QUARTERLY EARNINGS REPORT

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

PLAZA S.A.

CONTENTS

1. - MARKET ANALYSIS

Description and analysis of the business

Plaza S.A. is a holding Company that operates shopping centers under the mallplaza brand in Chile, Peru and Colombia, which total a leasable area of 1,814,000 m^2.

From Chile it manages the companies that build, manage, operate and lease the premises and advertising spaces of its 17 mallplaza shopping centers. Its lessees provide a diversified range of products and services, being significant department stores, specialty stores, entertainment and culture, movie theaters, games for children, restaurants and fast food outlets, supermarkets, automobile sales, offices, health and education. It also leases advertising space at its shopping centers. These leases cover 1,381,000 m^2 of leasable areas.

Plaza S.A.'s subsidiary Fondo de Capital Privado Mall Plaza Colombia has shopping centers in Bogota, Barranquilla, Cartagena de Indias and Manizales, as well as a fifth project in Cali. As of December 31, 2019, the leasable area in Colombia totals 164,000 m^2.

Plaza S.A. also manages 4 shopping centers in Peru belonging to Mall Plaza Peru S.A., where it owns a 33.33% interest. These malls provide a leasable area of 269,000 m^2 and are located in Lima, Arequipa and Trujillo.

Finally, Plaza S.A. is also carrying out the required studies to potentially develop new projects in Chile, Peru and Colombia over the coming years.

Description and analysis of the industrial sector

a) The Competition: According to surveys conducted in homes and various shopping centers, the main competitors to Plaza S.A. are shopping centers of all kinds, such as malls, power centers, strip centers and traditional stores located close to mallplaza's shopping centers.

b) Its relative participation and evolution: Its market share of the retail trade is estimated at 3.8%. This participation is based on total sales at mallplaza shopping centers, excluding sales in the automotive, supermarket, home and healthcare sectors, and compared to an estimate of retail trade for those areas. Plaza S.A. participates in the new automobile sales sector through premises operated by its subsidiaries Autoplaza SpA, located in its shopping centers in Chile, and Salón Motorplaza S.A. located in four shopping centers in Peru.

2.- ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

a) **Assets** (in millions of Chilean pesos)

	Dec-20	Dec-19	Change Dec20-Dec19
Current assets	336,099	154,870	117%
Non-current assets	3,303,750	3,229,045	2%
Total Assets	**3,639,849**	**3,383,915**	**8%**

Current assets

Current assets increased by CLP 181,230 million, or 117%, due to increases in cash and cash equivalents of CLP 166,792 million associated with issuing the Series P and S bonds and drawing down loans to secure liquidity, an increase in assets held for sale of CLP 11,735 million due to the transfer of non-operating land from investment properties, and an increase in other current non-financial assets of CLP 4,818 million due to an increase in VAT recoverable on the temporary reduction in operating revenue caused by the pandemic. This was offset by a decrease in related company receivables of CLP -5,123 million following the collection of current mercantile receivables from related companies.

Non-current assets

Non-current assets increased by CLP 74,705 million or 2%, due to the increase in investment properties of CLP 84,164 million. This was mainly due to the acquisition of the Calima shopping center now called Mallplaza NQS in Bogotá, Colombia, investments in the new Mallplaza Cali project during the first half of 2020, expansions at Mallplaza Buenavista, Mallplaza Norte, Mallplaza La Serena and Mallplaza Oeste, and remodeling works in Mallplaza Vespucio. These investments were negatively offset by foreign currency translation effects in Colombia and the transfer of non-operating land from investment properties to assets held for sale. The increase in deferred tax assets of CLP 2,947 million was due to an increase in tax losses and doubtful debt provisions. This was offset by a decrease in equity method investments of CLP -12,804 million, due to foreign currency translation effects and net losses for the year at Mall Plaza Perú S.A.

Investment properties at Fair Value

Plaza S.A. values its investment properties at fair value and used this value as the attributable cost on the IFRS re-adoption date of January 1, 2015, in accordance with IFRS 1. The cost model has been applied since the IFRS conversion, and this value has been depreciated linearly on a monthly basis. It has not been revalued to fair value from period to period in the Income Statement. The value of investment properties as of December 31, 2020 is CLP 3,136,474 million, representing 86% of the total consolidated assets of Plaza S.A.

CLP million = Millions of Chilean pesos

Liabilities (in millions of Chilean pesos)

	Dec-20	Dec-19	Change Dec20-Dec19
Current liabilities	248,211	202,438	23%
Non-current liabilities	1,484,517	1,268,906	17%
Total Liabilities	**1,732,728**	**1,471,344**	**18%**
Equity	1,907,121	1,912,571	(0%)
Total Equity and Liabilities	**3,639,849**	**3,383,915**	**8%**

Current liabilities

Current liabilities increased by CLP 45,773 million or 23% due to increases in other current financial liabilities of CLP 78,093 million associated with short-term loans. This was offset by decreases in trade and other payables of CLP -24,627 million, due to decreases in the dividend provision compared to 2019 on smaller earnings in 2020, decreases in current employee benefit provisions of CLP -4,266 million associated with decreases in bonus provisions, decreases in current tax liabilities of CLP -2,755 million, due to decreases in income taxes payable, and decreases in other current non-financial liabilities of CLP -1,042 million associated with reductions in VAT payable on the reduction in operating revenue caused by partial shopping center closures during the pandemic.

Non-current liabilities

Non-current liabilities increased by CLP 215,611 million or 17%, mainly due to increases in other non-current financial liabilities of CLP 217,934 million associated with issuing the Series P and S bonds, the financial debt received when Mallplaza NQS (formerly Calima) in Bogota, Colombia was acquired, and new long-term loans. This was offset by decreases in non-current employee benefit provisions of CLP -3,625 million in executive bonuses for previous years.

Equity (in millions of Chilean pesos)

	Dec-20	Dec-19	Change Dec20-Dec19
Share capital	175,123	175,123	0%
Retained earnings	1,534,894	1,527,046	1%
Share premium	123,573	123,573	0%
Other reserves	(73,571)	(59,236)	24%
Non-controlling interests	147,103	146,065	1%
Total Equity	**1,907,122**	**1,912,571**	**0%**

Equity decreased by CLP -5,449 million, due to decreases in other reserves of CLP -14,335 million associated with foreign currency translation adjustments of CLP -24,222 million, offset by the positive effect of SWAP hedge contracts of CLP 9,420 million. This was offset by an increase in retained earnings of CLP 7,847 million, which is mainly net income for the year net of dividend provisions and an increase in non-controlling interests of CLP 1,038 million due to a share issue in Colombia, offset by net losses for the year.

Ratios

	Dec-20	Dec-19	Change Dec20-Dec19
Liquidity Ratio	1.35	0.77	0.58
Acid Ratio	0.82	0.18	0.64
Debt ratio	0.91	0.77	0.14
Net Financial Debt (1)/ Equity	0.52	0.44	0.08
Net Financial Debt (1) / EBITDA(2)	8.50	3.57	4.94
EBITDA / Financial Expenses (3)	3.02	6.52	(3.50)
EBITDA / Net Revenue (4)	62.0%	77.0%	(15.0%)
Current liabilities / Total liabilities	14.3%	13.8%	0.5%
Assets / Non-Cur. Fin. Debt + Cur. Liab.	2.91	3.43	(0.52)
Unencumbered assets (5) / Net Financial Debt (1)	3.18	3.50	(0.32)
Return on Equity (6)	0.6%	5.5%	(5.0%)
Return on Assets (7)	0.3%	3.1%	(2.8%)
Return on Operating Assets (8)	2.0%	6.2%	(4.1%)
Earnings per Share (9)	$ 6.25	$ 51.06	($ 44.81)

(1) Current and non-current financial debt, less cash and cash equivalents and other investments of cash surpluses available in under 30 days.
(2) EBITDA for the rolling 12 month periods ended December 31, 2020 and December 31, 2019, respectively.
(3) EBITDA and financial expenses (Total bank expenses and fees together with interest on financial debt) for the rolling 12 month periods ended December 31, 2020 and December 31, 2019, respectively.
(4) EBITDA and revenue net of common expense recovery for the rolling 12 month periods ended December 31, 2020 and December 31, 2019, respectively.
(5) Investment properties that are free of mortgages or encumbrances.
(6) Net income for the rolling 12 month periods ended December 31, 2020 and December 31, 2019, over average equity (Average equity for the last 4 quarters).
(7) Net income for the rolling 12 month periods ended December 31, 2020 and December 31, 2019, over average assets (Average assets for the last 4 quarters).
(8) Earnings from operating activities for the rolling 12 month periods ended December 31, 2020 and December 31, 2019, over average investment properties (Average investment properties for the last 4 quarters).
(9) Compares earnings per share for the rolling 12 month periods ended December 31, 2020 and December 31, 2019.

The liquidity ratio (Current assets / Current liabilities) increased from 0.77 as of December 2019 to 1.35 as of December 2020, which is a variation of 0.58 points, caused by an increase within current assets of cash and cash equivalents of CLP 166,792 million associated with issuing the Series P and S Bonds and new loans to secure liquidity. The acid ratio is defined as cash and cash equivalents over current liabilities, and increased from 0.18 as of December 2019 to 0.82 as of December 2020, due to the same increase in liquidity.

The debt ratio is defined as (current liabilities + non-current liabilities) / equity and increased from 0.77 to 0.91, due to an increase in total liabilities caused by higher other current and non-current financial liabilities following the issuance of new debt to secure liquidity and financial debt received when Mallplaza NQS (formerly Calima) in Bogota, Colombia was acquired. The net financial debt over equity ratio decreased from 0.44 as of December 2019 to 0.52 as of December 2020, associated with the increase in net financial debt.

The financial debt ratio is net of cash, cash equivalents and other cash surpluses invested for under 30 days, over rolling 12 months EBITDA, and it increased from 3.57 as of December 2019 to 8.50 as of December 2020, associated with an increase in net financial debt compared to the previous year and a decrease in rolling 12 month EBITDA caused by reduced visitor flow to shopping centers during the pandemic. The financial expense ratio is EBITDA over financial expenses, which reached 3.02 as of December 2020, a decrease over its value of 6.52 as of December 2019, due to the decrease in EBITDA caused by reduced visitor flow to shopping centers in the second, third and fourth quarters of 2020 due to temporary store closures caused by the pandemic and resulting in reductions in rental income.

The current liabilities over total liabilities indicator increased from 13.8% as of December 2019 to 14.3% as of December 2020. This was mainly due to an increase in current liabilities of 22.6% due to additional short-term financial debt to secure liquidity.

The assets over non-current financial debt and current liabilities ratio decreased from 3.43 to 2.91 as of December 2020, due to the increase in other current and non-current financial liabilities.

The unencumbered asset ratio is investment properties free of mortgages or encumbrances over financial debt less cash and cash equivalents, and it decreased to 3.18 as of December 2020 from 3.50 as of December 2019, due to the increase in net financial debt associated with issuing the Series P and S Bonds and financial debt received when Mallplaza NQS in Colombia was acquired.

The return on equity is defined as rolling 12 months net income over average equity, and it was 0.6% as of December 2020, a decrease from 5.5% as of December 2019, due to decreased rolling 12 months net income (-89.5%) and increased average equity (2.0%).

The return on assets is rolling 12 months net income over average assets, and it decreased from 3.1% as of December 2019 to 0.3% as of December 2020, due to decreased rolling 12 months net income (-89.5%) and increased average assets (8.5%) following the increase in cash and cash equivalents to secure liquidity, and the increase in investment properties following the acquisition of Mall Plaza NQS in Colombia.

Earnings from operating activities is defined as earnings from 12 months operating activities over average investment properties, and it decreased from 6.2% as of December 2019 to 2.0% as of December 2020. This is due to a decrease of -65.8% in earnings from 12 months operating activities, and a 3.5% increase in average investment properties following the acquisition of Mall Plaza NQS in Colombia in August 2020 and investments and remodeling works during the year.

Finally, the rolling 12 month earnings per share decreased by $44.81, to $6.25 per share as of December 2020, while it was $51.06 as of December 2019, mainly due to the decrease in rolling 12 month earnings, due to partial mall closures in the second, third and fourth quarters of 2020 associated with the pandemic.

3.- ANALYSIS OF THE STATEMENT OF INCOME BY FUNCTION

Income Statement (in millions of Chilean pesos)

Statment of Net Income	Fot the twelve months ended December 31				Fot the three months ended December 31			
	2020	2019	Var.	%	2020	2019	Var.	%
Operating revenue	187.329	309.598	-122.269	-39%	60.721	72.274	-11.553	-16%
Costo of Sales	(84.314)	(81.086)	(3.228)	4%	(24.052)	(24.959)	907	-4%
Gross Profit	**103.015**	**228.512**	**-125.497**	**-55%**	**36.669**	**47.315**	**-10.646**	**-23%**
Administrative expenses	(40.720)	(40.291)	(429)	1%	(9.398)	(15.695)	6.297	(40%)
Other Income by function	6.082	782	5.300	678%	5.819	281	5.538	1.971%
Other expenses by function	(5.139)	(3.857)	(1.282)	33%	(2.969)	(1.786)	(1.183)	66%
Financial Income	8.513	2.177	6.336	291%	522	313	209	67%
Financial Cost	(35.374)	(32.332)	(3.042)	9%	(9.844)	(8.169)	(1.675)	21%
Share of net Income (losses) of equity method associates and joint ventures	(360)	2.997	(3.357)	-112%	-319	1.042	-1.361	-131%
Exchange differences	(305)	234	(539)	(230%)	5	139	(134)	-96%
Indexation adjustments	(24.298)	(20.604)	(3.694)	18%	(12.284)	(6.979)	(5.305)	76%
Net Income before taxes	**11.414**	**137.618**	**(126.204)**	**-92%**	**8.201**	**16.461**	**(8.260)**	**(50%)**
Income tax expense	(396)	(33.039)	32.643	(99%)	702	(4.065)	4.767	(117%)
Net Income attributable to non-controlling interests	(1.230)	4.504	(5.734)	-127%	384	(17)	401	-2359%
Net Income attributable to owners of the controller	**12.248**	**100.075**	**(87.827)**	**-88%**	**8.519**	**12.413**	**(3.894)**	**(31%)**
EBITDA (1)	**116.114**	**238.307**	**-122.193**	**-51%**	**41.036**	**45.115**	**-4.079**	**-9%**

(1) EBITDA includes gross profit and administrative expenses and excludes depreciation and amortization.

Analysis of the Statement of Income by Function for 4Q2020

Operating revenue

Operating revenue for 4Q2020 decreased by -16% compared to 4Q2019, due to reductions in rental income and commercial discounts associated with the partial closure of shopping centers in quarantined regions and capacity restrictions due to limits imposed by health authorities' under the pandemic.

Cost of sales

Cost of sales decreased by 4% compared to 4Q2019 due to adopting best practices that reduced costs, although these savings were fully passed on to business partners, and this process was audited by independent firms and reported to business partners. The decrease was also due to an increase in non-recurring costs in the fourth quarter of 2019 caused by the social unrest during October 2019 in Chile.

Gross profit

Gross profit for 4Q2020 decreased by CLP -10,646 million or -23%, with respect to 4Q2019. This decrease was mainly due to a CLP -11,553 million fall in operating revenue in 4Q2020 associated with reductions in rental income and commercial discounts during the partial closure of shopping centers in quarantined regions and capacity restrictions due to limits imposed by health authorities' under the pandemic.

Administrative expenses

Administrative expenses for 4Q2020 decreased by CLP 6,297 million (-40%) compared to 4Q2019, mainly due to doubtful debt provisions reducing by CLP 2,714 million associated with improvements in payment performance by business partners, and fewer marketing campaigns.

EBITDA

EBITDA for 4Q2020 decreased by CLP -4,079 million or -9% compared to 4Q2019, mainly associated with decreased operating revenue following reductions in rental income at shopping centers due to the pandemic. Operating efficiency measured as EBITDA margin over operating revenue was 68%.

Financial costs

Financial costs for 4Q2020 increased by CLP -1,675 million compared to the same period in the previous year, primarily due to the increase in average financial debt to secure liquidity and the increase in debt associated with the acquisition of Mallplaza NQS.

Financial income

Financial income for 4Q2020 increased by CLP 209 million, which represents an increase of 67% compared to the same period for the previous year, due to increased investment income on cash surpluses.

Indexation adjustments

Indexation adjustments are changes in the Chilean peso value of financial debt in Chile denominated in Unidades de Fomento (UF). They do not represent cash flows, and are merely accounting adjustments. Indexation adjustments for 4Q2020 generated a loss of CLP -5,305 million compared to 4Q2019, mainly due to a higher change in the value of the UF of 1.26% in 4Q2020 compared to 0.93% in 4Q2019, combined with increased debt in this currency.

Under IFRS, these financial statements do not include any inflation adjustments for assets, liabilities and equity, which have been recorded at their nominal values since December 31, 2014. Only those assets and liabilities that are denominated in a currency other than the Chilean peso have been adjusted. This mainly applies to financial liabilities in UF in the consolidated financial statements of Plaza S.A.

Net income attributable to owners of the parent company

Net income for 4Q2020 was CLP 8,519 million, which represents a decrease of CLP -3,894 million compared to 4Q2019. This is mainly explained by a decrease in gross profit of CLP -10,646 million, associated with decreases in operating revenue, and a higher loss from indexation adjustments of CLP -5,305 million, offset by a decrease in administrative expenses of CLP 6,297 million and a decrease in the income tax expense of CLP 4,767 million.

Analysis of the Statement of Income by Function for the year ended December 2020

Operating revenue

Operating revenue decreased by 39% with respect to 2019, mainly due to reductions in rental income and commercial discounts associated with partial mall closures and capacity restrictions during March to December 2020 as a result of the COVID-19 pandemic.

Cost of sales

Cost of sales increased by 4% compared to 2019, due to increases in real estate taxation surcharges, increased insurance expenses and increased depreciation upon opening Mallplaza Barranquilla in October 2019 and Mallplaza NQS acquired in August 2020. Operating costs at shopping centers decreased by 16% compared to last year, due to adopting best practice that reduced costs following partial shopping center closures as a result of the pandemic and renegotiations with suppliers. Savings in operating costs associated with common areas were fully passed on to our business partners, and this process was audited by independent firms.

Gross profit

Gross profit for 2020 was CLP 103,015 million, which represents a decrease of -55% compared to the previous year. This reduction is mainly due to the 39% decrease in operating revenue of CLP -122,269 million compared to 2019, while the cost of sales increased by CLP -3,228 million or 4%, due to higher depreciation, higher real estate taxation surcharges, higher insurance premiums and incorporating Mallplaza Barranquilla towards the end of 2019 and Mallplaza NQS in August 2020.

Administrative expenses

Administrative expenses increased by CLP -429 million or 1%, associated with higher doubtful debt provisions of CLP -6,134 million due to collection flexibility from business partners while stores were temporarily closed due to the pandemic, also higher expenses for municipal licenses and technological services, partially offset by lower marketing costs, lower remuneration due to reduced staff bonuses, and organizational restructuring to adapt the company to its new omni-channel strategy. If the increase in doubtful debt provisions is excluded, administrative expenses would have decreased by 14% compared to 2019.

EBITDA

EBITDA for 2020 was CLP 116,114 million, a decrease of CLP -122,193 million or 51% compared to 2019, with operational efficiency measured as EBITDA over operating revenue of 62%.

Financial costs

Financial costs increased by CLP -3,042 million compared to the previous year, with most of this increase arising from 2Q2020 onwards, mainly due to higher average financial debt to secure liquidity and the incorporation of Mallplaza NQS in August 2020.

Financial income

Financial income increased by CLP 6,336 million, an increase of 291% over the last year, due to the Series C bond swap during 3Q2020.

Indexation adjustments

Indexation adjustments are changes in the Chilean peso value of financial debt in Chile denominated in Unidades de Fomento (UF). They do not represent cash flows, and are merely accounting adjustments. The loss on indexation adjustments for 2020 was CLP -3,694 million compared to 2019, mainly due to higher average financial debt. The value of the UF increased by 2.69% as of December 2020 compared to 2.70% as of December 2019.

Under IFRS, these financial statements do not include any inflation adjustments for assets, liabilities and equity, which have been recorded at their nominal values since December 31, 2014. Only those assets and liabilities that are denominated in a currency other than the Chilean peso have been adjusted. This mainly applies to financial liabilities in UF in the consolidated financial statements of Plaza S.A.

Net income attributable to owners of the parent company

This was CLP 12,248 million, a decrease of -88% compared to 2019. This fall in net income is mainly due to decreases in operating revenue of CLP -122,269 million due to reductions in rental income and commercial discounts during the partial closure of shopping centers and capacity restrictions during March to December 2020, offset by decreases in the income tax expense of CLP 32,643 million and increased financial income of CLP 6,336 million.

4. - ANALYSIS OF THE STATEMENT OF DIRECT CASH FLOW

Cash flow (in millions of Chilean pesos)

	Dec-20	Dec-19	Change Dec20-Dec19
From operating activities	86,439	222,937	(61%)
From investing activities	(98,324)	(78,178)	26%
From financing activities	181,181	(160,762)	(213%)

Operating activities

Operating activities generated positive cash flow of CLP 86,439 million, a decrease of CLP -136,499 million or 61% compared to December 2019. This is due to decreases in sales of goods and services of CLP -149,612 million, offset by decreases in income tax payments of CLP 21,630 million.

Investing activities

Investing activities during 2020 generated a negative cash flow of CLP -98,324 million, which represents increases in payments for investing activities of CLP -20,146 million compared to 2019. This is mainly due to decreases in loan repayments from related companies of CLP -24,506 million, increases in payments to control subsidiaries of CLP -18,422 million, due to the acquisition of Mallplaza NQS, and decreases in asset sales of CLP -4,842 million compared to last year. This was offset by decreases in purchases of long-term investment properties of CLP 27,789 million.

Financing activities

Financing activities generated positive cash flow of CLP 181,181 million, which represents an increase of CLP 341,943 million compared to last year. This increase is mainly due to increased bond obligations following the issue of the Series P and S bonds of CLP 175,909 million, increased loans of CLP 166,986 million, and a decrease in dividend payments of CLP 17,883 million. It was offset by decreases in other cash receipts of CLP -12,138 million and increases in bond repayments of CLP -3,913 million compared to 2019.

5. - RISK MANAGEMENT

Plaza S.A. is exposed to certain risks that could adversely impact its business and financial performance to a greater or lesser extent. Therefore, the Company has developed plans to identify, evaluate, mitigate and monitor the risks it faces, using the COSO ERM (Enterprise Risk Management) risk management model, and risk control segmentation methodology known as the Three Barriers of Defense. This model applies to the three countries where mallplaza manages shopping centers. The first and second defense barriers are composed of those responsible for each process and on a regular basis Management perform an assessment of the Company's risks in line with the business value and operational chains, in order to keep up to date with the risks that may impact the development or objectives of Plaza S.A. and its subsidiaries. The Company also recognizes its third defense barrier as the Controller's Office, whose objective is to verify compliance with policies and procedures, independently from Management, and who directly report to the Directors' Committee.

1. Financial risks

Plaza S.A. is exposed to the following principal financial risks: (i) liquidity risk, (ii) credit risk, and (iii) market risk. The Plaza S.A. board has approved centralized policies and procedures to manage and minimize its exposure to these risks. Procedures have also been established to monitor the evolution of these risks, and these internal policies and procedures are continuously reviewed to adapt them to changes in the Company's businesses and markets.

(i) Liquidity risk

The Company manages liquidity risk by keeping sufficient cash and cash equivalents to meet its routine operating expenses.

Plaza S.A. and subsidiaries also have available financing options, such as lines of credit with banks, corporate bonds and other negotiable instruments.

Plaza S.A. monitors its liquidity risks by carefully planning its cash flow forecasts, covering its main commitments, such as operational cash flow, debt repayments, interest payments, dividend payments, tax payments, and other payments, which are financed in advance where necessary after taking into consideration potential volatility in the financial markets.

The Company manages its exposure to liquidity risks by only investing cash surpluses in products that mature in less than 90 days with AA or higher credit ratings. It has policies that restrict the choice of investment instruments and the credit quality of its counterparties.

Plaza S.A. manages its capital structure in a manner that provides its business with continuity and stability. It continuously monitors its capital structure and that of its subsidiaries, in order to maintain an optimal structure that reduces the cost of capital and maximizes the Company's financial value. Plaza S.A. monitors its capital using a consolidated net financial debt to equity ratio.

(ii) Credit risk

Credit risk is the risk of loss for Plaza S.A. and subsidiaries if a customer or other counterparty does not comply with their contractual obligations. Plaza S.A. and subsidiaries have a diversified customer portfolio together with guarantees to cover doubtful debt risks.

The Risk and Collections area of the Corporate Administration and Finance department is responsible for minimizing the risks within receivables, by evaluating the risk associated with tenants and managing the collection of receivables. Plaza S.A. has a centralized process that evaluates the risks associated with its customers and classifies each customer, which is governed by its commercial risk policies and the risk analysis procedure. This process analyzes the customer's financial situation to evaluate the associated risks, and establish guarantees where necessary.

The Company requests guarantees from its customers based on this risk analysis carried out by the Corporate Administration and Finance department.

Plaza S.A. only carries out hedging transactions with counterparties that have a minimum risk classification of AA, according to their local risk classification. A credit analysis is always undertaken before initiating any transactions.

(iii) Market risk

The main market risks to which Plaza S.A. is exposed are (a) exchange rates, (b) interest rates and (c) inflation.

(a) Exchange rate risk

The Company is exposed to two sources of risk from adverse movements in the price of currencies. The first is from financial debt issued in currencies other than the functional currency of the business, while the second is from investments abroad. Therefore, the Company sources its financing only in the business currencies of each country, and if this is not possible, hedging derivatives are used.

(b) Interest rate risk

Plaza S.A. has most of its financial debt at fixed and long-term interest rates, in order to avoid exposure to fluctuations in variable interest rates that would impact financial expenses.

(c) Inflation risk

The majority of Company revenue is indexed to the respective inflation rates in Chile, Peru and Colombia. Its revenue in Chile is denominated in Unidades de Fomento (UF). As most of the consolidated financial debt after hedges is indexed to the same currency, the Company therefore has a natural economic hedge that protects it from the inflation risk in its consolidated debt after hedges. Revenue is indexed to UF in Chile, or inflation in Peru and Colombia.

The Company uses hedging instruments such as forward contracts, swaps and cross currency swaps in order to manage the risk to in financing caused by the volatility of currencies and rates other than UF in Chile or indexed to inflation in Peru and Colombia. The role of these hedges is to cover the Company’s cash flow commitments.

2. Property damage and personal injury risks

The company has a significant number of physical facilities that are required to operate its business. These facilities are exposed to events that could impact its business, such as fires, natural disasters, floods, earthquakes, storms, assaults, looting, violent demonstrations, other damaging incidents, store closures and suspensions by order of authorities during states of emergency or pandemics, and other events. These events may also injure people at the Company's facilities, including customers, employees, suppliers, contractors and other visitors. This risk is mitigated by complying with construction and physical safety standards, such as anti-seismic and fire protection systems. The risk of harm to people is mitigated by an occupational health and safety program, which is continuously monitored. The impact of these events is outsourced through insurance policies that cover the operational risks associated with all its investment properties and its shopping centers in operation and construction, and the revenue streams associated with them, through first class insurance companies.

3. Risks of changes to laws and regulations

Changes in the regulatory framework could affect revenue or costs for Plaza S.A. and subsidiaries. For example, a change in employment regulations could restrict shopping center opening hours on public holidays. Profitability could be affected by a negative change in the regulations associated with land or construction. These regulatory changes are monitored and analyzed by various Company departments, in order to anticipate them and ensure efficient compliance.

4. Environmental risks - climate change

Plaza S.A. is a real estate owner, so it could face liabilities for contaminating local communities. Therefore, it has established policies and procedures to ensure compliance with current environmental regulations and ensure that its urban centers are operated on a sustainable basis, based on best practice.

5. Economic cycle risks

Generally sales by our tenants are highly correlated with trends in gross domestic product and consumption. If people's disposable income falls due to an economic contraction, this could affect the occupation rate and revenue from shopping centers. However, the commercial policy of Plaza S.A. is mostly focused on fixed charges and is not associated with the sales of its tenants. Therefore, revenue at Plaza S.A. is less sensitive to economic cycles that affect sales at stores. The revenue collection process is well established with indicators and targets that are continuously monitored. Furthermore, the Company's rental revenue arises from several operators, some of whose business cycles experience an inverse correlation compared to others, such as supermarkets, home improvement stores, service stores, specialized stores, medical and healthcare facilities, offices, education and entertainment centers, cinemas and restaurants, and other operators.

6. Information security and technology risks

There are potential risks associated with digital security breaches, through cyber-attacks, malware, computer viruses, and email attachments, and other breaches. Plaza S.A. manages the security and integrity of its IT networks and related systems to minimize the effect of a potential interruption in system continuity, by relying on companies specializing in these risks.

7. Retail e-commerce sales risks

Retail e-commerce sales via the internet have increased in recent years, which could potentially affect the flow of visitors to shopping centers. Plaza S.A. and subsidiaries manage this risk by widely diversifying their proposal to visitors, by concentrating on a significant mix of non-retail uses for its shopping centers, such as restaurants, playgrounds, cinemas, healthcare facilities, education centers, service centers, offices and car sales. The remaining retail space is distributed between department stores, supermarkets, home improvement stores and specialist retail stores. This diversification ensures that Mallplaza's shopping centers provide a multitude of reasons for people to visit, as they can enjoy multiple interactions that enhance their visits to the shopping center. Mallplaza has been incorporating new logistics capabilities into its business model and its relationship with its business partners in a complementary manner, along with developing digital initiatives and omni-channel services that strengthen its value proposition for these partners and their visitors, which the company expect to monetize over time.

8. Loss of talented people risks

The company depends on the experience and expertise of its executives, employees and directors for the daily management of its businesses, and the execution of its investment plans. The Company has established a talented people development and retention process that is continuously monitored, in order to attract and retain talented people, whose departure could impact our ability to effectively compete and continue to grow.

9. Availability of land risks

Plaza S.A. and its subsidiaries own land that could be used for commercial projects when the Company believes that the demand will be sufficient and that they will be profitable.