previous year due to better results in Colombia and Peru.

Accumulated after-tax profit as of September 2022 amounted to M\$ 33,018, 12.0% lower than the M\$ 37,508 recorded in the same period of the previous year.

Consolidated gross profit as of September amounted to M\$ 169,907, an increase of M\$ 11,899 (+7.5%) due to higher gross profit in the three countries. In Chile, gross margin increased due to a higher unit gross margin and higher sales volumes in the bottled, industrial and commercial segments and an increase in the share of direct sales of bottled products to end customers. In Colombia, gross profit increased due to higher unit gross margins and higher LPG sales volumes in all channels. In Peru, gross profit increased due to higher unit gross margins and higher sales volumes of NG and, to a lesser extent, LPG.

Operating costs and expenses increased by M\$ 14,798 (+14.5%). In Chile, they are associated with higher expenses mainly in freight, remunerations, maintenance, payments for logistics operators' services (due to the increase in direct sales of bottled products) and information technology, partially offset by lower expenses in external consulting services and lower uncollectible customer provisions. In Colombia, expenses increased due to higher remunerations, personnel expenses, external services, maintenance, taxes and transportation expenses, as well as the revaluation of the Colombian peso against the Chilean peso. In Peru, expenses increased due to higher freight, remunerations, maintenance, transportation expenses as well as the revaluation of the Peruvian sol. This was partially offset by lower expenses in fees. As already mentioned, all operations are affected by inflation, which compared to the average as of September of the previous year was 10.8% in Chile, 9.3% in Colombia and 7.7% in Peru.

Operating income reached M\$ 53,801, lower by M\$ 2,838 (-5.0 %) than the M\$ 56,639 recorded as of September 2021.

EBITDA (operating income before depreciation and amortization) as of September 2022 reached M\$ 88,316, which is M\$ 4,010 (+4.8%) higher than the same period of the previous year due to better results in Peru and Colombia.

## INCOME BY SEGMENT

M\$	3Q22				Accumulated at 09.30.2022			
	Segments			Total Group	Segments			Total Group
	Chile	Colombia	Peru		Chile	Colombia	Peru	
Revenue	186,679	27,483	41,333	255,495	474,907	74,904	115,115	664,926
Purchases charged to cost of sales	(121,138)	(18,315)	(30,719)	(170,172)	(309,447)	(48,702)	(86,554)	(444,703)
Expenses charged to cost of sales	(6,661)	(1,512)	(2,074)	(10,247)	(18,808)	(4,346)	(5,149)	(28,302)
Depreciation and amortization	(6,773)	(785)	(824)	(8,382)	(17,344)	(2,397)	(2,273)	(22,014)
<b>Gross profit</b>	<b>52,107</b>	<b>6,871</b>	<b>7,715</b>	<b>66,693</b>	<b>129,308</b>	<b>19,460</b>	<b>21,139</b>	<b>169,907</b>
Other income by function	34	131	48	213	89	377	97	562
Other operating expenses	(28,371)	(4,162)	(5,013)	(37,545)	(78,918)	(11,858)	(13,392)	(104,167)
Depreciation and amortization	(3,384)	(424)	(517)	(4,326)	(9,782)	(1,279)	(1,439)	(12,500)
<b>Operating Income</b>	<b>20,386</b>	<b>2,417</b>	<b>2,233</b>	<b>25,035</b>	<b>40,697</b>	<b>6,700</b>	<b>6,405</b>	<b>53,801</b>
<b>EBITDA</b>	<b>30,543</b>	<b>3,626</b>	<b>3,574</b>	<b>37,743</b>	<b>67,823</b>	<b>10,376</b>	<b>10,117</b>	<b>88,316</b>

M\$	3Q21				Accumulated at 09.30.2021			
	Segments			Total Group	Segments			Total Group
	Chile	Colombia	Peru		Chile	Colombia	Peru	
Revenue	163,905	21,817	28,287	214,009	379,833	55,146	74,595	509,575
Purchases charged to cost of sales	(99,282)	(13,778)	(22,488)	(135,548)	(219,999)	(32,772)	(56,371)	(309,142)
Expenses charged to cost of sales	(5,958)	(1,220)	(1,317)	(8,495)	(16,775)	(3,436)	(3,681)	(23,891)
Depreciation and amortization	(5,050)	(584)	(286)	(5,920)	(14,804)	(1,862)	(1,867)	(18,533)
<b>Gross profit</b>	<b>53,615</b>	<b>6,235</b>	<b>4,196</b>	<b>64,046</b>	<b>128,255</b>	<b>17,076</b>	<b>12,677</b>	<b>158,008</b>
Other income by function	15	111	5	131	48	320	132	501
Other operating expenses	(26,727)	(3,504)	(2,606)	(32,837)	(74,011)	(9,755)	(8,971)	(92,737)
Depreciation and amortization	(2,508)	(451)	(727)	(3,687)	(6,948)	(1,020)	(1,165)	(9,133)
<b>Operating Income</b>	<b>24,395</b>	<b>2,390</b>	<b>868</b>	<b>27,653</b>	<b>47,344</b>	<b>6,622</b>	<b>2,673</b>	<b>56,639</b>

M\$	Var 3Q22 vs 3Q21				Variation Accum 09.30.2022 vs. 09.30.2021			
	Segments			Total Group	Segments			Total Group
	Chile	Colombia	Peru		Chile	Colombia	Peru	
Revenue	22,774	5,666	13,046	41,485	95,074	19,758	40,519	155,352
Purchases charged to cost of sales	(21,856)	(4,537)	(8,231)	(34,624)	(89,448)	(15,930)	(30,183)	(135,561)
Expenses charged to cost of sales	(704)	(291)	(757)	(1,752)	(2,033)	(910)	(1,468)	(4,411)
Depreciation and amortization	(1,723)	(200)	(539)	(2,462)	(2,540)	(535)	(406)	(3,481)
<b>Gross profit</b>	<b>(1,509)</b>	<b>637</b>	<b>3,520</b>	<b>2,647</b>	<b>1,054</b>	<b>2,384</b>	<b>8,462</b>	<b>11,899</b>
Other income by function	19	20	42	82	40	56	(36)	61
Other operating expenses	(1,644)	(658)	(2,407)	(4,708)	(4,907)	(2,103)	(4,420)	(11,430)
Depreciation and amortization	(876)	27	210	(639)	(2,834)	(259)	(274)	(3,368)
<b>Operating Income</b>	<b>(4,009)</b>	<b>26</b>	<b>1,365</b>	<b>(2,618)</b>	<b>(6,647)</b>	<b>78</b>	<b>3,732</b>	<b>(2,838)</b>
<b>EBITDA</b>	<b>(1,410)</b>	<b>200</b>	<b>1,693</b>	<b>483</b>	<b>(1,273)</b>	<b>872</b>	<b>4,412</b>	<b>4,011</b>

## Chile:

EBITDA for the third quarter of 2022 was lower by M\$ 1,410 (-4.4%) compared to the third quarter of the previous year, explained by higher operating expenses and higher depreciation and amortization. This was partially offset by higher unit gross margin and higher LPG and NG sales volumes.

LPG sales volumes were slightly higher by 0.3% compared to the same period of the previous year. Bottled LPG sales volumes increased by 1.4% and direct sales grew by 7.4% compared to the third quarter of 2021, reaching 64.4% of the segment's total sales, resulting in an increase in margins which is offset by higher distribution expenses. Likewise, sales volumes in the industrial and commercial customer segments increased with respect to the third quarter of 2021, showing their recovery with respect to the previous year, impacted by the pandemic. Sales volume of network natural gas increased by 13.3% associated with higher consumption by various customers and LNG volume decreased by 16.7% due to lower consumption by industrial customers. Total sales volumes in LPG equivalent tons (including sales of natural gas in its different formats) decreased slightly by 0.8%.

Gross margin was -2.8% lower than in the same quarter of the previous year due to higher depreciation associated with higher investments. This was partially offset by a higher unit gross margin, higher share of sales to end customers of bottled products, and higher consumption by commercial and industrial customers.

Operating expenses (excluding depreciation and amortization) increased by M\$ 1,644 (+6.2%), mainly explained by higher expenses in LPG freight, remunerations, maintenance, logistics operators' administration services (related to the increase in direct sales of bottled products). In all cases, expenses are impacted by the increase in inflation. This was partially offset by decreases in external consulting fees and uncollectible customer provisions.

Accumulated EBITDA as of September 2022 was lower by M\$ 1,273 (-1.8%) compared to the same period of the previous year, explained by higher operating expenses and higher depreciation and amortization. This was partially offset by higher unit gross margin and higher LPG and NG sales volumes. LPG sales volume increased 1.4% compared to the previous year. Sales volume of bottled LPG increased by 1.2% and direct sales grew by 8.5% compared to September 2021, reaching 63.8% of the segment's total sales, resulting in higher margins offset by higher distribution expenses. Likewise, sales volumes in the industrial and commercial customer segments increased with respect to September 2021, showing their recovery with respect to the previous year, impacted by the pandemic. Sales volume of network natural gas increased by 16.6% associated with higher consumption by various customers and LNG volume decreased by 2.5% due to lower consumption by industrial customers. Total sales volumes in LPG equivalent tons (including sales of natural gas in its different formats) increased by 1.2%.

Gross margin was slightly higher than the previous year by 0.8% due to higher unit gross margin, as a result of a greater share in the sale of bottled products to end customers and higher consumption by commercial and industrial customers.

Operating expenses (excluding depreciation and amortization) increased by M\$ 4,907 (+6.6%), mainly explained by higher expenses in freight, remunerations, maintenance, payments for logistic operators' services (related to the increase in direct sales of bottled products) and information technology, in all cases also impacted by the increase in inflation. This was partially offset by lower expenses in external consulting and lower uncollectible customer provisions.

### **Colombia:**

EBITDA for the third quarter of 2022 was higher by M\$ 200 (+5.8%) compared to the same period of the previous year, a variation explained by higher unit gross margin.

LPG sales volume decreases by 4.9%, affected by the price increase that occurred in July, bringing part of the July volume to June, as customers anticipated part of their purchases. Sales in LPG equivalent tons decreased by 4.5%.

Gross profit increased by 10.2% due to higher unit margins and the revaluation of the Colombian peso.

Operating expenses (excluding depreciation and amortization) increased by M\$ 658 (+18.8%), mainly explained by higher remuneration, personnel expenses, maintenance, taxes and transportation expenses, and by the revaluation of the Colombian currency.

The Colombian peso revalued 5.5% against the Chilean peso compared to the same quarter of the previous year.

Accumulated EBITDA as of September 2022 was M\$ 872 (+9.2%) higher than in the same period of the previous year, owing to higher unit gross margins and higher sales volume of both LPG and NG.

LPG sales volume increased by 6.5%. Sales in LPG equivalent tons increased by 6.4%.

Gross profit increases by 14.0% due to higher unit margins and higher sales volumes. As with the quarterly comparison, the revaluation of the Colombian peso also had an impact.

Operating expenses (excluding depreciation and amortization) increased by M\$ 2,103 (+21.6%), mainly explained by higher remunerations, personnel expenses, external services, maintenance, taxes and transportation expenses, including the incorporation of the Gas Amigo (Gas Gombel)

operation, which began operations in June 2021, and by the revaluation of the Colombian peso against the Chilean peso.

The Colombian peso was revalued by 5.9% against the Chilean peso compared to the previous year.

**Peru:**

EBITDA for the third quarter of 2022 increased by M\$ 1,693 (+90.0%) compared to the same quarter of the previous year due to higher LPG unit gross margin and higher NG and LPG sales volumes. In the case of Peru, the Peruvian government's decision to incorporate both bottled and bulk LPG into the Fuel Price Stabilization Fund (FEPC) allowed us to mitigate part of the price increases impacted by international prices, benefiting consumers.

LPG sales increased by 10.8%. Natural gas sales increased by 15.1%, with higher sales due to the lifting of pandemic-related restrictions.

Gross profit increases by 83.9% due to higher unit margins and higher sales volumes of both NG and LPG.

Operating expenses (excluding depreciation and amortization) increased by M\$ 2,407 (+92.4%), mainly explained by higher freight, remunerations, maintenance and transportation expenses, and by the revaluation of the Peruvian currency.

The Peruvian sol was revalued by 24.8% against the Chilean peso compared to the same period of the previous year.

EBITDA as of September 2022 increased by M\$ 4,412 (+77.3%) compared to the same period of the previous year due to higher LPG unit gross margin and higher NG and, to a lesser extent, LPG sales volumes.

LPG sales volume increased by 5.0%. Natural gas sales increased by 26.8% with higher sales due to the lifting of pandemic-related restrictions.

Gross profit increases by 66.7% due to higher unit margins and higher sales volumes, mainly NG.

Operating expenses (excluding depreciation and amortization) increased by M\$ 4,420 (+49.3%), mainly explained by higher expenses in freight, remunerations, maintenance, transportation expenses and the revaluation of the Peruvian sol against the Chilean peso. This was partially offset by lower expenses in fees.

The Peruvian sol revalued by 16.9% against the Chilean peso compared to the same period of the previous year.

### 3. ANALYSIS OF THE CONSOLIDATED FINANCIAL POSITION

#### ASSETS

	09.30.2022	12.31.2021	Var.	
	M\$	M\$	M\$	%
Current assets	159,924	151,281	8,643	5.7%
Non-current assets	537,516	472,702	64,814	13.7%
<b>Total assets</b>	<b>697,441</b>	<b>623,983</b>	<b>73,457</b>	<b>11.8%</b>

The Company's assets as of September 30, 2022 show an increase of M\$ 73,457 equivalent to 11.8% with respect to the figures recorded as of December 31, 2021. The main variations correspond to:

- Current assets increased by M\$ 8,643 mainly due to higher trade debtors and other current accounts receivable by M\$ 16,871, impacted by the higher price of commercialized products and higher sales due to the winter season, higher inventories by M\$ 5,934 and higher current tax assets by M\$ 6,053, partially offset by lower cash and cash equivalents by M\$ 19,048 and lower other current financial assets by M\$ 1,983.
- Non-current assets increased by M\$ 64,814, of which M\$ 37,329 correspond to the increase in property, plant and equipment, mainly associated with the activation of lease contracts for LPG supply trucks and trucks for the bottled LPG channel and the revaluation of assets in Colombian pesos and Peruvian soles. On the other hand, other non-current financial assets increased by M\$ 24,828, which include the recording at market value of the hedging derivative of the UF variation of the financial debt, and deferred tax assets also increased by M\$ 2,565.

## LIABILITIES

	09.30.2022	12.31.2021	Var.	
	M\$	M\$	M\$	%
Current liabilities	98,691	93,077	5,614	6.0%
Non-current liabilities	408,540	362,092	46,448	12.8%
<b>Total liabilities</b>	<b>507,231</b>	<b>455,169</b>	<b>52,062</b>	<b>11.4%</b>

The Company's liabilities as of September 30, 2022 recorded an increase of M\$ 52,062, equivalent to 11.4% with respect to the figures recorded as of December 31, 2021. The main variations correspond to:

- Current liabilities increased by M\$ 5,614, of which M\$ 7,058 correspond to higher lease liabilities, M\$ 2,157 to higher other current financial liabilities associated with the increase in obligations with banks and financial institutions in Colombia. In addition to the foregoing, M\$ 2,020 correspond to higher other current non-financial liabilities due to higher advances received from customers for the sale of coupons and M\$ 2,428 to higher current tax liabilities. This is partially offset by lower trade and other accounts payable of M\$ 8,842.
- Non-current liabilities increased by M\$ 46,448, of which M\$ 21,414 correspond to higher other non-current financial liabilities due to an increase in debt security obligations as a result of higher inflation. Additionally, M\$ 5,966 correspond to higher other non-current non-financial liabilities mainly associated with the increase in the liability for cylinder warranties, M\$ 12,645 correspond to higher non-current lease liabilities (related to the increase in non-current assets due to the activation of IFRS 16 lease contracts) and an increase in deferred tax liabilities by M\$ 5,418.

## EQUITY

- The Company's equity as of September 30, 2022 presents an increase of M\$ 21,396 compared to the figures recorded as of December 31, 2021. The variation is due to an increase in other reserves by M\$ 7,478, mainly explained by the increase in cash flow hedging reserves by M\$ 1,194, which includes the mark-to-market of derivatives for hedging the UF debt and higher accumulated earnings by M\$ 13,402.

#### 4. ANALYSIS OF STATEMENT OF CASH FLOW

CONSOLIDATED STATEMENT OF DIRECT CASH FLOW	01.01.2022 to 09.30.2022	01.01.2021 to 09.30.2021	Var.	
	M\$	M\$	M\$	%
Cash flows provided by (used in) operating activities	47,078	56,230	(9,152)	(16.3%)
Cash flows provided by (used in) investing activities	(26,867)	(12,541)	(14,326)	114.2%
Net cash flows provided by (used in) financing activities	(39,925)	(37,821)	(2,105)	5.6%
Net Increase (decrease) in cash and cash equivalents, before effects of variation in foreign exchange rates	(19,714)	5,868	(25,583)	103.5%
Effects of variations in foreign exchange rate on cash and cash equivalents	666	(495)	1,161	(234.6%)
Net increase (decrease) in cash and cash equivalents	(19,048)	5,374	(24,422)	(131.1%)
Cash and cash equivalents - beginning of the period or fiscal year	45,778	62,317	(16,539)	(26.5%)
Cash and cash equivalents - end of the period or fiscal year	26,730	67,691	(40,961)	(60.5%)

Cash and cash equivalents as of September 30, 2022 recorded a balance of M\$ 26,730, decreasing by M\$ 40,961 with respect to the balance as of September 30 of the previous year.

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

#### CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES

The operation generated a positive net cash flow of M\$ 47,078 as of September 30, 2022, a decrease of M\$ 9,152 compared to the previous year's cash flow. EBITDA grew by M\$ 4,011. However, this was offset by increased requirements for working capital. In 2021, working capital requirements were M\$ 23,096, while in 2022 they were M\$ 31,445, resulting in a lower cash flow from operating activities of M\$ 8,349. This variation is primarily attributable to a greater increase in accounts receivable and inventories (both impacted mainly by the higher price of commercialized products and higher sales volume) and a decrease in accounts payable to LPG suppliers. On the other hand, the placement of cylinders under guarantee yields a lower income of M\$ 1,337 and a higher tax payment of M\$ 1,346.

## CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES

Net cash flows used in investing activities as of September 30, 2022 were M\$ 26,867, which was M\$ 14,326 higher than the cash flows used in the same period of the previous year, mainly due to lower amounts from the sale of property, plant and equipment, since as of June 2021 there were amounts associated with the expropriation of the Callao plant in Peru in the amount of M\$ 11,980 and lower other cash inflows of M\$ 4,981 resulting from the same expropriation process. This was partially offset by lower cash flows used to acquire control of subsidiaries or other businesses.

## CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES

Net cash flows used in financing activities as of September 30, 2022 is negative by M\$ 39,925 and present a negative variation of M\$ 2,105 compared to the negative net cash flows of M\$ 37,821 from the previous year. The main variation is attributable to higher lease payments, interest payments, and bank loan payments, partially offset by higher net amounts from bank loans of M\$ 1,881 and lower dividends paid compared to the same period of the previous year of M\$ 5,633.

## 5. FINANCIAL INDICATORS

### LIQUIDITY

Indicators	Units	09.30.2022	12.31.2021
Liquidity ratio <sup>(1)</sup>	Times	1.62	1.63
Acid-test ratio <sup>(2)</sup>	Times	1.18	1.22

(1) Liquidity ratio = Current Assets /Current Liabilities

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

Liquidity indicators as of September 30, 2022 decrease slightly compared to December 2021 mainly due to the increase in lease liabilities, other current financial liabilities, other current non-financial liabilities, tax liabilities and the decrease in cash and cash equivalents, which offset the increase in current assets mainly trade and other accounts receivables.

## INDEBTEDNESS

Indicators	Units	09.30.2022	12.31.2021
Indebtedness ratio <sup>(1)</sup>	Times	2.67	2.70
Portion of current debts <sup>(2)</sup>	%	19.5%	20.4%
Portion on non-current debts <sup>(3)</sup>	%	80.5%	79.6%
Net financial debt / Equity <sup>(4)</sup>	Times	1.24	1.15
Net financial debt / Equity (adjusted) <sup>(5)</sup>	Times	1.15	1.14

(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.

(5) Net financial debt / Equity (adjusted) = (Other financial liabilities - cash and cash equivalents - CCS hedge) / (Equity - cash flow hedge reserve (marked to market)).

As of September 30, 2022, indebtedness ratio was lower than at the end of December 2021, primarily due to the increase in equity associated with higher other reserves and higher accumulated earnings.

The adjusted net financial debt to equity ratio (including the effects of UF variation hedging) is stable. The Series E and G Bondholders' Meetings were held on August 18, 2022, where the amendment of the calculation of the Financial Indebtedness covenant was approved, incorporating into the calculation the variation of the accrued UF of the contracted amount of hedging derivatives, net of Other financial liabilities; the amendment was registered in the CMF during the month of November 2022.

## PROFITABILITY

Indicators	Units	09.30.2022	12.31.2021
ROE <sup>(1)</sup>	%	21.8%	27.2%
ROA <sup>(2)</sup>	%	6.0%	7.4%
ROA (adjusted) <sup>(3)</sup>	%	6.3%	7.6%
EBITDA <sup>(4)</sup>	M\$	109,046	105,036
EAT <sup>(5)</sup>	M\$	41,508	45,999

(1) Return on Equity = Gain (Loss) LTM / Equity at the closing of the period

(2) Return on Asset = Gain (Loss) LTM / Total assets at the closing of the period.

(3) Return on Asset (adjusted) = Gain (Loss) LTM / (Total assets at the closing of the period - CCS value).

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

(5) EAT = Earnings after taxes (LTM)

Return on equity and return on assets decreased compared to December 2021 mainly due to a decrease in profits for the last twelve months, impacted by a slight decrease in operating income and lower non-operating income, due to the exceptional result produced in the 12 months ended September 2021 due to the expropriation of the plant in Peru. In addition to the foregoing, equity and assets increased, affecting return on equity and assets, respectively.

EBITDA increased compared to December 2021 mainly due to higher unit margins and sales volumes and the various factors described in the income statement analysis.

Earnings after taxes decreases compared to December 2021 due to lower operating and non-operating income as described in the income statement analysis.

## INVENTORY

Indicators	Units	09.30.2022	12.31.2021
Inventory turnover <sup>(1)</sup>	Times	13.4	16.1
Inventory permanence <sup>(2)</sup>	Days	26.9	22.3

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

(2) Inventory permanence = 360 days / Inventory turnover

Inventory turnover decreased compared to December 2021 due to higher average inventory.

## 6. BUSINESS ANALYSIS

Empresas Lipigas S.A. participates in the Chilean LPG market with its brand Lipigas. It has been present in the market for more than 60 years, reaching an annual average share of 34.5% as of December 2021 according to data from Chile's Superintendency 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 municipalities of Quintero and Mejillones and 20 sales offices distributed throughout the country. In addition, the Company has a third-party distribution network with more than 2,500 mobile points of sale, achieving national coverage from the Arica and Parinacota Region to the Magallanes Region.

It also has residential natural gas (NG) distribution networks in the city of Calama, which allow supplying this energy to nearly 3,000 homes continuously, thus meeting their heating, hot water and food cooking needs. Starting in 2017, it began supplying natural gas to customers in the cities of Puerto Montt and Osorno, where it currently has more than 3,500 customers.

It has liquefied natural gas (LNG) supply, sale and distribution operations that is dispatched in trucks to industrial customers far from gas pipelines, which incorporate this type of fuel to their production processes in power generation, construction, food, manufacturing and other industries that seek to comply with regulatory-environmental standards due to the benefits of LNG in this area, as well as lower costs compared to other types of energy. The investments made and the territorial coverage achieved - from the Coquimbo Region to the Los Lagos Region - position Empresas Lipigas as one of the main players in the industrial LNG market. Additionally, as of 2021 it provides LNG for long-distance trucking.

Since 2017, it has been developing activities in the electric power generation and commercialization market, including the purchase in September 2021 of Four Trees Energía Distribuida, a company dedicated to distributed solar generation, and the purchase in October 2022 of Ecom Energía Chile SpA and Ecom Generación SpA, companies dedicated to the activity of advising clients in the optimization of their electric power costs and commercialization of electric power.

In October 2022, Lipigas signed a commitment to acquire 70% of Frest SpA's shares for a total of approximately USD 5.5 million, payable in installments over the following five years. Frest SpA's corporate purpose is the sale, commercialization, and distribution of fresh food, whether in person or remotely. This investment is part of Lipigas' strategy to participate in businesses that leverage its strategic assets, including its relationship with end customers and last-mile logistics.

In 2010, Empresas Lipigas entered the Colombian market through the company Chilco Distribuidora de Gas y Energía S.A.S. E.S.P. This is an LPG commercializing company that participates in the Colombian market with its brand Gas País.

It is present in 25 of the 32 departments of the country and has an annual average market share of 15.8% as of December 2021, according to data from the Unified Information System of the Superintendence of Public Utilities (*Sistema Único de Información de la Superintendencia de Servicios Públicos.*)

For the commercialization of LPG in Colombia, the Company has 16 bottling plants and its own distribution network which, together with the distribution network of third parties, serves approximately 500,000 customers. In 2017, the supply of LPG through networks to customers in 12 municipalities in the interior of Colombia began. In 2018, the Company took control of the subsidiary Surcolombiana de Gas S.A.S. It currently supplies gas through networks to approximately 115,000 customers.

In 2021, the company Chilco Net S.A.S. was incorporated to offer customers in small cities and intermediate cities in the interior of Colombia, high-speed internet service as a complementary product to the provision of network gas.

In 2013, Empresas Lipigas S.A. entered the Peruvian market through the acquisition of the LPG commercializing company Lima Gas S.A. The decision was based mainly on the sustained growth of the LPG market and the favorable conditions of the Peruvian economy.

Lima Gas participates in the Peruvian LPG market in the 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 7.0% as of December 2021 according to data obtained from the Peruvian Energy and Mining Investment Supervisory Agency (*Organismo Supervisor de la Inversión en Energía y Minería - Osinergmin*).

Lima Gas currently has eight bottling plants and two distribution centers, which allows it to have a significant logistical capacity to supply LPG to its customers. The distribution network of bottled LPG is made up of approximately 350 distributors that supply LPG to end users. In the case of bulk, direct distribution reaches more than 2,000 customers.

In November 2015, the Company reached an agreement to acquire Neogas Perú S.A. (currently Limagas Natural Perú S.A.), a company engaged in the distribution of compressed natural gas and LNG to industrial customers and automobile supply stations. The Company took control of the management of the new operation in February 2016. It began commercializing LNG at the end of 2018. Peru is a producer of natural gas, which represents a highly competitive energy source in the country's energy matrix. In November 2022, Lipigas acquired 60% of Limagas

Natural Movilidad in order to develop the business of supplying LNG for long-distance transport trucks.

## **7. RISK MANAGEMENT**

Risk factors inherent to the Company's activity consist of those inherent to the markets in which it participates and to the Company's and its subsidiaries' activities. In order to design and monitor compliance with the mitigation measures deemed appropriate, the Board of Directors and Management periodically review the risk map, in which 13 strategic risks of the Company have been redefined, in order to design and monitor mitigation measures. The following is a list of the most significant business risk factors, arranged in the new order established by the company:

### **7.1 Environmental Risk**

The Company's operations involve the development of different activities that could eventually have a negative environmental impact as a result of, among other factors, incorrect management and handling of waste and residues from the operation (water pollution), overfilling of cylinders, storage tanks and cisterns (gas leakage into the atmosphere), consequences of production activity (noise), etc. The Company provides ongoing training to its personnel and its network of collaborators on environmentally safe practices, in accordance with current policies and procedures and regulations.

### **7.2 Risk to safety, health and people**

All human activities are exposed to hazards that can generate accidents and certainly the fuel distribution industry is no exception. In order to minimize the probability of these hazards becoming undesirable situations, prevention actions and mitigation actions must be developed to reduce their consequences if the hazards manifest themselves as accidents or emergencies.

To this end, actions are permanently developed to ensure that all operations are carried out with high levels of safety. These actions include

- Training of collaborators and contractors regarding safe operations.
- Emergency response procedures with on-site emergency response vehicles.
- Dissemination of safe gas handling actions among clients and the community in general (firefighters, associations, etc.).
- Maintenance of an Occupational Health and Safety management system, certified OHSAS 18.001:2007 in 13 storage and bottling plants in Chile and in the central offices.

- Implementation of management systems based on the OHSAS standard and safety systems in accordance with Peruvian Law No. 29,783. The company has five certified plants.
- Certification of 15 plants in Colombia with the ISO 9001 quality standard for the operation and maintenance of LPG storage tanks and the provision of LPG bottling services in cylinders for users, as required by law.
- Strict compliance with health, safety, and environmental regulations in all operations.

In addition to the measures taken to reinforce the safe handling of fuel, the Company has insurance coverage that is considered consistent with standard industry practices.

### **7.3 Human capital, diversity and talent management risk**

Human capital is a fundamental element in the development of the Company's activities. To enhance the value of its human capital, the Company strives to manage quality working conditions that contribute to the well-being, health, development and personal life balance of its employees, in a climate of harmony and respect for diversity. In turn, it manages the relationship with its contractors to achieve harmonious relations with their workers. The management of human capital involves risks of conflicts, demotivation, loss of valuable collaborators, etc. Management has designed different tools to effectively manage human capital: labor climate perception surveys, surveys with contractor personnel, meetings with personnel and their union representatives, meetings with contractors and their personnel, coexistence protocols and constant training on good practices in relation to the management of this factor.

### **7.4 Reputational risk**

The Company's business is associated with the handling of fuels, particularly LPG, and its commercialization to a broad 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 various provisions related to compliance with tax, environmental, labor, antitrust and corporate regulations, among others. In the event that any damage is caused by the products commercialized or if there are observations by the control agencies on compliance with the provisions applicable to the Company, this could lead to a deterioration of the Company's reputation and corporate image.

This risk is mitigated through appropriate operational and regulatory compliance processes implemented within the Company. The controls in place are reviewed on an ongoing basis and people are trained to avoid such risks. The Company has established whistle-blowing lines and procedures to investigate these in order to determine actions that deviate from its Code of Conduct, regulations and laws in force. The appearance of news related to the Company in

the media and social networks is permanently monitored in order to respond quickly in appropriate cases.

## **7.5 Political and social risk**

### **7.5.1 Risk of change in the regulatory, political, economic and social conditions of the countries in which we operate.**

The Company's financial and operational performance may be adversely affected by changes in the regulatory, political, economic and social conditions of the countries in which it operates. The Company is exposed to risks of renegotiation, nullity, forced modification of contracts, expropriation, exchange rate policies, changes in laws, regulations and political instability. The Company is also exposed to the possibility of being subject to jurisdiction, arbitration or the need to enforce a judicial decision in another country.

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

### **7.5.2 Risk of riots**

The economic and social situation in the various countries where the Company operates could lead to protests that could result in violent actions that damage facilities or hinder operations. The Company remains attentive to the evolution of these events, prioritizing the protection and safety of its employees, collaborators and the communities where it operates. It also has insurance coverage for possible damage or theft of goods or facilities.

## **7.6 Risk of interruption of operations**

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

These risks could cause injury and death, serious damage or destruction of property, equipment and environmental damage. Although the Company is very careful about the safety of its operations, a sufficiently large accident at one of the Company's packaging or storage plants or at customer-located facilities for either LPG or natural gas, or during the transportation or delivery of products sold, could force the temporary suspension of operations at the site and result in significant remediation costs, the loss of revenues or generate contingent liabilities, and adversely affect the corporate and reputational image of the Company and its subsidiaries. In addition, despite having broad insurance coverages, 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 necessary spare parts or equipment may also affect distribution operations and, consequently, operating results.

## **7.7 Macroeconomic risk**

### **7.7.1 Market risk**

This is the risk that the fair values of financial assets and liabilities fluctuate due to changes in market prices. The market risks to which the Company is exposed with respect to its financial assets and liabilities are exchange rate risk, indexation units and interest rate risk. In addition, the Company is exposed to risks related to the demand and supply of the products it commercializes.

#### **7.7.1.a 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 denominated in foreign currency:

The Company's cash flows are mainly comprised of transactions in the Company's functional currency and those of its subsidiaries. The Company and its subsidiaries hedge the risk of transactions involving the purchase of LPG by sea until it enters the Chilean market, and imports of goods or future payment commitments denominated in foreign currency by contracting forward currency purchase transactions (forwards) in order to hedge significant commitments in currencies other than the functional currency of each company.

As of September 30, 2022 and December 31, 2021, the balances of accounts in currencies other than the functional currency of the Company and its subsidiaries were as follows:

- Originating transaction currency: U.S. dollar

<b>Current and non-current assets</b>	<b>Assets at 09.30.2022 Th\$</b>	<b>Assets at 12.31.2021 Th\$</b>
Cash and cash equivalents	8,713,572	14,740,126
Trade accounts and other accounts receivable, current and non-current	2,059,931	1,687,011

<b>Current and non-current liabilities</b>	<b>Liabilities at 09.30.2022 Th\$</b>	<b>Liabilities at 12.31.2021 Th\$</b>
Other financial liabilities, current	296,326	129,345
Trade accounts and other accounts payable, current	10,347,563	23,847,368
Other financial liabilities, non-current	2,206,095	829,738
Trade accounts and other accounts payable, non-current	1,489,240	1,150,611

- Foreign Investments: As of September 30, 2022, the Company holds net investments abroad in Colombian pesos equivalent to ThCh\$ 58,824,385 (ThCh\$ 55,527,366 as of December 31, 2021) and in Peruvian soles equivalent to Th\$ 57,379,786 (Th\$ 49,866,050 as of December 31, 2021).

Fluctuations of the Colombian peso and the Peruvian sol with respect to the Chilean peso affect the value of these investments, generating variations in equity.

In the past, the evolution of the Colombian peso and the Peruvian sol have been correlated with the Chilean peso. Management has decided not to hedge this risk, permanently monitoring the forecasted evolution of 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 principal amortization will be paid 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 amortization will be 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).

As of September 30, 2022, the Company has derivative instruments to hedge the UF readjustment risk for bonds placed in the local market.

Financial Lease liabilities: The Company signed a lease agreement with Oxiquim S.A. for a term of 25 years for the use of the reception, storage and dispatch facilities to be built by Oxiquim S.A. in the Quintero Bay. To date, the balance of these obligations amounts to UF 624,674. The annual interest rate is 3.0%. Additionally, the Company signed a new lease agreement with Terminal Marítimo Oxiquim Mejillones S.A. (a subsidiary of Oxiquim S.A.) for a term of 20 years for the use of the reception, storage and dispatch facilities to be built by Terminal Marítimo Oxiquim Mejillones S.A. in the Mejillones bay. To date, the balance of these liabilities amounts to UF 347,933. The annual interest rate is 0.84%. The denomination 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, most of the Company's commercialization margins in Chile are correlated to the variation of the UF, so this risk is mitigated.

Lease liabilities: The Company has entered into agreements for terms ranging from 3 to 18 years for the use of property, technology and vehicles with various suppliers for the amount of UF 834,776. The average annual interest rate is 2.57%. The currency of denomination of these liabilities is the Unidad de Fomento (UF), which is indexed to inflation in Chile and differs from the Company's functional currency (CLP). However, most of the Company's commercialization margins in Chile are correlated to the variation of the UF, so this risk is mitigated.

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 +/- 4.1%	95	(95)	Results: Exchange rate differences
CLP/USD +/- 4.1%	216,869	(216,869)	Equity: Reserves for cash flow hedging
CLP/COP +/- 5.0%	(1,452,673)	1,452,673	Equity: Reserves for exchange rate translation differences
CLP/PEN +/- 11.4%	(3,177,322)	3,177,322	Equity: Reserves for exchange rate translation differences

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

The portion of unhedged financial liabilities (indexed to the UF) has no effect on equity or results.

**7.7.1.b 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 September 30, 2022, 98.76% 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 September 30, 2022 and December 31, 2021:

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	8,369,342	2,661,333	251,261,015	591,447	259,630,357	3,252,780
<b>Total at 09.30.2022</b>		<b>8,369,342</b>	<b>2,661,333</b>	<b>251,261,015</b>	<b>591,447</b>	<b>259,630,357</b>	<b>3,252,780</b>

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	7,588,617	1,285,536	229,009,363	1,428,906	236,597,980	2,714,442
<b>Total at 12.31.2021</b>		<b>7,588,617</b>	<b>1,285,536</b>	<b>229,009,363</b>	<b>1,428,906</b>	<b>236,597,980</b>	<b>2,714,442</b>

## 7.7.2 Risks related to demand, supply and procurement of commercialized products

### 7.7.2.a Liquefied Petroleum Gas (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 34.5% at December 2021, according to data provided by Chile's Superintendencia 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 15.8% at December 2021, according to data from Colombia's Single Information System of the Superintendencia 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 2021 reached a market share of 7.0%, according to data provided by Peru's Energy and Mines Investment Regulator (*Organismo Supervisor de la Inversión en Energía y Minería del Perú - Osinergmin*).

## **Demand**

As a basic consumer good, in all the countries where the Company operates, the demand for residential LPG is less affected by economic cycles. However, factors such as temperature, rainfall, the price of LPG in relation to other substitute energies (natural gas, firewood, diesel, kerosene, electricity, etc.), the price level of the input itself in relation to household disposable income, and deep economic activity crises could affect demand. In some regions, demand is highly seasonal resulting from temperature variations. The economic cycles have a significant impact on the demand from commercial and industrial segments.

As the Company participates in a highly competitive market, the business strategies of its competitors may affect its sales volume.

## **Supply**

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

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

In order to strengthen its strategic positioning in terms of raw material supply, in 2012 the Company signed a series of contracts with the company Oxiquim S.A. to develop the construction of LPG reception, storage and dispatch facilities at the terminal owned by said company located in the Quintero bay which, as of March 2015, allows the Company to have several sources of supply by sea. 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 at the terminal owned by said company located in the Mejillones bay which, as of its operation in April 2021, reinforces its strategic positioning 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.

## **Prices**

LPG purchase prices are affected by the variation in the international value of fuel prices and by variations in the exchange rate of each local currency with respect to the U.S. dollar. Variations in raw material costs are considered when setting selling prices, although competitive market dynamics are always taken into account. Cycles of high prices of petroleum-based fuels affect the possibility of transferring to price the variations in fuel and other input costs.

The Company maintains LPG inventories. The realization value of these inventories is affected by the variation in international fuel prices, which are the basis for establishing sales prices to customers. A variation in the international prices of LPG would produce a variation in the same direction and of similar magnitude in the realization price of inventories. In general, the Company does not cover this risk since it is considered that variations in international prices are offset over time. The Company permanently monitors the evolution and forecasts of the evolution of international product prices. Since the beginning of the operation of the maritime terminal located in the Quintero Bay, the Company has decided to hedge the risk of variation in the realization price of the product inventory stored in the maritime terminals by contracting swaps related to the prices of LPG and currency forwards to hedge the effect of the variation in the exchange rate of the U.S. dollar (currency used to express the reference price of inventories).

### **7.7.2.b Natural gas (NG)**

As a basic consumer good, residential demand for natural gas is less affected by economic cycles, although deep economic crises could have an adverse effect. Demand from the commercial and industrial segments is more significantly impacted by economic cycles.

With respect to the risk of product supply for the Company's operations in the north and south of Chile, both are covered by long-term agreements signed with different suppliers.

In Peru, the subsidiary Limagas Natural Perú S.A. has signed supply agreements with natural gas distributors in different regions to cover the demand needs.

In Colombia, the subsidiary Surcolombiana de Gas S.A. E.S.P. has signed supply agreements with natural gas commercialization companies in different regions to cover the demand needs.

### **7.7.2.c Liquefied natural gas (LNG)**

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 signed LNG supply agreements with industrial customers, which are supplied with supply agreements that the Company has signed with different producers and commercializing companies in the market.

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

## **7.8 Financial risk**

### **7.8.1 Credit risk**

Credit risk arises from 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, other financial assets and other non-current 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 current financial assets correspond to liabilities 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.

There are no significant guarantees to cover the credit risk, so the maximum exposure to credit risk approximates its book value. Such value of financial assets is as follows:

<b>Financial Assets</b>	<b>Note</b>	<b>09.30.2022 Th\$</b>	<b>12.31.2021 Th\$</b>
Cash and cash equivalents	3	26,729,855	45,778,257
Trade receivables and other accounts receivable, current	7	70,625,723	53,754,590
Trade receivables and other accounts receivable, non-current	7	4,068,341	2,996,032
Other financial assets, current	4	962,215	2,945,567
Other financial assets, non-current	4	42,945,281	18,116,877
<b>Total</b>		<b>145,331,415</b>	<b>123,591,323</b>

As of September 30, 2022 the subsidiaries in Peru and Colombia have contracted insurance policies covering the credit risk of commercial customers for the following amounts, respectively: ThPEN 17,988, equivalent to Th\$ 4,331,151 and ThCOP 20,354,500 equivalent to Th\$ 4,274,445.

#### **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 thereof, 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.

### **7.8.2 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.

### **7.8.3 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 Perú S.A. (currently Limagas Natural Perú S.A.), through which the Company has presence in the natural gas market in Peru since February 2016.

Going forward, the Company will continue to engage in a number of assessments and pursue other possible acquisitions, which could result in the acquisition of other companies or operations, seeking to incorporate them into existing 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 consultants, if necessary, in order to analyze the consequences and mitigate the risks inherent in any new business acquisition.

#### **7.8.4 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, therefore Management considers that 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.

#### **7.8.5 Risk of fraud**

The Company has relationships with a number of customers, suppliers and third parties. Such relationships materialize to a large extent in cash flows from transactions carried out and are based on assets owned by the Company. The Company may be subject to fraudulent actions that could represent financial losses or misuse of its assets. The Company has procedures in place that include controls to prevent fraud. Compliance with these procedures is monitored by the financial control areas of Management. Additionally, the Internal Audit area reviews the strength of the controls contained in the procedures, their execution and compliance.

#### **7.8.6 Risk of errors in the information provided to the market.**

The Company periodically discloses its results and financial position. This information could be subject to errors that could cause reputational damage and sanctions. In order to maintain the

reliability of the information provided to third parties, the Company has teams trained in the preparation of financial reports and has control procedures prior to the publication of the information. External companies of recognized prestige audit the annual closing financial information.

## **7.9 Legal and regulatory risk**

### **7.9.1 Risk of changes in the regulatory conditions under which the Company's business is conducted.**

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 customers 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 November 2020, the Chilean National Economic Prosecutor's Office (Fiscalía Nacional Económica - FNE) announced the initiation of a Gas Market Study (Study), in order to determine the proper operation of the gas market from the point of view of free competition. The Company collaborated throughout the process with the FNE, providing information and studies and opinions of international experts on the operation of the liquefied gas market in Chile.

On December 29, 2021, the FNE published its conclusions by issuing a Gas Market Study, in which an analysis of the operation of the market and recommendations for amendments to the operation of the market are made. In no case does the FNE conclude that there are any infringements to free competition regulations. However, with respect to bottled LPG, it makes three recommendations, among which is to prohibit by any means, whether direct or indirect, the participation of wholesale distributors in the LPG retail distribution market and the exclusivity agreements between bottling wholesalers and retail distributors.

Regarding the final report of the Gas Market Study in Chile, issued by the National Economic Prosecutor's Office (FNE), Empresas Lipigas considers the following:

- At Lipigas we are in favor of initiatives that increase competition and benefit consumers. However, the FNE's recommendations go in the opposite direction. The Prosecutor's Office is wrong in its final analysis and insists on an erroneous diagnosis that does not solve the problem and that will be directly detrimental to consumers.
- Regarding the diagnosis, for example, the FNE speaks of a 15% overpricing in gas at the industry level, which is wrong. In the case of Lipigas, the error is even greater, since in its calculation the FNE only incorporates a smaller portion of the real costs and does not consider company investments that benefit consumers, such as the development of maritime terminals to ensure energy security, the modernization of bottling plants, investment in modern truck fleets that provide supply continuity, the development of advanced logistics and the digitization of processes for greater efficiency, among other costs and investments. In fact, the company invests more than 30 billion Chilean pesos a year in the LPG business, which the FNE does not consider either. The problem is that the FNE's erroneous diagnosis generates false expectations of a price reduction, which in Chile depends on the international price of gas and leads to measures that could harm people.
- As for the FNE's recommendation to remove wholesalers from retail distribution, this measure will harm consumers. Removing players from the market does not increase competition, but rather decreases it. Especially if players that can charge less because they are more efficient are removed. As the data show, the cylinders sold by Lipigas direct

distribution are cheaper than those currently distributed by third-party retailers and offer a better quality of service to consumers. The best way to meet the FNE's objectives is to maintain the direct distribution of gas companies in coexistence with multi-brand distributors, which would give people more options from which to choose.

- We know that the price of gas -and the increase in prices in general- is affecting the pockets of families, which is a matter of concern and has led us to develop solutions such as a non-delivery service called *LipiVecino*, with a 15% savings on a 15-kilo load. In addition, we have signed agreements with over 150 municipalities and other entities that permit the delivery of consumer-beneficial discounts.

In January 2022, the Executive Branch submitted to the Honorable House of Representatives a bill on the improvement of the gas market, which incorporated the recommendations included in the Study issued by the FNE. This bill was withdrawn by the new administration that took office in March 2022. The new administration has announced that it will present a bill to monitor competition in the LPG market.

The Company is completely willing to participate in the parliamentary discussion process by making suggestions for amendments to the bill presented in order to ensure that the changes benefit consumers so that they have more and better alternatives from which to choose and continue receiving a service that has been recognized by several surveys as one of the best services of its kind in Chile.

In July, the state-owned company Enap announced the start of a pilot plan to commercialize 6,000 bottled cylinders in three municipalities using LPG produced at its refineries.

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.

## **7.9.2 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.

The Company has implemented a Crime Prevention Model in accordance with the provisions of Law No. 20,393 enacted in Chile to prevent the crimes of money laundering, financing of terrorism, bribery of national or foreign public officials, receiving, bribery between private parties, disloyal administration, incompatible negotiation and misappropriation. This Model manages, through various control activities, especially the processes or activities that are exposed to the risk of committing these crimes in the 3 countries where the Company operates.

## **7.10 Compliance risks**

### **7.10.1 Risk of non-compliance related to competition freedom**

The Company is committed to supporting and promoting free and fair competition in all markets in which it operates, with a profound regard for the principle of competition freedom, preventing and avoiding monopolistic practices, competing fairly and ethically within the framework of existing laws in this field, and never preventing other market players from participating on equal terms. The Company's activity is developed by its executives and employees in the different markets of the 3 countries where it operates and there could be a risk of deviation from the principles of competition freedom. In order to comply with and enforce compliance with the regulations applicable to competition freedom, training is permanently provided to the different areas of the Company and its subsidiaries so that all personnel adhere to the principles of free competition and denounce any practices that could be in conflict with these principles. Respect for the principle of free competition is outlined in the Codes of Conduct applicable to the

Company's operations. In turn, it has a policy and manual on free competition that establishes the practices that must be developed to ensure compliance with this principle.

### **7.10.2 Risk of practices deviating from respect for human rights**

The Company has a profound regard for the rights and characteristics of the various groups with which it interacts. It is committed to equal opportunity and the protection of basic rights. Regarding its employees, the company promotes a diverse workforce and an inclusive environment and values the individuality, unique perspectives, talents, and contributions of each individual to the success of the Company. The Company's interactions with its customers, contractors, and the communities in which it operates are always governed by its principles of transparency and respect. The Company's activity is developed by its executives and employees in the different markets of the 3 countries where it operates and there could be a risk of deviating from these principles. To comply with and enforce the principles of respect for the human rights of employees, customers, contractors, and communities, the Company and its subsidiaries provide ongoing training to ensure that all personnel adhere to the Company's principles and values. The Company's Code of Conduct outlines the expected conduct of its employees, as well as policies regarding conduct with contractors, harassment, and disregard for the rights of individuals. The Company has established whistleblower hotlines through which any individual may anonymously report any conduct that may be in violation of these principles. In each of the reported cases, the Ethics Committee investigates the complaint and provides a treatment and response in strict confidence.

## **7.11 Risks related to climate change and natural disasters**

### **7.11.1 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.

The effects of climate change could force changes in consumer behavior that could decrease the demand for fossil fuels, preferring other energy sources.

In addition, climate change could produce a change in operating conditions that could increase operating costs (for example, a greater likelihood of storm surges that prevent normal operations in ports).

The Company permanently monitors the evolution of regulations related to climate change and its consequences on consumer behavior and operations and analyzes alternative fuels with a lower carbon footprint that can be commercialized as a substitute for or in combination with fossil fuels. Proof of these last actions is the development of LNG for industries and as a fuel for long-distance trucks to replace more polluting fuels, and the agreements signed with Suburban Propane Partners, L.P. and Oberon Fuels to analyze the production and commercialization of renewable dimethyl ether (rDME) blended with LPG to significantly reduce its carbon footprint. In addition, agreements have been signed to develop the production of renewable BioLNG derived from organic waste, allowing customers to reduce their carbon footprint.

#### **7.11.2 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.

#### **7.12 Technology and cybersecurity risk**

##### **7.12.1 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, and 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.

### **7.12.2 Risk of misuse of third-party information**

The Company collects data from third parties (customers, suppliers, employees, and independent contractors) that are essential to the development of its business. There is a risk that these data will be misused, either due to failures in computer security or personnel misuse. As described in the cybersecurity risk, the Company safeguards its data processing and storage systems to prevent unauthorized individuals from using third-party data. Regarding its personnel, the company provides ongoing training to ensure that all employees are aware of the restrictions on the use of third-party data.

## **7.13 Third-party management risks**

### **7.13.1 Risks resulting from third party management**

Multiple services are provided by third parties for the Company's operation. Some of them are crucial in that they are difficult to replace, and errors in the performance of the third party could have a negative impact on the Company's operations and results. The Company selects the third parties that provide services and goods using a procedure that considers the past performance and conduct of the third party in its relationship with the Company. The Company's contracts with third parties contain clauses that protect it from suppliers' and contractors' noncompliance with their contractual obligations. In addition, suppliers and contractors are evaluated prior to and following contracting in order to assess their performance.