ANALYSIS
OF THE
FINANCIAL POSITION
AS OF 12.31.2015

Abbreviations:

M$	Million Chilean pesos
Th$	Thousand Chilean pesos

ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal year ended December 31, 2015

1. REVIEW

As of December 31, 2015, Empresas Lipigas S.A. (the "Company") recorded earnings after taxes amounting to M$36,120, with an increase of M$12,264 (51.4%), with respect to the M$23,856 recorded in the previous year.

This result was generated by a higher gross margin of M$36,901, with an increase of 37.7% compared to the previous year in all three operating segments of the Company (Chile, Colombia and Peru). This increased gross margin was partially offset by an increase in other expenses by function, distribution costs and administrative expenses amounting to M$7,360 (11.4%), with respect to the previous year.

Consolidated EBITDA reached M$79,046, a figure that is 62.8% higher than the previous year which reached M$48,566. The increase resulted from improvement in the gross margin of the three operating segments, driven by the increase in sales volume in Colombia and Peru and in turn due to the generation of better unit margins in all three countries. The gross margin of Chile incorporates the seaborne import activity of liquefied gas since the beginning of the operation of the Quintero terminal in March 2015. This operation generated an approximate gross margin of M$15,000 in the period. Part of this margin was influenced by a favorable situation of the maritime freight rates market estimating that it generated M$3,500 profit in the period (mainly until the month of September). The rest of the increase in the gross margin in Chile was due to increased volumes in the channel of direct sales to end customers, margin improvements generated by the ground import of product from Argentina and lower negative results over inventories due to decreased fuel prices occurred in 2014. The increase in gross margin in Colombia and Peru is explained by higher sales volume and improved unit margin.

Accumulated LPG sales volume as of December 2015 compared with the previous year increases 4.0% equivalent to 24,387 tons. In Chile, volumes present a slight increase of 0.1%. In Colombia, sales volume increases 8.9%., which includes as of December 2015, the full volume of the Lidergas operation commenced in June 2014, and Peru increases 14.2%.

As of December 2015, we continue consolidating liquefied natural gas (LNG) supply operations to industrial clients via trucking, steadily increasing the sales volume achieved in 2014, when this new activity initiated. Accumulated sales as of December amounted to 12 million m3. As of December 2014 sales volume was 3 million m3 (*)

(*) In 2014, LNG consumption begins in July.

Revenue from ordinary activities amounted to M$378,613, decreasing 13.2% regarding the previous year. This decrease was driven by the general decline in the price of oil and derived products which occurred during the last quarter of 2014

Non-operating income was negative by M$15,328 a figure higher than the M$3,743 loss recorded as of the previous year, which is mainly explained by the following aspects:

- Increased property, plant & equipment disposals amounting to M$ 2,366 (*)
- Decreased profits in the sale of fixed assets amounting to M$1,119
- Increased results by adjustment units amounting to M$4,911
- Increased loss on the restatement of liabilities for cylinder guaranties received from customers amounting to M$4,569(*)

(*) Adjustments that do not generate cash flow.

FOURTH QUARTER MATERIAL DISCLOSURES

- On October 28, 2015, the Company's Board of Directors convened a Special Shareholders' Meeting for November 13, 2015, in order to submit for its approval the amendment of the transitional articles of the Company's by-laws so as to extend the terms of the mandate given to the Board for the placement of shares and grant the necessary powers of attorney for this purpose.

- On November 11, 2015, the market is clarified regarding press information about an administrative procedure to investigate an alleged pricing agreement in five importing and/or bottling LPG companies in Peru prior to 2011, among which the Company's subsidiary Lima Gas S.A. is included. Said procedure was timely reported in the financial statements of Empresas Lipigas S.A. as of June 2015 and September 2015. Considering that the Company does not have records indicating irregularities, provisions have not been established for possible sanctions. An internal review is being conducted to confirm the adequate operation of business processes and thus collaborate with the authority to clarify any doubts it might have in this regard.

- On November 13, 2015, a Special Shareholders' Meeting of Empresas Lipigas S.A. took place wherein, by unanimity of the shares represented at said meeting, namely 113,574,473 shares of a total of 113,574,515, an agreement was reached to amend the transitional articles of the Company's by-laws so as to extend the terms of the mandate given to the Board for the placement of shares and grant the necessary powers of attorney for this purpose.

- On November 18, 2015, the Company informs that the Board of Directors of Empresas Lipigas S.A. has authorized the acquisition of Neogas Perú S.A., a Peruvian-based company dedicated to the distribution of compressed natural gas to industrial customers and supply stations of such fuel for automobiles.
  This acquisition is aligned with the strategy of Lipigas to become a relevant player in the market for distribution of gas in Latin America. The acquisition of Neogas Perú S.A. allows expanding supply to industrial customers far from natural gas networks with an efficient and environmentally sustainable alternative energy.

- On December 3, 2015, the Company informs that, regarding the issue of shares to be carried out pursuant to the determination of the Special Shareholders' Meeting held July 29, 2015, supplemented and amended by the Special Shareholders' Meeting held November 13, 2015, the Board of Directors of Empresas Lipigas S.A. agreed to declare the book order auction process on the Santiago Stock Exchange null and void, because, even though orders were received for more than CLP 176 billion, the minimum price condition to which the auction was subjected was not fulfilled.

- On December 16, 2015, the payment of an interim dividend charged to 2015 earnings amounting to $52.82875 per share was agreed.

2. CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT BY FUNCTION	01.01.2015 through 12.31.2015	01.01.2014 through 12.31.2014	Var. Jan-Dec (2015 - 2014)	
	M$	M$	M$	%
Net Sales	378,613	436,236	(57,623)	(13.2)%
Cost of sales	(243,755)	(338,279)	94,524	(27.9)%
Gross margin	**134,858**	**97,957**	**36,901**	**37.7 %**
Other income by function	188	298	(110)	(36.9)%
Other expenses by function	(21,999)	(20,975)	(1,024)	4.9 %
Distribution costs	(24,225)	(22,913)	(1,311)	5.7 %
Administrative expenses	(25,343)	(20,318)	(5,025)	24.7 %
Operating income	**63,480**	**34,049**	**29,430**	**86.4 %**
Financial costs	(10,655)	(6,448)	(4,207)	65.2 %
Financial income	1,561	1,555	6	0.4 %
Exchange rate difference	(171)	(64)	(107)	167.0 %
Results by adjustment units	(4,270)	642	(4,911)	100.0 %
Other gains (losses)	(1,793)	573	(2,366)	(412.7)%
Gains (losses) before taxes	**48,152**	**30,306**	**17,846**	**58.9 %**
Income tax expense	(12,032)	(6,450)	(5,582)	86.5 %
Gain (loss)	**36,120**	**23,856**	**12,264**	**51.4 %**

Gain (loss) attributable to the owners of the controller	35,979	23,948	12,032	50.2 %
Gain (loss) attributable to non-controlling interest	141	(91)	232	(253.6)%
Gain (loss)	**36,120**	**23,856**	**12,264**	**51.4 %**

Depreciation and amortization	**15,566**	**14,519**	**1,047**	**7.2 %**

EBITDA	**79,046**	**48,568**	**30,478**	**62.8 %**

Earnings after tax amounted to M$36,120 a 51.4% increase regarding the M$23,856 recorded the previous year. The main variations resulted from:

- Consolidated gross margin reached M$134,858 which is 37.7% higher than the M$97,957 recorded the previous year. This increase resulted from an improved gross margin in all three operating segments due to increased sales volume in Colombia and Peru and also due to the generation of better unit margins in the three countries. Chile's gross margin incorporates the seaborne import activity of liquefied gas since the beginning of the operation of the Quintero terminal in March 2015. This operation generated an approximate margin of M$15,000 in the period. Part of this margin was influenced by a favorable situation of the maritime freight rates market estimating that it generated a M$3,500 profit in the period. The increase in gross margin in Colombia and Peru is explained by a combination of higher sales volume and improved unit margin. In Colombia, this increase was also affected by the sales volume contributed by the inclusion of the Lidergas operation acquired in May 2014.

- Operating costs and expenses increased M$7,361 due to higher expenses regarding salaries and personnel expenses, higher expenses in management bonuses for employees given improved results achieved, increase in real estate leases, technology expenses, fees, freights, marketing expenses and accrued wealth tax in Colombia.

- Consolidated operating income reached M$63,480 which is M$29,430 (86.4%) higher than the M$34,049 recorded during the previous year.

- Accumulated EBITDA (operating income before depreciation and amortization) as of December 2015 reached M$79,046 representing a 62.8% increase regarding the M$48,568 for the previous year.

3. INCOME BY SEGMENT

AS OF 12.31.2015

M$	Segments			Group Total
	Chile	Colombia	Peru	
Revenue	279,510	35,813	63,291	378,613
Purchases charged to cost of sales	(149,019)	(17,560)	(42,287)	(208,866)
Expenses charged to cost of sales	(14,682)	(1,547)	(3,094)	(19,323)
Gross profit	**115,809**	**16,706**	**17,910**	**150,424**
Other income by function	188	0	0	188
Other operating expenses	(50,628)	(10,480)	(10,459)	(71,566)
Depreciation and amortization	(12,276)	(1,590)	(1,700)	(15,566)
Operating Income	**53,093**	**4,636**	**5,751**	**63,480**

EBITDA	**65,369**	**6,226**	**7,451**	**79,046**

AS OF 12.31.2014

M$	Segments			Group Total
	Chile	Colombia	Peru	
Revenue	331,814	38,713	65,709	436,236
Purchases charged to cost of sales	(232,551)	(23,117)	(49,598)	(305,267)
Expenses charged to cost of sales	(13,424)	(1,851)	(3,218)	(18,493)
Gross profit	**85,838**	**13,745**	**12,893**	**112,476**
Other income by function	298	0	0	298
Other operating expenses	(44,749)	(10,638)	(8,820)	(64,206)
Depreciation and amortization	(10,781)	(2,003)	(1,735)	(14,519)
Operating Income	**30,607**	**1,105**	**2,338**	**34,049**

EBITDA	**41,387**	**3,108**	**4,073**	**48,568**

VARIATION

M$	Segments			Group Total
	Chile	Colombia	Peru	
Revenue	(52,304)	(2,901)	(2,418)	(57,623)
Purchases charged to cost of sales	83,533	5,557	7,311	96,401
Expenses charged to cost of sales	(1,258)	304	124	(830)
Gross profit	**29,971**	**2,960**	**5,017**	**37,948**
Other income by function	(110)	0	0	(110)
Other operating expenses	(5,879)	158	(1,639)	(7,360)
Depreciation and amortization	(1,495)	413	35	(1,047)
Operating Income	**22,487**	**3,531**	**3,413**	**29,430**

EBITDA	**23,982**	**3,118**	**3,378**	**30,478**

4. ANALYSIS OF THE CONSOLIDATED FINANCIAL POSITION

ASSETS

	12.31.2015 M$	12.31.2014 M$	Var. M$	Var. %
Currents assets	74,458	48,574	25,884	53.3%
Non-currents assets	266,086	244,417	21,668	8.9%
Total assets	**340,544**	**292,992**	**47,552**	**16.2%**

The assets of Empresas Lipigas S.A. as of December 31, 2015 increased M$47,552 or 16.2% regarding figures recorded as of December 31, 2014. The main variations correspond to:

- Current assets increased M$25,884 mainly by the increase in cash and cash equivalent given cash surplus from cash flows from the placement of the corporate bond issued in April, by the increase in trade receivables and other current receivables and by the increase of LPG inventories in Chile due to the start of operations of the maritime terminal.

- Non-current assets increased M$21,668 mainly due to the increase of investment in property, plant and equipment resulting from the incorporation of the investment in the maritime terminal of Quintero as a financial lease in the amount of M$37,318.

LIABLITIES

	12.31.2015 M$	12.31.2014 M$	Var. M$	Var. %
Current liabilities	33,808	103,167	(69,359)	(67.2%)
Non-current liabilities	174,926	56,847	118,079	207,7%
Total liabilities	**208,733**	**160,014**	**48,720**	**30.4%**
Equity attributable to the owners of the controller	130,331	131,506	(1,174)	(0.9%)
Non-controlling interest	1,479	1,472	7	0.5%
Equity	**131,811**	**132,978**	**(1,167)**	**(0.9%)**
Total liabilities and equity	**340,544**	**292,992**	**47,552**	**16.2%**

The liabilities of Empresas Lipigas S.A. as of December 31, 2015 increased by M$48,720 or 30.4% regarding figures recorded as of December 31, 2014. The main variations correspond to:

- Current liabilities decreased M$69,359. The main variation is generated by payment of bank liabilities with the amount raised in the placement of the corporate bond.

- Non-current liabilities increased M$118,079, mainly due to the incorporation of the financial liabilities corresponding to the corporate bond issued in the month of April (an increase of M$ 91,792) and the accounting for the financial lease liability of the Quintero Maritime Terminal, net of advances granted to Oxiquim S.A. during the construction period, amounting to M$ 19,784.

EQUITY

The equity of Empresas Lipigas S.A. as of December 31, 2015 decreased by M$1,167 regarding figures recorded as of December 31, 2014. The main variations correspond to:

- Income for the period amounting to M$36,120
- Dividends amounting to M$35,328

5. ANALYSIS OF STATEMENT OF CASH FLOW

CONSOLIDATED STATEMENT OF DIRECT CASH FLOW	12.01.2015 through 12.31.2015 M$	12.01.2014 through 12.31.2014 M$	Var. M$	Var. %
Cash flows provided by (used in) operating activities	**72,727**	**39,893**	**32,834**	**82.3%**
Cash flows provided by (used in) investing activities	**(24,265)**	**(33,179)**	**8,913**	**(26.9%)**
Net cash flows provided by (used in) financing activities	**(26,693)**	**(7,936)**	**(18,757)**	**236.3%**
Net Increase (decrease) in cash and cash equivalents, before effects of variation in foreign exchange rates	**21,769**	**(1,222)**	**22,990**	**291.8%**
Effects of variations in foreign exchange rate on cash and cash equivalents	(226)	(261)	35	(13.4%)
Net increase (decrease) in cash and cash equivalents	**21,543**	**(1,482)**	**23,025**	**278.4%**
Cash and cash equivalents - beginning of the period or fiscal year	9,672	11,154	(1,482)	(13.3%)
Cash and cash equivalents - end of the period or fiscal year	**31,215**	**9,672**	**21,543**	**(87.7%)**

Cash and cash equivalents as of December 31, 2015 recorded a balance of M$31,215 increasing M$21,543 regarding the figure recorded as of the end of period the previous year. Said variations are mainly explained by the following movements:

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES

Operating activities generated a positive net cash flow amounting to M$72,727 as of December 31, 2015, which increased M$32,834 with respect to the cash flow for the previous year. Both payments to clients as well as payments to suppliers decrease as a result of the low prices of fuels and derived products. The cash flow increases due to improved results generated during the period.

CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES

Net cash flow used in investment activities as of December 31, 2015 is M$24,265 which decreased M$8,913 regarding cash flow used in the previous year. The decrease resulted from lower investment in property, plant and equipment and intangibles, partially offset by reduced cash flows from the sale of goods of the same category.

CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES

Net cash flow used in financing activities as of December 31, 2015 is a negative M$26,693 and presents a negative variation of M$18,757 regarding the negative net cash flow of the previous year M$7,936. The variation resulted mainly from lower dividend payments and lower cash flows from the issue of shares.

6. FINANCIAL INDICATORS

LIQUIDITY

Indicators	Units	12.31.2015	12.31.2014	Var.
Liquidity ratio (1)	Times	2.20	0.47	1.73
Acid-test ratio (2)	Times	1.81	0.37	1.44

(1) Liquidity ratio = Current Assets /Current Liabilities

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

Liquidity indicators presented an increase regarding December 2014, mainly from the decrease in current liabilities, due to the payment of bank liabilities, which is partially offset by an increase in current assets, mainly cash and cash equivalents, trade accounts receivable and inventories.

INDEBTEDNESS

Indicators	Units	12.31.2015	12.31.2014	Var.
Indebtedness ratio (1)	Times	1.58	1.20	0.38
Portion of current debts (2)	%	16.2%	64.5%	-48.3%
Portion on non-current debts (3)	%	83.8%	35.5%	48.3%
Net financial debt / Equity (4)	Times	0.66	0.53	0.13

(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.

Indebtedness ratio as of December 2015 is affected by the increase in non-current financial liabilities given the recording of a financial lease liability of the maritime terminal, the increase in financial liabilities for the issuance of the corporate bond, and the increase in other non-current financial liabilities.

Portion indebtedness indicators as of December 2015 with respect to December 2014 are affected by the transfer of current financial liabilities to non-current.

PROFITABILITY

Indicators	Units	12.31.2015	12.31.2014	Var.
Equity profitability (1)	%	27.4%	17.9%	9.5%
Asset profitability (2)	%	10.6%	8.1%	2.5%
EBITDA (3)	M$	79,046	48,568	30,478
EAT (4)	M$	36,120	23,856	12,264

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

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

(3) EBITDA = Gross profit + other income by function, other expenses by function, distribution costs, and administrative expenses + depreciation and amortization (which is included in Cost of Sales)

(4) EAT = Earnings after taxes (LTM)

Profitability indicators as of December 2015 increase compared with December 2014, given the better results during the fiscal year.

INVENTORIES

Indicators	Units	09.30.2015	12.31.2014	Var.
Inventory turnover (1)	Times	20,5	29,6	-9.1
Inventory permanence (2)	Days	17,6	12,2	5.4

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

(2)Inventory permanence = 360 days / Inventory turnover

Inventory permanence indicators increases due to the increase of product volume generated by the start of operation of the maritime terminal.

7. BUSINESS ANALYSIS

Empresas Lipigas S.A. participates in the Chilean market for LPG through the brand Lipigas. It has been present in the market for over 50 years reaching a market share of 36.5% as of August 2015, according to data provided by the Chilean Superintendence of Electricity and Fuel *(Superintendencia de Electricidad y Combustibles - SEC)*.

For the commercialization of LPG in Chile, the Company has 14 storage and/or bottling plants, a maritime terminal in the commune of Quintero and 17 distribution centers throughout the country. In addition, it has an outsourced distribution network of more than 2,400 mobile sales points achieving nationwide coverage from the Region of Arica and Parinacota to the Region of Aysén.

It also has NG residential distribution networks in the city of Calama, enabling to supply this energy to more than 3,500 homes continuously, satisfying heating, hot water and cooking needs.

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

In 2010, Empresas Lipigas entered the Colombian market through Chilco Distribuidora de Gas y Energía S.A.S. E.S.P. This company commercializes LPG and participates in the Colombian market with its brands: Gas País, Progas, Giragas, Sumapaz and Gases del Cauca, incorporating the operations of the brand Lidergas beginning May 31, 2014.

It has presence in 25 of the 32 departments of the country and has a 14.2% market share as of December 2015, according to data from Colombia's Single Information System of the Superintendence of Public Services (*Sistema Único de Información de la Superintendencia de Servicios Públicos*.)

For the commercialization of LPG in Colombia, the Company has 16 bottling plants and an own distribution network that services over 65,500 customers in addition to those clients serviced through a third-party distribution network, totaling service to approximately 470,000 clients.

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

Lima Gas participates in the Peruvian LPG market in the cylinder and bulk business and commercializes the product under two brands: Lima Gas and Caserito. Together, both brands have an 8.8% market share as of December 2015, according to data provided by Osingermin.

Currently, Lima Gas has eight bottling plants and two distribution centers, which allows for a relevant logistic capacity to supply LPG to its clients. The distribution of bottled gas is composed of more than 354 distributors that supply LPG to end customers. In the case of bulk, direct distribution reaches over 2,000 clients.

In November, 2015, the Company reached an agreement to acquire Neogas Perú S.A. through a 42 million dollar investment. Neogas Perú S.A. is a company dedicated to the distribution of compressed natural to industrial clients and supply service stations for automobiles. The Company took control over this new operation in February, 2016.

8. RISK FACTORS

Risk factors inherent to the Company's business are the markets in which it participates and the activity developed by the Company and its subsidiaries. The main risk factors that affect the business can be detailed as follows:

8.1 Credit risk

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

The Company and its subsidiaries have 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, sales receivables and other receivables, and other current and non-current financial assets.

Credit risk is mainly associated with sales receivables and other receivables. Cash and cash equivalents balances are also exposed, but to a lesser extent.

Credit risk is mainly related to trade debtors and other debtors. The balance of cash and cash equivalent is 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 deposits are diversified among different financial institutions that have high credit ratings.

The Company has signed an agreement that commits to give advances to Oxiquim S.A. with which it has signed contracts for the provision of the service of reception, storage and dispatch of liquefied gas facilities already built at the maritime terminal property of that entity. The Company has performed a solvency analysis of Oxiquim S.A., concluding that there are no significant non-collection risks. These advances are offset by the financial lease liability entered into with Oxiquim S.A. as a result of the beginning of operations in March 2015 of the maritime terminal.

The maximum exposure to credit risk is as follows:

Financial Assets	Note	09.30.015 Th$	12.31.2014 Th$
Cash and cash equivalents	3	31,214,918	9,671,802
Trade receivables and other accounts receivable	7	25,394,451	23,414,686
Other current financial assets	4	246,977	1,180,327
Other non-current financial assets	4	-	15,393,232
Total		**56,856,346**	**49,660,047**

8.1.1 Policy on uncollectable debt

Uncollectable provisions are determined according to the Company's policy on uncollectable debt.

This policy sets out the following criteria for provisions:

- Expired documents: provisioning balances more than 180 days due.
- Bounced checks: provisioning the total balance of the debt.
- Invoices and/or sales receipts:
  - Balances more than 180 days due are provisioned
  - If there is a debt of more than 180 days and the sum of the debt of more than 90 days is higher than 30% of the total debt, then the total debt is provisioned.

- Special provision:
  a. A special provision is made, considering partial or total debt, should the Company detect clients are presenting payment inability, even when it has not been classified within the above criteria.
  b. A special provision is made, considering partial or total debt, should a client refinance a relevant amount of its debt.

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, allowing for credit lines to deal with particular 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.

Note 14 to the Consolidated Financial Statement presents an analysis of the Company's financial liabilities classified according to their expiration.

8.3 Market risk

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

8.3.1 Exchange rate and adjustment 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 Company's functional currency:

- Purchases of goods and future payment commitments expressed in foreign currency: the Company's fund flows are constituted mainly by transactions in its functional currency and that of its subsidiaries. The Company covers the risk of purchase operations of liquefied gas and imports of goods or commitments of future payments in foreign currency through forwards.

As of December 31, 2015 and December 31, 2014, the balances of accounts receivable and accounts payable in currencies other than the functional currency of the Company and its subsidiaries were as follows:

Originating transaction currency: US dollar

Trade accounts and accounts payable as of 12.31.2015	Th$ 2,651,490
Trade accounts and accounts payable as of 12.31.2014	Th$ 3,379,081

- Foreign investments: as of December 31, 2015, the Company holds net foreign investments in Colombian pesos for an amount equivalent to Th$15,839,084 (Th$20,659,457 as of December 31, 2014) and in Peruvian soles for an amount equivalent to Th$21,452,740 (Th$17,490,074 as of December 31, 2014).

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

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

- Debt securities: The Company’s indebtedness corresponds to the placement of Series E bonds in the local market during the month of April 2015 (mnemonic code BLIPI-E), charged to the 30 year bond line registered in the Securities Register under number 801, for the amount of UF 3,500,000, proceeding to cancel most of the Company’s bank liabilities in Chile. The placement rate was 3.40% for a face rate of 3.55%. Interest is payable semi-annually and the principal will be amortized in one single installment on February 4, 2040. This liability is denominated in Unidades de Fomento (UF), which is indexed to inflation in Chile and differs from the Company’s functional currency (CLP). However, this risk is mitigated since most of the Company’s profit margins are correlated to the variation in the UF.

- Financial lease risk: The Company signed a lease agreement with Oxiquim S.A. for a period of 25 years for the use of reception, storage and office facilities to be built by Oxiquim S.A., in the amount of UF 1,520,773. The annual interest rate is 3.0%. The nomination currency of this liability is the Unidad de Fomento (UF), which is indexed to inflation in Chile, and differs from the Company's functional currency (CLP). However, this risk is mitigated since most of the Company's profit margins are correlated to the variation in the UF.

- Sensitivity analysis regarding exchange rate variations and adjustment units

The Company estimates that a 10% increase or decrease in the exchange rates and 1% in the value of the UF, to which it is exposed, would generate the following effects:

Exchange rate variation	Charge (Credit) Increase Th$	Charge (Credit) Increase Th$	Allocation
CLP/UF	1,114,896	(1,114,896)	Results by adjustment units
CLP/USD	265,149	(265,149)	Exchange rate differences
CLP/USD	(32,876)	32,876	Reserves for cash flow hedges
CLP/COP	(1,583,908)	1,583,908	Reserves for exchange rate translation differences
CLP/PEN	(2,145,274)	2,145,274	Reserves for exchange rate translation differences

8.3.2 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 December 31, 2015, 95% of the Group's financial debt is at fixed rates. As a result, the risk of fluctuations in market interest rates regarding the Company's cash flows is low. 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 December 31, 2015, and 2014:

Category	Note	Maturity in less than one year		Maturity in more than one year		Total	
		Fixed interest Th$	Variable interest Th$	Fixed interest Th$	Variable interest Th$	Fixed interest Th$	Variable interest Th$
Other financial liabilities	14	3,117,134	147,357	110,159,512	5,207,592	113,276,646	5,354,949
Total as of 12.31.2015		**3,117,134**	**147,357**	**110,159,512**	**5,207,592**	**113,276,646**	**5,354,949**

Category	Note	Maturity in less than one year		Maturity in more than one year		Total	
		Variable interest Th$	Fixed interest Th$	Variable interest Th$	Variable interest Th$	Fixed interest Th$	Variable interest Th$
Other financial liabilities	14	63,107,320	13,747,436	2,675,154	582,761	65,782,474	14,330,197
Total as of 12.31.2014		**63,107,320**	**13,747,436**	**2,675,154**	**582,761**	**65,782,474**	**14,330,197**

8.3.3 Risks related to commercialized products

a) LPG

The Company participates in the distribution of liquefied gas business in Chile, with coverage that extends between the Region of Arica and Parinacota and the Region of Aysén, reaching a market share of 36.5% at December 31, 2015, as the latest information that the Company has.

At the end of 2010 the Company entered the Colombian market through the purchase of assets from Grupo Gas País, currently achieving a presence in 25 of the 32 Colombian departments and reaching a market share of 14.2% as of December 31, 2015, as the last information the Company has.

Continuing with its internalization process in the LPG industry, in July 2013, the Company acquired 100% of Lima Gas S.A., a Peruvian LPG distributing company, which as of November 30, 2015, reached a market share of 8.3%, as the latest information the Company has.

a.1) Demand

The demand for residential LPG is not significantly affected by economic cycles since it is a basic consumption good in all countries where the Company operates. However, factors such as temperature, precipitation levels and the price of LPG compared with other alternative fuels, could affect it. In some regions, demand has a high seasonality resulting from temperature variations.

Given that it participates in a highly competitive market, the sales volume of the Company and its subsidiaries may be impacted by the business strategy of its competitors.

a.2) Supply

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

In the case of 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 performed when importing this fuel from Argentina and Peru, and by sea beginning March 2015.

In order to strengthen its strategic position in terms of LPG supply, in 2012, the Company entered into a series of agreements with Oxiquim S.A. to develop the construction of facilities for the reception, storage and dispatch of LPG at the terminal owned by that company located in the Quintero Bay, allowing the Company to have different seaborne supply sources beginning March 2015. To this end, the Company signed a lease agreement and an agreement for the provision of unloading, storage and dispatch services of LPG for a period of 25 years for the use of the facilities built by Oxiquim S.A. and which are available since March 2015.

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 ensures 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 actors.

For the Peruvian market, LPG supply presents a high concentration in Lima where 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 local market actors.

a.3) Prices

LPG purchase prices are affected by the variations of international value of fuel prices and exchange rate variation of local currency with respect to the U.S. dollar. The Company does not foresee risks of not being able to transfer the variations of LPG costs to the sales price.

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

b) Natural gas

The demand for residential natural gas is not significantly affected by economic cycles since it is a basic consumption good. Regarding the risk of product supply for the operation that the Company owns in the North of Chile, it is covered with long-term agreements with a local supplier.

c) Liquefied natural gas

The Company has agreements for the supply of liquefied natural gas (LNG) to industrial clients, 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 entered into an LNG supply agreement with Enap Refinerías S.A., which includes the "take or pay" clause (with the same characteristics as of those signed with customers) offsetting the risk. ENAP S.A. in turn maintains supply agreements with Terminal Quintero so as to comply with an Annual Supply Plan entered into by both parties.

8.4 Regulatory Risk

In May 2014, the Government unveiled the Energy Agenda of the government of Michelle Bachelet, President of the Republic of Chile, consisting of seven axes. On its axis N° 2, the document states, among other matters, that a legislative proposal will be sent to carry out a tariff fixation of the non-concession network gas distribution market.

During 2015, Chile's National Energy Commission (CNE) published its Profitability Review for distributing gas companies through concession networks, where it advises that the Company (due to its distribution of natural gas operation in the city of Calama) obtained a profitability of 4.9% in 2014, not exceeding the maximum 11% established by Chile's General Decree Law N°323 (DFL 323).

On January 29, 2015, the Executive Branch sent to Congress the draft amendment of DFL 323 of 1931 (General Gas Law) where among other changes, it establishes new criteria to be used in the methodology of determining maximum profitability of gas distribution concession networks. As already set up under DFL 323, profitability excess above the maximum allowed, will generate the beginning of a tariff-setting process.

The Company is only subject to the profitability control mechanism for the operation of the natural gas distribution network in the city of Calama.

On February 10, 2016, Chile’s Supreme Court accepted the query presented by Chile’s National Consumers and Users Corporation *(Corporación Nacional de Consumidores y Usuarios – CONADECUS)* and ordered Chile's Court on Anti-Competition Cases to review the vertical and horizontal integration of the NG and LPG business.

The LPG distribution market, in all its segments, is an extremely competitive market, since its inception, which is reflected in market share variations of the companies that participate in it. In vast areas of the country, LPG competes with the natural gas network. Moreover, the competition is given, not just among LPG and natural gas distribution companies, but with the rest of substitute energy sources (firewood and its derivatives, diesel, kerosene, electricity, etc.).

Empresas Lipigas permanently reviews its cost structure to optimize it and continue to be a competitive alternative to other energies. Given its ease of transportation and diversity of the different supply sources, LPG has proven to be a competitive, reliable and alternative energy that is available throughout the country.

Therefore, the establishment of reasonable profitability rates for the supply of gas in the concession network should not significantly affect the competitive situation on the market.

Also, in September of 2014, Chile's Court on Anti-Competition Cases (*Tribunal de Defensa de la Libre Competencia - TDLC*) rejected the request of Chile's National Economic Prosecutor (*Fiscalía Nacional Económica - FNE)* to recommend to the authority the establishment of rules to regulate in Chile the mandatory transfer of LPG tanks or cylinders between companies, as well as the establishment of a regulation on the price of such transfers. The TDLC ruled that "the costs associated to the suggested recommendation of rule amendment may eventually be greater than the benefits in terms of increased competition between LPG suppliers ".

As mentioned before, the distribution of household gas is a highly competitive market. The Company agrees with the decision of the TDLC in the sense that fixing standards to regulate the mandatory transfer of LPG tanks and cylinders would introduce a distorting element and would generate uncertainty over such relevant matters including the maintenance and safety of the facilities.

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

8.5 Accident risks

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

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

- Training of collaborators and contractors regarding safe operations.
- Emergency response procedures with on-site service vehicles.
- Awareness actions on the safe handling of gas between clients and the community in general (firemen, associations, etc.).
- Maintain OHSAS 18001:2007 Occupational Health and Safety Assessment Series at 11 of the 13 storage and bottling plants in Chile.
- Implementation of management systems based on the OHSAS standard and safety systems pursuant to the Peruvian law N° 29.783.
- Certification of 15 plants in Colombia, under ISO 9001 quality standard for the operation and maintenance of LPG storage tanks and bottling service of LPG cylinders, pursuant to legal requirements.
- Strict compliance of health, safety and environmental standards at all our operations

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

8.6 Reputation and corporate image risk

The business of Lipigas is associated with the management of fossil fuels, particularly LPG, and its commercialization to a wide-ranging customer base. If damage is caused by this product, it could lead to a deterioration of the Company's reputation and corporate image. This risk is mitigated through the implementation of appropriate operating processes within the Company.

8.7 Risk of litigation, penalties and fines

The Company may be subject to litigation, penalties or fines resulting from its business. These potential impacts are mitigated from their inception, strictly following the relevant regulations.

The Company's main business in this area is 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 Supervisory Body for Investment in Energy and Mining (Osinergmin) in Peru, which ensures compliance with the laws, decrees, rules, memorandum and resolutions related to electricity and fuels.

The legal team of Lipigas has procedures and the knowledge required to act under the protection of current laws and avoid penalties and fines.

The main litigation and sanctioning procedures currently underway involving the Company or its subsidiaries, are described in the notes to the financial statements.

8.8 Risk of changes in regulatory, political, economic and social conditions in the countries in which we operate.

Our financial and operating performance may be negatively affected by regulatory, political, economic and social conditions in countries in which we operate. In some of these jurisdictions, we are exposed to various risks such as potential renegotiation, nullification or forced modification of existing contracts, expropriation, foreign exchange controls, changes in laws, regulations and political instability. We also face the risk of having to submit to the jurisdiction of a foreign court or arbitration panel or having to enforce a judgment in another country.

Company management permanently monitors the evolution of the regulatory, political, economic and social conditions of the countries in which it operates.

8.9 Acquisition strategy risk.

We have grown, in part, through a number of significant acquisitions, including:

- The assets of Gas País in 2010 through which we started our operations in Colombia and
- Lima Gas S.A. in 2013 through which we entered the Peruvian LPG market.
- Neogas Perú S.A. which will be materialized at the beginning of 2016, through which the Company will have presence in the natural gas market in Peru.

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

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

- Failing to accurately identify suitable companies, products or brands for acquisition;
- Experiencing 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 competition authorities, in countries where we are seeking to consummate acquisitions;
- 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 substantial 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 carried out 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.

8.10 Risk of production, storage and transportation of LPG

The operations we perform at our plants involve safety risks and other operating risks, including the handling, storage and transportation of highly inflammable, explosive and toxic materials.

These risks could result in personal injury and death, severe damage to or destruction of property and equipment and environmental damage. Although we are very careful about the safety of our operations, a sufficiently large accident at one of our plants, facilities located at service stations or storage facilities or during transportation or delivery of products we sell could force us to suspend our operations in the local temporarily and result in significant remediation costs, loss of income and contingent liabilities, and adversely affect our and our subsidiaries' corporate image and reputation. In addition, insurance proceeds 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 or required replacement parts or equipment can also affect our distribution operations and consequently our operating results.

8.11 Risk that our insurance coverage may be insufficient to cover losses that we might incur.

The operation of any specialized distribution company specialized in logistic LPG operations and fuel distribution involves substantial risks of property damage and personal injury and may result in material costs and liabilities. Although we believe that current insurance levels are adequate, the occurrence of losses or other liabilities that are not covered by insurance or that exceed the limits of our insurance coverage could result in significant unexpected additional costs.

The Company constantly analyzes the risks which may be covered by insurance policies, both in the amount of possible losses for the Company as in the characteristics of the risks.

8.12 Risk of possible climate change could lead to regulatory changes

Due to concern over the risk of climate change, a number of countries have adopted, or are considering the adoption of, regulatory frameworks to, among other things, reduce greenhouse gas emissions. These could include adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. These requirements could reduce demand for hydrocarbons, as well as shifting hydrocarbon demand toward relatively lower-carbon sources. In addition many 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 demand for our products. In addition, current and pending greenhouse gas regulations may substantially increase our compliance costs and, as a result, increase the price of the products that the Company distributes.

The Company permanently monitors the evolution of legislation on climate change.